



## CAK DECISION ON PROPOSED SUBSCRIPTION OF 33.9% OF THE ISSUED SHARE CAPITAL AND JOINT CONTROL OF MAZIWA LIMITED BY PLEDGE HOLDCO LIMITED

1. The Competition Authority of Kenya has approved the proposed subscription of 33.9% of the issued share capital and joint control of Maziwa Limited by Pledge Holdco Limited unconditionally.
2. Pledge Holdco Limited, the acquiring undertaking, is wholly-owned by Texas Pacific Group (TPG). TPG controls several entities in Kenya including Dodla Dairy Limited and Cellulant Corporation.
3. Maziwa, the target, is wholly owned by Baine Limited. Maziwa holds a significant stake in Musty Distribution Limited (Musty), a Kenyan company whose main business is distribution of milk and milk-related products in Kenya, Uganda and Zambia under the brand name 'Lola'.
4. The proposed transaction involves the acquisition of 33.9% shareholding of Maziwa by Pledge Holdco, resulting in joint control (with other shareholders) of the target by the acquirer. The transaction therefore qualified as a merger within the meaning of Section 2 and 41 of the Competition Act No.12 of 2010.
5. The parties' combined and relevant turnover for the preceding year was **over Sh1 billion** and, therefore, the transaction met the threshold for full merger analysis as provided in the **Merger Threshold Guidelines**.
6. From the aforementioned commercial activities of the parties overlap in the **market for processed milk and milk-related products**. This was considered as the relevant product market for purposes of analyzing the proposed transaction.
7. Pledge Holdco and Maziwa supply their processed milk and milk-related products across the country and, therefore, the relevant geographic market for purposes of analyzing the proposed transaction is national.

8. Data from the Food and Agriculture Organization (FAO) indicates that Kenya's dairy sub-sector contributes approximately 8% of the country's Gross Domestic Product (GDP) as of 2017.
9. Available data indicates that Kenya produces about 5 billion litres of milk annually. About 2.3 billion litres is sold through milk bars and direct sales of raw milk while another 500 million liters is sold as processed milk and milk products. Around 40% of the milk produced does not reach formal markets.
10. The main players in the market for processed milk, according to KDB, and their market shares are: Brookside Dairy Limited (40%); New Kenya Co-operative Creameries Dairy Limited (25%); Sameer Agriculture & Livestock Limited (14%); Githunguri Dairy Co-operative Limited (12%); Pascha-Uplands Premium Dairies & Foods Limited (1.7%); Musty Distribution Limited (3%); Dodla Dairy Kenya Limited (0.9%); and Others (3.4%).
11. Post-transaction, the merged entity will have a market share of 3.9%. This is unlikely to raise competition concerns since its market share will be considerably low. Further, it is anticipated that the merged entity will face competition from processed milk players as well as informal milk producers.
12. Based on the foregoing, it is the Authority's view that the proposed transaction is unlikely to lead to substantial lessening or prevention of competition in the market for processed milk in Kenya.
13. Milk-related products include foods made from milk such as butter, cheese, ice cream, yogurt, and condensed and dried milk.
14. Data from the Kenya Dairy Board indicates that the main players in this market and their market shares are: Brookside Dairy Limited (45%); New Kenya Co-operative Creameries Dairy Limited (6%); Sameer Agriculture & Livestock Limited (18%); Githunguri Dairy Co-operative Limited (8%); Musty Distribution Limited (0.6%); Dodla Dairy Kenya Limited (0.9%); and Others (21.5%).
15. Post-transaction, the merged entity will have a market share of 1.5%. This is unlikely to raise competition concerns since it is considerably low. Further, it is anticipated that the merged entity will face competition from more established players.
16. Based on the foregoing, it is the Authority's view that the proposed transaction is unlikely to lead to substantial lessening or prevention of competition in the market for milk-related products in Kenya.

17. During merger analysis, the Authority considers also consider the public interest concerns brought about by the proposed transaction. Public interest concerns considerations include:

- i. extent to which a proposed merger would impact employment opportunities;
- ii. impact on competitiveness of small and medium enterprises (SMEs);
- iii. impact on particular industries/sectors; and
- iv. impact on the ability of national industries to compete in international markets.

18. It is the Authority's view that the proposed transaction is unlikely to lead to any negative public interest concerns. The parties have indicated that there will be no loss of employment of the targets' employees as a direct consequence of this merger.

19. Premised on the above, the Authority approved the proposed subscription of 33.9% of the issued share capital and joint control of Maziwa by Pledge Holdco Limited unconditionally.