



THE PROPOSED JOINT VENTURE BETWEEN ELOPAK AS AND NAMPAK SOUTHERN AFRICA HOLDINGS LIMITED

1. The Competition Authority of Kenya has approved the proposed joint venture (JV) between Elopak AS and Nampak Southern Africa Holdings Limited unconditionally.
2. Elopak AS, the first JV Party, is a holding company for entities involved in the manufacture, supply and distribution of carton-based packaging products for liquid foods (tetrapaks).
3. None of the entities controlled by the Elopak has a physical or product presence in Kenya and, therefore, did not have a relevant turnover or assets within the country.
4. Nampak Southern Africa Holdings Limited (Nampak SA), the second JV Party, is a wholly-owned subsidiary of Nampak Limited, which is listed on the Johannesburg Stock Exchange. Its Kenyan subsidiaries are Bullpak Limited and Nampak Kenya Limited.
5. Nampak SA is involved in the manufacture and distribution of packaging materials including beverage cans, metal cans, plastic bottles, cases, tubes, corrugated paper boxes, liquid packaging boxes and bags, among others.
6. Bullpak Limited is engaged in the manufacture and supply of single wall self-opening paper sacks for use by maize and wheat millers. The firm also produces plain single-ply bleached and brown kraft paper. Nampak Kenya manufactures and distributed metal packaging products including food and shoe polish cans and metal drums.
7. The proposed transaction involves the incorporation of a Kenyan-based joint venture vehicle, controlled by the two parties to the joint venture, Nampak and Elopak, with the parties seeking to leverage on their strengths with respect to technology capacity and expertise as well as distribution channels. The parties have indicated that they will rely on tetrapak imports at the nascent stages of the JV but plan to set up their own manufacturing plant locally.
8. Whereas Elopak AS does not have operations in Kenya, the Authority considered that Nampak's assets valued at more than Sh1 Billion and therefore the transaction meets the



thresholds for a full merger notification as provided for in the Threshold Guidelines under the Competition (General) Rules, 2019.

9. Based on the aforementioned business activities of the JV parties as well as Nampak SA's subsidiaries, the relevant product market for analyzing the proposed transaction was determined to be the market for the manufacture of liquid food packaging materials.
10. Nampak operates in the country through its two subsidiaries and therefore the national market for Nampak and Bullpak was considered the relevant geographical market for purposes of analyzing the transaction.
11. Liquid food products require specialized handling for safety and longevity purposes. According to the Tetrapak Index 2020 Report, a majority of liquid foods manufacturers in the sector prefer to package their products using plastic and plastic material. However, the ban on plastics in 2017, and a proposal to also impose similar restrictions on use of PET bottles, has forced market players to explore alternatives/substitutes such as tetra paks.
12. From an Africa-wide perspective, Tetrapak is the leading manufacturer and distributor of tetra pak packaging materials with a market share of 32%. Elopak and Nampak have a market share of 6% and 4% respectively.
13. In Kenya, Tetra Pak East Africa Limited (Tetrapak) is the single largest local manufacturer of tetra pak packaging materials. Other entities that import and distribute the packaging material include: Nampak, Banawi, Atlas, Ramsis and Techpak.
14. Plastic producers still dominate the sector with a market share of 40%. The main players are Blowplast, Ashut and Kenpoly.
15. Post-merger, the market structure and concentration in the market for liquid foods packaging materials is unlikely to immediately change since the joint venture entity is seeking to enter the tetra pak supply market in Kenya with an intention of setting up a local manufacturing.
16. In addition, the merged entity will face competition from Tetrapak and Techpak, the main players in the tetrapak market, as well as plastic manufacturers who control the wider market.



17. During merger analysis, the Authority also considers the impact that a proposed transaction will have on public interest. The 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. The parties to the transaction have indicated to the Authority that the proposed transaction will have a positive impact on employment, more so if their ambition to set up a manufacturing plant locally is actualized.
19. With regard to efficiencies, the parties noted that one of the motivations of actualizing the the JV is technology transfer which will potentially make their materials to be more competitively priced and more favourable as a packaging material as compared to plastics.
20. Based on the foregoing, the Authority approved the proposed joint venture between Elopak AS and Nampak Southern Africa Holdings Limited unconditionally.