



CAK DECISION ON THE PROPOSED ACQUISITION OF MINORITY CONTROL IN DUNE PACKAGING LIMITED BY ASCENT CAPITAL HOLDINGS AFRICA II LIMITED

1. The Competition Authority of Kenya has approved the proposed acquisition of minority control in Dune Packaging Limited by Ascent Capital Holdings Africa II Limited unconditionally.
2. This approval is based on the finding that the transaction is unlikely to neither negatively impact competition in paper and polypropylene packaging market, nor elicit negative public interest concerns, two key considerations during merger analysis.
3. Ascent Capital Holdings Africa II Limited (Ascent Capital) is incorporated in Mauritius and is involved in provision of financial, insurance, healthcare and education services. It also has investments in the hospitality sector.
4. Dune Packaging Limited (Dune Packaging) is incorporated in Kenya and is involved in the business of manufacturing paper packaging materials used in various industries including food, beverage, pharmaceutical and retail. Dune's subsidiary, Tiger Packaging Limited, manufactures woven polypropylene bags.
5. In February 2023, Dune Packaging acquired the entire issued share capital of Palm Tree Kenya Limited, which manufactures paper and paper products, including paper straws, and glue for packaging.
6. The acquisition was excluded from Part IV of the Competition Act. The justification was that, though the combined value of assets/turnover was above Ksh. 1 billion, the target's asset value was below Ksh. 500 million. Therefore, the transaction met the thresholds for exclusion under the Competition (General) Rules, 2019.
7. The proposed transaction, involves the acquisition of a minority controlling interest of up to 49% of the issued share capital of Dune Packaging plus veto rights which include the appointment of senior management, control of business plans and budgeting decisions by Ascent Capital.
8. Therefore, the transaction qualified as a merger within the meaning of Section 2 and 41 of the Act. The Act stipulates that a merger, or takeover, may occur when an undertaking directly or indirectly acquires control over another business within Kenya. This may happen through, among others, purchase/lease of shares, exchange



of shares, vertical integration.

9. Further, merging parties whose combined turnover or assets, whichever is higher, is over Ksh. 1 Billion are required to seek approval from the Authority prior to implementing the proposed transaction. The transaction between Ascent Capital and Dune Packaging met this threshold for mandatory notification and full analysis as provided in the [Competition \(General\) Rules, 2019](#).
10. During merger analysis, and in order to determine the impact that a transaction will have on competition, the Authority identifies the **relevant product market** as well as the **relevant geographic market**.
11. The **relevant product market** comprises products/services that are interchangeable or substitutable by the consumer due to their characteristics, prices and/or intended use. Based on this criterion, the relevant product market for the proposed transaction is the **market for paper and polypropylene packaging materials**.
12. Determination of the **relevant geographic market** involves interrogating the area in which merging parties undertake the business and in which competition conditions are sufficiently similar. With regard to the proposed transaction, Dune Packaging provides its manufactured packaging materials throughout the country. Therefore, for this transaction, the relevant geographic market is **national**.
13. The Kenyan market of packaging materials has experienced significant shifts over the years. In 2017, Kenya implemented a ban on single-use plastic carrier bags with a thickness of less than 30 microns. This affected companies switched from the manufacture of plastics packaging to paper packaging.
14. The uses of paper packaging and polypropylene sacks vary depending on the industry, region, and customer requirements. Paper-based packaging and polypropylene sacks are substitutable with plastic and jute products. The current market size for paper bags and sacks packaging in Kenya stands at approximately Ksh. 34 billion according to a 2023 report by 6Wresearch. The target undertaking's market share, calculated based on the industry size and submissions by the parties, is about 20% for paper packaging materials and 0.1% for polypropylene.
15. Post-merger, the market structure and concentration of the market for paper packaging and polypropylene bags will not be affected since the parties' activities do not overlap. Therefore, the transaction is **unlikely to lead to a substantial lessening of competition in the market for paper and polypropylene packaging materials in Kenya**.
16. During merger analysis, the Authority also considers the impact that a proposed

transaction will have on public interest. Public interest in this case refers to various economically-inclined concepts that, when considered, protect the welfare of the Public. Some of the public interest considerations enumerated in the Act are;

- a) extent to which a proposed merger would impact employment opportunities;
- b) impact on competitiveness of SMEs;
- c) impact on particular industries/sectors; and
- d) impact on the ability of national industries to compete in international markets.

17. As per the parties' submissions, this transaction will not elicit negative public interest concerns. Specifically, there will be no loss of employment.

18. Premised on the above, the Authority approved the proposed acquisition of minority control in Dune Packaging Limited by Ascent Capital Holdings Africa II Limited unconditionally.