THE PROPOSED ACQUISITION OF CONTROL OF CHEMI & COTEX KENYA LIMITED BY UNILEVER OVERSEAS HOLDINGS B.V

1. The Competition Authority of Kenya has conditionally approved the acquisition of 90% of the issued share capital of Chemi & Cotex Kenya Limited by Unilever Overseas Holdings B.V.

2. Unilever Overseas Holdings B.V (Unilever B.V), the acquirer, is a wholly owned subsidiary of Unilever PLC, a company listed on the London Stock Exchange and the New York Stock Exchange.

3. Unilever B.V, through entities it controls in Kenya, is involved in the distribution of skin, hair, and oral care and food products.

4. Chemi & Cotex Kenya Limited (CCKL), the target, is wholly owned by Chemi & Cotex Industries Limited (CCIL). It is involved in the distribution of cosmetics, beauty, hair, oral care products and food products.

5. The proposed transaction involves the acquisition of 90% of the issued share capital of CCKL's holding company by Unilever Overseas Holdings B.V. The acquirer shall assume a direct control of the investment company and indirect control over Chemi & Cotex Kenya Limited.
6. The transaction therefore qualified as a merger within the meaning of Section 2 and 41 of the Competition Act No.12 of 2010.
7. The parties' combined and relevant turnover for the preceding year was **over Sh1 billion.** The transaction therefore met the threshold for full merger analysis as provided in the **Merger Threshold Guidelines**.
8. The parties' activities overlap in the distribution of skin, hair and oral care products. Therefore, for purposes of analysing the proposes transaction, the relevant product markets were determined as the market for; (i) skin care, (ii) oral care and (iii) hair care products.

9. The target and the acquirer supply their product throughout the country and, therefore, for the purpose of analysing this transaction, the relevant geographic market was determined as national.

A. Hair care product market

10. The market for hair care products constitutes braid sprays, vibrant sheen, shampoo, and relaxer hair food.

11. The acquirer deals in the Tressa brand of hair care products. The target produces shampoos, conditioners and gel under the Suave and Alberto Balsam brands.

12. According to Euromonitor, Haco, L'Oréal East Africa Limited, and PZ Cussons aggregately control approximately 72% of this market. Pre-merger, Unilever B.V's market share is 1.1% while the target's market share is below 1%. Therefore, the merged entity will have a market share of less than 2% in the market for hair care products.

B. Oral care product market

13. The products in this market include, but are not limited to, toothbrushes, toothpaste, dental floss, dental picks and sticks, oral irrigators, teeth whiteners, mouth wash and tongue scrappers, among others.

14. According to Euromonitor, Colgate is the market leader with a 62% market share. GSK and the acquirer each control 12% of the market while target has a market share of 5%. Therefore, the merged entity will have a market share of 17%.

15. The acquirer produces toothpaste and toothbrushes under the Close-Up and Pepsodent brands while the target produces the White Dent brand of toothpaste.

C. Skin care product market

16. **Skin care** products include cream, glycerine, lotions and petroleum jelly, among others.

17. The target, Chemi & Cotex Kenya Limited, deals in brands such as Bodyline Baby Soft Skin Glow Siri, U & Me, and Lovely, and Bannister. The acquirer produces Vaseline, Geisha, Dove, and St Ives brands.

18. The main players in the in the relevant market and their respective market share are indicated in the table below.

19. Market data indicates that the Unilever Group is the market leader with 19% while the target's market share is below 1%. The merged entity, therefore, will have a post-merger market share of below 20%. Other players in the market include Beiersdorf (14%), Canon (11%), Nice &

Lovely (11%), and TCI (K) Ltd (8%) among others.

20. However, the Authority noted that the target is a recent entrant into the market and has been offering competitive prices as compared to the other brands. It is therefore conceivable that the merger may result in its products being phased out of the market to protect established brands.

21. From the analysis of the three product markets, the merged entity's anticipated market share, and that of competitor firms, the Authority is of the view that the proposed transaction is unlikely to lead to a substantial lessening or prevention of competition.

22. Additionally, the transaction is unlikely to lead to any negative public interest concerns. The public interest concerns that the Authority considers during merger analysis 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.

23. The acquirer noted that the proposed transaction will enable it expand its product offering and footprint, having a positive impact on employment opportunities.

24. Premised on the fact that the proposed merger is unlikely to lead to a substantial lessening or prevention of competition and that it also unlikely to raise public interest issues, the Authority approved the proposed acquisition of 90% of the issued share capital of Chemi & Cotex Kenya Limited Overseas Holdings B.V.

25. **The approval was granted on condition that the acquirer continue providing the target's products (Whitedent, Bodyline, Baby Soft, Skin Glow, Siri, U & Me, Lovely, Bannister and Tressa) in the market for at least three (3) years upon conclusion of the transaction.**