THE PROPOSED INVESTMENT IN KUKU FOODS KENYA LIMITED BY VIVO ENERGY INVESTMENTS B.V.

1. The Competition Authority of Kenya has unconditionally approved Vivo Energy Investments B.V.'s proposed investment in Kuku Foods Limited.

2. Vivo Energy Investment B.V. (Vivo), the acquirer, is ultimately owned by Vivo Energy Plc.

3. Vivo Energy is a Shell licensee in Africa, distributing and marketing Shell-branded fuels and lubricants. Vivo also deals in liquefied petroleum gas (LPG) as well as marine and aviation fuels.

4. The target, KUKU Foods Kenya Limited (KUKU) is incorporated in Kenya. KUKU is involved in the fast food restaurant business, operating outlets franchised from American fast food chain Kentucky Fried Chicken (KFC).

5. The proposed transaction is an investment leading to the acquisition of joint control of KUKU Foods Kenya Limited by VIVO Energy Investments B.V. The transaction therefore qualified as a merger within the meaning of Section 2 and 41 of the Competition Act No.12 of 2010.

6. 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**.

7. The acquirer is an oil importer and marketer in Kenya where it distributes and markets Shell-branded fuels, lubricants and liquefied petroleum gas (LPG) to both retail and commercial consumers. The target is a fast food restaurant chain franchise.

8. Based on the foregoing, the parties' business activities do not overlap. However, the lines of business are complimentary in nature since fast food outlets can be set up in petroleum retail outlets, providing convenience to motorists who frequent the strategically-located stations.

9. From the foregoing, the Authority determined that the relevant product market for the purposes of this transaction is the market for fast food restaurant services. The target has 24 outlets in Nairobi, Mombasa, Nakuru, Eldoret, Kisumu and Nanyuki. Therefore, the relevant geographical market is regional and specific to the aforementioned towns/cities.

10. The target clientele of fast foods is the youth, including teenagers and young children. Some of the major fast food restaurants operating in Kenya are; KFC (KUKU), Innscor (Pizza Inn, Galitos, and Creamy Inn) Big Square, Pizza Hut, Steers, among others.

11. Java is the leading market player with an estimated market share of 34%. This is based on number of outlets it owns across the country's major cities/towns. Innscor and KFC (KUKU) are second and third placed, with a market share of 16% and 15% respectively.

12. It is the Authority's view that the proposed transaction will not have an impact on the market share of the merged entity given that target is only active in the fast food restaurant business locally. The acquirer is seeking to increase the target's outlets by providing access to its outlets across the country. Based on the foregoing, the proposed transaction is unlikely to raise competition concerns.

13. Furthermore, it is anticipated that the merged entity will face stiff competition from its competitors like Java and Innscor as well as supermarket outlets that are increasingly offering fast food services. Additionally, stand-alone restaurants like Pronto, Peperoni, Charlies, and CJs are offering similar services and will also offer competitive restraint.

14. From the foregoing, it is the Authority's view that the proposed transaction is unlikely to lessen or prevent competition in the market for provision of restaurant services in Nairobi, Mombasa, Nakuru, Eldoret and Nanyuki.

15. Additionally, the transaction is unlikely to lead to any negative public interest concerns.

16. Public interest concerns 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.

17. Premised on the above, the Authority approved VIVO Energy Investments B.V.'s proposed investment in Kuku Foods Limited unconditionally.