



## THE ACQUISITION OF 100% OF THE BUSINESS AND ASSETS OF DESBRO (KENYA) LIMITED BY BRENNTAG (HOLDING) B.V OR ITS NOMINEE

1. The Competition Authority of Kenya approved, with conditions, the acquisition of 100% of the business and assets of Desbro (Kenya) Limited by Brenntag (Holding) B.V. or its nominee.
2. Brenntag (Holding) B.V. (Brenntag), the acquirer, is a part of Brenntag Group which is involved in the distribution of a wide range of industrial chemicals. The chemicals are used in the manufacture of food additives, preservatives, oil and gas, adhesives and construction, plastic additives, polymers, rubber surface technology, automotive, surface technology, among others.
3. Desbro (Kenya) Limited (Desbro), the target, is incorporated in Kenya. The company distributes over 600 industrial chemicals to various industries in Kenya, Uganda, Rwanda, Burundi and Ethiopia. Its main products are; solvents, plastics, paraffin wax, textile dyes and Auxiliaries, paint additives and caustic soda.
4. The proposed transaction involves the acquisition of 100% of the business and assets of Desbro by Brenntag. The assets include; intellectual property, business records, equipment, goodwill, licenses, stock, third party rights and employees.
5. 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 combined turnover of the merging parties for the preceding year (2017) was **valued at over Sh1 billion** and, therefore, the transaction meets the threshold for full merger analysis as provided in the **Merger Threshold Guidelines**.
7. Brenntag's and Desbro's commercial activities overlap in the business of distributing industrial chemicals. Brenntag currently sells some of its products to Desbro hence there exists a vertical relationship. Therefore, for purposes of analysis of this

transaction, the relevant product market was determined as the market for distribution of industrial chemicals.

8. The parties distribute their products throughout Kenya and therefore the relevant geographical market was determined to be national.
9. According to the 2018 Kenya National Bureau of Statistics (KNBS) Survey, the market structure and concentration in the market for distribution of industrial chemicals in Kenya is as follows; Desbro Kenya (4%); Tripak Limited (4%); ASL Limited (4%); Metro Plastics Limited (3%); Raj Chem Limited (3%); Catalyst Chemicals Limited (1%) and Euro Industrial Chemicals (1%). Other firms, including direct importers such as Brenntag, control 80% of the market.
10. The market remains highly competitive with all players having less than 5% of the market share. It is also highly dependent on imports that account for 80% of the market.
11. Post-merger, the merged entity will have a market share of less than 5%. The Authority anticipates that the merged entity will face competition from the other players in the relevant market. Therefore, the transaction is unlikely to negatively affect the market structure and concentration.
12. **Additionally, since the transaction constitutes a vertical merger, the possibility of the merged entity creating input foreclosure is low due to the fact that, currently, the market shares of the merged entity is low and the acquirer distributed less than 1% of its products in the market. Further, the acquirer does not possess market power as evidenced by the minimal market share.**
13. Based on the foregoing, it is the Authority's view that the proposed transaction is unlikely to lead to a substantial lessening or prevention of competition in the market for distribution of industrial chemicals in Kenya.
14. With regards to public interest, the proposed transaction is likely to raise public interest concerns in regard to employment since the target's 80 employees were likely to lose their jobs.
15. The approval was granted on condition that Brenntag retains the 80 employees engaged in the target's business post-transaction for a period of one year.