The price might be right, but simmer down: a “Yup” is still required from competition authorities in Mr. Price’s strategic Yuppiechef acquisition

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South Africans have been left with dropped jaws at the news that Mr Price Group has entered into an agreement to acquire the local Yuppiechef, known for their quirky, luxury kitchenware.

The owners of Yuppiechef are certainly pleased with their agreement with Mr Price Group to have 100% of their issued share capital acquired in cash for around R470 million and stated that “the timing is right for Yuppiechef to move forward with its growth ambitions with a partner who has a shared vision and the resources to help achieve this. I am excited about our future as a part of the Mr Price Group. They are a business which prides themselves on innovation and growth and we are strategically aligned in our plans. We share similar cultures and values which will make this an easy fit for both parties.”

According to Mr Price Group, the acquisition will provide the opportunity for Mr Price Group to expand their market share by reaching a high-end customer base in the kitchen appliance department, as well as expand their product variety from that which is already part of the Mr Price Group offering. Yuppiechef has a larger online presence than Mr Price Group, as such, Mr Price Group will reap competitive benefits from the online presence of Yuppiechef, which will enable them to become a more effective competitor with the likes of inter alia, Takealot.

According to the voluntary announcement from Mr Price Group regarding the acquisition of Yuppiechef, “the targeted effective date is subject to the fulfilment of both regulatory and commercial suspensive conditions which includes competition authority approval.” As such, it is important to note that section 13(3) of the Competition Act 89 of 1998 (“Act”) states

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that "the parties to an intermediate or large merger may not implement that merger until it has been approved, with or without conditions, by the Competition Commission." Thereafter, according to section 12A(2) of the Competition Amendment Act 18 of 2018 ("Amendment Act"), a proposed merger must be evaluated on both competition and public interest grounds.

Accordingly, although South Africans are excited about the success story of the local Yuppiechef start-up, it is important to note that the proposed acquisition is still subject to scrutiny from the competition authorities before implementation of the merger can take effect.

Further, Yuppiechef is not the only home-grown retail store that Mr Price Group has sunk it's teeth into as they seem untouched by the COVID-19 pandemic in their acquisition of Power Fashion, which was approved by the Competition Tribunal in March 2021. The acquisition of Power Fashion, with 170 retail stores, places Mr Price Group in an even stronger competitive position against the likes of Pep and JAM Clothing. According to the South African Primerio team, this acquisition places Mr Price Group in a strategic position to compete more vehemently with the lower end market, while Mr Price Group's proposed acquisition of Yuppiechef places Mr Price Group in a position to access the higher end market.

It seems that Mr Price Group intends to diversify its market share to such an extent that they are able to access the entire market, being both the lower end and the higher end consumer through the acquisition of Power Fashion and proposed acquisition of Yuppiechef respectively. The large scope of retail outlets provided by Power Fashion allows Mr Price Group to expand their physical store offering, while the online retail side will soon be catered for by the acquisition of YuppieChef.

According to Moneyweb the Mr Price Group's JSE listing is "around 64% up on a year ago when South Africa went into its first Covid-19 lockdown". Accordingly, Mr Price Group's diversification and broader acquisition of market share may be one of the reasons that Mr Price Group finds itself at a stock high, unfettered by effects of the COVID-19 pandemic.

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