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The impact of mergers and acquisitions on unemployment in South Africa

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A research project submitted to the Gordon Institute of Business Science, University of Pretoria, in partial fulfilment of the requirements for the degree of Master of Business Administration

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Abstract

Mergers, acquisition, and unemployment have been on the increase in South Africa since 1994 when South Africa became a democratic country. Unemployment is a major challenge facing the South African economy. International researchers have found that in most countries where mergers and acquisitions are encouraged, employees of the acquired companies tend to lose employment in years subsequent to those mergers.

This research paper aimed at establishing whether South African employees had similar experiences as those overseas. Altogether 42 listed companies that have been acquired in the period between 1996 and 2008 for the value exceeding R500 million were used for the research. An additional 11 companies not undergoing mergers were also selected.

The outcome was that acquired companies negatively affect employment. These companies are able to grow their businesses but not in correlation to growing their workforce.

Keywords

Mergers and Acquisition (M&A), Employment, South Africa

Declaration

I declare that this research project is my own work. It is submitted in partial fulfilment of the requirements for the degree of Master of Business Administration at the Gordon Institute of Business Science, University of Pretoria. It has not been submitted before for any degree or examination in any other University. I further declare that I have obtained the necessary authorisation and consent to carry out this research.

………………………………………………. Date:……………………….

Siphamandla Nene

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I would like to dedicate this study to my late mother, Mrs Penelope Thandekile Nene

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CHAPTER 1: THE RESEARCH PROBLEM

1.1 Introduction

South Africa has a labour market that is growing at a rate that cannot be met by the economy. On 27 April 1994, South Africa held its first democratic election, which saw the African National Congress (ANC) victorious emerging with 62% majority of the votes (Burger, 2012) . The new South African government at the time was inheriting the economy that had systematically disadvantaged most of the population (Levinsohn, 2007). The idea of a new South Africa brought hope to the millions of its citizens who were previously disadvantaged by the apartheid system in the country. Black South Africans who make up 80% of the country's population are said to have been impacted the most by the apartheid system (Terblanche, 2009).

High on the agenda for the new government coming into power was the issue of addressing the key economic objectives which included:

1) Job creation.

   The issue of job creation has been one of the battles that the democratic government has not been able to win..

2) Poverty reduction.
3) Reduction of inequality and overall [economic] growth. (Burger, 2012).

Since 1994 South Africa contrary to the objective of the new government have been experiencing an increase in the rate of unemployment. Looking at the first decade of democracy, Banerjee, Galiani, Levinsohn, McLaren and Woolard (2008) using the nationally representative survey conducted just before the transition, found that the unemployment had moved from 13 percent in 1994 to almost 30 % a decade later. (Banerjee, Galiani, Levinsohn, McLaren, & Woolard, 2008). There are varies factors that could have contributed to this spread of unemployment in the country.

According to the research done by Statistic SA (2008), it was found that in the second quarter of 2008 there were more than four million unemployed people in South Africa. It is disconcerting that these statistics show that of the four million who are unemployed, more than one million were previously employed. Regardless of the reason why they are unemployed, the implication remains that there is no source of income for more than one million additional households. (See Figure 16) (Statistic South Africa, 2008, p. 20).

South Africa is believed to have one of the highest unemployment rates internationally (Burger & von Fintel, 2009, p. 3). Banerjee et al (2008) found that the three main reasons for the rise in unemployment in the country were:

1) Job searches appears to be less effective for African job seekers as compared to Whites due to distance between business and residential homes. Lack of affordable public transport is also a contributing factor.

2) The informal sector aimed at providing employement in these outling areas has not produced the employment opportunities as expected.

3) The structural changes in the labour market that resulted from dismantling of apartheid have instead increased unemployment (Banerjee, Galiani, Levinsohn, McLaren, & Woolard, 2008).

Widespread research has been done in South Africa which look at the reasons for the rise in unemployment. This will be discussed in detail in Chapter 2. With the country being the almost two decades into democracy and having one of the highest rates worldwide of people living with Human Immunodeficiency Virus (HIV), most of the studies focused on these reasons for the rise in unemployment.

International studies examining the cause of unemployment evaluates other factors, such as the effect of companies entering into M&A. Research is done in countries like Japan, in Europe and the USA about the impact of M&A on the labour market, especially of the acquired firm. As will be elaborated in the following chapter, there are contradicting outcomes. In most countries there is a negative impact, but in US there is a positive impact on employment.

In South Africa not much has been done in terms of research with regards to the impact M&A has on the labour market of this country. One of the studies that has been done focused mainly on the mining sector, the gold mines. The data that was used was from 1980 to 2004 for four provinces which represented 99% of South Africa output, Behar and Hodge (2008) found that mergers had a significant negative effect on employment. In that sector. (Behar & Hodge, 2008). With 99% of the gold mine population tested and the results found to be negative, it is important then that all of the M&A in the country be evaluated to find out if the issue of negative impact to employment is only for mines or is it generic.

After 1994 when the apartheid system was dismantled, South Africa became an open economy. This opened doors for South African companies to trade outside the country and also encouraged foreign businesses to do trade in South Africa, mostly through mergers and acquisition.

Policymakers often seek to attract foreign firms to benefit from their high productivity and new techonoligies which would hopefully spillover to local firms (Kinda, 2011). This also opened doors for companies within South Africa to merge with one another in order to compete in the global arena. Ever since, mergers and acquisitions increased massively in the country, both from local companies merging with each other, as well as due to foreign companies entering the South African market through a mergers with local companies. Nonetheless, most academic research has neglegted to examine been the effect this has on one of the most important issues of the government namely employment.

1.2 Research Objective

The objective of this research study is:

1) To establish whether South African companies listed on the Johannesburg Stock Exchange (JSE) that have been affected mergers and acquisition have any different outcomes in their labour market as compared to those companies that did not.

2) The aim is to evaluate the employment patterns post mergers. In order to isolate other factors that could contribute to the change, similar evaluation is to be conducted on companies that have not been in mergers and acquisitions.

3) The assumption is that when business grows, more resources are required which include an increase in the company's labour force. The study will evaluate business growth of these companies in relation to changes in their employment patterns. The same test is to be conducted with companies that have not been through the mergers in order to isolate other factors.

4) When a labour market is stable from one year to the next, the cost of labour would be expected to increase by at least the consumer price index (CPI) of that year. The study will also evaluate the changes in labour costs to average CPI in order to establish whether the employment is on the increase for both categories.

1.3 Research Problem

Studies have been conducted in developed countries regarding the effect mergers and acquisitions have on those countries labour market. The findings which will be covered in detail in the next chapter, were that M&A negatively affect labour market overall. South Africa after being integrated into the global market has become the gateway of foreign investors coming into Africa. In the last two decades, mergers and acquisitions in the country have been escalating. In the same period, unemployment in the labour market continues to grow.

Even after 1994 when most people hoped for a promised better life, the rate of unemployment continued to increase in the country. After 1994, South Africa opened up to trading to the global economy in the hopes of increasing employment and of improving technologies of local companies, which will assist them in being cost efficient and profitable. Some companies used mergers and acquisition of local companies as a means of entering the country. Others opened their own businesses from the start, such as TATA from India. This type of entry is widely encouraged in many countries, as it was believed to be creating new labour markets that did not exist before.

The international perception of companies entering into mergers and acquisitions is that the employees of the acquired company lose their jobs as a result. The purpose of this study is to establish if this perception is true in the South African labour market..

The study will try to establish if M&A in South Africa has any significant role in reducing the increasing unemployment. In the last two decades, South Africa has witnessed the influx of companies entering into M&A, in the same period, country has witnessed an increase in unemployment through retrenchment.

1.4 Research Motivation

South Africa's serious issue of unemployment being on the increase even after the 1994 transition is a major concern for any tax-paying citizen of the country. Even more worrying is the number of people losing their jobs through being retrenched, yet local companies are seen to be growing mainly through M&A by both local and international companies.

Many factors could contribute to people losing their jobs. South Africa is the country with the highest rate of HIV infected people in the world. Poor health has been found to be a major contributor to job losses, but not much has been done to determine the impact M&A has on the labour market of this country

CHAPTER 2: LITERATURE REVIEW

2.1 Introduction

President Jacob Zuma of the Republic of South Africa highlighted in his State of the Nation address on the 9th of February 2012 that the problem of 'structural unemployment' was inherited from the 1970s. He also stated that employment has continued to deteriorate due to slow growth and declining employment in gold mines and agriculture (President Zuma, 2012). Both the mining and agricultural sectors are said to be key in generating employment in the country as they cater for the bulk of mostly unskilled workers who make up the majority of the labour market of this country. Slow grow in the business sector is believed to be contributing negatively on employment. The logic will therefore be that when businesses are growing fast, there should also be an increase in employment.

The president also acknowledged that part of the increase in unemployment might be because of the recession of 2009 (President Zuma, 2012). The economic downturn of the period from 2008 to 2009 influenced many companies, forcing many to downsize or close, down which also resulted in an increase of unemployment in the country.

Levinsohn (2007) believes that due to the skilled-biased technological changes in the mining and agriculture sectors, unemployment was significant in these sectors as the majority of their labour forces are unskilled Blacks. (Levinsohn, 2007).

The increase in technology in these sectors could have had an impact on employment, especially since most of the workers in these industries are uneducated and are unlikely to be able to grasp these new and improved technologies utilised in the company. The productivity and profitability of the companies might be improved as a result, but the job security of the unskilled workers is affected. Some researchers believe that M&A contributes in technological upgrade in local companies. If this is true, then according to Levinsohn's findings (2007) on skilled bias technological changes impacting labour market, M&A could result in unemployment. This finding will be tested in the scope of this study.

Mebratie and Bedi (2011) remarked on foreign direct investment (FDI) and labour productivity in South Africa that FDI provides access to advanced technologies which may spill over to the host country and allow domestic firms to improve their performance. (Mebratie & Bedi, 2011). The emphasis of Mebratie and Bedi's study (2011) was more on the company's performance and not on the labour market, which is the focus of this research study.

Improvement of performance is not necessarily an indication of increase in employment. In most cases it means companies are able to do more work with less number of employees. Many companies in difficult times cut their costs; one of the first costs to be cut the labour costs.

The South African economy is thus caught between advanced technology which will enable local firms to compete in a global market, and the challenge of unskilled workers who are the majority of the labour force losing their employment.

This study does not focus only on unskilled employment, but on the labour market as a whole. In developed countries, the level of unskilled labour is not as high as is the case in South Africa, but M&A transition nonetheless impacted on their labour market.

2.2 Mergers and Acquisitions (M&A)

2.2.1 Definition of Mergers and Acquisitions

An acquisition occurs "when a large organization purchases (acquires) a small firm or vice versa" (Hassana, 2010). Hassan (2010) describes the two types of acquisition known as:

1. Horizontal acquisitions are when a company acquires its competitor in the market (Hassana, 2010).

2. Vertical acquisition is when a company acquires a supplier or distributor of one or more of its goods or services. (Hassana, 2010)

A merger occurs when two organisations of about equal size unite to form one enterprise. (Hassana, 2010)

Edwards and Edwards (2011) found a sharp rise of international M&As, although cyclical, on average value per annum globally was US$648.9 billion between 2000 and 2008 compared with US$253.8 billion between 1990 and 1999 (Edwards & Edwards, 2011). This paper will try to establish whether such rise in the M&A in the South African content has had any impact to the labour market.

Before one can look at the impact of M&A in South Africa, a country still in its second decade as an open economy, it is important to look at what has happened internationally. M&As are not a South African invention since many developed countries have long embraced M&A.

2.2.2 International Overview of M&A Impact on Employment

1) Introduction

"There is a popular perception that merger and acquisition activity usually leads to, and indeed is frequently motivated by, the opportunity for substantial workforce reductions." (Conyon, Girma, Thompson, & Wright, 2000). Kubo and Saito (2009) also add that mergers can provide enough justification for managers to change employment conditions without having to be on the wrong side of the law. This is said to occur in countries like Japan with very strict labour regulation policies, which make it very difficult for employers to retrench their employees under normal circumstances (Kubo & Saito, 2009). M&A in countries like Japan give opportunities for companies to retrench or lay off their labour force under the guise of the companies undergoing M&A restructuring.

This could be true for companies in South Africa, a country with robust trade unions like Cosatu and very strict labour laws protect workers (mostly the unskilled) from loss of employment. Companies entering into mergers could also use the opportunity presented by M&A to downsize their workforce.

M&A is not all negative, since a positive aspect of M&A in the companies perspectives by Doytch, Mixon and Upadhyaya (2011), is that "mergers and acquisitions are argued to lead to economies of scale and other cost synergies, increased market shares and access to new technologies", (Doytch, Mixon, & Upadhyaya, 2011)

This argument is not in support of the perception of workforce reduction because of M&A as indicated by Conyon et al. (2000). Instead, it suggests a positive impact on employment. As the market share increases, the companies are expected to increase the workforce instead of reducing it to meet their increased demand.

2) Impact in US and other European Countries

Canyon et al (2000) used the systematic empirical analysis to explore the employment consequences of 442 companies in the United Kingdom (UK) that have entered into M&A for a period between 1967 and 1996 found that the "merger activity is followed by substantial and statistically significant employment and output falls," (Conyon, Girma, Thompson, & Wright, 2000). Concerning hostile mergers, they also found that these mergers continue to have an impact on efficiency post-merger and resulted in a significant fall in employment even in the fourth year post the merger for firms in the upper half of the size of distribution (Conyon, Girma, Thompson, & Wright, 2000). This informs us that regardless of the type of merger, friendly or hostile, the impact on employment seem to be a negative one. This also indicates that at times the impact on employment is not realised immediately but could also be evident in the two to four years post the merger.

The result of such an outcome could be the conditions that have been put in place in that particular country regarding retrenchment of employees because of a merger. To evaluate the impact mergers or acquisitions has on employment in the acquired company, Taguchi and Yanagawa (2011) argue that the evaluation must cover at least ten years post the merger analyses (Taguchi & Yanagawa, 2011).

Gugler and Yurtoglu (2003) looked at the effect of mergers in the USA and Europe between the period of 1981-1998, targeting all the transactions valued at US$1 million or more, with a merger defined as "a transaction where more than 50% of the equity of the target firm is acquired." (Gugler & Burcin Yurtoglu, 2003, p. 489), had a sample of 10,282 firms to analyse, found that in the US there was not much significant adverse effect of mergers on labour, but in Europe, the demand of labour was reduced significantly, on average around 10%. (Gugler & Burcin Yurtoglu, 2003).

Doytch et al (2011) in their study of the US employment effect on M&A by sector for a period between 1978 to 2008, found that in each of the sectors tested (manufacturing, financial and service), "mergers and acquisitions have been contributing positively to employment in the US economy since 1978," (Doytch, Mixon, & Upadhyaya, 2011). This is an indication that there are instances where M&A contributes positively to employment.

Bandick and Karpaty (2010) found similar results in the research of Swedish manufacturing companies. For a period of nine years (1993 to 2002) with a sample size being all manufacturing firms with more than 20 employees, they found no evidence that such acquisition are in any way leading to the loss of jobs. They went on to state that: "if anything, there are some indications of positive employment growth in acquired non-MNEs (Multi National Enterprises), especially of skilled labor [sic]" (Bandick & Karpaty, 2010).

3) Impact in Japan

Japanese companies have been experiencing an increase in mergers and acquisition cases rising from about 500 in the mid-1990s to around 2000 in the 2000s (Taguchi & Yanagawa, 2011).

Kubo and Saito (2009) conducted an evaluation from a sample of 111 mergers from the listed firms in Tokyo, Osaka and other local stock exchanges for a 13-year period between 1990 and 2003, showing descriptive statistics indicating that three years post merger, the number of employees of the acquired firms decreased by 4.454% (Kubo & Saito, 2009).

They had the following limitations to their research:

1. The evaluation was only for three years post the merger and not for a longer period, which Taguchi and Yanagawa (2011) believed was too immediate.

2. Merger types were not classified (Kubo & Saito, 2009).

In the quest to eliminate these limitations, Taguchi and Yanagawa (2011) came up with a slightly different approach. Instead of evaluation the immediate impact of merger on employment, they focused on the dynamic impacts (looking at the period of ten years post the merger) of M&A on employment in Japan. Their approach was the following:

1. Separating the deal types which can be a merger with "… essential function of consolidation" or an acquisition with "… key function of extension and growth" as well as sectors, either manufacturing or non-manufacturing.

2. Investigate the dynamic impact rather than the immediate ones, covering the ten years post-merger.

3. To adopt a labour demand function for the estimation which "… contributes to extracting the pure labor (sic) impacts that are caused only by M&A events, by controlling the other economic variables that are theoretically considered to affect labor (sic) demand" (Taguchi & Yanagawa, 2011).

The period under evaluation by Taguchi and Yanagawa (2011) was from 1995 to 2008 with a sample of 9,880 firms and 2,530 cases of M&A (Taguchi & Yanagawa, 2011).

These two hypotheses were used:

1. Regarding the deal type, the hypothesis was that acquisition tends to have positive impact on employment as compared to merge, which has an inverse outcome. The result on acquisition on the manufacturing sector was found to be consistent with the hypothesis (Taguchi & Yanagawa, 2011).

2. A merger in non-manufacturing sector with low productivity is more likely to receive a negative impact from M&A on employment than manufacturing with high productivity (Taguchi & Yanagawa, 2011). The result was also consistent with their hypothesis.

Taguchi and Yanagawa, though managing to close some of the gaps from previous research, acknowledged that they too had limitations in their study. Due to the data constraint, they were also unable to look at employment by occupation and were limited to evaluating the volume of total employees.

Their overall outcome was that acquisition, which is ‘extension and growth’, has a positive impact on employment mainly in the manufacturing sector. Alternatively, mergers ‘with key function of consolidation’ was found to have a negative dynamic effect on post-merger firms’ employment, specifically in the non-manufacturing sector (Taguchi & Yanagawa, 2011).

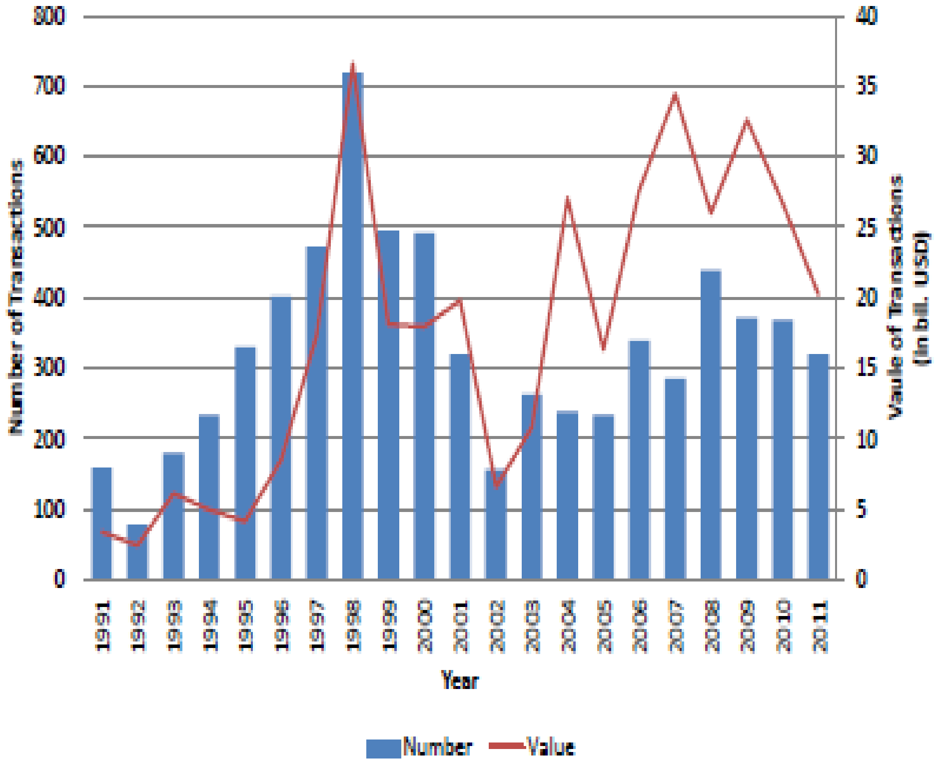
2.2.3 Mergers and Acquisitions in South Africa

1) Introduction

“Since the ending of the apartheid, the South African economy has become increasingly integrated with the global economy,” (Jenkins, 2006). South African businesses as well as the international counterparts were now able to trade without any of the sanctions that were in place during apartheid. This was ideal for a country like South Africa to encourage businesses within the country to grow. The expectation was that as these businesses grew, more people in the country would find employment. President of the Republic of South Africa eluded in his State of the Nation address in February 2012 that one is the reasons for an increase in unemployment is because businesses are not growing.

The dealings and mergers of South African companies with international companies indeed increased, local companies formed mergers with one another. One example of this was the formation of the Amalgamated Banks of South Africa in the early 1990s. Figure 1 shows the increase in number and value of mergers and acquisitions in South Africa since the early 1990s.

Figure 1: South Africa's Announced Mergers and Acquisitions 1991-2011



Source: Thomson Financial, Institute of Mergers, Acquisitions and Alliances (IMAA) analyses (2011)

As seen in Figure 1, by 1998, the M&A in the country was at the highest levels, both in terms of the number of transactions (above 700) as well as the value of such transactions, which was above US$35 billion. The study looks at the period between 1996 and 2008, as businesses are assumed to have been growing around this time through M&A influence, the expectation in the research is that workforce of these companies should be positively impacted.

2) Mergers and Acquisitions Policy in South Africa

South Africa similar to countries like Japan with very strict labour laws have certain laws that are in place that govern mergers and acquisitions that take place in the country. These laws are there to protect competition, the employees as well as the society. Monopoly by one company in the industry may lead to job losses from competitors, manipulation of price of product and impact on quality of service. For this study, the focus is on the regulations that protect employees. The two types of regulation that will be covered are the Competition Act of 1998 and the Labour Relations Act.

1) The Competition Act of 1998

South Africa is a heavily labour regulated country. For any mergers or acquisition to occur, approval is needed from the Competition Commission. The Commission approves these in accordance with Section 12, a requirement of the Competition Act no 89 of 1998, which reads as follows:

(1) Whenever required to consider a merger, the Competition Commission or Competition Tribunal must initially determine whether or not the merger is likely to substantially prevent or lessen competition, by assessing the factors set out in subsection (2), and –

(a) If it appears that the merger is likely to substantially prevent or lessen competition, then determine –

(i) Whether or not the merger is likely to result in any technological, efficiency or other pro-competitive gain which will be greater than, and offset, the effects of any prevention or lessening of competition, that may result or is likely to result from the merger, and would not likely be obtained if the merger is prevented; and

(ii) Whether the merger can or cannot be justified on substantial public interest grounds by assessing the factors set out in subsection (3); or

(b) Otherwise, determine whether the merger can or cannot be justified on substantial public interest grounds by assessing the factors set out in subsection (3).

Roberts (2004) found that between September 1999 and March 2002, 958 mergers were notified to the Commission, some of which were rejected on the grounds of the Competition Acts above, although most applications were approved (Roberts, 2004). (See Table 6) shows some of the results from 1999 to 2003 of mergers approved by the Competition Commission.

For purpose of this research, the Competition Act is relevant mainly regarding the protection of the public interest, specifically employment. It is important for this study to establish whether employees of the company acquired and the labour market as whole are considered before any of the M&A is approved.

Section 12 A (3) concerning public interest reads as follows:

(3) When determining whether a merger can or cannot be justified on public interest rounds, the Competition Commission or the Competition Tribunal must consider the effect that the merger will have on –
(a) A particular industrial sector or region;
(b) Employment;
(c) The ability of small businesses, or firms controlled or owned by historically disadvantaged persons, to become competitive; and
(d) The ability of national industries to compete in international markets (Competition Act, 1998).

The issue of employment might prove to be difficult to ascertain at the time when a merger is to be approved. As highlighted when looking at the impact of international M&A, the impact on employment is not evident in some cases for up to four or five years after the event. There is therefore a distinct possibility that Competition Commission or Tribunal may approve mergers that will eventually have a negative impact on employment, if at the time of approval, if there seems to be little evidence of employees being impacted negatively.

2) Labour Relations Act

The Labour Relations Act also provides further protection for the employees in the companies that are being acquired in South Africa. Section 197 of the Act provides for the automatic transfer of employment contracts from seller to a purchase of a business being acquired provided it is an on-going concern (Davids & Hale, 2010). Where an employee is being dismissed for a reason related to the transfer, Davids & Hale (2010) state that Section 197 sees that as unfair dismissal and the employer is required to compensate the employee (Davids & Hale, 2010).

Big businesses would have no problem paying retrenchment packages to their workforce. Section 197 of the Labour Relation Act will therefore not cause any harm if companies after the merger decide to downsize. The competition Acts mainly focuses on protecting competition and less effort put on the protection of employees. The labour market comes secondary in approval of M&A deals. Workers can find themselves unemployed after the merger, after been given retrenchment packages. Employment is at risk when these M&A occur in South Africa.

3) Types of M&A in Operation in SA

I. Foreign Direct Investment (FDI)

Edward (2004) states that “foreign direct investment (FDI) in South Africa has grown substantially during the 1990s with the total capital stock of FDI increasing by 215% between 1993 and 1998,” (Edwards L. , 2004). FDI can occur in two ways, one known as Greenfield when a foreign company comes and start the business in the country; other is by means of M&A. The study focuses on the M&A type of FDI.

South Africa offers a range of incentives such as income tax rebates, import duty exemptions and infrastructure subsidies to attract FDI, in return of:

1) Enhanced employment opportunities.

According to Mebraite, Bedi (2011) and Carmody (2002) foreign companies are given incentives with the hope that when they bring business to South Africa, the labour market excess supply issue will be addressed.

2) Prospect of acquiring new technology.

Technological changes acquired by the local companies could assist these companies grow their market share. Levinsohn's (2007) findings on skilled bias technological changes suggest that thou business might realise growth; there is a likely negative impact this might have on the workforce. High technologies could also prove to be the very reason most of the people in the mines lose jobs after mergers, it is the issue of skills and the ability to operate the machine.

3) Diversify the economy (Mebratie & Bedi, 2011) and (Carmody, 2002).

Table 1: Inward and Outward FDI and Gross Fixed Capital Formation, 1990–2003 (Rand)

	Inward	Outward	Net Flow	GFKF	FDI/GFKF
1990	−203	71	−274	55485	−0.4%
1991	685	574	111	56954	1.2%
1992	10	5524	−5514	58255	0.0%
1993	33	974	−941	62601	0.1%
1994	1348	4388	−3040	73045	1.8%
1995	4502	9059	−4557	87042	5.2%
1996	3515	4485	−970	100632	3.5%
1997	17587	10831	6756	113221	15.5%
1998	3104	9841	−6737	125333	2.5%
1999	9184	9659	−475	122162	7.5%
2000	6158	1878	4280	131984	4.7%
2001	58404	−27359	85763	143048	40.8%
2002	7958	−4195	12253	167662	4.7%
2003	5768	5440	328	190256	3.0%

Source: South African Reserve Bank.

Source: (Jenkins, 2006).

Table 1 shows that FDI started to attract inward flow post the 1994 mark, reaching the highest point at 15.5% in 1997. From 2000 onwards, foreign companies started to increase their investment in South Africa. This meant that the foreign companies were acquiring more of the listed South African companies. The study will be evaluating the FDI in a form of M&A that have been on the rise to whether labour market has been impacted at all by the changes.

Some of the recent FDI that have taken place in South Africa are:

1. Nippon Telegraph (Japanese telecommunications operator) acquired Dimension Data (South African information technology service provider) for the value of R22 billion (Hancock, 2011).

2. Wal-Mart's acquisition of 51% of Massmart was valued at R16.8 billion (Hancock, 2011).

Wal-Mart's deal had the whole of the trade union up in arms. One of the reasons for the boycott was that Wal-Mart is not in favour of the workers unions. That is a threat to the trade unions membership. However, what was highlighted most was the deal would create a monopoly and have indirect impact on labour of the competitors like Checkers, Spar. as well as small supplies. They argued that Wal-Mart will use its economies of scale to import goods at a lower price that competitors nor the local suppliers will be able to compete against and thus end up having to retrench people.

3. Eurasian Natural Resource Corporation acquired 12.21% of Northam valued at R2.2 billion (Sukazi & du Plessis, 2012).

4. Net1 UEPS Technologies acquired 98.73% of KS Net at an estimated R1.63 billion (Sukazi & du Plessis, 2012).

II. Black Economic Empowerment (BEE)

Black Economic Empowerment (BEE) transactions are said to be one of the prominent drivers of local M&A in recent years. These transactions are aimed at economically empowering previously disadvantaged Black South Africans (Davids & Hale, 2010).

Tangri and Southall (2008) state that in the period from 1995 to 2005 more than 1,364 empowerment deals have taken place. According to a survey by Ernst & Young (2011) survey the total value of these deals is R285 billion (Tangri & Southall, 2008). They also mention that labour activists have criticised BEE deals for enriching a small number of senior ANC figures instead of ensuring the redistribution of wealth to all those who were previously disadvantaged during the years of the apartheid regime (Tangri & Southall, 2008).

There is a persistent negative perception about the BEE deals that have taken place in South Africa. It has been argued that such contracts are only awarded to highly connected individuals, which contributes minimally to the reduction of poverty and unemployment to the country.

III. Private Equity

One example of private equity acquisition that occurs in this type of M&A was made by Bain Capital of Edcon Limited, a major retailer to the value of US$4.5 billion (Davids & Hale, 2010). This type of M&A is not very popular in South Africa due to the higher cost of debt (Davids & Hale, 2010).

4) The Effect of M&A on Employment

Studies regarding M&A impact in South Africa have mainly been done in the mining sector. Evaluating the South African Gold Mining Industry, Behar and Hodge discovered that M&A significantly impacts negatively on employment of the mines. (Behar & Hodge, 2008)

Thou the research covered 99% of the mining sector; it is only focused on one sector of many in the country. The findings thou important indicator for this study, are not conclusive as all the other industries have been excluded from the study. The study will focus on all listed companies at the JSE that meet criteria for the study, which will be covered in Chapter 4.

There are limited studies in South Africa that looks at the country's M&A effect on the total labour market. This study will try to look at gap, testing companies from different sectors the effect M&A has on employment. Like the study of Taguchi and Yanagawa (2011) when evaluating the impact of unemployment in Japan, they did not limit themselves to three years post the merger, but they used what they call the dynamic impact, this looks at the period of 10 years post the merger,

Evaluation for a period of 10 year after the merger is important for eliminating the issue companies not retrenching because of regulations. This paper will be evaluating acquired companies impact on employees for the period of more than ten years.

Chowdhury and Mavrotas (2006) argue that the influx of FDI in South Africa, as in many developing countries, benefitted the country by increasing:

1) Job creation;

   Unless Chowdhury and Mavrotas are referring to companies opening up new businesses in South Africa, positive or negative impact on employment remains to be tested.

2) Skills development;

   Shortage of skilled labour market in South Africa is a serious concern. Companies promising to provide these courses for the staff will also mean they will be capable of avoiding staff retrenchment.

3) Technological advancement (Chowdhury & Mavrotas, 2006).

As discussed earlier, Edward (2004) sees FDI as resulting in technological transfer and improved productivity, which is a result of shedding labour of the acquired company. (Edwards L. , 2004). Jenkins (2008) concurs with Edward (2004) that trade and technology has increased because of FDI.

He further states that FDI tends to be biased towards skilled workers and most of the negative impact is on the unskilled workers who comprise of the majority of the labour force in South Africa. (Jenkins, 2008). M&A is said to be favouring the skilled labour and in a country like South Africa with the majority of the labour force being unskilled, this might prove to have negative consequences.

Carmody (2010) adds that most of the FDI coming into South Africa has been in the form of acquisition and has shown no significant impact in new job creation (Carmody, 2002, p. 267).

2.3 Unemployment Post 1994 in South Africa

South Africa has one of the highest unemployment rates in the world. It is important for this study to establish and understand the reasons for this increase.

2.3.1 Definition of Unemployment

According to Statistics South Africa (2002) there is a strict definition of unemployment used to measure the rate of unemployment in the country. It states that only those people who took active steps to find employment in the four weeks prior the survey, but failed to do so, are regarded as unemployed (Statistics South Africa, 2002).

An expanded definition is said to include everyone who desires employment, irrespective of whether or not they actively tried to obtain a job (Statistics South Africa, 2002, p. 53). For the purpose of this research study, the prior, strict definition is used when referring to unemployment. .

2.3.2 Conditions of Unemployment in South Africa

1. Unemployment Patterns Post 1994

“Since the political transition in 1994, South Africa has witnessed the acceleration of its already high unemployment rate,” (Burger & von Fintel, 2009, p. 1). Harmse, Blaauw and Schenck (2009) believe that one of the most visible forms of unemployment in South Africa is daily seeing day labourers standing on the side of the road waiting for any job that might come their way (Harmse, Blaauw, & Schenck, 2009).

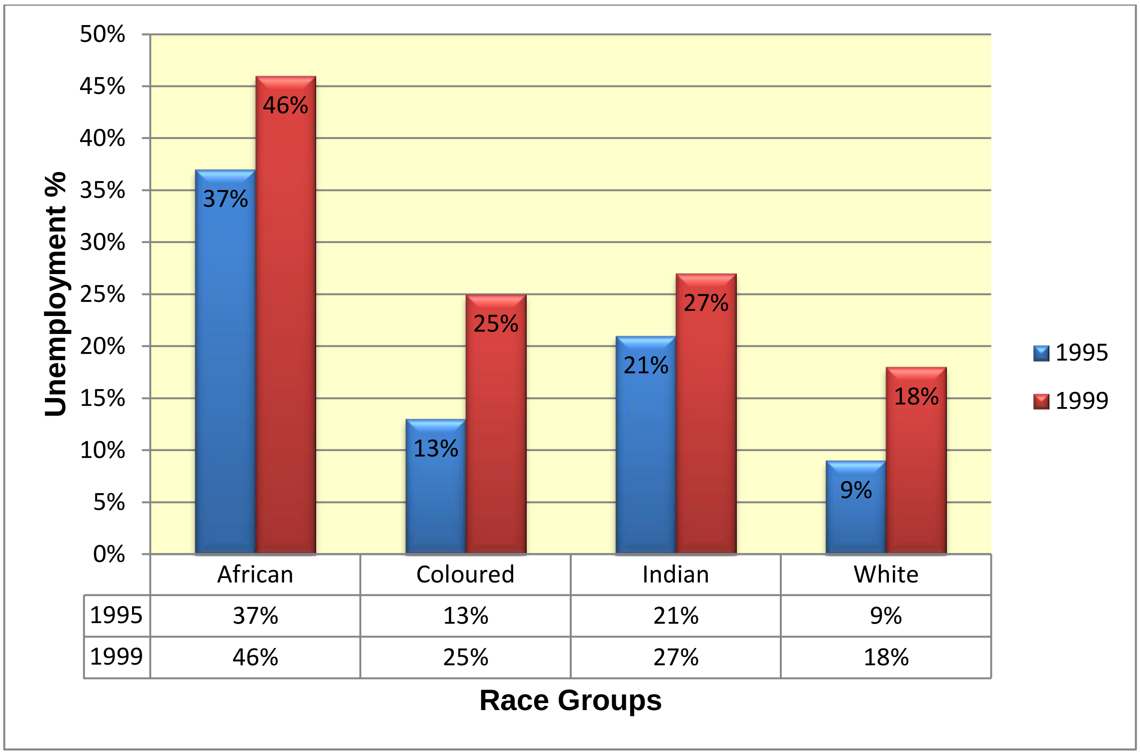
When looking at the state of South Africa’s employment post the apartheid regime, Carmody (2002) states that “despite the elimination of international sanctions, since 1996 when neo-liberal economic reforms were introduced, more than a half a million jobs have been lost, in contrast to the 600,000 million jobs that were meant to be created,” (Carmody, 2002, p. 256). Not only is the economy unable to create new jobs, people who were previously employed are finding themselves without employment.

Banerjee et al (2008) examined the period between 1995 and 2001 and found that unemployment in South Africa has increased from 15.6% to 30.3% in just six years. (Banerjee, Galiani, Levinsohn, McLaren, & Woolard, 2008).

2. Unemployment by Race Groups

The impact of unemployment has affected each race group differently in the country. Some of the groups have experienced a sharper increase than others. Below are the changes within five years after the advent of the ‘new’ South Africa.

Figure 2: Percentage of Unemployed per Population Group Seeking Work



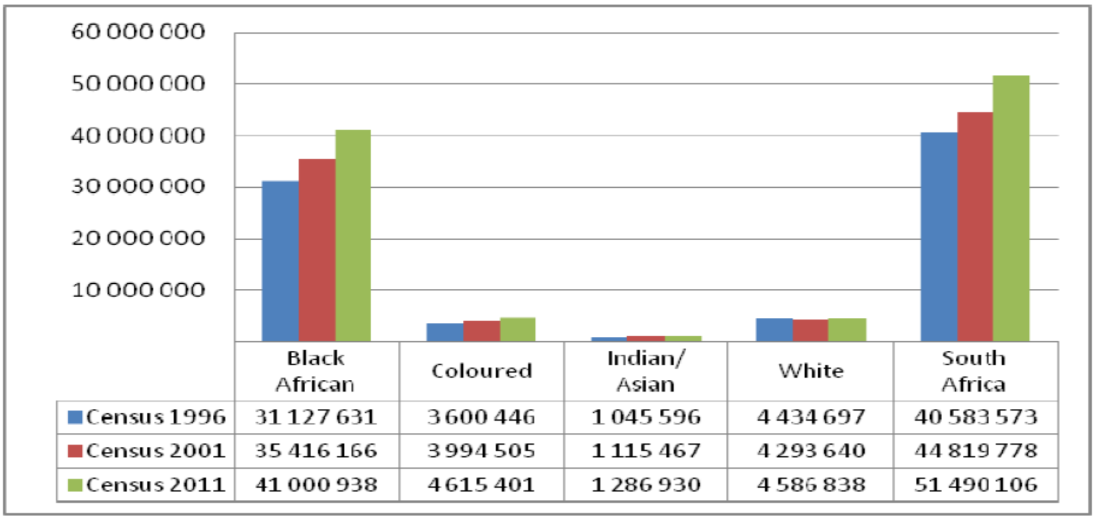
Source: Statistics South Africa 2002

Figure 2 shows the percentage of unemployment for the period between 1995 and 1999, indicating that the highest impacted group is Black South Africans. In just four years, this percentage of unemployment increased from 37% (1995) to 46% (1999). Nuade and Coetzee (2004) believe that skill distribution resulting from apartheid times is racially biased and as a result, the demand structure exhibits racial employment (Naude' & Coetzee, 2004).

As the unemployment rate not only increased for Black South Africans, but also for other racial groups, indicating that the cause was not necessarily due to discrimination (Statistics South Africa, 2002).

From the recent census that has been conducted by Statistics South Africa, it shows that Black South Africans are not only the majority in the country but have witness the highest population growth. They have grown by ten million in the last 15 years of the democratic South Africa.

Figure 3: Population Distribution by Population Group

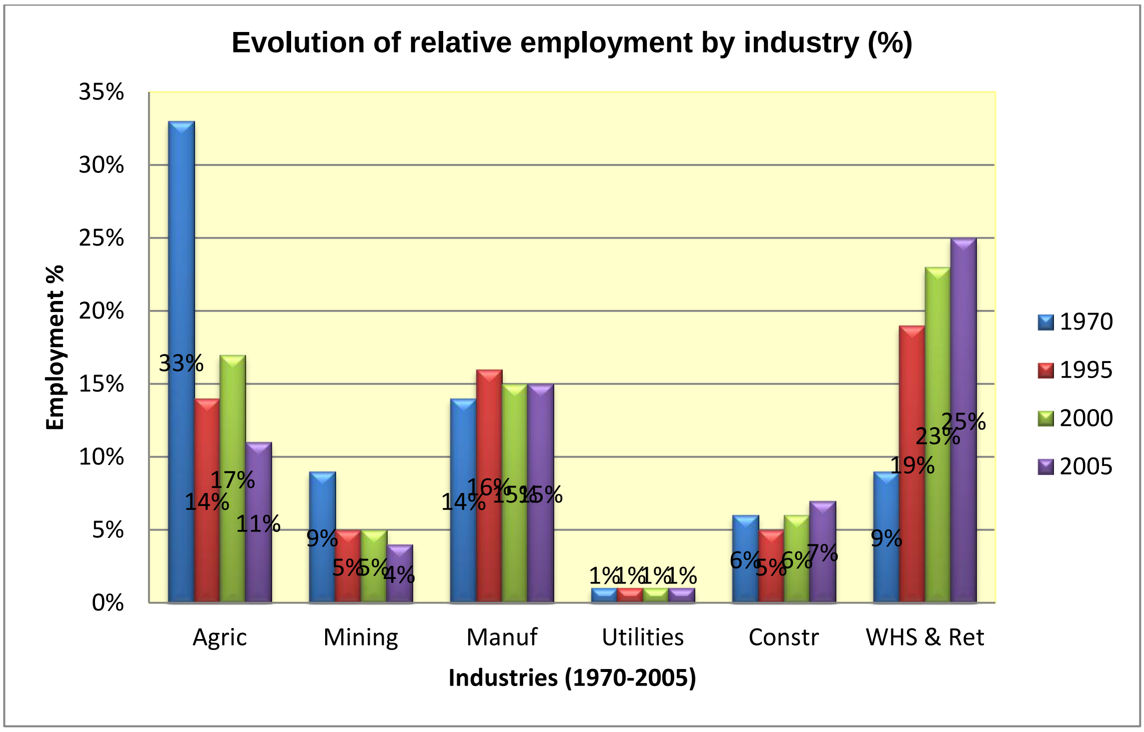


Source: (Statistic South Africa, 2012)

3. Unemployment by Industries

As much as the unemployment in the country is affecting most industries, the impact is not the same for all. Figure 4 graph shows that there are some industries that have been stable through the years while some have declined and others have even increased in their labour market. What remains concerning is that overall; the labour market in the country is declining.

Figure 4: Employment Trends by Industry 1970-2005



Source: Why has unemployment risen in the new South Africa by Banerjee (2008)?

The agriculture sector shows a significant decline in employment, having been at a level of 33% in the 1970s to 11% in 2005 is a due cause for concern for the government who is trying to create employment. This sector is not into mergers and acquisition; their decline could be due to other reasons other than M&A which is the focus of this study.

The mining sector is seen declining from 9% to 4% in the same period. These two sectors are known to be highly concentrated with unskilled labour, and as such the decline concurs with the notion that advance technologies disadvantage the unskilled work force. Seeing such decline in employment in these sectors seems to confirm this theory. Studies in this sector regarding M&A have also discovered that significant decline in workforce was due to amongst other things, companies entering into M&A.

2.3.3 Reasons for Increase in Unemployment

It is argued that one of the reasons for the increase in unemployment in the country is due to the labour force growing at a faster pace that the employment opportunities in the same period. Kingdon and Knight (2007) believe that "… the sheer speed of divergence between the growth of the labour force and the growth of the formal sector employment (the divergence over the period 1997 to 2003 being nearly 4% per annum) is the underlying cause," of the rise in unemployment in the country (Kingdon & Knight, 2007),. Banerjee et al (2008) not only see an increase in the labour supply, but notice that it is African women in particular who are now entering the labour market. "These new entrants into the labour market tend to be relatively unskilled," when the labour demand in the mining and agriculture sectors is favouring skilled labour more (Banerjee, Galiani, Levinsohn, McLaren, & Woolard, 2008).

In the first nine months of the year 2000 alone, Carmody (2002) and Banerjee et al (2008) found that the decline in gold price that year resulted in over 9% of gold miners losing their jobs. To compound that fact, it is estimated that each of those miners are supporting roughly ten other people financially (Carmody, 2002). This also highlights the fact that job losses in companies could be impacted by what is happening in the market, such as the recent economic global crisis and other external factors that have large bearing on how companies operate.

Triegaardt (2008) also believes that the current labour market in South Africa favours the skilled labour. Also the liberalization of trade has meant that cheaper goods are imported into the country which has had a significant effect on the clothing industry, resulting in the shedding of unskilled labour as a consequence (Triegaardt, 2008). The importing of goods from countries like China instead of buying locally has negatively impacted on employment in the country. Companies find it cheaper to buy from countries like China rather than from local suppliers and as a result, most of these suppliers run out of business and contribute to the increasing rate of unemployment.

Banerjee et al (2008) also argue that one of the other reasons for the rise in unemployment is the failure of the informal sector to provide alternative employment for the unskilled labour force in the country. This sector has grown very little especially in the outlying areas in the country while the unskilled labour supply has been on the rise (Banerjee, Galiani, Levinsohn, McLaren, & Woolard, 2008).

Kingdom and Knight (2007) also believe that the informal sector has been growing at a slower rate than the labour supply. They attribute this to the discouragement of this sector by the previous apartheid government system through:

a) Group Areas Act.
b) Harsh licensing.
c) Strict zoning legislation.
d) Effective detection and prosecution of offenders (Kingdon & Knight, 2007).

According to Statistics SA, the main reason of being unemployed in 1999, as shown in Figure 5 below was due to the lack of skills of the labour force (Statistics South Africa, 2002). Jenkins (2006) also raised concerns about the bias to skilled labour that is brought into the country through globalization, where high skills and technology are taking precedence to low unskilled labour which is dominant in South African labour force (Jenkins, 2006).

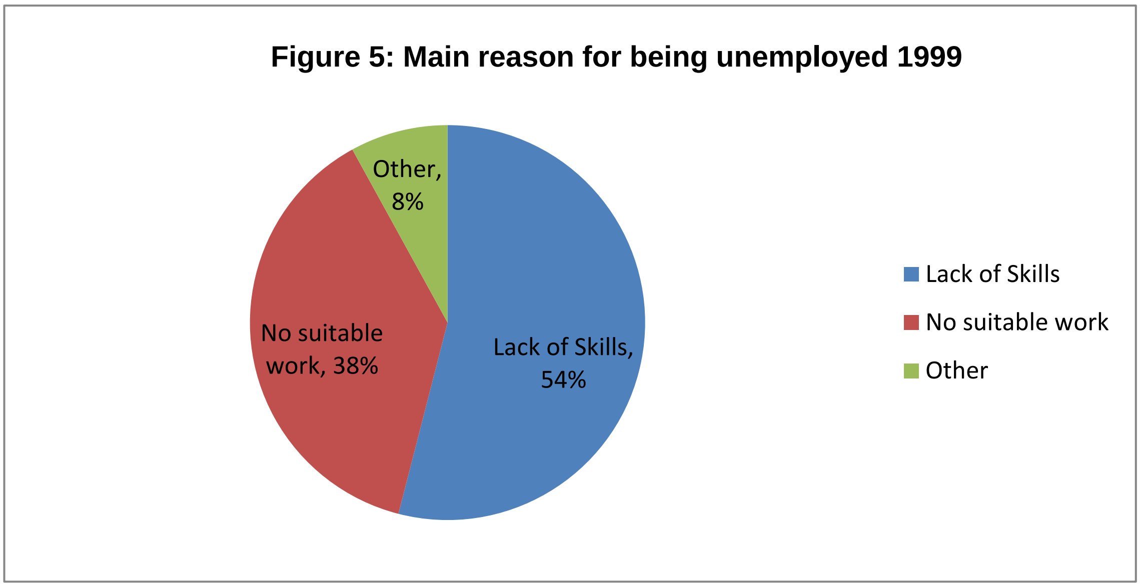


Figure 5: Reasons for unemployment chart 1999

Source ((Statistics South Africa, 2002)

The issue of being unskilled (54 %) has highly impacted unemployment in the country (see Figure 5). What could be arguable be similar to being unskilled is 38% of people unemployed due to them not being suitable for the job.

This could be as a result of people having wrong qualifications or not enough qualification as required by the job. These two issues constitute 93 % of the reasons why people are unemployed.

Thorough research has been done in South Africa regarding unemployment and the reasons for the increase. Many of these theories have been tested and proven to be correct.

For the purpose of this research study it became evident that, unlike international countries, little research has been done in South Africa regarding M&A and its role in the labour market. This study will aim to investigate this relationship in the South African context.

CHAPTER 3: RESEARCH QUESTIONS

3.1 Introduction

These five questions were used to ascertain whether M&A had any impact in employment in the country as has been proven in other countries as discussed in the Literature review.

3.2 Research Questions

1. Have the listed companies that have been acquired through mergers and acquisition observed a shift in their employment patterns

The objective of this question was to establish whether the workforce of the affected companies show any abnormal changes post the merger. In countries like Japan, companies experienced decline in their workforce as soon as in the third year post the merger. The reason for choosing listed companies was the availability of information. Unlisted companies' information is usually difficult to access and would not have been possible to gather for this research.

2. Is there a significant difference in employment patterns between companies that have been through M&A and those that have not?

The objective of the second question was to isolate impact on employment other than the M&A effect. If the patterns in both categories were similar, then the changes in employment for M&A would not have been because of a merger.

3. Is there any correlation between business growth and labour market for companies that have seen M&A activity and those that have not?

The objective of the third question was to establish further whether growth in these businesses result in employment or not. The assumption is that when a business is growing, it employs more people. .

4. Has companies which saw M&A activity seen an impact on labour costs relative to turnover? How does this compare to companies that did not.

The objective of the fourth question assisted in determining whether M&A does introduced technological changes in the acquired companies, which would have assisted in them being able to grow without necessarily growing their workforce. The expectation would be reduction in labour costs , which concurs with Edward (2004) who discovered that FDI as resulting in technological transfer and improved productivity, which is a result of shedding labour of the acquired company (Edwards L. , 2004)

5. Has companies which saw M&A activity realised more market share growth relative to those that did not?

The objective of the last question was to establish evidence that M&A companies grow the market faster than those that are not. If they are, they would have a bigger role to play in the country on impacting employment than those that are not.

CHAPTER 4: RESEARCH METHODOLOGY

4.1 Introduction

The study applied quantitative research testing using the analytical and statistical approach to assess the impact that M&A could have on unemployment in South Africa. The study focused mainly on the acquired company's employment post the acquisition. It also looks at the sample of unaffected companies using the same evaluation methods to those used for impacted one and compare the results.

Several tests were conducted and compared between the companies that have been through M&A and those that have not. The study looked at the employment trends of the acquired companies post the transition verses the trends of those that have not being impacted. It further looked at the relationship between the business growths through sales to employment changes and the impact between the two classes is compared. Another comparison that is conducted between the two classes being tested is the patterns of staff costs (labour costs) to sales. This is done to evaluate whether there is an increase or decline in labour costs needed to generate income in the companies evaluated in this study. The test also was to evaluate the impact of technological changes that M&A come from these activities. These are believed to result in the shedding of employment.

Our study's material was based on the financial statements of all listed companies on the JSE provided by Professor Mike Ward (2011) McFAS data that contains all JSE listed companies financials, some with more than 20 years of history up to December 2011.

.Material for the list of companies that have been through mergers and acquisition was obtained from Ernst & Young Merger and Acquisition data from 1996 to 2010. This data included all types of M&A that have occurred in the JSE for this period. The database had all the relevant information that was need for this research to be conducted successfully.

For the purpose of this study there was no distinction made between international and local mergers and between industries. .The focus was purely on whether the company in the period under review has entered into any merger or acquisition.

4.2 Population

The relevant population for this study was all of the currently listed companies at the JSE. Companies that were listed and after acquisition were unbundled did not form part of the population. One of the main reasons for the exclusion was due to the lack of availability of information for these companies after being delisted.

4.3 Sample

The sample of 65 companies that have been acquired or been to a merger in the period under study was obtained. The selection criterion for this sample was not random but these companies had to meet these criteria below:

1) The company must be currently listed on JSE.
2) The cost of the merger or acquisition must be above R500 million.
3) The acquisition must have occurred in the period post 1994 to 2008.
4) These companies need to have been on the JSE prior the M&A taking place.

Of the 65 selected companies, 23 of them were not used for the study due to lack of some critical information from our data. The missing information could be the number of employees employed in one of the years post the merger. Without such information, that data was not good enough for the research. The study for the impact of M&A on unemployment was conducted on 42 companies. (See Table 8)

A second sample selected included the companies that have not gone through M&A to be used as a comparison to those companies that have been. A sample of 20 companies was selected. The selection was semi-random in the sense that the first 20 companies on the JSE listing which did not appear in the Ernst & Young mergers and acquisition data, were selected. Of the 20 companies selected, nine had some of the critical information missing and were not used for the purpose of our study. (See Table 9)

4.4 Gathering Data

This study used primarily secondary data in the form of

1. Listed companies financial statements from McFAS database (2011)

2. Mergers and acquisition data collected by Ernst & Young (2011)

3. Consumer Price Index (CPI) data from 1994 to 2011 by Statistics South Africa.

The data collected had historical data from 1996 for mergers and acquisitions in South Africa to the financials of some companies dating beyond 1994.

The financial statements data included critical information such as:

1. The number of employees employed each year.

2. The staff cost which excluded directors remuneration for each year.

3. The company turnover history.

The mergers and acquisition data included:

1. The name of the selling company.

2. The name of the buying company.

3. The type of transaction.

4. The amount of the transaction.

5. The reasons for acquisition or merger.

6. The year of the transaction.

This information stipulated above was critical for the purpose of this study.

4.5 Research Limitations

Secondary data as oppose to primary will somewhat have it limitations and for this study there were no exceptions. Below are some of the limitations that were identified but could not be material enough to influence the outcome of the study.

1. Some of the companies that were being tested, especially those in the mining sector had several acquisitions. Some would have acquisition taking place in three conservative years. Nevertheless, for simplicity purposes, the initial acquisition that fulfilled the criterion mentioned above was used as the base and all the other acquisitions in the following years were ignored.

2. Of the companies that were selected for the study, some critical information i.e. the number of employees in the years under review were missing from data and had to be discarded. This also was not a major impact for the study as more than 40 companies selected were used for the analyses.

3. The employees were grouped as one, it was impossible to test which level in the organisation was impacted most by M&A. This also was not part of the study as the focus was on employment as a totality.

4. Some of the merger acquisitions resulted in companies being delisted which meant they could not form part of our study. The information of delisted companies was not available for this study.

CHAPTER 5: RESULTS

Introduction

The purpose of the study is to evaluate whether companies entering into mergers and acquisition influence unemployment in South Africa. As discussed in details in Chapter 2, South Africa is faced with the challenge of the ever-increasing unemployment rate and the government is trying all means to curb this spread. Not much has been done to look at the impact M&A has on labour market in South Africa, as is the case in US, Asia and other European countries. Previous studies regarding M&A and employment in South Africa focused on the mining industry.

5.1 Acquired companies employment post M&A

Objective: The objective of this study is to see if the perception and the actual research findings in countries like Japan and in Europe about the negative impact M&A has on the labour market is true or not in South Africa. The researchers have found that in the US, there is a positive impact of M&A on labour market. The question that we want answered by this test is how is the labour force of those acquired companies impacted post the merger?

The test was conducted of 65 companies that have been acquired through M&A. The period under review was from 1994 to 2008. The reason for starting in 1994 was mainly the fact that this was the year South Africa became a democratic country and open to trade anywhere in the world.

Of the 65 companies in the sample, 23 of them could not be used as they had some critical data missing for the test to be conducted.

All these companies were acquired in different years and to ensure accuracy of the data, Y0 was used as the year when each company was initially acquired at the value greater than R500 million. Thus, the following year post acquisition is Y1. The data was up to Y13, which was 13 years post acquisition.

Table 2 shows the average of the 42 companies change in their labour market from Y0 to Y13.

Table 2: Employment Patterns of Acquired Companies

Change in Employees post M&A	AVERAGE
Y0	1
Y1	1.019
Y2	1.088
Y3	1.094
Y4	1.105
Y5	1.255
Y6	1.266
Y7	1.332
Y8	1.196
Y9	1.093
Y10	1.299
Y11	1.369
Y12	1.336
Y13	1.047

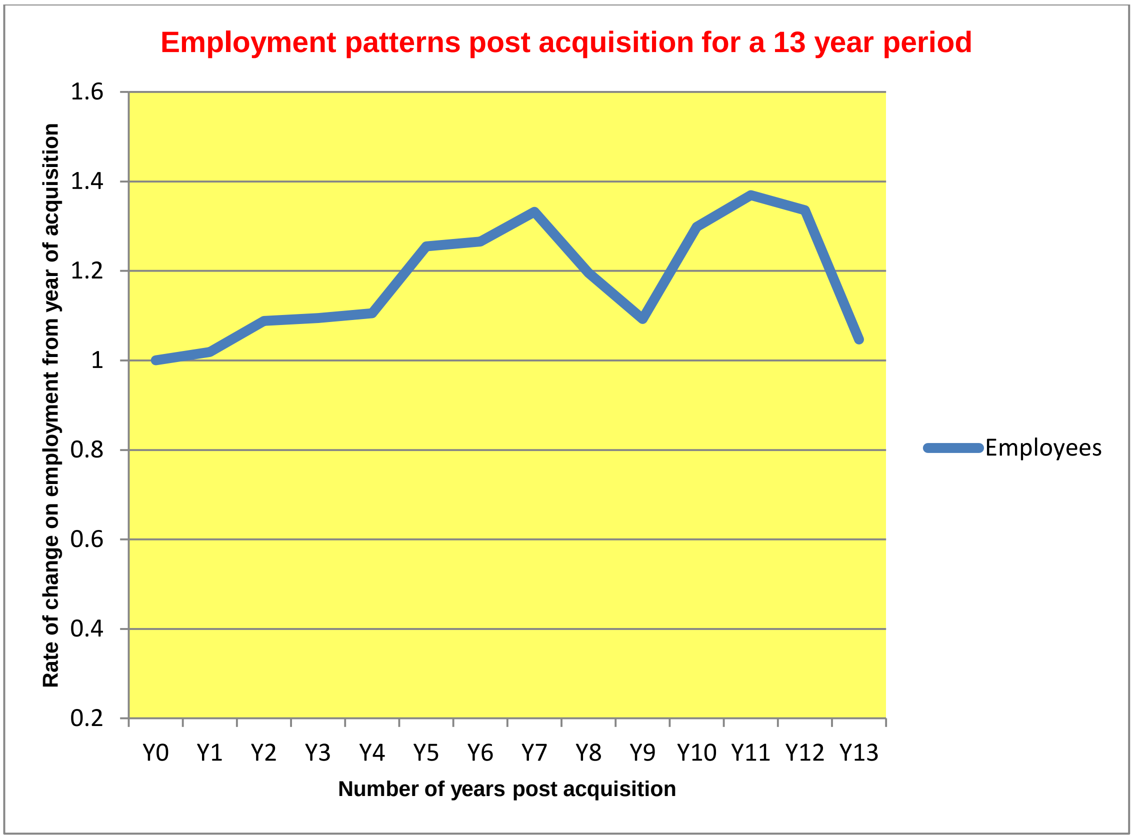
Using Y0 as the index or starting point, each of the 42 companies' change in employment was calculated. The formula that was used for calculating Y1 for example was as follows:

= 1+ ((Y1-Y0)/Y0)

Y1 indicating the number of employees in the first year after acquisition for the company, Y0 (index) being the number of employees in the year the company was being acquired. Using number 1 in the formula ensured that the change is based on the Y0 which is the year of acquisition.

After these numbers were calculated and tabulated (See Table 2), they were plotted in the graph in Figure 6 to show the trend thereof. The graph shows us how the labour market patterns are for these acquired companies post mergers.

Figure 6: Employment Patterns Post Mergers and Acquisitions



Source: McFAS Data Professor Mike Ward (2011)

When seen in isolation, it seems South Africa is akin to the US as we see an increase in the labour market of the acquired companies. From around Y7 to Y9 there is a sharp decline in employment patterns. This means that in the seventh year after acquisition, on average the companies being acquired will start to shed off their workforce.

This would have been the same reason Taguchi and Yanagawa (2011) in their study focused on the dynamic impact (10 years after the acquisition has occurred) rather than looking at short-term period to evaluate employment changes.

Another decline is seen in Y11 to Y13; in the 13th year post acquisition the decline seem to be at an even larger scale than the one in Y7 to Y9.

The question that needs to be asked is how is this growth relative to the companies that have not been through similar transitions?

A similar test was conducted using a sample of 20 companies that have not been involved in major acquisitions like their counterparts. The Y0 for these companies (since they were not being acquired) was the year in which all of the critical information for the test was available. Table 3 below shows the average changes in labour market in the 11 companies sampled.

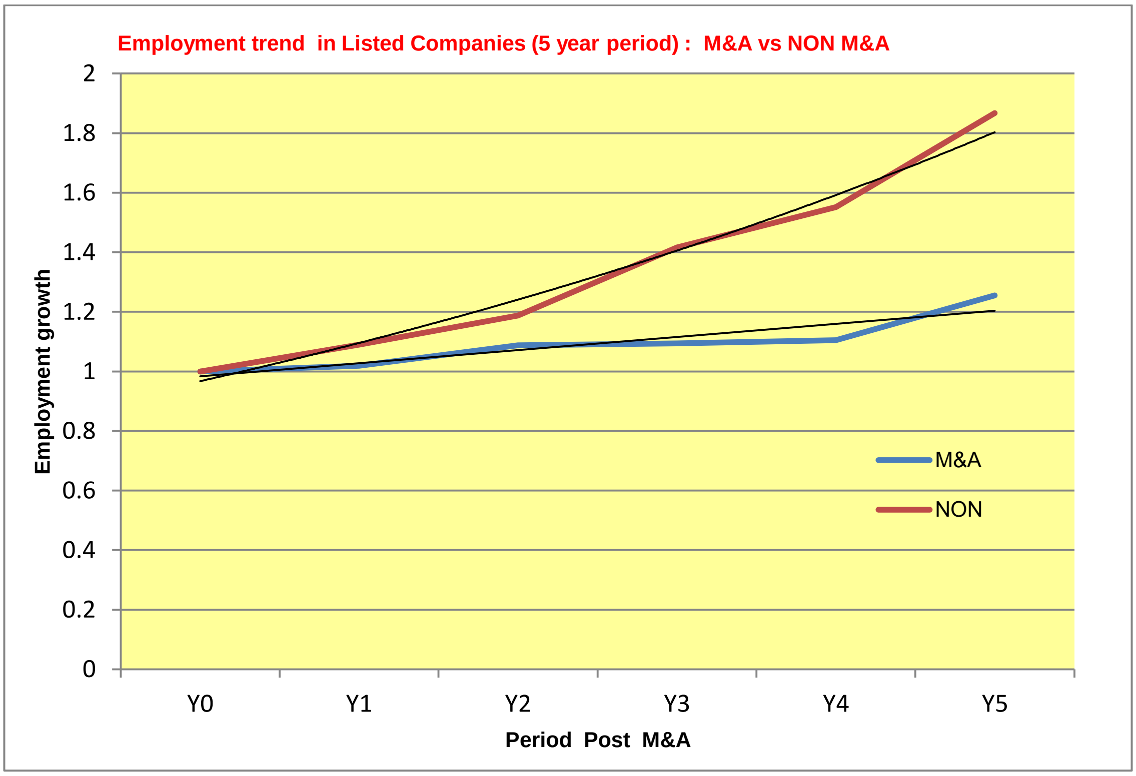
Table 3: Average Employment Patterns of Companies not Affected by M&A

Change in Employees post M&A	AVERAGE
Y0	1
Y1	1.089
Y2	1.187
Y3	1.416
Y4	1.551
Y5	1.868

Although the data for these companies does not extend to Y13 like the previous table, a period of five years is still enough to identify patterns and differences.

If the Y0-Y5 is taken of both companies that have been in M&A and those that have not, Figure 7 looks at both categories Y0 to Y5 calculated changes in employment pattern to determine if change in Figure 6 of M&A is reasonable or not..

Figure 7: A Comparison of Employment Patterns



Source: McFAS Data Professor Mike Ward and Ernst & Yard Data (2011)

The red line in the graph shown in Figure 7 represents companies not in M&A. The blue line shows the companies that have been acquired through M&A. When the labour markets of the acquired companies were looked at in isolation, they looked healthy. However, in comparison with other companies on the JSE not involved in M&A, the picture is looking less than desirable. In comparison, the labour market of the acquired companies looks flat as compared to a clear increase on the side of other companies listed on the JSE companies. In the period of Y0 to Y5 both of the categories are at the increase of their workforce, the decline in M&A acquired company was only realised in Y7 (see Figure 6). Even without getting to the seventh year, the gap between the two categories getting wider by the year in favour of companies not involved in mergers.

5.2 Turnover and employment growth comparison

Objective:

It is logical that when businesses grows, the labour market will also increase. This test was conducted based on Doytch et al (2011) when stating that M&A leads to economies of scale; cost synergies; increased market share and access to new technologies. The objective here was to establish whether businesses post M&A are realising growth and if so, do this growth result in increased labour market

To test this theory, the turnover growth versus the labour market growth in similar periods, starting from the year of acquisition was calculated. The sample consisted of 42 big listed companies that had gone through M&A. To determine the growth, the turnover growth calculation was follows:

= [Turnover (Y1) – Turnover (Y0)] / Turnover (Y0)

A similar formula was used to calculate changes in the labour market of each of these companies.

= [No of employees (Y1) - No of employees (Y0)]/ No. of employees (Y0)

Y0= Year at which company was acquired

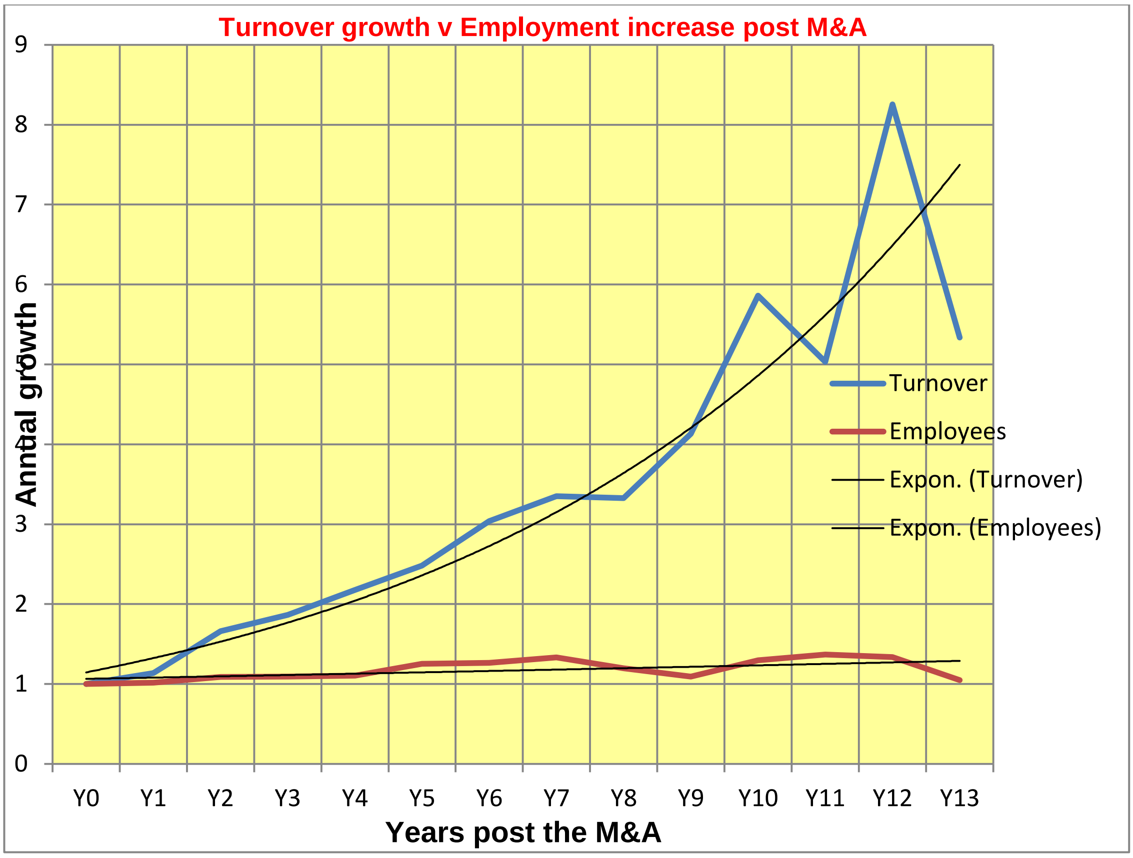
Y1= First year post acquisition

1) M&A Affected Companies

The first sample evaluated 42 companies acquired through M&A for the cost of more than R500 million. In a similar pattern by which the change in employment was calculated, the change in sales was determined. Y0 is the year of acquisition and the index used. The growth is established from Y0.

The graph below shows the patterns both growth sales and employment.

Figure 8: Sales and Employment Growth Patterns



Source: McFAS Data Professor Mike Ward (2011)

Figure 8 above shows that sales growth is steeper for at least 12 years after a company is acquired. Though there is a slight decline in Y13, the overall impact on sales growth is good. Inasmuch as there is an impressive growth but in comparison to the pattern of employment, the two do not seem to be in relation. Employment patterns look flat in comparison to business growth. For the purpose of this research paper, employment growth is the main concern.

. .

To establish if this results is unique to the companies that have been acquired; the same test is repeated below on companies that have not gone through any significant acquisitions in the same period.

2) Companies without the Effect of M&A

A similar test was conducted on the 11 companies used as in the sample.

Figure 9 Sales and Employment Growth for non-M&A Companies

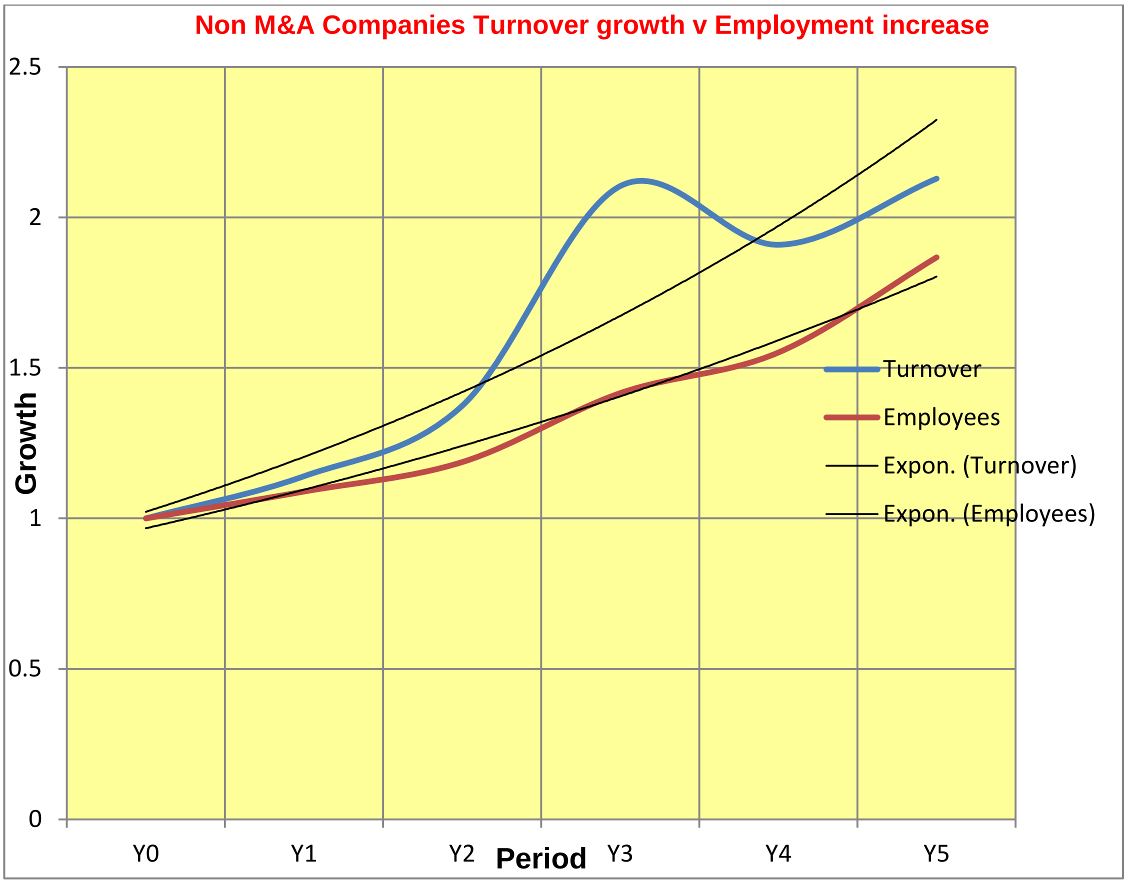


Figure 9 shows a different picture to that seen with companies that have been acquired. This graph seems to indicate a relationship between the company growths as were as increase in employment.

To ensure this assumption is valid, a regression testing was conducted to test if there is any correlation between sales growth and employment growth for both of these samples.

5.3 Relationship between sales and employment growth

Using the Pearson Model for statistical correlation testing

1) **Listed Companies Affected by M&A**

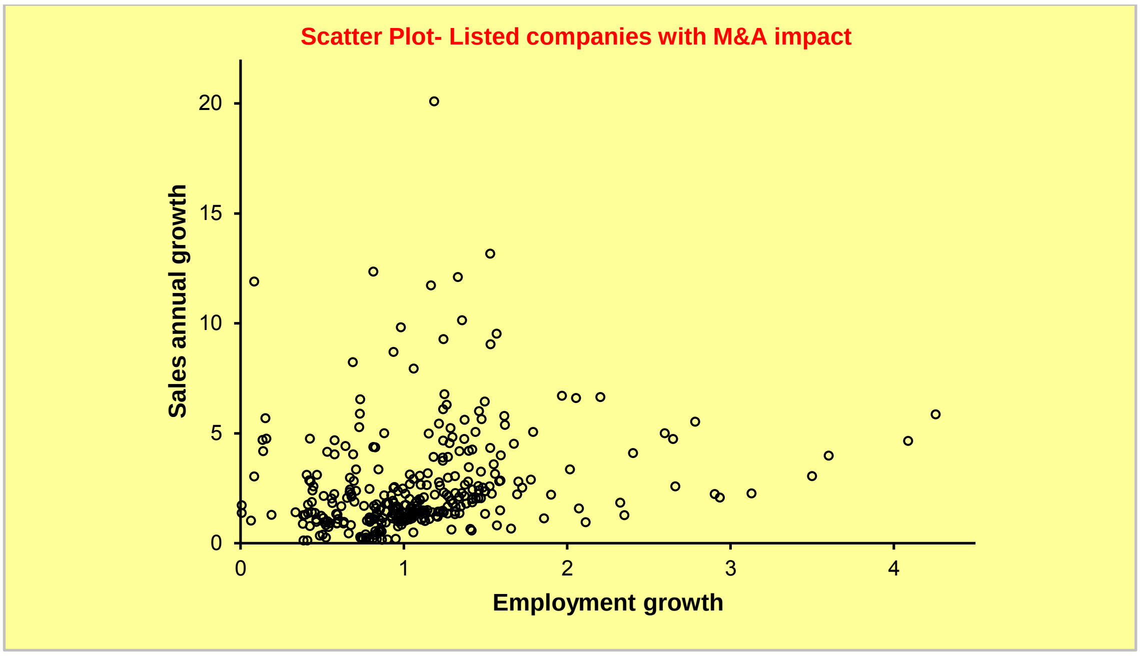
Objective:. The assumption is that as business grows the more people it can employ. The test below is to determine if that logic is true with these companies. The relationship between growth and job creation is being tested in this regard.

.The data resulted in a sample of 330.A regression analysis testing using a scatter plot was used. The confidence interval was 95%, this gives the probability of accuracy of the information been tested, of the results only 5% unexplained probability. This confident interval was reasonable for this test to be conducted, as a 5% error will not invalidate the test.

Firstly, a Pearson model was used to test the correlation between the increases in sales of the acquired companies to their increase in employment.

Figure 10 Correlation of Turnover and Employment M&A-Pearson model

n	330		
r statistic	0.21		
95% CI	0.11	to 0.31	(normal approximation)
t statistic	3.94		
DF	328		
2-tailed p	<0.0001	(t approx.)	



Based on the sample, regression (r) which indicates whether there is correlation between the two variables is 0.21. For positive correlation to exist, the number must be closer to 1, or the negative correlation must be closer to -1. In this instance, 0.21 is closer to 0, which indicates a very slight positive correlation between employment and sales. The range of the 95% confidence interval is also below 0.5 indicating less relationship between growth and job creation.

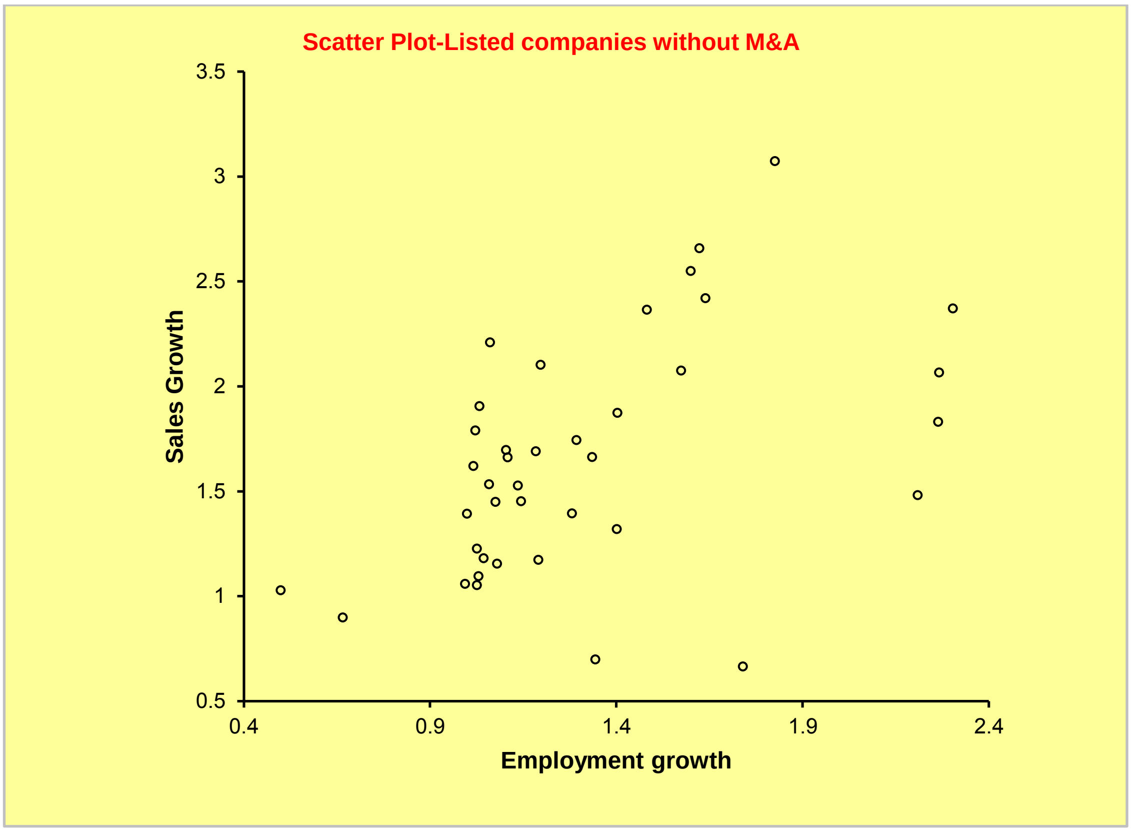
This indicates that for these companies, an increase in turnover or growth in the business does not result in an increase in employment. To test normality of this finding, a second sample is used.

2) Listed Companies not Affected by M&A

A similar test was conducted on companies in JSE that were not in the M&A. The sample size is smaller than of M&A companies at 39 and the confidence interval remains at 95%.

Figure 11: Turnover Growth to Unemployment for non-M&A Companies-Pearson model

n	39		
r statistic	0.49		
95% CI	0.20	to 0.69	(normal approximation)
t statistic	3.38		
DF	37		
2-tailed p	0.0017	(t approx.)	



The results are somewhat different, since r is 0.49, which indicates that there is a positive correlation between the growth in sales and the increase in employment for companies. This was not the case in the previous test of acquired companies. The range within the 95% confidence interval goes up to 0.69 which could be interpreted as 69% positive correlation between business growth and job creation.

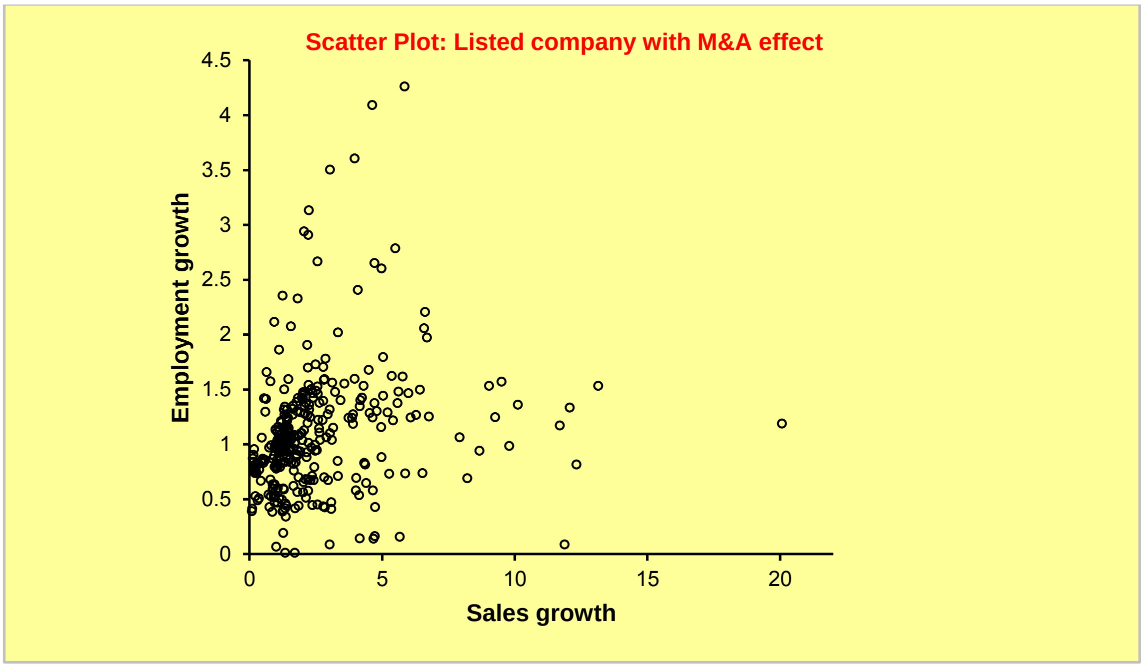
To ensure accuracy of the result, second correlation testing where conducted. This time employment growth was on the Y axis (dependant variable) and turnover X axis (independent variable). The results in the Spearman module were not different from the results indicated above.

Spearman Model for correlation testing

3) Listed Companies Affected by M&A using Spearman model

Figure 12: M&A Companies Correlation -Spearman model

n	330		
r statistic	0.36		
95% CI	0.27	to 0.45	(normal approximation)
t statistic	7.08		
DF	328		
2-tailed p	<0.0001	(t approximation, corrected for ties)	

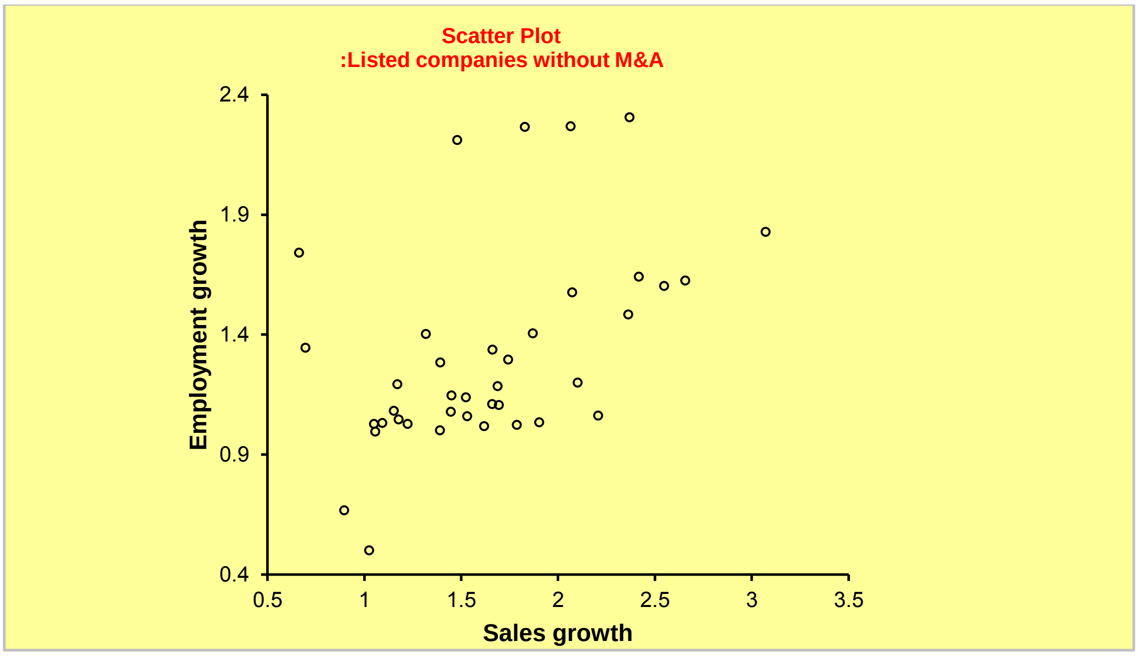


In the above statistical analysis using the Spearman model and making employment increase the independent factor, (r) regression is still low at 0.36, indicating an insignificant relationship between the increases in the employment to the increase in the company turnover in this sample.

4) Listed Companies not Affected by M&A using Spearman model

Figure 13: Unaffected Companies Correlation -Spearman model

n	**39**		
r statistic	**0.53**		
95% CI	**0.26**	**to 0.73**	**(normal approximation)**
t statistic	**3.85**		
DF	**37**		
2-tailed p	**0.0005**	**(t approximation, corrected for ties)**	



The test on the companies not affected by the M&A indicates that (r) is 0.53 showing more correlation in the previous test.

1.4 Labour Costs as Percentage of Sales

Objective

The study further tested the rate of labour costs in the companies acquired as compared to their sales. According to the existing body of international research, the expectation is that companies entering into mergers and acquisitions are expose to more technological changes that those that are not. This is assumed to benefit the company in being more productivity and being cost efficient. One of the tests for efficiency could be conducted by establishing whether the cost of employment as a percentage of sales is indeed improving.

Figure 14 below show the difference in the two categories of the cost of labour to turnover over the period of five years.

Figure 14 Staff Cost as a Percentage of Turnover

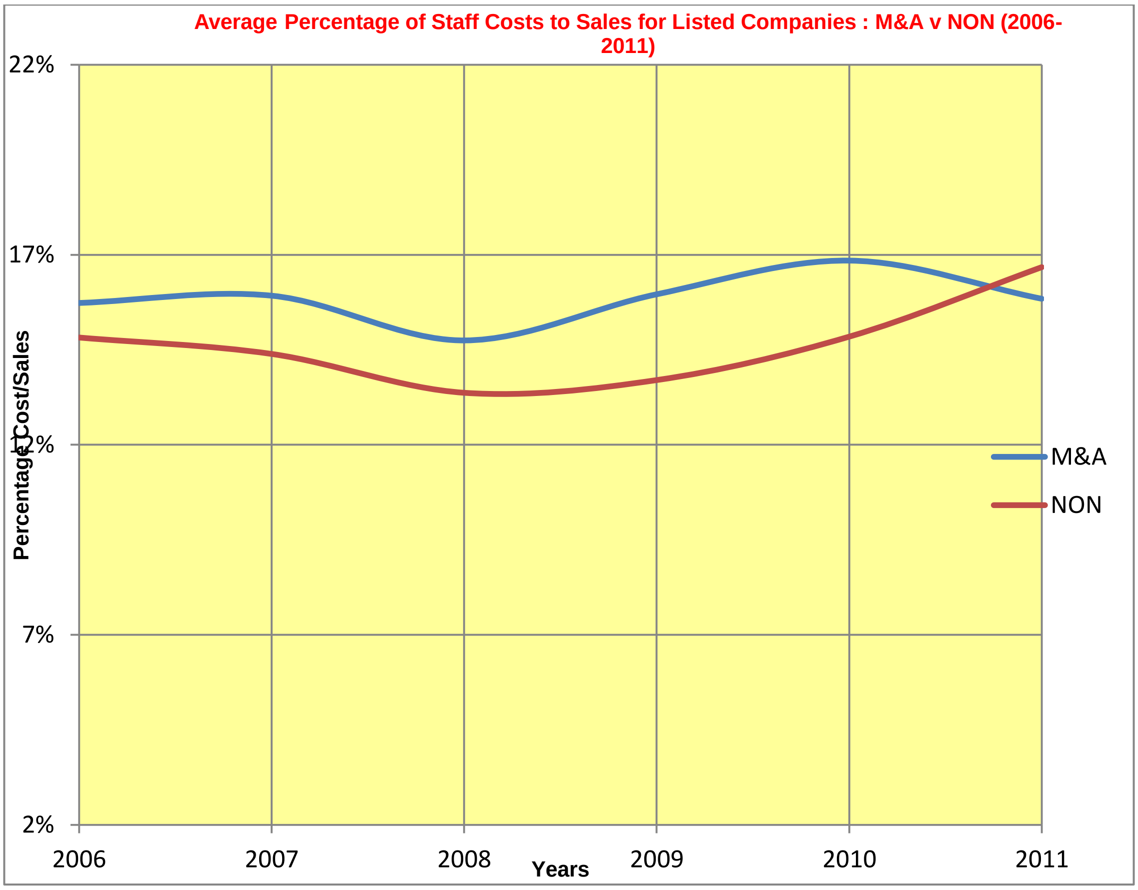


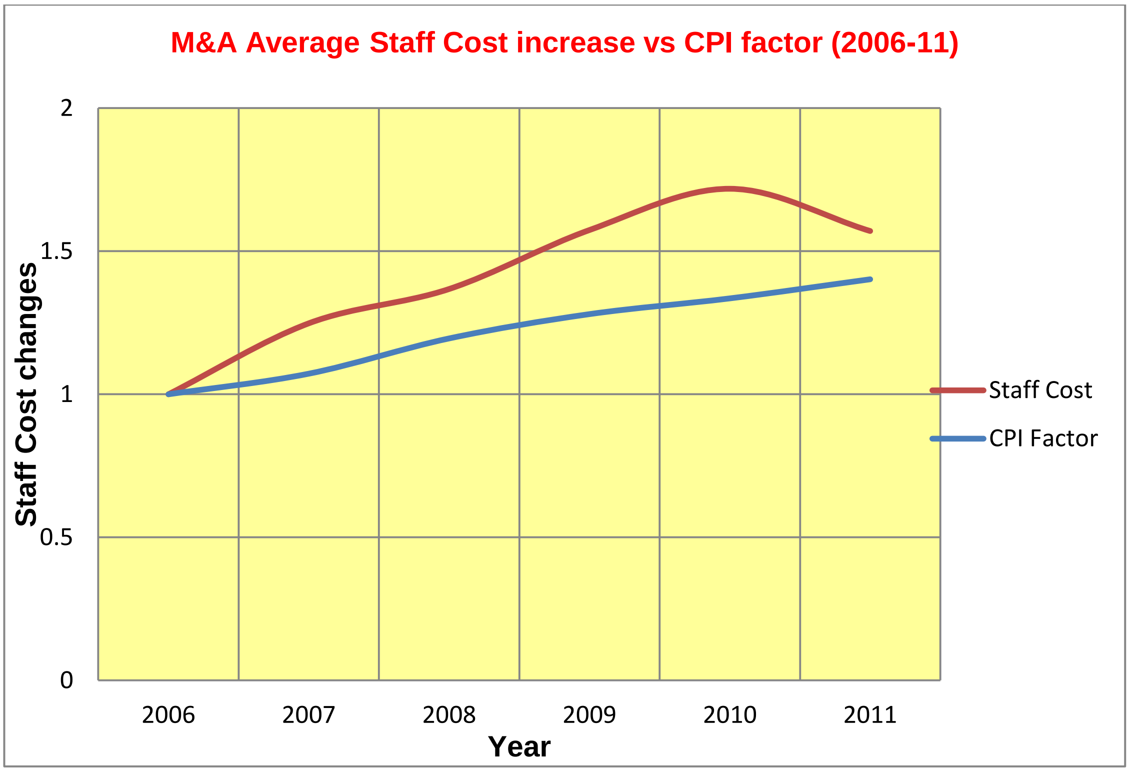
Figure 14 shows that in 2006 up to 2010, companies involved in M&A had a higher cost of labour to turnover than their counterparts did. After 2010, there is a decline in M&A and the opposite is true for those companies not involved in M&A. Such a decline could most likely indicate losses of employment whereas for the companies not involved in M&A, there is an indication of an increase in rate of labour per turnover.

5.5 Increase in Labour Cost versus CPI Increase

The objective of the test was to establish whether the average increase in the actual labour costs is lower or greater than increase in CPI. It follows logically that if the workforce of the company is not changing from one year to the next, it is highly likely that the increase in labour costs will be much closer to CPI rather than not.

First, the companies that have been through mergers were tested and the results are shown in Figure 15 below.

Figure 15: Acquired Companies Labour Costs versus CPI Factor

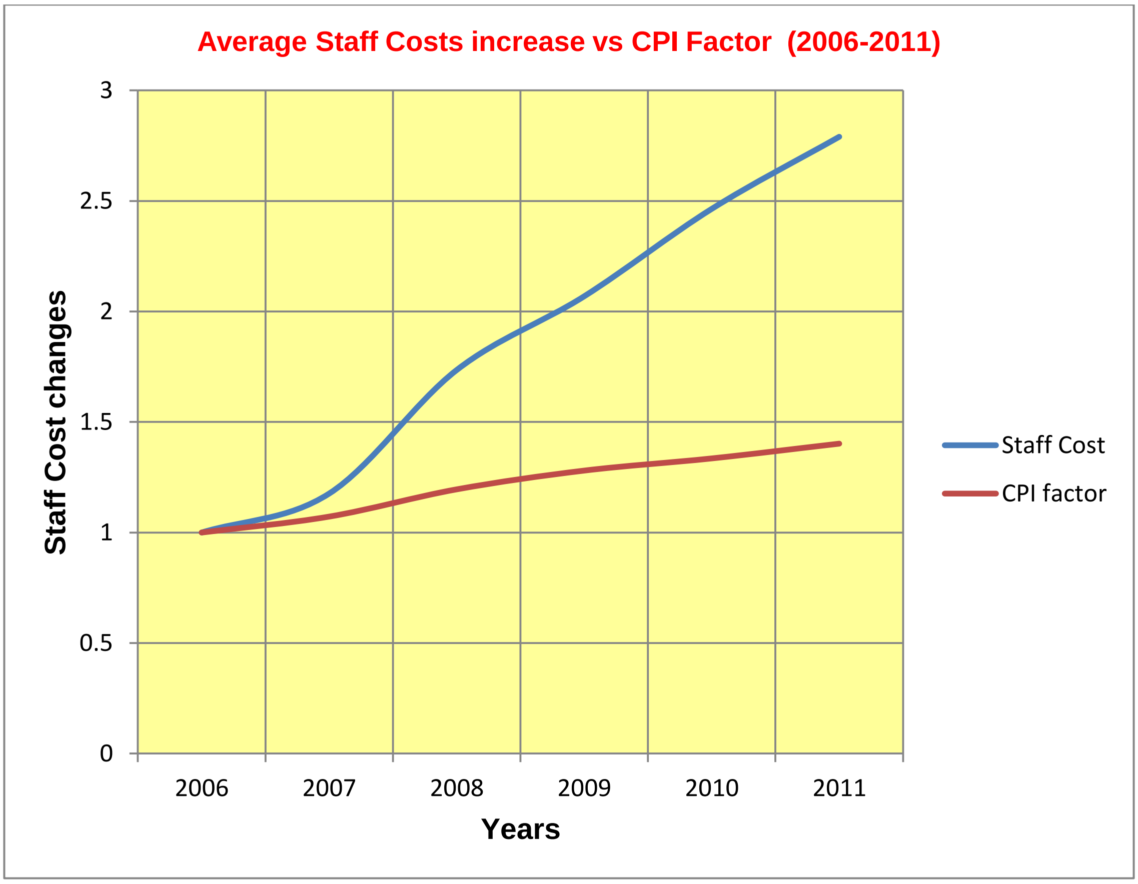


At first, it seems as if the gap between the CPI increase and actual increase is small and that there is a similar gap from 2006 to 2008. However, in 2010 the gap increased, which could indicate that there was possibly an increase in employment at that time. This changed again in 2011, as can be seen with labour costs showing a decline. Since a cut in salaries is rare for most businesses, the more likely explanation is that a number of employees were retrenched.

Speculative observation could reason that there is a bigger gap in 2010, which could have been the result of companies paying retrenchment packages to employees that were laid off in 2011. Further tests would need to be conducted to test the validity of this speculation.

The results above only look at affected companies. The outcome for companies that have not been involved in M&A is shown in the following graph.

Figure 16 Companies not involved in M&A: Staff Costs versus CPI

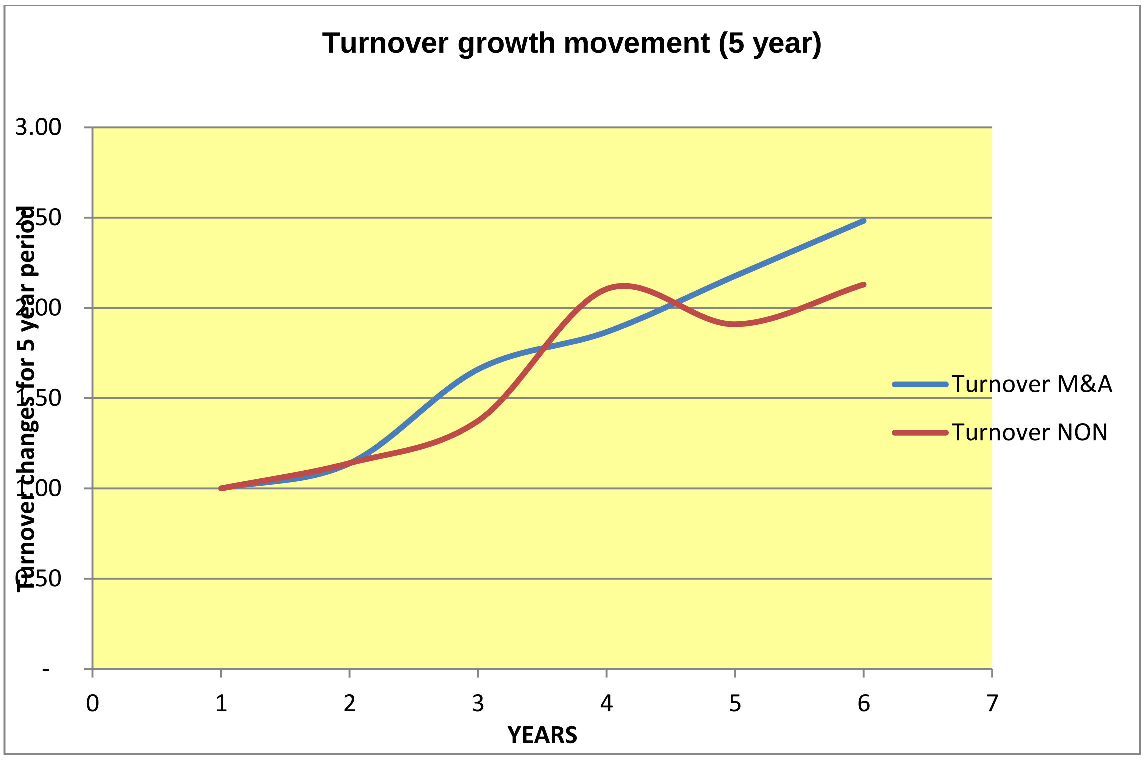


As with the previous graph, staff cost in Figure 16 is tracking the CPI factor. Looking at this graph, the gap between the CPI and staff costs keeps increasing by the year. The gap is too substantial to consider that the companies are consistently paying their staff above CPI. The logical explanation of the increase could simply be that employment is indeed being created by these companies as compared to the previous graph where the staff cost was on the decline after 2010.

1.5 Turnover patterns comparison

The objective of the final test is to determine if business growth in M&A companies is in any way different to the other companies.

Figure 17 Turnover patterns comparison



The blue line which represents M&A companies. These companies look to be growing above the other companies. Only in year, 4 are the other companies above M&A ones. There are however not huge differences between the two.

CHAPTER 6: DISCUSSION OF RESULTS

6.1 Introduction

The focus of the research has been on the impact mergers and acquisition has on the labour market in South Africa. From the international reviews regarding M&A impact on labour market, the outcome in most countries was negative.

In South African mining industries, from the study conducted by Behar and Hodge (2008) M&A has also resulted in significant job losses of the worked in those acquired mines. This study however did not separate the industries but looked at the overall impact of M&A in the labour market in the country.

South Africa is a unique case when compared to these international countries reviewed in our literature review section. For one, South Africa has one of the highest rates of unemployment in the world; the highest in number of people living with HIV; high levels of unskilled workforce and only two decades has passed since the end of apartheid. All these factors needed to be considered when testing whether local companies entering into mergers and acquisition affect South African employment.

In order for the study to be conducted, the questions below were used to test the South African labour market with regarding to M&A.

6.2 Have the listed companies that have been acquired through mergers and acquisition observed a shift in their employment patterns?

The test was conducted on 42 listed companies from all sectors as long as they met the requirements for the sample, which were:

1) The company must be currently listed on JSE.
2) The cost of the merger or acquisition must be above R500 million.
3) The acquisition must have occurred in the period after 1994 to 2008.
4) These companies must have been listed on the JSE prior the M&A taking place.

Figure 6 in the previous chapter shows that from the time of transition, labour market has witnessed an increase. A shift in employment can be observed, and it does not seem to be following the perceived trend from Europe and Asia, which would have shown a decline in the labour market.

Using the dynamic impact method that was introduced by Taguchi and Yanagawa (2011) looking at least 10 years post acquisition, we start to see a decline in around the seventh year. Even with this decline what in seventh year, it was still not as low as the year of acquisition.

The answer to the question: the answer will yes. Looking at Figure 6 in isolation employee number is not getting any worse than it was at acquisition.

Now it could be argued that M&A do not negatively impact on employment in the country. The question was unable to test specifically if the change is economy average or not in order to isolate the M&A impact. To assist our study to further understand the impact the second question was answered.

6.3 Is there a significant difference in employment patterns between companies that have been through M&A and those that have not?

A sample of 11 companies that have not been through mergers and acquisition where tested concerning the change of their employment. The maximum number of years that could be gathered for these companies was five years. Y0 to Y5 for both companies affected by mergers and those not affected were graphed for comparison.

Figure 7 shows a significant gap between the two observations. The gap is increasing with each added year. This result shows that companies not involved in mergers are creating more jobs than those companies that have been merged.

These results clearly proves that M&A is not creating employment as was believed to be by Chowdhury and Mavrota (2006) when they stated that the influx of FDI in South Africa benefits the country in

1. Job creation
2. Skills development
3. Technological advancement

The graph gives us a different picture, companies not involved in mergers and acquisitions are proving to be more of job creators than M&A companies are.

Y0 to Y 5 in Figure 6 when M&A companies were tested in isolation were the good years in term of growth. However, compared to these other companies, the picture is different.

.The gap between the two for this study believed to be a loss of employment. We believe that if these companies were not in a merger, that gap would not be possible. Unemployment in this case could easily be defined as the difference between employment changes in companies not in mergers to acquired companies.

A simple equation

= Employment growth (NON) – Employment (M&A) = Loss in employment

NON representing those companies that are not involved in mergers and acquisition. The gap if there were enough data will be getting worse in years to come.

As was discussed in Chapter 2, Kingdon and Knight (2007) found that in the period of 1997 to 2003 South Africa was experiencing an increase in the labour market. This market growth has been on the increase with more females entering the labour market. With companies involved in mergers not really showing an increase in their workforce, that can be interpreted as loss of employment.

Answer: The gap is clearly visible between the two categories. It is showing that acquired companies are losing employment that should have been absorbed by them.

However, just considering the numbers could be misleading. If companies are not growing, the logic is that labour will be negatively impacted. The president in his State of the Nation address in February 2012 also mentioned that one of the reason mining industries are losing employment was because they were not growing.

The next test established whether these businesses are growing or declining and the impact this has on employment.

6.4 Is there any correlation between business growth and labour market for companies that have seen M&A activity and those that have not?

For this test, business growth is defined as growth in turnover from one year to the other. The logic was that if companies were growing, they would need to increase their capacity and resources. One of the most critical resources in the business is the workforce. The aim was to evaluate this growth and the impact this has on it employment.

Figure 8 looked at the companies affected by the merger. The result showed significant differences as businesses were showing huge business growth movements' year on year post the merger. Surprisingly, the labour did not seem to be following the same pattern. The labour market is flat in comparison to business growth.

This did not following the expected logic, business growth drives labour market. This is not the case in Figure 8. This is interpreted as the other sign that M&A acquired companies are not creating employment .If the company is not creating employment but continues to grow; this study defines that as unemployment creation.

The second test was run to see if with companies not involved in mergers and acquisition. Figure 9 shows the results for these companies indicating that the business growth and employment growth logic is true. Observing the result clearly shows some correlation between business growth and employment.

If that is true, why are companies involved in mergers and acquisitions showing a different outcome? The conclusion in this regard was that the difference in expected employment growth to business growth in these companies could be defined as unemployment.

To answer the question: Testing if there is any correlation between turnover and change in employment, regression testing for both categories was conducted (see Figure 10-13). The results confirmed our expectation, as companies involved in mergers did not have much correlation between turnover and employment pattern. The opposite was true for companies not affected by mergers.

6.5 Have companies that participated in M&A activities noticed an impact on labour costs relative to turnover? How does this compare to companies that did not participate in M&A?

The results in Figure 14 looked at the period from 2006 to 2010, comparing the two categories. In the first four years, the cost of labour to turnover is higher in companies involved in mergers to those that are not. I

n 2010 there is a decline in these companies ratio as compared to an increase in companies that have not been involved in mergers. This indicates that after 2010, M&A companies were using less of labour to gain their revenue.

Doytch at el (2011) indicated in their study that mergers lead to cost synergies and economies of scale. That finding is also proving through in this case as also in the previous tests, business is growing without increasing the labour costs in the same rate.

The companies entering into M&A benefit in being more cost efficient than those that are not. These companies need fewer workers to produce the same or even more revenue.

Again looking at Chowdhury and Mavrota (2006) when they stated that the influx of FDI in South Africa benefits the country in

1. Job creation
2. Skills development
3. Technological advancement

Technological advancement would also ensure that companies are able produce and sell more products with fewer workers. This finding unlike the job creation one is true. This test supports this theory that companies are more cost efficient than companies that are not involved in mergers.

This also continues to impact negatively on the employment for these companies. The employment evaluated in this test shows a negative effected in companies involved in mergers. Companies not involved in M&A are seeing an increase in labour cost to turnover.

6.6 Labour cost increase to CPI increase

The objective of the test was to establish whether the average increase in the actual labour costs is lower or greater than increase in CPI. It follows logically that if the workforce of the company is not changing from one year to the next, it is highly likely that the increase in labour costs will be much closer to CPI rather than not

Figure 15 looking at companies affected by M&A, showed labour cost patterns just above the CPI cost. After 2009, the labour costs were on a decline as compared to the increasing costs of using CPI.

This result indicated that there is a probable loss of employment in these companies, which supports the findings of the previous tests.

The same test was conducted for companies not involved in mergers, and the result presented in Figure 16 showed a different picture. Labour costs were continuing to increase more than CPI increased. This does not indicate that employees in these companies were earning higher salaries than those in affected companies. It rather indicates these companies are increasing their work force, resulting in a gap between CPI and labour cost.

This is also consistent with the previous findings companies involved in M&A create more labour than companies not involved in mergers are.

6.7 Conclusion

The tests to evaluate the impact of M&A has on unemployment, the findings using the financial analyses did not prove to be any different to those international outcomes. Even though the first test on employment patterns showed growth in the M&A affected companies, this proved to be insufficient when compared with companies that are not impacted by M&A. The rate of employment to business growth also continually indicated that these companies negatively influence employment.

The relationship of labour cost to turnover proved that companies involved in M&A are more efficient than companies unaffected by M&A are, and these companies need fewer workers. This study finds that companies that have been acquired through mergers and acquisition impact negatively on employment.

CHAPTER 7: CONCLUSION

This study influenced by the ever-increasing unemployment rate in South Africa, tested using financials of the listed companies in the JSE, whether of those companies involved in mergers and acquisitions, do they have an impact on unemployment.

International studies discovered that

1. In Europe Gugler and Yurtoglu (2003) found that 10% of employment was negatively impacted by companies entering in M&A deals
2. Doytch et al (2011) in US found that M&A have contributed positively to employment since 1978
3. Kubo and Saito (2009) found that in Japan, within the first three years after companies were acquired, employment in those companies declined by 4%
4. Taguchi and Yanagawa came up with a different strategy of looking at 10 years post the mergers, separated sectors as well as tested acquisition and mergers differently. The findings were that mergers “when companies consolidate” resulted in the negative impact on employment.

For this study, even thou there had been studies on the impact of M&A on the mining industry, the purpose here was to cover all industries as evaluate the impact overall.

Looking at the two categories being of those companies that have been acquired and those not assisted to finding the impact of M&A on the financials of these two groups.

The main differences between the categories proved that indeed the M&A has an impact on unemployment in South Africa. The summary of the findings were

1) Employment patterns post the merger, , M&A affected companies did not seem to show growth in employment as compared to the other companies,

2) With regards to business growth vs., employment grow, acquired companies grew their businesses without increasing the number of employees with indicated loss of potential employment

3) Labour costs to turnover were on the decline in years post the merger, indicate that these companies were using less of labour to generate growth. This was supposed by the finding that M&A introduces technological changes and economies of scale to the acquired company. This also proved that employment is not being created by these companies

4) Looking at labour cost increase to CPI increase, it was found that the gap between actual costs and CPI factored increase were not big, compared to those companies not involved in M&A. This indicated that these companies were no employing more people. In 2011, the costs were showing a decline indicating a decline in employment.

The study support the findings in other countries, business grows as a result, but the jobs are not created as a result, instead evidence shows that jobs are lost in the future years post the merger.

Recommended Future Research

It is recommended that the acquisition as defined by Taguchi and Yanagawa (2011) as 'extension and growth', in which they found a positive impact on employment, be tested in the South African environment. The tested also conducted on the companies that were involve in a merger "with key function of consolidation", which were found to have a negative impact internationally to test with local markets. (Taguchi & Yanagawa, 2011)

It is widely believed that the most affected people in companies when it comes to mergers and acquisitions are all the employees at the low levels of the company. A further study to look at each level of employment in the companies involved in M&A to test which of the levels is affected the most. Are the likes of COSATU justified when they do all they can to stop mergers from taking place in this country?

BEE is known to be only enriching the politically connected few. Further study could be to evaluate the rate of employment contribution these deals have produced in the last two decades.

Appendices

1. Tables

Table 4: Main reason for not being employed, 1999 *(Statistics South Africa, 2002)*

	Unemployed (official) %	Discouraged %	Not economically active %
Lack of skills	54	62	9
No suitable work	38	29	4
Other reason	4	4	2
Homemaker	1	1	13
Seasonal/contract worker	1	1	0
Scholar/student	1	1	52
Ill/invalid/disabled	0	1	8
Too young/old	0	0	7
Retired	0	0	5
Total (per cent)	**100**	**100**	**100**
Total ('000 people)	**3 155**	**2 721**	**10 012**

Source: OHS, 1999

Table 5: Participation, Employment and Unemployment by Educational Level. ***(Banerjee, Galiani, Levinsohn, McLaren, & Woolard, 2008).***

(%)

Year	Less than matric			matric		
	Participation	Employment	Unemployment	Participation	Employment	Unemployment
1995	44.8	36.6	18.4	63.7	54.0	15.2
1997	41.3	30.8	25.4	62.5	48.7	21.9
1999	47.8	34.6	27.7	68.8	50.4	26.7
2001	51.8	34.4	33.6	73.3	49.7	32.3
2003	48.4	33.1	31.6	71.2	49.2	30.9
2005	49.2	34.2	30.4	69.2	49.7	28.2
Year	**Post-matric**			**College**		
	Participation	Employment	Unemployment	Participation	Employment	Unemployment
1995	80.6	76.8	4.6	85.8	84.0	2.1
1997	80.0	73.7	7.9	83.6	80.4	3.9
1999	85.0	74.3	12.6	87.4	82.2	6.0
2001	85.9	72.4	15.7	90.1	83.2	7.7
2003	89.1	76.1	14.6	89.7	85.6	4.6
2005	86.2	76.1	11.7	88.5	85.6	3.3

Notes: All statistics are for population 16 to 64 years old. ILO definitions adopted. Matric are those individuals with grade 12/standard 10/form 5/matric. Post-matric education includes those with: certificate with grade 12/std 10 and diploma with grade 12/std 10. College includes all individuals with: bachelors degree, bachelors degree and diploma, honors degree and higher degree. This classification eliminates around 0.3% of the sample with vocational degrees.

Table 6: South African Economic Data 1970-2009 *(Mavrokordatos, Stascinsky, & Michael, 2012, p. 182).*

	1	2	3	4	5	6	7	
Year	GDP CON. US $ bn	GDP Per Capita	Economic Growth	Inflation	FDI Net Inflows	Exports US $ bn	Imports US $ bn	Current Account Balance
	Base year 2000	Current US $	Annual % Δ GDP	% Δ CPI	US $ million	Base year 2000	Base year 2000	US $ billion
1970	68.6	3104	5.2	4.1	333	17.96	17.6	-1.289
1971	71.5	3163	4.3	5.7	260	18.51	19.4	-1.488
1972	72.7	3143	1.7	6.5	114	19.07	16.9	-0.192
1973	76	3213	4.6	9.6	23	18.08	18.9	-0.256
1974	80.6	3334	6.1	11.6	696	17.19	22.4	-1.437
1975	82.1	3316	1.7	12.5	167	16.99	21.7	-2.397
1976	83.9	3319	2.2	11.0	18	17.73	19.5	-1.912
1977	73.8	3246	-0.1	11.2	-121	18.54	16.9	0.239
1978	86.3	3275	3.0	11.1	-109	19.15	16.9	1.099
1979	89.6	3325	3.8	13.3	-484	19.51	16.7	2.965
1980	95.5	3463	6.6	13.7	-10	19.51	19.9	3.161
1981	100.6	3561	5.4	15.3	65	18.46	22.6	-4.978
1982	100.2	3460	-0.4	14.6	329	17.97	18.7	-3.525
1983	98.4	3310	-1.8	12.3	71	17.73	15.7	-0.323
1984	103.4	3390	5.1	11.5	419	18.21	18.8	-1.951
1985	102.1	3263	-1.2	16.3	-452	20.04	16.2	2.261
1986	102.2	3181	0	18.7	-50	19.3	15.8	2.765
1987	104.3	3167	2.1	16.2	-191	20.19	16.3	5.104
1988	108.7	3223	4.2	12.8	158	21.85	19.8	2.533
1989	111.3	3227	2.4	14.7	-201	22.33	19.9	1.497
1990	110.9	3152	-0.3	14.3	-75	22.23	18.8	1.551
1991	109.8	3056	-1	15.3	254	21.88	19.2	1.399
1992	107.5	2929	-2.1	13.9	3.4	23.09	20.2	1.980
1993	108.8	2903	1.2	9.7	11	25.48	21.6	2.803
1994	112.3	2934	3.2	8.9	374	26.12	25.1	0.0003
1995	115.8	2960	3.1	8.7	1	28.97	29.3	-2.493
1996	120.8	3020	4.3	7.4	816	31.06	31.9	-1.678
1997	123.9	3030	2.6	8.6	3810	32.7	33.6	-2.227
1998	124.6	2975	0.5	6.9	550	33.77	34.3	-2.199
1999	127.6	2972	2.4	5.2	1503	34.19	31.4	-0.0007
2000	132.9	3020	4.2	5.3	9680	37.03	33.1	-0.0002
2001	136.5	3040	2.7	5.7	7270	37.92	33.2	0.0003
2002	141.5	3108	3.7	9.2	1479	38.29	34.9	0.009
2003	145.7	3159	2.9	5.9	783	38.34	37.8	-1.761
2004	152.3	3264	4.6	1.4	701	39.42	43.6	-6.740
2005	160.4	3398	5.3	3.4	6522	42.8	48.4	-8.518
2006	169.4	3548	5.6	4.6	-183	45.99	57.2	-13.744
2007	178.6	3702	5.6	7.1	5736	48.72	62.4	-20.018
2008	185.2	3796	3.7	11.5	9644	49.87	63.3	-20.083
2009	181.9	3689	-1.7	7.1	5353	40.12	52.3	-11.327

Source: World Bank Databank http://databank.worldbank.org

Legend:

1. GDP (constant 2000 US $ billion), World Bank national accounts
2. GDP per capita (constant 2000 US $), World Bank national accounts
3. Economic Growth (annual % change in GDP), World Bank national accounts
4. Inflation, (annual % change CPI), World Bank
5. Foreign Direct Investment, Net Inflows (BoP, current US $ million), World Bank
6. Exports of goods and services (contant, 2000 US $ billion),
7. Imports of goods and services (constant, 2000 US $ billion),
8. Current account balance (current US $ billion), World Bank

Table 7: Mergers Prohibited, or Approved Subject to Conditions, 1999-2003 *(Roberts, 2004)*

Merging parties	Ruling	Reason/conditions
Bromor foods–Game	Approved subject to conditions	Brands to be maintained as competitors
Joshua Doore–Ellerines	Prohibited	Horizontal merger in concentrated market
Nasionale Pers–Educor	Approved subject to conditions	Subject to maintaining competing operations
Tongaat Hulett–Transvaal Suiker Beperk	Prohibited	Horizontal merger in concentrated market
Nampak–Malbak	Approved subject to divestment	Horizontal overlap in one market
Nedcor–Standard Bank	Prohibited by the Minister of Finance	Horizontal merger in concentrated market
Iscor–Saldanha Steel	Approved subject to conditions	Failing firm justified anticompetition merger, with conditions that compete in the local market
Nestle–Heinz/Tiger Foods (Pet foods)	Approved subject to conditions	Horizontal merger, subject to divestment
Mondi–Kohler Cores & Tubes	Prohibited	Vertical merger, but possibility of foreclosure and collusion
Astral–National Chick	Approved subject to conditions	Horizontal and vertical merger, with conditions on conduct and divestment
Distell–SFW	Approved subject to conditions	Horizontal overlap in one market
Joshua Doore–Profurn	Approved subject to conditions	The failing firm justified the merger, on condition that the firm should continue to buy from independent suppliers
Coleus (SAB)–Rheem	Approved subject to conditions	Vertical merger, subject to future divestment
Chemserve–Senmin	Approved subject to conditions	Continue to supply competitors of vertically integrated subsidiary

Note: In the Unilever–Bestfoods merger, divestment of some operations was agreed on by the parties before the Tribunal hearing.

2 Figures

Figure 16: Profile of the unemployed using Q2: 2008 Results *(Statistic South Africa, 2008).*

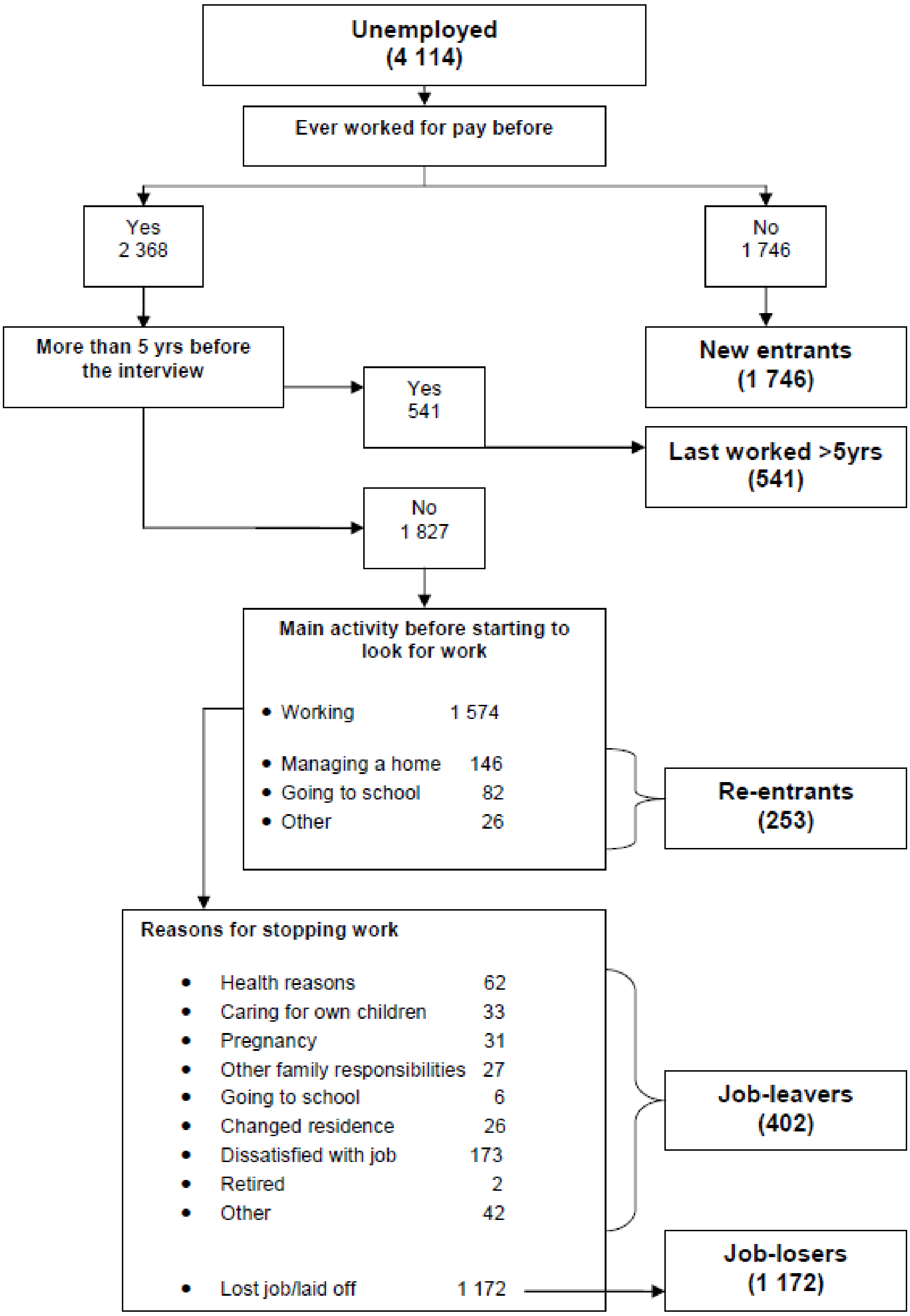


Table 8: List of companies sampled for M&A

Code	Company Name
AEG	AVENG LTD
AFE	A E C I LIMITED
ALT	ALLIED TECHNOLOGIES LIMITED
AMS	ANGLO AMERICAN PLAT LTD
ANG	ANGLOGOLD ASHANTI LIMITED
APK	ASTRAPAK LIMITED
APN	ASPEN PHARMACARE HOLDINGS LIMITED
ARI	AFRICAN RAINBOW MINERALS LIMITED
BAW	BARLOWORLD LIMITED
BCX	BUSINESS CONNEXION GROUP LIMITED
BIL	BHP BILLITON PLC
BVT	THE BIDVEST GROUP LIMITED
CML	CORONATION FUND MANAGERS LIMITED
DST	DISTELL GROUP LIMITED
DTC	DATATEC LIMITED
GFI	GOLD FIELDS LIMITED
GRT	GROWTHPOINT PROPERTIES LIMITED
HAR	HARMONY GOLD MINING COMPANY LIMITED
IMP	IMPALA PLATINUM HOLDINGS LIMITED
ILV	ILLOVO SUGAR LIMITED
JCD	JCI LIMITED
JDG	JD GROUP LIMITED
JSE	JSE LTD
KIO	KUMBA IRON ORE LIMITED
KIR	KAIROS INDUSTRIAL HOLDINGS LIMITED
LAF	LONRHO PLC
LBH	LIBERTY HOLDINGS LIMITED
MSM	MASSMART HOLDINGS LIMITED
MTX	METOREX LIMITED
NPK	NAMPAK LIMITED
NPN	NASPERS LIMITED
REM	REMGRO LIMITED
SAB	SABMILLER PLC
SAP	SAPPI LIMITED
SHP	SHOPRITE HOLDINGS LIMITED
SLM	SANLAM LIMITED
SNT	SANTAM LIMITED
SOL	SASOL LIMITED
SPG	SUPER GROUP LIMITED
SPP	THE SPAR GROUP LIMITED
SUI	SUN INTERNATIONAL LIMITED
TKG	TELKOM SA LIMITED
TRU	TRUWORTHS INTERNATIONAL LIMITED
TSH	TSOGO SUN HOLDINGS LTD
WHL	WOOLWORTHS HOLDINGS LIMITED

Source: McFAS Data Professor Mike Ward (2011)

Table 9: Listed companies not involved in M&A

Code	Company Name
CKS	CROOKES BROTHERS LIMITED
CMA	COMMAND HOLDINGS LIMITED
IFH	IFA HOTELS AND RESORTS LIMITED
IVT	INVICTA HOLDINGS LIMITED
MPC	MR PRICE GROUP LIMITED
PFG	PIONEER FOOD GROUP LIMITED
PGR	PEREGRINE HOLDINGS LIMITED
RAC	RACEC GROUP LTD
RBW	RAINBOW CHICKEN LIMITED
SUR	SPUR CORPORATION LTD

Source: McFAS Data Professor Mike Ward (2011)

Table 10 Number of persons employed by each company from 2006-2011

Persons Employed											
YEARS	CKS	CMA	IFH	IVT	MPC	PFG	PGR	RAC	RBW	SUR	AVERAGE
2006	1,929	2,537		1,423	7,641		353		6,686	179	2,964
2007	1,979	3,556		1,423	9,106		380		7,223	187	3,408
2008	1,979	3,560	154	1,841	9,794	11,586	418	1,200	7,653	182	3,837
2009	2,192	4,634	207	2,110	10,204	11,941	573	800	7,416	183	4,026
2010	2,042		268	2,240	17,300	11,527	579	600	7,386	185	4,681
2011	4,262			3,279	17,323		565		8,008	190	5,605

Table 11 Companies Annual Turnover from 2006-2011

Turnover Rm											
YEARS	CKS	CMA	IFH	IVT	MPC	PFG	PGR	RAC	RBW	SUR	AVERAGE
2006	201	79	0	1,913	5,168	0	538	0	4,101	183	1,218
2007	212	104	0	2,663	6,057	0	779	0	4,730	215	1,476
2008	247	148	119	3,335	7,204	14,884	909	384	5,955	296	3,348
2009	307	243	83	4,524	8,591	16,284	1,430	345	6,811	327	3,894
2010	309	0	79	3,969	9,454	15,731	1,301	394	6,953	348	3,854
2011	298	0	0	4,534	10,673	0	1,371	0	8,621	403	2,590

Table 12 Companies' Annual Staff Cost in R million from 2006-2011

Staff Cost Rm											
YEARS	CKS	CMA	IFH	IVT	MPC	PFG	PGR	RAC	RBW	SUR	AVERAGE
2006	67	52	0	198	657	0	136	0	745	4	186
2007	71	64	0	243	771	0	180	0	841	6	218
2008	84	81	25	333	888	1,742	430	61	928	7	458
2009	98	89	29	444	1,020	1,999	530	91	1,010	76	539
2010	105	0	28	473	1,118	2,215	478	84	1,084	77	566
2011	100	0	0	589	1,265	0	564	0	1,521	93	413

Table 13 Change in employment making 2006 equal to Y0 (2006-2011)

Change in Employees	CKS	CMA	IFH	IVT	MPC	PFG	PGR	RAC	RBW	SUR	AVERAGE
Y0	1	1	1	1	1	1	1	1	1	1	1
Y1	1.026	1.402	1.344	1.000	1.192	1.031	1.076	0.667	1.080	1.045	1.086
Y2	1.026	1.403	1.740	1.294	1.282	0.995	1.184	0.500	1.145	1.017	1.159
Y3	1.136	1.827		1.483	1.335		1.623		1.109	1.022	1.362
Y4	1.059			1.574	2.264		1.640		1.105	1.034	1.446
Y5	2.209			2.304	2.267		1.601		1.198	1.061	1.773

Table 14 Change in Turnover from 2006 (Y0) to 2011 (Y5)

Turnover Growth											
YEARS	CKS	CMA	IFH	IVT	MPC	PFG	PGR	RAC	RBW	SUR	AVERAGE
Y0	1	1	1	1	1	1	1	1	1	1	1
Y1	1.05	1.32	0.70	1.39	1.17	1.09	1.45	0.90	1.15	1.18	1.14
Y2	1.23	1.87	0.66	1.74	1.39	1.06	1.69	1.03	1.45	1.62	1.37
Y3	1.53	3.07		2.36	1.66		2.66		1.66	1.79	2.10
Y4	1.53			2.07	1.83		2.42		1.70	1.90	1.91
Y5	1.48			2.37	2.07		2.55		2.10	2.21	2.13

Table 15 Mergers and Acquisition in 1996

1996 M&A			
Assets Acquired	**Buyer**	**Seller**	**Transaction Type & Characteristics**
Mining and mineral interests of Anglovaal	Avmin/Avgold	Various	Group reorganisation
Various listed investments	Genbel South Africa shareholders	Genbel South Africa	Unbundling of investments
Alusaf	Gencor	Industrial Development Corporation/Mino	Acquisition of 59.2% interest
Boland Bank PKS /Boland Financial Services/SMK Securities	NBS Holdings	Boland Bank	Acquisition of Banking and Financial Services
Right to NBS Holdings	Boland Bank	RMB Holdings	Acquisition of right to acquire 20% interest
NBS Holdings	Boland Bank Holdings	Unknow n	Acquisition of 5.6% interest
Aegis Insurance Company	RMB Holdings	NBS Holdings	Acquisition of remaining 50% interest
			NBS/Boland Bank merger
JCI	African Mining Group	Anglo American Corporation	Acquisition of 34.9% interest
Premier Pharmaceuticals	Adcock Ingram	New Shares	Merger of businesses
Johnnies Industrial Corporation	National Empow erment Consortium	Anglo American Corporation	Acquisition of 35% interest
Shoprite	Tradehold Shareholders	Tradehold	Unbundling and delisting of Tradehold
Lonrho	Anglo American Corporation	Dieter Bock	Acquisition of 18.3% interest
Various	New Africa Investments/New Afric	New Africa Investments	Restructuring of Nail
Engen	Petroliam Nasional Berhad	Engen shareholders/Sanlam/Rembrandt	Acquisition of 21.6% interest
Aracruz Celulose SA	Anglo American Corporation	Souza Cruz	Acquisition of 11,8% interest
Various platinum interests	Lydenburg Platinum	Lydenburg Platinum	Unbundling of certain listed investments
HL&H Timber Holdings	Mondi	Hunt Leuchars & Hepburn Holdings/Ang	Acquisition of Hardw ood Timber interests
Malbak	Consortium Led by Sankorp	Gencor	Acquisition of 15.3% interest
Protea Assurance Company	Mutual & Federal Insurance	Royal & Sun Alliance Insurance/Minoritie	Acquisition of 100% interest and termination
Tempora Investments/Ettington Investments	Suncrush Shareholders	Suncrush	Distribution of shareholding
Ingw e Coal	Gencor	Old Mutual	Acquisition of effective 10% interest
Mining operations and liabilities/Management Contracts	Kinross Mines	Winkelhaak, Leslie, Bracken	Merger of mines
Ingw e Coal Corporation	Rand Mines Shareholders	Rand Mines	Unbundling of Rand Mines

Table 16 Mergers and Acquisition greater than R500 million

1997 M&A					
Assets acquired	**Sector**	**Buyer**	**Seller**	**Transaction type & characteristics**	**Rm**
Western Areas Gold Mining Co.	Mining - West Wits	Vaal Reefs Exploration & Mining Co.	Anglo American, De Beers & Minorities	Merger of gold mines	2,869.0
Western Deep Levels	Mining - West Wits	Vaal Reefs Exploration & Mining Co.	Anglo American, De Beers & Minorities	Merger of gold mines	2,865.0
Free State Consolidated Gold Mines	Mining - Orange Free State	Vaal Reefs Exploration & Mining Co.	Anglo American, De Beers & Minorities	Merger of gold mines	2,796.0
Southvaal Holdings	Mining - Klerksdorp	Vaal Reefs Exploration & Mining Co.	Anglo American, De Beers & Minorities	Merger of gold mines	2,276.0
Eastvaal Gold Holdings	Mining - Klerksdorp	Vaal Reefs Exploration & Mining Co.	Anglo American, De Beers & Minorities	Merger of gold mines	2,113.0
Elandsrand Gold Mining Company ltd	Mining - West Wits	Vaal Reefs Exploration & Mining Co.	Anglo American, De Beers & Minorities	Merger of gold mines	1,674.0
Driefontein Consolidated	Mining - West Wits	Vaal Reefs Exploration & Mining Co.	Anglo American, Amgold	Merger of gold mines	1,241.0
HJ Joel	Mining - Orange Free State	Vaal Reefs Exploration & Mining Co.	Anglo American, De Beers & Minorities	Merger of gold mines	1,050.0
Beatrix Mines	Mining - Orange Free State	Gold Shelf One	Gencor & Minority shareholders	Merger of gold mines	2,032.3
Oryx Gold Holdings	Mining - Orange Free State	Gold Shelf One	Gencor & Minority shareholders	Merger of gold mines	1,057.9
Orogen Holdings BVI	Foreign Company	Gold Shelf One	Gencor	Merger of gold mines	738.6
Evander Gold Mines	Mining - Gold - Rand & Others	Gold Shelf One	Gencor	Merger of gold mines	230.1
Consulting Service Agreements	Assets	Gold Shelf One	Gencor	Merger of gold mines	100.4
Mineral Rights	Assets	Gold Shelf One	Gencor	Merger of gold mines	95.0
Fairview Consoldiated Mines	Unlisted	Gold Shelf One	Gencor	Merger of gold mines	88.7
St Helena Gold Mines	Mining - Orange Free State	Gold Shelf One	Gencor	Merger of gold mines	43.1
Kloof Gold Mining Company	Mining - West Wits	Gold Shelf One	Gold Fields of South Africa & Minorities	Merger of gold mines	3,289.0
Driefontein Consolidated	Mining - West Wits	Gold Shelf One	Gold Fields of South Africa	Merger of gold mines	2,371.0
Gold Fields Guernsey	Foreign Company	Gold Shelf One	Gold Fields of South Africa	Merger of gold mines	984.3
Various Investments	Mining - West Wits	Gold Shelf One	Gold Fields of South Africa	Merger of gold mines	483.7
Mineral Rights	Assets	Gold Shelf One	Gold Fields of South Africa	Merger of gold mines	230.1
Service Agreements	Assets	Gold Shelf One	Gold Fields of South Africa	Merger of gold mines	144.6
Asteroid & Gold Fields	Unlisted	Gencor	old Fields SA & Driefontein Consolidated Mi	Acquired 100% interest in the company	-
Rustenburg Platinum Holdings	Metals - Platinum	Shareholders	Anglo American Platinum Corp.	nbundling of interest to the shareholder	3,385.3
Anglo American Platinum Corp.	Min Fin - Mining Houses	Rustenburg Platinum Holdings	Shareholders	Merger of platinum mines	3,076.1
Potgietersrust Platinum	Metals - Platinum	Rustenburg Platinum Holdings	Shareholders	Merger of platinum mines	2,880.2
Unlisted Diamond Trading Co.	Unlisted	Beers, Centenary AG & Anglo Inv. Tru	Anglo American Platinum Corp.	undling of diamond interest in the comp	1,185.1
Lebowa Platinum Mines	Metals - Platinum	Rustenburg Platinum Holding	Shareholders	Merger of platinum mines	403.7
The Board of Executors Shares	Financial - Banks & Financial	NBS Boland	The Board of Executors	cquired additional 6.5% interest to 25.9	480.0
Samgro Investment Holdings	Financial - Banks & Financial	The Board of Executors	The CH Wiese Group	Acquired 70% interest in the company	898.9
NBS Boland	Financial - Banks & Financial	Samgro Investment Holdings	Norwich Holdings SA	quired additional interest in the compa	1,342.5
NBS Boland	Financial - Banks & Financial	Samgro Investment Holdings	FAD Finance Company (Pty)	uired an additional interest in the comp	216.0
NBS Boland	Financial - Banks & Financial	Samgro Investment Holdings	The Board of Executors	Acquired further interest in the company	2,320.0
NBS Boland	Financial - Banks & Financial	Samgro Investment Holdings	The CH Wiese Group	Acquired further interest in the company	512.3
Pepgro	Ind - Stores	NBS Boland	The CH Wiese Group	Acquired 20% interest in the company	512.0
KNP Leykam Holdings S.A.	Foreign Company	Sappi	NV Koninklijke KNP BT	ired 91.5% interest in a Netherlands com	6,100.0
S.A. Druggists	Ind - Pharm & Medical	Malbak Shareholders	Malbak	Unbundling, distribution to shareholders	2,087.2
Ellerine Holdings	Ind - Furniture, Household & A	Malbak Shareholders	Malbak	Unbundling, distribution to shareholders	1,342.0
Foodcorp	Ind - Food	Malbak Shareholders	Malbak	Unbundling distribution to shareholders	1,154.6
New Clicks Holdings	Ind - Stores	Malbak Shareholders	Malbak	Unbundling, distribution to shareholders	611.8
Malbak Motor Holdings	Unlisted	Sankorp	Malbak	Sale of 100% interest	265.0
Defy Corporation	Ind - Electronics & Electrical	stcorp Capital Investors & Defy mngr	Malbak	Sale of 100% interest	179.0
ICL Technology Holdings	Unlisted	ICL Retail Systems Gmbh	Malbak	Sale of interest in the company	153.0
Haggie Rand	Ind - Engineering	AMIC Industries	Malbak	ition of 16% interest to increase holding	85.0
Haggie Rand	Ind - Engineering	Malbak Shareholders	Malbak	Unbundling of 20% interest	72.9
Eagle Freight	Unlisted	gle Freight Management & consortiu	Malbak	Unbundling, sale of 100% interest	51.0
Tedelex	Unlisted	Jack Cohen & Consortium	Malbak	Sales of 100% interest	50.0
Stalcor	Unlisted	Baldwins Steel - Div. of Dorbyl Marine	Malbak	Unbundling - sale of 100% interest	30.0
Osborn MMD Engineering	Unlisted	Boart Longyear	Malbak	Sale of 49% interest	10.3
Telkom	Unlisted	SBC International	State	ed 18% interest in business as a going co	3,330.8
Telkom	Unlisted	Telekom Malaysia	State	ed 12% interest in business as a going co	2,217.6
ersetel and Q-Data African businesse	Business	PQ Africa (Pty)	Persetel and Q-Data	Acquisition of African businesses	4,300.0
Persetel Q Data Africa (Pty)	Unlisted	Real Africa Holdings	Persetel Q Data Holdings	ion of 50% interest by black empowerme	400.0
NBS Boland Group	Financial - Banks & Financial	Shareholders of Orion	Orion Selections	Sales of 26.4% interest in the bank	3,849.0
Q Data	Ind - Electronics & Electrical	Siltek Shareholders	Siltek	nbundling and distribution of shareholdi	831.0
Q Data	Ind - Electronics & Electrical	Grintek Shareholders	Grintek	nbundling and distribution of shareholdi	470.5
Q Data	Ind - Electronics & Electrical	Grinaker Holdings Shareholders	Grinaker Holdings	nbundling and distribution of shareholdi	225.5
Persetel Q Data Holdings	Ind - Electronics & Electrical	Q Data Shareholders	Q Data	nbundling and distribution of shareholdi	1,199.3
Persetel Q Data Holdings	Ind - Electronics & Electrical	Siltek Shareholders	Siltek	nbundling and distribution of shareholdi	357.0
Persetel Q Data Holdings	Ind - Electronics & Electrical	Grintek Shareholders	Grintek	nbundling and distribution of shareholdi	242.6
Persetel Q Data Holdings	Ind - Electronics & Electrical	Grinaker Holdings Shareholders	Grinaker Holdings	nbundling and distribution of shareholdi	223.3
Forbes Group	Financial - Insurance	Servgro Shareholders	Servgro International	nbundling and distribution of shareholdi	1,198.1
Nasional Pers Beperk N Shares	Ind - Media	Servgro Shareholders	Servgro International	nbundling and distribution of shareholdi	958.7
Avis Holdings	Ind - Bevs, Hotel & Leisure	Servgro Shareholders	Servgro International	nbundling and distribution of shareholdi	816.8
Woolworths Holdings	Unlisted	Shareholders	Wooltru	Unbundling of a portion of interest	2,767.9
Telemation Netzwerk AG	Foreign Company	Persetel Holdings	Hapela Beteiligungsgesellschaft	cquisition of 70% interest in the compan	2,755.0
Saflife	Min Fin - Mining Houses	Investec Investment Trust	Saflife Shareholders	Acquired ordinary shares and warrants	200.0
JCI	Min Fin - Mining Houses	Saflife	Unknown	Acquisition of 30% interest	2,473.6
The Bidvest Group	Ind - Industrial Holding	Shareholders	Bid Corporation	dling of company/distribution to shareh	2,547.7
Khumalo Alliance	Unlisted	NK Properties	BNC Investments (Pty)	Acquired 100% interest in the company	141.3
Chendini Investments (Pty)	Unlisted	NK Properties	BNC Investments (Pty)	Acquired 100% interest in the company	137.5
Newco	Newco	NK Properties	SBC Warburg	Acquired 100% interest in the company	487.3
JCI	Min Fin - Mining Houses	NK Properties	Asset Man. & New SA Fund Inc. & S.L. Asset	Acquired 2% interest in the company	143.1
Randgold & Exploration Co.	Min Fin - Mining Holding	NK Properties	sset Management & Flemming Martin Asset	Acquired 2.5% interest in the company	38.6
Consolidated Mining Corp.	Min Fin - Mining Houses	NK Properties	Shareholders	Acquire remainder of shares	1,344.5
Q Data business	Business	Persetel Holdings	Q Data	Merger of the two companies	2,258.0
NBS Holdings	Financial - Banks & Financial	Board of Executors	Samgro Investment Holdings	Acquired a 17.2% interest	1,367.0
Board of Executors business	Financial - Banks & Financial	NBS Holdings	Board of Executors	quisition of 12.2% interest in the compa	440.0
BOE Corporation business	Financial - Banks & Financial	NBS Holdings	BOE Corporation	quisition of 23.9% interest in the compa	440.0
BOE Corporation N shares	Financial - Banks & Financial	Samgro Investment Holdings	New shares	ares in Board of Executors for shares in B	-
Capital Alliance Holdings	Financial - Insurance	Saflife Shareholders	Saflife	Unbundling of certain interests	1,187.9
JCI	Min Fin - Mining Houses	Saflife Shareholders	Saflife	Unbundling of interest	896.4
Suncrush business	Business	Amalgamated Beverage Industries	Suncrush	Acquired the business as a going concern	1,869.0
Western Areas Gold Mining Company	Mining - West Wits	nglo American Corp. of SA & De Beer	JCI	Asset exchange	821.3
H.J Joel Gold Mining Company	Mining - Orange Free State	nglo American Corp. of SA & De Beer	JCI	Asset exchange	526.5
Anglo American Platinum Corporation	Metals - Platinum	nglo American Corp. of SA & De Beer	JCI	Asset exchange	492.6
Man. contracts, mineral rights	Assets	nglo American Corp. of SA & De Beer	JCI	Asset exchange	-
NSA Investments Assets & Liabilities	Assets	Genbel Securities	NSA Investments	Acquired the business as a going concern	1,718.0
Rainbow Chicken	Ind - Food	Remgro	Hunt Leuchars & Hepburn Holdings	Unbundling of interests	340.0
Hunt Leuchars & Hepburn Holdings	Ind - Food	Remgro	Huntcor	Unbundling of interest	734.0
Rainbow Preference Shares	Ind - Food	Hunt Leuchars & Hepburn	Huntcor	uisition of 64% interest in preference sha	8.0
HLH Preference Shares Holders	Ind - Food	Huntcor Preference Shareholders	Huntcor	Distribution of HL&H preference shares	636.0
Tavistock Collieries	Unlisted	Duiker Mining	JCI	Acquired 100% interest in the company	1,700.0
Lonrho Sugar Corporation	Ind - Food	Illovo Sugar	Lonrho plc	Acquired 94.25% interest in the company	1,623.7
Lonrho Sugar Corporation	Ind - Food	Illovo Sugar	Minority shareholders	d 5.75% interest in the company from mi	19.8
Metropolitan Life	Financial - Insurance	New Africa Investments	Shareholders	additional 16% interest to bring total to	1,579.0
Ster Kinekor Assets/Business	Assets	Primedia	Interleisure	Unbundling & liquidation of Interleisure	1,513.4
ter-Kinekor Home Entertainment (Pty	Unlisted	Primedia	Interleisure	Unbundling of interest	-
Ster-Moribo Investments (Pty)	Unlisted	Primedia	Interleisure	Unbundling of interest	-
Ster-Kinekor Management (Jersey)	Unlisted	Primedia	Interleisure	Unbundling of interest	-
arious Interleisure Property Compani	Unlisted	Primedia	Interleisure	Unbundling of interest	-
Computicket (Pty)	Unlisted	Multichoice Africa (Pty)	Interleisure	Unbundling of interest	35.0
Ster-Kinekor Management (Jersey)	Individuals	Kersaf Investments	Interleisure	Unbundling of interest	22.4
set Management Companies of Libho	Unlisted	Liberty Life Ass. of Africa	Liberty Holdings	Reconstruction of the group	1,510.0
Primedia Ordinary Combined Units	Ind - Media	Interleisure Shareholders	Interleisure	Unbundling and distribution of shares	915.9
Primedia "N" Combined Units	Ind - Media	Interleisure Shareholders	Interleisure	Unbundling and distribution of shares	392.5

1998 M&A					
Assets acquired	**Sector**	**Buyer**	**Seller**	**Transaction type & characteristics**	**Trans**
Anglo American Corporation o	Min Fin - Mining Houses	Anglo American plc	AAC Shareholders other than	Combination of AAC & Minorco businesses	29,208.0
Anglo American Corporation o	Min Fin - Mining Houses	Anglo American plc	De Beers Consolidated Mines	Combination of AAC & Minorco businesses	18,054.2
Minorco Societe Anonyme	Foreign Company	Anglo American plc	Minorco shareholders other t	Combination of AAC & Minorco businesses	16,230.0
Minorco Societe Anonyme	Foreign Company	Anglo American plc	De Beers Consolidated Mines	Combination of AAC & Minorco businesses	4,712.0
Listed and unlisted investmen	Various	Anglo American Corporation o	De Beers Consolidated Mines	Rationalisation prior to AA plc listing	2,980.7
Southern Life Association	Financial - Insurance	Momentum Life Assurers	Southern Shareholders	Merger of Momentum, Southern & FNB	12,918.3
First National Bank Holdings	Financial - Banks & Financial S	Momentum Life Assurers	FNB Shareholders (other than	Merger of Momentum, Southern & FNB	24,083.5
First National Bank Holdings	Financial - Banks & Financial S	Momentum Life Assurers	Anglo American Corporation o	Merger of Momentum, Southern & FNB	6,172.2
Orion Selections	Financial - Banks & Financial S	BOE Corporation	Shareholders	S311 scheme of arrangement	18,700.0
Standard Bank Investment Co	Financial - Banks & Financial S	Libsil Shareholders	Liblife Strategic Investments	Distribution of principal investment holdings, delisting of	9,000.0
Gold Fields	Mining - Gold - Rand & Others	GFSA shareholders	Gold Fields of South Africa	Distribution in specie/reduction of share premium	8,786.0
HJ Joel Gold Mining Co	Mining - Orange Free State	Anglo American Corp & De Bee	JCI	Exchange of shareholding for shares in Lonrho Plc	1,449.0
Tavistock Collieries	Unlisted	Duiker Mining (Lonrho)	JCI	Disposal of all coal interests	1,377.8
Lonhro plc	Foreign Company	Investec Group	JCI	Disposal of 21% shareholding in Lonrho for 5% in Fedsure	1,504.0
Gold Interests of JCI	Min Fin - Mining Houses	JCI Gold	JCI	Sale of gold interests to wholly owned subsidiary	2,099.2
Sanlam Asset Management (P	Unlisted	Genbel Securities	South African National Life Ass	Merger of Sanlam/Gensec asset management activities	6,528.0
Theta Group	Financial - Banks & Financial S	New Africa Investments	Shareholders of Theta	Partial offer to Theta shareholders to acquire controlling	5,000.0
Millennium Entertainment Gr	Ind - Media	Premier Shareholders	The Premier Group	Unbundling of company and distribution to shareholders	533.5
Metro Cash & Carry	Ind - Stores	Premier Shareholders	The Premier Group	Unbundling of company and distribution to shareholders	2,800.2
Adcock Ingram	Ind - Pharm & Medical	Premier Shareholders	The Premier Group	Unbundling of company and distribution to shareholders	1,365.1
Hambros plc	Foreign Company	Investec Holdings	Undisclosed	Acquisition of 93.8% of the issued ordinary shares	4,689.3
Anglo American Coal Corporat	Mining - Coal	Anglo American Corporation o	De Beers and other sharehold	Section 311 scheme of arrangement and delisting	4,080.3
JCI	Min Fin - Mining Houses	Investec Group	Anglo American Corporation,	Offer by Investec to buy all shares excluding CAM shares	2,857.5
Anglo American Industrial Cor	Ind - Industrial Holding	Anglo American Corporation o	Ordinary and preference shar	Section 311 scheme of arrangement and delisting	3,764.7
Capital Alliance businesses	Business	Brait SA	Capital Alliance Holdings	Creation of a new investment bank	1,850.1
Capital Partners businesses	Business	Brait SA	Capital Partners	Creation of a new investment bank	1,358.6
Independence Mining Compa	Foreign Company	Anglogold	Minorco Societe Anonyme	Acquisition of interests in Pikes Peak and Jerrit Canyon m	3,259.0
Avmin & Saturn Partnership	Min Fin - Mining Houses	AVH Shareholders	Anglovaal Holdings	Unbundling / dividend in specie / capital	1,265.5
Anglovaal Industrial Holdings	Unlisted	AVL Shareholders	Anglovaal	Unbundling / distribution in specie	1,110.4
Avmin	Min Fin - Mining Houses	Anglovaal	Minorities	Offer to minorities to acquire their shares	558.0
Ingwe Coal Corporation	Mining - Coal	Billiton plc	Shareholders other than Billit	Section 311 scheme of arrangement	2,971.0
Engen	Ind - Chemical, Oils & Plastic	Petroliam Nasional Berhad	Shareholders	Increase in interest from 30% to 100%	2,881.9
Micro-Lending business of Bol	Business	Theta Group (Unity Financial S	NBS Boland Bank	Acquisition of business, as a going concern	2,807.0
Mobile Telephone Networks H	Unlisted	Johnnies Industrial Corporati	Cable & Wireless (South Africa	Acquisition of 18.5% interest	1,965.2
Mobile Telephone Networks H	Unlisted	Transnet	Cable & Wireless (South Africa	Increase in interest from 23.54% to 30.04%	690.5
Norwich Holdings SA	Financial - Insurance	Fedsure Holdings	Orion Selections	Acquisition of 28.32% interest bringing total interest to 6	1,054.6
Norwich Holdings SA	Financial - Insurance	Fedsure Holdings	Minorities	Section 311 scheme of arrangement to acquire balance	1,412.7
Timberlands	Assets	Plum Creek Timber Company	Sappi	Disposal of Timberlands in Maine, USA	1,100.0
Saiccor	Unlisted	Sappi	Industrial Development Corpo	Acquisition in terms of 5 yr agreement with the IDC	1,005.7
Manganese production assets	Assets	Billiton plc	Broken Hill Proprietary Ltd	Acquisition of mining interests	2,250.0
Amalgamated Beverage Indus	Ind - Bevs, Hotels & Leisure	Suncrush shareholders	Suncrush	Distribution in specie	623.9
Cash	Undisclosed	Suncrush shareholders	Suncrush	Members voluntary winding-up / liquidation dividend	922.4
Millenium Entertainment Gro	Ind - Media	Omni Media Corporation	MEGA Shareholders	Section 311 scheme of arrangement	1,900.0
Foodcorp business	Business	Pamodzi Invest, FirstCorp Cap	Foodcorp	Acquisition of control by empowerment group and others	1,806.0
Plessey Corporation	Ind - Electronics & Electrical	Dimension Data Holdings	Plessey Shareholders	Section 311 scheme of arrangement	1,790.0
Kersaf Investments	Ind - Bevs, Hotels & Leisure	Safren Shareholders	Safmarine and Rennies Holdin	Unbundling of 73% interest	1,700.0
CSO Companies	Unlisted	De Beers Consolidated Mines	Cymberline (Pty) Ltd	Exchange of shares	1,316.0
Persetel Q Data (Africa)	Unlisted	Nitac	Persetel Q Data Holdings	Exercise of option to purchase preference shares	1,550.0
JCI	Min Fin - Mining Houses	Investec Group	Saflife	Disposal of holding of JCI shares	933.6
Truworths International	Ind - Stores	Wooltru shareholders	Wooltru	Distribution of interest to facilitate Truworths listing	1,540.5
Blue Circle	Unlisted	Lafarge SA	Murray & Roberts Holdings	Acquisition of cement business for cash	1,530.0
ICS Holdings	Ind - Food	Tiger Oats	CG Smith Foods	Offer for entire ordinary share capital of ICS	980.0
Future Bank Corporation	Unlisted	FBC Fidelity Bank Holdings	FBC Holdings	Merger of operations / creation of new group	1,395.0
Comparex Holdings	Ind - Electronics & Electrical	Consortium assembled by Rou	Barlow	Disposal of shares	1,378.0
Consolidated Metallurgical In	Ind - Steel & Allied	Sudelektra Holding AG	Invego Investments	Section 311 scheme of arrangement	565.3
Joint Venture	Newco	Placer Dome Inc	Western Areas Gold Mining Co	Acquisition of 50% interest in joint venture to further dev	1,340.0
Premier Food Industries	Unlisted	National Cereal Investments (	The Premier Group	Disposal of wholly-owned subsidiary	1,275.0
JV Holdings	Newco	Bestfoods Europe (Group)	Newco	Acquisition of 50% interest in joint venture	930.0
Chrome Resources (Pty) Ltd	Unlisted	Sudelektra Holding AG	Chromecorp Holdings	Disposal of interest in ferrochrome producer	1,202.0
Mobile Telephone Networks H	Unlisted	M-Cell	SBC International, Inc	Increase in interest from 29.5% to 34.7%	590.0
Samancor	Metals - Manganese	Anglo American Corporation o	Samancor Minorities	Section 311 scheme of arrangement to increase interest	1,149.0
Cash	Assets	Shareholders	The Premier Group	Section 84 reduction of share capital and share premium	1,142.0
Property investments	Assets	Marriot Property Fund	Umdoni, Tamboti, Higate & Hi	Merger of property funds	1,132.2
Voltex (Pty) Ltd	Unlisted	Power Technologies	Voltex Holdings	Acquisition of 100% of issued share capital	833.0
Rennies Group (Rennies)	Unlisted	The Bidvest Group	Safmarine & Rennies Holdings	Acquisition of business and trademarks as a going concer	787.5
Airports Company South Africa	Government	Aeroporti Di Roma	Government	Partial privatisation	819.0
PSG business	Business	PSG Financial Services	PSG Group	Sale of business as a going concern	862.8
Davids	Foreign Company	Metro Cash & Carry	Shareholders	Increase of interest in Australian wholesaler from 20% to	940.5
Norwich Holdings SA	Financial - Insurance	Orion Selections	Market & various institutions	Acquisition of 28% strategic interest	931.0
Westcon Group Inc.	Foreign Company	Datatec	Existing management shareho	Acquisition of 80% interest as part of global expansion	919.0
Suncrush	Ind - Bevs, Hotels & Leisure	Dalys shareholders	Dalys	Unbundling of shareholding / distribution in specie	910.0
McCarthy Retail	Ind - Stores	Shareholders and debenture	McCarthy Group	Unbundling of shareholding / distribution in specie	908.6
Alpha	Ind - Building, Construction &	Altur Investments	Minorities	Offer to minorities / sec 311 scheme of arrangement, del	900.0
IBM South Africa Group	Ind - Electronics & Electrical	International Business Machi	Minorities	Section 311 scheme of arrangement, delisting	887.5
Forbes Group	Financial - Insurance	Worldwide, Malesela Hold., W	New shares	Specific issue of shares for cash to empowerment groups	571.5
Perskorgroep Beperk	Ind - Media	CTP Holdings	Perskor Beleggings	Merger of core publishing & printing interests	733.0
Guinness Mahon Holdings plc	Foreign Company	Investec Holdings	Bank of Yokohama	Acquisition of UK investment banking group	798.0
Abacus Technology Holdings	Ind - Media	Global Capital	Undisclosed	Acquisition of 24.1% interest	780.7
Game Division	Assets	Massmart Holdings (Pty) Ltd	McCarthy Retail	Acquisition of discount retailer	755.0
Tiger Wheels	Ind - Motor	Shareholders	TWH Investments	Unbundling / section 83 reduction of share capital	704.6
Investment Portfolio	Assets	Shareholders	Investec Investment Trust	Distribution in specie / partial unbundling	522.0
Excel Medical Holdings	Ind - Pharm & Medical	The Netcare Group	Excel Shareholders	Section 311 scheme of arrangement	650.0
South African Druggists	Ind - Pharm & Medical	Fedsure	Sanlam	Acquisition 30.2% interest	645.4
Guardian National Insurance	Financial - Insurance	Liberty Life Association of Afri	Liberty Holdings	Acquisition of 45.4% interest	632.2
Outsourcing & Administration	Unlisted	Selective Financial Group	Undisclosed	Acquisition of 100% interest	631.6
Cornick Group (formerly Afcol)	Ind - Furniture, Household & A	Pat Cornick Unitholders	Pat Cornick	Unbundling / distribution in specie	601.5
PQ Africa Holdings (Pty) Ltd	Unlisted	Real Africa Holdings	New shares	Exercise of option to acquire redeemable convertible pre	600.0
Barprop	Financial - Property	RMP Members	RMP Properties	Unbundling of co-distribution in specie	596.0
Kagiso Asset Management	Newco	Liberty Asset Managment	Newco	Formation of a joint venture	500.0

2005 M&A				
Acquirer	Target	Seller	Value	Feature
3i Group plc	Wendt	ANGLO AMERICAN PLC	559.80	Disinvest in Foreign Company by Local Company
ABSA GROUP LTD	Barclays South African Branch Business	Barclays Bank Plc	578.00	Acquisition of Related Business
Acerinox SA	Columbus Stainless (Pty) Ltd	HIGHVELD STEEL & VANADIUM CORPORATION LTD	730.00	Investment in South Africa by Foreign Company
Advent International	Boart Longyear	ANGLO AMERICAN PLC	3,600.00	Other
AFRICAN OXYGEN LTD	AFRICAN OXYGEN LTD	Shareholders	660.80	Section 311 Scheme of Arrangment
Alpine Engineered Products Acquisition Corporation	Alpine Engineered Products Division	DORBYL LTD	1,052.00	Conditional Offer
ANGLO AMERICAN PLC	Shenhua	New Shares	1,033.00	Acquisition of Related Business
APEXHI PROPERTIES LTD	Prima business	PRIMA PROPERTY TRUST	996.20	Acquisition of Related Business
ARM Broad-Based Economic Empow erment Trust	AFRICAN RAINBOW MINERALS LTD	HARMONY GOLD MINING COMPANY LTD	829.80	Unconditional Offer for Shares
Barclays Bank Plc	ABSA GROUP LTD	REMGRO LTD	5,188.30	Acquisition of Related Business
Barclays Bank Plc	ABSA GROUP LTD	SANLAM LTD	10,247.00	Acquisition of Related Business
Barclays Bank Plc	ABSA GROUP LTD	Shareholders	14,379.00	Acquisition of Related Business
BEE Holdco	New co	Anglo South Africa Capital Limited	2,850.00	Conditional Offer
BEE Holdco	New co	New Shares	1,711.00	Conditional Offer
BEE Holdco	New co	The Industrial Development Corporation of South Africa Ltd	1,447.00	Conditional Offer
BEE parties	DISCOVERY HOLDINGS LTD	New Shares	831.00	Conditional Offer
Black economic empow erment consortium	GROWTHPOINT PROPERTIES LTD	Mines Pension Funds and Investec Employee Benefits Ltd	1,014.00	Black Economic Empow erment
Black investors and employees	NETWORK HEALTHCARE HOLDINGS LTD	New Shares	1,000.00	Conditional Offer
Business Venture Investments No 951 Ltd (New co")"	Surplus assets	VENFIN LTD	5,000.00	Conditional Offer
CCMP Capital Asia	Waco International	11 Private Equity partners	5,400.00	Investment in South Africa by Foreign Company
Elephant Consortium	TELKOM	Public Investment Corporation	3,496.00	Black Economic Empow erment
Emperor Mines Ltd	DRD (Isle of Man) Ltd	DRDGOLD LTD	1,543.30	Group Reconstruction
Empow erment partners	MUTUAL & FEDERAL INSURANCE COMPANY LTD	New Shares	663.00	Conditional Offer
Empow erment partners	NEDCOR LTD	New Shares	3,085.00	Conditional Offer
Empow erment partners	OLD MUTUAL PLC	New Shares	3,448.00	Conditional Offer
ENALENI PHARMACEUTICALS LTD	Cipla Medpro Holdings (Pty) Ltd	S T D Pharma Ltd and Shelsley Chemicals (Pty) Ltd	1,200.00	Contingent Pricing - Subject to Profit Warranty
Ethos and Actis led private equity consortium	Repairs and Services division and the Replacement Parts division	DELTA ELECTRICAL INDUSTRIES LTD	1,296.00	Contingent Pricing - Price Subject to Audit
Eyomhlaba Investment Holdings Ltd and the Development Trust	AFRICAN BANK INVESTMENTS LTD	New Shares	600.00	Conditional Offer
Ferrari Holding Inc	Core business subsidiaries	FRONTRANGE LTD	1,231.00	Investment in South Africa by Foreign Company
FIRSTRAND	SAGE GROUP LTD	Shareholders	634.00	S311 Scheme & Delisting
GOLD FIELDS LTD	Bolivar Gold Corporation	Shareholders	2,200.00	Acquisition of Related Business
Hancock Prospecting (Pty) Ltd	Hope Dow ns iron ore project	KUMBA RESOURCES LTD	1,173.00	Exercise of option
HYPROP INVESTMENTS LTD	S A RETAIL PROPERTIES LTD	Shareholders	804.60	Hostile Takeover - Hostile Action
iGas (Pty) Ltd	Republic of Mozambique Pipeline Investments Company (Pty) Ltd	SASOL LTD	609.00	Acquisition of Related Business
IMPALA PLATINUM HOLDINGS LTD	IMPALA PLATINUM HOLDINGS LTD	Open market	613.00	Share buy-back
IMPERIAL HOLDINGS LTD	Nine Ford dealerships in Australia	Undisclosed	630.00	Acquisition of Related Business
Incw ala Resources (Pty) Ltd	MVELAPHANDA RESOURCES LTD	MVELAPHANDA GROUP LTD	760.00	Acquisition of Related Business
INVESTEC	Rensburg Sheppards FORMERLY Rensburg	New Shares	2,140.00	Merger of Related Businesses
Kagiso Trust Investments (Pty) Ltd and the Metropolitan Empow erment Trust	METROPOLITAN HOLDINGS LTD	New Shares	509.00	Acquisition of Related Business
Kermas Group	Samancor Chrome	BHP BILLITON PLC and ANGLO AMERICAN PLC	2,785.00	Merger of Related Businesses
KUMBA RESOURCES LTD	New co	Shareholders	1,620.00	Conditional Offer
KUMBA RESOURCES LTD	Ticor Ltd	Minorities	2,296.00	Conditional Offer
Lereko Mobility (Pty) Ltd	IMPERIAL HOLDINGS LTD	New Shares	1,406.00	Black Economic Empow erment
LONMIN PLC	Lonmin Platinum Limpopo FORMERLY Southern Platinum Corp	Undisclosed	1,305.00	Acquisition of Related Business
MASSMART HOLDINGS LTD	Federated Timbers	Undisclosed	750.00	Contingent Pricing - Subject to Profit Warranty
MTN GROUP LTD	Irancell Telecommunications Services Company	Iran's government	2,367.00	Public Tender for Shares
MTN GROUP LTD	Libertis Telecom	Orascom Telecom	646.70	Acquisition of Related Business
MTN GROUP LTD	Loteny Telecom t/a Telecel Cote dIvoire	Telecel	1,398.00	Conditional Offer
MTN GROUP LTD	Mascom Wireless Botsw ana	Undisclosed	837.00	Acquisition of Related Business
NAMPAK LTD	NAMPAK LTD	Shareholders	961.00	Section 311 Scheme of Arrangment
New co	Eyesizw e Coal (Pty) Ltd	Eyesizw e Mining and the other shareholders of Eyesizw e Coal	1,582.00	Conditional Offer
New co	Namakw a Sands	ANGLO AMERICAN PLC	2,125.00	Acquisition of Related Business
OLD MUTUAL PLC	Forsakringsaktiebolaget Skandia	Shareholders	38,000.00	Merger of Related Businesses
Open market	GOLD FIELDS LTD	HARMONY GOLD MINING COMPANY LTD	2,470.50	Other
Open market	Portion of listed property investment portfolio	GROWTHPOINT PROPERTIES LTD	671.00	Other
PANGBOURNE PROPERTIES LTD	Portfolio of properties	Transnet Retirement Funds Property Trust	1,404.00	Acquisition of Related Business
PEERMONT GLOBAL LTD	Emperors Palace FORMERLY Caesars Gauteng	Caesars Entertainment Inc	870.30	Acquisition of Related Business
PEERMONT GLOBAL LTD	Tusk Resorts Holdings (Pty) Ltd	Thebe Investment Corporation (Pty) Ltd	582.90	Contingent Pricing - Price Subject to Audit
Ponahalo Investment Holdings (Pty) Ltd	De Beers Consolidated Mines Ltd	De Beers	3,800.00	Conditional Offer
Public Investment Corporation	MTN GROUP LTD	New shelf	8,628.00	Acquisition of Related Business
Public Investment Corporation	Airports Company of SA	Aeroporti di Roma	1,675.00	Disinvest by Foreign Company
Remaining EWG shareholders	Econet Wireless Global Ltd	ALLIED ELECTRONICS CORPORATION LTD	571.00	Acquisition of Related Business
REMGRO	British American Tobacco	RICHEMONT	1,417.00	Acquisition of Related Business
REMGRO LTD	REMGRO LTD	Undisclosed	1,114.40	Share buy-back
REMGRO LTD	REMGRO LTD	Undisclosed	571.00	Share buy-back
Rights Holders	JSE Securities Exchange South Africa	Undisclosed	616.00	Other
Royal Bafokeng Resources Holdings	Impala Refining Services	IMPALA PLATINUM HOLDINGS LTD	3,405.00	Acquisition of Related Business
SANLAM LTD	AFRICAN LIFE ASSURANCE COMPANY LTD	Shareholders	1,763.00	S311 Scheme & Delisting
SANLAM LTD	SANLAM LTD	Open market	949.70	Conditional Offer
SANLAM LTD	SANLAM LTD	Shareholders	3,005.10	Section 311 Scheme of Arrangment
Shareholders	Cash	SANTAM LTD	1,150.00	Distribution in Shareholding
Shareholders	Consol Ltd	AVI LTD	3,658.00	Unbundling
Shareholders	Kumba Iron Ore	KUMBA RESOURCES LTD	14,000.00	Unbundling
Shareholders	NET1 U.E.P.S Technologies	NEDBANK GROUP LIMITED	951.00	Disinvest in Foreign Company by Local Company
SIYATHENGA PROPERTY FUND LTD	6 properties	PANGBOURNE PROPERTIES LTD	505.20	Acquisition of Related Business
Southern Cross Resources Inc	SXR URANIUM ONE INC formerly AFLEASE GOLD & URANIUM RESOURCES LTD	Shareholders	1,884.00	Merger of Related Businesses
Staff	IMPALA PLATINUM HOLDINGS LTD	IMPALA PLATINUM HOLDINGS LTD	1,786.00	Conditional Offer
STEINHOFF INTERNATIONAL HOLDINGS LTD	Homestyle Group plc	New Shares	1,078.00	Acquisition of Related Business
Sun International shareholders	CITY LODGE HOTELS LTD	SUN INTERNATIONAL LTD	627.00	Section 311 Scheme of Arrangment
TELKOM SA LTD	TELKOM SA LTD	Undisclosed	1,502.00	Share buy-back
THE BIDVEST GROUP LTD	THE BIDVEST GROUP LTD	Undisclosed	532.10	Share buy-back
Tiger Brands Black Managers Trust	TIGER BRANDS LTD	Shareholders	729.00	Section 311 Scheme of Arrangment
True Corporation Plc	UBC	NASPERS LTD	1,037.00	Conditional Offer
Undisclosed	GOLD FIELDS LTD	HARMONY GOLD MINING COMPANY LTD	2,041.00	Other
Undisclosed	LEWIS GROUP LTD	GUS Holdings BV	1,700.00	Disinvest by Foreign Company
Vodafone Group Plc	VENFIN LTD - B ordinary shares	Rembrandt Trust (Pty) Ltd	16,000.00	Acquisition of Related Business
Wiphold Beverages (Pty) Ltd	South African Distilleries & Wines (SA) Ltd	DISTELL GROUP LTD	869.40	Conditional Offer

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