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Thesis

A comparative analysis of the abnormal returns made by acquirers in acquisitions on the Johannesburg Securities Exchange South Africa (JSE).

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MASTERS OF MANAGEMENT IN FINANCE AND INVESTMENT

in the

FACULTY OF COMMERCE LAW AND MANAGEMENT

WITS BUSINESS SCHOOL

at the

UNIVERSITY OF THE WITWATERSRAND

Supervisor: Dr. Odongo Kodongo

31 March 2014

(14 November 2014)



DECLARATION

I, Zanele Monnakgotla, declare that the research work reported in this dissertation is my own, except where otherwise indicated and acknowledged. It is submitted to fulfill the requirements for the degree of Masters of Management in Finance and Investment at the University of the Witwatersrand, Johannesburg. This thesis has not, either in whole or in part, been submitted for a degree or diploma to any other institution or university for a similar qualification.

Signature of Candidate	**Date**
Signature of Supervisor	**Date**

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Thesis (MMFI)

A comparative analysis of the abnormal returns made by acquirers in acquisitions on the JSE Securities Exchange South Africa (JSE) over the period 2003 to 2007 (pre-financial crisis) and 2008 to 2013 (post-financial crisis).

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ABSTRACT

The purpose of the study is to investigate how a changed economic environment caused by the financial crisis and global recession in 2008 impacted the abnormal returns made by shareholders in acquisition transactions in South Africa. This was done by means of a review of acquisitions in South Africa and comparing the abnormal returns made in transactions executed pre-financial crisis (2003-2007) with those made post financial crisis (2008-2013).

The study also investigated whether the form of payment (ie cash funded or stock funded) for the acquisition affected the abnormal returns.

The event study method which is the most dominant method (Martynova and Renneboog 2008) was used. An event period of 14 days was used with a pre- merger period 8 days prior to the announcement and post-merger period being 5 days after the announcement of the merger.

The main research findings was that where the acquirers in SA were listed companies, the acquirers in the short term, made negative abnormal returns. This finding is aligned to a number of findings in the UK such as Dodd (1980) and Firth (1980) as well as the majority studies in the USA, where significantly negative returns to acquirers were found in research by Draper and Paudyal (1999) , Mulharin and Boone (2000).

Where the acquirers investigated are unlisted they made positive abnormal returns in the short term, as was the case in SA Affleck-Graves,Flach and Jacobson (1988) and the UK, Asquith and Kim (1982), Jensen and Ruback (1983). The explanation for this divergence in findings according to Fuller et al (2002) is that unlisted acquirers make higher returns than listed ones.

The finding of negative short term abnormal returns for acquirers' is aligned to findings of more recent studies (i.e1990's and 2000 to current) in developed economies such as the USA and the UK as stated above.

Similar finding of negative returns to acquirers in the US , UK and South Africa can be explained in a number of ways. Firstly South Africa has developed capital and equities markets that have strong linkages with the UK (Yartey and Adjasi 2007).The effect of the transmission mechanism on the South African bond and equities market , lastly current literature on M&A's also finds strong correlation in legal systems and returns to shareholders in M&A transactions, (La Porta et al 1997 and 2000) with SA and UK both using the English common law.

Another interesting finding was that abnormal returns earned by acquirers post crisis are higher than those earned by acquirers pre- crisis. This finding was unexpected and can be explained by the fact that post crisis the volume of companies in distress and in liquidation increased by 18% (peaking to 4133 liquidations) from 2003 to 2009 (Statistics South Africa 2010).As there was a higher volume of companies in distress, acquirers were in a stronger bargaining position and could thus negotiate more reduced purchase prices for the target.

One other interesting finding is that cash funded acquisitions higher abnormal returns than the stock funded acquisitions. The cash funded M&A's also increase substantially in number to make up 81 percent of acquisitions post crisis. On reviewing our literature review we find that this finding is contrary to that made was made also by Kaufeler (2012), and Seghal (2012) wherein returns before the financial crisis found that cash payments generated higher returns for acquirers and post financial crisis the stock payments generated higher returns for acquirers.

This research does not confirm the finding by Seghal (2012) and Kaufeler 2012) that there has been a change in sentiment on cash and stock funded M&A and that post the 2008 financial crisis stock funded acquisitions are perceived as value creating and cash funded transactions are perceived as value destroying.

Seghal (2012) explains this change in sentiment by investors in emerging countries by using the "free cashflow hypothesis" wherein the investors see lots of investment opportunities for companies in these markets and thus prefer the cashflow to be used to fund these investment opportunities. Another hypothesis that is used to explain this change in sentiment is the asymmetry of information hypothesis wherein it is assumed that there is higher asymmetry of information in emerging markets and that the funding of acquisitions with stock shall reduce the risk to the acquirer as the target also takes a higher risk with a share acquisition. In South Africa another aspect that could have influenced investors' change in sentiment towards cash, post crisis, is the tighter regulations for the granting of credit which was effected by the passing of the National Credit Act [1] herein after referred to as "the Act") .The Act was effective from June 2006 and was in full force and effect in 2007.Even though the Act applies to credit transactions of less than R1million it still could have had the effect of changing sentiments.
The conclusion of this research is that the study has achieved its objective which was to analyse and investigate whether there are any patterns and trends that transpire on M&A's pre and post financial crisis, whether there are any significant changes in returns for acquirers. This study bears evidence that for South African listed firms, post financial crisis acquirers' have earned higher abnormal returns than pre-crisis as this is shown by the AR, AAR'.s and CAAR's (see table 6).This finding corroborates the anecdotal evidence by Ernst and Young (2009) that post financial crisis acquiring companies created more value post crisis than the acquirers that effected their acquisitions pre-crisis. This could be largely due to there being more opportunities post crisis to acquire a company in financial distress and to negotiate a higher discount on the purchase price as there was an increase in the number of companies in financial stress.

Further analysis is required to investigate investors' preferred mode of funding M&A's in South Africa and other emerging countries. In the research more emerging countries especially African countries must be analysed, and a longer period of analysis is required in order to validate whether for emerging markets the most preferred mode of funding

[1] Act no 34 of 2005

acquisitions for investors is through stock acquisitions .This investigation is very important as it would help shareholders and executives, to better align their acquisitions with investors' preferences so as to make better returns on these transactions.

The contribution of this study is to update and add to the knowledge of M&A's in South Africa as in most of the literature it was stated that there is insufficient research of M&A's in emerging countries especially on African countries (Ma et al 2009) as most of the research is on developed economies. This study updates current South African literature on the latest trends in M&A's in South Africa. It sheds some light on the factors driving these trends, it also clearly illustrates areas of commonality and those of divergence in M&A's in emerging markets and developed economies. The recent global financial crisis has made this research more relevant as there has been more turbulence in the global economy due to the crisis. The financial and economic environment is very dynamic and investors, shareholders, asset managers and policy makers have to be constantly informed of the latest trends so that the can make better investments and policy makers can effect better policies.

Abbreviations

AAR	Average abnormal returns
AAR_1	Average abnormal returns pre-crisis (ie 2003-2007)
AAR_2	Average abnormal returns post-crisis (ie 2008-2013)
AR	Abnormal returns
BRICKS	Means the following countries, Brazil,India,China, South Korea and South Africa
CAAR	Cumulative average abnormal returns
$CAAR_1$	Cumulative average abnormal returns for the pre-crisis period
CAAR2	Cumulative average abnormal returns for the post crisis period
$CAAR_C$	Cumulative average abnormal returns for cash funded acquisitions
$CAAR_{C1}$	Cumulative average abnormal returns for cash funded acquisitions pre-crisis
$CAAR_{C2}$	Cumulative average abnormal returns for cash funded acquisitions post crisis
CAARS	Cumulative average abnormal returns for stock funded acquisitions
$CAAR_{S1}$	Cumulative average abnormal returns for stock funded acquisitions pre-crisis
$CAAR_{S2}$	Cumulative average abnormal returns for stock funded acquisitions post crisis
CAPM	Capital Asset Pricing Model
GDP	Gross Domestic Products
IMF	International Monetary Fund
JSE	Johannesburg Stock Exchange
OECD	Organisation for Economic Co-operation and Development
P/E	Price /Earnings ratio
UK	United Kingdom
US	United States of America

USA	United States of America
RSA	Republic of South Africa
SA	South Africa

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CHAPTER ONE

1. INTRODUCTION

1.1 Definition and Rational for Merger and acquisitions

A merger is defined as the combination of two or more firms into one entity and an acquisition is defined the taking over of control of one firm by another firm (Moeller et al 2004). Moeller further adds that an acquisition is a transaction where an acquirer increases its ownership of a target enterprise/firm from less than 50% to more than 50%. There are three types of merger and acquisitions (hereafter referred to as M&As), a horizontal M&A where the two companies (acquirer and target) are doing business in the same sector, a vertical M&A where the target is at a lower or higher level relative to the acquirer, in the supply chain and a conglomerate M&A where the target and acquirer operate in completely different industries (Kaufeler 2012). This study will look at both mergers and acquisitions.

The rationale for M&As is based on two theories, the neo-classical theory and the behavioural and agency theory. In terms of the neo-classical theory M&As are the result of external economic, technological, financial, regulatory or political shocks (Harford 1999, 2005). Thus, an M&A occurs in order to exploit the opportunities for improvements in efficiency that may have come about as a result of these external shocks. Some of the commonly accepted rationales under the neo-classical theory are information asymmetry[2], synergy benefits (Lumby and Jones, 2003), revenue enhancement, cost reduction through economies of scale, economies of scope and efficiencies (Firer et al., 2004), differential efficiency (Baker and Wurgler, 2000) and market integration (Damodaran, 1997).

Synergy occurs when the sum of the parts is greater than the individual parts which is the combination of two businesses together creates more shareholder value than when the businesses operated separately (Lumby and Jones, 2003). The synergistic gains are the result of revenue synergies, operating cost synergies, tax synergies and financial synergies (Lumby and Jones, 2003).The synergy takes place due to increased revenues, reduced operating costs, reduced tax liability (when assessed losses are acquired) and financing savings (where the cost of debt is reduced). An example of financial synergy is where the cost of capital is reduced and this may occur in an M&A where a company with excess cashflow is merged with a company that has insufficient internally generated cashflows and the merged entity has lower cost of capital.

[2] Asymmetric information occurs when managers of either target or the bidding company have crucial information that the other company or the market does not have.(Gaughan, 1999)

Revenue synergy[3] takes place when the marketing budget of the acquirer is used to market more products and receives higher sales and also through improved economy of scale (Lumby and Jones, 2003).

Cost reductions through economy of scale and economy of scope takes place where an acquisition results in the acquirer decreasing its costs as it can get cheaper prices for its inputs because it can purchase bigger volumes and also when costs are reduced through improved efficiencies (Firer et al., 2004). Economies of scope refers to the use of a specific set of skills or assets, with the M&A, the skills and assets can be used more widely than previously through cross-selling and this in turn generates more revenue (Firer et al., 2004).

The rational for M&A's under the behavioural and agency theories are incentives, agency costs or information signalling (Womack 2010). Under incentives theory, managers would enter into M&A transactions for empire-building. With this theory, the manager's performance and remuneration would improve due to increase in company size. This theory implies that managers enter into M&A transactions for selfish, egotistical and other value-destructing reasons rather than improving market conditions or for improving performance and efficiencies (Battinelli and Reid, 2013).

With the information signalling theory, managers can exploit the information asymmetry (Battinelli and Reid, 2013). Information asymmetry occurs when the acquirer and the target do not possess the same information about each other and can exploit opportunities in their sectors (Gaughan, 1999). The party with more strategy sensitive information can exploit this information to make abnormal profits or where it does not have sufficient information about the target, thus this party can factor this in when it makes an acquisition (Gaughan, 1999).

With the inefficient management theory, managers may enter into M&A's for the sole reason of exploiting financial opportunities which in turn should give rise to improved performance for the merged entity (Womack 2012).

In terms of the over-valued information signalling theory, managers also enter into M&A's to benefit from any mispriced companies. An example of this is where the acquirer's share price is overvalued for the reason of using its shares to make an acquisition and in this way benefit from its overvalued share price (Womack, 2012).

1.2 Current global activity and trends

Globally, M&A activities have been on the increase (Thomson Claesen et al 2012 Reuters, 2013). The emerging markets' share of M&A's globally has also substantially increased from

[3] Revenue synergy is the same as revenue enhancement (Firer et al., 2004)

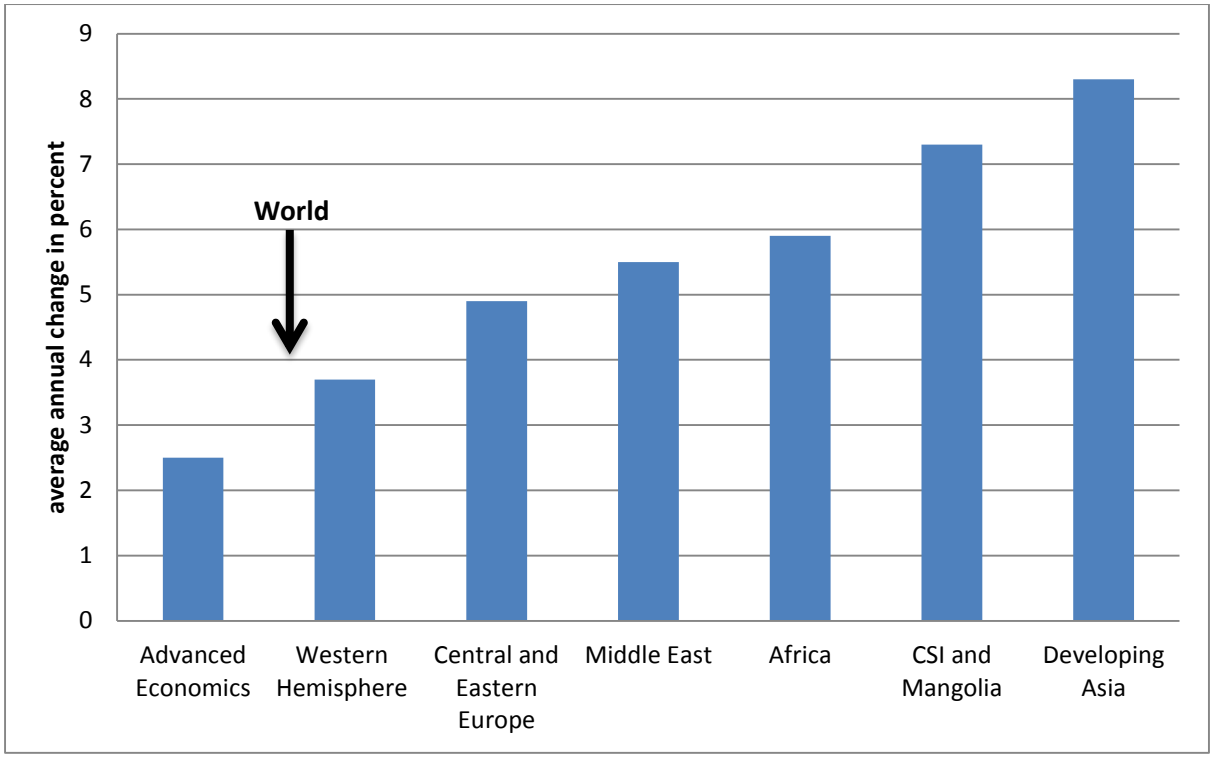
5% in 2003 to 15% in 2009 (Thomson Reuters, 2009). According to Thomson Reuters, a third of the global M&As are from China and India (Thomson Reuters 2010).

The financial crisis of 2007-9, which began in the USA with the subprime mortgage market, had a major effect on global markets with the total deal value of M&As in 2009 being almost 50% less than that of 2008 (Bloomberg). The M&A activity in 2009 decreased to 2004 levels as the global financial crisis had a major effect on most economies (Boorman, 2009). Due to the financial crisis, the global economy contracted 1,3 % in 2009 and this is said to be the first global contraction since World War II (Hui Tong and Shang-Jin Wei, 2012).Being the source of the crisis, the USA was the first country to be impacted, thereafter, Europe, and UK and the emerging market countries were impacted about 6 months later (African Development Bank 2010). The impact of the financial crisis in the OECD[4] countries was pervasive as all the OECD countries' GDP's contracted, with the exception of two countries, namely Australia and South Korea (African Development Bank, 2010). The impact of the financial crisis has had longer term effects in certain countries, such as: Portugal, Ireland, Italy, Greece and Spain, (PIIGS); the economies of these countries are still trying to recover from the financial crisis whilst the economies of the USA, UK, Germany and France have stabilised (IMF website). The impact on emerging markets was not only delayed but also reduced with China and India impacted the least. Table 1 shows the impact of the financial crisis on GDP.

The financial crisis also had a major negative effect on emerging economies in Africa as prior to the financial crisis these economies had been experiencing their highest growth rates for the last 3 decades (African Development Bank, 2010). During 2000-2008, Africa was among the fastest growing regions in the world (African Development Bank, 2010). Figure 1 shows the growth of real GDP by regions prior to financial crisis.

Figure 1: Growth of Real GDP by regions 2000-2008

[4] Organisation for Economic Co-operation and Development: These are the following 34 countries Australia,Austria,Belgium,Canada,Chile,Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Israel,Italy,Japan,South Korea,Luxembourg,Mexico,Netherlands, New Zealand, Norway, Poland, Portugal and Slovak Republic.



Source: African Development Bank (2010)

Table 1: Impact of financial crisis on GDP Growth globally

GDP Growth

(in percentage)

	2008	**2009**	**2010**	**2011**
World	3.2	-1.3	1.9	4.3
Advanced Economies	0.1	-3.8	0.01	2.6
US	1.1	-2.8	-0.05	3.5
EU	1.1	-4	-0.3	1.7
Japan	-0.6	-6.2	0.5	2.2
Emerging Market Economies	5.2	0.01	3.2	5.7
Emerging Asia	6.3	2.5	5.0	7.6
Emerging South Asia	7.0	4.3	5.3	6.6
Emerging Europe	4.0	-4.8	0.7	3.6
Emerging Americas	4.0	-1.7	1.6	3.5
Emerging Middle East	5.3	0.5	2.4	3.9

Emerging Africa	4.8	1.5	3.7	5.2
Newly Industrialized Asia	1.6	-5.6	0.8	4.4
Developing Asia	7.7	4.8	6.1	8.3
China	9.0	6.5	7.5	10.2
India	7.3	4.5	5.6	6.9

Source: IMF, World Economic Outlook, April, 2012

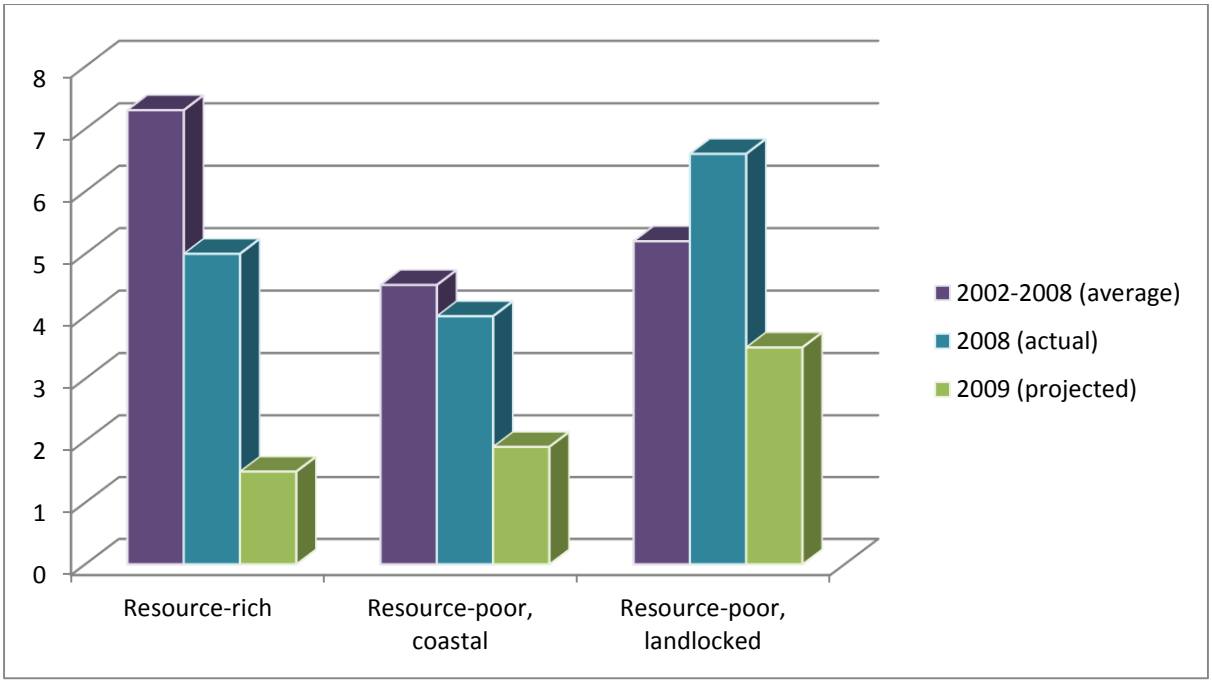
Table 1 illustrates the severe negative impact of the financial crisis on developed and emerging countries GDP's and also how these economies' GDP's only recovered to their pre-crisis rates in 2011.

The financial crisis not only affected countries in terms of their GDP, but it also had an impact on the capital markets and credit markets of most economies. (See Table 2). With all these changes, there is a strong indication that M&A's were affected not only in terms of the total value of deals but also the method of payment and one would suspect that these changes could also have an impact on the returns made on these transactions. One effect that has been noted is that the financial crisis reduced the number of international cross-border transactions (Ernst and Young, 2009). Also the reduction in M&A activity post-crisis was not the same in all the sectors. The sectors that had the largest decrease in activities were: financial services, real estate, construction and basic material sectors (Ernst and Young, 2009).The sectors that were least impacted by the global crisis were: pharmaceuticals, energy, utilities and healthcare (Ernst and Young, 2009).

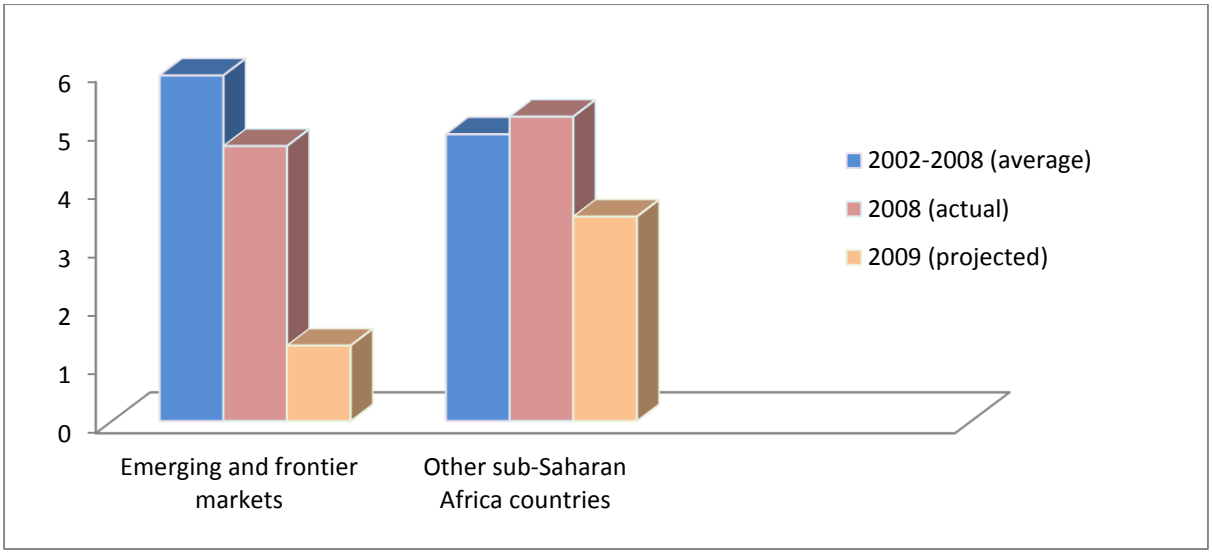
The effect of the financial crisis on the African countries' economies was not uniform. (African Development Bank 2010). See Figure 2 below. The resource rich African countries were affected the most as they rely on the export of their commodities as their main source of revenue. The exports of commodities by these African countries to USA, Europe and China decreased substantially as developed countries reduced their imports because their economies went into a recession. (Boorman 2009).The resource poor coastal African countries were marginally affected by the crisis with approximately 0.5 % decrease in GDP in 2000 (African Development Bank 2010).The African countries least affected by the crisis were the resource poor landlocked African countries as these economies had lower trade volumes with the developed economies and also their economies had less linkages with the developed economies and thus were least impacted by the transmission mechanism discussed in paragraph 1.2.1. On the continent, the emerging frontier African economies were therefore the most negatively affected by the crisis (African Development Bank 2010).

.

Figure 2: GDP growth in sub-Saharan Africa sub-groups (in percent)



For countries falling in the Resource-rich[5], Resource-poor Coastal[6] and Resource-poor landlocked[7]



Source: African Economic Outlook database (October 2009)

1.2.1 The Transmission Mechanism

[5] Angola,Botswana,Cameroon,Chad, Congo (Republic of),Cote d"Ivoire , Equatorial Guinea,Gabon,Guinea,Namibia,Nigeria,Sao Tome Principe, Sierra Leone and Zambia.

[6] Benin,Cape Verde,Comoros,Gambia,Ghana,Guinea-Bissau,Kenya, Madagascar,Mauritius,Mozambique,Senegal,Setchelles,South Africa,Tanzania and Togo.

[7] Burkina-Faso,Burundi,Central African Republic,Democractic Republic of Congo,Ethiopia,Lesotho,Malawi,Mali,Niger,Rwanda,Swaziland,Uganda and Zimbabwe.

The sub-prime mortgage crisis in the USA was caused by banks granting too much credit not backed by sufficient security which created the toxic assets (Hui Tong and Shang-Jin Wei, 2012). Consequently, the balance sheets of banks and insurance companies in the US were affected through derivative instruments such as credit default swaps and securitisations. However, the transmission was spread to the rest of the world through some of the following five mechanisms (Boorman 2009).Table 2 below presents the effects of the crisis on the financial flows of major markets.

The first mechanism was the withdrawal of funds by global financial institutions from subsidiary banks in other industrialised countries and emerging countries (Boorman 2009). The global banks withdrew their funds as their balance sheets were reduced because the banks had to write off bad debts due to their exposure to toxic assets or derivative instruments (Boorman 2009). An example of how this affected some emerging markets in Africa is Nigeria. In Nigeria, in 2009, the banks were not able to access trade credit lines from the USA or Europe and in August 2009 the Central Bank of Nigeria had to capitalise the banking system as the banks had major write-off on their balance sheets due to losses incurred in the stock market bubble. (African Development Bank, 2010).

The second mechanism was the reduction of credit and bond issues in the international credit markets as the global banks radically decreased their lending facilities (loans and bonds) to emerging market economies as their capital and reserves were reduced (Boorman 2009). An example of this in emerging markets in Africa is South Africa which experienced radically reduced capital flows in 2008 with its equity and bond issuance reducing by 80% in 2008 from $20 billion in 2007 to $4 billion in 2008 (African Development Bank, 2010).

The third mechanism was the reduction of imports by the USA economy (Thomson Claesen et al 2012) . As the US economy was strained by the financial crisis, its GDP contracted and thus US companies reduced their imports (Hui Tong and Shang-Jin Wei 2012). This, in turn, affected the countries that are major exporters to the USA. Some of the countries affected in Africa, in particular, were the resource-rich countries, such as Angola and Botswana and also the emerging frontier markets, such as South Africa and Seychelles (African Development Bank, 2010). Botswana's GDP declined by 7.3% in 2009 due to major reductions in its diamond exports and Angola's oil exports also fell drastically thus reducing Angola's GDP from 14% in 2008 to stagnation in 2009 (African Development Bank 2010). On the other hand, the African countries that were least impacted by the crisis were the resource-scarce and land-locked countries as their exports were only marginally impacted (African Development Bank, 2010). See Figure 2.

The reduction in exports, as discussed above, had two negative effects: first, it weakened the economies of countries that export to the USA and this had a secondary negative effect on the exporting countries' credit rating (Boorman 2009).

The fourth mechanism was the reduction in remittances[8] to emerging countries (Thomson Claesen et al 2012). According to the African Institute for Remittances, remittance inflows to Sub-Saharan Africa declined by 9.5 % in 2009 (see annexure P). North Africa was the most severely impacted because most North African migrants live in Europe which was also impacted severely by the financial crisis. Remittance inflows to North Africa declined by 11.1 % in 2009 (Ratha et al 2010). Egypt the largest remittance recipient in North Africa had a 18 % decline in remittances in 2009, Morrocco had a 9 % decline (Ratha et al 2010).In Sub-Saharan Africa Ethiopia had the largest decline of 9% followed by Cape Verde 6 % decline in remittances (Ratha et al 2010) .

The fifth and last mechanism was the decrease in consumer confidence. This was because the crisis was unexpected and also had a huge financial impact on all economies (Thomson Claesen et al 2012). There was a massive loss in asset values (as seen through loss in stock markets and decrease in property values) major reductions in exports and major reductions in all countries' GDPs (Boorman 2009). This loss in consumer confidence lead to a decrease in capital investments by the private sector and reduced consumption and spending by individuals due to uncertainty (Boorman 2009). These factors resulted in increased unemployment.

These five transmission mechanisms explain how the subprime mortgage crisis that started in the USA spread like wildfire and wreaked havoc on economies all over the world.

Table 2: Capital Flow, Export Financing and International Reserves

(US $ billions)

	2006	2007	2008	2009	2010
Emerging Market Countries:					
Export Credits	37.4	48.7	6.2	-100.8	13.5
International Bond Issues	133.8	189.0	142.4	71.4	100.6
Commercial Bank Loans	403.9	505.1	453.0	195.6	254.7
Inward Portfolio Investment	156.0	231.4	-214.3	-55.2	76.9
Inward FDI	487.6	656.8	674.0	299.1	399.6
Change in International Reserves	724.2	1,248.5	458.5	-393.3	135.4

[8] Remittances are transfers of money from one individual to another. Remittances are usually transferred by employed individuals to family members in rural areas or in another country (Tong & Wei, 2012).

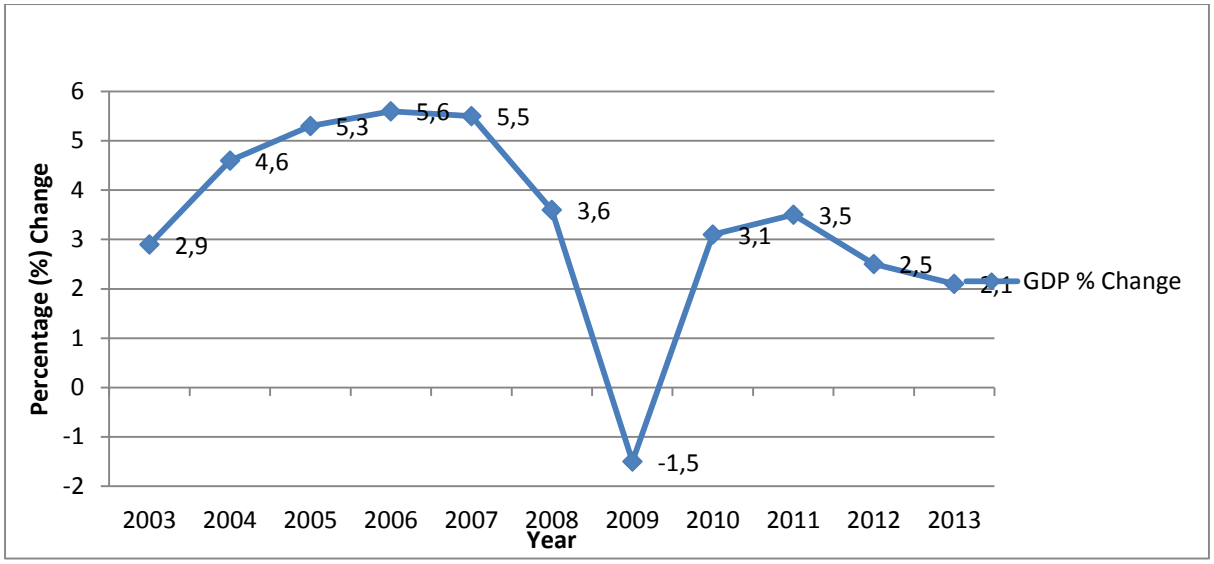
Emerging Asia:					
Export Credits	13.1	16.5	28.0	-42.0	7.5
International Bond Issues	46.1	46.5	39.4	23.5	30.4
Commercial Bank Loans	100.8	102.3	81.5	37.3	52
Inward Portfolio Investment	106.9	184.0	-159.8	-68.1	29.3
Inward FDI	215.6	303.1	317.2	127.2	165.1
Change in International Reserves	416.6	711.3	423.1	-37.7	110.8
Emerging South Asia:					
Export Credits	3.6	3.2	6.8	-6.1	2.1
International Bond Issues	5.9	6.2	5.8	4.7	5.2
Commercial Bank Loans	10.2	9.8	9.2	7.0	8.2
Inward Portfolio Investment	6.9	36.5	-15.6	5.5	16.1
Inward FDI	25.1	31.2	47.7	32.6	38.3
Change in International Reserves	43.2	102.7	-25.1	-37.6	-15.0

Source: The Economist Intelligence Unit

1.2.2 An overview of merger and acquisitions in South Africa

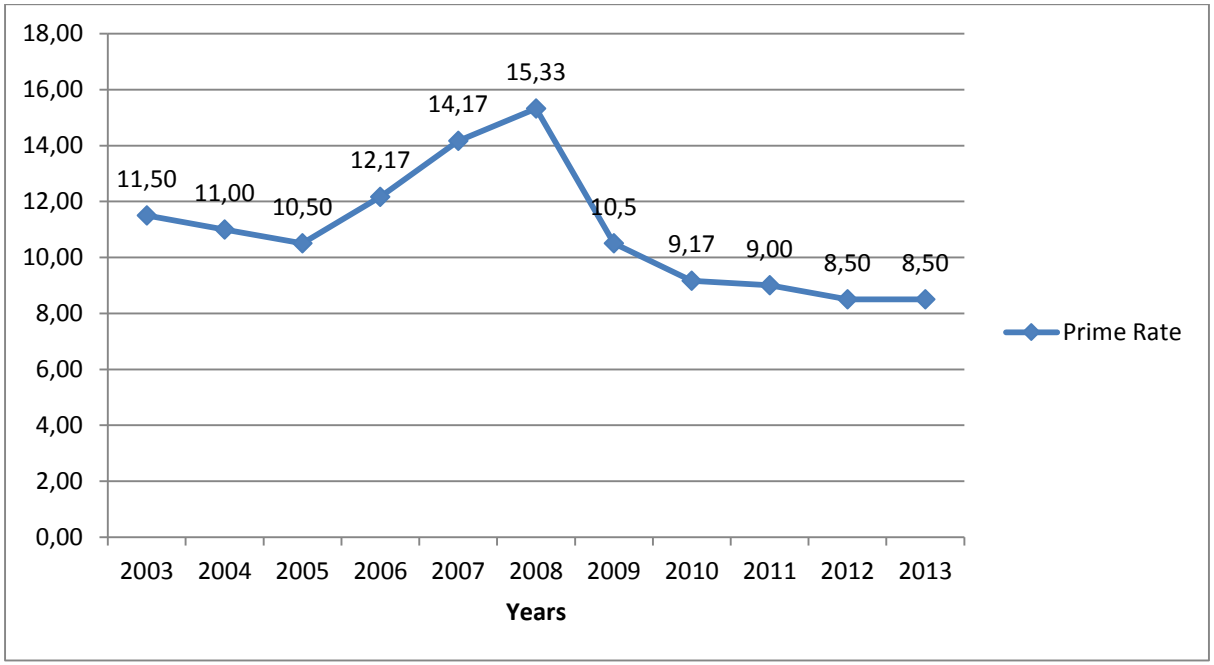
An important feature of the study period is that the economic environment was greatly affected by the financial crisis in 2007 and subsequent recession in 2008/9.The changes in economic growth (GDP) and interest rates bear testimony to the changed economic environment (see Figures 3 and 4). GDP increased and was on a positive trajectory in the period 2003 to 2007. In this period, GDP substantially increased from 2.9% in 2003 and peaked in 2007 at 5.6%. After the financial crisis in 2007, GDP decelerated substantially and reached recessionary levels of -1,5 % in 2009. From mid-2009, the GDP improved until 2013. It can be seen that even though the growth rates have improved since 2009, the GDP rates have still not recovered to the pre-financial crisis GDP rates .The GDP rates post-2009 are still at approximately 2% below the pre-crisis rates.

Figure 3: GDP for South Africa 2003-2013



Source SARB 2013

Figure 4: **Interest rates in South Africa from 2003 to 2013**

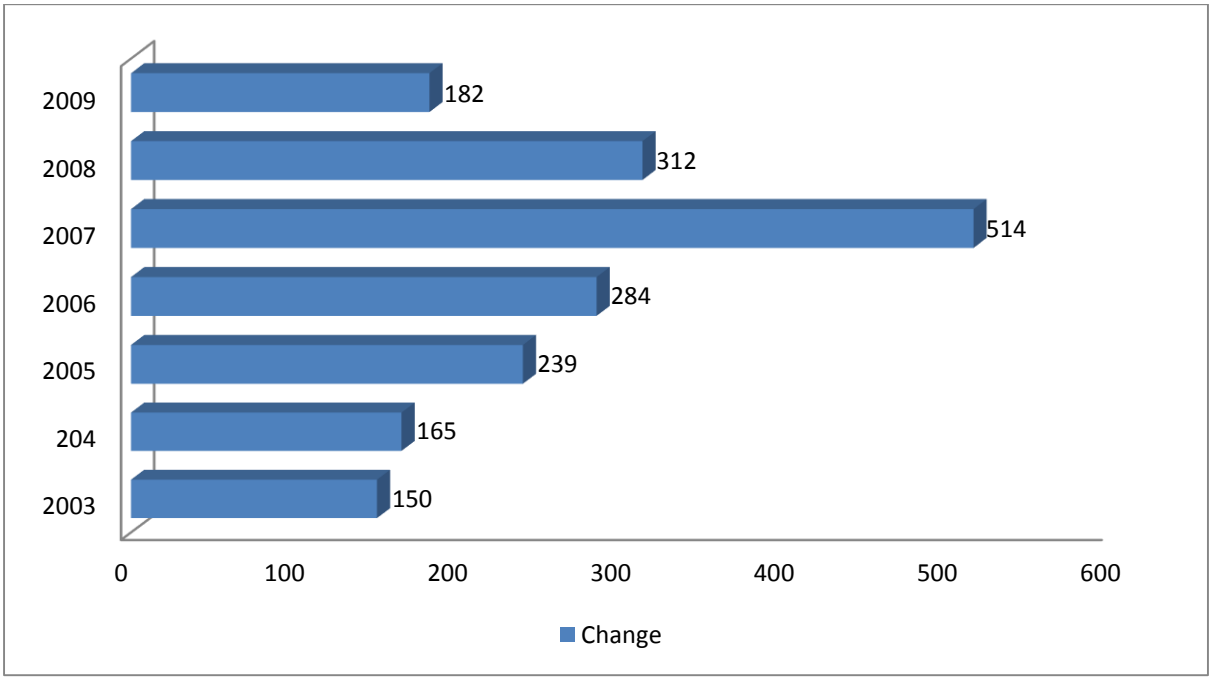


Source: SARB 2013

The interest rate at 2003 was at moderate rate of 11.5%; this dropped gradually to 10.5 % in 2005 and increased thereafter to reach a peak of 15.33% in 2008. After 2008, the prime interest rates gradually decreased and have levelled off at 8.5% in the last two years namely 2012 and 2013.

The changes in the economic environment from the financial crisis also negatively impacted on the number of acquisitions both globally and in South Africa (Ernst and Young, 2009). The total number of M&A transactions completed in 2003 in South Africa was 150 transactions. The number of M&A's increased by an average of 23% over a 3-year period to 2006. The transactions peaked in 2007 with 515 transactions. Due to the global financial crisis, the transactions decrease by an average 34% per annum after 2007 (see Figure 5).

Figure 5: M&A Statistics in South Africa



Source: Ernst and Young 2009 and Dealmaker 2009

The purpose of this study is to investigate how the changed economic environment could have had an impact in the abnormal returns made by shareholders affected by M&As in South Africa. Anecdotal evidence from Ernst and Young indicates that due to capital markets reducing credit post-crisis, acquiring firms became much more discerning when making acquisitions (Ernst & Young, 2009). This raises the question as to whether the financial crisis altered the return prospects of M&A's. For this reason, this study seeks to establish whether there is empirical evidence to support the anecdotal evidence that material changes in abnormal returns made by shareholders has taken place during this period. Similarly, the study seeks to find out whether there are any changes in abnormal returns for cash-funded as well as stock-funded acquisitions.

1.3 Merger and acquisition waves

M&A waves occur when there is high concentration of M&A's over a period and such M&A activity reaches a peak where-after the amount of M&A activity reduces to lower levels (Rhodes and Viswinathan, 2004).There are two leading theories on the causes and drivers of M&A activity, the neoclassical theory which argues that the increased M&A activity is caused by a technological, regulatory or economic shock (Harford, 2005) and the behavioural theory according to which M&A activity is driven by high company valuations (Rhodes-Kropf et al., 2004).

1.3.1 Merger and acquisition waves in United States, Europe and United Kingdom

There have been six major waves of M&A acquisitions, based on the USA economy.

The first wave took place in 1893-1904. This first wave was characterised by a high number of horizontal M&A's in the manufacturing and transportation industries (Kaufeler, 2012). The horizontal mergers that took place created a large number of near monopolistic industries, especially in metals, food oil, chemicals, machinery and coal sectors (Kaufeler, 2012). This wave has been called the 'merger to form monopolies' wave (Stigler, 1950) as large companies that captured the major market share were created. Some of the companies created during this wave are still leaders in their sectors, such as: Du Pont, Standard Oil, American Tobacco, General Electric, Eastman Kodak and US Steel (Osae, 2010). At the time of this M&A wave, there was a lot of industrial expansion and radical changes in technology taking place and also trading commenced on the New York Stock Exchange (NYSE) (Martynova and Renneboog, 2008).The dominant form of funding for the M&A's was cash (Martynova and Renneboog, 2008). This wave was brought to a halt by the US antitrust laws that reduced horizontal M&A's and the start of the First World War (Lipton, 2006). One of the major outcomes of this wave was the formation of monopolies (Martynova and Renneboog, 2008)

The second wave took place in 1910s-1929 when the economy began recovering from the First World War (Martynova and Renneboog, 2008). It was characterised by the high volume of vertical M&A's, with backward integration into supply chain and forward integration into distribution in the motor vehicle industry (Kaufeler, 2012). According to Stigler (1950), during this wave, oligopolies were created so that industries that had monopolies now had more than one company dominating the industry. The industries that were that were mostly impacted in this wave were: mining, oil, food products, chemicals, banking and automotive (Kaufeler, 2012). Some of the leading companies created during this wave were: General Motors, IBM, John Deere and Union Carbide (Osae, 2010). The 1929 Stock Market Crash and the Great Depression were the major causes of the end of this wave (Kaufeler, 2012). The main form of funding for the M&A's was equity and investment banks. They also played a big role in funding these M&A's (Martynova and Renneboog, 2008). One of the main outcomes of this wave was the formation of oligopolies (Martynova and Renneboog, 2008).

The third wave took place in 1950s until 1973 and lasted for nearly more than two decades. It was characterised by predominantly conglomerate mergers to increase market share as the economies of the United States and Europe were recovering from Second World War (Kaufeler, 2012). The tightening of the antitrust rules influenced the increase in conglomerate mergers as to increase revenues the companies had to diversify and acquire companies in unrelated businesses (Kaufeler, 2012). Many of the transactions were driven by high company valuations and high stock market earnings ratios (Osae, 2010). The main form of funding for these M&A's was equity (Martynova and Renneboog, 2008). The events that coincided with the end of this wave are the oil crisis and the stock market crash in 1973.

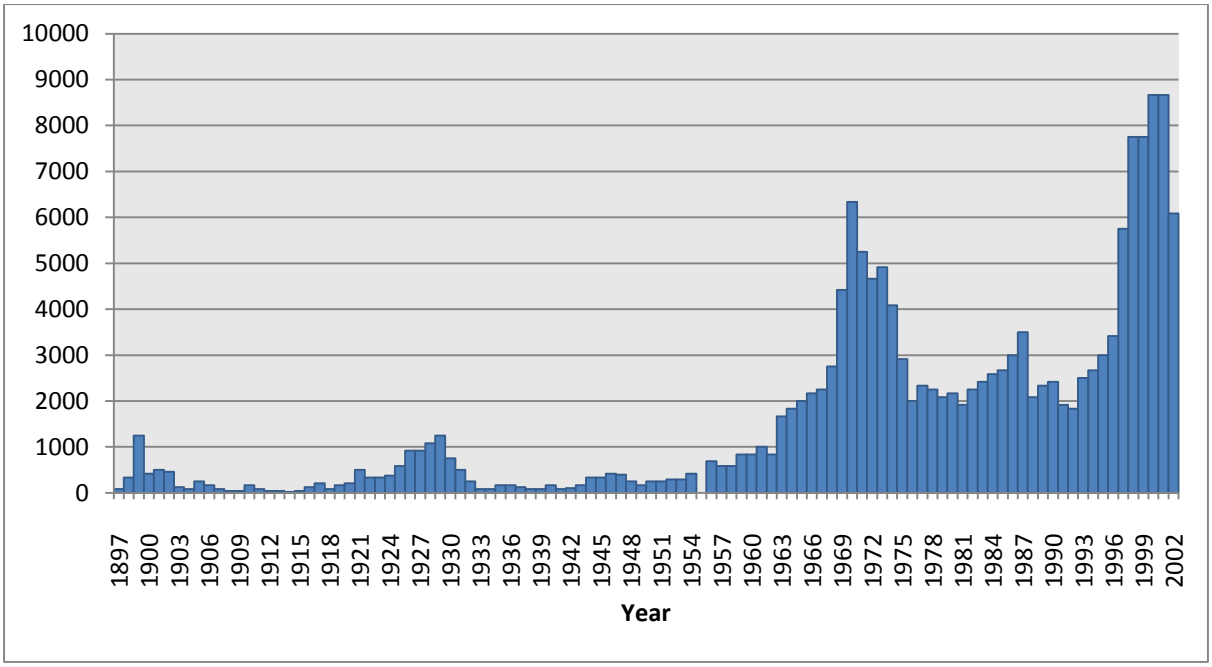
The fourth wave began in 1981 and lasted until 1989. This wave was characterised by high number of hostile takeovers (Martynova and Renneboog, 2008). The commencement of this wave coincided with the relaxation of the antitrust rules, the deregulation of the financial

services sector, the creation of high–yield bonds (junk bonds) and technological innovations in the electronics industry (Martynova and Renneboog, 2008). The availability of credit and the development of the high-yield bond market also assisted this wave as most transactions were highly leveraged. Through the high-yield bond market, companies were able to effect 'mega-deals' and even purchase companies larger than themselves (Osae, 2010). The main form of funding of this wave was predominantly debt and also cash (Martynova and Renneboog, 2008). The wave was focused at eliminating inefficiencies in the petrochemicals and information communications and technology sector (Martynova and Renneboog, 2008). The relaxation of the antitrust rules in the United States and United Kingdom was one of the drivers of this wave.

The fifth wave took place during 1993-2001 and the commencement of this wave coincided with the economic and financial market boom and globalization trends as well as high technological innovation especially in the ICT sector (Martynova and Renneboog, 2008). The wave was characterised by 'mega international deals' wherein the transactions were aimed at achieving global economies of scale. The main industries involved in this wave were: oil, financial services, information communications technology, pharmaceuticals and automotive (Kaufeler, 2012). Some of the major M&A transactions were between: Daimler Benz and Chrysler, Glaxo and Wellcome, Exxon and Mobil, Mannesmann and Vodafone, Chase Manhattan and J.P Morgan and Hewlett Packard and Compaq (Osae, 2010). The main form of funding was equity (Martynova and Renneboog, 2008). The events that coincided with the halting of this wave were the bursting of the tech stock bubble in 1999-2001 and the September 11 (9/11) terrorist attack (Martynova and Renneboog, 2008; Kaufeler, 2012).

The sixth wave took place from 2003-2008, less than three years after the previous cycle indicating that there are shorter and more frequent waves of M&As. The wave was a recovery from the 2001 downturn and had mainly horizontal and cross-border M&As (Martynova and Renneboog, 2008). The M&A activity was driven predominantly by private equity transactions, as well as hedge funds and venture capital funds (Martynova and Reneneboog, 2008). The main objectives of the M&A transactions were global expansions (Martynova and Renneboog, 2008). The main forms of funding for this wave were debt and cash (Martynova and Renneboog, 2008). The financial crisis in 2007/8 coincided with the end of this wave (Kaufeler, 2012).

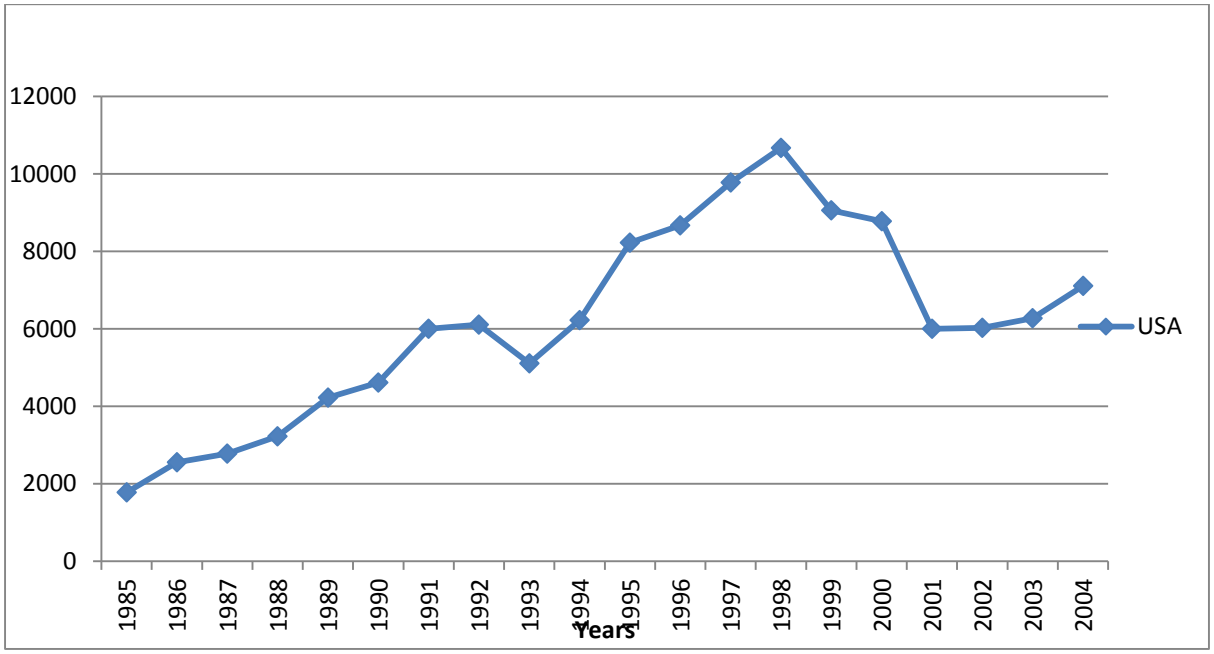
Figure 6: Merger waves in USA since 1897



Source: Martynova and Renneboog, 2008

The Y axis in Figure 6 represents the number of merger transactions.

Figure 7: Merger waves in USA since 1985



Source: Martynova and Renneboog, 2008

1.3.2 Merger and acquisition waves in Africa and emerging economies (Asia and South America)

According to Vencatachellum and Wilson (2013), three M&A phases have been identified for developing countries. Major activity in M&A in Africa commenced in the 1990's (Vencatachellum and Wilson, 2013). Between 2003 and 2008, the value of M&A transactions in Africa increased sevenfold.

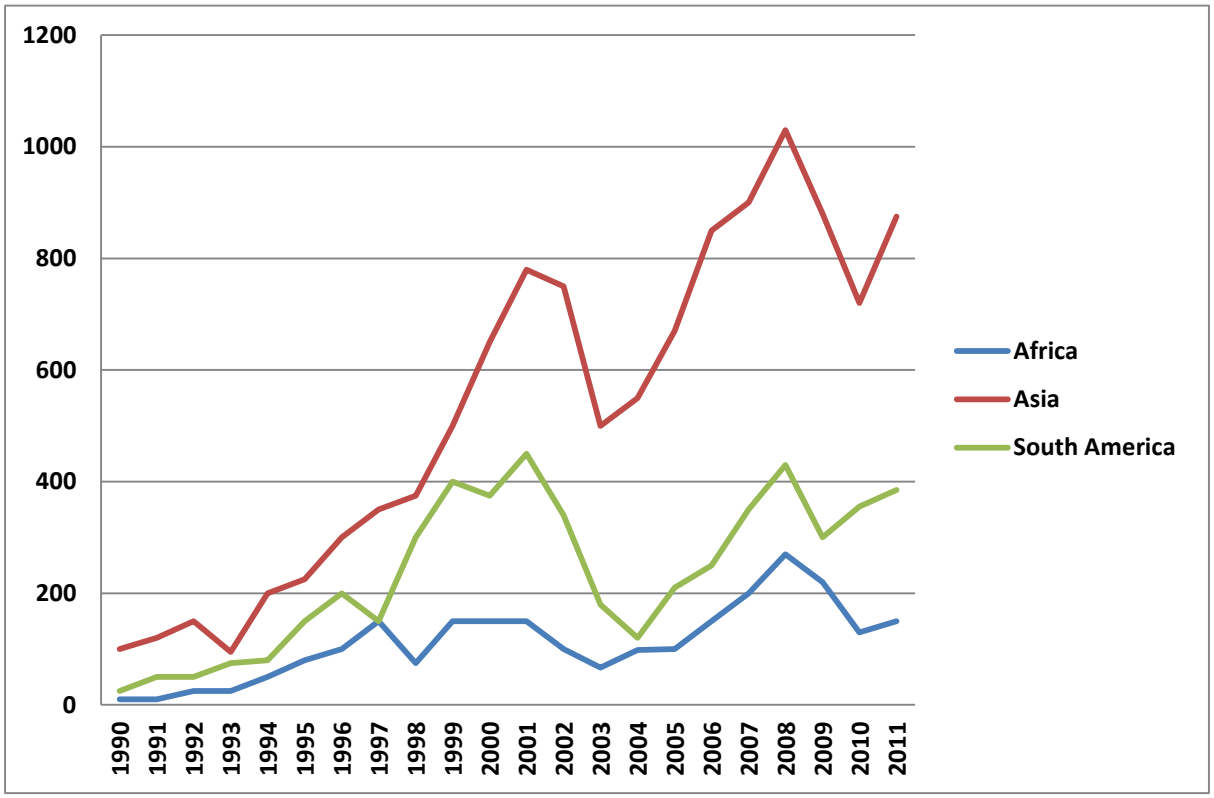
Phase 1 commenced in the 1990's and ended in 1997. In Phase 1, there was an increase in M&A in Africa, Asia and South America. The end of this phase was brought about by the 1997 Asian liquidity crisis.

Phase 2 commenced in 1998 and ended in 2001. The end of this phase coincides with the end of wave 5 in the USA, Europe and UK.

Phase 3 commenced in 2002 and ended in 2007. This phase also coincides in timing with the sixth wave of the USA, Europe and UK.

In terms of the study done by Vencatachellum and Wilson (2013) there is correlation of M&A trends in Africa with South America and Asia. The correlation coefficient for Africa and Asia is 0.87 and Africa and South America is 0.85 respectively. This means that Africa is more closely correlated with Asia than South America for M&A trends. All the correlations were found to be highly statistically significant (Vencatachellum and Wilson, 2013). South America and Asia are less strongly correlated in terms of M&A trends with a correlation co-efficient of 0.72.The M&A trends for the three regions are displayed in Figure 8.

Figure 8: M&A's completed in Africa, Asia and South America during period 1990-2011



Source: Vencatachellum and Wilson, 2013

In terms of the sectors that the M&A's take place in Africa in the 1990's, the dominant sectors sharing equally in the number of deals, were the services[9] and manufacturing industries (Vencatachellum and Wilson, 2013). However, this picture has changed recently and Africa has lost some ground to Asia in terms of M&A's in the manufacturing sector. From 2000 onwards, most M&As in Africa are in natural resources (including oil, gas and agro-forestry) and services industries (Vencatachellum and Wilson, 2013).

In Asia, the M&A's are predominantly found in the services (60%); manufacturing is the next highest at 30%; and the balance of 10% is in natural resources sectors (Vencatachellum and Wilson, 2013).

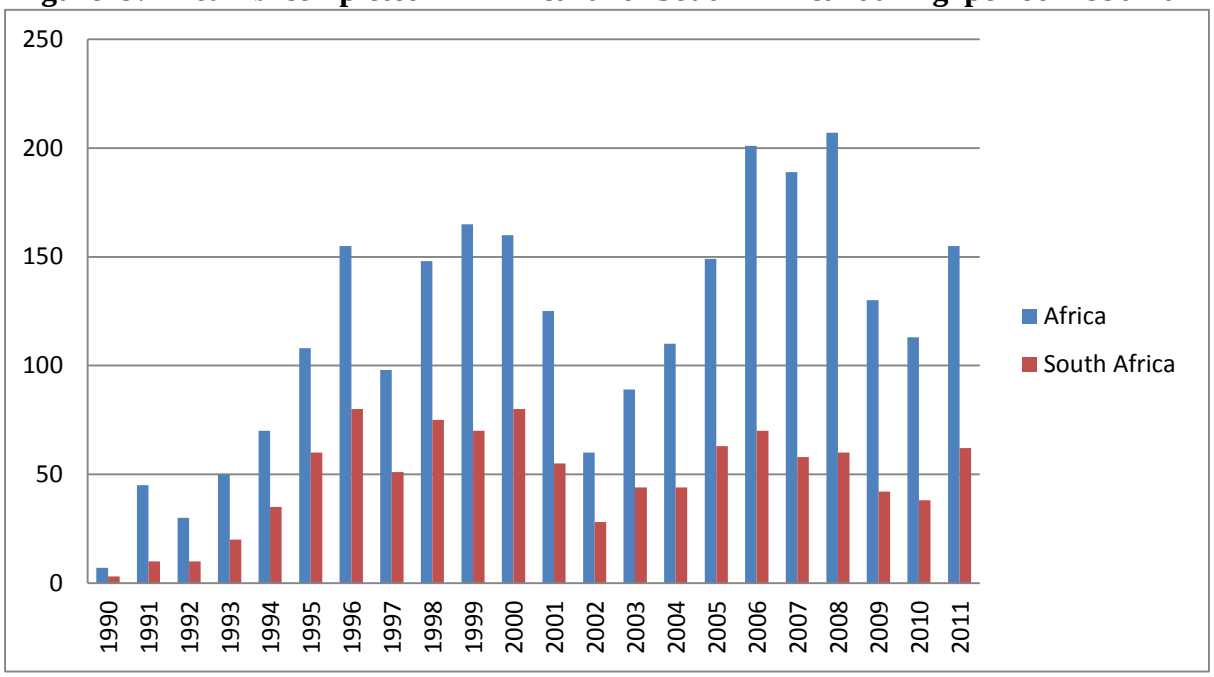
South America also seems to have lost ground to Asia in terms of M&A in the manufacturing sector. In the 1990's, M&As in the manufacturing sector were 40% and by 2011 these had halved to 20%. The dominant sectors for M&As in South America are the services and natural resources.

[9] Services sector includes trades, financial, media, entertainment and ICT.

1.3.3 Merger and Acquisition waves in Africa

The study done by Vencatachellum and Wilson (2013) showed that there have been two dominant waves in terms of M&A activity in Africa in the 1990s and 2000s. M&A activity shows a marked increase in the 1990s, especially after 1994 which Vencatachellum and Wilson (2013) attribute to the increased investment into the continent due to the first democratic elections that took place in South Africa in 1994 which boosted investor confidence for the continent (see Figure 9 below).

Figure 9: M&A's completed in Africa and South Africa during period 1990-2011



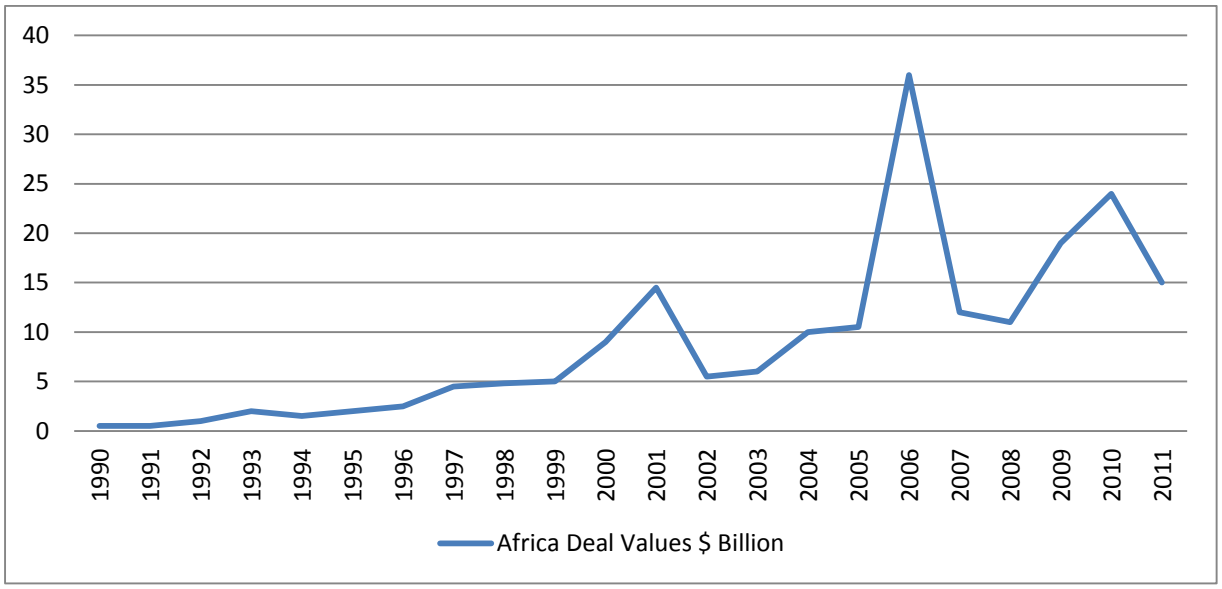
Source: Vencatachellum and Wilson (2013)

The reduction in M&A's in 1997 is attributed to the 1997 Asian crisis (Vencatachellum and Wilson, 2013).

The second major dominant wave on the African continent started in 2002 and ended in 2008. This wave was stronger than the 1990s wave as there were more transactions. The wave of 1990 commenced with approximately 10 transactions and peaked with 165 transactions while the wave of 2000 commenced with approximately 80 transactions and peaked with 207 transactions in 2008 (Vencatachellum and Wilson, 2013). The drop in the number of transactions in 2008 is linked to the global financial crisis and the transmission mechanism discussed in Section 2.1.

One of the most significant M&A trends on the continent was the change in terms of sectoral mix of M&A's. According to the study done by Vencatachellum and Wilson (2013) in the 1990 wave, manufacturing accounted for about 40% of the M&A activity on the African continent whereas in the 2000 wave, manufacturing M&A reduced to approximately 20%.

Figure 10: Mergers and acquisitions in Africa during period 1990-2011



Source Vencatachellum and Wilson (2013)

In the study by Vencatachellum and Wilson (2013) the link between M&A activity in Africa and the developed economies is analysed and more findings on the linkages are made. The most important linkages found are discussed below.

In a study done by Kamaly (2007), it was found that stock market prices in the domestic and the international economy are positively correlated to M&A activity. In terms of the expectations hypothesis (Kamaly, 2007), high domestic stock prices boost M&A activity as the high equity prices indicate high business confidence in the domestic economy which leads to increased investment into the economy. Furthermore, Vencatachellum and Wilson (2013) also state that high stock prices in the domestic economy also reduce the cost of financing for investors which also increases M&A activity.

The link between M&A activity in the domestic developing country and the international economy is that high stock prices in the international economy are used as a way to source funding for investments into the developing countries (Vencatachellum and Wilson, 2013).

The relationship between the bond yields in the developed economies and M&A activity is that bond yields represent the cost of capital and level of risk. High bond yields indicate a higher risk and, therefore, a higher cost of capital. Vencatachellum and Wilson (2013) state that:

> "High bond yields in developed economies due to the current sovereign debt crisis in Europe, signal higher risk and are expected to shift investors to high growth and high return regions of the developing world such as Africa".

The domestic macroeconomic factors that have an impact on M&A activity are inflation and exchange rate (Vencatachellum and Wilson, 2013). Inflation is negatively correlated with M&A activity as inflation is the measure for market risk and increased market risk indicates a negative economic forecast which thus discourages investment. Inflation also increases the cost of capital and will thus reduce the returns for the investor (Ezeoha and Cattaneo, 2011).

When the exchange rate depreciates the currency of the target country currency, is positively correlated to an increase in M&A activity as purchasing of stocks in the developing country becomes cheaper for foreign investors thus increasing the appetite for such investments (Vencatachellum and Wilson, 2013). The impact of exchange rate movement and more specifically the rand and the US dollar, pound and euro are discussed in chapter 5. South Africa has since 1994 seen an increase in the volume and quantum of foreign direct investment in the form of M&A's (Vencatachellum and Wilson 2013) with the biggest M&A's in South Africa being by foreign acquirers such as the acquisition of Edcon by Bain in 2007 for $3.5billion and the acquisition of Massmart by Walmart in 2011 for $2.4 billion (Dealmakers 2007 and 2012).

1.4. Problem Statement

Shareholders and investors invest in companies to obtain risk adjusted financial gains. In terms of the behavioural and agency theory, management might enter into M&A transactions for reasons other than maximising financial returns for the shareholders. Furthermore, in a global economy, M&As have become very important tools for companies to develop their global presence in a relatively short time period. Since management and shareholders' interests might not always be aligned, it is important for both shareholders and management to understand the factors that have an impact on M&A transactions as well as how these may affect each transaction so that they can maximise their returns.

Abnormal returns in M&A transactions are affected by a number of factors[10] and the effect of these factors is not consistent over time. These factors also affect the transactions differently depending on the financial and economic sophistication of the country where the transaction is taking place, the type of companies involved, the stage of the company in its life-cycle and the economic environment at the time of the transaction, to name a few factors. As there are a myriad of factors that need to be taken into account**,** this study shall focus on identifying some of the main factors that have influenced M&A returns pre- and post- 2007 financial crisis. The study shall attempt to discover whether there are any discernible changes to M&As in South Africa in terms of number of M&A's effected, to the quantum of abnormal returns, structuring of these transactions and any other changes which were the result of the financial crisis. The study will attempt to unpack the M&A transactions pre- and post-crisis and shall try to give a further understanding of the benefits and losses that can be expected by shareholders.

In terms of the literature review post-crisis (2008), there is evidence of abnormal returns caused by changes resulting from the financial crisis. Some of the changes that have occurred are that investors' views on stock-funded acquisitions have changed with these being viewed positively post-crisis. Prior to the financial crisis and in terms of research done by Smith (1986), Travlos (1987), Wansley et al. (1983) Huang and Wakling (1987), cash-funded acquisitions yielded higher abnormal returns than stock-funded ones. In terms of post-crisis, Sehgal et al.'s (2012) BRICKS research, found that stock-funded acquisitions yielded higher abnormal returns to cash-funded transactions. Sehgal et al.'s BRICKS study reviewed data from 1 January 2005 to 30 December 2009. This research seeks to add more knowledge on abnormal returns with stock or cash funded M&A's as it covers a longer post-crisis period and this research shall update and compare whether Seghal et al's findings are still applicable to the most recent M&A's completed .This research shall cover acquisitions up to 31 December 2012 which is three years more than the Sehgal et al. study.

The study by Alexadridis (et al., 2011) illustrated through a comparative study of two M&A merger waves, the impact of the following factors: high company valuations, interest rates,

[10] See annexure 1 which states the factors that can affect M&A transactions

market sentiment availability of liquidity on M&A transactions, the structuring thereof on returns.

This study shall assist investors and shareholders to better understand how some of these pertinent factors, such as the funding of the transaction and the economic environment currently affect M&A transactions. This shall in turn be useful information for shareholders and investors to make more informed and better decisions on M&A transactions.

1.5 Objectives of the Study

The objectives of the study are to assess and analyse the following pre- and post-financial crisis:

- Pre-merger abnormal returns made by acquiring firms' shareholders;
- Post- merger short term abnormal returns made by acquirer shareholders; and
- Whether the method of payment of acquisitions has an effect on shareholders' returns.

This analysis shall investigate whether there are any patterns and trends that transpire as well as whether any findings can be made on the number of M&As completed, significant changes in returns for the acquirer and whether stock-funded transactions are still reaping positive abnormal returns for the acquirer or have these reverted back to pre-financial crisis times wherein the cash-funded acquisitions yield higher returns for the acquirer.

1.6. Significance of the Study

The study will help in improving an understanding of M&A transactions in the South Africa's financial market for shareholders, management, potential investors and other financial institutions. It will also help us understand the impact that the global financial crisis of 2007 has had on returns for M&A transactions. The study is particularly significant in that it shall extend the Sehgal (et al., 2012) study to find out if trends identified in that study in South Africa are still taking place.

The shareholders will be more informed of the key factors that they must take into account if they are the target firm or when they are an acquirer. As a shareholder in a target firm, they shall be better able to understand the returns they should expect and the funding structures that are best suited to their benefit. As a shareholder in the bidding firm, the shareholders will have information and they shall be more informed on the risks inherent in these transactions. They shall be able to make better decisions as they shall be more informed of how to mitigate these risks and improve the returns they make in M&A transactions.

This should lead to better crafted acquisitions where the target firms and especially the bidding firms can make positive returns in the short, medium and long term.

The benefits for management is that they can be better informed about some of the effects of the financial crisis and can understand the asymmetry of information and signalling rules and use these to their benefit whenever they are bidders/target in M&A transactions.

For investors, the study shall assist them to better identify opportunities for higher abnormal returns and also on what kinds of transactions they should avoid. They shall be better able to understand the risks associated with different types of M&A transactions.

Funding institutions would also benefit as they would have current information on reasonable returns that can be expected when they fund these transactions. Pension funds, asset managers and banks are shareholders in many of these transactions either as target or bidding firm. From this study, they shall be able to make more informed decisions and increase their returns on these transactions.

CHAPTER TWO

2. LITERATURE REVIEW

2.1 Overview of Literature

Studies done in the UK and USA, as well as South Africa, show that there is overwhelming evidence that target firms make abnormal returns in the short-term with returns ranging from 16% to 45% (Baker and Wurgler, 2000). In contrast, studies in the US and UK show that acquiring firms usually make a negative abnormal return on acquisition, with negative abnormal returns ranging from -1% to -8% (Jensen and Rubeck, 1983; Frank and Harris, 1989; Mulherin and Boone, 2000). These studies further show that in the long-term (up to 10 years after the announcement of the acquisition) the acquiring firm's losses increase; with up to -20 % being recorded. Studies in the US market that evaluated the period 1980-1988 show positive abnormal returns for the acquirer and they recorded positive abnormal returns for the acquirer of 1 % and 1-2% respectively (Bradley et al.1988 and Jarrel et al., 1988).

A study by Ma (et al., 2009) on abnormal returns made by acquirers in 10 Asian countries[11] for the period 1 January 2000 to 31 December 2005 used three event windows to measure abnormal returns for the acquirers. This study found that the acquirers made a modest abnormal return with the average abnormal return being 0, 96 % in a two-day window (0, 1); 1,28% in a 3-day window (-1,+1) and 1.7% in a five-day window (-2,+2). These results are aligned to the minority case in the US during 1980-1988 discussed above.

In South Africa, short term abnormal returns of 30-44% were recorded for target firms and the acquiring firm had abnormal returns of -2% to 11% (Affleck-Graves,Burt and Cleasby, 1988 ; Affleck-Graves, Flack and Jacobson ,1988 ; Bhana, 1999; McNamara, 1997; Van der honert, et al.,1988). All of these studies investigated abnormal returns under normal economic conditions and not at the time of a financial crisis. From these studies one can determine what the benchmark abnormal returns are when there is no macro-economic shock.

Studies on economic factors and their impact on rights issues have been done in South Africa by Pascoe et al., (2005), in which they found that rights issues are significantly affected by four macro-economic factors: economic growth, interest rates, stock market performance and business cycle. Economic growth and interest rates were positively correlated to rights issues and were found to be statistically significant (Pascoe et al., 2005). Stock market performance and business cycle were both negatively correlated to rights issues and statistically significant (Pascoe et al., 2005). Thus, when economic growth was high, the share price response to announcements was less negative. Interest rates were positively correlated meaning that when interest rate levels were high the share price response to announcement was less negative. This finding was not in line with the Pascoe (et al., 2005) studies' expectations, as they had expected a negative correlation for interest rates and share price response to rights

[11] The 10 Asian countries assessed were: China, India, Hong Kong, Indonesia, Malaysia, the Philippines, Singapore, South Korea, Taiwan and Thailand.

announcement. The authors explained that this finding occurred with the market rewarding firms for choosing to raise equity and not debt during periods of high interest rates. The negative correlation of stock market performance and business cycle to share issues were explained in the following manner: in terms of stock market performance, the finding showed that the greater the increase in the stock market index prior to the rights issue announcement, the greater the decline in the share price on the announcement. This finding was contrary to the expectations of Pascoe (et al., 2005) and in contradiction to the findings of Choe (et al., 1993) and Asquith and Mullins (1986). However, these findings were in line with Masulis and Kowar's (1986) study.

According to Pascoe (et al., 2005) the high number of rights issues during times of high economic growth can be explained in terms of the asymmetric informational models of Myers and Majluf (1984) and Choe (et al., 1993). The model states that

> "…periods of high economic growth are also periods of low asymmetric information, which accounts for the clustering (i.e. high numbers) of equity issues in periods of strong economic growth. Periods of low asymmetric information are associated with lower adverse selection costs as investment opportunities are more promising and there is less uncertainty about assets in place. "

Therefore, in boom times when there is high economic growth more equity issues are expected as there is more transparency and in recessionary times there should be less equity issues as information is more opaque and known only by a few.

Battinelli and Reid (2013) investigated which macro-economic factors had an effect on acquisitions. The period of their investigation was 2004 to 2012.They found that the major impact of the financial crisis on real estate investment trust (REIT) was from the radical decrease in the number of M&A's post-financial crisis. In 2006 the (pre-crisis) number of M&A for REITS affected was 39. During the crisis of 2007 and 2008, the number of M&A's for REIT decreased by 54% (to 18) and 85 % to 4 M&As respectively. The post-crisis (2009) decrease in M&A was 100 % from pre-crisis 2006 level. The effect of the financial crisis was quite long as the number of M&As for REITS has at 2012 still not recovered to pre-crisis numbers, showing the extent of the financial crisis on the REITS sector in the long term. Battinelli and Reid (2013) investigated the effect of macro-economic shocks on M&As in the REIT's sector in the US. The study found that there was a very strong correlation between M&A activity in REITS and the mortgage bond interest rates. The study found that activity in the REITS M&A was partially correlated with the GDP.

The study by Alexandridis (et al., 2011) on the US M&As of public listed companies offers an interesting comparative analysis of the fifth and sixth M&A merger waves. The study identifies several aspects in which these two merger waves differed and the impact of these differences on abnormal returns. The study compares the fifth merger wave that took place in the 1990s (from 1993 to 1999) and the sixth wave that took place in the 2000s (from 2003 to 2007). One of the main differences between the two waves is the economic environment prior

to the merger waves. The economic environment was also a large driver influencing the M&As. In terms of some of the differences in terms of the economic environment, two of the important differences that are obvious, is that in the sixth wave the company valuations of the acquiring company were not very highly valued and also that access to credit was easier to obtain as the regulatory environment was not as restrictive. Another major difference in the environment is that in there was high business confidence prior to the fifth merger cycle.

One of the major differences in the two merger waves is that there was a substantial difference in the average premium paid for public acquisitions. The average acquisition premium paid[12] in the fifth wave was 45%, whereas with the average premium in the sixth wave was 37,9% (Alexandridis et al., 2011). The difference in premium was found to be statistically significant. Furthermore, the change in average premium was the same across all sectors of the economy and also across companies of different size.

In the fifth merger wave, it was found that the M&A companies were much more highly valued than in the sixth wave. In the fifth wave, the mean inflation adjusted P/E for the S&P 500 was 39, whereas this P/E was 26 on the sixth wave (source Rob Shiller's website[13]).

The fifth merger wave in which acquirers had high company valuations, the majority of the M&A transactions were financed with stock. In contrast, the sixth merger wave was characterised by lower company valuations and the majority of acquisitions were financed with cash. With the sixth wave the stock-swap financed acquisitions decreased by more than 57% which is a substantial change in the structuring of the M&As. With the sixth wave the purely cash-financed transactions increased to a level last seen in the 1980's (Shleifer and Vishny, 1991). Another possible reason why cash was the preferred method of payment in the sixth wave is that the interest rates were lower during the sixth merger wave where the prime interest rate on Wall Street was 6.14% during 2003-2007 rather than during the fifth wave where prime interest rate on Wall Street was 7.84% from 1993 to 1999). In addition, companies had high cash reserves and there was abundant liquidity (Alexandridis et 2011). The fourth merger wave also had the majority of its acquisitions cash-funded and this was driven by the availability of liquidity and also the relaxation of regulatory restrictions (Shleifer and Vishny, 1991).

With the fifth wave, there were companies that entered into numerous M&As whereas with the sixth wave there were 35% less companies entering into numerous M&As. The most interesting aspect of the comparative analysis done by Alexandridis (et al., 2011) is that the acquirers in the sixth merger wave created less value than the acquirers in the fifth merger wave despite having paid substantially less acquisition premiums on average [14].Thus, the finding by Alexandridis (et al., 2011) is that the payment of lower premiums is not sufficient

[12] Acquisition premium = offer price/ targets share price (4 weeks prior to acquisition announcement)

[13] Rob Shiller's website address www.irrational exuberance.

[14] The premiums paid by acquirers for public acquisitions in the sixth merger wave were on average 7% less than those paid in the fifth wave.

to guarantee value creation. In the Alexandridis (et al 2011) study, the reason why the fifth merger wave's abnormal returns were less negative than the sixth merger wave, is that the market returns prior to the deals being done in the fifth wave were significantly higher than the returns prior to the sixth wave taking place and thus there was more positive market sentiment during the fifth wave.

A recent study done by Kaufeler (2012) on the Swiss M&A environment found that the abnormal returns for the target decreased as the event period increased and that the absolute returns for the target were highest on the announcement day. No significant relationship was found between abnormal returns and the form of payment. There was an insignificant correlation of the relationship between abnormal returns and the proportion of cash used, however, this may have been influenced by the financial crisis.

2.2 Pre-merger announcements and returns to shareholders

Pre-merger returns measures the returns prior to the announcement. Asquith and Kim (1982),who looked at conglomerate mergers, found that only the target firm shareholders gained from the merger. The gain for the acquiring firm was insignificant.

Other research by Asquith and Mullins (1986) Jensen and Rubeck (1983), Dodd and Ruback (1977) also indicated results that followed a similar trend to those of Asquith and Kim (1982).

In the study done by Sehgal et al (2012)[15] which reviewed M&A's in BRICKS countries during the period 1 January 2005 to 30 December 2009, for pre-merger, four of the six countries, namely: Russia, India, China and South Korea had a significantly positive pre-merger abnormal returns for acquirers. Brazil's pre-merger abnormal returns for acquirers were zero. However, South Africa recorded significantly negative pre-merger abnormal returns for acquirers.

2.3 Post-acquisition return to shareholders for acquirers

The post-acquisition returns can be measured over the short term, such as a few days after the announcement or over the medium term, which is a few months or 3-5 years after the announcement. When the measurement used is for a period 3-5 years after the announcement, accounting based measurements are used. Some of the accounting measures are cash flow, operating profit and cost of capital. Industry performance is also used as a way to benchmark post-acquisition returns.

[15] The study by Seghal (et al., 2012) only looked at returns for acquirers. Returns for the target company were not assessed.

The results in terms of post-acquisition returns for acquirers are not uniform and are varied. Some studies found negative returns for acquirers (Agrawal et al., 1992, Clark and Offek (1994)) while others found positive returns for acquirers (Healy et al., 1992; Kaplan and Wesbach (1992). Stanton (1982) found that the acquirers' returns were sensitive to the choice of benchmark used and thus not consistent.

The research done by Healy (et al., 1992) and Kaplan and Wesbach (1992) which analysed post-acquisition returns, 3 years after the merger showed that there were significant improvements to the accounting measures of the acquiring firm.

In the research done by Loughran and Vijh (1997) which measured abnormal returns 5 years post-acquisition, they found that there was another important factor: funding structure. The acquirer companies that utilised share-based mergers earned significant negative abnormal returns of -25%. Whereas, the acquirer companies that had used cash-based acquisitions had significant positive abnormal returns of 61, 7%. More recent studies[16] on post-merger returns by Seghal (et al., 2012) in BRICKS countries find that overall the BRICKS countries had a strong negative abnormal returns for acquirers. But when the returns were looked at on an individual country basis, the countries with negative abnormal returns are India, China and South Korea. It is interesting that Brazil and Russia did not record any significant post-merger returns for acquirers. South Africa recorded positive abnormal returns for acquirers.

2.4 Methods of payment of acquisition

An acquiring firm has three options for acquiring the target firm .The first option is using internal cash or funding, the second option is issuing equity and a third option is borrowing money from outside (Firer et al., 2004).link, Myers (1984) states that in terms of the 'pecking order theory' companies would prefer to utilise internal financing (i.e. cash) as their first option. Where internally generated cash is not readily available, debt shall be utilised as the second option. Equity shall be utilised as the last option.

According to Emery and Switzer (1999), the 'asymmetry of information theory' is used as a basis to determine whether cash or stock shall be used for payment. When there is asymmetry of information (i.e. unknown information) about the target, the bidding company does not have all the information about the target and would prefer a share acquisition so that it can minimise its risks (Emery and Switzer, 1999) to make up for its lack of information about .

Draper and Paudyal (1999) found that the mode of payment used revealed a lot of information about the nature of the acquisition and the risks inherent in the transaction.

There are three theories to draw upon when stock shall be used as a mode of payment. The first theory is based on asymmetry of information. This theory states that the cash acquisition would be preferred when there is asymmetric information about the bidding company (Emery

[16] Covering the period 1 January 2005 to 30 December 2009.

and Switzer, 1999).The rationale behind whether to make a cash or stock offer is based on the risk and reward consequences. In a cash acquisition the acquiring company's shareholders take all the risk and would thus receive all the benefits or losses (Rappaport and Sirower 1999). With a share funded acquisition the risks and rewards are shared by the acquirer and the target company's shareholders.

The second theory is based on the overvaluation of the acquirer. Thus, where an acquirer's share price is overvalued the acquirer will make acquisitions using its stock (Moeller et al., 2004). This is done in order to dilute the stock price of the acquirer. The third theory for when stock shall be used as a mode of payment in an M&A is the 'free cashflow theory' by Jensen. According to this theory, a company with good future investment opportunities would not and should not pay for acquisitions in cash. According to Jensen (1986), cashflow should ,as far as possible, not be used for funding acquisitions as the free cashflow should be kept and used to fund future investment opportunities. In terms of this theory, an acquisition that is paid for in stock should not have any negative connotations.

Research done on cash versus stock acquisitions prior to the 2007 financial crisis, seem to have the unanimous findings that cash-funded acquisitions earn more returns for the target shareholders than with share-payment acquisitions (Smith 1986; Travlos, 1987; Wansley et al., 1983; Huang and Walkling, 1987). The findings from the studies by Wansley (et al., 1983) was that the target companies on average earned about double the returns with cash payment acquisitions than with stock-payment acquisitions. The studies by Huang and Walkling (1987) also found that the abnormal returns earned by the target companies with cash transactions were substantially higher than those of share offers. The logical explanation given by Smith (1986) is that when stock is used as a payment method, this equates to a new share issue and new share issues typically have negative returns to shareholders at announcement date as they reduce the existing shareholders stake in the firm.

One explanation for the cash-funded acquisitions yielding higher abnormal returns than share-funded transactions is the 'signalling hypothesis'. The signalling hypothesis states that share-funded acquisitions signal that the shares of the acquiring company are overvalued and the cash-funded transactions convey positive information that the shares of the acquiring company are undervalued (Smit and Ward, 2000).

Another factor that influences the abnormal returns for acquirers is whether the target company is listed or unlisted (Fuller et al., 2002). Fuller (et al., 2002) found that the abnormal returns for cash-funded acquisitions were higher when the target was an unlisted company. In the study, Fuller (et al., 2002) found that the acquiring firms gained when buying a private firm and also that such a gain was not dependant on the method of payment used. Thus, acquirers gained whether they used cash or stock when they purchased unlisted companies. When acquiring companies purchased listed targets for cash the acquiring shareholder's returns were insignificant and Average Abnormal Returns (AARs) of 0, 34% were recorded.

When the acquiring shareholders purchased listed targets for shares, it was found that their returns were significantly negative i.e. -1, 86 % (Fuller et al., 2000).

The results of a Swiss investigation by Kaufeler (2012) into the method of payment and its effect on the acquirers return post-financial crisis (2008-2011) found that in this period the method of payment had no impact on the abnormal returns of the acquirer. This finding is contrary to the previous findings by Smith (1986); Travlos (1987); Wansley (et al., 1983); Huang and Walkling (1987), all of which were studies on the pre-financial crisis and found that cash payments generated higher returns for the acquirer. Kaufeler (2012) suggests that this finding could be due to changes brought about by the financial crisis.

The research done by Sehgal (et al., 2012) which is also a post-2007-financial crisis study had results that were more positive than Kaufeler's 2012 results. Sehgal's (et al., 2012) results on the BRICK countries showed a significant positive abnormal returns for stock-funded acquisitions. However, the cash-funded M&A as had strongly negative abnormal returns.

From the Sehgal (et al., 2012) and the Kaufeler (2012) studies it seems that there has been a change in that post-crisis cash-funded acquisitions have negative abnormal returns and stock-funded ones have positive (absolute) returns. Thus, it seems that post-2008 financial crisis stock-funded acquisitions are perceived as value-creating and the cash-funded transactions are perceived as value-destroying. Other explanations given by Seghal (et al., 2012) as to why their study on BRICKS countries showed significantly positive abnormal returns for acquisitions that were funded through stock, are the following:

The BRICKS countries are predominantly emerging countries and have had very high growth rates in the last two decades. Thus, these countries have huge investment opportunities and their cash flow can be used to fund these growth opportunities in line with the cash flow theory. Another reason is that as these are emerging countries and are going through economic and financial transition and these are thus riskier investments, hence, making an acquisition by using stock would reduce the risk as the target would also have to make sure that the acquisition was successful in order to reap financial rewards. A further reason why stock-funded purchases seem to be preferred for emerging markets is that these markets are not fully information efficient which in turn makes fair corporate evaluations difficult and by funding the acquisition there is sharing of risks to minimise the risks created by information inefficiency.

2.5 M&A with Domestic or foreign company

Literature seems to indicate that whether the target is a domestic or foreign company also has an impact on abnormal returns made by the acquirer. In Kaufeler's (2012) investigation post-financial crisis (2008-2012) in Switzerland, it was found that shareholders from Swiss target firms received higher abnormal returns from domestic M&As than where a foreign target is bought. This study shall not investigate returns made by foreign companies and shall only look at domestic acquisitions.

2.6 Other factors that impact on abnormal returns

Other studies conducted have found some of the following factors have an impact on the returns (Mushidzhi and Ward, (2004): the relative size of the target company to the bidding company, P/E ratios, market-to-book value ratios, the number of bidding companies contesting the bid for the target company, hostile versus friendly acquisition and the growth prospects of the companies.

The studies done on the relative size of the acquirer *vis a vis* that of the target do not have the same findings. Studies by Scalon (et al., 1989) and Pettway and Yamada (1986) found there were negative abnormal returns when the relatively large firms were acquired. However, the findings from the study by Jarrel and Poulsen (1989) reported the contrary, and found that the acquirer had positive abnormal returns when acquirers acquired larger targets. The reason why this occurred was attributed to the fact that

> "small acquisitions were swamped by the performance of the acquirer whereas the acquisition of a relatively larger target would reflect in an improved performance" (Mushidzi and Ward 2004)

The findings of a study done by Whitting (1998) on the JSE acquisitions between 1993-1997 were that high P/E acquiring firms earned significantly higher returns than low PE acquiring companies. Other studies have looked at a number of factors concurrently and their effect on abnormal returns. Huang and Walker (1989) recommend using methods such as multiple regressions as there are a number of variable and some/many of the variables are interdependent. Walker (2000) found that the following factors impacted on the returns: the payment method, the size of the transaction and single /multiple bidders. Hostile acquisitions make significantly higher returns (about 10% higher returns) than friendly acquisitions and the hostile acquisitions are normally cash transactions, Frank and Harris (1989), Servaes (1991).

2.7 Linkages between M&A activity in Africa and the developed economies

The study by Vencatachellum and Wilson (2013) is very informative on M&A on the continent as it is a recent study and also it analyses and discusses correlations of M&A on the continent with other countries such as the Asian emerging markets and the developed markets namely USA, Europe and UK. Furthermore this study explores M&A activity pre-crisis and post-crisis and links these changes to domestic and foreign stock markets, G7 bond yields, inflation and exchange rates. In the study Vencatachellum and Wilson (2013) find that the foreign bond yield (represent by bond yield of G7) is negatively correlated to M&A activity in the emerging market . The relationship between the bond yields in the developed economies and M&A activity is that bond yields represent the cost of capital and level of risk. High bond yields indicate higher risk and therefore higher cost of capital. The other

significant links are inflation and exchange rate in the domestic market. (Vencatachellum and Wilson 2013)

The domestic macroeconomic factors that have an impact on M&A activity are inflation and the exchange rate (Vencatachellum & Wilson, 2013). Inflation is negatively correlated to M&A activity. Inflation is negatively correlated with M&A activity as inflation is the measure of market risk and an increased market risk indicates a negative economic forecast thus discouraging investment. Inflation also increases the cost of capital and will thus reduce the returns for the investor (Ezeoha and Cattaneo, 2011).

Exchange rate, when there is depreciation of the target country's currency, is positively correlated to M&A activity as purchasing of stocks in the developing country becomes cheaper for foreign investors thus increasing the appetite for such investments (Vencatachellum and Wilson, 2013).

CHAPTER THREE

3. METHODOLOGY

3.1 Short term measurement of returns to shareholders (Event Study method)

The event study method is the dominant approach commonly used by researchers to evaluate whether value was created in the short-term pre- and post-crisis (Martynova and Renneboog, 2008). This method can be used to measure gains/losses in the short term. Some of the reasons why the event study method is the preferred method is because it is more objective at measuring stock price movement and at measuring the financial impact of a change. It is also relatively easy to use as the only information required is the names of publicly-traded companies, event dates and stock-prices. The accounting–based measures have been criticised as these can be manipulated by managers as managers can select the accounting procedures for measuring profit (Benston 1982). Within the accounting-based measures, the most accepted measures are the return-on-assets or return-on-equity, operating margins or cashflows and earnings and margin ratios. Due to the flaws of the accounting-based measures discussed above, this analysis used the event study method.

In this study in order to measure the short-term effects of the transaction, an event window of 14 days was used. The pre-merger period was 8 days prior to the announcement. This period was short enough to limit confounding effects and sufficiently long to get a good understanding of what the share price was prior to the announcement. The majority of event study research papers have pre-announcement periods in the range of 2-5 day before the announcement. In exceptional cases the pre-announcement period is extended to periods of 10 days and longer prior to announcement with the longest pre-announcement period noted being 250 days .(Krivin et al 2003).The short term post announcement periods are usually short and in most cases are 2-3 days post announcement (Krivin et al 2003), thus the 5 day period post announcement used in this study suffices in terms of giving enough information on the share price post announcement.

The first period that was measured was the pre-announcement period which was 8 days prior to the announcement date and the AR and the cumulative CAAR were calculated. The post announcement period that was measured was 5 days from the announcement date and the AR and CAAR in this period was also measured. McWilliams and Seigel (1997) and Krivin (et al 2003) recommend that the event study should be as short as possible because it is difficult to eliminate the confounding effect.

The 14-day study event of (-8, +5) is a sufficiently short period prior to the announcement i.e. 8 days, to limit the effect of leakage of the information being incorporated into the share prices. The measurement after the acquisition is sufficiently long being 5 days so that the effect of the announcement of the event would have been adequately priced in, and any information that was required in order to evaluate the offer would have been obtained. The 14-day event study is also short enough to minimise the confounding effects.

The sample was extracted using the Dealmakers database of mergers and acquisitions .The transactions that met the following two criteria stated below were used. (i)The acquiring company was listed at the time of the acquisition; and (ii) The acquiring company did not enter into any large acquisitions, disposals or any major corporate restructurings requiring shareholder approval during one year after the acquisition, to exclude the impact of these as confounding events. To ascertain whether this provision was applicable the announcement notices for the shares in Moneyweb was used and any shares with announcement of major transactions resulted in that stock being excluded from the sample.

Our sample size was made up of 39 acquisitions transactions pre-crisis and 51 acquisitions post financial crisis. According to McWilliams and Siegel (1997), there are three assumptions underlying the identification of abnormal returns and these assumptions are market efficiency, unanticipated event and confounding effects. Market efficiency is based on the assumption that share prices have taken into account all publically available information. This assumption may not always hold as it sometimes takes a while before the investors have all the information on, for example, the evaluation technique used for an acquisition or to get relevant information on the acquirer and thus the share price would take time to adjust (Wang and Hamid, 2012). Unanticipated events are based on the assumption that there is no insider trading and the market gets news at the same time as the news is publicly announced. This assumption is also not always present as an acquisition is often part of an acquirer's strategy and this information might get leaked to outsiders. The third assumption is that no other significant event takes place during the event window, known as the confounding effects. According to McWilliams and Siegel (1997), the violation of any of these assumptions means that the results are biased and imprecise and that any conclusion would be inaccurate. Thus, it is imperative that one guards against breaching any of these assumptions. In order to keep the third assumption valid, an event window of 20 days is recommended by Mushidzi and Ward (2004). Where an event is expected to cause higher volatility to the share price, then a longer estimation window is recommended (Krivin et al., 2003).Where the abnormal returns are not volatile, shorter event study periods are recommended for better accuracy as the effects of confounding effects are minimised (Krivin et al 2003).

In this study, a 14-day event period starting 8 days prior to the announcement of the acquisition and 5 days after the announcement of the acquisition was used. This event period was chosen to get a better understanding of the impact on the share price whilst still managing and minimising negative effects of confounding effects Furthermore as there was no fluctuations or volatility in the abnormal returns this study period is appropriate as it minimises the negative impact of confounding effects. Acquisitions that have another announcement during the event period were excluded from the data and this information was obtained from the company announcements on Moneyweb website. In order to calculate the abnormal returns, the actual realised returns and the expected returns were used and these were sourced from the JSE.

There are five methods that can be used to devise the expected returns. These methods were devised by Fama, Fisher, Jansen and Rall (1969).

1. Mean Adjusted Model: the firm's expected returns are assumed to be the same as those it averaged at the estimation period;
2. Market Model: here the expected returns factors in the firm's risk profile;
3. Market adjusted Model: here the expected return of the firm is assumed to be the same as the rest of the market;
4. Control Portfolio Model: here the firm is grouped with a basket of firms, which have the same or similar attributes (i.e. the same size or similar earning). The expected returns of this basket of firms is then used as the expected return;
5. CAPM: here the expected return is "determined by the assets co-variance with the market portfolio".(Sabal 2002 page 99)

Of the five models the CAPM model was used to determine and calculate the abnormal returns. The data was be split into two groups one group for acquiring firms pre-crisis and another group for acquirers' post crisis.

The CAPM model is a formula that gives the expected return for any asset or portfolio by taking into account the measure of systemic risk in an asset/portfolio i.e.: the beta (Sabal,2002). Below is the CAPM equation:

$$ERi = Rf + \beta i[E(Rm) - Rf]$$

Where ER_i is the expected return, R_f is the risk free rate, E (R_m) is the expected return of the market portfolio, and β_i is the measure of risk (beta) for asset i.

For the risks free rate the 3 year government bond rate was used. The 3 year government bond was used as an appropriate and comparable return as equity is not a short term investment instrument (Jordan et al 2011).Equities are investment instruments for medium term (two years or longer investment periods) and long term investments (five years or longer) (Jordan et al 2011). Equity investors would not , in most circumstances, buy an equity instrument for investments of less than 3 years. For short term investments (less than 3 years) more liquid instruments would be used such as money market instruments (Jordan et al 2011).The 3 year government bond is thus a good proxy for equities as the investment period are comparable and hence can use this rate for equity investors.

The equations below were devised by Brown and Warner (1985) were used for abnormal returns and cumulative abnormal returns (Bhana 1999).

Abnormal returns $ARit$= Actual realised returns (Rit) – Expected return [$E(Rit)$]

$$ARit = Rit - E(Rit)$$

$$ARit = Rit - [Rf + (Rmt - Rf)]$$

Where $ARit$ is the abnormal return for company i on day t of the event study. $ARit$ is the return for company i on day i. The term in brackets is the expected return. Rmt is the normal return on the market portfolio represented by the JSE overall index on day t and βi is the market model co-efficient for the company i.[17] $E(Rit)$ is the expected rate of return on security i for day t.

The portfolio average abnormal returns (Brown and Warner, 1985):

$$AARt = \sum_{i=1}^{N} ARit/N$$

Where N is the number of shares in the sample portfolio.

The Cumulative Average Abnormal Returns for each day are calculated as follows (Brown and Warner, 1985):

$CAARt = CAARt - 1 + AARt$ for t= (-8, +5)

For the purpose of this research excel was used to run the regressions and deduce the results obtained. Excel was chosen due to its simplicity and user friendliness, the volume of data was not limiting and could easily be analysed.

3.2 Hypotheses Tests

Hypotheses tests were conducted to test the objectives stated in paragraph 1.5. The hypotheses are stated below.

Hypothesis 1 for objective 1 (pre-merger):

The null hypothesis states that for the pre-merger period the cumulative average abnormal return for acquirer companies pre-crisis should be higher than the cumulative average abnormal return for acquirer companies post crisis.

[17] The alpha, beta and sigma co-efficients are obtained by regressing the stock and reference index such as

Standard and Poor 500 or JSE Index. The alpha is the intercept term. The beta = the systematic risk for the stock i. Another method for estimating the co-efficients according to the Brown and Warner (1985) , the market model coefficients are estimated using daily returns for the period starting 149 days preceding the announcement date and ending 30 days prior to the first announcement date.

The alternative hypothesis states that for the pre-merger period the cumulative average abnormal return for acquirer companies pre-crisis should not be higher than the cumulative average abnormal returns for acquirer's post-crisis.

H_O: $CAAR_1 - CAAR_2 > 0$

H_A: $CAAR_1 - CAAR_2 \leq 0$

Where the $CAAR_1$ used was the pre-merger cumulative average abnormal returns for acquirer companies pre-crisis (2003-2007) and;

The $CAAR_2$ used was the pre-merger cumulative average abnormal returns for acquirer companies' post-crisis (2008-2013).

Hypothesis 1 for objective 2 (post-merger):

The null hypothesis states that for the post-merger period the cumulative average abnormal return for acquirer companies pre-crisis should be higher than the cumulative average abnormal return for acquirer companies post crisis.

The alternative hypothesis states that for the post-merger period the cumulative average abnormal return for acquirer companies pre-crisis should not be higher than the cumulative average abnormal returns for acquirer's post-crisis.

H_O: $CAAR_1 - CAAR_2 > 0$

H_A: $CAAR_1 - CAAR_2 \leq 0$

Where the $CAAR_1$ used was the average post-merger cumulative average abnormal returns for acquirer companies pre-crisis (2003-2007) and;

The $CAAR_2$ used was the average post-merger cumulative average abnormal returns for acquirer companies' post-crisis (2008-2013).

Hypothesis 3 for objective 3:

The null hypothesis states that the cumulative average abnormal return of acquirer companies is not higher in cash payment than in share payments.

The alternative hypothesis states that the cumulative average abnormal return of acquirer companies is higher in cash payments.

H_O: $CAAR_C - CAAR_S \leq 0$

H_A: $CAAR_C - CAAR_S > 0$

Where the $CAAR_C$ used was the cumulative average abnormal returns for acquirer companies using cash payment and;

The $CAAR_S$ was the cumulative average abnormal return for acquirer companies using shares as the payment method.

The tests were performed at a 95% confidence level.

The information on share prices were obtained from Bloomberg's and the JSE .

CHAPTER FOUR

4. EMPIRICAL RESULTS

The event study results for AR, AAR and CAAR for the pre-crisis and post crisis period were obtained. From the data collected 39 acquisitions met the criteria stated in chapter 3 and were used for the pre-crisis sample and post crisis 51 acquisitions qualified and were used in the sample. From the 39 pre-crisis sample, 19 acquisitions were used for the cash versus stock analysis as the funding method was specifically stated for these. With the 51 post acquisition sample, 16 acquisitions had their acquisition funding specifically stated and were used for the cash versus stock analysis.

For the AR computation the risk free rate that was used was the 3 year government bond rate at the time of the acquisition (See Annexure C).The return from the market portfolio was obtained from the All Share Index on the JSE (See annexure E). The β was obtained from the merchant bank and equities trader BNP Paribus.

4.1. Pre-financial crisis Abnormal returns

From Table 3 below we can see that the stocks prior to the announcement period at t= -8 were making losses as the losses ranged from-0.0059 % to 0%. This trend also continued post announcement as the stocks were making similar losses at $t = 5$.The standard deviation at $t =$ -8 and at $t =$5 are very similar at 0.00130 and 0.00125 respectively illustrating that the volatility during both periods was relatively the same. The one sided significance t-test was used to see test for significance, wherein t > |1.96| (Brooks 2008)|.The results are significant at $t = -8$ and at $t =$5 with the results being -4.0763 and -4.378 respectively. The tests were conducted at 95% confidence level. (See Annexure N).

Table 3:AAR_1 (in percent)

Day	Mean	Standard Deviation	Min	Max	t-Stat
t= -8	-0.00262	0.00130	-0.0059 %	0	-4.0763
t=5	-0.00259	0.00125	-0.0059	0	-4.378

4.2 Post financial crisis Abnormal returns

The preannouncement AAR at t= -8 post-crisis ranged from -0.00467% to 0.00503%.The mean was -0.0008% and the standard deviation was 0.0019% .The post announcement AAR at t=5 ranged from -0.0038% to 0.00489% and the mean was -0.00086%.The standard deviation was 0.00174%. The results are significant when using the one sided t- stat test as both t-stats were each > |1.96| . (see Annexure O)

Table4 : Post crisis ,preannouncement AAR's (in percent)

Day	Mean	Standard Deviation	Min	Max	t-stat
t= -8	-0.0008	0.0019	-0.00467	0.00503	-2.13
t=5	-0.00086	0.00174	-0.0038	0.00489	-2.57

4.3 Comparison of the average pre-financial crisis abnormal returns to the average post-financial crisis abnormal returns

The average post financial crisis $CAAR_2$ was larger than the average pre financial crisis $CAAR_1$.

$CAAR_1$: $CAAR_2$

-0,0119 < - 0.00381,

4.4 Cash and Stock Funded Acquisitions

From the sample which was composed of 12 pre-crisis acquisitions and 16 post acquisitions post crisis the ratio and proportion of the cash and stock funded acquisitions changed substantially .In the pre-crisis sample stock funded acquisitions made up 42% of the sample (5 of 12 in the sample.) and cash funded acquisitions were 58% of the sample. Post crisis the stock funded acquisitions decreased to 19% of the sample whilst the cash increased to 81%. This findings is aligned to the information signalling theory as post financial crisis the JSE All Share index lost approximately 40% value in 2008 using the market capitalisation/GDP as a measure (Senbet and Gande 2009). Thus in the period 2008-2010 the listed stocks were at lower levels than pre-crisis. In terms of the information signalling theory when share prices are high i.e. shares are overvalued, stock acquisitions are preferred and thus as the share prices post crisis had lost 40% value and were now undervalued in terms of the signalling theory, cash funded acquisitions would be preferred.

When the inflation adjusted P/E's are used these also confirm the information signalling theory as in the period June 2005 to June 2007 the inflation adjusted P/E's were above their mean of 14.53 and were at high values of 17%, hence justifying the higher percentage of stock funded acquisitions in the pre- crisis period (www.gtc.co.za). Another factor that also favoured cash funded acquisitions is that interest rates were lower post crisis with the average interest rate being 3.5 % lower after 2008.

At pre-crisis both the cash and the stock funded transactions incurred losses on the acquisitions, however the cash funded acquisitions incurred less losses than the stock funded acquisitions. See table 5 below.

Table 5: Pre-crisis and Post crisis CAAR's for Cash and Stock acquisitions (in percent)

	DAY	$CAAR_{C1}$ (Precrisis-Cash)	$CAAR_{S1}$ (Precrisis Share)	$CAAR_{C2}$ (Post-crisis cash)	$CAAR_{S2}$ (Post-crisis share)
Pre-Merger	-8	-0.002714	-0.00350651	-0.001294783	-0.000627479
	-7	-0.002661	-0.003371763	-0.002507787	-0.001252713
	-6	-0.0027933	-0.003296671	-0.003713334	-0.009199205
	-5	-0.0026268	-0.003610497	-0.005017128	-0.003019155
	-4	-0.002813	-0.003399805	-0.006241206	-0.003866212
	-3	-0.0026894	-0.003502861	-0.007533682	-0.004392756
	-2	-0.0026691	-0.00346763	-0.008830202	-0.005033755
	-1	-0.0027482	-0.003407779	-0.010005541	-0.005662221
	Ave	-0.0027144	-0.003445439	-0.005642958	-0.004131687
	0	-0.0026712	-0.003274033	-0.013272693	-0.006517881
Post-Merger	1	-0.0026928	-0.003442817	-0.012497684	-0.007112936
	2	-0.0026914	-0.003527278	-0.013810949	-0.007827783
	3	-0.0026656	-0.003544731	-0.015089548	-0.008907543
	4	-0.0027821	-0.003409024	-0.016348368	-0.010042268
	Ave	-0.002708	-0.003480962	-0.014436638	-0.008472633

At pre-merger both the cash and the stock funded transactions incurred losses. Comparing the average losses incurred by precrisis cash transactions(CAARc) and those incurred by post crisis share transaction (CAARs) using the average for the premerger period .The cash transactions made higher abnormal returns than share funded transactions. See table 5 above.

At post-merger again both the cash and share funded transactions make losses , however the cash funded transactions still continue to make higher losses. (See table 5 above)

4.4 Results of Hypothesis Tests

For the first objective the null hypothesis not is valid as:

H_0: Average pre-merger $CAAR_1$ > Average premerger $CAAR_2$

$$-0.001196 < -0.00381$$

meaning that acquisitions post financial crisis make higher returns for acquirers than pre-crisis. See table 6 below.

Using the average AAR and CAAR the precrisis AAR and CAAR > than those post crisis.(see highlighted area in Table 6).

Table 6: Pre and post crisis AAR's and CAAR's (in percent)

CRISIS	DAY	AAR_1	$CAAR_1$	AAR_2	$CAAR_2$
Pre-Crisis	-8	-0.00262	-0.0026	-0.00081	-0.00081
	-7	-0.0026	-0.0052	-0.00079	-0.0016
	-6	-0.00249	-0.0077	-0.00084	-0.00244
	-5	-0.00258	-0.0129	-0.00091	-0.00335
	-4	-0.00265	-0.0129	-0.00092	-0.00427
	-3	-0.00265	-0.0155	-0.00084	-0.00511
	-2	-0.00255	-0.0181	-0.00091	-0.00602
	-1	-0.00269	-0.0208	-0.00083	-0.00685
	Ave	-0.0026	-0.01196	-0.00086	-0.00381
	0	-0.00259	-0.0234	-0.00086	-0.0077
Post-crisis	1	-0.00257	-0.0259	-0.00087	-0.00858
	2	-0.00251	-0.0285	-0.00084	-0.00942
	3	-0.00263	-0.0311	-0.00084	-0.01025
	4	-0.00264	-0.0337	-0.00087	-0.01112
	5	-0.00251	-0.0362	-0.00851	-0.01197
	Ave	-0.00254	-0.03108	-0.00239	-0.01027

For the second objective the null hypothesis not is valid as:

H_0 : Average post-merger $CAAR_1$ > Average post-merger $CAAR_2$

-0.03108 < -0.01027

meaning that post merger, acquisitions post financial crisis make higher returns for acquirers than pre-crisis. See table 6 above.

In terms of the third objective the null hypothesis does not apply pre merger and post merger

the alternative applies..

H_A: Premerger $CAAR_{C1}$ > $CAAR_{S2}$

-0.0027 > -0.0041

H_A : Post merger $CAAR_{C1}$ > $CAAR_{S2}$

-0.0027 >-0.0084

When we use the average abnormal returns for the pre-merger and also the average abnormal returns for the post-merger period, the average cumulative returns ,pre-crisis the stock funded acquisitions made bigger losses than the cash funded acquisitions .Thus pre and post merger the precrisis cash funded transaction made higher returns.

CHAPTER FIVE

5. CONCLUSION

5.1 SUMMARY OF FINDINGS

This research analysed short term returns to bidding shareholders in South Africa. The main findings are discussed in this chapter. The first of these is that, in the short term, acquirers in M&A's in South Africa make negative abnormal returns. This finding is aligned to a number of findings in the UK such as Dodd (1980) and Firth (1980) as well as the majority studies in the USA, where significantly negative returns to acquirers were found in research by Draper and Paudyal (1999),Mulharin and Boone (2000), Morck et al (1990) Gaughan (2005), Hackbart and Morellec (2008), Sudarsanam et al (1996), Mueller and Yurtoglu (2007) and Limmack (1991).

This finding is contrary to findings in the UK by Asquith and Kim (1982), Jensen and Ruback (1983) in South Africa, wherein the acquirers in these M&A's made positive abnormal returns in the short term. One explanation of the divergence in findings is that this research only analysed returns on listed equities and unlisted equities were not analysed. According to Fuller et al (2002) this is a very important difference as Fuller et al (2002) state that unlisted acquirers make higher returns than listed ones.

The finding of negative short term abnormal returns for acquirers' is aligned to findings of more recent studies (i.e1990's and 2000 to current) in developed economies such as the USA and the UK.as stated above. In the earlier studies conducted in the 1980's there seems to have been more divergence with some studies in UK and US finding positive returns for acquirers and some finding negative returns. The similar finding of negative returns to acquirers in the US , UK and South Africa can be explained in a number of ways. Firstly South Africa has developed capital and equities markets that have strong linkages with the UK .(Yartey and Adjasi 2007).In Chapter one (especially paragraph 1.2.1) the effect of the transmission mechanism on the South African bond and equities market was discussed and the linkages .Furthermore current literature on M&A's also finds strong correlation in legal systems and returns to shareholders in M&A transactions. (La Porta et al 1997 and 2000). According to la Porta et al (1997) the commercial legal codes of most countries are based on four legal traditions, English common law, French civil law, German civil law and Scandinavian law. In terms of La Porta et al's (1997) categorisations, the corporate laws of the US and the UK are grouped together under English common law. Furthermore La Porta et al (1998) state that
" the common law countries offer the most protection to investors and have the deepest stock markets and the most dispersed corporate ownership structure". Hence this is a further credible explanation for the similar returns for acquirer shareholders in M&A's in SA, UK and US.

This finding of negative short term returns for acquirers is contrary to the positive short term returns by acquirers in Asian emerging markets (Ma et al 2009.) which was conducted between 1 January 2000 and 31 December 2005 on Asian emerging markets namely China, India, Hong Kong, Indonesia, Malaysia, the Philippines , Singapore , South Korea, Taiwan and Thailand.

The research analysed cumulative abnormal returns over three event windows namely two day, three day and five days and in all these three event windows the acquirers had positive cumulative returns.
Ma et al (2009) substantiates the positive short term returns to acquirers by stating that the institutional environment in Asian countries is different from that in the US and that the agency problems may be less severe in Asian countries. This difference arises from the different corporate ownership structures prevalent in the US and Asia. In the majority of cases the corporate ownership structures in Asian countries is more concentrated as the companies are controlled by a few family groups or by central government, whereas this is not the case in the US, UK and SA.
Furthermore Ma et al (2009) add that the announcement of M&A's in Asian emerging markets is "good news" and is viewed positively by investors as it is perceived as offering further growth prospects for the acquirer.
Like the Ma et al (2009) research, studies conducted by Anand and Singh (2008) on short term returns to acquirer shareholders in the banking sector in India also found positive short-term returns for acquiring shareholders.

The difference in the findings between this study and those of the Affleck-Graves, Flach and Jacobson(1988) South African study can be explained in that this study is only looking at listed equities and also the period as the Affleck- Graves, Flach and Jacobson (1988) study was conducted and concluded in the 1980's.
Other findings in this research that are relevant are that the abnormal returns earned by acquirers post crisis are higher than those earned by acquirers pre- crisis.(see table 6) This finding was unexpected and can be explained by the fact that post crisis the volume of companies in distress and in liquidation increased by 18% (peaking to 4133 liquidations) from 2003 to 2009 (Statistics South Africa 2010).As there was a higher volume of companies in distress, acquirers were in a stronger bargaining position and could thus negotiate more reduced purchase prices for the target.

In the research we find that cash funded acquisitions make higher abnormal returns than the stock funded acquisitions. The cash funded M&A's also increase substantially in number to make up 81 percent of acquisitions post crisis. On reviewing our literature review we find that this finding is contrary to that made by Kaufeler (2012), Seghal (2012),wherein they state that there has been a change in sentiment on cash and stock funded M&A and that post the 2008 financial crisis stock funded acquisitions are perceived as value creating and cash funded transactions are perceived as value destroying.
Seghal (2012) explains this change in sentiment by investors in emerging countries by using the "free cashflow hypothesis" wherein the investors see lots of investment opportunities for companies in these markets and thus prefer the cashflow to be used to fund these investment opportunities. Another hypothesis that is used to explain this change in sentiment is the asymmetry of information hypothesis wherein it is assumed that there is higher asymmetry of information in emerging markets and that the funding of acquisitions with stock shall reduce the risk to the acquirer as the target also takes a higher risk with a share acquisition. In South Africa another aspect that could have influenced investors' to use cash rather than shares to

fund acquisitions post crisis, is the tighter regulations for the granting of credit which was effected by the passing of the National Credit Act [18] herein after referred to as "the Act") .The Act was effective from June 2006 and was in full force and effect in 2007.Even though the Act applies to credit transactions of less than R1million it still could have had the effect of changing investors' sentiments towards cash as access to credit was more strictly managed. The Act could have also made banks more vigilant in granting credit so that they are not seen to be promoting the reckless granting of credit.
Thus we find that pre and post financial crisis cash funded transactions had higher returns and became the more prevalent funding method post financial crisis due partly to the stricter regulation for the granting of credit .

This research also makes similar findings to Vencatachellum and Wilson (2013) in terms of macro-economic factors that impact M&A's. Regressions of AAR's against inflation, USD, Euro and Pound were all significant at a 95% confidence level with the following t-statistics 4; 3.9;4.99 and 4.85 respectively. The inflation and AAR regression had the highest co-efficient of 2.09 meaning that a rise of 1% in inflation will (if all things are equal) on average cause a 2.09% increase in AAR. See annexure F Regression AAR and inflation.

The returns to the acquirer were positively correlated to the following foreign currencies US Dollar, British Pound Sterling and Euro in that as each of these currencies appreciated (depreciated) the AAR's increased (decreased) .The returns (AAR) were most strongly correlated with the USD with a co-efficient of 0.072, then the Euro with a co-efficient of 0.059 and the lowest correlation was with the British Pound Sterling (hereinafter referred to as "Pound") with a co-efficient of 0.056.See Annexures H,J and L for Regression AAR and USD, Euro and Pound respectively.

5.2 CONCLUSION

This study has achieved its objective which was to analyse and investigate whether there are any patterns and trends that transpire on M&A's pre and post financial crisis, whether there are any significant changes in returns for acquirers. This study bears evidence that for South African listed firms, post financial crisis acquirers' have earned higher abnormal returns than pre-crisis as this is shown by the AR, AAR'.s and CAAR's (see table 6).This finding corroborates the anecdotal evidence by Ernst and Young (2009) that post financial crisis acquiring companies created more value post crisis than the acquirers that effected their acquisitions pre-crisis. This could be largely due to there being more opportunities post crisis to acquire a company in financial distress and to negotiate a higher discount on the purchase price as there was an increase in the number of companies in financial stress.

Another fact that is elucidated in this study is that the number of cash funded acquisitions increased materially post crisis. This finding is aligned to the signalling hypothesis, wherein stock funded acquisitions are preferred only if the acquirer's stock is overvalued. As the inflation adjusted P/E's on the All Share Index on the JSE were higher pre-crisis (www.gtc.co.za) this also is further evidence confirming the signalling hypothesis and also

[18] Act no 34 of 2005

explains the high number of stock funded acquisitions pre-crisis. The increase in the number of cash funded acquisitions post crisis is also aligned to the "pecking order theory" that was discussed in paragraph 2.4 wherein cash is the preferred form for funding acquisitions.

Further analysis is required to investigate investors' preferred mode of funding M&A's in South Africa and other emerging countries. In the research more emerging countries especially African countries must be analysed ,and a longer period of analysis is required in order to validate whether for emerging markets the most preferred mode of funding acquisitions for investors is through stock acquisitions .This investigation is very important as it would help shareholders and executives, to better align their acquisitions with investors' preferences so as to make better returns on these transactions.

The contribution of this study is to update and add to the knowledge of M&A's in South Africa as in most of the literature it was stated that there is insufficient research of M&A's in emerging countries especially on African countries (Ma et al 2009) as most of the research is on developed economies. This study updates current South African literature on the latest trends in M&A's in South Africa. It sheds some light on the factors driving these trends ,it also clearly illustrates areas of commonality and those of divergence in M&A's in emerging markets and developed economies. The recent global financial crisis has made this research more relevant as there has been more turbulence in the global economy due to the crisis. The financial and economic environment is very dynamic and investors, shareholders, asset managers and policy makers have to be constantly informed of the latest trends so that the can make better investments and policy makers can effect better policies.

5.3 RECOMMENDATIONS

This research is contrary to that of Seghal (2012) and Kaufeler (2012) who clearly show a change in sentiment by investors on their view of cash funded acquisitions ,before the crisis and then post crisis. This phenomenon seems to be limited to emerging markets only. Further research on two aspects would be valuable and would deepen our understanding of M&A's in emerging countries compared to developed countries. The recommended research would be a comprehensive quantitative and qualitative study of when stock funded acquisitions are preferred in emerging markets and whether this is the form of funding that is generally preferred by investors. The research should to cover a large pool of emerging markets especially African emerging markets as more research is required. The period of the study should be wide so that we can get a good understanding for when this preference exists and under what conditions it exists and when it does not exist. The qualitative research should do further investigations to understand the investors' perspectives and the underlying reasons for the different treatment of acquisitions in developed markets to emerging markets. Opinions from the investors could be obtained so as to understand their thinking on emerging market M&A's. The qualitative research is recommended so that we can get actual evidence from the investors.

CHAPTER 6

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www.imf.org

http//financial dictionary

www.moneyweb.co.za

Annexure A- Other factors that can impact returns of an M&A transaction

Some of the factors that can impact an acquisition are:

1. The funding structure i.e. whether stock or cash is used as the payment method;
2. Macroeconomic factors i.e. GDP, interest rates, stock market returns and business cycle ;
3. Type of firm/stock i.e. is it a value[19] or neutral[20] or glamour[21] firm;
4. The relative size of the acquiring firm and target firm;
5. Whether the target company is a listed company or private company;
6. The P/E ratio of the acquiring firm;
7. Whether there is one bidder or multiple bidders;
8. Whether the bid is a friendly or hostile bid;
9. Whether the M&A is a diversifying merger or not;

[19] " A value stock is a stock that tends to trade at a lower price relative to its fundamentals (i.e. dividends, earnings, sales) and is thus considered undervalued by a value investor" (financial dictionary)

[20] "-neutral stock is a stock with volatility exactly the same as the wider market. This means that the stock's riskiness is quantifiable by the exact same rate as -the wider market. This is expressed by stating that the stock has a beta of exactly 1."(financial dictionary) "

[21]"A glamour stock is a popular stock that is held by a large number of investors especially institutional investors .It usually has a high price and almost always has a high P/E because of the larger than normal demand for it" (financial dictionary)"

10. Whether the M&A is an international cross-border or local transactions.

There is evidence that the funding structures of the transaction in terms of using cash or stock have an impact on shareholder returns (Kaplan, 2006). Where stock is used to fund the acquisition this can reduce the absolute returns of the acquirer (Kaplan, 2006). Where the acquisition is funded through cash this increases the returns of the acquirer (Kaplan, 2006).

Whether the firm is a value, neutral or glamour firm also has an impact on returns (Wimberley and Negash 2004). The funding structure and macroeconomic factors that affect equity issues, as identified by Pascoe (et al.), being economic growth rates, interest rates, stock market returns and business cycle shall be investigated. In this study the factors stated as numbers 3-7 above shall not be investigated.

Annexures B: All Share Index Returns

	All Share		Midcaps		Small caps	
Period	**Capital Index Value**	**Total Return Index**	**Capital Index Value**	**Total Return Index**	**Capital Index Value**	**Total Return Index**
2003/12/31	10 387.22	986.32	12 286.71	1 600.44	9 104.54	1 809.91
2004/12/31	12 656.86	1 237.25	16 073.62	2 169.36	13 461.03	2 818.44
2005/12/30	18 096.54	1 821.87	21 702.97	3 039.66	19 098.35	4 167.82
2006/12/29	24 915.20	2 573.00	30 016.43	4 349.35	26 649.16	6 006.64
2007/12/31	28 957.97	3 066.87	34 232.45	5 116.02	34 585.73	8 048.59
2008/12/31	21 509.20	2 354.29	26 620.09	4 159.15	22 710.60	5 537.13
2009/12/31	27 666.45	3 110.79	34 679.15	5 644.76	27 885.80	7 103.11
2010/12/31	32 118.89	3 701.33	43 615.46	7 353.21	33 721.15	8 854.07
2011/12/30	31 985.67	3 796.35	43 897.55	7 700.44	32 951.80	8 951.36
2012/12/31	39 250.24	4 809.26	54 977.83	9 970.82	40 975.63	11 542.62
2013/12/31	46 256.23	5 840.09	60 149.10	11 266.27	49 908.80	14 579.58

2004/12/31	22%	25%	31%	36%	48%	56%
2005/12/30	43%	47%	35%	40%	42%	48%
2006/12/29	38%	41%	38%	43%	40%	44%
2007/12/31	16%	19%	14%	18%	30%	34%
2008/12/31	-26%	-23%	-22%	-19%	-34%	-31%

2009/12/31	29%	32%	30%	36%	23%	28%
2010/12/31	16%	19%	26%	30%	21%	25%
2011/12/30	0%	3%	1%	5%	-2%	1%
2012/12/31	23%	27%	25%	29%	24%	29%
2013/12/31	18%	21%	9%	13%	22%	26%

Return	345.3%	492.1%	389.5%	603.9%	448.2%	705.5%
CAGR	16.1%	19.5%	17.2%	21.5%	18.5%	23.2%

Source: JSE

2013

Annexure C:Three year Government bond rates

GTZAR3Y	
Date	Bondrate
31/01/2003	11.009
2003/02/28	10.985
2003/03/31	10.88
2003/04/30	10.56
2003/05/30	9.765
2003/06/30	8.712
2003/07/31	8.617
2003/08/29	9.465
2005/02/28	7.245
2005/03/31	7.947
2005/04/29	7.486
2005/05/31	7.549
2005/06/30	7.286
2005/07/29	7.225
2005/08/31	7.374
2005/09/30	7.573
2005/10/31	7.775
2005/11/30	7.394
2005/12/30	7.206
2006/01/31	7.06
2007/06/29	9.105
2007/07/31	9.262
2007/08/31	9.312
2007/09/28	8.971
2007/10/31	8.812
2007/11/30	9.511
2007/12/31	9.426
2008/01/31	9.341
2008/02/29	9.593
2008/03/31	9.726
2008/04/30	10.306
2008/05/30	10.385
2010/09/30	7.053
2010/10/29	6.635
2010/11/30	6.832
2010/12/31	6.756
2011/01/31	7.402
2011/02/28	7.089
2011/03/31	7.109
2011/04/29	6.94
2011/05/31	6.899
2011/06/30	6.905
2011/07/29	6.662
2011/08/31	5.926
2011/09/30	6.611
2011/10/31	6.183
2011/11/30	6.285
2011/12/30	6.25
2012/01/31	6.019
2012/02/29	5.967
2012/03/30	6.01
2012/04/30	5.804
2012/05/31	5.744
2012/06/29	5.094
2012/07/31	4.945
2012/08/31	4.878
2012/09/28	4.886
2012/10/31	5.043

2012/11/30	5.114
2012/12/31	5.043
2013/01/31	5.101
2013/02/28	5.151
2013/03/29	5.291
2013/04/30	5.011
2013/05/31	5.123

Annexure E: The returns from the market portfolio.

	All Share		Midcaps		Smallcaps	
Period	**Capital Index Value**	**Total Return Index**	**Capital Index Value**	**Total Return Index**	**Capital Index Value**	**Total Return Index**
2003/12/31	10 387.22	986.32	12 286.71	1 600.44	9 104.54	1 809.91
2004/12/31	12 656.86	1 237.25	16 073.62	2 169.36	13 461.03	2 818.44
2005/12/30	18 096.54	1 821.87	21 702.97	3 039.66	19 098.35	4 167.82
2006/12/29	24 915.20	2 573.00	30 016.43	4 349.35	26 649.16	6 006.64
2007/12/31	28 957.97	3 066.87	34 232.45	5 116.02	34 585.73	8 048.59
2008/12/31	21 509.20	2 354.29	26 620.09	4 159.15	22 710.60	5 537.13
2009/12/31	27 666.45	3 110.79	34 679.15	5 644.76	27 885.80	7 103.11
2010/12/31	32 118.89	3 701.33	43 615.46	7 353.21	33 721.15	8 854.07
2011/12/30	31 985.67	3 796.35	43 897.55	7 700.44	32 951.80	8 951.36
2012/12/31	39 250.24	4 809.26	54 977.83	9 970.82	40 975.63	11 542.62
2013/12/31	46 256.23	5 840.09	60 149.10	11 266.27	49 908.80	14 579.58
2004/12/31	22%	25%	31%	36%	48%	56%
2005/12/30	43%	47%	35%	40%	42%	48%
2006/12/29	38%	41%	38%	43%	40%	44%
2007/12/31	16%	19%	14%	18%	30%	34%
2008/12/31	-26%	-23%	-22%	-19%	-34%	-31%
2009/12/31	29%	32%	30%	36%	23%	28%
2010/12/31	16%	19%	26%	30%	21%	25%
2011/12/30	0%	3%	1%	5%	-2%	1%
2012/12/31	23%	27%	25%	29%	24%	29%
2013/12/31	18%	21%	9%	13%	22%	26%
Return	345.3%	492.1%	389.5%	603.9%	448.2%	705.5%
CAGR	16.1%	19.5%	17.2%	21.5%	18.5%	23.2%

Annexure F: Summary results regression Inflation and AAR

SUMMARY OUTPUT									
Regression Statistics									
Multiple R	0.39502135								
R Square	0.156041867								
Adjusted R Square	0.146451433								
Standard Error	0.163396481								
Observations	90								
ANOVA									
	df	*SS*	*MS*	*F*	*Significance F*				
Regression	1	0.434398486	0.434398486	16.27057521	0.000116654				
Residual	88	2.349460069	0.02669841						
Total	89	2.783858555							
	Coefficients	*Standard Error*	*t Stat*	*P-value*	*Lower 95%*	*Upper 95%*	*Lower 95.0%*	*Upper 95.0%*	
Intercept	-0.264330939	0.030912344	-8.550983345	3.44458E-13	-0.325762727	-0.202899151	-0.325762727	-0.202899151	
X Variable 1	2.095061866	0.519392171	4.033680107	0.000116654	1.06287907	3.127244662	1.06287907	3.127244662	

Annexure G: Inflation

YEAR	CPI						
			0.015		0.08		0.03
2003	0.12		0.02		0.09		0.03
	0.11		0.025		0.09		0.03
	0.1		0.026		0.08		0.03
	0.09	2006	0.02		0.1		0.06
	0.08		0.02		0.11		0.03
	0.07		0.02		0.11		0.05
	-0.01		0.04		0.11	2011	0.03
	0.04		0.024	2009	0.06		0.03
2004	-0.02		0.04		0.06		0.06
	-0.015	2007	0.05		0.05		0.06
	-0.017		0.05		0.08		0.04
	-0.018		0.05		0.06		0.04
	-0.018		0.06		0.06		0.05
	-0.015		0.05		0.08		0.05
	-0.008		0.07		0.08		0.04
	-0.006		0.07		0.05	2012	0.05
	0.02		0.07		0.08		0.06
2005	0.018	2008	0.1		0.08		0.05
	0.019		0.09	2010	0.04		0.05
	0.02		0.1		0.04		0.06
	0.018		0.08		0.04		0.06

0.05	0.05	0.06

Annexure H: Summary results for the regression of USD and AAR

SUMMARY OUTPUT								
Regression Statistics								
Multiple R	0.389131255							
R Square	0.151423134							
Adjusted R Square	0.141780215							
Standard Error	0.163842981							
Observations	90							
ANOVA								
	df	*SS*	*MS*	*F*	*Significance F*			
Regression	1	0.421540586	0.421540586	15.70303916	0.000150305			
Residual	88	2.362317969	0.026844522					
Total	89	2.783858555						
	Coefficients	*Standard Error*	*t Stat*	*P-value*	*Lower 95%*	*Upper 95%*	*Lower 95.0%*	*Upper 95.0%*
Intercept	-0.694422813	0.135767113	-5.114808722	1.81904E-06	-0.96423142	-0.424614205	-0.96423142	-0.424614205
X Variable 1	0.072308196	0.018247176	3.962706039	0.000150305	0.036045767	0.108570625	0.036045767	0.108570625

Annexure I : Rand /USD exchange rate Rand Exchange rate

YEAR	USD $
2003	7.6
	8
	7.8
	7.6
	6.9
	6.8
	6.5
	7.3
2004	6.3
	6.7
	6.5
	6.4
	6.2
	6.1
	6.3
	6.4
	6.5
2005	6
	6
	6.7
	6.5
	6.3
	6.4
2006	6
	6
	7
	7.4
	7.2
	6
2007	6.7
	6.8
	6.8
	7.1
	7.1
	7.1
	7.1
	7.2
2008	6.9
	7.6
	7.6
	7.6
	7.6
	7.8
	7.8
	7.5
	9.6
	10
	10
	8
2009	10
	10
	9.6
	7.9
	7.9
	7.8
	7.5
	7.5
	7.5
	8
	8.4
2010	7.3
	7.6
	7.6
	7.5
	7.1
	6.8
	6.9
	7.3
	6.8
	7.7
2011	7.9
	6.7
	6.7
	6.7
	6.6
	7
	8.2
	8.1
	7
2012	8
	8.6
	8.7
	7.6
	8.4
	8.8
	8.2

8.2

7.5

Annexure J: Summary results for the regression of the Euro and AAR

SUMMARY OUTPUT								
Regression Statistics								
Multiple R	0.470109492							
R Square	0.221002935							
Adjusted R Square	0.212150696							
Standard Error	0.156982108							
Observations	90							
ANOVA								
	df	*SS*	*MS*	*F*	*Significance F*			
Regression	1	0.615240911	0.615240911	24.96576578	2.93911E-06			
Residual	88	2.168617644	0.024643382					
Total	89	2.783858555						
	Coefficients	*Standard Error*	*t Stat*	*P-value*	*Lower 95%*	*Upper 95%*	*Lower 95.0%*	*Upper 95.0%*
Intercept	-0.914475205	0.151745606	-6.026370244	3.82419E-08	-1.21603771	-0.6129127	-1.21603771	-0.6129127
X Variable 1	0.059548608	0.011917884	4.996575406	2.93911E-06	0.035864317	0.083232899	0.035864317	0.083232899

Annexure K: Rand/Euro Exchange rates

YEAR	Euro							
			11.7			14.9		11.5
2003	14		12			15.5		11.4
	13.4		11.7			15.2		11.1
	12.7		11.6			14.4		11.5
	12	2006	10.7			14.4		11.4
	12.3		10.6			16.4		11.1
	13		11.7			15.5		10.7
	12.2		12.8			14.8	2011	12
	11.8		13		2009	14.2		12
2004	12.5		14			14.4		11.1
	12.6	2007	14			14.1		11.2
	12		14			13.2		11.2
	11.7		14.3			12.9		11.4
	11.7		14			13		11.2
	11.5		13.8			12.2		11.5
	11.2		13.8			12		10.7
	11		13.8			12.5	2012	12.4
	11.2		13.8			12		12
2005	11.2	2008	13.6			13		12
	11.3		14.9		2010	12		12
	11.4		15.9			12		12.9
	11.6		15.4			11.1		12.8

13	14	13.9

Annexure L: Summary results for the regression of the Euro and AAR

SUMMARY OUTPUT									
Regression Statistics									
Multiple R	0.459959218								
R Square	0.211562482								
Adjusted R Square	0.202602965								
Standard Error	0.157930455								
Observations	90								
ANOVA									
	df	*SS*	*MS*	*F*	*Significance F*				
Regression	1	0.588960026	0.588960026	23.61315643	5.09397E-06				
Residual	88	2.194898529	0.024942029						
Total	89	2.783858555							
	Coefficients	*Standard Error*	*t Stat*	*P-value*	*Lower 95%*	*Upper 95%*	*Lower 95.0%*	*Upper 95.0%*	
Intercept	-0.874186624	0.147750638	-5.916635191	6.1709E-08	-1.167809969	-0.580563279	-1.167809969	-0.580563279	
X Variable 1	0.056197678	0.011564886	4.859337036	5.09397E-06	0.033214897	0.079180458	0.033214897	0.079180458	

Annexure M: Rand/Pound exchange rate

YEAR	POUNDS
2003	14
	13.4
	12.7
	12
	12.3
	11.7
	11.3
	11.4
2004	12.5
	12.6
	12
	11.7
	12.1
	11.7
	11.5
	11.2
	11
2005	11.2
	11.3
	11.4
	11.6
	11.7
	12
	11.5
	11.5
2006	10.7
	10.6
	10.9
	13
	13.8
	14
2007	14
	14
	14.3
	14
	14.1
	14.5
	13.8
	13.7
2008	13.6
	14.9
	15.9
	15.4
	14.9
	15.5
	15.5
	14.4
	15.5
	15.2
	16
	15.2
2009	14.2
	14.4
	14.1
	13.1
	12.9
	13
	12.2
	12
	12
	12.5
	13
2010	12
	12
	11.1
	11.2
	11.5
	11.4
	11.1
	11.2
	11.5
	11.1
2011	10.8
	11.6
	11.2
	11
	11.1
	11
	11.1
	12.8
	12.8
2012	12.4
	12
	12
	12.5
	12.9
	13.3
	13.9
	14

13.9

Annexure N

SUMMARY OUTPUT:REGRESSION
AVERAGE PRE-CRISIS

Regression Statistics	
Multiple R	0.556695608
R Square	0.30991
Adjusted R Square	0.291258919
Standard Error	0.109653664
Observations	39

ANOVA

	df	*SS*	*MS*	*F*	*Significance F*
Regression	1	0.198791898	0.198692	16.61619	0.00023278
Residual	37	0.43588526	0.012024		
Total	38	0.644677157			

	Coefficients	*Standard Error*	*t Stat*	*P-value*	*Lower 95%*	*Upper 95%*	*Lower 95.0%*	*Upper 95.0%*
Intercept	-0.08931077	0.045836213	-1.94848	0.058973	-0.18218376	0.003562	-0.18218376	0.00356222
X Variable 1	-0.211267504	0.051828294	-4.0763	0.000233	-0.316281603	-0.10625	-0.316281603	-0.106253406

SUMMARY OUTPUT

AVERAGE PRE CRISIS

Regression Statistics	
Multiple R	0.584167744
R Square	0.341163637
Adjusted R Square	0.323459951
Standard Error	0.103091076
Observations	39

ANOVA

	df	*SS*	*MS*	*F*	*Significance F*
Regression	1	0.203714643	0.203714643	19.16814566	9.44286E-05
Residual	37	0.393227489	0.01062777		
Total	38	0.596942131			

	Coefficients	*Standard Error*	*t Stat*	*P-value*	*Lower 95%*	*Upper 95%*	*Lower 95.0%*	*Upper 95.0%*
Intercept	-0.08593815	0.043082993	-1.971043186	0.056233394	-0.172252848	0.002377	-0.172252848	0.002376547
X Variable 1	-0.213331452	0.048726458	-4.378144089	9.44296E-05	-0.312060633	-0.1146	-0.312060633	-0.114602271

Annexure O

Regression Results Average Post Crisis Average

SUMMARY OUTPUT

Regression Statistics	
Multiple R	0.074440657
R Square	0.005541411
Adjusted R Square	-0.014753662
Standard Error	0.194035596
Observations	51

ANOVA

	df	*SS*	*MS*	*F*	*Significance F*
Regression	1	0.010279988	0.010279988	0.2730422	0.603652953
Residual	49	1.844840805	0.037649812		
Total	50	1.855120793			

	Coefficients	*Standard Error*	*t Stat*	*P-value*	*Lower 95%*	*Upper 95%*	*Lower 95.0%*	*Upper 95.0%*
Intercept	-0.047336123	0.047336123	-1	0.038217691	-0.142744	-0.142744	-0.142744	-0.142744

	0.100826393		2.130009532		0.195951894	0.005700893	0.195951894	0.005700893
X Variable 1	0.031387815	0.060068419	0.522534401	0.603652953	-0.089324191	-0.152099822	-0.089324191	-0.152099822

Annexure O: Cont.…

Significance Results Average Post Crisis

SUMMARY
OUTPUT

Regression Statistics	
Multiple R	0.10530495
R Square	0.011089133
Adjusted R Square	-0.009092722
Standard Error	0.17727372
Observations	51

ANOVA

	df	*SS*	*MS*	*F*	*Significance F*
Regression	1	0.017267331	0.017267331	0.549460536	0.462076091
Residual	49	1.53987261	0.031425972		
Total	50	1.557139941			

	Coefficients	*Standard Error*	*t Stat*	*P-value*	*Lower 95%*	*Upper 95%*	*Lower 95.0%*	*Upper 95.0%*

Intercept	-0.111363326	0.043246965	-2.575055293	0.013092604	-0.198271355	-0.024455296	-0.198271355	-0.024455296
X Variable 1	0.040679668	0.054879374	0.741256053	0.462076091	-0.069604563	0.150963899	-0.069604563	0.150963899

Annexure P: Remittances to Africa 2003 - 2013

African Remittances In Billions US$	
2003	15,791
2004	19,679
2005	22,631
2006	26,641
2007	36,911
2008	41,402
2009	37,475
2010	43,437
2011	47,393
2012	62,437
2013e	64,622

Source: African Institute of Remittances 2013

ANNEXURE Q: COMPANIES UTILISED FOR ACQUISITIONS RESEARCH

Year	Company Name		AnnouncementDate
2003	Alexander Forbes	60% of Hymans Robertson Kenya	2003/01/24
2003	First National Bank of Namibia (FirstRand)	50% of Metropolitan Namibia Unit Trusts	2003/02/04
2003	Tiger Brands from Foodcorp	50% of Enterprise Foods	2003/02/20
2003	Bytes Technology from Xerox	50% of plus 1 share in Xerox South Africa	2003/03/27
2003	Old Mutual Assets Management (Old Mutual Plc) from Nedcor	50% of the Community Growth Management Company	2003/04/03
2003	SABMiller from Birra Peroni	51% - 60% of Birra Peroni	2003/05/14
2003	Paracon from WDB Investment	51% of WDB Technologies	2003/06/03
2003	Consortium consisting of MediClinic and Mvelaphanda Strategic Investments from Curamed	67% of Curamed	2003/06/06
2003	Sycom Property Fund	70% undivided share in new regional shopping centre in Paarl	2003/09/22
2003	Primedia	66,5% interest in KFM, one third of Nail's 24,9% interest in Kaya FM and Nail Outdoor	2003/10/03
2003	Anglo American from Ivernia West	50% interest in the Lisheen Mine	2003/10/03
2003	Stanbic Africa (Standard Bank) from Banco Totta & Acores SA	19 239 458 (55,29%) Banco Standard Totta de Mocambique shares	2003/10/08
2003	Gold Field Corona BVI (Gold Fields) from the Gubbins family	92% of Sociedad Minera La Cima S.A	2003/12/19
2004	Associated Motor Holdings (Imperial) from management	75% of Kawasaki Motorcycles SA	2004/01/13
2004	Old Mutual (SA) from Royal & Sun Alliance	37.1% of Mutual & Federal	2004/01/21

Year	Company Name		AnnouncementDate
2004	Astrapak	80% of Marcom Plastics	2004/05/05
2004	Hyprop Investments from Shelly Beach Junction	50% of Shelly Beach	2004/10/05
2004	Sekunjalo Investments from Bensure Mangement Services	70% of Bonlife and 70% of Benmed	2004/11/03
2004	Spur	60% of John Dory's Fish & Grill	2004/12/07
2004	Sanlam from Thebe Investment	55% of Safrican	2004/12/10
2004	Capital Shopping Centres (Liberty International) from Henderson Global Investors	50% of the partnership owning The Potteries Shopping Centre	2004/12/17
2005	Sekunjalo Investments from Dale Investments and JLP Properties	81,56% of Synergy Computing	2005/01/31
2005	Grindrod	72% of African Portland Industrial	2005/02/08
2005	Absa	50% of Banco Comercial Angolano	2005/04/11
2005	Merafe Resources from Samancor	50% participation interest in the Wonderkop JV (Xstrata and Samancor), 50% of Kroondal Resources and 26% of Marikana Resources	2005/05/04
2005	Bytes Technology from Business Connexion Investments, Netcare and USAP No1	60,87% of Digital Healthcare Solutions	2005/05/05
2005	Steinhoff International	73,7% of Homestyle	2005/05/12
2005	Kagiso Media	50% of the preference shares and 'B' ordinary shares in Thebe Convergent Technologies	2005/05/19
2005	PSG Konsult (PSG) from vendors	80% of Vleissentraal	2005/06/02
2005	Steinhoff Europe (Steinhoff International)	65,2% of Homestyle	2005/06/22
2005	MTN	51% of Telecel Côte d'Ivoire	2005/06/23
2005	Hosken Consolidated Investments from vendors	77,5% of YFM	2005/07/08

Year	Company Name		AnnouncementDate
2005	Sanlam from PSG Financial Services (PSG) and Channel Life	50% of Channel Life	2005/08/11
2005	Adcock Ingram (Tiger Brands)	74% of The Scientific Group	2005/11/09
2005	Gold Fields from Bolivar Gold minorities	89% of Bolivar Gold	2005/11/21
2005	Dimension Data from Worldwide African Investment	51% of Plessey	2005/11/28
2005	Imperial from MCC management	50,1% of MCC	2005/12/01
2005	Peermont Global from Thebe Investment (Moribo Investments and Alliance Investments); JS Franklin, TE Mokoena and IP Mossop; Tusk JIT; Stepney Investments, Bhambatha Investments and other Emanzini Leisure Resorts shareholders)	70% of Tusk Casino Resorts and Hotels	2005/12/22
2005	Murray & Roberts from various shareholders	80% of Oconbrick Manufacturing	not announced
2006	Resilient Property Income Fund from Enahaleni Local Municipal Council	stake in Highveld Mall, Witbank (resulting in a total 60% stake)	2006/01/11
2006	Gold Fields	92% of Sociedad Minera La Cimo (Cerro Corona project)	2006/01/16
2006	Metmar Trading from Heritage Collection minorities	99% of Heritage Collection (reverse take-over)	2006/01/31
2006	Chemserve (AECI)	60% of Oleochemical Company	2006/02/23
2006	Dimension Data from Sameer Group	51% of ICL East Africa	2006/04/04
2006	UCS from management	100% of Quadrant Consulting and 60% of Tactical Software Systems MS in exchange for 25,1% of UCS	2006/05/11
2006	Lonrho Africa from the Equatorial Guinea government	63% of Luba Freeport	2006/05/12
2006	Tourvest Retail Travel (Tourism Investment)	51% of Touchdown Travel's corporate business	2006/06/02
2006	Primedia	80% of Powerview, 60% of Moving Tactics and 100% of 365 Digital	2006/06/02

Year	Company Name		AnnouncementDate
2006	Pangbourne Properties from RJ Harman	50% of Calulo Asset Management	2006/07/20
2006	Redefine Income Fund from Spearhead management and minority shareholders	100% of Spearhead	2006/07/26
2006	KWV Investments from Meier Family	74,9% of Eggers & Franke	2006/08/14

Year	Parties	Asset	AnnouncementDate
2007	Naspers from major shareholders	100% stake in Gadu Gadu	2007/10/04
2007	Paracon	100% stake in X - Pert	2007/10/01
2007	Sanlam from Channel Life	50% of Alfinanz	2007/05/10
2007	Great Basin Gold from Hecla Mining Company	50% stake in Hollister Development Block project	2007/02/22
2007	Logicalis Group (Datatec)	50% stake in Intact Integrated Services GmbH (exercise of option)	2007/10/05
2007	Metmar EDIN Mining (Metmar) and Coronation Capital	50% stake in Kivu Resources	2007/01/24
2007	Aspen Pharmacare from Strides	50% stake in Powercliff	2007/11/21
2007	UCS from 3J Holdings	51% of 3J Holdings	2007/03/27
2007	Dimension Data	51% of Dimension Data Namibia	821
2007	Reunert from vendors	51% of Eastern Cape Nashua franchise and 51% stake in Tshwane franchise	2007/11/22
2007	Bonatla Property from shareholders	51% of SA Growth Property	2007/05/18

Year	Parties	Asset	AnnouncementDate
2007	Eland Platinum	51% participation right of Waterberg Portion Property in the triangle area of Elandsfontein Platinume Mine (exercise of option)	2007/04/02
2007	Allied Technologies from Sameer ICT	51% stake in Kenya Data Networks, Swift Global and Infocom	2007/10/10
2007	Lonrho	51% stake in Socremo - Banco de Microfinancas	2007/09/21
2007	Wescon (Datatec) from major shareholders	51% stake in Sparnoon-Dynatech	2007/06/13
2007	SAB&T Ubuntu from Applebox Accounting	55% of Applebox Accounting	2007/03/05
2007	Standard Bank of SA	60% stake in CFC Bank, Kenya	2007/06/26
2007	Acucap Properties from Atlas Properties minorities	65% of Atlas Properties shares not held	2007/05/04
2007	Lonrho from major shareholders	65% stake in Sociedade Comercial Bytes & Pieces	2007/06/07
2007	Eland Platinum from Allan Hochreiter	66% stake in Madibeng Platinum	2007/06/06
2007	Anglo American	70% stake in Foxleigh coal Mine	2007/12/21
2007	Wilson Bayly Homes-Ovcon from shareholders	70% stake in Insitu Pipelines	2007/09/26
2007	EnviroServ	70% stake in Ply-Pak	2007/08/27
2007	Famous Brands	75% of Ludgate 282 (Wimpy UK)	2007/02/27
2007	Telkom SA	75% of Multi-Links Telecommunications	2007/03/22
2007	Astrapak from shareholders	80% of Plastech Moulders and Printech	2007/02/01
2007	Beige from Bowler Metcalf	80% stake in Amcos	2007/07/04

Year	Parties	Asset	AnnouncementDate
2007	Lonrho	80% stake in Blueberry International Services	2007/10/02
2007	EnviroServ	80% stake in the Brollo Group	2007/08/27
2007	First National Bank (FirstRand)	80% stake of Banco Desenvovimento e Comercio	2007/07/25
2007	Kompania Piwowarska (SABMiller) from Palm Breweries	99,96% of Browar Belgia	2007/08/03
2007	Grindrod from Cross Country Containers Africa (Safmarine)	remaining 50% of CMC Grindrod	2007/02/08
2007	Nedbank from Old Mutual SA and Old Mutual Finance (Old Mutual)	remaining 50% stake in Old Mutual Bank	2007/10/25
2007	Afgri	remaining 50% stake of AGRI ECAC	2007/09/01
2007	Howden Africa from Bateman Projects	remaining 50,01% shareholding in Bateman Howden SA	2007/07/09
2008	Bearing Man (Invicta) from major shareholders	100% stake in Goldquest International Hydraulics	2008/08/14
2008	Astral Foods from vendors	50% stake in East Balt South Africa	2008/07/02
2008	Aquarius Platinum from Mvelaphanda Resources and others	50% stake in Platinum Mile Resources	2008/02/07
2008	Liberty from Standard Bank	7	2008/03/28
2008	Peregrine Financial Services (Peregrine) from Stenham Group	51% of Stenham Ltd	2008/02/19
2008	Dimension Data	51% stake in Data Processing Systems	2008/04/25
2008	Tiger Brands from C Kirubi	51% stake in Haco Industries	2008/05/20

Year	Parties	Asset	AnnouncementDate
2008	Vunani from major shareholders	51% stake in Integrated Managed Investments	2008/08/26
2008	Dimension Data	51% stake in Sistemas Redes e Communicacoes	2008/10/02
2008	Wescoal from JC van der Westhuizen and CD Noble	60% stake in NewCo (owning four prospective coal properties)	2008/06/03
2008	Aspen Pharmacare from the Sumaria Group	60% stake in Shelys Africa	2008/05/05
2008	Anglo American from MMX shareholders	63,3% stake in IronX (housing 51% stake in Minas-Rio iron ore project and 70% stake in Amapa iron ore system	2008/03/31
2008	Old Mutual Investment Group (Old Mutual) from Women's Investment Portfolio	69% stake in Futuregrowth	2008/06/19
2008	Pallinghurst Resources from Platmin	69,84% (258,4m shares) stake in Platmin	2008/12/11
2008	Sanlam from major shareholders	86% stake in Principal Investment Holdings	2008/02/12
2008	Sasol from Papua Petroleum	a 51% working interest in four hydrocarbon prospecting licences	2008/09/04
2008	Grindrod from Equus Investments	remaining 50% stake in Cockett Marine Oil	2008/04/15
2008	Great Basin Gold from Rusaf Gold	remaining 63% interest in Rusaf Gold	2008/02/14
2008	Pangbourne Properties from Siyathenga minorities	remaining 65% stake in Siyathenga Property fund	2008/02/26
2009	Redefine Income fund from minorities	100% stake in ApexHi Properties and 100% stake in Madison Property Fund	2009/01/16
2009	Invicta from current Criterion Equipment shareholders	100% stake in Criterion Equipment	2009/06/04

Year	Parties	Asset	AnnouncementDate
2009	Allied Technologies	100% stake in Fleetcall	2009/04/24
2009	AngloGold Ashanti from Randgold Resources	50% indirect interest in Moto Goldmines	2009/07/16
2009	Andulela Investment from Abalengani Platinum (rights ceded to Newshelf)	50% stake in Abalengani Mining Investment and JB Platinum Holdings (exercise of put option)	2009/10/30
2009	XPaladin Capital	50% stake in Curro	2009/07/01
2009	Uranium One from JSC Atomredmetzoloto	50% stake in Karatau Uranium Mine	2009/06/15
2009	Avusa	51% stake in Boo Media and Communication	2009/11/20
2009	Dimension Data Middle East	51% stake in Telcom	2009/10/30
2009	Imperial Logistics (Imperial) from major shareholders	60% stake in Express Hauliers and 70% stake in Logistical Transport Services	2009/10/13
2009	Nashua (Reunert)	60% stake in Nashua Central	2009/08/25
2009	Firestone Energy from Sekoko	60% stake in the prospecting rights over the farms Swanepoelpan and Duikerfontein	2009/11/25
2009	Imperial Logistics (Imperial) from major shareholders	60% stake in Tip Trans	2009/06/23
2009	Beige	61,41% stake of Herbal & Homeopathic	2009/09/11
2009	Sizwe Africa IT (ConvergeNet)	65% stake in Mmele Consulting	2009/04/28
2009	Hyprop Investments from Inaprop	70% stake in Nedbank Gardens	2009/08/24
2009	Keaton Energy from Money Box Investments	74% stake in Labohlano Trading 46 (a property that increases the extent of its Sterkfontein project in Mpumalanga)	2009/04/08

Year	Parties	Asset	AnnouncementDate
2009	Masscash (Massmart) from family shareholders	75% stake in Finro	2009/09/23
2009	XSizwe Africa IT (ConvergeNet)	75% stake in Tswelopele Technical Solutions	2009/04/28
2009	Exxaro Resources	76% stake in Exxaro Madencilik	2009/02/25
2009	British American Tobacco from Rajawali Group (56%) and other shareholders	85% stake in PT Bentoel Internasional Investama	2009/06/17
2009	Naspers	91% stake in BuscaPe.com	2009/09/29
2009	Sanlam Investments (Sanlam)	remaining 50% stake in Octane	2009/12/28
2009	SABMiller from Vietnam Dairy Products Joint Stock Company (Vinamilk)	remaining 50% stake in SABMiller JV Company	2009/03/23
2009	Reunert from Siemens SA	remaining 60% stake in Siemens Enterprise Communications	2009/09/30
2009	PSG from Capitec minorities	remaining 65,23% stake Capitec [only 4 798 shares tendered - 0,01%]	2009/12/08
2010	Health (Mvelaphanda) from Brimstone Investment	100% stake in Newshelf 788 (12,36% stake in Life Healthcare)	2010/06/22
2010	Lonrho	100% stake in Trak-Auto (holder of the John Deere and Komatsu dealerhips in Mozambique)	2010/02/18
2010	SacOil from Encha Group, Columbia Falls Properties 114 and The Kulsum Moosa Family Trust	50% interest in SacOil Pty Ltd	2010/07/27
2010	Sasol Pretroleum International (Sasol) from Talisman Energy	50% participation interest in Farrell Creek's shale gas assets	2010/12/20
2010	Paracon	50,2% stake in AAPM	2010/11/16

Year	Parties	Asset	AnnouncementDate
2010	Imperial Logistics (Imperial)	51% stake in e-Logics	2010/03/26
2010	Famous Brands	51% stake in Giramundo	2010/08/03
2010	Vunani from major shareholders	51% stake in Jala Group	2010/05/28
2010	UCS	51% stake in Volume and Affinity Risk Management	2010/05/20
2010	Famous Brands from major shareholders	51% stake in Vovo Telo	2010/09/29
2010	Brait IV Investments LP, Brait IV SA Partnership (Brait SA) and Coronation Asset Management (Coronation Fund Managers)) from minorities	53% stake in Buildmax (partial offer)	2010/08/10
2010	Imperial Logistics (Imperial)	65% stake in Loubser Transport	2010/10/27
2010	Naspers	68% stake in OLX	2010/12/01
2010	Business Venture Investments 931 (Mvelaphanda [53,52%] and Brimstone Investment [48,48%]) from Newshelf 778 (Brimstone Investment)	7,04% stake (6 008 874 shares) in Life Healthcare	2010/06/22
2010	Clough (Murray & Roberts)	70% stake in Ocean Flow International	2010/08/17
2010	Invicta	70% stake in Wegezi Power	2010/03/15
2010	Village Main Reef Gold Mining from To The Point	74% stake in Consolidated Murchison Mine	2010/10/07
2010	Investec from management	75% stake in Leasedirect Finance	2010/02/25
2010	Fountainhead Property Trust from FHP Managers	80% stake in Constantia Valley	2010/09/30
2010	MiCROmega from IG Morris	86% stake in GIM Holdings	2010/10/13

Year	Parties	Asset	AnnouncementDate
2010	Net 1 UEPS Technologies	98,73% stake in KSNet	2010/09/17
2010	Barloworld	remaining 50% stake in jv Vostochnaya Technica	2010/11/17
2010	Acucap Properties from Parkdev	remaining 50% stake in Sycom Property Fund Managers	2010/03/12
2010	Standard Bank from MTN	remaining 50% stake in the credit card portion of the joint mobile money banking venture	2010/08/23
2010	Imperial from CIC minorities	remaining 51% stake in CIC	2010/07/14
2010	Santam from Pamodzi Investment and Thebe Investment	remaining 52,68% stake in Indwe Broker Holdings	2010/06/29
2010	Investec from Rensburg Sheppards directors	remaining 53% stake in Rensburg Sheppards	2010/03/31
2011	Petmin from Humming Resources	50% stake in Iron Bird Resources	2011/01/26
2011	Bonatla Property from Dusty Moon 225 and the IDUBE Trust	51% stake in Carbon Processing and Technology	2011/02/01
2011	Keaton Energy from JPI Leeuw (54%), Anglo American Zimele (10%) and Leeuw Mining and Exploration (10%)	74% stake in Leeuw Mining and Exploration	2011/02/14
2011	BHP Billiton from Chesapeake Energy	75% stake in Fayetteville shale natural gas field	2011/02/23
2011	Sasol Pretroleum International (Sasol) from Talisman Energy	50% stake in Cypress A in British Columbia	2011/03/09
2011	Imperial	75% stake in Edusport	2011/03/31
2011	Aquarius Platinum	74% stake in Afarak Platinum	2011/04/13
2011	Cashbuild from Swaki Investment	remaining 50% stake in Cashbuild (Swaziland)	2011/04/15

Year	Parties	Asset	AnnouncementDate
2011	Adcock Ingram	51% stake in Bioswiss	2011/05/17
2011	Business Connexion from Trawaral Trust	50% stake plus one share in Dusty Moon Investments 33	2011/06/07
2011	Resilient Property Income Fund	remaining 50% stake of The Grove	2011/06/20
2011	Allied Technologies	80% stake in SetOne	2011/09/09
2011	Beige	50% stake in Kgalagadi Soap	2011/09/20
2011	Sanlam Private Investment (Sanlam)	65% stake in Summit Trust International	2011/11/17
2011	Wescoal from HSTI 17	51% stake in Ezimbokodweni Mining (Pegasus project)	2011/11/29
2011	Hosken Consolidated Investment from KWV minority shareholders	remaining 64,99% stake in KWV [only 356 435 shares tendered - a 0,51% stake]	2011/12/22
2012	Basil Read from Thunderstruck Investments	50% stake in Thunderstruck Investments	2012/03/23
2012	Imperial Logistics (Imperial)	70% stake in Le Grange Transport	2012/04/30
2012	Anglogold Ashanti from Kinross Gold	remaining 50% stake in Crixas mine (Serra Grande), Brazil	2012/05/30
2012	City Lodge Hotels from the Sziapak and Abbema families	50% stake in Fairview Hotel (Fairview Hotel and Country Lodge)	2012/05/31
2012	Momentum (MMI) from OUTsurance (RMI)	remaining 50% stake in Momentum Short-term Insurance	2012/06/06
2012	Cargo Carriers	55% stake in BHL (Buks Haulage)	2012/06/08
2012	Grindrod from Petrologistics (Imperial)	75,5% stake in Petrologistics (to trade as Grindrod Petrologistics)	2012/06/19

Year	Parties	Asset	AnnouncementDate
2012	Famous Brands	60% stake in Java Lava	2012/06/27
2012	Mondi and Mondi plc from Oaktree Capital Management and other minority shareholders	99,93% stake in Nordenia International AG	2012/07/11
2012	Sycom Property Fund from AECI Pension Fund (AECI)	remaining 60% stake in Woodlands Office Park	2012/07/12
2012	Mediclinic Middle East Holdings (Mediclinic) from minority shareholders (Varkey [44,39%], General Electric [5,24%]and others [0,75%])	remaining 50,38% stake in Emirates Healthcare	2012/08/28
2012	Distell from major shareholders	60% stake in CJ Wines & Spirits	2012/09/04
2012	Nampak from Elopak AS	remaining 50% stake in Elopak South Africa	2012/09/04
2012	Sherbourne Capital	100% stake in Inshare Asset Finance	2012/09/10
2012	Tiger Brands from Dangote Industries	63,35% stake in Dangote Flour Mills	2012/09/26
2012	Afrimat from Hanchurch Asset Management and Infrsasors retiring management	50,4% stake (93 461 108) in Infrasors	2012/10/24
2012	Vukile Property Fund from Sanlam Life Insurance (Sanlam)	50% stake in the East Rand Mall, Gauteng	2012/11/01
2012	Redefine Properties from Sanlam Life Insurance (Sanlam)	50% stake in the East Rand Mall, Gauteng	2012/11/01
2012	Rainbow Chicken	64,2% stake in Foodcorp	2012/11/15
2012	Redefine Properties International from Camden Lock and Earls Court	60% stake in BNRI Earls Court	2012/11/23

Year	Parties	Asset	AnnouncementDate
2012	Steinbuild (JD Group) from Hardware Warehouse minorities	77 900 000 Hardware Warehouse shares	2012/12/04
2012	Eqstra from Protech Khuthele minorities	remaining 67,23% stake in Protech Khuthele	2012/12/05
2012	Pinnacle Technology	90% stake in JAG Engineering	2012/12/10
2012	Invicta from major shareholders	53,4% stake in MacNeil	2012/12/12
2012	Pretoria Portland Cement	51% stake in Cimerwa	2012/12/12
2012	Datacentrix from Nokusa Investments, RGM Cells, GH Du Plessis, BF Kotze, M Momberg and ACM Spies	100% stake in Nokusa Engineering Informatics	2012/12/18