

Anglo American shakes up diamond industry with De Beers takeover

Anglo American PLC is poised to be the new leader in the diamond-mining industry after striking a landmark deal that promises to transform the business.

On Friday, Anglo American unveiled an agreement to buy 40% of De Beers, giving it majority control of the company that not only dominates the modern diamond industry, but largely created it.

Since its early years in the 1870s, Johannesburg-based De Beers has been the global leader in diamond mining — it had a market share of more than 80% through the 20th century as it controlled production out of Southern Africa. It still has about 40% of the market today.



Nicky Oppenheimer

De Beers' influence has been just as strong on the marketing side, in which it helped create huge consumer demand for diamonds by linking them with love and marriage. The phrase "A diamond is forever" is one of its iconic slogans.

Anglo American has been an investor in De Beers since 1926, and its biggest shareholder since 2001. It was no secret that London-based Anglo American was keen to raise its stake, and it finally got a chance this year when the Oppenheimer family decided to sell its 40% interest.



The Oppenheims, a legendary mining dynasty, have been involved in De Beers for more than eight decades, and patriarch Ernest Oppenheimer also founded Anglo American.

Questions are swirling about why the Oppenheims decided to sell, but price is one factor: Anglo American, which currently holds 45%, is offering a whopping US\$5.1-billion in cash for the 40% stake. The deal would boost Anglo American's interest in De Beers to as much as 85%, depending on whether the Botswana government, which holds 15%, increases its share.

"I know it was a difficult decision. [The Oppenheims] loved this company, they loved the people," said De Beers spokesman David Prager. "But if they were ever to sell their stake, Anglo American was the natural home."

Anglo American covets De Beers because it is convinced the diamond market is poised for good things.

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Rough diamond prices are higher today than they were before the 2008 recession, and analysts are optimistic about the future as the new middle classes in China and India embrace luxury goods. Diamond demand from China, India and the Gulf is expected to match the United States by 2015, according to De Beers.

"In some Chinese cities, you've got 80% of brides having diamond engagement rings bought for them" a source close to Anglo American said. "That didn't even exist in their culture 10 years ago. It gives you an indication of the demand growth from a cultural perspective."

