M&A activity continues to be strong in key African jurisdictions and is resurging in others after a challenging 2020 and early 2021. All signs during this first quarter of 2022 are pointing to a brisk period of deal making in the coming months.

With economies reopening after the COVID-19 standstill, African countries are generally eager to attract inward investment.

Recent sanctions on Russia, its banks and oligarchs are having far-reaching consequences, resulting in an element of uncertainty in global markets. This is likely to impact M&A and private equity, particularly in those jurisdictions and for those global corporates most reliant on Russia for the provision of services or that have Russian ties. It remains to be seen how this will play out in M&A across Africa since exposure is complex and not yet fully quantifiable.

There are however important trends that international investors should note. Some of these are common across the eight key African jurisdictions included in our analysis of M&A activity in Africa, while others are unique to specific countries.

Our analysis covers: Ethiopia, Kenya, Mauritius, Nigeria, South Africa, Tanzania, Uganda and Zambia. It is focussed on key sectors with active M&A deal making, important considerations to take into account when concluding transactions, and predicted M&A in the coming months.
An unparalleled wave of legislative reforms is transforming the investment space. Key sectors are being liberalised opening a wide range of opportunities. In addition to the manufacturing sector, we are seeing increased interest in the fintech, healthcare and technology sectors. This comes after Ethiopia’s privatisation programme in respect of its key state-owned entities as part of a broader effort to reform the economy and expand the private sector.

**ETHIOPIA**

Most important considerations when concluding transactions

- Due diligence
- Regulatory environment
- Transaction structure

Due diligence is the first step to most M&A transactions in Ethiopia and plays a significant role in the decision-making process. The regulatory framework requires a complicated and tedious process which takes up a sizable amount of time and effort. The transaction structure is key to future success of the operation from both a commercial and a legal perspective.

**PRIVATE**

**MAJORITY OF RECENT DEAL ACTIVITY**

Below mid-market

**KEY SECTORS OVER THE NEXT 12 MONTHS**

- Fintech
- Manufacturing
- Telecommunications

**PREDICTED VOLUME FOR THE NEXT 12 MONTHS**

Greater than 2021 deal activity.

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KENYA

Despite the pandemic, the Kenyan market has demonstrated its resilience especially towards the last quarter of the year 2021. We have seen increased deal activity spilling over to 2022, driven by Kenya’s positioning as the East African hub for direct foreign investment and its post-pandemic recovery plans to invest in hospitality and transport, with Government emphasising a job and economic transformation agenda.

We anticipate that the increase in deal value that we are experiencing in Q1 of 2022 will continue into Q2 but taper off in Q3 and Q4 because of the scheduled national elections.

**PRIVATE**

**MOST IMPORTANT CONSIDERATIONS WHEN CONCLUDING TRANSACTIONS**

- Antitrust considerations
- Business sale vs share sale
- Due diligence (especially tax, accounting and property title)
- Employees
- Security for warranties and indemnities claims

We have seen a trend towards business and asset sale as opposed to share sales – largely for protection against past liabilities of the target. The revenue authority is increasingly aggressive and it is important to do a thorough tax diligence and get sufficient protection. The Competition Authority or COMESA Competition Commission are both increasing scrutiny of transactions and imposing conditions such as employee retention post closing.

**PUBLIC**

**MOST IMPORTANT CONSIDERATIONS WHEN CONCLUDING TRANSACTIONS**

The regulatory environment is a top consideration. Public M&A transactions are subject to the capital markets regulatory regime and parties operating in certain sectors may also be subject to sector-specific regulation. The increase in shareholder activism in the capital markets environment is becoming increasingly important as are takeover defences.

**MAJORITY OF RECENT DEAL ACTIVITY**

- Mid-market
- Greater than 2021 deal activity.

**KEY SECTORS OVER THE NEXT 12 MONTHS**

- Agriculture
- Consumer products
- FinTech
- Industrials
- Infrastructure
- Insurance

**PREDICTED VOLUME FOR THE NEXT 12 MONTHS**

- Greater than 2021 deal activity.

**NATURE OF RECENT DEALMAKING**

- Largely friendly, but increasing minority interference
Although Mauritius has had to face the double impact of the global pandemic and its listing on the FATF grey list and EU blacklist, we noted a certain resilience in the M&A sector. Now that the country has been white-listed, coupled with new products and developments on the market, we expect investors to consolidate existing businesses and choose Mauritius as a jurisdiction for structuring.

**PRIVATE**

**MAJORITY OF RECENT DEAL ACTIVITY**

Mid-market

**KEY SECTORS OVER THE NEXT 12 MONTHS**

- Construction
- Financial services
- Infrastructure
- Real estate

**PREDICTED VOLUME FOR THE NEXT 12 MONTHS**

Greater than 2021 deal activity.

**MOST IMPORTANT CONSIDERATIONS WHEN CONCLUDING TRANSACTIONS**

- Antitrust considerations
- Due diligence
- Regulatory environment

Although filing with the local authority is not mandatory, there is a need to assess whether a voluntary filing is required. A decision on whether a filing must be made to COMESA is also required. Due diligence is one of the most crucial elements especially in the context of cross-border transactions. The regulatory environment has been subject to considerable change in the recent past. It is key from a deal management perspective, particularly in obtaining the necessary approvals.

**PUBLIC**

**MAJORITY OF RECENT DEAL ACTIVITY**

Mid-market

**KEY SECTORS OVER THE NEXT 12 MONTHS**

As for private M&A.

**PREDICTED VOLUME FOR THE NEXT 12 MONTHS**

Same as 2021 deal activity. Given the general economic downturn within the jurisdiction, we do not foresee an increase in public M&A deal volume in the immediate future.

**MOST IMPORTANT CONSIDERATIONS WHEN CONCLUDING TRANSACTIONS**

As for private M&A. Post-closing integration also requires careful consideration.
The Nigerian economy is resilient, and stakeholders have a gritty resolve to drive growth in every sector. We expect to see a lot of activity in the oil and gas sector driven by divestments by some of the majors and in the fintech sector, which has received a lot of recent attention.

The World Bank forecasts Nigeria’s economy to grow by 2.8% in 2022, up from an estimated 2.5% growth in 2021.

The African Continental Free Trade Area agreement is expected to have a positive impact on investment, trade and GDP; promote rapid industrialisation, export diversification and structural transformation; and reduce unemployment and poverty. The market in 2022 is likely to be geared towards helping companies realise their ESG and sustainability goals faster. Sectoral or policy reforms are expected to attract significant investments into identified sectors. Foreign currency pressures will persist and changes to allow for flexibility in the exchange rate may be on the horizon.

**Most Important Considerations When Concluding Transactions**

### Private

- Economic environment
- ESG
- Regulatory environment (Sectoral/policy reforms)

The market in 2022 is expected to be geared towards helping companies realise their ESG and sustainability goals faster. Sectoral or policy reforms are expected to attract significant investments into identified sectors. Foreign currency pressures will persist and changes to allow for flexibility in the exchange rate may be on the horizon.

**Mid-market**

- Consumer products
- Energy and power
- Financial services
- Food and beverage
- Insurance
- Manufacturing
- Oil and gas
- Technology
- Telecommunications

**Predicted Volume for the Next 12 Months**

Greater than 2021 deal activity. Based on the volume and value of deals in 2021, we expect an increase in 2022.

**Public**

### Most Important Considerations When Concluding Transactions

As for private M&A.

**Mid-market**

As for private M&A.

**Nature of Recent Dealmaking**

Friendly

**Predicted Volume for the Next 12 Months**

Greater than 2021 deal activity. Based on the volume and value of deals in 2021, we expect an increase in 2022.
The South African economy has exceeded growth expectations post pandemic. The International Monetary Fund has revised South Africa’s GDP outlook from 4% to 5%. The expectation is that the country will return to pre-pandemic levels before the end of 2022. Notwithstanding unrest in 2021, the latter part of last year saw an uptick in foreign investment. This was driven by attractive valuations, the weak Rand and upside potential. This trend, coupled with the relaxation of pandemic-related restrictions, low interest rates, the strong balance sheets of South African corporates, a government and regulatory framework that is enabling in certain respects and the boost to commodity prices from Chinese economic stimulus, is continuing to bolster current deal activity (local and foreign). It is anticipated that decarbonisation of the energy sector as a result of efforts to ensure regulatory compliance will place ESG considerations at the forefront of public sector investment. The delisting of several companies from the JSE is also expected to be a catalyst for companies looking to access equity capital markets through new listings. The African Continental Free Trade Area agreement is also expected to have a positive impact on investment.

**SOUTH AFRICA**

Antitrust is playing an increasing role in deals. Recently, we saw the first prohibition on public interest grounds alone. We also anticipate a greater focus on empowerment transactions pursuant to the antitrust regulator imposing conditions to this effect. Proposed legislative amendments, not yet in force, contemplate a separate application to an executive body to screen transactions that impact a specified list of national security interests. Shareholder activism and ESG are impacting financing, investment strategies and disclosure requirements. Proposed amendments to the South African Companies Act anticipated to come into force this year will provide certainty around governance and deal implementation mechanisms.

**PRIVATE**

**MAJORITY OF RECENT DEAL ACTIVITY**

- Consumer products
- Energy and power
- Financial services
- Mining
- Telecommunications

**KEY SECTORS OVER THE NEXT 12 MONTHS**

- Friendly

**PREDICTED VOLUME FOR THE NEXT 12 MONTHS**

- Same as 2021 deal activity.

**PUBLIC**

**MAJORITY OF RECENT DEAL ACTIVITY**

- Financial services
- Manufacturing

**KEY SECTORS OVER THE NEXT 12 MONTHS**

- Greater than 2021 deal activity. Based on current trajectory and deal pipeline.
Supported by a positive economic outlook, with real GDP projected to grow from 4.0% in 2021 to 5.1% in 2022, Tanzania is on course for a busy M&A season in 2022.

Following the change of Government towards the end of the first quarter of 2021, Tanzania began offering incentives to attract foreign investment. It also began reopening its trade corridors and pursuing an industrialisation and development agenda. It rose to middle income status in 2021. These factors are likely to encourage greater deal activity through 2022.

**TANZANIA**

**MOST IMPORTANT CONSIDERATIONS WHEN CONCLUDING TRANSACTIONS**

- Antitrust considerations
- Due diligence
- Transaction structure

Transactions that constitute ‘mergers’ and meet pecuniary thresholds must be notified to the Fair Competition Commission (FCC). The definition of ‘merger’ in the Fair Competition Act, 2003 is not clear. Thus, consideration must be given to whether a transaction must be notified. Due diligence gives insight into the regulatory considerations for structuring and conditions likely to be imposed by the FCC. Transaction structure defines the various notifications, approvals and conditions necessary to close.

**PRIVATE**

- **Mid-market**
  - Financial services
  - Insurance
  - Real estate

Greater than 2021 deal activity.

**PUBLIC**

The regulatory environment is a top consideration. Public M&A transactions are subject to the capital markets regulation regime and parties operating in certain sectors may also be subject to sector-specific regulation. There are substantial acquisition thresholds for public M&A.

- **Top tier**
  - Construction
  - Infrastructure
  - Telecommunications

Greater than 2021 deal activity.

Changes in Government policy are likely to continue to attract foreign direct investment.
UGANDA

The Ugandan economy is projected to grow by 5.5 to 6% in the 2022/2023 financial year, increasing to 6.5 to 7.5% in the medium term. The pandemic and its effects triggered much activity in the technology sector, particularly in the fintech and telemedicine spaces. We expect this to continue in the coming months. Even though the uncertainty as a result of the pandemic looks set to continue and inflation remains a concern, with the promised re-opening of the economy, business is expected to pick up, accelerated by private consumption and external demand. The year has kicked off with notable private sector interest in the agriculture, services, wholesale and retail sectors. In addition, there is more activity expected in the oil and gas sector, with Parliament having passed a bill allowing the East Africa Crude Oil Pipeline to proceed.

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<th>MAJORITY OF RECENT DEAL ACTIVITY</th>
<th>KEY SECTORS OVER THE NEXT 12 MONTHS</th>
<th>PREDICTED VOLUME FOR THE NEXT 12 MONTHS</th>
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<td>Mid-market</td>
<td>Greater than 2021 deal activity.</td>
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- Antitrust considerations
- Due diligence
- Lawsuits

There is an increase in activist litigation/ applications/suits that arise in relation to M&A activity. This in part may be because Uganda does not have a competition authority to adjudicate grievances related to M&A activities. Entities now have to be more thorough in due diligence exercises to iron out any possible sources of controversy.

**PRIVATE**

**PUBLIC**

As for private M&A.

**MAJORITY OF RECENT DEAL ACTIVITY**

- Agriculture
- Chemicals
- Financial services
- Insurance

**KEY SECTORS OVER THE NEXT 12 MONTHS**

**PREDICTED VOLUME FOR THE NEXT 12 MONTHS**

Greater than 2021 deal activity. We anticipate the opening of the economy to trigger greater M&A activity.
ZAMBIA

The new Government (which came into power in August 2021) is focused on rebuilding the economy by promoting foreign direct investment and private sector growth. Proposed changes include a reduction in corporate income tax (from 35% to 30%) and making mineral royalties paid by mining companies deductible. These proposals are likely to increase M&A activity, especially in the mining sector.

Government intends to diversify the economy away from mining and become a net exporter of goods and services. Incentives have therefore been offered to companies in the manufacturing, agriculture and agro-processing sectors and we expect to see much M&A activity in these sectors.

PRIVATE

**MOST IMPORTANT CONSIDERATIONS WHEN CONCLUDING TRANSACTIONS**

- Economic environment
- Political environment
- Regulatory environment

The economy has been in distress, which has increased the risk as well as the cost of doing business in Zambia. The political environment impacts investor interest and confidence. During 2020, certain actions by the Government were viewed as expropriatory in nature, dampening M&A activity. Regulatory changes have been proposed to increase local ownership in insurance and insurance brokerage companies. M&A activity will increase in this sector as companies ensure compliance.

**MAJORITY OF RECENT DEAL ACTIVITY**

Mid-market

- Agriculture
- Financial services
- Insurance
- Manufacturing

**KEY SECTORS OVER THE NEXT 12 MONTHS**

Greater than 2021 deal activity.

**PREDICTED VOLUME FOR THE NEXT 12 MONTHS**

PUBLIC

**MOST IMPORTANT CONSIDERATIONS WHEN CONCLUDING TRANSACTIONS**

As for private M&A.

**MAJORITY OF RECENT DEAL ACTIVITY**

Mid-market

**KEY SECTORS OVER THE NEXT 12 MONTHS**

As for private M&A.

**NATURE OF RECENT DEALMAKING**

Friendly

**PREDICTED VOLUME FOR THE NEXT 12 MONTHS**

Same as 2021 deal activity. There are few companies listed on the Lusaka Securities Exchange, most of which have undergone activities in the recent past.