DealMakers AFRICA

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AFRICA'S CORPORATE FINANCE MAGAZINE

The pathway to making investment banking personal

Pathfinder perspective
Arun Varughese

Arun Varughese works in the investment banking team at Rand Merchant Bank and heads up advisory for their financial sponsor group, advising private equity clients, ultra-high net worth individuals and investment holding companies across all geographies.

Arun has been a career banker for the last nine years. The diversity and challenge of the profession are some of the reasons that he was drawn to investment banking and his current role.

"Every deal, every client, every situation differs completely. No two days or even moments are the same," said Arun. "I work with extremely capable and driven people day-to-day and that energy is fueled by advising some of the smartest and best clients on the continent."

"It was actually at university, in Cape Town, that I developed a passion for finance and I started reading about investing, capital allocation, how to grow your money and importantly - how to manage it," said Arun. "I realised that business is all about relationships and I have always been someone who prides themselves on building meaningful and value additive relationships."

How do you operate in a recessionary market?

"In this environment, we are trying to grow our business to make sure that we are servicing our clients across the value chain. We help our clients buy and sell businesses and we provide funding for them. We hedge against their risk and help them restructure or fundraise. We are with them throughout their business life-cycle through an integrated offering - we look at how we can add value to them," said Arun.

"My clients know their respective industries very well. They are extremely smart, experienced people so it is about making sure that you are ahead of the curve in terms of market knowledge. You have to know the players, the assets and industry-specific knowledge to connect the dots to unlock opportunities. This is how we help add value to clients."

Data is a driver of change, but connections are what matter

"Technology is great and it's an aid, but it doesn't replace what we ultimately do, which is build and maintain relationships. What I liked about Ansarada was the personal touch from Arie Maree. I knew if I had any issues, I could call Arie at all hours and he would make himself available to assist."

"It's the ease of use, the reliability, and the support. Whether it's opening a Data Room in one day, running the process, or archiving the room, it's just been simple and efficient. That's why my team loves using Ansarada. I think new features like deal preparation are going to be interesting, and we're looking forward to trying them out."

Ansarada's platform has helped more than 400,000 dealmakers get ready to maximise value in their transactions. Get in touch to find out how we can get you on a pathway to the new standard of dealmaking.

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Arie Maree
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from the editor's desk

The impact of the COVID-19 pandemic on the African continent is far reaching; the freeze on foreign investment, revenue streams from tourism and financial aid and the postponement in implementation of critical regulatory legislation and processes have had a knock-on effect on all sectors of Africa's economies. Sadly, while advanced economies have available to them, large stimulus packages to see them through this crisis, African governments do not have fiscal buffers and savings. Debt relief and concessional loans from the International Monetary Fund and the G20 are not nearly enough to deal with the fallout.

The pandemic has laid bare the inability of the region's social infrastructure to adequately handle the pressure placed on water, sanitation, education and health by this existential threat. That being said, there have been benefits associated with the pandemic. The lockdown of traditional economies has seen the fast-tracking of the digital economy, long-delayed governance reforms are back on the table and renewed public-private collaboration has been witnessed across many of the regions.

The value of deal activity in Africa (excluding South Africa) for H1 2020 plunged to US$6,40 billion off 224 transaction, when compared with the US$87,4 billion recorded in H1 2019 (page 3). With heightened profitability pressures on investors in the COVID-19 environment, M&A activity is unlikely to recover until equity valuation volatility settles.

By region, East and West Africa were the most active with 63 deals each. Unsurprisingly, Kenya and Nigeria recorded the most deals within their respective regions at 34 deals ($140,4 million) and 39 deals ($197,9 million) respectively. By value, North Africa led the tables at $2,6bn off just 35 deals, though this is misleading as the Saudi Telecom acquisition of a 55% stake in Vodafone Egypt is valued at $2,4 billion (page 4). Interestingly private equity and venture capital transactions, which are included in the regional numbers, represent 43% of the continent's deal activity during the period under review. These deals were most prominent in East Africa, with 33 investments followed by West Africa (31) and North Africa (23).

The African Continental Free Trade Area (AfCFTA) which was due to take effect from July 2020, giving Africa's internal trade the mega-jolt needed, has been postponed to January 2021 due to the slow pace of negotiations complicated further by the COVID-19 pandemic.

In July Deal**Makers AFRICA** announced the intention to extend coverage of legal regulatory changes in Africa with the launch *Without Prejudice AFRICA*. The magazine *Without Prejudice* was first launched 20 years ago and has become South Africa's leading corporate law magazine, examining matters of interest to attorneys, advocates, businessmen and investors. *Without Prejudice AFRICA* will aim to provide investors who have an interest in the laws of the various African regions as it pertains to business, with current quality updates. The magazine will be produced quarterly as a run-of-book in Deal**Makers AFRICA**. •

MARYLOU GREIG

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The magazine is available for download at **www.dealmakersdigital.co.za**

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DealMakers AFRICA M&A Analysis H1 2020

REGIONAL ANALYSIS (Excluding failed deals)

		LOCAL DETALS		FOREIGN DEALS		TOTAL	
Region	**Country**	**US $ Value**	**No.**	**US $ Value**	**No**	**US $ Value**	**No.**
Central Africa	Cameroon	undisclosed	1	None		undisclosed	1
	DRC	50 000 000	2	None		50 000 000	2
	Gabon	undisclosed	1	None		undisclosed	1
		50 000 000	**4**			**50 000 000**	**4**
East Africa	Ethiopia	24 000 000	7	None		24 000 000	7
	Kenya	140 421 271	34	None		140 421 271	34
	Rwanda	11 000 000	6	None		11 000 000	6
	Tanzania	31 190 600	10	undisclosed	1	31 190 600	11
	Uganda	1 140 070 972	6	None		1 140 070 972	6
		1 346 682 843	**63**	**undisclosed**	**1**	**1 346 682 843**	**64**
North Africa	Algeria	undisclosed	2	None		undisclosed	2
	Egypt	2 483 088 733	23	None		2 483 088 733	23
	Morocco	50 000 000	5	None		50 000 000	5
	Tunisia	83 057 990	5	None		83 057 990	5
		2 616 146 723	**35**			**2 616 146 723**	**35**
Southern Africa	Botswana	9 814 189	10	None		9 814 189	10
	Eswatini	33 337 712	1	None		33 337 712	1
	Lesotho	2 811 625	2	None		2 811 625	2
	Malawi	undisclosed	4	None		undisclosed	4
	Mauritius	85 198 974	4	None		85 198 974	4
	Mozambique	8 230 254	4	None		8 230 254	4
	Namibia	678 578 180	13	None		678 578 180	13
	Zambia	13 817 043	11	None		13 817 043	11
	Zimbabwe	386 448	7	None		386 448	7
		832 174 425	**56**			**832 174 425**	**56**
West Africa	Burkina Faso	45 700 000	2	687 751 052	1	733 451 052	3
	Côte d'Ivoire	4 920 845	5	41 544 716	1	46 465 561	6
	Ghana	546 500 188	5	None		546 500 188	5
	Guinea	12 987 882	3	None		12 987 882	3
	Liberia	7 500 000	3	None		7 500 000	3
	Mali	2 730 644	3	None		2 730 644	3
	Nigeria	197 906 111	39	None		197 906 111	39
	Sierra Leone	3 250 000	2	None		3 250 000	2
	West Africa Region	undisclosed	1	None		undisclosed	1
		821 495 670	**63**	**729 295 768**	**2**	**1 550 791 438**	**65**
		5 666 499 661	**221**	**729 295 768**	**3**	**6 395 795 429**	**224**

DealMakers Africa classifies deals by the location of the target's Head Office or that of the acquirer/seller. Where the target has subsidiaries in an Africa country, the deal /transaction is classified as a foreign deal/transaction in that country. In this instance, local advisers to foreign deals are awarded credit only for deal flow.

Africa's Largest Deals H1 2020 (Excluding South Africa)

REGION	COUNTRY	NATURE OF DEAL	DETAILS	INVESTMENT ADVISER	LEGAL ADVISER	ESTIMATED DEAL VALUE	ANNOUNCEMENT DATE	VALUE (US$)
North Africa	Egypt	Acquisition by	Saudi Telecom Company (STC) of a 55% stake in Vodafone Egypt from Vodafone			$2,4bn	Jan 29	$2,4bn
West Africa	Burkina Faso	Acquisition by ■	Endeavour Mining of Semafo (share swap)			C$1bn	Mar 23	$687,8m
Southern Africa	Namibia	Acquisition by	Constancia Risk and Insurance and Conduit Ventures (Conduit Capital) from Trustco and Riskowitz Value Fund (reverse take-over)	Merchantec Capital		R10,44bn	Mar 27	$594,8m
East Africa	Uganda	Acquisition by	Total of Tullow's entire stake in the Lake Albert development project including the East African Crude Oil Pipeline			$575m	Apr 23	$575m
East Africa	Uganda	Disposal by	MTN to AT Sher Netherlands Coöperatief U.A. Of a 49% equity holdings in Ghana Tower Interco B.V. and Uganda Interco B.V.		Paul Weiss	$523m	Jan 2	$523m
West Africa	Ghana	Disposal by	MTN to AT Sher Netherlands Coöperatief U.A. Of a 49% equity holdings in Ghana Tower Interco B.V. and Uganda Interco B.V.		Paul Weiss	$523m	Jan 2	$523m
West Africa	Nigeria	Investment by	International Finance Corporation to Zenith Bank (COVID-19 support package)			$100m	Jun 17	$100m
Southern Africa	Namibia	Acquisition by	Constantia Risk and Insurance (Conduit Capital) from Legal Shield (Trustco) of Herboths Property Development	Merchantec Capital	Africa Solved	N$1bn	Feb 11	$67,3m
North Africa	Tunisia	Investment by	Africa Development Partners III (DPI) in Société Industrielle des Conserves Alimentaires (SICAM)			$56m	May 21	$56m
West Africa	Nigeria	Acquisition by	African Infrastructure Investment Managers a member of Old Mutual Alternative Investments (Old Mutual) from Savannah Petroleum plc of minority stakes in Accugas and Seven Uquo Gas			$54m	Jan 17	$54m

■ Foreign Deal

Impact of COVID-19 on asset valuations

SWATHI RAO

While it is not possible to accurately measure the extent of economic damage likely to arise from the COVID-19 pandemic, we remain alive to the reality that this damage is likely to be extensive and will have far reaching consequences, not only for businesses, but also on the daily lives of billions of people across the world. From an economic standpoint, to navigate these uncertain and unusual times, well thought-through measures and innovations are required. It is, however, clear that the post COVID-19 era will be characterised by significant reconstruction of economies and industries, and will most likely continue for a prolonged duration of time.


Rao

In the geo-political space, it is expected that major realignments in global politics will ensue as economies seek to rebuild their social systems, industries, wealth and influence. Equally, this will have a major impact on how countries shape their fiscal and tax policies.

All of the above have significant impact on how businesses are valued, the accuracy of future projections, and the reliability of estimates and judgements in these uncertain times.

Valuations are date-specific and rely on information or expectations that are already known at the valuation date. The pandemic has been a period of high uncertainty, impacting businesses on various fronts. The impact has resulted in businesses' performance being more volatile, resulting in higher levels of risk, which in turn result in high investment return requirements from investors. This is in line with generally depressed asset prices across the globe.

Due to the uncertainty in the market, frequent valuations may need to be undertaken, particularly when in discussions with a potential investor, or when considering a transaction. Alternatively, other valuation mechanisms, such as deferred considerations, can be considered. This article, part of a broader report by I&M Burbidge Capital and PKF Kenya LLP, looks at the options for investors assessing value on a market comparable basis.

Impact on multiples

Certain factors of valuation are impacted when it comes to experiencing volatility in the market. In this case, the coronavirus is the cause of impact. Some of the factors affecting asset prices on markets are:

- **Volatility in the global market** – Significant market convulsions and increased volatility over the past couple of months will impact valuations in the form of higher discount rates. These rates will likely rise along with credit spreads and betas as investors become more risk averse.
- **Fall in Market Value** - Valuation multiples such as price to earnings or Enterprise Value (EV) to Earnings Before Interest, Taxes, Depreciation and Amortisation (EBITDA) are calculated for public companies using stock market prices. The recent decrease in market value in many countries has caused public company valuation multiples to decline.
- **Financial risk factors** - The ongoing operational and economic uncertainties will likely lead to an increase in counterparty risk, and we may see a number of companies defaulting on their outstanding obligations. This will further increase the risk of investing through counterparties that either operate in high risk industries or have low credit ratings. The end of the first quarter of 2020 saw shocks triggered by the pandemic, which sparked panic selling by foreign investors. A trend that saw a 20.7% drop in the NSE 20 Share index, and similar corresponding declines in MSCI World, Emerging Markets and Frontier Market indices of 21.4%, 23.9% and 27.7% respectively. As at end of June 2020, foreign investors maintained net selling positions on NSE-listed equities. Private sector investors mirrored this trend with a slow-down in foreign activity as business conditions deteriorated.

In the geo-political space, it is expected that major realignments in global politics will ensue as economies seek to rebuild their social systems, industries, wealth and influence. Equally, this will have a major impact on how countries shape their fiscal and tax policies.

As such, the general valuation considerations to put in place would include:

- The short-, medium- and long-term impacts of the crisis, whether they be macro-economic or business-specific, will need to be taken into consideration. The market disruption observed today may be temporary, and the adjustments we make could potentially overstate or understate the crisis' impact on the company's valuation.
- Fair value is based on what is known and knowable at the measurement date. The assumptions taken into consideration today may no longer be applicable tomorrow, which means that the procedures and rationale for any valuations you perform should be documented in full.

Thus, when applying the multiples approach, ongoing metrics and earnings should be looked at on a market participant basis and, therefore, one-off impacts can be excluded. However, expected adverse performance in Q1 and Q2 2020 and beyond, if deemed one-time, would still impact cash balances and would be reflected as a deduction from enterprise value in estimating fair value.

An appropriate multiple should be congruent with the metric to which it is applied. The percentage change in Market Capitalisation of comparable companies may provide a good proxy for the magnitude of the change to be expected in the multiple. In addition, it may no longer be appropriate to consider application of recent transaction prices, especially those from before the expansion of the pandemic. An alternative cushioning would be to use an average of comparable trade and transaction multiples to average out any extremes. In time, data will be available on transaction multiples going back six months to the inception of the global outbreak of the pandemic.

Impact on earnings

While using the market-based multiples method, as outlined earlier, comparable transactions and trading entities within the industry, from similar market regions, are used in order to arrive at the valuation of a private business. Prices of listed entities are witnessing a downward trend, and therefore earnings of the valued business must be normalised in order to avoid under/over valuing the business.

COVID-19 related businesses such as health care, technology, PPE and sanitiser manufacturers are likely to see increased trading, resulting in better earnings, while other industries such as travel, leisure and hospitality are likely to face decreased trading and earnings. In both cases, the current trading scenario does not reflect normality and the process of normalising the earnings should be undertaken.

This is a process whereby all extra-ordinary items are excluded from the earnings in order to arrive at a sustainable level of earnings. One of the ways this could be arrived at, for mature businesses, is to use the average earnings over the past three years. The normalisation process differs for each company, dependent on various factors including life cycle stage, nature of operations, historical and projected performance, and key changes in the business during the forecast period, among others.

Further, revenue and costs can be extrapolated based on contracted revenue that has been delayed/cancelled due to the pandemic, in order to arrive at a normalised earning level. This is relevant to companies that generate contractual revenue, such as those supporting infrastructural projects funded by government agencies.

We present more perspectives on this and considerations for discounted cash flows (DCF) and other methodologies in our full feature report, available on the I&M Burbidge Capital website. The report also delves into the alternative transaction structures that mitigate some of the current challenges in executing transactions. ●

Rao is an Associate Vice President with I&M Burbidge Capital, Kenya.

One Size Does Not Fit All - restructuring for uncertain times

EDMUND HIGENBOTTAM AND BRETT ROBERTS

A combination of factors is challenging the economic sustainability of businesses, large and small, across Africa. Globally, the COVID-19 crisis and associated lockdowns have had the effect of "calling the end of a long bull market" that has run since the credit crisis of 2008. In most African markets, however, the bull market had already ended some years before the pandemic. Instead, in Africa, the pandemic has compounded previously existing difficulties, such as weaker commodity prices, sovereign credit challenges, volatile exchange rates and uncertain public policy regimes. Despite some differences, there are many commonalities among the issues facing a wide range of companies across all sectors. From an investment perspective, investors have taken an increasingly "risk-off" approach to Africa in recent years that has only accelerated during the crisis, adding refinancing risk to the multitude of risk factors already at play.

While pervasive in influence, these challenges are impacting companies differently, depending on their strength heading into the crisis, as well as their business models and sectoral exposures. For the strongest performers - "top quartile" companies - the crisis is causing challenges that are primarily short-term in nature, including constrained cash flow and reduced profits. For bottom quartile companies, tough conditions have exacerbated bad debt positions, product deficiencies, operational inefficiencies and/or balance-sheet weakness that now threaten their viability. A common theme across the board is a focus on maximizing efficiency, which in many cases means salary cuts, especially for more senior staff.


Higenbottam


Roberts

Even for top quartile performers, short-term challenges specifically relating to the Covid-lockdowns may necessitate negotiations with creditors, to relax covenants and defer principal payments. Many of these companies were growing strongly before the crisis. However, a few months of impaired revenues can wipe out an entire year's profits, leaving such companies in need of external equity to grow in the post-crisis period. For some of these top companies, the crisis presents opportunities to implement new growth strategies, restart capex programs or even pursue opportunistic acquisitions. For equity investors, there may be opportunities to gain exposure to companies and projects that previously had been sufficiently capitalised through internal means.

Even for top quartile performers, short-term challenges specifically relating to the Covid-lockdowns may necessitate negotiations with creditors, to relax covenants and defer principal payments. Many of these companies were growing strongly before the crisis.

For companies in the middle quartiles (the second and third quartiles, on either side of the median), discussions with creditors are often critically important, and may require more formal forbearance agreements. In some stress cases, the ability even to service interest – let alone principal – is in jeopardy. Perhaps equally important, the crisis is a catalyst to address critical strategic questions, which probably should have been considered more seriously before the crisis (Similar questions also should be posed regarding the various business lines within companies). Should multinational groups sell or close down their operations in weaker performing countries to focus on stronger markets? Do companies postpone or progress previously allocated capital expenditure or asset programs like plant openings? Does the company have the right skills in senior and middle management? What is the right capital structure and funding mix going forward? Is the company too dependent on one type of funding source?

Many companies in the bottom quartile were already facing "going concern challenges" pre-crisis. Many of these will therefore need to consider significant asset sales or a full-blown sale of the company, if possible, to salvage value for stakeholders. In order to buy time for such sales, unpalatable decisions by creditors may be required, such as debt-for-equity swaps or write-downs.

Coordination among creditors – as well as a responsible approach to negotiations – can be incredibly helpful in achieving the best possible outcomes. Without communication among creditors, a distressed situation can quickly evolve into a classic "prisoner's dilemma."

One key for all companies is to act early: completing a renegotiation with creditors takes time, especially if the arrangement is tied to one or more of the other corporate moves discussed above. "Running down the clock" reduces room for manoeuvring, and hence, negotiating power. Furthermore, a realistic and analytical approach to the problems is crucial. Are the challenges actually a solvency problem as much as a liquidity problem? What is the most realistic pathway to return to a normal course of activity, and what (and how realistic) are the assumptions on which this pathway depends? An external advisor can accelerate the identification of the key issues, as well as the overall decision-making process.

Furthermore, negotiations that straddle different sponsors, shareholders, creditors of different types or seniority – and perhaps new investors – can be complex to manage. A clear strategy that is analytically "watertight", vis-à-vis the company's fundamental financial position, as well as clear tactics for the paths of the negotiations – group by group – are equally important. Verdant Capital is currently advising companies across several countries and regions in Africa – top quartile, middle quartiles and bottom quartile – to address all of these challenges and opportunities. ●

Higenbottam is Managing Director and Roberts a Director of Verdant Capital. Verdant Capital is a leading specialist financial advisory firm that operates across Africa.

The imperative to create shared value for Africa through investment in agriculture

AXEL SMEULDERS

Agriculture has been the bedrock of global economic development for centuries, with the agricultural revolution pre-dating the industrial revolution. And while other industries and sectors may have come to hold greater economic prominence in much of the developed world, in Africa, agriculture remains the most significant economic driver and the main provider of employment and income in the vast majority of countries.

While a significant proportion of people employed in agriculture in Africa make their living by means of subsistence farming, this doesn't detract from the fact that the activities of growing crops and farming livestock are the continent's primary employment or income generating opportunities; and are likely to continue to be for many decades to come.

This simple truth has significant implications for investors that have embraced the need and importance of putting money into industries, sectors, projects and organisations that have the potential to go beyond just providing a return, but that also embrace environmental, social and governance (ESG) factors in order to deliver shared value and make a lasting positive impact on the world. Clearly, the way to make the biggest positive impact in Africa is through investment in agriculture on the continent.


Smeulders

This is especially true when one considers that, despite well over 60% of employed Africans working within the agriculture supply chain, and farming outputs contributing a massive proportion of overall GDP, there are still many African countries that are importing a large percentage of the basic staple foods they require, like rice and maize. Typically, this is due to a breakdown somewhere along the agriculture value chain, resulting in crops either not delivering desired yields due to a shortage of farming inputs, or degenerating once harvested due to logistical challenges like a lack of access to transport, storage facilities or even markets. Adding to this situation is the fact that there are still large swathes of arable land across the continent that are not being used for agricultural purposes, either because of land ownership being uncertain or unresolved, or simply because those who could, or should, be farming that land lack the resources, inputs, knowledge or skills to do so.

The obvious solution to all these challenges is investment into agriculture in Africa, and there's no shortage of opportunities for such investment. The problem, however, is that global investors broadly remain sceptical about the viability of investment into agriculture in Africa. The main challenge, it would seem, lies in the failure of such prospective investors to recognise that there is much more to agriculture on the continent than just subsistence or small-scale farming. While investment is undoubtedly needed at this primary level, Africa's agriculture sector comprises massive direct and indirect value chains, and there are compelling, and fairly predictable, investment opportunities all along these chains.

The opportunity is not only in actual farming, but rather it is present across the whole agricultural value chain, from agri inputs and supplies (supply and distribution of fertiliser, seeds, agritech, mechanisation and financing) to 'route to market' (logistics, warehousing and storage) and finally in agri-processing (transformation and processing of agri outputs into consumer products).

The obvious solution to all these challenges is investment into agriculture in Africa, and there's no shortage of opportunities for such investment. The problem, however, is that global investors broadly remain sceptical about the viability of investment into agriculture in Africa.

At the same time, actual farming also needs investment and reform, including the establishment and operation of effective farms, cooperatives and out-grower schemes, sustainable farming practices, permaculture and irrigation, education, training and skills development. Often, opportunities will touch on many of these areas, rather than be focused on only one aspect, and require an active approach.

What is more, the recent achievement of the African Continental Free Trade Area (AfCFTA) should help to create the significant potential for investment returns by helping to drive the rapid development of intra-African markets for African produce, supported by steady growth in the continent's middle class population, and the anticipated increase in demand for goods from within fast-growing urban centres.

Of course, even once investors have recognised the significant untapped impact investment potential that exists on the African continent, the actual process of investing is not a simple one. Given the diversity of agricultural activity, and the vastly differing levels of productivity and growth potential that exist across regions and crop types, not to mention the vast differences in government policies, processes and even attitudes to investors, a pan-African approach to agricultural investment on the continent is simply not viable. Rather, the two keys to successful

African agriculture investment are an understanding of these factors, and an ability to take a differentiated approach according to each unique market.

But with the correct approach, underpinned by solid insights and understanding of the challenges, opportunities and nuances of agriculture in the various regions and countries making up the continent, investment in the sector can, and will, be a lucrative undertaking for the investor. At the same time, such investment will also deliver massive value to Africa and its people, both in terms of raising the levels of self-sufficiency on the continent, and in delivering foreign currency to free up local funding for investment into infrastructure, industrialisation and sustainable economic development. •

NEDBANK CIB

Smeulders is a Principal with Nedbank CIB.

Deal levels collapse as COVID-19 disrupts global market

NICK LAZANAKIS AND GUY STEELE

As expected, Q2 2020 saw the lowest level of mid-market M&A deal activity in decades with deal volume plummeting by 63.4% compared with Q2 2019. As COVID-19 has spread rapidly across the globe, most economies are facing lockdowns and restrictions on movement, which have resulted in enormous disruption in supply chains, cashflow issues and funding gaps. The consequence is that business owners and managers are focusing on managing their core business and its recovery and as a result inorganic M&A activity has taken a back seat.

There were just 15 mid-market deals completed during Q2 2020 across Africa, worth a total of US$863 million. This represented a decline of 18.3% from Q1 2020 (US$1,06 billion), which already represented the worst levels recorded since the Global Financial Crisis of 2008.

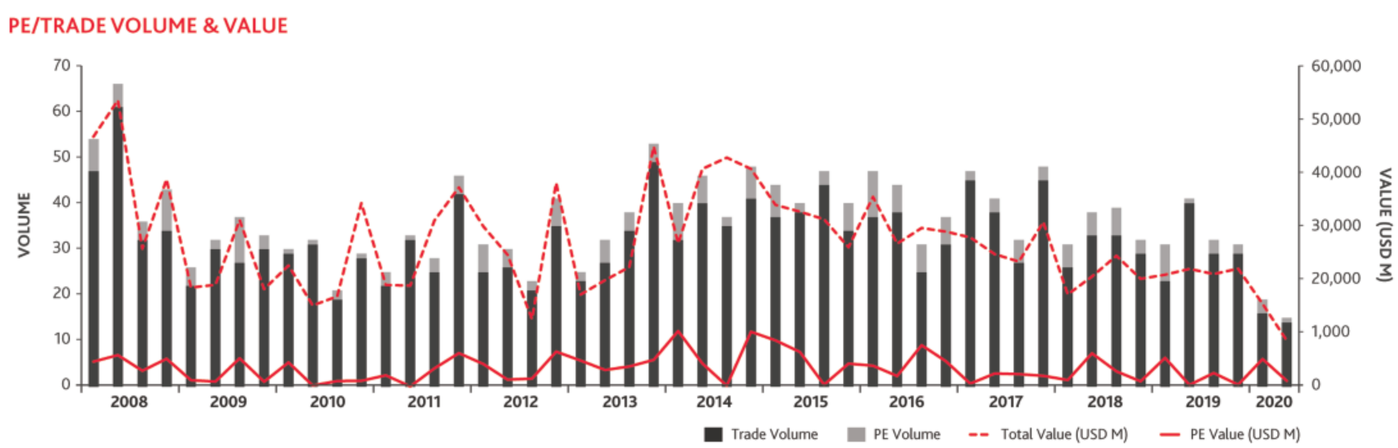
In our view, the deal paralysis in Q2 2020 was a combination of two major factors:

1. From a new deal perspective, there was limited activity as a result of companies focusing on survival and concerns over the timing of going to market. Many companies immediately announced a freeze on major capital expenditure and acquisitions; and
2. In deals which started pre-COVID-19, we have seen, in some instances, a power struggle taking place in relation to pricing with bidders looking for 'bargains' and sellers not willing to take significant 'haircuts' on prices. In some cases, we have seen parties invoke 'Force majeure' on concluded deals in order to return to the negotiating table.

Key deals and sectors

Africa was one of the last continents to fall victim to the exponential spike in COVID-19 cases, so the region is lagging behind the rest of the world in this respect. This, coupled with reduced investor confidence in many territories, a slowdown in economic activity and the increased pressure on the ease of doing business, meant that deal volumes experienced their fifth consecutive quarterly fall to just 15 deals with a value of US$863 million in Q2 2020.

Notably, force majeure and Material Adverse Change (MAC) clauses have become a key mechanism in the markets' attempt to cancel or renegotiate announced deals. In Horizons issue 2 of 2020, we reported on the quarter's biggest deal, namely Barloworld's acquisition of Tongaat Hulett's starch division. This transaction is currently in dispute with Barloworld claiming a MAC event and independent experts are in the process of being appointed to adjudicate on the matter.



There was just one PE deal transacted in the quarter but we believe that this was partly due to a 'wait and see' approach by PE firms as well as an impasse on pricing between parties. We also believe that the pricing gap is narrowing but we still see a potential requirement for earn-outs and other deferred payment mechanisms in the medium term.

Another equally concerning factor is that at least three of the 14 remaining deals in the quarter are considered as forced sales, having been driven by large-scale irregularities and pressures at the parent company.

During the quarter, Egypt and South Africa (including Swaziland), with five deals each, maintained their positions as the continent's most active M&A sectors.

The quarter's largest deal by value was the acquisition of Atlantic Leaf Properties Limited by Apollo Global Management, Inc. (APO) for an aggregate cash consideration of approximately US$185 million or US$1.00 per Atlantic Leaf share. Explaining the rationale for the deal, Paul Leaf-Wright, CEO of Atlantic Leaf Properties, said that a "challenging environment in both South Africa and the United Kingdom has seen continued market uncertainty, particularly surrounding Brexit and more recently the COVID-19 pandemic. Limited support for capital raises and reduced liquidity has put pressure on Atlantic Leaf's share price, which in turn has made it uneconomic to raise new capital to fund portfolio growth." Peter Bacon, Chairman of Atlantic Leaf Properties, commented: "The Apollo Funds will bring a sizeable capital base, access to captive funding, execution resources and deep experience of investing in real estate portfolios, all which will contribute towards improved performance during uncertain times."


Lazanakis


Steele

Industrials & Chemicals and Consumer led the charge in the quarter's sector deal activity with three and four deals respectively, emphasising the drive in foreign investment into renewable energy projects and the desire for industry leaders to obtain consumer-driven products in the healthcare sector (with Pharma chain 19011 acquiring 100% of Roshdy Group, a pharmacy group based in Egypt), babycare (with Dis-Chem Pharmacies' acquisition of the Baby City Group) and food production and security (with the acquisition of the Egyptian Starch and Glucose Company (ESGC) by Cairo 3A by way of a mandatory offer to shareholders and Zeder Investments' sale of its 32.1% stake in Quantum Foods Holdings to Country Bird Holdings).

Market environment and outlook

With the cautious approach currently being adopted by PE firms, even those with access to a wealth of dry powder, wide scaled retrenchments across the continent, depreciating and volatile currencies, IMF bailouts and the lack of sufficient reserves to support the various industries in need, the outlook for the continent is bleak.

Mid-market businesses are faced with the challenges of determining what new normalised earnings will look like, with sellers verging on the edge of overly optimistic forecasts, and buyers offering up to 50% of pre-COVID prices. The major banks operating in Sub-Saharan Africa are carefully monitoring their liquidity, with the unofficial consensus that large-scale, unsecured lending will not be undertaken in at least the short to medium term.

Conversely, industry leaders have stated that they are eagerly awaiting the various opportunities which will inevitably present themselves to those with sufficient strong balance sheets to survive the crisis.

Although the M&A market may have stagnated across the continent, good quality assets remain available in these trying times. As lockdown restrictions are lifted across Africa, a more optimistic view is emerging on sustainable earnings and what will constitute the new normal. Quality businesses will emerge from this period and we anticipate that the demand and interest for said quality assets will return, albeit at what cost?

Looking ahead

According to the BDO Heat Chart, both the Industrials & Chemicals and Energy, Mining & Utilities sectors will remain active across the continent, followed by Consumer and Financial Services. With Energy, Mining & Utilities always being a primary driver of deal activity on the African continent, we anticipate foreign investment to continue into these sectors, considering the weakness of the emerging market currencies to the more established currencies.

With one of the continent's giants, integrated chemicals and energy company Sasol, now fiercely trying to avoid a rights issue by embarking on a sell-off of noncore chemical assets, and the renewable energy sector attracting significant foreign investment from long-term investors, we anticipate the drive toward these sectors to remain a significant factor in the region's future mid-market M&A activity. •

Lazanakis is Head of Corporate Finance and Steele is Head of M&A at BDO, Johannesburg.

BDO

This article first appeared in Horizons Issue 3 2020, BDO's Global view of mid-market deal activity.

AFRICA
HEAT CHART BY SECTOR

Industrials & Chemicals	48	27
Energy, Mining & Utilities	40	23
Consumer	22	13
Financial Services	18	10
TMT	14	8
Business Services	12	7
Pharma, Medical & Biotech	9	5
Real Estate	7	4
Leisure	5	3
TOTAL	175	100%

AFRICA
MID-MARKET VOLUMES BY SECTOR

East Africa private equity activity in review – H1 2020

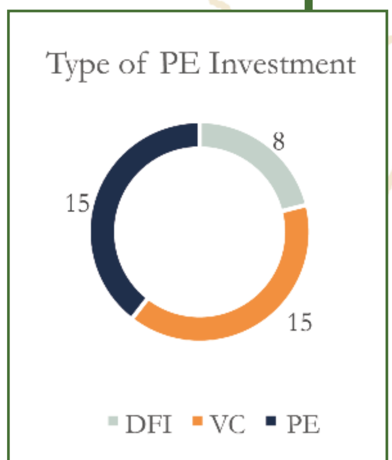
KEVIN KURIA

Private Equity investment activity was robust in the first half of the year, despite the coronavirus pandemic, and outpaced investment activity in the same period in both 2018 and 2019. This, we believe, is reflective of the positive long term growth prospects of the East African market and the fact that a number of managers recently achieved financial close for both maiden and follow-on funds, and are thus in investment mode. DFIs (Development Finance Institutions) have also announced significant capital commitments for the sub-Saharan Africa region in recent times.


Kuria

38 Q1 Q2 14 + 24

Median Value – USD 7.0 Million
Total Value – c. USD 423 Million



Sector	Number	Deal size (M USD)
Agriculture	6	10.25
Education	2	2.50
Energy	2	100.00
Finserv	4	70.50
FMCG	4	22.00
F&B	2	56.00
Healthcare	4	21.00
ICT	10	40.80
Logistics	2	Undisclosed
Manufacturing	1	Undisclosed
Real Estate	1	100.00

The exit market remains subdued, with no exit having been recorded so far in 2020; indicative of the impact of challenging economic conditions over the last three years on performance and, as a result, on valuations. Going forward, although exit activity may be a little muted, we do expect some pick up, and we have visibility on this from our pipeline, where we are advising on a number of exit transactions.

Kuria is a Senior Associate with I&M Burbidge Capital, Kenya.

Egypt: Simplified cartel leniency procedures

Marker system and an anonymous preliminary discussion mechanism for potential applicants introduced

MOHAMED ELFAR AND HANIA NEGM

In July 2020, the Egyptian Competition Authority (ECA) issued guidelines regarding the scope of, and procedures relating to, the leniency regime as stated in Article (26) of the Egyptian Competition Law (ECL).

Since the adoption of the leniency regime in 2014, a number of leniency applications have been submitted to the ECA. However, new guidelines build upon previous experiences and attempt to expand and facilitate the process by introducing new elements, such as informal discussions with the regulator and a marker system, in an attempt to increase transparency and the efficiency of the regime.


ElFar

Key takeaways

- Companies are now entitled to apply for a marker for leniency in Egypt.
- The leniency regime is now more transparent and grants more protections to the leniency applicants.
- Principals whose agents are involved in a cartel can now both benefit from leniency.
- Companies need to ensure that they operate within the permitted parameters of the ECL. With the number of leniency applications already on the rise, these latest guidelines may encourage more companies to come forward and apply for leniency.


Negm

What is the development about?

The existing leniency regime is only applicable to horizontal agreements. Previously, the main features of the regime were stated in the ECL and the accompanying executive regulations. However, the regime remained underutilised, as a result of a number of practical difficulties and ambiguities facing enforcement.

These new guidelines highlight the detailed requirements of a successful leniency application, and introduce a marker system along with a process to informally discuss any potential application (on a no names and no relevant market basis).

It has also settled the previous discourse and confirmed that it is possible to obtain corporate leniency along with individual leniency. Regarding corporate leniency, the definition has been expanded to include current and previous board members, employees and, **more importantly, independent agents**.

What does it mean?

Whenever an individual or company is involved in a cartel, it needs to promptly assess its risks and consider whether it would be in their best interest to report the incident to the ECA.

Main benefits of the leniency regime to companies:

1. Total individual and/or company immunity from criminal liability.
2. Protection of the reputation of the applicant, as the applicant will be treated as a witness rather than a defendant and, consequently, its name will not be recorded as a defendant in the published court decision.
3. Does not risk losing its imports license.
4. Does not risk facing other sanctions under the Public Tenders laws and regulations.

As stated in the ECL, there are requirements for a successful leniency application, including:

1. The company must submit a leniency application before any decision by the Board Members of the ECA issue a decision in relation to a cartel.

2. The applicant must submit sufficient evidence to prove the crime.
3. The applicant must cease its participation in the cartel, unless the ECA, in order to ensure confidentiality/prevent tipping off, permits the applicant to continue to engage in the cartel.
4. The applicant must submit a detailed legal memorandum, including detailed information about the cartel.

As noted, individuals and companies are entitled to submit leniency applications. This means that an employee within a company can decide to expose information to the ECA. In this case, leniency will only be granted to the employee and will not be extended to the whole company.

The ECA has also introduced a marker system whereby, if a company/individual has incomplete information about the cartel, it may still apply for a marker to reserve first place as a potential leniency applicant. However, the person will need to complete the said application within 30 days from the date of the marker.

Finally, the ECA has established an informal discussion mechanism. Under this system, parties or their representatives can explore, with the ECA, the possibility of submitting a leniency application while maintaining the anonymity of the potential applicant and the relevant market concerned. This could be very useful to potential applicants as they would be able assess their legal position without the risk of exposure to the ECA. This mechanism will also allow potential applicants to get further clarity on any pending questions they may have regarding their specific case.

The ECA has also confirmed that it is strictly committed to confidentiality, as mandated under the ECL.•

ElFar is Counsel, and Negm an Associate at Helmy, Hamza & Partners (Member Firm of Baker & McKenzie International) in Egypt.

Averting a crisis:
Ananlysis of the finance act, 2020

NIKHIL HIRA AND ALEX MATHINI

The Finance Act, 2020 (the Act) was assented to by President Uhuru Kenyatta on 30 June 2020, setting the stage for the annual tax season, and other changes aimed at raising additional revenue for the financial year 2020/21. The Act has been enacted at a time where economic activity is depressed, jobs have been lost and the country's economy is expected to contract and, according to the IMF, move into a recession due to the COVID-19 pandemic. Further, the Act comes at a time when Kenya is attempting to avert a public debt crisis that is the result of long-term aggressive borrowing on expensive terms with little to show for it, and against concerted efforts by the Cabinet Secretary of the National Treasury (CS) to steer the ship towards fiscal consolidation.

The theme for this year's budget was "Stimulating the Economy to Safeguard Livelihoods, Jobs, Business and Industrial Recovery", although the provisions contained in the Act appear to seek to bridge revenue shortfalls. Notably, in what was his maiden budget speech, the CS stated that the Treasury had projected tax collections amounting to KES1.6 trillion that would be driven by, among other things, the rationalisation of incentives that apparently cost the exchequer about KES535 billion in forgone revenue. Based on the recently published statements of actual revenues collected by the government as at 29th May 2020, the Treasury is unlikely to meet its originally set target collection of KES1.8 trillion, subsequently revised to KES1.4 trillion, as the current collections stand at about KES1.3 trillion – a significant difference of KES100 billion.


Hira


Mathini

Considering that we are yet to reach the peak of the pandemic, and that there is a possibility of a second wave that would likely slow down and affect the economy further, it is peculiar that the Treasury expects increased tax collections largely from the tax changes proposed under the Act and previous legislation passed this year. Aside from rationalising exemptions and incentives, some of the anticipated revenue drivers under the Act are: the minimum tax (KES21 billion), reclassification of VAT status of taxable supplies (KES8 billion), repeal of deductible expenditures (KES3 billion) and the Digital Services Tax (KES2 billion).

The Act appears to be underlined by the need to avert a looming fiscal crisis by bridging all avenues (including perceived) of revenue losses for the exchequer at the expense of eroding tax incentives and benefits that would otherwise, among other things, form part of the backbone for the post-pandemic economic recovery phase for the country. We may need to adopt a wait-and-see approach as to whether the revenue projections tied to the tax changes under the Act will live up to the Treasury's expectations, although in the current economic climate, this seems unlikely. ●

Hira is a Director and Mathini a Partner with the Tax Practice at Bowmans Kenya.

BOWMANS
THE VALUE OF KNOWING

DEALMAKERS AFRICA Q2 2020 (excludes South Africa)

◆	COUNTRY	TRANSACTION TYPE	DETAILS	TOMBSTONE PARTIES: FINANCIAL ADVISER	FOREIGN FINANCIAL ADVISER	LEGAL ADVISER	FOREIGN LEGAL ADVISER	ESTIMATED TRANSACTION VALUE	ANNOUNCEMENT DATE
EAST AFRICA									
GCF	Ethiopia	Loan by †	The Clean Energy Fund for the development of the 50MW Tulu Moyo Geothermal Power Plant					$10m	May 8
M&A	Ethiopia	Acquisition by	Cepheus Growth Capital Partners of a stake in East African Lion Brands Manufacturing Share Company					undisclosed	May 25
M&A	Ethiopia	Investment by	Zoscales in Pioneer Diagnostics Center	BDO		Mesfin Tefesse & Associates; BLC Robert & Associates		undisclosed	May 25
M&A	Ethiopia	Joint venture between	CEVA Logistics and MACCFA					undisclosed	Jun 15
M&A	Ethiopia	Investment by	Proparco and Ethos Mezzanine Partners in Turaco	African Alpha Investment Partners				$22m	Jun 17
M&A	Kenya	Investment by	GreenTec Capital in Amitruck					undisclosed	Apr 7
GCF	Kenya	Loan by †	AfricaConnect (DEG) to Limbua					undisclosed	Apr 17
M&A	Kenya	Acquisition by	Deutsche Investitions-und Entwicklungsgesellschaft (DEG) of a stake in Naivas Group					undisclosed	Apr 20
M&A	Kenya	Acquisition by	International Finance Corporation of a stake in Naivas Group					undisclosed	Apr 20
M&A	Kenya	Acquisition by	Commercial International Bank (CIB) of a 51% stake in Mayfair Bank - to renamed Mayfair CIB Bank					$35,35m	Apr 26
M&A	Kenya	Acquisition by	Fanisi Capital of a minority stake in St Bakhita School					$2,5m	May 5
M&A	Kenya	Investment by	DOB Equity in Moringa School (further investment)					undisclosed	May 6
M&A	Kenya	Acquisition by	Godrej East Africa (Godrej Consumer Products) of the remaining 25% stale in Canon Chemicals not already owned					Ksh1,5bn	May 15
M&A	Kenya	Investment by	Anthemis Exponential Ventures and including Accion Venture Lab, Leaps by Bayer and Flourish Ventures in Apollo Agriculture					$6m	May 20
GCF	Kenya	Loan by †	Swedfund to Platcorp (COVID-19 outbreak assistance)					€5m	May 22
GCF	Kenya	Bridging finance by †	MIT Solve to Access Afya					$90 000	May 25
M&A	Kenya	Investment by	Viktoria Business Angels Network, Growing Africa Capital and other global investors in Mesozi Group for the expansion of MarketForce360					$350 000	May 26
M&A	Kenya	Investment by	Platform Capital in Lipa Later					undisclosed	Jun 4
M&A	Kenya	Disposal by	Kingdom Holding of the Fairmont The Norfolk and Fairmont Mara Safari Club hotels to Chaudhary Group					Ksh2,8bn	Jun 5
M&A	Kenya	Investment by	Saian Company and Kepple Africa Ventures in PayGo	Stratlink				undisclosed	Jun 15

◆ M&A represents pure mergers and acquisitions, GCF covers transactions where this is not the case † Debt/funding transaction – excluded for ranking purposes – refer ranking criteria

DEALMAKERS AFRICA Q2 2020 (excludes South Africa)

◆	COUNTRY	TRANSACTION TYPE	DETAILS	TOMBSTONE PARTIES: FINANCIAL ADVISER	FOREIGN FINANCIAL ADVISER	LEGAL ADVISER	FOREIGN LEGAL ADVISER	ESTIMATED TRANSACTION VALUE	ANNOUNCEMENT DATE
GCF	Kenya	Long-term debt facility by †	Norsad Finance to Nova Pioneer Education Group					undisclosed	Jun 18
GCF	Kenya	Financing by †	SBM Bank of a credit line to Flame Tree Group (COVID-19 Support)					Ksh905m	Jun 23
GCF	Rwanda	Loan by †	FMO to I&M Bank Rwanda					$15m	May 14
GCF	Rwanda	Secondary listing of	RH Bophelo: 58,875,000 shares at Rwf526 per share	Birkett Stewart McHendrie		ENSafrica | Rwanda		Rwf30bn	Jun 1
M&A	Rwanda	Investment by	VestedWorld in GET IT					undisclosed	Jun 18
M&A	Tanzania	Disposal by	Katoro Gold of Reef Miners, which holds the Imweru Gold Project to Lake Victoria Gold					$1m	Apr 8
M&A	Tanzania	Acquisition by	Goodwell Investments, FINCA Ventures and elea of a stake in East Africa Fruits					$2,05m	May 6
GCF	Tanzania	Debt Investment by †	AgDevCo in Pee Pee Tanzania					undisclosed	May 27
M&A	Tanzania	Acquisition by	TPB Bank of TIB Corporate					undisclosed	Jun 2
M&A	Tanzania	Disposal by	BCX (Telkom) of BCX ICT Services (Nigeria) and Business Connexion Tanzania					$640 600 + $1m	Jun 22
M&A	Uganda	Investment by	Nordic Impact Funds in Xeno					$150 000	Apr 17
M&A	Uganda	Acquisition by	Total of Tullow's entire stake in the Lake Albert development project including the East African Crude Oil Pipeline					$575m	Apr 23
M&A	Uganda	Investment by	Pearl Capital Partners in NASECO					UGX4,6bn	May 22
M&A	Uganda	Investment by	Seedrs crowdfunding campaign in Eversend					$706 000	Jun 2
M&A	Uganda	Acquisition by	Jubilee Holdings of an additional 9.44% in Bujagali Energy [total stake now 18.24%] from SN Power					$40m	Jun 30
GCF	Uganda	Debt financing †	Tugende Limited from international specialist investors	Verdant Capital				$6m	not announced Q2
WEST AFRICA									
M&A	Burkina Faso	Disposal by	Mako Gold of the Niou Permit and Niou Sud Permit to Nord Gold					$700 000	Jun 2
M&A	Burkina Faso	Acquisition by	West African Resources of 100% of the Toega gold deposit from B2B Gold Corp (90%) and GAMS-Mining F&I (10%)					$45m	Apr 29
M&A	Côte d'Ivoire	Disposal by √	Apollo Consolidated of its 20% stake in Exore Resources' Bagoe and Liberty projects to Ibaera Capital Fund					$4,5m	May 8
M&A	Côte d'Ivoire	Acquisition by	Qatar Petroleum of a 45% participating interest in CI-705 and CI-706 located in the Ivorian-Tano basin from Total					undisclosed	May 18

◆ M&A represents pure mergers and acquisitions, GCF covers transactions where this is not the case

† Debt/funding transaction – excluded for ranking purposes – refer ranking criteria

√ Private Equity deal

DEALMAKERS AFRICA Q2 2020 (excludes South Africa)

◆	COUNTRY	TRANSACTION TYPE	DETAILS	TOMBSTONE PARTIES: FINANCIAL ADVISER	FOREIGN FINANCIAL ADVISER	LEGAL ADVISER	FOREIGN LEGAL ADVISER	ESTIMATED TRANSACTION VALUE	ANNOUNCEMENT DATE
M&A	Côte d'Ivoire	Acquisition by ■	Perseus Mining of Exore Resources					A$59,8m	Jun 3
M&A	Côte d'Ivoire	Disposal by	Altus Strategies of the Prikro and Zenoula gold projects to Stellar Africa Gold					C$87 500	Jun 29
GCF	Ghana	Loan by †	International Finance Corporation to New Crystal					$2,5m	Apr 1
M&A	Ghana	Investment by √	CDC and Novastar Ventures in mPharma					undisclosed	Jun 1
M&A	Guinea	Acquisition by	Predictive Discovery of a 90% equity stake in Koudian gold project					$295 000	Apr 7
M&A	Guinea	Acquisition by	Volt Resources of Gold Republic [gold project comprising six permits - including Kouroussa and Kouroussa West and permits - in the Siguiri Basin]					121,718,576 Volt shares	May 14
M&A	Guinea	Acquisition by	Hummingbird Resources of the Kouroussa Gold Project from Cassidy Gold Corp					£10m	Jun 8
M&A	Liberia	Acquisition by	AnfraCo Africa of a majority stake in the Liberia Inland Storage Facility project from Global Logistics Services					$7,5m	Apr 6
M&A	Liberia	Disposal by	Equatorial Biofuels (Guernsey) [Equatorial Palm Oil] of its 50% stake in Liberian Palm Developments to Kuala Lumpar Kepong Berhed					nominal £1	May 18
M&A	Mali	Acquisition by	Roscan Gold of 100% of Komet Mali SARL from Komet Resources					C$3,2m (cash and shares)	May 11
M&A	Mali	Acquisition by	Graphex Mining of Glomin Services interest in the Latus Stragies JV in two gold exploration projects - Lakanfla and Tabakorole [earn in agreement]					$450 000	Jun 17
M&A	Nigeria	Investment by	Microtraction in Gradely					undisclosed	Apr 1
M&A	Nigeria	Disposal by	Rocket Internet of its 11% stake in Jumia					undisclosed	Apr 2
M&A	Nigeria	Investment by √	Yves Guillemot in Africa Delivery Technologies (Kwik Delivery)					undisclosed	Apr 6
GCF	Nigeria	Bond issue by	Flour Mills of Nigeria : Series 13 + 14 of the NGN100bn Commercial Paper Programme					NGN30bn	Apr 14
M&A	Nigeria	Investment by √	Adjuvant Capital, Novartis and the Bill & Melinda Gates Foundation, including partipation from Raba Capital, V8 Capital, Ingressive Capital and follow on investment from Y Combinator, Better Ventures, Fifty Years, KdT Ventures, Aera VC and Pioneer Fund - 54 gene Series A					$15m	Apr 14
M&A	Nigeria	Acquisition by	Sanlam from FBN of the remaining 65% stake in FBN Insurance					undisclosed	Apr 14
M&A	Nigeria	Investment by √	Luminate in Stears					$600 000	Apr 21
GCF	Nigeria	Bond issue by	Dangote Cement Plc: Series 1 5 Years 12.50% Fixed rate unsecured. Due 2025	Absa Capital Markets Nigeria				NGN100bn	Apr 24
M&A	Nigeria	Investment by √	Tlcom Capital in Okra - pre-seed investment					$1m	Apr 27
M&A	Nigeria	Investment by √	Global Ventures and Africa Healthcare Masterfund with participation from Tencent, Ohara Pharmaceutical, HOF Capita, Y Combinator, VentureSouq, Chrysalis Capita;, Kairos Angels and Flying Doctors Healthcare Investment Company in Helium Health (Series A)					$10m	May 7

◆ M&A represents pure mergers and acquisitions, GCF covers transactions where this is not the case
■ Foreign transaction – refer ranking criteria
† Debt/funding transaction – excluded for ranking purposes – refer ranking criteria
√ Private Equity deal

DEALMAKERS AFRICA Q2 2020 (excludes South Africa)

TOMBSTONE PARTIES

◆	COUNTRY	TRANSACTION TYPE	DETAILS	FINANCIAL ADVISER	FOREIGN FINANCIAL ADVISER	LEGAL ADVISER	FOREIGN LEGAL ADVISER	ESTIMATED TRANSACTION VALUE	ANNOUNCEMENT DATE
M&A	Nigeria	Investment by √	Ventures Platform in Tambua Health					undisclosed	May 14
M&A	Nigeria	Investment by √	Ventures Platform in Brass					undisclosed	May 14
M&A	Nigeria	Investment by √	Ventures Platform in FunnelJoy					undisclosed	May 14
M&A	Nigeria	Investment by √	Alitheia Capital (Goodwell Investments), Acumen Partners and VestedWorld on Tomato Jos					€3,9m	May 19
GCF	Nigeria	Bond issue by	MTN Nigeria Communications Series I & II	Chapel Hill Denham Advisory				NGN100bn	May 22
M&A	Nigeria	Investment by √	Platform Capital in Merge Tech					$100 000	Jun 7
M&A	Nigeria	Investment by √	Argentil Capital Partners in Tempohousing Nigeria (follow-on debt and equity investment)					undisclosed	Jun 8
M&A	Nigeria	Investment by √	Harambe Entrepreneur Alliance in Max.ng					$100 000	Jun 9
M&A	Nigeria	Investment by √	Harambe Entrepreneur Alliance in Releaf Group					$100 000	Jun 9
GCF	Nigeria	Loan by √	International Finance Corporation to Access Bank (COVID-19 support package)					upto $100m	Jun 16
M&A	Nigeria	Investment by √	International Finance Corporation to Zenith Bank (COVID-19 support package)					$100m	Jun 17
M&A	Nigeria	Investment by √	Lagos Angel Network, SSE Angel Network and Diaspora Angel Network in Trove					undisclosed	Jun 18
M&A	Nigeria	Disposal by	BCX (Telkom) of BCX ICT Services (Nigeria) and Business Connexion Tanzania					$640 600 + $1m	Jun 22
GCF	Nigeria	Loan by √	International Finance Corporation to First City Monument Bank (COVID-19 support package)					$50m	Jun 25
M&A	Nigeria	Investment by √	Mozilla Corporation, 9Yards capital, Samurai Incubate and Michael Seibel in Wallets Africa					undisclosed	Jun 25
M&A	Nigeria	Acquisition by	FCMB Pensions of a 96% stake in AIICO Insurance from from AIICO Pension Managers (70%) and other shareholders (26%)					to be advised	Jun 25
M&A	Sierra Leone	Investment by √	Ecosystem Integrity Fund in Energicity Corp					$3,25m	Jun 23
SOUTHERN AFRICA									
M&A	Botswana	Acquisition by	Power Metal Resources of a 51% stake in the Ditau Project from Katanga Resources					£150 000	Apr 15
M&A	Botswana	Acquisition by	Ecsponent Botswana (Ecsponent) from MHMK Group Botswana of a 70% stake in Invest Solar Africa					undisclosed	Apr 17
M&A	Botswana	Acquisition by	Galileo Resources of 100% of Crocus-Serv					£163,020 in shares and £10,828 in cash	May 7

◆ M&A represents pure mergers and acquisitions, GCF covers transactions where this is not the case √ Private Equity deal

DEALMAKERS AFRICA Q2 2020 (excludes South Africa)

				TOMBSTONE PARTIES					
◆	COUNTRY	TRANSACTION TYPE	DETAILS	FINANCIAL ADVISER	FOREIGN FINANCIAL ADVISER	LEGAL ADVISER	FOREIGN LEGAL ADVISER	ESTIMATED TRANSACTION VALUE	ANNOUNCEMENT DATE
M&A	Botswana	Disposal by √	RMB Ventures (RMB Holdings) and Ninety One 's Africa Private Equity Fund 2 to Botswana Development Corporation of a 24% stake in Kamoso Africa					undisclosed	May 15
M&A	Botswana	Acquisition by	Wilderness Safaris of certain assets of Jacada Travel from KPMG, the administrators of Jacada Travel			IBB Law		undisclosed	May 27
M&A	Botswana	Acquisition by	Botswana Development Corporation and Zep-Re (PTA Reinsurance) of up to 7 million Grit Real Estate Income shares on the JSE share register	PSG Capital; finncap				R104,3m	Jun 11
M&A	Malawi	Acquisition by √	Phatisa Food Fund 2, Norfund, Mbuyo Capital and DEG of a stake in Farming and Engineering Services					undisclosed	Apr 22
M&A	Malawi	Acquisition by	Farming and Engineering Services of BHBW Zambia					undisclosed	Apr 22
M&A	Malawi	Acquisition by	Altona Energy of an initial 51% stake in Akatswiri Rare Earths (holder of the Chambe Rare Earth project)					Altona shares	Jun 1
M&A	Mauritius	Disposal by √	Adenia Capital (III) of its 95% stake Mauvalic to AkzoNobel	Lazard		Desfilis Advocates		undisclosed	Apr 1
M&A	Mauritius	Disposal by	Network i2i (Bharti Airtel Mauritis arm) of its 2.3% stake in Helios Towers	Citigroup Global Markets; BofA Securities				£36.9m	Jun 20
M&A	Mauritius	Acquisition by	MFS Africa of Beyonic	Icon Corporate Finance				undisclosed	Jun 30
M&A	Mozambique	Disposal by	Tongaat Hulett Acucar Limitada,Tongaat Hulett Acucareira de Xinavane SA and Tongaat Hulett Acucareira de Mozambique SA (Tongaat Hulett) to Unitrans Mozambique of a fleet of vehicles					R74,87m	Jun 29
M&A	Mozambique	Acquisition by	Premier African Minerals of a portfolio of hard-rock lithium assets in Zimambwe and Mozambique from Lithium Consolidated					A$150 000	Jun 10
M&A	Namibia	Disposal by	Global Petroleum of a 7% stake in offshore block 2011A (PEL0094) to National Petroleum Corporation of Namiba (NAMCOR) in return for access to pre-existing 3D seismic data over the block					swap	Apr 7
M&A	Namibia	Acquisition by	Momentum Short Term Insurance (Namibia) (Momentum Metropolitan) from Alexander Forbres (75%) and BEE partner Cherish Investments (25%) of 100% stake in Alexander Forbes Insurance Company Namibia					N$50m	Apr 14
M&A	Namibia	Disposal by	Kopore Metals of 100% of Trans Kalahari Copper Namiba, which hold all of Kpore's exploration properties in Namibia, to Metal capital Exploration (Sandfire Resources)					$2m	May 1
M&A	Namibia	Acquisition by	Premier African Minerals of an additional 7% stake in MN Holdings [total stake will be 19%] - MNH is the owner and operator of the Otjozondu Manganese Mining Project					$700 000	May 6
M&A	Namibia	Acquisition by	Antler Gold of gold exploration license EPL 6550					C$8 500 plus 20 000 Antler shares plus C$5 000 in shares	May 7

◆ M&A represents pure mergers and acquisitions, GCF covers transactions where this is not the case √ Private Equity deal

DEALMAKERS AFRICA Q2 2020 (excludes South Africa)

◆	COUNTRY	TRANSACTION TYPE	DETAILS	FINANCIAL ADVISER	FOREIGN FINANCIAL ADVISER	LEGAL ADVISER	FOREIGN LEGAL ADVISER	ESTIMATED TRANSACTION VALUE	ANNOUNCEMENT DATE
				TOMBSTONE PARTIES					
M&A	Namibia	Acquisition by	Bezant Resources of Virgo Resources [including its stake in the Hope Copper-Gold Project]					Shares and £85 600 cash	Jun 19
M&A	Namibia	Acquisition by	Antler Gold of an 85% interest in gold exploration license EPL 6408					N$56 500	Jun 23
M&A	Zambia	Acquisition by	Farming and Engineering Services of BHBW Zambia					undisclosed	Apr 22
M&A	Zambia	Acquisition by	Bezant Resources of a 30% stake in KPZ International					$750 000	Apr 27
M&A	Zambia	Disposal by	Zoona of its operational assets to Mukuru					undisclosed	May 5
M&A	Zambia	Acquisition by	Arc Minerals of an additional 20% in Zaco Investments (total stake now 72.5%) from Mumena Mushinge settled through the issue of 10 million Arc shares at 1.80 pense per share					£180 000	May 19
M&A	Zambia	Joint venture between	Consolidated Gold Company Zambia (ZCCM Investments) and Array Metals (65% : 35%): process gold ore in Mumbwa					$2,5m	May 20
M&A	Zambia	Acquisition by	Volt Resources of an 85% stake in the Luiri Hill gold project					A$4m	May 21
M&A	Zambia	Disposal by	Metrofile of a 60% shareholding in Metrofile Zambia					undisclosed	May 26
M&A	Zambia	Investment by √	SilverStreet Capital in Zamseed					ZMW91m	Jun 2
M&A	Zambia	Investment by √	Inside Capital Partners in Alpha Polyplast					$2,75m	Jun 30
M&A	Zimbabwe	Acquisition by	Ecsponent Private Equity (Ecsponent) of a 51% stake in Chrome Valley Mining, Zimababwe					undisclosed	Apr 17
M&A	Zimbabwe	Acquisition by √	Mangwana Opportunities Fund of a stake in Invictus Energy (Muzarabani project)					A$440 000	May 1
M&A	Zimbabwe	Acquisition by	Brainman Investments of Zimglass (in liquidation)					undisclosed	May 6
M&A	Zimbabwe	Acquisition by	Premier African Minerals of a portfolio of hard-rock lithium assets in Zimambwe and Mozambique from Lithium Consolidated					A$150 000	Jun 10
NORTH AFRICA									
M&A	Algeria	Acquisition by	Sonatrach of an additional 19.10% stake in the Medgaz pipeline (total stake now 51%) from Cepsa					undisclosed	May 30
M&A	Egypt	Acquisition by	The Tenth of Ramadan for Pharmaceutical Industries and Diagnostic Reagents (Rameda) of a nonsteroidal anti-inflammatory analgesic molecule					undisclosed	Apr 1
M&A	Egypt	Investment by	Hala Ventures, Algebra Ventures and Daal VC in Eventtus					undisclosed	Apr 13
M&A	Egypt	Investment by	Disruptech in Khazna					undisclosed	Apr 21
M&A	Egypt	Disposal by	Beltone Financial of its 60% stake in Auerbach Grayson and Company					undisclosed	Apr 23
M&A	Egypt	Acquisition by	Commercial International Bank (CIB) of a 51% stake in Mayfair Bank - to renamed Mayfair CIB Bank					$35,35m	Apr 26

◆ M&A represents pure mergers and acquisitions, GCF covers transactions where this is not the case √ Private Equity deal

DEALMAKERS AFRICA Q2 2020 (excludes South Africa)

◆	COUNTRY	TRANSACTION TYPE	DETAILS	FINANCIAL ADVISER	FOREIGN FINANCIAL ADVISER	LEGAL ADVISER	FOREIGN LEGAL ADVISER	ESTIMATED TRANSACTION VALUE	ANNOUNCEMENT DATE
				TOMBSTONE PARTIES					
M&A	Egypt	Investment by	Alexandria Angels in Mumm					undisclosed	Apr 27
M&A	Egypt	Investment by	500 Falcons in Source Beauty					undisclosed	May 12
M&A	Egypt	Investment by	Algebra Ventures, with participation from Disruptech, Vision Ventures and returning investors, 500 Startups and Flat6Labs in Brimore (pre-Series A)					$3,5m	May 12
M&A	Egypt	Investment by	EgBank investment arm in Shahry					$650 000	May 13
M&A	Egypt	Acquisition by	MC III (Mediterrania Capital Partners), FMO, Proparco, DEG and EBRD of a stake in MetaMed	HC Securities & Investment		Matouk Bassiouny & Hennawy; Gibson Dunn & Crutcher; Zaki Hashem & Partners		undisclosed	May 25
M&A	Egypt	Acquisition by √	Tana Africa Capital II of a minority stake in Alexandria For Healthcare Investments [Mabaret Al Asafra]	Multiples Group; Zilla Capital; PwC; GLG		TMS Legal; Matouk Bassiouny & Hennawy		undisclosed	Jun 2
M&A	Egypt	Investment by	Asia Africa Investment Consulting, angel investor Mohamed El Khamissy and Himangel in Shezlong					undisclosed	Jun 8
M&A	Egypt	Investment by	500 Startups, Vision Ventures and Womena in Chefaa (pre-Series A)					undisclosed	Jun 16
M&A	Egypt	Investment by	Partech and Sawari ventures in MoneyFellows					$4m	Jun 22
M&A	Egypt	Investment by	International Finance Corporation in Globaltronics					$10m	Jun 25
M&A	Egypt	Investment by √	AUC Angels and Changelabs in OTO Courses					undisclosed	Jun 29
M&A	Morocco	Acquisition by √	SPE Capital Partners and Proparco of Saham Pharma					undisclosed	Apr 15
M&A	Morocco	Acquisition by √	Public Investment Corporation (PIC) of a 13% stake in Aradei Capital					$50m	May 27
M&A	Tunisia	Acquisition by	Zenith Energy Netherlands (Zenith Energy) of a 22.5% working interest in the North Kairouan permit and the Sidi El Kilani Concession from KUFPEC (Tunisia)					$500 000	Apr 20
M&A	Tunisia	Investment by √	Africa Development Partners III (DPI) in Société Industrielle des Conserves Alimentaires (SICAM)					$56m	May 21
GCF	Tunisia	Financing by √ †	International Finance Corporation in VACPA (COVID-19 support)					undisclosed	Jun 25
CENTRAL AFRICA									
M&A	Cameroon	Acquisition by	Finafrica of a stake in Fonds Cameroun d'Epargne pour le Progrés					undisclosed	Apr 6
GCF	Cameroon	Share issue by	Chanas Assurance to the National Hydrocarbons Corporation					XAF3,75bn	Jun 2
M&A	DRC	Disposal by	Banro Corporation of its Namoya Mining gold mine to Shomka Resources					undisclosed	Jun 23

◆ M&A represents pure mergers and acquisitions, GCF covers transactions where this is not the case

† Debt/funding transaction – excluded for ranking purposes – refer ranking criteria

√ Private Equity deal

• Result of offer

DealMakers AFRICA LEAGUE TABLE CRITERIA

1. DealMakers AFRICA tracks M&A and other corporate finance activity across the African continent. Transactions are recorded by country and region.
2. DealMakers AFRICA records the following advisory roles
   a. Investment / financial / corporate advisor
   b. Legal advisor
3. DealMakers AFRICA records transactions in two category types:
   a. Mergers & Acquisitions (M&A). This is defined as resulting in new parties acquring exposure to new growth opportunities that they did not have prior to the conclusion of the transaction in question.
   b. General Corporate Finance (GCF). This includes –
      i. IPO's and share issues
      ii. Share repurchases
      iii. Unbundlings
      iv. Project funding/debt facilities
4. Transactions are recorded at announcement date except in the following cases:
   a. Rights issues are recorded at shareholder approval date.
   b. Listings are recorded at date of listing.
   c. If a deal has not been publicly announced but a company has approved the disclosure of the deal to DealMakers AFRICA, the signature date will be used.
   d. DealMakers AFRICA tables record deals by calendar year – January to December.
5. Transaction classification (Foreign vs Local)
   a. Local deals involve the acquisition or disposal by a company headquartered in an African country (other than South Africa) or an asset that is based in an African country (other than South Africa).
   b. Example : A UK-based firm buys a gold mine in Ghana. This is a local deal as the asset is based in Ghana, regardless of who made the purchase or sale.
   c. Foreign deals are recorded when a company being acquired is based in a non-African country, but has subsidiaries/assets in one or more African countries and the sale agreement requires local input to complete the deal – e.g. competition clearance.
6. Advisory credit
   a. Firms advising on local deals will get both deal value and deal flow credit.
   b. Local advisory teams will get deal flow credit for foreign deals.

c. If the advisory firm's role is not listed on the company announcement, proof must be submitted to DealMakers **AFRICA**.

d. If an advisory firm advises both parties to a deal, advisory credit will only be given once.

e. Advisors to advisors will not be credited other than in the case of bookrunners to IPO's, rights issues and listings.

f. Companies with offices in multiple countries – deal credit will be awarded under the local entity trading name, but the rankings for the region will be made under the group global name (this applies only to regional group offices and not to member affiliations).

7. Additional notes :

a. Deal values are recorded in the currency announced and converted to US$ for ranking purposes using the exchange rate on the recorded date.

b. Schemes of arrangements/offers will be included at the maximum consideration until such time as the results are released, at which point the database will be updated.

c. Acquisition or disposal of properties by property companies – only deals with a minimum value of $10m will be included for ranking purposes (smaller deals will be included for information purposes only and to showcase the advisory firms scope of work, but will not count towards the rankings).

d. Debt/funding transactions – only transactions valued at $20m and above will be included for ranking purposes (smaller deals will be included for information purposes only and to showcase the advisory firms scope of work, but will not count towards the rankings).

e. Any deal that has failed, will be recorded in the tables for information purposes only and will not be included for rankings.

f. Advisory firms are asked to submit their list of deals by the end of the first week after the close of each quarter. These lists will be checked against our databases and any queries or discrepancies dealt with. Firms will be asked to check and sign off on a final list of transactions credited to them before publishing.

8. DealMakers **AFRICA** does not accept responsibility for any errors or omissions.

RANKINGS

DealMakers **AFRICA** will publish transactions for all African countries, but at this stage rankings will only be published for EAST, WEST Africa and pan-Africa regions on an annual basis.

Two types of rankings will be published for each region

- M&A by deal value and deal flow.
- GCF by transaction value and transaction flow.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