DealMakers AFRICA

Vol 13: No 1

AFRICA'S CORPORATE FINANCE MAGAZINE

from the editor's desk

Many of Africa's economies will face tough and challenging years ahead; the International Monetary Fund (IMF) is calling the potential economic effects of the COVID-19 pandemic the worst economic downturn since the Great Depression.

UNCTAD, the United Nations' body dealing with trade, investment and development issues, estimates that the continent's overall Foreign Direct Investments (FDI) inflows will shrink by 15%. Investments affected most will be those in energy and primary industries, due to the oil price drop, as well as the airline and tourism industries, due to travel cancellations and bans. Africa will also experience foreign capital outflows due to COVID-19.

According to the African Development Bank, the contraction of sub-Saharan economies will cost the region between US$35bn and $80bn due to output drop and the global fall in oil prices, and commodity prices in general. Oil giants Angola and Nigeria have already seen revenues tumble.

The IMF, the private-sector arm of the World Bank, has projected that sub-Saharan economies are likely to contract by 16% due to blanket lockdowns, with most African governments having adopted emergency policy measures to protect public health and stop the spread of COVID-19. As a result of the pandemic, the gross domestic product (GDP) of Nigeria and South Africa are expected to shrink by 3.4% and 5.8% respectively, and the potential to spark a food security crisis in Africa, depending on disruptions in food supply chains, is high. The World Bank believes agricultural production could potentially contract up to 7%, and food imports could decline by as much as 25%. The report says that, because of this black swan event, 160 million people will end up in poverty, with 60 million people in extreme poverty globally.

Every crisis presents opportunities and the coronavirus pandemic, though tragic, is no exception. Governments should use these unprecedented times to adopt progressive industrial policies that could create inclusive, prosperous and sustainable societies in the long-term by shifting reliance on commodities towards developing industrial capabilities, with a focus on growth in the health and pharmaceutical sectors.

The total value of deals captured by **DealMakers AFRICA** for Q1 2020 (excluding South Africa and failed deals) was US$4,48 billion from 98 transactions up from $3,42 billion (77 transactions) in Q1 2019. The largest deal by value for the quarter was the acquisition by Saudi Telecom Company of a 55% stake in Vodafone Egypt valued at $2,4 billion. The largest deals in West Africa and East Africa by value was the disposal by MTN of a 49% stake in Ghana Tower Interco B.V. and Uganda Interco B.V. to AT Sher Netherlands Coöperatief for $523 million. Analysis at a regional level showed East Africa as the most active with 36 deals followed by West Africa with 28 and Southern Africa with 20 deals for the quarter. Kenya, Nigeria and Namibia led the field in their respective regions.

The ambitious initiative of the African Continental Free Trade Area (AfCFTA) agreement, which creates a single market for goods and services, and a customs union with free movement of capital and business travellers – the world's largest, given Africa's 1.2 billon population and combined GDP of over $2.5 trillion – was due to come into effect on 1 July 2020. As a result of the COVID-19 global pandemic, this has been postponed, with a new date yet to be confirmed by the African Union Commission. •

MARYLOU GREIG

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DealMakers AFRICA M&A Analysis Q1 2020

REGIONAL ANALYSIS (Excluding failed deals)

		LOCAL DEALS		FOREIGN DEALS		TOTAL	
Region	**Country**	**US $ Value**	**No**	**US $ Value**	**No**	**US $ Value**	**No**
Central Africa	DRC	50 000 000	1	None		50 000 000	1
	Gabon	undisclosed	1	None		undisclosed	1
		50 000 000	**2**			**50 000 000**	**2**
East Africa	Ethiopia	2 000 000	3	None		2 000 000	3
	Kenya	55 835 139	22	None		55 835 139	22
	Rwanda	10 000 000	5	None		10 000 000	5
	Tanzania	26 500 000	5	None		26 500 000	5
	Uganda	523 000 000	1	None		523 000 000	1
		617 335 139	**36**			**617 335 139**	**36**
North Africa	Algeria	undisclosed	1	None		undisclosed	1
	Egypt	2 400 000 000	5	None		2 400 000 000	5
	Morocco	undisclosed	3	None		undisclosed	3
	Tunisia	26 557 990	3	None		26 557 990	3
		2 426 557 990	**12**			**2 426 557 990**	**12**
Southern Africa	Botswana	1 500 000	4	None		1 500 000	4
	Eswatini	33 337 712	1	None		33 337 712	1
	Lesotho	2 811 625	2	None		2 811 625	2
	Malawi	undisclosed	1	None		undisclosed	1
	Mauritius	46 518 880	1	None		46 518 880	1
	Mozambique	3 800 000	2	None		3 800 000	2
	Namibia	686 128 202	5	None		686 128 202	5
	Zambia	undisclosed	2	None		undisclosed	2
	Zimbabwe	undisclosed	2	None		undisclosed	2
		774 096 419	**20**			**774 096 419**	**20**
West Africa	Côte d'Ivoire	356 917	2	None		356 917	2
	Ghana	546 500 188	4	None		46 500 188	4
	Liberia	undisclosed	1	None		undisclosed	1
	Mali	undisclosed	1	None		undisclosed	1
	Nigeria	65 100 000	18	None		65 100 000	18
	Sierra Leone	undisclosed	1	None		undisclosed	1
	West Africa Region	undisclosed	1	None		undisclosed	1
		611 957 105	**28**			**611 957 105**	**28**
		4 479 946 653	**98**			**4 479 946 653**	**98**

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 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
Southern Africa	Namibia	Acquisition by	Constancia Risk and Insurance and Conduit Ventures (Conduit Capital) from Trustco and Riskowitz Value Fund (reverse take-over) of Legal Shield	Merchantec Capital		R10,44bn	Mar 27	$594,8m
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
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
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
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
Central Africa	DRC	Disposal by	Arc Minerals of its 99,43% stke in Casa Mining [which has a 73.84% stake in Akyanga gold Deposit] to Golden Square Equity Partners			$50m	Mar 18	$50m
Southern Africa	Mauritius	Disposal by √	Grand Parade Investments to ECP Africa Fund IV LLC of a 95,36% stake in Burger King (South Africa) and Grand Foods Meat Plant	PSG Capital	Cliffe Dekker Hofmeyr	R697m	Feb 19	$46,5m
Southern Africa	Eswatini	Acquisition by	Shiselweni Forestry Company (TWK Investments) from Peak Timbers and Peak Forest Products of some of the forestry assets			R500m	Feb 18	$33,3m
North Africa	Tunisia	Acquisition by	Banque Internationale Arabe de Tunisie (BIAT) of a majority stake in Tunisie Valeurs			$26m	Jan 23	$26m

√ Private Equity Deal

DealMakers AFRICA ANNUAL GALA AWARDS 2019

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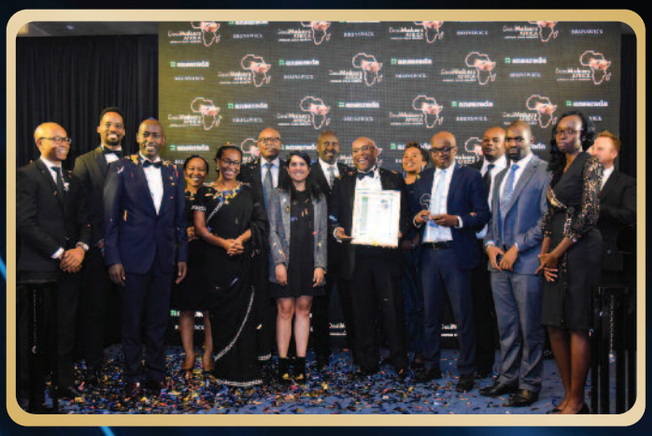
The second Deal**Makers AFRICA** Annual Gala Awards were held in Nairobi, Kenya. Our congratulations go out to the winners and once again our sincere thanks to those that attended the event.

East Africa Region

Deal of the Year: Merger of NIC Group and Commercial Bank of Africa

Advisers to the deal:
NIC Capital, CBA Capital, Faida Investment Bank, Viva Africa Consulting, IKM Advocates, Bowmans, PwC, Ernst & Young (Kenya)

DealMakers EAST AFRICA



East Africa Deal of the Year

Private Equity Deal of the Year: Fanisi Capital exit of Hillcrest International Schools

Advisers to the deal:
IKM Advocates, Dentons Hamilton Harrison Matthews

Adrian Ntwatwa (IKM Advocates) and Peter Okaalet (Dentons Hamilton Harrison Mathews) received the award from Marylou Greig (DealMakers Africa) and Arie Maree (Ansarada)

2019 League Tables – Mergers & Acquisitions

Financial Advisers by Deal Value

1st Standard Bank Group
2nd Absa Group
3rd (tie) CBA Capital | Faida Investment Bank | NIC Capital

Financial Advisers by Deal Flow

1st I&M Burbidge Capital
2nd Standard Bank Group
3rd (tie) Absa Group | PSG Capital

The East Africa category of Financial Advisers (by deal value) was won by Stanbic Bank (Kenya). Terry Kimundi accepted the award

The East Africa category of Financial Advisers (by deal flow) was won by I&M Burbidge Capital. Marylou Greig (DealMakers Africa), Edward Burbidge, Swathi Rao, Kevin Kuria and Jharna Kamdar

CBA Capital | Faida Investment Bank | NIC Capital

Standard Bank Group

Special Recognition Award 2019

The Special Recognition Award is a new award made for the first time in 2019. It goes to a deal done during the year that stands out for any number of reasons including, but not restricted to: complexity, market impact, industry impact etc.

Hidroeléctrica de Cahora Bassa IPO

Harold Paka (BVM), Jose Alper Mugalela (HCB), Marylou Greig (DealMakers Africa), Meul Gulabsinh (Banco Big Mocambique), Hugo Costa (Banco Comercial e de Investimentos) and Arie Maree (Ansarada)

PSG Capital

Legal Advisers by Deal Value

1st Bowmans
2nd IKM Advocates
3rd Anjarwalla & Khanna

Legal Advisers by Deal Flow

1st Bowmans
2nd Anjarwalla & Khanna
3rd IKM Advocates

The East Africa category of Legal Advisers (by deal value) was won by Bowmans. Dominic Indokhomi accepted the award

The East Africa category of Legal Adviser (by deal flow) was won by Bowmans. Alex Mathini accepted the award

IKM Advocates

Anjarwalla & Khanna

Anjarwalla & Khanna

IKM Advocates

West Africa Region

Deal of the Year: Merger of Cement Company of Northern Nigeria and Obu Cement

Advisers to the deal:
Stanbic IBTC Capital, Rand Merchant Bank Nigeria, G. Elias & Co., Olaniwun Ajayi LP, APT Securities and Funds, Stanbic IBTC Stockbrokers, KPMG Advisory Services, Gbenga Badejo & Co.

Tolulope Alafe (Stabic IBTC Capital) and Segan Omoregie (G. Elias & Co.) accepted the award from Iris Sibanda (Brunswick) and Marylou Greig (DealMakers Africa)

2019 League Tables – Mergers & Acquisitions

Financial Advisers by Deal Value
1st Rand Merchant Bank
2nd Standard Bank Group
3rd (tie) Citigroup Global Markets | Evercore Partners

Financial Advisers by Deal Flow
1st Standard Bank Group
2nd PSG Capital
3rd (tie) Rand Merchant Bank | Delta Partners

Legal Advisers by Deal Value
1st Olaniwun Ajayi
2nd G.Elias & Co
3rd Mayer Brown

Legal Advisers by Deal Flow
1st Banwo & Ighodalo
2nd G.Elias & Co
3rd Norton Rose Fulbright

2019 League Tables – General Corporate Finance

Financial Advisers by Transaction Value
1st Chapel Hill Denham Advisory
2nd Standard Bank Group
3rd (tie) Absa Group | Quantum Zenith Capital & Investments

Legal Advisers by Transaction Value
1st Banwo & Ighodalo
2nd ENSafrica
3rd (tie) Abdullahi Ibrahim & Co | Olaniwun Ajayi

Financial Advisers by Transaction Flow
1st (tie) Chapel Hill Denham Advisory | Standard Bank Group
3rd (tie) Absa Group | Quantum Zenith Capital & Investments

Legal Advisers by Transaction Value
1st G.Elias & Co
2nd Banwo & Ighodalo
3rd (tie) Abdullahi Ibrahim & Co | Olaniwun Ajayi

Segan Omoregie (G.Elias & Co) accepted the awards from Marylou Greig (DealMakers Africa)

Tolulope Alafe (Stanbic IBTC Capital) accepted the awards from Marylou Greig (DealMakers Africa)

Ferdinand Zaumu (Citigroup Global Markets) accepted the award

Willie Honeyball (PSG Capital) received the award



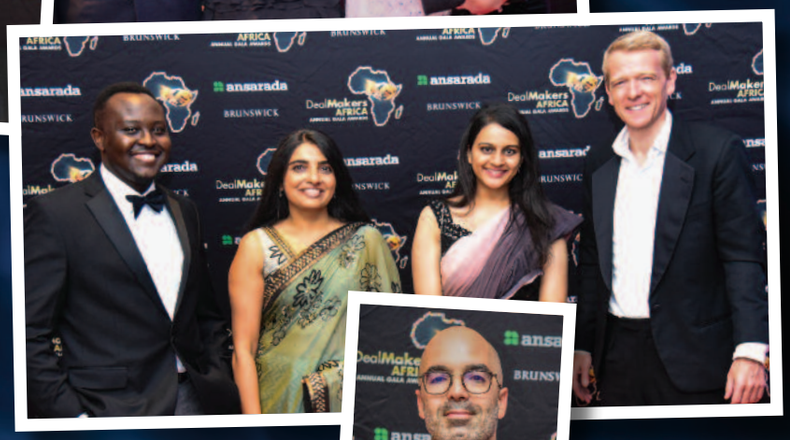
















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A 'Dicey' Matter:

The Fate of Employees in Mergers and Acquisitions

JACOB OCHIENG, SANDRA KAVAGI AND SHEILA NYAKUNDI

There has been a rise in mergers and acquisitions (M&A) transactions in Kenya, even as business entities grapple with tough economic times and the ability to stay afloat in the evolving business market. The recent acquisition of National Bank of Kenya Limited by KCB Bank PLC; the merger of NIC Group PLC and Commercial Bank of Africa Limited; the acquisition of Quick Mart and Tumaini Self Service Supermarkets by Sokoni Retail Kenya, to form a single retail operation; and the proposed acquisition of 100% of the issued share capital of De La Rue Kenya Limited (a subsidiary of De La Rue PLC) by American firm HID Corporation Limited are some of the notable M&A transactions that took place in Kenya in 2019. All these recent deals have brought to the fore, among other issues, the fate of employees in the merging entities. In most instances, a high number of employees are declared redundant, and thereafter have to wait for fresh advertisements of positions by the merged or acquiring entity and apply to be recruited.


Ochieng


Kavagi


Nyakundi

Employment and labour law considerations feature highly during M&A transactions. More often than not, such transactions lead to loss of employment due to the restructuring of the target company, or the change in character and identity of the transferring entity. Unlike other contracts involving assets and liabilities of the transferor, contracts of employment are currently not assignable to the acquiring entity under Kenyan law.

Other than setting out the basic conditions of employment and addressing the legal requirements for engagement and termination of employees, both the Employment Act, 2007 and the Labor Relations Act, 2007 are silent on the effect of M&A activity on employees. In practice, the contracts of employment are terminated on account of redundancy, subject to compliance with the conditions as set out under section 40 of the Employment Act.

In some instances, the Competition Authority of Kenya (the Authority), established under the Competition Act, 2010, undertakes a public interest assessment to ascertain the extent to which the M&A transaction will cause a substantial loss of employment, and imposes conditions to mitigate such, as has been the case in the acquisition of National Bank of Kenya Limited by KCB Bank PLC, where the Authority approved the merger on condition that KCB Bank PLC retains 90% of the employees from National Bank of Kenya Limited for a period of at least 18 months. This was also seen in the merger between NIC Group PLC and Commercial Bank of Africa Limited, where the Authority approved the merger on condition that both entities retain all the employees for a period of at least one year.

Proposed Law

The Kenya Law Reform Commission, a statutory body established under the Kenya Law Reform Commission Act, 2013 with the mandate to review all the laws of Kenya to ensure that they are modernised, relevant and harmonised with the Constitution of Kenya, 2010, recently prepared a draft Employment (Amendment) Bill, 2019 (the Bill) which, amongst other provisions, proposes to amend the principal Act (being the Employment Act, 2007) by introducing a new section 15A which provides for the transfer of employees during M&A transactions.

The proposed section 15A provides that such transfer of employees shall not operate to terminate or alter the terms and conditions of service as stipulated in the original contracts of the employees. It also creates an obligation on the transferor to notify and consult with the affected employees or their representatives regarding the anticipated transfer, the implications of such transfer and the measures that the transferor envisages will be taken to mitigate such implications. Further, the Bill provides that any dismissal taking place prior or subsequent to the transfer shall amount to summary dismissal if such dismissal is premised on the transfer.

Employment and labour law considerations feature highly during M&A transactions. More often than not, such transactions lead to loss of employment due to the restructuring of the target company, or the change in character and identity of the transferring entity.

Essentially, the Bill seeks to eliminate the difficulties occasioned during M&A transactions by ensuring that the employees are not left out in the cold when their employer is bought out. It also creates an obligation for the transferor to inform and consult with the employees who will be affected in an M&A transaction. This has been the practice in other jurisdictions such as the United Kingdom and, even closer to home, in neighbouring Uganda.

The Bill borrows heavily from the Transfer of Undertakings (Protection of Employment) Regulations, 2006 (TUPE Regulations) as amended by the Collective Redundancies and Transfer of Undertakings (Protection of Employment) (Amendment) Regulations, 2014 applicable in England and Wales. TUPE Regulations are aimed at protecting the rights of employees in M&A transactions in England and Wales by imposing obligations on employers to inform and, in other cases, consult with representatives of affected employees. Failure to comply with these obligations attracts penalties and sanctions to the employer.

Critique

While the proposed law could be seen as a relief for employees who are mostly losers in M&A deals, it brings with it several challenges and may potentially make M&A transactions even more complex and strenuous, particularly on the part of the transferee.

Firstly, all the transferor's rights, powers, duties and liabilities in connection with any employment contract shall be transferred to the transferee. Further, the transferee shall be liable for all the employees' dues dating back to the commencement of the employment contract. This also means that the transferee shall shoulder all the liabilities that arose from the transferor's engagements with its employees, including, but not limited to, cases initiated by and against the transferor.

Secondly, the proposed amendment as currently drafted may subject the parties in M&A transactions to unnecessary costs and restrictions. It may not be practical to place the transferee under an obligation to automatically retain all the employees of the transferor without any loss of benefits or contractual dues. Such a provision would defeat the purpose of M&A transactions, as most of them are geared towards restructuring the business for the purpose of reducing operational costs.

With respect to the dismissal of employees immediately prior or subsequent to an M&A transaction, the proposed amendment, as currently framed, might open a 'Pandora's box' as it may operate as a blanket protection to all employees, including those whose

contracts may be terminated for valid reasons during the transition period. The proposed amendment, as drafted, protects employees against redundancy processes while creating a higher standard of proof against the transacting parties with regards to any termination disputes arising in the course of an M&A Transaction.

Further, the proposed amendment fails to appreciate the contractual rights and obligations of parties with respect to employment and M&A transactions. There should be provision to allow the transferee to freely negotiate alternative arrangements and contractual obligations with the transferor's employees, and maybe set the standards that should guide this process. By doing so, the parties would have a better chance to make agreements that are favourable to all.

Conclusion

While the issue of how to deal with employees and employment contracts remains a challenge in M&A transactions in Kenya, the proposed amendments to the Employment Act will no doubt come as a sigh of relief for many employees who have long viewed themselves as collateral damage. However, the proposed amendment is likely to increase the cost of undertaking M&A transactions in Kenya, which may well end up being counterproductive as regards the rationale for which the M&A transaction was carried out in the first place. ●

Ochieng is a Partner and Kavagi and Nyakundi Associates with Oraro & Company Advocates, Kenya.

Implementation of the COMESA Treaty in Uganda: A Commercial Perspective

SILVER KAYONDO

In 2017, Uganda enacted the Common Market for Eastern and Southern Africa Treaty (Implementation) Act (the Act). The purpose of the Act is to give force of law to the Treaty establishing the Common Market for Eastern and Southern Africa (COMESA) in Uganda, and provide for other related matters.


Kayondo

COMESA is a preferential trade area comprising of twenty one member states, including Angola, Burundi, Comoros, the Democratic Republic of Congo, Djibouti, Egypt, Eritrea, Ethiopia, Kenya, Madagascar, Malawi, Mauritius, Namibia, Rwanda, Seychelles, Sudan, Eswatini (formerly Swaziland), Tanzania, Uganda, Zambia and Zimbabwe. It replaced the former Preferential Trade Area (PTA). COMESA's main focus is the formation of a large economic and trading unit that helps to leapfrog some of the barriers faced by the individual member states. It has a collective population of over 540 million people and global trade in goods worth about US$235 billion.

The Act categorically states that all rights, powers, liabilities, obligations, and restrictions created or arising from the COMESA Treaty, and all remedies and procedures thereunder, are recognised and enforceable in Uganda. Furthermore,

It is important to note that although Uganda does not have an over-arching Competition/ Antitrust law, Article 55 of the Treaty is to the effect that the Member States agree that any practice which negates the objective of free and liberalised trade is prohibited.

the COMESA enjoys the legal capacity of a body corporate with perpetual succession, and may acquire, hold, manage, and dispose of movable and immovable property, and may sue or be sued in its corporate name. The Act is administered by the Minister of Trade, Industry and Cooperatives (hereinafter called "the Minister"). Regulations made by the Council of Ministers of the COMESA under Article 10 of the Treaty are also clothed with automatic force of law in Uganda.

The Minister is also given the mandate to take all necessary steps to accord COMESA, its organs and institutions, the privileges and immunities accorded to similar organisations under Uganda's Diplomatic Privileges Act or any other relevant enactment.

Another key provision relates to financials. The Act provides for a charge on Uganda's Consolidated Fund for payments to be made out of the fiscus, to meet Uganda's obligations under the Treaty. To effect this provision, the Minister of Finance, Planning and Economic Development may, on behalf of the government of Uganda, raise loans through the creation and issue of securities to meet financial obligations due to the COMESA. Any monies received by the government under the Treaty must be remitted and form part of the Consolidated Fund of the Republic of Uganda.

In terms of dispute resolution, any question as to the meaning or effect of any provision of the Treaty, or as to the meaning, validity or effect of any Common Market instrument arising in any proceeding in Uganda must be treated as a question of law, and if not referred to the COMESA Court of Justice (hereinafter called "the COMESA Court"), such question must be determined in accordance with the principles laid down by the Treaty and any relevant decision of the COMESA Court.

A judgment or order of the COMESA Court which imposes a pecuniary obligation on a person is enforceable in Uganda upon verification, as required by Article 40 of the Treaty, which stipulates that the order for execution must be appended to the Court judgment for verification of authenticity by the Registrar. Execution in this case would be in accordance with Uganda's Civil Procedure

Act, and Rules thereunder. The COMESA Court sits in Khartoum, Sudan and it is well established with its own COMESA Court Rules of Procedure of 2016. Arbitration matters before the Court are governed by the Arbitration Rules of 2018.

It is important to note that although Uganda does not have an over-arching Competition/Antitrust law, Article 55 of the Treaty is to the effect that the Member States agree that any practice which negates the objective of free and liberalised trade is prohibited. To this end, agreements between undertakings or concerted practice which is aimed at prevention, restriction or distortion of competition within the COMESA are prohibited. This inspired the establishment of the COMESA Competition Commission (the Commission) with the mandate to prohibit, monitor and investigate anti-competitive business practices, control mergers and acquisitions within the COMESA, and mediate disputes between member states concerning anti-competitive conduct. The Commission is established by the COMESA Competition Regulations of 2004, and is currently based in Lilongwe, Malawi.

With recent developments, such as the African Continental Free Trade Agreement which created the African Continental Free Trade Area (AfCFTA), it is hoped that the COMESA will continue to play an integral role in driving a fully integrated pan-African free trade area. It is further anticipated that with the global economic slowdown arising from COVID-19 and market shocks in the USA, Europe and Asia, Africa will look more to trade with herself and spur more cross-border capital movement, joint project financing, and exchange of industrial and technological information. There is no doubt that instruments such as Uganda's COMESA Treaty Implementation Act are a welcome move to facilitate intra-African trade and investment protection as we await full implementation of the AfCFTA. ●

Silver Kayondo is a Partner at Ortus Advocates in Kampala, Uganda.

The Rationale for Consolidation in Banking

GAURI GUPTA

The era of consolidation in the local banking sector is here, with more than eight M&A deals announced in Kenya over the last 15 months. It is an exciting time that will undoubtedly provide a solid foundation for the growth in this sector.


Gupta

A leaner, more efficient market provides a number of advantages, ranging from sound supervision by the regulator to attractive products and services for the customers.

The ultimate objective of any merger is to enhance the value of either the acquiring entity or the merged entity, and this has become even more relevant against the backdrop of the increased globalisation that has followed an economic liberalisation, increased regulation in the financial services sector, a technological revolution and unprecedented changes in financial markets across the world.

The instability, uncertainty and fast-changing business environment have altered the ways and means in which banks conduct their business – there is thus a need for continuous restructuring, and re-engineering business models, requiring development of new and innovative products and services, increased investments in technology to keep pace with, or to move on to better, more robust and efficient technological platforms, and the adoption of new distribution channels.

Consolidation in the banking industry, while being guided by the factors mentioned above is, however, largely synergy-driven to achieve an increase in the profitability and performance of the combined entity where 2+2 = 5. This becomes possible not only by saving on operating costs realised by economies of scale, and increased revenues from cross-selling, but also by the complementary strengths of the merging institutions, an increased customer base and geographical spread, and reduced competition.

The overarching theme, however, remains the desire to make the merged entity more efficient, not just in terms of the efficiency ratio (measured by the bank's overheads or operating costs as a percentage of total revenue), but also in terms of banking operations. Banks are increasingly required to have in place an elaborate infrastructure to ensure adequate and appropriate frameworks for internal control, risk management, compliance, governance and management of the information technology and information security platforms. Upon consolidation, the merged entity is able to more effectively and efficiently consolidate and administer these operational infrastructures. Even from a credit risk perspective, a larger bank has a lower aggregated risk profile since a large number of similar risk-level complementary loans decrease overall institutional risk.

Occasionally, acquiring the talent pool and skilled human resources of another small bank could be one of the motivating factors in undertaking a merger.

Consolidation in the banking industry, while being guided by the factors mentioned above is, however, largely synergy-driven to achieve an increase in the profitability and performance of the combined entity where 2+2 = 5.

From the Central Bank's viewpoint, consolidation is encouraged, given that it enhances the safety and soundness of banking institutions and improves the allocation of credit.

It is, therefore, no surprise that there has been a notable increase in bank mergers, not only in Kenya but across the globe, over the last three decades.

In the US alone, consolidation in the banking industry resulted in the number of banking and savings organisations declining by 51% during the period 1984 to 2006. Europe, too, saw similarly hectic activity. During the period 2001-2005, the total number of EU credit institutions decreased by 12% while assets increased by 33%. In Latin America, similar trends were noted in Argentina, in Mexico following the banking crisis in 1995 and, to a lesser extent, in Chile and Colombia during the late 1990s. In Asia, Malaysia and Indonesia successfully and actively encouraged consolidation in the banking sector during the period 1996 to 2003. Similar trends were noted in Korea and Japan.

Closer to home, in Nigeria, the regulator-driven consolidation resulted in the number of banks reducing from 89 to 25 between 2004 and 2006, successfully unlocking the sector's potential by creating bigger banks with better capabilities to drive down costs and, riding on the back of rapid economic growth, allowing them to penetrate a larger portion of the unbanked population.

A report prepared by McKinsey in mid-2010 claimed that there were 430 M&A deals involving financial institutions in Africa during the period 2004 to 2009. Of these, about 40% were cross-border, with the acquirer originating elsewhere in Africa or outside it. Banks in South Africa are especially busy gaining footholds outside their home market.

This tells us that, in the new world, consolidations will continue to be the weapons used to enhance the value of the banking sector as it races ahead to deliver value for customers. ●

Gupta is a Director at I&M Burbidge Capital in Kenya.

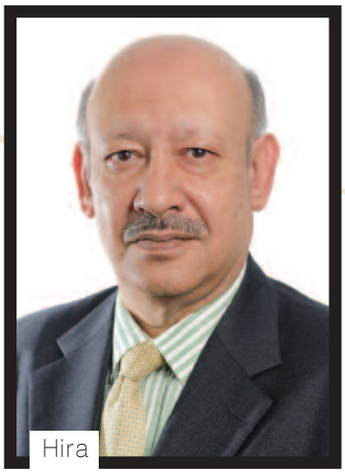
What new digital taxes contemplated in the finance act mean for digital trade and services in Kenya

JOHN SYEKEI, NIKHIL HIRA, DENIS MAGONGA AND ANGELA MUKORA

Digital traders would likely have heard of the recent changes to the Income Tax and VAT Acts introduced by the Finance Act, 2019 (the Act). With effect from 7 November 2019, goods and services supplied in the digital marketplace will now be subject to VAT and income tax.


Syekei

The taxes hardly come as a surprise to Kenyans as, in the 2018 KRA Annual Summit, the Kenya Revenue Authority (KRA) made a clear declaration of its intention to broaden its tax base by introducing taxes on the emerging digital economy. Even before then, there were signals of future tax changes, with the VAT Act 2013 envisaging VAT on downloaded electronic services.


Hira

All this comes after the large-scale technological and digital developments that Kenya has experienced in the past two decades, ranking third among African countries with the highest Bitcoin usage in 2019, and with a population that has a remarkable appetite for online betting, borrowing and purchases.


Magonga


Mukora

The ins and outs of the new taxes

Section 4 of the Finance Act amends the Income Tax Act to include "income accruing through a digital marketplace" as taxable income. Likewise, section 18 of the Act expands the VAT Act to be "applicable to supplies made through a digital marketplace".

The Act broadly defines a digital marketplace as "a platform that enables the direct interaction between buyers and sellers of goods and services through electronic means." This broad catch-all provision seeks to ensure that entities generating income through a digital platform are captured. The most obvious targets of the provision are expected to be e-hailing platforms and online marketplaces such as Uber and Jumia.

How the new provisions will be implemented

While the Act indicates that the measure to tax income from digital transactions entered into force on 7 November 2019, it also states that the Cabinet Secretary of National Treasury and Planning shall make regulations to provide for the mechanisms of

implementation. There is no clear timeline as to when these regulations will be published, posing a practical challenge to implementation of the provisions, which means that enforcement of this tax will be delayed.

It would be beneficial to stakeholders in the digital and technological sector if the regulations were to clearly set out:

- the specific income that is subject to the tax provisions;
- the applicable rates of tax to be applied (particularly in the case of non-resident persons without a permanent establishment in Kenya); and
- the party responsible for accounting for the taxes.

As of February 2020, it remains unclear whether these taxes are operational, given the absence of clear guidelines on how these would operate.

Across the border

Taxation of the digital economy is not a novel concept in the world, with countries such as India and France jumping on the bandwagon in recent times. Globally, the introduction of digital taxes is fast becoming infamous for setting off retaliatory trade wars between countries.

In 2016, India imposed digital taxes (commonly dubbed the 'Google Tax') on tech companies involved in digital advertising. The tax seemed to target Over-the-Top (OTT) service providers such as Google, Twitter and Facebook. In 2018, the country went further, introducing a provision requiring companies to pay tax on domestic income accrued from a digital platform. The implication of this

provision is that non-resident big tech companies would now be required to pay direct taxes on income generated in India. In retaliation, the USA introduced immigration restrictions that adversely affect Indians resident in the USA.
Similarly, last year, the French government proposed a digital tax where tech companies would be mandated to pay a 3% tax "on the gross revenues derived from digital activities of which French 'users' are deemed to play a major role in value creation". The laws also introduced a threshold for annual revenue generated (€750 million for taxable digital services supplied worldwide and €25 million for taxable digital services supplied in France). These thresholds were seen as a move to capture big tech companies such as Amazon, Google and Facebook.

As expected, the proposed tax sparked threats of retaliatory tariffs on imported French wines and cheeses in the USA. At the moment, the rivalry between France and the USA has seemingly been quelled through a quasi-ceasefire agreement to suspend the digital tax in exchange for a postponement of the threatened retaliatory tariffs until the Organisation for Economic Cooperation and Development (OECD) provides a harmonised position on digital taxes. The OECD is best placed to ensure that there is uniformity of digital taxes around the world, as it has done for other taxes in the past – VAT being one such example.

These trade wars have, in the past, caused global stock markets to stumble. A similar crippling effect to the digital economy is imminent if the two superpowers cannot find common ground on the subject of digital tax.

What is the OECD's take on digital taxes?

The OECD is an inter-governmental economic organisation mandated to foster world trade and economic progress. In the past few years, the OECD has been working on a model for taxation of the digital economy, set to be part of the OECD/G20 Inclusive Framework on Base Erosion and Profit Shifting (BEPS). Primarily, the model proposes to allocate the primary right to tax to the country from which the digital revenue generates (where the transaction takes place) rather than the country in which the investment is made (where the platform is hosted).

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Under BEPS, the first pillar is intended to focus on profit allocation rules among states, including necessary modifications to traditional transfer-pricing rules, nexus rules and the arm's length principle, to take into account the changes that digitisation has introduced to the world economy.

BEPS is also set to examine concepts of marketing intangibles, user contribution and significant economic presence, and how they can be used to address the resultant tax challenges of the digital economy.

Anticipated effects of the tax in Kenya

The new amendments introduced by the Act have been negatively received by digital platform operators and consumers in Kenya. The move has been viewed as tantamount to double taxation for digital platform operators and burdensome to consumers, particularly where VAT on supplies is concerned.

This is because, without clear guidelines on how this tax will be applied, ascertaining who bears the cost of this new tax is largely speculative. In the event that the VAT provision intends to place incidence on the consumer, the new tax may inevitably end up stifling innovation by taking away the very incentive for digital marketplaces which have, for a long time, been regarded as a more

cost-efficient means of conducting business, compared with traditional brick and mortar businesses.

This particular point was raised during public participation in the Finance Bill, where it was pointed out that a huge portion of the Kenyan youth population, because of a lack of jobs and capital, have turned to innovation in the digital space to reduce the operational costs of doing business. Members of the public were therefore concerned that this move would encourage flight from the sector and hamper the growth of start-ups and small and mid-size enterprises (SMEs).

What is more worrying is that national digital taxes (without a corresponding international tax regime) could endanger cross-border trade and investment. This is because any investor attempting to do business across borders would face the risk of being taxed repeatedly on the same portion of income.

Carefully thought-out international tax agreements may be key to minimising the risk of endangering cross-border trade. A huge challenge for the drafters of such agreements, however, is that digital creatures lack defined territorial boundaries, and are always evolving faster than the law. This is the challenge that plagues any attempt to regulate cyberspace.

What next for Kenya?

The regulations for the new tax provisions will be key in understanding how the tax will be imposed on digital marketplaces in Kenya, its operational workings and its effect. Our view is that these regulations should align with the broader government policy on the digital economy, international best practice and data protection laws to ensure a smooth implementation.

Perhaps it would be prudent for industry players to lobby to ensure that a favourable environment for innovation is central to the efforts of the National Treasury in formulating these regulations, so that Kenya does not lose its position as an innovation and tech hub in Africa. •

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Monopoly: AI Edition

ANGELO TZAREVSKI AND KIRSTY GIBSON

Due to the inherent nature of Artificial Intelligence (AI), AI-powered industries naturally tend towards monopolisation. This is because once the software and algorithms have been developed, AI uses data to continue to learn and find solutions to problems, without (or with minimal) human intervention, and it does so with increased accuracy and efficacy compared to humans. This makes it more difficult for competitors to catch-up. When the first company completes the development of its AI and starts to sell it worldwide before its competitors do, the clock starts ticking and the lapse of time before the next AI emerges on the market determines the competitive scene.


Tzarevski


Gibson

While major technology companies are already using AI technology, its application in traditional industries, such as the healthcare and automotive sectors, is just beginning. For example, in the healthcare industry, AI can already be used to diagnose patients via photographs and can predict whether a patient is at an increased risk for suicide purely from the application of standardised tests. However, more research and development are needed before hospitals and clinics begin using this technology on their patients *en masse*.

The application of AI in traditional industries such as the healthcare and automotive sectors requires regulation in terms of competition and antitrust law. There is scope for antitrust regulators to step in and regulate economies that contribute to global competition, without stifling innovation and wealth creation. How they will effectively achieve this, however, is still unclear.

Abuse of dominance laws could potentially protect consumers from harmful monopolies. In South Africa, such laws prevent companies that have market power of 35% or more from charging excessive prices, refusing competitors and customers access to essential facilities or scarce products and generally engaging in "exclusionary" acts. The South African Competition Commission has already spent time and resources in understanding digital markets in this respect.

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Abuse of dominance laws may also help in closing the data gap in the development of AI. By making the data used by the first AI in a particular market available to subsequent AIs in that same market, when new AIs enter a market, they would theoretically already be on the same level as the original AI. In other words, all AI services in the same industry will enter the market already having the same knowledge as the other AIs available for sale. In the context of the

healthcare industry, allowing access to the data analysed from the patients that the first AI has diagnosed would place subsequent similar AIs on the same level playing field.

However, the option of data sharing does come with its own problems, as the privacy of consumers must also be considered when allowing competitors to access consumer data. For AI to succeed, consumers would need to trust that the data collected via the use of a particular service will not be shared or traced back to them.

Recent amendments to the Competition Act 89 of 1998 in South Africa could signal a further starting point in regulating AI. Since the amendments, companies accused of charging excessive prices bear the burden of proving that the prices charged for goods or services are reasonable. Consumers who make use of AI services will thus be protected, as the price charged for services using AI will need to be reasonable, as with every other service. However, this could have the unintended consequence of making it difficult for competitors to enter the market as, if the best (or only) AI in a specific industry is priced reasonably, this is most likely the AI that consumers will use, and there may not be a reason or need for any other AI services in that market.

The list of problems and potential solutions are clearly numerous and varied, however, we will not have all the answers until AI is well established in everyday life and becomes increasingly regulated as a result. Even then, amendments to existing antitrust legislation will need to be made quickly and carefully to ensure that AI services can succeed in a competitive economy without destroying competitive dynamics. ●

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DEALMAKERS AFRICA Q1 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									
M&A	Ethiopia	Acquisition by	Paga of Apposit					undisclosed	Jan 22
M&A	Ethiopia	Investment by √	Partech, Orange Digital Ventures and Consonance Investment Managers in Geneya [seed round]					$2m	Feb 6
M&A	Ethiopia	Joint venture between	Bolloré Transport & Logistics and CLS Logistics: Bolloré Transport & Logistics Ethiopia					undisclosed	Mar 9
M&A	Kenya	Investment by √	Inqo Investments in Kentegra Biotechnology					undisclosed	Jan 3
M&A	Kenya	Acquisition by	MUA Insurance (Kenya) of Saham Assurance Company Kenya					undisclosed	Jan 13
GCF	Kenya	Green Bond Issue	Acorn Holdings	Stanbic Bank Kenya; SBG Securities		Anjarwalla & Khanna; IKM Advocates	DLA Piper UK	Ksh4,93bn	Jan 13
M&A	Kenya	Acquisition by	Sokoni Online (AfricaSokoni) of Bolorims.com from FMO Holdings (FMO will receive a 10% stake in AfrcaSokoni)					undisclosed	Jan 13
M&A	Kenya	Investment by √	Shorooq Partners, EchoVC and Oman Technology Fund in QuickBus (seed funding)					undisclosed	Jan 16
M&A	Kenya	Investment by √	FSD Africa Investments in Frontclear					$2m	Jan 21
M&A	Kenya	Acquisition by √	FSD Africa Investments of an additional stake in MFS Africa					$1,2m	Jan 21
M&A	Kenya	Merger of	Fanisi Capital and Ascent Capital					undisclosed	Jan 22
M&A	Kenya	Investment by √	HAVAIC in Dukapay (trading as Tanda)					undisclosed	Jan 28
M&A	Kenya	Investment by √	Atlantic Ventures, Mobility 54 (Toyota Tsusho Corp), Asia Africa Investment, Sunu Capital, Enzo Capital, Vested World and Kepple Capital in Sendy					$20m	Jan 29
M&A	Kenya	Acquisition by √	Hospital Holdings (IFC, Swedfund and other private entities) of a 54,23% stake in AAR Health Care Holdings					undisclosed	Feb 5
M&A	Kenya	Investment by √	Enviu and the DOEN Foundation in Taimba [equity and grant financing]					€250 000	Feb 5
M&A	Kenya	Acquisition by	Shanta Gold of 100% of Acacia Exploration (Kenya) from two subsidiaries of Barrick Gold			Anjarwalla & Khanna; Reynolds Porter Chamberlain; Norton Rose Fulbright		$14,5m	Feb 10
M&A	Kenya	Acquisition by	Edelman of Gina Din Corporate Communications					undisclosed	Feb 12
M&A	Kenya	Merger of	AIB Capital and Apex Africa Capital					undisclosed	Feb 13
M&A	Kenya	Acquisition by	Metro Concepts East Africa (Ascent Rift Valley Fund) of the plastics manufacturing business of Metro Plastics					undisclosed	Feb 17
M&A	Kenya	Investment by √	GreenTec in Ecodudu					undisclosed	Feb 21
M&A	Kenya	Investment by √	Quona Capital, Amplo, Breyer Capital, Vertas Ventues, Timon Capital and 4Dx Ventures in Sokowatch					$14m	Feb 24
M&A	Kenya	Acquisition by √	Amethis Finance of a 30% stake in Naivas Group	Sasema; EY; Boston Consulting Group (BCG)		Bowmans; Dentons		undisclosed	Feb 28
M&A	Kenya	Investment by √	Sparkmind.vc, Finnfund, Cornerstone Enterprises, Aucfan Incubate, Seedstars International, Kepple Africa Ventures, Barona and a group of individual investors in Fuzu					$3,86m	Mar 10
M&A	Kenya	Acquisition by	KenolKobil of 10 petroleum retail outlets in Zambia from Samfuel					undisclosed	Mar 18
M&A	Kenya	Acquisition by	East African Breweries of an additional 30% stake in Serengeti Breweries					undisclosed	Mar 20
M&A	Kenya	Acquisition by	Metier Sustainable Capital International Fund II of a 40% stake in the Kaptis project [14.7MW run of river hydropower project] from Tembo Power					undisclosed	Mar 26
M&A	Rwanda	Acquisition by	African Solutions Private of a 98,03% stake in Burera Diary from the Rwanda Government					undisclosed	Jan 14
M&A	Rwanda	Disposal by	Jay Shree Tea & Industries of the Mata and Giskura Tea Estates to Grand Lac Trading					$10m	Jan 17
M&A	Rwanda	Acquisition by	Qatar Airways of a 49% stake in Rwandair					undisclosed	Feb 5
M&A	Rwanda	Acquisition by	AfricInvest Financial Inclusion Vehicle of a minority stake in I&M Bank (Rwanda)			Anjarwalla & Khanna		undisclosed	Mar 17

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

√ Private Equity deal

DEALMAKERS AFRICA Q1 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	Rwanda	Investment by √	FinnFund in Kasha					undisclosed	Mar 31
GCF	Seychelles	MERJ Listing of	Investment Evolution Corporation: 106,000,000 shares at €0.15 per share					€15,9m	Feb 7
M&A	Tanzania	Acquisition by	Circle Gas of KopaGas's proprietary technology					$25m	Jan 13
M&A	Tanzania	Acquisition by	International Finance Corporation (IFC) of a stake in the Tanzania Mortgage Refinance Company plus purchase of medium-term notes					$1,5m equity plus $4,25m in bonds	Jan 21
GCF	Tanzania	Loan by	Standard Chartered Bank Tanzania to the Government of Tanzania to fund the construction of the Standard Guage Railway Project					TZS147bn	Feb 14
M&A	Tanzania	Acquisition by	National Bank of Malawi of a 75% stake in Akiba Commercial Bank					undisclosed	Feb 21
M&A	Tanzania	Acquisition by	East African Breweries of an additional 30% stake in Serengeti Breweries					undisclosed	Mar 20
M&A	Tanzania	Investment by √	Zebu Investment Partners in Royal Oven					undisclosed	Mar 26
M&A	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
WEST AFRICA									
GCF	Côte d'Ivoire	Loan by √	Emerging Africa Infrastructure Fund to Azito Energie - gas-fired power plant expansion					€28m	Feb 2
GCF	Côte d'Ivoire	Investment by	International Finance Corporation (IFC) in NSIA Banque Côte d'Ivoire securitisation					$30m	Feb 10
M&A	Côte d'Ivoire	Acquisition by	IronRidge Resources of the Bodite and Bianouan gold licences in return for issue of 1,550,388 Ironridge shares at 18 pence per share	SP Angel Corporate Finance				£279 070	Mar 2
M&A	Côte d'Ivoire	Investment by √	GreenTec in Coliba					undisclosed	Mar 19
GCF	Ghana	Private placement by	Agricultural Development Bank : 39,076,924 shares at GHS3.25 per share issued to Ghana Amalgamated Trust	Serengeti Markets				GHS127m	Jan 2
M&A	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
M&A	Ghana	Investment by √	I&P Afrique Entrepreneurs 2 in New Crystal					undisclosed	Jan 30
M&A	Ghana	Acquisition by	Ironridge Reources of Joy Transporters in return for the issue of 2,360,035 shares in Ironridge at 22.5p per share	SP Angel Corporate Finance				£531 008	Mar 12
M&A	Ghana	Disposal by	Corporate International Holdings (Gold Fields) to Nord Gold SE of a 16,4% stake in Cardinal Resources (81,038,233 shares)	Bacchus Capital		DLA Piper		A$37,1m	Mar 15
M&A	Liberia	Acquisition by	Conex Oil and Gas of Total's fuel businesses in Liberia and Sierra Leone					undisclosed	Mar 25
M&A	Mali	Acquisition by √	Africa Capitalworks Management of a minority stake in Gaselia Industries Group					undisclosed	Feb 5
M&A	Nigeria	Acquisition by	Sokoni Online (AfricaSokoni) of Bolorims.com from FMO Holdings (FMO will receive a 10% stake in AfrcaSokoni)					undisclosed	Jan 13
M&A	Nigeria	Acquisition by √	Proparco of a stake in Rensource					$3m	Jan 17
M&A	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
M&A	Nigeria	Investment by √	Consonance Investment Managers in VerifyMe (Series A financing)					undisclosed	Jan 20
M&A	Nigeria	Acquisition by	Paga of Apposit					undisclosed	Jan 22
M&A	Nigeria	Disposal by	Union Bank of Nigeria of 100% of Union Bank UK to MBU BidCo (MBU Capital)	Chapel Hill Denham; Syndeo Capital; PwC		White & Case; Udo Udoma & Belo-Osagie; Akin Gump		undisclosed	Jan 28
M&A	Nigeria	Investment by √	I&P Afrique Entrepreneurs 2 in Rensource					undisclosed	Jan 30
GCF	Nigeria	Bond listing by	Interswitch Africa One: Series 1 Fixed Rate Senior Unsecured Callable Bands	FBNQuest Merchant Bank; Stanbic IBTC Capital; Absa Capital markets Nigeria; FCMB Capital Markets; Quantum Zenith capital & Investments; Rand Merchant Bank Nigeria		Banwo & Ighodalo	Ernst & Young	NGN23bn	Jan 31
M&A	Nigeria	Acquisition by	Farmcrowdy of Best Foods					undisclosed	Feb 5

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√ Private Equity deal

DEALMAKERS AFRICA Q1 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	Nigeria	Debt funding facility by † √	SunFunder to Daystar Power					up to $4m	Feb 7
GCF	Nigeria	Debt funding by † √	HQ Financial Group in Aelia Credit					$10m	Feb 10
GCF	Nigeria	Open Market acquisition by	Themis Capital management of an additional stake in UAC of Nigeria [15,680,314 shares at a weighted average price of NGN10 per share]					NGN156,7m	Feb 20
M&A	Nigeria	Acquisition by	ADM Energy of a 2,25% participating interest in OML 113 from EER (Colobus) Nigeria					$3m	Feb 24
M&A	Nigeria	Acquisition by √	Verod Capital Management of 100% of Law Union & Rock Insurance [offer price of NGN1.23 per share]					to be advised	Feb 28
M&A	Nigeria	Acquisition by	The New Practice (TNP) of Adebiyi Tax & Legal					undisclosed	Mar 1
M&A	Nigeria	Acquisition by	Tangerine Life Insurance [supported by Verod Capital Management] of a majority stake in ARM Life Insurance					undisclosed	Mar 2
M&A	Nigeria	Acquisition by √	Actis of a stake in Rack Centre					undisclosed	Mar 3
M&A	Nigeria	Investment by √	Orange Digital Ventures frica and Loftyinc Afropreneurs Fund in Youverify					$1,5m	Mar 11
M&A	Nigeria	Investment by √	Blue Haven Initiative, Newtown Partners via the Imperial Venture Fund, Accion Venture Lab and Suntu Capital in Field Intelligence					$3,6m	Mar 11
M&A	Nigeria	Disposal by	PZ Cussons of Nutricima to FrieslandCampina WAMCO Nigeria					undisclosed	Mar 18
M&A	Nigeria	Acquisition by	BUA Group of P.W Nigeria					undisclosed	Mar 23
M&A	Nigeria	Acquisition by	Music World Entertainment Corporation of a stake in MePlaylist					undisclosed	Mar 28
M&A	Sierra Leone	Acquisition by	Conex Oil and Gas of Total's fuel businesses in Liberia and Sierra Leone					undisclosed	Mar 25
M&A	West Africa	Acquisition by √	Africa Infrastructure Fund (A.P. Moller Capital) of a 43% stake in ARISE Ports & Logistics [infrastructure ecosystem of ports, trucking, warehouses and rail services]					undisclosed	Jan 28
SOUTHERN AFRICA									
M&A	Botswana	Acquisition by	Metal Tiger of an additional stake in Kalahari Metals					$1,5m	Feb 14
M&A	Botswana	Joint venture between	Kavango Minerals and LVR GeoExplorers : two Prospecting Licences in the Kalahari Copper Belt [PL082/2018 and PL083/2018]					undisclosed	Feb 17
M&A	Botswana	Disposal by	PSV Holdings to DNG Energy of Turbo Agencies Botswana					R 1	Feb 26
M&A	Botswana	Acquisition by	Botswana Development Corporation of a 3% equity stake in Grit Real Estate Income Group					share swap	Feb 27
M&A	Eswatini	Acquisition by	Shiselweni Forestry Company (TWK Investments) from Peak Timbers and Peak Forest Products of some of the forestry assets					R500m	Feb 18
M&A	Lesotho	Acquisition by √	Mergence Investment Managers (on behalf of its Lesotho Pension Fund client) of a minority stake in SanLei					undisclosed	Mar 14
M&A	Lesotho	Acquisition by √	The Public Officers Defined Contribution Pension Fund of Lesotho (Mergence Investment Managers) of a stake in Maluti Green Med	Marlow Capital		Glyn Marais		M50m	not announced Q1
GCF	Malawi	Initial public offering by	Airtel Malawi: 2,200,000,000 at MK12.69 per share	Standard Bank		Sacranie Gow & Company		MWK27,92bn	Feb 14
M&A	Malawi	Acquisition by	National Bank of Malawi of a 75% stake in Akiba Commercial Bank					undisclosed	Feb 21
GCF	Malawi	MSE listing of	Airtel Malawi: 11,000,000,000 at MK12.69 per share	Standard Bank		Sacranie Gow & Company		MWK139,59bn	Feb 24
M&A	Mauritius	Disposal by √	Grand Parade Investments to ECP Africa Fund IV LLC of a 95,36% stake in Burger King (South Africa) and Grand Foods Meat Plant	PSG Capital		Cliffe Dekker Hofmeyr		R697m	Feb 19
M&A	Mozambique	Acquisition by	Fura Gems of 100% of Vedas International [holds a 100% interest in SLR Mining, Limitada] and a 20% stake in Ibra Moz SA					$3,8m	Feb 10
M&A	Mozambique	Acquisition by	Nedbank of an additional 37,5% stake in Banco Único S.A.	Nedbank CIB				undisclosed	Mar 3

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

√ Private Equity deal

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M&A	Namibia	Acquisition by	West China Cement of Schwenk Namibia from Schwenk Zement (including shareholder loans)					$19,34m plus $85m for loans	Jan 3
M&A	Namibia	Acquisition by	Premier African Minerals of an additional 2% stake in MN Holdings [total stake will be 12%] - MNH is the owner and operator of the Otjozondu Manganese Mining Project	Beaumont Cornish				$200 000	Feb 6
M&A	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
M&A	Namibia	Disposal by	Trustco Business Developments (Trustco) to Riskowitz Value Fund LLP of a 1,3% stake in Trustco Resources					$4,55m	Mar 20
M&A	Namibia	Acquisition by	Constancia Risk and Insurance and Conduit Ventures (Conduit Capital) from Trustco and Riskowitz Value Fund (reverse take-over) of Legal Shield	Merchantec Capital				R10,44bn	Mar 27
M&A	Zambia	Acquisition by	Quanta of a majority stake in Pleasure Sports Innovations					undisclosed	Mar 10
M&A	Zambia	Acquisition by	KenolKobil of 10 petroleum retail outlets in Zambia from Samfuel					undisclosed	Mar 18
M&A	Zimbabwe	Acquisition by	African Solutions Private of a 98,03% stake in Burera Diary from the Rwanda Government					undisclosed	Jan 14
M&A	Zimbabwe	Acquisition by	Trafigura of the remaining 51% stake in Trafigura Zimbabwe from Sakunda					undisclosed	Feb 5
NORTH AFRICA									
M&A	Algeria	Acquisition by	Mahindra & Mahindra of a 5% stake in Eurl LD Azouaou					undisclosed	Mar 18
M&A	Egypt	Investment by √	Maghreb Private equity Fund IV (AfricInvest) in Masria Digital Payment (MDP)	EFG Hermes Investment Bank; PwC		Al Tamimi & Company; White & Case		undisclosed	Jan 14
M&A	Egypt	Acquisition by	Saudi Telecom Company (STC) of a 55% stake in Vodafone Egypt from Vodafone					$2,4bn	Jan 29
M&A	Egypt	Investment by √	Global Ventures, Algebra Ventures, Tarek Sakr and Hamad Al Homaizi in Elmenus [series B funding]					$8m	Feb 3
M&A	Egypt	Acquisition by	Cysiv of SecureMisr					undisclosed	Mar 22
M&A	Egypt	Acquisition by	Prime Capital of Paradigm Invest's consulting unit					undisclosed	Mar 30
M&A	Morocco	Disposal by √	Maghreb Private Equity Fund III (AfricInvest) of its stake in Polymedic to NBK Capital Partners	Attijariwafa Bank Morocco; Attijariwafa Bank Middle East (Dubai)		Naciri & Associes - Allen & Overy; Freshfields Bruckhaus Deringer; Asafo & Co; Dentons; Clifford Chance		undisclosed	Jan 6
GCF	Morocco	Loan by	International Finance Corporation (IFC) to Zalar Agri					$24m	Jan 24
M&A	Morocco	Investment by √	GreenTec in Kwiks					undisclosed	Feb 21
M&A	Morocco	Acquisition by √	Actis and Westmont Hospitality Group of the Sheraton Casablanca hotel					undisclosed	Feb 24
M&A	Tunisia	Acquisition by √	Maghreb Private Equity Fund IV (AfricInvest) of an additional 16,2% stake in Land'Or [total stake now 21,6%]					undisclosed	Jan 7
M&A	Tunisia	Investment by √	Hazem Ben-Gacem in LYOUM					€500 000	Jan 15
M&A	Tunisia	Acquisition by	Banque Internationale Arabe de Tunisie (BIAT) of a majority stake in Tunisie Valeurs					$26m	Jan 23
CENTRAL AFRICA									
M&A	DRC	Disposal by	Arc Minerals of its 99,43% stke in Casa Mining [which has a 73,84% stake in Akyanga gold Deposit] to Golden Square Equity Partners					$50m	Mar 18
M&A	Gabon	Disposal by	Infinity Lithium of Equatorial Potash					undisclosed	Mar 17

◆ 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 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.

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.

The pathway to managing supply chain disruption

Pathfinder perspective

Ron Lentz

"You have to have a backup plan in everything that you do."

As well as being one of the nicest guys in the world, Ron Lentz is Managing Partner of Logisyn, based in Chicago. Combining 'logistics' and 'synergies', Logisyn is a boutique M&A advisory firm tailored to the logistics industry.

With extensive experience managing logistics acquisitions, Ron and his team are no strangers to the disruptions that can occur as a result of unforeseen external forces, like the coronavirus. Global markets are so interdependent; how can businesses protect themselves from supply chain disruptions, while continuing to offer services and support?

"There's become a huge global interdependence on other countries," said Ron. "One of the biggest problems we have today – we had the ebolavirus a few years ago, today we have the coronavirus out there – there are supply chain disruptions and our customers are so affected by it because they're caught in the middle of it all."

Navigating supply chain disruptions

Logisyn works with clients to help them understand the supply chain and these potential impacts, making sure all these disparate components come together at the right time.

"Through Pathways, Ansarada allows us to focus on our business," said Ron. "Our business is not to manage data, get the data in, or control data – it's to understand that we need that data and make sure it's being used and leveraged in the right place at the right time."

Using Ansarada Pathways, Ron can focus on helping his clients be better prepared, so they can continue to serve their own customers in response to the COVID-19 crisis. "If you look at the problem of a virus, there are still businesses that are going to thrive during that time – so how can we help them thrive?" said Ron.

Achieving a state of always-on readiness

With Pathways, Logisyn is able to get a full picture of the state of the business and use these valuable insights to drive the strongest outcomes for their clients. "Part of our program is to help them understand – this is what you can do differently to help your customers be best prepared." Using real data to guide decision-making in real time enables a state of readiness, which can keep companies ready to act - even in the midst of uncertainty and disruption.

"I really believe in the business model we've created at Logisyn, that we get to help people prepare for their future," said Ron. "Ansarada allows us to focus on the buyers and help them understand the business better.

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.

Contact us today

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ansarada