

2020 a slow year for dealmaking in Africa, but post-pandemic opportunities look promising - Part 3

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In parts 1 and 2 of this three-part series, we analysed [M&A data in sub-Saharan Africa](#) and [country-specific data](#) in three regions. Here we analyse data from Kenya, Mozambique and Nigeria.



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Kenya

Deal making in Kenya dropped 28% with only 18 deals in H2 2020, but deal value increased by 224% to \$467mn. This was mainly due to Network International Holding Plc's \$288mn acquisition of Direct Pay Online Ltd. Activity for the full year 2020 was down 28% in volume terms, but value increased by 52% year-on-year to \$722mn. Monthly figures seem to have peaked in July with eight transactions and tailed off over the rest of the year.

France was the top M&A partner for Kenya, with five inbound deals from this country, up 25% year-on-year. Deals from France into Kenya were worth \$36mn for FY20, up 24% year-on-year. The UK had the highest deal value for inbound transactions due to the Direct Pay Online acquisition. Volume-wise, the financial sector was the primary focus, with seven inbound deals and three outbound transactions. For inbound value, deals in the financial sector increased to \$435mn, up an incredible 1697% year-on-year.

The Deal Drivers Africa Report, published by Mergermarket, ranked Kenya among Africa's most sought-after countries for M&A transactions. Before the pandemic, M&A activity in the East Africa region had increased significantly, with Kenyan deals dominating the market. The East African regional economy (in which Kenya has the largest economy) continues to be a key driver for sub-Saharan Africa's growth going forward.

Kenya has long been considered East Africa's investment hub, attracting some high-value M&A deals in the last few years. However, the country's post-pandemic economy will take some time to reach previous levels. The country's TMT sector, which has a well-developed market for mobile money services, and its bustling financial sector, are the ones to watch as the country gears up for its post-pandemic recovery.

Mozambique

In Mozambique, deal making grew by a few deals, although the number overall was limited. There were six reported deals in H2 2020 compared with only one in H1 2019. The full year total for 2020 was 12 compared to four deals in 2019. Transactions in Mozambique were mostly inbound cross-border deals. There were six such deals in H2 2020, and 11 for the full year.

The real estate sector was the primary target for investors into Mozambique in H2 2020, with two deals announced, though for the full year, the materials sector was the most targeted, with four deals in total. The energy sector in Mozambique was the most prolific sector in terms of deal value, with \$145mn in deals announced in H2 2020. This is mainly due to the acquisition of Cetral Termica de Ressano Garcia by the UK's Actis LLP, for the same amount.

Mauritius and Canada were the top two investors in Mozambique, with three deals each in 2020, although Canada did not make any acquisitions during the second half of the year. Two out of the three deals from Mauritius were announced in H2 2020. Mozambique announced no outbound transactions in 2020.

Mozambique is one of the world's largest holders of liquified natural gas, and its energy sector has been attracting global interest for some time. We expect interest in this sector to increase in future years, and possibly act as a catalyst to boost much-needed investment in other sectors in the country going forward.

Nigeria

M&A activity in Nigeria in H2 2020 dropped by 25% to 24 deals compared to H2 2019. The size of the deals shrunk by 68% down to just \$279mn. However, full year 2020 activity was up by 4% to 52 deals compared with 2019, but deal value was 42% lower year on year at \$716mn.

Cross-border transactions dropped 8% year on year in 2020 to 33 deals, with deal value dropping by 36% to \$552mn. Domestic deals increased in 2020 by 36%, however, the value of the deals dropped by 57. This indicates a focus on smaller deals in the country in 2020.

The financial sector remained the primary target for both for inbound and outbound deals, with five and three deals respectively in 2020. Lagos, the capital of Nigeria, was cited in May 2020 as one of four cities in Africa to be emerging as FinTech hubs by The FinTech Times. The megacity of over 20 million inhabitants is home to the nation's largest financial institutions such as First Bank of Nigeria (FBN), Access Bank, Ecobank and First City Monument Bank (FCMB) as well as international banks such as Citibank.

South Africa served as the primary investor for Nigerian companies with six deals in 2020. Multichoice Group Ltd.'s \$83mn acquisition of Betking was the biggest deal in the country.

The Nigerian economy was already impacted quite severely by the disruption in oil markets in recent years, and Covid-19

added extensive damage to the economy. The fintech and renewable energy sectors, however, look set to provide much needed investment impetus for economic recovery and the country has also stated it plans to boost its manufacturing capacity, which will enable it to take further advantage of free trade under AfCFTA.

For more information, read [Part 1](#) and [Part 2](#).

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