



CREATING VALUE THROUGH MERGERS & ACQUISITIONS IN EMERGING ECONOMIES

This Snapshot Series looks at tech firms in sub-Saharan Africa and explores how M&A has helped them grow and succeed, as well as the increasing interest of big tech companies and African investors in the sector, which is likely to drive more M&A deals in the tech sector in the region in the years to come.

SNAPSHOT
SERIES

CREATING VALUE
THROUGH MERGERS &
ACQUISITIONS IN
EMERGING ECONOMIES

2023

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THE GLOBAL LANDSCAPE OF MERGERS AND ACQUISITIONS

IBM, FACEBOOK,
MICROSOFT,
AND GOOGLE
LED THE
GLOBAL M&A
TECH
TRANSACTIONS
IN
2016–2018

Mergers and acquisitions (M&A) have recently become a hot topic for companies looking to create value, especially in emerging countries, where growth opportunities are often more limited.

There have been a number of notable M&A deals in the tech sector globally in recent years. In 2016, Facebook acquired WhatsApp, and IBM acquired Truven Health. In 2017, Microsoft acquired LinkedIn, and Facebook acquired Oculus VR.

In 2018, Amazon acquired Whole Foods, and Google acquired HTC, opening the door for other small tech startups in sub-Saharan Africa to follow the global M&A trends.

The increasing interest of big tech companies and African investors in the sector is likely to drive more M&A deals in the tech sector in the region in the years to come. This Snapshot Series looks at tech firms in sub-Saharan Africa and explores how M&A has helped them grow and succeed.

M&A AND THE BOOST OF SUB-SAHARAN AFRICA'S TECH SECTOR

There is a growing number of tech startups in the region, and they are attracting the interest of big tech companies from outside of Africa. In addition, African investors are starting to show more interest in tech startups, which has led to an increase in M&A activity in the tech sector in sub-Saharan Africa.

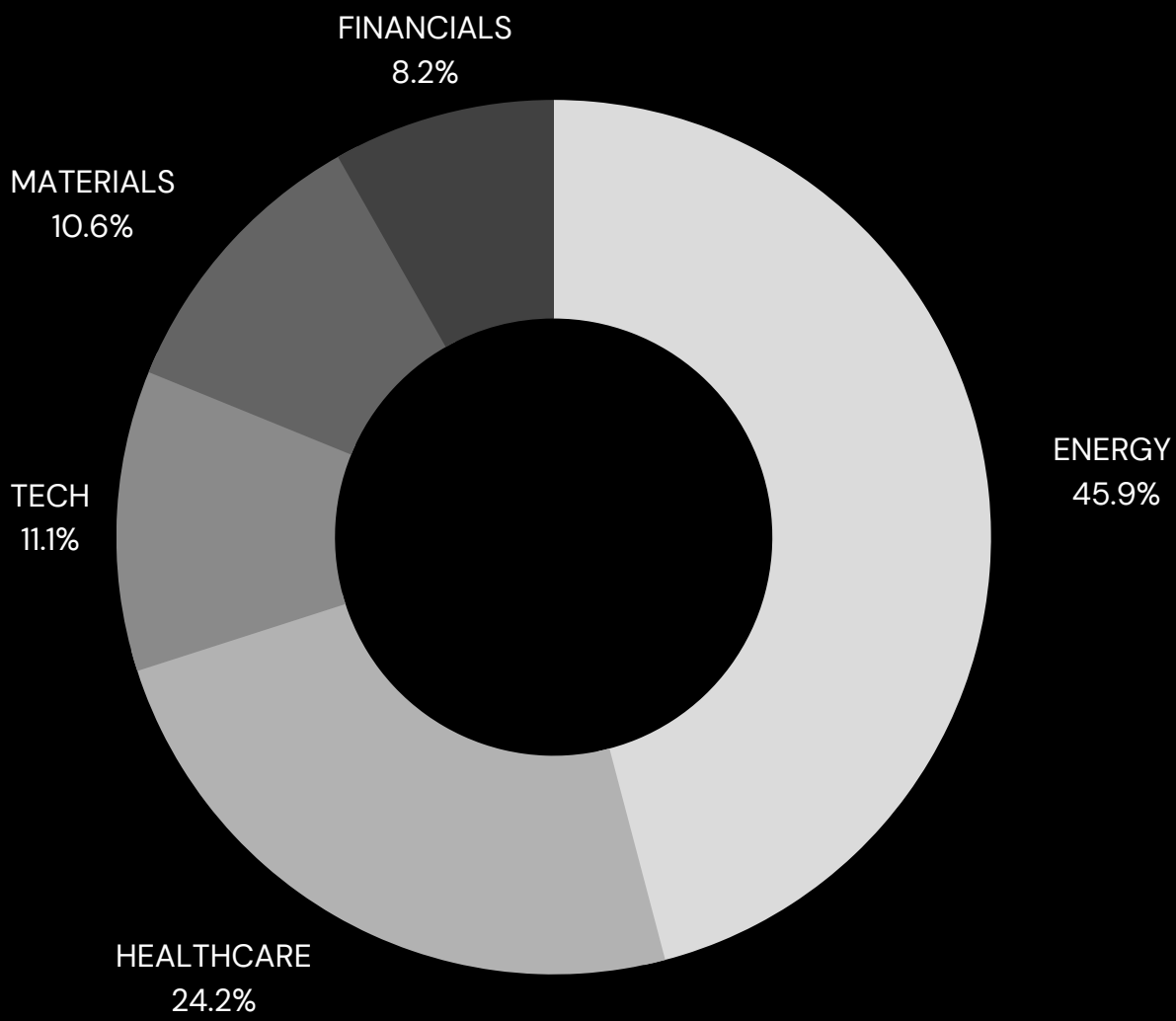
For example, the overall M&A transactions in sub-Saharan Africa totalled \$22 billion in 2022, far down from the record \$58.8 billion in 2021. However, the number of deal announcements in the region remained comparable to 2021 and more significant than pre-Covid. South Africa and Egypt are the most often targeted countries. Nigeria ranked third in Africa in terms of volume and value, followed by Kenya. The United States was the most active incoming acquirer in terms of volume, followed by the United Kingdom.

Materials, healthcare, and financials were the most active industries by value in 2022, with healthcare entering the list due to the \$4.8bn Remgro SA Shipping Agencies Services purchase of South African hospital operator Mediclinic, the most significant transaction of the year 2022 on the region. Renewable energy and electricity exchanges were also quite active. In sub-Saharan Africa, energy and electricity firms accounted for 12% of all transactions in 2022.

Other industries like technology, media, and telecommunications (TMT) remained active, with IHS's purchase of MTN's towers making it one of the most successful TMT deals in South Africa.

\$22bn

SUB-SAHARAN AFRICA'S TOTAL M&A DEALS IN 2022.



SUB-SAHARAN AFRICA M&A DEALS BY SECTOR

CHALLENGES & OPPORTUNITIES OF M&A DEALS IN SUB-SAHARAN AFRICA

MAJOR M&A CHALLENGES IN SUB-SAHARAN AFRICA

5

Sub-Saharan Africa is a complex and diverse region with various cultural, religious, and political dynamics reflected in doing business in the region challenging. Still, it also presents opportunities for companies that can navigate these complexities.

Mergers and acquisitions (M&A) can be a particularly effective way for international businesses to establish a solid foothold in sub-Saharan Africa. With M&A, they can find a way to enter new markets, build relationships with key stakeholders, and gain a competitive edge. But there are a number of things to think about when doing an M&A in this region. The first challenge is culture. Sub-Saharan Africa is a culturally diverse region, and it is essential to understand the cultural dynamics of the country or countries where you are looking to do business in, including understanding the religious and social norms and business culture.

The second challenge is political. Sub-Saharan Africa is politically complex, and the security and political landscape can change quickly. It is essential to be aware of the political dynamics in the countries where you are doing business and to have a clear understanding of the risks associated with doing business in these countries.

CHALLENGES & OPPORTUNITIES OF M&A DEALS IN SUB-SAHARAN AFRICA

The third challenge is regulatory. The regulatory environment in sub-Saharan Africa can be challenging, and it is essential to ensure that you are aware of the applicable regulations in the countries where you are planning to do business in.

The fourth challenge is financial. The limited access to funds and finance affects businesses of all sizes but is particularly critical for small and medium-sized enterprises (SMEs). The financial difficulties for sub-Saharan African companies have been well-known for several years due to the unstable markets and economies of many countries in the African region.

The fifth challenge is logistical. The lack of paved roads and well-developed ports makes it difficult to move goods around the region, limiting the potential for growth for sub-Saharan businesses. However, there are some signs of change. New roads and ports are being built, and the region is slowly becoming more connected. This presents an opportunity for businesses to take advantage of the region's vast resources and growth potential.

However, there are reasons to be optimistic about the future of Sub-Saharan Africa. The region is home to some of the fastest-growing economies in the world, and there is a growing middle class with an increasing appetite for high-end goods and services.

NOTABLE M&A TRANSACTIONS IN SUB- SAHARAN AFRICA

In recent years, there has been a noticeable uptick in sub-Saharan Africa's technology-related merger and acquisition (M&A) activity. In fact, according to a recent report by Ernst & Young, the value of tech M&A deals in the region tripled between 2016 and 2017.

One of the most notable recent transactions in this space was the \$980 million acquisition of Nigerian payments company Interswitch by global payments giant Visa in February of 2018. The deal was seen as a big win for Visa because it gave the company a foothold in the fast-growing payments market in Nigeria.

Another notable African tech M&A transaction was PayPal's acquisition of PayFast, a South African online payments company, for an undisclosed sum in October 2017. The acquisition was a significant win for PayPal, giving the company a foothold in the fast-growing South African online payments market.

\$980m

THE COST OF THE DEAL MADE BY VISA
TO ACQUIRE NIGERIAN PAYMENTS
COMPANY INTERSWITCH IN 2018

WHAT DRIVES TECHNOLOGY INVESTORS TO ACQUIRE AFRICAN STARTUPS?

There are a few potential reasons driving technology investors to acquire African startups:

First, African startups are often seen as well-positioned to capitalize on the continent's fast-growing economies. They are frequently quick to adopt new technologies and are knowledgeable about the local market conditions.

Second, African startups tend to be smaller than those in other parts of the world, meaning they can be priced lower.

Finally, many global tech companies want to expand their presence in Africa as the continent's middle class grows. These factors likely contribute to the increasing interest in tech M&A deals in Africa.

SUB-SAHARAN
AFRICA IS HOME
TO MORE THAN
1 BILLION
PEOPLE.

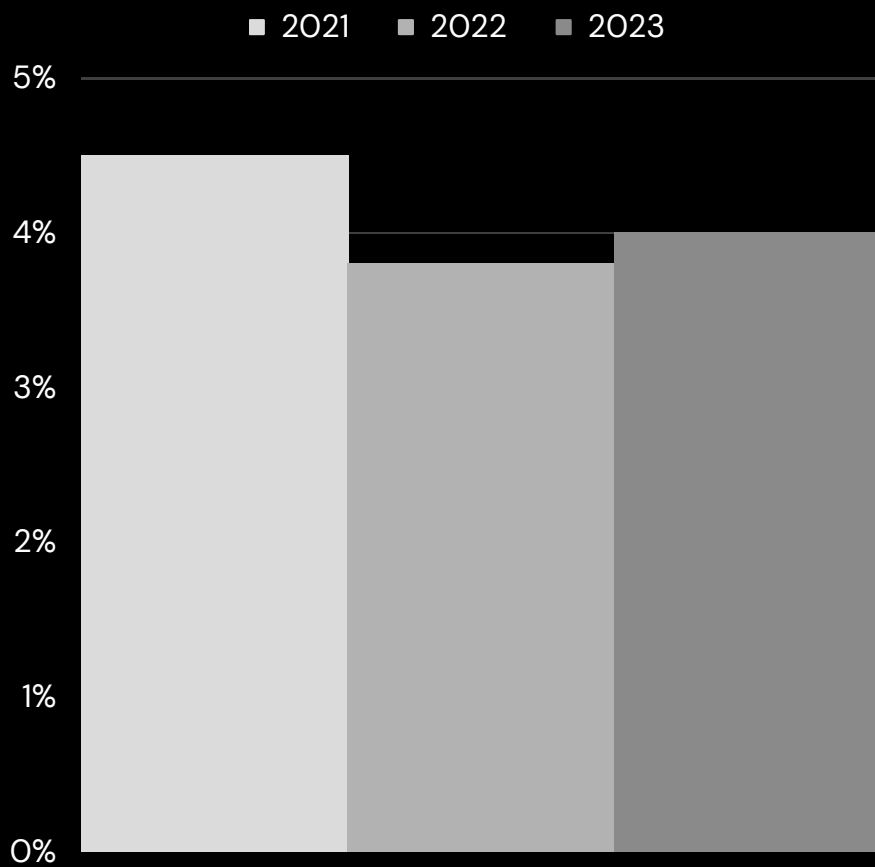
1bn

M&A FUTURE PROSPECTS FOR SUB-SAHARAN AFRICAN TECH FIRMS

The sub-Saharan African tech sector is growing, with more companies coming online daily, creating an opportunity for growth in M&A activity in the region. There are already a number of tech companies in the region that could be attractive acquisition targets for more prominent players in the global tech scene.

Also, the steady growth generated throughout the last decade has opened the appetite for more investors worldwide. It is attracting the attention of investors from all over the world, and there is a lot of potential for further expansion in the future.

However, as explored earlier, some challenges need to be addressed; the undeveloped infrastructure in many parts of Africa still needs to be developed enough to support a large-scale tech industry. There are also cultural and political hurdles that need to be overcome. Still, the future of the sub-Saharan African tech sector has a promising outlook and is a worthwhile investment.



IMF GROWTH PROJECTIONS FOR SUB-SAHARAN AFRICA

