

# M&A

## OUTLOOK

COVER IMAGE

Lydia Shadrach-Razzino  
Baker McKenzie

Q&A with  
12 top  
African M&A  
Dealmakers



A professional portrait of Justin Smith, a bald man with a light complexion, wearing a dark blue blazer over a white button-down shirt. He is looking slightly upwards and to the right. The background is a blurred, modern architectural structure with a grid-like pattern.

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# Justin Smith

Chief Revenue and Marketing Officer  
Ansarada

“From the Ansarada Deals™ platform, we’ve observed a promising rebound in Africa’s M&A activity in the first half of 2024, with expectations for increased deal announcements in the latter half of 2024 and into 2025. Despite challenges like economic volatility and geopolitical tensions, visionary dealmakers recognise M&A as a vital avenue for growth and strategic alignment.

To enrich our understanding, I convened a panel of 12 of Africa’s leading dealmakers to share their insights on the 2024/25 outlook, offering a unique and comprehensive view of the future of M&A in the region”

As we look towards 2025, a different dynamic is expected to unfold. Business owners are adapting to the ‘new normal’ and are more willing to engage in transactions sooner to grow or realign their businesses, rather than waiting out risks. The realisation is that sitting on the sidelines is no longer viable. Pent-up demand for M&A is reaching a critical point, especially within the private equity sector. While the types of deals may differ from previous years, with a shift towards strategic acquisitions to tap into new markets or bolster capabilities, the overall deal flow is likely to increase.

Following last year’s fixation on when rates will start to come down in the US, the market seems to have settled on a view that timing is less important than the fact that interest rates will settle at higher levels for longer. This certainty provides company executives and deal transactors an operating base that breeds confidence. Acknowledging that we’re in a higher-for-longer environment, decision-makers are incorporating this into their plans and measuring their corporate activities within these parameters.

At Ansarada, we are committed to empowering dealmakers with the tools and knowledge they need to bring order and to navigate complex transactions successfully. I gathered top industry experts such as Johan Holtzhausen (PSG Capital), Shabbir Norath (Nedbank), Mark Beyers (Nedbank), Krishna Nagar (Rand Merchant Bank), Marc Ackermann and Ruven Naidoo (Investec), Kunle Amida (PwC Nigeria), Lydia Shadrach-Razzino (Baker McKenzie), Morné van der Merwe and Wildu du Plessis (Alchemy Law), Andries van Heerden (Afrimat), and John Bellew (Bowmans).

Their collective experience and perspectives provide a rich tapestry of insights into the current and future state of M&A in the region.

Our findings highlight four key takeaways crucial for today’s dealmakers:

1. Creativity in deal structures is essential to bridge valuation gaps and manage risks, especially in uncertain economic climates.
2. Thorough due diligence, earlier on in the process, enhanced by technological advancements like AI, is more important than ever in ensuring robust and successful transactions.
3. Macroeconomic factors and the regulatory environment significantly influence M&A activity, necessitating strategic planning and proactive management.
4. Sector-specific opportunities in areas like energy, telecoms, and consumer goods show resilience and promise for future growth.

We believe these insights will help equip you with the knowledge to traverse the complexities of the current M&A environment effectively.

As the Chief Revenue and Marketing Officer of Ansarada, I am proud to present this survey, and I look forward towards 2025 as confidence shows signs of improving.



# Key Takeaways from Top Dealmakers in South and Sub-Saharan Africa

As companies and the men and women who lead them continue to be buffeted by uncertainty around the timing of the global interest rate cycle, the art and science of dealmaking demand constant adaptation, creativity, and meticulous planning. The dynamic nature of mergers and acquisitions (M&A) in South and Sub-Saharan Africa presents unique challenges and opportunities.

Through insightful conversations with some of the region's leading dealmakers, we have distilled four key takeaways that illuminate the current state and future direction of M&A activity.

## 01

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Creativity in deal structures

## 02

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Importance of thorough due diligence

## 03

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Impact of macroeconomic factors and regulatory environment

## 04

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Sector-specific opportunities and resilience

# 01

## Creativity in deal structures

The first key takeaway is the necessity for innovative deal structures to bridge valuation gaps and manage risks effectively. In a climate marked by macroeconomic uncertainties and fluctuating market conditions, traditional deal structures often fall short. Earn-outs, deferred payments, joint ventures, and club deals have become essential tools in the dealmaker's arsenal. These creative solutions help align the interests of buyers and sellers, facilitating smoother negotiations and successful deal closures.

Johan Holtzhausen of PSG Capital highlights the importance of innovative structures, particularly in sectors with high valuation gaps such as energy and infrastructure. By tailoring deal structures to specific market conditions, dealmakers can mitigate risks and enhance transaction value. Shabbir Norath from Nedbank echoes this sentiment, emphasizing the role of local currency funding and strategic partnerships in managing currency risks in Sub-Saharan Africa.

Krishna Nagar at RMB adds that creativity in structuring deals also involves considering regulatory requirements and public interest elements. For instance, the Anglo-BHP deal incorporated unique structural elements to navigate regulatory scrutiny and stakeholder concerns though ultimately came up short. This level of innovation is crucial in maintaining deal momentum and achieving favourable outcomes.

# 02

## Importance of thorough due diligence

The second takeaway underscores the critical role of thorough due diligence in the M&A process and much earlier in the process. Clearly due diligence has evolved, becoming more comprehensive and initiated earlier in the transaction lifecycle. Increased regulatory scrutiny and the need for public interest considerations from antitrust authorities, especially in South Africa, necessitate meticulous preparation.

But advancements in technology, particularly the use of AI, have revolutionized due diligence processes. AI tools enhance efficiency by rapidly analysing vast amounts of data, identifying key clauses in contracts, and streamlining document review. However, as Marc Ackermann of Investec points out, while AI tools are invaluable, the human element remains irreplaceable in interpreting nuanced data and making informed decisions.

Lydia Shadrach-Razzino from Baker McKenzie emphasizes the importance of comprehensive due diligence to secure warranty and indemnity insurance. This not only protects buyers and sellers but also ensures a robust transaction process. Ensuring access to quality information, positioning the business correctly, and managing the sensitivity of information are pivotal aspects of modern due diligence.

# 03

## Impact of macroeconomic factors and regulatory environment

The third takeaway focuses on the significant influence of macroeconomic factors and the regulatory environment on M&A activity. High-interest rates, inflation, and political uncertainties pose substantial challenges, in a year where over half of the world has or is still to vote for a new national government, yet they also create opportunities in specific sectors.

The current high-interest rate environment necessitates cautious and strategic dealmaking. Ruven Naidoo from Investec suggests that while rate cuts may be delayed, understanding and planning for a “higher for longer” interest rate scenario can provide a stable operating base for dealmaking. Johan Holtzhausen notes that sectors such as energy and infrastructure are poised for growth as they attract private sector investment due to their essential nature and high demand.

Regulatory hurdles, especially competition authority approvals, add complexity to the M&A process. Krishna Nagar highlights that dealmakers must structure deals to meet regulatory requirements upfront, incorporating public interest considerations into their planning. This proactive approach can help manage regulatory risks and enhance deal success rates.

# 04

## Sector-specific M&A opportunities

Finally, the fourth takeaway highlights the sector-specific opportunities and resilience in M&A despite these challenges. Certain sectors, such as energy, telecoms, mining, and consumer goods, show significant promise for M&A activity. These sectors are driven by fundamental needs and long-term growth prospects, making them attractive targets for investment.

Private equity continues to play a crucial role, particularly in the mid-market space. With significant dry powder available, private equity funds are actively seeking quality assets with strong growth profiles and stable valuations. Kunle Amida of PwC Nigeria notes that the private equity market in Africa is increasingly focused on mid-market opportunities, driven by the need for operational improvements and governance enhancements.

Countries like Kenya and Namibia stand out as welcoming destinations for cross-border M&A inflows. Their positive regulatory environments and strategic economic positions make them attractive for investors seeking to capitalise on regional growth opportunities.

# Conclusion

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The insights from these seasoned dealmakers underscore the importance of adaptability, innovation, and thorough preparation in navigating the complexities of dealmaking in South and Sub-Saharan Africa. By leveraging creative deal structures, conducting rigorous due diligence, understanding macroeconomic and regulatory dynamics, and focusing on resilient sectors, dealmakers can successfully navigate challenges and seize opportunities in this dynamic market.



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PSG Capital

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Head of  
Private Equity  
Bowmans





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# Johan Holtzhausen

PSG Capital



**Johan, given your extensive experience with numerous listings and navigating market cycles, what are the most significant changes you've observed in the listing and delisting landscape over the years?**

I started in corporate finance investment banking, and over the years, we've listed more than 50 companies. Some notable ones include PSG Group and Capitec. It's a variety of companies. The landscape has changed significantly over time. Everything goes in cycles, whether it's listings or private equity, etc. We are now in a delisting cycle that's hopefully picking up into a listing cycle. This year on the Johannesburg Stock Exchange (JSE), for example, I think they marked 10 new listings of which we've seen 2 or 3 already. Some of such companies list as subsidiary of the investment holding company and are then unbundled.

Private equity cannot always be invested. They have to exit. And how do you exit? You can sell to another entity, but one of the ways to exit is listing. So, if you have a lot of private equity transactions, it bodes well for listings going forward.

**Where does South Africa find itself from a capital markets perspective? The JSE intends to split the mainboard into two, it's going to have a prime segment and then a general segment, and it's really conscious of removing red tape or streamlining regulations by making it easier and better suited to the needs of smaller firms. Do you think that goes far enough, or could we be doing more from the regulatory side from the JSE's perspective to encourage more listings?**

I think over the last couple of years a lot has been done by the JSE from a simplification of rules and regulations perspective. So, I think they have done a lot. But you can only simplify to a certain degree because you work in a global environment.

**When we zoom out and we look at the current macroeconomic environment, how do you see interest rates and inflation trending over the course of this year? Do you think we're going to see rate cuts in the second half, or is this a conversation that's now going to shift out to 2025?**

I hope to see some rate cuts because both consumers and companies with high debt burdens are under a lot of pressure. I estimate that rates should come down in the second half of the year. If they do decrease, it would be a positive development. Lower rates reduce the cost of capital, improve confidence, and create opportunities.

**Where do you see the opportunity in an environment where we do start to see a moderation in inflation, a soft landing in the US, a Goldilocks scenario and interest rates coming down?**

I always remain positive. While people have many questions about Africa, we view hurdles as opportunities. Specifically, in South Africa, the opportunity set is heavily skewed towards infrastructure. The traditional on-balance sheet model for state-owned enterprises like Eskom, various water boards, and Transnet has become unsustainable. These entities are now over-leveraged and indebted, necessitating private sector involvement, especially in energy.

There is skepticism around load shedding being starved off ahead of the elections, but it's important to look at the underlying numbers. It appears pretty positive.

**What do you see as likely to drive M&A activity the most in 2024? Will it be consolidation, will it be looking at these attractive sectors for the private sector to now go and play a meaningful role in South Africa?**

I think it will be all the ones that you've mentioned. Consolidation: sectors like energy and water.

I think there's a lot of lean and mean companies, but there are also pockets where the debt is too high, but the majority, is definitely lean and mean and can take advantage of opportunities. The other problem is now with consolidation and takeovers, obviously regulation from a Competition Commission perspective and what is required there and that all of these regulations brings uncertainty. It's better to have a clear line of what you propose there because it influences price, it influences timing of a transaction and it creates deal fatigue by foreign entities that don't always understand the Competition Commission compliance, for example, around the public benefit, etc.

I think there's now a couple of examples that one is aware of that definitely guides you more from a practical experience perspective if you've already been through it but it differs from company to company, there isn't one size that fits all of these. So, there are all kinds of practical obstacles.

For example, when we did the PepsiCo Pioneer transaction, we put a unique structure in place that actually directly goes to get benefit from the holding company and the South African company is held simplistically 100% if I can put it that way. So, it forces you to come up with innovative structures, for example if you have sufficient cash flow in the business, then you can do it. If you don't have sufficient cash flow, it makes the transaction sometimes impossible to do, and then parties will walk away.

**When it comes to getting creative with deal structure to close valuation gaps, firstly there's always going to be a valuation gap in the market. Just how big is it in this market given the macroeconomic conditions and the cost of capital and how are you innovating, how are you seeing your clients innovate to bring buyers and sellers closer together and get a deal over the line?**

The approach you take depends on your perspective. From a private equity standpoint, you can be innovative with debt, provided the cash flow and the company's fundamentals support it. This approach can be advantageous if the market has undervalued the business.

In a listed environment, issuing scrip to achieve the same goal isn't feasible. Therefore, one alternative is to seek funding from shareholders, though this is generally a last resort. Going to shareholders can be highly dilutive, especially if shareholders do not follow their rights.

We aim to explore various innovative strategies, but the best approach will ultimately depend on the specifics of each deal.

**Earnouts, are you seeing those being used more frequently to potentially bridge gaps?**

Earnouts? Yes, you will use earnouts if you believe your business is undervalued, and the growth drivers that you have built in (i.e. factories built, marketing spend etc.), will only flow through in the next year or when the economy improves.

**When we look at the due diligence process, given what we've just discussed and clearly the regulatory risk has increased through the competition authorities, how is this feeding through into the due diligence process? Are you now planning earlier in the process for those eventualities and is there anything else that you see is dynamic in the way you're approaching your due diligence in this market?**

Due diligence in this market is critical and you need to start earlier. I've seen due diligence not decrease. We try to execute a proper due diligence with speed, efficiency, and accuracy. Otherwise, it will cause enormous delays because you have to be more vigilant (if I can put it that way) about how you go about who you pull in. It is not just attorneys and auditors involved but maybe commercial experts, specialist and the like. And they all need to work together and you can carve out sections so that one party doesn't overlap with the other party. For example, Ansarada plays a fantastic role in that. A number of our clients use the platform because it's efficient.

**How are we seeing AI potentially being deployed in a due diligence environment where maybe there's lots of documents and you need to look for concurrent clauses, for example. Is it finding application?**

I think it will find application eventually. But at the moment, where it's very technical, AI struggles because you need to verify everything. So, I think it's 80% there, but it's not 100%. So, the application at the moment from a due diligence perspective is more market, industry and people related. But in time, as it improves, it may be applied further, but you won't just let AI loose on legal documents or financial information.

**Lastly, Johan, what excites you about the second half of the year, a sector, a theme or something that really you think other people are potentially missing when it comes to the outlook for M&A in 2024/25?**

I don't think my peers or competitors will miss any specific trends. In the consumer foods and energy sectors, I see definite opportunities for us in Africa moving forward.

# Shabbir Norath

Head Advisory  
Nedbank Corporate Finance



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**Tell us a bit about your career in M&A and some of the notable transactions you've been involved in.**

It's been an interesting career, spanning 23 years in investment banking. I've seen the market through various phases, from the difficult days in 2001 to the glory days before the 2008 crash, and then through COVID-19 to where we stand now. The JSE has had a tough time, particularly with the number of delistings. However, we see significant interest from foreign acquirers, attracted by well-run businesses with exceptional management, available at relatively low costs compared to international peers. For example, we've seen deals like DP World's acquisition of Imperial and the ongoing Anglo-BHP deal. Notable transactions, include the listing and capital raising for Armgold, the BEE transactions for Nedbank and Mutual & Federal, as part of the Old Mutual Group BEE transaction, the MTN Zakhele Futhi BEE transaction and recently, the acquisition of Eqstra from ENX Group.

**Given the current macroeconomic factors, do you expect interest rates to decrease by the end of the year, or is this conversation shifting to 2025?**

That's a tough one. I suspect interest rates will remain flat for some time. Whether we see a decrease by the end of this year will depend heavily on inflation and inflation targeting. My personal view is that we've probably extended this current interest rate cycle too far. However, the Reserve Bank's targeting of inflation will be a key driver in their decision-making process.

**When do you foresee a solid turnaround in M&A activity? Could it be later this year or not until 2025?**

It's hard to predict. Election years, like this one, add to the uncertainty. There are more than 60 elections worldwide this year, with over 2 billion voters heading for the polls, creating uncertainty and nervousness amongst corporates. In South Africa, if the ANC does not secure a majority, the question of who will be responsible for key decisions post-elections becomes crucial. Most M&A deals take time to finalize, involving numerous regulatory hurdles. I suspect a lot of the decision-making will occur after the elections.

**Are there particular regions or sectors in Sub-Saharan Africa that might stand out for increased M&A activity through the end of the year?**

We see quite a bit of activity in East Africa, with countries like Kenya, Tanzania, Uganda, Rwanda, and to some extent Zambia and Mozambique, showing significant growth. The Middle East also shows increased interest in diversifying their exposure to Africa. The challenge, however, remains in currency risks and how to repatriate profits. Export-oriented or dollar-based businesses tend to negate some of these risks, offering more stability in valuations.

**How are dealmakers getting creative with deal structures to manage currency risk and close valuation gaps?**

Mitigating currency risk is indeed challenging. Government-to-government relations play a crucial role, and local currency funding can help mitigate some of the risks. Businesses with dollar or euro-based incomes can also offer some protection against currency devaluations. Joint ventures and club deals are becoming more common to spread and manage these risks effectively.

**What do you see as the key drivers of M&A activity for the rest of the year?**

Private equity is a significant driver, especially as funds reach their end and need to exit investments. There's also substantial interest from foreign buyers looking at African assets as relatively cheap investments in markets with good GDP growth. Despite a lot of dry powder in the market, high interest rates and low GDP growth make deal-making cautious, focusing more on mid-market and bolt-on transactions rather than large headline deals.

**How do you view the rise of private debt as a theme for the rest of the year and beyond?**

Private debt is indeed rising, offering attractive returns compared to equity markets. This shift is understandable given the returns on private credit, which can be a more attractive option for private equity funds, allowing them to keep their powder dry for the perfect acquisition.

**What major risks or challenges could dealmakers face for the remainder of this year?**

The low-growth environment and high interest rates are significant challenges. However, the biggest risk is political uncertainty. The outcome of elections and the resulting government policies will be crucial. There's also an increased focus on public interest in M&A assessments by competition authorities, which adds another layer of complexity to deals.

**How is the due diligence process evolving with the current challenges and opportunities?**

The days of sifting through physical files are over. Everything is electronic now, with data rooms and AI-driven reviews streamlining the process. This allows for more comprehensive and efficient due diligence. Regulatory risks are being addressed earlier in the process, and commercial due diligence is becoming more prevalent, focusing on the acquisition's strategic value to the buyer.

**What excites you about deal-making opportunities in the current market?**

Despite the turmoil, there are always opportunities. South Africa, in particular, offers solid investment opportunities with well-managed companies. The rand, despite its devaluation, hasn't experienced the severe drops seen in other currencies. For foreign investors, this market still offers attractive returns.

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# Mark Beyers

Principal  
Nedbank Corporate Finance

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**Tell us a bit about your career in M&A so far.**

My journey in corporate finance has been fantastic. I started in investment banking in London and relocated back to South Africa just before the World Cup. I've always been attracted to mergers and acquisitions, which are at the cutting edge of investment banking. It's a role that requires both analytical and financial skills and a significant level of creativity. I've been in this role for 14 years, and it's been a dynamic and constantly evolving journey.

**It is indeed a field that offers great purpose, given its role in corporate and economic growth. Given the current macroeconomic factors, with inflation being stickier than expected and rate cuts being delayed, what are your expectations on the macro front? When might we see the cost of capital improve and boost confidence for dealmakers?**

Inflation has been sticky, driven by various external factors. The US is probably leading the disinflation benchmark. South Africa will likely follow a similar path to the Fed's rate cuts. There are still risks to the upside, as our governor has pointed out. From a deal-making perspective, the higher cost of capital means M&A is more costly. However, we've seen a softening of multiples in the equity markets and the dealmaker space. Outlook and growth potential are key. We've seen some improvement in load shedding, and the election was an overhang on confidence. Investors have been waiting and seeing, but we are optimistic about improvements in the coming quarters.

**That's encouraging. Do you expect a more robust second half of the year? Are there particular sectors that might stand out for M&A resilience or attractiveness?**

Deal making will be selective, but we're seeing a push for offshore acquisitions among large corporates for diversification and transformative deals. Mid-sized and smaller corporates remain focused on South Africa, looking for acquisition opportunities to diversify product lines or geographies. They are cautious but have a mandate to create shareholder value. In an economy that feels ex-growth like South Africa, earnings growth through acquisition becomes more appealing.

**Given that, which sectors do you see as attractive?**

My focus is on industrials and financial services. The industrial space has been challenging due to load shedding, but as that improves, we expect the manufacturing front to improve. In financial services, there's been reasonable flow and activity, driven by international corporates reassessing their footprints and making strategic exits. There are opportunities from international divestments, and we work closely with companies seeking growth capital. Financial services in South Africa are well-developed and can compete internationally, offering growth and opportunity despite the country's challenges.

**What do you see as the major risks or challenges for dealmakers for the remainder of the year?**

Confidence is key. M&A involves permanent investments, so investors must be certain about the geography they are investing in. Economic growth prospects and outlook are crucial. Positive reforms and stimulus could unlock M&A opportunities. South African corporates have significant cash reserves, so creating an environment conducive to investment is essential for yielding returns and unlocking economic growth.

**How are dealmakers getting creative with deal structures to close deals in this environment? Are there valuation gaps in the market, or have they narrowed?**

Valuation gaps have narrowed to some extent, but good businesses can still attract premium multiples. Sellers often have an optimistic view, while buyers are more cautious. Negotiating and narrowing this gap is crucial. Deferred payments are common, where a buyer agrees to an upfront payment and defers a portion based on the company's future performance. And what I mean by that is a buyer will make an offer based on his due diligence of a company and view in terms of how a business can perform, but the buyer will also lean on the management team and their capability in terms of forecasting performance.

Often what a buyer will do is agree to a certain upfront payment of, for instance, 80% of the purchase price, with a residual amount of 20% being deferred a year down the line subject to a company meeting certain profit or earnings metrics. This aligns with earnouts we see in the market.

**Do you think we'll see more spin-offs, given what we saw with We Buy Cars and Transaction Capital, and companies like Anglo considering spinning out assets?**

In the short term, yes. The interest rate environment drives this. Companies with strong balance sheets can sustain high interest rates, while those with higher debt levels reassess their operations and divest non-core assets to reduce debt. This can be challenging as they might sell in a less favourable environment, but corporate advisors help unlock value and maximize purchase prices.

**How is the due diligence process evolving, given the increased market uncertainty and the need for thorough assessments?**

Due diligence has become more thorough and intense. It goes without saying that when you're operating in an environment where there is uncertainty, buyers would naturally take a much more cautious and prudent approach in terms of performing their due diligence.

Another point we're also seeing is often buyers are looking at doing commercial, or market due diligence. So they actually look to dive into the market dynamics around a business and on that understand a business's forecast in the context of how the market is growing. So there has been an increase in terms of depth of due diligence that buyers perform.

Another aspect we see is an increase in the number of what we call vendor due diligence. And that's effectively a due diligence which is performed by the seller on themselves, and the view to that is to firstly provide the prospective buyer of a business with much more insights into the business earlier on at a faster pace, and hopefully that provides faster and more crystallized price discovery.

The one part with the due diligence is that buyers often revise their price based on their findings. So, in going through an acquisition process, early on in the phase, they will very much base an offer on what they know about the market, but also in terms of the forecast that a company provides them. When they move through the due diligence process, they are then able to scrutinize what are the assumptions underlying those forecasts are, and often those get moderated through the process. Or if they find some skeletons in the closet, for lack of a better phrase, that can also often either result in a price adjustment or some type of legal mechanism which looks to mitigate the risk.

**Given this, what steps are being taken to streamline the due diligence process, given the advancements in technology and AI?**

The move to virtual data rooms has been significant. These online repositories allow for efficient and global access to information. They facilitate fast and engaging processes with Q&A capabilities and AI tools. Legal firms use AI to review agreements, and data providers offer scorecards to identify information gaps. This preparation enables buyers to work through data quickly and engage with sellers more fluidly.

**Regulatory impacts have been a major challenge in South Africa, particularly with the competition authorities. What are your expectations for regulatory challenges for the rest of the year?**

Regulatory challenges are at the forefront for dealmakers. It's now something we structure for upfront, creating solutions for regulatory interests. Deals often take longer, but being aware of these challenges from the beginning makes them manageable. I expect regulation to increase over time, but dealmakers must be quick on their feet to adjust.

**Final question. If you were to single out one key ingredient for getting a deal over the line in this environment, what would it be?**

For me the most fundamental aspect to closing transactions is building up momentum. I think any deal which staggers along often in my experience doesn't close. If I look at my experience the deals where we've had two parties around the table who are intent on doing a deal on the buy side and on the sell side and move quickly and together in terms of consummating that deal firstly improves the deal experience on all fronts substantially but also building up momentum keeps everyone working towards the end goal a lot quicker and it often yields a positive result.

In terms of the deals that I've worked on and with my colleagues, that is normally one of the key aspects we look to drive from an early stage and that also comes through in terms of how you design your transaction process, how you engage with bidders, how you engage with sellers, how you look to actually project manage the transaction going forward.



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# Krishna Nagar

Head of Corporate Finance  
Rand Merchant Bank

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**Tell us a bit about yourself and your career in M&A so far.**

I've been at RMB Corporate Finance for almost 18 years, focusing on M&A activity in South Africa and other regions where RMB operates, particularly Sub-Saharan Africa. I spend a lot of time with financial sponsor clients, including private equity and related companies. Much of my time has been spent selling South African businesses, which essentially means selling South Africa itself.

**Given the times we're living through, that's quite a task. We're chatting a day after the general election for the 7th administration in South Africa, which brings about many questions regarding policy shifts. Let's start at a macroeconomic level. With the current global inflation scenario, how do you anticipate interest rates moving, and what is your base case?**

Our base case is that we're in a period of "higher for longer" in terms of inflation. This likely means that rate cuts will be delayed compared to earlier expectations. This prolonged high inflation impacts investor and corporate confidence, which drives a lot of M&A and capital markets activity. This dampens the timing of activity, but other factors are showing positive signs for M&A activity.

**Can you elaborate on those factors outside of interest rates that are encouraging the M&A outlook?**

In South Africa, several themes are emerging. Post-COVID, many South African corporates have refocused on their core businesses and strengthened their balance sheets. This has made them more proactive in pursuing M&A. We've seen examples of international interest, like the potential reacquisition of Peermont. Corporates are now focusing more on domestic activity rather than offshore, improving the local M&A landscape. Private equity continues to play a significant role, buying and selling

assets. Interestingly, South Africa remains attractive to international acquirers due to its relative stability and regulatory environment.

**What makes South Africa attractive for inbound acquirers within the emerging markets bucket?**

Several factors make South Africa appealing. The valuations of listed firms, particularly in the mid-market space, are relatively low compared to international peers. Despite challenging conditions, South African businesses continue to perform well. The strong legal and regulatory frameworks, and highly regarded management teams, make South African businesses attractive. Additionally, on a relative basis, South Africa's challenges are less severe compared to other emerging markets, making it a preferred choice for international acquirers looking at Africa.

**How do you see private equity activity playing out through the end of the year, given the dry powder available?**

The private equity market in South Africa has shifted towards mid-market opportunities over the last decade. The big blockbuster deals have been few due to global private equity firms stepping back from Africa. However, there are many Africa-focused and domestic private equity players who are active. The competition for quality assets has driven prices up, especially for businesses with strong growth profiles. I expect this trend to continue, with quality assets commanding higher prices.

**Which sectors do you see as ripe for M&A activity over the next 6 to 12 months?**

The resources sector is certainly one, driven by the need for mining companies to replace ounces and scale into new green minerals. The consumer space is also active, as well as the telecoms and TMT sectors, with interest in fiber and data centers.

The energy sector in Sub-Saharan Africa, particularly in South Africa, is another area with significant activity. These sectors are likely to see continued M&A activity.

**Beyond South Africa, are there particular regions in Sub-Saharan Africa that stand out for M&A opportunities?**

Nigeria and the broader West African market are significant for us. We expect considerable activity in the consumer space, banking sector, and TMT and Fintech spaces. New directives in banking might require recapitalization, driving M&A. In East Africa, although our presence is more limited, we see smaller transactions likely to take place, indicating active markets.

**What major risks or challenges do you see for deal makers in 2024?**

The main risks are inflation and its impact on interest rates, political climates, and regulatory changes. Half the world is going through elections this year, which can impact confidence. Regulatory changes, as we've seen in South Africa, can create risks. It's up to deal makers to navigate these creatively, helping clients manage these challenges effectively.

**Are you seeing any innovative deal structures to navigate the current environment?**

Yes, creativity in deal making is essential, especially with regulatory aspects of transactions. Structuring deals to meet regulatory requirements and considering the composition of consortiums to appease regulators is crucial. This differentiation helps in getting deals over the line. The Anglo-BHP deal, for instance, had elements of structure that could sway the outcome. Deal structuring and optics are critical for stakeholder approval, including regulators.

**How is the due diligence process evolving in light of these regulatory aspects?**

Due diligence is becoming more about transaction preparation. Preparing for regulatory scrutiny, especially from competition authorities and public interest elements, is vital. This includes considering factors like black ownership and spread of ownership, which impact deal structuring. Companies need to be well-prepared upfront to handle any issues that arise later in the transaction.

**Are there specific areas of deal preparation that are becoming more focused in deal making?**

General company preparedness is key. Ensuring access to quality information, positioning the business correctly, and managing the sensitivity of information are crucial. Efficiency in processes, especially with the ease of access to information, is also important. Platforms that facilitate this are critical in improving deal preparation.

**Are you seeing AI being applied in deal making, particularly in virtual data rooms?**

AI is starting to make its way into data room platforms, providing useful insights and improving efficiency. It's less about initial efficiency and more about quick access to insights and information to aid decision-making. AI tools are becoming essential for deal makers to be more efficient and gain better insights.

**Finally, what is the key to getting a deal over the line in the current market?**

Preparedness for various scenarios is critical. Being dynamic in thinking and deal structuring can sway deals. Strong relationships with counterparts are also vital. Despite the numbers and technical aspects, deal making is fundamentally about people and relationships.



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# Marc Ackermann

Head of Advisory, Investment Banking South Africa  
Investec

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# Ruven Naidoo

Head of M&A, Investment Banking South Africa  
Investec



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**Could you both share a bit about your careers in M&A?**

Ruven Naidoo: I have been active in the South African and broader Sub-Saharan African M&A space for about 15 years. I started at Bank of America, then moved to Goldman Sachs and Barclays in South Africa. Now, I'm at Investec to help grow the M&A franchise.

Marc Ackermann: I have nearly 20 years of investment banking experience, both domestically and internationally. I took over the team from a corporate advisory investment banking perspective about three years ago. Ruven and I worked together at Goldman Sachs before I joined Investec in 2017. I've been with Investec for almost eight years now.

**Let's set the macroeconomic table before diving into deal drivers and challenges.**

Ruven, what are your views on the macroeconomic factors, particularly interest rates, and how they might impact deal-making in the second half of the year?

Ruven: The cost of capital has been a topic of much debate and speculation over the past 12 months. Expectations have shifted, with some market participants now pushing the decrease in interest rates out to 2025. The settled view now seems to be that interest rates will remain higher for longer. This should provide a base of confidence for M&A activity, as companies can plan within a known environment rather than dealing with specific event risks.

Acknowledging that we're in a higher-for-longer environment, people are incorporating that into their plans and taking a view on measuring their corporate activity within those parameters.

**Marc, when do you think we'll see a turnaround in M&A activity? Do you think it'll be later this year or not until 2025?**

Marc: Towards the end of last year, we saw some green shoots of activity, mainly in the boardroom rather than in the public domain. However, with inflation being higher and central banks taking a more cautious outlook on the rate cycle, there may be a pause in the turnaround of activity. Despite this, we saw the return of mega deals in the first few months of this year, such as the BHP offer for Anglo American. These mega deals are happening, even in a constrained macroeconomic environment.

**Which regions might stand out for their M&A potential through the end of the year, Ruven?**

Ruven: M&A activity is driven by opportunity and strategy, rather than being localised to specific regions. Factors such as balance sheet strength, macroeconomic conditions, and valuation disconnects contribute to driving M&A deals. It's not about specific regions driving deals, but rather about companies' financial strength, stability, and strategy in different regions and sectors.

**Marc, what do you see as the likely drivers of M&A activity?**

Marc: In South Africa, there are opportunities due to the valuation disconnect between local companies and their international peers. Companies with strong balance sheets and strategic positions can consolidate sectors and capitalize on undervalued assets. The outcome of the election and improved electricity generation could further enhance the local market outlook.

**Ruven, are there particular sectors that offer interesting opportunities for aggressive M&A growth?**

Ruven: Corporate simplification is one, where companies relook at their strategies, optimise operations, and simplify their businesses. Sponsor-led activity, both buying and selling, is another theme as sponsors recalibrate themselves after a slower post-COVID period. Regional economic challenges will also drive M&A as companies seek to rebalance their portfolios outside of their home markets. Valuation mismatches, where South African-listed companies trade at a discount to internationals, will further drive M&A. The TMT (tech) sector has traditionally seen high levels of M&A activity (which we expect to continue), but we are now seeing more traditional sectors like natural resources, energy, materials, and industrials getting into M&A. Overall, M&A activity is becoming broad-based across many sectors.

**Ruven, can you expand on how private equity is playing a role in this environment?**

Ruven: Private equity in South Africa focuses more on the mid-market compared to international markets. There is a lot of dry powder, and while there is aggressive deployment, it is less publicised here. This means that much of the significant activity doesn't always make headlines.

**Marc, how are dealmakers getting creative with deal structures to overcome valuation gaps or bring buyers and sellers to a point where they can close a deal? Are we seeing potentially more JVs and club deals becoming more common? What are you noticing when it comes to deal structure?**

Marc: There is a prevalence of risk-sharing between buyers and sellers, which often plays out over time post-transaction. Paying away and receiving value on day one can be complex, so sharing risk and returns over a period of time is becoming more common. Projections of underlying companies' business performance are used to structure deals, but given the volatile environment, certainty and comfort are difficult to achieve. Therefore, sharing risk and returns over a two-to-three-year period post-transaction is becoming more common. Joint ventures (JVs) are one of the mechanisms for sharing risk and rewards.

**Ruven, can you share an example of innovative deal structures or strategies that have been successful in this market environment?**

Ruven: Enhanced preparation is a key strategy to get deals across the line when there are pricing disconnects between buyers and sellers. What this means is that more work is done upfront before going to market, understanding dynamics, and engaging with potential buyers. Processes may take longer, but it leads to a better understanding and mitigation of potential issues. Deal structures are unique to each deal, but participation through earn-out arrangements, where there's a meeting of minds between buyers and sellers over time rather than immediate cash flow, is common.

**How are due diligence processes evolving, especially with the rise of ESG concerns and regulatory scrutiny?**

Ruven: Upfront preparation is crucial, focusing on the commercial sense of the deal. There is more discipline in what deals parties look at, and if it doesn't align with their strategy, they quickly decline. ESG due diligence is now a front of mind matter and has become more important in the last decade. Furthermore, there is more proactive legal/regulatory groundwork and scenario planning around potential outcomes prior to engaging with regulators before approaching them on deals.

**Ruven, how are new digital tools like AI helping with the due diligence process?**

Ruven: Technology has accelerated, with AI integration into platforms like VDRs (Virtual Data Rooms) to process information more efficiently. It helps condense large amounts of information quickly. However, deal-making is still a human activity, and technology doesn't replace the importance of human engagement in deals.

**Marc, what are your thoughts on the evolving role of technology in the deal process?**

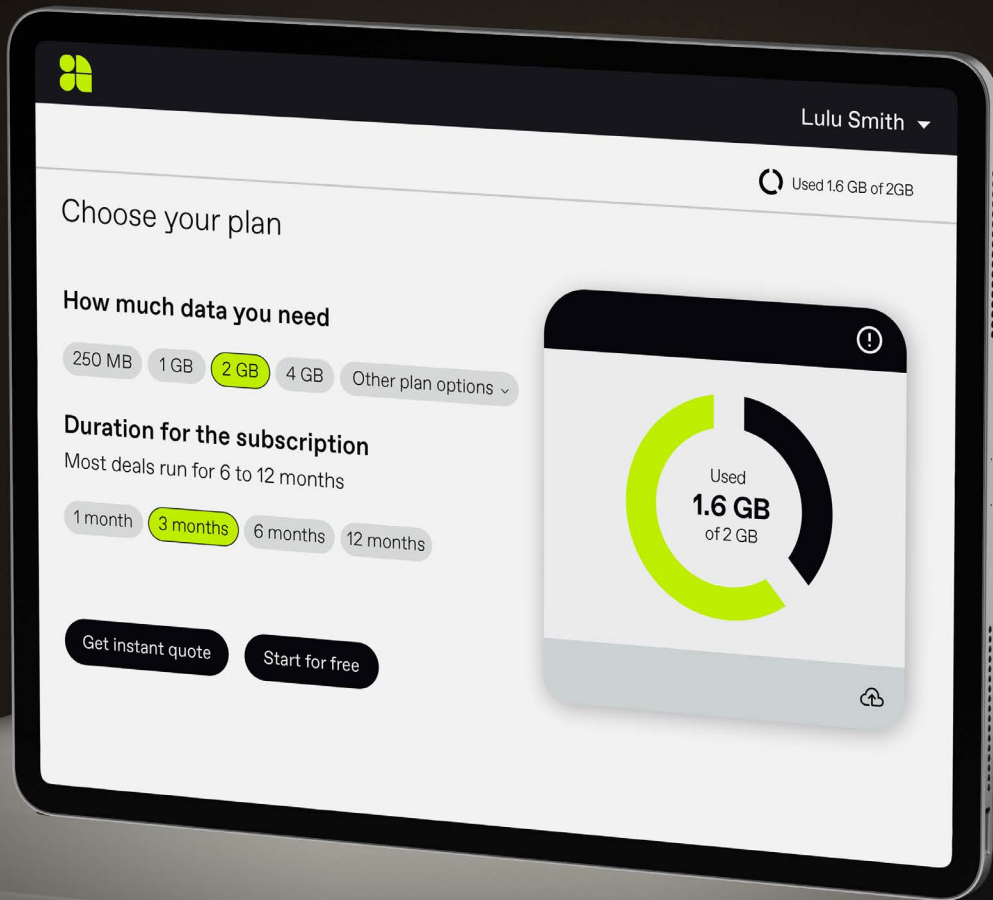
Marc: Technology and tools are increasingly prevalent in sourcing information and streamlining processes. However, it is difficult for technology to replace the analysis and human element behind the nuances of the data. Experience and expertise in volatile markets are hard to replicate. Technology is a tool, but it's not the answer to all questions in deal-making.



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# Kunle Amida

Head of Deals Advisory  
PwC Nigeria

**Tell us a bit more about yourself?**

I'm a partner at PwC Nigeria, leading the deals advisory business. We help clients with corporate finance, transaction advisory, and restructuring services across Africa. I've worked in about 10-15 countries, focusing on various sectors like mining, financial services, oil and gas, consumer goods, and telecommunications. I'm sector agnostic, which allows me to cover a broad range of industries.

**Given the current trajectory of inflation, how do you see these factors influencing dealmaking in the second half of 2024? When do you think interest rates will start coming down?**

Inflation has been a big problem, particularly in Nigeria, where the central bank has responded with very high interest rates. This makes it difficult for businesses to raise funding locally. On the deal side, we have seen a slowdown, but major transactions in oil and gas and the banking sector may drive activity. The government is giving positive signals that they will sanction significant deals, especially in the oil and gas sector. The central bank of Nigeria's capitalization agenda for banks will drive capital market activities. Interest rates might not come down until 2025 when inflation appears to be cooling.

**Considering the recent significant devaluation of the Naira, how much longer do you think it will take before economic conditions in Nigeria stabilize for deal-making?**

The subsidy removal and liberalization of the FX market have had a heavy impact. Food inflation is above 30%. If the central bank can stabilize the Naira, we might see more positive investor sentiment and significant transactions. The fundamentals of these businesses are strong, and assets are currently cheap. The economy needs time to adjust, and stabilization might occur in the next few months if the right policies are implemented effectively.

**Turning to other regions in Africa, which countries or sectors might stand out for their M&A resilience through to the end of this year?**

Sectors like retail, oil and gas, and mining show potential. There's a lot of activity and development, particularly in these areas, which could see significant announcements in the second half of the year. We're working on various projects in mining and capital raising across Africa, indicating resilience and potential for growth in these sectors.

**Given the challenging economic environment, are dealmakers getting creative with their deal structures to get deals over the line?**

Yes, absolutely. We're seeing more earn-out arrangements that allow sellers to benefit from future upsides, making it easier to close deals despite current pressures. This creativity is necessary given the macroeconomic headwinds. Structures that accommodate different forms of earn-outs or upside-sharing arrangements are becoming more prevalent, ensuring sellers can still benefit if conditions improve in the short to medium term.

**How are technologies like virtual data rooms and AI being used to streamline the due diligence process?**

We've moved almost entirely to virtual data rooms, which are now more sophisticated. AI tools help us quickly access and analyze data, making our jobs easier and more efficient. Before 2020, about 30-40% of our projects used virtual data rooms; now, it's almost 90%. The infusion of AI into these processes has significantly improved efficiency, allowing us to handle large quantities of data effectively.

**Are there particular regulatory challenges or antitrust scrutiny impacting M&A in Africa?**

Regulatory approval can be slow, especially in strategic sectors like oil and gas and banking. Streamlining this process would increase Africa's appeal as an investment destination. The pace of decision-making is currently slow, which doesn't give investors confidence. In Nigeria, for example, some major oil and gas transactions have been stuck for years due to regulatory approvals. Accelerating these processes is crucial for attracting investments.

**What is your key advice for getting a deal done in this challenging environment?**

Investors should play the long game. Africa has a lot of potential, and those who stay committed through the cycles will reap significant benefits. It's important to have sufficient firepower to withstand headwinds and realize the benefits of long-term investments. The continent offers huge opportunities for those willing to stay the course and navigate the challenges.

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# Andries van Heerden

CEO  
Afrimat

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**Tell us a little bit more about yourself and your career so far.**

I'm a mechanical engineer and started my career in the mining industry. Back in the day it was called Iscor Mining. I spent the first couple of years of my career at a coal mine. From there I moved on to a small packaging company for three and a half years and got exposed to smaller businesses and how they operate. I went on to Prima Quarries, where I got the idea of industry consolidation, but my bosses at the time didn't agree and asked me to leave. I then formed a small consortium with a business partner, and we bought the Lancaster Group in KZN, which was a quarrying business. A year later, the guys from Prima came back, and we managed to sort out our differences, merging the two companies to form Afrimat.

**Given the current moderation in inflation and the anticipated interest rate adjustments across sub-Saharan Africa, how do you see these macroeconomic changes influencing dealmaking in the second half of this year?**

The important thing is that it lowers the cost of capital and provides more certainty, which will definitely give investors more confidence. This, along with trends around energy, will be a big factor in restoring confidence.

**When do you think we'll see a turnaround in M&A activity? Could it be later in 2024 or not until 2025?**

I'm not a corporate finance professional, but given the uncertainties in the world and South Africa, I expect it to be slower this year. Hopefully, by next year, we'll see more of these fundamentals coming through and helping M&A activity.

**What's likely to drive M&A activity in the mining sector this year?**

The big drivers are energy-related minerals. Copper is a big theme now, along with other so-called battery minerals. I think there could be some activity in that space.

**What needs to happen for a boost in confidence in the M&A market?**

Two things: improved interest rates and macroeconomic conditions, and reduced political uncertainty both locally and internationally. Investors dislike uncertainty, so more certainty will definitely help.

**Regarding the valuation gap, how big do you think it is given the market uncertainty? How are dealmakers getting creative with structures like JVs or club deals?**

The valuation gap, especially for popular assets like copper, is high. It's always a matter of supply and demand. Wealthy companies wanting to acquire drive valuations up, forcing smaller companies like us to sit on our hands for now.

**What challenges in getting deals over the line require greater focus on due diligence?**

In the South African context, it is crucial to evaluate the target firm's processes and structures that will prevent value destruction during the period between the announcement of the transaction and the final approval for implementation. Additionally, the transaction agreements should protect the buyer in case the seller fails to maintain these structures and procedures during this period.

**What areas of due diligence are becoming more of a focus in dealmaking?**

Spending enough time analyzing and understanding the market, including downstream aspects, is crucial. In South Africa, factors like community involvement are also very important to understand before doing a transaction.

**How is anti-trust or competition scrutiny impacting M&A? What are your expectations for the rest of the year?**

In South Africa, it's a big obstacle, especially for international investors. With our Lafarge transaction, the long approval process destroyed significant value. These public interest elements are a big problem.

**Do you expect this to change anytime soon?**

I don't see it changing. Political comments suggest a lack of understanding of the value destruction this causes.

**Which markets seem most welcoming for cross-border M&A inflows?**

Zambia stands out with its positive and welcoming attitude. Namibia, to a lesser extent, but definitely Zambia.

**What advice would you give to other CEOs in the mining and construction sectors for successful dealmaking given current conditions and challenges?**

It's difficult to give advice as each business is unique, but one thing I've learned is to ensure the business is managed properly during the interim period while waiting for regulatory approvals to avoid value destruction.



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# Morné van der Merwe

Founding Partner  
Alchemy Law

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# Wildu du Plessis

Founding Partner  
Alchemy Law



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**Tell us a little bit more about yourself and your career so far and what it is you do?**

Morné: I think my career can be summarised as having dedicated 20 years to the M&A space, spending many, many hours around negotiating tables with parties doing deals. M&A is the alchemy of money meeting opportunity.

Wildu: Morné and I have actually been partners for the last 30 years. I focus more on the investment and the financing side, whereas Morné focuses on the M&A deals. We both have a history of conducting inbound and outbound investments from South Africa.

**The art and science of deal-making. Morné, let's start off with the macroeconomic situation and forecast at the moment. We certainly started the year with expectations of rate cuts by mid-year; that's been pushed back. When do you expect to see the macroeconomic conditions easing and interest rates declining to help provide a bit more of a tailwind for deal-making?**

Morné: I think the core of the response to that is when are we going to see more certainty insofar as the geopolitical situation is concerned. We're experiencing uncertainty around elections here in South Africa but this has been the case worldwide, with elections taking place in many countries across the globe, and then obviously also the situation in the United States and Ukraine. And until we see things settling down a bit, I think the regime that we have on the table will continue.

My prediction is that in the next six to eight months, I think we should start seeing a stabilisation of the geopolitical situation, or at least more certainty, which in turn will have an impact on recalibration to normality insofar as interest rates, etc. are concerned. And that obviously would provide a bit more confidence.

**Wildu, what are your expectations on when might financing conditions improve?**

Wildu: Let me just speak from my own experience and the deals that we've got in the pipeline at the moment. From an inbound point of view, I think there are huge pricing opportunities; assets are perceived to be quite cheap at the moment and furthermore the nature of these assets is important. Again, in the context of the geopolitical scenario that we've just discussed, the fact of the matter is that South Africa does sit on strategic assets. Both in the mining sector and also insofar as food security is concerned. I think those are very strategic. And from an inbound point of view, there remains a lot of interest in South Africa as a result of that.

From an outbound M&A perspective, I think you have quite a lot of well-established South African businesses who are looking at opportunities in offshore markets at the moment to find some kind of a hedge in their asset portfolio against the risks associated with South Africa and, with the depreciation of the rand – to find some balance in their portfolios for investors. So that is where the driving forces are aligned at the moment.

**Do you think companies are going to be more offensive or defensive? And by that, I mean, often in downturns, you see companies getting rid of non-core assets. You see opportunities emerge in restructurings and maybe some consolidation in the market, versus companies that have now trimmed down, have deleveraged their balance sheet and are still trying to build up war chests to be more proactive and on the front foot. How do you see that balance evolving over the course of the year?**

Wildu: You are going to see more offensive transactions. We are currently holding mandates to look at one or two other very interesting offensive actions.

On the defensive action side, I think you will see that, by and large, if you look at South African entities, a lot of them have already started to get rid of non-core businesses, resize themselves and so on, because during the last few years, South African-based companies were forced to do that in order to refocus and align their strategies. And now, it's a good time to deploy that if you've got the financing shoulder or the war chest on your balance sheet.

Morné: It's made a lot of boards sit up and pay careful attention. The depressed market circumstances in South Africa creates risk, however depending on the angle from which you're looking at it, it also opens up possible opportunities. But if you're not focused on your core business, and on delivering credible return to investors, I think we find ourselves in an environment where there's a feeling of being unsettled in certain quarters and there's a feeling of huge opportunity in others. And it's going to be interesting to see how it's going to pan out. Though the BHP Anglo bid is off for now, I don't think that that is necessarily the end of that story. It's put blood in the water. And it's also drawn international attention to South Africa and opportunities in the country. And that's what I'm sensing: the change in the energy and the atmosphere. Very interesting that.

**What do you see as the major risks or challenges that could face dealmakers in getting deals over the line in this environment?**

Morné: Certainly the regulatory challenges that we have in South Africa. I think black economic empowerment remains a challenge for offshore investors. Not necessarily the concept. I think it's just become very, very complicated in the way that it's being implemented. The way that our Competition Commission's mandate has been expanded to not only look at competition issues, but to also extend into other areas pertaining to public interest. If you put all of that

together with the backdrop of political uncertainty, the challenges that we have with electricity supply, the challenges that we have with railroads and ports, it does roll up into quite a lot. You've got to chew through a lot of fat before you get to the steak. I'm not suggesting for a minute that investors have turned their back on the opportunities – the opportunities are here, they are strategic, and there's good pricing in the market – [but] it does impose a certain level of creativity with deal structuring to navigate the challenges.

**What are you seeing in deal structuring in order to navigate this complexity?**

Wildu: Your planning has to be of such a nature that you must have a line of sight on all of these challenges and that you are ready to deal with them. That's where the whole notion of creative thinking becomes very important. Right from the outset, designing and putting an architectural structure around your deal plan. So that you don't head off in a direction and then start running into roadblocks and you get stuck. That's when things go wrong. The issue around greater thinking about creative funding is important. And that's where quite a lot of the magic lies.

But I also do think just in structuring the transaction itself, the way that you decide to sequence things, which are the areas that you're going to focus or let's say your competition aspects, you have those things in mind and be creative in the way that you approach the deal. So deal making is no longer a dogmatic kind of playbook where it's foreseeable that things are going to play out in a certain way. You need to spend much more time right at the beginning of the deal to actually plan for where things are going to possibly go wrong and what do you do then.

**How does that then start feeding through more into the impact on your due diligence? Because it's quite clear that deal makers therefore must be ramping up their due diligence efforts. What areas of due diligence are then becoming more of a focus in deal-making and earlier on in the process?**

Morné: I always start with the end in mind. The expectations of experience with clients in the deal-making space is not for you to run off and regurgitate the agreements that are in play. What are clients expecting of us? Does it go into the indemnity bucket? Does it go into the pricing bucket? Does it go into the 'deal-is-off' bucket?

And then the other important trend in the context of due diligence that's becoming more and more visible in South Africa, is the notion of warranty and indemnity insurance (W&I). Again, this is a way to manage risk. We are seeing that becoming a feature of South African deal-making. And the reason I'm mentioning that is because you need to make sure that when you go into your due diligence and you expect that there's going to be a W&I insurance piece to the transaction, your due diligence needs to be structured in such a way that it has an outcome that will talk to what needs to be answered by the time that you get to the insurer.

Wildu: A real risk for me, is especially legal advisors, who for almost the last decade have had a field day, saying: 'A due diligence. Fantastic. It's not a real risk I can throw 30 of my youngsters at it, prepare a 400-page due diligence report that highlights every single bit, including 'licences' spelt with an S rather with a C for the noun', you know, that sort of thing. Not a real risk. I don't think W&I insurers are going to make sense of it and then of course when you have to talk to your investors you've got to assume they would want to understand what the real risks are, so that bit has been a big change.

Another aspect I want to highlight is how the use of AI in due diligence could change the game plan moving forward. We've started to see some of its impact, but not yet in full. AI is being used not only for document review but also to identify industry challenges. I believe this will be a significant game changer going forward. It's very interesting.

**What would your key nugget of advice be to get a deal over the line in this environment?**

Morné: Make sure that you focus on the real issues when it comes to risk assessment because at the end of the day the role that we as lawyers in the deal making and the M&A space play is not only to ensure that you have a proper transaction in place, but also to ensure that when it comes to the allocation of risk and responsibility, there is absolute clarity on what the risks are and what the responsibilities are.

And keep your eye on the prize. Before you go into a deal – I am going to repeat it again – start with the end in mind. What are the things that I want out of this deal that are non-negotiable? And what are the things that I am happy to negotiate and trade on? To have that in your mind as you go into the deal-making process is key, otherwise you risk getting sidetracked and losing focus and ultimately losing the deal.

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# Lydia Shadrach- Razzino

Partner &  
Head M&A  
Baker McKenzie



Lydia Shadrach-Razzino from Baker McKenzie emphasizes the importance of comprehensive due diligence to secure warranty and indemnity insurance. This not only protects buyers and sellers but also ensures a robust transaction process. Ensuring access to quality information, positioning the business correctly, and managing the sensitivity of information are pivotal aspects of modern due diligence.

**To start, can you tell us a bit about your career in M&A?**

My career has been exciting and challenging, especially being a woman in this industry. But it's a challenge I've embraced, and I absolutely love what I do. It's an incredible time to be a South African and to live through the changes we're witnessing.

**M&A activity in Africa experienced a sharp decline last year. Given the current economic environment, what are your expectations for when the cost of capital might come down and provide a boost for deal-making activity?**

2023 was one of the quieter years, especially coming off the back of the busy 2021 and 2022. While we hoped for an immediate turnaround at the start of 2024, the tide is turning, albeit slowly. There's a lot of work happening in the background, especially in sectors like digital infrastructure, telecoms, and Consumer Goods & Retail. We're starting to see the fruits of that labour, and I'm optimistic about the next six months.

Although a couple of those deals have already been announced and signed in the first half of this year, including the telecoms and digital infrastructure deals that we've seen, one being Telkom's disposal of its Tower portfolio, Swiftnet. And the other was Actis's disposal of Octotel.

**That's encouraging. What about private equity (PE) activity? How do you see it evolving throughout this year?**

We're seeing more activity in the mid-market space, with potential for a couple of large-cap deals. There's quite a bit of dry powder, and funds need to exit assets, bringing disposals to market quickly. There's certainly more activity than we've seen over the last two years.

And dare I say, we might have one or two large cap deals that we haven't been fortunate enough to see over the last couple of years.

**How would you characterize valuation gaps between buyers and sellers currently?**

Valuation gaps are narrowing. Coming off the back of the last year where sellers and buyers were miles apart. They are still starting off miles apart, but finding each other through the deal-making process and through the negotiation.

Also there are more creative structures are coming to the fore. Typically, we used to use either the locked box mechanism or completion accounts mechanism to get to a final price but more often we are seeing a hybrid of the two mechanisms.

And in order to take risk out of the process, more than 90% of our deals, especially in the private equity space, are done on an insured basis, meaning that buyers are taking out insurance to de-risk the sellers from warranty claims and from the sellers having to provide security in terms of the transactions.

So, we're getting less riskier deals for sellers and then they're more open to meeting the buyers on price. There's more give and take and more of a balancing act that's happening currently in our market.

**How does this impact the due diligence process?**

Insurers require comprehensive due diligence, adding more work upfront. This lengthens the process but ensures robustness.

But the time, effort and pain are bearing fruits. We're getting more deals done in this space. And that means it's worth it at the end of the day.

**Are you seeing technology being used to streamline these processes?**

Definitely. Law firms are keen to adopt the best AI tools. Data rooms, like those provided by Ansarada, help streamline vendor and buyer diligence. We're also using AI for matter management, such as running CP checklists digitally but checked by humans. This streamlines processes and saves time, although we're in a disruptive phase that should settle soon.

**From a regulatory perspective, what are your expectations for competition approval processes this year?**

The Competition Commission has focused on public interest concerns, making it a challenge. However, clients now better understand what the authorities are looking for, thanks to a clearer framework. This has helped ease some nervousness among foreign investors, though it's not where it ideally should be.

**Which regions or countries outside of South Africa are more welcoming to deal makers?**

Jurisdictions like Italy, Ireland, the UK, and North America have clearer frameworks. However, the additional public interest concerns tied to BEE in South Africa make it more challenging here. Hopefully, the new administration will address this in a way that balances development goals with market needs.

**Finally, if you could give one piece of advice for getting a deal over the line in this environment, what would it be?**

Keep at it and don't give up when things get tough. Focus on the key priorities and critical issues, rather than the small stuff. This holistic approach can help navigate through the challenges.



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# John Bellew

Head of Private Equity  
Bowmans



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**Can you start by telling us a bit more about yourself and your role at Bowman's?**

I am a private equity specialist operating as a lawyer. I've been involved in private equity in South Africa and across Africa since the early 1990s when the industry was just beginning. My work covers both upstream and downstream private equity, meaning I handle fund formation and the mergers and acquisitions activity of private equity funds.

**Given the current moderation in inflation and anticipated interest rate adjustments across sub-Saharan Africa, how do you see these macroeconomic changes influencing private equity deal-making in the second half of 2024?**

Interest rates are important, but most private equity funds have a built-in hurdle that remains fixed regardless of interest rate fluctuations. The key drivers for private equity activity will be Africa's fundamentals and the investment environment. Global uncertainty and a strong dollar present challenges, but as interest rates decrease, emerging market currencies might strengthen, benefiting the region. However, it's not just interest rates but broader economic conditions that will drive M&A activity.

Raising capital for a pure South African mandate is currently difficult. Funds with a sub-Saharan or African focus, with expertise across multiple regions, are more successful. Africa is not a monolith; it's 54 distinct countries with varying investment climates. East Africa, particularly Tanzania, Kenya, and Zambia, shows continued growth. South Africa, however, struggles with investment and policy uncertainty, which impacts its attractiveness to investors.

**Which sectors in East Africa are showing resilience and promise for deal-making opportunities through the end of 2024?**

Infrastructure, particularly in telecoms and renewable energy, is attracting significant interest. The food sector, including the entire food chain, and affordable housing are also seeing activity. Fintech continues to boom, and tourism, especially in South Africa, remains strong. However, most deals will be in the small to mid-market space, as we're not seeing many large-scale transactions at the moment.

**With a lot of dry powder in the market, do you anticipate increased pressure to execute deals, or will GPs be seeking extensions from their LPs?**

There will be pressure to execute deals, but it's crucial to avoid bad deals. Some funds from the 2008 era deployed capital too quickly and suffered during the crash. Diversification across the investment period is essential. While there are opportunities in the mid-market space, South Africa's private equity industry is not as thriving as it should be given its maturity.

**What opportunities exist in the distressed assets space for private equity, particularly in the context of business rescue processes?**

Private equity firms are dealing with distressed assets by renegotiating debt terms and cutting costs rather than resorting to formal business rescue processes, which can damage brand reputation. The focus is on operational improvements and finding value through growth rather than financial engineering.

**Are there specific strategies PE firms are employing to enhance operational efficiencies and create value in their portfolio companies?**

In Africa, professionalizing businesses and improving governance are key strategies. ESG (Environmental, Social, and Governance) factors are increasingly important, driven by LPs and DFI investors. Technology, including AI, is being used to enhance due diligence processes and operational efficiencies.

The key is finding deals with local currency costs and dollar-denominated revenues. While deal structuring tools haven't fundamentally changed, the market is evolving with more permanent capital vehicles due to challenges in raising capital for South Africa. Ensuring the right blend of debt and equity and appropriate management incentivization remains crucial.

**How is the rise of private credit or private debt playing out in Africa?**

There is a market for private credit, particularly mezzanine finance, as family businesses often need expansion capital but are reluctant to give up equity. Hybrid funds offering both equity and mezzanine solutions are becoming more common, allowing fund managers to meet a broader range of needs.

**How has the focus on due diligence changed in this environment?**

ESG considerations are now a significant part of due diligence. Comprehensive diligence is required to secure warranty and indemnity insurance. Technology, particularly AI, is increasingly used to streamline and deepen due diligence processes.

In many deals, we look at, when we're acting for the sellers, to see if we can get warranty and indemnity insurance for the deal, the W&I insurers require comprehensive diligence to be done. So I think [due] diligence may be deeper than it was, partly because of the need to insure your warranties. But I think there's also a move to try and make the diligence more focused and more relevant than it used to be.

How we do it is changing and the use of tech in diligence is definitely increasing. The ability to run, for example, multiple contracts through an AI machine to extract common clauses and analyze them is now something we can do easily, so AI in the context of diligence is definitely something that we are focused on.

**What impact does regulatory oversight, especially in the context of South Africa's Competition Commission, have on M&A?**

Regulatory uncertainty is a concern, particularly with the shift towards public interest conditions in the South African market. Private equity firms generally don't mind employee share schemes, but need predictability in regulatory requirements. Across Africa, increased antitrust focus is evident but not as impactful as in South Africa.

Investor-friendly jurisdictions will continue to do well. In South Africa, the upcoming election will be crucial. There's a sense of 'wait and see' as firms prefer to have greater clarity on economic policies before executing deals. A positive election outcome could stimulate significant M&A activity.



## Bringing Order to Transaction Management

Ansarada Deals™ is a leading transaction management platform designed to streamline the entire M&A process. Our advanced technology simplifies workflows, enhances collaboration, and ensures bank-grade security and compliance. With features like intuitive data rooms for due diligence, AI-powered insights, and seamless integration, Ansarada Deals™ enables advisors and organisations to execute transactions with confidence. Trusted by financial institutions and advisory firms, our platform accelerates deal outcomes while reducing risk. From marketing and NDA management to deal preparation, due diligence, closing, and integration, we provide comprehensive security throughout the deal lifecycle, offering certainty, clarity, and control. Transforming deal chaos into order, we focus on the details so you can focus on the deal.