



# Doing Deals in Sub-Saharan Africa 2024



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# Foreword

Sub-Saharan Africa (“SSA”) is a diverse collection of countries with abundant natural resources, an attractive mix of favourable demographic profiles, and growing communication and technology adoption.

Despite infrastructure challenges, political instability and macroeconomic headwinds, investment flows and transactions have remained resilient, with market factors presenting growth opportunities.

Investor appetite is returning with foreign direct investment (“FDI”) expected to reach 2.13% of gross domestic product (“GDP”) in 2024, up from 1.74% last year, according to the International Monetary Fund<sup>1</sup> (“IMF”). Additionally, the number of announced FDI projects rose by 10% in 2023 compared with the previous year.

The IMF forecasted GDP in the region to increase from 3.4% in 2023 to 3.8% in 2024, with nearly two-thirds of countries anticipating higher growth. This momentum is likely to be sustained in 2025 with growth projected to reach 4%. Inflation across the region is expected to halve from a peak of 10% in late 2022. Public debt ratios are stabilising and SSA economies have returned to issuing debt on the international capital market after a two-year hiatus.

This publication presents how investors are strategically approaching the region, which, despite its recent challenges, offers strong potential for superior risk-adjusted returns. As such, this publication covers, *inter alia*, the:

- opportunities available in the region;
- sectors and markets that have piqued investors’ interest;
- strategies employed by investors to achieve deal success; and
- risk management policies adopted by investors to overcome challenges for deal making in a region with a capacity for exceptional future growth.

<sup>1</sup>Source: IMF – Regional Economic Outlook

# Key Findings

**Investor insights from 150 interviews:**



## Market Moves

M&A activity in SSA remained strong despite economic and political challenges, with high deal volumes and steady values.

Strategic investment corridors, regional consolidation and portfolio rationalisation continue to drive deal activity within the region.



## Resources Rule

Increased global demand for minerals spurred major deals in Africa's resources sector, with mining and energy drawing significant interest.



## Tech Deals Dominate

TMT and Technology led in deal volume, despite a decline in overall deal value.

Looking ahead, this sector is expected to remain a major M&A driver, particularly in the e-commerce, big data, and fintech spaces.



## The growing role of ESG

Investors are focusing on ESG issues, driven by international financing requirements and investor pressure. ESG considerations, particularly energy efficiency and climate change, are expected to significantly impact M&A activity.



## Cash is King

Cash is the primary financing method for SSA M&A deals, with high debt costs and foreign currency shortages influencing preferences.



## Deal Drivers

Availability of physical assets/natural resources was the most frequently cited driver for strategic investors; while focus on tech and distribution channels were key drivers cited by financial investors.

The youthful population in SSA and digital transformation are fuelling high interest in tech deals, especially in AI and machine learning.



## Valuation Challenges

Negotiating valuations in SSA M&A deals is challenging due to the quality financial information and the complexity of assessing underlying risks. Most deals use revenue or EBITDA multiples in the valuation calculation.



## Transparency Troubles

Lack of transparency in SSA deals complicates valuations and due diligence, often leading to prolonged negotiations and mismatched expectations. Inadequate information can hinder deal progress, especially in volatile political and economic contexts.



## Future Forward

Transaction activity in SSA is expected to increase, with strong interest from both domestic and international buyers. Investor optimism remains high despite challenges faced in completing transactions in SSA.

The continent offers vast opportunities for those willing to stay the course and navigate the challenges.



# Executive summary

Deal flow across SSA has remained resilient despite macro-economic headwinds and region specific challenges. SSA continues to offer potential opportunity driven by a youthful and growing population and significant untapped resources. However, challenges to doing deals remain, including: quality of information, price expectation and risk premia, currency volatility and regulatory complexity.

Investors who adopt a medium-to-long-term strategy with prudent asset allocation can position themselves to potentially benefit from higher long-term returns. Presented below are the key investor insights from this year's survey.

## Resources rule

### Performance

SSA's significant supply of natural resources was a major draw for investors last year, with the total value of investment in the sector increasing 29% year-on-year to US\$5bn, led by headline deals such as Chinese mining company, MMG's acquisition of Botswana-based Khoemacau Copper Mining for approximately US\$2bn.

Energy sector deals are also on the rise, with deal volumes increasing by 13%. The pursuit of the region's prodigious mineral and hydrocarbon reserves continues to act as a major attraction for investors.

### Outlook

Mining and energy sectors are poised to sustain investor interest, with strategic investors particularly motivated by SSA's resource play. Over the next two years, strategic investors expect the most attractive M&A prospects in SSA to emerge in the mining (71%) and oil & gas (51%) sectors with physical assets/natural resources cited as the main driver for deals.



## Tech takes over

### Performance

Technology, media and telecommunications ("TMT") recorded the highest deal volume of all sectors in 2023. Major deals included US software company, PowerFleet's acquisition of South Africa's MIX Telematics for US\$728m, forming one of the world's largest mobile asset Artificial Intelligence of Things ("AIoT") Software-as-a-Service ("SaaS") providers.

Of the deals in the last year, strategic investors completed transactions aimed at modernising existing operating models; while financial investors targeted businesses that embrace emerging technological innovations.

### Outlook

Our survey revealed that technology will remain a particular focus for investors over the next two years. Over half (52%) of financial investors and 39% of strategic investors envisage that the sector would be a major driver for M&A.

Breaking this down into sub-sectors, 55% of respondents expect the most attractive investment opportunities to emerge in the e-commerce space, followed by 'Big Data' analytics and business intelligence. Fintech, a burgeoning sub-space in an underbanked region, was the third most popular choice.



Despite the numbers and technical aspects, deal making is fundamentally about people and relationships."

**Corporate Finance Head at a SSA-based company**

## Value for money matters

### Performance

Valuation is a key factor for investors, with 53% citing attractive valuations and value realization as the principal drivers in recent SSA M&A deals. More intimate knowledge of a market puts local acquirers in a position of strength and is more likely to result in proprietary, off-market deal flow.

More than half of respondents using an EBITDA multiple paid between 6x-8x for a controlling stake, reflecting that most deals fall within the lower middle market range globally. Around 10% of deals involved higher multiples, typical of fast-growing tech start-ups, with 9% of respondents paying greater than 8x EBITDA, indicating a willingness to pay premiums for companies with high growth potential.

### Outlook

The pursuit of value will continue to be a major driver for deal making with financial investors highlighting attractive valuations as the single most important factor for future transactions, while 45% of strategic investors ranked value realisation as one of their top three imperatives.

## The growing role of ESG

### Performance

Environmental, social and governance ("ESG") issues have played a limited role in SSA transactions in recent years with only 1% of respondents indicating ESG/impact investing as an important driver in their most recent transaction. However, due to renewable energy transition pressures, reputational risk and the implementation of stricter regulations, investors will soon need to embed ESG concerns into their M&A strategies.

The evolving regulatory landscape is to be considered, with South Africa's Companies and Intellectual Property Commission ("CIPC") bringing in mandatory ESG filing from 2025 onwards as part of a reporting framework that the authorities see as boosting transparency and accountability.

### Outlook

In the coming years, ESG will move centre stage in deal consideration, notably in relation to energy and environmental factors.

The majority of financial investors (98%) and strategic investors (89%) expect their organisation's ESG strategy to have an increased impact on transactions within SSA over the next two years compared with the previous two years.

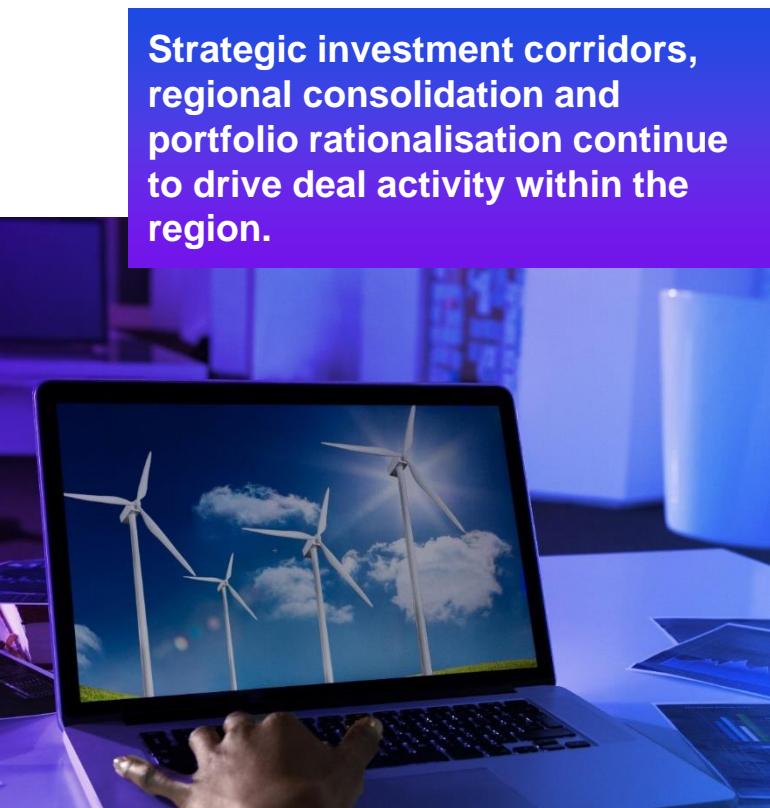
## The due diligence dilemma

### Performance

Effective due diligence is fundamental in ensuring success in SSA M&A deals. It plays a pivotal role in both preventing and addressing issues, as evidenced by the fact that 18% of respondents identified due diligence findings as the most significant factor in failed negotiations.

### Outlook

Past experience indicates there is value in placing greater focus on due diligence in deal planning and integration, and this is expected to shape future behaviour in doing deals in SSA. The emphasis on thorough due diligence will continue to be critical in navigating transactions as valuation and ESG considerations align with emerging standards and regulations.



**Strategic investment corridors, regional consolidation and portfolio rationalisation continue to drive deal activity within the region.**

# Part one: The contemporary M&A landscape in Sub-Saharan Africa

## M&A deal activity

Momentum in the 2022 SSA M&A deal activity continued throughout 2023, despite economic headwinds and political turbulence affecting parts of the region. Following 2022's record-high transaction volumes, deal activity remained stable in SSA in 2023 with a total of 304 deals, while deal value held relatively steady at US\$18.9bn.

2023's deal volume was the second-highest on record, falling by only 24 transactions compared to 2022. Similarly, while 2023's total value dropped by just over US\$4bn year-on-year, it remained on trend with the three years that preceded the pandemic. In uncertain macroeconomic and geopolitical times, these figures demonstrate SSA's consistency and attractiveness for investors.

In regional terms, West Africa saw its second-strongest year on record with 44 deals, while 2023 was the second-highest year for East African deal activity. In the latter region, deal appetite was stimulated by a reinvigorated Kenyan economy, where GDP grew by 5.6% in 2023 – its fastest pace in two years. Most impressively, deal volume in Francophone SSA hit a record high with 17 deals.

Meanwhile, resource-rich Southern Africa asserted its dominance as SSA's largest M&A market, with seven of the top 10 deals located in the region, headed by MMG's US\$2.08bn bid for Botswana's Khoemacau Copper Mining, located in one of the most exciting mining regions in Africa, the Kalahari Copper Belt.

Deal flow is maintaining its strong momentum according to the figures for the first six months of 2024, with the total M&A value for Q2 being the highest quarter recorded for two and a half years at US\$11.8bn.



**“**

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.”

*Principal at a South African investment bank*



**Despite infrastructure challenges, political instability and macroeconomic headwinds, investment flows and transactions have remained resilient, with market factors presenting growth opportunities.**

#### Sub-Saharan Africa M&A | Recent quarterly activity\*



Source: Mergermarket

\*Revised 2022 Mergermarket information from previous survey

#### Sub-Saharan Africa M&A | Yearly activity since 2013\*



Source: Mergermarket

\*Revised 2022 Mergermarket information from previous survey

### M&A by region, 2010 – 2023\*

#### East Africa



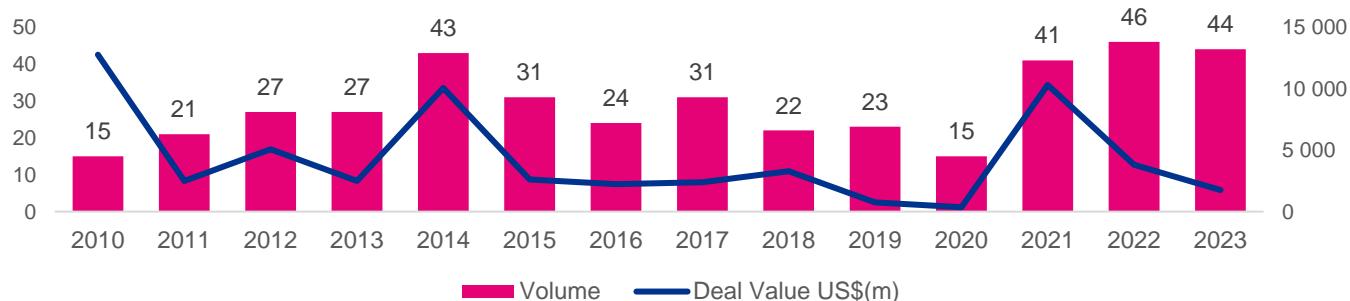
#### Francophone SSA



#### Southern Africa



#### West Africa



Source: Mergermarket

\*Revised 2022 Mergermarket information from previous survey

## Top deals and sectors

The pursuit of valuable commodities precipitated a series of deals in Africa's energy and mining sectors, with surging global demand for transition minerals such as lithium, nickel and cobalt, drawing heightened investor attention. Mining accounted for three of SSA's top 10 transactions announced in 2023, including targets based in Botswana, South Africa and Zimbabwe.

Total deal value in the mining sector increased by 140% year-on-year to US\$5bn, although almost half of this was accounted for by MMG's acquisition of Khoemacau Copper Mining.

The energy sector also saw considerable deal interest, with a 10% increase in year-on-year deal volume and three of SSA's top 10 deals transacted within the sector.

The largest deal of the year in the energy sector saw French companies Engie and Meridiam acquire South African renewable energy developer BioTherm Energy for US\$1bn.

### Top 10 SSA deals announced in 2023

Target	Acquirer	Date	Sector	Deal Value (US\$m)
 Khoemacau Copper Mining (Pty) Ltd	 MMG Ltd	Q4 – 2023	Mining	<b>Deal Value:</b> 2,083 <b>Stake:</b> 100%
 Engen Limited	 Vivo Energy Ltd; Vitol Netherlands Coooperatief UA	Q1 – 2023	Oil & Gas	<b>Deal Value:</b> 2,000 <b>Stake:</b> 74%
 Vedanta Limited (Zinc International assets)	 Hindustan Zinc Ltd	Q1 – 2023	Mining	<b>Deal Value:</b> 1,046 <b>Stake:</b> 35.08%
 Williams Minerals (Pvt) Ltd	 China Natural Resources Inc	Q1 – 2023	Mining	<b>Deal Value:</b> 1,003 <b>Stake:</b> 54.1%
 BioTherm Energy (Pty) Ltd	 ENGIE SA; Meridiam SAS	Q2 – 2023	Renewables	<b>Deal Value:</b> 1,000 <b>Stake:</b> 100%
 Oil & Gas Assets (Upstream assets in Angola)	 Etu Energias SA	Q1 – 2023	Oil & Gas	<b>Deal Value:</b> 830 <b>Stake:</b> 100%
 Assala Energy Holdings Ltd	 Gabon Oil Company	Q4 – 2023	Oil & Gas	<b>Deal Value:</b> 730 <b>Stake:</b> 100%
 MiX Telematics Ltd	 PowerFleet Inc	Q4 – 2023	TMT	<b>Deal Value:</b> 728 <b>Stake:</b> 100%
 Mopani Copper Mines plc	 International Resources Holding RSC Ltd; Delta Mining Ltd	Q4 – 2023	Mining	<b>Deal Value:</b> 620 <b>Stake:</b> 51%
 Peermont Global Ltd	 Sun International Ltd	Q4 – 2023	Leisure	<b>Deal Value:</b> 614 <b>Stake:</b> 100%

Source: Mergermarket

The second largest deal in the sector was also the region's largest domestic deal, with Angola's Etu Energias, formerly Somoil, acquiring Galp Energia for US\$830m.

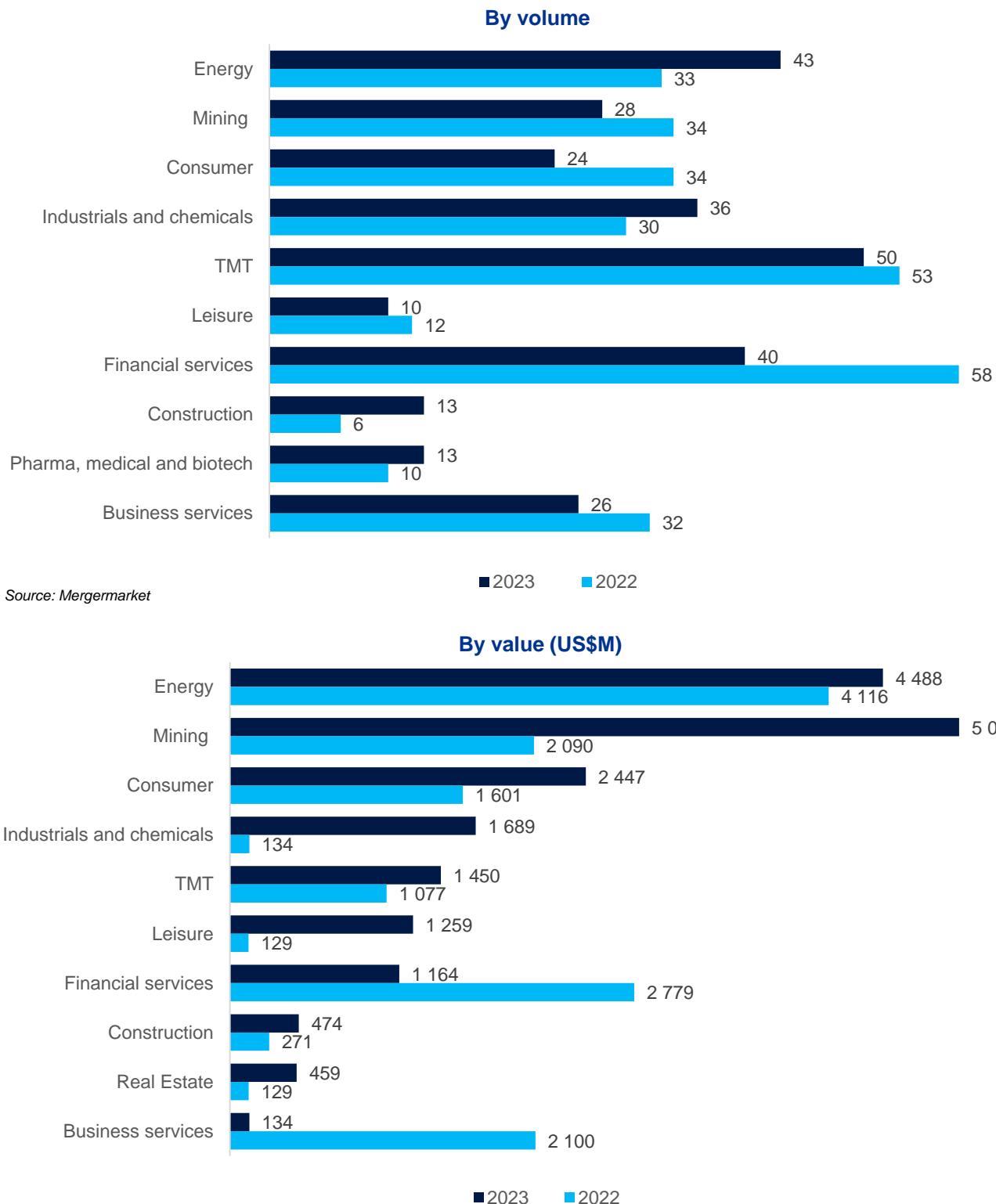
While, year-on-year deal volume for SSA-based TMT targets fell marginally from 53 deals in 2022 to 50 deals last year, overall value rose by 27%, from US\$1.1bn to US\$1.4bn. However, despite the value increase, only one of those deals, the software company PowerFleet's acquisition of South Africa's MiX Telematics for US\$728m, made it into the top 10.

Overall, these deals highlight several key trends shaping M&A in the region, with four of the top ten deals occurring outside these powerhouse industries.

### Several key trends:

- a strong demand for transition minerals
- capital flows from diverse sets of strategic and financial investor groups
- broader range of investment opportunities beyond the traditionally dominant sectors of mining and energy

### Sub-Saharan Africa M&A sectors by volume and value (US\$M)\*



Source: Mergermarket

\*Revised 2022 Mergermarket information from previous survey

## Drivers, tech and trends

SSA's abundant resources, attractive valuations and demographic shifts are proving to be compelling propositions for investors as the region cements its post-Covid revival.

Attractive valuations have been the main driver for recent deals in SSA, according to our survey. Over half of respondents (53%) agreed that an attractive valuation was one of the top-three drivers of their most recent transaction, including 17% who said this was their primary motivation.

Financial reporting challenges and immature local capital markets present valuation challenges and risks. Effective diligence is critical with price multiples striking a balance between risk and opportunities.

**“An attractive valuation was an important driver during the last transaction, and we anticipate strong returns. It's always been our strategy to consider valuations underpinned by strong historical performance, unless we see any exceptional opportunities.”**

***Co-founder of a private equity firm (East Africa)***

Even when other circumstances appear unfavourable for M&A plays, less expensive pricing can overcome investor qualms. “We did hesitate to pursue the investment because of the external economic threats”, says a Strategy Director based in South Africa. “However, the valuation was one of the most positive aspects that led us to consider the long-term prospects.”

Physical assets/natural resources were the second-most popular driver of deals overall. Resource availability has increased the appeal of companies in Nigeria, South Africa, and Zimbabwe in particular.

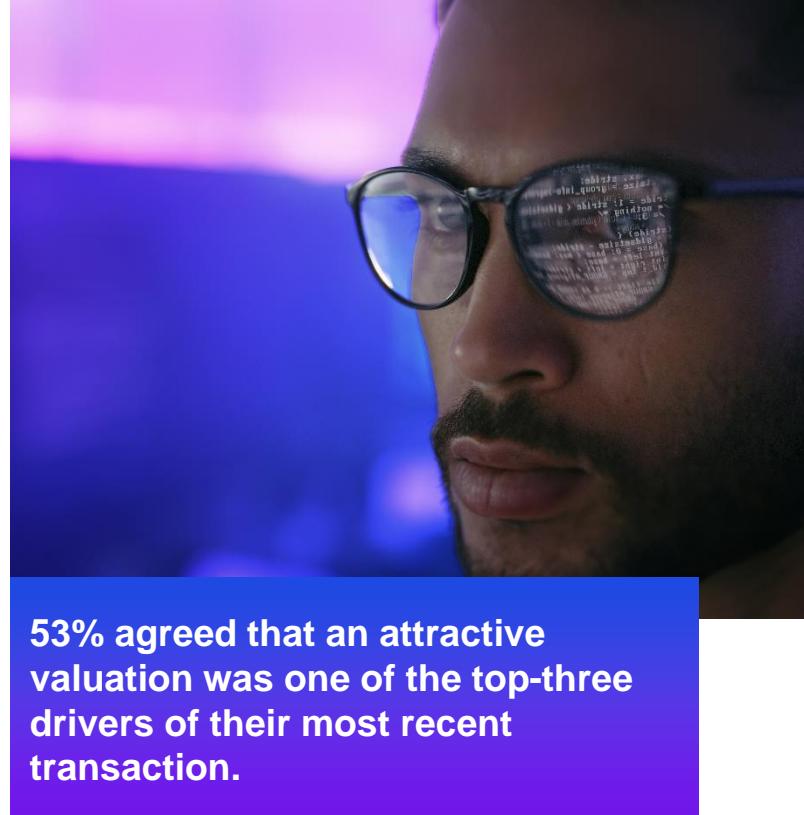
Natural resources offer a huge economic opportunity for SSA economies during the low-carbon transition. Africa possesses a significant share of global mineral reserves – including 92% of platinum, 56% of cobalt, 54% of manganese and 36% of chromium, all of which are used in the manufacture of batteries and wind turbines.

*Source:*

*World Bank - Accelerating the Use of Digital Technologies is Key to Creating Productive Jobs and Boosting Economic Growth in Africa  
African Development Bank – Tracking Africa's Progress in Figures (Human Development)*



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**53% agreed that an attractive valuation was one of the top-three drivers of their most recent transaction.**

Among the energy-transition focused deals was China Natural Resources' acquisition of Williams Minerals, a Zimbabwe-based lithium mine operator, for just over US\$1bn, reflecting China's need for a reliable supply of lithium to support its electric vehicle ("EV") industry.

Access to SSA's large and rapidly growing customer base is a deal motivator that has risen considerably since our previous survey in 2023. Last year, customer base was only the eighth most important factor for investors, while this year it is in fourth place.

This uplift is hardly surprising, given the demographic profile of the region. The World Bank has noted that the continent will soon have the world's largest workforce. In tandem, over the next three decades, the region will experience the fastest increase in the working age population of all regions, with a projected net increase of 740 million people by 2050. This is due in part to 12 million young people entering the labour market across the region every year in the coming decade.

The continent's cities are growing, along with its middle class. The African Development Bank projects that the middle-class population in Africa could increase to 1.1 billion by 2060, from 123 million currently. The dynamic link between urbanisation and the rising middle class creates huge potential for sustainable and inclusive industrialisation.



**Infrastructure development is crucial for Africa's economic growth, but the public and private investment required to support it have largely been absent.**

The continent's youthful population dynamic chimes with the digital transformation agenda. The UN estimates that 70% of SSA's population is under the age of 30. This generation is well positioned to take advantage of the 'leapfrogging' opportunity associated with emergent digital technologies. For example, the widespread use of mobile phones in Africa affords space for mobile-friendly digital platforms to train a critical mass of youth in digital skills.

The highest number of recent SSA targets were primarily within the technology sector. Technology companies were particularly targeted by financial investors (26%). Of the respondents who identified IP/technology as a notable deal driver, the two most important types of technology that propelled their most recent transaction in SSA were generative artificial intelligence ("AI") and, relatedly, machine learning/deep learning. Project management tools and predictive analytics were also popular sub-sectors.

Strategic investors were much more likely to emphasise physical assets/natural resources as a primary driver behind transactions (27%, in contrast to 8% of financial investors), while financial investors were quicker to cite domestic distribution channels (27% versus 9% among strategic investors) and IP/technology (18% against 9% among strategic investors) as the single most important deal driver.

Financial investors' appetite for deals that improve their distribution channels is evident, as M&A presents a means of overcoming traditional barriers to entry. This interest ties in with the need to improve infrastructure across SSA.

"We felt that the domestic distribution channels were weak in the region. The deal was considered to facilitate more distribution channels. Now that we have a good presence in the region, increasing distribution channels will be vital," says an Executive Vice President of Strategy and Communication at a private equity firm (Norway).

Infrastructure development is crucial for Africa's economic growth, but the public and private investments required to support it have largely been absent, according to the Africa Finance Corporation.

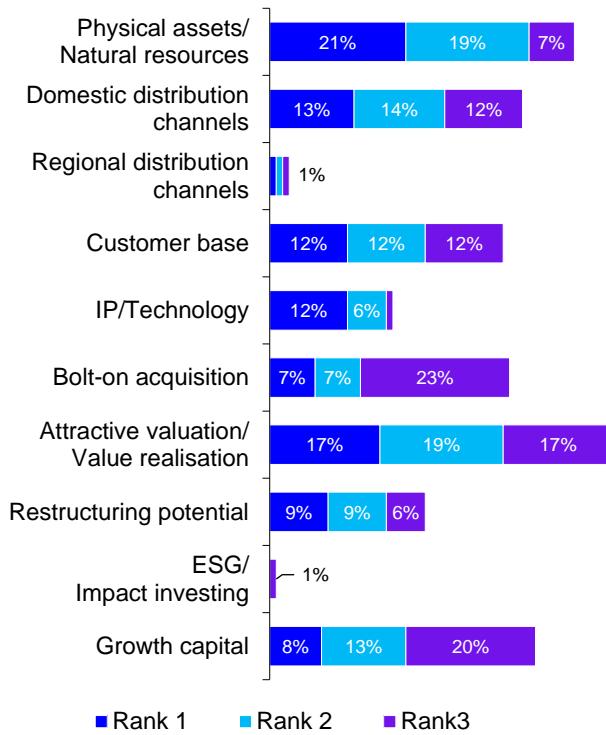
There has been remarkable improvement in infrastructure across SSA, including significant capacity expansion in the continent's ports and enhanced regional integration in East and Southern Africa. These advancements are making a notable impact, although there remains a substantial infrastructure financing gap, estimated at around US\$100bn. Private sector financing has a crucial role to play in this instance, especially since the World Bank predicts that the capacity for governments in the region to finance infrastructure will decrease over the next decade.

**“The main driver of this deal was to acquire technology. To meet changing customer demands, we are improving the quality of technology solutions used by our teams. This transaction was a part of our digital development plans.”**

***Chief Financial Officer of a listed financial services institution in West Africa***

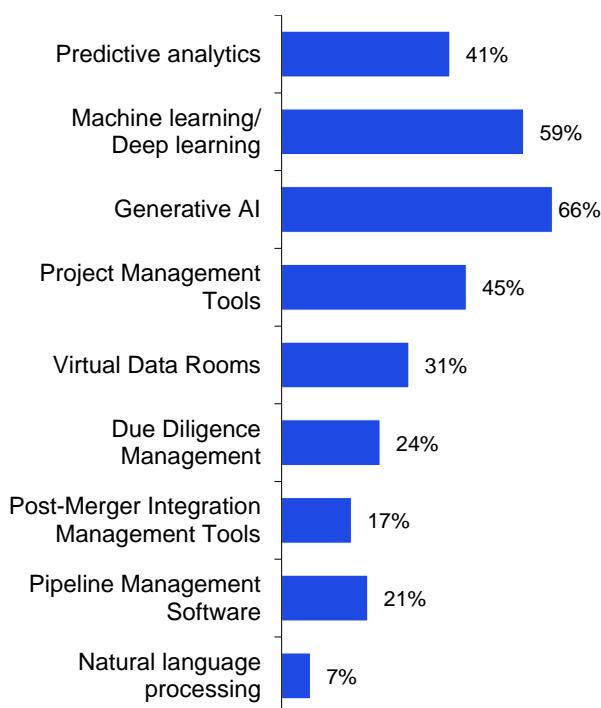
When examining responses from financial and strategic investors separately, some interesting points of divergence regarding key drivers emerged.

**Q: What were the top three drivers for your most recent transaction?**



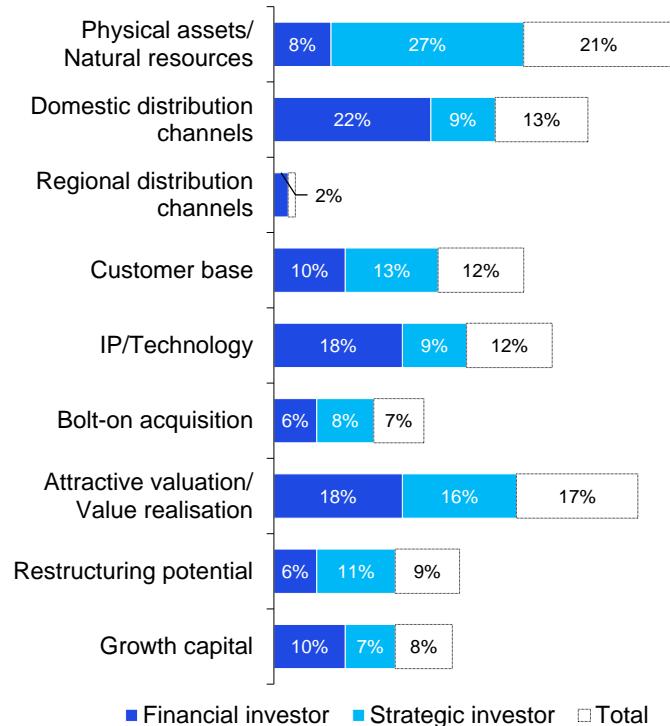
Note: Rank 1 = Most important

**Q: If IP/Technology is selected: Which types of IP/technology were important drivers?**



Note: Respondents selected all drivers that applied.

**Q: What was the most important driver for your most recent transaction? (Rank 1 shown only)**



## Sector highlights

Technology emerged as the most sought-after sector for strategic investors, with 26% of financial investors and 8% of corporates targeting digital assets. In Francophone SSA, the telecommunications sector was the second highest investment target for the survey respondents in their most recent SSA transaction.

This underscores the importance of the TMT sectors in delivering SME-focused growth that is primed to generate more employment opportunities. Furthermore, the sector remains highly attractive, supported by regional growth opportunities with continued smartphone penetration across the continent.

Young Africans in urban areas are particularly well connected with 80% owning a mobile phone. The expansion of the TMT sector is evident not only in mobile phone penetration but also in internet usage. According to the Industrial Development Corporation ("IDC"), internet penetration has risen significantly, from 7.6% in 2009 to 33% in 2023.

Accordingly, there are growing use cases for digitalisation in Africa including the migration of public services to digital platforms such as Uganda's National Water and Sewerage Commission Services which have digitised their utilities management, including platforms for water, sanitation, and electricity. As technology access continues to improve, this trend is expected to grow, presenting significant investment opportunities.

Mining remains a prominent focus for M&A investors, accounting for three of the top 10 announced deals in SSA last year.

Additionally, a fifth of all strategic investors targeted mining companies in their latest deals. In terms of specific locations, a third of respondents invested in Francophone SSA and just over a fifth targeted East Africa.

Oil and gas, the second-most active sector in last year's survey, has slipped down the ranks, partly due to a slowdown in asset transfers in key hydrocarbon markets like Nigeria. For instance, Nigeria's state regulator has objected to the proposed acquisition of shallow-water assets by Seplat Energy, which ExxonMobil intends to divest. However, this acquisition is expected to be sanctioned in 2024.

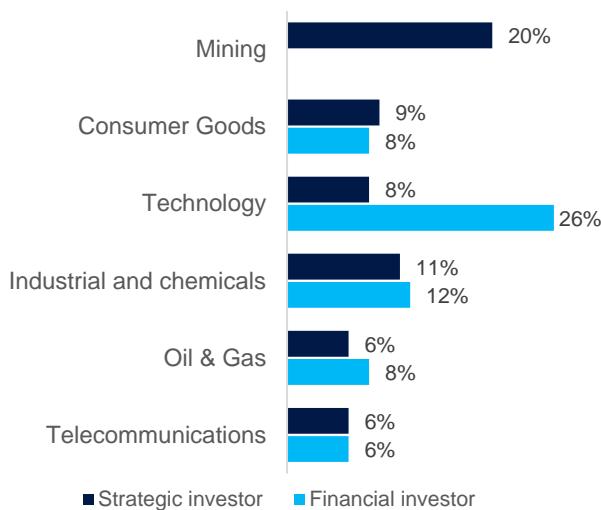
One particular area of strength in East Africa is the consumer goods sector, identified by 16% of respondents, ahead of West Africa (12%), and just 4% in Southern Africa.

Across the continent, the emergent middle class and urbanisation trend is underpinning consumer sector expansion. For example, four Tanzanian cities were among Africa's fastest growing urban centres in the 2020-24 period.

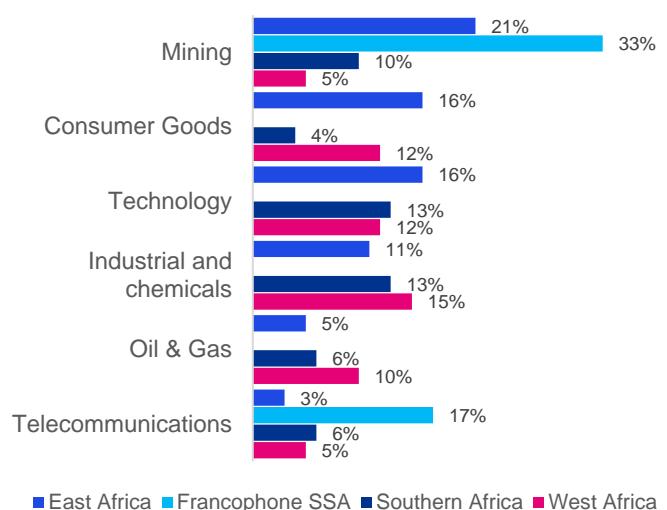
Tanzania's economic growth has precipitated rising household expenditure, which research firm Stears forecasts will double by 2029 from the US\$41bn registered in 2022. The advance of the digital economy also presents opportunities with 72% of Tanzanian adults using mobile money. Likewise, Kenya's growing middle class and digital adoption offers ample opportunities for businesses to tap into emerging consumer trends.

### Q: In which sector did the target of your most recent SSA transaction primarily operate?

#### By investor type



#### By region



Note: Top six sectors shown

## Deal dynamics

Financial and strategic investors are divided on the type of targets they are pursuing in SSA. Exactly half of financial investors said they had acquired private businesses in their most recent transactions, slightly ahead of 43% of strategic investors. In contrast, 22% of strategic investors preferred publicly traded targets, compared to just 12% of financial investors.

Entrepreneur-led companies were more likely to be targeted by financial investors (28%) than by their strategic peers (10%). Entrepreneur-led targets are perceived by financial investors to offer greater financial returns, whereas strategic investors, more motivated by the need to add long-term tactical assets to their existing businesses through acquisition, see listed companies as more attractive.

Close to a third (29%) of those who targeted West African companies, acquired entrepreneur-led businesses.

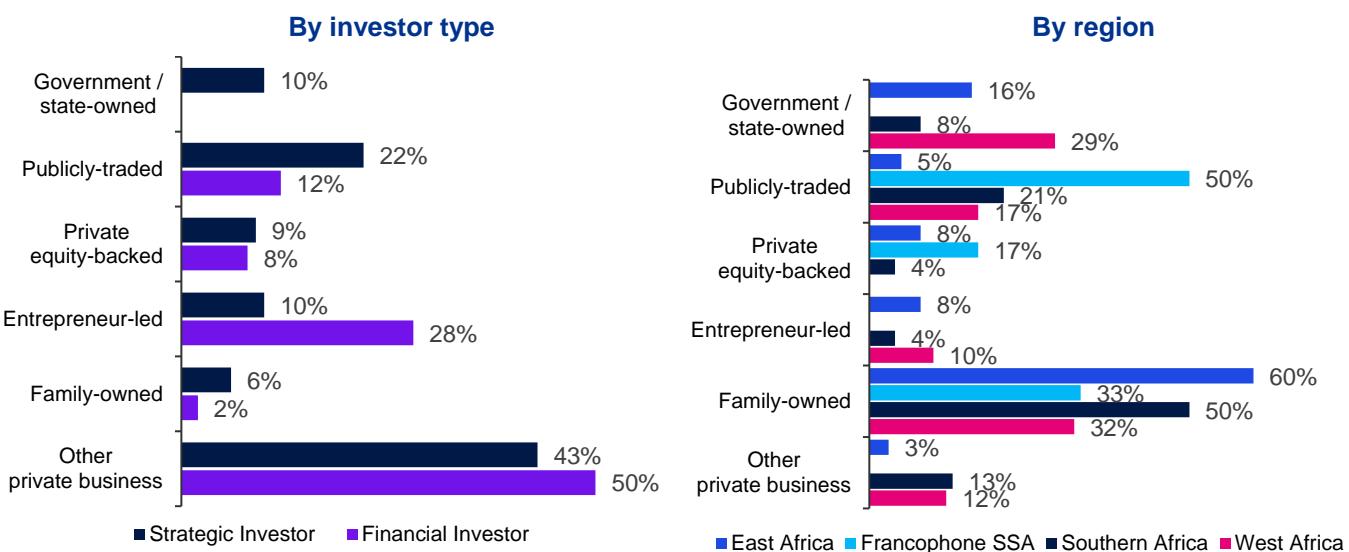
The number of entrepreneurs in West Africa is higher than other areas, driven by a higher risk tolerance and a strong culture of innovation that is prominent in countries such as Nigeria.

Most respondents pursued a majority share deal in their most recent transaction. Majority shares remain a compelling draw, given that most buyers are looking for greater control of growing businesses in a developing region.

**“**  
The majority stake deal was completed to consolidate our market position in Nigeria. We have been delivering innovative solutions in the region, and wanted to expand the brand's reach.”

*Head of Finance at a Tier 1 Bank (Nigeria)*

### Q: What type of business did you acquire in your most recent transaction in SSA?



### Q: Which of the following best describes the deal type of your last transaction?



## Advisor selection

Investors in SSA tend to use advisors that reflect the geography in which they are operating and the type of deal they are looking to get across the line.

Domestic investors rarely brought in foreign advisors to assist them with their most recent SSA transaction, preferring instead to collaborate with advisors in the same location as the target, across all facets of the transaction and due diligence process.

International investors adopt a more mixed approach, recognizing the value of local knowledge in specific areas. For example, most international investors employed either local advisors or a combination of local and foreign advisors for: legal and regulatory (75% combined), commercial (64%), and tax due diligence (56%).

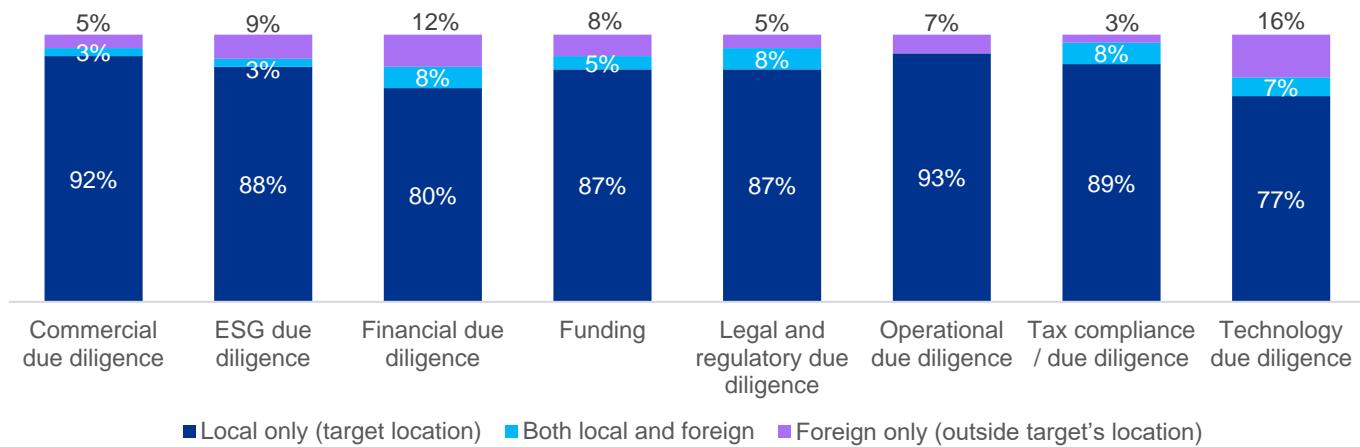
In all of these fields, local expertise is crucial due to the unique nature of each SSA country. This forms part of a strategy of deploying the insider contacts and knowledge from indigenous players, which can help minimise risk, while leveraging larger advisory firms' significant international networks.

**General transaction preparedness is key. Local knowledge and insights are paramount for navigating specific market, tax, legal and regulatory frameworks across the continent.”**

*Senior Partner of a Canadian private equity firm*

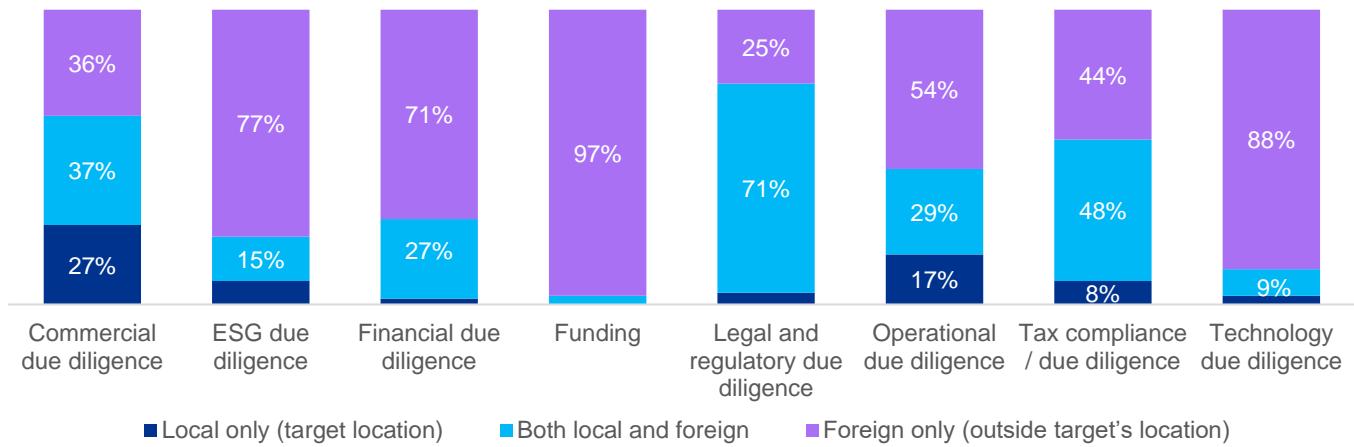
**Q: For your most recent transaction in SSA, say whether you worked with a local or foreign advisor (with respect to the target) or both in each of the following areas:**

**Domestic respondents**



■ Local only (target location) ■ Both local and foreign ■ Foreign only (outside target's location)

**International respondents**



■ Local only (target location) ■ Both local and foreign ■ Foreign only (outside target's location)

## Financing fundamentals

Cash remains king in SSA. Almost all respondents used cash reserves to finance their most recent transaction, and 72% considered this to have been the most important form of financing. The next largest share of respondents identified bank loans (12%) and share exchanges (10%) as the most important financing sources.

This is, in part, a consequence of the continued high cost of debt financing. Domestically, across over half of the region's countries, the median prime lending rate more than doubled by the end of 2023 from about 2.5% a year earlier.

The IMF noted several countries including Angola, Chad, Ethiopia, Kenya, and Nigeria faced foreign currency shortages and import restrictions which have complicated business operations.

Corporate bond issuers have been put off by the continued high interest rate environment. A rare use of nascent SSA bank debt came in the UAE/Egyptian Infinity Power's acquisition of Lekela Power, which operates 1GW of wind power projects in countries such as South Africa and Senegal. This transaction, which closed in Q1 2023, was partly funded through debt from South Africa-based Absa Corporate and Investment Banking and Mauritian Commercial Bank.

Regarding the primary basis of the valuation used in their most recent SSA transaction, the largest share of domestic respondents (40%) said they employed a revenue multiple, followed by 33% who reported using an EBITDA multiple. The latter was by far the most popular basis for valuation among international respondents (49%), followed by book value multiples (23%).

Overall, more than half of respondents using an EBITDA paid between 6x-8x for a controlling stake in their most recent SSA M&A deal, reinforcing the sense that the overwhelming majority of SSA deals lie in what would in global terms be considered a lower middle market range.



“Getting the right performance metrics from the target company's management was a potential challenge. From the beginning of the deal, they were sceptical about sharing information with our teams.”

*Strategy Head at a Nigerian-based company*

Nearly one-in-ten respondents said they had increased the EBITDA multiple to greater than 8x, indicating a preparedness to pay a premium for companies with greater growth potential, specifically for acquisitions within the tech sector.

A majority (84%) of domestic respondents and 71% of international respondents said the multiple they paid in their most recent SSA deal was to acquire a controlling stake in the target.

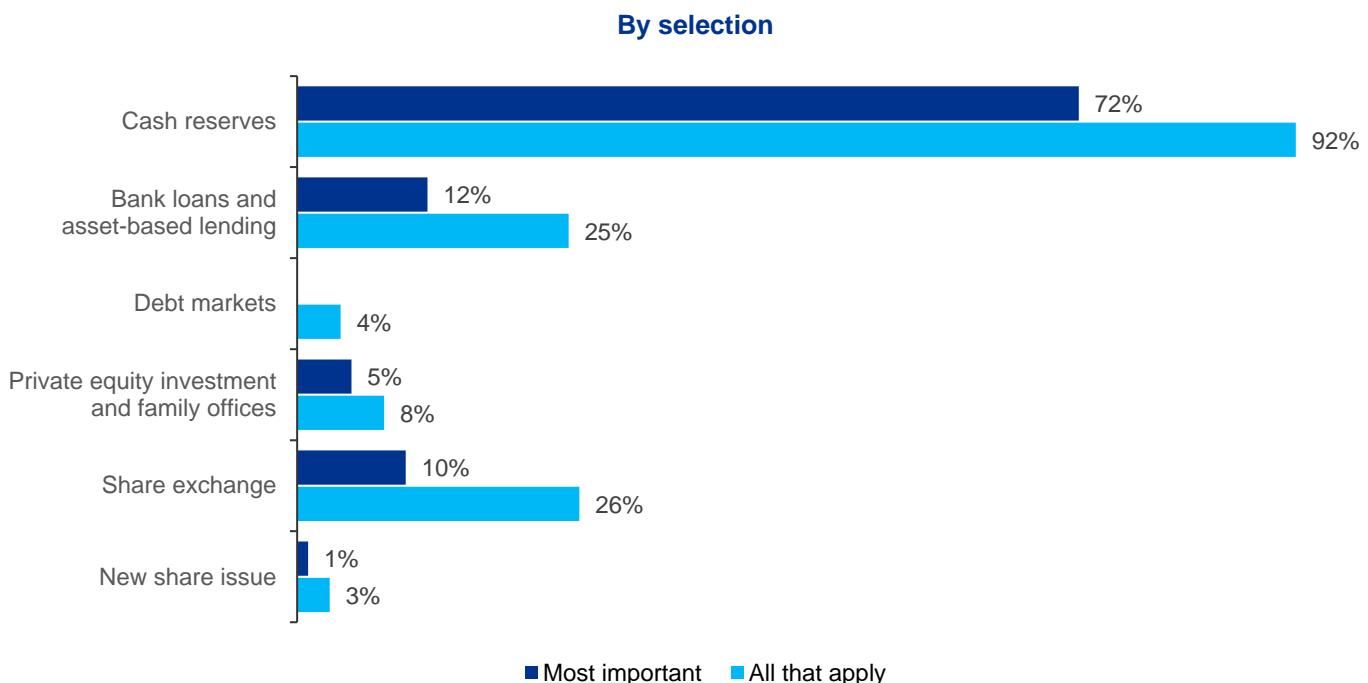
In the majority of African markets, there was a close to even split between the predominance of historical financial assessments and the importance of forward-looking financial projections when settling on the multiple paid. However, in the case of target companies based in West Africa, most respondents (70%) said the multiple they paid in their most recent deal in the sub-region was based largely on the target's historical performance.

Understanding the intrinsic value of a company can be challenging. “Future cash flows and potential for development are factors that may remain unknown even after comprehensive benchmarking,” says the managing partner at a private equity firm based in Kenya.

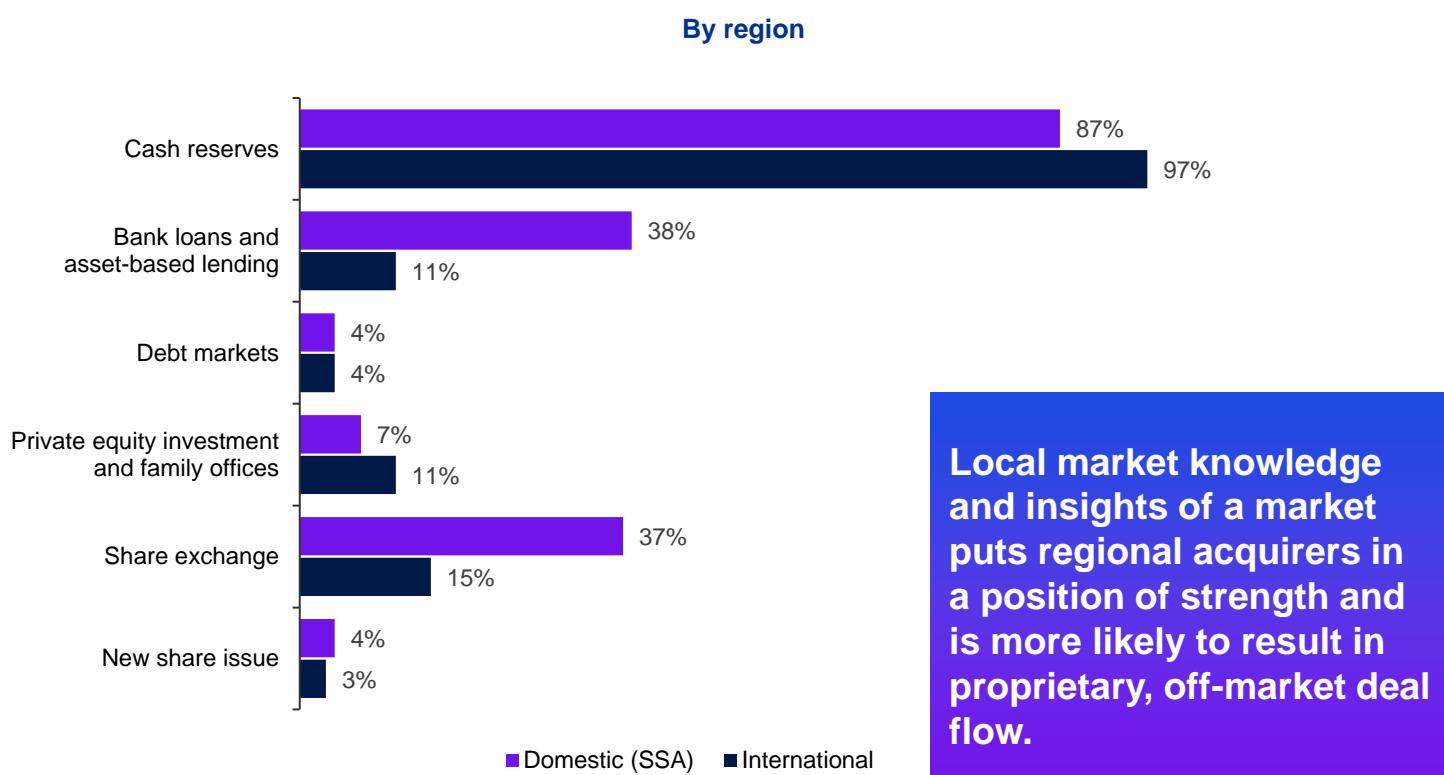
Most financial investors surveyed (56%) said the target in their most recent SSA deal was in the growth phase of its business cycle, whereas the largest share of strategic investors (47%) said they targeted a mature business. Strategic investors in SSA are eyeing assets that will quickly improve their market position, compelling them to look at mature companies with strong performance. On the other hand, financial investors favour growth-stage entities with upside potentials.

Financial investors' valuation lens is shaped more by the growth potential – and the future cash flow generation – of the target. Given financial investors' shorter time horizons, they will be looking to those companies to deliver returns sooner.

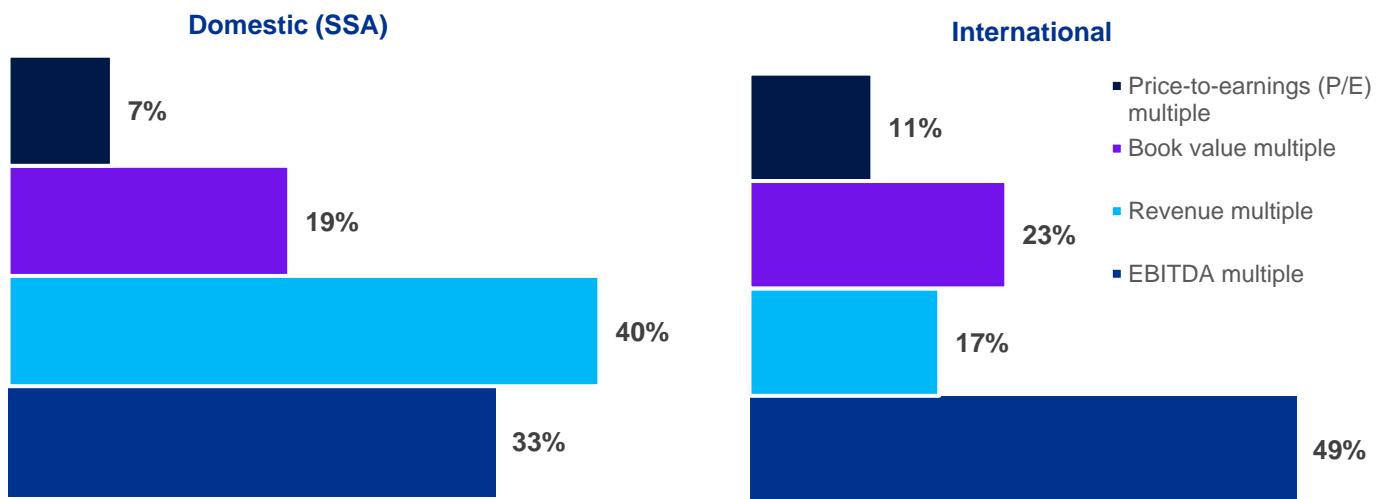
**Q: How did you finance your most recent SSA transaction?**



*Note: Respondents selected most important funding source and listed other funding sources.*



**Q: What was the primary basis of the valuation used in your most recent SSA M&A deal?**



**Q: In relation to your primary basis of valuation used, what was the range of multiple that you paid in your most recent SSA M&A deal?**

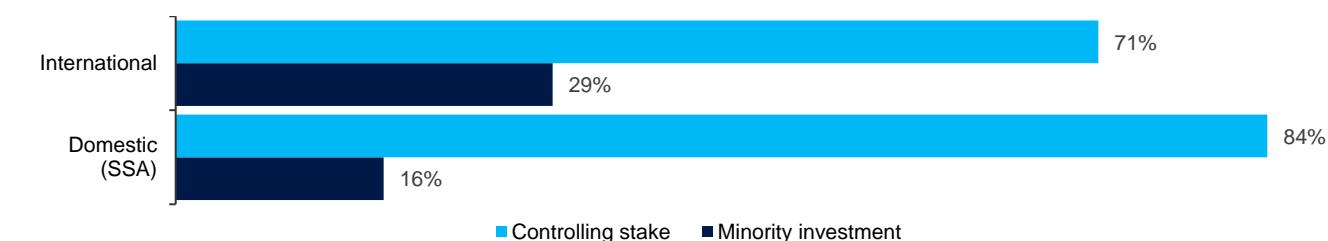
For a controlling stake	<2x	2x-<4x	4x-<6x	6x-<8x	>8x	Total
Book value multiple	0.9%	7.8%	8.7%	3.5%	1.7%	22.6%
EBITDA multiple	-	2.6%	13.0%	20.0%	3.5%	39.1%
Price-to-earnings (P/E) multiple	-	0.9%	2.6%	2.6%	1.7%	7.8%
Revenue multiple	-	5.2%	15.7%	9.6%	-	30.4%
<b>Total responses</b>						<b>100.0%</b>

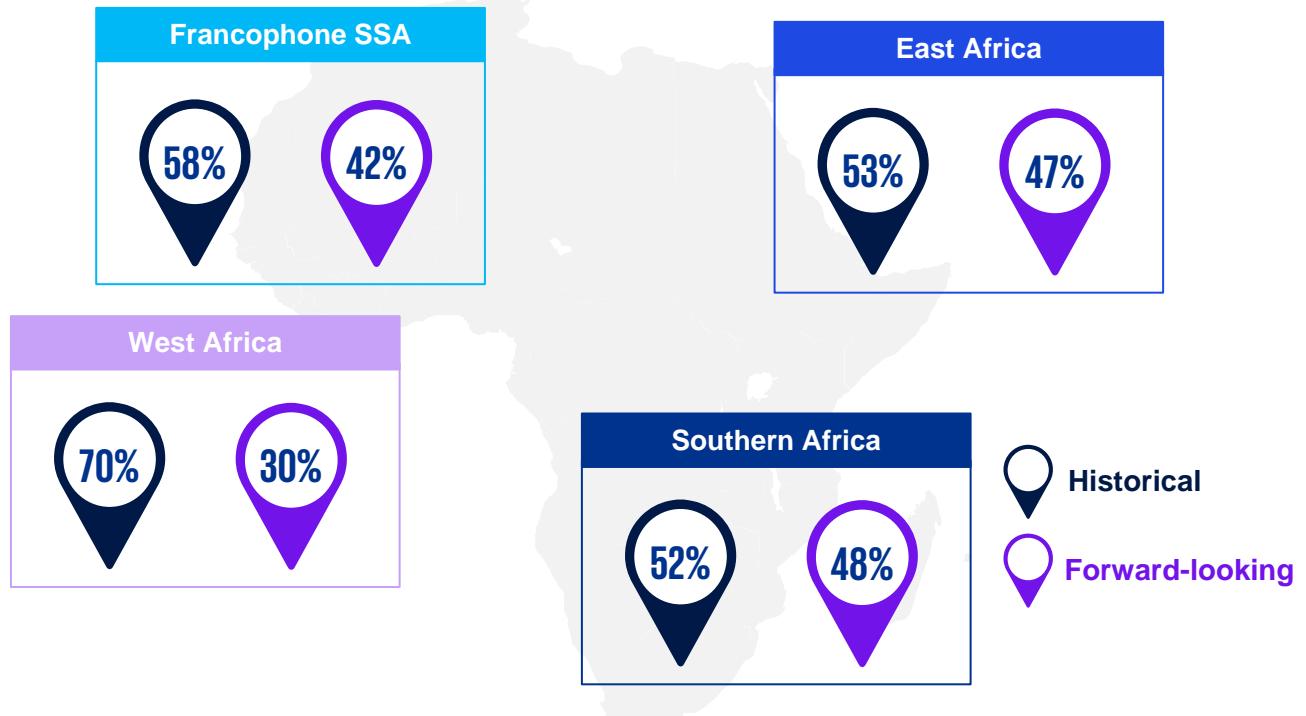
For a minority investment	<2x	2x-<4x	4x-<6x	6x-<8x	>8x	Total
Book value multiple	2.9%	-	8.8%	2.9%	-	14.7%
EBITDA multiple	-	-	20.6%	20.6%	8.8%	50.0%
Price-to-earnings (P/E) multiple	-	-	5.9%	2.9%	2.9%	11.8%
Revenue multiple	-	2.9%	11.8%	5.9%	2.9%	23.5%
<b>Total responses</b>						<b>100.0%</b>

Note: Percentages within the above tables represents the proportion of respondents who selected the multiples, either for a controlling stake or minority investment

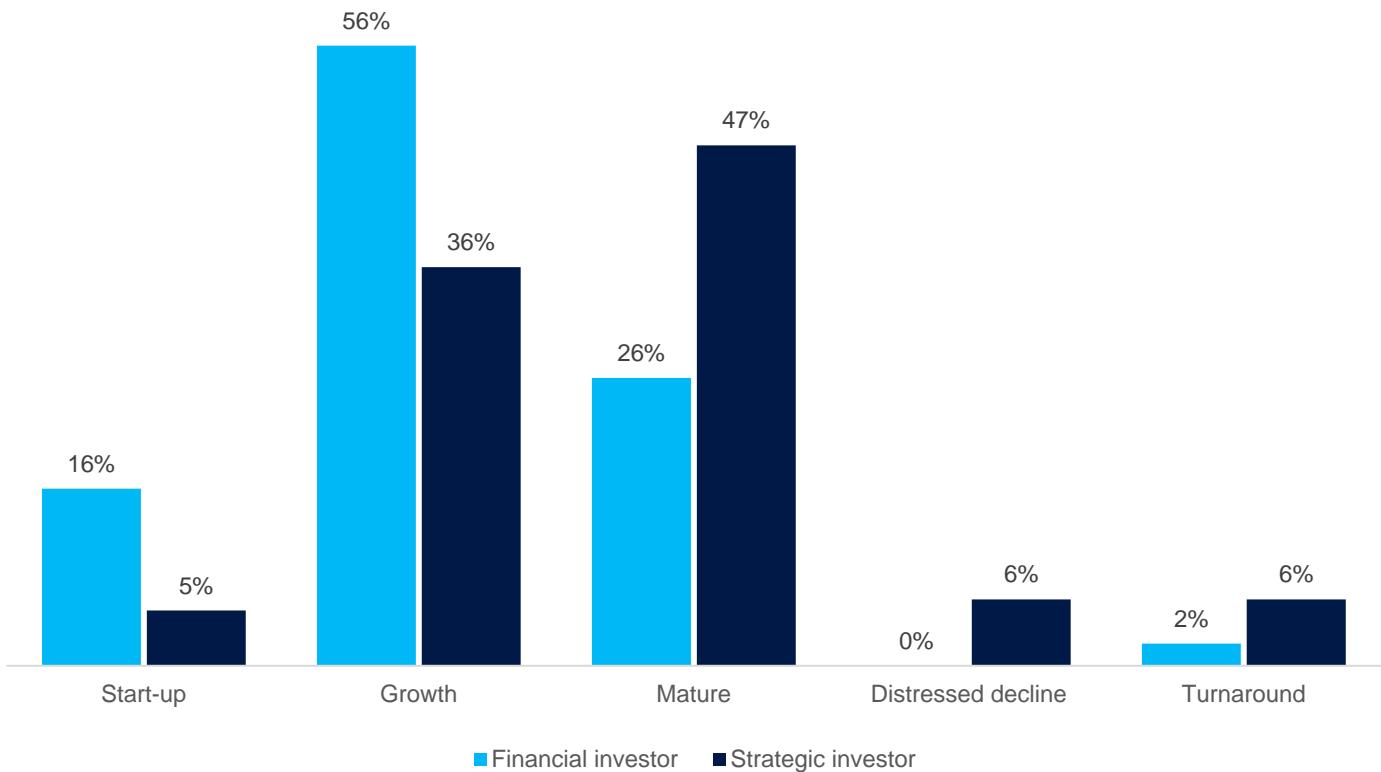
**Q: In your most recent deal, was that multiple paid to acquire a controlling stake in the target, or as a minority investment?**



**Q: In your most recent deal, was the multiple paid based largely on the historical financial performance of the target company, or largely with reference to forward-looking financial projections?**



**Q: At what stage of the business cycle was the target of your most recent SSA M&A transaction?**





# Part two: Trials and tribulations

## Managing downside risk

Despite the opportunities on offer, transactions in SSA do not come without challenges, whether in the evaluation of targets and lack of transparency around the due diligence phase, or in the process of getting deals over the line in the context of volatile political and macroeconomic conditions.

While noting improvement in some countries, the 2023 Corruption Perceptions Index released by Transparency International, highlighted that most African nations showed stagnation or failed to make progress against corruption.

Of all global regions, SSA maintains the lowest average in the index, with democracy and the rule of law under pressure. Nevertheless, political and economic volatility have fallen, supported by improved investor sentiment since last year's survey, indicating a positive outlook for the region.

More than half of respondents said they faced challenges around valuation and price expectations in their most recent SSA deal (55%), and 17% said this was their single greatest challenge. The same percentage of respondents cited hurdles pertaining to transparency issues and/or a perceived lack of information when completing due diligence, with 15% saying this was their greatest challenge.

Lack of transparency presents difficulties for investors, with inadequate information sometimes thwarting deal momentum. "The progress on due diligence activities was slow due to the transparency issues," says the head of corporate development at a company based in Côte d'Ivoire. "The ESG, supply chain and operational data was not up to date. Information on sellers was incomplete. This led to many challenges evaluating the potential of our target."

Opaqueness in information can create mismatches in expectations between buyer and seller, lengthening the negotiation process.

**"The financial projections presented by the other party were not acceptable to us. Our method of arriving at the valuation provided different insights on their potential."**

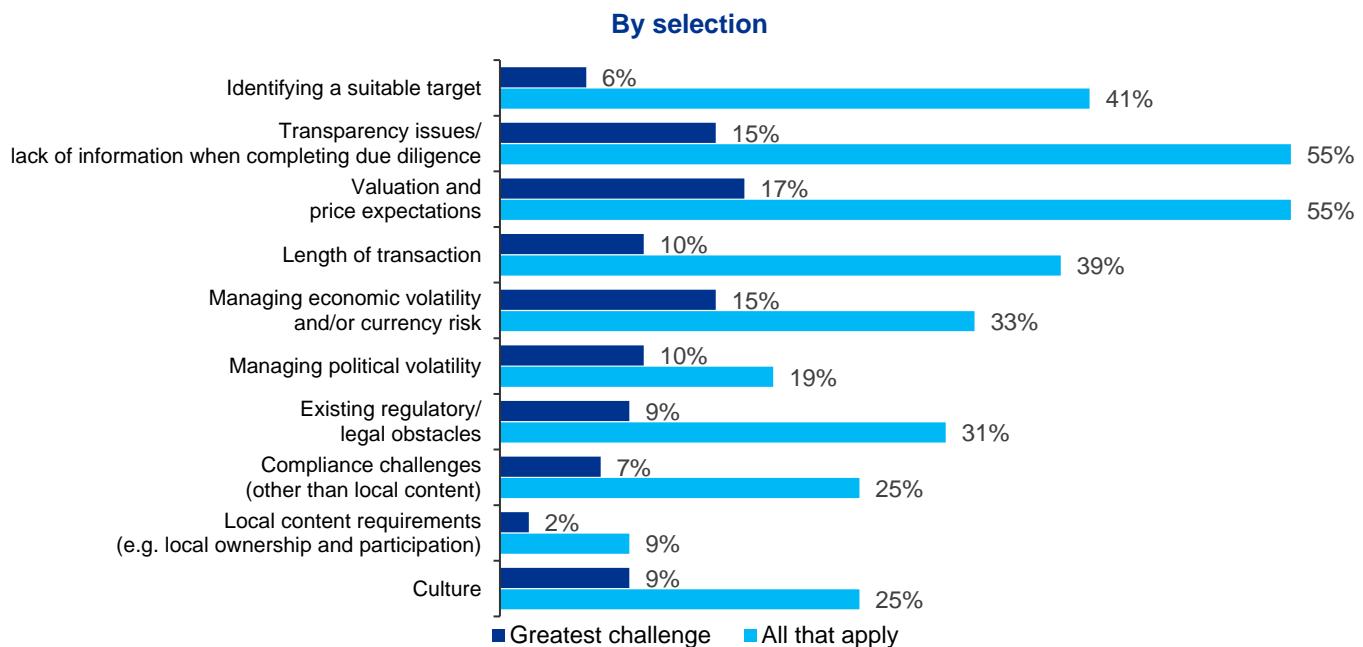
***CEO of a South African private equity firm***

Respondents also noted lengthy transaction processes, which can make sealing a deal a prolonged process. This was particularly true of West Africa, which was highlighted by 54% of respondents, compared to only 32% and 33% of those whose targets were based in East and Southern Africa respectively.

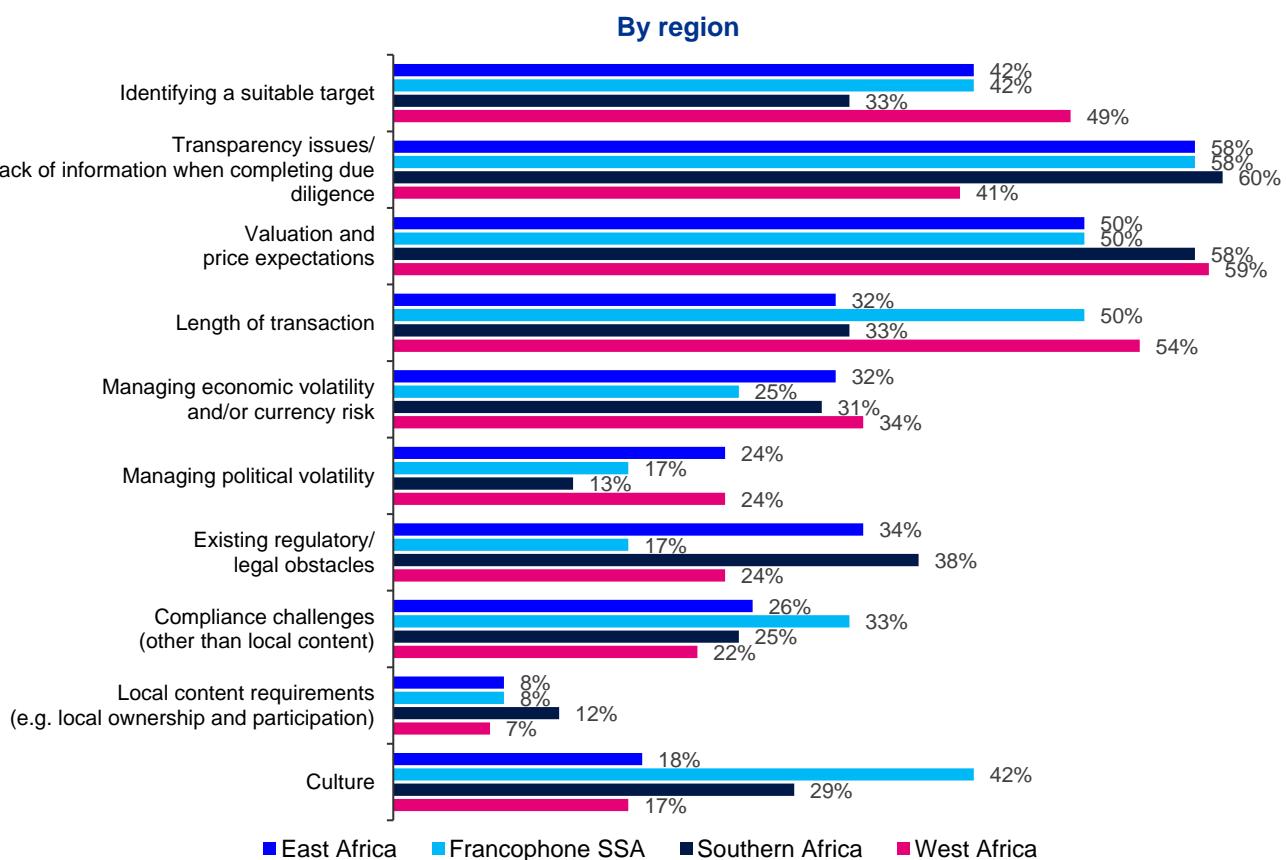
**"It was the length of the transaction that presented the major challenge. The due diligence of the target company was not done on time, because of a lack of transparency on the seller's part. This led to negotiations and other agreement formalities being delayed as well."**

***Senior Partner at a French private equity firm***

**Q: What were the biggest challenges in completing your most recent deal in SSA?**



Note: Respondents selected the most challenging factor and listed other challenges.



**Note:**

1. "Local content requirements" refer to regional market considerations such as local ownership participation
2. "Transparency issues" include lack of information when completing due diligence

## Negotiation, warranties and TSAs

Negotiation is a delicate balancing act between diplomacy and determination, often fraught with complexity. Respondents reported encountering challenges relating to reliability/availability of financial information (59%), difficulty negotiating a valuation (58%), difficulty agreeing warranties/indemnities (58%) and difficulty finalising transitional service agreements (54%).

Availability, reliability and timeliness of financial information presents a major stumbling block to closing deals in SSA. Respondents noted that unreliable information prevents them from assessing potential underlying risks associated with acquiring a target.

The information gap could reflect simple discrepancies in financial reports, or a lack of clarity over technology issues, bringing IP-related issues into the equation and on occasion, posing questions about the quality of the target itself. "Paperwork was missing, and we could not find the filing for ownership during due diligence," says the CFO of a South African company.

The single most significant challenge that respondents faced was difficulty negotiating a valuation, with 28% highlighting this as an obstacle.

This particular hurdle can reflect the quality of financial data available in SSA, and the importance of securing the right advisors.

**Given that our reports and insights were not comprehensive enough, we could not lead the valuation discussion as needed. Going forward, we need to engage external consultants proactively in due diligence for better reports."**

**CEO of a Chilean company**

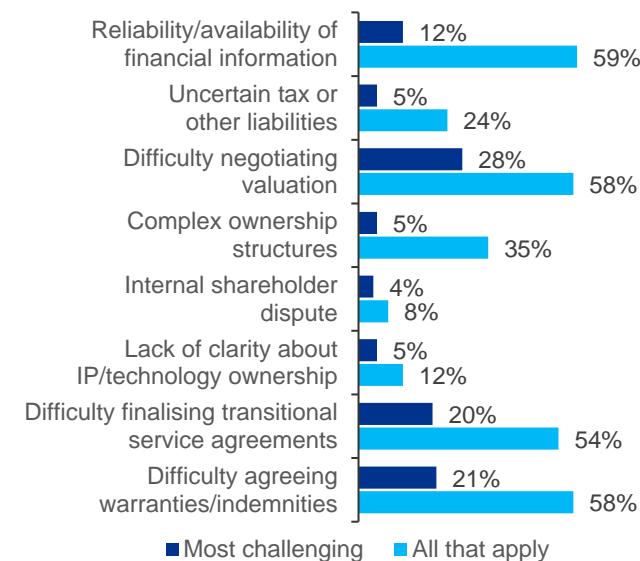
Without adequate and up-to-date information, investors face barriers in determining accurate valuations, as is evident in the issues encountered by many respondents in the due diligence process. Lower valuations can mitigate such issues to an extent, but in the absence of comprehensive information, investors need to avail themselves of additional tools to help overcome such obstacles.

To address these challenges, investors have deployed transition service agreements ("TSAs") and warranties. Warranties have the benefit of giving cover against financial loss resulting from a breach of contract while helping safeguard the interests of both parties. TSAs are typically used for carve-out/separation transactions; and can help ensure better end-state solutions for the seller and buyer.

TSAs' importance resides in their capacity to ensure a smoother transition by providing a framework for the transfer of third-party services and business continuity over a defined timeframe.

Warranties have value in establishing agreed risk allocation, including over information accuracy as well as enabling sellers and buyers alike to avoid damaging legal situations through the use of indemnifying structures. Breaches of the warranty terms incur a form of compensation that presents another backstop for investors. Furthermore, warranties can act as a price adjustment mechanism if the value of the business acquired is lower than expected.

**Q: Which parts of the negotiation/due diligence process did you find the most challenging during your most recent M&A transaction in SSA?**



*Note: Respondents selected the most challenging factor and listed other challenges.*

## The dynamics of due diligence

Due diligence is an essential tool in the deal making process for transactions. By scrutinising elements in a complex M&A process and utilising in-depth research to avoid potential pitfalls, risks and uncertainties can be better mitigated.

When it comes to the due diligence process in respondents' most recent deals, two clear issues stand out. Almost half of respondents (49%) wished they had done more to ensure due diligence was better linked with their integration planning, with 26%, by far the largest share, describing this as the most important aspect of due diligence that they would have approached differently.

Regional differences were pronounced, with 45% of those who targeted East Africa stating that stronger integration linking was the number one deal aspect they would have changed. This figure was well ahead of any other region.

"I would have ensured that we started integration planning sooner, and that these plans were made known to our due diligence personnel. They could have helped us understand all the potential integration challenges beforehand" says a South African CEO.

Similarly, 49% of respondents said they should have developed a more in-depth insight into potential operational, human resource ("HR") and information technology ("IT") issues with 18% saying this was the key aspect they would change.

Buyers can find that legacy IT systems, more commonly seen in SSA than other global regions, present problems. Analysing underlying IT risk may require a more extensive use of technology expertise in the due diligence process, ensuring more detailed evaluation of IT systems in place.

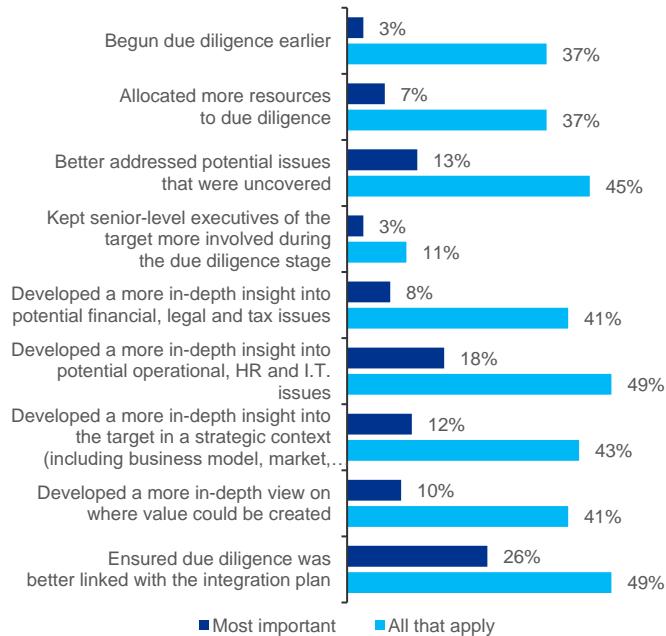
Similarly, HR policies and practises may vary across SSA, flagging the importance of HR due diligence to assess, *inter alia*, human capital and company culture to inform the acquisition and integration process across the region.

**“**Operational and IT evaluations were comprehensive but the same cannot be said about HR. A number of issues caught us off-guard later. Several unexpected challenges emerged due to the lack of in-depth insights.”

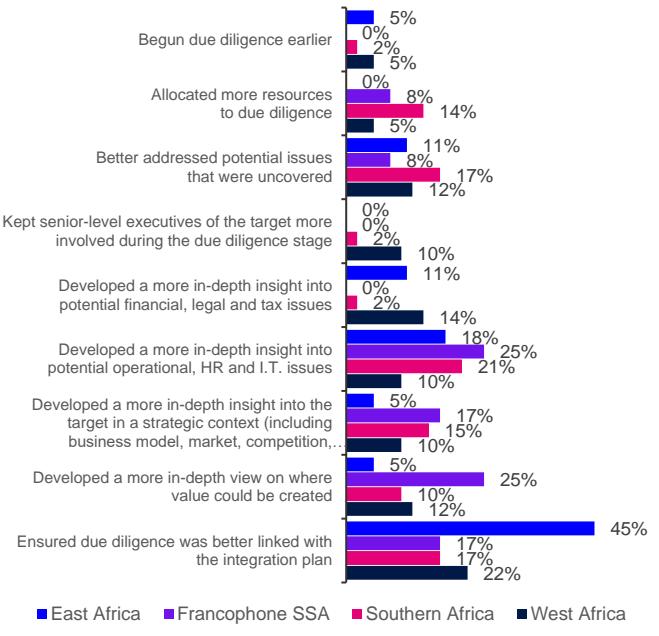
*Managing Director of a US private equity firm*

### Q: Looking back on your most recent transaction in SSA, what, if anything, would you have done differently with regards to due diligence?

#### By selection



#### By region



*Note: Respondents selected the most important driver and note other applicable drivers.*

## Integration, completion and failure to launch

The true success of a merger is often only apparent during the integration stage. Respondents emphasise the need to start the integration process as early as possible. When asked what they would do differently, over half believed they should have focused on completing the integration process more promptly (55%) and would have benefited from earlier integration planning (51%).

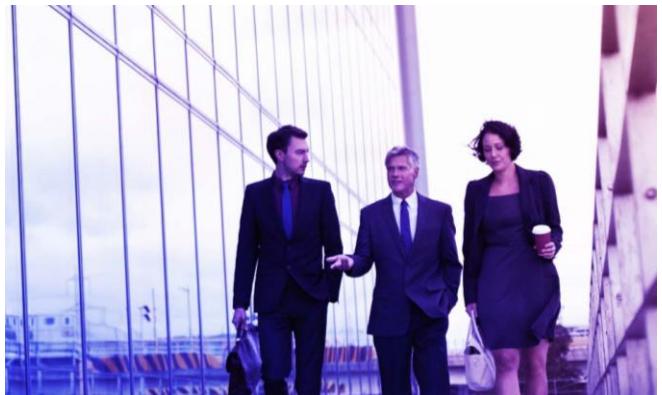
"Earlier planning would have ensured a smoother integration overall. We should have stated the objectives of integration clearly, and this would have led to the process being completed on time," says the head of finance at a Chinese company.

In addition to timely completion, there needs to be an earlier identification of synergies. While timely integration completion was the single most important aspect cited by respondents, this was closely followed by the need for increased resource allocation to the integration process and clarity around synergies and value creation.

In order to ensure greater success after the deal, getting more clarity around synergies is essential. Trying to build synergies post completion can be quite tough. We will ensure a forward-thinking approach in the future."

**Senior Partner of a Canadian private equity firm**

However, there are steps that investors can take to smoothen the integration process. These include TSAs, which assist in maintaining business continuity, while the investor prepares to integrate and operate the acquired business. Better co-ordination between teams, and stronger collaboration with the seller's top management, are other means of evading pitfalls during integration. Equally important is deploying external or local advisors, whose experience can be leveraged to ensure a smooth post-deal integration.



This latter point was echoed by the head of strategy at a Nigerian company: "External advisors could have shed light on the best practices and ways to effectively engage personnel. This would have reduced the number of internal disputes on how to manage the integration process."

Of course, not all announced deals reach completion. More than two-fifths of survey respondents (42%) said they have attempted at least one transaction in SSA over the past two years that failed to complete.

Among those respondents who reported a deal falling through, the most common reason was unrealistic price expectations (38% cited this overall, and 19% said it was the single most important issue). This links back to respondents' main deal challenge, disagreement over valuation.

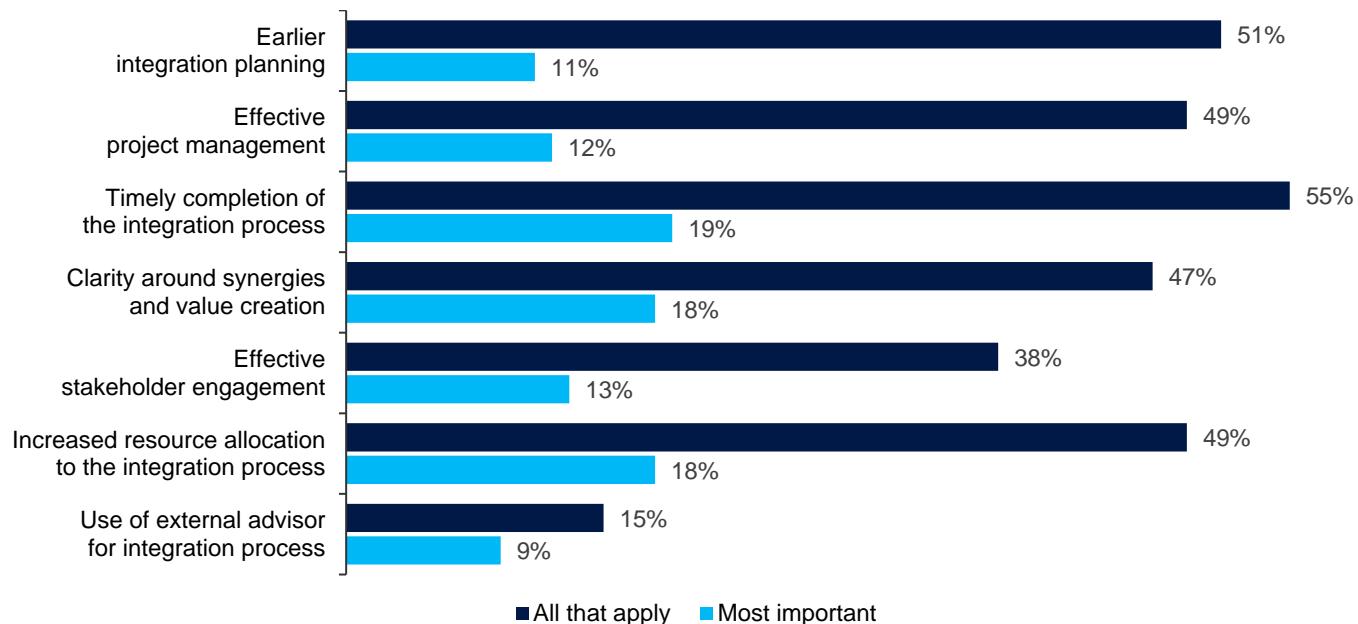
For 18% of respondents, due diligence findings were the most important factor in failed negotiations, followed by 16% who highlighted competitive bidding. However, as SSA becomes an even more desirable deal location for its assets across a range of sectors, investors will need to complete a thorough examination of every aspect of the target's operations, for the long-term benefit of both parties.

If there remains a willing buyer and a willing seller then due diligence issues as such should not deter a successful closure of a deal.

Once the value is agreed upon, then a way forward can be mapped together, enhancing value for all parties in the longer term."

**KPMG Transaction Services Partner**

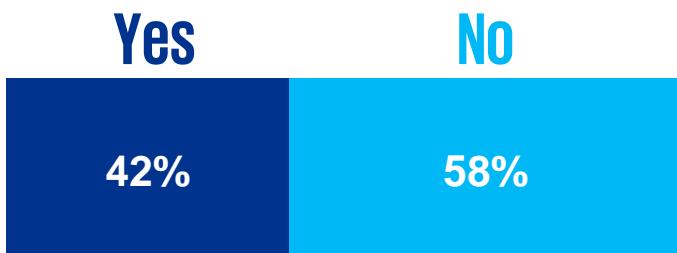
**Q: Looking back on your most recent transaction in SSA, what, if anything, would you have done differently with regards to integration?**



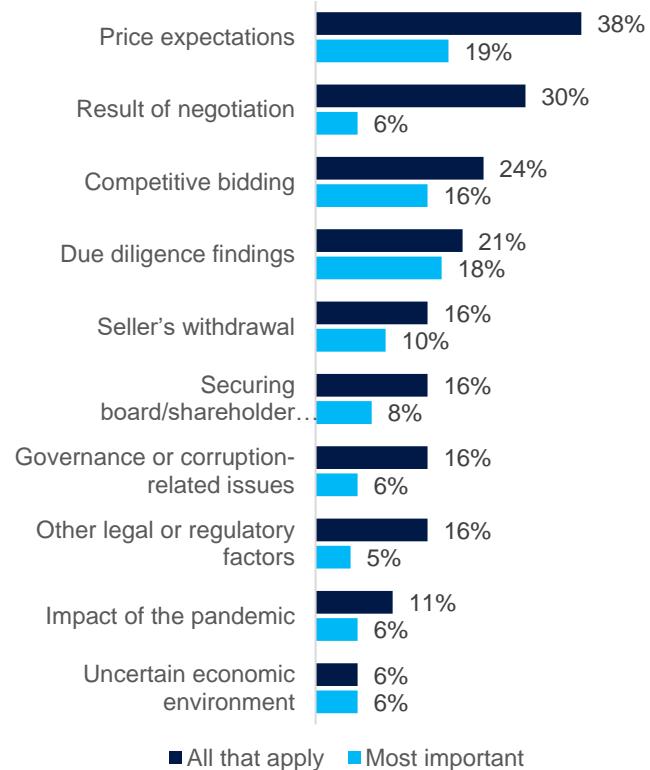
Note: Respondents selected the most important factor and listed other factors.

**Six of every ten respondents have had success in at least one transaction attempted within SSA over the past two years.**

**Q: Have you attempted a transaction in SSA that failed to complete over the past two years?**



**Q: For failed transactions, what factors contributed to the transaction failing?**



Note: Respondents selected the most important factor and listed other factors.

# Part three: Future of investing in SSA

## The outlook for SSA

Transaction momentum in SSA is likely to be stable to cautious in 2024, improving as interest cycles moderate and elections are concluded globally. A clear majority of respondents expect activity to increase over the next two years, with 28% of domestic and 20% of international buyers expecting the increase to be significant.

Despite citing potential pitfalls such as mismatched valuations, 88% of respondents said they are likely to invest in the region again based on their previous M&A experience.

In regional terms, East Africa made the best impression across the sub-regions in which respondents had most recently closed deals, with 26% of those who targeted companies within the region stating that they were significantly more likely to invest in SSA again based on their recent experience. This was followed by West Africa (22%) and then Southern Africa (17%).

East Africa – home to large and dynamic economies such as Kenya and Ethiopia – is projected by the African Development Bank to show a rise in GDP of 5.1% in 2024 and 5.7% in 2025, benefiting from government spending and strategic investments to improve in-country connectivity and deepen intra-regional trade.

In addition, almost all respondents based in SSA (97%) and 88% of those based internationally said they are considering pursuing a deal in the region over the next two years.

When it comes to the location of those future deals, it is the more developed African nations which are likely to benefit. The top destinations for investment in the next two years are South Africa (28%) and Nigeria (26%). These economic powerhouses were followed, at some distance, by Kenya (14%). No other country was mentioned by more than one-in-ten respondents overall.

**While, infrastructure challenges, political stability and macroeconomic headwinds have tempered investment activity; market participants continue to echo the regions' attractive mix of favourable demographics, abundant resources and improving business environment.**

The dominance of these countries in the M&A landscape reinforces the importance of both economic and resource fundamentals. South Africa's economy has been buffeted by power shortages and logistics bottlenecks, and yet its offer of abundant resources, a developed financial market and large youthful population remains a prime draw for investors. Similarly, Nigeria has SSA's largest population, the region's second largest economy, and remains a substantial hydrocarbons producer.

The lure of the regions' two largest economies ties in with investors' motivations for future transactions. Asked to identify the most likely key drivers of their future SSA transactions, strategic investors cited physical assets/natural resources, growth capital and attractive valuations.

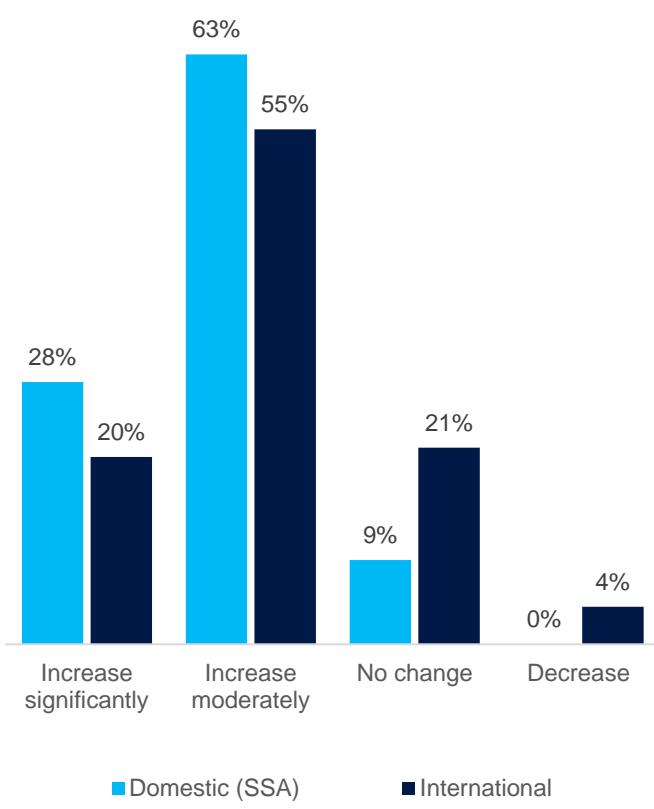
Financial investors highlight attractive valuations and growth capital. Notably, 20% of financial investors believed that IP/technology would be the single most important driver of their next deal in SSA.

In sectoral terms, energy, mining and technology should shape future deal flow. Strategic investors expect the most attractive M&A prospects in SSA over the next two years to emerge in the mining (71%) and oil & gas (51%) sectors. Financial investors were also optimistic about transaction prospects in these sectors (46% and 34%, respectively).

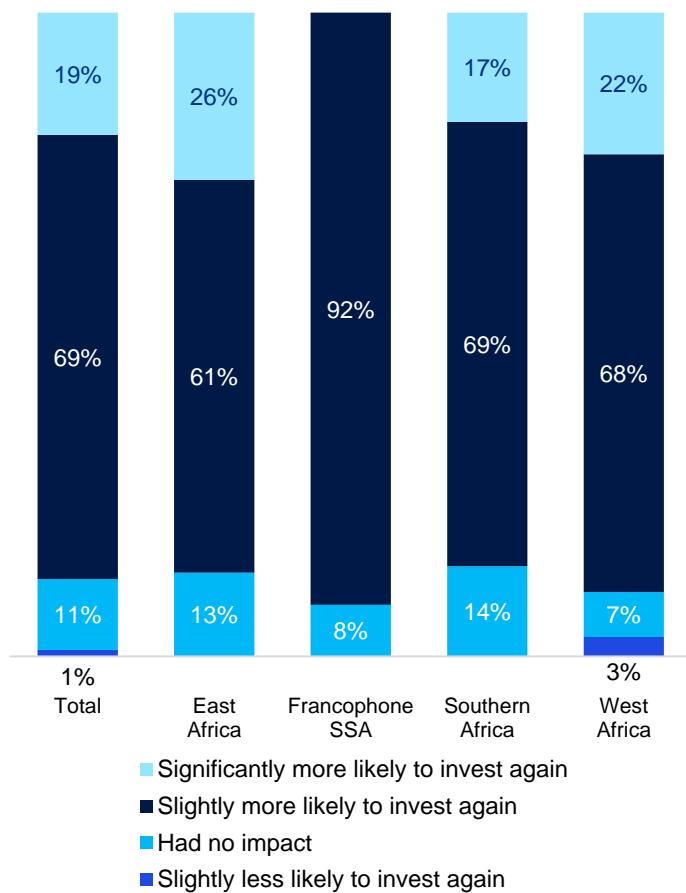
**Demand and investment into connectivity and technology which enables access to the last mile, is a key driver unlocking the regions' growth potential.**



**Q: How do you expect M&A activity in SSA to develop over the next two years?**



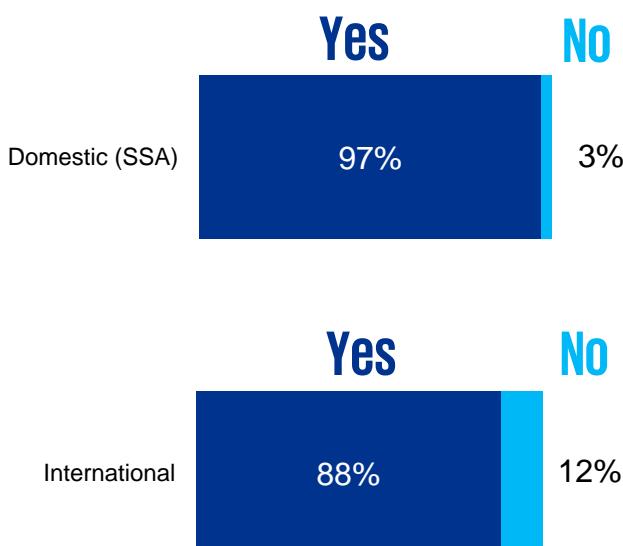
**Q: How has your previous M&A experience in SSA impacted your strategy?**



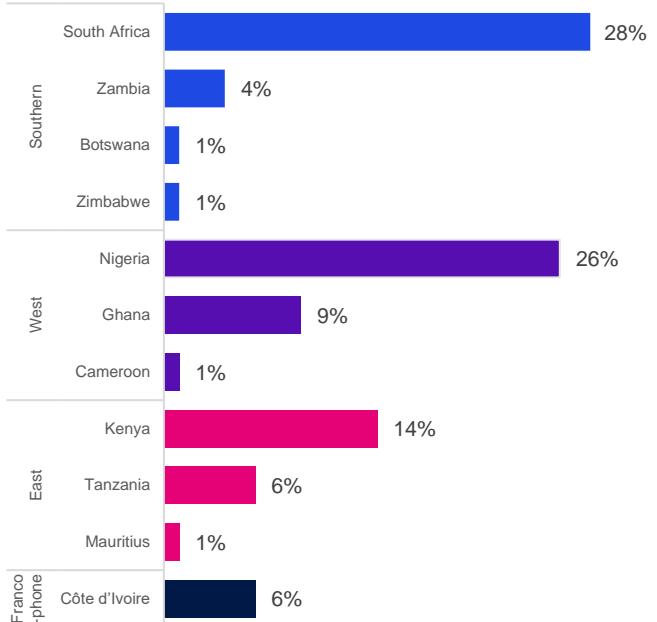
*Note: No survey responders selected the option 'significantly less likely to invest again'*



**Q: Part A - Are you considering a transaction in SSA over the next two years?**



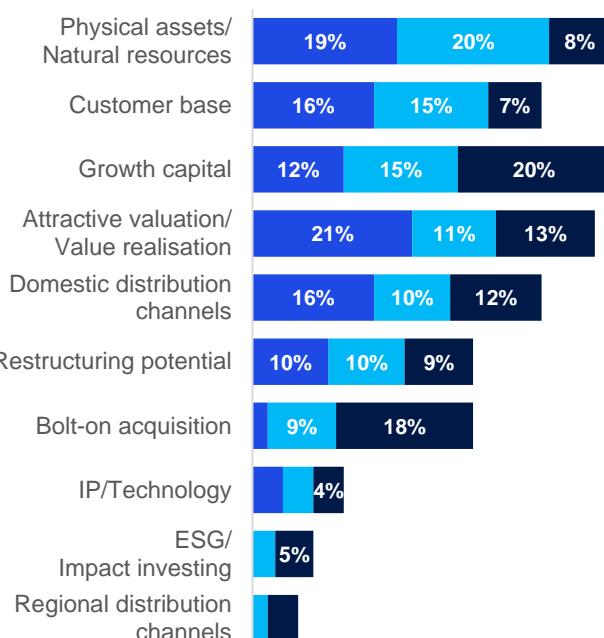
**Q: Part B - If 'Yes' to Part A of this question, in which SSA country are you most likely to pursue a transaction?**



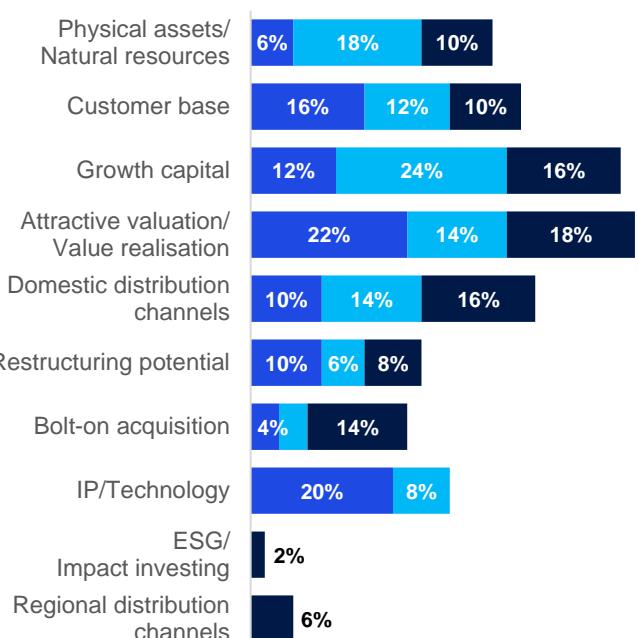
Note: Top 10 responses shown

**Q: What will be the most important drivers for your next SSA transaction?**

**Strategic investors**



**Financial investors**



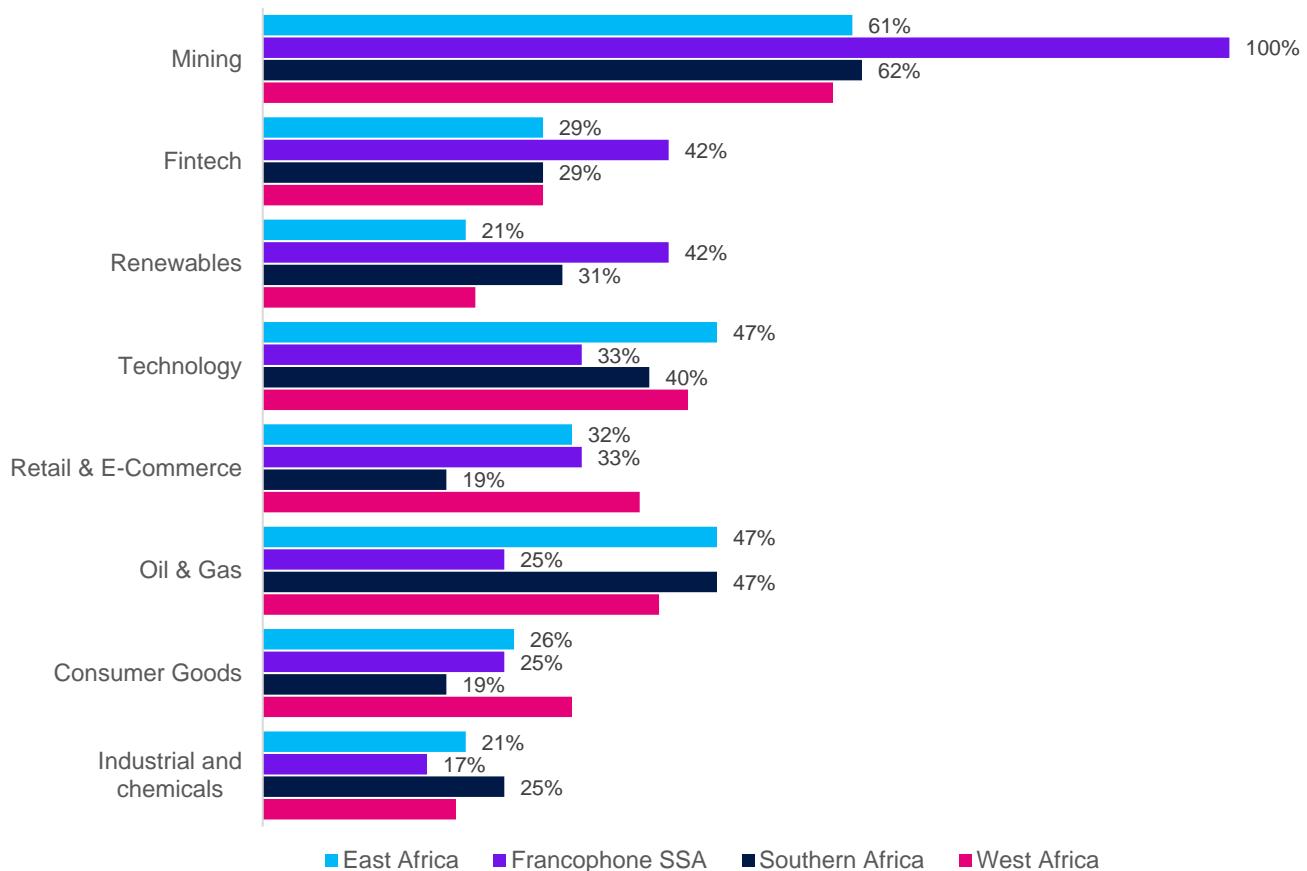
■ Rank 1 ■ Rank 2 ■ Rank 3

■ Rank 1 ■ Rank 2 ■ Rank 3

Note: Rank 1 = Most important

Note: Rank 1 = Most important

**Q: In the scope of SSA M&A, which of the following sectors do you believe will be the most attractive to investors over the next two years?**



**SSA is emerging as a global leader in AI adoption, fostering thriving ecosystems of AI and Tech start-ups, aimed at tackling regional challenges.**



## Tech outlook

Africa is positioning itself as an attractive technology destination, and while still at an early stage, M&A investors perceive substantial room for growth. This is because across SSA, countries are adopting transformational digital technologies, encompassing AI and the Internet of Things ("IoT"). South Africa has emerged as a leader in AI adoption, fostering a thriving ecosystem of AI research and start-ups. Meanwhile, Kenya has been implementing IoT solutions in agriculture and smart cities.

Focusing on the technology sector in SSA, 55% of respondents expect the most attractive investment opportunities to emerge in the e-commerce space, followed by 'Big Data' analytics and business intelligence (48%) and the fintech sub-sector (38%).

E-commerce deals are emerging across the region. For example, Kenyan e-commerce platform Wasoko is looking at M&A opportunities to further propel growth, following its announced merger with the Egypt-based food and grocery business-to-business ("B2B") e-commerce and distribution platform MaxAB, as reported by Mergermarket in late 2023.

SSA e-commerce players are also engaged in new rounds of fundraising. Nigeria's Sabi, a B2B e-commerce company, raised US\$38m two years ago in a Series B funding round.

In March, US-based HR solutions fintech company, Deel, announced the acquisition of South Africa-based payroll and HR company PaySpace, which boasts a 14,000-strong client base.

Another respondent, a US-based CEO, says there will be attractive investment opportunities emerging in e-commerce and fintech. "These companies are available for ideal valuations. Consolidation in the financial services industry will also make the fintech sector more attractive."

**Fintech solutions are becoming popular. The demand for fintech is increasing because it eases complex financial service procedures for clients. Payment-related companies will become more attractive"**

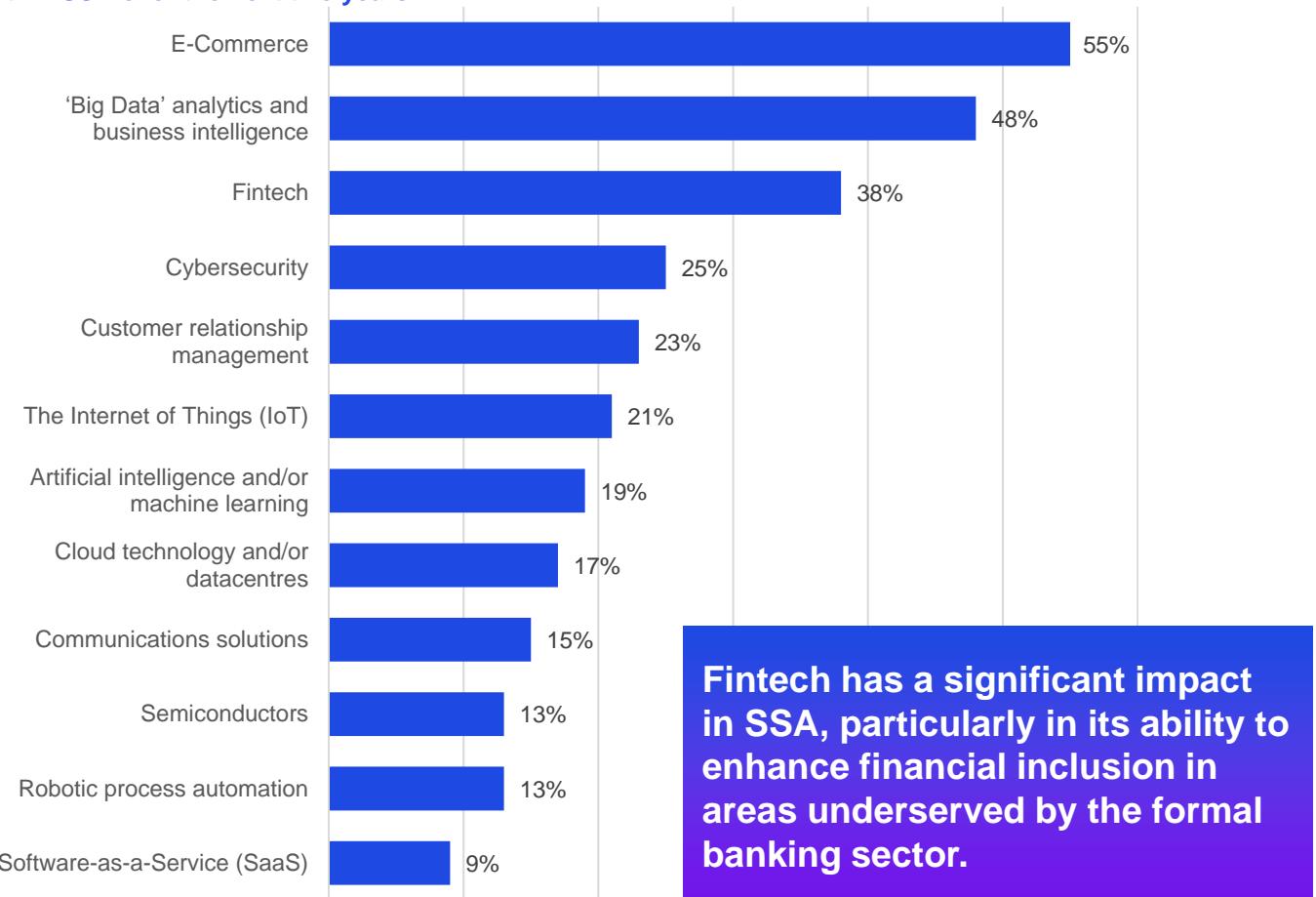
***Managing Partner of a Irish venture capital firm***

Although fintech has a significant impact in SSA, particularly in its ability to enhance financial inclusion in areas underserved by the formal banking sector, 44% of financial investor respondents expect their organisation's interest in the space to increase in the next two years compared to the previous two years, while 56% of them expect no change. Similarly, a greater portion of strategic investors (88%) do not see any change in their organisation's interest over the next two years compared to the previous two years.

AI is emerging as another deal driver, with its transformative potential in areas such as healthcare and agriculture. For instance, AI could help African farmers reduce unnecessary expenditure and increase profitability through data-driven recommendations for fertilizer applications, according to a recent Microsoft report.

Investors see increasing AI adoption over time across Africa, in line with other regions. "I don't think that SSA will be any exception. The applications of generative AI for increasing customer satisfaction and customer-facing programs will drive up demand," says the strategy head of a South African company.

**Q: Which areas of technology do you expect will provide the most attractive investment opportunities within SSA over the next two years?**



*Note:*

1. "Software-as-a-Service (SaaS)" refers to cloud-based software, such as logistics tools, accessed through subscription model
2. "Communications solutions" includes chatbot(s)

**Q: How do you expect your organisation's interest in fintech-related M&A originating from SSA over the next two years will compare with the previous two years?**



*Note: Additional options of 'Decrease moderately' and 'Decrease significantly' were available, but were not selected*

## Going green

SSA economies are taking ESG issues seriously, despite a perceived discrepancy between the demands placed on the continent to decarbonise, when as a whole, it accounts for just 4% of global emissions, as UN Secretary-General António Guterres noted in addressing the African Climate Summit in September 2023.

The reality is that any large projects that require international financing invariably are viewed through an ESG lens, and among global investors targeting SSA, ESG has broad acceptance. This will only accelerate as SSA countries move towards achieving the UN Sustainable Development Goals ahead of 2030.

Almost all financial investors (98%) and their strategic counterparts (89%) expect their organisation's ESG strategy to have an increased impact on transactions within SSA over the next two years compared with the previous two years. This includes a fifth of financial investors and nearly a third of strategic investors who believe ESG's rising impact will be greatly felt on transactions in the near term.

The ESG-related considerations which respondents believe would be most prominent in M&A transactions in SSA include energy efficiency (44%) and climate change/greenhouse gas emissions (40%), followed by diversity and inclusion (27%).

Across SSA, countries are pushing ambitious renewable energy and off-grid solutions. For example, Angola is implementing a US\$1.3bn rural electrification programme that will install 265MW of solar photovoltaic capacity across 46 mini-grid and 12 grid-connected sites.

Another new focus is on green manufacturing, where Africa is looking to emerge as a global hub. In early 2023, the Africa Renewable Energy Manufacturing Initiative was launched with a mission to drive investment and mobilise action in African countries and to scale up renewable energy manufacturing capabilities. Biomass is another growth area in SSA, with Namibia planning a 40MW biomass power plant, while in Côte d'Ivoire, Electricité de France ("EDF") is developing a 45MW biomass plant.

Regional variations are notable, with 63% of those who targeted East Africa expecting climate change to become a top-two ESG consideration in SSA, compared to only 27% of those who targeted Southern Africa saying the same. This regional divergence reflects different risk perceptions, business cultures and environmental conditions.

A prominent East African energy project, the US\$3.5bn East African Crude Oil Pipeline in Uganda, has drawn significant media attention as a result of international activist pressure related to its environmental and social impact. This has forced some financiers to reconsider their willingness to back the project. The scale of this initiative may influence wider risk perceptions on ESG across the region. However, in Southern Africa, with a much longer tradition of minerals and resources industries (and therefore greater tolerance of such schemes), such considerations are lower down the list of priorities.

Over half of all investors (53% of domestic and 56% international, respectively) cite investor pressure as the top driver for increased engagement with ESG issues in M&A in SSA. Reputational matters and regulatory requirements were also frequently cited as potential key drivers of ESG engagement by domestic investors (50% and 47%, respectively).

Such considerations reflect the sense that investor pressure on ESG issues is growing. For example, the global bank, Hongkong and Shanghai Banking Corporation ("HSBC") announced in April 2024 that it would start disclosing off balance sheet emissions in its annual report, after investors requested it stop leaving out relevant data from its climate calculations.

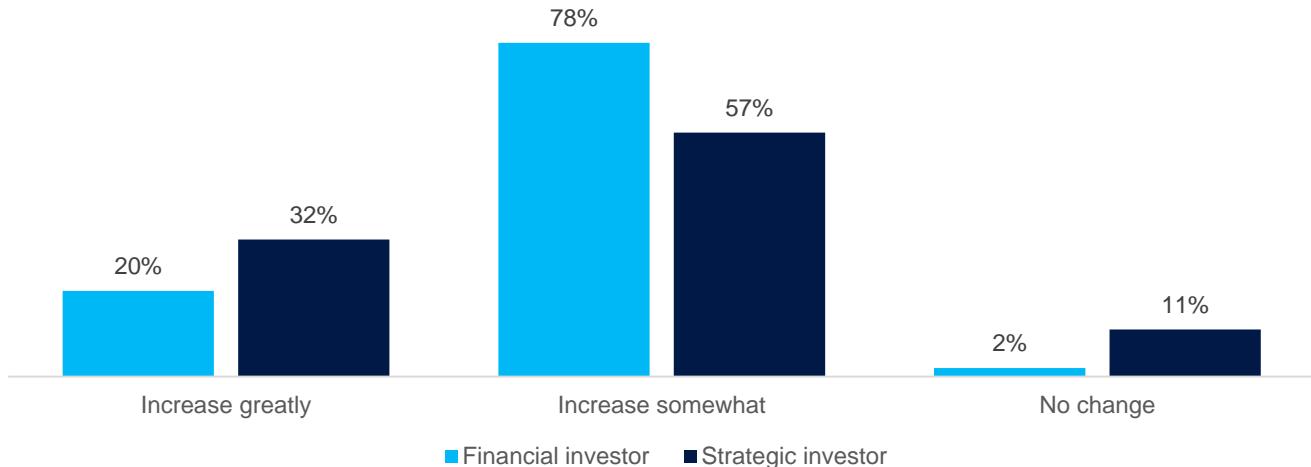
Regulation is another driver that is shaping ESG's importance in M&A transactions. For example, from 2025, the European Union's ("EU") Corporate Sustainability Reporting Directive will require large and listed companies to report on their ESG practices including, crucially, those based outside the EU that meet certain criteria.

Meanwhile, several SSA economies are promoting ESG into their mining sectors. Ghana has implemented mining and environmental guidelines, South Africa has integrated ESG principles through its Mining Charter, and Namibia is enforcing sustainable mining practices through its legal framework.

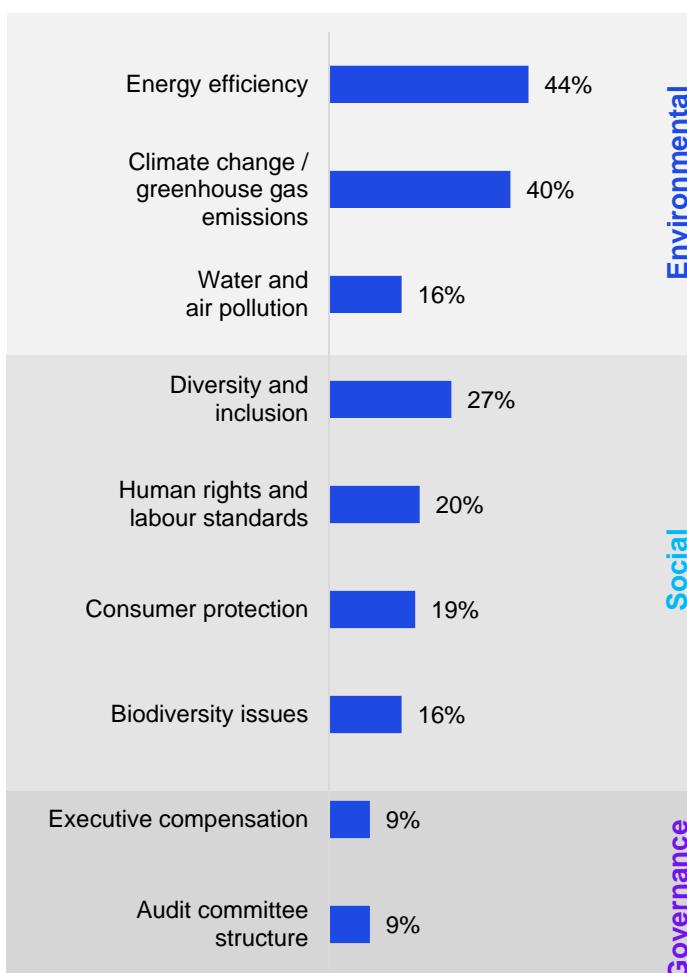
 Investors will mostly pursue deals when the target company has good ESG metrics. Investors can disrupt deal progress if ESG evaluations are not positive."

*Strategy Director of a South African company*

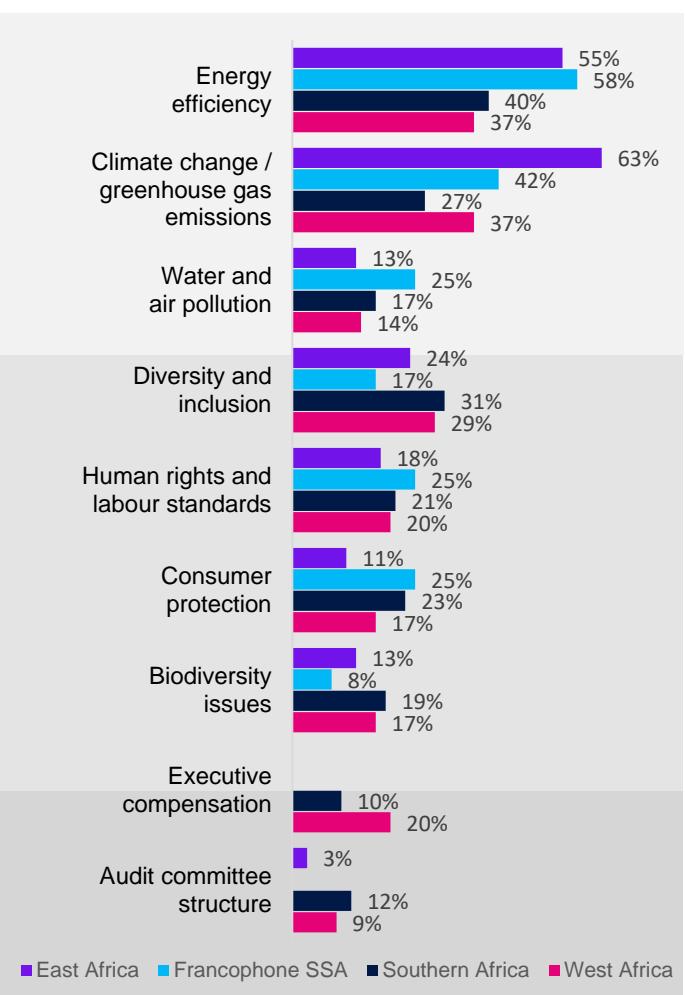
**Q: How do you expect your organisation's ESG strategy to impact transactions within Sub-Saharan Africa over the next two years compared with the previous two years?**



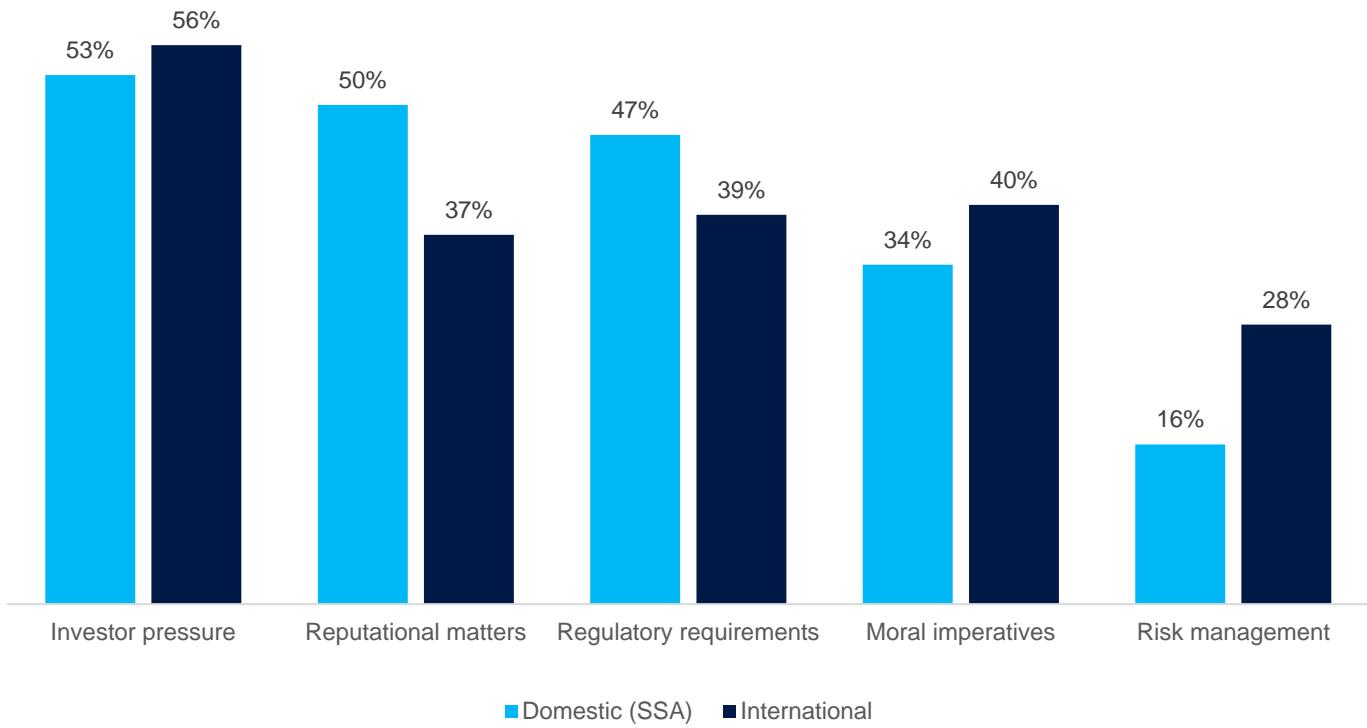
**Q: Which ESG considerations do you expect to become key in M&A transactions in SSA?**



**Q: Which ESG considerations do you expect to become key in M&A transactions in SSA?**



**Q: Which drivers would bolster the engagement with ESG's in M&A in SSA?**



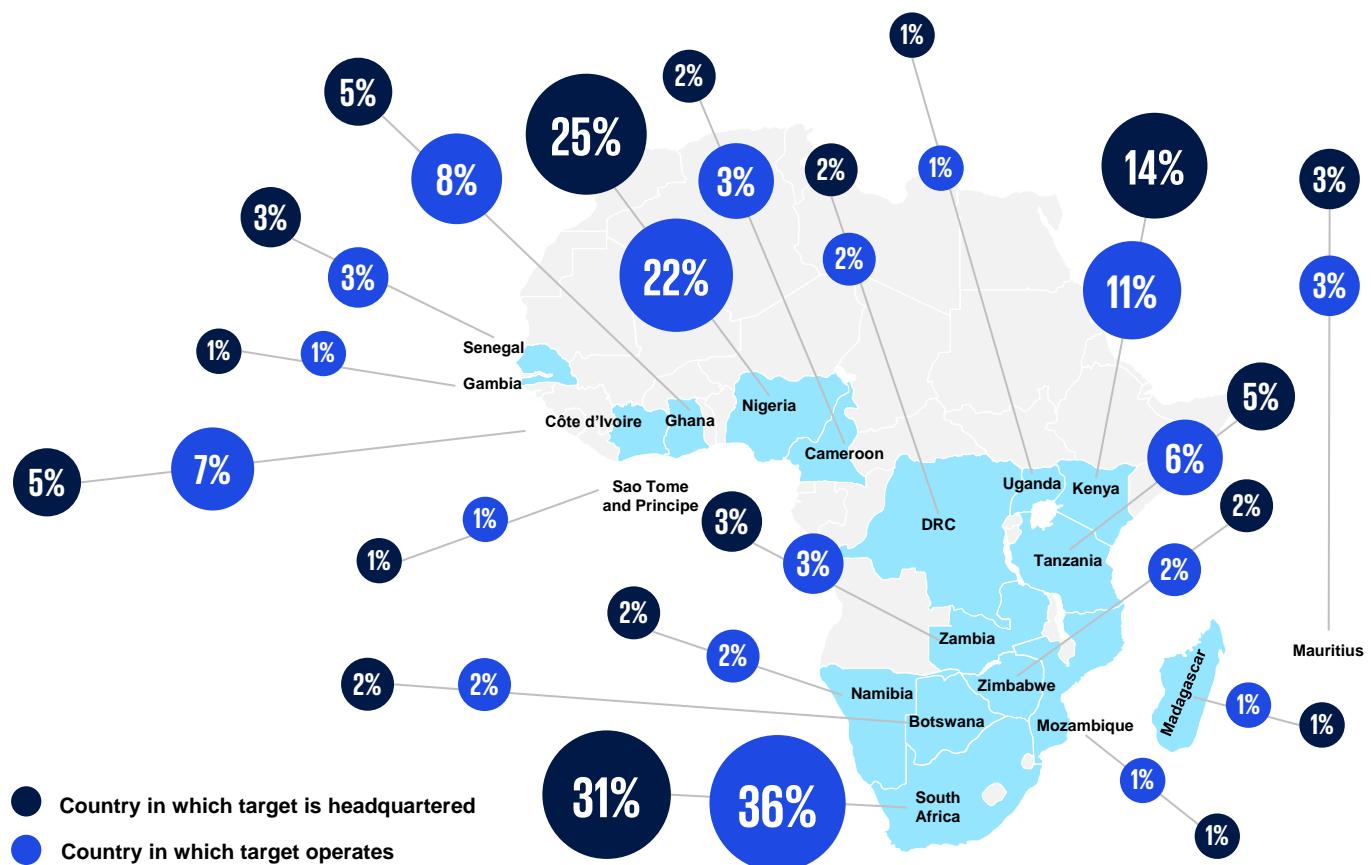
“

Africa stands on the precipice of significant change, characterised by a confluence of dynamic factors that signal both formidable challenges and unparalleled opportunities.

The shifts in the M&A terrain are not merely transactional, but transformative, marking a pivotal moment in the continent's economic trajectory.”

*Co-Head of M&A - a South African company*

**Q: In which country was your most recent Sub-Saharan Africa acquisition or investment headquartered and in which countries did the target operate across SSA?**



# Conclusion

SSA is a kaleidoscope of diverse markets, each facing various forces of rapid change and disruption. This year's survey highlights that investors continue to be drawn to SSA's abundant natural resources, attractive mix of favourable demographics and improving business environment. Almost all respondents based in SSA (97%) and 88% of those based internationally said they are considering pursuing a deal in SSA over the next two years.

Investors can't paint Africa with one brush – To succeed on the continent, investors need to embrace a deep understanding of local contexts, regulatory frameworks, and emerging trends. Advisors with regional expertise and comprehensive local knowledge are essential in navigating these complexities effectively – providing invaluable support in structuring deals, assessing risks, and identifying opportunities tailored to the unique characteristics of each market within SSA.

Influenced by the inevitable rise of ESG – both regionally and abroad – an emphasis on ESG backed transactions and green investing has arisen. The dynamic investment environment, along with the ESG specific investment has created a greater emphasis on due diligence practices in the M&A space within the SSA region.

Looking ahead, the transactional landscape in SSA promises continued evolution with an optimism of future deals and progress in the region. Natural resources retain a pivotal role within the SSA landscape, both in terms of volume and deal size, driven by the allure of mineral and hydrocarbon reserves in the region. Technology, in the meanwhile is set to continue to be a hotbed of activity and investor action with e-commerce, big data and fintech leading the charge.

As the growth in tech investing continues, advisors and investors require a deeper understanding of trends and innovations to provide actionable advice that reflects current and future market dynamics. Furthermore, deal activity continues to be driven by the interplay between developing market sentiment, value and risk influenced by legislation and regulatory developments, as well as an increasing awareness of environmental and social issues.

The emphasis on thorough due diligence will continue to be critical in navigating transactions as valuation and ESG considerations align with emerging standards and regulations. The interaction of these factors will define the investment trajectory in SSA, making it a region of both opportunity and challenge in the future. This has been shown by both the optimism towards doing deals in SSA that promote growth, coupled with the trepidation that regulation and ESG concerns propose. Even while faced with the challenges in the region, the outlook is one of positivity and zeal in an investment environment filled with opportunity.

SSA's multi-faceted investment landscape requires investors and advisors to be well-prepared, adaptable, and forward-thinking, with a keen understanding of the elements that drive and impact business performance. Robust local knowledge, including the relevant laws, regulations, differentiated operating environments and a proactive approach to emerging market trends will be key to capitalising on opportunities and mitigating risks across this vibrant region.

The combination of localised insight and proactive adaptation will be crucial in achieving sustainable success in the region and maintaining a competitive advantage in the dynamic melting pot of Sub-Saharan Africa, a region packed with boundless opportunities.

**As Africa emerges as a pivotal player in the global economy, the evolution of its M&A landscape will play a crucial role in shaping its economic future and driving inclusive growth across the continent.**

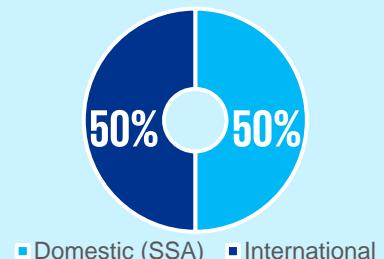
# Survey background

## Survey methodology

In H1 2024, 150 C-suite-level and other senior executives were surveyed by **Mergermarket** based on their experience in transactions in SSA over the last four years. The respondent group was divided equally between domestic investors (i.e. based in SSA) and international investors (i.e. based outside of SSA). Among both the domestic and international investors, 67% were strategic investors and 33% financial investors.

Results are anonymous and shown in aggregate. Where statistically relevant, findings split by respondent type are presented. Throughout the report, the African regions referenced match the definitions used by the United Nations ("UN"), except Francophone SSA, which includes the following countries: Benin, Burkina Faso, Côte d'Ivoire, Guinea, Mali, Mauritania, Niger, Senegal, and Togo. In the report, Francophone SSA refers only to Côte d'Ivoire and Senegal.

Respondent headquarter location



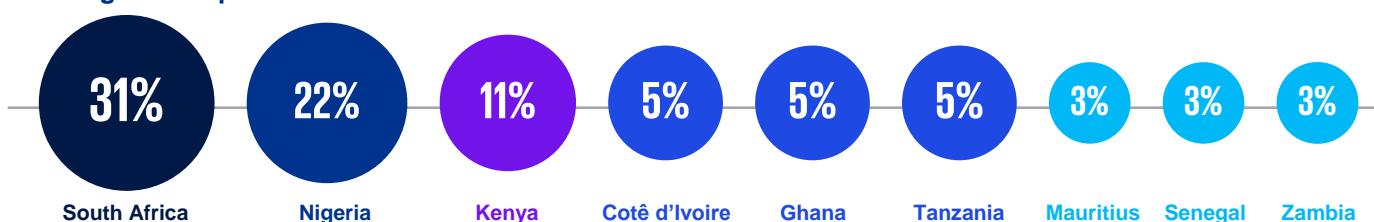
Respondent investor type



Source: Survey result statistics

## Q: In which country was the target of your most recent SSA transaction headquartered?

### SSA target headquarters



### International respondent countries

#### The Americas

21 participants

USA	15
Canada	4
Brazil	1
Chile	1

#### Europe

22 participants

United Kingdom	7
France	6
Germany	3
Switzerland	1
Sweden	1
Norway	1
Netherlands	1
Ireland (Republic)	1
Denmark	1

#### Middle East

11 participants

UAE	6
Saudi Arabia	2
Turkey	1
Qatar	1
Israel	1

#### Asia

18 participants

China	6
Japan	4
India	4
Singapore	2
Hong Kong	2

#### Australia

3 participants

Australia	3
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Source: Survey result statistics

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