

Is Brexit casting a shadow on dealmaking in Africa?



A review of M&A activity in Africa in 2018

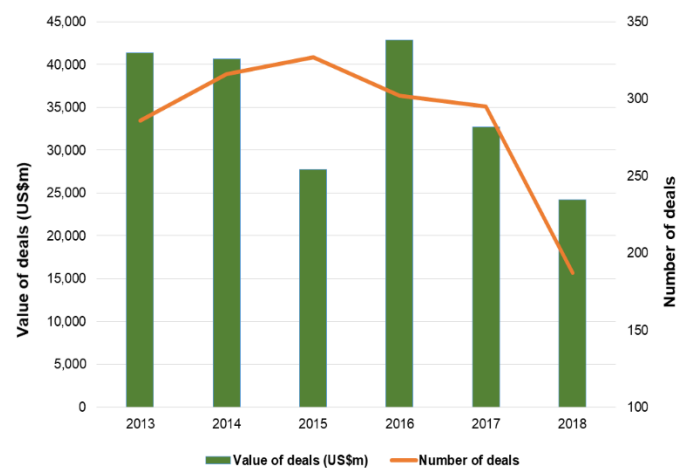
2018 saw a continued fall in deal activity in Africa. There was a significant drop in both the number and value of deals, with 2018 recording the lowest level of M&A activity in the last six years. Total value of deals stood at US\$24.2bn, down 37% from US\$32.7bn in 2017. Similarly, the number of deals fell by 26% to 187 from 295 in 2017.

The overall slowdown in deal activity was primarily driven by a notable fall in inbound capital flows into Africa from international acquirers, with just US\$16bn worth of deals recorded in 2018 compared to US\$22bn in 2017. In particular, deal flow from UK acquirers dropped 54% compared to 2017.

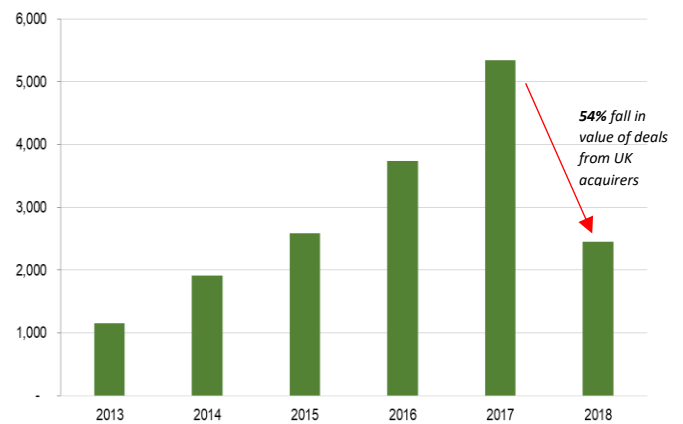
Could the “Brexit effect” be a key factor at play here?

Whilst it may be too early to draw conclusions, the data suggests a link between the level of deal activity in Africa and the ongoing period of Brexit uncertainty in the UK. If this is indeed the case, then it may be reassuring to view this as short-term slowdown as UK investors ride the wave of Brexit uncertainty before they bounce back.

Value and number of M&A deals in Africa



Value of inbound deals from UK acquirers (US\$m)



But available M&A data may not tell the full story...

High-level numbers on deal values and volumes give a limited perspective on the underlying trends and drivers. Beyond the figures, there is anecdotal evidence which point to an active and somewhat thriving M&A environment on the continent. In my previous article on [M&A activity in Africa in 2017](#), I outlined three main factors behind the slowdown in deal activity – (i) Ongoing macroeconomic and political uncertainty; (ii) Slowdown in inbound M&A from international investors; and (iii) Challenges in deal origination and opportunity identification.

Whilst the first two factors continue to influence the slowdown in deal activity, there are strides being made in addressing the challenges in deal origination and opportunity identification in Africa. For example, in recent years we have seen the introduction of Africa-focused deal origination platforms such as [Orbitt](#) which are digitising the investment ecosystem in Africa. Such platforms and their intelligent deal matching capabilities provide deal makers with innovative deal sourcing capabilities and enable a wider reach of M&A opportunities, particularly for international investors. These digital solutions will serve to accelerate M&A activity through effective deal targeting and deal flow management.

“Digitising the investment ecosystem in Africa will attract a wider pool of international investors and counter the continent's reliance on mainly UK and European investors who are currently somewhat distracted by Brexit uncertainty.”

Outlook for dealmaking in Africa in 2019 and beyond

Africa remains an attractive destination both for both local and international capital, given the well-documented underlying growth drivers on the continent. Demand for capital remains high, and whilst some international investors may currently be trading cautiously, M&A activity is likely to rebound in the medium term after the ongoing period of investor uncertainty. In addition, the introduction of innovative digital solutions in the African dealmaking space will help drive efficiencies in the investment ecosystem and could act as a catalyst for increased deal activity from a wider pool of international investors into Africa.

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