

# Will a post-Brexit UK lead to more dealmaking in Africa?

## A review of M&A activity in Africa in 2019, and outlook for 2020

### Highlights of M&A activity in 2019

M&A activity in Africa remained subdued in 2019, similar to the low levels we saw in 2018. Total value of deals fell 8% to US\$22.2bn, making 2019 the fourth consecutive year of decreasing M&A capital flows in Africa.

Although the total value of deals fell, the number of deals announced in 2019 saw a 28% increase to 240, indicating an active underlying deal environment, albeit of smaller ticket sizes.

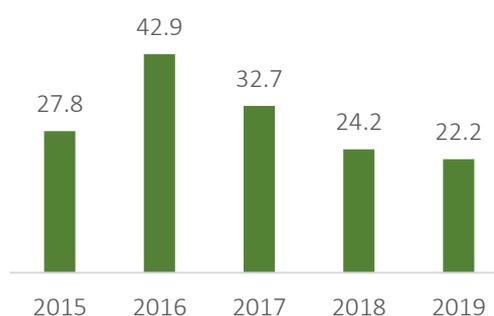
There were two deals with a value greater than US\$1bn in 2019, compared with seven in 2018, and the impact of this was compounded by an increasing number of deals with undisclosed values.

Top ten deals in 2019 included:

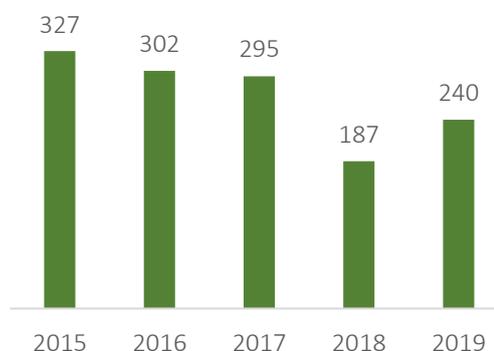
- Oil & Gas: Total's acquisition of the African operations of Andarko Petroleum Corp; and Total's acquisition of Sonangol's assets in Angola
- Food and Beverages: PepsiCo's acquisition of Pioneer Food Group in South Africa
- Telecoms: Veon's acquisition of a stake in Global Telecom Holding in Egypt

The relative reduction in deal value was driven primarily by a slowdown in UK corporate acquires in Africa, possibly due to the continued period of Brexit uncertainty in the UK in 2019.

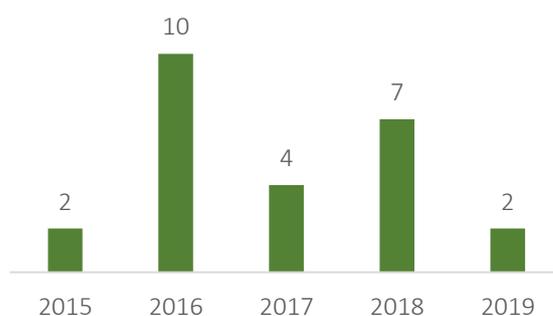
### Value of M&A deals (US\$bn)



### Number of M&A deals



### Number of deals above US\$1bn



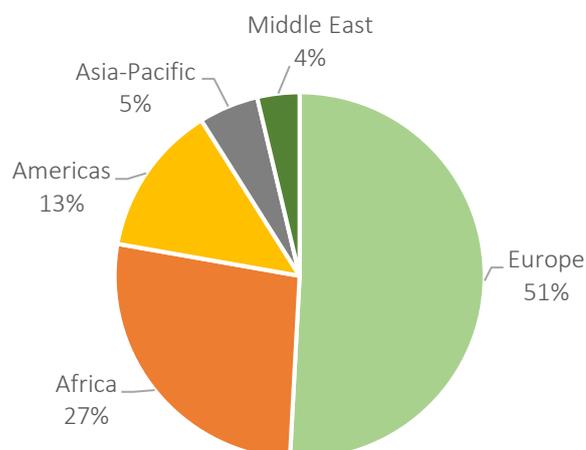
## Inbound M&A activity

Over 70% of the total deal value in 2019 originated from international acquirers, with Europe forming the major source of capital flow. At US\$11.2bn, the value of deals from European acquirers was the highest recorded in the last five years, despite the dearth of deal flow from UK acquirers. This growth was mainly fuelled by significant deals from French acquirers.

North American investors spent a total of US\$2.9bn on acquisitions in Africa in 2019, this being lower than levels seen in 2018 (US\$8.0bn) and 2017 (US\$4.5bn).

Deal activity from international Private Equity firms remained steady in 2019, with the top players being Carlyle Group and TPG Capital.

## Acquirers by region of origin



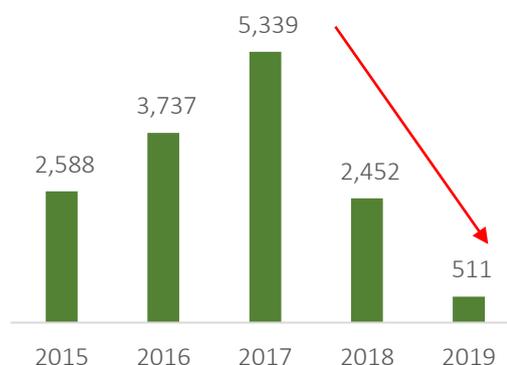
### Where have the UK corporate acquirers gone?

In our last paper on [M&A activity in Africa](#), we discussed the possible Brexit effect on UK acquirers in Africa. M&A activity in 2019 continues to support this hypothesis. Historically, UK acquirers account for around 10% of deal values in Africa, but in 2019 this plummeted to just 2%, recording capital flows of US\$500m, which represents less than a tenth of levels seen in 2017.

The majority of UK acquires in 2019 were financial investors, with very limited activity from corporate investors. In fact, one of the major transactions by a UK corporate was a sale, rather than an acquisition – BP plc’s sale of its assets in Egypt to Dragon Oil plc in the United Arab Emirates.

It does therefore appear that the three years of Brexit uncertainty have massively slowed down M&A activity from UK corporates into Africa. We expect this overhang to lead to higher levels of activity in 2020/2021 as the terms of withdrawal from the EU have now finally been agreed.

### Value of deals from UK buyers (US\$m)



*“The slowdown in M&A activity from UK acquirers is likely to be temporary as UK corporates had adopted a wait-and-see stance to dealmaking during the period of Brexit uncertainty”*

## Outlook for dealmaking in Africa in 2020 and beyond

Now that the terms of Brexit have finally been agreed, we are hopeful that the “new norm” will see UK corporates turning their attention back to dealmaking in general, and to Africa specifically. We have already seen the UK government spearheading initiatives such as the inaugural UK-Africa Investment Summit as a way of re-engaging UK investors’ attention to Africa.

We are also seeing similar initiatives from other countries, aimed at stepping up investments in Africa. For example, the US recently launched Prosper Africa, a program which is aimed at stimulating investment activity from US investors into Africa. Likewise, Japan recently hosted the Tokyo International Conference for African Development (TICAD) in which it pledged US\$20bn investment into Africa’s private sector between 2020 and 2022.

In addition, there is a hive of Private Equity activity in Africa, with several Africa-focused funds raised in 2019. For example, Carlyle Group was reported to have set up Boru Energy, a new platform targeting Oil & Gas assets in Africa. According to the African Venture Capital Association (AVCA), US\$1.7bn worth of Africa-focused funds were raised in the first half of 2019, which points to strong appetite for African assets by Private Equity investors.

We expect all the above factors to culminate in higher deal making in Africa in 2020 and beyond.

### Our top three predictions for M&A in Africa in 2020:

1. Post-Brexit return of UK corporate investors to Africa dealmaking
2. Increased dealmaking momentum from private sector investors in the USA and Japan
3. Growth in technology-driven investments, particularly in non-traditional sectors where technology is accelerating opportunities for growth

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