

# Capital Raising and Deployment | Insights Series



**WEBBER WENTZEL**  
in alliance with > Linklaters

In partnership with  
 **AFRICA  
LEGAL**

# Contents



01

M&A Action Hots Up in Africa

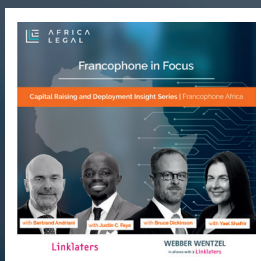
---



02

Wide Scope for Private Equity Investment in Africa

---



03

Focus on Francophone Investment Trends

---



04

Capital Raising and Deployment  
The BIG Question

---

# M&A Action Hots Up in Africa



2021 was a record-breaking year for global M&A. According to Mergermarket, the market intelligence specialist, globally deal value exceeded \$1 trillion in every quarter for the first time in history. Africa experienced growing momentum too.

“There has been a lot of activity in Africa especially following the worst periods of the pandemic,” said Ritchie, a partner at leading South African law firm Webber Wentzel. “We’ve seen a lot of movement in fintech and green energy. And, as usual, African infrastructure funds remain attractive from a funding perspective.”

Companies that were flush with cash also started picking up assets where values had dropped as a result of the pandemic. Across the continent, countries like South Africa, Kenya, Ethiopia, and Nigeria remain important to the African M&A story. But Ritchie also notes “a slight uptick in smaller West African economies too”, a trend she describes as “interesting and enlightening”.

Within retail, big South African players have continued with their expansion into the rest of the continent. “It’s been interesting to watch how retailers are engineering new ways of doing business,” she says. “Some are trying to compete with Uber Eats and other delivery platforms. This opens up a lot of opportunity where you could use a supermarket hub for delivery to suburban markets.”

The pandemic also enabled companies to look introspectively. “There has been a lot of restructuring around debt and employee share schemes,” Ritchie commented. “We also saw a lot of consolidation and a reduction in leveraging positions. Companies were also using cash to retain employees and survive the pandemic.”

The M&A and corporate tax team at Webber Wentzel serves predominantly South African corporates, and global multinationals seeking to enter the South African market. The team was involved in one of the most exciting M&A deals of the year: Vodafone’s R41 billion transfer of its 55% shareholding in Vodafone Egypt to Vodacom Group Limited. The deal won Deal of the Year at the recent DealMakers SA Awards.

While Webber Wentzel is firmly rooted in South Africa, it also enjoys excellent relationships with in-country specialists in other African countries. This alliance and network model includes jurisdictions such as Mauritius, Kenya, Tanzania and Nigeria.

When it comes to structuring deals, Ritchie believes that it’s always important to understand as much about the client’s business as possible. “A mining client has vastly different needs to a client looking to set up a wind farm,” she observed. Asking the right questions then informs the right approach to different facets of the deal, including tax structuring.

Commenting on tax attractiveness, she says it’s time to change the narrative. “The number one priority for businesses, from a tax attractiveness perspective, is policy certainty. It becomes very difficult to determine your return on investment if the tax laws either change or are applied in an unpredictable manner.”

And there is hope. Given the increased presence of complex commercial activity, and more multinationals entering their markets, many tax authorities are learning this policy lesson.

<https://www.africa-legal.com/news-detail/ma-action-hots-up-in-africa/>



# Wide Scope for Private Equity Investment in Africa



In December 2021, Alitheia IDF, a women-focused private equity (PE) manager, announced the final close of its latest \$100 million fund. The announcement was a huge moment for the Alitheia IDF team and their investors. Someone else who was sitting proudly on the sidelines was Ashford Nyatumba, an expert in investment funds and fund formation, who acted as legal advisor for the team at Alitheia IDF.

Development finance institutions are active investors in the African PE space and many are tapping into this specific opportunity and trend. Apart from gender-lens investing, what other trends has Nyatumba observed?

“We’re starting to come out of the two-year lull occasioned by Covid. After existing assets took a knock, deal flow dried up, and many traditional investors kept their powder dry, but it’s increasingly starting to feel like a new dawn,” he commented. “Some fund houses started establishing specialist recovery funds to drive up deal activity.”

Looking out to the wider African PE universe, complex cross-jurisdictional deals are becoming more common, and policies such as the African Continental Free Trade Area (AfCFTA) will only speed these up. This comes with challenges, though.

“Investors prefer jurisdictions where they know what to expect. That’s often tied to where English common law is exercised,” explained Nyatumba who recently acted for a francophone Africa-based private equity manager.

“In francophone Africa, for example, you need your legal agreements in English and French, and that can create an additional administrative burden on managers and investors. In an attempt to harmonise the economic and business laws applicable in these regions, 16 francophone jurisdictions subscribe to the Organization for the Harmonization of Business Law in Africa (OHADA),” he clarified.

“This means that understanding the region, its nuances and how business is done under OHADA law is particularly important. A number of items from a legislative, policy and general business practice perspective needed to be considered in light of the region the fund was targeting. In this instance, as a number of the traditional investor audience are not typically invested in funds in the region, the manager had to educate investors on some of the nuances, especially around business and employment laws.”

As advisors to fund houses, Nyatumba and his team at Webber Wentzel serve mostly South African clients, but their base is growing and the team has also served clients in Botswana, Kenya and Nigeria.

For Nyatumba, client success isn’t just about being technically solid, it’s also about understanding the market. “Given our on-the-ground Africa experience, we know how to drive the matter, whether it’s fund formation, fundraising or deployment of capital.”

However, there are some potential problems African fund managers need to be aware of when raising capital.

“Successful funds may have a broad mix of investors; they’ll each have their own particular commercial interests and this may result in differences in approach to capital calls, reporting requirements and manager removal rights amongst other issues,” he warned.

“In addition, for an investor to have confidence when they complete their due diligence checks on you, you very often need to have an office and one or two credible principals with a solid track record and in-country knowledge. However, these are pre-fundraising costs and will have to be borne by the manager,” he added.

Looking to the future of capital raising, the role of African pension funds is often brought up. In 2020, the Nigerian pension industry committed ₦35.48 billion (over \$92 million) to PE funds.

“African pension funds’ understanding of the PE universe will grow with time. Managers need to be educating them. Right now, we also need to be telling and celebrating the success stories – African PE managers have a good story to tell,” Nyatumba concluded.

---

<https://www.africa-legal.com/news-detail/wide-scope-for-private-equity-investment-in-africa/>



# Focus on Francophone Investment Trends



In recent years, investors have begun to show keen interest in Francophone Africa. In this vidcast, representatives of Webber Wentzel and their alliance partner Linklaters Paris talk about the latest trends and developments.

In 29 African countries, French is the official or first language; most of these countries are located in the western, central and northern regions of the continent. Seventeen of them are signatories to Ohada, a French acronym for "Organisation pour l'Harmonisation en Afrique du Droit des Affaires", a grouping which essentially guarantees legal and judicial security for investors and companies in its member countries which were previously considered volatile areas.

Yael Shafrir of South African-headquartered law firm Webber Wentzel, leading the conversation, says a key feature of Francophone Africa is many regional groupings which adhere to uniform laws and policies.

Justin C. Faye, a partner in the Energy & Infrastructure practice of Linklaters Paris, goes on to discuss the legal regimes that need to be considered when doing business in the region. He explains that with Ohada, the uniformed legislation that applies across member countries makes doing business there easier. This is the case for business law, security, arbitration and even insolvency proceedings. Justin also elaborates on other regional group sureties to assist investors.

Bruce Dickinson, Webber Wentzel's specialist in mergers and acquisitions in the mining sector, notes that project development and expansion of existing projects are on the rise as companies move towards green minerals and energy.

"From an investment perspective, we tend to see a lot of internationals coming directly into those countries, but also quite a few of them structuring through South Africa or having elements of their business in South Africa. Given that so many of the service providers to these mining operations are South African based, be they technical service providers or equipment service providers, we see these linkages happening quite a lot," he commented.

Discussing other trends, Bertrand Andriani, Head of Banking: Energy and Infrastructure department of Linklaters in the Paris office, and also Head of the Francophone Africa Desk in Paris, said among the most recent developments is the interest in green hydrogen. He pointed out that this important source of energy is expected to be active in the coming years and presents a number of advantages for Africa to build the facilities.

Another outstanding shift, according to Bertrand, is that the market is no longer being driven by western investors, but by their African counterparts.

The speakers go into detail about the markets and opportunities on the uptick, as well as why it is still business as usual even when there is a coup in a particular Francophone country.

<https://www.africa-legal.com/news-detail/focus-on-francophone-investment-trends/>

CLICK ON THE LINKS BELOW TO LISTEN TO THE PANEL DISCUSSION



VIDCAST



PODCAST



YOUTUBE



**RESULTS ARE IN!**

Which African regions will experience the highest amount of FDI (Foreign Direct Investment) across the next 5 years?

