

African Union

- **Africa:** Apparently Africa's economic slowdown is not stopping investors from chasing deals in Africa. Falling currencies and a commodities slump may be making Africa more attractive to investors as they look for that next cheap deal. 2015 saw 290 M&A's take place in Africa, a little higher than the 287 in 2014. Transactions worth \$500 million or more dropped from a high of 14 in 2014 to 5 last year. Investors shifted strategy last year, eschewing big deals for smaller investments, with a view toward turning relatively mid-market companies into larger regional players. This is indicative of a larger trend. Most M&A deals in Africa were mid-market in 2015. Natural resources still account for significant investor interest in Africa. Energy, mining and utilities attracted the highest value and volume of deals in 2015. There is also evidence, however, that deal-makers are diversifying their focus. African states are shifting from being single-sector economies and offering investors more choices. For more information, read [here](#).
- **CAS View:** Africa is still an opportunity for investors in search of good returns, in spite of all the negatives that have been published the past year, or maybe because of them! As CAS has repeatedly stated in the past, this article clearly shows the practice of investors tapping into the opportunities presented by exactly the factors that have been identified. It also seems that the slump in commodity prices have not deterred investors from acquiring natural resource entities. But, as can be expected, the diversification of investor focus is also becoming more commonplace. This is to be welcomed as Africa does need to diversify its economies. The move of focus from bigger to smaller companies is also an interesting one, as this will show upon a consolidation process, during which the acquirers will gain scale and a greater geographic footprint. The bottom-line, however, is that Africa is still very much in demand! Those that are deterred by the negative headlines might find a lack of opportunities should they wait for good weather.
- **Africa:** PE companies amassed a \$4.3 billion war chest for investment opportunities in Africa last year as the global commodity rout and weakening local currencies cut prices of potential target companies. It compares with \$1.9 billion in 2014. As commodity prices collapsed around the world in 2015, many African currencies tumbled as well. According to Ethos PE in Cape Town, they were looking for companies that benefit from a weaker currency, that are capable of exporting. Carlyle Group LP is targeting banking, consumer goods, manufacturing and back-office automation services in Africa. Valuations are lower and getting lower over time, offering interesting opportunities over the medium-term. Liquidity is also becoming an issue in many economies, which opens up opportunities for PE investors. Investors are waiting for Nigeria to devalue the naira and make it easier to transfer dollars out of Africa's largest economy before committing cash. Assets look very cheap on a dollar basis. For more information, read [here](#).
- **CAS View:** The phenomenon identified here strengthens the phenomenon of increased M&A's in Africa identified above. PE funds are particular where they invest. The fact that PE funds are this interested in Africa, in addition to the appetite for increased M&A's, is indicative of the potential for good returns in a relatively acceptable risk environment. CAS by no means wants to suggest there is no risk in Africa and that African economies are not suffering due to the lower commodity prices and the tumbling currencies. However, as stated frequently the past year, these risks are mostly known and can be mitigated. It is good to see this level of interest in Africa. Once again, those that are deterred by negative media, will lose out should they wait for better days. The best time to invest is as close as possible to the bottom of the curve!

- **Africa:** In Africa, at least 40 countries have at least one form of mobile money service. In 2014, 34% of African adults had a mobile money account; up from 24% in 2011. Highlights about mobile money in Africa: 1) There are currently 222.8 million accounts in SSA, with 84 million active. 2) Mobile money in SSA is maturing—while Africa has 52% of active services, the launch of most new services last year took place outside it. 3) Nigeria has the most mobile money services for the unbanked, with 19. 4) Western Africa had the largest growth in mobile money, with a 60.1% growth in the number of active agents. 5) Just 3 African countries have mobile money products that are interoperable, i.e. Madagascar, Rwanda and Tanzania. 6) Reducing the gender gap in usage and ownership could add up to \$170 billion to the industry by 2020. 7) Understanding the African rural market is key to an operator's success. 8) There are 29 live cross-border mobile money initiatives globally across 19 countries. 26 are in SSA. 9) Some 19 markets in the world—17 are in Africa—have more mobile money accounts than bank accounts. 10) Regulation is catching up: 51 of 93 countries offering mobile money services now have a regulatory framework. 11) MNOs make up nearly 60% of mobile money service providers. For more information, read [here](#).
- **CAS View:** This article shows the extent to which Africa has embraced mobile money, threatening to make banks obsolete. The fact that MNOs make up nearly 60% of mobile money providers is a clear indication of their dominance and how they are expanding their value chain participation and adding value to their customers. It is clear there is also a greater degree of trust between consumers and their network operators than between the consumers and banks. It also speaks volumes about the availability of banking infrastructure, or rather the absence thereof in Africa, especially in the rural areas to which access is seen as key for success. MNOs are not restrained by this lack, though. The increase in the level of regulatory frameworks is good news as well, as long as it provides security for the consumers and their money, and does not act as red tape. CAS has the past 9 months frequently shown upon the need by banks to get involved in mobile money lest they become disintermediated. Banks would do well to study this article.

East Africa

- **Rwanda:** Rwanda has started implementing a series of strategies to stimulate its domestic market in light of its trade deficit. Between 2012 and 2014, major exports from Rwanda were over \$108 million and imports exceeded \$173 million. To mitigate this deficit, Rwanda's Private Sector Federation started the Made in Rwanda campaign and adopted a Domestic Markets Recapturing strategy to combat issues faced by SMEs, the main points of which are: 1) It's a communication campaign, followed by a corporate roll-out programme covering the whole year up to December 2016. 2) Support for local producers through government procurement. 3) A national small and medium programme to upgrade the products and the quality of SME products to be competitive against other products from the region. It was necessary to change the mind-set of the Rwandan people towards locally made products and boost value addition along the value chain of production. The campaign would not only target consumers, but also producers, especially those in SMEs. For more information, read [here](#).
- **CAS View:** Made at home (and buying local) is becoming a strategy a number of African countries are following, and rightly so. Up to quite recently (actually still is), it has been popular to buy the foreign imported product rather than the locally made one. Global brands were the target. In Ghana they are now looking at manufacturing the Ghanaian car! In Nigeria, you have the ban list – if you can manufacture it in Nigeria, you cannot import it (or get foreign exchange approval for it, at least). Targeting the consumer and producer to buy the locally manufactured product is a long overdue strategy. More needs to be done than just communicating about the right thing to do. CAS likes the teeth in the Nigerian approach, which is probably not a popular thing to say. But import substitution will not only reduce the trade deficit, but also create jobs and contribute towards strengthening the local currency. Kudos towards the Rwandans in any case!

West Africa

- **Nigeria:** Dangote Cement's full-year profit rose 15% as new plants increased total volumes by 35% and a price cut in its home market of Nigeria helped bolster sales and offset the effects of slowing economic growth. Net income was 185 billion naira (\$929 million) in the 12 months through December, compared with 160.6 billion naira a year earlier. Revenue increased 26% to 492 billion naira. It cut prices in Nigeria in September to boost consumption and compete with imports. New factories performed very successfully across Africa, gaining significant market share against long-established incumbents. Dangote had a positive start to 2016, with a 55% increase in volumes during January and February, compared with 2015. The 2015 earnings increase was largely driven by growth outside Nigeria. Dangote added new factories in Cameroon, Ethiopia, Senegal, South Africa, Tanzania and Zambia in the past two years and will open a plant in the Republic of Congo later this year. It's projecting an increase in annual capacity to about 77.3 million tons of cement by the end of 2019, compared with 43.6 million tons last year. For more information, read [here](#).
- **CAS View:** Why would CAS worry about the annual results of a company in Africa? Because Dangote succeeded in generating significant increases in revenues and profits during a time when Africa is supposed to be under severe pressure due to the commodity price collapse and the drop in the oil price! It shows that there are significant growth opportunities in Africa as people are building. This is good news. It shows us that if you know where to look in Africa, there are investment opportunities. Some of the countries Dangote has invested in, are known to offer good economic growth rates, such as Ethiopia. Others, however, such as South Africa, do not offer the same opportunities. On average, however, Dangote has been able to show very good improvement in results. Africa is open for business. You just need to know where to look! With the right positioning, the right geographic market, and the right pricing strategy, you can achieve brilliant results!

Southern Africa

- **South Africa:** South Africa has opened Africa's first solar-powered airport in the Western Cape. George Airport, which serves over 600 000 passengers annually, has launched a clean energy project, which, during its first phase, will contribute around 40% of the airport's electricity needs. Once completed, the airport is expected to be totally independent of the national grid. George Airport will be the first of 9 airports to run on solar energy as Airports Company South Africa chases the goal of running airports fully on renewable energy. Last year in India, at the cost of \$9.5 million, Cochin International Airport Limited became the world's first ever solar-powered airport. For more information, read [here](#).
- **CAS View:** This is good news for South Africa as it is running short of generation capacity. Having a large potential for solar, it was the logical route to follow. Other cities with the potential for solar powered airports in South Africa, could also include Upington, Nelspruit, Kimberley, and Bloemfontein, to name but 4. They are all in areas that have a considerable amount of sunlight per year, with not too a heavy traffic load. The reduction of demand for coal-generated electricity will also be good for South Africa's carbon footprint. This may also open the way for application in other industries. Solar is already used extensively in the fruit industry of the Western Cape with its packing sheds. The reference to the solar driven soccer pitch in Nigeria, leads to the conclusion that the sky will be the limit!
- **South Africa:** SA is debating the risks to the fiscus of some poorly managed enterprises and the question of "state capture" – the undue influence of private individuals on procurement and appointment processes in some enterprises. Recent speeches focused heavily on the more than 700 SOEs and the need to fix the dysfunctional

ones before they drag the fiscus under water, to mobilise private capital to help the state complete its ambitious infrastructure plans and to rationalise the multitude that contribute little to SA's development. An area needing urgent attention is governance – who is appointed to board and management positions, by whom and through what process – to limit the opportunity for these companies to be hijacked. There was also a need for a “different lens” in the board appointment process, which in many cases was done by individual ministers in the current system. Other areas of work included a framework for private sector participation, which was being done between the Department of Public Enterprises and the Treasury, and the development of a “filter” to sift SOEs into categories that would help define which should remain under state control, which should be merged or cut loose and which could be opened to the private sector. “It’s a big reconfiguration and I think the state could oversee it, but we’re going to have to bring in the capability to turn it around.” For more information, read [here](#).

- **CAS View:** This is a daunting challenge to SA. SOEs have mostly been a major drain on the Treasury, and have frequently generated negative press. No wonder the Minister of Public Enterprises wants to “duck” every time someone says “SOE”. What is heartening to see is the willingness to work on the problem. In a previous edition, CAS has stated it remains to be seen to what extent government will obtain labour union participation in this process. The fact that the minister is talking about implementation, is hopefully an indication to start the process. In addition, the minister has also indicated they will need external capacity to turn around the poor state of SOEs. As a South African living in Singapore, I want to ask the minister to indeed not reinvent the wheel, but to turn towards companies and countries that have been there and done that. Singapore is a striking example, not only of having SOEs, like a lot of neighbouring countries do, but actually having SOEs that are very successful! SA also has a wonderful High Commissioner here that I am sure would love to arrange the necessary visits for the minister. Minister Brown, you just need to say the word!