

Acquisitions of SA companies to gain momentum – Werksmans

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SOUTH African companies are becoming increasingly attractive as acquisitions for foreign investors seeking to grow their presence in developing markets.

"Globally, there is a perceptible increase in interest in African markets and in the advantages of using South African multinationals as a springboard to them," Gareth Driver, mergers and acquisitions specialist and head of the commercial department at Werksmans, said last week.

Driver was commenting on broad mergers and acquisitions trends in SA following the DealMakers 2010 awards held last week. He said while it was still an emerging trend for foreign investors to seek acquisitions in developing markets, it was expected to only gain momentum in the next two to three years.

This view is based on recent mergers

and acquisitions developments, including the interest by India's largest mobile operator, Bharti Airtel, in a merger with SA's MTN group.

"MTN was clearly the first choice of Bharti Airtel in its efforts to gain a foothold in Africa's mobile telecommunications market," said Driver, referring to Bharti Airtel's two attempts, both of which failed for regulatory reasons, to merge with MTN.

Recently there had also been market speculation that US retail giant Wal-Mart had shown interest in acquiring South African-owned Shoprite, which has stores in a number of other African countries.

"That kind of speculation is indicative of the growing global interest in South African multinationals. The biggest transactions of the kind to date were the acquisitions by Barclays and Industrial and Commercial Bank of China of stakes in Absa Bank and Standard Bank."

Driver said he expected a gradual

recovery in activity this year after a relatively subdued showing last year. Only 448 deals were announced in SA last year compared to 528 in the previous year, according to DealMakers.

He said the lower levels of mergers and acquisitions activity last year were not only a function of lacklustre interest among buyers, but also of interest being frustrated by external circumstances.

"In particular, bank funding for acquisitions was scarce and there were difficulties in agreeing on prices due to uncertainty over economic fundamentals and companies' earnings forecasts."

In the DealMakers ranking, Werksmans was placed second in the categories of mergers and acquisitions and corporate finance by deal flow, and third in corporate finance by deal value. Edward Nathans Sonnenbergs was placed first in mergers and acquisitions deals by value for last year and second by value.

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