GETTING THE DEAL THROUGH: MARKET INTELLIGENCE - M&A – AFRICA, FRANCE AND RUSSIA

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Legal Briefings – By **Contributing authors Gavin Williams, Rudolph du Plessis, Hubert Segain, Richard Woods, Alexei Roudiak, Justin Vaughan, Christopher Theris and Noémie Laurin**

Our leading M&A lawyers share their views on the current legal and regulatory landscapes in M&A in Africa (regional overview), France and Russia.

AFRICA

The slowdown in M&A activity across African markets, which became apparent in 2016, has continued into 2017 with a 48 per cent drop in the number of inbound M&A deals, and an 83 per cent drop in deal value, compared to the equivalent period in previous year. This slowdown is attributable to the interaction of a number of factors operating on a global and regional level. On a macroeconomic level, investor confidence has been significantly shaken by changes to the global political landscape, following the outcome of the US presidential election and the UK's decision to leave the European Union. This uncertainty has been compounded by challenges closer to home, particularly those affecting the economies of regional hubs. South Africa, for example, has entered recession resulting in part from a period of heightened political uncertainty. This, combined with widespread perceptions of corruption, increased currency volatility and a downgrading of its credit rating by a number of rating agencies, has served to cool investor appetite for doing deals in South Africa, seen as a key gateway jurisdiction for M&A in subSaharan Africa. Political uncertainty in relation to the current election in Kenya and a rebalancing of Nigeria's economy, following the drop in commodity prices, is also exerting downward pressure on M&A activity on the continent.

FRANCE

In the first quarter of 2017, Europe reached a record of the past 10 years in terms of value for announced M&A deals, France ranking first – representing 26 per cent in terms of deal value. Acquisitions of French companies made by foreign groups reached €58.4 billion over the first six months of 2017 – representing twice the aggregate value of completed deals as compared to the same period in 2016. Acquisitions made by French companies abroad increased by 30 per cent as compared with the same period in 2016 to reach €30.6 billion, although in both cases the acquisition in the number of deal decreased by 12 per cent (which is the effect of a number of large size deals that took place in 2017). Over the same six-month period, we can observe a similar trend for domestic French M&A activity, which more than doubled in value to reach €15.3 billion – although the number of deals decreased by 15 per cent compared to the first semester of 2016. Major groups continue to refocus their activity by gaining market shares at international level and looking for synergies with complementary activities, but also by selling subsidiaries with a non-core activity. Overall, M&A activity is buoyed by favourable conditions for external growth. Generally speaking, 2017 so far has been very active despite the uncertainties related to the consequences of the Brexit vote, the upcoming measures of Donald Trump's administration and the French and German elections.

RUSSIA

Market conditions are showing signs of improvement, with foreign direct investment in Q1 2017 reaching US$7 billion, the highest since the implementation of sanctions in 2014, and almost three times the level for the same period in 2016. Despite the continuing, dampening effect of sanctions on M&A activity, investors are starting to come back to Russia having adapted to the new economic realities. There are also encouraging signs that this upwards trend may continue in the second half of 2017. Russian M&A over the past 18 months has been characterised by two main themes. The first is the increasing importance of investment from Asia. Secondly, the Russian government accelerated its privatisation programme.

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Cross border M&A hub

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