

# Investment banking fees reach four-year high on the sub-continent

Sub-Saharan African investment banking fees reached \$244.7m during the first half of 2017, up 12% from the value recorded during the first six months of 2016. Fees from completed mergers and acquisitions (M&A) transactions totalled \$71.4m, a 1% increase year-on-year, while equity capital markets underwriting fees rose 32% to a 10-year high of \$71m.



Sneha Shah, managing director: Thomson Reuters Africa

“The value of announced M&A transactions with any sub-Saharan African involvement reached US\$18.1bn during the first half of 2017 – the highest first half since 2013. Inbound M&A reached a four-year high of \$10bn with the United States, the United Kingdom and China leading investments while outbound M&A declined 39% to \$1.8 billion during the first half of 2017,” Sneha Shah, managing director, Africa, Thomson Reuters, says.

In its quarterly investment banking analysis for the region, Thomson Reuters said domestic and inter-sub-Saharan African M&A totaled \$3.7bn, up 38% year-on-year. South Africa’s overseas acquisitions accounted for 71.9% of sub-Saharan African outbound M&A activity, while acquisitions by companies headquartered in the Mauritius and Seychelles accounted for 17.8% and 10.3% respectively.

Exxon Mobil’s \$2.8bn acquisition of 25% stake of a Mozambique liquefied natural gas project is still the largest deal to be announced in the region during the first half of the year, followed by the Vodacom Group acquisition of Vodafone Kenya in a \$2.5bn stock swap transaction.

Syndicated lending fees declined, falling 60% from this time last year to US\$33m. Fees from debt capital markets underwriting saw an increase from US\$13m during the first half of 2016 to US\$69.2m during the first half of 2017.

Debt capital market underwriting fees accounted for 28% of the overall sub-Saharan African investment banking fee pool, the highest first half share since 2003. Both completed M&A and equity capital markets generated 29% of the total fee pool, while syndicated lending fees accounted for 13%.

## Top earners

Citi earned the most investment banking fees during the first half of 2017, with a total of US\$30.8m or a 12.6% share of the total fee pool. Morgan Stanley topped the completed M&A and ECM fees ranking while Citi topped the DCM underwriting fee ranking with a 13.7% share. China Construction Bank ranked first for syndicated loans fees.

Goldman Sachs topped the H1 2017 any sub-Saharan African involvement announced M&A financial advisor league table with a 22.1% share of the market.

In equity capital markets, sub-Saharan African equity and equity-related issuance totalled \$4.8bn during the first half of 2017, 28% more than the value recorded during the same period in 2016. Barclays Africa Group \$2.9bn follow-on offering stands out as the biggest ECM deal so far this year.

Follow-on offerings accounted for 83% of the ECM activity in the region by value, while IPOs and convertibles accounted for 5% and 12%, respectively. Morgan Stanley topped the sub-Saharan African ECM league table during the first half of 2017 with an 18.6% share of the market.

“Sub-Saharan African debt issuance raised a total of \$15.3bn in proceeds during the first half of 2017. This was more than double the value recorded during the same period in 2016 and by far the highest first half total since Thomson Reuters records began in the 1970s,” added Shah.

The Ivory Coast was the most active issuer nation with \$6.8bn in bond proceeds, which accounted for 44.7% of market activity, followed by Nigeria and South Africa.

Standard Chartered took the top spot in the sub-Saharan African bond ranking for H1 2017 with \$2.2bn of related proceeds, or a 14.7% market share.

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