

African tech and telecom sector to thrive in 2018/19

M&A activity in the technology and telecommunication sectors in Africa and the Middle East will more than quadruple in 2018, from 2017 - this is according to Baker McKenzie's Global Transaction Forecast, developed in association with Oxford Economics. The report shows that M&A in the tech and telecoms sector in Africa and the Middle East was valued at \$1.2 billion in 2017. This is predicted to increase to \$5.9 billion in 2018 and a further \$5.9 billion in 2019, before decreasing to \$3.9 billion in 2020.



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The report notes that a more positive global economic outlook, the expansion of technology across industries, investment from emerging markets, and strong corporate balance sheets are the key factors in driving investment in tech M&A around the world, including in Africa.

Darryl Bernstein, head of the Technology, Media and Telecommunications (TMT) Practice at Baker McKenzie in Johannesburg, South Africa, explains the predicted rise in tech and telecoms M&A in Africa, "Africa's growing telecoms infrastructure and access to online services and platforms continue to improve access to the online economy. Increased local demand for innovative products, services and solutions drives offshore telecommunications and technology companies to target opportunities in Africa. The growing financial services sector has also seen domestic banks make significant investments in technology to advance their innovation agenda. African tech companies are also targeting offshore investments in companies that will deepen their access to new technologies, markets and talent."

"The expansion of emerging technologies across industries, including agribusiness, automotive and of course fintech, will also drive M&A activity as we expect to see more cross-sector deals involving technology," says Bernstein.

Globally, deal activity in the technology and telecommunications sector is also likely to accelerate. In 2018, M&A activity in the tech and telecom sector is forecast to rise significantly across all regions. North America will top the list with transactions totalling \$243 billion, followed by Asia Pacific with \$108.3 billion, Europe with \$106 billion and Latin America with \$4.9 billion.

“The rapid growth of innovation in artificial intelligence, cloud computing, cybersecurity, and big data is driving anticipated deal activity,” says Matthew Gemello, an M&A partner at Baker McKenzie based in Palo Alto.

“Hybrid sectors represent the growing convergence of traditional industries and technology as companies battle to remain competitive,” says Anne-Marie Allgrove, global chair of Baker McKenzie’s Global TMT Industry Group based in Sydney. “When you couple the rapid pace of innovation and continued push for vertical integration, it creates a recipe for increased M&A activity.”

One of the clearest market dynamics driving transactions is that businesses focused on the use of customer data need to increase the scope of their customer reach and are seeking to achieve this by buying competitors and new technologies that will attract more customer engagement.

“Top talent continues to be an important driver in technology acquisitions,” Gemello says. “We are seeing fewer pure ‘acqui-hires’ as compared to prior periods in the last 10 years, but the overarching need remains paramount from a competitive perspective.”

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