

M&A activity continues to increase. For South Africa, 2010 has already shown promise with more cross-border deals into Africa amidst more relaxed exchange controls and many companies looking further afield for opportunities. With markets now more stable after the sharp drop in M&A in 2008, activities in the second half of 2009 increased with 2010 beginning to look substantially brighter. However, sentiment is that the second quarter of the year will show the real increase in activity. In mergermarkets' recently released results, South African M&A activity jumped 142% in the first quarter of this year compared to the same period in 2009. The total deal value reached US\$6.8bn which is at its highest level since the fourth quarter of 2008. Activity was driven by strong domestic deal flow which reached its highest level on mergermarket records and mid market activity continues the trend with an increase of 50% in both value and volume compared to the first quarter of 2009. In mergermarkets legal league tables, Edward Nathan Sonnenbergs (ENS) maintained its top position in both value and volume tables from quarter one of 2009, having worked on five deals in this most recent quarter, for a total value of US\$ 5.5bn.

"We are extremely proud that the value of our total deals for 2009 and the first quarter of 2010 have won us this mention as we were able to continue to attract deals of this size and quality, which in my view is indicative of the level of service our M&A department delivers and the breadth of our market share relative to our competitors", said Michael Katz, Chairman of ENS.

In a recent interview with Finweek, Koos Pretorius, joint head of, and director in, ENS' M&A department, said he believes the two main areas for M&A in 2010 are inbound investment and cross-border into Africa. "There's no doubt investors in Europe and the US see the opportunity for growth in emerging markets and, after the BRIC countries (Brazil, Russia, India and China), Africa is the next place to be. We'll pick up some of that interest." Unlike other analysts who believe India and China will engage more with African economies than their colonialist predecessors, Pretorius sees them pursuing the same exploitive habit. "They simply dig up the minerals, ship them home and add value there. Very little beneficiation is taking place in Africa: you see that most clearly in oil-producing countries, such as Angola," Countries where recent discoveries of oil and gas have been made, such as Ghana and Uganda, are insisting on local refining and other beneficiation. However, Pretorius says there's been "a lot of talk but no action - the talk is simply justification to get what the producer wants". There's also a trend for Chinese and Indian countries to buy up huge tracts of land to produce food for their massive domestic populations - never mind that Africa itself desperately needs that productive capacity. "So Africa has to become smart about this process or risk having all its strategic assets owned by foreigners. Countries such as the US have legislation against such practices. What African countries should be looking to do is sign deals whereby foreign companies bring skills and capital to the country," says Pretorius. And in that regard South Africa has the advantage - already having many of the resources the rest of Africa has. He says South African companies, more than those of any other region, view Africa as a high-growth market rather than a source of raw materials.

Scott Nelson, head of ENS' Africa desk, says, "as we continue into the second quarter of 2010, there is a palpable feeling of confidence returning to M&A activity in Africa with the less obvious 'slam dunk' transactions, many of which were put on ice in 2009, returning to the negotiating table – there is good reason to believe that levels of deal flow by the end of 2010 will be significantly up on last year." Nelson continued that "on a more general level, the opportunities presented by the African continent remain highly attractive for

FDI's and the continuing efforts at governmental level across many jurisdictions to build stable political environments and develop the infrastructure required to continue to attract such inbound investment, will only seek to augment interest in Africa. An increasing trend of deregulation will also be of great assistance."

Piet Faber, Chief Executive said, "It is very pleasing to see that we remain the pre-eminent M&A law firm in South Africa particularly due to the often difficult and volatile market we have witnessed over the past few years." All in all, M&A activity continues to be challenging and yet with the positive outlook on 2010 will hopefully see further growth and firms such as ENS continue to provide value in this interesting and complex area.