

Investment banking fees fall in Africa

Standard Bank and Rand Merchant Bank

make it into the top-10 by value of fees, numbers show mergers and acquisitions are being affected by crisis in Europe

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INVESTMENT banking fees in sub-Saharan Africa dropped by 64% in the first half of this year, reflecting subdued merger and acquisition activity in the period even though the region remains a magnet for investors.

Data provider Thomson Reuters also said yesterday that only two South African investment banks — [Standard Bank](#) and [Rand Merchant Bank](#) (RMB) — had made it into the top-10 table by value of fees earned during the period under review.

During the first half of last year, SA's investment banks in the top 10 were RMB, in second place with fees of almost \$31m, [Investec](#) in third with fees of \$26,1m, and Standard in seventh place after earning fees of \$16,7m. By comparison, in the first half of this year, Standard earned more than \$7,3m and RMB \$4,7m.

US bank JPMorgan topped the top 10 table in the first half of this year with fees of \$16,4m, and emerging markets bank Standard Chartered Bank came second with fees of \$9,3m.

Interest in merger and acquisition activity in sub-Saharan Africa is still high even though the pace of deal making appears to have been affected by the turmoil in Europe.

Dave Murray, the transaction advisory services markets leader for Europe, Middle East, India and Africa at Ernst & Young, said earlier this month deals were taking longer and becoming increasingly difficult to complete.

Ernst & Young estimates the world's largest companies are sitting on more than \$7-trillion in cash, while in SA, bankers say corporate deposits exceed R530bn and could easily exceed R560bn by year-end.

Thomson Reuters said investment banking fees in the first half of the year in sub-Saharan Africa fell to \$114,1m compared with \$321,4m last year.

Fees in the second quarter of this year fell 34% to \$45,2m, which was the slowest quarter in the region since the second quarter of 2005, it said.

Thomson Reuters said merger and acquisition fees totalled \$49,5m, representing 43% of all investment banking fees, while equity capital market fees reached \$28,2m. "Sub-Saharan targeted mergers and acquisitions totalled \$7,2bn during the first half of 2012, a 36% decline from the same period in 2011 when announced activity totalled \$11,2bn.

"Materials remains the most targeted industry in sub-Saharan Africa, with \$3,4bn, 48% of the activity announced during the first half. SA is the most targeted sub-Saharan nation, with \$4,4bn, or 61%, of the activity, followed by the Democratic Republic of the Congo with \$1,3bn (18%)."

SA was the most acquisitive nation of sub-Saharan companies, with 53% of the activity, followed by the UK (27%).

Thomson Reuters also said sub-Saharan debt issuance reached \$4,4bn during the first half of this year, representing a 56% decrease from the \$10bn seen during the same period last year.

US banking group Citi topped the sub-Saharan debts capital markets ranking with \$983,3m and Barclays was in second place, while the top sub-Saharan bond during the first half of this year was a South African government bond of \$1,5bn.

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