



Merger & Acquisition outlook: Amidst Corona in Tanzania.

Merger & Acquisition outlook: Amidst Corona in Tanzania.

The coronavirus (COVID-19) crisis is having a material global impact on mergers and acquisitions (“M&A”). On a massive scale and in a very short period of time, hundreds of thousands of businesses have shuttered or cut back their operations significantly, millions of workers have been laid off or furloughed, consumer spending has been drastically reduced, supply chains have been disrupted, and demand for oil and other energy sources has plummeted.

In Tanzania the wave of the pandemic saw businesses scaling down their operations, experts leaving for their countries to be with their loved ones, and employees been sent home as a means of protection and heading to a government call for social distancing amongst other sanitary measures. Schools were closed, football games were banned and the tourism sector came to a halt.

The Covid-19 coronavirus pandemic brought our country M&A transactions market to a near standstill with a sharp slowdown in deal-making likely to persist until the public health crisis is brought under control. Even then, the market, and the motivations of investors, looked very different.

The impact of the pandemic is not just on the financial system generally, the valuation of sellers, and the appetite of buyers to get deals done in the short term, but on a multitude of other factors affecting M&A deals.

These include deal terms themselves, new due diligence issues that have arisen, the manner in which due diligence is conducted, the availability, pricing and other terms of deal financing, and the time it will take to obtain necessary regulatory and other third-party approvals for transactions.

As growing numbers of countries moved into “lockdown” to contain the spread of the virus, it is no exaggeration to say that the pandemic has, in just a few weeks, changed the world. However, Tanzania didn’t not go into lockdown of which gave hope to most investors and companies undergoing merger and acquisition deals in Tanzania.

As of last week the government announced the opening of school as well as football and other sports leagues from 1st of June, 2020. This is an indication that Tanzania is indeed back to business and open to business. The tourism sector is open with tourists starting coming back to Tanzania which has seen a significant fall in the number of COVID-19 patients according to the Ministry of Health.



Merger & Acquisition outlook: Amidst Corona in Tanzania.

The crisis has had an immediate impact on deal activity, in Tanzania but not that the government has opened airports, schools and encouraged businesses that were closed to open up, of which has been received positive across Tanzania, we see the rise in merger and acquisition deals in Tanzania.

However, this might not be at the same pace as before since most of the European and American countries are either in lockdown or still not able to contain the virus as has Tanzania.

The merger and acquisition around the world has endured and recovered from past economic crises, including the burst of the dot-com bubble in 2000-2002 and the Great Recession of 2007-2009, it will most certainly endure this one.

With all of the principal players working remotely, the effective use of new and creative collaborative tools, technologies and techniques have become more critical as buyers, sellers, providers of M&A financing, and all of their respective legal and financial advisors adjust to the changed environment.

Luckily for Tanzania, most of the background check are digitalized and easier the way a due diligence is done. From the registrar of companies to the registrar of land, Tanzania Revenue Authority and the Fair Competition Commission matters are handled swiftly.

The current situation in Tanzania as we are progressing towards post-COVID things such as the Letters of intent, term sheets, memoranda of understanding, and the like are a common feature of the M&A landscape are possible. Before investing heavily in due diligence and negotiating detailed transaction documents, buyers and sellers typically employ these preliminary, largely non-binding documents to memorialize their mutual understanding of all or some of the material deal terms.

Further, since a grant of exclusivity by the seller (which frequently accompanies the execution of a letter of intent or completion of a term sheet) shifts negotiating leverage considerably in favor of the buyer, the seller will desire to nail down as many major deal terms as possible at this stage of the M&A process. Of course, it also is not unusual for a negotiated letter of intent or term sheet to address the purchase price and little else. We have been undergoing these with clients remotely and with the opening up of our airports we can certainly do so since for example in the UK the government recently announced easy on flight restriction but mandatory quarantine and testing upon return of which allows easy movement of investors to Tanzania. There is no mandatory quarantine in Tanzania therefore



Merger & Acquisition outlook: Amidst Corona in Tanzania.

clients can fly in get tested and go straight to meetings and negotiations.

As banks are still open in Tanzania, Financing of a merger of an acquisition is still easy to do. Buyers can secure debt financing to fund the purchase price.

This is a great time to merge and acquire business in Tanzania.

Read on how to register a merger and acquisition in Tanzania read [here](#).