



## MERGERS AND ACQUISITIONS IN TANZANIA AN OVERVIEW

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M&As are transactions in which the ownership of companies, business organizations or their operating units are transferred or consolidated with other entities. As an aspect of strategic management, M&A can allow enterprises to grow or downsize, and change the nature of their business or competitive position

COVID 19 will surely be defeated but its impacts may last longer than expected, we are on the verge of witnessing a massive recession than ever preceded before, statisticians predict this recession to eclipse that of 2008. It is no secret that when businesses re-open, they will face a challenging atmosphere than ever before.

In the wake of post-COVID 19 business atmosphere, it is unlikely that there will be any significant number of mergers and acquisitions due to an array of reasons and likely challenges which include;

#### Threat of Bankruptcy

Most companies are very likely to get out of this pandemic as no longer going concern entities despite various financial and tax reliefs. In return, these companies in a bid to seek debt relief are likely to consider bankruptcy. In this case, creditors and other stakeholders should be very keen on monitoring their debtors' financial situation and while doing so, they should also examine their legal rights and positions in case of bankruptcy or any proceedings of that sort.

There are likely to be fewer Mergers and Acquisitions in the climate of this kind of financial uncertainty.

#### Increased Debt Exposure

Many businesses operate on debt and tax margins, and in the ongoing atmosphere it is likely that most businesses won't meet their debt liabilities and thus being unable to manage their debts. With that kind of increased debt exposure, it is unreal that many prospective mergers and acquisitions will occur due to the risk associated with the financial health of various businesses.

#### Predicted Fall in Service and Product Prices

The basic end of the spectrum of a business is consumption, given the circumstances, it is very likely that businesses will be forced to lower their prices with no guarantee that running or production costs will be lowered which is very likely to lead to unprofitable



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businesses for a certain period of time.

However, make no mistake, despite the uncertainties there are some merger and acquisition deals that are likely to be done in relation to consolidations of distressed or badly hit companies. On the other side of the spectrum, it will be a great opportunity for investors since they will be picking these companies cheaply.

In the execution of such deals, it is important that prospective buyers be keen on compliances of the business they are acquiring since it is possible that the business has 3<sup>rd</sup> party dealings or has not complied with various regulations of the industry they are operating. To ensure, a clean deal, it is important to conduct due diligence.

In a nutshell, it is important that businesses assess themselves internally and monitor their debt and consider what actions to take in case they are unable to meet their obligations since these volatile conditions are likely to be a norm for some time.