

## The expanding secondary market for infrastructure in Africa



Due to its complex infrastructure needs, infrastructure transactions on the African continent for the most part have been dominated by primary infrastructure markets which focus on the construction and development of projects. These projects are often instigated by local sponsors and/or Governments looking to attract funds and expertise to specific projects or sectors. Many of these projects in the primary market were first in country projects which provided a framework for future projects in the relevant jurisdictions.

In many of these jurisdictions, a number of these infrastructure projects have now reached sufficient maturity, particularly those which are in operation, that they are receiving interest from investors and contributing to an expanding secondary market. In addition, some initial investors are now reaching their investment horizons, development funding institutions are looking to achieve investment goals and founders and/or investor are seeking to realise a return on their investments. The secondary market grants investors the opportunity to acquire developed and operational asset which offer an entirely different profile to an investment in the primary market.

From an M&A perspective and on a practical level, a transaction in the secondary market is likely to follow the well-trodden implementation path starting at the pre-investment documentation stage, through to due diligence, followed by offer phase, negotiation of the transaction documentation and then closing (at which point the consideration is paid). There are often similar pinch points in the transaction documentation implementing the secondary sale; these would normal include (i) negotiation in relation to the consideration structure; (ii) ensuring that the transaction complies which local content requirements, if necessary; (iii) warranties and indemnities; (iv) conditions (including in relation to regulatory consent, competition requirement and others); and (v) non-compete covenants and restraint.

Private sector participation in the secondary market has become critical to closing the infrastructure funding gap which exists in numerous countries in Africa which continue to have a high demand for infrastructure. A sale sometimes precipitates new money going into the relevant project and, having made returns on their initial, sellers are likely to recycle some of the proceeds from secondary transactions into other opportunities.

The secondary infrastructure market is not merely limited to M&A transactions, green bonds and sustainability linked financing is also contributing to the growth of this market which, having the effect of attracting investors that invest with sustainability goals in mind.

Trinity has a specialist corporate practice, comprising one of the most experienced teams globally for its corporate work in Africa. We have acted on a number of M&A, private equity and joint venture transactions throughout Africa and other emerging markets, including for investors who have acquired, sold or invested in projects in Africa such as Meridiam, AIIM, Climate One, AFC, AP Moller Capital, AMEA Power, Inspired Evolution and others. In addition, Trinity has also acted on a recently closed green bond transaction in Zambia.