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CAK to earn filing fee from mergers

BY CONSTANT MUNDA

THE Competition Authority of Kenya will start charging filing fees, positioning itself to share in the spoils as the number of local and cross-border mergers, acquisitions and takeovers grows.

Starting from next month, companies filing for mergers will part with at least Sh500,000 and up to Sh2 million in fees to the watchdog depending on the value of the transaction.

CAK disclosed last Friday in the Kenya Gazette that firms will now pay the fee from August 1. Hitherto, the watchdog has not been charging to process merger applications.

"In exercise of the powers conferred by section 78(3) of the Competition Act, the Competition Authority prescribes the merger filling fees as set out in the Schedule... with effect from August 1," director-general Wang'ombe Kariuki stated in the notice dated June 11.

Firms will pay a fee of Sh500,000 for a merger valued at Sh500 million to Sh1billion. One valued between Sh1 billion to Sh50 billion will cost Sh1 million to process, while that above Sh50 billion will be charged Sh2 million.

CAK said in February that proceeds from the fee will offset the cost of processing the applications.

The filing fee will hit cross-border mergers most as it will add to charges levied under the Common Market for Eastern and Southern Africa's Competition Regulations 2004.

Comesa charges a fee of $500,000 (Sh43.9 million) on cross-border mergers and acquisitions in the 19-country trade bloc, adding to the cost burden.

Filing fees could even rise further if the five-member East African Community's Competition Regulations of 2010 are enforced. Tanzania's Fair Competition Commission already charges a fee on mergers.

However, the CAK said at an earlier stakeholder engagement workshop said it was lobbying for a common framework for merger applications processing fees in the region.

While this would ease the cost burden for companies operating within the EAC, a harmonised structure within the larger Comesa bloc could take years to effect. Tripartite negotiations involving the EAC, Comesa and the 15-member Southern Africa Development Community have been dragging for long.

The new fee comes just as appetite for mergers, acquisitions and hostile takeovers grows as firms seek synergies to boost value in their businesses.

CAK would already have earned tens of millions from recently completed M&As in the country had it imposed the filing fee earlier.

Such include City Trust's reverse takeover of I&M Bank last year, acquisition of Buzeki Dairy last November and SpinKnit Dairy in February 2010 by President Kenyatta's family-owned Brookside Dairy, and French L'Oreal's takeover of home-grown Interconsumer Ltd in April 2013.

Technology firm Access Kenya was also acquired by South Africa's Dimension Data last year, while CMC Holdings was taken over by Al Futtaim Group, a Dubai-based conglomerate.

Artcaffé Coffee and Bakery Ltd also finalised the acquisition of C. Dormans coffee shops last February.

Photo/FILE

A PIECE OF THE PIE: Wang'ombe Kariuki, the director-general of the Competition Authority of Kenya, in his office early this year.

NIC joins the fray in search of fresh capital

BY CONSTANT MUNDA

Mid-tier lender NIC Bank has joined a growing list of publicly traded companies making cash calls to boost expansion strategies as well as meet statutory capital requirements.

The lender will hold an extraordinary general meeting on July 29 during which it will seek shareholders' go-ahead to issue rights on approval by the Capital Markets Authority.

The lender joins other mid-tier banks National Bank of Kenya and Diamond Trust Bank, which have received approval to raise Sh10 billion and Sh3.6 billion respectively through cash calls to boost capital bases.

The Central Bank also requires that banks raise the ratio of capital to total risk-weighted assets to 14.5 per cent by next January from 12 per cent currently.

NIC in a notice to the Nairobi Securities Exchange on Friday said the amount to be raised, the ratio of rights, price offer and date of issue will be set by directors once it gets the nod.

DTB's offer is highly discounted at Sh165 per share, 25.31 per cent lower than its six-month average of Sh238 a piece.

Can YOU outsmart the expert?

ALY KHAN'S STAR PORTFOLIO

WE CAN'T ALLOW CHAOS, OUR ECONOMY IS ON A SOFT PATCH

On the January 20 this year, I predicted that "African equity markets will make it a three-year bull year phenomenon".

It is said that "bull markets must climb a wall of worry", and this year the equity markets in Africa have been rallying meaningfully.

In Nigeria, the All-Share index closed at a more than five-year high on Friday, with the equity market rallying more than 10 per cent over the last eight weeks – a period where the Boko Haram have ratcheted their insurgency a number of notches higher and have kidnapped girls.

Nairobi's All-Share index touched a fresh record high last week and has appreciated 11.3 per cent so far this year. It has shrugged off a much more virulent Al-Shabaab and a very fluid security situation.

The Egyptian asset markets (probably with a lot of oil/juice/support from the GCC and the Kingdom) love President Sisi and Egypt's EGX30 index has posted a 21.8 per cent increase in 2014.

Down South, the South African All-Share has shrugged off a downgrade to sub-Saharan Africa's second biggest economy after Nigeria re-based its Gross Domestic Product. It has been setting a winning streak of record closing highs all of last week and is now 12.6 per cent higher this year.

Rising tide

In an increasingly non-linear world – and Africa has always been the least linear continent – African equity indices have been posting remarkably linear and solid absolute returns.

This is noteworthy. The over four-fold over-subscription of Kenya's $2 billion Eurobond sale, and expected record sovereign Eurobond issuance in 2014 in an amount not less than $11 billion, speaks to a rising tide of international liquidity. This tide started rising in 2012 and underpins SSA's sovereign and blue chip assets and values.

I believe we are in a secondary bull move and a very sweet spot. The subscribers to our Eurobond inform us further. The US bought 66 per cent, the UK 17 per cent, the EU 13 per cent, Asia three per cent and Africa one per cent.

Essentially, the US, the UK and Europe are the ones financing us and probably the Chinese-built standard gauge railway as well. It is also long term pension funds out of these same countries which are underpinning the secondary Africa-wide bull market phenomenon.

I sincerely hope that President Uhuru Kenyatta's Visit to the US-Africa Heads of State Summit will be a catalyst to reset relations, informed by the overarching economic relationship.

Turbulence

The International Monetary Fund expects frontier Africa growth to outpace even frontier Asia by 2016 at six per cent a year and GDP is a condition precedent of #Africarising, now re-framed as #Africawatching.

Dr Mukhisa Kituyi's UNCTAD issued its Economic Development in Africa Report 2014, where it posited that for real trickle-down to be effected, Africa needs to grow at more than seven per cent annually.

With our economy now on a very soft patch and set to undershoot the World Bank's 4.7 per cent forecast in 2014 and 2015, life at ground level is turbulent. I called this a bifurcation between increased liquidity underpinning our asset markets and lending outstanding resilience versus the reality on the ground. We need to be cognisant of this bifurcation.

It's clear that today's Saba Saba rally does present a clear and present danger. If the rally is carried off peacefully, then it will further burnish our democratic credentials. Let's not forget that we held a peaceful election not too long ago. We cannot allow things to spill into the streets or tip today.

Shares go up and down and readers are advised that this column represents Mr Satchu's personal opinions.