

Mergers and Acquisitions

Opportunities and Challenges for Mobile Money Operators (MMOs) in the Recapitalisation Era

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Background- Guidelines on Mobile Money Services in Nigeria (Recapitalisation)

- Currently, there are 21 Mobile Money Operators (MMOs) in Nigeria
 - 6 are Bank-Led
 - 15 are Non-Bank Led
- Present capitalisation base per MMO is N500 million
- Recent update of Regulatory Framework for Mobile Money Services in Nigeria by the CBN
 - Each MMO shall obtain a minimum Shareholders' Fund unimpaired by losses of N2 billion, with effect from June 1, 2016
- Implications of the guidelines:
 - By default the bank led MMOs have complied with the recapitalisation requirement
 - For the Non-Bank led MMOs, they would:
 - individually comply with the requirement
 - merge with other Non-Bank Led MMOs
 - be acquired by other MMOs
 - have their operations suspended or licenses revoked by CBN should they be unable to meet with the requirements

Mergers and Acquisitions (M & A)

- **Merger:**
 - Voluntary amalgamation of two firms on roughly equal terms into one new legal entity

- **Acquisition:**
 - A corporate action in which a company buys most or all of the target company's ownership stakes in order to assume control of the target firm
 - No new company is formed
 - A firm can decide to acquire or be acquired

Gains of Recapitalisation of MMOs

- To turn around weak, poorly governed and inadequately capitalised MMOs to relatively stronger, larger and more visible MMOs
- More robust platforms
- Better agency networks
- Increase customer confidence; leading to improved customer acquisition and retention strategies/implementation
- Efficient monitoring and evaluation
- Acquisition of skilled human resource base (IT, Sales/field force, Customer care)
- Investors would feel safer due to improved corporate governance
- Increase traction of mobile money in Nigeria
- More efficient markets and improved liquidity

Benefits and Business Implications of Mergers

- Take advantage of economies of scale to enhance cost of doing business leading to ***improved cost efficiencies***
- To reduce cost of doing business and enhance competitiveness locally and internationally
- The joint company will be able to ***generate more value*** than the separate firms
- ***Increased market share***
- Improved Industry positioning and know-how
- Increased competitiveness

Considerations for Mergers

- Assess your firm's liquidity and financial health
- Evaluate your competitive position and future growth objectives: Guidance to help you find the most suitable prospective target
- Seek professional advice:
 - Legal
 - Business Consultants (change management)
 - Industry experts
 - IT specialists
- Identify the 'right fit' potential partners:
 - MMO[s] with similar objectives and goals (comprehensive due diligence)
 - Organisational cultural behavior

Considerations for Mergers (*cont'd*)

- Decide on the leadership of the merged organization (MD/DMD/COO)
- Choice of technology
- Agree on the new company's name
 - Brand strength of merging entities or adoption of a new name
- Build a competent implementation/integration team
- Effective communication throughout the process
- Maintain your employees, agents and customers' confidence

Challenges of Mergers and Acquisitions

- Technology
 - Difficult integration processes

- Human Resources/Cultural challenges
 - Leadership
 - Communication
 - Brand perception (customer attrition)
 - Staff competencies
 - Potential lay offs
 - Other indirect considerations

THANK YOU