

## OLANIWUN AJAYI LP



Anuoluwapo Balogun  
Partner

Olaniwun Ajayi LP is one of Nigeria's top full-service law firms with an outstanding reputation of excellence, providing its clients with superior client work and bespoke client service. With over 50 years' experience, Olaniwun Ajayi has worked with governments, organisations and individuals to overcome their commercial and regulatory challenges, making it, the go-to law firm when companies are thinking of embarking on a new and revolutionary idea, product or process, and for complex and sophisticated commercial transactions.

**AVCA speaks to Anuoluwapo Balogun, Partner of Olaniwun Ajayi LP, about the recent efforts of the Nigerian government and regulatory bodies to improve the country's investment environment, and the country's deal trends.**

### **Q: Could you tell us about the history of the firm and what differentiates you from competitors in the private equity (PE) space?**

We were established in 1962 and are one of the oldest and largest commercial law firms in Nigeria. Currently, we have 15 partners and over 80 associates and are proud to say that we have the highest concentration of Oxbridge alumni in the country. The firm has been working in the PE space for over ten years and in 2016, we created a dedicated PE practice. What differentiates us from our peers is that we have lawyers who are not just lawyers, but are business-focused team members with MBAs who assist our clients with commercial and strategy decisions. Beyond that, a lot of clients look to us to help them source deals, as we are on the ground and have not only local industry expertise but also know the companies that are actively seeking funding.

### **Q: What are some of the most significant regulatory and legal trends you have observed in Nigeria and on the continent in recent years? What is the outlook in the medium-term?**

In Nigeria, the overarching trend has been the effort by regulatory bodies and the government to improve the business environment. We see the rise in the country's 'Ease of Doing Business' score as evidence of these efforts. In terms of regulatory initiatives, changes in the FOREX regime and the introduction of an 'Investors and Exporters Window' by the Central Bank of Nigeria in 2017, have instilled confidence among investors who were concerned about forex

### **NAME OF PROFESSIONAL SERVICES FIRM**

Olaniwun Ajayi

### **FIRM TYPE**

Law Firm

### **PROFESSIONALS FOCUSED ON AFRICA**

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liquidity and repatriation issues. Additionally, the introduction of Electronic Certificates of Capital Importation (eCCI) has lightened the paperwork burden for investors, particularly for investors seeking to exit via divestment in offshore vehicles. Moreover, we've seen a lot more scrutiny of foreign investments, particularly with regard to the importation of capital into Nigeria. Specifically, the Central Bank is now closely scrutinising the process for the issuance of Certificates of Capital Importation. Finally, with CBN increasing the minimum capital requirements for microfinance banks, the policy drive for financial inclusion and National Insurance Commission (NAICOM)'s move to raise the solvency capital requirements for insurance companies, we expect that increased PE activities in the financial services, telecoms, fintech and the insurance space.

From a regional perspective, we've seen a clear trend towards greater integration and a lot of our clients are expanding from Nigeria into West Africa and to a lesser extent, into North Africa. The United Nations Economic Commission for Africa (UNECA) is also establishing a uniform framework for the development of infrastructure projects across the

continent. Once the law is domesticated, investors will find it easier to invest in infrastructure projects. The African Continental Free Trade Agreement (AfCTA) is also expected to hugely impact the investment landscape in Africa once it comes into force.

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**Q: What major trends have you observed in terms of fundraising and deals in Nigeria? How do you see this playing out over the next few years?**

Prior to 2010, the majority of fundraising used the traditional GP-LP structure. In recent times, we've observed the trend of GPs wanting to fundraise into Permanent Capital Vehicles (PCVs), and we expect this to continue because PE firms are beginning to understand the Nigerian landscape: as its investment lifecycle is different from other emerging or developed markets. While PE funds generally target exiting in five years, in Nigeria, seven years is more realistic and structuring fundraising through PCVs eases the pressure on GPs to exit. Beyond that, we've also seen a number of holding company structures being used and we expect this to continue throughout 2019.

In terms of deals, we've seen significant activity in the retail healthcare space, fintech, and in the financial services sector, primarily in the non-banking sector. More specifically, we've seen quite a few transactions in insurance and in pension funds and we expect this trend to grow in 2019.

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**Q: How do you see the venture capital (VC) industry in Africa evolving? What expertise does the firm offer in this space and what are some of the most recent transactions that you have advised on?**

Over a decade ago, Nigeria passed a law that incentivised VC activity and there was an expectation that VC would take off. That didn't happen immediately. But in the last two years, VC in Nigeria has been growing exponentially and we now have a large number of prominent VC funds invest in start-ups. These include Kobo360, which raised US\$6mn in a round led by the IFC, whom we advised. Another player with whom we have also worked with is CcHUB, one of Lagos's most exciting incubators, which has invested in a blood bank and an educational technology company and is now seeking to raise US\$10mn.

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**Q: The passing of the Federal Competition and Consumer Protection Bill by the National Assembly in 2017 marks an important milestone. What has been the impact of this on the private equity sector?**

Firstly, the bill has been passed by the National Assembly but has not yet received presidential

approval. It becomes law once it receives presidential assent. Hitherto, competition regulations were embedded in various pieces of legislation. Currently, on M&A transactions, the Securities and Exchanges Commission (SEC) (pursuant to powers conferred on it by the Investment and Securities Act) acts as both the competition and merger regulator but there has been a clamour that SEC's role to be primarily focused on securities regulation and M&A transaction reviews. It is also worth bearing in mind, some sector regulators such as the Nigerian Communications Commission and the Nigerian Electricity Regulatory Commission have powers to review M&A transactions from a competition perspective. As such, there has been a clamour for a new federal competition authority, and that's exactly what the Bill would establish. At the moment, for instance, SEC does not have the authority to look into mergers and acquisitions of companies whose assets or turnover is below NGN500mn. If the bill becomes law, SEC's powers to review M&A transactions will become extinct and the new competition and consumer protection authority will have powers to regulate M&A transactions and there would be significantly more regulatory scrutiny of M&A transactions in general.

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**Q: How has the Nigerian electoral cycle affected the private equity sector?**

A number of PE firms are waiting until after the elections to see the direction and policies of the new government. In the case of a victory by the incumbent, we envisage that there will be minimal disruption to PE activity. However, if the opposition wins, there might be a slowdown in deal flow until there is greater clarity with regard to economic policy. Judging by past elections, this can take anywhere from six to eighteen months. Nonetheless, investors understand that Nigeria is an attractive market, both commercially and from a legal perspective, and many will continue to invest, knowing that the policy environment will have stabilised by the time they are ready to exit.

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**Q: What are investors in Nigeria looking for? What are the key barriers to investment and how can these be overcome?**

Naturally, investors are looking for positive growth margins, but we are increasingly seeing investors who also want a social impact. Interestingly, a growing number of investors are realising that ROI and social impact are not mutually exclusive. Beyond that, investors are looking for companies that they can scale up and that have good prospects for an IPO and this not only generates a return but contributes to the deepening of Nigeria's capital markets. Finally, investors are looking to work with family businesses to ensure governance standards are enhanced to meet international standards.

In terms of barriers, the regional insecurity caused by herdsmen attacks and Boko Haram is greatly impeding investments in the country. While not insurmountable, securing political risk insurance is costly and challenging. Additionally, forex challenges in recent years have constituted a major barrier, though this challenge has largely been resolved. With regard to corruption, there is often a perception that it's present everywhere and at all levels. However, we find that it's possible to insulate deals from corrupt practices by conducting rigorous due diligence and working with business owners and managers who understand the environment and can mitigate against those risks.

Lastly, legislative and regulatory decisions are not necessarily always as clear or as predictable as they can be. These are two areas highly prized by investors where there can be significant improvement.

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**Q: Can you tell us about any successful PE transactions that you have advised on recently?**

We were proud to advise Alta Semper on its recent partnership with Nigeria's leading retail pharmacy chain HealthPlus, which is a first because Nigerian law usually requires that pharmacies are owned by pharmacists. We've also recently advised TA Associates on their minority investment in Interswitch, a payments services provider. We've advised on Atlas Mara's investment in Union Bank, both on the capital raise and investment fronts, as well as advised Saham Finances on its acquisition of equity stakes in several insurance companies in Nigeria.

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**Q: What are the prospects for private equity in Nigeria and across Africa more generally?**

Africa is the place to be and Nigeria in particular is the country to invest in! Overall, we're very bullish about the continent's prospects: there's a whole range of sectors that PE firms can invest in and generate attractive returns while having a positive social impact.

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**Q: How does AVCA membership support you in achieving your internal objectives?**

First and foremost, we see value in AVCA's invaluable networking opportunities, which allow us to meet GPs and other key stakeholders from the PE ecosystem. Secondly, we've been using AVCA's market insight and reports to give us a flavour of what's happening in Nigeria and further afield. With this data, we can better position ourselves and respond to the evolving needs of the market.

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