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Co-head of Syndication and Distribution at Nedbank CIB

NEDBANK CIB

Balancing structure, liquidity and pricing for sustainable growth.

'Africa's syndication markets are navigating a period of change, driven by global conditions and local market demands. With liquidity and competition intensifying, the landscape offers opportunities and hurdles for borrowers and lenders alike,' writes Josh Klipin, Co-head of Syndication and Distribution at Nedbank Corporate and Investment Banking (CIB).

In a year marked by global macroeconomic and geopolitical uncertainty, South Africa's loan capital (and bond) markets stood out as a beacon of resilience, driven by a surge in refinancing activity and strong investor appetite. Borrowers used these conditions to secure competitive pricing, which created a borrower-friendly environment with accessible capital and favourable terms. Pricing contraction and abundant liquidity allowed for flexible capital-raising strategies and often borrowers reduced the size of their lender group, consisting of relationship lenders only. A smaller and more relationship-based lender group enabled borrowers to expedite decision-making processes when buying or selling assets, requesting waivers, or amending the terms of their finance agreements.

Quite unique to the South Africa market, borrowers were often able to negotiate quite restrictive transfer provisions for illiquid assets, including a reduced permitted transfer list, higher minimum transfer amounts, and restrictions on the maximum number of lenders to whom original lenders can distribute.

Since 2021/2022, the loan market has faced a persistent imbalance between demand and supply. Quality assets became very scarce. Banks continued to look to grow their balance sheets and institutional investors needed to deploy cash to meet their investors return hurdles, which resulted in price contraction across the market, in general. Very similar themes have played out in the bond markets, with existing issuers benefitting from these conditions and new issuers coming to market, taking advantage of the liquidity and diversifying their pools of capital markets funding.

While the market has been driven largely by refinancing activity, the revival of some merger and acquisition (M&A) activity signals a renewed focus on growth opportunities. Transactions such as Vodacom's proposed acquisition of a significant stake in Maziv, and Sun International's proposed acquisition of the Peermont Group reflect this appetite for growth and expansion, even as regulatory approvals remain conditions for transaction implementation.

Notwithstanding an uncertain – and increasingly volatile – macroeconomic and geopolitical landscape, there is renewed optimism following the South African general election in May 2024. Credit rating agencies Moody's and Fitch retained South Africa's credit rating and stable outlook, while S&P upgraded the outlook to positive, from stable, citing the potential for reforms to lift economic growth, with added impetus from the government of national unity. Key risks do remain from a macro perspective, these being, among other things, realignment of geopolitics, trade policy uncertainty and tariff wars, inflation, potential higher rates (for longer), and climate change.

In 2024, CIB had multiple client successes, including sole funder to City of Cape Town for its ZAR3.5 billion funding requirements, highlighting Nedbank's continued commitment to supporting economic growth in South Africa through funding public sector and infrastructure development. This deal was recognised by Global Banking & Markets: Africa as the 2024 local currency deal of the year. Nedbank was awarded the ESG Loan Deal of the Year for its USD114 million (equivalent) sustainability tier 2 note issuance.

Corporate South Africa's balance sheets are generally strong, with leverage metrics being at acceptable levels. And with the increased business and consumer confidence, we are seeing borrowers looking for growth opportunities. Nedbank continues to support its key clients with its balance sheet and, where certainty of funds is required, underwriting its clients' funding requirements.

In this environment, meeting borrower expectations and maintaining lending requirements demand creative strategies and specialised expertise.

As the Global Banking & Markets: Africa Bonds, Loans & ESG 2025 Conference approaches, the need for alignment between growth strategies and evolving market realities becomes more apparent. Borrowers will likely continue to focus on refinancing while selectively pursuing growth-related transactions, generally supported by favourable terms from relationship banks. For lenders, the opportunity lies in innovating and leveraging expertise to meet the demand for sustainable and practical capital solutions.

Africa's resilience and untapped growth potential continue to make it a compelling destination for investment. By embracing the complexities of market dynamics, stakeholders can unlock opportunities that lead to progress across the continent. The future demands collaboration, strategic foresight, and adaptability. These are qualities that institutions like Nedbank are well positioned to deliver.