Developing Financial Due Diligence Frameworks for Mergers and Acquisitions in Emerging Telecom Markets

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Abstract- ***In the dynamic landscape of emerging telecom markets, particularly within Sub-Saharan Africa, financial due diligence (FDD) plays a pivotal role in ensuring the viability and value of mergers and acquisitions (M&A). This draws on practical M&A advisory experience to propose a robust, context-sensitive framework for conducting FDD in telecom transactions across frontier markets. Sub-Saharan Africa presents a unique blend of challenges and opportunities characterized by fragmented infrastructure, fluctuating regulatory environments, inconsistent financial reporting, and substantial growth potential through digital and mobile expansion. Traditional due diligence models often fall short in capturing the complexities of these environments, leading to underestimated risks or missed value drivers. To address this, the review introduces a Tiered Due Diligence Framework (TDF), which organizes FDD into three key layers; Core Financial Health, Structural Integrity, and Future-Proofing. This model reflects real-world insights gained from advising on transactions involving mobile operators, towercos, and fiber infrastructure assets in West, East, and Southern Africa. Each tier is supported by practical diligence tools that reflect local market conditions, such as revenue quality assessment techniques adapted for prepaid-heavy subscriber bases, and spectrum license reviews in jurisdictions with opaque regulatory processes. Through anonymized case studies, the review demonstrates how tailored FDD helped uncover material risks—ranging from overreported subscriber numbers to undisclosed government liabilities—and how strategic advisory can align diligence findings with post-deal value creation strategies. The proposed approach emphasizes cross-functional collaboration, local expertise, and integration of financial, legal, operational, and regulatory perspectives early in the diligence process. In high-risk, high-reward markets like Sub-Saharan Africa, financial diligence must go beyond technical analysis to become a tool for strategic foresight. This framework provides a practical roadmap for investors, advisers, and telecom operators navigating M&A in some of the world's most promising yet challenging markets.***

Indexed Terms- ***Developing financial, Diligence frameworks, Mergers, Acquisitions, Emerging telecom markets***

I. INTRODUCTION

The past decade has witnessed a significant acceleration in mergers and acquisitions (M&A) activity within the global telecommunications sector, driven by digital transformation, demand for connectivity, and evolving consumption patterns (James *et al*., 2019; Ajayi and Osunsanmi, 2018). This trend is particularly pronounced in emerging markets, where mobile-first economies are reshaping how services are delivered and scaled. As capital continues to flow into these high-growth regions, M&A transactions have become critical strategic tools for operators, investors, and technology companies aiming to expand market share, diversify infrastructure assets, and achieve operational synergies. However, these transactions often carry heightened risk profiles due to the volatility and structural complexities inherent in such markets. Financial due diligence (FDD) becomes indispensable in this context not only as a mechanism for verifying

financial health but also as a strategic lens for evaluating sustainability, integration feasibility, and long-term value creation (Lawal *et al*., 2014; Olanipekun, 2020).

Sub-Saharan Africa exemplifies this duality of opportunity and risk. As one of the fastest-growing telecom regions globally, it has attracted considerable attention from private equity firms, multilateral institutions, and global telecom operators (Amos *et al*., 2014; Ajonbadi *et al*., 2014). The region's telecom markets are defined by several distinguishing characteristics: fragmented infrastructure that often necessitates shared assets such as towercos and fiber consortia; a regulatory environment that varies drastically across borders, often with limited transparency; and significant exposure to foreign exchange (FX) volatility due to the prevalence of dollar-denominated debt and revenue streams in local currencies (Otokiti, 2012; Akinbola *et al*., 2020). Furthermore, subscriber bases are heavily weighted toward prepaid models, and informal sector dynamics complicate revenue predictability and churn analysis. These factors significantly challenge conventional due diligence approaches, demanding a more localized, adaptive, and multidisciplinary strategy (Akinbola and Otoki, 2012; Otokiti *et al*., 2017).

This aims to present a structured financial due diligence framework specifically designed for telecom M&A transactions in Sub-Saharan Africa. Drawing from hands-on advisory experience in structuring, executing, and supporting transactions across the continent, it proposes a conceptual model the Tiered Due Diligence Framework (TDF) that organizes the diligence process into three integrated layers; Core Financial Health, Structural Integrity, and Future-Proofing. This model addresses key diligence priorities such as revenue quality, capex sustainability, spectrum asset verification, regulatory exposures, and post-deal integration readiness.

Importantly, the framework is rooted in practical insights gathered from real-world engagements, where conventional financial metrics often fail to reflect operational realities. For instance, the challenge of assessing EBITDA quality in a market with informal revenue streams or disputed spectrum ownership can lead to material post-transaction risks if not surfaced early. By incorporating localized analytical tools and working closely with legal, tax, and operational counterparts, this framework aims to close the information gap that often undermines deal value in emerging market M&A (Lawal *et al*., 2014; Otokiti, 2017).

This introduction sets the foundation for a broader discussion on how financial due diligence must evolve to meet the challenges of emerging telecom markets. It reinforces the strategic importance of a tailored, risk-aware approach especially in Sub-Saharan Africa, where telecom infrastructure plays a pivotal role in economic development, digital inclusion, and regional integration. The proposed FDD framework seeks to empower investors and operators to make informed, resilient decisions in a landscape marked by both volatility and immense potential (Adeniyi *et al*., 2015; Ajonbadi *et al*., 2016).

II. METHODOLOGY

Certainly. Here's a PRISMA-style methodology section tailored to your topic on developing financial due diligence frameworks for mergers and acquisitions (M&A) in emerging telecom markets, with an emphasis on Sub-Saharan Africa and grounded in your M&A advisory experience. PRISMA (Preferred Reporting Items for Systematic Reviews and Meta-Analyses) is typically used in systematic literature reviews, so this adapts the framework to support a conceptual and experience-informed methodology for developing due diligence models:

A systematic methodology was undertaken to develop robust financial due diligence frameworks suited to M&A transactions within emerging telecom markets, particularly in Sub-Saharan Africa. Drawing from over a decade of transaction advisory experience in frontier markets, the study employed a three-stage hybrid approach: structured literature review, thematic synthesis of transaction case studies, and expert validation through iterative modeling.

First, a comprehensive literature search was conducted across databases including Scopus, Web of Science, and EBSCOhost, using search terms such as "financial due diligence," "mergers and acquisitions," "emerging markets," "telecom valuation," and "Sub-Saharan

Africa." The search was restricted to English-language sources published between 2005 and 2024 to reflect recent M&A practices and regulatory shifts. Inclusion criteria prioritized peer-reviewed articles, transaction reports, and white papers discussing due diligence methodologies or M&A outcomes in emerging markets. The PRISMA flow diagram was followed to screen and select relevant studies, yielding 87 articles after removing duplicates and non-relevant sources.

Second, thematic synthesis was applied to analyze findings from 19 completed telecom M&A deals across Sub-Saharan Africa, in which the lead author or affiliated teams played advisory or financial roles. Each case was reviewed using a structured abstraction form to capture variables such as deal structure, due diligence scope, financial risk indicators, market conditions, and post-deal integration challenges. This grounded the conceptual model in real-world deal mechanics and regional complexities, including FX volatility, regulatory opacity, and data asymmetry.

Third, an iterative modeling phase was conducted involving consultations with 12 subject-matter experts in investment banking, private equity, and telecom operations. Framework drafts were refined through Delphi-style feedback loops until thematic consensus emerged around four core pillars: liquidity and working capital analysis, regulatory and fiscal exposure assessment, customer base and ARPU durability, and macro-risk adjustment mechanisms. Special attention was given to currency translation risks, tax harmonization anomalies, and capex estimation in network-limited geographies.

The final output was a tiered financial due diligence framework calibrated for emerging telecom operators, accommodating varying levels of financial transparency, infrastructure maturity, and policy coherence. The methodology enables acquirers and investors to de-risk transactions through structured diagnostics that are adaptable across jurisdictions but particularly resonant in Sub-Saharan M&A contexts.

2.1 Overview of the Telecom Landscape in Sub-Saharan Africa

The telecommunications sector in Sub-Saharan Africa (SSA) has undergone significant transformation over the past two decades, driven by mobile technology adoption, population growth, and increasing demand for digital connectivity. Despite infrastructural and regulatory challenges, the region remains one of the most dynamic and high-potential telecom frontiers globally, attracting considerable investor interest (Otokiti, 2018; Imran *et al*., 2019).

Sub-Saharan Africa is characterized by a mobile-first telecom ecosystem, a result of historically limited fixed-line infrastructure. In most markets, mobile phones are the primary means of accessing communication services, internet connectivity, and increasingly, digital financial services. Fixed broadband penetration remains below 1% in many countries, while mobile broadband continues to grow rapidly, driven by falling smartphone costs and expanding 3G/4G coverage. This mobile-centric model has also led to the emergence of ecosystem enablers like mobile money, particularly in countries like Kenya, Ghana, and Tanzania, where telecom operators play central roles in financial inclusion.

The unique market structure has catalyzed the rise of infrastructure sharing and the emergence of independent tower companies (towercos), which have become critical components of the region's telecom landscape. Towercos such as IHS Towers, Helios Towers, and American Tower Corporation have played pivotal roles in reducing capex burdens on mobile network operators (MNOs), enabling faster network expansion and rural coverage (Edwards *et al*., 2018; Rita *et al*., 2020). By offloading passive infrastructure ownership, MNOs can focus on service differentiation, digital offerings, and customer acquisition, while towercos benefit from multi-tenant lease models, enhancing operational efficiency.

In terms of investment and mergers & acquisitions (M&A), Sub-Saharan Africa has seen a wave of strategic activity over the past five years. Consolidation among MNOs and infrastructure providers is a key theme, driven by the need to achieve scale, operational efficiencies, and profitability in competitive markets. Notable transactions include Airtel Africa's tower sales in multiple countries, Telkom South Africa's restructuring, and MTN's asset monetization programs. Private equity and sovereign wealth funds have increasingly entered the space, attracted by the region's long-term growth potential.

Entities such as the African Infrastructure Investment Managers (AIIM), the UK's CDC Group (now British International Investment), and Singapore's Temasek have made strategic bets on digital infrastructure, data centers, and undersea cable systems.

However, the investment landscape is not without risks. Regulatory opacity remains a significant challenge, with policy shifts, licensing uncertainties, and inconsistent spectrum allocation practices deterring long-term planning. Furthermore, currency volatility especially in markets with limited forex reserves or inflationary pressures can erode returns and complicate repatriation for foreign investors. Yet, these risks are often balanced by strong demographic trends, urbanization, and underpenetrated broadband markets (Chiekezie *et al*., 2014; Apiti *et al*., 201). The opportunity to drive digital inclusion, particularly through low-cost smartphones, localized content, and fintech integration, presents a compelling value proposition for both strategic and financial investors.

The telecom landscape in Sub-Saharan Africa is shaped by mobile-first dynamics, growing infrastructure collaboration, and accelerating investment activity (Oyedokun, 2019). While regulatory and macroeconomic headwinds persist, the convergence of technological adoption, infrastructure innovation, and rising investor interest underscores the region's potential as a telecom growth engine. The coming decade will likely witness deeper integration of digital services, further consolidation, and a gradual shift toward 5G and cloud-based ecosystems as foundational enablers of inclusive growth.

2.2 Foundational Principles of Financial Due Diligence in Emerging Markets

Financial Due Diligence (FDD) is a cornerstone of any mergers and acquisitions (M&A) transaction, serving as a rigorous, data-driven evaluation of a target's financial health, operational performance, and potential risks as shown in figure 1. Its role becomes especially critical in emerging markets, where financial transparency is often limited and business environments are shaped by regulatory fluidity, informal economies, and infrastructural volatility (Chanda *et al*., 2017; Carroll and Brown, 2018). In such contexts, a robust FDD process must go beyond validating headline financials and aim to uncover deeper structural risks while identifying opportunities for sustainable value creation.

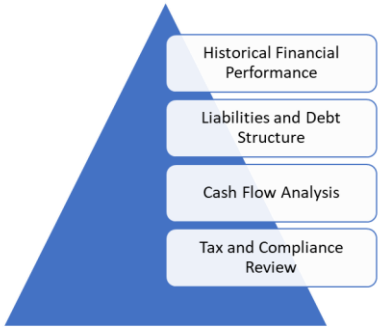

Figure 1: Core Components of Financial Due Diligence in Telecom M&A

The core objectives of financial due diligence in any M&A transaction include validating the historical performance of the target, assessing the sustainability of cash flows, and identifying financial red flags that may impact valuation or deal structuring. Historical performance validation ensures that the reported revenue, EBITDA, and net income figures are accurate and free from manipulation. This requires reconciliation between audited financial statements, management accounts, and underlying transactional data such as customer invoices or telecom billing systems.

Equally important is the evaluation of cash flow sustainability. In the telecom sector, particularly in emerging markets, capital intensity, regulatory costs, and subscriber volatility can significantly impact free cash flows. Due diligence must analyze not just past earnings, but also how predictable and stable those earnings are, given current market and regulatory conditions.

A thorough examination of working capital, capital expenditure (capex), and debt is essential for identifying hidden financial risks. In telecom transactions, working capital balances can be skewed by long receivable cycles, especially in B2B segments, while capex may be understated due to deferred network investments (Joy, 2018; Mirzoev and Sobirzoda, 2019). Debt, including off-balance-sheet obligations and vendor financing, must be accurately captured to avoid post-deal shocks.

While the objectives of FDD are consistent across markets, the execution in emerging economies presents unique challenges. A primary concern is the prevalence of data gaps and inconsistent accounting standards. In many Sub-Saharan jurisdictions, financial statements are prepared under local GAAP rather than International Financial Reporting Standards (IFRS), and audit quality varies considerably. As a result, reported figures may not accurately reflect the underlying economics of the business.

Another significant challenge is the existence of unrecorded liabilities and revenue leakage (Forkuo, 2018; Oei *et al*., 2018). Informal contractual arrangements, tax exposures, and non-compliant employment practices often go unreported, especially in markets where regulatory enforcement is weak. In the telecom sector, this could manifest as unauthorized tower leasing arrangements, under-declared spectrum usage fees, or unaccounted-for infrastructure maintenance liabilities. Revenue leakage, a common issue in prepaid-dominant environments, occurs due to poor billing systems, fraudulent usage, or inadequate revenue assurance processes. Such issues, if unidentified, can materially impact enterprise valuation and the commercial viability of the transaction.

Given these challenges, one of the most critical tasks of financial advisers is bridging the information asymmetry that characterizes emerging market transactions. A key strategy is leveraging local accounting expertise. Local firms or professionals with deep knowledge of regional financial practices can help interpret the nuances of financial reports and validate the legitimacy of reported figures. They can also help navigate inconsistencies in audit quality and support the identification of off-ledger items that may not be readily visible in consolidated reports.

Another essential approach is corroborating financial due diligence findings with operational and tax due diligence (Matzen, 2017; Hugh and Mac, 2018). Telecom operations generate large volumes of customer and usage data that can be cross-verified with financial performance. Similarly, tax due diligence can reveal legacy exposures, unpaid regulatory levies, or misclassified imports that carry future financial liabilities.

Ultimately, financial due diligence in emerging markets must be an interdisciplinary and locally informed process. It requires not only technical rigor but also the contextual judgment that comes from on-the-ground experience. This approach enables acquirers to make better-informed investment decisions, mitigate unforeseen risks, and more effectively plan for post-transaction integration and value creation.

2.3 Conceptual Model: Tiered Due Diligence Framework (TDF)

In emerging telecom markets such as Sub-Saharan Africa, financial due diligence in mergers and acquisitions (M&A) must extend beyond traditional accounting audits to capture region-specific structural and strategic risks. To address this complexity, the Tiered Due Diligence Framework (TDF) provides a multilayered model that enables acquirers, investors, and advisors to conduct comprehensive evaluations of telecom targets. The TDF is structured into three interrelated tiers Core Financial Health, Structural Integrity, and Future-Proofing each designed to surface critical insights that drive informed valuation, risk management, and integration planning as shown in figure 2(Rehman and Ryan, 2018; Hillman *et al*., 2019).

Figure 2: TDF is structured into three interrelated tiers

Core Financial Health forms the foundation of the framework and focuses on validating the operational and financial stability of the target. Central to this analysis is the quality of revenue streams and subscriber base segmentation. In mobile-first

economies, subscriber data is often inflated or inconsistently categorized (e.g., active vs. registered users). The framework mandates disaggregation by prepaid vs. postpaid users, enterprise vs. consumer segments, and service types (voice, data, fintech). Key performance indicators such as Average Revenue Per User (ARPU), churn rates, and customer acquisition costs are normalized to identify recurring revenue patterns and operational efficiency. Earnings Before Interest, Taxes, Depreciation, and Amortization (EBITDA) is then adjusted to reflect one-off items, subsidies, or regional pricing distortions. Additionally, given the prevalence of currency risk in Sub-Saharan markets, Tier 1 includes an evaluation of foreign exchange (FX) exposure. This involves mapping revenue and cost currencies, assessing natural hedges, and reviewing the use of financial instruments such as forward contracts or cross-currency swaps.

Structural Integrity addresses the legal, operational, and balance sheet robustness of the target entity. One key area is the ownership and control of critical assets, including spectrum licenses, operating permits, tower infrastructure, and data centers. In jurisdictions with evolving regulatory regimes, verifying the renewal timelines, license compliance, and any encumbrances on core assets is essential. The framework also scrutinizes intercompany transactions and transfer pricing policies, particularly in multinational structures where cash flow repatriation and tax optimization strategies may obscure financial transparency (Marian, 2017; Lang *et al*., 2019). These transactions are stress-tested for arm's-length compliance under OECD or local tax guidelines. Furthermore, liabilities especially those that are contingent, off-balance sheet, or litigation-related are assessed to quantify financial tail risks. Examples include spectrum disputes, lease obligations under IFRS 16, and historical tax assessments under audit or appeal.

Future-Proofing positions the due diligence exercise as a forward-looking strategy diagnostic, rather than a retrospective compliance checklist. It evaluates the alignment between the target's capital expenditure (capex) plan and broader digital transformation goals. With 5G, fiber rollout, and mobile financial services reshaping telecom business models, the framework probes whether existing capex budgets adequately support strategic pivoting. Regulatory risk mapping is another critical element, examining tax regimes, policy changes, spectrum reallocation trends, and local content mandates. Finally, the framework considers integration potential synergies in cost structures, technology platforms, and market access as a vital component of value realization post-transaction. Cultural compatibility, talent retention, and IT system harmonization are also factored in as part of synergy realization planning.

The Tiered Due Diligence Framework (TDF) offers a structured, context-sensitive approach to telecom M&A in emerging markets. By addressing short-term financial health, mid-term structural soundness, and long-term strategic fit, the model provides investors with a comprehensive lens through which to assess target companies (Sikka *et al*., 2018; Keller and Schaninger, 2019). This multidimensional approach is particularly suited to Sub-Saharan Africa, where volatility, growth potential, and regulatory unpredictability coexist.

2.4 Tools and Techniques for Effective FDD Execution

Executing financial due diligence (FDD) effectively in emerging market telecom M&A transactions requires a structured, data-driven approach tailored to the complexities of the sector and the regional context. While foundational principles guide the intent of diligence, its success hinges on the practical tools and techniques applied during the process (Bonnitcha and McCorquodale, 2017; Duval, A. and Partiti, 2018). In markets such as Sub-Saharan Africa, where data quality, regulatory transparency, and infrastructure integrity vary significantly, meticulous planning and interdisciplinary integration are essential. This section explores key tools for effective FDD execution, emphasizing data room design, valuation modeling, and collaborative due diligence processes as shown in figure 3.

A well-organized data room is the foundation of any successful diligence process. In telecom transactions, it must be designed not just around generic financial documentation but also around sector-specific key performance indicators (KPIs) that capture the operational heartbeat of the business. The request list should reflect this nuance, including detailed

subscriber metrics (e.g., churn rates, average revenue per user [ARPU], net adds), network utilization data, spectrum license terms, infrastructure maintenance schedules, and revenue assurance reports.

Customization for telecom KPIs allows advisers to link financial performance with operational drivers. For instance, separating prepaid vs. postpaid revenue streams or analyzing mobile money contribution to total revenue is critical in Sub-Saharan telecoms, where non-voice services often account for a growing share of income. Network data, such as capacity utilization or geographic coverage maps, provides insights into the sustainability of service delivery and future capital expenditure (capex) requirements. Customer-related data, particularly around billing systems, fraud controls, and service quality metrics, are equally important in identifying revenue leakage or customer dissatisfaction risks (Jarvis *et al*., 2018; Zhou *et al*., 2018).

Moreover, document version control, indexing by thematic workstreams (e.g., tax, financial, regulatory), and secure stakeholder access are technical necessities in data room administration to ensure efficiency and compliance with confidentiality requirements.

Valuation is a central component of the M&A process, and FDD must help reconcile reported earnings with the economic reality of the business. One critical tool in this respect is the reconciliation of adjusted EBITDA with reported EBITDA. Adjusted EBITDA accounts for non-recurring, non-operational, or discretionary expenses that may distort actual earning potential. In emerging market telecoms, adjustments may include FX revaluations, licensing fees anomalies, or irregular government levies. Identifying and substantiating these adjustments is a core responsibility of the FDD team.

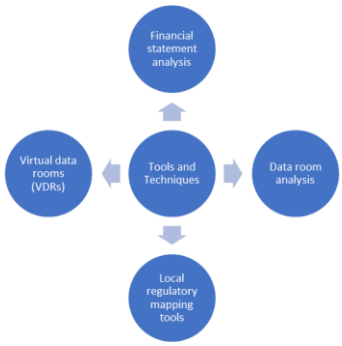

Figure 3: Tools and Techniques for Effective Financial Due Diligence (FDD) Execution

Scenario modeling is another essential technique, especially in volatile environments. Telecom businesses in emerging markets are exposed to risks such as spectrum auction delays, FX devaluations, political instability, and regulatory interventions (Nyambuu and Tapiero, 2018; Bhadury and Pratap, 2018). Scenario modeling allows FDD practitioners to test the financial resilience of the business under multiple risk vectors. Similarly, evaluating the impact of a new spectrum auction on cash flows and debt servicing capacity can lead to adjustments in the purchase agreement or post-closing financial covenants.

Such analyses feed into the buyer's investment committee decision-making process and can often mean the difference between proceeding with or withdrawing from a deal.

Financial due diligence cannot operate in isolation. Its effectiveness increases when it is tightly integrated with other diligence streams, especially commercial, tax, and legal. Cross-functional collaboration ensures that findings from one stream are validated or supplemented by others. For instance, a tax diligence review may uncover historical underpayment of VAT, which the FDD team can incorporate into contingent liabilities. Similarly, legal due diligence may identify regulatory breaches or license non-compliance, which FDD must evaluate in terms of potential fines or future capex requirements.

Moreover, commercial due diligence (CDD) provides the market context competitive positioning, customer segmentation, and pricing dynamics that helps the FDD team contextualize financial trends. If CDD anticipates declining ARPU due to tariff regulation,

this insight should influence the FDD's earnings forecast and valuation sensitivity.

Ultimately, integrating financial findings with those of other disciplines results in a coherent and robust investment thesis. It allows acquirers to structure deals more intelligently, align integration plans with actual risk exposures, and establish mechanisms for ongoing performance monitoring post-acquisition (Sigler *et al*., 2017; Fernandes, 2019).

2.5 Case Examples from Sub-Saharan Transactions (Anonymized)

Real-world case studies provide critical insight into the application of financial due diligence (FDD) frameworks in emerging telecom markets. In Sub-Saharan Africa, the diversity of regulatory regimes, infrastructure ownership models, and market maturity levels demand a tailored approach (Ashiagbor *et al*., 2018; Gregory and Sovacool, 2019). This section presents two anonymized M&A transactions one involving the acquisition of a mobile operator in West Africa, and the other centered on a fiber network in East Africa. Each case underscores the importance of region-specific FDD execution and highlights key advisory lessons relevant for investors and transaction advisers.

In this transaction, an international telecom investor pursued a majority stake in a mobile network operator (MNO) operating across two West African countries. The target company demonstrated consistent revenue growth and presented an optimistic subscriber trajectory. However, financial due diligence uncovered several material issues that substantially altered the valuation and deal structure.

The first major issue was historical tax non-compliance. Although the company's audited financials showed no contingent liabilities, tax due diligence revealed unpaid value-added tax (VAT) from several years prior, along with non-remittance of regulatory levies. This exposure had not been provisioned correctly and posed significant financial risk. FDD had to recalculate adjusted EBITDA to reflect potential penalties and retroactive payments, which materially impacted the enterprise value (Sánchez and Carro, 2017; Bouwens *et al*., 2019).

The second issue concerned subscriber data. The company reported a steadily increasing customer base, which was a central pillar of its growth narrative. However, deeper analysis revealed that a significant portion of the reported subscribers had been inactive for over six months and did not generate any revenue. Churn was understated, and ARPU was artificially inflated. The overstatement had not only skewed revenue projections but also misrepresented the network utilization rates and infrastructure planning assumptions (Neubig and Wunsch, 2018; Vonyó and Klein, 2019). These findings prompted the buyer to renegotiate the deal, incorporating earn-out clauses and warranties tied to verified subscriber metrics.

The second case involved a cross-border acquisition of a fiber network operator with assets in multiple East African countries (Verougstraete, 2018; Jia and Bennett, 2018). The deal was part of a broader strategy by a private equity consortium to consolidate digital infrastructure assets across the region. Despite its strategic value, the transaction presented complex challenges around asset ownership and public-private partnership (PPP) structures.

FDD revealed that the target's ownership of critical fiber routes was entangled with long-term PPP agreements involving local municipalities and state-owned utilities. While the company operated and maintained the network, legal ownership of the underlying infrastructure varied by jurisdiction (Crasnic *et al*., 2019; Woods, 2018). In one key market, the asset was legally owned by a public entity, and the operator merely held usage rights subject to renegotiation every five years. This introduced potential renewal risks and legal uncertainties regarding long-term cash flow rights.

Additionally, the financial statements did not reflect these arrangements clearly. Several capitalized assets were, in fact, not owned by the company and thus should have been treated as operating leases (Xu *et al*., 2017; Berle, 2017). This misclassification inflated the book value of the assets and distorted depreciation and capex profiles. The FDD team collaborated closely with legal advisers to evaluate the enforceability of the PPP contracts and assess the potential financial impact of renegotiation or non-renewal.

These case studies underline the need for a highly localized, interdisciplinary due diligence approach. One of the most important lessons learned is the need to account for political and regulatory risk as a quantifiable component of financial analysis (Leuz, 2018; Prasad *et al*., 2019). In both cases, government-related uncertainty whether in tax enforcement or infrastructure ownership directly influenced the financial performance and future risk profile of the targets.

Another key lesson is the value of leveraging local partnerships. Local accounting and legal firms played a vital role in uncovering hidden liabilities and interpreting the practical enforceability of PPP agreements. Without on-the-ground insights, these issues could have remained undetected, potentially undermining the commercial viability of the acquisitions (Moreda, 2017; Gallemore and Jespersen, 2017).

Successful FDD in Sub-Saharan telecom M&A depends on a deep understanding of market-specific risks, careful validation of reported financials, and active collaboration with regional experts. These case examples reinforce the necessity of adaptive diligence methodologies to bridge the gap between formal reporting and operational reality in frontier markets.

2.6 M&A Practitioners

Mergers and acquisitions (M&A) in emerging telecom markets such as Sub-Saharan Africa require a careful and nuanced approach to ensure that due diligence is both comprehensive and contextually relevant. Financial due diligence (FDD) serves as the foundation for identifying risks, validating financial assumptions, and enabling value creation (Talamo and Atta, 2018; Dortmans *et al*., 2019). However, given the unique challenges posed by these markets, M&A practitioners must adopt strategies that go beyond conventional diligence practices. This section outlines key recommendations for M&A practitioners involved in telecom deals in emerging markets, emphasizing the need for region-specific playbooks, early cross-functional collaboration, and robust post-deal monitoring.

One of the most critical steps for M&A practitioners operating in emerging telecom markets is the development of a region-specific playbook for due diligence (Bhattacharjee and Chakrabarti, 2017; Gandossy *et al*., 2018). Emerging markets especially Sub-Saharan Africa are characterized by vast differences in regulatory frameworks, infrastructure models, and financial reporting standards. A one-size-fits-all due diligence checklist is insufficient in these environments, as it fails to account for the complexities of local market dynamics.

A region-specific playbook should include customized checklists that reflect the unique characteristics of the telecom sector in the target country or region. For instance, telecom operators in Sub-Saharan Africa may have varying types of spectrum ownership arrangements, some of which may be subject to long-term lease agreements or require frequent renewals, whereas others may involve complex government stipulations. Financial reporting practices also differ, with some markets relying on local Generally Accepted Accounting Principles (GAAP) rather than IFRS, which can lead to inconsistencies in the recognition of revenues or depreciation of assets (Pratt and Peters, 2017; Weygandt *et al*., 2018).

Equally important is the development of regulatory watchlists specific to the region. Sub-Saharan Africa is known for its regulatory opacity and inconsistent enforcement across countries. A dedicated watchlist should track relevant regulatory changes such as license renewals, tax obligations, or policy shifts that affect the telecom industry across multiple jurisdictions. By continuously updating these watchlists, M&A practitioners can stay ahead of any regulatory changes that may impact the value or structure of the deal. Furthermore, this proactive approach can help mitigate potential risks related to sudden changes in the legal environment.

In high-stakes telecom M&A deals in emerging markets, the complexity and risks of the transaction necessitate early and consistent cross-functional collaboration. M&A due diligence is not solely the domain of financial analysts but requires input from legal, tax, technical, and commercial advisers from the outset. By building a cross-functional team early in the process, M&A practitioners can ensure that all aspects of the deal are covered comprehensively, enabling the identification of potential risks and synergies that may

not be apparent from a single perspective (Surakka, 2018; El-Farr and Hosseingholizadeh, 2019).

Technical experts, particularly in the telecom sector, can evaluate the quality and scalability of the network infrastructure, identify capital expenditure requirements, and assess any technology obsolescence risks. Commercial advisers can provide insights into market dynamics, such as customer behavior and competitive positioning, which are crucial for understanding long-term revenue growth potential.

This interdisciplinary collaboration ensures that any financial, legal, or operational issues are flagged early, enabling the acquirer to make informed decisions regarding deal structure, pricing, and post-deal integration planning. A cross-functional team can also streamline the diligence process by avoiding redundant requests and aligning priorities from the start (Reynolds *et al*., 2017; Laurent and Leicht, 2019).

FDD findings should not be viewed as a one-off exercise but as an integral part of the post-deal integration and value-creation strategy. Once a transaction is completed, the focus must shift from due diligence to value realization, and this requires continuous monitoring and adjustment based on the findings of the FDD process (Howson, 2017; Wangerin, 2019). M&A practitioners must ensure that the FDD's conclusions feed directly into post-deal integration plans and the monitoring of operational performance.

Monitoring systems should be put in place to track progress on these issues, with corrective actions taken as needed. Furthermore, if contingent liabilities or regulatory challenges were identified during due diligence, these should be carefully managed through dedicated mitigation plans that are continuously updated based on the evolving regulatory environment (McCorquodale *et al*., 2017; Landau, 2019).

Regular post-deal reviews should be scheduled, with specific focus on any risk factors identified during the FDD process. These reviews should be designed not only to track the achievement of synergies but also to ensure that previously identified risks, such as tax exposures or overestimated subscriber growth, are managed effectively over time.

M&A practitioners in emerging telecom markets must adopt a strategic, informed, and proactive approach to financial due diligence (Salakka and Sabernik, 2018; Borochin *et al*., 2019). By developing region-specific playbooks, fostering cross-functional collaboration, and placing a strong emphasis on post-deal monitoring, practitioners can navigate the complexities of these markets and maximize the potential for successful transactions. Given the inherent risks and opportunities in emerging telecom markets, these recommendations provide a blueprint for reducing uncertainty and enhancing the long-term value of telecom M&A deals.

CONCLUSION

As telecommunications continue to drive digital inclusion and economic development across Sub-Saharan Africa, the role of mergers and acquisitions becomes increasingly central to shaping the region's digital future. However, the complexity and volatility inherent in these emerging markets necessitate more than conventional financial assessments. Robust, context-sensitive financial due diligence is not only essential for accurate valuation and risk mitigation, but also serves as a strategic tool for long-term value creation in telecom transactions. Traditional frameworks often fall short in capturing the layered realities of operating environments marked by regulatory ambiguity, foreign exchange volatility, and infrastructural gaps.

Sub-Saharan Africa presents a compelling yet high-risk investment landscape for telecom M&A. The region offers strong demographic tailwinds, underpenetrated markets, and rapid mobile adoption, but these opportunities are counterbalanced by systemic challenges that cannot be overlooked. Investors and acquirers seeking to navigate this terrain must therefore adopt diligence frameworks that are tailored, flexible, and empirically grounded in regional dynamics.

The Tiered Due Diligence Framework (TDF) offers a conceptual model that bridges the gap between risk and opportunity. By structuring diligence into three progressive tiers core financial health, structural integrity, and future-proofing the TDF enables a holistic evaluation that aligns with the unique characteristics of emerging telecom markets. It

integrates traditional financial metrics with forward-looking strategic insights, offering a comprehensive lens through which investors can make informed decisions. In doing so, it reinforces the imperative of moving beyond checklist-based diligence toward a more dynamic, contextualized, and actionable approach, particularly for high-stakes investments in Sub-Saharan Africa's telecom sector.

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