Private Debt Intelligence – 8/14/2017

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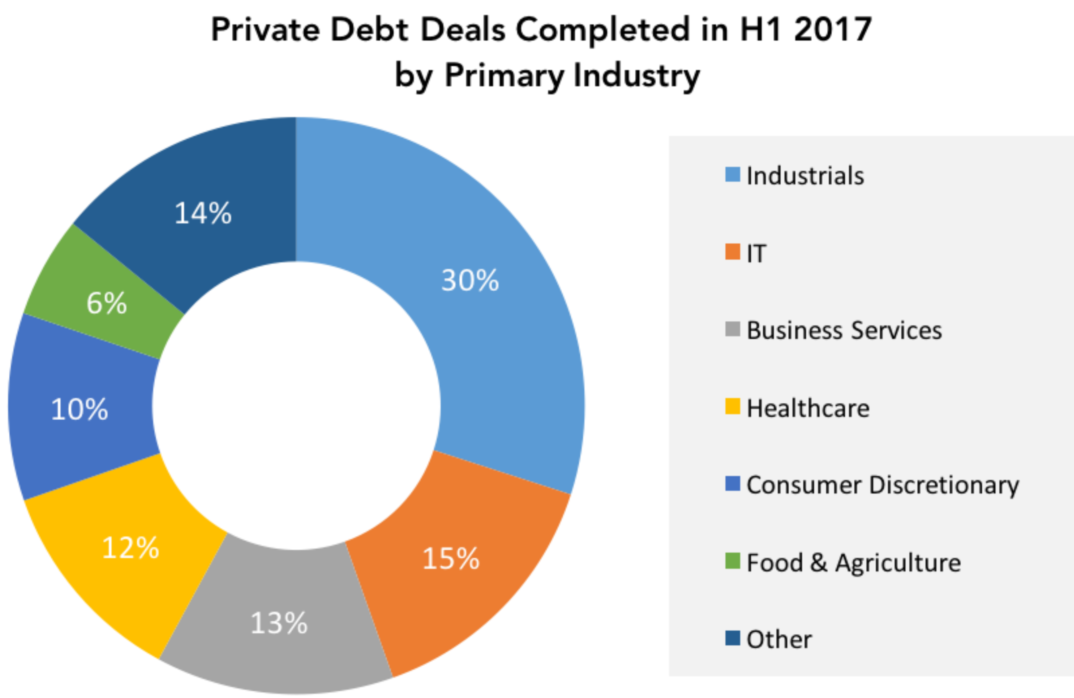
Deal Concentration by Location and Industry

Chart



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Recent Preqin data saw that deals completed in H1 2017 were both concentrated by location as well as primary industry focus. Preqin found that most private debt deal activity was concentrated in North America and most completed deals occurred in the industrials sector.

Up until the mid-2000s, private debt activity was dominated by distressed debt and mezzanine financing. In the past decade, however, the private debt market has seen a surge of direct lending momentum as lenders have continued to successfully find many sponsored and non-sponsored deal targets in North America and Europe.

In the first half of 2017, almost all of private debt activity has been mainly concentrated in North America and Europe. Over two-thirds of private lending activity in H1 2017 occurred in North America, which saw 68% of private deals completed. Europe also saw robust activity and was home to 29% of the private debt deals completed.

Concentration of the private debt market in North America and Europe is due to factors such as regulatory environment, political structures as well as the slowdown of traditional lending, leading to more than 1,200 private debt fund managers to focus on opportunities based on those continents. However, according to Preqin data, there are also 297 private debt fund managers targeting Asia as well as 227 private debt managers focused across the Middle East, Africa and South America.

The first half of 2017 also saw private debt deal activity concentrated by industry focus. The largest proportion of private debt deals completed in that time period was in the industrials sector, which accounted for 30% of all deals. Comparatively, the next most prominent industry, IT, accounted for only half of this (15%), while business services accounted for 13%, and healthcare accounted for 12%. The consumer discretionary sector only accounted for 10% of deals completed and the food and agriculture sector accounted for just 6% of private debts deals completed.

Contact: Naomi Feliz
Naomi.Feliz@preqin.com