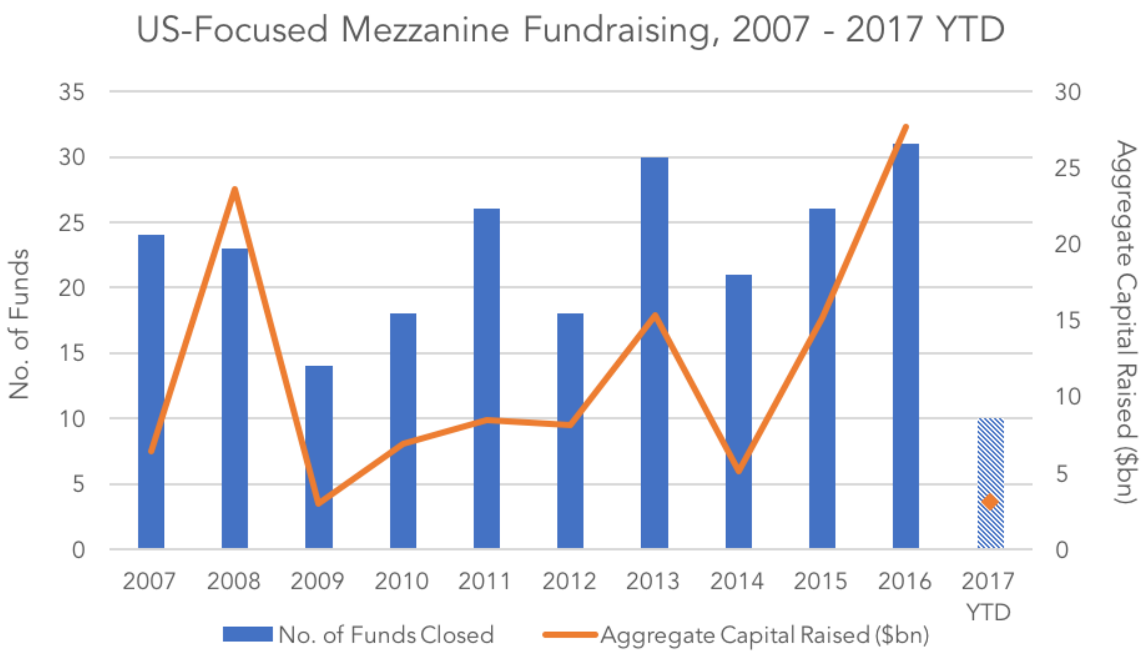
Private Debt Intelligence – 11/6/2017

THE LEAD | November 6, 2017

US-Focused Mezzanine Funds

Chart



Download Data

[wpdm_package id='15066?]

After a record year for US-focused mezzanine fundraising in 2016, 2017 has seen a significant slowdown. In fact, 2016 saw 31 funds secure $28bn in capital, surpassing the previous record levels seen in 2008 when 23 funds closed on $24bn. Following the Global Financial Crisis, 2009 saw a record low in fundraising levels, with 14 funds securing $3.0bn. Despite the absence of another financial crisis, the period of 2016 to 2017 has followed a similar trend seen between 2008 and 2009. In the first three quarters of 2017, just 10 funds have closed on $3.1bn, and, although this surpasses the annual aggregate capital raised in 2009, the year could see a record low of number of funds closed.

When breaking down US-focused mezzanine fundraising by industry preference, the largest proportion (61%) reported a preference for industrials for their underlying investments. Fifty-five percent of fund managers reported a preference for business services and the same proportion reported a preference for healthcare. A similar proportion (53%) reported a preference for consumer discretionary.

As at September 2017, there were 176 US-focused private debt funds in market seeking an aggregate $88.4bn in capital. Of those, 76 were direct lending funds seeking $40.8bn in capital, and 32 were mezzanine funds with an aggregate target of $6.7bn. Although mezzanine funds account for the second largest number of US-focused private debt funds in market, they account for the fourth largest proportion of aggregate capital targeted, following direct lending, distressed debt and special situations funds. This would seem to indicate that, although there is a significant proportion of mezzanine funds in market, on average these funds are smaller than other fund types.

Contact: Naomi Feliz
Naomi.Feliz@preqin.com