Private Debt Intelligence – 6/18/2018

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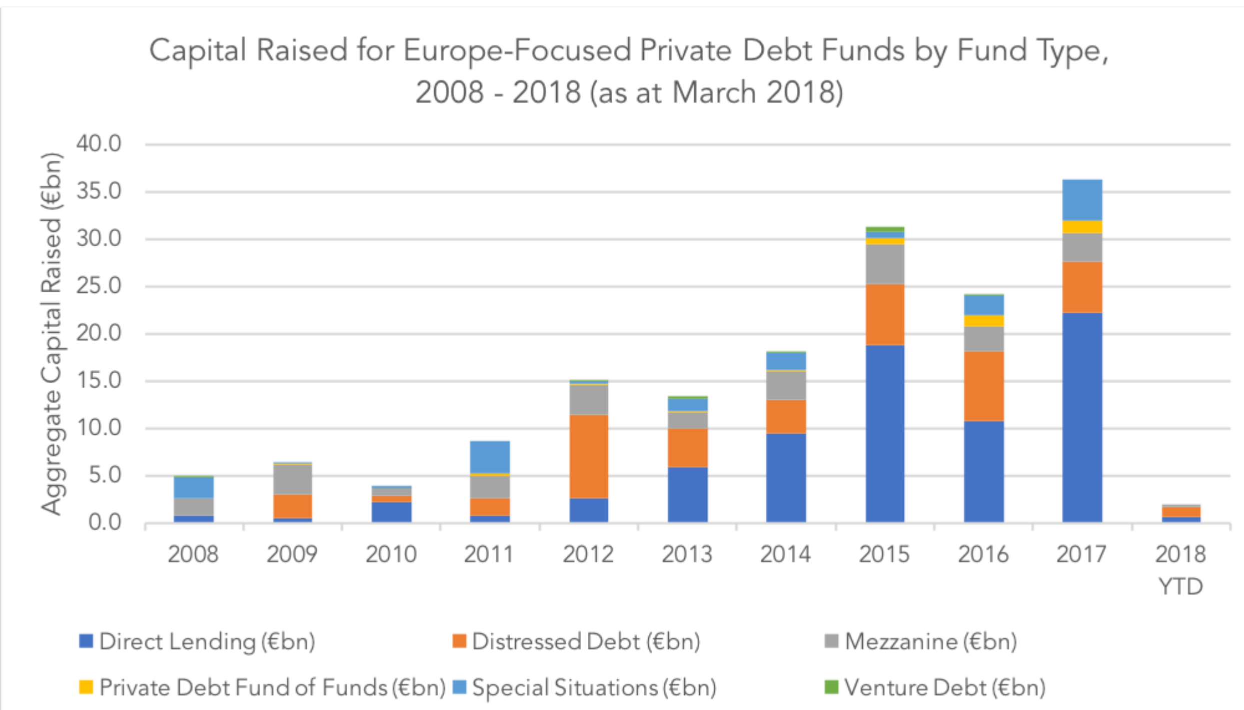
Private Debt: A Slow Start for Europe

Chart



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Historically, Europe and North America have accounted for the lion's share of the private debt fundraising market. However, Europe-focused fundraising did experience a slight downtick in levels in the first quarter of 2018, with just four funds reaching a final close and securing an aggregate €1.9bn. By contrast, in 2017 Europe-focused vehicles raised a record €36bn. In fact, in Q1 2017, 16 Europe-focused funds secured €8.1bn – over four times more than they did in Q1 2018. Despite the slowdown in the first quarter of 2018, private debt fundraising levels could very well pick up: there are 88 Europe-focused private debt funds in market seeking just under €43bn in capital.

Of the Europe-focused funds closed in the first quarter of 2018, distressed debt funds raised €1.0bn – more than any other strategy. Direct lending funds secured a total of €0.7bn, while private debt funds of funds raised €0.2bn in capital. By contrast, in 2017, the vast majority of capital was raised by direct lending vehicles, which secured over €22bn. In that same year, distressed debt funds raised €5.4bn, special situations vehicles secured €4.3bn, mezzanine funds raised €3.0bn in capital and private debt fund of funds raised €1.4bn.

Record fundraising levels in 2017 have also led to record-high dry powder totals. As at March 2018, dry powder stood at just under €57bn, an increase of €2.8bn from the end of 2017. As the private debt market becomes more crowded, it could be difficult for fund managers to put this capital to work. However, considering the record fundraising levels for the region, the slight increases in dry powder could indicate that managers have been successful in putting capital to work in Europe.

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