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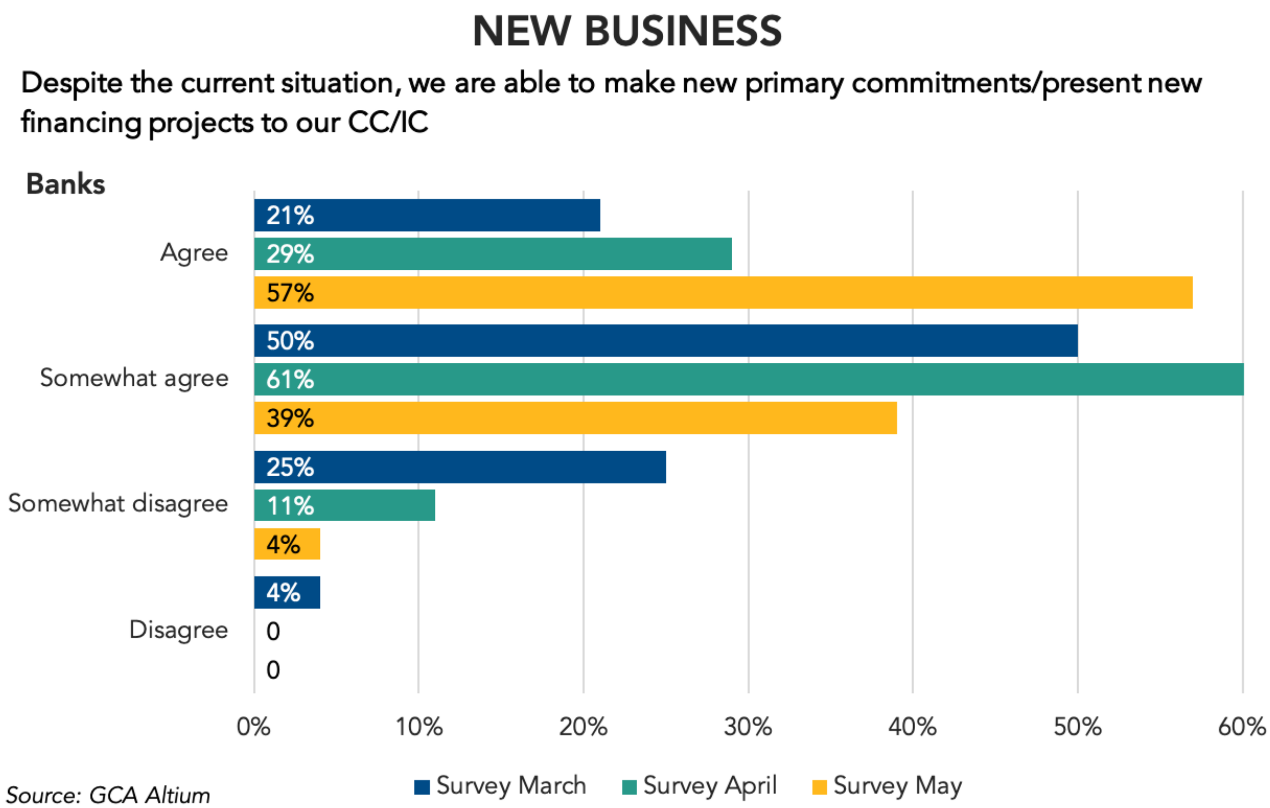
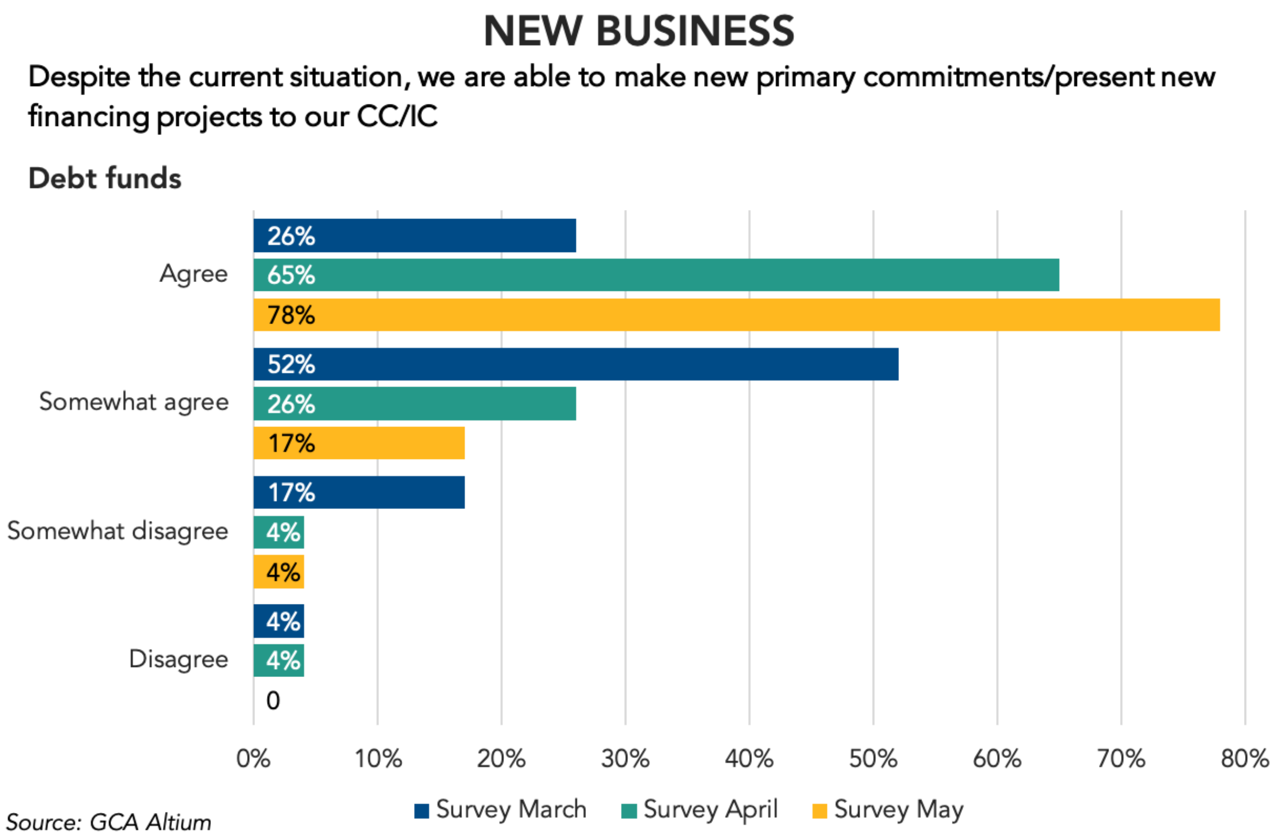
Deals on the agenda as Germany picks up

PEI Private Credit | June 17, 2020





German-speaking markets are emerging from lockdown with strong appetite for finance.

Europe was one of the first parts of the world to be hit by the covid-19 outbreak. But while many countries – such as the UK, Italy, Spain and France – were hit hard, others came through relatively unscathed. While it has had plenty of tragic outcomes, which should not be understated, Germany was one country viewed by many to have dealt with the outbreak relatively successfully.

As it eases itself steadily out of lockdown, the country's banks and debt funds appear to be in reasonably confident mood, if a recently published survey by investment bank GCA Altium is anything to go by. The survey, which canvassed 30 banks and 40 debt funds, found that a strong majority of financiers are open to looking at new financing opportunities in the DACH (German speaking) markets.

The survey found that 78 percent of debt funds were looking at new deals in May, up from 65 percent in April. For banks, the increase was even more marked over the same period, from 29 percent to 57 percent. The survey concluded that most portfolios have stabilized and financiers have shifted their resources from portfolio work back to origination.

An improving pricing environment was also revealed, with many companies desperate for liquidity. In the midst of the outbreak in March, 61 percent of bank senior financing (with an assumed good cashflow profile and 3.5x leverage) was in the range of 350-400 basis points. By May, 71 percent was in the range of 400-450 bps. Unitranche pricing (good cashflow profile and 5.0x leverage) actually fell back slightly from April to May but was still at a high average level of 700-800 bps.

The survey revealed that almost half of banks (48 percent) had implemented government support financing for portfolio companies through the KfW, with a further 30 percent having made applications that are under review. By contrast, no debt funds had implemented such a financing, though 20 percent had applications under review.