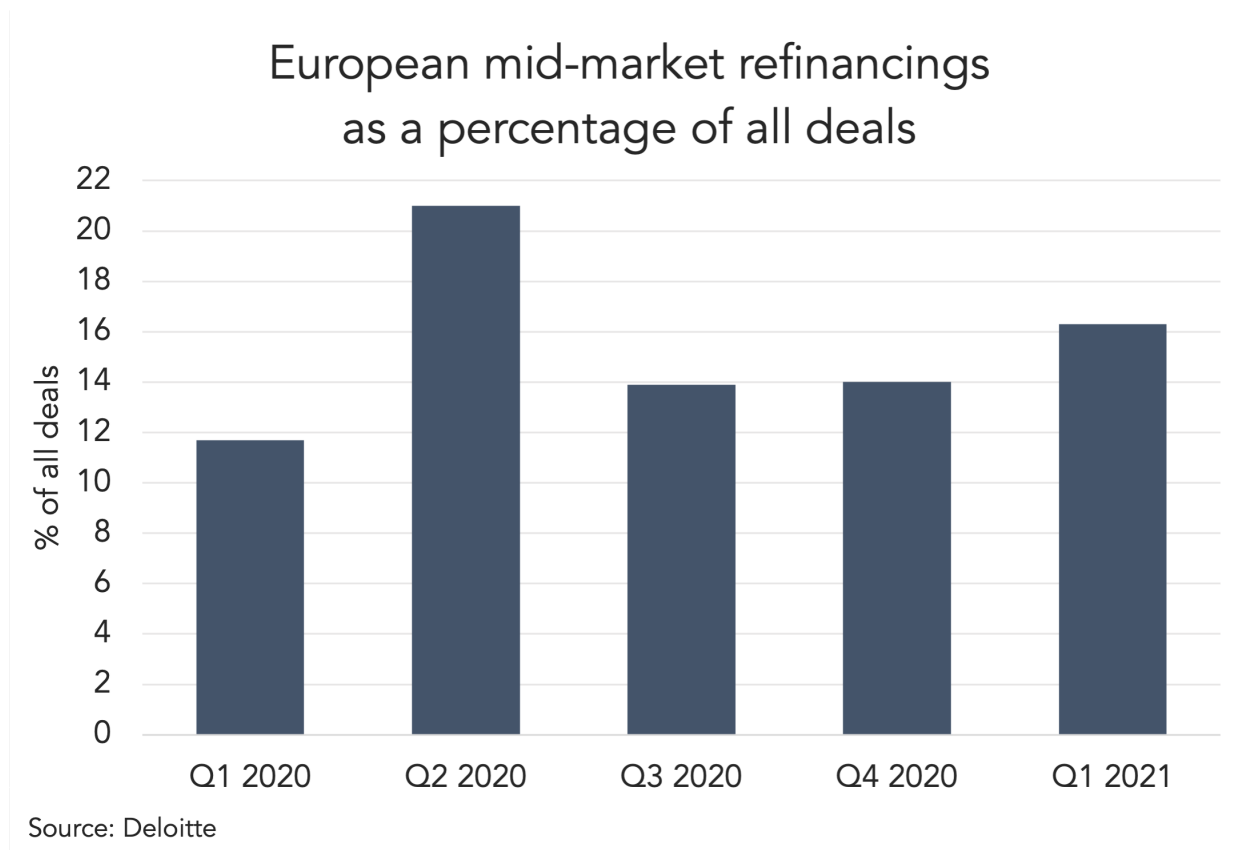


Markets prove their resilience

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Performance is on the up and deals are being done as firms show determination to fight their way through the pandemic.

It sounds strange, given the harrowing events of the last 18 months, to be talking about markets surpassing all previous landmarks. But there's no denying that bullishness is very much evident, including in the recently published Golub Capital Altman Index.

It found that earnings for mid-market private companies jumped by 31 percent in the second quarter of this year compared with the same period in 2019, prompting Golub chief executive officer Lawrence Golub to declare: "The US economic boom continues in Q2".

Along with the confidence being felt by businesses, there has also been something of a deal surge. In the UK, research from investment bank GCA Altium identified a record number of refinancings and recapitalisations during the first quarter of 2021 – at 71, the highest amount since it began tracking transactions in 2015.

Simon Chambers, managing director at GCA Altium, said: "The number of debt deals completed in Q1, coupled with the bounce back of the wider M&A market, represents a positive return to performance following a year of

uncertainty for the markets. There is a renewed optimism around a return to growth and the impact of the pandemic on the deal market is beginning to fade.”

However, even during the deepest depths of the pandemic, deals were still being done – especially refinancings as businesses adapted their financing needs to the circumstances (see chart above). According to Deloitte research, refinancings made up less than 12 percent of all deals in the first quarter of 2020 but rapidly rose to more than 20 percent as the pandemic took hold in Q2. Since then, the proportion of refinancings has remained higher than before covid and began to increase again in Q1 2021.

Looking forward, few of the sources canvassed by *Private Debt Investor* expect the deal market to ease up any time soon. Partly, this may reflect a bottleneck that built up last year, but that doesn’t appear to be the whole story. There is also a renewed sense of confidence, both in economic performance going forward and also continuing signs of markets’ impressive resilience.

(Past performance is no guarantee of future results.)