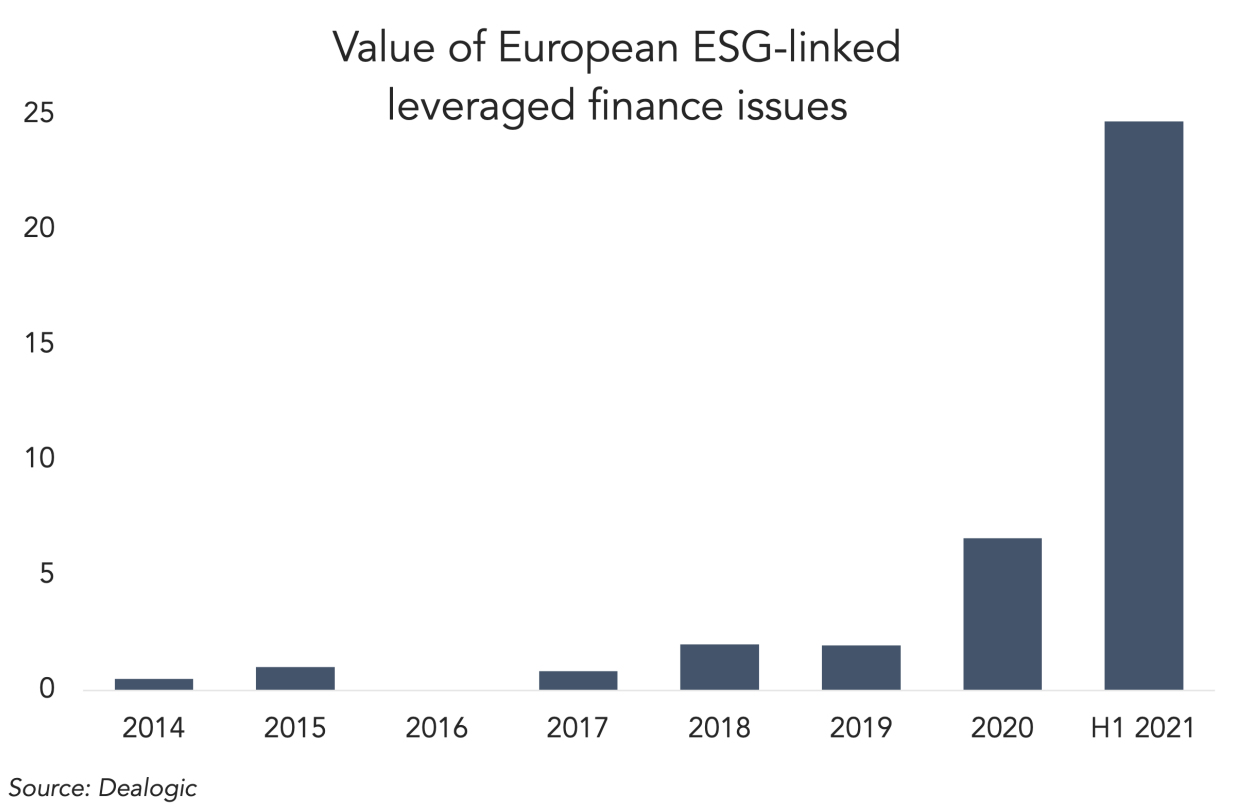
THE LEAD
https://theleadpc.com/pdi-picks-9-20-2021/

Europe is also heating up

PEI Private Credit | September 21, 2021



Source: Dealogic

It's not just the US seeing transaction activity hit the heights. The leveraged buyout market is helping to create a boom in Europe, too.

In last week's edition of *Lead Left*, we reflected in this column on the "white hot" US deals market. In Europe, it's a similar story, with mid-market deal activity among alternative lenders setting a Q2 record, according to figures from Deloitte.

In its latest *Alternative Lender Deal Tracker* report, Deloitte revealed 147 deals were completed in Q2 2021 making it the most active second quarter on record and the fifth most active quarter since the tracker began in Q4 2012.

While transaction numbers are lower than the all-time quarterly record of 186 seen in the first three months of the year, continued large volumes of deals suggest alternative lenders are active in supporting Europe's economic recovery following the coronavirus pandemic.

The UK remains the most active market with 52 deals, though its market share has slipped from 41 percent in Q1 to 38 percent in Q2. France and Germany were able to grow their market share to 20 percent and 15 percent respectively.

Leveraged buyouts remain the main type of deal getting financed, making up 44 percent of all deals in the first half of the year, though growth capital financings increased from 6 percent in the first quarter to 13 percent in the second, making up 9 percent of H1 activity.

By sector, TMT deals have continued to be popular after dominating in both Q4 2020 and Q1 2021. However, business services deals increased in the second quarter and are now level with TMT deals across the whole of H1, with each making up 22 percent of completed deals. Healthcare was just behind with 18 percent of deals followed by financial services on 13 percent and manufacturing on 8 percent.

Deloitte also noted a strong trend towards sustainability-linked loans (SLL) in Europe and globally (see chart above). Figures from Dealogic Global found there were SLL loan issuances worth $25.2 billion in Europe during H1 2021, up sharply from just $6.74 billion in the whole of 2020.

(Past performance is no guarantee of future results.)