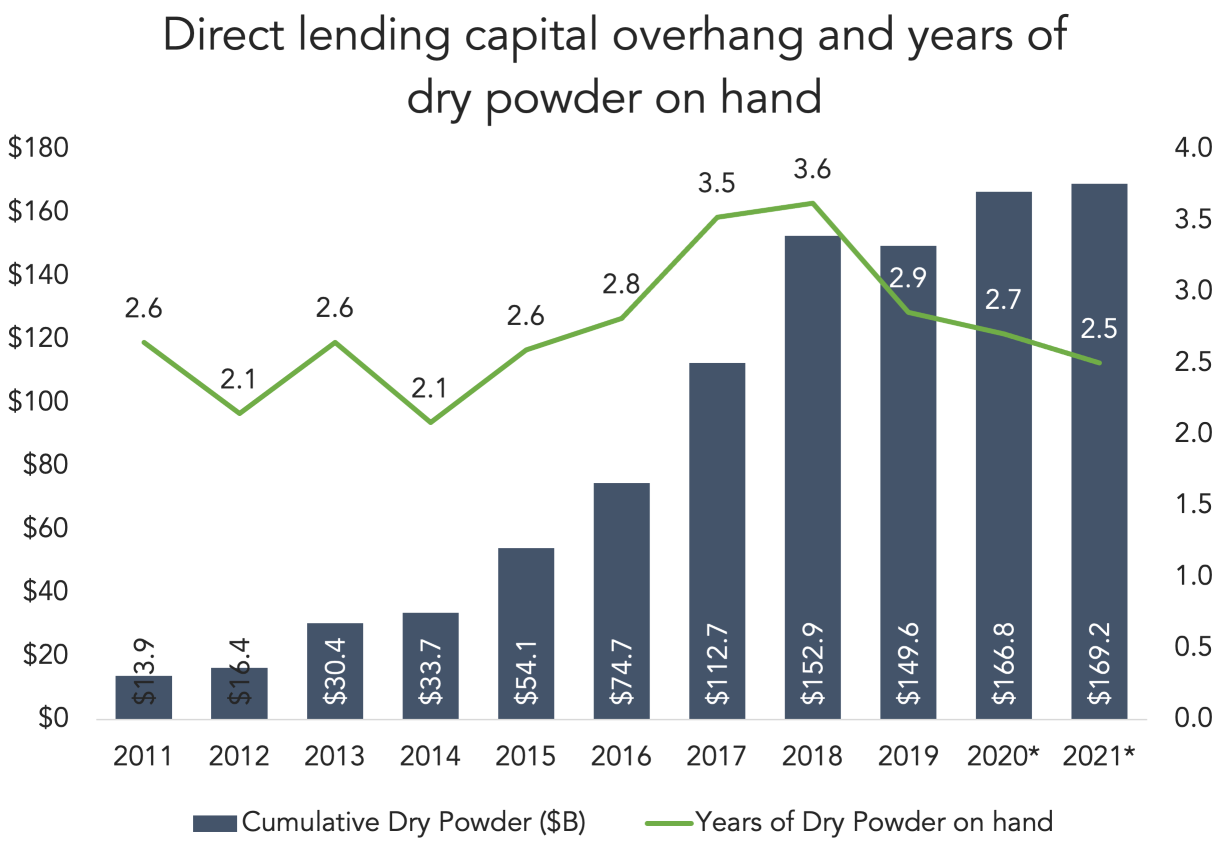
“Too much capital chasing too few deals”?

PitchBook | February 16, 2022



Download PitchBook’s Report here.

“Too much capital chasing too few deals” is a common refrain in the direct lending market. Is it true? It doesn’t appear to be, according to PitchBook’s Annual Global Private Debt Report. Globally, the direct lending market has about 2.5 years of dry powder on hand. According to PitchBook’s calculations, that’s the lowest level since 2014. In 2018, the market had about 3.6 years’ worth of dry powder on hand, and that metric has been on a steady decline over the past four years. Moreover, cumulative dry powder stayed more or less the same in 2021, with about $169.2 billion to deploy. If anything, it looks like direct lenders are getting that capital out the door at a brisk pace.

It’s a similar story for the overall private debt market. Across the asset class, another $191.2 billion was raised in 2021, the second highest mark on record, not to mention a 12% increase over 2020. Even so, private debt’s cumulative overhang dropped for the first time in over a decade. After topping out at $459.9 billion in 2020, private debt overhang shrank to $456.8 billion in 2021. Things could change, especially if PE dealmaking cools off substantially, but we don’t see many signs of that. In the US alone, $1.2 trillion was invested in 2021. But “too little capital chasing too many deals” doesn’t have the same ring to it.

(Past performance is no guarantee of future results.)