

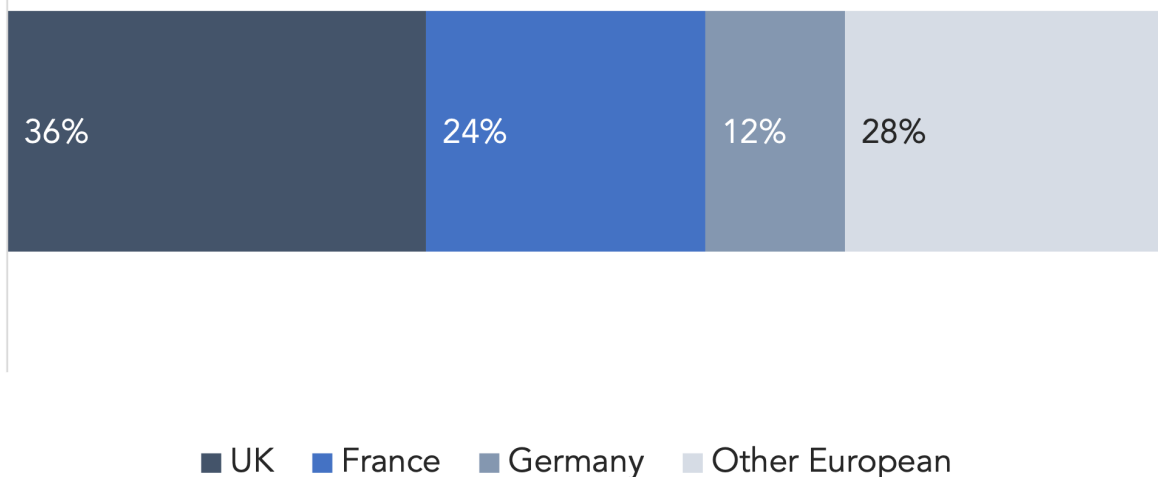
Europe's private markets step into the gap

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DEBT FUND RISE

In the past 35 quarters, 3,073 deals (1,111 UK and 1,962 European deals) were recorded in Europe

Total deals across Europe



Dealflow was strong in the first half as the refinancing trend gathered pace.

Despite unprecedented macroeconomic uncertainty, private credit funds in Europe enjoyed the busiest Q2 on record this year as they executed 216 deals, compared with 154 in the same period of 2021.

This 40 percent increase, recorded in Deloitte's *Alternative Lender Deal Tracker*, is matched by a 16 percent increase in the half-year tally, as alternative lenders stepped into the gap left by banks and public markets and took on bigger and bigger deals.

"The private debt market has picked up transactions that would probably have been done in the public markets under normal circumstances," says Robert Connold, partner in debt and capital advisory at Deloitte.

While leveraged buyouts remain the key drivers of private credit activity, accounting for 48 percent of European deals in Q2, refinancings are on the increase. Connold says: "We have seen an uptick in refinancings, which weren't happening two years ago during lockdown when a lot of debt funded transactions were either M&A or bolt-ons. People have pushed those facilities out because they were happy to stay put, but now those deals need to be refinanced."

Connold highlights the largest-ever private debt financing in Europe in June by The Access Group, a leading software provider. Undertaken by a large group of lenders, the refinancing continued a trend that has been gathering pace over the past few years and has only been accelerated by dislocation in the public markets this year, he says.

The market volatility fuelled by rising interest rates, burgeoning inflation, supply-chain issues, energy cost hikes and conflict in Ukraine has also served to drive banks out of European lending. Mark Brenke, head of Ardian Private Debt, says: “Activity across our core markets in Europe – France, Germany, the UK, Benelux, Scandinavia and increasingly southern Europe – has been very strong in H1. We have seen deals being driven by an acceleration of bank retrenchment over the last 18 months.

“This acceleration has been most pronounced since the covid-19 pandemic and amid the current market volatility,” says Brenke. “Our view is that ongoing bank retrenchment will only drive more opportunities for direct lenders in the coming months.”

(Past performance is no guarantee of future results.)