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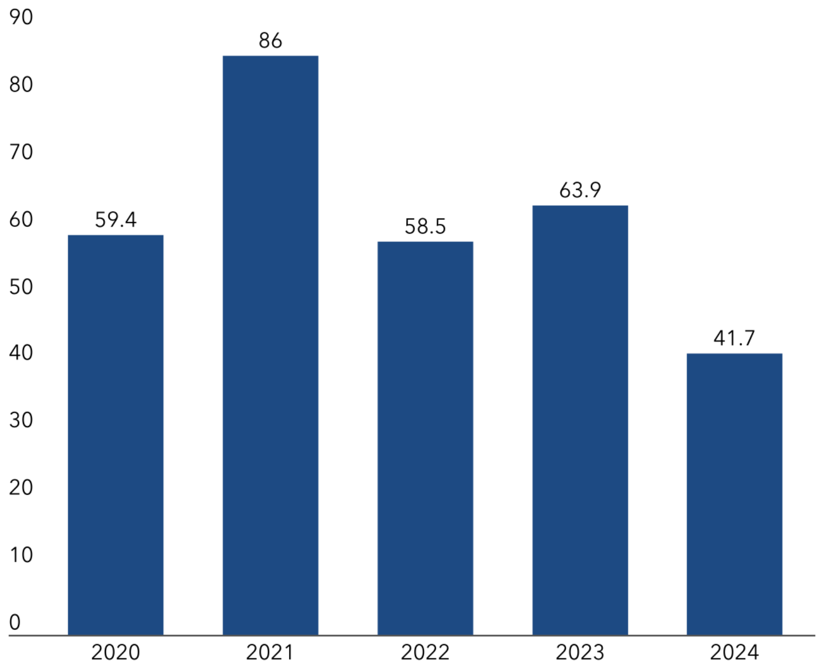
Headwinds have not blown Europe off course

PEI Private Credit | April 30, 2025

European private debt fundraising, 2019-24 ($bn)



Source: Private Debt Investor

Fundraising has been challenging for the region but deals soared last year and hopes are high for the remainder of 2025.

European private debt activity hit an all-time high in 2024. According to data from Deloitte's *Private Debt Deal Spring Tracker 2025*, €68.7 billion was deployed on the continent throughout the year.

But these figures belie the challenging transactional backdrop against which private credit firms worked in 2024. Terms and pricing came under greater pressure in response to macroeconomic factors, and spreads tightened significantly.

Fundraising levels continued to decline across 2024 (see chart), reaching the lowest levels since 2016, though average fund sizes reached an all-time high at $984 million, suggesting that investors are favouring larger managers.

The outlook looks to be rosier for the remainder of 2025, according to market onlookers who say investors are increasingly recognising the myriad opportunities that Europe offers in terms of its relatively stable political and regulatory frameworks – particularly as the global markets grapple with uncertainty around US tariffs.

While Europe has been in no way immune to the challenges that have faced the private debt industry on a global scale over the past couple of years, the continent continues to offer long-term potential for investors keen to benefit from its growth dynamics and who are able to look past short-term market shocks.

“Europe is exciting right now,” says Robin Doumar, managing partner at Park Square Capital. “There is a lot of volatility and you can look at that with a pessimistic hat, but we are more optimistic. Private equity firms see value in Europe, whereas the US looks a bit more fully valued, so we expect increasing amounts of transactional activity, generating more deals for private debt.”

Private Debt Investor data shows that the average internal rate of return figures for private debt funds launched between 2017-22 that focused exclusively on Europe recorded returns comparable with funds launched in the same period with a global focus. The relative success of these funds – which were largely focused on the most popular private debt strategies – show that while European markets may have been subject to market headwinds, they still hold huge potential.