



## UK & DACH Quarterly Snapshot Q2 2018



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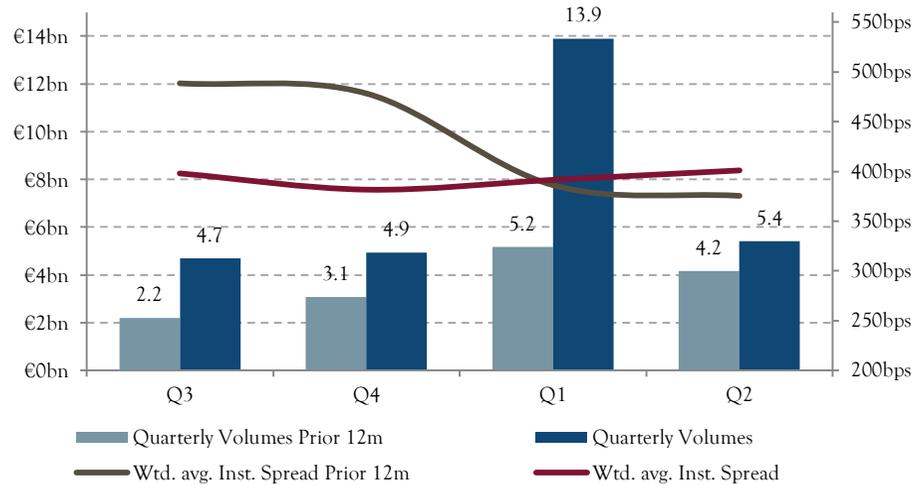


# UK Mid-Market Quarterly Snapshot

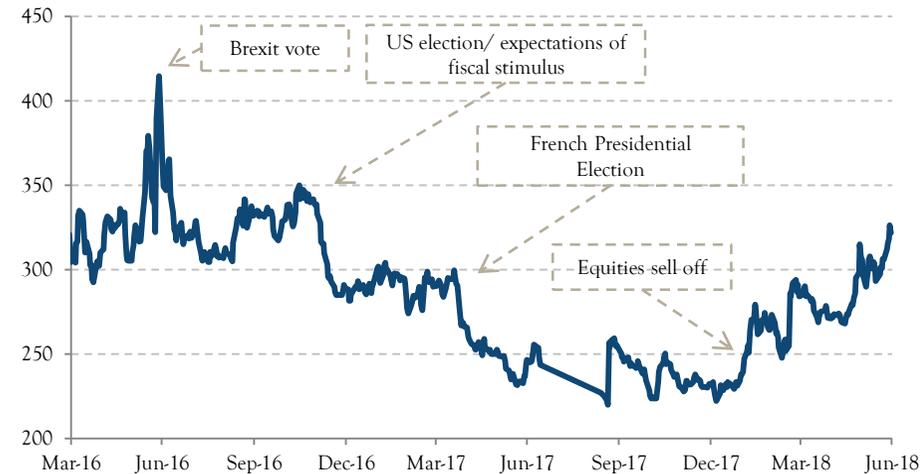
## Q2 2018 Review

Issuance remains high driven by increased M&A activity

### UK Senior Loan Volume and Pricing



### iTraxx Europe Cross-Over



### Key Themes

- ❖ UK leveraged loan volumes were €5.4bn in Q2'18, 29.5% higher than the same period last year as strong issuance levels continued in 2018. The significant decrease in UK volumes from the previous quarter was driven by several large landmark deals closing in Q1'18
- ❖ These high issuance levels were driven by a marked increase in M&A activity which began towards the end of 2017 and then delivered consistent deal flow throughout H1'18. 84% of total loan deal activity in Q2'18 was driven by M&A, the highest proportion since Q3'11
- ❖ Although total European leveraged loan volume has fallen to €26.9bn in Q2'18 from €35.2bn in Q1'18, the volume of deals funding buyouts and acquisitions is up to €22.6bn from €21.2bn
- ❖ The prevalence of M&A activity has driven slightly wider pricing, reflecting greater lender negotiating power on new money transactions as opposed to opportunistic repricings and refinancings
- ❖ The quarter has seen continued market volatility due to political uncertainties, with the iTraxx Crossover reaching its highest level since December '16



# DACH Mid-Market Quarterly Snapshot

## Q2 2018 Review

The German-speaking LBO market showed a strong level of issuance in Q2

### Key Themes

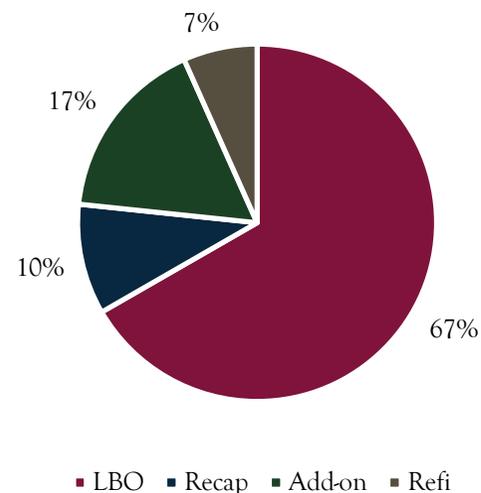
#### Observations from the second quarter in 2018

- ❖ Q2 2018 showed a high level of issuance with a total of 30 deals in the German-speaking LBO market. This was higher than both Q1 2018 issuance (27 deals) and Q2 2017 issuance (18 deals)
- ❖ The share of LBOs in Q2 2018 was in line with the previous quarter (67%) while the share of add-on financings was significantly higher (17% vs. 4%) as sponsors executed their buy-and-build strategies
- ❖ The share of recaps and refinancings in Q2 2018 compared to Q1 2018 was lower with 17% vs. 30%. This compares to a 4-year average (2014-2017) of 36% for recaps and refinancing

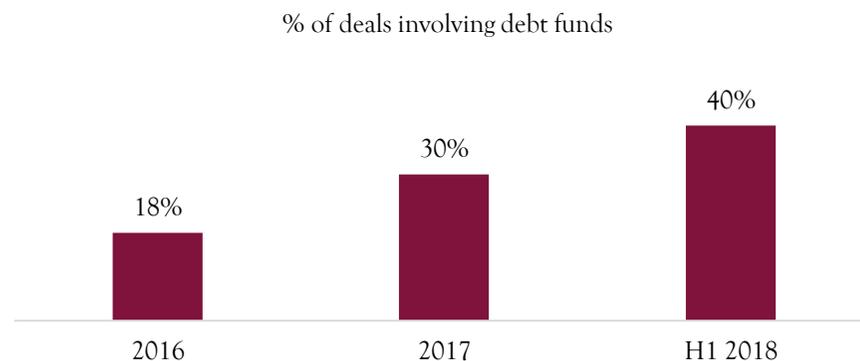
#### Role of debt funds

- ❖ With 14 out of 30 deals, the share of Unitranche financings in the DACH market has increased further. 14 deals reflect a share of 47%, compared to 33% in the previous quarter as well as 30% for 2017 and 18% for 2016
- ❖ Of the 14 unitranche financings in Q2 2018, 12 were provided by debt funds while two unitranche financing were provided by Credit Suisse and Goldman Sachs
- ❖ The most active funds in Q2 2018 were Alcentra with 3 deals as well as Ares and BlueBay with 2 deals each. For H1 2018, the most active fund was Pemberton with 4 deals

### Type of Deals in DACH Market



### Increasing Popularity of Debt Funds in DACH





# Mid-Market Leveraged Lending: A Pan-European Market?

The leveraged lending landscape in Europe's largest markets UK and Germany is characterised by both pan-European and local players. While debt funds are mostly pan-European, the banking landscape is diverse with domestic banks playing an important role

## *Bank deals: Concentrated market in the UK and fragmented market in Germany*

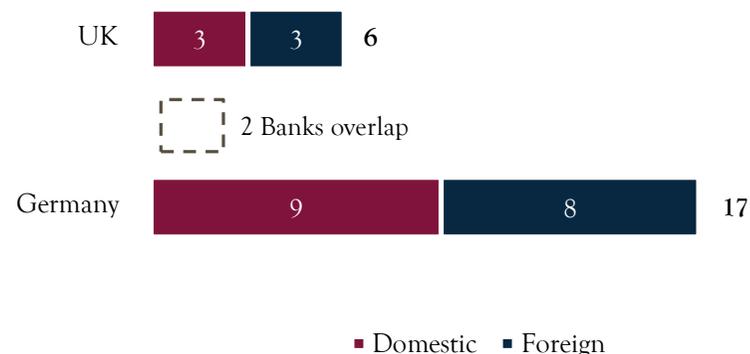
- In the UK, the banking market is highly concentrated with only 6 banks (thereof 3 UK banks and 3 foreign banks) accounting for c. 80% of all participations in mid-market bank deals for LTM June 2018
- The German-speaking banking landscape in the mid-market is more fragmented with German banks and foreign banks competing with each other. As a result, 17 banks (thereof 9 German banks and 8 foreign banks) represent c. 80% of the participations
- There is little overlap between the banks representing c. 80% of participations in the UK and Germany (2 banks only), reflecting the strong position of domestic players in both markets

## *Fund deals: Pan-European funds active in the UK and Germany*

- In the UK mid-market, fund deals are the most popular source of financing, with debt funds being involved in 102 out of 170 deals (60%) for LTM June 2018. Germany is slowly catching up with debt funds being involved in 37% of all deals for LTM June 2018 (42 deals out of 112)
- Contrary to bank deals, concentration is similar for the fund market in Germany and UK. In the UK, 12 funds account for c. 80% of all fund deals LTM June 2018, whereas in Germany 9 funds represent c. 80% of all fund deals
- There is an overlap of 7 funds accounting for c. 80% of all mid-market fund deals in the UK and German-speaking market, highlighting a pan-European debt fund market

Note: Domestic banks are defined as headquartered in the UK/Germany

### Number of Banks representing c. 80% of all participations



### Number of Funds representing c. 80% of fund deals



Based on Marlborough Partners' Quarterly Tracker Database



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