

Deloitte.

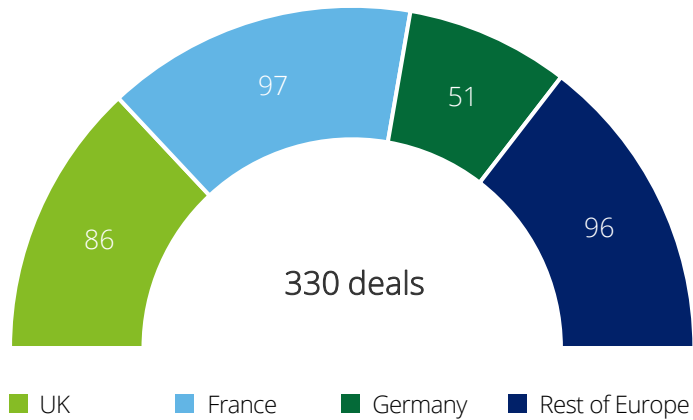


Private debt activity bounces back in Q4 at the prospect of softer interest rates

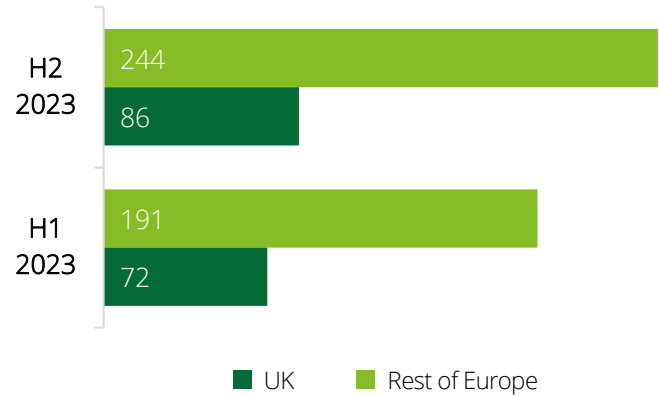
Deloitte Private Debt Deal Tracker Spring 2024



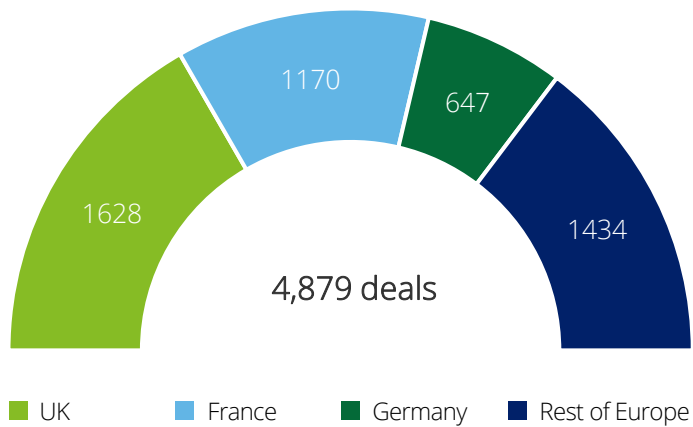
Total Deals Reported in H2 2023



H2 2023 vs. H1 2023 Comparison



Total Deals Reported Since Deal Tracker Inception



Robert Connold
 Partner – UK
 +44 (0) 20 7007 0479
 rconnold@deloitte.co.uk



Andrea Azzolini
 Director – Italy
 +39 283 325 700
 aazzolini@deloitte.it

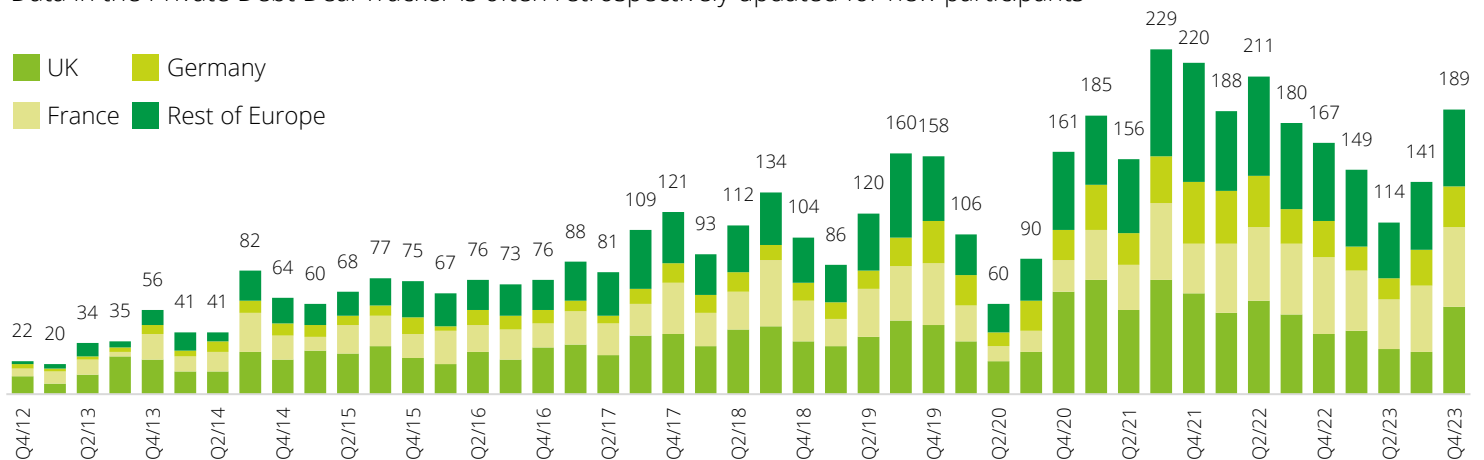


Andrew Cruickshank
 Head of Private Debt Deal Tracker
 +44 (0) 20 7007 0522
 acruickshank@deloitte.co.uk

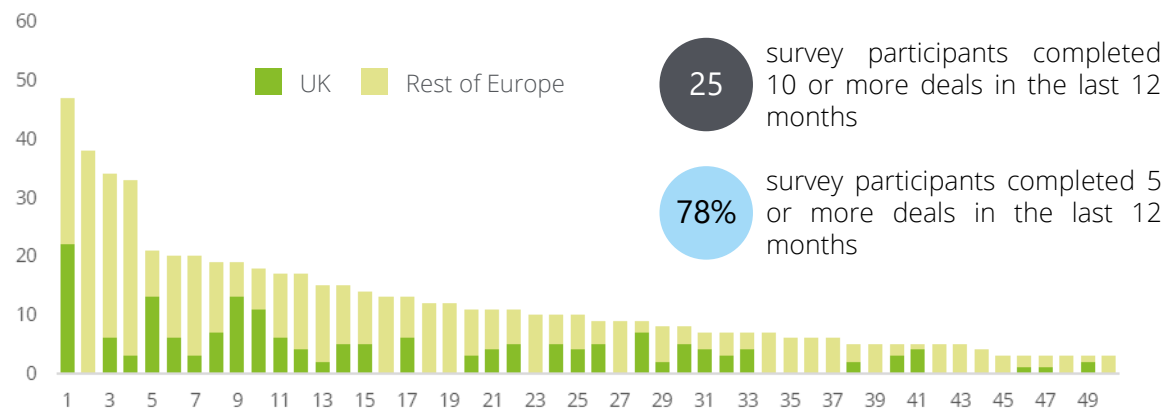
The Private Debt Deal Tracker now covers 78 lenders and a reported 4,879 deals

Private Debt Deal Tracker

Currently covers 78 leading private debt lenders. Only UK and European deals are included in the survey. Data in the Private Debt Deal Tracker is often retrospectively updated for new participants



Deals completed by survey participants (Last 12 months)



1,628
UK Deals

3,251
European Deals

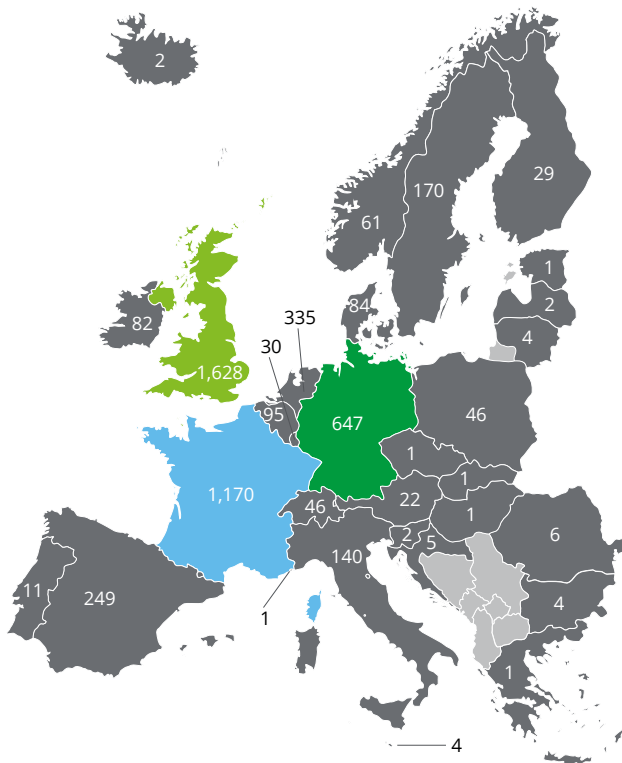
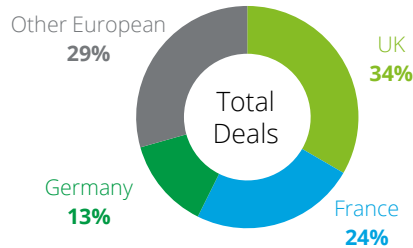
Source: Deloitte Analysis

Note: the number of contributors in the Deal Tracker varies quarter-by-quarter, implying that movements in Deal Volumes occur as a result of both minor variations in the number of Lenders contributing deal data, as well as underlying market conditions.

Private debt lenders continue to increasingly seek to diversify geographies

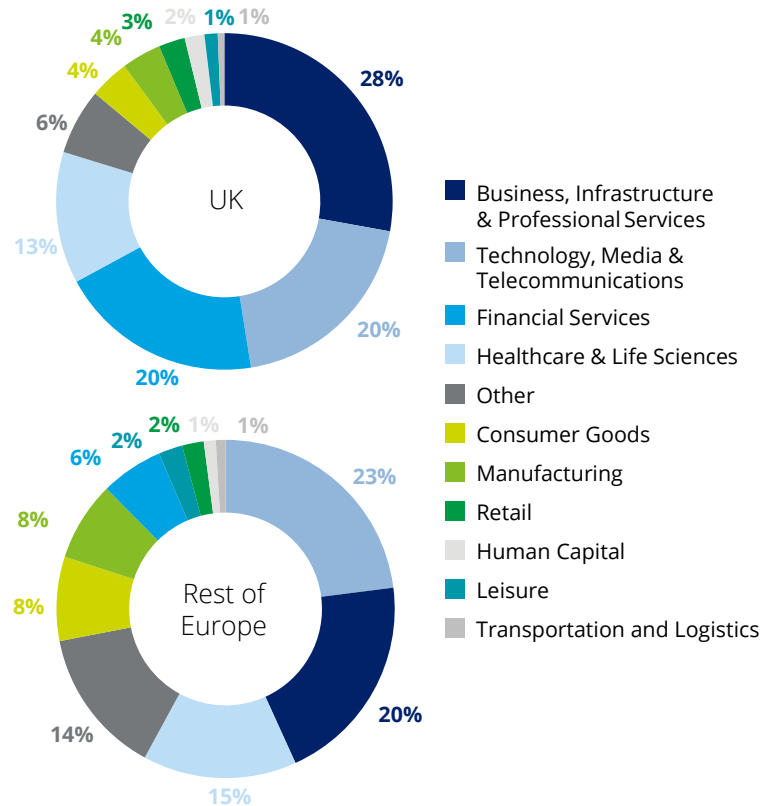
Europe

In the last 45 quarters 4,879 (1,628 UK and 3,251 other European) deals were recorded in Europe



Industries (LTM)

Within the UK, the *Business, Infrastructure & Professional Services* and *TMT* industries have predominantly been the dominant adopters of private debt solutions.

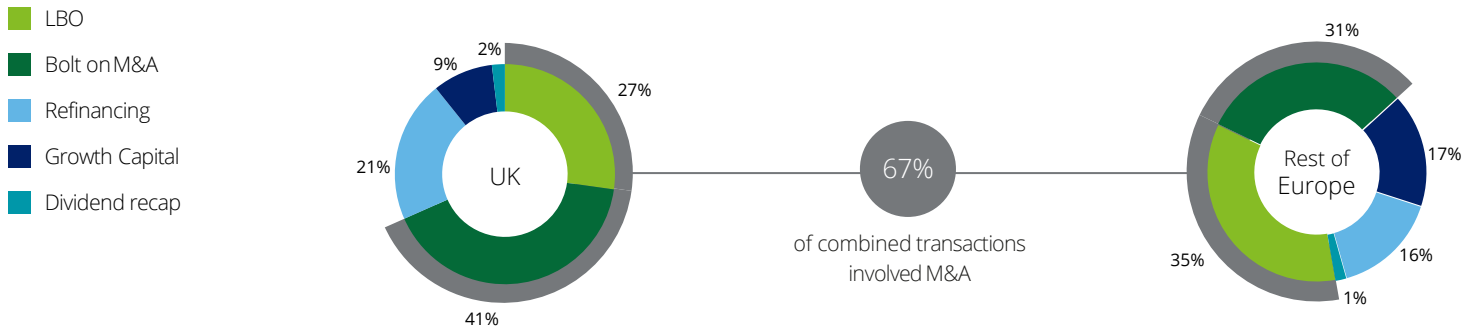


Across the rest of Europe, private debt has typically been concentrated across four industries: *TMT*, *Business, Infrastructure & Professional Services*, *Healthcare & Life Sciences* and *Financial Services*.

M&A remains the key driver for private debt deals following a notable increase in bolt-ons

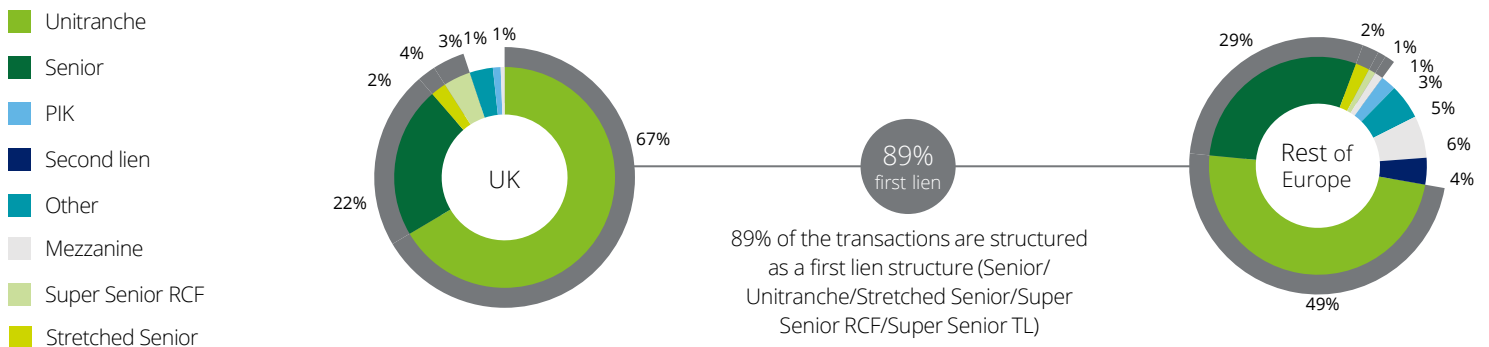
Deal Purpose (LTM)

The majority of deals remain M&A focused, with 67% of activity revolving around an acquisition. Of the 593 deals in the last 12 months, only 95 did not involve a private equity sponsored asset.



Structures (LTM)

Unitranche is the dominant structure, representing 67% of UK transactions and 49% of European transactions. Subordinate structures represent only 11% of total transactions.



*For the purpose of the deal tracker, we classify senior only deals with pricing L + 650bps or above as unitranche. Pricing below this hurdle is classified as senior debt.

Will market rebound in 2024 ?

Capital will remain available to borrowers in 2024, lower pressure on pricing

2023

- A reduction in deal volumes
- Pricing now firmly in the 700 bps + territory . Longer processes
- Covenant regimes tightening, either through reduced headroom, and / or introduction of an additional test
- Reduced leverage, as lenders focus on debt serviceability
- Lenders will manage deployment of capital more carefully, as fundraising becomes more challenging
- Lenders also likely to act more aggressively in situations where covenants are breached in order to protect value and ensure continuity of fundraising

Pricing
lows

Flight-
to-
quality

Covenant
tightenin
g



2024

- Recovery in deal volumes
- Pricing now firmly in the 650-675 bps + territory .
- Covenant regimes bespoke on a deal basis
- Reduced leverage, as lenders focus on debt serviceability
- Lenders still very selective on end markets

Recover
y
volumes

Pricing
going
down

