



Press release

MidCapMonitor by GCA Altium: The debt funds wave rolls on – almost 50 percent market share in the German LBO market

New record with 46 LBO financings in the first half of 2018

Munich, Frankfurt, Zurich, 19 July 2018. Alternative financiers are continuing to live through a success story in 2018. The latest MidCapMonitor prepared by the investment bank GCA Altium, which regularly analyses leveraged buyout finance transactions with a credit volume of between EUR 20 million and EUR 500 million, recorded a 48 percent share of debt funds in the LBO market in the first half of 2018.

Debt funds successfully completed 22 transactions by the end of the first half of 2018, after having seen just 12 in the first six months of 2017. At this time in 2017, banks still held a 70 percent market share, which has now shrunk to 52 percent.

The success of the alternative financing lenders is based on several factors. On the one hand, debt funds started to offer more favourable structures, including low-interest, senior secured tranches held by banks over a year ago. “What’s more, we are increasingly seeing debt fund transactions that banks would not have made,” said Johannes Schmittat, Managing Director at GCA Altium’s Frankfurt office, about the trend. “This is a very positive development, as additional liquidity is provided.”

It is also notable that buy-and-build strategies, in particular, are preferably financed with debt funds. “Private equity investors welcome the quick execution and reduced need for coordination with just one party compared with larger banking consortiums,” explained Norbert Schmitz, also Managing Director of GCA Altium. Overall, GCA Altium does not expect banks to regain their lost market shares in the near future.

The total size of the German LBO market remains at record levels with 46 transactions (after 41 transactions in the first half of 2017). The most active private equity firms were Equistone and Nordic Capital, with three transactions each.

On the banking side, Commerzbank has already concluded eight transactions this year. Over a 12-month period (16 transactions), however, it still trails SEB (20) and Unicredit (19). At the end of the second quarter, London’s large-cap market was for the first time met with resistance to the very low margins and very borrower-friendly conditions. Despite this situation, GCA Altium noticed no impact on the German LBO market. “Due to the extremely competitive environment between banks and debt funds that is still ongoing, we do not expect conditions to worsen in the short term,” Norbert Schmitz added.

The overall European market for unitranche financing of debt funds also set a new record in the first half of 2018 with 109 transactions, surpassing the previous year’s volume by more than 47 percent. Germany is a significant market with 22 transactions, but unitranches have also been used extensively in the United Kingdom (33 transactions) and France (23 transactions).

About GCA Altium

GCA Altium is the European business of GCA, a global investment bank that provides strategic M&A and capital markets advisory services to growth companies and market leaders. The firm offers worldwide coverage with over 400 professionals in 15 offices across America, Asia and Europe. Built by the people that run the business, GCA is a firm of experts who focus on deals that require commitment, original perspective, skill and exceptional networks.

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