



Press release

## GCA Altium MidCapMonitor: extremely strong Q3 2019 for German LBO market

**Banks reach 54% market share in third quarter – was the end of traditional banks proclaimed too early?**

**Munich, Frankfurt, Zurich, 25 October 2019.** After a very weak first half of 2019, the German LBO market has positively exploded in the third quarter. The latest MidCapMonitor prepared by the investment bank GCA Altium, which regularly tracks leveraged-buyout financings with a credit volume of between €20 and €500 million, confirms that there were 37 financings in the third quarter of 2019 – compared to only 32 in the entire first half of the year.

Especially interesting in this context is the fact that banks, which are currently under pressure, have profited disproportionately from the upswing. Compared to only 14 closed deals in the first half of the year, banks were able to successfully complete 20 LBO transactions in the third quarter of 2019 alone. This results in a 10 % increase of bank market share, from 44 % in the first half of 2019 to 54 % in the third quarter. Alternative lenders, primarily debt funds, were able to successfully complete 17 transactions in the third quarter of 2019, compared to 18 transactions in the first half. The main drivers behind the significant increase in number of transactions were add-on acquisitions in particular – compared to the first half of 2019, their share of the total number increased from 9% to 19%, while the number of new primary financings decreased from 44% to 30%.

One reason for the banks' good performance in the third quarter is surely due to the fact that many of the Q3 transactions were add-on financings or re-caps/re-financings, which usually have less aggressive timelines than auction processes. Furthermore, during several of the Q3 transactions in the larger MidCap segment (such as Schleich or ADCO), banks were able to prevail against debt funds through underwriting. "Despite the success of banks during the third quarter of the year, in general we expect debt funds to continue to assert their position for financings with a volume of € 50 million and upwards", comments Norbert Schmitz, Managing Director of the Frankfurt office of GCA Altium. "The advantage of debt fund financing from one source is becoming increasingly important and as funds grow, they are able to cover increasingly large tickets by themselves – individual tickets of € 300 million are by no means isolated cases." Johannes Schmittat, also a Managing Director of GCA Altium adds: "The noticeably higher acceptance of debt fund financings in a liquid banking market during the last 12 to 18 months – not only in Germany, but also, for example, in Sweden, Spain and the Netherlands – can be traced back to the favorable development of debt funds in countries such as the UK and France, and will continue to grow."

As of September, the most active private equity firms in 2019 were Waterland and DBAG, both of which closed six transactions each. As for the banks, SEB has once again closed the most transactions (13). When looking at the previous twelve months, this means that SEB's total of 15 completed transactions places it narrowly ahead of Unicredit (11) and Commerzbank (10).

The entire European market for unitranche financings of debt funds in the context of private equity has been very active in the third quarter as well – 82 transactions compared to 103 in the entire first half of

2019. In addition to Germany with 17 transactions, unitranches have also been intensively used in the UK (24 transactions) and France (21 transactions).

### **About GCA Altium**

GCA Altium is the European business of GCA, a global investment bank providing independent corporate finance advice including strategic M&A, capital markets and debt advisory services. With more than 300 professionals and 22 offices in the key M&A markets across America, Europe and Asia, GCA serves a variety of clients ranging from the world's largest conglomerates and corporates to the top financial sponsors and growth companies.

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