

ALIXPARTNERS EUROPEAN MID-MARKET DEBT SURVEY:

Significant rebound in
unitranche volumes in H1 2017

AT A GLANCE

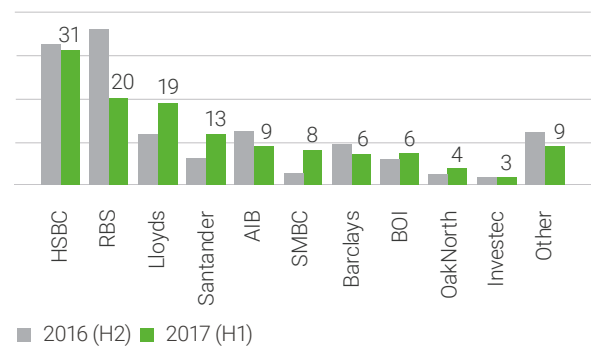
- 1 Deal count was up 12% in H1 2017 versus H1 2016—indicating material growth.
- 2 We saw more larger value transactions (above €100 million), with many lenders focusing on larger mid-cap credits.
- 3 There was a significant rebound in unitranche deal volumes—up 30% on H2 2016, with 124 deals in the last 12 months.
- 4 The top 10 non-bank lenders tightened their grip on the institutional market, increasing share from 60% to 67%.

Borrower options have never been so diverse in this increasingly competitive market.

In the banking sector, HSBC retained its position as UK mid-market leader, but we saw increased activity levels from Lloyds, AIB, and Bank of Ireland. NIBC and SMBC also grew volumes, particularly in European territories.

The mid-market continues to expand and become more competitive as new institutional market entrants join an already well-populated marketplace.

FIGURE 1: UK MID-MARKET BANK DEAL COUNT (2017)



Source: AlixPartners European mid-market debt survey 2017

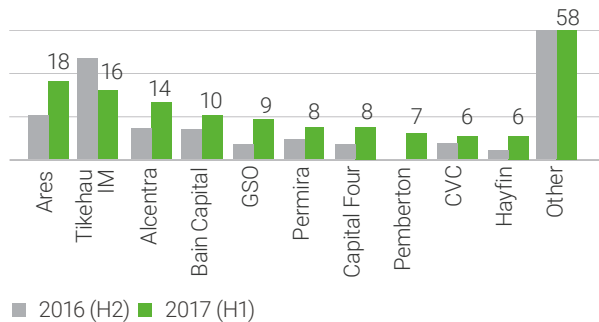
50%

of all deals tracked were valued above €100 million versus 32% in H2 2016.

H1 saw a substantial recovery in the €100 million to €150 million size bracket. Total deals over €100 million accounted for 50% of all activity versus 32% in H2 2016.

We have also seen some evidence of the much talked about ABL plus Unitranche structure in H1 2017 but it still does not appear to have become a ubiquitous funding option given continuing challenges with agreement of intercreditor terms.

FIGURE 2: EUROPEAN MID-MARKET NON-BANK DEAL COUNT (H1 2017)



Source: AlixPartners European mid-market debt survey 2017

The non-bank market continued its rebound in H1 2017, with deal count up 14% LTM following a relatively quiet 2016.

Ares (18 deals) and Tikehau IM (16 deals) continue to lead the European private debt market, but the uptick in deal volumes was supported by increased activity from Alcentra, followed by Bain Capital, GSO Capital, and Permira Debt Managers.

67%

The top 10 non-bank lenders commanded 67% of non-bank activity versus 60% in 2016

The top 10 non-bank lenders continue to increase their market share, representing 67% of all non-bank transaction activity versus 60% recorded in 2016.

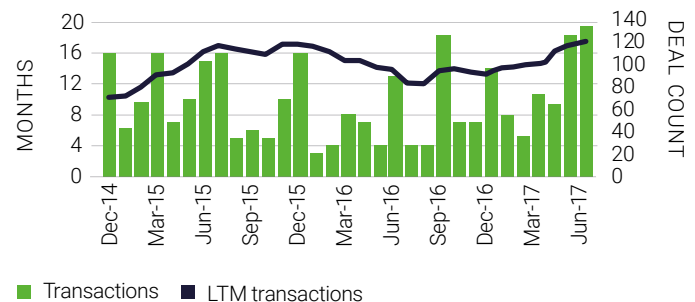
Several funds have raised capital with more senior focused strategies in the last 12 months to compete with traditional bank finance and expand deployment capabilities. This has supported deployment of the "Stretched Senior" product more readily, with certain funds able to price at lower yields than standard unitranche rates.

Nevertheless, there was a significant rebound in unitranche activity during H1 2017, with 70 deals funded, including 37 in May and June combined.

LTM deal volumes reached 124, the highest number recorded by our survey, up 32% on 2016 and 3% on 2015.

Continuing the trend we observed in 2016, the unitranche product is increasingly being deployed in larger deals, with 21 disclosed values over €100 million in H1 2017 versus 26 in all of 2016.

FIGURE 3: TRAILING LAST 12 MONTHS UNITRANCHE DEAL COUNT



Source: AlixPartners European mid-market debt survey 2016

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