

# European Debt Market Monitor: 2020 Review & 2021 Outlook

February 2021



# Recent European debt advisory transactions

DC Advisory completed transactions:

 Advised the company on its refinancing  February 2021 	<b>Project Bell</b> Advised the company on refinancing of existing debt facilities  January 2021 	<b>ICG</b> Advised ICG on the acquisition of a significant majority in TNG & raising of a capex facility  December 2020 	 Advised on the acquisition financing of Mehler Vario System Group  December 2020 	 Advised ICG on acquisition financing  November 2020 	 Advised the senior secured lenders on a restructuring  October 2020 	 Advised the sponsor on a recapitalisation and debt raising  September 2020 
<b>Pentalog</b> Advised Marlin Equity Partners on acquisition financing  September 2020 	 Advised on the debt refinancing and raising of ICO-based financing  September 2020 	 Advised the company on a bond issuance and raising of an RCF  July 2020 	 Advised the company on its refinancing  July 2020 	<b>Project Scarlet</b> Advised the company on a covenant amendment  July 2020 	<b>Project Star</b> Advised the sponsor on NAV fund financing  June 2020 	<b>Project Zeta</b> Advised the company on debt raising  June 2020 
 Advised Bridgepoint Development Capital on acquisition financing  June 2020 	<b>KEOLIS</b> Advised the company on its financing strategy  May 2020 	<b>Project Condor</b> Advised the company on refinancing  February 2020 	 Advised ICG on acquisition financing  February 2020 	 Advised LDC on acquisition financing  February 2020 	<b>planethOme</b> Advised the company on a take-over financing and refinancing  February 2020 	<b>Project Pitlochry</b> Advised the company on receivables financing  January 2020 
 Advised Bridgepoint Development Capital on acquisition financing  January 2020 	<b>DENTEX</b> Advised the company on a refinancing  January 2020 	<b>sysnet</b> Advised on a staple financing  January 2020 	 Advised Naxicap on an acquisition financing  December 2019 	<b>DEPOT</b> Advised the largest shareholder on the financing and sale of their stake  December 2019 	 Advised Ergon on the staple financing related to the disposal of Looping Group  December 2019 	 Advised Alpha Private Equity on acquisition financing  December 2019 
 Advised ICG Infrastructure on acquisition financing  November 2019 	 Advised Livingbridge on acquisition financing  October 2019 	 Advised on staple financing  September 2019 	 Advised on staple financing  September 2019 	 Advised on the debt refinancing of Clover Capital  August 2019 	 Advised Interflora on its refinancing  July 2019 	 Advised Ergon Capital on acquisition financing  July 2019 

# 2020 Review & 2021 Outlook – Executive summary

## European highlights

### Highlights – UK

- Activity levels in Q4 2020 built on the momentum seen during Q3, which we attribute to a rebound in M&A and refinancing activity, including stressed refinancing transactions
- Lender appetite has been focused on businesses that have proven Covid resilient, and whose medium term post-Covid outlook remains positive. We are seeing these types of businesses secure attractive terms and aggressive leverage
- For 'story' credits, we are seeing lenders assess Covid scenarios taking into account the pace of the vaccine rollout across geographies
- For 2021, we expect direct lenders to remain the most active source of financing particularly for M&A, with banks focusing their efforts on supporting existing clients and typically showing reduced appetite towards super senior facilities

### Highlights – Spain

- Spanish buyout activity steadily picked up over 2020, with Covid-proof sectors such as infrastructure, telecoms and healthcare dominating the scene. The KKR acquisition of MasMovil<sup>3</sup> (EUR 3.3bn loan issuances) and Apax's EUR 1bn+ sale of Idealista<sup>4</sup> are examples of the pent-up demand from buyers to put capital to work
- Government support schemes are still playing a relevant role, with new programmes like the country's rescue fund (SEPI) and the extensions of the previous schemes giving oxygen to capital structures
- For 2021, we believe resilient sectors will continue to attract appetite while the sectors hardest hit by the pandemic will see continued low levels of activity. We expect critical sectors such as tourism, leisure and retail to experience difficulty, and likely have access to private credit removed for the time being
- Consolidation of the banking sector (in 2020 Caixabank and Bankia, two of the top five Spanish banks, announced a merger<sup>5</sup>) will bring new opportunities to the table for institutional lenders in 2021
- With progressively overleveraged capital structures and still depressed current-trading, we expect an increase in refinancings as maturities draw near and debt servicing increases

### Highlights – Italy

- As of January 2021, state-guaranteed loans have reached a total volume of EUR 20.9bn<sup>6</sup>
- Lending activity did not slow down in the last quarter of 2020, with new initiatives launching, including 'Project Zefiro', led by a consortium of four Italian pension funds (Fondo GommaPlastica, Fopen, Pegasoand Previmoda), which will focus on the private debt segment in Italy and Europe with a total commitment up to EUR 195m<sup>7,8,9</sup>
- The credit market has somewhat recalibrated since the first lockdown and lenders are beginning to shift focus and resources back towards new transactions
- We expect banks to continue to focus on granting clients access to government loan schemes, which may leave reduced capacity for M&A opportunities
- On the other hand, the different performance targets of debt funds (deployment targets, typically smaller portfolios and a finite investment period) means they are increasingly open for business
- Companies operating in the industrials, technology & software, manufacturing and food & beverage sectors have been the top targets for private lenders. Despite the significant impact on the food & beverage market there have been nine issues of minibonds and one direct lending deal in the sector<sup>10</sup>

### Highlights – DACH

- We saw the DACH leveraged loan market further strengthen in Q4 2020, following a rebound in lending activity in Q3, with activity approaching pre-crisis levels
- Resumption of deals put on pause in Q2, accumulated dry powder, vaccine news, government support and investors' ongoing interest for companies which have proven Covid resilience (e.g. IT, healthcare, telecoms), has driven this uptick
- Since the start of the Covid-19 liquidity programme in March 2020, KfW (Kreditanstalt für Wiederaufbau) has received c.115,00 loan applications totaling more than EUR 59bn<sup>1</sup>. This programme is due to expire at the end of June 2021<sup>2</sup>
- In our view, Q1 2021 will likely be another intense quarter of LBO activity as we have already seen the market pick up, with several M&A processes kicking off in January
- Resilient sectors will continue to attract appetite from investors and lenders. Recent related transactions have shown strong competition among funds and banks with terms and pricing approaching pre-crisis levels - we expect this trend to continue for these sectors
- We expect to see further financing opportunities in the digital infrastructure sector as investors are increasingly turning their attention towards the rollout of FTTH networks driven by the ongoing digital transformation

### Highlights – France

- The lending market was quite active in Q4 2020, with many transactions that kicked off after the summer completing before the Christmas break
- Given the second lockdown in France in November and the potential of an incoming third, the French lending market is operating at two different speeds;
  - Lender appetite on Covid-proof assets, notably in software and healthcare is very high
  - Lenders are more careful on Covid adjustments for non Covid-proof assets. For these businesses, we would recommend to refine views on the potential impact of a third lockdown and the post crisis deleveraging profile
- Private debt funds' market share is increasing in the mid-market amid banks' renewed cautiousness on underwriting. Some private debt funds still need to deploy and can propose very competitive terms

DC Advisory's European Capital Advisory team explores the activity for Q4 2020 >

# Debt Market Monitor Q4 2020: UK (Part 1/2)

## Multi-banked LBOs completed in Q4 2020

[illegible]

Notes: The UK Debt Market Monitor shows senior and subordinated debt providers for bilateral and multi-banked loan-funded LBO / refinancings involving a UK target

- denotes a LBO
- denotes a refinancing, recapitalisation or transformative add-on
- /○\* denotes lender is solely the provider of super senior undrawn debt (SSRCF) or super senior term debt (1<sup>st</sup> out) facilities alongside a debt fund

CL: Club deal; UW: Underwrite; Hybrid: Hybrid facility; Uni: Unitranche; Mezz: Mezzanine; PIK: PIK note; 1O / 2O: First out, second out; 1L / 2L: First lien, second lien

For all data sources – see slide 13

## Debt Market Monitor Q4 2020: UK (Part 2/2)

## Multi-banked refinancings completed in Q4 2020

[illegible]

Notes: The UK Debt Market Monitor shows senior and subordinated debt providers for bilateral and multi-banked loan-funded LBO / refinancings involving a UK target

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For all data sources – see slide 13

## Debt Market Monitor Q4 2020: France (Part 1/2)

## Multi-banked LBOs completed in Q4 2020

[illegible]

Notes: The France Debt Market Monitor shows senior and subordinated debt providers for bilateral and multi-banked loan-funded LBO / refinancings involving a French target

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## Debt Market Monitor Q4 2020: France (Part 2/2)

## Multi-banked refinancings completed in Q4 2020

[illegible]

Notes: The France Debt Market Monitor shows senior and subordinated debt providers for bilateral and multi-banked loan-funded LBO / refinancings involving a French target

- denotes a LBO
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For all data sources – see slide 13

# Debt Market Monitor Q4 2020: DACH

## Multi-banked LBOs and refinancings completed in Q4 2020

[illegible]

Notes: The DACH Debt Market Monitor shows senior and subordinated debt providers for bilateral and multi-banked loan-funded LBO / refinancings involving a DACH target

- denotes a LBO
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For all data sources – see slide 13



## Debt Market Monitor Q4 2020: Spain (Part 1/2)

## Multi-banked LBOs completed in Q4 2020

		Sponsor	Santander CaixaBank BBVA Bankia Sabadell Bank of Ireland BNP Paribas Bankinter ING Crédit Agricole Targobank Deutsche Bank Cajamar Banca March Société Générale Mizuho JP Morgan Banco Pichincha Goldman Sachs Ibercaja UniCredit Barclays Banco Coop. Español Morgan Stanley Cajas Rurales Sumitomo Mitsui Intesa CR Zamora Morabanc Innomutua Abanca Citigroup Instituto Catalán de Finanzas Liberbank Caja de Arquitectos HSBC Rabobank Credit Suisse UBS Banca IMI Investec Kommunal Kredit AgenSynd	Muznich Oquendo Tresmares Bridgepoint Credit Triehau Arcmont Pricoa CVC Credit Idinvest Kartesia Taldeo Debt Fund	Nature of the deal
Target					
EBITDA > €25m					
Angulas Aguinaga	PAI Partners				CL
Idealista	EQT				CL
Neuraxpharm	Permira				CL
EBITDA < €25m					
Albenfruit	Sun Ridge				CL
Antonio Llusar	MCH				CL
Endalia	Accel - KKR				CL
Frugarva	GPF				CL
F&D Group	Cranemere				Uni
IMF Business School	Capza				Uni
Laboratorios Entema	Dutch PE				Uni
Peris Costumes	GPF				Uni
Prosur	MCH				Uni
Symborg	Cofides - Oman Fund (MCH)				Uni
Terrats Medical	Miura				Uni

Notes: The Spain Debt Market Monitor shows senior and subordinated debt providers for bilateral and multi-banked loan-funded LBO / refinancings involving a Spanish target

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For all data sources – see slide 13

## Debt Market Monitor Q4 2020: Spain (Part 2/2)

## Multi-banked refinancings completed in Q4 2020

[illegible]

Notes: The Spain Debt Market Monitor shows senior and subordinated debt providers for bilateral and multi-banked loan-funded LBO / refinancings involving a Spanish target

- denotes a LBO
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CL: Club deal; UW: Underwrite; Hybrid: Hybrid facility; Uni: Unitranche; Mezz: Mezzanine; PIK: PIK note; 10 / 20: First out, second out; 1L / 2L: First lien, second lien

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# Debt Market Monitor Q4 2020: Benelux

Multi-banked LBOs and refinancings completed in Q4 2020

	Target	Sponsor	Rabobank	ING	Investec	NIBC	ABN Amro	HSBC	SMBC	Idinvest	Crescent	CVC	Bridgepoint	Alcentra	Ardian	Armont	Blackrock	Ares	Tikehau	Barings	LGT	Apollo	Five Arrows	Pemberton	Permira	HPS	Park Square	Berenberg	Hayfin	Nature of deal
LBO	<b>EBITDA &lt; £25m</b>																													
	Group of Butchers	Parcom Capital																												Uni
	Keesing (Puzzle Holding B.V.)	BC Partners	●	●	●		●																	●						UW
	<b>£5m &lt; EBITDA &lt; £25m</b>																													
	Broad Horizon	EMK									●														●					Uni
	CNC	Sun Capital									●																			Uni
	Customs Support Group	Castik														●														Uni
	Enhesa	CGE Partners			●								●																	Hybrid
	Geodynamics	IK Investment Partners														●														Uni
	Normec	Astorg		●*				●*									●													Uni
Refi / Recap / Add-On	PePe Parts	Bencis								●							●													Uni
	Quintes	Aquiline													●							●								Uni
	Xebia	Waterland	●																●											1 Out / 2 Out
	You Sure	IK Investment Partners															●				●									Uni
	<b>EBITDA &gt; £25m</b>																													
	Expereo	Waterland												○																1 Out / 2 Out
	Intracto	Waterland												○																Uni
	<b>£5m &lt; EBITDA &lt; £25m</b>																													
	Amadys	Equistone										○																		Uni
	CED	BlackFin Capital Partners		○*														○												Uni
	Heineoord	Qmulus Invest																					○							Uni
	Quintes	Aquiline Capital Partners								○					○															Uni
	Symeres	Gilde Healthcare									○																			Uni
Total Q4-20			2	3	2	0	1	1	0	2	2	1	1	2	2	2	2	1	1	0	1	1	1	1	1	0	0	0	0	19
Total Q3-20			2	1	1	1	1	0	1	0	0	2	0	0	0	0	0	1	0	1	0	0	0	0	0	1	1	0	0	5
Total Q2-20			2	1	0	2	0	0	0	1	0	0	1	0	0	0	0	0	0	1	0	0	0	0	0	0	0	1	1	6
Total Q1-20			0	0	0	0	0	0	0	0	1	0	1	0	0	0	0	0	1	0	0	0	0	0	0	0	0	0	0	3
Total LTM			6	5	3	3	2	1	1	3	3	3	3	2	2	2	2	2	2	2	1	1	1	1	1	1	1	1	1	33

Notes: The Benelux Debt Market Monitor shows senior and subordinated debt providers for bilateral and multi-banked loan-funded LBO / refinancings involving a Benelux target

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For all data sources – see slide 13

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# References:

\* All data in the tables of this presentation has been collected via DC Advisory's independent survey of 93 European banks and direct lenders, which was completed in January 2021 (conducted across UK, France, Germany, Austria, Switzerland, Spain, Belgium, Netherlands and Luxembourg)

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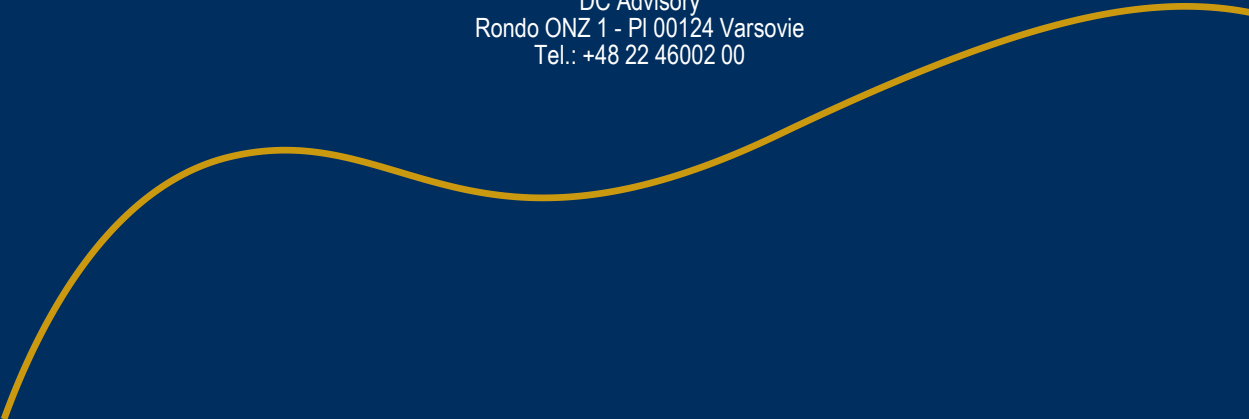
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