



Debt Market Monitor Q4 2018

February 2019

Recent European debt advisory transactions

Project Fresh Advisor to sponsor on acquisition financing Value not disclosed Pending 	Chambers AND PARTNERS Advisor to the company on refinancing Value not disclosed January 2019 	Project Eclipse Advisor to family office on refinancing £60m January 2019 	Project Pint Advisor to the company on debt raising Value not disclosed December 2018 	 CloserStill Advisor on staple financing Value not disclosed December 2018 	HLD elivio SRS UI Advisor to the company on refinancing €360m November 2018 	 SOGETEL Advisor to the shareholders and the company on its sale process and lender education Value not disclosed September 2018 
Project Siri Advisor to the company on refinancing £146m August 2018 	 NEILSON Advisor to sponsor on acquisition financing Value not disclosed August 2018 	 lar Advisor to the company on refinancing and recapitalisation Value not disclosed August 2018 	 ERGON Advisor to the company on refinancing Value not disclosed July 2018 	 r2p open access Advisor to HQ Equita on the acquisition financing of r2p and Open Access Value not disclosed July 2018 	 evernex THE CARLYLE GROUP Advisor to Evernex on refinancing Value not disclosed July 2018 	Project Broadleaf Advisor to sponsor on acquisition financing Value not disclosed July 2018 
Project Harrow Advisor to sponsor on acquisition financing £80m July 2018 	PORTMAN dental care Advisor to sponsor on acquisition financing Value not disclosed June 2018 	Project White Advisor to the company on amendment and refinancing Value not disclosed May 2018 	 NEOXAM Advisor on the acquisition financing of Neoxam Value not disclosed May 2018 	 spgprints Advisor to the sponsor on amendment €160m April 2018 	 VECOY Advisor to the sponsor on acquisition facilities €125m April 2018 	 Trescal Advisor to the sponsor on acquisition facilities Value not disclosed April 2018  
 Reconomy Advisor to the company on refinancing Value not disclosed April 2018 	 ELATEC Advisor to Summit Partners on acquisition financing Value not disclosed March 2018  	 CES  eurozeo Advisor to Eurazeo Patrimoine on acquisition financing of Groupe C2S Value not disclosed March 2018 	 LABELIUM  Qualium Advisor to Qualium on acquisition financing of Labelium Value not disclosed February 2018 	 Secure Link Advisor to the company on refinancing Value not disclosed February 2018 	 Climater  SAGARD Advisor to the shareholders and the company on its sale process and lender education Value not disclosed January 2018 	 CCC Advisor to Ardian on acquisition financing of Competence Call Center Value not disclosed January 2018 
 SCHROTH Advisor to Perusa on acquisition financing of Schroth Safety Products Value not disclosed January 2018 	 Active Advisor on staple financing Value not disclosed January 2018 	 PRIMARY Advisor to the company on debt raising \$75m January 2018 	 Law Business Research Advisor on staple financing Value not disclosed January 2018 	 thomas Advisor on staple financing Value not disclosed January 2018 	 JOA Advisor on disposal to Blackstone Value not disclosed October 2017 	 AWK GROUP Advisor to DPE Deutsche Private Equity on acquisition financing of AWK Group Value not disclosed December 2017 

Q4 2018 – Executive summary

2018 was dominated by direct lenders

Highlights Europe

- 2018 will likely be seen as the year of 'private credit', a trend that has been clear for some time, with the direct lenders dominating the mid-market leverage finance arena at the expense of banks. Whilst private credit fund raising was lower in 2018 compared to the previous year (€22bn in 2018 versus €32bn in 2017), direct lenders have significant dry powder. But, with lower M&A volumes, one of their key challenges remains deployment.
- The extent of capital available and competition amongst funds has seen documentation become increasingly borrower friendly, with tighter pricing and syndicated market terms taking hold in the mid-market arena. This includes: covenant-lite; covenant loose; greater EBITDA flexibility; portability clauses; freebie baskets; ability to re-leverage; holdco PIKs; etc.
- However, terms alone are not enough and direct lenders have sought to distinguish themselves in other ways, such as size. With the larger funds flexing their muscles to compete head on with the syndicated loan or HY bond markets, they are demonstrating they can write large tickets, move quickly and remove syndication and flex risk. Or indeed, moving down the scale, backing smaller but fast growing businesses that will need follow-on funding.
- Whilst banks would like to see more senior club deals, super-senior has been the theme this year for them. Less so the traditional super-senior revolving credit facility (RCF) only, increasingly we see banks providing super-senior term debt as a means of deploying more capital, maintaining relationships with borrowers, a chance to pitch for ancillary services, and lower cost of capital for borrowers.

Highlights – UK

- There was a slowdown in leveraged loan volume in Q4 2018, which is expected to continue into Q1 2019 as the deal pipeline is impacted by Brexit uncertainty
- For strong, contract underpinned / recurring revenue credit stories, borrower-friendly market-leading terms are still achievable

Highlights – DACH

- Leveraged lending activity recovered somewhat in Q4 2018, following an inactive third quarter
- Mid-market pricing has remained steady and has not been impacted by pricing corrections in the large cap space in light of 'bumpy' syndications through the summer

Highlights – Spain

- The leveraged loan market slowed in Q4 2018
- Of note, direct lenders financed all LBOs in Q4 2018, thus solidifying their position as an attractive financing option in the mid-market
- International banks continue to compete for large transactions backed by international sponsors

Highlights – France

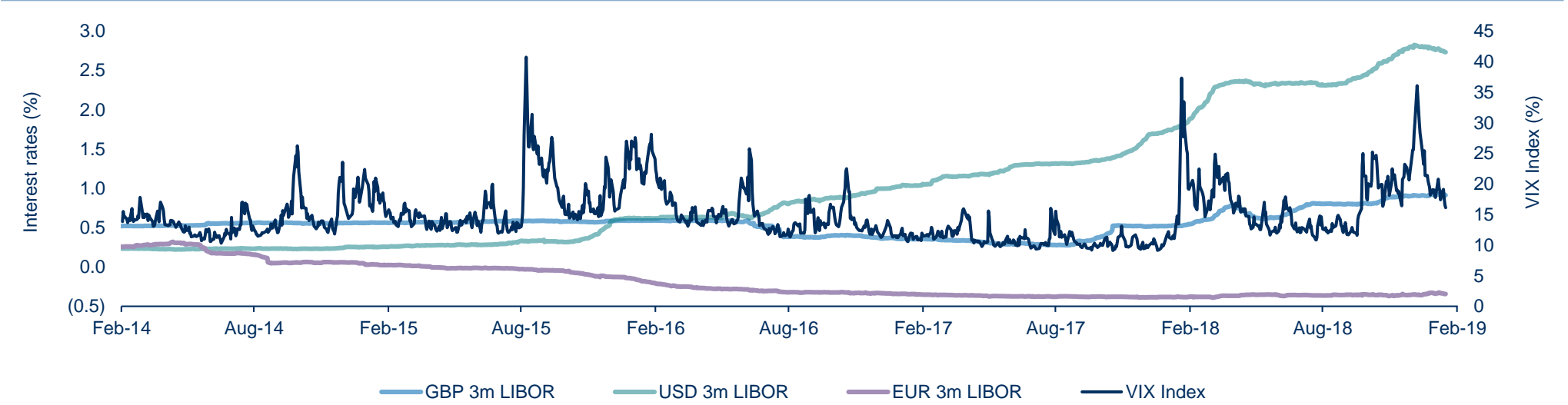
- Leveraged financing activity slowed in Q4 2018, and reflecting reduced M&A activity
- Demand is strong for good credit stories, however, lenders remain disciplined for weaker credit stories or highly-leveraged structures, which has led to a number of flexed transactions

Debt Market Monitor Q4 2018

DC Advisory's 2019 Predictions

- Despite the disappointing end to 2018 both in terms of returns for liquid credit and issuance, Q1 2019 appears to be off to a good start with issuance pipelines remaining strong. However, the combination of rising interest rates – notwithstanding the Fed having lowered guidance on hikes and the ECB only tapering towards the second half – and increased political uncertainty across major European economies, means some market volatility is to be expected.
- In the mid-market, we expect to see a continued trend amongst banks to favour super senior positions and private credit portfolio managers to take advantage of any liquid market disruption, further disintermediation of the underwritten loan market or indeed the public markets.
- Defaults are broadly expected to remain low, partly due to their backward rather than forward looking nature, partly due to the ongoing benign, albeit volatile, credit environment in the first half, and partly due to the flexibility in credit documentation. This last point could present real opportunities for borrowers.
- At DC Advisory, we continue to be very busy on the refinancing front, helping borrowers take advantage of opportunistic market windows and situations. However, we are seeing from borrower and shareholders a focus on maximising flexibility in loan documentation and 'future proofing' their capital structure.

Interest rates (three month Libor) vs. volatility (VIX)



Multi-banked LBOs and refinancings completed Q4 2018

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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
- /○* denotes lender is solely the provider of super senior undrawn or term debt ('1st out') facilities alongside a debt fund

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

Debt Market Monitor Q4 2018: France

Multi-banked LBOs and refinancings completed Q4 2018

		Lender																								Nature of deal																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																							
Target	Sponsor	LCL	Société Générale	BNP Paribas	CIC	CA Régionales	Banque Populaire	Banque Palatine	HSBC	CA-CIB	Bank of Ireland	Caisse d'Epagne	ING	Credit du Nord	Credit Mutuel Arkea	KBC	SMB	Neufilize	BESV	La Banque Postale	Sabadell	Natixis	Barclays	Siemens Bank	Rabobank	NIBC	Idinvest	Capzantine	CM-CIC Private Debt	Barings	LGT European Capital	Lyxor	Alcentra	Pemira	Cerea	BNP Paribas SME	Tikehau	Ardian	Goldman Sachs	Allianz Global Investors	Pemberton	Zenicap AM	BlueBay	Bridgepoint Private Debt	ICG	Indigo	Axa Investment Managers	Vama	Apera Capital	Scor Investment Partners	Amundi	Karasia	EMZ	Artemid	Hayfin	Nature of deal																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																									
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Notes: The French 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

◦ denotes a refinancing

•/◦* denotes lender is solely the provider of undrawn facilities in a unitranche transaction

CL: Club deal; UW: Underwrite; Hybrid: Hybrid facility; Uni: Unitranche; Mezz: Mezzanine; PIK: PIK note; 1 0 / 2 0: First out, second out

Multi-banked LBOs and refinancings completed Q4 2018

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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
- denotes a refinancing
- /○* denotes lender is solely the provider of undrawn facilities in a unitranche transaction

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

Debt Market Monitor Q4 2018: Spain

Multi-banked LBOs and refinancings completed Q4 2018

	Target	Sponsor	Santander	CaixaBank	BBVA	Bankia	Bankinter	Sabadell	Banca March	ING	Société Générale	Deutsche Bank	Rabobank	Crédit Agricole	Natixis	Cajamar	BNP Paribas	Barclays	Morgan Stanley	JP Morgan	Credit Industrial et Commercial	Caja de Arquitectos	Banco Pichincha	Ibercaja	Caja Rural de Navarra	Credicoop	Unicaja	Sumitomo Mitsui	HSH Nordbank	DNE ASA	Citigroup	Goldman Sachs	Alantra (Alteralia)	Tikehau	Oquendo	Capzanine	LGT	Kartesia	CVC	Brookfield	EQT	Ares	Nature of deal																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																			
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Notes: The Spanish 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
- denotes a refinancing
- CL: Club deal; UW: Underwrite; Hybrid: Hybrid facility; Uni: Unitranche; Mezz: Mezzanine; PIK: PIK note; 1 Ou/ 2 O: First out, second out

Multi-banked LBOs and refinancings completed Q4 2018

[illegible]

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.

- denotes a LBO
- denotes a refinancing
- /○* denotes lender is solely the provider of undrawn facilities in a unitranche transaction

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



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