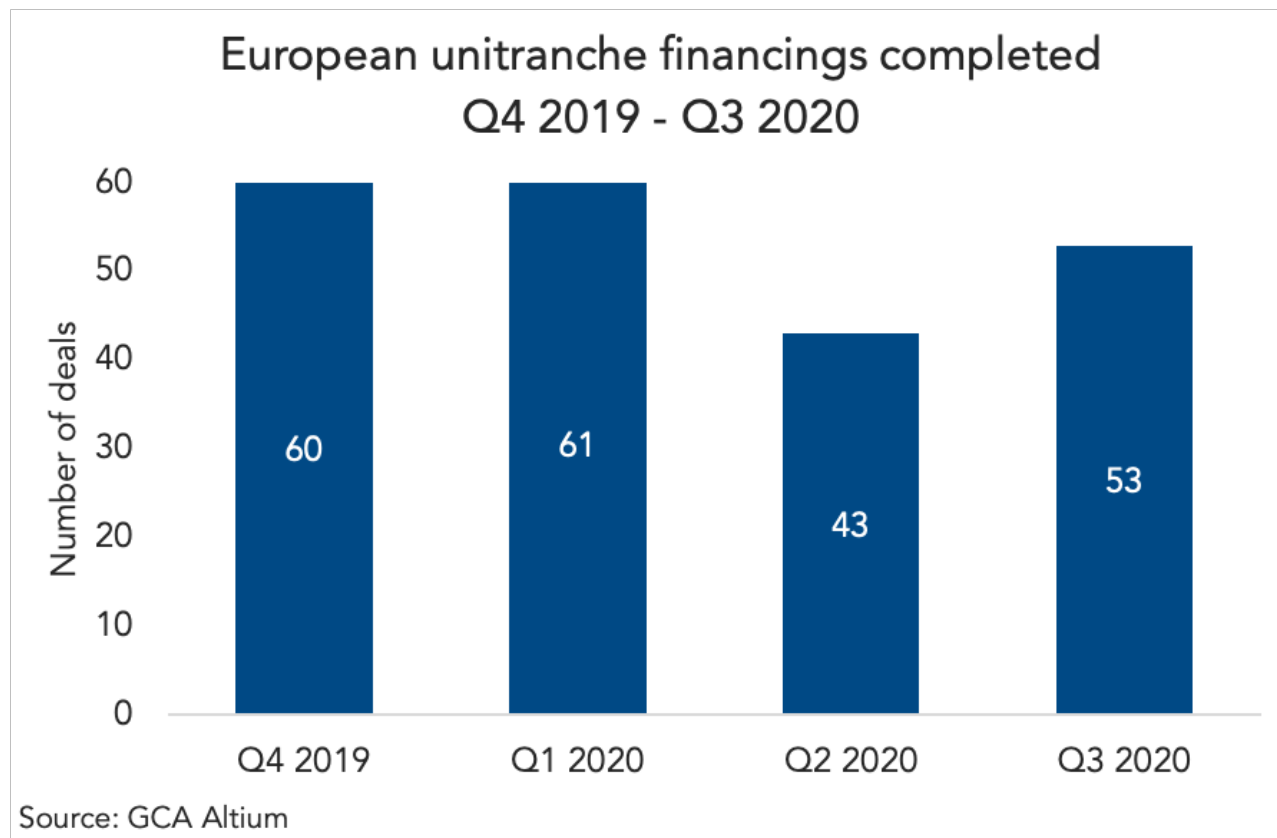


Are the clouds beginning to lift?

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The deal market is showing signs of picking up, as positive news on a covid-19 vaccine brings hope even to the worst-hit sectors.

Speaking to sources in the private debt market has been a surprisingly uplifting experience recently. Following many predictions of doom and gloom in the spring of 2020, the most common view in the fall seems to be that, on reflection, things could have been an awful lot worse. Thanks in part to government and central bank intervention – but also to sponsors and lenders stepping up the plate – many portfolios are in decent shape and the level of defaults is not as bad as feared.

Private equity firms, which were initially extending planned exit timeframes by a year or more, have in some cases reverted to their original plans as company performance has exceeded expectations. They are also finding plenty of opportunity to put dry powder to work, not just in terms of easing liquidity issues for portfolio companies but also in new deals (some of which, we hear, are in the form of highly competitive auctions).

As our chart above shows, the third quarter brought with it a recovery in unitranche transactions in Europe – just one example of a deal environment showing more encouraging signs after a summer spent in the doldrums. There has been talk of a bifurcated market, whereby capital has flocked to those companies – in areas such as

software and healthcare – that appear either unaffected by covid-19, or possibly even with better prospects as a result of it. It is clear there is no shortage of capital for those with viable business plans amid the pandemic.

All the talk this week – aside from a certain Presidential election result – is around the revelation that a covid-19 vaccine from pharmaceutical companies Pfizer and BioNTech is apparently highly effective. One wonders what implications this may ultimately have, as companies in badly affected sectors such as airlines and hospitality witnessed the unaccustomed spectacle of their shares suddenly soaring on public markets. It's the latest twist in what has been 2020's very strange tale.