Reinforcements needed for deals frontline

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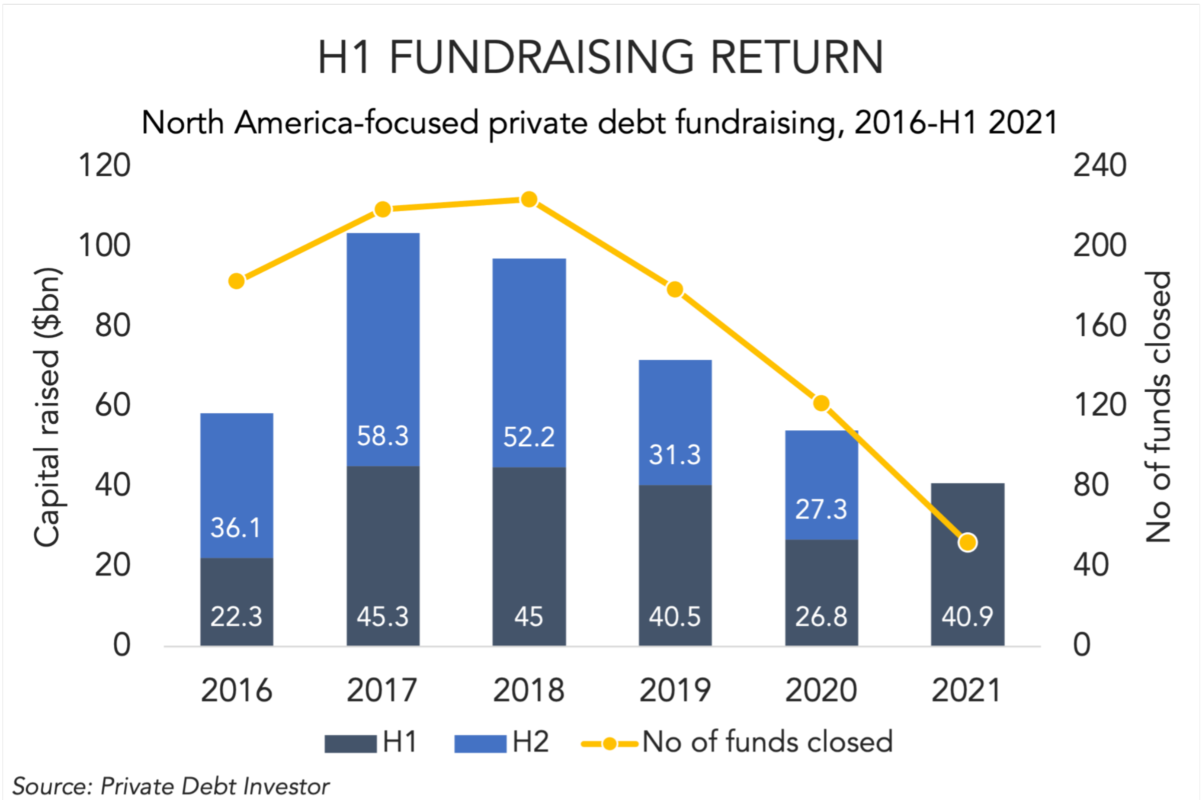

Private debt transactions are plentiful, but are European fund managers biting off more than they can chew?

In last week's *Lead Left*, we reflected on our *US Report*, which accompanied the September 2021 issue of *Private Debt Investor*, in which Paul Hastings partner William Brady told us that the market was "white hot and hotter than it was pre-covid".

In much of last week's column, we reflected on the buoyant fundraising market amid strong signs that investors are feeling optimistic about the asset class's prospects. But perhaps even clearer evidence is available when you take a look at the deals market (see chart above).

So hot is the market, indeed, that sources tell us hiring needs to step up a gear. "The biggest problem is one of resourcing; the large number of deals in the pipeline versus the number of people in the system. How much can you actually push through that system? There's lots of activity and lots of hiring, and we only see the same for Q4," one deal advisory source told us last week, adding: "All the drivers and dynamics are pointing in the right direction."

Even should the market suffer an unexpected negative impact, sources point out that it would not simply switch off as there is estimated to be around 18 months to two years of dry powder waiting on the side lines from a successful period of fundraising.

One possible concern, however, surrounds concentration risk. We are told that $1 billion private debt financing cheques, a rare phenomenon a year to two years ago, are now becoming increasingly common. But, in contrast to the US where the club spirit remains strong, Europe is seeing firms hold the entire ticket rather than syndicate out to the wider market – raising the prospect of taking a big hit should a deal go wrong. “Learn to share” is the advice some would like to give.

(Past performance is no guarantee of future results.)