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German buyouts set new records

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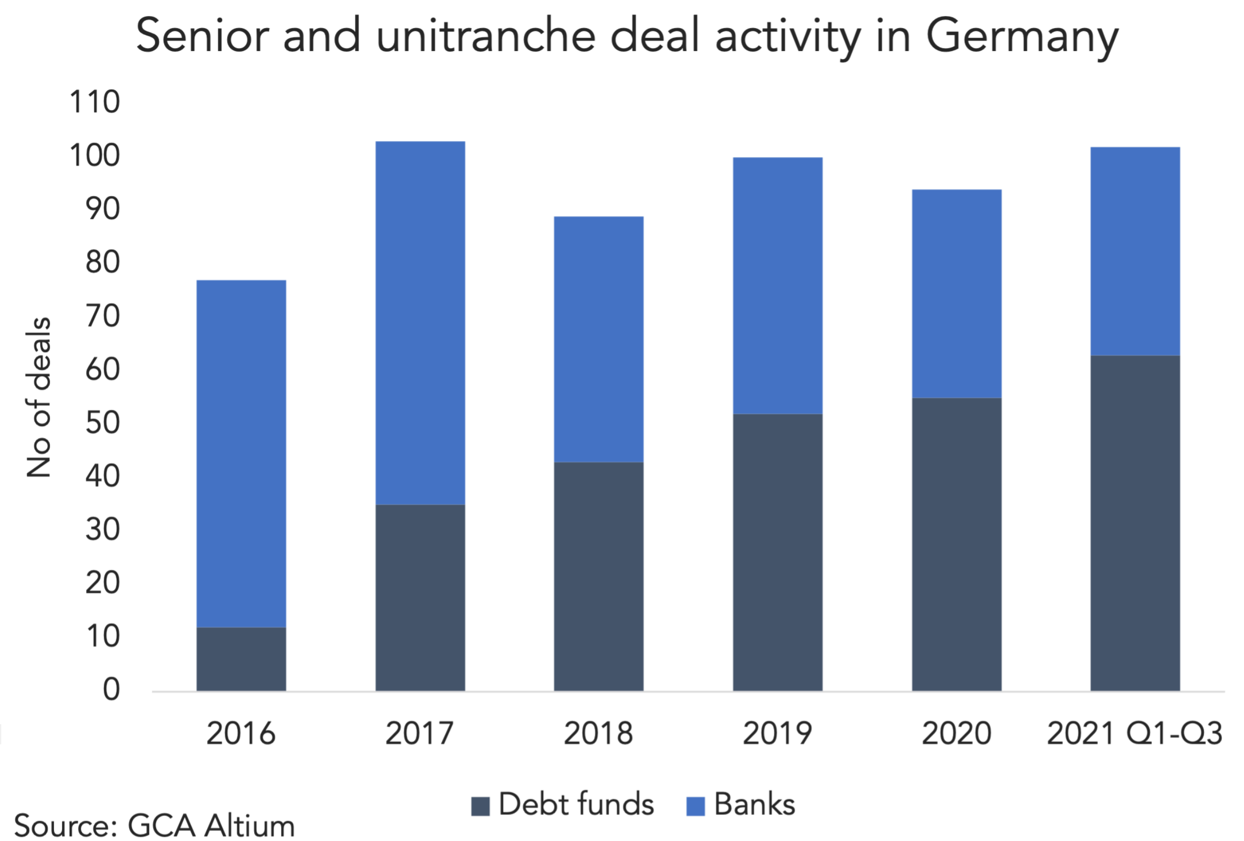

As mid-market activity soars, debt funds continue their relentless advance and the banks have revived too.

One quick conclusion that can be drawn from the latest version of *MidCap Monitor*, published by investment bank GCA Altium, is that the German leveraged buyout market is in fine shape. The 102 successfully completed mid-market LBO financings (defined as between €20 million and €500 million) in the first nine months of 2021 represented a new record level of activity.

Interestingly, when it comes to the debt financing of these LBOs, the banks have put up a stronger performance as the year has progressed. Johannes Schmittat, a managing director at GCA Altium, provides insight into why this has been the case:

"The good news is that compared to the beginning of this year, financings for sectors such as industrials, manufacturing and services are available again. We consider this one of the reasons why in Q3 banks were able to take back market share from debt funds as these sectors do not require leverage levels as aggressive as for software, tech and healthcare assets."

It is the latter three sectors that had, up to now, been largely favoured as they had come through the pandemic in relatively strong shape. Plentiful dealflow in these areas had enabled debt funds in Germany to maintain their growing advantage over the banks, as can be seen from our chart above. It was in 2019 that the debt funds finally surpassed the banks as the main providers of finance to the German LBO market.

This evolution will have come as a surprise to a delegate at one of *Private Debt Investor's* European conferences around five or six years ago who made the claim, following a panel on the topic, that the German market would always be bank dominated because that was the culture, plain and simple. What has happened since suggests there is no barrier to the advance of private debt anywhere even if, as the latest figures suggest, the banks still have some life left in them.

(Past performance is no guarantee of future results.)