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Europe’s unstoppable deal market

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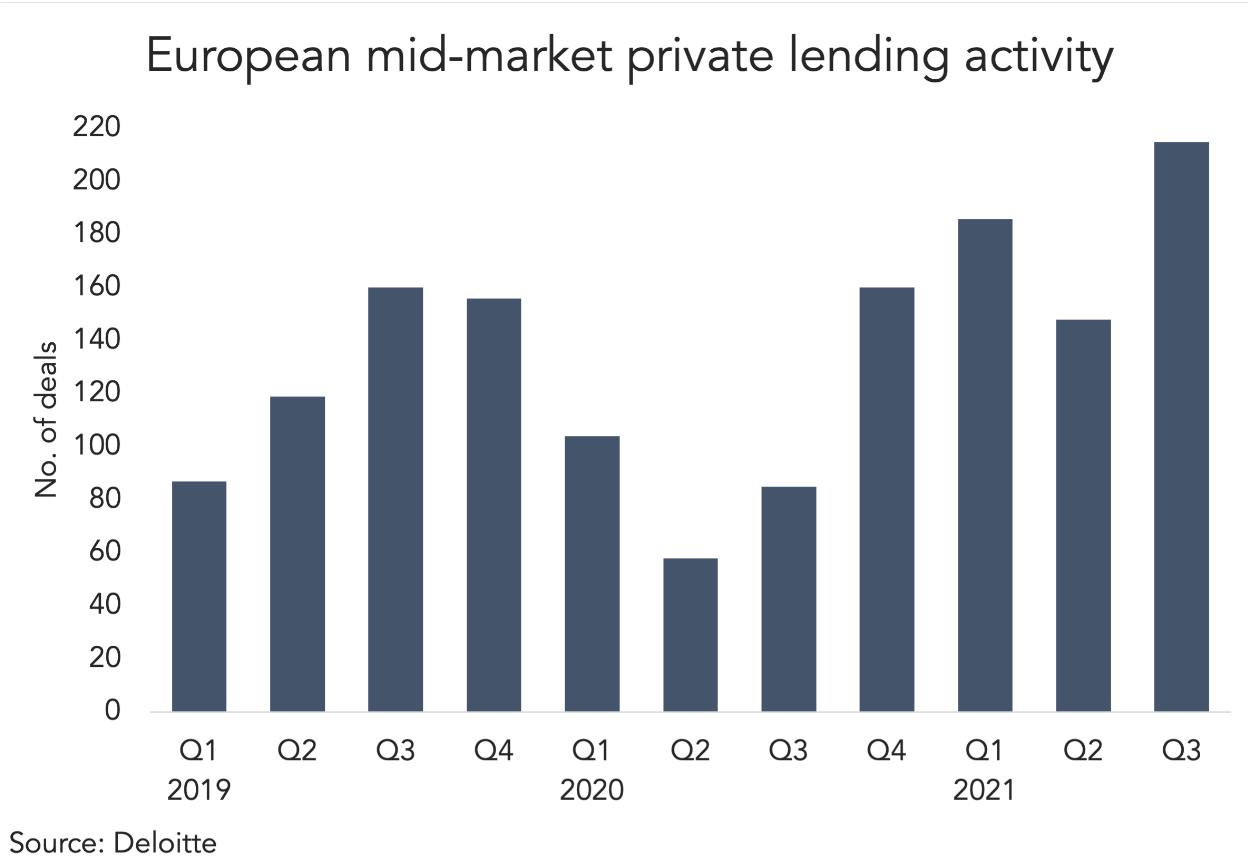

Despite the pandemic, it’s been a case of full steam ahead for transactions in the region.

European private debt deal numbers breached the 200 milestone during a single quarter for the first time in Q3 according to the latest figures from the *Deloitte Alternative Lender Deal Tracker*. On the face of it, this is remarkable given the ongoing covid pandemic and suggests a level of resilience few would have thought possible.

In total, Deloitte recorded 215 deals during the quarter, beating the previous quarterly record of 186 transactions seen in Q1. This brings the total for 2021 so far to 549, well ahead of the previous annual record of 522 seen in 2019.

The UK remained the most active market in Europe in Q3, with 33 percent of deals, followed by France with 22 percent and Germany with 14 percent.

TMT was the most active sector and accounted for 27 percent of deals during the quarter, with business services following on 22 percent and healthcare on 19 percent.

Deloitte said the surge in dealflow during Q3 pointed to a return to pre-covid levels of confidence, with borrower appetite for alternative lending remaining strong and evidence of significant capital deployment by private debt lenders.

However, lenders have been shifting towards higher quality and safer assets in recent times by prioritising the likes of TMT, business services and healthcare investments. This has resulted in a swing of 19 percentage points towards these three industries since the beginning of 2017. The deals market may have carried on regardless, but it is not indifferent to downside protection.

So will the deals boom carry on into 2022? General sentiment appears to be in favour of precisely that outcome, although there is some caution around inflation and the possibility of rate rises. If nothing else, the mountain of dry powder in the hands of private equity firms should ensure a healthy flow of sponsored deals for some time to come.

(Past performance is no guarantee of future results.)