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UK dislodged from Europe's top spot

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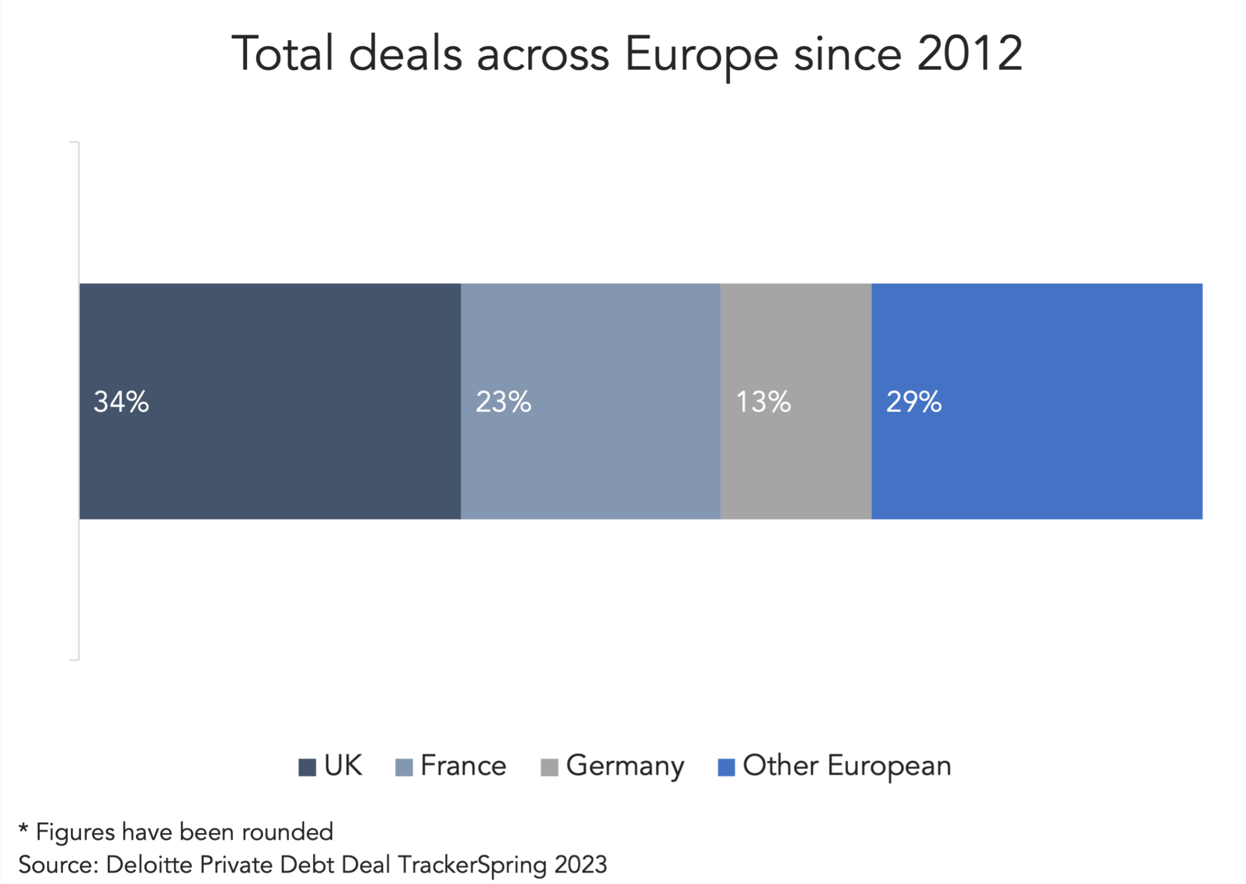

France saw a surge of deals in the second half of last year, but the UK should not be written off prematurely.

The Deloitte Private Debt Deal Tracker for the second half of last year caused something of a stir when it positioned France ahead of the UK for the first time. The Tracker measures completed private debt deals in major European markets and found that France accounted for 29 percent of Europe's total deals during the period compared with the UK's 27 percent.

This was an unprecedented tumble from the perch for the UK market which, as can be seen in the chart above, has accounted for more than a third of Europe's total deals and been comfortably the number one market, since 2012.

So what's changed? Chris Bone, head of private debt in Europe at Partners Group, told PDI's recent Europe Report: "Our portfolio is currently underweight UK. We do think that the UK compared to other regions in Europe is experiencing more stress as a result of Brexit, availability of workforce, high inflation rates and so on."

Partners is not the only firm to have drawn such conclusions and many have focused attention instead on other markets such as the DACH region, France and the Netherlands.

However, it would be premature to write the UK off. Market sources point out that it has still seen significant activity at the larger end, a continuing focus on buy-and-build opportunities in the mid-market and strong interest being maintained in certain sectors such as business services.

In its Q1 2023 Mid-Cap Monitor, Houlihan Lokey found that while the UK saw a 16 percent decline in unitranche activity compared with Q4 2022, this was a relatively modest drop compared with other European markets. Indeed, France was the hardest hit of any major European market with a drop of 32 percent.

It’s clear that the region’s deal activity as a whole has taken a knock due to a confluence of factors. While there are some signs that the UK may have been hit particularly hard, it could not yet be described as hard evidence.

(Past performance is no guarantee of future results.)