Deloitte.

# Spreading their wings

## Direct Lenders evolve their product suite

Deloitte Alternative Lender Deal Tracker Spring 2018

This issue covers data for the fourth quarter of 2017 and includes 1301 Alternative Lender deals, representing an increase of 32% in deal flow on a last 12 months basis in comparison with the previous year.


**Deloitte Alternative Lender Deal Tracker editorial team**

**Floris Hovingh**
**Partner**
Tel: +44 (0) 20 7007 4754
Email: fhovingh@deloitte.co.uk

**Andrew Cruickshank**
**Assistant Director**
Tel: +44 (0) 20 7007 0522
Email: acruickshank@deloitte.co.uk

**Magda Tylus**
**Manager**
Tel: +44 (0) 20 7007 9318
Email: mtylus@deloitte.co.uk

**Shazad Khan**
**Assistant Manager**
Tel: +44 (0) 20 3741 2051
Email: stkhan@deloitte.co.uk

# Contents


| | |
|---|---|
| Alternative Lender Deal Tracker Q4 2017 Data Introduction | **2** |
| Leveraged loan trends for Direct Lenders | **4** |
| Alternative Lender Deal Tracker Q4 2017 Data | **6** |
| Direct Lending fundraising | **14** |
| Alternative Lending in action: Sovos counts on Direct Lending | **26** |
| Alternative Lending in action: Spotlight on the Polish market | **30** |
| Deloitte's CFO Survey | **34** |
| Insights into the European Alternative Lending market | **38** |
| Deloitte Debt and Capital Advisory | **49** |

# Deloitte Alternative Lender Deal Tracker Q4 2017 Data Introduction

In the eighteenth edition of the Deloitte Alternative Lender Deal Tracker, we report that growth in the Direct Lending market was turbocharged in the 12 months leading up to the end of the fourth quarter of 2017, a 32% increase to the previous year. Lending in the quarter hit an impressive 103 deals, a rise of 51% on the same period in 2016, breaking the previous quarter's record for the highest increase. Our report covers 63 major Direct Lenders with whom Deloitte is tracking deals across Europe.

Direct Lending grew robustly in the fourth quarter, on the back of a consistently growing Eurozone economy. We expect continued expansion in 2018, given the sector's strong fundamentals and the ongoing search by mid-market firms for alternative sources of capital. Direct Lending is cementing its position as an essential tool for mid-market businesses across the continent.

In 2017, Eurozone gross domestic product (GDP) grew a solid 2.5%, the fastest since the economic crash of 2008. At the start of 2018, this positive backdrop was suddenly rocked hard by volatility in the Equity markets, driven by concerns of inflation and the likely resulting impact of increased interest rates.

Despite market conditions, UK businesses continue to see the split from the EU as their greatest challenge, according to the Deloitte CFO survey detailed on page 35. Nevertheless, with interest rates subdued at 0.5% and zero in the UK and Europe respectively, credit remains cheap and plentiful and CFOs are determined to use this capital to expand their businesses.

Direct Lenders are capitalizing on these conditions as many borrowers seek alternatives from more traditional bank loans and bonds.

These lenders are increasingly able to offer high quantities of debt on a bilateral basis and continue to significantly increase their exposure in Europe: in the UK, France and Germany alone (the three largest markets for Alternative Lending), the deal count rose 36%, 19% and 3% respectively in the last year.

Elsewhere the Nordic countries experienced a robust growth with 16 new deals compared to last year, representing a total growth of 34%.

Emerging Alternative Lending markets also saw expansion. In Poland, the subject of our country focus article, there were 10 large deals in 2017 included in our survey, and a myriad of smaller loans provided directly by insurers as well as alternative credit managers typically beyond the appetite of the local banks in terms of complexity and risk. With GDP growth exceeding that of Europe at 4.6% in 2017, the Polish market (the largest eastern European economy) is ripe for growth and we expect to see more UK based Direct Lenders seriously examine its potential. For the detailed report, turn to page 31.

 © Deloitte Alternative Capital Solutions

Fundraising among European Direct Lenders set a new record at $24.5 billion last year, boosted by the closing of Intermediate Capital Group's mega fund, Senior Debt Partners III. Notwithstanding this strong fundraising backdrop, there are some investor concerns around the high level of dry powder and the tough competition for strong credits. Nevertheless, the fundamentals of Direct Lending remain strong.

As the asset class continues to attract capital from investors, Direct Lending managers are becoming increasingly sophisticated and begin to create a product suite of Direct Lending strategies to broaden their appeal to a more diverse range of borrowers. Initially this began with more liquid senior debt strategies, but has more recently been moving towards hybrid ABL and specialty finance, the latter involving the funding of granular loan books including consumer and SME loans.

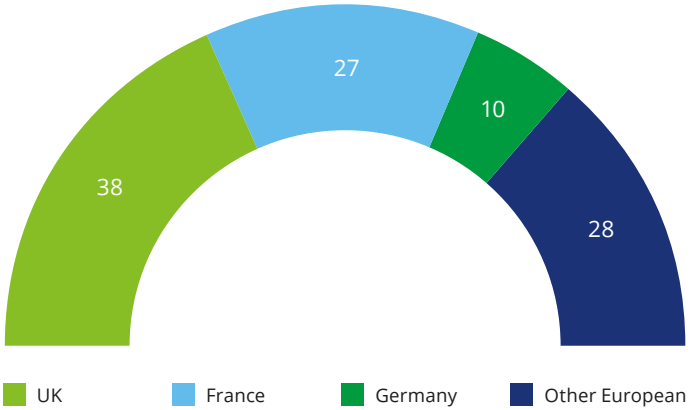
Whilst product diversification is high on the agenda, one area in which the Alternative Lender community can further dislocate the traditional banking market, but which only a relatively small number of funds can do is funding of revolving credit facilities. Whilst the operational flexibility and infrastructure required does not necessarily lend itself to the Direct Lending market, the risk/return profile looks favorable relative to other products if funds can create critical mass and are able to use leverage facilities.

Given these factors, we expect a successful 2018 for Alternative Lenders who will continue to grow and adapt to the new product and geographical market opportunities.

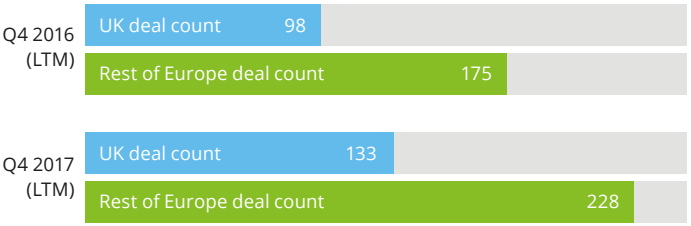
**Floris Hovingh**
**Partner – Head of Alternative Capital Solutions**
Tel: +44 (0) 20 7007 4754
E-mail: fhovingh@deloitte.co.uk

**Thomas Bertelsen**
**Director – Head of Debt Advisory Denmark**
Tel: +45 30 93 53 69
E-mail: tbertelsen@deloitte.dk

### Q4 2017 deals completed




### Q4 headline figures (last 12 months)




**Borrowers: Access Direct Lending to power growth**
Businesses rely on access to growth capital, yet due to risk appetite and stringent regulation, banks are more constrained. Bringing in alternative and flexible capital allows companies to grow, yet the market can be overwhelming with numerous complex loan options offered to borrowers. Direct Lenders can offer effective rates with little or no equity dilution of your business, enabling businesses to make acquisitions, refinance bank lenders, consolidate the shareholder base, and grow activities. To read more, turn to our Direct Lending guide on page 39.

# Leveraged loan trends for Direct Lenders

In keeping with the preceding quarters, Q4 of 2017 saw an ever growing Eurozone economy, with GDP finishing the year 2.5% up on 2016, the sharpest uptick since the financial crisis. Whilst for the first time each of the major economies was heading in the right direction and all economic news seemed positive, the start of the year signalled a rude awakening for the equity markets.

In comparison to Europe and the US, GDP growth in the UK was more sluggish at 1.8% in 2017. Although data showed growth in manufacturing and exports, weak consumer demand continues to weigh on the economy as inflationary pressure begins to bite. With consumption accounting for roughly two thirds of the UK economy, this has been a major contributor to the post-referendum slowdown in growth.

On a positive note, the UK has gained some much needed breathing space, with news indicating that by the end of February, UK government borrowing for the fiscal year to date is at its lowest level since the financial crisis. Furthermore, the UK has eliminated the deficit on its day-to-day budget, a target originally set by George Osborne in 2010 to be met in 2016.

In February, a sell-off in the equity markets was triggered by an unexpectedly sharp rise in US wages, a change that cast doubt on the assumption that inflation and interest rates would rise slowly. For the last ten years the equity market has been able to count on cheap money – suddenly it looked as if that assumption might be at risk.

Specifically, the US market dropped 5% at the beginning of February, its largest fall in two years. Europe took its cue from the US, with the FTSE100 and German DAX also down by almost the same percentage. The VIX Index, a measure of equity market volatility, otherwise known as the 'fear gauge', shot up from what until recently have been very low levels. Initial panic turned to somewhat of a recovery, however this was short lived and the resurgence of Wall Street was rapidly reversed following President Trump's announcement of measures to introduce tariffs on steel and aluminium imports. Whilst a peak to trough decline in the S&P500 index of 6% in February is a significant number, markets recovered partially in March. More notably, that figure compares with a 15% fall in June 2010 during the euro debt crisis, a 15% decline following the downgrade to America's credit rating in August 2011 and a 14% fall in March 2016 on fears of weaker global growth.

That said, one theory for the true value of shares comes from respected economist Robert Shiller who invented the CAPE ratio to compare the share prices of US companies to the 10 year average of their real earnings. Worryingly, in the last 120 years, there have only been two occasions when the CAPE ratio showed stocks as more overvalued: the great crash of 1929 and the dotcom boom.

Inflation has finally caught up following years of monetary stimulus in Europe and across the pond. The European Central Bank (ECB) could have little choice but to more sharply curtail their near €3 trillion total of quantitative easing and for the Bank of England to push up interest rates sooner. The impact of taking the ECB's foot off the gas has been modelled but not yet witnessed in reality.

Amid large scale economic and market changes, the shadow of Brexit continues to loom over the UK and to a lesser extent the Eurozone. The EU has insisted there will be no tailored trade deal for financial services, but the risks of that decision could impact more than just the UK. The lack of such a deal could result in higher transaction costs and reduce the EU's banking expertise, putting the status of some €22 trillion of European denominated derivatives contracts held in London at risk.

Several large banking institutions continue to threaten to relocate employees from their London offices to European mainland. But a mass exodus appears unlikely: London is the world's foremost banking hub. According to lobby group TheCityUK, Britain accounts for 85% of total EU hedge fund assets, 78% of foreign exchange trading, 74% of interest rate derivatives, half of fund management assets, and nearly a third of equity capitalisations.

 © Deloitte Alternative Capital Solutions

Uncertainty in its many forms is hard for lenders and borrowers to ignore, and is beginning to impact a number of industries. Recent weather conditions experienced in the UK coincided with chilling news on the high street, most notably for retailers and casual dining chains. Toys R Us, Maplin, New Look, Prezzo, Jamies Italian, and Byron were the latest victims amongst a growing number of high street names who have seen their businesses squeezed by a saturation of offerings, pressure on consumer spending, higher import costs and increases to the national minimum wage.

The underlying sense of unease on the high street is therefore difficult to avoid, and the Easter trading window will be the next milestone for many to reach unscathed amidst ever increasing press coverage of Company Voluntary Agreements (CVA's), administration and restructuring talks.

Therefore, it is no surprise that the amount of capital raised by distressed debt managers reached a new peak in 2017, where a total of $60.9bn (a fraction above the $60.1bn raised for senior strategies) was notably 43% higher than the previous peak of $42.6bn in 2012. Some suggest, arguably a little cynically, that nervous investors are easily persuaded to hedge following the recent equity market sell off. In particular, a consensus view is that the current loan default rates of 1.16% (the lowest point since S&P LCD began tracking the data in 2008) are likely to increase over time.

Turning to the loan markets, which have held up significantly well amidst this backdrop, the question remains as to whether future pressure upon the equity capital markets will eventually filter through. In particular, a continued lack of supply of transactions in the leveraged loan market has driven pressure on yield and equally flexible structures.

At the larger end of the market, jumbo private equity acquisitions, including a number of take private transactions and corporate carve outs, are firmly back on the agenda. This included PE house Blackstone's acquisition of the Flora Food Group, supported by a €3.9bn equivalent term loan, with a €2bn euro denominated tranche - the largest single new money tranche for a buyout credit seen since the financial crisis according to LCD. Earlier in March, GVC, a multinational sports betting and gaming group, launched its £1.4bn equivalent acquisition financing of Ladbrokes Coral. Bigger still on the horizon is Blackstone's acquisition of Thomson Reuters financial and risk business, and associated €13.5bn cross border financing, as well as CVC's €3.8bn acquisition of a 20% stake in Gas Natural from Repsol.

**The ever growing Direct Lending market continues to become more sophisticated.**

Five years ago, the aim of a debt fund manager was to gain prominence by building out a 'vanilla' unitranche programme. There is now a race amongst general partners to create a product suite of Direct Lending strategies to broaden their appeal to a more diverse range of borrowers and ultimately their LPs. These new products are often less competitive and give the manager an opportunity to increase their assets under management (AUM).

Initially, the adjacent areas of the market that were targeted with separate funds were: more liquid senior debt strategies, hybrid ABL strategies, structured credit and more recently, specialty finance involving funding of granular loan books including consumer and SME loans. Whilst Hayfin and Ares have been active in this space for some time, new entrants include M&G and Quilam Capital.

**Dedicated funds for these new strategies will likely bring more discipline to the market.**

One product that has not yet been fully explored by Direct Lenders in Europe, is funding of revolving credit facilities in a dedicated fund. Naturally this type of product doesn't necessarily lend itself to the Direct Lending market, given the inherent operational capability required within a Direct Lending platform to fund on an adhoc basis but also how to deal with undrawn facilities. That said, the return profile looks favourable for super senior risk, especially if a fund can create critical mass and use leverage facilities. This is an area in which the Alternative Lender community can further dislocate the traditional banking market.

As discussed in previous editions of the Aleternative Lender Deal Tracker, most large asset managers have by now established their own Direct Lending teams. However there are a number of newcomers, the latest of which includes Carlyle, Terra Firma and Bridgepoint, showing continued positive sentiment to the asset class from investors.

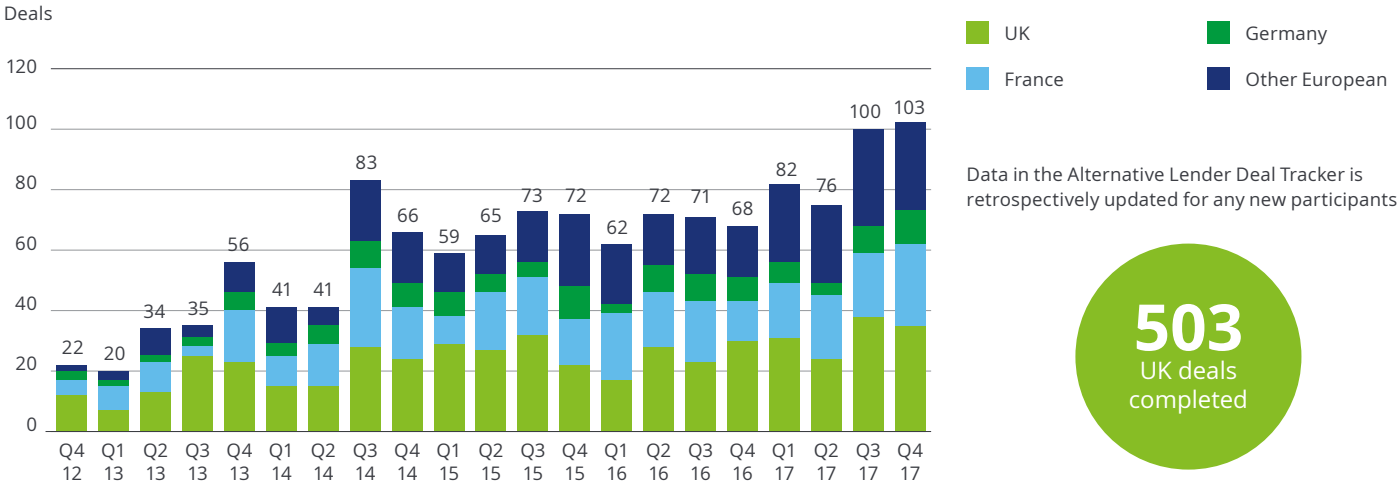
# Alternative Lender Deal Tracker Q4 2017 Data

 © Deloitte Alternative Capital Solutions

# Alternative Lenders continue to increase their deal flow...

## Alternative Lender Deal Tracker

Currently covers 63 leading Alternative Lenders. Only primary mid-market UK and European deals are included in the survey.



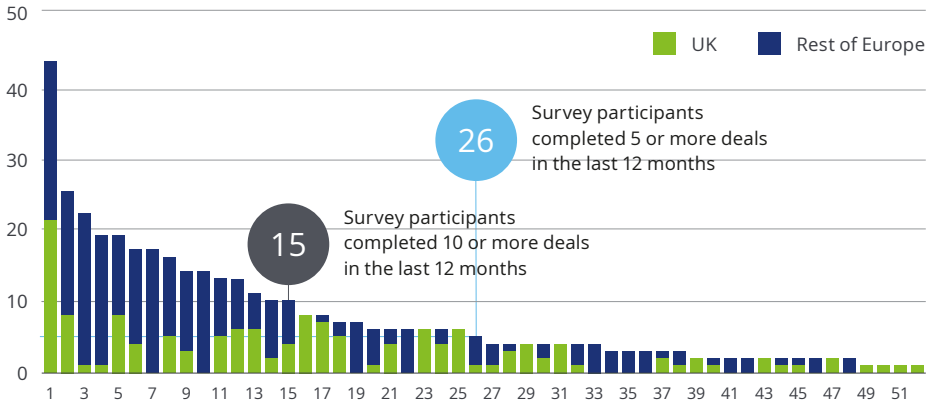

Data in the Alternative Lender Deal Tracker is retrospectively updated for any new participants

**503**
UK deals completed

**798**
Euro deals completed

**1301**
Total deals completed

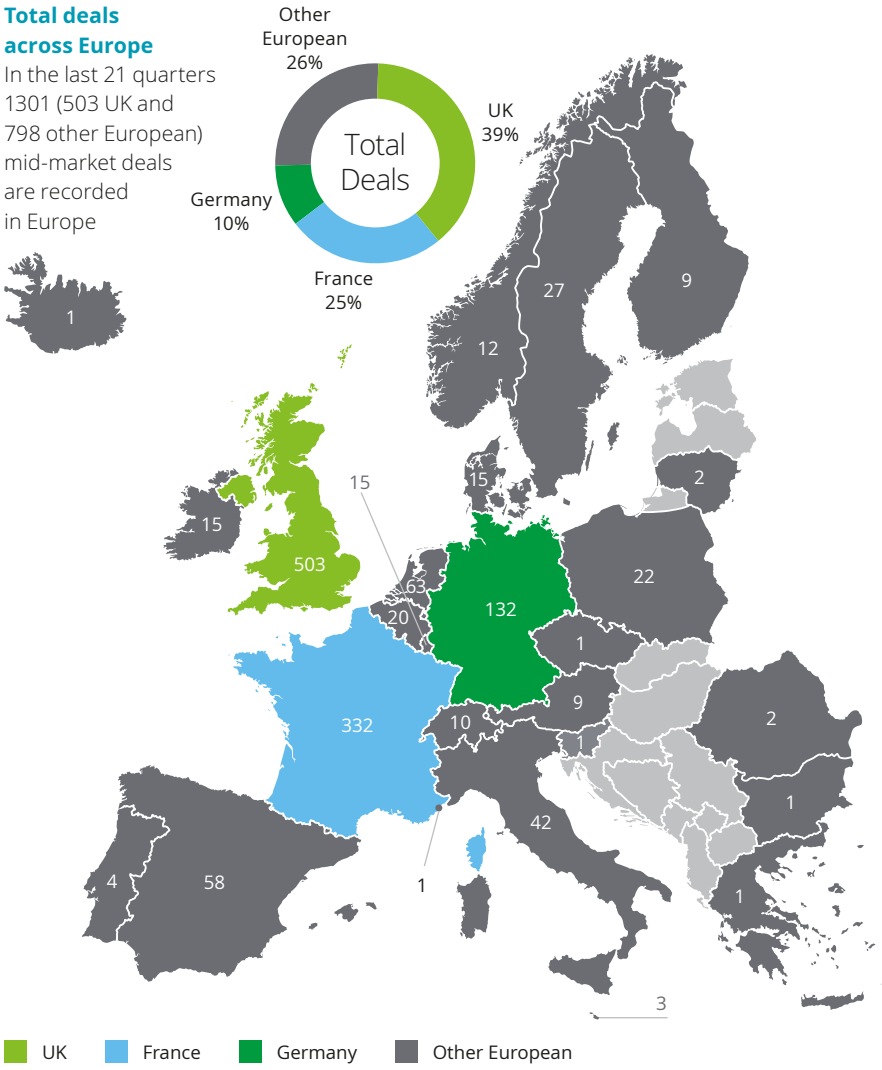
## Deals done by each survey participant (Last 12 months)



# ...across Europe and across industries...

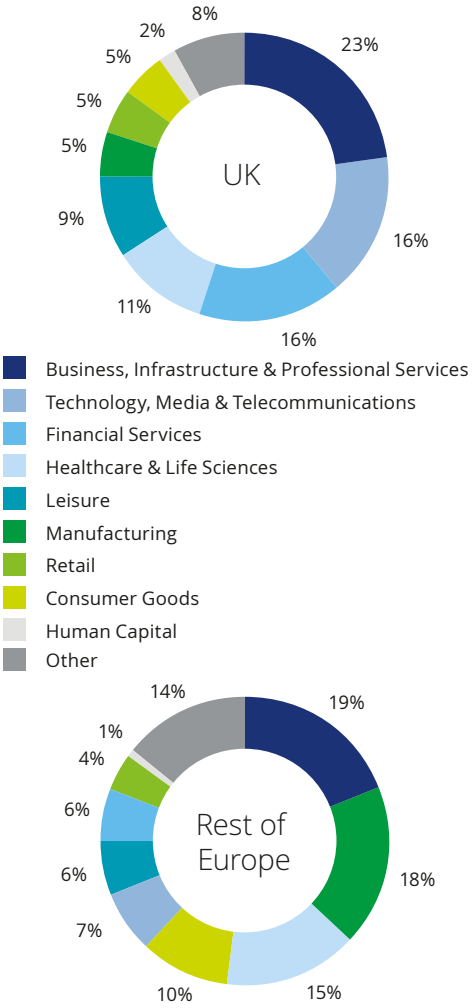
**Total deals across Europe**

In the last 21 quarters 1301 (503 UK and 798 other European) mid-market deals are recorded in Europe




**Total deals across industries (Last 12 months)**

Within the UK the Business, Infrastructure & Professional Services industry has been the dominant user of Alternative Lending with 23% followed by TMT with 16%.







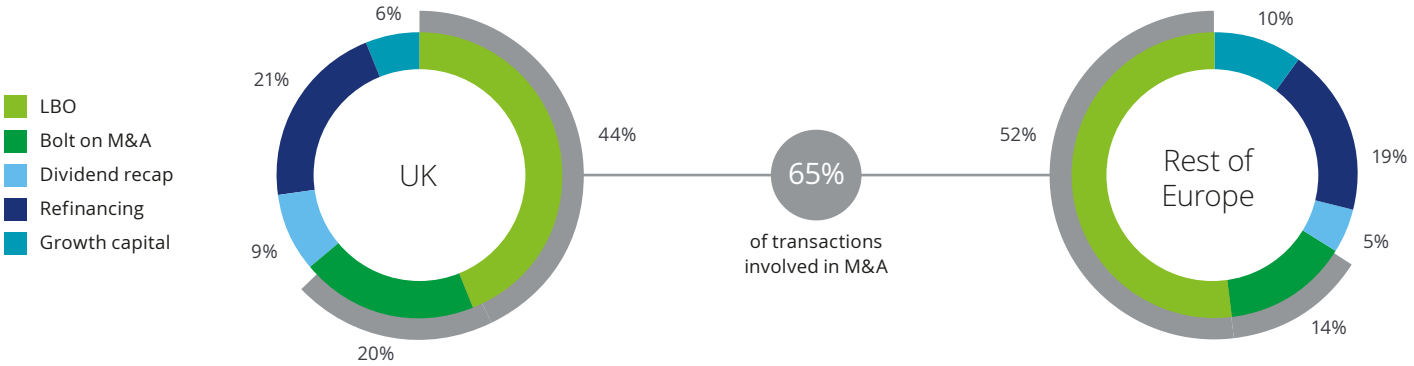
In the rest of Europe there are 5 main industries: Business, Infrastructure & Professional Services, Manufacturing, Healthcare & Life Sciences, Consumer Goods and TMT.

 © Deloitte Alternative Capital Solutions

# ...providing bespoke structures for mainly "event financing" situations

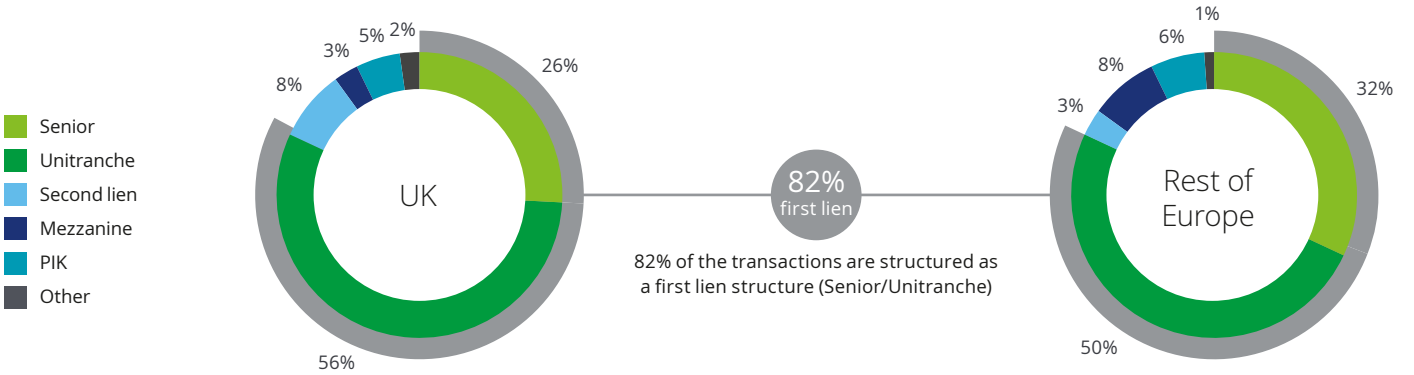
### Deal purpose (Last 12 months)

The majority of the deals are M&A related, with 65% of the UK and Euro deals being used to fund a buy out. Of the 361 deals in the last 12 months, 67 deals did not involve a private equity sponsor.




### Structures (Last 12 months)

Unitranche is the dominant structure, with 56% of UK transactions and 50% of European transactions. Subordinate structures represent only 18% of the transactions.



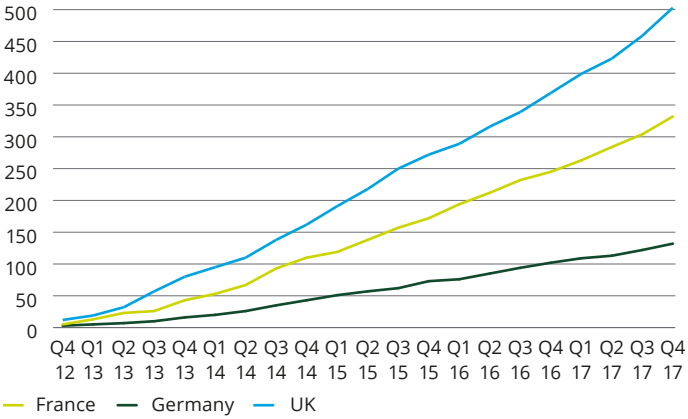

*For the purpose of the deal tracker, we classify senior only deals with pricing L + 650bps or above as unitranche. Pricing below this hurdle is classified as senior debt.

# They become more prominent in all European countries…

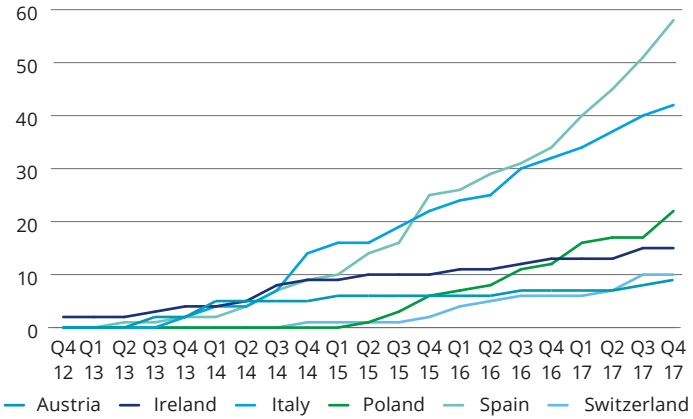
## Cumulative number of deals per country

The number of deals is increasing at different rates in various European countries. The graphs below show countries which as of Q4 2017 have completed 5 or more deals.

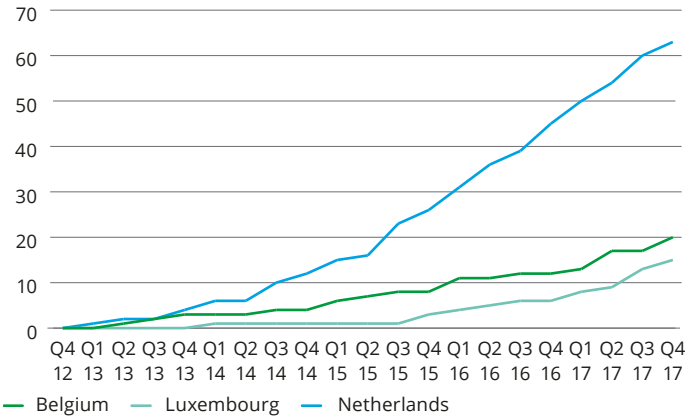
### Largest geographic markets for Alternative Lenders



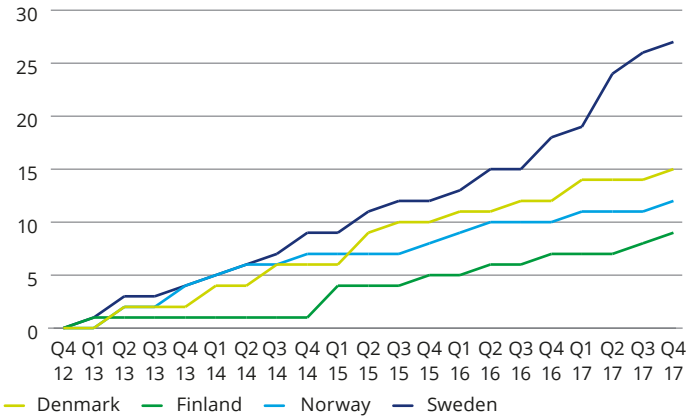

### Other European




### Benelux




### Nordics




 © Deloitte Alternative Capital Solutions

# ...with a steady growth in number of completed deals

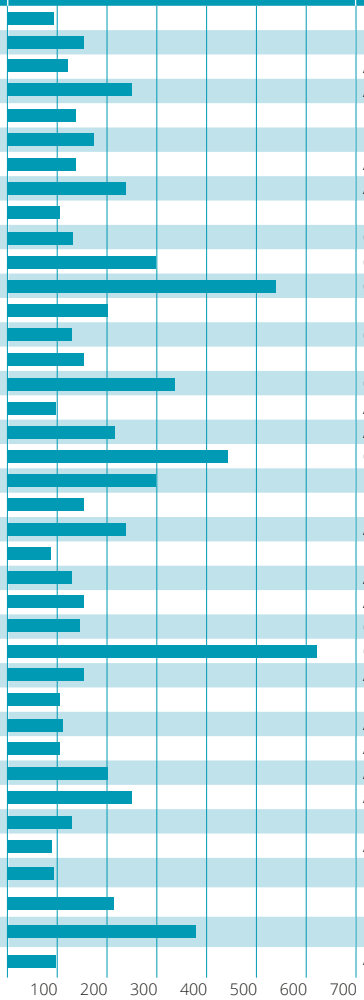
**Comparison of deals for the last three years on a LTM basis for selected European countries**

On average, over time the number of deals is increasing with positive CAGR between 2015 and 2017 in all of the countries shown below.

# Which landmark unitranche deals have been completed?

## Selected Landmark Unitranche Deals (>€90m)

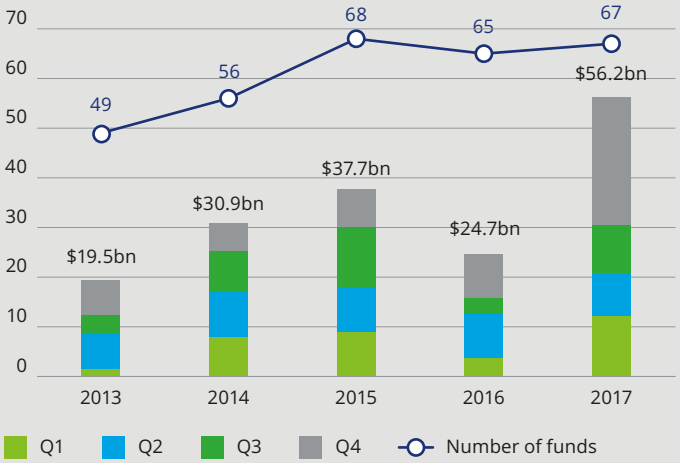
| Borrower | Country | Unitranche in €m | Lenders | Sponsor | Date |
|---|---|---|---|---|---|
| Crouzet | France | | LBO France | ✓ | Dec-17 |
| Daltys | France | | Permira Debt Managers | ✓ | Oct-17 |
| Siblu Holdings | France | | Alcentra, Barings, HSBC | ✓ | Aug-17 |
| Non-Standard Finance | UK | | Alcentra | – | Aug-17 |
| Bergman Clinics | Netherlands | | ICG | ✓ | Jul-17 |
| Chassis Brakes International | Netherlands | | KKR | ✓ | Jul-17 |
| Schuelerhilfe | Germany | | Alcentra | ✓ | May-17 |
| JVH Gaming | Netherlands | | Ares | ✓ | May-17 |
| Duomed | Netherlands | | Permira | ✓ | May-17 |
| Fintyre | Italy | | GSO Capital Partners | ✓ | Apr-17 |
| Consolis | France | | GSO Capital Partners | ✓ | Apr-17 |
| Zenith | UK | | Goldman Sachs | ✓ | Mar-17 |
| Dentix | Spain | | KKR | – | Dec-16 |
| Paymentsense | UK | | CVC, EQT | – | Nov-16 |
| Roompot | Netherlands | | KKR | ✓ | Nov-16 |
| HCS Group | Germany | | GSO | – | Nov-16 |
| Lifetime Training | UK | | Alcentra | ✓ | Oct-16 |
| Lumenis | Netherlands | | Alcentra | ✓ | Oct-16 |
| IBA Molecular | UK | | GSO | ✓ | Aug-16 |
| Mater Private Hospital | Ireland | | Macquarie, Goldman Sachs, KKR | ✓ | Aug-16 |
| Laureate Education | Switzerland | | ICG, Credit Suisse | ✓ | Jun-16 |
| Marlink | Norway | | Ares, Tikehau | ✓ | Jun-16 |
| Groupe Bertrand | France | | BlueBay Asset Management | – | Jun-16 |
| Dobbies Garden Centres | UK | | Ares | ✓ | Jun-16 |
| InfoVista | France | | Ares | ✓ | May-16 |
| Marle | France | | Capzanine, Babson | ✓ | May-16 |
| Polynt and Reichhold | Italy | | GSO | ✓ | May-16 |
| OpenBet | UK | | Ares | – | Apr-16 |
| Petainer | UK | | KKR | ✓ | Apr-16 |
| Citation | UK | | Alcentra | ✓ | Apr-16 |
| Delsey | France | | Avenue, Pemberton, Permira | ✓ | Nov-15 |
| Verastar | UK | | Ares | ✓ | Nov-15 |
| Fintrax | Ireland | | Ares | ✓ | Nov-15 |
| Oberscharrer | Germany | | BlueBay | ✓ | Nov-15 |
| ESE | Netherlands | | Avenue, BlueBay | ✓ | Nov-15 |
| Bibliotheca | Switzerland | | BlueBay | ✓ | Oct-15 |
| Gala Bingo | UK | | ICG | ✓ | Oct-15 |
| Chiltern/Theorem | UK/USA | | Hayfin, ICG, HPS Investment Partners, Bain Capital | – | Sep-15 |
| Currencies Direct | UK | | Alcentra, CVC, HPS Investment Partners | ✓ | Sep-15 |




Source: S&P LCD, an offering of S&P Global Market Intelligence, Deloitte research and other publicly available sources.

# Direct Lending fundraising

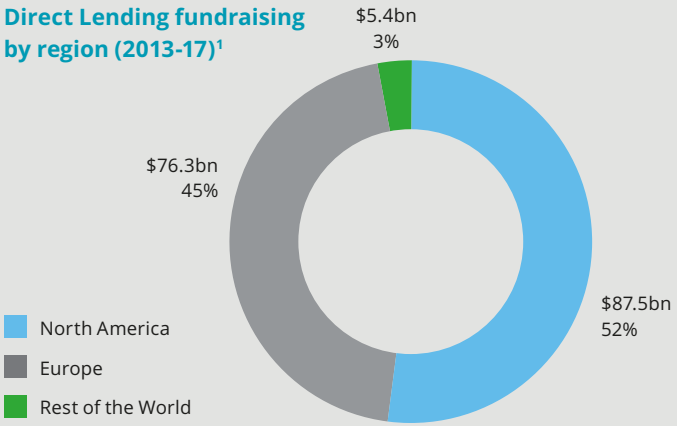
## Global Direct Lending fundraising by quarter[1]




## Largest European funds with final closings in 2017[1]

- ICG Senior Debt Partners III **€5,200m**
- Alcentra Clareant European Direct Lending Funds II **€4,300m**[2]
- Hayfin Direct Lending Strategy II **€3,500m**
- Bluebay Senior Loan Fund **€2,900m**
- Permira Credit Solutions Fund III **€1,700m**

## Direct Lending fundraising by region (2013-17)[1]

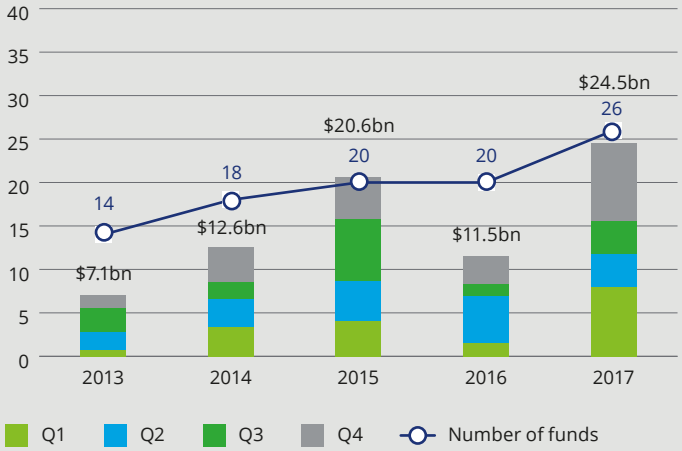



## Largest North American funds with final closing in 2017[1]

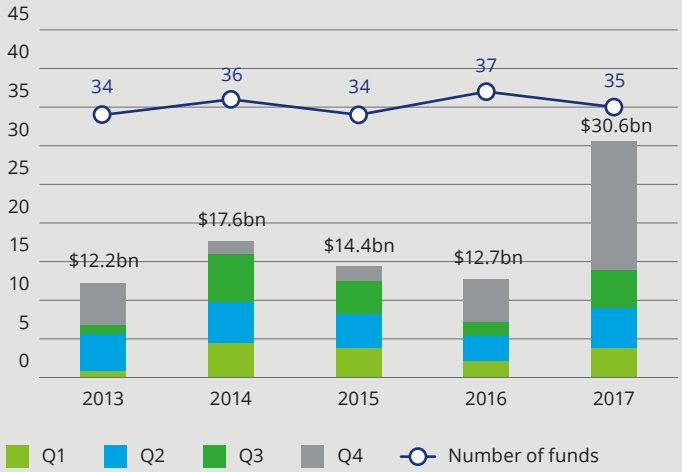
- HPS Specialty Loan Fund 2016 **$4,500m**
- Ares Private Credit Solutions **$3,400m**
- Benefit Street Partners Debt Fund IV **$2,500m**
- Cerberus Levered Loan Opportunities Fund III **$2,050m**
- TCP Direct Lending Fund VIII **$1,900m**

[1] Preqin, Credit Suisse market intelligence, 2018.
[2] Including leverage

## Europe Direct Lending fundraising by quarter[1]




## US Direct Lending fundraising by quarter[1]



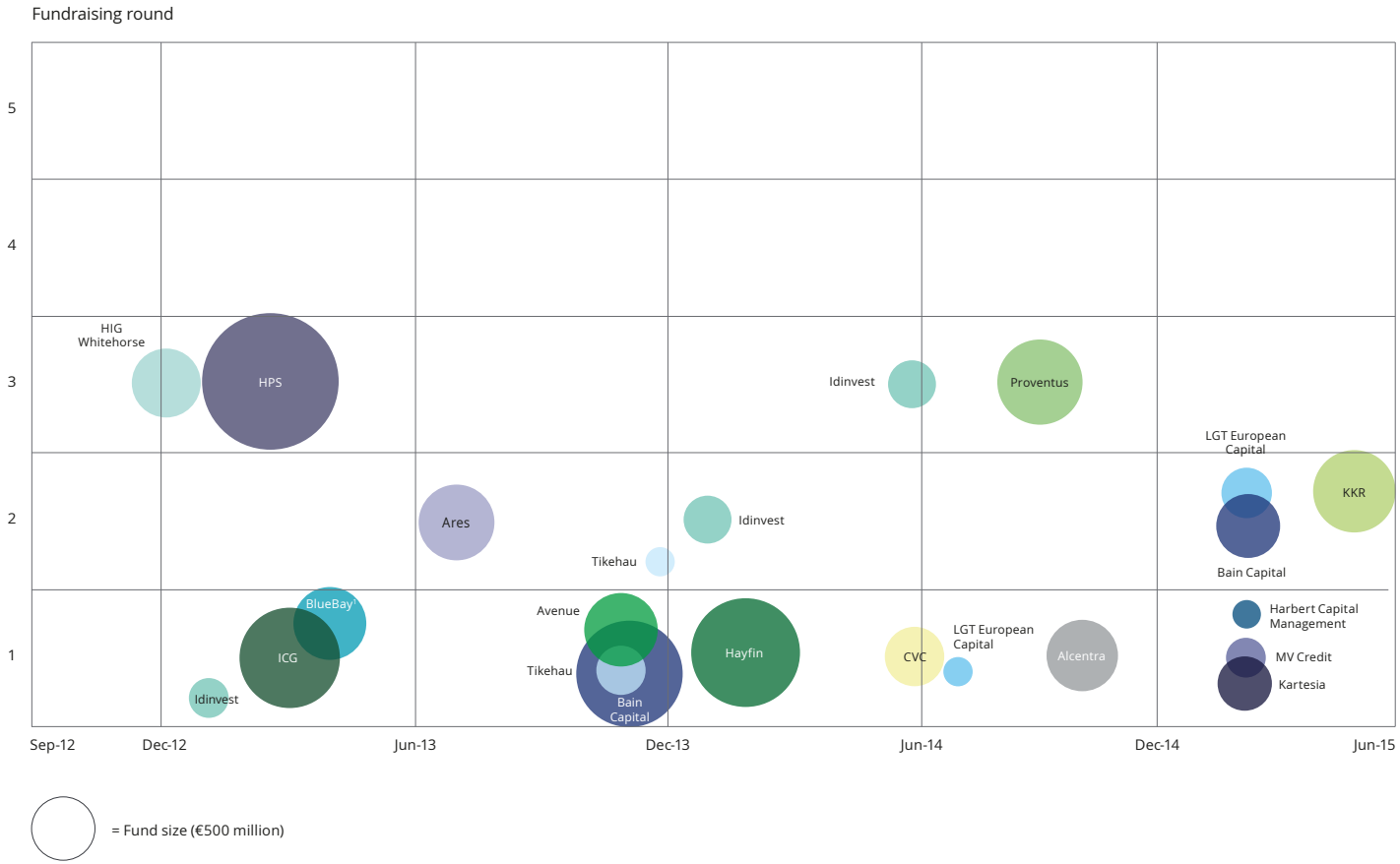

[1] Preqin, 2017.
[2] Credit Suisse Private Fund Group market knowledge.

## Key takeaways

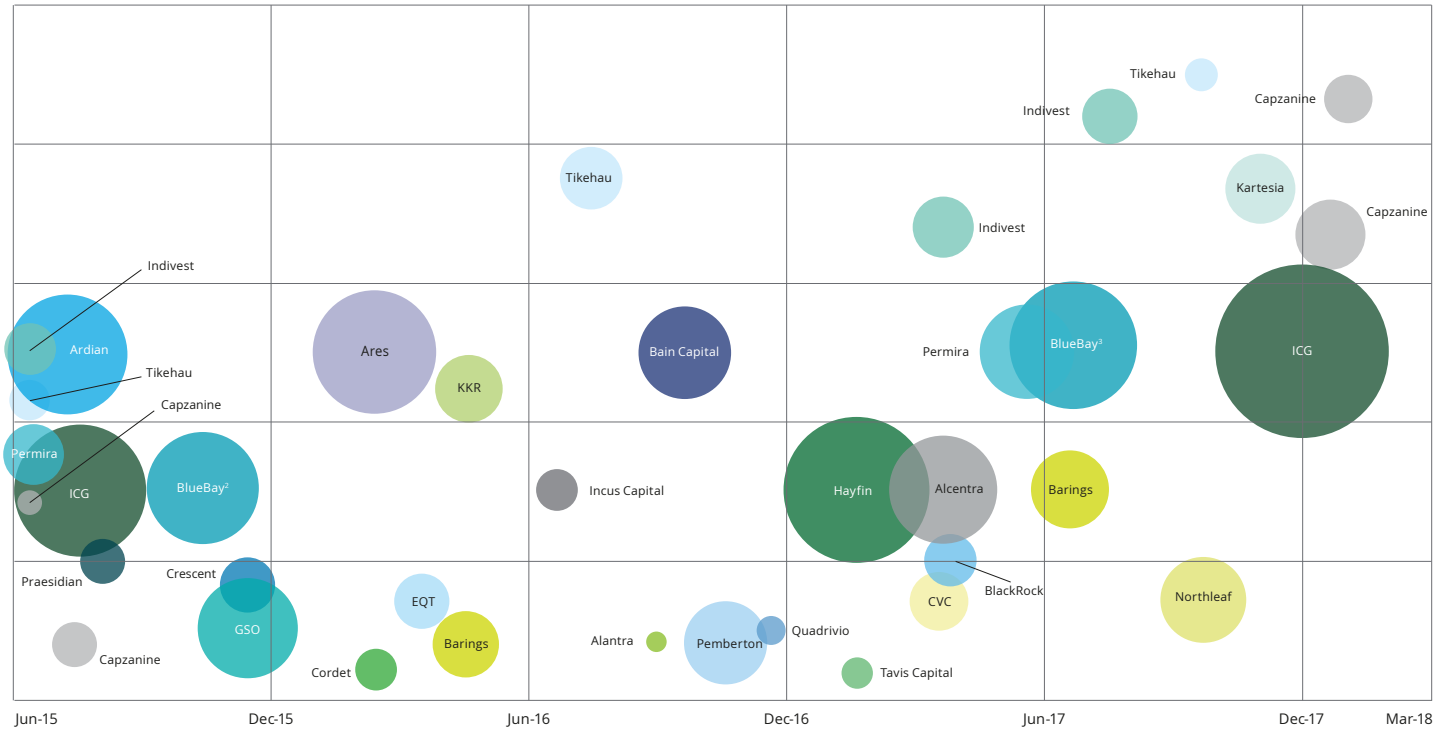
- While 2016 was disappointing for Direct Lending fundraising, primarily driven be weakness in the European market, 2017 saw a strong recovery, driven by a strong first quarter in Europe and a record-breaking fourth quarter in both Europe and North America[1].
  - In Europe, Q4 2017 eclipsed Q1 2017, which had previously been the strongest quarter of fundraising ever for Europe. The strong Q4 volume was substantially driven by the final closing of ICG Senior Debt Partners III, accounting for nearly 60% of the total Q4 European volume.
  - In North America, Q4 2017 saw record-breaking fundraising volumes, more than double that of any previous quarter, reflecting the strong end to the year that the market anticipated. This was driven by four of the five largest 2017 fundraisings reaching their final close in the fourth quarter, collectively accounting for $12.4 billion of capital. North American fundraising outstripped European fundraising.
- Strong investor interest in separately managed accounts continues, meaning that not all capital committed to the Direct Lending space is easily captured[2].
- c. 170 Direct Lending funds seeking aggregate commitments of c. $70 billion remain in the market as of February 2018, a c. 30% increase on this time last year[1].
  - North American funds represent the majority of those in market (c. 75 funds targeting c. $30 billion) with c. 50 European funds making up c. $25 billion.

# Senior: How much funds have been raised by which Direct Lending managers?

## Senior Direct Lending fund raising focused on the European market

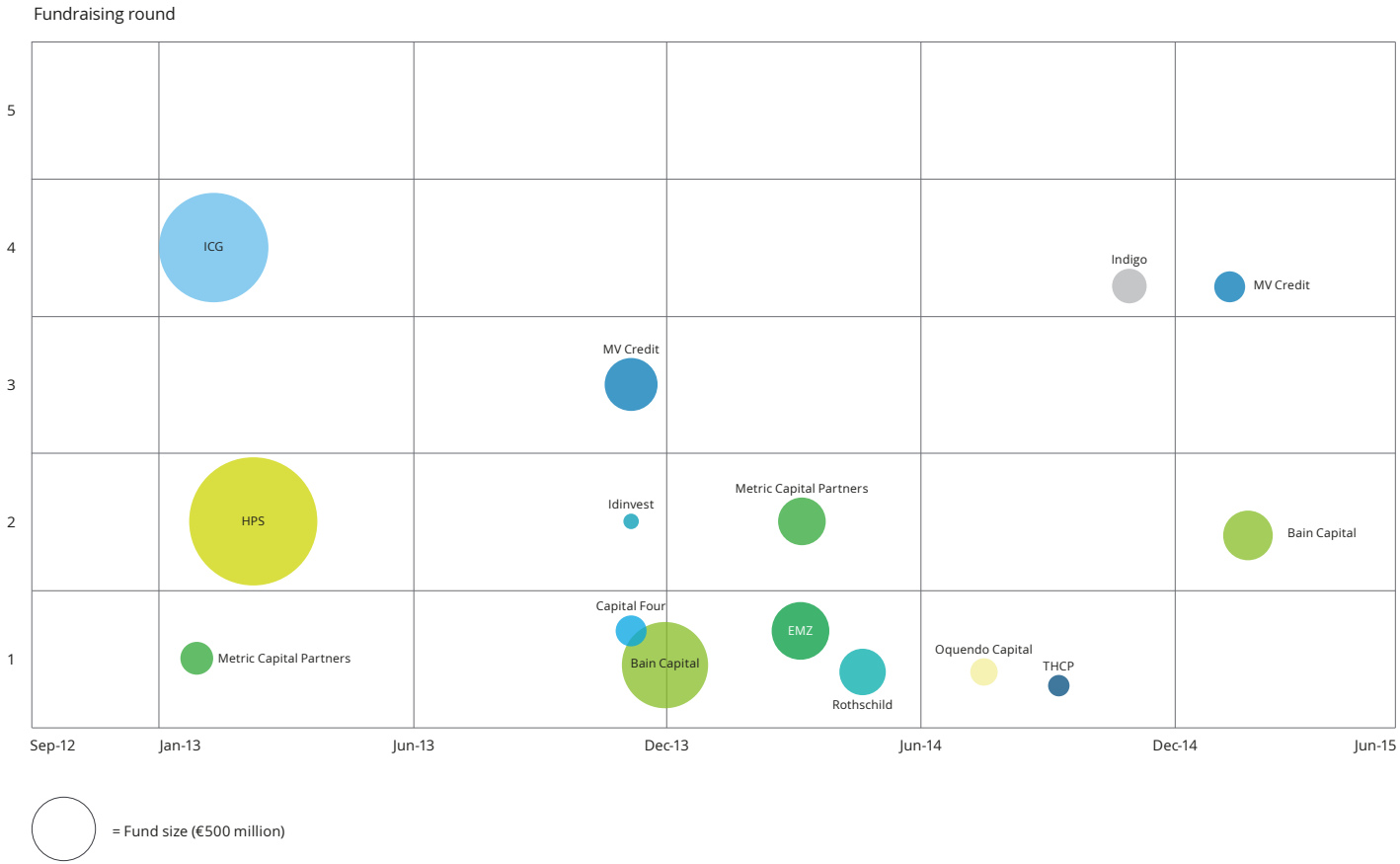



[1]Excluding €700m of managed accounts/overflow vehicles. [2]Excluding €145m of managed accounts/overflow vehicles. [3]Excluding additional leverage of approximately €400m

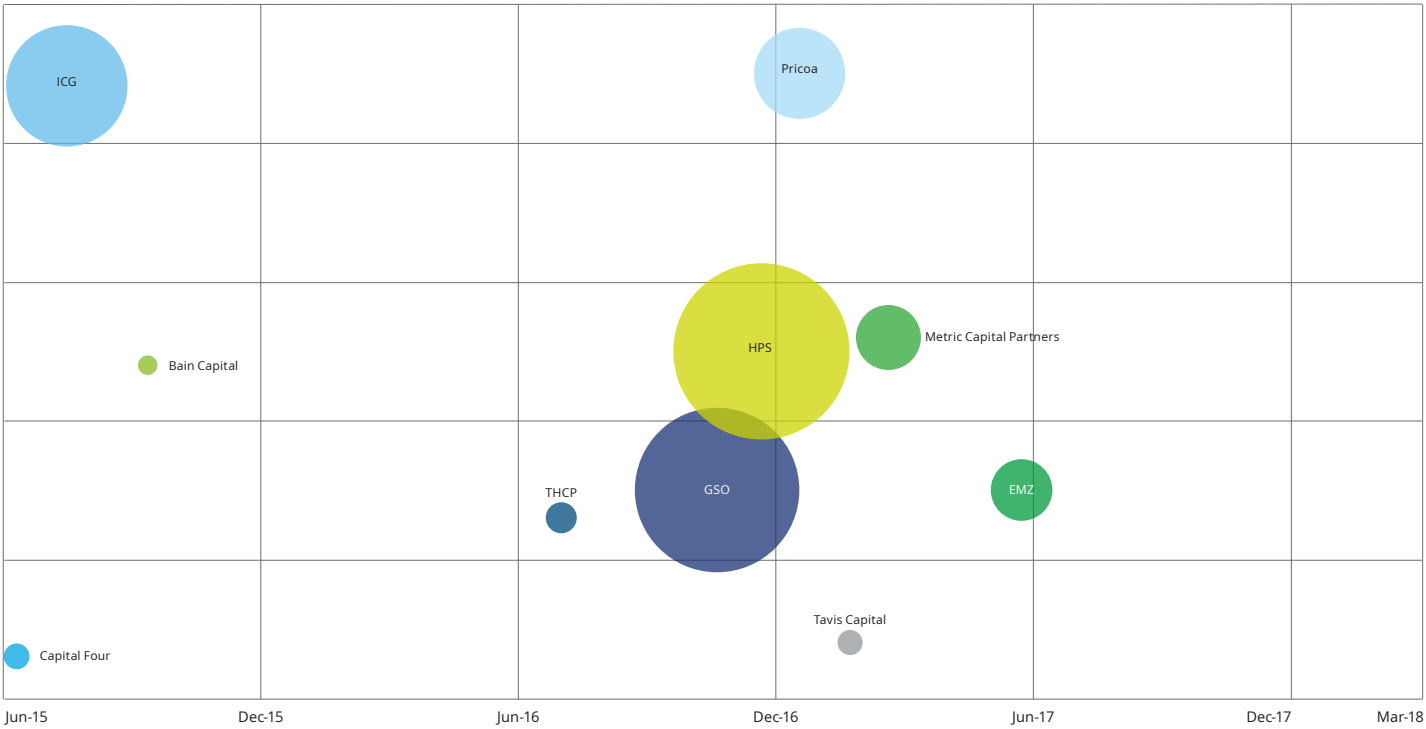

Tikehau
Indivest
Capzanine
Tikehau
Kartesia
Capzanine
Indivest
Indivest
Ardian
Tikehau
Capzanine
Permira
ICG
Praesidian
Crescent
GSO
Capzanine
Ares
KKR
Cordet
EQT
Barings
Bain Capital
Incus Capital
Alantra
Pemberton
Quadrivio
Permira
BlueBay3
ICG
Hayfin
Alcentra
Barings
CVC
BlackRock
Tavis Capital
Northleaf
Jun-15
Dec-15
Jun-16
Dec-16
Jun-17
Dec-17
Mar-18

# Junior: How much funding has been raised by which Direct Lending managers?

## Junior Direct Lending fund raising focused on the European market




 © Deloitte Alternative Capital Solutions


ICG
Pricoa
HPS
Metric Capital Partners
Bain Capital
THCP
GSO
EMZ
Tavis Capital
Capital Four
Jun-15
Dec-15
Jun-16
Dec-16
Jun-17
Dec-17
Mar-18

# How much funds have been raised by which Direct Lending managers?

## An overview of some of the largest funds raised in the market

| Alternative Lenders | Date | Size (m) w/o leverage | Investment Strategy | Geography |
|---|---|---|---|---|
| **Alantra** | | | | |
| Alteralia SCA SICAR | Q4 16 | €139 | Senior | Europe |
| **Alcentra** | | | | |
| Direct Lending Fund | Q1 17 | €2,100 | Senior and Junior | Europe |
| European Direct Lending Fund | Q4 14 | €850 | Senior and Junior | Europe |
| Direct Lending Fund | Q4 12 | €278 | Senior and Junior | Europe |
| **Ardian** | | | | |
| Ardian Private Debt Fund III | Q3 15 | €2,026 | Senior and Junior | Europe |
| Axa Private Debt Fund II | Q2 10 | €1,529 | Senior and Junior | Europe |
| **Ares** | | | | |
| ACE III | Q2 16 | €2,536 | Senior and Junior | Europe |
| ACE II | Q3 13 | €911 | Senior and Junior | Europe |
| ACE I | Q4 07 | €311 | Senior | Europe |
| **Bain Capital** | | | | |
| Bain Capital Specialty Finance | Q4 16 | $1,255 | Senior | Global |
| Bain Capital Direct Lending 2015 (Unlevered) | Q4 15 | €56 | Junior | Global |
| Bain Capital Direct Lending 2015 (Levered) | Q1 15 | €433 | Junior | Global |
| Bain Capital Middle Market Credit 2014 | Q4 13 | €1,554 | Junior | Global |
| Bain Capital Middle Market Credit 2010 | Q2 10 | €1,017 | Junior | Global |
| **Barings** | | | | |
| Global Private Loan Fund II | Q3 17 | $1,300 | Senior and Junior | Global |
| Global Private Loan Fund I | Q2 16 | $777 | Senior and Junior | Global |
| **Blackrock** | | | | |
| BlackRock European Middle Market Private Debt Fund I | Q2 17 | €508 | Senior | Europe |
| **BlueBay** | | | | |
| BlueBay Senior Loan Fund I | Q3 17 | €2,900 | Senior | Europe |
| BlueBay Direct Lending Fund II | Q4 15 | €2,100 | Senior and Junior | Europe |
| BlueBay Direct Lending Fund I | Q2 13 | €810 | Senior and Junior | Europe |

 © Deloitte Alternative Capital Solutions

| Alternative Lenders | Date | Size (m) w/o leverage | Investment Strategy | Geography |
|---|---|---|---|---|
| **Capital Four** | | | | |
| Capital Four Strategic Lending Fund | Q3 15 | €135 | Junior | Europe |
| Capital Four Nordic Leverage Finance Fund | Q4 13 | €200 | Junior | Europe |
| **Capzanine** | | | | |
| Artemid Senior Loan 2 | Q1 18 | €400 | Senior | Europe |
| Artemid CA | Q3 15 | €70 | Senior | Europe |
| Artemid Senior Loan | Q3 15 | €275 | Senior | Europe |
| Capzanine 3 | Q3 12 | €700 | Senior and Junior | Europe |
| Capzanine 2 | Q3 07 | €325 | Senior and Junior | Europe |
| Capzanine 1 | Q1 05 | €203 | Senior and Junior | Europe |
| **EMZ** | | | | |
| EMZ 8 | Q2 17 | €815 | Junior | Europe |
| EMZ 7 | Q1 14 | €695 | Junior | Europe |
| EMZ 6 | Q1 09 | €640 | Junior | Europe |
| **GSO** | | | | |
| Capital Opportunities Fund II | Q4 16 | $6,500 | Junior | Global |
| European Senior Debt Fund | Q4 15 | $1,964 | Senior | Europe |
| Capital Opportunities Fund I | Q1 12 | $4,000 | Junior | Global |
| **Harbert Capital Management** | | | | |
| Harbert European Growth Capital Fund I | Q1 15 | €122 | Senior and Junior | Europe |
| **Hayfin** | | | | |
| Direct Lending Fund II | Q1 17 | €3,500 | Senior | Europe |
| Direct Lending Fund I | Q1 14 | €2,000 | Senior | Europe |
| **HIG** | | | | |
| H.I.G. Whitehorse Loan Fund III | Q1 13 | €750 | Senior and Junior | Europe |
| **ICG** | | | | |
| Senior Debt Partners III | Q4 17 | €5,200 | Senior | Europe |
| Senior Debt Partners II | Q3 15 | €3,000 | Senior | Europe |
| ICG Europe Fund VI | Q1 15 | €3,000 | Junior | Europe |
| Senior Debt Partners I | Q2 13 | €1,700 | Senior | Europe |
| ICG Europe Fund V | Q1 13 | €2,500 | Junior | Europe |
| **Idinvest** | | | | |
| Idinvest Dette Senior 4 | Q4 17 | €520 | Senior | Europe |
| Idinvest Private Debt IV | Q2 17 | €600 | Senior and Junior | Europe |
| Idinvest Dette Senior 3 | Q3 15 | €530 | Senior | Europe |
| Idinvest Dette Senior 2 | Q3 14 | €400 | Senior | Europe |

| Alternative Lenders | Date | Size (m) w/o leverage | Investment Strategy | Geography |
|---|---|---|---|---|
| Idinvest Private Debt III | Q1 14 | €400 | Senior and Junior | Europe |
| Idinvest Private Value Europe II | Q4 13 | €50 | Junior | Europe |
| Idinvest Dette Senior | Q1 13 | €280 | Senior | Europe |
| Idinvest Private Value Europe | Q2 12 | €65 | Junior | Europe |
| Idinvest Private Debt | Q3 07 | €290 | Senior and Junior | Europe |
| **Incus Capital** | | | | |
| Incus Capital Iberia Credit Fund II | Q3 16 | €270 | Senior and Junior | Europe |
| Incus Capital Iberia Credit Fund I | Q4 12 | €128 | Senior and Junior | Europe |
| **Indigo Capital** | | | | |
| Fund III | Q3 00 | €100 | Junior | Europe |
| Fund IV | Q3 03 | €200 | Junior | Europe |
| Fund V | Q3 07 | €220 | Junior | Europe |
| Fund VI | Q3 14 | €320 | Junior | Europe |
| **Kartesia** | | | | |
| Kartesia Credit Opportunities IV | Q4 17 | €870 | Senior and Junior | Europe |
| Kartesia Credit Opportunities III | Q1 15 | €508 | Senior and Junior | Europe |
| **KKR** | | | | |
| Fund Lending Partners Europe | Q1 16 | $850 | Senior and Junior | Europe |
| Fund Lending Partners II | Q2 15 | $1,336 | Senior and Junior | Global |
| Fund Lending Partners I | Q4 12 | $460 | Senior and Junior | Global |
| **LGT European Capital** | | | | |
| Private Debt Fund | Q1 15 | €474 | Senior and Junior | Europe |
| UK SME Debt | Q3 14 | €100 | Senior and Junior | Europe |
| **Metric** | | | | |
| MCP III | Q1 17 | €860 | Special Situations | Europe |
| MCP II | Q2 14 | €475 | Special Situations | Europe |
| MCP I | Q1 13 | €225 | Special Situations | Europe |
| **Mezzanine Partners** | | | | |
| Mezzanine Partners II | Q1 17 | €65 | Junior | Europe |
| Mezzanine Partners I | Q1 14 | €65 | Junior | Europe |
| **Northleaf** | | | | |
| Northleaf Private Credit | Q4 17 | $1,400 | Senior and Junior | Global |
| **Oquendo Capital** | | | | |
| Oquendo III SCA SICAR | Q4 17 | €200 | Junior | Europe |
| Oquendo II SCA SICAR | Q3 14 | €157 | Junior | Europe |
| Oquendo I | Q4 09 | €50 | Junior | Europe |

 © Deloitte Alternative Capital Solutions

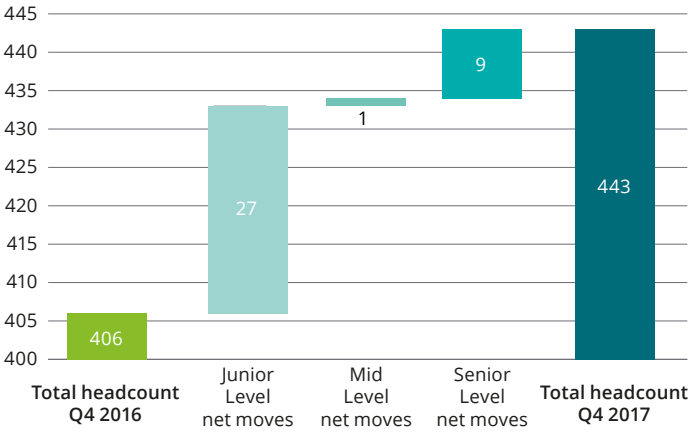
| Alternative Lenders | Date | Size (m) w/o leverage | Investment Strategy | Geography |
|---|---|---|---|---|
| **Permira** | | | | |
| Permira Credit Solutions III | Q2 17 | €1,700 | Senior and Junior | Europe |
| Permira Credit Solutions II | Q3 15 | €800 | Senior and Junior | Europe |
| **Pricoa** | | | | |
| Pricoa Capital Partners V | Q1 17 | €1,692 | Junior | Global |
| **Proventus** | | | | |
| Proventus Capital Partners III | Q4 14 | €1,300 | Senior and Junior | Europe |
| Proventus Capital Partners II/IIB | Q2 11 | €835 | Senior and Junior | Europe |
| Proventus Capital Partners I | Q3 09 | €216 | Senior and Junior | Europe |
| **Rothschild/Five Arrows** | | | | |
| Five Arrows Credit Solutions | Q2 14 | €415 | Junior | Europe |
| **Tavis Capital** | | | | |
| Swiss SME Credit Fund I | Q1 17 | CHF137 | Junior | Europe |
| **Tikehau** | | | | |
| Fund 6 | Q4 17 | €205 | Senior and Junior | Europe |
| Fund 5 | Q3 16 | €610 | Senior and Junior | Europe |
| Fund 4 | Q3 15 | €290 | Senior and Junior | Europe |
| Fund 3 | Q2 15 | €19 | Senior and Junior | Europe |
| Fund 2 | Q4 13 | €134 | Senior and Junior | Europe |
| Fund 1 | Q4 13 | €355 | Senior | Europe |

# Direct Lending Professionals – Key statistics and recent moves

## Market Headcount & People Moves Analysis

At the end of Q4 2016, there were a total of 406 Investment Professionals in the European Direct Lending market. At the end of Q4 2017, there were a total of 443 Investment Professionals in the Direct Lending market, meaning that the total market headcount increased by 37 (which equates to c. 9%) over the course of 2017. This is up on the 8% increase we saw over 2016.

This constituted a net increase of 27 junior-level, 1 mid-level and 9 senior moves, illustrated below. Comparing the data from 2017 to 2016, we see a significant difference in net movement at the senior level, going from +2 to +9.

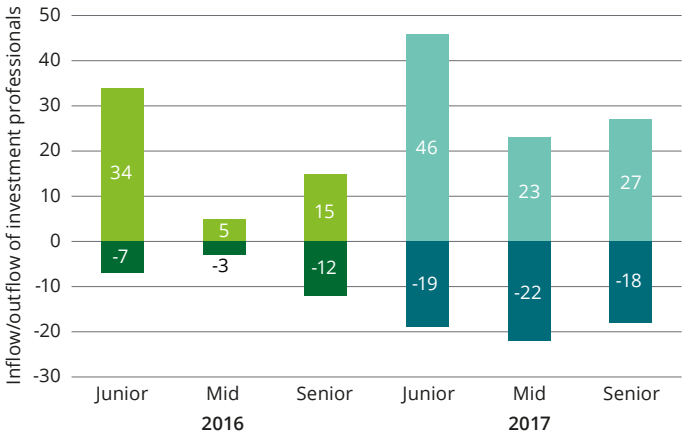



As a result of new entrants into the market, e.g. teams such as Apera, Apollo, and Bridgepoint, we have seen an uptick in the number of senior Investment Professionals hired. The origin of these senior hires is fairly in line with 2016, with c. 80% from competitor funds or Investment Banking.

## Hiring Trends – Sourcing Talent

Focusing purely on the hires, we see that 48% in 2017 were junior, 24% mid-level, and 28% senior. Compared to 63%, 9%, and 28%, respectively in 2016.

As the market continues to grow in both headcount and number of funds, the need for strong originators has increased. As such, we have seen the proportion of mid-level hires with origination experience increase.




**Notes**

For the purposes of this analysis we have included the total investment team headcounts at c. 50 combined Mezzanine / Direct Lending funds (such as Park Square, Crescent Capital). We have excluded the Mezzanine/ Minority Equity teams at ICG, on the basis that much of their investment now is in minority or majority equity. We have also excluded teams whose main activity is in the corporate private placement market.

When analysing seniority, junior-level IPs are those with less than 6 years' relevant experience, mid-level constitutes 6-10 years' experience, and senior is those with more than 10 years' experience.

Junior talent continues to be the largest addition to the market, predominantly sourced from the Investment Banks c. 60%, with c. 20% coming from competitor funds and c. 20% from either University, Debt Advisory, or Out of the Market.

The increase in mid-level hires that we commented on in the Q2 report continued throughout the year. The noticeable trend here was the increase mid-level hiring from Investment Banks, as well as increased churn within the funds at this level.

As funds look to grow at the mid-level, they find candidate extraction to be easier from Investment Banks, as well as at lower cost. The easier extraction originates in the desire of junior Investment Professionals to make the buy-side trade that most on the sell-side have, whilst moving people between funds is slightly more nuanced.

## Origin of hires by seniority

## Recent Notable Direct Lending Moves

| | |
|---|---|
| **Ares Management** | **Jacob Sheehan**, Associate, left for JP Morgan |
| **Bain Capital Credit** | **Matteo Ranzato**, Associate, joins from BlueBay<br>**Augustin Mine**, Vice President, left for Ofo |
| **Beechbrook Capital** | **David Deregowski**, Associate Director, left for CVC |
| **Bridgepoint Capital** | **Olivier Meary**, Head of Credit (France), joins from Bank of Ireland<br>**Maxime Alban**, Investment Director, joins from Bank of Ireland |
| **Hayfin Capital Management** | **Anupam Parnaik**, Investment Analyst, left for The Abraaj Group |
| **Park Square Capital** | **Matthias Alt**, Principal, moved internally to New York Office<br>**Sophie Lassman**, Analyst, left for Cross Ocean |
| **Partners Group** | **Peter Ziganek**, Vice President, left |
| **Pemberton AM** | **Daniele Iacovone**, Partner, left for Global Bankers Capital |
| **Premira Debt Managers** | **Natalie Taiwo**, Investment Professional, joins from Commerzbank<br>**Ryan McGahon**, Credit Analyst, joins from PGIM |

**Paragon Search Partners**
Bruce and Andrew are co-Managing Partners of Paragon Search Partners, a London based search firm focused on the global credit markets, leveraged and acquisition finance, investment banking and private equity.

**Bruce Lock, Managing Director**
lockb@paragonsearchpartners.com

**Andrew Perry, Managing Director**
aperry@paragonsearchpartners.com

Office telephone number +44 (0) 20 7717 5000

# Alternative Lending in action: Sovos counts on Direct Lenders

 © Deloitte Alternative Capital Solutions

# Sovos counts on Direct Lending to empower acquisition strategy

## Transactional tax compliance business expands into new territories and secures real time e-receipts expertise with $551m backing from Direct Lenders

SOVOS
INTELLIGENT COMPLIANCE

**Kristian Talvitie**
**CFO – SOVOS**

Sovos, a major software business headquartered in the US, but with operations in Europe and Latin America, has significantly expanded its loan facilities from a group of Direct Lenders to accelerate its successful growth.

The company, which helps firms comply with a multitude of transactional tax regulations globally, has a broad roster of corporate clients across the globe. Using the new debt capital, it has recently expanded to Brazil and Chile and taken a lead at the cutting edge of real-time tax compliance.

Sovos was acquired by London-based private equity firm Hg Capital in early 2016. Later that year, the debt package was expanded to enable the acquisition of InvoiceWare, a real time e-invoicing software firm focusing on servicing customers who face complying with government mandates in Brazil, Mexico, Chile, Columbia and other countries throughout LatAm.

Sovos, focused on global expertise in real-time transactional tax compliance, then set its sights on acquiring a large business in Chile called Paperless, a move that was enabled by increasing its loan in August 2017. Paperless provides e-receipts software meeting customers' needs to comply with various governmental mandates for immediate, automated reporting of sales from checkout tills.

Crucial to these acquisitions is the move by many countries to mandate real time tax reporting and electronic invoicing. The Brazilian government alone has realized billions of incremental tax collections following the pioneering introduction of mandatory e-reporting processes. With other countries globally considering similar measures, Sovos' acquisitions are essential, forward-looking purchases.

**Sovos**
Sovos is a global leader in tax compliance and business-to-government reporting software, safeguarding businesses from the burden and risk of compliance around the world. As governments go digital, businesses face increased risk and complexity. The Sovos Intelligent Compliance Cloud combines world-class regulatory analysis with a global cloud software platform to create an adaptable, connected and global compliance solution that keeps businesses ahead of the ever-changing regulatory environment. Sovos supports 4,500 companies, including half of the Fortune 500, and integrates with a wide variety of business applications. Based in Boston, Sovos has offices throughout North America, Latin America and Europe. For more information visit www.sovos.com

"We learned a lot about key stakeholders and advisors during the process. We believe that both our Private Equity owners and our Direct Lenders are bullish on our market opportunity, as well as our ability to deliver market leading solutions to our customers."

In order to enable last year's large Paperless acquisition and further strategic moves, Sovos needed to access significantly more capital. The company approached its existing Direct Lenders and working with Deloitte, the lead advisor, Sovos also brought new lenders, to further diversify the lending syndicate.

Following talks and due diligence processes, the facility was expanded taking the company's direct loan capacity to $551 million in total. Under the new deal, the loan was also re-priced more affordably, and benefitted from more flexible covenants. In addition, it did not require the shareholders to add in any additional equity for a large acquisition, something that is typically required.

Kristian Talvitie, chief financial officer at Sovos, said ***"As governments go digital, businesses are pushing for connected, adaptable and global solutions. Through a combination of organic development as well as strategic M&A, we are building the only company capable of delivering on that promise, bringing market leading solutions together on our global S1 platform. We now have over 1,000 employees world-wide focused on solving customer requirements to meet rapidly evolving governmental mandates in real time tax compliance. Our new loan facility gives Sovos the ability to opportunistically increase our scope and scale in high growth markets, and to further our leadership position.***

***"Prior to the final negotiations with Direct Lenders, Sovos had considered a number of options. However, ultimately it chose Direct Lenders because of their flexibility, deliverability and speed of execution. In addition, an institutionally placed term loan B, widely syndicated to CLOs, allows investors to trade their positions, which makes it more difficult for the company to maintain relationships with its debt investors. It also avoided the lengthy ratings processes that are needed,"*** said Nedim Music, senior vice president Deloitte Corporate Finance LLC.

***We learned a lot about key stakeholders and advisors during the process. We believe that both our Private Equity owners and our Direct Lenders are bullish on our market opportunity, as well as our ability to deliver market leading solutions to our customers. We also worked with Deloitte and legal advisors during the process, who helped drive the process to a successful outcome for the Company as well as for our Direct Lenders,"*** said Mr. Talvitie.

Sovos' new loan package is efficient for its business, allowing the company to make acquisitions as well as investing within its existing operations. In comparison to other debt transactions it benefits from more flexible language around permitted acquisitions. Sovos' carefully constructed financial covenants mean it has more freedom to pursue its expansion plans. Essential to the deal's success is Sovos' strong background as a borrower, as well as its consistent profit growth. It and parent Hg Capital also have a long-running relationship with the Direct Lenders, which enabled confidence around the increased loan. This growing relationship with the Direct Lenders equally provides Sovos with new opportunities to fuel critical business growth, as it looks to the future.

# When to use Alternative Debt?

| | Situations | | Advantages |
|---|---|---|---|
| 1 | Private Equity acquisitions | ▶ | Reduce equity contribution and enable more flexible structures |
| 2 | Corporates making transformational/ bolt-on acquisitions | ▶ | Enable growth of private companies with less/no cash equity |
| 3 | Growth capital | ▶ | Enable growth opportunities |
| 4 | Consolidation of shareholder base | ▶ | Enable buy-out of (minority) shareholders |
| 5 | Special dividend to shareholders | ▶ | Enable a liquidity event |
| 6 | To refinance bank lenders in highly-levered structures | ▶ | Enable an exit of bank lenders |
| 7 | Raising junior HoldCo debt | ▶ | Increase leverage for acquisitions/ dividends |

# Alternative Lending in action: Spotlight on the Polish market

 © Deloitte Alternative Capital Solutions

# Poland: Direct Lenders capture burgeoning small to mid-sized deal opportunity

Private debt managers are emerging across Poland, often writing business loans under €10 million in areas where banks are less likely to participate. Insurers are also having a major impact on mid-sized lending markets, explains Michał Lubieniecki, partner at Deloitte Central Europe.

Across the Polish banking system, liquidity continues to grow. To some degree this has limited the opportunities for Direct Lenders as banks offer relatively leveraged business loans – but there are key niches where alternative providers of capital are beginning to flourish.

The reason for this higher liquidity compared to other Western European jurisdictions is that Poland's banks were not heavily affected by the sub-prime mortgage crisis – historically, many have had very low exposure to higher risk mortgages and to residential mortgage backed securities.

Indeed, the banks, bolstered by the liquid environment and a long history of lending to a wide variety of local non-financial businesses, have been markedly increasing their corporate loan books, up by a strong 35% in the last five years and valued at around €90 billion. The bulk of their small to medium size enterprise activity is loans and credits with full or limited liquidity.

In addition, banks' sentiment around credit margins has been particularly positive since 2015, according to quarterly measurements made by the Polish National Bank (NBP). For the last four years, large institutions have been increasing the maximum scale of loans they are willing to offer, and significantly decreasing the security required. Credit margins and maximum tenors have not changed significantly. The typical term is 3-5 years – which can increase up to the maximum of 7-8 years in case of balance-sheet funding. For Project Finance/PPP this can be relatively longer to match the project profile.

Banks' willingness to lend, and their confidence in the landscape, has limited to date the number of Direct Lending funds in existence and the amounts of money they're lending.

Nonetheless, Direct Lenders are carving out a strong niche for themselves through involvement in smaller, more complex deals, and by providing more leverage than banks are currently offering. The number of Direct Lending deals continues to increase, with 10 large deals in 2017 which are included in our survey and a myriad of smaller loans from local business lenders.

Direct Lenders are carving out a strong niche for themselves through involvement in smaller, more complex deals, and by providing more leverage than banks are currently offering.

So far, international Direct Lenders have not entered extensively into the Polish market. Some have taken an opportunistic approach, selecting deals they find attractive and swooping for the business. But there is a strong opportunity for them to establish a consistent presence.

Credit Value Investment (CVI), Poland's largest specialist credit fund manager, is an example of the growing trend. It has made over 450 private debt transactions in Poland as well as in Central and Eastern Europe. The value of those deals totals €1.6 billion – with over €1 billion currently out in the region and plans to double that figure by 2021. The company's current average loan size is €6 million, but it can lend four times that amount.

There are good possibilities to fund small and mid-sized businesses in Poland and the wider region, notes Marcin Leja, managing director at CVI: ***"On average, we see over a thousand investment opportunities each year, out of which around 10% turn into investments for us."*** The company brands itself as a one-stop shop, offering a variety of deals from stretched senior, unitranche, junior and mezzanine products to minority equity financing and distressed debt.

But there are also many smaller funds. Scores of SME lenders lend small amounts of debt as low as €1 million or €2 million per transaction.

Deloitte sees strong opportunities for new funds to target mid-market deals in certain sectors and specific situations. These include real estate development finance, where there has been double-digit growth in projects in the past three years, and where risk is sometimes beyond the appetite of banks. Other sectors popular among Direct Lenders include retail, mid-market manufacturing, leisure and also peer to peer consumer lenders because the banks are less keen to fund potential competition.

So far, international Direct Lenders have not entered extensively into the Polish market. Some have taken an opportunistic approach, selecting deals they find attractive and swooping for the business. But there is a strong opportunity for them to establish a consistent presence. Mr Leja believes that across Central and Eastern Europe there is a €6 billion to €7 billion opportunity in the provision of private debt, based on the GDP of the region and wider debt market growth forecasts. Poland would be an obvious gateway into the wider Eastern European market.

Deloitte expects to see more consistent involvement of international players, given the strong annual growth in the number of deals executed by CVI in Poland's private Direct Lending space from 2013 to the end of 2017.

One of the examples of international Alternative Lenders' presence in Poland was Metric Capital Partner's (MCP) investment in Less Mess Storage, a leading operator of self-storage facilities in Central and Eastern Europe, headquartered in Warsaw. John Sinik, Managing Partner of MCP, commented: ***"Less Mess represents Metric's first investment in CEE, and is consistent with our investment philosophy of providing bespoke capital solutions to strong businesses. Metric financed the transaction using its hybrid investment structure comprising both debt and equity, and has also agreed to provide follow-on capital to support the company's future expansion"***. Following Metric's investment the company has opened two additional locations in Warsaw.

In any deal, whether it involves local or foreign funds, Alternative Lenders are not necessarily averse to working with banks. Mr Leja at CVI says that ***"for situations in which senior debt is required in good quality stable businesses, with good cash flow generation and plenty of time for bank due diligence, banks are able to offer cheaper capital than we are but in these cases our funds can add extra leverage through a complimentary instrument"***.

However, CVI also completes transactions on a bilateral basis. It is particularly active in lower-mid-sized tickets, and Mr Leja adds that ***"it would be almost impossible [for a bank] to organise €5 million of acquisition financing for a Polish SME to take over a Romanian peer, for example"***. CVI focuses on margins over 350 basis points (bps), therefore higher than those of the banks, and positions itself between bank and private equity financing.

Meanwhile, even though sponsorless deals – meaning those without private equity involvement – dominate the Direct Lending market, we also expect to see some increased private equity involvement as loan sizes increase. CVI, which can now provide up to €25 million of lending in any single case, expects its proportion of sponsored transactions to go up.

A number of other non-banking institutions of a substantial size are also actively lending in Poland. Due to the size of their balance sheet, they are able to offer much larger loans than most private debt managers, often over €30 million.

These institutions include the country's largest insurer, PZU. Tomasz Mrowczyk, a director at the company, says this is another area of the market that can be served well by local players with strong capital and a local currency presence.

***"The availability of subordinated debt on the Polish market, especially in large transactions, is limited due to the relatively low number of institutions able to provide sizeable Polish currency [zloty] denominated funding,"*** he says, demonstrating the relatively untapped opportunity.

The sizeable financial reserves of insurers, and their appetite for more risk and complexity, puts them in a strong position to capture business here. Mr Mrowczyk adds that PZU is ***"one of the few players with a willingness to accept more complex financing structures, and the balance sheet big enough to finance the largest deals"***.

One of PZU's largest transactions in recent years was a margin loan to support the leveraged purchase of a controlling stake in a leading real estate developer, by funds Pimco and Oaktree Capital. Another was second-lien financing provided to Cinven, Permira and Mid Europa Partners to enable the buyout of an e-commerce platform. Both these loans were particularly large, at over €150 million.

Finally, several public institutional lenders take an important role in the Direct Lending market, particularly where a developmental or core sector angle is sought. Those lending to mid-size firms include the European Bank for Reconstruction and Development, and the European Investment Bank, as well as the Polish state development bank BGK.

As the Polish lending market continues to mature and different sizes of funds become active in specific niches, the opportunities are increasingly obvious to potential entrants. While the Alternative Lending space remains young, we expect a continued strong growth among local and foreign players, lending with or without banks to sponsorless companies as well as those owned by private equity houses.

The market is ripe for growth.

**Michał Lubieniecki**
**Partner – Debt & Capital Advisory**
Tel: +48 22 511 00 10
Mob: +48 783 575 222
Email: mlubieniecki@deloittece.com

**Maciej Bałabanow**
**Manager – Debt & Capital Advisory**
Tel: +48 22 511 08 11
Mob: +48 666 330 570
Email: mbalabanow@deloittece.com

# Deloitte's CFO Survey

 © Deloitte Alternative Capital Solutions

# Results from Deloitte's CFO Survey Q4 2017

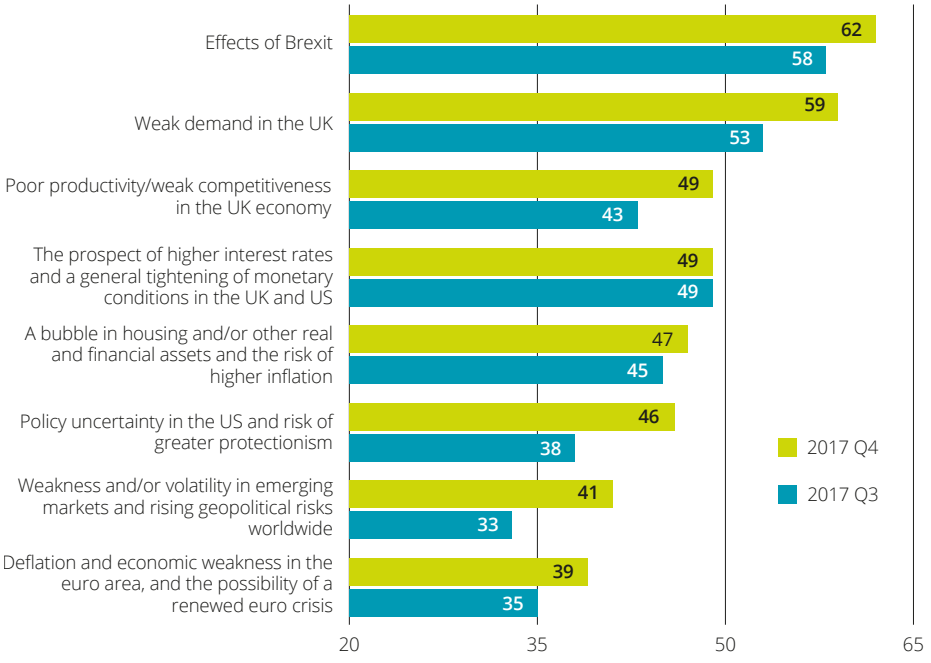
This is the 42nd quarterly survey of Chief Financial Officers and Group Finance Directors of major companies in the UK. The 2017 fourth quarter survey took place between 3rd and 15th December. 112 CFOs participated, including the CFOs of 23 FTSE 100 and 46 FTSE 250 companies. The rest were CFOs of other UK-listed companies, large private companies and UK subsidiaries of major companies listed overseas. The combined market value of the 83 UK-listed companies surveyed is £512 billion, or approximately 19% of the UK quoted equity market.

### Risk to business posed by the following factors

CFOs see issues related to the domestic environment as the biggest risks facing their businesses. They rank Brexit as their top risk, followed by concerns over weak demand and poor productivity/ weak competitiveness in the UK economy. Concerns over each have increased since the third quarter.

CFOs have also become markedly more concerned about the risks posed by US policy uncertainty/protectionism as well as weakness or volatility in emerging markets/rising geopolitical risks worldwide. The continued recovery of the euro area economy means that concerns over deflation and economic weakness in the region remain the lowest ranked risk for CFOs – with such concerns having fallen sharply over the last three years.

Weighted average ratings on a scale of 0-100 where 0 stands for no risk and 100 stands for the highest possible risk

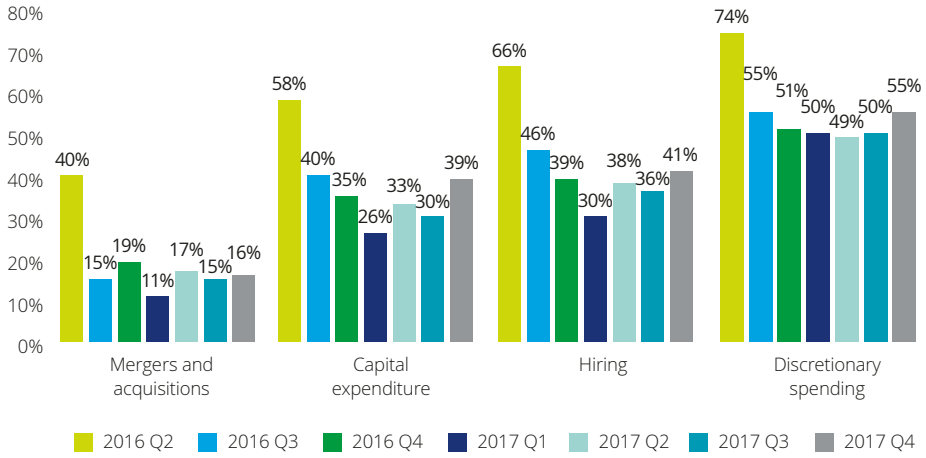


## Effect of Brexit on own spending and hiring decisions

CFOs continue to expect to reduce their own spending as a result of Brexit.

More than half say it will lower their discretionary spending. A third or more will scale down their capital investment and hiring plans.

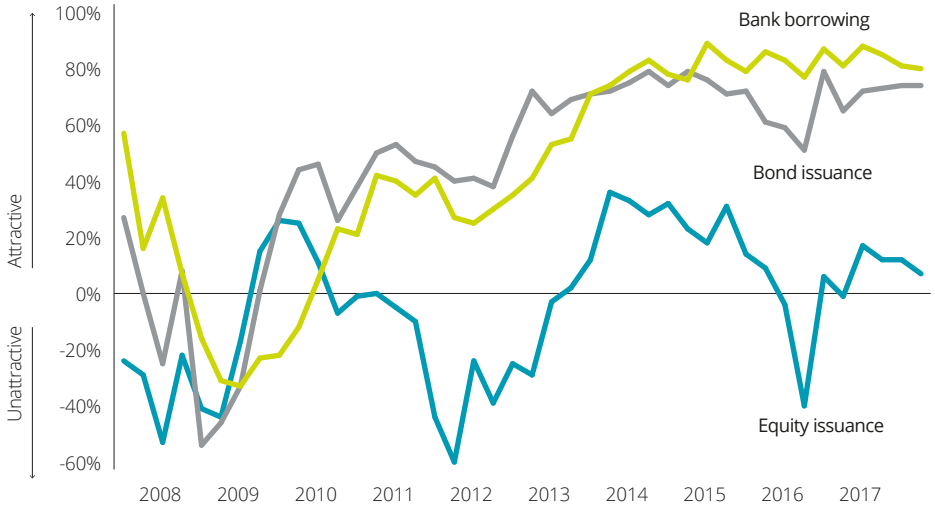
% of CFOs who expect M&A activity, capital expenditure, hiring and discretionary spending by their business to decrease over the next three years as a consequence of Brexit




## Favoured source of corporate funding

CFOs continue to see debt as the most attractive form of financing, with bond issuance and bank loans easily trumping equity issuance.

Net % of CFOs reporting the following sources of funding as attractive



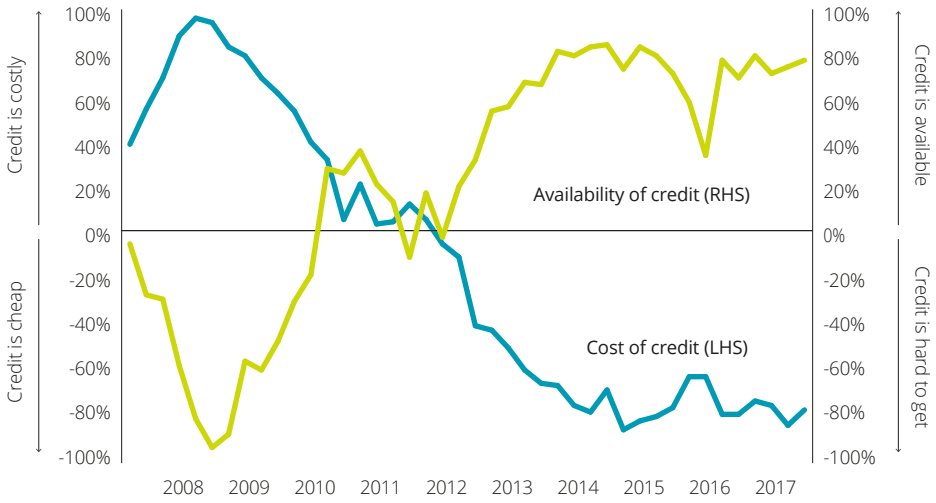

 © Deloitte Alternative Capital Solutions

## Cost and availability of credit

Funding conditions remain extremely favourable for the large corporates on our survey panel.

CFOs continue to view credit as being cheap and available

Net % of CFOs reporting credit is costly and credit is easily available

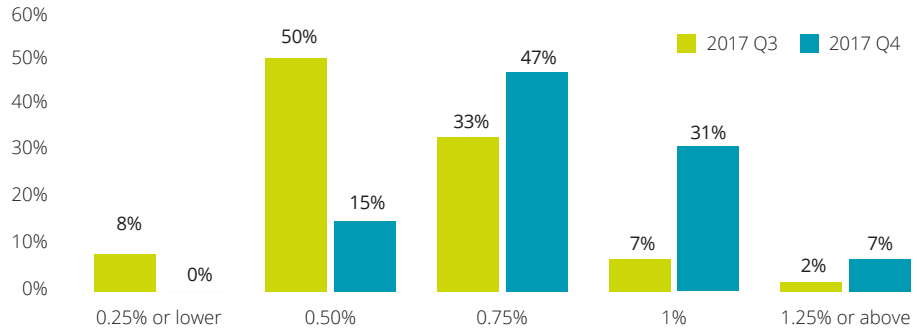



## Interest rate expectations

Following the Bank of England's November rate rise – the first since the financial crisis – CFOs see rates rising further in 2018.

85% of them expect the base rate to be 0.75% or above in a year's time, up from 42% in the third quarter.

% of CFOs who expect the Bank of England's base rate to be at the following levels in a year's time




All sources: Deloitte publication
*The Deloitte CFO Survey Q4 2017: Focus on cost control, no retreat on growth*

# Insights into the European Alternative Lending market

 © Deloitte Alternative Capital Solutions

# Alternative Lender '101' guide

### Who are the Alternative Lenders and why are they becoming more relevant?

Alternative Lenders consist of a wide range of non-bank institutions with different strategies including private debt, mezzanine, opportunity and distressed debt.

These institutions range from larger asset managers diversifying into alternative debt to smaller funds newly set up by ex-investment professionals. Most of the funds have structures comparable to those seen in the private equity industry with a 3-5 year investment period and a 10 year life with extensions options. The limited partners in the debt funds are typically insurance, pension, private wealth, banks or sovereign wealth funds.

Over the last three years a significant number of new funds has been raised in Europe. Increased supply of Alternative Lender capital has helped to increase the flexibility and optionality for borrowers.

### Key differences to bank lenders?

- Access to non amortising, bullet structures.
- Ability to provide more structural flexibility (covenants, headroom, cash sweep, dividends, portability, etc.).
- Access to debt across the capital structure via senior, second lien, unitranche, mezzanine and quasi equity.
- Increased speed of execution, short credit processes and access to decision makers.
- Potentially larger hold sizes for leveraged loans (€30m up to €300m).
- Deal teams of funds will continue to monitor the asset over the life of the loan.

### However

- Funds are not able to provide clearing facilities and ancillaries.
- Funds will target a higher yield for the increased flexibility provided.

# Euro Private Placement '101' guide

### Euro PP for mid-cap corporates at a glance

Since its inception in July 2012, the Euro Private Placement (Euro PP) volumes picked up significantly. After the amendment in the insurance legislation in July 2013, the majority of Euro PPs are currently unlisted. The introduction of a standardised documentation template by the Loan Market Association (LMA) in early 2015 is supportive of a Pan-European roll-out of this alternative source of financing.

### Key characteristics of the credit investor base

- Mainly French insurers, pension funds and asset managers
- Buy and Hold strategy
- Target lending: European mid-cap size, international business exposure, good credit profile (net leverage max. 3.5x), usually sponsor-less

### Main features of Euro PP

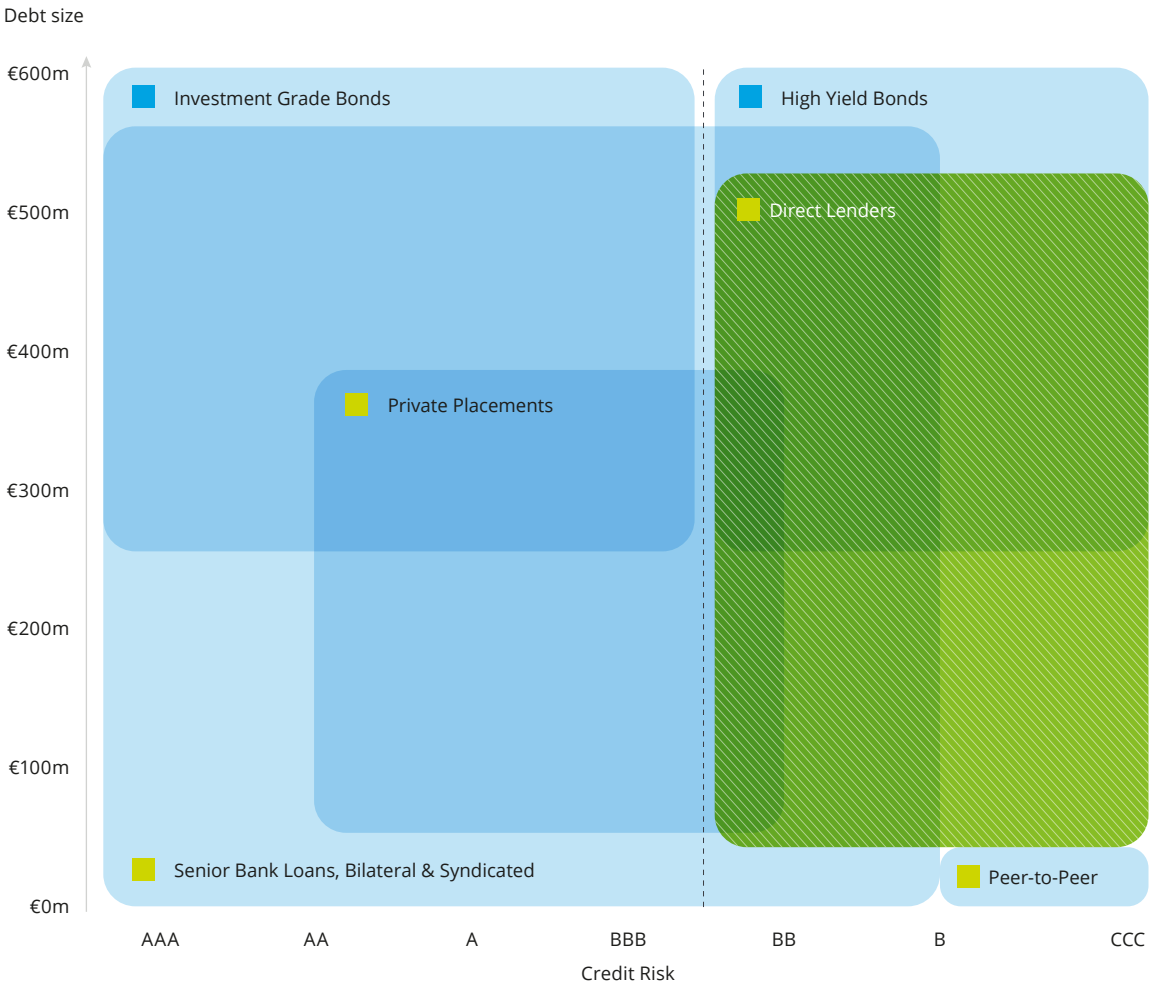
- Loan or bond (listed or non-listed) – If listed: technical listing, no trading and no bond liquidity
- Usually Senior, unsecured (possibility to include guarantees if banks are secured)
- No rating
- Minimum issue amount: €10m
- Pari passu with other banking facilities
- Fixed coupon on average between 3% and 4.5% – No upfront fees
- Maturity > 7 years
- Bullet repayment profile
- Limited number of lenders for each transaction and confidentiality (no financial disclosure)
- Local jurisdiction, local language
- Euro PPs take on average 8 weeks to issue

### Pros and Cons of Euro PP

- ✓ Long maturity
- ✓ Bullet repayment (free-up cash flow)
- ✓ Diversification of sources of funding (bank disintermediation)
- ✓ Very limited number of lenders for each transaction
- ✓ Confidentiality (no public financial disclosure)
- ✓ Covenant flexibility and adapted to the business
- ✓ General corporate purpose
- ✗ Make-whole clause in case of early repayment
- ✗ Minimum amount €10m
- ✗ Minimum credit profile; leverage < 3.5x

 © Deloitte Alternative Capital Solutions

# How do Direct Lenders compare to other cash flow debt products?



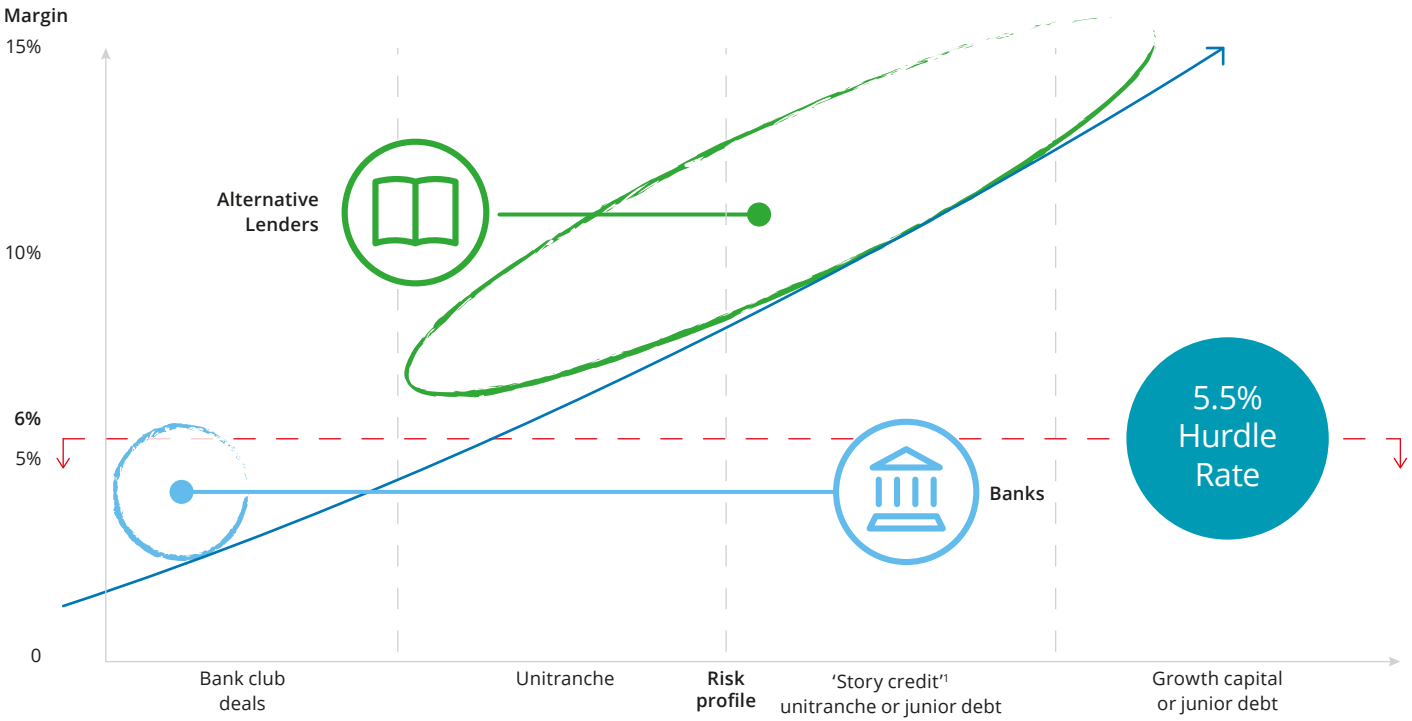

**Cash flow debt products**

The overview on the left focuses on the debt products available for Investment Grade and Sub-Investment Grade companies.

Private Instrument

Public Instrument

# How do Alternative Lenders compete with bank lenders?




Leveraged loan banks operate in the 350bps to 600bps margin range providing senior debt structures to mainly companies owned by private equity.

Majority of the Direct Lenders have hurdle rates which are above L+550bps margin and are mostly involved in the most popular strategy of 'plain vanilla' unitranche, which is the deepest part of the private debt market. However, direct lenders are increasingly raising senior risk strategies funds with lower hurdle rates.

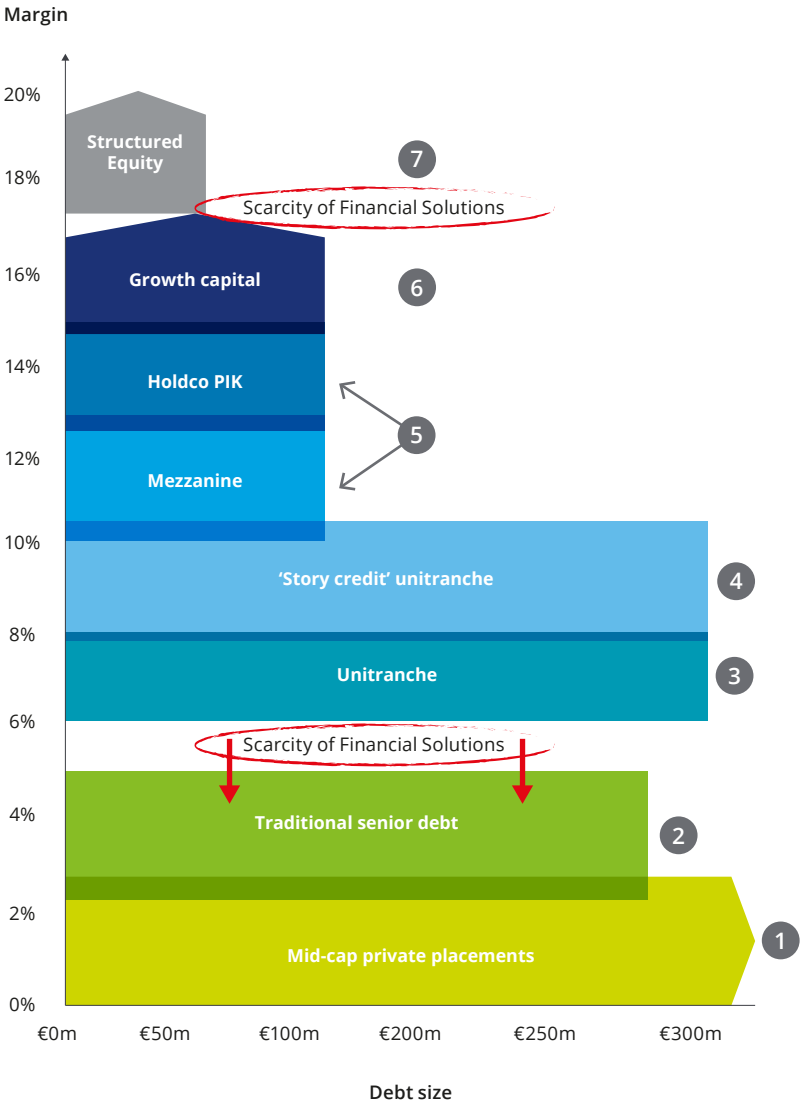
Other Direct Lending funds focus on higher yielding private debt strategies, including: 'Story credit'[1] unitranche and subordinated debt or growth capital.

Similar to any other asset class the risk return curve has come down over the last 3 years as a result of improvements in the economy and excess liquidity in the system.

[1] 'Story Credit' – unitranche facility for a company that historically was subject to a financial restructuring or another financial difficulty and as a result there is a higher (real or perceived) risk associated with this investment.

 © Deloitte Alternative Capital Solutions

# What are the private debt strategies?




Note: Distressed strategies are excluded from this overview

We have identified seven distinctive private debt strategies in the mid-market Direct Lending landscape:

1. Mid-cap Private Placements
2. Traditional senior debt
3. Unitranche
4. 'Story credit' unitranche
5. Subordinated (mezzanine/PIK)
6. Growth capital
7. Structured equity

There is a limited number of Alternative Lenders operating in the L+450bps to L+600bps pricing territory.

A number of large funds are now actively raising capital to target this part of the market.

Direct Lenders approach the mid-market with either a niche strategy (mainly new entrants) or a broad suite of Direct Lending products to cater for a range of financing needs.

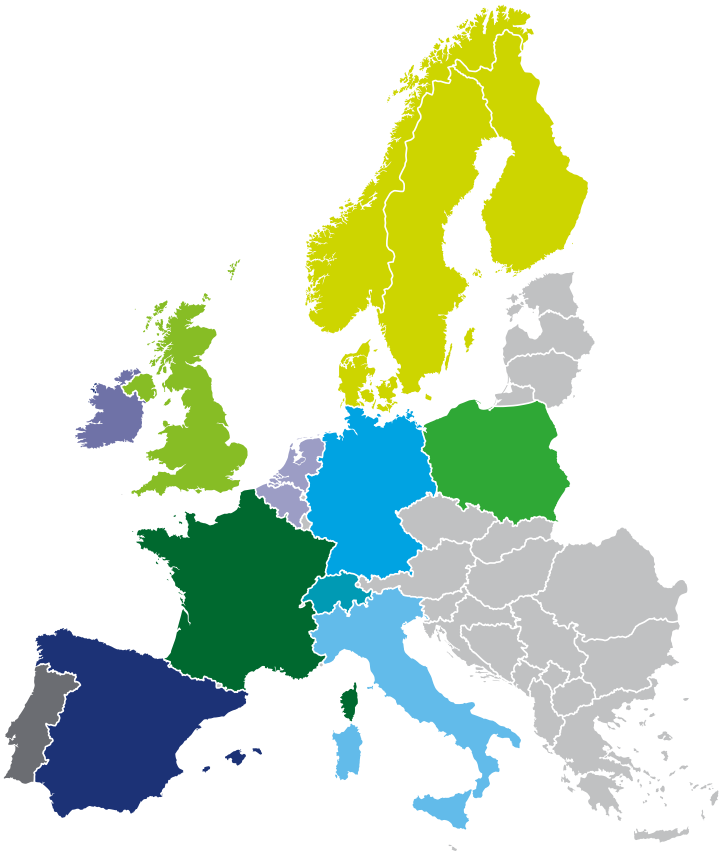
The latter is mostly the approach of large asset managers.

# How does the Direct Lending investment strategy compare to other strategies?

| Fund strategy | Description | Target return (Gross IRR) | Investment period | Fund term | Management fee | Preferred return | Carried interest |
|---|---|---|---|---|---|---|---|
| **Direct senior lending** | Invest directly into corporate credit at senior levels of the capital structure | 5-10% | 1-3 years | 5-7 years (plus 1-2 optional one year extensions) | Typically around 1% on invested capital | 5-6% | 10% |
| **Specialty lending/credit opportunities** | Opportunistic investments across the capital structure and/or in complex situations<br><br>Typically focused on senior levels of the capital structure | 12-20% | 3-5 years | 8-10 years (plus 2-3 optional one year extensions) | Typically 1.25 – 1.50% on invested capital or less than 1% on commitments | 6-8% | 15%-20% |
| **Mezzanine** | Primarily invest in mezzanine loans and other subordinated debt instruments | 12-18% | 5 years | 10 years (plus 2-3 optional one year extensions) | 1.50 – 1.75% on commitments during investment period, on a reduced basis on invested capital thereafter | 8% | 20% |
| **Distressed** | Invest in distressed, stressed and undervalued securities<br><br>Includes distressed debt-for-control | 15-25% | 3-5 years | 7-10 years (plus 2-3 optional one year extensions) | Various pending target return and strategy: 1.50 – 1.75% on commitments or 1.50% on invested capital | 8% | 20% |

**Management fee** – an annual payment made by the limited partners in the fund to the fund's manager to cover the operational expenses.
**Preferred return (also hurdle rate)** – a minimum annual return that the limited partners are entitled to before the fund manager starts receiving carried interest.
**Carried interest** – a share of profits above the preferred return rate that the fund manager receives as compensation which is based on the performance of the investment.

# Who are the Direct Lenders?



Note: offices included with at least one dedicated Direct Lending professional. The graph does not necessarily provide an overview of the geographical coverage.

**United Kingdom**

Alcentra, ARDIAN, ARES, BainCapital, BARINGS, BEECHBROOK capital, BLACKROCK, BlueBay, citi, CORDET, CRESCENT, CVC, EQT, eso, GROVEPOINT, GSO, GUGGENHEIM, aperacapital, HERMES, HIG, ICG, KARTESIA, KKR, HAYFIN, IGP Capital Partners, M&G, MACQUARIE, MAGNETAR CAPITAL, Muzinich&Co, MV|Credit, Njord, Northleaf, Partners Group, PERMIRA, Pricoa Capital Group, Præsidian capital, ROTHSCHILD, THCP, TDC, TPG, terra firma

**Germany**

ARDIAN, ARES, BLACKROCK, EQT, HAYFIN, HIG, idinvest, ICG, KARTESIA, aperacapital, PERMIRA, Pricoa Capital Group

**Poland**

CreditValue Investments

**Spain**

ALANTRA, HIG, ICG, INCUS CAPITAL, idinvest, KARTESIA, KKR, HAYFIN, MAGNETAR CAPITAL, Muzinich&Co, TREA, oquendo

**Nordics**

CAPITAL FOUR, ARES, CORDET, PROVENTUS

**Italy**

Emisys capital, HIG, INCUS CAPITAL, Muzinich&Co, QUADRIVIO, Pricoa Capital Group

**Benelux**

CORDET, delta lloyd, HAYFIN, HIG, ICG, KARTESIA, PMV, THCP

**Ireland**

ActivateCapital, BlueBay, BainCapital, CARDINAL, EARLSFORT CAPITAL

**Portugal**

INCUS CAPITAL

**Switzerland**

CREDIT SUISSE, eso, Partners Group, taviscapital

**France**

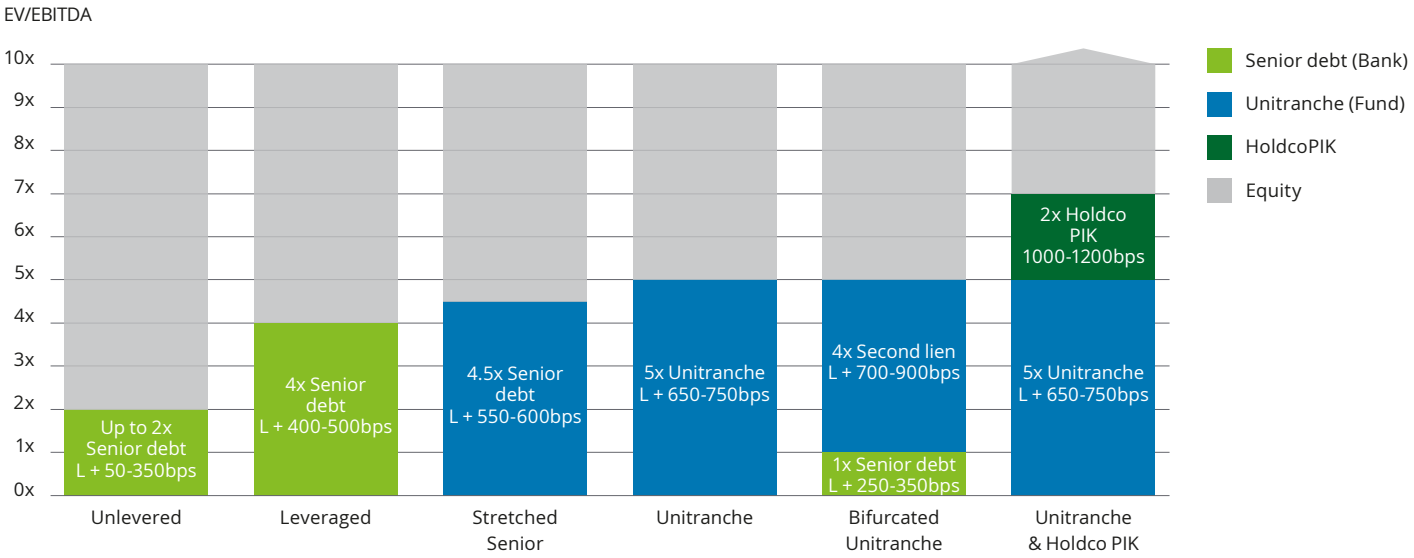
ARDIAN, ARES, BLACKROCK, bpifrance, CEREA, Capzanine, aperacapital, emz, HAYFIN, HIG, ICG, idinvest, INCUS CAPITAL, KARTESIA, Capital Partners, Muzinich&Co, Partners Group, KKR, PERMIRA, ROTHSCHILD

Especially focused on Euro PP

Amundi, Artemid, LA BANQUE POSTALE, CEREA, idinvest

# What debt structures are available in the market?

## Structures




## Weighted Average Cost of Debt (WACD) – based on mid-point average range

| L + 50-350bps | L + 450bps | L + 575bps | L + 700bps | L + 700bps | L + 815bps |
|---|---|---|---|---|---|

Note: the structures and pricing presented are indicative and only for illustrative purposes

## Pros and Cons per structure

| | | | | | |
|---|---|---|---|---|---|
| ✓ Lowest pricing<br>✓ Relationship bank<br><br>• Low leverage<br>• Shorter tenor (3-5 years) | ✓ Increased leverage<br>✓ Club of relationship banks<br><br>• More restrictive terms<br>• Partly amortising | ✓ Increased leverage<br>✓ Bullet debt<br>✓ Lower Equity contribution<br><br>• More restrictive terms than Unitranche<br>• Higher pricing than bank debt<br>• Need for RCF lender | ✓ Stretched leverage<br>✓ Flexible covenants<br>✓ One-stop shop solution<br>✓ Speed of execution<br>✓ Relationship lender<br><br>• Higher pricing | ✓ Stretched leverage<br>✓ Flexible covenants<br>✓ Greater role for bank<br>✓ Reach more liquid part of the unitranche market<br><br>• Higher pricing<br>• Intercreditor/AAL | ✓ Stretched leverage<br>✓ Flexible covenants<br>✓ Lower equity contribution<br>✓ No Intercreditor<br><br>• Higher pricing |

 © Deloitte Alternative Capital Solutions

# More sponsor-less companies are turning to Direct Lenders to finance growth

## Background

- Traditionally private companies without access to further shareholder funding lacked the ability to make transformational acquisitions.
- Bank lenders are typically not able to fund junior debt/quasi equity risk and would require a sizable equity contribution from the shareholders to fund acquisitions.
- Cost savings, revenues synergies and ability to purchase bolt on acquisitions at lower EBITDA multiples makes a buy and build strategy highly accretive for shareholder's equity.

## Opportunity

- Alternative Lenders are actively looking to form longer term partnerships with performing private companies to fund expansion.
- Recent market transactions have been structured on Debt/EBITDA multiples as high as 4.5-5.0x including identifiable hard synergies. Typically, this is subject to c.30–40% implied equity in the structure, based on conservative enterprise valuations.
- A number of Alternative Lenders are able to fund across the capital structure from senior debt through minority equity.

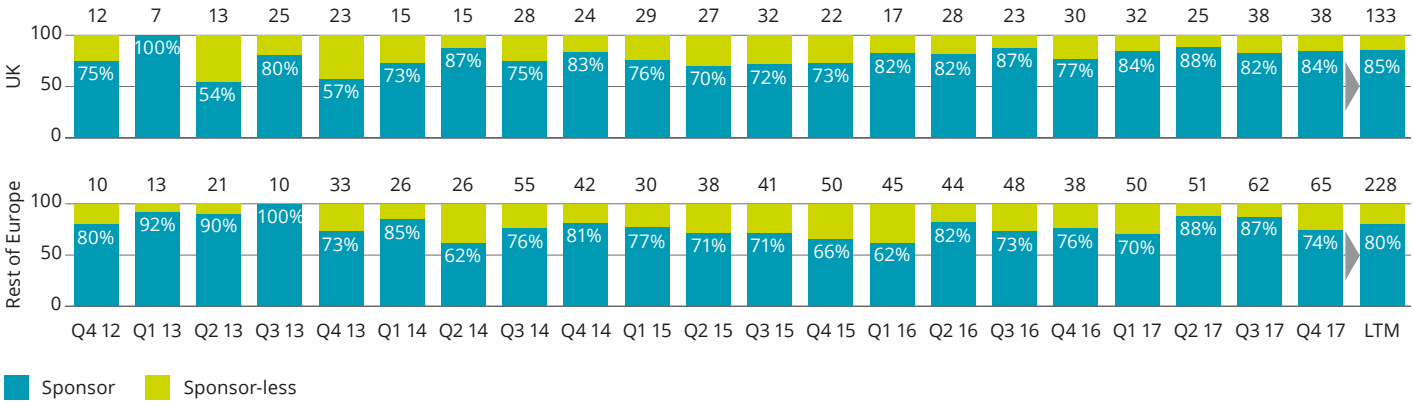
**Key advantages**

Key advantages of using Alternative Lenders to fund a buy and build strategy may include:

- Accelerate the growth of the company and exponentially grow the shareholder value in a shorter time period.
- No separate equity raising required as Alternative Lenders can act as a one stop solution providing debt and minority equity.
- Significant capital that Alternative Lenders can lend to a single company (€150-300m) making Alternative Lenders ideal for long term partnership relationships and follow on capital for multiple acquisitions.

## Sponsor backed versus private Direct Lending deals

As % of total deals per quarter



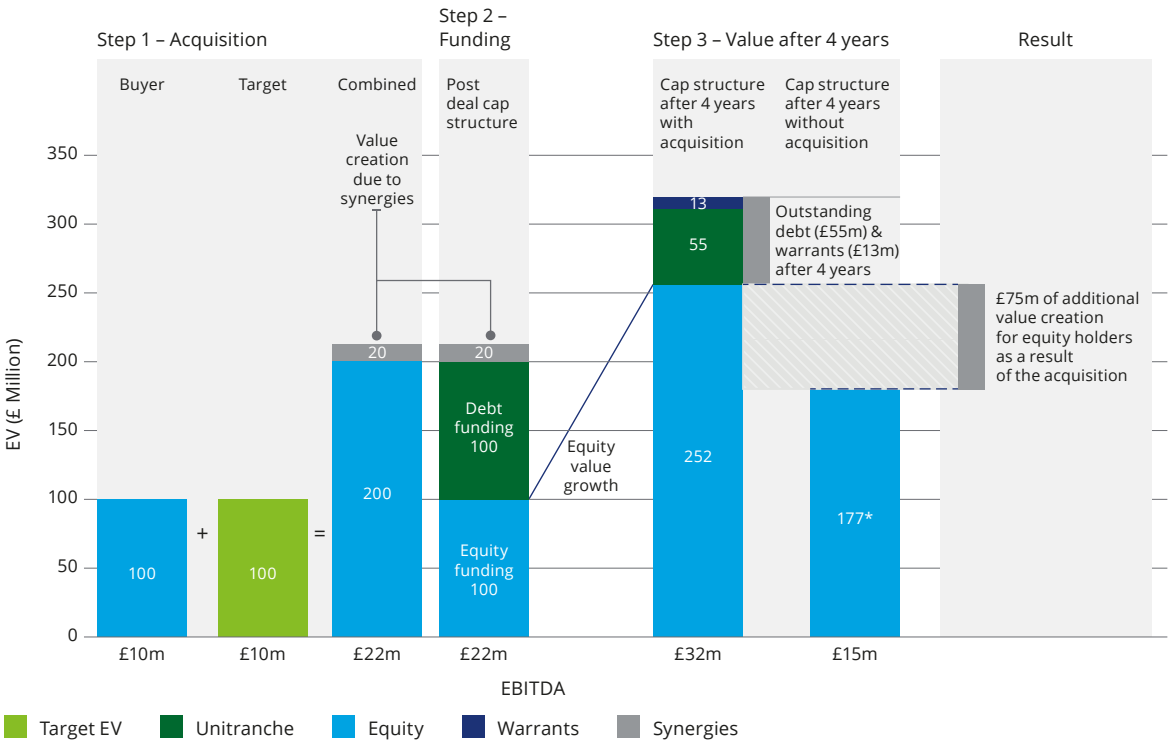
# Unlocking transformational acquisitions for privately owned companies

## Indicative calculations

- The calculations on this page illustrate the theoretical effect of value creation through acquisitions financed using Alternative Lenders.
- In this example equity value grows from £100m to £252m in 4 years time. Without the acquisition, the equity value would have been only £177m, using the same assumptions and disregarding any value creation as a result of multiple arbitrage.

## Value creation through M&A

Indicative calculations




*EV is c.£147m and with c.£30m cash on balance sheet brings the equity value to c.£177m.

## Assumptions

- Both business generate £10m EBITDA with £2m potential synergies
- No debt currently in the business
- Cost of debt is 8% with 5% penny warrants on top
- 10% EBITDA growth pa; 75% Cash conversion; 20% Corporate tax rate
- No transaction costs

 © Deloitte Alternative Capital Solutions

# Deloitte Debt and Capital Advisory

# What do we do for our clients?

## Debt and Capital Advisory

### Independent advice

- We provide independent advice to borrowers across the full spectrum of debt markets through our global network.
- Completely independent from providers of finance – our objectives are fully aligned with those of our clients.

### Global resources & execution expertise

- A leading team of 200 debt professionals based in 30 countries including Europe, North America, Africa and Asia, giving true global reach.
- Our expertise ranges from the provision of strategic advice on the optimum capital structure and available sources of finance through to the execution of raising debt.

### Market leading team

- Widely recognised as a Global leader with one of the largest Debt Advisory teams.
- We pride ourselves on our innovative approach to challenging transactions and the quality of client outcomes we achieve, using our hands on approach.

### Demonstrable track record

- In the last 12 months, we have advised on over 100 transactions with combined debt facilities in excess of €10bn.
- Our target market is debt transactions ranging from €25m up to €750m.

## Debt and Capital Services provided

### Refinancing

- Maturing debt facilities
- Rapid growth and expansion
- Accessing new debt markets
- Recapitalisations facilitating payments to shareholders
- Asset based finance to release value from balance sheet
- Off balance sheet finance
- Assessing multiple proposals from lenders

### Acquisitions, disposals, mergers

- Strategic acquisitions, involving new lenders and greater complexity
- Staple debt packages to maximise sale proceeds
- Additional finance required as a result of a change in strategic objectives
- FX impacts that need to be reflected in the covenant definitions
- Foreign currency denominated debt or operations in multiple currencies

### Restructuring or negotiating

- New money requirement
- Real or potential breach of covenants
- Short term liquidity pressure
- Credit rating downgrade
- Existing lenders transfer debt to an Alternative Lender group
- Derivatives in place and/or banks hedging requirements to be met

### Treasury

- Operations in multiple jurisdictions and currencies creating FX exposures
- Develop FX, interest rate and commodity risk management strategies
- Cash in multiple companies, accounts, countries and currencies
- Hedging implementation or banks hedging requirements to be met

**Depth and breadth of expertise in a variety of situations**

 © Deloitte Alternative Capital Solutions

# How complex is your credit?

## Sector

| | | | |
|---|---|---|---|
| Growth | Volatile | | Stable |
| Cyclicality | High | | Low |
| Seasonality | High | | Low |
| Scarcity of product | Commodity | | High value-add |
| Changing regulatory environment | High | | Low |

## Market position & Clients

| | | | |
|---|---|---|---|
| Low | | High | Market share |
| Many | | Few | Competitors |
| Few | | Many | Barriers to entry |
| High | | Low | Customer concentration |
| High | | Low | Supplier concentration |

## Management, Shareholders & Jurisdiction

| | | | |
|---|---|---|---|
| Management quality | Low | | High |
| Corporate Governance | Weak | | Strong |
| Shareholder commitment | Low | | High |
| Jurisdiction | Difficult | | Easy |

## Financial Performance

| | | | |
|---|---|---|---|
| Volatile | | Stable | Stable performance |
| Low | | High | Cash generation |
| High | | Low | Leverage |
| Low | | High | Asset coverage |

# UK Deloitte Debt and Capital Advisory

## One of the most successful Debt and Capital Advisory teams

### UK Partners

**Chris Skinner**
Partner
+44 (0) 20 7303 7937
chskinner@deloitte.co.uk

**Karlien Porre**
Partner
+44 (0) 20 7303 5153
kporre@deloitte.co.uk

**Nick Soper**
Partner
+44 (0) 20 7007 7509
nsoper@deloitte.co.uk

**John Gregson**
Partner
+44 (0) 20 7007 1545
jogregson@deloitte.co.uk

**Floris Hovingh**
Partner
+44 (0) 20 7007 4754
fhovingh@deloitte.co.uk

### UK Team

**James Blastland**
Director
+44 (0) 20 7303 7502
jblastland@deloitte.co.uk

**Robert Connold**
Director
+44 (0) 20 7007 0479
rconnold@deloitte.co.uk

**George Fieldhouse**
Director
+44 (0) 20 7007 2612
gfieldhouse@deloitte.co. uk

**Anil Gupta**
Director
+44 (0) 113 292 1174
anilgupta@deloitte.co.uk

**Roger Lamont**
Director
+44 (0) 20 7007 7731
rolamont@deloitte.co.uk

**Carl Sharman**
Director
+44 (0) 20 7007 7128
casharman@deloitte.co.uk

**Adam Worraker**
Director
+44 (0) 20 7303 8347
aworraker@deloitte.co.uk

**Tom Birkett**
Assistant Director
+44 (0) 20 7007 9758
tbirkett@deloitte.co.uk

**Andrew Cruickshank**
Assistant Director
+44 (0) 20 7007 0522
acruickshank@deloitte.co.uk

**Alex Dugay**
Assistant Director
+44 (0) 20 7007 9593
adugay@deloitte.co.uk

**Louise Harvey**
Assistant Director
+44 (0) 20 7303 3476
louiseharvey@deloitte.co.uk

**Ben James**
Assistant Director
+44 (0) 20 7303 2467
benjames@deloitte.co.uk

**Guillaume Leredde**
Assistant Director
+44 (0) 20 7007 9561
gleredde@deloitte.co.uk

**Henry Pearson**
Assistant Director
+44 (0) 20 7303 2596
hepearson@deloitte.co.uk

**James Merry**
Assistant Director
+44 (0) 20 7303 7643
jamerry@deloitte.co.uk

**Manuele Rosignoli**
Assistant Director
+44 (0) 20 7303 8191
mrosignoli@deloitte.co.uk

**Alex Skeaping**
Assistant Director
+44 (0) 20 7007 7881
askeaping@deloitte.co.uk

**Adam Sookia**
Assistant Director
+44 (0) 113 292 1927
asookia@deloitte.co.uk

**Allen West**
Assistant Director
+44 (0) 20 7303 0997
allenwest@deloitte.co.uk

**Lucy Fall**
Manager
+44 (0) 20 7007 2472
lfall@deloitte.co.uk

**Holly Fletcher**
Manager
+44 (0) 161 455 6497
hofletcher@deloitte.co.uk

**Michael Keetley**
Manager
+44 (0) 131 535 0384
mikeetley@deloitte.co.uk

**Sabina Kerr**
Manager
+44 (0) 20 7303 4600
sakerr@deloitte.co.uk

**Phil McManus**
Manager
+44 (0) 20 7303 5323
phmcmanus@deloitte.co.uk

**Stephanie Richards**
Manager
+44 (0) 20 7303 3052
steprichards@deloitte.co.uk

**Graeme Rodd**
Manager
+44 (0) 20 7007 7009
grodd@deloitte.co.uk

**Magda Tylus**
Manager
+44 (0) 20 7007 9318
mtylus@deloitte.co.uk

**Ben Wright**
Manager
+44 (0) 113 292 1453
bewright@deloitte.co.uk

**Sam White**
Manager
+44 (0) 20 7007 1224
sawhite@deloitte.co.uk

**Naeem Alam**
Assistant Manager
+44 (0) 20 7007 3655
nalam@deloitte.co.uk

**Varun Goel**
Assistant Manager
+44 (0) 78 8100 8460
varugoel@deloitte.co.uk

**Shazad Khan**
Assistant Manager
+44 (0) 20 3741 2051
stkhan@deloitte.co.uk

**Hana Kollarova**
Assistant Manager
+44 (0) 20 7007 5398
hkollarova@deloitte.co.uk

**Alexis Santis**
Assistant Manager
+44 (0) 20 7007 8062
alsantis@deloitte.co.uk

**Rishabh Shah**
Assistant Manager
+44 (0) 20 7007 5869
rishshah@deloitte.co.uk

**Emily Harvey**
Senior Associate
+44 (0) 20 7303 4814
emiharvey@deloitte.co.uk

 © Deloitte Alternative Capital Solutions

# Global Deloitte Debt and Capital Advisory

## One of the most successful Debt and Capital Advisory teams

### Global senior team


**Australia**

**Sallie Muir**
+61 02 9322 5621
samuir@deloitte.com.au

**Austria**

**Ben Trask**
+43 15 3700 2950
bentrask@deloitte.at

**Belgium**

**Sebastiaan Preckler**
+32 2 800 28 35
spreckler@deloitte.be

**Brazil**

**Reinaldo Grasson**
+55 11 5186 1763
rgoliveira@deloitte.com

**Canada**

**Robert Olsen**
+1 41 6601 5900
robolsen@deloitte.ca

**Chile**

**Jaime Retamal**
+56 22 729 8784
jaretamal@deloitte.com

**China**

**Patrick Fung**
+852 2238 7400
pfung@deloitte.com.hk

**Czech Republic**

**Radek Vignat**
+420 246 042 420
rvignat@deloittece.com

**Denmark**

**Thomas Bertelsen**
+45 30 93 53 69
tbertelsen@deloitte.dk

**France**

**Olivier Magnin**
+33 1 4088 2885
omagnin@deloitte.fr

**Germany**

**Axel Rink**
+49 (69) 75695 6443
arink@deloitte.de

**India**

**Vishal Singh**
+91 22 6185 5203
vvsingh@deloitte.com

**Ireland**

**John Doddy**
+353 141 72 594
jdoddy@deloitte.ie

**Israel**

**Joseph Bismuth**
+972 3 608 5554
jbismuth@deloitte.co.il

**Italy**

**Daniele Candiani**
+39 348 451 8099
dcandiani@deloitte.it

**Japan**

**Haruhiko Yoshie**
+81 80 443 51 383
haruhiko.yoshie@
tohmatsu.co.jp

**Mexico**

**Jorge Schaar**
+52 55 5080 6392
jschaar@deloittemx.com

**Netherlands**

**Alexander Olgers**
+31 8 8288 6315
aolgers@deloitte.nl

**Norway**

**Andreas Enger**
+47 23 279 534
aenger@deloitte.no

**Poland**

**Michal Lubieniecki**
+48 22 5110 010
mlubieniecki@
deloittece.com

**Portugal**

**Antonio Julio Jorge**
+351 210 422 524
ajorge@deloitte.pt

**Singapore**

**Richmond Ang**
+65 6216 3303
rang@deloitte.com

**South Africa**

**Fredre Meiring**
+27 1 1209 6728
fmeiring@deloitte.co.za

**Spain**

**Alejandro Gonzalez de Aguilar**
+34 91 443 2552
agonzalezdeaguilar@
deloitte.es

**Switzerland**

**Samuel Kramer**
+41 582 797636
skraemer@deloitte.ch

**UAE**

**Robin Butteriss**
+971 4506 4857
robutteriss@deloitte.com

**UK**

**Chris Skinner**
+44 (0) 20 7303 7937
chskinner@deloitte.co.uk

**USA**

**John Deering**
+1 70 4333 0574
jdeering@deloitte.com

# Deloitte Debt and Capital Advisory credentials

## Selected transactions

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| **HgCapital**<br>Refinancing<br>Jan 2018<br>Undisclosed<br>UK | **Westfalia**<br>Acquisition Financing<br>Jan 2018<br>Undisclosed<br>UK | **Forest Holidays**<br>Acquisition Financing<br>Dec 2017<br>Undisclosed<br>UK | **Silverfleet**<br>Acquisition Financing<br>Dec 2017<br>Undisclosed<br>UK | **Domino's Group Plc**<br>Refinancing<br>Dec 2017<br>£350m<br>UK | **Norli Pension**<br>Acquisition Financing<br>Dec 2017<br>€37m<br>Denmark | **Kalaallit Airports**<br>Capex Financing<br>Dec 2017<br>€250m<br>Denmark | **Koncenton**<br>Mortgage Finance<br>Dec 2017<br>€25m<br>Denmark |
| **Multraship**<br>Refinancing<br>Dec 2017<br>€60m<br>Netherlands | **easyGYM**<br>Growth Financing<br>Dec 2017<br>Undisclosed<br>Netherlands | **Kouwenberg**<br>Acquisition Financing<br>Dec 2017<br>€7m<br>Netherlands | **IZICO Food Group**<br>Acquisition Financing<br>Nov 2017<br>Undisclosed<br>Netherlands | **TSH**<br>Refinancing<br>Nov 2017<br>€6m<br>Netherlands | **Xafinity**<br>Acquisition Financing<br>Nov 2017<br>€87m<br>UK | **Cogital**<br>Refinancing<br>Nov 2017<br>NOK1400m<br>UK | **Atcore**<br>Staple<br>Nov 2017<br>Undisclosed<br>UK |
| **Citation**<br>Refinancing<br>Nov 2017<br>Undisclosed<br>UK | **Ullink**<br>Staple<br>Nov 2017<br>Undisclosed<br>UK | **Viabill**<br>Acquisition Financing<br>Oct 2017<br>€40m<br>Denmark | **Undisclosed Infrastruture Fund**<br>Acquisition Financing<br>Oct 2017<br>Undisclosed<br>Denmark | **Birch & Co**<br>Acquisition Financing<br>Oct 2017<br>€23m<br>Denmark | **YSC Holdings**<br>Staple<br>Oct 2017<br>Undisclosed<br>UK | **Iris**<br>Refinancing<br>Oct 2017<br>Undisclosed<br>UK | **Micro Focus**<br>Banking Continuity Services<br>Oct 2017<br>Undisclosed<br>UK |
| **Undisclosed**<br>Development Finance<br>Oct 2017<br>€5m<br>Ireland | **Cara Pharmacy**<br>Refinance & Debt Raise<br>Sep 2017<br>€16.2m<br>Ireland | **Noden Pharma**<br>Debt Advisory<br>Sep 2017<br>Undisclosed<br>Ireland | **Monarch Plastics**<br>Refinancing<br>Sep 2017<br>Undisclosed<br>Canada | **Manitoba Clinic**<br>Refinancing<br>Sep 2017<br>Undisclosed<br>Canada | **Arena Plaza**<br>Refinancing<br>Sep 2017<br>€280m<br>UK | **Kisimul**<br>Acquisition Finance<br>Sep 2017<br>Undisclosed<br>UK | **LDC**<br>Acquisition Finance<br>Sep 2017<br>Undisclosed<br>UK |
| **FFUN Motor Group**<br>Refinancing<br>Aug 2017<br>C$100m<br>Canada | **Sovos Compliance**<br>Refinancing<br>Aug 2017<br>Undisclosed<br>UK/US | **Lendified**<br>Debt Financing<br>Aug 2017<br>C$60m<br>Canada | **Stiga**<br>Refinancing<br>Aug 2017<br>€260m<br>UK | **ISP**<br>Refinancing<br>Aug 2017<br>Undisclosed<br>UK | **Arachas**<br>Acquisition Finance<br>Aug 2017<br>Undisclosed<br>UK | **BluJay**<br>Refinancing<br>Aug 2017<br>Undisclosed<br>UK | **FundInfo**<br>Refinancing<br>Aug 2017<br>Undisclosed<br>UK |
| **Esendex**<br>Acquisition Finance<br>Aug 2017<br>Undisclosed<br>UK | **Aston Scott**<br>Acquisition Financing<br>Jul 2017<br>Undisclosed<br>UK | **DFS**<br>Refinancing<br>Jul 2017<br>£230m<br>UK | **Forterra**<br>Refinancing<br>Jul 2017<br>£150m<br>UK | **Air Greenland**<br>Dividend Recap<br>Jul 2017<br>Undisclosed<br>Denmark | **Institutos Odontologics**<br>Growth Financing<br>Jul 2017<br>€50m<br>Spain | **Acome**<br>Amend & Extend<br>Jul 2017<br>€60m<br>France | **Biotelemetry, Inc.**<br>Acquisition Financing<br>Jul 2017<br>$255m<br>US |

 © Deloitte Alternative Capital Solutions

## Selected transactions

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| **Sports & Leisure Group**<br>Staple Financing<br>Jun 2017<br>Undisclosed<br>Belgium | **Stage Entertainment**<br>Refinancing<br>Jun 2017<br>Undisclosed<br>Netherlands | **Keylane**<br>Refinancing<br>Jun 2017<br>Undisclosed<br>Netherlands | **McBride Plc**<br>Refinancing<br>Jun 2017<br>€175m<br>UK | **Labflex**<br>Acquisition Finance<br>Jun 2017<br>€15m<br>Denmark | **Information Builders, Inc**<br>Refinancing<br>May 2017<br>$625m<br>US | **Project Atlanta**<br>Growth Financing<br>May 2017<br>$20m<br>Chile | **FMTG**<br>Financing<br>May 2017<br>Undisclosed<br>Austria |
| **CFC Capital Limited**<br>Staple<br>Apr 2017<br>Undisclosed<br>UK | **Ullink**<br>Refinancing<br>Aug 2016<br>Undisclosed<br>UK | **A-Plan**<br>Refinancing<br>Apr 2017<br>Undisclosed<br>UK | **HgCapital**<br>Acquisition Financing<br>Apr 2017<br>$315m<br>US | **Marfo**<br>Acquisition Financing<br>Mar 2017<br>Undisclosed<br>Netherlands | **Foreman Capital/**<br>Standard Investment<br>Acquisition Financing<br>Mar 2017<br>Undisclosed<br>Denmark | **Monjasa A/S**<br>Refinancing<br>Mar 2017<br>$67.5m<br>Denmark | **Habcock Aviation Group**<br>Build up Financing<br>Mar 2017<br>€25m<br>Spain |
| **EUROFIMA**<br>Financial Advisor<br>Mar 2017<br>Undisclosed<br>Switzerland | **Koncenton**<br>Acquisition Finance<br>Mar 2017<br>€25m<br>Denmark | **CVL**<br>Staple<br>Feb 2017<br>Undisclosed<br>UK | **Euromoney Plc**<br>Acquisition Finance<br>Feb 2017<br>$201m + £162m<br>UK | **BCA**<br>Refinancing<br>Feb 2017<br>£500m<br>UK | **Sovereign Capital**<br>Debt Advisory<br>Feb 2017<br>€26m<br>Ireland | **Koncenton**<br>Acquisition Finance<br>Feb 2017<br>€50m<br>Denmark | **ATP**<br>Recapitalisation<br>Jan 2017<br>Undisclosed<br>Denmark |
| **Acta Marine**<br>Capex Financing<br>Jan 2017<br>Undisclosed<br>Netherlands | **TUHF Limited**<br>Pvte Placement Board<br>Jan 2017<br>ZAR280m<br>South Africa | **Transport Vervaeke**<br>Acquisition Finance<br>Jan 2017<br>Undisclosed<br>Belgium | **Zenith**<br>Staple<br>Jan 2017<br>£24.5m<br>UK | **Intelliflo**<br>Refinancing<br>Jan 2017<br>Undisclosed<br>UK | **Champ Ventures**<br>Growth Financing<br>Jan 2017<br>£20m<br>UK | **FL Partners**<br>Acquisition Finance<br>Jan 2017<br>£15m<br>UK | **LionHorn Pte Ltd**<br>Acquisition Finance<br>Dec 2016<br>Undisclosed<br>Singapore/Malaysia |
| **Northern Irish Home Builder**<br>Debt Raising<br>Dec 2016<br>€6m<br>Ireland | **Oceanwide**<br>Refinancing<br>Dec 2016<br>Undisclosed<br>Netherlands | **Royal Boom**<br>Refinancing<br>Dec 2016<br>Undisclosed<br>Netherlands | **Project Roma**<br>Refinancing<br>Dec 2016<br>Undisclosed<br>US | **Project Homeland II**<br>Growth Financing<br>Dec 2016<br>Undisclosed<br>US | **Project Grey**<br>Refinancing<br>Dec 2016<br>Undisclosed<br>US | **WinSystems Limited**<br>Acquisition Finance<br>Dec 2016<br>Undisclosed<br>US/UK | **Philips Lighting**<br>FX Exposure Advisory<br>Nov 2016<br>Undisclosed<br>UK |
| **Staples**<br>Treasury Function Setup<br>Nov 2016<br>Undisclosed<br>UK | **Naviair**<br>Recapitalisation<br>Nov 2016<br>€15m<br>Denmark | **Every Angle**<br>EIB Financing<br>Nov 2016<br>€7.5m<br>Netherlands | **Refresh Financial**<br>Debt Financing<br>Nov 2016<br>$75m<br>Canada | **University College Zealand**<br>Refinancing<br>Nov 2016<br>€32m<br>Denmark | **Real Estate**<br>Debt Raising<br>Nov 2016<br>€6.3m<br>Ireland | **Koncenton**<br>Mortgage Finance<br>Nov 2016<br>€60m<br>Denmark | **Hotel Industry**<br>Debt Raising<br>Nov 2016<br>€39.2m<br>Ireland |

# Notes

 © Deloitte Alternative Capital Solutions

Important Notice in relation to page 14-15

## Disclaimer

This material has been prepared by the Private Fund Group of the International Wealth Management division of Credit Suisse ("Credit Suisse"). It is not investment research or a research recommendation for regulatory purposes as it does not constitute substantive research or analysis. This material is provided for informational and illustrative purposes and is intended for your use only. It does not constitute an invitation or offer to the public to subscribe for or purchase any of the products or services mentioned. The information contained in this document has been provided as a general market commentary only and does not constitute any form of regulated financial advice, legal, tax or other regulated financial service. It is intended only to provide observations and views of the said individual Credit Suisse personnel (to the exclusion of any other Credit Suisse personnel or the proprietary positions of Credit Suisse) as of the date of writing without regard to the date on which the reader may receive or access the information. Information and opinions presented in this material have been obtained or derived from external sources believed by Credit Suisse to be reliable, but Credit Suisse makes no representation as to their accuracy or completeness. Credit Suisse accepts no liability for loss arising from the use of this material. It should be noted that historical returns and financial market scenarios are no guarantee of future performance. Credit Suisse provides no guarantee with regard to the content and completeness of the information and does not accept any liability for losses that might arise from making use of the information.

This material is not directed at, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any jurisdiction where such distribution, publication, availability or use would be contrary to applicable law or regulation or which would subject Credit Suisse and/or its subsidiaries or affiliates to any registration or licensing requirement within such jurisdiction. Materials have been furnished to the recipient solely for inclusion in the Deloitte Alternative Lender Deal Tracker by the Private Fund Group of the International Wealth Management division of Credit Suisse.

Deloitte.

This publication has been written in general terms and we recommend that you obtain professional advice before acting or refraining from action on any of the contents of this publication. Deloitte LLP accepts no liability for any loss occasioned to any person acting or refraining from action as a result of any material in this publication.

Deloitte LLP is a limited liability partnership registered in England and Wales with registered number OC303675 and its registered office at 2 New Street Square, London EC4A 3BZ, United Kingdom.

Deloitte LLP is the United Kingdom affiliate of Deloitte NWE LLP, a member firm of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee ("DTTL"). DTTL and each of its member firms are legally separate and independent entities. DTTL and Deloitte NWE LLP do not provide services to clients. Please see www.deloitte.com/about to learn more about our global network of member firms.

© 2018 Deloitte LLP. All rights reserved.

Designed and produced by The Creative Studio at Deloitte, London. J15053