

Private Credit

# European Private Credit Review H1 24 — Maturity makes a market (9fin)

18:00 23rd July 2024 • 9 min read

Devin McGinley | [devin@9fin.com](mailto:devin@9fin.com)

There's been a lot of talk lately about the so-called golden era of private credit coming to an end, but the flipside of that may be that the market is maturing.

After a steep drop at the start of the year, European dealmaking turned a corner in the second quarter of 2024. Competition with syndicated loans has persisted, but also provided opportunities for direct lenders and bank arrangers to collaborate [in hybrid-style deals](#).

Fundraising [is proving that size matters](#): there were 36 funds raised in the first half of the year, for a total of \$60.9bn globally, and their average size has reached a record \$1.7bn — up from \$588m over the past three years.

We expect to see a more concentrated market going forward, with larger players taking greater share and snapping up smaller firms. More experienced and/or specialised lenders have the best chance of remaining competitive.

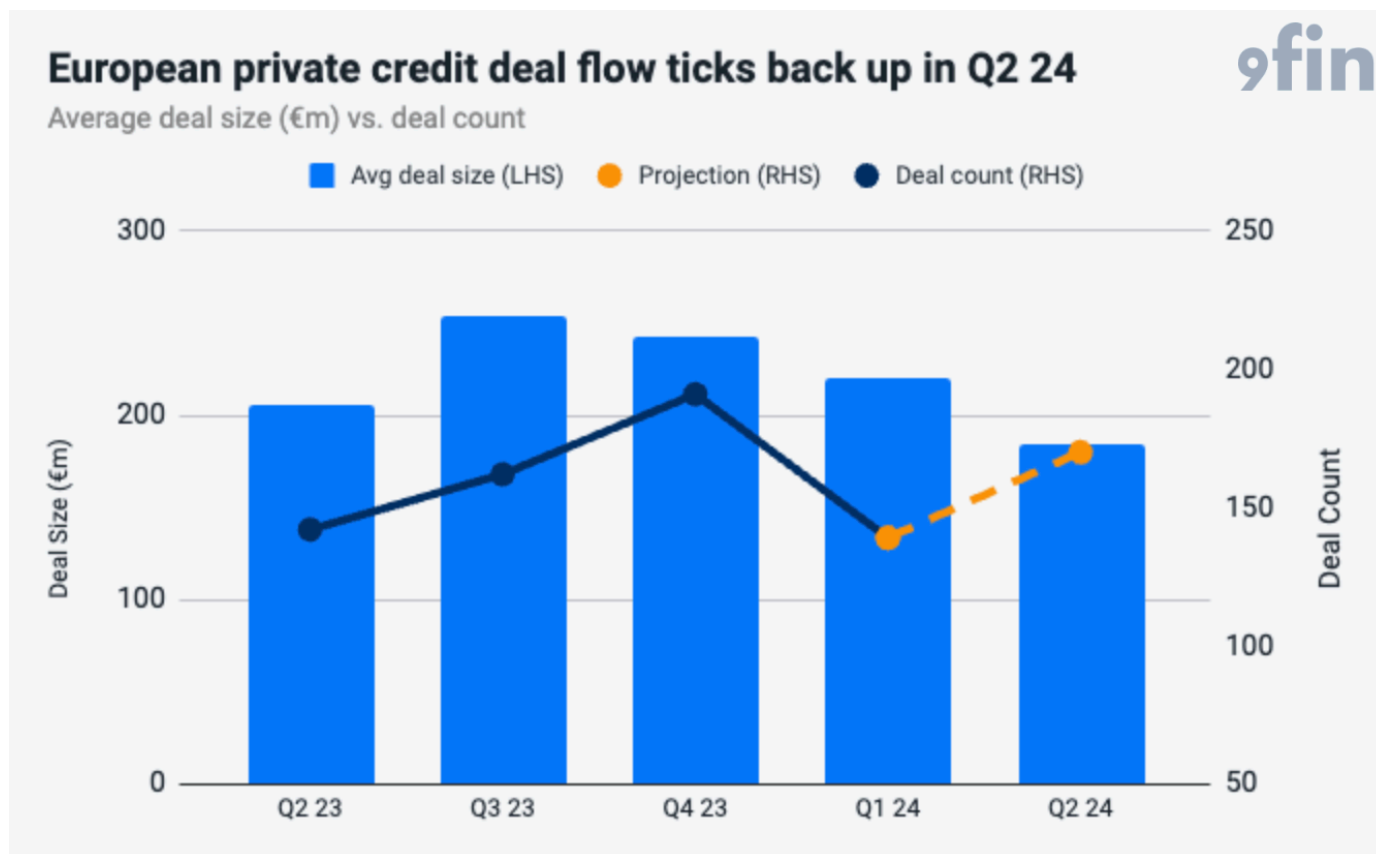
The data for this report is collated from public sources, reporting by the 9fin editorial team, and direct submissions from lenders.

## Deals are back — but still lagging Q4 23

Dealmaking returned to the European private credit market in the second quarter of 2024, but amid continued competitive pressure and market uncertainty, it remained well short of the pace observed at the close of 2023.

According to our data, the total number of private credit transactions rose 22% from 139 over the first quarter to 170 in the second, bringing the total deal count for H1 24 to 309. That is down from 353 in H2 23 — a roughly 12% drop.

Much of that decline is because the fourth quarter of 2023 was so strong:



Some of this choppiness can be chalked up to timing, and the possibility that a rush to close commitments before the end of the year simply left the pipeline dry come January.

But a look at deal sizes shows a more enduring trend. According to our data, despite the increase in deal count, total commitments remained flat at about €15bn in the second quarter relative to the first, with both quarters representing a 39% drop from €20.3bn in the Q4 23.

Consequently, the average size of financing packages has been on the decline.

Quarter over quarter, the average loan size in our sample set shrank by nearly 23% in the second quarter, to €171m from €220m. That represents the third consecutive quarterly drop in the average direct lending deal size, from a peak of €254m in the third quarter of 2023.

That's despite several large deals. European direct lenders were in on at least six €1bn-plus loans during the first half, the same number as the whole of 2023. But five of these — including 2024's largest private credit deal, a \$3.3bn package for UK insurer [Ardonagh](#) — were refinancings of existing debt, and we've seen fewer blockbuster multi-billion deals compared to 2022 and 2023.

Essentially, even though direct lenders have logged several major transactions, they were often

defending existing positions rather than expanding market share.

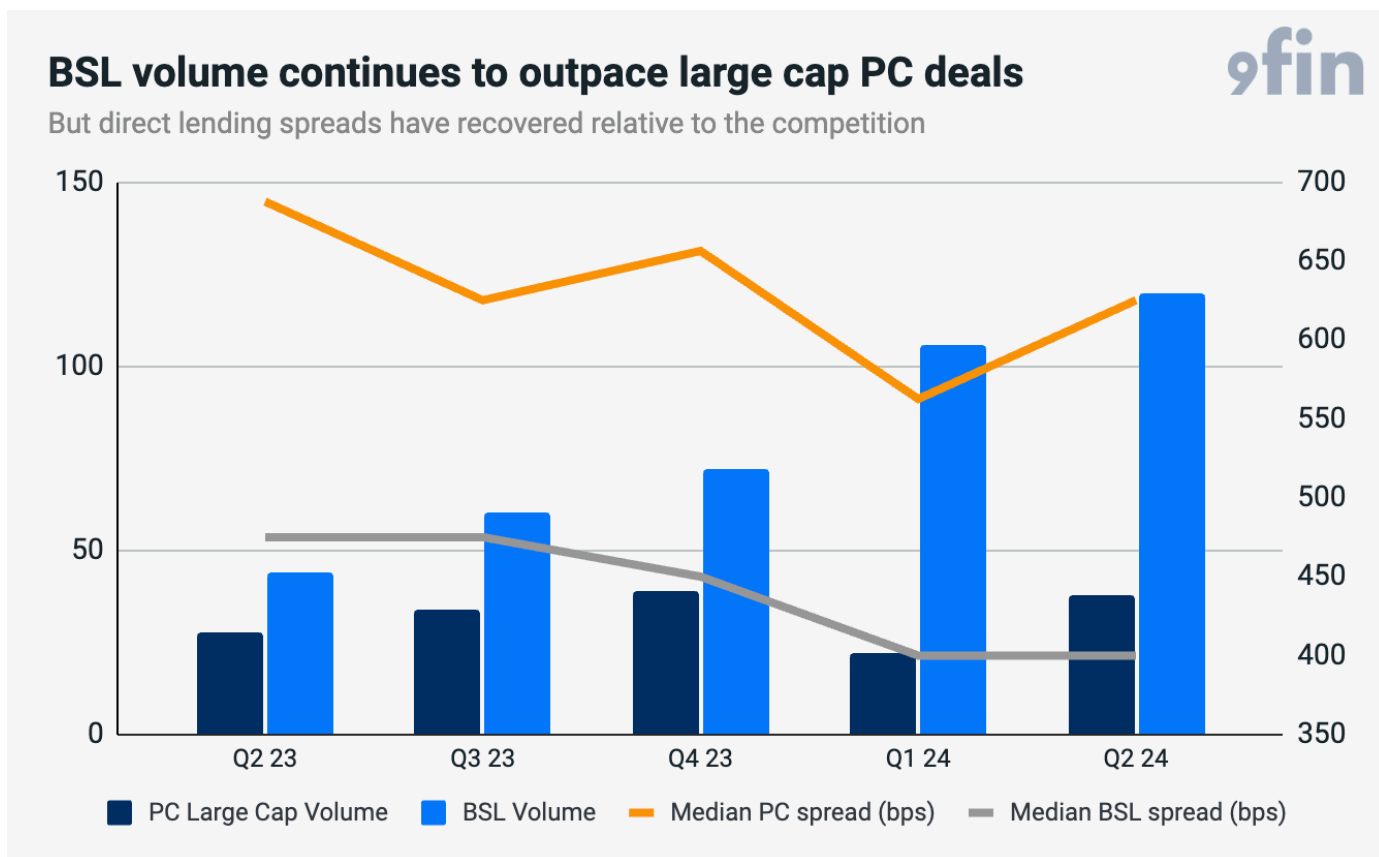
## BSL eats at larger deals

Competition from the broadly syndicated loan market, which has had one of [its strongest years on record](#), continues to be a headwind for direct lenders.

Syndicated loan issuance topped €100bn in the first half, putting it on track for its highest annual total this decade (the record level for a full year since 2020 was €145bn in 2021, according to *9fin* data). This strong run in H1 24 included several refinancings of private credit deals.

There was a rebound in large-cap direct lending deals (defined as transactions of more than €250m total debt size, or involving borrowers with more than €50m in EBITDA) from 22 to 38 in the second quarter, but that just helped the private credit market get back to its level in the latter half of 2023, as opposed to making meaningful progress.

Zooming out, the volume of large-cap private credit is still 18% lower over the past six months compared to H2 23 – while broadly syndicated loan volume rose 71% over the same period:



Despite this competition, pricing compression relative to the syndicated market appears to have eased

somewhat. Both markets have faced a medium-term trend of lower spreads over benchmark rates, but private credit margins regained their typical premium over bank-led deals in the second quarter.

According to our data, the median spread on European direct lending deals rose to 625bps in Q2 24 after tightening to 562bps in Q1 24. The median spread on syndicated loans, meanwhile, was at 400bps over both quarters.

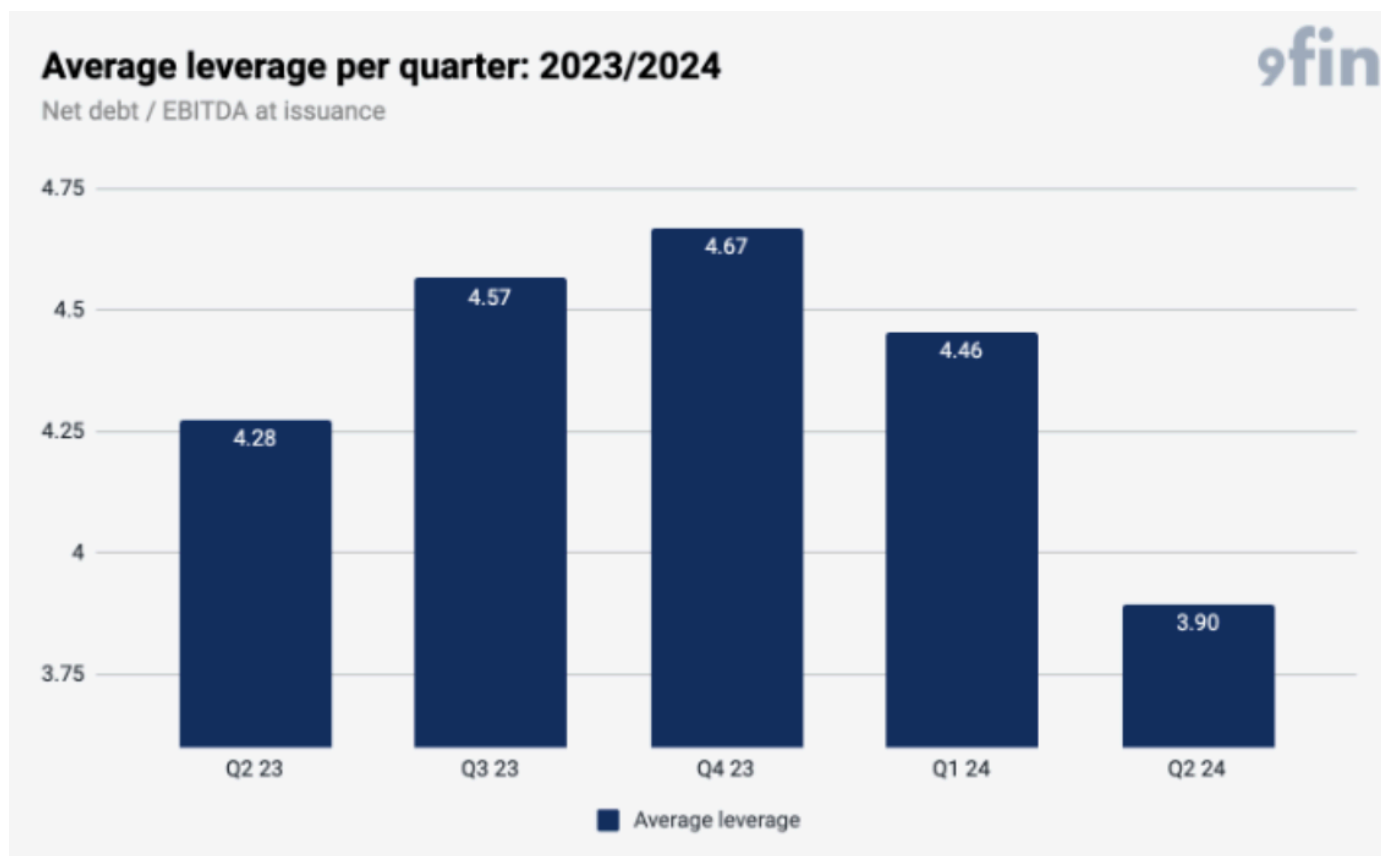
With the BSL market taking on more large-cap deals and private credit's average deal size on the decline, the median spread is likely being impacted by a greater number of classic mid-market deals in Q2.

The coupon increase could be credit-related — many prime assets were financed in Q1, compared to what some called the “quirkier assets” that hit the market in the second quarter. Pricing may also have been impacted by relatively strong add-on activity.

## Risk vs rewards

Notwithstanding the above comment about quirkier assets, direct lenders appeared to take on less risk for this higher pricing in Q2 24.

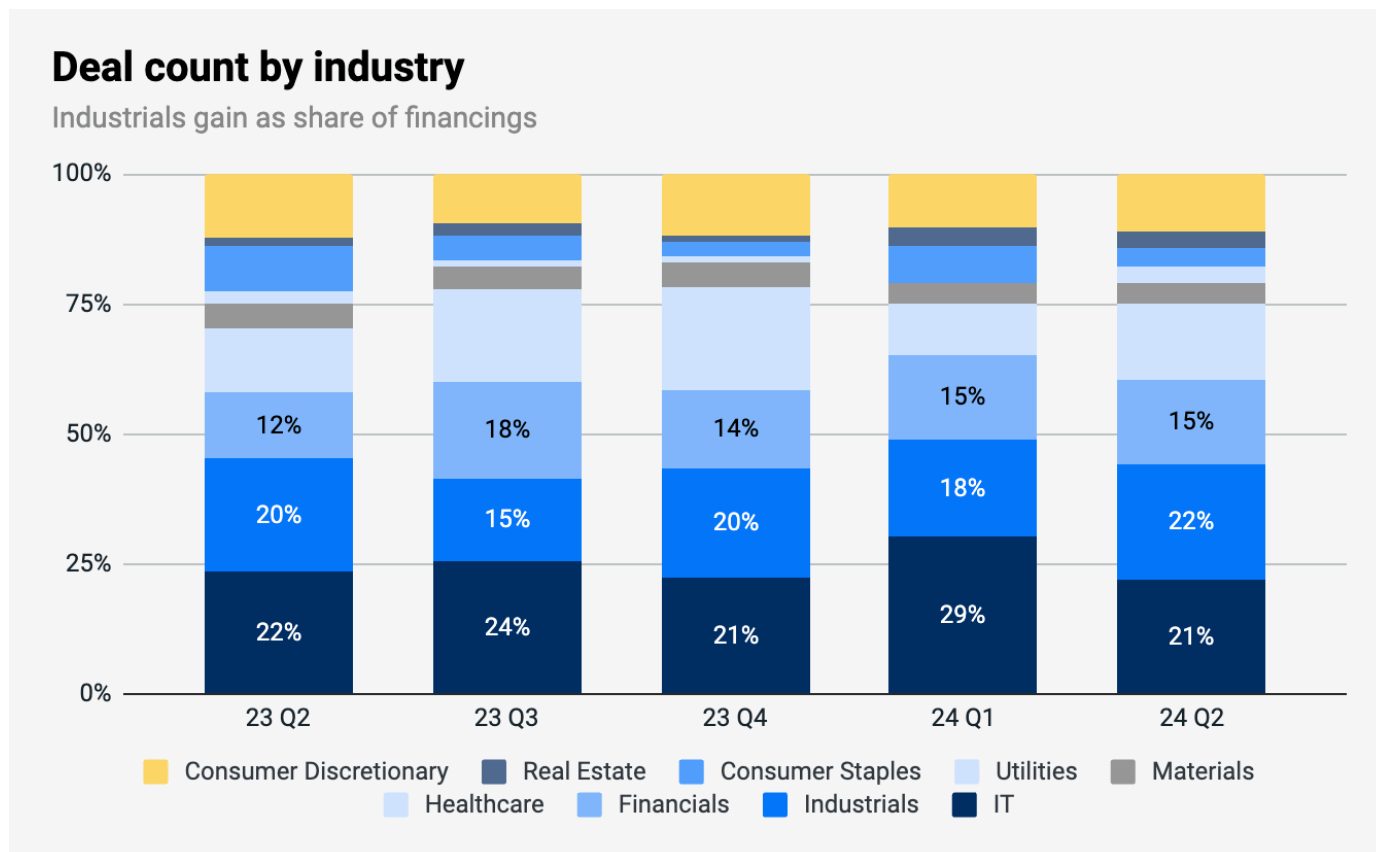
Average leverage (for deals where we were able to get hold of this data) fell from 4.46x in Q1 to 3.9x in the second quarter. This is the second consecutive quarter it has fallen, from a recent high of 4.67x at the end of 2023:



A risk-off mood may also be beginning to emerge in the industry composition of direct lending deals this quarter.

The tech sector is still driving a huge amount of direct lending, but IT's share of deal flow fell quarter-over-quarter from 29% to 21%. This was the largest proportional drop of any industry. The financial and consumer sectors also lost share.

Industrials, meanwhile, recorded the largest gain, rising from 18% to 22% of the market. Similarly, other less cyclical sectors grew their share: healthcare, which rose from 10% of deals to 14%, and utilities, which accounted for 3% of deals, up from zero in the first quarter.



These movements were observed over just one quarter, and could represent a temporary blip, such as a rebalancing of loan portfolios, or simply a fleeting product of the quality of credits available. But they are worth watching alongside macroeconomic indicators in gauging the risk appetite of lenders over the second half of the year.

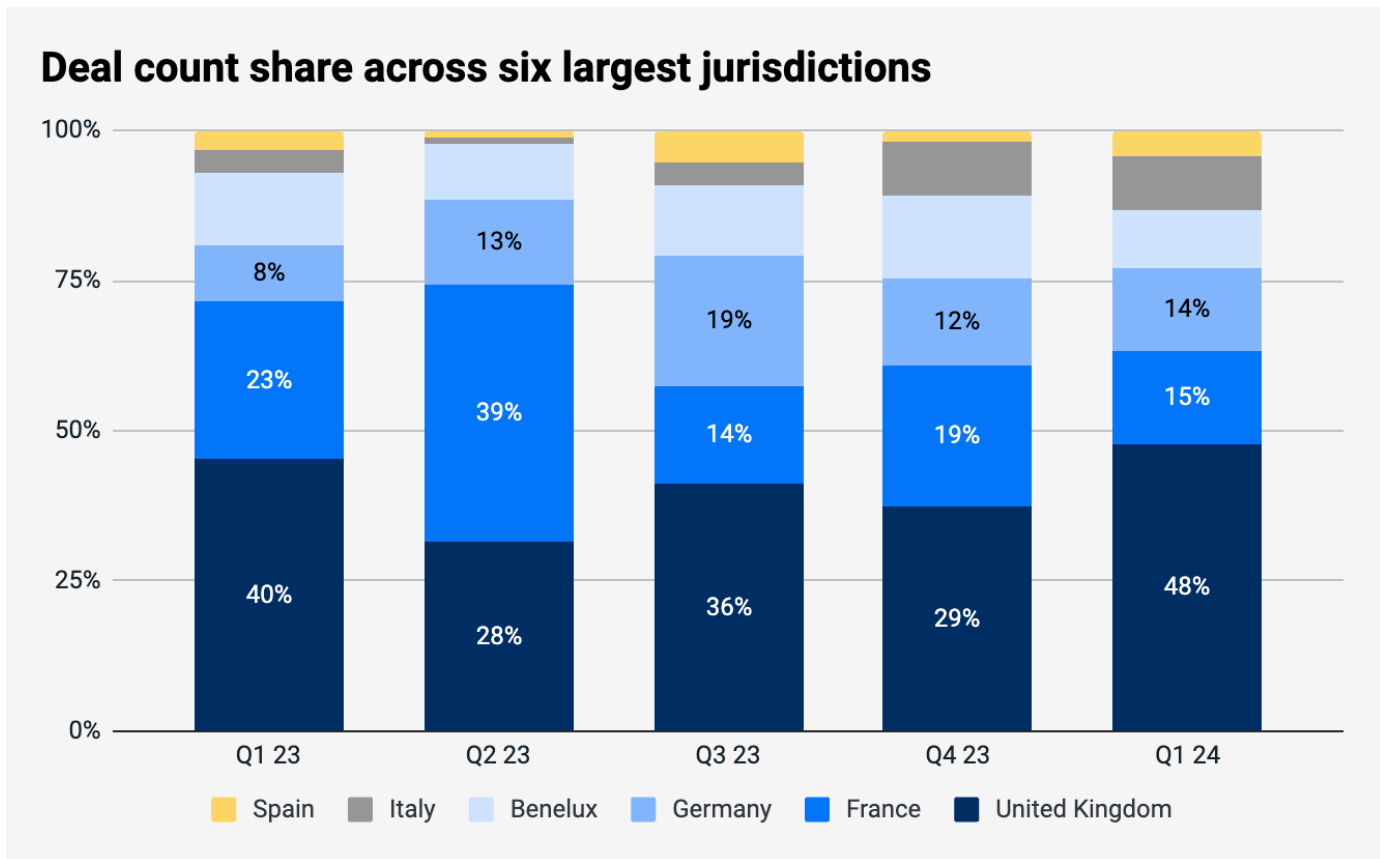
## UK and France get largest share

The UK has seen some of the largest deals of the year: [Ardonagh](#), [RLDatix](#), [Iris Software](#) and this quarter's €1bn-plus refinancing of [PIB](#). It also accounted for 48% of private credit deals tracked across the six largest European jurisdictions during the second quarter, up from 29% in Q1 24.

Overall, the quantity of UK deals rose more than 50% from 41 to 65.

France accounted for 15% of deals in the second quarter, a drop from 19% in the first quarter or roughly a 19% drop in overall deal count.

Deal volume in Germany ticked up slightly, and its proportion of total European dealflow in the six largest regions rose from 12% to 14%. Additionally, it was the jurisdiction for two of the largest deals in the second quarter: [SumUp's €1.5bn refinancing](#) and a €1.3bn package for [TPG's leveraged buyout of Aareon](#).



Across other regions, Benelux saw a dip in the second quarter, from 11% of marketshare to 10%. Italy rose from 7% to 9% of deals.

Spain accounted for 4% of European deals after a quiet first quarter.

## Entering a new era

Fundraising volumes have shown that there is a lot of confidence in private credit.

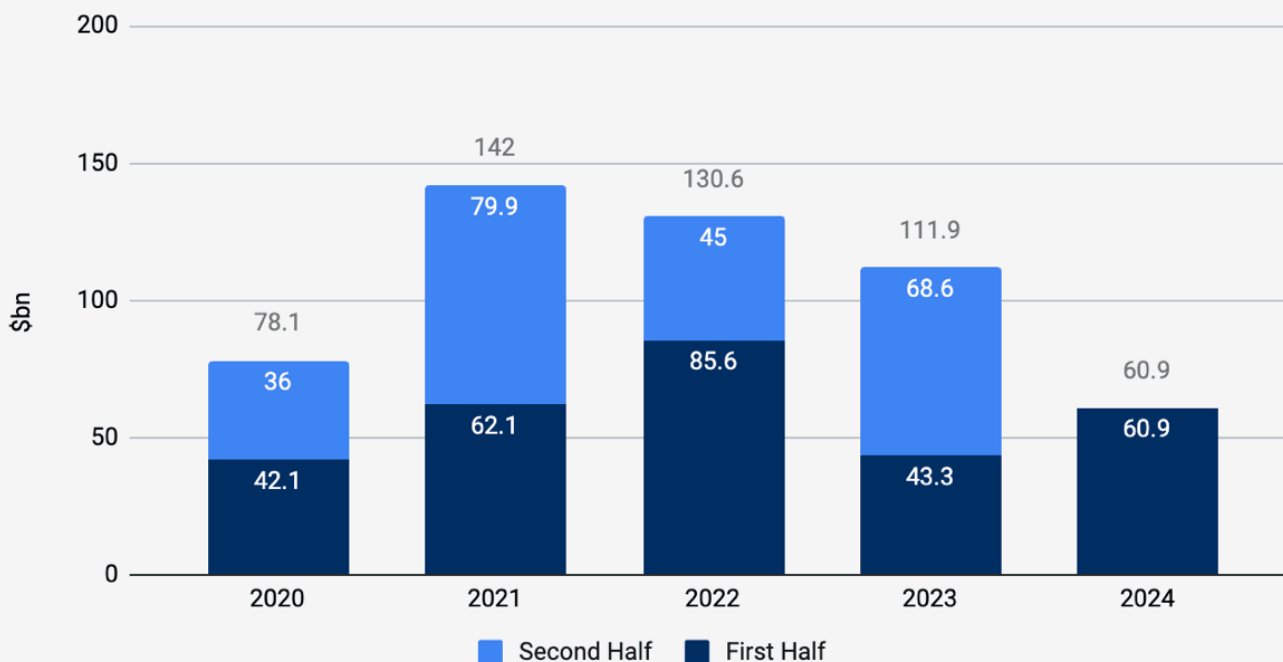
Worldwide, direct lending funds raised \$60.9bn in the first half of the year. After a slow start of just \$16.4bn in the first quarter, \$44.5bn was raised in the second quarter, according to Preqin.

Across 36 funds tracked by Preqin in H1 2024, the average size has reached a record level of \$1.7bn.

Last year 186 funds raised \$111.9bn, for an average fund size of \$601m. In 2022, there were 295 funds raised, with a total of \$130.6bn for an average size of \$443m; in 2021, there were 172 funds raised, for a total of \$142bn and an average size of \$826m.

## Global direct lending fundraising by year

First-half fundraising in 2024 exceeded same period of 2023: Preqin



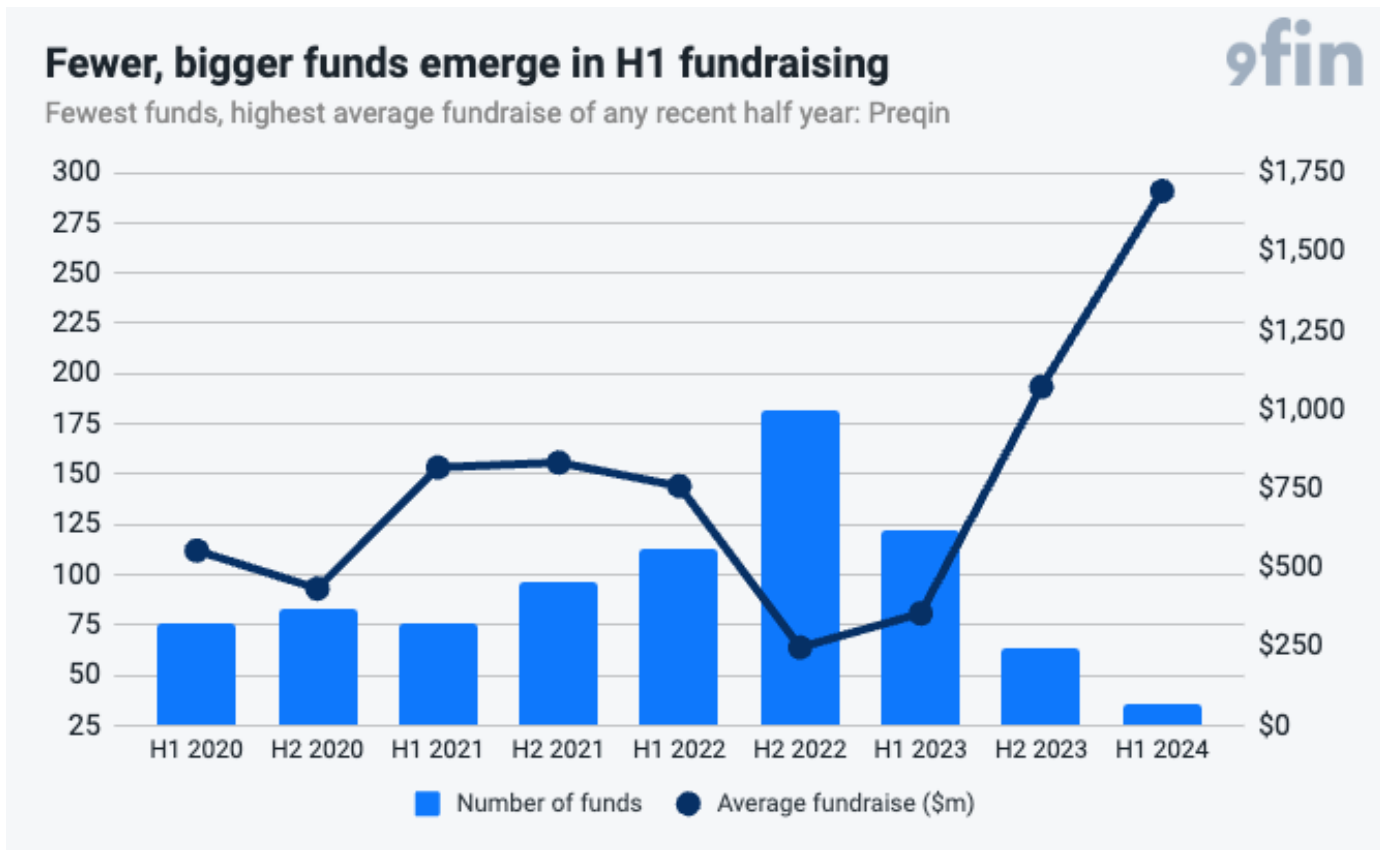
Some recent closings might not yet have been taken into account for the H1 total, as it can take up to three months for the most recent fundraising value to crystallise, according to Preqin.

But the clear trend is that the largest funds are getting larger. In June, HPS [announced the final close](#) of its Specialty Loan Fund VI, with \$21.1bn in investable capital. HPS raised \$14.3bn in equity commitments, \$2.9bn over its initial target.

At the end of May, Goldman Sachs Alternatives [closed its latest direct lending fund at \\$13.1bn](#), more than \$7bn in large-cap senior direct lending managed accounts, and \$550m of co-investment vehicles alongside Loan Partners V. In total, the firm raised more than \$20bn.

Ares is also in the jumbo category. In a presentation in June it announced the near wrapping up of fundraising for its Senior Direct Lending III fund [after reaching almost \\$20bn](#) in size (including leverage).





On the other end of the spectrum, [Fidelity](#) and [Polen Capital](#) both renounced their European direct lending efforts in the second quarter, partly a reflection of fundraising struggles.

This disparity shows a polarisation of the market: LPs seem to be focusing attention and money into large pots, leaving some of the smaller ones behind. Market players expect that in the next three years, the top five managers might account for about half of the European market, from their current level of about one-third.

Even as deal activity somewhat rebounded, fundraising numbers over the first half of the year suggests lenders focused on amassing rather than deploying capital. That should set the stage for a busy second half, but we’re likely to continue seeing fierce competition when it comes to putting lenders’ dry powder toward the largest credits.

## Private credit deal rankings

Lender	H1 Large Cap Deal Count
Goldman Sachs	19
Blackstone	16
Apollo	5
KKR	4
SMBC	4
Bain Capital	3
Ares	3
Arcmont	2
Bridgepoint	2
Guggenheim	2
Pemberton	2

Lender	Q2 Large-Cap Deal Count
Goldman Sachs	14
Blackstone	12
Apollo	3
SMBC	3
Bain Capital	3
KKR	2
Arcmont	2
Pemberton	1
Ares	1

Lender	H1 Mid-Market Deal Count
Ares	35
Eurazeo	25
CVI	21
Barings	17
Investec	13
Pemberton	12
Kartesia	11
Macquarie	10
Muzinich	9
Partners Group	8
Ture Invest	8
Bridgepoint	7
Goldman Sachs	6
Park Square	6
Apera	6
DunPort	6
Blackstone	5
CVC	5
Golub	5
LGT	5
BlackRock	4
Deutsche Bank	4
Alcentra	3
Hayfin	3
KKR	3
Oquendo	3
Sixth Street Partners	3
SMBC	3
Tikehau	3

Lender	Q2 Mid-Market Deal Count
Ares	22
Eurazeo	15
CVI	10
Barings	10
Pemberton	8
Kartesia	7
Investec	6
DunPort	6
Muzinich	5
Ture Invest	4
Park Square	4
Blackstone	4
LGT	4
Macquarie	3
Goldman Sachs	3
Alcentra	3
Bridgepoint	2
BlackRock	2
Deutsche Bank	2
Oquendo	2
SMBC	2
Partners Group	1
Golub	1
Apera	1
Hayfin	1
KKR	1

Lender	H1 Total Deal Count	Lender	Q2 Total Deal Count
Ares	38	Ares	23
Goldman Sachs	25	Goldman Sachs	17
Eurazeo	25	Blackstone	16
CVI	21	Eurazeo	15
Blackstone	21	Barings	11
Barings	18	CVI	10
Pemberton	14	Pemberton	9
Investec	13	Kartesia	7
Kartesia	11	Investec	6
Macquarie	11	DunPort	6
Bridgepoint	9	Muzinich	5
Muzinich	9	Apollo	5
Anthilia	8	Park Square	5
Partners Group	8	SMBC	5
Ture Invest	8	Anthilia	4
Apera	8	Ture Invest	4
Apollo	7	Bain Capital	4
KKR	7	LGT	4
Park Square	7	Macquarie	3
SMBC	7	KKR	3
Bain Capital	6	Arcmont	3
DunPort	6	Alcentra	3
CVC	5	Bridgepoint	2
Golub	5	BlackRock	2
LGT	5	Deutsche Bank	2
Arcmont	4	Oquendo	2
BlackRock	4	PSC	2
Deutsche Bank	4	Partners Group	1
Oquendo	4	Golub	1
Alcentra	3	Hayfin	1
CIC	3	Apera	1
Hayfin	3		
PSC	3		
Sixth Street Partners	3		
Tikehau	3		

## Private credit deals by industry

Lender	H1 Industrials Deals
Partners Group	8
Ares	6
Eurazeo	6
Apera	6
Investec	4
Anthilia	4
BPI France	4
Tikehau	4
Goldman Sachs	2
Barings	2
Muzinich	2
SMBC	2
CVC	2
HIG Whitehorse	2
HSBC	2
Pemberton	2
Apollo	2
Artemid	2
Capital Four	2
Crescent Capital	2
Deutsche Bank	2
Hayfin	2
HF Debt	2
Norddeutsche Landesbank	2
Oquendo	2

Lender	H1 Financials Deals
Ares	16
CVI	8
Goldman Sachs	6
Macquarie	6
KKR	4
Blackstone	3
Eurazeo	2
CVC	2
Apollo	2
Bridgepoint	2
Bain Capital	2
Golub	2
Guggenheim	2
Allianz Capital Partners	2
Antares Capital	2
BNP	2
BPCE	2
Caisse de depot et placement du Quel	2
CIC	2
Credit Agricole	2
Foresight Group	2
HPS Investment Partners	2
Oaktree	2
Pollen Street Capital	2
Quilam	2

Lender	H1 IT Deals
Blackstone	8
Eurazeo	7
Goldman Sachs	7
Bridgepoint	5
Investec	5
Ture Invest	5
Ares	5
Barings	4
Bain Capital	3
BlackRock	3
Golub	3
Park Square	3
Sixth Street Partners	3
DunPort	2
Kartesia	2
Macquarie	2
Muzinich	2
Partners Group	2
SMBC	2

Lender	H1 Healthcare Deals
Ares	12
Apera	2
Macquarie	2
KKR	2
Bridgepoint	2
Investec	2
Barings	2
Pemberton	2
Ture Invest	2
LGT	2
Arcmont	2
Barclays	2
Bright Capital	2
Carlyle	2
ICG	2
ThinCats	2

Lender	H1 Consumer Sector Deals
Ares	10
Pemberton	6
Investec	4
CVI	4
Macquarie	2
Bridgepoint	2
Barings	2
Goldman Sachs	2
Eurazeo	2
CVC	2
Blackstone	2
Anthilia	2
Muzinich	2
SMBC	2
Deutsche Bank	2
Park Square	2
Kartesia	2
PSC	2

## Private credit deals by geography

Lender	H1 Deals - United Kingdom
Ares	24
Blackstone	11
Goldman Sachs	10
Investec	8
Pemberton	8
Apera	7
SMBC	5
Barings	4
Macquarie	4
Park Square	4
DunPort	4
Bain Capital	3
CVC	3
Arcmont	3
LGT	3
Alcentra	2
Apollo	2
Bridgepoint	2
Golub	2
Guggenheim	2
Kartesia	2
KKR	2
Muzinich	2
Sixth Street Partners	2

Lender	H1 Deals - France
Eurazeo	12
Barings	6
Kartesia	5
Goldman Sachs	4
Apollo	3
Bridgepoint	3
CIC	3
Hayfin	3
Tikehau	3
Blackstone	2
Partners Group	2
BPI France	2
HIG Whitehorse	2

Lender	H1 Deals - Germany
Ares	6
Eurazeo	5
Goldman Sachs	4
Blackstone	4
Macquarie	3
Golub	3
Deutsche Bank	3
Barings	2
Bain Capital	2
KKR	2

Lender	H1 Deals - Benelux
Barings	4
Investec	4
Partners Group	3
Pemberton	3
Ares	2
Eurazeo	2
Kartesia	2
Apollo	2
Park Square	2
Crescent Capital	2

Lender	H1 Deals - Italy
Anthilia	8
Eurazeo	3
Macquarie	2
KKR	2
Muzinich	2

