

BAI Study

Corporate Loan Financing by Non-Banks in Germany

Frank Dornseifer, Managing Director BAI e.V.

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Corporate Loan Financing by Non-Banks in Germany - Perspective of the Three Market Players



Agenda

I. Introduction

II. Market Overview

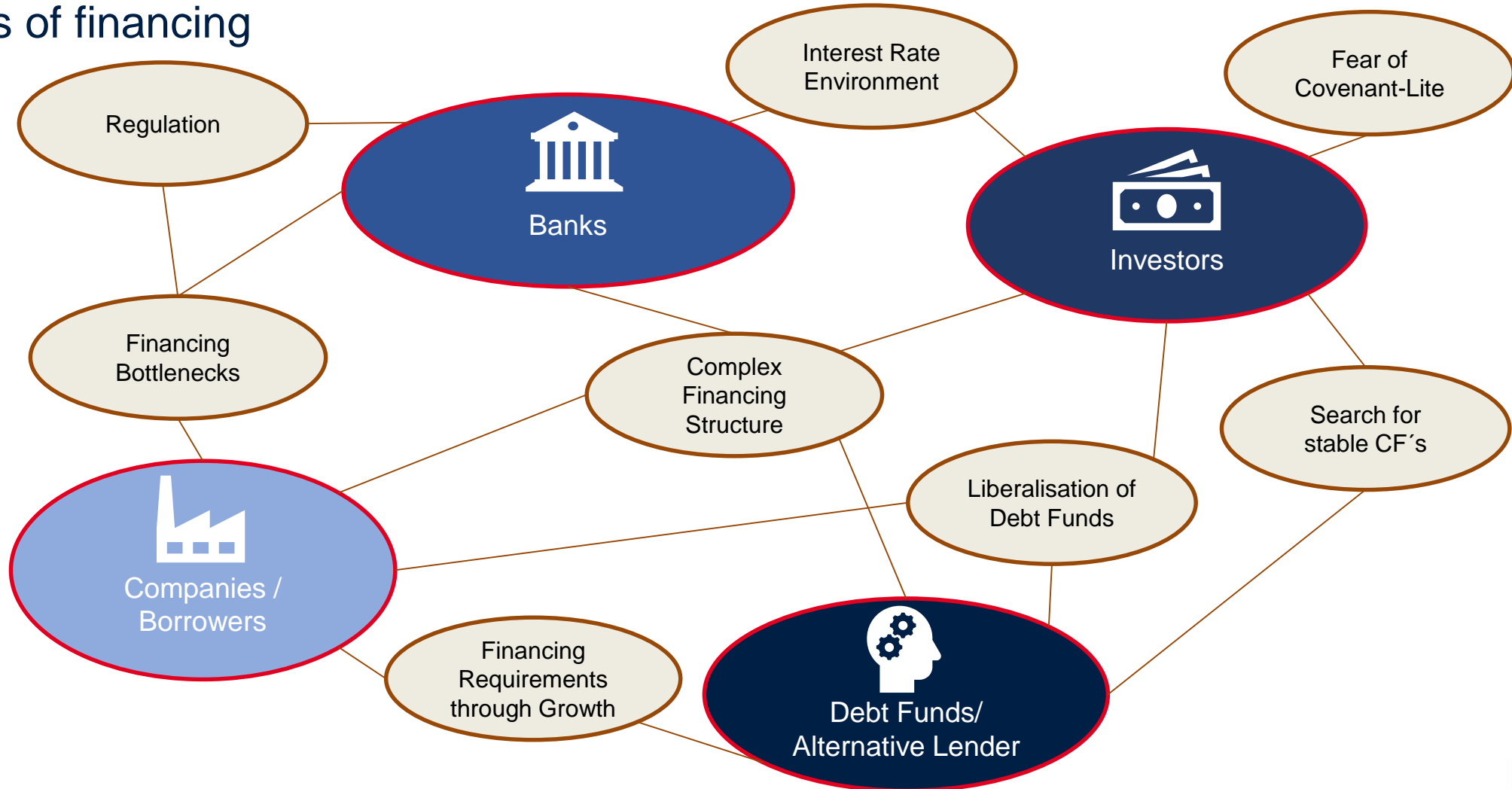
III. Survey Results

- German Companies
- Debt Funds/ Alternative Lenders
- German Investors

IV. Conclusion and Outlook

I. INTRODUCTION

Determinants of influence on the actors permit derivations with regard to different forms of financing



I. INTRODUCTION

Private Debt Study

Objective:

- Overview of the Corporate Private Debt Market in Germany:
 - Definition of Corporate Private Debt and Regulatory System
 - Market Overview and Identification of Key Market Drivers
 - Corporate Private Debt from the Perspective of the Individual Market Players
 - German Market Findings and Outlook

Structure of the Study:

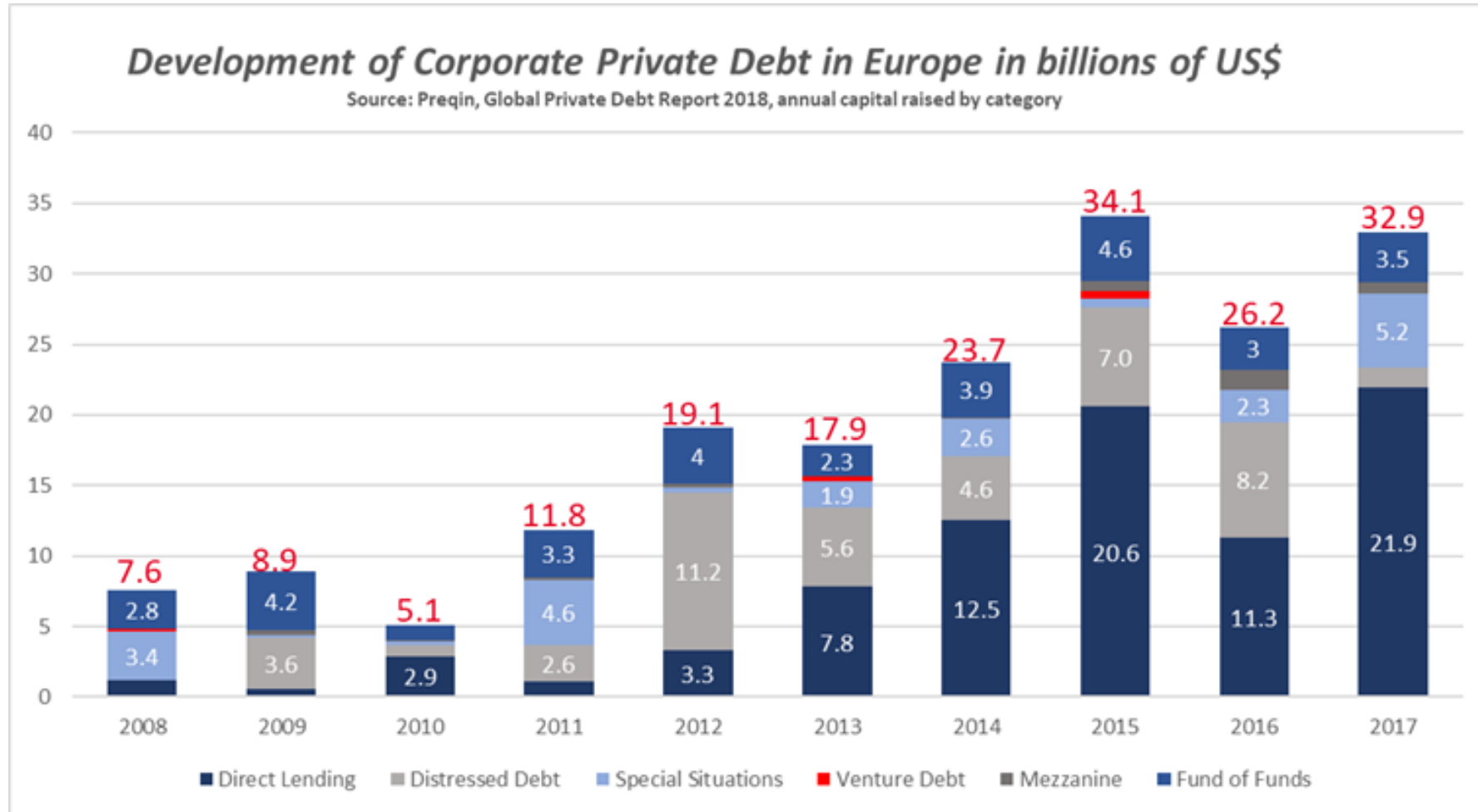
- Definitions and Legal Basis
- Current market Overview
- Survey in summer/autumn 2018 among the three market players: borrowers, lenders, lenders
- Verification of survey results based on external sources
- Summary of the results of the three surveys



The Study was published in **April of 2019** and can be downloaded on the BAI website.

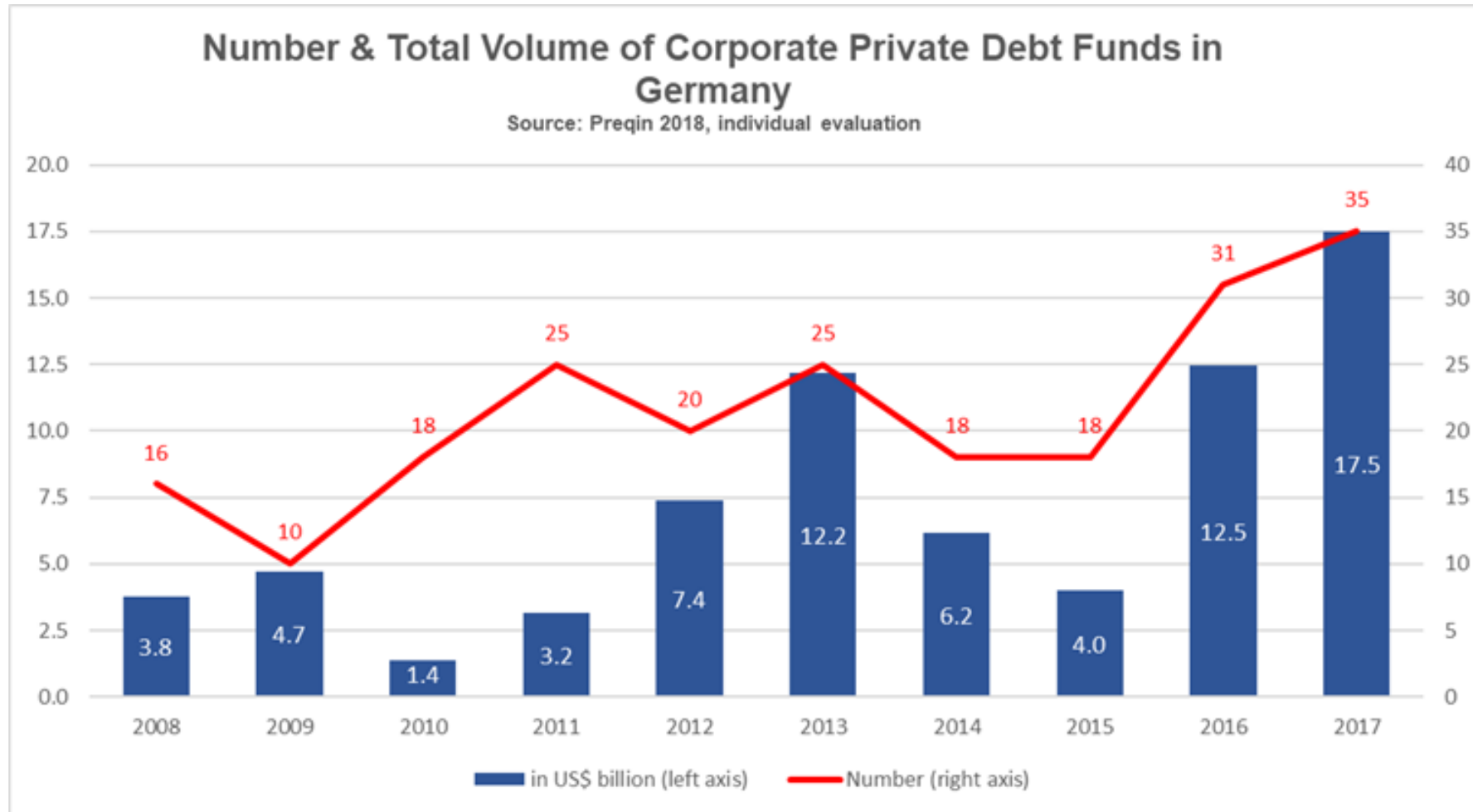
II. MARKET OVERVIEW

The Development of Corporate Private Debt in Europe



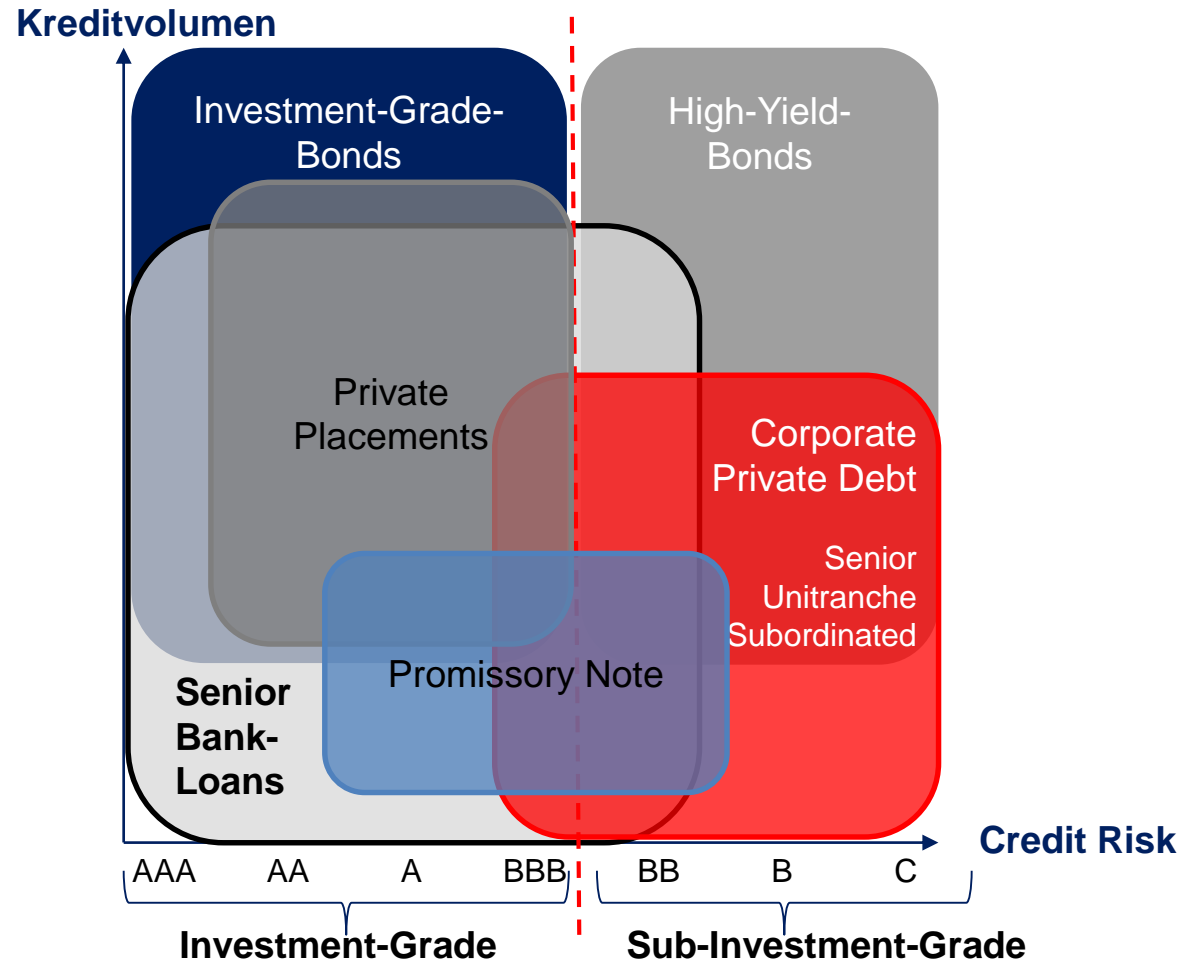
II. MARKET OVERVIEW

Development of Debt Funds in Germany



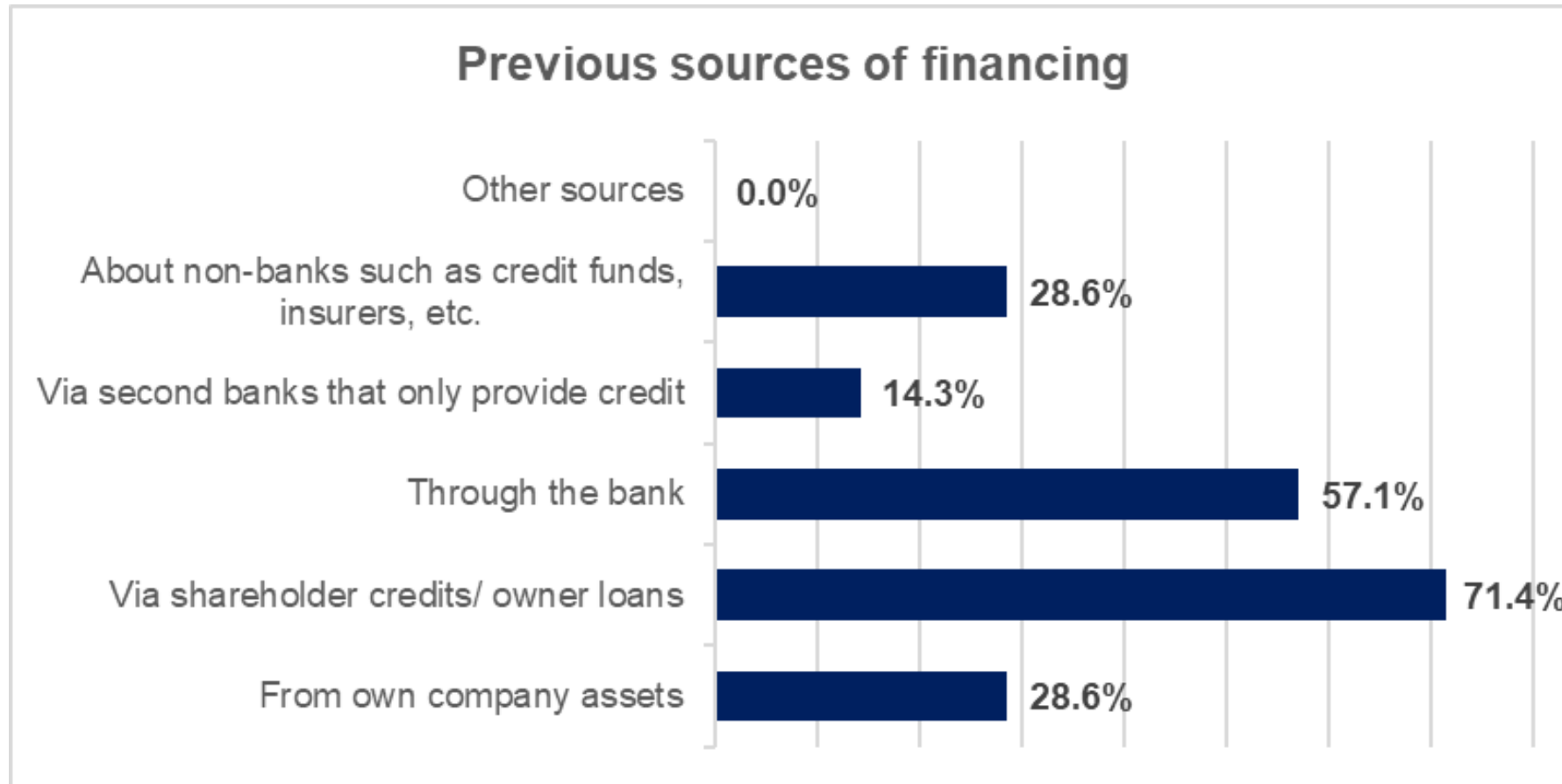
II. MARKET OVERVIEW

Overview of Loan Financing Opportunities for Companies



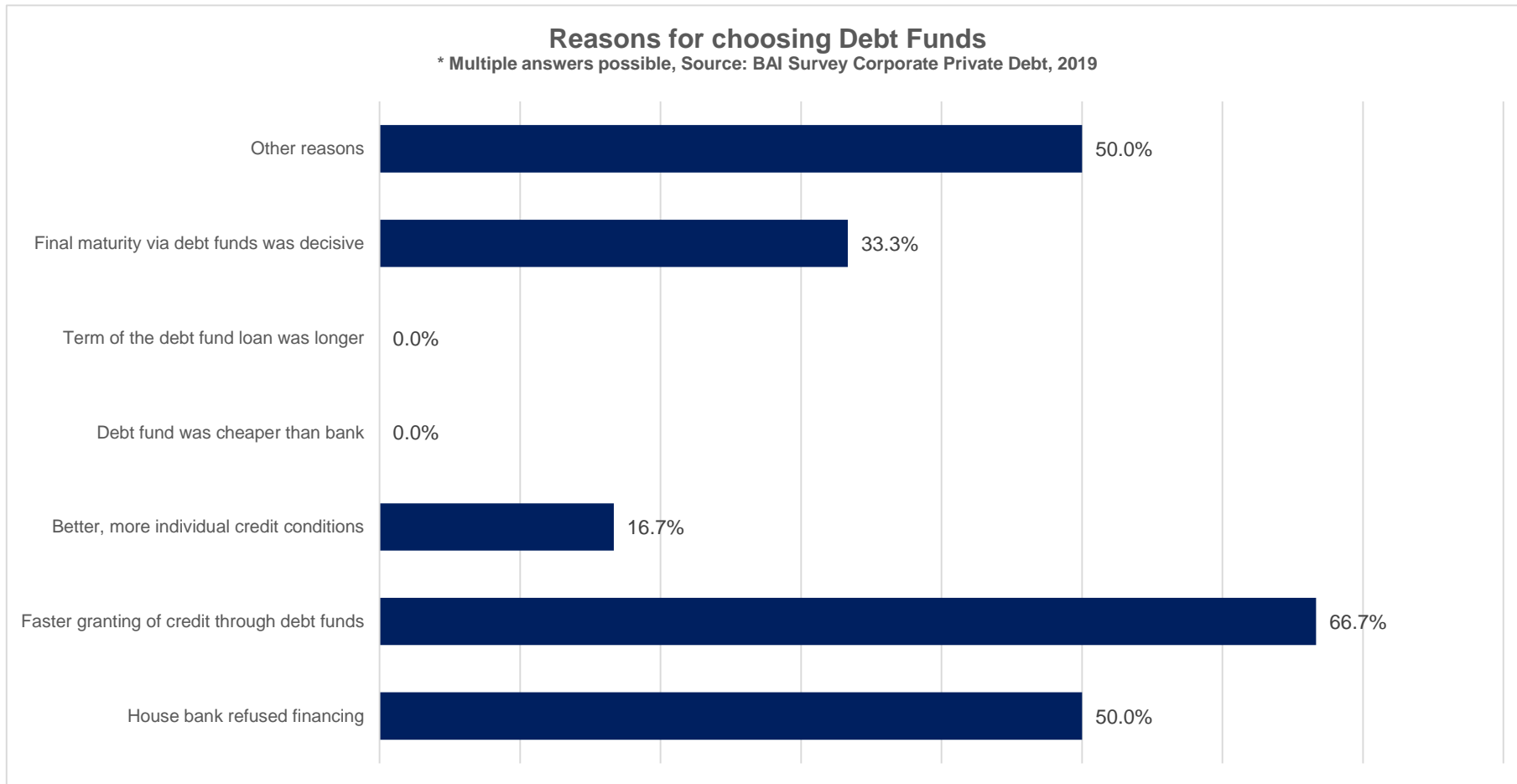
III. SURVEY RESULTS – GERMAN COMPANIES

Previous Financing Dominated by Shareholder and Bank Loans



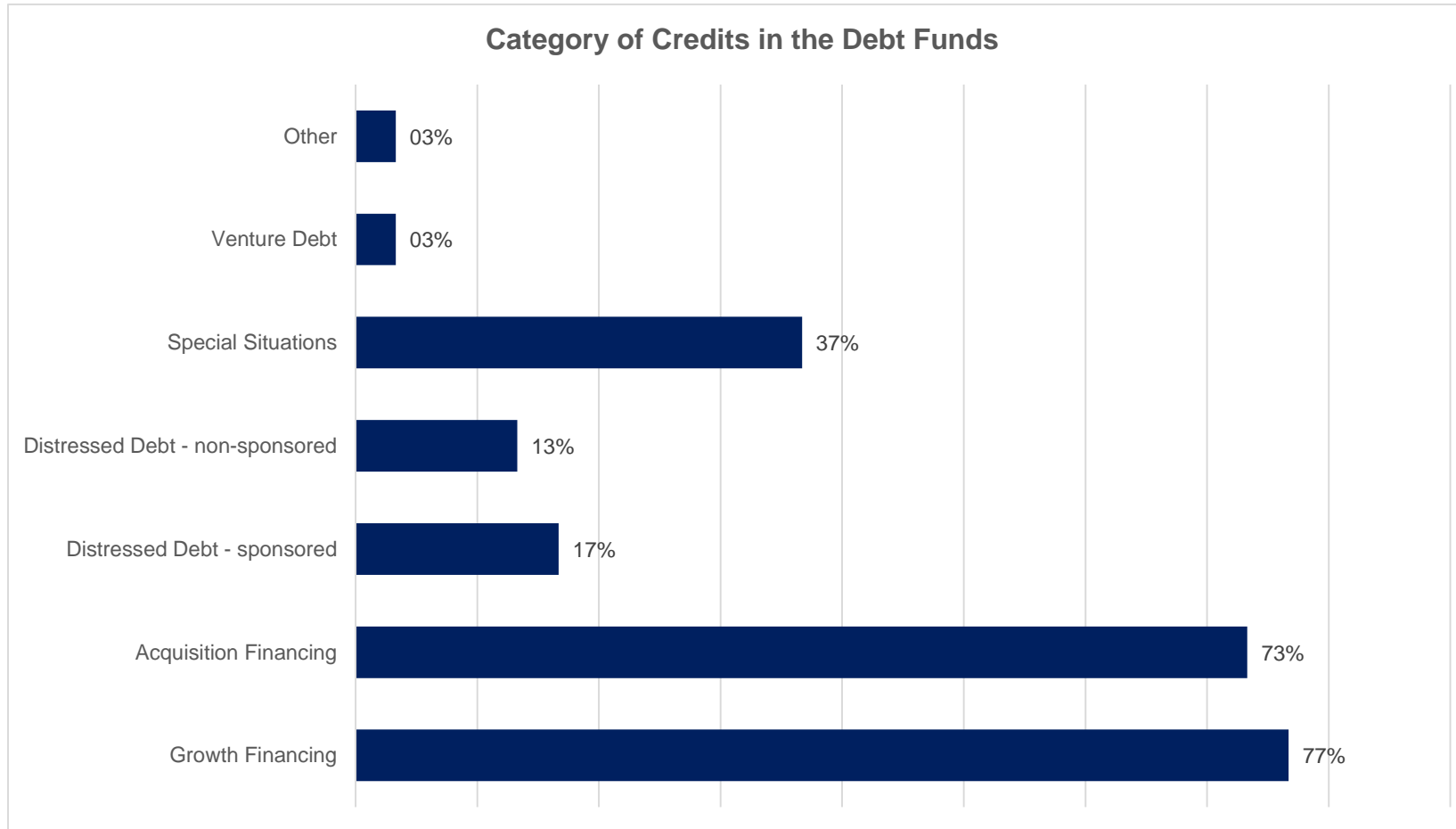
III. SURVEY RESULTS – GERMAN COMPANIES

Quick Granting of Credit is Important, but not the only Reason....



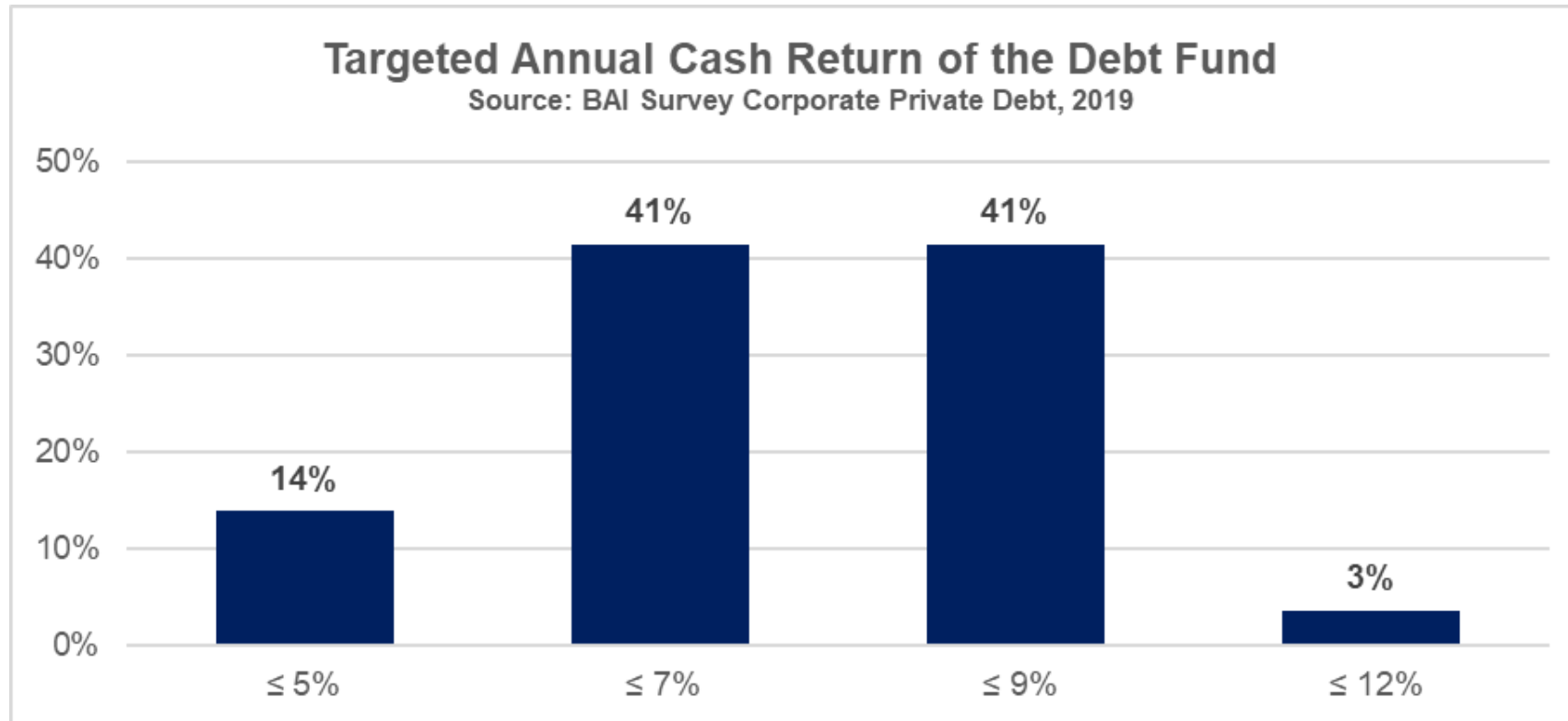
III. SURVEY RESULTS – GERMAN COMPANIES

Debt Funds Finance Growth and Takeovers



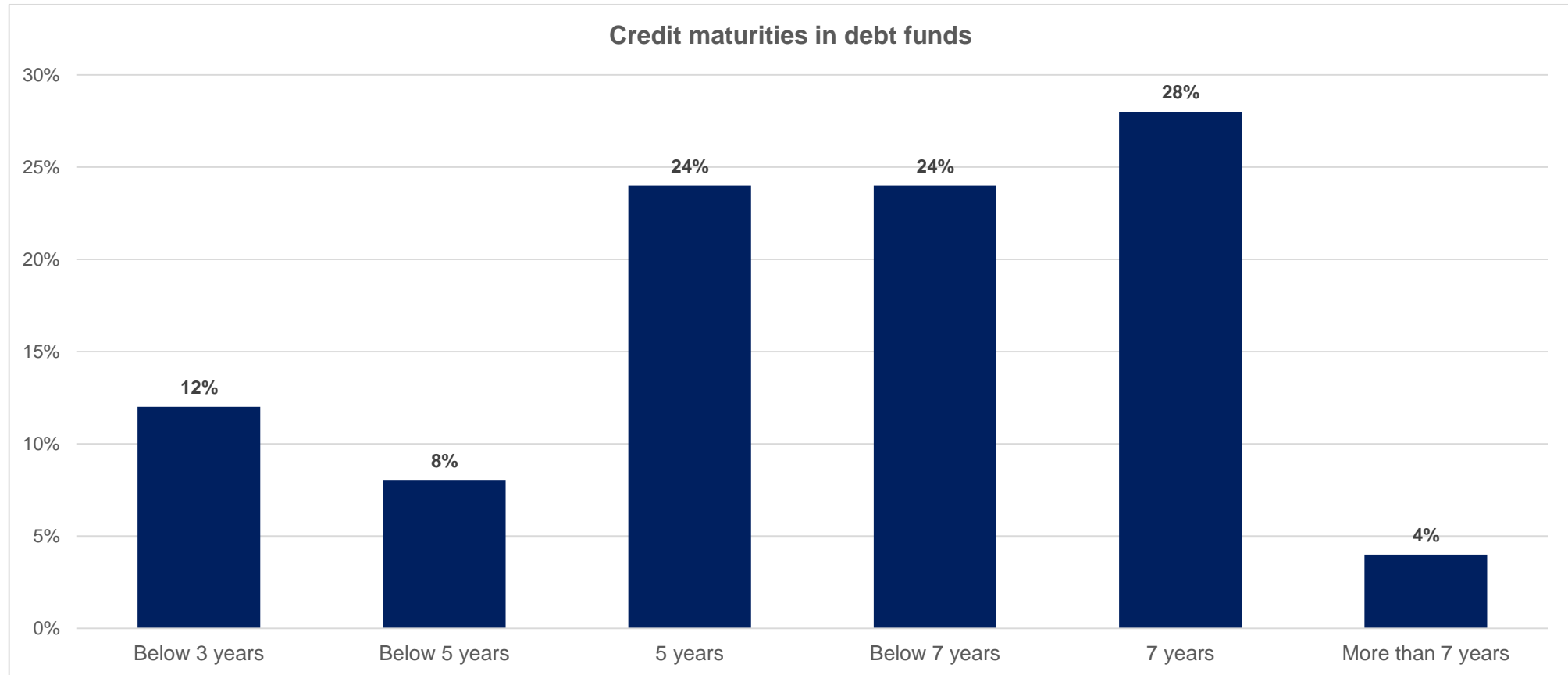
III. SURVEY RESULTS - DEBT FUNDS / ALTERNATIVE LENDERS

Comparatively High Returns



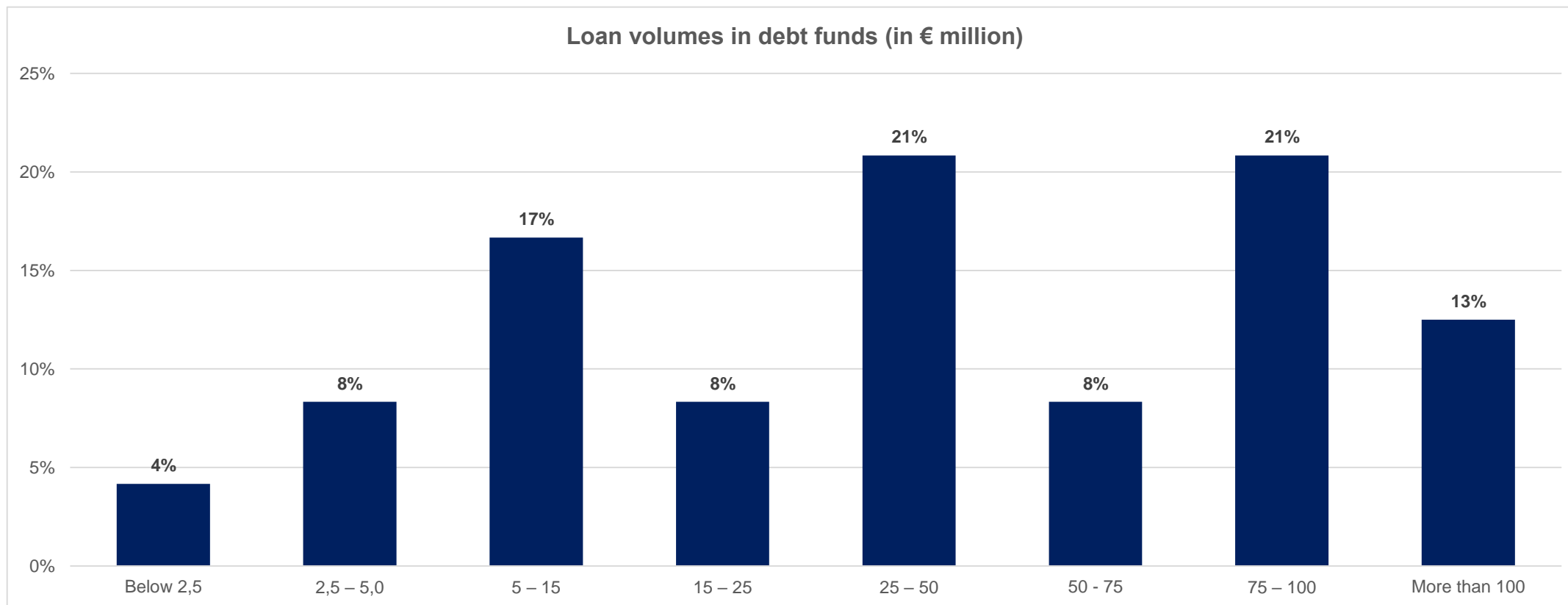
III. SURVEY RESULTS - DEBT FUNDS / ALTERNATIVE LENDERS

Maturities mostly between Five and Seven Years



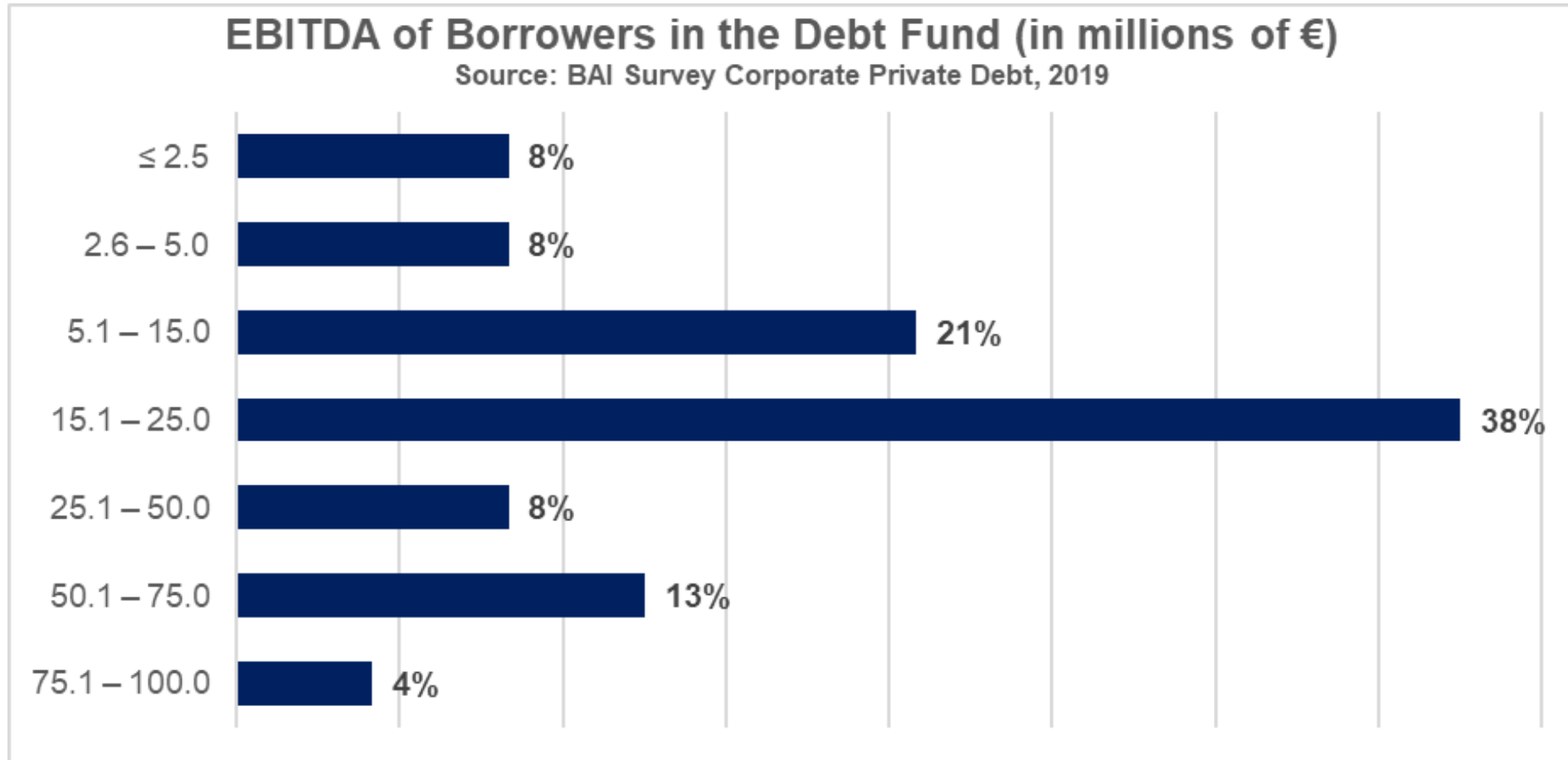
III. SURVEY RESULTS - DEBT FUNDS / ALTERNATIVE LENDERS

Broad Distribution of Credit Sizes



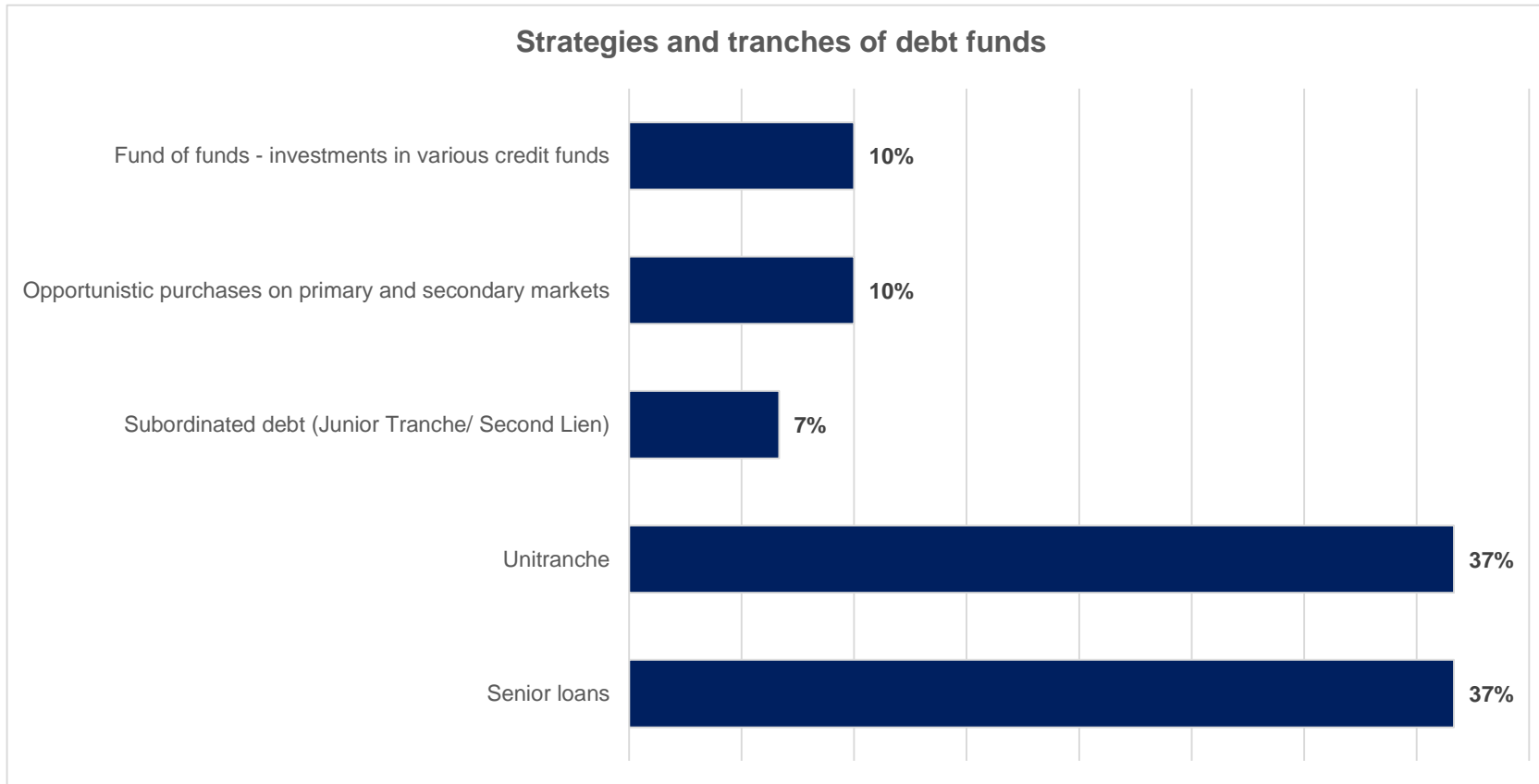
III. SURVEY RESULTS - DEBT FUNDS / ALTERNATIVE LENDERS

Borrowers are the typical Middle Class



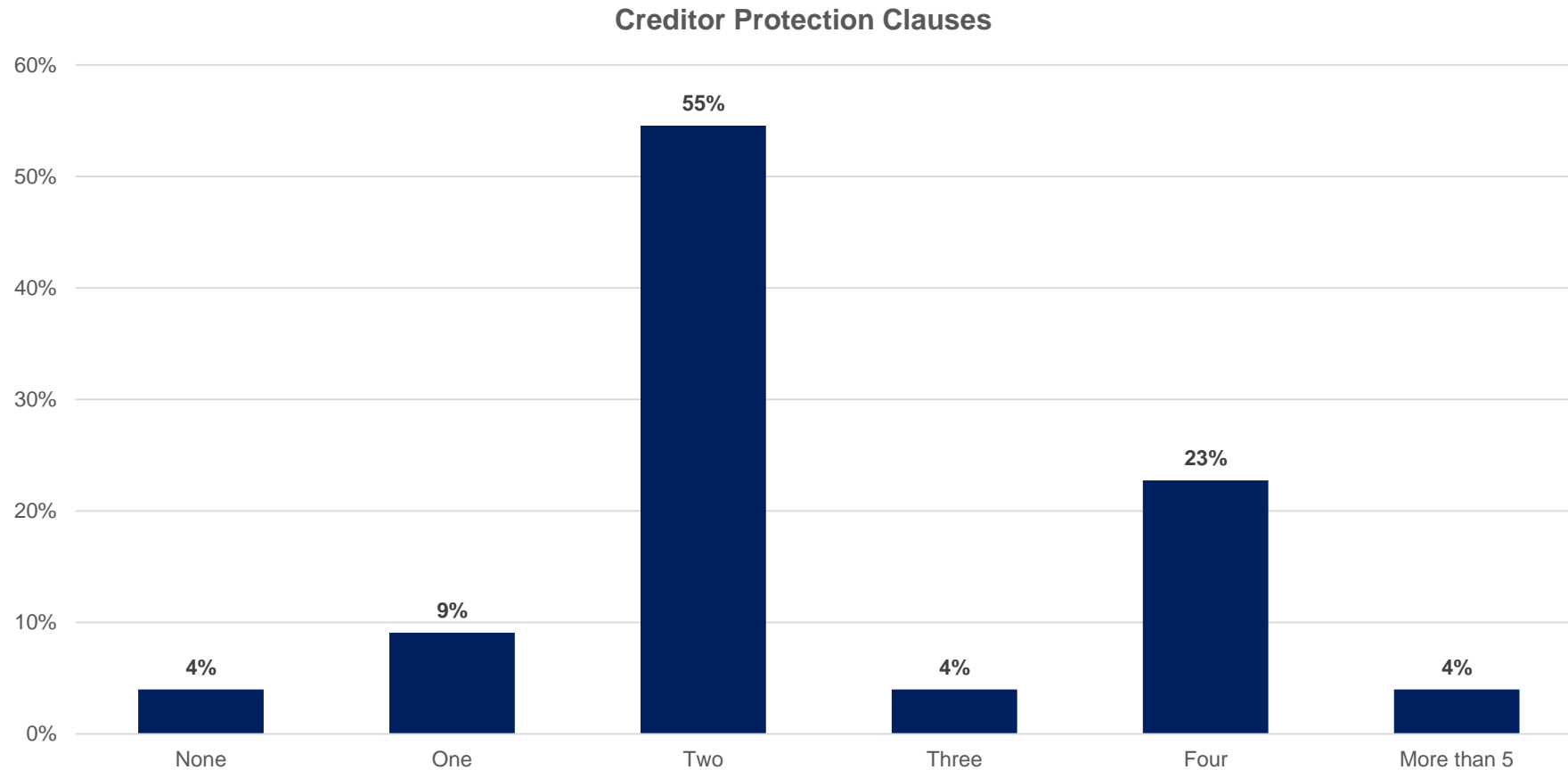
III. SURVEY RESULTS - DEBT FUNDS / ALTERNATIVE LENDERS

Senior and Unitranche Loans dominate



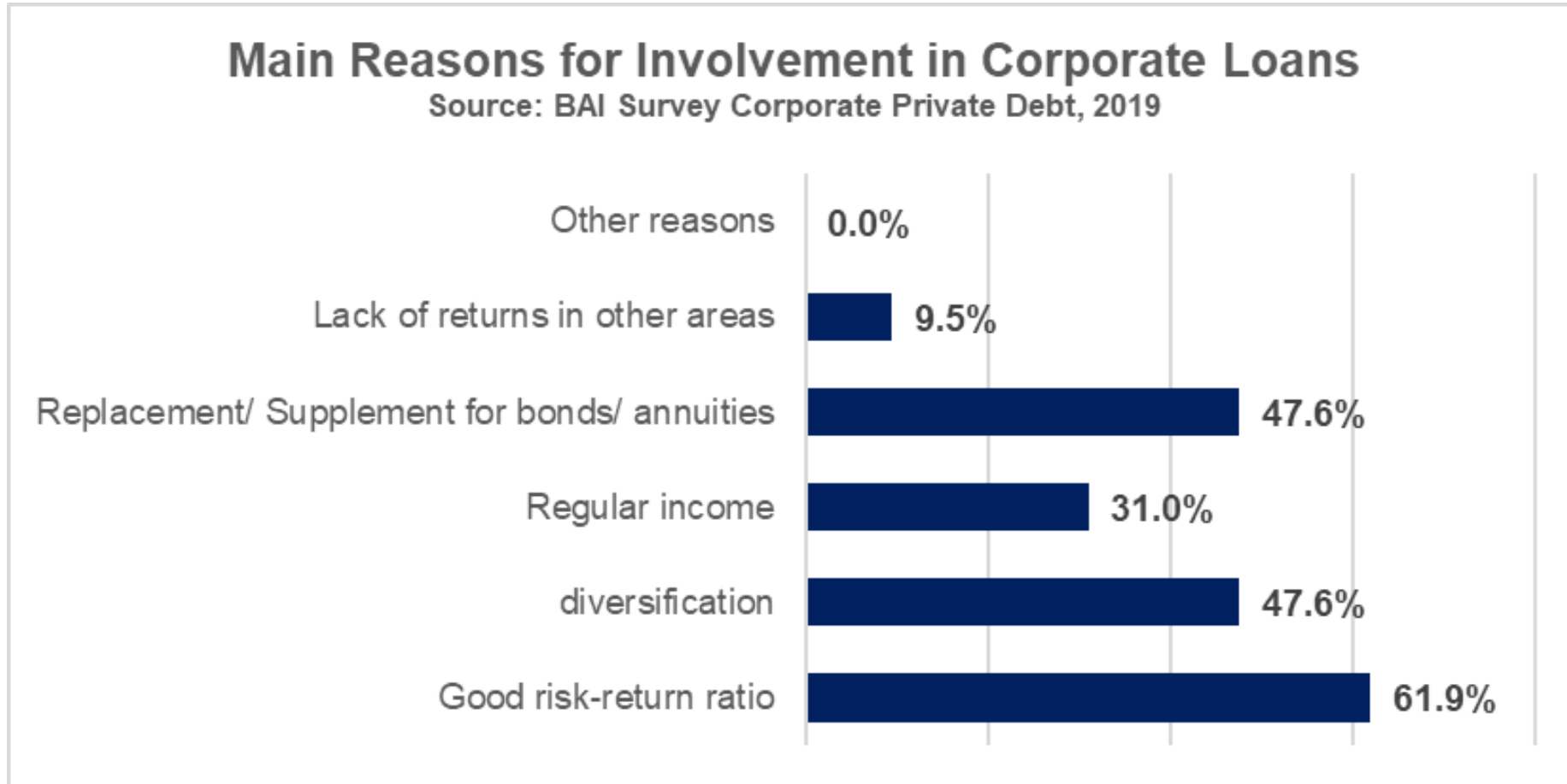
III. SURVEY RESULTS - DEBT FUNDS / ALTERNATIVE LENDERS

Majority of Loans with multiple Creditor Protection Clauses



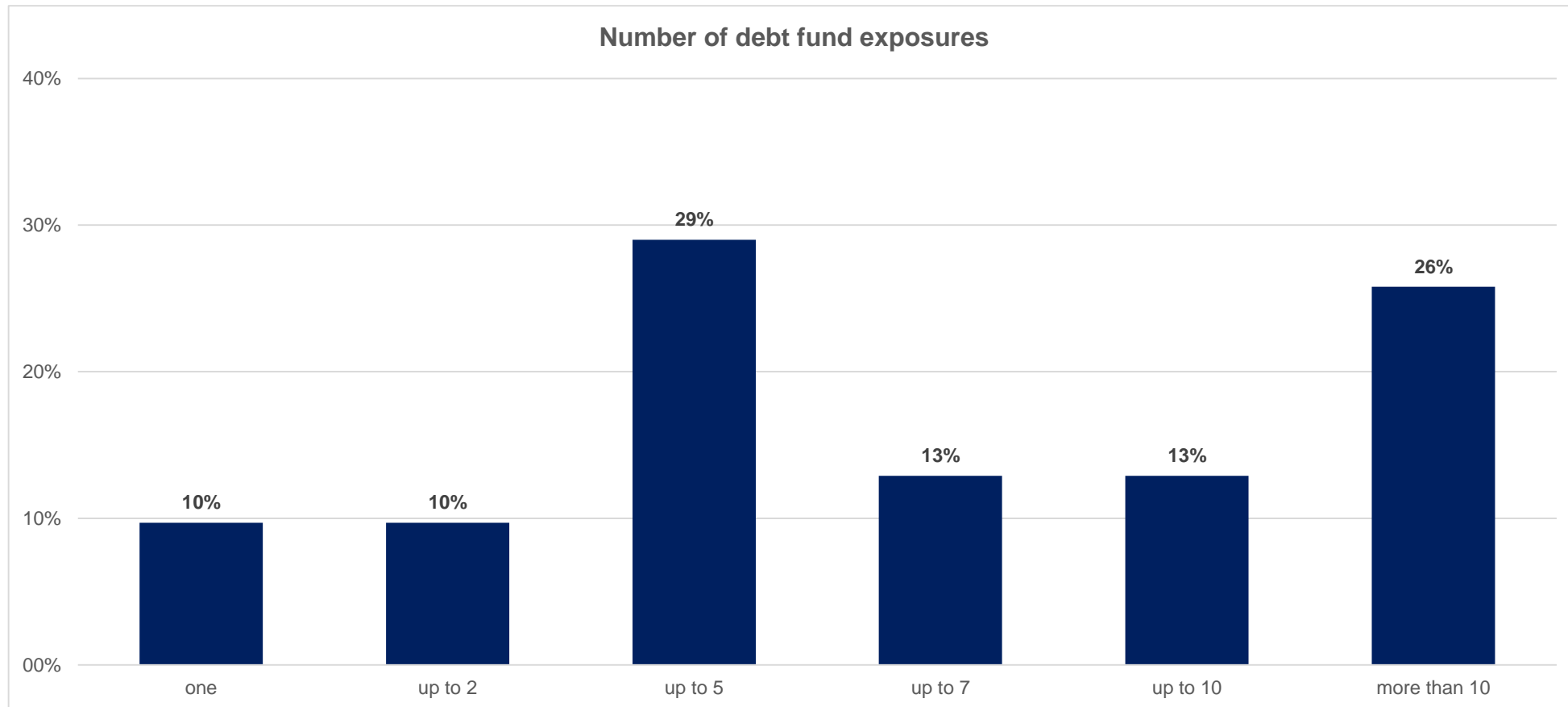
III. SURVEY RESULTS – GERMAN INVESTORS

Pension Replacement with attractive Yield and Diversification Potential



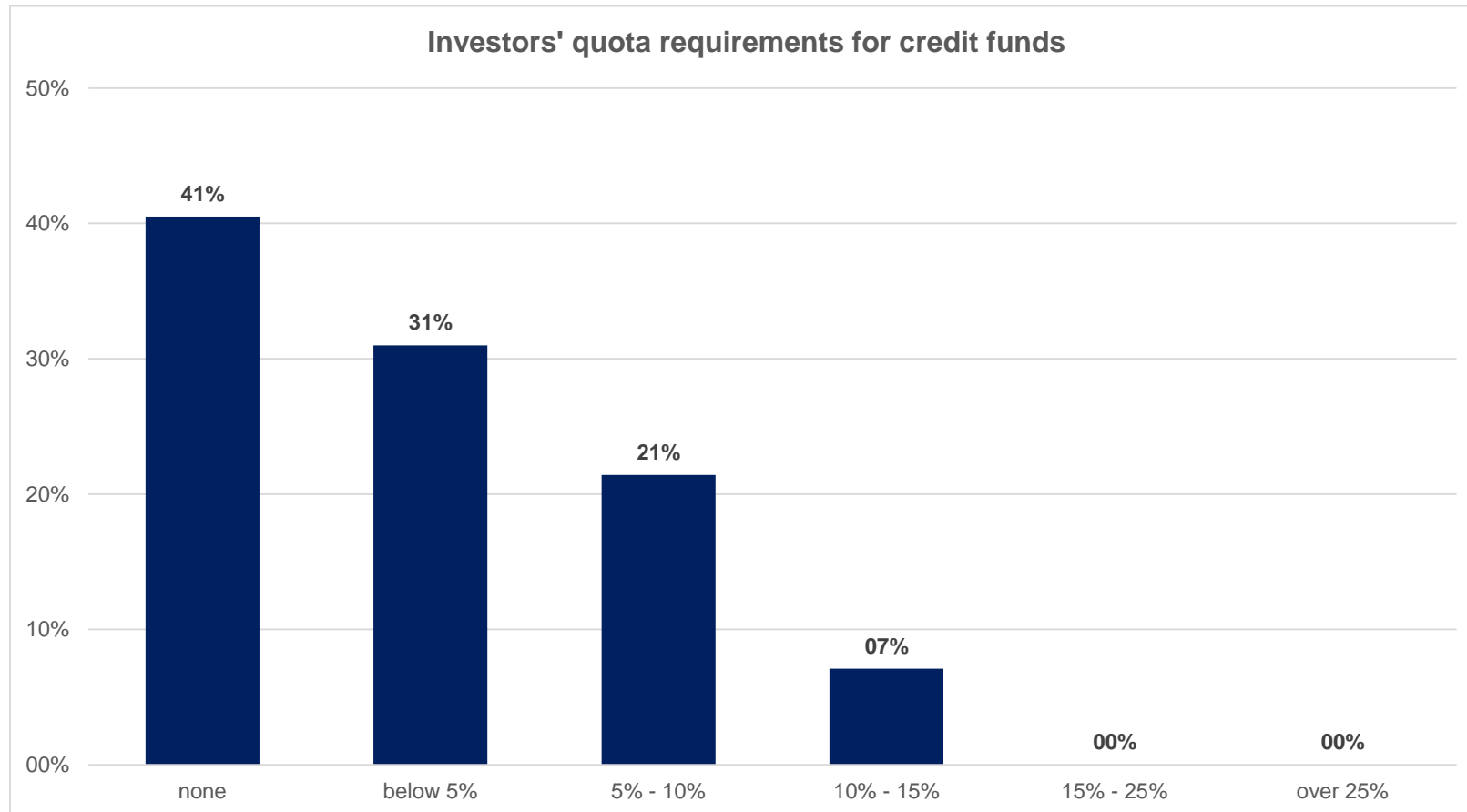
III. SURVEY RESULTS – GERMAN INVESTORS

Distribution across a Number of Debt Funds is generally sought after



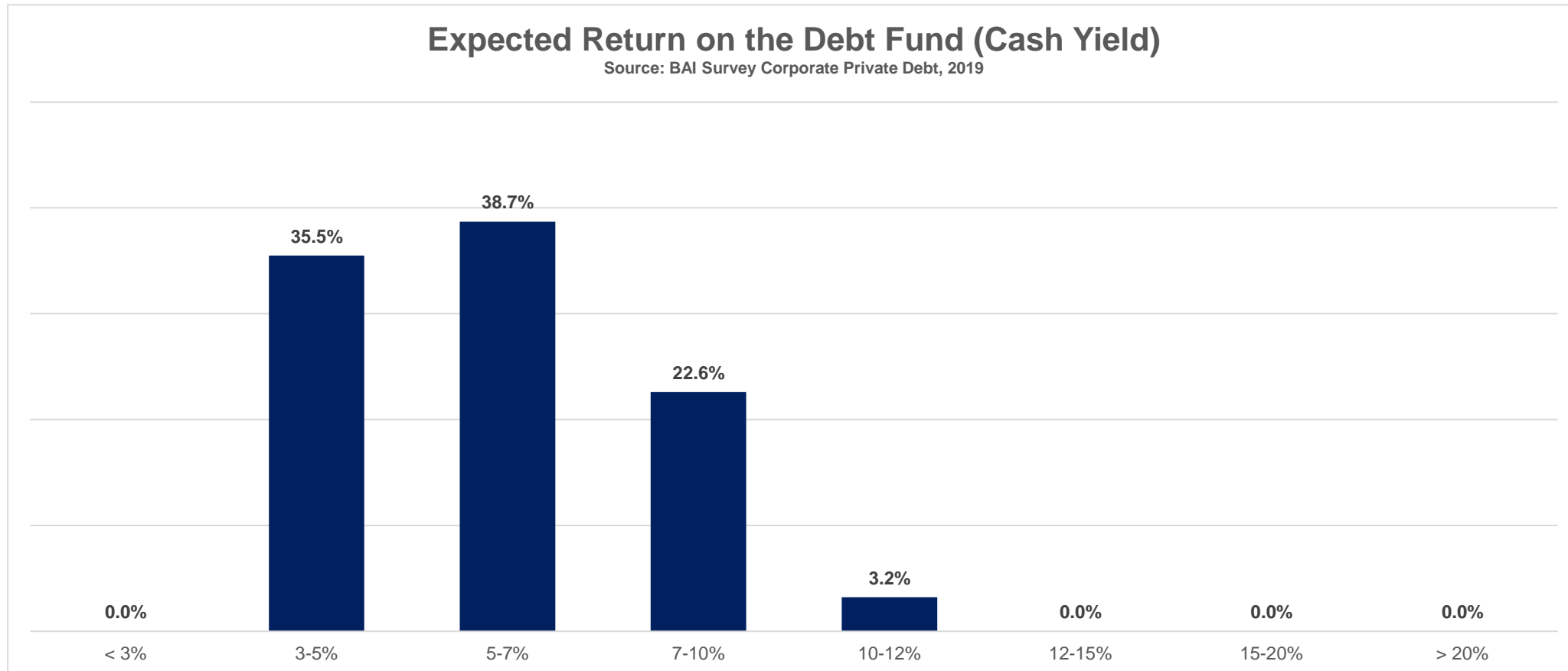
III. SURVEY RESULTS – GERMAN INVESTORS

Majority still without Fixed Quota => Potential for Further Allocations



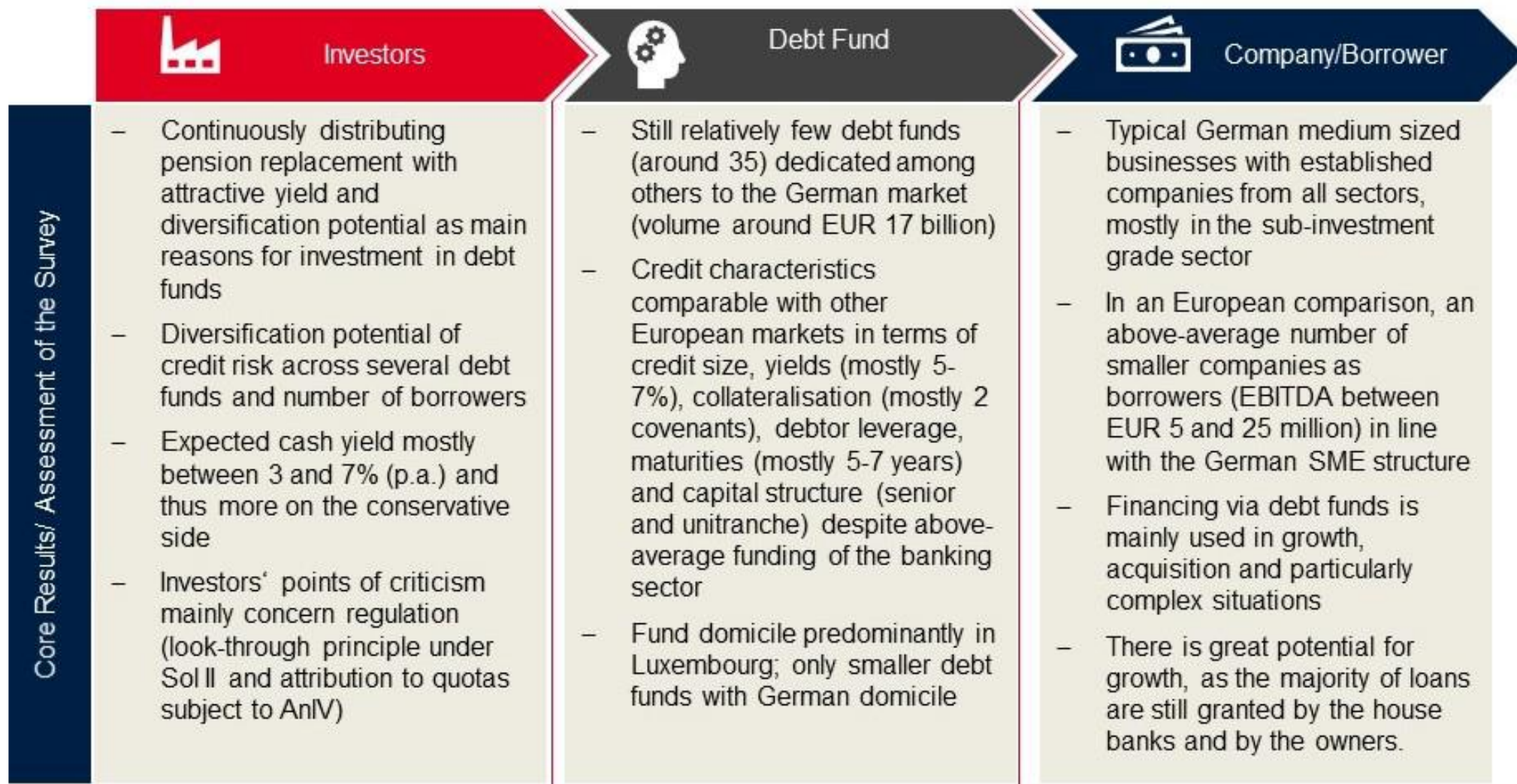
III. SURVEY RESULTS – GERMAN INVESTORS

Relatively Conservative Return Expectations of Investors



IV. CONCLUSION AND OUTLOOK

Core Statements of the German Debt Fund Market



IV. CONCLUSION AND OUTLOOK

Outlook for the German Debt Fund Market

- The corporate private debt market in Germany will gain in breadth and depth in the future.
- Growth will not be continuous, but will continue to be volatile and will extend beyond the existing focus areas of acquisition and growth finance.
- Loans from debt funds not only replace bank loans, but in some cases also shareholder loans.
- Debt funds can play out their advantages particularly in the case of longer maturities, challenging business developments, and in the sub-investment grade area of German SMEs.
- On the other hand, a cooperation bank/debt fund can be very useful, especially in complex financing structures.
- In conclusion: debt funds are an important enrichment for the financial centre and expand the financing opportunities of German SMEs to complement banks and other market-based forms of financing that are currently developing.
- Efficient and varied financing is therefore not only in the interest of SMEs themselves, but also in the interest of the entire German economy.