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S&P's First European Private-Placement League Table Shows €6.4 Billion In Transactions In 2014

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S&P's First European Private-Placement League Table Shows €6.4 Billion In Transactions In 2014

Standard & Poor's Ratings Services and Private Placement Monitor (PPM) have produced the first annual league table for private placement deals in Europe, showing that transactions in this opaque market raised €6.4 billion in private capital for companies in Europe through 87 deals in 2014 (excluding the German Schuldschein market, the U.S. private placement market, and direct deals not using an agent). And although French private placements continue to dominate, at 53% of deal flow, this market is truly becoming pan-European, with 20% of deals coming from Italy, 15% from Germany, 6% from Belgium, 4% from the U.K., and 1% each from the Netherlands and Sweden (see chart 1).

Overview

- Morgan Stanley is No. 1 by volume, while Société Générale leads by number of transactions, in our first European Private Placement (EPP) League Table produced together with PP Monitor.
- The EPP is truly becoming pan-European, although French private placements still dominate.
- This first annual EPP League Table is part of Standard & Poor's drive to encourage more transparency for alternative private lending markets in Europe.

Morgan Stanley tops the league table by volume, with €1.3 billion, followed by Oddo & Cie (€705 million), and Société Générale (€651 million). However, Société Générale has the leading position in terms of number, with 11 issuer transactions, followed by Oddo & Cie, Credit Agricole CIB, and Natixis, with nine transactions each (see table 1)

Table 1

PPM's European Private Placements League Table, 2014			
	Volume (mil. €)	Issuer count	Market share (%)
Morgan Stanley	1,343	8	20.84
Oddo & Cie	705	9	11
Société Générale	651	11	10
Crédit Agricole CIB	388	9	6
Natixis	378	9	6
BNP Paribas	375	5	6
Royal Bank of Scotland	286	4	4
HSBC	286	4	4
CM-CIC	255	5	4
LCL Crédit Lyonnais	210	3	3
Kepler Chevreux	185	7	3
UniCredit Group	180	2	3
Degroof	175	5	3
Octo Finances	128	4	2
Goldman Sachs	100	1	2
UBS	100	1	2

Table 1

PPM's European Private Placements League Table, 2014 (cont.)			
Rabobank	75	1	1
BRED Banque Populaire	70	1	1
Bankhaus Lampe KG	63	1	1
Citi	63	1	1
Belfius	55	2	1
ING	50	1	1
Banca Popolare di Vicenza	50	1	1
KBC	45	1	1
Crédit Mutuel Arkea	30	1	0
bfinance	30	1	0
CFJC Compagnie Financière Jacques Coeur	28	2	0
Barclays	24	1	0
Lloyds Bank	24	1	0
Danske Bank	18	1	0
DnB	18	1	0
Handelsbanken	18	1	0
SEB Skandinaviska Enskilda Banken AB	18	1	0
Banque Palatine	14	1	0
Merit Capital	10	1	0

Deals included were negotiated and carried out on a private basis, with a small investor group and stand-alone documentation. This may include listed and underwritten transactions based on other characteristics of the placement. Full credit is given to the lead agent; equal credit to co-lead agents; no credit to co-agents. Not all agents provide details and their share assigned in this table could rely on Private Placement Monitor market intelligence. Direct deals are not included in this league table, but may be included in other PPM studies. PPM identified seven direct deals (not using an agent) for a total of €550 million in 2014.

The average deal size in this growing market was €63 million in 2014, with an average maturity of 6.6 years. We note that 38% of the deals were below €50 million, while an additional 32% were between €50 million and €99 million (see chart 2). The deal maturity analysis shows that transactions are spread between less than five years and 15 years, with a concentration in six- to seven-year maturity terms (see chart 3).

Chart 1

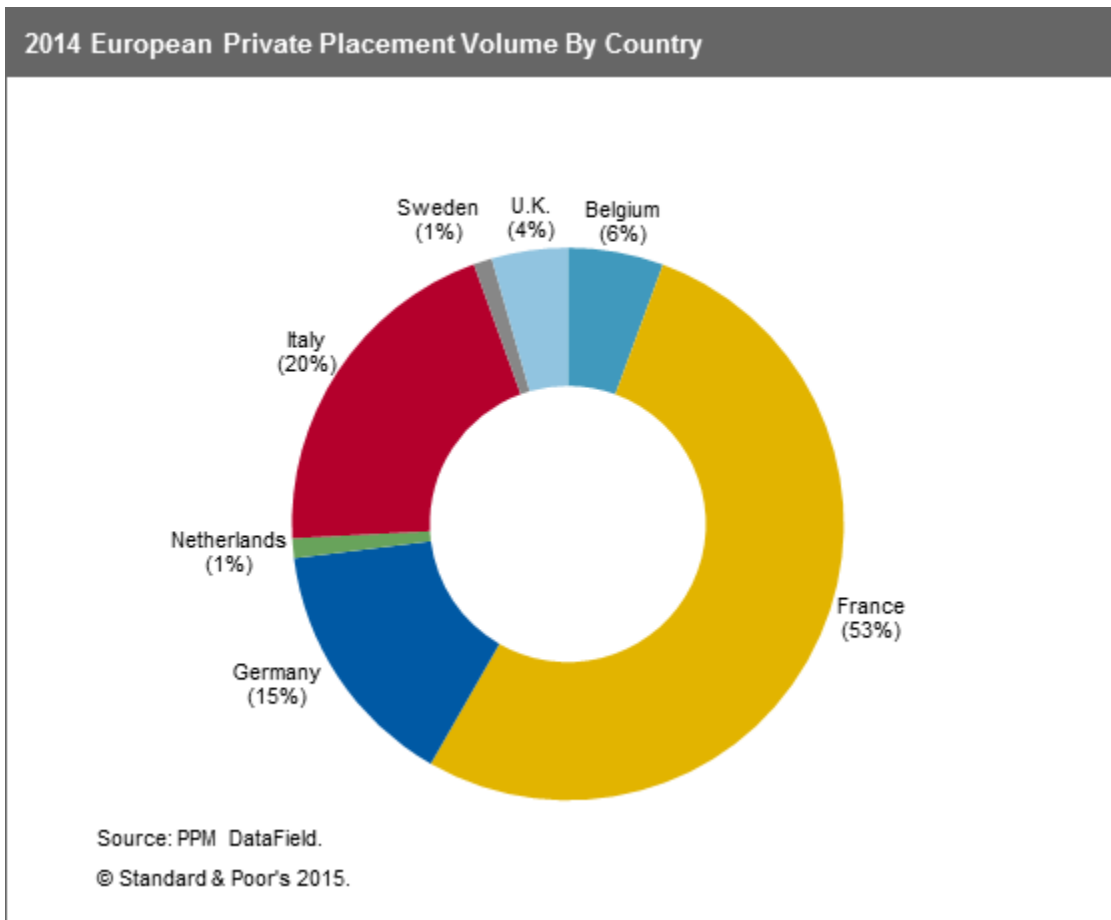
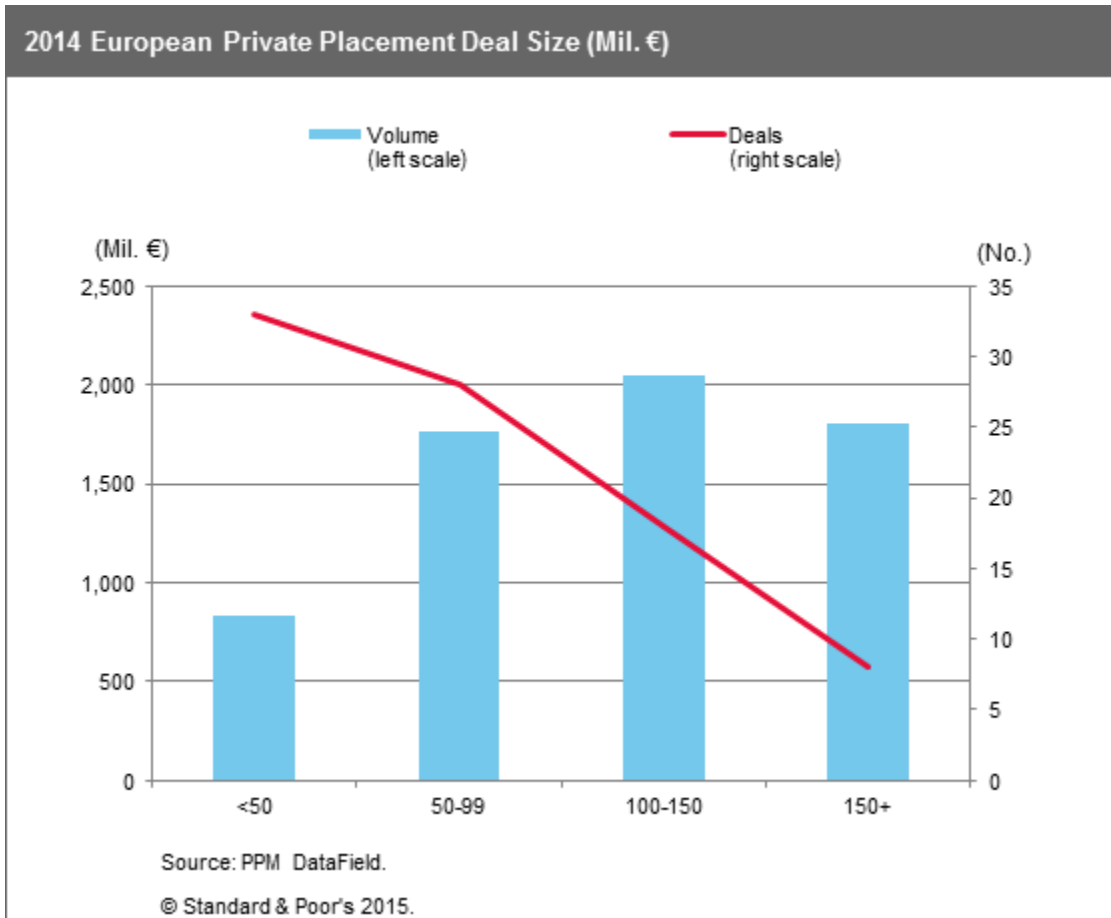


Chart 2



Among the 52% of the deals that are listed, the majority (41%) were issued on the Euronext Paris exchange, followed by the Irish stock exchange (28%) and the Euro MTF Luxembourg (9%) (see chart 4).

Chart 3

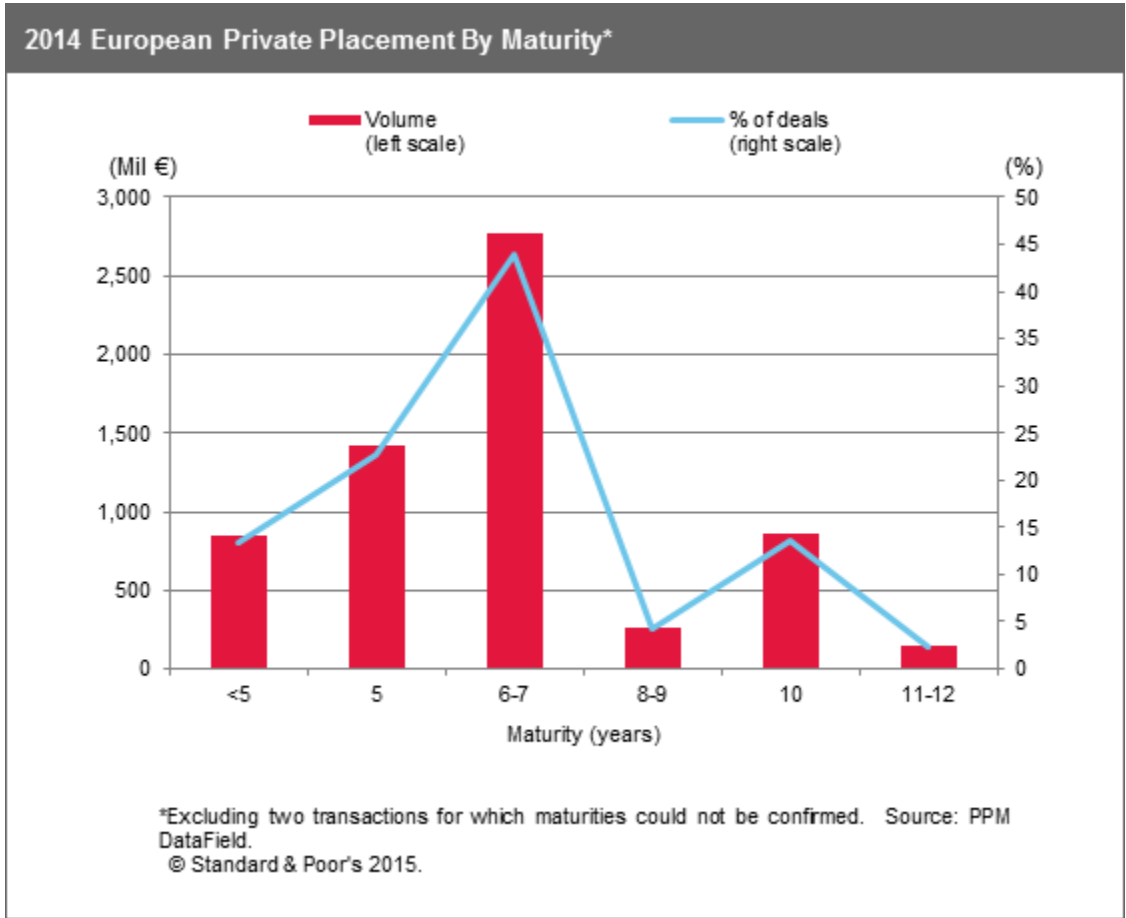
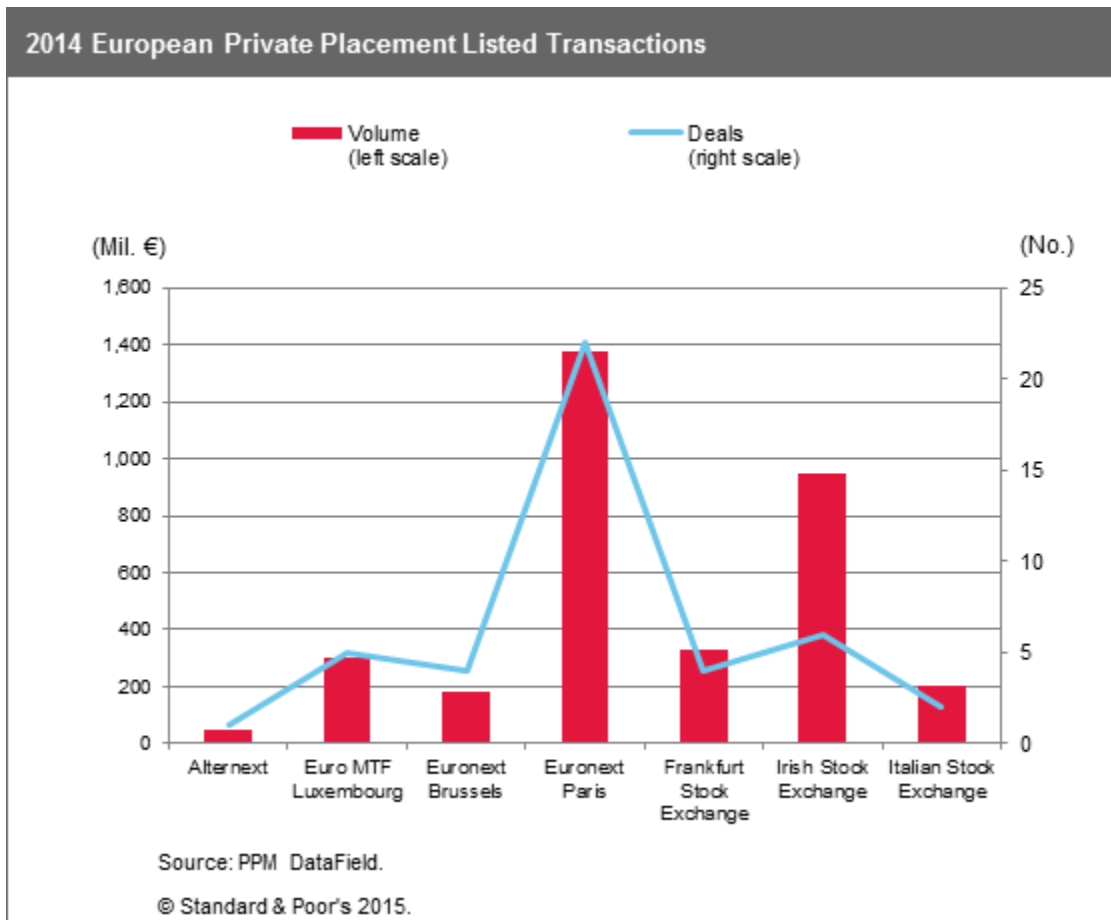


Chart 4



Private lending markets in Europe have developed by leaps and bounds over the past year. By providing capital access to mid-market companies, these markets are an important driver for growth in the region. Overall, in volume terms, private placement markets for European issuers—including the U.S. private placement market and the German *Schuldschein* market—have remained solid over the past few years, totaling roughly €31 billion of issuance in 2014 (of which €6.4 billion were European private placements, €11 billion were *Schuldschein* deals, and €13 billion U.S.PP). We expect it to stabilize at this level in 2015.

But a lack of transparency is commonly cited as the most significant barrier to a healthy alternative funding market for European midsize companies. When the European Commission named the establishment of a cross-border private placement market as a priority for the proposed Capital Markets Union (CMU), it cited opacity and a lack of standardized credit information as key hurdles.

Others have noted this problem too, and a number of industry bodies have initiatives in place to increase transparency and standardization. For example, the Pan-European Private Placement (PEPP) working group has taken steps to build on the French Euro PP Charter and proposed common market standards and best practices, which are critical for the development of a Europe-wide private placement market. The Loan Market Association, in conjunction with the PEPP, has launched new loan and bond documentation for European private placements under English law, while the French

Euro PP working group has launched revised documentation under French law.

"ICMA welcomes the publication of this survey by Standard & Poor's Ratings Services and PPM, which estimates that the growing pan-European private placement market, including direct transactions, raised almost €7 billion in 2014 especially for medium-sized European companies. We will continue to support the development of this market through the work of the Pan-European Joint Committee that recently published the Pan-European Private Placement Guide that is facilitating the market's standardization," said Nicholas Pfaff, Senior Director, Market Practice and Regulatory Policy, International Capital Market Association (ICMA).

Standard & Poor's collaboration with PPM is part of its drive to encourage more transparency for alternative private lending markets in Europe. We have been tracking European private placement data since 2012, but we believe this collaboration with PPM allows for a more robust database of deals. It leverages the experience of PPM, which has been tracking private placements in the U.S. since 1985. (The methodology for the league table is available on PPM's website <http://www.privateplacementmonitor.com/epp-league-table-criteria.html>).

Standard & Poor's research on mid-market funding can be found in the report titled "Alternative Lending Markets In Europe Are Increasingly Open To Mid-Market Companies" published Jan. 26, 2015, and information about our Mid-Market Evaluation rating in "Mid-Market Evaluation Rating Methodology" and "Credit FAQ: Standard & Poor's Mid-Market Evaluation Ratings Explained," both published Nov. 20, 2014.

Standard & Poor's response to the European Commission's consultation paper on its CMU proposals can be found in the report titled "Sustainable Growth: Towards A Capital Markets Union In Europe," published May 13, 2015, on RatingsDirect. Our response focuses in particular on measures to improve funding of midsize enterprises and the infrastructure sector.

Related Criteria And Research

- Sustainable Growth: Towards A Capital Markets Union In Europe, May 13, 2015
- Alternative Lending Markets In Europe Are Increasingly Open To Mid-Market Companies Jan. 26, 2015
- Mid-Market Evaluation Rating Methodology, Nov. 20, 2014
- Credit FAQ: Standard & Poor's Mid-Market Evaluation Ratings Explained, Nov. 20, 2014

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