

Deals

BlackRock Sees Record \$23 Billion 2018 Direct Lending in Europe

By [Katie Linsell](#) and [Marianna Duarte De Aragao](#)

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Private lending by asset managers to European companies will reach a record 20 billion euros (\$23 billion) this year, according to [BlackRock Inc.](#)

That compares with about 16 billion euros last year and 5 billion euros in 2013, [Stephan Caron](#), BlackRock's head of European Middle Market Private Debt, said at a briefing in London on Wednesday. The growth has especially been concentrated in Germany where more than half of leveraged buyouts in 2018 were financed by non-bank lenders, said Caron, citing data from GCA Altium.

Direct lending is [growing](#) in Europe as tougher regulations since the global financial crisis prompt banks to pull back from their traditional role, leaving investment funds to fill the gap. A scarcity of yield-bearing investments caused by monetary easing pushed more funds toward the higher returns offered by riskier or less liquid assets that were once the preserve of hedge funds and private-equity investors.

“Even though private debt is growing very rapidly it's still a relatively small asset class in the overall scheme of things,” said Caron. “We still have a strong conviction that there is a lot of room for the asset class to grow.”

The world's largest asset manager recently expanded into direct lending in Europe, raising 1.1 billion euros for a private debt fund in July. About 50 percent of the fund is invested in 14 companies and the rest is expected to be deployed in the first half of next year, Caron said.

The firm mostly extends senior loans to companies from the U.K., France, Belgium, the Netherlands and Luxembourg and especially favors Germany, he said. BlackRock's preferred sectors are healthcare, software, business services and technology, media and telecommunications. It avoids retail, casual dining and cyclical sectors like construction and oil and gas.

BlackRock also recently increased exposure to private credit in the U.S. when it [acquired](#) Tennenbaum Capital Partners, a Los Angeles-based direct lending firm with about \$9 billion of committed capital at the end of 2017.