

# Opportunità nel Mercato del Private Debt

**Abhik Das | Principal, Private Debt, BlueBay Asset Management LLP**

**Seminario Tecnico MEFOP**  
**Roma, 31 maggio 2016**

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## Introduction to BlueBay

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## The European Private Debt Market Opportunity

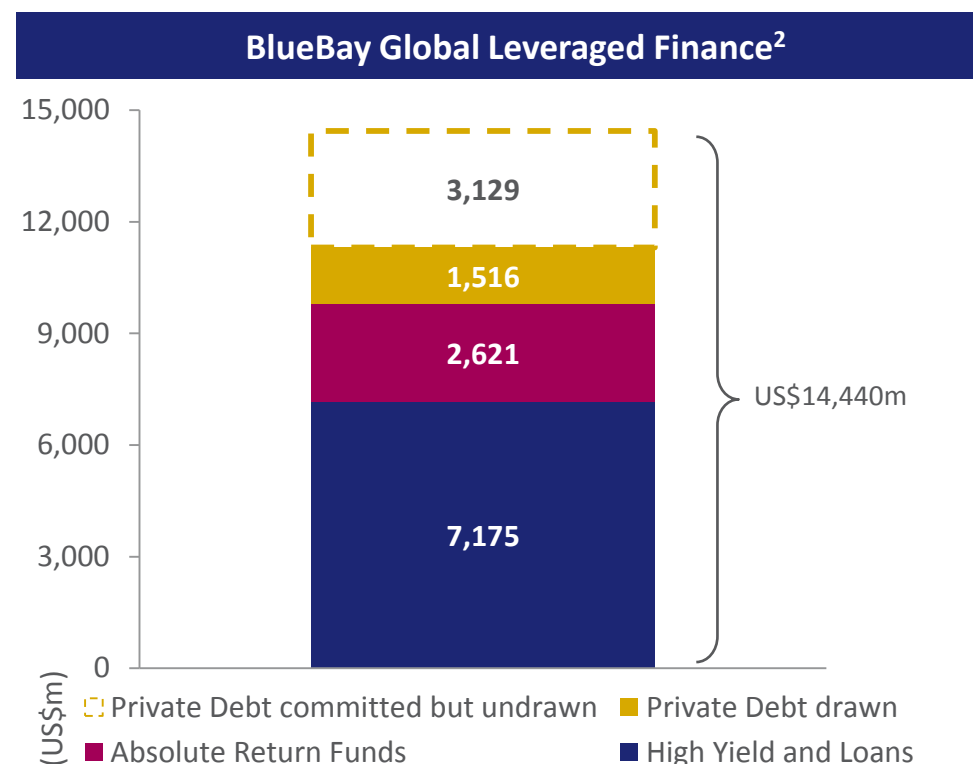
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## BlueBay's Private Debt Platform and Expertise

# Introduction to BlueBay as fixed income investment house

- BlueBay manages over US\$57.8 billion across DM and EM fixed income largely for institutional and professional investors
- BlueBay has actively managed corporate credit risk in European High Yield since 2002, in European leveraged loans and EM corporates since 2008 and in European Private Debt since 2011
- BlueBay is an established European alternative lender (partners with the ISIF in Ireland and has closed two European PD closed-end funds)

Assets under Management ('AuM') (US\$m)	
Investment Grade	27,419
Emerging Market	14,364
Leveraged Finance <sup>1</sup>	7,661
Multi-strategy	5,891
Convertibles	2,475
<b>Total AuM</b>	<b>57,811</b>
<i>Total Private Debt commitments</i>	<i>4,645</i>



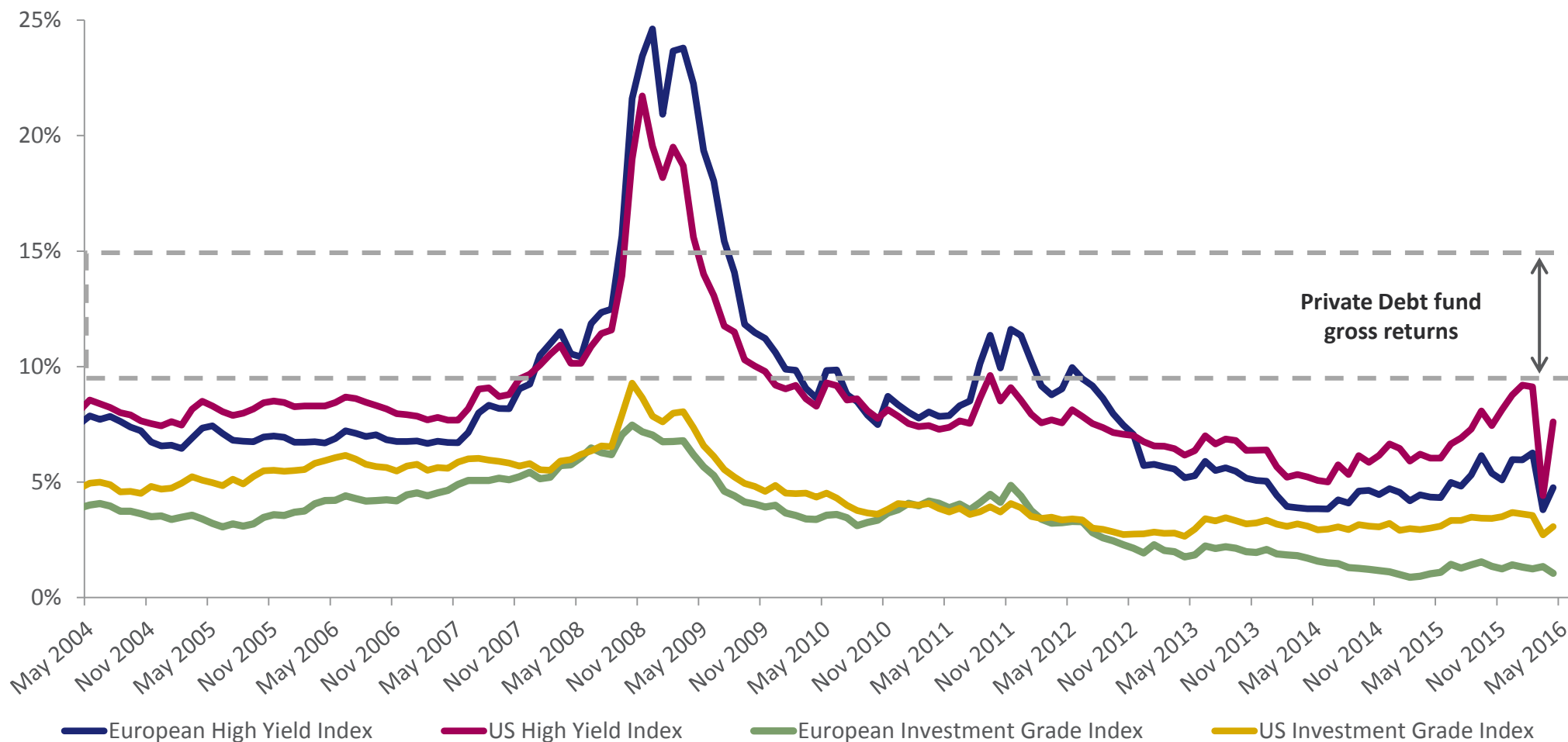
Source: BlueBay Asset Management, as at 31 March 2016

Notes: AuM is exclusive of non-fee earning assets. (1) Leveraged Finance consists of High Yield, Leveraged Loans, Special Situations and Private Debt (drawn capital); (2) Includes AuM within BlueBay's Multi-Asset Strategies

# Private Debt: Attractive Risk-Adjusted Returns

Yield compression less pronounced for Private Debt funds

## Weighted Average Yield to Maturity Across Various Asset Classes vs. Private Debt "Return Band"



Sources: (1) Bank of America Merrill Lynch. Data for European High Yield Index (HPS2), US High Yield Index (HOA0), European Investment Grade Index (EU00) and US Investment Grade Index (COA0) as of May 9, 2016. The high grade and high grade bond indices include financials. The outlined area marked as private debt fund returns is shown solely to illustrate the illiquidity premium of private debt funds generally and is not intended to be relied upon. No representation is being made the Senior Loan Fund I will or is likely to provide returns similar to those shown.

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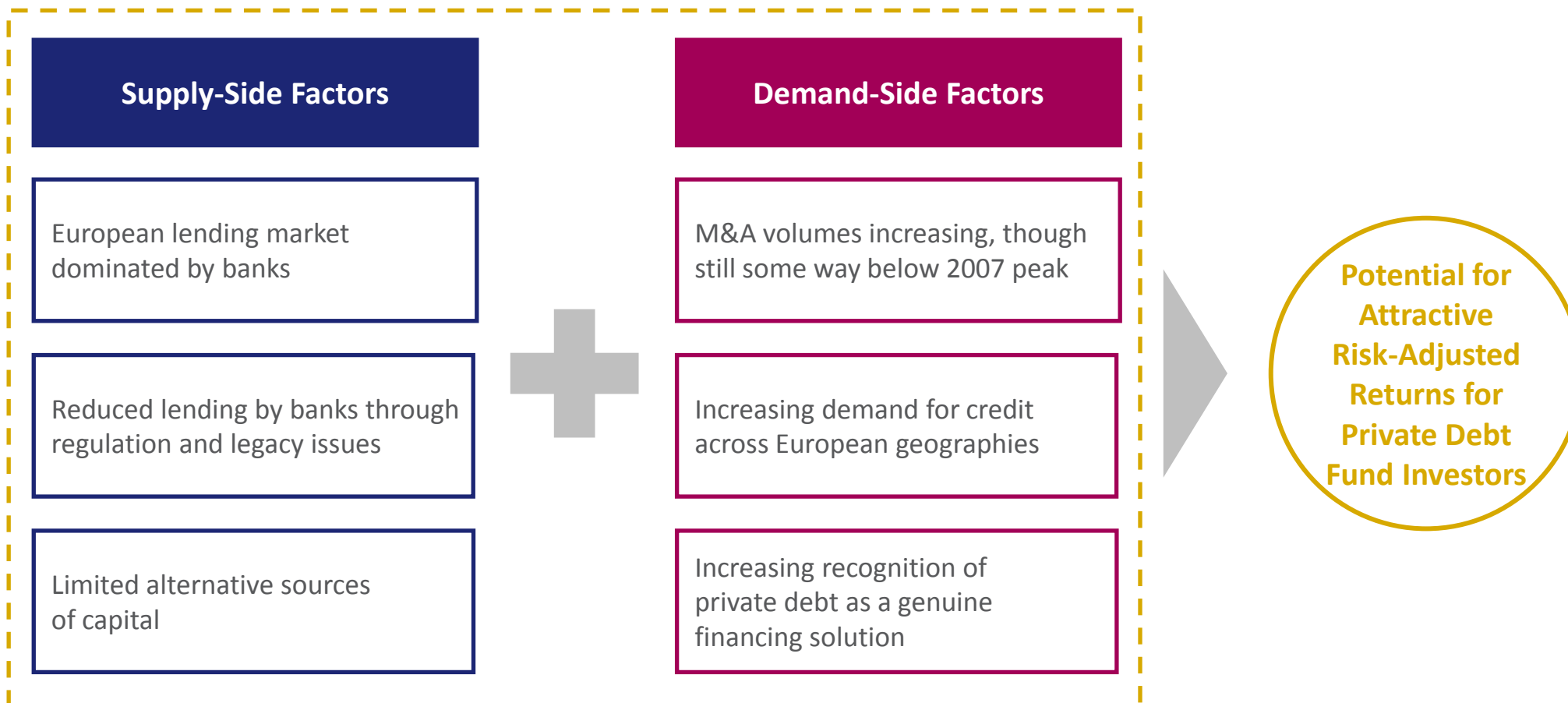
BlueBay's Private Debt Platform and Expertise

# Private Debt: Differences with the Public Debt Market

	Private Debt	Public Debt
Focus on SMEs	<ul style="list-style-type: none"> <li>• Direct lending to small and medium-sized businesses</li> </ul>	<ul style="list-style-type: none"> <li>• Bonds / Loans issued by large businesses</li> </ul>
Flexible Investment Products	<ul style="list-style-type: none"> <li>• Senior / Subordinated / Mezzanine / Equity</li> </ul>	<ul style="list-style-type: none"> <li>• Mainly senior</li> </ul>
Strong Investment Process	<ul style="list-style-type: none"> <li>• Due diligence alongside equity sponsor</li> <li>• Bilateral / small club loans</li> <li>• Customised documentation</li> </ul>	<ul style="list-style-type: none"> <li>• Limited set of due diligence documents</li> <li>• Large lender groups</li> <li>• Standardised documentation, no negotiation</li> </ul>
Proprietary Origination	<ul style="list-style-type: none"> <li>• Shoe-leather approach</li> <li>• Team with local networks</li> </ul>	<ul style="list-style-type: none"> <li>• Standardised sales / desk relationship</li> <li>• No proprietary sourcing</li> </ul>
Partnership Approach	<ul style="list-style-type: none"> <li>• Close relationship with company</li> <li>• Monthly contact</li> </ul>	<ul style="list-style-type: none"> <li>• Syndication / trading approach</li> </ul>
Less Liquidity	<ul style="list-style-type: none"> <li>• “Buy and hold” approach</li> </ul>	<ul style="list-style-type: none"> <li>• More liquidity</li> </ul>

# Market Fundamentals Attractive for Private Debt Funds

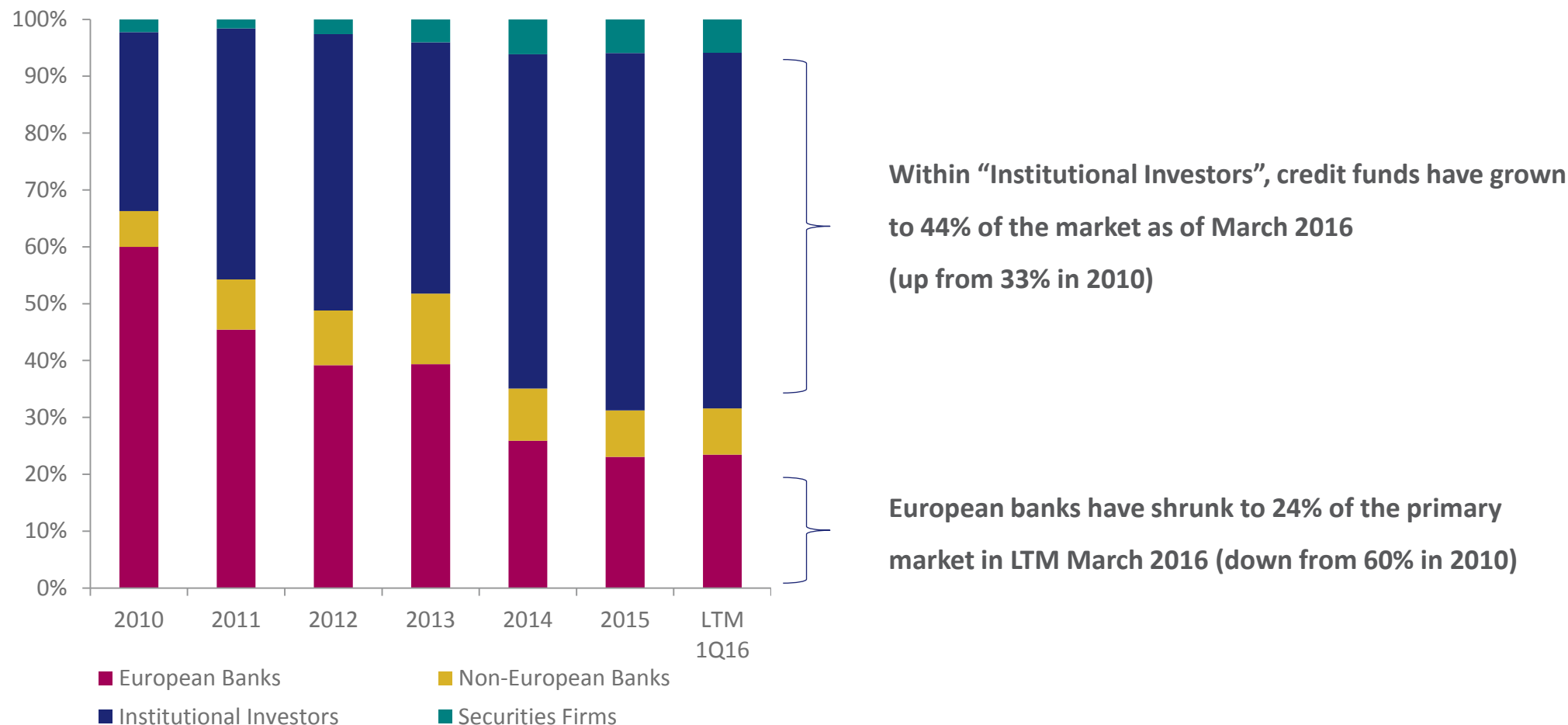
Reduced Availability of Credit to Medium-Sized Businesses Continues to Support Private Debt Markets



# Banking Disintermediation: A Growing Trend

Disintermediation is gaining ground as private debt funds develop as alternative to bank financing

## Banks Losing Share of European Leveraged Primary Market Volumes<sup>1</sup>

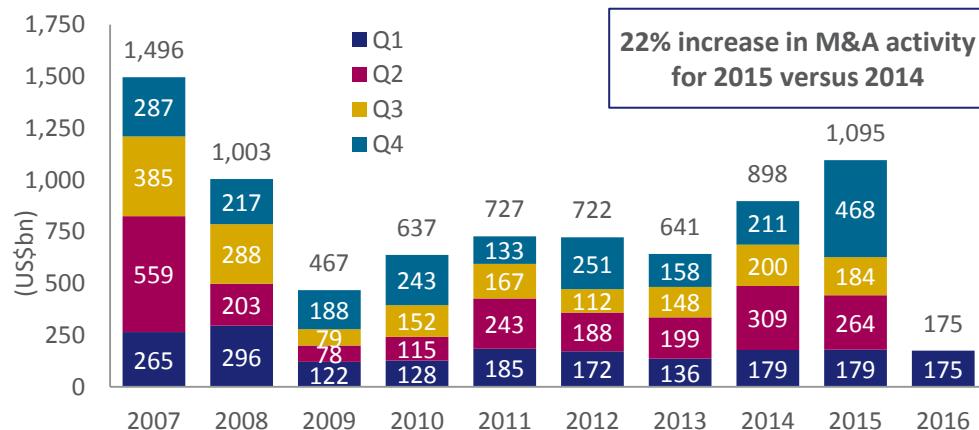




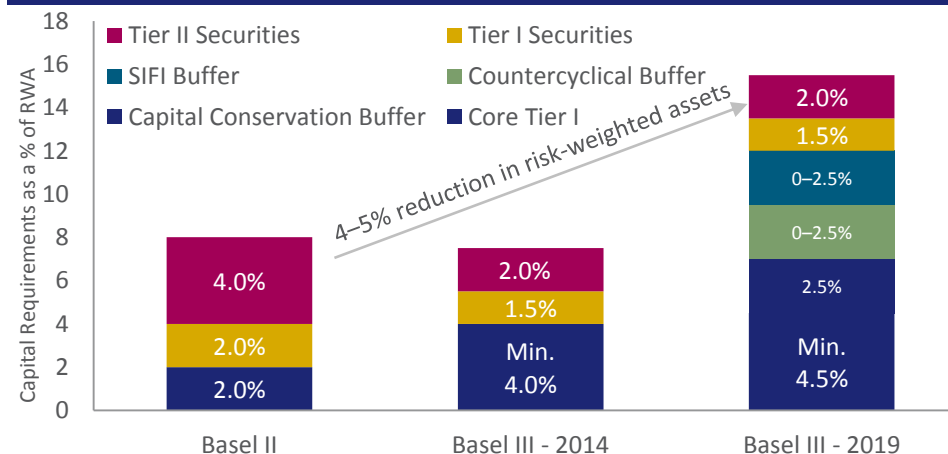
# Demand for Credit Outstripping Supply

The European Private Debt market is characterized by a divergence in supply and demand for credit

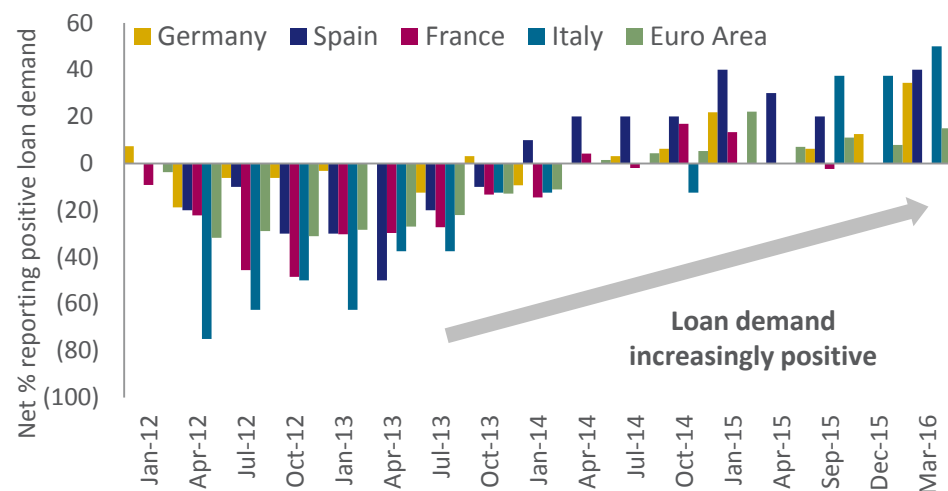
## Gradual Growth in M&A Volumes in Europe<sup>1</sup>



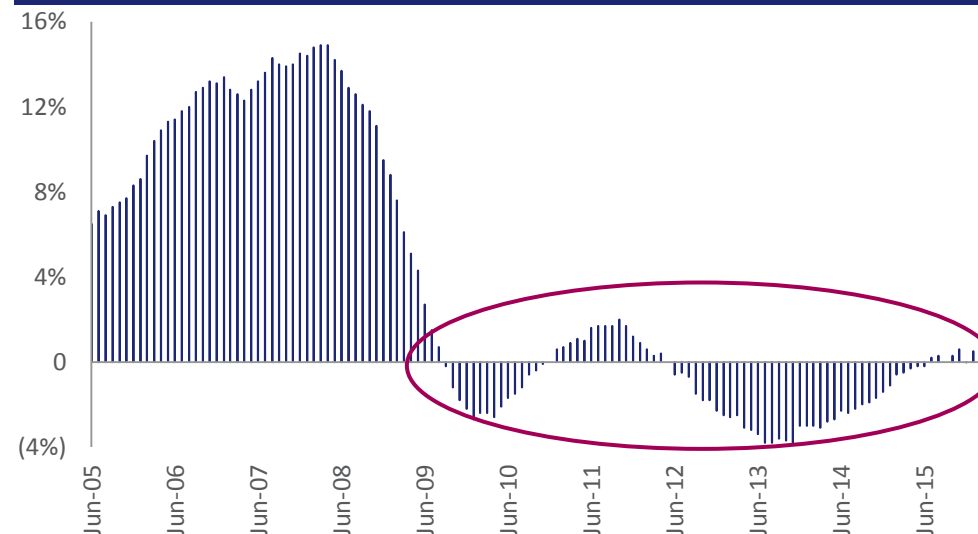
## Increasing Capital Requirements to Comply with Basel III<sup>3</sup>



## Corporate Demand for Credit: Major Eurozone Economies<sup>2</sup>

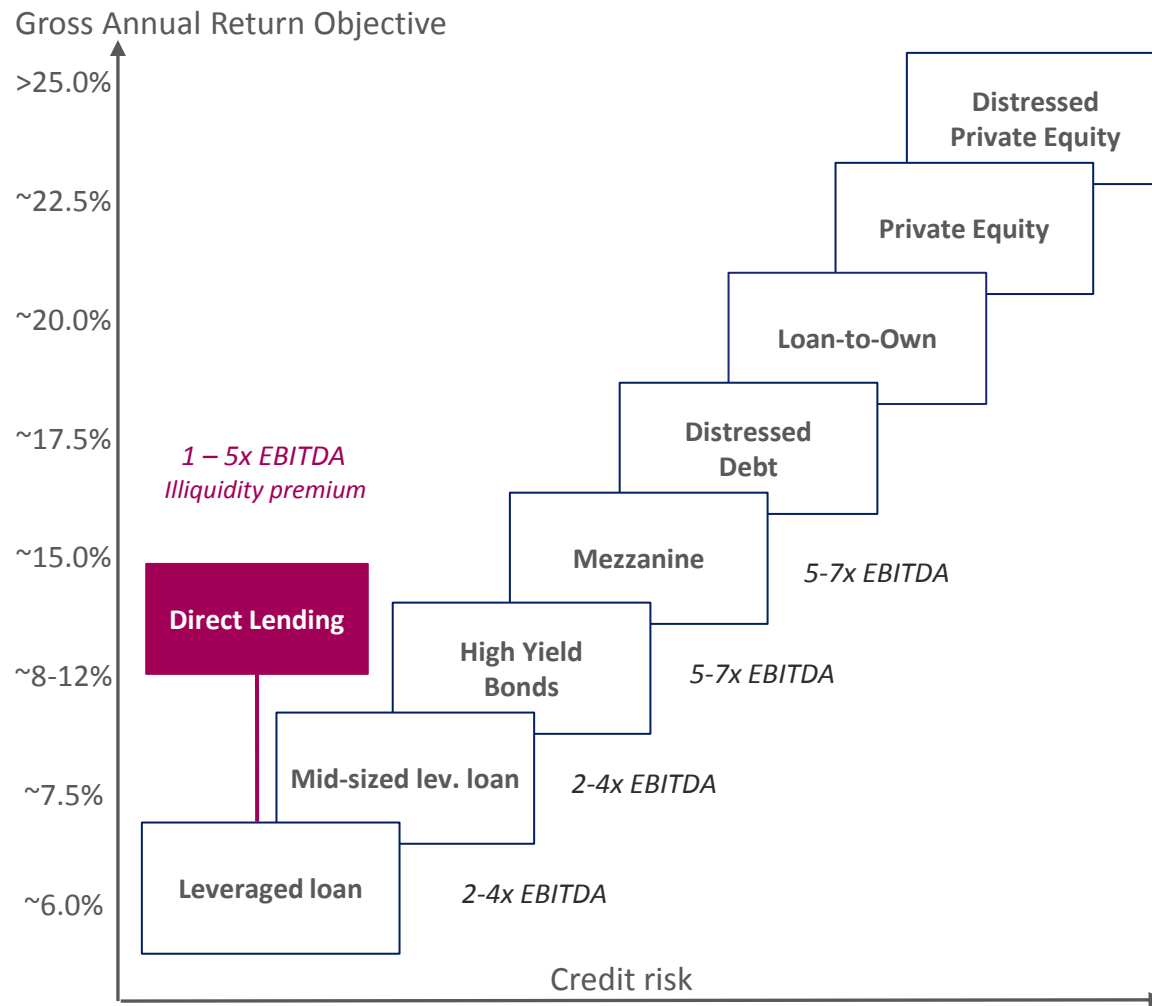


## Lending to Non-Financial Corporations across the Eurozone<sup>4</sup>

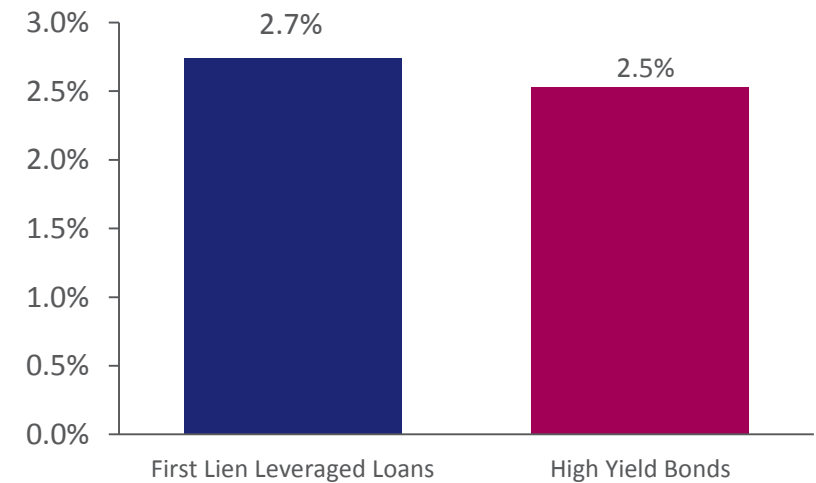


# Private Debt: Attractive Risk-Adjusted Returns

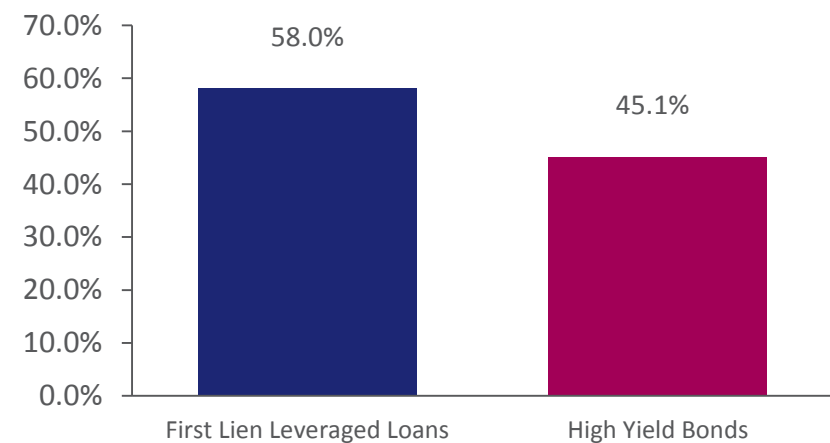
## Illustrative Credit Spectrum Positioning<sup>1</sup>



## Av. Annual European Default Rates: 2003 – '15<sup>2</sup>



## Average European Recovery Rates: 2003 – '15<sup>2</sup>

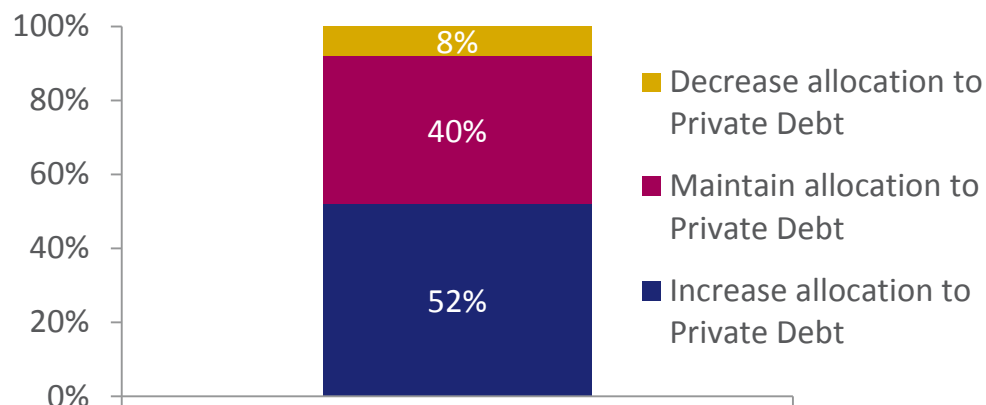


Sources: (1) BlueBay estimates of target returns ; (2) Nominal values; S&P Capital IQ, Credit Suisse Leveraged Finance Default Review .

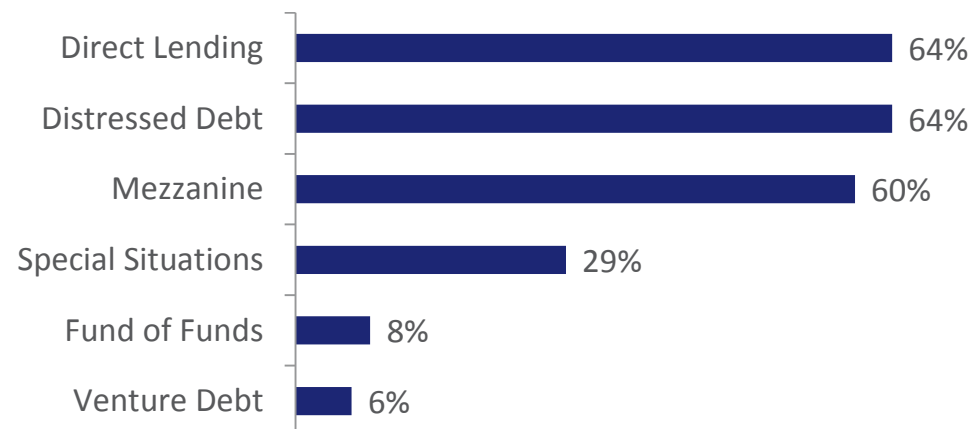
# Private Debt: Investor Sentiment Remains Positive

Investors are actively increasing their exposure to Private Debt, in particular Direct Lending strategies

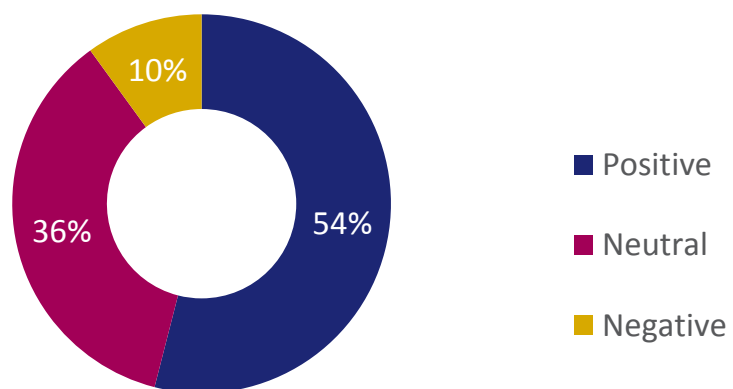
## Investors' intend to increase their long-term allocation...<sup>1</sup>



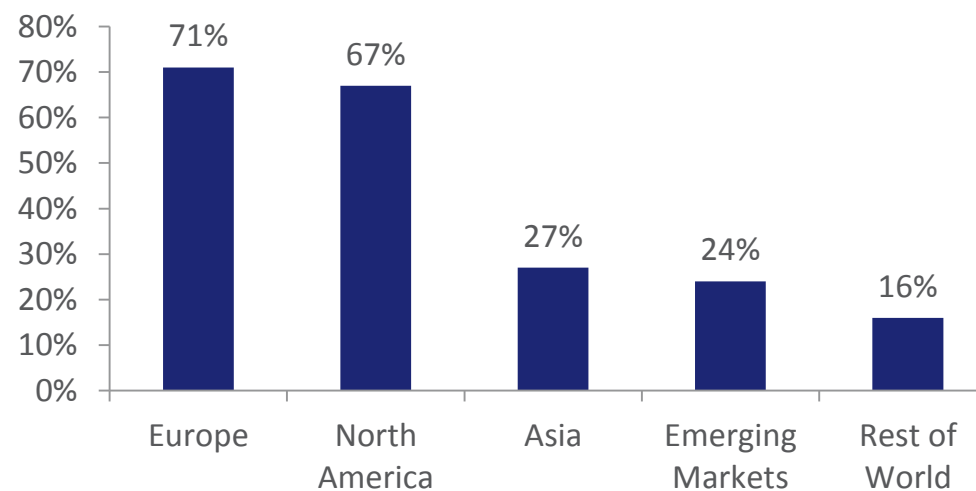
## ...with Direct Lending Funds Favoured over Others<sup>1</sup>



## Investors' current perception of Private Debt industry<sup>1</sup>

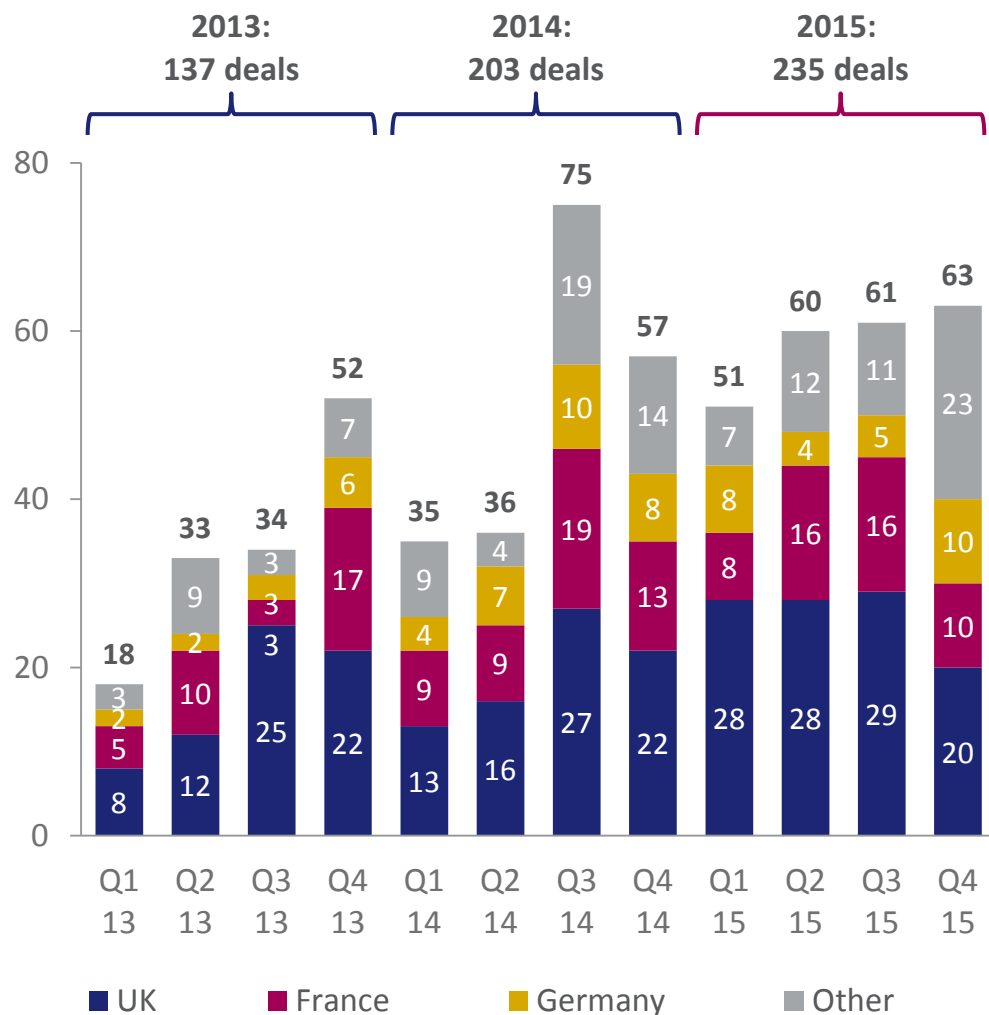


## Europe is Perceived as Most Attractive Geography<sup>1</sup>

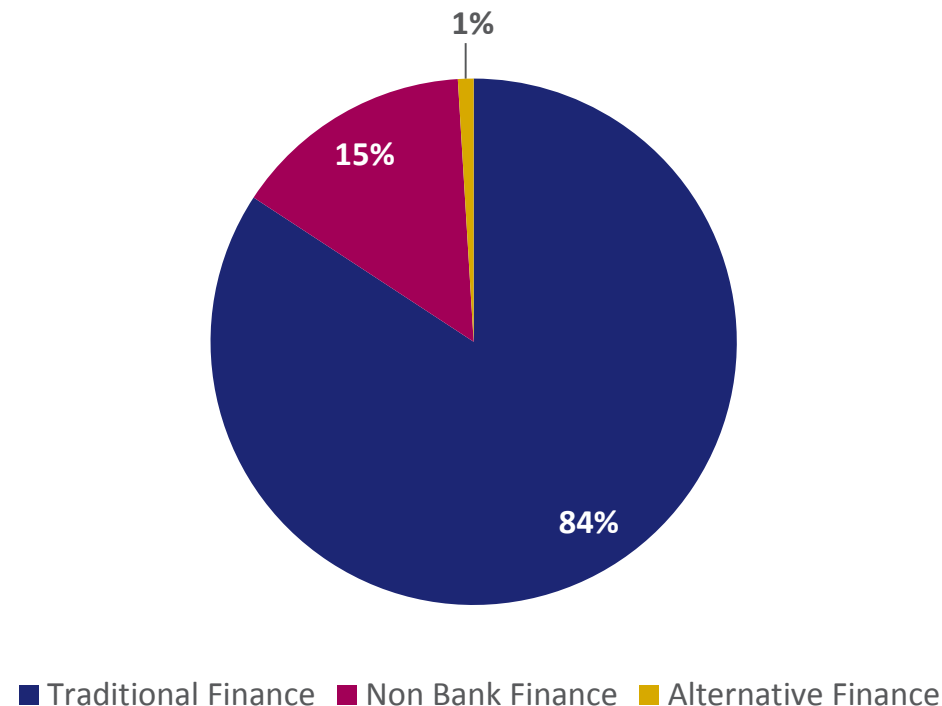


# Private Debt is growing but penetration remains low

## Deals by Alternative Lenders Are Increasing<sup>1</sup>



## Alternative Finance Only 1% of the European Market<sup>2</sup>



**Alternative financing, including Private Debt, represents only 1% of the €10.2tn European corporate borrowings market.**

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**BlueBay's Private Debt Platform and Expertise**

# BlueBay Private Debt

Leading financing provider for European mid-market businesses

## BlueBay Private Debt Platform

€3.8 billion of commitments, launched in 2011<sup>1</sup>

### BlueBay Direct Lending Fund II

- **€2.1 billion** of commitments
- Already approx. €1.1 billion committed across 16 transactions

### BlueBay Direct Lending Fund I

- **€810 million** of commitments
- Fully invested across 21 portfolio companies

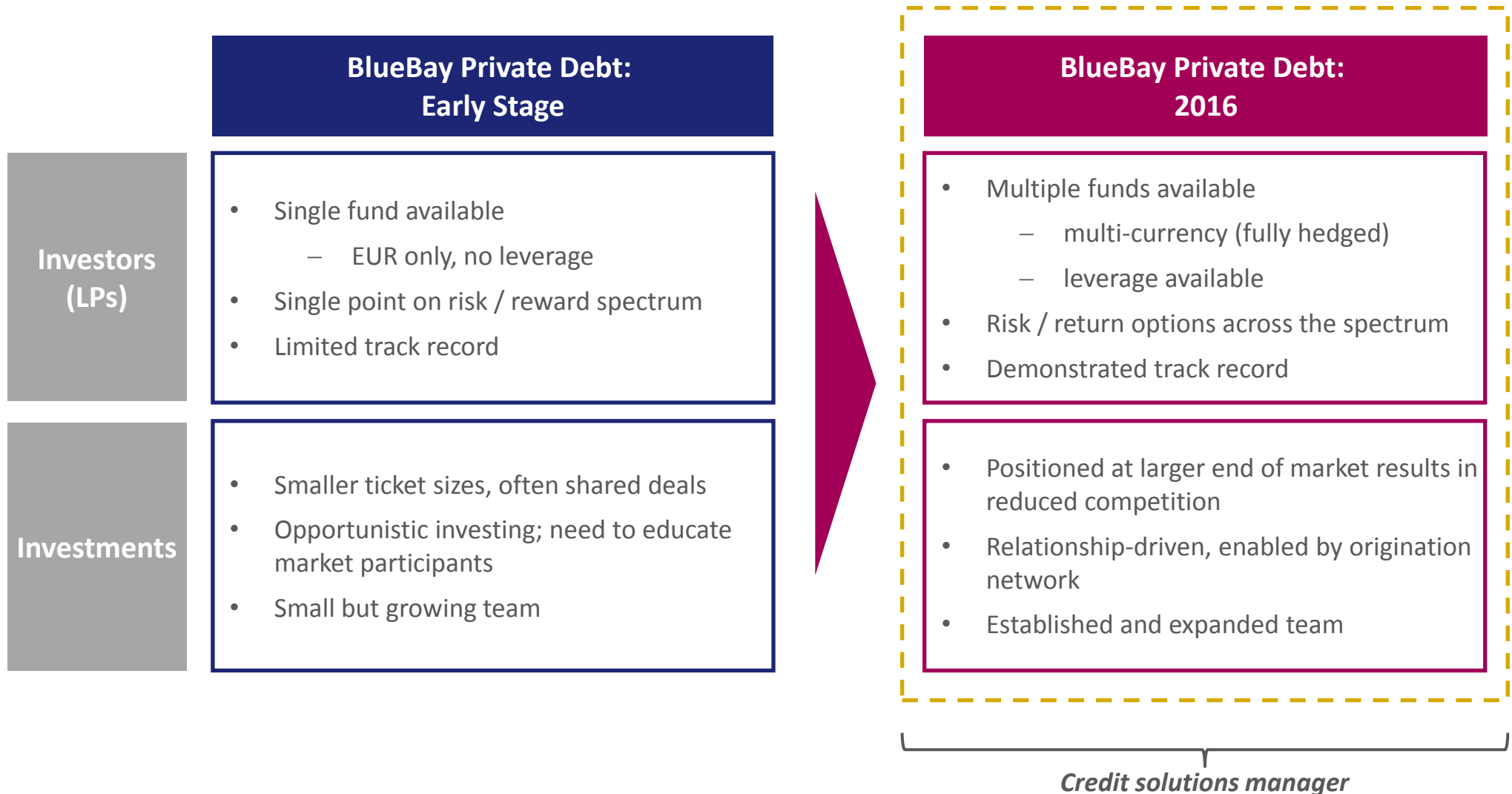
Strong track record across European Private Debt investment with **>€2.0 billion** committed by Direct Lending Funds I and II

## BlueBay is one of the main European players in Private Debt

- Experienced team of **14 investment professionals**, benefitting from synergies with the wider BlueBay public debt business
- Strong track record across European private debt investment; **36 transactions** completed since 2011<sup>2</sup>
- Transactions completed with c. 20 different private equity sponsors
- Highly flexible, fast and efficient investment process

# BlueBay Private Debt: an Illiquid “Credit Solutions Manager”

BlueBay’s Private Debt Group is a credit solutions manager for investors and borrowers



# BlueBay Private Debt: Introduction to Senior Loan Fund I

Complementary strategy to Direct Lending Funds: focus on senior secured deals in larger businesses

## Investment Strategy

- Secured senior loans to upper medium-sized European businesses
- Conservative leverage levels

## Attractive Risk-Adjusted Returns

- Attractive pricing (see below), lender-friendly terms, conservative capital structures
- Conservative capital structures at low leverage levels
















### Illustrative Comparison: Senior Loan Fund I Versus The Syndicated Market

	Senior Loan Fund I <sup>1</sup>	EU leveraged loans	EU high yield
Gross IRR	8 – 9%	6.5%	5.5%
Margins	550 – 650bps	400 – 450bps	c. 530bps spread
Fees	2.5% – 3.5%	0.5% – 1.0% (OID)	c. 0.0% (OID)
Leverage	3.0x – 4.5x	c. 5.0x	4.0x – 4.5x


Note: Leverage calculated using total debt quantum through all tranches. Sources: BlueBay internal estimates, S&P LCD European Leveraged Lending Review, HPID Index. Data as of February 2016. (1) The performance objective and other related metrics are based on certain facts and assumptions. Annual return objectives are target IRRs are hypothetical and have been prepared for illustrative purposes only and do not constitute a forecast.



# BlueBay Direct Lending Fund I: Overview of Transactions to Date

 <b>Der Grüne Punkt –</b> <small>Duales System Deutschland GmbH</small>  Senior Secured Financing  Refinancing	  Senior Secured Financing  Acquisition Financing	  Senior Secured Financing  Acquisition Financing	  Senior Secured Financing  Refinancing	 Senior Secured Financing Term Loan A/B  Acquisition Financing	  Senior Secured Financing  Refinancing	  Senior Secured Financing  Acquisition Financing	  Senior Secured Financing  Refinancing	  Subordinated Secured Financing  Refinancing
  Senior Secured Financing  Refinancing	  Senior Secured Financing Term Loan C  Acquisition Financing	  Subordinated Financing  Acquisition Financing	  Subordinated Financing  Refinancing/ Recapitalisation	  Senior Secured Financing  Acquisition Financing	  Senior Secured Financing (Add-On)  Refinancing/ Recapitalisation	  Senior Secured Financing  Acquisition Financing	 UNDISCLOSED INVESTMENT  Senior Secured Financing  Opportunistic Credit Investment	  Senior Secured Financing  Acquisition Financing
  Senior Secured Financing  Acquisition Financing	  Senior Secured / Subordinated Financing  Acquisition Financing	  Senior Secured Financing (Second Lien)  Refinancing	  Senior Secured Financing  Acquisition Financing					

# Direct Lending Fund II: Overview of Transactions to Date

 <p>Senior Secured / Subordinated Financing</p> <p>Acquisition Financing</p>	 <p>Senior Secured Financing</p> <p>Acquisition Financing</p>	 <p>Senior Secured Financing</p> <p>Acquisition Financing</p>	 <p>Senior Secured / Subordinated Financing</p> <p>Acquisition Financing</p>	 <p>Senior Secured Financing</p> <p>Refinancing</p>	 <p>Senior Secured Financing</p> <p>Acquisition Financing</p>	 <p>Senior Secured Financing</p> <p>Refinancing</p>	 <p>Senior Secured Financing</p> <p>Refinancing</p>	 <p>Senior Secured Financing</p> <p>Refinancing</p>
 <p>Senior Secured Financing</p> <p>Refinancing</p>	 <p>Senior Secured Financing</p> <p>Acquisition Financing</p>	 <p>Senior Secured Financing (Second Lien)</p> <p>Acquisition Financing</p>	 <p>Senior Secured Financing</p> <p>Acquisition Financing</p>	 <p>Senior Secured Financing</p> <p>Refinancing</p>	<p>UNDISCLOSED INVESTMENT</p> <p>Senior Secured Financing</p> <p>Acquisition Financing</p>	<p>COMMITTED INVESTMENT</p> <p>Senior Secured Financing</p> <p>Acquisition Financing</p>		

# Bibliotheca – Complex Cross-Border Financing

## Company Description



Company	Bibliotheca / 3M Library Systems
Industry	SaaS
Geography	Switzerland
Headquarters	Rotkreuz ZG
Investment Date	October 2015

- Integrated systems provider of RFID library solutions
- Products are used to track books and other products borrowed at libraries, including self-service kiosks, return systems, security detection corridors, electromagnetic strips & digital lending services
- Global leader with dominant market shares in the US and Europe



## Transaction Overview

- \$110 million senior secured facility to support One Equity Partners' acquisition of 3M Library Systems in the United States
- Subsequent combination with Europe-based Bibliotheca
- Creates global leader in the library services market
- Real revenue and cost synergies, incl. significant upside from combination of geographical footprint and product portfolio

## BlueBay Approach

- Highly complex cross-border financing
- Tailor-made financing solution with a variety of structural flexibilities to allow the transaction to happen in three different steps
- Third transaction with One Equity Partners, a global private equity firm

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