

Proskauer Releases 2019 Proprietary Analysis of European and US Private Credit Deal Terms

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January 30, 2020 (London) – International law firm Proskauer’s market-leading Private Credit Group has today released its annual proprietary deal data report to the European market at a client event in London.

The report provides a real-time snapshot on the state of the credit markets through an in-depth analysis of deal terms contained in over 230 transactions the Private Credit Group completed during 2019.

“We have completed more deals globally this year than ever before and that drives the scope and quality of the data that we analyse for our report. We are delighted to highlight to our clients the key elements and trends of their deals as they evolve in the continually growing private credit market,” says Alex Griffith, partner in the Private Credit Group.

Highlights from the study include:

- **Acquisitions:** 69% of deals were acquisitions, with the balance being refinancings.
- **Interest rate margins** remained consistent from 6.31% in 2018 to 6.30%. There was a 19% increase in deals with cash margins between 6.00-6.99%.
- **Cash flow** sweeps declined 13% continuing a trend since 2017.
- **Quantum debt increase:** The debt quantum in 2019 increased from In 2019 30% of deals had a debt quantum greater than or equal to €250 million relative to 21% from 2018.
- **Covenant deals:** 64% of deals were covenant loose (i.e. a single leverage test with >30% headroom).The number of covenants per deal has decreased in 2019 (average of 82 in 2017, 1.33 in 2018, and 1.24 in 2019). Over 55% of deals had 35% covenant headroom in 2019.
- **Average closing leverage:** In 2019, the average closing leverage was 5.3x in Europe compared to 5.4x in the US. This was an increase from 2018 when average

closing leverage was 5.2x and 5.2x respectively.

- **Un-sponsored deals** increased to 11% of deals in 2019, from only 3% of deals in 2018.
- **Exceptional items** addback to EBITDA were uncapped on 69% of deals, up from 57% in 2018.

“Our report illustrates the key trends, highlighting aspects of deals that are improving or deteriorating for direct lenders and how deal terms vary between the US and European private credit markets. The depth of data, which is based on 75 completed European transactions in 2019, allows private credit funds to assess the broader market position,” says Ben Davis, partner in the Private Credit Group.

Proskauer’s Private Credit Group is a unique finance practice with a large team of lawyers based in key financial centers in London, New York, Los Angeles and Boston. The team has consistently closed more than 175 deals a year and has been at the forefront of the development of the private credit market.

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