Proskauer

Proskauer Introduces Private Credit Default Index

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The Default Index Provides a New Level of Transparency and Gives Investors a Window into the Market

New York, NY – May 27, 2020 Proskauer, a leading international law firm, announced the creation of the *Proskauer Private Credit Default Index©* which tracks, on a quarterly basis, the default rates of senior secured and unitranche loans.

“Traditionally, the private credit market has been viewed as being opaque with few sources of information on default rates. Our new *Default Index* provides a new level of transparency and gives investors a window into the market, and its performance, they have otherwise not had,” said Stephen A. Boyko, co-chair of Proskauer’s Corporate Department and Private Credit Group.

“Given the number of deals we are seeing and the growing importance of this market as a source of funding for many companies, the *Default Index*, along with our proprietary data, surveys and market experience and expertise gives our clients the critical insights they need to remain a step ahead in this highly competitive environment,” added Boyko.

As of the end of Q1 2020, the *Proskauer Private Credit Default Index©* reported the following:

- Overall default rate was 5.9%
- Companies with more than $50 million of EBITDA at the time of origination had a 4.4% default rate
- Companies with $25-50 million of EBITDA had a 5.2% default rate
- Companies with less than $25 million of EBITDA had a 7.0% default rate
- The default rate for healthcare deals was 5.5%, primarily due to a high number of defaults by managed service organizations
- The default rate for software/technology deals was 4.5%, lower than the average for all other deals

- The default rate for business services deals was 1.4%, significantly lower than the average for all other deals
- Over one-third of defaulted loans were originated in 2017

The Proskauer Private Credit Default Index includes 576 active loans in the United States, representing approximately $95bn billion in original principal amount. The *Default Index* includes companies across all major industry groups with EBITDA (earnings) from $0 to more than $1 billion. While there are varying conventions of what is considered a default for purposes of calculating a default rate, the *Default Index* includes loans that have a payment, financial covenant or bankruptcy default, loans that are otherwise in default if the default is expected to continue for more than 30 days (excludes immaterial defaults) and loans that were amended in anticipation of a default.

The Private Credit Group continues to create tools that offer unique insights to their clients, including an annual survey that features predictions from top lending institutions, which compliments the findings of Proskauer's proprietary *Private Credit Insights* annual report. And since the onset of the COVID-19 pandemic the group has begun releasing short, pulse surveys in order to gain insights on the impact of the pandemic on the private credit market.

Over the past five years, Proskauer has worked on more than 800 deals for more than 75 private credit clients across the United States and Europe with an aggregate transaction value exceeding $150 billion.

As a market-leading advisor to the private credit industry, Proskauer has assembled a cross-disciplinary finance and restructuring team exclusively dedicated to private credit investors. This team includes over 50 restructuring and transactional lawyers focused on representing credit funds, business development companies, and other direct lending funds in the restructuring of "clubbed" and syndicated credits and preferred equity investments.

Related Professionals

- **Stephen A. Boyko**
  Partner