Proskauer

Proskauer Releases Q4 Private Credit Default Index, Reports an Overall Default Rate of 1.04%

January 27, 2022

Default Rates by EBITDA Continue to Scale Down from Peaks in Q2 2020

NEW YORK, January 27, 2022 – Proskauer, a leading international law firm, today announced the results of its quarterly Private Credit Default Index for the period ending December 2021, revealing an overall default rate of 1.04% for Q4 2021. The proprietary index tracks default rates of senior-secured and unitranche loans. The most recent report highlights the continued decline of default rates, from 1.5% in Q3 2021, 1.3% in Q2 2021 and 2.4% in Q1 2021.

For Q4 2021, Proskauer's Private Credit Default Index found that companies with more than $50 million of EBITDA at the time of origination had a 0.4% default rate, continuing a downward trend in the default rate from a peak of 5.3% in Q2 2020. Similarly, companies with $25-49.9 million of EBITDA had a 0.8% default rate, continuing a downward trend in the default rate from a peak of 6.7% in Q2 2020.

"While defaults are at historic lows, we believe we are entering into a period of increased turbulence in the market, given inflationary pressures, supply chain issues, labor shortages and projected interest rate increases," said Stephen A. Boyko, co-chair of Proskauer's Private Credit Group. "Direct lenders are proceeding with caution in this environment and are taking the opportunity to evaluate the loans in their portfolios. Notwithstanding these pressures, markets remain resilient and extremely competitive for high-quality borrowers."

In addition to default rates by EBITDA, the Index also includes proprietary analysis of defaulted loans by industry, including: consumer/retail, food/beverage, healthcare, manufacturing and software/ technology. These are further refined by EBITDA band (0-$25mm, $25-49.9mm, and $50mm+), by default type (payment, bankruptcy, financial covenant, other material default, etc.) and by comparison to the publicly reported default rates for leveraged loans as reported by the rating agencies.

The quarterly Private Credit Default Index is just one of several tools created by Proskauer's Private Credit Group to enhance client service. Along with the Index, the Firm's Private Credit Group offers an annual report with unique, cross disciplinary insights on the market as well as an annual survey that identifies key themes and trends in the sector.

To learn more about these tools or Proskauer's Private Credit Default Index, please contact Harry Ambizas, hambizas@proskauer.com.

About Proskauer

We are 800+ lawyers serving clients from 12 offices located in the leading financial and business centers in the Americas, Europe and Asia. The world's leading organizations, companies and corporations choose us to be their representatives in their most critical situations. But more, they consider Proskauer a strategic partner to drive their business forward. We work with asset managers, major sports leagues, Fortune 500 companies, entertainment industry legends and other industry-redefining companies.

The Firm's Private Credit Group is made up of cross-disciplinary finance and restructuring experts exclusively dedicated to private credit investors. It includes over 75 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. Over the past five years, Proskauer has worked on over 1,000 deals for more than 75 private credit clients across the U.S. and Europe with an aggregate transaction value exceeding $300 billion.

Related Professionals

- **Stephen A. Boyko**
  Partner