Proskauer

Proskauer Releases 10th Annual Private Credit Insights Report

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Report Provides Insights and Trends across More Than 400 Deals Completed by the Firm in 2021

NEW YORK and LONDON – Proskauer, a leading international law firm, today released the 10th edition of its annual Private Credit Insights Report, a proprietary study and review of credit trends based on the Firm's work for clients across the globe. This year's report includes key insights from the Firm's analysis of deals in 2021 including industries, deal size, pricing and leverage.

"The headline for 2021 was the dramatic increase in deal flow– we had 85% more deal closings in 2021 compared to 2020 and a 74% increase in over 2019. To truly understand the market, however, it is important to look past the headline to see how deal terms have changed, which is what this report does in great detail," said Stephen A. Boyko, co-head of Proskauer's Private Credit Group. "This is our tenth year producing our Annual Private Credit Insights report, and we continue to find new and unexpected trends in the deals we work on. The data we have amassed over the past decade has proved to be an invaluable tool for us, our clients and the industry generally."

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Stephen A. Boyko, co-head of Proskauer's Private Credit Group

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For the 2021 report, Proskauer's Private Credit Group reviewed in-depth more than 400 deals completed by teams based in the U.S. and UK, with an aggregate value of over $107.6 billion and backed by 184 private equity sponsors.

Highlights include:

- **New Industry Dynamics** – Business services was the leading industry in the U.S. for the first time in the last five years, comprising just over 18% of deals. The sector made up 14% of deals in 2020. Health care, which was previously the most popular industry, fell to second place. Software & technology was the leading sector in Europe, comprising 24% of deals.
- **Widespread Interest Across the Mid-Market –** While deals with more than $200mm in value decreased by 55% compared to the previous year, 32% of deals had more than $100mm in value, an increase of 88%.
- **Average Size of European Deals Increased** – There was a decrease of deals in the EUR150-250mm band, however, larger deals in 2021 helped increase the average size of debt to EUR220mm. Elsewhere in 2021, the average closing leverage was 5.1x in Europe, compared to 5.2x in the U.S. The averages for both regions are the same as in 2020.
- **Equity Support Remains Strong** – The average equity contribution in the U.S. declined from 45% in 2020 to 43% in 2021, but remained steady at 47% in Europe. However, it remains higher than 2019, which saw equity contributions at 41%. There was also an inverse correlation between equity contribution and an increase in EBITDA, with more equity being put into smaller companies.

“The trends in the U.S. are reflective of the ultra-competitive M&A market we saw in 2021. In some cases, terms became more borrower-favorable, but in other cases, including dividends and other restricted payments, collateral leakage and other lender protections, the terms became much more lender-favorable,” said Stephen. “While there are a lot of headwinds in the market, we expect direct lenders will continue to fill the void in the lending markets as more traditional lenders reevaluate and reposition their portfolios.”

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 finance and restructuring lawyers focused on representing credit funds, business development companies, and other direct lending funds in the restructuring of “clubbed” and syndicated credits, preferred equity, special situations and alternative investments. Over the past five years, Proskauer has been involved in more than 1,000 deals for over 75 private credit clients across the United States and Europe with an aggregate transaction value exceeding $250 billion.

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