Proskauer

Proskauer Releases 2022 Q1 Private Credit Default Index

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NEW YORK, May 19, 2022 – Proskauer, a leading international law firm, today released the results of its quarterly Private Credit Default Index, for the period January 1, 2022 – March 31, 2022, revealing an overall default rate of 1.12%. The rate is just slightly higher than the previous period's default rate of 1.04%, which was the lowest default rate since the period ending Q2 2020, at 8.1%. The quarterly Index tracks the default rates of senior-secured and unitranche loans, and includes data from approximately 893 active loans in the United States, representing $144.4 billion in original principal amount.

For Q1 2022, the Proskauer Private Credit Default Index reported that companies with more than $50 million of EBITDA at the time of origination had a 0.4% default rate, remaining steady from the end of Q4 2021 and sticking to a downward trend in the default rate from a peak of 5.3% in Q2 2020. Companies with $25-49.9 million of EBITDA had a 1.1% default, a minor increase from 0.8% in Q4 2021.

"Although the headwinds in the economy continue to grow, private credit is extraordinarily resilient to macro forces, as evidenced by these historically low default rates," said Stephen A. Boyko, the co-chair of Proskauer's Private Credit Group. "While we have witnessed a decline in the level of activity in the public markets, our pipeline remains robust as direct lenders are aggressively seeking opportunities to deploy capital."

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.

In addition to the Proskauer Private Credit Default Index, which is released quarterly, the Firm's Private Credit Group creates additional tools that offer unique insights to their clients, including a proprietary Private Credit Insights annual report and an annual survey that features predictions from top lending institutions.

Methodology

Our Index is based on U.S. dollar denominated senior secured and unitranche loans. Default rates are calculated by dividing the number of defaulted loans by the aggregate number of loans in the Index. While there are varying conventions of what is considered a default for purposes of calculating a default rate, the 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.

A default is assumed to take place on the earliest of:

- The date a debt payment was missed
- The date a distressed restructuring occurs
- The date the borrower filed for, or was forced into, bankruptcy
- The date a financial covenant default occurs
- The date that a default occurs if that default is expected to continue for more than 30 days (excludes immaterial defaults)
- The date the loan is modified in anticipation of a default

For the purposes of the Index, if a borrower re-emerges from bankruptcy, or otherwise restructures its defaulted debt and reestablishes regular, timely payment.

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.

Related Professionals

- **Stephen A. Boyko**
  Partner