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Question of the Week:

What kind of competition do you expect in the private credit mid-market in the coming months?

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"Lenders that can write bigger checks will have a competitive advantage for the remainder of the year. Many sponsors have accepted the fact that pricing and terms have tightened and now their main concern is ensuring they can get sufficient capital in the door. Ideally, they'd like to do this without having to reach out to too many lenders, which in their minds may increase uncertainty in their deal execution."

Evan Palenschat, Private Credit, Chicago

"First, I don't think that the term 'middle market,' in its traditional sense, applies anymore to the private credit debt space. Private credit lenders are less constrained by these labels. As a result, their appetite for deals remains robust and focused on the credit worthiness of their investment and not on the size of the investment. Competition should also remain robust but in a slightly different way. I believe there will be a shift in how private credit lenders may want to fully commit to an investment which may lead to other less known private credit lenders to get a stronger foothold with sponsors. This change may also create a greater number of clubbed deals, which would provide more opportunities for certain private credit lenders."

Sandra Montgomery, Private Credit, Los Angeles

“In the European market, banks will continue to look for ways to compete against the dominant credit funds in that middle market space. Over the past 18-24 months, an increasing number of banks have set up dedicated private credit businesses, using a mix of their own capital and externally raised funds, and hired teams from the midmarket credit funds to try and compete with more traditional players in the European direct lending space. In the coming months, we could start to see competition heat up, with the banks trying to fight back for some of the market share which they almost completely lost to credit funds following the GFC.”

Faisal Ramzan, Private Credit, London

“Competition is likely to increase as a result of deal flow retreating to more normalized levels. While price is the primary way in which prospective lenders will compete, borrowers will focus on certainty of closure and term flexibility as important factors in differentiating loan proposals. Also, those lenders that are able to provide flexible financing structures (including Holdco loans, debt-like preferred equity and enhanced returns through true equity participation) will have a competitive advantage.”

Steve Peck, Mergers & Acquisitions, Boston

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