Proskauer

Proskauer Releases 7th Annual Private Credit Survey

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Direct Lenders Remain Optimistic as They Actively Look for Deals and Plan to Fundraise in 2023

NEW YORK, April 25, 2023 – The private capital market is alive and well, according to a new report from Proskauer. The leading international law firm today released the findings of its annual Private Credit Survey which asked more than 150 executives at private credit firms across the globe for their thoughts on the state of the direct lending market in 2023. Proskauer asked respondents to share their expectations for the year, including factors driving deal flow and challenges for dealmakers, and examined data and insight around the broader market.

According to the report, 99% of respondents stated they are actively looking for new lending opportunities. However, respondents also noted they expect deal activity to slow down, with 55% expecting less activity, a sharp increase from last year. Inflation/macroeconomic risks, dry powder and sponsors seeking realizations were cited as the most important drivers of deal flow.

“The results from the survey support what we see each day: private credit is a dynamic and resilient industry. As the public markets have been largely inaccessible over the past six months, the private credit market has proven that it is able to quickly adapt to market conditions,” said Stephen A. Boyko, partner in Proskauer’s Private Credit Group.

Industry Expectations

The Firm also asked about industry expectations over the next 12 months and found that across the globe, respondents expect to see an increase in industry-based investing compared to 2022. Nearly every respondent (94%) said they would consider investing in business services and software and technology over the next 12 months. Health care was another top prospect for investors, with 90% showing interest in the sector.

The survey also revealed significant geographic differences in terms of sector preferences. According to the results, respondents in the UK/Europe are significantly more likely to consider investing in education than their U.S. counterparts. However, there was significantly less interest in manufacturing and transportation and logistics than in the U.S.

Additional Takeaways

- 84% of respondents consider environmental, social and governance (ESG) factors for every investment and 9% said they consider it on at least some.
- 76% of respondents feel very prepared for the transition from LIBOR.
- 76% of respondents expect a higher level of defaults over the next 12 months as compared to the past year — a sharp rise from 31% in 2022. This is not surprising as almost all respondents believe that a recession has begun or will begin within the next 12 months.

Methodology

For the 2023 Private Credit Survey, Proskauer polled 151 private credit lenders across the U.S., UK and EU. Respondents represent approximately $2.18 trillion of assets under management (AUM) in credit strategies, while 60% of respondents came from firms with $10 billion or more in AUM, and another 30% came from firms with between $1 billion and $9.99 billion AUM. Approximately 75% of survey respondents were based in the U.S. and 25% were based the UK and Europe.

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 90 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 U.S. and Europe with an aggregate transaction value exceeding $260 billion.

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