Proskauer

Proskauer's 2024 Private Credit Survey Reveals Optimism for Year Ahead

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Eighth Annual Report Showcases Trends in Market from Past 12 Months

NEW YORK and LONDON, January 22, 2024 – Leading international law firm Proskauer today released the results of its eighth annual Private Credit Survey, which examined the leading drivers of deal flow in the market, major challenges lenders are facing and the trends that may impact credit deals across the globe. The Survey, which ran from September to October 2023, gathered responses from 178 senior-level private credit executives, across the United States, United Kingdom and Europe.

According to the Survey, 2024 is expected to be an active year, with 80% of lenders saying they expect more deal activity in the coming year than they saw in the last 12 months. Additionally, a large majority of lenders said they are actively raising debt funds (84%) and planning to fundraise (91%).

"Our Survey found – and we have heard in conversation with clients – that dealmakers are ready to get deals done and lenders are willing to write large checks for the right assets," said Stephen A. Boyko, partner in the Firm's Private Credit Group. "While macro-economic fears around inflation, recession and general geopolitical strife still exist, there is now a sense that these elements have 'normalized.' Given all these factors, it's no wonder that interest in private credit continues to grow."

In comparison to 2023, the Survey also found:

- Business Services (93%), Health Care (88%) and Software and Technology (57%) were the top industries of interest for investors in the coming year, but all had a slight decrease in interest year-over-year. Only Manufacturing, Media, Consumer/Retail, Construction, Energy and Other had an increase in investor interest compared to last year.
- Respondents ranked sponsors seeking realizations (66%), dry powder (39%) and alignment (or lack or alignment) on purchase price (29%) as the most important

drivers of deal flow. However, in 2023, more than two-thirds of respondents (67%) ranked inflation first.

- 52% of respondents said they expect lower pricing than in the past 12 months, which means on balance, about one-third of respondents (33%) are expecting lower pricing. That's a significant – and optimistic shift – from 2023 when more than 77% of respondents said they expect *higher* pricing.

While the majority of Survey responses indicate an overall positive view of the economy, more than half of all respondents (54%) do expect more defaults over the next 12 months than in 2023. Proskauer's most recent Private Credit Default Index revealed a rate of 1.60% for the fourth quarter of 2023, an increase from 1.41% in the second quarter of 2023, supporting the respondents' sentiment.

"While last year's Survey may have shown a bit of hesitation on the part of lenders, this year reveals excitement and optimism. Firms are not only looking to deploy capital, but they are building new capabilities, through acquisitions or expansion plans," noted Daniel Hendon, partner in the Firm's Private Credit Group. "It's a really exciting time for the sector."

Respondents to Proskauer's 2024 Private Credit Survey represent $258.9 billion of capital deployed in credit strategies by respondents over the past 12 months. 55% of this year's survey respondents came from firms with $10 billion or more AUM, and another 32% came from firms with between $1 billion and $9.99 billion AUM. And the remaining percentage (13%) came from firms with less than $1 billion AUM.

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. Since 1875, Proskauer has been devoted to our clients' successes. Our lawyers are known for their unusually high accessibility, responsiveness and attentiveness. We go the extra mile to understand a client's business — and think like savvy businesspeople in the process.

Working at the intersection of private capital and the sectors in which market players invest, we advise cutting-edge clients as they navigate complex challenges and seek to capitalize on market opportunities. Proskauer offers an integrated platform that navigates clients through the full lifecycle of their business.

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 110 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 over 1,200 deals for more than 100 private credit clients across the U.S. and Europe with an aggregate transaction value exceeding $350 billion.

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