Proskauer

Proskauer's Private Credit Default Index Reveals Rate of 1.6% for Fourth Quarter of 2023

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Private Credit Defaults Increase from 1.41% in Q3

NEW YORK, January 18, 2024 – Proskauer, a leading international law firm, today announced the results of its quarterly Private Credit Default Index (the "Index") for Q4 2023, revealing an overall default rate of 1.6%. The rate is a slight increase from Q3's default rate of 1.41%, though still lower than Q1 and Q2, which were 2.15% and 1.64%, respectively.

The default rate for companies with greater than $50 million of EBITDA increased from 1.2% in Q3 to 2.3% in Q4. Core middle market companies, those with EBITDA between $25-$49.9 million, had a default rate of 2.2% in Q4, a modest decrease from the prior quarter's rate of 2.5%. Companies with EBITDA under $25 million remained steady between Q3 and Q4, with default rates at 0.7% in each quarter. For the third consecutive quarter, the default rate for all EBITDA bands was below the default rate reported by Fitch Ratings.

The Firm's Private Credit Default Index tracks senior-secured and unitranche loans in the United States and breaks down default rates by EBITDA and industry as well as default type (payment, bankruptcy, financial covenant, other material default, etc.). The Q4 2023 Private Credit Default Index included more than 1,000 active loans, representing $148.9 billion in original principal amount.

The full report is available only to the Firm's direct lending clients and contains a comparison to the default rates published by the rating agencies, historical trends by industry and EBITDA bands, defaults by default type, defaults in cov-lite loans and defaults by year of origination.

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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