Proskauer

Proskauer's Private Credit Insights Report Highlights Increasing Competition and Strength of Market

March 20, 2024

NEW YORK, March 20, 2024 – Proskauer, a leading international law firm, today released its proprietary *Private Credit Insights Report*, which analyzes market trends based on the Firm's work for clients across the globe. This year's report, which covers January 1, 2023-December 31, 2023, includes data from more than 360 deals, nearly 140 private equity sponsors and a total transaction value of $71.5 billion.

"This is the 13th year that we've published this report. It's been incredible to watch the growth of the sector through our data, especially in the last four years when uncertainty has been the 'name of the game'," said Stephen A. Boyko, a private credit partner at the Firm, based in Boston. "The data shows that private credit is able to thrive in any number of market conditions and that it can, and will, attract borrowers and lenders of all sizes across a spectrum of industries."

Key findings from the report include:

- In 2023, more than one-third (34%) of deals had EBITDA greater than $50mm, an increase from 27% in 2022. However, clients remained active and involved across the lower middle, middle and upper markets.
- Industry interests shifted this year as Business Services comprised the most deals in 2023, nearly one-quarter of transactions (23%), an 8% increase from 2022. Consumer Goods & Services/Retail and Health Care/Life Sciences rounded the top three. Software and Technology, which was second in 2022, fell to fifth.
- Equity contributions continued to trend upward, increasing to 49% in 2023 from 45% in 2022 and 43% in 2021. There also were more equity contributions of at least 50% versus past years with 77% of equity contributions sized at 50% or greater, compared to 48% in 2022.
- 64% of transactions in 2023 were acquisition financings/LBOs while the other 36% were refinancings. However, that marks a noticeable shift from 2022 when more than three quarters (76%) of transactions were acquisition financings.

- Unrestricted subsidiaries declined sharply as lenders continued to focus on leakage issues. There was also a significant increase in J Crew, Chewy, Serta and Envision protections, likely due to an increase in liability management strategies in the syndicated markets.
- Closing leverage continued to decrease. This year, the average closing leverage for deals was 4.6x versus 5.0x in 2022 and 5.2x in 2021.

“The market is increasingly competitive as it has become more attractive. We are hearing that anecdotally, and we are seeing that in the data. Smaller companies had the highest leverage of all EBITDA bands – the inverse of what one might expect – due to competitive pressure in that segment of the market,” said Alex Griffith, a private credit partner in Proskauer’s London office. “Towards the end of last year, we really started to see an increase in creative deal structures across private credit to allow for a competitive edge, and I expect that will continue this year.”

About Proskauer

The world’s leading organizations and global players choose Proskauer to represent them when they need it the most. With 800+ lawyers in key financial centers around the world, we are known for our pragmatic and commercial approach. Proskauer is the place to turn when a matter is complex, innovative and game-changing. We work seamlessly across practices, industries and jurisdictions with asset managers, private equity and venture capital firms, Fortune 500 and FTSE companies, major sports leagues, entertainment industry legends and other industry-redefining companies.

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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