Proskauer

Proskauer's Private Credit Default Index Reveals Rate of 1.84% for Q1 2024

April 23, 2024

NEW YORK, April 23, 2024 – Leading international law firm Proskauer today announced a 1.84% overall default rate for Q1 2024 for loans in its Private Credit Default Index (the "Index"). The Index tracks senior-secured and unitranche loans in the United States and includes 980 active loans representing approximately $150 billion in original principal amount.

The Q1 default rate is a slight increase from the prior quarter and the second consecutive increase in the overall default rate. In Q3 and Q4 2023, the rates were 1.41% and 1.60%, respectively. However, this quarter's rate remains lower than default rate a year ago. In Q1 2023, the default rate was 2.15%.

"We expect to see variances in the default rate from quarter to quarter," said Stephen A. Boyko, a partner in Proskauer's Private Credit Group. "Overall, the private credit market remains active and resilient, especially compared to other markets – including the leveraged loan market – where lenders have experienced significantly higher payment and bankruptcy defaults."

In Q1 2024, the default rate for companies with less than $25mm EBITDA increased from 0.7% to 1.9%. The default rate for the other EBITDA bands declined from Q4 to Q1. Specifically, the default rate for the $25mm-$49.9mm EBITDA band declined to 2.0% in Q1 from 2.2% in Q4. The default rate for companies with greater than $50 million of EBITDA decreased from 2.3% in Q4 to 1.5% in Q1.

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.

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.

Related Professionals

- **Stephen A. Boyko**
  Partner
- **David M. Hillman**
  Partner