Proskauer

Proskauer Announces Q4 Private Credit Default Rate of 2.67%

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Rate Increases from Q3 2024 but Remains Consistent With Q2

NEW YORK, January 21, 2025 –Proskauer, a leading international law firm, today announced the results of its quarterly Private Credit Default Index (the “Proskauer Index”). The Proskauer Index tracks senior-secured and unitranche loans in the United States, and this quarter includes 825 loans representing $152.8 billion in original principal amount. The Q4 Proskauer Index showed an overall default rate of 2.67%. While the default rate increased from the Q3 overall rate of 1.95%, it is relatively consistent with the default rate at the halfway point of 2024, which was 2.71%.

The increase in the default rate follows the trend seen in the broadly syndicated market. Fitch Ratings reported a trailing twelve-month default rate of 5.2% in November, an increase from 4.7% in September.

The Proskauer Index tracks the default rate across three EBITDA bands: less than $25 million, $25 million to $49.9 million and more than $50 million. For companies with EBITDA of less than $25 million, defaults decreased from 2.0% in Q3 to 1.8% in Q4. Companies in the largest EBITDA band experienced a slight increase, with rates rising from 0.8% in Q3 to 1.7% in Q4. Although both the largest and smallest companies experienced only modest changes, those in the $25 million to $49.9 million in EBITDA range experienced a significant increase in defaults, with defaults rising to 4.7% from 3.0% in the prior quarter.

“While the increase in default rate for companies with $25 - $49.9 million of EBITDA and the trend it represents is notable, the overall default rate as well as the default rate for each EBITDA band remained significantly lower than that of the syndicated market,” said Stephen A. Boyko, partner in Proskauer’s Private Credit Group and co-chair of its Corporate Department.

He added: “When comparing default rates across the market, it’s important to understand how each index is constructed. The Proskauer Index uses the broadest definition of a default of all indices, and includes financial covenant defaults and other material covenant breaches. If we look at only payment defaults, bankruptcies and distressed exchanges similar to the ratings agencies, the default rate for loans in the Proskauer Index drops to 1.2%, which is a fraction of what we see in the syndicated market.”

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

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.

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