

Private Credit's Meteoric Rise

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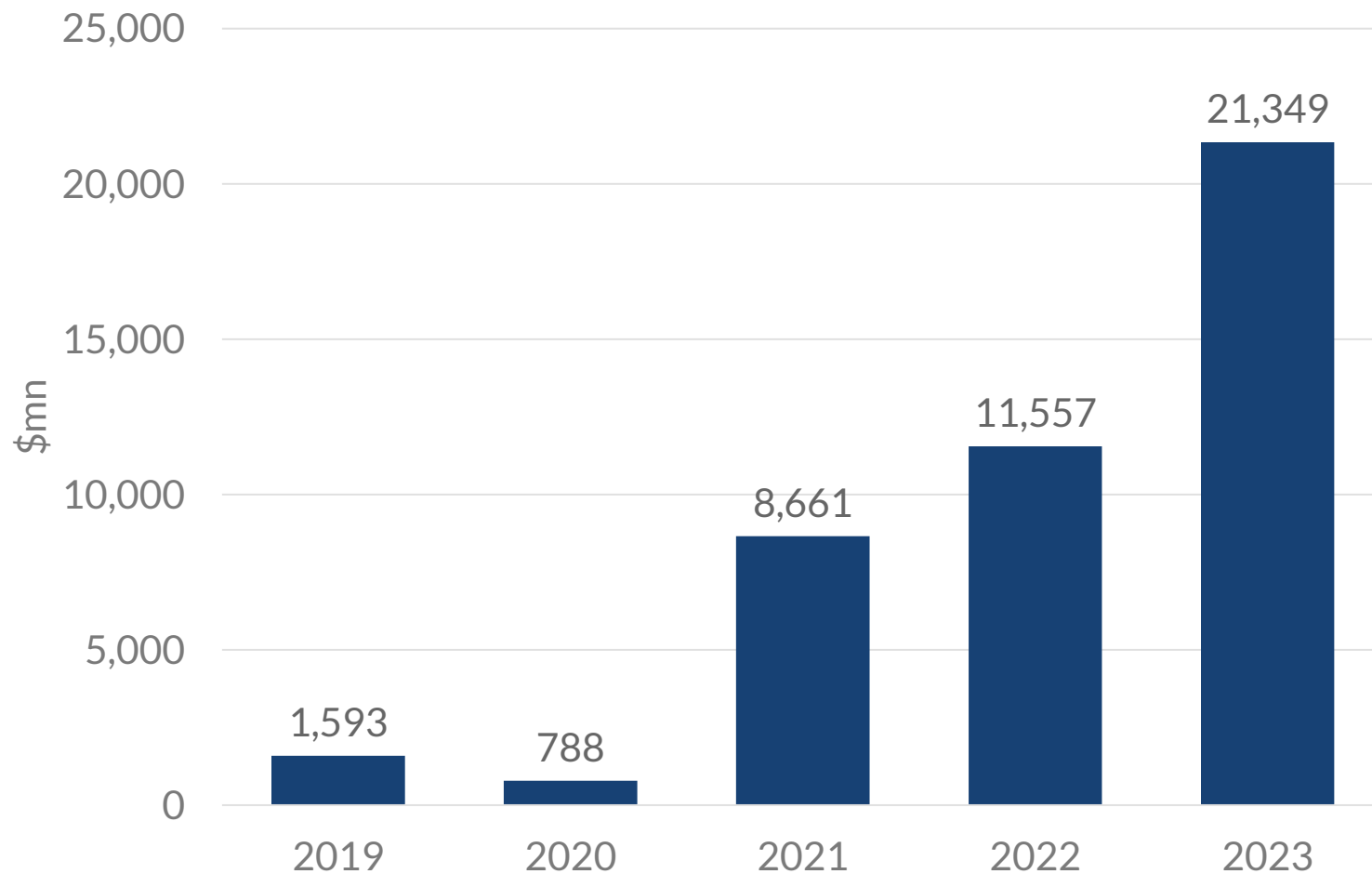
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Private Credit Siphoned Off a Record Amount of Institutional Capital

Institutional Loans Repaid With Private Credit

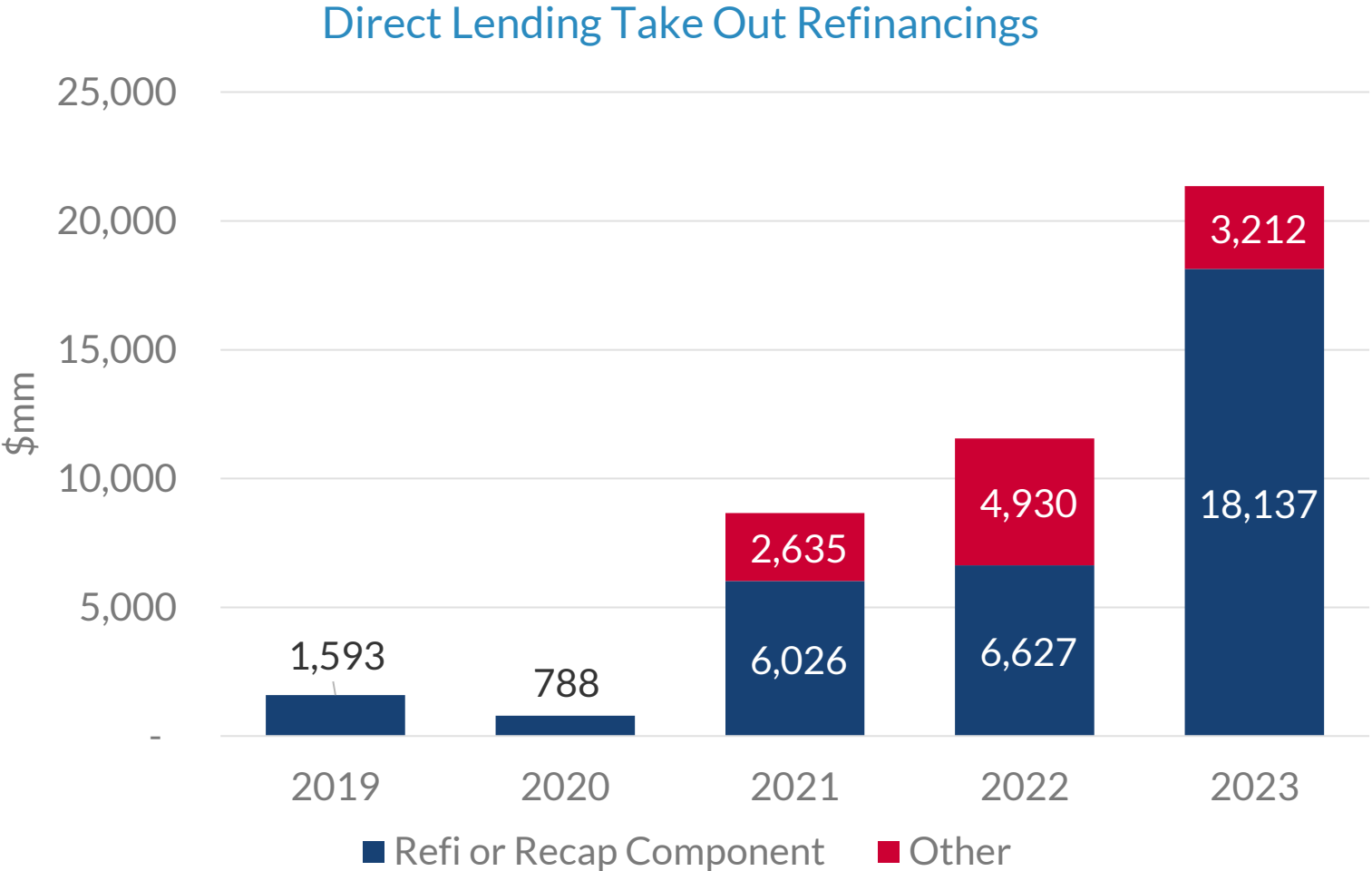


Massive financings such as Finastra and Hyland boosted the volume of Direct Lending Take Outs.

There will also be a larger number of issuers exiting the syndicated market this year (currently 24) than last year (23).

Deal volume included repayments of Petroleum Geo-Services (\$75 million) to Finastra (\$4.45 billion) indicating the trend is not confined to a single market segment.

A Majority of Institutional Loans Taken Out Were Refinanced in 2023



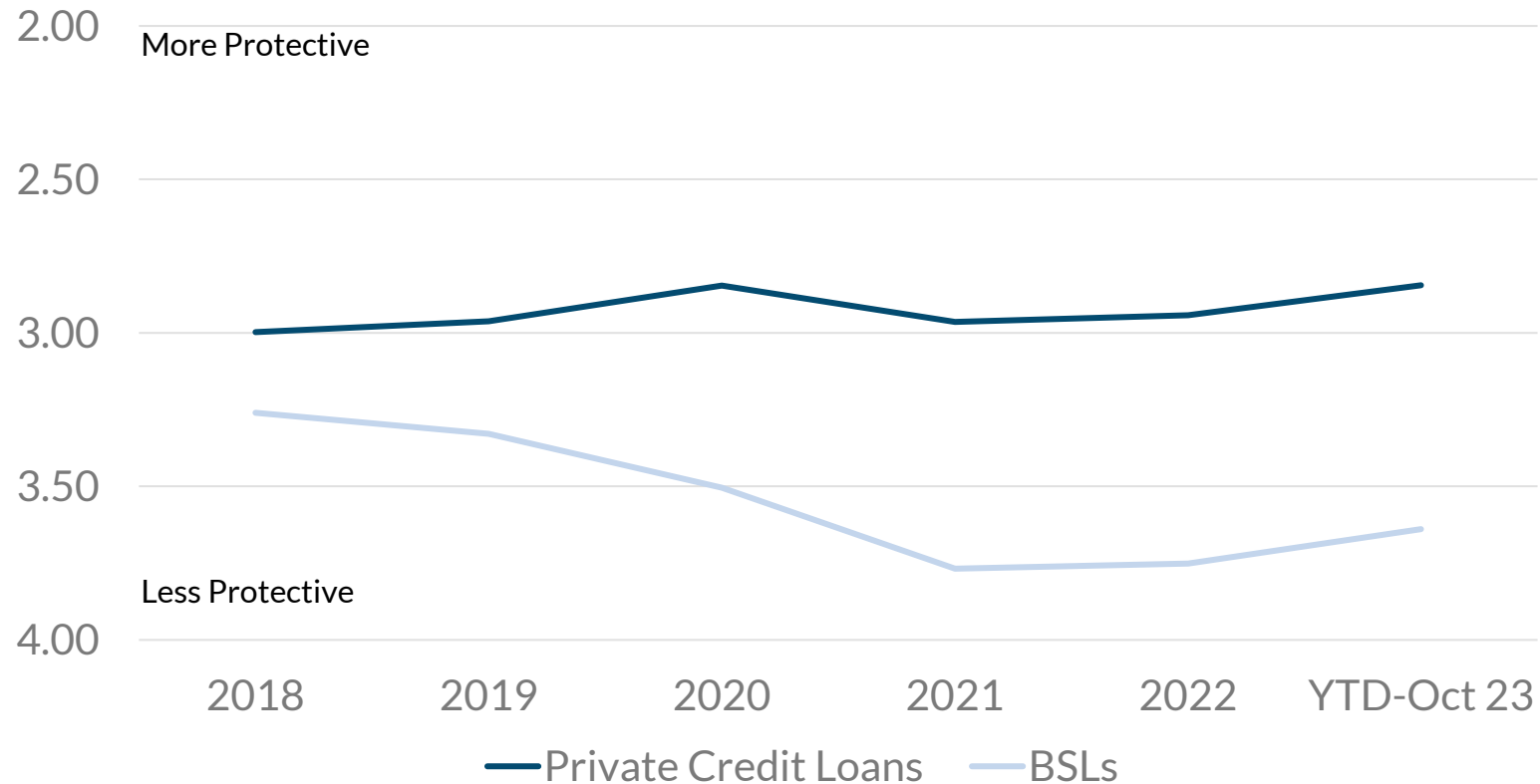
85% of the deals by volume in 2023 have a refinancing or recapitalization component.

Many repaid 2024 maturities, signaling private credit provides a convenient option for companies the syndicated market may be wary of.

2025 maturities are now coming into focus, e.g. PetVet Care Centers, Enverus and Navex Global.

Private Credit Offers More Lender Protection...

Average Documentation Score of New-Issue Private Credit vs. Broadly Syndicated First Lient Loans



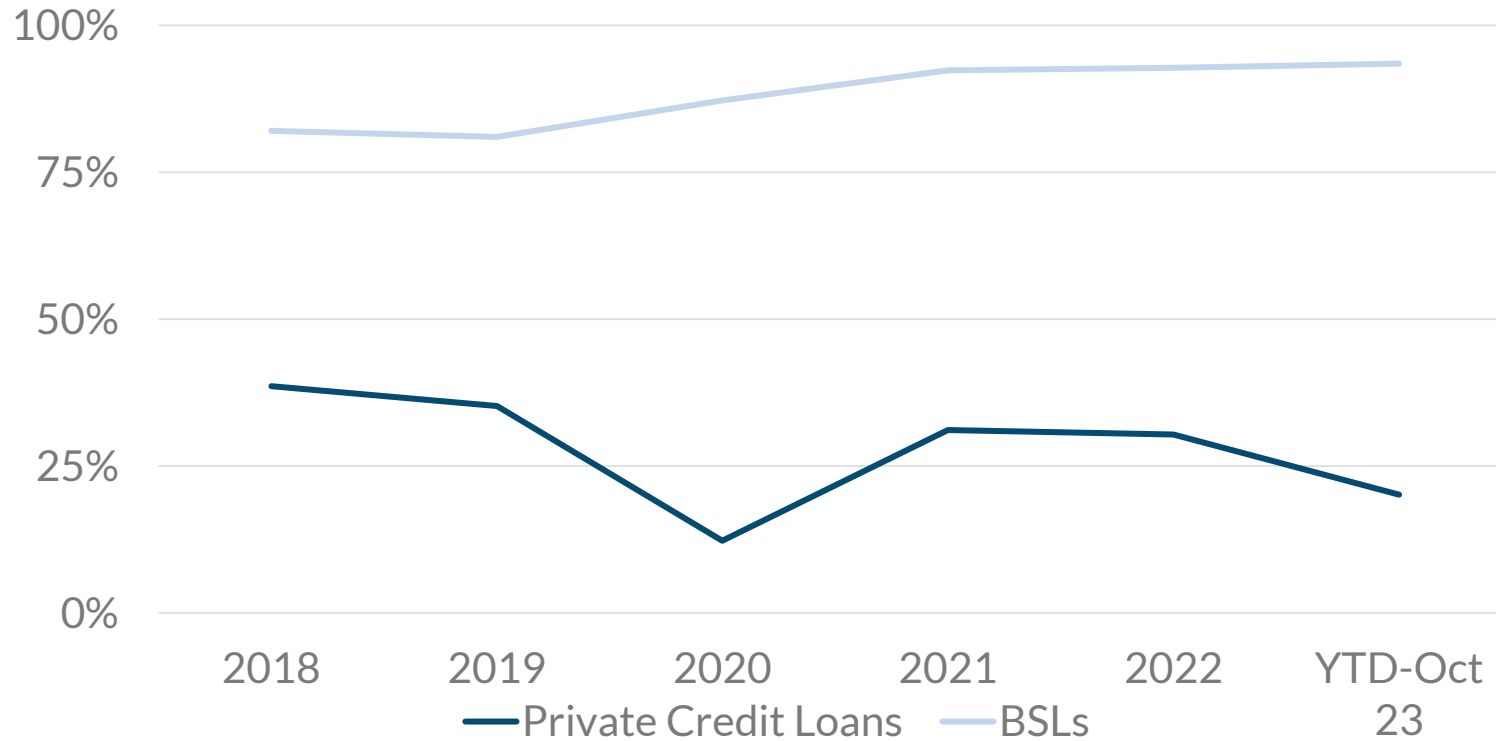
Source: Covenant Review, a Fitch Solutions Service

Broadly syndicated loans' lender protections have decreased since 2018, while private credit loans' lender protections have increased, per Covenant Review documentation scores.

Anecdotally, 2023 proved to be a very lender friendly year, with terms and documentation stronger than prior years and have remained so as pricing decreases.

...Enabled by More Covenants

Covenant-Lite Share of New-Issue Private Credit vs. Broadly Syndicated First Lien Loans



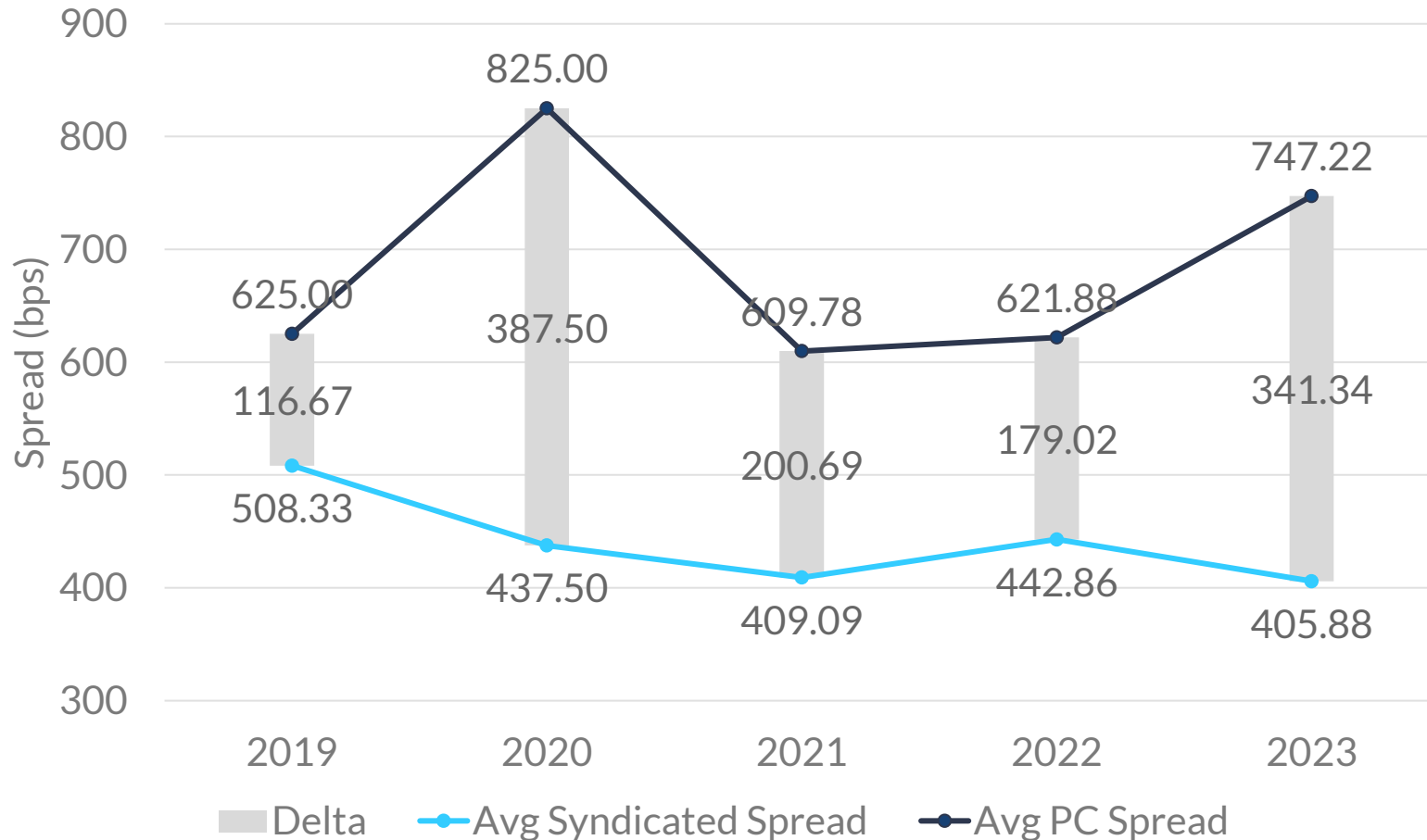
Source: Covenant Review, a Fitch Solutions Service

The share of covenant-lite broadly syndicated loans has trended up since 2018, while the share of covenant-lite private credit loans has trended downward.

Larger deals, more than \$1 billion, have a larger share of covenant-lite loans (42%) than the asset class's average (20%).

The Capital Comes at a Premium

Pricing Delta between Syndicated and PC



Since 2019, private credit capital has cost on average 231 bps more than the syndicated capital.

The perceived benefits of private credit – certainty of execution and pricing, lack of syndication risk – come at a premium.

According to sources, current market deltas are often 150 bps to 200 bps with another 2 points for OID.

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