SRS ACQUIOM

THE Q

Loan Agency Insights

SRS ACQUIOM NEWSLETTER / MARCH 25, 2025

Key trends and proprietary insights across loan agency

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What to Know about Private Credit Now

Introducing The Q, the new format for the SRS Acquiom loan agency newsletter, streamlined to deliver insights on the latest trends impacting your loans.

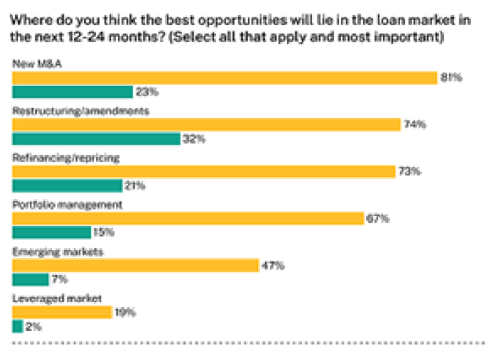
In this issue, we're examining the rise of private credit and its implications on the lending market.

- **Private credit and broadly syndicated loans:** In partnership with Debtwire, we surveyed 200 senior lending executives in the US and Europe and distilled their perspective on the dynamic between these two markets: The Contest for Capital: Private Credit versus Broadly Syndicated Loans, 2024.
- **A new era of lending:** The intensifying competition between private credit and BSLs has led to dual tracking of transactions and tighter spreads, explored in our article Peaceful Coexistence: Evolving Private Credit Market Shows Similarities to BSL Market.
- **The implications of tighter spreads:** We also offer perspective on the dynamic created by the competition between banks and direct lenders, combined with low M&A deal flow, that led to a surge in opportunistic refinancings during 2024 in both markets: Lack of Supply, Competition Leads to Tighter Spreads.

> Private lending will still have plenty of room to expand in the debt markets even as interest rates come down and broadly syndicated loans take back market share."
>
> Renee Kuhl
> MANAGING DIRECTOR, LOAN AGENCY, SRS ACQUIOM

Overcoming the Big Chill: Is the Loan Market Ready to Resurge?

How are borrowers and lenders approaching the market as interest rates have stabilized, M&A is in wait and record levels of dry powder are available? We partnered with Debtwire on an in-depth survey of 200 senior lending executives in the US and Europe to get their perspective.



- **M&A dealmaking is the biggest source of growth:** More than four-fifths of respondents (81%) see M&A as a primary opportunity for the next 24 months, with restructuring (74%) and refinancing (73%) viewed as the areas providing the most attractive opportunities for private credit and BSLs.
- **Flexibility and speed:** Private credit grew from its strengths in quick decision-making (69%) and diversification (60%). But will the constraints of tightening covenants (57% in the U.S., 60% in Western Europe) and broader administrative burdens bring private credit and BSLs into balance?
- **Secondaries and lower risk:** BSLs are tried and true for a couple of key reasons, according to respondents — secondary market liquidity (65%) and reduced risk shared across lending groups.

READ THE RESULTS

Private Credit and BSLs: Room for Both?

Two viable sources of financing. A changing debt market poised for growth. Our recent article Peaceful Coexistence: Evolving Private Credit Market Shows Similarities to BSL Market explores the dynamic between direct lending and BSLs, both of which stand ready to serve market expansion.

- **BSLs offer more liquidity.** "De-risking" a loan transaction appeals to lenders and borrowers alike, with the risk of default shared across lender groups and fluidity to buy and sell out of positions.
- **But direct lending offers more flexibility.** Without dependencies on ratings and with fewer lenders involved, closing dates can be set with greater confidence. Private lenders can also offer customized financing packages – such as a delayed draw term loan, portability, or payment-in-kind ("PIK") interest options – that are often less available in the bank market.
- **A three-tiered market ahead?** As widespread direct lending secures its foothold, market participants see it as a three-tiered market: lower middle market, core middle market and upper middle market, in which each lending option has its advantages.

> The resuscitation of the broadly syndicated loan market this year showed that the ebb and flow of activity among banks and non-bank lenders in the loan market will likely be a recurring theme."
>
> Renee Kuhl
> MANAGING DIRECTOR, LOAN AGENCY, SRS ACQUIOM

DOWNLOAD THE DETAILS

Spreading Out in 2025

What sparked the repricing frenzy, and what's ahead for deal terms in 2025? Competition and increased investor appetite for risk drove loan spreads tighter through repricing activity in 2024. Our article Lack of Supply, Competition Leads to Tighter Spreads sheds light on this dynamic and its impact on direct lending and BSLs.

- **Rate reductions impact direct lending and BSLs alike:** Well established borrowers with higher ratings within the BSL market were better positioned to garner tighter spreads. Yet direct lenders also felt the pinch thanks to increased competition from bank lenders.
- **Where BSLs have the advantage:** Call protection puts institutional loans at an advantage to the direct lending market – but will it last? While it benefits the borrower, it is expensive to engage in multiple repricings on a single loan.
- **Europe is not immune:** Refinancings doubled from 2023 to 2024 to €35.5 billion through Q3 2024, indicating the same variables are at play as in the U.S.

> There is no question that borrowers in the U.S. and Europe are benefiting from an overall tightening in spreads."
>
> Keith Miller
> EXECUTIVE DIRECTOR, LOAN AGENCY, SRS ACQUIOM

GET THE FULL SPREAD

Go Further

While trends appear promising, learn more about how a Deflated Default Rate May Not tell the Whole Story.

Have you thought about The Importance of Loan Portability? Find out what you need to know when negotiating increasingly popular portability clauses.

TRANSACTIONS OF NOTE

CareMax	Enviva	Procera
Debtor-In-Possession Facility	Exit Facility	Superpriority Credit Facility
Administrative & Collateral Agent	Administrative & Collateral Agent	Administrative & Collateral Agent

SRS ACQUIOM ELEVATE YOUR GAIN

True to our heritage of bringing simplicity, efficiency and expertise to complex financial transactions, the SRS Acquiom Loan Agency Team brings decades of combined experience in providing unbiased, independent, third-party loan agency services for thousands of complex credit agreements.

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