



2024

**PRIVATE CREDIT TRENDS**

# About the American Investment Council

**The AIC is an advocacy and resource organization established to develop and provide information about the private investment industry and its contributions to the long-term growth of the US economy and retirement security of American workers.**

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# Executive Summary

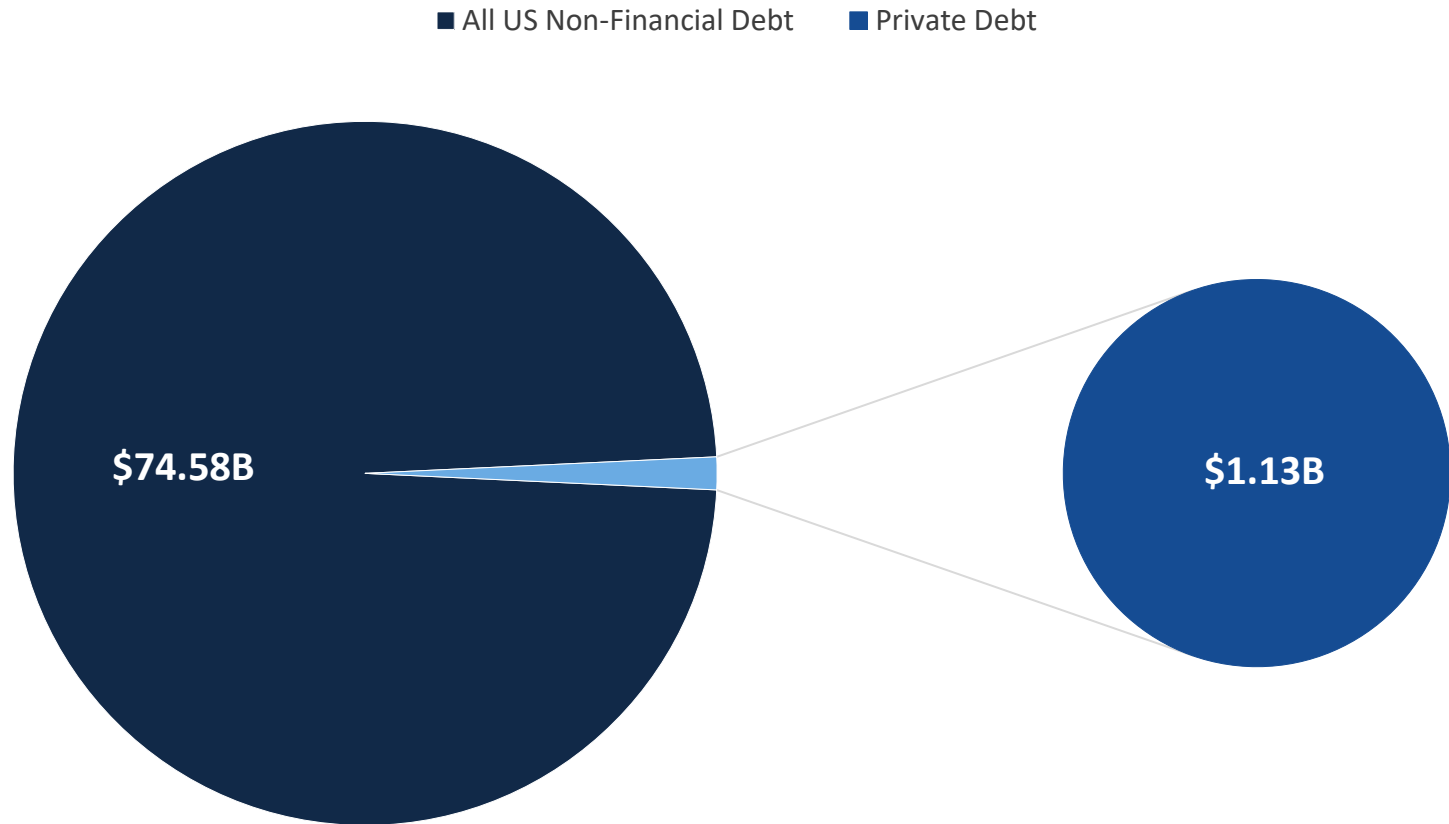
## *In the first quarter of 2024:*

- Private debt funds raised \$18 billion from investors with an average fund size of \$1.3 billion.
- Private debt funds issued at least 133 loans to companies in the United States.
- The median loan size for these financings was \$70 million.
- Direct lending continues to be the largest private debt strategy with \$241 billion in assets under management at the end of 2023.
- The largest deal of the first quarter was MB2 Dental, which received a \$2.34B term loan to fund future acquisitions.
- Consumer discretionary companies received the most capital from private debt funds.
- Private debt funds have posted strong returns over long- and short-term time horizons. In fact, the returns on these investments have far exceeded those of high yield bonds, leveraged loans, and other fixed income instruments.
- US CLO Activity was \$9.8 billion in April 2024, down from \$15.5 billion in March 2024.

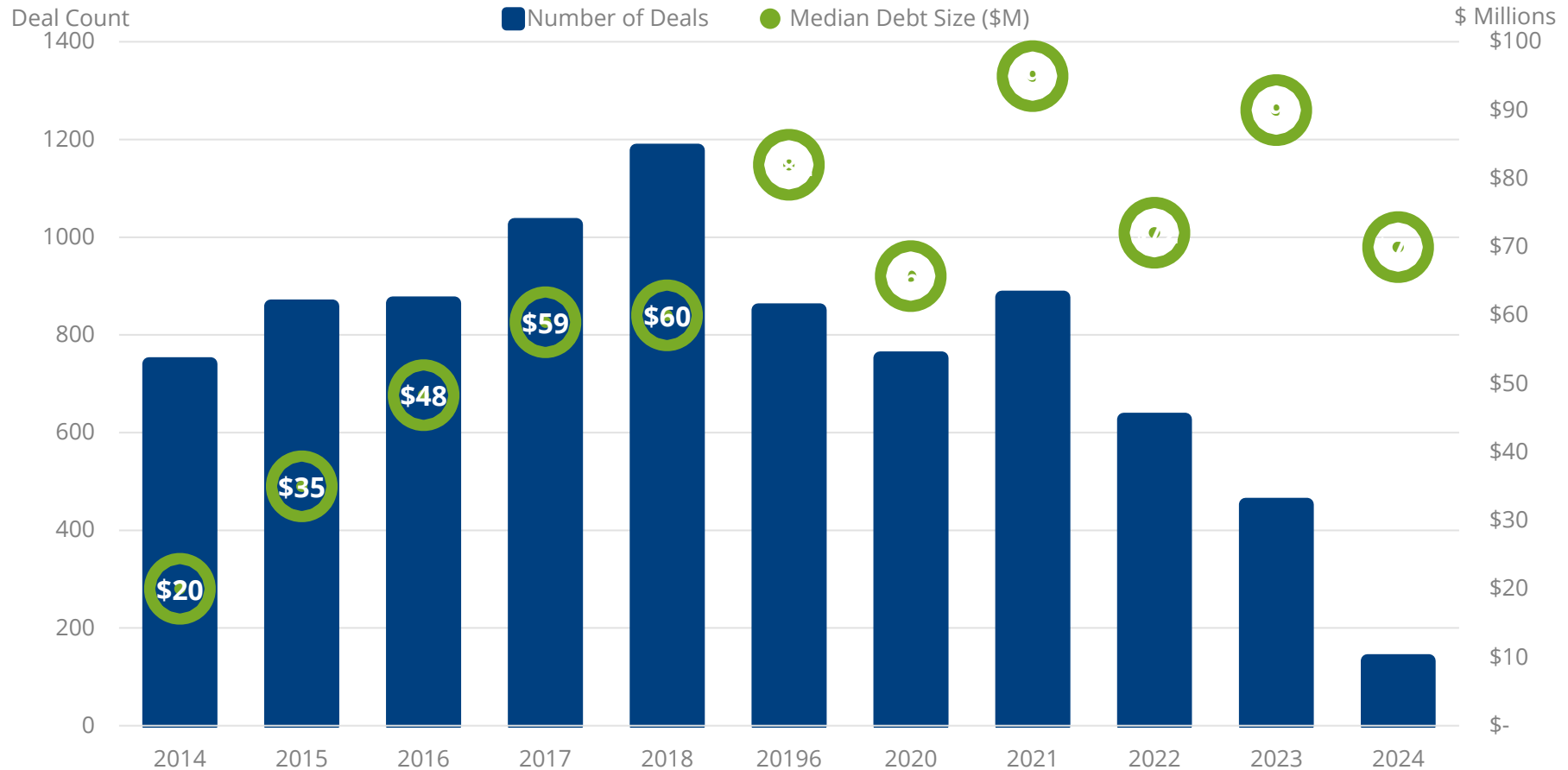
# Table of Contents

|                    | Page      |
|--------------------|-----------|
| Size of the Market | <u>5</u>  |
| Deal Volume        | <u>6</u>  |
| Largest Deals      | <u>7</u>  |
| Performance        | <u>8</u>  |
| Deal Types         | <u>11</u> |
| AUM                | <u>17</u> |
| CLOs               | <u>20</u> |
| Defaults           | <u>23</u> |
| BDCs               | <u>25</u> |
| Glossary           | <u>27</u> |

# Private Credit makes up 1.5% of the Debt Market



# Estimated Median Debt Size was \$70 million Across 133 Deals in Q1 of 2024



# 10 Largest Private Credit Transactions

| Rank | Company name           | Date     | Deal Size (\$B) | Primary Industry      | Debt Provider(s)  |
|------|------------------------|----------|-----------------|-----------------------|---|
| 1    | MB2 Dental             | Feb 2024 | \$2.34          | Healthcare            | KKR   |
| 2    | Aptean, Inc.           | Jan 2024 | \$2.11          | Software              | Golub Capital   |
| 3    | Equinox, Inc           | Mar 2024 | \$1.80          | Travel & Leisure      | Ares Management, Sixth Street, J.P. Morgan, Goldman Sachs, Morgan Stanley |
| 4    | Oral Surgery Partners  | Jan 2024 | \$0.40          | Healthcare Specialist | Neuberger Berman, Aquarian Holdings                                       |
| 5    | Artivion               | Jan 2024 | \$0.35          | Medical Devices       | Ares Management   |
| 6    | Nassau Financial Group | Feb 2024 | \$0.25          | Insurance             | RBC Capital Markets   |
| 7    | Xeris Pharmaceuticals  | Mar 2024 | \$0.20          | Pharmaceuticals       | Hayfin Capital Management   |
| 8    | LendingTree            | Mar 2024 | \$0.13          | Financial Services    | Apollo Global Management  |
| 9    | Altus Power            | Jan 2024 | \$0.10          | Financial Services    | CPP Investment Board, Goldman Sachs Asset Management                      |
| 10   | DecisionsRx            | Jan 2024 | \$0.10          | Healthcare IT         | Carlyle Group   |

# Private Debt Performance – Benchmarks

| <b>Private Debt Benchmark Returns (Horizon IRR)</b> | <b>1-Year</b> | <b>3-Year</b> | <b>5-Year</b> | <b>10-Year</b> |
|---|---------------|---------------|---------------|----------------|
| Cobalt Private Debt Benchmark                       | 19.3%         | 20.2%         | 13.3%         | 11.4%          |
| Pitchbook Private Debt Index                        | 8.2%          | 9.7%          | 7.8%          | 8.0%           |
| Pitchbook Direct Lending Index                      | 7.1%          | 6.6%          | 5.9%          | 6.3%           |
| Pitchbook Mezzanine & Bridge Index                  | 22.8%         | 13.4%         | 10.1%         | 10.9%          |
| Pitchbook Real Assets Debt                          | 6.3%          | 7.4%          | 7.8%          | 7.6%           |
| Pitchbook Distressed & CSS Debt                     | 4.7%          | 11.4%         | 8.2%          | 7.9%           |
| Preqin Private Debt Index                           | 8.7%          | 12.3%         | 7.5%          | N/A            |
| Preqin Direct Lending Index                         | 11.2%         | 10.5%         | 7.5%          | N/A            |
| Preqin Distressed Debt Index                        | 8.6%          | 12.8%         | 6.1%          | N/A            |
| Preqin Mezzanine Debt                               | 6.3%          | 8.2%          | 6.7%          | N/A            |

| <b>Public Market Returns</b> | <b>1-Year</b> | <b>3-Year</b> | <b>5-Year</b> | <b>10-Year</b> |
|------------------------------|---------------|---------------|---------------|----------------|
| HY Bond Index                | 10.3%         | -1.8%         | 1.7%          | 4.2%           |
| Bloomberg Global Aggregate   | 0.64%         | -4.9%         | -1.8%         | 1.1%           |
| LSTA Leveraged Loan Index    | 4.9%          | -0.9%         | -0.3%         | -0.12%         |

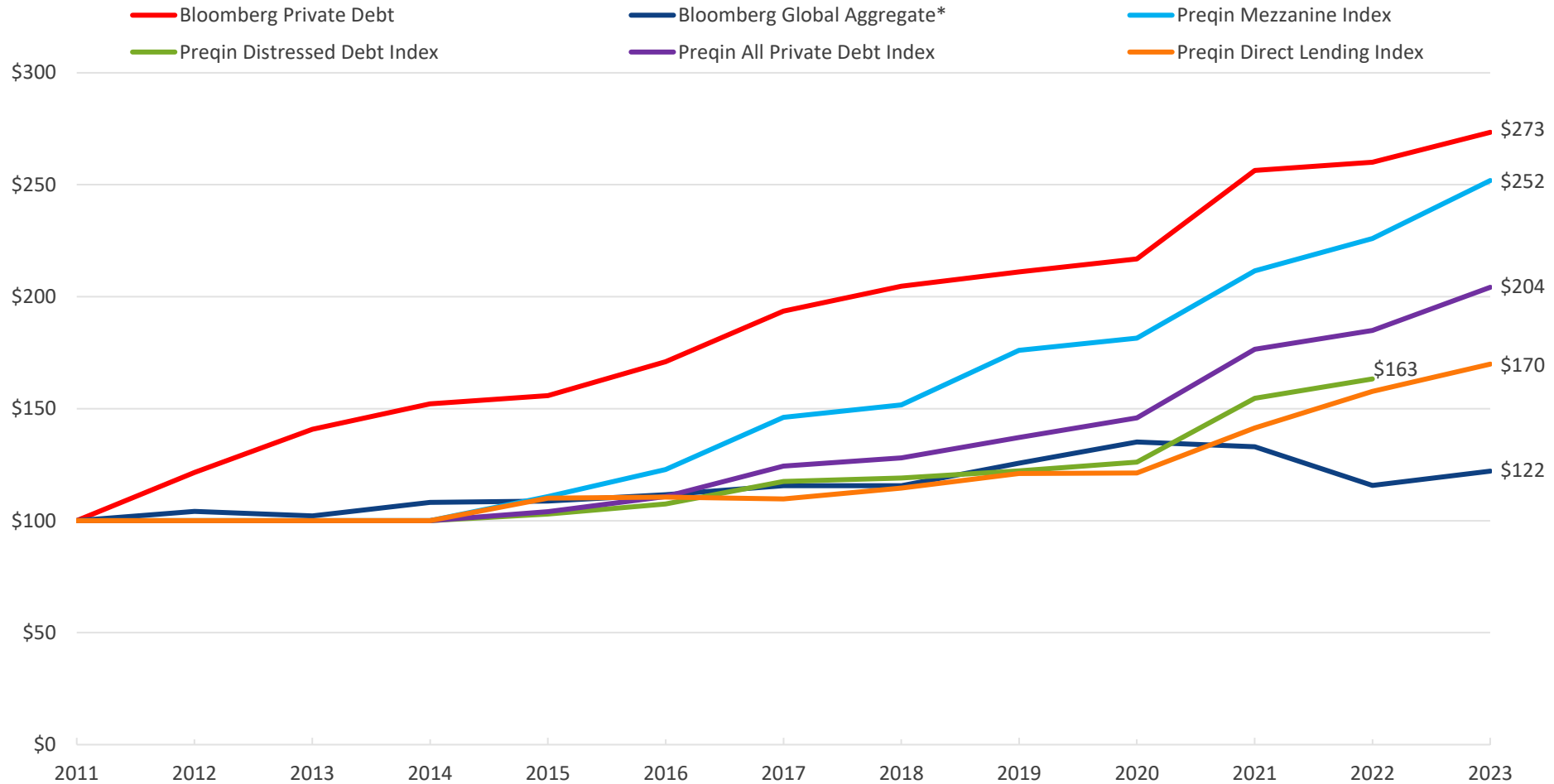
  

| <b>Analysis</b>                                   | <b>1-Year</b> | <b>3-Year</b> | <b>5-Year</b> | <b>10-Year</b> |
|---|---------------|---------------|---------------|----------------|
| Median Private Debt Benchmark Return <sup>1</sup> | 8.7%          | 12.3%         | 7.8%          | 9.7%           |

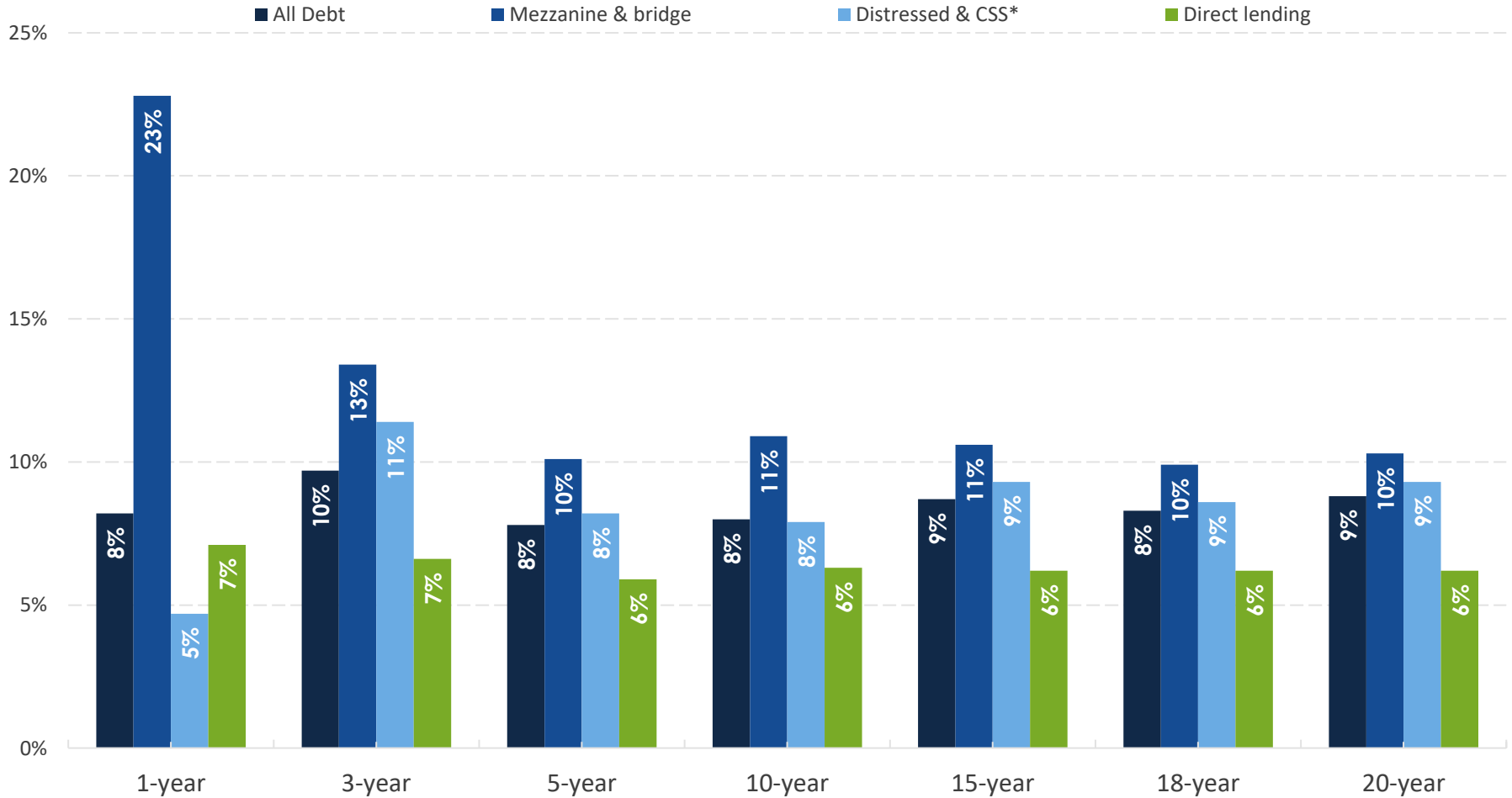
Performance figures are from September 2023



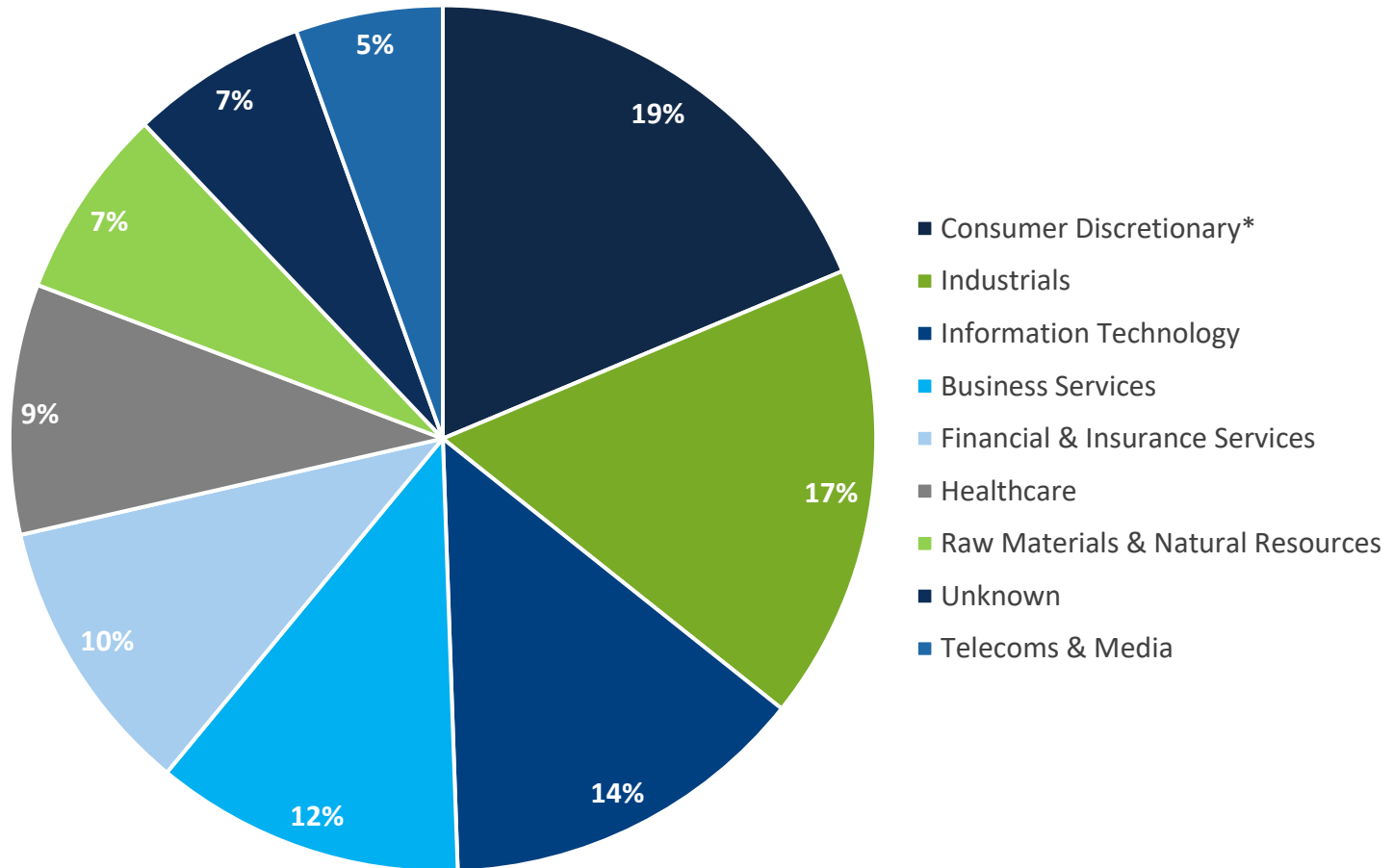
# \$100 Dollars Invested in Private Debt markets



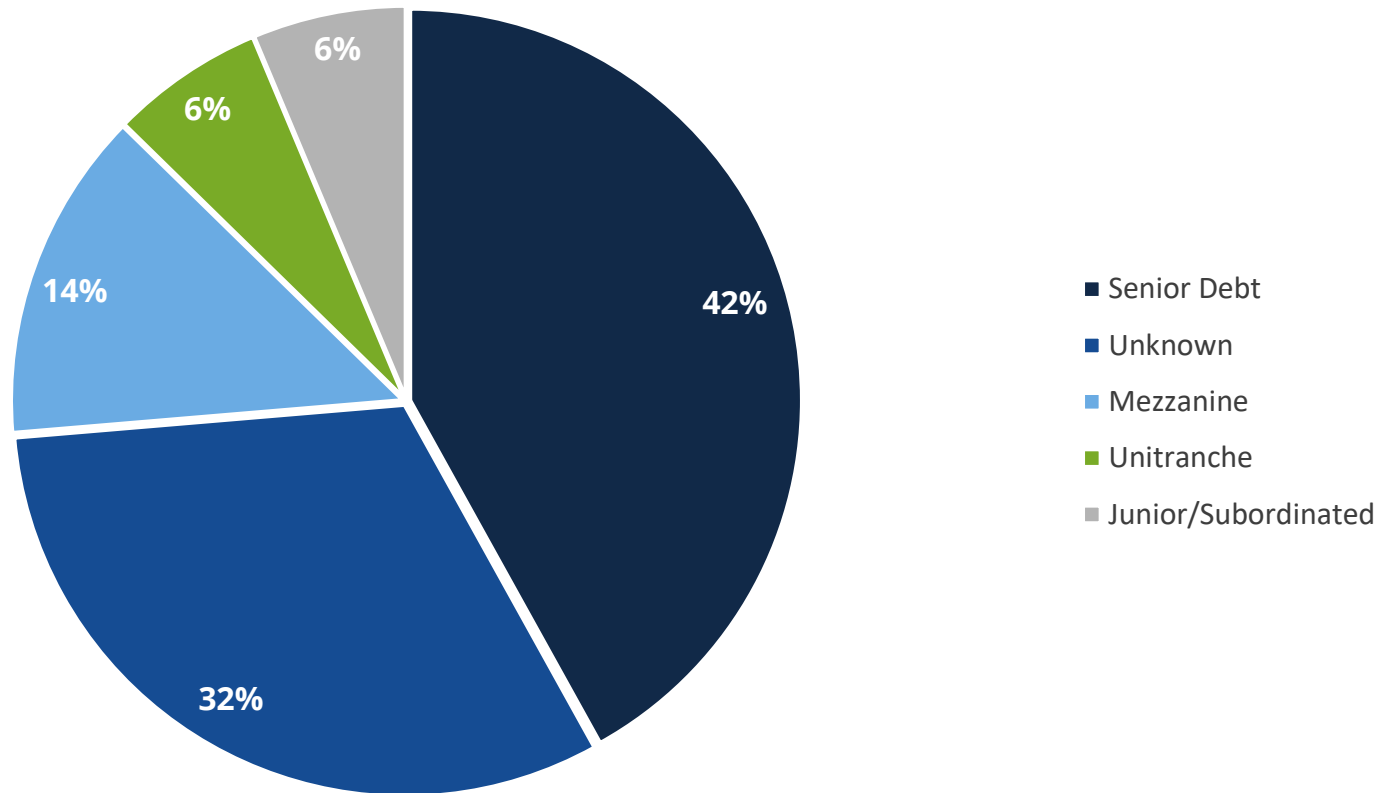
# Mezzanine Outperformed All Other Private Debt Strategies Over the Long Term



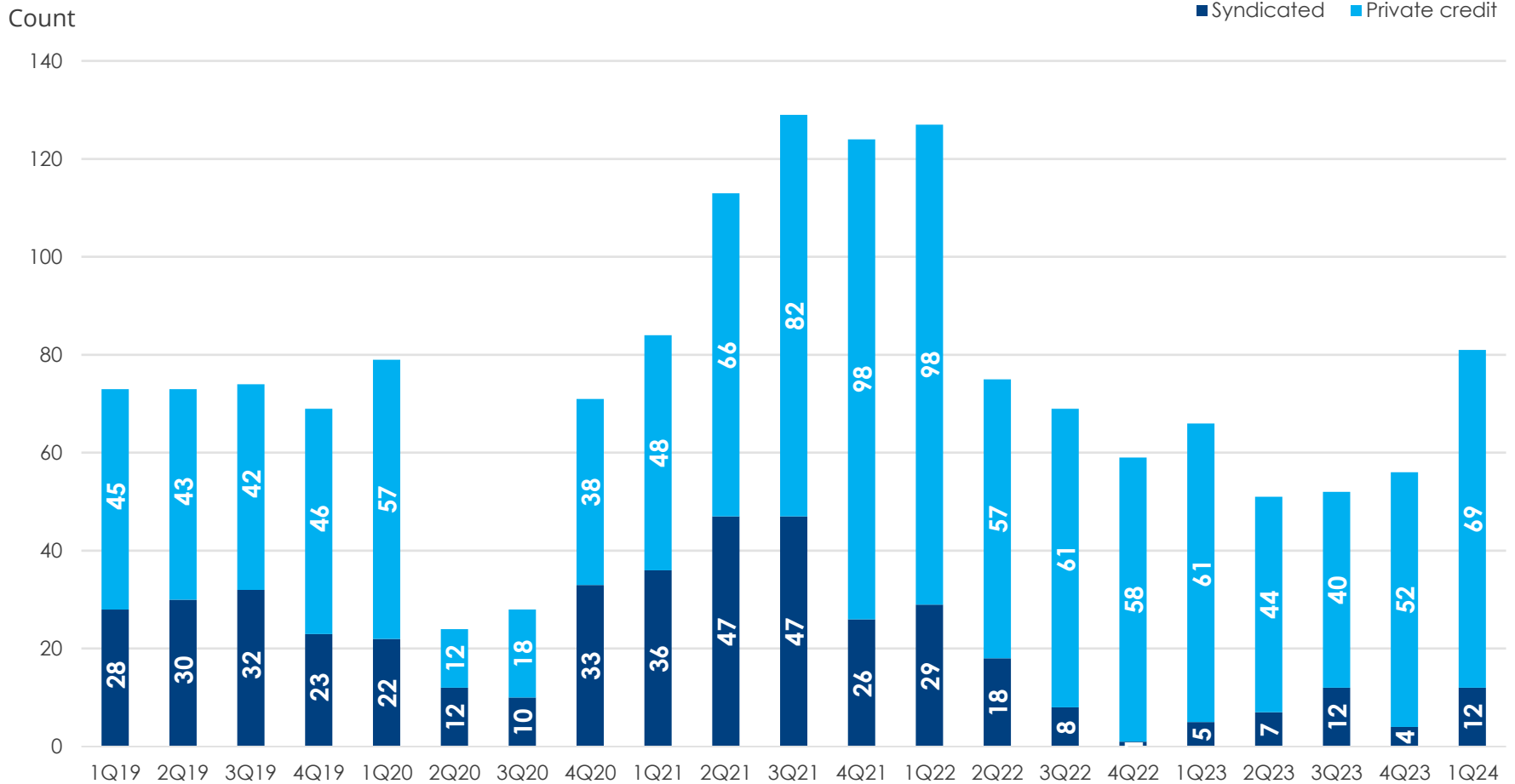
# Private Debt Deals by Sector in 2024 Q1



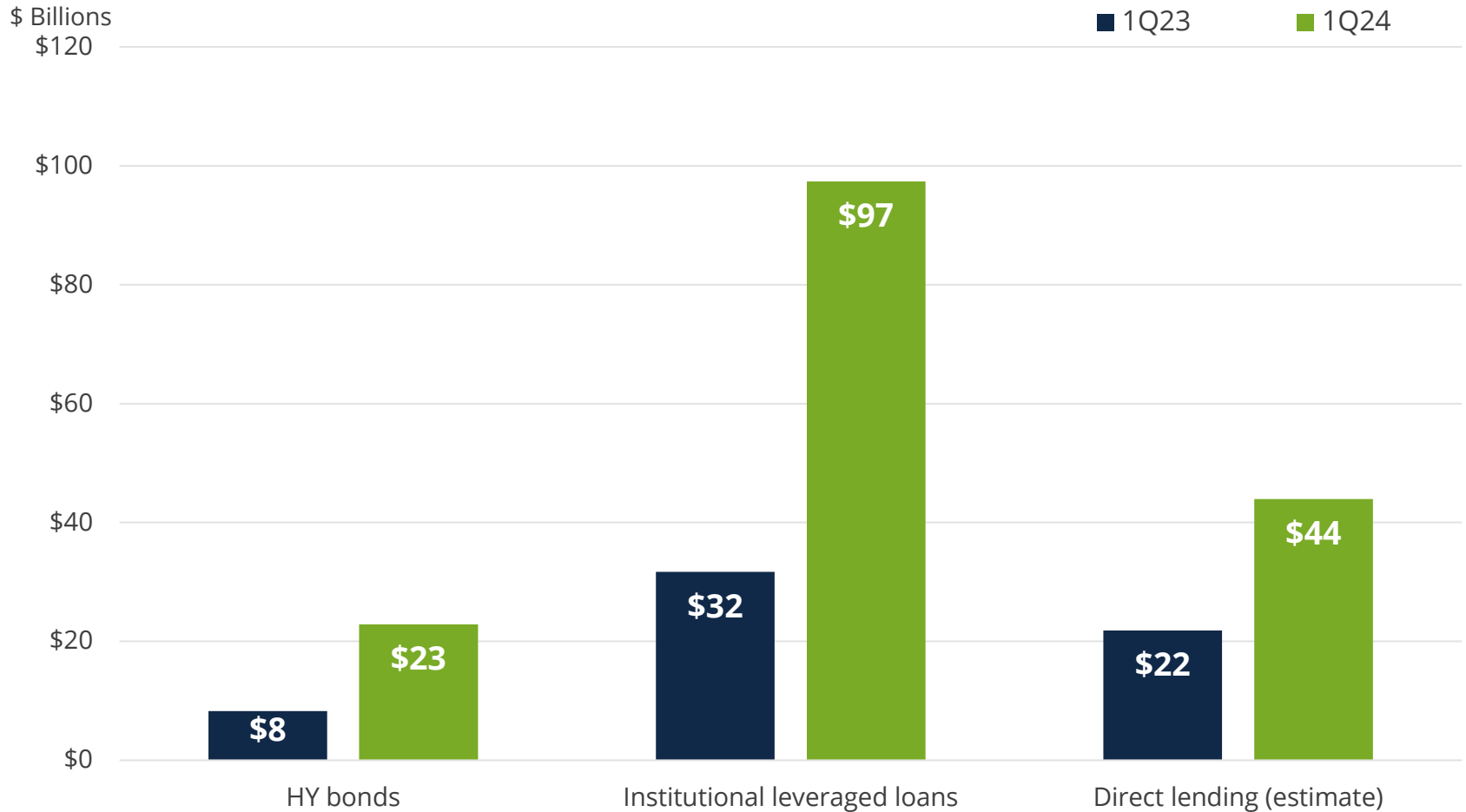
# Senior Debt Made Up 42% of Private Debt Deals Over the Last 10 Years



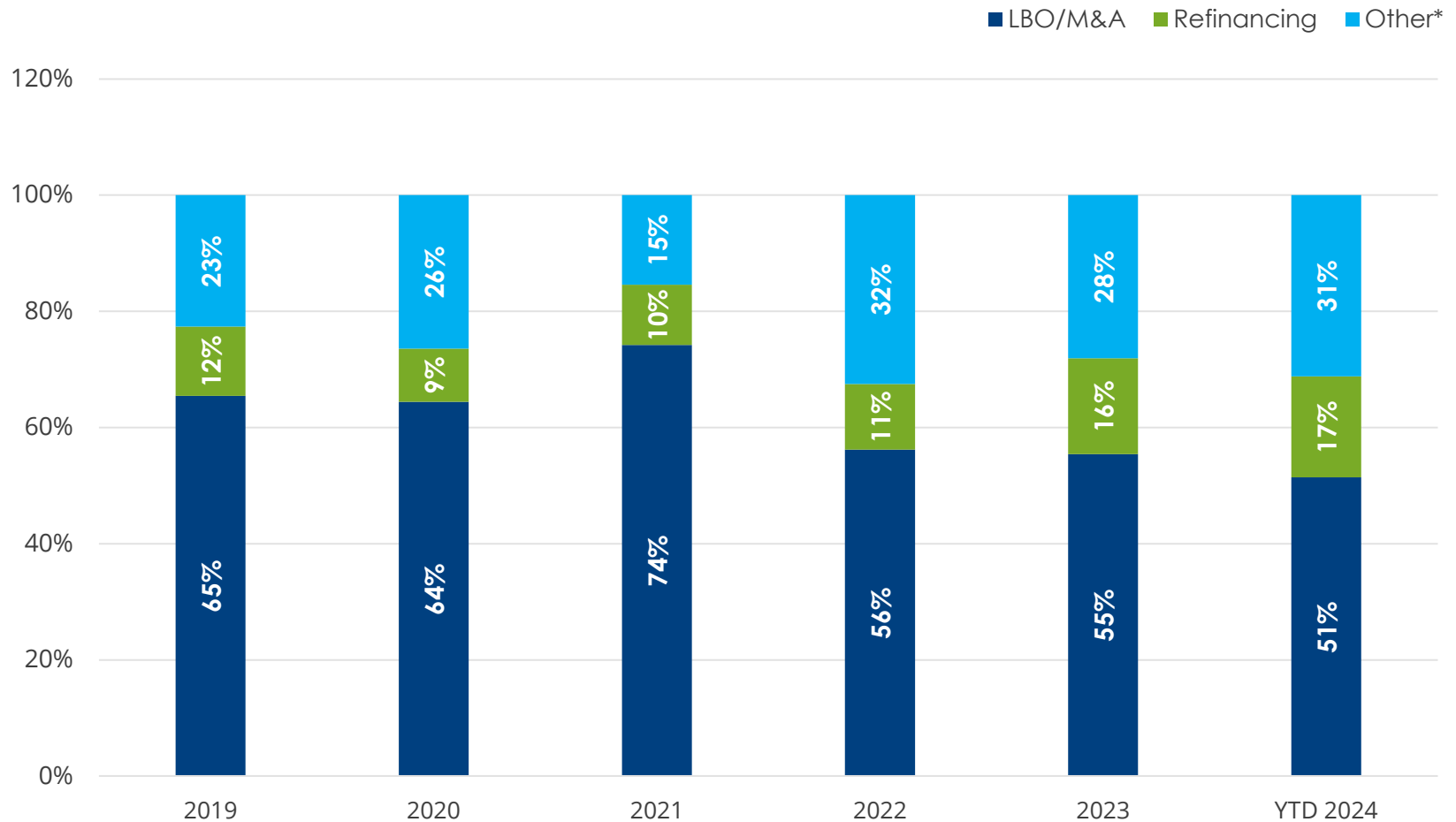
# Number of Buyouts Financed by Private Credit Increased 33% from Q3 to Q4 2023



# New Issue Loan Volume for PE Backed Borrowers



# Private Credit Deal Share by Use of Proceeds for Buyouts/M&A Decreased to 51% in 2024

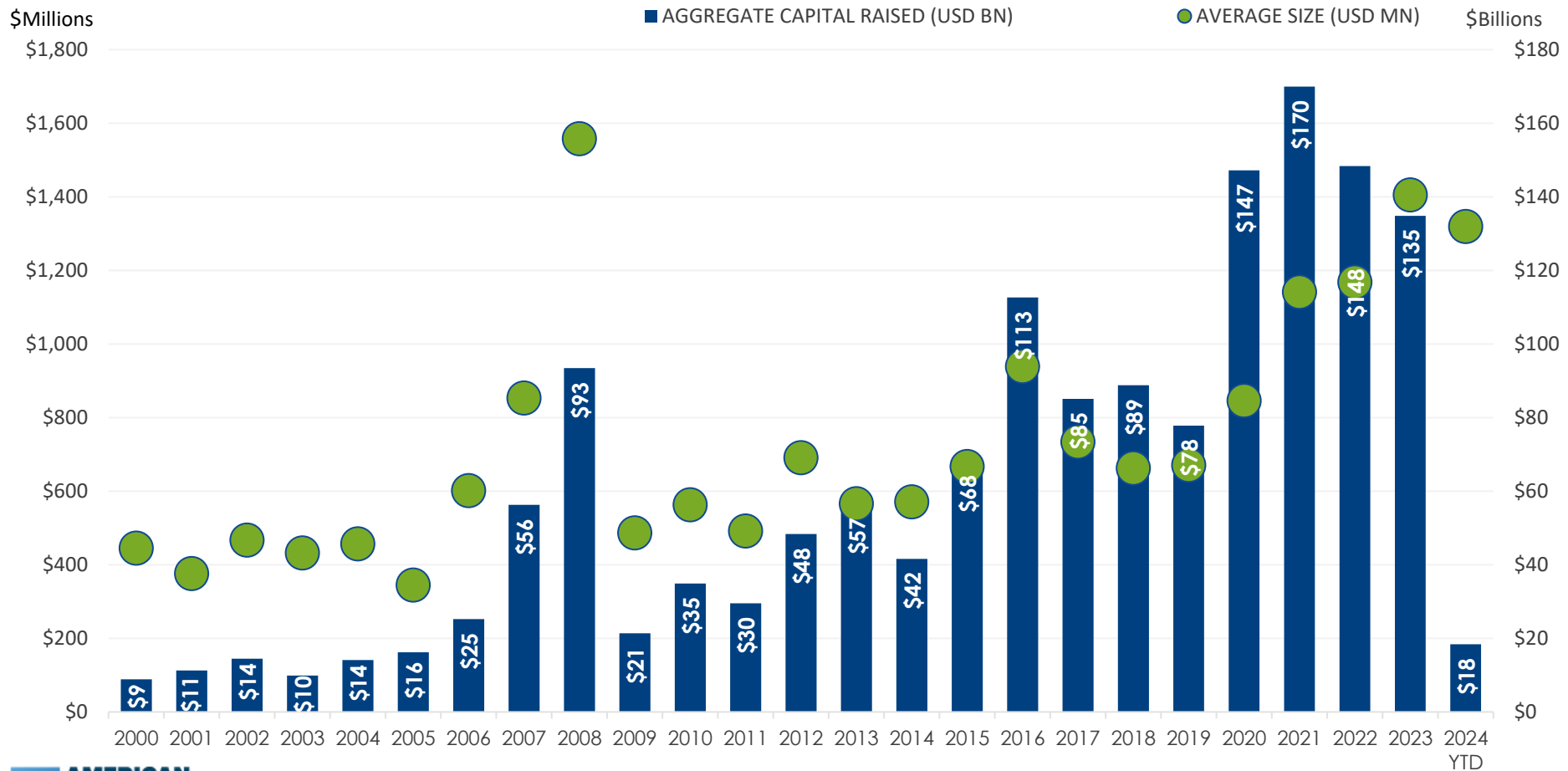


# Direct Lending Deals Refinancing Broadly Syndicated Term Loans

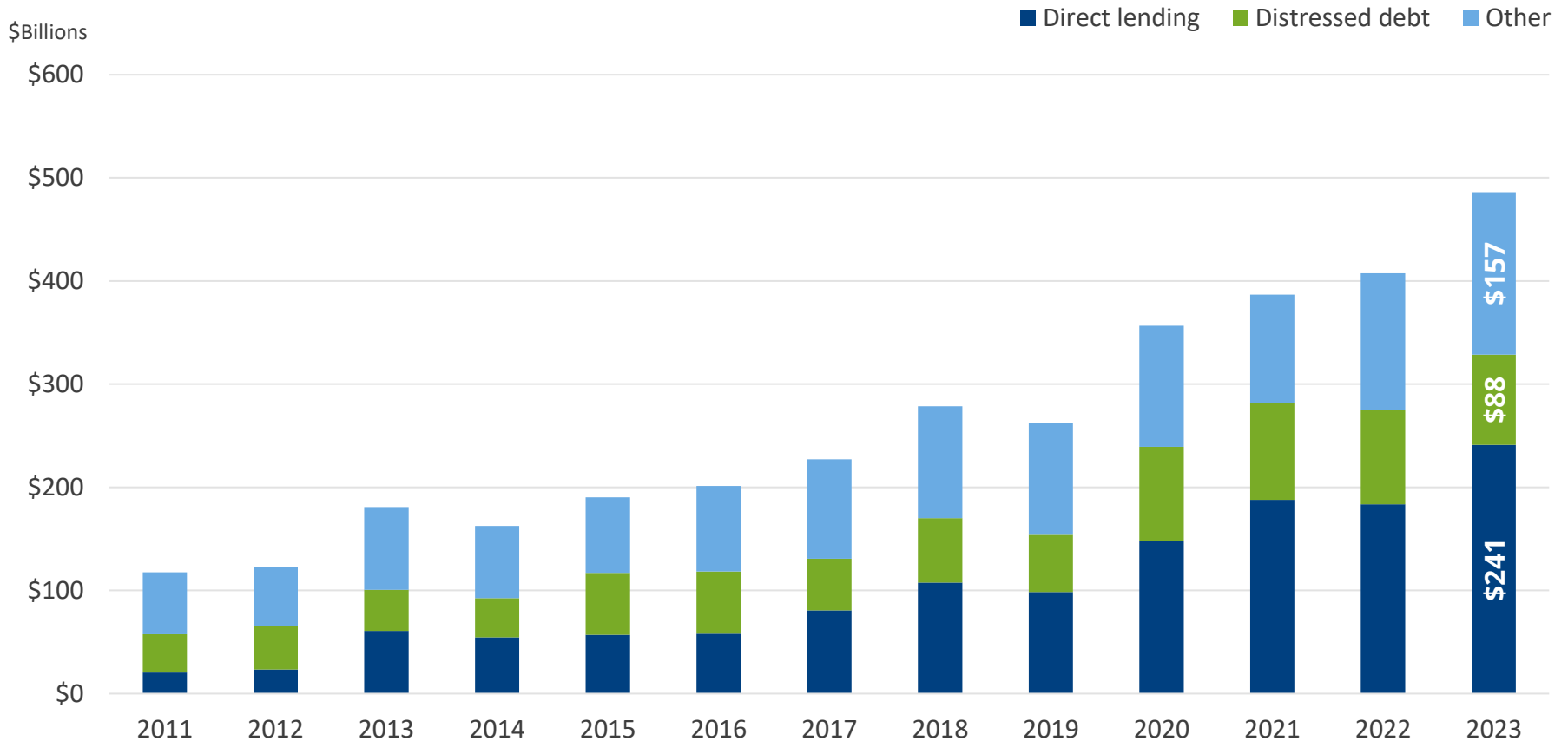
| Rank | Company name                    | Date     | Debt amount (\$M) | Current sponsor   | Last BSL deal date | Lender(s)  |
|------|---------------------------------|----------|-------------------|---|--------------------|--|
| 1    | Aptean                          | Dec 2023 | 2,100             | TA Associates, Insight Partners, Charlesbank Capital Partners | Feb 2023           | Golub Capital  |
| 2    | Equinox Fitness                 | Mar 2024 | 1,800             | Not Sponsored   | Jun 2020           | Sixth Street, Silver Lake, Ares Management, HPS Investment Partners, L Catterton |
| 3    | Monotype Imaging                | Mar 2024 | 1,450             | HGGC, Audax Private Equity, Thrivent                          | Nov 2021           | Blue Owl, Antares, and Oaktree   |
| 4    | Consolidated Precision Products | Dec 2023 | 1,400             | Warburg Pincus, Berkshire Partners                            | Jul 2019           | HPS Investment Partners, Oaktree Capital Management, KKR & Co., Ares Management  |
| 5    | BeyondTrust Software            | Dec 2023 | 1000+             | Francisco Partners  | Sep 2018           | Blackstone   |
| 6    | Electro Rent                    | Dec 2023 | 815               | Platinum Equity   | Dec 2022           | Oaktree Capital  |
| 7    | Premise Health                  | Mar 2024 | 722               | OMERS Capital   | May 2022           | Ares, Blue Owl, Golub Capital, Antares   |
| 8    | ABC Financial Services          | Mar 2024 | 600               | Thoma Bravo   | May 2019           | Antares Capital, PSP, GSAM, Cliffwater*  |
| 9    | Synamedia                       | Dec 2023 | 460               | Permira   | Oct 2018           | Adams Street Private Credit, NorthWall Capital, PNC Banks, and others            |
| 10   | Young Innovations               | Dec 2023 | N/A               | TJC   | Jun 2018           | Churchill Asset Management   |



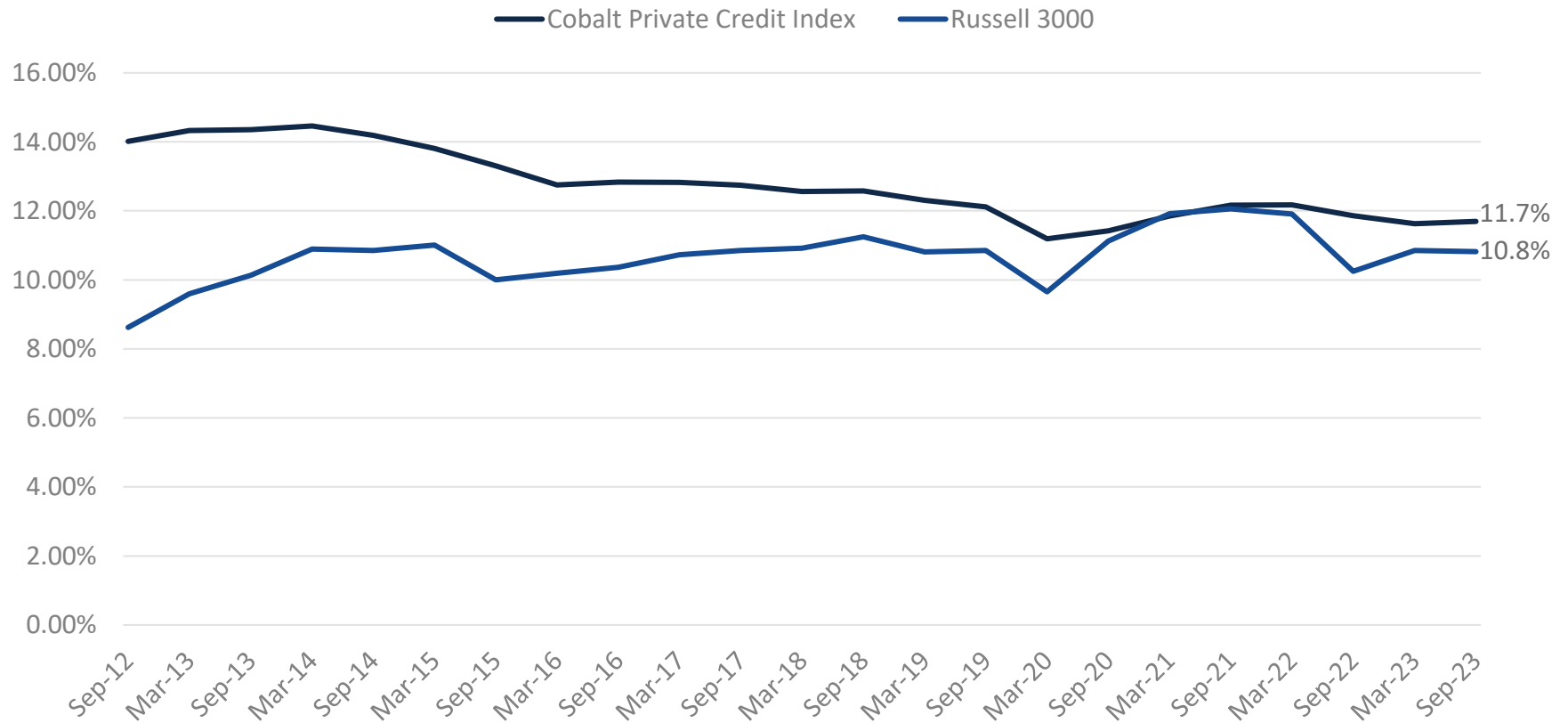
# Private Debt Historical Fundraising was \$18 Billion and the Average Fund Size was \$1.3 Billion YTD 2024



# Global Direct Lending AUM Remained the fastest growing private debt strategy at \$241 billion



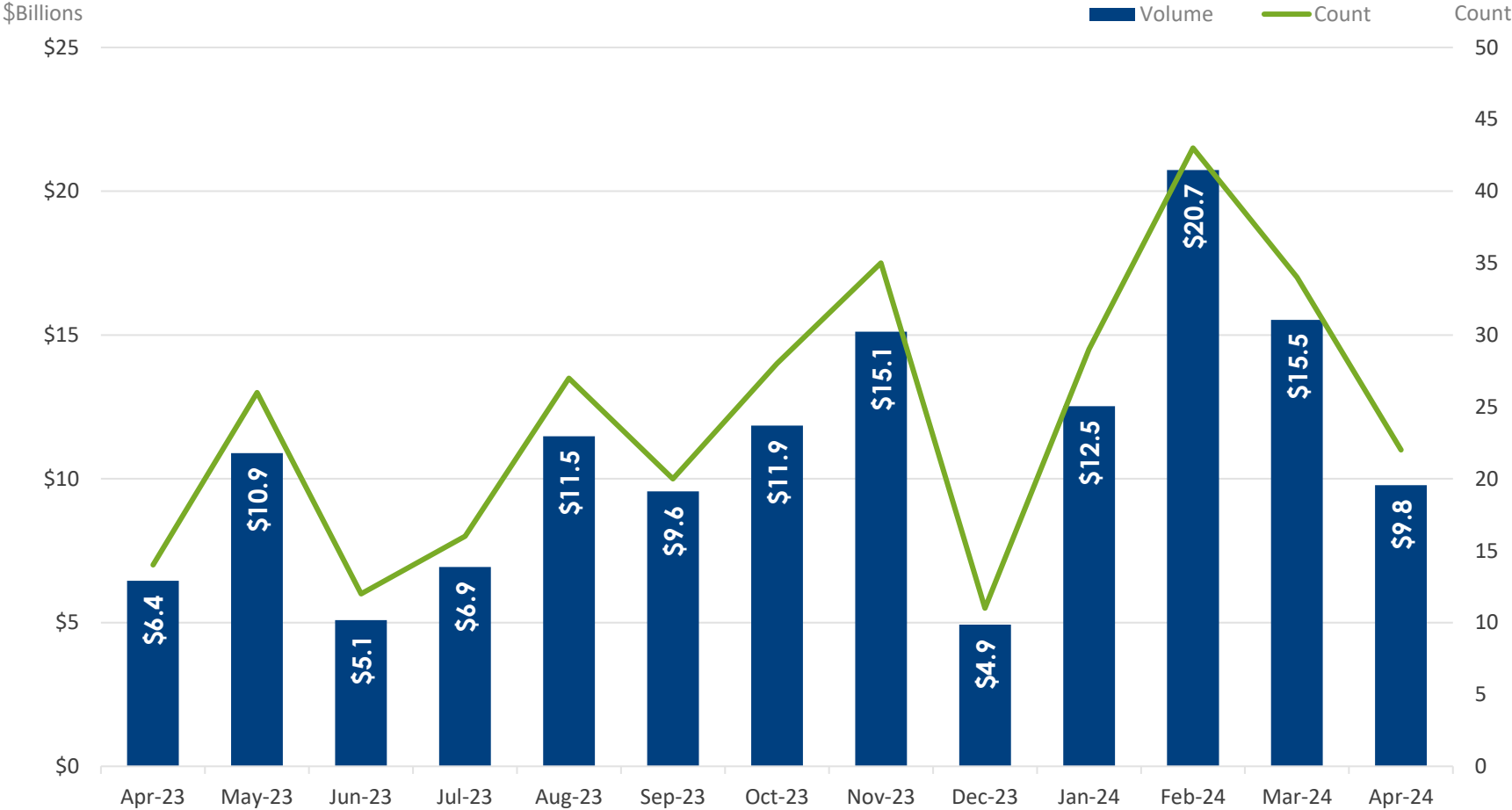
# Cobalt Private Credit Index Since Inception IRR vs. Russell 3000



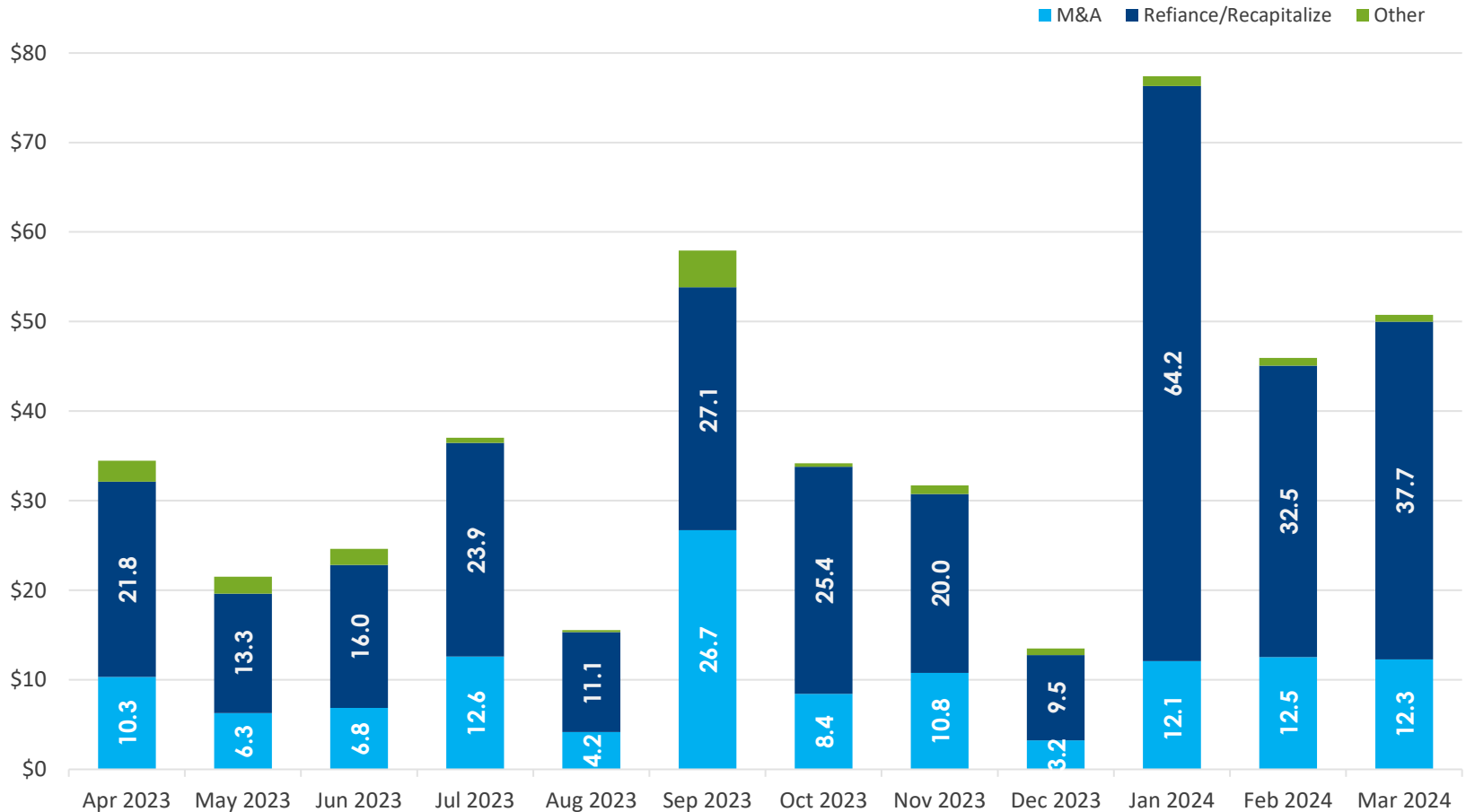
# Collateralized Loan Obligations

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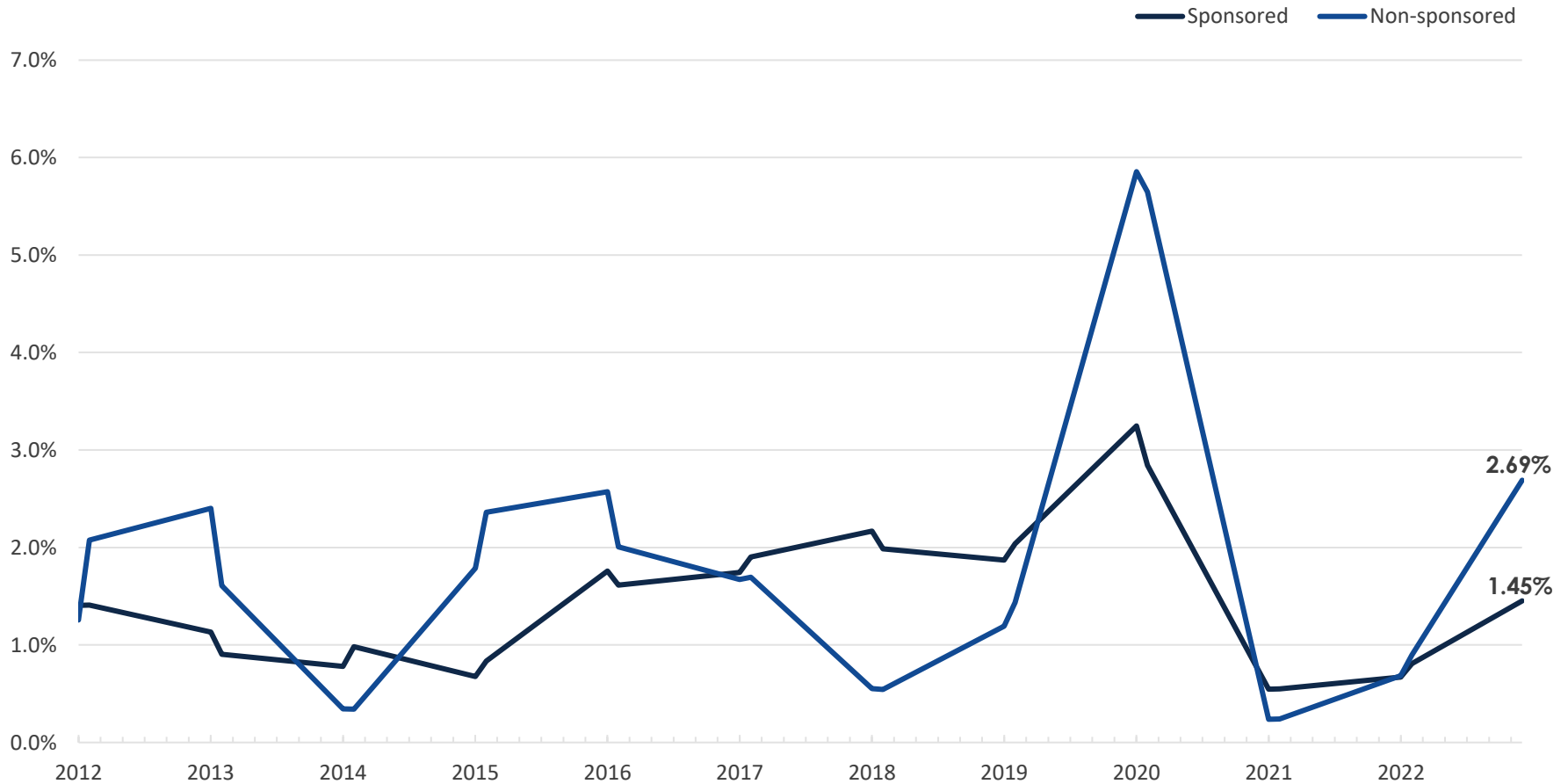
# US CLO Activity was \$9.8 billion in Apr 2024



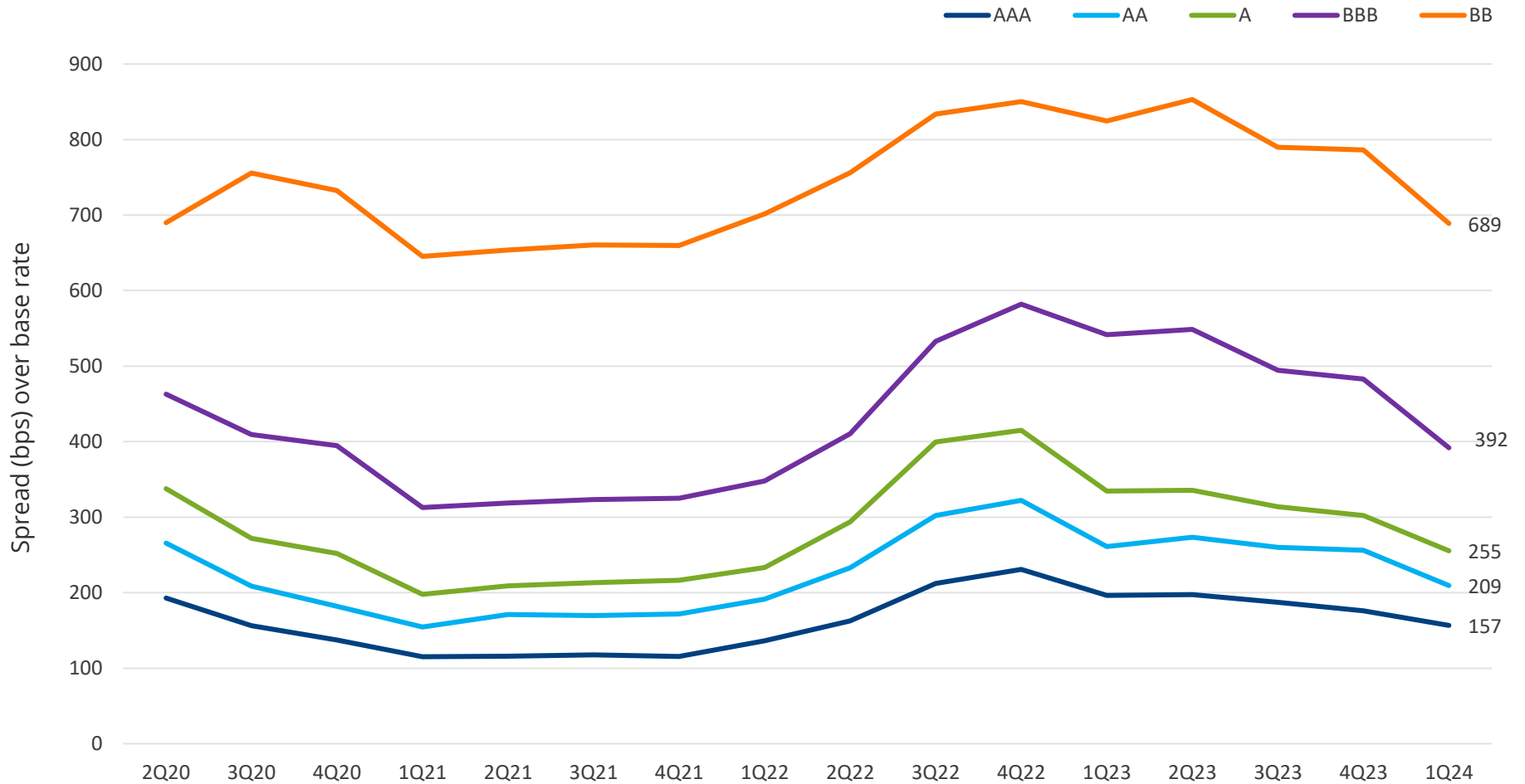
# Loan Refinancing Continued to Make Up the Majority of New Issue Loan Volume in March



# Non-Sponsored Broadly Syndicated Loan Default Rates are Higher Than Sponsored



# Average US CLO Coupon Across the Stack

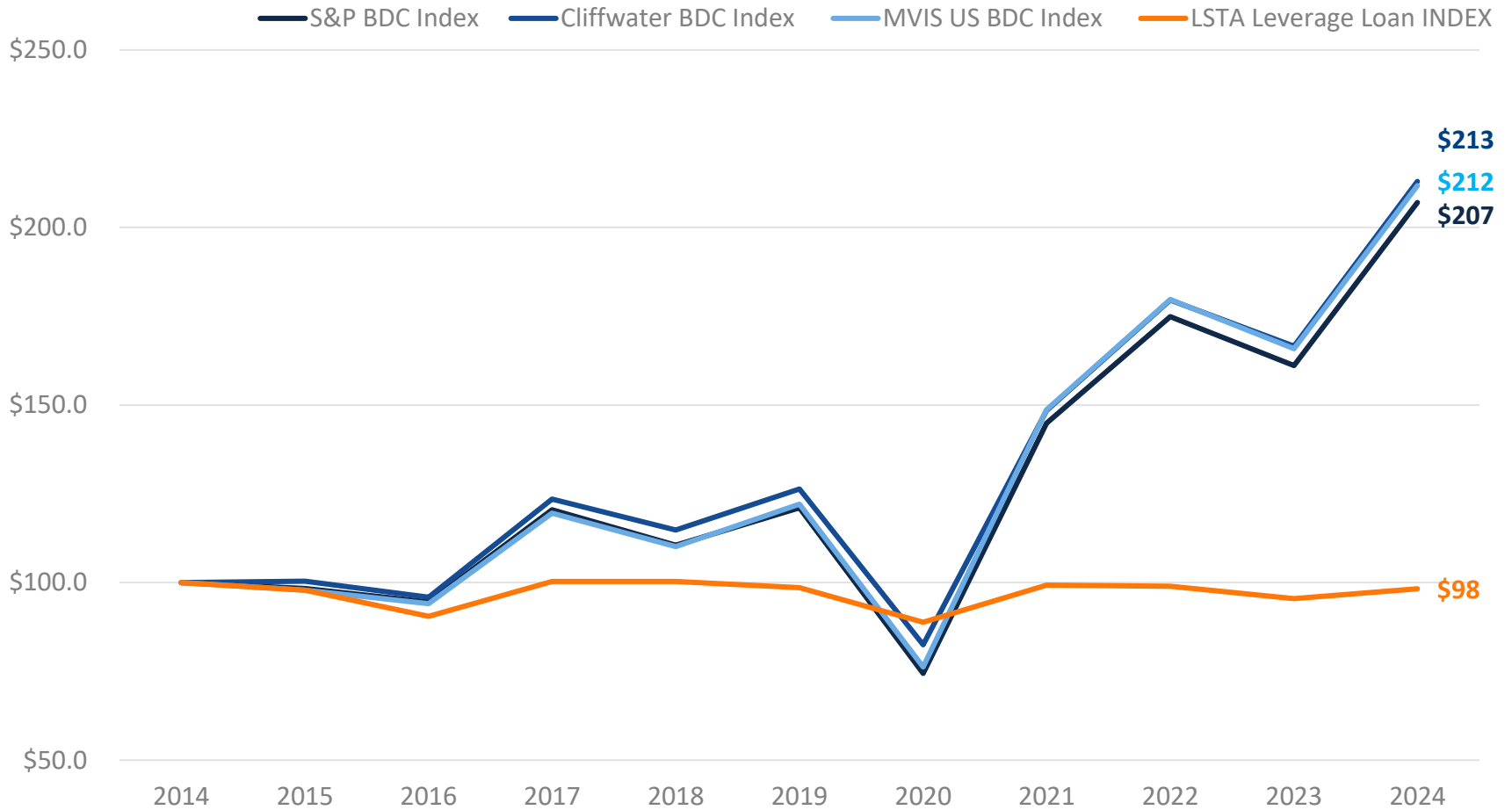




# Business Development Companies

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# \$100 In Invested in Different BDC Indexes



# Glossary

**Private Credit:** limited partnership, closed-end vehicles that invest in debt instruments, in which a manager or general partner manages the investments and investors are the limited partners (“LP”) in the fund.

**Senior Debt:** debt that is more secure than any other debt because it has first claims to repayment where the lender is granted first lien claim on the company’s assets.

**Unitranche:** a hybrid loan structure that combines senior and subordinated debt into one loan. The loan often has a blending interest rate and consistent repayment schedule.

**Direct Lending:** closed-end funds with limited partner investors that do not involve a bank intermediary.

**Mezzanine:** a combination of debt and equity financing, covering the area between high-seniority debt of direct lending and common equity.

**Distressed & Special Situations:** focus on targeting companies that are suddenly faced with a change in either financing or governance. These funds provide critical capital at a time when companies need access to funds.

**Business Development Company (BDC):** a type of direct lending fund that is a registered investment company under the Investment Company Act of 1940. These vehicles are traded on public markers which are open for retail investors to invest.

**Leveraged Buyouts (LBO):** an acquisition of a company where the acquiring company uses large quantities of outside capital, often debt, to meet the cost of the acquisition.

**High Yield Bonds:** bonds that are rated below investment grade bonds, and pay higher interest rates as a result

**Institutional Leveraged Loans:** a type of credit that banks and institutions extend to businesses or individuals with undesirable credit scores or credit risk.

**Collateralized Loan Obligations (CLO):** a portfolio of leveraged loans that are securitized and managed as a fund. Each CLO is structures as a series of tranches that are interest paying bonds, along with a small portion of equity.

The logo for the American Investment Council, featuring three horizontal bars of varying lengths to the left of the text. The text is stacked in three lines: "AMERICAN", "INVESTMENT", and "COUNCIL".

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