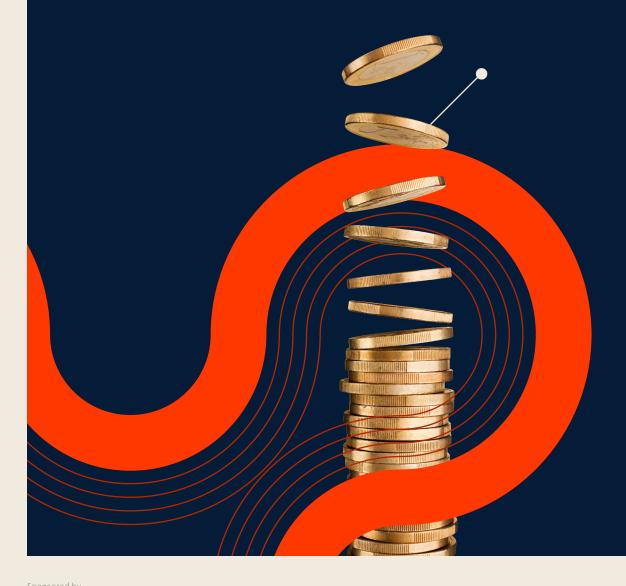




GLOBAL

Private Debt Report





PRIVATE CREDIT STRENGTHENS SMALL BUSINESSES

The American Investment Council is the premier trade association for private credit in Washington – representing over 2/3 of the industry.

Our private credit firms support small businesses, jobs, and investors across America. Check out our website to learn more about how private credit is fueling companies across our nation, and how the American Investment Council is ensuring that more Washington decision-makers understand this essential part of our economy.







AMERICAN INVESTMENT COUNCIL

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PitchBook Data, Inc.

Nizar Tarhuni Executive Vice President of Research and Market Intelligence

Marina Lukatsky Global Head of Research, Credit and US Private Equity

Institutional Research Group

Analysis



Marina Lukatsky

Global Head of Research, Credit and US Private Equity marina.lukatsky@pitchbook.com



Garrett Hinds

Senior Research Analyst, Private Equity garrett.hinds@pitchbook.com



Jinny Choi

Senior Research Analyst, Private Equity jinny.choi@pitchbook.com



Kyle Walters

Research Analyst, Private Equity kyle.walters@pitchbook.com

Data

Harrison Waldock

Data Analyst

pbinstitutionalresearch@pitchbook.com

Publishing

Report designed by Megan Woodard

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Click here for PitchBook's report methodologies.

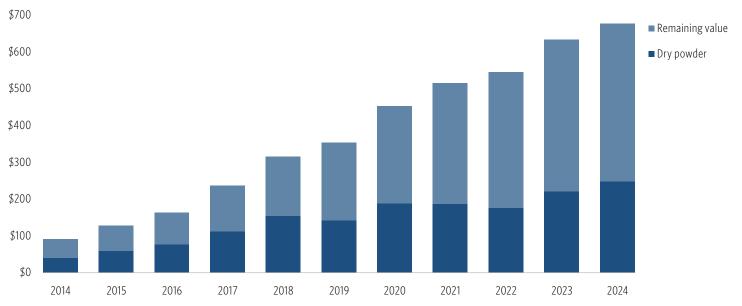




Key takeaways

Direct lending AUM (\$B)

Global direct lending AUM hits \$678.5 billion, a 22.2% 10-year CAGR



Source: PitchBook • Geography: Global • As of June 30, 2024

In 2024, private debt fundraising reached \$197.1 billion, firmly establishing itself as the second-largest strategy in private capital markets behind only private equity. Notably, private debt overtook venture capital for the second straight year, driven largely by sustained demand for steady income generation and high risk-adjusted returns. Outside of institutional capital, private debt is undergoing rapid growth from insurance companies and wealth management channels' push into perpetual life vehicles with continuous net asset value (NAV)-based offerings—a distinct departure from traditional finite-life institutional drawdown funds. Credit strategies notably dominated fundraising, representing 62.6% of trailing 12-month (TTM) inflows among the top seven US alternative asset managers, with around half sourced from these perpetual vehicles.

Established private debt managers consolidated share, leaving emerging managers—those with three or fewer funds—struggling with just a 6% fundraising share in 2024. Asset sourcing emerged as the industry's primary concern, reflecting worries about intensifying competition and historic levels of dry powder heading into 2025, according to LCD's Global Private Credit Survey from late November 2024. This favored established platforms with broad sourcing

capabilities amid persistent volatility. In addition, while private credit yields remain attractive given the elevated base rate, spreads compressed significantly in 2024 as lenders faced a crowded playing field and increased competition from the broadly syndicated market.

Private debt dry powder reached a record \$566.8 billion as of mid-2024, marking a second consecutive year of growth, even amid a broader fundraising slowdown. Dry powder currently represents 31.1% of total AUM, which is consistent with previous years. However, there is growing anticipation that this surplus could shrink if PE dealmaking—a significant driver for credit demand—continues to recover.

Strategically, banks and private credit firms are increasingly partnering—mirroring the tech industry's "co-opetition" approach—to jointly address borrower needs. Major tie-ups include JPMorganChase's \$50 billion side-by-side investment initiative private credit firms, Citi's \$25 billion partnership with Apollo, and Wells Fargo's \$5 billion partnership with Centerbridge Partners, highlighting a new collaborative landscape. We are optimistic that these new structures will support rational risk pricing and covenant dynamics while increasing market liquidity.

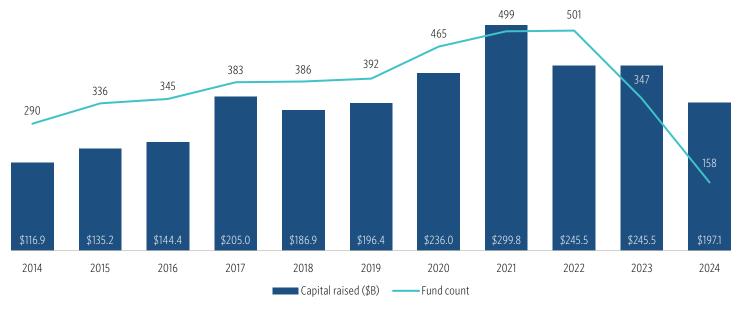




Fundraising and dry powder

Private debt fundraising activity

When the dust settles, institutional flows to private debt funds will exceed \$200 billion for the fifth consecutive year



Source: PitchBook $\, \bullet \,$ Geography: Global $\, \bullet \,$ As of December 31, 2024

In 2024, a total of \$197.1 billion of committed capital was closed by traditional drawdown funds with private debt strategies. As a reminder, our fundraising data counts solely equity capital and upon final closing only. With adjustments for the expected lag in data from late-reporting funds, which typically adds approximately 20% in total value, 2024 is on track for the fifth consecutive year of \$200 billion or more in global private debt fundraising. After factoring in the upward restatement, we expect the year to hover around 4% below 2023 levels.

The fund count decrease is a noteworthy trend. The number of funds closed in 2024 currently shows a YoY decline of greater than 50%. However, with a greater adjustment in fund count typically needed, we expect the decreasing fund count trend to smooth into a less dramatic drop once the data fully settles. The median debt fund size nearly doubled from levels of the previous five years as investor demand for private debt exposure grew. Considering that a larger swath of late-reporting funds is smaller, this median will likely come down. Still, the trend toward larger funds is clear in what has become a crowded playing field within the asset class. More than 80% of funds closed in 2024 were larger than their predecessor

funds, and capital raised by megafunds remained stable at \$86.6 billion compared with \$87.3 billion in 2023.

Private debt funds experienced robust inflows as investors looked to capitalize on exposure to floating-rate debt, which benefited from higher interest rates. Lower rates may diminish some investor interest, but ongoing structural shifts in the financing markets, such as the gaps created by the withdrawal of traditional bank lenders, robust demand for financing for middle-market companies, and companies staying private for longer, point to continued expansion of the private debt market. Fund sponsors also continue to innovate to encompass new opportunity sets, ranging from asset-backed finance to opportunistic credit.

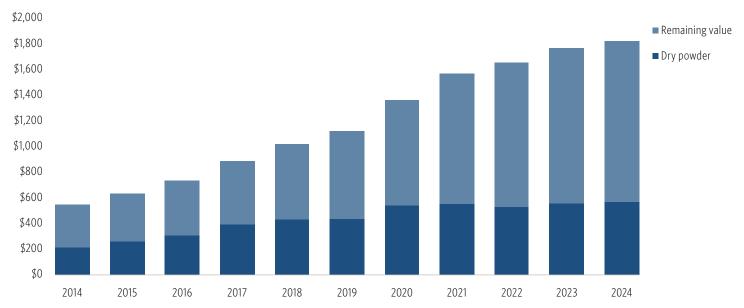
Institutional funds closed on \$107.2 billion in total committed capital in the second half of 2024—an improvement from the first six months of the year when closings totaled \$89.9 billion. Notable funds closed in Q4 included Silver Point Capital's Specialty Credit IV, which raised \$8.5 billion in November, and Bain Capital's Global Special Situations II, which raised \$5.7 billion in October. Ares' Senior Direct Lending III, which is domiciled in the US and raised \$15.3 billion in July, buoyed the





Private debt institutional fund AUM (\$B)

Institutional AUM exceeds \$1.8 trillion with \$566.8 billion in dry powder



Source: PitchBook • Geography: Global • As of June 30, 2024

asset class's fundraising throughout the year. Interestingly, its European direct-lending counterpart had its final close on \$17.7 billion in January 2025. Both funds are among the largest of their kind, highlighting the significant impact private lenders have had on the market in recent years as they capitalized on the pullback by banks in 2022 and 2023.

Time to close funds has been stretching recently, with the average time to close a debt fund reaching 20.3 months in 2024 from 15.1 months in 2019. Out of the top 10 open funds rolling into 2025, seven have been open since 2023 with an aggregate target fund size of more than \$72 billion. Many of these rollover funds will likely close in the next few months and boost H1 2025 fundraising totals.

As with other strategies, more-experienced managers continued to crowd out emerging managers, which we define as those with three or fewer funds to their name. The share of fundraising by emerging managers fell to a measly 6% in 2024. Starting in 2022, experienced managers ran away with market share as their larger platforms were better positioned to capture the sudden spike in demand arising from higher interest rates. Despite the slight tailwind the strategy is enjoying, it is still a tough fundraising market for newer private debt managers because of fierce competition

for deals. In fact, sourcing assets topped the list of market participants' concerns in Q4 2024, according to LCD's Global Private Credit Survey. LCD conducted this inaugural survey in late November, and respondents included a mix of credit providers, banks, PE shops, advisory firms, and other market participants from the US and Europe. Concerns about sourcing assets intensified going into 2025 as expectations for an increase in deal activity moderated amid economic policy uncertainty.

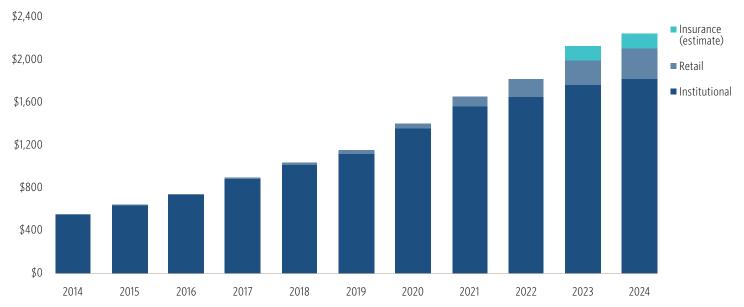
At \$197.1 billion in 2024 fundraising, private debt surpassed venture capital as the highest fundraising strategy in private capital markets for the second consecutive year, second only to PE. Outside the traditional complex of institutional drawdown funds, private debt has dominated private market fundraising in the insurance and wealth channels, which have emerged as important new sources of capital for the strategy. These are not finite-life drawdown funds but perpetual-life vehicles with continuous offerings at NAV. As noted in our Q4 2024 US Public PE and GP Deal Roundup, credit strategies accounted for 62.6% of all TTM fundraising among the big seven US alternative asset managers, and roughly half of that total was sourced from perpetual vehicles in the wealth and insurance segments.





Private debt institutional, retail, and insurance AUM (\$B)

Private debt AUM exceeds \$2.2 trillion inclusive of perpetual vehicles in the wealth and insurance channels



Source: PitchBook • Geography: Global • As of June 30, 2024

Perpetual vehicles for the private wealth investor, also known as semiliquid funds, raised \$122 billion in 2024.¹ We estimate that 55% of that fundraising has flowed to private debt strategies ranging from nontraded business development companies (BDCs) to interval funds with broader mandates to tender offer funds with more opportunistic or specialty credit approaches. This puts the category in line to have raised \$67 billion for the year for various private debt strategies—an approximately 40% YoY increase. Several of the megaalternative managers targeted 25% of all fundraising to come from the wealth channel, and a few have already arrived—including Blue Owl, which derived \$13.7 billion of its \$27.5 billion in 2024 fundraising from the private wealth channel, primarily in its private debt products.

Fundraising for retail-oriented vehicles such as nontraded BDCs, interval funds, and tender offer funds continues to increase as more vehicles come to market. We discussed this in our Q3 2024 The Evergreen Evolution, a report focusing on the growth of evergreen funds, perpetual capital, and private wealth investment in private markets. Since 2019, PitchBook has tracked 207 private market fund launches across these three vehicle types, all targeting the private wealth channel; the total net assets in these vehicles were \$274.8 billion as of July 31, 2024. Moreover, nontraded BDCs continued to

command significant capital and remained the top-selling category among alternative investments in 2024 in the retail channel, eclipsing nontraded REITs for two years running. While private credit does not account for 100% of AUM in these products, they are a standout. Non-listed BDC AUM is unsurprisingly the exception, consisting of only private credit capital, while interval and tender offer funds span multiple asset classes. According to the report, private credit accounts for nearly 75% of all interval fund AUM.

Some sponsors are turning to M&A to tap the opportunities presented by private credit, including the retail channel. Acquisitions such as BlackRock's 2024 purchase of HPS Investment Partners and TPG's 2023 acquisition of Angelo Gordon were partly meant to add product offerings for evergreen-seeking LPs, including income-producing strategies in private debt. Some firms have turned to strategic partnerships to better access retail investors. For example, KKR plans to use its strategic partnership with Capital Group, a global active asset manager, to launch two hybrid credit products in the first half of 2025 to target the mass affluent market. The hybrid products will go beyond KKR's K-Series wealth products, which are available to accredited investors, to reach the mass market and make KKR's platform available to a broader universe of investors.

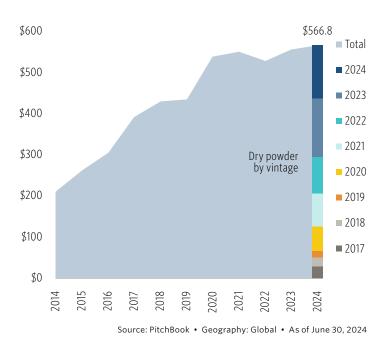
1: "Alts Fundraising Surpasses \$122B for 2024, Led by Non-Traded BDCs With \$35.5B," AltsWire, Mari Nicholson, January 27, 2025.





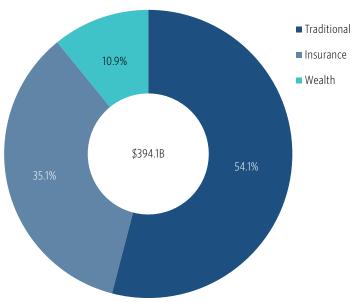
Private debt dry powder (\$B)

The \$566.8 billion in private debt dry powder represents a new high and remains healthy at 31.1% of total AUM



Share of credit capital raised by top seven public US alternative asset managers by channel in 2024

Retail and insurance investors account for nearly half of all credit fundraising at the top seven US-listed alternative asset managers



Source: PitchBook • Geography: Global • As of December 31, 2024

Insurance platforms by public alternative asset managers

Insurance remains a core focus for these managers as they look to scale their credit strategies

Firm	Wealth platform	Wealth AUM (\$B)	Total AUM (\$B)	% of total AUM	Wealth TTM inflows (\$B)	Total TTM inflows (\$B)	% of total TTM inflows	Launch year
ВХ	Blackstone Private Wealth Solutions	\$260.0	\$1,127.2	23.1%	\$28.0	\$171.5	16.3%	2010
KKR	KKR Global Wealth Solutions	\$100.0	\$637.6	15.7%	\$15.0	\$113.6	13.2%	2021
OWL	Blue Owl Private Wealth	\$108.6	\$251.1	43.2%	\$13.7	\$27.5	49.8%	2021
CG	Carlyle Private Wealth	\$50.0	\$441.0	11.3%	N/A	\$40.8	N/A	2023
ARES	Ares Wealth Management Solutions	\$39.0	\$484.4	8.1%	\$18.5	\$92.7	20.0%	2021
APO	Apollo Academy	N/A	\$751.0	N/A	\$12.0	\$152.0	7.9%	2022

Source: Company reports • Geography: Global • As of December 31, 2024





Insurance capital is a vital inflow source for these managers as they continue scaling their credit strategies and permanent capital bases. Pairing insurance managers and alternative managers is mutually beneficial: The longer duration required for private market strategies aligns with the long-term outlook of insurance managers and their investment thesis. The insurance sector invests primarily in fixed income, which has helped to complement several firms as they build out or buy heavily in their private credit franchises to capture insurance inflows and further scale AUM.

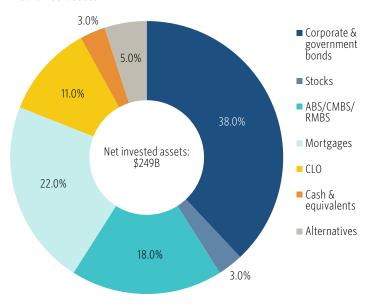
Within the insurance segment, where capital is often managed in separate accounts or rated feeder funds for regulatory control purposes, flows to private debt have also been significant and growing robustly. In the top seven public US alternative asset managers where insurance inflows are disclosed, inflows to credit strategies topped \$135 billion for the full-year 2024. However, this overstates the contribution to private debt. The vast majority is invested in liquid credit strategies such as government and corporate bonds to stay in compliance with the National Association of Insurance Commissioners and other regulatory entities that provide guidelines on what insurers can safely invest in.

For example, Apollo's wholly owned insurer, Athene, is one of the largest and longest-running tie-ups between an insurer and a PE manager, dating back to its formation and initial funding by Apollo in 2009. Athene's allocation to private debt and other alternative investments is consistent at 5% versus 6.3% for the industry. However, including real estate debt that has yet to be packaged into mortgage securities, Athene's exposure to private debt with illiquid or semiliquid characteristics is closer to 27% versus 15.3% for the industry.² While not a perfect proxy for all seven of the alternative managers, if we conservatively assume a 15% allocation to private debt for the \$916.6 billion in reported insurance AUM and the \$138.2 billion in related TTM credit fund flows, that implies another \$137.5 billion in AUM and \$20.7 billion in fundraising that are incremental to our private debt totals for traditional institutional drawdown funds and perpetual capital retail funds.

In Q2 2024, private debt AUM reached \$1.8 trillion globally, surpassing the \$2.2 trillion inclusive of perpetual capital vehicles in the wealth and insurance channels. For context, the liquid debt markets—broadly syndicated leveraged loans and high-yield bonds—totaled roughly \$1.4 trillion and \$1.8 trillion, respectively.

Athene invested assets by strategy in 2024

Athene exemplifies how private debt managers have implemented equity replacement strategies when managing insurance assets



Source: PitchBook • Geography: Global • As of December 31, 2024

Looking at just institutional drawdown funds, growth has been most noticeable in direct lending—private debt's largest substrategy—which surpassed \$678.5 billion in AUM through H1 2024, up from \$91.3 billion 10 years ago. That is a CAGR of 22.2% versus 10.8% for PE AUM growth during the same span. Some observers fear it is too far too fast. However, the absolute AUM in PE still far exceeds that of direct lending at \$5.7 trillion and \$678.5 billion, respectively. This implies ample opportunity for private debt funds to grow into the PE footprint, especially after capturing market share from the pullback by banks in the last couple of years.

Halfway through 2024, private debt dry powder sat at \$566.8 billion—a new high—and is on track for its second consecutive year of growth. The dry powder is through June 30 due to late reporting from GPs and LPs. The asset class's robust fundraising supported the growth over the past couple years. Despite the slight fundraising slowdown in 2024, dry powder's ascent has not been affected as it has in other asset classes, such as PE. Moreover, dry powder's share of AUM now sits at 31.1%, which aligns with each of the last two years. Due to the high demand for private credit and the now seemingly stabilizing fundraising backdrop, the asset class's collection of dry powder may decline in the quarters ahead,

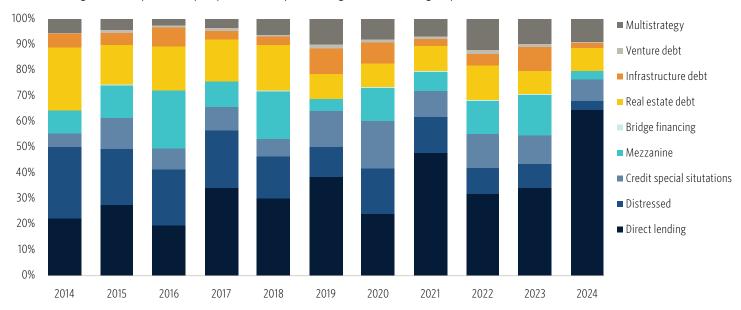
^{2: &}quot;Athene Fixed Income Investor Presentation," Athene, February 2025.





Share of private debt capital raised by strategy

Direct lending accounts for 60% of all private debt fundraising as other strategies pause



Source: PitchBook • Geography: Global • As of December 31, 2024

especially as PE dealmaking (a large demand driver for private credit capital) continues to pick back up.

Direct lending led as the top fundraising substrategy within private debt, accounting for 60.7% of the capital raised in 2024. The strategy dipped in the past two years as the asset class diversified, but it came roaring back, far surpassing its five-year average share of 39.7%. Direct lending recorded its greatest share of fundraising activity in 2024, easily bypassing the previous high of 47.8% in 2021. Investor demand for direct lending is driven by the rising financing needs of non-investment-grade borrowers and the opportunity to gain attractive yields relative to public market debt.

Direct lending dominated the top fund list, lining the top five largest private debt funds closed in 2024. Intermediate Capital Group (ICG) led the group with its Senior Debt Partners V, which held a final close in September with \$17 billion, well ahead of its \$11 billion target. The fund is part of its flagship direct lending strategy and is focused on middle- and uppermiddle-market European companies. The largest private debt fund ever raised in Europe, it accounted for roughly 40% of all capital raised for private debt strategies in the region

during 2024. The five largest direct lending funds raised \$68.2 billion in aggregate, a whopping 34.6% of the \$197.1 billion raised in total private debt strategies during the year.

Mezzanine's junior position in the capital structure means that it does not count against limits on senior loan ratios an appealing option for borrowers that need an extra turn of leverage. Additionally, mezzanine lenders are more comfortable with payment-in-kind (PIK) structures, which continue to be a popular feature in today's market to conserve cash flow. High-yield bond lenders have allowed PIK historically during accommodating market conditions, although these deals represent a tiny portion of the market. Despite these benefits, 2024 fundraising for mezzanine slumped. Fundraising activity substantially declined in 2024 for the asset class's second-most-prominent substrategy in terms of capital raised, trailing only direct lending. It raised \$6.8 billion across 13 funds, representing YoY declines of 82.4% and 64.9%, respectively. With cheaper forms of capital now available, companies have been quick to halt mezzanine borrowing. And with interest rates on these loans often in the teens, mezzanine debt is more likely to appear when other debt is unavailable.





Largest private debt institutional funds closed in 2024

Direct lending overwhelmingly represented in top funds

Fund	Investor	Fund size (\$M)	Close date	Fund type	Fund step-up	HQ location
ICG Senior Debt Partners 5	Intermediate Capital Group	\$17,000.0	September 11	Direct lending	1.9x	London, UK
Ares Senior Direct Lending III	Ares Management	\$15,300.0	July 31	Direct lending	1.9x	Los Angeles, US
HPS Specialty Loan VI	HPS Investment Partners	\$14,300.0	June 24	Direct lending	1.2x	New York, US
West Street Loan Partners V	Goldman Sachs Asset Management	\$13,100.0	May 29	Direct lending	1.8x	New York, US
Silver Point Specialty Credit III	Silver Point Capital	\$8,500.0	November 18	Direct lending	4.3x	Greenwich, US
West Street Real Estate Credit Partners IV	Goldman Sachs Asset Management	\$7,000.0	May 14	Real estate debt	1.0x	New York, US
Bain Capital Global Special Situations II	Bain Capital	\$5,740.0	October 31	Credit special situations	1.4x	Boston, US
Carlyle Credit Opportunities III	The Carlyle Group	\$5,700.0	December 12	Debt	1.2x	Washington, DC, US
Apollo Origination Partnership II	Apollo Global Management	\$4,800.0	October 15	Direct lending	2.0x	New York, US
Benefit Street Partners Debt V	Benefit Street Partners	\$4,700.0	January 24	Direct lending	1.8x	New York, US

Source: PitchBook • Geography: Global • As of December 31, 2024
Note: Fund size represents total committed capital.

Largest nontraded BDCs and private debt interval funds offered in 2024

New breed of retail-oriented vehicles has allowed private debt sponsors to gather an additional \$300 billion in AUM since 2020

Fund	Net assets (\$M)	Fund type	Strategy	HQ location
Blackstone Private Credit	\$38,900.0	Nontraded BDC	Direct lending	New York, US
Cliffwater Corporate Lending	\$25,700.0	Interval fund	Direct lending	Marina del Rey, US
Apollo Debt Solutions BDC	\$9,500.0	Nontraded BDC	Direct lending	New York, US
HPS Corporate Lending	\$7,200.0	Nontraded BDC	Direct lending	New York, US
Cliffwater Enhanced Lending	\$4,800.0	Interval fund	Direct lending	Marina del Rey, US
Cion Ares Diversified Credit	\$4,338.3	Interval fund	Multistrategy	New York, US
Blue Owl Technology Finance Corp.	\$3,575.5	Nontraded BDC	Direct lending	New York, US
PIMCO Flexible Credit Income	\$3,254.0	Interval fund	Multistrategy	New York, US
Variant Alternative Income	\$2,810.0	Interval fund	Multistrategy	Portland, US
Blue Owl Technology Finance Corp. II	\$2,758.9	Nontraded BDC	Direct lending	New York, US

Source: PitchBook • Geography: Global • As of December 31, 2024

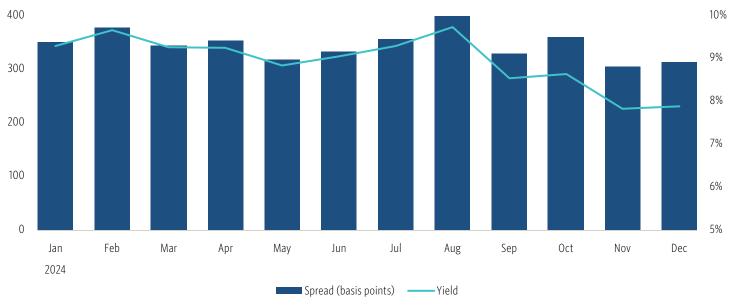




US and European market stats

Spread and yield to maturity on new-issue US leveraged loans

US loan yields and spreads have crept lower throughout the year



Source: PitchBook • Geography: US • As of December 31, 2024

Note: Trailing 30-day average

Spread and yield to maturity on new-issue European leveraged loans

European loan yields have declined with lower base rates, though spreads remain higher than the US



Source: PitchBook • Geography: Europe • As of December 31, 2024 Note: Trailing 90-day average.

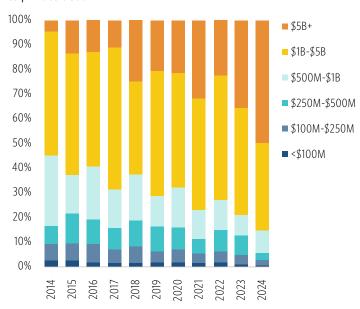




Private debt fund stats

Share of private debt capital raised by size bucket

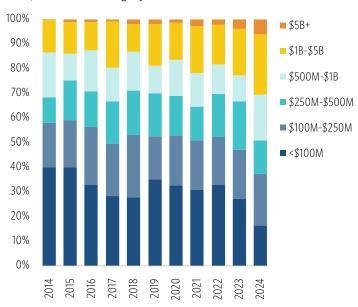
\$5 billion-plus funds gather nearly half of all new commitments to private debt



Source: PitchBook • Geography: Global • As of December 31, 2024

Share of private debt fund count by size bucket

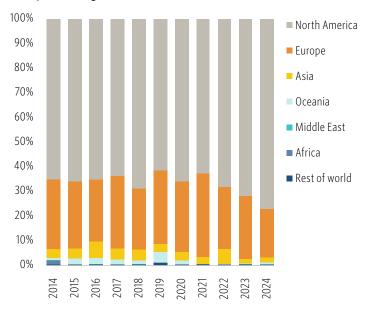
Several fund size buckets have expanded at the expense of the sub-\$100 million category



Source: PitchBook • Geography: Global • As of December 31, 2024

Share of private debt capital raised by region

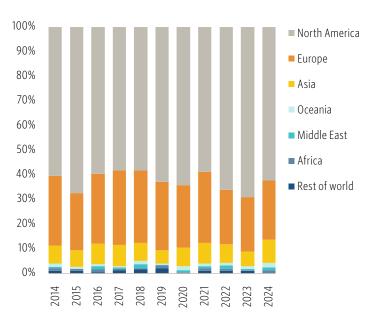
North America retains the vast majority of share in private debt fundraising



Source: PitchBook • Geography: Global • As of December 31, 2024

Share of private debt fund count by region

The number of European vehicles has bounced back



Source: PitchBook • Geography: Global • As of December 31, 2024





SPOTLIGHT

2025 US Private Credit Outlook: More M&A, larger lenders, bigger market

Spread of LBOs financed in broadly syndicated loan (BSL) versus direct lending market

Spreads for BSL and direct lending LBOs alike continue to decline



Source: PitchBook | LCD • Geography: US • As of December 31, 2024
Note: Direct lending spread data reflects senior secured first-lien loans and unitranche facilities. BSL data reflects loans issued to borrowers rated B-minus.

Note: This spotlight is abridged from our <u>Q4 2024 US Private</u> <u>Credit & Middle Market Quarterly Wrap</u>. Please see the full report for additional analysis.

Abby Latour

Managing Editor, US Private Credit

Zack Miller

Senior Reporter, Private Credit

At the end of 2024, market participants expressed that the outlook for transaction activity in private credit for 2025 had brightened. But the ability to source assets is top of mind for the year in what has become a crowded playing field within the asset class, marked by a growing number of major partnerships.

PitchBook | LCD's inaugural quarterly Global Private Credit Survey, published in November 2024, found "sourcing assets" and "geopolitical uncertainties" were leading concerns for private credit players in 2025 in response to a question on expected headwinds in the coming months. At the same time, PE faces demand from investors to return capital, which is expected to boost M&A and LBO deal activity in 2025.

Many market participants expressed optimism that a second Trump term will further "grease the skids" for M&A through policies promoting less regulation, tax cuts, and relaxed antitrust oversight. The removal of "election uncertainty" was cited as a win for improved deal activity going into 2025.





In 2023, the private credit market captured deal flow handily from the BSL market. The seemingly endless one-directional move that dominated in 2023, with deals migrating from the BSL market into private credit, stopped in its tracks in the first quarter of 2024 when the BSL market reopened for lower-rated credits. The lower spreads available in the BSL market proved difficult to ignore.

But private credit lenders are not giving up the fight. They are looking at near-term maturities in the BSL market for refinancing opportunities. In addition, a growing number of companies achieved significant interest expense savings in the direct lending market via repricings in 2024, a trend expected to continue this year. In the current borrower-friendly market, direct lenders are receiving calls from PE sponsors with requests to slash pricing by 100 basis points, according to industry sources. Indeed, one advantage that private credit lenders have long touted—that a sole lender or small lender group is easier to work with—can be seen as a double-edged sword: With few administrative obstacles, it is relatively simple for a loan issuer or sponsor to request, and achieve, a pricing cut on a private credit loan.

BDC filings illustrate the magnitude of this trend. In the first nine months of 2024, more than 50 companies repriced unitranche debt, cutting the spread by 96 basis points, to SOFR plus 514, on average. Until new buyouts and other M&A activity increase meaningfully, lenders expect more repricings.

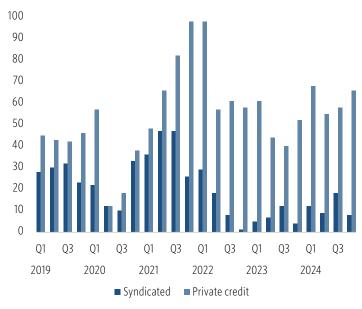
Partnerships: More to come

In December, BlackRock announced it would acquire HPS Investment Partners in a \$12 billion all-stock transaction, combining their private credit capabilities into a new \$220 billion private financing business. Banks have moved to partner with private credit firms that have origination capabilities to be able to offer a full suite of products to borrower clients.

Indeed, 2024 saw the announcements of Citigroup's \$25 billion private credit partnership with Apollo, Webster Bank's venture with Marathon, and Wells Fargo's \$5 billion partnership with Centerbridge Partners. Also, JPMorganChase announced in October it will allow a select group of private credit lenders to invest side by side on its deals in exchange for fees. In all, LCD tracked 17 bank and private credit lender partnerships in 2024, up from just three in 2023.

LBO count financed in BSL and private credit market

Even with the syndicated market's revival, private credit continues to lock up deals at a steady clip

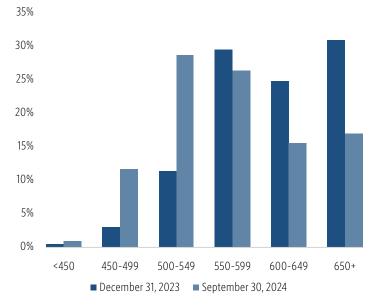


Source: PitchBook | LCD • Geography: US • As of December 31, 2024

Note: Private credit is based on transactions covered by LCD News.

Spread range for unitranche loans held by BDCs

Over the last year, spread ranges have declined, concentrating more in the 500-599 range



Source: PitchBook | LCD • Geography: US • As of December 31, 2024

Note: Includes USD-denominated facilities only and excludes

holdings marked as nonaccrual.





Bank and private credit lender partnerships in H2 2024

Banks and private credit lenders partner up to leverage strengths and offer a wider range of options

Date	Bank	Asset manager(s)	Details
December 3	Santander Corporate & Investment Banking	Pemberton	A strategic partnership to launch Invensa, a new company focused on providing large and midsized corporates with supply chain inventory solutions.
October 31	Piper Sandler Companies	BC Partners Credit	Two firms have formed a strategic lending alliance, with BC Partners Credit providing capital and Piper Sandler originating deals.
October 2	JPMorgan Chase & Co.	FS Investments, Cliffwater, Shenkman Capital Management, and others	JPM, which has set aside \$10 billion of its own balance sheet for its foray into direct lending, will allow a select group of private credit lenders to invest side by side on its deals in exchange for fees. The bank will provide its origination capabilities to the lenders, with a focus on showing partners investment opportunities in nonsponsored companies, as opposed to PE-owned businesses.
October 1	Mizuho Financial Group	Golub Capital	Mizuho has purchased a passive, nonvoting minority stake in Golub Capital's management companies, and Mizuho will serve as a strategic distribution partner for Golub Capital in Japan. Golub Capital plans to use the proceeds from Mizuho's investment to enhance its ability to deliver distinctive, compelling, and reliable financing solutions to PE sponsors.
September 26	Citigroup	Apollo	Apollo and Citigroup, with participation from Mubadala Investment Company and Apollo subsidiary Athene, have agreed to form a \$25 billion private credit program. The program is designed to significantly enhance access for corporate and sponsor clients to the private lending capital pool.
September 20	BNP Paribas	Apollo's ATLAS SP Partners	As part of the strategic financing, BNP Paribas will provide an initial financing commitment of \$5 billion, which is expected to increase over time. The commitment supports investment-grade, asset-backed credit originated by Apollo and ATLA alongside a capital markets collaboration to support securitizations sourced by Apollo and ATLAS issuer clients.
July 18	Lloyds Banking Group	Oaktree Capital Management	The strategic partnership will support UK middle-market PE-backed borrowers with £10 million to £75 million in EBITDA. The partnership will provide clients with a comprehensive senior debt solution for new buyouts and refinancings and will have a combined single name hold capacity of £175 million per transaction.
July 2	Webster Bank	Marathon Asset Management	The strategic partnership will lend to PE-backed middle-market companies. The joint venture will originate directly sourced senior secured loans across various industries in which Webster Bank and Marathon have established track records of investing.

Source: PitchBook | LCD $\, \cdot \,$ Geography: Global $\, \cdot \,$ As of December 31, 2024

The shifting nature of the relationship between private lenders and banks comes as private credit looks to make good on its aspirations to finance even more of the credit landscape. Large lenders describe a \$40 trillion total addressable market for private credit, encompassing assetbacked finance opportunities, for starters. This push into new asset classes, away from the sponsor finance that has been the bread and butter of private credit firms, is expected to continue in 2025.

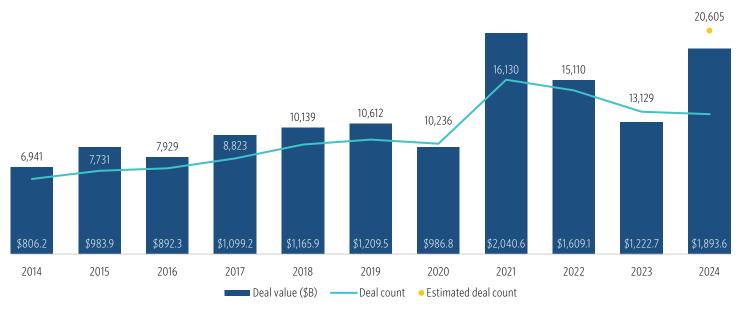




LBO dealmaking and takeprivate update

LBO deal activity

Private credit deployment is linked to PE LBO deal value, which surged 54.9% from 2023



Source: PitchBook • Geography: Global • As of December 31, 2024

While global PE-backed dealmaking activity demonstrated robust overall growth in 2024, take-private transactions—often among the highest-value deals—notably decelerated in the second half of the year. Total PE-backed take-private deal value declined by 37.7% compared with the first half of the year, driven primarily by buoyant public market conditions that reached new highs following the election, thus complicating deal economics. Elevated valuations and the necessity to offer substantial shareholder premiums to ward off rival bids further strained the feasibility of many transactions. Interestingly, a divergence emerged. Public market investors confidently adopted a risk-on posture, whereas private equity firms took a notably more cautious stance. This dynamic also placed downward pressure on loan volumes.

Take-private transactions serve as critical barometers for financial market conditions, offering valuable transparency into the typically opaque private transaction landscape. Of particular interest is the evolving financing mix between private credit providers and traditional broadly syndicated loan market. Historically, private credit played predominantly in middle-market transactions, steering clear of larger, billion-dollar-plus deals. However, a transformative shift began in 2022, catalyzed by rapid rate hikes by the Federal Reserve and subsequent turmoil in financial markets. Banks, burdened by steep underwriting losses from earlier commitments at lower rates, retreated after offloading distressed positions.

Private credit providers, armed with a historic \$299.8 billion raised in 2021 and ample dry powder, seized this market dislocation. They swiftly expanded their share of large-scale lending, delivering capital at attractive terms during a volatile period. This strategic agility not only enabled private credit firms to effectively deploy capital but also positioned them to generate outsized returns as base interest rates and credit spreads climbed. In 2022, nearly 40% of all senior secured term loans and unitranche facilities financing buyouts carried spreads of SOFR plus 700 basis points, up from just 8% in 2021, according to LCD data.





New-issue spread and yield to maturity of loans backing LBOs by quarter

Borrowing costs for LBOs funded in the BSL market eased to 9.4% in Q4 2024 from 11.6% in Q4 2023



Source: PitchBook | LCD • Geography: US • As of December 31, 2024 Note: There were not enough observations in Q4 2022 to provide a meaningful average.

Borrowers and sponsors, in turn, increasingly appreciated private credit's certainty of execution, flexibility, willingness to offer PIK options and delayed-draw term loans, and bespoke terms that facilitated navigating downturns. Recently, however, the environment has shifted again: As the broadly syndicated market came roaring back in 2024, credit spreads tightened significantly, especially for larger transactions that could be refinanced in the liquid credit markets. Some 67% of LBOs financed by direct lenders carried spreads between 500 and 600 basis points. These tighter spread levels, combined with 2024's base rate cuts, will compress overall returns.

Surprisingly, the anticipated jump in deal activity following the 2024 US election failed to materialize. Q4 take-private deal value slumped markedly, totaling roughly half of Q3 levels. Yet banks have aggressively reentered the lending arena, arranging a record number of BSL transactions. However, the bulk of this activity backed refinancings and repricings as borrowers took advantage of accommodating market conditions to lower their cost of debt, manage their maturities, or both. With the risk-on BSL market offering spreads near record lows, banks are back in the lead, underwriting a majority of the PE-backed take-private transaction value in 2024.

Looking forward, the pullback in US public markets since their postelection highs, alongside expectations of reduced antitrust scrutiny, sets the stage for a potential rebound in take-private activity in the first half of 2025. Such an uptick would likely boost private credit's market participation.





Notable public-to-private LBOs announced in H2 2024

Private credit's share of jumbo loans backing take-privates has slipped to less than half after dominating in 2023

Company	Announced date	Loan type	Enterprise value (\$M)	Loan value (\$M)
Patterson Companies	December 11	Bank	\$4,100.0	\$2,475.0
Pactiv Evergreen	December 9	Bank	\$6,700.0	Not disclosed
TI Fluid Systems	November 29	Bank	\$1,064.5	Not disclosed
Brightcove	November 20	Bank	\$233.0	Not disclosed
Avid Bioservices	November 6	Private debt	\$1,100.0	\$235.0
Air Transport Services Group	November 3	Bank	\$3,100.0	\$2,300.0
Eckoh	October 30	Private debt	\$221.5	\$106.9
Zuora	October 17	Bank	\$1,700.0	\$850.0
Smartsheet	September 24	Private debt	\$8,400.0	\$3,200.0
PetIQ	August 7	Private debt	\$1,500.0	\$810.0
Enstar Group	July 29	Bank	\$5,100.0	\$3,150.0
Everi Holdings	July 26	Hybrid	\$6,300.0	\$3,580.0
Instructure	July 25	Hybrid	\$4,800.0	\$2,300.0
Exclusive Networks	July 24	Bank	\$2,380.3	\$1,396.4
Envestnet	July 11	Hybrid	\$4,500.0	\$2,510.0
Héroux-Devtek	July 11	Bank	\$985.7	\$475.0
Keywords Studios	July 3	Bank	\$2,667.2	\$1,140.0

Source: PitchBook • Geography: Global • As of December 31, 2024

Note: Only deals with disclosed loan types included.

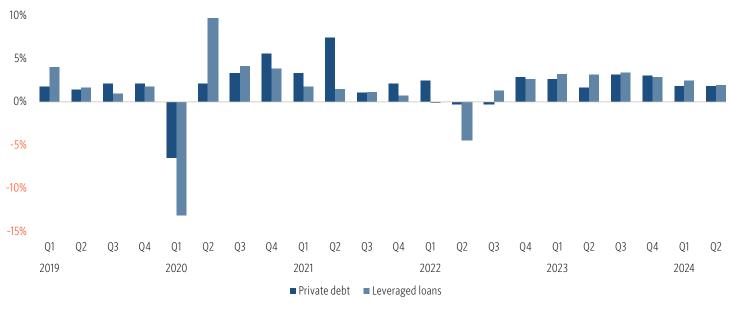




Private debt fund performance

Private debt fund versus leveraged loan returns by quarter

When markets turn, leveraged loans capture more of the upside than private debt funds but also more of the downside



Source: PitchBook | LCD • Geography: Global • As of June 30, 2024

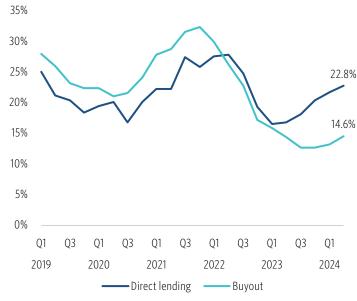
Private debt had a one-year return of 9.5% through Q2 2024, which compares favorably to the 10-year horizon IRR of 8.1%, as higher interest rates on floating-rate debt flow through to these fund vehicles.

In the 12 months ended Q2 2024, private debt returns outpaced all other private market asset classes. As a result, the asset class experienced robust inflows as investors looked to capitalize on exposure to floating-rate debt benefiting from higher interest rates. However, the back half of 2024 was a different story, as the lower expectations for the asset class, given the less favorable interest-rate backdrop, made the strategy less attractive. Despite the more gradual rate cuts from central banks, investor demand for new funds fell short. Lower rates triggered a flight from floating-rate securities and loans in prior cycles. At the same time, other strategies, including PE and real assets, provided outsized returns on a one-year basis, as noted in our Q3 2024 PitchBook Private Capital Indexes, leaving private debt's relative attractiveness in question.

Direct lending, the most significant portion of the private debt universe, posted a 12.9% return through Q2 2024. The Morningstar LSTA US Leveraged Loan Index, which serves

Direct lending versus buyout fund distribution rates

Direct lending distribution rates are nearly double those of buyout funds

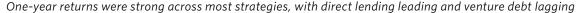


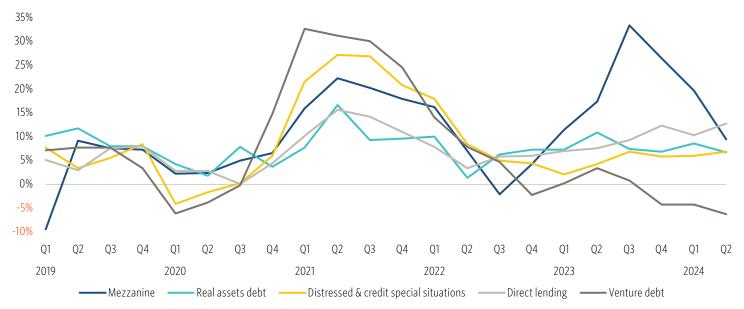
Source: PitchBook • Geography: Global • As of June 30, 2024





Private debt rolling one-year horizon IRR by type





Source: PitchBook • Geography: Global • As of June 30, 2024

as a good proxy for private debt returns, particularly direct lending, posted a gross return of 11.1% in the 12 months ended Q2 2024 and 8.95% for full-year 2024, so we expect returns in the back half of the year to decline somewhat. While carry remained the key driver of leveraged loan returns, the impact was lighter than in 2023 due to tighter spreads on outstanding loans following a record year for repricings and refinancings and three cuts to the base rate. The Morningstar European Leveraged Loan Index produced an identical 11.1% return through Q2.

By geography, North American private debt funds posted a one-year IRR of 10.2%, outdoing the 7.8% return posted by their European counterparts, in a reversal from six consecutive quarters of European outperformance.

Of the major substrategies, mezzanine funds led for five consecutive quarters until Q2 2024, when the strategy fell to third. Mezzanine trailed multistrategy (general debt) and direct lending, which posted one-year returns of 18.1% and 12.9%, respectively. The mezzanine return of 9.5% was well below its Q3 2023 peak of 33.4%. The TTM return for infrastructure & real estate debt declined from 8.7% to 6.8%, tied with distressed & special situations but lagging all

other debt strategies. Distressed investors continue to face the same headwinds of lower headline default rates and a shrinking investable universe.

As the back half of the year saw three rate cuts by the European and US central banks, respectively, allocators may be looking to lean into fixed-rate loan portfolios if they believe that rates will continue on a downward path. In this scenario, the floating-rate loans held by private debt funds would see declining returns. However, if a soft landing is still in the cards with more gradual rate cuts, private debt returns could stay competitive alongside elevated investor demand for the various strategies within the private debt universe.

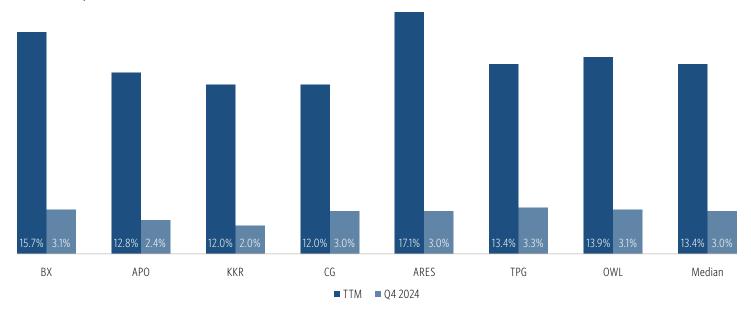
Looking into 2025, LCD's inaugural quarterly Global Private Credit Survey found that private credit spreads are expected to tighten further, even after new-issue spreads already declined significantly in 2024. Moreover, the share of respondents who see spreads below SOFR plus 500 basis points in six months has increased. Heightened competition for deals, as well as risk-on sentiment in the BSL market, is tightening credit spreads, which may negatively impact returns for private credit investors looking to deploy new capital into the current spread regime.





Private debt gross returns reported by manager

One-year gross returns of private debt strategies managed by the "Big Seven" US alternative asset managers ranged between 12% and 17% in Q4



Source: Company reports • Geography: Global • As of December 31, 2024 Note: All returns are before the deduction of fees.





Fund type definitions

Direct lending: Generally senior loans made to middlemarket companies without the use of an intermediary but may include revolving credit lines and second-lien loans. Unitranche facilities, which combine different debt instruments under a single umbrella, are also becoming more common.

Real estate debt: The most common real estate debt strategy is direct lending for real estate acquisitions but may also include the buying and selling of securitized real estate loans in the secondary market. Risk profiles vary based on the nature of the underlying assets.

Infrastructure debt: Debt used for infrastructure development (for example, greenfield) and investment in existing assets (for example, brownfield), generally with longer terms (30-plus years) due to the extended useful life of the assets.

Mezzanine: Subordinated debt, generally with features similar to preferred equity, such as warrants. Often used in LBO transactions.

Special situations: Opportunistic debt or structured equity investments—such as convertible debt, convertible preferred, and debt with warrants—made with the intent of gaining control of a company, generally one in some type of financial distress. Special situations can involve direct origination with these hybrid structures or trading in the secondary market where manager believes price dislocation is present.

Distressed debt: This debt type differs from special situations in that it generally involves the purchase of securities or loans in the secondary market, rather than new origination of debt or structured equity. Distressed strategies likely involve identification of the "fulcrum" security, or the most subordinated part of the capital stack to be paid back in a bankruptcy or other restructuring, which can trade at steep discounts to net asset value.

Venture debt: Debt financing extended to companies with venture capital backing. For entrepreneurs, venture debt serves as a way to extend the runway to exit without further diluting ownership.

Bridge financing: Private debt funds that provide shortterm loans, also called swing loans, made in anticipation of intermediate-term or long-term financing.

Multistrategy: General-purpose credit funds with broad mandates to invest across the debt capital structure, substrategies, and verticals to capture the entire opportunity set in private credit. These funds will often invest in public debt as well as private debt on a dynamic and opportunistic basis.

Additional research

Private markets



2024 Annual Global Private Market Fundraising Report

Download the report here



Q2 2024 Global Fund Performance Report (with preliminary Q3 2024 data)

Download the report **here**



2024 Annual Global M&A Report

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2024 Annual US PE Middle Market Report

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2024 Annual European PE Breakdown

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