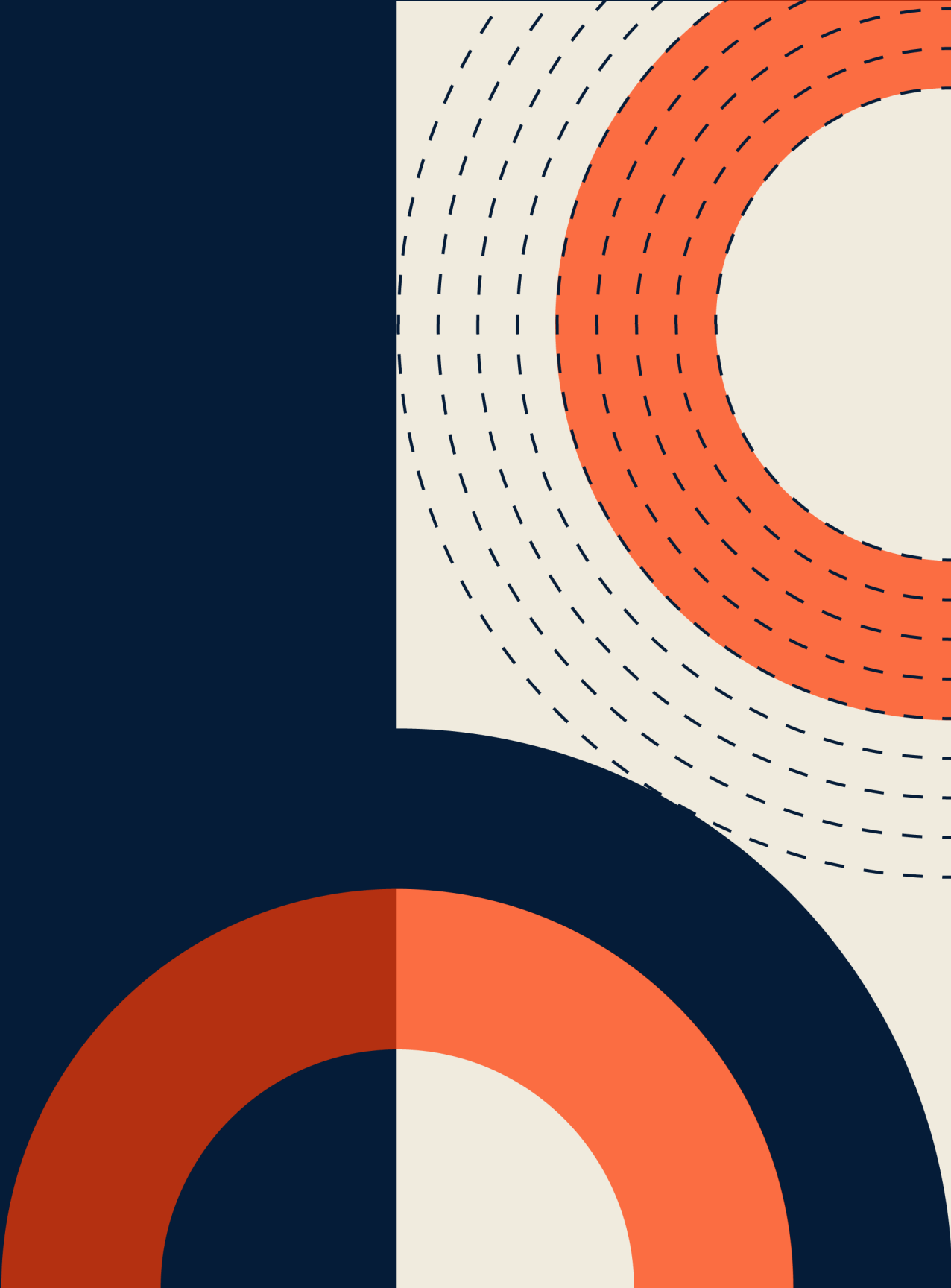




Private Credit Monitor

April 2025





Key Takeaways

- **Direct lending deal activity is off to a slow start** – Shifting US policies, including the “Liberation Day” tariff announcement (on April 2), have thrown cold water on the M&A recovery that many had hoped for in Q1. Estimated direct lending loan volume and deal count are both trailing last year’s pace due to fewer large buyouts financed by direct lenders amid the uncertain outlook.
- **Key sectors are driving activity** – Healthcare, technology, and services remain the dominant industries in direct lending, accounting for more than half of all deals in 2025. Borrowers from the healthcare sector took the top spot over the last four months, with a 21% share by deal count, up from 15% in 2024.
- **Watching spread dynamics** – Expected spreads on private credit loans jumped as market participants reacted to US tariffs and a steep drop in equities, [according to an LCD poll conducted on April 9](#). In February, nearly half of market participants (45%) said that a unitranche loan to a \$50 million EBITDA business in a non-cyclical industry would price below S+500. As of April 9, just 8% said such a loan would price below S+500. Since the poll, however, which was taken around the recent market low, further spread widening has yet to materialize. Technical factors, such as a lack of deals and heavy fundraising, are capping spreads, market sources say. In fact, one large deal in the market, the buyout of Boeing’s Digital Aviation Solutions assets, including Jeppesen, to Thoma Bravo, is marketed at S+475. Lenders are using more muted language to describe the market, including that it is “becoming more lender-friendly,” with an “incremental OID” on deals, and with “yields improving by 25-50 bps between spread and fee.”
- **Who’s winning the tug-of-war?** – Post “Liberation Day,” the broadly syndicated loan market endured its longest issuance outage, at 15 days, since a 24-day shutdown in March and April 2020. Periods of dislocation in the liquid credit markets typically benefit direct lenders, who can provide certainty of execution, albeit at a price. However, with overall LBO activity depressed, lenders might need to look at other types of transactions, such as add-ons, refinancing of BSL loans, and non-sponsored borrowers for opportunities.
- **Refinancings have recently played a smaller role in deal activity** – Overall, lenders expect fewer repayments in the current market environment. In fact, Golub Capital said refinancing activity was “significant” in January and February, but had become “scarce” since then.
- **CLO issuance sets a record** – Middle market/private credit CLO issuance of \$14.4 billion between January and April is on a record pace, reflecting sustained investor demand for direct lending loan exposure. Issuance through April 30 is 15% ahead of the pace set last year.
- **Dry powder stays above \$150B, sustaining market liquidity** – The availability of capital in direct lending remains strong, suggesting ongoing investor confidence and the potential for continued deal flow throughout 2025. This supply of dry powder has only been exacerbated by the lack of deal activity.

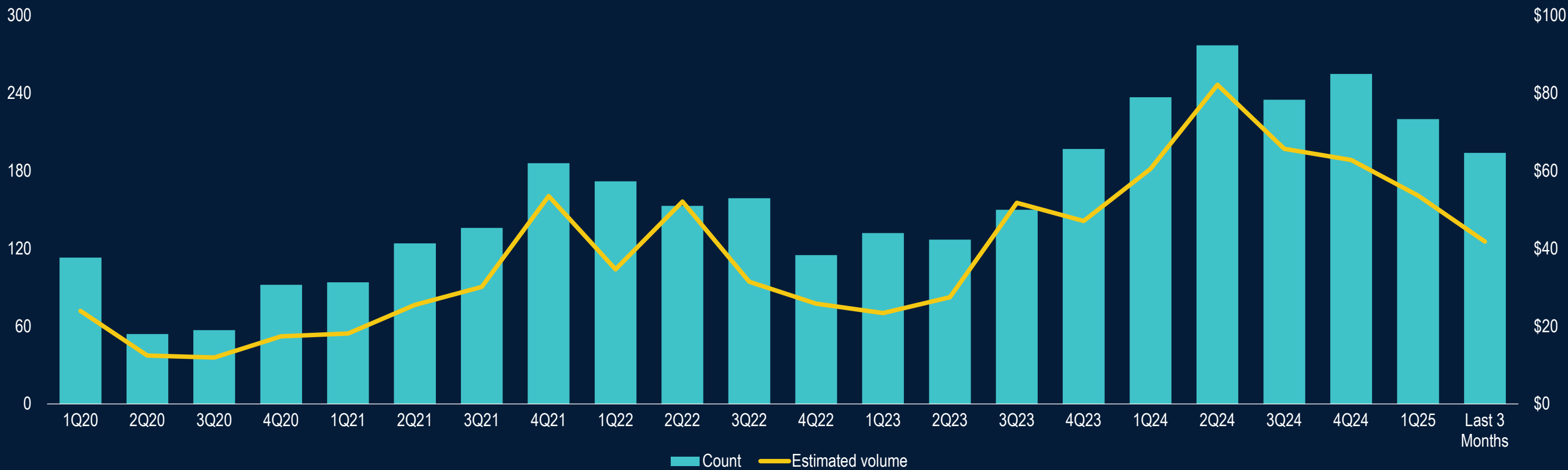


Direct Lending Volume & Counts



Direct lending deal activity is off to a slow start in 2025 amid tariff headwinds and a shifting regulatory environment

Direct lending deal count and estimated volume (quarterly) (\$B)



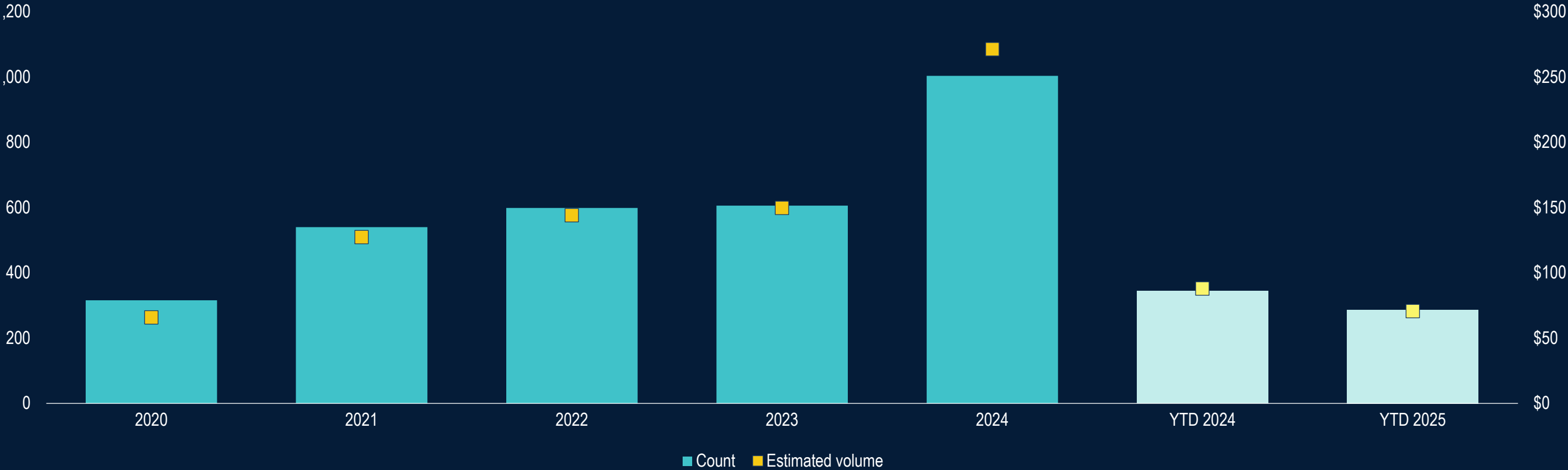
Source: PitchBook | LCD • Geography: US • *As of April 30, 2025

Deal count is based on transactions covered by LCD News



2025 issuance is slightly off 2024 pace

Direct lending deal count and estimated volume (annual) (\$B)



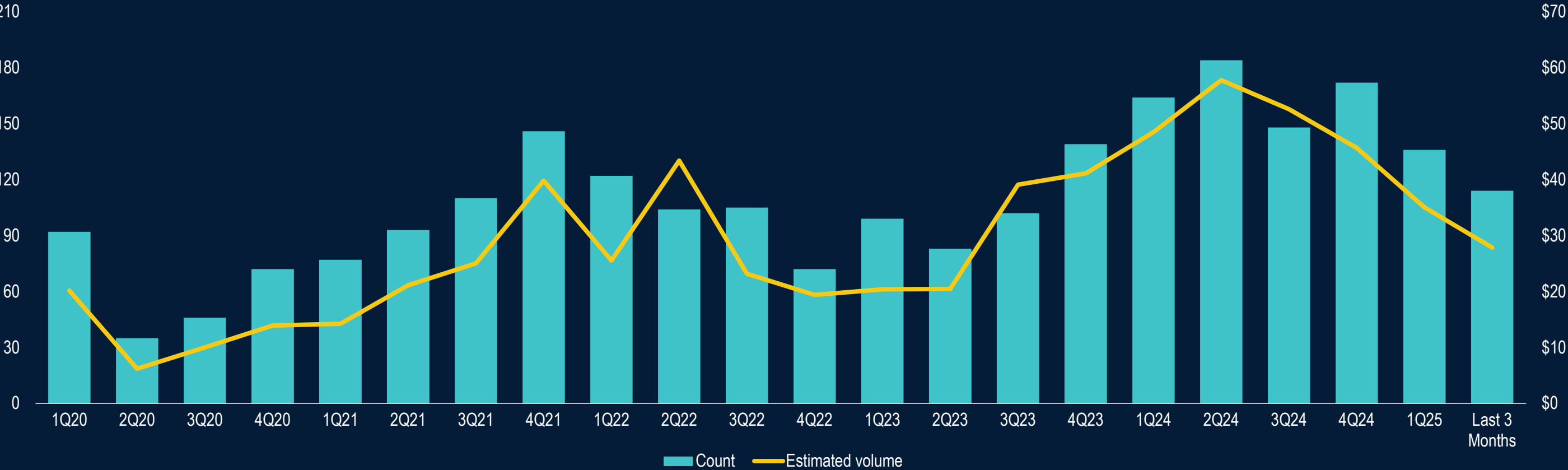
Source: PitchBook | LCD • Geography: US • *As of April 30, 2025

Deal count is based on transactions covered by LCD News



Volume of PE-backed transactions declines with fewer large LBOs in market

Direct lending deal count and estimated volume, sponsor-backed borrowers (quarterly) (\$B)



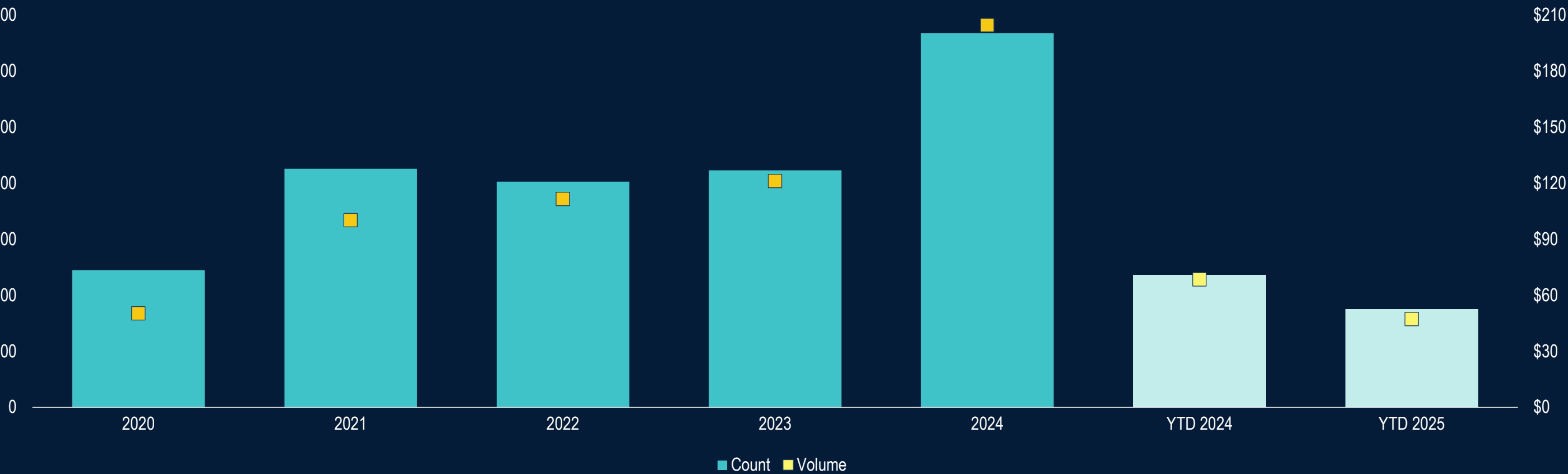
Source: PitchBook | LCD • Geography: US • *As of April 30, 2025

Deal count is based on transactions covered by LCD News



Sponsor-backed deal volume trails the 2024 pace

Direct lending deal count and estimated volume, sponsor-backed borrowers (annual) (\$B)



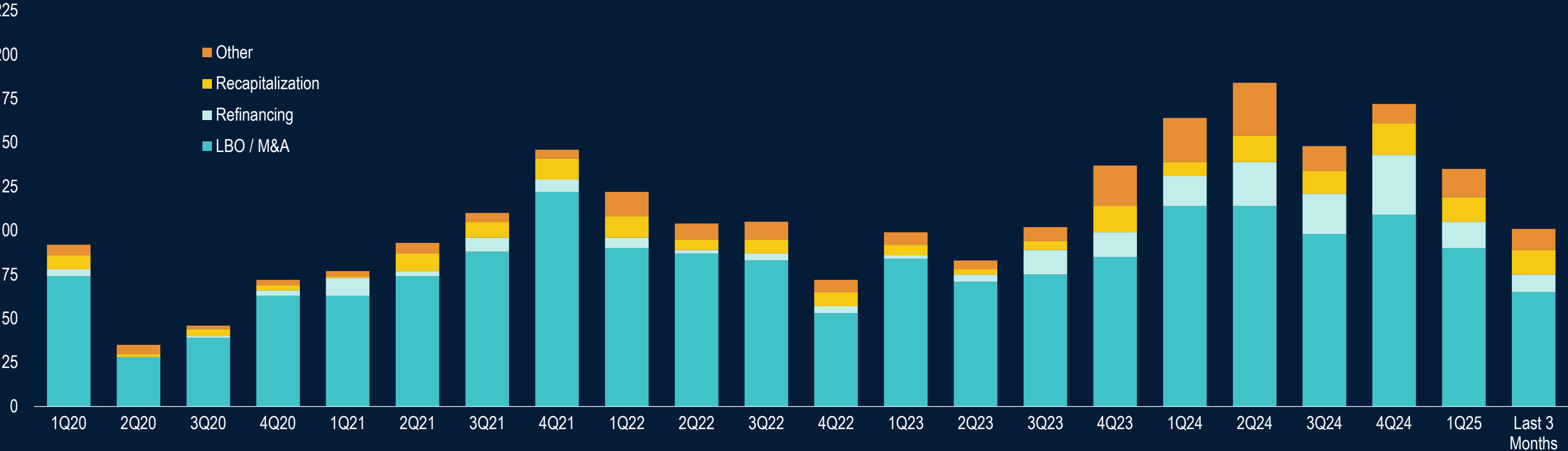
Source: PitchBook | LCD • Geography: US • *As of April 30, 2025

Deal count is based on transactions covered by LCD News



M&A activity retreats to the lowest level since Q4 2022

Count of PE-backed direct lending deals by use of proceeds



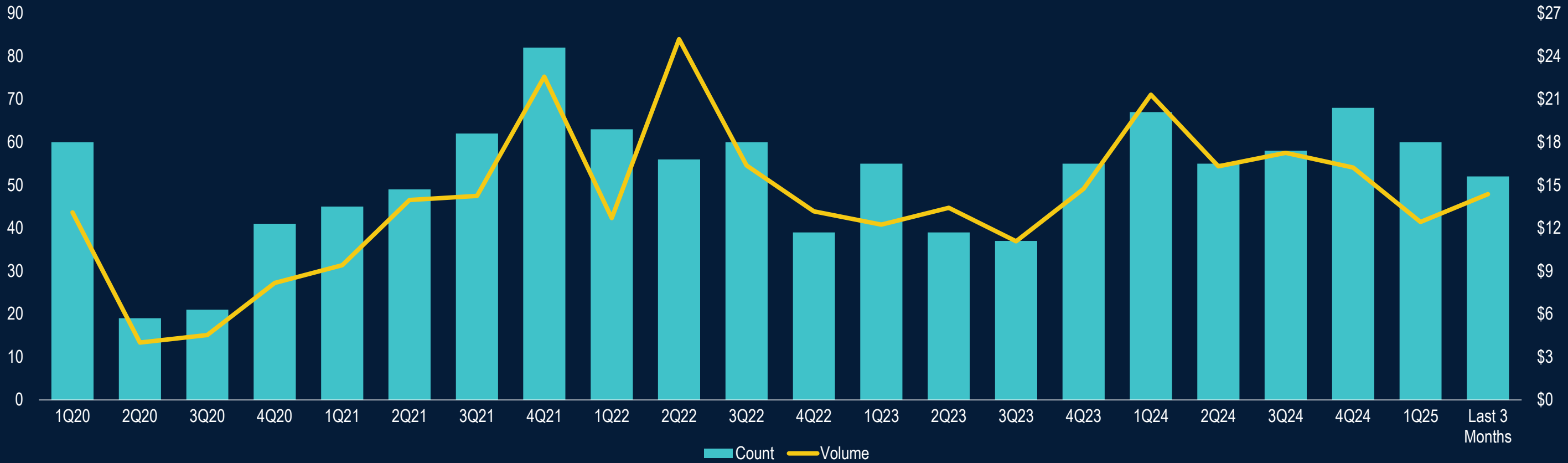
Source: PitchBook | LCD • Geography: US • *As of April 30, 2025

Deal count is based on transactions covered by LCD News



While direct lending market is open for buyouts, the expected surge in activity failed to materialize

Count and estimated volume of deals financing buyouts (quarterly) (\$B)



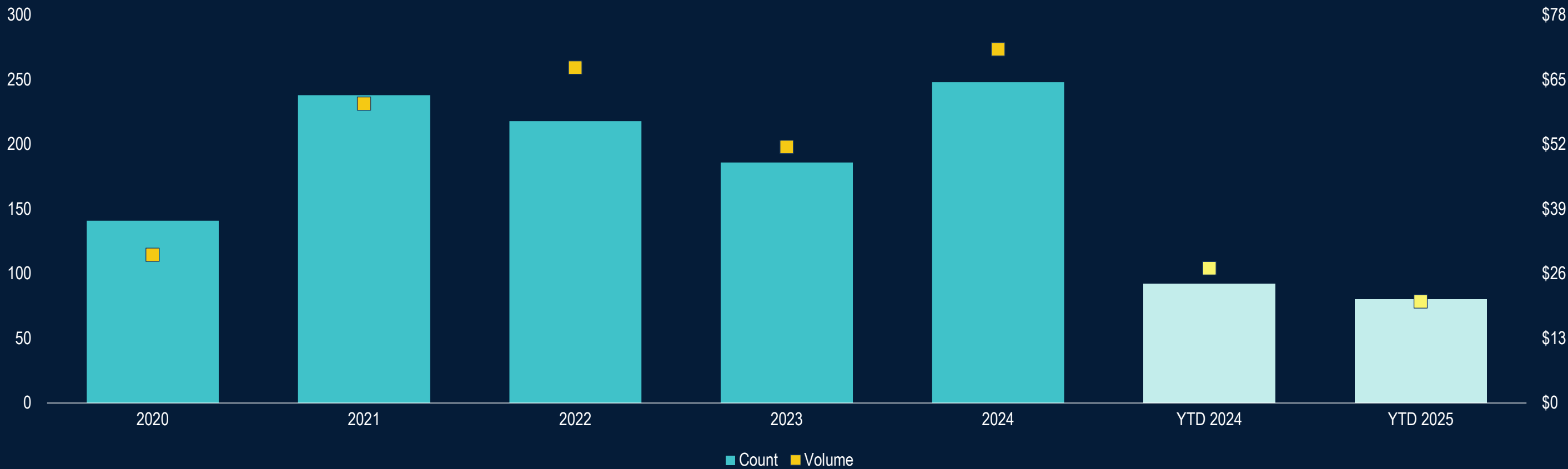
Source: PitchBook | LCD • Geography: US • *As of April 30, 2025

Deal count is based on transactions covered by LCD News



2025 activity trails last year by both volume and count

Count and estimated volume of deals financing LBOs (annual) (\$B)



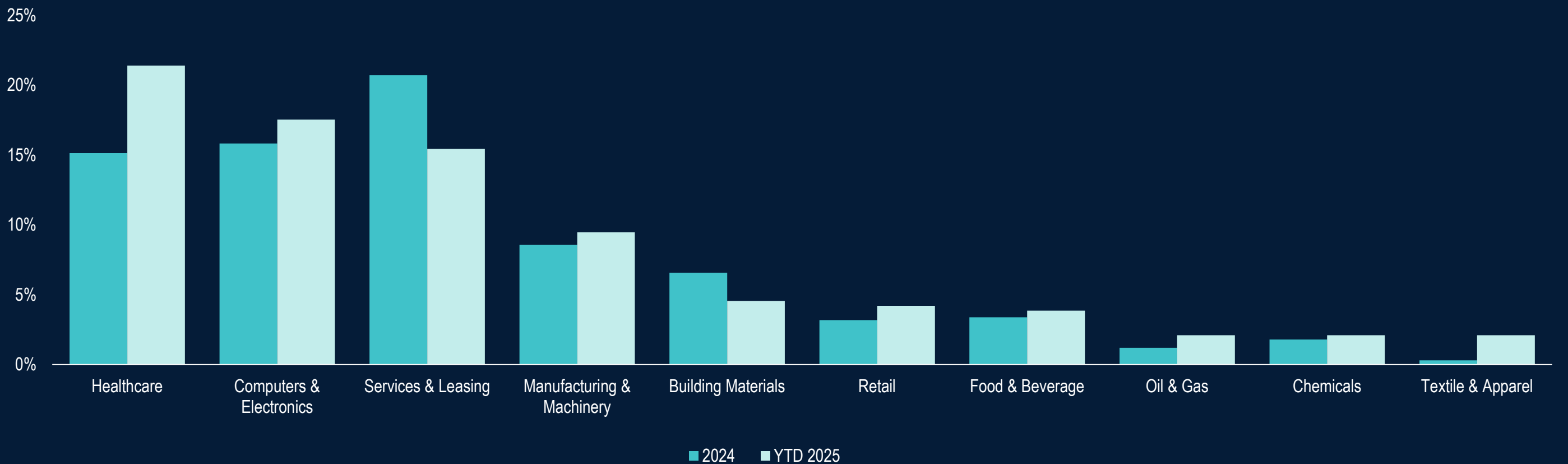
Source: PitchBook | LCD • Geography: US • *As of April 30, 2025

Deal count is based on transactions covered by LCD News



Direct lending issuance pivots toward healthcare in 2025

New-issue direct lending top 10 sectors – share by deal count



Source: PitchBook | LCD • Geography: US • *As of April 30, 2025

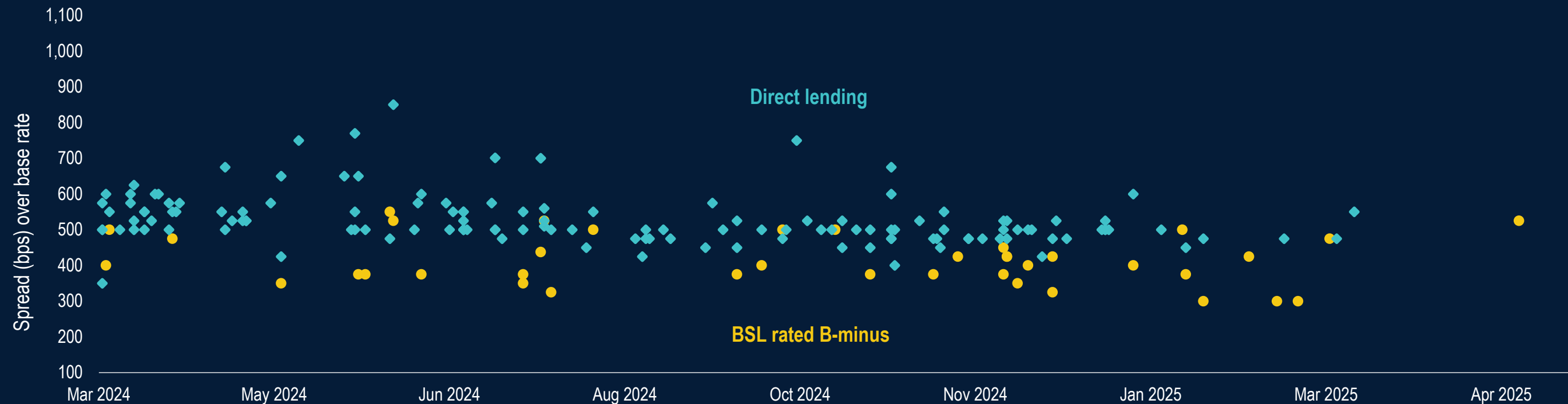


Spreads



Although M&A activity is light, lenders report the market is becoming more “lender-friendly”

New-issue spread of acquisition-related deals, PE-backed borrowers



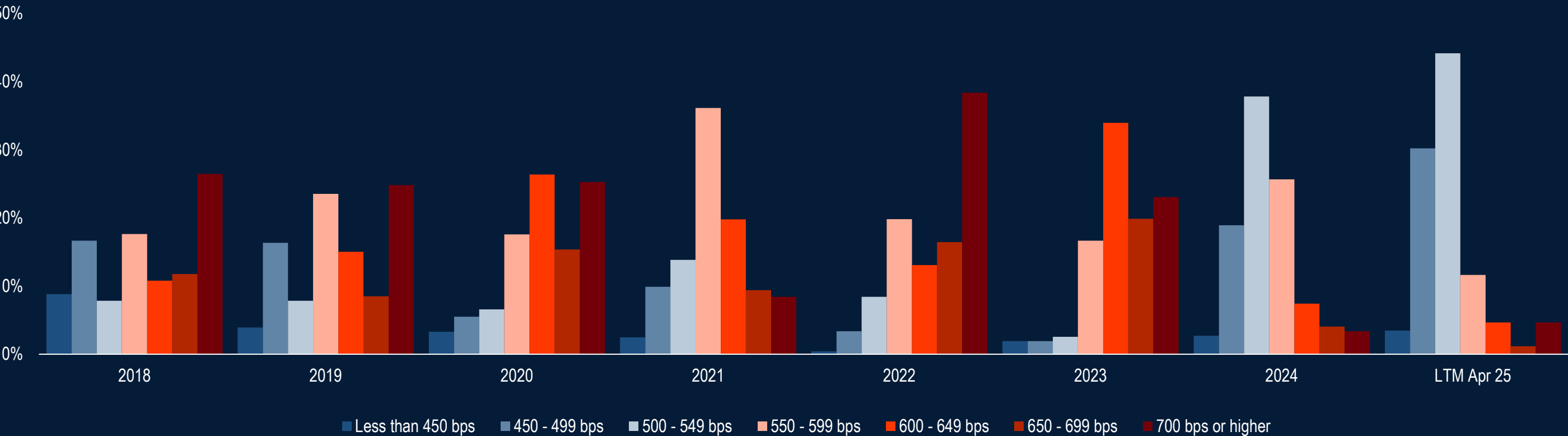
Source: PitchBook | LCD • Geography: US • *As of April 30, 2025

Direct lending data is based on transactions covered by LCD News, BDC filings and other public sources



Spreads have decreased significantly from their 2022 highs, with many borrowers able to price around S+500

New-issue spread distribution of LBOs financed in direct lending market



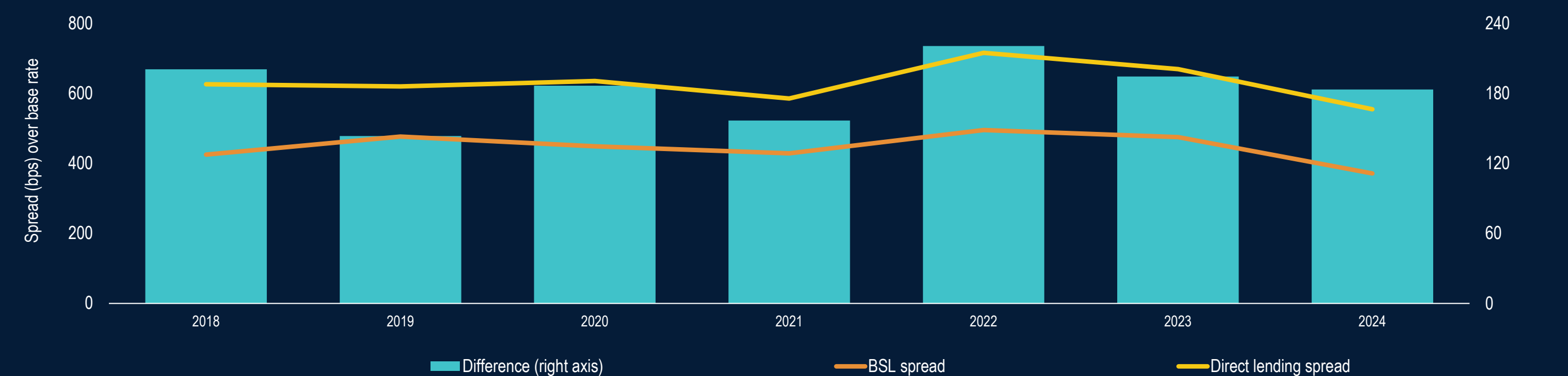
Source: PitchBook | LCD • Geography: US • *As of April 30, 2025

Data reflects senior secured loans and unitranche facilities.



Spreads compressed in 2024 as direct lenders competed with BSL market for larger deals

Spread of LBOs financed in BSL (B-minus borrowers) vs direct lending market



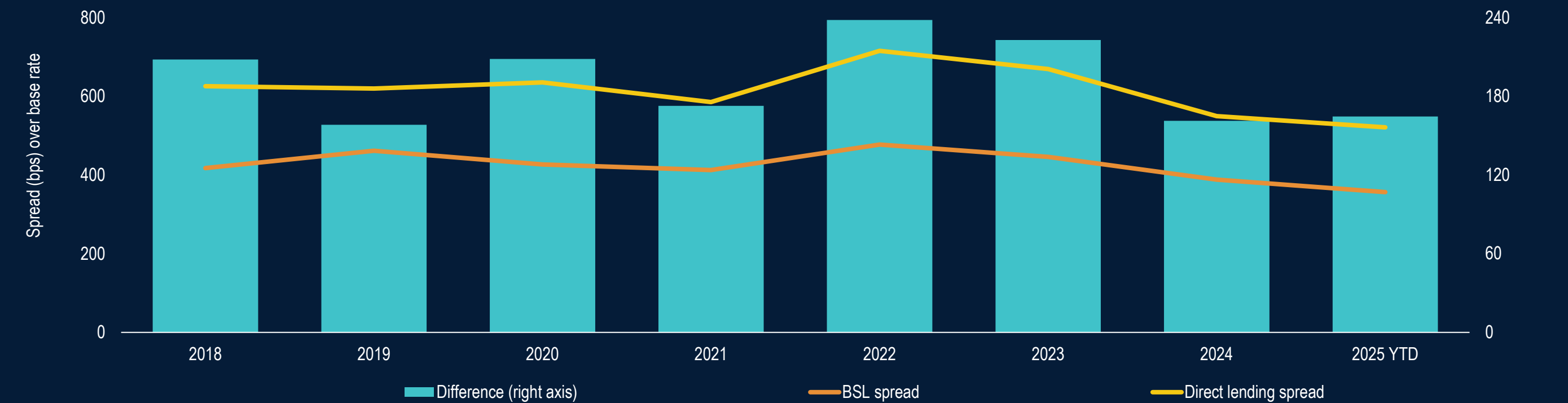
Source: PitchBook | LCD • Geography: US • *As of April 30, 2025

Direct lending spread data reflects senior secured first-lien loans and unitranche facilities. BSL data reflects loans issued to borrowers rated B-minus.



The gap between BSL and direct lending LBO spread has not changed so far in 2025, although LBO activity remains light

Spread of LBOs financed in BSL (all borrowers) vs direct lending market



Direct lending spread data reflects senior secured first-lien loans and unitranche facilities. BSL data reflects loans issued to all leveraged borrowers. Source: PitchBook | LCD • Geography: US • *As of April 30, 2025

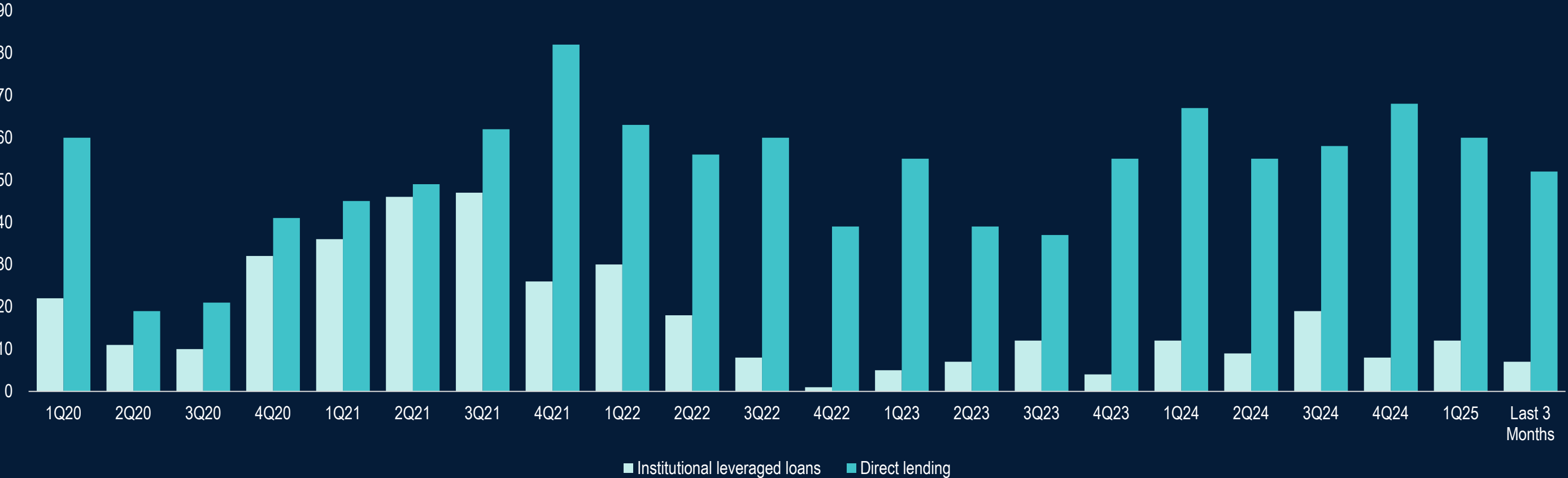


Broadly Syndicated vs. Direct Lending Market



Trade policy uncertainty has slowed buyout activity in both BSL and direct lending markets, based on count

Count of LBO deals financed in BSL vs direct lending market (quarterly)



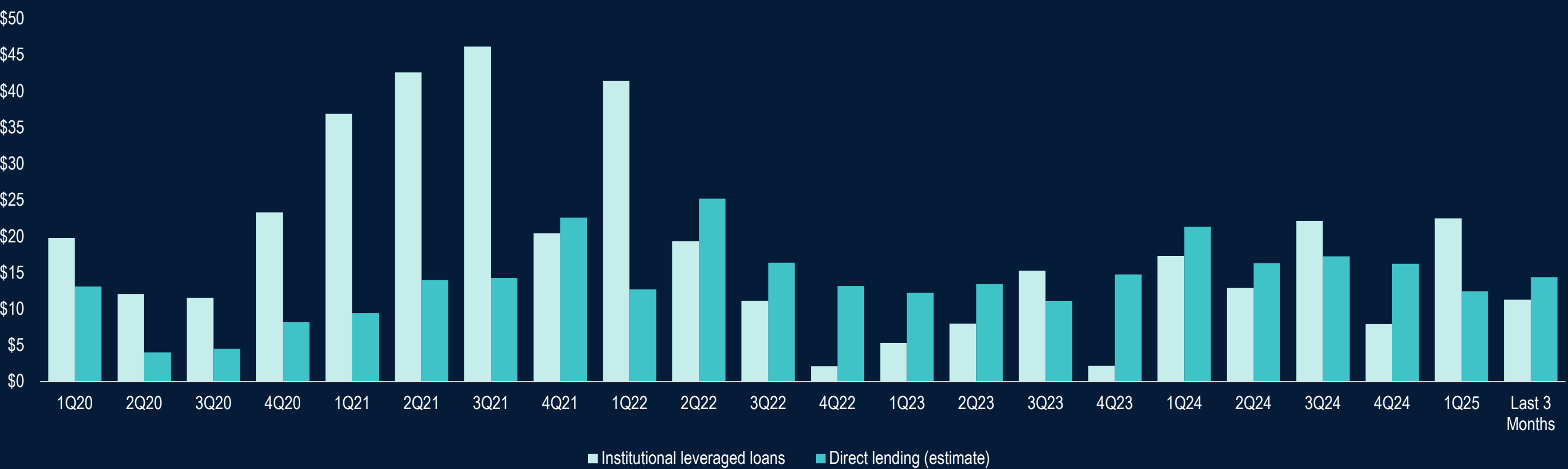
Source: PitchBook | LCD • Geography: US • *As of April 30, 2025

Deal count is based on transactions covered by LCD News



Although direct lending volume rose slightly in the last three months

New-issue volume for LBOs financed in BSL vs direct lending market (quarterly) (\$B)

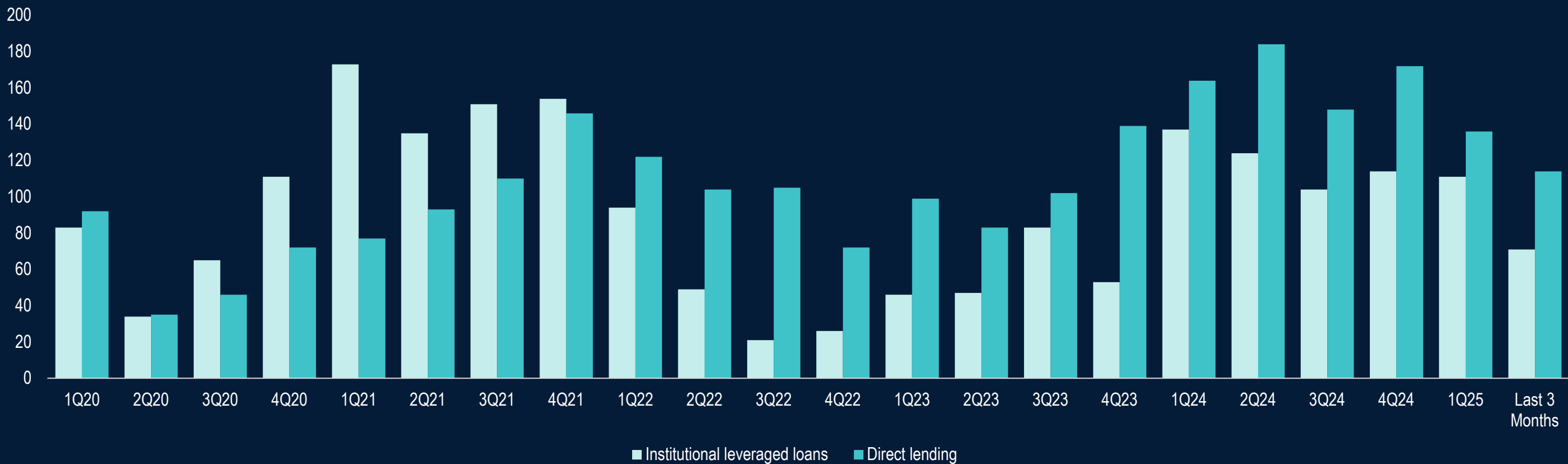


Source: PitchBook | LCD • Geography: US • *As of April 30, 2025



As refinancing activity slowed, the overall count of PE-backed transactions retreated

Count of sponsor-backed deals financed in BSL vs direct lending market (quarterly)



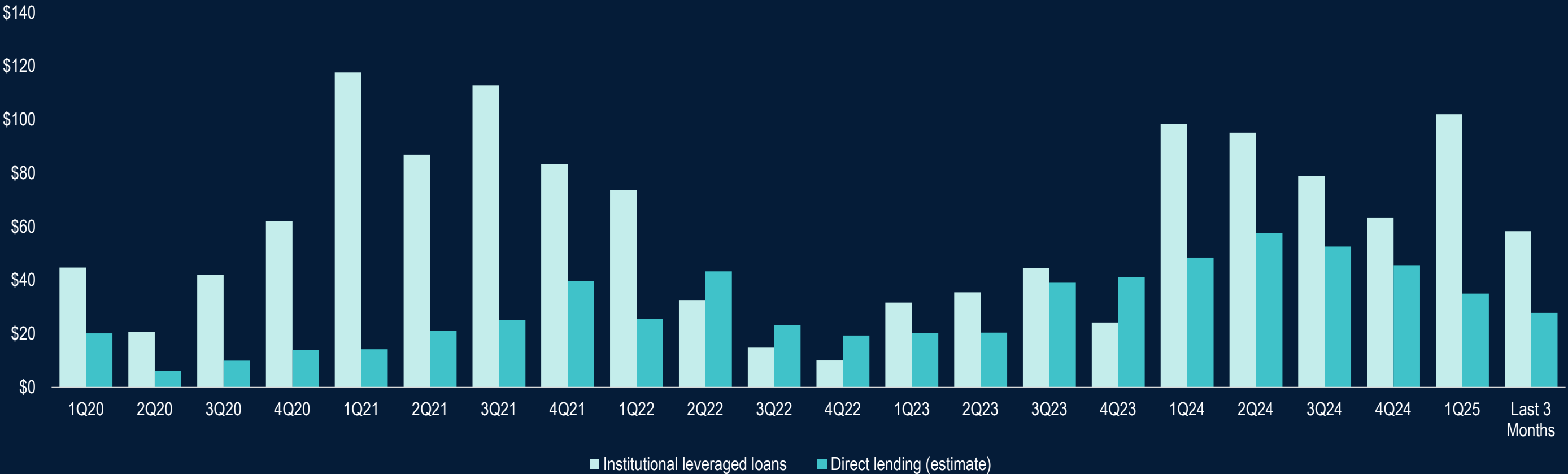
Source: PitchBook | LCD • Geography: US • *As of April 30, 2025

Deal count is based on transactions covered by LCD News



Volume declines across both liquid and direct markets

New-issue sponsor-backed volume for loans financed in BSL vs private credit market (quarterly) (\$B)



Source: PitchBook | LCD • Geography: US • *As of April 30, 2025

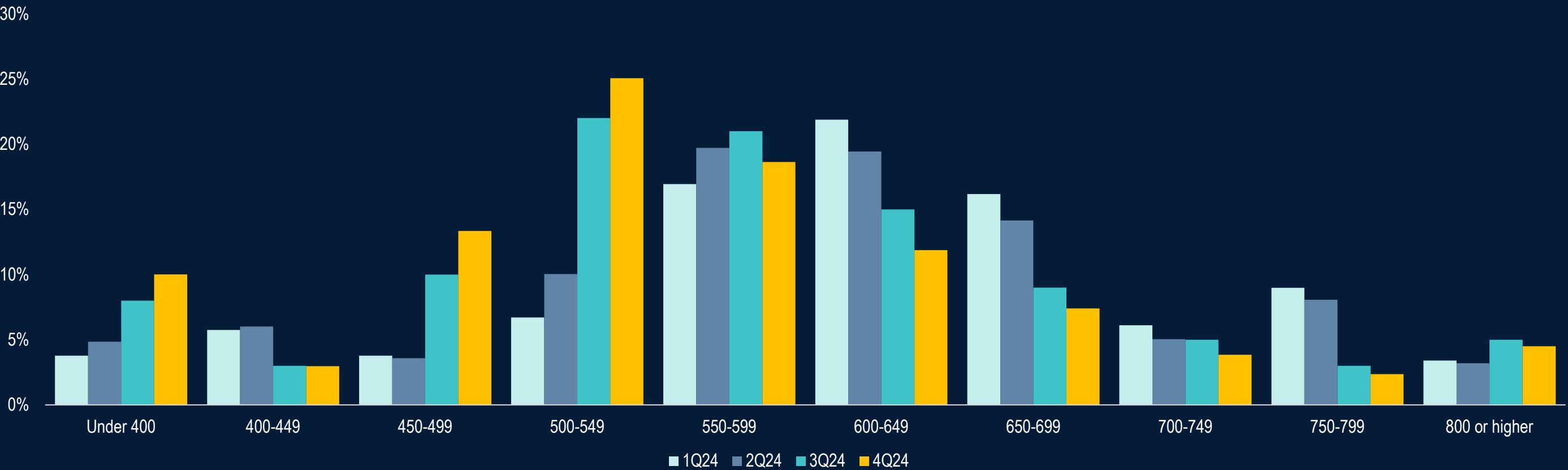


Business Development Companies (BDCs)



BDC portfolios signaled spread compression amid fierce competition for deals late last year

BDC holdings spread distribution ranges (bps) by share of portfolio, based on count

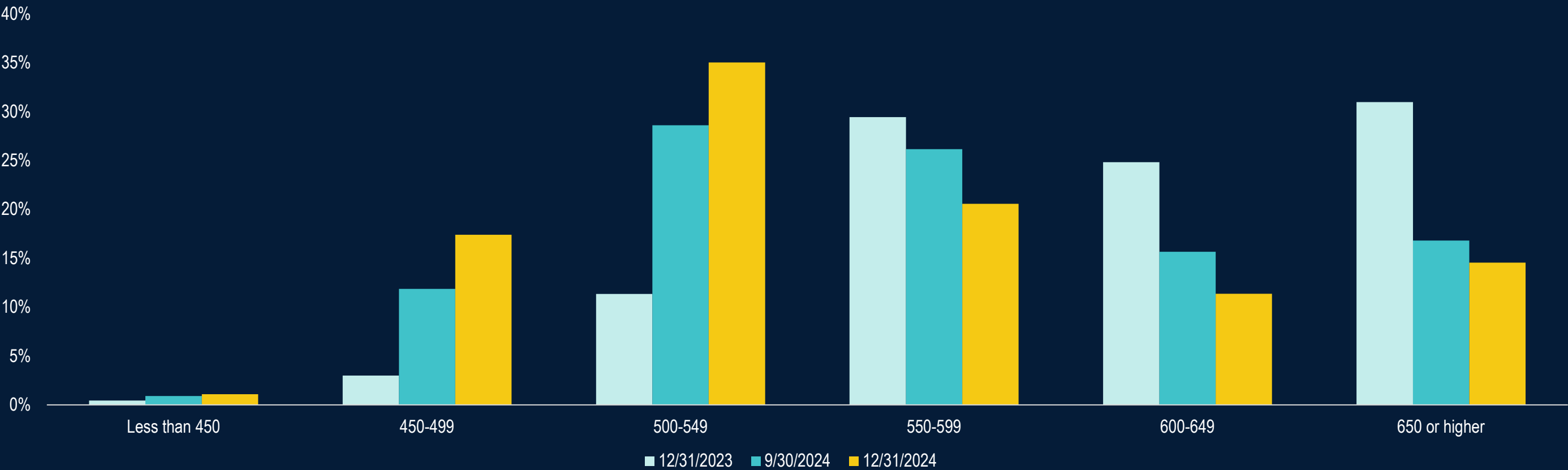


Source: PitchBook | LCD • Geography: US • *As of Dec. 31, 2024



The share of unitranche facilities with spreads under S+500 grew in 2024

Spread range (bps) for unitranche loans held by BDCs, based on count

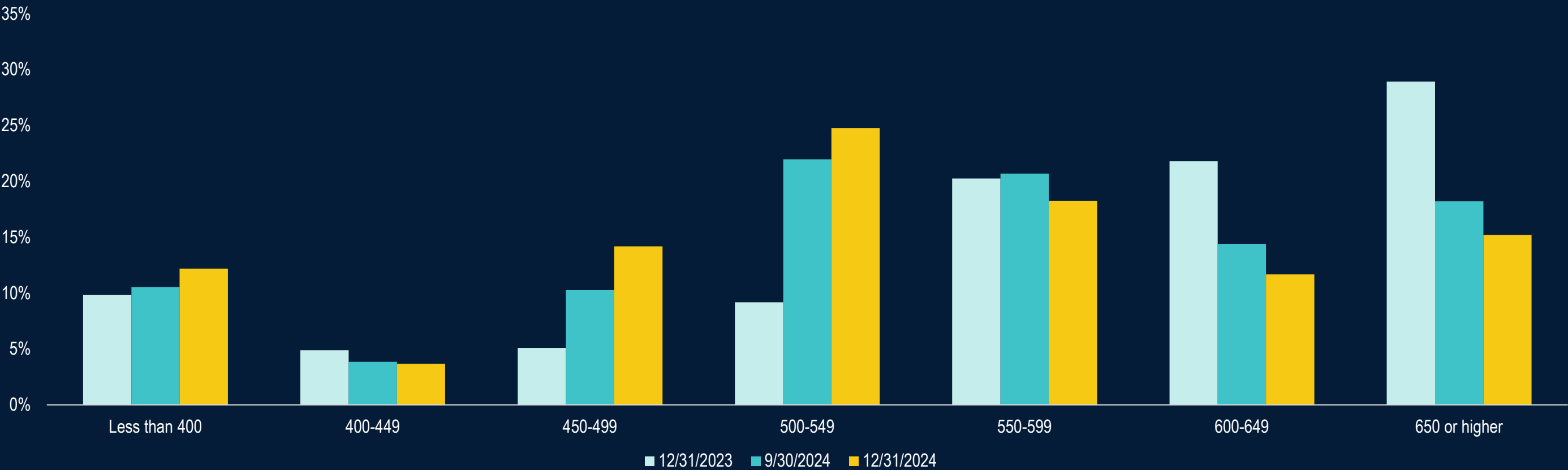


Source: PitchBook | LCD • Geography: US • *As of Dec. 31, 2024



Spreads narrowed from highs for first-lien loans as well

Spread range (bps) for senior secured first-lien term loans held by BDCs

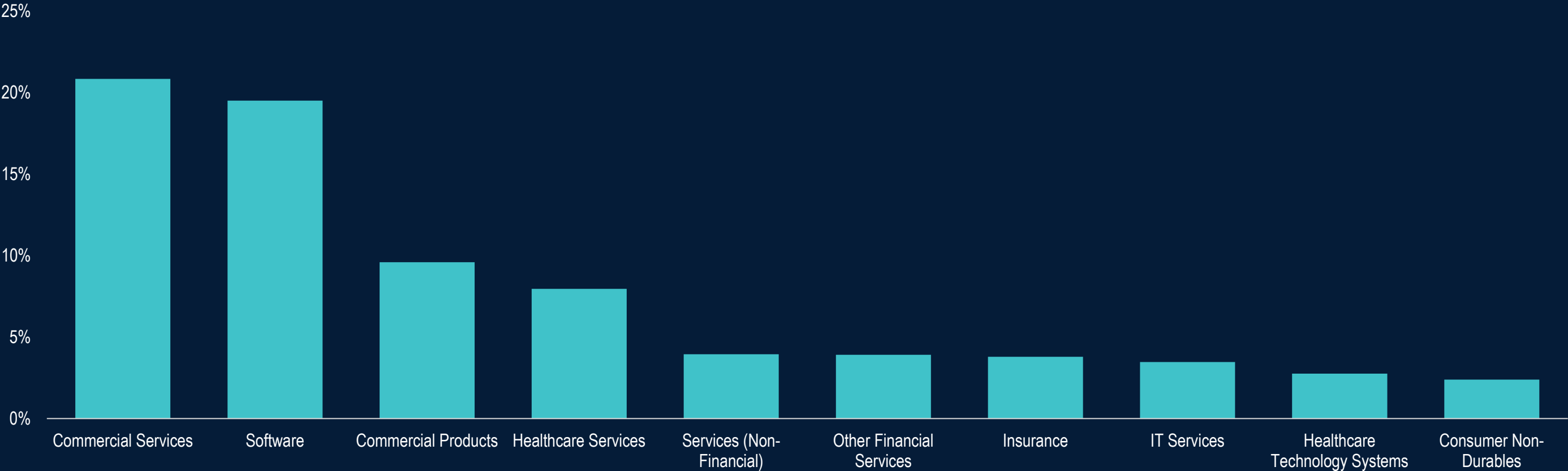


Source: PitchBook | LCD • Geography: US • *As of Dec. 31, 2024



Top ten BDC holdings by sector

Count of BDC holdings by sector (%)



Source: PitchBook | LCD • Geography: US • *As of Dec. 31, 2024

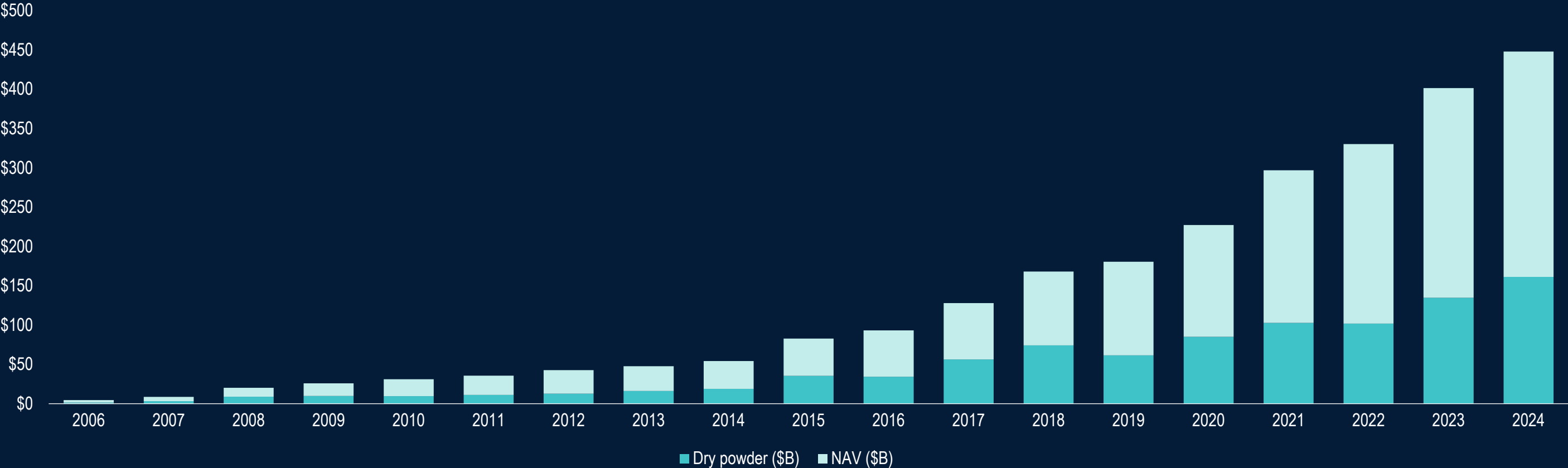


Direct Lending AUM, Private Debt Capital Raised, & CLO Issuance



Direct lending AUM rises steadily

US direct lending AUM (\$B)

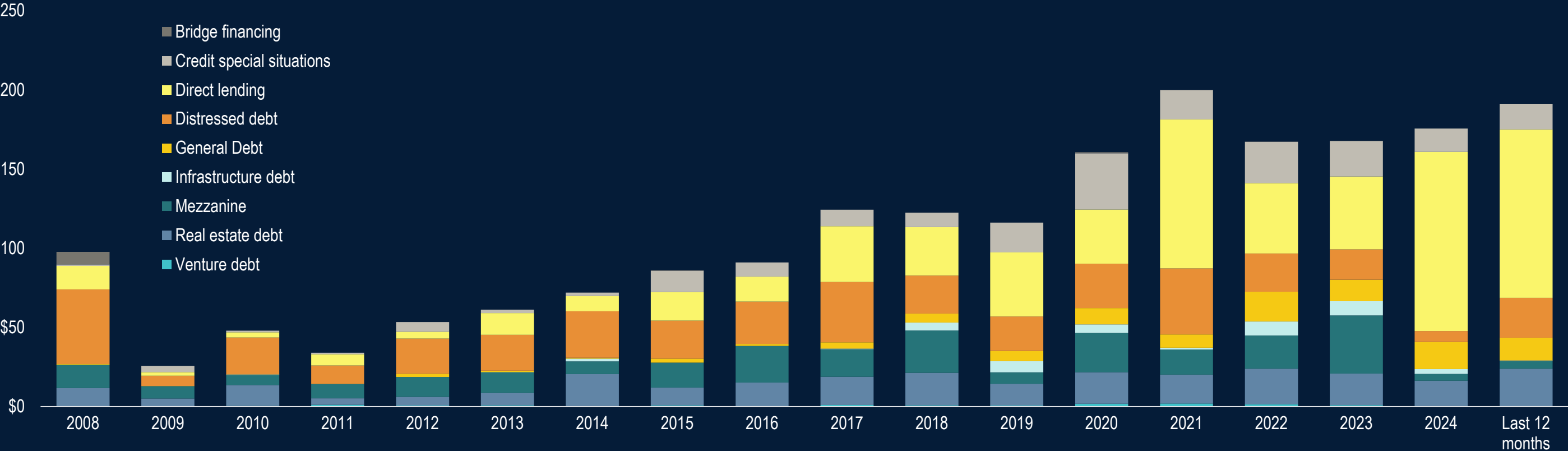


Source: PitchBook • Geography: US • *As of Sept. 30, 2024



Direct lending fundraising surged in 2024, approaching 2021 peak

US private debt capital raised by type (\$B)



Source: PitchBook • Geography: Global • *As of March 31, 2025



Demand from middle market/private credit CLOs remains robust

US middle market/private credit CLO issuance (\$B)



Source: PitchBook | LCD • Geography: US • *As of April 30, 2025

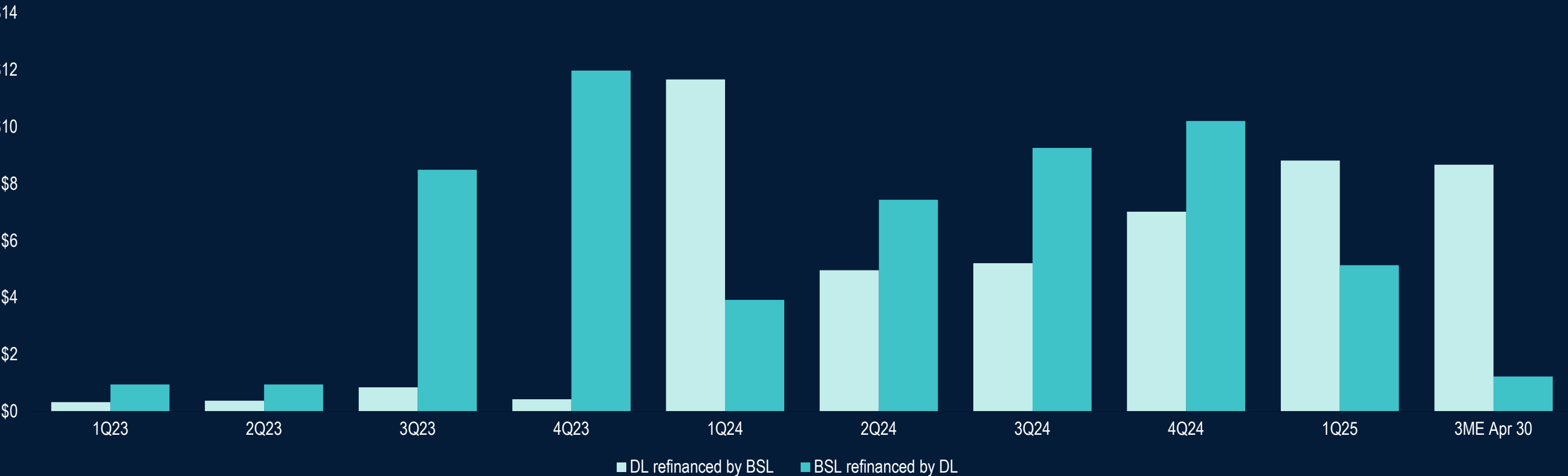


BSL & Direct Lending Takeouts



Broadly syndicated markets have competed effectively, giving borrowers & sponsors multiple routes to access capital

Syndicated loans and direct lending takeouts (\$B)



Source: PitchBook | LCD • Geography: US • *As of April 30, 2025

Historical data is subject to revisions as LCD collects additional information.



Borrowers refinancing their direct lending deals in the broadly syndicated markets find attractive pricing...

Last ten syndicated term loans that refinance debt provided by direct lenders

Company	PE sponsor	Borrower rating	Date	Debt being refinanced
MedRisk LLC	CVC Capital Partners	B-/B3	Jan 2025	A privately placed second-lien term loan
Anticimex International	EQT Partners	B-/B3	Feb 2025	Repay a SEK4.2 billion (roughly \$380 million-equivalent) second-lien term loan
Karman Holdings	Not Sponsored	NR/B1	Feb 2025	Existing debt
Performance Health Holdings	Madison Dearborn Partners	B/B2	Feb 2025	Existing debt
Kaseya Inc	Insight Ventures	B/NR	Feb 2025	Refinance existing direct lending deal
Citrin Cooperman & Company	Blackstone and co-investors	N/A	Feb 2025	N/A
Avalara Inc	Vista Equity Partners	N/A	Mar 2025	A \$2.5 billion unitranche facility
Chase Corp	KKR	N/A	Mar 2025	A unitranche facility due November 2030
ATG Entertainment	Providence Equity Partners	B/B2	Mar 2025	A unitranche facility issued in 2023
Cardinal	HIG Capital	B/B2	Mar 2025	Outstanding \$388 million term loan issued by Mainline Information Systems

Source: Pitchbook | LCD • Geography: US • *As of April 30, 2025

Table is based on LCD News reporting.



...while those leaving the BSL space find flexibility, certainty of execution and other benefits

Most recent direct lending deals refinancing broadly syndicated term loans

Company name	Date	Debt amount (\$M)	Current sponsor	Last BSL deal date	Lender(s)
Quorum Software	Nov 2024	865	Thoma Bravo	Feb 2019	Apollo Global Management led; lenders include Ares, Blackstone, Antares, Carlyle, Cliffwater, GSAM, Thoma Bravo Credit, Diameter, HPS, Jefferies, Canal Road Group, New Mountain Capital
PSAV Presentation Services (Encore)	Dec 2024	N/A	W Capital Partners	Nov 2020	Antares
CommScope Inc	Dec 2024	4,150	Not Sponsored	Jan 2019	Existing first-lien lenders, including Apollo and Monarch Alternative Capital
Trilliant Food and Nutrition	Dec 2024	N/A	N/A	N/A	N/A
Trillium Flow Technologies	Dec 2024	375	First Reserve	May 2024	Blue Owl
Compassus	Dec 2024	N/A	N/A	N/A	N/A
Global Healthcare Exchange	Dec 2024	N/A	Warburg Pincus	Feb 2024	Golub
Clario Holdings	Jan 2025	4,000	Nordic Capital, Astorg	May 2024	Blackstone Credit & Insurance
PCI Pharma Services	Jan 2025	4,500	Kohlberg & Co	May 2024	Blue Owl
Alvogen Pharma US	Mar 2025	553	CVC	Jul 2021	Centerbridge Partners

Source: PitchBook | LCD • Geography: US • *As of April 30, 2025

Table is based on LCD News reporting.



Methodology



Methodology

Data composition:

- Unless otherwise noted, data reflects new-issue direct lending transactions as tracked by PitchBook LCD. Except for BDC analysis, charts reflect new transactions in the US direct lending market, including both private-equity-backed borrowers and non-backed borrowers, as covered by LCD News.
- We define direct lending as directly originated loans to corporate borrowers that are not broadly syndicated. These borrowers are typically unrated and tend to be small to midsized companies. However, in recent years, larger borrowers have also issued this type of financing. This type of financing is typically provided by a non-bank lender, or a small “club,” or group, of lenders. These loans are generally not tradeable as broadly syndicated loans are. Lenders usually provide the financing with the intention of holding the debt to maturity.
- BDC analysis is based on quarterly filings of over 100 BDC portfolios as tracked by PitchBook LCD.
- Given the opaque nature of the direct lending market, deal size is not available for every transaction. To calculate overall volume, LCD estimates deal size where it is not available using historical averages within our dataset.

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