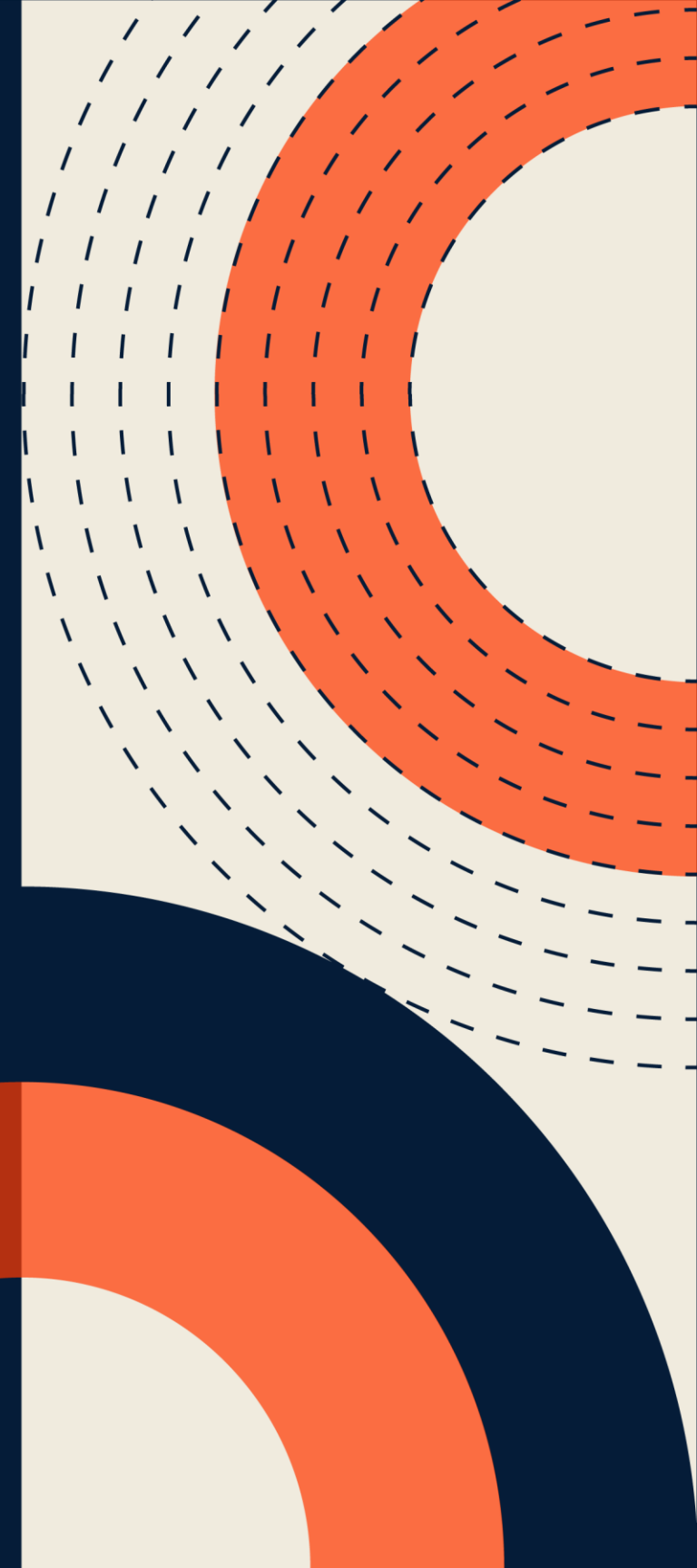


US

Private Credit Monitor

March 2025





Key Takeaways

- **Direct lending deal activity is off to a slow start** – Dealmaking started slowly in 2025 as M&A interest ebbed in the face of a rapidly shifting regulatory environment. Both estimated loan volume and deal count are trailing last year's pace due to fewer large buyouts financed by direct lenders amid the uncertain M&A outlook.
- **Private equity remains a major driver, but issuance is softer** – Sponsor-backed deals continue to represent the lion's share of direct lending, although new issuance has dipped in early 2025. LBO activity, which rebounded in 2024, has declined, indicating potential market hesitation around political turmoil.
- **Key sectors are driving activity** – Healthcare, technology, and services remain the dominant industries in direct lending, accounting for a combined 56% of all deals so far in 2025. Borrowers from the healthcare sector took the top spot during the first quarter, with a 23% share by deal count, up from 15% in 2024.
- **Spreads continue to compress amid fierce competition for deals** – Q4 2024 BDC filings indicate further spread compression in the direct lending market. Increased competition from syndicated loans pressured spreads for larger borrowers, encouraging repricing activity as direct lenders fought to keep their best performers in their portfolios.
- **Who's winning the tug-of-war?** – Institutional loans have reclaimed some market share as more large direct lending deals migrated to broadly syndicated markets during the first quarter, where new-issue spreads have tightened to the lowest levels in over a decade. Nearly \$9 billion of loans provided by direct lenders were refinanced in the BSL market during the first quarter, with just over \$5 billion flowing in the opposite direction.
- **Refinancings and dividend recaps are playing a larger role in deal activity** – Direct lending transactions are increasingly being used for refinancings or recaps rather than new buyouts or acquisitions, as the M&A resurgence has failed to materialize amid increased uncertainty.
- **CLO issuance sets a record** – Middle market/private credit CLO issuance of \$12.1 billion in the first quarter, based on 20 vehicles, was an all-time high, reflecting sustained investor demand for direct lending loan exposure. The pace this year is 21% ahead of last year's pace.
- **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.

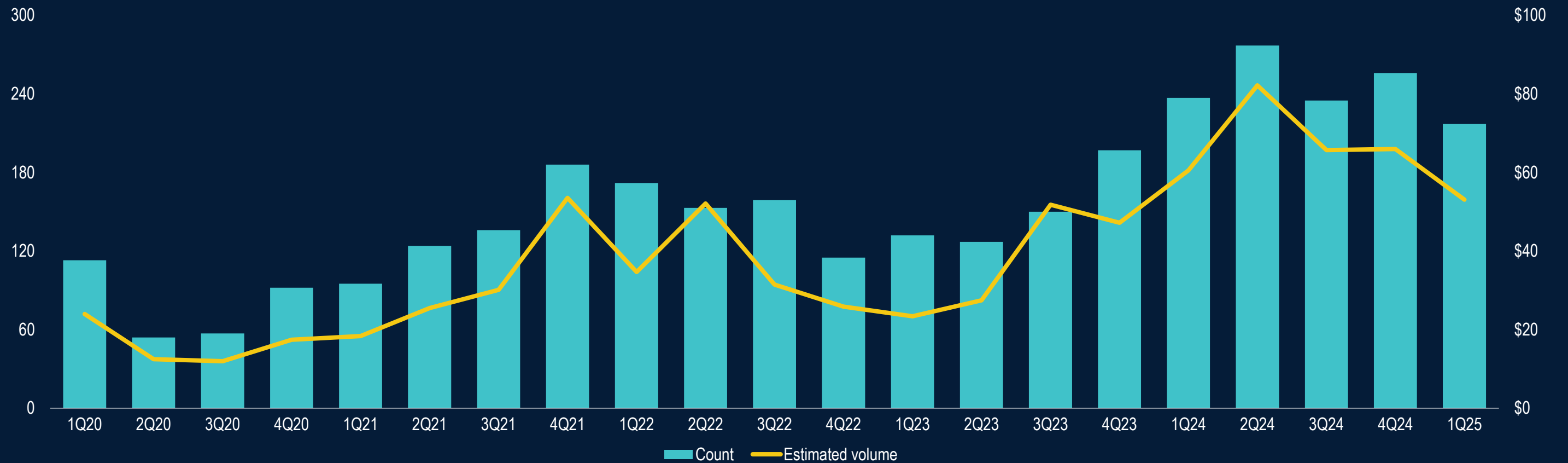


Direct Lending Volume & Counts



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

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



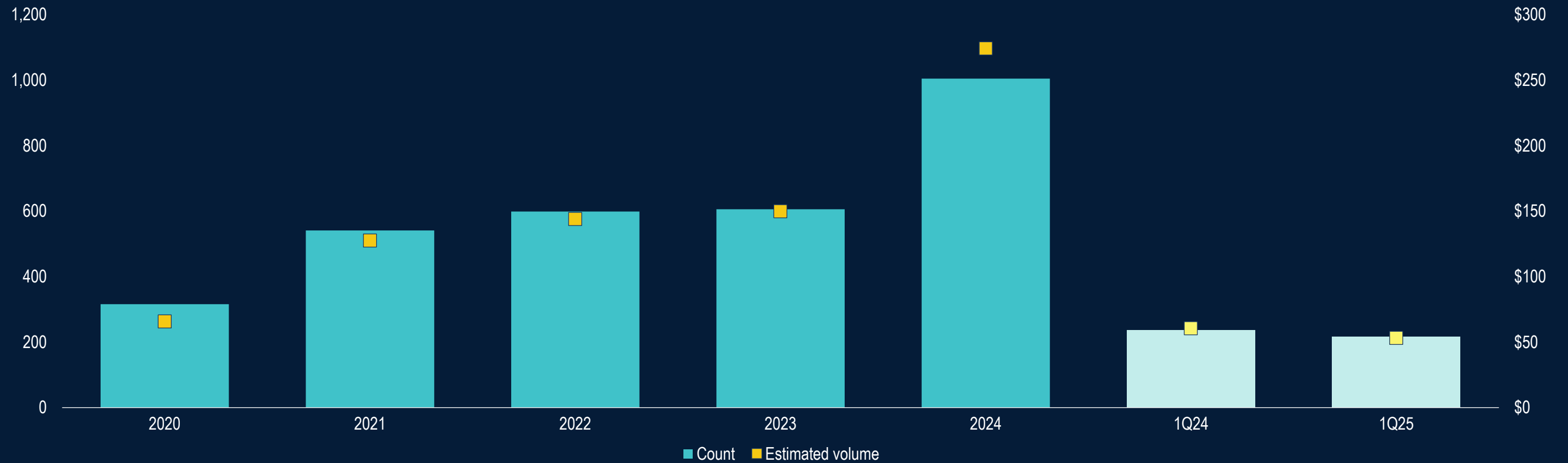
Source: PitchBook | LCD • Geography: US • *As of March 31, 2025

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)



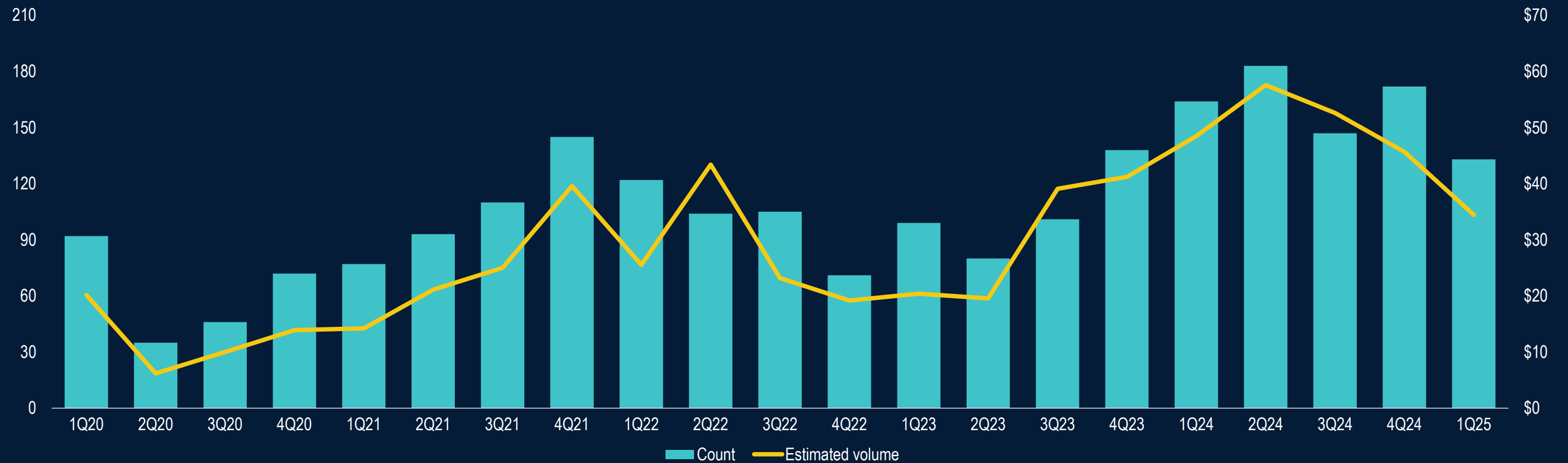
Source: PitchBook | LCD • Geography: US • *As of March 31, 2025

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)



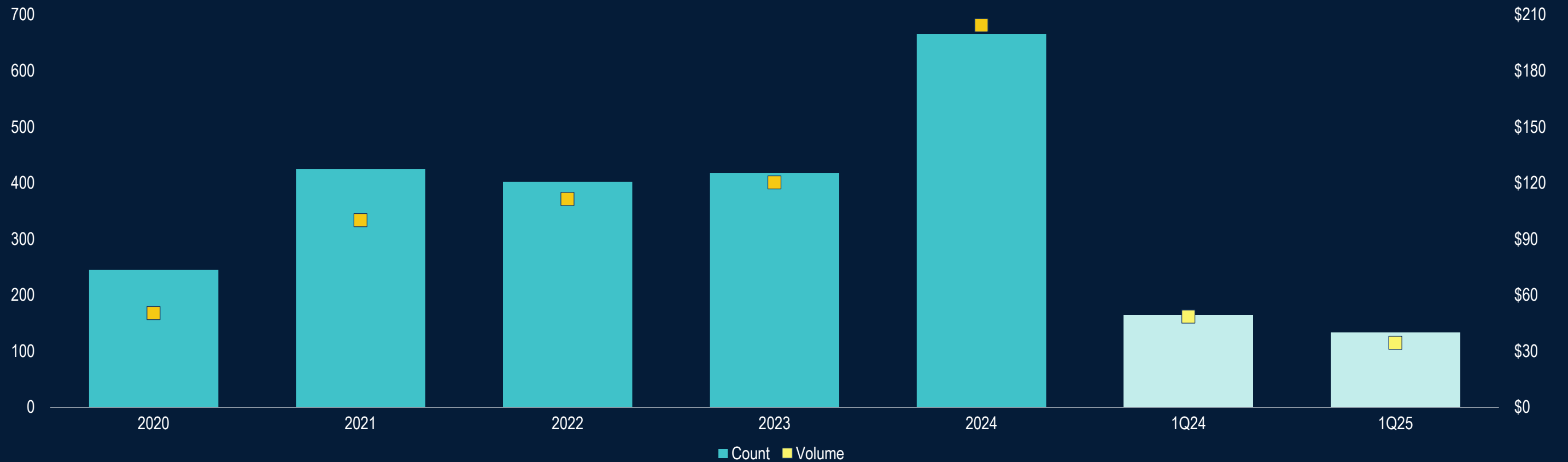
Source: PitchBook | LCD • Geography: US • *As of March 31, 2025

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)



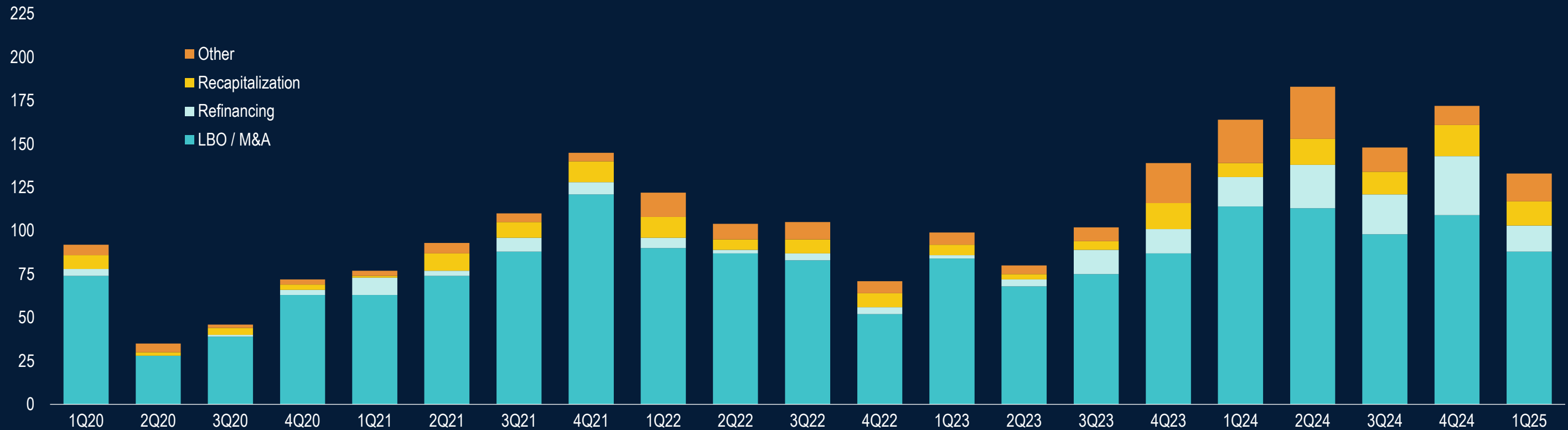
Source: PitchBook | LCD • Geography: US • *As of March 31, 2025

Deal count is based on transactions covered by LCD News



Refinancing and recap share remains above historical averages

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



Source: PitchBook | LCD • Geography: US • *As of March 31, 2025

Deal count is based on transactions covered by LCD News



LBO loan volume has declined to the lowest level since 2023 as lenders finance fewer jumbo transactions

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



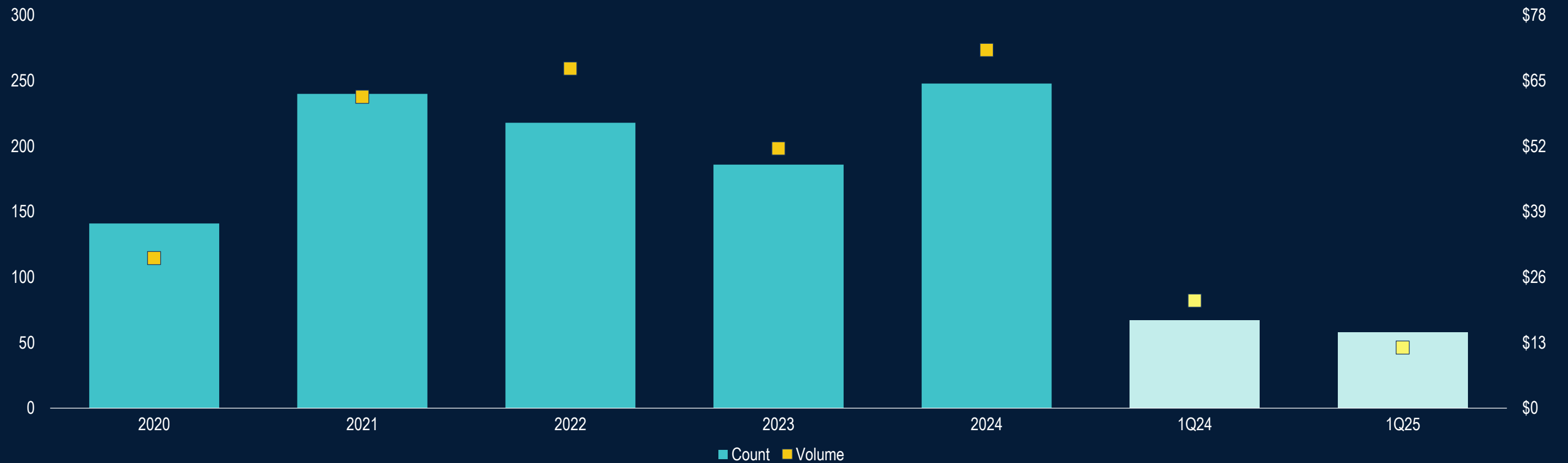
Source: PitchBook | LCD • Geography: US • *As of March 31, 2025

Deal count is based on transactions covered by LCD News



Expected increase in buyout activity has not materialized yet in 2025

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



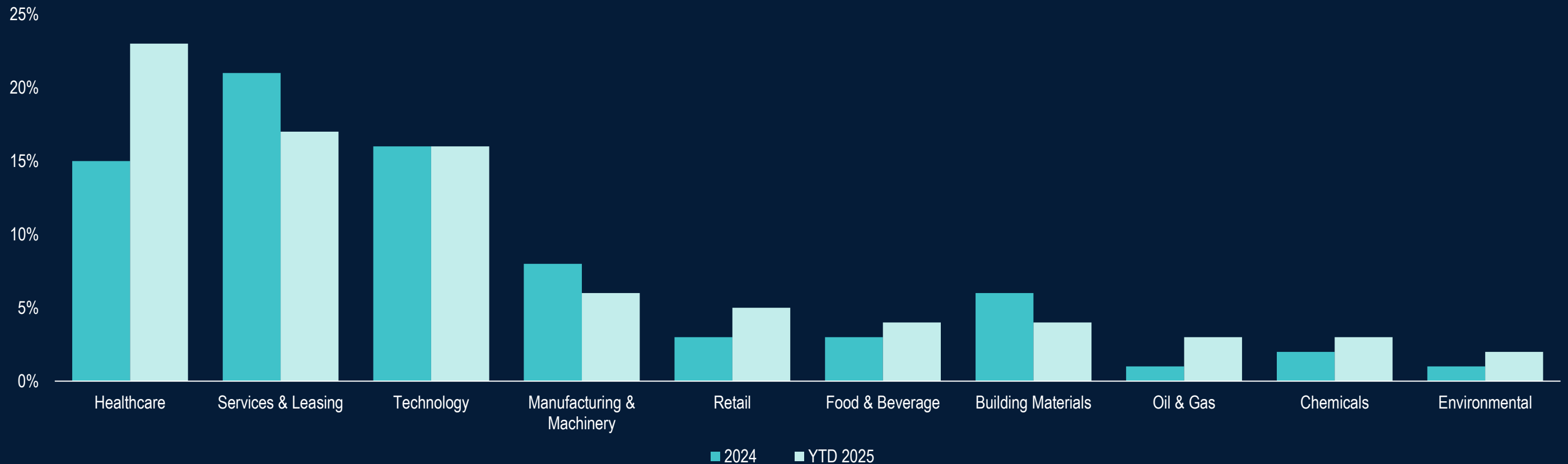
Source: PitchBook | LCD • Geography: US • *As of March 31, 2025

Deal count is based on transactions covered by LCD News



Direct lending issuance pivots toward healthcare as 2025 gets underway

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



Source: PitchBook | LCD • Geography: US • *As of March 31, 2025

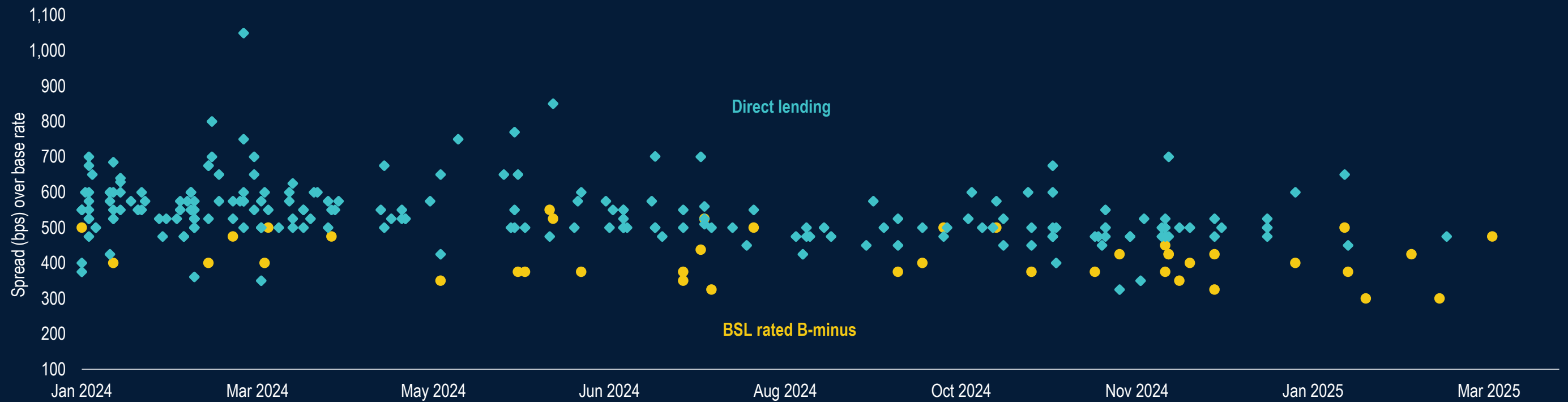


Spreads



Direct lending spreads for PE-backed acquisition-related deals move more in line with BSL

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



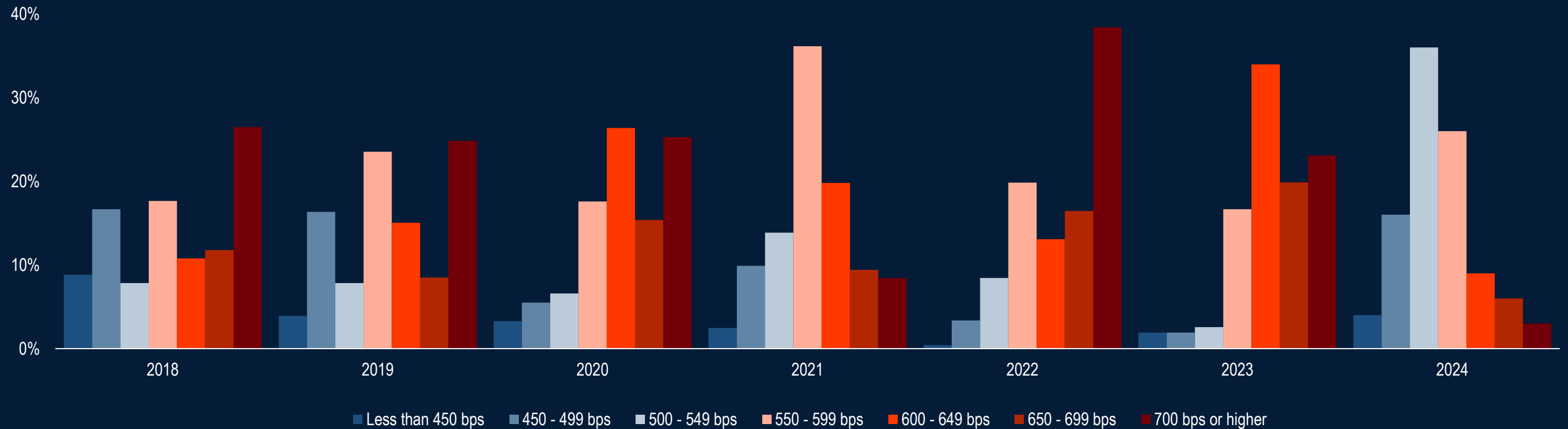
Source: PitchBook | LCD • Geography: US • *As of March 31, 2025

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 Dec. 31, 2024

Data reflects senior secured loans and unitranche facilities.



Spread compression continues as direct lenders compete with BSL market for larger deals

Spread of LBOs financed in BSL vs direct lending market



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

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

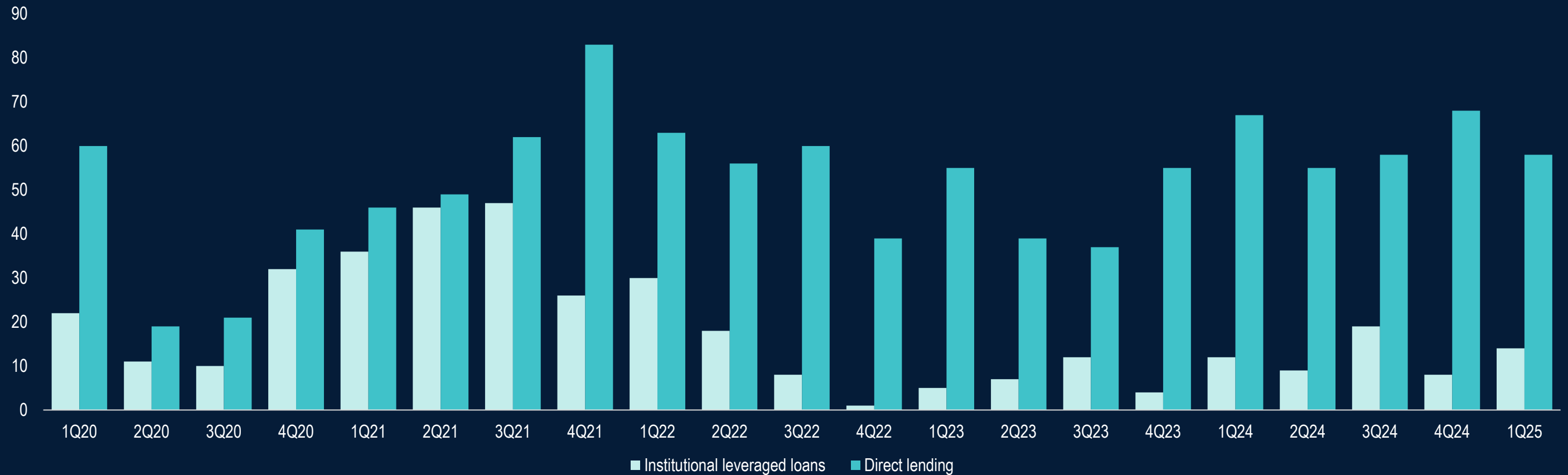


Broadly Syndicated vs. Direct Lending Market



While LBOs financed by direct lenders still outnumber syndicated transactions, the ratio improved for the BSL market

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



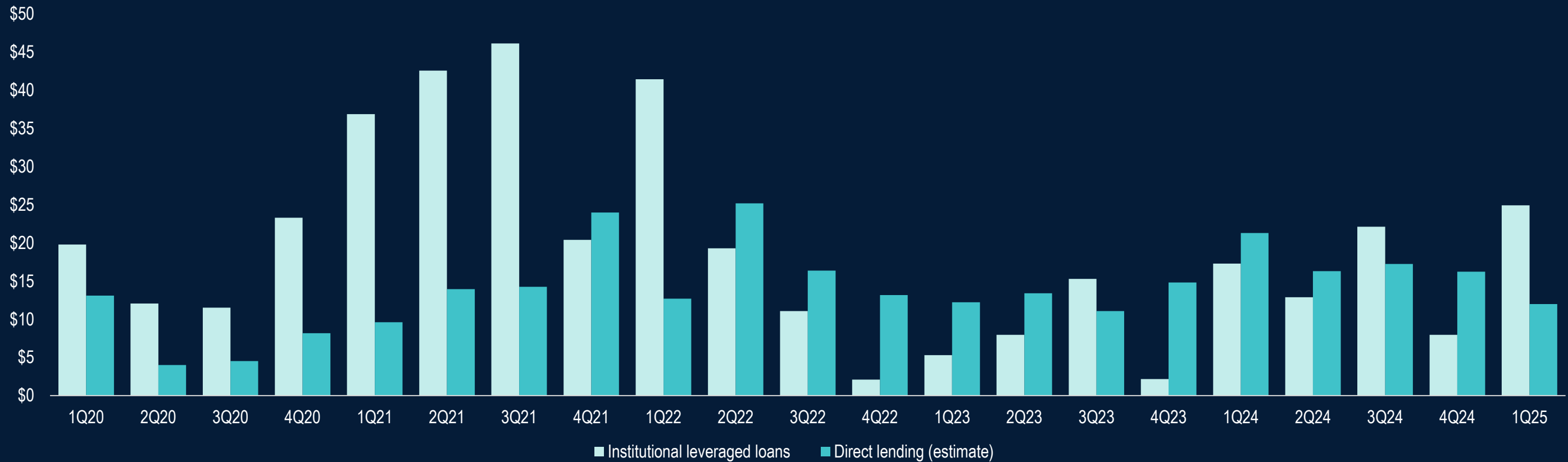
Source: PitchBook | LCD • Geography: US • *As of March 31, 2025

Deal count is based on transactions covered by LCD News



BSL market recovered market share, as volume rose to a three-year high in the quarter

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

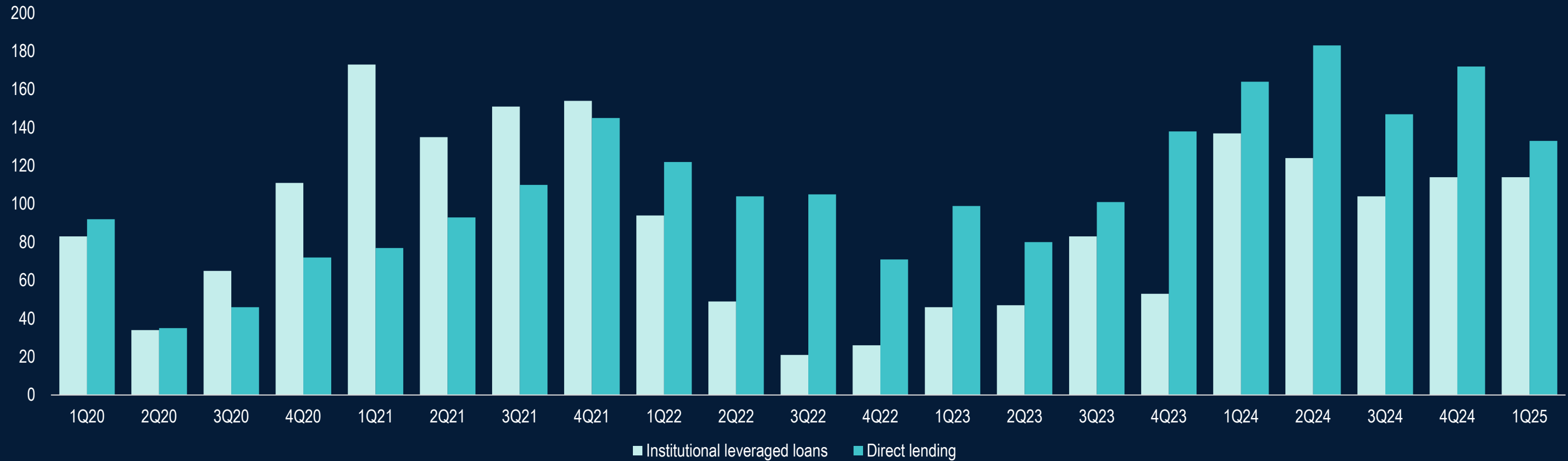


Source: PitchBook | LCD • Geography: US • *As of March 31, 2025



2025 activity trails 2024 pace for both BSL and direct lending markets, based on count

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



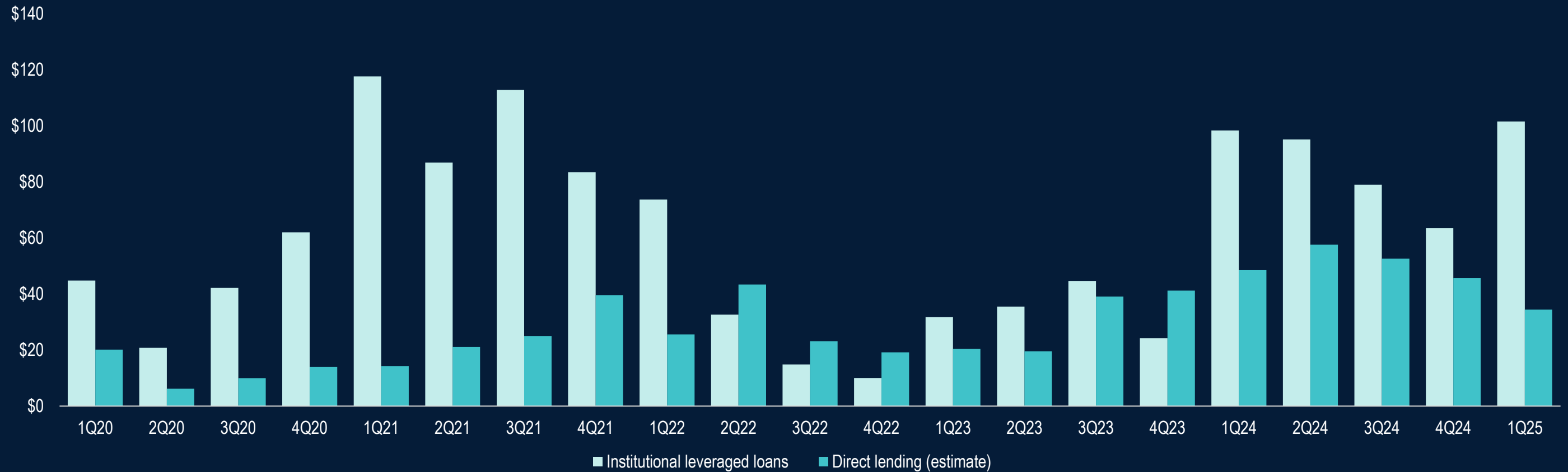
Source: PitchBook | LCD • Geography: US • *As of March 31, 2025

Deal count is based on transactions covered by LCD News



January issuance blitz in the BSL market helped bring quarterly volume to the highest point since 2021

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



Source: PitchBook | LCD • Geography: US • *As of March 31, 2025

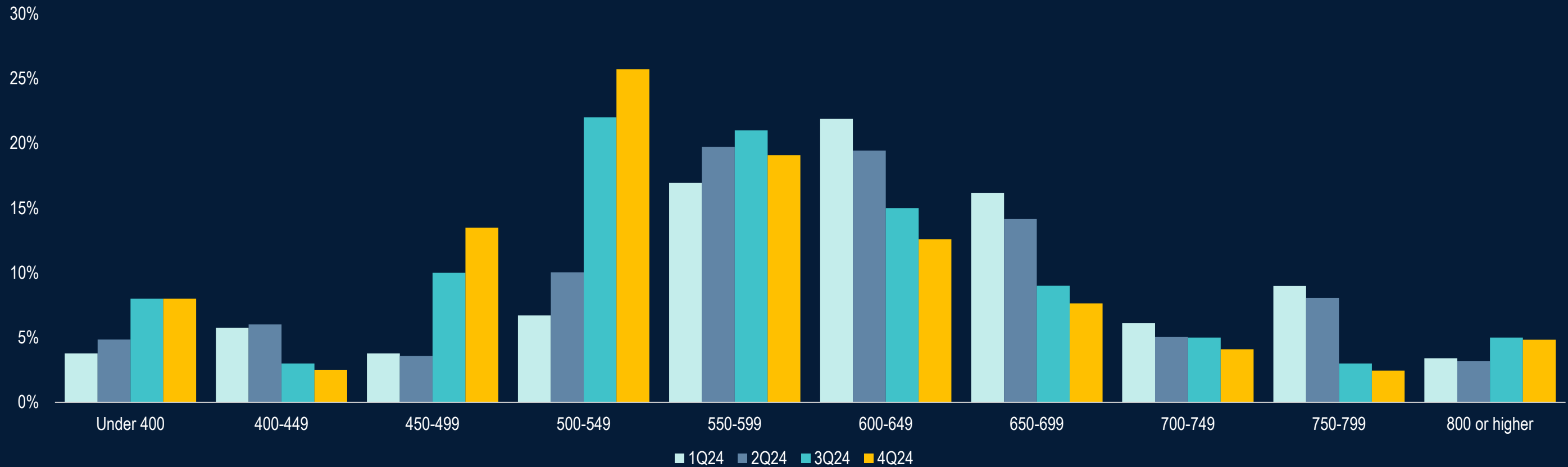


Business Development Companies (BDCs)



BDC portfolios signal spread compression amid fierce competition for deals

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

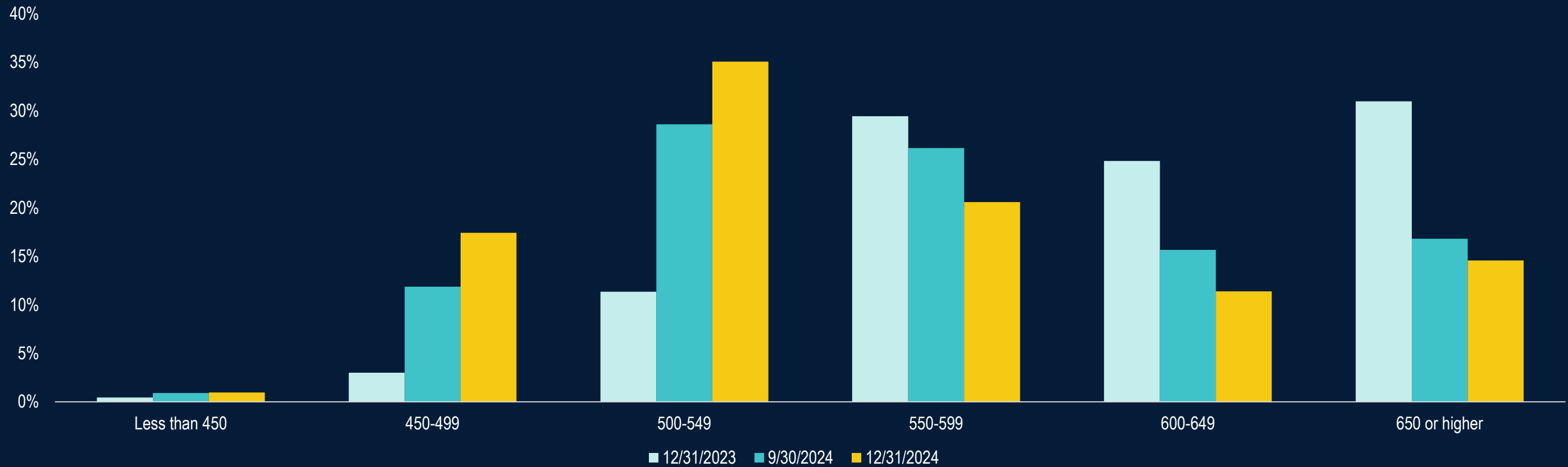


Source: PitchBook | LCD • Geography: US • *As of Dec. 31, 2024



The share of unitranche facilities with spreads under S+500 grows

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

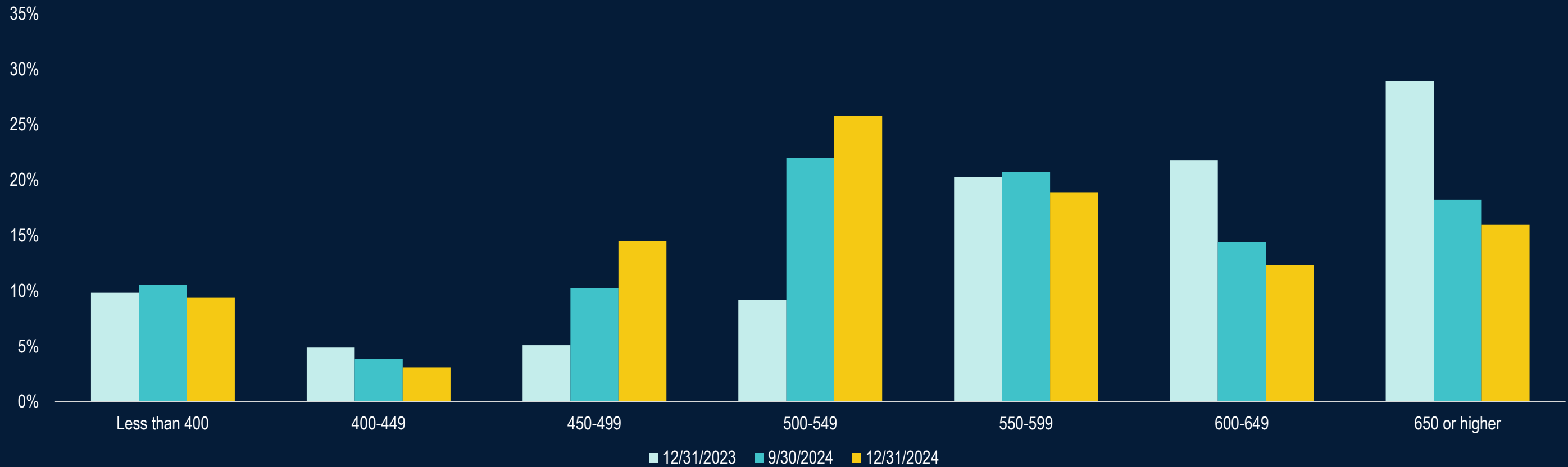


Source: PitchBook | LCD • Geography: US • *As of Dec. 31, 2024



Spreads narrow from highs for first-lien loans as well

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

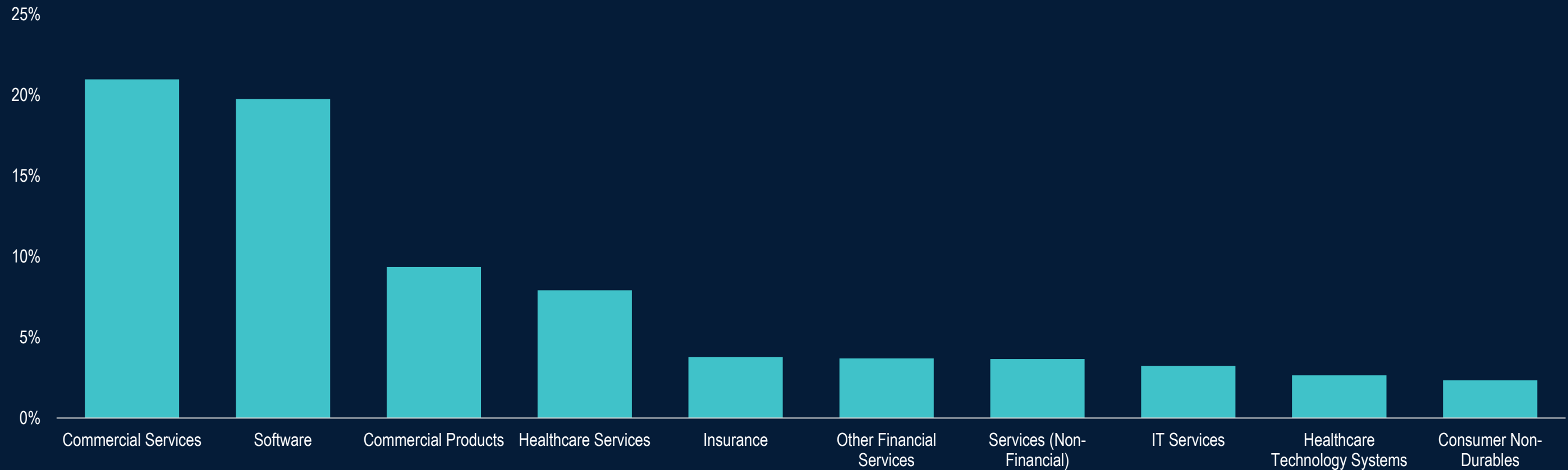


Source: PitchBook | LCD • Geography: US • *As of Dec. 31, 2024



Top ten BDC holdings by sector

Count of BDC holdings by sector (%)



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

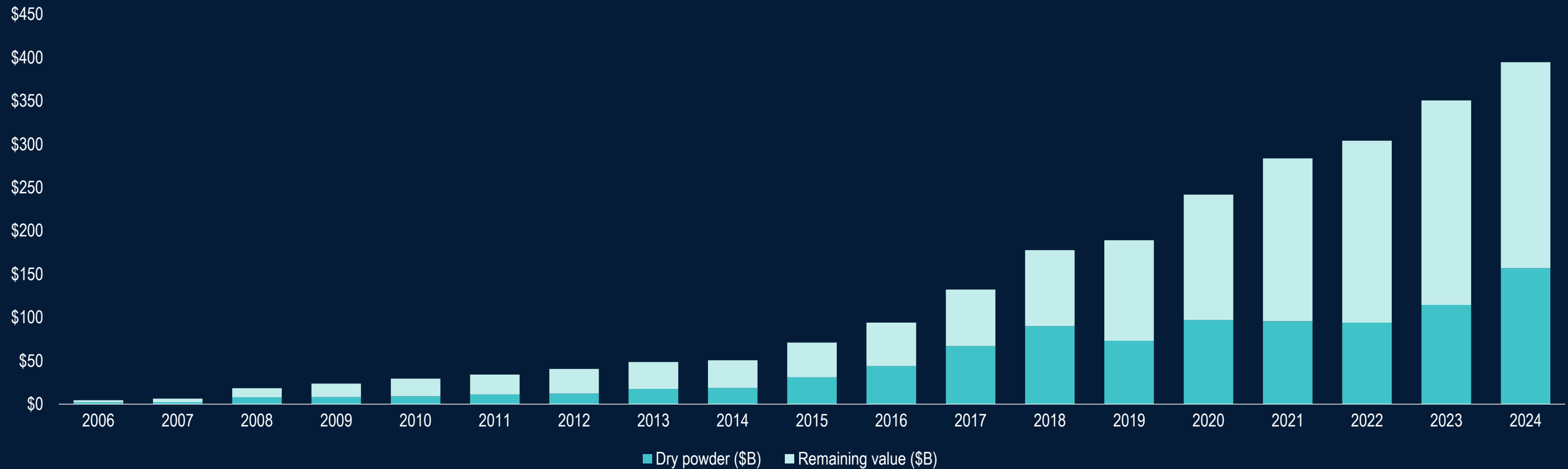


Direct Lending AUM, Private Debt Capital Raised, & CLO Issuance



Direct lending AUM rises steadily

US direct lending AUM (\$B)

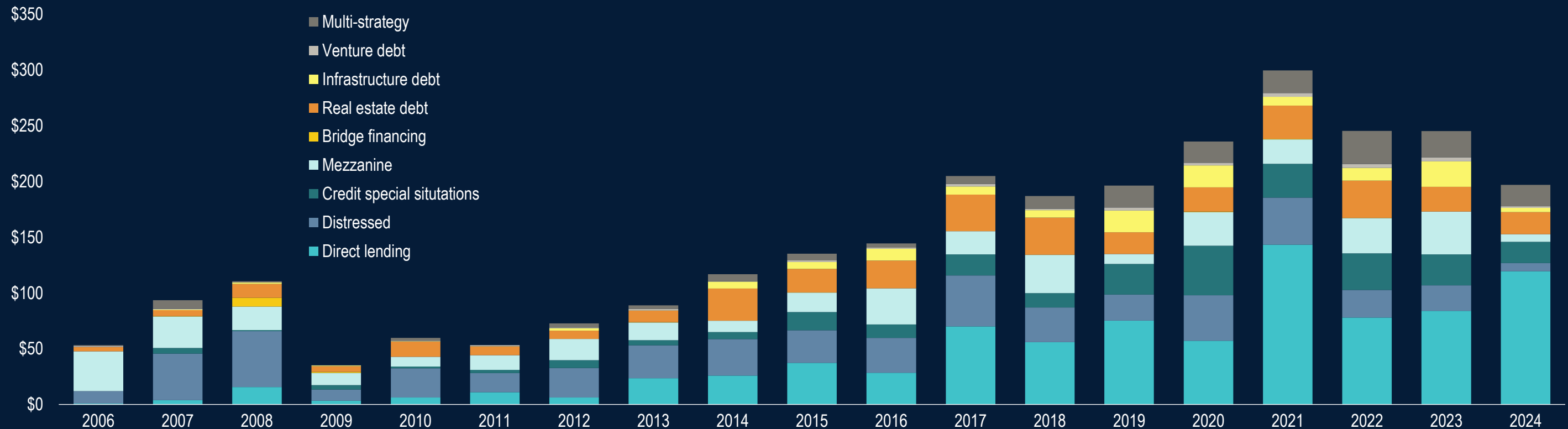


Source: PitchBook • Geography: US • *As of June 30, 2024



Direct lending fundraising surged in 2024, approaching 2021 peak

Private debt capital raised by type (\$B)

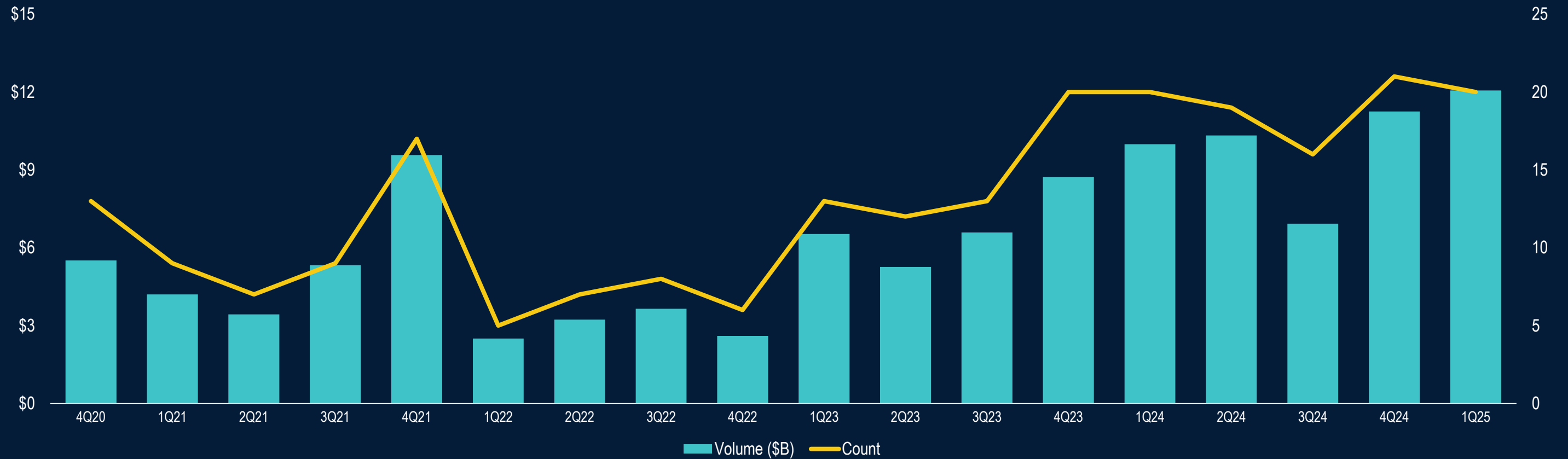


Source: PitchBook • Geography: Global • *As of Dec. 31, 2024



Demand from middle market/private credit CLOs has risen to record levels

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



Source: PitchBook | LCD • Geography: US • *As of March 31, 2025

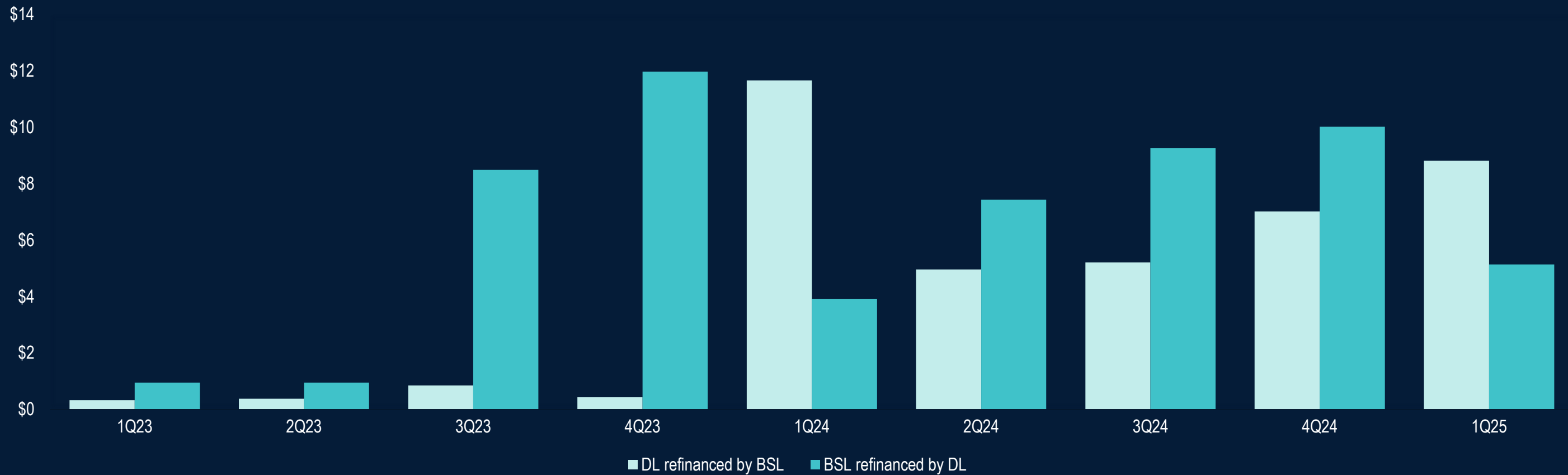


BSL & Direct Lending Takeouts



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 March 31, 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		Feb 2025	
Avalara Inc	Vista Equity Partners		Mar 2025	A \$2.5 billion unitranche facility
Chase Corp	KKR		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 March 31, 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)
Datavant	Nov 2024	N/A	New Mountain Capital	Jun 2021	Blackstone Secured Lending Fund
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	Blackstone	Mar 2018	N/A
Trillium Flow Technologies	Dec 2024	375	First Reserve	May 2024	Blue Owl
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 March 31, 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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