

## Americas Private Credit Review

### Americas Private Credit Review - Oct. 28, 2024

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*Editor's Note: Welcome to Reorg's Americas Private Credit Review. This regular report encapsulates market information, data and commentary relevant to private-debt investors and professionals in the United States. We include a curation of Reorg's enterprise journalism, links to unverified third-party press reports and primary sources as well as data and commentary on recent CLO deals and information on allocations and fundraising. Finally, the review will include a link to a deal tracker for year-to-date private credit and M&A transactions.*

#### Market Participants and New Data Suggest Pent-Up Demand for M&A Activity

By [Emily Fasold](#), [Armie Margaret Lee](#)

Direct lenders are cautiously optimistic that M&A volume will (finally) pick back up in 2025 thanks to interest rate cuts and the mounting pressure for sponsors to offload the assets they acquired prior to the pandemic.

An uptick in buyouts would inject much-desired new debt offerings into the private credit market. This year has been dominated by refinancings and add-on transactions for existing borrowers, according to panelists speaking at the inaugural Private Credit Connect: East conference in Miami last week.

"I do think we're starting to see green shoots with a bunch of new M&A processes that are launching," one of the speakers said. "We're at a point where sponsors are going to have to start sacrificing some IRR to return capital, so that should drive new activity in 2025."

If this sounds familiar, it is because market experts were predicting the same outcome for this year. In March, Morgan Stanley published a [report](#) estimating that M&A activity would climb by as much as 50% from 2023 through 2024.

The overall number of deals backing M&A activity was down in the third quarter, but there was a clear increase in leveraged buyout activity in the third quarter of 2024, which is an encouraging sign that dealmaking might be finally picking up, according to Reorg's [Direct Lending Data Insight](#) for the nine months ended Sept. 30, which was released last week. Meanwhile, [Reuters](#) reported that U.S. volume was down by 8% compared with 2023, citing stock gyrations, regulatory scrutiny, high interest rates and a "wait and see" approach ahead of November's presidential election as reasons for the decline.

Aside from these macro headwinds, one fund manager that we spoke with on the sidelines of the event said mismatched expectations regarding valuation was another major driver, explaining that sponsors are reluctant to sell well-performing companies at lower EBITDA multiples than what they paid for prior to 2022.

"It's not that sale processes haven't been happening - they have, but auctions seem to go quiet these days sometime after bids are collected," the source said. "Out of all the auctions our clients saw books for this year, I'd say under 10% of them actually resulted in a sale."

Whether this new batch of M&A auctions will encounter the same fate in 2025 is yet to be seen, but to the panelists' point, it will likely depend, at least partially, on sponsors' willingness to sacrifice some return on investment.

"Rates are coming down, which should spur M&A, but more importantly, there's \$3 trillion of private equity assets that

need to trade,” said another lender. “There’s a ton of pressure for return of capital, but also a lot of funds that need to return money, so we’re waiting.”

Aside from M&A, other major talking points at Private Credit Connect included:

- **A further upmarket move**

Lenders said private credit will continue to go further upmarket as industry players have raised more capital. Private credit deals this year include [\\$3.2 billion in debt financing](#) provided by Ares Capital Management, HPS Investment Partners and others for Bain Capital's \$5.6 billion take-private of education software company PowerSchool Holdings Inc.

- **Documentation terms**

For larger businesses in the middle market, or those with EBITDA of \$50 million to \$100 million, the market has seen instances of more aggressive documentation, a direct lender noted. Although terms matter, “we don’t want to win the best terms on the weakest credits,” said another direct lender, adding that it is a balance in terms of where they are going to lean in.

For what it’s worth, when asked whether PIKs were “masking deeper issues around risk” at the direct lending panel last week, one speaker said that the issue was “largely overblown” in the media.

- **PIKs**

The increase of PIK features on private credit loans have been a major [talking point](#) this month. According to a recent Moody’s Investors Service report, about 7.4% of income reported by business development companies, or BDCs, now stems from PIKs, which is at the highest level since the agency started tracking the data in 2020.

“We’ve been the target of a lot of articles on this, but the reality is that we use PIKs very selectively,” the speaker said. “It’s a component of our book, but we only save it for the biggest, best credits where we think it’s an appropriate adjusted risk return for the company.”

- **Bank relationships**

As banks and private credit lenders continue to team up, a direct lender said that such partnerships create origination optionality but added that it could be difficult to achieve an alignment of interests between parties. The direct lender noted that banks want to deploy capital for the sake of their clients to win fee business and would be inclined to say yes to every deal that comes through, whereas a private credit manager would want to be selective.

**Check out the 2024 U.S. private credit deal tracker by clicking [HERE](#). The deal tracker aggregates 519 deals announced year to date.**

### **Man Group Preps Private Credit CLO Debut Amid New Deals by Monroe, Blue Owl**

By [Sicheng Wan](#)

Varagon Capital Corp., the direct lending platform owned by Man Group, is plotting its debut private credit CLO launch named VCC CLO 1, [Reorg reported](#). The firm could become the third new entrant to the private credit CLO sector in 2024, following [Comvest Partners](#) in June and [Willow Tree Credit Partners](#) in September.

Blue Owl Capital on Oct. 24 priced its eighth new private credit CLO of the year, scoring the largest deal count among all

managers in 2024. The \$460.6 million [Owl Rock CLO XX](#) brings Blue Owl's private credit CLO volume to \$3.7 billion this year. Meanwhile, Monroe Capital priced its second private credit CLO of the year, the \$399.82 million [Monroe Capital CLO XVII](#) via Capital One, on Oct. 21.

Elsewhere in the United States, First Eagle Investments priced a \$499 million reset of its 2021 CLO Lake Shore MM CLO IV on Oct. 23. On Oct. 25, Ares Management priced a \$458.22 million reset of the 2021-vintage Ivy Hill Middle Market Credit Fund XVIII, while Golub Capital priced the \$1.1 billion reset of the 2019-vintage Golub Capital Partners CLO 44(M).

Private Credit CLO Primary, Oct. 21 - Oct. 25 2024							
CLO	Pricing Date	Manager	Arranger	Type	Size (\$/€m)	Triple A	Cost of Debt
Monroe Capital MML CLO XVII	Oct. 21	Monroe	Capital One	PC New	\$399.82m	166.00	243.33
Lake Shore MM CLO IV	Oct. 23	First Eagle	Wells Fargo	PC Reset	\$499m	170.00	244.51
Owl Rock CLO XX	Oct. 24	Blue Owl	SocGen	PC New	\$460.6m	135.00	-
Ivy Hill Middle Market Credit Fund XVIII	Oct. 25	Ares	Natixis	PC Reset	\$458.215m	159.10	219.59
Golub Capital Partners CLO 44(M)	Oct. 25	Golub	SocGen	PC Reset	\$1073.1m	158.17	181.95

### Deal Origination

- PR: [Monroe Capital to Enter into Strategic Partnership with Wendel Group](#)
- PR: [KKR Acquires Portfolio of Four Industrial Warehouses Serving the Central Florida Market](#)
- CityWire: [Private equity firm Sixth Street Partners agrees to invest \\$500 million in Merchant -sources](#)

### Private Credit Deals

- **Reorg:** [Odyssey Investment Partners in Talks With Private Credit Funds to Raise Preferred Equity Package to Back Potential Acquisition of Honeywell's Face Mask Unit](#)
- **Reorg:** [Vista Credit Partners Provides \\$300 million Recurring Revenue Loan to L&A Insurance Technology Company Zinnia](#)
- ReorgPR: [Pure Fishing Enters Into New \\$750 million 5Y First Lien Credit Facility with Lender Consortium Including Monarch Alternative Capital, Silver Point to Refinance Debt](#)
- PR: [Altriarch Secures \\$70 million in Committed Capital from the State of Wisconsin Investment Board](#)
- PR: [Barings Supports Vance Street Capital's Acquisition of Pro-Vision](#)
- PR: [Barings Supports Zabel's New Platform Investment in Golden Ceramic Dental Lab](#)

### Landscape

- PR: [BlackRock Broadens Access to Global AI and Technology Growth Opportunities Through Two New Active ETFs](#)
- FT: [How an ex-Goldman banker built a \\$10 billion private credit 'whale' - and now may sell it](#)
- BBG: [Canada's Gateway Casinos Seeks \\$1.3 billion in Private Debt](#)
- BBG: [Florida Pension to Offload Up to \\$4 billion of Private Debt](#)
- BBG: [Private Credit Valuations Worry World's Financial Watchdogs](#)
- BBG: [Banks, Private Credit Vie for \\$5 billion Bausch + Lomb Debt](#)
- BBG: [Blackstone Says 'Very Early Days' in Shift to Private Credit](#)
- BBG: [Blackstone, Apollo Step Up Pursuit of Investment-Grade Loans](#)
- BBG: [Sports Illustrated Unit Seeks Private Debt for Tickets Deal](#)

- CS: [US Insight: The opaque side of BDCs, private credit's most transparent market](#)
- S&P: [Tokenized Private Credit: A New Digital Frontier for Real World Assets](#)

## People Moves

- PR: [Houlihan Lokey Grows Capital Markets Team With Seasoned Hire](#)
- PR: [MidFirst Business Credit Appoints John Nooney as President](#)
- PR: [Clifford Chance hires private equity duo in New York](#)
- PR: [Comvest Credit Partners Expands Senior Credit Originations Team](#)

## Allocations/Fundraising

- **Reorg:** [TPG, HPS Secure \\$200 million Commitment From LACERS for Private Credit Funds Expansion](#)
- PR: [WhiteHawk Capital Partners, LP Announces Over \\$1.1 billion of Equity Commitments Including WhiteHawk Fund IV Final Close on October 1, 2024 Exceeding Target Offering Size](#)
- PR: [Trivest Growth Investment Fund III \(TGIF\) Closes with \\$730 million of Capital Commitments](#)

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