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The US market is 'white hot'

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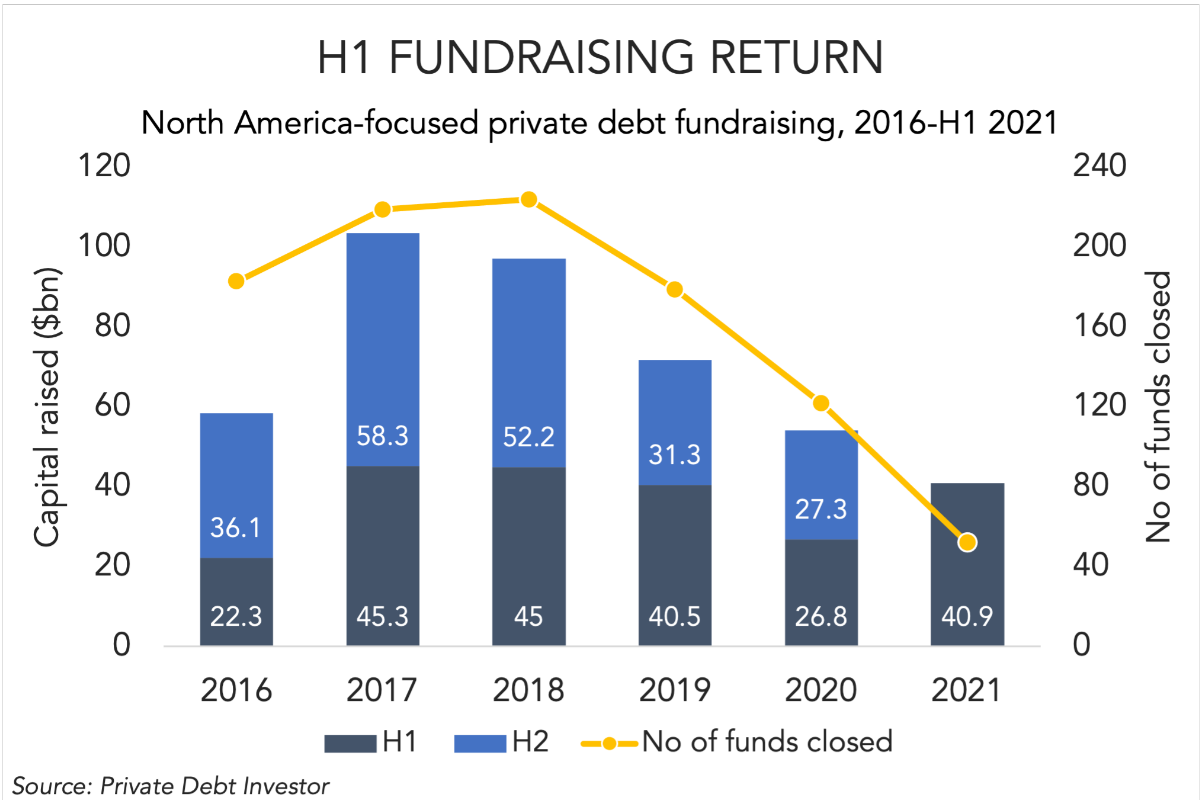

The world's most mature private debt market is a hive of activity as it shakes off the effects of the health crisis.

More than 12 months on from the pandemic-induced slump in sentiment, the US private debt market is in rude health – "white hot and hotter than it was pre-covid," according to Bill Brady, a partner at Paul Hastings, who heads the law firm's private credit business in New York.

"Many private debt funds stepped up for borrowers through the pandemic, either providing new liquidity or being supportive in finding other solutions as sponsors weathered the storm," he says. "That has strengthened relationships and, with competition so high, put a premium on digging deep on underwriting, because the margin of error is smaller than ever."

The sense of a strong recovery is reflected in the fundraising data (see chart above). More than $40 billion was raised for North America-focused private debt funds in the first six months of the year, according to *PDI* data, well up on the $27 billion raised in the first half of 2020 and exceeding even 2019 levels.

More impressively still, the US market is proving a magnet for global investors. At the start of July 2021, 42 percent of all the private debt funds in the market globally had a sole focus on North America, with LPs around the world opting for US funds and American investors opting to stay close to home.

One other indication of the strength of private debt in the US is the number of marquee transactions for direct lenders. In April, Owl Rock, a division of Blue Owl Capital, led the US's largest-ever unitranche loan, a $2.3 billion financing in support of Thoma Bravo's acquisition of Calypso Technology.

As the threat of covid-19 begins to recede and economies open up, businesses are finding themselves in need of finance to fuel their growth or help them recover from the effects of the pandemic. With bank lending still highly constrained and private debt funds sitting on significant amounts of dry powder after several strong fundraising years, alternative lenders are well placed to capitalise on opportunities presented by economic recovery.

(Past performance is no guarantee of future results.)