High Five – 2025 Outlook (First of a Series)

THE LEAD | January 30, 2025

Increased competition between banks and private credit leading to weaker terms? Not in the middle market, where terms remained investor-friendly. Yes, all-in spreads contracted, but more pronounced at the upper end of the market and for large cap financings. And despite warnings that banks would erode private credit market share, leading direct lenders reported anywhere from 20-30% better volume last year than in 2023. And some had record volume, even compared to 2021. All while the leveraged loan market hit a record $1.5 trillion.

It's clear both public and private credit markets can co-exist without damaging each other or their investors. In their 2025 outlook piece, S&P called this "The Great Convergence." This effect was more evident with issuers greater than $100 million Ebitda. And the ability of banks to mimic hold capabilities of leading direct lenders is limited. Nevertheless, both banks and non-banks are now freely transacting across a variety of deals.

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