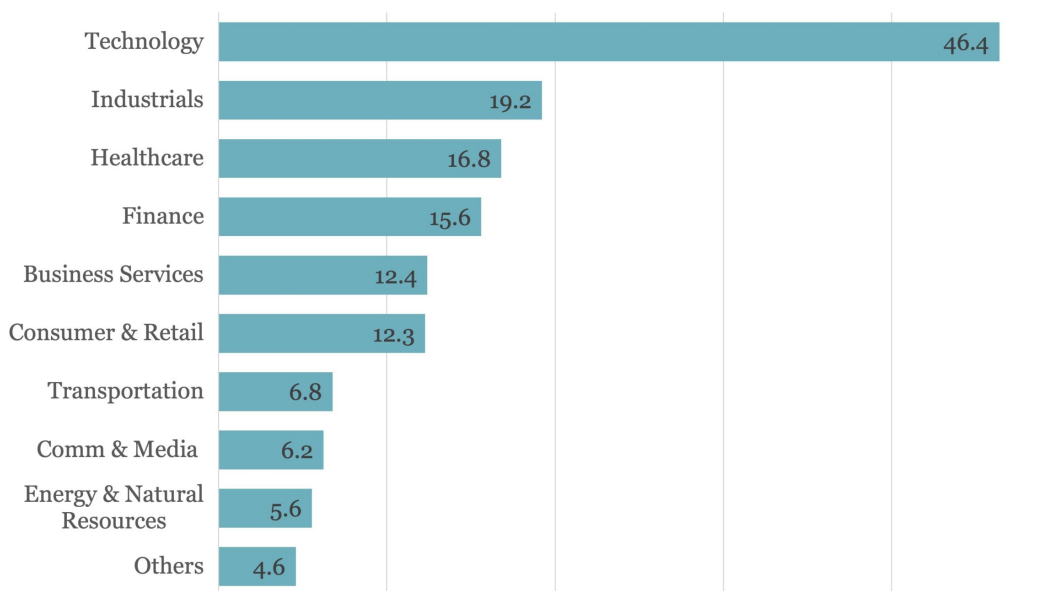


Direct lending stability and resilience shine in times of leveraged loan market collapse

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Technology dominates 1H25 direct lending volumes (USDbn)



Source: Debtwire, data correct as at 10 Sept

Direct lending showed notable resilience in 2Q25, while loan market volumes collapsed amid heightened volatility and a broader economic slowdown triggered by US tariffs. Volumes not only held steady but increased by 4% in 2Q25, rising to USD 74.5bn from USD 71.4bn in 1Q25. Deal activity held flat at just under 700 transactions.

In stark contrast, leveraged loan volumes collapsed by 70%, plummeting from a high of USD 366.4bn in 1Q25 to just USD 111.7bn in 2Q25.

“For direct lending, capital is largely locked up and insulated from public-market volatility, unlike syndicated loans that rely on CLO and fund inflows,” said Vishal Rana, Managing Partner at Sarva Capital. “Sponsors favored private credit for its speed, confidentiality, and certainty of execution during a volatile quarter.”

Leveraged buyout (LBO) and other M&A transactions collectively accounted for a significant portion of the total, representing USD 67.7bn, or 46%, in 2Q25. Within this segment, sponsor-led transactions were particularly dominant, comprising 99%, or USD 66.7bn, of the volume during the period.

Dun & Bradstreet's [acquisition](#) by Clearlake is the largest direct lending and largest LBO financing deal of the year so far, worth around USD 5.5bn, according to Debtwire data. The Apollo and Blackstone-led USD 4bn loan package for Thoma Bravo's USD 10.55bn [acquisition](#) of Boeing's flight navigation unit was the third-largest LBO financing loan of the year.

"These transactions are illustrative of how sponsors prioritize certainty, speed, and tailored structuring," Rana said. "In this environment, direct lenders continue to be the preferred capital partner for large, complex deals – especially in sectors with durable cash flows like tech, software, and information services. Going forward, I expect continued strength in sponsor deals, particularly for transactions that are difficult to syndicate or need creative structuring."

Refinancing made up USD 51.6bn, or 35%, of total direct lending volume in 1H25, whereas refinancing dominated the activity for leveraged loans, making up 73.5% or USD 351.5bn, of total volume.

Tech remains the name of the game

Technology dominated the direct lending market in 1H25, accounting for USD 46.4bn, or 32%, of the total volume. This figure is more than double that of the second-highest sector, industrials, which totaled USD 19.2bn (13.1%), followed by healthcare at USD 16.8 bn (11.5%).

"The technology sector is likely to maintain its leading role in direct lending over the next year," said Rana. "Recurring revenue from software, data analytics, and IT services will continue to attract lenders due to predictable cash flows, high margins, and resilience to cyclical pressures. However, we may see a modest normalization in its overall share as lenders seek diversification into healthcare services, business services, and infrastructure-related verticals."

Looking ahead

Rana believes private credit is poised for a solid finish to 2025 and a healthy 2026.

"Refinancing demand, sponsor activity, and selective M&A will support volume," he said. "While broadly syndicated markets regain footing, direct lenders will retain a competitive edge for complex and time-sensitive deals."

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