

[Private Credit Squeezes Leveraged Loan Market: November Wrap](#) (December 2)

By Kelsey Butler – **Bloomberg**

U.S. direct lenders took some market share from syndicated loans in November as sponsors increasingly turn to non-banks as a source of financing.

- One example was a club loan for the merger of data firms Ahead and Data Blue, which was provided by a small group of middle market lenders, after being pulled from the syndicated loan market
 - Private equity sponsor Court Square Capital Partners decided to move ahead with the \$370m loan since it provided better terms than the syndicated deal would have
- Private equity firms and borrowers are also showing more interest in unitranche financing
 - Taylor Boswell, chief investment officer for Carlyle Investment Management's direct lending business, said there has been an increase of companies with \$75m or more in Ebitda choosing large, private unitranches instead of syndicating loans
 - "While the intensity of this trend will ebb and flow depending on technicals, we view it as a persistent secular shift where private markets are increasingly occupying the space of traditional syndicated markets," Boswell said
 - Carlyle's direct lending business focuses on sponsor-backed businesses with \$25m to \$100m in Ebitda
- Some private equity sponsors are even reviewing two sets of commitment papers -- for a direct solution and a syndicated option -- before deciding which route to take, according to Todd Koretzky, a partner at the law firm Allen & Overy. His practice covers the liquid syndicated loan and private credit markets
 - Things were really bifurcated for a long time, and we had a fork in the road and those roads are kind of merging or coming back together and are now parallel"
- Art Penn, founder and managing partner at PennantPark, said the quality of borrowers coming to the core middle market has improved recently, from about a month ago
 - "We're seeing a busy level of activity going into year-end into January," Penn said. That is being driven in part by M&A and buyout activity
 - Direct lenders in the higher end of the middle market are handling some deals that would have been syndicated due to fears "that low-single B names will get downgraded into CCC," which doesn't appeal to leveraged loans' biggest buyers, CLOs
 - PennantPark focuses on private equity-backed companies with \$10m to \$50m in Ebitda, according to its website
- Borrowers are continuing to help the sales process of first- lien loans by going to the leveraged loan market with privately placed second-lien loans already in hand
 - WIRB-Copernicus Group, Terrapure Environmental and eResearch Technology were among the borrowers that launched first-lien loans along with privately placed second-lien tranches last month