

U.S. DIRECT LENDING WRAP: Firms Anticipate Year-End Deal Rush (December 1, 2020)

By Kelsey Butler – **Bloomberg**

U.S. direct lenders expect a crush of deals as borrowers and their private equity sponsors look to wrap up offerings ahead of the new year, and potential tax changes under a new administration.

- Deals are moving at a faster clip, upping the potential for increased credit losses if transactions aren't vetted closely enough
- Lenders are seeing their deal pipelines return to 80%-100% of pre-Covid levels, depending on the corner of the market they focus on, market participants said
- Private credit firms are pouncing on what they see as an opening to provide financing to high-quality borrowers in an overall lender-friendly environment
 - "This upcoming vintage of loans is likely to be the most attractive we've seen since the 2009 to 2012 time period," Art Penn, CEO of middle-market lender PennantPark Investment Corp., said on a recent earnings call. "Leverage levels are lower, equity cushion is higher, yields are higher and the packages of protections including covenants are tighter"