

ACG Philadelphia

Annual Lenders' Panel

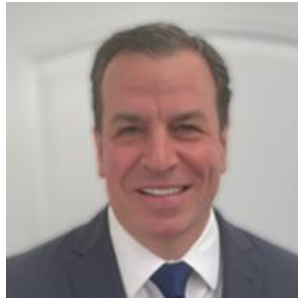
April 10th, 2025

Today's Participants



Tom Kerr

Co-Head of Investments
Hamilton Lane



Eric Ritter

Senior Vice President
Citizens Bank



Steve Hobman

General Partner
NewSpring Capital

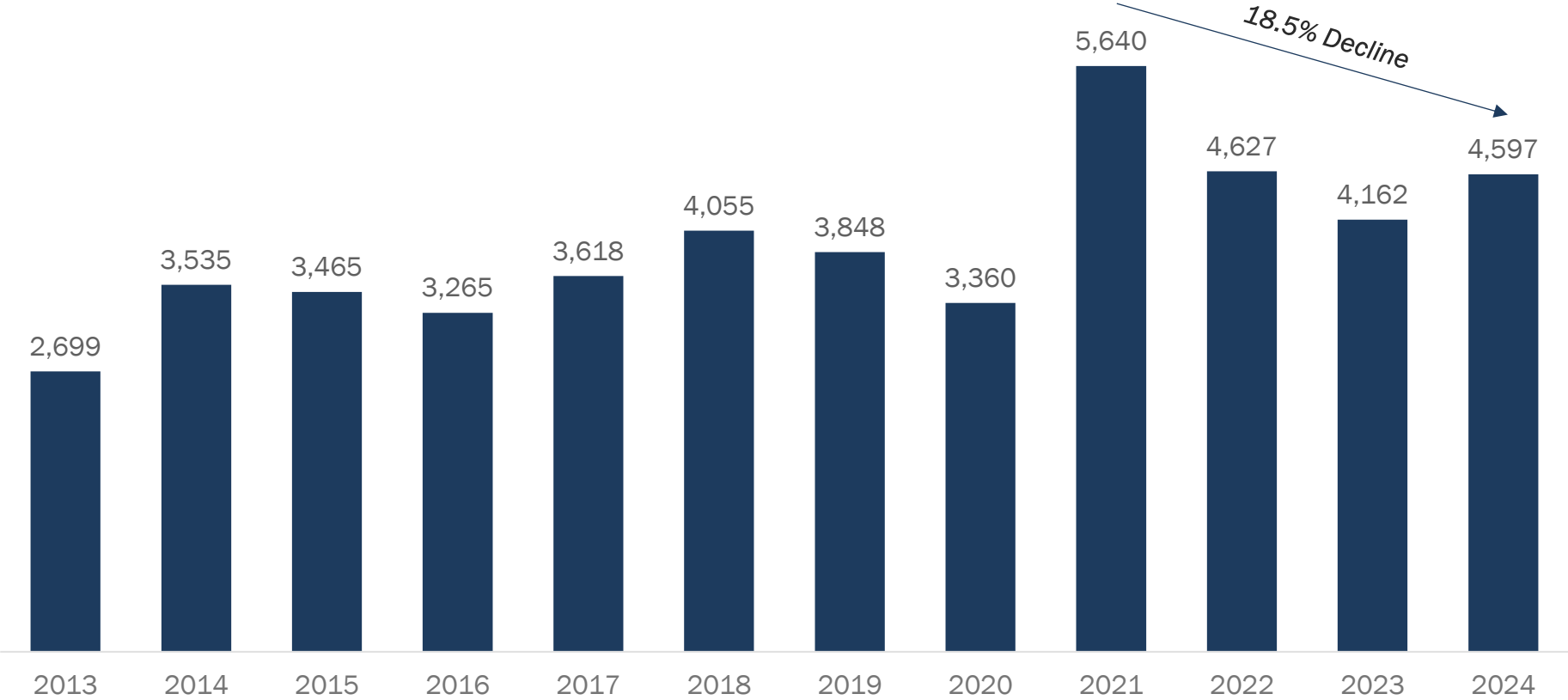


Leo Helmers

Co-Founder
Mereo Capital Partners

Historical Middle Market M&A Volume

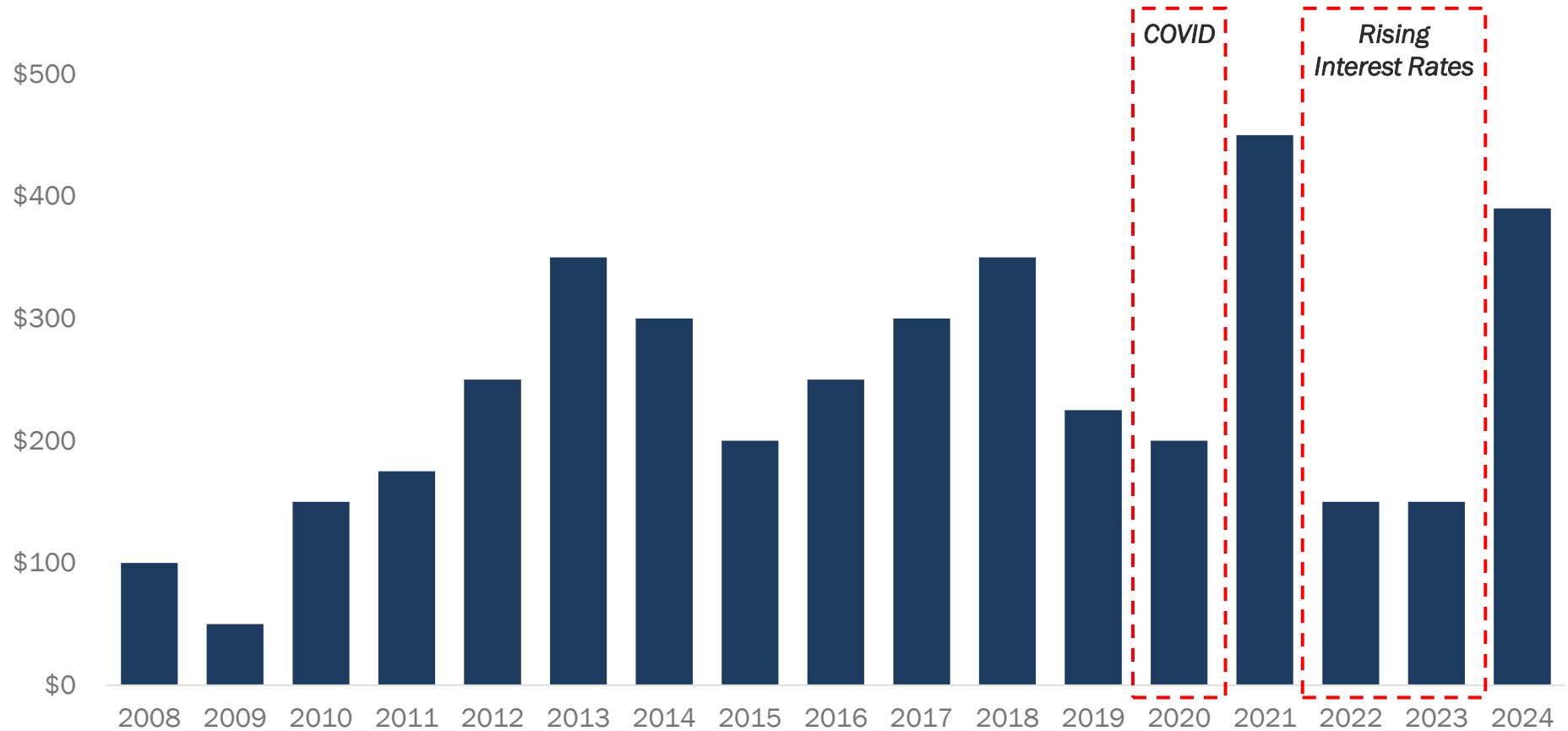
Global Middle Market M&A Transactions



U.S. Historical Syndicated Loan Volume

Syndicated Loans by Speculative Grade – Private Equity Backed Borrowers

(\$ in billions)

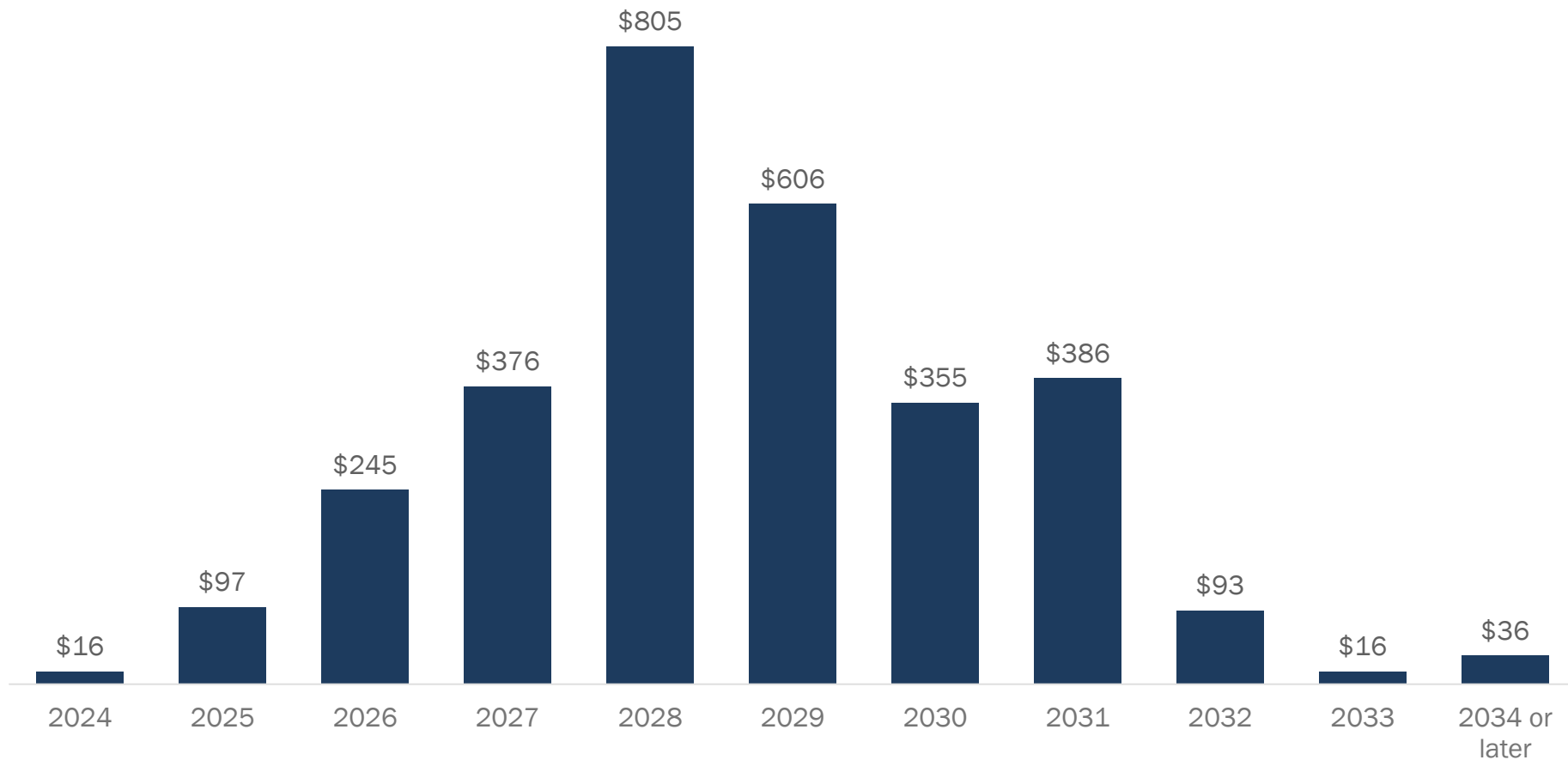


Maturity Wall

Refinancings have delayed loan maturities.

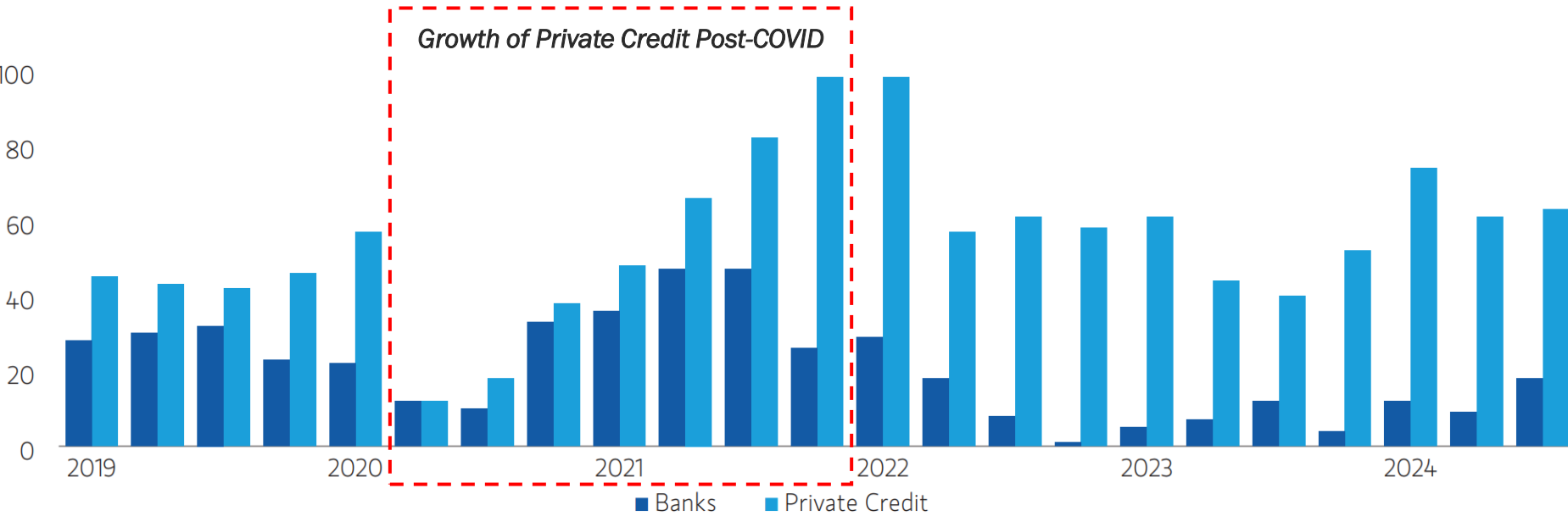
High Yield Bond & Leverage Loan Maturities

(\$ in billions)

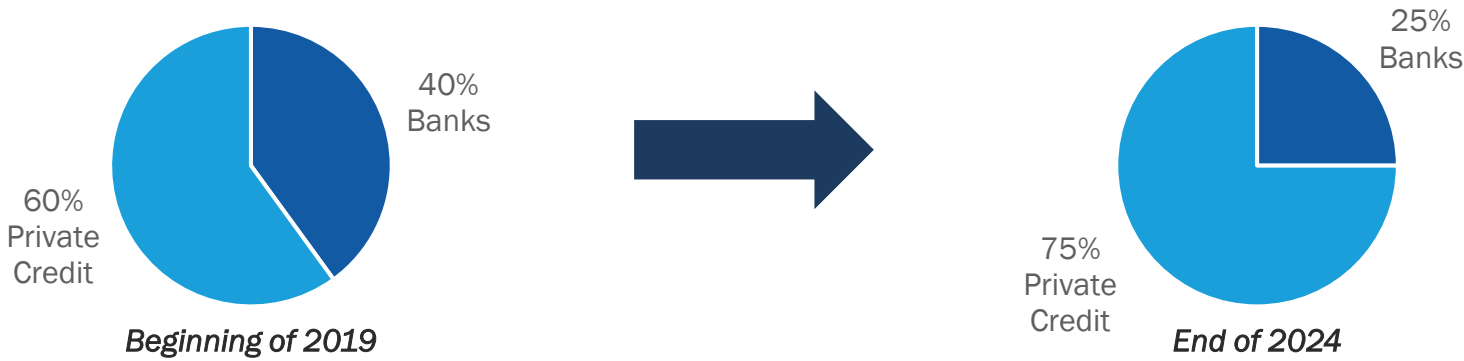


Banks and Private Credit Shifts in Market Share

Bank's declining share of LBO loans compared to private credit for private equity borrowers.

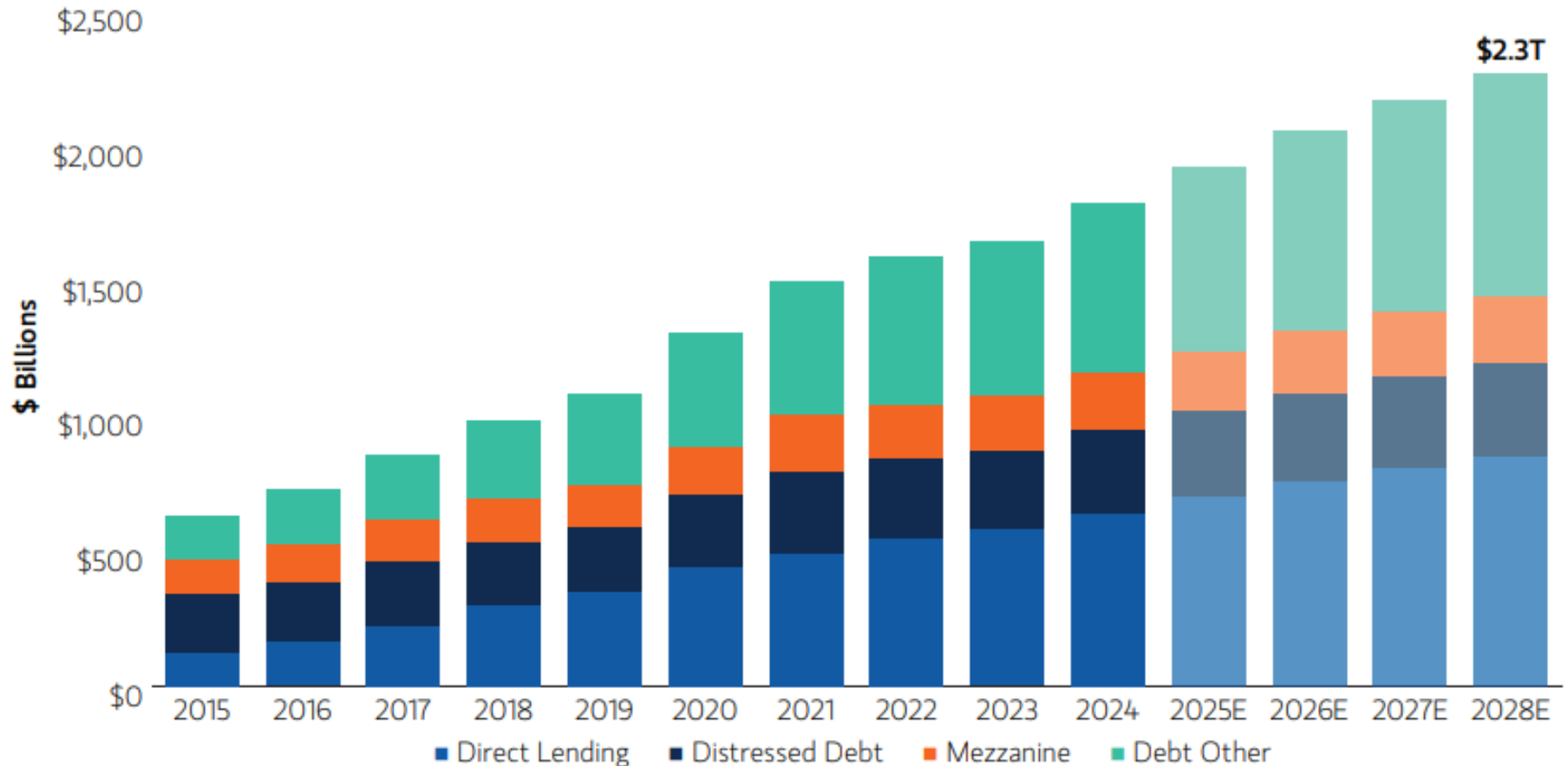


Continuing Shift in Market Share for LBO Financings



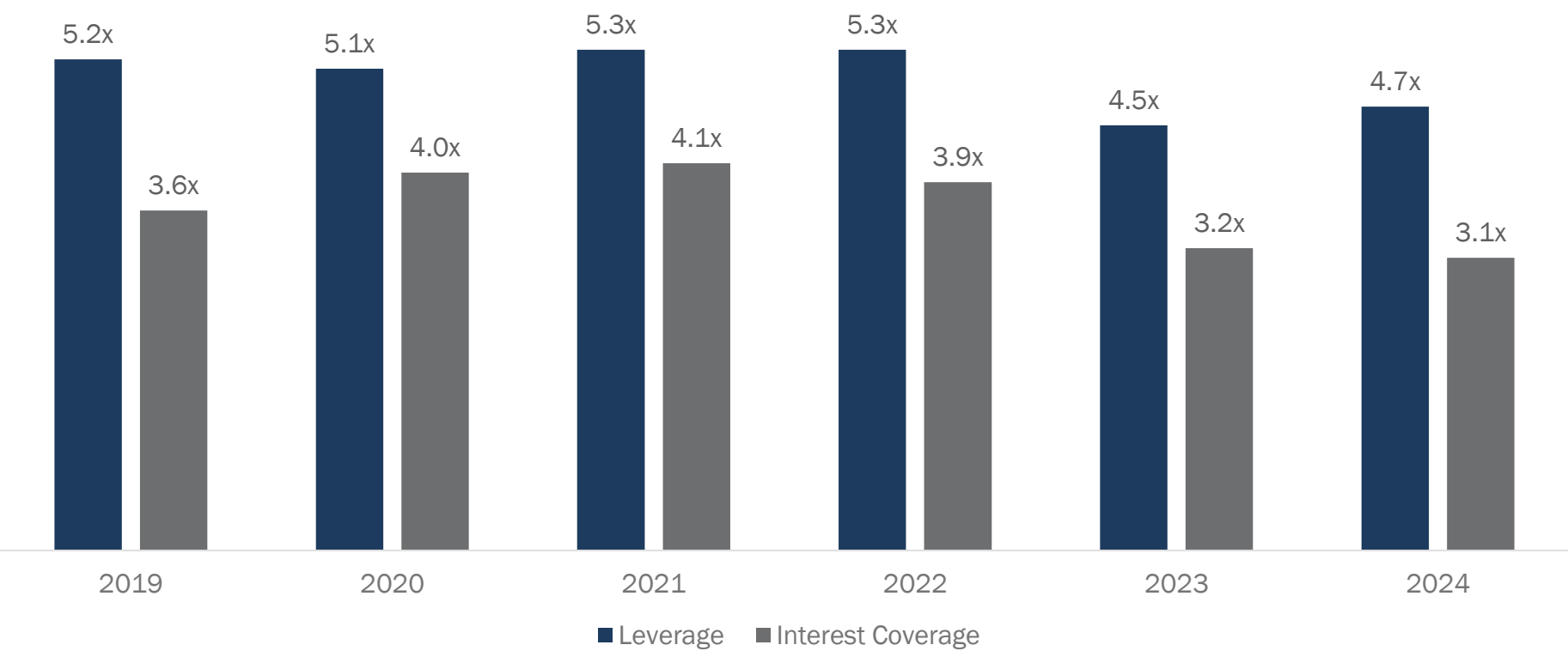
Projected and Historical Growth in Private Credit Assets

Direct lending now comprises 36% of the total private credit market, up from 9% in 2010.



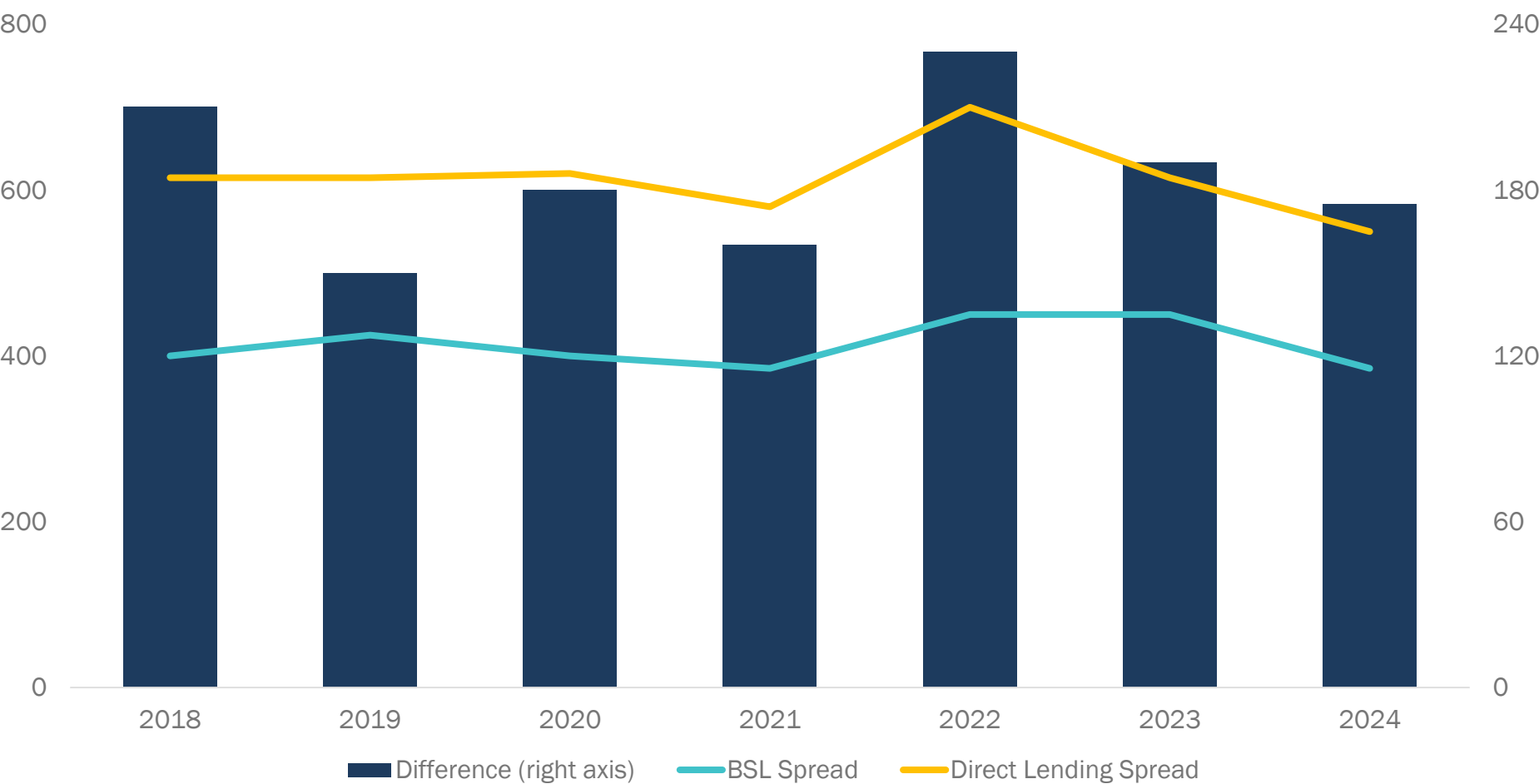
Total Leverage and Interest Coverage Multiples

Rise in interest rates have led to more conservative capital structures and lower interest coverage ratios.



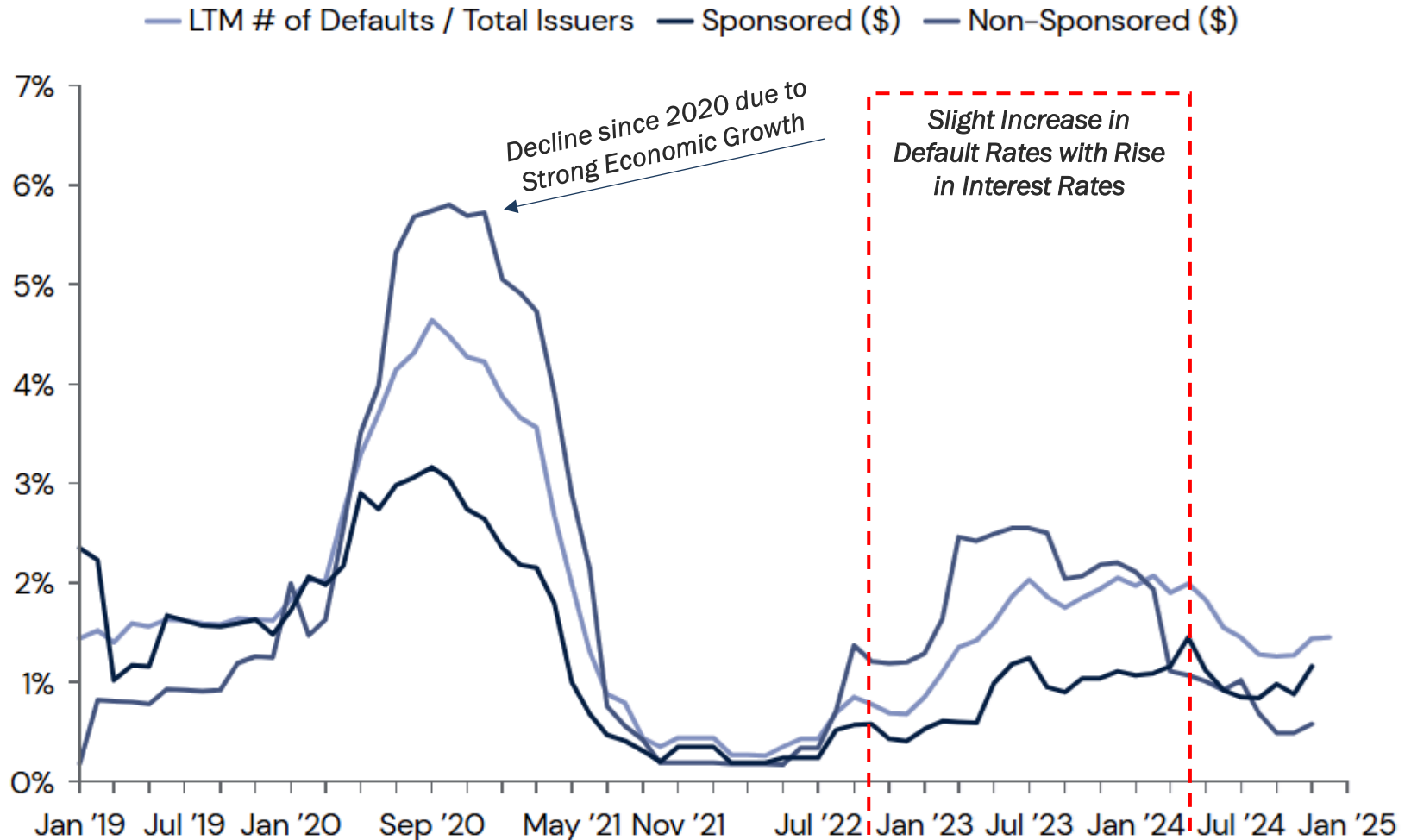
LBO Financing Spreads

BSL vs Direct Lending Spreads for LBOs



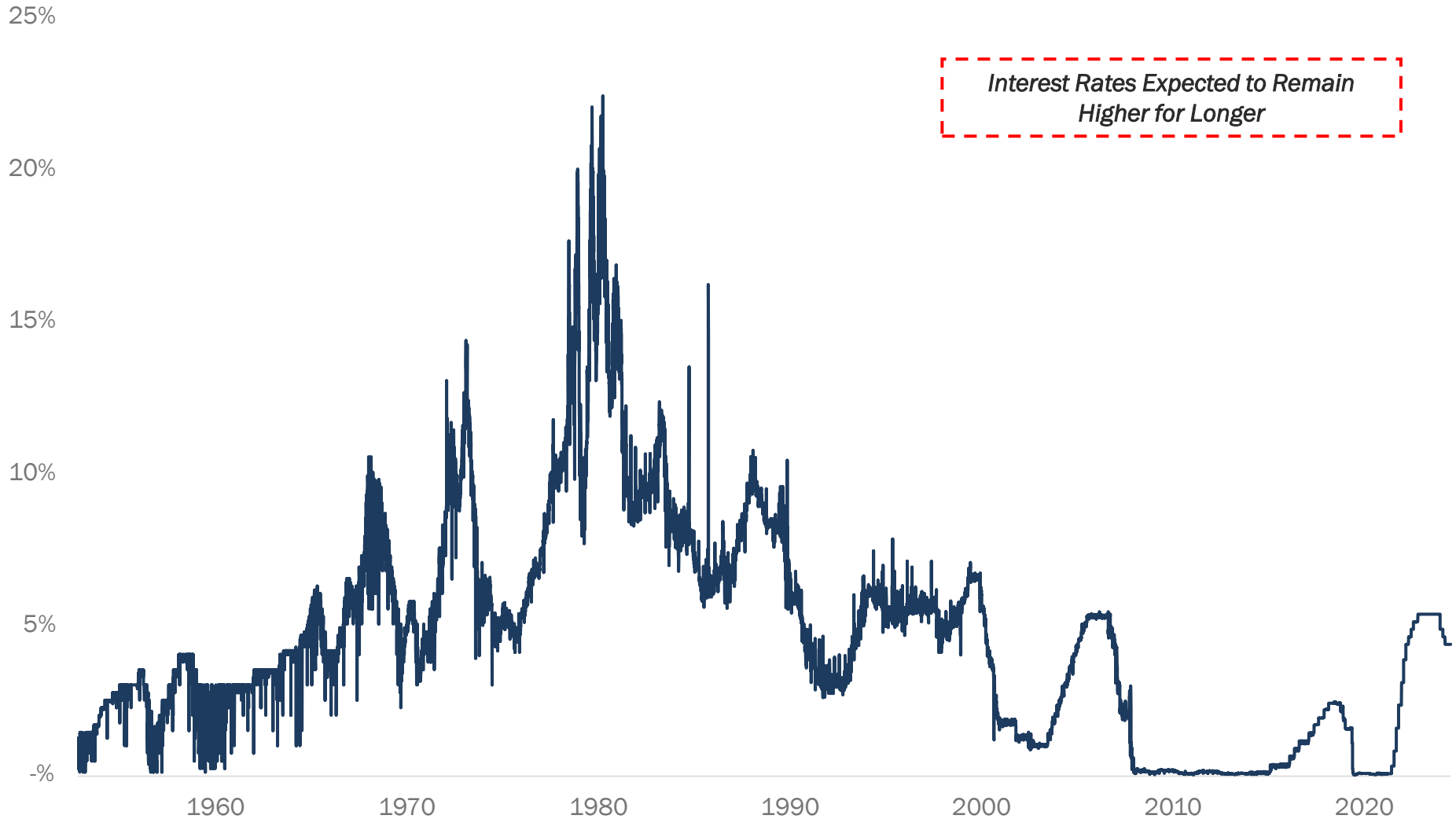
Institutional Loan Defaults

Sponsored default rates have been historically lower than non-sponsored default rates. Number of defaults peaked in 2020 amongst economic uncertainty.



Historical Federal Funds Rate

Trending Federal Funds Rate in the Last 60 Years



Macroeconomic Picture

U.S. Summary Economic Forecast								
Key Indicator	2019	2020	2021	2022	2023	2024F	2025F	2026F
Annual Average % Change								
Real GDP (Q4/Q4)	3.4%	-1.0%	5.7%	1.3%	3.2%	2.5%	1.6%	2.1%
CPI	1.8%	1.3%	4.7%	8.0%	4.1%	3.0%	2.8%	2.2%
Core CPI	2.2%	1.7%	3.6%	6.2%	4.8%	3.4%	3.3%	2.7%
Annual Average Levels								
Unemployment Rate	3.7%	8.1%	5.4%	3.7%	3.6%	4.0%	4.3%	4.5%
10-year Treasury	2.1%	0.9%	1.4%	3.0%	4.0%	4.2%	4.2%	3.6%
Fed Funds Rate (Q4 Average)	1.6%	0.1%	0.1%	3.7%	5.3%	4.6%	4.2%	3.4%

Unpredictable Near-term Outlook

Economic Headwinds and Tailwinds

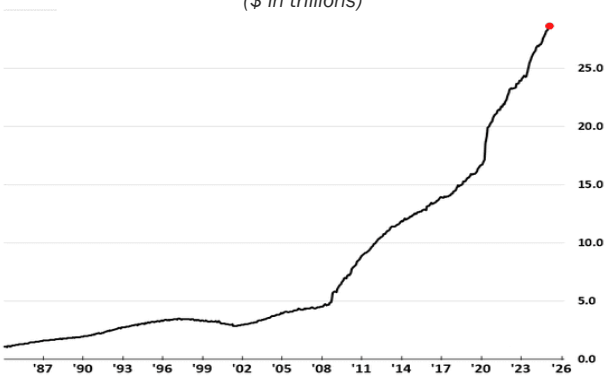
Headwinds

U.S. Average Tariff Rate



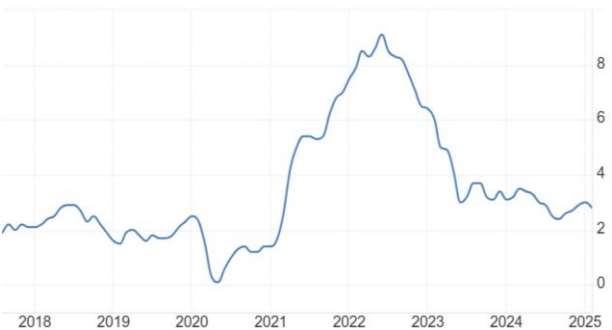
U.S. Treasury Debt

(\$ in trillions)



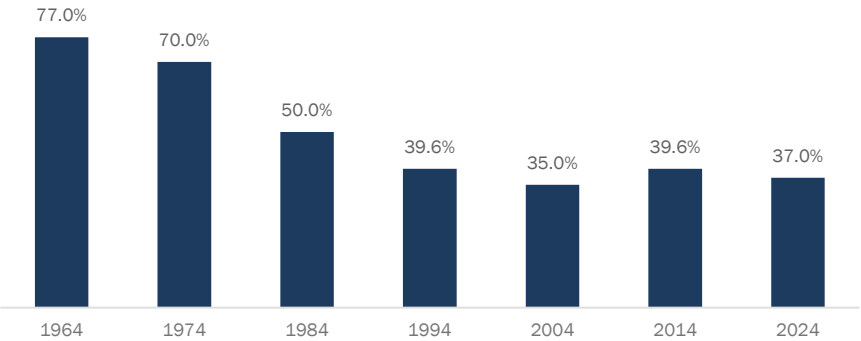
Trending Inflation

(Percentage)



Tailwinds

U.S. Income Tax Rates



Deregulation