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# US Private Credit Market Pulse

## The Balancing Act

H1 2025

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# The Balancing Act

The first half of 2025 produced some unexpected events and unanticipated volatility, but the private credit market closed H1 in the same place it entered, with substantial sums of investable capital vying for limited transactions.

DC Advisory's Private Capital Markets team and LevFin Insights discuss the takeaways that defined the market in the first six months of the year.

Topics include:

- How tariff uncertainty is reshaping portfolio strategies and lender focus
- What large borrower repayments and migration to syndicated markets mean for private credit dynamics
- Where direct lenders are finding opportunities

## Existing private credit portfolio companies, particularly large ones, can access private markets

In the first half of the year, the deluge of new deals that sponsors and lenders had anticipated did not materialize. The transactions that did take place were often carried out with existing issuers in the private markets, and they largely consisted of refinancings, dividend recapitalizations, and add-on acquisitions\*.

Some of the direct-lending market's biggest borrowers received incremental loans. For instance, a software provider, Aptean, received a \$450mn delayed-draw term loan for a bolt-on M&A deal, on top of an existing unitranche of at least \$2.11bn\*. Separately, Polywood landed an add-on term loan to its original \$400mn debt financing stemming from Arsenal Capital Partners' acquisition of Polywood in 2024\*.

In an atmosphere where the news seems to change by the hour, it can be a difficult proposition to make a new investment in an unproven borrower. That leaves existing portfolio companies as a preferred origination avenue for many lenders. If opportunities exist to invest in businesses that have been performing well, allocating more capital to them could be a particularly good bet in uncertain times.

## Technicals remain favorable to borrowers, with a mountain of capital chasing limited M&A supply

Again, any favorable technical changes that lenders may have hoped for following the tariff announcements largely failed to materialize. While there was an initial increase in pricing by up to 50bps after "Liberation Day," that bump quickly receded. By the end of April 2025, pricing returned to levels seen at the start of the year\*.

The core imbalance persists - large amounts of capital chasing too few deals. The syndicated loan market remained shut for much of April 2025, giving direct lenders hope that they could see an increase in their negotiating power. However, the institutional loan market came roaring back to life, reintroducing the private credit market's primary source of competition\*.

According to market trends, leverage in large-cap deals (roughly companies with \$100mn of EBITDA or more) has come in by 0.5x - a bright spot for lenders\*. The best-quality borrowers are likely to continue to garner leverage profiles north of 7x, but on the whole, we are seeing lenders win deals with a lower quantum of debt.

While the Trump Administration instituted a 90-day pause on the implementation of tariffs on April 9, it remains an open question as to whether there will be another pause, and how new trade deals will affect the private credit market. Such pauses introduce a degree of uncertainty, which can delay or accelerate financing decisions as businesses navigate shifting trade policies. Therefore, while fresh trade agreements differ based on substance, we believe those pacts theoretically would give sponsors and lenders a modicum of certainty.

## Direct lenders generally have limited direct exposure to tariffs, but uncertainty remains

In the first half of the year, we witnessed sponsors and lenders examine their portfolios, focusing on the makeup of supply chains, grouped by region and country.

Many of these investors also examined the supply chains for their portfolio companies' suppliers. GPs pulled back multiple layers of the onion, allowing them to definitively say how much of their portfolio had direct exposure to tariffs.

Because many direct lenders target asset-light businesses, such as software providers and services businesses, most firms have relatively limited direct exposure to tariffs. The concern lies in the follow-on ramifications of tariffs. For example, a services business may need to source parts from abroad, such as an auto repair shop that offers the service of fixing cars and relies on foreign-made parts to do so.

Again, as macro dynamics seem to change by the hour, the perceived effects of tariffs and other policies have on borrowers could change quickly. But generally, businesses that require fewer hard assets or raw materials are less likely to see a significant disruption than businesses that require more of those components.

## Repayments from large borrowers further increase direct lenders' dry powder

A number of the largest private credit borrowers have left direct lenders' portfolios.

Among the most notable is Risk Strategies, which is being acquired by the publicly traded insurance brokerage Brown & Brown in a \$10bn transaction. The deal, which will be financed in the investment-grade debt market, will pay down roughly \$4.6bn of private loans\*.

Several other names have migrated to the broadly syndicated market. Alera issued \$4bn in May to refinance obligations from direct lenders, while in March, Kaseya issued \$4.1bn to refinance a private loan\*.

More recently, in June, Trucordia refinanced \$3.12bn of direct loans into the broadly institutional market and Beacon Mobility paid down a \$1.45bn private credit facility in part via \$1.28bn of institutional loan-and-bond issuance\*.

While the number of unique borrowers may be relatively small, particularly compared to the entire private credit ecosystem, these issuers make up an outsized portion of private credit assets.

Lenders have indicated this may keep spreads lower than they otherwise would have been. In addition, it has caused lenders to think about how they can justify existing investments to keep those names in their portfolio. As a result, these repayments are resulting in a significant inflow of cash at a time when direct lenders are forced to combat a dynamic where there is more capital in the system than they can put to work.

We believe there may well be more investable opportunities on the way in the last half of 2025.

Despite the almost cataclysmic reaction that equity and loan markets had in early April 2025 to US tariff announcements, the rebound may leave sponsors and lenders with a more hopeful outlook, particularly as more certainty takes hold and deal pitching activity picks up.

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## What lies ahead for the European Market?

With macro uncertainty delaying deals, the European debt market is showing signs of recovery as private credit lenders step up to fill the void left by a cooling BSL market.

DC Advisory's European Debt Market Monitor: 'Surviving the Sting' explores key trends and opportunities shaping the landscape in 2025 – informed by proprietary insights from our latest European survey.

[Access the full report >](#)



## References

***\*All deal references and quantitative data has been sourced from LevFin Insights, a CreditSights company***

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