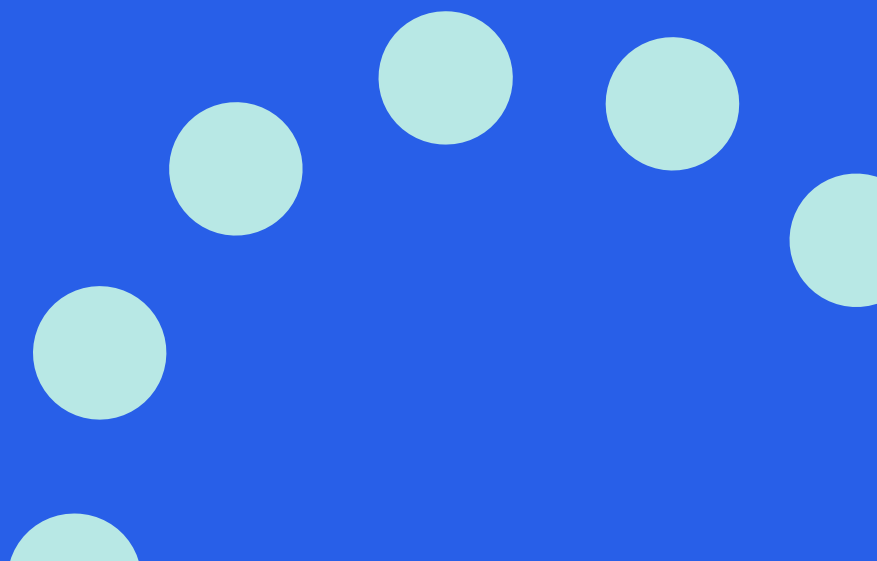


Termgrid[®]

Private Capital Sentiment Survey 2024



Termgrid's First Annual Private Capital Sentiment Survey

We are delighted to welcome you to the inaugural Private Capital Sentiment Survey by Termgrid.

Termgrid is utilized by a community of **10k+** professionals operating primarily in the leveraged finance industry with several of them focussed specifically on the Private Capital markets. We wanted to understand better how our clients are approaching 2024 and the expected activity levels in the new year, which led us to launch this survey.

Find out in the following slides what we discovered!

Survey focused on 2024 outlook across three themes

Macroeconomic Outlook

An array of macro challenges and uncertainty still remains in 2024. What concerns people the most?

Deal Activity

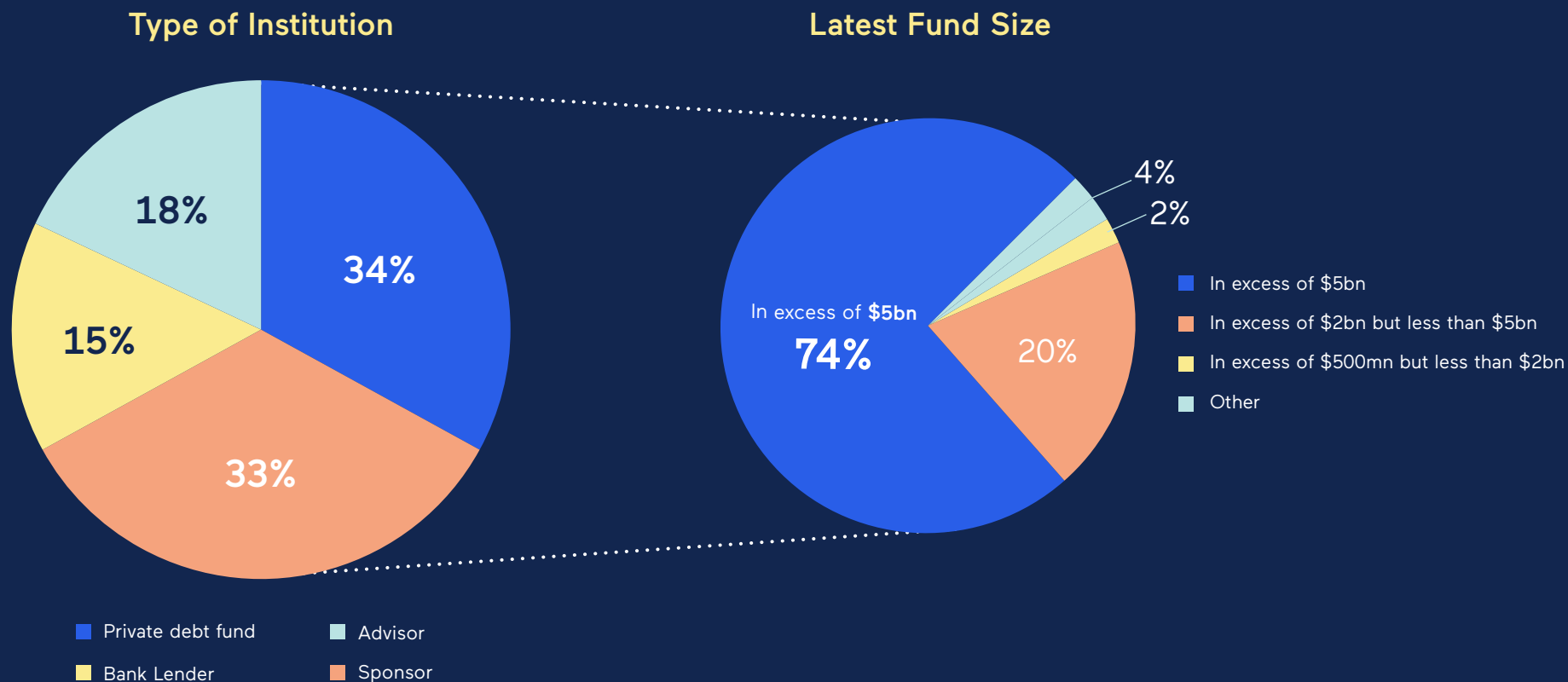
Are industry participants expecting more of the same in 2024 vis-a-vis 2023 or will activity bounce back?

Technology Adoption

Is technology moving up the agenda?

Methodology

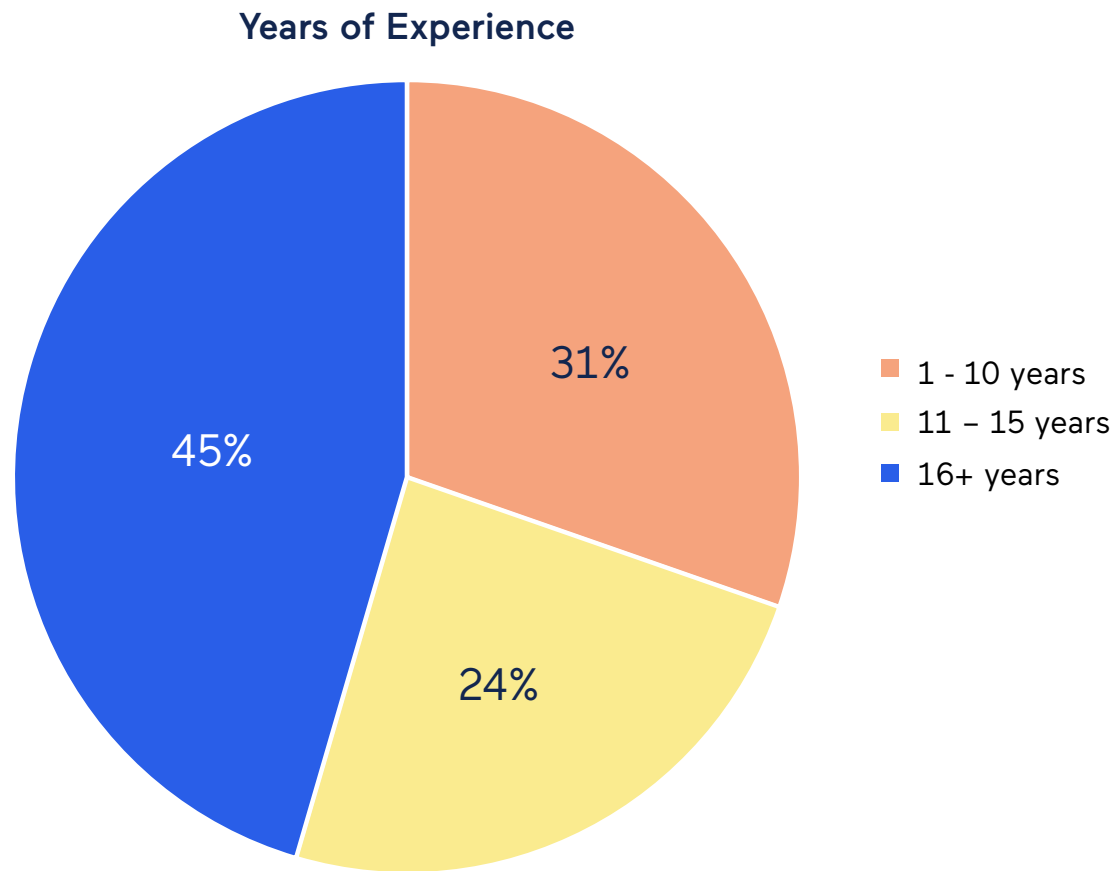
We captured a diverse set of views from PE sponsors, private credit lenders, banks and advisors



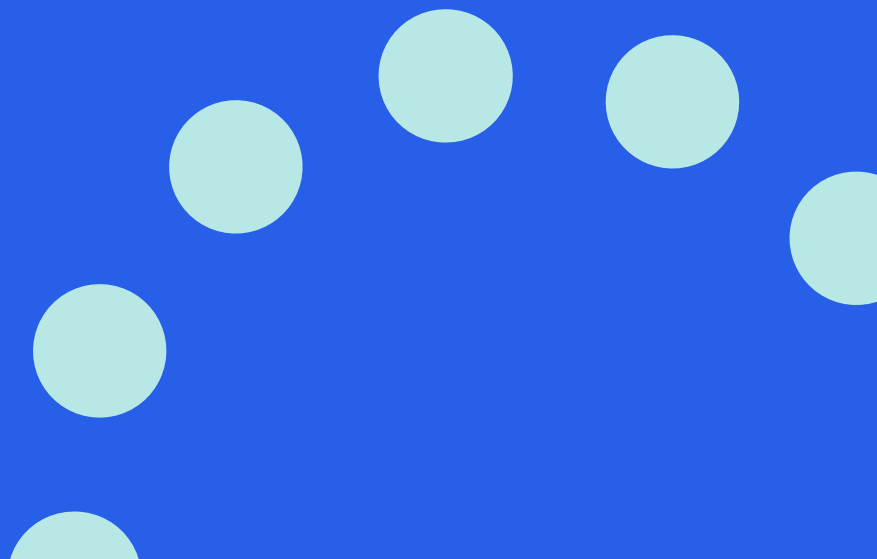
- Private Equity sponsors and credit funds represented two thirds of the responses
- 75% of the PE sponsors and credit fund respondents worked for funds in excess of \$5bn
- 60% of respondents belonged to global institutions reflecting a global outlook for the industry
- All respondents were individually verified. All comments represented in the document were individual responses and not necessarily of their firm

Methodology

Survey respondents reflect a senior audience with decades of experience

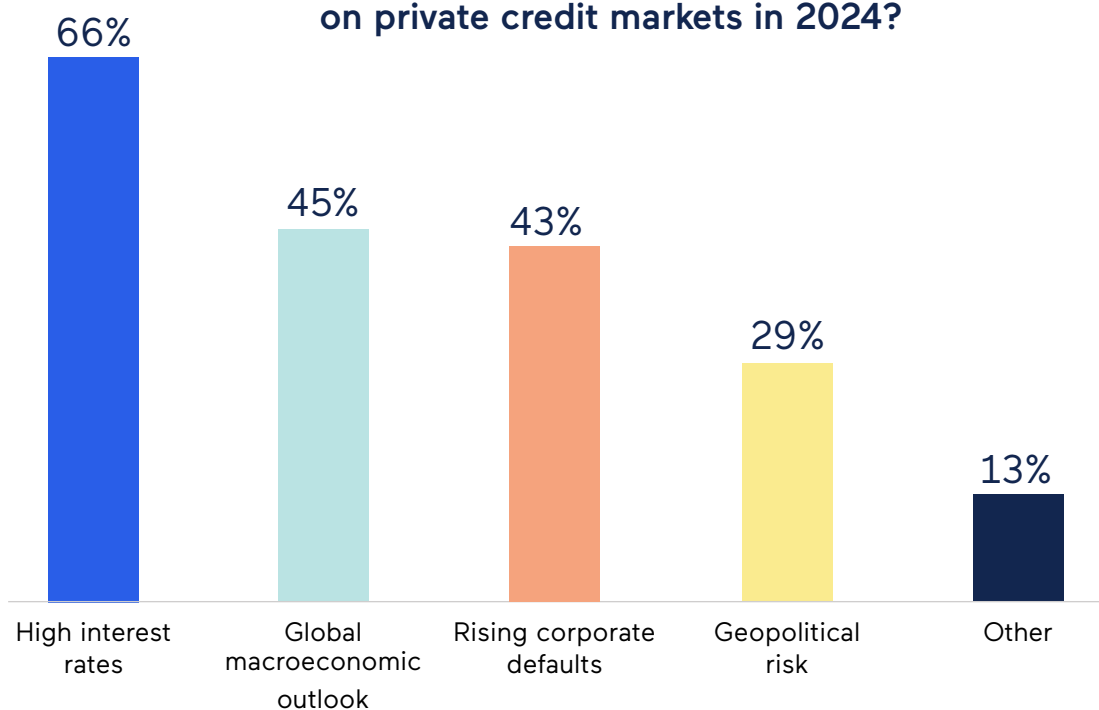


Macroeconomic Outlook



Interest rate environment and macroeconomic risk biggest drivers going into 2024

What do you think will have the biggest impact on private credit markets in 2024?



“There is a lot of dry powder out there both with PEs and debt funds and once the rates cuts start coming through, the market can go back to 2021 activity levels within a couple quarters.”

— Investment Bank, EMEA

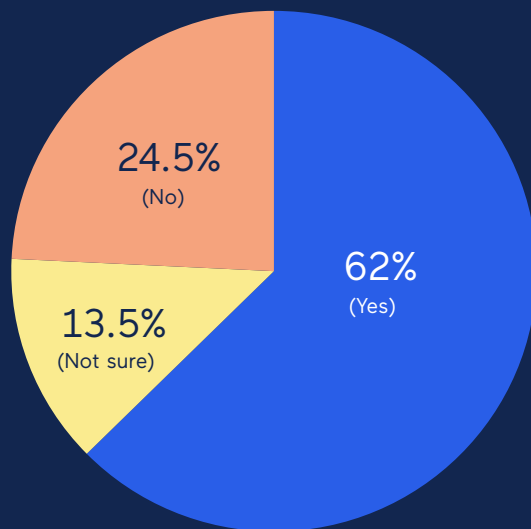
“All-equity bridge funding for the right opportunity in expectation of declining rates may become a viable option in the coming quarters.”

— Advisory Firm, EMEA

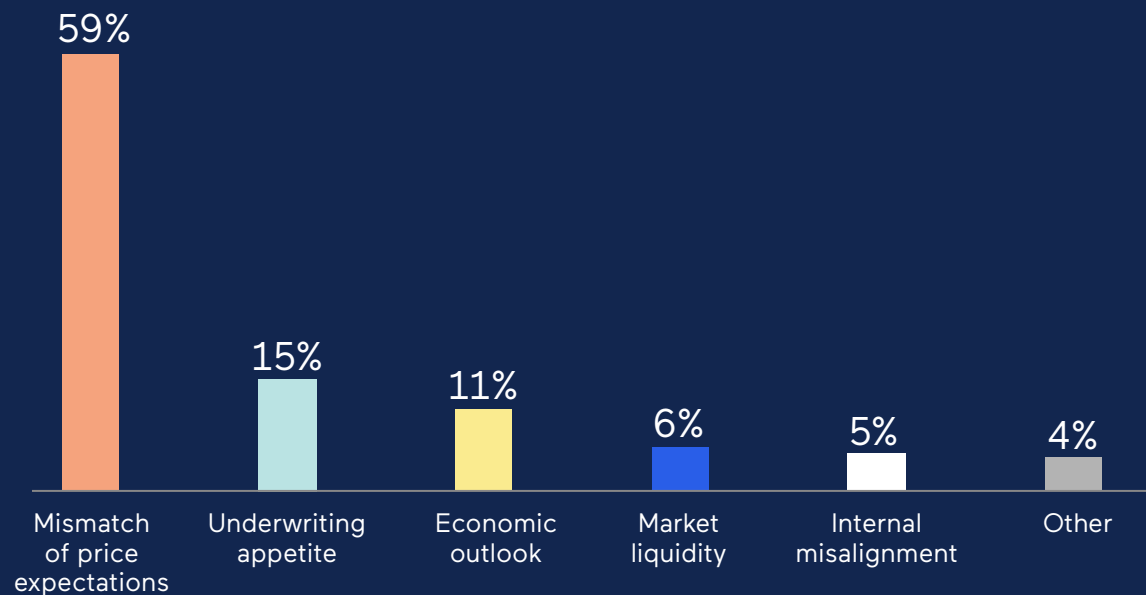
- Respondents were allowed to select up to three choices in the responses
- Other notable mentions include volatility, lower interest rates, elections and positive fundraising


Price mismatch biggest factor impacting deal timelines

Are deals taking longer to complete?



What is the biggest factor impacting deal timelines?





“Price mismatch is a confluence of a number of factors: market liquidity, seller reluctance to adjust expectations, price tension on deals auctions is shallow...”

— Global Private Equity Sponsor

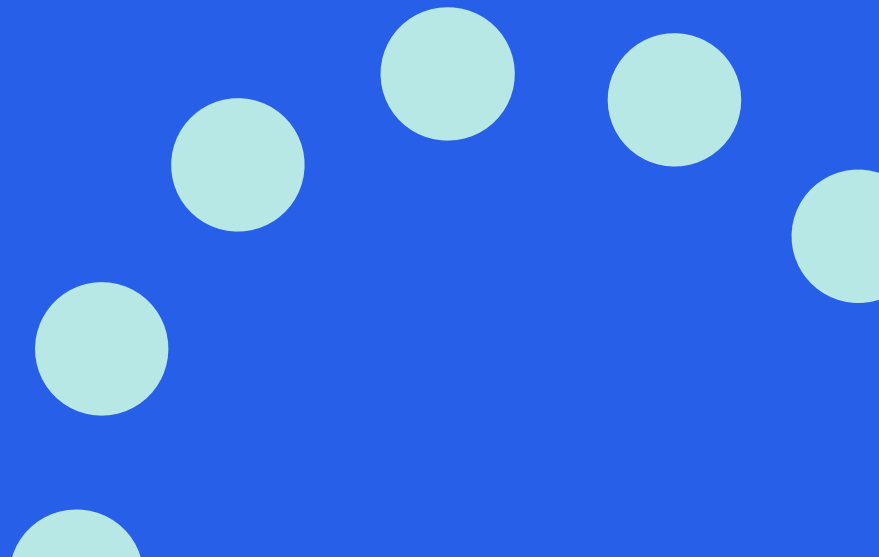
“Diligence is taking longer now as the underwriting standards are tightened. IC is focused on business stability through cycles and wants to understand better the quality of earnings.”

— Advisory Firm, Americas

“The EV pricing dislocation between buyers and sellers exists today but price asymmetry dissipates with an improving economy and lower interest rates. Indicators again are that this will improve.”

— Private Credit Fund, EMEA

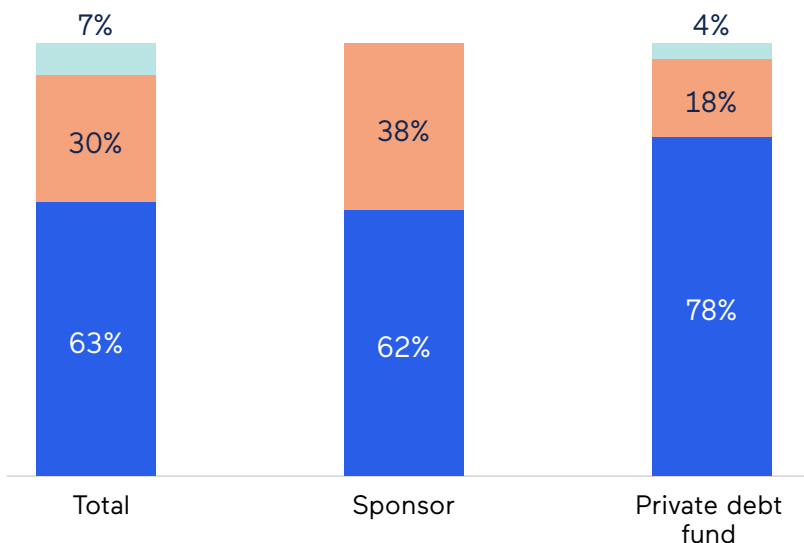
Deal Activity Outlook



90%+ respondents expected activity levels to increase or stay the same in 2024

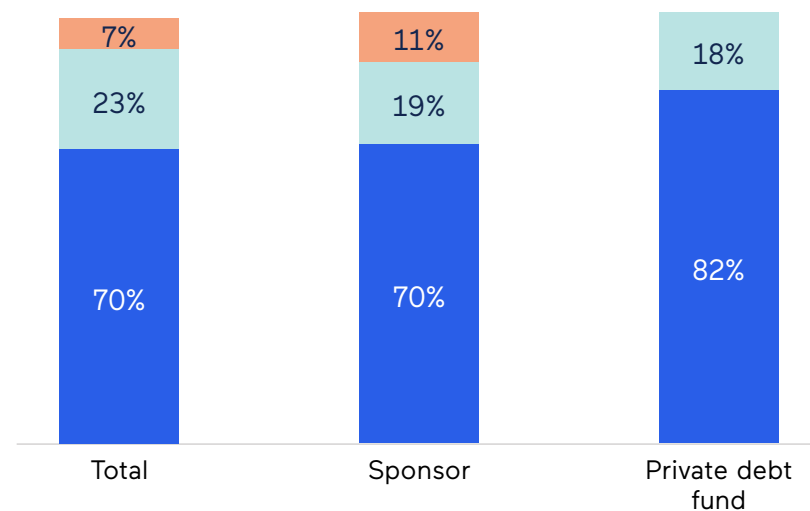
While all respondents are generally bullish, sponsor sentiment slightly lags that of debt funds.

How would you characterize the outlook for the private credit markets in 2024?



■ Positive ■ Neutral ■ Negative

Do you think private debt deal opportunities will increase or decrease in 2024?

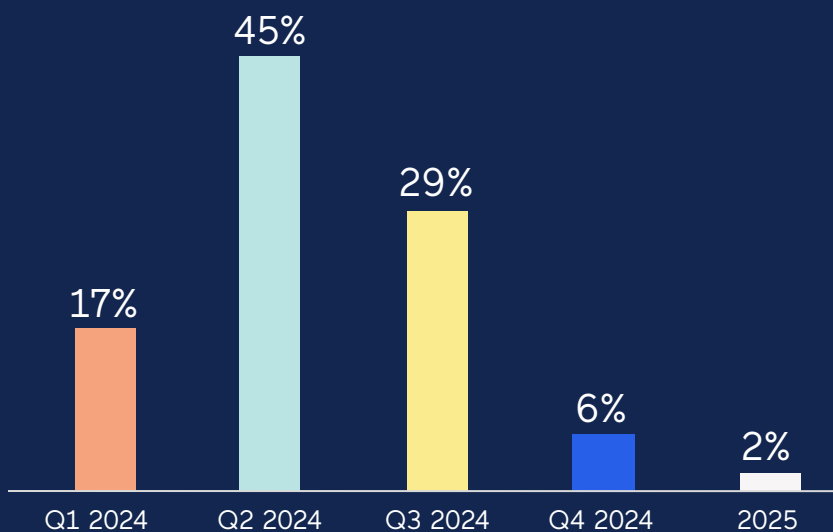


■ Increase ■ Decrease ■ Stay the same

- Please note that sponsor and private debt fund sample sizes are small

Deal pipelines seem to indicate Q2 and Q3 will be key periods in 2024

When do you think M&A will pick up?



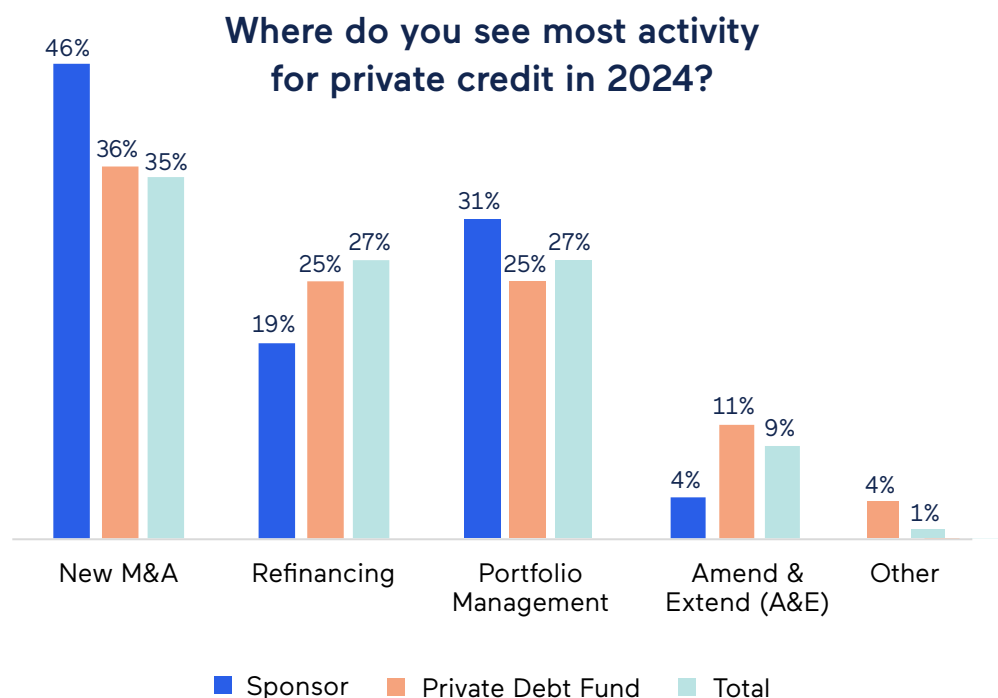
“Another key driver will be correction/ ‘catch up’ in sponsor investment as the ‘5 year investment cycle’ will need to gain velocity. Will the uptick accelerate in 2024 and again in 2025?”

— Global Investment Bank —

“Interest rates have a direct influence on markets and activity. Narrative in December from UK and US is that interest rates may have peaked as inflation has been curtailed. US markets predict a few interest rate cuts in 2024 and UK will be under pressure to follow suit. If interest rates follow the projected path then we should be looking at a stronger economy with a pick up in deal activity.”

— Private Equity Sponsor, EMEA —

New M&A financings expected to be where the market will spend most time



“We have already completed most of the A&E and Refinancing for the next 24 months. The focus is now on new deals vs. portfolio related work.”

— Global Private Equity Sponsor

“We did not complete many deals in 2023 compared to normalized deal pace. Therefore there is more willingness from the IC to deploy capital in 2024.”

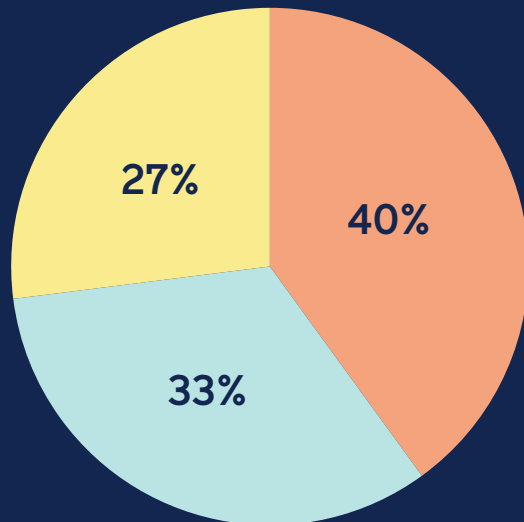
— Private Equity Sponsor, Americas

“There is a pressure from LPs to GPs to return capital and that will drive new transactions / refinancing in 2024 vs. 2023.”

— Global Credit Fund

Expected normalization of the market to result in more borrower friendly terms

Do you think underwriting terms in private credit will be more or less lender friendly in 2024?"



■ Less lender friendly ■ More lender friendly ■ Same

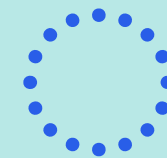
"At first in 2024, the market is expected to be less lender friendly as there will be a race to deploy capital and competition will be fierce."

— Investment Bank, EMEA —

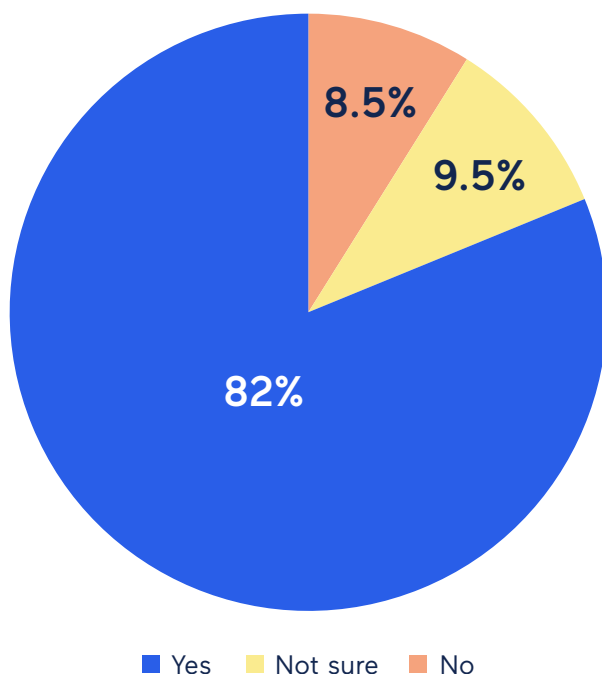
"More competition to return from syndicated loan markets which, will put pressure on our ability to hold the terms we have been able to negotiate in 2023."

— Private Credit Fund, America —

Private credit is expected to sustain its current elevated market share in 2024 for the \$1bn+ deals



Can private credit funds sustain competition in \$1bn+ deals?



“It is clear that private credit can compete in even the largest deals – providing a viable alternative to traditional lenders. We prefer this option as this is bespoke to our needs and provides higher certainty from an execution standpoint.”

— **Private Equity Sponsor, EMEA**

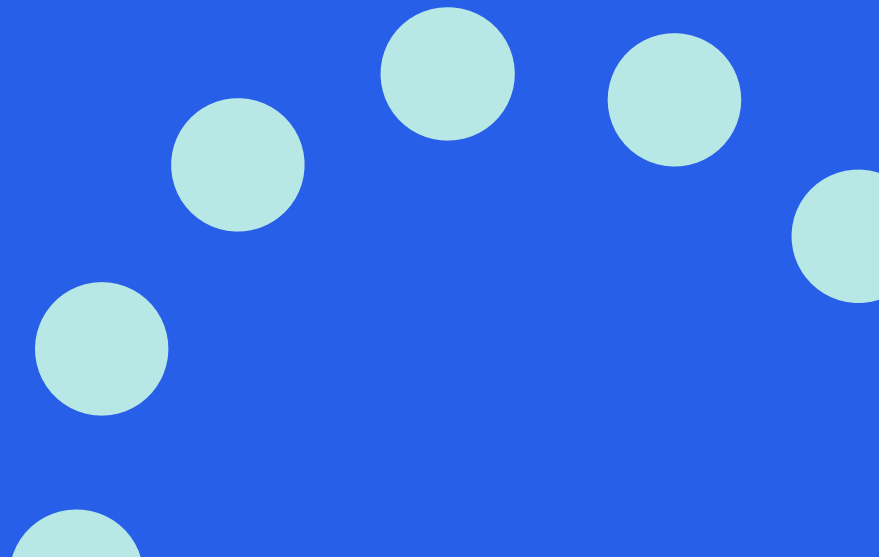
“Our private debt team is now bigger than origination teams at some of the leading banks. We aren’t expanding our team to just focus on deals that banks don’t want to do. We very much expect to increase our activity on the jumbo transactions.”

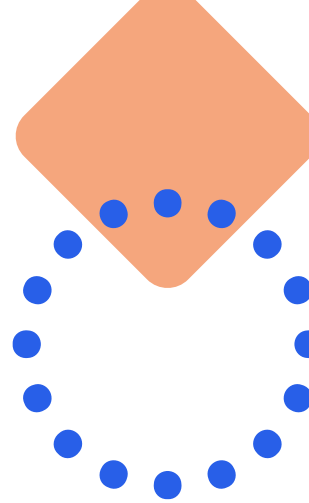
— **Global Credit Fund**

“Our Sponsor Capital Markets desk has acknowledged that ‘Private Credit Funds’ have disintermediated ‘Syndicated Loans’ and this will be sustained with ever growing liquidity and Sponsor preference.”

— **Global Investment Bank**

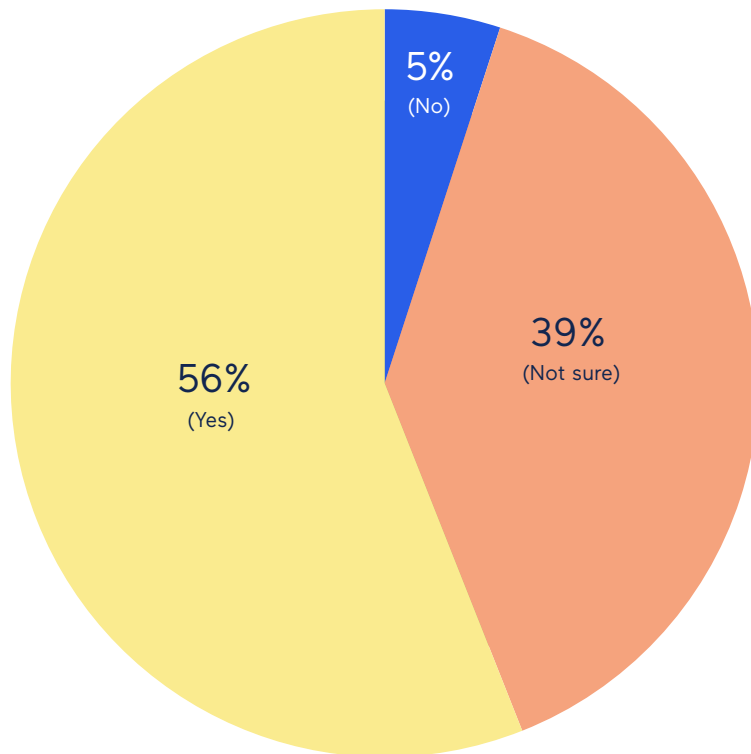
Technology Adoption Outlook





Majority of the industry participants have technology on their key agenda going into 2024

Do you think private credit markets will embrace more technological support in day-to-day tasks in 2024?

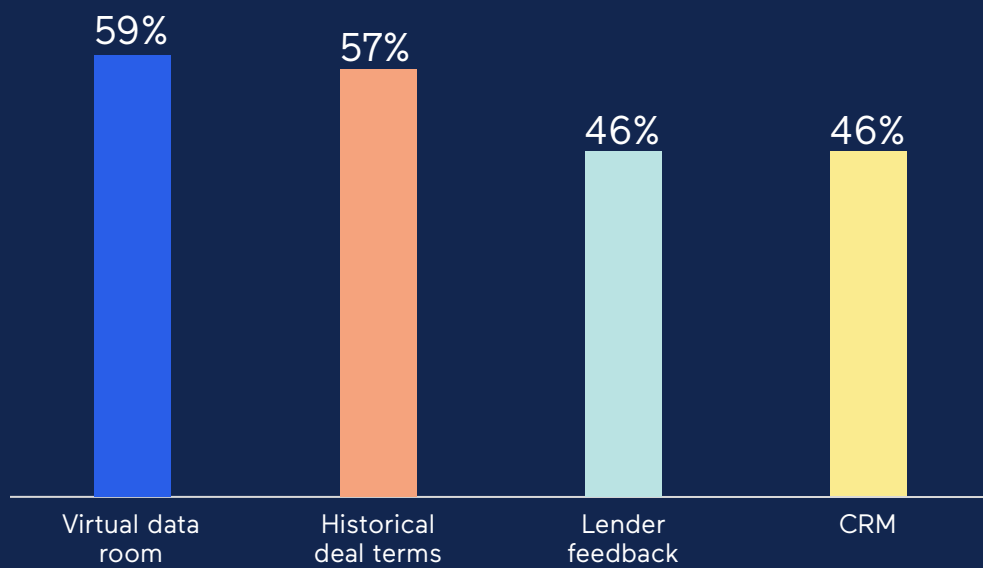


While private credit is undoubtedly experiencing growing pains, it is clear that professionals are actively engaged in finding solutions.

The willingness to embrace new technologies and improve processes will position it for long-term, sustainable growth.

The industry remains underpenetrated in terms of technology. Excel, CRM and data rooms have been the three biggest innovations to date

As part of your private credit activity, do you use technology to track and manage the following?



- Respondents were allowed to select multiple choices in the responses

“As board members of our portfolio companies, we are good at driving digital transformation at those companies. However, in our own workflows, we don’t utilize any technology other than excel and powerpoint. There is tremendous opportunity to save the precious deal team time and improve productivity across all stages of the deal lifecycle.”

— **Private Equity Sponsor, Americas**

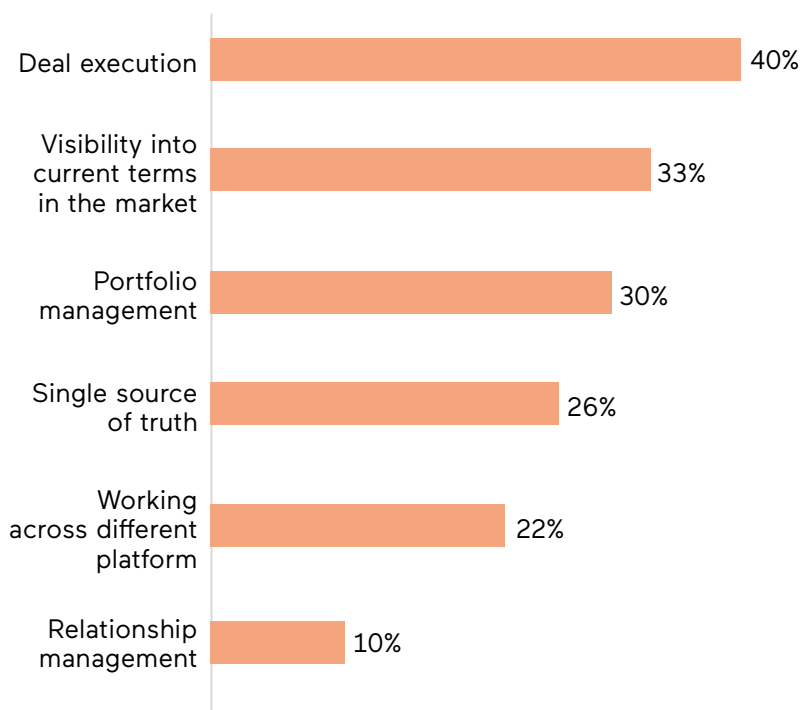
“Tech-enabled deal management has already arrived and I believe it will be a differentiator for the winners in our industry.”

— **Global Advisory Firm**

Termgrid

Deal Execution is expected to be the key focus on technology adoption as it is largely manual today

Thinking about your workflows in private credit, what do you expect to be your biggest pain point in 2024?



“There can be hours spent at the end of each day sorting through email folders just to keep up to date on all the latest interactions on a deal. It is frustrating when I know there are more valuable ways to spend that time.”

— Private Credit Fund, EMEA

“Our process management was entirely manual before we discovered Termgrid. We would track lender interactions and due diligence processes over email, excel, and in memos.”

— Private Equity Sponsor, Americas

About Termgrid

Termgrid is the market-leading software platform purpose-built for private capital markets.

It was created by industry professionals to solve the inefficiencies in the financing process, streamlining the end-to-end workflow for all deal participants to drive efficiency and insight at every stage of a transaction. Currently over 700+ institutions and 10k finance professionals across the borrower, lender and deal advisory communities use Termgrid to execute and manage their financings or participate in transactions.

700+
institutions

Collaborating on the
platform globally

10k
users

Largest network of
Sponsors, Lenders
and Advisors

\$100bn+
transactions

Cumulative financing volume
managed on the platform since
inception

Termgrid