

BANKING/ FINANCE

Private Credit Giants Curb Buyout Lending Spree in Big Shift



SHUTTERSTOCK

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by Lisa Lee
and Kiel Porter

The giants of private credit, the only game in town lately for big-ticket leveraged buyouts, are dialing back on risk, in a turning point that threatens to reduce crucial financing for mega deals.

Blackstone Inc., Apollo Global Management Inc., Ares Management Corp., KKR & Co., Antares Capital LP and the asset management arm of Goldman Sachs Group Inc. are cutting the amount of debt they're providing per deal as recession risk rises, according to people with knowledge of the matter who aren't authorized to speak publicly. They're also asking for, and getting, higher yields on financing packages with less leverage, while commanding stronger investor protections in case corporate borrowers go under, the people said.

"With rates going up along with other macroeconomic factors, including Ukraine, we expect market activity to be slower than last year, which was a record year," said Kipp deVeer, head of credit at Ares Management, adding: "We are seeing smaller hold sizes in new deals, which probably decreases an issuer's ability to execute really large transactions in the current volatile environment."

In the first half of the year these private credit firms were willing to band together to provide as much as \$5 billion, or even \$7 billion, of debt for an acquisition. That has dwindled to around \$2 billion for the unitranche loan portion, said one of the people, though such a figure remains large by historic standards.

The more cautious tone among the big direct lenders worsens the climate for debt-fueled corporate acquisitions and LBOs, both of which have already seen a drastic slowdown this year.

"It's definitely a challenging market. We continue to assess each deal based on its merits," said Carol Ann Wharton, a spokesperson for Antares.

Representatives for Blackstone, Apollo, KKR and Goldman Sachs declined to comment.

There are key differences in the risk appetite between each firm. But broadly speaking these direct lenders, who had been willing to hold about \$500 million on their books for deals earlier this year, have cut that to \$200 million to \$300 million, said the people.

Firms that routinely held more than a \$1 billion of financing are cutting back on their hold size as well, they said. Fees for underwritten transactions have also increased to a range of 3% to 3.5% from about 2% to 3%, said one of the people.

With the high-yield bond and leveraged loan markets in the U.S. and Europe under immense strain, private credit funds have emerged as crucial players to power mergers and acquisitions activity. At the same time, banks have stepped back after taking losses on bonds and loans they have brought recently to the market.

As recently as June, a group led by Blackstone provided about \$5 billion of debt, one of the biggest seen in direct lending, to help fund the leveraged buyout of software maker Zendesk Inc. Around May, lenders, including Blackstone and Ares, offered a \$4.5 billion unitranche loan, a popular structure for private credit that blends senior and junior debt into one, to fund a majority stake in Information Resources Inc.

Now with the Federal Reserve ramping up interest rates to tighten financial conditions, these lenders are paring back risk. Spreads have widened by 50 basis points to 150 basis points from a month ago, on top of the rise in the benchmark rate, the people said. Leverage has declined by half a turn, or 0.5-times less debt compared to earnings before interest, tax, depreciation and amortization, or Ebitda, said the people.

On the current trajectory, private equity firms would have to find more lenders than they had to previously for the same amount of financing. And with higher borrowing costs and less debt for acquisitions, they may be prompted to lower purchase prices, in what could be the biggest challenge yet to the M&A cycle this year.

Lisa Lee and Kiel Porter report for Bloomberg News.



CITY OF DORAL NOTICE OF ZONING WORKSHOP

All residents, property owners and other interested parties are hereby notified of a **Zoning Workshop** on **Monday, August 8, 2022 at 6:00 p.m.** The Meeting will take place at the City of Doral, Government Center, Council Chambers located at 8401 NW 53rd Terrace, Doral, Florida, 33166.

The following application will be presented:

HEARING NO.: 22-08-DOR-01

APPLICANT: Trump Endeavor 12 LLC (the "Applicant") c/o Felix M. Lasarte, Esq.

PROJECT NAME: Doral International Towers

PROPERTY OWNER: Trump Endeavor 12 LLC

LOCATION: 4400 NW 87 Avenue, Doral, Florida 33178

FOLIO NUMBER: A Portion of 35-3021-001-0010; 35-3028-000-0050; 35-3021-008-0010; 35-3028-029-0020; 35-3028-029-0010; 35-3022-010-0010

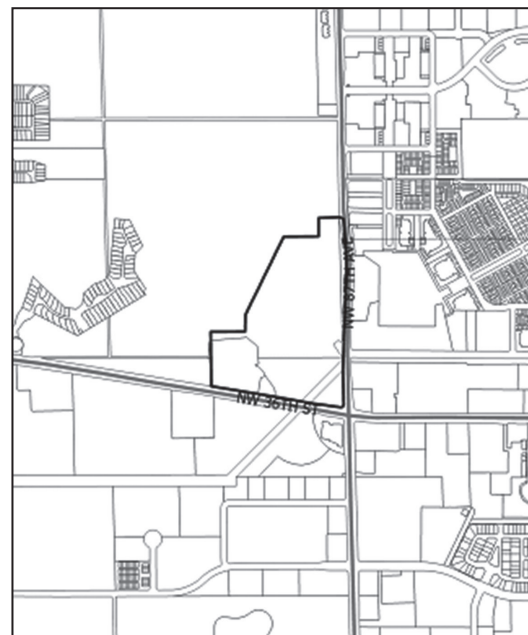
SIZE OF PROPERTY: ±56.4 acres

FUTURE LAND USE MAP DESIGNATION: Community Mixed Use (CMU)

ZONING DESIGNATION: Multifamily Residential-4 District (MF-4) and Industrial Commercial (IC)

REQUEST: The Applicant is seeking to amend the Comprehensive Plan Future Land Use Map designation on the Property from Community Mixed Use to Downtown Mixed Use (DMU).

Location Map



ZONING WORKSHOP PROCESS: The zoning workshop consists of two sessions:

1. **First Session.** The first session of a zoning workshop shall provide a forum for members of the public to learn about proposed developments within the city. Developments may be presented to the public simultaneously, in several locations within the meeting site. During this session, members of the public are encouraged to ask questions and to provide feedback to the applicant about the proposed development. The applicant shall provide visual depictions, such as renderings, drawings, pictures, and the location of the proposed development. In addition, representatives of the applicant shall be available to answer questions that members of the public may have about the proposed development. The members of the City Council shall not be present during the first session of the zoning workshop.

2. **Second Session.** The second session of a zoning workshop shall provide a forum for the City Council to learn about the proposed developments discussed at the first session of the zoning workshop. No quorum requirement shall apply. Developments shall be presented by the applicants sequentially, one at a time, for the City Council's review and comment. The applicant shall again present visual depictions of the proposed development. In addition, the applicant shall be available to answer any questions that members of the City Council may have about the proposed development.

No quorum requirement shall apply nor will any vote on any project be taken, but roll call will be taken, as it is a publicly noticed meeting.

Information relating to this request is on file and may be examined in the City of Doral, Planning and Zoning Department located at **8401 NW 53rd Terrace, Doral, FL 33166**. Maps and other data pertaining to these applications are available for public inspection during normal business hours in City Hall. Inquiries regarding the item may be directed to the Planning and Zoning Department at 305-59-DORAL.

In accordance with the Americans with Disabilities Act, all persons who are disabled and who need special accommodations to participate in this meeting because of that disability should contact the Planning and Zoning Department at 305-59-DORAL no later than three (3) business days prior to the proceeding.

NOTE: If you are not able to communicate, or are not comfortable expressing yourself, in the English language, it is your responsibility to bring with you an English-speaking interpreter when conducting business at the City of Doral during the zoning application process up to, and including, appearance at a hearing. This person may be a friend, relative or someone else. A minor cannot serve as a valid interpreter. The City of Doral DOES NOT provide translation services during the zoning application process or during any quasi-judicial proceeding.

NOTA: Si usted no está en capacidad de comunicarse, o no se siente cómodo al expresarse en inglés, es de su responsabilidad traer un intérprete del idioma inglés cuando trate asuntos públicos o de negocios con la Ciudad de Doral durante el proceso de solicitudes de zonificación, incluyendo su comparecencia a una audiencia. Esta persona puede ser un amigo, familiar o alguien que le haga la traducción durante su comparecencia a la audiencia. Un menor de edad no puede ser intérprete. La Ciudad de Doral NO suministra servicio de traducción durante ningún procedimiento o durante el proceso de solicitudes de zonificación.

Connie Diaz, MMC
City Clerk
City of Doral