



Private Credit Monitor

January 2026





Key Takeaways

- **Direct lending volume and deal count decline despite jumbo deals** — Estimated deal volume declined 19% year-over-year. Mega-deals continued to anchor activity, with eight transactions of at least \$1 billion. Notable deals included a \$1.285 billion unitranche backing an acquisition of a stake in Conservice by TPG, while veterinary technology provider Covetrus sought roughly \$2.5 billion from private credit lenders for a refinancing and M&A deal. Mid-market issuance remained active, including SGA Dental Partners' roughly \$700 million financing to support its acquisition and merger with Gen4 Dental Partners and Modis Dental Partners.
- **PE-backed LBO financings skew larger despite fewer transactions** — LBO-related direct lending deal count for January dropped while volume remained about the same on a YoY basis, signaling fewer but larger deals. Against that backdrop, PE-backed direct lending activity ticked up over the past three months, supported by several large LBO transactions. Notable examples included debt packages of nearly \$1.5 billion each tied to Blackstone's take-private of Hologic and TPG Capital's sponsored acquisition of Conservice, underscoring sponsors' continued use of private credit for sizable buyout financings.
- **Healthcare gains share in new-issue direct lending** — In January 2026, healthcare accounted for a meaningfully larger share of new-issue direct lending transactions compared with its share in full-year 2025, reflecting a substantial increase in deal count as a percentage of total activity. In contrast, the tech sector represented a smaller share over the same period, indicating a shift in private lenders' appetite away from Technology and toward healthcare-related sectors early in the year.
- **Software concern raises valuation questions** — Earnings from BDCs reporting fourth-quarter results indicate growing concern about the software sector, following weakness that first emerged in public equity markets. Investors are questioning whether softer equity valuations could ripple through to fair values held in BDC portfolios, particularly given software's status as the largest industry exposure. Even so, the pullback may create selective buying opportunities. For more, see "[Asset value drop presents buying opportunities, but who will lend to software?](#)"
- **BSL spreads remain competitive versus private credit** — In January 2026, broadly syndicated loan spreads averaged 335 bps, below the 2025 average of 365 bps, with the tightest deals pricing as low as 300 bps. The continued compression underscores a highly competitive BSL market, where lower spreads have consistently challenged private credit throughout 2025 and into early 2026.
- **BSL slightly edges direct lending in refinancing activity** — Roughly \$7.2 billion of direct lending debt was refinanced in the BSL market over the past three months, compared with \$6.3 billion of syndicated loans refinanced by direct lenders, highlighting a renewed tilt toward BSL takeouts.
- **2026 outlook** — M&A activity is expected to strengthen, adding to improved market sentiment that began late in the second quarter. More stable financial markets and renewed sponsor confidence have supported higher transaction volumes, while corporate management teams are increasingly refocusing on long-term strategic growth initiatives. For more insight into LCD's 2026 private credit outlook, see "[2026 US Private Credit Outlook: More LBOs, steady-to-wider spreads.](#)"



Direct Lending Volume & Counts



January 2026 deal count exceeded November and December, but fell short of January 2025

Direct lending deal count and estimated volume (quarterly) (\$B)

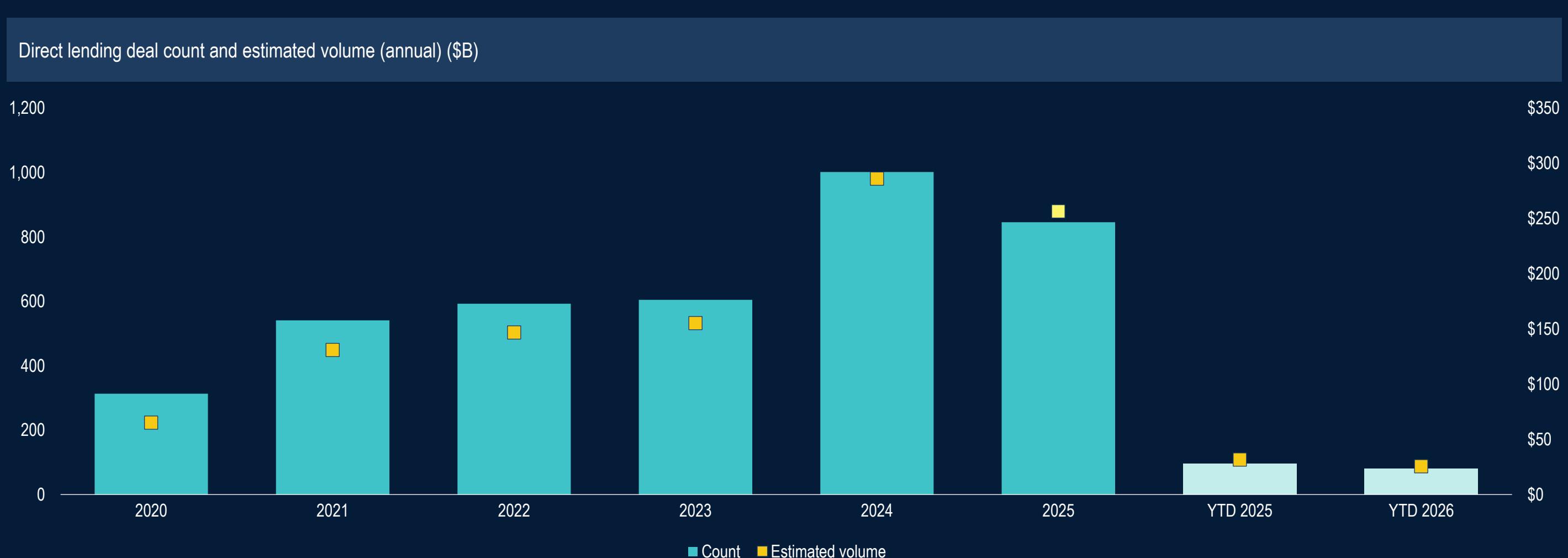


Source: PitchBook | LCD • Geography: US • *As of Jan. 31, 2026

Deal count is based on transactions covered by LCD News



Estimated direct lending volume and deal count declined year-over-year in January; volume fell 19%, and deal count fell by 15 deals



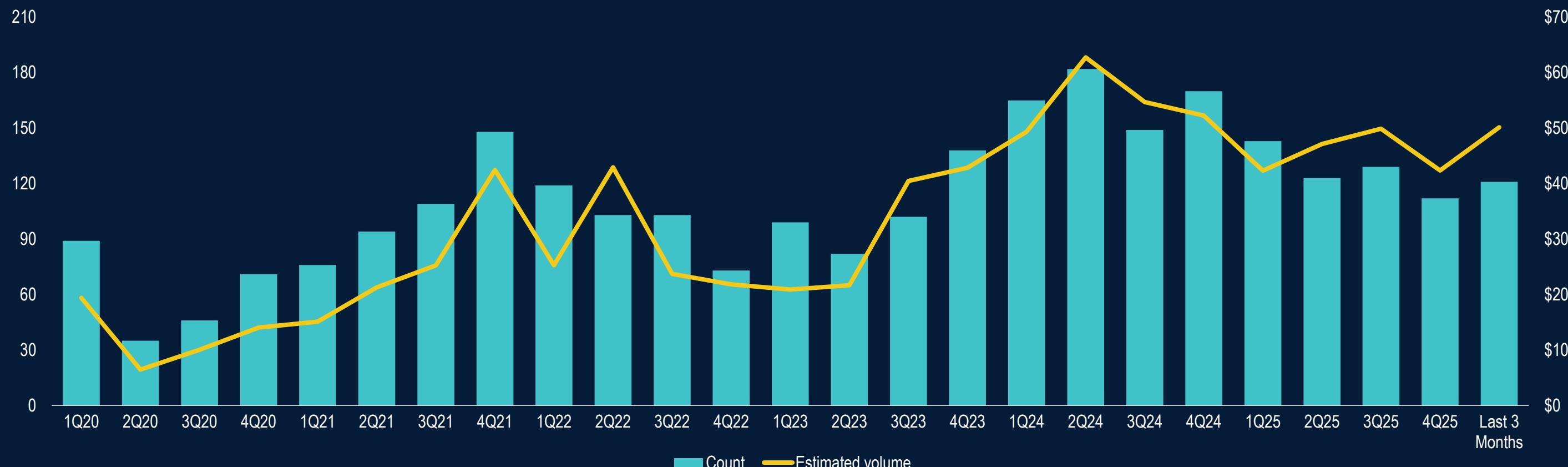
Source: PitchBook | LCD • Geography: US • *As of Jan. 31, 2026

Deal count is based on transactions covered by LCD News



Deal count and volume rose 8% and 18%, respectively, over the last three months, from Q4 2025

Direct lending deal count and estimated volume, sponsor-backed borrowers (quarterly) (\$B)



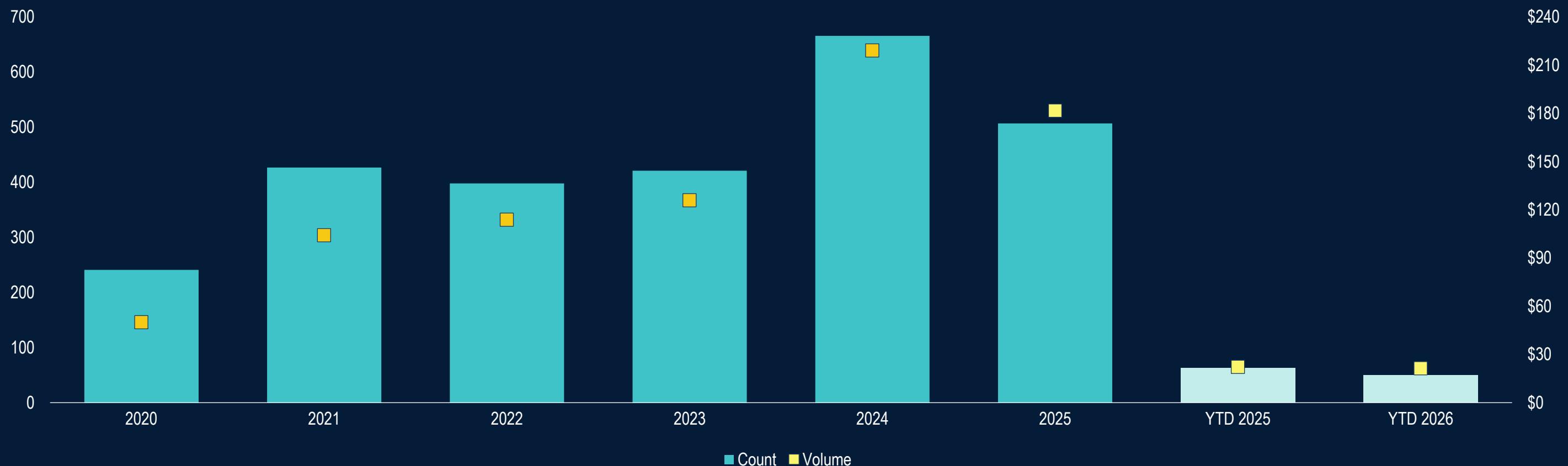
Deal count is based on transactions covered by LCD News

Source: PitchBook | LCD • Geography: US • *As of Jan. 31, 2026



On a YoY basis, sponsor-backed volume was stable and deal count declined in January, indicating a larger average deal size

Direct lending deal count and estimated volume, sponsor-backed borrowers (annual) (\$B)

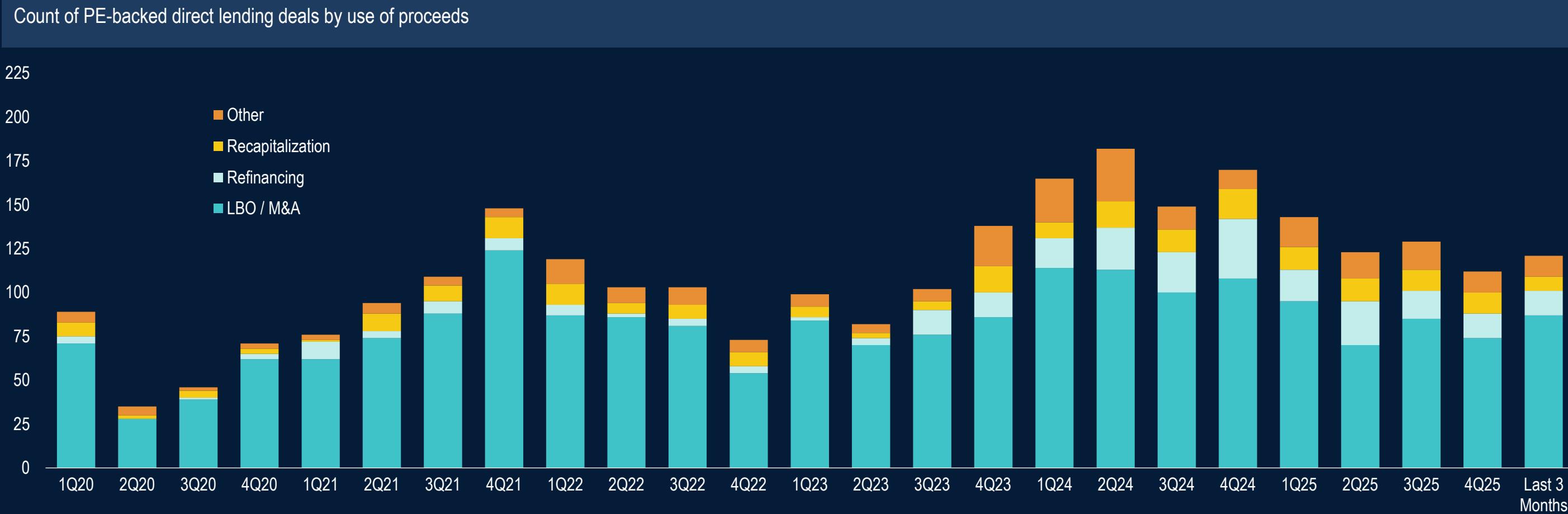


Source: PitchBook | LCD • Geography: US • *As of Jan. 31, 2026

Deal count is based on transactions covered by LCD News



LBO/M&A activity accelerated, marking the highest 3-month deal count over the last three quarters



Source: PitchBook | LCD • Geography: US • *As of Jan. 31, 2026

Deal count is based on transactions covered by LCD News



Several large transactions drove LBO volume and deal count over the past three months to exceed Q4 2025 levels

Direct lending deal count and estimated volume of deals financing buyouts (quarterly) (\$B)



Source: PitchBook | LCD • Geography: US • *As of Jan. 31, 2026

Deal count is based on transactions covered by LCD News



Similar transaction volume but a lower deal count in January versus January 2025, indicating fewer but larger direct lending deals



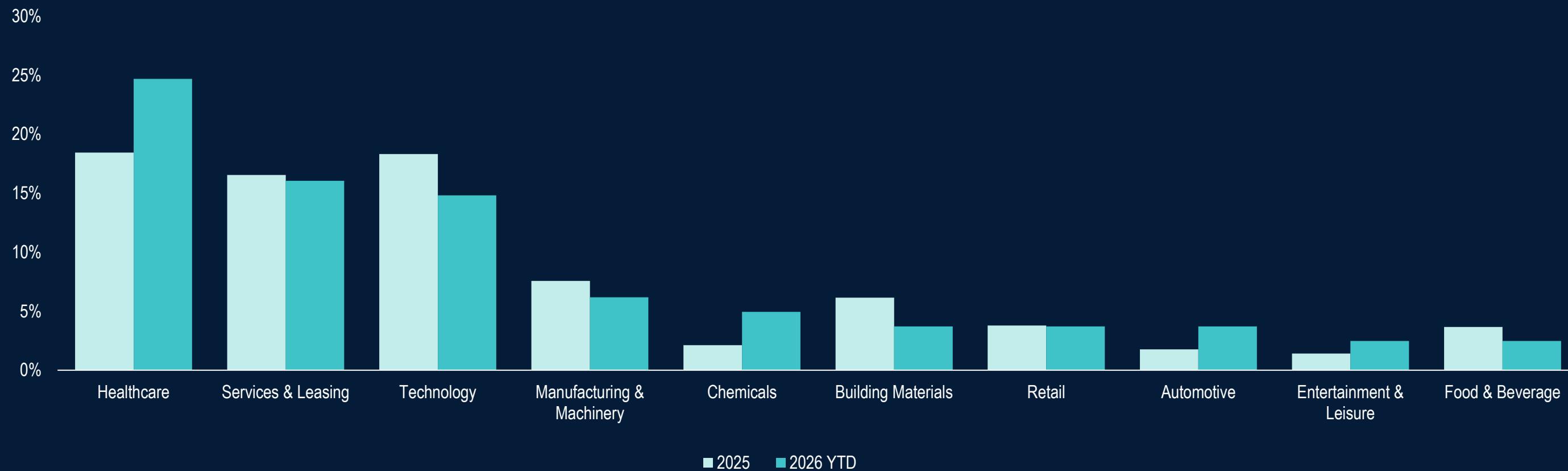
Source: PitchBook | LCD • Geography: US • *As of Jan. 31, 2026

Deal count is based on transactions covered by LCD News



Healthcare activity maintained momentum but Technology tapered off, with recent negative market sentiment on AI-disruption

New-issue direct lending top 10 sectors – share by deal count



Source: PitchBook | LCD • Geography: US • *As of Jan. 31, 2026

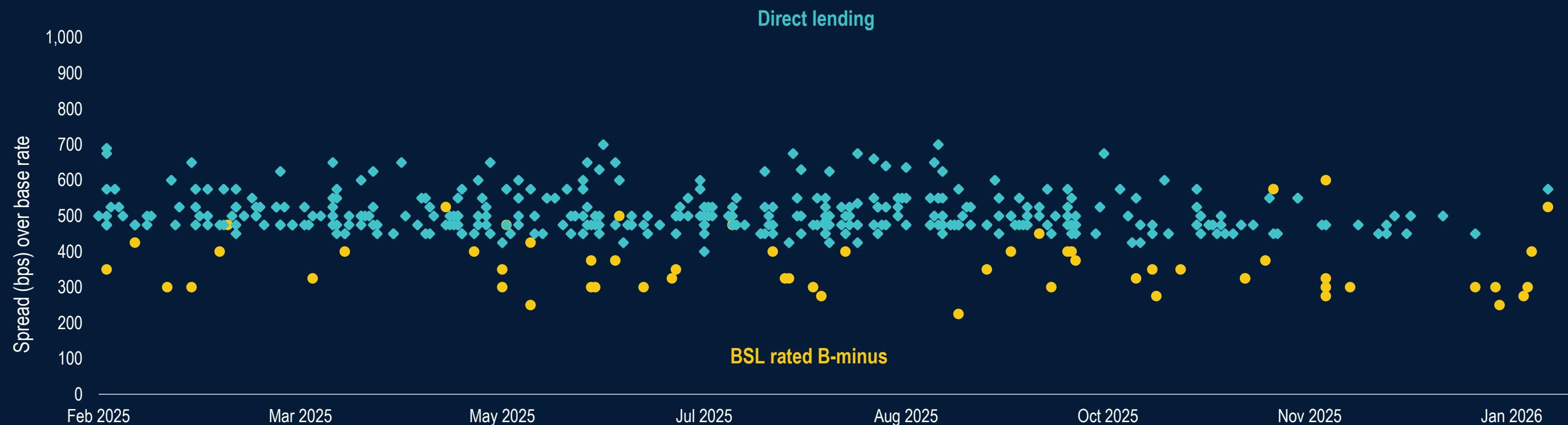


Spreads



BSL spreads on PE-backed acquisition deals tighten to 335 bps in January, 30 bps below the 2025 average

New-issue spread of acquisition-related deals, PE-backed borrowers



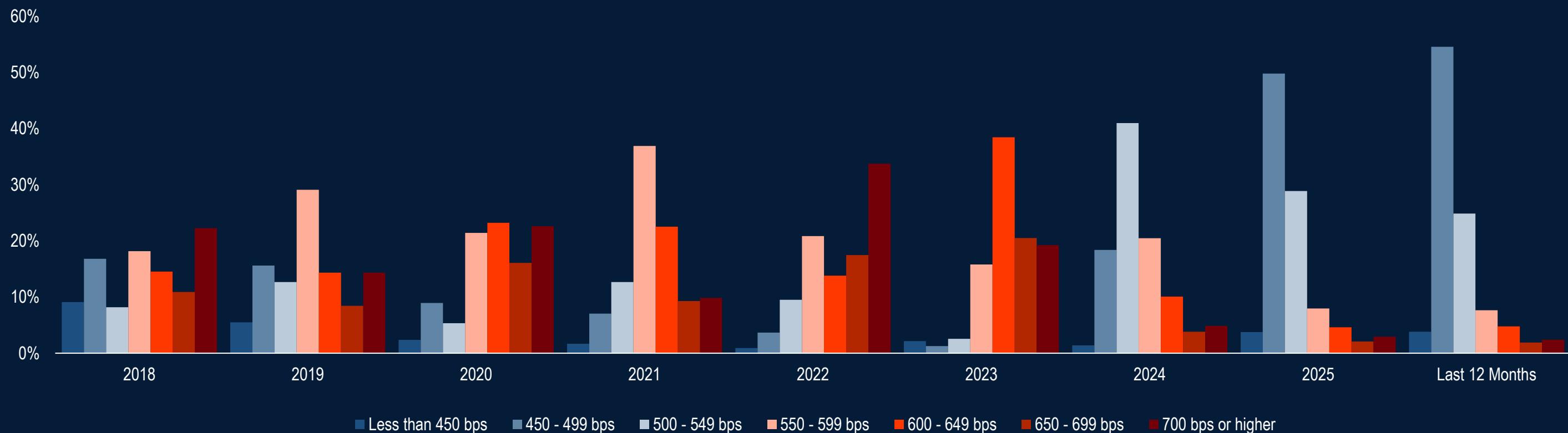
Source: PitchBook | LCD • Geography: US • *As of Jan. 31, 2026

Direct lending data is based on transactions covered by LCD News, BDC filings and other public sources



Spreads on more than half of LBO direct lending loans were 450-499 bps in January on an LTM basis

New-issue spread distribution of LBOs financed in direct lending market



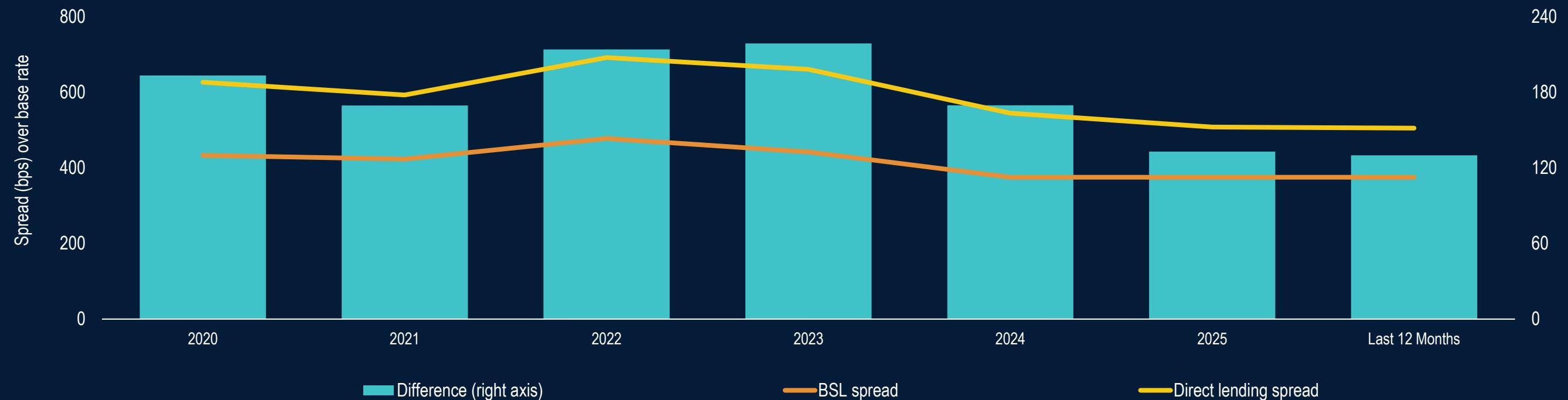
Source: PitchBook | LCD • Geography: US • *As of Jan. 31, 2026

Data reflects senior secured loans and unitranche facilities.



The difference in BSL and direct lending spreads remains steady

Spread of LBOs financed in BSL (B-minus borrowers) vs direct lending market



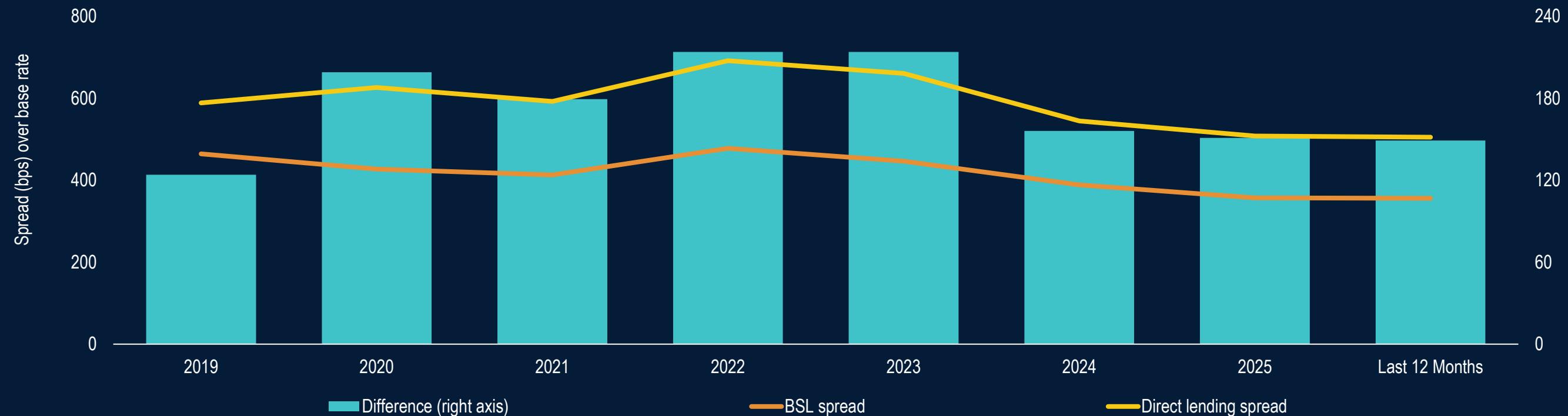
Source: PitchBook | LCD • Geography: US • *As of Jan. 31, 2026

Direct lending spread data reflects senior secured first-lien loans and unitranche facilities. BSL data reflects loans issued to borrowers rated B-minus.



LBO cost of debt is steady across private and liquid credit markets

Spread of LBOs financed in BSL (all borrowers) vs direct lending market



Direct lending spread data reflects senior secured first-lien loans and unitranche facilities. BSL data reflects loans issued to all leveraged borrowers.

Source: PitchBook | LCD • Geography: US • *As of Jan. 31, 2026

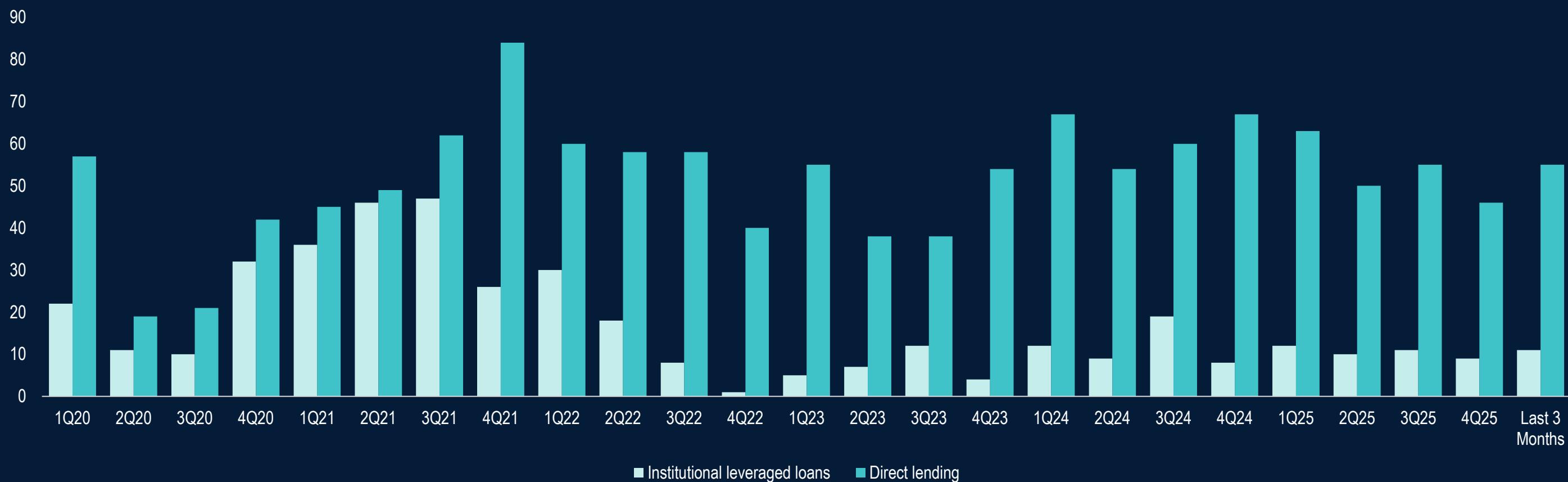


Broadly Syndicated vs. Direct Lending Market



Direct lending matched Q3 2025 deal count levels; 55 LBOs include two large deals by Blackstone

Count of LBO deals financed in BSL vs direct lending market (quarterly)

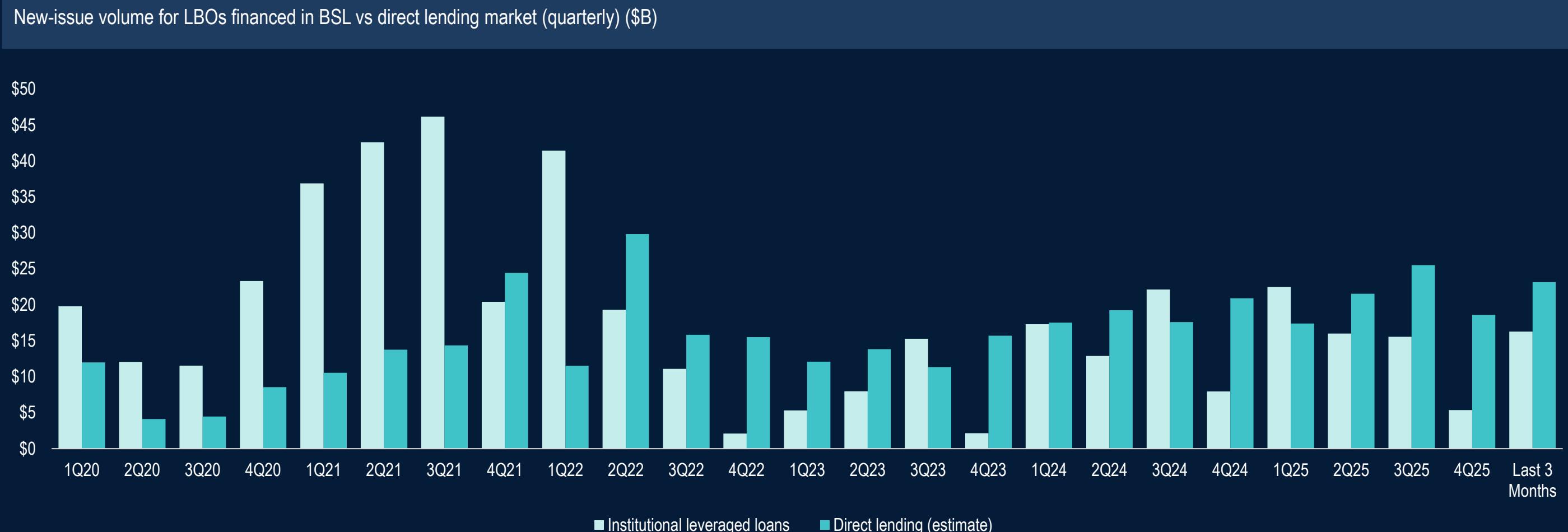


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Deal count is based on transactions covered by LCD News



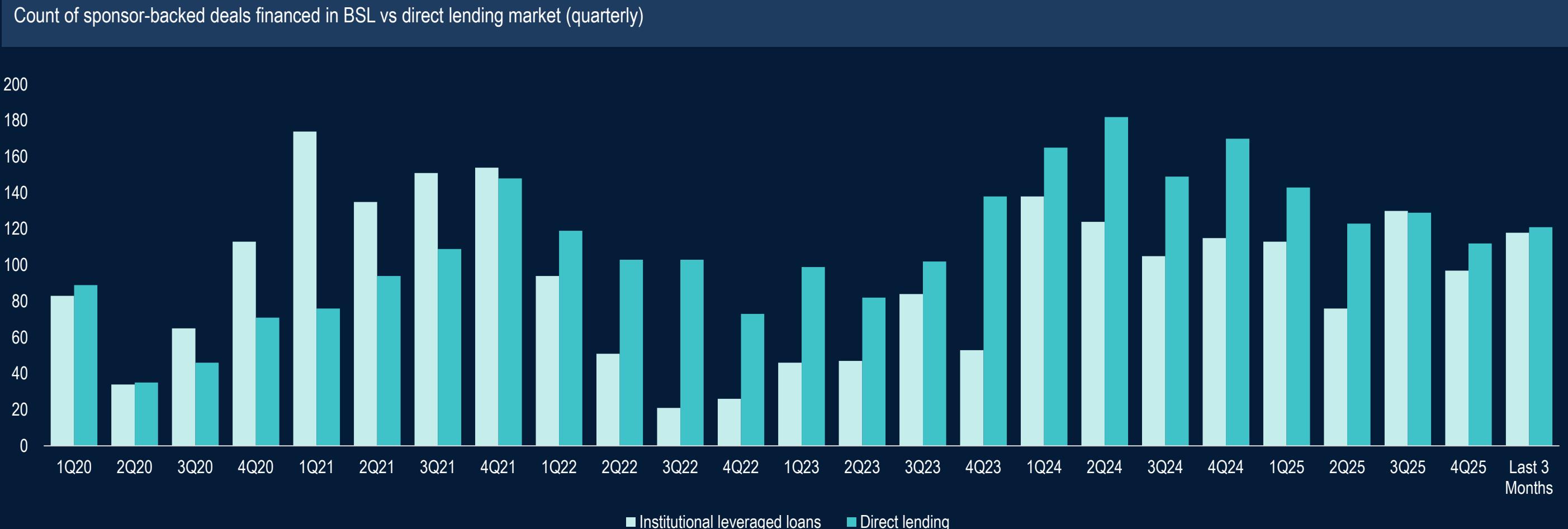
Sponsors secured more funding from direct lenders than BSL in the last three months



Source: PitchBook | LCD • Geography: US • *As of Jan. 31, 2026



BSL deal count was roughly on par with direct lending



Source: PitchBook | LCD • Geography: US • *As of Jan. 31, 2026

Deal count is based on transactions covered by LCD News



Volume for new-issue sponsor-backed loans financed in BSL has increased from Q4 2025

New-issue sponsor-backed volume for loans financed in BSL vs private credit market (quarterly) (\$B)



Source: PitchBook | LCD • Geography: US • *As of Jan. 31, 2026

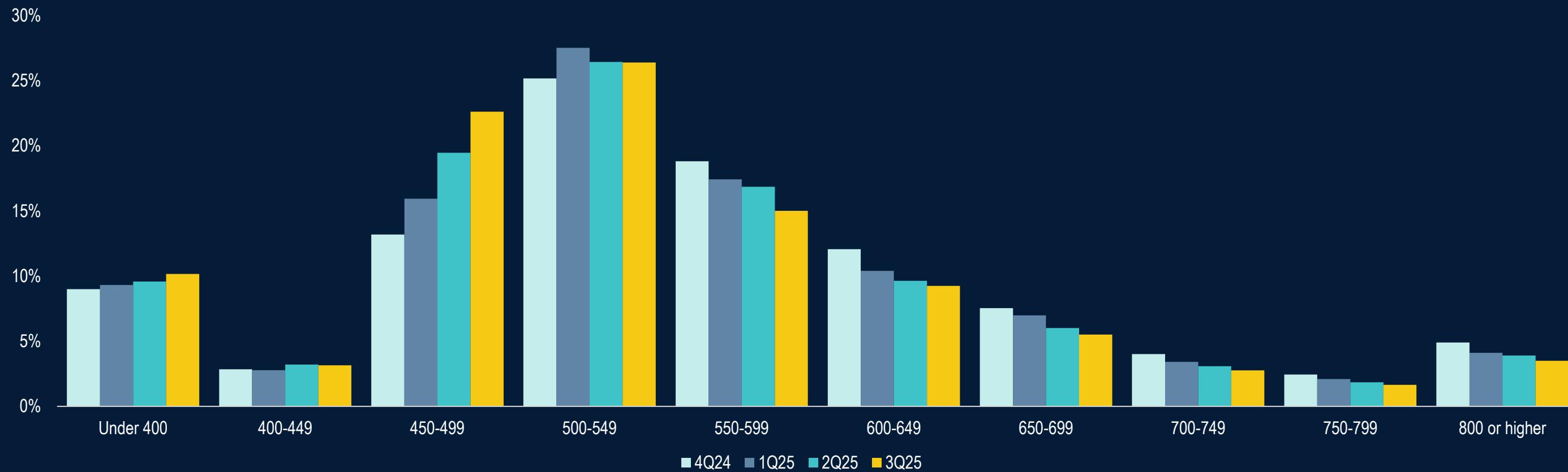


Business Development Companies (BDCs)



BDC portfolios signal further spread compression

BDC holdings spread distribution ranges (bps) by share of portfolio, based on count

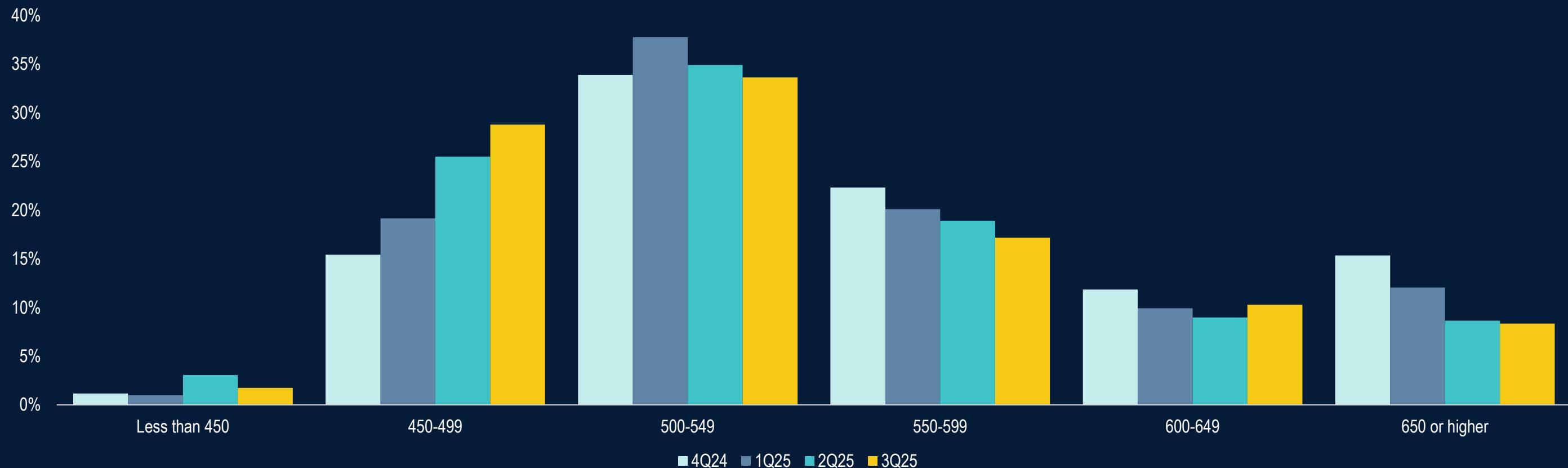


Source: PitchBook | LCD • Geography: US • *As of Sep. 30, 2025



31% of unitranche facilities held by BDCs had spreads under S+500 as of Sept. 30, 2025, up from 17% at the end of 2024

Spread range (bps) for unitranche loans held by BDCs, based on count

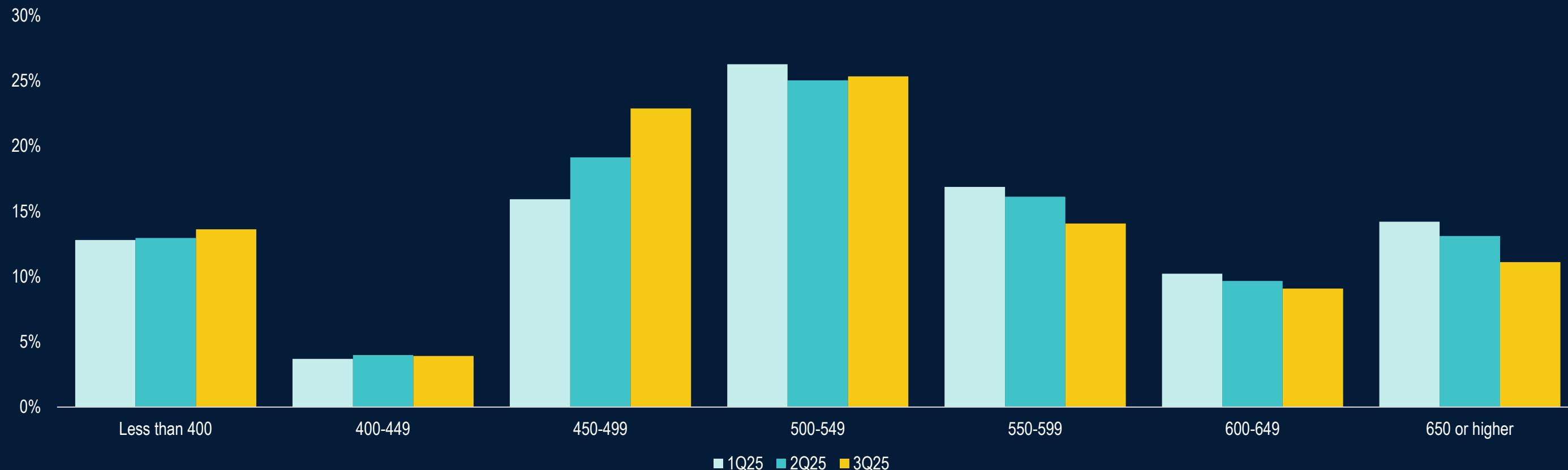


Source: PitchBook | LCD • Geography: US • *As of Sep. 30, 2025



23% of first-lien facilities carried spreads in the 450-499 bps range based on Q3 BDC filings, up from just 16% at the end of March

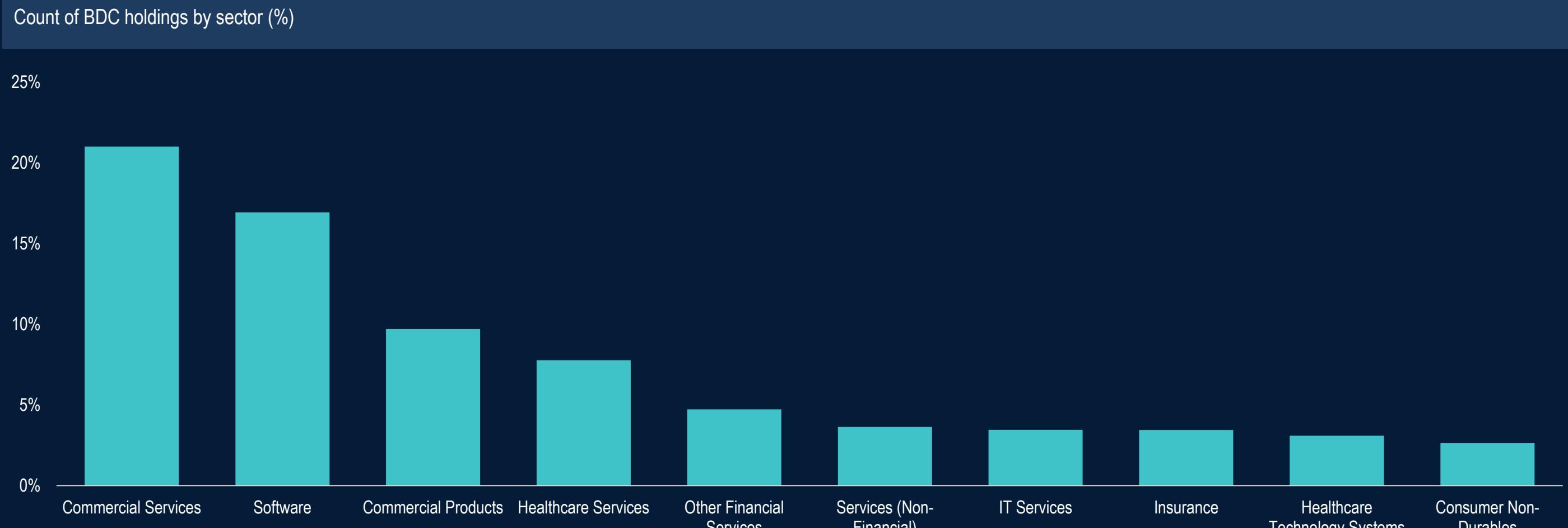
Spread range (bps) for senior secured first-lien term loans held by BDCs



Source: PitchBook | LCD • Geography: US • *As of Sep. 30, 2025



Commercial Services and Software lead among BDC holdings by sector



Source: PitchBook | LCD • Geography: US • *As of Sep. 30, 2025



Direct Lending AUM, Private Debt Capital Raised, & CLO Issuance



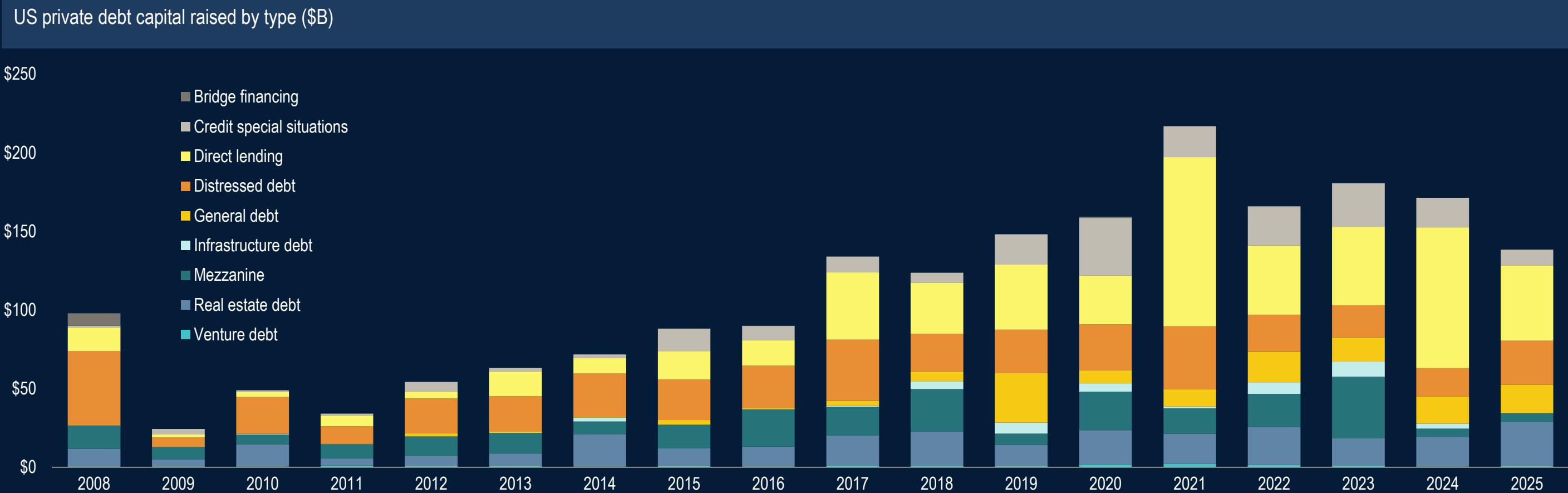
Direct lending AUM is steadily rising



Source: PitchBook • Geography: US • *As of Jun. 30, 2025



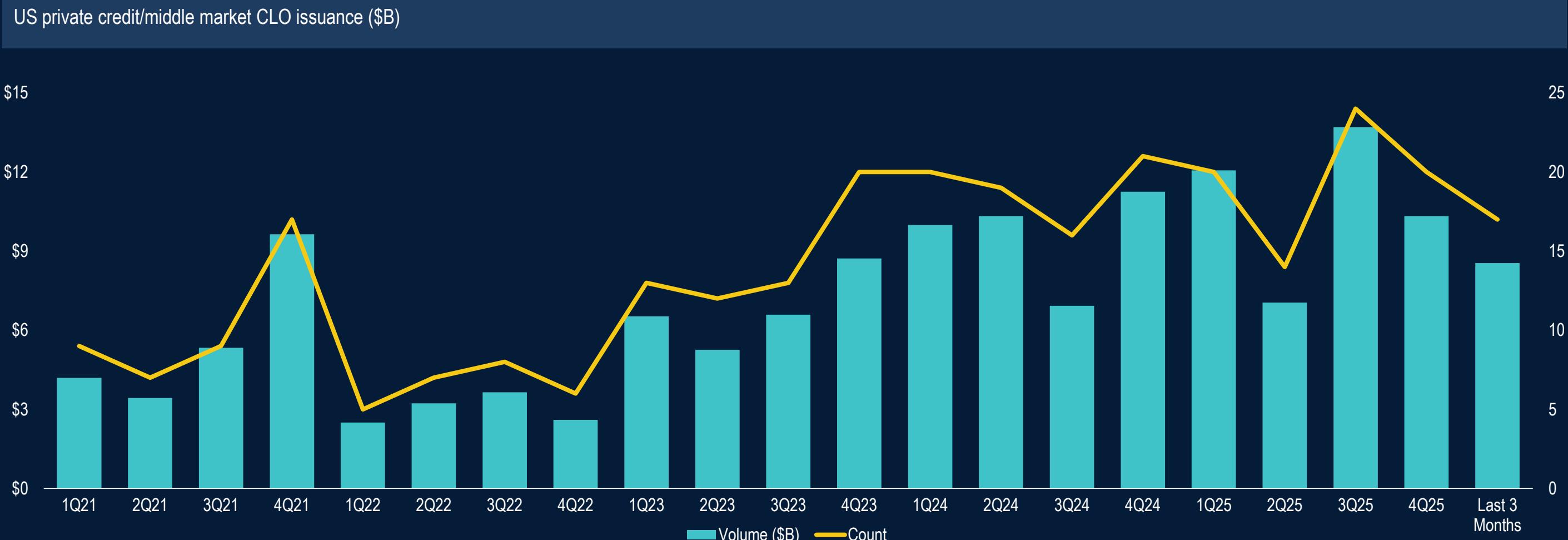
Private debt fundraising declined in 2025



Source: PitchBook • Geography: US • *As of Dec. 31, 2025



Private credit and middle-market CLO issuance has declined from the Q3 2025 peak



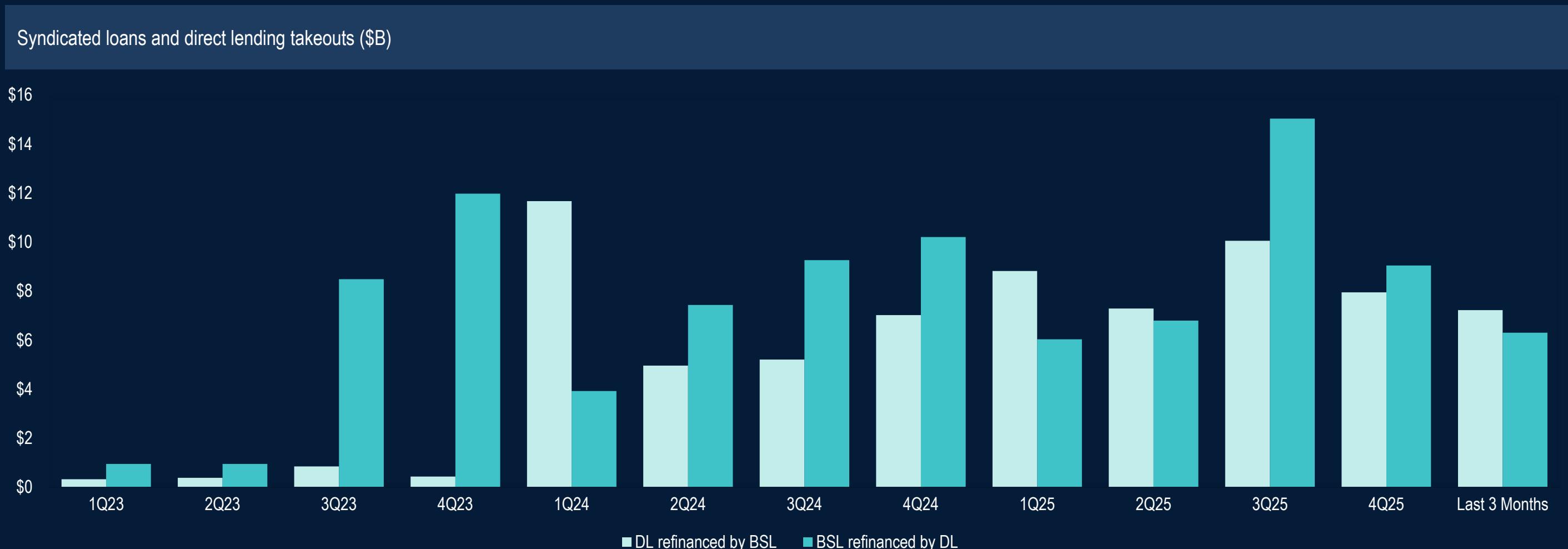
Source: PitchBook | LCD • Geography: US • *As of Jan. 31, 2026



BSL & Direct Lending Takeouts



BSL takeouts of direct lending deals have surpassed direct lending takeouts of BSL deals over the past three months



Source: PitchBook | LCD • Geography: US • *As of Jan. 31, 2026

Historical data is subject to revisions as LCD collects additional information.



Borrowers refinancing direct lending deals in the BSL market continue to find favorable spreads...

Last ten syndicated term loans that refinance debt provided by direct lenders

Company	PE sponsor	Borrower rating	Date	Debt being refinanced
Salas O'Brien	N/A	B/B2	Jan 2026	Refinance existing capital structure
Relativity	Silver Lake Partners	B/B2	Jan 2026	Refinance a unitranche facility
Mariner Wealth Advisors	Leonard Green	B/B1	Dec 2025	Proceeds from the add-on will be used to refi a 2nd-lien term loan
Forgent Power Solutions, Inc.	Neos Partners	B/B2	Dec 2025	Private debt
JennMar	FalconPoint Capital Partners	B/B1	Dec 2025	Proceeds repay \$260 million of outstanding debt
BradyPLUS	Kelso	B/B3	Dec 2025	First-lien facility due October 2029
Pye-Barker Fire & Safety	Leonard Green/Altas Partners	B/B2	Dec 2025	Refinance a unitranchored facility due 5/2031
Peterson Farms	Mubadala Capital	B/B2	Nov 2025	Private debt
Ping Identity	Thoma Bravo	B/B2	Oct 2025	Unitranche facility
VoltaGrid	CPPIB Equity Investments	B+/B1	Oct 2025	Private debt

Source: Pitchbook | LCD • Geography: US • *As of Jan. 31, 2026

Table is based on LCD News reporting.



...while those leaving the BSL space find flexibility, certainty of execution and other benefits, competitive pricing

Most recent direct lending deals refinancing broadly syndicated term loans

Company name	Date	Debt amount (\$M)	Current sponsor	Last BSL deal date	Lender(s)
Wedgewood Pharmacy	Jan 2026	350	Partners Group	Feb 2021	Carlyle
Russell Investment Management Company	Jan 2026	1,225	TA Associates	Mar 2024	Apollo
Service Logic	Dec 2025	3,100	Bain	Feb 2025	Blackstone, Apollo, Antares, HPS, KKR, and Oak hill
WebPros	Dec 2025	1,000	CVC Capital Partners	Mar 2024	N/A
The J. Jill Group Inc	Dec 2025	75	Not Sponsored	Mar 2023	CCP Agency LLC
Mitratach Holdings	Dec 2025	2,000	Ontario Teachers Pension Plan	Jun 2024	Blackstone Debt Advisors
Wrench Group	Dec 2025	1,300	Leonard Green & Partners, TSG Consumer Partners and Oak Hill	Feb 2024	Blue Owl Capital, Crescent Capital, and Oak Hill Advisors
Natel EMS	Nov 2025	170	Arkview Capital	Apr 2019	Crestline, Canyon, PNC Bank
Quirch Foods	Nov 2025	1,100	Palladium Equity Partners	Apr 2022	Ares, Regions Banks
Shutterfly	Oct 2025	2,000	Apollo	Jul 2023	General Atlantic

Source: PitchBook | LCD • Geography: US • *As of Jan. 31, 2026

Table is based on LCD News reporting.



Methodology



Methodology

Data composition:

- Unless otherwise noted, data reflects new-issue direct lending transactions as tracked by PitchBook LCD. Except for BDC analysis, charts reflect new transactions in the US direct lending market, including both private-equity-backed borrowers and non-backed borrowers, as covered by LCD News.
- We define direct lending as directly originated loans to corporate borrowers that are not broadly syndicated. These borrowers are typically unrated and tend to be small to midsized companies. However, in recent years, larger borrowers have also issued this type of financing. This type of financing is typically provided by a non-bank lender, or a small “club,” or group, of lenders. These loans are generally not tradeable as broadly syndicated loans are. Lenders usually provide the financing with the intention of holding the debt to maturity.
- BDC analysis is based on quarterly filings of over 100 BDC portfolios as tracked by PitchBook LCD.
- Given the opaque nature of the direct lending market, deal size is not available for every transaction. To calculate overall volume, LCD estimates deal size where it is not available using historical averages within our dataset.

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