

Insights on the NAV Lending Market

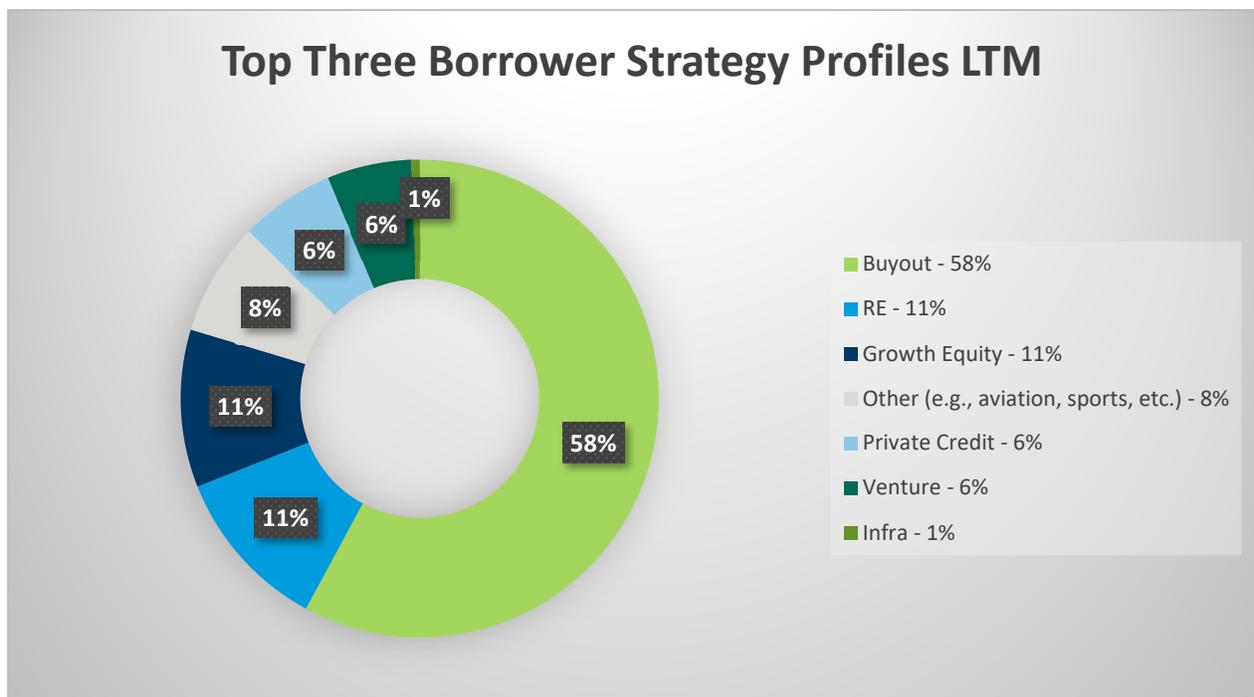


Insights on the NAV Lending Market

We conducted an informal, small-scale survey during March to May 2023 to gather insights from prominent non-bank lenders on their activity over the past twelve months in the net asset value (NAV) lending market. In this report, we share our findings. Please note that given the small scale of the survey, these findings do not necessarily reflect the broader market, and the visuals below may reflect a heavier weight of parameters which would be more subdued in a larger pool of data.

Top Three Borrower Strategy Profiles LTM

Buyout was the most prevalent borrower strategy profile in the last 12 months (LTM) among survey participants, followed by an equal representation of Real Estate and Growth Equity.



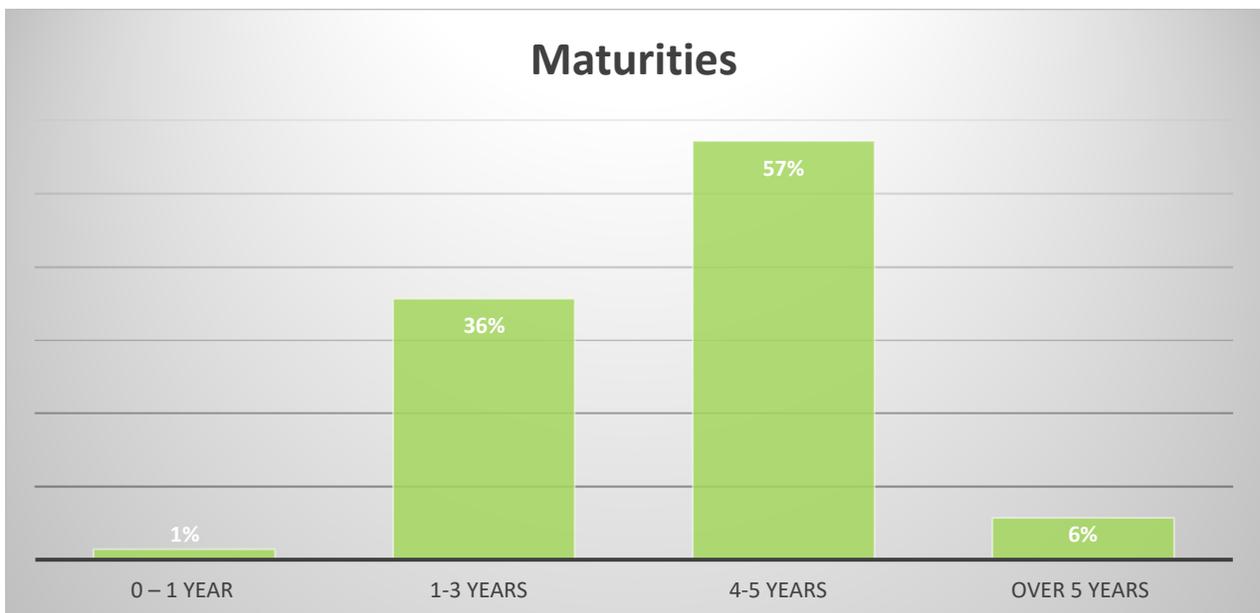
Commitment Sizes

Commitment sizes in the \$100mm – \$250mm range were most common among survey participants. Smaller commitment sizes of up to \$25mm, however, remain a significant part of the market. While certain respondents may have participated in the notable \$1,000mm+ NAV financing earlier this year, individual commitment sizes in that facility may have been significantly lower.



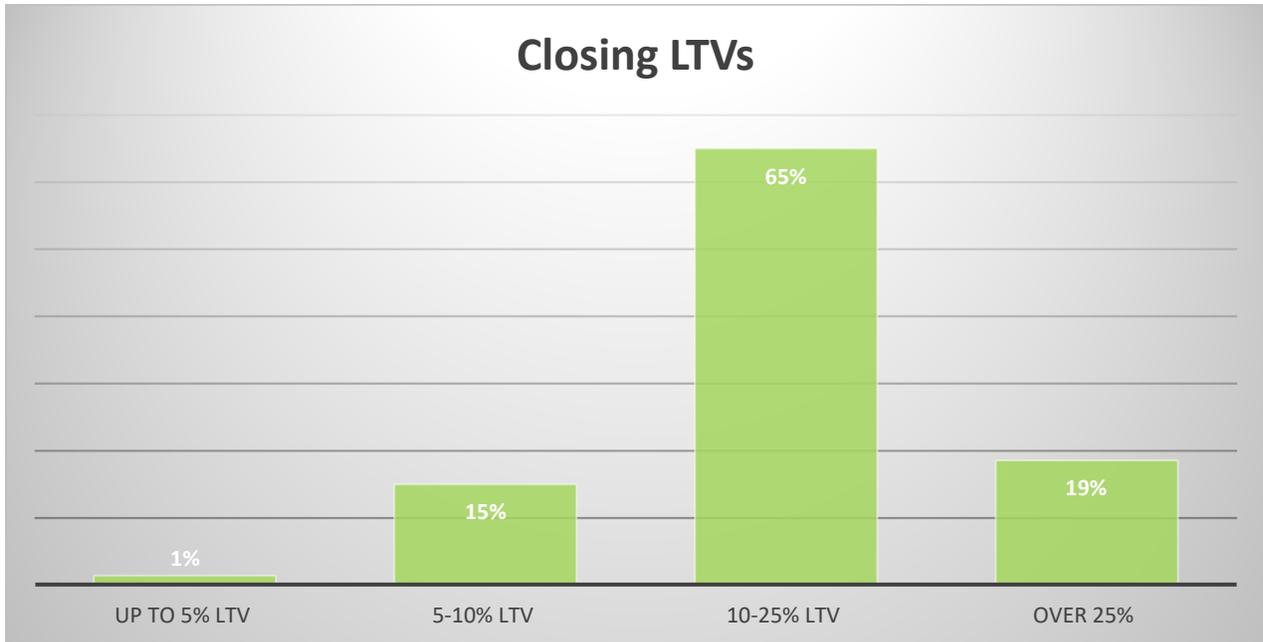
Maturities

Maturities in the 4-5 years range were the most common, with 57% of maturities being in that range.



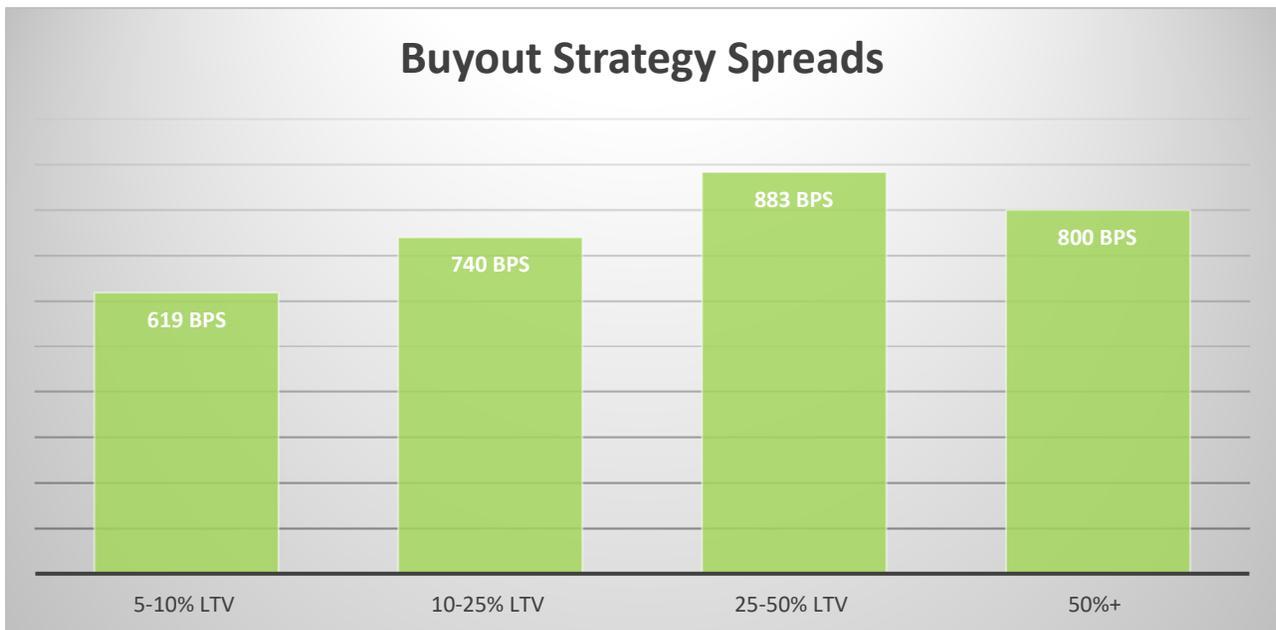
Closing LTVs

65% of closing LTVs (Loan-to-Value) were in the 10-25% range. We note with interest that the second most common response was closing LTVs of over 25%.



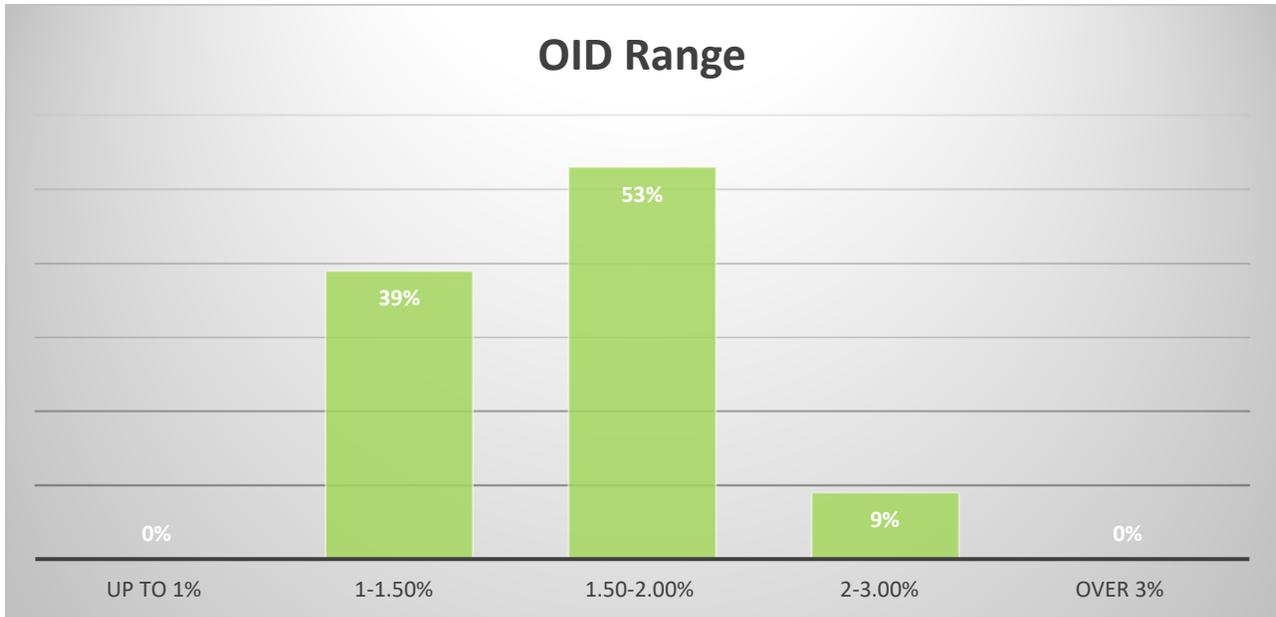
Spreads over Benchmark (Buyout only)

There is an intuitive increase in basis point spread for buyout as the LTV increases. The unexpected dip we notice in the 50%+ LTV is due to limited responses for that range.



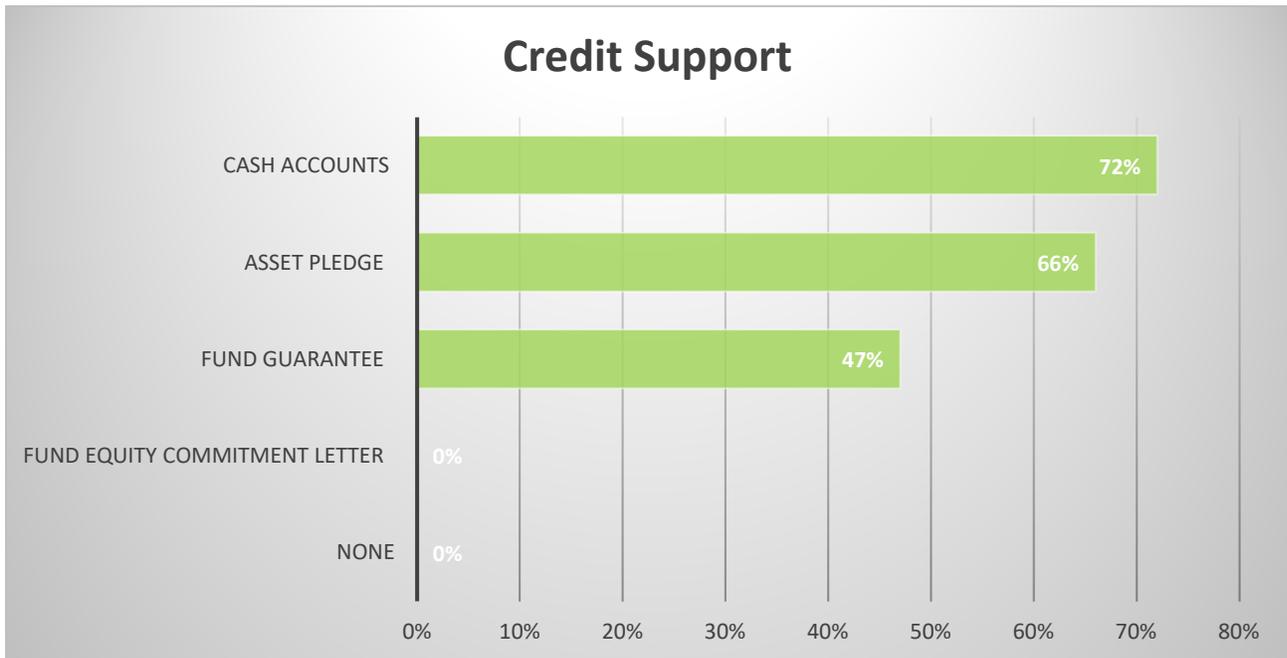
OID Range

OID or upfront fees in the range of 1.5% – 2.0% were most common across the survey, with 53% of results in that range. We did not receive any responses for transactions having OID of less than 1%.



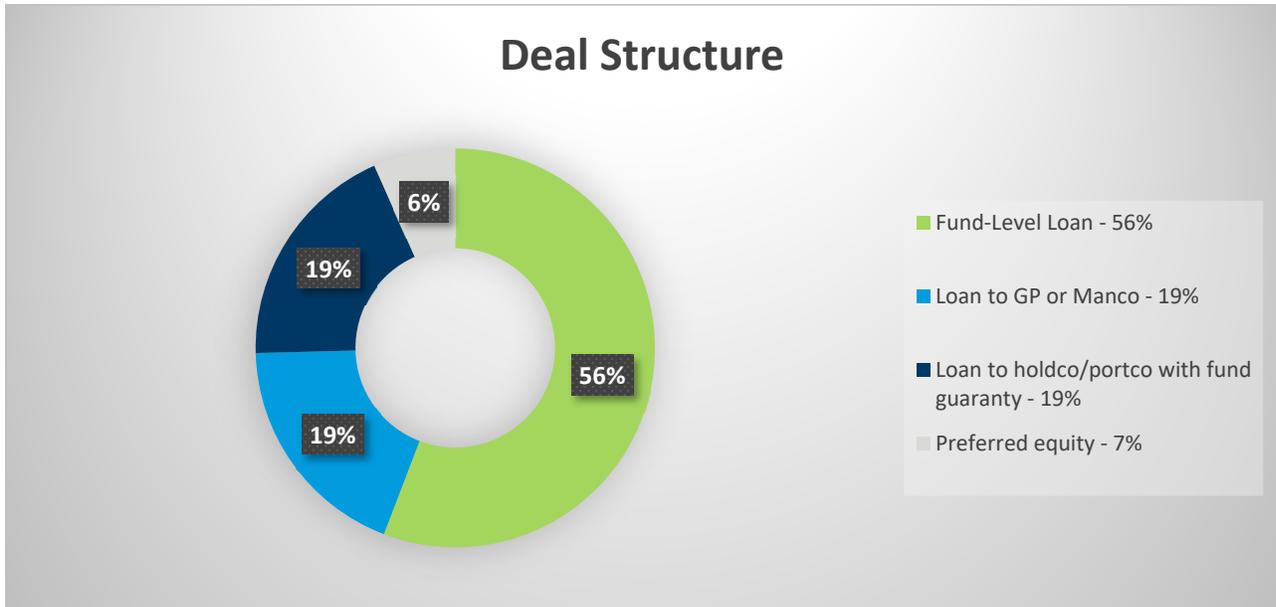
Credit Support

Unsurprisingly, cash accounts were the leading type of required credit support among survey participants. We did not anticipate asset pledges with traditional NAV loans to be as common as the survey indicated.



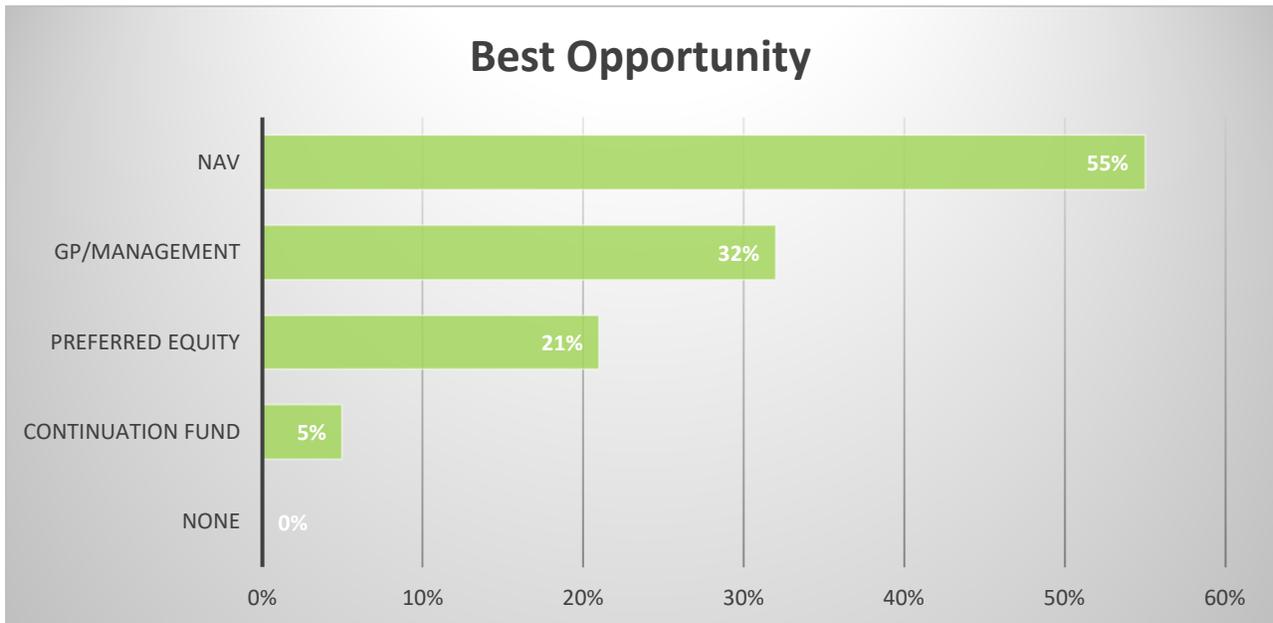
Deal Structure

Among survey participants, over 56% of deal structures in the past 12 months were fund-level loans. Given potential UBTI issues with fund-level loans, this was a higher response than anticipated.



Best Opportunity

On average, survey participants identified NAV as the best overall fund finance opportunity in the upcoming 12 months, followed by GP/Management lines, then preferred equity.



Fund Finance at Proskauer

Proskauer's fund finance team advises on more than 100 deals each year. They represent clients on the full spectrum of fund financing matters ranging from acquisition financings – including secondaries – to GP, management, and co-investment facilities to NAV facilities, preferred equity financings, CFOs and rated notes. The team works closely with the Firm's market-leading Private Investment Funds practice which has more than 300 GP clients across private equity, credit, venture, real assets, infrastructure and fund-of-funds.

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