

## AUSTRALIA & NEW ZEALAND: JULY 2024 TO JUNE 2025 PRIVATE CREDIT WRAP

**Corporates in the region raised over AUD 19.1bn equivalent (USD 12.5bn) from July 2024 to June 2025:** We tracked AUD 19.1bn equivalent (USD 12.5bn at today's exchange rate) in deal volume across the Australia and New Zealand private credit markets in the 12-month period to 30 June 2025 across 95 corporate borrowers.

The average deal size was AUD 191m (USD 125m). Removing outliers in the upper and lower quartiles, the average deal size was AUD 90m (USD 59m), REDD calculations show. The largest transaction we tracked was the USD 2.075bn bridge facility, underwritten by KKR, Deutsche Bank and Jefferies, to finance Peabody's acquisition of Queensland metallurgical coal assets from Anglo American.

In AUD, the largest deal we tracked was the AUD 1.725bn (USD 1.13bn) refinancing of consumer health company iNova Pharmaceuticals; both domestic and international private-credit funds participated in the deal. The largest private credit deal in New Zealand was a NZD 325m (USD 194m) refinancing of processed-meats business Hellers Group. The loan, from Bain Capital and Barings, allows for portability if the asset is sold.

**A total of 82 lenders participated in the corporate private credit market:** Global fund KKR Corporate Lending led by deal count, with six transactions over the period. It was followed closely by superannuation funds Challenger and IFM Investors and investment company Soul Patts completing five apiece across the deals we tracked. A number of lenders continue to upsize existing facilities for capex and bolt-on acquisitions. They include Epsilon Direct Lending, Fancourt Capital Group, Longreach Credit Investors and Tanarra Restructuring Partners.

**Materials, Industrials and Energy make up more than 50% of deal volumes by sector:** The Materials, Industrials and Energy sectors made up 54.2% of volume. The Materials and Energy spaces were dominated by the metals and mining subsectors, whereas the Industrials subsectors were much broader, covering distribution, logistics, transportation, aerospace and defense, waste management, and office supplies. The fourth-largest sector, Consumer Discretionary, made up 16% of the volume, and Healthcare came in fifth at 15.4%.

**LBO transaction uptick with monetary policy easing cycle tailwinds:** There was a slight uptick in leveraged buyout (LBO) transactions from private equity funds against the backdrop of monetary policy easing. We tracked 10 sponsor-backed deals that hit the private credit markets, all with different sponsors, which included a variety of businesses such as Fusion5, QANTM Intellectual Property, Nutun Australia, Waste Services Group, Pacific Smiles Group, AZ Next Generation Advisory, Lanocorp New Zealand, Mason Stevens, SG Fleet Group and Hunter Premium Funding. The uptick in deal flow was partly driven by a tailwind from the Reserve Bank of Australia (RBA) delivering two 25bp interest rate cuts, in February and in May, reducing the rate to 3.85%. Markets are expecting the RBA to continue its easing cycle, pricing in a further 50bps for the remainder of 2025. That should continue to help sponsor-backed transactions over 2H25.

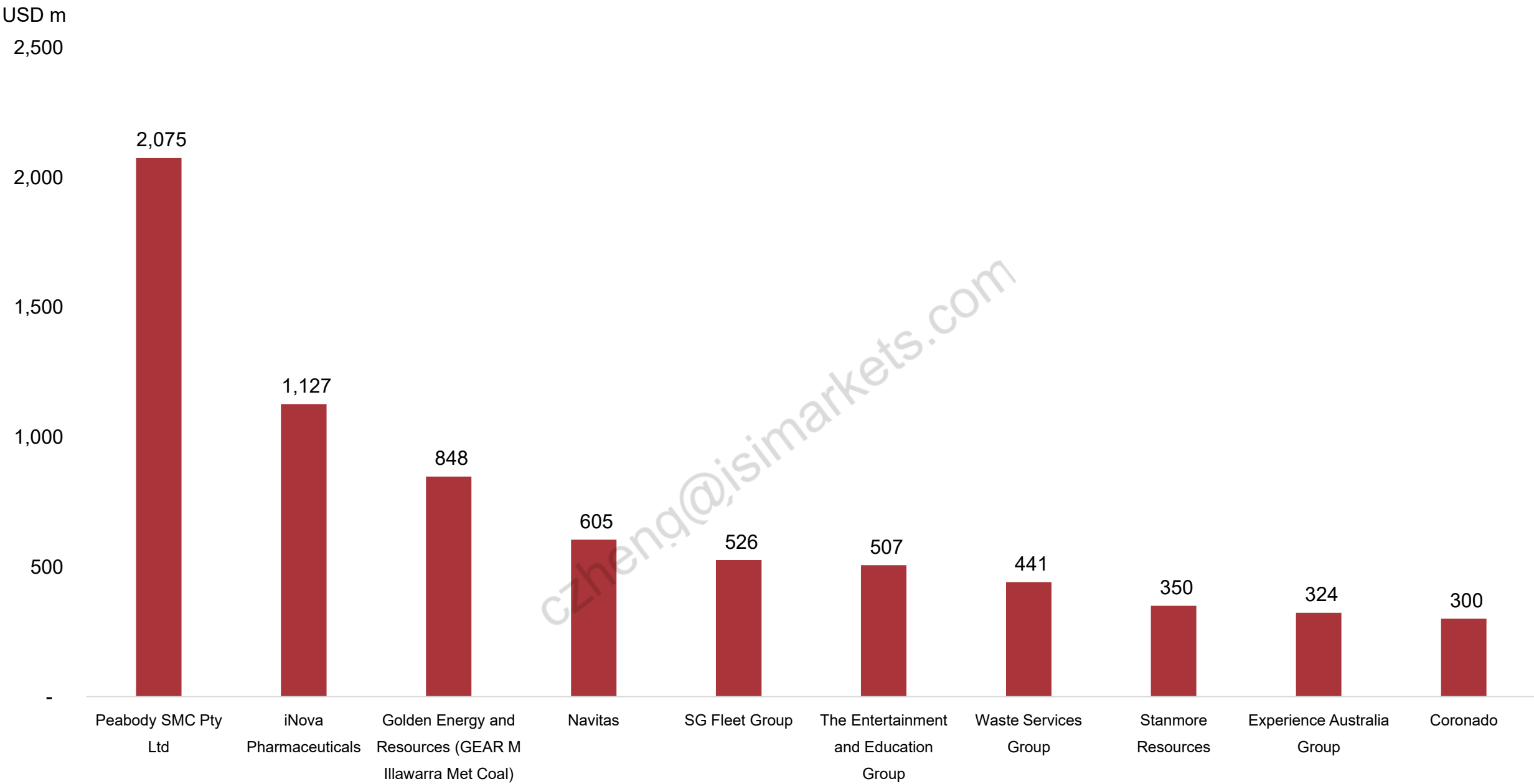
**Regulatory update on fair treatment of investors:** In February 2025, the Australian Securities and Investments Commission (ASIC) published a discussion paper on private capital markets, seeking engagement from market participants. In discussing private credit markets, it homed in on governance, valuation practices, conflict-of-interest management and fair treatment of investors.

The focus seems to be well founded, as there is little to no communication from lenders to their investors when loans are either written down or equitized, or even when a lender takes ownership of a business, REDD analysis shows. For instance, private credit lender Metrics Credit Partners has yet to tell investors that it took ownership of a business earlier this year following the unsuccessful refinancing of a private credit loan of around AUD 120m. Other fund managers also abruptly halted redemptions on closed-end funds without prior warning, such as Gemi Investments on a AUD 300m fund it manages, Merricks Capital on a AUD 1.2bn fund and Pure Asset Management on a AUD 100m fund.

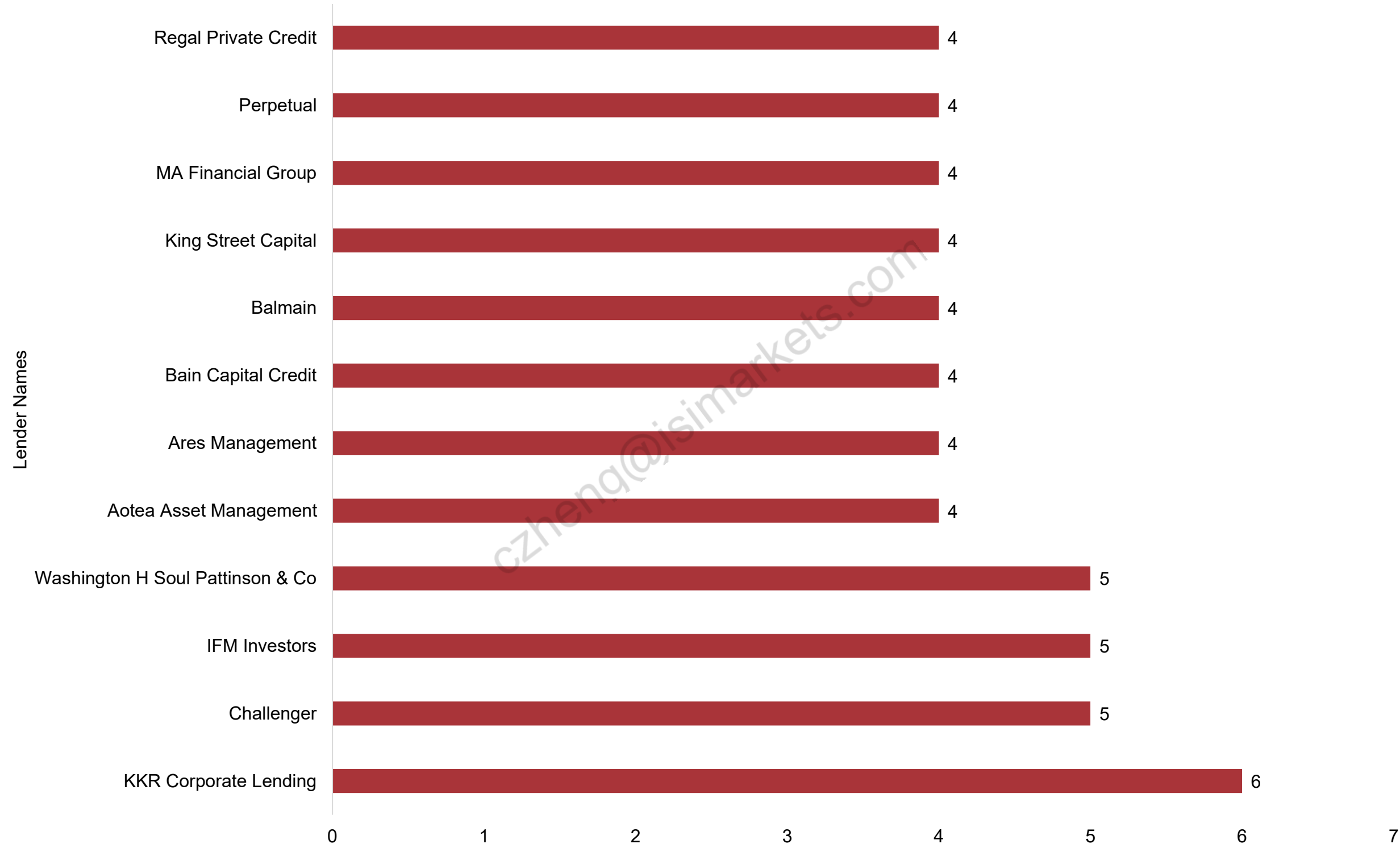
The outcome of the consultation is expected to shape future interventions or regulatory adjustments aimed at strengthening transparency, resilience and investor protection in Australia's rapidly growing private credit market. The findings have not been published but are expected in the coming months.

The discussion paper received 92 submissions. Of the 77 which were made publicly available, only six lenders responded in detail on private credit. They were Apollo Global Management, AustralianSuper, IFM Investors, QIC, UniSuper, Vado Private and Woodbridge Capital, according to REDD analysis. There were only two legal firms, Herbert Smith Freehills Kramer and King & Wood Mallesons, providing feedback on private credit, and three industry associations: the Alternative Investment Management Association (AIMA), Australian Investment Council (AIC) and Australian Securitisation Forum.

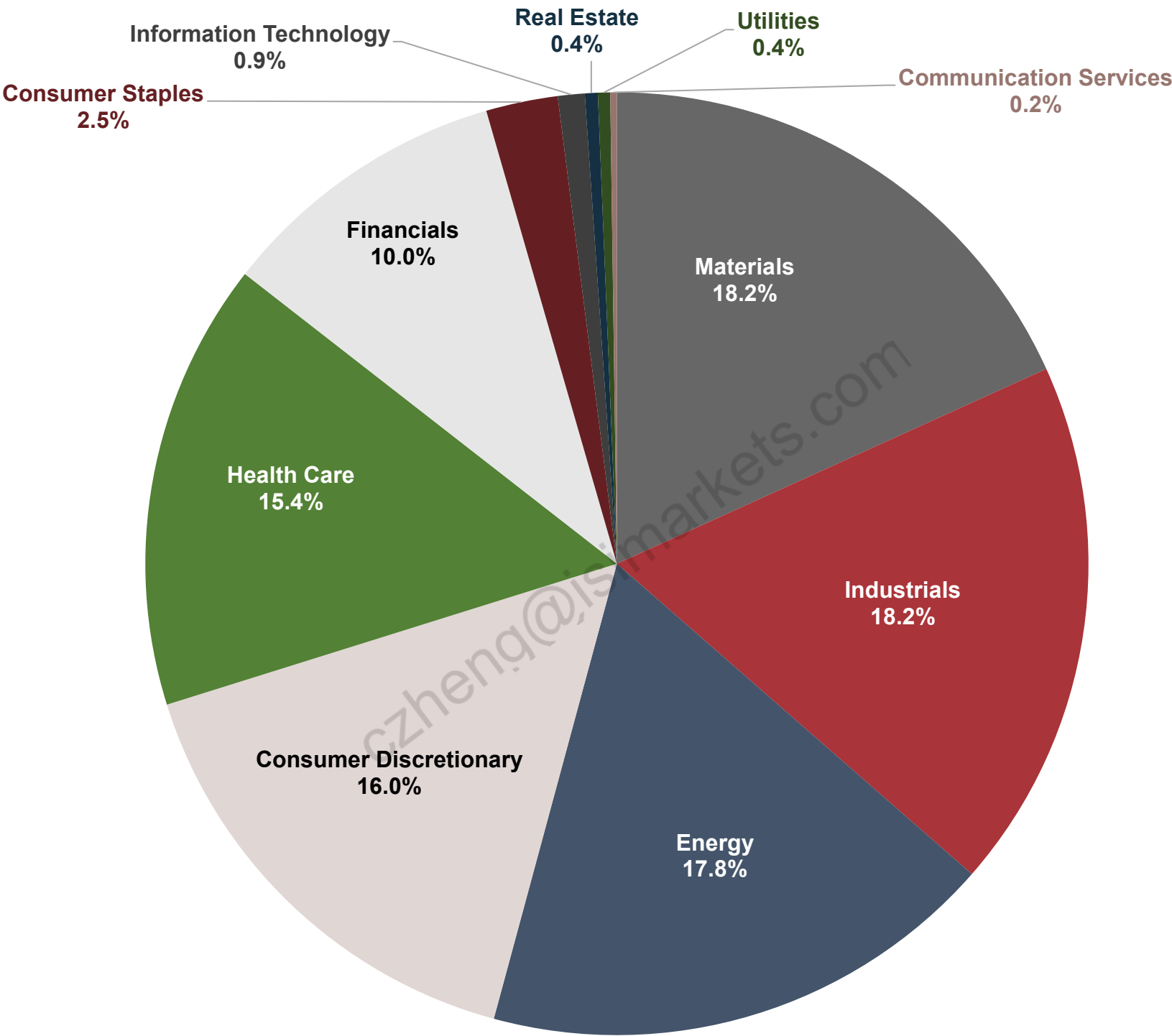
Elsewhere in the regulatory landscape, Australia's financial regulator, the Australian Prudential Regulation Authority (APRA) will conduct a system-wide stress test, which will include the private credit market, but has not released the parameters or reporting requirements for private credit.



Source: REDD Intelligence



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