



# 2025 Private Credit Market Outlook

A Tripartite Series

## Part II Private Credit: Spotlight on M&A and Infrastructure

Paul, Weiss, Rifkind, Wharton & Garrison LLP

**Paul | Weiss**

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# Private Credit M&A

# Private Credit M&A

## TRADITIONAL ASSET MANAGEMENT

Private credit's relentless growth has fueled **significant consolidation** among both traditional and alternative asset managers.



Traditional asset managers are scrambling to add private credit to their product offerings as **investors increasingly seek out private credit over fixed income mutual funds and bank loans.**



BlackRock's acquisition of HPS Investment Partners is a standout example of private credit **utilizing strategic acquisitions to skyrocket value and growth.**

**\$1  
billion**

Nuveen's acquisition of Arcmont in 2022.<sup>1</sup>

**\$2.7  
billion**

TPG's acquisition of Angelo Gordon in 2023.<sup>2</sup>

**\$12  
billion**

BlackRock's acquisition of HPS Investment Partners.<sup>3</sup>

**30x**

HPS purchase price to fee-related earnings multiple.

### Sources:

1. *U.S. firm Nuveen to acquire Arcmont Asset for private debt push*, REUTERS (Oct. 28, 2022).
2. Luis Garcia, Chris Wack and Dean Seal, *TPG Looks to Expand Credit Reach With Angelo Gordon Acquisition*, THE WALL STREET JOURNAL (May 15, 2023).
3. Arasu Kannagi Basil and Davide Barbuscia, *BlackRock targets private credit growth with \$12 billion HPS acquisition*, REUTERS (Dec. 3, 2024).

# Private Credit M&A

## ALTERNATIVE ASSET MANAGEMENT

Alternative asset managers are scaling their private credit arms to **simultaneously source more deals and build more diversified portfolios**.



### Private Credit Fund Raises

- ▶ Ares closed a \$34 billion private credit fund, the largest fund ever.<sup>4</sup>



### Asset Acquisitions

- ▶ Apollo's acquisition of Credit Suisse's portfolio assets held by SPG.<sup>5</sup>
- ▶ Carlyle's acquisition of CBAM Partners' portfolio of assets.<sup>6</sup>



### Equity Transactions

- ▶ Brookfield's acquisition of a majority stake of Castlelake.<sup>7</sup>
- ▶ Oaktree's acquisition of a majority stake in 17Capital.<sup>8</sup>



#### Sources:

4. Ares Management closes its latest direct lending fund at record \$34 bln, REUTERS (Jul. 31, 2024).
5. Apollo launches new credit firm with bulk of Credit Suisse's assets, REUTERS (Feb. 8, 2023).
6. Buyout firm Carlyle to acquire CBAM in credit investment push, REUTERS (Mar. 9, 2022).

7. Brookfield Buys Stake in Private Debt Firm Castlelake's Fees, BLOOMBERG (May 6, 2024).
8. Oaktree Buys Majority Stake in Private Equity Lender 17Capital, BLOOMBERG (Mar. 9, 2022).

# Private Credit M&A

## LOOKING AHEAD TO 2025 – THE OPPORTUNITY

1

**“We’re still in the early innings with consolidation,”** noted Tyler Gately, head of North America private credit at Barings, in response to a question from PitchBook about what to expect in private credit in 2025.<sup>9</sup>

2

Investors are **increasingly gravitating towards the familiarity and stability of large managers**, which, in combination with the economies of scale, will continue to spur continued consolidation.

3

**Friendly dealmaking business environment** featuring lower anticipated interest rates and a new U.S. presidential administration that is **expected to scale back regulation, taxes and antitrust scrutiny.**<sup>10</sup>

4

Spyro Alexopoulos, co-head of direct lending at Golub Capital: **“You will continue to see the players that have scale take market share over time. As PE firms consolidate, our premise is that they are going to need scaled lenders to meet their needs. That trend will continue. Not just in 2025, but as a multiyear phenomenon.”**<sup>11</sup>

### Sources:

9. Abby Latour and Zack Miller, *2025 US Private Credit Outlook: More M&A, larger lenders, bigger market*, PITCHBOOK (Dec. 17, 2024).

10. *Unleashing Prosperity through Deregulation*, The White House (Jan. 31, 2025).

11. Abby Latour and Zack Miller, *2025 US Private Credit Outlook: More M&A, larger lenders, bigger market*, PITCHBOOK (Dec. 17, 2024).

# Infrastructure and the Private Credit Market



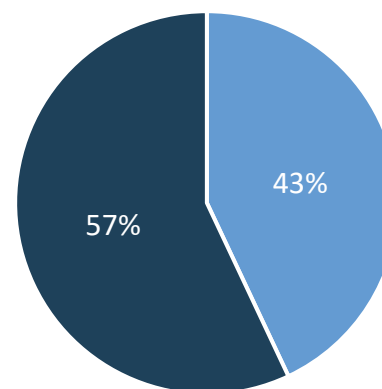
# Infrastructure and the Private Credit Market

## PRIVATE CREDIT IN INFRASTRUCTURE

Global infrastructure investment is expected to exceed \$3.7 trillion a year through 2035, with a total gap of \$5.5 trillion over the same period that is expected to be funded by private investors, whether via debt or equity.<sup>12</sup>

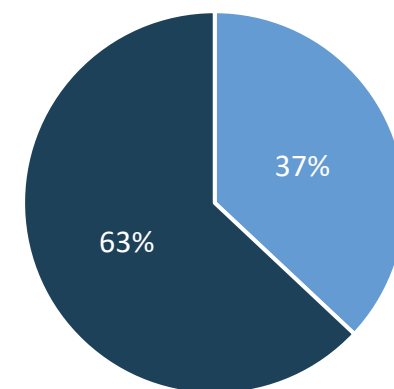
- ▶ Private credit is an established **method of funding infrastructure projects**, including energy transition initiatives, data centers and other capital-intensive assets.
- ▶ Private credit investment described as an **“industrial renaissance”**, with a strong flow of capital to infrastructure assets.<sup>13</sup>
- ▶ Traditionally, banks have had a greater appetite for construction risk, but the nature of the infrastructure projects are **changing the risk profiles** for private credit.<sup>14</sup>
- ▶ Infrastructure assets have **credit-positive features** – long useful lives, monopolistic features, stable cashflows and resilience across the business cycle.
- ▶ **Investors attracted** by potential for alpha and illiquidity premium, asset liability matching, credit robustness and diversification.
- ▶ Private credit offers borrowers flexibility, speed of execution and **certainty of funding** throughout the life of a project and opens up **additional structuring options** with opportunities to provide funding alongside banks in transactions.<sup>15</sup>

Infrastructure financing -- US  
composition January-June 2024



■ Non-bank lenders ■ Bank lenders

Infrastructure financing -- EU  
composition January-June 2024



■ Non-bank lenders ■ Bank lenders

Source: IJGlobal (June 2024)

### Sources:

- McKinsey, “Four ways governments can get the most out of their infrastructure projects.” Jan. 2020
- Lydia Tomkiw, “Apollo global head of origination sees private credit growth amid ‘industrial renaissance’.” Pensions & Investments, Feb. 2025.
- Ares Infrastructure Debt, “An Attractive Component in Private Credit Portfolios.” Feb. 2024
- S&P Global, “Private Credit Could Bridge The Infrastructure Funding Gap.” Nov. 2024



# Infrastructure and the Private Credit Market

## EXPANDING OPPORTUNITIES FOR PRIVATE CREDIT IN INFRASTRUCTURE

*“Alternative asset managers are **flocking to project finance for the investment horizon**. The life insurers (particularly annuity providers) that play an increasingly central role as investors in several of alternative asset managers' lending platforms have long-term liabilities and asset-liabilities-matching policies. These **require investment in long-duration assets that are inflation-resistant and mitigate credit erosion over time**.”<sup>16</sup>*

-S&P Global

### Funding Gap to Meet Growing Capital Needs<sup>17</sup>

- ▶ Increased demand for infrastructure while public investment is more constrained and commercial bank debt has retrenched.
- ▶ Private credit has played a **significant role in U.S. data center and solar financing**, while Europe is in comparatively earlier stages.
- ▶ Private capital is providing new sources of long-term financing for industrial and infrastructure projects through corporate, structured and project-level debt raisings.

### Enhancements Over Traditional Bank Facilities

- ▶ Private credit can provide **flexibility, speed and certainty of funding** over commercial banks.
- ▶ More efficient and bespoke customized financing packages, including downside protections (e.g., junior tranches and mezzanine debt).<sup>18</sup>

### Diversified Lower-Risk Credit Portfolios

- ▶ **Infrastructure debt provides diversification** relative to broader private credit portfolios with varied risk profiles and price points.
- ▶ Nearly 74% of the project finance entities rated by S&P Global are investment grade.

Sources:

16. S&P Global, “Private Credit Could Bridge The Infrastructure Funding Gap.” Nov. 2024

17. McKinsey, “Four ways governments can get the most out of their infrastructure projects.” Jan. 2020

18. Ares Infrastructure Debt, “An Attractive Component in Private Credit Portfolios.” Feb. 2024

# Infrastructure and the Private Credit Market

## INFRASTRUCTURE GROWTH AREAS IN 2024

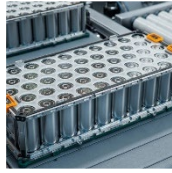
Private credit is driving infrastructure development, playing a crucial role in financing high-growth sectors from data centers, to energy and transportation.



### Data Centers

Growing demand for new data centers arising from the continued surge in AI and data-driven technology.<sup>19</sup>

- ▶ Private debt is expected to play a key role in funding AI growth, including infrastructure for data centers, electric grids and new energy capacity.
- ▶ Data centers are attracting a wide range of investors, boosted by reports of the bulging generative artificial intelligence (GenAI) demand.
- ▶ The recent \$11b JV to fund a new Intel semiconductor plant in Ireland is a blockbuster example of private credit's role in funding data center infrastructure.



### Energy

The share of both renewable and conventional energy deals rose from 54% of total deals in 2010 to 63% in 2022.<sup>20</sup>

- ▶ **Data Centers:** Data centers are expected to account for 7-10% of total energy demand by 2029 (compared to 2-3% today) and developed market economies don't have the infrastructure in place to meet this need.
- ▶ **Battery Storage:** Driven by capital commitments from the Inflation Reduction Act.
- ▶ **Renewables:** Worldwide policy stimuli are giving boost to renewable capacity, particularly solar financing.



### Transportation

Transport volumes are holding up despite the adverse macroeconomic impacts on consumer disposable incomes.<sup>21</sup>

- ▶ Driven by tailwinds in the global supply chain generating demand (need for structural redundancies post-COVID, globalization of supply beyond China, multi-location production, changes in energy and banking).
- ▶ Post-COVID, travel demand is being driven by leisure and in aviation, the opening of China's international routes.

Sources:

19. Preqin, "2024 Global Infrastructure Report"

20. CBRE, "Infrastructure Quarterly Q2 2024"

21. Intelligize, "M&A in 2024"

# Infrastructure and the Private Credit Market

## CASE STUDY: DATA CENTER YELDCOS

### DATA CENTER YELDCOS

A traditional capital raise process or stake sale is challenging, given the **significant capital requirements** to build and operate data centers.

As an alternative, companies are adopting “YieldCo” financing structures **originally conceived to build out power-generating products**.<sup>22</sup>

May be **replicable as a financing model** across other digital infrastructure asset types, such as fiber, digital real estate and small-cell businesses.<sup>23</sup>

### What is a YieldCo?

- ▶ A new special purpose financial vehicle (typically structured as a bankruptcy-remote affiliate that is capitalized with third party debt and equity at a lower cost of capital) that **owns and operates a data center project**, and the facilities are then leased by the YieldCo back to the cash-generating operating company.

### Characteristics

- ▶ High visibility of cashflow **backed up by long-term contracts** with customers and the operating company.
- ▶ Typically come with **project support agreements and management agreements** with their sponsors that can provide fees as an additional source of income.

### Rates<sup>24</sup>

- ▶ Cap rates can fluctuate in the single digits **depending on the property**; a stabilized YieldCo is typically structured with limited upside based on its cash flows, **similar to a bond**.
- ▶ Alternatively, an **initial anchor lease** may include upside potential if the tenant seeks to expand at that facility or location – either on a pre-contracted basis or through an option.

Sources:

22. Mauricio Mitidieri, “The Evolution of the YieldCo Structure in the United States.” Apr. 2020

23. ION Analytics, “Analysis: Data centers resurrect yieldcos in quest for cash.” Oct. 2024

24. Analysys Mason, “Data-centre yieldcos are becoming a valuable route to funding in a capex-hungry market.” Dec. 2024

# Private Credit at Paul, Weiss

Paul, Weiss stands at the leading edge of the rapidly growing private credit industry, with extensive experience representing alternative asset managers, sponsors and investors in some of their most complex private credit matters. Our elite private credit team is multidisciplinary and led by partners with decades of experience developing creative solutions across a range of structures and transactions to meet our client's objectives, including financings, acquisitions, fund formations, new platforms and other strategic transactions utilizing private credit.

**Learn more about our practice [here](#).**

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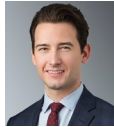
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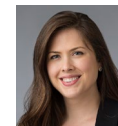
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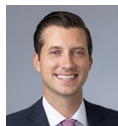


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