

PRIVATE CREDIT CONNECTIONS

From The Insider's View

Spencer Brown, a managing director at SG Credit Partners, shares his thoughts on expected trends and deal flow for 2025, as well as how SG Credit Partners differentiates itself from banks and other private credit providers.

How are you looking at 2025 deal flow compared to 2024, and what do you think the key drivers will be for any differences?

The two biggest drivers of deal flow in 2025 will likely be M&A (or lack thereof) and whether commercial banks start shedding assets. Since M&A drives a significant part of the private credit market, any uptick in M&A will in turn drive momentum in the private credit markets. Since M&A activity has been slow, commercial banks have been holding onto marginal assets and kicking the can down the road as they need to generate income like any private credit shop. An uptick in M&A will likely lead commercial banks to start shedding marginal assets since they can replace the income with new deals driven by M&A. And when they do this, there is an opportunity for private credit to refinance these assets with favorable terms and pricing.

What structural developments are you expecting to see in private credit deals in 2025?



Spencer Brown

Company & Title: SG Credit Partners, managing director

Education: Bachelor of Arts and MBA from University of Colorado Boulder

Current City: Denver, Colorado

Fun Fact: I'm an avid fly fisherman, and when I'm not working or spending time with my wife and kids, I prefer to be near a secluded mountain stream.

The majority of lenders are still in a risk-on mode, especially for larger deals. It is very difficult to stay disciplined when margins are narrowing and each quality deal is highly competitive. As some of these private credit shops begin to have an uptick in distressed loans or workouts, we will likely see a return to risk-off mode, which will inherently lead to more structure and tighter covenant packages on new deals.

Do you see SG Credit Partners as a competitor or a collaborator with banks?

We are typically collaborators. There are occasional deals that could either go to a bank or non-bank, but for the most part the market is efficient when it comes to a bank

vs non-bank deal. Within each pool, deals are super-competitive, but we rarely find ourselves directly competing with banks on deals. It's a very symbiotic relationship for non-banks to work with banks as both play a meaningful role. At some point, we want to see our clients graduate from a non-bank to a bank or other liquidity solution.

Are there any big changes to the private credit market that we should be anticipating?

The biggest change coming to the private credit market is consolidation. Larger firms with a never-ending ability to raise capital will continue to look for verticals to add to their existing roster of assets. The positive is that consolidation typically creates opportunities in the market, but the bad news is that

it always brings more capital into what is already a super-competitive market.

There have been a lot of new entrants into the private credit market in recent years. Do you see that trend continuing, and what can firms do to differentiate themselves?

Yes, I think new entrants will continue to enter to the private credit space and there can be several points of difference. Private credit firms can differentiate themselves by product, industry or void in the market, but ultimately each needs the right go-to-market strategy to have a shot at success. The bar for entry into the private credit market is low, but the bar for success is incredibly high. There are too many things to get right and we don't have the luxury of getting anything wrong.

What sets SG Credit Partners apart from some of your competitors?

Simply put, people and product. Ultimately, everything starts and stops with the underlying "credit product" that you are offering. Our process entails spending a lot of time upfront, and when we develop conviction, we have confidence to provide a tailored solution that is typically more aggressive than our competition. For the avoidance of doubt, this does not mean we do this for every prospect, but for the clients we want, we get aggressive based on the confidence we have from doing more upfront work than most groups.

The people element is equally important as we still have a hustle/service mentality. The majority of our team are founding members

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who have worked together for a long time and treat every deal as an audition. It has kept us hungry, and we understand what it's like to build a business.

Describe your ideal client (or who you're best able to serve).

Our ideal clients are growth-phase companies seeking non-dilutive capital. We do not work with early-stage startups and yet once a company has hit maturity, they are generally a candidate for bank financing, hence companies in the growth phase tend to be the best fit. Since SG has three distinct lending verticals, the profile differs in each category.

In our consumer products group, we work with brands at least \$15+ million in revenue on a meaningful growth trajectory. While we are active across all areas of CPG, our recent focus has been primarily in food & beverage, beauty, personal care, pet and baby.

In our software group, we focus on B2B software (SaaS) companies with at least \$5+ million in annual recurring revenue (ARR).

In our commercial finance group, we have flexibility in both client type as well as lending product. We can partner with companies in various

industries by providing an asset-based line of credit, a cash-flow term loan, or a guarantor-based term loan.

SG Credit Partners

SG Credit Partners is a family-office backed lender providing situational capital to lower middle market businesses and entrepreneurs requiring tailored solutions and certainty to close. We've established a broad credit platform to solve capital needs that traditional banks, non-bank lenders, single-product lenders, and larger funds cannot due to regulatory, timing, funding, or size constraints.

We are committed to building strong, lasting relationships. Our success is measured over the long term by earning the trust of entrepreneurs and their advisors who come to us in their time of need. Headquartered in Southern California with offices throughout the country, SG has provided in excess of \$750 million to lower middle market entrepreneurs across a variety of industries.

Haynes Boone

Haynes Boone's Private Credit Finance Group is a leader in the representation of lenders and borrowers, including private debt funds, independent commercial finance companies, specialty finance companies, business development companies (BDCs), insurance companies, hedge funds, family offices, private equity groups and other investors in connection with direct lending transactions across all industries.

Our team is comprised of lawyers based in key financial centers throughout the U.S. and abroad, including Charlotte, Dallas, Denver, Houston, London and New York.

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