

# 2024 Year in Review and 2025 Outlook

As expected, we experienced continued strong deal flow for special situations credit transactions in 2024, with both macroeconomic and industry-specific factors broadly impacting markets. While a slight lowering of interest rates provided some breathing room for certain borrowers, persistent inflation continued to drive borrowers into stress.

## 2024 NOTABLE TRENDS AND DEVELOPMENTS IN SPECIAL SITUATIONS CREDIT

- **Asset managers continued to seek acquisitions of AUM** in private credit, generally, including for opportunistic or special situations transactions—such as BlackRock’s acquisition of HPS. The drive continues to **accelerate an already explosive trend toward private credit-driven financing solutions**.
- Borrowers unable to obtain a cost-reducing refinancing increasingly are **seeking relief in the form of payment-in-kind interest and maturity extensions**; however, many of those loans, originally issued in the 2021–2022 period, come due over the next few years and, in the aggregate, amount to hundreds of billions per year, which certain industry veterans have dubbed the “maturity wall.”
- **Liability management transactions (LMTs) continued to be prevalent in the market** throughout 2024. Visit our [Liability Management](#) page to learn more about the LMTs structured and implemented by Ropes & Gray LLP.
- 2024 also saw the evolution of “**LMT 2.0**” as a measure to address continued weaker-than-expected performance and a continued desire to mitigate reliance on a formal chapter 11 process to resolve financial stress.
- **Borrowers also became increasingly creative with respect to structuring LMTs**, such as by utilizing Dutch-auction provisions and other less utilized provisions present in existing documentation.
- Sponsors and borrowers **continued to be open to transactions wherein lenders “took the keys”** in consensual transactions, again designed to mitigate the costs and uncertainties around formal chapter 11 processes.

## MARKET RECOGNITION 2024



### *Turnarounds & Workouts*

Featured on ‘Successful Restructurings of 2023’ list for advising a specialty material solutions co. in a \$1B+ secured term loan financing



### *Marine Money Magazine*

Named a winner of Marine Money’s ‘2023 Deal of the Year Awards’ for advising investors in a \$425 distressed refinancing of major marine transport co.

## **Bloomberg**

### *Bloomberg Dealmakers*

Recognized as a star dealmaker in Bloomberg’s list of key liability management players



### *Best Lawyers*

Recognized as a top-tier firm in Bankruptcy and Creditor Debtor Rights/Insolvency and Reorganization Law



### *Chambers Global 2024*

Recognized as a leading Banking & Finance practice

- On December 31, 2024, the U.S. Court of Appeals for the Fifth Circuit ruled that Serta Simmons Bedding's 2020 up-tier exchange did not constitute an "open market purchase" because it was not "a purchase of corporate debt...on the secondary market for syndicated loans," thus **upending years of transactions consummated in reliance on the "open market purchase" exception for non-pro rata up-tiers**. This will undoubtedly influence the structuring of future LMTS, as we already see loan documents adapting to this new standard. In addition, **borrowers may have an increasing focus on the litigation risks of such transactions**.

borrowers. **This may present an opportunity for new private credit investors**, while existing investors in distressed credits can expect increased LMT activity and default rates.

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## Special Situations Credit: 2025 Year in Preview

While the market expects greater stability in comparison to 2024 with respect to interest rates, inflation and election-based uncertainties, 2025 presents various U.S.-focused and macroeconomic risks. These factors undoubtedly will continue to drive growth in opportunistic credit transactions.

### EVOLVING TRENDS AND EXPECTATIONS FOR 2025:

- As private credit continues to evolve and expand, **we expect significant opportunities to arise, particularly in the asset-based financing and real estate sectors**.
  - Asset-based facilities, especially accounts receivables financings**, are increasingly attractive to borrowers in need of near-term liquidity solutions and often are available without existing lender involvement. Such facilities frequently **provide significant return on invested capital relative to cashflow-based loans** while also being "over-collateralized," thus shielding investors in a downturn.
  - Real estate valuations were battered during the COVID-19 pandemic and continue to be so today. The slump in valuations has made refinancing with traditional banks more challenging. Similar to asset-based facilities, **with approximately \$2.5 trillion of real estate-related debt needing to be refinanced** in the next four years, **special situations credit will be an attractive option for borrowers in the real estate sector**.
- While we expect new issuances to increase in 2025 relative to 2024, the simultaneous **U.S.-based and macroeconomic concerns may cause increased stress and resulting defaults** in both the broadly syndicated and private credit markets. These factors include the imminent "maturity wall," geopolitical uncertainty, the potential for increased inflation as a result of the new administration's policies and the related slowing (if not halting) of interest rate reductions. Any of these factors may make a bad situation worse for already-stressed

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