Inflows, Competition to Pressure Perpetual BDC Earnings, Asset Quality

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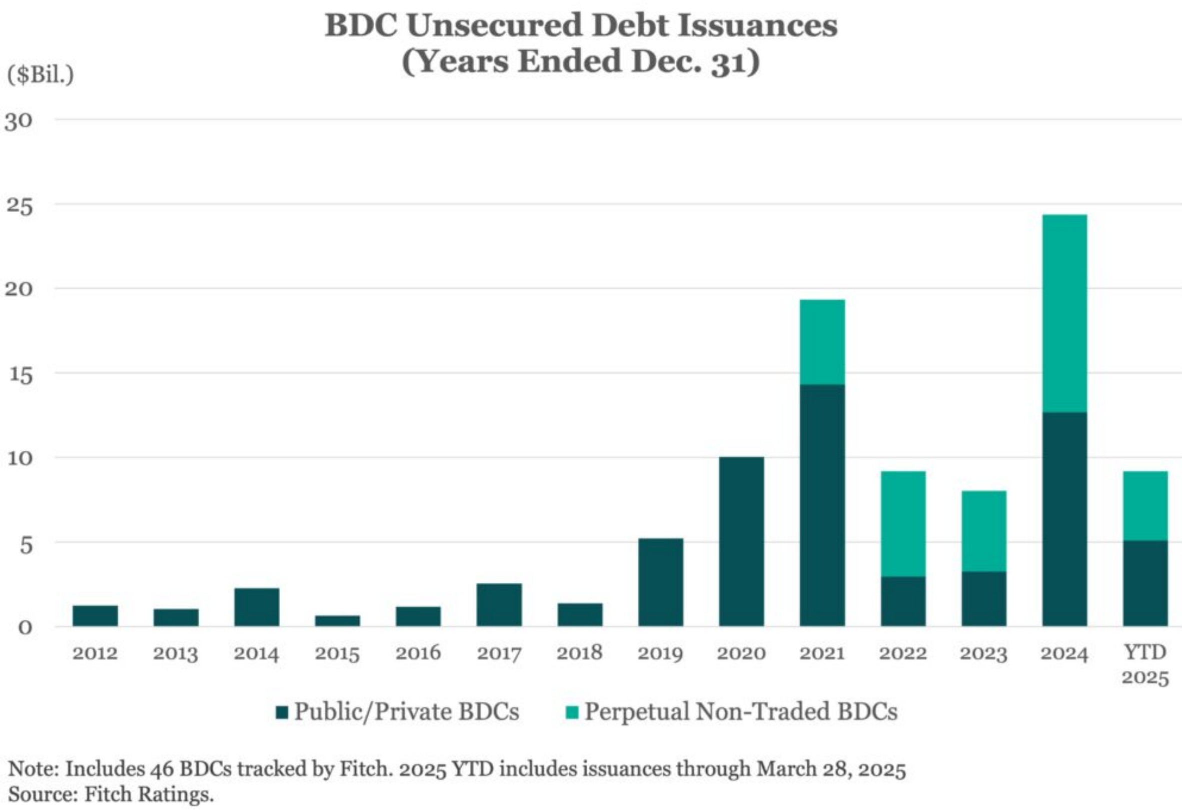

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The elevated competitive underwriting environment for business development companies (BDCs) will persist in 2025 due to significant capital being raised, especially in perpetual, non-traded BDCs amid sluggish M&A activity. The difficult environment will negatively affect earnings and asset-quality metrics, while also pressuring spreads and deal structures across the middle market.

Perpetual BDCs have demonstrated strong market access, issuing $11.7 billion of unsecured debt in 2024 and $5.1 billion YTD through March 28, 2025. Fitch-rated public and private BDCs issued $12.7 billion and $5.1 billion during the same time periods. Despite strong issuance over the past year, unsecured debt at perpetual BDCs averaged 26.3% of total debt as of Dec. 31, 2024, well below the 50.5% average for Fitch-rated public and private BDCs.

Perpetual BDCs have limited near-term refinancing needs but will need to continue to issue unsecured debt to maintain or improve funding flexibility as they grow. Unsecured debt maturities are expected to pick up across the sector in 2026. For perpetual BDCs, 42.2% of unsecured debt at YE 2024 matures in 2029 or beyond.