BUSINESS INSIDER

www.businessinsider.com December 13, 2023

MARKETS

# Meet Justin Breen, a Top Lawyer at the Forefront of the Private-Credit Boom

Rebecca Ungarino

- **Justin Breen, an attorney at the law firm Proskauer, is a go-to private-credit lawyer.**
- **First focusing on banks, now asset managers, his career has traced the market's growth.**
- **He now advises large private-credit firms, including Ares Capital and Bain Capital.**
- **Read more from BI's Transforming Business series.**

PROSKAUER; BI

Justin Breen, Head of Global Finance at Proskauer.

Justin Breen's legal career has traced the arc of the rapidly expanding private-credit market. When he started out some 20 years ago, he worked primarily with banks that were underwriting company loans. Now, he focuses almost exclusively on private credit.

He counsels the biggest names in private credit — including Ares Capital, Golub Capital, Bain Capital, and Churchill Asset Management. He's closed finance deals worth some $100 billion and coordinated debt for European football clubs including Atlético Madrid, as well as the carmaker and Formula 1 competitor McLaren.

As lending to the thousands of businesses in the so-called middle market (filled with companies that aren't tiny startups, but aren't large public corporations, either) has shifted outside the traditional banking system, private-equity firms' private-credit arms have sought out bigger teams of experts and lawyers to help them get deals done.

Breen is a partner at the law firm Proskauer, where he leads the firm's global finance practice as a go-to lawyer advising influential money managers in a space that analysts expect to grow by multiples. Investment firms have eaten into banks' share of the loan market, extending credit to companies that are considered too risky for banks to lend to.

Breen describes himself as a collaborative dealmaker. "We're an industry that doesn't lack for egos, but it's really not about us. We are there to help facilitate resolutions, come to a good deal, help our clients put money to work," he recently told Business Insider.

"I'd love to say that I was prescient and knew exactly what the market was going to turn into. I'm not sure anybody fully appreciated it would turn into this," he said.

*This interview has been lightly edited for length and clarity.*

**You've been at Proskauer for about 13 years, and during that time you've seen tremendous growth in the private-credit market. What has your path been like?**

In 2002, I started my career at Cahill Gordon, a market leader in the syndicated bank bond space. When I was there, I would say that about two-thirds of my practice was really representing investment banks in the syndicated bank bond world: sponsors buying a company, needing committed financing, and using a bank bridge that hopefully turns into a successful bond deal.

They were smaller checks than you see now, but I'd like to think I saw enough of the deal flow where the check sizes were getting bigger and bigger. You had to take notice of how prominent it was becoming, and the players involved kept increasing. In 2010, I was approached by Proskauer to come here, and it was a really good fit.

I'd love to say that I was prescient and knew exactly what the market was going to turn into. I'm not sure anybody fully appreciated it would turn into this. There was certainly a lot of right place, right time, a little bit of luck involved, but right when I came here in 2010, it felt like the faucet really turned on. I started off working somewhat with banks, and a portion of my practice was still with banks, and back then, maybe 50% was with asset managers. Over time, the market has matured to where almost everything I do now is with asset managers.

**You mentioned that it's a really competitive market right now, and even that feels like an understatement. How has the private-credit market changed over your career?**

The market has changed drastically. I think the easy answer is there's just a lot more money. So there are more investors investing in these asset managers, which allows the asset managers to then put more money out. The deals sort of keep getting bigger and bigger: \$2 billion, \$3 billion, \$4 billion, \$5 billion deals competing with that syndicated bank bond market.

I think the interesting thing about the competitive dynamic is that the level has just dramatically increased. Twenty years ago, private-equity sponsors rarely had people who were dedicated to doing these transactions. They relied entirely on their lawyers.

Now, every major private-equity firm has not only one or two but sometimes complete teams of debt capital markets experts. Their sole roles are facilitating a competitive process on these financings, to push the terms in a way that makes sense for them to create a really competitive market dynamic.

**What's a deal, or a type of deal, that was particularly rewarding for you?**

A few years ago, we had a client come to us and they were interested in potentially looking at making investments in the sports, media, and entertainment space, which for us couldn't have fit better into our firm and what we do. So we started having conversations with them.

Fast-forward three years later, we've helped them form the fund. We've done a bunch of investments. As an avid sports fan, it's personally a lot of fun. It's something kind of new. But again, I think it's one of those things that just kind of highlights the strength of the private-credit product because it allows the flexibility to invest in US sports teams and European sports teams.

Every sport has its own unique sort of rules and regulations. Threading the needle and finding a way to help our clients make those investments that fit within that rubric, while also sticking to their investment guidelines, has been a lot of fun.

**What would you say are the biggest risks that your private-credit clients face today?**

I'd almost flip the question because I think the reality is the resilience of this product has shown despite all of the risks. So we lived through COVID, we lived through a bunch of different things that have come up in the last few years, including what happened with Silicon Valley Bank.

We're living in a rising rate environment, and I think people keep looking for reasons to say, "Well, the private-credit market, here it is — with rising rates, this is going to hurt." And it really hasn't happened. The product has been really resilient. Loss ratios are super low, default rates are really low. I think because of the relationship aspect with some of this stuff, when you do have companies that aren't in great shape, it's not always a race to the bottom. There's a real discussion between sophisticated institutions as to what they're going to do to fix that problem.

Sometimes it's not fixable, and our clients need to take it over. Every once in a great while, a compa-

ny goes through a bankruptcy. But by and large, in this industry, almost everything is an out-of-court workout.

**Do you mean that if there's trouble at a company, it's more likely that the sponsor can work out something like a repayment plan behind closed doors rather than going through a bankruptcy?**

Exactly. Sometimes, a lender might make concessions and defer some of the cash interest for a period of time, or change some of the covenant restrictions for a certain period of time in exchange for some additional economics, some other rights. Sometimes the sponsor might put in some of their own money to help see a company through a rough patch.

Sometimes, the lenders do it. There's usually a conversation about all this stuff that I think really facilitates a better result. I think that's proven true. The default rates are, notwithstanding the current environment, still historically low.

**They are, and they are expected to rise. Your firm's index that tracks private-credit defaults showed that while the overall default rate fell to 1.4% in the third quarter, defaults rose for some subsets of borrowers. With more companies facing more expensive debt loads, can you walk through what happens between a private lender and a company in trouble?**

The short answer is that every situation is different, but one of the interesting things about the private-credit market is that, unlike the syndicated market, there is still a significant amount of the market where there is a financial maintenance covenant tested quarterly. The borrower will send in a compliance certificate showing the EBITDA, the debt, the leverage ratios, and things like that. And because of that, lenders usually have a clearer picture of what the company's performance is looking like over time.

**I'll admit, it's a cliché to end an interview by asking where you think the market is going, but I think with the aggressive expansion of private credit, it's a question worth asking. What will fund managers come up with next?**

I don't see any signs that the market is slowing down — just the opposite. I think expansion isn't only in the different products they're offering, which isn't necessarily front-page news like a sponsor buying a company, but we're doing private-credit financings for clients in different industries.

For instance, we have clients who have dedicated healthcare funds, dedicated sports funds, you name it. We're also seeing different types of products. There's a real flight to financing real assets. There's a real interest in infrastructure debt, real-estate financings, alternative credits, NAV loans, you name it. Asset managers and our clients are really focused on expanding that offering.

(#S0119569) Reprinted with permission from the December 13, 2023 issue of Business Insider. © 2023 Business Insider Inc. For more information about reprints and licensing visit www.parsintl.com.