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**NEW EMPEA REPORT HIGHLIGHTS GROWING IMPACT OF PRIVATE CREDIT INVESTMENTS
IN EMERGING MARKETS**

Washington, DC, 15 May 2019: A new report, released today by EMPEA at the IFC's 21st annual Global Private Equity Conference in association with EMPEA, takes a deep look inside the world of private credit investments in emerging and transit economies. [*Private Credit Solutions: A Closer Look at the Opportunity in Emerging Markets*](#) gathers the latest EMPEA data on overall industry activity, while delving into the details of what makes emerging market (EM) private credit qualitatively different from other investment approaches.

"Private credit has emerged as an attractive financing vehicle in emerging markets over the last decade for both allocators of capital and investors," said Jeff Schlapinski, EMPEA's Senior Director of Research. "This report provides insights into the opportunities and challenges presented by this growing strategy and seeks to dispel any misconceptions the broader investment community may have about what private credit offers."

A Growing Market: Since EMPEA's previous *Private Credit Solutions* report was published in 2014, investor interest in EM private credit has grown. Capital raised for private credit vehicles targeting emerging markets reached USD9.4 billion in 2018—the highest level recorded by EMPEA. The share of global institutional investors surveyed by EMPEA who plan to begin investing or expand their investments in private credit in emerging markets has increased from 24% in 2014 to 47% in 2018.

"EMPEA is continuing its tradition of advocating for this expanding asset class," said David Creighton, Senior Advisor & Chairman of the EMPEA Private Credit Council. "Private credit, while challenging to navigate, is inevitably unfolding. For LPs who want to get into this space, it's a four-dimensional puzzle and they don't know where to begin. This handbook was created to help define the market."

Beyond Developed Markets: The report contains a first-of-its-kind survey of EM-focused private credit firms. The results highlight the favorable risk-return profiles on offer in emerging markets, in contrast to deteriorating protections for alternative lenders in North America and Western Europe. According to the survey, EM private credit offers: **higher gross returns**, on both a gross IRR (internal rate of return) and cash multiple basis; **lower leverage levels**, at both the investee and the fund level; and **stronger covenants**.

The report highlights four strategies observed across the EM landscape: direct lending (or senior debt); mezzanine; distressed debt; and special situations (or credit opportunities)—including deal tables. Moreover, the report contains expert perspectives from dealmakers across the globe, with insights on recent market developments, deal structuring, and working with portfolio companies.

Complementing Private Equity: According to the report, private credit can complement PE in emerging markets and may represent a more logical entry point for some investors. Given that many private credit instruments are self-liquidating and often secured by hard assets or pledges from borrowers, the approach offers investors a way to generate distributions in a shorter timeframe than PE and smooth cash flows, with greater visibility on when capital is coming back and a more stable overall return profile.

Debt products can also be more attractive to the owners of EM companies as a less-dilutive financing option. Additionally, private credit is often more suitable to small and medium enterprises (SMEs) that lack access to bank financing and, thus, may offer greater opportunity to create social and economic impact.

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About EMPEA

EMPEA is the global industry association for private capital in emerging markets. An independent, non-profit organization, the association brings together 300+ firms—including institutional investors, fund managers, and industry advisors—who manage more than USD5 trillion in assets across 130 countries. EMPEA members share the organization’s belief that private capital can deliver attractive long-term investment returns and promote the sustainable growth of companies and economies. EMPEA supports its members globally through authoritative research and intelligence, conferences, networking, education, and advocacy. To find out more, please visit [EMPEA.org](https://www.empea.org).