



European Private Loans: A Deep, Diversified, Quality Asset Class

An introduction to the fast-growing €4.5 trillion market

Neuberger's EPL Investment Team



PIETER D'HOORE
Managing Director
Head of European Private Loans



PEER ROSENBERG
Senior Vice President



PHILIP ORTNER, CFA
Senior Vice President



MICHAEL ASIKA
Analyst

European Private Loans: Financing the Core of Europe's Economy

The European private corporate loan market is vast (about €4.5 trillion outstanding)¹ and diverse, spanning all industries, market-leading companies of varying size and 20 different eurozone markets. Over the past decade, the market has grown and evolved considerably, and today provides domestic and foreign institutional investors with direct exposure to a new (non-public) universe of specialist companies and industries, as well as attractive absolute and relative value investment opportunities versus public markets.

Type of Companies in Focus:

While the universe of companies accessing private loans ranges in size, the investment opportunity is most distinctive in mid-market companies (€100 million to €5 billion in revenues). These private companies are globally competitive, domestic and regional champions, collectively forming the core of Europe's economy.

Key Benefits of Investing:

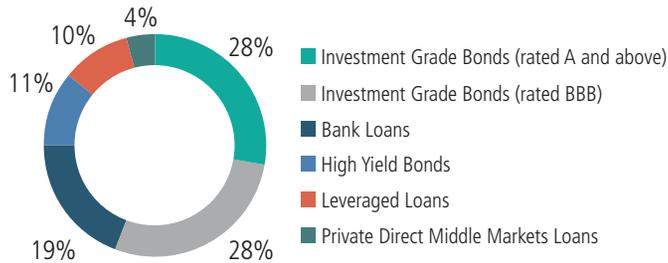
- **Diversification:** These private, mid-market companies span industries and geographies, forming a distinct asset class that delivers uncorrelated returns to public credit markets.
- **Quality:** Well-established, globally competitive, specialist product manufacturers and service providers that have stable business models and conservative financial profiles ranging from BB to A flat (with an average rating of BBB).
- **Yield:** An asset class that generally offers a spread pick-up of 200 basis points over equivalent public loans and bonds.²
- **Protection:** Loans are typically structured with financial maintenance and non-financial covenants to ensure alignment between borrower and lender and to mitigate risks.

¹ Source: European Central Bank (ECB) Statistical Data Warehouse.

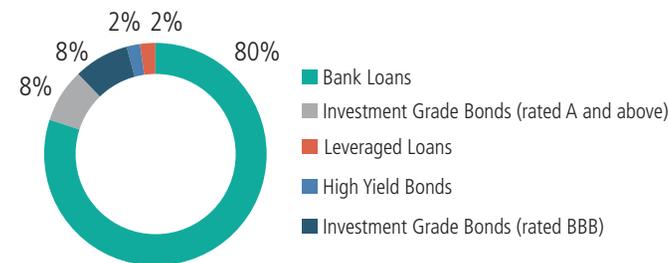
² Source: Pick-up of historical portfolio returns vs. Bloomberg EUR Corp ex Financial Index.

EUROPEAN COMPANIES ARE FINANCED DIFFERENTLY

U.S.

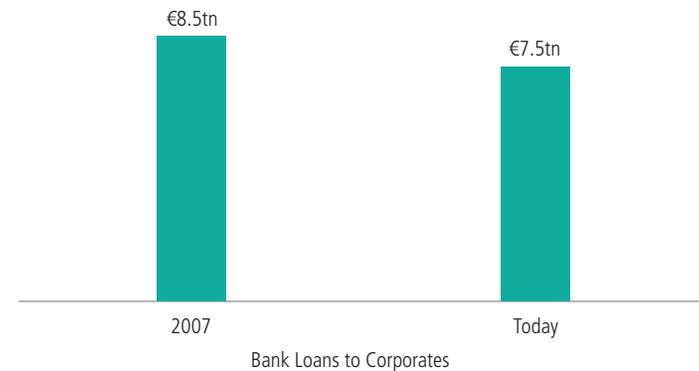


Eurozone



Source: Bloomberg, IMF, Deutsche Bank Global Research.

EUROZONE BANK LENDING HAS CONTRACTED



Source: European Central Bank.

The European Private Corporate Loan Landscape

Companies across industries and sizes globally have been increasingly diversifying their sources of funding over the past decade. The rise of alternative private lenders or credit providers has been a key driver, providing companies with funding alternatives to bank loans and capital markets financing. In Europe, the funding diversification trend has been particularly pronounced since the Global Financial Crisis (GFC) because the banking sector, which dominates corporate financing (see chart), has broadly been retrenching from lending to lower-rated companies and in long maturities. As a result, bank-led corporate lending has contracted by about €1 trillion to €7.5 trillion (or from 90% of the market pre-GFC to 80%), creating an opportunity for alternative lenders and long-term investors to fill the lending gap.

Why has the banking sector pulled back?

The increasing European bank capital requirements imposed by Basel III/IV have made lending, especially in longer-term maturities, much more expensive, which has curbed banks' willingness to lend to lower-rated companies in long maturities.

Who are the alternative lenders that are filling the lending gap?

New non-bank corporate lending to small and mid-market companies is dominated by lenders mainly related to private equity investment groups. However, longer-term institutional investors and asset managers are increasingly stepping into the European market while European regulators are getting stricter on alternative, non-bank originated lending.³

What are some of the main differences between the U.S. and European private loan markets?

- In Europe, corporates' reliance on bank lending, combined with higher regulatory capital requirements, creates structural inefficiencies that yield pricing advantages for private lenders. By contrast, the U.S. market is more standardized, driving tighter pricing.
- In Europe, fragmented practices and bilateral dynamics offer greater negotiation leverage and flexibility over lender protections, whereas U.S. standardization limits customization.
- In Europe, the credit underwriting quality is generally higher due to the dominance of the banking sector with an inherent aversion to default risk.

³ ECB President Christine Lagarde gave a speech on October 17, 2025, calling for tighter regulation of non-banks such as hedge funds, private equity firms and insurers that are engaged in "bank-like activities".

Key Differences in Private Loan Markets

There are broadly three main loan markets in Europe that mid-market companies and institutional investors can access:

- Private loan market (bank and institutional investor-led)
- Private placement market, e.g. Schuldschein (bank-led)
- Leveraged loan market (bank and private equity-led)

Key differences among these markets are shown in the table on the right.

One of the most important differences is the higher average yield pick-up that European private loans offer investors, reflecting inefficiencies in the market and the associated illiquidity premium.

General Characteristics	European Private Loans (EPL)	Schuldschein Market	Leveraged Loans (Morningstar ELLI)
Indicative Market Size	> €4.500bn	~ €100bn	~ €300bn
Credit Quality	Average BBB	Average BBB-	Average B
Sourcing Mechanism	Select network of co-investing sourcing banks	Banks	Investment bank and private equity fund coverage
Format	Bilateral loans and bonds	Broadly syndicated loans	Broadly syndicated loans
Coupon Structure	Fixed and floating rate	Fixed and floating rate	Floating rate
Typical Tenor	5 – 10 Years	3 – 7 Years	4 – 7 Years
Structure	Secured and unsecured	Unsecured	Secured
Financial Covenants	>90%	<15%	No
Leverage	Average 2.5x	Average 3.0x	Average 4.9x
Liquidity	Buy and maintain with some liquidity as needed	Buy and maintain with some liquidity as needed	Active secondary market – liquidity is subject to loan status
Pick-up vs. Liquid Markets (EUR)	200+ bps	65 bps	100 bps

Source: EPL sourcing banks and Neuberger, as of July 2025, Neuberger calculations, ELLI Factsheet, August 2025, European Credit Market Quarterly Wrap 06/2025, Pitchbook LCD EuroStats: Primary Market – Country/Regions. For illustrative purposes only. This material is intended as a broad overview of the portfolio managers' current style, philosophy and process and is subject to change without notice. Portfolio managers' views may differ from those of other portfolio managers as well as the views of Neuberger Berman. Investing entails risks, including possible loss of principal. **Past performance is not indicative of future results.** As with any investment, there is the possibility of profit as well as the risk of loss.

The Opportunity in Europe's Middle-Market Core

Europe has a vast number of private, middle-market sized companies (see graphic) that are globally competitive, well-established and often market-leading in their own specialist industry.

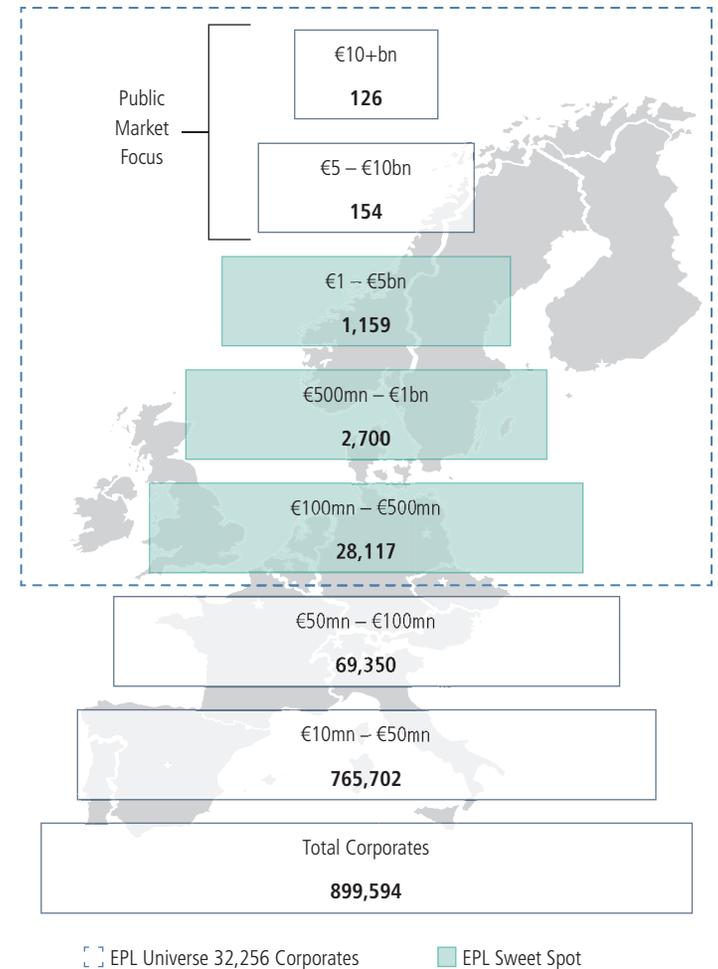
From a credit perspective, many have stable business models and conservative financial profiles, with ratings distributed around the intersection of investment grade and non-investment grade—with a meaningful share on both sides of the boundary.

Some examples of these real economy companies include:

- A globally competitive, Europe-based paper producer
- A world-leading manufacturer of agricultural engineering equipment
- The largest free-range poultry farm in Europe
- Champagne houses known the world over
- A regional leader in healthcare software solutions
- A top-tier Swiss private hospital network with nationwide reach

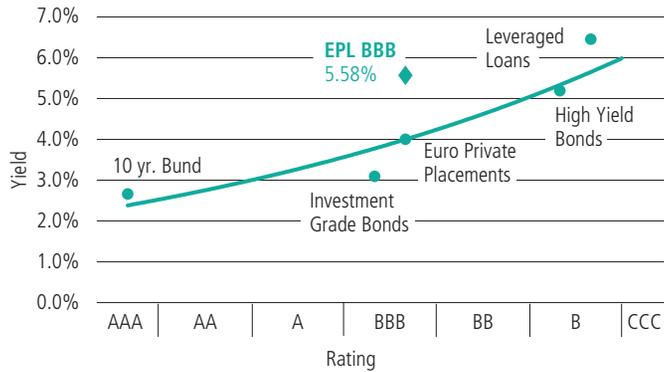
Many of these companies need long-term debt financing but are reluctant to access the capital markets (often due to minimum size constraints or the expense and onerous regulatory requirements of doing so) and appreciate discrete funding optionality.

This presents an opportunity for other alternative lenders, particularly asset managers, to step in and provide the capital to match the funding needs of these companies with the demand for stable long-term investments from traditional long-term institutional investors. This partnership ultimately helps finance the backbone of the European economy.

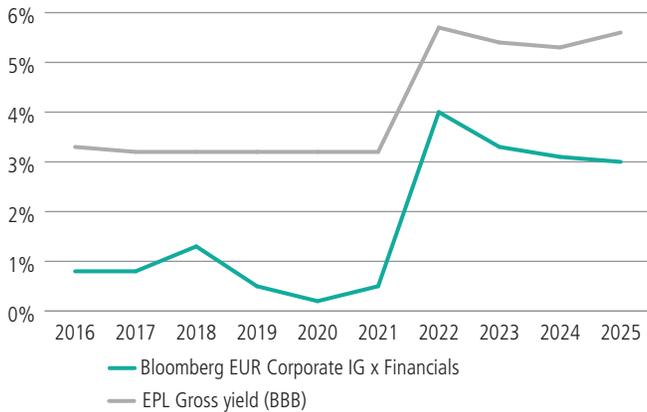


Source: *Forbes Global* 2020, 2021. Regions included: Germany, France, United Kingdom, Italy, Spain, Netherlands, Belgium, Austria.

RELATIVE VALUE OF EPL MARKET



EPLS OFFER PICK-UP OVER CORP. BONDS



Source: EPL sourcing banks and Neuberger, Pitchbook LCD, FactSet, vc-trade, Debtvision, as of September 2025. Indices: Bloomberg Euro Aggregate Corporate x Financials, Bloomberg Pan-European High Yield (Euro), Morningstar ELLI.

Multiple Attractive Qualities for Institutional Investors

Credit & Portfolio Diversification

The European mid-market private corporate loan market is vast and diverse, spanning market-leading companies across industries and 20 different eurozone markets. Together with industry and geographic diversification, this market also offers limited correlation to more liquid public credit markets (driven by stable valuations and total returns over time) and private equity sponsor-driven private debt.

Credit Quality

The most attractive investment opportunity in European mid-market companies is concentrated among the well-established, globally competitive specialist product manufacturers and service providers that have stable business models and conservative financial profiles (average net debt/EBITDA <2.5x). Reflecting this, many of these companies are positioned at the intersection of investment grade and non-investment grade.

Yield Enhancement

European private corporate loans tend to be longer duration (>5 years) and less liquid than other forms of equivalent public loans and bonds, which largely underpins the higher yield this asset class offers, generally a spread pick-up of up to 200 basis points (see chart). In addition, the coupon structure can come in fixed and floating rate format.

Risk Protection

The loans are typically structured with financial maintenance covenants (used to carry out regular tests on the borrower's financial performance) and non-financial covenants (typically involving operational, managerial or legal aspects of the business), which are designed to align incentives between a lender and a borrower and to mitigate specific risks.

Case Study: A Globally Competitive Paper Producer

The company is a leading pan-European and North American hygienic tissue producer providing a balanced mix of private label, branded consumer and away-from-home products. The company operates over 20 facilities across 13 countries and holds top-tier market positions in both regions.

In 2021, the company obtained European private loan financing for general corporate purposes, including refinancing existing financial debt and related costs, structured with covenant protection and a bullet maturity.

Since the 2021 investment, the company has delivered strong top-line growth and margin expansion, increased its North American capacity and share of sales, and enhanced resilience through pricing, efficiency and energy risk management.

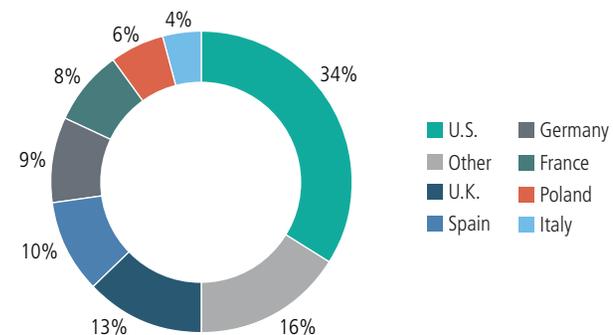
FINANCIAL PERFORMANCE

Profit & Loss	FY21	FY22	FY23	FY24
Revenue	2,124.3	2,869.9	3,217.2	3,281.5
Growth	-3.6%	35.1%	12.1%	2.0%
EBITDA	218.3	390.4	660.6	575.8
EBITDA Margin	10.3%	13.6%	20.5%	17.5%
Balance Sheet				
Total Assets	2,851.5	3,027.8	3,318.0	5,181.7
Net Debt/EBITDA	4.7x	2.7x	1.5x	3.5x
Net Debt/Net Equity	1.1x	1.1x	0.8x	1.3x
Interest Coverage Ratio	7.2x	11.3x	12.6x	6.8x

TRANSACTION OVERVIEW

Closing	September 2021
Headquarter	Italy (parent)
Industry	Household paper products
Rating	BBB-
Use of Funds	General corp. purposes, refi of existing debt
Spread over MS	325bps
Maturity	7y bullet, plus 1y extension, subject to 2.5x net leverage
Financial Covenants	Net leverage
Collateral	Secured with plant and machinery

SALES BY COUNTRY 2024



Source: Sourcing Banks, Neuberger research.

Conclusion

The European private corporate loan market is vast, diverse and growing, offering European and foreign institutional investors a distinctive investment opportunity to support companies that form the core of Europe's stable, strengthening and dynamic economy.

While long-term institutional investors can access this opportunity in several ways, Neuberger's capabilities may provide an attractive option, combining decades of origination and structuring expertise in corporate credit with long-standing relationships with the region's main domestic banks.

This experience and expertise are important in being able to identify and access the right investment opportunity.

KEY INVESTMENT CONSIDERATIONS:

FOCUS ON...

- Companies across sectors with strong balance sheets and low debt/EBITDA
- The strength of the loan covenants and documentation
- Bank sourcing and underwriting quality
- The level of spread pick-up versus public credit exposure

KEY INVESTMENT PARTNER CONSIDERATIONS:

LOOK FOR...

- Aligned interests and strong relationship with originating banks
- Deep understanding of local documentation and law
- Pan-European and multi-sector coverage
- Full alignment with Europe's regulatory lending framework

This material is provided for informational purposes only and nothing herein constitutes investment, legal, accounting or tax advice, or a recommendation to buy, sell or hold a security. This material is general in nature and is not directed to any category of investors and should not be regarded as individualized, a recommendation, investment advice or a suggestion to engage in or refrain from any investment-related course of action. Neuberger Berman is not providing this material in a fiduciary capacity and has a financial interest in the sale of its products and services. Neuberger Berman, as well as its employees, does not provide tax or legal advice. You should consult your accountant, tax adviser and/or attorney for advice concerning your particular circumstances. Information is obtained from sources deemed reliable, but there is no representation or warranty as to its accuracy, completeness or reliability. All information is current as of the date of this material and is subject to change without notice. Any views or opinions expressed may not reflect those of the firm as a whole. Neuberger Berman products and services may not be available in all jurisdictions or to all client types. Investing entails risks, including possible loss of principal. Investments in hedge funds and private equity are speculative and involve a higher degree of risk than more traditional investments. Investments in hedge funds and private equity are intended for sophisticated investors only. Indexes are unmanaged and are not available for direct investment. **Past performance is no guarantee of future results.**

The views expressed herein are generally those of Neuberger Berman's Asset Allocation Committee, which comprises professionals across multiple disciplines, including equity and fixed income strategists and portfolio managers. The Asset Allocation Committee reviews and sets long-term asset allocation models, establishes preferred near-term tactical asset class allocations and, upon request, reviews asset allocations for large, diversified mandates. Tactical asset allocation views are based on a hypothetical reference portfolio. The views and recommendations of the Asset Allocation Committee may not reflect the views of the firm as a whole, and Neuberger Berman advisors and portfolio managers may recommend or take contrary positions to the views and recommendations of the Asset Allocation Committee. The Asset Allocation Committee views do not constitute a prediction or projection of future events or future market behavior. This material may include estimates, outlooks, projections and other "forward-looking statements." Due to a variety of factors, actual events or market behavior may differ significantly from any views expressed.

This material is being issued on a limited basis through various global subsidiaries and affiliates of Neuberger Berman Group LLC. Please visit www.nb.com/disclosure-global-communications for the specific entities and jurisdictional limitations and restrictions.

The "Neuberger Berman" name and logo are registered service marks of Neuberger Berman Group LLC.



Neuberger Berman
1290 Avenue of the Americas
New York, NY 10104-0001

www.nb.com