

# THE OPPORTUNITY IN AUSTRALIAN PRIVATE DEBT

オーストラリアのプライベート・デットにおけるチャンス

---

Keynote Presentation  
基調プレゼンテーション

Andrew Lockhart  
アンドリュー・ロックハート

June 2023

Metrics. A new measure.



# DISCLAIMER



## PURPOSE OF PRESENTATION

This document has been prepared by Metrics Credit Partners AFSL 416146 (Metrics) on a confidential basis for distribution only to the party to whom it is directly addressed and delivered. It is not intended for, and should not be distributed to, any other person and it must not be distributed to any person who is a retail client for the purpose of the Corporations Act 2001 (Cwlth). This document is not a Product Disclosure Statement or Prospectus required to be lodged with the Australian Securities and Investments Commission in accordance with the Corporations Act and it does not contain all of the information that such a Product Disclosure Statement or Prospectus is required to contain or that an offer document for the products described herein would contain. It is not an offer of interests in respect of any financial product.



## RESPONSIBILITY FOR INFORMATION

Metrics has prepared this document from sources it believes to be correct and based on the information available to it and the facts and circumstances in existence as at the date of this document. Neither Metrics nor any of its related entities, associates, officers, employees or agents make any representation or warranty, express or implied as to or assume any responsibility or liability for the authenticity, origin, validity, accuracy or completeness of any information, statement or opinion contained in this document or in any accompanying, previous or subsequent material or presentation. To the maximum extent permitted by law, Metrics and each of its related entities, associates, officers, employees or agents disclaims all and any responsibility or liability for any loss or damage which may be suffered by any person relying upon any information contained in, or any omissions from, this document.



## RELIANCE ON PRESENTATION

This document has been prepared without taking into account any particular person's objectives, financial situation or needs; does not purport to identify the nature of specific market or other risks associated with any investments described within it and does not constitute any legal, taxation, investment or accounting advice. All information in this document is indicative, is based on certain assumptions and current market conditions and is subject to change without notice. No information contained in this document constitutes a prediction or forecast as to the performance of any investments. Any historical information contained in this document is provided by way of illustration only, past performance is not a guide to future performance and actual performance may differ materially. Assumptions upon which financial illustrations are based may differ from actual circumstances. No reliance should be placed on the information in this document and any investment decision should be based only on the information in final offer documents and the purchaser's own due diligence, inquiry, assessment and advice in respect of the products and investments described herein.



## CONFIDENTIAL

This document and all of the information contained in it must not be disclosed to any person or replicated in any form without the prior written consent of Metrics.

# METRICS CREDIT PARTNERS



**METRICS IS AN AUSTRALIAN-BASED ALTERNATIVE ASSET MANAGER WITH >\$14BN AUM**

**メトリクスは、オーストラリアを拠点とするオルタナティブ運用会社 運用資産残高は140億豪ドルを超える**



**Metrics is Australia's largest Non-bank Lender with >\$14bn AUM**



**Team of > 120, Sydney, Melbourne, Brisbane, Perth, Tasmania and Auckland, New Zealand**



**Direct origination, credit analysis, portfolio risk management and distribution**

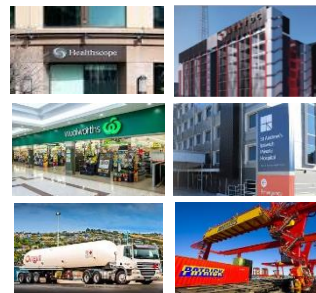


**Invest across all market segments and full credit risk spectrum**



**Leading Responsible Investor in Australian Private Debt**

## CORPORATE



## LEVERAGED FINANCE



## COMMERCIAL REAL ESTATE



## PROJECT FINANCE

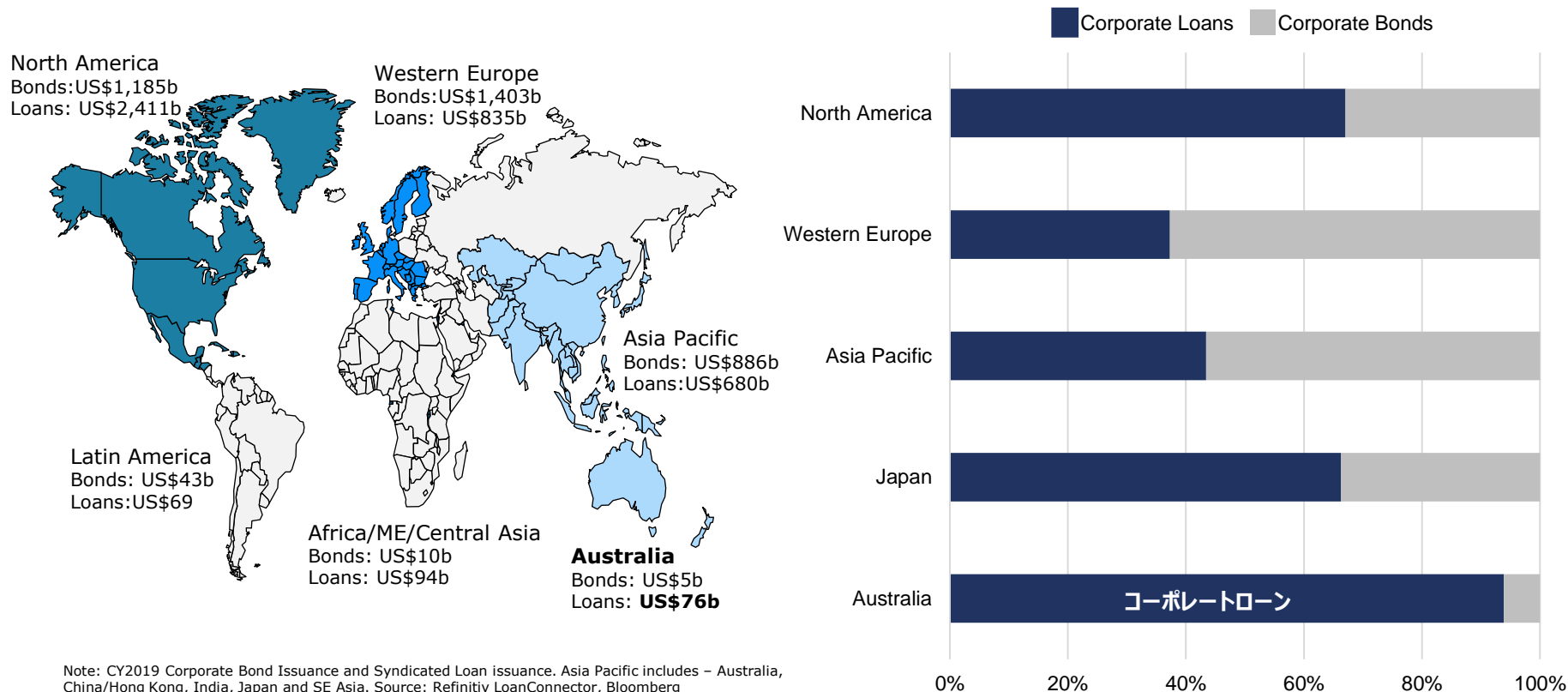


# AUSTRALIA'S LOAN MARKET IS A SIZABLE PORTION OF THE ASIA PACIFIC DEBT MARKET

Corporate Bonds



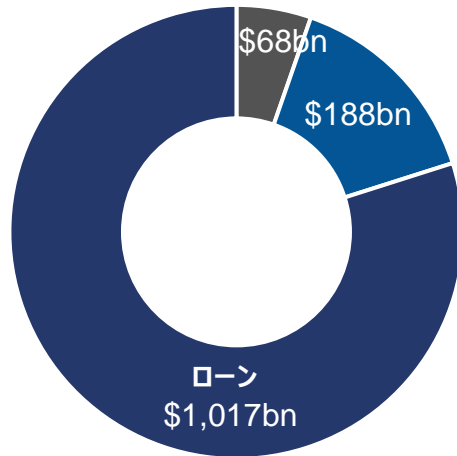
アジア太平洋地域のローン市場を見てみると、オーストラリアが占める割合は大きい



# BANK FUNDED CORPORATE LOANS ARE THE MAIN SOURCE OF FINANCE IN AUSTRALIA

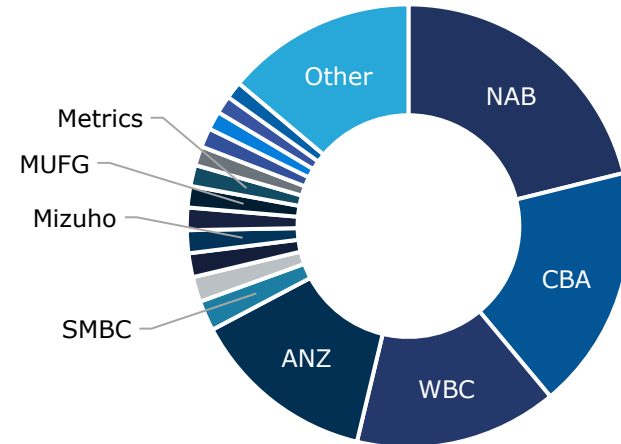
豪州企業の資金調達は、主に銀行融資である

## AUSTRALIAN CORPORATE FIXED INCOME MARKET



- Australian Corporate Bonds
- Offshore Corporate Bonds
- Australian Corporate Loans

## AUSTRALIAN CORPORATE LOAN MARKET PROVIDERS



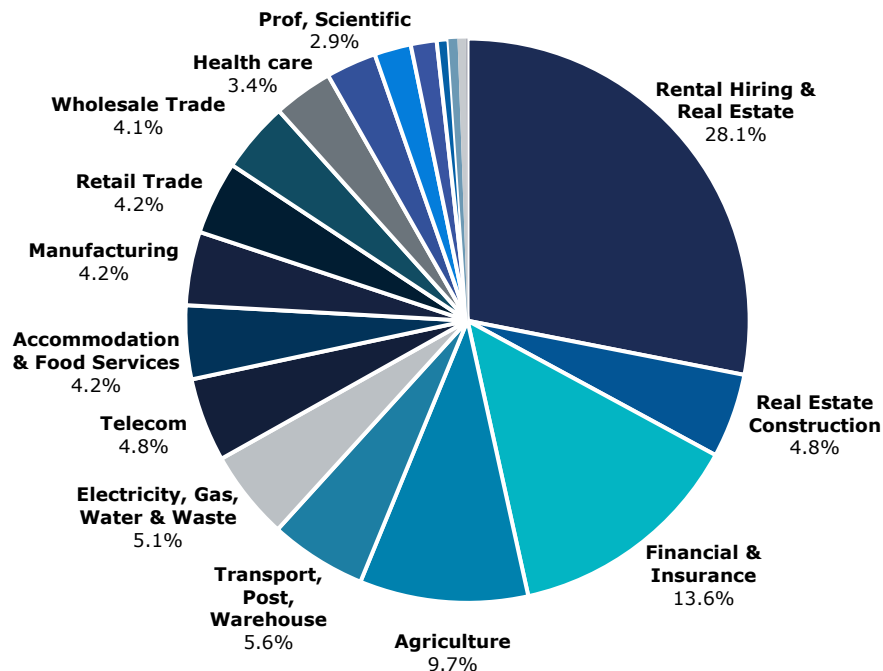
- NAB
- CBA
- WBC
- ANZ
- SMBC
- Rabobank
- BOC
- Mizuho
- Macquarie
- MUFG
- Metrics
- HSBC
- Bendigo
- ING
- Suncorp
- BOQ
- Other

# AUSTRALIAN PRIVATE DEBT COVERS A DIVERSE RANGE OF SECTORS AND INDUSTRIES

様々なセクターをカバーする豪州プライベート・デット

## DIVERSIFIED ACROSS INDUSTRIES

多様なセクター構成



## PRIVATE DEBT SECTORS

様々なプライベート・デットの種類

Corporate Loans

Leveraged and Acquisition Finance

Fund Finance

Commercial Real Estate Finance

Project Finance

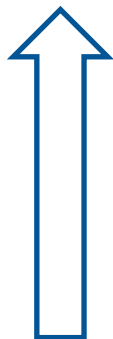
Structured Finance

# AUSTRALIAN PRIVATE DEBT COVERS THE ENTIRE RISK SPECTRUM

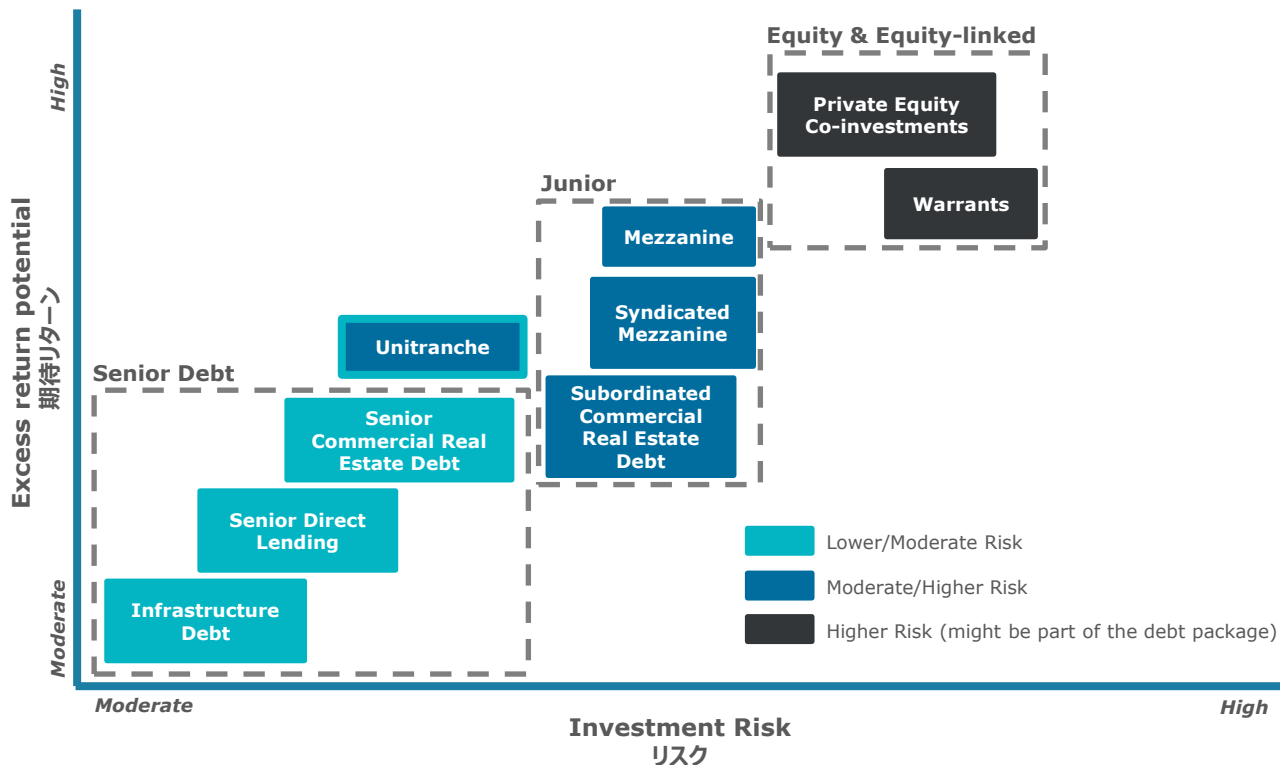


幅広いリスク領域をカバーする豪州プライベート・デット

Bank Bills plus  
15%+ p.a.



Bank Bills plus  
2 - 6%  
p.a.



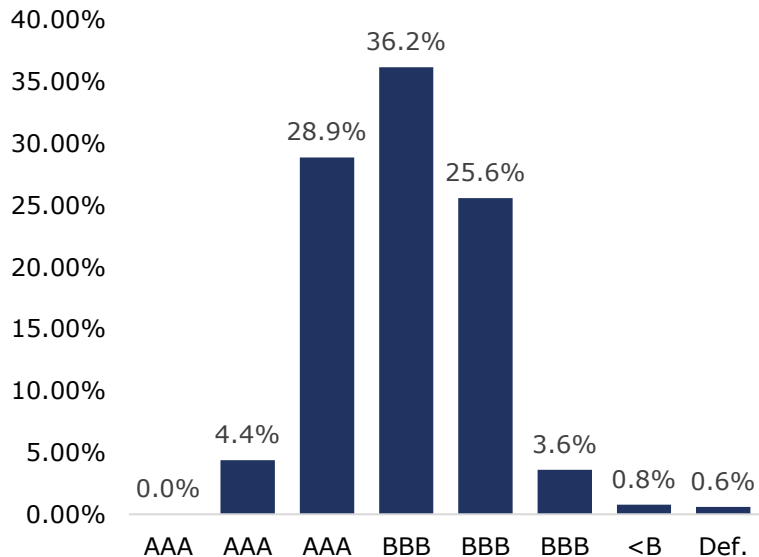
# THE BANK-DOMINATED AUSTRALIAN CORPORATE LOAN MARKET HAS SUBSTANTIAL BARRIERS TO ENTRY

銀行が支配的な地位を占める豪州コーポレート・ローン市場には参入障壁がある



## AUSTRALIAN LOAN MARKET CREDIT QUALITY

格付別の分布



Source: As at 31 March 2022, Metrics analysis of the market is based on major banks' APRA APS330 reports and other publicly available information.

## BARRIERS TO ENTRY

参入障壁

- Significant levels of capital are necessary to participate in a loan syndicate
- A new entrant must initially be able to sustain a high fixed cost base prior to a portfolio achieving a profitable scale
- Australia's major banks have extensive borrower relationships
- Loans transfers usually require a high minimum lender credit rating
- Corporate loans are not exchange traded or public securities
- Loans are privately negotiated transactions and not available to public market investors

**ONLY LARGE AND ESTABLISHED LENDERS CAN DIRECTLY ORIGINATE LOANS IN AUSTRALIA**

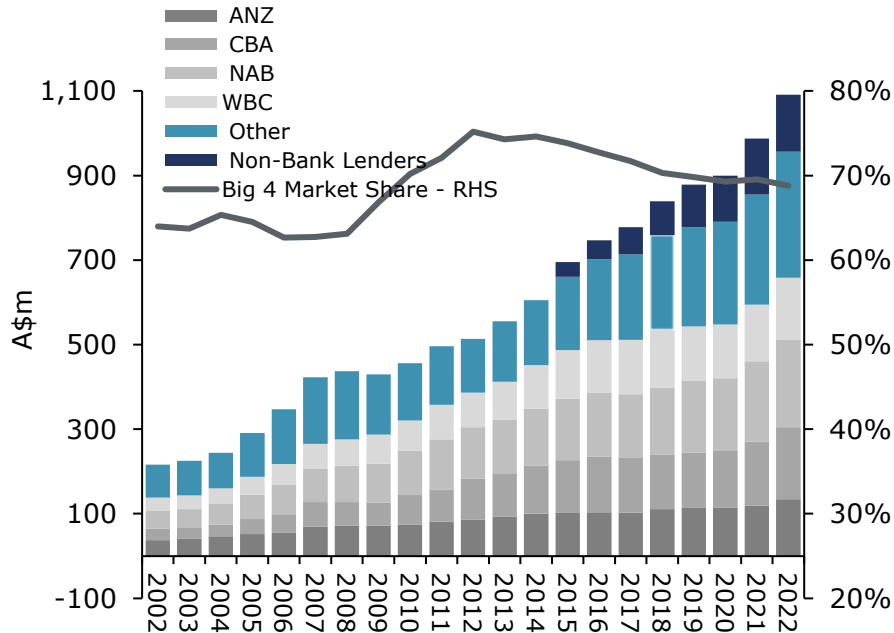


# AUSTRALIAN BANKS ARE GRADUALLY CEDING MARKET SHARE



## 豪州大手銀行のシェアは低下傾向

### BIG 4 BANKS VS OTHER LENDERS IN AUSTRALIA 豪州4大銀行とその他銀行のシェア



Source: RBA, Bloomberg, major bank APS330 reports, Ernst & Young analysis, Preqin 'The Future of Alternatives 2025'. As at December 2021. 2022 year data is a forecast.

### OPPORTUNITY FOR NON-BANK LENDERS ノンバンク・レンダーにとっての投資機会

INCREASED FUNDING COSTS

INCREASED REGULATION

COMPULSORY SAVINGS

LIMITED NON-BANK FUNDING  
ALTERNATIVES

**Australia's banks are gradually ceding market share. This creates a growing opportunity for non-bank lenders to fill the void.**

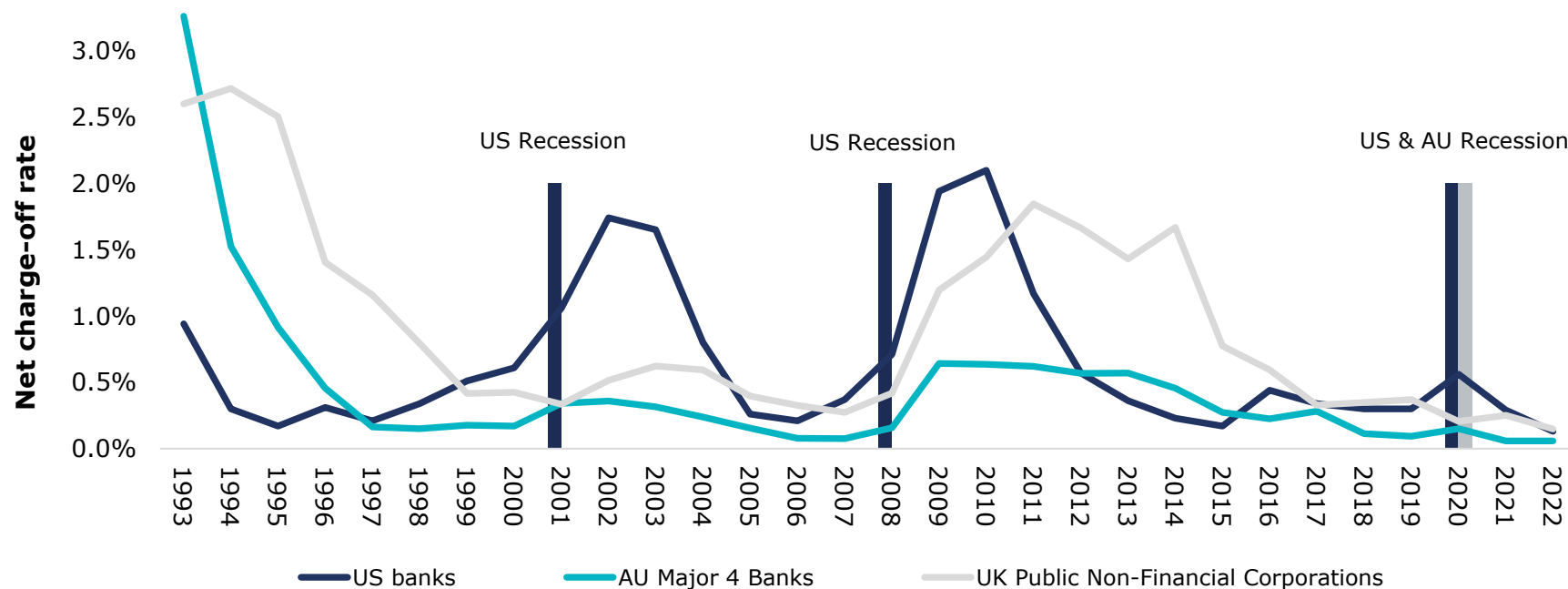
# AUSTRALIAN CREDIT DEFAULTS AND LOSSES HAVE BEEN LOWER THAN U.S. AND UK

豪州の損失率は、英米に比べて低位



## U.S., UK AND AUSTRALIA BANK COMPARISON

米英豪の銀行セクターにおける損失率の比較



# IN AUSTRALIA, PRIVATE LENDERS BENEFIT FROM A RANGE OF PROTECTIONS

オーストラリアの債権保護に関する各種フレームワークからの恩恵を享受



## Private Market

Lenders directly negotiate with borrowers to mitigate risk



## Covenants, Controls & Security

Covenants are negotiated and provide protection and early warning of issues

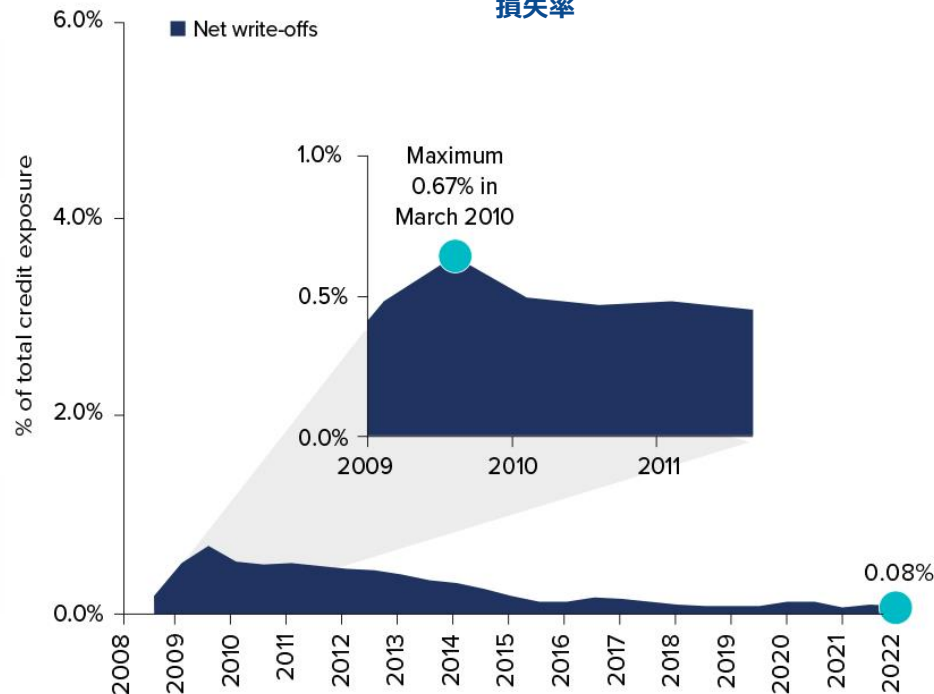


## Structural Protections in Australia

Australian corporate insolvency regime gives lenders protections

## HISTORICAL AUSTRALIAN CORPORATE LOAN LOSS RATES

損失率



# IN AUSTRALIA COVENANTS ARE DOCUMENTED IN FINANCIAL CONTRACTS TO CONTROL RISK

## リスク管理の為、コベンツが融資契約に含まれる



### Information Covenants

- Management forecasts
- Audited A/Cs

Allow monitoring of actual and projected financial performance  
Ensure information quality is robust and externally verified



### Financial Covenants

- Debt/Earnings
- Loan-to-value
- Interest coverage
- Debt service coverage ratio

Triggers if leverage becomes elevated  
Creates leverage in negotiation with borrower to preserve loan capital  
Ensures sufficient cash flow to pay interest  
Ensures sufficient cash flow to service debt (interest and principal)



### Incurrence Covenants




- Indebtedness
- Security
- Distributions

Prevents new debt being created beside or ahead of the lender  
Preserves Security position  
Preserves cash in borrower

# AUSTRALIA HAS A SUPERIOR CREDITOR-FRIENDLY ENFORCEMENT REGIME

オーストラリアは、債権者にサポートティブな企業破綻処理スキームを持つ



 VOLUNTARY ADMINISTRATION	 ADMINISTRATION	 CHAPTER 11
✓ Exception to moratorium for the 'all-asset' secured creditor	✗	✗
✓ No intervention required from the court	~	✗
✓ < 1 month possible to exit administration	✓	~
✓ Directors are personally liable for insolvent trading	✓	✗
✓ Secured lender is driver of key decisions vs Administrator	✗	✗
✓ Ipso facto - protection from contract termination	✗	✓
✓ Shareholder rights are limited in administration	✓	~

Source: Private Credit and Enforcement in Australia, joint publication of Baker McKenzie and Metrics, July 2020.

# AUSTRALIAN PRIVATE DEBT IS PREDOMINANTLY FLOATING RATE AND MOVES IN LINE WITH INFLATION

主に変動金利型であり、インフレ率に連動する



## Inflation Hedge

Corporate loans are typically floating rate, unlike the largely fixed corporate bond market.



## Income Generating Assets

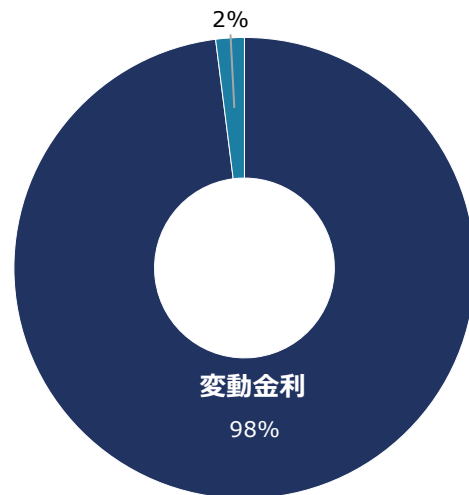
Regular income received from interest payments made by borrowers.



## Opportunity and Diversity

Australian private loan market is diversified over industries, sectors and credit quality.

## AUSTRALIAN PRIVATE DEBT FLOATING / FIXED RATE SPLIT



■ Floating rate

■ Fixed rate

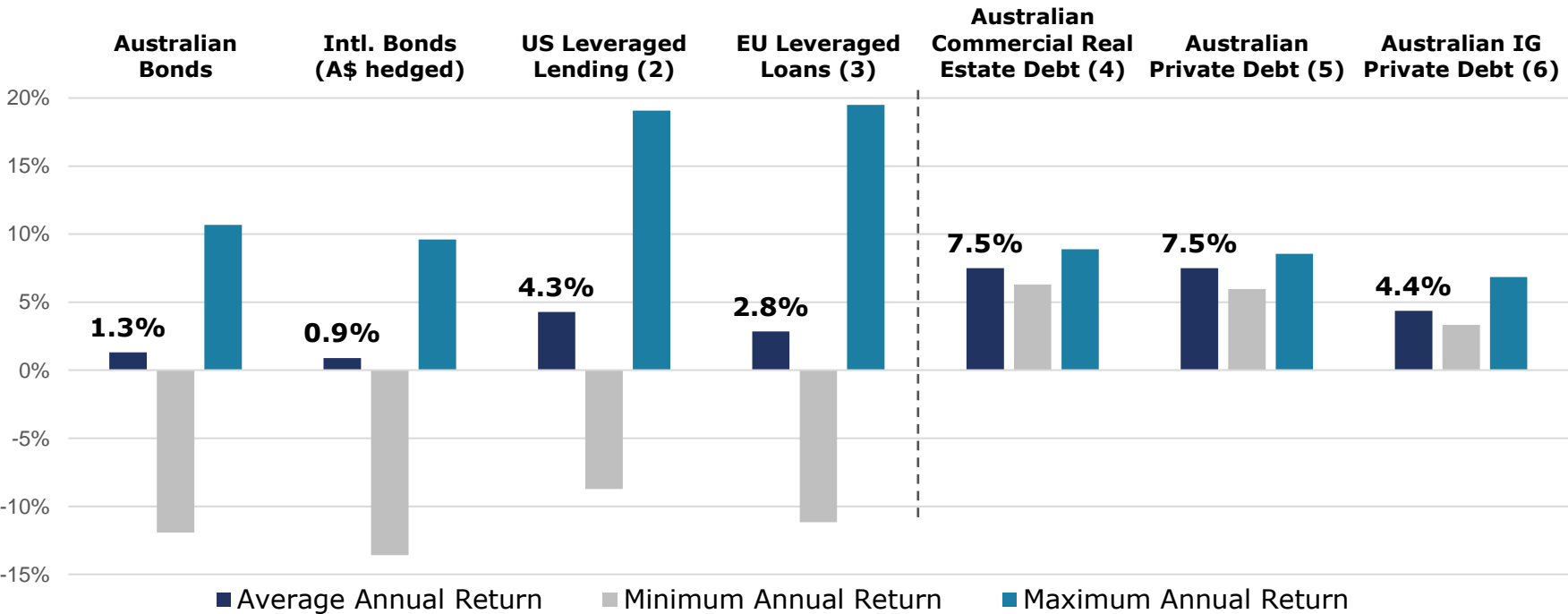
Metrics estimate based on a sample diversified portfolio with 304 Private loans to Australian and New Zealand companies. Source: Metrics. As At 31 May 2023

# AUSTRALIAN PRIVATE DEBT HAS DEMONSTRATED STABLE RETURNS



## 安定した豪州プライベート・デットのリターン実績

### ANNUAL ASSET CLASS PERFORMANCE OVER THE LAST 8 YEARS



Past performance is not a reliable indicator of future performance. For illustrative purposes only.  
Source: Vanguard, Bloomberg and Metrics. Asset class returns from December 2015 to April 2023. (2) Morningstar LSTA US Leveraged Loan Index. (3) Credit Suisse West Euro Leveraged Loan Index. (4) Metrics Commercial Real Estate Debt Estimate, for a 6 year period Dec 17 - Apr 23. (5) Metrics Private Debt Estimate. (6) Metrics Investment Grade Private Debt Estimate.

# AUSTRALIAN PRIVATE DEBT SHOWS LOW CORRELATION TO OTHER ASSET CLASSES, INCLUDING U.S. AND EUROPEAN PRIVATE DEBT



豪州プライベート・デットは、欧米のプライベートデットを含むその他資産との相関関係が低い

	Aust. Equity <sup>(1)</sup>	Australian Fixed Interest <sup>(2)</sup>	Int. Equity (unhedged) <sup>(3)</sup>	Int. Fixed Interest <sup>(4)</sup>	US Leveraged Lending <sup>(5)</sup>	EU Leveraged Loans <sup>(6)</sup>	Australian Commercial Real Estate Private Debt <sup>(7)</sup>	Australian Senior Private Debt <sup>(8)</sup>	Australian IG Private Debt <sup>(9)</sup>
Australian Equity <sup>(1)</sup>	1								
Australian Fixed Interest <sup>(2)</sup>	16%	1							
International Equity (unhedged) <sup>(3)</sup>	70%	34%	1						
International Fixed Interest <sup>(4)</sup>	31%	80%	32%	1					
US Leveraged Lending <sup>(5)</sup>	75%	6%	54%	25%	1				
EU Leveraged Loans <sup>(6)</sup>	76%	10%	52%	31%	97%	1			
Australian Commercial Real Estate Private Debt <sup>(7)</sup>	-1%	27%	0%	20%	-2%	-2%	1		
Australian Senior Private Debt <sup>(8)</sup>	2%	29%	17%	33%	5%	5%	57%	1	
Australian IG Private Debt <sup>(9)</sup>	2%	22%	5%	13%	4%	6%	74%	43%	1

Source: Vanguard, Bloomberg and Metrics. 8 year Period Dec 15 – April 23. (1) S&P/ASX 300 Total Return Index. (2) Bloomberg Ausbond Composite 0+ Index. (3) MSCI All Country World Ex-Australia Index with Special Tax (100% hedged to AUD). (4) Bloomberg Barclays Global Aggregate Index (hedged to AUD). (5) Morningstar LSTA US Leveraged Loan Index. (6) Credit Suisse West Euro Leveraged Loan Index. (7) Metrics Commercial Real Estate Debt Estimate, for a 6 year period Dec 17 - Apr 23. (8) Metrics Private Debt Estimate (9) Metrics Investment Grade Private Debt Estimate.



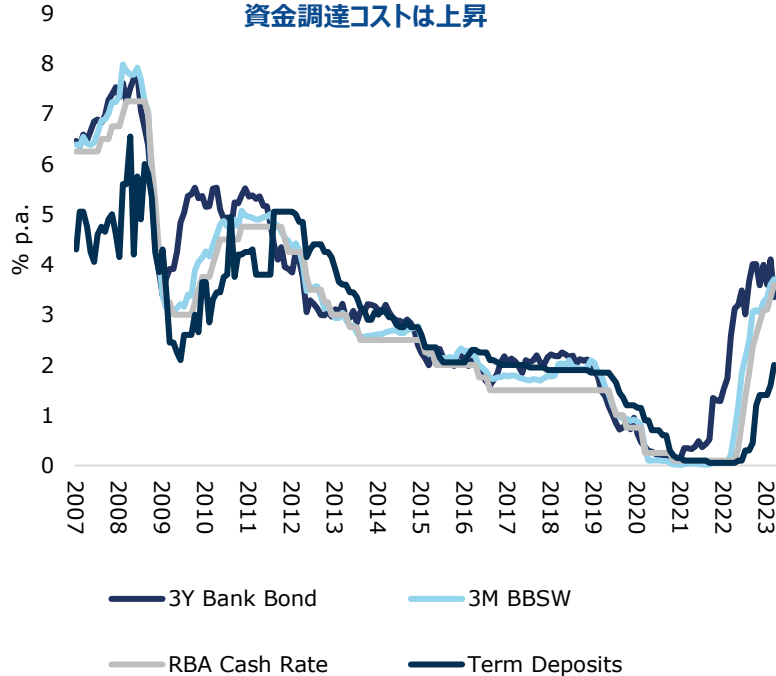
# MARKET UPDATE: AUSTRALIAN LOAN VOLUMES ARE DOWN AS INTEREST RATES RISE

市場環境：金利上昇によりローン組成額は減少



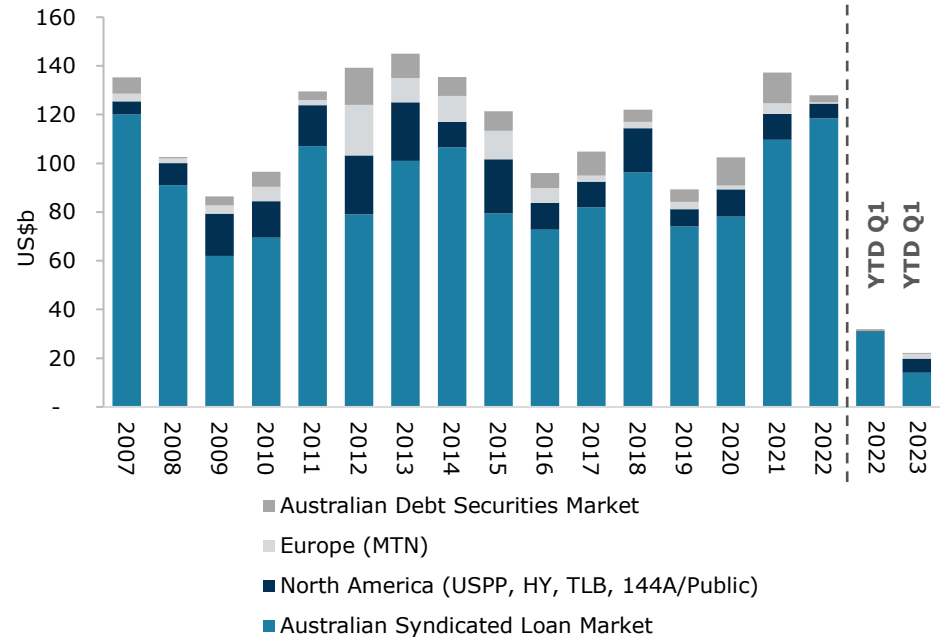
## FUNDING COSTS ARE INCREASING

資金調達コストは上昇



## DEBT MARKET VOLUMES ARE DOWN

組成額は低下

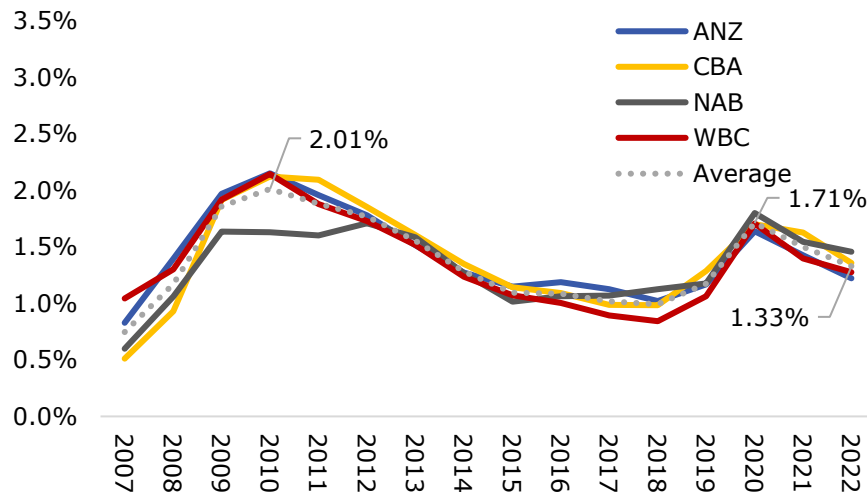


# MARKET UPDATE: OUTLOOK IS STABLE AND DISTRESS IS ISOLATED TO CERTAIN SECTORS

市場見通しは安定的であり、ディストレスは一部セクターに留まっている

## BANK PROVISIONS REMAIN STEADY

安定した豪州銀行の引当金

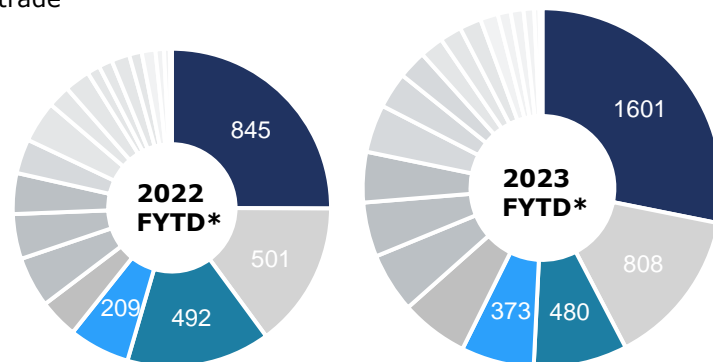


Source: Goldman Sachs, MCP

## DISTRESS ISOLATED TO CERTAIN SECTORS

ディストレスは一部セクターに留まっている

- Construction
- Accommodation and food service
- Other services
- Retail trade



First time a company enters external administration or has a controller appointed, by industry. \*Financial year to April 2. Source: ASIC, via AFR

# THE OPPORTUNITY IN AUSTRALIAN PRIVATE DEBT

## オーストラリアのプライベート・デットにおけるチャンス



**Australian Private Debt is the main source of finance for Australian Corporates**

**Australian Banks are gradually ceding market share creating a growing opportunity for non-bank lenders**

**The Australian Loan Market is still heavily bank dominated, unlike the US and EU markets**

**In Australia, private lenders benefit from a range of protections which has led to historically low credit loss rates**

**Australian Private Debt covers a diverse range of market sectors including a significant opportunity within Commercial Real Estate Lending**

**Australian Private Debt has exhibited low correlation to traditional asset classes, as well as US and EU Private Debt**

## FOR MORE INFORMATION

---



[metrics.com.au](https://metrics.com.au)



Follow us on LinkedIn