



John Wylie's Tanarra looks to capitalise as private credit boom reaches Australia

Private credit is in a sweet spot globally but still in its infancy in Australia, with a small handful of players dominating dealflow.



JAMES ARBUTHNOTT

1:37pm yesterday



John Wylie is one of the country's most celebrated investment bankers. AAP/Valeriu Campan.

P rivate credit is in a sweet spot at the moment, with return-hungry investors boosting demand for high-yielding products and regulatory restraints forcing banks out of riskier lending.

The private credit boom is proving lucrative for global alternative asset managers like **KKR**, **Blackstone** and **Ares**, which are reaping big returns. In Australia, the players might be different but the dynamics are similar, but with just a few big players dominating private credit dealflow.

One of them is **Tanarra Credit Partners**, the direct lending arm of the John Wylie-led investment firm which manages \$3 billion for super funds and other investors.

Graham Lees, a managing partner at Tanarra Credit Partners, says demand for acquisition financing in Australia easily outweighs the number of lenders available to supply it.

“You’ve only got to look at the stats from offshore in the US where from a private equity or leveraged loan perspective, 80 to 90% plus of that funding is provided by private credit lenders as opposed to banks,” said Lees.

“It's much more in its infancy here. It would probably be somewhere in the 30 to 40% private credit here, and that's grown meaningfully in the last couple of years. It was a lot less than that a few years ago, so I think from that perspective, too, there's still plenty of runway for private credit to grow,” he said.



Tanarra Credit Partners Managing Director Graham Lees. Image supplied.

Data on private credit in Australia is harder to pin down than other geographies. Property-based private credit is the most mature segment of the market (and that's unlikely to change), while asset-backed credit and acquisition financing are in need of more backers, he said.

"The market here is definitely in its early phases and stages versus the US and Europe. There's no doubt it's accelerated quickly in the last few years, but there's still a long way to go. Looking at sub investment-grade lending, the market here is still heavily weighted towards the banks," he said.

Wylie is one of the country's most celebrated investment bankers and known for his work on **Telstra's** IPO, **Qantas'** privatisation and Victoria's \$29 billion sell-down of its power industry in 1999.

Graham and **Peter Szekely** formed a 50/50 joint venture with **Wylie** in 2017 to form **Tanarra Credit Partners**. It now has more than \$800 million invested in around 40 private credit investments in Australia, New Zealand and Asia. Its strategy is to provide investors access to mid-market to larger corporate loans via acquisition financing for private equity and other non investment-grade corporate loans.

Tanarra is currently doing the rounds on its second fund — now available to high net worth investors — as it looks to increase its presence in private credit. Its current backers include **UniSuper** and **Insignia** and it pulls gross yields above 10% for all its senior secured loans, which is above long-term equity and some property yields, **Szekely** said.

"Asia itself is driving global economic growth today and it's very underpenetrated. So as a business, we're in a great spot. We think Australia is going to go from strength to strength, there we'll have a lot more regional opportunities coming up," he said.



Tanarra Credit Partners Managing Director Peter Szekely heads Tanarra Private Credit's Hong Kong office. Image supplied.

Banks will continue to step away from non investment-grade lending, and the amount of firms able to fill the gap are few, and Szekely said.

"Within that large corporate segment there's not a lot of as many transactions as you have in that mid-market space. Obviously they're much larger in size, so that's the natural focus of the larger global private credit funds," he said.

"But we think in traditional corporate Australia we're seeing more volumes, we've seen a shift, but it's really just at the start of the road.

It's not really progressed like you see in the US and in Europe," he added.

Tanarra Group manages more than \$3 billion and its other strategies include distressed debt, private equity, public equity and venture capital.



Signed up to The Edition ✓

Update and view your [newsletter preferences](#) in your account.

Read more

DEALS

⚡ Cevian takes \$1.95b stake in UBS

1:53am today

✉ Adobe's Figma fail is a win for Canva

DAN VAN BOOM · 4:41pm yesterday

⚡ Allkem shareholders back Livent merger ahead of US vote

3:43pm yesterday

PRIVATE EQUITY

⚡ Pacific Smiles calls private equity bid 'opportunisticly timed'

18 December 2023

⚡ KKR closes in on Iris Software acquisition