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PRIVATE CREDIT IN FINANCING ADVISORY

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Internship report

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Abstract

This internship report is based on a curricular internship performed at Triple A Capital & Finance, which is a corporate finance boutique firm that mainly focuses on offering financial advisory services to small and medium enterprises (SMEs) and mid-market companies. The report provides a detailed analysis of private credit, and the main reason for choosing it was due to its increased importance as an alternative financing vehicle.

This report includes an analysis of the main drivers behind its expansion, the basic concepts, and discusses how it differs from traditional bank lending in terms of structuring, pricing, monitoring, and incentives. In addition, it describes the principal instruments of private credit that have been employed in practice and provides a summary of the risks and limitations that were identified by the recent literature. Overall, the report provides a framework for understanding the role of private credit in modern corporate finance.

Building on both the literature review and the internship experience, the report further analyses how private credit could be assessed within Triple A's financing advisory process. In this regard, particular attention is given to the client-specific characteristics, including strategic objectives, financial position, and financing limitations. The analysis also considers the characteristics of the Iberian private credit market, including lenders' investment criteria, ticket sizes, and financing strategies.

Based on this analysis, the report presents a set of practical recommendations for Triple A, while also identifying the main contributions of the work developed during the internship and directions for future research. In short, the report underlines the rising significance of private credit in corporate financing decisions and demonstrates how it can become an increasingly relevant financing alternative within Triple A's financing advisory process.

Keywords: Private Credit, Financing Advisory, Corporate Finance, Iberian Market, Alternative Financing

Resumo

Este relatório de estágio baseia-se num estágio curricular realizado na Triple A Capital & Finance, uma empresa especializada em finanças empresariais que se dedica principalmente à prestação de serviços de consultoria financeira a pequenas e médias empresas (PMEs) e a empresas do mercado intermédio. O relatório apresenta uma análise detalhada do crédito privado, tendo a sua escolha sido motivada, principalmente, pela crescente importância deste como veículo de financiamento alternativo.

Este relatório inclui uma análise dos principais fatores por trás da sua expansão, dos conceitos básicos e uma discussão de como difere do crédito bancário tradicional em termos de estruturação, fixação de preços, monitorização e incentivos. Adicionalmente, descreve os principais instrumentos de crédito privado que têm sido utilizados na prática e apresenta um resumo dos riscos e limitações identificados na literatura recente. Em termos gerais, o relatório oferece um quadro que permite compreender o importante papel do crédito privado nas finanças empresariais modernas.

Com base tanto na revisão da literatura como na experiência de estágio, o relatório analisa ainda como o crédito privado poderia ser avaliado no âmbito do processo de consultoria de financiamento da Triple A. A este respeito, é dada especial atenção às características específicas do cliente, incluindo objetivos estratégicos, situação financeira e limitações de financiamento. A análise tem também em conta as características do mercado ibérico de crédito privado, incluindo os critérios de investimento dos credores, os montantes dos empréstimos e as estratégias de financiamento.

Com base nesta análise, o relatório apresenta um conjunto de recomendações práticas para a Triple A, identificando simultaneamente as principais contribuições do trabalho desenvolvido durante o estágio e orientações para investigação futura. Em suma, o relatório sublinha a importância crescente do crédito privado nas decisões de financiamento empresarial e demonstra como este pode tornar-se uma alternativa de financiamento cada vez mais relevante no âmbito do processo de consultoria financeira da Triple A.

Palavras-Chave: Crédito Privado, Consultoria em Financiamento, Finanças Empresariais, Mercado Ibérico, Financiamento Alternativo

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1. Introduction

The world of corporate finance has changed over time. Firms are dealing with more difficult strategic and financing decisions in an environment marked by constant changes in macroeconomic conditions, regulation, and capital markets. Due to the complexity and diversification of the firms' needs in terms of financing, it has become very difficult for the traditional sources of financing to provide flexibility and customized products, largely because traditional lenders rely on more rigid and standardised lending criteria. This has led to the increasing role of private credit as a relevant source of corporate financing.

This internship report is based on the curricular internship conducted at Triple A Capital & Finance, a corporate finance boutique that supports SMEs and mid-market firms in areas such as Mergers and Acquisitions (M&A), valuations, and capital raising. Throughout the internship, the recurring nature of the tasks performed revealed how often clients' financing needs could not be fully addressed through traditional forms of lending alone, which motivated the choice of private credit as the analytical focus of this report.

This experience exposes a professional problem faced by the host company: how can a boutique financial advisor evaluate whether private credit is an appropriate financing solution for its clients? Within this context, the internship had the objective of providing direct exposure to financing advisory practice and a practical understanding of how financing alternatives are assessed for real clients. This report, consequently, aims to answer the following question: what is the growing role of private credit within corporate finance, and how can private credit become an option within Triple A's financing advisory process?

To address this question, the report combines the literature foundations of private credit with the practical advisory perspective gained throughout the internship. By focusing on the assessment of client-specific characteristics, as well as the realities of the Iberian private credit market, the report aims to support Triple A's advisory activity in evaluating private credit as a realistic financing alternative for its clients.

The report is organised as follows. Chapter 2 presents the internship context. Chapter 3 reviews the existing literature on private credit. Chapter 4 outlines the methodological approach adopted. Chapter 5 develops the practical analysis. Chapter 6 presents recommendations for Triple A and directions for future research. Finally, Chapter 7 concludes the report.

2. Internship Context

2.1 Sector Characterisation

The internship took place within the financial advisory and corporate finance sector, which encompasses a broad range of services designed to assist organisations and investors in making strategic financial decisions. This sector includes activities such as M&A, business valuations, capital raising (both equity and debt), debt restructuring, and business plan development. Although the host firm offers this entire range of corporate finance services, it is more specialised in M&A advisory. In essence, corporate finance advisory firms play a crucial role in connecting investors with businesses that need funding, designing optimal financial structures, and guiding their decisions related to investments, divestments, and strategic alliances. Over the last ten years, small and independent firms known as financial boutiques have gained significant relevance in several markets, since they offer tailored and high-quality independent advice. In contrast to large investment banks or multinational consultancies, this type of specialised firm focuses on personalised service, technical excellence, confidentiality, as well as bespoke financial solutions for its clients, usually SMEs.

At the global level, the corporate finance and M&A advisory market is active, indicating a significant increase in deal-making. In this regard, it was reported by the Financial Times that global deal-making reached $4.5tn in 2025, which is a 50% rise from 2024, led by the highest number of megadeals (Levingston & Barnes, 2025). It is interesting to note that these megadeals are more likely to occur in better macroeconomic conditions, which are usually characterised by better business sentiment and clear investment objectives. In this context, PwC highlights the relevance of AI, stating that optimism in its development might be behind some of the largest transactions. Moreover, PwC points out that AI is changing deal strategies and execution, and its ability to provide more data-driven and more efficient processes has the potential to speed up transaction decisions (Levy, 2026). In this regard, Feng et al. (2023) show that the intermediary role played by M&A advisors is crucial, as it not only improves M&A outcomes but also helps in propagating industry-level takeover activity in response to shocks, reinforcing their importance in periods of rapid strategic adjustment and complex dealmaking.

In Portugal, the corporate finance and M&A advisory market plays a critical role in supporting the national economy, since the majority of businesses are SMEs that rely heavily on specialised financial advice for sustainable growth, investment, increasingly complex regulation, and funding alternatives. According to the most recent data, the number of deals concluded in Portugal in 2025 amounted to 655, with an aggregate disclosed amount of € 17 563 millions, representing a 28,15% increase compared to the previous year (TTR Data, 2025).

The Portuguese financial advisory market is competitive and diverse, from large and multi-disciplinary institutions to specialised boutiques. The large deals often fall to multinational consultancies and investment banking units like PwC, EY, Deloitte and KPMG. Independent boutiques underneath, like Fingeste, ASK, NOVE, CFI Group Portugal, Clearwater, and Triple A Capital & Finance, provide services mostly to mid-market and SME clients, offering more personalised services. These firms stand out for their flexibility and personalised support in advisory services, but strongly compete against larger international players and an increasing cross-border advisory presence in the Portuguese market.

In short, corporate finance advisory is a sector that moves with the deal cycle. On an international level, there have been signs that M&A activity is picking up again, with large transactions and increased focus on AI influencing not only companies' motivations for transactions but also the way these transactions are executed. In Portugal, where the economy is largely made up of SMEs, advisors remain important partners for companies looking to grow, raise capital, or restructure, especially when transactions become more complex. In this context, boutique firms have gained space by offering independent and tailored support to mid-market clients. Triple A is a good example of this model, combining a broad corporate finance toolkit with a clear specialisation in M&A. The next chapter presents a detailed overview of the company and its positioning in the Portuguese market.

2.2 The Host Company: Triple A Capital & Finance

2.2.1 Company Overview

Triple A Capital & Finance is an independent financial boutique based in Porto, Portugal, which focuses on corporate finance and M&A advisory services. Founded on January 28, 2013, the firm was created with the purpose of providing high-quality and tailored advisory services to SMEs, entrepreneurs, and private investors. According to its founder, the company was the second financial boutique to be established in Portugal, emerging at a time when the national market was still in the early stages of adopting specialised and independent advisory models. Operating within a context increasingly receptive to boutique financial advisors, the firm has progressively consolidated its reputation through technical rigour, proximity to clients, and an independent approach.

The company currently offers a diversified set of corporate finance services, reflecting its objective of providing comprehensive and specialised financial guidance to companies facing strategic or capital-related decisions. Its service portfolio includes buy-side and sell-side M&A advisory, business valuations, capital raising, financial restructuring, leveraged and management buyouts, as well as business plans and all types of support in investment projects.

2.2.2 Organisational Culture and Business Model

Excellence, independence, ethics, and confidentiality are all key values within the company´s organisational culture, shaping both its internal practices and approaches to client advisory services. Unlike other consultancy models that are standardised, Triple A is collaborative and hands-on, working with clients throughout the advisory process in a way that builds transparency and engenders a long-term trust relationship. As a boutique with a small and specialised team, the company encourages continuous learning and involvement across different stages of each project, strengthening analytical and strategic capabilities. The firm´s main strengths are its people and its connections, in other words, analytical expertise, market knowledge, and long-standing client relationships, and not physical infrastructure. This asset-light model helps the firm work more efficiently and adjust quickly when the market changes, without losing the flexibility needed to deliver tailored advice.

2.2.3 Opportunities and Challenges

Triple A operates in an environment that presents both promising opportunities and relevant challenges for a boutique advisory firm of its scale. On the opportunity side, the growing demand for specialised financial guidance among SMEs, together with increased access to European funding mechanisms and the increasing dealmaking related to AI development, creates space for the firm to broaden the scope of its advisory activities. At the same time, it faces challenges typical of mid-sized advisory practices, including exposure to deal-flow volatility, strong competition from larger multi-service firms, and the sensitivity of transactional activity to economic cycles and credit conditions. Sustaining differentiation through technical rigour, independence and personalised service will therefore remain central to the firm’s long-term positioning.

Having outlined the origins, culture and strategic context of the organisation, it is now possible to situate the internship experience within the firm's operational reality. Understanding the company's organisational model, service offering, and position in the advisory landscape provides the necessary foundation for analysing the activities carried out during the internship. The following chapter presents a detailed account of the tasks, responsibilities, and learning outcomes that characterised the practical component of the internship, as well as the motivation to analyse the main research topic of this internship report.

2.3 Internship Framework

The internship was integrated into the daily activities of the company, offering the opportunity to be involved in the tasks that make up its advisory work in corporate finance. As a boutique financial advisory firm, Triple A works in a small and collaborative team that allows exposure to multiple dimensions within the advisory process, including financial analysis, transaction support, restructuring assessments, and preparation of decision-support materials for clients. Given the firm's lean structure, it was possible to contribute across all functional areas of the organisation and to become involved in the different stages of the projects in which the firm is engaged. This broad participation enhances the learning experience and provides a realistic view of how specialised advisory services are delivered within a lean organisational structure that works closely with SMEs, entrepreneurs, and investors.

2.3.1 Activities Developed During the Internship

Financial Analysis and Company Valuation

One of the most challenging assignments completed during my internship involved the preparation of two valuations for an independent investment management firm. The two firms are both SMEs with strong presence in their particular fields of operation, the first dealing in engineering and metal solutions, while the other deals in road signage and safety solutions. Since these valuations would later be submitted to the Portuguese Securities Market Commission (CMVM), this assignment called for a high level of care throughout the whole process.

An integral part of the valuation process was the initial assessment of the nature of the companies under analysis, which involved a detailed review of their financial statements, their revenues and costs dynamics over the years, business models, as well as features that differentiate these companies from their competitors. The assessment also had to take into consideration the broader view of the macroeconomic situation and the specific conditions of each sector, since the value of a company cannot be read in isolation from the context in which it operates.

Having set up this foundation, the actual valuation process began. The valuation method applied was the discounted cash flow (DCF), which involved forecasting the free cash flows of the firms in question and then discounting those cash flows to the present using a rate that reflects the risk involved, the Weighted Average Cost of Capital (WACC). The contribution at this stage was highly active and practical, since the involvement took place directly in developing the forecasts of the free cash flows, calculating the WACC, as well as performing the sensitivity analysis in order to understand how the ultimate valuation will change if the revenues turn out to be different from what was expected.

Throughout this process, regular meetings were held with the investment management firm via video call. These meetings were critical in making sure that the assumptions taken were validated, as well as that both parties understood the numbers in order to be able to submit the documents. The final deliverables included a complete Excel financial model and a detailed valuation report, which contained not only the results but also the macroeconomic and sectoral context, a summary of the companies' historical financial performance, and the projected financial figures. These documents were then formally submitted to the CMVM by the investment management firm.

Looking back at this experience, it stands out as the task during the internship that provided the most direct link between academic preparation and professional practice. Engaging in these valuation exercises has proven to me that technical knowledge learned throughout the degree, like DCF and WACC, becomes applicable only if complemented with good judgment about the assumptions behind them. In a real context, there is no single correct answer; instead, the quality of the work depends on the ability to make informed and well-reasoned choices, justify them clearly, and adapt when circumstances change. This iterative aspect of the task, going back and forth with the client in order to agree on the underlying assumptions, made me understand how important communicative skills are for the advisory activity, in addition to technical abilities.

Business Plan Preparation

Another important activity during the internship was the preparation of a business plan for a tourism accommodation project in Vila Praia de Âncora. The main aim of this business plan was the preparation of a successful application for financing from the European Union, which would include both Portugal 2030 and the European Regional Development Fund (ERDF). Given the fact that the goal was to secure external funding, the business plan had to be detailed enough to prove the financial viability of the project and aligned with the requirements of the funding programme.

The work began with market research, which involved examining the tourism industry in the area and understanding the demand for accommodation in order to build the assumptions that would support the financial forecasts. Following that, the work proceeded to the financial part, which involved developing forecasts of revenue and costs for five years ahead, along with the consolidation of financial statements. Financial feasibility of the project was determined using standard investment indicators, including Net Present Value (NPV), Internal Rate of Return (IRR), and payback period. Another critical point about the work was related to the understanding of the financing structure, as the project was based on three separate sources of funding, and it was essential to take into account the conditions associated with each of them.

This task was completed from start to finish, covering everything from the initial market research to the delivery of the final document. Beyond the technical side, working on this business plan also made it clear that this type of document serves two very different purposes. On one hand, the document can be considered a tool of work for the entrepreneur since it allows analysing the integration of all components of the business. On the other hand, a business plan plays an important external role, since it needs to communicate the potential of the project in a clear and complete way in order to be able to obtain funding.

This was a valuable experience because it required combining financial modelling with strategic thinking and clear communication. It also provided a much more concrete understanding of how European funding mechanisms work in practice, which is particularly relevant given how commonly this type of financing is used by Portuguese SMEs and mid-market companies. Since these are precisely the clients that Triple A works with, being able to understand and assess this funding option in a real context proved to be useful knowledge, ultimately contributing to a broader ability to evaluate which financing solution best fits each client's specific situation.

Mapping the Iberian Private Credit and Private Equity Market

The third activity carried out during the internship was the construction of two internal mapping tools, one focused on private equity funds and venture capital investors, and another on private credit providers, covering organisations active in Portugal and Spain. This task emerged from a practical need within Triple A, since the firm lacked up-to-date and organised information about both the potential investors and the alternative lenders operating in the Iberian market. Without this information, it is harder to identify and approach the right partners on behalf of its clients.

The starting point was an internal mapping of Iberian private equity firms that already existed within Triple A, but was considerably outdated. The first step was therefore to review and update all existing records, using institutional websites as the main sources, complemented by the Apollo platform and sector publications. From there, the work moved on to building the private credit mapping from scratch. Since a large proportion of private credit providers are private equity firms that have expanded their activity into lending, the private equity mapping served as a natural foundation for this second part of the work. This was then complemented by research using Apollo and relevant sector publications to identify private credit providers that operate independently from private equity. For each organisation identified across both mappings, a set of relevant information was compiled, including investment criteria, target sectors, preferred strategies, geographical focus and key contact details.

In total, 132 private equity firms, 30 venture capital funds, and 43 private credit providers were identified and documented across both tools. The higher number of Spanish organisations reflects that both the private equity and private credit markets are considerably more developed in Spain than in Portugal, reinforcing its greater weight as a source of potential investors and lenders for Portuguese companies. These are now working tools that help Triple A to more efficiently identify and approach financing partners and potential investors that match each client's profile and needs.

Beyond its immediate practical value for Triple A, this mapping activity ended up being the piece of work most directly connected to the research component of this report. The hands-on experience of identifying and organising private credit providers across both markets provided a first-hand understanding of the supply side of the Iberian private credit landscape. In this sense, the internship experience did not simply run in parallel with the research topic; it actively shaped it, and the connection between the two is explored in the 2.3.3 section.

2.3.2 Critical Reflection and Learning Outcomes

Throughout the internship, it became clear that technical knowledge only produces value when combined with good judgment and the ability to communicate effectively. Defining assumptions, explaining the reasoning behind forecasts, and recognising the model limitations required not only technical competence but also the ability to present conclusions clearly and honestly to the client. Over time, it became evident that trust in an advisory relationship is built through transparency rather than through projecting false confidence.

Another important lesson was learning to work with incomplete information. In most situations, decisions had to be made without all the data that would ideally be available. Rather than waiting for certainty that would never fully arrive, the approach became one of identifying the most reasonable assumption, documenting the reasoning behind it, and staying open to revising it when new information emerged.

Working directly with clients also introduced a set of professional behaviours that developed gradually over the course of the internship. The responsibility of producing deliverables that directly affected client outcomes demanded a standard of care and attention that shaped how tasks were approached from an early stage, and contributed to a growing sense of professional confidence and autonomy.

On a more personal note, the internship allowed me to gain a better insight into the professional environment and strengthened my intention to pursue this area professionally. The combination of financial analysis, client interaction and problem-solving that characterises corporate finance consultancy proved to be demanding, but it also gave me a real insight into what I want to do in my professional career.

2.3.3 How the Internship Shaped the Research Direction

Apart from its practical learning dimension, the internship is closely related to the research aspect of this report, which focuses on private credit as a new source of financing for Portuguese SMEs and mid-market companies. Given that Triple A is frequently involved in advising clients on raising capital and assessing alternative funding solutions, private credit emerges as a particularly relevant topic within the firm's advisory activity. This topic is particularly relevant because Triple A is strongly focused on M&A advisory. In such transactions, the financing structure is often central to the success of the deal. Private credit has become an important source of acquisition financing, especially in leveraged buyouts and mid-market deals. Common instruments include direct lending and mezzanine financing. This is further supported by the fact that private credit represents an increasingly used financing strategy, especially in situations where traditional bank lending may be constrained. It is also particularly relevant for Portugal, as many businesses still rely on banks for funding, and the development of private credit is quite low compared to other countries, hence offering limited options for the organisations.

Building on this rationale, the report is guided by the following research question: What is the growing role of private credit within corporate finance, and how can private credit become an option within Triple A's financing advisory process? To answer this question, a literature review is conducted with the objective of clarifying the fundamentals of private credit, the main features that differentiate it from traditional bank lending, and the conditions under which it tends to be used as a financing solution for SMEs and mid-market companies. In addition, the report draws on the internship experience to describe how Triple A approaches financing decisions in practice. The analysis focuses on two sides of the decision. On the client side, it identifies the main characteristics, needs, and constraints that are assessed throughout the financing advisory process, particularly those that may make private credit worth considering. On the market side, it analyses the key investment criteria that shape the Iberian private credit market, using insights from the fund mapping work developed during the internship. By bringing these two sides together, the report explains when private credit can be a realistic option for Triple A's clients and how it can support more effective and tailored advisory recommendations.

3. Review of the Private Credit Literature

Private credit has emerged as an important area of interest in modern corporate finance, particularly in the context of the rising role of non-bank lenders in the financing of leveraged and middle-market companies. This chapter provides an overview of the most important literature on this topic, including the reasons for the rapid expansion of the market and how its growth has unfolded unevenly across regions, particularly in the U.S. and Europe. It also discusses its definition and its differences from traditional bank loans. The chapter will also introduce the most important private credit instruments and examine the most important limitations pointed out by recent literature on the topic. In general, the objective is to provide a solid conceptual and empirical basis for understanding the role of private credit as an alternative source of corporate funding.

3.1 The Rise of Private Credit

3.1.1 Context and Drivers of Private Credit Growth

The rise of private credit is one of the most relevant developments in corporate finance since the Global Financial Crisis (GFC). Before 2008, private debt markets were small and focused on specialised segments, including mezzanine and distressed strategies (Fama, 2024). After the crisis, the Basel III framework introduced stricter banking regulations. It increased capital and liquidity requirements, made risk-weighted asset calculations more conservative, and introduced a binding leverage ratio. It also constrained the use of internal models and strengthened supervisory oversight (Bank for International Settlements, 2017). As a result, these reforms increased the regulatory cost of holding riskier and less liquid corporate loans, contributing to a structural shift characterised by the reduction in banks' willingness to retain leveraged and middle-market exposures on their balance sheets. According to Chernenko et al. (2025), stricter regulation and supervision after the GFC redirected more lending outside traditional banks and supported the growth of private credit. The scale of such a transition is captured through the growth in the size of the market. According to Preqin data cited by Cai and Haque (2024), global private credit assets under management (AUM) increased from about $250 billion in 2008 to nearly $1.7 trillion by June 2023.

At the same time, and reinforcing this structural shift, the macro-financial environment that followed the GFC strongly supported the expansion of private credit. As mentioned before, the Federal Reserve intervened to stabilise the financial system after the crisis. Subsequent regulatory reforms made banks safer, but they also constrained banks' capacity to originate or underwrite leveraged loans. This reduced credit availability for non-investment-grade borrowers. In parallel, the long period of low interest rates compressed yields across public fixed-income markets, which led institutional investors such as pension funds, insurance companies, sovereign wealth funds and family offices to search for alternative sources that were able to provide higher returns. According to the International Monetary Fund (2024), private credit became very appealing during this period, taking advantage of persistently low interest rates as well as the regulatory frameworks that imposed higher capital charges on banks, while allowing institutional investors to hold such exposures under comparatively lower and less risk-sensitive capital requirements. According to Aggarwal (2024), investors redirected capital toward private credit due to its higher contractual yields, the compensation for illiquidity, and the relatively stable valuations of loans that are privately held and typically kept to maturity. This constant inflow of capital enabled private credit managers to accumulate capital reserves, scale their lending platforms, and build more reliable deal-sourcing capabilities, which positioned private debt as a mainstream segment of corporate finance.

Borrower-side dynamics also contributed to this structural shift. The private credit market essentially grew due to a financing gap that emerged in the post-crisis environment, particularly among middle-market and leveraged firms. These borrowers needed loans that were either too large for increasingly regulated banks to retain on their balance sheets or were based on levels of leverage and risk that no longer fit tightened underwriting standards. At the same time, many of these firms didn’t have an adequate combination of size and transparency to be able to engage in the public bond market. In this context, direct lenders stepped in to provide financing where traditional intermediaries could no longer do so, offering features that borrowers particularly value. As underlined by Ellias and De Fontenay (2025), private credit allows borrowers to obtain financing more quickly than traditional bank lending and negotiate terms that better suit their particular needs, as well as provides more privacy due to the limited circulation of sensitive financial information. These advantages made private credit particularly attractive in situations that require a rapid, flexible, and confidential process, and help explain the increased demand for private credit lending among borrowers.

Furthermore, private equity sponsors played an important role in the development of the private credit market by becoming more closely involved in the origination and structuring of lending transactions. As documented by Block et al. (2024), private debt funds, especially in the U.S., depend significantly on sponsor-backed transactions because sponsors help in deal sourcing as well as reduce information costs due to repeated interactions and established relationships. As a result, private credit funds gain access to a larger number of investment opportunities and are better able to identify high-quality transactions. This allows private credit funds to allocate capital more efficiently and with higher Net Debt/ EBITDA multiples. Consequently, private credit gradually evolved from being considered a substitute for traditional bank financing to becoming the preferred financing solution for many private equity-backed transactions.

Another important point that should be taken into account is that the flexibility mentioned before, valued by firms in private credit, does not imply weaker discipline. Instead, private credit relies on a distinct governance architecture that differs from traditional bank oversight, but is no less rigorous. As Lalafaryan (2024) highlights, private credit agreements rely on bilaterally negotiated and highly customised contractual structures, with covenants playing a central role in tailoring financing terms to the specific characteristics of each borrower or sponsor. These covenants allow the lenders to constantly monitor and intervene according to the changing conditions. The author also emphasised how the financing structure of private credit uses dynamic repricing mechanisms, such as the floating interest rates that are repriced every 30-90 days, allowing lenders to adjust interest margins regularly and, in this way, apply financial discipline to the borrowers. In addition, lenders negotiate better information and governance rights to strengthen their control over corporate decisions. These mechanisms help combine flexibility with creditor discipline, showing that private credit is not necessarily a weaker or less rigorous form of lending.

Taken together, this integrated set of dynamics led to the development of private credit from a niche market to a disciplined and efficient alternative to bank lending, establishing it as a central component of modern corporate finance.

3.1.2 Market Evolution and Geographic Overview (US and Europe)

Since the GFC, private credit AUM have risen globally. Nevertheless, their growth and development have been unbalanced across different geographies. According to recent industry data, global private credit AUM grew from approximately $456bn in 2014 to around $1.7tn in 2024, with the U.S. accounting for 63% of the total and Europe for 29% (Leach et al., 2025). Consistent with this trajectory and according to Moody's Ratings, global private credit AUM are expected to surpass $2tn in 2026 (Miller, 2026). Looking further ahead, BlackRock data projects that it could reach the $4.5tn by 2030, supported in part by financing needs linked to the AI infrastructure buildout (Bly, 2026; Vukelj & Miller, 2025).

A central difference between the U.S. and Europe concerns timing and speed of development, which in turn reflect deeper differences in how corporate financing is organised. The U.S. private credit market developed earlier, immediately following the GFC period, owing to its more market-oriented financing environment and a long-standing leveraged finance infrastructure, while the expansion of the European private credit market started later but has since grown strongly, with European private credit AUM rising from approximately $50 billion in 2010 to around $500 billion in 2024 (Morgan Stanley, 2025). This may be explained by the traditionally bank-centric nature of corporate finance in Europe, where companies have historically depended on banks as their main source of financing. As a result, alternative debt financing solutions, such as private credit or even the public debt market, continue to play a less significant role in Europe than in the United States. Consistent with this structural gap, estimates suggest that non-bank lending represents a far larger share of corporate financing in the U.S. (75%) than in Europe (12%), suggesting that the European market still has significant room to grow (Leach et al., 2025).

At the same time and in line with this growth potential, the European market is witnessing expansion not just in terms of AUM, but also in the form of transaction sizes. Evidence suggests that a growing proportion of direct lending deals in Europe are increasingly taking the high-end ticket sizes of above €350 million, an indicator associated with increased fund capacity, more established origination channels, and greater confidence from sponsors in private credit execution (Goldman Sachs, 2024).

Furthermore, while the European private credit market has grown rapidly in recent years, with the increasing AUM and deal size, there is still one more important structural difference between Europe and the United States that may justify the distinct role and evolution of private credit in each market. The U.S. presents a more homogeneous institutional environment and is closely linked with sponsor-backed leveraged finance activity, reflecting the depth of the buyout market and its unified legal and regulatory environment. In contrast, Europe remains more fragmented across jurisdictions, legal frameworks and currencies, which increases execution complexity but can also create opportunities for experienced managers and support pricing premia in certain segments relative to the U.S. (Leach et al., 2025).

For the purposes of this report, this comparison provides a useful bridge between the macro drivers discussed in the previous section and the practical advisory relevance of private credit. The U.S. offers the benchmark for maturity and scale; at the same time, Europe's rapid expansion, combined with its continued dependence on bank financing, suggests that private credit still has significant room for further growth. This ongoing development represents a meaningful opportunity for Triple A's client base to access financing solutions that were previously less available in the European market.

3.2 Definitions and Core Concepts

3.2.1 Definition of Private Credit

The conceptual foundations of what is today known as private credit can be traced back to the financing structures that emerged in the leveraged buyout (LBO) market of the 1980s. Kaplan and Strömberg (2009) document that leveraged buyout transactions relied heavily on privately negotiated, non-public debt, arranged directly between private equity sponsors and a relatively concentrated group of lenders, primarily banks or investment banks, rather than through broadly dispersed public debt markets. In these early transactions, several characteristics that later became characteristic of modern private credit were already established, such as tailored loan structures shaped to the specifics of each transaction, extensive covenant packages granting lenders meaningful control and monitoring rights, and close, ongoing relationships between sponsors and their financiers (Demiroglu & James, 2010). Because borrowers in LBOs were often highly leveraged and unable to issue public securities, this privately originated debt filled a financing role outside traditional public markets. Although the term private credit was not yet in use, the contractual architecture and lender–borrower dynamics observed in these transactions form a clear historical predecessor to the bilateral, governance-intensive credit arrangements that define the asset class today.

In its present form, private credit became a distinct segment of corporate finance. The Federal Reserve describes private credit as loans originated to private businesses that are not publicly traded and are provided by non-bank lenders such as private credit funds and business development companies (BDCs) (Cai & Haque, 2024). The Federal Reserve further explains that private credit loans involve direct negotiation between the lender and the borrower, which implies that they will be held to maturity since there is no secondary market and are usually extended to middle-market or sponsor-backed firms. It is the degree of contractual flexibility that also differentiates private credit, which permits lenders to use their own standards for underwriting, structuring, and monitoring that would not be feasible in public markets or banking channels.

Academic research further deepens this conceptualisation. Jang (2023) shows that private credit funds often act much like banks when it comes to oversight by monitoring borrowers closely and stepping in by renegotiating the loan terms when covenants are violated. Operating as nonbank intermediaries outside the traditional banking framework, private credit lenders can rely on greater contractual flexibility and bespoke structuring (Cai & Haque, 2024; Lalafaryan, 2024). Lalafaryan (2024) reinforces this perspective by framing private credit as a governance-intensive mode of corporate finance, built around customised financial maintenance covenants, dynamic repricing mechanisms, and enhanced information rights. Together, these features allow lenders to exert influence not only in periods of distress but throughout the life of the loan. As a result, the conventional boundaries between debt and equity become less clear.

Taken together, these contributions converge on a coherent definition. Private credit is a form of privately originated, bilateral and illiquid corporate lending, carried out by nonbank financial institutions, characterised by customised structuring, intensive creditor monitoring and governance-oriented contractual rights. It functions as a flexible but disciplined alternative to traditional bank lending, shaped not by regulatory capital requirements but by negotiated contract design and ongoing lender–borrower engagement.

3.2.2 Differences Between Private Credit and Traditional Bank Lending

It is essential to further distinguish private credit from traditional bank lending to understand how it has become a distinct segment of corporate finance. Although both are sources of funding, they differ in almost everything from how loans are originated, structured, and monitored to the regulatory constraints and risk-bearing frameworks under which lenders operate. Such differences shape lender and borrower incentives and help explain why private credit has emerged as an alternative channel of credit intermediation alongside banks.

A key distinction emerges from their funding and regulating models. Banks depend on customers' deposits for funding, and their ability to lend credit depends on prudential requirements, including capital ratios, liquidity buffers, and supervisory constraints that shape their ability to extend credit. These rules impact the sensitivity of the banks to either high-risk or unrated borrowers and restrict their capacity to hold illiquid exposures. On the other hand, private credit funds raise capital from institutional investors and face no equivalent regulatory constraints, allowing them to originate illiquid, long-maturity loans, adjust pricing to reflect each borrower's risk, and underwrite transactions that would be difficult for banks to accommodate. Chernenko et al. (2022) provide empirical evidence that these regulatory and balance-sheet constraints are particularly connected to firms with weak cash-flow generation. They demonstrate that firms with negative EBITDA are significantly more likely to rely on nonbank lenders, because bank regulation makes such exposures costly to retain on bank balance sheets. Cai and Haque (2024) reported that, over the past decade, direct lending has delivered average returns about 2-4 percentage points higher than syndicated leveraged loans. This pricing premium reflects the greater risk, illiquidity, and balance-sheet exposure absorbed by private credit lenders. As a result, firms primarily choose private credit because of the constraints on access to bank funding, rather than more favourable pricing.

Private credit also differs from bank lending in the way loans are originated and structured. Bank loans are generally based on more standardised credit structures provided through internal credit rating systems, which means that they have limited possibilities to meet the requirements of the borrowers. On the other hand, private credit is based on bilateral negotiation and tailored structuring, which provides lenders more flexibility to make the necessary adjustments concerning leverage, covenant packages, pricing mechanisms, and information rights according to the specific characteristics of each borrower. Survey evidence indicates that private credit transactions are often executed more quickly and with greater certainty than traditional bank loans, particularly when compared with the longer and less predictable processes associated with syndication (Block et al., 2024). The Federal Reserve notes that private credit contracts often have elements not commonly seen in banks, like structured equity components, increased prepayment penalties, and contractual provisions that provide the lender with an active role in monitoring or providing the strategic direction of the business. Furthermore, private credit is defined by Lalafaryan (2024) as an "originate-to-suit-and-fit" model, in which loans are designed through bilateral negotiation to align with the borrower's capital structure, governance needs, and expected performance over the life of the loan. By contrast, traditional bank lending is based on the "originate-to-distribute" logic with more standardised contracts that can be more easily managed.

An additional area of distinction between private credit and traditional bank loans is how they monitor ongoing loan performance and respond to reported deterioration of performance. In private credit, lenders are usually closely involved throughout the entire life of the loan, with access to regular information reporting and the use of financial maintenance covenants that allow the detection of weakening performance. Using loan-level data, Jang (2023) shows that private lending borrowers are more likely to violate covenants than bank loan borrowers, and the private credit lenders' response is normally to renegotiate loan terms by tightening covenants, adjusting pricing, or even requiring additional equity from sponsors, rather than seeking to exit the lending relationship or enforce claims early. Moreover, he also finds that these monitoring and renegotiation practices share some similarities with those observed in traditional bank lending, suggesting that private credit lenders behave less like arm's-length investors and more like relationship-based lenders. Jang's research suggests that the key distinction isn´t the intensity of monitoring itself, but the contractual flexibility and institutional setting within which monitoring takes place, which allows private credit lenders to intervene more adaptively while remaining outside the regulatory constraints faced by banks.

On the whole, it can be observed from the above comparison that private credit differs from traditional bank lending not only on account of the source of funds and regulation but also based on the approach followed in structuring, managing, and monitoring loans. These differences help explain why private credit has become a significant option for many borrowers. Understanding these structural differences is essential from an advisory perspective, as they determine which client profiles and financing situations are more likely to be compatible with private credit rather than traditional bank lending. This distinction will be explored in the practical analysis of Chapter 5. Having established the main characteristics that distinguish private credit from traditional bank lending, the following section examines the principal private credit instruments available in the market.

3.3 Main Types of Private Credit Instruments

Private debt includes multiple forms that are used to finance corporations away from the public markets and traditional banking loans. There are several different instruments in this asset class, each one designed to address different financing needs. This section will look at the most common instruments and how they are used within the capital structure.

Starting with direct lending, it is the largest segment of the private credit market, and it refers to the provision of credit to businesses directly by non-bank investors. Direct lending mainly refers to senior loans to middle-market businesses without the involvement of a financial intermediary, but this can also include revolving credit facilities and second-lien debt (Hinds et al., 2025). It has experienced tremendous growth, particularly due to regulatory changes that have constrained banks' ability to extend loans to specific segments of the corporate market, such as middle-market companies. This growth can also be seen in the market structure, where the proportion of direct lending, which was 18% of the total private credit AUM in 2010, has now risen to 52%. The amount of money invested in this asset class continues to grow and could reach as high as $2 trillion at the end of the decade (Morgan Stanley, 2026).

Within direct lending, the structure of the loan usually depends on the capital structure of the borrower. The most common types of direct lending are senior loans, second-lien loans, and unitranche financing. Senior loans are usually secured loans with the highest priority in the capital structure of the borrower, with collateral in the form of the borrower's assets. This makes first-lien loans the lowest risk form of direct lending. By contrast, second-lien loans are subordinated to first-lien debt in the capital structure and are thus riskier and normally offer higher yields to investors. The third most common form of structured direct lending is unitranche financing, which is a combination of senior and subordinated debt in the form of a unitranche loan provided by either a single lender or a few lenders. Instead of having multiple debt tranches with different debt priority structures, unitranche financing offers the borrower a single product and blended interest rate structure that can make the capital structure simpler while offering investors the benefits of the risk-return spectrum between senior and subordinated debt (Aggarwal, 2024).

Apart from direct lending, other strategies within the private credit markets include special situations and distressed debt, both of which are concerned with opportunistic investments in companies that are experiencing financial stress and restructuring. Special situations typically involve investments in opportunistic, newly originated debt and/or structured equity instruments, such as convertible debt securities, convertible preferred stock, and debt securities with warrants, which typically provide investors with a controlling interest in a financially distressed company. These investments may be directly originated or acquired when investors believe that market dislocations have created attractive pricing opportunities. On the other hand, distressed debt usually includes purchasing existing debt or securities of companies that are in a financial stress situation in the secondary markets at a significantly lower price than their nominal value. This usually involves identifying the fulcrum security, which is the most subordinated part of the capital structure that is usually expected to be paid off in a restructuring situation. By investing in such securities at a lower price than their nominal value, investors usually hope to benefit from the restructuring of the company's financial condition (Cote, 2021; Hinds et al., 2025).

Finally, mezzanine financing is a hybrid form of private credit that sits between debt and equity in a firm's capital structure and is designed to provide capital where senior debt alone is insufficient. Academic research shows that mezzanine financing is often used to address financing gaps faced by SMEs, which represent limited warranties and a higher perceived risk, which restricts access to traditional bank lending (Vasilescu, 2010). A key characteristic of mezzanine financing is its subordinated position in the capital structure, which places mezzanine lenders below senior creditors in the repayment hierarchy. Because lenders bear higher risk, mezzanine financing is structured so that they can be compensated with higher interest payments and, depending on the contracts, additional returns linked to the firm's performance, such as profit participation or the option to acquire an equity stake if the company performs well (Tetrevova & Svedik, 2018). Owing to its flexible and long-term nature, mezzanine financing is commonly used to support growth initiatives, acquisitions, and expansion projects. However, this comes at a higher cost of capital when compared to senior forms of private credit (Cusmano & Thompson, 2013).

The diversity of instruments available in private credit has also contributed to its growth as an asset class, enabling it to address a wide range of financing needs and borrower profiles. This variety is equally relevant from an advisory standpoint, as different financing situations and client profiles may require different structures, a dimension that will be examined in the context of Triple A's advisory process in Chapter 5.

3.4 Risks, Limitations and Current Market Concerns in Private Credit

Although it has become increasingly significant as a financing tool, private credit is associated with risks and challenges, which are identified and underscored by the existing literature. These risks are mainly attributed to the structural characteristics that are different from non-traditional bank loans, such as illiquidity, lack of transparency, risk concentration, and the emerging role of non-bank lenders.

The first important drawback related to the use of private credit is the higher cost of capital that borrowers must pay. It has been noted that the interest cost for firms that borrow from non-bank lenders has been significantly higher when compared to banks. This is largely explained by the risk profile of private credit borrowers, who are often highly leveraged or present negative EBITDA, as well as by the reduced competition from regulated banks in this segment. (Chernenko et al., 2022). As a result, private debt improves access to financing, but often at a cost that can weaken borrowers' long-term financial sustainability.

A second important limitation is related to illiquidity and the concentration of risk on the lender side. Private credit investments are usually originated and held on the balance sheet until maturity, and they do not have easy access to a deep and liquid secondary market (Lalafaryan, 2024). As discussed before, this structure strengthens monitoring incentives and encourages long-term engagement with borrowers, but it also represents a risk by reducing the private lenders' ability to actively manage their portfolios by exiting loans or reallocating capital in response to adverse shocks. Moreover, the absence of active secondary markets limits price discovery and increases valuation opacity, since private credit assets are often valued using internal models rather than observable market prices. As pointed out in 2024, by the International Monetary Fund, it is harder to identify potential issues in private credit portfolios because of the lack of market pricing and information on the borrower, which in turn means that the loss can be identified later in a more sudden manner when economic conditions become poor.

The limited regulatory oversight and monitoring of the market constitute a risk that should also be considered. The expansion of private credit took place outside the traditional banking regulatory framework, placing private credit funds under softer supervisory and capital requirements relative to banks. While this regulatory flexibility helped in sustaining lending where banks have stepped back, it also allows the concentration of risk in much less regulated parts of the financial system. More importantly, policy-oriented analyses from the Federal Reserve Bank of Boston show that these concerns become even greater when banks start providing funds to private credit lenders, because this can shift credit risk outside the traditional regulation while keeping banks indirectly exposed to riskier corporate loans (Fillat et al., 2025). Tighter regulations of capital requirements and supervision post-crisis have also been pointed out, by Chernenko et al. (2025), as factors making it less appealing for banks to engage in origination and retention of such risks on their balance sheets. As a result, banks started to engage in such activities indirectly by lending to private credit funds.

Furthermore, there is also a significant issue related to the involvement of lenders in corporate governance, as pointed out by Lalafaryan (2024). Private credit relies on strong and ongoing creditor involvement, not only in situations of financial distress but also in day-to-day management decisions, which blur traditional governance boundaries between equity and debt. Even though this can ensure that discipline takes place, it may also be one of the reasons that could result in misalignment among lenders, sponsors, and management in general, since their priorities might not be fully aligned. As a result, decision-making becomes more complex, and managerial autonomy is reduced because of the presence of an additional powerful stakeholder in the firm's governance structure.

Apart from the risks and limitations already identified, new trends have emerged that create some doubts regarding the sustainability of the private credit market. As noted by J.P. Morgan Asset Management, while default rates may currently be relatively stable, investors have shown a level of caution owing to the uncertainties surrounding the future macroeconomic environment. This concern is particularly relevant given that many private loans are structured with floating interest rates, meaning that higher interest rates increase the pressure on borrowers to service their debt. This makes it more difficult for companies to meet their interest payments, which is reflected in the growing use of payment-in-kind (PIK) mechanisms. While this allows firms to delay payments, it may create further stress as time goes on because of the compounding nature of interest (Mulvihill, 2026).

The J.P. Morgan market update, conducted by Mulvihill (2026), further reinforces the fact that private credit funds report valuations only on a quarterly basis, which may delay the recognition of underlying problems and can create a false sense of stability, leading to more abrupt adjustments when conditions worsen. In this context, some investors have started to request withdrawals, not because losses have already occurred, but because they fear that risks may materialise in the near future. This becomes more problematic given the fact that these types of funds hold investments in illiquid assets, making it difficult for them to be able to comply with these redemption requests on time. In addition, uncertainty in certain sectors, particularly technology, has increased due to rapid developments in artificial intelligence. These developments may affect business models such as those based on SaaS, by increasing competition and putting pressure on future growth and profitability. Overall, these factors suggest that, even without a significant increase in defaults, the market is facing a more cautious and uncertain environment.

Overall, while private credit has become an important source of financing, it also reveals some significant trade-offs. Higher costs of borrowing, lack of liquidity, risk concentration on lenders, limited market regulatory oversight, as well as strong creditor involvement in governance are the main risks and limitations that borrowers, lenders, and the broader financial system might face. In today's macroeconomic context, which is characterised by high levels of uncertainty, these risks gain more significance, since they may further amplify existing vulnerabilities of the market.

3.5 Concluding Remarks

The literature discussed in this chapter implies that determining whether private credit is a suitable funding method involves considering several interrelated criteria, such as the firm's financial situation (leverage and profitability), tolerance for covenant-intensive structures, necessity for speedy or flexible execution, and financing costs. This set of criteria provides a theoretical framework for the evaluation technique elaborated in Chapter 5, which considers the evaluation of private credit in the context of Triple A's financing advisory process.

In conclusion, the literature review clarified the main characteristics, growth drivers, instruments, and risks of private credit. Together, these dimensions help explain why private credit has become an increasingly relevant financing alternative within modern corporate finance. Yet, it is also important to understand how these financing solutions are evaluated in practice within a real advisory context. The following chapter presents the methodological approach adopted to address the research question, before moving to the applied analysis developed in Chapter 5.

4. Methodology

This chapter connects the two preceding components of the report, the literature review on private credit and the description of the internship activities, to the applied analysis developed in Chapter 5, which represents the core of this report. It clarifies how the information was collected and analysed, and why the adopted approach is appropriate for answering the research question. The chapter begins by describing the methodological approach and concludes with a brief discussion of its main limitations.

4.1 Methodological Approach

Throughout the internship, it became clear that although private credit is a growing financing alternative in international markets, it remains largely unknown among Portuguese SMEs and mid-market companies. Recognising this gap, Triple A identified the need to develop a better understanding of this market in order to be able to systematically assess when private credit could represent a viable financing option for its clients and incorporate it into its advisory activity. This observation, made directly through participation in the firm's day-to-day advisory work, became the central motivation for this report and shaped both the research question and the methodology adopted to address it.

This report adopts a qualitative and applied approach, combining academic and institutional knowledge with practical experience gained during the internship, in order to analyse the role of private credit and understand how it can be assessed within Triple A's financing advisory process. To this end, the analysis draws on three complementary sources of evidence: direct observation and participation in Triple A's advisory work, a review of the academic and institutional literature, and market research conducted during the internship.

Firstly, the hands-on internship contributed directly to the analysis developed in Chapter 5. Through direct observation and active participation in the firm's advisory work, combined with ongoing interaction with its professionals, it was possible to develop a practical understanding of how financing decisions are approached within a real advisory context. The business plan preparation made it possible to observe in practice how different financing structures interact and how the specific characteristics and needs of each client shape both the financing decision and the way the project is presented to potential financiers.

The second source consists of the academic and institutional literature reviewed in Chapter 3, which was mainly identified through the Web of Science and the Social Science

Research Network (SSRN) databases, using keywords related to private credit, and complemented by data and reports published by leading global companies operating in the financial advisory sector. This literature was used to clarify the fundamentals of private credit, its differences from bank lending, the conditions under which it may be used by SMEs and mid-market companies, as well as its risks and limitations.

Finally, the market research developed during the internship focused on mapping private credit providers active in Portugal and Spain. This exercise provided a first-hand understanding of the Iberian private credit market and the investment criteria that shape lenders' decisions. In total, 43 private credit providers were identified and documented, comprising 12 with a physical presence in Portugal and 31 in Spain. The criteria used to assess each lender were average ticket, EBITDA requirements, preferred strategies, and sector and geography focus. These criteria were based on the analytical framework already used by Triple A in the context of other financing alternatives. This ensures consistency with the firm's existing advisory approach. Information on each of these dimensions was gathered from institutional websites, internal company records, sector publications, and specialised platforms such as Apollo. Direct contact with lenders via email, meetings, and video conferences was also established, providing access to details that are not always publicly available. In cases where information was not disclosed or no response was received, the gaps were left unrecorded rather than filled with estimates, ensuring the reliability of the data collected.

Taken together, these three sources support the analysis developed in Chapter 5. The internship experience and the literature review provided the foundation for understanding the client-side dimension of the financing decision, while the market mapping exercise contributed the supply-side perspective. By combining both dimensions, the report is able to explain when and how private credit can become a realistic financing option for Triple A's clients.

4.2 Limitations of the Methodological Approach

Two limitations of this methodological approach should be acknowledged. First, the information collected during the market mapping exercise was not gathered in a uniform way across all lenders. This was largely a consequence of the fragmented and relatively opaque nature of the Iberian private credit market, which remains underdeveloped and poorly documented, particularly in Portugal. While some providers were contacted directly and shared detailed information, others were only reachable through publicly available sources, meaning that the depth and completeness of the data inevitably vary across the sample.

Second, the analysis developed in Chapter 5 regarding the client-side assessment of financing decisions was built on observation and participation in a range of different financing contexts during the internship. However, since Triple A had not yet been involved in any real private credit transaction at the time of the internship, the practical conclusions about when and how private credit can become a viable financing option remain analytical rather than empirically validated.

5. Private Credit in Triple A’s Financing Advisory Process

5.1 Introduction to the Decision Context

The decision to recommend a financing solution is one of the most important tasks within corporate finance consulting, especially while dealing with SMEs and mid-market companies. From the practical perspective, businesses interested in raising capital usually face several possible approaches, including traditional bank lending, public debt markets, private debt solutions, equity financing, or hybrid structures that combine both debt and equity features. Within this set of options and according to the literature review, private credit has become a relevant choice, particularly for cases where flexibility, speed of execution, and tailored structuring are valued. But even though private debt is becoming increasingly significant, it´s crucial to be aware that it isn´t always the ideal option. While the literature highlights the comparative advantages of private credit against other alternatives, it is also clear that private debt is more expensive and presents other relevant limitations mentioned above.

From an advisory perspective, the main difficulty is that there is no universal answer. Financing decisions depend on the client’s specific situation and on the financing opportunities available at the time of the transaction. In this regard, the role of Triple A should be considered not merely as a search for available sources of funding, but as an assessment of which capital structure is more suitable for each client and also feasible given the market conditions.

Although the purpose of the advisory process is to identify the most appropriate financing solution for each client, this report focuses on understanding when private credit may emerge as that solution. For this reason, while the assessment of the client follows the same logic regardless of the financing alternative being considered, special attention is given to the characteristics of the Iberian private credit market and the circumstances in which private credit may be an appropriate option for Triple A´s clients.

Overall, the decision-making environment for the assessment of private credit can be seen as the point of convergence between the client’s specific situation and market viability mediated by the advisor’s judgment. Rather than following a mechanical or predefined rule, this process requires a case-by-case evaluation, where the relevance of private credit emerges from the alignment, or lack thereof, between these two dimensions.

The following sections build on this framework by first discussing the role of the business plan within the financing advisory process, then analysing the key client-specific financing drivers, and finally examining the current situation of the Iberian private credit market.

5.1.1 The Business Plan as the Starting Point of Financing Advisory

The business plan plays a central role in the financing advisory process at Triple A. In practice, it is the main document used to analyse and present a business or project in a structured and coherent way. The business plan brings together the key information needed to understand the company, its strategy, the market in which it operates, and its financial projections. As a result, it provides the foundation for the financing advisory process and supports the assessment of the most appropriate financing solution for each specific situation.

From a practical advisory perspective, the business plan always requires significant work, whether this involves building it from scratch or revisiting and adapting an existing document. Even when companies present relatively well-developed business plans, these are rarely ready to be used as they are. They have to be modified, enhanced, or even rebuilt to conform with the unique features of the project and, most importantly, with the form of financing being pursued. It could mean changing some assumptions, taking a different strategic path, or even rewriting the whole plan to ensure alignment with the audience targeted. This is why it should never be viewed as a static document but rather as a dynamic structure that is constantly changing in accordance with both the reality of the business and the requirements of the financing process.

Building on this and drawing on the experience of developing a business plan during the internship, it becomes clear that the business plan essentially serves two main purposes. The first is its role as an internal guide for the business. In practice, the business plan helps entrepreneurs and managers understand where the business is heading, both operationally and financially. It also shows how the different parts of the organisation fit together. For this reason, it should be updated regularly. This allows decision-makers to compare actual developments with initial plans and adjust assumptions or strategies when necessary. In this sense, the business plan supports more informed and consistent decisions, acting as a reference point for evaluating the trajectory of the business and guiding its development.

The second objective of the business plan is external and relates to its role as a communication document that aims to obtain financing. Here, it should be noted that a business plan should prove the viability of the project and should provide a clear justification for the financing request. Nevertheless, one crucial aspect that must be taken into account is the fact that the way the business plan is presented strongly depends on the type of financing being targeted. As different financiers expect different things from the plan, the focus, structure, and even wording of the document need to be adjusted accordingly.

For example, if the goal is securing funds either from government agencies or institutions, then what becomes relevant are the economic and social factors, such as employment generation or the development of a certain region. In contrast with traditional bank lending, the focus shifts to financial concerns. The key point is the need to prove that the project will be able to generate steady revenues while meeting all of its obligations with a low level of risk. On the other hand, private credit funds tend to be more open to higher levels of risk in exchange for higher returns. This includes financing companies in more challenging situations or projects with a higher risk profile. They also offer more flexibility in how the financing is structured, such as longer maturities and more tailored repayment terms, including different ways of handling interest payments and amortisations. This means that, although financial strength is still important, there is usually more room to structure solutions, as long as the risk-return profile is clearly explained.

In the case where capital is expected to be raised through equity funding, the risk to the investors is much higher because they become shareholders and, consequently, they are the last to earn any money in the capital structure hierarchy. It should be noted that this higher risk is balanced by the chance to earn higher returns when the business performs well. As a result, equity financiers take into account the firm's growth prospects and expansion ability rather than its short and medium-term financial viability.

The need to adapt the business plan to different financing contexts clearly shows how tailored advisory work needs to be. It is not enough to produce a technically correct document. It is necessary to build a clear and credible story that connects the reality of the business and what each type of financier is looking for. It is essential not only to have a good understanding of the business but also the ability to present it in a way that is appropriate for the target audience.

At Triple A, the business plan is usually the starting point of the financing advisory process. It brings together the main information about the company or project under analysis. A business plan typically includes elements such as market analysis, operational structure, financial projections, and funding needs. However, the aim here is not to outline all these components in detail. The focus is instead on how the business plan is used to present the business to potential financiers. In this sense, what becomes most relevant is the analysis of the client's specific characteristics, needs, and constraints that shape the choice of the most appropriate financing solution and the way the business plan is structured and presented.

5.2 Client-Specific Financing Considerations

Drawing on direct observation and participation in Triple A's advisory work and on discussions with the firm's CEO throughout the internship, this section analyses the key client-side factors that must be assessed in order to define the most appropriate financing solution. This includes the company's strategic objectives, financial position, and other financing limitations and constraints that might influence this process, not only to determine which financing solution is most appropriate, but also to support the way the business plan is structured and presented throughout the financing process.

5.2.1 Strategic Objectives Behind Financing Decisions

The first step in this process is to understand the purpose of the financing. In practice, there can be many different motivations behind the need for financing, such as working capital needs, growth and expansion initiatives, acquisitions, refinancing or restructuring processes, reorganisations of the shareholding structure, or as part of a turnaround strategy. These objectives affect the choice of financing solution. They influence the required speed, flexibility, structure, and suitability of the financing option.

From an advisory point of view, various strategic goals may also imply different financing priorities and requirements. Organisations involved in mergers and acquisitions will tend to favour speedy execution of the financing process, and consequently, certainty and simplicity of funding become particularly important, especially in situations where delays may compromise the completion of the transaction. In addition, the ability to access large amounts of capital also becomes an important characteristic of the financing method in these types of deals. In such instances, these factors may become more important than minimising financing costs.

On the other hand, financing of long-term growth and expansion plans might need a more flexible approach, especially in cases where the firm anticipates starting to receive returns from its investments over a longer period of time. This flexibility could include longer maturities, repayment schedules that reflect the expected ability of the project to generate cash flows, covenants that impose less pressure on the business during its investment phase, and also, financing options that can maintain liquidity for the business while it is developing the project. In the same way, situations involving refinancing, restructuring, and turnarounds can also involve flexible financial structures that seek to restructure outstanding debts, extending debt maturity periods and reducing short-term financial pressure. In these cases, the primary goal is usually to improve liquidity and allow firms to concentrate on recovering their operational activity.

As discussed throughout this section, different objectives may imply different financing priorities, structuring, and constraints, meaning that the purpose of the financing can itself influence the range of suitable financing alternatives. For this reason, identifying what the financing is intended to achieve is a necessary first step before assessing the company's financial position and financing capacity.

5.2.2 Financial Position Analysis

Once the purpose of the financing and the company's strategic objectives have been identified, the next step is to assess the company's financial position. This analysis is typically based on the company's historical financial performance and is usually carried out through the review of the three main financial statements: the profit and loss account (P&L), the balance sheet, and the cash flow statement.

First of all, it is important to take into consideration the profitability of the firm and its operational performance as well. In this respect, profitability measures, such as EBITDA margin and net profit margin, are particularly important when assessing the firm's financial performance over time. It is truly important for investors and lenders to know whether the business is becoming more efficient, maintains stable margins, or is in a high-growth phase.

The analysis of capital structure and the degree of leverage is another significant aspect that needs to be considered. The Net Debt to EBITDA, Debt to Equity ratio, and Equity ratio are commonly used indicators to analyse the level of indebtedness of the firm and its financial health. The purpose of these indicators is to estimate the current level of debt and assess how much additional financing can be reasonably supported. Such an analysis becomes critical for debt providers because leverage levels determine the risks involved in the lending process.

Liquidity and debt servicing capability are equally important factors in the process of evaluating financing options. It is possible for the business to experience problems even though it is profitable, simply because it cannot manage to have enough liquidity to cover its daily activities and pay its obligations on time. Under these circumstances, it becomes essential to analyse the company's potential to generate cash flows, which would allow assessing the company's capability to finance its operations and financing costs. Various financial ratios, such as the interest coverage ratio and the debt service coverage ratio (DSCR), are particularly relevant since they are widely used by lenders in sizing loans, structuring repayments, and monitoring a project's ability to pay its debt obligations throughout its life. This type of analysis becomes especially relevant when companies already operate with higher leverage levels or require long-term financing solutions.

Even though various financial metrics could be considered, their significance will always depend on the type of investor or financing solution. Conventional banks usually focus on leverage, liquidity, and the ability to service debt, with a preference for organisations with less financial risk exposure. Similarly, the private credit funds also consider these factors, although they are usually more flexible with funding organisations with high-risk exposure if they see a good risk-return profile. Equity investors, however, tend to place greater emphasis on growth potential, scalability, and long-term value creation. Understanding these different perspectives is therefore essential when assessing which financing solution is more appropriate for a particular client.

In general, conducting an analysis of the client's financial statements and key financial metrics gives a valuable perspective of its current financial situation, since it's possible to assess its performance over time, ability to finance itself and capacity to take on more debt. Financial analysis enables us to reveal many strengths, weaknesses, and financing needs of the company, while also helping investors and advisors to evaluate the risks involved. Nevertheless, a good understanding of the current financial position as well as the strategic objectives is still not enough to provide a complete picture of the client's position and to make recommendations on financing. In reality, there are additional considerations that influence the financing process that are not apparent from the numbers at hand and will be discussed below.

5.2.3 Financing Constraints and Limitations

In general, when searching for external sources of financing, it is very common for SMEs to give priority to those financing alternatives where financing costs are lower; this includes both government financing tools and traditional bank loans. The government financing programs and EU-backed funding can be very appealing as they provide subsidised financing terms or even non-repayable grants, while bank financing continues to represent the most traditional and widely used source of external financing in Portugal and other European countries. This is where the role of the financial advisor comes in, since it is important to analyse where these types of financing do not fit, are too rigid, or cannot meet the company's entire funding requirements.

Financing options based on government mechanisms and EU-supported programs can be considered a significant instrument for fostering investment, innovation, sustainability, regional development, and business upgrading. Although quite attractive in nature, availability for such types of finance often becomes difficult due to highly specific eligibility criteria and formalities involved. Often, these types of funding programs are designed keeping in mind certain social or economic objectives, which restrict their utility only for those enterprises having a unique nature of their investments, as was evident in the business plan developed during the internship.

Moreover, such funding systems are often associated with elaborate procedures for application and authorisation, substantial document submission obligations, and pre-set investment frameworks. Consequently, even if this funding source exists, it might not necessarily match the time demands or operational realities of many businesses. On top of that, grants and subsidies normally require co-financing structures, which imply the necessity to seek other sources of financing to fully execute the project.

Even traditional bank lending, which continues to remain the main source of outside funding for Portuguese and many European SMEs, can be viewed as having significant shortcomings under some circumstances. Since banks always have strict regulatory and risk management standards to comply with, they generally tend to take a more cautious approach towards making loans, especially when dealing with companies that exhibit relatively high levels of leverage, unstable cash flows, poor performance in the past, or operate in higher-risk industries. As a result, securing any further funding from a bank could prove to be very challenging, especially for those firms that were previously facing financial difficulties, restructuring situations, violating loan covenants, or defaulting on payments, even when their core business operations continue to run smoothly.

Furthermore, conventional loan arrangements in banking often rely on the presence of sufficient collateral or personal guarantees capable of mitigating the lender's risk exposure, with the objective of transferring a significant portion of the risk to the borrower's side. This may prove to be an issue for businesses that have asset-light operations and insufficient collateral.

In addition, just like in the EU funding process, bank financing procedures may be similarly complex and include extensive due diligence efforts, multi-stage approval processes, and significant documentation requirements, which can significantly increase execution time. For similar reasons to those discussed above, there are some businesses that will find themselves facing a situation where they have theoretically viable options but cannot access financing in reality due to time constraints.

As a result, there may be a gap between what the firms need in terms of financing and what is offered by those providers that are the most commonly used, familiar, and cost-efficient. These gaps do not necessarily mean that the business or project itself is not viable, but rather that some of the borrower's specific circumstances explained above, such as urgency, collateral unavailability, previous default situations and other execution requirements, may not fit within the constraints associated with the more common forms of lending. Also, even if these financing methods are available, they may not fully meet the entire investment or offer enough flexibility in terms of structuring, timing, and repayment. Under such circumstances, other types of financing solutions, including private credit, may become relevant as either a substitute for or a complement to more conventional sources of funding.

As discussed throughout this entire section, financing advisory requires a comprehensive understanding of the client's situation. This includes not only the objectives behind the financing request and the company's financial position, but also the various limitations and constraints that may affect access to different sources of funding. Taken together, these factors help determine which financing structures are more suitable for each specific situation and reinforce the need for a tailored rather than standardised approach to financing decisions.

Nevertheless, understanding the client's specific situation alone is not sufficient within the financing advisory process, as it is also necessary to evaluate which financing solutions are available in the market and whether they are compatible with the characteristics and objectives of each transaction. In this context, private credit has grown into an increasingly relevant alternative source of financing, capable of structuring solutions that can accommodate the financing needs and constraints mentioned above. Given this, assessing the availability and suitability of private credit solutions becomes an important part of the advisory process. This becomes particularly relevant in Portugal, where the private credit market remains relatively underdeveloped compared to more mature markets such as the United States and the United Kingdom, creating additional challenges for Triple A, whose client base is predominantly composed of Portuguese SMEs and mid-market companies.

5.3 Iberian Private Credit Market Assessment

Following the assessment of the client's strategic objectives, financial position, and all financing constraints and limitations, the advisory process moves into a second stage focused on the market itself. In practice, this involves identifying which financing providers are active in the market and understanding the investment criteria that guide their financing decisions.

5.3.1 Understanding and Mapping the Private Credit Market

This market-based dimension is especially relevant when we consider private credit. While conventional banks have been in existence for a considerable amount of time, making them relatively easy to approach because of their widespread distribution throughout the country, private credit is still relatively underdeveloped, especially in Portugal. As a result, while most companies are already familiar with traditional banks and know how to approach them when financing needs arise, identifying suitable private credit providers is often a more complex process. Different lenders operate with distinct investment criteria, investment strategies, geographic preferences, sector specialisations, ticket sizes, and risk appetites. Consequently, even when private credit appears suitable from the client's perspective, the transaction may still prove difficult to execute if there is no alignment between the characteristics of the operation and the criteria used by available lenders. Therefore, understanding how private credit providers position themselves in the market becomes an essential component of the advisory work.

Within this context, an important part of the internship was dedicated to the development of a market mapping exercise focused on private credit providers operating in Portugal and Spain. The analysis concentrated on these two countries for two main reasons. First, Triple A's client base is predominantly composed of Portuguese SMEs and mid-market companies, making the Portuguese market particularly relevant from an advisory perspective. Second, this represented the first structured private credit market analysis conducted internally by the firm, and due to the geographic proximity and increasing cross-border activity between Portugal and Spain, the Spanish market also emerged naturally as an important area of analysis for the mapping process.

The creation of these databases involved collecting substantial amounts of information from various sources, as mentioned in Chapter 4.

At the same time, it became obvious throughout the internship that this type of market analysis could not be perceived as a static approach. The private credit market is always undergoing constant development and change, which is expressed through frequent emergence of new players in the market as well as through frequent changes in investment strategies, geographical priorities, sectors of interest, and level of risk undertaken by the current players, depending on changes in their strategic objectives and changes in the macroeconomic context. As a result, the databases that were created throughout the internship period need constant changes and updates to keep the information applicable for future financing advisory work.

From a practical perspective, this type of market mapping exercise carries significant importance within the financing advisory process. Having access to updated and organised information regarding private credit providers allows advisors to identify potentially compatible lenders more efficiently, reduce time spent approaching unsuitable financing sources, and improve the overall quality and realism of financing recommendations. More importantly, it reinforces the idea that financing advisory does not depend solely on understanding the client's situation, but also on understanding the realities and constraints of the financing markets themselves. The following section builds on this perspective by analysing the main investment criteria and market constraints that shape the supply side of private credit in the Iberian market.

5.3.2 Key Investment Criteria and Market Constraints

Although the mapping exercise allowed identifying a broad range of private credit providers operating in the Iberian market, it also revealed that lenders differ significantly in terms of investment strategy, transaction profile, geographic scope, and risk appetite. This diversity makes the financing advisory process more complex, since each transaction needs to be assessed against the specific criteria and preferences of different potential lenders. In practice, this means that the existence of private credit as a financing alternative does not necessarily imply that such financing will be realistically accessible for every company or project.

Before analysing the specific investment criteria identified throughout the mapping exercise, it is important to briefly contextualise the overall sample of private credit providers identified in both markets. From the number of observations collected in the databases, it becomes evident that the Portuguese private credit market remains considerably more underdeveloped when compared even with Spain, which itself is not typically regarded as one of the most developed private credit markets in Europe. This difference is visible not only in the number of active providers identified but also in the overall depth and diversity of the market. Although the mapping exercise involved a significant effort to identify as many relevant providers as possible through multiple public and direct-contact sources, a limited number of additional lenders operating in the market were not captured within the databases. Nevertheless, the sample collected is considered sufficiently representative to provide a meaningful overview of the main private credit players and market dynamics operating within the Iberian Peninsula.

One of the first aspects identified throughout the mapping process relates to the geographic scope of private credit providers. The analysis revealed a strong presence of large international private credit players in the region, particularly in Spain, many of which operate with a broad investment scope across Europe or even globally. These international providers were included whenever they maintained offices or an active presence in either Portugal or Spain. At the same time, the mapping exercise also showed that the vast majority of private credit providers identified were available to analyse opportunities involving Portuguese companies. In the case of Portuguese lenders, this naturally results from operating within the domestic market itself, while Spanish providers also demonstrated a strong willingness to participate in Portuguese transactions due to the geographic proximity and increasing integration between both markets. As a result, despite the relatively underdeveloped nature of the Portuguese market, companies already benefit from access to a growing number of financing alternatives.

At the same time, average ticket size emerged as one of the most important constraints within the market. The databases developed during the internship revealed significant differences between lenders regarding the size of the transactions they are willing to finance. While some private credit providers focus on relatively small and medium-sized transactions, others operate almost exclusively in larger corporate deals involving substantially higher financing amounts. One important pattern identified throughout the mapping exercise was that, as lenders increase the size of their funds and expand their operations over time, they also tend to progressively increase both their average ticket sizes and their financial eligibility criteria, such as minimum EBITDA requirements. In practice, this means that larger and more established private credit funds increasingly participate in larger transactions. Based on the information provided by the Triple A senior professionals, this tendency had already been identified in other advisory contexts, particularly within the private equity market.

This phenomenon becomes particularly evident in Spain due to the stronger presence of large European and international private credit players, like Oquendo Capital, Arcano Partners, Kartesia, Alantra, and Bain Capital, who deal mostly with higher value transactions. In many cases, these funds are generally not willing to finance companies with EBITDA levels below approximately €2 million or investments below roughly €5 million. Consequently, although private credit may theoretically exist as a financing solution in the market, access to this type of financing may still remain limited for the vast majority of Portuguese SMEs due to a mismatch between their financing needs and the transaction sizes targeted by the largest lenders operating in the market.

Nevertheless, the mapping exercise also identified a smaller group of providers operating in Portugal and Spain that remain focused on lower middle-market transactions and smaller financing needs. In particular, some direct lending providers and alternative financing platforms are willing to finance companies with lower EBITDA levels and significantly smaller ticket sizes, which in some situations may involve relatively reduced financing amounts. Examples identified throughout the internship include providers such as Raize, GoParity, DasKapital, Five Credit, and Beka Credit. However, the structure of these financing models differs considerably across providers. While some platforms operate through a more traditional direct lending model using internally managed capital, others follow a crowdfunding-based private debt structure in which financing opportunities are publicly listed on their platforms together with key information such as maturity, interest rates, and risk levels. Under this model, investors themselves select the projects in which they wish to allocate capital, while the platform primarily acts as an intermediary between investors and borrowing companies. As a result, these alternative platforms contribute to expanding financing accessibility for smaller companies that may otherwise face greater difficulties accessing other forms of private credit financing due to ticket size constraints.

Another important conclusion obtained from the mapping exercise concerns the diversity of investment strategies and risk profiles among private credit providers. Although direct lending appears to be the most common and widespread strategy among the lenders identified, several providers also operate through other types of structures, such as mezzanine financing, distressed debt, subordinated direct lending, asset-backed structures, or special situations investments. These differences have a strong impact on the type of companies and financing situations that each lender is willing to consider. For example, some providers are more willing to finance higher-risk situations by focusing also on distressed debt, subordinated direct lending, and special situations transactions, while others operate mainly through senior direct lending structures. As a result, the databases revealed that private credit providers operating within the Iberian market differ considerably not only in terms of transaction size, but also regarding the types of financing structures and situations in which they are willing to participate.

Regarding investment strategies, the mapping exercise further highlights how the Spanish private credit market appears considerably more developed and diversified than the Portuguese market. While the Spanish market already includes a broad range of lenders operating across multiple private debt segments and transaction types, the Portuguese market still remains comparatively limited, with a smaller number of providers and a narrower range of financing strategies available domestically. In practice, this means that several financing structures and private debt solutions remain significantly more accessible through Spanish or international lenders operating in Spain than through providers based in Portugal. This reality also reinforces the importance of analysing the Spanish private credit market from the perspective of Portuguese companies, particularly because many of the existing gaps within the market may currently be partially mitigated through access to neighbouring Spanish providers.

Finally, the mapping exercise also revealed that sector specialisation does not appear to represent a major constraint within the Iberian private credit market. The vast majority of lenders identified throughout the databases operate with relatively broad and sector-agnostic investment mandates, allowing them to analyse opportunities across multiple industries. Nevertheless, some providers still demonstrate preferences for specific sectors such as technology, healthcare, infrastructure, renewable energy, industrial activities, or real estate. Despite these preferences, the overall analysis suggests that sector exposure is generally less restrictive than other factors previously discussed and does not currently appear to constitute one of the main limitations within the market.

Overall, the mapping exercise highlighted that private credit supply in the Iberian market remains highly heterogeneous, with lenders differing substantially in terms of ticket size, investment strategy, risk appetite, and transaction profile. Therefore, financing advisors must identify which providers are realistically compatible with each client's characteristics and needs. In this sense, advisory work increasingly depends on maintaining updated market knowledge and continuously monitoring the evolution of private credit providers.

5.4 Tailored Advisory Judgment

As discussed throughout the previous sections, the process of financing advisory cannot be approached as a standardised or purely mechanical decision. Although understanding the client's specific characteristics and needs represents a fundamental part of the process, the feasibility of a financing solution also depends heavily on the characteristics and investment appetite of the lenders operating in the market. Consequently, recommending a financing solution requires combining both perspectives simultaneously: the internal reality of the client and the external realities of the market.

The advisory process starts by identifying the reason for the financing need. This analysis is then complemented by an assessment of the financial condition of the business through the review of its financial statements and financial indicators, which are essential to evaluate the company's performance over time, leverage levels, liquidity, and overall capacity to take on additional debt. Finally, it is also important to assess other financing constraints and limitations, such as the urgency of the financing process, limited collateral availability or previous default situations. From the market's perspective, the advisory process also requires analysing factors such as lenders' geographic focus, sector preferences, investment strategies, ticket size, minimum EBITDA requirements, financing structures available, and overall risk appetite.

It should be noted that this model of financing advisory is not limited to private credit and can be applied to other financing methods, including traditional bank lending, private equity funding and venture capital. Accordingly, one of the most crucial elements of advisory practice involves keeping up to date with the evolution of these markets, their financing conditions, appetite for investing and their criteria for transactions.

Overall, this entire chapter showed not only that identifying the most suitable financing solution represents one of the most important and challenging aspects of corporate finance, but also how this assessment should be approached through the combined analysis of both client-side and market-side factors. Within this context, private credit has been gaining increasing relevance in recent years, despite still operating within a relatively underdeveloped market in Portugal. The growing importance of this financing alternative, together with the increasing diversity of lenders and financing structures operating within the Iberian market, reinforces the relevance of understanding how private credit solutions are assessed within the financing advisory process. In this regard, private credit can provide differentiated financing alternatives capable of addressing financing needs that may not always be fully satisfied through traditional funding sources.

6. Recommendations and Future Research

Building on this report and the experience gained during the internship, a set of practical recommendations can be made for Triple A with the objective of supporting the continued integration of private credit into its financing advisory activities, alongside some directions for future research that could further develop the work initiated during the internship.

The first recommendation concerns the private credit databases developed during the internship. Considering the dynamism of the private credit market, it is necessary to keep this information up to date, to ensure that these databases remain meaningful and valuable for the company's financing advisory activities. To this end, a quarterly review of the databases is recommended. In addition, continued research efforts will be required to identify new market participants and further expand the information available on existing lenders, contributing to a more comprehensive understanding of the Iberian private credit market over time.

Another practical recommendation concerns the formal integration of private credit into Triple A's financing advisory process. As private credit has grown into a relevant financing alternative capable of addressing situations that traditional bank lending cannot always accommodate, it should be incorporated as a standard option within the advisory process from the beginning of each engagement. To render this recommendation operational, a concrete tool could be developed, such as an internal template for matching clients' needs and specific characteristics with lender criteria. This would ensure that its suitability is always assessed in a consistent and informed manner. In practice, this could also contribute to raising awareness among Triple A's clients about the potential advantages of private credit as a financing solution.

Triple A should also focus on extending the market mapping exercise to other European countries. While the databases created during the internship related to the Iberian market, the markets in other European countries, especially the UK, can potentially become relevant to Triple A's activities. With the continued growth of the large international private credit funds throughout Europe, having more knowledge about the European private credit environment would be helpful for finding more sources of financing for the firm's clients.

In addition to this, future research could also focus on developing a deeper understanding of private credit providers and the factors that influence their investment decisions beyond the criteria collected throughout the mapping exercise. This could include analysing the transactions completed and the types of companies and situations they are more likely to support. Such insights could provide valuable information for improving the financing advisory process and enhancing the ability to identify suitable financing solutions for Triple A's clients.

7. Conclusion

The final aim of this report is to analyse the growing role of private credit within modern corporate finance and to understand how private credit can become an option within Triple A's financing advisory process. Building on both the literature review and the internship experience, the report combined theoretical insights with practical advisory experience in order to examine the main factors influencing the identification of the most appropriate financing solutions for Triple A's clients.

In this regard, the following sections summarise the main findings of the report, its contributions to the host organisation, and the professional and academic development resulting from the internship experience.

7.1 Main Findings

The analysis carried out throughout this report has made it clear that private credit is now an essential part of modern corporate finance, especially since structural changes have been observed following the Global Financial Crisis. The review of the literature showed that strict bank regulations combined with long-term periods of low interest rates and the growing need for flexible financing options have greatly helped private credit achieve rapid growth. At the same time, it is clear that the development of the private credit market has been highly uneven across different geographies. While the United States already represents a significantly more mature and developed private credit market, Europe continues to operate within a more bank-centric and fragmented financing environment, despite the strong growth observed in recent years.

Furthermore, it is possible to conclude that there are significant differences between private credit and traditional bank lending regarding the model of funding and how such transactions are structured, monitored and negotiated. While banks obtain capital from deposits and are subject to higher levels of regulation, private lenders raise capital from institutional investors, which allows them to offer more flexible and tailored financing structures. Private credit is also not a single form of financing, encompassing several instruments such as direct lending, unitranche, mezzanine, distressed debt, and special situations, each occupying different positions in the capital structure and addressing different corporate financing needs. Together, these characteristics make private credit a financing approach that entails bilateral negotiation, greater contractual flexibility, and a higher level of lender involvement over the entire period of the transaction.

The final conclusion drawn from the literature analysis is that while the significance of private credit in corporate finance has been constantly rising, it also presents several risks and limitations that need to be taken into consideration. In particular, private credit is usually associated with higher financing costs, reduced liquidity, lack of transparency, and increased intervention from lenders in corporate governance and monitoring activities. More recently, concerns have also emerged regarding the sustainability of the market in a context of rising interest rates and greater macroeconomic uncertainty, which may further amplify these existing vulnerabilities.

Moving now to the more practical side of the report, the financing advisory process begins with the preparation of a detailed business plan capable of providing a comprehensive understanding of the company. The preparation of the business plan requires identifying the most appropriate financing solution from the outset, since different financing providers tend to value different aspects, which may significantly influence how the business plan itself is structured and presented.

Identifying the most appropriate financing solution, in turn, requires a detailed assessment of the client's strategic objectives, financial position, and financing constraints. Understanding the purpose of the financing is essential, as the most suitable solution may differ significantly depending on whether the company is pursuing growth, acquisitions, refinancing, restructuring, or liquidity optimisation. At the same time, financial analysis allows advisors to assess leverage levels, liquidity, and the company's overall capacity to support additional debt. Equally important is the identification of constraints not visible from financial statements alone, such as limited collateral, previous defaults, or execution urgency, which may exclude financing structures that are not realistically executable within the company's specific context.

Finally, it´s possible to conclude through the analysis of this report that determining the most suitable financing solution requires not only understanding the client's reality, but also understanding the characteristics and investment criteria of the financing providers operating in the market. To support this assessment, an Iberian private credit market analysis was developed, given that the vast majority of Triple A's clients are located within this region. In this regard, the mapping exercise revealed significant differences between lenders in terms of investment strategy, ticket size, geographic focus, sector preferences, and minimum eligibility requirements, reinforcing the importance of this stage in identifying the lenders that are most compatible with each client's needs and characteristics. This demonstrates that one of the main challenges of financing advisory is not simply identifying financing alternatives, but determining which financing providers are realistically capable of supporting each specific transaction.

Overall, this report showed that private credit has expanded in modern corporate finance because it can provide more flexible, faster, and more tailored financing alternatives than what is usually possible through traditional lending channels. However, private credit can only become a viable option within Triple A's financing advisory process when specific conditions are met on both the client and market sides. On the client side, the financing purpose, financial position, and existing constraints must be carefully assessed. On the market side, the availability of lenders whose investment criteria, ticket size, and risk appetite are compatible with the client's profile must be confirmed. Ultimately, private credit should always be evaluated against its cost, associated risks, execution feasibility, and lender fit, in order to identify financing solutions that are not only theoretically suitable, but also realistically executable.

7.2 Contributions and Limitations of the Study

The main contribution of this report lies in the practical work developed during the internship. On one hand, the construction of the Iberian private credit databases involved extensive independent research to identify and compile detailed information on private credit providers operating in Portugal and Spain, filling a gap that no centralised source was able to address at the time. On the other hand, the report developed and applied a financing advisory framework that combines the assessment of client-side characteristics with the analysis of market-side lender criteria. Together, these contributions help Triple A structure its initial approach to private credit opportunities and provide a basis for identifying suitable lenders for its clients.

In a personal note, beyond the technical contributions, the internship also represented an important stage of professional and academic development. Working in a real advisory environment provided an opportunity to apply and consolidate knowledge acquired throughout the degree, while developing the judgment and communication skills that are essential in professional practice.

However, one major limitation of the current study should be acknowledged. The analysis is based on market mapping and advisory observations and not on actual completed private credit deals, since the host firm has no experience in this type of financing. As a result, the conclusions and recommendations represent an evaluation of the possible applicability of private credit to the advisory services provided by the company, not an empirical analysis based on previous deal experience. Further involvement in private credit transactions would make it possible to confirm and develop the analysis offered.

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