



# Five *in* Five

Antares Capital Head of Credit Advisory Michele Kovatchis shares five insights into navigating an uncertain economic environment.

## 1 Experienced Workout Team

Navigating economic uncertainty and the inevitable defaults that occur in an environment of quickly rising interest rates, among other challenges, requires experience and expertise. This means a team of people who have been through multiple economic cycles and who understand how to manage difficult situations with both the borrower and the private equity sponsor. A strong workout capability is essential in identifying solutions, building consensus and getting everybody aligned.

At Antares, we have a full workout team – a capability that not all private debt providers have. We keep this capability intact in good times and in uncertain times. We also have people across the firm we can bring in quickly to supplement our dedicated team of experts. Doing so allows us to harness decades of experience to develop solutions that can keep our loss rates down. For us, we found that in the long term, this approach makes a huge difference in terms of the outcomes.

## 2 Intense Analysis

As a private debt manager, we focus on being proactive and on intense analysis. We look at our portfolio on a granular basis. Going back to Covid, we started assigning ratings to each of our borrowers to gauge how they were being impacted by the effects of the pandemic. Last year, applying the same methodology, we started looking at inflationary pressure and how it is impacting our borrowers. This year, we're looking at liquidity and a company's position as it relates to liquidity and assigning ratings. This gives us a view into which borrowers we should be focused on, and which borrowers may experience more issues as we go through these next few months, few quarters.



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*Michele Kovatchis, Head of Credit Advisory*

## 3 High-Quality Assets

We look for the highest quality assets. Right from the outset during the underwriting process, we're looking for companies that fit a certain profile, including companies with strong cash flow-generating capabilities and leading market positions. We look for customer bases that are sticky and diverse, and companies that can pass through price increases. These are just some of the qualities we want in our borrowers to help ensure the portfolio can weather a lot of the economic situations we've experienced over the last few years.

## 4 Trusted Relationships

We have relationships with many PE sponsors we've worked with for decades. So, we know how they're going to react during challenging times, and we know if they're likely to support their portfolio companies. That history really helps in terms of mitigating the downside risk for us as a private debt lender.

We also look at the PE firms that bring us deals, and consider do those sponsors have a great track record in terms of success for their businesses? How active are they with the management teams? How hands-on are they when there are issues? Do they support their portfolio companies? All these factors go into how we think about a particular credit and a particular sponsor.

## 5 Seeing Strengths, Watching Weaknesses

It's important to note that we maintain a portfolio of ~470 borrowers\* across many different industries. Extensive monitoring provides us with a unique lens into what's going on across these PE-owned firms from an economic perspective. Through this lens we see that some sectors are doing better than others. For instance, we're seeing strength in healthcare, software, and business services. Commercial aviation is underperforming along with retail and consumer goods, which is still working through inventory challenges.

### ABOUT Michele Kovatchis

Michele is a senior managing director and head of the Credit Advisory Group for Antares Capital. She manages a team of professionals focused on managing our portfolio of stressed accounts to minimize losses and non-earnings for the Antares portfolio. Previously, Michele was with GE Antares, where she was responsible for the workout function for all the North American lending platforms including Sponsor, Franchise Finance, Healthcare, Asset Based and Corporate Finance. Michele previously held positions at Heller Financial and Merrill Lynch Capital.

Michele earned a Bachelor of Science degree in finance from Northern Illinois University and a Master of Management degree from the J.L. Kellogg Graduate School of Management at Northwestern University.

### ABOUT Antares Capital

With more than \$61 billion of capital under management and administration as of March 31, 2023, Antares is a private debt credit manager and a leading provider of financing and investment solutions for middle-market private equity-backed borrowers and investors. Since its founding in 1996, Antares has built one of the industry's largest and longest-tenured portfolios of middle market companies and has been recognized by industry organizations as a leading provider of middle market private debt. Through its Asset Management & Funding team, Antares offers investors the opportunity to invest in collateralized loan obligations, funds and separately managed accounts. Antares is committed to championing middle market growth throughout market cycles. Doing so allows its people, partners and communities to achieve their full potential. The company maintains offices in Atlanta, Chicago, Los Angeles, New York and Toronto.

Visit Antares at [www.antares.com](http://www.antares.com) or follow the company on [LinkedIn](https://www.linkedin.com/company/antares-capital-lp) at <http://www.linkedin.com/company/antares-capital-lp>. Antares Capital is a subsidiary of Antares Holdings LP, (collectively, "Antares").

\*As of 3/31/2023 and based on consolidated principal balances outstanding.

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