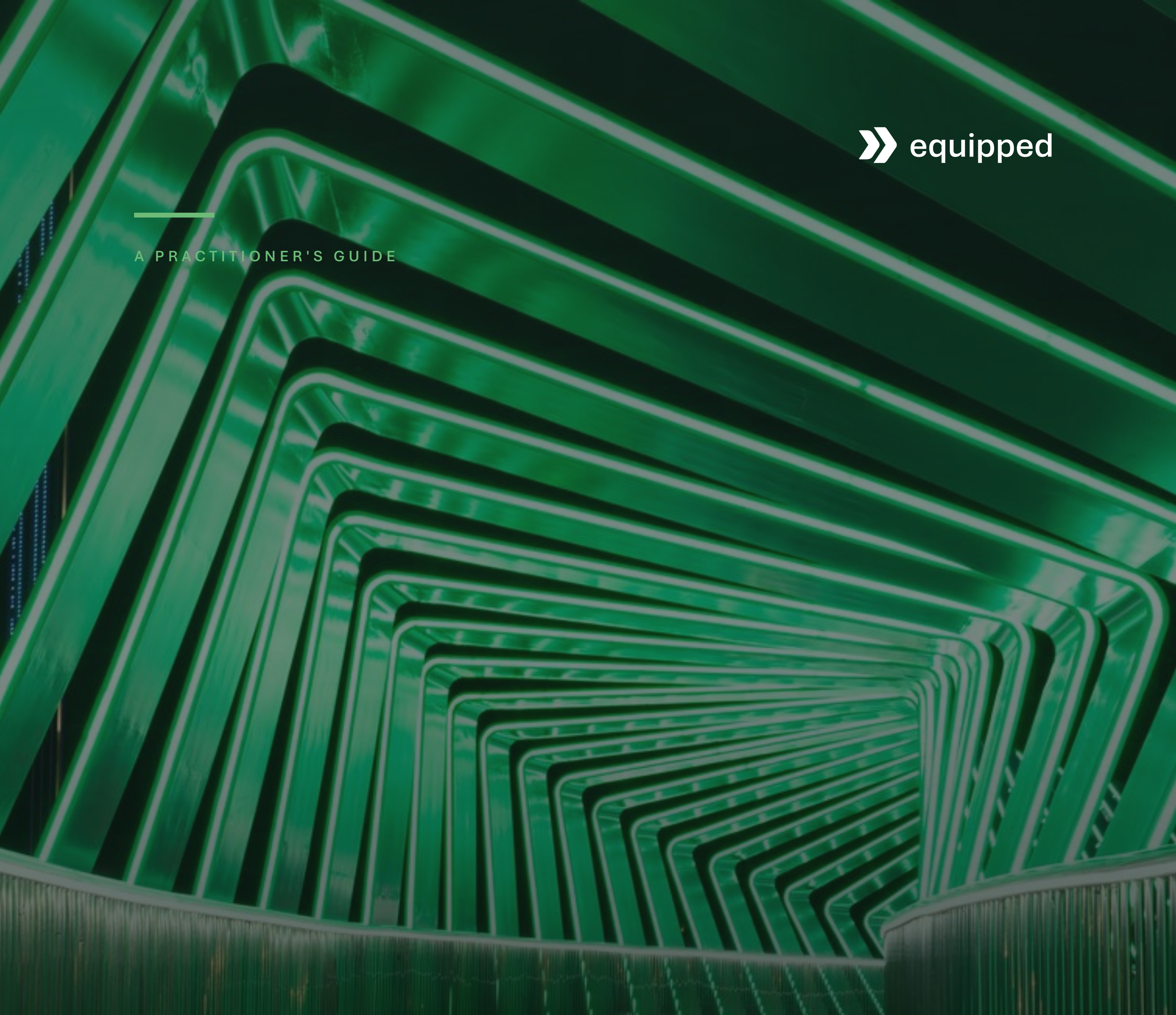

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A PRACTITIONER'S GUIDE

The Operational Playbook for Direct Lending

Five priorities for scaling a book in a tighter market

The ground has shifted

Direct lending has spent a decade growing fast. The next decade will be defined less by how quickly a book is built and more by how well it is run.

The conditions have changed. After years of loose documentation and easy capital, lender protections are thinner than they were, and credit stress is harder to spot beneath PIK toggles, EBITDA addbacks and quarterly reporting that lands weeks after the fact. At the same time, margins have tightened as spreads compress and reference rates ease, putting every basis point of operating cost under scrutiny, while investment committees, boards and fund administrators now ask for asset-level data faster than most teams can produce it by hand.

None of this is a reason to slow down. It is a reason to get the operational layer right. The unglamorous machinery of administering, monitoring and reporting on a loan book is now where margin is protected and risk is caught early.

This guide sets out five priorities for doing exactly that. None of them is novel. Together they separate the desks that scale smoothly from the ones that find every new fund harder to run than the last.

Five priorities. One operating model.

INSIDE THIS GUIDE

PRIORITY

01

Treat operations as a margin lever

When the margin on each loan narrows, the cost of running it stops being a detail and starts showing up in returns.

For most of this asset class's history, operations were a cost centre to be tolerated. That is harder to justify now. As spreads tighten and reference rates ease, the cushion that once absorbed operational slack thins, and the efficiency of the operating model becomes a direct input into net returns.

Pricing has already compressed. By mid-2025, roughly a third of direct-lending holdings were priced below SOFR plus 500 basis points, up from around a sixth a year earlier, as competition for originations intensified (LCD). When the margin on each loan is thinner, the cost of running it matters more.

The arithmetic is simple. Every hour spent reformatting a borrower spreadsheet, every reconciliation done twice, every report rebuilt by hand is overhead the fee no longer comfortably covers. And the slips cost more than time: a margin ratchet step that moves on a leverage test, a PIK accrual that goes unrecognised, a fee left unbilled, caught a quarter or two late, lands straight in the return and is awkward to recover.

> Private credit assets are forecast to move from roughly $2tn today toward $4tn by the end of the decade.
>
> SOURCE: MOODY'S, INDUSTRY ESTIMATES

Growth on that scale rewards operating models that absorb new assets without adding people in proportion. It punishes the ones that do not.

WHAT TO LOOK FOR

An operating model where adding a facility adds almost no marginal administrative work.

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PRIORITY

02

Bring portfolio data in-house

Data you do not hold is data you have to ask someone else for, and wait.

Outsourced loan administration made sense when books were small and structures were simple. As facilities have become more bespoke, the trade-offs have grown. Third-party administration is slow to adapt to non-standard terms, expensive to change, and creates a dependency: your own data sits a step removed from you, arriving on someone else's timetable. The deeper problem is often fidelity: a system built for vanilla loans cannot always hold the facility as documented, the bespoke waterfall, the ratchet, the PIK toggle, so the record quietly drifts from the credit agreement.

That dependency bites at the moments that count. An investment committee that needs a position now. A fund administrator whose reconciliation quality depends on the data you feed it. When the underlying data lives outside the firm, every one of those becomes a request to someone else, and a wait.

CASE STUDY · DIRECT LENDING

Secured debt financing · UK & Europe · £400m AUM · 14 active facilities

Loans tracked across disconnected Excel files, with manual borrower notices and payment calculations and monthly reports that took hours to produce. Equipped replaced the spreadsheets with a single platform: automated interest calculations and borrower notices, a self-service borrower portal, and facility-level dashboards.

85%
LESS MANUAL LOAN TRACKING

75%
FASTER PORTFOLIO REPORTING

PRIORITY

03

Make covenant monitoring proactive

A breach found at quarter-end is usually a breach found too late.

Covenants are where credit stress shows up first, and in this cycle they deserve more attention, not less. Years of borrower-friendly documentation have left thinner protections in place, which makes the covenants that remain all the more important to watch closely. Reported headroom can look comfortable and still be soft: an EBITDA definition that flatters through addbacks, an equity cure that resets a test without fixing the business. Stress is also harder to read than it used to be, increasingly masked by amendments and by interest that is paid in kind rather than cash.

> PIK's share of interest income at the largest lenders rose to 8.7% by early 2025, with PIK income up around 20% on the year. The stress is real; it is just harder to see.
>
> SOURCE: PITCHBOOK, 2025

The other problem is timing. In a typical process, borrower financials arrive, sit in a queue, get reformatted and checked, and only then feed a covenant calculation, often weeks after the reporting date. By the time a breach surfaces, the room to act on it has already narrowed.

Proactive monitoring inverts that. Covenants are calculated against each facility's actual terms as soon as the data is in, and early-warning indicators flag deterioration before a hard breach, while there is still time to engage the borrower. The difference between managing a situation and reacting to one is often a matter of weeks.

WHAT TO LOOK FOR

Covenant tests run against the specific terms of each facility agreement, with alerts before a breach rather than after.

PRIORITY

04

Automate the data, keep people in control

The bottleneck is rarely judgement. It is the hours spent preparing the data to act on.

Borrower reporting is the raw material of everything else, and it arrives in the least convenient form imaginable: PDFs, Excel, Word, scanned accounts, in different formats and different languages, every quarter, across the whole book. The manual work of turning that into structured, comparable data is where most of the operational time in a lending team quietly disappears.

This is the part of the job that modern AI genuinely changes. Extraction that once took an analyst hours can be done in minutes, with the figures structured and ready to feed calculations. The important word, though, is control: automation without oversight is not a step forward in a regulated, fiduciary setting.

> The goal is not to remove people from the process. It is to remove the manual data handling that stops them doing the judgement work only they can do.

The right model pairs automated extraction with human review at each step: every figure checkable against its source, every adjustment logged, every approval recorded. When an auditor or an LP asks how a number was struck, the answer cannot be that the model produced it; it has to be the source document and the person who signed it off.

WHAT TO LOOK FOR

AI-assisted ingestion with full traceability back to source, and a human review step you can audit.

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PRIORITY

05

Build one source of truth, end to end

Most operational pain is the cost of the same data living in too many places.

Most operational pain in a lending team is really integration pain. Onboarding lives in one place, servicing in another, covenants in a spreadsheet, reporting in a deck, and the data is copied, reconciled and re-keyed between them. Every handoff is a chance for the numbers to diverge, and every divergence is time spent working out which version is right.

A single platform spanning the full loan lifecycle removes those handoffs: facility structuring and onboarding, drawdowns and repayments, interest and fees, covenants and compliance, portfolio and investor reporting, all from one record. It also removes the quiet quarter-end ritual of tying the investor report to the covenant pack to the administrator's records, three views of the same book that should agree and, kept apart, often do not. The pay-off is the one that matters most as a book grows: the same team can cover more loans.

> Equipped have provided us with a technology solution which achieves our objectives: centralise loan data, create efficiency in investment reporting, and leverage technology to reduce time allocated to administrative tasks.
>
> **Tristan Capital Partners** REAL ESTATE DEBT

WHAT TO LOOK FOR

One system of record across the whole lifecycle, feeding asset managers, investment committees and fund admin from the same data.

From five priorities to one operating model

Read together, the five priorities describe a single shift: from a manual, fragmented operation that gets harder to run with every new fund, to a controlled, data-led one that scales with the book and catches risk early.

That shift is what purpose-built technology is for. A platform designed specifically for direct lending, rather than a generic loan system bent to fit, can hold bespoke structures, calculate covenants against their real terms, ingest borrower data with proper oversight, and report across the portfolio from a single source of truth.

That is the problem Equipped was built to solve.

THE FIVE PRIORITIES

01 Operations as a margin lever

Adding a facility adds almost no marginal work.

02 Portfolio data in-house

Asset-level answers in minutes, not days.

03 Proactive covenant monitoring

Alerts before a breach, not after.

04 Automate, keep control

AI ingestion with full, auditable traceability.

05 One source of truth

One record across the whole lifecycle.

THE PAYOFF

Material gains, realised quickly

Teams moving the day-to-day onto a single platform built for direct lending see the change in weeks, not years. These are near-term wins, not multi-year transformations.

70-90% less time on spreadsheet-based loan modelling

60-90% less manual data processing

50-80% less reporting preparation

Ranges based on Equipped client experience.

A practical next step

This is deliberately a guide, not a sales pitch. The five priorities hold whatever technology you use to meet them, and they are worth revisiting as your book grows.

If you would like to see what they look like in practice, the most useful thing is usually to put your own data in front of the platform and judge it directly. Equipped offers a trial on your own facilities, and a short call to walk through where the operational layer would make the most difference to your book.

No pressure, and no obligation. When the timing is right, we are a short conversation away.

Book a short call

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