

Capital Markets Update 4th Quarter 2025

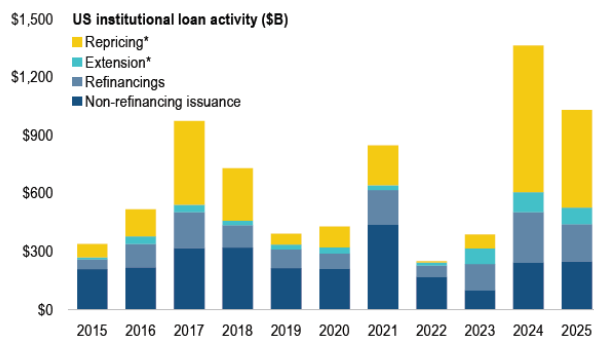
January 2026

Capital Markets Update – 4th Quarter 2025

SC&H Insights & Observations

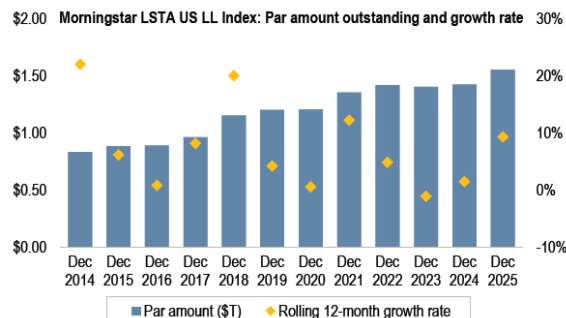
Capital Markets Themes

2025 syndicated loan activity hits \$1 trillion,



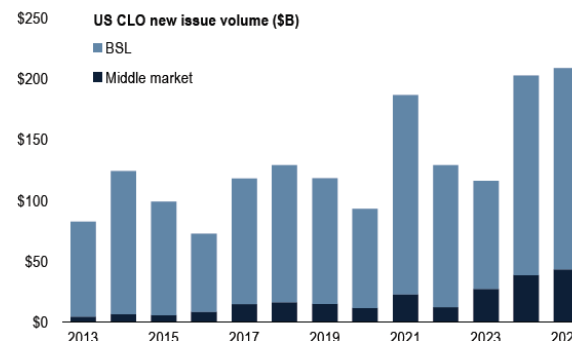
Source: PitchBook | LCD • Data through Dec. 31, 2025
*Reflects repricings and extensions done via an amendment process only

... as outstandings grow 9.2%, to \$1.55 trillion, the most ever...



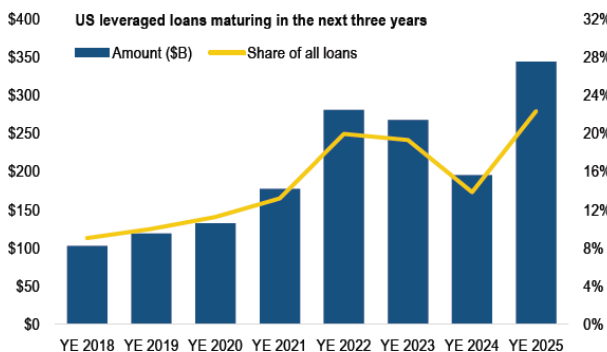
Sources: PitchBook | LCD; Morningstar LSTA US Leveraged Loan Index • Data through Dec. 31, 2025

... supported by yet another record year of CLO creation.



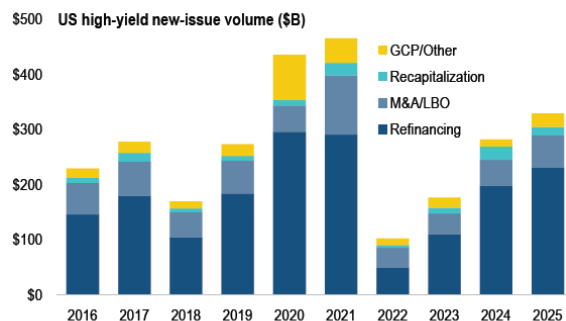
Source: PitchBook | LCD • Data through Dec. 31, 2025

In 2026, loan borrowers face a steep near-term maturity wall.



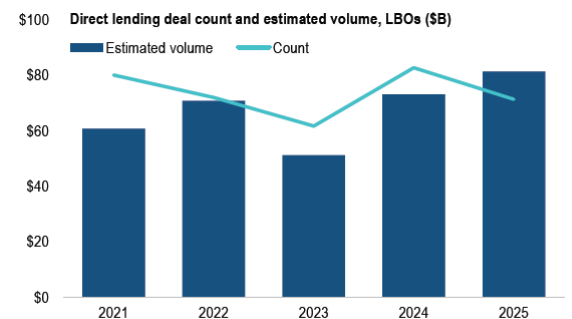
Sources: PitchBook | LCD; Morningstar LSTA US Leveraged Loan Index • Data through Dec. 31, 2025

Refinancing needs also drive HY bond issuance in 2025.



Source: PitchBook | LCD • Data through Dec. 31, 2025

In private credit, mega-deals boost volume, but deal count retreats.

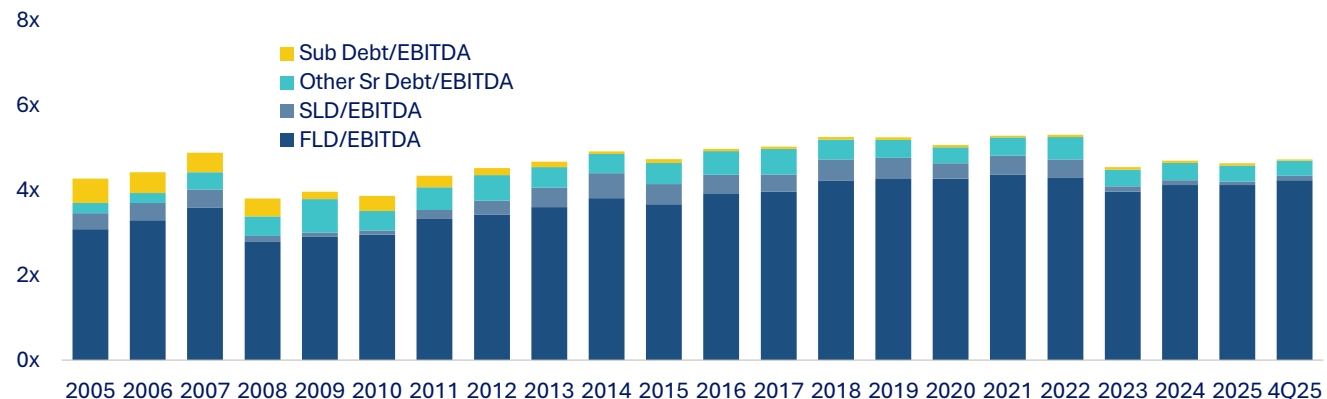


Source: PitchBook | LCD • Data through Dec. 31, 2025
Direct lending analysis is based on transactions covered by LCD News

- **2025 repricing activity lowered borrowing costs for many issuers:** Spec-grade companies repriced about \$504B of loans, bringing the average spread on outstanding loans down about 50 bps to S+319, the lowest since the GFC.
- **Financing conditions were supportive, but outcomes depended on credit quality:** New-issue loan spreads moved to multi-year lows, with B+ at the lowest since 2007 and B- near the tightest since the Great Financial Crisis, reinforcing that stronger credits saw the best execution.
- **Q4 signaled a more cautious market backdrop:** Total activity fell to \$156B from \$404B in Q3; repricings and refinancings slowed sharply, and institutional new-issue volume hit a two-year low as lenders were able to set firmer terms.
- **2026 maturities remain a key planning item for issuers:** Loans maturing in the next three years total about \$344B (about 22% of outstandings), and 52% of that near-term wall is B- or lower.
- **High-yield markets could see higher 2026 volumes, but with more sensitivity to headlines:** Strategists expect increased issuance as M&A and growth capex, including AI and data centers, adds to refinancing needs; stress/default risk and AI-bubble concerns could influence pricing and access.
- **Issuer takeaway heading into 2026:** Market access is available, but timing and preparation matter more than in 2025, given the large near-term maturity wall, a tighter Q4 tone, and a more selective investor base.

Average Debt Multiples of Large Corporate Loans

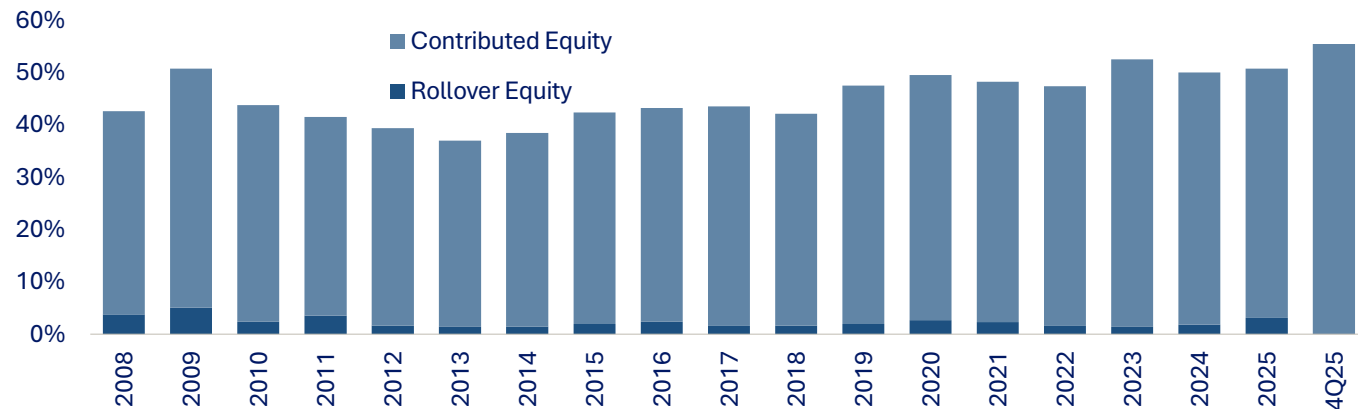
Shows leverage in leveraged loan LBO financings over time, breaking total debt to EBITDA into first-lien, second-lien, and other subordinated components.



Source: PitchBook | LCD • Data through Dec. 31, 2025

Average Equity Contribution to Leveraged Buyouts

Tracks equity contribution in LBOs over time, split between new sponsor equity and rollover equity, showing how purchase structures have shifted across cycles.



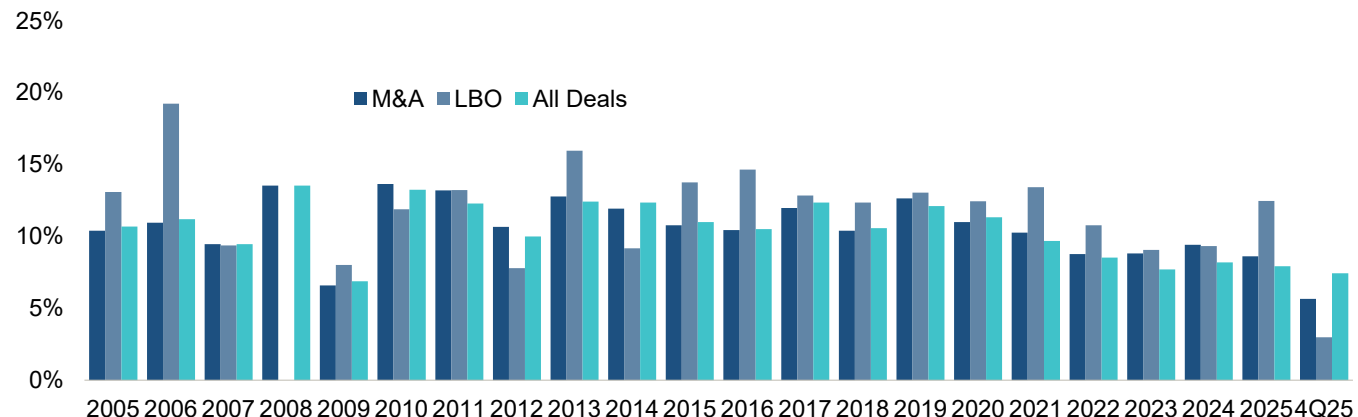
Source: PitchBook | LCD • Data through Dec. 31, 2025

- **Total leverage in LBO loan financings has been structurally higher since the mid-2010s**, generally hovering around the mid-4x to ~5x range versus lower levels in the mid-2000s.
- **First-lien debt is consistently the dominant component**, with incremental leverage layered through second-lien and other subordinated debt depending on risk appetite and market conditions.
- **Leverage moderated modestly in 2023 and then stabilized through 2024 to 4Q25**, suggesting lenders maintained discipline even as broader market conditions improved.
- **Capital structure mix has simplified versus earlier cycles**, with smaller contributions from junior layers relative to the core first-lien tranche, consistent with tighter underwriting and more selective risk-taking.

- **Equity checks have trended higher in recent years.** Total equity contribution moved from roughly low-40% levels in the early 2010s to around the high-40% to 50% range through 2023 to 4Q25.
- **New sponsor equity is the primary driver.** Contributed equity represents the vast majority of total equity each year, while rollover equity remains a relatively small, stable component.
- **2024 to 4Q25 reflects a more equity-heavy structure.** Elevated equity contributions are consistent with tighter debt capacity and a market requiring more sponsor support to clear transactions.
- **Implication for deal underwriting:** purchase price funding has leaned more on sponsor capital versus incremental leverage, reinforcing discipline on leverage and stronger alignment for lenders.

Adjustments as a Percent of EBITDA

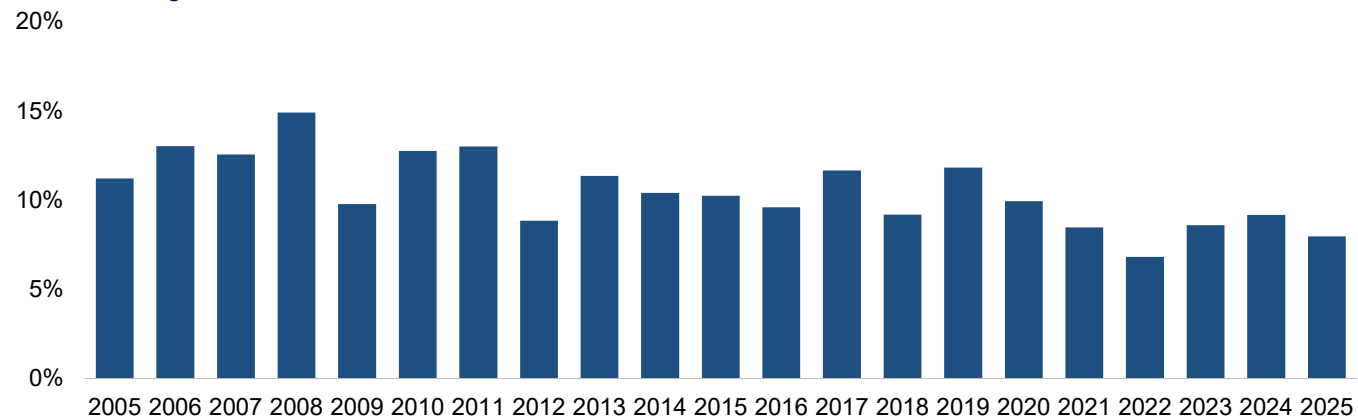
Tracks EBITDA “adjustments” as a percent of reported EBITDA, highlighting how much credit metrics rely on add-backs and pro forma assumptions across vintages.



Source: PitchBook | LCD • Data through Dec. 31, 2025

Avg. Synergies/EBITDA Ratio for Acq.-Related Transactions

Tracks average projected synergies as a percent of EBITDA in acquisition financings, showing how much deal underwriting depends on cost saves and integration benefits.

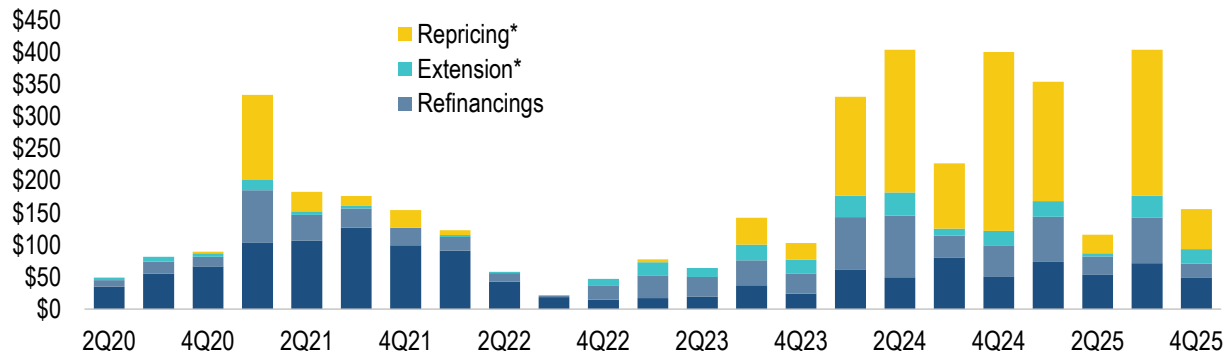


Source: PitchBook | LCD • Data through Dec. 31, 2025

- **Adjustments remain a meaningful component of leverage math.** Across the periods, a non-trivial share of EBITDA is coming from adjustments rather than reported results, which can materially change leverage and coverage outcomes.
 - **Cycle sensitivity shows up quickly.** Periods of easier credit tend to coincide with higher or more permissive adjustment levels, while risk-off periods show a tighter adjustment profile and less tolerance for aggressive add-backs.
 - **Dispersion matters as much as the average.** Even when the average looks stable, the range across deals suggests underwriting is highly sponsor- and issuer-specific, with certain transactions leaning more heavily on adjustments to clear.
 - **Takeaway into 2026:** lender focus is shifting toward proof and durability of adjustments, with cleaner, well-supported add-backs translating into better execution and pricing.
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- **Recent periods show a more moderate synergy reliance versus earlier highs.** The latest bars sit below prior peak levels, indicating more conservative synergy underwriting in today’s acquisition financings.
 - **Synergies remain a meaningful part of pro forma credit stories.** Even with moderation, projected synergies still contribute a material uplift to EBITDA assumptions that support leverage and pricing.
 - **Volatility persists quarter to quarter.** The series moves around noticeably in recent periods, consistent with mix effects from a handful of larger deals and varying levels of integration risk the market is willing to underwrite.
 - **Execution takeaway into 2026:** lenders are increasingly focused on timing and achievability, so well-supported synergy plans and early evidence of realization tend to improve receptivity and terms.

Quarterly US Institutional Loan Volume (\$B)

Tracks quarterly leveraged loan refinancing and amendment activity, a key indicator of issuer ability to reduce borrowing costs and extend maturities.

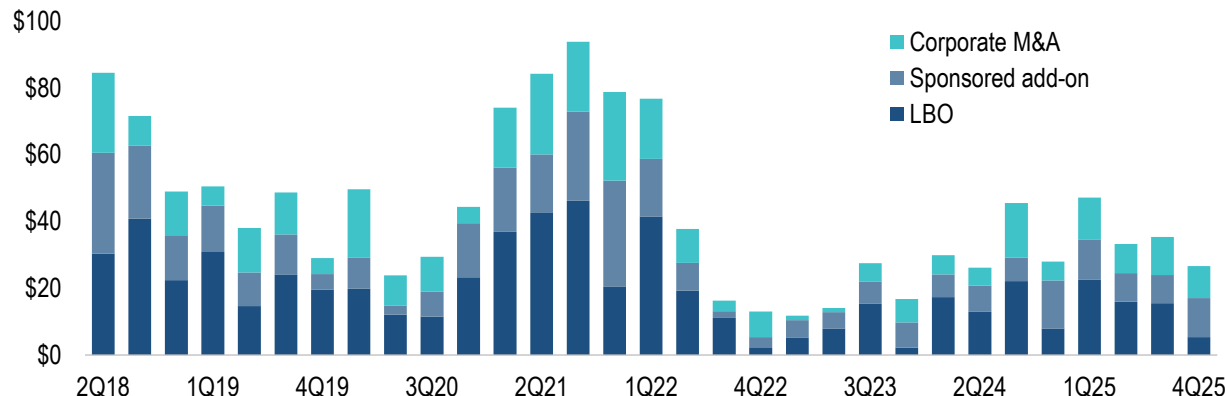


Source: PitchBook | LCD • Data through Dec. 31, 2025

*Reflects repricings and extensions done via an amendment process only

M&A-Related Loan Volume

Tracks quarterly leveraged loan volumes used to finance M&A, sponsor add-ons, and LBOs, reflecting the pace of deal activity and availability of acquisition financing.

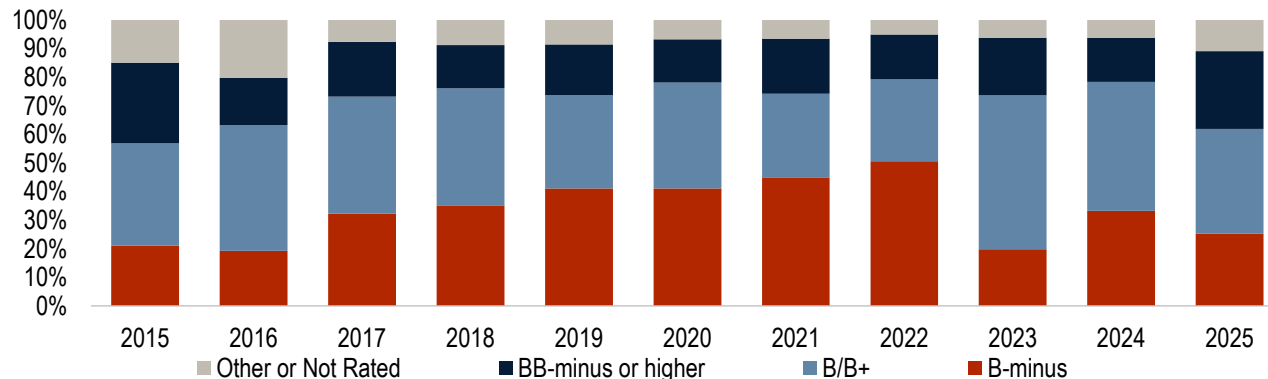


Source: PitchBook | LCD • Data through Dec. 31, 2025

- **Market “windows” drove volume.** Refinancings and amendments surged in discrete periods (notably 4Q20 and again throughout 2024 to 3Q25), then dropped when volatility or lender pushback increased.
- **2024 to 2025 was dominated by repricing activity.** Most quarterly peaks were led by repricings, signaling issuers focused on lowering spreads on existing debt rather than raising incremental capital.
- **Extensions were a smaller, tactical tool.** Extension volume appears episodic and generally secondary to repricings, used selectively to manage near-term maturities when conditions allowed.
- **4Q25 reflects a tougher tape than earlier in 2025.** Activity stepped down materially from the 3Q25 high, consistent with a more selective market and less uniform issuer ability to push pricing.
- **Issuer implication for 2026 planning.** Expect opportunities to be more credit-tiered, with best execution concentrated in stronger stories and well-prepared processes.
- **Deal-financing volumes were strongest in 2021 through early 2022, then fell sharply in 2H22 as rates rose and underwriting tightened.** Activity rebuilt gradually through 2024 and into 2025, but remained well below the prior peak.
- **LBOs are consistently the largest driver of acquisition-related loan issuance,** with sponsored add-ons and corporate M&A filling in around it and becoming more meaningful during periods of broader strategic activity.
- **Late-2025 shows softer momentum,** with volumes stepping down versus earlier 2025 levels, consistent with a more selective financing market and fewer large sponsor-led transactions getting done.

M&A/LBO Loan Volume by Borrower Rating (\$B)

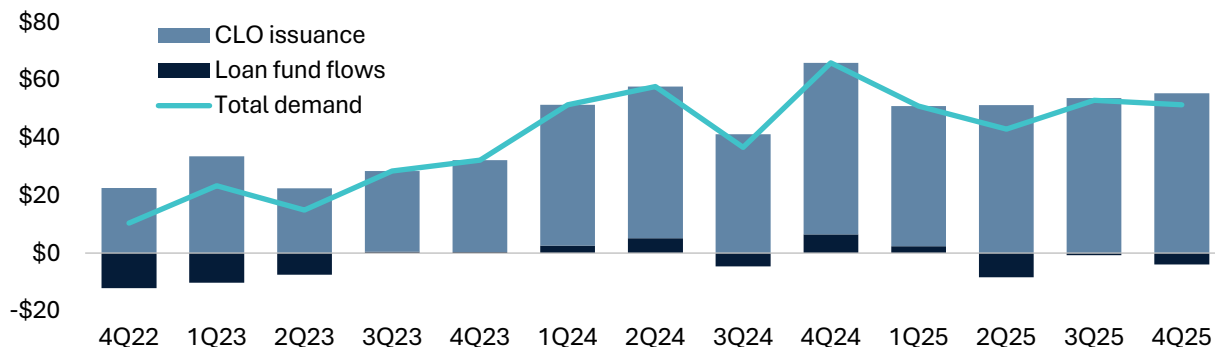
Tracks the credit quality mix of leveraged loan issuance over time, highlighting how market windows shift financing toward higher or lower rated borrowers.



Source: PitchBook | LCD • Data through Dec. 31, 2025

US Leveraged Loan Market – Measurable Investor Demand (\$B)

Tracks the main sources of institutional demand for leveraged loans, showing that CLO formation has been the primary driver while retail loan funds have been a smaller, sometimes negative, swing factor.

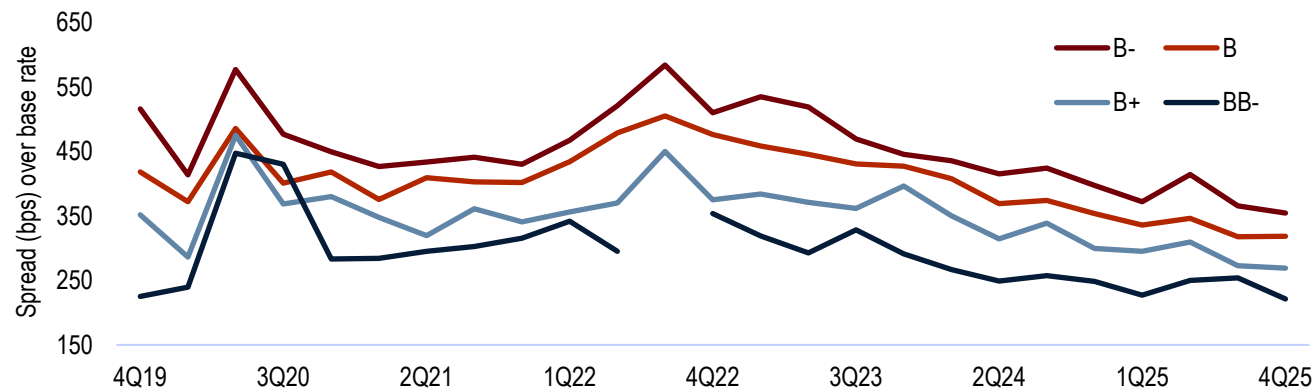


Sources: PitchBook | LCD; Morningstar Direct • Data through Dec. 31, 2025
Fund flows data includes monthly reporters.

- **2025 issuance was led by B-rated credits**, with B/B+ representing the largest share and B-minus still a meaningful portion of volume.
 - **Higher-quality borrowers remained active**, with BB-minus or higher continuing to take a material slice of issuance, consistent with a market that rewarded stronger credits with steadier access.
 - **Versus the 2019 to 2022 period, the mix in 2025 looks healthier**, with less reliance on the lowest-rated bucket and a more diversified distribution across ratings.
 - **Takeaway for issuers:** the market was open in 2025, but execution remained credit-tiered, with the best outcomes concentrated in stronger ratings and clearer credit stories.
-
- **CLO issuance is the anchor bid.** Across the period, CLO formation drives the vast majority of total loan demand and explains most of the quarter-to-quarter moves in the demand line.
 - **Retail loan fund flows are a headwind more often than a tailwind.** Fund flows are frequently negative and relatively small versus CLO demand, so they tend to affect tone at the margin rather than set the market.
 - **Demand peaked around late-2024 and remained healthy through 2025.** Total demand rises into 2024 and stays elevated into 2025, consistent with sustained capacity to absorb refinancing and repricing supply.
 - **Issuer implication:** execution conditions in 2025 were supported primarily by CLO demand, with retail flows acting as a secondary volatility factor rather than the core driver of market access.

New Issue Term Loan B Spread by Borrower Rating

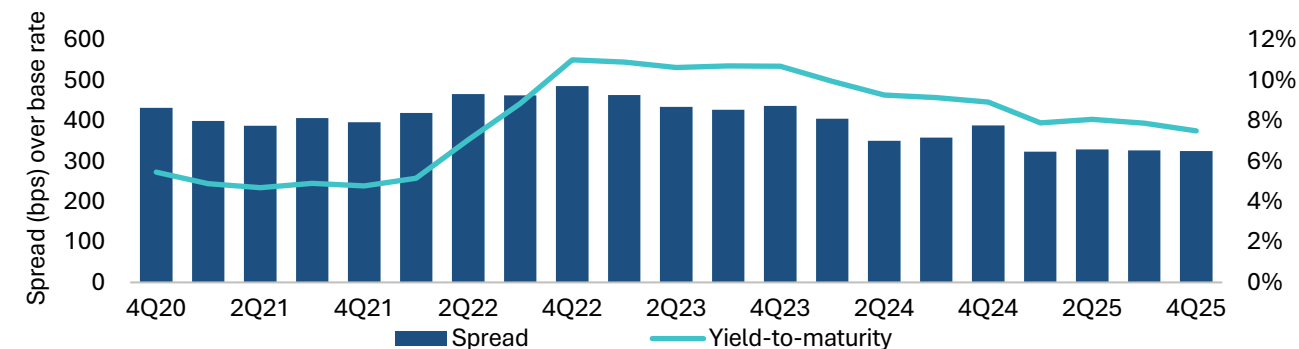
Tracks leveraged loan spreads by credit rating, showing how issuer pricing tightened materially through 2024 and 2025, with persistent premium for lower-rated borrowers.



Source: PitchBook | LCD • Data through Dec. 31, 2025

Average Spread and Yield to Maturity of M&A Loans

Tracks the average leveraged loan spread and yield over time, highlighting how all-in borrowing costs peaked in 2022 and eased through 2024 to 2025 as market conditions improved.

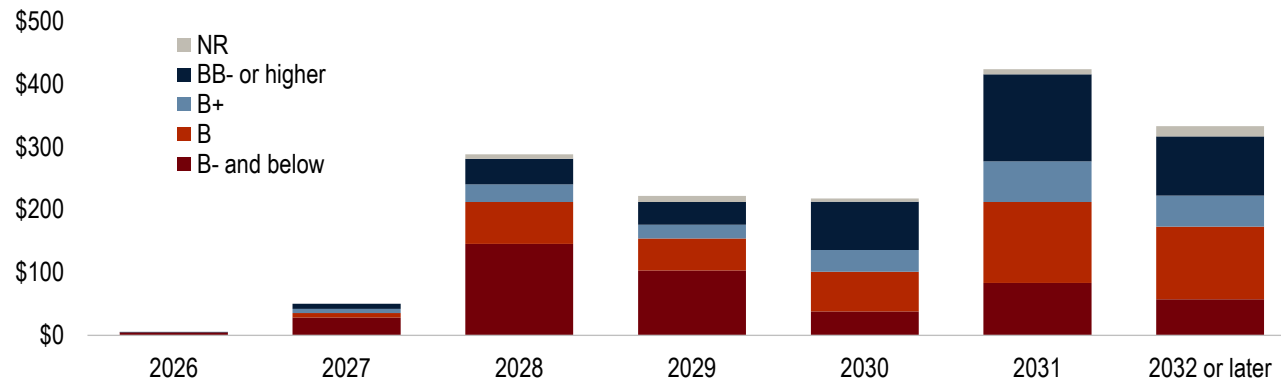


Source: PitchBook | LCD: Data through Dec. 31, 2025

- **Spreads tightened across all ratings into late-2025**, reflecting improving market tone and strong institutional demand, with 2025 levels near multi-year lows.
 - **Credit tiering remained consistent.** Lower-rated B- issuers paid the highest spreads throughout the period, while BB- cleared at the lowest spreads, highlighting differentiated access and cost of capital.
 - **The gap between rating buckets stayed meaningful**, indicating that leverage and credit story continued to drive pricing outcomes even as the overall market improved.
 - **Issuer implication for 2026 planning:** stronger credits have more flexibility to refinance and reprice, while weaker credits may require enhanced yield or additional structure to clear in less issuer-friendly windows.
-
- **All-in yields peaked in 2022, then trended down into 2025.** The yield-to-maturity line tops out around 2022 and steadily declines, signaling improving financing conditions and lower all-in cost versus the peak.
 - **Spreads tightened meaningfully after 2022.** The spread bars are highest around 2022 and compress through 2024 and 2025, consistent with the repricing-heavy environment and stronger demand for loans.
 - **2024 to 2025 shows a normalization at lower levels.** Both spread and yield stabilize at improved levels versus 2022, supporting refinancing and amendment activity for credits with market access.
 - **Issuer implication:** even with tighter spreads, all-in cost remains sensitive to the base rate, so outcomes depend on both credit spread and the rate backdrop when a financing window opens.

US Leveraged Loan Maturity Wall (\$B)

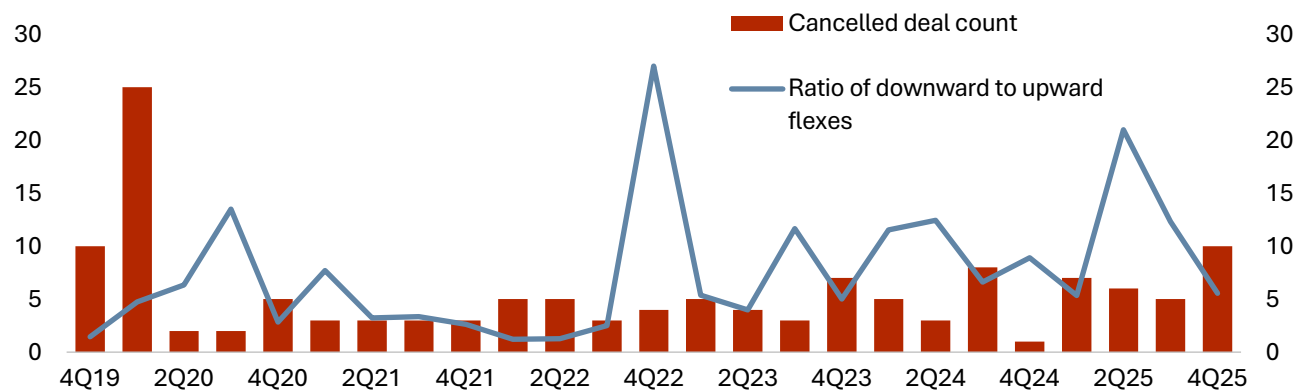
Shows the leveraged loan maturity schedule by year and rating, highlighting where refinancing needs concentrate and which credit tiers face the heaviest near-term pressure.



Source: PitchBook | LCD • Data through Dec. 31. 2025

Downward vs. Upward Flexes and Canceled Deals

Tracks leveraged loan market “execution risk” by quarter, using cancelled deals and the balance of pricing flexes to show when syndications favored issuers versus lenders.

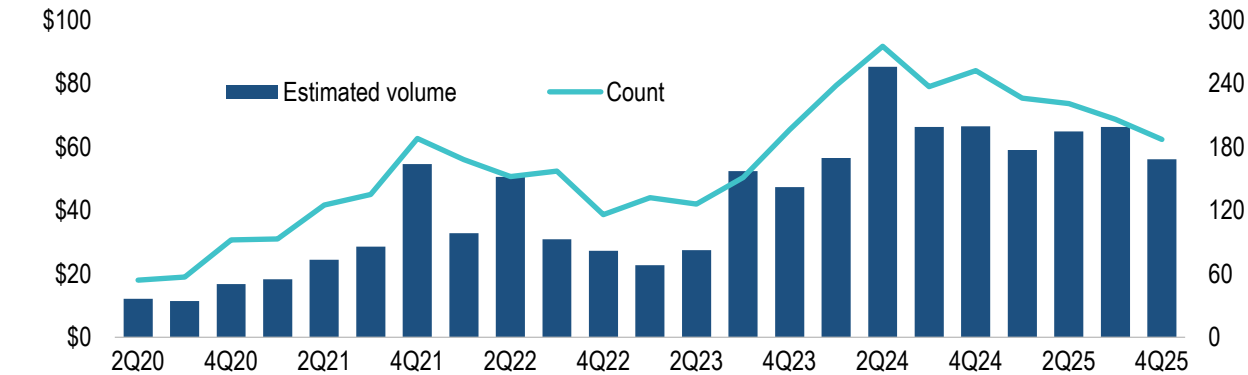


Source: PitchBook | LCD • Data through Dec. 31. 2025

- **The maturity wall is concentrated in 2028 to 2032+.** 2028 is the first major peak, followed by a larger wave in 2031 and another sizable bucket in 2032 or later, setting up heavy refinancing calendars ahead.
 - **Lower-rated maturities are a key pressure point.** B- and below represents a meaningful share of the 2028–2031 stack, where market access tends to be more credit-tiered and refinancing is less automatic.
 - **Higher-quality credits have more manageable execution risk.** BB- or higher maturities are substantial in the outer years, but typically benefit from broader demand and better pricing windows.
 - **Issuer implication:** advancing maturity management ahead of 2028 becomes increasingly important, particularly for weaker credits that may need longer lead times, more lender engagement, or alternative capital options.
-
- **Cancels cluster in risk-off periods.** The largest spike occurs around early 2020 (COVID), with smaller waves later, indicating periods when deals struggled to clear and issuers pulled transactions.
 - **Flex dynamics swing quickly with market tone.** The ratio of downward to upward flexes rises in stressed quarters, signaling more transactions needing spread or discount concessions to get done.
 - **2024 was generally constructive, but volatility persisted.** The ratio remained elevated at times even as issuance improved, reflecting a more selective market beneath the headline recovery.
 - **Late-2025 shows renewed friction.** Cancelled deal count ticks up and flex balance becomes less issuer-friendly versus earlier 2025, consistent with tighter underwriting and more lender leverage.

Direct Lending Deal Count and Estimated Volume (\$B)

Tracks US direct lending activity by quarter, showing how estimated volume and deal count have evolved as private credit absorbed larger financings

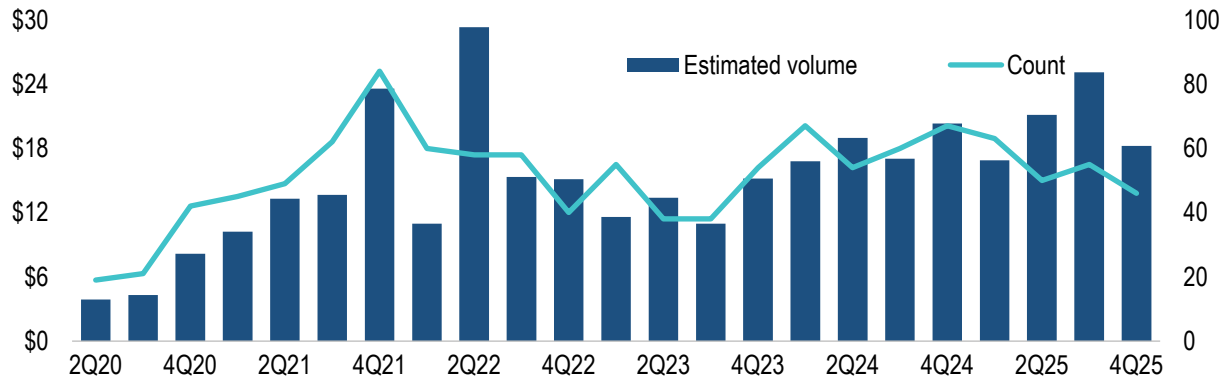


Source: PitchBook | LCD • Data through Dec. 31, 2025
Direct lending analysis is based on transactions covered by LCD News

- **Volume stayed elevated through 2024–2025**, after the sharp step-up in late 2023 and 2024, indicating sustained capacity for large private credit financings.
- **Deal count peaked in 2024 and has trended down into 2025**, suggesting activity has been supported more by larger average deal sizes than by broad-based transaction volume.
- **4Q25 shows some cooling from the 2024 highs**, but remains above earlier post-2022 levels, consistent with a still-active market despite tighter selectivity.
- **Takeaway into 2026:** private credit remains a scalable alternative for larger, complex, or time-sensitive financings, even if overall deal flow normalizes.

Direct lending deal count and estimated volume, LBOs (\$B)

Tracks direct lending activity for LBO financings by quarter, showing how private credit has supported sponsor deal flow through changing market conditions.

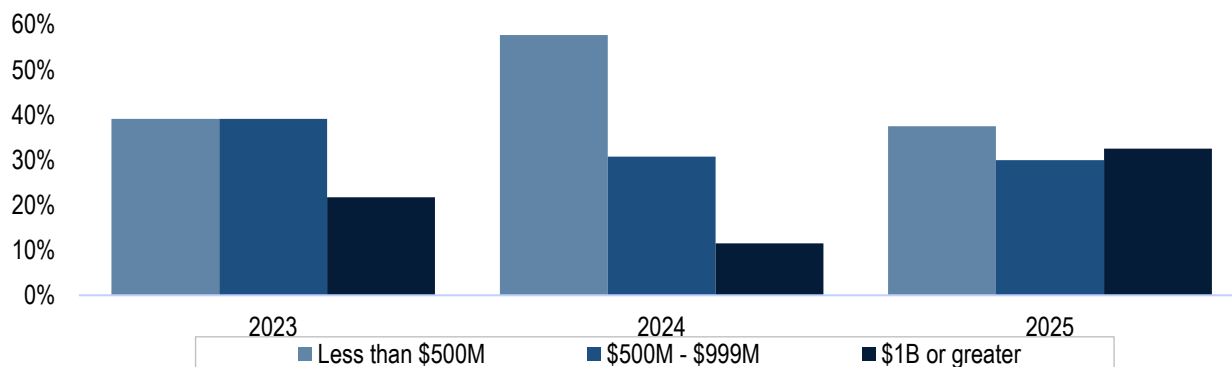


Source: PitchBook | LCD • Data through Dec. 31, 2025

- **LBO direct lending volumes were resilient in 2024 and 2025**, with several quarters in the high-teens to mid-20s (\$B), indicating continued private credit capacity for sponsor financings.
- **Deal count has been choppy and generally lower than earlier peaks**, implying a market supported more by larger-ticket LBOs than by broad-based volume.
- **2025 shows episodic spikes rather than a steady climb**, consistent with sponsor activity clearing in windows and concentrated in a smaller set of financable transactions.
- **Takeaway into 2026:** private credit remains a viable execution path for LBOs, but outcomes are increasingly driven by sponsor quality, sector, and leverage tolerance.

Syndicated Loan Take-Outs via Direct Lending: Distribution by Size

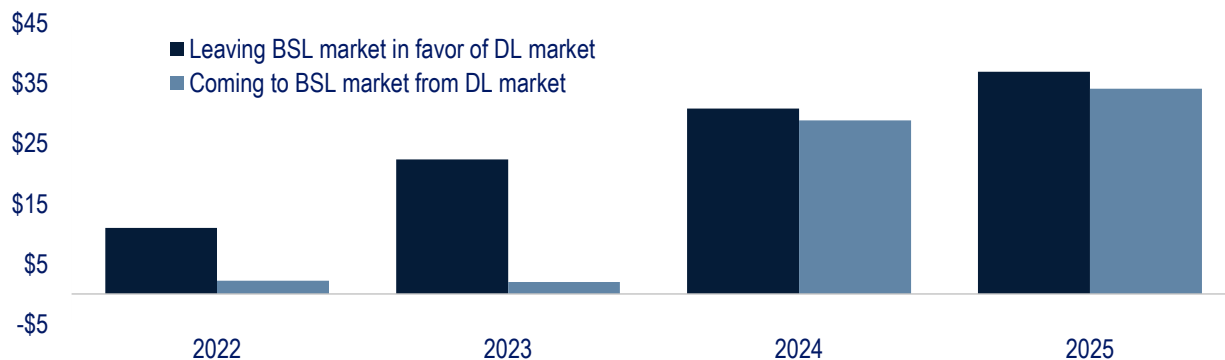
Shows the size mix of syndicated loans refinanced by direct lending, highlighting the shift toward larger takeouts in 2025.



Source: PitchBook | LCD • Data through Dec. 31, 2025

Syndicated loans and direct lending takeouts (\$B)

Shows the two-way flow between broadly syndicated loans and direct lending, highlighting the growing “refinancing churn” as issuers arbitrage pricing and certainty.



Source: PitchBook | LCD • Data through Dec. 31, 2025

- **2025 skewed larger than prior years.** The share of \$1B+ syndicated loans taken out by direct lenders rose meaningfully versus 2023–2024, indicating more private-credit capacity for large refinancings.
 - **Sub-\$500MM takeouts declined from the 2024 peak,** suggesting direct lending activity broadened up-market rather than being concentrated in smaller transactions.
 - **The \$500MM–\$999MM bucket stayed a steady contributor,** acting as the “core” size range across years while the extremes (small and \$1B+) moved more with market conditions.
 - **Takeaway into 2026:** direct lenders are increasingly competitive for larger, complex refinancings, strengthening issuer options when syndicated execution is less certain.
-
- **Two-way takeouts scaled sharply in 2024 and 2025.** Movement between the BSL and direct lending markets increased materially versus 2022–2023, reflecting more active competition for the same credits.
 - **2025 was the most active year on both directions.** Issuers moved from BSL to direct lending in meaningful size, while takeouts from direct lending back into BSL also rose, consistent with reopening syndicated windows.
 - **The BSL-to-direct lending channel stayed slightly larger,** suggesting certainty and structure still drive some issuers to private credit even as syndicated demand improved.
 - **Takeaway into 2026:** issuers effectively have a dual-track market, with capital migrating toward the venue offering the best blend of pricing, speed, and flexibility at the time of execution.

About SC&H Capital

SC&H Capital is an investment banking advisory firm focused on delivering outstanding results to leading middle market and growth companies.

Our solution-driven approach combines creativity and industry experience to help founder and sponsor owned businesses navigate M&A and financing processes and achieve their goals.

- SC&H Capital has completed 1,000+ M&A advisory, financing, and ESOP transactions with an aggregate economic value of over \$500 billion*
- Senior banking team professionals have an average of over 20 years of experience in transaction advisory services
- Recognized by clients for providing relevant market and industry insights to help unlock their full strategic value
- Deep expertise across specialty distribution, manufacturing, consumer, food & bev, etc.



Our Solutions

 Mergers & Acquisitions

 Capital Solutions

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SC&H Capital brings deep expertise and extensive experience in capital solutions engagements, consistently delivering exceptional outcomes for our clients.

Industry Coverage Overview

Downstream Energy

Consumer

Manufacturing

Business Services

Specialty Distribution

Industrials

Healthcare

Multi-Unit

Government Contracting

Food & Bev

Technology & Software

And More...

1,000+

Completed Transactions*

\$500B+

in Deal Value Since Inception*

40

Seasoned Investment Bankers

SC&H's Capital Solutions Experience

Below is a sample of our Capital Solutions transactions*




G&M OIL COMPANY

Received a \$425,000,000 Senior Secured Credit Facility

SC&H Professionals Served as Sole Placement Agent

Downstream Energy | Multi-Unit

One of California's largest independently owned fuel retailers with over 200 locations



WATERSHED

Executed a recapitalization

SC&H Professionals Served as Sole Placement Agent

Consumer | Multi-Unit

Portfolio of over 30 carwash locations in Texas and Oklahoma



arboris
pine tree extracts

Received a Strategic Investment from



SC&H Professionals Served as Sole Placement Agent

Manufacturing

Leading manufacturer of plant sterols



nfp

a portfolio company of



ARGONNE CAPITAL GROUP

Received Equity Capital

SC&H Professionals Served as Introducing Party for Investors

Consumer | Multi-Unit

Portfolio of over 200 Planet Fitness locations throughout 14 states



TruFood

Received a \$36,000,000 Senior Secured Credit Facility

SC&H Professionals Served as Sole Placement Agent

Food & Bev | Manufacturing

Contract manufacturer of snack foods



SARATOGA
CASINO · HOTEL

Received Financing to Support the Acquisition of



MAGNOLIA BLUFFS
CASINO · HOTEL
NATCHEZ, MS

SC&H Professionals Served as Sole Placement Agent

Gaming | Consumer

Hotel and casino that was executing a strategic acquisition



Marcal

Received a \$125,000,000 Private Placement

SC&H Professionals Served as Sole Placement Agent

Manufacturing | Consumer

Manufacturer of recycled paper products including tissues, napkins, and paper towels



Aphena
Pharma Solutions

Refinanced its Existing Credit Facility

SC&H Served as Sole Placement Agent

Manufacturing | Healthcare

Contract manufacturing and packaging of OTC and Rx liquid and topical products



ComfortResearch

Refinanced its Existing Credit Facility

SC&H Served as Sole Placement Agent

Manufacturing | Consumer

Manufacturer of durable household goods such as bean bags and pool furniture

*Includes experience from SC&H professionals at prior firms

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Expertly Qualified

We pursue excellence through continuous learning, expanded expertise, and proactive exploration of new opportunities.

Exceptionally Responsive

We deliver timely, high-value outcomes by actively listening, honoring our commitments, and exceeding expectations.

People-Focused

Integrity guides everything we do. We value collaboration, accountability, and a commitment to our clients, colleagues, and communities.

Results Driven

We take ownership of outcomes and innovate continuously to achieve measurable, lasting success for our clients.