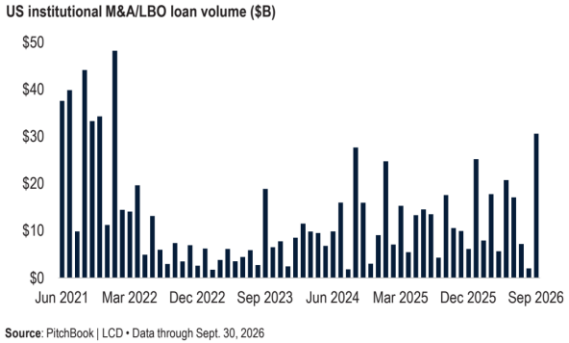
Capital Markets Update
3rd Quarter 2026

October 2026

Capital Markets Update – 3rd Quarter 2026

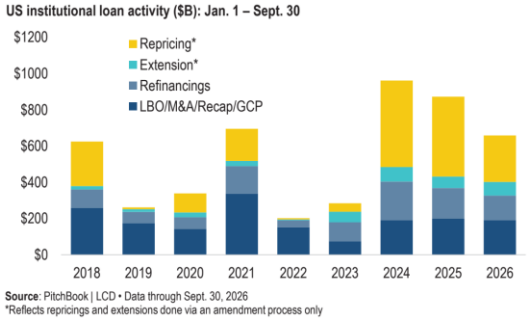
Capital Markets Themes

An M&A revival in September …



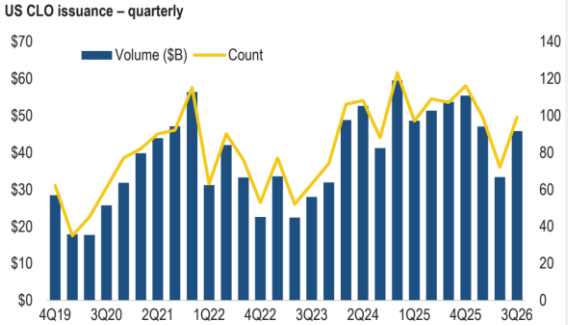
Source: PitchBook | LCD • Data through Sept. 30, 2026

… improves deal balance and brings new money to the market.



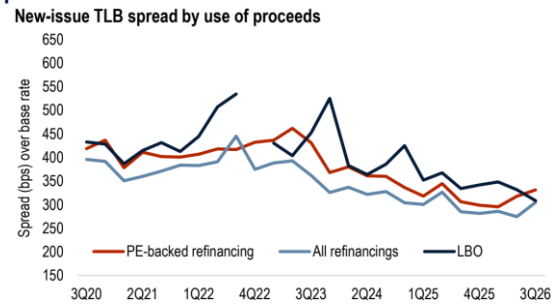
Source: PitchBook | LCD • Data through Sept. 30, 2026
*Reflects repricings and extensions done via an amendment process only

Despite a volatile backdrop, demand from CLOs rebounds …



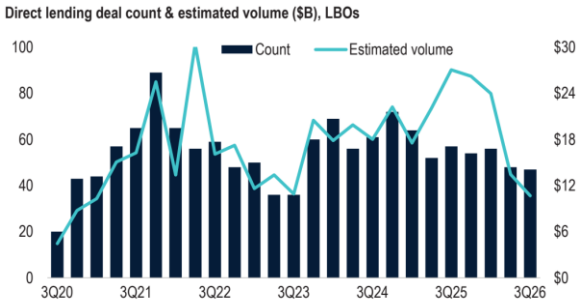
Source: PitchBook | LCD • Data through Sept. 30, 2026

… while refinancing ahead of the 2028 wall gets pricier.



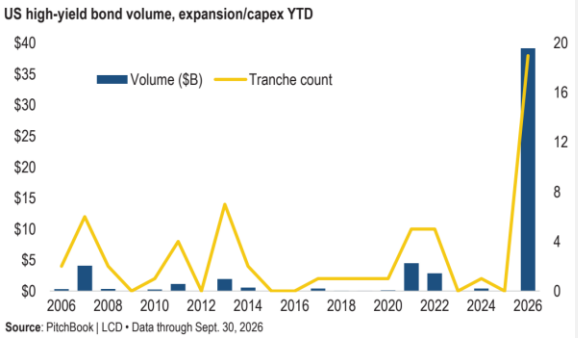
Source: PitchBook | LCD • Data through Sept. 30, 2026

Private credit LBO activity stays subdued …



Source: PitchBook | LCD • Data through Sept. 30, 2026
Direct lending analysis is based on transactions covered by LCD News

… as bonds fund the AI boom.



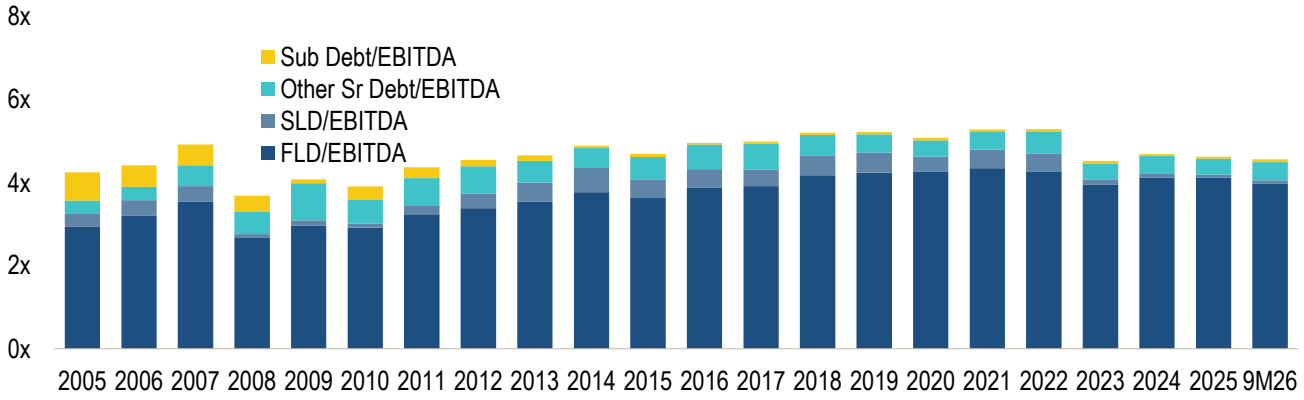
Source: PitchBook | LCD • Data through Sept. 30, 2026

SC&H Insights & Observations

- **3Q26 was quieter on the surface but healthier underneath:** Institutional loan activity fell 12% to about $195B, the lowest of 2026, but only because amendments faded. New-money issuance held at $61B, refinancings hit a four-quarter high of $52B, and a September M&A surge lifted LBO volume to $20B.
- **Investor demand rebounded to its strongest level of the year:** Measurable demand rose 38% to $47.5B as CLO issuance recovered to $45.8B and loan funds took in $1.7B. Net supply of just $8.5B left a $39B shortfall.
- **Pricing split further along credit lines:** B-minus spreads reached S+413, more than 50 bps wider than at year-end, while BB-minus held near S+226, a gap of almost 190 bps. Loans still returned 2% in the quarter.
- **The 2028 wall is shrinking, but unevenly:** 62% of the $152B due in 2028 sits with B-minus-or-lower borrowers, who have cut that exposure by 35% this year against 64% for B and B-plus credits, and are refinancing at wider spreads.
- **Private credit competed on price while high yield reopened in size:** Direct lending LBO volume slipped to $10.7B as the BSL market took out a record $16.4B of private credit loans. High-yield issuance hit $50.2B in September, led by record SoftBank and Paramount Skydance deals.

Average Debt Multiples of Large Corporate Loans

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

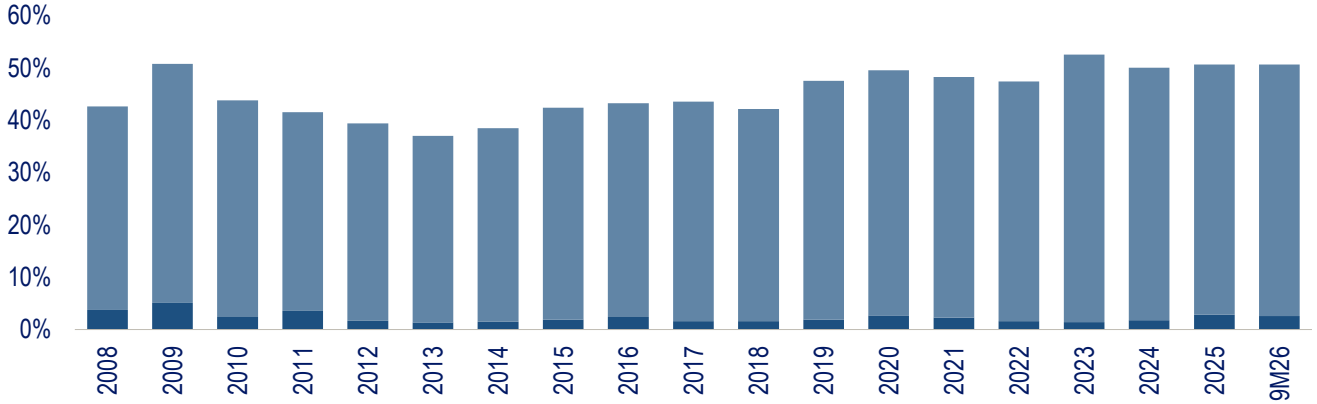


Source: PitchBook | LCD • Data through Sept. 30, 2026

- **Leverage edged up in the third quarter as LBOs returned.** Total leverage on large corporate loans averaged 4.68x in 3Q26, with first-lien debt at 4.30x, lifting the 9M26 average to 4.57x from 4.55x in the first half. That remains below 2025's 4.63x and well below the 5.2x-plus peak of 2021-2022.
- **The mix shifted back toward first-lien term loans.** Other senior debt fell to 0.25x in Q3 from 0.47x in the first half as sponsor-backed term loans replaced the corporate pro rata structures that dominated early 2026. Subordinated debt remains negligible at under 0.1x.
- **Lenders are underwriting the buyout rebound with discipline.** Higher first-lien leverage in Q3 came with equity contributions of about 57%, keeping total leverage within the range of the past three years.
- **Issuer takeaway:** Leverage is available for quality sponsor-backed credits, but lenders are holding total leverage near 4.5x to 4.7x and pairing it with substantial equity.

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.



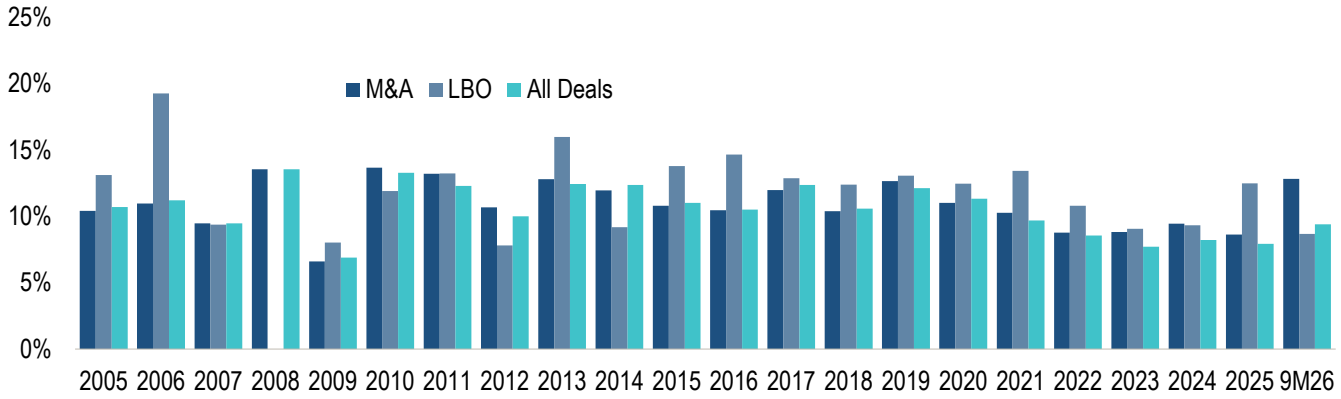
Source: PitchBook | LCD • Data through Sept. 30, 2026

- **Total equity contribution moved back to roughly 51% for 9M26, up from about 46% in the first half,** with contributed equity at about 48% of purchase price. The third quarter alone averaged about 57%, as September's run of large buyouts came with substantial sponsor capital behind it.
- **Contributed equity continues to make up the vast majority of total equity,** while rollover equity remains a small and stable component at under 3%. The rebound brings 2026 back in line with the roughly 50% level of 2023-2025 and well above most pre-2020 norms.
- **Takeaway for deal underwriting:** Lenders are financing the return of LBO volume with equity-heavy structures, which keeps leverage in check and sponsor alignment strong as buyout activity picks up.

EBITDA Adjustments and Synergies

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.

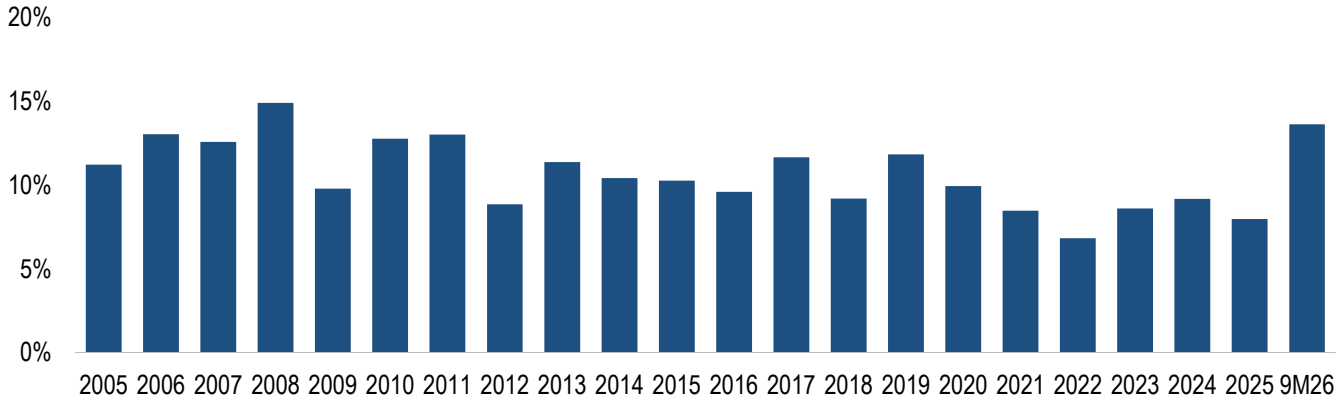


Source: PitchBook | LCD • Data through Sept. 30, 2026

- **Adjustments eased in the third quarter but remain elevated.** All-deal adjustments averaged about 9.4% of EBITDA for 9M26, down from 11.1% in the first half but above 2025's 7.9% and the highest annual reading since 2021.
- **The mix matters.** M&A-related adjustments held high at about 12.8% of EBITDA, while LBO adjustments slipped to roughly 8.7%, well below 2025's 12.5%. The return of LBO volume in September came with lighter add-backs.
- **Lender tolerance is still selective.** Well-documented adjustments supported by quality of earnings work continue to carry more weight than headline add-backs.

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.



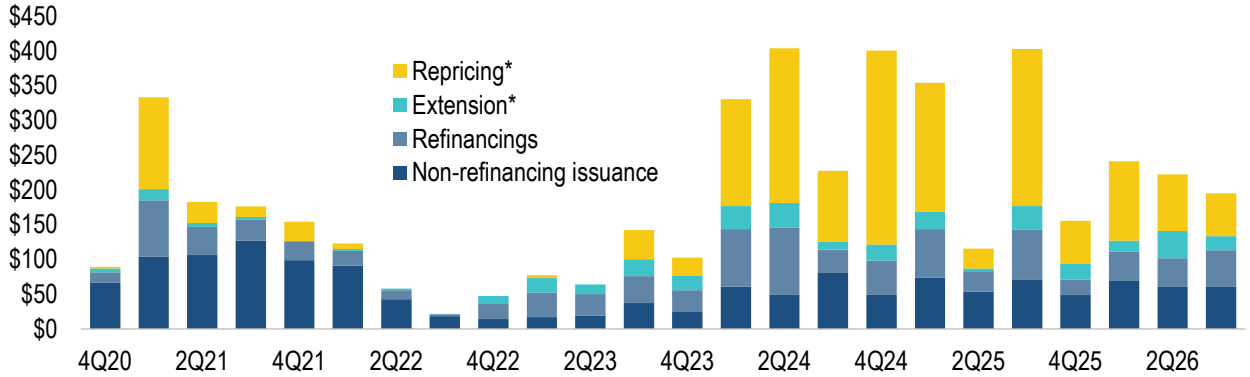
Source: PitchBook | LCD • Data through Sept. 30, 2026

- **Synergy reliance stayed elevated through the third quarter.** Average projected synergies were roughly 13.6% of EBITDA for 9M26, down slightly from 14.2% in the first half but well above 8.0% in 2025 and the highest level since 2008.
- **The reading reflects deal mix more than looser standards.** Large corporate acquisitions, where integration savings feature heavily, have dominated 2026 M&A financing, and a thinner sample lets a few synergy-heavy deals move the average.
- **Execution takeaway:** Synergy cases still support acquisition credit stories, but lenders weigh timing, achievability and evidence over headline savings.

US Leveraged Loan Volume

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.

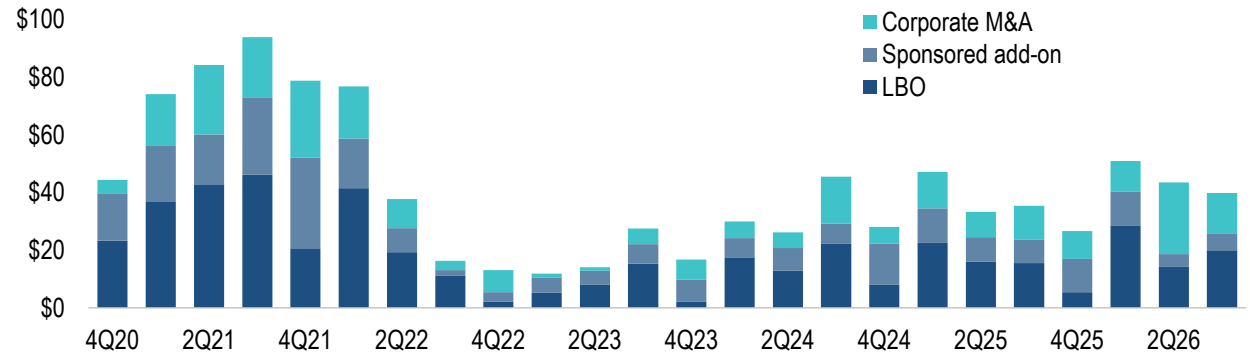


Source: PitchBook | LCD • Data through Sept. 30, 2026
*Reflects repricings and extensions done via an amendment process only

- **3Q26 activity cooled on the surface, but the mix improved.** Total institutional loan activity was about $195B, the lowest quarter of 2026 and 12% below Q2, but the pullback came entirely from amendments: repricings fell to about $62B and extensions to $20B.
- **Underlying issuance held firm.** Non-refinancing issuance of $61.3B was in line with Q1 and Q2, and refinancings rose to $52.1B, a four-quarter high, as B-minus borrowers moved on 2028 maturities. Year to date, gross activity of $659B is running 24% behind 2025, but issuance not tied to a refinancing or amendment is keeping pace with last year.
- **Issuer takeaway for 2026 planning:** Opportunistic repricing windows have narrowed, but the market is absorbing new money and refinancings steadily; issuers with near-term maturities should use the current depth rather than wait for repricing-era terms.

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.



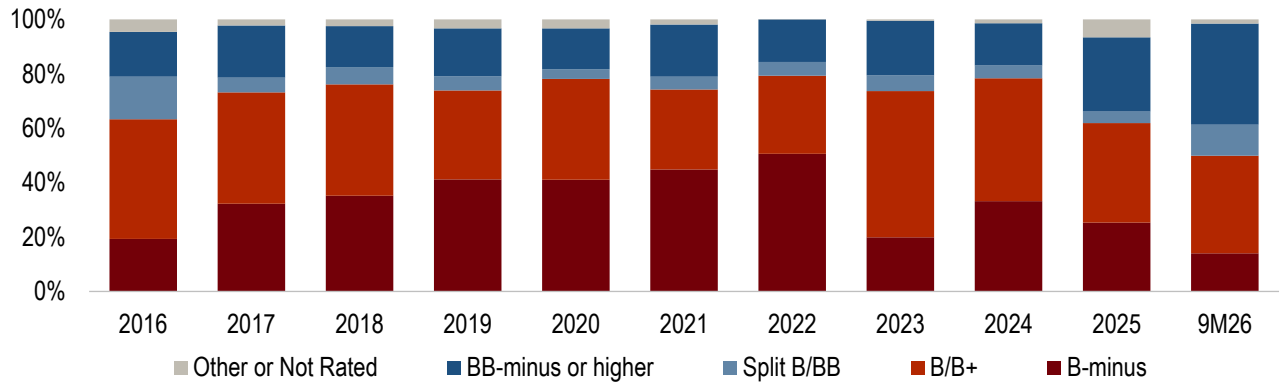
Source: PitchBook | LCD • Data through Sept. 30, 2026

- **M&A financing came back to life late in the quarter.** Institutional M&A/LBO loan volume was $39.9B in 3Q26, the lowest of the year but ahead of the $35.4B in 3Q25. September did most of the work: $30.6B of LBO/M&A loan volume, the busiest month since January 2022, powered by a dozen term loans above $1B.
- **Buyouts led the mix.** LBO volume rose 40% from Q2 to $20.0B, half of all M&A-related supply versus a 44% average since early 2022, and eight of September's 12 jumbo loans backed buyouts. Corporate M&A eased to $14.1B after Q2's Warner Bros. Discovery spike, and sponsored add-ons recovered modestly to $5.8B.
- **Takeaway:** Sponsors are returning to the syndicated market for large buyouts, and lenders are ready to fund them; with the forward calendar rebuilt to about $41B by mid-September, the pipeline into 4Q26 looks stronger than the quarterly total suggests.

Borrower Risk Ratings/Investor Demand

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.

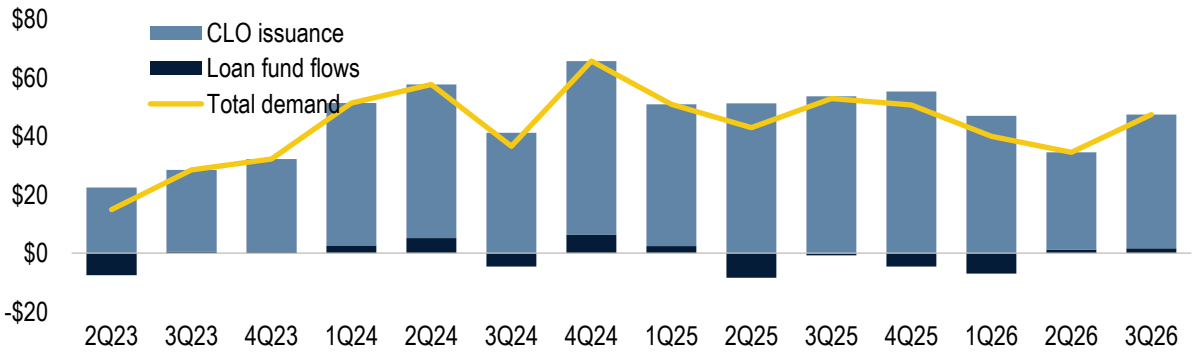


Source: PitchBook | LCD • Data through Sept. 30, 2026

- **Year-to-date issuance remains skewed toward better-quality borrowers.** About 37% of M&A/LBO loan volume through September carried a BB-minus or higher rating. Including split-rated B/BB credits, 48% went to borrowers rated BB-minus by at least one agency, the highest share since the GFC and roughly double the prior decade's average.
- **B/B+ borrowers accounted for about 36% of volume.** B-minus issuers held at just 14%, a 14-year low against a 34% ten-year average, even as September's buyout surge added new LBO supply.
- **The pattern reflects lender preference, not just deal mix.** Lenders are competing hard for high-quality new-money credits, particularly in sectors insulated from AI disruption, while B-minus borrowers are coming to market mainly to refinance, and paying for it.
- **Implication for issuers:** Credit tiering is now a structural feature of the market; ratings and sector positioning drive both access and price.

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.

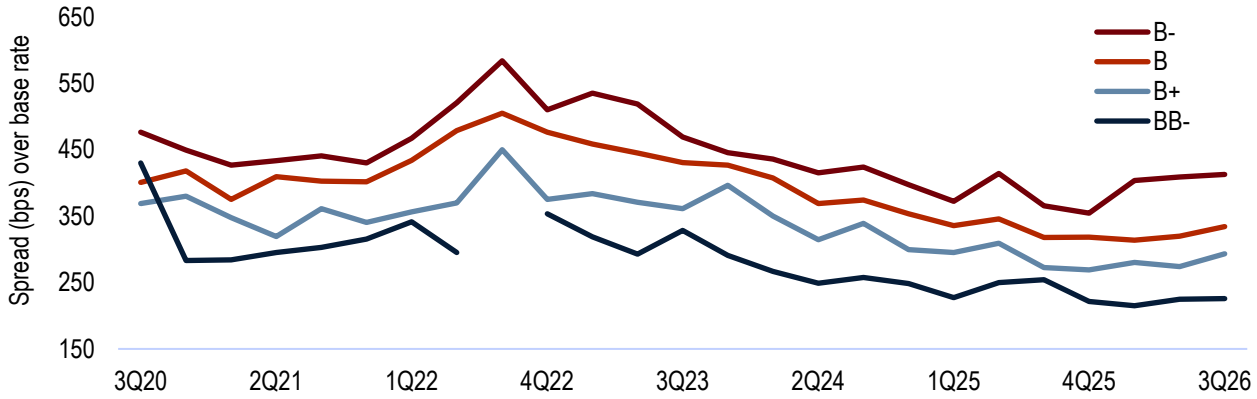


Sources: PitchBook | LCD; Morningstar Direct • Data through Sept. 30, 2026
Fund flows data includes monthly reporters.

- **CLO formation rebounded sharply in 3Q26.** New CLO issuance rose to $45.8B across 99 deals, up 37% from Q2's two-and-a-half-year low of $33.3B, as broadly syndicated CLO volume climbed 42%.
- **Loan funds added to the bid.** Retail funds took in about $1.7B, the strongest inflow since 1Q25, lifting total measurable demand to roughly $47.5B, the highest reading of 2026 and up 38% from Q2.
- **Supply did not keep up.** Net new supply fell to $8.5B, leaving a $39B shortfall. With that paper skewed to higher-rated, lower-spread credits, CLO arbitrage is tight: median equity distributions fell to a six-year low of 2.4%.
- **Issuer implication:** Demand is strong enough to support new issuance and refinancing across most of the market, which favors issuers who can bring CLO-eligible paper now.

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.

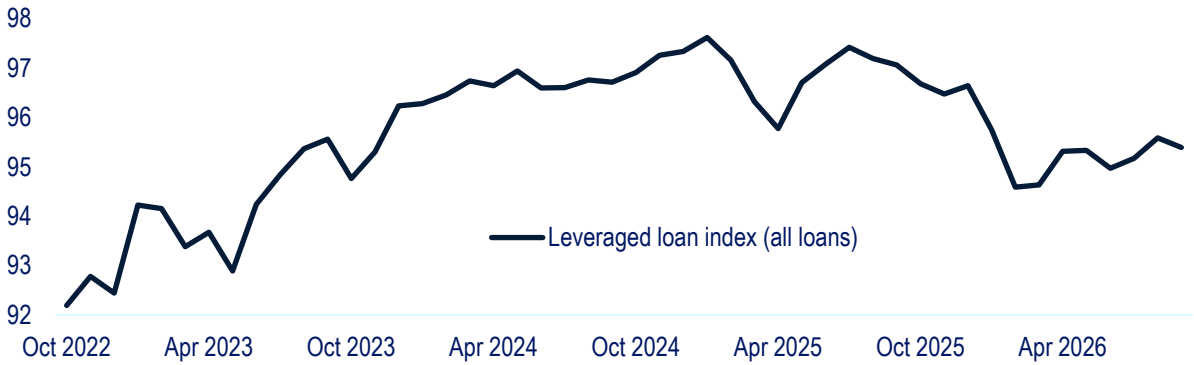


Source: PitchBook | LCD • Data through Sept. 30, 2026

- **Spread dispersion widened further in 3Q26.** B-minus new-issue spreads averaged S+413, more than 50 bps wider than at the end of 2025, while B and B-plus rose to about S+334 and S+293. BB-minus held near S+226, stretching the gap between the weakest and strongest buckets to almost 190 bps from roughly 100 bps a year ago.
- **Necessity, not opportunism, is driving lower-rated supply.** B-minus borrowers came to market mostly to refinance 2028 maturities and paid an average of 32 bps more than their original spread. At the other end, five LBO loans cleared at S+250 in September alone, more than in either of the prior two quarters.
- **Issuer takeaway:** Strong credits are being priced tighter as lenders compete for them; weaker credits face a widening premium that rewards refinancing early rather than late.

Weighted Average Bid Price of US Leveraged Loans

Tracks the weighted average secondary bid of the Morningstar LSTA US Leveraged Loan Index, a broad read on investor risk appetite and liquidity across the loan market.



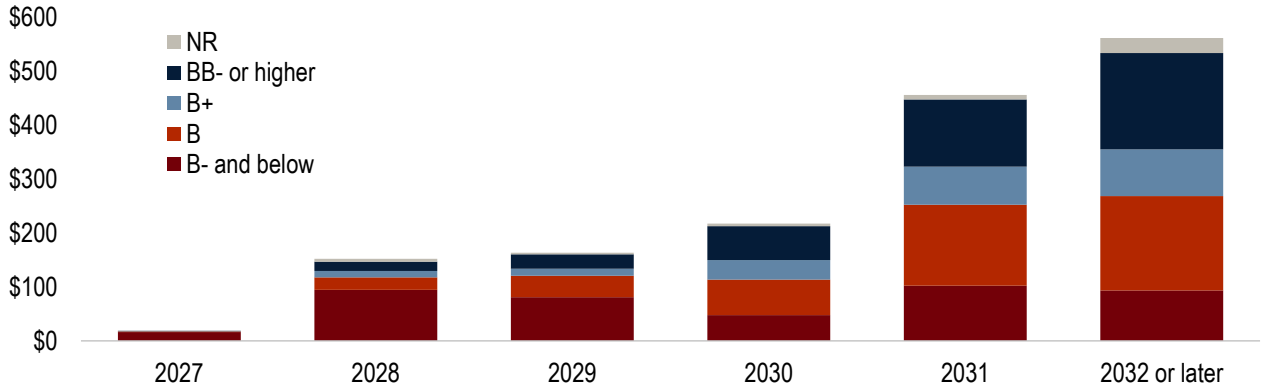
Sources: PitchBook | LCD; Morningstar LSTA US Leveraged Loan Index • Data through Sept. 29, 2026

- **Secondary prices firmed through the third quarter.** The weighted average bid peaked at 95.69 on September 22, its highest since early February, before easing to about 95.4 at quarter-end on rate and inflation concerns. That compares with a 2026 low of 94.17 in early March.
- **Loans returned 2% in Q3, the best quarter since 2Q25.** Software recovered much of its earlier underperformance and is now down about 1.7% for 2026 against a 3.3% gain for the overall index, compared with a 6.3% loss at the end of June.
- **Takeaway:** A firmer secondary market supports primary execution, though software credits still trade at a discount and remain a harder sell in new issuance.

Maturity Wall & Pricing Activity

US Leveraged Loan Maturity Wall ($B)

Shows the leveraged loan maturity schedule by year and borrower rating, highlighting where refinancing needs concentrate.

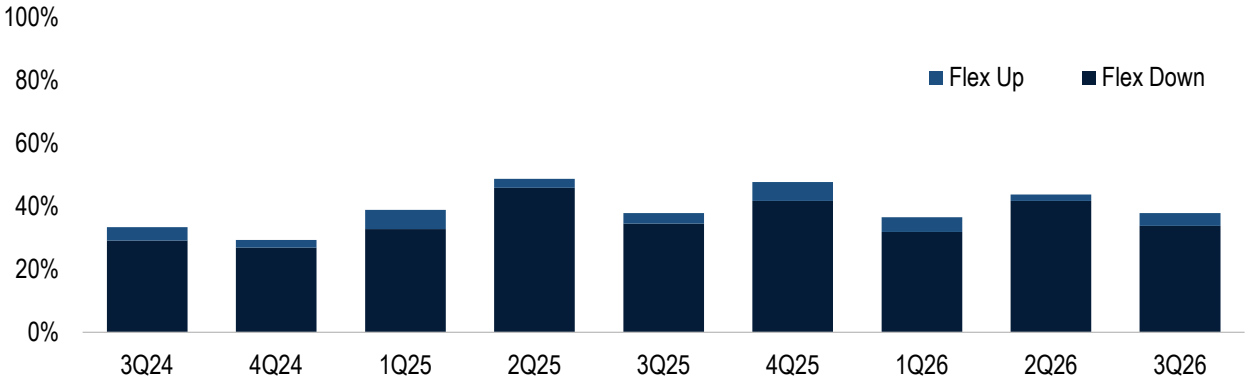


Source: PitchBook | LCD; Morningstar LSTA US Leveraged Loan Index • Data through Sept. 25, 2026

- **The near-term wall is shrinking, but the risk is concentrated.** About $152B of loans mature in 2028, and 62% of it sits with borrowers rated B-minus or below. The 2029 cohort totals about $164B, half of it B-minus or lower, while the bulk of outstandings now falls in 2031 and later.
- **Higher-rated borrowers are moving faster.** B-minus-or-lower issuers have cut their 2028 maturities by 35% this year to about $94B, while B and B-plus borrowers reduced theirs by 64%. Software's larger footprint in the lower-rated cohort explains part of the gap.
- **The BSL market is also absorbing private credit refinancings.** Syndicated lenders refinanced a record $16.4B of direct lending loans in Q3, the most since LCD began tracking the data in 2022.
- **Issuer implication:** Maturity management should begin well ahead of the wall, especially for B-minus credits that face higher refinancing spreads and a more selective investor base.

US Institutional Loan Flex Activity (% of Deals)

Tracks the share of institutional deals flexed tighter or wider during syndication, providing a real-time read on pricing power between borrowers and lenders.



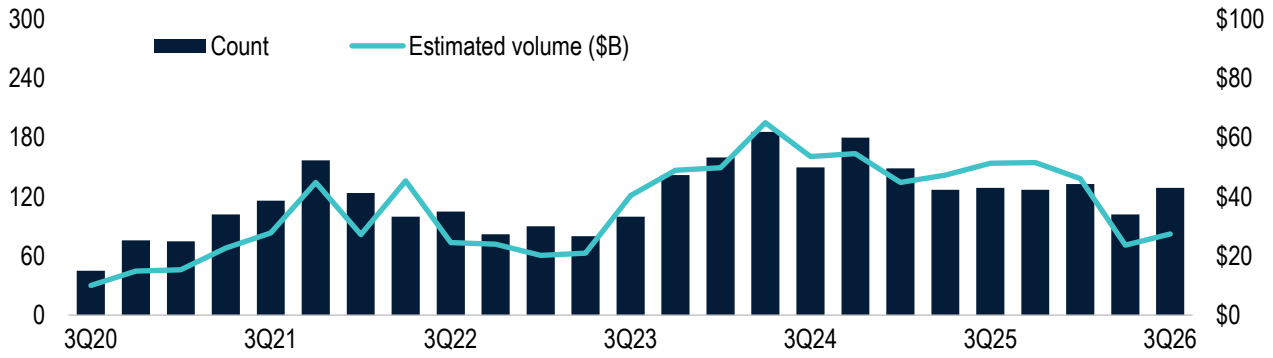
Source: PitchBook | LCD • Data through Sept. 30, 2026
Analysis excludes repricing and extension amendments.

- **Pricing power shifted modestly back toward lenders in the third quarter.** About 34% of institutional deals flexed tighter during syndication in 3Q26, down from 42% in Q2, while 4% flexed wider, up from 2%. Tightening flexes still outnumbered widening by roughly eight to one.
- **Volatility tempered the borrower-friendly window without closing it.** Strong CLO demand absorbed September's M&A supply, while weaker credits met more pushback on price, consistent with B-minus spreads widening to S+413.
- **Takeaway:** Execution remains favorable for well-rated issuers, but lower-rated borrowers should budget for less room to tighten in syndication.

Private Credit

Direct Lending Deal Count and Estimated Volume, PE-Backed ($B)

Tracks US direct lending activity for PE-backed borrowers by quarter, showing how estimated volume and deal count have evolved as private credit absorbed larger financings.

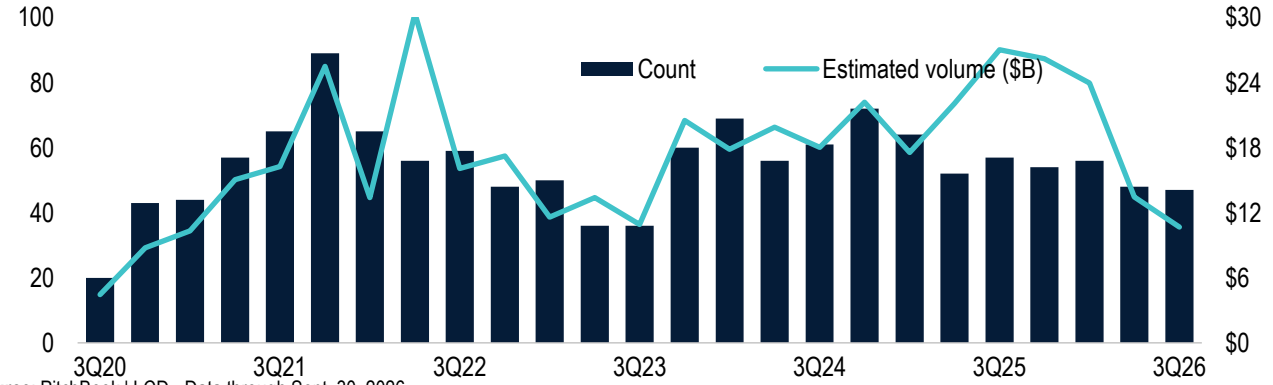


Source: PitchBook | LCD • Data through Sept. 30, 2026
Direct lending analysis is based on transactions covered by LCD News

- **PE-backed direct lending recovered modestly in 3Q26.** Estimated volume rose to about $27.4B across 129 deals, from $23.7B across 102 deals in Q2.
- **Deal count is back, but deal size is not.** Count matched the 129 deals of 3Q25 on about half the volume, as the average financing fell to roughly $213MM from about $398MM, with activity concentrated in the lower middle market and non-software credits.
- **Year-to-date volume is down 32%,** at about $97.2B against $143.6B through 3Q25, with large sponsor buyouts largely absent from private credit.
- **Takeaway:** Private credit is open and competing for mid-sized, non-software deals, but a return to 2025 volumes depends on a recovery in large sponsor activity.

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.



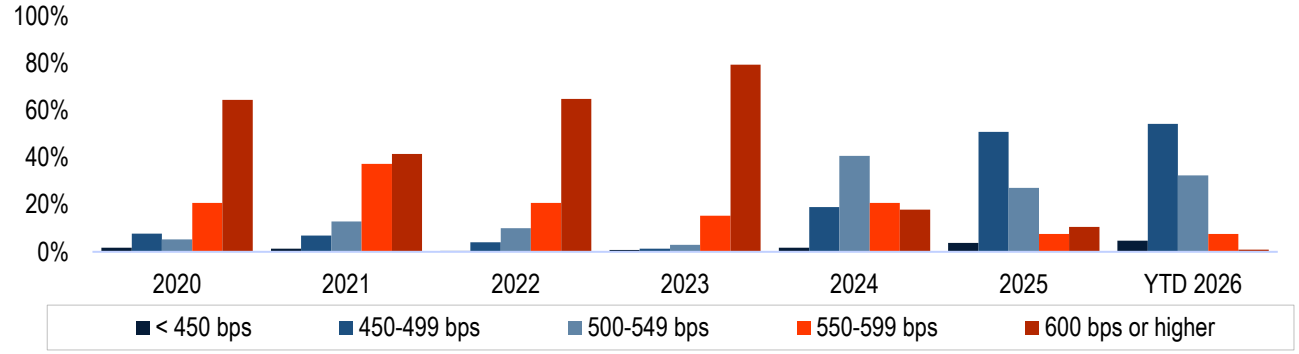
Source: PitchBook | LCD • Data through Sept. 30, 2026
Direct lending analysis is based on transactions covered by LCD News

- **LBO direct lending stayed subdued in 3Q26.** Estimated volume was about $10.7B across 47 deals, down from a revised $13.5B and 48 deals in Q2 and well below the $27.0B and 57 deals of 3Q25.
- **The BSL market is winning the larger buyouts.** September's run of jumbo syndicated LBO financings included deals that could have gone to private credit, and BSL LBO spreads eased to about S+308 from S+332 in Q2, keeping the syndicated option cheaper.
- **Stress is building in existing portfolios.** Of roughly 5,000 companies held by BDCs, nearly 600 showed signs of credit pressure as of June 30, up 25% from year-end 2025, which is keeping many lenders selective on new deals.
- **Takeaway:** Direct lending remains a credible option for sponsor financings, particularly for smaller and non-software credits, but sponsors should price both channels on every deal.

Private Credit

New-Issue Spread Distribution of LBOs Financed in Direct Lending Market

Tracks where direct-lending LBO spreads have cleared over time, showing how private-credit pricing has shifted as lender selectivity increased.

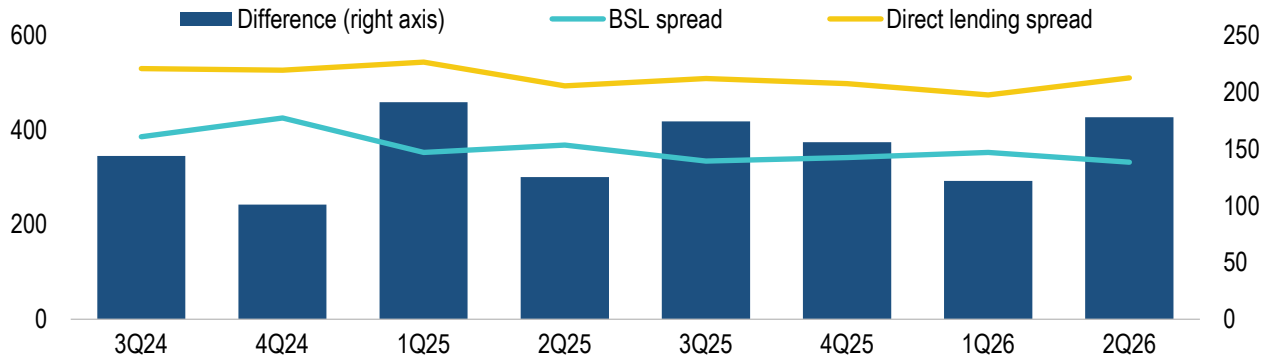


Source: PitchBook | LCD • Data through Sept. 30, 2026

- **Direct lending LBO pricing tightened in 2026 as lenders compete for quality deals.** About 59% of direct-lending LBOs have cleared below S+500 so far this year, up from 55% in 2025, with the 450-499 bps bucket alone accounting for 54%.
- **Lenders are calibrating to the BSL market.** Competition for non-software borrowers has pushed spreads on those deals back below S+500, and just 1% of 2026 LBOs have priced at S+600 or wider, against about 10% in 2025.
- **Takeaway:** Private credit is competing on price for the right credits; sponsors with strong, non-software assets can use that competition to tighten terms.

Spread of LBOs Financed in BSL vs Direct Lending Market (bps)

Compares average LBO financing spreads in the BSL and direct lending markets, highlighting the trade-off between price and execution certainty.



Source: PitchBook | LCD • Data through June 30, 2026
Direct lending analysis is based on transactions covered by LCD News

- **The direct-lending premium to BSL re-widened in 2Q26,** moving to roughly 178 bps as direct lending LBO spreads rose to about S+509 while BSL LBO spreads tightened to about S+332. 2Q26 is the latest quarter with a published direct lending average.
- **BSL pricing kept falling in 3Q26.** BSL LBO spreads eased to about S+308 from S+332 in Q2, and the BSL market has taken the majority of LBO financing volume this year, a reversal of the private-credit dominance of 2022-2024.
- **The chart reinforces the central takeaway for sponsors and issuers:** capital markets are increasingly dual-track, and the right venue depends on the balance between economics, certainty, and deal complexity at the time of launch.
- **Takeaway:** Issuers should continue to run a true dual-track process, because the relative value between BSL and direct lending can shift quickly with market tone.

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.



*Includes experience from SC&H professionals are prior firms

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- Capital Solutions
- ESOP Transactions
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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 Carwash
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
TCW
SC&H Professionals Served as Sole Placement Agent

Manufacturing
Leading manufacturer of plant sterols

College AVE Student Loans
$1,000,000,000 Lending Services Agreement
Firstrust Bank
Firstrust Bank Served as Administrative Agent
SC&H Professionals Served as Sole Placement Agent

Consumer Finance
Fintech originator of private student loans.

TruFood Mfg
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

Comfort Research
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*

Contact Us For More Information

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Guided by our values — for our clients, colleagues, and communities. Driven by results.

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.