



AlixPartners

Mid-Market Debt Report

Autumn 2026

Dear Reader,

I am pleased to introduce the 25th edition of the AlixPartners Mid-Market Debt Report, reflecting on the first half of 2026 and sharing our outlook for the remainder of the year.

When I wrote to you in the Spring, the Middle East conflict had just frozen the public markets and we questioned whether private credit's resilience would hold. The shock proved severe but short. High-yield issuance stopped entirely at the outset of the war and European loan prices bottomed in early March. However, the recovery was rapid: the primary bond market reopened in late March, April was the busiest month for European high-yield issuance on record, and the second quarter set an all-time quarterly supply record. Loan spreads ended the half at their tightest levels since before the financial crisis. Against this backdrop, AlixPartners recorded 388 cash-flow deals and 119 ABL transactions in H1-26, a 20% fall in cash-flow activity from last year's record second half, suggesting the mid-market did not share fully in the liquid markets' rebound.

Beneath the headline, the composition of activity tells a more interesting story than the total. The decline was driven largely by refinancings, as borrowers able to access the reopened syndicated and high-yield markets took their refinancing needs there, while M&A related financings held up and finished slightly ahead of the same period last year. In my Spring letter I suggested the freeze in public markets was a call for direct lenders to step up; in the event, it was the banks that did so. Bank activity held flat while deals completed by credit funds fell by almost a third, lifting the banks' share of the market to 40%, its highest since 2019. Asset-based lending also continued to grow, with ABL now accounting for nearly a quarter of all transactions we recorded, as borrowers with tangible assets turned to structures that unlock liquidity and working capital. Taken together, this is a market that remains open but is increasingly discerning: lenders are concentrating capital on the credits and structures they understand best, and for borrowers outside that circle, the path to financing is narrowing.

As I write this in October 2026, there is no end in sight to potentially disruptive events: conflicts rage on, while ever more ambitious claims about the pace and impact of AI continue to dominate headlines. For borrowers, the question therefore remains one of timing. Spreads are generally tight by historical standards but base rates are increasing. All-in costs are therefore likely to drift higher, and the window to lock in margin reductions will not stay open indefinitely. For sponsors unable to secure an exit, recapitalisations and repricings remain available and we expect continued use of continuation structures to relieve pressure on the 2019-2022 vintages. Ultimately, the single constraint on this market is M&A volume: most of private credit's difficulties ease once companies start changing hands again at a clearing price.

As always, our aim at AlixPartners is to cut through the noise and provide independent, actionable insight to help our clients navigate uncertainty and seize opportunities where they arise.

Thank you for your continued trust in us.



Christopher Lowe
Partner and Managing Director
Head of Capital Advisory

***“Credit is just credit.
There are good
underwriters of credit
and there are bad
underwriters of credit.”***

Marc Rowan

CEO and Co-Founder, Apollo Global Management
Bloomberg Talks Podcast, March 2026

H1-26 review

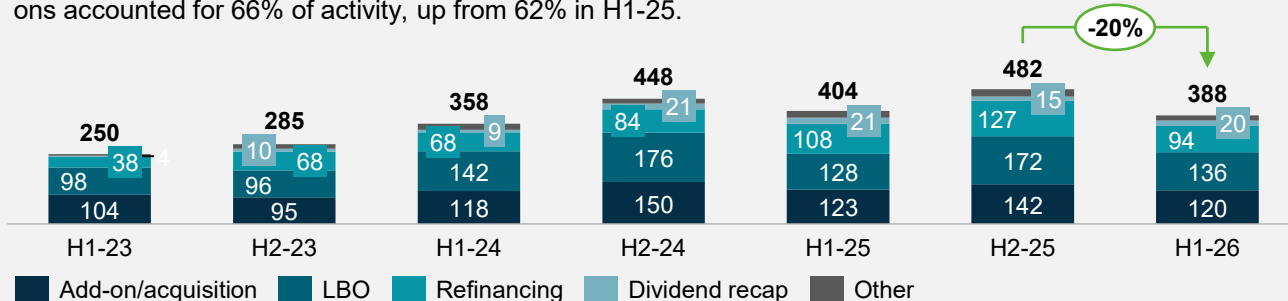
Deal volumes cool from H2-25 record as refinancing wave recedes

The 25th edition of AlixPartners' biannual Mid-Market Debt Report covers ~75 bank and non-bank lenders active in the UK and European mid-market

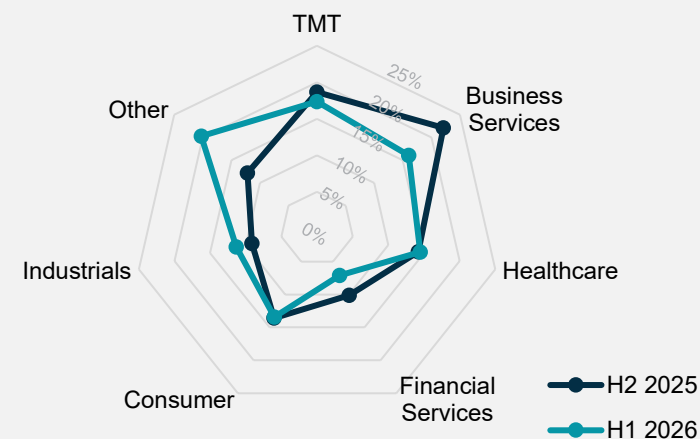
- In H1 2026, 388 cash-flow loans and 119 ABLs were recorded. Despite a 20% decline in overall volumes, banks' share of cash-flow lending rose by 21% to reach 40%
- Refinancings fell 26% as syndicated loan and high-yield markets recaptured supply following the Q1 disruption. M&A financings also declined, but dividend recapitalisations rose 33% as sponsors increasingly used supportive debt markets to accelerate returns to LPs
- Market sentiment for H2-26 is weighed down by rate uncertainty and elevated input costs, yet tight spreads and ample liquidity keep the refinancing window open for strong borrowers

Total deal count (cash flow-based loans only)

Deal activity fell 20% vs. the record H2-25 and 4% vs. H1-25, reflecting geopolitical disruption and a brief Q1 market freeze. Refinancings led the decline, down 26% vs. H2-25 and 13% vs. H1-25, as much of the 2025 refinancing wave had already been absorbed and syndicated loan and high-yield markets competed for remaining supply. M&A financing proved more resilient, with LBOs up 6% year-on-year, while LBOs and add-ons accounted for 66% of activity, up from 62% in H1-25.



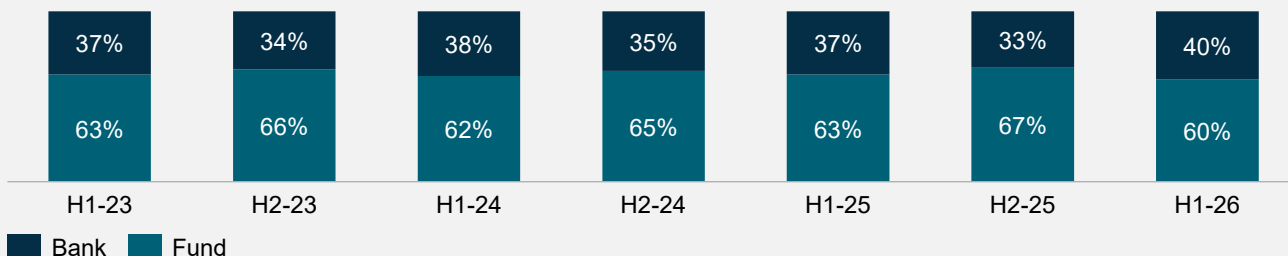
Cash flow-based deals by sector



Business Services saw the sharpest decline in share, falling 6 percentage points to 16%, while Financial Services and TMT fell 3 and 2 percentage points, respectively. TMT's fall was bank-led as lenders continued to separate financeable software businesses from those more exposed to AI disruption. Healthcare held steady at 14%, and Consumer deals eased by 1 percentage point. Industrials gained 2 percentage points, and deals outside the core sectors rose 8 percentage points to 20%, making "Other" the largest single category and suggesting lenders broadened their search for supply in a thinner deal market.

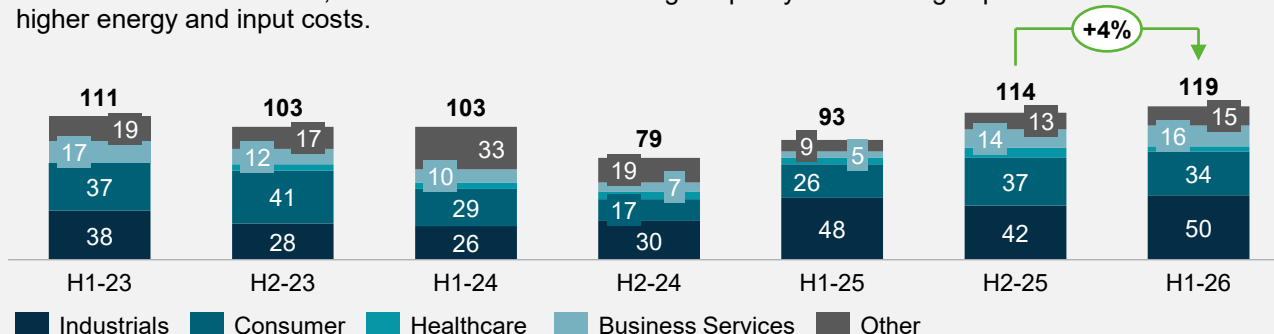
Bank vs fund (cash flow-based loans only)

Banks completed 40% of cash-flow deals in H1-26, their highest share since H1-19, as the credit fund share fell 7 percentage points from 67% in H2-25. The shift reflects movement on both sides of the market. Direct lenders turned more selective amid Q1 volatility and fundraising headwinds, concentrating on a narrower set of assets. Banks, meanwhile, continued the re-engagement flagged in our previous edition, competing hard on pricing for lower-leverage structures.



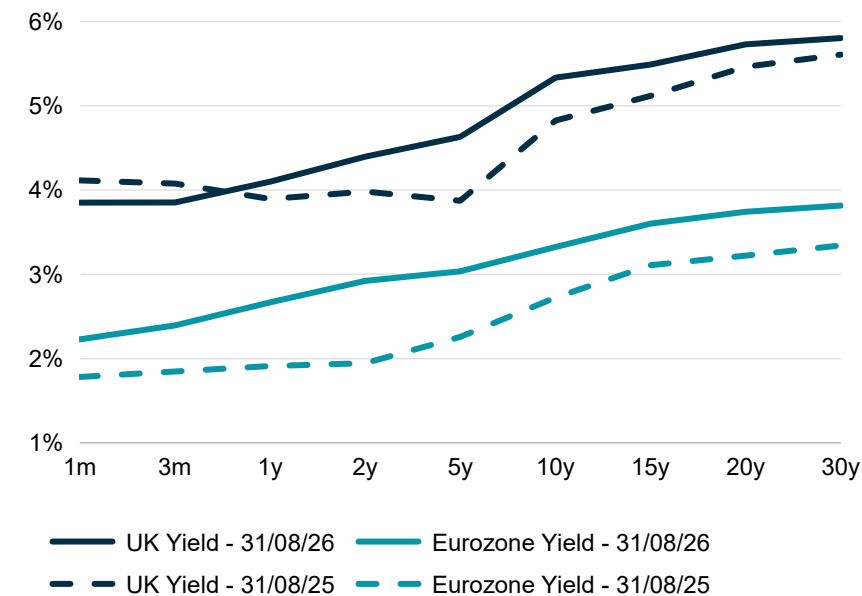
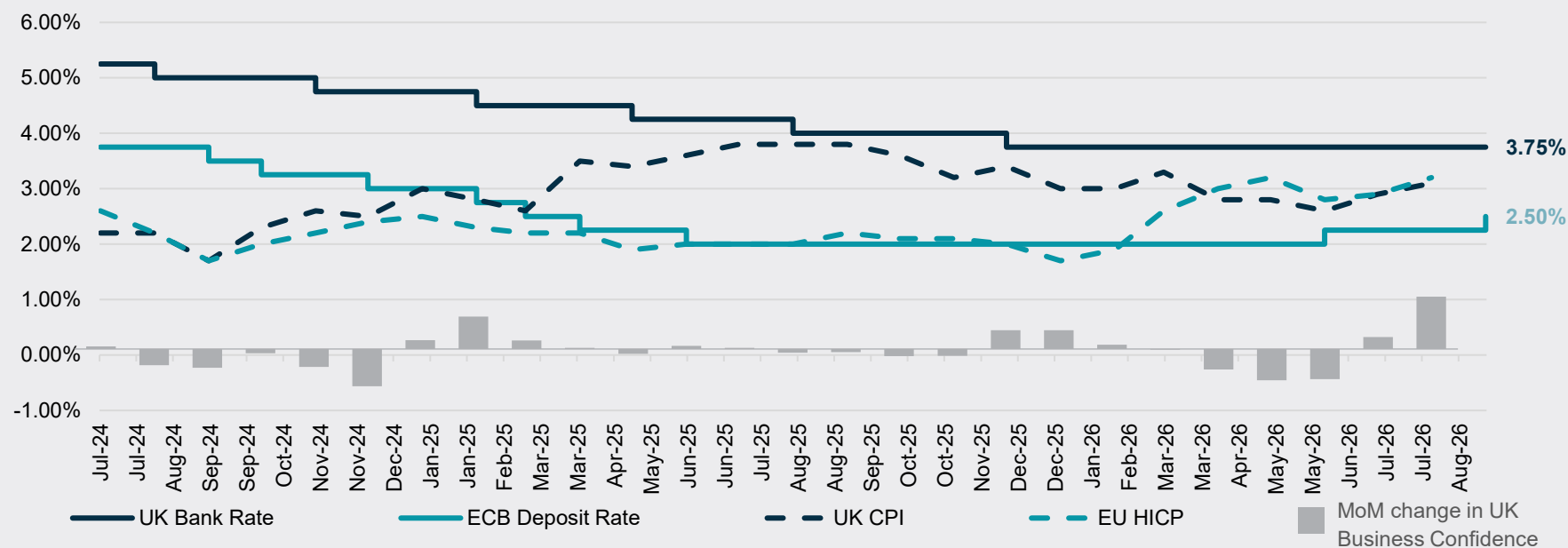
ABL deals by sector

ABL activity rose 4% to 119 deals in H1-26, extending the momentum of H2-25 and running 28% ahead of H1-25, in sharp contrast to the 20% decline in cash-flow lending. Growth was led by Industrials, where deal count rose 19% to 50, as asset-rich borrowers sought liquidity and working capital headroom amid higher energy and input costs.



Opening remarks

Circling hawks



Backdrop

H1 2026 delivered two shocks in quick succession and recovered from both with a speed that told us more about market structure than about fundamentals. February's sell-off in software credits, driven by fears of AI-led disruption, was followed within weeks by the outbreak of war in the Gulf and the effective closure of the Strait of Hormuz. Brent moved above \$100, European gas hit multi-year highs, and high-yield primary markets shut entirely. Secondary loan prices bottomed in the second week of March, more than two points below where the year opened. Yet by the end of April, the index had recovered most of that ground, and by mid-May, it was back near January levels. Issuance resumed before the April ceasefire, not after it.

The more consequential development was the reversal in rate expectations. The ECB raised rates by 25bps in June, its first increase since 2023, and revised its 2026 growth forecast down while lifting its inflation path. The Bank of England held the Bank Rate at 3.75% throughout, but the direction of dissent inverted over the half: in February four members voted for a cut, and by June two were voting for a hike. Markets that began the year pricing further easing ended the half pricing the opposite. For borrowers, this materially blunted the benefit of spread compression. Spreads on European TLBs closed the half at their tightest since early 2008, yet all-in yields for single-B issuers rose across the second quarter.

Volumes were nonetheless exceptional in the syndicated space. European high-yield supply set an all-time quarterly record in Q2, supported by the busiest April on record and an unusual cohort of first-time issuers, who accounted for roughly 30% of H1 supply. Loan issuance posted its strongest quarter since Q1-25. But the composition matters: refinancings, repricings, and extensions again did the heavy lifting, and non-refinancing new money (i.e. M&A) fell almost a fifth year-on-year. The market set records without financing meaningfully more activity.

Q4 2026 outlook

The rate path is no longer in doubt. The ECB hiked rates again in September, the Bank of England has turned increasingly hawkish, and inflationary pressures remain elevated amid renewed energy market disruption. While credit spreads remain near historic lows, rising base rates are outpacing margin compression, meaning the refinancing case is increasingly about certainty rather than cost savings.

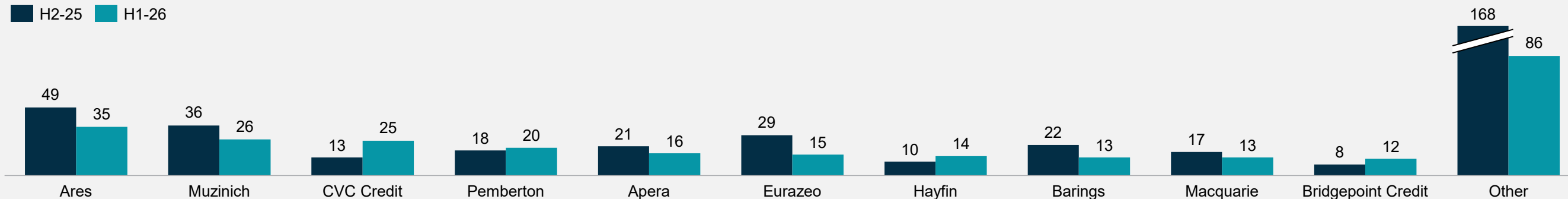
Recent global sovereign bonds sell off, has caused long-term yields to reach multi-decade highs. The key drivers include high public debt and large fiscal deficits, persistent concerns about inflation and interest-rate policy, and growing competition for long-term capital from the borrowing needs of AI infrastructure. This combination could cause the valuation gap to remain and impact LBO activity. We expect refinancing activity to remain elevated as borrowers move proactively to secure financing ahead of a potentially rising rate environment. Refinancings, recapitalisations and continuation transactions are therefore likely to continue dominating deal flow, while ABL should gain further share as borrowers seek more efficient funding against higher working capital requirements. Competition for high-quality, defensible credits will remain intense.

Lenders in focus

Key themes across the “lender-verse”

Total deal count (cash flow-based loans only)

H2-25 H1-26



In conversation: Key trends and themes from our coverage of the European mid-market lending landscape



Sectoral reality checks

Lenders are reassessing software and business services exposure as AI disruption risk and aggressive leverage on recurring-revenue structures come under greater scrutiny. While appetite remains strong for mission-critical and highly embedded products, investors have become increasingly selective, resulting in wider pricing and lower risk tolerance for weaker credits. Recent market moves suggest a recalibration of risk rather than a structural retreat from the sector.

Capital is rotating towards less glamorous but more predictable credits. New allocations are increasingly targeting industrials, select consumer-facing businesses and other real-economy sectors, where visible recurring cash flows, tangible assets and limited exposure to technological obsolescence provide greater underwriting certainty. In a market characterised by uncertainty and spread compression, lenders are placing renewed emphasis on resilience, recoverability and free cash flow generation over growth-driven investment themes.



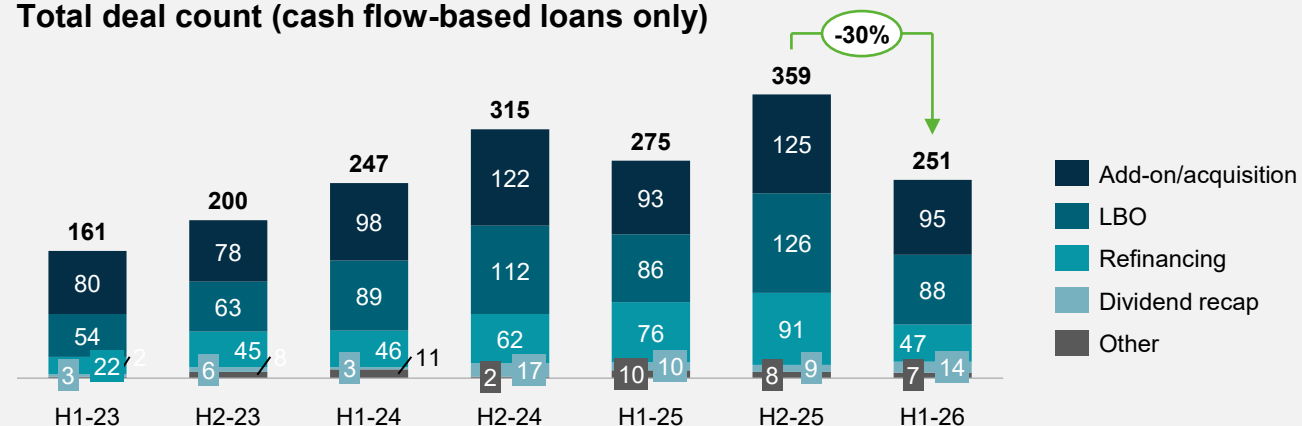
Fundraising woes

Private equity distributions remain subdued, limiting LP liquidity and extending fundraising cycles across private markets. Against this backdrop, European private debt funds raised just 37% of their full-year 2025 total in H1 2026, while only seven funds closed during the period, the fewest since 2012, according to data from PitchBook. The fundraising environment remains highly competitive as investors prioritise existing manager relationships and reserve capital for future commitments.

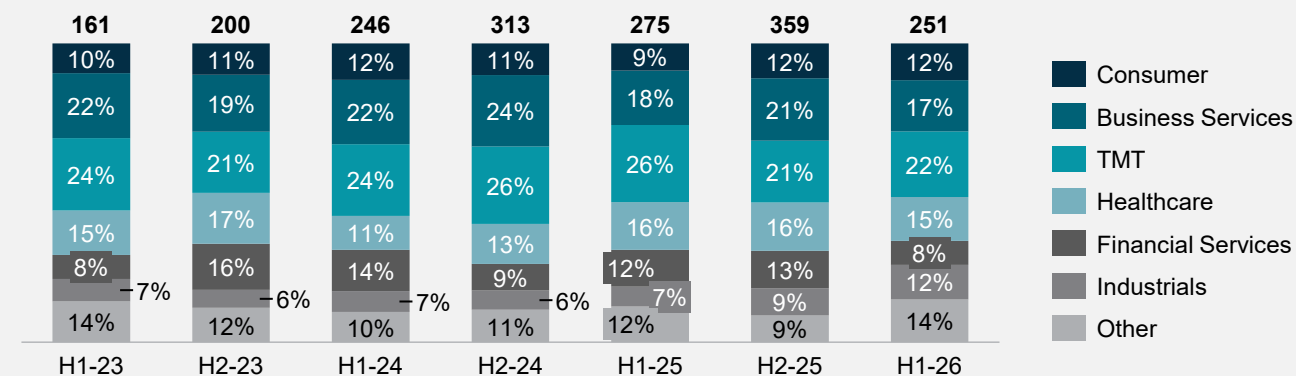
Capital continues to concentrate among established private credit managers. Emerging firms accounted for just 4.5% of capital raised in H1 2026, compared to 32.9% in 2020, as investors increasingly favour managers with proven deployment, portfolio management and realisation track records. While fundraising remains open for large, established platforms, first-time funds continue to face significant headwinds.

Lenders in focus: Funds Recalibrating

Total deal count (cash flow-based loans only)

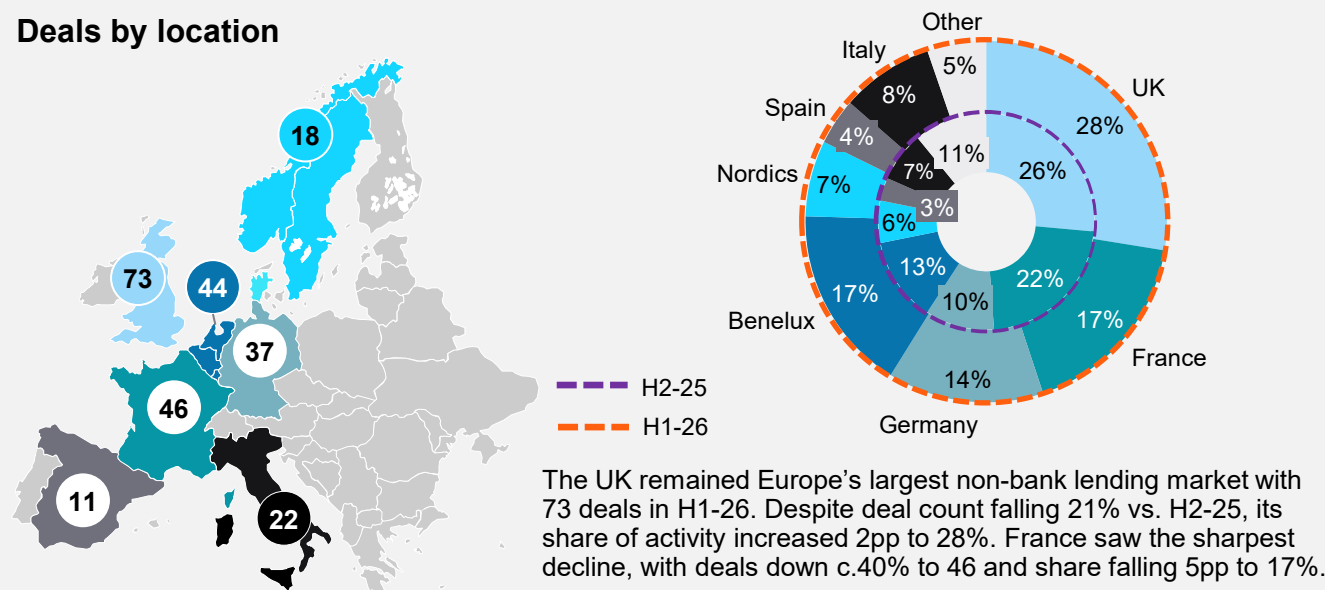


Deals by sector

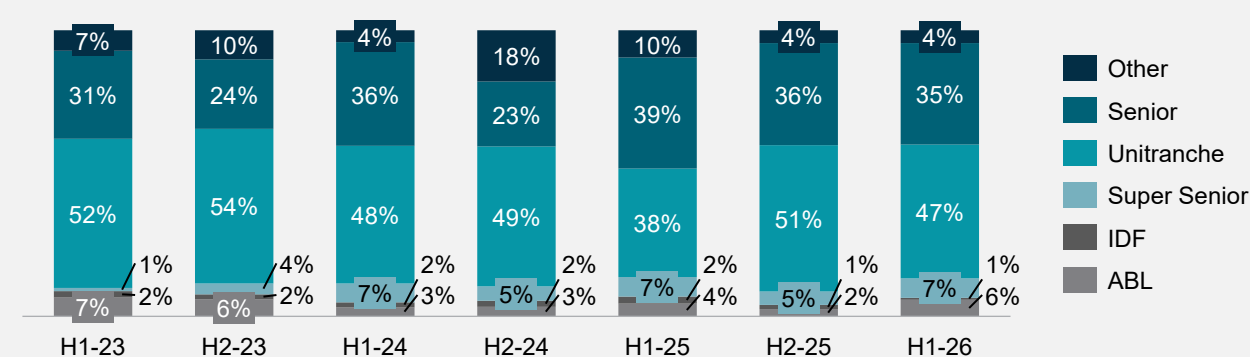


While TMT remains the largest single sector for credit funds at 22%, it is still below the long-term average of 24%. This suggests funds continued to back software businesses they view as resilient to AI disruption, while banks pulled back more sharply. Financial Services and Business Services saw the largest declines, falling 5 and 4 percentage points, respectively. Industrials rose 3 percentage points to 12%, its highest share in the period shown.

Deals by location



Deals by structure

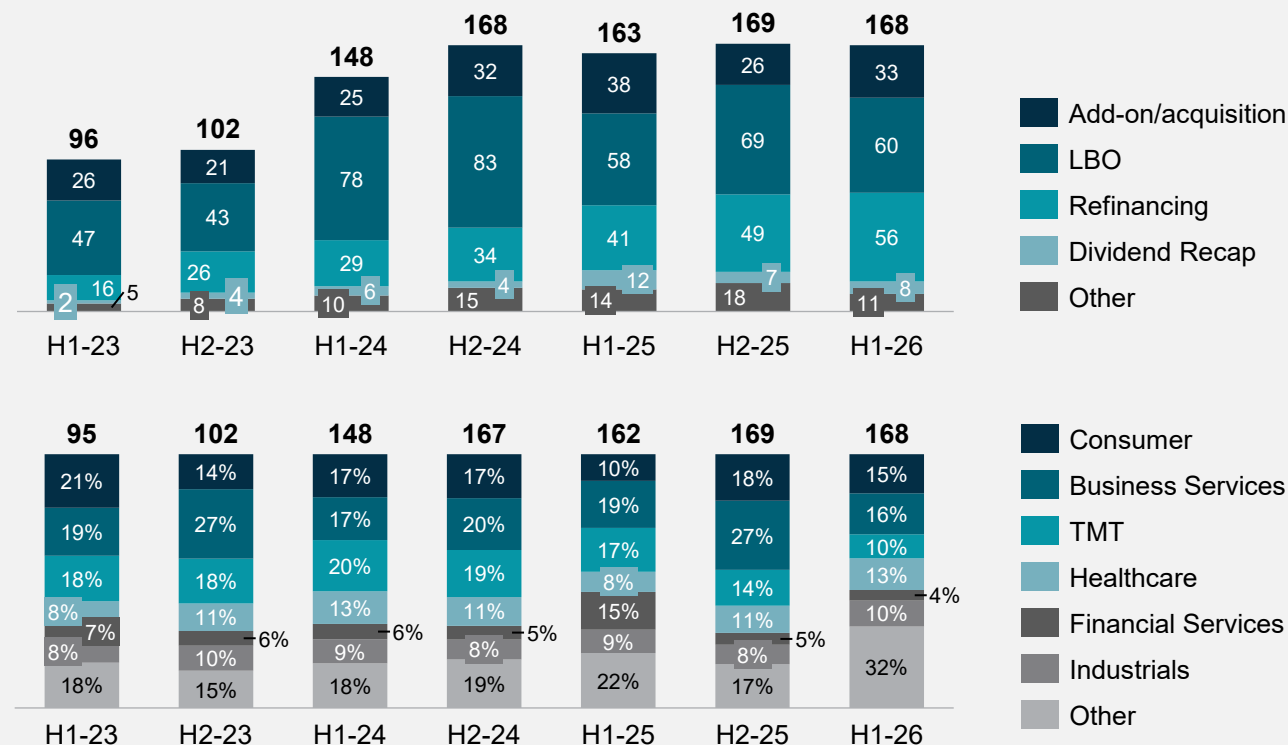


Unitranche remained the dominant structure for credit funds, though its share eased 4 percentage points to 47%, while senior deals held broadly steady at 35%. ABL rose to 6% of fund activity from 2% in H2-25, in line with our expectation in the previous edition that more credit funds would target asset-based lending. "Other" deals, such as Holdco PIKs and second-lien facilities, held at 4%, matching the lowest share in the period shown and consistent with the continued moderation in sponsored leverage across the direct lending market.

Lenders in focus: Banks

Refi Resilience

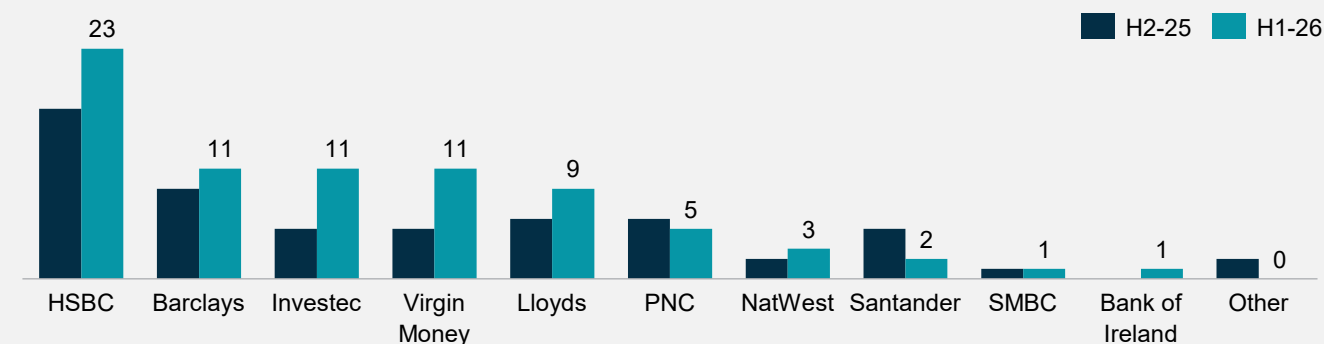
Total bank deal count (cash flow-based loans only)



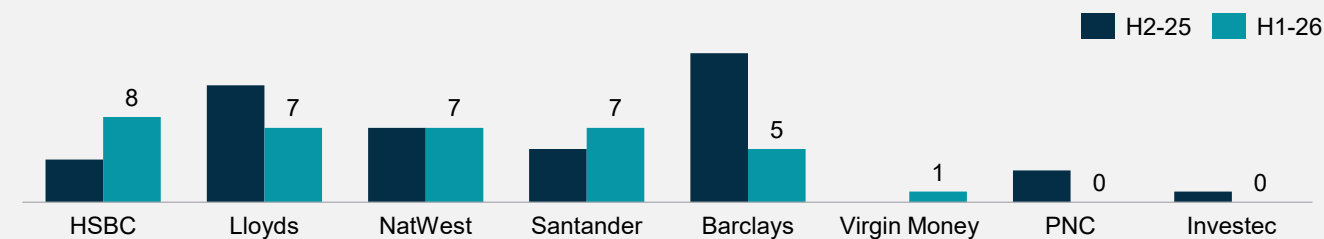
Insight

- Bank activity held steady in H1-26 at 168 cash-flow deals, almost unchanged from H2-25 volume, even as total market activity fell 20%. This lifted banks' share of deals to 40%, their highest since H1-19. Refinancings drove that resilience, rising 14% to 56 deals, the highest half-year total in the period shown, and accounting for a third of bank activity. M&A-related deals, by contrast, slipped to 55% of the total.
- Sector-wise, banks pulled back from TMT more sharply than credit funds did. TMT's share of bank deals fell 6 percentage points to 8%, the lowest in the period shown, while Business Services fell 13 percentage points to 14%. Healthcare and Industrials each gained 3 percentage points, and deals outside the core sectors rose to a third of bank activity.
- HSBC remained the most active bank in both senior debt and ABL/IDF, lifting its senior deal count to 23, while Investec and Virgin Money more than doubled their senior activity. In ABL, Wells Fargo and Arbuthnot were the notable risers.

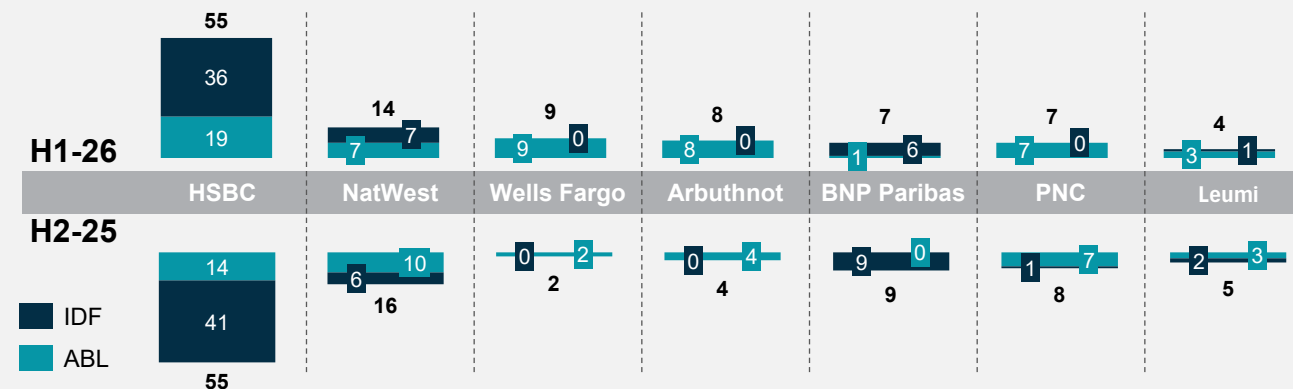
Senior debt deal count



SS RCF deal count



ABL and IDF deal count



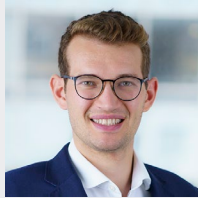
For more information, contact:



Christopher Lowe
Partner and Managing Director
clowe@alixpartners.com
+44 7920 775 642



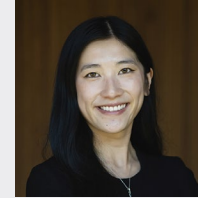
Andrew Cruickshank
Director
acruickshank@alixpartners.com
+44 7729 196 800



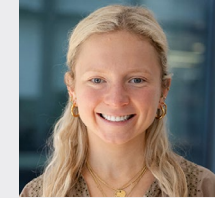
Oliver Tudor
Senior Vice President
otudor@alixpartners.com
+44 7595 345 510



Rohan Mehta
Senior Vice President
rmehta@alixpartners.com
+44 7876 770 185



Aileen Wu
Senior Vice President
awu@alixpartners.com
+44 7818 974 197



Rachel Goldstein
Consultant
rgoldstein@alixpartners.com
+44 7530 433 851

About us

For more than 45 years, AlixPartners has helped businesses around the world respond quickly and decisively to their most critical challenges, circumstances as diverse as urgent performance improvement, accelerated transformation, complex restructuring, and risk mitigation.

AlixPartners Capital Advisory delivers independent, conflict-free advice and execution support to clients accessing or renewing debt financing for enterprise, investment, and operations. Our global team is focused on client outcomes, leveraging deep experience, strong relationships, and exceptional talent to deliver best-in-class solutions.

We advise shareholders, management teams, and investors across listed corporates, private equity, sovereign wealth funds, and privately owned businesses on all aspects of debt financing. Our expertise spans the full capital spectrum, enabling us to navigate complex transactions and deliver results in dynamic market environments.

Operating across all major sectors, we draw on deep sector insight from AlixPartners' global network across EMEA, the Americas, and Asia. This reach allows us to provide strategic, locally informed advice that helps clients achieve their financial and operational goals.

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