



AlixPartners

Mid-Market Debt Report

Spring 2026

Dear Reader,

I am pleased to introduce the 24th edition of the AlixPartners Mid-Market Debt Report, reflecting on the second half of 2025 and sharing our outlook for 2026.

The themes observed in the first half of 2025 persisted into H2: uncertainty around global trade policy, geopolitics, and conflict continued to dominate the headlines. With M&A activity remaining muted and limiting the supply of new transactions, tightening credit spreads helped drive a surge in refinancings and recapitalisations, resulting in the highest deal volume AlixPartners has recorded to date.

As conflict in the Middle East escalates in 2026, we expect this to weigh on investment plans and further suppress already subdued M&A volumes. Early indicators are stark: March 2026 has so far seen no high-yield bond issuance and a sharp fall in leveraged loan volumes compared with February and with the same period last year. Historically, private credit has demonstrated its resilience as a viable alternative when public markets have effectively shut. In my view, the freeze in high-yield and syndicated loan markets is a clear call for direct lenders to step up and bridge the funding gap for strong mid-market borrowers. This time, however, AI-related uncertainty, historically tight spreads and emerging loss experience may put that resilience to the test.

Even so, we are not unduly pessimistic. Underwriting standards have generally improved, and lenders have, for the most part, remained disciplined on equity cheques and documentation. While we do expect some credit losses, we do not foresee a dramatic withdrawal of liquidity, supported by the robustness of direct lenders and by banks that are regaining market share. This leaves us cautiously optimistic about the European mid-market's ability to navigate further turbulence – echoing the observation from Sixth Street that crises are more often about liquidity than about credit losses.

For borrowers, the key question is what this means for timing. The best moment to refinance was yesterday; with spreads still tight, the second best may be sooner rather than later, particularly as the market now prices in multiple Bank of England rate increases this year – a scenario that would have seemed unlikely at the start of 2026. We therefore expect refinancing to remain a major driver of mid-market activity over the coming months.

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

“ We believe there is going to be an honest reckoning for the sector resulting in a healthier and more resilient direct lending industry. ”

Sixth Street Specialty Lending, Inc.
Stakeholder Letter, March 2026

H2-25 review

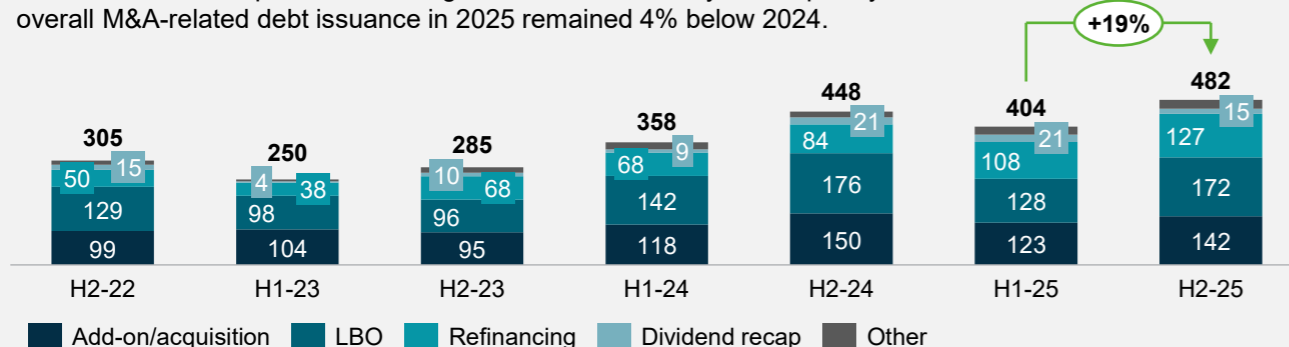
Largest volume of deals recorded by AlixPartners

The 24th edition of AlixPartners' biannual Mid-Market Debt Report covers ~75 bank and non-bank lenders active in the UK and European mid-market

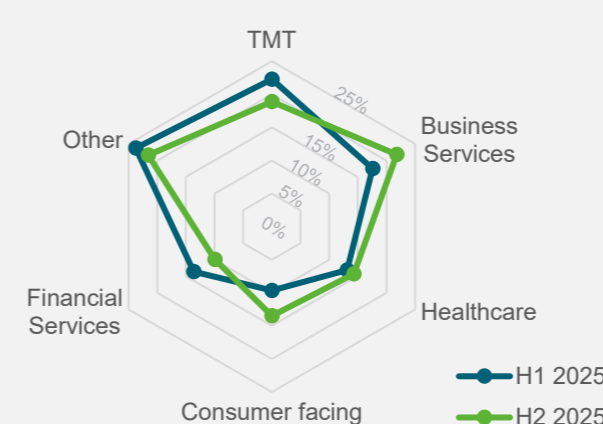
- H2-25 saw 482 cash-flow loans and 114 ABLs, up 19% and 23% respectively, marking the highest half-year deal volumes – and the strongest full-year total – since this publication began.
- While M&A activity did increase on H1, continued supply/demand imbalance between borrowers and lenders drove further margin compression, prompting continued growth in refinancing activity.
- The highest level of ABL deals since 2021 suggests borrowers are increasingly turning to asset-based structures to unlock liquidity and fund working capital in a more uncertain macro environment.
- Market sentiment for 2026 is hit by heightened conflicts and rising cost pressures, yet these same concerns are encouraging borrowers to refinance proactively while spreads are still relatively tight.

Total deal count (cash flow-based loans only)

Deal activity rose by 19% from H1 to H2-25, driven primarily by a surge in refinancing volumes. Refinancings increased 18% vs. H1-25 and 51% vs. H2-24, as outsized demand fuelled further spread compression. While LBO and add-on acquisition financings recovered to broadly match prior-year levels in the second half, overall M&A-related debt issuance in 2025 remained 4% below 2024.



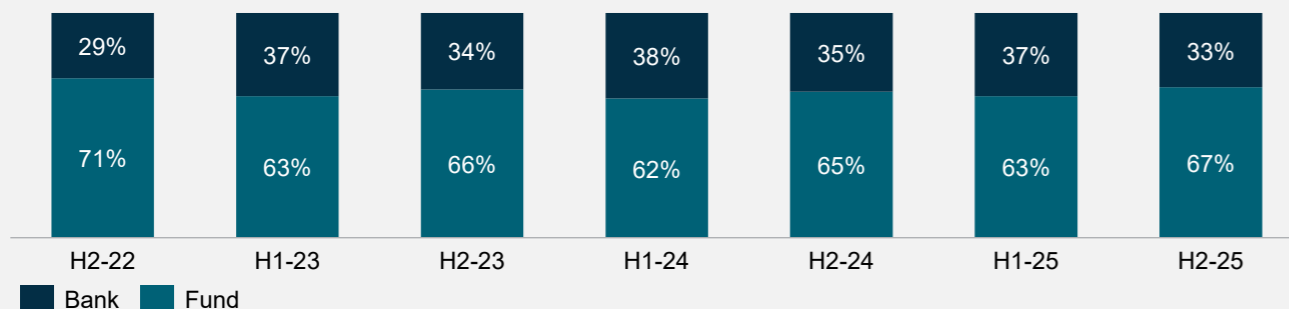
Cash-flow based deals by sector



AI-driven concerns reduced deployment into the software space, resulting in a 3 percentage point decline in TMT's share of deal activity. More defensive sectors such as Business Services and Healthcare saw their shares increase by 4 and 1 percentage points respectively. The Consumer sector also gained 3 percentage points, supported by resilient consumer spending in essential and value-oriented segments, which encouraged lenders to prioritise credits with more visible cash flows and defensive demand.

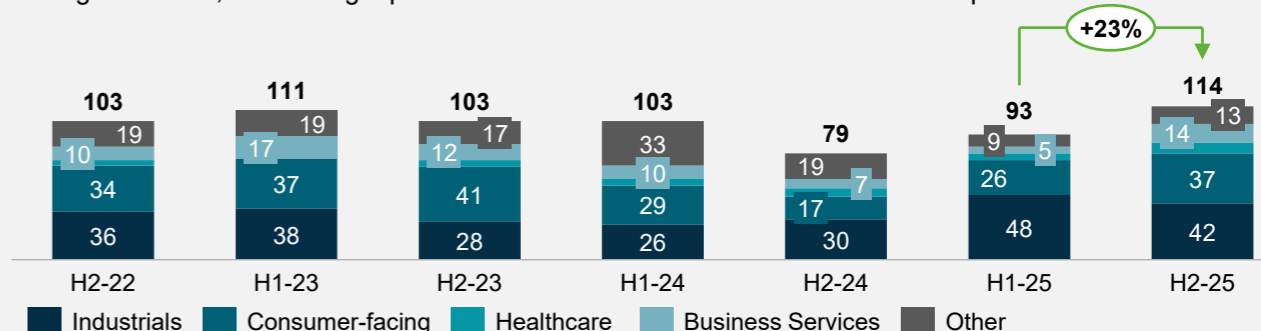
Bank vs fund (cash flow-based loans only)

The share of deals completed by credit funds in H2 2025 reached its highest level since H2 2022, reflecting competitive pricing and structural advantages such as higher leverage, covenant flexibility, and faster execution compared with banks.



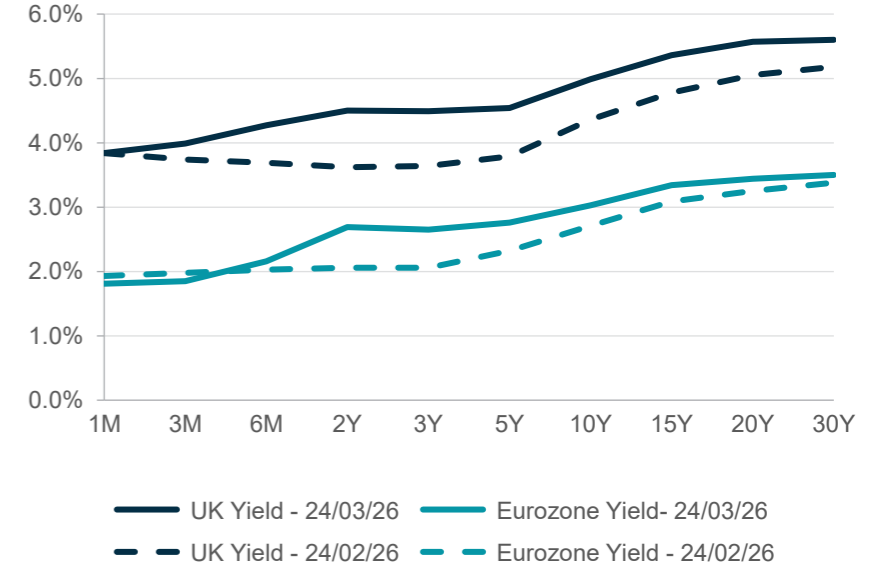
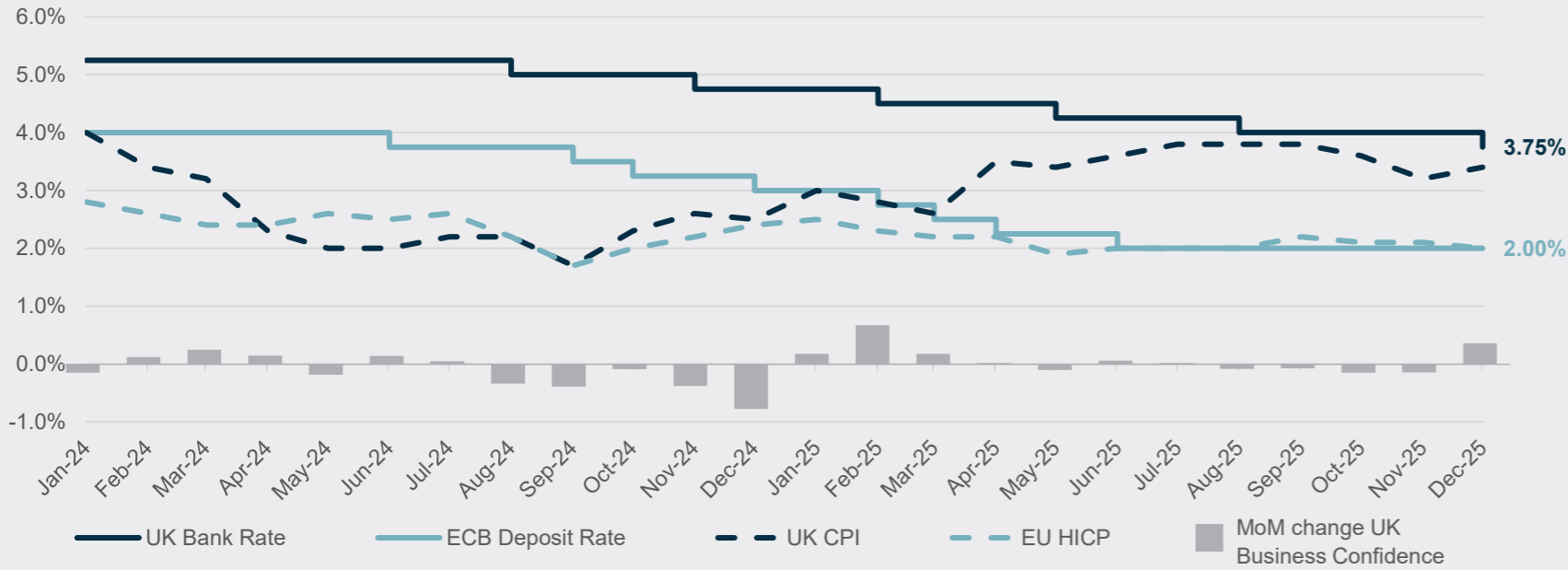
ABL deals by sector

H2-25 saw the busiest period for ABL deals since H2-21, with total deals rising to 114, a 23% increase on H1-25 and 44% increase vs. H2-24. The uplift was broad-based but led by Industrials and Consumer-facing borrowers, underlining a positive shift towards a flexible and cost-effective product



Opening remarks

From cuts to caution: rate path set to stall



Backdrop

H2-25 was characterised by a marked divergence between macro uncertainty and increasingly resilient credit market technicals. While geopolitical risk and trade-related uncertainty remained elevated following the US tariff shocks earlier in the year, risk assets stabilised quickly and European credit markets entered the second half with strong momentum, driven by refinancing activity and plentiful liquidity.

Against this backdrop, European leveraged finance volumes reached new highs, despite continued disappointment in M&A. Refinancings, repricings, and extensions dominated issuance across loans and bonds as sponsors and corporates took advantage of pricing conditions that remained tight for much of the second half, despite an elevated macro risk premium.

Central bank policy also provided an important anchor. By H2, the ECB was widely viewed as being close to its terminal rate, helping to stabilise rate expectations across the Eurozone. In the UK, the Bank of England delivered a further 25bps cut in August, but persistent inflation and sticky services prices reinforced market expectations that the easing cycle would be shallow. As a result, forward curves flattened, and borrowers increasingly focused on locking in margin reductions rather than relying on lower base rates to drive debt service relief.

Overall, H2 2025 reinforced a defining feature of the current cycle: buoyant credit markets sustained by technical strength rather than underlying growth or deal activity. While this environment supported record issuance and favourable terms for well-positioned borrowers, it also heightened sensitivity to shocks, leaving markets exposed to renewed volatility should macro risks crystallise or M&A fail to recover meaningfully into 2026.

H1 2026 outlook

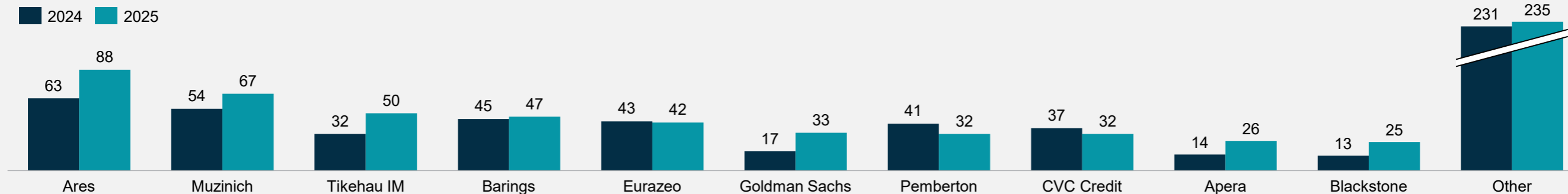
The sharp upward shift in both UK and Eurozone yield curves over the past month signals a market that is repricing the path of policy rates higher and for longer. For European mid-market borrowers, this means all-in funding costs are likely to rise unless they have hedged floating rate exposure. Given spreads have compressed, this should result in a number of opportunistic refinancings while liquidity is still available and terms remain borrower-friendly. Lenders, facing higher risk-free rates, are expected to stay selective and focus on resilient credits and structures that can withstand input cost pressure and a higher-for-longer rates environment.

Unless interest rate expectations reverse, it is unlikely we will see a return to longer-term average levels of M&A activity – given the direct correlation between asset values and the cost of borrowing. This will place continued pressure on 2019-2022 fund vintages, which could in turn drive an uptick in the levels of continuation fund structures.

Lenders in focus

Key themes across the “lender-verse”

Total deal count (cash flow-based loans only)



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

01 Panic overblown?

While the market may be at an inflection point, noise around software risk is likely exaggerated. SaaS exposure accounts for only ~15–20% of private credit portfolios, typically supported by 50–70% equity cushions and long-term contracts for embedded and often mission-critical products. This is largely an equity valuation issue, rather than a credit impairment risk.

Redemption headlines tell a similar story. Pressure is mostly centred on U.S. BDC and retail funds, rather than European direct lending funds. These outflows reflect reductions in dividends and general market sentiment, rather than specific credit losses (notwithstanding unhelpful issues of fraud). So far, institutional investors' conviction in long-dated, closed-end funds remains, which underpins the market's stability.

Public loan markets remain cyclical, with initial reactions to the war in the Middle East comparable to that of Russia / Ukraine. With €64bn of dry powder, private credit remains the more dependable source of funding.

02 Higher for longer

Since interest rates peaked in the summer of 2023, all three central banks have moved from aggressive tightening into periods of gentle or paused easing, but renewed inflation risk from the Middle East energy shock pushed each of them to hold rates steady at their latest meetings (18-19 March). Markets have sharply repriced: five-year SONIA has jumped ~80bps to 4.3%, EURIBOR is up ~50bps to ~2.8%, and SOFR has nudged 15bps higher to 3.6%.

So, cuts are currently off the table. This keeps M&A on ice: valuation gaps will persist, continuing a weak exit environment. Refinancing will dominate deal flow again in 2026, with some borrowers forced to re-cut capital stacks if trading has been flat. High leverage, rolling PIK, and rising energy costs have the potential to squeeze interest cover, making refinancings trickier and lender scrutiny tougher.

03 Bank re-engagement

T1 capital requirements following the financial crisis drove bank retrenchment and growth in private credit. In 2027 the tables may turn; in late 2025, the Bank of England's Financial Policy Committee voted to lower the “appropriate benchmark” for the level of tier one capital that lenders needed to absorb losses from 14% to 13%.

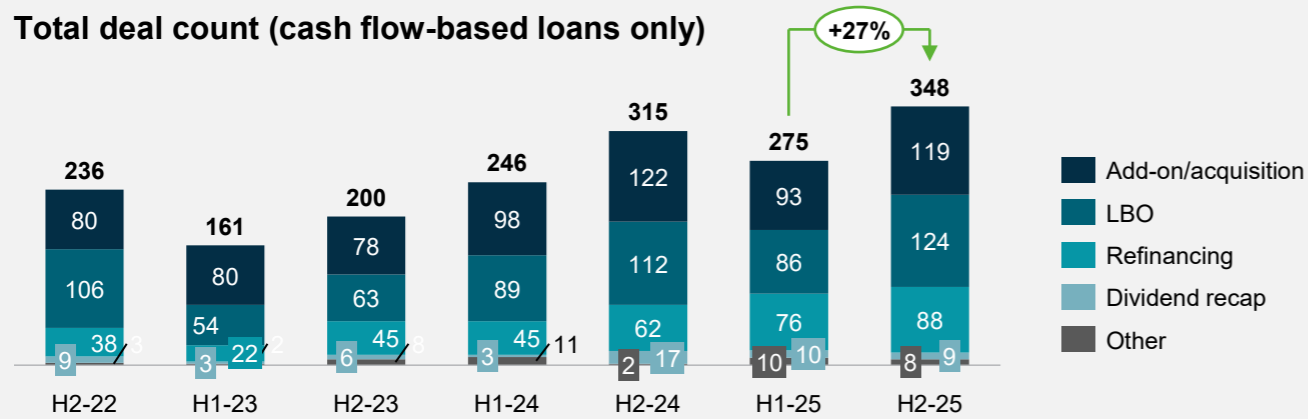
Based on the size of UK bank balance sheets and their allocation to corporate lending, a 1% movement is material and reduces the amount of capital they set aside as “risk weighted assets”. As such, we are likely to see appetite continue to improve, compounding the effects of challengers successfully growing their balance sheets and some of the clearers re-entering the market aggressively

1. Sponsors increasingly turn to affiliated credit platforms to back their own deals – Private Credit Comment, Debtwire

Lenders in focus: Funds

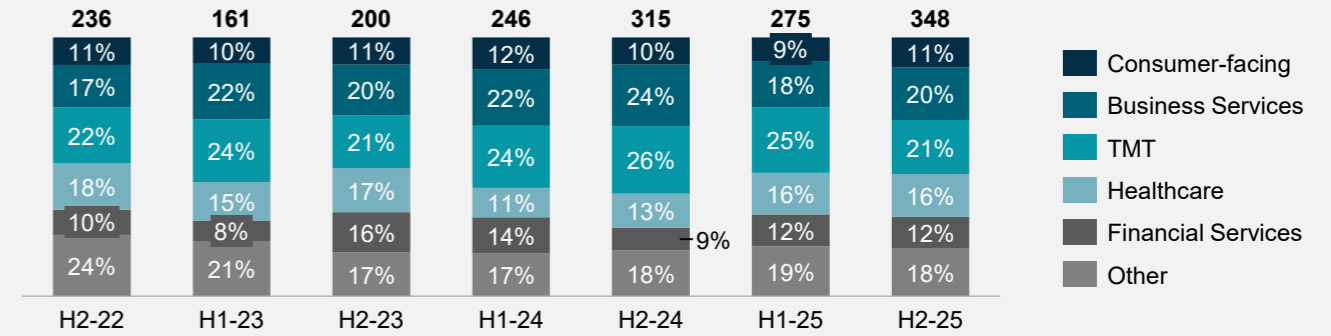
Record deployment amidst software pullback

Total deal count (cash flow-based loans only)



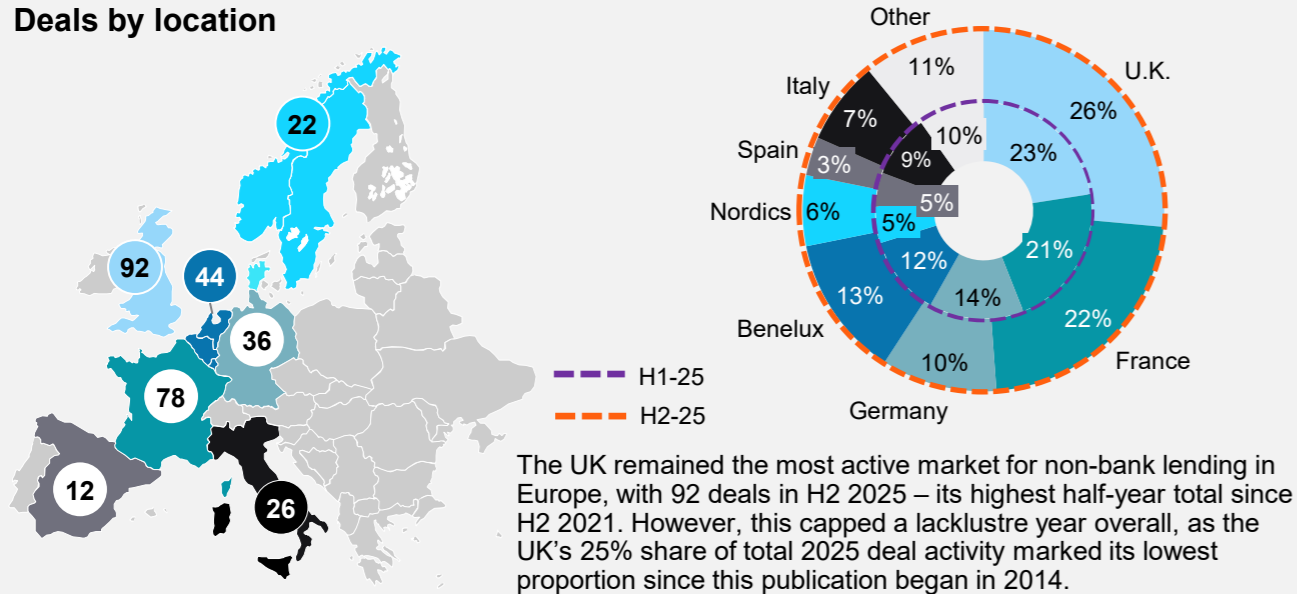
Direct lending activity rose 27% year-on-year, supported by a subdued broadly syndicated loan market, amid tariff and geopolitical uncertainty, reinforcing private credit's role as a credible alternative. This lifted total deal volume in 2025 to 623, the highest level since this publication began, but with the lowest full-year share of M&A-related financings (68%), as borrowers used tight spreads to lock in refinancing opportunities.

Deals by sector



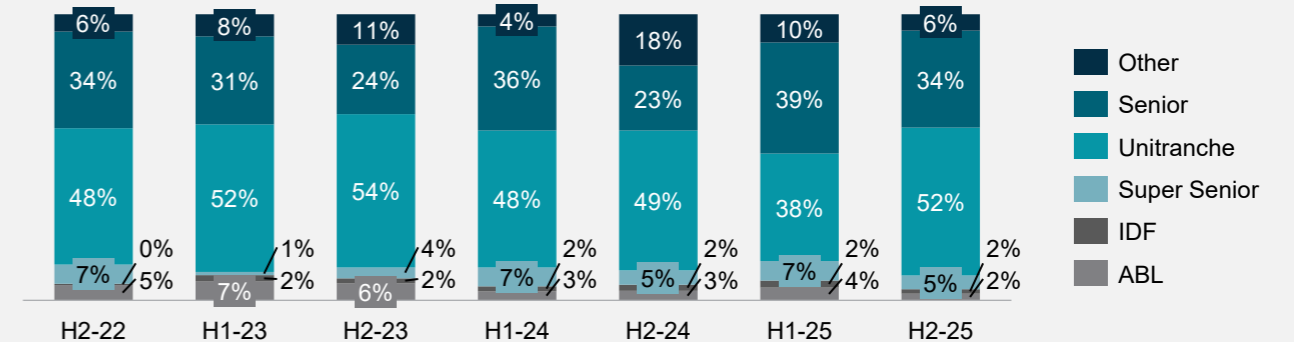
TMT's share of direct lending activity dipped from 25% in H1 2025 to 21% in H2 2025, as concerns around AI-driven disruption in the software space prompted lenders to diversify toward sectors with more immediately visible and defensible cash flows.

Deals by location



The UK remained the most active market for non-bank lending in Europe, with 92 deals in H2 2025 – its highest half-year total since H2 2021. However, this capped a lacklustre year overall, as the UK's 25% share of total 2025 deal activity marked its lowest proportion since this publication began in 2014.

Deals by structure

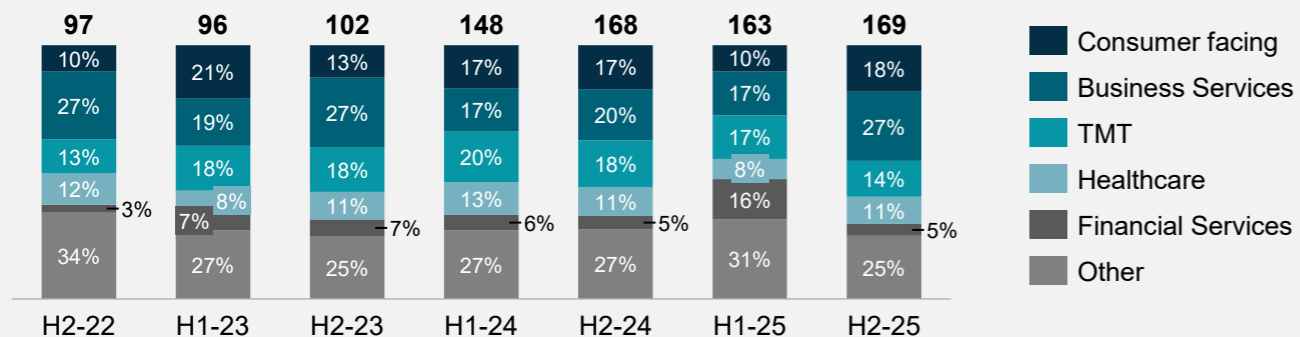
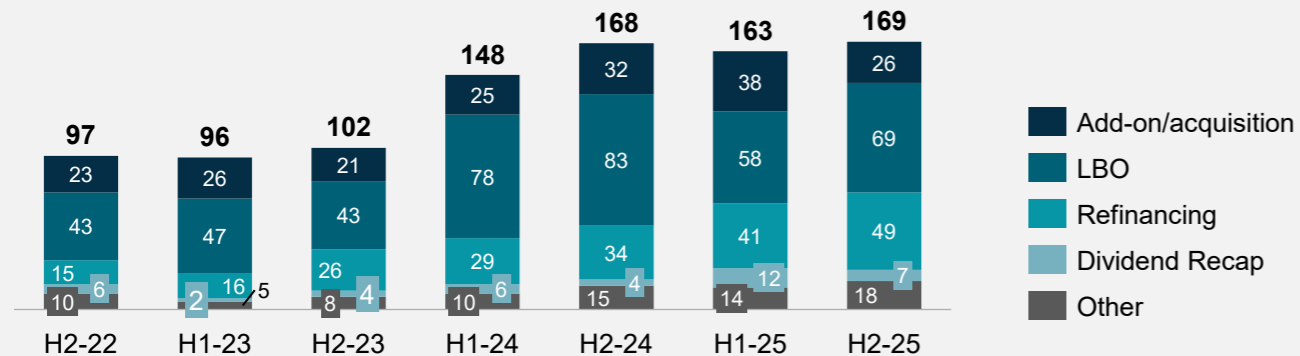


Unitranché deals recorded their highest share of deal activity. The continued reduction in appetite for leverage and a reluctance to move deeper into the capital structure is evidenced by a decline in "Other" deals, such as Holdco PIKs and second-lien facilities.

Lenders in focus: Banks

Refi Resurgence

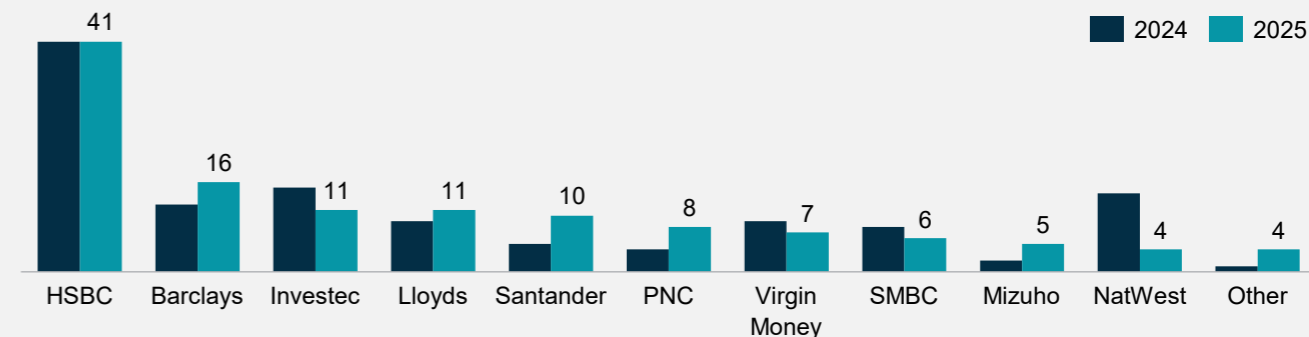
Total bank deal count (cash flow-based loans only)



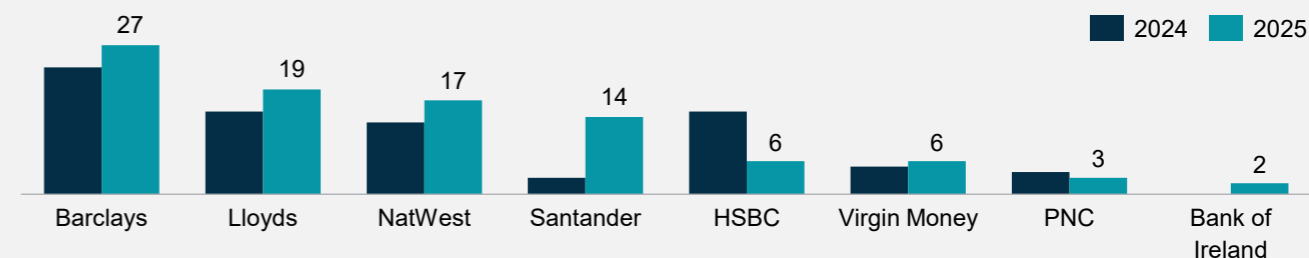
Insight

- Bank deal activity reached a new high in H2-25, with 169 cash-flow deals, up slightly from 163 in H1, representing the largest volume of bank deals in a calendar year since this publication started. M&A activity as a share of total deals continued its decline, with 56% of deals funding LBOs or add-on acquisitions, the lowest level since H2-19. Unsurprisingly, therefore, growth in refinancings helped to keep overall bank activity broadly flat, with a 29% share.
- Sector-wise, bank activity mirrored the direct lending market, with the share of TMT deals falling to its lowest level since H2-22.
- Banks continued to dominate ABL, accounting for 84% of reported deals, though this share is likely to fall as more private credit funds target ABL, either exclusively or as part of broader direct lending strategies. In H1, sectors that lend themselves well to ABL facilities recorded remarkable upticks in activity, namely Consumer (+20%) and Industrials (+30%), compared to the previous quarter.

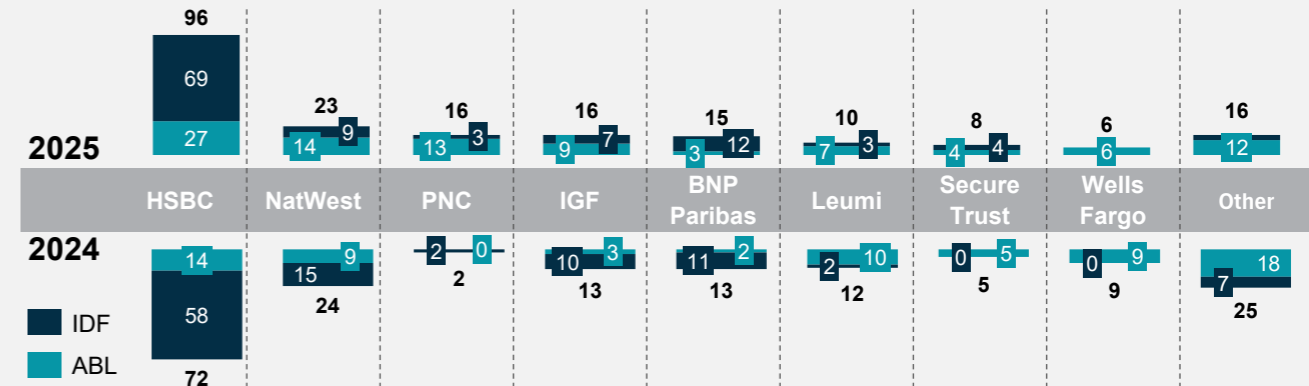
Senior debt deal count



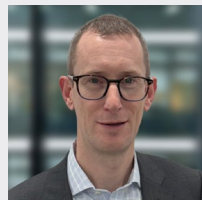
SS RCF deal count



ABL and IDF deal count



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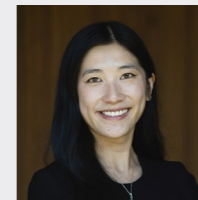
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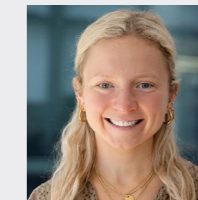
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About us

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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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