



AlixPartners

Mid-Market Debt Report

Autumn 2025

“***Whether it’s a pull domestically or a push from the current administration, there is a revitalised enthusiasm about investing in Europe***”

Jim Zelter

President, Apollo Global Management

Interview with Bloomberg TV, June 2025

Dear Reader,

I am pleased to introduce the 23rd edition of the AlixPartners Mid-Market Debt Report, now in a revamped format, which reflects on the first half of the year and shares our outlook for the months ahead.

Mid-market lending has navigated a complex environment this year, shaped by global trade policy shifts, geopolitical tensions, and evolving regulatory frameworks. Deal volumes declined as M&A activity softened, prompting a shift toward refinancing and dividend recap transactions. Both banks and private credit funds responded with tighter pricing, while sector diversification accelerated. The Financial Services and Consumer sectors saw notable growth, and the U.K. remained the activity hotspot.

Despite these challenges, the market has demonstrated resilience. Direct lending proved robust, and innovation in credit structures continues to reshape the landscape. Lender consolidation and evolving sponsor strategies are also influencing deal flow and competition.

We anticipate that refinancing momentum will persist in H2 2025 and expect a gradual recovery in M&A activity, supported by potential rate cuts and improving borrower sentiment. As always, our goal at AlixPartners is to provide independent, actionable insights to help our clients navigate these uncertainties and seize opportunities.

Thank you for your continued trust in AlixPartners.

Christopher Lowe

Partner and Managing Director

Head of Capital Advisory

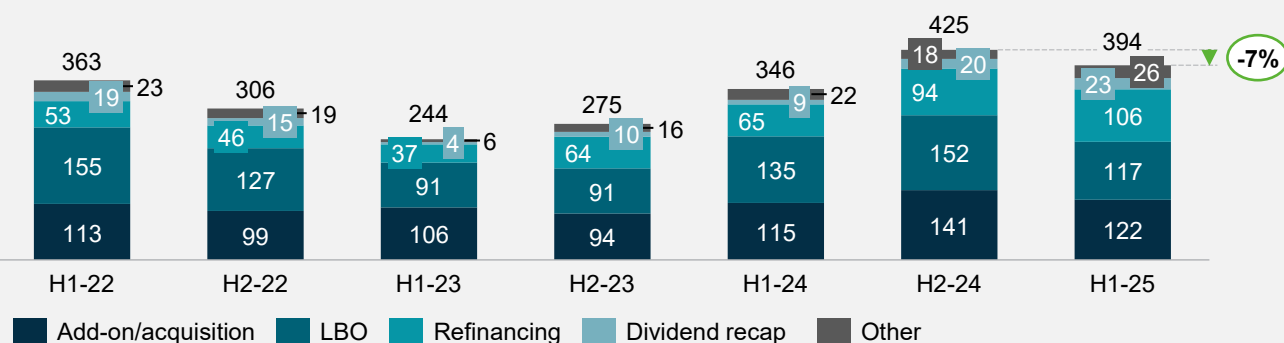
Mid-market debt report H1 2025 review and H2 2025 outlook

The 23rd edition of AlixPartners’ biannual Mid-Market Debt Report covers ~75 bank and non-bank lenders active in the U.K. and European mid-market

- H1 2025 saw a 7% decline in the total number of deals as a soft M&A market reduced the supply of LBOs, driving a continued shift towards refinancing activity and dividend recaps
- U.S. tariff announcements contributed to the market slowdown, with geopolitical events fuelling inflationary pressures, though the market anticipates fewer interest rate cuts than at the start of the year
- Brief closure of syndicated markets in the aftermath heightened competition with direct lending markets, both of which saw margin compression
- Despite market sentiment facing headwinds from the November 2024 U.K. budget, market sentiment for H2 is upbeat, with refinancings driving momentum and a genuine M&A rebound expected

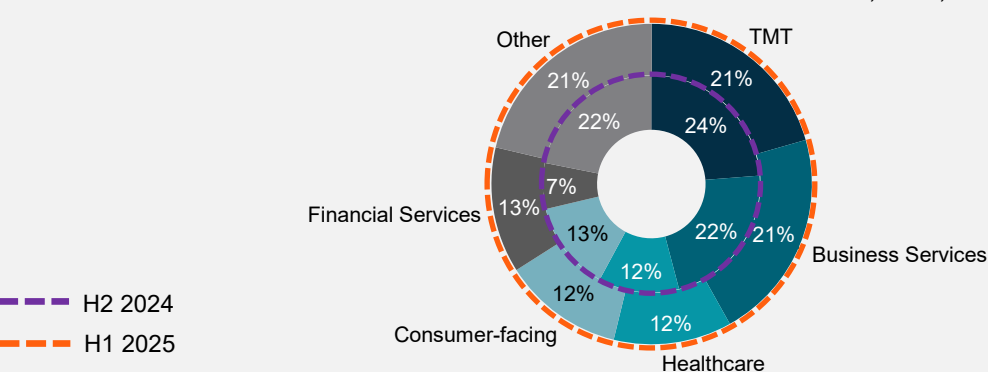
Total deal count (cash-flow based loans only)

7% decline in total deal volume, as debt financings of LBOs and add-on acquisitions fall by -23% and -13% respectively. Lack of exit liquidity has therefore driven an increase in refinancings (+13%) and dividend recaps (+15%).



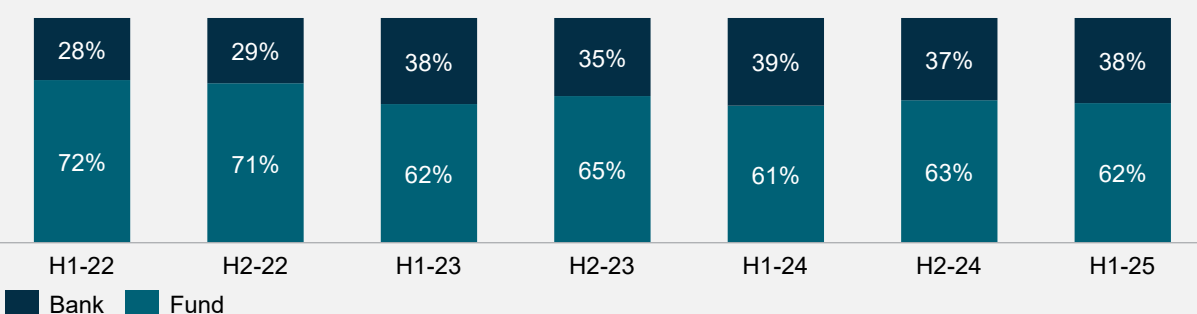
Cash-flow based deals by sector

Continued sector rotation within private markets as AlixPartners records the largest volume of Financial Services deals (in absolute terms), boosted in part by resilient M&A in the sector. Increased diversification from the usual safe harbour industries of Business Services, TMT, and Healthcare.



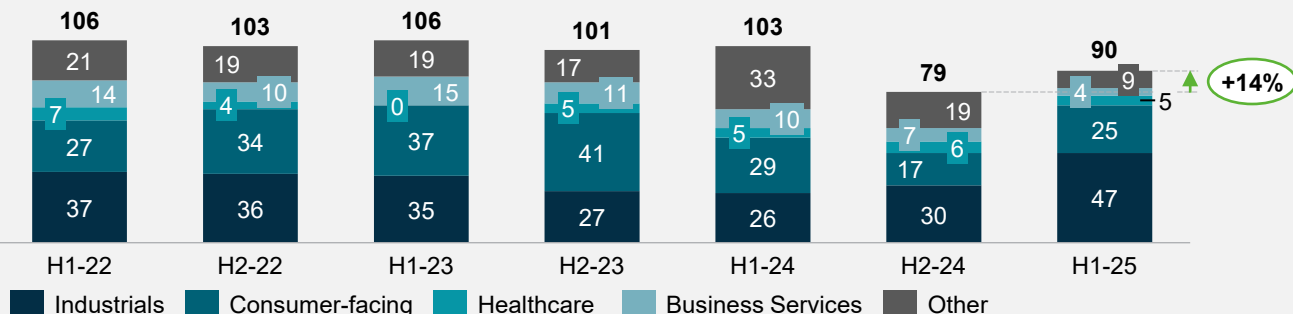
Bank vs fund (cash-flow based loans only)

Banks have held steady their share of mid-market leveraged lending, accounting for just under 40% of transactions today. This follows a marked shift in the last 24 months as challenger banks deployed aggressively, and high street lenders re-entered or re-committed to the leveraged market.



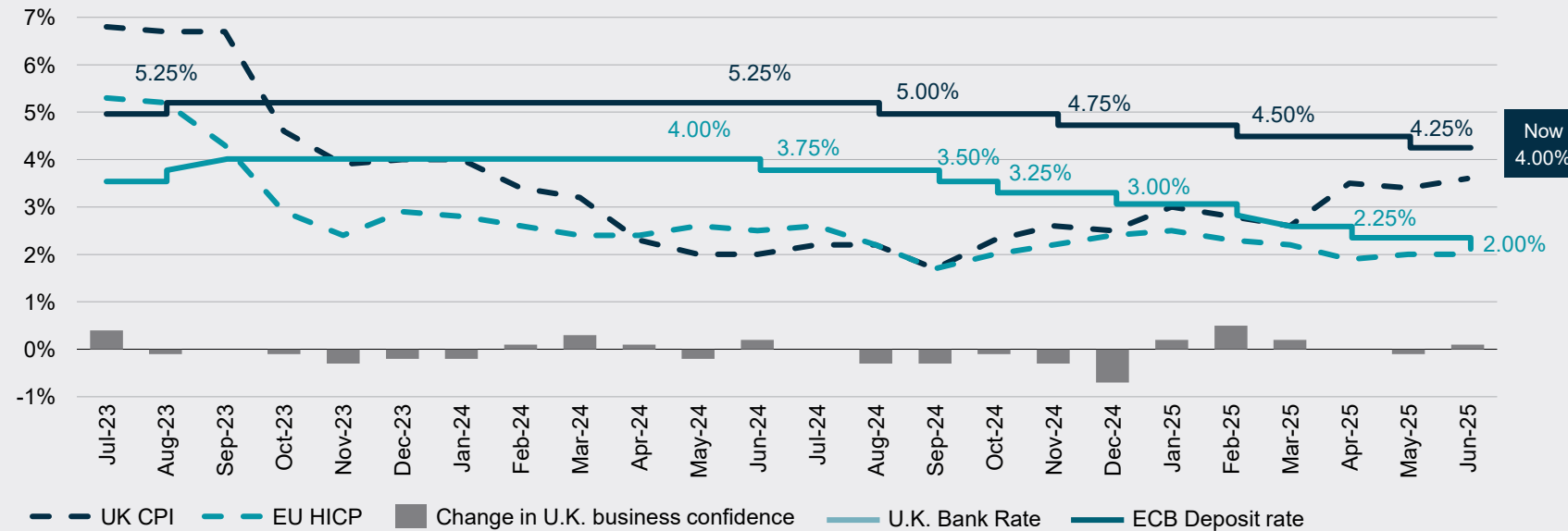
ABL deals by sector

14% increase in Asset Based Lending (“ABL”) (including Invoice Discount Finance (“IDF”)). Activity-driven resurgent supply in ABL-friendly sectors of consumer (+47%) and industrials (+57%) when comparing against H2 2024



Opening remarks

Supply squeeze



20 January
Donald Trump is sworn in as the 47th U.S. President

27 January
EU announces renewed sanctions against Russia over continued aggression in Ukraine

5 February
The ECB cuts its main interest rate from 3% to 2.75%

6 February
Bank of England cuts Bank rate from 4.75% to 4.5%

12 March
ECB cuts deposit rate further to 2.50%

2 April
Trump announces “Liberation Day” tariffs, freezing syndicated loan markets and sparking a global bond sell-off

23 April
ECB cuts deposit rate further to 2.25%

8 May
Bank of England cuts Bank rate to 4.25%

11 June
ECB cuts deposit rate further to 2.00%

7 August
Bank of England cuts Bank rate to 4.00%

Backdrop

H1 2025 was dominated by rapidly shifting trade policies and geopolitical events. U.S. tariff announcements and partner responses injected uncertainty and market volatility; by June, Washington had negotiated tariff reductions with most trading partners, including China, yet the future tariff landscape still looked unsettled.

Energy prices also surged after an escalation of the conflict in the Middle East. The IEA reported wholesale electricity and natural gas prices were 30% and 20% higher, respectively, across the EU during the first half of 2025 compared to 2024.¹

In the U.K., business confidence remained subdued as firms navigated a sweeping reform of fiscal policy following the Labour government’s first Autumn budget of this parliament, persistent cost pressures, and weak demand. The Bank of England’s Q2 2025 Agents Summary report noted investment intentions remain subdued (although not quite at previous lows) and did not expect there to be a material recovery in demand until 2026.

In line with most analysts’ predictions at the outset, the Bank of England “only” made two 25bps cuts to the Bank Rate in H1 as inflation rebounded, with a subsequent 25bps cut (to 4.00%) in August. The ECB, however, attempted to allay recession fears, citing a deteriorating growth outlook for Eurozone countries amidst rising trade tensions, as they made four 25bps cuts to the benchmark deposit rate.

A 3-year SONIA swap is now 3.7% as at 24 September 2025, versus 3.5% at the same point in 2024, signalling that the market expects only one further cut rather than two.

Chart sources: Office for National Statistics (Inflation and Price Indices); Bank of England; European Central Bank; OECD (U.K. Business Confidence Index). Notes: 1. International Energy Agency, Mid-Year Update 2025. 2. Pitchbook Leveraged Commentary and Data, European Credit Markets Quarterly Wrap Q2 2025

Please refer to the disclaimer at the end of this report for further context on the data
AlixPartners Mid-Market Debt Report: Autumn 2025

AlixPartners view: a borrower’s market

By all accounts, the well-known gap between buyer and seller valuation expectations continued to suppress deal activity in H1 2025, with market volatility doing little to bridge the divide. As a result, a shortage of new deals made the European mid-market fiercely competitive. Private credit funds have offered what they consider “groundbreaking” terms, with some pricing in the high 400bps, driven by fund leverage and evergreen insurance capital.

While competing private credit funds are pricing more tightly than they would like to in a bid to win, several funds are considered uncompetitive by financial sponsors. This is confirmed by AlixPartners data, which shows several funds have submitted the fewest semi-annual deals in the history of us collecting data: many have closed fewer than three deals in the past year, well below the historical average of 10-15. Pitchbook LCD has also reported that median direct lending spreads in Europe across H1 were 500bps, compared to 550bps in full year 2024 and 613bps in 2023.2

Banks, too, were observed to be pricing tighter in the first half. Spreads on banks’ credit default swaps (i.e., a proxy for their credit risk and therefore their capital cost) reached their lowest since early 2022.²

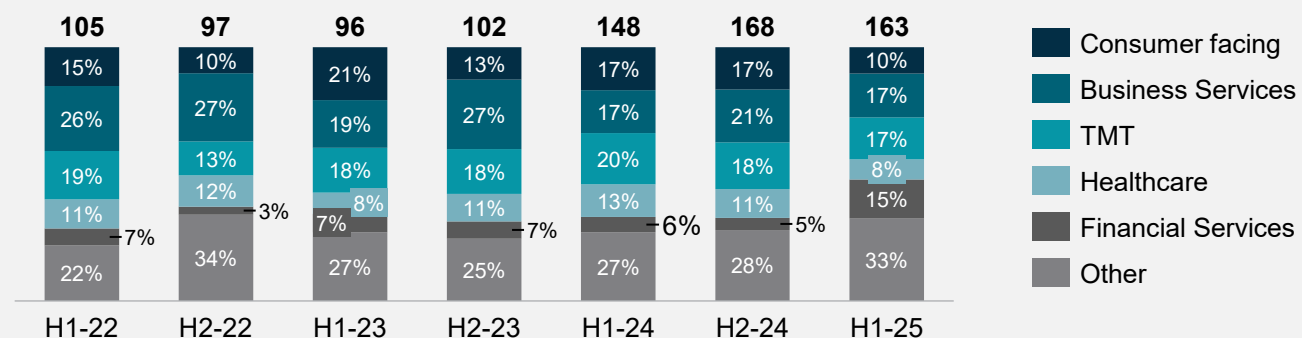
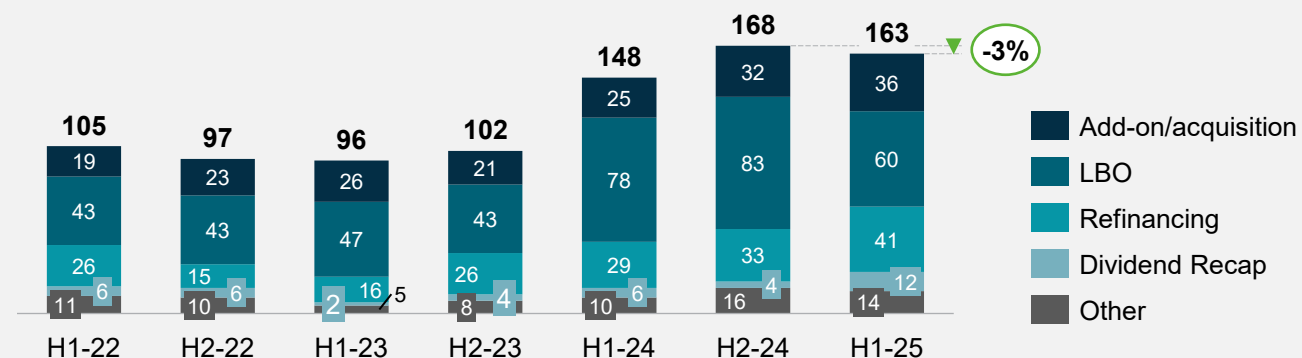
H2 2025 outlook

We expect a gradual increase in M&A activity, supported by the prospect of future rate cuts (inflation willing), with a buoyant refinancing supply to fuel mid-market debt activity. With pricing at its tightest since the COVID-19 pandemic, borrowers are well-positioned to reduce their cost of capital.

Lenders in focus: Banks

M&A malaise

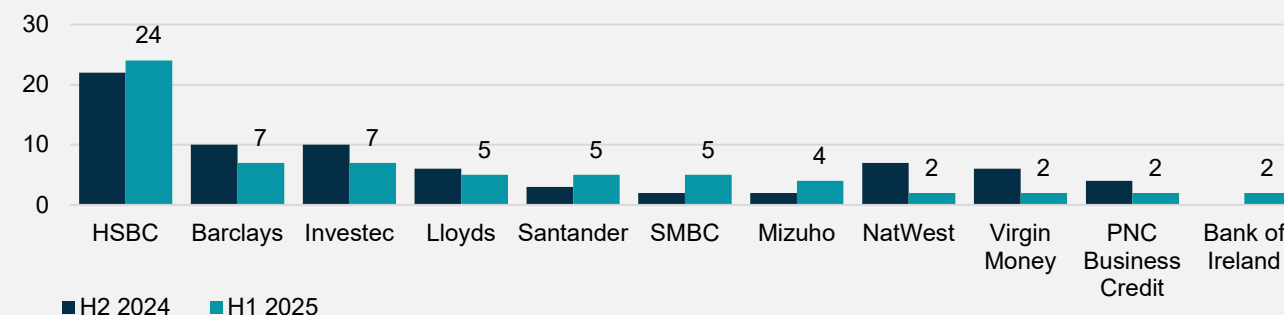
Total bank deal count (cash-flow based loans only)



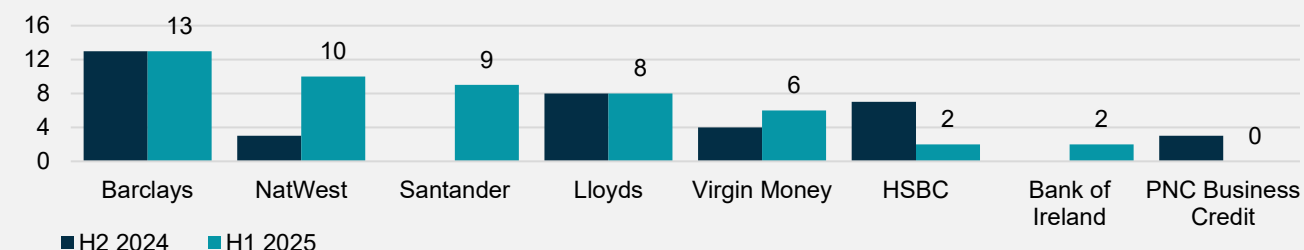
Insight

- Bank lending activity contracted by 3% in H1 2025 compared to H2 2024, with M&A-related deals hitting their lowest share (58%) since H2 2022. On an LTM basis, however, activity is 3% higher compared to full year 2024.
- Banks are preparing for the implementation of Basel 3.1, now delayed to 2027, which will raise capital requirements for higher-risk assets. Amid this, leverage appetite has decreased, which could also be a function of borrowers' focus on cash management amid slower rate cuts. Pitchbook LCD reported average transaction leverage in Europe dropped to 4.96x (from 5.08x at end-2024), with just 16% of deals above 6.0x – the lowest since 2016.
- 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.

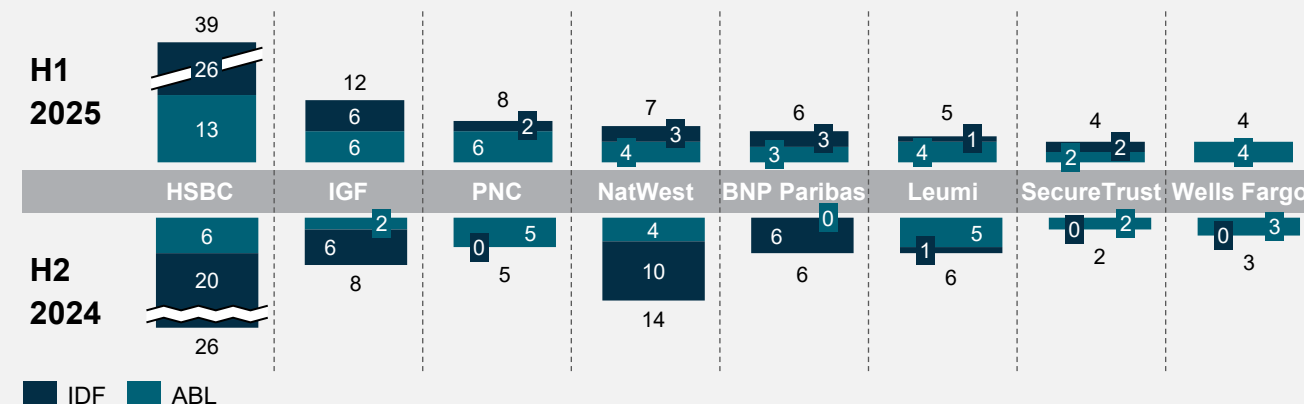
Senior debt deal count



SS RCF deal count



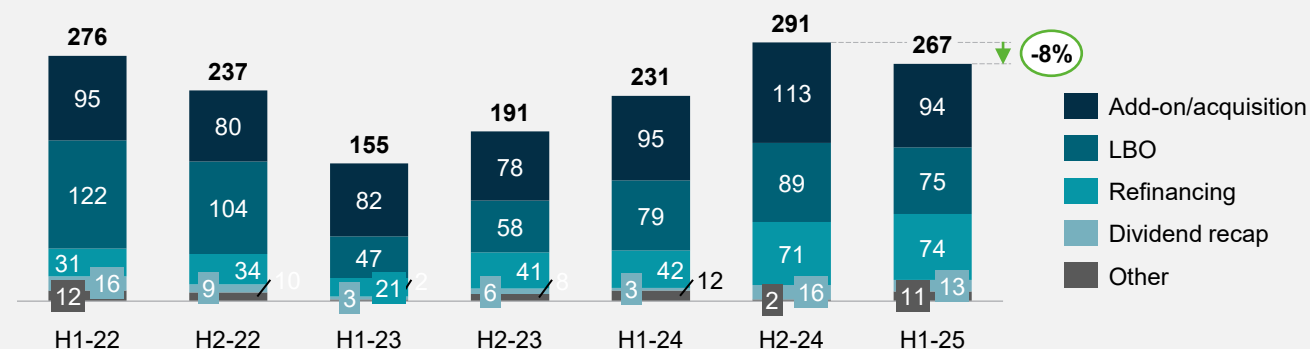
ABL and IDF deal count



Lenders in focus: Funds

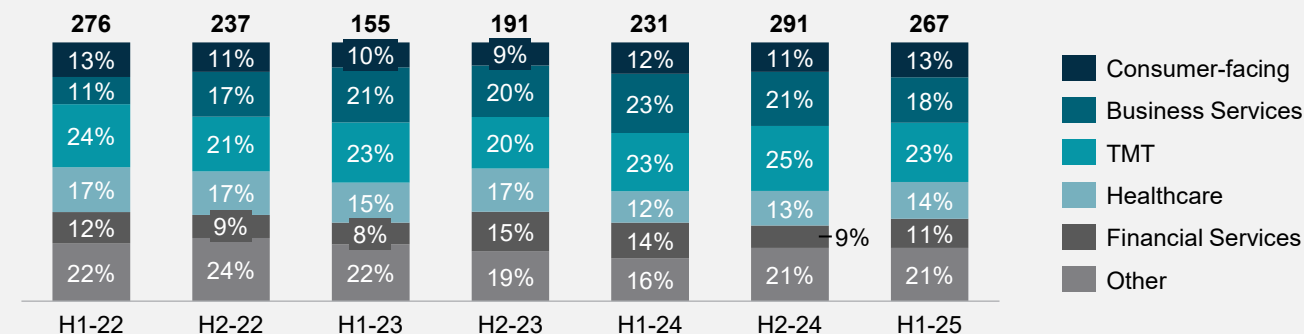
Ebbing and flowing

Total deal count (cash-flow based loans only)



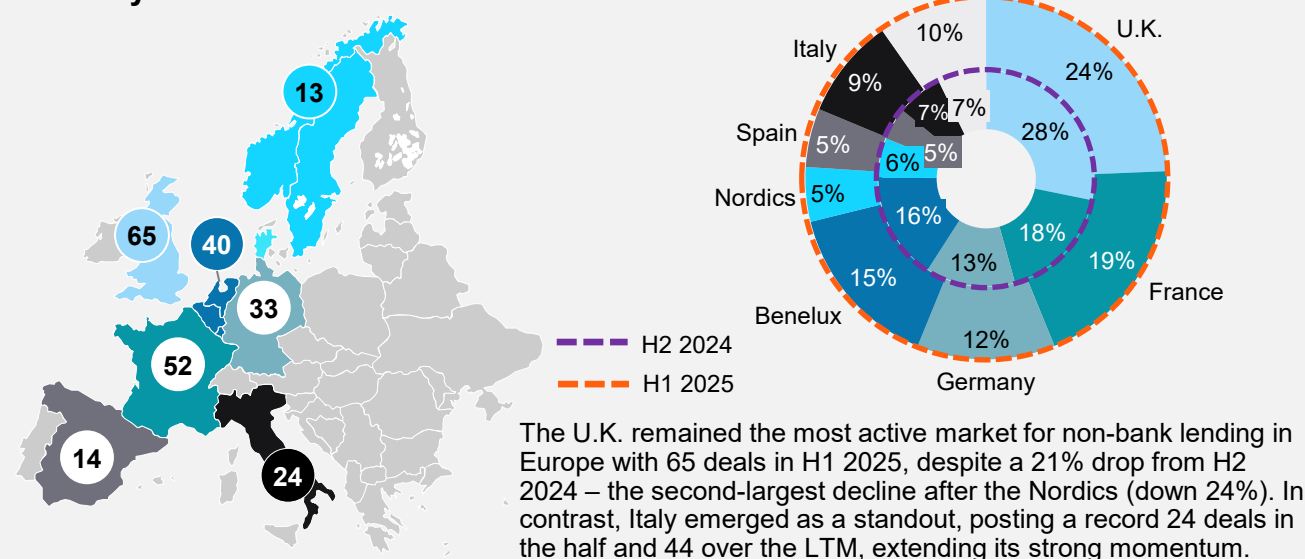
Direct lending activity softened with an 8% decline in total transactions. This, however, was bolstered by a freezing of broadly syndicated loan markets in the wake of Liberation Day tariff announcements, where private credit lends itself well as a viable alternative. Dividend recap activity remains steady as sponsors seek liquidity, with LTM volumes reaching their highest level since June 2022.

Deals by sector

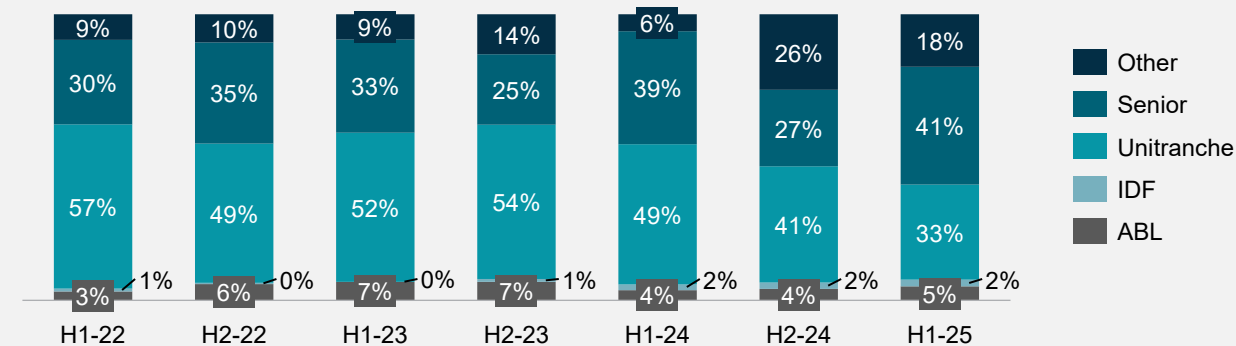


Direct lending activity picked up relatively in the Financial Services, Healthcare, and Consumer sectors, while Business Services and TMT saw declines in total deal share. We do not view this as a longer-term structural shift, however, as this likely reflects lower overall deal volumes, which can exaggerate proportional swings.

Deals by location



Deals by structure

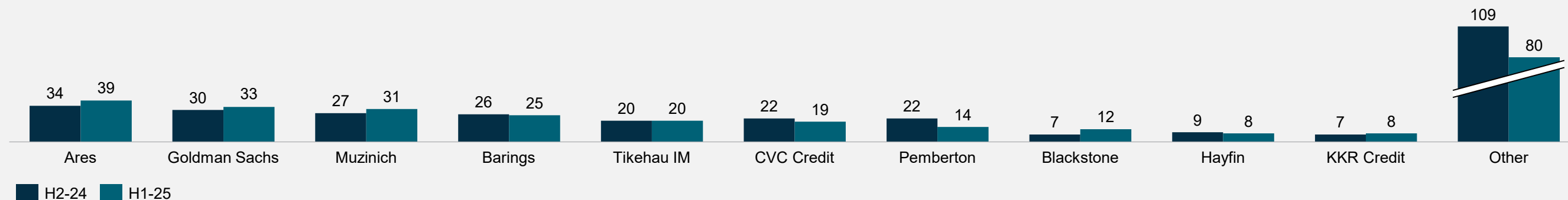


Fund-provided ABLs continue to gain traction, as AlixPartners reports more (stretch) senior structures than untranche for the first time. This shift signals a reduced appetite for leverage and a reluctance to move deeper into the capital structure, as evidenced by a decline in “Other” deals, such as Holdco PIKs and second-lien facilities.

Lenders in focus

Ares completed the most deals, Barclays ramps, and the market keeps evolving

Total deal count (cash-flow based loans only)



- A soft lending environment produced mixed results for direct lenders. The most active players in H2 2024 experienced only marginal deal growth into 2025, while “Other” reduced considerably, with 27% fewer deals reported in H1 2025. Notably, a number of these funds, which in prior years averaged 10-15 deals per half, closed fewer than three in H1 2025.
- Ares continued to be the most active fund in H1 2025, completing 39 deals, a 15% increase on H2 2024.

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

01

Lender consolidation continues

The trend of consolidation among lenders showed no signs of slowing, with Franklin Templeton’s acquisition of Aperam marking another significant move in the direct lending landscape, following previously announced acquisitions of HPS (BlackRock), Capza (Axa IM), and PCP (M&G). More recently, ThinCats has been acquired by challenger bank Shawbrook



02

Baring the brunt

Corinthia’s high-profile hiring spree from Barings generated headlines but had little effect on deal execution. Barings still reported 51 deals over the last 12 months to June 2025, underscoring that while origination teams matter, established portfolios and brand reputation persist as an engine of deal flow



03

Ares sets the pace

Ares executed 39 transactions in H1 2025, reflecting continued engagement with longstanding borrower relationships and alignment with sponsors’ buy-and-build strategies



04

Barclays reasserts LevFin ambitions

Barclays has increased its activity in mid-market leveraged finance following a period of sporadic involvement. Team expansion and greater engagement with the SSRFC product have contributed to 26 transactions over the past year, signaling an intent towards growing market presence



05

Innovation in credit structures

The market is seeing increased innovation in product, particularly at the fund level, with use of single asset NAV and subordinated capital call facilities – essentially HoldCo PIK equivalents. Fund-provided SSRFCs, once mainly used as working capital bridges, are also becoming more common as sponsors seek flexibility



06

Sponsors double dip through private credit

A notable trend is sponsors using their own private credit platforms to fund PE investments, as reported by Debtwire¹. While this is most pronounced among larger investors, it highlights the so-called “double dip” and the growing integration of private credit within sponsor groups



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

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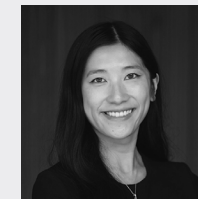
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AlixPartners Capital Advisory delivers independent, conflict-free advice and execution support to clients accessing or renewing debt financing for enterprise, investment, and operations. Our global team is focused on client outcomes, leveraging deep 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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