G2 | CAPITAL ADVISORS

Q1 2026
CAPITAL MARKETS

MARKET UPDATE

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Q1 2026

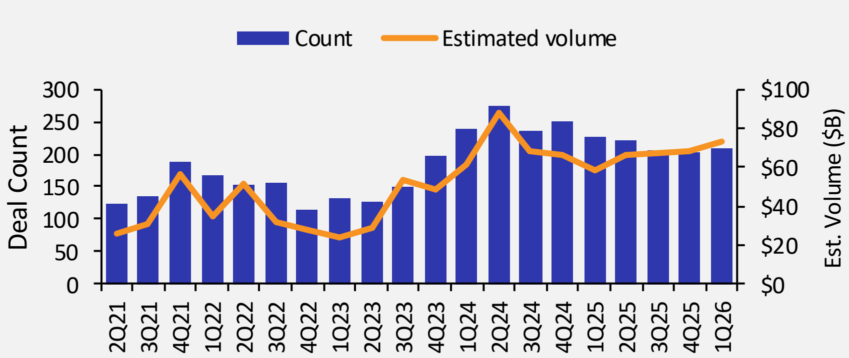
Capital Markets

US CREDIT MARKETS REVIEW

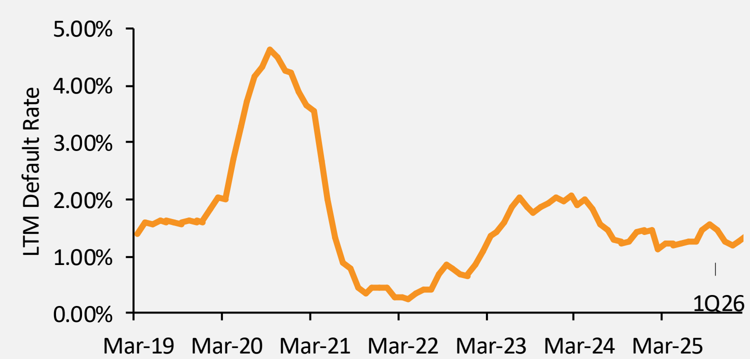
MARKET TRENDS

- Transaction activity continues to be supported by healthy sponsor confidence, improving M&A sentiment, and significant lender liquidity, with acquisition financing remaining the primary driver of new issuance
- Overall direct lending activity remained resilient into 1Q 2026, continuing the stable trajectory from 2025 even as deal counts reflect typical seasonal softness in the first quarter
- Buyout financing continues to be the primary driver of activity, with LBO/M&A transactions accounting for the majority of PE-backed direct lending volume
- Refinancing activity remains elevated relative to historical norms but continues to be outpaced by acquisition financing
- Leverage for new-issue deals remained stable through 1Q 2026, with average Debt/EBITDA holding near the 4.6x level for all transactions and approximately 5.0x for LBOs — consistent with full-year 2025 levels
- Leverage remains meaningfully below the 2021–22 peak levels (5.3x for all deals; 5.9x for LBOs), reflecting a sustained shift toward more disciplined underwriting
- LBO leverage and average purchase price multiples have stabilized around 5.0x and ~11.0x, respectively, for several consecutive quarters, consistent with a normalized operating environment.
- Default rates have continued to stabilize through 1Q 2026, holding in the ~1.0–1.5% range — well below the 2020 pandemic spike and reflecting continued credit quality in the portfolio
- The moderation in defaults seen in late 2025 has persisted into the first quarter, as borrowers have generally managed through the higher-rate environment

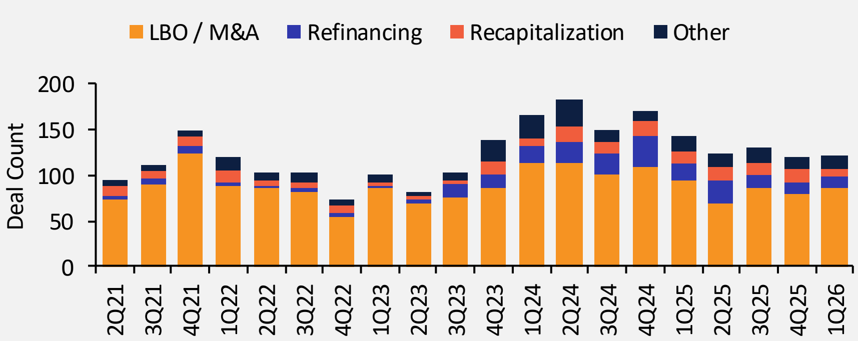
DIRECT LENDING DEAL ACTIVITY (Total)



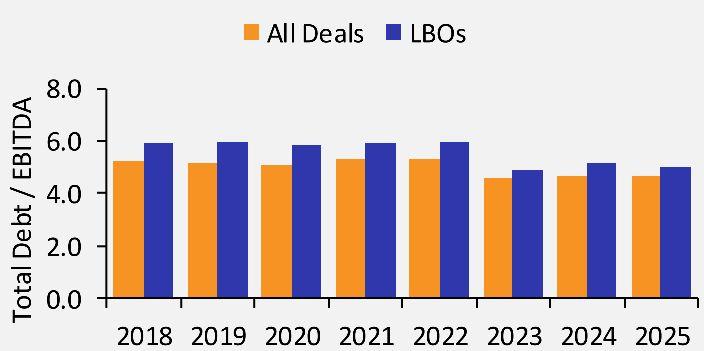
LTM DEFAULT RATE – ISSUE COUNT[1]



DIRECT LENDING DEAL ACTIVITY (PE-Backed)



DEBT/EBITDA[2]



Source: G2 Insights, Pitchbook. (1) Default rate is LTM total default amount over par outstanding at the beginning of the 12-month period. Includes all loans including those not included in the LSTA/TRLPC mark-to-market service. Primarily institutional tranches. (2) Includes U.S. Transaction with $50MM or more in adjusted EBITDA.

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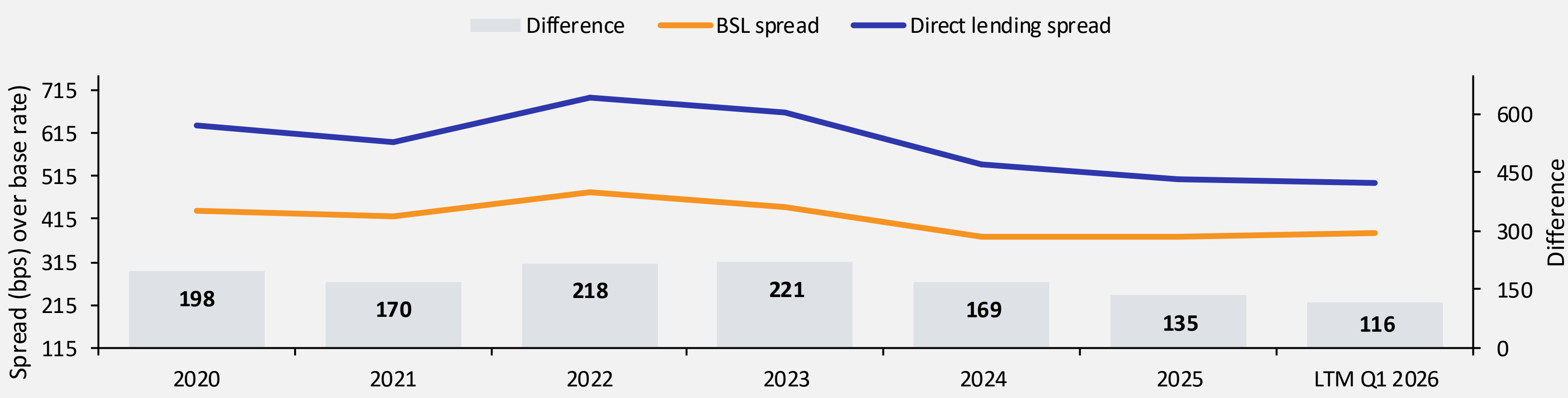
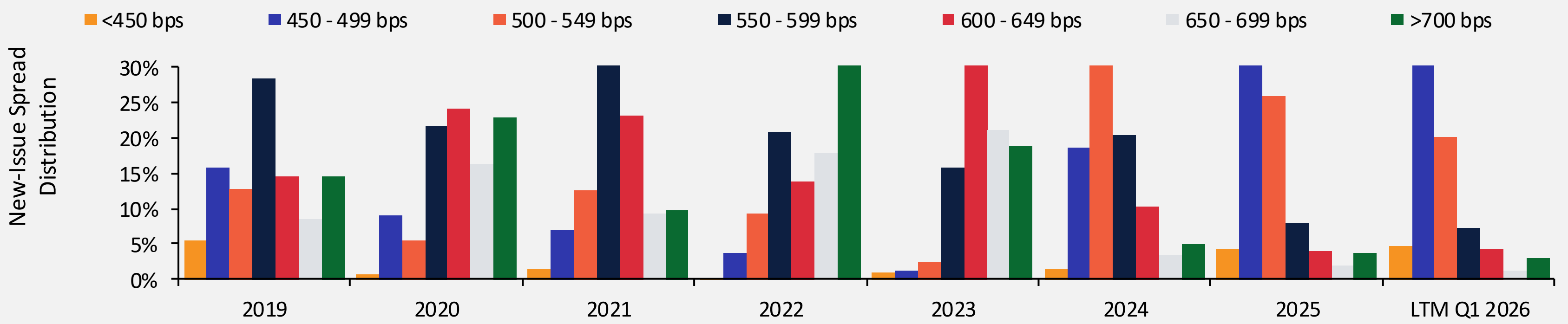
MARKET TRENDS

- Direct lending spreads have continued to compress into 1Q 2026, with issuance increasingly concentrated in the 450–499bps range and materially less volume clearing above 600bps compared to 2022–23
- Pricing has now fully normalized from 2022 peaks, as the elevated 550+ bps environment has rotated into mid-400 bps levels over the past two years
- The continued compression in direct lending spreads reflects both record levels of private credit capital and increasing competition among lenders, resulting in improved economics for borrowers relative to recent years
- The spread differential between BSL and direct lending has narrowed to approximately 150bps, down from peak levels of ~214bps in 2022–23, and continues to tighten modestly
- Both syndicated and private credit markets continue to reflect improved capital markets functioning and balanced supply-demand dynamics
- Despite ongoing compression, a consistent premium for private credit relative to BSL remains, underscoring continued differentiation in structure, certainty, and execution flexibility

US PRIVATE DEBT RAISED BY TYPE[1]



DIRECT LENDING NEW-ISSUE LBO SPREADS[2]



Source: G2 Insights, Pitchbook. (1) Direct lending spread data reflects senior secured first-lien loans and unitranche facilities. BSL data reflects loans issued to all leveraged borrowers. (2) Data reflects senior secured loans and unitranche facilities.

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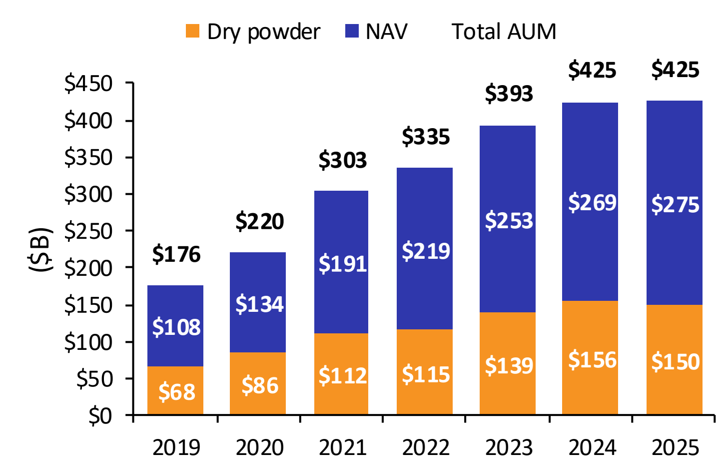
US CREDIT MARKETS REVIEW

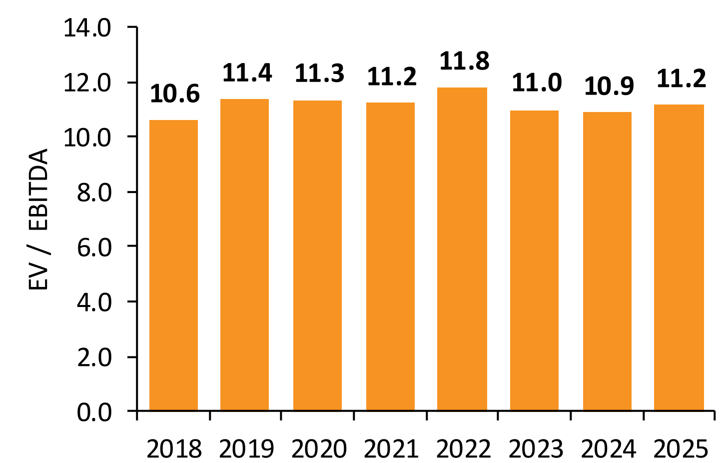
MARKET TRENDS

- While refinancing activity is absorbing a growing portion of lender capacity, the private credit market remains exceptionally well capitalized, supporting continued competition for new sponsor-backed opportunities
- The combination of stable AUM and significant uncalled capital supports ongoing competition for sponsor-backed transactions, even as refinancing demand increasingly competes with new deal flow for available capital
- Purchase price multiples remain fairly stable at ~11.2x EV/EBITDA, slightly higher than 2024 but below the 2022 peak, reflecting disciplined underwriting despite a competitive lending environment
- A maturity cliff is approaching as 2021-22 vintage leveraged loans, bank and private credit facilities – originated during the post-COVID deal surge at tighter spreads and lower base rates – enter their typical 5-year refinancing windows; borrowers carrying leverage in the 4.0x-6.0x range face the most acute refinancing risk in a higher-for-longer rate environment
- The combination of steady valuation multiples and moderated leverage suggests equity contributions remain structurally higher than peak-cycle conditions, providing a partial buffer against maturity-driven stress
- Nearly half of defaults remain concentrated in the 4.0x–5.9x leverage range, indicating that credit stress continues to occur across moderately levered capital structures rather than solely at the high end
- Approximately 23% of defaults are associated with leverage above 6.0x, while 28% occur in deals levered below 4.0x, reflecting a broad but contained credit environment with no single leverage cohort dominating distress

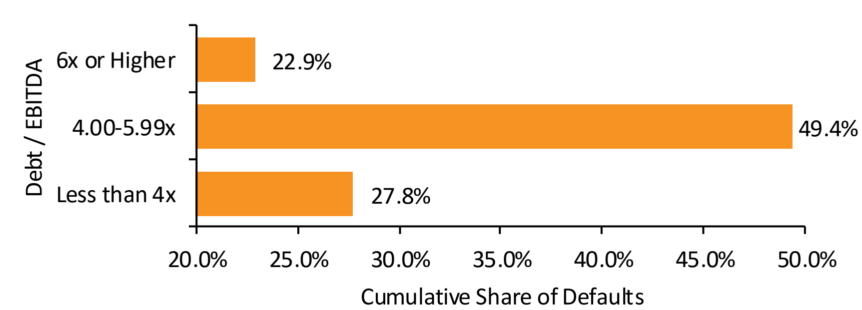
US DIRECT LENDING AUM



EV/EBITDA IN LEVERAGED BUYOUTS[1]



DEFAULTS by DEBT / EBITDA[2]



Source: G2 Insights, Pitchbook. (1) Includes U.S. Transaction with $50MM or more in adjusted EBITDA. (2) Comprises loans closed between 1995 and 1Q26

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CAPITAL MARKETS OVERVIEW

Supporting Capital Structures with Expertise, Access, Insight and Robust Process Execution

G2's expertise streamlines the financing process ensuring efficiency, optimal deal structure, and a competitive outcome while minimizing client effort and disruption.

Timing →	*Minimize client time & resources and strict timeframe*
Process →	*Acute attention to detail from beginning to end*
Efficiency →	*Targeted outreach attracts specialized lenders*
Cost →	*Highly competitive dynamics generate advantageous pricing*
Structure →	*Various structure choices for optimal outcome*

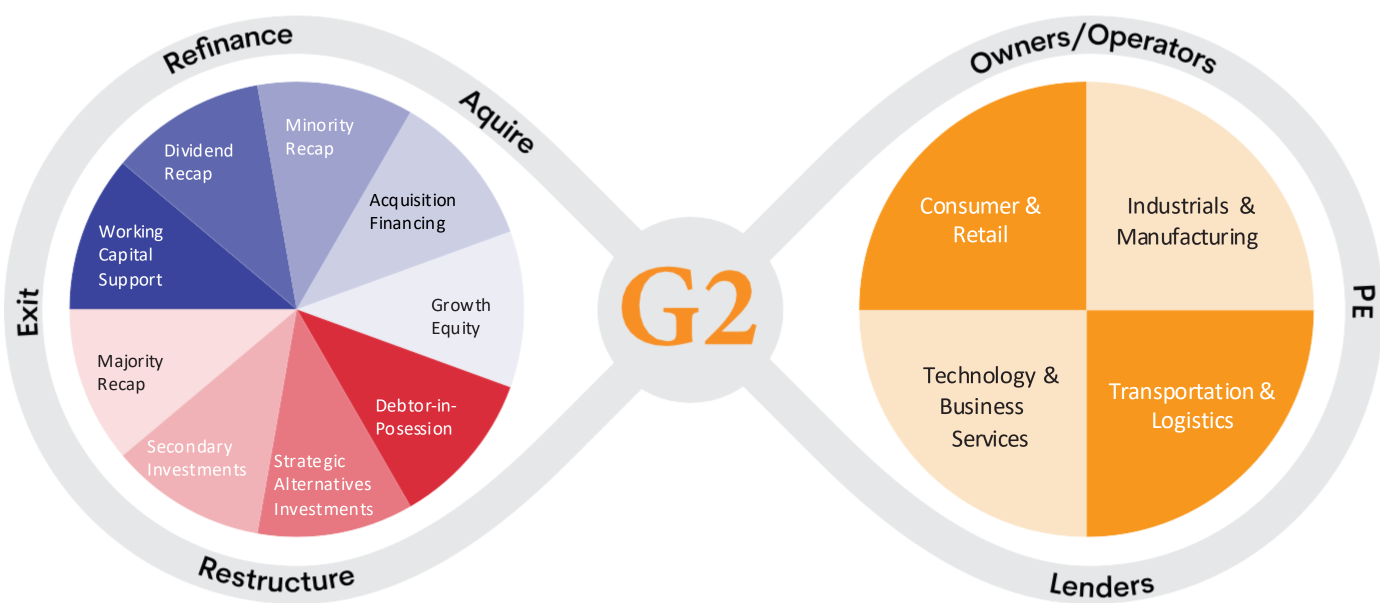
By The Numbers:

600+
Transactions executed

1500+
Lenders in G2 network

$3B+
Debt Capital Raised

235
Firm's combined years in lending



Typical Structures

- Senior Secured
- Growth Equity
- Acquisition Financing
- Asset-based Lending (ABL)
- Unitranche
- Minority Equity
- Mezzanine / Sub Debt
- Dividend Recap
- Structured Equity

Credit Expertise:

Deep understanding of credit positioning, real-time market insights and trends enables us to create a multitude of viable financing options

Access to Key Lenders:

Strong connections with debt and equity decision-makers allows direct engagement with key stakeholders, that drive certainty of close

Industry Expertise:

We achieve a lower cost of capital by demonstrating industry depth and negotiating solutions informed by sector dynamics.

Robust Process Execution

Acute attention to detail and a proprietary process provides a comprehensive exploration of financing options, positioning our Client's for the best possible outcome.

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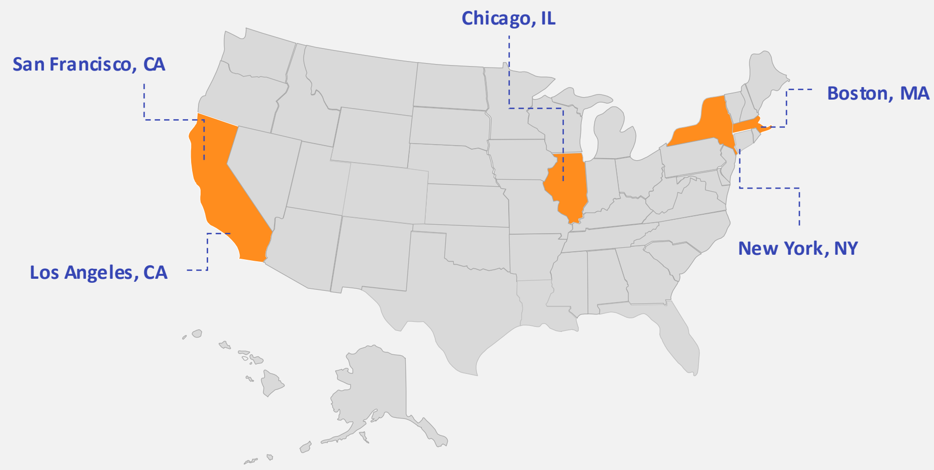
FIRM OVERVIEW

Overview:

- 600+ mandates in 15 years
- $6B+ total executed transaction value
- Extensive industry experience
- Robust strategic and sponsor relationships
- Active touchpoints with logical sellers and buyers



Sector Expertise:

Industrials & Manufacturing

I&M Focus Sectors:
- Niche Manufacturing
- Industrial Services
- Building Products
- Metals & Materials
- Containers & Packaging

Transportation & Logistics

T&L Focus Sectors:
- Asset-Based Transportation
- Final Mile Delivery
- Freight Brokerage
- Warehouse & Distribution
- International Logistics

Technology & Business Services

TBS Focus Sectors:
- IT Services & Cloud Solutions
- Outsourced Business Services
- Facility Services
- Tech-Enabled Services & Software

Consumer & Retail

C&R Focus Sectors:
- Multi-Unit Consumer
- Food & Beverage
- Health & Wellness
- Consumer Goods

A Multi-faceted Platform:

Focused on crafting bespoke operational and financial advisory solutions for our corporate and investor clients. G2 works with clients across a range of situations.

SELL-SIDE M&A ADVISORY

BUY-SIDE M&A ADVISORY

CAPITAL MARKETS

RESTRUCTURING ADVISORY SERVICES

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