

Q2 2026 **CAPITAL** **MARKETS**

MARKET UPDATE

Q2 2026

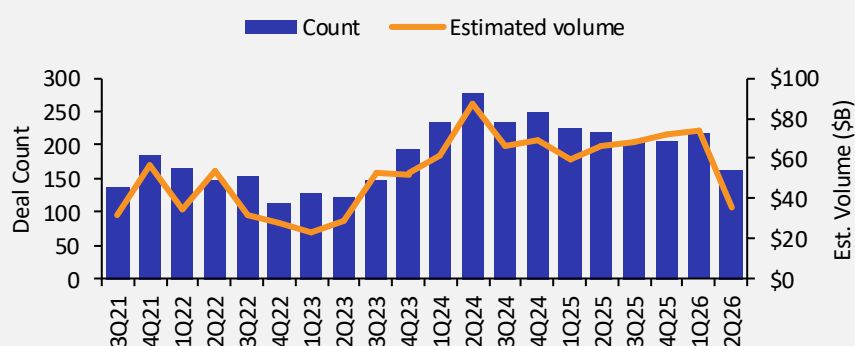
Capital Markets

US CREDIT MARKETS REVIEW

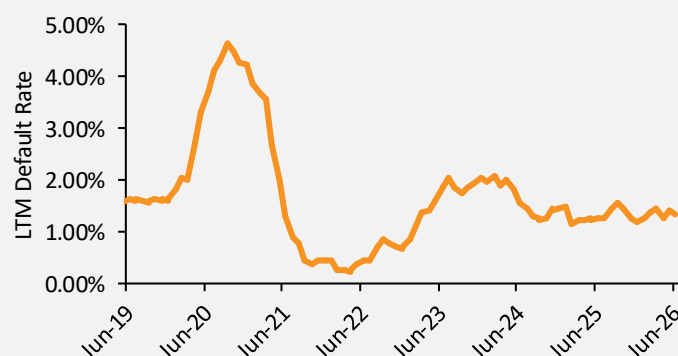
MARKET TRENDS

- Transaction activity moderated in 2Q 2026 as deal count and volume stepped back from a strong 1Q, with the decline in volume driven in large part by a substantial decrease in average deal size, though ample lender liquidity and acquisition financing continued to support new issuance
- Direct lending volume of ~\$36B across ~160 deals in 2Q 2026 marked the lowest estimated quarterly volume since 2Q 2023, following a strong 1Q that capped four consecutive quarterly increases in estimated volume
- Buyout financing remained the primary driver of activity, with LBO/M&A transactions accounting for roughly two-thirds of PE-backed direct lending deal count in the quarter
- Refinancing activity remained elevated relative to historical norms and gained share in 2Q, though acquisition financing continued to account for the majority of PE-backed activity
- New-issue leverage remained stable through 1H 2026, with average Debt/EBITDA near 4.6x for all deals and ~5.0x for LBOs — broadly in line with full-year 2025
- Leverage remains meaningfully below 2021–22 peaks of 5.3x for all deals and 5.9x for LBOs, reflecting a sustained shift toward more disciplined underwriting
- LBO leverage has held near 5.0x as average purchase price multiples eased to ~10.3x on an LTM basis through June 2026 from ~11.1x in 2025, indicating a more balanced transaction environment
- Default rates remained stable through 2Q 2026 in the ~1.2–1.4% range, well below the 2020 pandemic spike and consistent with continued credit resilience
- Headline default rates capture missed payments but not deferred stress. Payment-in-kind (PIK) usage across direct lending has trended higher since 2022 as some borrowers shift cash interest to accrual, a dynamic that can flatten reported default and coverage metrics even as underlying leverage builds

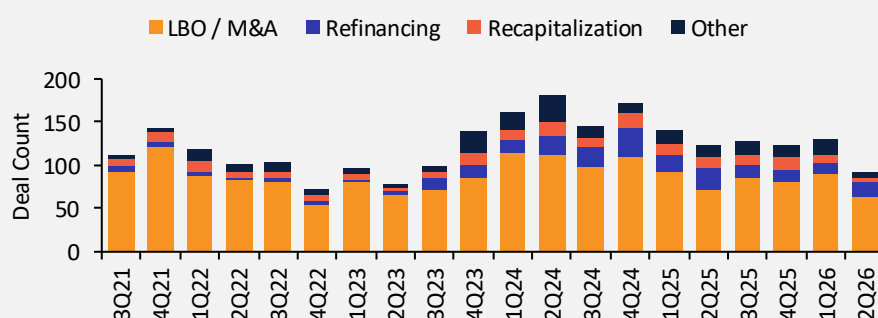
DIRECT LENDING DEAL ACTIVITY (Total)



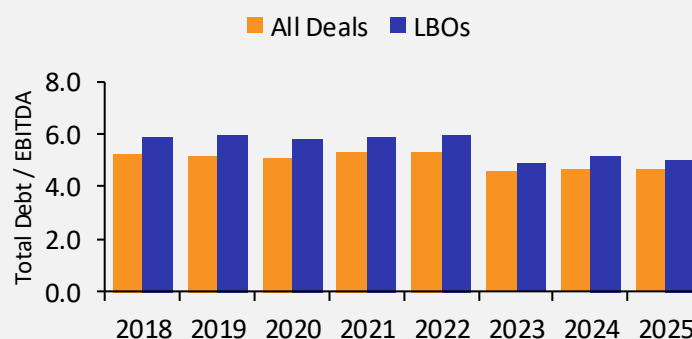
LTM DEFAULT RATE – ISSUE COUNT¹



DIRECT LENDING DEAL ACTIVITY (PE-Backed)



DEBT/EBITDA²



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. Securities offered through Hollister Associates, LLC. Member FINRA, SIPC. G2 Capital Advisors, LLC and Hollister Associates, LLC are separate and unaffiliated entities.

Q2 2026

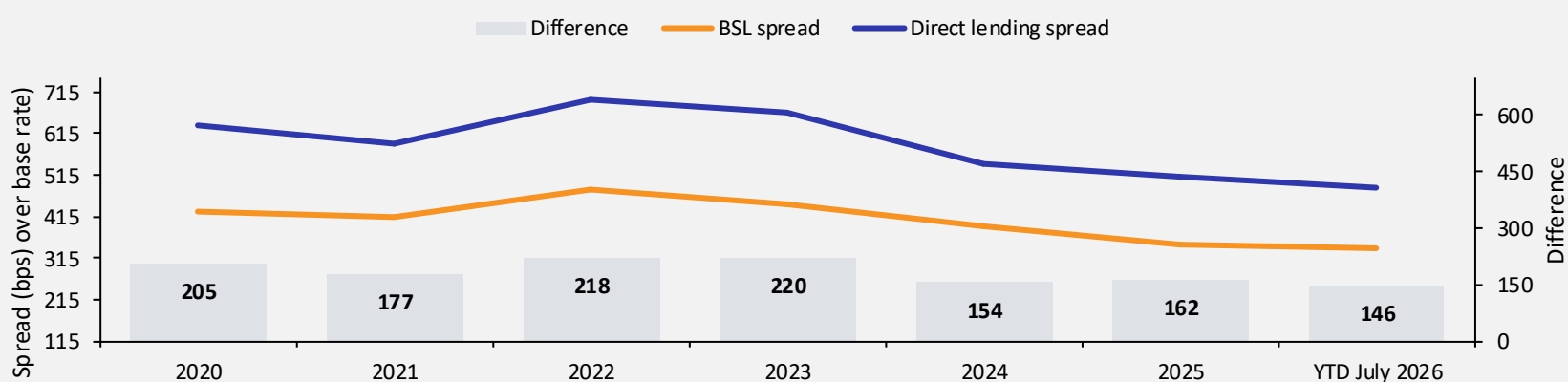
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US CREDIT MARKETS REVIEW

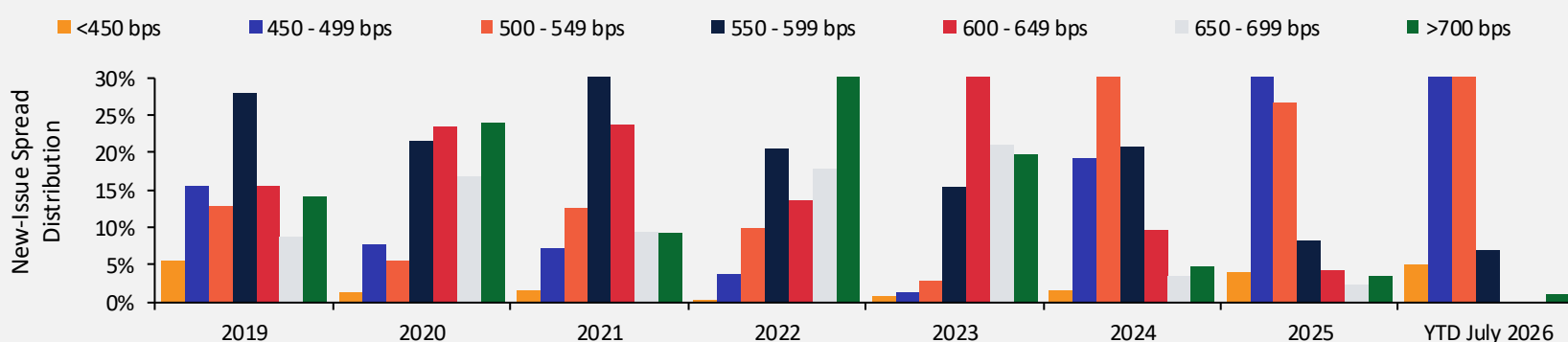
MARKET TRENDS

- Direct lending spreads continued to compress through 1H 2026, with new issuance increasingly concentrated in the 450–499bps range and virtually no volume clearing above 600bps year-to-date
- Average direct lending spreads have declined to ~485bps YTD 2026 from nearly 700bps at the 2022 peak, as the market has steadily rotated from a 550bps+ pricing environment toward the mid-400s
- The shift in spread distribution has been broad-based, with more than half of YTD issuance pricing between 450–499bps and only a limited share of transactions clearing at 550bps or wider
- Despite lower transaction activity in 2Q, financing conditions remain favorable, as significant private credit capital and intense lender competition continue to support ample liquidity, tighter spreads, and advantageous pricing for high-quality credits
- Financing conditions remain favorable for sponsors and companies that are transacting, supported by ample lender liquidity, tighter spreads and strong competition for high-quality credits
- The spread differential between BSL and direct lending narrowed to ~146bps YTD 2026 from ~162bps in 2025 and peak levels of ~220bps in 2022–23, reflecting continued convergence between the two markets
- Despite tighter pricing, private credit continues to command a consistent premium to BSL, reflecting differentiation in structure, certainty of execution and flexibility while both markets remain well-functioning. Continued convergence between private credit and BSL pricing also reflects deepening ties between banks and private credit managers, who increasingly partner on financing rather than compete for it

BSL VS DIRECT LENDING SPREADS¹



DIRECT LENDING NEW-ISSUE LBO SPREADS²



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. Securities offered through Hollister Associates, LLC. Member FINRA, SIPC. G2 Capital Advisors, LLC and Hollister Associates, LLC are separate and unaffiliated entities.

Q2 2026

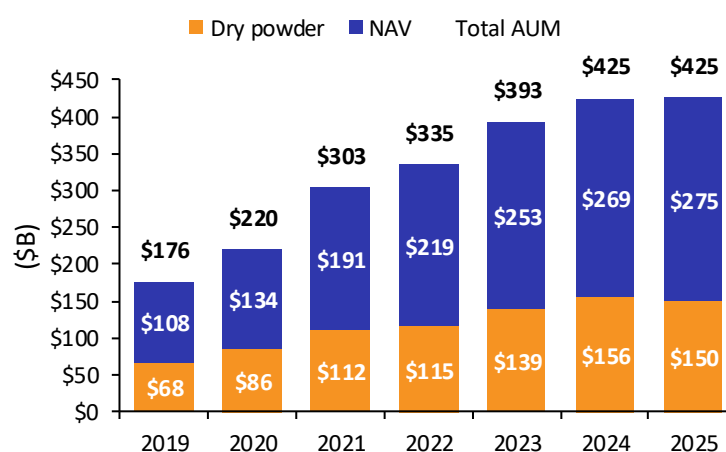
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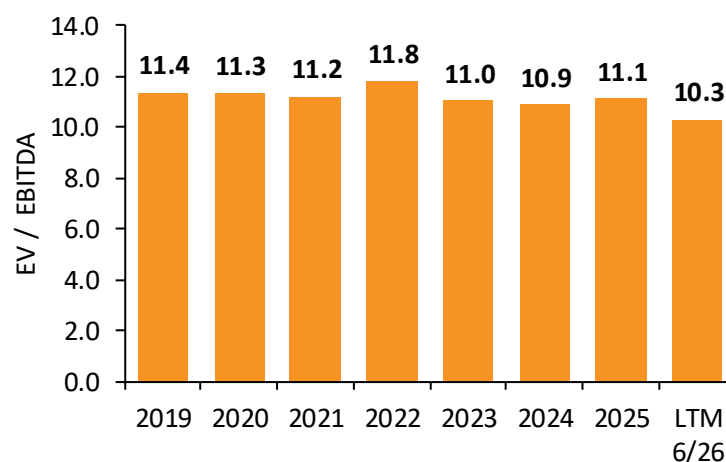
MARKET TRENDS

- The private credit market remains exceptionally well capitalized, with U.S. direct lending AUM holding at ~\$425B in 2025, including ~\$150B of dry powder available to support new sponsor-backed opportunities
- Direct lending AUM growth has flattened in 2025 after several years of steady expansion, consistent with a broader industry shift in new capital formation toward asset-based finance and other private credit strategies beyond traditional corporate direct lending
- While refinancing activity is absorbing a growing share of lender capacity, significant uncalled capital and stable AUM continue to support strong competition for new transactions and broad financing availability
- Purchase price multiples moderated to ~10.3x EV/EBITDA on an LTM basis through June 2026, below ~11.1x in 2025 and the 11.8x 2022 peak, reinforcing a more disciplined underwriting and valuation backdrop
- A maturity cliff continues to build as 2021–22 vintage leveraged loans, bank facilities and private credit financings — originated during the post-COVID deal surge at tighter spreads and lower base rates — enter typical five-year refinancing windows
- Borrowers carrying leverage in the 4.0x–6.0x range face the most acute refinancing pressure in a higher-for-longer rate environment, though lower entry multiples and disciplined leverage provide a larger equity cushion than at the market peak
- Nearly half of defaults remain concentrated in the 4.0x–5.9x leverage range, indicating that credit stress continues to emerge across moderately levered capital structures rather than solely among the most highly levered borrowers
- Approximately 23% of defaults are associated with leverage above 6.0x, while 28% occur in deals levered below 4.0x, pointing to a broad but contained credit environment with no single leverage cohort dominating distress

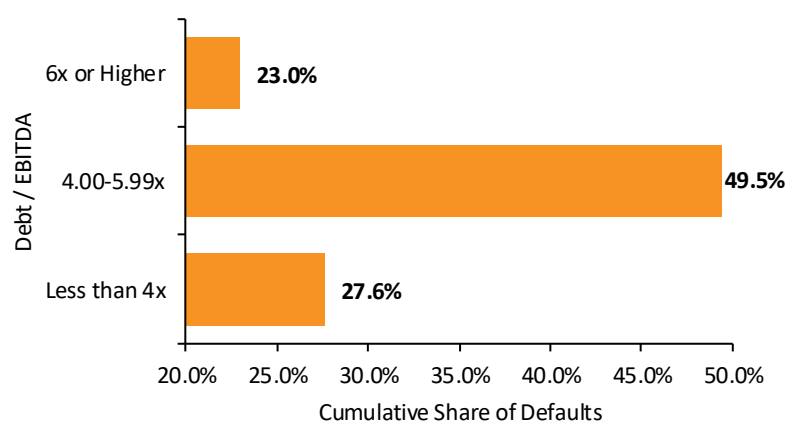
US DIRECT LENDING AUM



EV/EBITDA IN LEVERAGED BUYOUTS¹



DEFAULTS by DEBT / EBITDA²



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

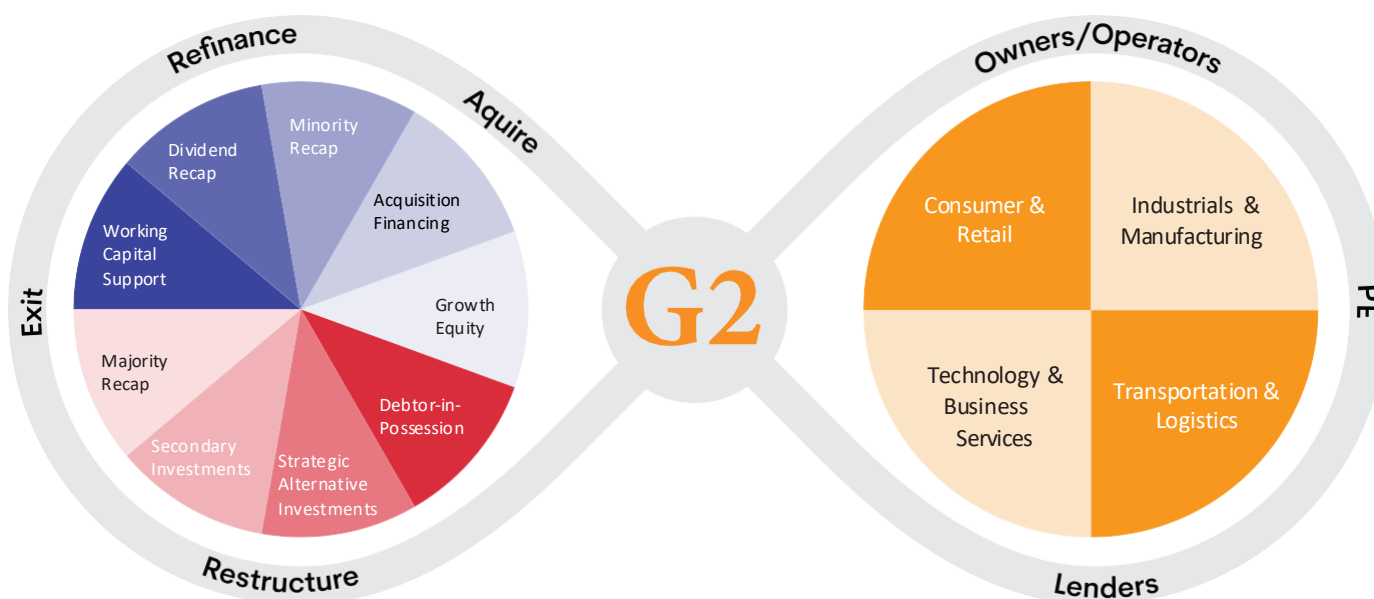
By The Numbers:

650+
Transactions executed

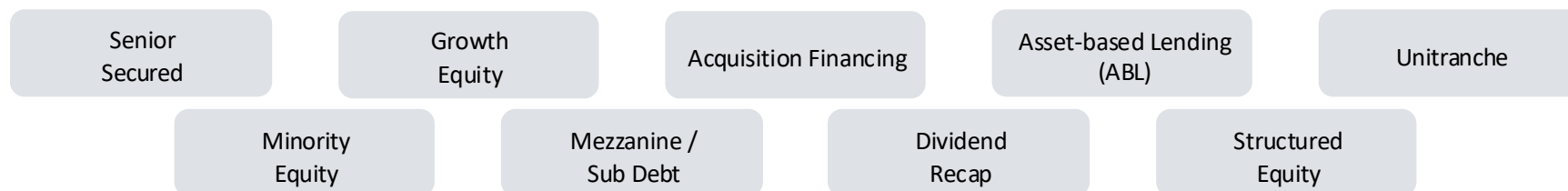
1500+
Lenders in G2 network

\$3B+
Debt Capital Raised

235
Firm's combined years in lending



Typical Structures



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 Clients for the best possible outcome.

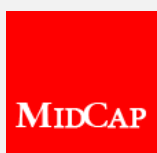
FEATURED G2 MANDATES

While holding periods continue to stretch, opportunities to create value haven't disappeared. G2 continues to execute capital markets engagements, helping clients navigate complexity, unlock value, and successfully close transactions.

Consumer & Retail



ABL Revolver



Capital Markets

About the Mandate:

G2 successfully secured a new asset-based revolving credit facility for Belcam. The new facility provides a senior secured revolving line of credit, delivering enhanced working capital flexibility and financial support for Belcam's continued growth across retail and e-commerce channels.

Transportation & Logistics

Project Compound

Capital Markets

About the Mandate:

G2 has been engaged to arrange senior debt financing for a tech-enabled freight brokerage pursuing an active buy-and-build acquisition strategy.

Consumer & Retail

Project Gamer

Capital Markets

About the Mandate:

G2 has been engaged to arrange a credit facility for a for a creator-led digital media platform.

Industrials & Manufacturing

Project Cobalt

Capital Markets

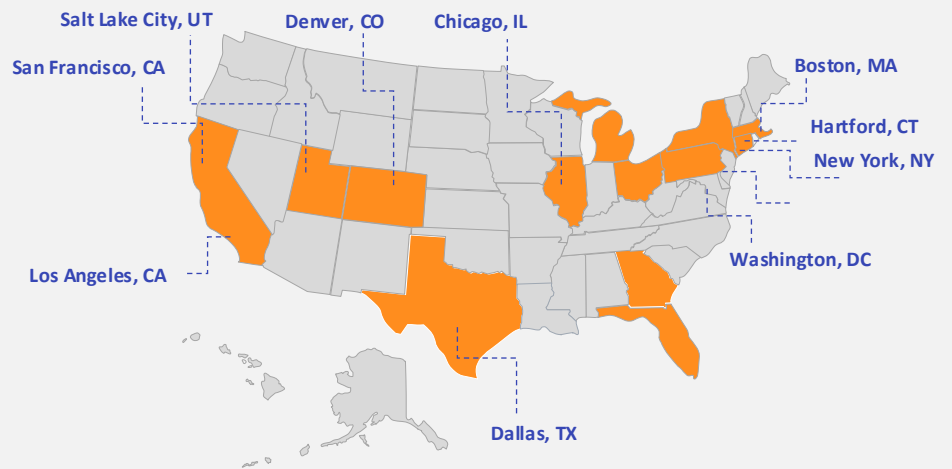
About the Mandate:

G2 has been engaged to lead a capital raise for a manufacturer of fire-rated HVAC and enclosure systems.

FIRM OVERVIEW

Overview:

- 650+ mandates in 15 years
- \$6B+ total executed transaction value
- Extensive industry experience
- Strategic, lender 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



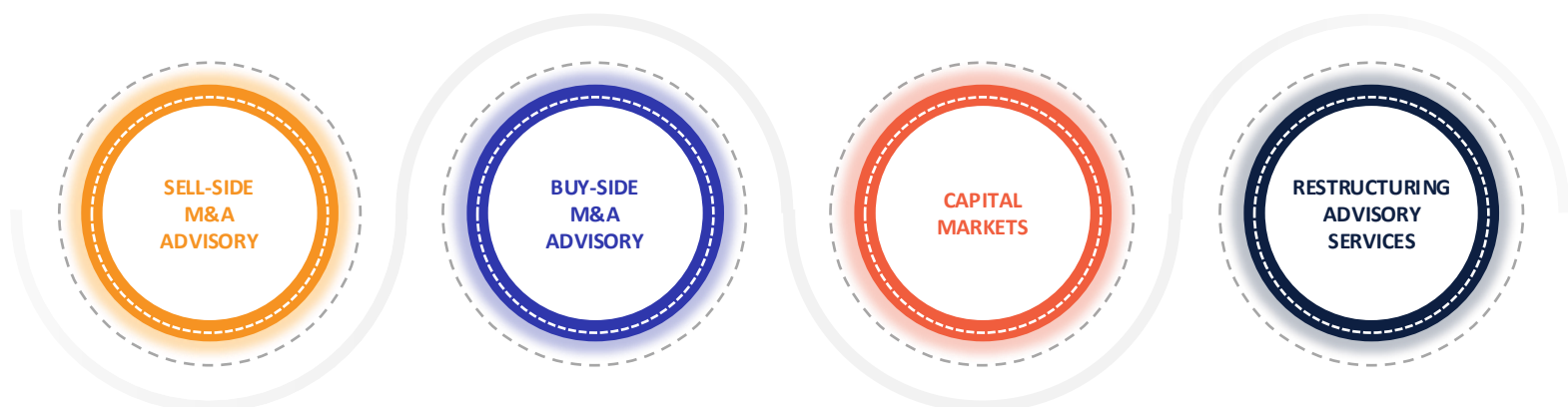
Consumer & Retail

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.



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