William Blair

Q3 2026

The Leveraged Finance Market Navigates the Changing Seasons

In This Report

Analysis of Q3 Trends in Leveraged Finance

Highlights, Analysis, and Results From William Blair's Quarterly Leveraged Finance Lender Survey

INVESTMENT BANKING

Leveraged Finance Newsletter



The Leveraged Finance Market Navigates the Changing Seasons

Market conditions held firm in the third quarter as volume rebounded and pricing remained steady even amid continued macro risks

Each quarter of 2026 has presented the leveraged finance market with newfound opportunities, challenges and risks. Borrowers and lenders alike, have had to manage through geopolitical uncertainty, AI-driven technology risks, persistent inflation, and now, a renewed rising rate environment. Through all of these factors, conditions have improved from early year lows and have settled into a holding pattern of solid issuance volume and borrower-friendly pricing. There continues to be cautious optimism around further improvement in M&A activity and the resiliency of economic conditions as we move towards the winter and into 2027.

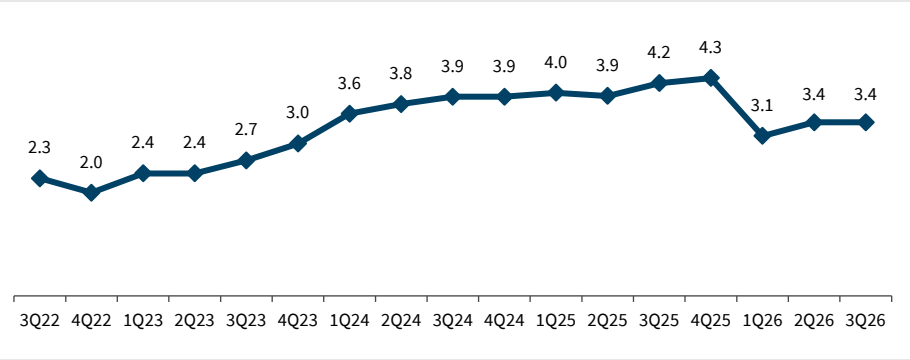
U.S. institutional loan volume totaled $113.4 billion in the third quarter, representing a modest bounce back from the $101.7 billion in Q2, and registering the strongest quarter so far this year. This was a continuation of a trend we have now seen two years in a row, where a relatively strong start to the year gets thrown off course by unforeseen events in the second quarter (i.e., tariffs, AI-concerns, etc.), before bouncing back nicely with strong volume in Q3. Interestingly, despite this being the strongest quarter of the year on the volume front, it was the weakest in terms of total activity as repricing activity remained subdued as a result of elevated spreads. Overall, year-to-date new issue volume sits at $326.7 billion compared to $368.3 over the same period last year, with the decline driven by a decrease in opportunistic transactions.[1]

As has been the case throughout 2026, M&A-related volume continued to be the bright spot for the market. LBOs, in particular, highlighted the activity in the third quarter with $20.0 billion of issuance volume. This was only the third time since 2024 that LBOs made up a majority of all M&A issuance in a quarter. Total year-to-date M&A-related activity reached $134.2 billion, an increase of 16% over last year and the highest level post-COVID. This activity has continued to be driven by larger, higher-quality borrowers, as the market has shifted in the face of the increased volatility and risks that have emerged this year. In September alone there were 12 M&A-related transactions in the market that were over $1 billion. So far this year, 48% of M&A volume has been completed by borrowers rated BB-minus or higher by at least one rating agency, the highest level in over 15 years.[1]

On the flip side, refinancing activity in the quarter skewed toward lower-rated issuers needing to address upcoming maturities. Refinancing

Conditions Hold Firm Following First Half Volatility

Each quarter, we ask middle-market lenders to rate overall conditions in the leveraged finance market on a scale of 1 to 5, with 5 being the most borrower-friendly conceivable. The index remained flat at 3.4, as conditions were largely unchanged as the market remains active following a period of market volatility.



Source: William Blair Leveraged Finance Survey.

1. Source: PitchBook, a Morningstar company.

volume in Q3 totaled $52.1 billion, the highest in a year. $18.2 billion, or 35%, of this volume came from B-minus rated borrowers, a shift from the less than 30% average over the prior three quarters. These borrowers that may have a need to refinance due to near-term maturities drove average spreads for refinancing transactions in the third quarter to near parity with the typically higher priced LBO transactions, which generally command a 50 – 100 basis point premium.[2]

Conditions in the leveraged finance market held firm this quarter as continued risks and uncertainty remained present but did not drive any significant change in overall sentiment. William Blair's Leveraged Lending Index remained flat at 3.4 in the third quarter (scale of 1 to 5, with 5 being the most borrower-friendly). The market has continued to skew towards borrowers, despite the levels of uncertainty, on account of persistent supply-demand imbalance between the availability of new deals and capital to deploy. Within the direct lending market, 59% of LBOs this year have priced at spreads of less than 500 basis points. In addition, 52% of lenders surveyed noted pricing remained the same during the quarter and 75% expected no change for the remainder of the year. In the broadly syndicated market, spreads for B-minus rated borrowers stand 58 basis points over the levels seen at the end of 2025 but remain below much of the post-COVID period. With spread levels remaining historically low, survey respondents noted a more even distribution of concessions made during the quarter to win a deal, including increased leverage, additional add-back credit or reduced covenants. Despite market conditions that remain supportive towards borrowers, lenders continue to be focused on a combination of both macro issues — including interest rate outlook, economic conditions, and geopolitical risks — and sector-specific concerns around technology and rising costs.

Maturity Wall in Focus

Across both the broadly syndicated and private credits markets, refinancing of near-term maturities is set to be a major focus of the coming quarter and into next year. In the broadly syndicated market, lower-rated borrowers make up the majority of the 2028 maturity wall. Of the $171.0 billion of loans due before the end of 2028, 65% consisted of issuers rated B-minus or below.[2] These lower-rated borrowers have had greater difficulty transacting in the market this year and have had to settle for wider spreads. As maturities continue to draw near, issuers may be required to consider options within the private credit markets or to refinance at spreads higher than their current deal.

Within private credit, the near-term maturity wall of loans held by BDCs has reached the highest level since the peak of the pandemic in 2020. Borrowers that face a maturity within the next two and half years reached $116.6 billion in Q2, representing 22% of all BDC holdings. Direct lenders remain open for business and highly receptive to quality financings but certain loans coming due that were put into place almost five years ago face conditions that differ from those of their prior deals. Greater sector selectivity, particularly as it relates to technology, as well as other external factors, may require borrowers to make difficult decisions around leverage, pricing and terms.[3]

Inter-Market Competition Returns to Center Stage

As had been the case during portions of the last several years, competition between the broadly syndicated market and private credit returned to the forefront during the quarter. In Q3, $16.4 billion of private credit loans were refinanced into the broadly syndicated market, the highest one-way swing in three years. As direct lenders have faced redemption-driven fund volatility this year, the broadly syndicated market has shown strong receptivity towards larger, high-quality borrowers. This level of competition between markets is likely to provide opportunities for all borrowers, as overall demand outpaces supply. As was the case during similar periods of inter-market refinancings in 2024 and 2025, pricing moved tighter and terms loosened, to the benefit of borrowers.[2]

Overall, stable market conditions have created a backdrop that remains conducive to issuance. Competition between the private credit and broadly syndicated market, as well as an abundance of capital in general, means an imbalance of supply and demand should continue to sustain borrower-friendly pricing and terms. External factors and economic conditions present a risk, but the market has shown the ability to manage through uncertainty in 2026, and an increase in M&A activity and overall issuance should be well-received as the year draws to a close.

To learn more about these and other trends shaping the leveraged finance market, please don't hesitate to contact us.

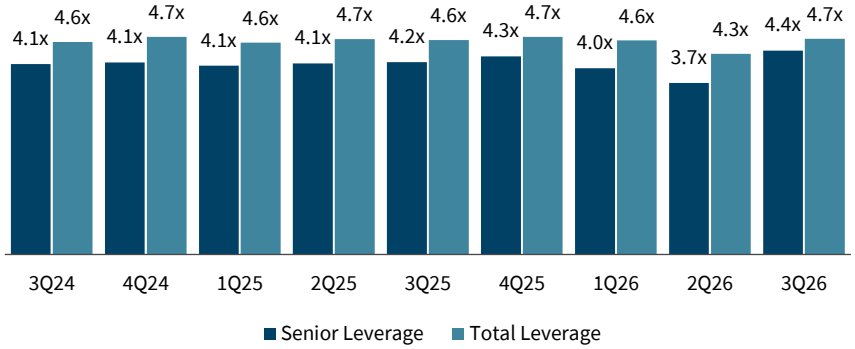
2. Source: PitchBook, a Morningstar company.
3. Source: PitchBook, a Morningstar company.

Market Analysis

Each quarter, we look behind the numbers to examine the market dynamics that are driving trends in pricing and volume in leveraged finance transactions.

Leveraged Loan Multiples

Total leverage rebounded in Q3 to levels seen throughout much of last year, as LBO financings played a big role in the quarter.

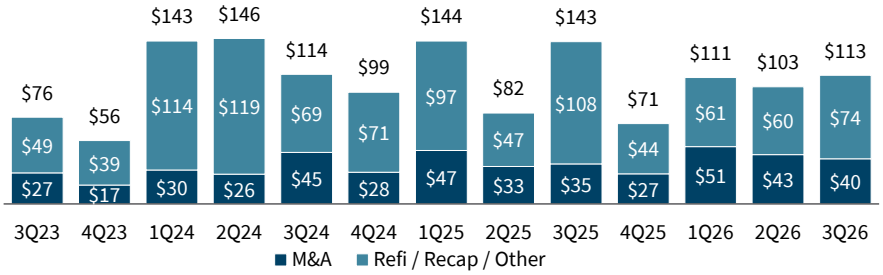


Source: PitchBook, a Morningstar company. The cited data has not been reviewed by PitchBook analysts and may be inconsistent with PitchBook methodology. Represents the rolling 90-day average leverage multiples from all loan activity.

Institutional Loan Volume

Total institutional loan volume rose to $113 billion in Q3, marking the highest quarterly level this year.

($ in billions)

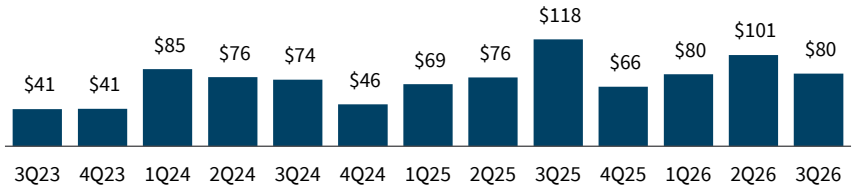


Source: PitchBook, a Morningstar company. The cited data has not been reviewed by PitchBook analysts and may be inconsistent with PitchBook methodology.

High-Yield Bond Volume

High-yield bond volume descreased to $80 billion in Q3, slightly above the average of the last 3 years.

($ in billions)



Source: PitchBook, a Morningstar company. The cited data has not been reviewed by PitchBook analysts and may be inconsistent with PitchBook methodology.

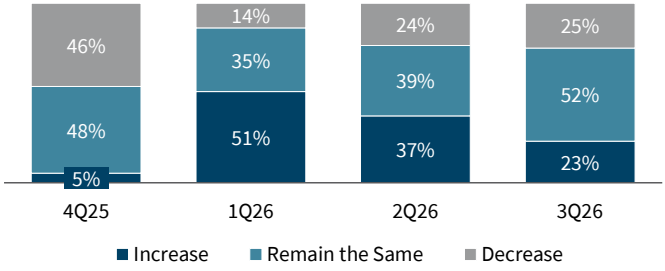
Highlights From William Blair's Q3 2026 Leveraged Finance Survey

Each quarter, William Blair surveys middle-market leveraged finance professionals representing leading credit funds, BDCs, commercial finance companies, commercial banks, and other credit providers to measure sentiment in the leveraged finance market.

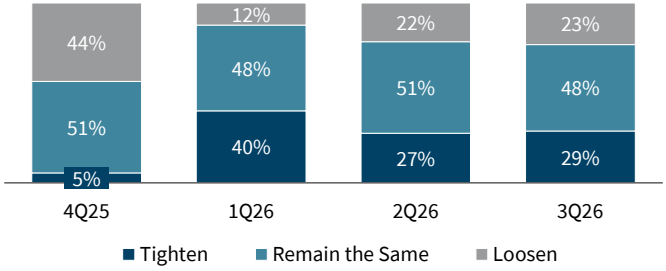
Lender Sentiment Holds Steady

Borrower-friendly conditions held firm in Q3, as approximately 50% of respondents indicated that pricing, leverage, and terms remained the same over the course of the quarter.

Pricing



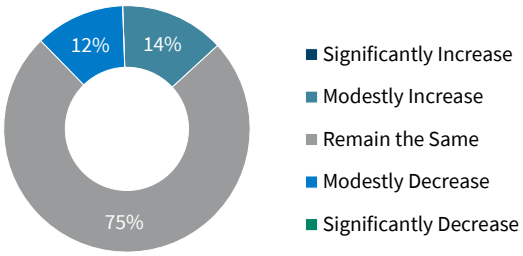
Leverage and Terms



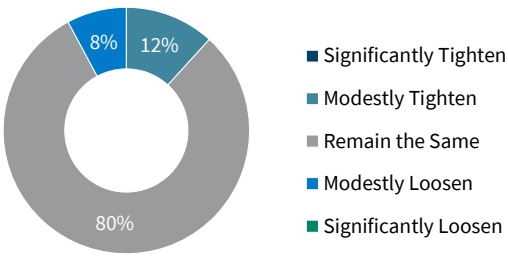
Lending Expectations

Looking to the remainder of 2026, a significant majority of survey respondents expect pricing, leverage, and terms to continue to remain the same, as the market continues to manage through the multiple areas of geopolitical and economic uncertainty.

Pricing Expectations



Leverage and Terms Expectations



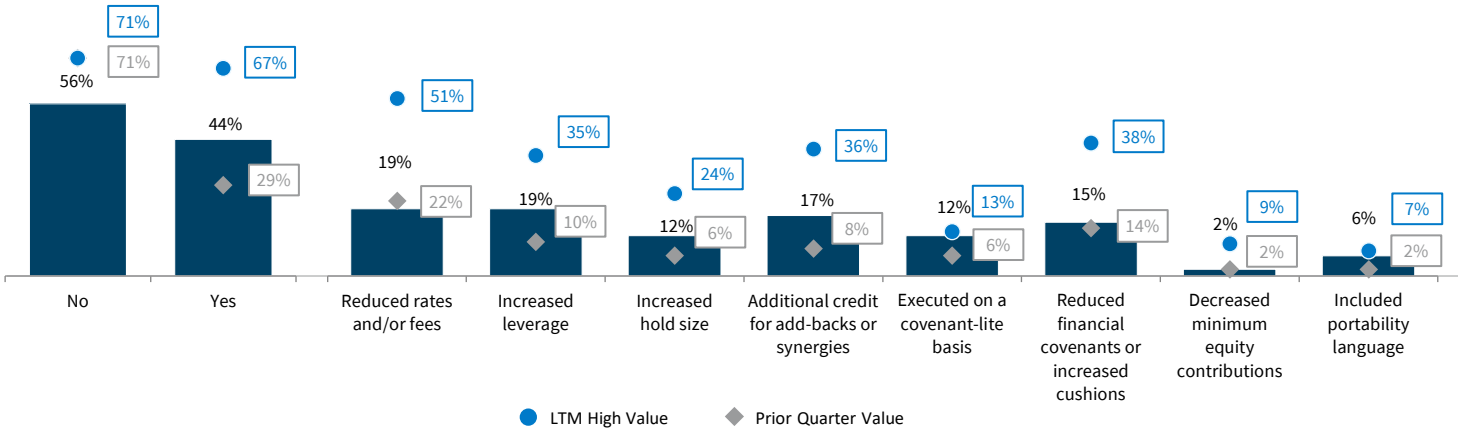
Note: Based on responses received from William Blair's Leveraged Finance Survey.

Lender Selectivity Moderates

As conditions have stabilized following the bout of volatility in the first half of the year, 44% of respondents reported making borrower-friendly concessions to win a deal, a marked improvement over the first two quarters but trailing the trend of last year.

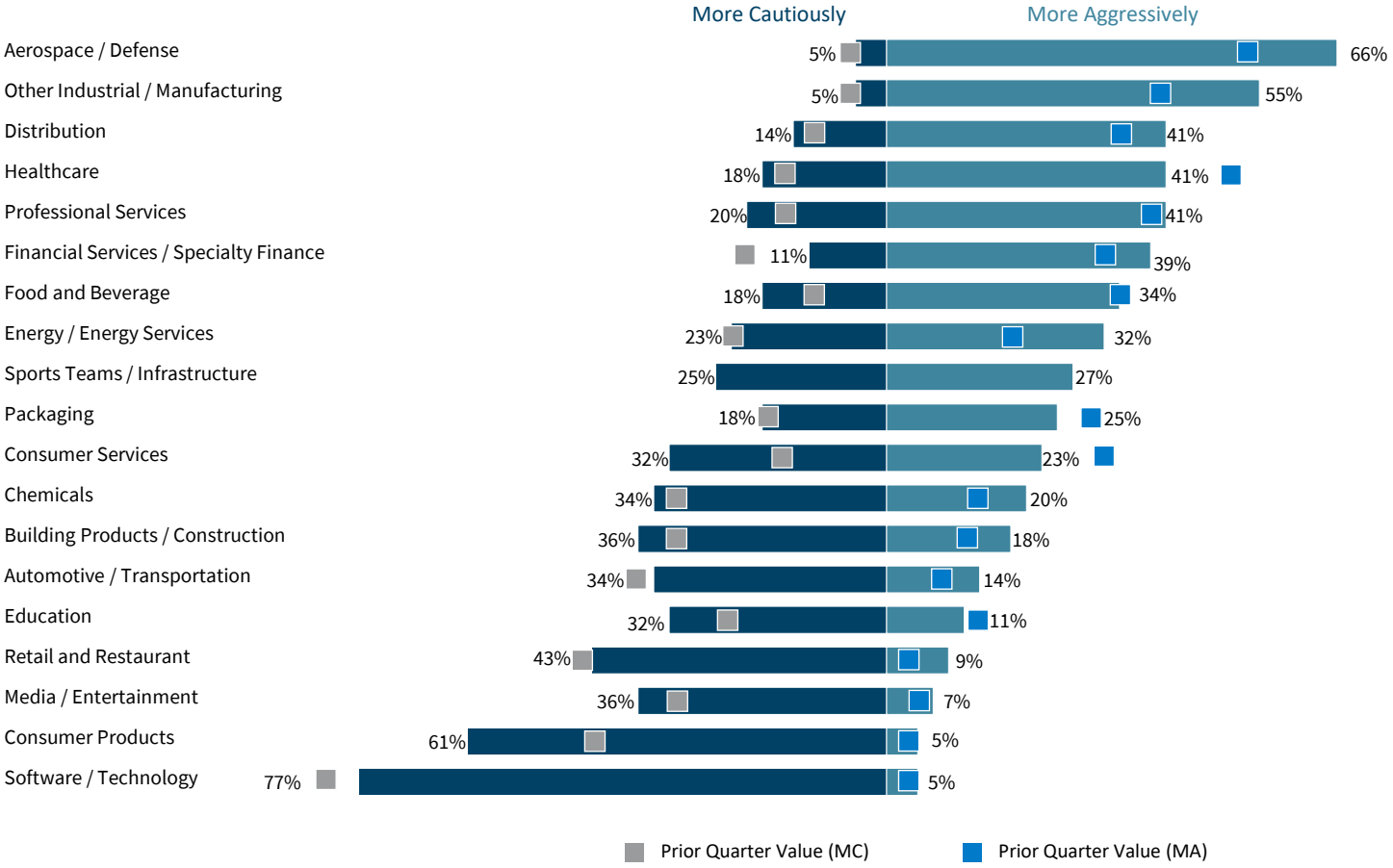
During Q3 2026, did you make borrower-friendly concessions you historically would not have made to win a deal?

If yes, what were the concessions?

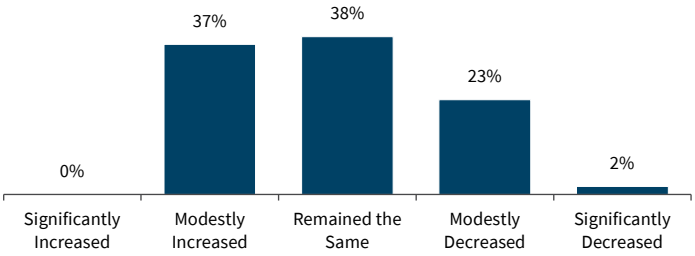


Additional Highlights

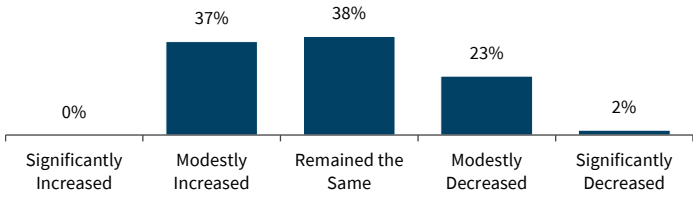
Are there any specific sectors or industries for which your firm is proceeding more aggressively or cautiously today compared with 6 months ago?



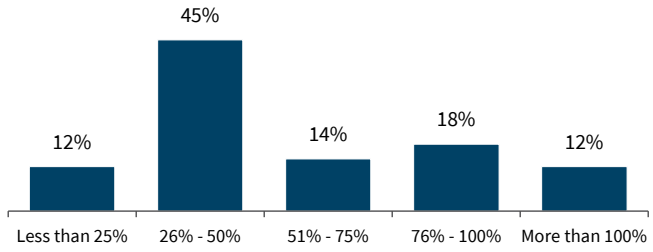
During Q3 2026, how did new-issue loan volume compare to that in the previous six months?



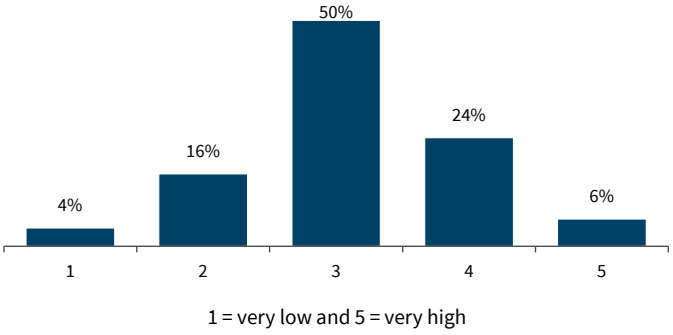
During Q3 2026, how have your expectations for M&A activity for the remainder of the year changed?



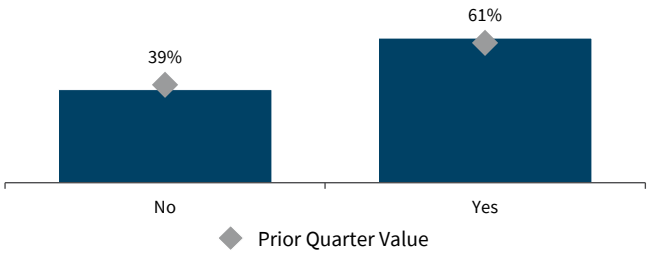
For a dividend recapitalization transaction, what is the maximum percentage of cash equity returned to investors you would be comfortable with?



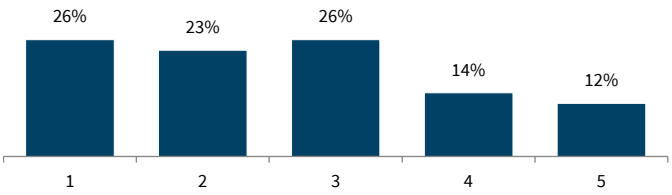
What is your appetite level for supporting a dividend recapitalization transaction over the next six months?



Is your institution ever willing to include portability mechanics in a new debt transaction?

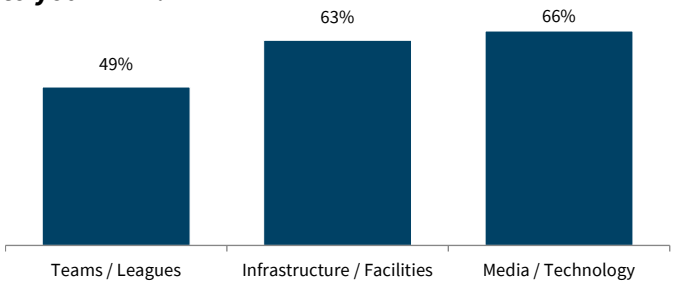


What is your level of interest or experience in lending to the sports industry?

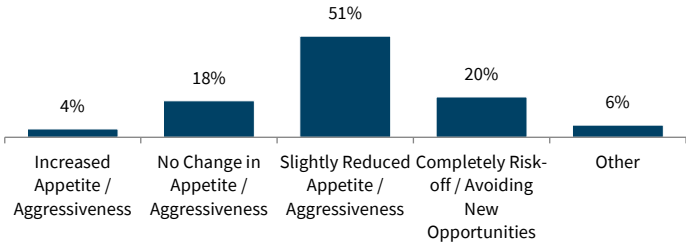


1 = very low and 5 = very high

What areas within the sports industry are of interest to your firm?



If your firm has historically lent to software and SaaS businesses, how has that approach changed this quarter?



Other Changes in Approach

- Remains unchanged as it was never a focus or didn't historically lend to software and SaaS businesses
- Highly selective but remain open to certain deals
- Leveraging expertise in space for good opportunities
- Continued caution towards the sector

For the remainder of 2026, what factors or trends do you expect will have the most significant impact on the leveraged loan market?

- Interest rate outlook, including a potential Fed hiking cycle and higher base rates
- Geopolitical risk, particularly the ongoing Iran conflict and its impact on oil and energy prices
- M&A supply, LBO and new buyout volumes, sponsor deal flow, and exit activity
- Persistent inflation, including energy-driven inflation from the Iran conflict
- Q3 earnings trajectory and total market issuance
- Borrower interest burden and fixed charge coverage as floating-rate costs increase
- Rising defaults, non-accruals, and portfolio stress, particularly at the lower-quality end of the market
- Private credit redemptions, non-traded BDC flows, and the fundraising environment
- Midterm elections and policy uncertainty, including tariffs, AI regulation, and data center moratoriums
- Overall economic conditions, including GDP growth and consumer spending
- Market volatility and investor risk appetite
- Lender capacity to deploy as portfolio and redemption issues weigh on hold sizes
- Competitive dynamics, with BSL taking share in the upper middle market and sponsors moving down market, pressuring documentation rather than pricing
- AI disruption and software / SaaS exposure, the sustainability of the AI trade, and data center crowding out

Drawing on our deep product expertise and the strength f our relationships, William Blair has built a leading leveraged finance franchise. Sponsors and business owners turn to us for outstanding execution in support of their capital-raising objectives.

Select Transactions

BURGESS PIGMENT COMPANY Unitranche Credit Facility 2026	Capital A Investment Partners Single-Asset Continuation Fund and Refinancing for DE JONG ZUURMOND 2026	RELAM a portfolio company of BASALT Infrastructure Partners Asset-Based Revolving Credit Facility 2026
DUNLOP AIRCRAFT TYRES a portfolio company of LIBERTY HALL Capital Partners has completed a refinancing 2025	Heathos a portfolio company of SHERIDAN Capital Partners Unitranche Credit Facility 2025	HARROW Your patients. Our purpose. Senior Unsecured Notes 2025
BioTouch™ a portfolio company of Atlantic Street Capital Unitranche Credit Facility 2025	VARDIS SWITZERLAND Senior Secured Term Loan (Add-on) 2025	unisys Senior Secured Notes Financial Advisor 2025

William Blair Leveraged Finance by the Numbers

190+

completed leveraged finance transactions since 2016

$25B+

arranged financing since 2016

500+

lender and alternative credit provider relationships

William Blair's Leveraged Finance team structures and arranges debt capital in support of acquisitions, recapitalizations, and growth through its well-established relationships with debt capital providers globally.

- Conflict-free advisory focused on delivering the best solution available in the market
- Proprietary 360-degree view of leveraged finance market from William Blair's global M&A and debt advisory practices; relationships with more than 500 lenders and significant transaction experience with alternative credit providers
- Experts at orchestrating competitive auctions to achieve optimal financing outcomes in complex engagements, including those requiring insightful credit positioning and the arrangement of multiple layers of capital
- Seamless integration with William Blair's sector coverage teams
- Turn-key financing teams able to deliver unparalleled speed, execution, and certainty to close

With more than 300 senior bankers around the world, William Blair has completed more than 1,350 advisory and financing transactions totaling over $850 billion in value for our clients.*

Leveraged Finance Group Leadership

Michael Ward
+1 312 364 8529
mward@williamblair.com

Darren Bank
+1 312 801 7833
dbank@williamblair.com

Jackson Tworek
+1 312 364 8587
jtworek@williamblair.com

Ryan Stackhouse
+1 312 364 8521
rstackhouse@williamblair.com

* In the past five years as of September 30, 2026

Disclosure
"William Blair" is a trade name for William Blair & Company, L.L.C., William Blair Investment Management, LLC and William Blair International, Ltd. William Blair & Company, L.L.C. and William Blair Investment Management, LLC are each a Delaware company and regulated by the Securities and Exchange Commission. William Blair & Company, L.L.C. is also regulated by The Financial Industry Regulatory Authority and other principal exchanges. William Blair International, Ltd is authorized and regulated by the Financial Conduct Authority ("FCA") in the United Kingdom. William Blair only offers products and services where it is permitted to do so. Some of these products and services are only offered to persons or institutions situated in the United States and are not offered to persons or institutions outside the United States.

This material has been approved for distribution in the United Kingdom by William Blair International, Ltd. Regulated by the Financial Conduct Authority (FCA), and is directed only at, and is only made available to, persons falling within COB 3.5 and 3.6 of the FCA Handbook (being "Eligible Counterparties" and Professional Clients). This Document is not to be distributed or passed on at any "Retail Clients." No persons other than persons to whom this document is directed should rely on it or its contents or use it as the basis to make an investment decision.