SPP CAPITAL PARTNERS

"Market At A Glance"

June 2026
www.sppcapital.com

Changes from Previous Month Noted in Red.

Leverage: Senior Debt/EBITDA	< $10MM EBITDA	> $10MM EBITDA	> $25MM EBITDA
June 2026	2.00x - 2.50x	2.25x - 3.75x	4.25x - 5.25x
May 2026	2.00x - 2.50x	2.25x - 3.75x	4.25x - 5.25x
June 2025	1.50x - 2.50x	2.00x - 3.50x	4.00x - 5.00x
Commentary:	*Senior Leverage Debt Multiples Consistent with Last Month*		

Leverage: Total Debt/EBITDA	< $10MM EBITDA	> $10MM EBITDA	> $25MM EBITDA
June 2026	2.50x - 3.25x	4.00x - 5.50x	5.00x - 6.50x
May 2026	2.50x - 3.50x	4.00x - 5.50x	5.00x - 6.50x
June 2025	2.50x - 4.00x	4.00x - 5.50x	5.00x - 6.50x
Commentary:	*Heightened Scrutiny Respecting Sub-$10 million EBITDA Issuers - Aggregate Leverage Metrics Unchanged.*		

Pricing: Senior Commercial Bank Cash Flow	< $10MM EBITDA	> $10MM EBITDA	> $25MM EBITDA
June 2026	S+ 3.50% - 4.25%	S+ 3.00% - 3.75%	S+ 2.75% - 3.50%
May 2026	S+ 3.50% - 4.25%	S+ 3.00% - 3.75%	S+ 2.75% - 3.50%
June 2025	S+ 3.50% - 4.25%	S+ 3.25% - 3.75%	S+ 3.00% - 3.50%
Commentary:	*No Changes to Report for Commercial Bank Spreads - Pricing Competitive, but not Overly Aggressive.*		

Pricing: Senior Non-Bank/Unitranche	< $10MM EBITDA	> $10MM EBITDA	> $25MM EBITDA
June 2026	S+ 5.50% - 7.50%	S+ 5.00% - 6.50%	S+ 4.25% - 5.75%
May 2026	S+ 5.50% - 7.50%	S+ 5.00% - 6.50%	S+ 4.25% - 5.75%
June 2025	S+ 6.00% - 7.50%	S+ 5.00% - 6.50%	S+ 4.25% - 6.00%
Commentary:	*Non-Bank Pricing Stratified at Current Levels - Heightened Competition for Larger, "Cleaner" Stories*		

Pricing: Junior Capital (Cash + PIK)	< $10MM EBITDA	> $10MM EBITDA	> $25MM EBITDA
June 2026	13.00% - 16.00%	12.00% - 14.00% (S+ 7.5%-8.5%)	11.00% - 12.00% (S+ 6.25%-7.5%)
May 2026	13.00% - 16.00%	12.00% - 14.00% (S+ 7.5%-8.5%)	11.00% - 12.00% (S+ 6.25%-7.5%)
June 2025	13.00% - 16.00%	11.50% - 13.00% (S+ 7.0%-8.5%)	11.00% - 12.50% (S+ 6.50%-8.0%)
Commentary:	*Mezzanine Pricing Identical to Last Month - "Risk On" for Lower Middle Market - "Risk Off" for Better Capitalized Deals.*		

Tone of the Market

SPP is not making any changes to its indicative pricing and leverage metrics for the month of June, though it would be a mistake to take the lack of quantitative modifications as an indication that the market itself is in a state of stasis. To the contrary, the market is in flux, but it is not going in one direction, but two at the same time. Stated another way, the private market this month is increasingly defined not by its aggregate direction, but by its **bifurcation**. Premier issuers—those with strong EBITDA profiles, diversified revenue streams, and higher quality credit characteristics—are the beneficiaries of a fiercely competitive lending environment, with bank and non-bank lenders alike stretching on leverage and compressing spreads to historical levels in an effort to attract deals. Conversely, more marginal credits—sub-$5 million EBITDA issuers, "storied" credits, highly cyclical businesses, and sectors under structural pressure (most notably software)—are encountering a discernibly more cautious underwriting posture, manifested in tighter leverage tolerances and wider spreads. This has been a recurrent theme in private market liquidity conditions, a "*Tale of Two Cities*" syndrome where lack of deal flow and competition for new assets drives a "risk-on" environment for the higher end subsector of the market, and a pronounced "risk-off" underwriting approach for the lower end fueled by perceived vulnerability to geopolitical destabilization, and erratic macroeconomic activity.

Minimum Equity Contribution

For the last three years, the minimum level of cash equity in a deal has been a primary focus point for all leveraged buyouts. Regardless of enterprise multiples, lenders have sought at least ~40-50% LTV (i.e., equity capitalization equal to 40%-50% of enterprise value), and actual new cash in a deal needs to constitute at least 60% of the aggregate equity account. As market conditions have continued to favor issuers, and the market has become increasingly *"risk-on,"* equity contribution requirements have eased mildly, with lenders progressively becoming more comfortable with *"thinner"* equity capitalization schemes—both enhancing leverage capacity and turbocharging equity IRRs. We are confirming that threshold at 40% base equity capitalization, again with at least 60% of the aggregate equity account being new cash.

Equity Investment and Co-Investment

Liquidity for both direct equity investments and co-investments is robust, and in most cases, more competitive debt terms can be achieved where there is an opportunity for equity co-investment. Importantly, equity investment can take a variety of forms (preferred, common, warrants, even HoldCo notes) depending on the unique requirements of a given deal. Interest in independently sponsored deals continues to be strong as well, but investors will require that the independent sponsor has real *"skin in the game"* (i.e., a meaningful investment of their own above and beyond a roll-over of deal fees). While family offices remain the best source of straight common equity, credit opportunity funds, insurance companies, BDCs, and SBICs will actively pursue providing combined debt and equity tranches.

Dividend Recapitalization Liquidity

Leveraged recapitalization liquidity continues to be as robust as ever in Q2 2026. As a general proposition, private credit providers continue to provide the most aggressive terms for recap opportunities (i.e., leverage tolerances exceeding 4.5x LTM EBITDA and LTVs in excess of 50% TD/Enterprise Value), especially for larger middle-market issuers (>$25 million of LTM EBITDA), but commercial banks will also step up to fund recapitalization financings, albeit with lower leverage (<3.0x LTM EBITDA) and LTV metrics (<40% TD/Enterprise Value) and usually combined with a historical credit relationship. Given the general pressure on PE sponsors to return capital, leveraged recapitalizations are a fast and readily accessible alternative to premature exits. Importantly, the historically prohibitive pricing premiums and limitations on debt capacity associated with *"non-accretive"* dividend recaps and share repurchases have in large part disappeared. Recap financings are, for all practical purposes, currently just as aggressively bid and sought after as more generic repricing, refinancing, and accretive acquisition financings. The renewed interest in recaps stretches down to issuers below $10 million of LTM EBITDA.

Lower Middle Market / *"Story"* Receptivity

Continued macroeconomic uncertainty and geopolitical tensions are disproportionately impacting lower middle issuers (<$5 million of LTM EBITDA), *"storied"* credits, highly cyclical borrowers, and increasingly, virtually anything touching software. For this cohort of issuers overall leverage capacity is contracting and lender scrutiny is intensifying, reversing the trends that emerged in the first half of the year that skewed toward more expansive liquidity conditions. Refinancing legacy lenders in this sector of the market is under particular pressure, as lenders are increasingly apprehensive to "*solve someone else's problem*" by pouring fresh capital into historically non-performing assets. While refinancing in these situations is still a possibility, it is not uncommon for the new debt capital to demand lower pro-forma leverage; requiring legacy lenders to come out at a discount, convert their debt positions to subordinated or equity securities, or have new equity come in as a condition precedent to refinancing.

***"Groundhog Day"* – Em Beihold**

"All my friends are movin' on
Getting hitched and then they're gone
And I'm alone, all alone
I'm in the same room as before
With mom and dad right next door
And I'm scared I might be here forever
I love them but some ties need to be severed
And I said I'd move out last year
So why the hell am I still here?
Oh, it's easy to say I'm ok
But this smile I'm wearing is fake
I'm suffocating
Living Groundhog Day"

The Video:
YouTube Link

State of the Private Market

Groundhog Day

Heading into the summer of 2026, the private market finds itself in a familiar place, faced with competing headwinds and tailwinds that for some is the "*Best of Times*", while other languish in the "*Worst of Times*". The year started with enthusiasm, anticipating that the logjam suppressing M&A activity would finally break, and that excess liquidity conditions would create a rising tide that lifted all boats. But now close to the midpoint of the year, those expectations have in large part been dashed; M&A activity remains muted, and a combination of geopolitical and macroeconomic uncertainty have pushed liquidity conditions in two vastly different directions benefitting larger, well capitalized issuers with optimal issuance conditions, while lower middle market issuers and more marginal issuers face increased credit scrutiny, higher pricing and less debt capacity. This cycle is all too familiar to private market participants, noting it feels a lot like *Groundhog Day*.

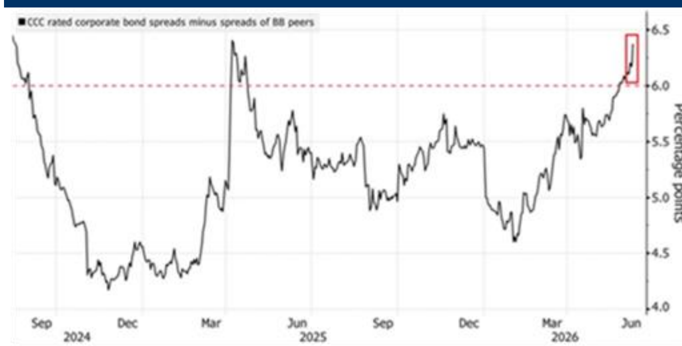
Two Worlds, One Market - Credit Market Bifurcation

The *Groundhog Day* loop and this month's bifurcation theme are the same story told from two vantage points. A platform with EBITDA north of $20 million, a defensible market position, and a clean recent track record is, in June, financeable on terms about as attractive as SPP has seen in this cycle. On the other end of the spectrum, an issuer carrying 2021-vintage leverage on a software-adjacent revenue base is living through something closer to the Em Beihold lyric: "*stuck, day after day, waiting for a door that has not yet opened*".

Public markets are pricing this divide explicitly. The spread between CCC-rated and higher-quality high-yield debt has widened to its broadest level in fourteen months, according to ICE BofA data reported by Bloomberg—a rational repricing of idiosyncratic risk after a long stretch of indiscriminate compression across the rating curve. Software credits have absorbed the brunt of that repricing: PitchBook data shows software loan average bid levels falling to their lowest point since March 2020 earlier this year, and software's share of new broadly syndicated loan issuance has dropped to roughly 9% year-to-date—the lowest share since 2013—as healthcare displaced it at the top of institutional loan issuance for the first time since 2015.

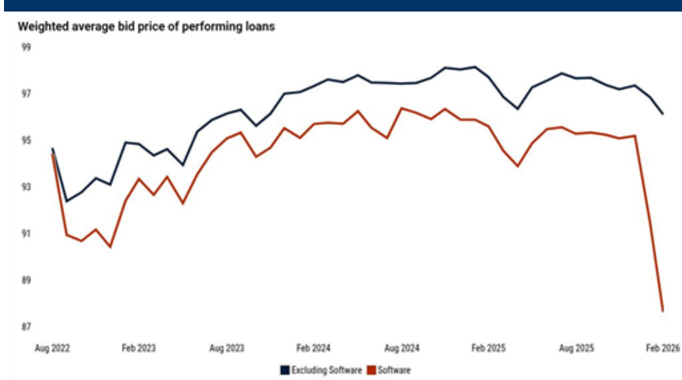
While it may seem unfair that smaller, thinner capitalized issuers are disproportionately bearing the brunt of being of the bifurcation

Widening Spreads between CCC and BB Debt



Source: Bloomberg Data

Growing Underperformance in Software Loans



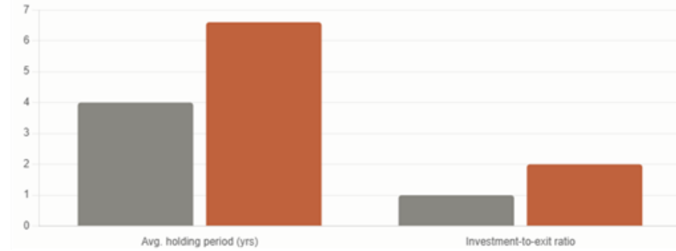
Source: Pitchbook

Growing Stress in Small Funds, Resiliency in Large Funds

Source: MSCI

phenomena discussed above, recent data published by MSCI shows that smaller funds (i.e. funds that have greater exposure to lower middle market and mid-middle market issuers) suffer significantly higher credit stress than larger funds which invest up-market in larger middle market and large corporate issuers. Specifically, loans marked below 50% of principal constitute ~12.5% of smaller funds, while larger funds are closer to ~8%. The delta for loans marked below 80% of principal is even more dramatic with smaller funds at ~18% versus larger funds at ~12%.

Exit Overhang from High Hold Periods and Lack of Exits



Source: Bain & Company 2026 Global Private Equity Report

The Exit Overhang Keeps Building

The bifurcation described above is compounded by a second, equally structural dynamic: a backlog of unsold portfolio companies that has been building for the better part of a decade. Bain & Company's 2026 Global Private Equity Report estimates roughly 29,000 unsold portfolio companies sitting across global private equity portfolios, representing approximately $3.6 trillion in unrealized value—a backlog that even a meaningful pickup in 2024–2025 exit activity barely dented. Average holding periods have stretched past six and a half years, more than half again the historical norm of roughly four years. Meanwhile, the industry's investment-to-exit ratio remains close to two-to-one: sponsors are still acquiring approximately two companies for every one they sell. The pressure this puts on limited partners—and, in turn, on general partners' ability to raise their next fund—has made distributions-to-paid-in capital ("DPI") the metric that defines fundraising viability in the current cycle, eclipsing IRR as the number LPs actually care about. It is also why the secondary market has become the de facto release valve: continuation vehicles and LP-led transactions have absorbed exit volume that the primary M&A market has not yet been able to generate at scale.

Deal Volume is Down, but Deal Value is Up

Source: PwC Midyear US Deals Outlook

In sum, lower deal flow, an M&A recovery that keeps arriving late, and an exit market still working through a decade's worth of unsold inventory are not new themes for SPP's readers, but June's data confirms they have not resolved—if anything, the gap between the credits that benefit from this dynamic and the credits penalized by it has widened. For issuers with strong EBITDA, a defensible growth story, and clean financials, the scarcity of competing deal flow is very good news: lenders are bidding at historically aggressive levels for well-positioned assets. For more marginal credits, the message is the opposite—patience, clean documentation, and a credible plan matter more than optimism about timing. The loop breaks eventually. It always does. The better-positioned half of the market is already breaking out of it.

<u>The Macroeconomic Picture</u>

In its June 2026 Federal Open Market Committee (*"FOMC"*) statement, the Federal Reserve maintained its benchmark interest rate at 3.50% to 3.75% for the fourth consecutive time. After significant dissension in Jerome Powell's final meeting as Federal Reserve chairman in April, new chairman Kevin Warsh oversaw a unanimous vote to hold rates steady in his first meeting as head of the central bank. Despite initial investor belief that Warsh's nomination would lead the Fed to be more aggressive in cutting rates, significant hiring momentum and increasing inflation has led the Fed to drop key language indicating a bias towards future cuts in an *"acknowledgement that a cut is now no more likely than a hike"*, per the Wall Street Journal's Nick Timiraos. Accordingly, the median 2026 year-end rate projection increased to 3.8% from 3.4% in prior projections, signaling the committee sees at least one rate hike as necessary this year. The Fed's hawkish turn has been necessitated by factors on both sides of the bank's *"dual mandate"* to maximize employment and moderate inflation. After weak hiring during the fall and winter, the labor market

Core CPI & Core PCE

Source: FRED, U.S. Bureau of Labor Statistics has shown significant growth the last three months. Average gains of 188 thousand have made this the fastest-growing labor market since March 2024. Meanwhile, significant inflationary pressures from the war in Iran as well as continued supply constraints to satisfy the data center boom have continued to push inflation higher. Headline CPI accelerated to 4.2% year-over-year, its fastest pace since April 2023, while May PPI jumped 1.1% on the month and 6.5% year-over-year, the steepest annual increase since November 2022. Both readings were driven overwhelmingly by energy prices tied to the conflict in the Middle East and the closure of the Strait of Hormuz rather than broad-based demand pressure—core CPI held at a comparatively contained 2.9%—but the breadth and persistence of the energy shock has been enough to push the Fed's tone from "*wait-and-see*" to something closer to "*wait-and-worry*." As such, observers are currently split on the Fed's direction during the next FOMC meeting scheduled for July 28th – 29th; as of June 23rd, the CME FedWatch tool indicates a 65.8% likelihood interest rates will remain unchanged, with a 34.2% chance of a 25-basis point increase at 3.75% to 4.00%.

Below is a recap of the most recent key economic releases:

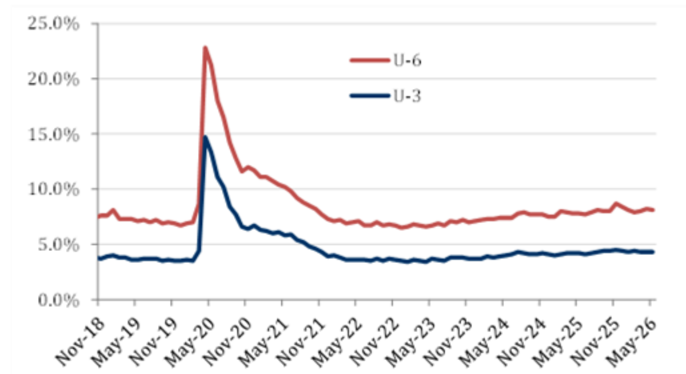
Theme: The World Cup!

Employment: <u>*Non-Farm Packs the Stands*</u> – Total nonfarm payroll employment increased by 172 thousand in May, far above the Dow Jones forecast of 80 thousand but down slightly from March's revised gain of 179 thousand. Further adjustments to March and April data saw March's figures revised upwards by 29 thousand, shifting from a gain of 185 thousand to 214 thousand, while April gains were also revised up by 64 thousand, from 115 thousand to 179 thousand. Additionally, the unemployment rate remained steady at 4.3%, which was in line with the expectations of LSEG economists. The May report shows that *"the hiring recession is over. American firms are hiring again"* according to Heather Long, chief economist at Navy Federal Credit Union, adding *"This is a strong jobs report from every angle"*. In May, leisure and hospitality led all sectors with 70 thousand job gains, potentially due to the hiring required for the World Cup. Additional gains were seen in local government (55 thousand) and healthcare (35 thousand). Ellen Zentner, chief economic strategist at Morgan Stanley Wealth Management, said that this "*solid*" jobs report leaves the Fed focused on the inflation side of its mandate and that *"rate cuts still aren't on the near-term horizon, but the absence of inflationary threats in today's report should quiet some of the chatter about a potential hike"*.

GDP: <u>*GDP Starts the Tournament Strong*</u> – GDP, the sum of all goods and services activity, increased at an annual rate of 1.6 percent in the first quarter of 2026, according to the second estimate from the U.S. Bureau of Economic Analysis (*"BEA"*). In the fourth quarter of 2025, real GDP increased by 0.5 percent. The Atlanta Fed's GDPNow estimate for real GDP growth (seasonally adjusted rate) in the second quarter of 2026 is 3.0% as of June 17th.

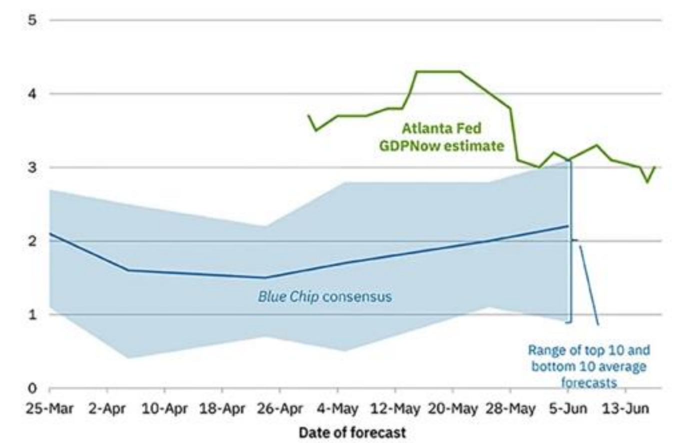
Inflation: <u>*Skyrocketing Concession Prices Worry Fans*</u> – The Core PCE Price Index, the Federal Reserve's preferred measure of inflation, read 3.3 percent annual growth in April, and the overall PCE Price Index measured 3.8 percent year-over-year. May Core and overall PCE data will be released on June 25th. The CPI for All Urban Consumers increased 0.5 percent on a seasonally adjusted basis in May, after rising 0.6 percent in April, and increased 4.2 percent for the 12 months ending in May. This was the largest 12-month increase since the index rose 4.9% over the year ended April 2023. The Core CPI (the index for all items less food and energy) rose 0.2 percent in May and 2.9 percent over the year.

Contracted Unemployment Rate (U-6 & U-3)



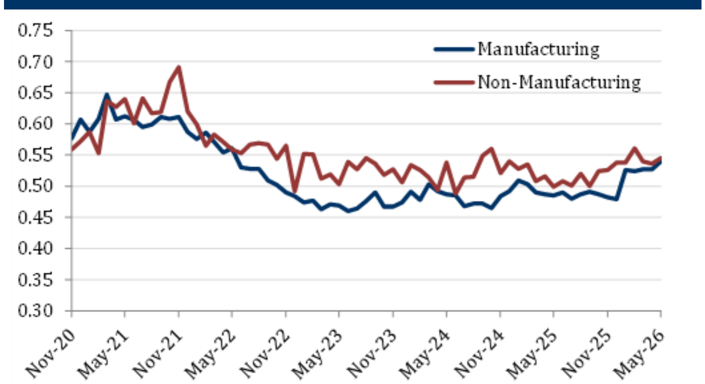
Source: U.S. Bureau of Labor Statistics

GDPNow Data Real GDP Forecast for Q2 2026



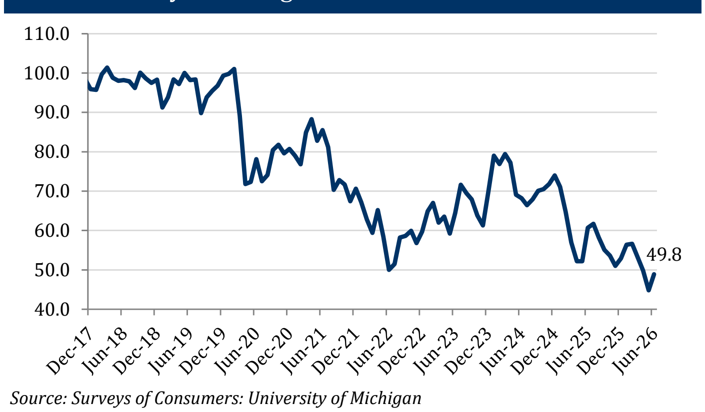
Source: Atlanta Fed

ISM Manufacturing and Non-Manufacturing Indices



Source: Institute for Supply Management

University of Michigan Consumer Sentiment Index



Source: Surveys of Consumers: University of Michigan

ISM Manufacturing and Services: *Economic Activity Continues the Momentum* – ISM's manufacturing index (the *"PMI"*) registered 54.0 percent in May, up 1.3 percent from April's reading of 42.7 percent. This was the highest reading since a 55.9 percent reading in May 2022 and was a fifth consecutive month of expansion in the manufacturing sector. The non-manufacturing index (the *"NMI"* or "*Services Index*") reported a May reading of 54.5 percent, a 0.9 percentage point increase from the April figure of 53.6 percent. In May, 17 service industries reported growth, with only one industry (real estate, rental, & leasing) reporting contraction.

Consumer Confidence: *Sentiment Scores a Goal, but Still Faces a Deficit* – In June, the University of Michigan's Consumer Sentiment Index rose to 48.9, a 4.1 index point increase from May's reading of 44.8 (a record low). Joanne Hsu, director of the Surveys of Consumers at the University of Michigan, stated, *"consumers [are] experiencing some relief due to the early-month easing in gasoline prices"* and that *"this measured improvement in sentiment was widespread, seen across age, education, and political party"*. However, despite June's gains, sentiment is still 13% lower than in January 2026 and 19% below June 2025's reading. Hsu added that *"[consumers] feel burdened by the recent escalation in inflation and worry that higher inflation could remain stubborn going forward."*

SPP CAPITAL PARTNERS

SPP Capital Partners is a leading middle market investment bank focused on raising private debt and equity for our corporate and equity sponsor clients.

For over 35 years, SPP Capital Partners, LLC ("SPP") has been active in structuring both private debt and equity raises for our corporate and equity sponsor clients. SPP's dedicated focus on middle market capital raises provides an unparalleled depth of experience and capital provider network. SPP's senior management has over 100 years of aggregate experience in the private capital markets and has completed over 580 transactions amounting to more than $27 billion of capital. SPP averages approximately $1 billion in annual transaction volume and boasts a 5.0x average oversubscription rate since 2010. SPP's relationships with over 700 investors across all major constituencies in the private capital markets, alongside its professionally managed, competitive auction process, offer clients the following: Competition among, and within, all investor constituencies; True "market auction" terms; Access to key decision makers; and Introductions to groups that go significantly beyond our clients' existing relationships.

SPP By the Numbers

35+ Year History	**580+** Transactions Completed	**$27B+** Capital Raised
700+ Active Relationships with Leading Debt & Equity Providers	**90+** Private Equity Clients	**~$1B** Annual Transaction Volume

Our Capabilities & Capital Network

Capital Structures Placed

Asset-Backed & Cash Flow Loans	Portfolio-Level NAV Loans
Structured Senior Loans (Last Out, Split Lien, etc.)	Real Estate & Sale-Leaseback Financing
Unitranche	Incremental Facilities (Accordion, DDTL, etc.)
Junior Debt (Second Lien, Mezzanine, etc.)	Common Equity
Institutional Private Placements	Preferred Equity

Capital Providers Engaged

Commercial Banks	Small Business Investment Companies ("SBICs")
Non-Bank Direct Lenders	Insurance Companies & Pension Funds
Bank & Non-Bank Real Property Lenders	Private & Growth Equity Funds
Credit Opportunity Funds	Equity Co-Investment Funds
Business Development Companies ("BDCs")	Hedge Funds
Traditional LP Mezzanine Funds	Family Offices

Beacon Behavioral Partners

BEACON
BEHAVIORAL PARTNERS

Senior and PIK HoldCo Credit Facilities

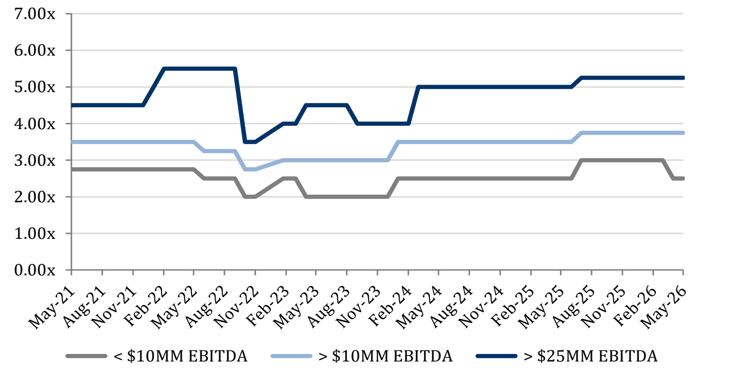
A leading mental health organization serving the southern and eastern United States

A Portfolio Company of

LATTICEWORK CAPITAL MANAGEMENT

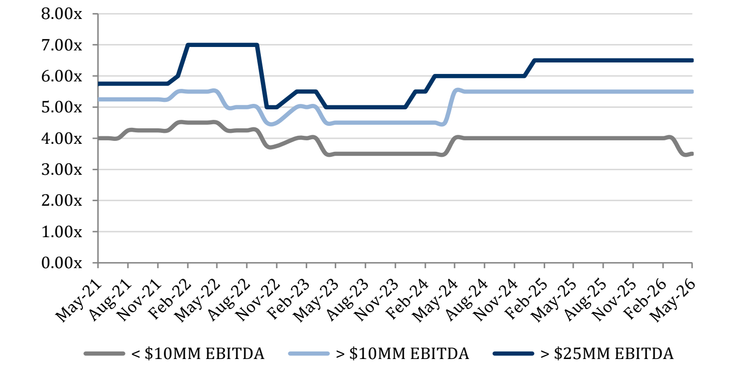
Supporting Data

Historical Senior Debt Cash Flow Limit (x EBITDA)



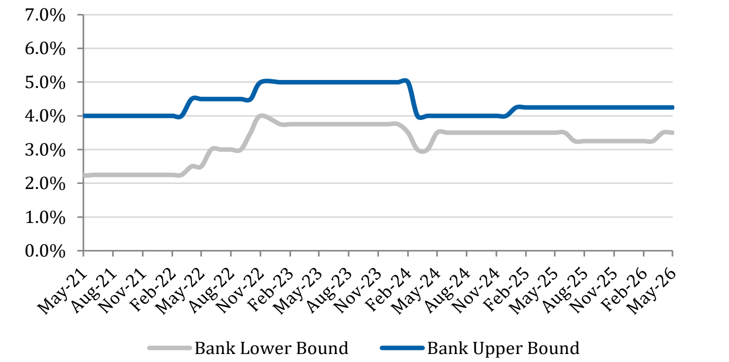
Source: SPP's "MIDDLE MARKET LEVERAGE CASH FLOW MARKET AT A GLANCE"

Historical Total Debt Limit (x EBITDA)



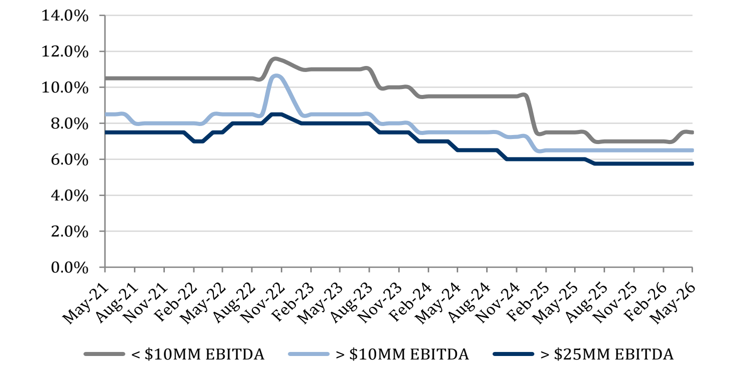
Source: SPP's "MIDDLE MARKET LEVERAGE CASH FLOW MARKET AT A GLANCE"

Historical Senior Cash Flow Pricing (Bank)



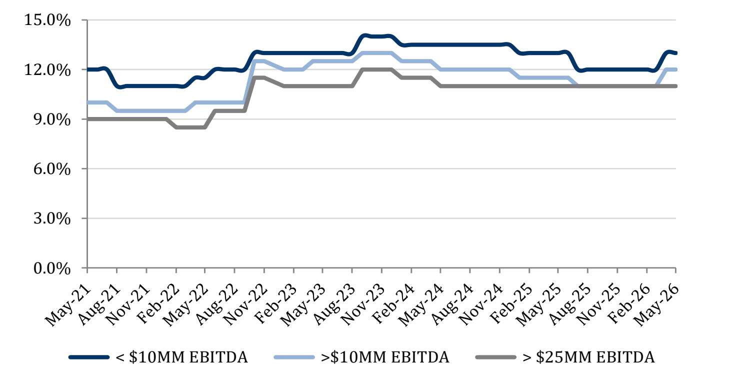
Source: SPP's "MIDDLE MARKET LEVERAGE CASH FLOW MARKET AT A GLANCE"

Historical Unitranche Pricing



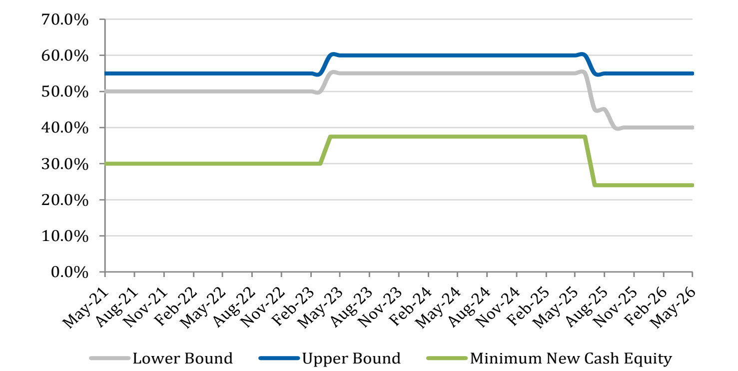
Source: SPP's "MIDDLE MARKET LEVERAGE CASH FLOW MARKET AT A GLANCE"

Historical Subordinated Debt Pricing



Source: SPP's "MIDDLE MARKET LEVERAGE CASH FLOW MARKET AT A GLANCE"

Historical Minimum Equity Contribution



Source: SPP's "MIDDLE MARKET LEVERAGE CASH FLOW MARKET AT A GLANCE"

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