Antares Capital

2024

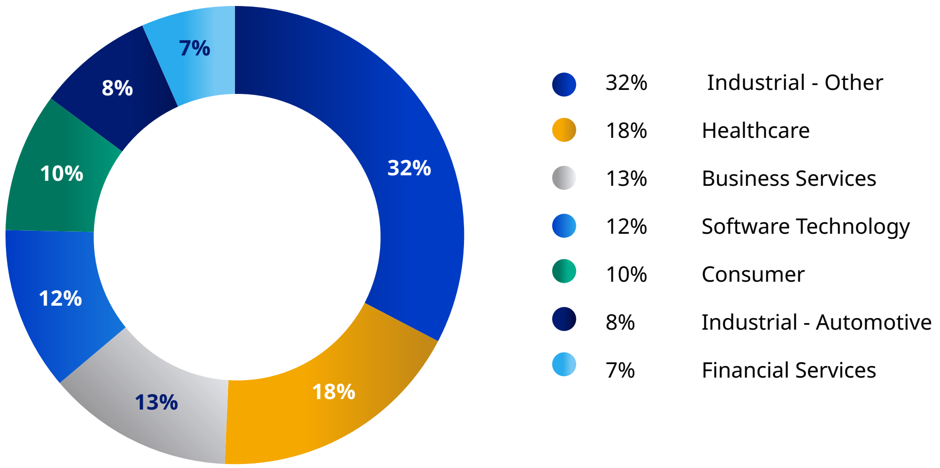
Credit Market Outlook Survey

Survey Methodology

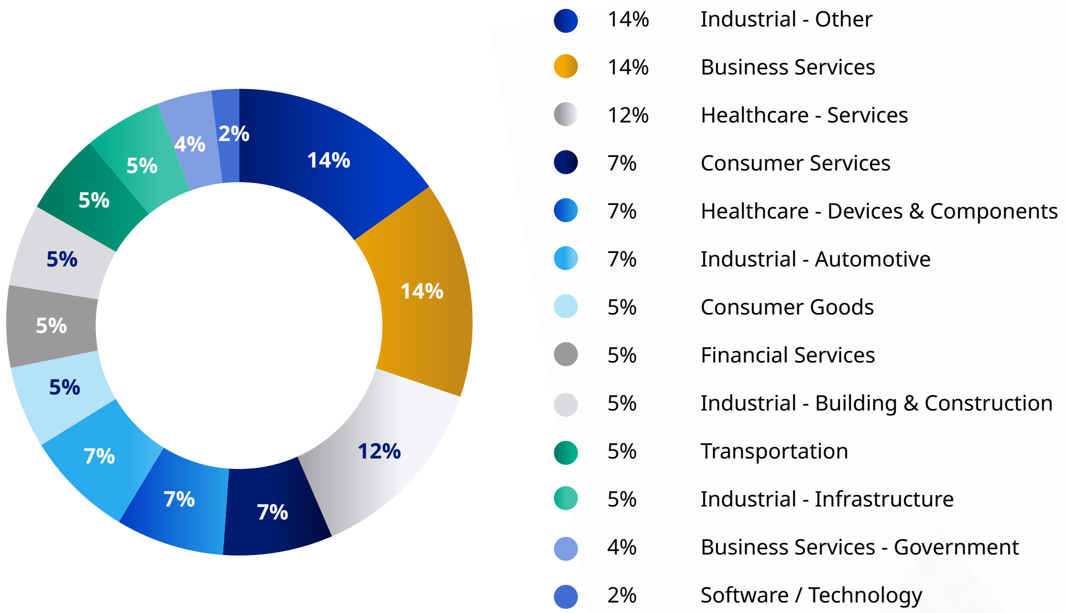
Antares conducted this survey over a three-week period between **May 29, 2024 and June 21, 2024**, primarily via email outreach. The key takeaways are based on survey responses from a total of **138 private equity sponsors and 60 Antares borrowers** from a diverse set of industries and business models **(32% manufacturing, 27% distribution, 42% services**).

About Our Borrower Respondents

Industry in Which They Operate



End Markets They Serve



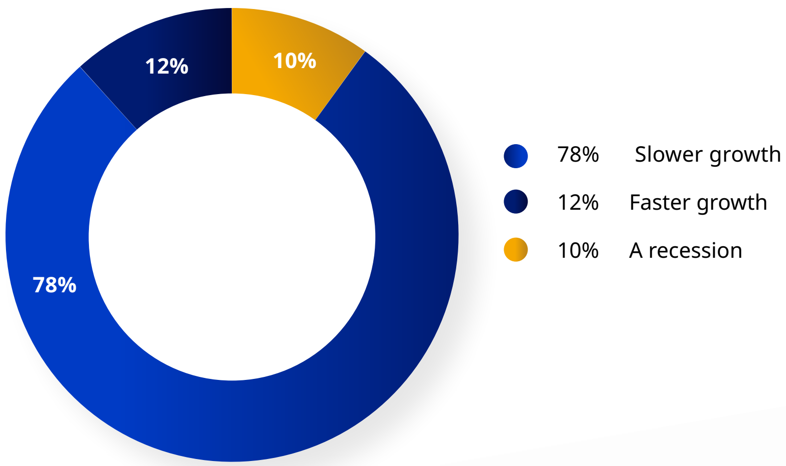
KEY TAKEAWAYS

A soft landing is expected for the U.S. economy.

Most (**78%**) **borrower respondents expect slow growth** (**0-2%**) over the next 12 months with only **10% expecting a recession**, while **12% see faster growth**, making a "soft landing" the dominant consensus.

U.S. Economic Expectations

In the next 12 months, do you expect the U.S. economy to experience:



KEY TAKEAWAYS

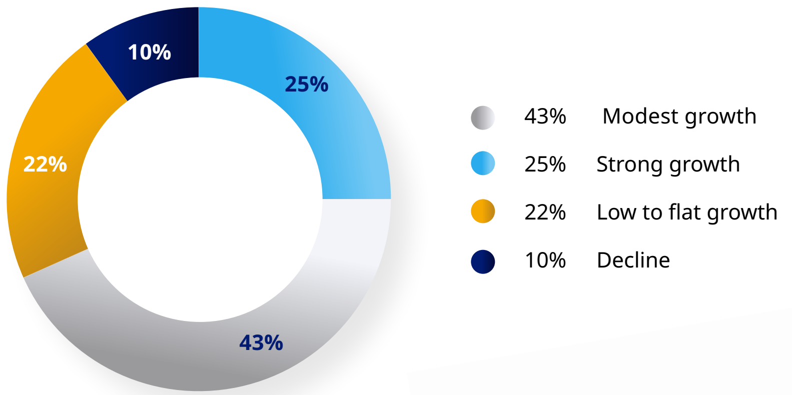
Healthy revenue and even stronger earnings growth expected versus prior year. Cost inflation dissipates with room for margin improvement.

More than two-thirds of borrower respondents expect healthy organic revenue growth in 2024 with **43% expecting "modest"** (**3-9%**) **growth** and **25% expecting "strong"** (**10%+**) growth. Only **10% see a decline** (presumably those also predicting a recession – see U.S. Economic Expectations section above).

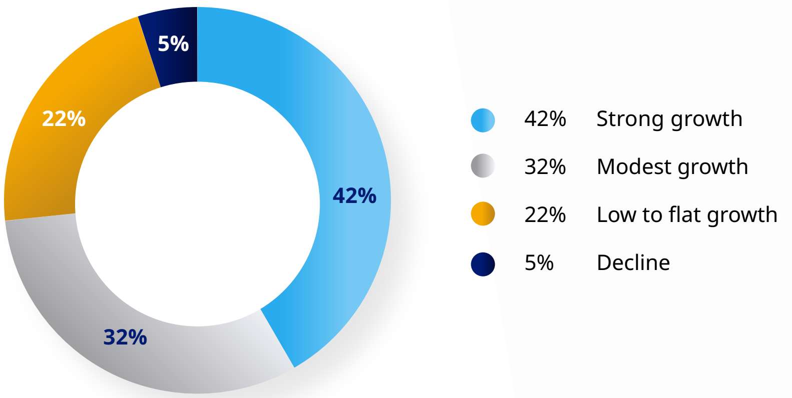
Nearly three-quarters of borrowers expect healthy organic EBITDA growth – a bit more robust than organic revenue growth – suggesting room for margin improvement and supply chain pressures easing. Specifically, **42% are expecting strong growth of 10%+** and **32% are expecting 3-9% growth**.

Organic Revenue and EBITDA Expectations

How do you expect your 2024 organic revenue to perform versus prior year?



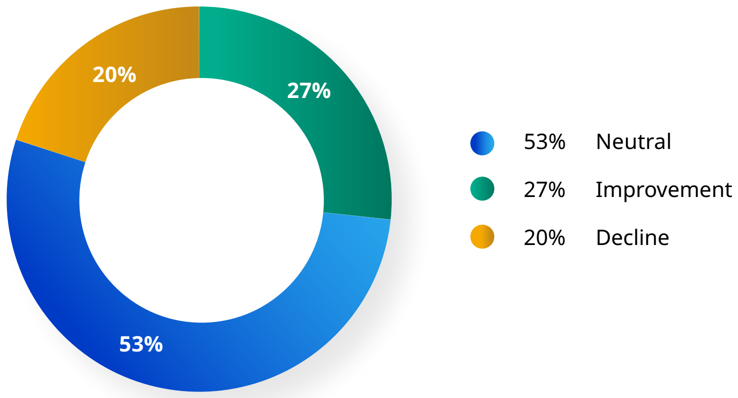
How do you expect your 2024 organic EBITDA to perform versus prior year?



Most borrower respondents (**53%**) **see net inflation impact as neutral in 2024 versus 2023**, with **27% seeing a net positive impact versus 20% still seeing a net headwind**. Stronger EBITDA than revenue growth expectation may reflect less of a drag from raw material and wage inflation ahead.

Impact of Inflation on Margins

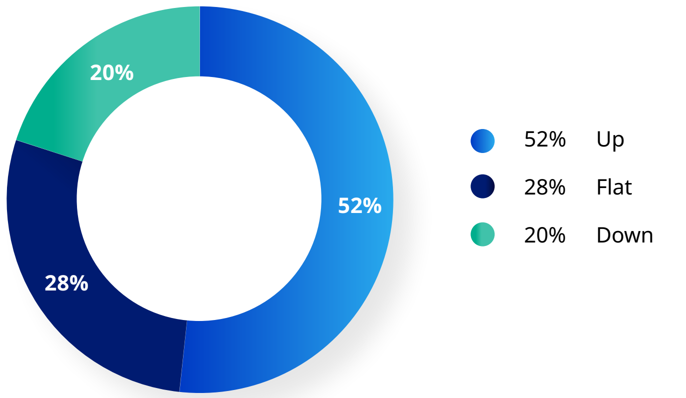
How do you expect net inflation (i.e., the net of your price hikes versus your cost inflation) to impact your margins in 2024 versus 2023?



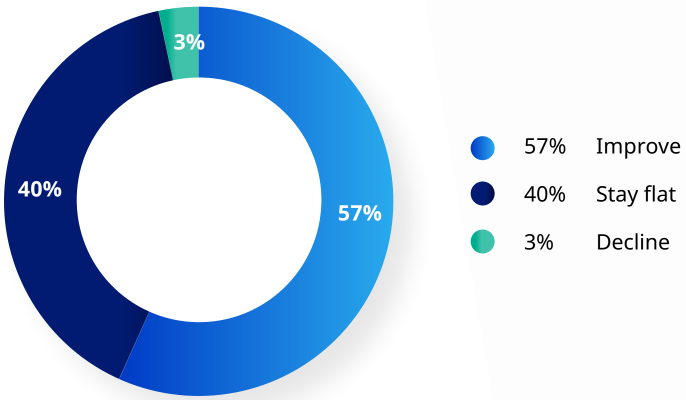
Most borrower respondents (**52%**) **expect their net headcount to rise versus 2023**. This appears consistent with **57%** of borrower respondents **expecting growth in their industries in 2H 2024**.

Headcount and Industry Growth Expectations

Where do you expect net headcount to be at the end of 2024 versus at the end of 2023?



In 2H 2024, you expect demand for your industry will:



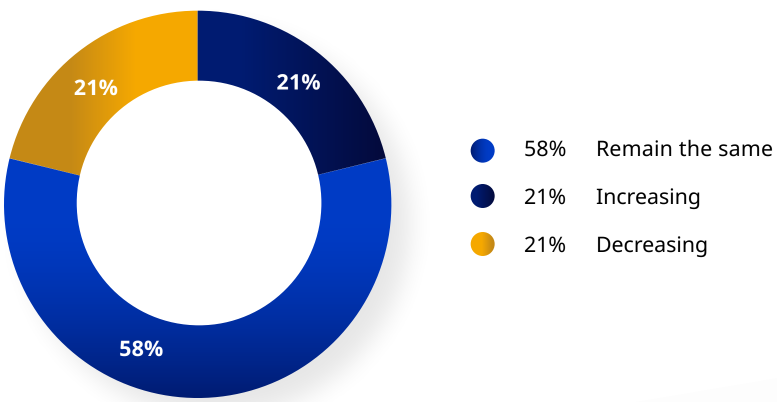
KEY TAKEAWAYS

Stress across PE sponsor portfolios stabilizing, though higher pressures still notable for some.

58% of PE sponsor respondents see pressures facing their portfolio companies as stable versus 2023, with **21% seeing decreasing pressure**. Another **21% see greater pressures in 2024 than 2023**, suggesting still a decent sized "tail" for stressed credits.

PE Sponsor Portfolio Pressures

Versus 2023, how would you describe the pressures facing your portfolio this year?



KEY TAKEAWAYS

M&A activity prospects appear likely to pick up, though elevated interest rates remain a headwind for portfolio add-on activity.

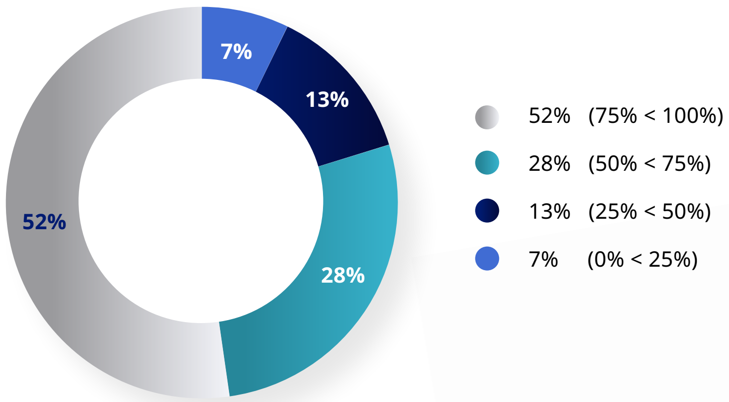
Most PE sponsor respondents have strong conviction they will buy a business in 2H 2024. **Almost 80% noting a 50%+ likelihood and ~50% projecting the odds at more than 75%**. Relatedly, **almost 50% of PE sponsor respondents expect a modest to sharp rise in deployment of their investment dollars into LBOs in 2024 vs 2023**.

While most PE sponsor respondents indicate they are likely to sell more portfolio companies in 2H 2024 versus 2H 2023, there was lower conviction around selling than buying in 2H 2024. **~56% see the odds of selling at better than 50% with only 23% seeing the odds at better than 75%**.

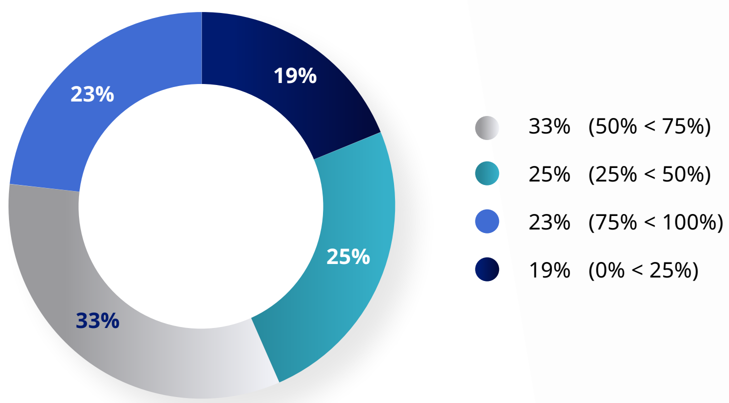
While borrower respondents are mixed (**~50/50**) **on elevated interest rates impacting M&A growth plans** (likely industry specific), only **32% see a material impact on capex investment plans**.

M&A Expectations

What is the likelihood that you'll buy a new portfolio company in 2H 2024?

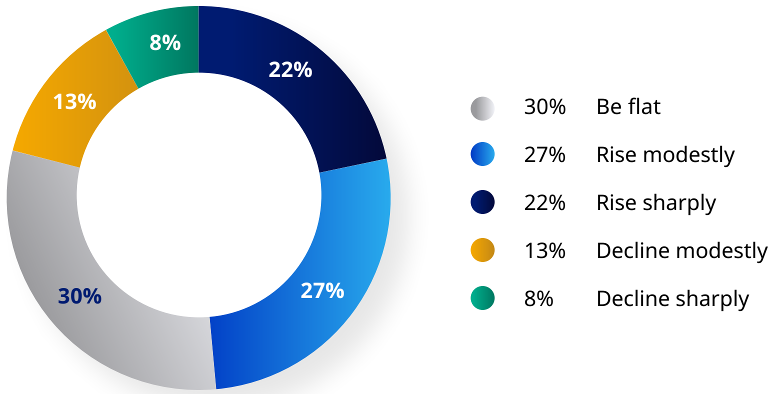


What is the likelihood that you'll sell more portfolio companies in 2H 2024 than you did in 2H 2023?



M&A Expectations Continued...

Versus 2023, you anticipate your investment ($ volume) deployed for new platforms (i.e., LBOs) this year to:



Are elevated interest expenses materially impacting your growth plans?

	Yes	No
M&A	53.3%	46.7%
Capex Investment	31.7%	**68.3%**

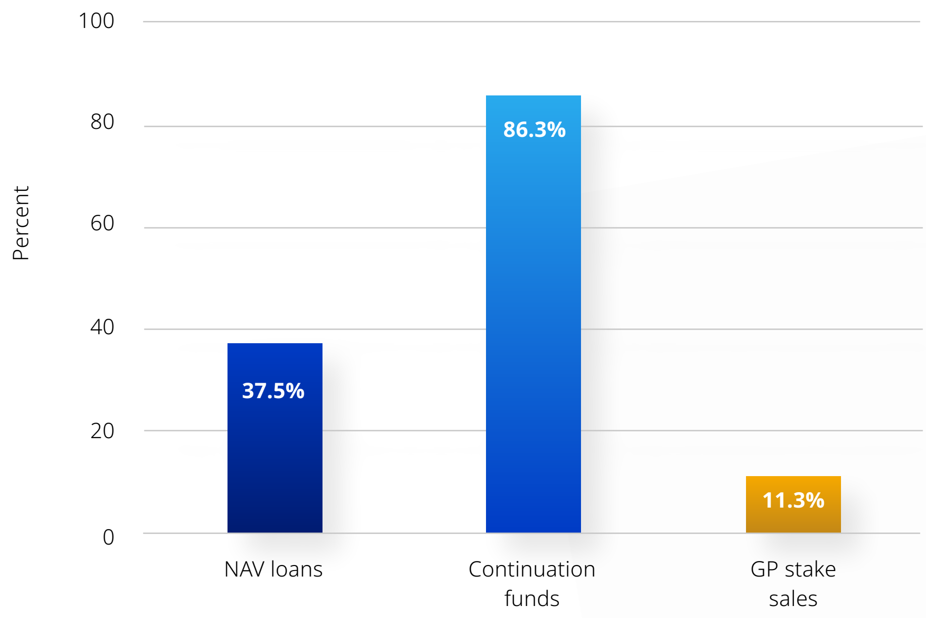
PE sponsor respondents noted that the most attractive industries for new platforms include, in order, **Industrial, Business Services and Healthcare** (all received **17%+ votes**), followed by **Consumer** (Products & Services), **Technology and Financial Services**.

- **Industrial** (**29%** of all responses) – Industrial (General), Infrastructure
- **Business Services** (**18%**) – Business Service (General), Data Info & Marketing Services
- **Healthcare** (**17%**) – Healthcare IT, RCM, Pharma Services
- **Consumer** (**13%**) – Products & Services (50/50)
- **Technology** (**13%**) – Software, Telecommunications, IT Infrastructure & Services
- **Financial Services** (**6%**)

As much as **86% of sponsors are exploring continuation funds as a liquidity solution**, reflecting a reluctance to sell some portfolio companies. **38% are exploring NAV loans**, and **11% are considering selling GP stakes to raise capital**.

Liquidity Solutions

Are you exploring or currently utilizing liquidity solutions such as:



About Antares

Founded in 1996, Antares has been a leader in private credit for nearly three decades. Today with more than $68 billion of capital under management and administration as of March 31, 2024, Antares is an experienced and cycle-tested alternative asset manager. With one of the most seasoned teams in the industry, Antares is focused on delivering attractive risk-adjusted returns for investors and creating long term-value for all of its partners. The firm maintains offices in Atlanta, Chicago, Los Angeles, New York, Toronto and London. Visit Antares at **www.antares.com** or follow the company on LinkedIn at **http://www.linkedin.com/company/antares-capital-lp**. Antares Capital is a subsidiary of Antares Holdings LP, (collectively, "Antares"). Antares Capital London Limited is an appointed representative of Langham Hall Fund Management LLP, an entity which is authorized and regulated by the Financial Conduct Authority of the UK.

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