



Antares Capital

Mid-Year 2025

# Credit Market Outlook Survey



# Survey Backdrop

Despite persistent macro headwinds from geopolitical flare-ups to valuation mismatches, we find that deal appetite remains surprisingly resilient. In fact, the second half of 2025 is shaping up to be more active than many expected, but with clear signs that execution challenges remain.

The perspective that follows reflects the breadth of Antares' market coverage across more than 500 active portfolio companies and sponsor relationships that span decades.

## *Methodology*

*The Mid-Year '25 survey was based on responses from 53 of Antares' portfolio companies and 47 private equity ("PE") sponsors, conducted in June 2025. The Mid-Year '24 and Year-End '24 surveys were conducted in June 2024 and November 2024, respectively.*

## Key Takeaways

### Portfolio Companies

- Antares' portfolio company respondents are less optimistic about U.S. economic growth over the next 12 months than they were at the end of 2024
- Despite macro concerns, most portfolio companies expect modest to strong revenue and EBITDA growth in 2025
- Portfolio companies' 2025 performance drivers include implementing price increases, completing M&A, and either reducing or keeping headcount flat

### Sponsors

- A majority of private equity sponsors are optimistic about buying a platform company in 2H 2025; conversely, sponsors have a mixed outlook on their ability to sell a portfolio company in this same time frame
- Headwinds to deal activity are a lack of high-quality deal flow and sponsors' reluctance to sell below target valuations
- Appetite for Continuation Funds as a source of liquidity for sponsors has increased since year-end 2024

## Company Performance Expectations Suggest Resilience in the Face of Slower Growth

While portfolio companies are less bullish on economic growth since our survey at the end of 2024 – with ~20% anticipating negative U.S. economic growth in 2026 and geopolitical risks increasing as a factor – a majority are still anticipating modest to strong revenue and EBITDA growth for the remainder of 2025. This is supported by optimism around industry demand drivers, the ability to pass on price increases and optimize margins, along with cost management with ~50% expecting headcount to be flat to down from prior year.

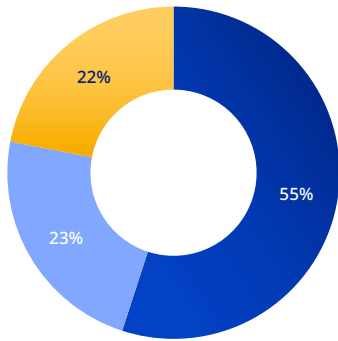
## Deal Activity Outlook – Moderate Pace

Both portfolio companies and private equity sponsors are eager to deploy capital for M&A. Portfolio companies cite M&A as their top capital priority this year and a majority of sponsors (65%) see higher than 50% odds of buying a new platform company in 2H 2025. However, conviction among sponsors buying a platform company is down from ~80% at year end with some citing lack of high-quality deal flow, misalignment on valuation expectations and regulatory uncertainty as key constraints. Sponsors remain reluctant to sell below their target valuations with 85% exploring or utilizing a continuation fund for liquidity – up from ~75% at year-end 2024.

Interestingly, despite tariffs increasing as a top risk to their investment strategy, sponsors still view the industrial sector to be the most attractive for new investments, particularly within A&D, Engineering & TICC and Infrastructure subsectors.

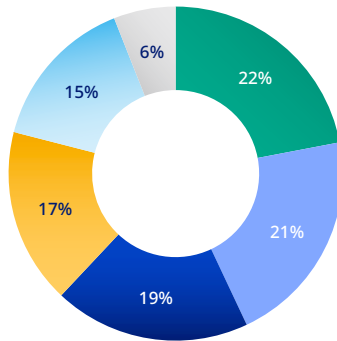
# About Our Portfolio Company Respondents

**Business Model**



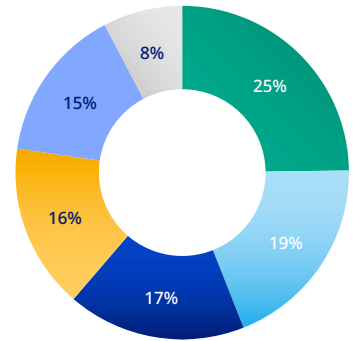
- Services
- Distribution
- Manufacturing

**Industry in Which They Operate**



- Industrial
- Software/Technology
- Business Services
- Healthcare
- Consumer
- Financial Services

**End Markets They Serve**



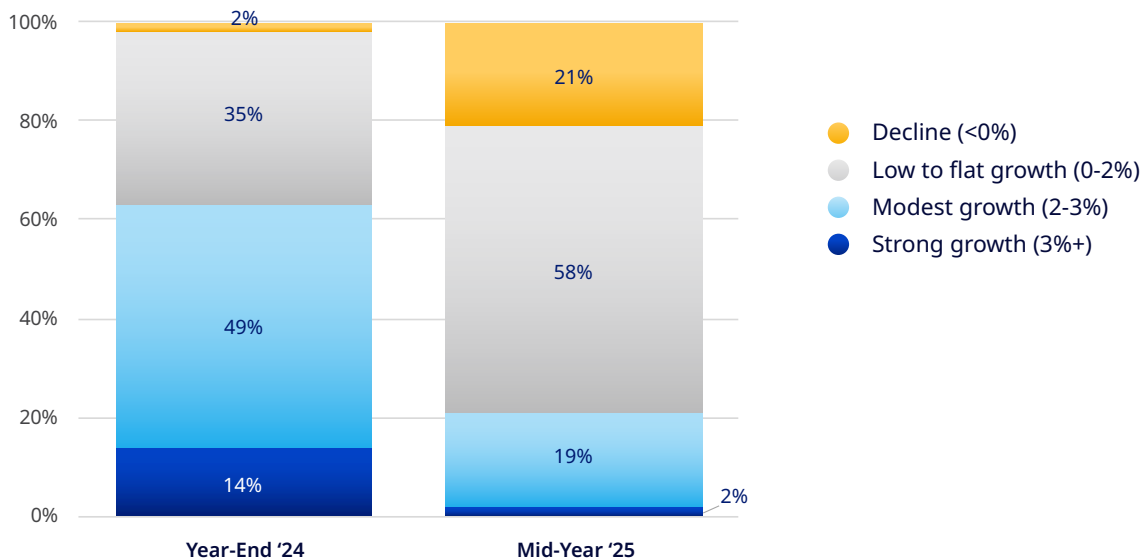
- Industrial
- Consumer
- Business Services
- Healthcare
- Software/Technology
- Financial Services

## U.S. Economic Expectations

**TAKEAWAY:**

Portfolio companies' U.S. economic growth expectations have fallen, with most (58%) now expecting low / slow growth and 21% expecting economic contraction in the next 12 months.

**By how much do you anticipate the U.S. economy will grow in the next 12 months?**



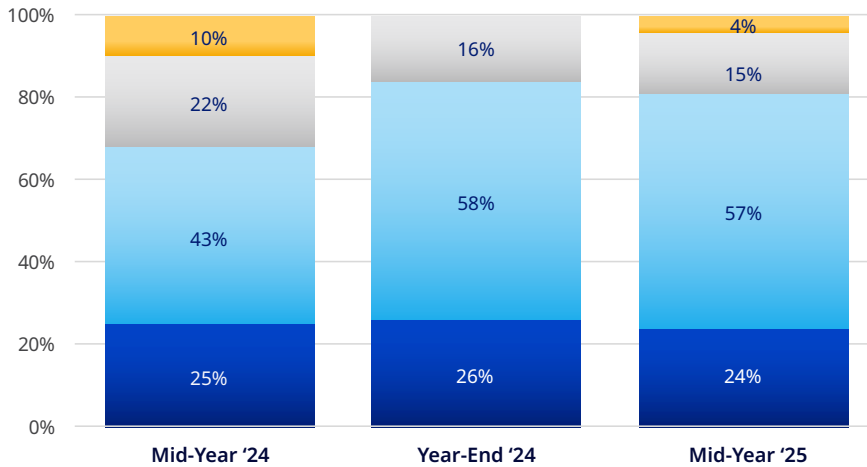
# Company Performance Expectations

**TAKEAWAY:** Despite slower U.S. economic growth expectations, portfolio companies continue to see healthy organic revenue growth prospects for their firms, with expectations down only very slightly from year-end 2024.

“Optimism around future performance across a representative sample of our large, diversified portfolio is encouraging, particularly given the uncertain geopolitical backdrop. We remain focused on market-leaders in non-discretionary and highly defensible industries.”

- Shannon Fritz,  
Deputy Chief Investment Officer

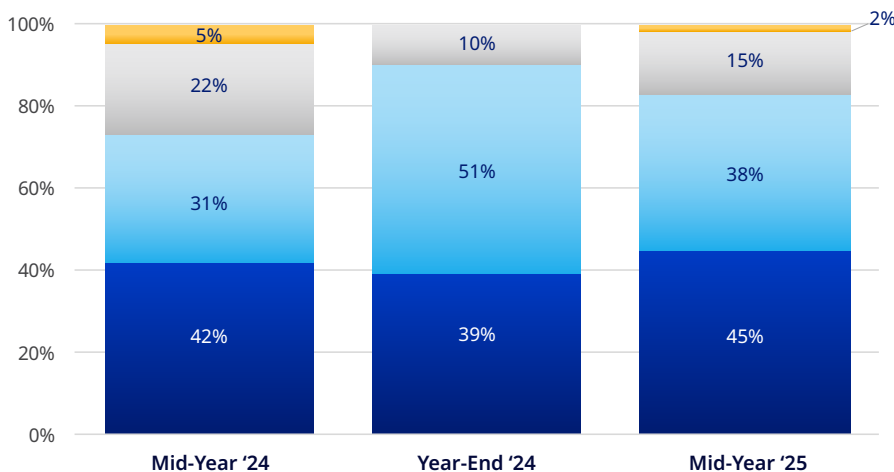
## How do you expect your 2025 organic revenue to perform versus prior year?



- Decline (<0%)
- Low to flat growth (0-2%)
- Modest growth (2-3%)
- Strong growth (3%+)

**TAKEAWAY:** Most portfolio companies remain optimistic about organic EBITDA growth, with 80%+ expecting modest to strong growth. While this is consistent with year-end 2024, expectations have become more varied - with more anticipating strong growth, but also a rise in flat or declining outlooks.

## How do you expect your 2025 organic EBITDA to perform versus prior year?

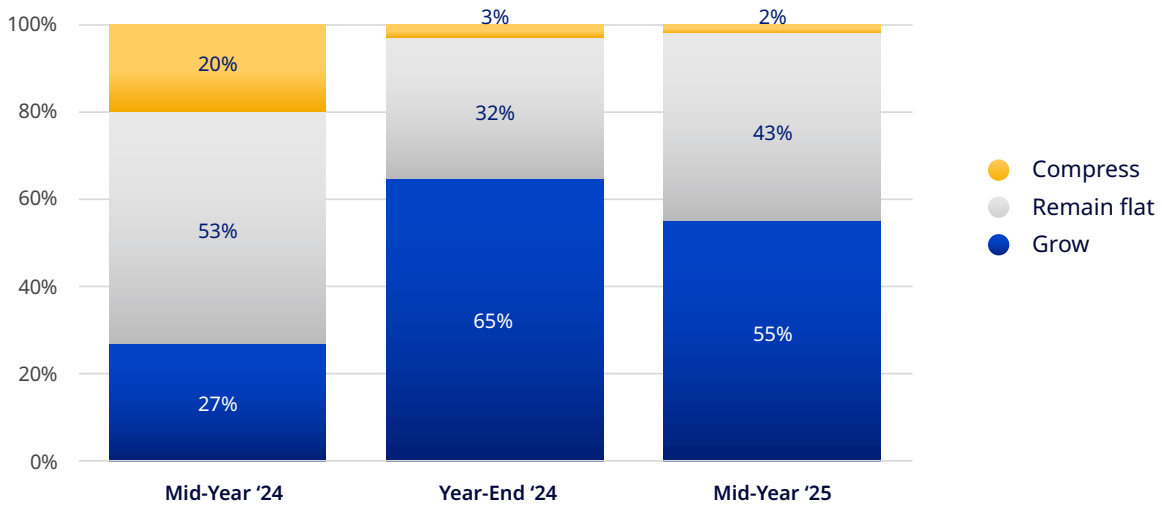


- Decline (<0%)
- Low to flat growth (0-2%)
- Modest growth (3-9%)
- Strong growth (10%+)

**TAKEAWAY:**

A majority (55%) expect EBITDA margins to expand, with most of the balance expecting margins to hold steady – only a slightly less bullish outlook than at YE 2024.

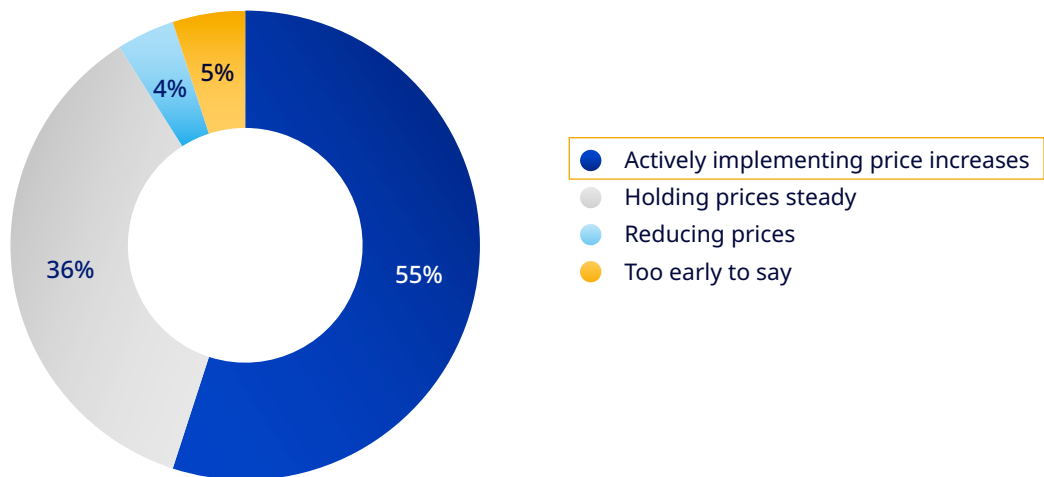
**How do you expect your 2025 EBITDA margins to perform versus prior year?**



**TAKEAWAY:**

A majority (55%) expect to implement price increases, which supports organic revenue growth expectations and stable-to-improving margin expectations.

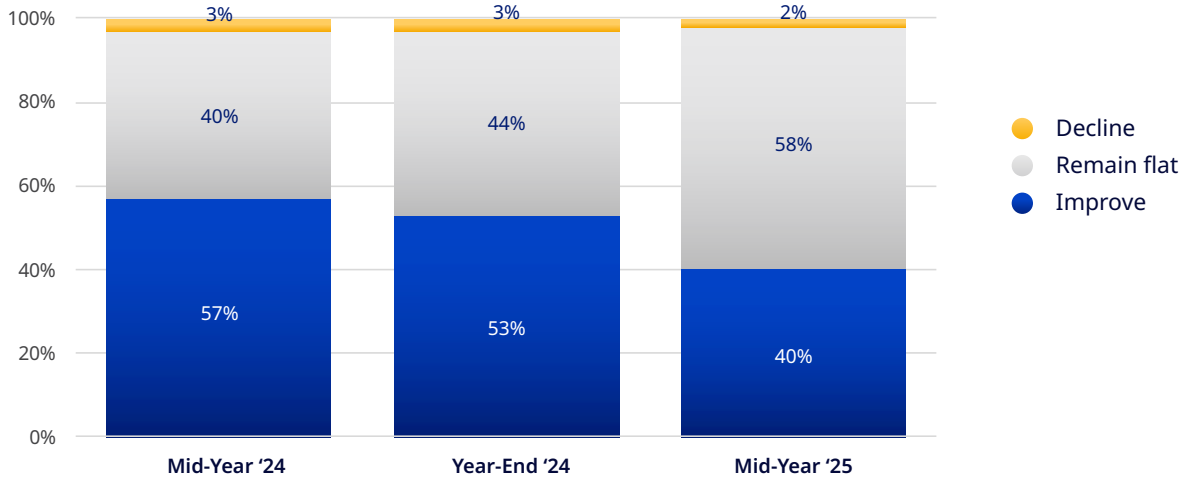
**How are you currently thinking about pricing strategy in 2025?**



**TAKEAWAY:**

Portfolio company respondents' expectations for growth in their respective industries appear to be decelerating, with the majority (58%) now expecting flat demand vs. a 53% majority expecting demand to improve at year-end 2024. However, only a very small percentage continues to expect a decline.

**In 2H 2025, you expect demand for your industry will...**

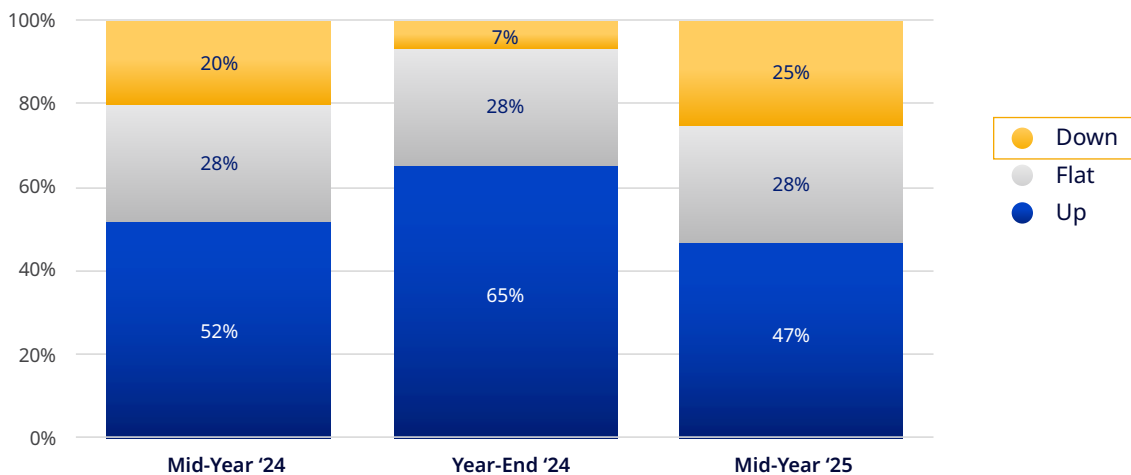


## Capital Priorities Portfolio Companies

**TAKEAWAY:**

Nearly half of portfolio companies that responded expect to grow headcount, but there has been a significant increase vs. year-end 2024 (from 7% to 25%) in those expecting headcount reductions. Such reductions may support stable margin expectations - especially in combination with price hikes - despite slower anticipated demand growth.

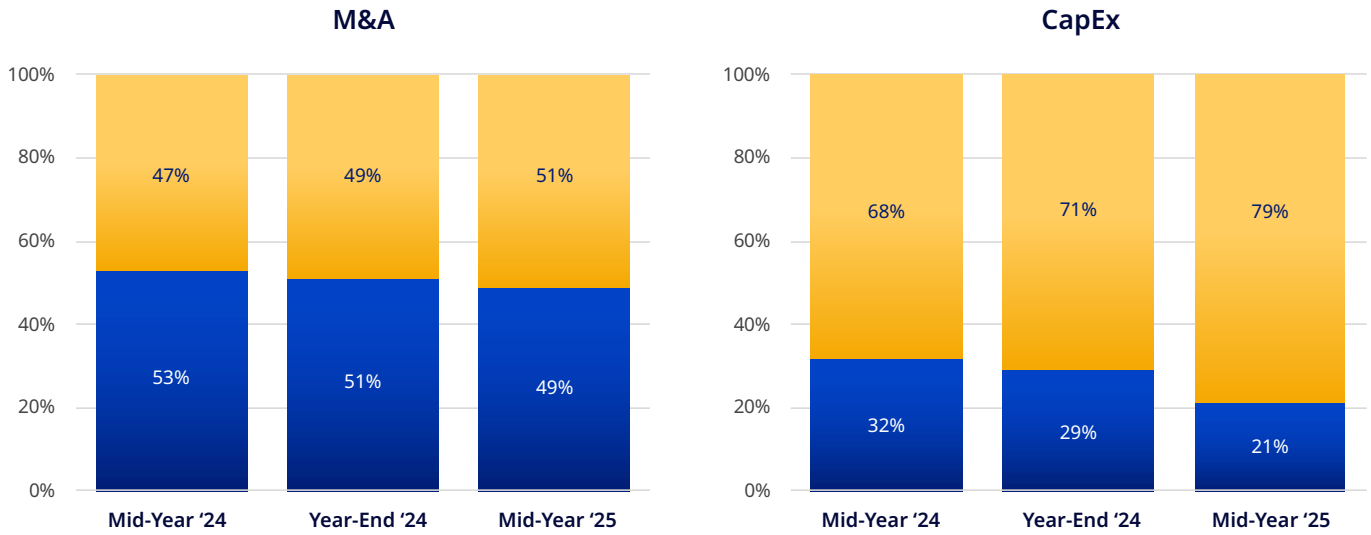
**Where do you expect net headcount to be at the end of 2025 versus at the end of 2024?**



**TAKEAWAY:** Elevated interest rates continue to be less of a drag on CapEx investment than M&A plans.

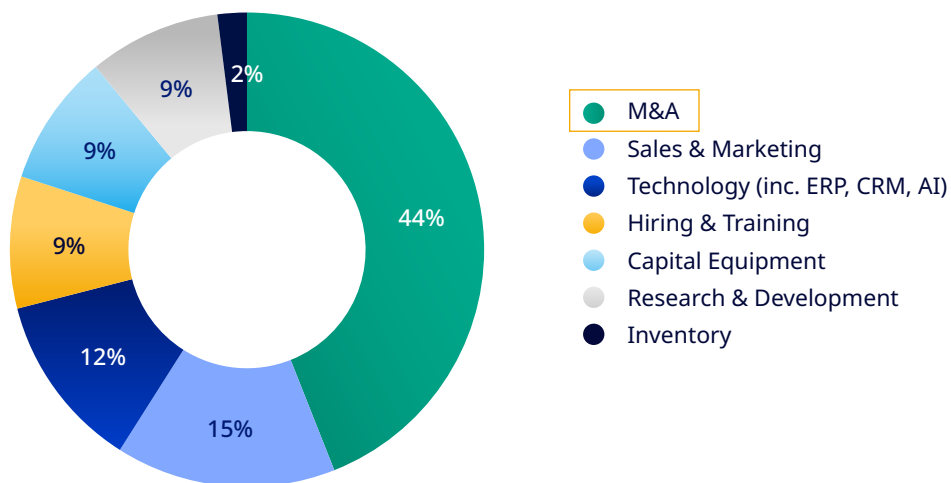
Are elevated interest expenses materially impacting your growth plans?

● No  
● Yes



**TAKEAWAY:** M&A was marked as the top priority for capital deployment by portfolio companies by a wide margin.

What is your top capital priority in 2025?





# Top Challenges for Portfolio Companies in 2H 2025

**TAKEAWAY:** Geopolitical risk understandably shot up to the top challenge as of mid 2025, followed by sales volume and interest rates, which remained top of mind. Tariff concerns moved up significantly, but labor supply declined as a concern.

## Which do you view as your top 5 challenges for the remainder of 2025?

(Select a maximum of 5)

Challenges	Year-End '24	Mid-Year '25	Change
Geopolitical Risks	32%	55%	23% ↑
Sales Volume Demand	54%	53%	-1% ↓
Interest Rates / Fed Policy	47%	51%	4% ↑
Tariffs / Supply Chain Disruption	33%	49%	16% ↑
Labor Availability - Recruitment & Retention	47%	40%	-7% ↓
M&A Execution	12%	30%	18% ↑
Expanding Market Share	26%	28%	2% ↑
M&A Integration	12%	26%	14% ↑
Industry-Specific Regulations	12%	19%	7% ↑
Implementing Price Increases	26%	17%	-9% ↓
Labor Costs	32%	17%	-15% ↓
DOGE Cuts / Public Sector Spending	N/A	15%	N/A
Cybersecurity	16%	15%	-1% ↓
AI Disruption	4%	13%	9% ↑
Company Culture	11%	13%	2% ↑
Inventory Destocking	7%	6%	-1% ↓
Freight Costs	4%	4%	0%
Raw Material Costs	9%	4%	-5% ↓

## Top Challenges for Portfolio Companies by Industry for 2025

Industries	Year-End '24	Mid-Year '25
Industrial	Tariffs	Tariffs / Supply Chain Disruption
Software/Technology	Sales Volume Demand	Geopolitical Risks*
Business Services	Interest Rates / Fed Policy	Sales Volume Demand*
Healthcare	Labor Availability - Recruitment & Retention	Company Culture* and M&A Integration*
Consumer	Organic Sales Volume Growth	Tariffs / Supply Chain Disruption*
Financial Services	Interest Rates / Fed Policy	Interest Rates, M&A Execution and Integration*

\*Indicates change from Year-End 2024 response

“In healthcare, we’ve seen the labor challenges of the post-COVID environment recede as labor availability and cost has seemed to normalize across most markets, and a renewed focus on M&A integration from a people, process, and systems perspective.”

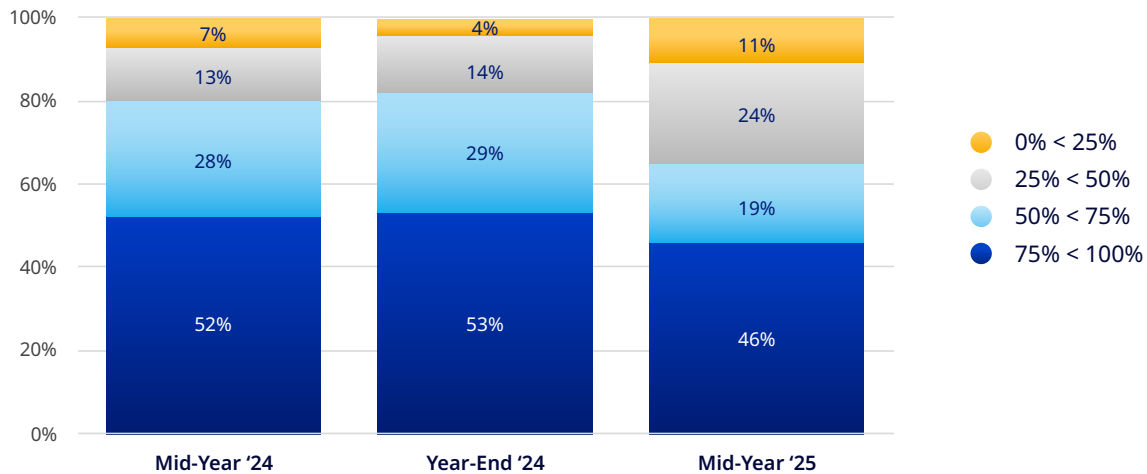
- Rich Davidson,  
Managing Director, Head of  
Healthcare Underwriting

# Sponsor Deal Activity – Expectations & Drivers

“While sponsors remain somewhat cautious about the economic outlook following the shock of Liberation Day in April, the initial worst-case expectations have eased. We have seen a moderate increase in new deal activity heading into the second half of 2025, and we expect this steady pace to continue.”

– Doug Cannaliato, Co-head of Originations

## What is the likelihood that you will buy a new platform portfolio company in 2H 2025?

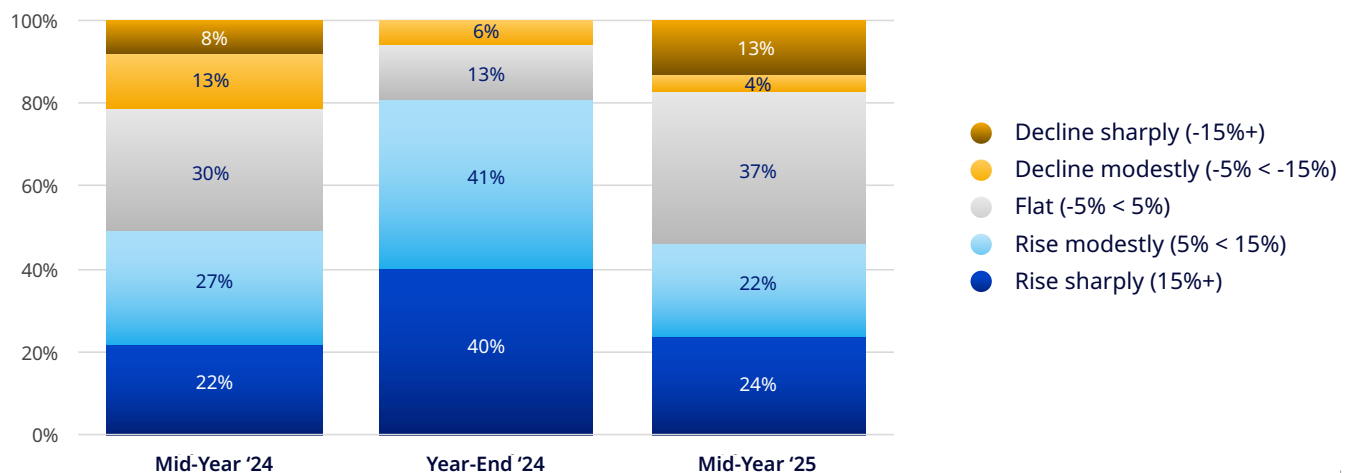


### TAKEAWAY:

The percentage of sponsor respondents expecting to deploy more capital than prior year in new platforms has fallen to less than 50%, which suggests a less bullish sentiment than at year-end 2024.

Half of sponsors (48%) cited lack of high quality deal flow as the #1 reason for lower capital deployment in 2025, followed by #2 mismatched valuations (30%) and #3 regulatory uncertainty (15%)

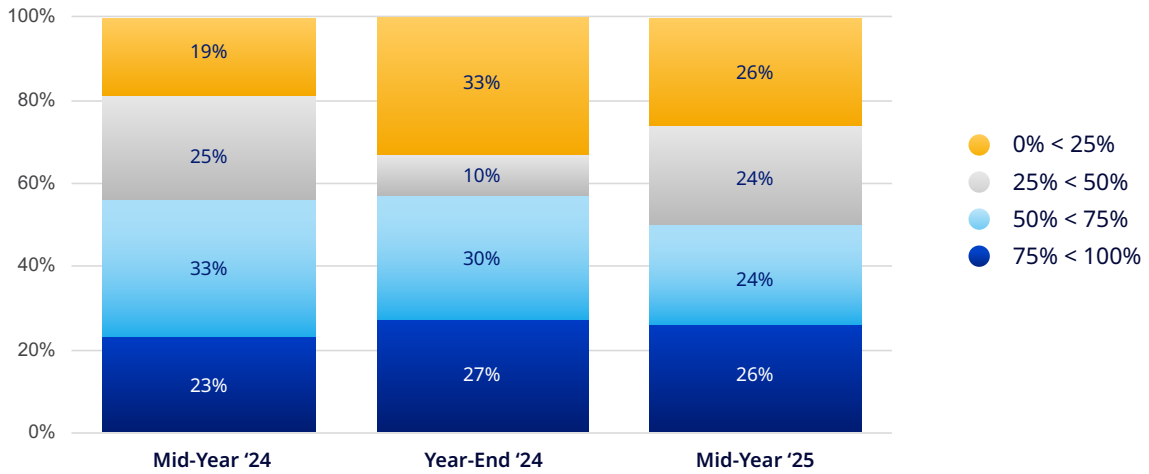
## Versus prior year, how do you expect your investment (\$ volume) will be deployed for new platforms in 2025?



**TAKEAWAY:**

Sponsor respondents were mixed in their forecasts around selling an existing portfolio company in 2H 2025.

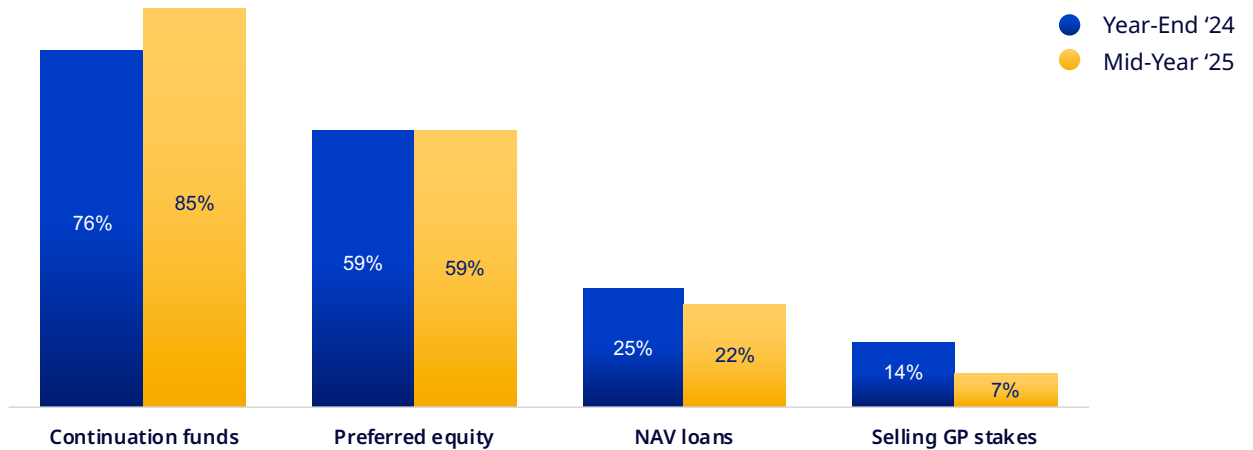
**What is the likelihood that you'll sell an existing portfolio company in 2H 2025?**



When asked, an overwhelming majority of sponsors do not expect that LP pressures to return capital will force them to exit investments below their targeted returns.

**TAKEAWAY:** Sponsors continue to consider alternative sources of liquidity to selling portfolio companies, with 85% considering continuation funds.

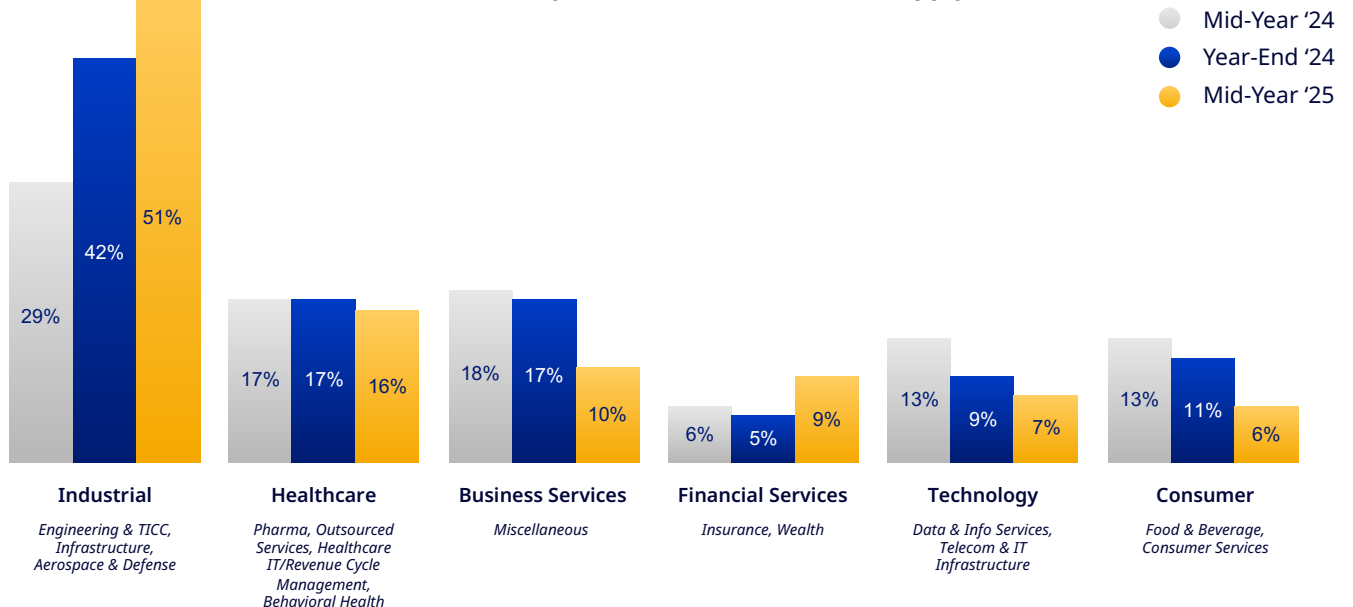
Are you exploring or currently utilizing liquidity solutions such as (select any that apply):



## Top Industries and Subsectors of Interest for Private Equity

**TAKEAWAY:** Industrials – in particular, Engineering & TICC, Infrastructure and A&D segments – is an area of increasing interest. Financial Services (e.g. Insurance, Wealth) also rose in interest vs. YE 2024.

From a new investment perspective, which industries are the most attractive to you in 2025 (select all that apply):



# Private Equity Sponsors' Top Risks to Portfolio and Investment Strategy in 2H 2025

**TAKEAWAY:** Tariffs and monetary policy have risen to the top-of-mind risks for sponsors with geopolitical risk remaining high. Labor cost risks have diminished.

Which do you view as your top 3 risks to your portfolio and investment strategy heading into 2025?

(Select a maximum of 3)

Challenges	Year-End '24	Mid-Year '25	Change
Tariffs / Supply Chain Disruption	26%	62%	36% ↑
Monetary Policy / Interest Rates	22%	56%	34% ↑
Geopolitical Risk	49%	42%	-7% ↓
Inflation	29%	36%	7% ↑
Labor - Cost, Availability, Recruitment, Retention	38%	24%	-14% ↓
AI Disruption	15%	13%	-2% ↓
Industry-Specific Regulations	10%	11%	1% ↑
Write-In: Recession	N/A	11%	N/A
DOGE Cuts / Public Sector Spending	13%	4%	-9% ↓
Cybersecurity	8%	4%	-4% ↓
Write-in: Consumer Confidence	N/A	4%	N/A
Climate Risks related to shifting Market, Regulatory and Technology developments (Transition Risk)	3%	2%	-1% ↓

“What are we watching? Monitoring our portfolio companies' adaptive resiliency and pricing power in the face of potential stagflationary headwinds of slowing growth and tariff related rising input costs in 2H 2025 is a key area of focus. The path of interest rates and seemingly ever-present geopolitical risk also remain top of mind .”

- Tyler Lindblad, Chief Investment Officer

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