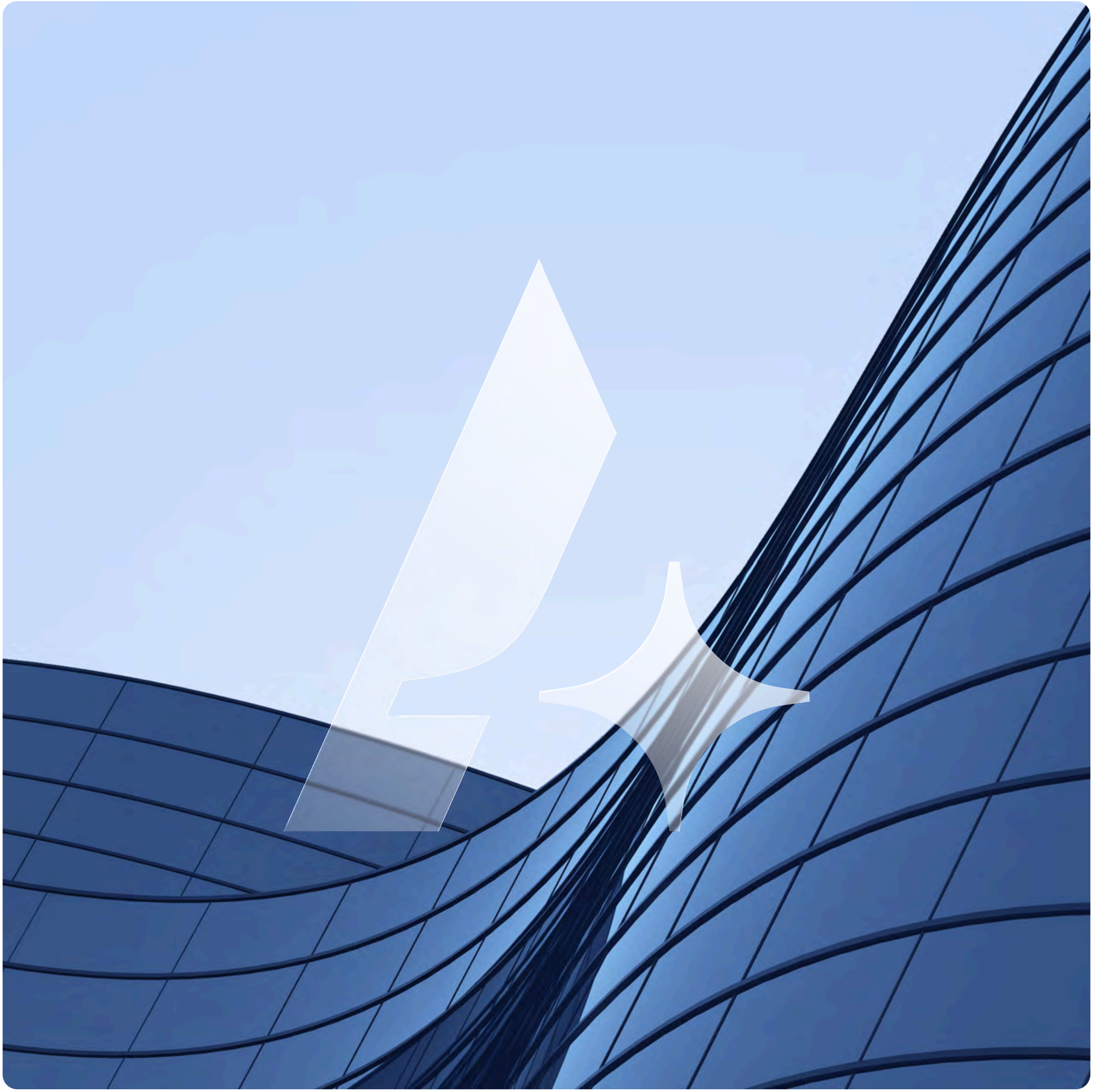
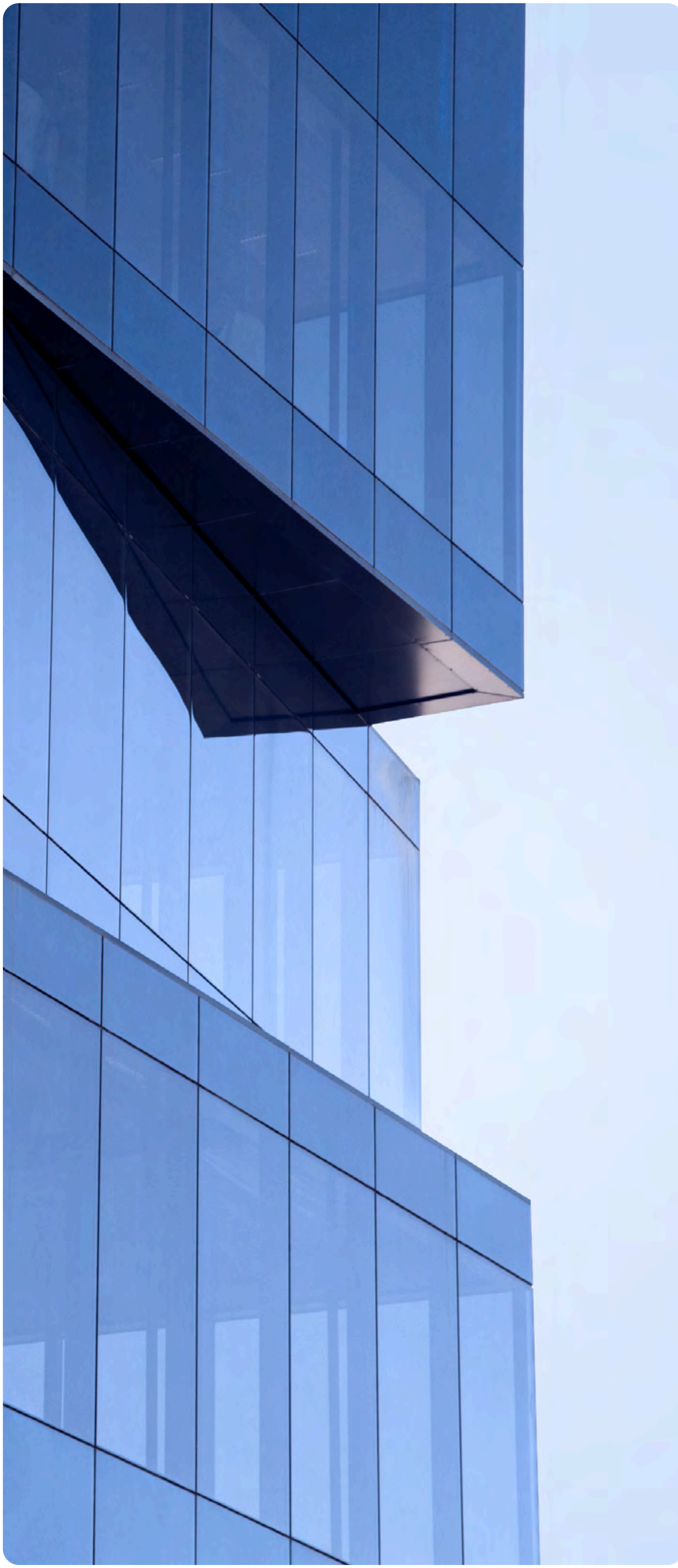


Antares Capital

Credit Market Outlook Survey

What borrowers and private equity sponsors are signaling next.

Mid-Year 2026
Fifth Edition



Survey Intro

In the fifth edition of our bi-annual Credit Market Outlook Survey, we draw on Antares' deep market coverage to capture perspectives from a diverse group of U.S. middle market borrowers and private equity sponsors. The survey takes the pulse of market sentiment, with a focus on:

- Current market outlook and operating expectations
- M&A activity, capital deployment priorities, and sectors attracting investment interest
- AI disruption, adoption, and where companies and sponsors are beginning to see measurable ROI

Together, these findings offer a timely read on where confidence is building, where risks remain elevated, and how borrowers and sponsors are positioning for the remainder of 2026.

Methodology

The Mid-Year '26 Credit Outlook Survey reflects responses from 35 of Antares' Private Credit borrowers across various industries and end-markets and 50 private equity sponsors, conducted in June 2026. The prior Mid-Year surveys were also conducted in June of those respective years and Year-End surveys in November.

Cautious confidence remains a theme across the U.S. middle market—with AI, geopolitics, and valuation discipline shaping the next phase of growth.

The Mid-Year '26 survey points to sustained optimism across the middle market, as borrowers remain confident in company-level performance and sponsors stay constructive on transaction activity despite persistent macro headwinds.

Key Takeaways

Borrowers

- **Borrowers are confident in earnings growth.** Most expect revenue growth in 2026, with an even stronger outlook for EBITDA growth and margin expansion.
- **Pricing power is holding.** Despite sales volume demand cited as the #1 top challenge, more borrowers are implementing price increases, and fewer have identified pricing actions as a top challenge.
- **AI has entered the operating agenda but is not yet a headcount story.** While most borrowers identify cost reduction as the area in which AI is delivering the clearest ROI, borrowers are also anticipating headcount to be up (~55%) or flat (~36%) compared to year-end 2025.
- **Geopolitical risks reclaimed a top 2 spot on the borrowers' list of challenges after declining at year-end 2025.** Expanding market share, consumer confidence, and tariffs/supply chain were all cited as top challenges by one-third of borrower respondents.

Sponsors

- **Sponsors remain transaction-ready.** While the buy/sell imbalance persists, acquisition appetite is high, and sell-side appetite has meaningfully improved.
- **Disparity in buyer and seller valuations and limited quality deal flow continue to constrain activity.** Exit activity remains muted, with LP pressure to return capital having abated modestly.
- **Industrials remain the clear top sector of interest for sponsors**—specifically across Engineering & TICC, Fire, Life & Safety, Environmental, A&D, and Infrastructure. Healthcare remains #2, and Financial Services continues to gain momentum.
- **Sponsors are increasingly leading AI implementation across portfolio companies,** and AI disruption has risen sharply to their #2 risk. As with borrowers, geopolitical risk reemerged as sponsors' top concern, cited by half of respondents.

Borrowers' Perspective

Borrowers anticipate modest-to-strong revenue growth of 3–10% in 2026, with expectations for EBITDA growth (10%+) and margin expansion outpacing top-line gains. While sales volume demand remains the leading challenge—cited by nearly half of borrower respondents (~47%)—pricing power appears to be holding. Roughly 62% of borrowers are implementing price increases, up from ~55–56% in 2025, and resistance is easing, with only ~21% now identifying price increases as a top challenge, down from 33% at year-end.

While M&A remains borrowers' top capital priority for 2026, AI has moved beyond experimentation into an enterprise-wide operating priority, climbing to the #2 spot—now serving as both a value-creation lever and a top-tier risk. Borrowers see the clearest measurable ROI from AI in cost reduction (R&D, automation, operating efficiency), while revenue-generating use cases remain early-stage; the expected margin impact is positive but modest, with 68% expecting AI to lift EBITDA margins by 0–5%. Notably, AI has not yet translated into broad-based labor reductions: most borrowers expect headcount to increase (~55%) or remain flat (~36%), with only ~9% anticipating a decline.

From a macro perspective, most borrowers anticipate flat-to-low U.S. economic growth (0–2%). Both borrowers and sponsors cited geopolitical risk, consumer confidence, and tariffs/supply chain as top challenges/risks.

Sponsors' Perspective

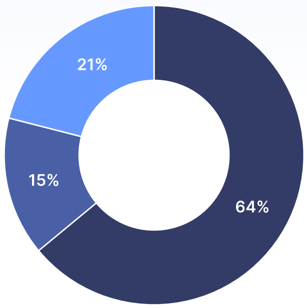
On the transactional front, sponsors remain eager to deploy capital, though the buy/sell imbalance continues to constrain activity. Acquisition appetite remains strong, with 82% of sponsors indicating a greater than 50% likelihood of acquiring a platform in 2H 2026. Sell-side appetite has also reached a survey high, with 68% of sponsors expecting a greater than 50% likelihood of selling a company (up from the historical ~50–57% range). Despite this increased willingness to transact, elevated valuation expectations and limited high-quality deal flow remain the primary barriers to deployment, while LP-related pressures have eased. Sponsors also continue to expand their liquidity toolkit, maintaining strong interest in continuation vehicles alongside preferred equity, NAV loans, and GP stake sales.

Where are sponsors looking to invest? Sector preferences remain concentrated but are evolving. Industrials remains the leading investment target (~42%), driven by Engineering & TICC, Fire, Life & Safety, Environmental, Aerospace & Defense, and Infrastructure, followed by Healthcare (~22%), with interest centered on Pharma Services, Healthcare IT & RCM, and Medical Devices. Financial Services (~13%) has gained favor over the past 18 months at the expense of Business Services, Technology/Software, and Consumer. This shift may reflect AI tailwinds, with sponsors identifying Wealth (36%) and Insurance (33%) as the subsectors most likely to benefit from AI, followed by Business Services (31%) and Healthcare IT/RCM (23%).

Sponsors are taking the reins on AI implementation as ~59% reported that sponsor-led initiatives and resources are driving AI execution across their portfolio companies, with ~33% driven at company-level by management. AI disruption is an intensifying risk/challenge noted by both sponsors and borrowers: sponsors cited AI disruption as their #2 risk (42% of respondents, up from 33% at year-end 2025), compared with 29% of borrowers (up from 10% at year-end).

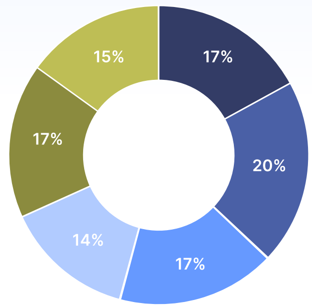
OVERVIEW

About Our Borrower Respondents



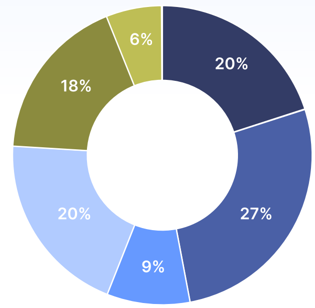
Business Model

- Services
- Distribution
- Manufacturing



Industry in Which They Operate

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



End Markets They Serve

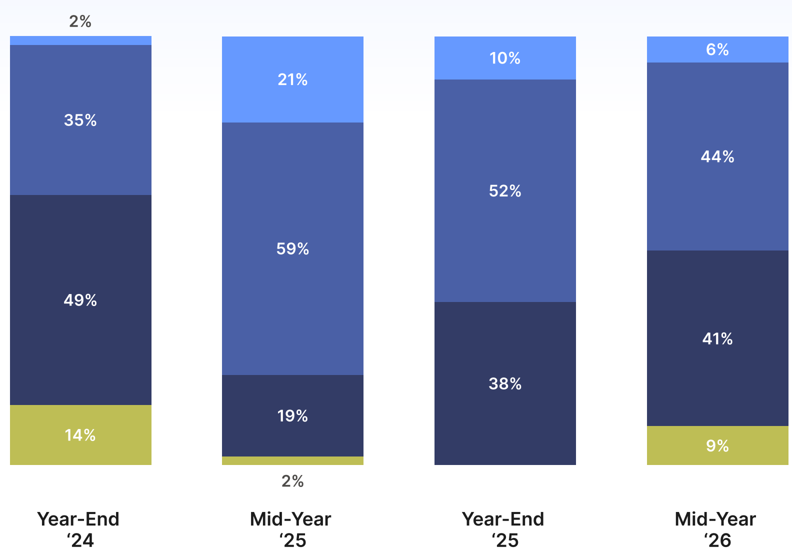
- Industrial
- Healthcare
- Business Services
- Consumer
- Financial Services
- Technology

BORROWER SURVEY

U.S. Economic Expectations

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

- Decline (<0%)
- Flat to low growth (0-2%)
- Modest growth (2-3%)
- Strong growth (3%+)



Key Takeaway

Compared to Year-End '25, most recent sentiment around the growth of the U.S. economy was more dispersed but generally optimistic with 50% anticipating modest to strong growth (2-3%+).

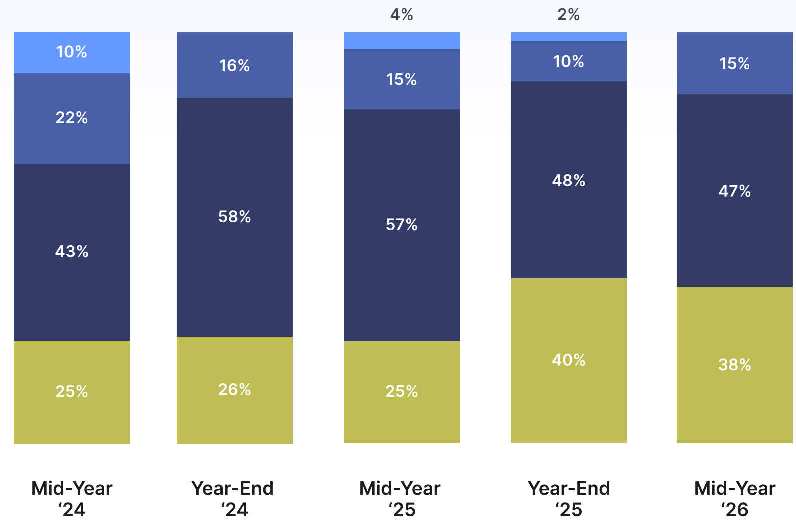
This is despite ~41% of borrower respondents also noting Geopolitical Risks as a top challenge.

BORROWER SURVEY

Performance Expectations

How do you expect your 2026 organic revenue to perform versus prior year?

- Decline (<0%)
- Flat to low growth (0–2%)
- Modest growth (3–9%)
- Strong growth (10%+)

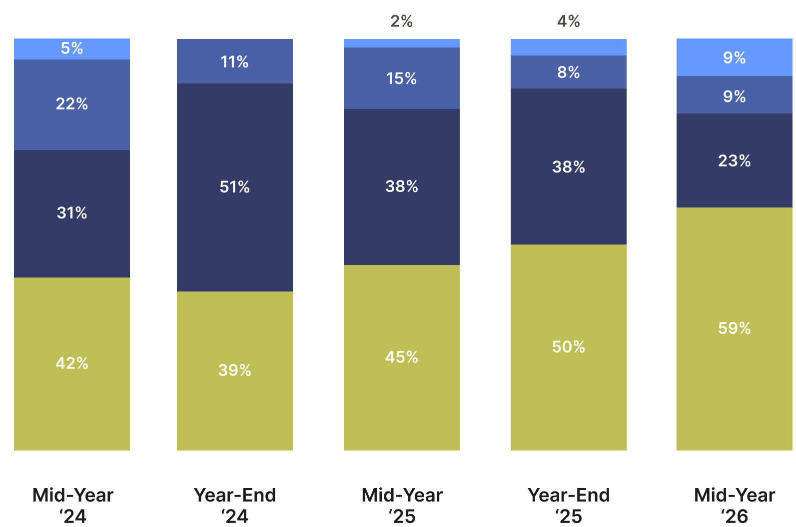


Key Takeaway

Even with sales volume demand cited as a top challenge by nearly half of respondents, halfway through the year, most borrowers are still anticipating moderate-to-strong top line growth over 2025.

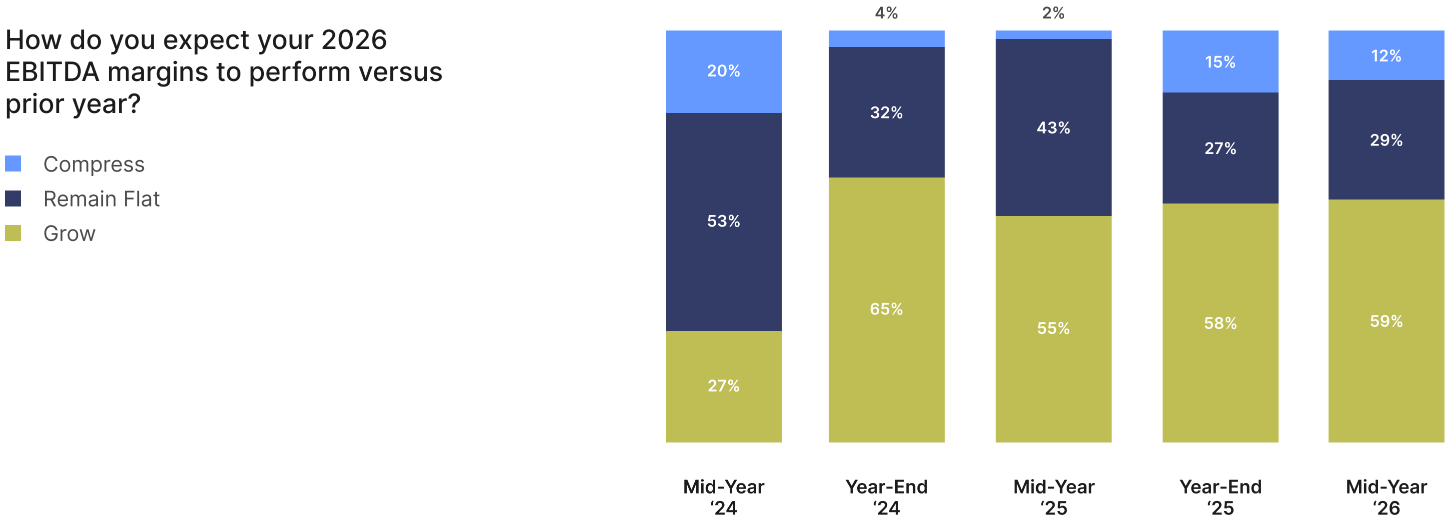
How do you expect your 2026 organic EBITDA to perform versus prior year?

- Decline (<0%)
- Flat to low growth (0–2%)
- Modest growth (3–9%)
- Strong growth (10%+)

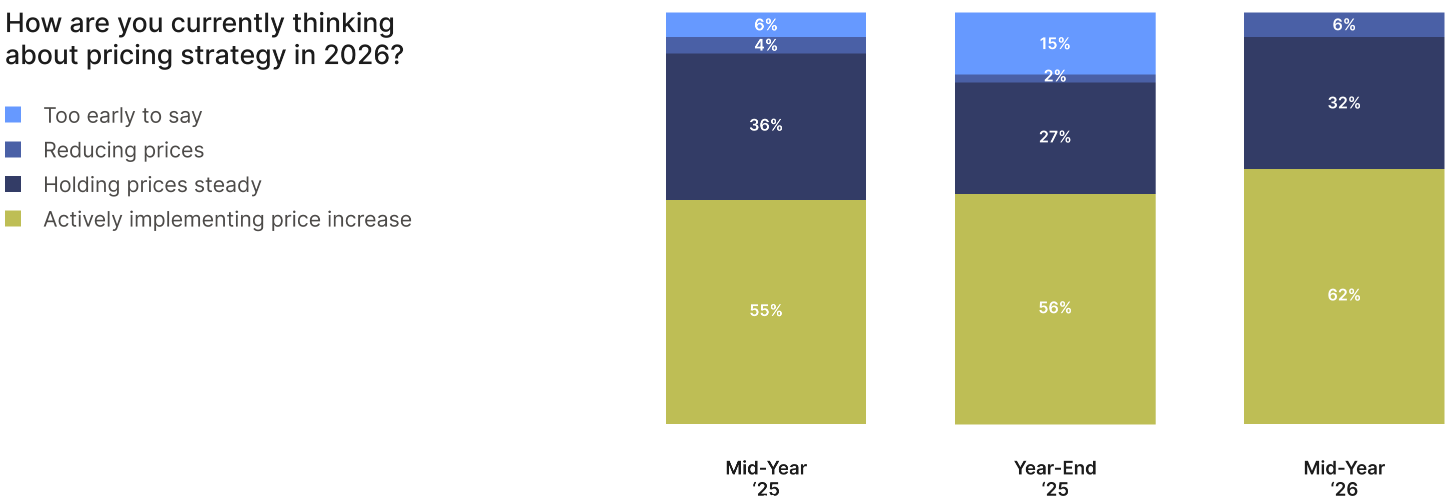


> “Although some select segments remain challenged, EBITDA growth expectations remain favorable across the vast majority of our borrowers despite continued geopolitical uncertainty, which is consistent with what we've seen so far in borrowers' reported year-to-date performance.”
>
> **Tyler Lindblad,**
> **Chief Investment Officer**

How do you expect your 2026 EBITDA margins to perform versus prior year?



How are you currently thinking about pricing strategy in 2026?



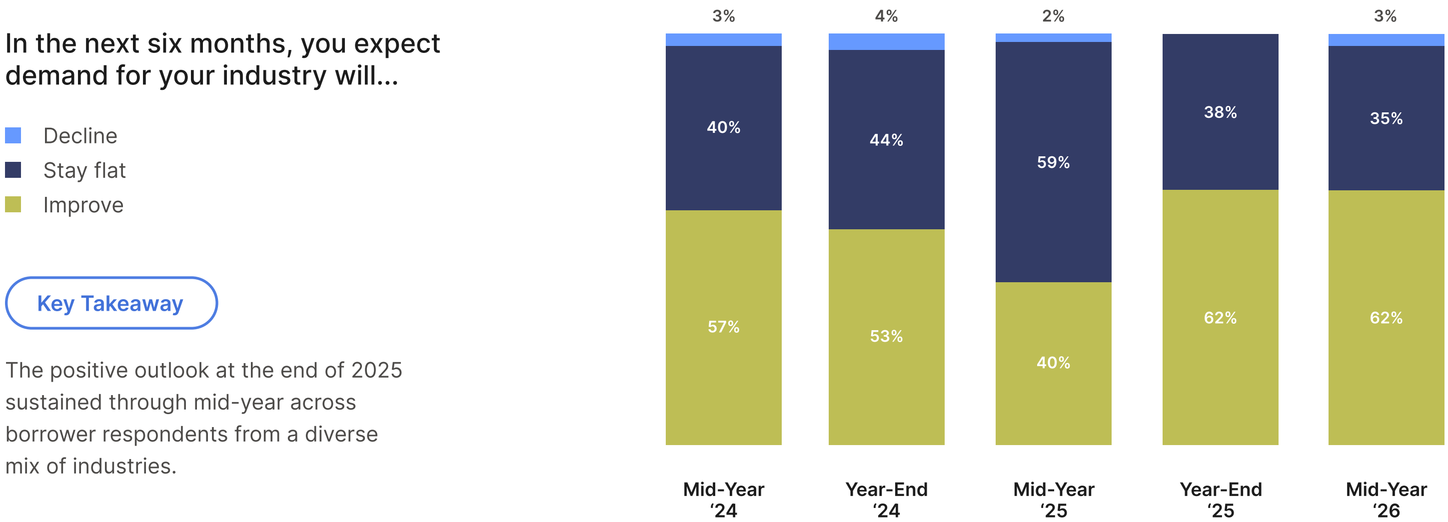
> "Interest and fixed charge coverage ratios continue to improve with most of our borrowers well positioned to pass along cost inflation."
>
> **Shannon Fritz,**
> **Deputy Chief Investment Officer**

Key Takeaway

While borrowers are forecasting top-line growth, respondents indicate even stronger organic EBITDA growth and margin expansion.

Pricing actions appear to be a key driver, with ~62% of borrowers actively implementing price increases, up from ~55–56% in '25, and 59% of respondents expect margin expansion. Notably, these price increases appear to be facing less resistance, as only ~21% of borrowers cite implementing price increases as a top challenge, which is down from ~33% at Year-End '25.

In the next six months, you expect demand for your industry will...



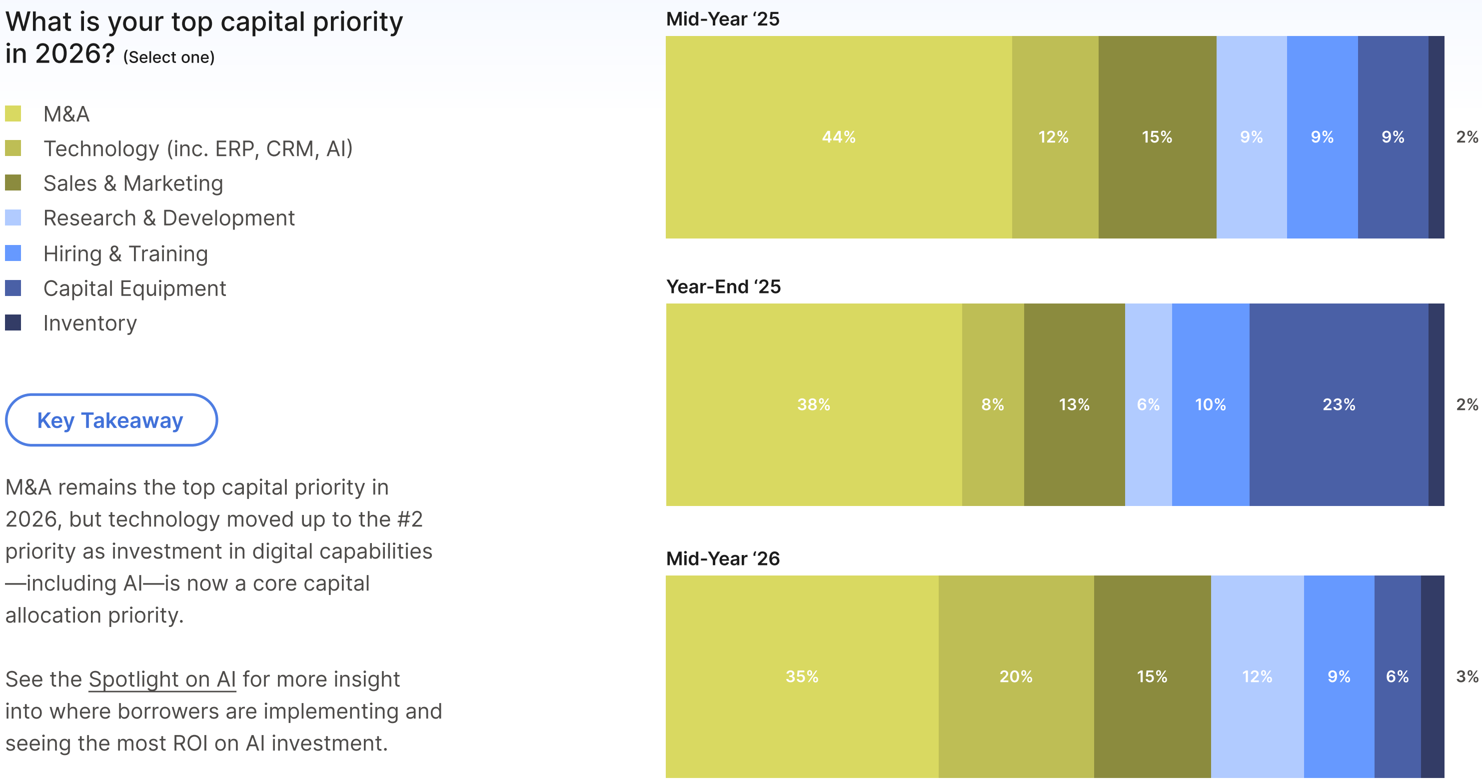
Key Takeaway

The positive outlook at the end of 2025 sustained through mid-year across borrower respondents from a diverse mix of industries.

BORROWER SURVEY

Capital Priorities

What is your top capital priority in 2026? (Select one)



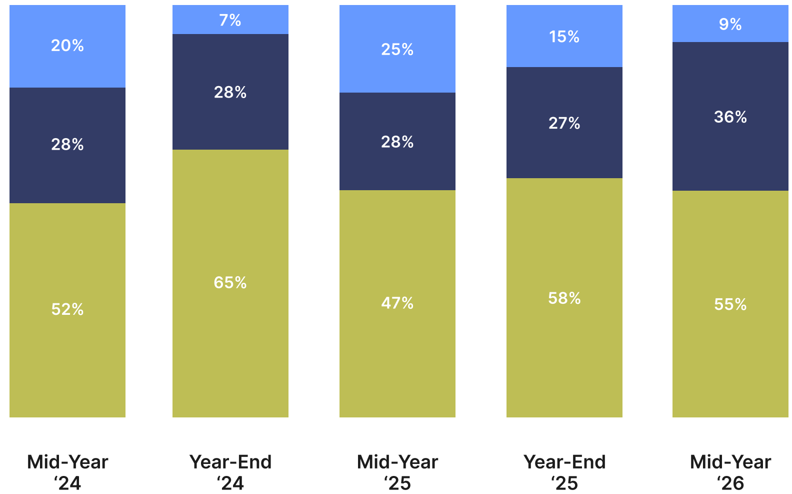
Key Takeaway

M&A remains the top capital priority in 2026, but technology moved up to the #2 priority as investment in digital capabilities—including AI—is now a core capital allocation priority.

See the Spotlight on AI for more insight into where borrowers are implementing and seeing the most ROI on AI investment.

Where do you expect net headcount to be at the end of 2026 versus at the end of 2025?

- Down
- Flat
- Up



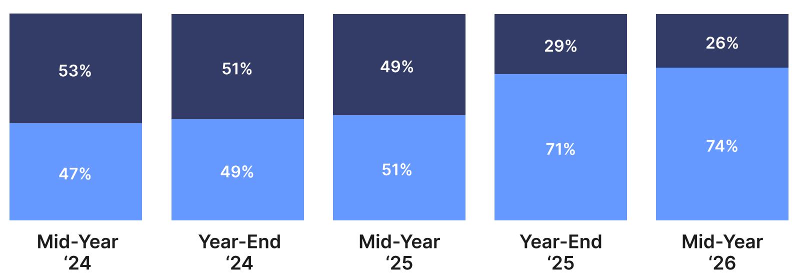
Key Takeaway

Despite speculation around impacts of AI on headcount, the majority of borrowers anticipate headcount to be up (~55%) or flat (~36%), with only ~9% anticipating a decline year-over-year.

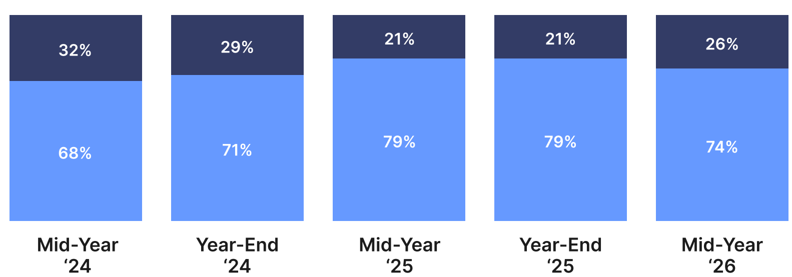
Are interest rates at current levels materially impacting your growth plans?

- Yes
- No

M&A



CapEx



BORROWER SURVEY

Top Challenges for Borrowers in 2026

Key Takeaway

As sales volume demand remains one of the top challenges identified by borrower respondents, geopolitical risks reclaimed a top 2 spot after declining at year-end 2025. Tariffs/supply chain, expanding market share, and consumer confidence were all cited as top challenges by one-third of borrower respondents. The largest increases since year-end 2025 were AI disruption (+19%), raw material costs (+11%), and labor costs (+9%). The largest declines were in M&A integration (-16%), implementing price increases (-13%), and public sector spending (-10%).

Which do you view as your top 5 challenges for the remainder of 2026? (Select a maximum of 5)

Challenges	Year-End '24	Mid-Year '25	Year-End '25	Mid-Year '26	% Change YE '25 vs MY '26
Sales Volume Demand	54%	53%	46%	47%	1% ▲
Geopolitical Risks	32%	55%	27%	41%	14% ▲
Tariffs / Supply Chain Disruption	33%	49%	31%	32%	1% ▲
Expanding Market Share	26%	28%	31%	32%	1% ▲
Consumer Confidence	N/A	N/A	27%	32%	5% ▲
Labor Costs	32%	17%	23%	32%	9% ▲
Labor Availability - Recruitment & Retention	47%	40%	35%	29%	-6% ▼
M&A Execution	12%	30%	27%	29%	2% ▲
AI Disruption	4%	13%	10%	29%	19% ▲
Interest Rates / Fed Policy	47%	51%	25%	24%	-2% ▼
Implementing Price Increases	26%	17%	33%	21%	-13% ▼
Industry-Specific Regulations	12%	19%	21%	21%	0% –
M&A Integration	12%	26%	33%	18%	-16% ▼
Raw Material Costs	9%	4%	4%	15%	11% ▲
Company Culture	11%	13%	15%	9%	-6% ▼
Cybersecurity	16%	15%	13%	6%	-7% ▼
Freight Costs	4%	4%	0%	6%	6% ▲
Public Sector Spending	N/A	15%	13%	3%	-10% ▼
Exit Planning (YE25 write-in)	-	-	2%	3%	1% ▲
Operational Execution (MY26 write-in)	-	-	-	3%	3% ▲
Time Constraints (MY26 write-in)	-	-	-	3%	3% ▲
Inventory Destocking	7%	6%	6%	0%	-6% ▼
Healthcare Costs / Gov't Insurance Reimbursements (YE25 write-in)	N/A	N/A	6%	0%	-6% ▼

Highlighted lines represent the most significant variance between Year-End '25 and Mid-Year '26.

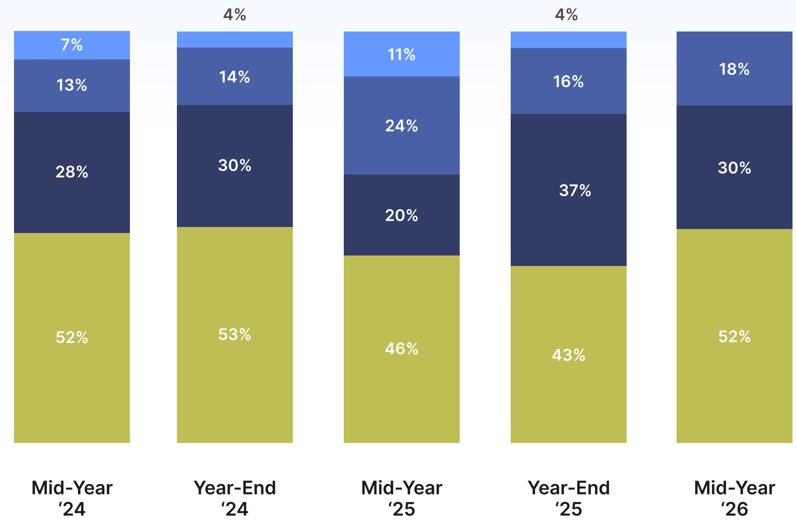
> "Geopolitical risk and oil price volatility remain important macro considerations. AI is different, creating greater dispersion between winners and losers and placing an even greater premium on disciplined underwriting of borrowers with durable value propositions and sustainable pricing power."
>
> **Tyler Lindblad,**
> **Chief Investment Officer**

SPONSOR SURVEY

Sponsor Deal Activity – 2026 Expectations & Drivers

What is the likelihood that you'll buy a new platform portfolio company in 2026?

- 0% < 25%
- 25% < 50%
- 50% < 75%
- 75% < 100%



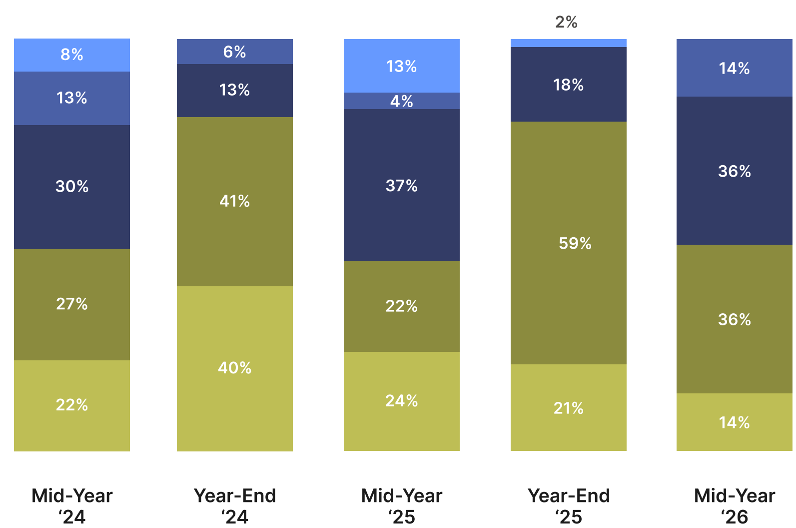
Key Takeaway

Sponsors' expectations to buy a company in the next six months are stronger than when they were asked at year-end for the full year of 2026.

> "We expect sponsor-backed deal activity to continue to face headwinds, although we have been seeing an encouraging pickup in our new deal screening activity of late."
>
> Mike Hynes,
> Co-Head of Originations

Versus prior year, how do you expect your investment ($ volume) will be deployed for new platforms in 2026?

- Decline Sharply (-15%+)
- Decline Modestly (-15% < -5%)
- Flat (-5% < 5%)
- Rise Modestly (5% < 15%)
- Rise Sharply (15%+)



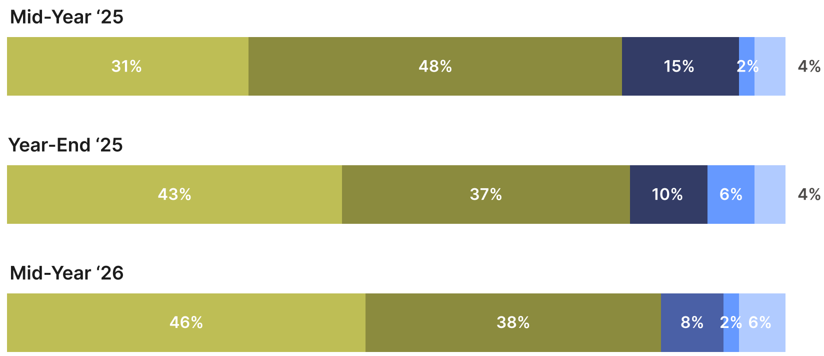
Key Takeaway

Slower-than-anticipated 1H 2026 M&A activity likely impeded full-year 2026 deployment expectations, but responses to the prior question indicated that sponsors are still eager to put money to work in the back half of the year.

Mid-year 2026 responses are not too dissimilar from historical mid-year responses, as perhaps sponsors are more optimistic around deployment heading into each year.

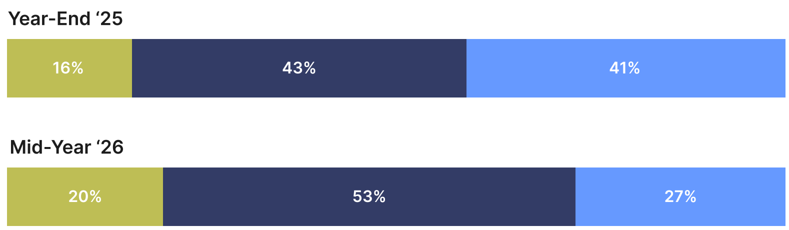
What is your biggest constraint to deploying capital in 2026?

- Uncertainty about exit environment
- Write-in: AI Disruption
- Internal bandwidth / team capacity
- Regulatory uncertainty
- Lack of high-quality deal flow
- Valuation expectations remain too high



How would you gauge current pressure from LPs to return capital?

- Low
- Medium
- High

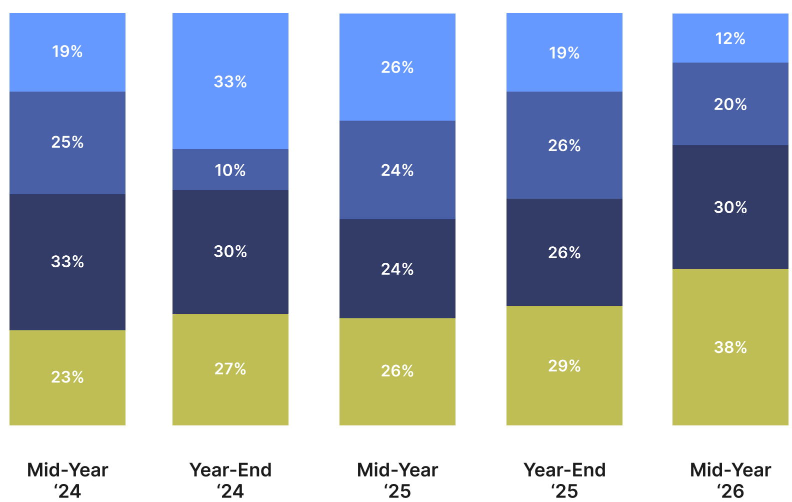


Key Takeaway

High valuation expectations and lack of high-quality deal flow remain the top constraints for sponsors to deploy capital, as LP pressures appear to have eased.

What is the likelihood that you'll sell an existing portfolio company in 2H 2026?

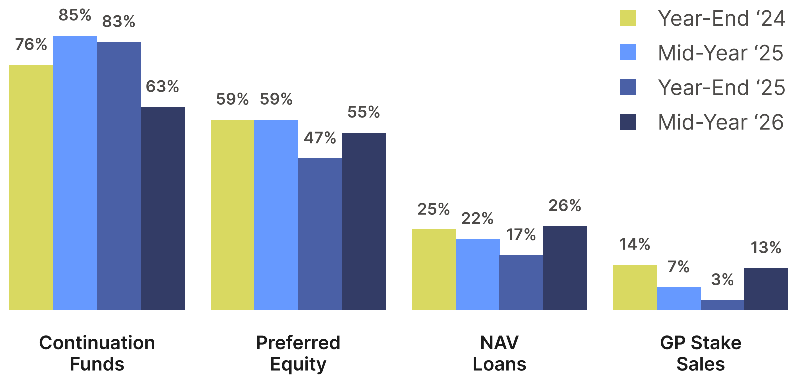
- 0% < 25%
- 25% < 50%
- 50% < 75%
- 75% < 100%



Key Takeaway

While sponsors' appetite to sell an existing portfolio company remains lower than buying, at Mid-Year '26, 68% of sponsor respondents see a >50% likelihood of selling—the highest since the survey's inception—up from the historical range of ~50–57%.

Are you exploring or currently utilizing liquidity solutions such as continuation funds, preferred equity, NAV loans, or GP stake sales?



Key Takeaway

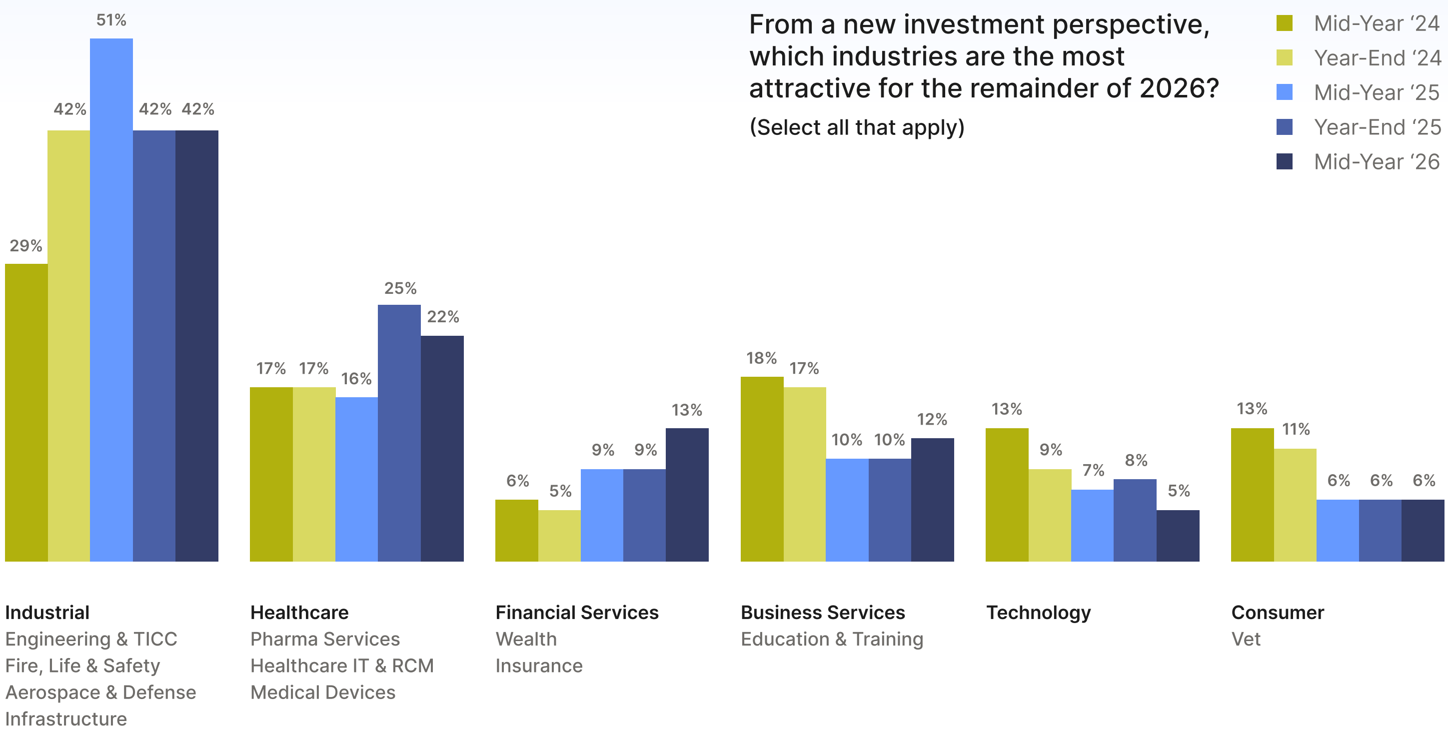
The appetite for CVs remains high, but at Mid-Year '26, sponsors indicate a preference for a more diversified toolkit of liquidity solutions, with increases toward preferred equity as the #2 solution, followed to a lesser extent by NAV loans and GP stake sales.

SPONSOR SURVEY

Top Subsectors of Interest for Private Equity

From a new investment perspective, which industries are the most attractive for the remainder of 2026?

(Select all that apply)



Key Takeaway

In line with prior periods, Industrials remained the clear top area of interest for future private equity investment at ~42% — specifically across Engineering & TICC, Fire, Life & Safety, Environmental, Aerospace & Defense, and Infrastructure. Healthcare (~22%) sustained the #2 spot, with interest particularly in Pharma Services, Healthcare IT & RCM, and Medical Devices.

Financial Services (~13%) has gained favor over the past 18 months, while interest in Business Services, Technology/Software, and Consumer has softened. Increased interest in Financial Services may be AI-driven, as Wealth (36%) and Insurance (33%) were identified by sponsors as the subsectors most likely to benefit from AI advancement.

SPONSOR SURVEY

Private Equity Sponsors' Top Risks to Portfolio & Investment Strategy in 2026

Key Takeaway

As with borrowers, geopolitical risk reemerged as sponsors' top concern, cited by 50% of respondents. AI disruption also moved higher, ranking as the #2 risk at ~42%, up from 33% at the end of last year, while concerns around labor declined meaningfully from 29% to 18% over the same period.

Consumer confidence, tariffs/supply chain disruption, and inflation also remain elevated, with each cited as a top risk by more than one-third of sponsor respondents. We also saw a spike in sponsors who consider monetary policy / interest rates a top risk after a decline in Year-End '25.

Which do you view as the top 3 risks to your portfolio and investment strategy in 2026? (Select a maximum of 3)

Challenges	Year-End '24	Mid-Year '25	Year-End '25	Mid-Year '26	% Change YE '25 vs MY '26
Geopolitical Risks	49%	42%	37%	50%	13% ▲
AI Disruption	15%	13%	33%	42%	9% ▲
Consumer Confidence	N/A	*4%	53%	40%	-13% ▼
Tariffs / Supply Chain Disruption	26%	62%	53%	36%	-17% ▼
Inflation	29%	36%	31%	36%	5% ▲
Monetary Policy / Interest Rates	22%	56%	14%	26%	12% ▲
Labor - Cost, Availability, Recruitment, Retention	38%	24%	39%	18%	-21% ▼
Industry-Specific Regulations	10%	11%	14%	12%	-2% ▼
Cybersecurity	8%	4%	2%	8%	6% ▲
Public Sector Spending	13%	4%	6%	4%	-2% ▼
Macro environment (2 MY26 write-ins)	-	-	-	4%	-
Valuation considerations (MY26 write-in)	-	-	-	2%	-
Business Spending/Capex (YE25 write-in)	-	-	2%	-	-
Midterms (YE25 write-in)	-	-	2%	-	-
Climate Risks related to shifting Market, Regulatory & Tech Dev (Transition Risk)	3%	2%	0%	-	-
Recession (MY25 write-in)	N/A	11%	-	-	-

Highlighted lines represent the most significant variance between Year-End '25 and Mid-Year '26.

* Note: Consumer Confidence was a write-in in Mid-Year '25, not a formal question.

Spotlight on AI

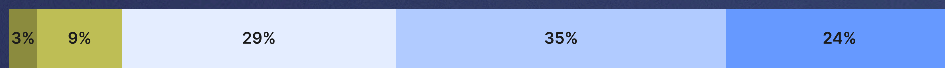
Key Takeaway

For borrowers, AI deployment and ROI is most prevalent in cost reduction initiatives; revenue-generating AI use cases remain early-stage. The expected margin impact from AI initiatives is positive but modest: ~68% of borrowers expect AI to lift EBITDA margins, but almost entirely in the 0–5% band; ~29% say AI is merely replacing existing IT spend (margin-neutral). Transformational gains are not yet showing up in the numbers or headcount initiatives, with the majority of borrowers anticipating headcount to be up (~55%) or flat (~36%), with only ~9% anticipating a decline.

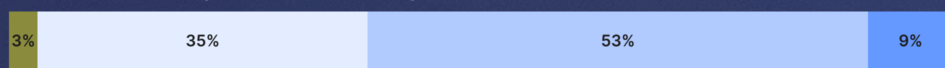
How meaningful is AI deployment across these areas of your company?

- No Deployment
- Low Deployment
- Moderate Deployment
- High Deployment
- N/A

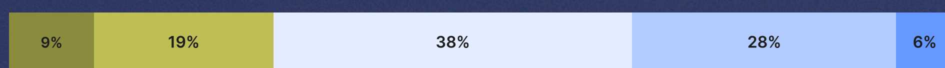
Value-Added Product Features for Customers
Customers acknowledge differentiation in product, workflows, etc.



AI is Improving Revenue Growth
Sales and marketing productivity, pricing increases, etc.



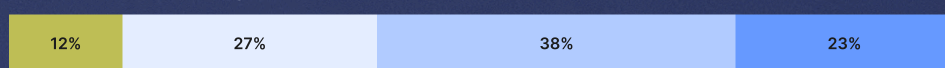
AI is Reducing R&D and Other Costs
Automation and efficiency in customer support / finance / R&D



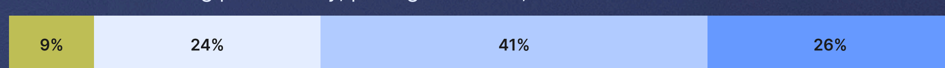
Where are you seeing the measurable ROI so far?

- No ROI
- Low ROI
- Moderate ROI
- High ROI
- N/A

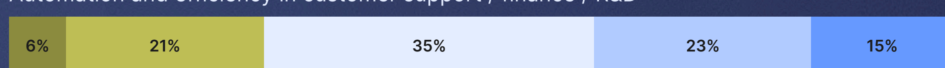
Value-Added Product Features for Customers
Customers acknowledge differentiation in product, workflows, etc.



AI is Improving Revenue Growth
Sales and marketing productivity, pricing increases, etc.

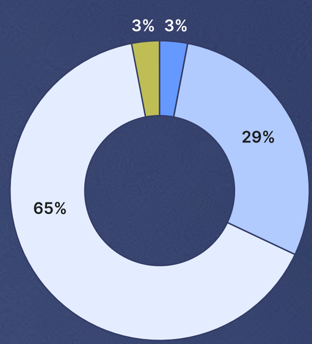


AI is Reducing R&D and Other Costs
Automation and efficiency in customer support / finance / R&D



How is building AI at your company projected to impact EBITDA margins?

*Assuming EBITDA margin is burdened by capitalized software development costs



- 5%+ Reduction in margins
- 0%: Not impacting our EBITDA margins; AI spend is replacing existing IT spend
- 0 < 5% Increase
- 5%+ Increase in margins

SPONSOR SURVEY

Spotlight on AI

Key Takeaway

Sponsors are leading the charge on AI implementation, as ~59% reported that sponsor-led initiatives and resources are driving AI execution across their portfolio companies, with ~33% driven at company-level by management.

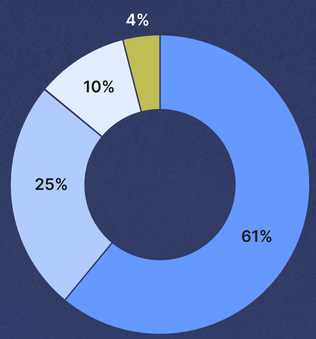
Like borrowers, sponsors are observing the most meaningful ROI from AI initiatives in the form of cost reduction.

Sponsors view Financial Services—specifically Wealth and Insurance—as poised to benefit the most from AI implementation, followed by Business Services and Healthcare IT/RCM.

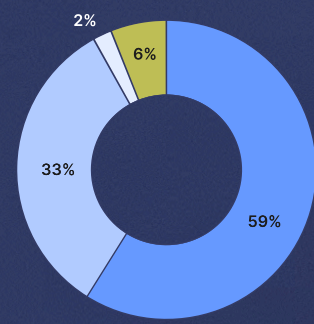
> "Sponsors are in the process of driving agentic AI adoption across their portfolio companies, which will create defensible positioning from an AI perspective and allow them to access an expected increase in TAM as a result. Importantly, year to date, we have not observed material negative disruption to our software portfolio."
>
> **Dan Landis**
> **Managing Director, Co-Head of Software Underwriting & Antares AI Team**

How would you characterize AI implementation across your portfolio companies?

- Mostly driven by sponsor-led initiatives and sponsor level AI platform resources leveraged across portfolio companies
- Mostly driven independently by the portfolio company management (in-house development)
- Mostly driven by outside vendors/consultants
- Other



Year-End '25

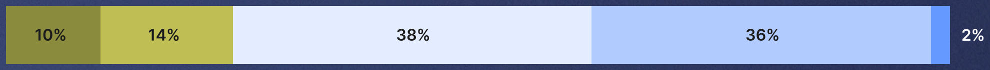


Mid-Year '26

Where are you seeing measurable ROI from AI initiatives so far across your portfolio?

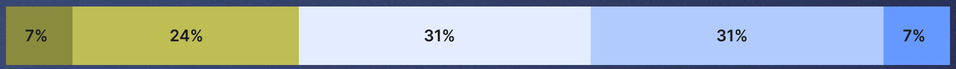
- No ROI
- Low ROI
- Moderate ROI
- High ROI
- N/A

Value-Added Product Features for Customers
Customers acknowledge differentiation in product, workflows, etc.



AI is Improving Revenue Growth
Sales and marketing productivity, pricing increases, etc.

AI is Reducing R&D and Other Costs
Automation and efficiency in customer support / finance / R&D



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