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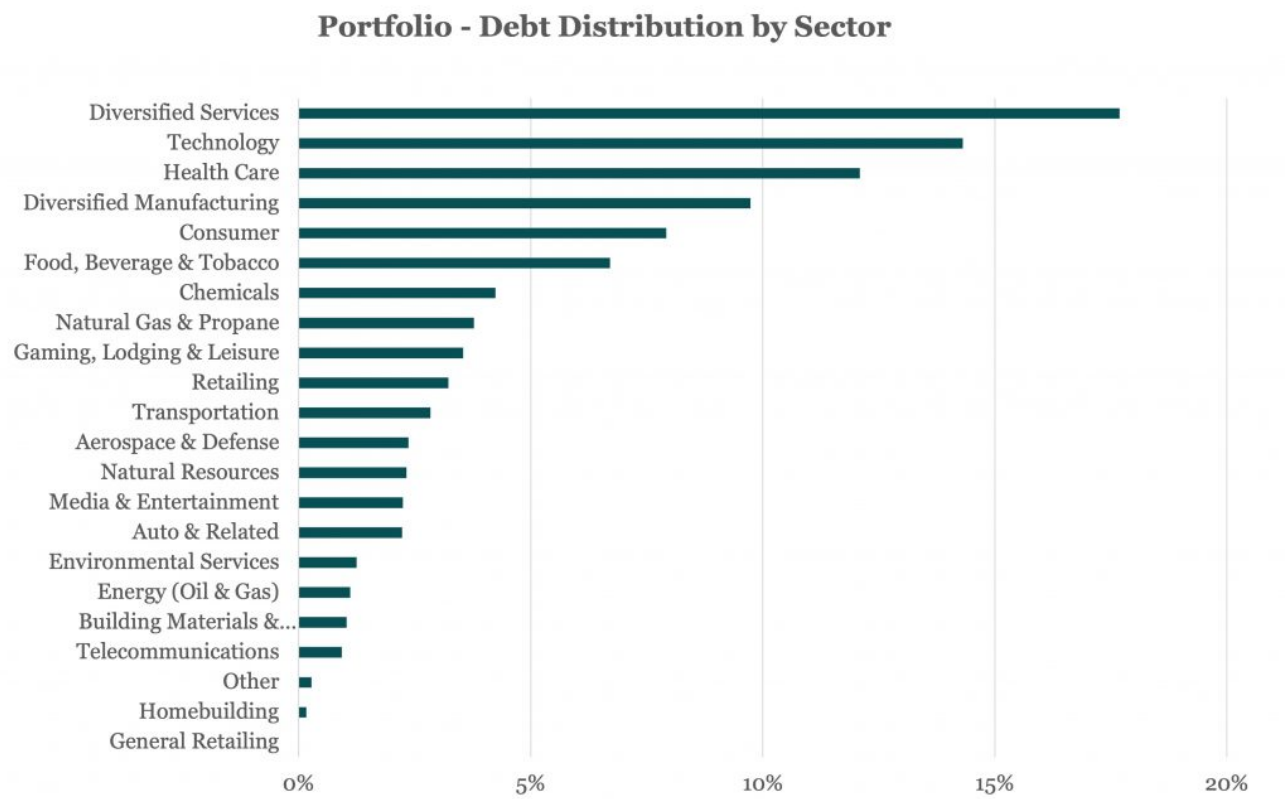
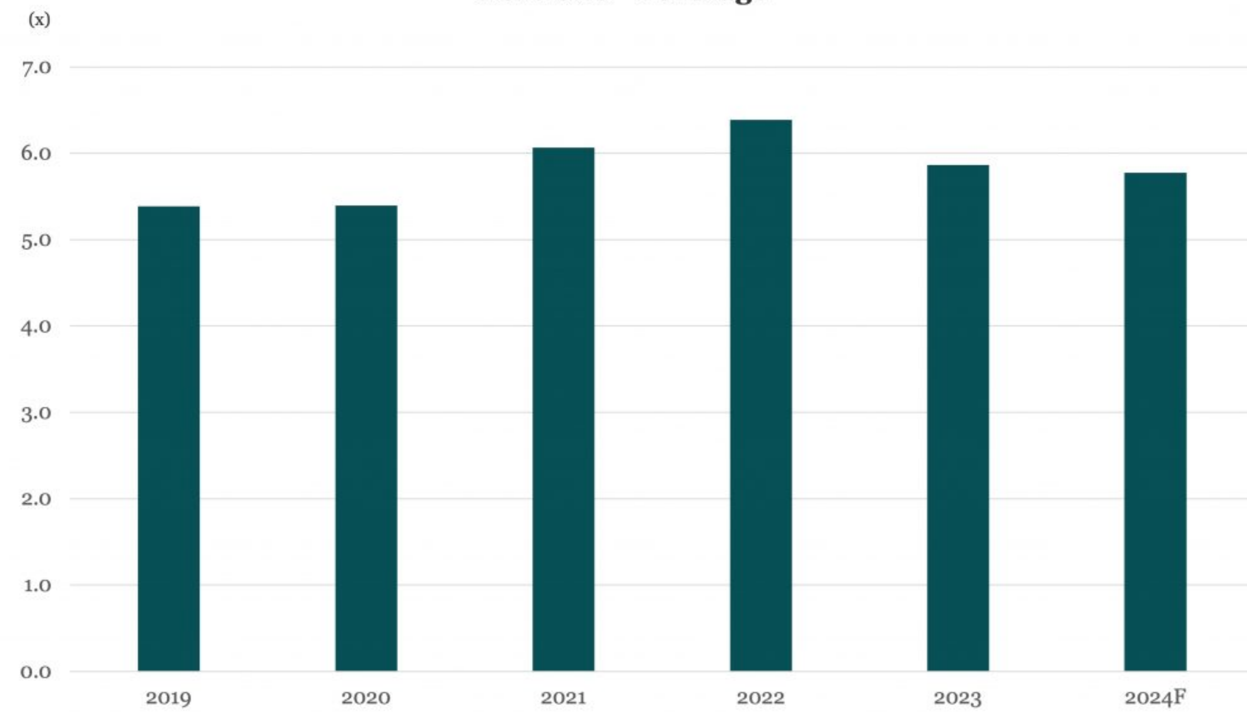
Fitch's Privately Monitored Middle Market Portfolio Overview, 2Q24

Fitch Ratings | August 14, 2024

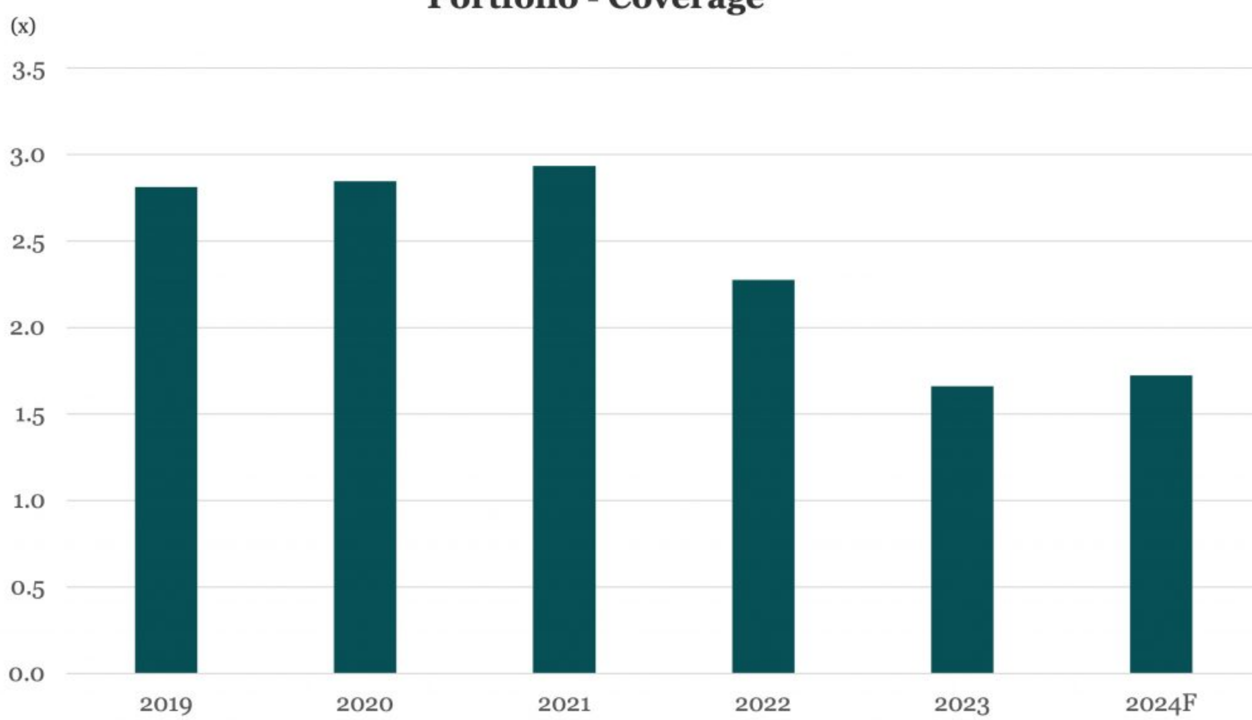


Portfolio - Leverage



Source: Fitch Ratings

Portfolio - Coverage



Source: Fitch Ratings

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In the charts that follow, Fitch presents aggregate data for MM companies, defined as in the area of $500 million of debt or $100 million of EBITDA or below, that it privately rates for asset managers.

- Fitch calculates median EBITDA leverage in the portfolio at 5.9x for 2023 and forecasts it will trend down to 5.8x in 2024. EBITDA leverage peaked at 6.4x in 2022 from 5.4x in 2019 as issuers faced inflationary input costs, supply chain breakdowns, and labor issues.
- Diversified Services issuers lead in deleveraging for the 2024 forecasts, with a 0.6x decline to 4.6x from 5.2x in 2023. This sector is the largest in the PMR portfolio by count and debt quantum, and the only one in the top five forecasting an increase in EBITDA margin. Fitch also forecasts a decline in leverage of 0.5x for the Technology sector for 2024 to 5.3x from 5.8x. Although EBITDA margins are forecasted to decline slightly, 8% revenue growth supports deleveraging.