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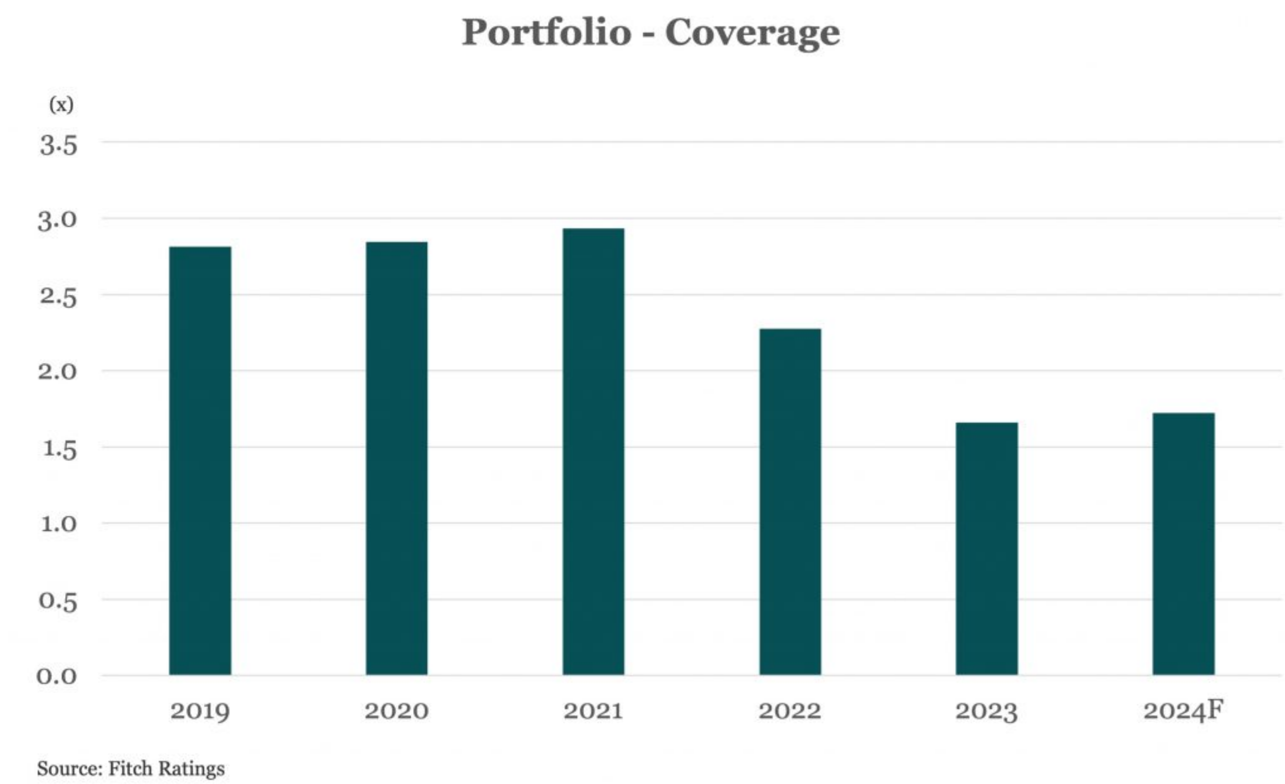
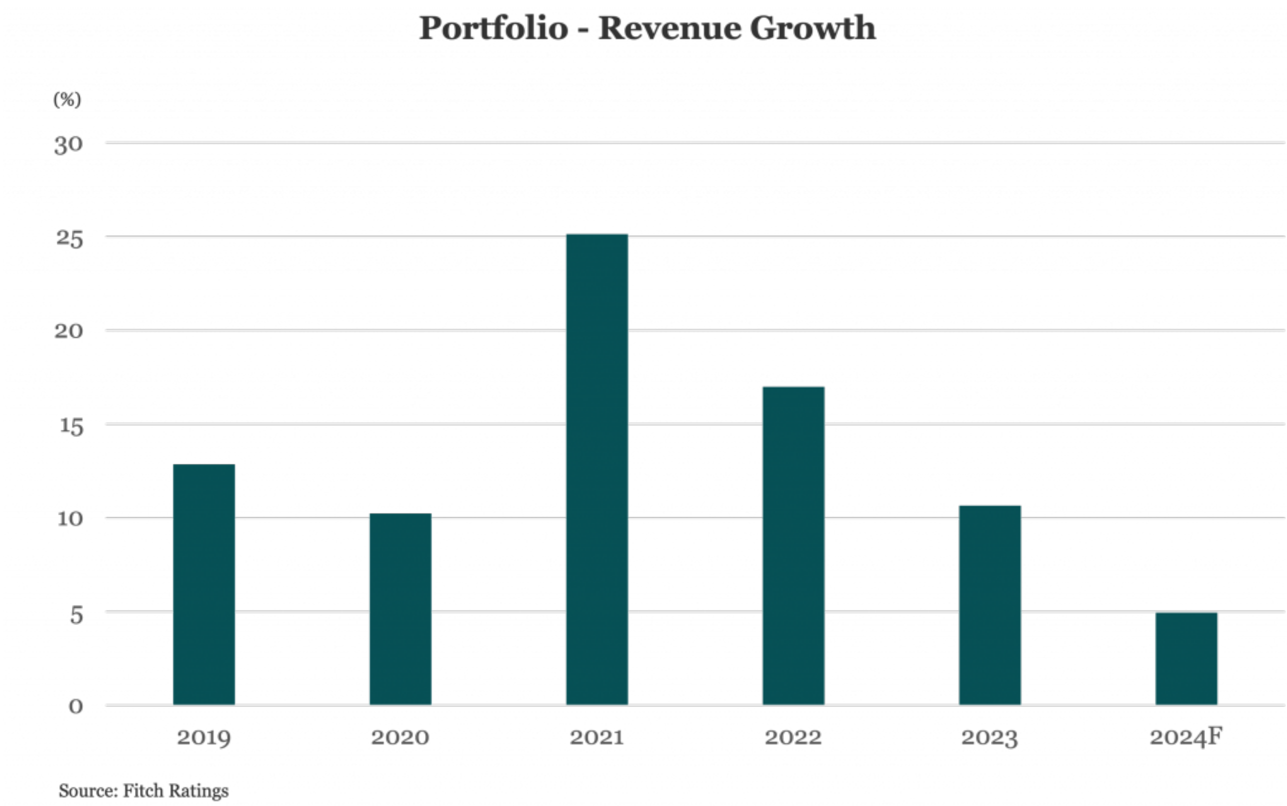
Fitch’s Privately Monitored Middle Market Portfolio Overview, 2Q24

Fitch Ratings | September 3, 2024





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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 forecasts 2024 interest coverage (EBITDA/Interest) to stay flat to 2023 at 1.7x. Despite a respite in spreads this quarter for new issues or for those issuers that refinanced, high all-in interest rates on current capital structures continue to pressure coverage. Corporate analysts focus on interest coverage and FCF as high cash interest payments deplete liquidity for lower-rated issuers. Historically, coverage fluctuated around 2.5x before the Federal Reserve's tightening cycle, peaking at 2.9x in 2021 and declining to 2.3x in 2022 and further in 2023.
- Fitch forecasts revenue growth of 4.9% in 2024 and low-to-mid single digits annually over the next few years. Both Technology and Diversified Manufacturing sectors lead the portfolio with 8.0% revenue growth projections for 2024. On the other hand, the Consumer segment is projecting the lowest growth at 2.9%. Fitch noted softening consumer tailwinds, continued rebalancing of spend on services instead of goods, and ongoing goods fatigue following strong spending since the onset of the pandemic in its Global Corporates Mid-Year Outlook 2024.