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Soaring sponsor-backed M&A activity sets stage for resurgent debt market in early 2026

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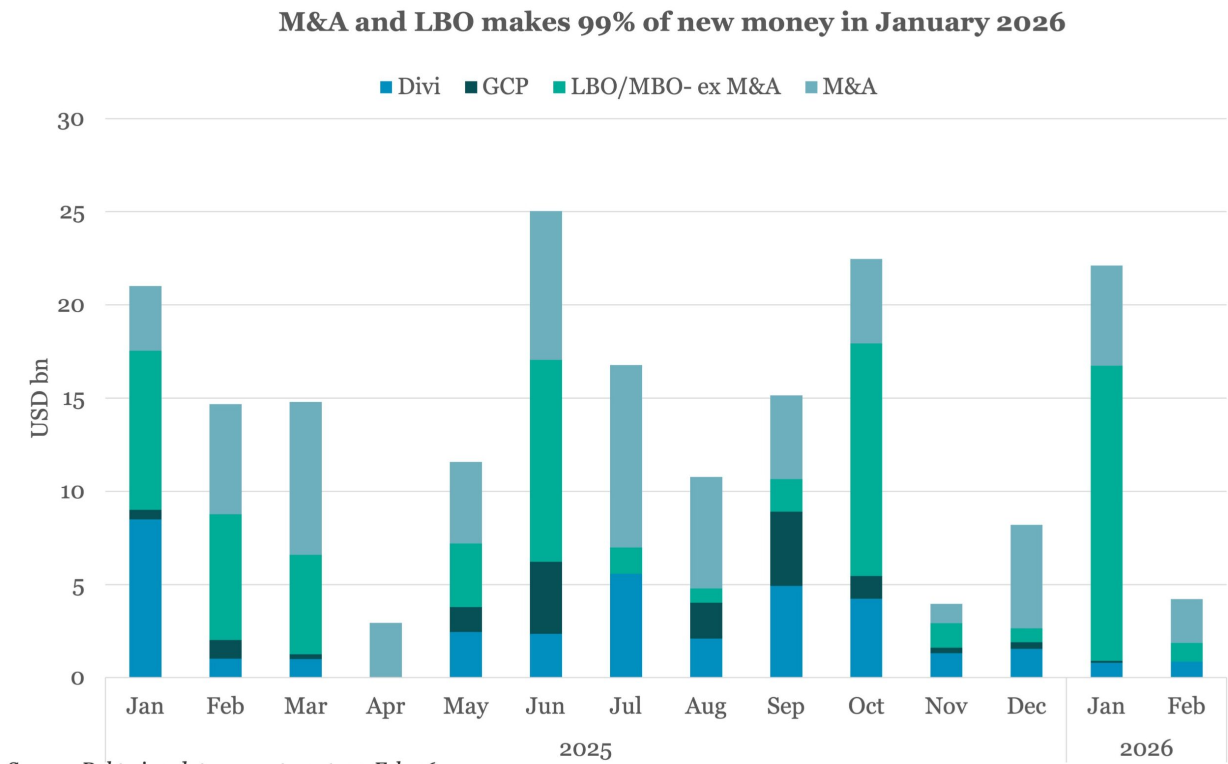

Source: Debtwire, data correct as at 23-Feb-26

Sponsor-backed M&A transactions totaled USD 165bn in December 2025, the second-highest monthly volume in the past decade, just trailing USD 168bn in April 2021, according to *Mergermarket* data.

Historically, when the volume of sponsor-backed M&A transactions has risen substantially, there has been a subsequent increase in sponsor-backed M&A (including leveraged buyout) debt financing in the leveraged loan market.

So far in 2026, we have not yet seen the spike in M&A activity materialize into higher debt volumes as in previous years. Refinancing has dominated leveraged finance activity year-to-date. While M&A debt volumes reached their highest monthly value since early 2022, prior-year data shows that the current rate of M&A activity will require an increase in debt market activity.

The most recent jump in sponsored M&A volume occurred in September 2020, rising to USD 101.2bn from USD 58.5bn in August 2020. Debt volume nearly tripled the following month, climbing to USD 20bn from USD 6.7bn. A similar uptick occurred in February 2021, when sponsor-backed M&A deal volume increased to USD

130bn from USD 71bn in January, leading to an 84% rise in M&A debt financing to USD 26.4bn, from USD 14.4bn the month before.

Market conditions this year are particularly beneficial for a boom in the debt financing that usually follows surges in M&A transactions.

“You have just as tight a spread, a fairly benign economic background, and all-in yields that have come down incrementally from last year,” said Adam Abbas, head of fixed income at Harris Oakmark.

“And you have a DOJ and antitrust that is probably going to be more willing to do deals,” he added, noting that the success found by jumbo LBO-related deals so far this year should also be a driver for more issuance in 2026.

Massachusetts-based healthcare solutions provider Hologic kicked the door open for these types of deals in January by raising USD 12.25bn in debt to fund its USD 18.3bn leveraged buyout by Blackstone and TPG, as reported. The deal’s upsized USD 7bn term loan attracted over USD 14bn in orders.

“There are a lot of big deals that are coming, and you want the first one of the big ones to do well,” said a buysider at the time.

Among the major LBO transactions anticipated in the near term is the USD 55bn take-private of Electronic Arts, led by Silver Lake alongside Saudi Arabia’s Public Investment Fund and Jared Kushner’s Affinity Partners, which would be the largest LBO transaction ever.

Early 2026 loan issuance shows M&A surge starting to convert into financing

Looking at the *Debtwire* data, sponsor-backed new money institutional leveraged loan deals have already shown meaningful momentum in January 2026, contributing USD 22.1bn in volume, up 170% from a low of USD 8.1bn in December 2025. M&A transactions are leading the charge, making up 99% of that issuance, while dividend recaps and loans for general corporate purposes remain slower, consistent with the pace set in November.

LBO issuance also remained robust, reaching USD 15.9bn in January, the highest monthly volume recorded in the past four years, trailing only February 2022’s USD 16.2bn. The rise in LBO-related volume can be mainly attributed to healthcare solutions provider Hologic’s jumbo loan package. The next largest LBO financing was the USD 2.2bn debt package supporting Lone Star’s USD 3.8bn acquisition of industrial company Hillenbrand.

Some of the prominent M&A deals in January included: a USD 1.6bn loan package issued by payment solutions company CompoSecure to fund its USD 5bn acquisition of Husky Technologies; machinery producer Columbus McKinnon’s USD 1.3bn loan to fund its USD 2.8bn acquisition of Kito Crosby.

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