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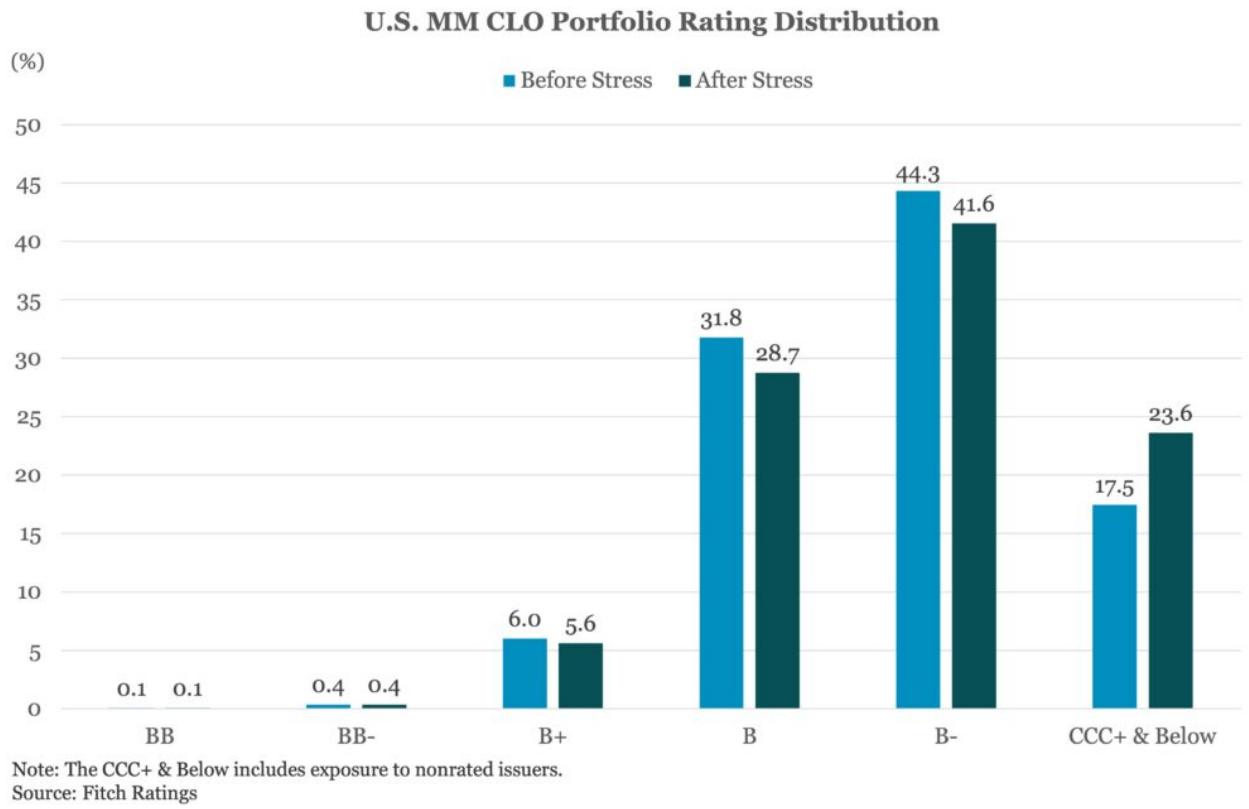
US Software Credit Faces EBITDA Stress; MM CLOs Remain Resilient

Fitch Ratings | April 15, 2026



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U.S. technology software sector issuers in Fitch Ratings' model-based, point-in-time credit opinion (MCO) portfolio are more vulnerable to credit deterioration under a severe earnings stress scenario compared with the portfolio excluding the technology software sector.

As detailed in its recent report, Fitch assessed the sensitivity of its MCO portfolio by modeling a 20% EBITDA decline in the corporate credit opinion model (CCOM). More technology software issuers received a lower CCOM output after the stress than issuers in the rest of the portfolio at 59% and 44%, respectively. Large technology software issuers with EBITDA above $100 million showed the greatest negative migration under the stress.

Fitch separately stressed its middle market (MM) U.S. CLO portfolio, incorporating the stressed CCOM outputs for technology software exposures and stresses that modeled lower ratings for the sector if a rating was on a negative outlook. The stressed CLO portfolio credit distribution shifted slightly toward the deeper sub-

investment-grade buckets from the B category. Most MM U.S. CLO notes maintained ample downgrade cushions. Cushion compression was generally small and affected only a handful of transactions, with lower-rated notes seeing the greatest impact.