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Sponsored MM leverage falls to its lowest level since 1Q23

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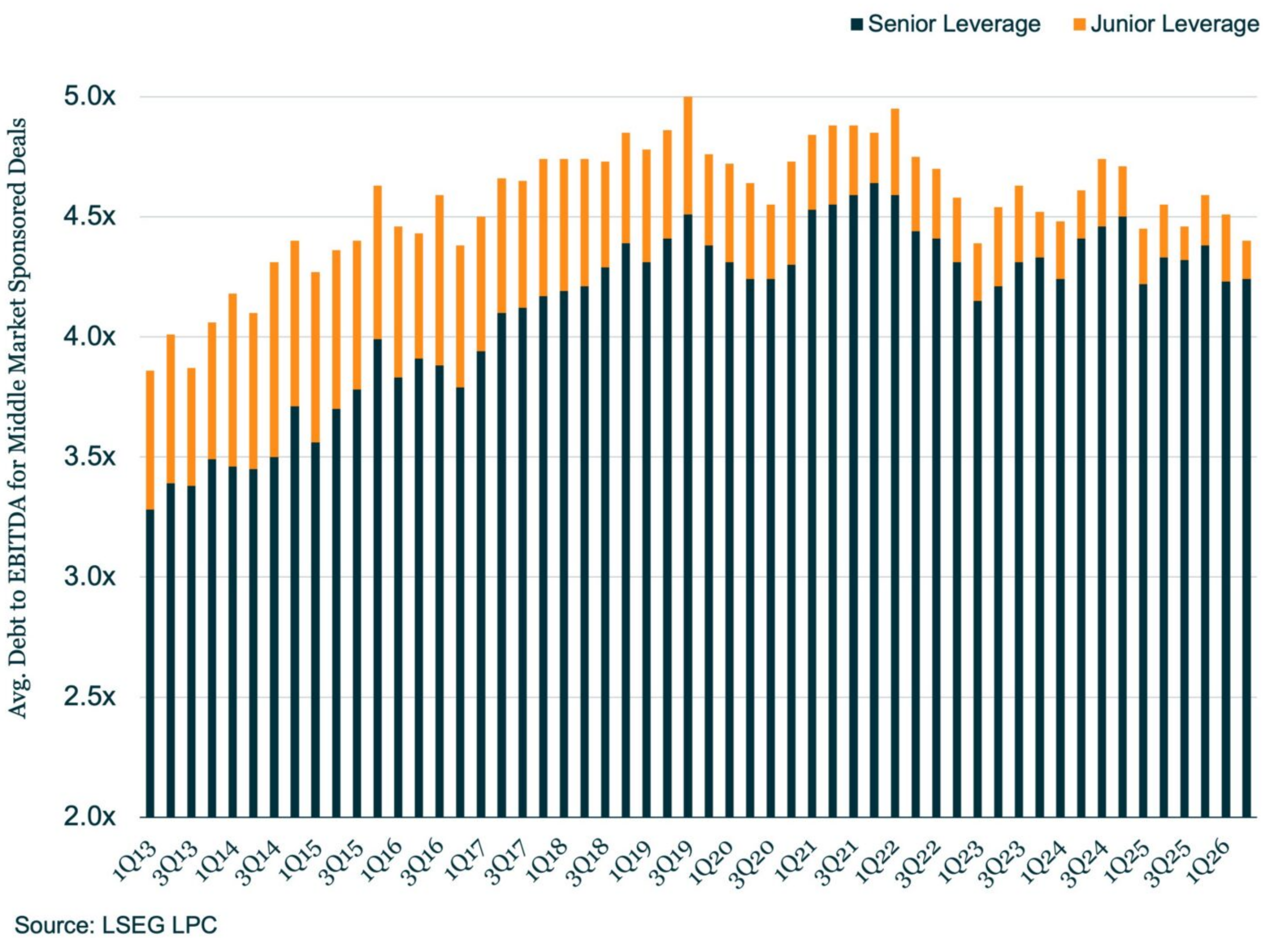

Total leverage on sponsored middle market transactions declined to 4.40x in 2Q26 from 4.51x in 1Q26, reaching its lowest level since 1Q23. The decline was driven by a sharp reduction in junior leverage, which fell to 0.16x from 0.28x in the prior quarter, while first-lien leverage remained essentially unchanged at 4.24x versus 4.23x in 1Q26. Leverage also moderated at the upper end of the market, with the share of sponsored deals carrying more than 5.0x total leverage falling for a second consecutive quarter to 32%, down from 35% in 1Q26. Transactions levered above 6.0x remained relatively scarce, accounting for fewer than 8% of deals, compared with 11% in the previous quarter. Leverage generally increased with borrower size. Companies with EBITDA below US$10 million averaged 3.65x total leverage compared with 4.32x for borrowers with EBITDA of US$10-US$20 million, 4.69x for the US$20-US$40 million segment, and 4.59x for borrowers with EBITDA above US$40 million.