



Leveraged Capital Markets

Q3 2025 Review

October 2025



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Executive Summary

Leveraged Loan Market

- Total Institutional Term Loan issuance for the quarter surged to a record \$404.2 billion, rebounding sharply from \$115.5 billion in Q2 2025; with one quarter remaining, 2025 loan issuance stands at \$873.5 billion — 10.1% behind last year's pace
- Q3 issuance was again overwhelmingly driven by opportunistic activity, with refinancings and repricings accounting for 82.5% of total volume as borrowers capitalized on favorable market technicals
 - So far in 2025, repricings have reduced spreads by 50 bps on average, saving issuers \$2.3 billion annually
 - B-minus rated borrowers largely drove Q3 refinancing issuance, accounting for 43.4% of activity as borrowers moved quickly to address 2028 maturities
- M&A activity remained muted, with just \$35.7 billion in Q3 issuance; amid limited liquidity events, sponsors extracted \$34.7 billion through dividend recaps YTD — the highest level in over seven years
 - Of the dividend recapitalizations, over half of 2025 dividend recap issuers have been in portfolios for over five years

CLO Market

- Total Q3 CLO issuance reached \$53.1 billion across 106 transactions; YTD volume stands at \$153.0 billion, 7.3% above the \$142.5 billion recorded by this point in 2024, when full-year issuance hit a record \$202.0 billion
- CLO spreads tightened across the capital stack in Q3, with the average weighted cost of capital for BSL issuers falling 12 bps to S+166; Triple-As narrowed by 5 bps, Double-As by 13 bps, Single-As by 17 bps, Triple-Bs by 34 bps, and Double-Bs notes by 79 bps
- Constrained net supply and strong investor demand deepened the market's technical imbalance in Q3, favoring borrowers; net loan outstandings rose just \$14.2 billion, while demand reached \$53.1 billion — resulting in a \$38.9 billion supply shortfall, the widest quarterly gap this year

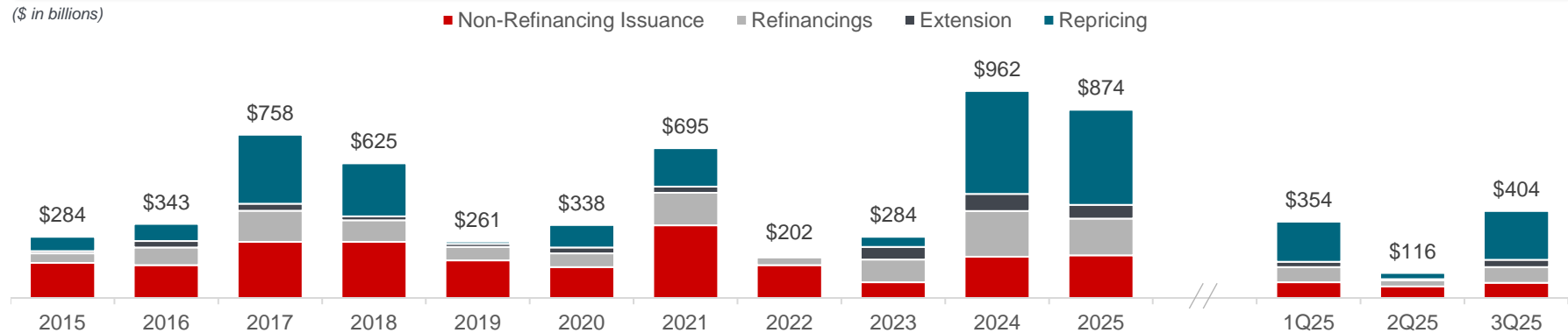
High-Yield Market

- High-yield issuance soared to \$118.2 billion in Q3 — the highest quarterly total since Q2 2021 — driven by a flurry of refinancing activity and a busy September that accounted for nearly half the quarter's volume
 - Refinancings represented 78.9% of Q3 issuance, up from 64.7% in Q3 2024 and marking the highest volume since Q1 2021
 - M&A and LBO activity rose slightly to \$42.0 billion YTD, the highest level since 2021
- Double-B rated deals dominate 2025, making up 43.7% of issuance — the highest YTD share on record; in contrast, CCC-rated deals have plunged to just 1.7%, half of last year's share and near post-GFC lows
- Spreads narrowed for both unsecured and secured bonds in Q3, with unsecured spreads at 259 bps and secured at 350 bps

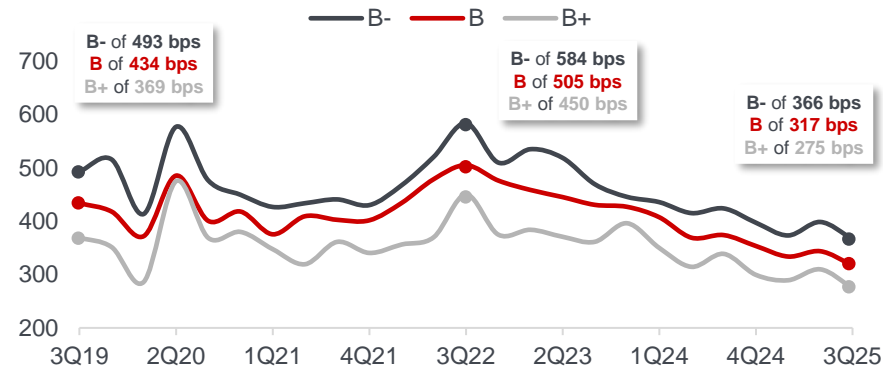
Q3 2025 Leveraged Loan Market Review: All-Time High Quarterly Loan Issuance

Quarterly loan activity surged to record \$404.2 billion, narrowly surpassing the previous record of \$403.8 billion set in Q2 2024, as borrowers continued to capitalize on a favorable technical backdrop

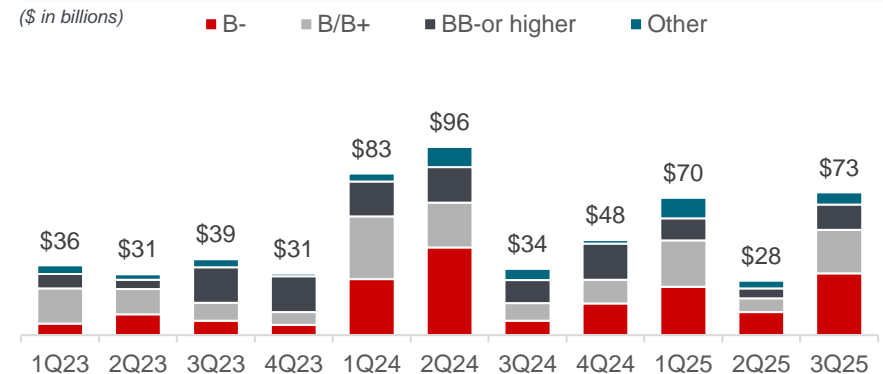
US Institutional Q3 YTD Loan Activity



Record low New-Issue Spreads...



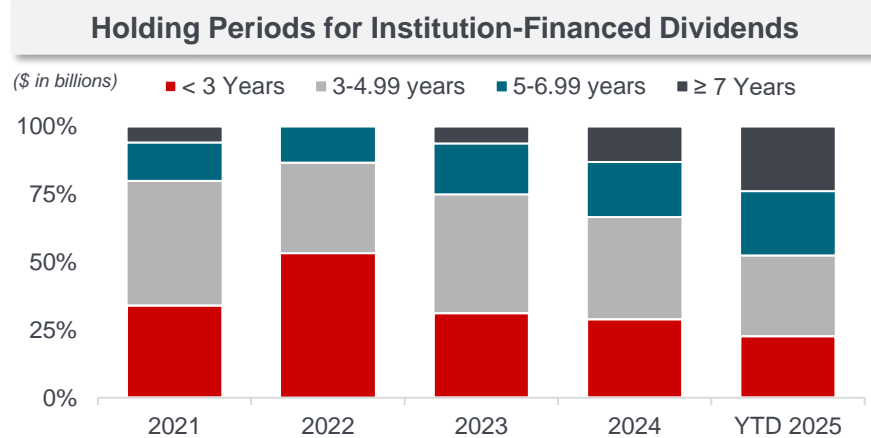
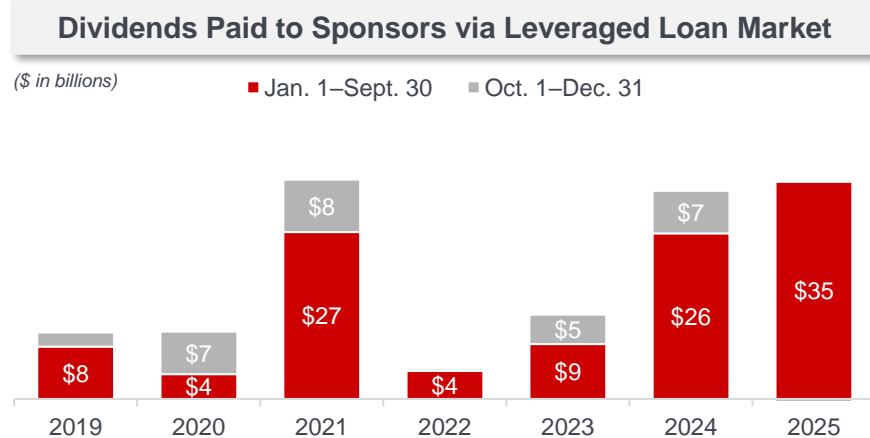
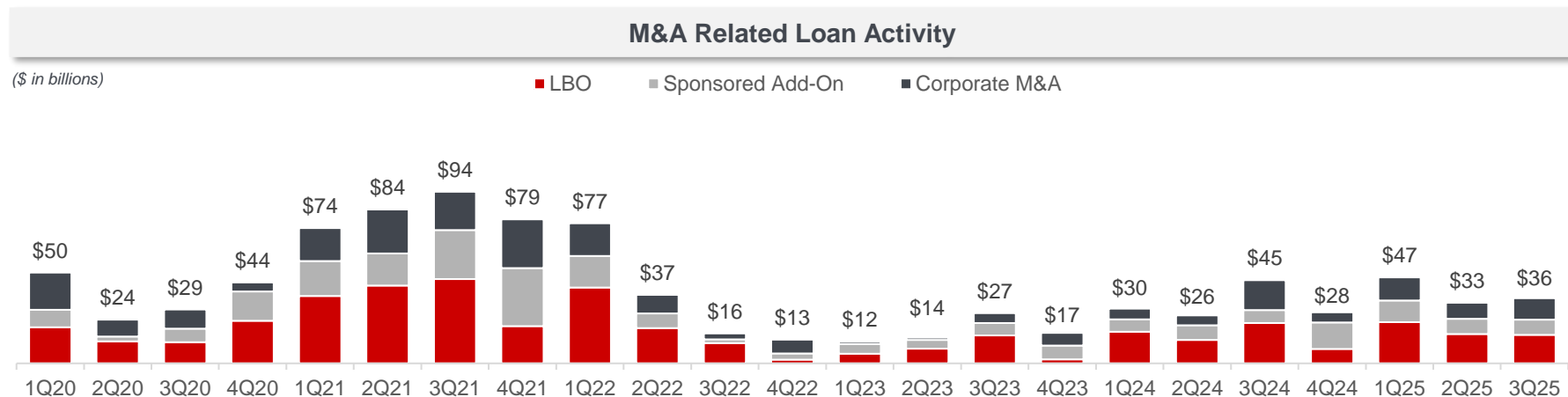
...Fueling Single-B Refinancings



New issue spreads for B-minus loans fell to S+366 in Q3, the lowest since the Global Financial Crisis, driving refinancing activity

Q3 2025 Leveraged Loan Market Review: Record Sponsor Dividends Amid Soft M&A Activity

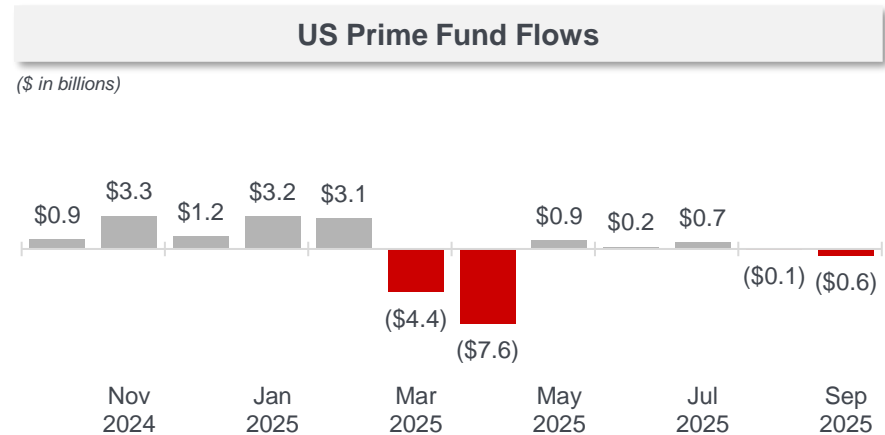
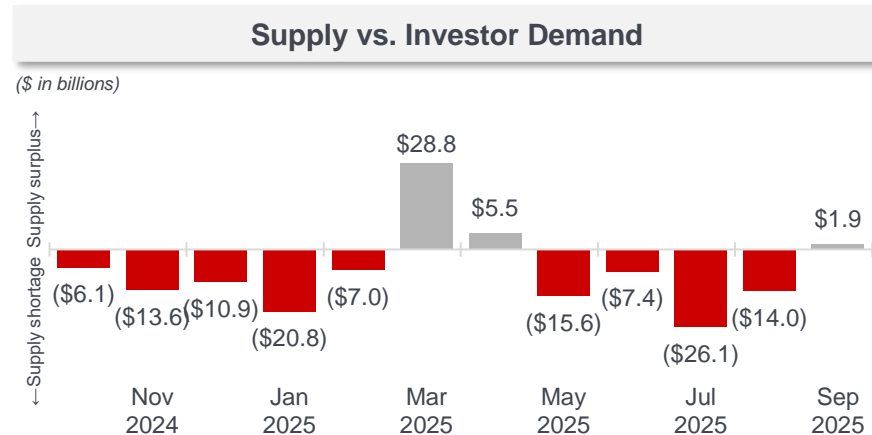
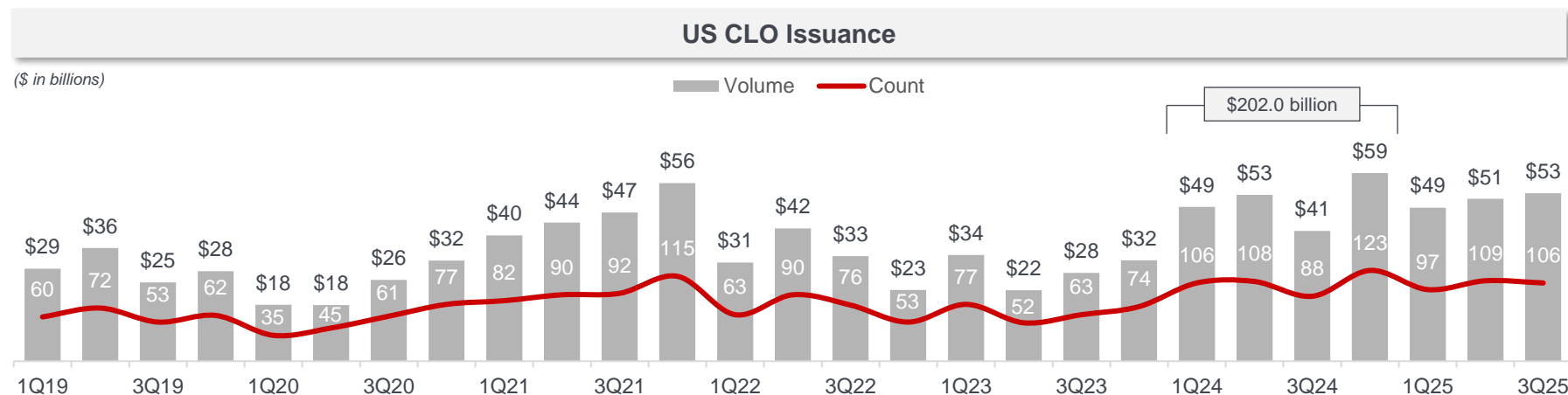
In an ongoing slow M&A environment, with just \$35.7 billion in quarterly issuance, sponsors continued to lean on the institutional loan market to extract liquidity through dividend recapitalizations



Sponsors financed \$34.7 billion in dividends through leveraged loans in YTD 2025 — the highest amount recorded in over seven years

Q3 2025 CLO Market Review: Trending Toward Record Yearly CLO Issuance

CLO issuance reached \$53.1 billion across 106 deals in Q3, surpassing the \$41.2 billion priced in Q3 2023 and keeping 2025 on pace to exceed last year's record-setting volume of \$202.0 billion

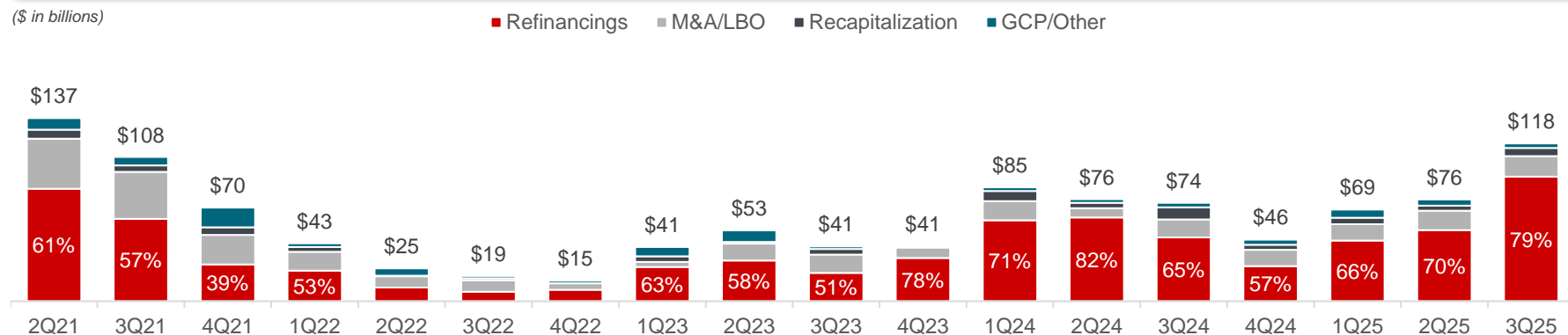


A \$38.9 billion supply / demand imbalance in Q3, the widest of the year, further tilted market conditions in favor of borrowers

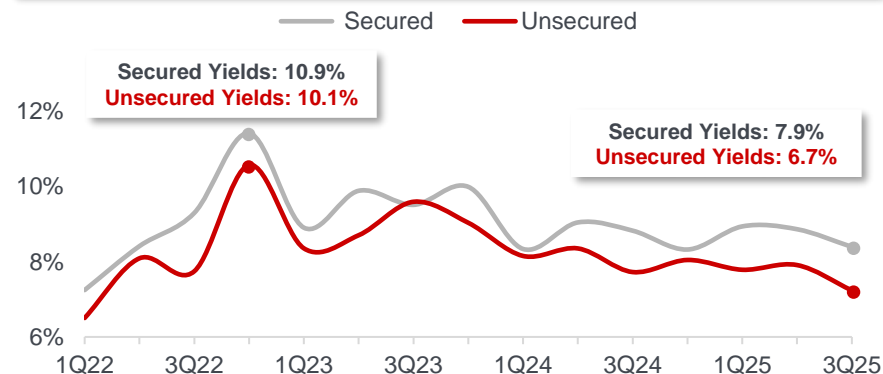
Q3 2025 High-Yield Market Review: Refinancing Drives Rising Issuance

High-yield issuance hit \$118.2 billion in Q3, the highest level since Q2 2021, as refinancings dominate with 78.9% of the total volume, with M&A seeing slight momentum at \$15.4 billion and dividend recapitalizations contributing \$6.1 billion

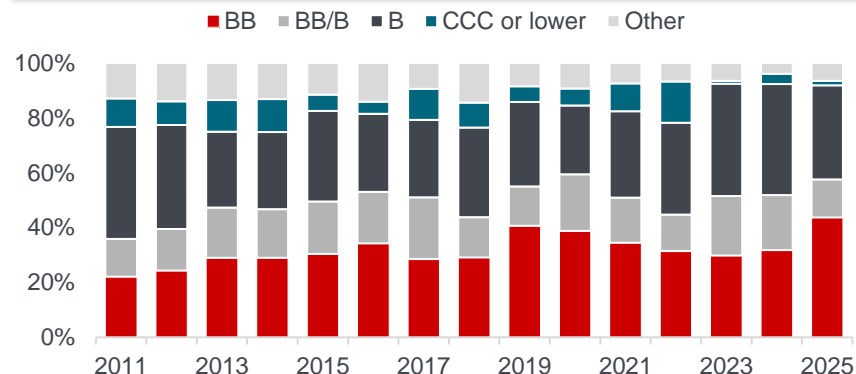
US High-Yield Quarterly Bond Volume



New-Issue Yields for US High-Yield Bonds



US High-Yield Bond Rating Distribution (YTD Volume)



BBs lead YTD issuance at 43.7%, a record share, while CCCs slump to 1.7%, near post-GFC lows






Q3 2025 Summary & Conclusion

Driven by opportunistic deals, the leveraged loan market saw a record quarter in issuance, as borrowers refinanced, repriced, extended maturities, and extracted liquidity through dividend recapitalizations

Key Takeaways

- ✓ Loan issuance rebounded sharply from the tariff-disrupted Q2 2025 total of \$115.5 billion, surging to a quarterly record of \$404.2 billion in Q3
- ✓ Q3's \$38.9 billion supply shortfall, driven by strong demand and limited net new issuance, deepened the market imbalance in favor of borrowers
- ✓ Borrowers capitalized on the favorable technicals, with refinancings and repricings accounting for 82.5% of volume and driving material interest savings
- ✓ Amid limited liquidity events, sponsors have extracted a seven-year high of \$34.7 billion YTD through dividend recaps
- ✓ New-issue loan spreads tightened in Q3, with B-minus rated leveraged loans falling to S+366 — the lowest level since the Global Financial Crisis
- ✓ CLO issuance reached \$153.0 billion YTD — 7.3% ahead of the same period in 2024, when full-year volume hit a record \$202.0 billion
- ✓ High-yield issuance surged to \$118.2 billion in Q3 — the highest since Q2 2021 — fueled by refinancing activity, which accounted for 78.9% of the total volume

Select Q2 KBCM Tombstones

<p>September 2025</p>  <p>Left Lead Arranger</p> <p>\$610,000,000</p>	<p>September 2025</p> <p>Grant Thornton a portfolio company of</p>  <p>Joint Lead Arranger</p> <p>\$1,100,000,000</p>	<p>September 2025</p> <p>FINASTRA a portfolio company of</p>  <p>Joint Lead Arranger</p> <p>\$4,650,000,000</p>
<p>September 2025</p> <p>Turning Stone RESORT CASINO</p>  <p>Left Lead Arranger</p> <p>\$440,000,000</p>	<p>September 2025</p> <p>allied physicians group A Partnership for Unparalleled Care</p> <p>a portfolio company of</p> <p>ASCEND PARTNERS</p> <p>Left Lead Arranger</p> <p>\$25,000,000</p>	<p>August 2025</p> <p>Kindeva DRUG DELIVERY</p> <p>a portfolio company of</p> <p>ALTARIS</p> <p>Joint Lead Arranger</p> <p>\$490,000,000</p>
<p>August 2025</p>  <p>Left Lead Arranger</p> <p>\$3,750,000,000</p>	<p>July 2025</p> <p>LONGRANGE CAPITAL</p> <p>has acquired</p> <p>US Synthetic</p> <p>Left Lead Arranger</p> <p>Undisclosed</p>	<p>July 2025</p> <p>APOLLO has acquired</p> <p>IGT & EVERI to form</p> <p>Voyager Parent, LLC</p> <p>Joint Lead Arranger</p> <p>\$3,225,000,000</p>

Origination & Capital Markets Coverage

Syndicated & Leveraged Finance Primary Origination Coverage ¹

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<u>Senior Coverage</u>	<u>Senior Coverage</u>	<u>Senior Coverage</u>	<u>Senior Coverage</u>	<u>Senior Coverage</u>	<u>Senior Coverage</u>	<u>Senior Coverage</u>
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