Private Credit Monitor

July 2026

PitchBook | LCD

Key Takeaways

- **Sponsor-backed direct lending volume and deal count bounce back –** Over the past three months, the estimated volume of direct lending to sponsor-backed companies recovered slightly to $25 billion, which was above the Q2 tally, but still the second-lowest total since Q3 2023. The uptick suggests direct lenders and their sponsor borrowers may be gearing up to increase activity after Q2 was the weakest quarter in three years.

- **Buyout direct lending volume edges higher** – Direct lenders provided roughly $12 billion of buyout financing over the past three months, slightly above the Q2 total, though still near multi-quarter lows. Deal count stayed below Q2, marking its weakest level since Q3 2023. With higher-for-longer interest rates, sponsors may hesitate to push activity back toward 2025 highs for the foreseeable future.

- **LBO and M&A deals dominate sponsor-backed direct lending deal count –** Of the 105 deals direct lenders financed for PE firms over the past three months, 69 were LBOs and M&A, up from 63 such deals in Q2, while the refinancing deal count of 13 was below Q2's total of 17. Of note, total deal count in the last two quarters across all financing purposes trails both Q2 and Q3 2025, a sign that sponsors are staying cautious amid broader market uncertainty.

- **Credit stress builds across private credit portfolios** – A growing share of BDC-held companies is showing signs of pressure as lower base rates, steady PIK reliance and an approaching maturity wall weigh on the asset class.

- By March 2026, BDCs held 538 borrowers showing signs of credit pressure, up 15% from 467 in December 2025. Software is the most stressed cohort as managers brace for AI-driven disruption. Half of the stressed borrowers continue paying interest entirely in cash, though new PIK additions have eased from prior years. For more, see: Analysis: BDC credit stress climbs as software names add pressure.

- **Largest public BDCs enter a tougher phase of the credit cycle** – After years of steady performance, the biggest publicly traded BDCs face mounting pressure from lower base rates, continued PIK reliance and an approaching wave of maturities. Software exposure remains elevated with valuations falling faster than the rest of the portfolio, while distressed debt climbs. Non-accruals are trending up by both count and cost, with the added PIK risk coming into focus. A maturity wall through 2028 could exacerbate these strains. For more, see: Warning Signs: Non-accruals, PIK discounts, and distress rise across top BDCs.

- Watch the replay of our 2026 Midyear Private Credit Outlook webinar – PitchBook LCD's thought leaders from the direct lending and broadly syndicated loan markets unpacked the quarter's key trends and data, took an under-the-hood look at BDC portfolios and stressed credits and discussed what lenders and investors are focusing on heading in the second half of the year. Watch: 2026 Midyear Outlook Check-In: Private credit.

Direct Lending Volume & Counts

Direct lending activity rebounds modestly over the past three months but remains below Q1 levels

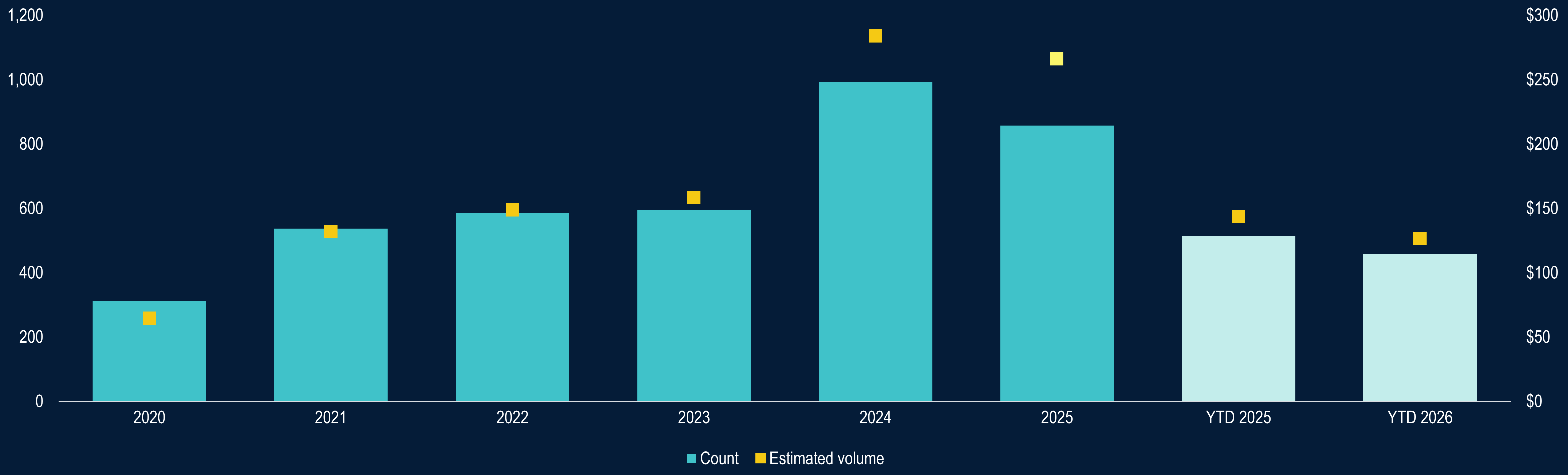
Direct lending deal count and estimated volume (quarterly) ($B)

Source: PitchBook | LCD • Geography: US • *As of July 31, 2026

Deal count is based on transactions covered by LCD News

YTD volume and deal count are tracking behind last year’s pace

Direct lending deal count and estimated volume (annual) ($B)



Source: PitchBook | LCD • Geography: US • *As of July 31, 2026

Deal count is based on transactions covered by LCD News

Sponsor-backed lending picks back up after Q2 drop

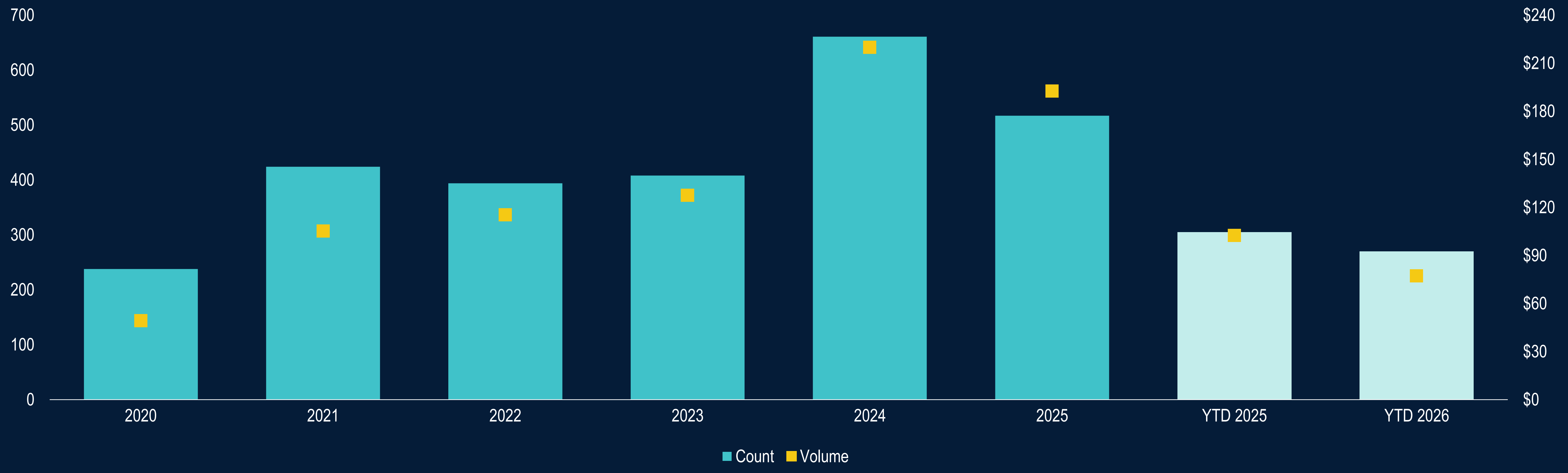
Direct lending deal count and estimated volume, sponsor-backed borrowers (quarterly) ($B)

Source: PitchBook | LCD • Geography: US • *As of July 31, 2026

Deal count is based on transactions covered by LCD News

YTD sponsor-backed activity by deal count and volume trails last year's pace

Direct lending deal count and estimated volume, sponsor-backed borrowers (annual) ($B)

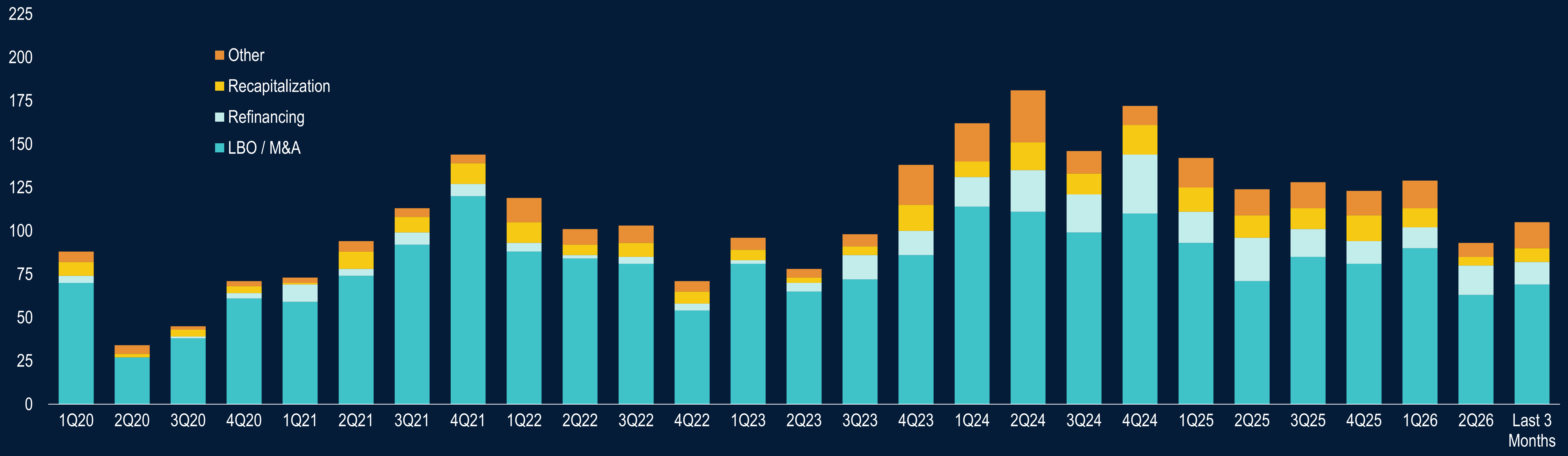


Source: PitchBook | LCD • Geography: US • *As of July 31, 2026

Deal count is based on transactions covered by LCD News

PE-backed deal count ticks up over the past three months, led by LBO and M&A activity

Count of PE-backed direct lending deals by use of proceeds

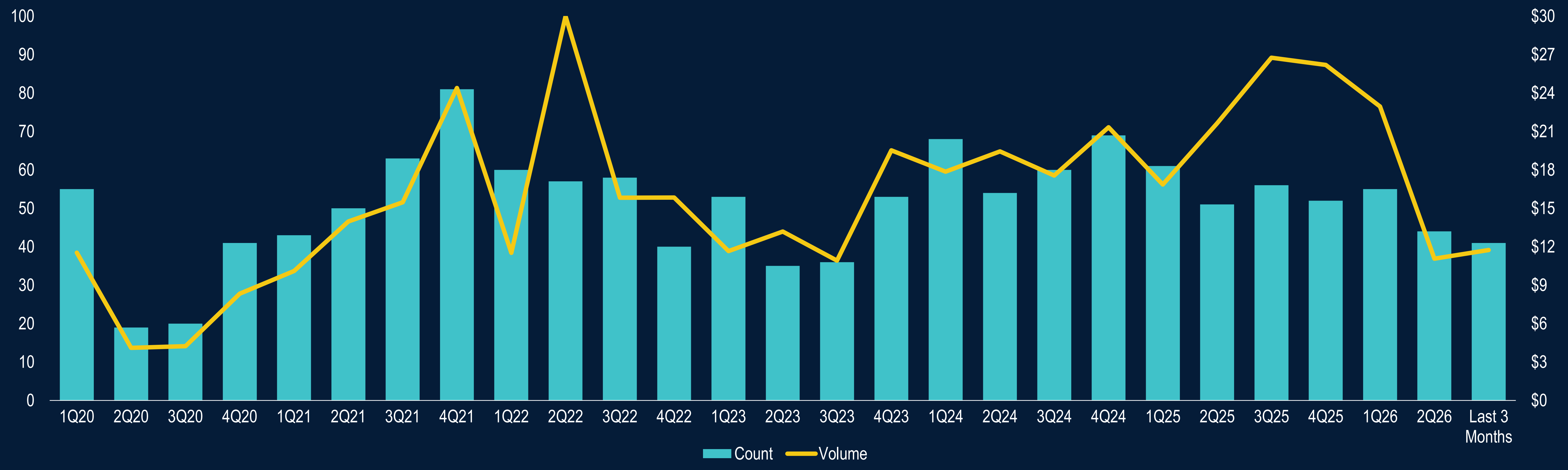


Source: PitchBook | LCD • Geography: US • *As of July 31, 2026

Deal count is based on transactions covered by LCD News

Buyout direct lending volume reverses decline, though deal count stays below Q1 and Q2

Direct lending deal count and estimated volume of deals financing buyouts (quarterly) ($B)

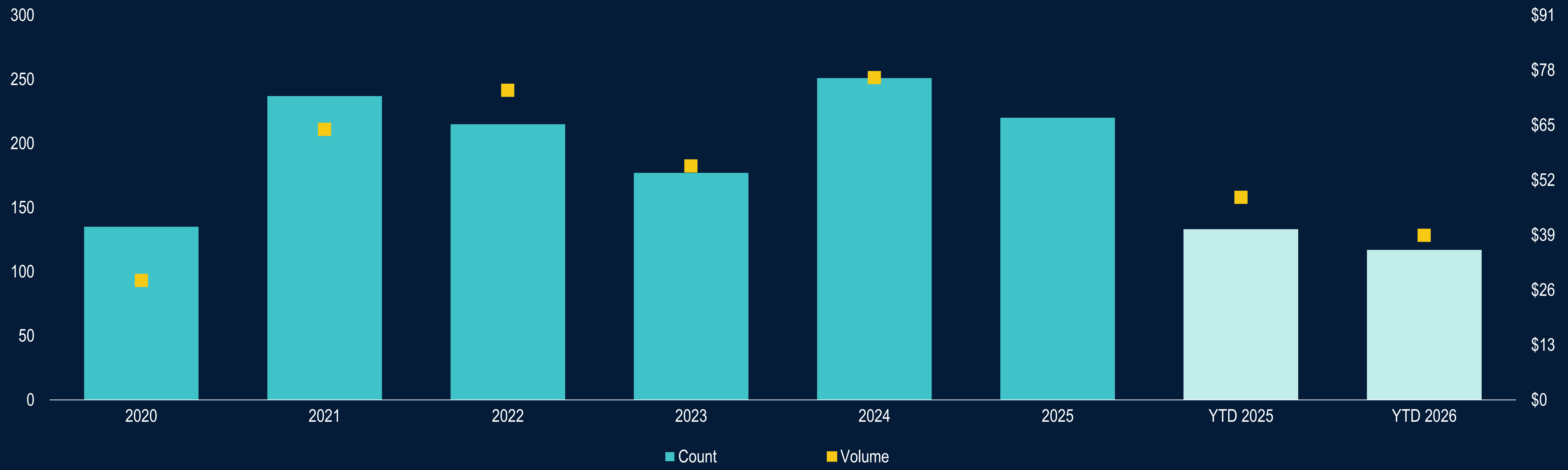


Source: PitchBook | LCD • Geography: US • *As of July 31, 2026

Deal count is based on transactions covered by LCD News

YTD LBO direct lending volume and deal count both run below 2025 pace

Direct lending deal count and estimated volume of deals financing LBOs (annual) ($B)

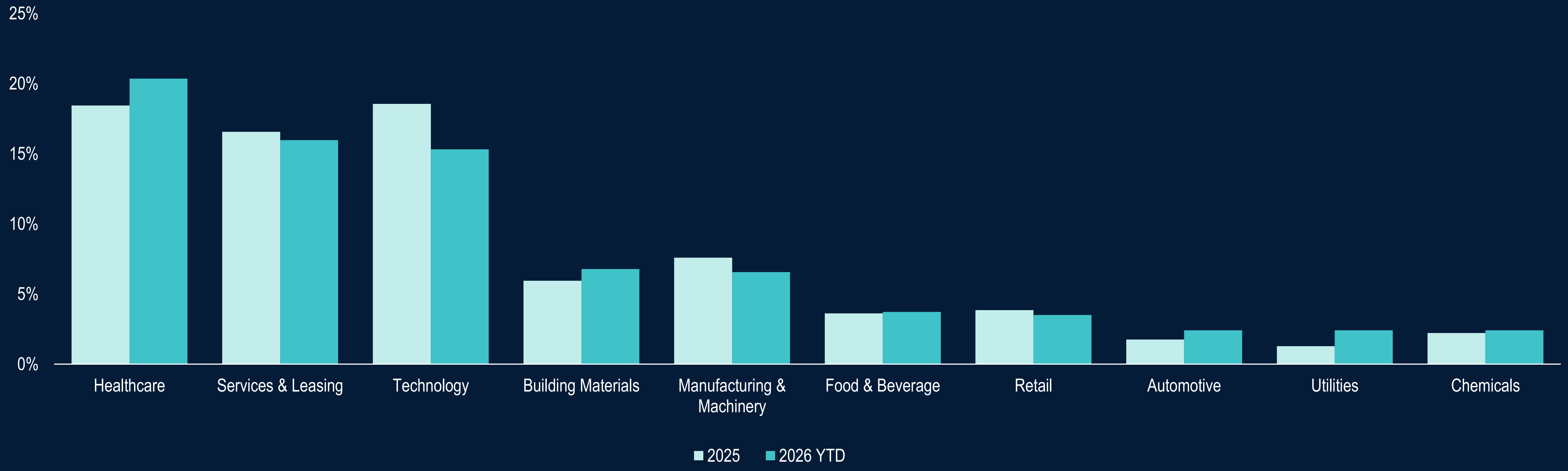


Source: PitchBook | LCD • Geography: US • *As of July 31, 2026

Deal count is based on transactions covered by LCD News

Healthcare's share of new-issue direct lending climbs 2% YTD versus 2025 levels

New-issue direct lending top 10 sectors – share by deal count

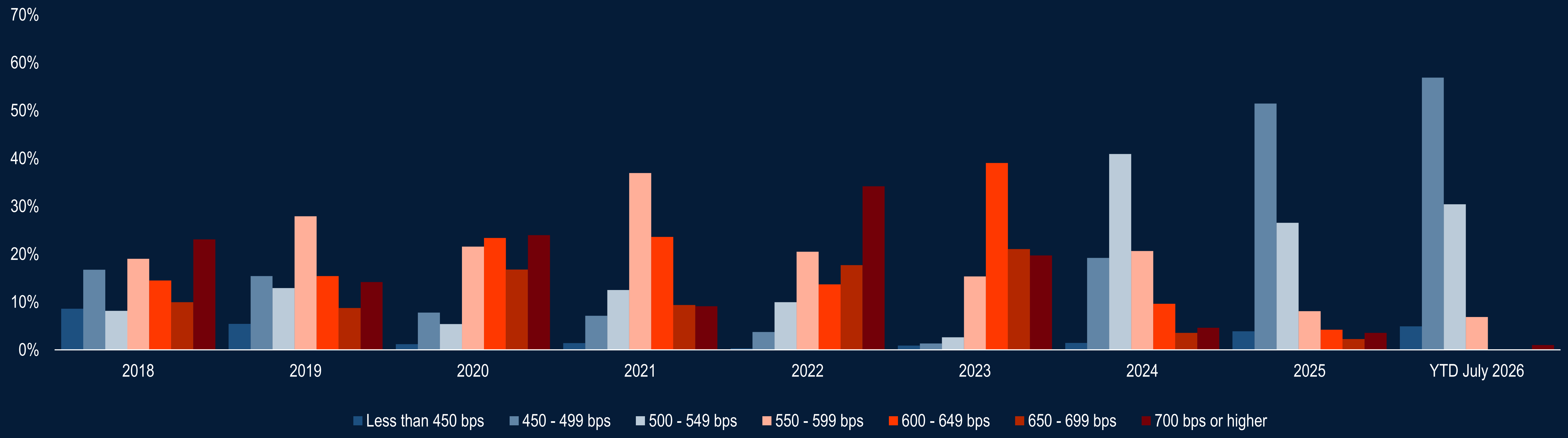


Source: PitchBook | LCD • Geography: US • *As of July 31, 2026

Spreads

The 450–499 bps range dominates the new-issue LBO spread distribution, up 5% from 2025 levels

New-issue spread distribution of LBOs financed in direct lending market

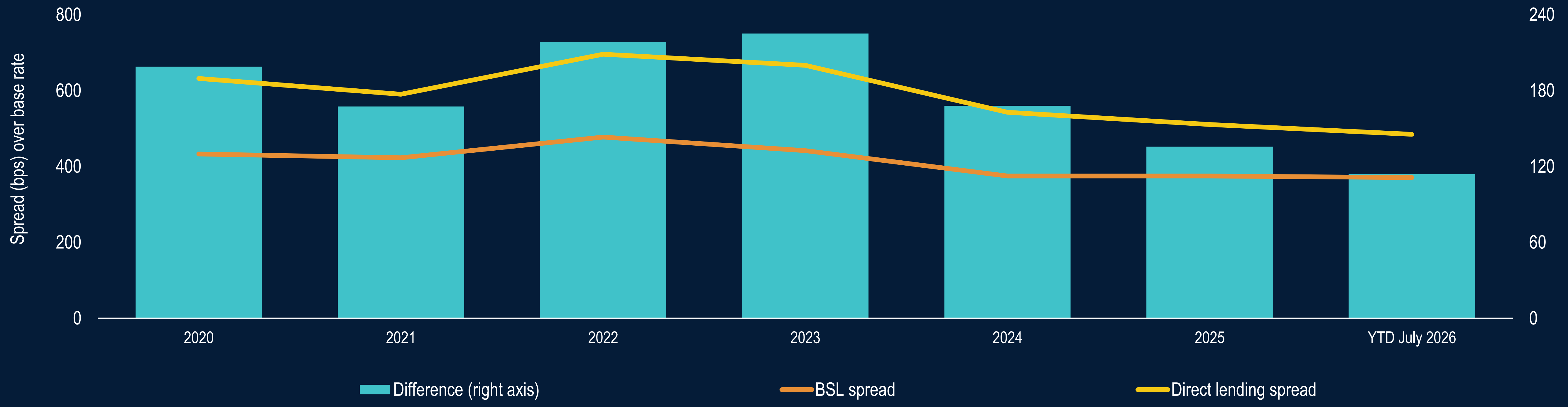


Source: PitchBook | LCD • Geography: US • *As of July 31, 2026

Data reflects senior secured loans and unitranche facilities. From 2026 onward, direct lending spread data includes privately sourced values alongside those from LCD News, BDC filings, and other public sources.

Spreads for B-minus borrowers have tightened across both the direct lending and BSL markets

Spread of LBOs financed in BSL (B-minus borrowers) vs direct lending market

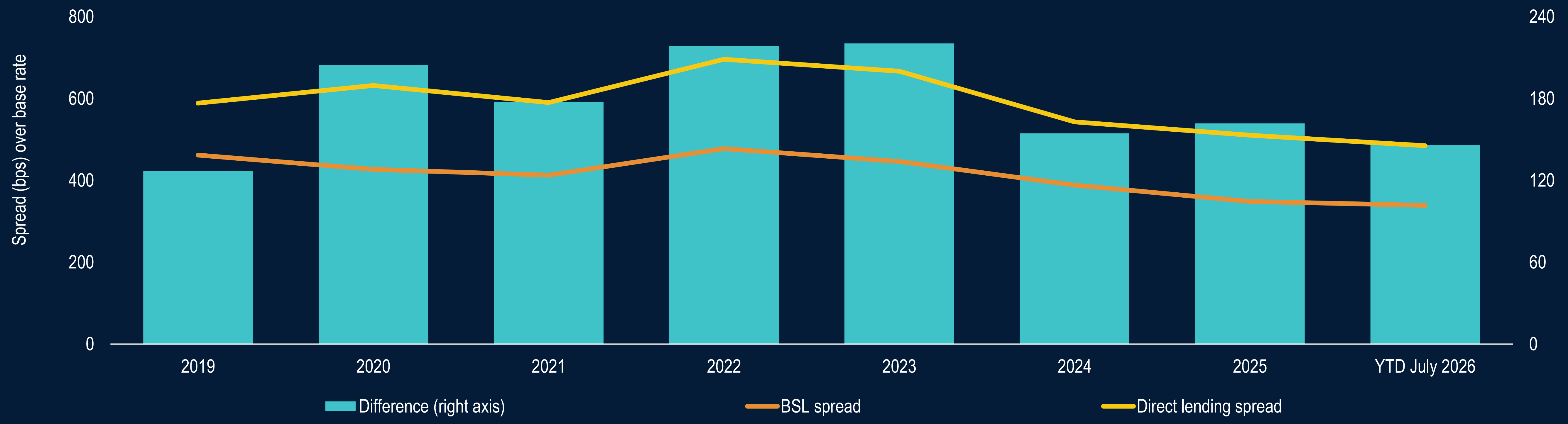


Source: PitchBook | LCD • Geography: US • *As of July 31, 2026

Direct lending spread data reflects senior secured first-lien loans and unitranche facilities. From 2026 onward, direct lending spread data includes privately sourced values alongside those from LCD News. BDC filings, and other public sources. BSL data reflects loans issued to borrowers rated B-minus. Blank YTD data reflects insufficient data points to form a meaningful average.

The BSL–direct lending spread differential narrows to 146 bps YTD, the narrowest since 2019

Spread of LBOs financed in BSL (all borrowers) vs direct lending market

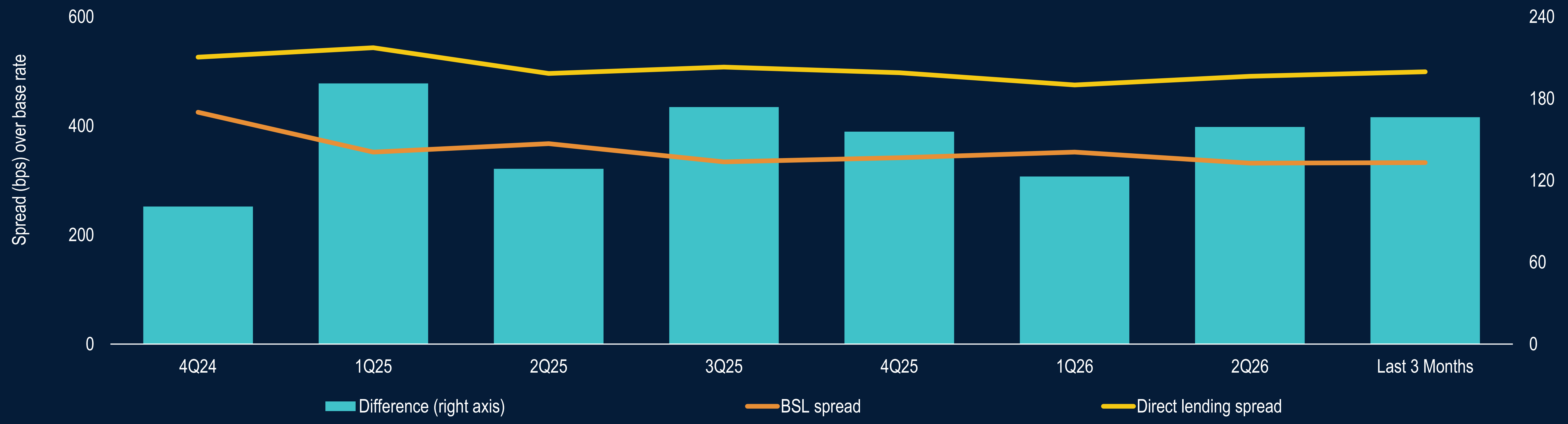


Direct lending spread data reflects senior secured first-lien loans and unitranche facilities. From 2026 onward, direct lending spread data includes privately sourced values alongside those from LCD News. BDC filings, and other public sources. BSL data reflects loans issued to all leveraged borrowers.

Source: PitchBook | LCD • Geography: US • *As of July 31, 2026

The BSL–direct lending spread gap widens to 166 bps over the past three months, up 7 bps from Q2

Spread of LBOs financed in BSL (all borrowers) vs direct lending market



Direct lending spread data reflects senior secured first-lien loans and unitranche facilities. From 2026 onward, direct lending spread data includes privately sourced values alongside those from LCD News. BDC filings, and other public sources. BSL data reflects loans issued to all leveraged borrowers.

Source: PitchBook | LCD • Geography: US • *As of July 31, 2026

Broadly Syndicated vs. Direct Lending Market

Direct lending LBO count at lowest level since Q3 2023, yet remains well above BSL

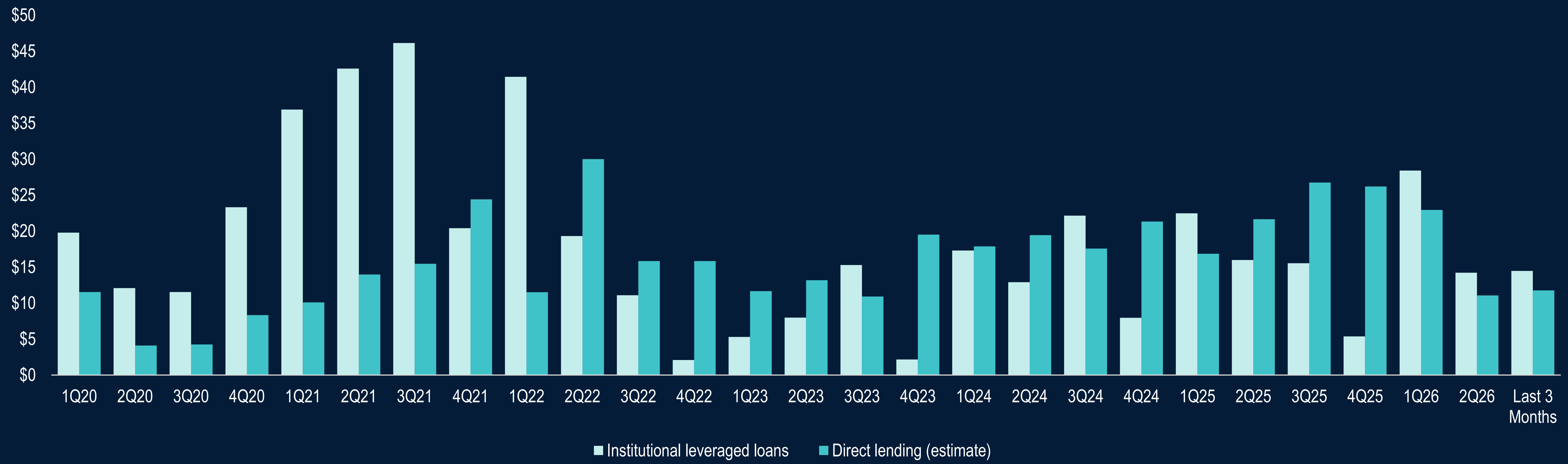
Count of LBO deals financed in BSL vs direct lending market (quarterly)

Source: PitchBook | LCD • Geography: US • *As of July 31, 2026

Deal count is based on transactions covered by LCD News

BSL retains its LBO volume edge in the past three months, staying slightly above direct lending

New-issue volume for LBOs financed in BSL vs direct lending market (quarterly) ($B)



Source: PitchBook | LCD • Geography: US • *As of July 31, 2026

Direct lending retains its lead over BSL in sponsor-backed deal count, though the gap has narrowed

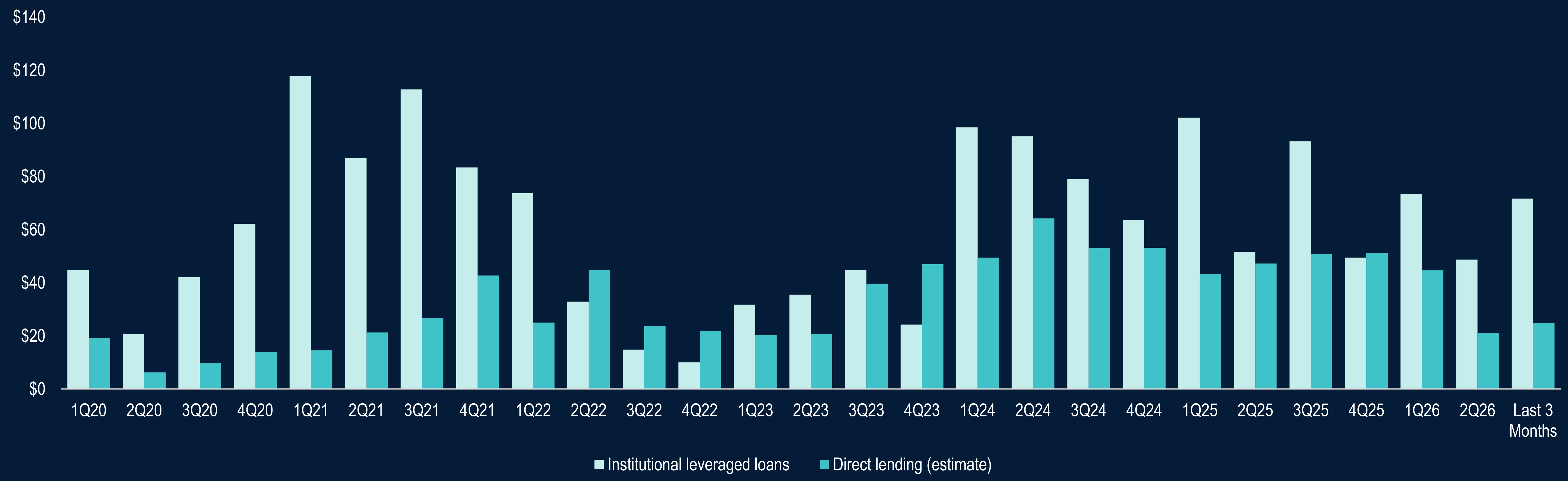
Count of sponsor-backed deals financed in BSL vs direct lending market (quarterly)

Source: PitchBook | LCD • Geography: US • *As of July 31, 2026

Deal count is based on transactions covered by LCD News

BSL volume recovers nearly back to Q1 levels and widens gap over direct lending

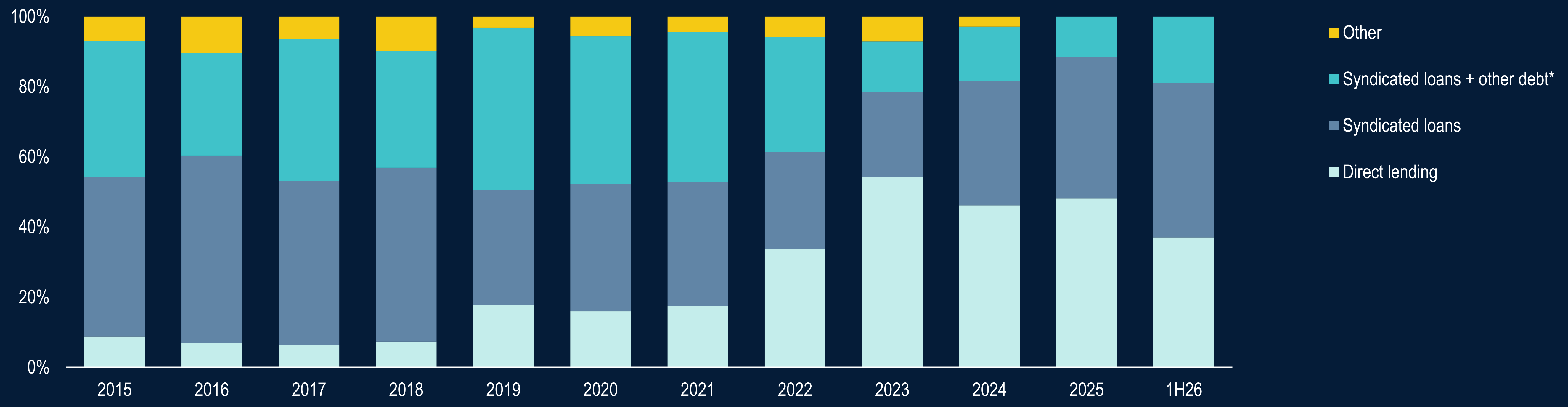
New-issue sponsor-backed volume for loans financed in BSL vs private credit market (quarterly) ($B)



Source: PitchBook | LCD • Geography: US • *As of July 31, 2026

Direct lending share of global buyouts over $1B declines from 2025, BSL share rises; hybrid financings rebound from their 2025 low

Share of global buyouts over $1B, by financing type



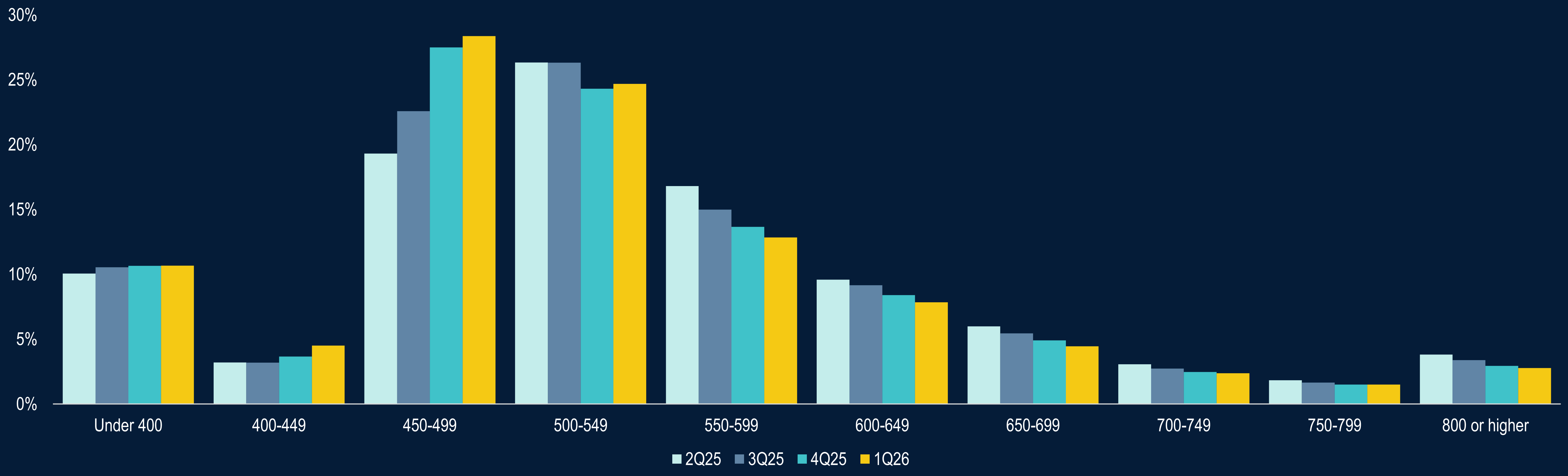
Source: PitchBook | LCD • Data through June 30, 2026 • Based on count of LBOs in US and Europe.

* Other debt includes pre-placed second-lien facility, HY bonds or other types of debt issued alongside BSL deal.

Business Development Companies (BDCs)

BDC portfolio spreads continue migration into the 450-499 bps range

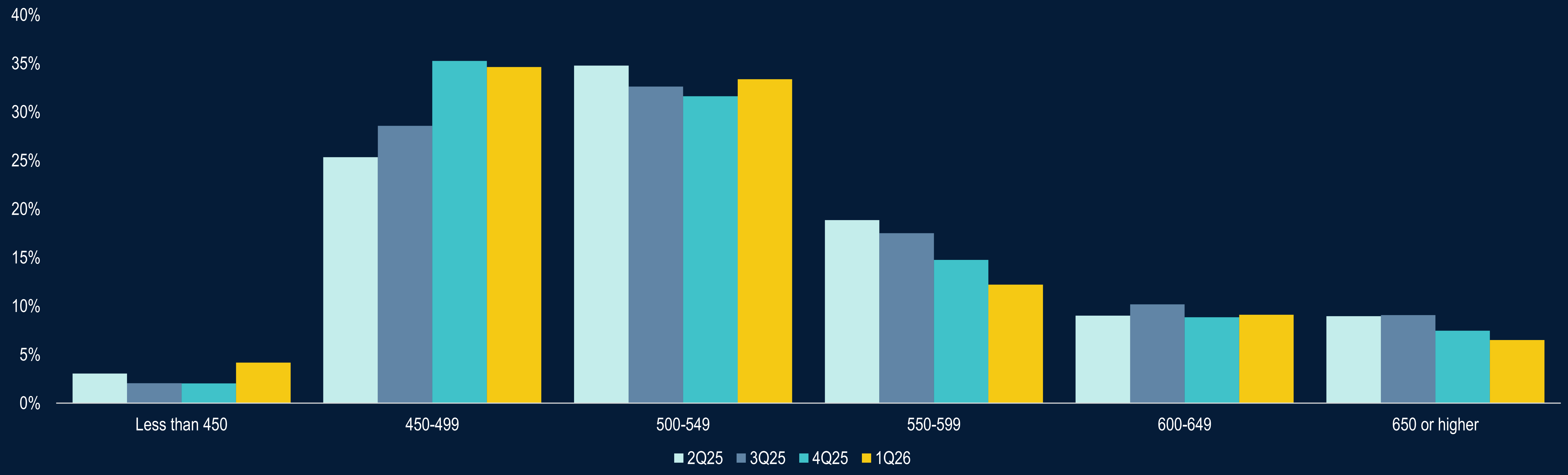
BDC holdings spread distribution ranges (bps) by share of portfolio, based on count



Source: PitchBook | LCD • Geography: US • *As of March 31, 2026

Two-thirds of unitranche spreads cluster in the 450–550 bps range

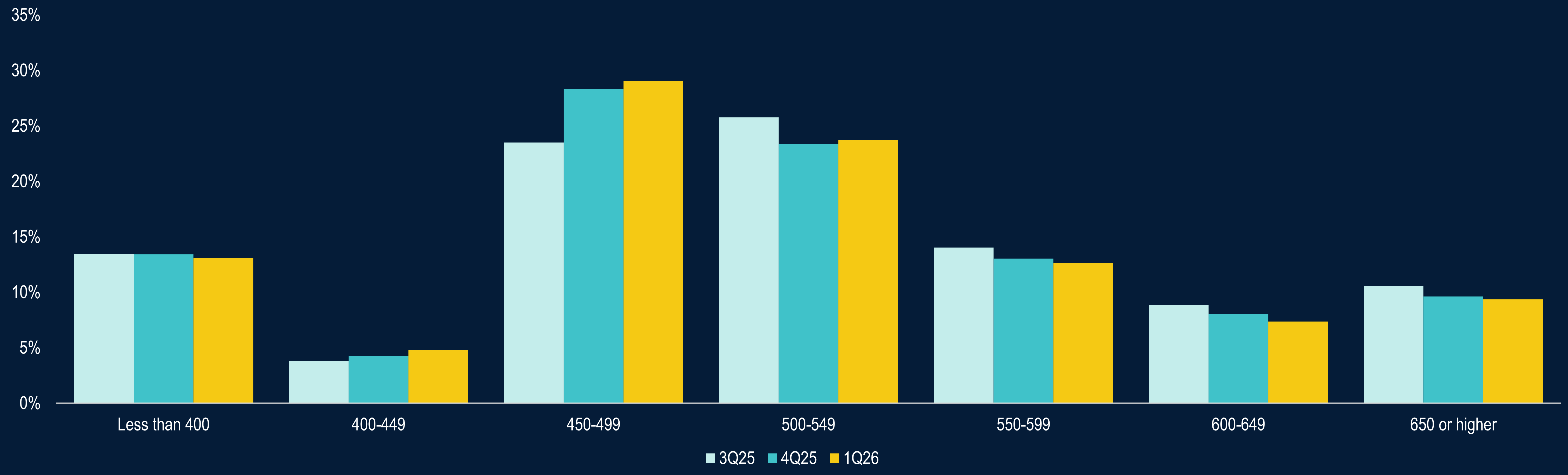
Spread range (bps) for unitranche loans held by BDCs, based on count



Source: PitchBook | LCD • Geography: US • *As of March 31, 2026

Senior secured first-lien BDC loan spreads concentrate in the 450–549 bps range

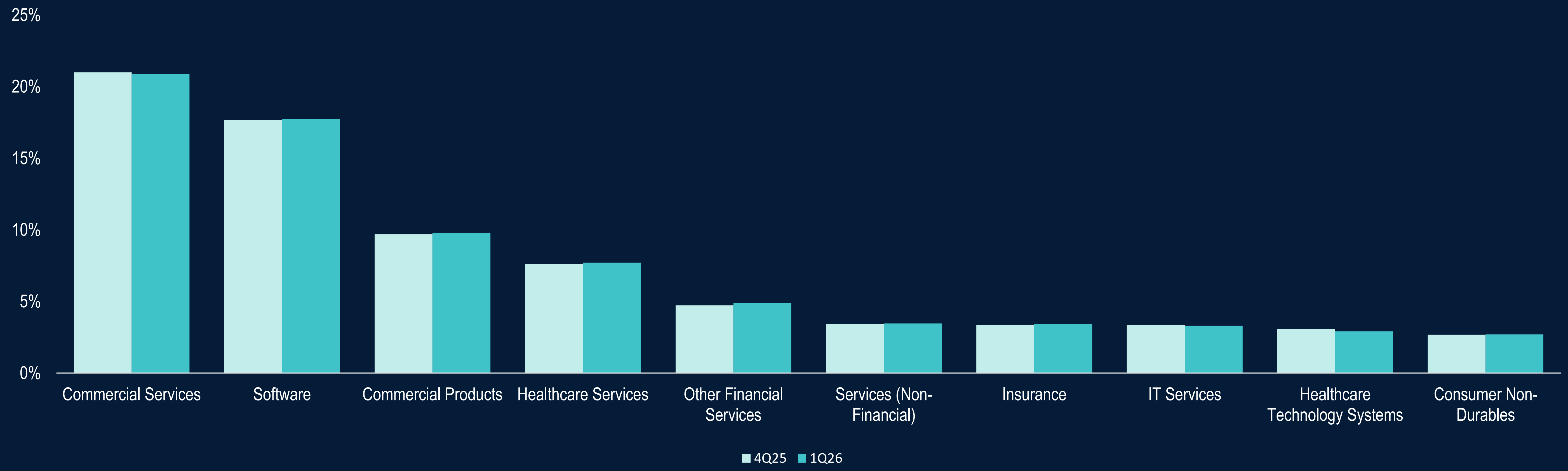
Spread range (bps) for senior secured first-lien term loans held by BDCs



Source: PitchBook | LCD • Geography: US • *As of March 31, 2026

BDC sector concentrations essentially unchanged

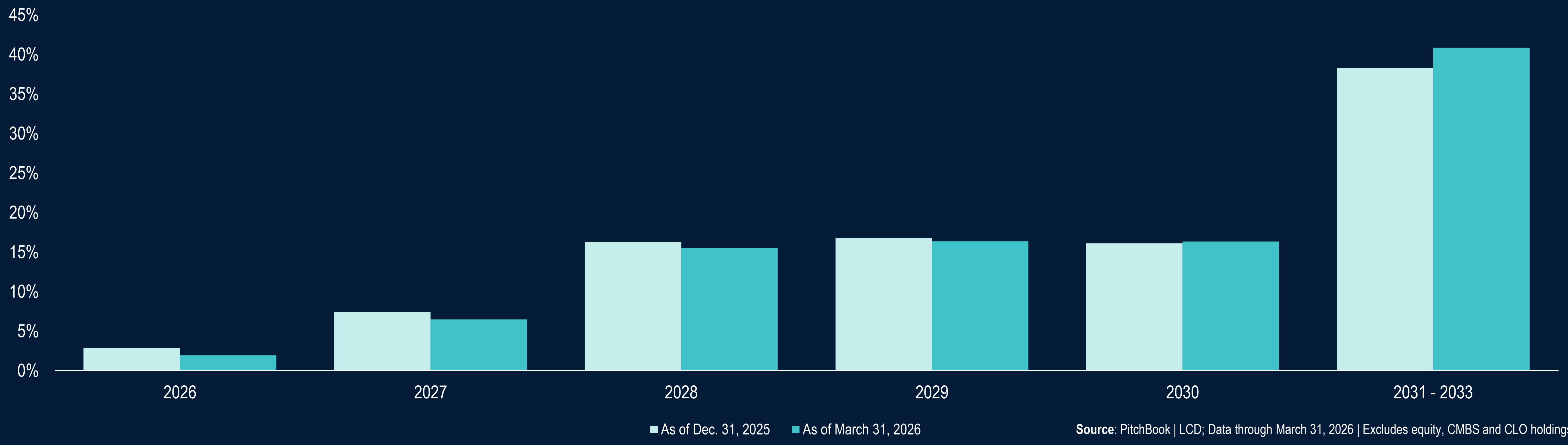
Count of BDC holdings by sector (%)



Source: PitchBook | LCD • Geography: US • *As of March 31, 2026

BDC maturities shift slightly, with the largest share falling in 2031 or later

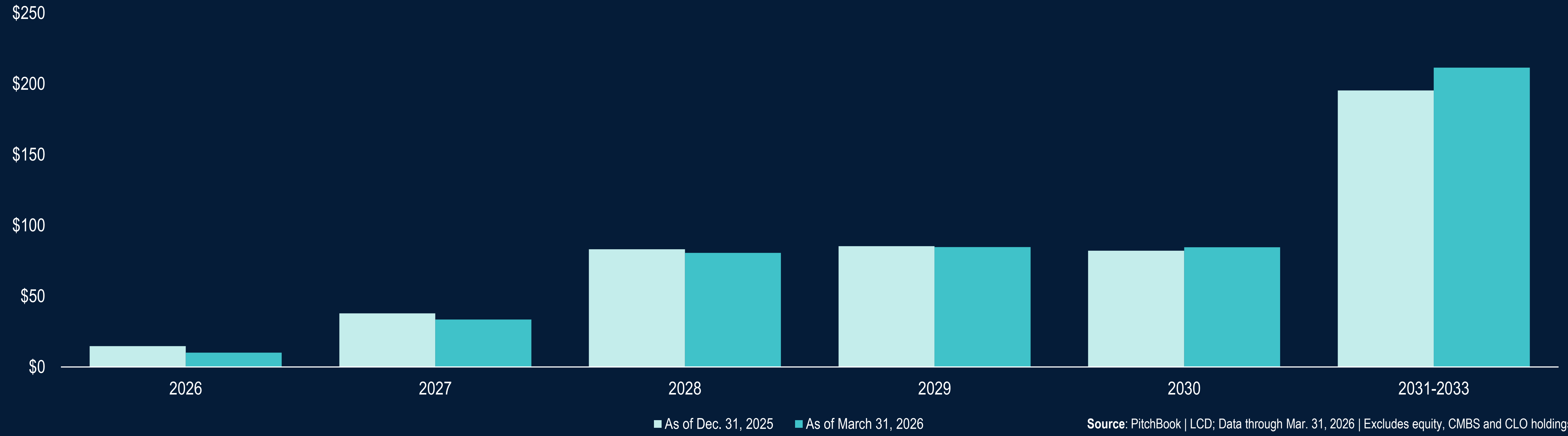
BDC maturity wall (% by cost)



Source: PitchBook | LCD; Data through March 31, 2026 | Excludes equity, CMBS and CLO holdings

BDC dollar maturity wall shifts slightly to the back end, with 2031–2033 obligations rising slightly

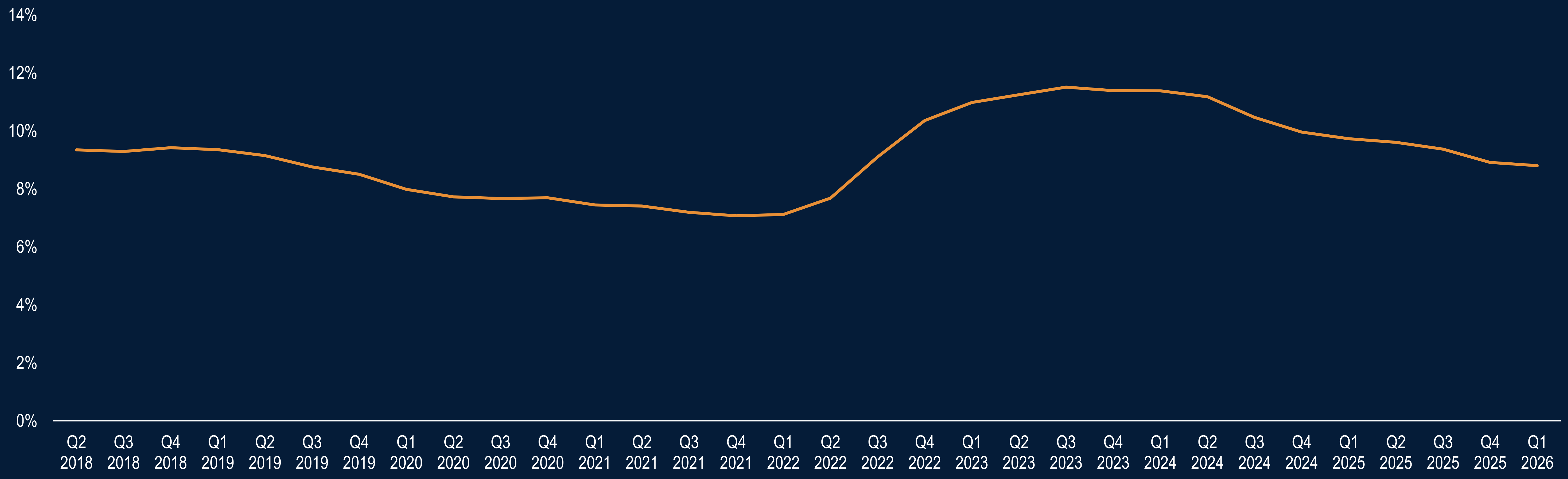
BDC maturity wall ($B by cost)



Source: PitchBook | LCD; Data through Mar. 31, 2026 | Excludes equity, CMBS and CLO holdings

BDC-held loan yields at lows since Q2 2022, when Fed rate hikes picked up steam

Cost-weighted average all-in interest rate (%)

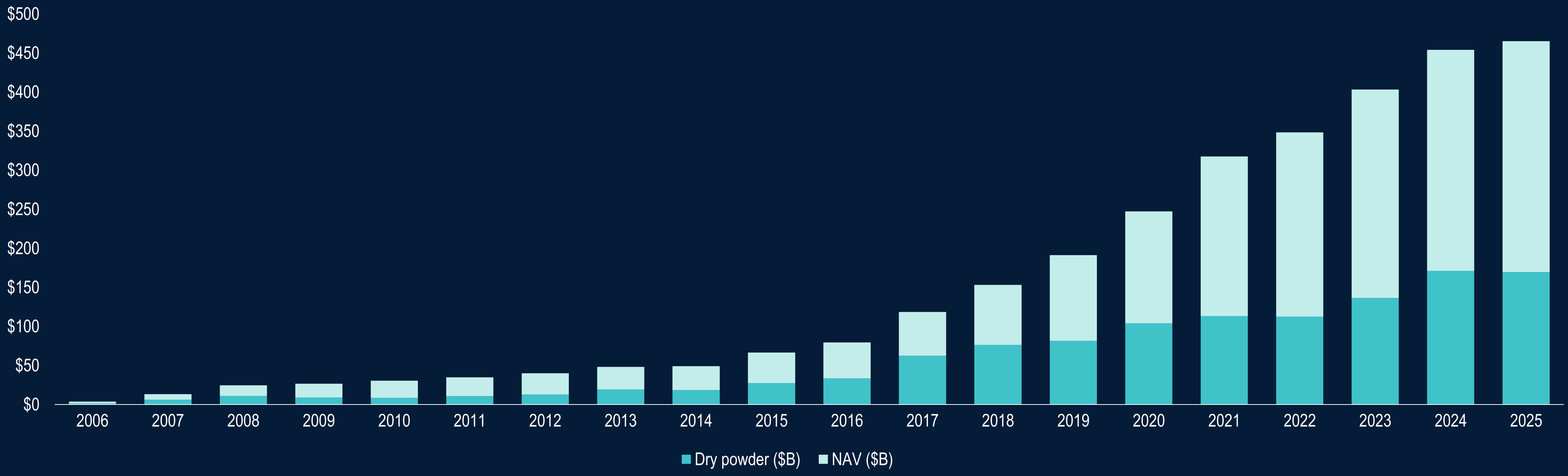


Source: PitchBook | LCD; Data through March 31, 2026 | Reflects senior secured, unsecured & subordinated debt holdings

Direct Lending AUM, Private Debt Capital Raised, & CLO Issuance

Direct lending AUM is maintaining a steady level

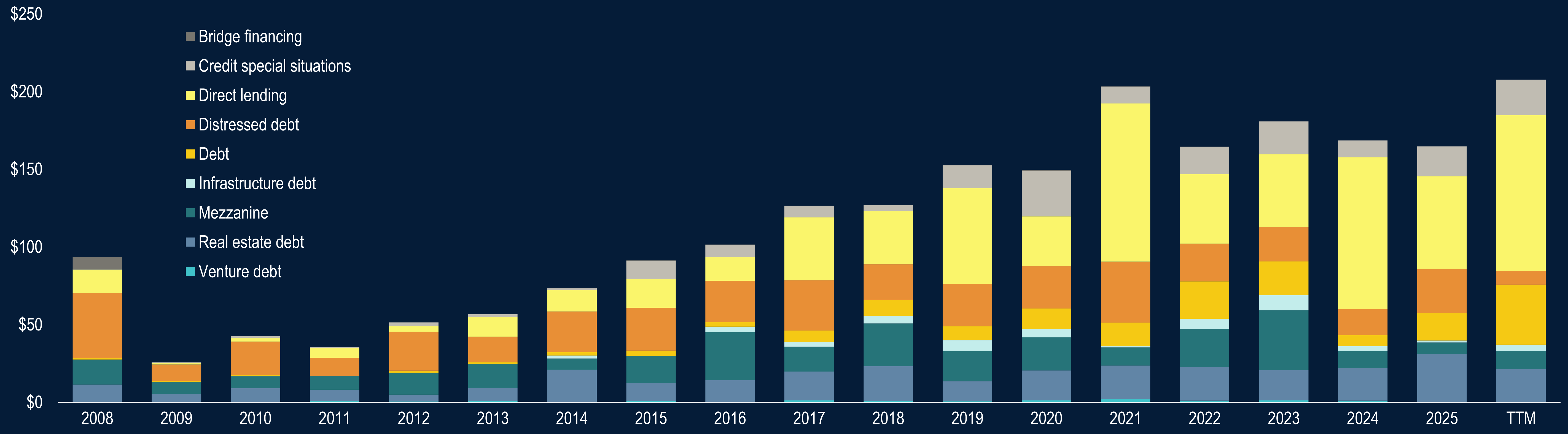
US direct lending AUM ($B)



Source: PitchBook • Geography: US • *As of Dec. 31, 2025

Direct lending's share of private debt rises from 2025 levels, while distressed debt's share declines

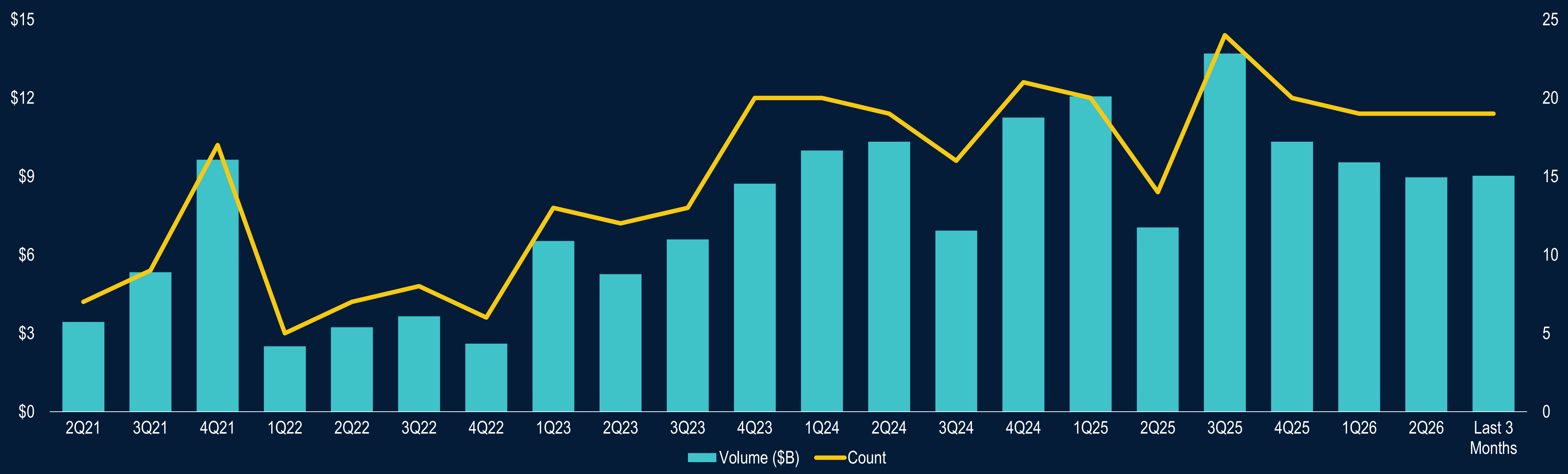
US private debt capital raised by type ($B)



Source: PitchBook • Geography: US • *As of June 30, 2026

CLO issuance count holds steady while volume rebounds slightly from Q2

US private credit/middle market CLO issuance ($B)

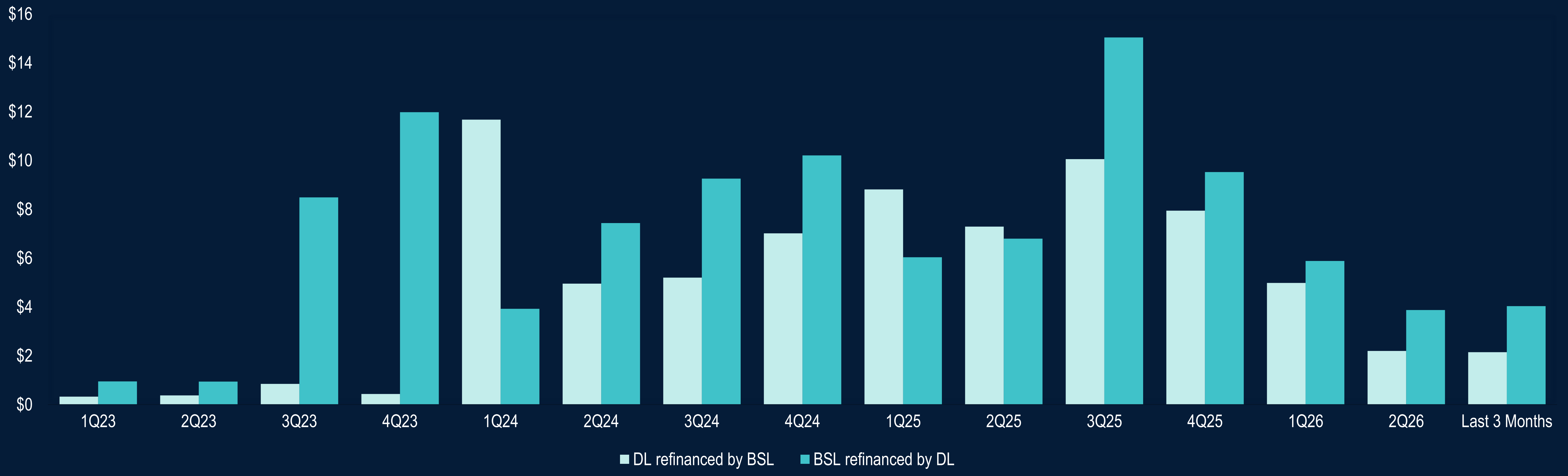


Source: PitchBook | LCD • Geography: US • *As of July 31, 2026

BSL & Direct Lending Takeouts

BSL-to-direct-lending refinancing edges slightly higher from Q2 levels

Syndicated loans and direct lending takeouts ($B)



Source: PitchBook | LCD • Geography: US • *As of July 31, 2026

Historical data is subject to revisions as LCD collects additional information.

Borrowers refinancing direct lending deals in the BSL market continue to find favorable spreads…

Last ten syndicated term loans that refinance debt provided by direct lenders

Company	PE sponsor	Borrower rating	Date	Debt being refinanced
DwyerOmega	Arcline Investment Management	B/B2	Jul 2026	Repay the company's existing private debt, a first-lien term loan facility due July 2029 priced at S+475
Harrington Industrial Plastics	Bain Capital	B-/B2	Jun 2026	Refinance existing private debt and fund future M&A and general corporate purposes
Echo Global Logistics	Jordan Company	B-/B3	Jun 2026	Refinanced a $135 million second-lien term loan privately placed in 2021
Trilon Group	Alpine Investors	B-/B3	May 2026	Refinance the company's existing debt
Trumbull Energy	Not Sponsored	BB-/Ba3	Apr 2026	Refinance existing senior secured bank debt and mezzanine debt
Arcwood Environmental	EQT Partners	B/B2	Mar 2026	Refinance private debt and fund a shareholder distribution
PGW Auto Glass	One Equity Partners	B/B2	Feb 2026	Refinance existing debt, including $285 million of a private loan
Vantor Holdings	Advent International	B/B2	Feb 2026	Repay an existing unitranche term loan
ProAmpac	Pritzker	B-/B3	Feb 2026	Repay a $360 million second lien
Vantage Elevator Solutions	Ontario Teachers' Pension Plan	B-/B3	Feb 2026	A privately placed $210 million second-lien term loan due November 2029

Source: PitchBook | LCD • Geography: US • *As of July 31, 2026

Table is based on LCD News reporting.

…while those leaving the BSL space find certainty of execution and competitive pricing

Most recent direct lending deals that replaced broadly syndicated term loans

Company name	Date	Debt amount ($M)	Current sponsor	Last BSL deal date	Lender(s)
Learfield	Jul 2026	1,150	TPG Capital	Oct 2024	Oak Hill Advisors
Clearwater Analytics Holdings Inc	Jul 2026	3,525	Permira Advisers and Warburg Pincus	Feb 2025	Goldman Sachs Private Credit, Ares, blue owl, Antares, Golub, Neuberger, CPP, KKR, Apollo, HPS
GlobalTranz Enterprises	Jun 2026	4,815	Thoma Bravo	Mar 2025	Apollo, Ares, Blackstone, Blue Owl, Goldman Sachs, New Mountain, Oaktree, PSP, Silver Rock, Thoma Bravo
Maravai Life Sciences Inc	Jun 2026	180	GTCR Golder Rauner	Jan 2022	Benefit Street Partners
Turtle Beach	May 2026	160	Not Sponsored	Aug 2025	Blue Torch
MagicLab/Bumble	May 2026	525	Blackstone	Oct 2020	Alter Domus, Guggenheim
Orbcomm	Apr 2026	460	GI Partners	Jun 2021	Carlyle, Bain Credit’s Private Credit Group, and Morgan Stanley Private Credit
PLZ Aeroscience	Apr 2026	1,000	Pritzker	Feb 2021	Antares
Bally's Corp	Mar 2026	1,100	Not Sponsored	Oct 2025	Ares Management, King Street Capital Management and TPG Credit
Claros Mortgage Trust	Feb 2026	500	Not Sponsored	Nov 2021	HPS Investment Partners

Source: PitchBook | LCD • Geography: US • *As of July 31, 2026

Table is based on LCD News reporting.

Methodology

Methodology

Data composition:

- Unless otherwise noted, data reflects new-issue direct lending transactions as tracked by PitchBook LCD. Except for BDC analysis, charts reflect new transactions in the US direct lending market, including both private-equity-backed borrowers and non-backed borrowers, as covered by LCD News.
- We define direct lending as directly originated loans to corporate borrowers that are not broadly syndicated. These borrowers are typically unrated and tend to be small to midsized companies. However, in recent years, larger borrowers have also issued this type of financing. Direct lending is typically provided by a non-bank lender, or a small “club,” or group, of lenders. Unlike broadly syndicated loans, these loans are generally not tradeable. Lenders usually provide the financing with the intention of holding the debt to maturity.
- BDC analysis is based on quarterly filings of over 100 BDC portfolios as tracked by PitchBook LCD.
- Given the opaque nature of the direct lending market, deal size is not available for every transaction. To calculate overall volume, LCD estimates deal size when it is not available using historical averages within our dataset.

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