

CVC

PRIVATE WEALTH

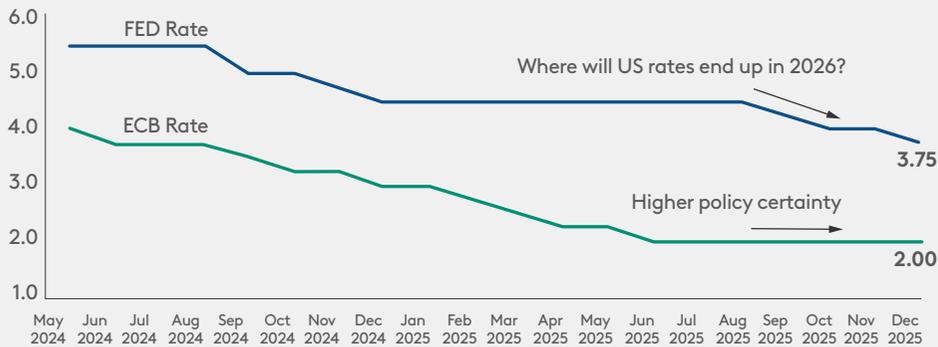
2026 Private Credit Outlook

Resilience, Opportunity and a
Strengthening European Advantage

Quick Recap

- In 2025 markets advanced overall, however the investor journey did not always feel straightforward.
- Headlines were dominated by tariff developments, geopolitical tensions and elevated volatility, with average market volatility reaching its highest level since 2022.¹
- The early months saw sentiment weaken and deal activity pause briefly.
- Beneath this surface noise, however, the real economy showed signs of underlying strength. Inflation moderated, labour markets remained relatively firm and central bank policy became more accommodative, easing financing conditions.

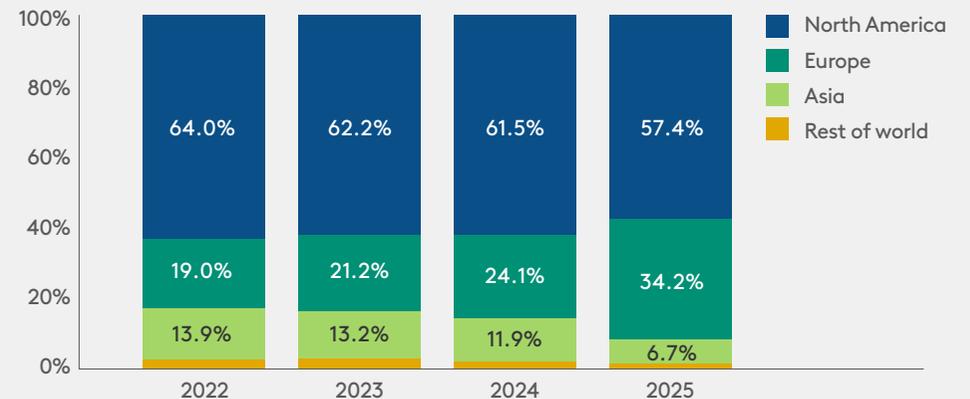
Exhibit 1
ECB and FED Policy Rates Evolution (%)



Source: CVC December 2025

- In Europe, supportive fiscal policy helped sustain economic momentum, while demand for private capital strengthened steadily throughout the year.
- Ultimately, 2025 defied early caution and became defined by one clear theme: **resilience**.
- As we look ahead to 2026, these dynamics continue to shape a supportive backdrop for European private credit.
- While market volatility remains a feature of the environment, underlying credit fundamentals in Europe remain sound.

Exhibit 2
Europe's Increasing Share Of Private Credit Fundraising



Source: Pitchbook Q3 2025 Global Private Market Fundraising Report, CVC

¹ Average Annual Vix as of December 2025, Source FRED St. Louis Federal Reserve Bank

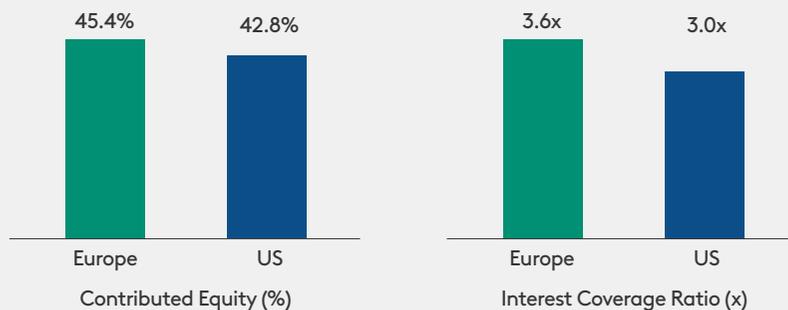
2026 Outlook

Europe enters 2026 with strong fundamentals, clearer regulation and a growing opportunity set, favouring disciplined, selective underwriting.

Credit Quality: Structurally More Conservative

- European loans have consistently exhibited stronger interest coverage ratios than those in the US, and we expect this resilience to continue into 2026.
- Default rates in both regions remain within historic norms, despite intermittent market volatility.
- Several structural features continue to support lower default rates in Europe relative to the US. European borrowers typically operate with lower leverage, while restructuring regimes and loan documentation are generally more favourable to creditors.
- Market behaviour also differs. Europe tends to show less tolerance for aggressive balance sheet engineering, helping to preserve value for senior secured lenders.
- In this environment, selectivity is important. Partnering with local managers who combine disciplined underwriting with active portfolio monitoring remains a key differentiator.

Exhibit 3
Average Equity Contribution and Interest Coverage in European & US LBOs



Source: Pitchbook LCD, CVC as of December 2025. Data to calculate average is from 2010 to 2025. Interest Coverage Ratio defined as EBITDA / Cash Interest. Note, US data only includes issuers with EBITDA of more than \$50m. Prior to 2011 media and telecom loans are excluded.

Spreads: Europe To Continue Offering A Premium

- Europe continues to offer a structural spread advantage. This helps preserve attractive income opportunities even as more capital flows into the region's private credit market.
- This premium reflects several long-standing characteristics of the European market. Continued bank retrenchment, driven by regulatory requirements, has created space for private lenders to provide fast, flexible financing solutions.
- At the same time, Europe's fragmented markets require bespoke underwriting approaches, limiting competition and helping to avoid the uniform spread compression observed in the US.
- Capturing this advantage depends on strong local origination capabilities. Long-standing sponsor relationships and on-the-ground teams provide early access to high-quality opportunities, supporting stronger economics and more robust protections.

Exhibit 4
European and US Leveraged Loan Spreads



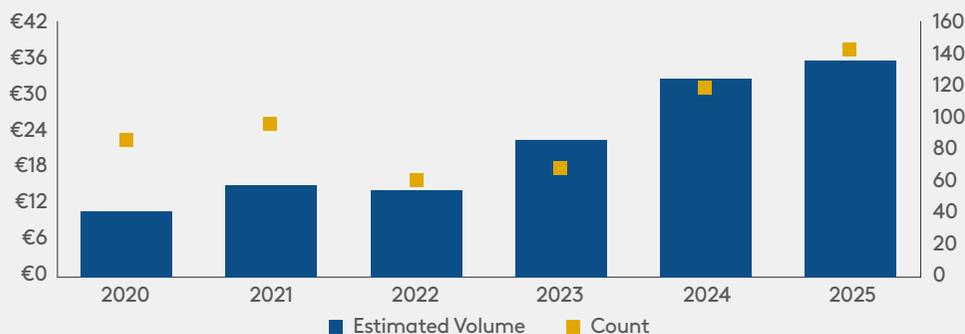
Sources: S&P LCD. US Leveraged Loans represented by the Morningstar LSTA US Leveraged Loan Index. European Leveraged Loans represented by the Morningstar European Leveraged Loan Index. As of June 2025.

2026 Outlook

Deal Activity Picking Up: From M&A Activity To Refinancings, Add-ons And Selective Buyouts.

- Deal activity slowed in early 2025 as political and tariff uncertainty led many participants to delay decisions.
- By mid-year, conditions became clearer and confidence began to rebuild. The third quarter marked a clear improvement, with global M&A accelerating and Europe posting its strongest quarter since 2021.²
- Looking ahead, several factors are expected to support a sustained increase in activity through 2026. Financing conditions are easing as rate paths stabilise, particularly in Europe where ECB policy rates appear to have reached equilibrium below those of the Fed.
- Corporate confidence is improving, European valuations remain attractive relative to the US, and the regulatory backdrop is becoming more constructive.³
- In parallel, structural initiatives aimed at reindustrialisation, energy transition and strategic autonomy are strengthening growth prospects and underpinning long-term demand for direct lending.

Exhibit 5
European Direct Lending Deal Count and Estimated Volume, Sponsor-Backed Borrowers (€B)



Source: PitchBook | LCD. December 2025

² Pitchbook, September 2025

³ [Deal activity in Europe gains momentum heading into 2026](#)

Bottom Line

- Europe enters 2026 with firm fundamentals, clearer regulation and a growing opportunity set, favouring disciplined and selective underwriting.
- Bank retrenchment and persistent market fragmentation continue to create a long runway of opportunities for experienced private lenders.
- As these forces converge, access and origination depth matter more than ever. Managers with strong local networks, robust governance and the ability to navigate complexity across regions and sectors are best positioned.
- For private wealth investors, European private credit offers the potential for stable income, capital preservation and meaningful diversification across market cycles.

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