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CAPITAL ADVISORY

CAPITAL MARKETS REVIEW · CROSS-SECTOR

H1 2026 Middle Market Capital Markets Review

A structured review of raise activity, pricing dynamics, and investor positioning across growth equity, private credit, and structured capital.

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Middle-market capital markets in the first half of 2026 reward preparation over momentum. Capital is available across growth equity, private credit, and structured instruments, but it is priced and allocated with a discipline that did not exist in the prior cycle. This review summarizes conditions for middle-market companies seeking institutional financing, with focus on process readiness, term sheet trends, and sector-specific investor appetite.

SECTION 01 OF 06

Growth Equity: Selective Pacing, Deeper Diligence

Growth equity deployment continued at a measured pace. Funds hold substantial dry powder, but investment committees are underwriting to profitability paths and unit economics rather than growth rates alone, and diligence has deepened accordingly.

- Median time-to-close for institutional growth rounds remained near fourteen weeks, roughly double the 2021 to 2022 cycle.
- Cohort-level revenue quality, net retention, and capital efficiency carried more underwriting weight than top-line growth.
- Term sheets carried more structure: participating preferences, broader pro-rata rights, and occasional anti-dilution provisions appeared with growing frequency.
- Inside-led rounds and structured extensions bridged companies between priced rounds, at the cost of future cap-table complexity.

SECTION 02 OF 06

Private Credit: Competing on Structure

Private credit continued its expansion into territory banks have ceded, competing most effectively on speed, certainty, and structural flexibility rather than headline pricing.

- Unitranche structures priced competitively for sponsor-backed platforms with demonstrated cash conversion.
- Non-sponsored borrowers faced a higher documentation bar but found receptive lenders for recurring-revenue models.
- Covenant packages firmed at the margin; lenders traded pricing for protection rather than volume.
- Asset-based and hybrid facilities gained share among companies with contracted revenue but uneven EBITDA.

SECTION 03 OF 06

Structured Capital: The Middle Path Widens

Preferred equity, convertible instruments, and revenue-linked structures continued to fill the space between straight debt and priced equity, particularly for companies unwilling to accept current equity marks but needing more capital than lenders will advance.

- Structured preferred with PIK toggles served sponsors managing leverage through the rate environment.
- Convertible instruments with valuation collars bridged founder and investor pricing views without forcing a mark.
- Minority structured solutions funded acquisitions and shareholder liquidity without control transfer.

SECTION 04 OF 06

Cross-Border Considerations

Cross-border raises required earlier structural work than domestic processes. SPV architecture, governance alignment, and regulatory reviews are now critical-path items rather than closing mechanics, and processes that deferred them lost weeks in documentation.

SECTION 05 OF 06

What Differentiates Successful Processes

Across observed mandates, the companies that cleared the market efficiently shared preparation habits rather than sector or scale: quality-of-earnings work completed before launch, lender-ready reporting packages, data rooms built to investor priority, and management teams able to defend unit economics without slides. Process readiness has become the primary differentiator in a market where capital is available but attention is rationed.

SECTION 06 OF 06

Methodology

Based on observed mandates, investor conversations, and market data through March 2026. Not a recommendation to buy, sell, or transact in any security or asset class.

NEXT STEP

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