

Mid-market cash flow lending

Strategic themes in the current financing market



Bottom line up front

- Debt capital remains available across both bank and private credit markets, but lenders are underwriting with materially greater selectivity and discipline.
- Businesses are increasingly prioritising liquidity resilience, covenant flexibility and strategic optionality over maximising leverage at closing.
- Amend-and-extend transactions and covenant recalibrations are now viewed as proactive balance sheet management tools rather than indicators of distress.
- Private credit continues to expand into more bespoke, sponsor-led and acquisition-driven financing solutions.
- Many management teams are reassessing whether existing facilities remain aligned with evolving growth strategies, acquisition ambitions and a more uncertain macroeconomic environment.

State of the Market

Cash flow lending remains central to mid-market financing structures, but the operating environment has changed materially over the last 18 months.

Persistent inflationary pressures, elevated interest rates, geopolitical instability and sector-specific earnings divergence have all contributed to a more cautious lending market. While liquidity remains available, lenders are placing greater emphasis on downside protection, covenant discipline, cash generation and sponsor quality.

Growth capital versus event-driven financing

A clearer distinction is now emerging between:

- financing designed to support long-term growth initiatives; and
- financing linked to specific corporate events such as acquisitions, refinancings or shareholder transactions.

For growth-oriented businesses, facilities are increasingly being structured around future flexibility. Delayed draw tranches, accordion features and incremental debt capacity are often more valuable than maximising leverage on day one.

Boards and investors are recognising that access to future liquidity may prove more important than short-term optimisation, particularly given ongoing economic and geopolitical uncertainty.

For acquisition or event-driven financings, lenders are placing greater scrutiny on integration risk, earnings durability and the ability of the structure to accommodate future acquisitions or temporary trading disruption without triggering a broader refinancing requirement.

In practical terms, this means financing discussions are no longer being driven solely by transaction execution or headline leverage levels. Increasingly, lenders and borrowers alike are focused on how capital structures will perform through changing market conditions, earnings volatility and potential disruption to supply chains, labour markets or customer demand.

For management teams, particularly within SME and mid-market businesses, the emphasis has shifted toward resilience and adaptability rather than simply securing the largest available facility.



Reassessment of existing debt structures

Many businesses are now undertaking a broader review of whether historic financing arrangements remain fit for purpose.

Common areas of focus include:

- covenant headroom under revised earnings assumptions;
- refinancing timelines and maturity concentration;
- acquisition and investment flexibility;
- incremental debt capacity;
- lender group alignment and responsiveness; and
- exposure to future interest rate volatility.

In a number of cases, targeted amendments, maturity extensions or partial refinancing exercises are proving more efficient and less disruptive than launching a full refinancing process.

This reflects a broader shift in mindset across the market. Capital structure management is increasingly being treated as an ongoing strategic exercise rather than a periodic refinancing event.

The continued expansion of private credit

Private credit lenders continue to gain market share across the mid-market landscape, particularly for sponsor-backed and acquisitive businesses seeking execution certainty and structural flexibility.

The ability to tailor documentation, accommodate complex acquisition strategies and move quickly on transactions remains highly attractive in the current environment.

At the same time, traditional bank-led structures remain highly competitive for businesses with strong cash flow visibility, lower leverage profiles and established lender relationships.

As a result, many processes are now being run on a dual-track basis, allowing borrowers to evaluate both syndicated bank and private credit solutions simultaneously.

An important component of Private Credit is the ability to withstand geopolitical shocks, and proven over the last few years. Whilst 2007-8 saw the world come crashing down for many, Private Credit has applied a number of self regulated principles to ensure the longevity of their businesses. Whilst the industry doesn't have helicopter regulation there will always be some unscrupulous firms out there, which is why it's important to work with Advisor who knows the market.





Strategic implications for management teams

For CEOs, CFOs and sponsors, the current market increasingly rewards businesses that engage proactively with their capital structures before refinancing pressure emerges.

In many situations, the key strategic question is no longer simply whether financing is available. It's whether existing facilities remain sufficiently flexible to support the business through changing economic conditions, future acquisition opportunities and evolving shareholder objectives.

Businesses that address these questions early are generally achieving stronger outcomes, broader strategic flexibility and more constructive lender engagement than those forced to react under tighter timelines.



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