S&P Global
Ratings

High Yield Market Update

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S&P Global Ratings

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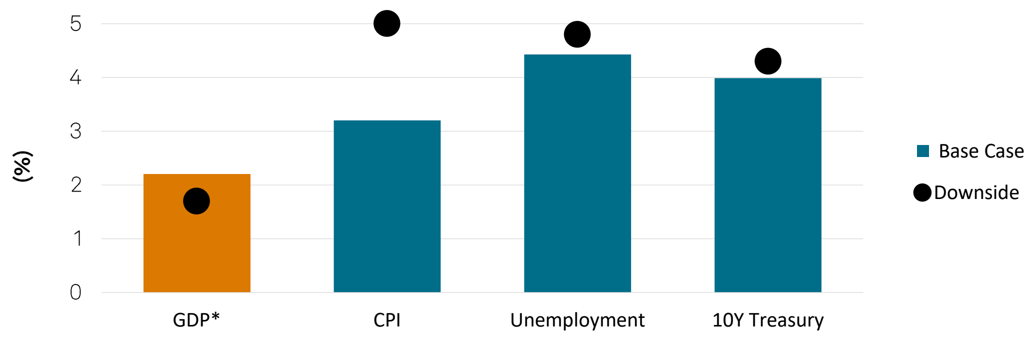
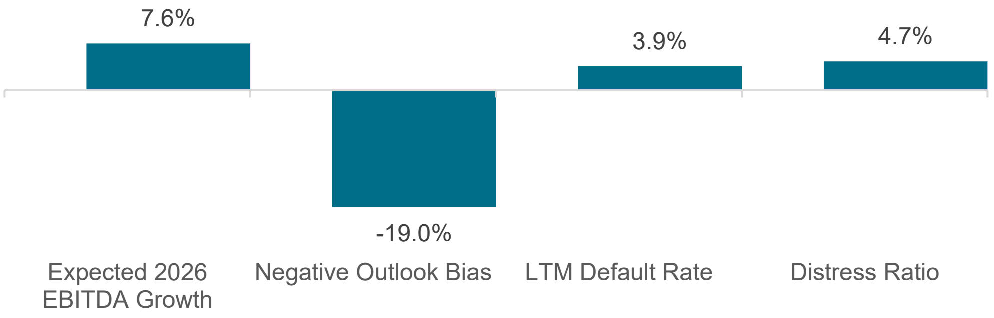
Key Credit Themes | What We're Watching Now

- Base case economic forecasts benign, but risk is to the downside

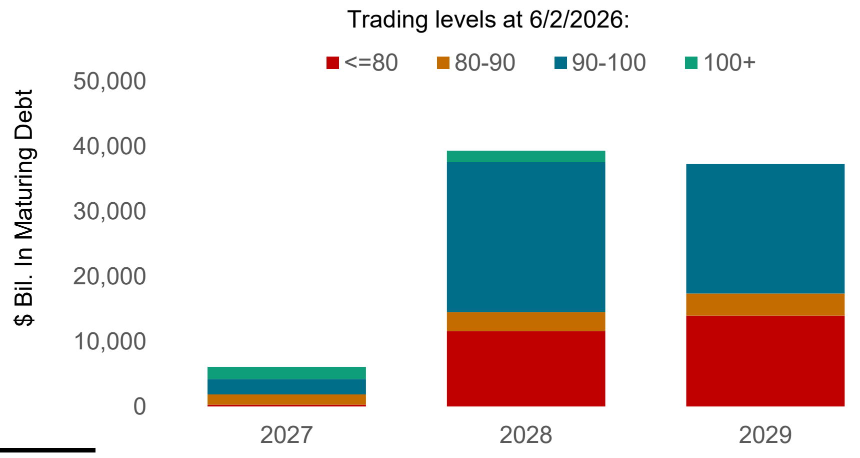


- Credit fundamentals are solid, but can improvements continue?



*Median EBITDA growth is for rated spec grade issuers as of 4/15/2026. Negative outlook bias and LTM default rate are as of 3/31/2026. Distress ratio is as of 4/30/26.

- How accessible will capital markets be for software issuers?

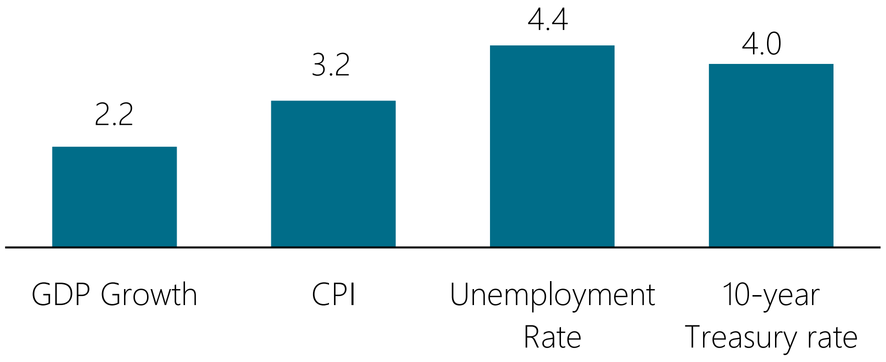


- LTM Default rate expected to increase slightly to 4% by 1Q 2027

North American Macro | Risks Tilted Towards the Downside

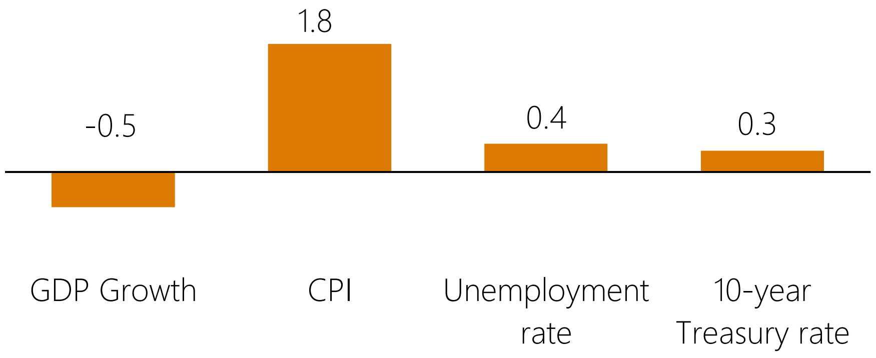
U.S. macro baseline (2026 average %):

- Disruptions in the SoH ease in 2H26, but with possible periodic interruptions and a slow recovery.



U.S. downside (percentage points deviation from baseline)

- A multi-year cycle of intermittent clashes or renewed conflict prevents trade normalization

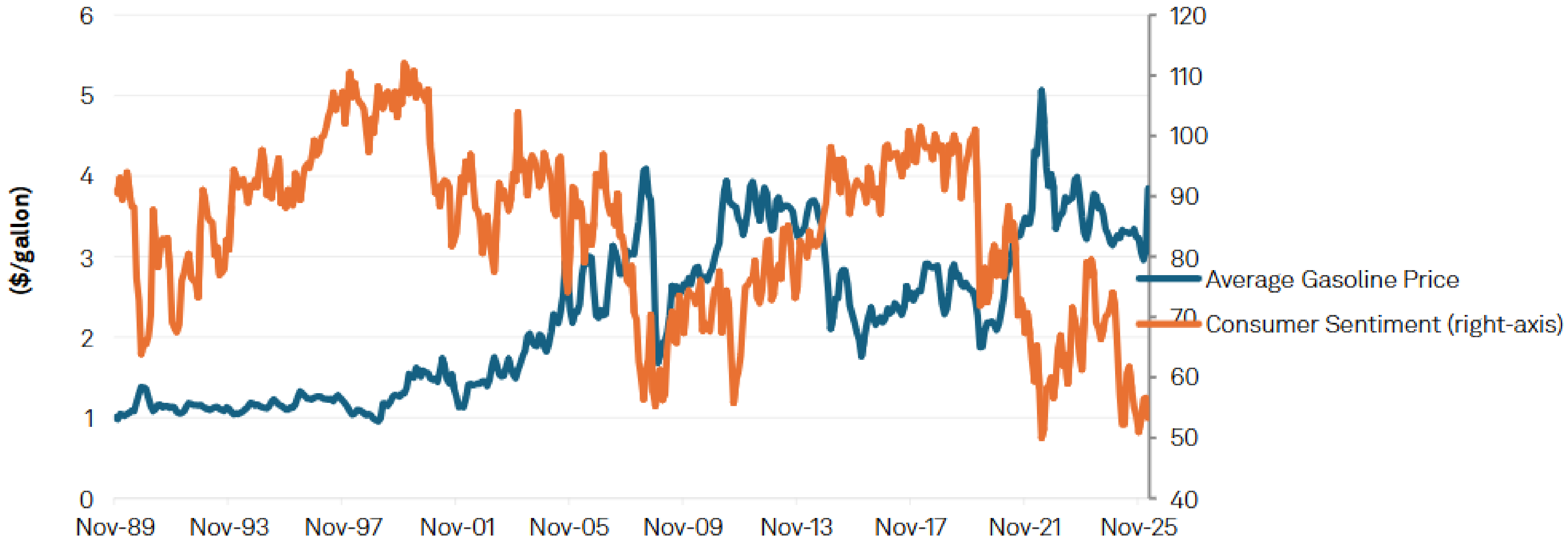


- The path of favorable credit conditions is narrowing as the prospect of a drawn-out or wider war in the Middle East remains.
- This is compounding the risks around trade policy uncertainty, AI-related investment and disruptions, as well as increasing strains in private credit.
- Rating actions have remained broadly balanced year to date, and the region's net outlook bias stands at -7.7%. Setbacks in AI investment or a more severe conflict could push the U.S. speculative-grade corporate default rate to 5% by December in our pessimistic scenario

SoH – the Strait of Hormuz.. Source: S&P Global Ratings.

Key Credit Themes | Consumer sentiment declining to multiyear lows

Consumer sentiment is weak, gasoline prices starting to climb



Data as of fMar.31,2026 .Sources:FRED;UniversityofMichigan;S&PGlobalRatingsCreditResearch&Insights.

2026 Earnings Forecast | Solid Earnings Revisions Through 2026; Pressure Concentrated In Household Products & Durables

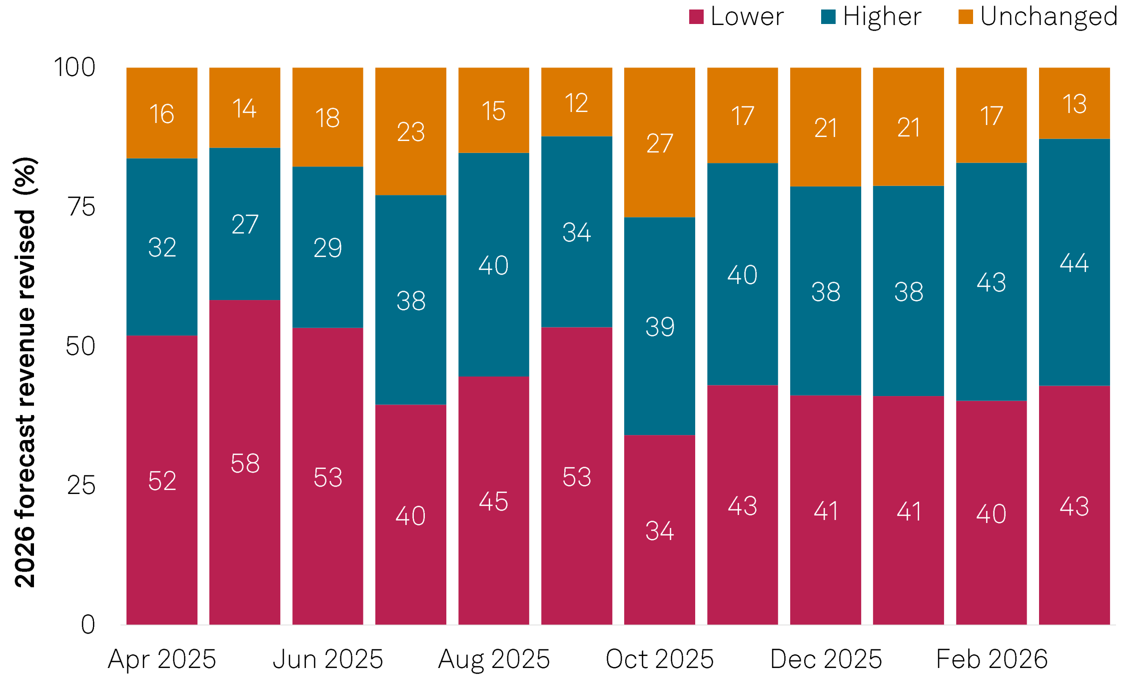
U.S. and Canada speculative-grade forecasted calendar 2026 adjusted EBITDA percentage growth (sorted by change since Dec. 2025)

Evolution of our median 2026 adjusted EBITDA growth forecasts

Industry		12/31/ 2025	3/31/ 2026	4/15/ 2026	Δ 12/2025
Semiconductors & Semiconductor Equipment	13	24.60%	29.80%	29.80%	5.10%
Automobiles & Components	30	3.20%	6.80%	6.80%	3.60%
Real Estate Management & Development	10	9.10%	10.00%	12.50%	3.40%
Transportation	43	8.80%	10.20%	9.90%	1.10%
Food, Beverage & Tobacco	37	6.20%	7.20%	7.20%	1.00%
Materials	146	7.30%	7.90%	8.10%	0.80%
Media & Entertainment	90	7.60%	8.20%	8.30%	0.70%
Capital Goods	179	9.10%	9.50%	9.80%	0.70%
Pharmaceuticals, Biotechnology & Life Sciences	24	4.90%	5.30%	5.30%	0.40%
Consumer Staples Distribution & Retail	14	8.30%	8.60%	8.60%	0.30%
Software & Services	121	7.40%	7.10%	7.60%	0.20%
Consumer Services	107	4.90%	5.40%	5.00%	0.10%
Energy	78	6.80%	6.60%	6.80%	0.00%
Health Care Equipment & Services	113	8.10%	8.30%	8.10%	0.00%
Commercial & Professional Services	121	8.60%	8.60%	8.60%	-0.10%
Consumer Discretionary Distribution & Retail	66	4.80%	5.20%	4.50%	-0.30%
Telecommunication Services	21	6.60%	5.20%	5.20%	-1.40%
Consumer Durables & Apparel	66	5.30%	4.60%	3.80%	-1.50%
Household & Personal Products	15	3.50%	0.80%	0.80%	-2.70%
Technology Hardware & Equipment	39	14.10%	11.00%	11.00%	-3.10%
2026 forecasted adjusted EBITDA growth	1,333	7.3%	7.6%	7.6%	0.3%

*Reflects a revised calculation that now includes issuers that are no longer rated but held a rating as of the relevant forecast date, along with calendar-year normalization. Available financial forecasts are often approximately four months old (on a median basis) at each cutoff period; as a result, observed trends are more meaningful than point estimates. Historical growth rates will be updated as prior year-end financials (e.g., 2025) become available. Source: S&P Global Ratings.

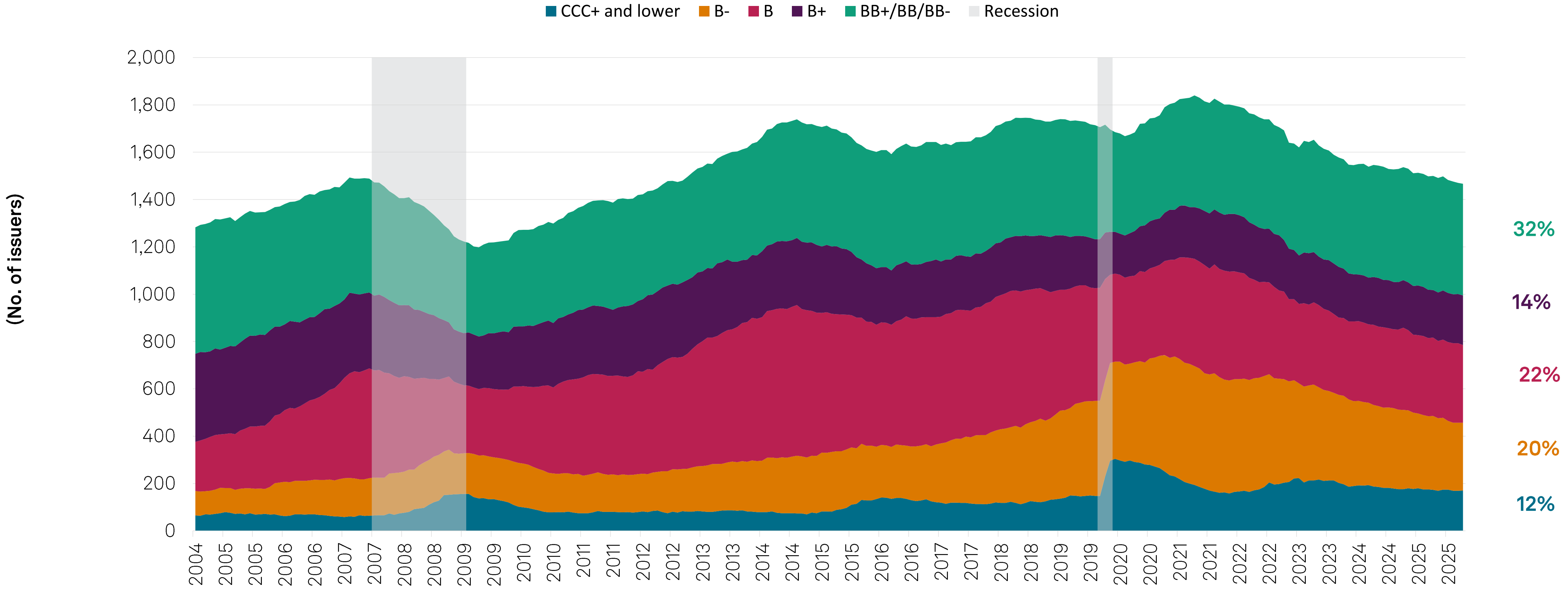
U.S. and Canada speculative-grade forecasted 2026 revenue growth revision trend by month*



*On average, about 200 revised issuer forecasts are updated to our centralized repository every month. If an issuer has multiple forecast revisions in the same month, only the latest is measured. Source: S&P Global Ratings.

Rating Trends | Stickiness in the CCC Rating Category, Portfolio Credit Quality Shifts Higher

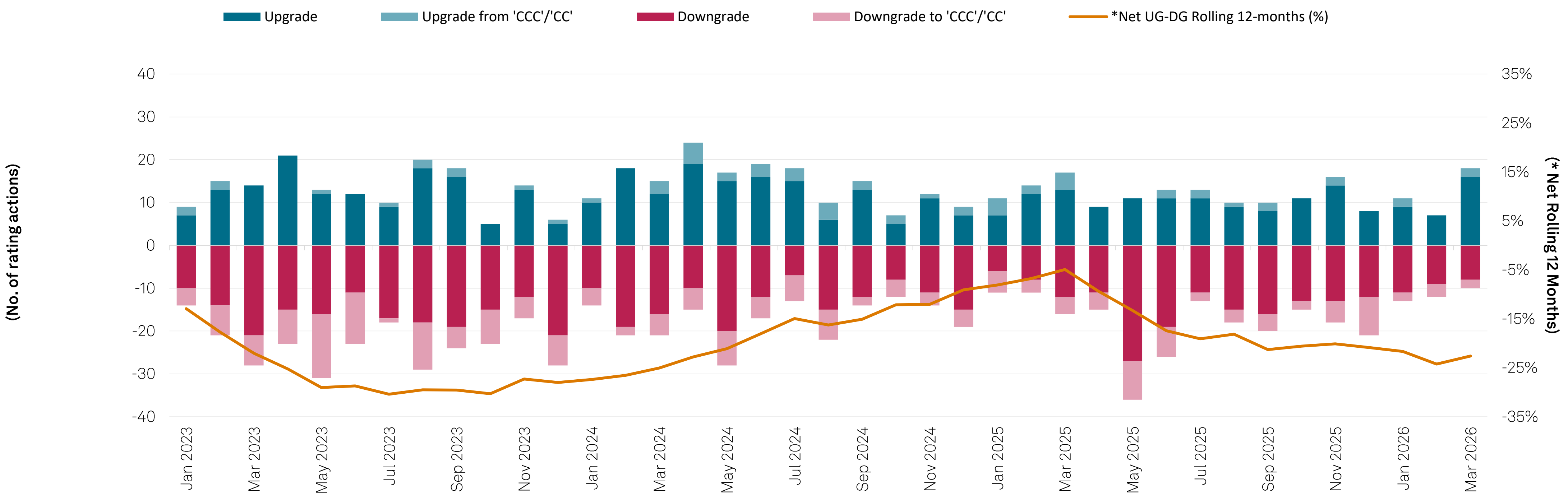
U.S. and Canada SG ratings distribution by issuer count (as of Mar. 2026*)



*Data as a % of SG ratings as of Mar. 31, 2026. SG--Speculative grade. Sources: S&P Global Ratings and CreditPro©.

S&P Global Ratings

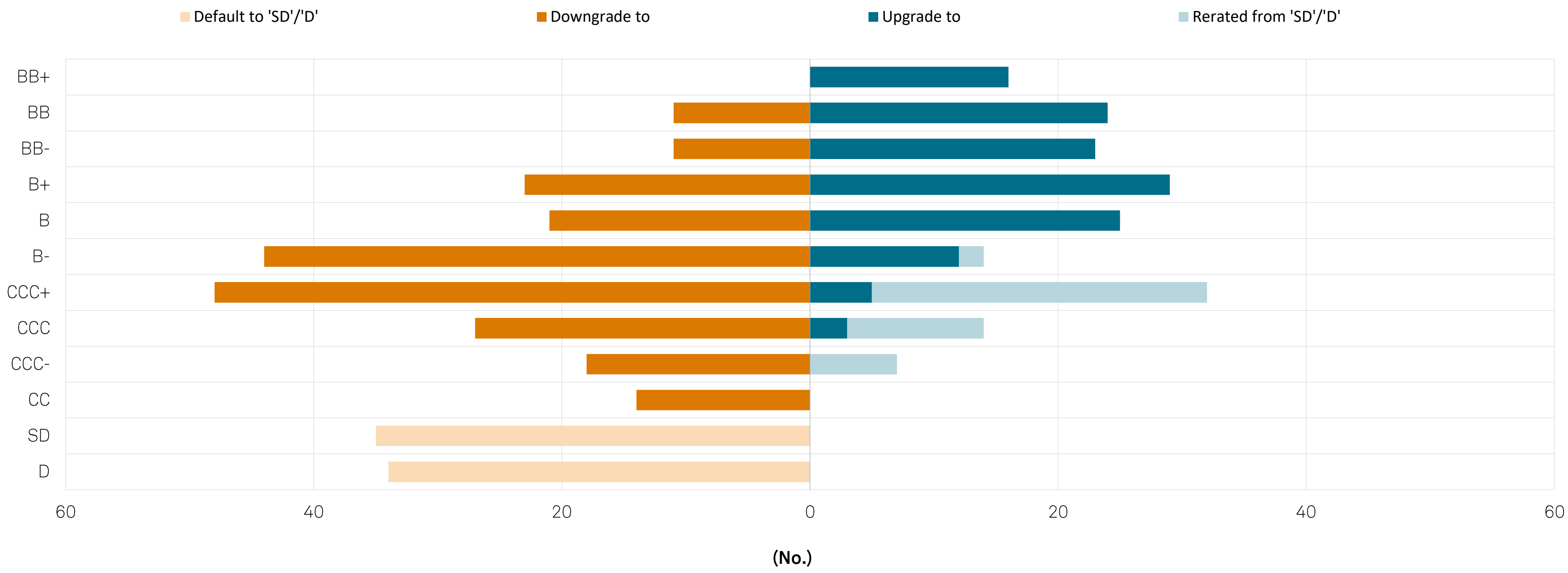
Rating Trends | Speculative Grade Downgrades Continue to Exceed Upgrades on a Net Basis; Downgrades Highest in ‘B-’ & Lower Rated Issuers



Note: Note: U.S. and Canada corporate entities. Issuers rerated from 'SD'/'D' and defaulted to 'SD'/'D' are excluded. Source: S&P Global Ratings U.S. and Canada ratings. *Net Rolling 12-months (%) calculates the net rating actions (upgrades – downgrades) over the total number of rating actions. A positive percentage indicates that there were more upgrades than downgrades, while a negative percentage indicates the opposite.

Rating Trends | LTM Rating Trends Vary Across Speculative-Grade Ratings Category; Downgrades Highest in 'B-' & Lower Rated Issuers

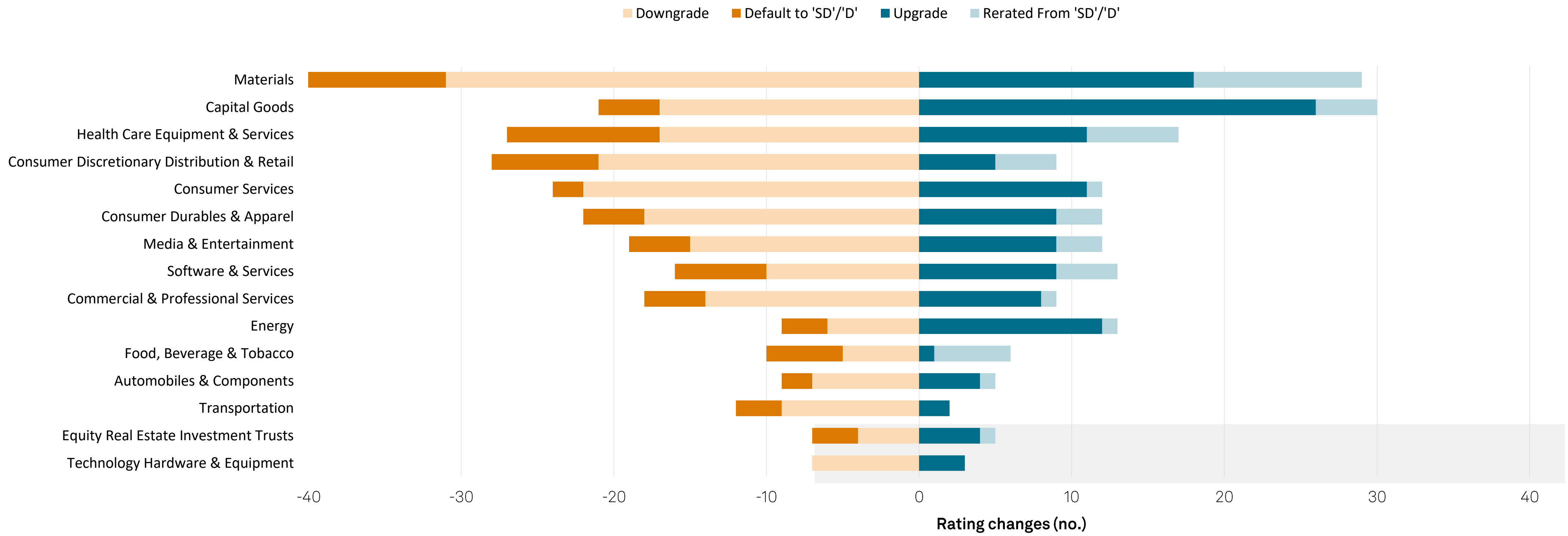
U.S. and Canada Speculative-Grade Issuer Credit Rating Changes by Rating (LTM Mar. 31, 2026)



Note: Downgrade and upgrade ratings actions are 'to' the current rating. We do not include ratings that were downgraded from IG to SG and vice versa. (e.g., fallen angels and from SG to IG). IG--Investment grade. SG--Speculative grade. LTM--Last 12 months. FY--Fiscal year. Source: S&P Global Ratings U.S. and Canada ratings.

Rating Trends | LTM Downgrades (mostly Chemicals, Building Materials, Packaging) & Upgrades Highest In The Materials Sector

Speculative-grade ratings changes by GICS industry group* (U.S. and Canadian nonfinancial corporates)

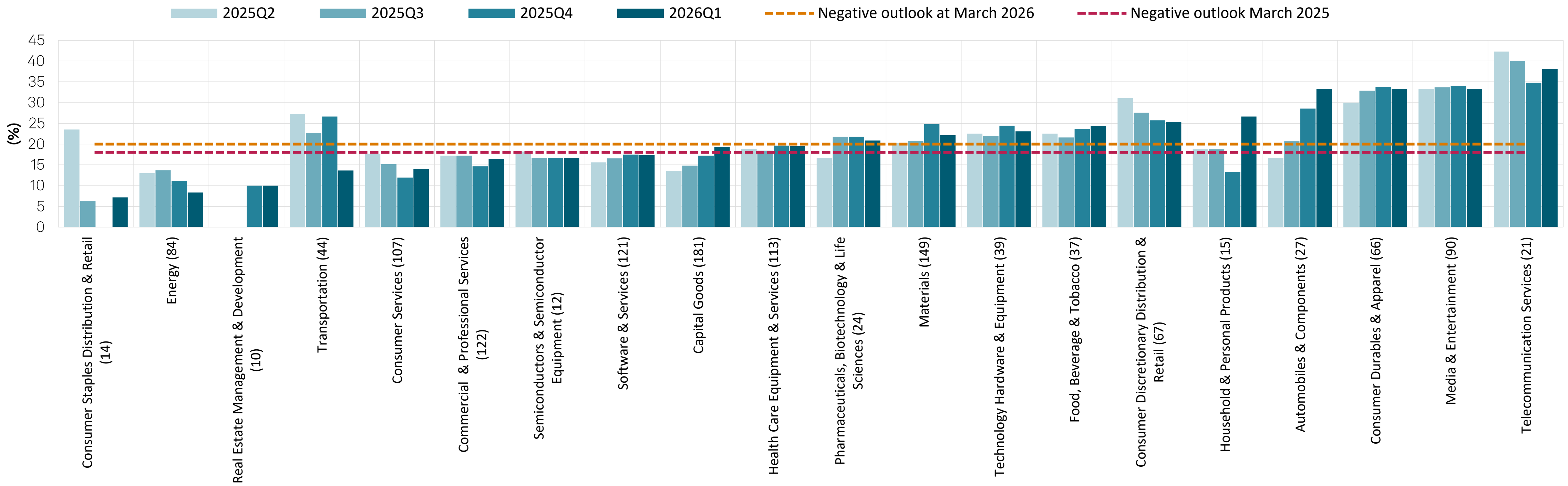


*Excludes utilities, financial institutions, insurance services, and industry groups with fewer than 10 rating actions. Data as of LTM Mar. 31, 2026. *Materials includes S&P Global Ratings' sectors such as chemicals, forest products, building materials, packaging, metals, and mining. LTM--Last twelve months.
Source: S&P Global Ratings U.S. and Canada ratings.

Rating Trends | Relatively Elevated Telecom, Media, and Durables Ratings Pressure

Speculative-grade ratings with negative outlooks by sector*

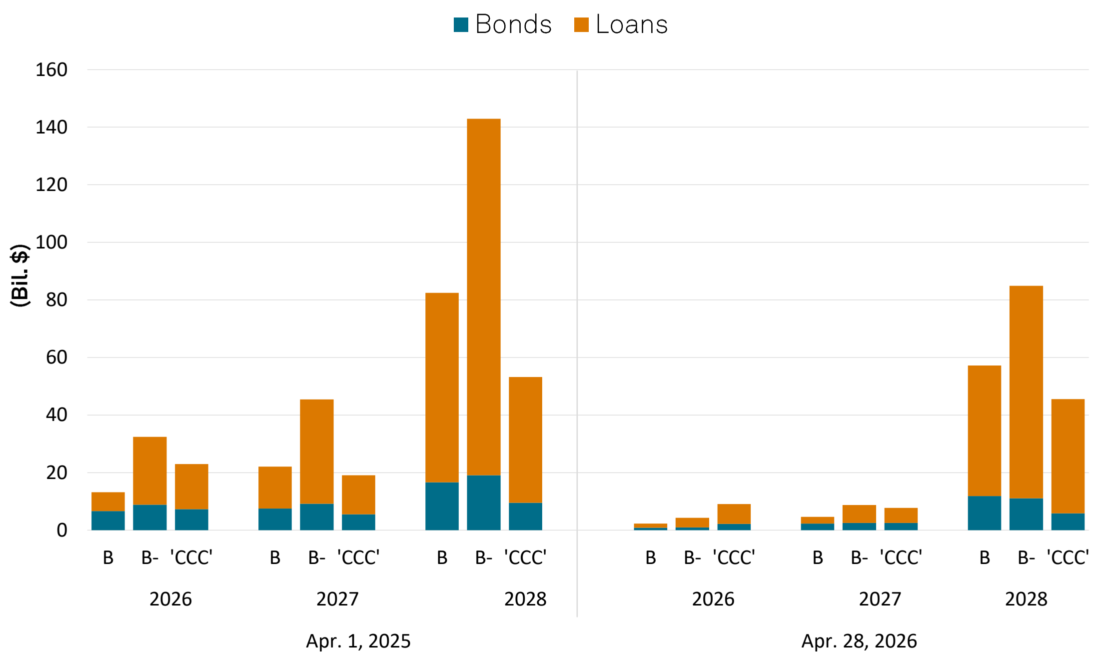
U.S. and Canada (as of Q1 2026)



*Includes issuers with both negative rating outlooks and issuers placed on CreditWatch negative. The number in parentheses is the count of issuers in this sample of U.S. and Canadian speculative grade issuers. Source: S&P Global Ratings U.S. and Canada ratings.

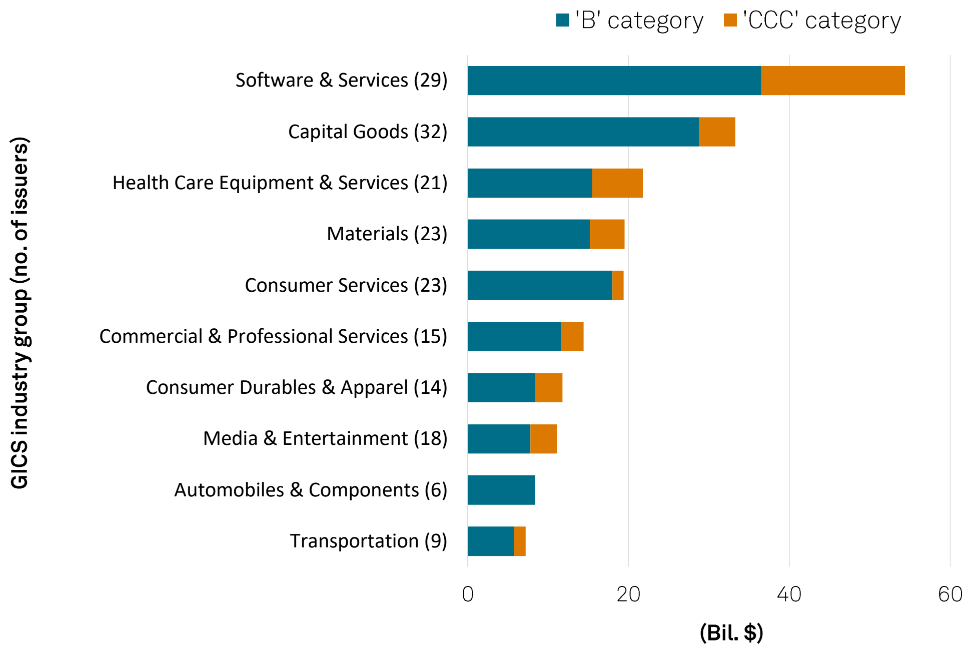
Maturity Wall | 'B' And Lower Rated Issuers Continue To Extend Maturities; Sizeable 2028 Wall

Debt maturities as of Apr. 1, 2025, and Apr. 28, 2026



Note: 'CCC' category--Includes all 'CCC' notches as well as 'CC'. Includes U.S. nonfinancial corporate issuers' speculative-grade bonds and loans. Excludes revolving credit facilities and confidential issuers. Source: IHS Markit & Refinitiv Data.

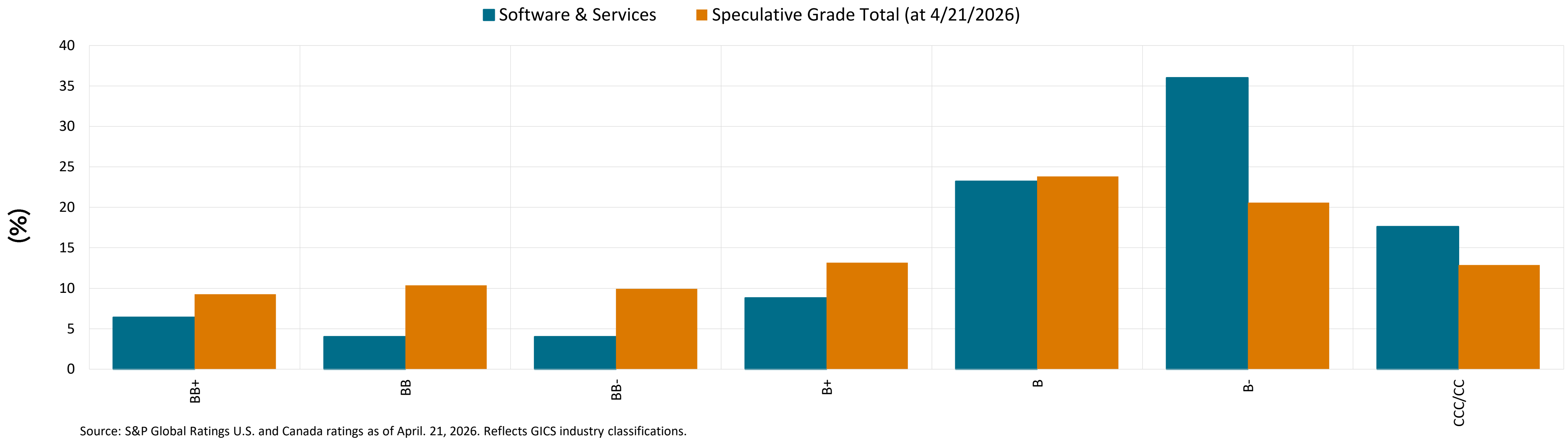
'B+' and lower debt maturing in 2027 and 2028



Data as of Apr. 28, 2026. 'CCC' category--Includes 'CC'. Includes U.S. nonfinancial corporate issuers' speculative-grade bonds and loans. Excludes revolving credit facilities and confidential issuers. Source: IHS Markit & Refinitiv Data.

Software & Services | Software And Services Issuer Ratings Skew Lower; Outsized Concentration in ‘B-’ Rating Category

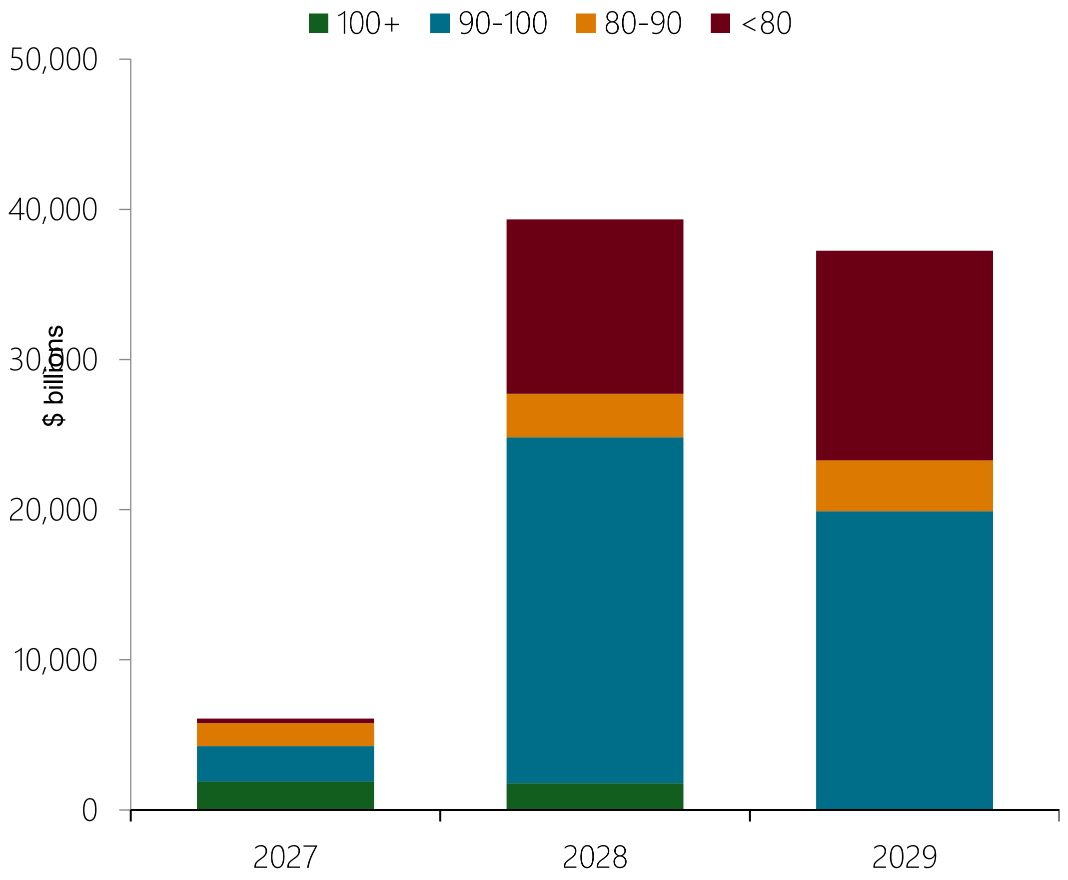
Speculative-grade ratings distribution of software and services issuers



Source: S&P Global Ratings U.S. and Canada ratings as of April. 21, 2026. Reflects GICS industry classifications.

Software & Services | Refinaceability of 2028 Software Maturities Bear Watching

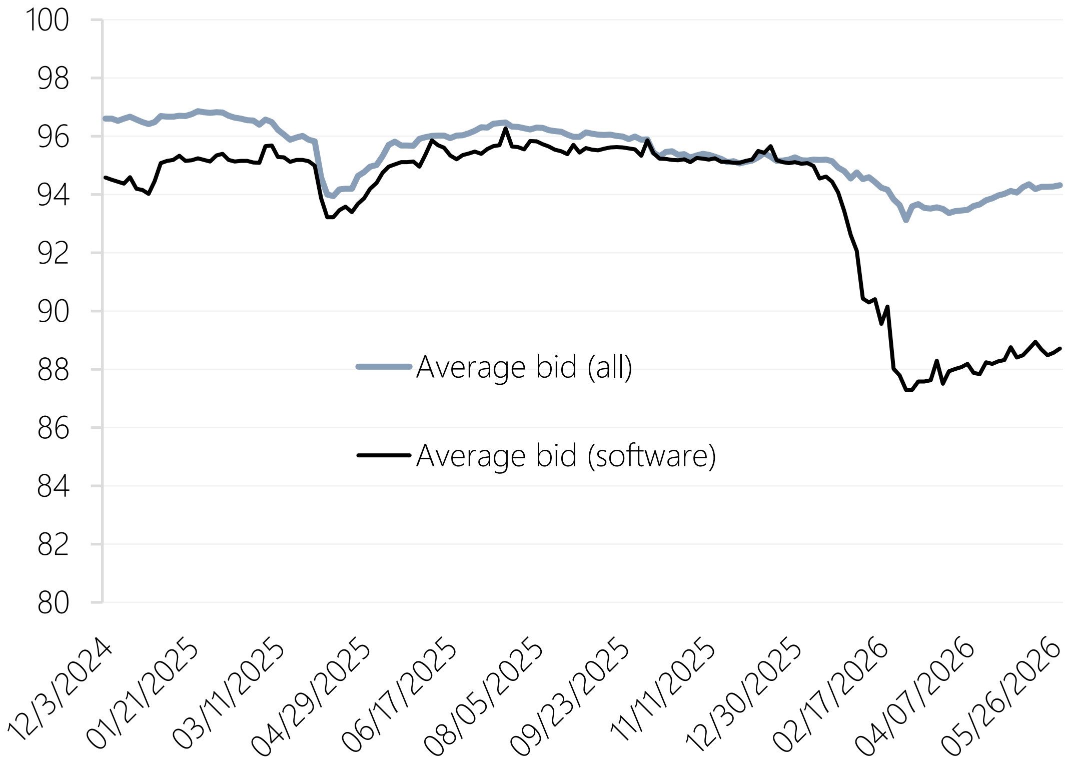
Speculative Grade Software Maturities by Maturity Date and Trading Level



Data as of June 2,2026.. Includes U.S and Canadian. nonfinancial corporate issuers' speculative-grade bonds and loans. Excludes revolving credit facilities and confidential issuers. Source: IHS Markit & Refinitiv Data

Software Loan Prices Have Rebounded, But Remain Below the Loan Index

Average bid of term loans in S&P UBS Global Leveraged Loan Index



Data as of May 29,202.. Source: S&P Global Market Intelligence Loan Pricing Data; S&P Global Market Intelligence Loan Refernence Data; S&P Global Ratings Private Markets Analytics.

Credit Trends | Key Subsector – Specific AI Disruption Risks

More risk

- Customer experience outsourcing providers
- Entertainment industry software and services

Some risk

- Talent management software
- Real estate software
- Legal software and services

Neutral / some risk

- Cyber security and cloud services
- Enterprise risk management providers
- Payroll processors

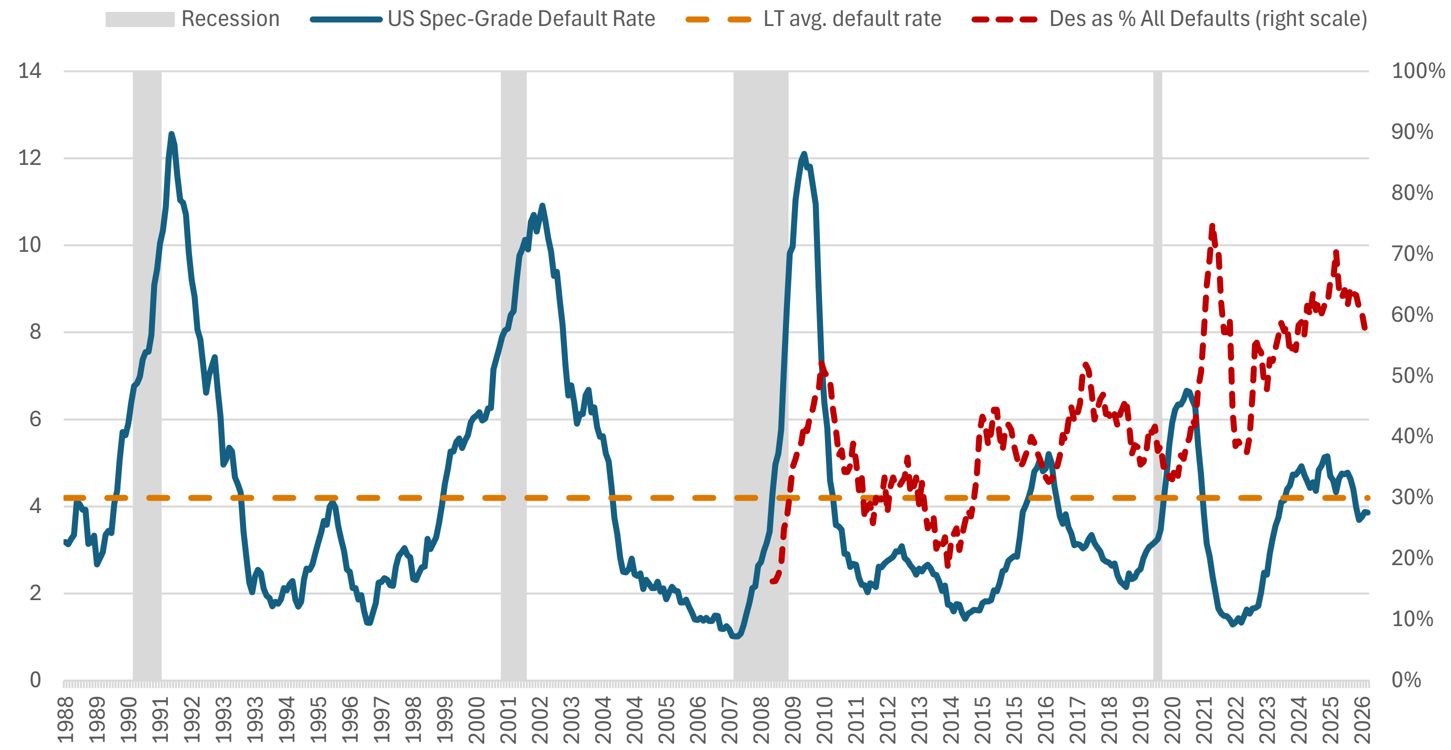
Neutral / positive

- Insurance services
- Payment processors
- Digital transformation / IT consulting
- Information services / analytics

Source: S&P Global Ratings.

Defaults | Defaults Eased In Late 2025 And Now (at 3.9%) Sit Just Below The 4.2% LT Avg.; Distressed Exchanges Much More Prominent In Recent Years

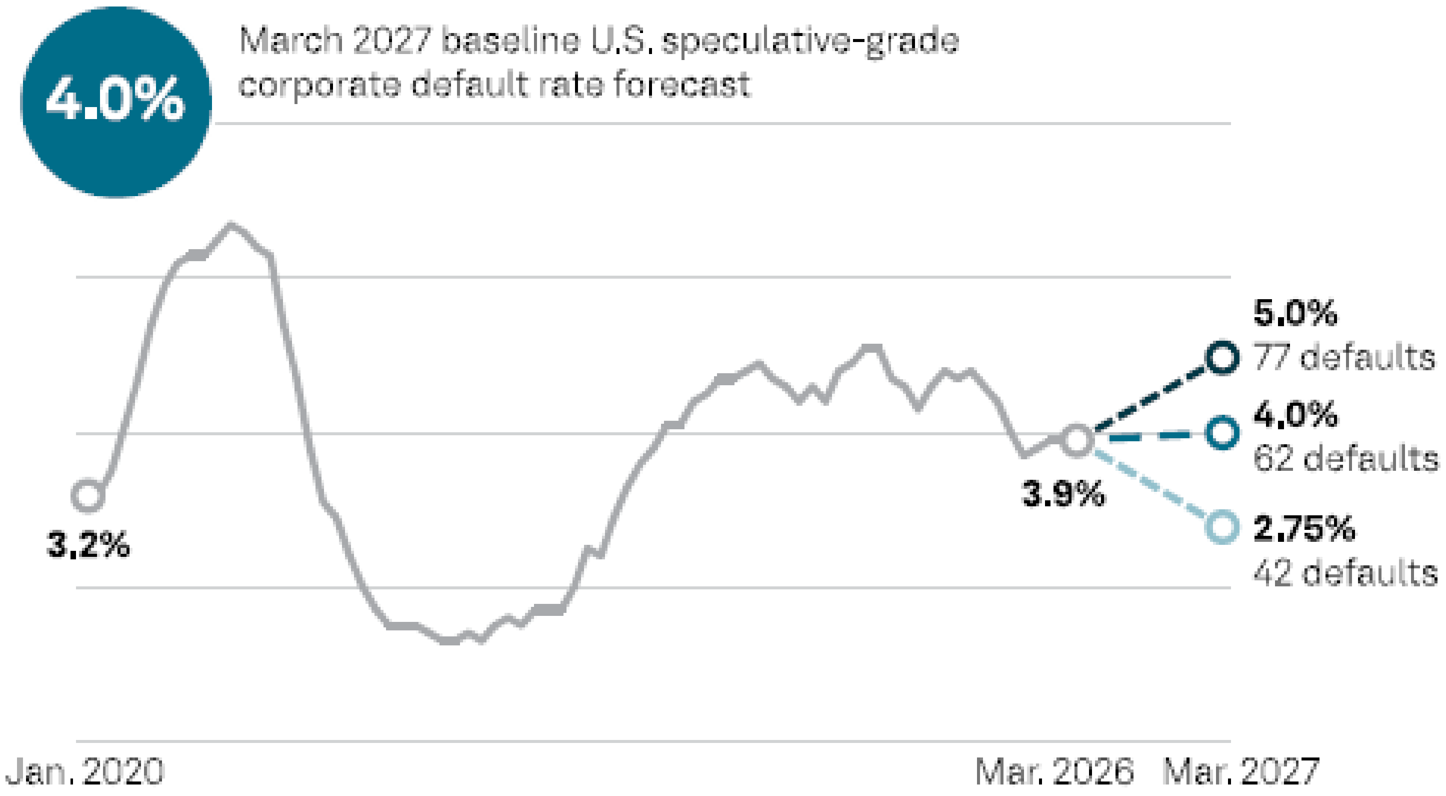
U.S. speculative-grade default rates and percentage related to distressed exchanges; Trailing 12-month basis through March 2026*



*Default measures are shown on an issuer-count basis through Dec. 31, 2025. SG--Speculative grade. Distressed exchanges as a percentage of total defaults for the most recent six months represent preliminary estimates. Sources: S&P Global Ratings and Leveraged Commentary & Data.

- S&P Global Ratings' U.S. speculative-grade default rate (issuer-count basis) eased over the last four months of 2025. The default rate was 3.9% at 1QE 2026 and have been below the long-term average of 4.2% since November 2025.
- Defaults by sector in 2025 were led by the consumer product (19%); healthcare (18%); retail/restaurants (13%); and media, entertainment, and leisure (12%) sectors. On a combined basis, these four sectors comprised 63% of U.S. defaults in 2025.

U.S. Speculative-Grade Default Rate Expected to Reach 4.0% by March 2027



As of March 2026, S&P Global Ratings rated 1,543 U.S. speculative-grade corporate issuers.

Pessimistic scenario: Should the conflict and closure of the Strait of Hormuz endure beyond our base-case assumptions the adverse consequences are likely to follow a nonlinear path. In an alternative scenario where disruption to energy and shipping flows through the Strait is more prolonged, credit stress broadens and becomes more persistent.

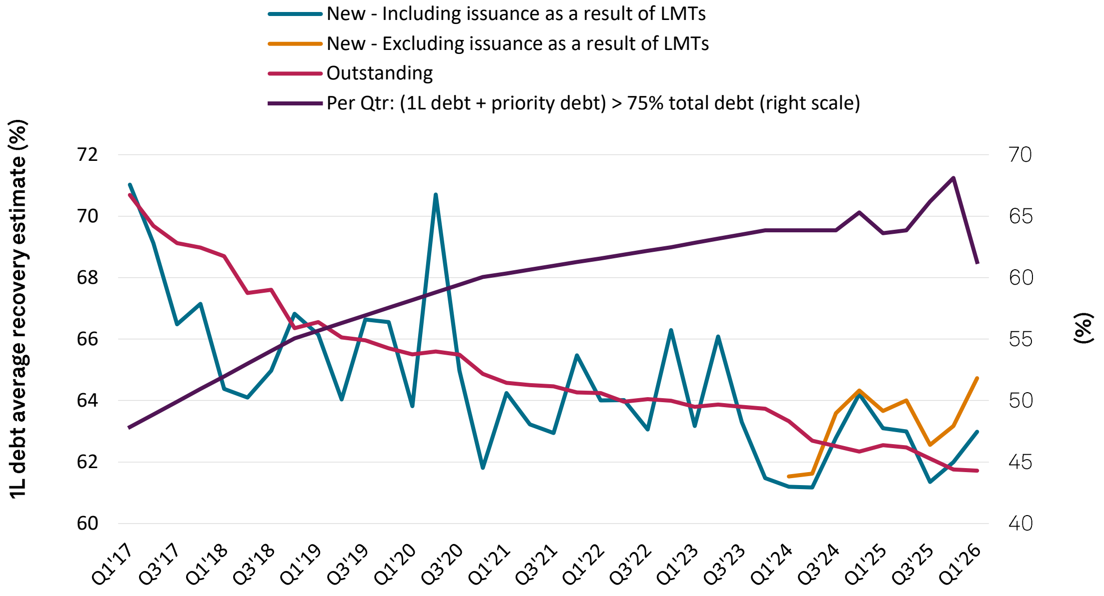
Base scenario: Thus far, U.S. credit and market trends have remained much more constructive compared with those of other regions since the war's onset. In large part, the U.S. has more of its own energy sources (particularly natural gas) that shields it from some of the price spikes happening to regional sources from the Middle East.

Optimistic scenario: Should the conflict resolve quickly and prove minimally disruptive, a continuation of solid economic growth and strong corporate earnings could occur alongside improve consumer sentiment and leave room for potential rate cuts in the absence of a resumption in inflation.

Data as of March 31, 2026. Sources: S&P Global Ratings Credit Research & Insights and S&P Global Market Intelligence's CreditPro©. ©2026 Standard & Poor's Financial Services LLC.

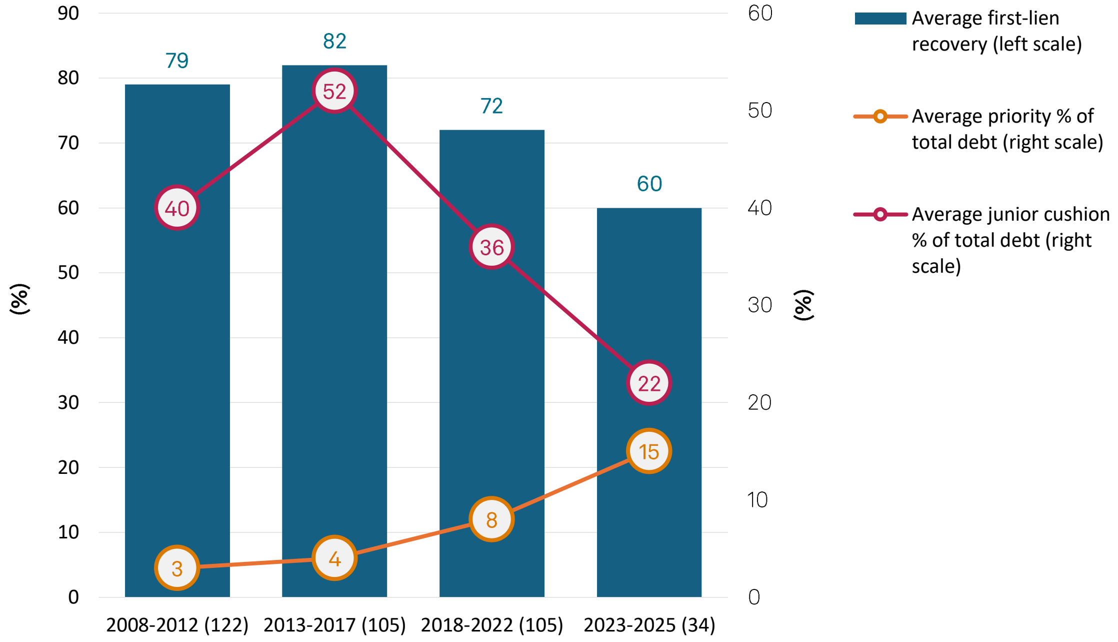
Recoveries | 1L Recovery Expectations And Estimates Of Actual 1L Recoveries Decline As Debt Structures Become More Top Heavy

Expected recoveries on newly issued and outstanding 1L debt based on S&P Global Ratings' recovery ratings (U.S. and Canada)*



*Data through Mar. 31, 2026, based on the rounded point-estimates included in our recovery ratings for rated nonfinancial corporate entities in the U.S. and Canada. The data on debt structure composition is from a sample that covers a large portion of the relevant rated issuers for first-quarter-end 2017, YE 2018, YE 2020, YE 2022, YE 2023, YE 2024, all four QE of 2025 and 1QE 2026 (with smoothed transitions between these dates). The four QE 2025 samples cover roughly 85% of the rated SG issuers in the U.S. and Canada. YE--Year end. QE--Quarter end. SG--Speculative grade. Source: S&P Global Ratings.

Post-bankruptcy 1L recoveries squeezed by rising priority and shrinking junior debt cushions; overall debt recoveries stable

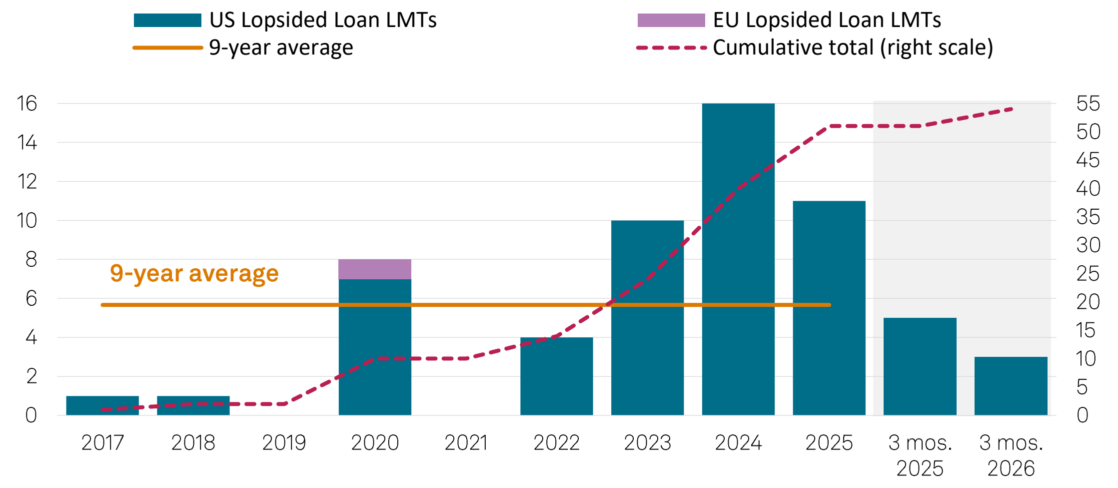


*The actual first-lien recovery estimates are on an ultimate (at the end of the insolvency or restructuring period) and nominal basis. The S&P Global Ratings' data represents estimated recoveries from bankruptcy documents. 1L-- First-lien. Source: S&P Global Ratings "**U.S. Leveraged Finance Q4 2025 Update: Recovery Turbulence Triggered By Changing Debt Structures And Restructuring Tactics**'" published Jan. 8, 2026. Source: S&P Global Ratings.

LMTs | 1L Term Loan Restructurings: Lopsided LMTs Accumulate In Recent Years, But Pro Rata 1L Restructuring Offers Outpace Them Roughly 2-to-1

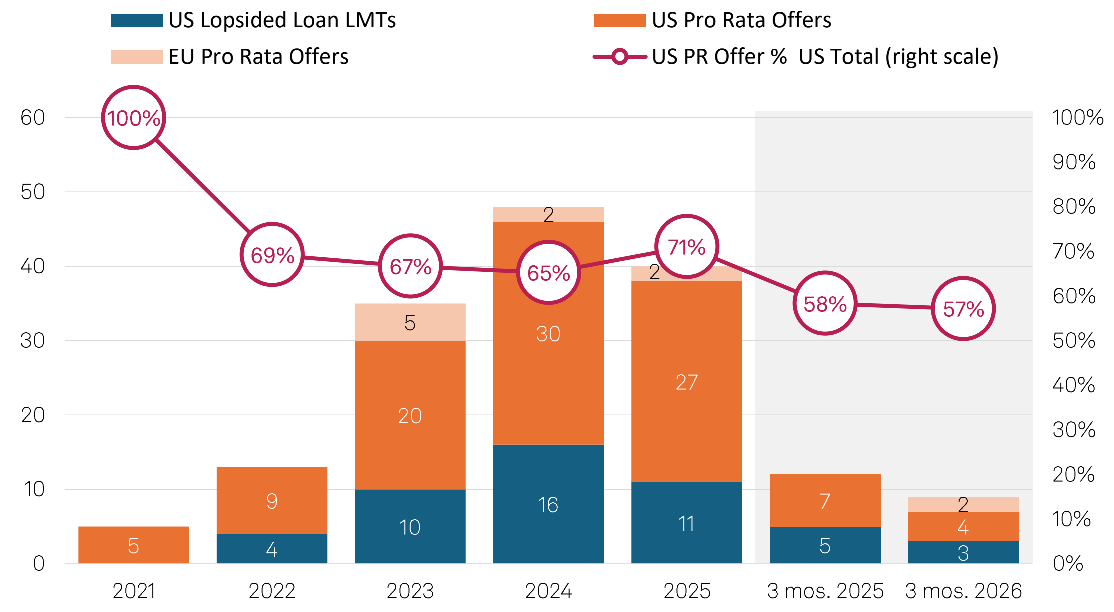
- We continue to build our data on out-of-court 1L TL restructurings, now including loans to European-rated companies held by U.S. CLOs and restructurings that impaired 1L lender recoveries but did not trigger a default (e.g. via a double dip or pari plus structure).
- We classify these 1L TL restructurings as either "lopsided loan LMTs" or "pro rata loan restructuring offers."

Lopsided loan LMTs that subordinate existing lenders become more common; 2024 a record (count/period)*



Note: Some restructurings that were formerly classified as "loan LMTs" have been reclassified as "pro rata offers" because all TL lenders were offered the opportunity to participate on equal terms. *Lopsided loan LMTs cover aggressive out-of-court loan restructurings we've tracked where all lenders were disadvantaged by new third-party debt or where not all lenders were offered pro rata terms on existing 1L debt. Excludes cases note/bond restructurings that did not impair 1L term loan recovery rates. **The European (EU) lopsided loan LMT for Travelport/Toro Private Holdings from June 2020 was effectively reversed in September 2020. LMT--Liability management transaction. Sources: S&P Global Ratings and company reports.

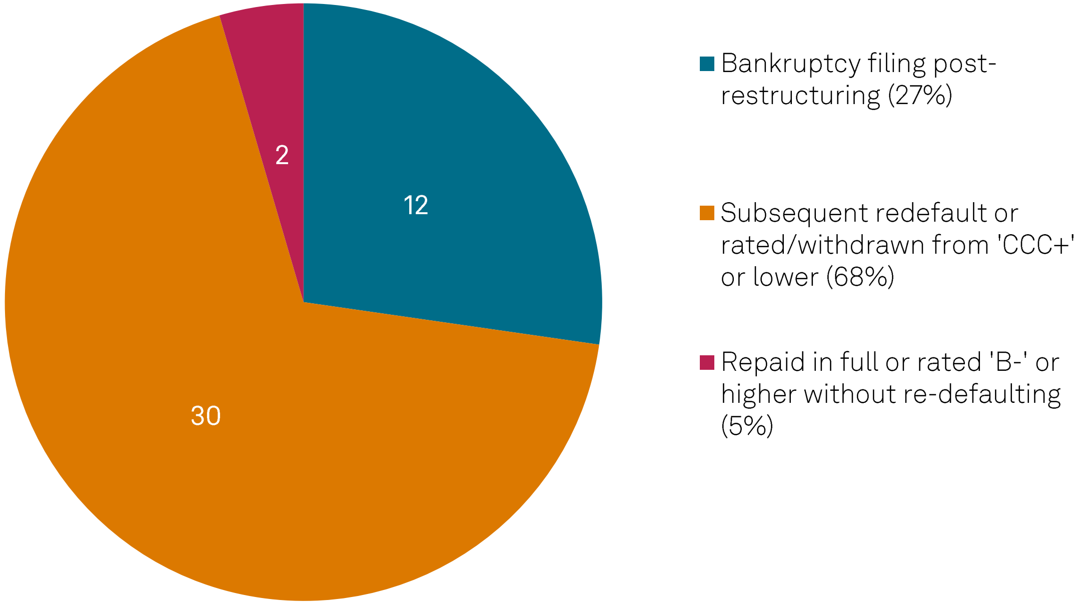
Pro rata restructuring offers continue to solidly outnumber lop-sided loan LMTs (2021 – Q1 2026)*



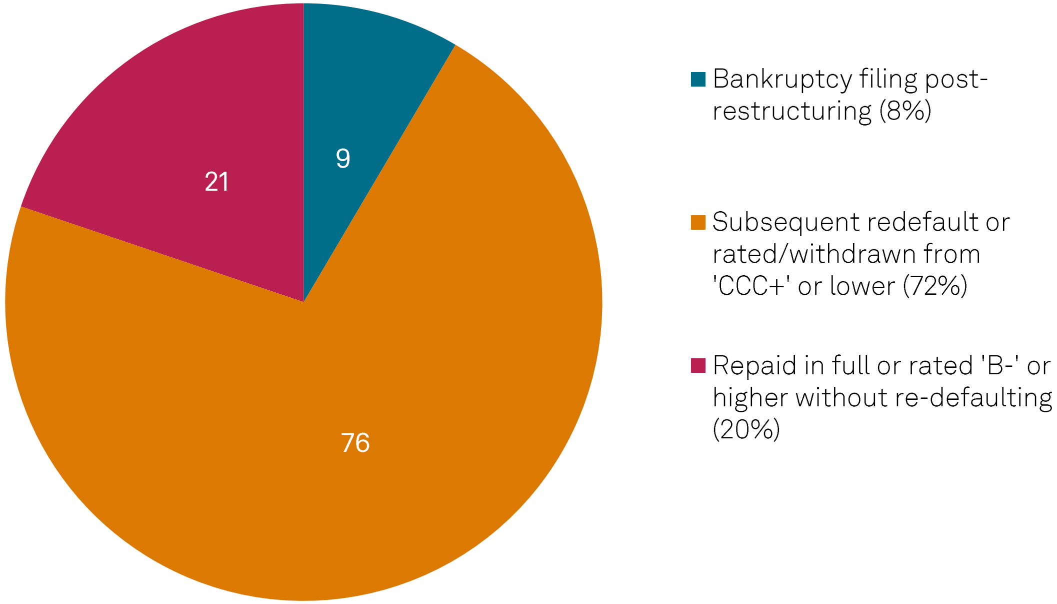
LMTs | Out-Of-Court Loan Restructurings Typically Don't Resolve The Problems That Caused Them, But Pro Rata Offers Are More Successful

- Success rates for out-of-court loan restructurings are modest, but pro rata restructuring offers have a notably better track record.
- Pro rata restructuring success rate is roughly 4x higher than for Lopsided Loan LMTs and bankruptcies are more than 1/3rd lower.

Lopsided loan LMTs rarely resolve the problems that caused them (U.S. counts, Q1 2026)*

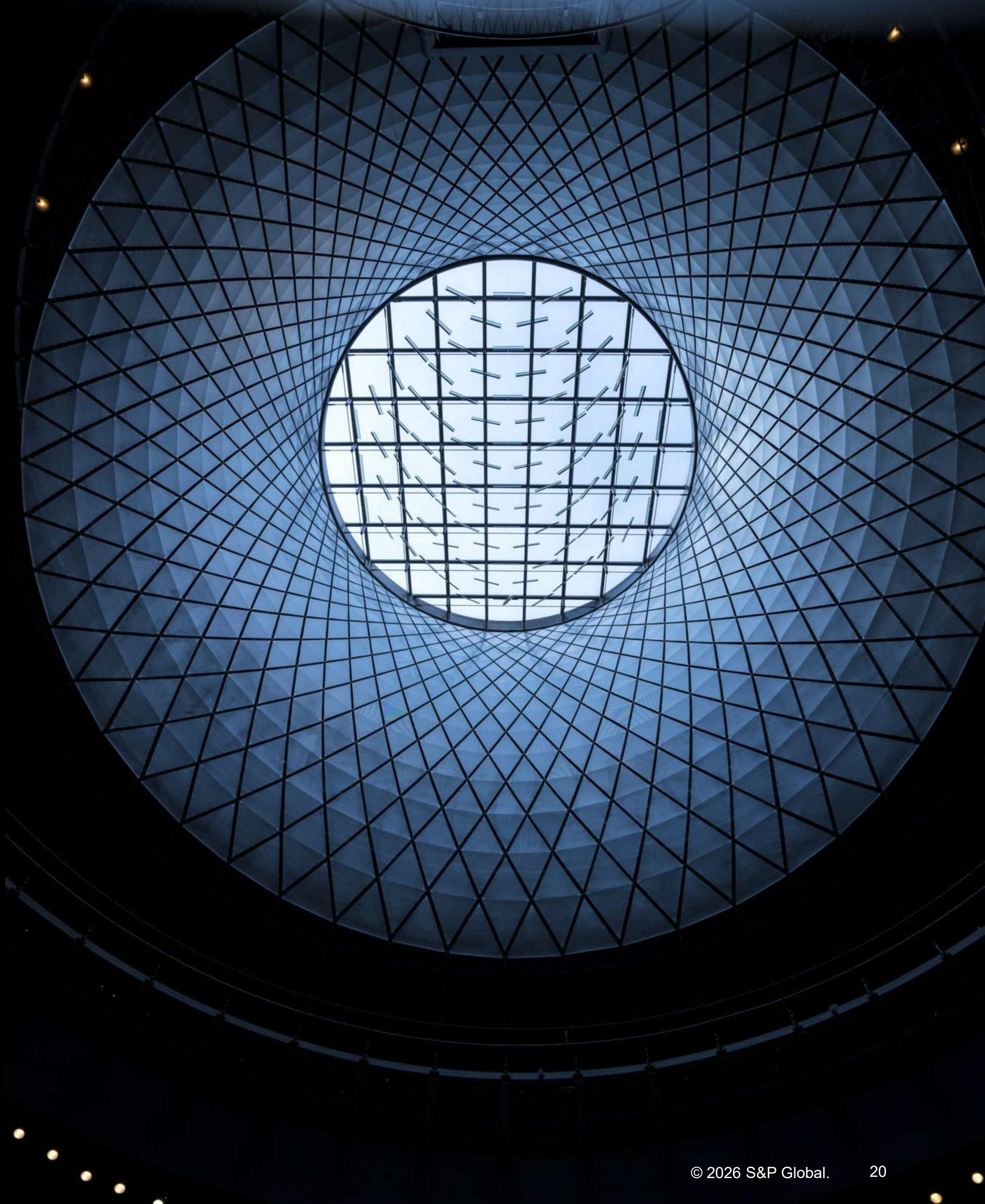


Pro rata offers have a (modest but) higher success rate and a much lower bankruptcy rate (U.S., 2021-Q1 2026)*



Note: Outcomes reflect the status as of late April 2026. Some restructurings that were formerly classified as "loan LMTs" have been reclassified as "pro rata offers" because all TL lenders were offered the opportunity to participate on equal terms. *Lopsided loan LMTs cover aggressive out-of-court loan restructurings we've tracked where all lenders were disadvantaged by new third-party debt or where not all lenders were offered pro rata terms on existing 1L debt. Excludes cases note/bond restructurings that did not impair 1L term loan recovery rates. LMT--Liability management transaction. Sources: S&P Global Ratings and company reports.

Questions?



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