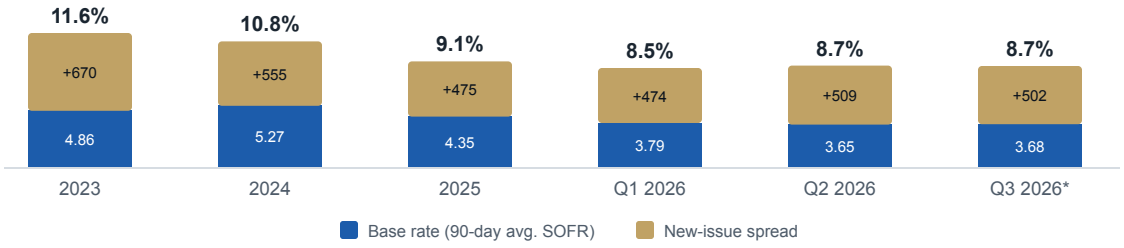
When the buyer is a sponsor, part of your company's price is set in the credit market.

Cheaper debt lifted what sponsors could pay for two years. In September the Fed changed that.

01 WHAT SPONSORS UNDERWRITE

For a business with positive cash flow, part of a sponsor's bid comes out of a financing model: how much debt that cash flow can support, and at what price. It isn't just a quality buyers admire; it's what the loan is underwritten against. Growth still drives what a buyer believes the business becomes; leverageability drives what a sponsor can pay today. Strategics run different math; sponsors run this one.

02 COST OF DEAL DEBT, 2023 TO 2026



From 2023, the all-in cost of a new sponsor loan fell for two years. Spreads widened from S+474 to S+509 in the second quarter and have held near S+500 since. In September the Fed raised rates a quarter point. What changed is not the level. It's that the direction is no longer something a seller can assume.

All-in cost of a new sponsor loan: base rate plus buyout-loan spread, percent. Spreads: PitchBook | LCD new-issue private credit and sponsor buyout loans; 2025 is a median, other periods are averages. Base rate: period-average 90-day SOFR (FRED, SOFR90DAYAVG); Q3 2026 is the 90-day average at September 30, 2026. *Q3 spread is the three months ended August 31, 2026. FOMC statement, September 16, 2026.

03 WHAT IT MEANS

Waiting used to be free: the financing behind the next sponsor bid kept getting cheaper, so next year's number was likely to beat this year's. That's no longer the assumption to run on.

A sponsor's leverage shapes what they can pay, although once the deal closes at the agreed price it's their problem, not yours. A dollar at close is a dollar, unless you roll equity into the new company, take part of your price in an earnout, or accept a bid contingent on financing.

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