CAPITAL ADVISORS GROUP'S

DEBT MARKET UPDATE

Q2 2026

Capital Advisors Group's Debt Market Quarterly Update

Q2 2026

COMMENTARY – Q2 2026

Headline Growth Masks Continued Selectivity

At first glance, Q2 2026 looks like a dramatic reacceleration in lending activity, with total venture debt volume reaching **$44.2 billion, up 129% from Q1**. Unfortunately, this headline may be misleading.

A single transaction – SpaceX's $20 billion senior notes offering, priced in June to refinance debt assumed in its merger with xAI – accounted for the majority of the increase. Excluding this transaction, technology deal value was roughly flat to modestly higher at **~$24 billion, a 24% quarter-over-quarter increase**.

The broader market picture remains more consistent with the selectivity that has characterized recent quarters than with a broad-based recovery.

In the **technology sector**, continued lender selectivity may be partially traced back to February's "SaaSpocalypse," when nearly $300 billion in SaaS market value was erased in 48 hours amid concerns that AI agents could hollow out enterprise software and recurring revenue models.

With an estimated $600 billion - $750 billion of private credit exposure to software, lenders continued tightening underwriting standards for traditional SaaS credits while capital flowed toward AI infrastructure and differentiated, AI-native borrowers.

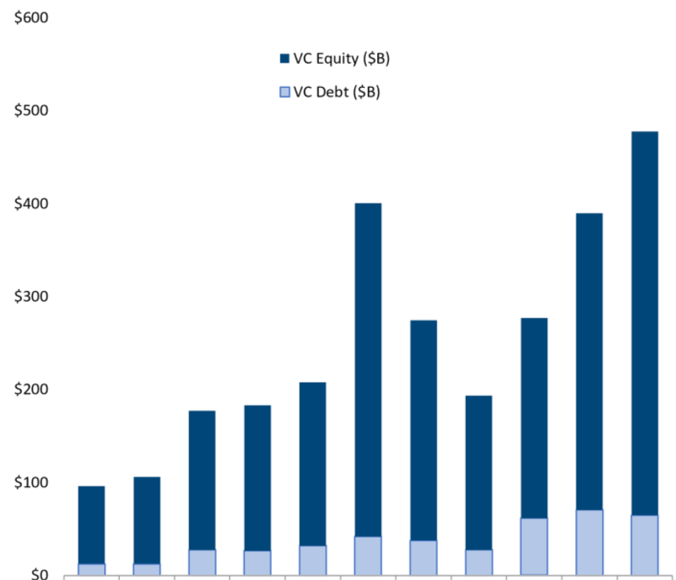
Deal count seems to provide a more genuine story of market breadth, rising **23% from Q1 to 141 transactions**, suggesting lenders may be slowly underwriting to a wider set of borrowers while remaining cautious around legacy SaaS exposure.

The **healthcare sector** staged a sharp recovery, with deal value rebounding to **~$2.7 billion from $0.4 billion in Q1**, while transaction count increased **39% to 25 deals**.

This recovery suggests the first-quarter caution around healthcare equity markets may have been somewhat transitory as both public and private markets appear to show signs of improvement.

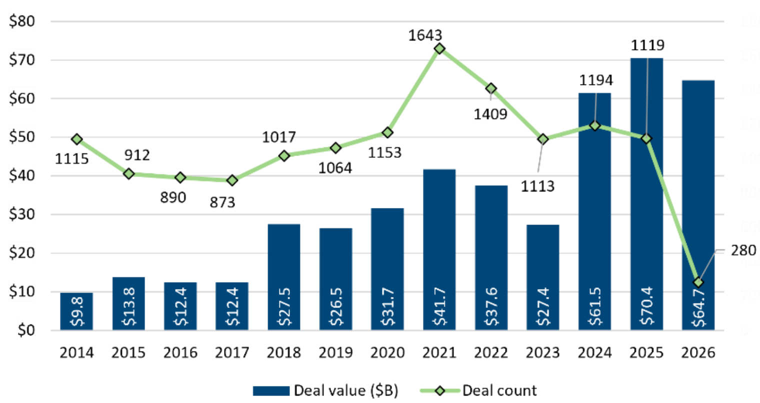
Overall, Q2 appeared to reflect a continuation of a **selective lending environment**, with caution toward at-risk SaaS credits offset by an appetite for AI infrastructure and differentiated borrowers. While activity improved, the market remained challenging and highly dependent on credit quality and borrower differentiation.

U.S VENTURE CAPITAL AND DEBT ACTIVITY



	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
VC Equity ($B)	$83.7	$93.7	$149.7	$156.3	$176.1	$358.6	$236.6	$166.2	$215.2	$319.2	$412.7
VC Debt ($B)	$12.4	$12.4	$27.5	$26.5	$31.7	$41.7	$37.6	$27.4	$61.5	$70.4	$64.7
Debt / Equity (%)	14.8%	13.2%	18.4%	17.0%	18.0%	11.6%	15.9%	16.5%	28.6%	22.1%	15.7%

U.S VENTURE DEBT ACTIVITY



*Information and data sources include PitchBook Data as of 6/30/2026 and other publicly available data from parties that Capital Advisors Group has engaged with on historical debt transactions and is suited for general informational purposes only. Capital Advisors Group makes no representation or warranty regarding the accuracy or completeness of the data. Please click here for disclosure information: Our research is for personal, non-commercial use only. You may not copy, distribute or modify content without prior written authorization from Capital Advisors Group.

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HEALTHCARE

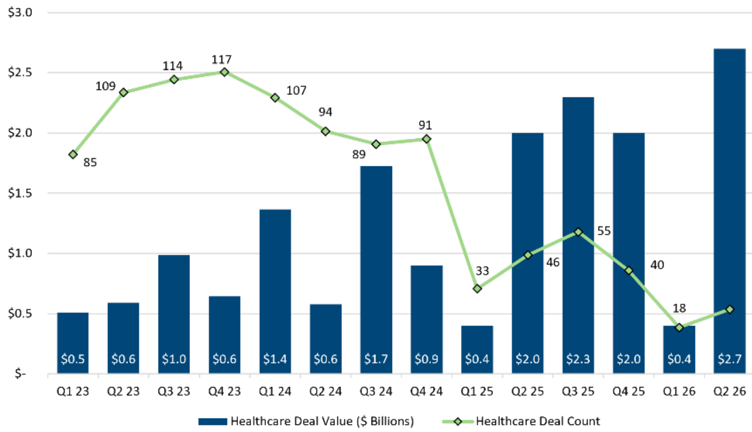
Venture Debt Rebounds in Q2 2026

Healthcare venture debt activity rebounded in Q2 2026, with volume rising to **~$2.7 billion** from **$0.4 billion in Q1**, while deal count climbed to **25 transactions** from **18**.

The recovery reversed the sharp Q1 slowdown, bringing volume back in line with levels seen throughout most of 2025. It suggests the first-quarter decline may have been more of an anomaly than a structural shift, reflecting broader borrower re-engagement.

Following a volatile start to 2026, the sector appears to be regaining momentum. It remains worth watching whether IPO market conditions and broader equity financing continue to support this pace of debt deployment into Q3. With private credit stress concentrated in software, healthcare borrowers may also be benefiting as lenders appear to be pivoting away from SaaS exposure.

U.S. HEALTHCARE VENTURE DEBT ACTIVITY



Source: Pitchbook. Sector deal value totals may exceed the overall market total, as methods used by Pitchbook to calculate sector totals versus total market activity may differ.

TECHNOLOGY

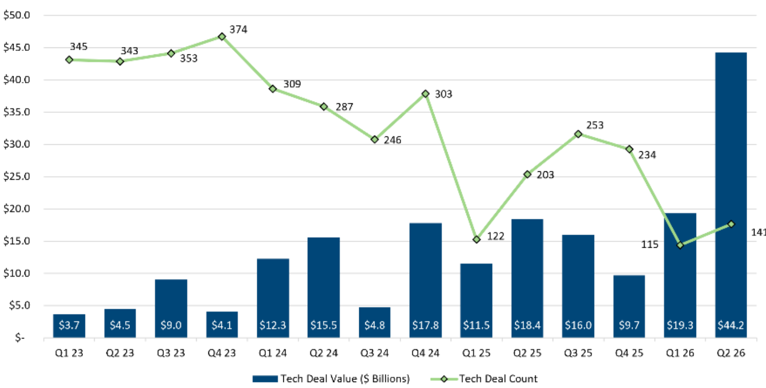
Selectivity Continues Despite Headline Growth

Technology venture debt activity reached a **historic ~$44.2 billion in Q2**, up from **$19.3 billion in Q1**, driven overwhelmingly by SpaceX’s $20 billion debt financing. Excluding this transaction, adjusted deal value was **~$24 billion**, a **24% quarter-over-quarter increase** more consistent with the selective, cautious posture lenders have held for several quarters.

The caution traces back to Q1’s “SaaSpocalypse,” which erased nearly $300 billion in SaaS valuations amid fears that AI agents could undermine recurring revenue “per-seat” software pricing models. Lenders tightened underwriting standards for traditional SaaS companies while maintaining appetite for AI infrastructure and differentiated, AI-native borrowers – creating a bifurcation rather than a uniform pullback.

Deal count, unaffected by the SpaceX outlier, rose **23% to 141 transactions** from **115 in Q1**, consistent with lenders broadening activity while repricing software risk. Overall, selectivity continued to define the market.

U.S. TECHNOLOGY VENTURE DEBT ACTIVITY



Source: Pitchbook. Sector deal value totals may exceed the overall market total, as methods used by Pitchbook to calculate sector totals versus total market activity may differ.

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WHY CONSIDER VENTURE DEBT

Runway Extension
Extends runway required to hit important milestones prior to next equity raise, which may help drive a higher valuation.

Less Dilutive Growth Capital
Enables continued investment in growth, while minimizing the dilution associated with raising equity.

Enhance Liquidity
Provides a cash cushion, which may act as "insurance" if it takes longer than anticipated to reach the next milestone or raise the next equity round.

Acquisition Financing
Reduces operating burn to provide more cash for potential acquisitions.

No Board Seat Requirements
Brings on a significant capital partner without impacting current board dynamic.

END-TO-END TRANSACTION SUPPORT

From initial query to cash in hand, we develop your strategy, evaluate potential lenders, solicit bids, and help you source the most favorable deals.

SAMPLE TRANSACTIONS

CareAcademy	predactiv	scratch
Term Loan	Term Loan	Term Loan

Recently completed debt deals. For our clients' confidentiality, only those clients who have authorized us to use their name and financing information in our marketing materials are listed. Clients listed do not necessarily endorse or approve of the debt advisory services provided by Capital Advisors Group.

KEY TEAM MEMBERS

Since 2003, we have worked side-by-side with emerging growth companies to help obtain the best terms and conditions for debt transactions ranging from $5M to more than $200M.

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