PEMBERTON

European Mid-Market Monitor

Insights into European Private Credit

October 2025

Executive Summary

As we wrap up Q3 and look ahead towards the sprint to year-end, we are encouraged by the strong levels of new investment opportunities we are seeing. Despite broader macroeconomic challenges, the mid-market continues to show resilience and activity levels remain encouraging. With 87 new introductions in the month of September, this marks the second busiest month of the year after a record-breaking March (98 introductions).

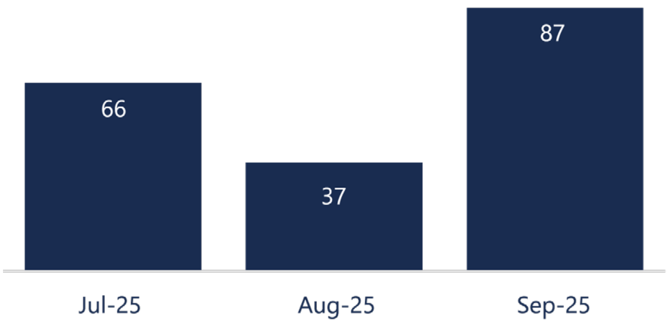
M&A volumes in Europe remain stable, with over half of our introductions tied to sales processes, while refinancings — including transactions into Continuation Vehicles (CVs) — continue to represent a prominent theme in the market. Credit quality is proving robust as inflation settles into a stable pattern across Europe. The rates backdrop remains supportive despite the ECB holding rates in August and the expectation for these to remain flat for the rest of the year. In the UK, we have continued to see quarterly cuts and now expect to see a stable period followed by a further cut in February albeit the November Budget could change that view.

In this update, we contextualise the market backdrop in Q3, together with a spotlight on the healthcare sector and France, which has been a particularly active market in 2025.

Direct Lending Deal Activity Q3-25[1]

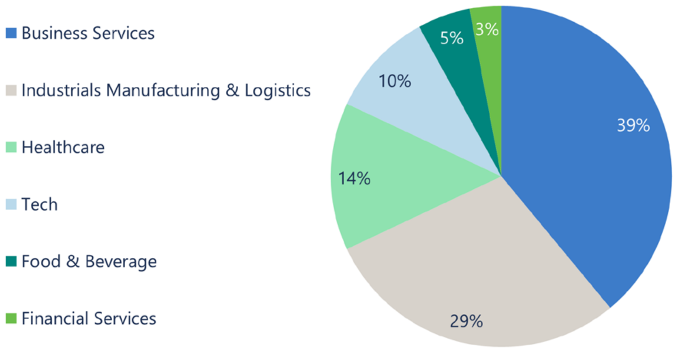
Q3 activity remained robust as we committed capital across 13 investments and add-ons, totalling €1.3bn, a strong result for what is traditionally a quieter quarter. The level of new investment introductions was strong at 190 and is broadly in line with Q1 introductions (193) which yielded a record quarter of deployment in Q2.

Direct Lending Deal Introductions



Source: Pemberton internal data as of 30 September 2025.

Introductions per Sector*



*Sectors as defined by Pemberton.
Source: Pemberton internal data as of 30 September 2025.

[1]Pemberton's direct lending funds include Mid-Market Debt (MDF), Senior Loan (SLF) and Strategic Credit (SCF).

Sector Focus – Healthcare

At Pemberton, the Healthcare sector includes several sub-segments including roll-ups of medical clinics across a variety of verticals (e.g. dentistry, radiotherapy, ophthalmology, fertility etc.), pharmaceutical companies, manufacturers of medical devices and products, as well as CDMOs (Contract Development and Manufacturing Organisations).

In 2025, Pemberton-managed funds have already completed 5 new investments in the space across Europe, representing one of the most prolific years for Healthcare since the pre-pandemic period. Key attractiveness factors of the sector for both lenders and sponsors include its defensive and counter-cyclical nature, solid and typically predictable market growth underpinned by secular trends, high profitability and steady free cashflow generation. Buy-and-build projects backed by strong sponsors with proven playbooks and track record are also particularly attractive offering the opportunity to scale capital deployment as assets grow via acquisitions.

For such reasons, Healthcare assets typically command healthy valuations with EV / EBITDA multiples averaging 12x across all new investments in 2025, with low LTVs (37%) / high equity buffers (63%) at moderate leverage levels of 4.5x on average[2].

In this context, Pemberton's credit underwriting process remains highly focused on evaluating the local funding and regulatory environments with significant differences across core Western European countries, conducting due diligence on the governance and ownership structures of borrowers, assessing the impact of technology / AI, the capex needs of a business and its M&A plans, alongside the quality of management teams and medical personnel (particularly doctors' partnership models in the case of roll-ups of clinics).

In the first half of 2025, Healthcare assets within the Pemberton portfolios displayed a healthy performance both in terms of revenue (+8.2%) and EBITDA (+11.8%) accretion on an organic basis, driven by a combination of volume growth, price increases, and operating efficiencies. For local European mid-market companies, the impact of the geopolitical instability triggered by the introduction of increased US tariffs globally has been limited so far, given the low degree of exposure on both revenue and costs, and we expect the Healthcare sector to continue being relatively insulated going forward.

The outlook for the second half of 2025 is moderately positive supported by stable regulatory frameworks, and companies continuing to invest in operational excellence, integration of acquired businesses, and extraction of synergies, offsetting potential margin pressure coming from persistent inflation on personnel expenses and operating costs.

[2]Valuation metrics are based on Pemberton's new investments within the Healthcare space to date in 2025.

Regional Focus – France

Pemberton's activity in France gained momentum through the first half of 2025, with deal flow accelerating in Q2 after a more measured first quarter due to low levels of M&A. Despite more challenging macro conditions, we deployed €722m as of September, comprising two new platform investments and several add-on transactions. Given the uncertain environment, we have taken a very cautious stance on credit quality and have remained extremely selective in the transactions we progress.

With private equity sponsors across Europe completing fewer new investments, our large portfolio has allowed us to benefit as their focus has shifted to add-on transactions that strengthen their existing companies.
This enables us to extend our established relationships with companies and sponsors we know well, creating attractive opportunities to provide additional financing solutions that support their growth strategies.

France is navigating a challenging political and macroeconomic environment. However, innovation-driven sectors are thriving — aerospace and defence sales surged 11% driven by geopolitical demand[3], AI-focused tech investment jumped 82% year-over-year[4], pharmaceuticals continue steady 5%+ growth[5], and tourism reached historic highs following the Olympics[6]. Luxury goods and agribusiness remain resilient, underpinned by strong fundamentals and France's market leadership position. Conversely, the auto sector, one of the hardest hit by US tariff policy, structural changes due to EV mobility and stiff competition more broadly, continues to face pressure. As does general manufacturing, which continues to be impacted by ongoing political instability and uncertainty.

France's evolving political landscape has created additional market headwinds during 2025, though precedent suggests the country has considerable institutional resilience. French markets have historically adapted well to political transitions, with investors typically adjusting their positioning rather than fundamentally altering investment strategies. We believe investors will respond similarly again. Although some will adopt a wait-and-see attitude, we are confident that supportive macro fundamentals and accumulated financing needs will in time create compelling opportunities both for deployment and capital raising.

Thanks to Pemberton's diversified portfolio, disciplined credit approach and strong origination network, we remain well positioned in France. Our market coverage and local expertise mean that we review around 80% of relevant transactions in the French mid-market[7], maintaining excellent visibility across the available deal flow. With several transactions targeted to close in Q4, the team expects to carry strong momentum through 2026 as delayed transactions come to market.

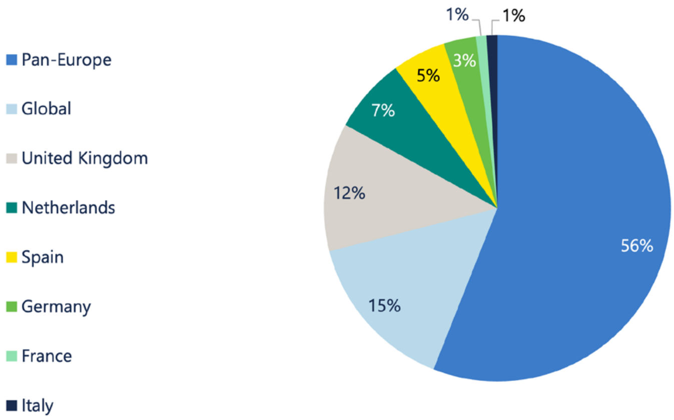
Overall, we believe current macroeconomic fundamentals remain supportive for mid-market financing, providing a solid foundation for continued deal activity once political uncertainties subside. This will help Pemberton's French operations deliver strong risk-adjusted performance as M&A markets strengthen.

[3]GIFAS 2024 Report.
[4]French Tech 2024 Report, Alexandre Dewez.
[5]Grand View Research France Pharmaceuticals Market, 2024.
[6]World Travel & Tourism Council (WTTC) Economic Impact Research, 2025.
[7]Based on Pemberton's understanding of the market.

Portfolio Overview[8]

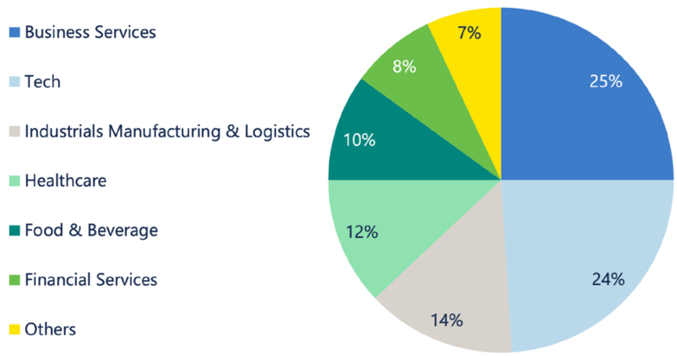
In Q2-25, Pemberton's portfolio companies across our direct lending strategies continued to deliver strong financial performance. Notably, 78.3% of the companies analysed, showed positive revenue delta, whereas 71.7% showed positive EBITDA delta.

Portfolio companies by region[9]



Source: Pemberton internal data.
Analysis is conducted on LTM revenue as of Q2-25.

Portfolio companies by sector



Source: Pemberton internal data.

Portfolio stats per Q2-25

€40.9m
Median company size (LTM EBITDA)

10.0x
Average EV/LTM EBITDA

4.4x
Average net leverage

Source: Pemberton internal data as of Q2-25.

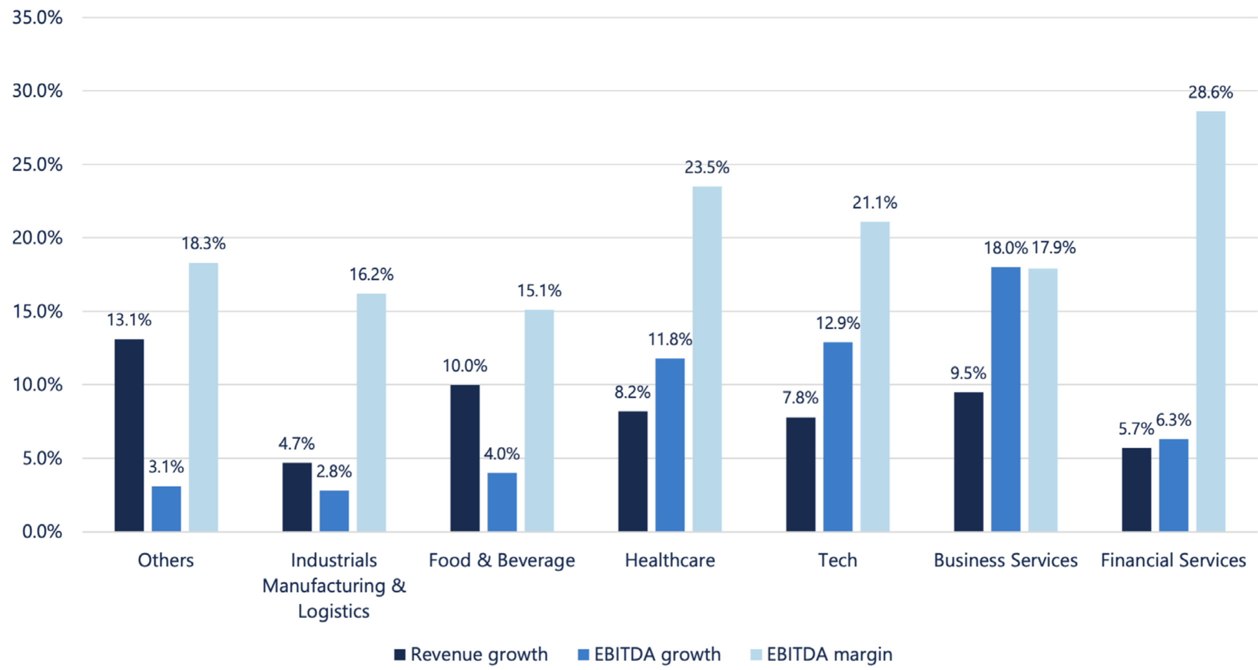
[8]Portfolio analysis is based on a sample size of 57 companies (same sample as previous Mid-Market Monitor, part of the Mid-Year Review 2025, published in July 2025).
[9]Borrowers with more than 50% of revenues within the country where they are headquartered will be classified as within that specific country. Pan-Europe: Borrowers who have more than 50% of their revenues outside of the country in which they are headquartered but still largely within Europe. Global: Borrowers who have more than 50% of their revenues outside of Europe.

Sector Performance Q2-25 vs. Q2-24

We saw robust revenue growth across all sectors, with standout performances in Others (13.1% revenue growth) and Food & Beverage (10.0% revenue growth). Financial Services showed more modest revenue growth at 5.7%, though this was offset by exceptional margin expansion.

Importantly, year-on-year EBITDA growth exceeded revenue growth in several sectors. This trend was most pronounced in Business Services (18.0% EBITDA growth vs. 9.5% revenue growth), Tech (12.9% vs. 7.8%), Healthcare (11.8% vs. 7.5%), and Financial Services (6.3% vs. 5.7%).

Average EBITDA margins remained strong across sectors, with Food & Beverage at the lower end at 15.1%, and peak margins recorded in Financial Services (28.6%), Healthcare (23.5%), and Tech (21.1%).



Source: Pemberton internal data as of Q2-25.
There is no guarantee that sector performance growth will be achieved in the future. Past performance is not a reliable indicator of future results.

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