



KKR

KKR Credit & Markets

Investment Insights

The Power of Credit

Q3 2025 Market Review

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“Roads? Where We’re Going, We Don’t Need Roads”

— Doc Brown

Executive Summary

The film *Back to the Future* opens with a wall of ticking clocks: some broken, some in sync, all measuring time but telling different stories. It is a fitting metaphor for today’s credit markets, where speed, timing, and structure matter more than ever. If Doc Brown were around today, he wouldn’t need to power the DeLorean himself. With access to an array of financing options, from sale-leasebacks to venture capital, he could bring in the right partners, align capital to purpose, and get his machine on the road. The market of 2025 looks nothing like the world of 1985, when Doc and Marty McFly first hit 88 miles per hour. But in some ways, *Back to the Future* got the arc right: it imagined a world where disconnected technologies — video, communication, navigation — converged into a single machine. Decades later, that vision feels familiar within the credit markets.

Today, while the basic function of connecting borrowers and lenders remains, the architecture has evolved. What was once a rigid system of siloed instruments has become a dynamic, cross-asset interface that is customizable, modular, and integrated. As we wrote at the [start of the year](#), this is no longer a world of standalone loans or bonds. It’s an integrated ecosystem of multiple financing lanes, where public and private markets intersect and investors operate across structures, geographies, and risk profiles. The real difference between now and 1985 (or even 1955) is the toolkit. We now have the infrastructure to facilitate access for a broader set of issuers and investors, enabling capital to flow with greater speed, precision, and purpose. In that way, perhaps the true flux capacitor of our time is the modern capital markets system itself. Although, without sufficient M&A and capital markets activity, there could be a glitch in the system.

Indeed, we have been emphasizing for some time the critical link between M&A and credit markets, particularly in the leveraged loan and direct lending market, a connection coming into even sharper focus now. While M&A activity lagged expectations earlier this year, contributing to a widening of the supply/demand gap, recent quarters have shown a modest turnaround. This time, strategics are leading rather than sponsors with corporate-to-sponsor transactions, corporate carve-outs, and structured equity taking center stage. But we should not get ahead of ourselves: activity is improving, but not sufficient yet.

Like Doc Brown’s flux capacitor, we believe today’s market demands precision and ingenuity. However, instead of 1.21 gigawatts of raw power, it runs on creative structuring and cross-asset solutions. These tools would have been foreign to most in the 1980s, except for a few visionaries who helped shape the market. Back in 1989, the leveraged finance market was predominantly high yield bonds and totaled ~\$189 billion. Today, the U.S. high yield is \$1.5 trillion. But more importantly, the opportunity set has transformed. The total addressable global credit market now spans more than \$45 trillion across corporate, asset-based and structured credit. This growth has been fueled by innovation, the globalization of capital flows, structural demand for diversified income, broadened access and the institutionalization of origination.

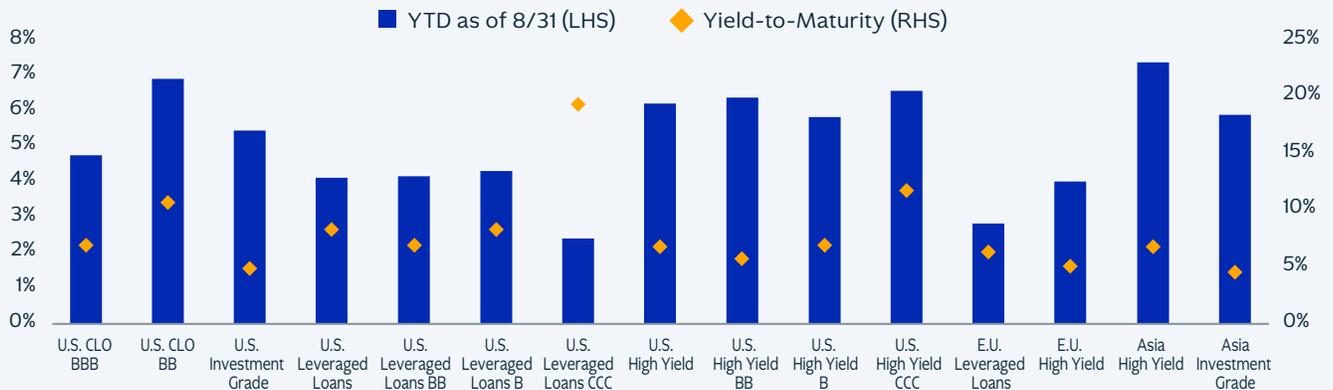
In our May note “V for Volatility: Part II?” we emphasized that not all volatility is created equal, a distinction powerfully underscored on Liberation Day. The volatility we saw in Q2 demonstrated the credit markets’ enhanced ability to distinguish signals from noise, displaying remarkable resilience relative to listed equities or rules-based products such as ETFs and CLOs. This resilience supports our continued stance in a carry over convexity environment, especially as spreads near all-time tights. At KKR, we are of the mindset that patient capital strategies are not rewarded for overreaching for risk to chase yield. Right now, we believe it is important to stay selective and disciplined. We would be remiss if we did not acknowledge that markets have been slightly exuberant and we feel it is prudent to recognize the interplay between fundamentals, technicals, and investor psychology. In other words, we appreciate it has not been easy to navigate these markets.

As our colleague Henry McVey notes in “Make Your Own Luck”, the capital formation landscape is undergoing profound transformation. The growth of alternative lenders and private company formation has directly contributed to the growing demand for non-traditional financing, and that is reshaping the capital stack. The private markets are not only expanding, they are also deepening, with broader institutional participation, scale, and increasingly segmented specialization that is translating into new, non-traditional M&A.

EXHIBIT 1

Global Credit Remains a Resilient & Consistent Source of Income

Year-to-Date Returns Across Global Credit Markets



Source: S&P LSTA LL Index, Ice BofAML, JPMorgan CLLIE, Bloomberg and KKR Credit Analysis as of 8/31/2025

This is not just a search for yield, but rather a response to the limitations of customized financing at scale. The opportunity today lies not only in access but in insight: understanding how scaled and specialized capital can deliver both returns and resilience. That, in turn, demands sharper engagement across the financing ecosystem, from originators and operators to the stakeholders impacted by these capital flows.

Yet in many respects, the credit markets are revisiting dynamics that defined the '80s: strategic corporate buyers deploying cash reserves, relationship-driven financing replacing off-the-shelf structures, and private capital stepping into roles traditionally engaged by banks, (predominantly high yield bonds and the emergence of bank loans). Markets are simultaneously going **back** to fundamentals with value and capital-light transitions while moving **forward** with innovative financing structures that bridge the traditional debt and equity boundaries. Like Doc's DeLorean, today's market is evolving to be the ultimate "partnership vehicle." Just as Marty and Doc needed each other's strengths to navigate time and its complexities, we are seeing unprecedented collaboration between strategics, sponsors, banks, insurers, capital allocators and asset-managers.

The old roads, traditional financing channels, are giving way to inventive financing solutions that merge the relationship-driven ethos of 1985 with the technological sophistication of 2025. Public and private markets, together, enrich the broader market, touch a wider range of constituents and provide critical access points to scaled credit for businesses to continue to operate and grow. The symbiotic relationship is real, and this is not a zero-sum game. However, successfully navigating this transformed landscape will require "making your own luck." At KKR, we are committed to blazing new trails rather than relying on old maps. There is no question that together we can handle the journey if we are able to sustain the speed, precision, and agility necessary to capitalize on opportunities appearing, and disappearing, at precisely 88 miles per hour.

With this framework in mind, we reflect on the themes that shaped our perspective this quarter:

I. Roads? Where We're Going, We Don't Need Roads Level setting on markets as the wiring under the capital markets and M&A dashboard is changing

- ✓ **Patience:** We believe that patient capital will be rewarded. In this environment, selectivity and discipline matter more than ever.
 - ✓ **Breaking down silos:** We continue to emphasize the importance of breaking down internal silos and integrating investment and capital markets capabilities to drive stronger outcomes.
 - ✓ **Geographic diversification:** remains a key element in our approach, as we continue to see differentiated opportunities across Europe and Asia-Pacific.
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II. "If My Calculations Are Correct" Corporates are taking center stage

- ✓ **Corporates Embracing Private Solutions:** Corporate issuers are increasingly taking action to achieve growth, M&A, and balance sheet efficiency.
 - ✓ **Multiple Paths to Value Creation:** We are leaning into carve-outs, capital solutions, and partnership structures to unlock value.
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III. 1.21 Gigawatts

The rise of partnership capital for investment grade issuers

- ✓ **Redefining "Partnership Capital":** What was once viewed as a liquidity stopgap or signal of weakness is now a proactive strategy for both corporates and sponsors to unlock flexibility and drive value.
 - ✓ **Evolution:** "Private IG" is still evolving; success will depend on corporate adoption, agility, and the ability to customize tailored solutions across the capital stack.
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IV. This Is Heavy, Doc

Worldwide, demand remains heavy and supply light with M&A and capital markets activity as the universal enabler

- ✓ **Stay proactive:** Global demand for creative capital and solutions is intensifying, especially in APAC (India, Japan, Korea) where deal activity and structural transitions are accelerating. In Europe, upcoming securitization reforms could unlock substantial new supply.
 - ✓ **Diversification Matters:** With supply constrained, the best opportunities increasingly require a global perspective and a willingness to partner across platforms and regions.
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Roads? Where We're Going, We Don't Need Roads

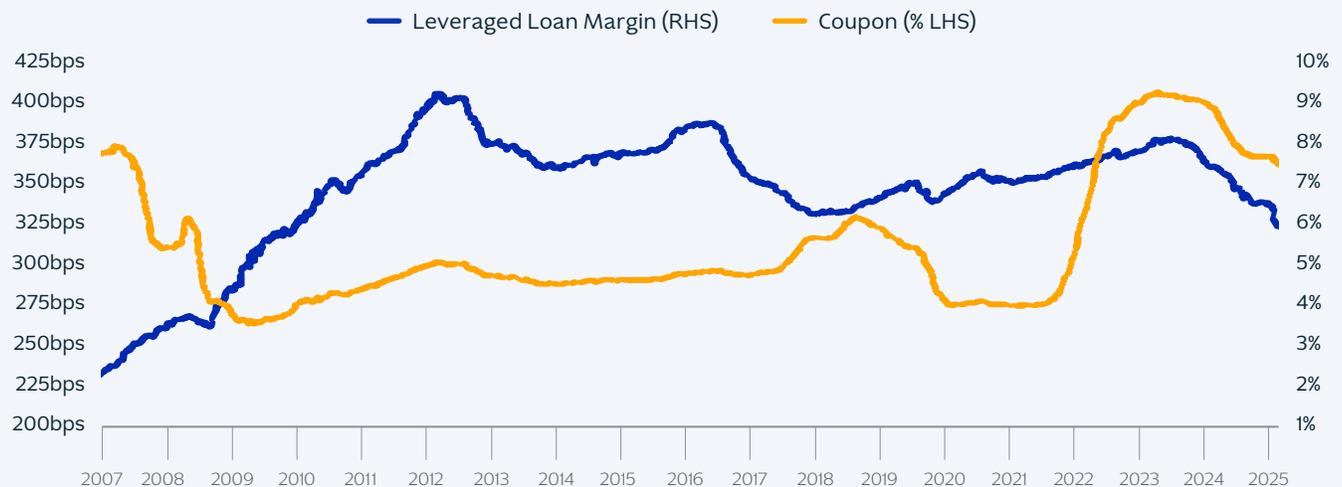
Sometimes the most important innovations happen not when you are racing ahead, but when you pause to understand what just occurred. We often look to history to help inform our view of the future, and 2025 is no exception. This year, the wiring under the capital markets and M&A dashboard is changing, and with it, the road map for capital allocation. Ten years ago, most transactions fit far more neatly into a single lane than they do today. You raised a leveraged loan or a high-yield bond for a buyout, or you issued equity for a strategic public acquisition, and that was it. Today, the market runs on cross-asset circuits. Transactions are no longer confined to a single format or defined by the origin of capital. This shift represents a structural redesign of how capital finds opportunity and how value is created; in our view, it is fundamentally reshaping the competitive landscape.

This evolution has unfolded against a macro backdrop that has also demanded agility. Looking back to Liberation Day in April, markets quickly gleaned the emotional clarity they had been waiting for. Several trade deals were struck, corporate earnings proved more stable than feared, and asset prices rebounded swiftly after the temporary tariff-induced dislocation. Credit spreads snapped back toward historical tightness, equities rallied, and sentiment shifted from defensive to opportunistic. The speed of the recovery reflected a persistent technical: with so much demand chasing limited supply, as more investors leaned in to deploy capital, spreads tightened further, reinforcing a self-perpetuating cycle of tightening and renewed risk appetite. Investors who stepped in during the disruption were rewarded, with the S&P up 33% from the lows as of September 15.¹ That rebound also restored confidence in forward deal pipelines, which had been hesitating on the sidelines earlier in the year.

EXHIBIT 2

The Environment Still Favors “Carry Over Convexity,” with Patient Capital Rewarded for Disciplined Credit Selection as Spreads Tighten

U.S. Leveraged Loan Margin vs Coupon



Source: Pitchbook | LCD, JPMorgan Research and KKR Credit Analysis as of August 31, 2025

Throughout Q2, the Federal Reserve remained measured, holding rates steady in June and July within the 4.25%–4.50% range. The July meeting struck a hawkish tone, with officials emphasizing inflation risks over labor market softness. However, hawks became doves again at Jackson Hole on August 22. In his remarks, Chair Powell noted that the labor market is in a “curious kind of balance” because of weakening in both supply and demand for workers. Given the rising downside risks to employment, Powell conveyed that this fact pattern may warrant adjusting the Fed’s policy stance. As remarks concluded, treasury yields fell, and the S&P rose touching year-to-date highs as the market became optimistic for a September cut.

On September 15, the much-anticipated FOMC meeting took place, with markets weighing the prospect of a 25 or 50 basis point cut. Officials ultimately opted for a quarter-point reduction and signaled two additional cuts before year-end. Chair Powell highlighted growing signs of labor market weakness, noting that labor demand has softened and the pace of job creation is now running below the break-even rate. Lower rates are generally supportive for

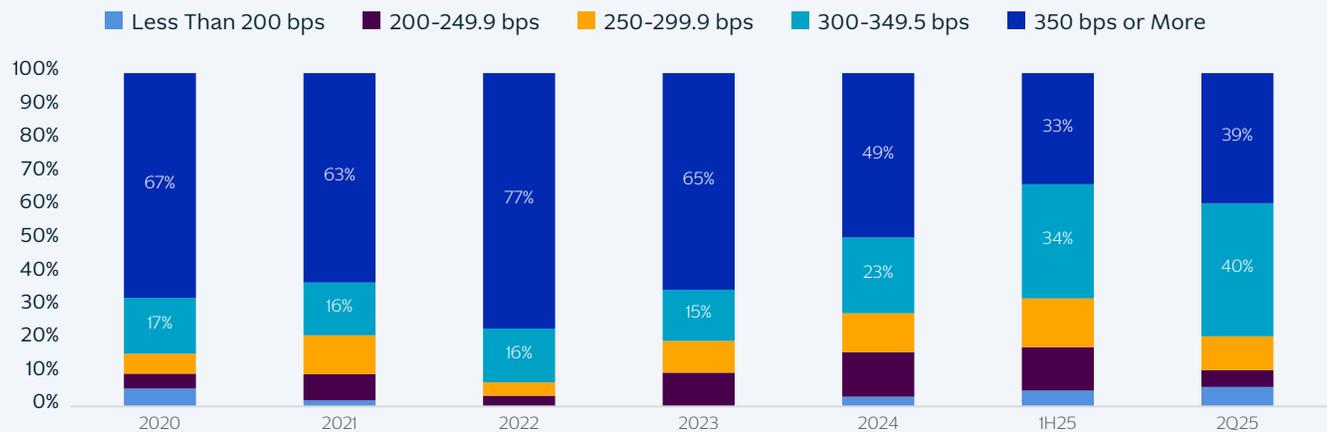
levered structures, which provides a tailwind to many segments of the private markets. Still, just as earlier rate hikes did not derail the economy on the way up, we do not see this initial cut as a cure-all. While helpful, a single 25 basis point move is unlikely to materially shift the economic backdrop. Our house view is that the Fed will need to deliver at least two more cuts in 2025 to bring policy closer to a level that can meaningfully support growth.

The less than feared tariff outcome set the stage for an active summer in credit markets, although we are starting to see more softness in the economy and data. Sentiment in the loan market, which stalled in April with a 15-day new issue drought, rebounded sharply higher as secondary prices recovered and CLO demand resumed. July and August’s ~\$53 billion² of global new-issue broadly syndicated loan (“BSL”) CLOs marked an eight-month high, while first-half CLO formation hit its fastest pace in the CLO 2.0 era. As a result, new-issue spreads tightened to multi-year lows, opportunistic issuance resumed, and repricing surged with \$151 billion³ in July alone, representing 75% of primary activity. Year-to-date institutional loan issuance reached

EXHIBIT 3

Despite Tighter Spreads, Careful Analysis of Fundamentals and Market Structure is Essential for Uncovering Attractive Risk-adjusted Returns in the Leveraged Loan Market

Pricing: Distribution of Weighted Average U.S. Leveraged Loan Spread



Source: LSTA Morningstar Leveraged Loan Index, Based on institutional tranches of \$100mm or more, excludes second lien loans as of June 30, 2025

\$720 billion⁴ as of August 31, of which over 80% comprises repricing and refinancings. This wasn't a technical bounce, it was a reassertion of risk appetite in the face of complexity. The last week of July was the highest-volume week for M&A for U.S. companies since 2021. Market participants attribute their renewed confidence to the expectation of lower rates and increased certainty from recent trade deal announcements. Yet, while refinancing has surged, forward returns and true capital formation will ultimately depend on a more consistent pickup in M&A activity — the key ingredient for the engine.

Direct lending has also remained a stabilizing force. Despite lower buyout deal counts in Q2, global direct lending volumes remained robust, with 112 LBOs financed in the first half of 2025 compared to 22 LBOs in the syndicated market for the same period.⁵ Notably, Europe stood out with record activity, averaging over 40 deals per quarter for the past nine months – the most active in five years. This reinforced our view of European private and leveraged credit as a source

of high-quality credit and relative value (ex- currency pick up), fueled by its fundamental and structural strength. The regional divergence is notable: Europe's structural tightness in bank lending and attractive valuations are prompting both sponsors and corporates to lean more heavily on private credit, which all ties back to M&A.

High yield mirrored this resilience, outperforming leveraged loans and investment grade returning +6.2%⁶ year to date as of August 31. Global high-yield bond issuance passed \$210 billion in the first half of the year, while U.S. investment-grade issuance reached \$1 trillion by August matching all of 2024's activity in just seven months. M&A-related bond supply also accelerated, with more than \$17.4 billion of non-sponsored issuance helping push total M&A/LBO issuance to a four-year high of \$26.6 billion through midyear. But less than 10%⁷ of primary investment grade issuance was earmarked for M&A, which remains low by historical standards.

EXHIBIT 4

The Last Week of July was the Highest-volume Week for M&A for U.S. Companies Since 2021

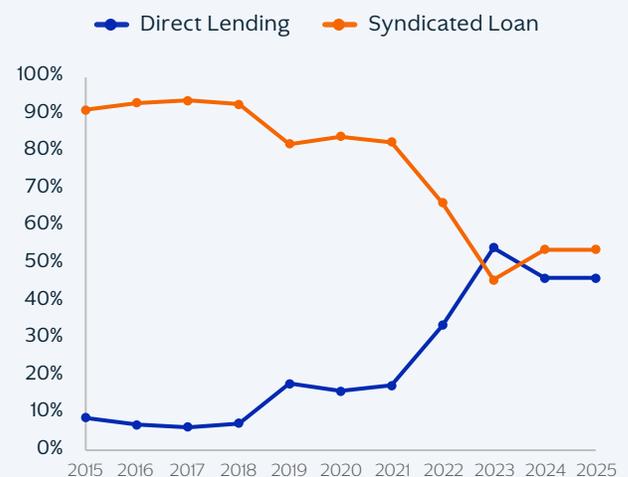
Acquiror	\$B	Date	Target
	\$85.0	7/29	
	\$25.0	7/30	
	\$17.5	7/14	

Source: Public filings and announcements, Bloomberg as of August 31, 2025

EXHIBIT 5

The Direct Lending and Syndicated Loan Market Continue to Prove Complementary Financing Avenues for Large Scale Buyouts

Share of Global Buyouts over \$1B



Source: Pitchbook | LCD based on count of LBOs in Europe and U.S. as of June 30, 2025

Asia leveraged credit markets reflected a similar tension between constrained supply and opportunistic demand. Net issuance across the region remains negative year-to-date, with ~\$175 billion of gross issuance offset by ~\$204 billion of repayments.⁸ But the story is not fully uniform. Japan stands out as a bright spot, generating over \$15 billion in net new issuance driven by banks, brokers, and insurers like Nippon Life and Nomura — attracting robust demand from global investors. In recent large deals, the vast majority, north of 70%⁹ in some deals, of orders came from non-Asia buyers, underscoring Japan's growing appeal. While growth sentiment in parts of Asia remains muted, yield buyers are driving spreads to decade tights. Japan continues to see strong interest from global allocators, drawn to the relative value in highly rated, liquid corporate issuers, particularly in the financial sector, where single-A risk is both abundant and well-priced. The recent steepening of the yield curve has also created a timely opportunity for domestic insurers to narrow their duration mismatch, supported by solvency ratios that remain 4-5x above regulatory minimums. Together, these dynamics are reinforcing Jap Japan's role as a structurally attractive market for long-term capital deployment and M&A activity.

In a similar vein, during the past quarter we leaned into short-duration, high-quality bonds issued by companies opportunistically refinancing in uncertain windows. These weren't trades for carry; they were trades for the curve. Many BB-rated issuers have been actively pulling forward 2027 maturities into 2025, offering not just yield, but potential for spread compression and upside. This proactive behavior reflects a broader corporate trend: locking in certainty today to preserve flexibility tomorrow. With yields for leveraged credit issuers now at post-2022 lows, driven by tighter credit spreads and lower base rates, high yield and leveraged loan borrowers have tapped the capital markets in force. Over the past three months, refinancing activity has matched 2024's record pace, averaging \$56 billion per month from June through August.¹⁰ Many issuers learned from prior dislocations that waiting can be costly, with delayed refinancing often met by harsher terms and tighter windows. In today's environment, hesitation isn't rewarded, readiness is.

EXHIBIT 6

The Supply/Demand Imbalance is a Global Phenomenon with Global Allocators Leaning into Leveraged Credit Across Asia-Pacific

(\$) Billion	2024			As of August 2025		
	Issuance	Repayment (incl. coupon)	Net Issuance	Issuance	Repayment (incl. coupon)	Net Issuance
APAC	219.0	290.0	-71.0	186.5	220.4	-33.9
AXJ	141.4	207.1	-66.0	94.9	148.9	-54.0
Japan	45.3	65.3	-20.0	60.5	43.5	17.0
Australia	32.5	17.3	15.2	31.1	28.0	3.1

Source: Bank of America Research as of August 31, 2025

Taken together, corporates and strategic buyers are increasingly embracing private market-style solutions once reserved for sponsor-led deals. This change signifies the breadth of tools of which companies now have access to fund acquisitions, carve-outs, and other strategic initiatives, (which we will discuss in more depth later in this note). In many ways, today's credit plumbing has become the market's equivalent of the DeLorean's circuitry: an integrated,

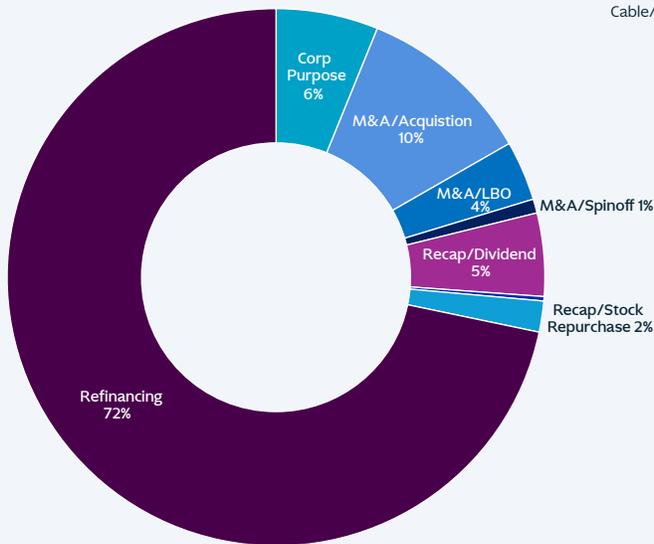
multidirectional network spanning public and private markets, liquid and illiquid capital, structured and asset-backed formats — all working in tandem to keep transactions humming even when traditional fuel sources run low.

The pipes are in place, but they are no longer just mechanical. They have become conduits for partnership and collaboration. This raises a compelling question: **Is M&A today's flux capacitor?**

EXHIBIT 7

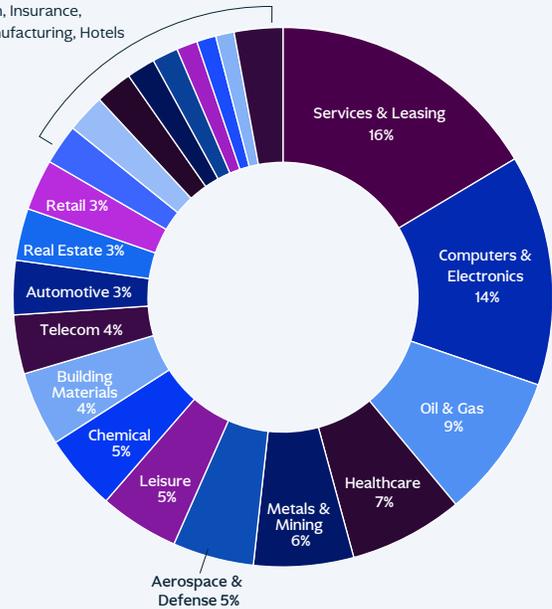
Opportunistic Refinancing Activity has Surged as Issuers Take Advantage of Post-2022 Lows in Yields and Credit Spreads

U.S. High Yield Use of Proceeds



U.S. High Yield Activity by Industry

~16.6% comprising of: Utilities, Transportation, Insurance, Cable/TV, Manufacturing, Hotels



Source: JPMorgan Research, Pitchbook | LCD, Bloomberg, and KKR Credit Analysis as of August 31, 2025

“If My Calculations Are Correct”

If our calculations are correct, this could be a defining era for corporate companies. Corporates are feeling increasing pressure to maximize value. U.S. corporates are generating over \$4 trillion¹ in annualized net cash flow, providing ample financial firepower to pursue M&A and reinvestment. While not all of it sits as cash on the balance sheet, this steady flow of liquidity gives corporates a stronger level of financial flexibility that often can be underestimated. Yet for many small and midsize companies, capacity constraints mean that taking action, not just relying on balance sheet strength, is essential. This is where tailored equity and debt solutions become valuable, and leaning into action has become a proactive strategy. While \$2.5 trillion² in global private equity dry powder continues to pursue opportunities across markets, we have seen strategic acquirers step up. This evolution is playing out both in who is transacting and how.

On the following pages, we outline the four key reasons why we believe corporates are stepping into the spotlight and giving rise to new financing avenues across the M&A landscape:

I. Shareholder Pressure Continues to Mount Presenting Corporates with Opportunity

II. Sponsors, Corporates, and the Opening Field

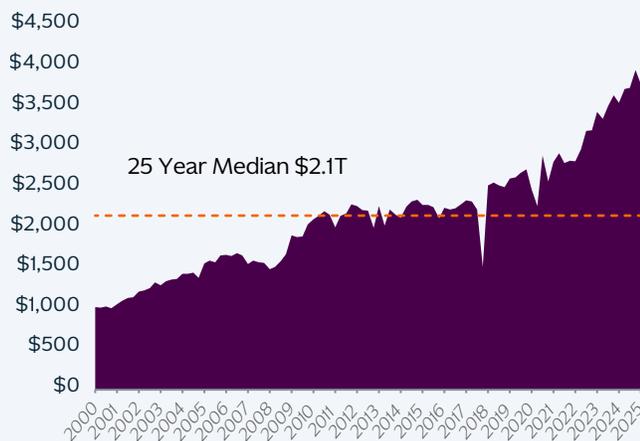
III. Their Toolkit has Expanded

IV. There is Pent-Up Demand to Transact

EXHIBIT 8

U.S. Corporates’ Robust Cash Flow Generation is Providing Strategic Flexibility for M&A and Reinvestment, Supporting the Evolving Shift in M&A Deal Making

U.S. Corporate Net Cash Flow (Annualized, Seasonally Adj, \$B)



Source: Federal Reserve Economic Data, Federal Reserve Bank of St. Louis as of January 2025. Corporate Net Cash Flow with IVA, Billions of Dollars, Quarterly, Seasonally Adjusted Annual Rate.

Nonfinancial Corporate Business; Debt as a Percentage of the Market Value of Corporate Equities (% Quarterly)



Federal Reserve Economic Data, Federal Reserve Bank of St. Louis. Nonfinancial Corporate Business; Debt as a Percentage of the Market Value of Corporate Equities, Level, Percent, Quarterly, Not Seasonally Adjusted.

Shareholder pressure continues to mount presenting corporates with opportunity

While some corporates are proactively addressing strategic gaps, others are acting out of necessity. A confluence of shareholder pressure, market underperformance, and rising demands for capital efficiency are pushing management teams toward action. For many, the tolerance for expansive conglomerate structures and stranded assets is wearing thin. Keeping things simple, margin enhancement, and clearer paths to value creation are back in focus.

This urgency is being driven in part by growing scrutiny around relative performance. Over the past five years, the S&P 500 has delivered headline-grabbing total return of nearly ~100%,¹³ but strip out the “Magnificent 7”, and the story looks very different. Known as “S&P 493” to some, the remaining 493 stocks have returned just ~30% over the same period.¹⁴ This divergence highlights how concentrated and dispersion-prone markets have become, with a small subset of mega-cap tech names driving the lion’s share of performance. In this environment, investors are seeking more than passive exposure. They want alpha and they are asking management teams and boards: what are you going to do about it?

This has led to more focused calls for segment-level transparency, improved capital allocation, and accountability around underperforming business units. Many companies are finding themselves in “prove it” mode facing pressure not just to tell a value creation story, but to show the steps being taken. This often means exploring divestitures, spinouts, or other creative structures that can unlock value from non-core assets and redirect focus toward margin-accretive growth.

One of the most consistent areas of opportunity in this environment has been corporate carveouts. These transactions typically occur when a parent company is looking to streamline operations, respond to shareholder demands, or reposition its portfolio around higher-return segments. It can also be an opportunity for a business to build itself into an independent entity from the ground up. KKR Private Equity has completed over 70 carve-outs in its history and see them as a core strength. These deals often come with structural complexity but also operationally low-hanging fruit, and the ability to create meaningful multiples on investment through hands-on value creation. In 2025, carve-outs and

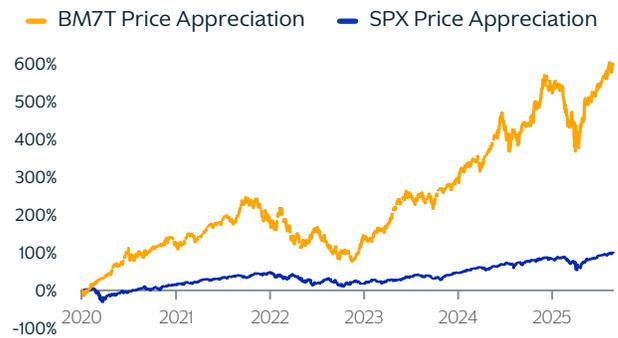
take-privates have represented much of KKR’s pipeline, a direct result of disciplined linear deployment and our focus on identifying good businesses we can make great.

Importantly, companies today are not just solely focused on price. They are seeking partners that can unlock synergies, accelerate transformation, and enhance long-term value. This shift sets the stage for a broader expansion of the corporate M&A toolkit and a fundamental change in how deals are structured, not just funded.

EXHIBIT 9

Market Returns Remain Highly Concentrated, with the S&P 500 Excluding the “Mag 7” Delivering Just a Fraction of the Index’s Headline Performance Driving Calls for Active Value Creation*

S&P 500 vs. Magnificent 7 Price Return 2020 - YTD 2025



Source: Bloomberg, Price Return SPX and BM7T as proxy for Magnificent 7 as of August 31, 2025.

EXHIBIT 10

Corporate Carve-outs Remain a Key Source of Opportunity, Offering Operational Low-hanging Fruit and Outsized Value Creation Potential

Average Value Creation Step Multiples Across Sectors



Source: Preqin as of June 03, 2025

Sponsors, Corporates, and the Opening Field

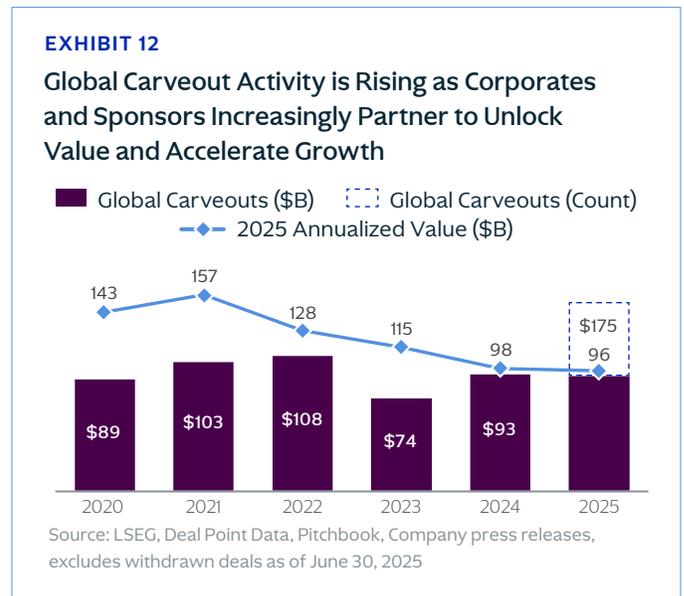
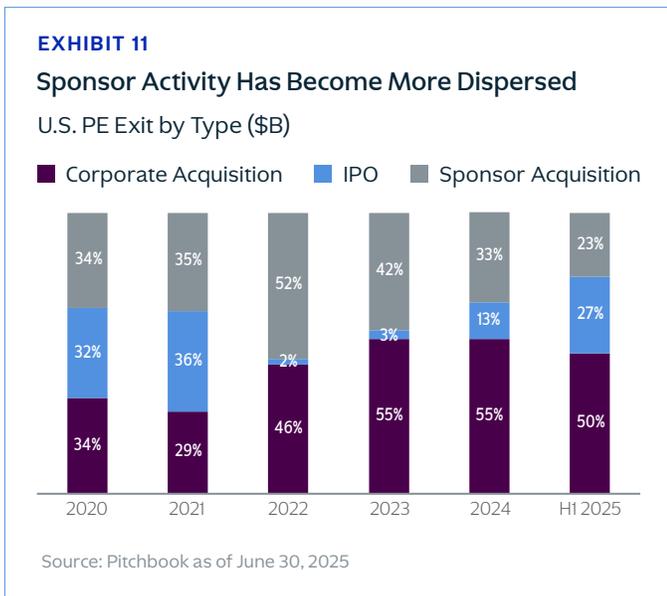
As shareholder pressure builds and performance dispersion widens, both corporates and sponsors are being challenged to “do better”—not just “do more.” The private equity industry’s impulse to lean in heavily during 2021–2022 proved costly for many, as over-deployment into peak-cycle conditions left portfolios overexposed, susceptible to prolonged closings, and in some cases, to underperformance. That experience, still influencing capital return decisions today, has driven rising dispersion across sponsors and, in our view, put a premium on disciplined deployment and operational improvement. At KKR, having learned this lesson in previous market cycles, our team remained disciplined with a linear deployment approach. Our focus is unchanged: identifying good businesses and making them great with operational improvement, unlocking new growth vectors and strategic repositioning as the core engine. And it’s working.

For many years, private equity sponsors dominated the deal tables, especially in leveraged finance. Before the Fed began raising rates in 2022, more than half of all buyouts financed in the broadly syndicated loan market came from sponsor-to-sponsor trades. That share has since fallen to roughly 30%¹⁵ and has remained rangebound. In fact,

KKR’s Americas Private Equity team has executed 21 deals year-to-date, with only ~5% falling into the sponsor-to-sponsor category. Many sellers remain anchored to peak-cycle multiples, while buyers have grown more disciplined on entry price. That bid-ask tension has cooled sponsor activity and delayed exits, particularly in secondary buyouts, creating an opening for corporates armed with intent, healthy balance sheets, and increasing private-market financing know-how or at least openness.

This approach has also influenced where we are seeing the richest opportunity set today: non-sponsor situations, particularly corporate carve-outs and take-privates, which are both areas where strategic intent, complexity, and the need for transformation intersect. These deals are about more than price or cheap leverage. They represent the new playbook for both sponsors and strategics alike who increasingly are seeking operational transformation, digital enablement, and platform expansion.

The new playbook is about unlocking value in carve-outs and take-privates, where strategic intent and operational transformation converge.



● Their Toolkit has Expanded

A decade ago, most corporate M&A followed a narrow template: buy with cash or stock, finance via banks, and aim for synergies. Today’s environment can be much more modular if warranted, mixing public and private solutions, minority and majority stakes, and creative financing. The rise of partnership capital has enabled corporates to execute complex deals without sacrificing control or balance sheet flexibility. Companies are increasingly adopting new financing structures to optimize CapEx, return capital to equity owners, recapitalize balance sheets and execute acquisitions. Companies are leveraging sale-leaseback technology, carve-outs, minority stake sales, and/or structured partnerships to unlock hidden value, recycle capital into higher-return initiatives, and reduce operational complexity.

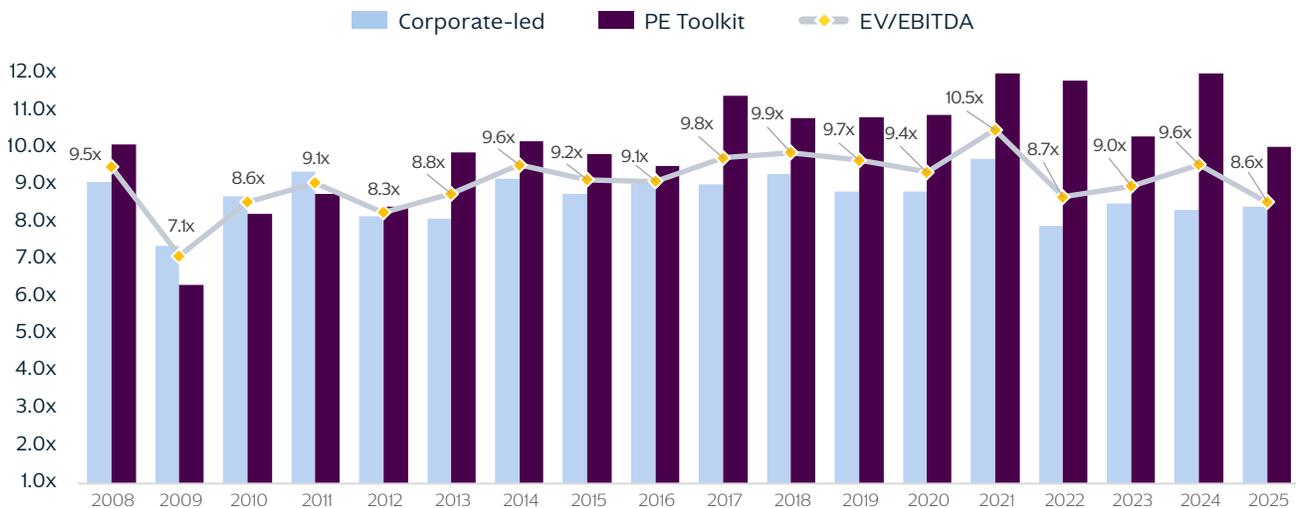
In our Capital Solutions group, ~50% of the most recent vintage comes from family/founder owned entities and strategics reinforcing the need for non-control partnership

financing. Critically, our sourcing is amplified by seamless connectivity with our private equity and real assets colleagues, allowing us to design and deliver bespoke solutions informed by deep sector expertise and long-term relationships. These cross-asset deal structures are never off-the-shelf but rather designed on a case-by-case basis to directly address what a company is looking for. In this new environment, value creation is the common denominator: whether through operational transformation, employee ownership benefits or strategic repositioning, both corporates and sponsors are pursuing transactions designed to deliver multi-year earnings growth and multiple expansion. But maximizing performance and achieving operational excellence today also means navigating the comprehensive challenges facing every business: geopolitics, policy disruption, and rising stakeholder demands around governance and transparency. This is precisely where patient, engaged capital can add and protect value by “buying complexity and selling simplicity.”

EXHIBIT 13

A New Era of Partnership is Upon Us as Both Strategics and Sponsors Increasingly Leverage the Private Equity Toolkit

Median North America & Europe M&A EV/EBITDA Multiples



Source: Pitchbook | LCD and KKR Credit Analysis as of June 30, 2025

We have been doing this for a long time. Over the last five years we have partnered with many corporates and family-owned businesses to design bespoke capital solutions that meet moments of inflection. These moments can be opportunistic, defensive and/or transformational - they are case dependent. In 2020, for example, we structured a \$500 million convertible preferred investment in US Foods that helped finance an acquisition and stabilize the balance sheet while enabling continued growth during a highly uncertain time. In some cases, companies are recognizing that their ambitions or the complexity of getting to the next phase may require new types of partners with specialized resources. Freeman, a family-owned business and leader in large-scale events was at such an inflection point when it set out to acquire Sparks, a prominent brand experience agency. This acquisition was transformative for the company, enabling Freeman to expand its capabilities and accelerate its growth. Having never taken outside institutional capital before, the Freeman family placed a heightened focus on finding a partner who understood both the industry and the company's values. Freeman recognized that executing a transformational acquisition would require not just capital, but also a partner with deep experience navigating M&A. By partnering with KKR, Freeman was able to execute the transaction and unlock new avenues for growth, while maintaining alignment on long-term strategy and governance.

More recently, we partnered with ETraveli Group and its sponsor by acquiring a significant minority stake in the form of a structured equity solution. This transaction allowed the company to continue expanding its global Flight Tech Platform, preserving future upside for both management and existing shareholders while positioning the business for new growth vectors. These are just a few examples out of many that we are seeing across the credit platform, as more companies are engaging in partnership solutions to pursue strategic growth initiatives. The ability to unlock optionality without having to choose a binary structure and path has facilitated a new breadth of opportunity for corporate borrowers and is reshaping what it means to raise capital. This model reinforces the broader theme we have been discussing. The private markets playbook is now being adopted by corporates themselves, who are using joint ventures, asset monetizations, structured debt and equity, and platform partnerships to get deals done on terms that are tailored to the situation and create value for all stakeholders.

True value creation today is about more than capital. We are in a new era where partnership capital can play a unique role that supports financing solutions with both debt and equity characteristics as Corporates focus on unlocking value, maximizing flexibility, and driving real operational change.

N There is Pent-Up Demand to Transact

Strategics are increasingly driving mega M&A transactions in this market, deploying their own considerable firepower. After two years of subdued activity, 2024-2025 has shown signs of renewed energy. This momentum has only accelerated in 2025, with companies having announced \$1 trillion¹⁶ of transactions since the start of June, representing a 30% year-over-year increase and the highest volume we have seen since 2021's record breaking streak.

The trend is unmistakably global and showing up in numbers. Global M&A surged 27% year-over-year to \$2.2 trillion in 1H 2025, including a 57% increase in \$10B+ deals and 72% more \$1B+ transactions.¹⁷ At the same time, private equity minority stake deals climbed 34% YoY, highlighting the rise of partnership-driven formats that blend strategic control with private capital flexibility.

These transactions lay the foundation for the next phase of value creation: one built on partnership capital, operational transformation, and balance sheet evolution from capital-heavy to capital-light models.

Partnership capital is increasingly being recognized, and sought after, by strategic sellers, who see private capital partners as accelerators of value rather than just sources of liquidity.

EXHIBIT 14

Cross-border M&A is Accelerating, with Asia-Pacific Representing ~30% Global Activity and \$282 Billion in Non-U.S. Deal Flow in the First Half of 2025

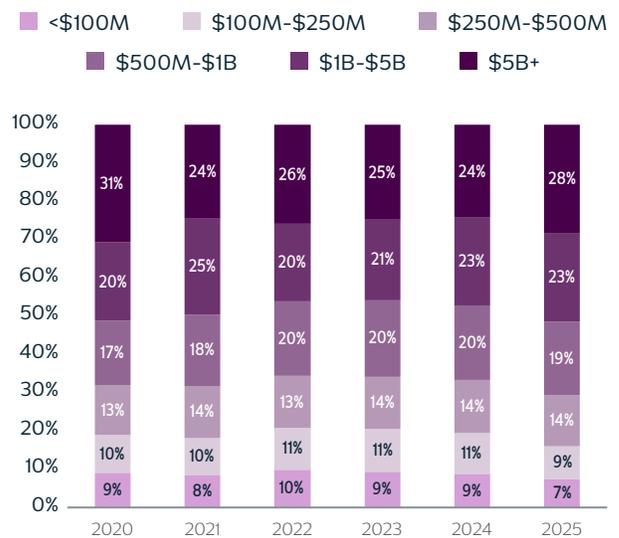
Europe is pacing for its busiest M&A year in more than a decade, aided by a valuation gap versus the U.S., divergent central bank policy, and strategic repositioning.

U.S. bidders have announced nearly 600 European acquisitions this year, outpacing European buyers in the U.S., and corporate carve-outs are gaining momentum in sectors from industrials to consumer goods.

Asia-Pacific, particularly Japan, is undergoing a carve-out renaissance as companies align with global capital-light precedents and streamline portfolios. Domestic and regional buyers are partnering more frequently with private capital to execute these transitions.

Cross-border flows are gaining momentum as regulatory clarity improves. Trade agreements between the U.S., EU, Japan, and Korea removing some of the uncertainty that had dampened corporate risk appetite.

Share of Global M&A by Size of Deal (\$B)



Source: Pitchbook | LCD and KKR Credit Analysis as of June 30, 2025

1.21 Gigawatts

If corporate motives with cash reserves and record deal volume are the chassis of today’s M&A machine, the real power source is something more fundamental: the ability to navigate a market where the old “puts” are no longer guaranteed. The era of near-zero rates, automatic IPO windows, and readily available buyers for large asset sales is firmly in the rear-view mirror. In its place is a more complex landscape where companies require multiple financing lanes and the agility to switch between them mid-journey.

This evolution was already evident in 2022, when direct lending became the go-to financing option for many transactions that once relied on the broadly syndicated loan market. It has only accelerated. As corporates grow more active and competitive, their financing needs are evolving in tandem. There is a growing focus now on structuring capital around long-term strategic objectives – not just deal execution. While we have often framed this shift through the lens of sub-investment grade issuers, today’s capital needs span the entire credit spectrum. Increasingly, investment grade corporates are also seeking bespoke, long-term partnership capital. This is fueling the rise of a newer category: private investment grade.

Like Doc Brown’s flux capacitor, the shift in mindset, from transactional to strategic, has unlocked a new energy source in the market. Corporates are now generating power where traditional lanes may fall short. As we highlighted last quarter, corporate IG isn’t niche. U.S. corporate IG is an ~\$1+ trillion market in the U.S. alone. Even modest reallocation toward private origination can fund major capital programs, close financing gaps, and offer corporates relationship-driven terms. This isn’t theoretical demand either. In 2024, U.S. long-term fixed income issuance rose by 26% year-over-year to \$10.4 trillion, of which corporates made up \$2.0 trillion (+30.6% YoY).¹⁸ Additionally, U.S. life insurers today hold ~\$850 billion of investment grade private placements (~14% of assets) and pension-risk transfer (PRT) volumes reached a near record \$51.8B in 2024, which reflects the investor side demand for investment grade assets.¹⁹

The market is clearly moving and continues to benefit from the capital-light transformation as one of the strongest tailwinds behind this trend. Mega-deals over \$10 billion

reached a record high in the first half of 2025, many driven by companies repositioning toward faster-growth, higher-margin businesses. Asset-heavy segments, be it manufacturing plants, logistics networks, or non-core subsidiaries, are increasingly being monetized and transferred to partners better positioned to optimize them, with 2025 on track to have the highest number of public company spin-offs since 2022.²⁰ This “back to core” movement unlocks shareholder value for the seller while creating attractive entry points for private capital to fund, transform, and scale the carved-out businesses.

For example, in July we partnered with Harley-Davidson in a transaction that helped transform its captive finance subsidiary into a capital-light business. By acquiring more than \$5 billion of existing and future retail loan receivables and a minority equity stake from Harley-Davidson Financial Services (“HDFS”), Harley-Davidson unlocked approximately \$1.25 billion of cash for reinvestment into its core business, debt reduction, and share repurchases all while retaining control of its origination and servicing platform. Upon the news of the transaction, Harley-Davidson shares rose nearly 18% pre-market. Transactions like this exemplify the broader evolution of partnership capital, even among investment grade corporates, where creative solutions and long-term alignment enable blue-chip companies to unlock value while maintaining strategic flexibility.

EXHIBIT 15

The Rise of Private Investment Grade and “Back to Core” Strategies is Fueling New Capital Flows and Partnership-Driven Mega-Deals

Global M&A Deals of \$10B+



Source: LSEG, Kirkland & Ellis and KKR Credit Analysis as of August 31, 2025

With precision comes complexity and with a new name comes the risk of a false sense of definition. Many market participants are speaking about private investment grade as if it had been a defined asset class for decades. But the truth is, there is no single definition, and everyone is also talking about it differently. What one insurer or asset manager includes under the “private IG” umbrella may look very different from another’s. This is not yet a mature category, but it is an example of dynamic evolution unfolding in real time. The demand for private investment grade credit is rising fast, especially from insurers and pension allocators seeking higher-yielding alternatives to add to long-duration portfolios, given spread tightening in transactional, public markets. The key distinction in private IG lies in the liquidity profile: by sacrificing some liquidity, investors gain access to proprietary origination and often command a premium, typically 150-200bps above corporate benchmarks, as compensation for complexity and illiquidity. That demand is fueling innovation, but it also carries risks. If appetite outpaces the availability of high-quality supply, we could see a repeat of past cycles: tighter spreads, looser structures, and a race to deploy capital that compromises long-term underwriting discipline.

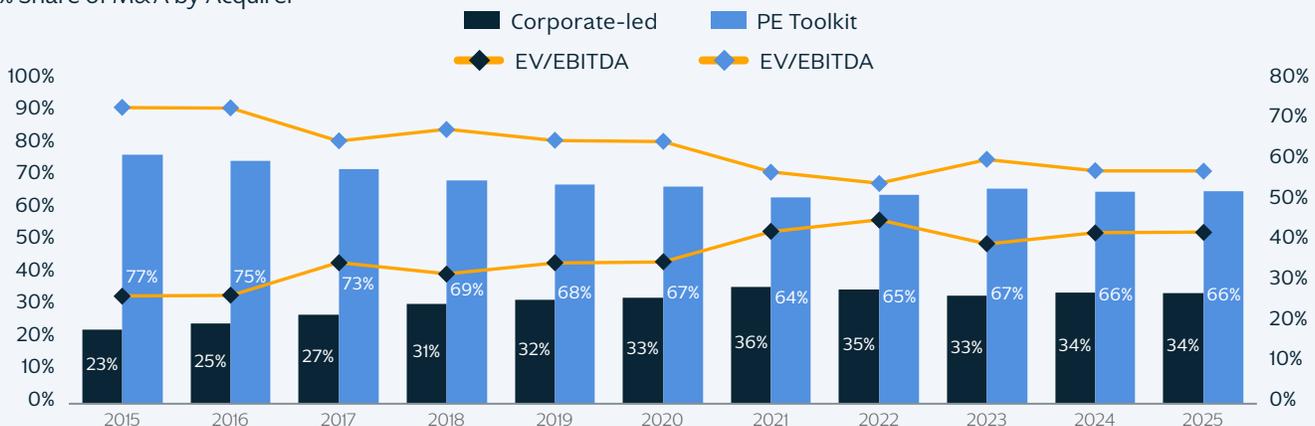
Similarly, as capital structures become more bespoke, execution increasingly requires subject matter expertise: not every team is equipped to navigate tailored financing solutions. That is why our overarching philosophy has been influential in future-proofing our platform: through steady investments in team structure, origination, organizational collaboration, and product innovation. We believe it is important to stay focused on each step of the journey even when growth seems rapid. Flexibility is critical, but it is not a substitute for underwriting discipline, alignment, or high-quality origination.

Thus, we are also seeing the rise of what we at KKR call “partnership capital”: creative financing structures that blend characteristics of both debt and equity, deployed across the capital structure and relevant to both investment grade and sub-investment grade companies. These solutions support transformative projects without overburdening balance sheets or diluting control. For investors, they present differentiated access to companies and the opportunity to be a true partner in value creation. For companies, they enable an action plan to move forward even when old roads are blocked. The unifying principle is agility; designing a capital structure that bends without breaking when conditions shift.

EXHIBIT 16

Partnership Capital Is Reshaping the M&A Landscape, Enabling Creative Solutions Across the Capital Structure for Both IG and Sub-IG Issuers

% Share of M&A by Acquirer



Source: Pitchbook | LCD and KKR Credit Analysis as of June 30, 2025

Increasingly we are seeing a market operating on multiple timelines, with companies returning to core and pursuing new structures. Partnership capital can be a powerful mechanism through which these objectives can be achieved. As we discussed earlier, the rise in corporate carve-outs, coupled with intensifying shareholder pressure, is forcing a re-evaluation of capital strategy. This is not just for sub-IG companies, but for investment-grade issuers as well. What might have once been viewed as stopgap liquidity or a signal of weakness by management teams of large public companies is now increasingly accepted or sought after as a tool for companies to unlock strategic flexibility and accelerate growth. This dynamic is pulling value creation back into the center of the M&A conversation.

In a market where speed, precision, and optionality define advantage, the best-positioned companies are those generating their own power — shaping capital to fit strategy, not the other way around. Just as Doc Brown's DeLorean needed 1.21 gigawatts to travel through time, today's M&A machine demands its own flux capacitor: a fusion of creativity, capital, and conviction. What is emerging is not merely a rebound from early-2025 volatility, but a more durable rewire. The traditional limitations between corporate and sponsor capital, debt and equity, public and private, are dissolving.

The financing toolkit has never been more dynamic and the question is no longer whether the flux capacitor works, but whether you have the 1.21 gigawatts to keep the DeLorean at speed.

What might have once been viewed as stopgap liquidity or a signal of weakness by management teams of large public companies is now increasingly accepted or sought after as a tool for companies to unlock strategic flexibility and accelerate growth.

This is Heavy, Doc

We have been building toward this point for many quarters: one of the biggest risks to the market today isn't excess, but scarcity. The demand for creative capital across M&A, partnerships and structured solutions remains "heavy," while supply, and especially net new deal flow still feels "light". More than ever, the absence of M&A poses more risk than the deal making itself. The fact that the market is becoming more of an interconnected network where corporate strategics, private equity sponsors, insurers, and lenders can collaborate to drive commercial outcomes and create value, is positive. The catalyst is a shift in mindset. Value creation is no longer synonymous with price alone, it now comes from strategic repositioning, capital-light transitions, and operational transformation.

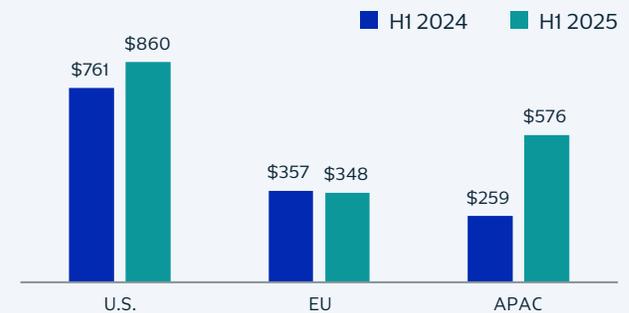
We have highlighted how the combination of capital-light business models, flexible financing structures, and cross-asset solutions is changing both the pace and the shape of deal-making. The last six months have reinforced that principle. Corporates are pursuing carve-outs, joint ventures, and structured partnerships not only to optimize balance sheets, but to sharpen strategic focus. Private equity sponsors, in turn, are leaning into creative exit paths, structured liquidity, and midlife co-investments to generate durable value in a higher-rate environment. Like all the trends we have discussed in this note, these forces are not limited to the U.S. and in fact, they are amplified in other regions.

Across Asia-Pacific, underappreciated tailwinds are driving both capital demand and structural repositioning. We see opportunities in this transition: asset divestitures, capital solutions, and structured credit supports this realignment. Companies across APAC are increasingly repositioning in real time and this is being done several ways: selling non-core assets, recapitalizing HoldCos, or seeking non-dilutive growth capital. But these are not distress-driven deals. They are change-driven, forward-looking moves by corporates and promoters/families proactively reshaping portfolios, funding cross-border expansion, and improving capital efficiency.

EXHIBIT 17

Rising M&A Across APAC Reflects "Heavy" Demand for Strategic Capital, with Corporates and Sponsors Collaborating to Unlock New Growth and Reposition Portfolios

First Half M&A YoY (\$B)



Source: LSEG and Pitchbook as of June 30, 2025

For example, in India resilient domestic growth has supported strong private market activity, with credit fueling essential services and expansion across sectors like healthcare and technology. KKR's recent \$600 million financing for Manipal Group illustrates this dynamic: a flexible, long-term solution that recapitalized the holding company and positioned it for future acquisitions and M&A. By matching capital to strategic ambitions, transactions like Manipal highlight how private credit is enabling Indian corporates to accelerate growth in a rapidly evolving market. Southeast Asia is seeing asset carve-outs and new industrial strategies, as corporates reposition supply chains and seek partners for regional growth. In Japan and Korea, we see an uptick in private IG and partnership capital: companies are selling legacy subsidiaries, restructuring to align with shareholder value, and using flexible financing to fund global CapEx and navigate generational change. These are just a few examples that represent a broader regional trend: credit markets are increasingly functioning as strategic toolkits. The thematic link back to the West is clear: companies in APAC, just as in the U.S. and Europe, are transitioning toward asset-light models, unlocking value through operating leverage, and using bespoke capital structures to future-proof their growth.

Another theme we would like to highlight is the potential for a securitization renaissance in Europe. Despite a world-class base of corporates, insurers, and pension funds, Europe’s securitization markets have remained underutilized. Securitization issuance in the EU totaled just €245 billion in 2024, a fraction of the \$1.3 trillion U.S. market. European insurers allocated just 0.33% of assets to securitizations compared to 17% in the U.S., underscoring the magnitude of untapped demand. This is a clear case of heavy demand meeting light supply – and it’s not a gap that will close on its own.

Recent policy momentum points to regulatory friction as much of the traffic jam. As Henry McVey noted in his Midyear Outlook, capital charges, STS eligibility hurdles, and complex frameworks have constrained the market far more than any lack of investable assets or investor appetite. However, reforms to Solvency II, the Capital Requirements Regulation, and the Securitization Regulation are targeted to address those frictions directly by simplifying frameworks, expanding eligible asset classes, and enabling more capital-efficient investing. As these changes take hold, we believe issuance could accelerate meaningfully.

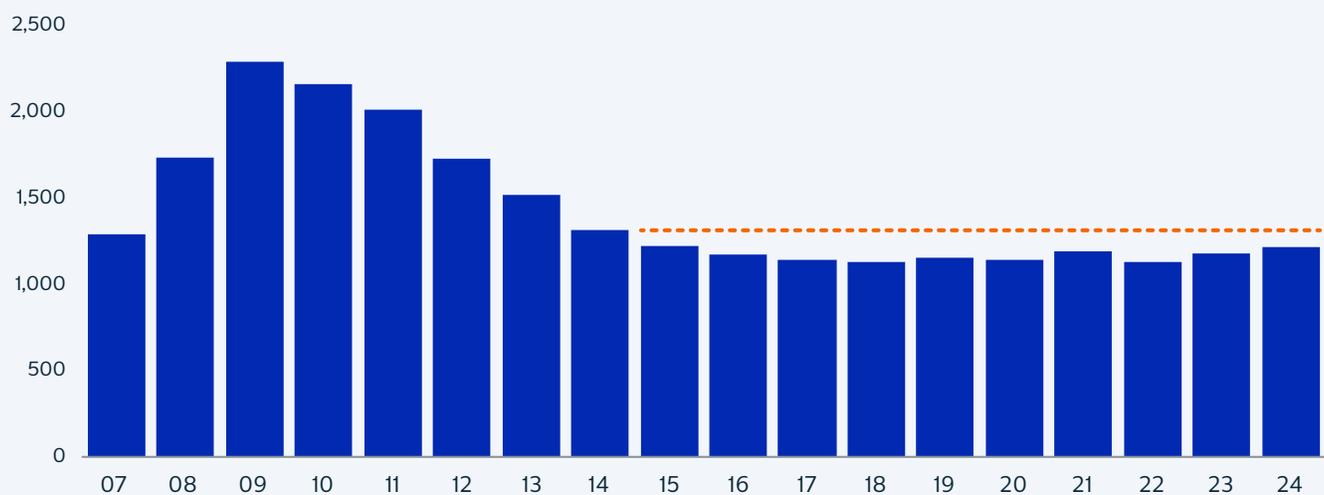
If even partial normalization occurs, for example, insurers moving to a 10% securitization allocation, or SME securitization coverage rising from 5% to 20%, the incremental opportunity could exceed €1 trillion annually, reinforcing the opportunity for high grade asset-based finance solutions in the region.

The range spans insurance portfolios, corporate and SME lending, infrastructure-linked assets, and residential mortgages, where securitization is less developed than in the U.S. A reactivated securitization market in Europe would help move risk off bank balance sheets and expand access to capital across sectors. This illustrates the structural analog to the capital-light transformation playing out in corporate strategy, an area where we have high conviction as both a credit and capital markets solution for Europe’s next chapter. Yet for now, the market remains in the “heavy demand, light supply” dynamic, a reminder that progress from here depends on unlocking real product and net new deal flow.

EXHIBIT 18

The Total European Securitization Market has Held Flat at €1.2 Trillion for Nearly a Decade

Outstanding European Securitisation Volumes (EUR Billions)



Data as of December 31, 2024. Source: AFME, Deutsche Bank Research.

Footnotes

1. Bloomberg as of September 15, 2025
2. Pitchbook | LCD and KKR Credit Analysis as of August 31, 2025
3. Bloomberg, JPMorgan Research and Pitchbook | LCD as of August 31, 2025
4. Bloomberg, JPMorgan Research and Pitchbook | LCD as of August 31, 2025
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7. Goldman Sachs Research as of August 21, 2025
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10. JPMorgan Research as of August 29, 2025
11. Federal Reserve Economic Data, Federal Reserve Bank of St. Louis as of January 2025
12. Preqin, Pitchbook as of June 30, 2025
13. Bloomberg price return from January 2020–August 29, Bloomberg SPX and BMYT
14. Precise figures may vary depending on methodology, weighting and dates used
15. Pitchbook as of June 30, 2025
16. Bloomberg
17. Pitchbook | LCD, Bloomberg
18. SIFMA 2025 Capital Markets Report July 2025
19. LIMRA, AON US PRT Insurer Survey as of 12/31/24
20. Deal point data, company press releases and public filings

* BM7T is Bloomberg Magnificent 7 Total Return Index: an equal-dollar weighted equity benchmark consisting of a fixed basket of 7 widely-traded companies classified in the U.S. and representing the Communications, Consumer Discretionary and Technology sectors as defined by Bloomberg Industry Classification System (BICS)

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