THL in Action

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Navigating Uncertainty, Unlocking Growth: Why Middle Market Companies Need a Strategic Capital Markets Approach

In today's uncertain macroeconomic environment, middle market companies face a complex financial puzzle: how to achieve growth while managing higher interest costs, preserving flexibility, mitigating risk, and navigating dynamic and rapidly evolving credit markets. For businesses looking to invest in new products, expand into adjacent markets, build and upscale critical IT infrastructure, or attract and retain top talent, access to capital—and the structure of that capital—can make the difference between acceleration and stagnation.

But most middle market companies don't have dedicated capital markets functions. And that gap can lead to mispriced debt, lack of access to capital, limited operational flexibility, and missed opportunities.

That's where a proactive, integrated capital markets partner becomes essential. Rather than viewing capital markets as a one-time transaction at deal close, leading investors and operators are embracing it as a dynamic discipline.

> **"Capital markets approaches should evolve and respond to changing conditions, not remain static," said Greg Maxon, Managing Director and Head of Capital Markets at THL.**
>
> **"We monitor our portfolio in real time and manage our capital structures proactively. If there's an opportunity to reduce cost, extend runway, or reduce risk—we will bring it to the table."**

The Challenge: Managing Capital Structures in a Volatile Market

One of the most pressing challenges middle market companies face is striking the right balance between flexibility and cost, particularly as markets evolve and experience volatility.

> **“The number of markets that middle market companies can access for capital has expanded,” noted Katy Hedlund, Director, THL.**
>
> **“And each can react differently to the same macroeconomic events. Selecting the right market, engaging with the right counterparties, and negotiating the right flexibility enables management teams to more freely and efficiently execute on value creation plans.”**

This dynamic is especially difficult for middle market companies that lack in-house capital markets expertise. Decisions around syndicated markets versus private credit—weighing pricing, call protection, documentation flexibility, and counterparty selection—require deep specialization. These choices have real consequences, and the wrong decision can limit growth, restrict liquidity, or even threaten a company’s financial stability.

THL’s Capital Markets team evaluates every transaction in terms of structure, timing, and company-specific priorities. Their job isn’t just to find the cheapest debt, but the optimal structure.

The Solution: Proactive, Portfolio-Wide Surveillance

It begins with rigorous monitoring. Each quarter, THL conducts capital structure stress testing across the portfolio, assessing leverage, interest coverage, covenant cushions, liquidity, and maturity profile.

This review process feeds directly into action. THL Capital Markets meets regularly with portfolio company CFOs to advise on refinancings, hedges, or structural changes where appropriate.

> **“We don’t wait for banks, lenders, or management teams to come to us,” said Hedlund.**
>
> **“In fact, most of our repricing and maturity extension activity starts with us flagging the opportunity and leading the charge.”**

In 2024 alone, THL’s Capital Markets team drove:

$2 billion
in new capital raises to support growth and liquidity

$10 billion
in repricings to reduce interest costs

$5 billion
in maturity extensions to minimize refinancing risk

Each move was tailored to the company’s specific structure, market timing, and cash flow profile—and often executed without hiring outside advisors.

> **“In many instances, companies need an outside advisor or banker to manage this complexity,” said Maxon.**
>
> **“But for our portfolio companies, having access to this capability in-house is a clear benefit. Management teams know the advice they receive from our team is aligned with the company’s broader goals.”**

Hedging, Risk Management, and the Education Gap

Many middle market companies have never hedged interest rate exposure, let alone designed a layered strategy across multiple debt instruments and durations. This is where a strong partner can make all the difference.

> **“We are ready to help at every stage,” said Hedlund,**
>
> **“providing insight on alternatives, quarterbacking the process, and helping drive outcomes without adding friction. It’s our job to think about capital structure so that management teams can focus on what they do best: bringing great products and services to market.”**

One recent example involved a company that had never executed an interest rate hedge. The Capital Markets team designed a customized hedge strategy, helped educate and gain approval from the board, coordinated the auction with counterparty banks, and helped the company execute a hedge that aligned with the company’s cash flow risk profile—all without external advisors.

These strategies vary: some companies opt to hedge 100% of floating exposure; others prefer more modest coverage with out-of-the-money strikes to minimize cost. The point is customization—and support.

> **“We aren’t running the same playbook for every situation,” said Maxon.**
>
> **“We build a bespoke solution that works for the business.”**

When the Stakes Are High

In times of stress or uncertainty, having a strong Capital Markets partnership becomes even more critical. During the 2023 US banking panic, THL immediately reviewed counterparty risk across the portfolio and identified companies with potential cash exposure at high-risk banks. Fortunately, most were insulated—but certainty in uncertain times is critical for counterparty relationships and business continuity.

In a more acute case, one portfolio company faced a cash need to fund a working capital build in connection with an uptick in demand. The Capital Markets team rapidly structured and executed two highly customized financings: an accounts receivable securitization and a privately-placed term loan that generated more than enough cash the company needed to service their growing demand. These were not off-the-shelf deals. They required direct lender negotiations, specialized documentation, and a clear understanding of the market landscape to ensure the best execution.

> **"When markets are choppy or you need a unique solution, you can't rely on there being a straightforward bank solution," said Hedlund.**
>
> **"You need a thoughtful market approach, strong relationships, and creativity."**

Building Structural Leverage into Value Creation

The team's work starts before the ink is dry on a deal. In diligence, THL designs capital structures to support value creation plans—especially for platforms that will grow through M&A. Whether that means tapping syndicated markets for low-cost financing or using direct lenders to secure committed delayed draw term loans, the goal is always to enable execution.

> **"Some companies need dry powder for acquisitions. Others may be looking for the lowest cost with minimal call protection," said Maxon.**
>
> **"The goal is to help investment teams get the structure right on day one, and then evolve it as needed over time."**

This is especially critical in a market where private credit and syndicated loans offer very different tradeoffs. Understanding which market to access—and when—can materially impact both the cost of capital and the company's ability to grow.

Constant Contact, Continuous Improvement

Behind the scenes, THL Capital Markets maintains regular contact with deal teams and management, sharing weekly market updates, coordinating twice-yearly vertical reviews, and staying tightly aligned with THL's portfolio operations.

> **"We're not just watching the dashboard," said Hedlund.**
>
> **"We're on calls, in boardrooms, and working directly with CFOs to improve their capital structures and spot opportunities."**

Some companies schedule monthly standing meetings with the Capital Markets team. Others loop them in when a specific need arises. In every case, the value lies in continuous dialogue and partnership.

Key Takeaways for Middle Market CEOs and CFOs

01

Capital markets strategy isn't a one-time event.
Debt should be actively managed—not just priced at close and revisited at maturity. In volatile markets, small missteps in structure or timing can compound into higher costs and elevated risks.

02

Debt structure impacts growth just as much as cost of capital.
Choosing the right mix of instruments (term loans, revolvers, asset-backed facilities, preferreds) isn't just about minimizing interest expense—it's about enabling strategic investments, acquisitions, and operational resilience.

03

Customized hedging strategies can protect balance sheets.
Many mid-sized companies lack in-house hedging capabilities. A good capital markets partner can help develop interest rate and FX strategies that align with cash flow needs and rate uncertainty, without adding unnecessary complexity.

04

The right partner brings ideas before there's a problem.
Proactive capital markets advisors should surface financing options early—not in response to inbounds. Early intervention can reduce risk, avoid fire-drill scenarios, and improve outcomes.

05

Market access and relationships matter.
In stressed markets or challenging situations, execution hinges on lender relationships, creativity, and deep market knowledge. Companies without a capital markets partner can struggle to secure financing quickly or on favorable terms.

Learn more at **www.THL.com**