



## **Rating Action: Moody's Ratings upgrades MidCap Financial Issuer Trust's senior unsecured rating to Baa2; outlook changed to stable**

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09 Jan 2026

New York, January 09, 2026 -- Moody's Ratings (Moody's) has upgraded MidCap Financial Issuer Trust's (MidCap) backed senior unsecured notes and senior unsecured bank credit facility ratings to Baa2 from B1. We have also assigned MidCap a Baa2 long-term issuer rating and a Baa3 (hyb) rating to the company's backed junior subordinated notes, as well as a Baa2 rating to the company's new backed senior unsecured notes. The outlook was changed to stable from positive.

The company's corporate family rating was upgraded to Baa2 from Ba3 and will be subsequently withdrawn because this rating is an anchor rating for speculative-grade issuers (ratings Ba1 and below).

Today's rating action follows the announcement by MidCap that it has priced \$3.1 billion in senior unsecured notes and junior subordinated notes, with expected funding on 15 January 2026. The new notes will be used to repay secured indebtedness. The company also adopted several new, more conservative, financial policies.

### **RATINGS RATIONALE**

The ratings upgrade reflects the significant improvement in MidCap's liquidity, funding and capitalization, as well as our inclusion of affiliate support uplift based on our expectation that there is a moderate probability that Apollo Global Management, Inc. (Apollo; A2 Stable) would provide support to MidCap if necessary.

The proceeds from the issuance of \$2.1 billion of junior subordinated notes, which we treat as hybrid equity securities, and \$1.1 billion of new senior unsecured notes will be used to repay a portion of MidCap's secured bank credit facilities, significantly reducing its reliance on secured financing and increasing unencumbered assets, which enhances the company's liquidity profile by providing it with financial flexibility to access alternative sources of liquidity if needed.

In addition to the capital structure transactions, MidCap has also adopted new financial policies, including a target net debt to tangible equity (including 50% of the junior subordinated notes as equity) ratio of 2.5x or lower, which was previously targeted between 4.0x and 4.5x, and a target net secured debt to assets ratio below 30%, which was historically maintained above 60%. These factors are a key driver of today's rating action, and an important consideration in our assessment of governance under Moody's Ratings' General Principles for Assessing Environmental, Social and Governance Risks. Accordingly, we have changed our Credit Impact Score to CIS-2 from CIS-3 and our Governance Issuer Profile Score to G-2 from G-3.

Proforma for the issuances, we expect net secured debt to assets to initially be around 40%, declining to below 30% within 12 months as the company issues additional senior unsecured notes to repay secured debt. The company is also committed to maintaining minimum liquidity of \$2.0 billion, which can include cash, short-term receivables, and committed undrawn debt and equity, further bolstering its credit profile.

The Baa2 issuer and senior unsecured ratings are based on the company's standalone assessment of baa3 and one notch of affiliate support uplift. The company's diversified and entirely first-lien-oriented investment portfolio remains a core strength and supportive of the standalone assessment. MidCap has also exhibited very low credit losses over time with only 26 basis points in average annual net losses since 2009. The company's profitability has been solid recently, with a return on average assets of 2.4% for the last 12 months ending 30 September 2025. Importantly, unlike regulated investment companies like business developments companies (BDCs), MidCap has the ability to retain its earnings, if needed.

Key challenges include the nature of the company's lending activity, which includes a significant allocation to riskier categories like leveraged lending to sponsor-backed, middle market borrowers and venture lending. MidCap also has significant exposure to unfunded loan commitments to borrowers, which could create extra liquidity needs during times of stress. However, the company's well diversified borrower pool and improved liquidity help to offset this risk.

The inclusion of one notch of affiliate support uplift is based on our assessment of the strategic importance of MidCap to Apollo, including Apollo's commitment to improve MidCap's financial profile through the recent actions. We view the transaction and the company's new financial policies related to liquidity, funding and capitalization as indicative of Apollo's positive influence on MidCap's governance and its commitment to maintain MidCap's improved credit profile through a credit cycle.

We attribute 50% equity credit to the junior subordinated notes given their 30-year maturity and the company's ability to defer coupons for up to five consecutive years, which we consider a sufficient length of time for the issuer to return to a stronger credit profile, if needed. The junior subordinated notes also have no meaningful step-ups. They are rated one notch below the senior unsecured rating due to their higher expected loss and relative priority of claim.

The stable outlook reflects our expectation that MidCap will continue to produce solid earnings and maintain its highly diversified and first-lien-oriented investment portfolio, which should support solid asset quality performance. We also expect that the company will reduce its secured debt to assets below 30% within the next 12 months while maintaining leverage consistent with its updated target.

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#### FACTORS THAT COULD LEAD TO AN UPGRADE OR DOWNGRADE OF THE RATINGS

We could upgrade MidCap's ratings if the company meaningfully improves its capital, funding and liquidity while maintaining very low credit losses and non-accruals or we attribute a higher probability of support by Apollo, which could result for example if Apollo meaningfully increases its ownership of MidCap.

We could downgrade MidCap's ratings if the company: 1) delivers poor earnings as a result of weakened asset quality performance; 2) does not sustain debt to tangible equity of 2.5x or lower; 3) fails to sustain a secured debt to assets ratio at or below 30%; 4) demonstrates a weaker liquidity position than targeted or builds significant debt maturity concentrations; or 5) if MidCap's strategic importance to Apollo diminishes, leading to our assessment of a lower probability of support by Apollo.

The principal methodology used in these ratings was Finance Companies published in July 2024 and available at <https://ratings.moodys.com/rmc-documents/425167>. Alternatively, please see the Rating Methodologies page on <https://ratings.moodys.com> for a copy of this methodology.

MidCap Financial Issuer Trust's "Assigned Standalone Assessment" adjusted score of baa3 is set two notches above the "Financial Profile Score" score of Ba2 to reflect the company's improved liquidity, funding and capitalization, as well as its new, more conservative financial policies, which will benefit the company's credit profile.

#### REGULATORY DISCLOSURES

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At least one ESG consideration was material to the credit rating action(s) announced and described above. Moody's general principles for assessing environmental, social and governance (ESG) risks in our credit analysis can be found at [https://ratings.moodys.com/documents/PBC\\_1462204](https://ratings.moodys.com/documents/PBC_1462204).

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