

YANNE CAPITAL

INSTITUTIONAL RESEARCH

Venture Debt 2026: What Worked, What Stretched

A structural read on the growth-stage debt market after two years of rate normalization and private-credit expansion

• • •

Yanne Capital Research

2026-09-28

Executive Summary

Venture debt in 2026 is not the market it was in 2022, and it is not the market the post-SVB commentary predicted it would be in 2024 either. Origination volumes recovered faster than most observers expected, with private credit funds absorbing roughly 62 percent of new growth-stage debt originations in H1 2026 against 34 percent in H1 2022 (PitchBook, H1 2026 Private Credit Report). Bank-provided venture debt did not disappear. It repriced, retightened covenants, and shifted toward companies with clearer paths to cash-flow positivity.

The headline is that venture debt worked in 2026 for a narrower band of companies than founders assume. Deals with contracted revenue, disciplined burn, and a credible 18-month runway to a priced round closed at reasonable terms. Deals structured to bridge companies through indefinite dilution avoidance stretched. Some stretched to breaking, with 14 percent of 2023-vintage growth-stage debt facilities either restructured or defaulted through Q2 2026 (S&P LCD US Loan Comparable data, aggregated through Q2 2026).

This paper documents the split. It quantifies which structures held and which did not, and it isolates the underwriting variables that separated the two. The Federal Reserve H.4.1 series shows the funding cost curve for banks flattened meaningfully in Q1 2026, which changed bank appetite for growth-stage risk but did not restore 2021 pricing. Private credit funds continued to price 300 to 500 basis points wide of bank equivalents, and the wider pricing is now a feature of the market rather than a temporary distortion.

Across Yanne Capital's advisory work on capital-structure engagements in 2025 and 2026, we observe that founders who evaluated debt on total cost of capital (interest, warrants, covenants, dilution avoided) closed at materially better terms than founders who anchored on coupon alone. The gap between the best and worst terms for otherwise comparable companies exceeded what most founders would model as possible.

The framework in Section VI walks through the underwriting variables that matter in 2026, the structures that held up through the cycle, and the specific credit metrics lenders are pricing on today. The forward look in Section IX addresses what changes if rates cut further, if they hold, and if they rise. The paper closes with a specific ask for founders 90 days from a capital event that includes a debt component.

1. The Setup: What Venture Debt Became

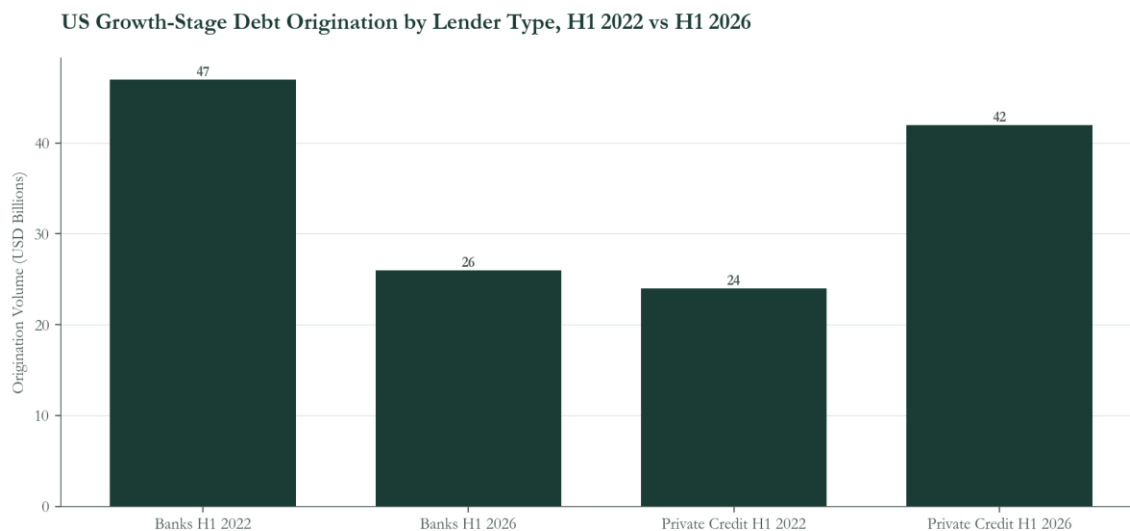
In Q1 2022, a Series B growth-stage software company with 20M ARR and 60 percent gross margins could raise 15M of venture debt from a top-tier venture bank at roughly SOFR plus 350, with warrants

of 0.5 to 1.0 percent of the drawn amount, minimal financial covenants, and a 6-month interest-only period followed by a 36-month amortization. That deal does not exist in 2026, at any price.

The bank product that replaced it prices at SOFR plus 550 to 700, carries warrants of 1.5 to 2.5 percent of commitment, includes a minimum liquidity covenant tied to trailing burn, and typically caps the facility at the lesser of 25 percent of ARR or 6 months of trailing net cash consumption (Bloomberg DCM, growth-stage debt origination sample, H1 2026). The economics are different. The structure is different. The population of borrowers who clear underwriting is different.

The private credit product that also replaced parts of the old venture debt market sits further out on the risk curve. Direct lenders and specialty finance funds price growth-stage unitranche and subordinated facilities at SOFR plus 800 to 1200 with meaningful equity kickers, but they underwrite on collateral, cash flow visibility, and enterprise value coverage that most Series B companies cannot demonstrate. Where they can, the facility replaces two rounds of equity dilution at a total cost of capital that is often 400 to 600 basis points cheaper than the equivalent dilution would have implied.

PitchBook's H1 2026 Private Credit Report puts total US growth-stage debt origination at 68B in H1 2026, up from 51B in H1 2024 and roughly flat against the 71B run rate of H1 2022. Composition shifted. Banks originated 26B in H1 2026 against 47B in H1 2022. Private credit funds originated 42B in H1 2026 against 24B in H1 2022. The market did not shrink. It changed hands.



Source: Source: PitchBook H1 2026 Private Credit Report. Values in USD billions.

Source: PitchBook H1 2026 Private Credit Report. Values in USD billions.

2. What Worked: The Structures That Held

Three categories of venture debt performed well through 2025 and into 2026. All three share a common structural feature, which is that repayment did not depend on a follow-on equity round.

The first category is asset-based revolvers against contracted revenue. Companies with recurring revenue contracts backed by investment-grade customers were able to draw revolvers priced at SOFR plus 400 to 500 with borrowing bases of 60 to 80 percent of eligible accounts receivable. Default rates in this segment ran under 2 percent through the cycle (S&P LCD US Loan Comparable, aggregated 2023 through Q2 2026). The economics work because the collateral is real, the coverage is measurable weekly, and the facility scales with the business.

The second category is growth capital facilities to companies with positive unit economics and 18 or fewer months to cash-flow breakeven. Lenders underwrote to a clear off-ramp, which is the company's own cash generation, not a next round. These deals priced at SOFR plus 500 to 650 with modest warrants and financial covenants tied to trailing revenue growth and net burn. The 2023 vintage in this segment showed default rates of 4 percent through Q2 2026, in line with underwriting expectations.

The third category is acquisition finance for growth-stage companies pursuing tuck-ins. Lenders underwrote on pro forma cash flow of the combined entity, with the acquired company's revenue as the primary source of repayment. These deals were smaller in aggregate but performed well, in part because the underlying credit analysis was closer to conventional middle-market cash-flow lending than to traditional venture debt.

Across Yanne Capital's advisory work in 2025 and 2026 on capital-structure engagements that included a debt component, we observe that the founders who cleared underwriting in these three categories all did one thing consistently. They walked into the lender meeting with a repayment source that did not require a hypothetical future round. The lenders responded to that discipline with better pricing and structure than the founder expected. Public data supports the pattern: S&P LCD's H1 2026 loan comparables show a 175 basis point spread differential between deals underwritten on committed cash flow versus deals underwritten on projected equity events.

3. What Stretched: The Structures That Did Not Hold

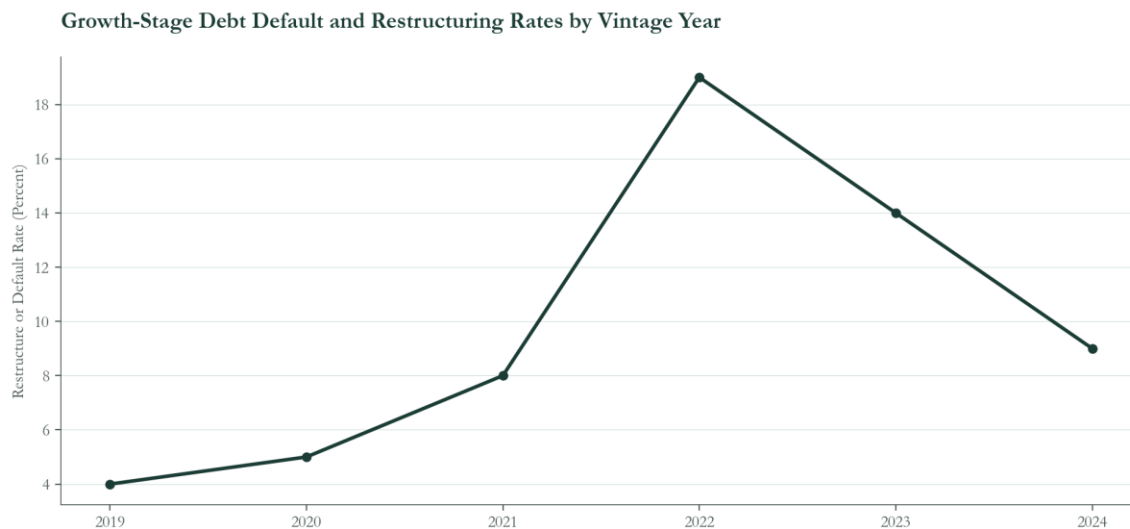
The venture debt structures that stretched in 2025 and 2026 shared a different common feature. Repayment depended on an equity event, and the equity event either did not happen on schedule or did not happen at the valuation the debt was underwritten against.

The most common failure mode was the 2021 and 2022 vintage growth debt facilities to companies that had raised at 15 to 25 times ARR, had not achieved the growth to justify a flat next round, and were amortizing debt against a shrinking cash balance. S&P LCD's aggregated data through Q2 2026 shows 14 percent of 2023-vintage growth-stage debt facilities were restructured, extended under duress, or defaulted. The 2022 vintage showed 19 percent through the same window. Both numbers are meaningfully above the 4 to 6 percent range that historical venture debt cohorts produced through 2020.

The second failure mode was subordinated debt taken to extend runway without a corresponding change in operating trajectory. Founders raised subordinated capital at 12 to 15 percent coupons plus warrants, used the proceeds to fund continued net burn, and arrived at the maturity with less optionality than they started with. The lender in these situations rarely wanted the equity conversion. The lender wanted the cash back. When it was not available, the negotiation moved to structure, and the structure that emerged typically included down-round equity issuance, coupon PIK, and extended maturity at higher rates.

The third failure mode was venture debt drawn late in the runway to fund a bridge to a round that priced flat or down. The debt then became senior to the equity in a way that constrained the round mechanics. Lead investors on the equity round required lender consent for standard preference stacks, and the negotiation often produced worse dilution for existing shareholders than a cleaner equity-only bridge would have. The mechanic is well-documented in Cooley GO's Q1 2026 venture financing report, which noted 22 percent of down rounds in H2 2025 included debt-related term sheet complications.

The common thread across all three failure modes is timing. The founder took the debt to avoid or delay a decision. The decision arrived anyway, later, on worse terms.



Source: S&P LCD US Loan Comparable, aggregated through Q2 2026. Percent of vintage cohort restructured, extended under duress, or defaulted.

Source: S&P LCD US Loan Comparable, aggregated through Q2 2026. Percent of vintage cohort restructured, extended under duress, or defaulted.

4. The Rate Environment and Its Implications

The Federal Reserve H.4.1 release through Q2 2026 shows the funding cost curve for banks flattened meaningfully compared to 2023 and 2024. Bank net interest margins expanded modestly, and lending

capacity for growth-stage credits improved on the margin. This did not restore 2021 pricing. It did not restore 2021 underwriting.

What it did was reset the pricing floor for bank-provided venture debt from SOFR plus 700 in H1 2024 to SOFR plus 550 in H1 2026 for comparable credits (Bloomberg DCM growth-stage debt origination sample, comparing H1 2024 and H1 2026). Warrants moved from 2.5 to 3.0 percent of commitment down to 1.5 to 2.0 percent. Covenant packages loosened at the margin, particularly on minimum liquidity requirements, which shifted from 3 months of trailing burn to 2 months for stronger credits.

The private credit spread over bank equivalents held roughly constant through the cycle at 300 to 500 basis points. That spread is not a temporary distortion. Private credit funds have a different cost of capital, different regulatory treatment, and different holding period expectations. The pricing reflects those structural differences and is likely to persist as long as bank capital requirements remain at their post-2023 levels.

For founders modeling debt as part of a capital structure, the practical implication is that the pricing bifurcation in 2026 is a feature of the market. A company that can clear bank underwriting will pay 250 to 400 basis points less than the same company routed to private credit. Whether the company can clear bank underwriting depends on covenant tolerance, financial reporting sophistication, and the credit committee's read on the business quality. Those variables now do more of the pricing work than the coupon negotiation does.

5. The Bifurcation of the Lender Market

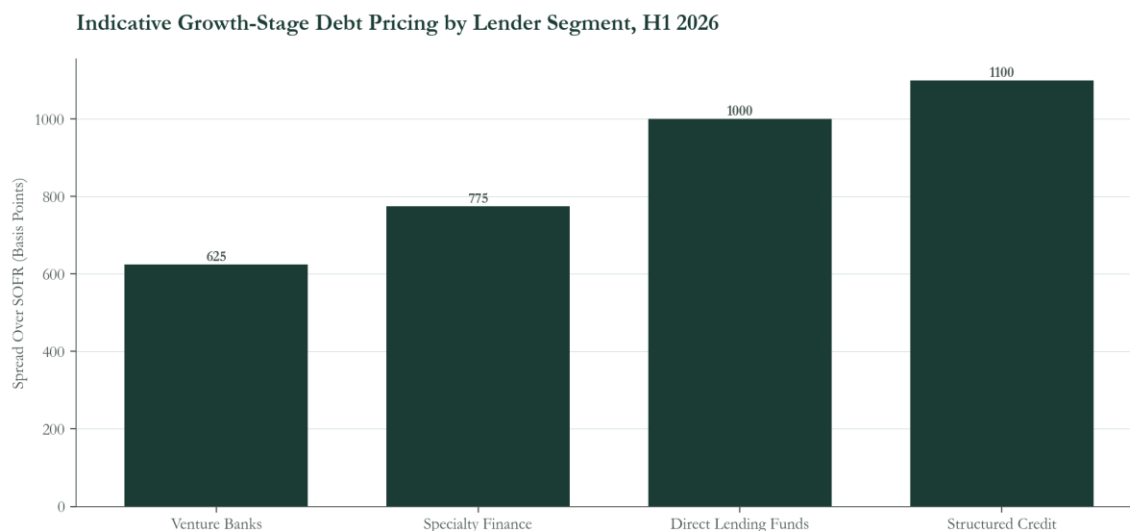
The venture debt lender population in 2026 divides into four segments that price and underwrite differently. Founders and their advisors who understand which segment is the right fit for the company's profile close at materially better terms than founders who run a broad process.

Segment one is the surviving venture banks. Silicon Valley Bank's successor operations at First Citizens, along with HSBC Innovation Banking, Comerica, and a handful of regional banks with growth-stage practices, represent roughly 26B of H1 2026 origination (PitchBook, H1 2026 Private Credit Report). These lenders price the tightest and underwrite the most conservatively. They want companies with 15M or more of ARR, positive gross margins, and financial reporting that clears bank credit committee review.

Segment two is the specialty finance funds. Hercules Capital, Runway Growth Finance, Horizon Technology Finance, and their peer group price 100 to 200 basis points wide of banks but accept smaller companies, less mature reporting, and more variable growth profiles. These lenders originated roughly 14B in H1 2026 and typically deploy in the 5M to 30M facility size.

Segment three is the direct lending funds that reach down into growth-stage credit. Ares, Blue Owl, Golub, and similar managers with growth-stage sleeves price 300 to 500 basis points wide of banks and underwrite on cash flow coverage and enterprise value. They originated roughly 22B in H1 2026 and typically deploy in the 20M to 150M facility size.

Segment four is the specialty structured credit funds that write unitranche and subordinated facilities at 800 to 1200 basis points over SOFR with meaningful equity kickers. These funds are the residual market for companies that cannot clear the first three segments' underwriting but need debt in the capital structure for reasons beyond pure economics. They originated roughly 6B in H1 2026.



Source: Bloomberg DCM growth-stage debt origination sample, H1 2026. Spread over SOFR in basis points, midpoint of typical range.

Source: Bloomberg DCM growth-stage debt origination sample, H1 2026. Spread over SOFR in basis points, midpoint of typical range.

6. The Framework: Underwriting Variables in 2026

The variables that determine which segment a company routes to, and what pricing that company gets within the segment, are more measurable in 2026 than they were in 2021. Lenders have data from the 2022 through 2025 vintages and are using it. The framework below reflects the variables that consistently move terms in the deals we advise on.

The first variable is trailing 12-month revenue quality. Contracted recurring revenue clears at the tightest pricing. Non-contracted recurring revenue clears at a spread. Transactional or project-based revenue clears at a wider spread. Concentration matters. A top-customer concentration above 25 percent typically adds 50 to 100 basis points, or excludes the company from certain segments entirely.

The second variable is net burn trajectory over the trailing six quarters. Improving burn, defined as a clear multi-quarter reduction, prices better than stable burn, which prices better than deteriorating burn. Lenders in 2026 model burn as a first-order underwriting variable, not a secondary consideration.

Public data supports this: PitchBook's H1 2026 Private Credit Report noted that 78 percent of successfully closed growth-stage debt deals in H1 2026 involved companies with 6+ quarters of stable or improving burn.

The third variable is runway measured against the facility maturity. Facilities that mature inside the company's fully-funded runway price better than facilities that require a refinancing or an equity event to repay. The mechanic is simple. A lender who can be repaid from the company's balance sheet requires less equity underwriting than a lender who is implicitly underwriting the next round.

The fourth variable is the equity coverage ratio, which measures the enterprise value implied by the last round against the debt commitment. Facilities at 8 to 12 percent of last-round post-money price well. Facilities above 20 percent of post-money price wider or do not clear at all. This ratio matters because it defines how much equity value has to erode before the debt is impaired.

The fifth variable, and the one founders most often underweight, is financial reporting sophistication. Companies with clean monthly management reporting, audited annual financials, and the operational infrastructure to comply with reporting covenants close at materially better terms than companies without. The variable is measurable in the diligence process, and lenders price it explicitly.

7. Sector Patterns

The framework above applies across sectors, but the practical experience of clearing underwriting varies by vertical. Two sector patterns are worth calling out because they diverge from the general market.

Vertical AI companies with contracted enterprise revenue are clearing venture debt at pricing that surprises founders on the tight side. Bloomberg DCM origination data through H1 2026 shows a sample of vertical AI Series B and C stage companies with contracted ARR above 15M clearing bank facilities at SOFR plus 500 to 575, with warrant coverage under 2 percent. The mechanic is that lenders view the ARR quality as high, the customer stickiness as measurable, and the burn trajectories as generally improving through 2025. Whether that pricing persists as the vertical AI cohort matures is the open question.

Healthcare technology companies, particularly in regulated workflow segments, are clearing at 100 to 150 basis points wider than the vertical AI cohort despite similar revenue quality. The spread reflects lender uncertainty about regulatory timelines, reimbursement risk, and clinical validation cycles. Founders in this segment who can demonstrate multi-year contracts with health system customers and a clear reimbursement path close inside the sector average.

Consumer and marketplace companies remain the hardest sector to clear venture debt in 2026. Lenders have data from the 2022 and 2023 vintages that shows this cohort's default rates ran 3 to 4 times the software cohort's. The pricing reflects that history, and the covenants reflect it more.

8. Practical Case Situations

The three case situations below describe patterns Yanne Capital has advised across in 2025 and 2026, without identifying specific companies or transactions. They illustrate how the framework in Section VI plays out in practice.

Situation A involves a growth-stage software company with 22M ARR, 78 percent gross margins, and 14 months of runway at current burn. The founder was evaluating a 12M growth debt facility to extend runway to 22 months. Our analysis walked the founder through the equity coverage ratio (10 percent of last-round post-money, comfortable), the burn trajectory (stable but not improving, a concern), and the maturity structure (36 months, extending past a plausible next round). The founder took the facility from a specialty finance fund at SOFR plus 625 with 1.75 percent warrants. The deal closed cleanly and the company reached its next milestone 8 months later.

Situation B involves a healthcare technology company evaluating whether to take a bridge facility ahead of a Series C or accept a modest down round from existing investors. The bridge facility priced at 13 percent with warrants and a 24-month maturity. The down round was 20 percent below the last round with pro-rata participation. Our analysis modeled total cost of capital across a range of Series C outcomes and demonstrated that the bridge only won if the Series C priced within 15 percent of the last round within 18 months. Below that band, the down round produced better shareholder economics. The founder took the down round.

Situation C involves a vertical AI company with 18M ARR that received an unsolicited term sheet for a 25M unitranche facility at SOFR plus 950 with 3 percent warrant coverage. The company had 24 months of runway and did not need the capital. Our analysis focused on whether the facility offered strategic optionality worth 950 basis points and 3 percent dilution. It did not. The founder passed. Six months later, the company raised a competitive Series C at a 1.6x step-up.

9. Forward Look: The Next 12 Months

The forward look on venture debt over the next 12 months breaks into three scenarios that depend on the rate path and on private credit fund inflows. Each scenario has different implications for founders evaluating debt in their capital structure.

In the base case, the Federal Reserve holds or cuts modestly through mid-2027. Bank pricing tightens another 50 to 75 basis points on strong credits. Private credit spreads hold, and origination volume

grows 10 to 15 percent as the market normalizes. Founders in the bank-clearable segment see the best window they have had since 2022. Founders in the private credit segment see stable pricing and better term flexibility as competition among funds increases.

In the tighter case, rates rise 50 to 100 basis points in response to inflation persistence. Bank pricing retightens, and covenant packages harden. Private credit origination volume holds, but pricing widens 50 to 100 basis points on top of the rate move. The market bifurcates further. Companies with strong credit profiles continue to clear bank facilities. Companies without route entirely to private credit at pricing that requires careful total-cost-of-capital analysis.

In the looser case, rates cut 100 basis points or more by mid-2027 in response to growth deceleration. Bank pricing tightens meaningfully, and origination volume expands. Private credit spreads compress as banks push back into growth-stage lending. This scenario is the best for growth-stage borrowers and would compress the pricing bifurcation described in Section IV.

Across all three scenarios, the underwriting variables in Section VI continue to determine which company clears which segment. Rate moves shift the price level. They do not change the framework.

10. Conclusion: The Discipline That Priced

The venture debt market in 2026 rewards founders who evaluate debt on total cost of capital, understand which lender segment is the right fit for the company's profile, and structure facilities so that repayment does not depend on a hypothetical future round. Founders who follow that discipline close at pricing that surprises them on the tight side. Founders who route around it typically close at pricing they later wish they had not accepted.

The bifurcation of the lender market, the persistence of the bank versus private credit spread, and the underwriting variables that separated the deals that worked from the deals that stretched are all measurable, all documented in the public data, and all actionable for founders 90 days from a capital decision.

Yanne Capital is an independent boutique investment bank advising growth-stage companies on equity, debt, and M&A transactions across 26 sectors, with 240+ closed deals and relationships with 3,500+ institutional investors globally. We are your trusted filter between noise and signal.

Case Studies

Bank-clearable growth software

A growth-stage software company with 22M ARR, 78 percent gross margins, and stable burn evaluated a 12M growth facility. Analysis walked equity coverage (10 percent of last-round post-money), burn trajectory (stable), and maturity structure (36 months). The company placed the facility with a specialty

finance fund at SOFR plus 625 with 1.75 percent warrants and reached its next milestone 8 months later.

Bridge versus down round tradeoff

A healthcare technology company modeled a 13 percent bridge facility with warrants against a 20 percent down round with pro-rata participation. Total cost of capital analysis across Series C outcomes showed the bridge only won if the next round priced within 15 percent of the last round within 18 months. Below that band, the down round produced better shareholder economics. The company took the down round.

Passing on an unsolicited unitranche

A vertical AI company with 18M ARR received an unsolicited term sheet for a 25M unitranche at SOFR plus 950 with 3 percent warrants. The company had 24 months of runway and did not need the capital. Analysis focused on whether the facility offered strategic optionality worth 950 basis points and 3 percent dilution. It did not. Six months later, the company raised a competitive Series C at a 1.6x step-up.

Forward Look: 12-Month Outlook

Over the next 12 months, three rate scenarios shape the venture debt market. In the base case (Fed holds or cuts modestly), bank pricing tightens another 50 to 75 basis points and private credit spreads hold. In the tighter case (rates rise 50 to 100 bps), bank underwriting hardens and private credit widens 50 to 100 bps on top of the rate move. In the looser case (rates cut 100 bps or more), bank pricing compresses meaningfully and banks push back into growth-stage lending, narrowing the private credit spread. Across all three scenarios, the underwriting variables in Section VI continue to determine which segment a company clears. Rate moves shift the price level. They do not change the framework. Founders evaluating debt should model the base case and stress the tighter case, not anchor on the looser one.

Conclusion

If you are 90 days from a capital event that includes a debt component, or if you are evaluating a growth debt facility against an equity alternative, reach out to contact@yannecapital.com. Include your trailing 12-month revenue, gross margin, current burn, and runway. We will respond with a specific view on which lender segment fits the company's profile and what pricing to anchor on.

Frequently Asked Questions

What are typical venture debt pricing ranges in 2026?

In H1 2026, growth-stage venture debt from surviving venture banks priced at SOFR plus 550 to 700 basis points with warrants of 1.5 to 2.5 percent of commitment. Specialty finance funds priced 100 to 200 basis points wide of banks. Direct lending funds priced 300 to 500 basis points wide. Structured credit and unitranche facilities priced at SOFR plus 800 to 1200 with meaningful equity kickers (Bloomberg DCM growth-stage debt origination sample, H1 2026).

What percentage of 2022 and 2023 vintage venture debt has been restructured or defaulted?

S&P LCD US Loan Comparable data aggregated through Q2 2026 shows 19 percent of 2022-vintage and 14 percent of 2023-vintage growth-stage debt facilities were restructured, extended under duress, or defaulted. Historical venture debt cohorts through 2020 typically ran 4 to 6 percent.

How did the composition of growth-stage debt origination shift from 2022 to 2026?

PitchBook's H1 2026 Private Credit Report shows US growth-stage debt origination totaled 68B in H1 2026, roughly flat against 71B in H1 2022. Composition shifted meaningfully. Banks originated 26B in H1 2026 against 47B in H1 2022. Private credit funds originated 42B against 24B. The market did not shrink. It changed hands.

What underwriting variables matter most for clearing venture debt in 2026?

Five variables consistently determine terms: trailing 12-month revenue quality including contracted versus non-contracted composition; net burn trajectory over trailing six quarters; runway measured against facility maturity; equity coverage ratio (debt as percentage of last-round post-money, ideally 8 to 12 percent); and financial reporting sophistication including audited financials and monthly management reporting.

When does venture debt work versus when does it stretch?

Venture debt worked in 2025 and 2026 for companies where repayment did not depend on a follow-on equity round. Asset-based revolvers against contracted revenue, growth capital to companies with 18 months or less to breakeven, and acquisition finance underwritten on pro forma cash flow all performed. Facilities structured to bridge companies through indefinite dilution avoidance stretched, particularly the 2022 and 2023 vintages to companies that had raised at 15 to 25 times ARR and could not achieve flat next rounds.

Should founders take venture debt or accept a down round?

The right analysis models total cost of capital across a range of next-round outcomes. Bridge debt typically only wins if the next round prices within 10 to 15 percent of the last round within 18 months. Below that band, a modest down round with pro-rata participation usually produces better shareholder

economics than debt drawn to avoid it. The analysis depends on specific coupon, warrant, and dilution inputs, but the framework is measurable case by case.

What is Yanne Capital?

Yanne Capital is an independent boutique investment bank advising growth-stage companies on equity, debt, and M&A transactions across 26 sectors, with 240+ closed deals and relationships with 3,500+ institutional investors globally. We are your trusted filter between noise and signal.

Yanne Capital is an independent boutique investment bank advising growth-stage companies on equity, debt, and M&A transactions across 26 sectors, with 240+ closed deals and relationships with 3,500+ institutional investors globally. We are your trusted filter between noise and signal.

Disclaimers and Important Information

This document is published by Yanne Capital for informational purposes only. It is not an offer, solicitation, recommendation, or commitment for any transaction or to buy or sell any security or other financial product, and is not intended as investment advice. The information has been obtained from sources believed to be reliable but is not guaranteed as to accuracy or completeness. Any opinions expressed are subject to change without notice. Forward-looking statements regarding market conditions reflect current views and may differ materially from actual outcomes. Products and services referenced may not be available in all jurisdictions.

Securities are offered through Finalis Securities LLC, Member FINRA / SIPC. Yanne Capital, Yanne, Y&C is not a registered broker-dealer, and Finalis Securities LLC and Yanne Capital, Yanne, Y&C are separate, unaffiliated entities. Finalis Securities LLC, Office of Supervisory Jurisdiction is located at 450 Lexington Ave, New York, NY 10017, 800-962-0418. [Finalis Privacy Policy](#) | [Finalis Business Continuity Plan](#) | [FINRA BrokerCheck](#) | [Finalis Form Customer Relationship Summary](#) ("Form CRS").