

RESEARCH REPORT

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# Biz2Credit SMB Quarterly Credit Monitor


• Q1 2026

Comprehensive analysis of small and medium business credit trends, approval rates, and lending patterns across industries.

**\$1.42B**  
Q1 Revenue

**\$143.9M**  
Q1 Operating Profit

**1.40x**  
Debt Service Coverage Proxy



## Biz2Credit SMB Quarterly Credit Monitor

### Q1 2026 | Analysis and Report

*This report is for informational and research purposes only and does not constitute financial, credit, investment, or legal advice. The analysis is based on Biz2Credit internal portfolio data and selected external sources and should not be relied upon as a predictor of future credit availability, business performance, or economic outcomes. Nothing in this report constitutes an offer, commitment, or guarantee of credit. Credit approval, terms, and availability depend on individual borrower qualifications, underwriting standards, and market conditions.*

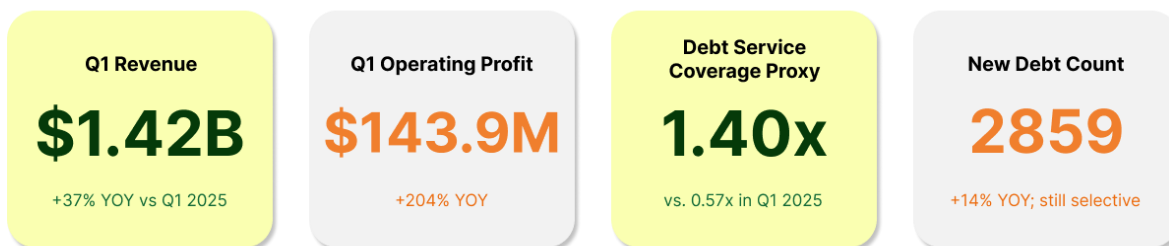
**“Q1 2026 did not look like a broad credit rebound. It looked like a healthier, more selective market in which robust small businesses continued to expand while others remained constrained.”**

## Executive Summary

Biz2Credit's Q1 2026 data points to a U.S. SMB credit environment that improved meaningfully year-over-year, even as sentiment and policy conditions remain fragile. Aggregate portfolio revenue rose 37% versus Q1 2025, while aggregate operating profit more than tripled, indicating that earnings quality improved faster than top-line growth.

The stronger quarter was not just the result of businesses taking on more debt. Even though debt payments increased, businesses were in a much better position to cover those payments than they were a year earlier. That suggests many borrowers entered 2026 in stronger financial shape and are better able to handle their monthly obligations.

Borrower-level median metrics show an even stronger story than the aggregate totals, with median operating margins reportedly in the roughly 38% to 45% range in early 2026 and median debt service coverage ratio (DSCR) in the 0.8x range. Taken together, these two pieces of data suggest a loan portfolio that is both scaling and becoming more resilient, though not evenly across every sector or geography. Median and aggregate metrics reflect different statistical views of the portfolio, and do not represent individual borrower performance or outcomes.



\*\*Figures reflect aggregate Biz2Credit SMB portfolio data and are not indicative of individual business results.

## Why This Matters

The main storyline for Q1 2026 is not that obtaining credit suddenly became easy, it is that operating performance improved enough in Q1 2026 to offset a still-demanding funding environment. The Federal Reserve kept rates unchanged in March, the National Federation of Independent Businesses (NFIB) [Small Business Optimism Index](#) fell 3.0 points in March to 95.8, leaving it below its 52-year average of 98.0. The last time the Optimism Index fell below its historical average was April 2025. [The Fed's April Beige Book described](#) widespread cost pressure and elevated uncertainty. Against that backdrop, Biz2Credit's Q1 numbers suggest many SMBs adapted through pricing discipline, tighter cost control, and more selective borrowing.

That distinction matters for the credit market. A strong quarter in a loose-credit environment can simply reflect availability of capital. A strong quarter in a cautious-credit environment more closely indicates borrower quality and operating discipline.

*“The story in Q1 is less 'credit is back' than 'credit appears to be flowing to businesses that can still defend margins, service debt, and manage volatility.’”*

## What the Data Says

### 1. Revenue growth accelerated, but profit growth accelerated faster.

Aggregate monthly revenue exceeded the prior year in each month of Q1, with March showing a particularly sharp step-up. More important for credit analysts, operating profit outpaced revenue growth on a year-over-year basis, a sign that stronger pricing, product mix, or expense discipline supported the quarter.

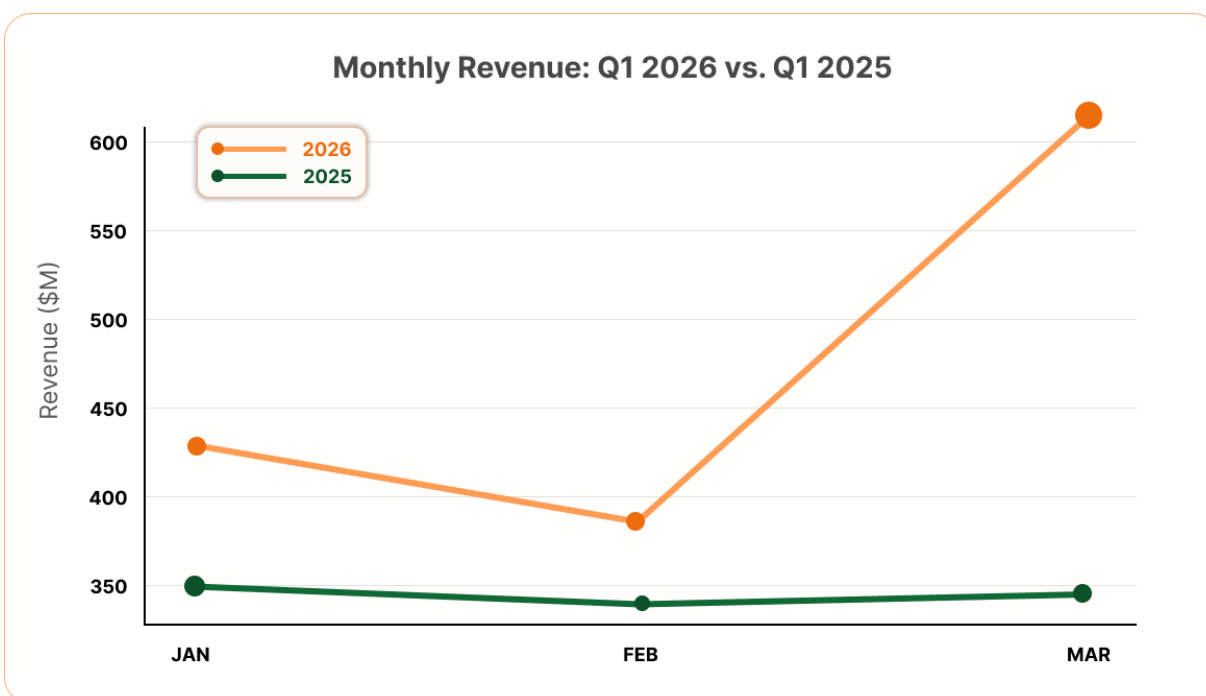


Figure 1. Monthly revenue rose above Q1 2025 in each month and accelerated sharply in March.

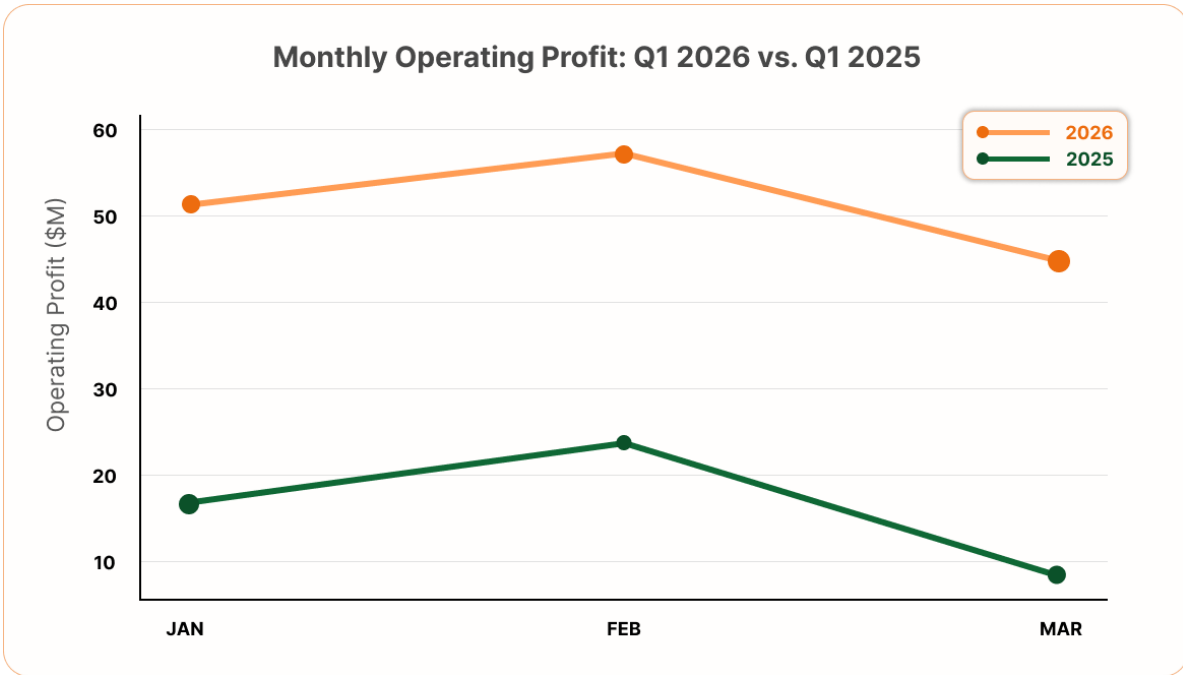


Figure 2. Operating profit widened materially versus Q1 2025, especially in January and February.

**2. Credit quality indicators improved, even with higher repayment obligations.**

Debt repayment volume increased 24% year-over-year, which would normally pressure coverage. Instead, the operating-profit-to-debt-repayment ratio improved substantially in two of the three months and finished the quarter well above the prior year. Overall, debt coverage improved from 0.57x to 1.40x, meaning businesses were in a stronger position to cover their debt payments.

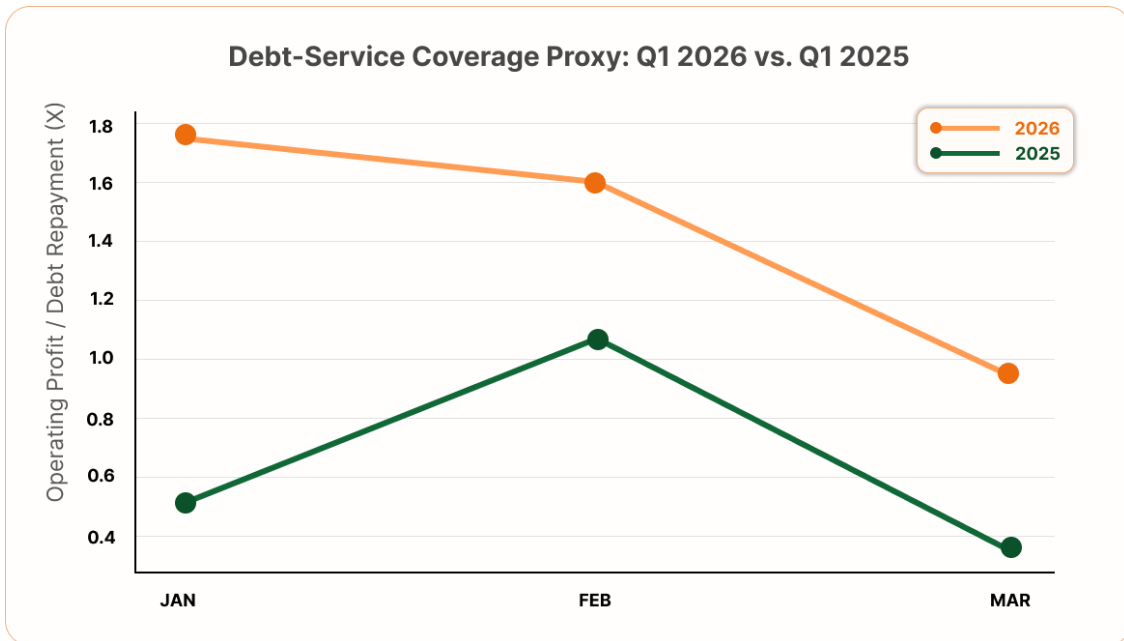


Figure 3. A debt-service coverage proxy improved materially versus 2025, though March remained the softest month in the quarter.

### 3. Aggregate margins improved, but the borrower-level median story is stronger still.

Using total portfolio data, operating margin improved from 4.6% in Q1 2025 to 10.2% in Q1 2026. At the same time, the typical borrower performed even better, with median margins in early 2026 generally ranging from the high 30% to the mid-40% range. These figures aren't contradictory. The portfolio margin reflects results across the full mix of businesses, while the median margin shows how the typical borrower performed.

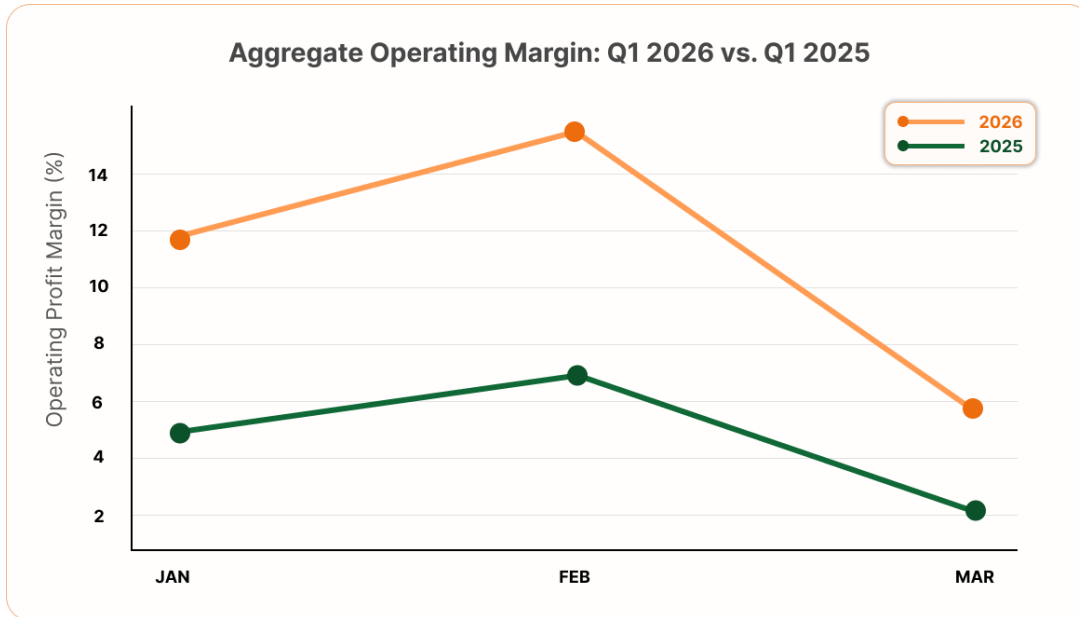


Figure 4. Aggregate operating margin improved versus 2025 but remains below the stronger median-margin view reported in Biz2Credit's data.

## Industry and Geography Analysis By Strength

Industry	Analysis
<b>Professional Services and IT</b>	Knowledge-driven sectors appear to be benefiting from lower inventory exposure, stronger pricing power, and steadier demand for specialized services.
<b>Manufacturing</b>	Manufacturing improved, likely due to stronger demand and better operating efficiency, but it is still vulnerable to higher shipping, material, and tariff costs.
<b>Retail</b>	Retail improved from a year ago, but the sector is still divided between businesses selling essentials and those selling nonessential items to more cautious consumers.

### Healthcare and Social Assistance

Healthcare appears relatively stable, supported by resilient demand, though reimbursement and labor pressure can still compress margins.

### Northeast and West Coast

States such as New York, Massachusetts, Washington, and California appear to combine stronger revenue scale with relatively healthy margins, consistent with a service-heavy SMB mix.

### Midwest

Midwest SMBs appear to run efficiently even with lower revenue, suggesting that profit margins may be stronger than sales alone would indicate.

Source: Biz2Credit Q1 2026 data.

## External Context That Likely Helped Shape Q1

Three macro cross currents matter when interpreting the quarter. First, the [Fed held policy rates steady](#) in March 2026, which kept financing conditions from loosening meaningfully even as the broader economy continued to expand at a solid pace. Second, [March sentiment data from NFIB showed optimism slipping](#) below its long-run average and uncertainty moving higher. Third, [the Federal Reserve's April Beige Book and Reuters reporting](#) both pointed to elevated input-cost pressure, including freight, energy, metals, plastics, and tariff-related costs for some businesses.

Taken together, those conditions imply that the businesses showing up as healthier in Biz2Credit's portfolio likely did so through stronger execution rather than easier macro conditions. That interpretation also helps explain why service-heavy sectors and professionally managed operators appear to be outperforming more cost-sensitive or commodity-linked categories.

**“For SMB executives, the implication is practical. In a still-cautious credit market, lenders may be more inclined to prioritize operating discipline, visibility into cash flow, and proof of debt-servicing capacity than pure top-line growth.”**

## What This Means for the SMB Credit Market

For lenders, analysts and business owners, Q1 2026 looks like a quality filter. Credit demand did not disappear; it became more discriminating. New debt counts rose year-over-year, but the stronger improvement in profitability and coverage suggests that capital was increasing allocated toward borrowers with healthier fundamentals.

For those in the SMB credit market, the big story is this: confidence on Main Street was still uneven, but stronger businesses kept finding ways to grow. That suggests this is not a simple rebound. It is a market where healthier businesses are starting to stand out.

For SMB executives, the implication is practical. In a still cautious credit market, lenders appear to place greater emphasis on operating discipline, visibility into cash flow, and proof of debt-servicing capacity than top-line growth.

## Signals to Watch in Q2 2026

- **Whether March's revenue spike lasts** or normalizes as policy and trade uncertainty evolve.
- **If the improvement in debt-service coverage remains above 1.0x on an aggregate basis** through Q2.
- **Sectors with higher input-cost exposure**, especially goods-oriented businesses, **that begin to show margin compression**.
- **Regional leadership remains concentrated** in higher-income areas, or services-oriented states.

## Methodology and Data Notes

\*This report is based on Biz2Credit Q1 2026 SMB data and monthly portfolio figures for Q1 2025, and Q1 2024. External context references used in interpretation: Federal Reserve March 18, 2026, FOMC statement; NFIB March 2026 Small Business Optimism report; Federal Reserve April 2026 Beige Book; Reuters reporting on tariff-related cost pressure affecting small businesses. External sources are cited for contextual interpretation only and do not imply endorsement. Aggregate portfolio figures, proxy metrics, and median statistics are provided to illustrate trends and should not be interpreted as predictive of individual borrower outcomes or future credit performance.