

**Blue Owl Capital Corporation**  
**Q1 2026 Earnings Call**  
**May 7, 2026**

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**Presenters**

**Craig Packer – CEO**

**Jonathan Lamm – CFO**

**Michael Mosticchio – Head of BDC Investor Relations**

**Logan Nicholson – President**

**Q&A Participants**

**Brian McKenna – Citizens JMP Securities**

**Sean-Paul Adams – B. Riley Securities, Inc.**

**Robert Dodd – Raymond James & Associates, Inc.**

**Paul Johnson – Keefe, Bruyette, & Woods, Inc.**

**Arren Cyganovich – Truist Securities, Inc.**

**Kenneth Lee – RBC Capital Markets**

**Derek Hewett – BofA Securities**

**Patrick Davitt – Autonomous Research**

**Christopher Nolan – Ladenburg Thalmann & Co. Inc.**

**Operator**

Good morning, everyone, and welcome to the Blue Owl Capital Corporation's First Quarter 2026 Earnings Call. As a reminder, this call is being recorded. At this time, I'd like to turn the call over to Mike Mosticchio, Head of BDC Investor Relations. Mike, please go ahead.

**Michael Mosticchio**

Thank you, operator, and welcome to Blue Owl Capital Corporation's First Quarter 2026 Earnings Conference Call. Joining me today are Craig Packer, Chief Executive Officer; Logan Nicholson, President; and Jonathan Lamm, Chief Financial Officer.

I'd like to remind listeners that remarks made during today's call may contain forward-looking statements, which are not guarantees of future performance or results and involve a number of risks and uncertainties that are outside of the company's control. Actual results may differ materially from those in forward-looking statements as a result of a number of factors, including those described in OBDC's filings with SEC. The company assumes no obligation to update any forward-looking statements.

We'd also like to remind everyone that we'll refer to non-GAAP measures on the call, which are reconciled to GAAP figures in our earnings presentation available on the Events and Presentations section of our website. Certain information discussed on this call and in the company's earnings materials, including information related to portfolio companies, was derived

from third-party sources and has not been independently verified. The company makes no such representations or warranties with respect to this information.

Yesterday, OBDC issued its financial results for the first quarter ended March 31<sup>st</sup>, 2026, reporting adjusted net investment income of \$0.31 per share and net asset value per share of \$14.41. All materials referenced during today's call, including the earnings press release, earnings presentation, and 10-Q, are available on the News and Events section of OBDC's website. With that, I'll turn the call over to Craig.

### **Craig Packer**

Thanks, Mike, and good morning, everyone. Thanks for joining us. I'd like to start by highlighting that our credit performance remains strong with no new nonaccruals, stable borrower performance, and underlying performance in line with recent quarters, and we continue to feel confident in the underlying credit quality of our portfolio. I would also like to acknowledge that the first quarter was a more challenging environment for OBDC from an earnings perspective. Lower base rates and tighter market spreads weighed on our results, reflecting headwinds that have been building over the last year and were fully realized this quarter.

Given the market uncertainty this quarter, the deal environment was also slower, which led to minimal fee and repayment income, which was at a three-year low. In addition, we operated with lower leverage and preserved capital, which has positioned us well for the more attractive opportunity set we are starting to see. As we have highlighted on recent earnings calls, our dividend has been a key focus as we have watched these dynamics unfold, and we believe this is the right moment to address our dividend.

As a reminder, when we went public in 2019, we set our dividend at \$0.31 per share and maintained it there for more than three years, while rates were low. When rates began to rise in 2022, we increased the dividend to reflect the higher earnings power of the portfolio and introduced the supplemental dividend framework in an effort to provide shareholders with a predictable base dividend while distributing excess income above that level.

Similar to what a number of our peers have recently done, we are reducing the base dividend for the second quarter back to \$0.31 per share, representing an approximate 8.6% yield on net asset value and an over 10% yield at the current share price. We believe this is the appropriate level given the forward earnings power of the portfolio, particularly with spreads now widening and the rate environment appearing more stable.

At the same time, we are maintaining the supplemental dividend framework. As a reminder, under this framework, we pay out 50% of NII above our base dividend, allowing shareholders to benefit in a predictable manner when earnings exceed the base dividend. Separately, spread widening across the credit markets drove unrealized losses this quarter, resulting in a net asset value decline. Because our portfolio is marked quarterly, and spreads are a key valuation input, this drop in NAV was mostly driven by broader market moves across public and private credit, and not a deterioration in the underlying quality of our assets, which remain strong.

Approximately 75% of the write-down was attributable to spread widening across our debt portfolio, and that is a key point I want to emphasize. While this quarter reflected a more challenging earnings environment, the underlying portfolio continues to perform very well. Credit selection and portfolio construction are the part of the business we can control most directly, and that continues to be a source of OBDC's strength. Nonaccruals remain low and declined again this quarter. Borrower revenue and EBITDA growth remain healthy, and repayment activity at par has been consistent. In the first quarter, we saw a market-wide reassessment of risk and a reduction in flows into private credit, which has resulted in a much better balance of supply and demand and a more favorable investing environment.

We'll come back to our outlook at the end of the call, but we believe we are very well positioned from here given our lower leverage, the strength of the portfolio, and the more attractive spread environment we see today. Now, I will turn the call over to Logan to provide more details on our investment activity and portfolio performance.

### **Logan Nicholson**

Thanks, Craig. Starting with investment activity, we approached the environment more conservatively this quarter, which contributed to lighter origination activity and lower leverage at OBDC. As market volatility increased and deal activity slowed, we remain disciplined in our pace of deployment, and now we're encouraged to see opportunities coming to market at wider spreads.

In the first quarter, OBDC had fundings of \$525 million against an almost \$1.5 billion of repayments and sales, resulting in an ending net leverage of 1.13x, our lowest level in 2 years. The majority of our deployment was related to fourth quarter transactions that closed in the first quarter, which were committed at spreads lower than what we're seeing in the market today. As noted, we intentionally kept leverage low, and with ample dry powder, we are well positioned to deploy as the pipeline builds.

Consistent with our approach of investing in diversified accretive assets, we continue to deploy selectively into our joint ventures and specialty finance investments in the first quarter. For example, within our Life Sciences specialty finance vehicle, LSI, OBDC increased its allocation, primarily to support an investment in TG Therapeutics, a company we have backed since 2024 that continues to perform well. Blue Owl served as sole lender in a \$1 billion financing to support the company's continued growth. The LSI vehicle has generated returns of more than 14% to OBDC since inception, underscoring the attractiveness of our specialty finance and JV investments.

Turning to the portfolio, credit performance remained stable, and our borrowers continue to perform well. As a reminder, OBDC is a broadly diversified portfolio across 30 industries, with an average position size of approximately 40 basis points, and our focus remains on lending to large, noncyclical, defensive businesses. Our borrowers delivered year-over-year revenue and EBITDA growth in the high single digits, consistent with last year and a reflection of the fundamental health of the businesses we finance.

Zooming in, our software borrowers also demonstrated revenue and EBITDA growth consistent with the rest of the portfolio. As a reminder, these are primarily first lien senior secured loans with conservative LTVs, even at today's valuations. As you'll recall, we invest in mission-critical scaled enterprise software providers with characteristics that we believe make them durable. While we remain appropriately cautious about the potential impact of AI on some areas of software, we are not yet seeing any material impact on our software borrowers' performance.

Additionally, we saw meaningful repayments from software names during the quarter, including Intelrad, which was an over \$400 million investment across the Blue Owl platform, including \$169 million in OBDC. Intelrad is a provider of medical imaging software solutions, which was sold to GE Healthcare at a \$2.3 billion valuation, resulting in a full repayment. This is another example of the quality and strategic value of the software businesses in our portfolio. As a result of this and one additional large repayment, Mindbody, software exposure declined to approximately 16% of the portfolio, down from roughly 19% last quarter.

Turning to our key credit KPIs. The picture is healthy and stable in all respects. Interest coverage ratios remain healthy at approximately 2x. Revolver draws remain at conservative, low levels, amendment activity is stable, and our 3-5 rated names remain in the same range as last year. PIK income was also stable compared to last quarter on a dollar basis but rose slightly to 11.7% as a percentage of investment income due to a decrease in cash interest as a result of lower rates. PIK remains down from the peak of over 13% in 2024. Also, as we have highlighted in previous earnings calls, over 85% of our PIK names were underwritten that way at inception, and we have never taken a principal loss on those intentionally structured PIK positions.

Finally, our nonaccrual rate declined to 1.0% at fair value as we removed two names from nonaccrual with no new additions. Over the last few quarters, our nonaccruals have remained relatively stable with a three-year average of approximately 1% at fair value, and this quarter's decline is a good reminder that our borrowers are performing well and fundamental performance is stable. We would note that LTVs moved modestly higher this quarter, which we attribute to the broader valuation environment rather than a deterioration in borrower fundamentals. Our average LTV across the portfolio sits at 47%, implying that over half of enterprise value would need to be impaired before we incur any losses.

To close, the breadth and resilience of our portfolio remain intact. With lower leverage, more dry powder, and the sourcing advantages of the Blue Owl platform, we believe we're well positioned to take advantage of opportunities that this environment may bring. Now, I'll turn it over to Jonathan to review our financial results.

### **Jonathan Lamm**

Thank you, Logan. In the first quarter, OBDC earned adjusted NII of \$0.31 per share. As Craig outlined, results this quarter reflected several earnings headwinds that have been building over time and came through more fully in Q1. Most notably, three rate cuts between last September

and December, totaling 75 basis points, are now fully reflected in our results, given the lagged impact that lower rates have on our mostly floating rate portfolio.

Nonrecurring income was also light this quarter, coming in at more than \$0.01 below our historical average, after running above that level last quarter. In addition, the earnings benefit from the low-cost unsecured notes we issued before rates moved higher over four years ago, continue to roll off as those maturities come due. Since last July, \$1 billion of those notes have matured, with another \$1 billion set to mature this year. These factors, together with lower leverage throughout the period, drove the decline in adjusted NII this quarter and are now mostly reflected in our current run-rate earnings.

The Board declared a second quarter base dividend of \$0.31, which we believe aligns with the portfolio's forward earnings power in the current environment. The dividend will be paid on July 15<sup>th</sup>, 2026, to shareholders of record as of June 30<sup>th</sup>, 2026. Our spillover income remains healthy at approximately \$0.28 per share, providing a meaningful cushion that further supports the base dividend going forward.

Moving to the balance sheet, our first quarter NAV per share was \$14.41, down from \$14.81 last quarter, primarily reflecting the impact of mark-to-market adjustments. We'd note that the realized losses reflected on the income statement were related to investments previously on nonaccrual that had already been written down over the past several years and did not contribute to the NAV decline this quarter.

We continue to execute on our share repurchase program in the first quarter, buying back \$35 million of stock, which was accretive to NAV per share by \$0.02, while balancing that activity with a focus on deleveraging and maintaining capacity to deploy into a more attractive market environment. Over the past two quarters, we have repurchased a total of \$183 million, reflecting our conviction in OBDC's long-term value.

The Board of Directors also authorized a new \$300 million share repurchase program in February, replacing the previous \$200 million plan, leaving approximately \$265 million remaining following first quarter activity. We ended the quarter with net leverage at 1.13x, within our target range of 0.9x to 1.25x, as we decreased leverage to preserve flexibility.

Turning to our capital structure, we continue to be active in further strengthening our balance sheet and enhancing our liquidity profile. In January, Moody's upgraded our credit rating to Baa2. Beyond serving as meaningful recognition of the quality of our platform, the consistency of our performance and the strength of our balance sheet, we believe this is a validation of our efforts to build a best-in-class BDC credit profile.

Subsequent to quarter end, we accessed the unsecured debt markets with a \$400 million note offering, demonstrating OBDC's continued ability to raise capital and make broader market volatility. The strong institutional investor demand we received is a meaningful vote of market confidence in OBDC's credit profile. With this offering, our liquidity has increased to over \$4

billion in total cash and capacity on our facilities, which comfortably exceeds our unfunded commitments and provides ample capacity to invest in the current environment while addressing upcoming debt maturities.

Overall, we are pleased with the proactive steps taken this quarter to strengthen our balance sheet, and we believe OBDC is well positioned from a capital and liquidity standpoint. Now, I will turn it over to Craig for some closing remarks.

### **Craig Packer**

Thanks, Jonathan. I want to close by reflecting on where we are today and our outlook. Over the past few years, private credit has benefited from a very constructive backdrop, but it also became increasingly competitive as significant amounts of capital entered the space at a time of moderate private equity M&A. That drove spreads tighter, and together with lower base rates, put pressure on returns and earnings across the sector, including at OBDC.

That environment has begun to shift. Volatility in the broadly syndicated loan market has driven a meaningful widening in spreads, while the rate backdrop appears to be stabilizing. On the deals we are seeing today, spreads are generally about 50 to 75 basis points wider and terms are more attractive than they were just a few quarters ago.

At the same time, retail capital inflows have slowed into private credit, and the supply-demand balance for new deals looks more favorable than it has been in years. Put simply, we believe this is a more attractive investment environment than the one we've been operating in over the last two years, and we believe OBDC is well positioned to take advantage of it.

Our portfolio is in good shape. Our balance sheet is strong, and our leverage is at its lowest level in two years. Repayments over the past year have attributed meaningfully to that positioning, giving us additional flexibility at a time when spreads are widening and the opportunity set is improving. Combined with our scale, incumbencies, and deep sponsor and borrower relationships, we believe we are well positioned to deploy selectively into attractive risk-adjusted opportunities as they emerge.

While overall deal activity has been more modest in recent months, periods like this have historically created a more favorable setup for direct lenders. As the broadly syndicated loan market becomes more volatile, borrowers increasingly turn to established direct lenders for certainty of execution, and Blue Owl is well positioned to capture that demand. As borrowers adjust to new market realities, refinancings will resume, driving spread widening and fee income. And even if new deal flow stays moderate, we'll naturally have the opportunity to put capital to work through regular activity from our existing portfolio, including add-ons and upsizings, with borrowers we know well and have backed through multiple cycles.

Lastly, this quarter also marks an important milestone for OBDC, as the fund has reached its 10-year anniversary. Over that time, we have delivered a 9.6% annualized total return, while managing the portfolio through multiple periods of volatility, maintaining strong credit

performance, and low loss rates that have averaged just 31 basis points annually. This recent volatility highlights the importance of risk management across the balance sheet.

We remain focused on conservative asset selection with well-matched liabilities, sufficient liquidity, and the right protections in place. We have conviction in our strategy, remain focused on acting in the best interest of shareholders, and believe that our long-term track record is the clearest demonstration of the quality of this platform. Thank you for your time today. We will now open the line for questions.

### **Operator**

Our first question today is coming from Brian McKenna from Citizen.

### **Brian McKenna**

Okay. Great. Thanks. Good morning, everyone. So, on the new \$0.31 quarterly dividend, should we view that as a floor in NII over the next several quarters? And since you're keeping the supplemental dividend framework in place, is there the potential for some supplemental dividends to come through later this year, depending on the trajectory of NII from here as the environment begins to normalize with wider spreads, what should be a recovery in transaction activity, along with stable base rates?

### **Craig Packer**

Hey, Brian. Thanks. So, we thought very carefully about where to set the dividend. We think that this is the right level. In terms of [if] it's a floor, I hope it's a floor. I expect that we will have a really good environment. I think spreads, as we talked about, will go wider from here.

Obviously, it's very base rate driven as well. Right now, base rates are expected to sort of stabilize here. We had very little prepayment income this quarter. That's not an easily predictable variable, but our history shows we typically have it. So, I hope and expect it to be a floor, but in any quarter, things can happen. So, I don't want to overstate the level of precision there.

I appreciate you highlighting the supplemental dividend. I do think that there are going to be quarters where we over earn the \$0.31. And again, this is at the risk of saying this multiple times, this isn't a special dividend. We're really expressing a commitment to pay out 50% of everything over \$0.31. So, we hope investors appreciate that versus a special, which is much more discretionary.

So, that's some perspective on it. I'm quite optimistic, over the next 12 months, it's going to be a better investing environment, and we'll have the ability to generate some really attractive earnings for the portfolio, hopefully in excess of the dividend.

### **Brian McKenna**

Okay. That's helpful. Thanks, Craig. And then, Jonathan, it would be helpful to get a little more color around your framework and approach to marking the portfolio. I know your process is very thorough, but I think it'd be timely just to get a little bit more detail here. And then do you have

any historical data around the average markup between final realized marks across the portfolio relative to the prior unrealized marks?

**Jonathan Lamm**

Sure. So, just in terms of our valuation approach, it's been consistent for the last 10 years. We will remind you and remind everyone that, here, we do not mark our book at all. We go out to an external valuation agent every single quarter for every single name, a large well-regarded valuation agent. They're not providing a range of values but rather marking the book to the point value. And so, we're not putting a number where it's at the top end of the range or the bottom end of the range, etc. , but rather just a price taker ultimately for every single valuation.

We do, as part of our overall requirements with our Board, and obviously, internally, do a look-back analysis on, first of all, comparable valuations to the peers. We've always been marked on a conservative basis, but not too much. We obviously don't want to be just taking marks down without thought, but we are always analyzing where we mark relative to the peers.

Another thing that we do is, obviously, always look at where we exit versus where we were previously marked in the prior quarter. So on a realization basis, we'll look at where the unrealized values are and then ultimately where those realizations come in, and you're talking about generally a very, very small amount, unless obviously, in the particular quarter, there's some massive change relative to where we were. In the context of the realizations that we had in this quarter, all of those realizations, some of them were historical nonaccruals, where we effectively realize them exactly where they were because we had already taken the pain, and there were some realizations on the way up. A name like SpaceX is obviously moving pretty dramatically, so there was a realized gain associated with SpaceX in the quarter because the valuation changed between 12/31 and 3/31.

**Craig Packer**

I'd just add we are a lender. Our loans are contractually due at par. Our loans, if they're performing and going to get taken out, they should be getting taken out at par. It's very different than a private equity portfolio where a private equity firm is marking the value, and then they have to exit, and there's an indeterminant value – up or down.

So the vast, vast, vast majority of our loans in our history are exiting at their fair value because, as we approach that refinancing or repayment or maturity, it gets marked closer and closer to par. And as we've highlighted, we've only had 35 basis points of loss in the history of the fund. So, almost everything has gotten repaid at par. The average – just so you have it at your fingertips – the current spread in the book is 560 over, and the average loan is marked at 95.4%, and we expect to get par on almost all of those loans.

**Brian McKenna**

Really helpful. Thank you, guys.

**Craig Packer**

Thanks, Brian.

**Operator**

Thank you. Next question today is coming from Sean Paul Adams from B. Riley Securities. Your line is now live.

**Sean-Paul Adams**

Hey, guys. Good morning. It looks like your headline nonaccruals declined, but you marked Walker Edison on nonaccrual, but you kept the first lien at a 96 mark, while effectively taking that delay draw to basically a 0. It looks like that was an opportunity to kind of draw down, or do you have estimates of a better recovery from that specific name?

**Jonathan Lamm**

Walker Edison has been on nonaccrual for a significant period of time. It's been marked down to very, very low levels with a certain view of recovery; there was a realization this quarter, Sean-Paul. So, that's probably what's tripping you up. But in terms of nonaccrual, it's not new nonaccrual and has been marked down drastically, not much more significantly this quarter.

**Logan Nicholson**

And no impact to NAV. This was just a realization of an already unrealized markdown that we had, so there was no change to NAV net at the end of the day.

**Sean-Paul Adams**

Correct. Correct. Yes. It's been a long-standing nonaccrual. It's just more questioning the marks of where it's, you know, the fair value at 96%. On the new nonaccruals for the quarter, Cornerstone OnDemand was a new addition, and that is kind of cross held within the Ares portfolio as well. That is within the kind of SaaS business. That mark has kind of deteriorated pretty rapidly. Do you have any extra color on that specific name?

**Craig Packer**

Sure. I just want to make sure it's clear. We didn't have any additional nonaccruals this quarter. So, we can talk about Cornerstone. Cornerstone has public loans that trade, and when we have an investment that has public loans that trade, we certainly... and our valuation firm takes the marks of those public loans heavily into account for obvious reasons. And so in that particular case, the mark that we have is heavily fact weighted by the public marks. We believe it's a performing credit. It's had some volatility.

Look, there's a lot of public market concern about software names. And sometimes that trading volatility may or may not line up with our view of credit fundamentals, but we feel good about having it on accrual, and we feel like we've marked it appropriately.

**Sean-Paul Adams**

My apologies. To clarify, your nonaccruals were lower for the quarter, but your watchlist with the aggregate marks below 85% did increase. And so that the Cornerstone draw out was from

the watchlist increasing while the nonaccruals are going down. So, my question was more pointed towards headline nonaccruals might be going down, but the aggregate watchlist credits or the risk ratings within the portfolio, could those be going up? Or is that rather just a mark-to-market, like you said earlier in the call, when a number of games are cross-held positions within other BDCs?

**Jonathan Lamm**

I would add our 3 to 5 rated names, which we would view as more expansive than just the names below 80, and the names that we spend a lot of time considering – all of the factors around credit performance. That is stable and it has not gone up. So, the subset of names that you're looking at that have had volatile trading prices, there are a few.

Most notably Cornerstone, you highlighted, have been a relative value to a first lien that traded down significantly with the volatile public market, particularly around software names in the first quarter. On that name in particular, earnings and revenues in that company are perfectly stable. It's a public market volatility point related to the first lien. So, when we look at our more expansive proxies for a watchlist, our 3 to 5 rated, the numbers are not going up. They're stable.

**Sean-Paul Adams**

Okay. Thank you for the color. I appreciate it.

**Craig Packer**

Thank you.

**Operator**

Thank you. The next question today is coming from Robert Dodd from Raymond James. Your line is now live.

**Robert Dodd**

Hi, guys. A couple of questions, if I can, kind of unrelated. Kind of earnings trends going forward. I mean to your point, three-year low in fee income, two-year low in leverage. So, there's a lot of potential drivers. I mean, what do you think could be the primary drivers of earnings, one way or the other through the remainder of the year?

I mean, do you think fee income, prepays, etc., are actually likely to increase this year given how choppy the market is and spreads are wider, maybe people don't want to be far? Or do you think leverage is more likely to be the primary tool for kind of the direction of NII through the course of this year?

**Craig Packer**

Look, Robert, I think it's a mix. I don't think there's one primary – in any one quarter, different things can happen. I think our fee income, prepayment income, was unusually low this quarter. In almost all market environments, it's higher than we've seen this quarter, it just wound up being an exceptionally low quarter. Again, that type of income could be from OID, could be from

repayments, call premium, amendment fees; there's a lot of drivers. It's not any one thing and it just wound up being an exceptionally quiet quarter.

Without getting too far ahead of myself, I suspect it will be higher in the second quarter, but we'll see. I do think that refinancings will take place throughout the year that will allow us to add some spread to the book. I think that we're going to be cautious on leverage, just because I think it's an environment that deserves caution. But if we see attractive opportunities, which I think we will, taking the leverage up a bit – we have the flexibility to do that.

So, I think it's all of those things. We have our joint ventures, they pay dividends. They're very predictable dividends. But in any one quarter, they can be a little bit higher, a little bit lower. And obviously, credit performance needs to continue to be very strong. So, it's all the factors.

I guess what I would say is, and we said it in the script, and I just want to be really clear – this quarter, you saw the culmination of a period of time where spreads were ground down in the industry and rates came down, and there's a lag effect to the rates as borrow elections turn over. And so you saw this in our results, but I think you're seeing it in our peers' results pretty consistently, and you're seeing it in the first quarter.

For investors that don't follow the space very closely, what we are highlighting is, now that that's really washed its way through, I'm optimistic, because of the supply/demand in the industry, that spreads are widening from here, and I think their expectation is base rates have stabilized from here. So, if we get just some reasonable repayment, that's a cause for hope around earnings for the industry over the rest of the year. It's all those factors.

### **Robert Dodd**

Got it. Thank you. And one more, if I can. On the LTVs, obviously, there has been an area of focus for the space to talk about LTVs as a capital protection kind of indicator. Can you give us any more color on how rapidly you update or where the 'V' part of that comes from in your disclosure? Is it the underwriting value? Is it updated quarterly, which I presume?

And also to the point, like what's the average for the portfolio. What's the kind of range across the portfolio in terms of LTVs obviously, for the overall portfolio? And obviously, I'm also interested in the software side in terms of how that 'V' is moving and what the range is in software, as well as the overall portfolio?

### **Craig Packer**

Yes. I'll start and anyone from the team can chime in. We update the LTVs every quarter; that's something we've disclosed consistently in our history. We called out in the script that the LTV for OBDC this quarter went from 41% to 47%. If you've followed us for a long time, you know that we've consistently been in the low 40s. So, this is a little bit higher. That drive is very much driven by the drop in valuation in software. The biggest piece of it meaningfully was software, which is the largest sector in the book.

So, to the spirit of your question, we look at this every quarter. The teams look at it. We look at it. They look at a number of factors for when they're valuing a name. Certainly, entry valuation is a key factor in the early years because that's sort of the most clear indicator. But as names season in the book, we update it for other comparable valuation where assets are trading at, M&A value, what's happened to the underlying credit. So, this gets updated.

I would say this quarter, we all recognize that there's been a really sea change in valuation for software assets. I think that's very clear, certainly to us and to the market. And so, I think we took extra special care around valuing the software names, and that's reflected in the increase from 41% to 47%.

In terms of your broader question around the range. I don't have it at my fingertips, but the vast majority of the names are going to be in that ZIP code, and if you were doing statistical analysis, they would cluster around 30% to 55%. We certainly have names, we always have, and we always will, that are more challenged. And they're going to be higher loan to value. Just any lending book has that, and we have that, and you can see that reflected in valuation levels.

But we feel really good about our cushion, even in today's environment, even in software. We highlighted it, a name like Intelrad, it's a software name. It got sold to a strategic for 20x cash flow. Our LTV on that loan was, at the end of the day, 25% or something.

So, we feel good about it. We update it. It's only one metric. I think it's an easy metric for people to wrap their head around. There's hundreds of other metrics that we look at to assess the quality of the portfolio. But I think that the fact that the LTV went up this quarter, I think should give investors some confidence that these are statistics that we put a lot of thinking into.

**Robert Dodd**

Got it. Thank you.

**Craig Packer**

All right. Thanks, Robert.

**Operator**

Thank you. Our next question today is coming from Paul Johnson from KBW. Your line is now live.

**Paul Johnson**

Thanks for taking my questions. I appreciate all the color that you've provided. I just have one question, or actually, two questions here, but I realize this is a more recent development, but you've seen relatively strong performance in the public equity markets for software companies over the last few weeks. I think they've bounced almost a little over 20% from kind of on the bottom that they hit at the end of last quarter. I was just curious, I mean, in any way, has that been reflected within conversations, engagement with the sponsor community where maybe there's a little more of a narrowing of the bid-ask between these companies, or anything that's

happening to allow these sponsors to get a little bit more comfortable, I guess, transacting in that sector, just given the balance we've seen in the public markets?

**Craig Packer**

Look, I do think it's nice to see some of that balance, and I think the equity markets, but the markets in general, I think are being a little more thoughtful about software and the impact on AI. The initial reaction was so dramatic, and I think you're starting to see the market focus on the high-quality aspects of software and the stickiness and the durability, even in an AI world.

We're not seeing any significant different dialogue with sponsors based on a few weeks of trading activity. But I can tell you the sponsors are very focused on making sure that their companies are prepared for an AI world and invest in considerable resources and doing what we would expect them to be doing to make sure their companies continue to prosper and that's the biggest part of our dialogue with them, but I don't have anything to add beyond that.

**Paul Johnson**

Thanks. That's helpful. Last one, just higher level, but it feels like banks could certainly become more competitive here and lean into the BSL market a little more if they wanted to. I mean, are you just in terms of repayments of \$1.5 billion this quarter, a little over \$5 billion last year, like how much of that is going to the BSL market and whether or not you could actually use something like that to your advantage, where you could potentially reduce software exposure or improve liquidity, that sort of thing, where perhaps getting some of these deals refinanced into the BSL market is not such a bad thing.

**Craig Packer**

So, I'll start. You can chime in. Look, we compete with the broadly syndicated market. That's been a core part of our business over 10 years. There's times the market is really strong. There's times in markets weak. I think right now, it's not especially strong. So, I don't think this is an environment where the banks are leaning on underwriting. And I think if you follow that market closely, you'll know that there have been some challenges in some syndications in the BSL market.

But it's part of the model. Sometimes names get refinanced, sometimes they don't. All of our names get refinanced, whether they get refinanced in the private market or the public market, the companies get sold. It's an expected part of our economic model in those repayments. Yes, I do think that this environment over the next 12 months is going to give us an opportunity when we get repayments to recycle those dollars into higher spread assets. And it could be just refinancing some of our own names and marking those to market.

And so, I do think this is an environment where through refinancings and repayments, whether it comes from BSL syndication, private refinancing, we'll have a chance to add spread to the book. We reduced software exposure this quarter from 19% to 16%. That happened naturally due to some repayments. And I think that we're going to continue to be, I think, very cautious in software. And as we get repayments, probably look to continue to take that down, but we

continue to have conviction on our software names. But it's a larger sector, there's more uncertainty there, and I think you'll see that reflected in a very high bar to add new names and probably a disposition to reduce our software exposure, but they performed very well, and this quarter it was all just repayments.

**Paul Johnson**

Got it. Appreciate it. That's all for me. Thank you.

**Operator**

Thank you. Your next question is coming from Arren Cyganovich from Truist Securities. Your line is now live.

**Arren Cyganovich**

Thanks. I was hoping you could discuss some of the conversations you're having with sponsors in terms of the pipeline that you're seeing right now. I know things have slowed down quite a bit, but anything that's starting to show signs of opening up? And would we also expect the repayments to slow as well, since the new deal activity is slowing?

**Jonathan Lamm**

Sure. Thanks, Arren. We are starting to see a little bit of an uptick in activity. The vast majority of the activity so far has been on our incumbent position, so add-ons, bolt-ons, small acquisitions, but in the last couple of weeks, we've seen a couple of M&A processes underway, more in the healthcare, industrial, and distribution space.

Software still remains relatively quiet, but we are starting to see some more activity, particularly with the bounce back in public markets and equity markets. But for now, the activity still remains relatively light. Repayment activity, it really just depends. We have seen areas where over the years, public market volatility slows repayments. I think it's a fair point, and those are oftentimes correlated.

But in the past quarter, as an example, a number of our takeouts were strategic buyers taking out assets, like Intelrad. And strategic buyers have certainly strong equity market performance, strong valuations, and strong earnings in public investment-grade companies. So, it really just depends, and this is not like the last few bouts of volatility. So, we'll just have to see what happens.

**Arren Cyganovich**

Okay, thank you.

**Operator**

Thank you. The next question today is coming from Kenneth Lee from RBC Capital Markets. Your line is now live.

**Kenneth Lee**

Hey. Good morning. Thanks for taking my question. Just another one on the new dividend level there. I wonder if you could just talk a little bit more about some of the embedded assumptions behind there. Are you embedding potentially either further spread compression, or conversely, some benefit from spread widening? Anything else you'd like to articulate around what drove the new dividend level there? Thanks.

**Jonathan Lamm**

Sure. So, we're constantly analyzing our model and forward earnings. So, for sure, we are taking into account the forward curve and thinking through stresses to that. We are also looking at spreads and the compression that we've seen over the last couple of years and stressing the relative up / down of spreads further compressing relative to widening, and obviously, we have a view on that. We're also looking at historical levels of fee income relative to where we're currently performing.

So, all of those things, leverage etc., credit performance, everything goes into that. And we've set our dividend at a level that we think is a supportable level. And that's – we took our time thinking through that process over the course of several quarters. Over the last few quarters, we've talked about it, and we think that this is the level that makes the most sense given all of those factors, Ken.

**Kenneth Lee**

Gotcha. Very helpful there. And then one follow-up, if I may, just in terms of share repurchases. Wondering, given where valuations are and given the leverage considerations you have there, how active could you be in terms of share repurchase over the near term? Thanks.

**Jonathan Lamm**

Well, I mean, I think you've seen us over the last couple of quarters, be active. We've upsized the total size of our repurchase plan. This quarter, we were a little less active as you can see, notwithstanding the spread movements, overall credit spread movements and therefore, declines in NAV, we were able to bring leverage down and into a level that puts us in a very, very comfortable range.

And so, when we think about repurchases, we're thinking about it in the context of capital allocation, which is thinking about your leverage, thinking about future deal opportunities relative to current deal opportunities, and all of those elements. So, we want to be active, and we think that we created, in all of those things, depending on where the best capital allocation is on the forward, and we think bringing down leverage this quarter is helpful to all of those potential allocations.

**Arren Cyganovich**

Gotcha. Very helpful there. Thanks again.

**Operator**

Thank you. Our next question today is coming from Derek Hewett from Bank of America. Your line is now live.

**Derek Hewett**

Good morning, everyone. So, I might have missed it because I was jumping between calls earlier, but could you discuss like what is your net leverage on the total portfolio? And then also, what is the net leverage specifically on the software portfolio?

**Jonathan Lamm**

You're talking about at the investment level, not the OBDC, not the company. Is that –

**Derek Hewett**

Correct.

**Jonathan Lamm**

Okay.

**Logan Nicholson**

Yes. We've typically been running between 5.5x and 6x on our portfolio companies for net leverage, and that has not moved dramatically over the last few quarters. Similarly, interest coverage, as we talked about, has ticked up from 1.6x at a trough to around 2x.

Software companies, given the strong cash flow dynamics, have typically run a little bit higher, so north of 6x for leverage, but that has not moved dramatically in the last few quarters either, given fundamental performance of our software borrowers has been strong. And as we mentioned, earnings growth for the software portfolio companies is still low double-digit EBITDA growth, in line with the rest of the portfolio. So, the leverage statistics have not moved around dramatically.

**Derek Hewett**

Okay. Great. And then just in terms of the software portfolio, what is the LTV in the software portfolio? You had mentioned the overall portfolio was 47%.

**Jonathan Lamm**

We posted our overall. So, we mentioned 47% for the overall portfolio, and it's approximately 48% for the software portfolio. So, it's not materially different. It's 48% for the software portfolio and 47% for the overall.

**Derek Hewett**

Okay. And does that include kind of mark-to-market in terms of like what's happened with software values quarter-to-date?

**Jonathan Lamm**

Correct. That's our current view, marked to the quarter end.

**Derek Hewett**

Okay, thank you.

**Operator**

Thank you. Our next question today is coming from Patrick Davitt from Autonomous Research. Your line is now live.

**Patrick Davitt**

Hey. Good morning. Thanks for letting me join the party today. I just had a follow-up on the software EBITDA growth. I think you just said it's low double digits versus last quarter, 16%. Am I hearing that correctly? And if so, could you give more color on what's driving that decline? Thank you.

**Jonathan Lamm**

Great. Yeah, sure. Thanks for the question. Last year, we saw software EBITDA growth for our borrowers in the low double digits. The fourth quarter, as you mentioned, was a little bit of an outlier higher; it's not a perfect measure in any one quarter, given some of it includes M&A and the portfolio has puts and takes given there are names exiting and names entering, and there's some seasonality. So, we'll see what the trend is over time, but I would say that low double digits has been consistent for the last year, and you are right that the fourth quarter was a slight outlier higher.

**Patrick Davitt**

So, the 16% was not a full year number. That was just the quarterly?

**Jonathan Lamm**

That was the year-over-year reference last quarter.

**Patrick Davitt**

Got it. Okay. Thanks a lot.

**Operator**

Thank you. Our next question today is coming from Christopher Nolan from Ladenburg Thalmann. Your line is now live.

**Christopher Nolan**

Hi. Most of my questions have been asked. On loan sales, they're roughly \$400 million in loan sales in February according to the Q. Are these the same loan sales that were discussed in the last quarterly call?

**Craig Packer**

Yes.

**Christopher Nolan**

Okay. Just wanted to clarify. Thank you.

**Operator**

Thank you. We have reached the end of our question-and-answer session. I'd like to turn the floor back over for any further or closing comments.

**Craig Packer**

Terrific. Thank you all for joining. We appreciate your interest. As always, we're accessible if you have follow-up questions, but we'd be happy to engage with you. Just reach out, and I hope everyone has a great day.

**Operator**

Thank you. That does conclude today's teleconference and webcast. You may disconnect your lines at this time, and have a wonderful day. We thank you for your participation today.