

BDCs

Updating estimates for multiple BDCs

Price Objective Change

BBDC – No surprises, in-line with pre-announcement

Barings BDC (BBDC) reported Q4 results in-line with the January pre-announcement: core EPS was \$0.31, a penny above BofA/Consensus expectations. Overall, Q4 results were solid. The debt yield was mostly stable, NAV/share was fractionally higher, and pro forma non-accruals improved. We believe BBDC is well-positioned to deliver strong risk-adjusted returns despite the complex market environment. Reiterate Buy.

BCSF – Q4 fine; \$0.03/qtr supplemental div in '24

Bain Capital (BCSF) reported Q4 core EPS of \$0.54, a penny above Street ests and in-line with BofAe. Overall, fundamentals were mostly positive, although credit was marginally worse. Notably, BCSF declared a \$0.03/qtr supplemental dividend throughout 2024. At current valuation, we think risk/reward is balanced. Reiterate Neutral.

CCAP – Solid Q4 beat, NAV/share up 1.7%

Crescent Capital BDC (CCAP) reported Q4 adjusted core EPS of \$0.61, above BofA/Consensus expectations of \$0.56/\$0.57. GAAP EPS was \$0.83 (impressive 16.8% ROE) due to portfolio appreciation. The total 1Q24 dividend will be \$0.51/share. Overall, we think Q4 results were solid with a record \$0.61 of core EPS and a 1.7% increase in NAV/share. We continue to view CCAP as well positioned to gain share and deliver attractive risk-adjusted returns for investors. Reiterate Buy.

CGBD – Strong '24 outlook drives 8% dividend increase

Carlyle Secured (CGBD) reported Q4 core EPS of \$0.56, above BofA/Consensus expectations of \$0.51. Overall, Q4 results were solid, with NAV/share up 0.8% to \$16.99, stable non-accruals, and a flat portfolio yield. Notably, CGBD increased the core quarterly dividend 8% to \$0.40/share (from \$0.37/share) given solid profitability and improving credit expectations. Additionally, CGBD sees earnings stability at “this \$0.50+ level” on a quarterly basis in 2024, which suggests upside to consensus estimates. Reiterate Buy.

MFIC – Q4 highlights progress, but we remain cautious

MidCap Financial (MFIC) reported Q4 core EPS of \$0.46, above BofA/Consensus expectations of \$0.42. Overall, Q4 results were mostly positive as NAV/share improved 0.9% to \$15.41, credit was mostly stable, and the portfolio yield improved. MFIC has made significant progress de-risking the balance sheet and lowering fees but we remain cautious about below peer economic returns in the near-term. Reiterate Underperform.

NMFC – Adj core EPS in-line with pre-announcement

New Mountain (NMFC) reported Q4 results that were in line with the January pre-announcement: adjusted core EPS was \$0.40, a penny above BofA/Consensus expectations. During Q4, credit was stable and NAV/share was modestly lower. Overall, we continue to view NMFC as well positioned to outperform the peer group and generate solid risk-adjusted returns given its defensive growth strategy. Reiterate Buy.

We revise estimates and POs for our coverage to reflect Q4 earnings.

29 February 2024

Equity
Americas
BDCs

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Timestamp: 29 February 2024 03:38AM EST

Barings BDC (BBDC)

Q4 results were in-line with pre-announcement

Barings BDC (BBDC) reported Q4 results that were in line with the January pre-announcement. Q4 core EPS was \$0.31, a penny above BofA/Consensus expectations. GAAP EPS was \$0.28 (10% GAAP ROE) due to modest portfolio depreciation. Overall, Q4 results were solid. The debt yield was mostly stable, NAV/share was fractionally higher, and pro forma non-accruals improved. We believe BBDC is well-positioned to deliver strong risk-adjusted returns despite the complex market environment. Reiterate Buy.

Credit stable in Q4, 1 non-accrual resolved in 1Q24

Non-accruals were 2.5% (4 borrowers) of the portfolio at cost, unchanged QoQ. The larger BDC peer average was ~2.6% at Q3 (most recent information available). Only 2 non-accruals were originated by BBDC, the remaining 2 non-accruals are covered by credit support agreements. Notably, 1 BBDC originated non-accrual (Core Scientific) was removed from non-accrual status during 1Q24 in a debt for stock exchange. Pro forma for Core Scientific, non-accruals are only 1.3% of the portfolio.

Portfolio flat at \$2.5B, yield largely stable at 10.5%

The portfolio (at fair value) totaled \$2.5B, unchanged QoQ. Originations were \$192M and exits/sales were \$244M, resulting in net activity of -\$52M. The BofA forecast was net growth of \$0. QTD, BBDC has made \$41.9M of new commitments (11.5% avg yield & \$35.3M funded) and funded \$15.7M of prior commitments. The yield on debt investments was 10.5%, compared to 10.6% the prior quarter.

NAV/share stable at \$11.28; 1Q24 dividend is \$0.26/share

NAV/share was \$11.28, compared to \$11.25 the prior quarter. The Q4 dividend was \$0.26/share, unchanged QoQ. The 1Q24 dividend will be \$0.26 (in line with expectations).

Leverage flat at 1.15x; no material NT debt maturities

Leverage (adjusted for cash and unsettled transactions) was stable at 1.15x, compared to 1.18x last quarter. BBDC's target leverage is 0.9x-1.25x. BBDC's funding mix remains conservative (~50% unsecured debt), increasing financial flexibility and liquidity. Pro forma for a \$300M unsecured note issuance (priced at 7.0%) in February, unsecured debt represents ~70% of funding. There are no debt maturities in 2024 and \$113M (8% of outstanding debt) of maturities in 2025.

Adjusting estimates; PO to \$10.50

Adjusting our 24/25E core EPS forecast to \$1.25/\$1.16 from \$1.20/\$1.22 given our revised outlook. Introducing our 2026E core EPS forecast of \$1.13. We are increasing our PO to \$10.50 (~0.95x NAV) from \$10 (~0.9x) given NAV/share stability and improving economic returns.

Bain Capital (BCSF)

Good quarter: Beat the Street, credit slightly worse

Bain Capital (BCSF) reported Q4 core EPS of \$0.54, a penny above Consensus expectations and in-line with the BofA forecast. GAAP EPS was \$0.48 (11% GAAP ROE) due to modest portfolio depreciation. Overall, fundamentals were mostly positive; however, credit was marginally worse. Notably, BCSF declared a Q1 dividend of \$0.42/share as well as a \$0.03/qtr supplemental dividend throughout 2024. At current valuation, we think risk/reward is balanced. Reiterate Neutral.

Supplemental div of \$0.03/qtr announced for '24; core flat

During Q4, BCSF announced a \$0.03/quarter supplemental dividend for each quarter of 2024. The core quarterly dividend of \$0.42 was unchanged. Dividend coverage was strong at 129%.

NAV/share up marginally to \$17.60; leverage down to 1.0x

NAV/share was \$17.60, compared to \$17.54 the prior quarter. The slight increase was due to core earnings exceeding the dividend (+\$0.12/share), partially offset by portfolio realized/unrealized losses (\$0.06/share). Reported leverage, net was 1.02x, down from 1.12x as of Q3 and at the low end of BCSF's stated target leverage range of 1.0x-1.25x. BCSF has a conservative liability structure (~47% of funding is unsecured, moderate leverage, etc.), which increases financial flexibility, in our view. There are no debt maturities until 2026.

Portfolio down ~4% to \$2.3B, yield up to 13.0%

The portfolio (fair value) was ~4% lower q/q to \$2.3B. Originations of \$206M and exits/sales of \$308M resulted in net portfolio commitments of \$(102)M. Overall, portfolio composition was conservative (82% of investments first lien senior secured, including JVs), in our view. The portfolio was 94% floating. The portfolio yield (cost basis) increased to 13.0%, compared to 12.9% the prior quarter.

Non-accrual investments increase to 1.9%

Non-accruals increased to 1.9% (3 borrowers; 5 loans), compared to 1.5% (3 borrowers; 4 loans) the prior quarter. Non-accruals are carried at 63% of cost. Portfolio company fundamentals remain resilient despite the more challenging macro environment - leverage was 4.8x (5.0x at Q3) and EBITDA was \$53M (\$58M at Q3).

International JVs

BCSF's two investment vehicles are: 1) Bain Capital Senior Loan Program (SLP), which invests primarily in lower yield senior secured first lien loans of U.S. borrowers; and 2) International Senior Loan Program (ISLP), invests middle market direct lending opportunities across Europe and Australia. The ISLP/SLP represent 16.1% of the portfolio (fair value) at Q3 (15.5% at Q3).

Tweaking estimates; \$15.50 PO unchanged

Adjusting our 24/25E core EPS forecast to \$2.07/\$1.95 from \$2.00/\$1.90 given our revised outlook and introduce 2026E core EPS forecast of \$1.85. Our \$15.50 PO (~0.9x NAV) is unchanged.



Crescent Capital (CCAP)

Another record quarter; NAV/share +1.7%

Crescent Capital BDC (CCAP) reported Q4 adjusted core EPS of \$0.61, above Consensus expectations of \$0.57. Relative to the BofA EPS forecast of \$0.56, the beat was due to stronger-than-expected recurring interest revenue, partially offset by higher interest expense. GAAP EPS was \$0.83 (impressive 16.8% ROE) due to portfolio appreciation. Overall, we think Q4 results were solid. Core EPS of \$0.61 was a record quarter, NAV/share increased 1.7%, and leverage was mostly stable. The total 1Q24 dividend will be \$0.51/share. We continue to view CCAP as well positioned to gain share and deliver attractive risk-adjusted returns for investors. Reiterate Buy.

Credit solid, non-accrual investments improve to 2.0%

Non-accruals (cost basis) were 2.0% of debt/income securities, compared to 2.3% at Q3. Importantly, non-accruals are below the industry average of 2.6% (most recent data available is Q3). Non-accrual investments were across 9 portfolio companies, unchanged QoQ.

NAV/share +1.7% to \$20.04; 1Q24 total DPS \$0.51

CCAP reported NAV/share of \$20.04, compared to \$19.70 the prior quarter. The 1.7% increase in NAV was driven by strong adj. core earnings (+\$0.61/share) and portfolio appreciation (+\$0.22/share), partially offset by the \$0.50/share total dividend (core/supplemental \$0.41/\$0.09). The 1Q24 total dividend will increase 2% to \$0.50/share (core/supplemental \$0.41/\$0.10).

Portfolio and yield stable at \$1.6B and 11.9%

The portfolio (fair value) was \$1.6B, largely unchanged QoQ. CCAP's portfolio composition was largely unchanged following the 1Q23 integration of the First Eagle merger. The portfolio remains 99% floating rate, 89% first lien. The portfolio yield (cost basis) was 11.9%, unchanged QoQ. The Q4 new investment yield was 11.4% (unchanged QoQ).

Adjusting estimates; PO unchanged at \$18

We adjust our 2024/2025E core EPS estimates to \$2.22/\$2.00 from \$2.05/\$2.00 given our revised outlook. Introducing our 2026E core EPS forecast of \$1.91. We leave our PO unchanged at \$18 based on a 0.9x multiple to NAV.

Carlyle Secured Lending (CGBD)

Good quarter; core dividend +8% to \$0.40/share

Carlyle Secured (CGBD) reported Q4 core EPS of \$0.56, above BofA/Consensus expectations of \$0.51. Relative to the BofA forecast, the variance was largely related to higher fee income and recurring interest income. GAAP EPS was \$0.57 (13.4% ROE) due to modest portfolio appreciation. Overall, Q4 results were solid. NAV/share was up 0.8% to \$16.99, non-accruals were stable, and the yield was flat. Notably, CGBD increased the core quarterly dividend 8% to \$0.40/share (from \$0.37/share) given solid profitability and improving credit expectations despite the complex market environment. Additionally, CGBD sees earnings stability at “this \$0.50 plus level” on a quarterly basis in 2024 given the current rate curve, which suggests upside to the 2024 Consensus forecast (Consensus was ~\$1.95/share before the Q4 print). Reiterate Buy.

Non-accruals stable at 3.2%, further improvement in 1Q24

Non-accruals were 3.2% (3 borrowers) of the portfolio at cost, unchanged QoQ. There were no new non-accruals. Non-accruals are concentrated in the healthcare sector due to wage inflation, labor shortages, and regulatory changes. Non-accrual investments are carried at ~62% of cost (59% in 3Q). We est the quarterly EPS drag from non-accruals is ~\$0.04/share. Subsequent to quarter end, 1 non-accrual was restructured (Dermatology Associates); we estimate pro forma non-accruals improve to ~1.9%. Additionally, restructuring Dermatology Associates should benefit quarterly EPS by ~\$0.01.

NAV/share +0.8% to \$16.99; 1Q24 DPS is \$0.48

NAV/share increased to \$16.99, compared to \$16.86 the prior quarter due to retained earnings. The total Q4 dividend was \$0.44/share (\$0.37/\$0.07 core/supplemental). The 1Q24 dividend will be \$0.48/share (\$0.40/\$0.08 core /supplemental). CGBD increased the core dividend 8% to \$0.40/share (from \$0.37/share) given solid profitability expectations. Additionally, CGBD implemented a formula-based supplemental dividend with a 50% payout, which is similar to many peers.

Portfolio yield stable at 12.7%

The portfolio yield on income producing investments was 12.7%, flat QoQ. The yield on first lien debt was 12.7% (12.6% at Q3) and the yield on second lien debt was 13.8% (13.7% at Q3). The weighted avg rate on new investments was 12.8% and the weighted average rate on sales/repayments was 13.5%. The portfolio is 99% floating rate.

\$50M preferred is LT investment in CGBD

In May 2020, CGBD sold 2M shares of cumulative convertible preferred stock to Carlyle (CGBD's sponsor) in a private placement at a price of \$25 (\$50M total). The preferred dividend is 7% and CGBD can redeem the preferred beginning in May 2023. CGBD believes the preferred stock is a long-term investment in CGBD by Carlyle. We note that the conversion price was \$9.10/share as of 4Q23 and would be moderately dilutive to NAV/share if converted.

Portfolio down 1% to \$1.8B; financial leverage 1.02x

The portfolio (fair value) totaled \$1.8B, down 1% QoQ. Fundings of \$77M and exits/sales of \$97M resulted in -\$20M of net investment activity. Regulatory leverage was 1.19x, largely unchanged QoQ. CGBD's target leverage range is 1.0-1.4x based on financial leverage (reflects convertible preferred as equity). Reported financial leverage (net) was 1.02x so there is still capacity for portfolio growth. That said, we expect financial leverage to remain relatively stable given the uncertain macro backdrop.

Adjusting estimates; PO to \$17

Adjusting our 24/25E core EPS forecast to \$2.12/\$1.95 from \$1.90/\$1.80 given our revised outlook. Introducing our 2026E core EPS forecast of \$1.85. We are increasing our PO to \$17 (1.0x NAV) from \$16 (0.95x NAV) given our stronger earnings outlook and improving credit.



MidCap Financial (MFIC)

Stronger interest income drives earnings beat

MidCap Financial (MFIC) reported Q4 core EPS of \$0.46, above BofA/Consensus expectations of \$0.42. Relative to the BofA EPS forecast, the variance was largely due to stronger top line growth. GAAP EPS was \$0.51 (13.3% ROE) due to modest portfolio appreciation. Overall, Q4 results were mostly positive as NAV/share improved 0.9% to \$15.41, credit was mostly stable, and the portfolio yield improved. We remain cautious due to concerns about below peer economic returns in the near-term given the complex market environment. That said, MFIC has made significant progress de-risking the balance sheet, lowering fees, and improving shareholder returns. Reiterate Underperform.

Non-accruals stable

Non-accruals (cost basis) were to 1.2% of the portfolio, compared to 1.3% last quarter. Non-accruals are carried at 18% of cost, limiting further downside to NAV/share, in our view. The portfolio weighted average net leverage was 5.3x (5.4x at Q3) and the portfolio median EBITDA was \$47M (\$54M at Q3). Notably, the weighted average interest coverage was resilient at 1.9x, unchanged QoQ, despite the significant rise in rates since year-end 2021.

Leverage within target; NAV/share improves to \$15.41

Reported net leverage was 1.34x, fractionally lower than 1.40x last quarter. Net leverage is within MFIC's target level of 1.4x to 1.6x. Near term debt maturities are \$0M in 2024 and \$350M (24% of outstanding debt) in 2025. During Q4, MFIC completed two transaction in increase liquidity and financial flexibility: 1) closed its inaugural collateralized loan obligation (CLO) and issued \$232M of notes at a cost of SOFR plus 240bp; and 2) issued \$80M of 5 year unsecured notes priced at 8.00%.

NAV/share increased 0.9% to \$15.41 from \$15.28 due to core earnings in excess of the dividend (+0.08/share) and portfolio appreciation (+\$0.05/share). Portfolio appreciation was largely from the core corporate lending portfolio and Merx.

Mergers with affiliates should accelerate growth

In November 2023, MFIC announced that it has entered into separate definitive merger agreements with two Apollo-affiliated closed end funds, Apollo Senior Floating Fund (AFT) and Apollo Tactical Income Fund (AIF), to merge with and into MFIC. MFIC will be the surviving entity. Overall, we view the deal favorable since the transaction accelerates many of the financial actions that MFIC looked to deliver organically, though sooner. Importantly, we think execution risk is low, the mergers are expected to be accretive to earnings, and there are operating synergies. Additionally, the enhanced scale of MFIC could improve access to capital and result in greater stock liquidity over time.

Adjusting estimates; PO to \$14

Adjusting our 24/25E core EPS forecast to \$1.72/\$1.60 from \$1.60/\$1.56 given our revised outlook. Introducing our 2026 core EPS forecast of \$1.58. We are increasing our PO to \$14 (0.9x NAV) from \$13 given NAV/share growth and our stronger earnings outlook.

New Mountain (NMFC)

Q4 results in line with pre-announcement

New Mountain (NMFC) reported Q4 results that were in line with the January pre-announcement. Q4 adjusted core EPS was \$0.40, a penny above BofA/Consensus expectations. GAAP EPS was \$0.27 (8.2% GAAP ROE) due to modest portfolio depreciation. During Q4, credit was stable, NAV/share was modestly lower (-0.7% to \$13.87 excluding the \$0.10/share special dividend), leverage slightly lower, and core EPS continues to support the dividend. Overall, we continue to view NMFC as well positioned to outperform the peer group and generate solid risk-adjusted returns given its defensive growth strategy. Reiterate Buy.

1Q24 implied core EPS guide is \$0.36

The Q4 total dividend was \$0.46 (\$0.32/\$0.04/\$0.10 core/supplemental/1x special). During Q4, NMFC paid a 1x special dividend of \$0.10/share due to a realized gain from an investment (Haven Midstream Holdings). The 1Q24 total dividend will be \$0.36 (\$0.32/\$0.04 core/supplemental). NMFC expects to generate a 1Q24 supplemental dividend (to be paid during 2Q24) of at least \$0.02/share, implying 1Q24 core EPS of at least \$0.36.

Non-accruals improve to 4.5%

Non-accruals (cost basis) as a percentage of the portfolio were 4.5% (6 investments), compared to 5.2% (6 investment) the prior quarter. There was one new non-accrual investment and one non-accrual investment was resolved. While non-accruals remain elevated vs. NMFC's historic levels, we remain constructive on credit due to minimal historic realized losses (~3bp of annualized losses since inception). And non-accruals are carried at 38% of cost, limiting further downside risk to NAV/share.

Portfolio ticks down 3% to \$3.0B

The portfolio (fair value) totaled \$3.0B, compared to \$3.1B the prior quarter. Fundings of \$143M and exits/sales of \$257M resulted in -\$114M of net investment activity. The BofA forecast for new investment activity was -\$50M due to modest delivering.

NAV/share -0.7% to \$12.87 (ex 1x special), leverage lower

NAV/share declined to \$13.87, compared to \$13.06 last quarter. The decline in NAV/share was largely due to credit specific weakness on certain investments and the impact of the 1x special dividend of \$0.10/share.

Regulatory leverage (excludes SBIC debt) was 1.1x, compared to 1.16x the prior quarter. NMFC's target leverage range is 1.0x-1.25x; we expect NMFC to operate toward the lower end of the range given the complex operating backdrop. NMFC has a conservative liability structure (~59% unsecured), which increases flexibility and liquidity. NMFC has only \$5M of debt maturities in 2024 and \$364M (14% of outstanding debt) of debt maturities in 2025 (6% of outstanding debt). During Q4, NMFC issued \$115M of unsecured notes priced at 8.25%. And in 1Q24, NMFC issued \$300M of unsecured notes priced at 6.875%.

At the Market (ATM) program

In November 2021, NMFC launched a \$250M at-the-market (ATM) program to regularly issue capital when the shares are trading at or above book value. During Q4, NMFC sold 1.1M shares for total proceeds of \$14.6M (average about \$13.02/share). Remaining availability is about \$176M as of 4Q23.

Adjusting estimates; PO unchanged at \$13.50

Adjusting our 24/25E core EPS forecast to \$1.50/\$1.45 from \$1.50/\$1.40 given our revised outlook. Introducing our 2026E core EPS forecast of \$1.40. We maintain our \$13.50 PO.



Exhibit 1: Stocks mentioned

Rating and price summary

BofA Ticker	Bloomberg ticker	Company name	Price	Rating
BCSF	BCSF US	Bain	US\$ 15.55	B-2-7
BBDC	BBDC US	Barings BDC Inc	US\$ 9.7	B-1-7
CGBD	CGBD US	Carlyle Sec Lending	US\$ 15.96	B-1-7
CCAP	CCAP US	Crescent Capital BDC	US\$ 16.63	B-1-7
MFIC	MFIC US	MidCap Financial	US\$ 14.59	C-3-7
NMFC	NMFC US	New Mountain Finance	US\$ 12.79	B-1-7

Source: BofA Global Research

BofA GLOBAL RESEARCH

Price objective basis & risk**Bain Capital Specialty Finance, Inc. (BCSF)**

Our \$15.50 PO is based on an approximate 0.9x multiple to NAV, which in our opinion is achievable as BCSF demonstrates improving earnings and continued growth.

Upside/downside risks to achieving our price objective are 1) material weakening in credit markets, 2) a significant slowdown in investment activity, 3) a deteriorating macroeconomic environment, 4) disruptions in the capital markets, and 5) weaker-than-expected investment performance.

Barings BDC Inc (BBDC)

Our \$10.50 PO is based on a roughly 0.95x NAV. Improving economic returns, strong risk management, and good liquidity justify BBDC's valuation.

Downside risks to achieving our price objective are: 1) material weakening in credit markets, 2) a significant slowdown in investment activity, 3) a deteriorating macroeconomic environment, 4) disruptions in the capital markets, and 5) weaker than expected investment performance.

Upside risks to achieving our price objective are: 1) material strengthening in credit markets, 2) a significant pickup in investment activity, 3) an improving macroeconomic environment, 4) disruptions in the capital markets, and 5) stronger than expected investment performance.

Carlyle Secured Lending Inc (CGBD)

Our \$17 PO is based on an approximate 1.0x multiple to NAV. Peers are trading at roughly 1.0x NAV. CGBD will likely trade roughly in line with peers until CGBD generates more consistent economic returns.

Downside risks to achieving our price objective are 1) material weakening in credit markets, 2) a significant slowdown in investment activity, 3) a deteriorating macroeconomic environment, 4) disruptions in the capital markets, and 5) weaker-than-expected investment performance.

Upside risks to achieving our price objective are 1) material strengthening in credit markets, 2) a significant pickup in investment activity, 3) an improving macroeconomic environment, 4) disruptions in the capital markets, and 5) stronger-than-expected investment performance.

Crescent Capital BDC (CCAP)

Our \$18 PO is based on a 0.9x multiple to current NAV/share, which is below the peer average of 1.0x. We think that is achievable as CCAP maintains stable margins and

continued portfolio growth.

Downside risks to achieving our price objective are 1) material weakening in credit markets, 2) a significant slowdown in investment activity, 3) a deteriorating macroeconomic environment, 4) disruptions in the capital markets, and 5) weaker than expected investment performance.

MidCap Financial Investment Co (MFIC)

Our \$14 price objective is based on a roughly 0.9x multiple to net asset value (NAV). BDC peers are currently trading at roughly 1.0x NAV. A below peer valuation is justified, in our view, since sector specific and idiosyncratic risks continue to negatively impact MFIC's fundamentals, GAAP ROE has lagged peers and near term growth opportunities are limited. Upside risks to achieving our price objective are: 1) material improvement in credit markets, including commodities, 2) the ability to grow the balance sheet, 3) an accelerating macroeconomic environment, 4) improving capital markets, and 5) stronger than expected investment performance, 6) wider credit spreads, 7) improving economic returns and ROE. Downside risks to achieving our price objective are: 1) material weakening in credit markets, 2) a significant slowdown in investment activity, 3) a deteriorating macroeconomic environment, 4) disruptions in the capital markets, and 5) weaker-than-expected investment performance, 6) tighter credit spreads, 7) declining economic returns and ROE.

New Mountain Finance Corporation (NMFC)

Our \$13.50 PO is based on a roughly 1.05x multiple to NAV. Peers are trading at about 1.0x NAV. NMFC's premium valuation relative to peers is justified due to superior economic returns, late-cycle portfolio, and shareholder alignment.

Downside risks to achieving our price objective are 1) material weakening in credit markets, 2) a significant slowdown in investment activity, 3) a deteriorating macroeconomic environment, 4) disruptions in the capital markets, and 5) weaker-than-expected investment performance.

Upside risks to achieving our price objective are 1) material strengthening in credit markets, 2) a significant pickup in investment activity, 3) an improving macroeconomic environment, 4) disruptions in the capital markets, and 5) stronger-than-expected investment performance.

Analyst Certification

I, Derek Hewett, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

North America - Banks Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
BUY				
	Ares Capital Corporation	ARCC	ARCC US	Derek Hewett
	Ares Commercial Real Estate Corporation	ACRE	ACRE US	Derek Hewett
	Bank of Montreal	BMO	BMO US	Ebrahim H. Poonawala
	Bank of Montreal	YBMO	BMO CN	Ebrahim H. Poonawala
	Barings BDC Inc	BBDC	BBDC US	Derek Hewett
	Blackstone Mortgage Trust Inc	BXMT	BXMT US	Derek Hewett
	Blue Owl Capital Corporation	OBDC	OBDC US	Derek Hewett
	Carlyle Secured Lending Inc	CGBD	CGBD US	Derek Hewett
	Citigroup Inc.	C	C US	Ebrahim H. Poonawala
	Compass Diversified Holdings	CODI	CODI US	Derek Hewett
	Crescent Capital BDC	CCAP	CCAP US	Derek Hewett
	Cullen/Frost Bankers Inc	CFR	CFR US	Ebrahim H. Poonawala
	East West Bancorp, Incorporated	EWBC	EWBC US	Ebrahim H. Poonawala
	Fifth Third Bank	FITB	FITB US	Ebrahim H. Poonawala
	First Bancorp Puerto Rico	FBP	FBP US	Brandon Berman
	First Horizon Corporation	FHN	FHN US	Ebrahim H. Poonawala
	FNB Corporation of Pennsylvania	FNB	FNB US	Brandon Berman
	Goldman Sachs	GS	GS US	Ebrahim H. Poonawala
	JPMorgan Chase & Co.	JPM	JPM US	Ebrahim H. Poonawala
	KeyCorp	KEY	KEY US	Ebrahim H. Poonawala
	M&T Bank	MTB	MTB US	Ebrahim H. Poonawala
	Morgan Stanley	MS	MS US	Ebrahim H. Poonawala
	New Mountain Finance Corporation	NMFC	NMFC US	Derek Hewett
	Northern Trust Corporation	NTRS	NTRS US	Ebrahim H. Poonawala
	Nuveen Churchill Direct Lending	NCDL	NCDL US	Derek Hewett
	Royal Bank of Canada	RY	RY US	Ebrahim H. Poonawala
	Royal Bank of Canada	YRY	RY CN	Ebrahim H. Poonawala
	Safehold, Inc	SAFE	SAFE US	Derek Hewett
	Sixth Street Specialty Lending, Inc	TSIX	TSIX US	Derek Hewett
	Starwood Property Trust	STWD	STWD US	Derek Hewett
	Synovus Financial Corp.	SNV	SNV US	Ebrahim H. Poonawala
	The Bank of New York Mellon Corporation	BK	BK US	Ebrahim H. Poonawala
	Truist Financial	TFC	TFC US	Ebrahim H. Poonawala
	U.S. Bancorp	USB	USB US	Ebrahim H. Poonawala
	Webster Financial Corp.	WBS	WBS US	Brandon Berman
	Wells Fargo & Company	WFC	WFC US	Ebrahim H. Poonawala
	Western Alliance Bancorp	WAL	WAL US	Ebrahim H. Poonawala
NEUTRAL				
	AGNC Investment Corp	AGNC	AGNC US	Derek Hewett
	Ally Financial	ALLY	ALLY US	Brandon Berman
	Annaly Capital Management	NLY	NLY US	Derek Hewett
	Apollo Commercial Real Estate Finance	ARI	ARI US	Derek Hewett
	Associated Banc-Corp	ASB	ASB US	Brandon Berman
	Bain Capital Specialty Finance, Inc.	BCSF	BCSF US	Derek Hewett
	Bank of Nova Scotia	YBNS	BNS CN	Ebrahim H. Poonawala
	Bank of Nova Scotia	BNS	BNS US	Ebrahim H. Poonawala
	Blackstone Secured Lending Fund	BXSL	BXSL US	Derek Hewett
	BrightSpire Capital Inc.	BRSP	BRSP US	Derek Hewett
	Canadian Imperial Bank of Commerce	CM	CM US	Ebrahim H. Poonawala
	Canadian Imperial Bank of Commerce	YCM	CM CN	Ebrahim H. Poonawala
	Citizens Financial Group	CFG	CFG US	Ebrahim H. Poonawala
	Comerica Incorporated	CMA	CMA US	Brandon Berman
	Commerce Bancshares Inc.	CBSH	CBSH US	Brandon Berman
	Goldman Sachs BDC, Inc.	GSBD	GSBD US	Derek Hewett
	Golub Capital BDC, Inc.	GBDC	GBDC US	Derek Hewett
	Huntington Bancshares Inc.	HBAN	HBAN US	Ebrahim H. Poonawala
	Ladder Capital Corp	LADR	LADR US	Derek Hewett
	New York Community Bancorp	NYCB	NYCB US	Ebrahim H. Poonawala
	Palmer Square Capital BDC	PSBD	PSBD US	Derek Hewett
	PennyMac Mortgage Investment Trust	PMT	PMT US	Derek Hewett
	Popular Inc	BPOP	BPOP US	Brandon Berman
	Regions Financial	RF	RF US	Ebrahim H. Poonawala
	The PNC Financial Services Group, Inc.	PNC	PNC US	Ebrahim H. Poonawala

North America - Banks Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
	Toronto-Dominion Bank	TD	TD US	Ebrahim H. Poonawala
	Toronto-Dominion Bank	YTD	TD CN	Ebrahim H. Poonawala
	TPG RE Finance Trust, Inc.	TRTX	TRTX US	Derek Hewett

UNDERPERFORM

	Bank of Hawaii Corp.	BOH	BOH US	Brandon Berman
	First Hawaiian Inc.	FHB	FHB US	Brandon Berman
	Guild Holdings Company	GHLA	GHLA US	Derek Hewett
	Invesco Mortgage Capital, Inc.	IVR	IVR US	Derek Hewett
	loanDepot Inc	LDI	LDI US	Derek Hewett
	MidCap Financial Investment Co	MFIC	MFIC US	Derek Hewett
	Prosperity Bancshares Inc	PB	PB US	Ebrahim H. Poonawala
	State Street Corporation	STT	STT US	Ebrahim H. Poonawala
	Texas Capital Bancshares Inc.	TCBI	TCBI US	Brandon Berman
	Zions Bancorp	ZION	ZION US	Brandon Berman

Disclosures

Important Disclosures

Equity Investment Rating Distribution: Financial Services Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	156	53.79%	Buy	94	60.26%
Hold	72	24.83%	Hold	48	66.67%
Sell	62	21.38%	Sell	35	56.45%

Equity Investment Rating Distribution: Global Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	1895	53.62%	Buy	1083	57.15%
Hold	832	23.54%	Hold	454	54.57%
Sell	807	22.84%	Sell	383	47.46%

^{R1} Issuers that were investment banking clients of BofA Securities or one of its affiliates within the past 12 months. For purposes of this Investment Rating Distribution, the coverage universe includes only stocks. A stock rated Neutral is included as a Hold, and a stock rated Underperform is included as a Sell.

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Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster ^{R2}
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

^{R2} Ratings dispersions may vary from time to time where BofA Global Research believes it better reflects the investment prospects of stocks in a Coverage Cluster.

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