New Mountain Finance Corporation Third Quarter 2025 Earnings Call
November 4, 2025, at 10:00am ET

Presenters:

Steven Klinsky – Chairman of NMFC & Chief Executive Officer of New Mountain Capital

John R. Kline – President & Chief Executive Officer

Laura C. Holson – Chief Operating Officer

Kris Corbett – Chief Financial Officer & Treasurer

Q&A Participants:

Finian O'Shea – Wells Fargo Securities

Ethan Kaye – Lucid Capital Markets

Paul Johnson – KBW

Robert Dodd – Raymond James

Operator

Good morning, and welcome to the New Mountain Finance Corporation's Third Quarter 2025 Earnings Call. All participants will be in listen-only mode. After today's presentation, there will be an opportunity to ask questions. Please note this event is being recorded. I would now like to turn the conference over to John Kline, President and CEO of NMFC. Please go ahead.

John R. Kline

Thank you and good morning, everyone. Welcome to New Mountain Finance Corporation's third quarter 2025 earnings call. On the line with me here today are Steve Klinsky, Chairman of NMFC and CEO of New Mountain Capital; Laura Holson, COO of NMFC; and Kris Corbett, CFO and Treasurer of NMFC. Steve is going to make some introductory remarks. But before he does, I'd like to ask Kris to make some important statements regarding today's call.

Kris Corbett

Thanks, John. Good morning, everyone. Before we get into the presentation, I would like to advise everyone that today's call and webcast are being recorded. Please note that they are the property of New Mountain Finance Corporation and that any unauthorized broadcast in any form is strictly prohibited. Information about the audio replay of this call is available in our November 3rd press release.

I would also like to call your attention to the customary Safe Harbor disclosures in our press release and on pages 2 and 3 of the slide presentation regarding forward-looking statements. Today's conference call and webcast may include forward-looking statements and projections, and we ask that you refer to our most recent filings with the SEC for important factors that could cause actual results to differ materially from those statements and projections. We do not undertake to update our forward-looking statements or projections unless required to by law. To obtain copies of our latest SEC filings and to access the slide presentation that we'll be referencing throughout this call, please visit our website at www.newmountainfinance.com.

At this time, I'd like to turn the call over to Steve Klinsky, NMFC's Chairman, who will give some highlights beginning on page 5 of the slide presentation. Steve?

Steven Klinsky

Thanks, Kris. It's great to be able to address you all today, both as NMFC's Chairman and as a major fellow shareholder. Adjusted net investment income for the quarter was $0.32 per share, covering our $0.32 per share dividend that was paid in cash on September 30th.

Our net investment income and dividend were supported by consistent recurring income from our loan portfolio, full utilization of the dividend protection program, which remains in place through the fourth quarter of 2026 and an incremental fee waiver.

Looking forward to Q4, we would like to announce a $0.32 dividend payable on December 31st to shareholders of record on December 17th. Our net asset value per share declined $0.15 compared to Q2 to $12.06 as NMFC experienced modest decline across four investments, which John will address later in the call.

Importantly, however, approximately 95% of our investments are green on our heat map. As a reminder, NMFC lends chiefly in defensive growth sectors such as healthcare, information technology, software, insurance services and infrastructure services, which New Mountain Capital knows well from its private equity ownership activities. Furthermore, NMFC's portfolio loan-to-value stands at just 45%. Our lending lines are being refinanced at lower rates, and our percentage of first lien assets is growing.

Since our IPO of NMFC in 2011, our stock has generally been a strong performer with consistent earnings and just a 1 basis point total net realized loss rate. I and my fellow managers at New Mountain are the largest shareholders of NMFC and have steadily increased our ownership level over time. Despite these strengths, NMFC's current stock price implies a 20% discount to book value, and the dividend of $0.32 quarterly or $1.28 annually represents more than a 13% yield. Therefore, over the course of the past seven months, NMFC has fully utilized the $50 million 10b5-1 stock repurchase program with total shares repurchased this year of approximately $47 million at an average price of approximately $10. Our board recently has approved a new share buyback program, totaling an additional $100 million.

Additionally, we're also now exploring a portfolio sale of up to $500 million of NMFC assets to a third-party, which would accelerate our progress on our strategic initiatives meaningfully. For example, we could potentially sell assets of well-performing names in order to reduce concentrations in our portfolio and to reduce PIK income. This would enhance our financial flexibility in what could be a better deal environment in 2026, as well as provide us with an opportunity to evaluate debt pay downs and or increase the size of our stock buyback program.

While it is early in the process and the outcome is uncertain, we expect to be able to provide a fulsome update on our next call in February, if not before. As a reminder, New Mountain Capital overall now manages about $60 billion in assets. We have generated an estimated $100 billion of enterprise value gains for all shareholders at our private equity companies since the firm's inception. And we currently employ over 90,000 people at our PE companies in the field, which is roughly equivalent to number 78 on the Fortune 1000.

New Mountain's own team has now grown to nearly 300 employees and senior advisors, plus approximately 70 more members on our Executive Advisory Council. Our goal is to apply this same PE business building skill and knowledge to benefit NMFC and our credit platform as a whole.

We thank you for your ownership and partnership and we are working diligently to serve your interests in the months and years ahead. With that, let me turn the call to John.

John R. Kline

Thank you, Steve. I would like to begin on page 8, which offers an overview of our differentiated approach to direct lending. First and foremost, we focus only on sectors of the economy that we believe are defensive and have sustainable tailwinds that will benefit companies within these chosen sectors. We do not invest in industries that are volatile, cyclical or secularly challenged.

Secondly, we believe that we have a better model for research as New Mountain uses in-house industry executives and private equity personnel to underwrite direct lending deals within our chosen sectors. If an investment underperforms and we are compelled to take an ownership stake, New Mountain is well-positioned to improve the business as an equity owner, utilizing our private equity expertise and in-house operating talent.

Finally, we continue to have very strong shareholder alignment with 14% of our outstanding shares owned by NMC employees and senior advisors. And we actively support shareholder returns through the Dividend Protection Program, additional fee waivers and the incremental share repurchase program Steve just announced.

Page 9 provides key performance statistics showing a long-term track record of delivering consistent enhanced yield by minimizing credit losses and distributing virtually all of our excess income to shareholders. Since our IPO in 2011, NMFC has returned approximately $1.5 billion to shareholders through our dividend program, generating an annualized return of 10%. Today, our dividend yield is over 13% annualized based on the $0.32 quarterly payout, which is fully covered by net investment income. We have been a good steward of capital with negligible net realized losses over 14-plus years and we maintain investment grade ratings at Moody's and Fitch.

Turning to page 10, NMFC continues to make progress on our strategic priorities, which focus on improving the quality and diversity of our asset base, optimizing our liabilities and enhancing the quality and character of our income. To that end, in Q3, we increased our senior oriented assets to 80% of the overall portfolio, up from 78% in the prior quarter. As Steve mentioned earlier, if successful, the potential secondary sale is designed to improve portfolio diversity by reducing exposure to certain more concentrated positions and to decrease our exposure to PIK assets. On the liability side, subsequent to quarter end, we repaid the 7.5% convertible notes at maturity and see an opportunity to refinance the 8.25% unsecured notes in the coming quarters. Finally, we continue to focus on reducing non-yielding assets in 2026. Notably, many of our non-yielding assets are associated with companies with improving performance, including Benevis, UniTek and Applied Cleveland.

As shown on pages 11 and 12, the internal risk ratings of our portfolio decreased slightly during the quarter, with approximately 95% of the portfolio green rated. At the margin, we did see a few select names migrate down our rating scale, representing $49 million or less than 2% of the portfolio. These migrations, including two healthcare services names that continue to experience lower growth and higher operating costs, as well as a commercial restoration services company that has been impacted by a lack of severe weather activity. Despite the modest negative move in overall risk ratings, our most challenged names marked orange and red represent only 3.6% of NMFC's fair value, making them a small portion of the portfolio.

Turning to page 13. We provide a graphical analysis of NAV changes during the quarter, resulting in a book value of $12.06, a $0.15 decline compared to last quarter. The main drivers of the decline this quarter were Edmentum, TriMark and Beauty Industry Group, partially offset by a handful of unrealized gains and accretive share repurchases. The biggest negative mover, Edmentum, is performing well, but our mark continues to be pressured by the expensive PIK securities that sit senior to our common equity exposure. We are in the process of exploring a capital structure refinancing to reduce the overall cost of capital and limit future dilution from these securities. Additionally, Edmentum continues to be active on the M&A front and recently completed a tuck-in acquisition that will accelerate its career learning product portfolio, a growth area of the business. We are excited about the acquisition and believe Edmentum is well positioned in this area.

Page 14 addresses NMFC's non-accrual performance. During the quarter, we moved our first lien debt position in Beauty Industry Group to non-accrual status and expect to equitize a portion of this debt position in the coming months. The company has experienced persistent earnings headwinds due to weaker consumer demand, specific go-to-market challenges and tariffs on its China oriented supply chain. In coordination with the other lender, we have built a large New Mountain team that will be focused on improving this investment. The team includes members of the core credit team, the PE consumer group, NMC operating partners and additional industry executives that we work with. Our goal is to, over time, recover at least our full principal value on this investment. Overall, non-accruals continue to be very low with only $51 million or 1.7% of the portfolio on non-accrual at fair value. On the right side of page, we show our cumulative credit performance since IPO. During that time, NMFC has made over $10.3 billion of investments while realizing losses net of realized gains of just $16 million over the course of our history as a public company.

On page 15, we present NMFC's consistent returns over the last 14-plus years. Cumulatively, NMFC has earned approximately $1.5 billion in net investment income, while generating only $16 million of cumulative net realized losses and $159 million of cumulative net realized depreciation, resulting in $1.3 billion of value created for shareholders. While the realized loss rate remains very strong, we as a management team are focused on reversing the unrealized depreciation within the existing portfolio.

I will now turn the call over to our Chief Operating Officer, Laura Holson, to discuss the current market environment and provide more details on NMFC's quarterly performance.

Laura C. Holson

Thanks, John. As previewed on last quarter's call, we have seen deal activity pick up modestly over the last few months. The pipeline of potential PE exits remains exceptionally full, given the extended hold times for many PE owned assets.

The pressure to both deploy dry powder and return capital to LPs are key drivers of sponsor activity. As confidence builds, we think 2026 could be a productive period for LBO activity and have already started seeing signs of that. We believe direct lending remains an attractive asset class in today's market and continues to provide good risk-adjusted returns relative to other asset classes, including the syndicated loan market, which continues to experience meaningful repricing waves.

Direct lending spreads, while tighter than 12 months ago, have been reasonably stable, despite the lack of significant M&A. That said, one result of the supply/demand imbalance is a notable lack of dispersion in pricing. Most unitranche loans are pricing at the SOFR+ 450 to 500 range, even for lower quality or smaller companies. While we continue to find opportunities in our defensive growth verticals where we can make loans that attach at dollar one in the capital structure at 8.5% plus unlevered returns, our underwriting bar remains higher than ever, and our pass rate on deals has increased.

The more challenging environment underscores the importance of our differentiated underwriting strategy, which allows us to go deeper on diligence and identify the best credit opportunities. Deal structures generally remain attractive with significant sponsor equity contribution, representing the majority of the capital structures.

Page 17 presents an interest rate analysis that provides insight into the effective base rates on NMFC's earnings. The NMFC loan portfolio is 85% floating rate and 15% fixed rate, while our liabilities are 53% floating rate and 47% fixed rate. Pro forma for the expected upcoming refinancing activity over the next several months, we expect our mix will shift meaningfully to approximately 85% floating and 15% fixed. This will align us with our target of matching our percent of liabilities that float with the percent of our assets that float. As shown in the bottom table, while we would expect to see earnings pressure in the scenarios where base rates decrease, the ongoing evolution of our liability structure helps to alleviate some of that pressure.

Moving on to page 18. The third quarter was a modest origination quarter. We originated $127 million of assets, offset by $177 million of repayments. Our originations consisted of investments in our core defensive growth power alleys, including ERP and IT software, data and information services and financial services. Notable repayments in the quarter included three second lien positions, which we've rotated into predominantly first lien securities. Repayment velocity remains strong and we have line of sight into some additional expected repayments in the coming quarters. While we remain reasonably fully invested as we receive repayments, we'll likely continue to prioritize share repurchases over new investments if our stock remains at current levels.

Turning to page 19, approximately 80% of our investments inclusive of first lien, SLPs and net lease are senior in nature, up from 75% in the prior-year period and up from 78% in Q2. Second lien positions now represent just 4% of our portfolio, given the continued repayment activity we've seen in our second lien names. Approximately 5% of the portfolio is comprised of our equity positions, the largest of which are shown on the right side of the page. We've continued to dedicate meaningful time and resources to business building at these companies and are pleased with the progress we are seeing.

Page 20 shows that the average yield of NMFC's portfolio decreased slightly to 10.4% due to lower yields on our originations compared to our repayments as we continue to rotate more senior. Despite this, we believe total yields remain attractive for the risk.

Page 21 highlights the scale and positive credit trends of our underlying borrowers, which remain largely consistent with prior quarters. The weighted average EBITDA of our portfolio companies increased slightly in the third quarter to $180 million due to growth at the individual companies we lend to and realization of some smaller companies during the quarter. We also show the relevant leverage and interest coverage stats across the portfolio. Loan-to-value continues to be quite compelling and the current portfolio has an average loan-to-value of 45%.

Finally, as illustrated on page 22, we have a diversified portfolio across 127 portfolio companies. Excluding our investments in the SLPs and net lease funds, the top 10 single name issuers account for 26% of total fair value. I will now turn the call over to our Chief Financial Officer, Kris Corbett, to discuss our financial results.

Kris Corbett

Thank you, Laura. For more details, please refer to our quarterly report on Form 10-Q that was filed yesterday with the SEC. As shown on slide 23, the portfolio had $3 billion in investments at fair value on September 30th and total assets of $3.1 billion. Total liabilities were $1.8 billion, of which total statutory debt outstanding was $1.6 billion. Net asset value of $1.3 billion or $12.06 per share was down slightly compared to the prior quarter.

At quarter end, our net debt-to-equity ratio was 1.23 to 1 within our target range of 1 to 1.25. We remain committed to maintaining leverage within this range. On slide 24, we show our quarterly income statement results. For the current quarter, we earned total investment income of $80 million, a 4% decrease compared to prior quarter. Total net expenses of $47 million decreased 5% versus the prior quarter, inclusive of the fee waiver previously mentioned.

Our adjusted net investment income for the quarter was $0.32 per weighted average share, which covered our Q3 dividend. Our earnings were driven by our strong core income, an effective incentive fee rate of 7.6% and the share repurchase program.

Slide 25 represents that 97% of our total investment income is recurring in the third quarter. On the following page, you can see that 80% of our investment income was paid in cash and 15% was PIK income from positions that included PIK from inception to best enable these borrowers to execute on their strategic growth plans. Only 3% of investment income is driven by modified PIK from an amendment or restructuring. Importantly, investments generating non-cash income during the third quarter are marked at a weighted average fair market value of 95% of par and over 92% of this income is generated from our green-rated names.

Turning to slide 27. The red line shows the coverage of our dividend. For Q4 2025, our board of directors has again declared a dividend of $0.32 per share.

On slide 29, we highlight our various financing sources and diversified leverage profile. Taking into account SBA guaranteed debentures, we have $2.5 billion of total borrowing capacity with over $700 million available on our revolving lines subject to borrowing base limitations, pro forma for the convertible note that was repaid in October. This more than covers our unfunded commitments of $256 million as well as our near-term bond maturity. As John noted, subsequent to quarter end, we repaid the 7.5% convertible notes utilizing our lower cost revolver.

Looking forward to the next few months, the facilities outlined in red and the recently repaid convertible notes provide us with an opportunity to refinance and either maintain or potentially reduce our cost of financing in the near term. We believe this contrasts with the industry, which faces an increased cost of financing as debt issued in 2020 and 2021 mature.

Finally, on slide 30, we show our leverage maturity schedule. We continue to ladder our maturities and have sufficient liquidity to manage upcoming maturities in early 2026. Notably, approximately 60% of our outstanding debt matures in or after 2028, with near-term maturities representing an opportunity to continue to access the investment grade bond market.

With that, I would like to turn the call back over to John.

John R. Kline

Thank you, Kris. In closing, we would like to thank all of our stakeholders for the ongoing partnership and look forward to speaking to you again on our fourth quarter 2025 earnings call in February. I will now turn things back to the operator to begin Q&A. Operator?

Operator

The first question comes from Finian O'Shea with Wells Fargo. Please go ahead.

Finian O'Shea

Hey, everyone. Good morning. Question on the potential portfolio sale. $500 million seems to imply perhaps a little bit of the affiliate or control book. Correct me if I'm wrong there. And if so, would it be sort of centered around that, the legacy equity names? Or should we think more, regular way participation or just regular way debt deals on the portfolio sale? Thank you.

John R. Kline

Sure. Hi, Fin. Thanks for the question. The way we're thinking about this sale is we're focused on our biggest positions. As you know, we really want to diversify our portfolio. So, if you were to look at the top 10 or 20 positions, there'll be names from within that group, as well as some other names throughout the book. And it would – the portfolio sale would address PIK names, but also cash yielding names that are larger exposures for NMFC. So, that's really our goal. Our goal is to diversify and also reduce PIK income. But the portfolio is a group of well-performing quality names with a mix of interest characteristics, PIK and cash.

Finian O'Shea

Okay. That's helpful. Thank you. And then a follow-up on the buyback. You were more aggressive this quarter at lower prices, which is great, and then announced a larger program. Should we expect you to continue to be aggressive or maybe has that sort of run its course for now at your leverage levels overall and in consideration for a potential portfolio sale? Thanks.

John R. Kline

Sure. So, I'd say the most important thing as we just think about managing the portfolio and the company is we want to stay within the leverage levels. That is very important to us. At the end of the quarter, you'll see that we are at the high end of our range, but still within the range. So, we remain committed to that range going forward. We also see a good deal environment or deal environment that's getting better in the fourth quarter. So, there will be – we expect a lot of repayments throughout the portfolio both in Q4 and into 2026. So, at the margin, as Laura talked about, that does free us up to potentially focus using some of the proceeds from repayments to buyback stock. But we do want to – as I said earlier – remain very committed to our leverage range.

Finian O'Shea

Okay, great. I'll hop back in the queue. Thanks so much.

Operator

The next question comes from Ethan Kaye with Lucid Capital Markets. Please go ahead.

Ethan Kaye

Hey, guys. Thanks for taking my question. Wanted to ask about kind of deployment capacity or strategy, kind of following up on the last question here. And Laura, you may have touched on this a bit in your prepared remarks. But given that leverage is at the high end of the range and you're repurchasing shares, I guess my question is like, are you still allocating to kind of all the deals that you maybe would have in the absence of these constraints? Or are you kind of shifting the goalposts a bit and becoming more selective on kind of the deals you're pursuing?

Laura C. Holson

I mean, I think when we look at NMFC specifically, we do remain focused, as John said, on staying within our leverage range and we are prioritizing share repurchases, assuming our stock price remains kind of at this level. That said, that's not a black or white thing, right? We're evaluating each deal opportunity that comes in. We have a broader credit platform as you know. So, we're definitely active in the market regardless even when NMFC is not as active.

We do see spreads as I talked about. While they're reasonably stable, they're definitely a bit on the tighter end of where they have been over the course of the history of unitranche loans. But we still think, in general, still attractive risk-adjusted return. But given the desire around leverage, given the desire around our share repurchase program, those are some of the factors that we're thinking about when allocating.

Ethan Kaye

Okay, great. I appreciate that. And then just kind of switching gears a little on the potential secondary sale. So, hit on that briefly, but I guess can you talk a little bit more maybe about how you would kind of prioritize the use of the proceeds from that sale. Would the idea be to kind of redeploy those into new investments or pay down debt or something else? Yeah, I'll leave it there.

John R. Kline

Sure. I think it could be any of three things. It could be paying down debt. It could be stock repurchases depending on where our stock is trading, if and when we consummate the sale. And we could also use the proceeds to buy new loans. And those new loans would be a diversifier compared to where we are today. So we're excited about all three options.

Ethan Kaye

Great. Appreciate it. Thanks, guys.

Operator

The next question comes from Paul Johnson with KBW. Please go ahead.

Paul Johnson

Hey, good morning. Thanks for taking my questions. Just one or two more on the portfolio sale. I'm just wondering, when you do the portfolio sale, is this going to be something that's kind of like a sale of a strip of investments where you're kind of partially selling existing positions or kind of more of a selective whole position sort of sale to the third-party of those debt investments?

John R. Kline

Sure. Thanks, Paul. So, I just want to clarify, the sale is still in very early stages, so it may or may not happen. As you may be aware, some of the trade press picked up on the fact that we were doing it. So we thought it was appropriate to tell our shareholders about it, but it is still pretty early stages. So, I just wanted to make that note. And if I were to characterize the way we're thinking about it, I would think about it more as a partial sale of existing quality, well-performing positions that focus on more – diversifying our portfolio as well as reducing PIK. So, we're not blowing out of names, so to speak. Instead, we're focused on right sizing a well-performing group of positions to add more diversity to the portfolio with less PIK income. Just to be super clear.

Paul Johnson

Got it. Appreciate that. And then on the diversification, I guess, how would you kind of focus on that going forward? Would it be smaller? Would you be looking to hold smaller position sizes on new deployment going forward?

John R. Kline

Yes. So, we have a vibrant direct lending business both within NMFC and in institutional funds that we manage. So, we've grown over the course of the last five to seven years pretty nicely, which has allowed us to speak for bigger hold sizes, but we're not totally reliant on NMFC effectuating those hold sizes. So, the way we manage a lot of our institutional funds and we've done this over the last four or five years and it has been our focus in NMFC as well, is that we generally want to have our position sizes be 2% or lower and the average position size across our funds whether it's NMFC or our institutional funds, we want to be 1% or lower. We've been going in that direction for a long period of time in NMFC. We just need to, we feel, accelerate that and just finalize the movement towards a 2% max and a 1% or less average. This sale won't totally get us there, but it will get us almost there. And I think that's a big milestone for NMFC. That's really the way we want to manage the portfolio. What we're trying to deliver our investors across all of our funds is a New Mountain Best Ideas fund, but we don't want any of the positions to be as big as 2.5%, 3%, 4%. We do have some positions that big today in NMFC and our goal is to change that.

Paul Johnson

Appreciate it. That's all from me, and congrats on the share repurchases and the progress on these matters. Thanks.

John R. Kline

Thank you.

Operator

The next question comes from Robert Dodd with Raymond James. Please go ahead.

Robert Dodd

Hello. Good morning. Focusing on credit, if I can, for a moment. Obviously a notorious Beauty Industry Group was put on non-accrual this quarter. You put it on the red list last quarter, so you kind of flagged it. Are there – you do have some other portfolio positions like Lash OpCo that are in kind of the same business that also import from China, et cetera. I mean, should we be concerned about the same themes that hit Beauty Industry Group, applying to other portfolio positions that are in kind of the same niche industry?

Laura C. Holson

Yeah. I mean, I think we've talked about in the past that we think our portfolio is quite well positioned when we think about an issue like tariffs. And we've talked, I think on prior calls, that Beauty Industry Group really is our one material name that has exposure to tariffs because of its China oriented supply chain. So, I don't see any kind of look through to other subsectors in our portfolio in that regard. We think the rest of the portfolio is quite insulated from a primary impact perspective, and we think that's reflected in the 95% green.

Robert Dodd

Got it. Got it. Thank you. And on – I think it was, John, you said your goal at the time was to recover at least full principal. I mean that sounds, you're going to equitize some of the debt, et cetera, but I mean, going to recover at least? It sounds like you're actually long-term quite optimistic about business, despite the fact that obviously it's on non-accrual now?

John R. Kline

I think it's a little too soon for us to have all the details that an owner of a business would have. We'll have that over the course of the next months and quarters. But I think it's more of a reflection of our mindset around problem positions. This is a problem position. It's a first lien unitranche loan. We and one other lender are going to take control of the asset. And whenever we do that, we bring the full power of the New Mountain platform to bear on managing the asset. And our mindset is that we are going to get all of our investors' money back. So, I think it's more of a mindset than having all the facts, our ducks in a row as it relates to managing the business. We just feel very confident that we have the ability to do it in a differentiated way. And we already have a full, I think, eight person team, as I mentioned on the call, that's ready to go in and take a very active hand in helping the management team at Beauty Industry Group, improve their business.

Robert Dodd

Got it. Thank you. And then one more, if I can, on the potential portfolio sale. I mean, if that were to occur, you would obviously have quite a large influx of – depending on how it's structured – potentially have a large influx of cash flow. To your point you could use that to delever potentially, buy back stock. Would the potential buyback structure change? I mean, as it is, you buy in the market, but if you had an extra couple of $100 million cash sitting around, would you consider something more like a Dutch tender or some other mechanism to maybe buy back a larger chunk at once? Or would that not be kind of how you'd be thinking about utilizing that capital?

John R. Kline

I think we're going to think about a broad range of alternatives, but it's a little premature to give any specificity around those alternatives or how we're thinking about it. But we'll have a – we'll be thinking about a broad range of things.

Robert Dodd

Got it. Thank you.

Operator

And we have a follow-up from Paul Johnson from KBW. Please go ahead.

Paul Johnson

Yeah, thanks for taking one more question from me. I was wondering if you just provide maybe a little bit more color on the Edmentum investment and the markdown this quarter. So, is this a case where the multiple or the valuation of this company, the EBITDA, is stable? You said it's performing fine, but just the preferred is obviously – the claim from the preferred side is growing every quarter. So, the common's essentially getting squeezed out of its value a little bit or I mean, I guess overall, how would you kind of describe the performance of the company at this point? And is this more of a situation where a capital structure was put in place after a restructuring and maybe just unforeseen or kind of a victim of its own success, if that makes sense? But any color there would be helpful.

Laura C. Holson

I mean, I think how you described it is largely accurate when we think about the capital structure. I think the good news is that the performance of the company is stable. We've talked a lot of times in the past as to how this business had some peaks really during COVID, just given the underlying product and the end market that they serve and then that has since normalized. But performance is definitely quite stable. The businesses is growing and performing we think overall well. They have high quality products and a good value proposition. So, I think those are all positives. I think the challenge from our perspective is, as you described in the capital structure, and that is something as John alluded to, that we're in the early stages also of trying to help and work with the company and the other sponsors here to address. So, more to come on that.

John R. Kline

And just to zoom out quickly on Edmentum. Edmentum has big picture been a success story for us. We took ownership of that business, years ago and we sold a significant chunk of the business to another private equity firm. So, we've had in the past material gains on Edmentum. And I think what's happened over the past couple of years is Edmentum got highly valued during COVID and it's had a little bit and earnings have come off a little bit since COVID. And now we're working with the company to find its base earnings. And then we're working, as I mentioned in my prepared comments on doing really smart, targeted M&A to grow off a very – what we think is a very solid base. But big picture, Edmentum has been a success story. We're just in a more difficult time right now, but we're still fighting hard to grow the business with the management team.

Paul Johnson

Got it. Appreciate it. That's all from me. Thanks a lot.

Operator

And we have a follow-up from Finian O'Shea with Wells Fargo. Please go ahead.

Finian O'Shea

Hey. Just jumping in on the follow-ups. A question on the ATM distribution agreement. I think you've used this in a few quarters at least, but upsized it not too long ago. Can you give us any color on the sort of ongoing or maintenance fees that the BDC incurs here? What line item that hits? And further BDCs of the space remains below book, if that's something you could let roll off or contain?

Kris Corbett

I would say overall, I mean, the ongoing maintenance fees to keep that program going are minimal. As you know, we haven't been above book value for a few quarters now. So, we haven't actually utilized that. But generally, we want to keep that open and up so that when and if the share price gets above book, that we can start to utilize that again and start growing the fund by issuing shares.

Finian O'Shea

Yeah. Helpful. Thanks so much.

Operator

This concludes our question-and-answer session. I would like to turn the conference back over to John Kline, President and CEO of NMFC for any closing remarks.

John R. Kline

Great. Thanks everyone for joining our call today and we look forward to speaking to you again on our next call in February. Thanks.

Operator

The conference has now concluded. Thank you for attending today's presentation. You may now disconnect.