New Mountain Finance Corporation First Quarter 2026 Earnings Call
May 5, 2026, 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

Robert Dodd – Raymond James

Paul Johnson – KBW

Sean-Paul Adams – B. Riley Securities

Operator

Good day, and welcome to the New Mountain Finance Corporation First Quarter 2026 Earnings Call. Today's conference is being recorded. At this time, I would like to turn the conference over to John Kline, President and CEO. Please go ahead.

John R. Kline

Thank you, and good morning, everyone. Welcome to New Mountain Finance Corporation's first quarter 2026 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. As announced in our 8-K, our CFO Kris Corbett will be leaving us at the end of May to pursue another career opportunity. Kris has been a valuable and respected member of the team, and we would like to thank him for his hard work during his time at New Mountain. Upon Kris' departure, Laura Holson will assume the additional duty of Interim CFO until a successor is found. 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 on our May 4th earnings press release.

I would also like to call your attention to the customary Safe Harbor disclosure 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 will 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 6 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 first quarter was $0.32 per share, covering our $0.32 per share dividend that was paid in cash on March 31. Our net investment income and dividend were supported by consistent recurring income from our loan portfolio and a full voluntary incentive fee waiver of $6.1 million.

Looking forward to Q2, consistent with our announcement and our previous earnings call, we would like to announce a $0.25 dividend payable on June 30th to shareholders of record as of June 16th. Based on NMFC's earnings power, we expect this dividend will be more than covered by the earnings from our core business. As also previously discussed, we believe NMFC made a very positive and well-timed strategic pivot several months ago. We sold approximately $470 million of some of our most illiquid and hardest to value positions at 94% of December 31st book value. That transaction closed and was funded in March.

With that liquidity, we have now delevered our balance sheet and have capacity to buy high quality assets opportunistically at far less than $0.94 on the dollar. Some of those investments were completed by March 31st, and some were done or will be done after March 31st, but can be judged by their expected pro forma impact. First, we have been buying back our own stock at roughly $8 per share, or about a 27% discount to book value. We had a $95 million buyback authorization in place at year end 2025. About $57 million of buybacks were completed by March 31st, and about $9 million have been executed since, leaving us with approximately $30 million remaining in our originally existing program. Book value per share was $10.92 per share on March 31st, and is $10.95 pro forma for the post March buybacks already done, all else equal.

Further, our board has now authorized an incremental $50 million for buybacks in the future, bringing our total remaining capacity to around $80 million. Again, all else equal, the math is that every $10 million of buyback at $8 per share can add approximately $0.04 per share of book value. In addition, book value on March 31st was primarily brought down by a general market bearishness in valuations rather than issues of performance in our specific loans. Today, the average mark of our green rated names is about $0.96 on the dollar, which implies potential upside if the market normalizes and these loans accrete back to par.

Third, we have been using the market disruption to buy specific names in the secondary market when they appear to be oversold. For example, we bought one name, which is a multi-billion dollar public company, at a value through the debt of just 2 times EBITDA and at $0.65 on the dollar. This loan rapidly traded up approximately 10 points since our first purchase.

Fourth, spreads in the market appear to have widened in general, and we are deploying our cash into new loans at significantly higher and more attractive yields than existed 12 months ago. Last and importantly, we believe we are seeing forward momentum at some of the companies we own from past defaults such as Benevis, UniTek and Permian. Our goal is to ultimately sell these companies at above their current marks and redeploy the proceeds into attractive alternatives.

I and my fellow NMC executives remain the largest shareholders of NMFC stock, and our ownership position has been increasing over time. During the first quarter, I purchased 1.5 million shares and other senior NMC leaders bought shares as well. Overall, New Mountain ownership increased from approximately 14% to approximately 17% of total shares outstanding. I believe we had more insider buying than any publicly traded BDC our size or larger.

We thank you, as always, 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 over to John for more details and comments.

John R. Kline

Thank you, Steve. I would like to begin on page 7, which offers an overview of our differentiated approach to direct lending. First and foremost, we focus only on select parts of the economy that we believe are defensive and have sustainable tailwinds that will benefit companies within these chosen sectors. We provide heightened transparency into our industry niches, as opposed to the standard practice of using broad sector classifications. This enhanced disclosure provides our investors with more clarity into the specific types of companies that we invest in.

Secondly, we have a unique investment model where our credit team partners with 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 ownership of the company, New Mountain is well-positioned to improve the underlying business using our private equity expertise and in-house operating talent.

As Steve mentioned, there are several situations in that category that are bearing fruit today. As we consider industry exposure, the impact of AI remains a major topic of conversation in the investment community, particularly as it relates to software end markets. While there will certainly be winners and losers in the software sector, we believe that as a group, NMFC's software companies are well positioned to benefit as they implement AI into workflows at a rapid pace and use AI assisted coding to improve software functionality and the overall user experience. From our vantage point as lenders, we see our sponsor partners acting proactively across all industries as it relates to AI. It's clear to private equity sponsors that there are more opportunities today than ever before to enhance margins and improve operating efficiency in almost every business. As a senior lending partner, NMFC can be a big beneficiary of these improvements.

Page 8 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 over $1.5 billion to shareholders through our dividend program, generating an annualized return of approximately 10%. Our dividend yield at the current stock price is approximately 12% annualized, based on the revised $0.25 quarterly payout, which is fully covered by net investment income.

Our loan-to-value ratio is just 47% and includes the latest view of enterprise value at our portfolio companies. We recalculate this metric every quarter to ensure we are accurately reflecting market movements. We do not blindly anchor to loan-to-value ratios based on what the sponsor paid for the business. Finally, we maintain an investment grade rating at both Moody's and Fitch, which we've held for more than five years.

Turning to the next page, we have made really great progress on our strategic priorities so far this year. The portfolio sale catalyzed improvements in a number of areas. It enabled us to reduce the amount of PIK income in the portfolio, increase portfolio diversity, and decrease single name exposures. And we also moderated our software exposure, which is a sector that has clearly been scrutinized by the market. Additionally, our team was timely in their efforts to reprice the Wells Fargo credit facility from SOFR+ 1.95% to SOFR+ 1.85%. This lower pricing maximizes the gap between our assets and liabilities ahead of what we feel will be a wider asset spread environment.

The next step in our process is to focus on monetizing some of our equity winners in the near and medium term. These actions will be dependent on continued strong portfolio performance and an improving M&A marketplace. And of course, redeploying equity proceeds into cash yielding loans could have a powerful impact on NMFC's earnings power and income quality.

As shown on page 10, 91% of the portfolio is green on our risk rating scale. We continue to focus on transparent and accurate scoring, with a few select names migrating negatively during the quarter, but risk ratings for the vast majority of the portfolio were stable. Importantly, our most challenged names, marked orange and red, represent only 3.5% of NMFC's fair value, making them a small portion of the portfolio.

Turning to page 11, we provide a graphical analysis of NAV changes during the quarter, resulting in a book value of $10.92, a $0.23 decline compared to $11.15 for Q4 pro forma for the impact of the secondary sale. The main driver of the decline this quarter was broader market movement, which accounted for two thirds of the overall write-down. The remaining one third decrease was related to credit specific movement. We see continued tailwinds at Benevis and UniTek that are offset by a restructuring process currently taking place at Affordable Care, and an adjustment to our wind down assumption on Northstar, which is currently in liquidation. Today, Northstar is a small position that represents approximately $20 million of value. We expect cash recovery on this name to begin next year.

Finally, as Steve discussed, we aggressively repurchased shares this quarter, which represented $0.26 of book value accretion. Today, we maintain approximately $80 million of buyback authorization to repurchase additional shares in the future.

Page 12 addresses NMFC's credit performance. For the quarter, non-accruals at fair value stood at 2.6%, which was a modest increase from last quarter. During the quarter, Affordable Care's first lien position and Convey were added to the list. Despite these migrations, we see an improving outlook for both names. We expect Affordable Care, a dental business specializing in higher margin tooth replacement and implant services, to come off non-accrual in the coming quarters as the lending group effectuates a

change in control. The new capital structure will include a smaller size cash pay first lien loan and a large equity account controlled by the former lenders, the management team and the doctors. We believe a much lower debt burden and more overall financial flexibility will allow Affordable Care to recruit new talent, pursue operational improvement and refocus on growth.

Convey is a smaller healthcare services company that has faced operational challenges in some of its business units. In partnership with the lender group, New Mountain has already recruited a new leader for the business, and we are optimistic about our ability to achieve a strong near-term recovery. In addition to Affordable Care and Convey, we see multiple other near-term catalysts for existing non-accruals to exit the portfolio and expect to be able to report positive migrations next quarter. Finally, on the right side of the page, we show our cumulative credit performance since IPO. During that time, NMFC has made approximately $10.5 billion of investments, while realizing losses, net of gains, of $56 million. We remain focused on reversing unrealized losses through initiatives that we have discussed earlier on this call.

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. Since our call last quarter, the media has increased its scrutiny of the private credit asset class. We thought it would be helpful to address our perspective on some of those headlines. First, SaaSpocalypse. Recent media coverage has implied that all software loans are bad, and with private credit having approximately 30% exposure to software on average, that such exposure presents significant risk. Consistent with John's commentary, not all software is created equal. Particularly when thinking about AI. While the technology continues to evolve in real time, the market seems to be starting to delineate between the software businesses that are true systems of records with data or other moats, versus the low code point solution type business models that we believe are more at risk. As a reminder, in order for our primarily senior software loans to be impaired, the private equity capital junior to us would first need to be wiped out in full.

Second, potential systemic credit stress. While the media has highlighted one-off examples, we are not seeing signs that there is systemic credit stress across the asset class, as evidenced by default rates that remain below the 10-year average. There are a handful of idiosyncratic challenges across the universe of direct lending loans. However, we have yet to see evidence that overall portfolios or certain subsectors are fundamentally impaired. We expect the primary driver of NAV declines this quarter to be mark-to-market movement in sympathy with the broadly syndicated loan market.

Third, heightened redemptions. There has been significant attention to the redemptions in the perpetual non-traded BDCs in Q1. However, there have also been meaningful inflows to the asset class. Note that we don't view this as gating. This is how these funds have been designed to protect remaining investors given the underlying illiquid assets. Importantly, the majority of the $2 trillion private credit market is funded by institutional investors. We are seeing more sophisticated investors reconsider new allocations to the asset class as the supply/demand rebalances, following the exit of some of the more headline driven investors.

Fourth, a sector wide lack of transparency. All BDCs disclose in their schedule of investments line by line details of company name, industry, spread, maturities, par, fair value, et cetera. We believe we provide a heightened level of transparency, as John discussed earlier, with our heat map, detailed industry classifications and leverage levels for each portfolio company. All that said, M&A activity was seasonally slower in Q1 as expected, and further impacted by the AI induced volatility. The backlog of potential private equity exits remains full, and there is still pressure to deploy private equity dry powder, so we remain cautiously optimistic about the outlook for 2026 and have started to see new deal activity pick up again in recent weeks.

We continue to believe direct lending remains an attractive asset class in today's market and provides good risk-adjusted returns and enhanced yield relative to other asset classes. We have seen some spread widening occur as compared to the 2025 tights and the more meaningful increase in pricing dispersion. The more challenging environment underscores the importance of our differentiated underwriting strategy, which allows us to go deeper on diligence and identify the most compelling credit opportunities both in the primary and secondary markets.

Page 14 presents an interest rate analysis that provides insight into the effect of base rates on NMFC's earnings. As of 3/31, the NMFC loan portfolio was 89% floating rate and 11% fixed rate, while our liabilities were 73% floating rate and 27% fixed rate. As discussed over the last several quarters, we have meaningfully shifted this liability mix to increase the percentage of our liabilities

that float. We are now nearly achieving our goal of matching our percent of liabilities that float with the percent of assets that float. Last year, at this time, our liability mix was just 50% floating rate. As shown in the bottom table, we would expect to see earnings pressure in the scenarios where base rates decrease, but the evolution of our liability structure helps to alleviate some of that pressure.

Moving on to page 15, during Q1, NMFC originated $117 million of assets, offset by $492 million of sales and repayments, primarily related to the secondary portfolio sale. Our originations consisted of investments in our core defensive growth power alleys, including healthcare, business services and IT infrastructure and security. We also purchased a few positions at meaningful discounts in the secondary market where we believe we have a differentiated view and opportunity for meaningful book value upside if our thesis proves correct.

Turning to page 16, approximately 81% of our investments, inclusive of first liens, SLPs and net lease, are senior in nature, up from 77% in the prior year period. 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 continue to dedicate meaningful time and resources to business building at these companies, and as Steve mentioned, we believe we are making positive progress.

Page 17 shows that the average yield of NMFC's portfolio increased to 11.1% during the quarter due to the higher yield on our originations as compared to our repayments, as well as the higher for longer shift in the forward curve. The higher yield on our originations relates in part to some of those secondary discounted purchases I mentioned when discussing our Q1 originations. We continue to believe that yields remain attractive for the risk.

Finally, as illustrated on page 18, we have a diversified portfolio across 115 companies. Excluding our investments in the SLPs and net lease funds, the top 10 single name issuers account for just 24% of total fair value, down from 25.7% in the prior year. The progress here largely relates to the benefit of the secondary sale as we discussed last quarter.

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 19, the portfolio had $2.3 billion in investments at fair value on March 31st, and total assets of $2.4 billion. Total liabilities were $1.4 billion, of which total statutory debt outstanding was $1.2 billion. Net asset value was $1 billion or $10.92 per share. At quarter end, our net debt-to-equity ratio was 1.08 to 1, which remains within our target range of 1 to 1.25 times.

On slide 20, we show our quarterly income statement results. For the current quarter, we earned total investment income of $69 million, an 11% decrease compared to prior quarter. Total net expenses of $37 million decreased 18% 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 Q1 dividend. Our earnings were driven by our strong core income, an incentive fee waiver and the share repurchase program.

Slide 21 highlights that 98% of our total investment income is recurring in the first quarter. On the following page, you can see that 83% of our investment income was paid in cash, up from 77% prior quarter. 12% of investment income 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 first quarter are marked at a weighted average fair market value of 96% of par. During the quarter, we also collected approximately $35 million of previously accrued PIK income as part of the secondary sale.

Turning to slide 23, the red line shows the coverage of our dividend. For Q2 2026, our board of directors has declared a dividend of $0.25 per share.

On slide 24, we highlight our various financing sources and diversified leverage profile. As a reminder, our Wells Fargo facility is non-mark-to-market and tied to the operating performance of the underlying companies we lend to. New Mountain Finance Corporation has maintained a long and deep relationship, with more than a dozen banks, dating back over the course of our nearly 15 years as a public company. NMFC benefits from the stability provided by these relationships from across the entire New Mountain platform. Taking into account SBA guaranteed debentures, we have over $2 billion of total borrowing capacity with

approximately $690 million available on the revolving lines, subject to borrowing base limitations. This more than covers our unfunded commitments of $190 million.

Finally, on slide 25, we show our leverage maturity schedule. We continue to ladder our maturities with less than 1% of outstanding debt maturing in 2026. Notably, 60% of our outstanding debt matures in or after 2029. We remain focused on continuing to access the unsecured market in 2026.

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 second quarter 2026 earnings call in August.

I will now turn things back to the operator to begin Q&A. Operator?

Operator

We'll take our first question from Finian O'Shea with Wells Fargo Securities.

Finian O'Shea

Hey, everyone. Good morning and thanks. Just start out with a couple of small items on the deck. The non-accruals jumped a bit more than just Convey would explain I think up to 143 at cost. Seeing if there's anything else in there. And then, on the new fundings reported yield at 15.5%. Is that sort of a simple average considering the discounted purchases, or is there sort of extra economics embedded in something like a Healthspan? Thank you.

John R. Kline

Thanks Fin. Good morning. On non-accruals, the two new non-accruals were Affordable Care first lien, I believe last quarter we put the pref on non-accrual and we had mentioned on last quarter call that Affordable Care would be going through a restructuring process and that's still happening. So, the first lien is a new non-accrual this quarter, along with Convey. So I think that would bridge the gap.

And then as I mentioned in my comments, both of those, particularly Affordable Care, should be coming off non-accrual in the near future over the next quarter as we set a new capital structure in place in conjunction with the rest of the lender group, which we feel very positive about. So, we feel that this is a good moment for Affordable Care, despite the fact that it is currently a non-accrual.

Laura C. Holson

And to your question just around the yields of the Q1 origination. So, it is a weighted average based on the dollars deployed. But there's no kind of hidden economics or anything. But it does take into account the OID, or in some cases for the secondary purchases, the material discounts at which we bought those assets.

Finian O'Shea

So, what made it 15.5% then?

Laura C. Holson

Yeah. So if you look at our originations on page 15 of the slide deck, you can see a couple of those originations were done at meaningful discounts because they were done in the secondary market. As we touched on, we did find some more opportunistic investments over the course of the quarter where loans that we thought were misunderstood by the market, we had a differentiated view on, so that accounts for the uptick and the yield this quarter.

Finian O'Shea

Okay. Thanks. And just to follow up, SBIC II, you repaid some early, can you give us the sort of why on that and what that means for your go forward debt stack? Thanks.

Laura C. Holson

Yeah, it was a pretty modest amount that we repaid early there. As you know, the SBIC I and II are kind of out of their reinvestment period. And so, just from a mechanical perspective, in some cases to maximize liquidity, it makes more sense for us to do that. But we also have our third SBIC license that we can use from a ramp perspective as well. So there are some puts and takes when we look, our overall liability stack. But ultimately, that's what we did in Q1.

Finian O'Shea

Okay. Thanks.

Operator

We'll move to our next question from Ethan Kaye with Lucid Capital Markets.

Ethan Kaye

Hey, good morning guys. Thanks for taking the question and congrats on the asset sale. But kind of with the asset sale in the rearview mirror now, already seeing some kind of progress, deleveraging, diversifying, reducing PIK, et cetera. Hoping you can just talk about kind of the path forward with respect to these initiatives. Like, was the asset sale a first step, albeit a big one? There's more to be done, or do you kind of feel that the bulk of what needed to be done has been taken care of with the sale?

John R. Kline

Sure. Thanks for the question. We think it was a big step forward, as Steve talked about, and we think that there's ongoing benefits from that asset sale that are even occurring today as we redeploy the proceeds. Really, the next step for us is some of the other positions that we talked about. When we think about our PIK income and some of our concentration in equity positions, a lot of that is derived from a couple of big positions that are actually performing pretty well. We mentioned Benevis and UniTek, and there are a couple other small ones as well.

And we're very focused on monetizing some of the PIK positions that are performing well, as well as non-yielding equity. And I think we show that in the deck a little bit. And we feel like that is the next step to becoming even more conforming, having more cash income as percentage of our total income, having more diversity. And we're really excited for that next step. We think we're on the doorstep of really transforming the company as we monetize those positions over the next short to medium term.

Ethan Kaye

Great. And then one on yields and spreads. So, there's an uptick in portfolio yields quarter-on-quarter, ostensibly some of that is due to the rotation of some of those non-income producing assets. But you did also – you guys mentioned redeploying some proceeds and higher – spread widening, right? So I'm wondering if you kind of have a sense of what share of that, call it, 60 to 70 basis point yield increase was from simply rotating those non-income producing assets versus how much was maybe attributable to kind of higher spread opportunities. And then, if you can just kind of quantify the increase in kind of spreads you're seeing on some of the on the run deals here, that would be helpful.

Laura C. Holson

Sure. Yes, if you look at page 17 of our deck, I think we try to lay out kind of the bridge, if you will. So it's not any one thing, I would say, when you look at the uptick in yield, it was a bit of the SOFR curve movement, a bit of the origination activity, and a bit of the rotation piece. So it's kind of all contributes to it. I think the main driving factor, as we talked about, of the increase in Q1 origination yield related to some of those secondary opportunities.

But stepping back a little bit to answer your broader question about what are we seeing in spreads, I think in general we've seen spreads for regular way deals probably widen to the tune of 25 to 50 basis points. So what was a SOFR 450 unitranche loan in late last year would probably be a SOFR 500 unitranche loan today with maybe a little bit more OID. So that's kind of the generic loan.

And then if you look at anything more on the software ecosystem, we're probably seeing a little bit broader spread widening even than that. So instead of 500 that's probably 550 plus. So directionally, that's kind of what we have been seeing in terms of opportunities. And that's why, as John said, when we think about some of the benefits of the secondary sale, certainly redeploying into some of these newer assets is also a key component of that.

Ethan Kaye

Great. Thank you very much.

John R. Kline

Thank you.

Operator

We'll take our next question from Robert Dodd with Raymond James.

Robert Dodd

Hi, everybody. Congrats on getting the asset sale done and proving you can kind of be aggressive on the buyback. And I also want to say best of luck, I don't want to – to Kris on whatever he's heading off to. So a couple of questions. I mean, one of them ties in, in the context of Benevis and UniTek and some of the others you talked about maybe monetizing those in the short to medium term or near to medium term or whatever the exact wording was. And then Laura's comments that the M&A market is starting to pick back up. I mean, what's the confidence level in moving some of – there's obviously – I mean, the market's been a little, suffice to say, choppy. And normally, when it rebounds from a period like that, it's premium A+ assets that move first. Not to knock Benevis and UniTek, but they have had issues in the past. I mean, are they – so what's the kind of – where does the confidence come from that that's maybe monetizable in the near to medium term when I would have thought maybe a little longer for assets that have had issues in the past, given the market tends to respond to that.

John R. Kline

Sure. Thank you, Robert. It's a great question. I think the confidence really comes from the underlying performance of the businesses. So, Benevis is in a more challenged sector. It's a dental business, but we really feel we have a great management team. We have improving numbers, and we think that we've built a winner in what has been a more difficult space. And I think there should be really good value to investing in winners generally. So that's where our confidence is derived from. I think the obvious challenge is that it has been a more difficult space. So we'll have to navigate that. And we believe that we have a good plan to do so as we think about the exit.

With regard to UniTek, that has been a bit of a long road, but we've really positioned the business to be right in the center of broadband build and this data center explosion, and we're doing just a lot of work as it relates to multiple broadband initiatives around the country that have a lot of private and public funding, and we have a big backlog of projects that connect existing and new data centers. And I think that boom is well discussed and well known about. So UniTek is just in a really good position and it's executing well in what is, I think, a hot industry. So that, I think, has all the positive elements going for it.

Robert Dodd

Got it, got it. Thank you. Kind of tied to the whole how's the market going to do various things. I mean, Laura mentioned more dispersion in loan pricing. And that spread expansion, I mean, obviously, 25 to 50, 50 plus for software. I mean, how wide is the dispersion, and kind of what's your appetite to play at the tight end of that versus the middle versus the wider end of that dispersion in terms of risk?

Laura C. Holson

Yeah. Well, I think, like last year for example, we talked about this in some of our calls last year, we saw really no dispersion right, everything was pricing in that SOFR 450 to 475 band. And that we thought was a challenging dynamic and we had the philosophy very much of staying safe because, particularly last year, you're not getting paid for any extra incremental risk. This year so far, as

I said, we are starting to see more dispersion. Some of that is industry, as I alluded to, where software is now pricing wider. But even just in general, I think we are starting to see a little bit more dispersion by industry, by size of company, sponsor, et cetera.

So look, our philosophy hasn't changed, we're always focused on staying safe. As you know, we like the most defensive sectors of the economy. We do feel like our research engine is differentiated and allows us to pick the best credits within those safer sectors. So that continues to be our philosophy. We're definitely not – our goal is not to chase yield at the risk of credit. That being said, some of the opportunistic stuff that we did in Q1, we felt like we had high conviction on and really benefited from the knowledge base the New Mountain ecosystem has. So that's how I would categorize it.

John R. Kline

And, Robert, the only quick thing I'd add is, when you think about the dispersion within software, I perceive right now it is pretty wide. I think it could be anywhere, as Laura was saying, from 550 to 1,000. And that dispersion is driven by real and perceived views on the quality of the business model within the software ecosystem. And I think that's a more exciting environment to invest in versus the environment that Laura was talking about earlier, where everything's pricing at 475. So I think lenders will have the opportunity to take differentiated views in software, and potentially get rewarded for making the good credit picks. That's the one thing I would add to that commentary.

Robert Dodd

Got it. Got it. Understood. One more quick one, if I can. I mean, obviously, it's pretty attractive if you can get a high quality loan at 65 in the secondary market and your stock is trading at 75, sometimes allocating to the secondary and getting the appreciation that way might be attractive. But you did just increase the buyback. You bought a lot in the first quarter. What's kind of your thinking right now on how attractive that buyback versus general deployments versus opportunistic secondary purchases kind of shake out?

John R. Kline

Sure. I think we want to be balanced between managing the business at an appropriate leverage level, taking advantage of opportunities in the secondary market that we see, continuing to support sponsor clients, as well as buying back stock when it's trading at a level that we think is too cheap. So I just think it's a balance of each and I think that's what we've done historically in the first quarter, and that's what we'll continue to do. So I guess that's the way I would answer that question.

Robert Dodd

Got it. Thank you.

Operator

We'll go to our next question from Paul Johnson with KBW.

Paul Johnson

Hey. Good morning. Thanks for taking my questions. Just in terms of the credit statistics you provide on the PIK portfolio, which is very helpful. I was wondering if you can kind of explain, it looked like there was a bigger drop within just the – look like the green-rated names of income generation within PIK had dropped to about 83% or so of those investments. Was that because of something to do with just the asset sale or any new names that were placed on PIK this quarter? Or if you can kind of maybe explain the change quarter-over-quarter.

Laura C. Holson

Yeah, I think the biggest driver, I mean, obviously, as folks have highlighted, our PIK percentage did come down pretty meaningfully in the quarter, right? We were around 20% last quarter, this quarter at about 15%. A large driver of that was the secondary sale as we talked about. That was one of the key focus areas and one of the drivers behind the secondary sale, amongst other reasons. And so just as the PIK composition just changed pretty meaningfully in one single quarter, that was the main driver of the decrease in percentage green versus anything, any kind of dramatic movement. We did see a little bit of heat map movement this quarter, as John talked about, but it was really more the former, the secondary sale.

Paul Johnson

Got it. Okay. That's helpful. And then, just on EBITDA trends within the portfolio, looks like EBITDA kind of year-over-year is up around 11%. Leverage declined a little bit, interest coverage improved a little bit. I mean, is that pretty reflective in your opinion of just the underlying kind of trends within the portfolio here this quarter, I mean, or within I guess just the broader context of little bit more noise within the mark-to-market stuff as well as some credit related metric marks this quarter as well? I'm wondering if you can kind of put the two between just kind of the NAV marks and just the general looks like credit improvement on the quarter.

Laura C. Holson

Yeah. No, I think the takeaways that you're alluding to around just the EBITDA growth, the deleveraging, in general, is consistent with what we're seeing. It's kind of a, we get the benefit of this time of year where we're getting a lot of Q4, Q1 and budget reporting from a lot of our portfolio companies. And generally speaking, we think the portfolio is largely performing well. When we think about the NAV movement, and John talked about this, but good chunk of the NAV movement in the quarter, the majority of it related more to just pure mark-to-market and just reflecting where the BSL market is currently trading as opposed to credit specific.

So, in general, I do look at these trends and think it's illustrative of the portfolio. We did have the modest heat map degradation that I just talked about, but that to me was a little bit more idiosyncratic. And also, trying to reflect some of just the latest enterprise value multiples from the software market in particular.

Paul Johnson

Got it. Appreciate it. That's all for me. Thanks for taking my questions.

John R. Kline

Thank you.

Operator

We'll take our next question from Sean-Paul Adams with B. Riley Securities.

Sean-Paul Adams

Hey, guys. Good morning. It sounds like there was a couple of portfolio positives this quarter. It looks like there was a large wave of buybacks. It looks like you guys kind of alluded to that non-accruals could go down in the next couple of quarters. On just the origination volatility, I guess, what are your thoughts as far as just balancing out the current volume over the next couple of quarters? It looks like you guys got back to a lower leverage ratio. There's been some sizable portfolio benefits in terms of spread. But where are you looking at in terms of getting back to a target leverage range? Do you have thoughts about continuing the portfolio expansion given opportunistic levels, or are you kind of more comfortable at your current levels and just looking for more opportunistic deals?

Laura C. Holson

Yeah. Thanks for the question. I would say, when we think about our target leverage range, I think we've been pretty consistent in articulating the 1 to 1.25 times. That's been our target leverage range for a long time at this point. And we are comfortable operating anywhere in that range. We obviously, post-secondary sale, had delevered slightly below that range, as we talked about in last quarter's call. And through the combination of some buybacks and some origination activity, kind of migrated back to within the range.

Look, it's something that's hard to predict and pinpoint exactly, right, because just from a timing of origination and repayment perspective, those things are typically outside of our control. So I can't say that we have a specific target within the range. We are comfortable within the range. And we certainly don't want to be – there's a few quarters, I think, over the past few years that we were at the high end of the range every quarter and that is not our goal. We want to be kind of within the range in general.

Sean-Paul Adams

Okay. Perfect. Appreciate the color. Thank you.

Laura C. Holson

You're welcome.

Operator

It appears there are no further questions at this time. I'd like to turn the conference back over to John for any additional or closing remarks.

John R. Kline

Great. Well, I would just like to thank everyone for joining our call today, and we look forward to speaking to everyone again in August. Thank you.

Operator

This concludes today's call. Thank you again for your participation. You may now disconnect and have a great day.