

# SLRC Earnings Call Transcript

**Date: 2025-11-05**

**Quarter: 3**

Operator: "

Michael Gross: "

Bruce Spohler: "

Shiraz Kajee: "

Erik Zwick: " Lucid Capital Markets, LLC, Research Division

Melissa Wedel: " JPMorgan Chase & Co, Research Division

Robert Dodd: " Raymond James & Associates, Inc., Research Division

Finian O'Shea: " Wells Fargo Securities, LLC, Research Division  
Good morning, everyone. Welcome to today's Third Quarter 2025 SLR Investment Corporation Earnings Call. [Operator Instructions] Also, today's call is being recorded. [Operator Instructions] Now at this time, I'd like to turn things over to Mr. Michael Gross, Chairman and Co-CEO. Please go ahead, sir.

Michael Gross: Thank you very much, and good morning. Welcome to SLR Investment Corp's earnings call for the quarter ended September 30, 2025. I'm joined today by my long-term partner, Bruce Spohler, Co-Chief Executive Officer; as well as our Chief Financial Officer, Shiraz Kajee, and the SLR Investor Relations team. Shiraz, before we begin, would you please start by covering the webcast and forward-looking statements?

Shiraz Kajee: Thank you, Michael. Good morning, everyone. I would like to remind everyone that today's call and webcast are being recorded. Please note that they are the property of SLR Investment Corp and that any unauthorized broadcast in any form is strictly prohibited. This conference call is also being webcast from the Events Calendar in the Investors section on our website at [www.slrinvestmentcorp.com](http://www.slrinvestmentcorp.com). Audio replays of this call will be made available later today as disclosed in our November 4 earnings press release. I would also like to call your attention to the customary disclosures in our press release regarding forward-looking statements. Today's conference call and webcast may include forward-looking statements and projections. These statements are not guarantees of our future performance or financial results and involve a number of risks and uncertainties. Past performance is not indicative of future results. Actual results may differ materially as a result of a number of factors, including those described from time to time in our filings with the SEC. We do not undertake to update any forward-looking statements unless required to do so by law. To obtain copies of our latest SEC filings, please visit our website or call us at (212) 993-1670. At this time, I would like to turn the call back to our Chairman and Co-CEO, Michael Gross.

Michael Gross: Thank you, Shiraz, and thank you to everyone for the earnings season. We're pleased to report that our third quarter results continue to reflect broad stability in our portfolio, which we attribute to both our multi-strategy approach to private credit investing and our conservatism. Summarizing our results, SLRC reported net investment income of \$0.40 per share and net income of \$0.43 per share in the third quarter. Net asset value per share of \$18.21 as of September 30 increased slightly quarter-over-quarter and was approximately flat year-over-year. Our net income for the quarter equates to a 9.4% annualized return on equity. Net investment per share was \$0.01 below our base dividend of \$0.41 per share in the third quarter. We believe the stability demonstrated in our net asset value per share and the resilience of our earnings since the peak of private credit's golden age compares favorably to peer publicly traded BDCs, which on average have been exhibiting gradual

declines in portfolio yields, rising credit losses and increasing balance sheet leverage. During the third quarter, SLRC originated \$447 million of new investments across the comprehensive portfolio and received repayments of \$419 million. Year-over-year new originations were up 12.7%. During what is typically a seasonally slow quarter, our commercial finance strategies experienced significant deal activity, resulting in the second highest quarter of originations in the company's history and a high degree of churn in the portfolio from elevated repayments. Overall, we remain pleased with the steady expansion of our comprehensive portfolio, which has produced an annualized growth rate of 17.1% since 2020. We are aware of the elevated concerns about the growth in the private credit industry and underlying credit quality, which have garnered significant investor attention and headlines lately. For investors that have followed our story and appreciate SLR's ability to tactically allocate in a multi-strategy approach to private credit investing, it should come as no surprise that we too share this concern. We believe our deliberate decision to be more discerning in cash flow lending has safeguarded SLRC's performance through the prolonged high interest rate environment and positions the company favorably to withstand the potential softening in the economy. Conditions in the sponsor-backed cash flow market remains fiercely competitive, resulting in elevated credit risk, deteriorating lender protections and shrinking illiquidity premiums. Alternatively, we continue to find more attractive opportunities to deploy capital across SLR's ABL strategies, which typically offer all-in spreads of SOFR plus 600. Direct corporate ABL, a strategy we've been in since 2012, contains high barriers to entry through underwriting complexity and the labor intensity of collateral monitoring. This makes it difficult for private credit managers who enter the strategy to build a book of asset-based loans that can withstand the pressures of changing economic conditions. We believe this difficult to replicate expertise, specialization allows us to deliver more consistent returns and true portfolio differentiation for BDC investors. Year-to-date, SLR has originated close to \$840 million of asset-based loans, which is almost double our volume during the comparable period in 2024. Today's asset-based lending market has successfully evolved from lending to distressed borrowers to today serving creditworthy companies and flexibility for their portfolio companies. Demand for our corporate asset-based lending solutions from both sponsor-backed and non-sponsor-backed borrowers remain strong as companies seek liquidity solutions to navigate uncertain economic conditions and challenging exit conditions for private equity. The broad-based demand we've experienced for ABL financing solutions spurred us to hire a well-known and respected industry veteran as President of Asset-Based Lending at SLRC's investment adviser. [ Mac Fowle ] will focus on expanding SLR's asset-based lending capabilities across the platform's existing ABL franchise. His arrival comes on the heel of over 100 new hires across the SLR platform over the last two years. We think Mac's decision to join from JPMorgan, where he was Global Head of Asset-Based Lending, underscores the growing theme of opportunity for private credit in the direct asset-backed market due to bank retrenchment. We believe SLR's investments in people and infrastructure have contributed to our expansion in deal flow and a greater recognition of SLR's leadership in the ABL marketplace. As a reminder, SLRC's ABL platform provides the infrastructure to further grow our comprehensive investment portfolio, including through potential portfolio and business acquisitions. The company's strong quarter of ABL originations furthered our portfolio mix to asset-based specialty finance strategies over the last couple of years, which we believe provide greater downside protection from strong credit documentation integrity and underlying collateral with a lender retaining permitted discretions. Approximately 93% of our third quarter originations were in specialty finance due to the more attractive risk-adjusted return profiles and favorable conditions in those markets. During the quarter, we passed on the refinancings of several cash flow investments within our incumbent portfolio, allowing our sponsor finance portfolio to further shrink. As a result, approximately 83% of our loan portfolio consists of specialty finance investments as of September 30, with the remainder of the portfolio comprised of cash flow, sponsor-backed loans to companies in defensive noncyclical sectors such as healthcare and insurance brokerage services. With cash flow loans representing 15.3% of our comprehensive portfolio, the allocation of cash flow loans remains at the lower balance of our historical mix. We will, however, continue to approach new investments in cash flow lending opportunistically and believe our deep industry expertise in the health care sector presents selective attractive opportunities for us to be active in cash flow lending today. Overall, we remain pleased with the composition, quality and performance of our portfolio and the portfolio constructed

afforded by SLR's multi-strategy approach. At quarter end, 94.8% of our comprehensive investment portfolio was comprised of first lien senior secured loans, 99.5% of our debt investments at cost are performing, and PIK income continues to comprise a de minimis percentage of total income. We believe these key credit quality metrics, along with the de minimis total trailing 12-month loss rate compared favorably to public peer BDCs. At September 30, including available credit facility capacity at SSLP and our specialty finance portfolio companies, SLRC had over \$850 million of available capital to deploy. Our liquidity profile puts us in a position to take advantage of either stable economic conditions or softening of the economy. At this point, I'll turn the call back over to Shiraz to take you through the third quarter financial highlights.

Shiraz Kajee: Thank you, Michael. SLR Investment Corp.'s net asset value at September 30, 2025, \$993.3 million or \$18.21 per share compared to \$18.19 per share at June 30. At quarter end, SLRC's on-balance sheet investment portfolio had a fair market value of approximately \$2.1 billion and 109 portfolio companies across 31 industries compared to a fair market value of \$2.1 billion in 115 portfolio companies across 32 industries at June 30. SLRC's investment portfolio is funded by a combination of our revolving credit facilities and the issuance of term debt in the unsecured debt markets. Company is investment-grade rated by Fitch, Moody's and DBRS. During the quarter, the company was active in the management of various credit facilities across multiple banks and the issuance of unsecured debt in the private markets with institutional investors. In regard to secured debt activity in the quarter, the company increased its total revolving commitments to just under \$1 billion. In the unsecured market, the company issued \$50 million of 3-year unsecured notes at a fixed interest rate of 5.96% in July and issued \$75 million of 3-year unsecured notes in August at 5.95%. We believe the issuance of these notes reflects an attractive and flexible cost of debt capital for shareholders and enhances the mix and diversity of the capital base. The company does not have any near-term refinancing obligations with the next unsecured note maturity occurring in December 2026. We expect to continue to prudently issue unsecured debt in the future. At September 30, the company had approximately \$1.1 billion of debt outstanding with a net debt-to-equity ratio of 1.13x. We believe we have ample liquidity to support unfunded commitments. Moving to the P&L.; For the 3 months ended September 30, gross investment income totaled \$57 million versus \$53.9 million for the 3 months ended June 30. Net expenses totaled \$35.4 million for the 3 months ended September 30. This compares to \$32.3 million for the prior quarter. Accordingly, the company's net investment income for the 3 months ended September 30, 2025, totaled \$21.6 million or \$0.40 per average share compared with \$21.6 million or \$0.40 per average share for the prior quarter. Below the line, the company had a net realized and unrealized gain for the third quarter totaled \$1.7 million versus a net realized and unrealized gain of \$2.6 million for the second quarter of 2025. As a result, the company had a net increase in net assets resulting from operations of \$23.3 million for the 3 months ended September 30, 2025, compared to a net increase of \$24.2 million for the 3 months ended June 30. November 4, the Board of SLRC declared a Q4 2025 quarterly base distribution of \$0.41 per share payable on December 26 to holders of record as of December 12. With that, I'll turn the call over to our Co-CEO, Bruce Spohler.

Bruce Spohler: Thank you, Shiraz. As Michael indicated, we've continued to shift the portfolio towards our specialty finance strategies due to their more attractive risk-adjusted returns in today's market. Our specialty finance strategies offer higher pricing than sponsor finance and greater downside protection through their underlying collateral support. We view these more favorable terms as a complexity premium earned through investing in complex structures that require significant expertise and infrastructure that most private credit firms don't have. Before delving into our portfolio, I'll touch on the recent headlines concerning ABL. Recent events have brought the asset-backed finance market under sharper regulatory and investor scrutiny. The high-profile bankruptcies of both First Brands and Tricolor revealed alleged instances of fraudulent collateral reporting, over pledged receivables and falsified data. While preliminary investigations suggest that these were idiosyncratic failures tied to misconduct and inadequate third-party oversight, they have nonetheless raised questions about collateral verification practices and information integrity in syndicated asset-backed securities. Our own due diligence during several opportunities to invest in First Brands identified a series of red flags that led us to decline the investment, including prior fraudulent conduct, a questionable track record and a history of very difficult to decipher financial statements. The lack of management alignment also provided a

further element of elevated risk. These examples underscore the critical importance of rigorous underwriting and serve as a warning to the broader ABS market. While First Brands and Tricolor have cast a temporary shadow over the ABS sector, they serve as a powerful endorsement of our model that is built on direct bilateral lines of credit with active monitoring, verification, scale and experienced ABL infrastructure. With our focus on direct asset-based lending, we underwrite management teams and companies supported by strong assets that collateralize our loans, not pools of assets as in asset-backed securities. We believe ABL remains the most compelling risk-adjusted opportunity in private credit heading into 2026, particularly as the existing middle market maturity wall drives borrowers to asset-based refinancing solutions. Now let me turn to the portfolio. At quarter end, the comprehensive portfolio consisted of approximately \$3.3 billion with an average exposure of \$3.6 million. Measured at fair value, 98.2% of the portfolio consisted of senior secured loans with approximately 95% in first lien loans, including those investments attributable to our SSLP and only 0.2% was invested in second lien cash flow loans, with the remaining 3.2% invested in second lien asset-based loans. At quarter end, our weighted average yield on the portfolio was 12.2%, consistent with the prior quarter. Our portfolio has largely been insulated from spread compression in the cash flow market due to our focus on less competitive specialty finance sectors. Based on our quantitative risk assessment, our portfolio continues to perform well. At quarter end, the weighted average investment risk rating was under 2 based on our 1 to 4 risk rating scale with 1 representing the least amount of risk. Just under 98% of the portfolio is rated 2 or higher. Moreover, 99.5% of the portfolio on a cost basis and 99.7% on a fair value basis was performing with only one investment on nonaccrual. Now let me touch on each of our 4 investment verticals, starting with our Specialty Finance segments. As a reminder, we actively allocate to our strategies based on market and economic conditions, which allows us to source attractive investment on both a relative and absolute basis across market cycles. Let me first touch on asset-based lending. Two areas of private credit illustrate the balance between opportunity and vigilance more clearly than ABL lending. ABL has been the clear beneficiary of bank retrenchment and elevated funding costs as borrowers seek liquidity solutions backed by working capital assets. Direct corporate ABL opportunity set that we focus on includes 3 primary types of transactions. First, providing working capital and liquidity to businesses with abundant assets but volatile cash flows due to rapid growth, seasonality or restructuring. Second, we provide incremental liquidity to sponsor-owned companies whose access to the incremental term loan market is limited and where an ABL facility can leverage unencumbered working capital assets alongside an existing term debt facility. And lastly, we provide M&A; financing in which working capital assets support an ABL facility and are used to finance a portion of the purchase price, thereby reducing the amount of equity or high-yield bonds required to fund the acquisition. SLR's focus on corporate versus consumer ABL relies on old-school fundamental credit analysis of both the borrower and the collateral, requiring heavy hands-on due diligence and bespoke loan structures, which typically include cash Dominion. Most importantly, we leverage our experienced middle office infrastructure and resources for intensive collateral monitoring and control of that collateral during the life of our investment. At quarter end, our ABL portfolio totaled over \$1.4 billion across 265 borrowers, representing 44% of our total portfolio. For the third quarter, we originated just over \$300 million of new investments and had repayments of approximately \$244 million. In the third quarter, our weighted average asset level yield on the ABL portfolio was 13.4%, consistent with the prior quarter. Now turning to Equipment Finance. At quarter end, the portfolio totaled just over \$1 billion, representing 32% of our total portfolio across 590 borrowers. The credit profile of this portfolio was unchanged versus the prior quarter. During the third quarter, we originated \$112 million of new assets and had repayments of \$133 million. The weighted average asset level yield was 11.4%, down 20 basis points from the prior quarter. Our investment pipeline has recently expanded, and we are seeing demand from our borrowers to extend existing leases on our equipment rather than buying new equipment at higher tariff-adjusted prices. Now let me turn to Life Sciences. Strong public and private equity markets for life science companies during COVID resulted in lofty valuations and led to a trend in the life science debt market of new entrants with looser underwriting and structure standards. Since then, life science valuations have begun to moderate as interest rates increased and equity was harder to come by. That moderation has continued, including during much of this year as the market digests some of the more recent regulatory uncertainty. Also,

while recent industry investment activity has focused on life science, health care, IT and services and earlier-stage development companies, our focus continues to be on late development and early commercial stage drug and medical device companies. Competition amongst lenders has increased in select situations, and we are seeing occasional signs of structural give from newer entrants seeking to deploy capital. These are market conditions that reward disciplined and experienced life science teams such as ours. Our team possesses a deep understanding of the unique and often nonlinear value creation inherent in life science companies. We know that progress is rarely a straight line and requires experience to properly assess the deployment of significant investments and the potential value of intellectual property. With over \$5 billion in life science committed investments over the past 25 years, our advisers' life science finance team has significant experience navigating these cycles and the ongoing evolution of regulatory and policy changes, including possessing extensive expertise with the complex FDA and CMS processes. The market is beginning to turn more positive as FDA concerns have softened a bit. Although uncertainties still exist, they are not as concerning, and we are seeing more momentum and better pipeline opportunities for both drugs and medical devices. Our current pipeline is the highest that it's been in over 2 years and is triple the size of where it stood just a year ago. The late-stage venture debt environment remains selective but constructive for specialist lenders such as ourselves. With IPOs still scarce and equity capital more discriminating, nondilutive senior debt has become a strategic bridge to milestones, expansions, IPOs when viable or strategic exits. Our focus remains on first lien senior secured by all assets, including cash and control over a company's IP to companies with products at or near FDA approval and generation of commercialization revenue. We underwrite to specific value realization events rather than to open-ended runway extensions. Across our platform, we've had 3 investments totaling just under \$350 million pay off year-to-date, while adding over \$360 million of new life science commitments. In an uncertain and valuation challenged environment, we view getting repaid on certain investments and generating attractive mid-double-digit returns is a very good outcome for SLRC. At quarter end, our life science portfolio totaled approximately \$218 million across 9 borrowers. 88% of this portfolio is invested in companies that have over 12 months of cash runway. Additionally, the vast majority of our portfolio companies have revenues with at least one product in the commercialization stage, which significantly derisks our investments. During the third quarter, the team funded approximately \$2 million to an existing borrower and had just under \$1 million of contractual amortization repayments. It was a quiet quarter on the origination front and our portfolio benefited from the continued duration on our existing portfolio, while the industry continues to grapple with the headwinds of recent cuts at the FDA and NIH involving public policy as well as continuing valuation challenges. At quarter end the weighted average yield on this portfolio, including success fees but excluding warrants, was 12.3%. Now finally, let me touch on our sponsor finance cash flow business. Middle market sponsor activity improved modestly in the third quarter, and the momentum appears to be carrying over into the fourth quarter, yet competition for quality assets remains intense and the looming '26-'27 maturity wall continues to shape borrower behavior. In this highly selective market, we believe discipline is the differentiator. We remain focused on lending to sponsor-backed businesses with predictable recurring revenue in sectors where we have deep domain expertise, including health care services, business services, and financial services. At quarter end, our cash flow portfolio was just under \$500 million across 31 borrowers, including our senior secured loans into the SSLP or just over 15% of the total portfolio. With approximately 99% of this portfolio invested in first lien loans, we believe that we are well positioned to withstand tariff and economic headwinds. Our borrowers have a weighted average EBITDA of approximately \$90 million and carry low LTVs of 44%. Our borrower fundamentals are trending positive with portfolio company average EBITDA and revenue growth in the mid-single digits year-over-year. Overall, our portfolio companies have successfully managed the transition to an environment with higher cost of capital and input prices. The weighted average interest coverage on this portfolio was 1.9 at quarter end, up from the prior quarter's 1.8. Additionally, less than 2% of our gross investment income is in the form of capitalized PIK from cash flow borrowers resulting from amendments. During the quarter, we made investments of \$31 million in new first lien cash flow loans and had repayments of \$41 million. The average yield on this portfolio was 10.2%, down from 10.3% in the prior quarter. Lastly, let me touch on our SSLP. During the quarter, we earned total income of approximately \$1.5 million, representing a

12.7% annualized yield. During the quarter, we made \$18.5 million new investments in 4 portfolio companies and had \$15 million of repayments. Net leverage totaled 0.9 at quarter end. We expect to continue to rebuild this portfolio opportunistically. At quarter end, we had approximately \$40 million of undrawn debt capacity. Worth noting that we are active in the repricing of various credit facilities in the quarter with our banks at our ABL platforms as well as at the SSLP credit facility. We expect these adjustments will be accretive to our cost of debt going forward. Now let me turn the call back to Michael. Michael Gross: Thank you, Bruce. With the maturation of private credit into a more mainstream asset class over the past 5 years, investors now have numerous ways to access private credit beta products. We continue to believe that SLR's multi-strategy approach to private credit investing, our emphasis on preservation of capital, and our portfolio construction with the specialty finance emphasis differentiates us from the majority of our BDC peers and provides an investment portfolio that contains very limited issue overlap with other private credit managers. The combination of a diversified momentum across our investment strategies and a growing investment pipeline tilted heavily towards specialty finance positions the company favorably to navigate the current climate. We will continue to be opportunistic and prudent as we deploy capital. We think that recent volatility in BDC share prices over the last 6 weeks stems from burgeoning investor anxiety about corporate and private conditions regarding the realization of the potential impact of base rate cuts on floating rate index investments, fears of deteriorating credit quality among corporate borrowers relative to very tight risk premium. While we think SLRC's earnings sensitivity to change in base rates is one of the one, if not the lowest amongst our peers, we acknowledge that we are not fully immune to the impact of recent reductions in base rates by the Fed. Our North Star continues to be protecting capital, avoiding losses, and not chasing higher spreads at the expense of structural protections. While maintaining dividend coverage is important as many of our investors rely on the distribution of our income, we believe it must be done in a way that doesn't compromise credit quality. We made significant investments in resources across the SLR platform, and we have some levers to pull at SLRC that can help offset base rate declines, including expanding our portfolio leverage from 1.13x to 1.25x. While it's hard to predict the timing of market changes, we think investors should take comfort in the quality of our investment portfolio today with our nonaccruals, PIK income, watch list percent of fair value and leverage all below the averages for our peer group. Bruce and I have been in this business long enough to appreciate the nuances of rate cycles. It is natural for the BDC industry's earnings collectively to decline with declining base rates. A decline in base rates oftentimes could accompany wider spreads and higher volume as offsets. The dispersion performance may continue, we expect top-tier private credit portfolios to continue to provide an attractive yield premium to other liquid fixed income alternatives and serve as a portfolio balance for both wealth and institutional investors. In closing, SLRC currently trades at an approximately 10.7% dividend yield as of yesterday's market close, which we believe presents an attractive investment for both income-seeking and value investors and also offers a more diversified investment portfolio compared to cash flow on private credit strategies. Our investment adviser alignment of interest with SLRC shareholders continues to be one of our significant hallmark principles. The SLR team owns over 8% of the company's stock and has a significant percentage of the annual incentive compensation invested in the stock every year. The team's investment alongside fellow institutional and private wealth investors demonstrates our confidence in the company's portfolio, stable funding, and earnings outlook. We thank you again for your time today as we know it's a very busy time for those that follow the listed BDC marketplace closely. Operator, would you please open up the line for questions?

Operator: Certainly, Mr. Gross. [Operator Instructions] We'll go first this morning to Erik Zwick of Lucid Capital Markets.

Erik Zwick: I wanted to first just make sure I heard something correctly. Did you mention that you'd hired 100 new people over the past few years?

Bruce Spohler: We have, and primarily in our asset-based and special lending strategies.

Erik Zwick: Got you. So I guess kind of safe to assume there that with the banks retrenching in addition to having augmented lending opportunities, I guess, some of the individuals coming from the banks as well, have you had opportunities to kind of pull teams out as, I guess, as they maybe become disenfranchised with their prior employer?

Bruce Spohler: Yes, it's a combination of that. And as you know, we've also made some tuck-in

acquisitions. And with that selectively added people that we're managing portfolios that we acquired to expand our footprint further.

Erik Zwick: Got it. And then I appreciate the commentary you provided in terms of underwriting discipline and some of the specifics that you have to go through with ABL, there's certainly been questions in the market regarding that. So that was helpful. A bit of a follow-up there. I was reading about another BDC recently, and they mentioned that some of their ABL investments did not meet the criteria to be qualified assets, kind of in the BDC structure. So just curious, from your perspective, is there something specific that you guys do? And I guess I don't know if 100% of yours are qualified assets. But curious if you could just kind of maybe talk around that topic a little bit to provide a little better understanding.

Bruce Spohler: Nothing on qualified assets. That said, we have not been limited in being able to grow our specialty finance and asset funding strategies by that 30% issue. We have plenty of room. Some of our lender finance are the companies that would not qualify. But again, we have plenty of capacity to take advantage of it. But in the direct ABL market, they are all qualifying assets where we're lending direct to asset-backed borrowers against their working capital assets.

Operator: We go next now to Melissa Wedel of JPMorgan.

Melissa Wedel: I wanted to make sure I'm understanding what's driving this really elevated churn in both. Obviously, you're finding good opportunities in ABL, but there is a lot of churn. And then also on the equipment finance side, can you dig in a little bit there?

Bruce Spohler: Yes. On the asset-based churn, but you're very often working with companies that are in transition. An asset-based structure is very often a 2- to 3-year duration. And so you will see a churn if they can tap into a covenant-light, more flexible cash flow structure. So that will drive that elevation asset class. Sometimes there's a subset where you're just providing the working capital facility longer term. But very often, these are short-duration facilities.

Melissa Wedel: And then on the equipment finance side, you talked about borrowers looking to extend existing leases on equipment rather than going out and purchasing new. I'm curious, as you do that, it sounds like that's an area of opportunity that you're investing in. How do you adjust the underwriting to account for depreciating equipment and things that may be getting closer tend to replace?

Bruce Spohler: Sure. It's not so much that it's a new opportunity, Melissa, it's more that we retain our existing leases longer and they'll come back and rather than at renewal, take us out and buy new equipment, they'll extend our existing lease on the existing equipment, which we have already amortized out and have a de minimis, if any, residual remaining. So any extension is effectively profit to the bottom line for us.

Operator: We'll go next now to Robert Dodd with Raymond James.

Robert Dodd: I think, Bruce, in your remarks, you said you think the ABL side is going to be the most attractive of all the areas going into 2026. I mean, what do you think that because you expect a pullback in the marketplace, with all the other noise and banks often retreating when this happens? I mean, what's the risk of incremental capital, if you will, coming out of the woodwork, right? I mean, in COVID, to your point on the Life Sciences side, a lot of things look quite attractive, and a lot of things got somewhat out of hand, and so you were cautious. What's the risk that incremental capital comes out and kind of distorts the ABL market? Or is that -- it's already distorted and we're undistorting it at the moment with all the noise around these problems.

Bruce Spohler: So great question. I'm just going to hit the life science first. I think the barriers to enter are lower for life sciences than ABL, which we'll touch on in a moment. But as we have seen in the marketplace, it's easy to get into life sciences. It's not so easy to succeed in life sciences. So people get in and stub their toe rather quickly and exit. But they first have to enter and realize that it requires a substantial amount of expertise. On the ABL side, we view it more as a manufacturing business than a service business, service being the cash flow business where it's easy to enter. To get into the ABL business, it's not just capital. You need this infrastructure that we have created organically and inorganically over the last 15-plus years. And that makes it difficult for new entrants to come in because it is, as these recent examples have highlighted in the market, you do need that infrastructure not only to source, but to monitor your collateral, which is what's so imperative in structuring your investments. And that's a challenge. I think new capital, if it were to come in, would be regional banks coming back

in, but they would have to rebuild what they have exited also. I mean the example, as you may recall, last fall, we bought the business, the factoring business out of Webster Bank. So they are out of that business. If they want to come back in, they would need to rebuild that infrastructure in order to issue asset-based loans and monitor them.

Michael Gross: Because if you look at what's happened to the traditional cash flow lending market over the last few years, the biggest driver of the deterioration of yields and structures is how much capital formation has taken place. And it's primarily been driven through these non-listed BDCs that have exploded, but not one of them that I know of is focused on asset-based lending because, to Bruce's point, you have to have the existing infrastructure in place to take advantage of that. And so we have not seen new capital inflows into the space, nor do we really expect it from kind of traditional private credit.

Robert Dodd: Got it. Just one more, if I can. On the dividend, obviously, you mentioned you do have levers to pull, taking up leverage a little bit, growing some of the specialty vehicles, et cetera. What's your confidence level that you have enough levers given what the forward curve looks like? I mean, where is the calculus on? Is this dividend sustainable? Can you catch back up to it?

Michael Gross: Last several quarters, we've been plus or minus up or down \$0.01 or \$0.02 from our dividend. And it's kind of too early for us to kind of call the ball, if you will, about where this is going to go. I think we're going to obviously watch our portfolio performance closely, and we're going to align our dividend to what we think our earnings potential is.

Operator: We'll go next now to Finian O'Shea with Wells Fargo.

Finian O'Shea: Just continuing on the dividend discussion there and tying into Michael, a couple of your closing remarks mentioned SOFR. For one, the sensitivity tables that you disclosed in the Q, I know those could probably be rigid or quirky as opposed to how BDCs really work. But the SOFR-based NOI downside has been creeping up or worsening. I think it's \$0.07 for 100 bps in NOI now. So seeing if there's any nuance there in the say, composition of the FinCos that make you more interest rate sensitive recently. But also given it's sort of clearly going down, you've already been paying a return of capital for a couple of quarters. There's a little bit of leverage headroom, but not too much. So seeing why you're still declaring the \$0.41. And to what extent would you continue to pay out a return of capital?

Michael Gross: First of all, just to clarify, the last 2 quarters that we underearn by \$0.01, our NAV actually increased in those quarters. And so we did not return capital. We grew our net asset value. So that's...

Finian O'Shea: But your disclosure says, well, the dividend from a taxable perspective, the payout constitution entailed a return.

Michael Gross: Capital from a NAV perspective, we did not. And again, look, I'll stick on the answer before. We're obviously aware of what these theoretical hypothetical curves that were required to put in the 10-K today. We are among larger shareholders. So our interests are completely aligned with the rest of our investors. And as the portfolio develops, we'll decide how to adjust our dividend if necessary.

Finian O'Shea: Okay. That's helpful. A follow-up on the ABL franchises. So I think it's North Mill and Kingsbridge are continuing to appreciate. Can you remind us the context of that? Is it a retained earnings driver or a valuation expansion this quarter and in recent quarters?

Michael Gross: Yes. So those are valued externally, and they're looking at a combination of the growth in the portfolio, to your point, the return on the portfolio as well as market comps as inputs in their valuation. So obviously, the businesses have continued to perform extremely well in this environment. But an overlay is also the market comps for the asset class ABL lending.

Finian O'Shea: Okay. So more multiple than retained earnings?

Michael Gross: Both.

Operator: We'll go next now to [ Dylan Hynes ] with B. Riley. [p id="A00" name="Unknown Analyst" type="A" /> I was just wondering, so with common reports of increasing private equity M&A; activity, are you seeing more quality cash flow opportunities? If so, would you be looking to start investing more in your sponsor finance originations? Or is ABL just more advantageous?

Michael Gross: Great question. We are opportunistically seeing better investments in cash flow. As you know, we're very tight in our industry focus there where we think we can get a complexity premium

without taking on additional risk and predominantly in health care. And what we like to do is rather than go to new platforms exclusively, we tend to skew towards add-on financings for existing issuers who are getting bigger. That's a very good time as those companies are seasoned and their credit facilities are seasoned. So we'd like to come in. And you saw us do a lot of that in 2023. I'm not expecting that same volume given, to your point, our opportunity set in ABL and elsewhere, but we are seeing some selective opportunities in cash flow as well. And the last thing I would add on that is our cash flow sponsor origination team is spending a lot of time out there with the sponsor community trying to originate ABL assets. And as we mentioned, increasingly, you're seeing sponsors use ABL facilities rather than cash flow for acquisitions, for liquidity lines. And so we view that as a strategic advantage being able to offer both cash flow and ABL solutions to the sponsor community.

Operator: [Operator Instructions] We'll take a follow-up question now from Lisa with JP Morgan.

Melissa Wedel: Just one follow-up for me. I noticed that on a sequential basis, there was a little bit of a tick up, I think, maybe almost by \$1 million on sort of G&A; expense. I was wondering if there was anything onetime in nature? Or is that related to sort of building out the team and the platform and maybe that's more of a run rate going forward?

Michael Gross: Yes. I think that was a onetime true-up on some expense accruals. I think if you look at our sort of track record the last 2 years, the sort of quarterly average should be \$1.1 million, \$1.2 million. So we'd expect that to be the run rate going forward.

Operator: And gentlemen, it appears we have no further questions at this time. Mr. Gross. I'll hand things back to you, sir, for any closing comments.

Michael Gross: Again, we thank you for your time and attention during this busy time. And as always, if anyone has any questions, feel free to contact any of us. Have a great day.

Operator: Thank you, gentlemen. And again, ladies and gentlemen, that will conclude today's third quarter 2025 SLRC Earnings Call. Again, thanks so much for joining us, everyone. We wish you all a great day. Goodbye.