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Carlyle Secured Lending, Inc (CGBD)

Q4 2025 Earnings Call

CORPORATE PARTICIPANTS

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MANAGEMENT DISCUSSION SECTION

Operator: Hello and thank you for standing by. Welcome to the Carlyle Secured Lending Fourth Quarter 2025 Earnings Conference Call. At this time, all participants are in a listen-only mode. After the speakers' presentation, there will be a question-and-answer session. [Operator Instructions]

I would now like to hand the call over to Nishil Mehta. Sir, you may begin.

Nishil Mehta

Managing Director - Head of Structured Credit, The Carlyle Group

Good morning and welcome to Carlyle Secured Lending's fourth quarter 2025 earnings call. I'm joined by Justin Plouffe, our former Chief Executive Officer; Alex Chi, CGBD's newly appointed Chief Executive Officer; and Tom Hennigan, our President and Chief Financial Officer. Last night we filed our Form 10-K and issued a press release with a presentation of our results, which are available on the Investor Relations section of our website. Following our remarks today, we will hold a question-and-answer session for analysts and institutional investors. This call is being webcast and a replay will be available on our website.

Any forward-looking statements made today do not guarantee future performance and any undue reliance should not be placed on them. Today's conference call may include forward-looking statements reflecting our views with respect to, among other things, our future operating results and financial performance. These statements are based on current management expectations and involve inherent risks and uncertainties, including those identified in the risk factors sections of our 10-K. These risk and uncertainties could cause actual results to differ materially from those indicated. CGBD assumes no obligation to update any forward-looking statements at any time.

During this conference call, the company may discuss certain non-GAAP measures as defined by SEC Regulation G such as adjusted net investment income or adjusted NII. The company's management believes

adjusted net investment income, adjusted net investment income per share, adjusted net income and adjusted net income per share are useful to investors as additional tools to evaluate ongoing results and trends and to review our performance without giving effect to the amortization or accretion resulting from the new cost basis of the investments acquired and accounted for under the acquisition method of accounting in accordance with ASC 805 and the one-time purchase or non-recurring investment income and expense events, including the effects on incentive fees and are used by management to evaluate the economic earnings of the company.

A reconciliation of GAAP net investment income per share, the most directly comparable GAAP financial measure, to adjusted net NII per share can be found in the accompanying slide presentation for this call. In addition, a reconciliation of these measures may also be found in our earnings release filed last night with the SEC on Form 8-K.

With that, I'll turn the call over to Justin.

Justin V. Plouffe

Former Director, President & Chief Executive Officer, Carlyle Secured Lending, Inc

Thanks, Nishil. Good morning, everyone, and thank you all for joining. As many of you know, I have assumed the role of Chief Financial Officer of Carlyle and resigned as CEO, President and Director of CGBD. Earlier this year, Alex Chi joined the firm as Deputy Chief Investment Officer for Global Credit and Head of Direct Lending and was recently appointed CEO and a Director of CGBD. With Alex's deep expertise, including prior experience as CEO of multiple BDCs, his proven leadership and strong industry relationships, we are confident he will help us continue to deliver results and growth for CGBD shareholders.

Separately, Tom Hennigan, who has been with the platform since inception, has been appointed President of CGBD, in addition to his existing role as CFO, Chief Risk Officer and Director.

I'd like to now introduce Alex and hand over the call for his remarks.

Alex Chi

Director & Chief Executive Officer, Carlyle Secured Lending, Inc

Thanks, Justin, and good morning. I'd like to start by highlighting how excited I am to join Carlyle. CGBD's core investment strategy will remain the same. We're focused on stable, high quality credits in the core and upper middle market.

As I look forward, I'm highly focused on continuing to build out our origination engine and harness the full power of the Carlyle platform for the benefit of CGBD shareholders. On today's call, I'll give an overview of our fourth quarter and full year 2025 results, including the quarter's investment activity and portfolio positioning, and provide an update on our investment outlook. I'll then hand the call over to our President and CFO, Tom Hennigan.

2025 was a record year of originations for both CGBD and the Carlyle Direct Lending platform, a direct result of our efforts to enhance our origination capabilities. We deployed over \$1.2 billion at CGBD and closed over \$7 billion of commitments to the platform level. The fourth quarter was also a record at CGBD with over \$400 million of investment fundings, resulting in net investment activity of \$193 million after accounting for repayments. Total investments at CGBD increased from \$2.4 billion to \$2.5 billion during the quarter and total investments at our MDCF joint venture increased to over \$950 million.

While we benefited from strong origination across the platform, CGBD was impacted by lower investment yields due to lower base rates and historically tight spreads on new originations.

We generated \$0.33 per share of net investment income for the quarter on a GAAP basis and \$0.36 of adjusted NII per share. Our board of directors declared a first quarter 2026 dividend of \$0.40 per share. Our net asset value as of December 31 was \$16.26 per share compared to \$16.36 per share as of September 30.

Although the public markets have experienced volatility due to a reset in valuations for companies potentially disintermediated by AI, we remain confident in the quality and stability of our portfolio. Our software track record remains exemplary. Over the last five years, Carlyle Direct Lending has originated over \$6 billion in commitments to software deals with zero defaults. On average, the software borrowers in our book have grown revenue and EBITDA by approximately 8% and 20% year-over-year respectively and the weighted average loan to value of our software book is 40% below the rest of the portfolio, even after adjusting for multiple degradation based on public comparables.

In addition, CGBD's software exposure as a percentage of the portfolio is below that of our peer group. We invest in software companies that we believe deliver embedded, data-driven and mission-critical products that deliver tangible ROI for customers on a daily basis. Our underwriting process focuses on businesses that have a strong, competitive moat, driven by either incumbency, data ownership, a network effect, or any combination of these.

Software as an industry has always been about innovation, and we believe that these same key factors that have traditionally provided market defensibility will also provide insulation from the newest market threat: AI. For products that are truly embedded in mission critical, we view AI as a way to augment the functionality of these products, not necessarily to replace them.

Many of our borrowers, which are already embedded mission-critical to their customers, either have already or are in the process of layering AI capabilities into their product sets to bolster their offerings. In addition to this core software investing framework, which we believe will insulate our portfolio from AI disintermediation, our underwriting process incorporates AI specific risk factors into every new origination, regardless of industry sector. And we actively assess both direct and indirect exposure across the portfolio using the same framework.

In light of recent volatility and concerns in the software space, we have re-underwritten and examined our entire portfolio to evaluate AI disruption and displacement risk. We continuously monitor the portfolio closely through a detailed review process and continue to feel comfortable with our exposure, providing no material near-term risks to our portfolio companies from AI at this stage.

We remain focused on portfolio diversification while managing target leverage. As of December 31, our portfolio was comprised of 165 companies across more than 25 industries. The average exposure to any single portfolio company was less than 1% of total investments, and 94% of our investments were in senior secured loans. The median EBITDA across our portfolio was \$97 million. As always, discipline and consistency drove performance in the fourth quarter and we expect these trends to drive performance in future quarters.

Following quarter end, we announced the formation of a new joint venture capitalized by four BDCs comprised of CGBD, our private perpetual BDC Carlyle Credit Solutions and two BDCs managed by Sixth Street. The new JV Structured Credit Partners, or SCP, is expected to increase diversification and portfolio yield of CGBD. SCP will focus on investing in broadly syndicated first lien senior secured loans, financed with long-term non mark-to-market and predominantly investment grade rated CLO debt.

Returns from SCP will be enhanced by no management fees or incentive fees at the underlying CLOs or at the joint venture, reflecting Carlyle's continued commitment to CGBD. SCP highlights the benefits of scale through partnership at Sixth Street and underscores the power of the Carlisle platform, which houses one of the largest CLO managers in the world with \$50 billion of AUM.

Historical median CLO returns have typically been within the 10% to 12% range, and we anticipate a potential 400 basis point to 500 basis point uplift from the fee-free structure. So we expect the investment to be highly accretive to return on equity for CGBD.

Looking ahead, we expect 2026 to be an active year as M&A activity increases. Through a combination of increased market activity and Carlyle Direct Lending's rejuvenated origination platform, our pipeline for the first quarter has picked up and we expect to continue to see strong deal flow. CGBD is well positioned to capitalize on this opportunity with Carlyle's deep expertise across multiple asset classes, a strong and longstanding track record in direct lending and a growing origination apparatus.

As manager dispersion increases, we expect the breadth of our platform and the consistency of our performance to differentiate us from credit managers that do not have access to the same scale, scope of investment capabilities with dedicated in-house investing, portfolio management and restructuring resources the Carlisle platform offers.

With that, I'll now hand the call over to our President and CFO, Tom Hennigan.

Thomas M. Hennigan

Chief Financial Officer, President & Interested Director, Carlyle Secured Lending, Inc

Thank you, Alex. Today I'll begin with an overview of our fourth quarter financial results. Then I'll discuss portfolio performance before concluding with detail on our balance sheet positioning.

Total investment income for the fourth quarter was \$67 million, in line with prior quarter as an increase in the average portfolio size was offset by a decrease in total portfolio yields as a result of lower base rates and lower spreads.

Total expenses of \$43 million increased versus prior quarter, primarily as a result of higher interest expense due to a higher average outstanding debt balance as well as the acceleration of debt issuance costs from the repayment of our 2028 notes in December.

The result was net investment income for the fourth quarter of \$24 million or \$0.33 per share on a GAAP basis and \$0.36 per share after adjusting for the acceleration of debt issuance costs and the impact of asset acquisition accounting related to the CSL III merger and the consolidation of Credit Fund II, both of which closed in the first quarter of 2025.

Our board of directors declared the dividend for the first quarter of 2026 at a level of \$0.40 per share, which is payable to stockholders of record as of the close of business on March 31. In addition, we currently estimate we have \$0.74 per share of spillover income to support the quarterly dividend.

As mentioned during last quarter's call, we expect to see earnings trough in the first half of 2026, primarily due to the impact of the base rate cuts. But we anticipate an increase in earnings thereafter as we ramp the portfolios of both JVs. Given CGBD shares continue to trade at a compelling discount, we repurchased \$14 million of shares at an average discount of nearly 23% during the fourth quarter, resulting in \$0.06 of accretion to NAV per share.

We continued to repurchase shares in the first quarter with an incremental \$14 million to date, which results in an additional \$0.06 per share of accretion.

Now we've nearly exhausted the existing \$200 million share repurchase program, so our board approved a \$100 million upside, increasing the total program to \$300 million. On valuations, our total aggregate realized and unrealized net loss for the quarter was about \$7 million or \$0.09 per share, primarily attributable to unrealized markdowns on select underperforming investments.

Turning to credit performance. We continue to see overall stability in credit quality across the portfolio. Key credit stats continue to be stable, including portfolio company margins, leverage levels and LTV. And we expect interest coverage will continue to improve in future quarters, aided by lower base rates. The majority of our PIK is underwritten at origination, or what we would consider to be good PIK. And non-accruals remained relatively flat as of December 31, with five names on non-accrual representing only 1.2% of investments at fair value and 1.8% at amortized cost.

Moving to the Middle Market Credit Fund, our longstanding JV, we continue to focus on maximizing both asset growth and returns. During the first quarter, we closed an upside to the MMCF equity commitments from \$175 million to \$250 million for each partner. MMCF is currently achieving a 15% dividend yield, generated through over \$950 million of investments with no fees at the JV. The equity upside will enable us to continue to grow the JV and increase the impact to CGBD earnings.

In addition, as Alex previewed earlier this month, we announced the formation of Structured Credit Partners or SCP, a new JV capitalized with \$600 million of equity commitments from the Carlyle and Sixth Street BDCs that will invest in broadly syndicated first lien senior secured loans. The financing of these assets will be primarily through CLOs, separately managed by Carlyle and Sixth Street, subject to oversight from SCP's board of directors.

Governance of SCP is shared equally between Carlyle and Sixth Street as managers, and each BDC has equal representation on the board. All key investment, financing and capital decisions are subject to joint approval by the JV board. CGBD committed \$150 million of capital to the vehicle, which, as Alex highlighted, will not charge any management or incentive fees on the underlying assets, providing a potential 400 basis point to 500 basis point uplift to total returns, which have historically been within the 10% to 12% range for similar underlying vehicles.

The JV plans to ramp at a cadence of four CLO issuances per year to ensure vintage diversification. And over time, the JV is expected to manage approximately \$6 billion to \$7 billion of assets fee-free at SCP. So we expect the JV to be accretive to return on equity for CGBD.

I'll finish by touching on our financing facilities and leverage. As a reminder, in October we raised a new five-year \$300 million unsecured bond at an attractive swap adjusted rate of SOFR + 2.31%. We used the proceeds in part to repay in full the higher priced legacy CSL III credit facility, and in December, redeemed the \$85 million baby bond. In the aggregate, these capital structure optimizations lowered our weighted average cost of borrowing by about 10 basis points, extended the maturity profile of our capital structure with limited maturities until 2030 and reduced reliance on mark-to-market leverage.

Our debt stack is 100% floating rate, matching our primarily floating rate assets, meaning CGBD is well positioned in advance of any additional interest rate cuts. At quarter end, statutory leverage was 1.3 times. However, adjusted for unsettled trades of loans to MMCF, leverage at quarter end was closer to 1.1 times, in line with prior

quarter. Given our current strong liquidity profile, we believe we're well positioned to benefit from the expected pick up in deal volume in future quarters.

With that, I'll turn the call back over to Alex.

Alex Chi

Director & Chief Executive Officer, Carlyle Secured Lending, Inc

Thanks, Tom. As we approach the middle of the first quarter, our portfolio remains resilient and our strategy remains unchanged. We continue to focus on sourcing transactions with significant equity cushions, conservative leverage profiles, attractive spreads relative to market levels. Our pipeline of new originations is active and with a stable, high quality portfolio, CGBD stockholders are benefiting from the continued execution of our strategy.

As always, we remain committed to delivering a resilient, stable cash flow stream to our investors through consistent income and solid credit performance. At the platform level, I'm excited to continue building out the Carlyle Direct Lending Team, expanding our existing capabilities.

I'd like to now hand the call over to the operator to take your questions. Thank you.

QUESTION AND ANSWER SECTION

Operator: Thank you. [Operator Instructions] Our first question comes from the line of Erik Zwick with Lucid Capital Markets. Your line is open.

Erik Zwick

Analyst, Lucid Capital Markets LLC

Q

Thanks. Good morning, all. I wanted to start with a question for you, Alex. One, nice to meet you virtually here. In the press release, you mentioned that the fund is well positioned to take market share going forward. So I'm just curious from your perspective who would you be taking that share from? Is it BSL market, other private credit funds, banks? And then what is your competitive advantage relative to those that you'd be taking it from?

Alex Chi

Director & Chief Executive Officer, Carlyle Secured Lending, Inc

A

[ph] Sure, absolutely (00:19:26). Great to meet you as well. One thing I just want to underscore is that the investment strategy here, it's not changing. As I said, we're going to continue to focus on investing in high quality companies in the core and upper middle market. While my prior firm's credit platform also had a strong presence in the large cap market, that's not an area that I plan to aggressively push us into right now.

As I mentioned, we have a strong credit culture, team underwriters dedicated to industry verticals, deep expertise. So we're going to stick to our knitting and we're going to concentrate on playing a lead in the majority of our deals. But also one thing that we're going to do a lot more of, though, is to win and take share is really just harness the power of the other parts of Carlyle, whether it's the large illiquid platform we have such as the CLO business; our Carlyle AlInvest platform, which is truly differentiated; our Washington DC presence and connectivity; or of course, a global private equity platform, and the list goes on.

So we're not a pure play direct lending shop. Rather, we have a direct lending business housed within one of the most formidable alternative asset managers in the world, and we're going to take full advantage of that.

Erik Zwick*Analyst, Lucid Capital Markets LLC*

Q

Thanks. I appreciate that. And then just a follow up on that, the positive commentary that you guys expressed about the pipeline here in 1Q 2026. You're seeing stronger deal flow. There's certainly some concern about a K-shaped economy and some cracks forming somewhere from your perspective in the sectors that you lend to. Can you just maybe talk about what's driving borrowing demand and contributing to that strong pipeline flow today?

Alex Chi*Director & Chief Executive Officer, Carlyle Secured Lending, Inc*

A

Sure. Well, first of all, another good aspect of playing in the middle market, and in the core number is that there is always a better, more consistent flow of opportunities to look at. And we've all talked about the lack of DPI over the last two, three years. We're starting to see that change. If you look at Carlyle, at the platform level, you saw that last year that we returned a significant amount of capital through exits to our investors. We're starting to see that play through in the broader pipeline.

What's also interesting is that, again, just given Carlyle's heritage around industrials, aerospace and defense, healthcare, those are areas that we're starting to see some more activity as those areas are now back in vogue, if you will. So that plus the fact that we have a rejuvenated origination platform. You've heard Justin say it before. We hired a senior originator from Carlyle that's been here for over a quarter. We have a couple of other managing directors who come with longstanding relationships. There are others coming on board.

It's not a coincidence that the fourth quarter was a record quarter for us from an origination standpoint. And therefore from a pipeline perspective, we're starting to see a lot more there as well.

Erik Zwick*Analyst, Lucid Capital Markets LLC*

Q

Thanks. And last one for me. Just curious if you could talk a little bit about the rationale for the SCP JV. Why now? Is this potentially reflective of your view that spreads may remain tighter for a while in the middle market and therefore you can kind of take advantage of the non-qualified bucket availability to get some additional yield using this structure? Just kind of curious of how you describe the kind of the timing and rationale for that new venture.

Thomas M. Hennigan*Chief Financial Officer, President & Interested Director, Carlyle Secured Lending, Inc*

A

Hey, Erik, good morning. It's Tom Hennigan. If you go back to last year when we had our two JVs, we collapsed the one JV on the balance sheet. We've been looking to grow the existing JV with PSP, but we're looking to maximize and fully utilize the non-qualifying asset bucket. So we've really been over the last year looking, hey, what's the next big venture for us? This is something we've been working on for a while. And to Alex's point, it's leveraging the broader Carlyle network and the strength of our broader syndicated team and at the same time producing very strong expected returns based on no fee structure. So it's again leveraging the broader Carlyle network and in what we think is a very attractive overall structure.

Erik Zwick*Analyst, Lucid Capital Markets LLC*

Q

Got it. Thanks, Tom. That's all for me. Thanks for taking my questions today.

Thomas M. Hennigan

Chief Financial Officer, President & Interested Director, Carlyle Secured Lending, Inc

A

Sure, thank you.

Operator: Thank you. Our next question comes from the line of Brian McKenna with Citizens. Your line is open.

Brian McKenna

Analyst, Citizens JMP Securities LLC

Q

Okay, great. Thanks. Good morning, everyone. Alex, great to meet you and congrats on your new role and also same to you, Tom. Maybe starting with you, Alex. Taking a step back here with a new set of eyes looking at the broader Carlyle Direct Lending platform, what are some of the near-term opportunities across the business and what are your top priorities really, first, for CGBD and the related direct lending strategies over the next year or so?

Alex Chi

Director & Chief Executive Officer, Carlyle Secured Lending, Inc

A

Sure. Look, as I mentioned, my plan is not to make large wholesale changes to the strategy. The Carlyle Direct Lending platform has actually been here for quite some time. Although I am relatively new here, Tom, who is sitting here next to me, has been on the platform for nearly 15 years. And our Chief Underwriting Officer, Mike Hadley, he's been here for nearly 20 years. And there's deep underwriting expertise across the core verticals where we play. So what we're going to do again with our rejuvenated origination strategy is just really start to take more share, see more flow.

And one thing that I think that the leadership of Carlyle has done a great job of over the last handful of years is really start to just break down the silos where they're harnessing the full power of all the different aspects of what Carlyle has to offer.

And again, I don't want to underplay just the Washington DC roots that we have. I think that really no one has a better handle on policy-driven cash flows than we do. So I think there's – I think there's a lot of opportunity here for us to take more share while we just stick to our core knitting. As I mentioned in my – at my earlier comments, although again, in my prior shop that we had a formidable presence in the large cap space, that's not an area that we plan to push into right now.

Brian McKenna

Analyst, Citizens JMP Securities LLC

Q

Okay, great. That's helpful. And then just a little bit bigger picture. Clearly, volatility has picked up across a number of different segments within the market. Seems like capital, liquidity is coming in a bit just across the capital markets. But I'm curious what you're seeing on new deals today that are coming together. Has – have spreads started to move out a little bit? Like I'm just curious what you're seeing real time on that front.

Alex Chi

Director & Chief Executive Officer, Carlyle Secured Lending, Inc

A

It's a great question. In terms of spreads, we are starting to see an opportunity where we're going to see a bit of spread widening. It's not going to happen in a significant manner. But in some of the deals that we're looking at right now, the proposed spreads that are coming in reflect what we were seeing perhaps two to three months ago. I think given the volatility that you just referenced, it's an opportunity to start getting some spreads back,

especially in the middle market. Another – yet another reason as to why we're not actively pursuing a strategy back into the large cap piece of the landscape.

Look, I think software is an area that a lot of people have spoken about. I think in terms of the flow of software opportunities, I think you're going to see a bit of a pause there. Not so much because we just think that software is bad or anything or anyone is getting out of the market. It's just because many of the software deals that were acquired, they were acquired at very, very high [ph] reserve (00:27:14) multiples two, three, four years ago. And I think just given the fact that people are still trying to figure out what AI means for a lot of these companies, I think the value expectations versus what buyers are willing to pay for, they're probably going to – you're going to see some enterprise value gaps here.

Brian McKenna

Analyst, Citizens JMP Securities LLC

Sure.

Q

Alex Chi

Director & Chief Executive Officer, Carlyle Secured Lending, Inc

So I think we're going to need some time in order for people to really assess what's happening in that landscape before you start to see more deal flow. So I think that people are going to start to focus their areas more on more core parts of the economy. And those are areas where you see significant amount of portfolio companies are yet to be monetized. So I think that's where we're going to start to see more of the flow.

A

And I think on spreads, to your question, I think for the time being, we're not going to see any more compression, which is good. And if anything, we're starting to see some opportunities for us to get the spread back.

Brian McKenna

Analyst, Citizens JMP Securities LLC

Got it. Okay. That's helpful. And then just one more for me, if I may. Two months into the first quarter here, I mean, just any incremental color or detail you can share with quarter-to-date trends just as it relates to new originations, markups, markdowns and even just credit quality more broadly?

Q

Thomas M. Hennigan

Chief Financial Officer, President & Interested Director, Carlyle Secured Lending, Inc

Brian, I think that the – on the portfolio continuing to have overall strong performance, we are still in the process of getting fourth quarter results. Obviously, not going to see anything in those fourth quarter results. One thing we have done is just based on – certainly we're seeing in the broader syndicated market some volatility in trading prices. While that does not directly translate in – by any means to our private credit valuations, we and our third party valuation providers are taking a look broadly at the portfolio, specifically at the technology and software deals in the portfolio.

A

So I think you probably are going to see a modest markdown on software names, just based on market volatility and uncertainty, but relatively modest, certainly relative to some of the volatility in the broadly syndicated market.

Brian McKenna

Analyst, Citizens JMP Securities LLC

All right. I'll leave it there. Thanks so much.

Q

Alex Chi

Director & Chief Executive Officer, Carlyle Secured Lending, Inc

Thank you.

A

Operator: Thank you. [Operator Instructions] Our next question comes from the line of Rick Shane with JPMorgan. Your line is open.

Richard Shane

Analyst, JPMorgan Securities LLC

Hey, everybody. Thanks for taking my questions this morning and congratulations on all your new roles.

Q

Alex Chi

Director & Chief Executive Officer, Carlyle Secured Lending, Inc

Thank you.

A

Richard Shane

Analyst, JPMorgan Securities LLC

Look, one of the themes that has emerged listening to all of the BDC calls or many of the BDC calls is the potential relief from the asset sensitivity of your borrowers' balance sheets. And I am curious when we think about this, and again, remember we come at this from the perspective of also covering many of the commercial mortgage rates, where interest expense is a huge, huge part of owning commercial real estate. I am curious when you think about the businesses that you're lending to and their revenue and cost structures, how significant is interest expense in their overall expense load?

Q

Thomas M. Hennigan

Chief Financial Officer, President & Interested Director, Carlyle Secured Lending, Inc

Yeah, Rick, it's something that obviously when we look at our credit metrics, interest coverage ratio is getting better. It's marginal. Base rates down 75 basis points, expected additional rate cuts. On the margin, it's going to be helpful. But just like we ran the sensitivities when rates were going up, even if we said okay, rates were at 5%, 6%, they had to gap up materially before we were concerned about liquidity at particular borrowers. Our sensitivity is that they had to go up another 300 basis points. So certainly on the margin, it helps.

A

Is it a material benefit where we think it's going to be a material difference? No. It's certainly going to help on the margin, but based on certainly where the current base rates are expect – based on where the current curve is.

Alex Chi

Director & Chief Executive Officer, Carlyle Secured Lending, Inc

The other comment that I'd make is on new originations that we're looking at right now. It's not only just interest coverages that we're looking at. We're also looking at fixed charge coverage ratios. And the fixed charge coverage ratios that are now coming out that we're underwriting to, there's a lot more cushion than what we saw before. We would typically look at 1.1 times fixed charge coverage ratio, and we sensitize that, of course, for different curves.

A

But now, out of the box, we're starting to see much more cushion, call it 1.25 times or even higher, going towards 1.5 times, which is really nice to see, because I think that the borrowers are starting to take a bit more of a

conservative approach with respect to how much leverage that they are willing to put on these companies [ph] when they (00:31:52) buy them.

Richard Shane

Analyst, JPMorgan Securities LLC

Q

Got it. Okay. Thank you. And then the question that I've sort of asked a couple of companies through earnings, look, you guys are in the position, you are able to do more than one thing at a time. But you are experiencing significant repayments, stock's trading at a significant discount to NAV. You have a history of repurchasing shares. Is the best incremental dollar the next investment given dynamics in the market, or is the best investment repurchasing stock?

Thomas M. Hennigan

Chief Financial Officer, President & Interested Director, Carlyle Secured Lending, Inc

A

Rick, we think it's a balanced approach. As you've seen, what we've done in the last 90 days is we started buying back shares last quarter. We've continued into this quarter. So again, it was just \$14 million in the fourth quarter, another \$14 million a quarter to date in the first quarter. That represents 3% of our total shares. That's about \$0.06 per share accretion in each quarter, so \$0.12 in total. That's \$186 million since inception. So we've been supportive going back a number of years, have been buying back shares.

And our board increased the \$200 million threshold up to \$300 million at our recent board meeting. So we certainly anticipate, based on where the stock is trading, it's certainly accretive for investors to continue considering buybacks. At the same time, when you look at primarily our two JVs, where we are, we're within our target leverage range. Net-net, if we're adding investments to our JVs, that's very accretive for the fund.

So on the margin, we're not adding – if we are adding [ph] 475 or 450 (00:33:33) spread deals, it's to our current JV where we're able to generate a 15% plus return from that fund. And certainly we anticipate over the course of the next few years investing in growing our second – or, well, now our third JV, but our Structured Credit Partners' JV. So we think those are very accretive dollars in terms of where we're putting our new investment dollars on a net basis.

Alex Chi

Director & Chief Executive Officer, Carlyle Secured Lending, Inc

A

[indiscernible] (00:33:57)

Operator: Thank you.

Richard Shane

Analyst, JPMorgan Securities LLC

Q

Sorry, I think I interrupted.

Alex Chi

Director & Chief Executive Officer, Carlyle Secured Lending, Inc

A

No, go ahead.

Richard Shane

Analyst, JPMorgan Securities LLC

Q

No. That's it. I just wanted to say thank you. I appreciate the clarity on that and it helps us think about the talent you may be [ph] pinging (00:34:17) off over the next 12 months.

Alex Chi

Director & Chief Executive Officer, Carlyle Secured Lending, Inc

A

Great. Thanks for the question.

Operator: Thank you. Ladies and gentlemen, I'm showing no further questions in the queue. I would now like to turn the call back to Alex for closing remarks.

Alex Chi

Director & Chief Executive Officer, Carlyle Secured Lending, Inc

Great. Well, thank you very much. Very excited to be here and look forward to coming back in subsequent quarters.

Operator: Ladies and gentlemen, that concludes today's conference call. Thank you for your participation. You may now disconnect.

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