Blue Owl Technology Finance Corp.
Q2 2026 Earnings Call
August 6, 2026

<u>Presenters</u>
Craig Packer – CEO
Erik Bissonnette – President
Jonathan Lamm – CFO
Mike Mosticchio – Head of BDC Investor Relations

<u>Q&A Participants</u>
Finian O'Shea – Wells Fargo
Kenneth Lee – RBC Capital Markets
Arren Cyganovich – Truist Securities
Jason Stewart – Compass Point
Chris Muller – Citizens Capital Markets

Operator
Good morning, everyone, and welcome to the Blue Owl Technology Finance Corp's Q2 2026 Earnings Call. As a reminder, this call is being recorded. At this time, I'd like to turn the call over to Mike Mosticchio, Head of BDC Investor Relations. Mike, please go ahead.

Mike Mosticchio
Thank you, Operator, and welcome to Blue Owl Technology Finance Corp's Second Quarter 2026 earnings conference call. Joining us on the call today are Craig Packer, Chief Executive Officer, Erik Bissonnette, President, and Jonathan Lamm, Chief Financial Officer. I'd like to remind listeners that remarks made during today's call may contain forward-looking statements, which are not guarantees of future performance or results, and involve a number of risks and uncertainties that are outside of the company's control.

Actual results may differ materially from those in forward-looking statements as a result of a number of factors, including those described in OTF's filings with the SEC. The company assumes no obligation to update any forward-looking statements. We'd also like to remind everyone that we'll refer to non-GAAP measures on this call, which are reconciled to GAAP figures in our earnings presentation, available on the Events and Presentations section of our website. Certain information discussed on this call and in the company's earnings materials, including information related to portfolio companies, was derived from third-party sources and has not been independently verified. The company makes no such representations or warranties with respect to this information.

Yesterday, OTF issued its financial results for the second quarter ended June 30th, 2026, reporting adjusted net investment income per share of $0.30 and net asset value per share of $16.48.

During the call today, we will be referencing materials including the earnings press release, earnings presentation, and 10-Q, which are available on the News and Events section of OTF's website.

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

Craig Packer
Thanks, Mike. Good morning, everyone, and thank you all for joining us today. OTF delivered another strong quarter with stable net asset value, continued earnings growth, and excellent credit quality, including non-accrual rates that remain among the lowest in the industry. This performance was a direct result of the strength and resiliency of our borrowers' underlying fundamentals. Across the portfolio, our borrowers continue to generate steady organic growth in revenues and EBITDA, and we are not seeing any material signs of stress in the portfolio today.

We continue to support NAV per share through ongoing share repurchase activity, which we believe remains prudent at current trading levels. We also made good progress ramping earnings during the quarter. Adjusted NII increased, supported by continued deployment and growth in net leverage. Since our direct listing in June 2025, net leverage has increased by 0.4x and sits just inside the low end of our target range. The investment environment has improved meaningfully, and as we continue deploying capital, OTF has a clear path towards dividend coverage by the middle of next year.

We have positioned the balance sheet to capitalize on this opportunity set. During the quarter, we strengthened our capital structure by issuing an unsecured bond, adding a secured debt facility, and extending the maturity of our revolving credit facility, all amid a very challenging backdrop for technology-oriented companies. Jonathan will cover this in more detail, but we have substantial liquidity and flexibility to support future portfolio growth.

Looking ahead, we have several reasons to be optimistic about OTF's positioning. First, the investing environment is more attractive for technology. Reduced capital availability has allowed lenders to become more selective, leading to significantly wider spreads and stronger protections. With leverage near the low end of our target range, OTF has ample capacity to deploy capital into compelling opportunities as they emerge.

Second, forward-rate expectations have moved higher since the beginning of the year, which would provide a meaningful tailwind for our portfolio of predominantly floating-rate loans and expand portfolio yields over time.

Third, we believe the market conversation around software has continued to become more balanced. While initial AI concerns were broad-based, investors are increasingly distinguishing between businesses vulnerable to AI disruption and those built around mission-critical platforms with embedded workflows that position them to use AI to strengthen their products and reinforce their competitive advantages. We are seeing this in the rebound of certain public software categories, including cybersecurity, as well as through partnerships between the AI model companies and established software platforms. This evolution increasingly reflects the characteristics we have long prioritized in our software portfolio and reinforces our conviction in these businesses.

Finally, the lockup releases are now behind us, with 100% of OTF's float fully unlocked for trading. We expect the technical selling pressure typical of newly listed stocks to ease over time, creating a clear opportunity to further broaden and diversify our shareholder base. Taken together, these developments improve both the fundamental and technical backdrop for OTF. We remain focused on disciplined execution and believe continued performance across our portfolio will ultimately be reflected in shareholder value.

With that, I'll turn it over to Erik.

Erik Bissonnette
Thanks, Craig, and good morning, everyone. We have continued to make steady progress ramping the portfolio. In the second quarter, we made approximately $850 million of new commitments and funded $550 million. Although primary deal activity stayed subdued, we successfully funded multiple transactions that had been committed to before the recent expansion of market spreads. Looking ahead, a larger share of our new originations will capture today's more attractive pricing, allowing us to steadily realize the benefits of the current market conditions.

While software activity remains slower, we continue to find differentiated opportunities across other areas of technology where we have deep expertise and strong platform connectivity, including life sciences and digital infrastructure. Blue Owl is a significant player in digital infrastructure, particularly through our real assets platform, which gives us broad visibility into the capital needs supporting data center and GPU buildouts. As major technology companies scale their computing capacity, we see an attractive opportunity to provide debt capital, capture compelling yields, and secure resilient cash flows backed by mission-critical digital assets, often with investment-grade counterparty risk.

Another area where we are seeing attractive opportunities is life sciences, where Blue Owl has built deep-sector expertise and a dedicated life sciences credit and royalty team. A recent transaction highlights the benefits of these capabilities. In the second quarter, Blue Owl led a $700 million platform-wide loan for Caris, a commercial stage company focused on next-generation cancer diagnostics. Life Sciences has grown to nearly 2% of the portfolio, and given the strong performance and attractive opportunity set, we look forward to continuing to grow this strategy over time.

OTF received approximately $222 million in sales and repayments during the quarter. While repayment activity has been slower given the market environment, we are seeing an increasing number of opportunities to improve economics through our existing portfolio. As high-quality borrowers look to raise additional capital or extend maturities, we are often able to secure wider spreads, enhanced protections, and stronger covenants. This incumbency advantage allows us to stay invested in companies we know well, while transitioning our portfolio from legacy low-spread deals to today's more attractive market environment.

Turning to the portfolio, credit quality and borrower health remains sound. OTF is focused on scaled, sponsor-backed companies, as evidenced by the nearly $300 million weighted average EBITDA of our borrowers. Software exposure represents approximately 70% of the portfolio. Within software, our exposure is concentrated in durable market segments positioned to benefit from further AI integration, typically distinguished by mission-critical applications, embedded workflows, and trusted data. This targeted approach has helped the portfolio to remain resilient to recent market volatility.

Our borrowers are generating high single-digit revenue and EBITDA growth, with software generally growing faster than the other areas across Blue Owl's broader direct lending portfolio. Importantly, we have seen minimal signs of material disruption attributable to AI across the broader portfolio. Our internal ratings demonstrated broad stability over the quarter, with our 3- to 5-rated names modestly declining to 7.6% at fair value from 8.5% last quarter. Amendment activity remains late, and portfolio company revolver utilization remained consistent with historical levels at approximately 10%.

Credit quality remains a key differentiator for OTF. Non-accruals remain among the lowest in the industry at just 10 basis points at fair value, even with the addition of one small position during the quarter. We further attribute this performance to the portfolio's conservative construction. As of quarter end, over 80% of the portfolio consisted of senior-secured loans, and weighted average LTV remained steady at 40%, with little quarter-over-quarter change. This provides significant equity cushion beneath our debt investments, which we believe has been valuable considering the equity valuation of resets across software earlier this year.

PIK income declined from 13.1% last quarter to approximately 12.5% of total investment income this quarter, with 7.5% of that coming from PIK interest and 5% from PIK dividends. Approximately 98% of our PIK was structured at origination, rather than introduced through subsequent amendments, which is an important distinction when evaluating the portfolio's credit quality. This is consistent with our view that structured PIK can be a valuable return enhancer for high-quality borrowers reinvesting in growth. These portfolio indicators reinforce what we see firsthand in the market.

Our 40-person dedicated technology investing team maintains ongoing dialog with management teams, sponsors, and industry experts, giving us differentiated real-time insight into how businesses are adapting to AI. Through our observations, one theme has been particularly clear: sophisticated sponsors are continuing to invest significant resources in AI enablement across their portfolio companies, reaffirming the value of lending to high-quality businesses with the capital and strategic support to evolve through periods of technological change.

Looking forward, we remain focused on growing the portfolio toward the midpoint of our target leverage range. Even as deal activity remains needed, we are staying disciplined in software deployment, prioritizing high-quality opportunities with familiar borrowers we have followed over time. We believe this environment rewards deep domain expertise, selectivity, and incumbency. Our longstanding relationships, knowledge of the investable universe, and dedicated technology team allow us to deploy with conviction while prioritizing opportunities with stronger risk-adjusted returns.

Blue Owl's investment capabilities in innovative areas such as digital infrastructure and life sciences allow us to access differentiated opportunities that can generate attractive, less correlated returns for investors over time. We expect to continue expanding our activity across these strategies in the quarters ahead. Overall, we remain confident in the quality of our existing portfolio and believe we have multiple avenues for deployment that can be accretive for investors as market conditions improve.

Now, I'll turn the call over to Jonathan to discuss our financial results in more detail.

Jonathan Lamm
Thank you, Erik. In the second quarter, OTF reported adjusted net investment income of $0.30 per share. This was supported by continued portfolio growth and higher dividend income related to a repayment. Earlier this week, our Board declared a third-quarter base dividend of $0.35 per share, consistent with our last quarterly dividend, and payable on or before October 15th to shareholders of record as of September 30th.

We will also pay the final quarterly special dividend of $0.05 per share, which was declared in connection with the listing, and is supported by spillover income generated from gains on the portfolio, which was $0.32 as of quarter end. Together with the base dividend, this brings total dividends to $0.40 per share for the quarter. Now that we have reached the lower end of our target leverage range, and with rates and spreads becoming more favorable, we expect to cover our base dividend by the middle of next year.

Moving to the balance sheet. NAV per share was $16.48 at quarter end, reflecting ongoing stability in the performance of the portfolio. Portfolio write-ups and accretion from share repurchases supported NAV, partially offset by the ongoing quarterly special distributions declared in connection with the listing. We repurchased over $55 million of stock over the quarter, bringing total repurchases over the past three quarters to roughly $170 million. These repurchases reflect our conviction in the quality of the portfolio and attractiveness of our shares at current levels, while preserving ample capital to deploy into a meaningfully improved environment for technology.

Following our second quarter activity, approximately $195 million remains available under the $300 million share repurchase program authorized by the Board in February. We ended the quarter with net leverage of 0.93x, reflecting over $475 million of net funded investment activity. With leverage now at the lower end of our target range of 0.9x to 1.25x, we remain well-positioned to continue growing the portfolio.

The quarter's financing activity was an important external validation of OTF. In a challenging market for technology credit, we issued a $500 million unsecured bond, added $150 million in secured financing, and completed an amend and extend of our $2.7 billion revolving credit facility. Importantly, every existing bank partner renewed its revolver commitment, and we added a new lending relationship that provided incremental financing capacity. As a result, all 2026 maturities have been addressed, and we preserved our unsecured funding mix, and all our credit agencies have affirmed OTF's investment grade ratings.

We ended the quarter with over $2 billion of total cash and available capacity across our credit facilities. We view that combination as a strong validation of both the underlying portfolio and the durability of OTF's funding model. Overall, OTF finished the quarter with stable NAV, improving earnings power, significant liquidity, and a stronger capital structure, positioning us well to continue scaling the portfolio while remaining disciplined in a more constructive investment environment.

And now, I'll hand it back to Craig to provide final thoughts for today's call.

Craig Packer
Thanks, Jonathan. As we wrap up today's call, we believe OTF enters the second half of the year from a position of strength. The fund recently navigated a period of questions around the future of software, broader confusion around private credit, and a technical overhang associated with our share lockup releases. Through it all, the portfolio remained resilient, credit quality remained strong, and OTF continued to build earnings momentum.

Despite this progress, we recognize that OTF's market valuation has not reflected the underlying performance of the fund, and we are disappointed by that disconnect. At current trading levels, the discount implies nearly $3 billion of credit losses. Said differently, the market is effectively pricing in a scenario where approximately 40% of the portfolio defaults, and recoveries are only $0.50 on the dollar. That stands in stark contrast to the actual performance of the portfolio, where non-accruals remain just $20 million, or 10 basis points, of the portfolio. We view that disconnect as significant, and our repurchase activity reflects our confidence in the portfolio and the value of OTF's shares at current levels.

While we cannot predict when the discount will close, we believe the path forward is clear: the portfolio is performing, the technical pressure should continue to ease, and the OTF has multiple levers to continue expanding earnings power over time.

Just as importantly, we see multiple tangible drivers to improve ROE and dividend coverage from here. First, leverage sits at the low end of our target range, and continued deployment toward the midpoint of that range provides a clear path towards increased earnings power.

Second, we have the opportunity to continue rotating non-income-producing equity investments into income-generating assets. And third, we're now able to deploy capital into a more attractive environment and expect to benefit from wider spreads, stronger documentation, and higher base rates. Taken together, these drivers give us confidence in the fund's ability to expand ROE and cover the base dividend by the middle of next year, while maintaining the same, if not an even more disciplined underwriting approach that has supported the portfolio's credit performance to date.

Rate expectations are higher than they were at the start of the year. Technology spreads are much wider, and we think we have the right expertise to capture these opportunities. In addition, we intend to continue to diversify the portfolio into complementary areas like life sciences, digital infrastructure, and other areas where Blue Owl has differentiated capabilities and longstanding relationships. As we look ahead, we expect manager selection to matter even more. Periods of uncertainty tend to create dispersion, and we believe OTF's combination of technology-domain expertise, senior-secured focus, disciplined underwriting, and access to the broader Blue Owl platform positions the fund well to navigate that environment and deliver compelling long-term results for shareholders. We remain focused on executing against that opportunity while continuing to demonstrate the strength of the portfolio over time.

Operator, please open the line for questions.

Operator
Our first question today is coming from Finian O'Shea from Wells Fargo. Your line is now live.

Finian O'Shea
Hey, everyone. Good morning. I want to ask, I guess, a bit of a two-parter on earnings power. For one, if you could hit on any potential guide you can give on monetizing the equity gains from this quarter. And then also the life sciences program, or JV, I think this came up on the last call. It was described as partially one time, but any guide on how we can think of the growth and how to think about the returns in that?

Erik Bissonnette
Sure, Fin. Thanks for the question. I think as we laid out in the call, there are really four primary drivers to drive earnings towards the $0.35, the biggest one being leverage. We're about 0.93x, which is a low end of the target range. So, pretty meaningful room to grow there. We also talked about improved deployment economics for new bookings. We think the spread environment is meaningfully better across the board, and particularly more attractive for software and technology assets going forward.

We didn't say this in the prepared remarks, but we're also starting to see repricing of existing names, so assets that we've invested in that we think are very attractive, that will come to us for acquisitions or some other need can be repriced on a mark-to-market basis. Roughly, right now, there's about $4.7 billion in OTF that's below S+ 500. So, we think that's a natural rotation.

And then to the last point, the rotation of the equity portfolio, about 7% right now is in non-income producing equity positions. And when you look at something like SpaceX, it's been a fantastic outcome for us. We've been involved with the company since 2018. We started by lending them money. We took a fairly small equity position that's turned out to be a fantastic gain. We sold half of that. And if we sell the other half of that at today's prices, that's another 10x or $125 million dollars of net gains that we can take and immediately redeploy into income-producing assets at the higher spreads that I was referencing. So taken all together, I think the path towards the $0.35 feels very solid, and we expect to cover that dividend by the middle of next year.

And then life sciences as well. I wouldn't categorize anything as particularly one time. The LSI JV is a collection of multiple assets and produces very stable, consistent dividends to the fund. I think there was one repayment that came with some call pro that increased that this quarter, but I would view that as sort of normal course. We're going to see repayments and some acceleration of call pro, like we see in regular way loans. We continue to populate that pool of assets with really attractive loans today. So, I would expect to continue to see that strong performance and good dividend level there.

Finian O'Shea
Appreciate that. And a follow-up on one of those vectors being leverage. Jon, you gave us some color on the path there and the current activity of keeping the unsecured stack. But I think, optimally, you want even more unsecured as you ramp, and it remains a bit expensive for the time being. So, does this change the way you think about your ramp and your funding mix?

Jonathan Lamm
I mean, look, as Erik mentioned on the asset side, the spreads have widened, and we see the opportunity set there as being very, very fruitful. And as you know, in our history, we're never going to get close to the barriers in terms of making sure that the company is well-capitalized with a significant cushion of unsecured. And so, as we continue to finance ourselves, you should expect to see us continue to do unsecured as a portion of the incremental financing. We only have one maturity in 2027 for a small amount, $300 million dollars. So, we've got plenty of optionality with respect to what we do, and over time, in order to optimize our cost structure, and you know we're going to continue to be focused on it.

Finian O'Shea
Great. Thanks, everyone. Good quarter.

Erik Bissonnette

Thanks, Fin.

Jonathan Lamm
Thanks, Fin.

Operator
Thank you. Our next question today is coming from Kenneth Lee from RBC Capital Markets. Your line is now live.

Kenneth Lee
Hey, good morning, and thanks for taking my question. Wondering if you could just share a little bit more color on some of the deal activity you're seeing within the software space currently. Appreciate it's potentially wider spread, just want to gauge the level of activity, and what are your thoughts in terms of the potential outlook over the next few quarters there? Thanks.

Erik Bissonnette
Yeah, sure. Thanks for the question. Volumes have been somewhat muted. I think you've heard us say that. You've heard others say that in software, across technology, across other industries. But we think the current market is pretty attractive from a risk-adjusted return perspective. We think there's less competition. There's less capital. As we just articulated, we have an abundance of capital. We have that in OTF in spades, as well as across the broader Blue Owl landscape. From a software perspective, there's been a few deals done, and we've seen some pretty meaningful spread widening.

They're deals that we ultimately chose to not participate in but think in the context of 150 to 200 basis points wider than what we were seeing at the tights earlier this year and last year. So, we think the opportunity set for very attractive assets will be perfect for us given the amount of capital and the expertise we have on a going-forward basis. We mentioned this a bit as well on the call, but we're also spending substantial time in LSI, as well as in our digital infrastructure group. Those opportunities are very large. The amount of capital, I think, as everybody knows, being raised for digital infra across the investable universe is substantial. And given our relationships, our expertise, and our structuring knowledge of how to set those types of transactions up, we think there's going to be plenty of things for us to do over the course of the year.

Kenneth Lee
Gotcha. Very helpful there. And one follow-up, if I may, just in terms of the share repurchases from the prepared remarks, it sounds like you continue to be active there. Just want to gauge how active OTF can be in terms of share repurchases, especially with the context of leverage and investment opportunities. Thanks.

Jonathan Lamm

Yeah, I mean, look, we talked about this as well in the context of OBDC. We evaluate share repurchases in terms of just the general allocation of capital. We've continued to repurchase here. We've bought a significant amount over the course of the last number of quarters, and our Board reupped the share purchase plan to $300 million. We've still got close to $200 million remaining there. So, you should expect us to continue to be deploying capital into that alongside of what is a very, very attractive investment landscape. So, here we've got room to be able to take advantage of the different opportunities that are going to be in front of us, both from a investing perspective as well as a share repurchase perspective.

Kenneth Lee
Gotcha. Very helpful there. Thanks, again.

Operator
Thank you. Next question today is coming from Arren Cyganovich from Truist Securities. Your line is now live.

Arren Cyganovich
Thanks. Just following up on Fin's line of questioning in terms of the kind of earnings power expectations. If we get to the kind of $0.35 sort of run rate, it's still sort of like a sub-9% ROE in terms of where your current equity base is. What is the kind of expectation once you're kind of fully ramped, etc., where your ROE could potentially go to?

Jonathan Lamm
Sure. I mean, look, that is a run rate ROE that has been historically bolstered by incremental capital gains from the equity portion of our book. So, we think that that certainly is a coverable level that can grow, given the backdrop on a widening spread environment, and as well as the forward rate curve to go even higher from there. But we feel with leverage comfortably inside and toward the middle of our target leverage range, we can get there plus a little bit more to the extent that we see those items, plus all of the incremental returns that we've seen historically on the equity side.

Craig Packer
I certainly appreciate the question; I just want to put it in some perspective. That's on book value. Today, the stock is trading at a dramatic discount to book value. So, if you take our $0.35 that we feel confident we're going to get to by the middle of next year, on today's value, the stock's yielding 12.5%. So, the scenario that you're describing, where we are trading at book value, that would be a very substantial return over the next year or so. So, I think it's fair to ask the question, kind of what comes next after that. But I just want to make sure that those that don't follow it as closely on the call say that were we to be in the position where we were earning that 9%, that would be a substantial return over that period of time.

Arren Cyganovich
Thank you.

Operator
Our next question is coming from Jason Stewart from Compass Point. Your line is now live.

Jason Stewart
Thank you. You talked about the investment environment improving a couple times. How have you shifted the positioning in market? I mean, are you taking the same structure, just higher yields? Are you making changes to the offering in market? If you can talk around some of those nuanced market positioning changes.

Erik Bissonnette
Yeah, I don't think there's a material change in the way we evaluate or underwrite credit. We're still looking for mission-critical enterprise-grade software companies, or you know, best-in-class life sciences, or GPU, or other digital infrastructure opportunities. So, I don't think there's a material change in the basis of what we're looking for. What we're seeing, frankly, is less capital, less competition. And in that environment, we can target the best assets, the ones that we always would have focused on, but we're able to capture meaningfully better spreads, number one.

And number two, we're also structuring exceptionally tight documents. We've always focused on control around our intellectual property and data rights, etc., inside of our credit agreements. But we are just taking the opportunity to be even incrementally more conservative with respect to leverage and overall documentation and while also capturing those spreads, but no fundamental change.

Jason Stewart
Okay. That's helpful. And then we've talked a little bit about rebounding public equity prices in software and tech. Is there anything technical happening in the private debt market for these companies that's limiting private debt from participating? Is it CLO transactions? Is there anything that you could highlight that says, we're either lagging more so than we have historically, or we're not following the same sort of regression that you would expect in private debt markets, or how would you think about that?

Craig Packer
Sorry. I think we heard you, but just maybe add a little bit more of what you're looking for, so we can make sure to answer it.

Jason Stewart
Well, you've talked about rebounding valuations in public equity prices for software and technology, and I guess the core of my question is, when do you expect to see that flow through to the valuation of your debt positions, or do you at all? And is there anything technical that's happening in the debt market that's limiting it?

Craig Packer

Sure. Let me try to take a stab at it and let me know if this is responsive to your question. Public loans, overall, have been rallying this year, in the last few months in particular, due to a very strong bid in the market, improving sort of perception of credit overall, CLO creation, and the like. So, you're seeing spreads tighten in the public loan market. That is true in software as well, but only modestly so. I think software continues to lag in the public loan markets as there continues to be overall concern about AI.

So, software loans have not improved meaningfully, but you're starting to see the market differentiate between companies of high concern of AI or low concern of AI, but there's been a repricing of software risk in the public loan markets, and there's been a repricing of risk in the private loan markets as well. Spreads, I would say, have been stable. I don't think it's a technical. I think the market is still wrestling with their outlook for software and is looking for more data on how these companies are performing and some of the emerging trends.

First, our software book and our book and tech fund, we think is marked really carefully, and we use a third-party to do that, as we have for many years. And it reflects all those trading environment and valuation environment. So, we've marked the book appropriately for where things stand today. But we feel really confident in the quality of our book. And over time, look, our loans have contractual maturities, so regardless of where we mark them, we expect to get repaid. And when we get repaid, we get repaid at par. So, I know it's simple, but it's sort of well worth reminding everyone of that. We don't own equities where there's some indeterminate value. We own loans where the ultimate value for almost all the loans is contractual.

So, I think it's more fundamental than anything technical. I will say private credit overall, I think the perception, away from software, of private credit is still lagging the strength we're seeing in the public markets. The public loan markets are ripping, and I don't think that the perception of the private markets yet has caught up to that. And there's still sort of some lingering angst about private credit, which I would say that's a bit of a disconnect. Technicals, the BDCs are all up today. Maybe people are starting to see at the end of reporting season the BDC results have been consistently strong across the board, and certainly not in any way reflecting all the handwringing that we've heard for the first half of this year. So, maybe that'll start to catch up, but it's been lagging.

Jason Stewart
Okay. Thanks for the additional color.

Craig Packer
Thank you.

Operator
Thank you. Next question is coming from Chris Muller from Citizens Capital Markets. Your line is now live.

Chris Muller
Hey guys, thanks for taking my question, and nice to be on with you today. So, I wanted to ask about some of the AI disruption stuff, but maybe through a slightly different lens. So, your guys' credit quality is really solid, despite what the discount to book value says. So, as these waves of fear come, does that present an opportunity for you guys to make some really attractive investments that would otherwise get competed away?

Craig Packer
I think that, to your point, we hope over time as more information comes out, I think that the tone of the conversation around AI becomes more balanced, and I think you're starting to see that. But I think you're spot on that these concerns are creating a very significant opportunity for us. Spreads are much wider. And beyond spread, the purchasing power that we have as a significant technology investor, it's just higher. And that reflects itself not only in spread, but the other terms of an agreement, the structures and the like. The capital available for software buyouts, it's just more limited now, and that'll be reflected in more attractive terms.

And that can show up in a variety of different ways. It shows up if we were to price a new deal, but candidly how many new deals are there going to be right now? I think that the private equity firms are going to be equally cautious. But it also shows up just as we get asked to refinance existing positions in our portfolio, which is happening and is going to continue to happen across the space. And I would imagine all lenders are going to want to make sure that as we refinance, extend, do add-ons, that we're getting properly compensated. So, I think there's a real opportunity in OTF for us to take spread up in the portfolio simply by continuing to support our companies at appropriate spreads.

And I would just say spreads in the last 18 months prior to this period of time, the last couple years, spreads have gotten really tight. So, the kind of spreads we're talking about here, they're not out of line in the broader pantheon of where software deals come. Software deals for many years came 5 to 700 over. That was where software was. And it was only in the last couple years prior to the AI disruption that it got really tight. So, you're really just seeing a return to the mean of where software spreads are, and so I think that'll be something that's very much an upside for OTF over the next year or two.

Chris Muller
Got it. That context is very helpful. Appreciate you guys taking the questions today, and congrats on a solid quarter.

Craig Packer
Thanks, Chris.

Operator
Thank you. We've reached out of our question-and-answer session. I'd like to turn the floor back over for any further closing comments.

Craig Packer
Thanks all for joining. We were really pleased with the quarter, especially the credit quality, which remains one of the best in the industry. If you have any follow-up questions, we would appreciate hearing from you. Please reach out, and we hope everyone has a great afternoon.

Operator
Thank you. That does conclude today's teleconference and webcast. You may disconnect your line at this time and have a wonderful day. We thank you for your participation today.