

Blue Owl Technology Finance Corp.
Q1 2026 Earnings Call
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Presenters

Craig Packer – CEO

Erik Bissonnette – President

Jonathan Lamm – CFO

Michael Mosticchio – Head of BDC Investor Relations

Q&A Participants

Finian O'Shea – Wells Fargo

Brian McKenna – Citizens

Kenneth Lee – RBC Capital Markets

Arren Cyganovich – Truist Securities

Sean-Paul Adams – B. Riley Securities

Operator

Good morning, everyone, and welcome to Blue Owl Technology Finance Corp's First Quarter 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. Please go ahead.

Michael Mosticchio

Thank you, Operator, and welcome to Blue Owl Technology Finance Corp's First 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, which is 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 first quarter ended March 31st, 2026, reporting adjusted net investment income per share of \$0.29 cents and net asset value per share of \$16.49.

During the call today, we'll be referencing materials including the earnings press release, earnings presentation, and 10Q, 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. Software has obviously been a major focus for investors, and as a meaningful lender in the space, OTF has been part of that conversation. Before getting into our views on software, I wanted to step back and provide some broader context on OTF.

Credit performance remains very strong. Non-accruals are among the lowest in the space, and we are one of the only BDCs to have generated net gains since inception. At the same time, the current level of market concern around software has created one of the most attractive investing environments that we've seen in a while, with spreads significantly wider and capital a lot less available.

We also think the market's discussion around software has evolved meaningfully over the last quarter. Early on, much of the debate was centered around whether software businesses had a reason to exist in an AI-enabled world. Today, we believe that discussion is becoming more balanced and nuanced as the market increasingly distinguishes between businesses with durable moats and those that may be more exposed to change. We think that evolution of the discourse is constructive, and importantly, that the OTF portfolio is positioned well in the parts of the software market where durability matters most.

Erik will speak in more detail in a moment about what we are seeing, but at a high level, while we remain appropriately cautious on AI given how transformative the technology is, we are not seeing material signs of stress in the portfolio today. That view is also supported by our underlying credit metrics, including no new non-accruals this quarter, and a non-accrual rate of just 10 basis points of the total portfolio at fair value.

As a reminder, we lend to companies that are leaders in their markets and have durable business models. We remain in close dialogue with both sponsors and portfolio companies, and in many cases, are seeing borrowers adapt thoughtfully and invest to strengthen their competitive positions as AI continues to develop. As a lender, even if there is pressure over time on software profitability or terminal values in certain parts of the market, we believe the structures of our investments, with relatively short durations, conservative LTVs, and contractual maturities, position us well.

With that said, our results in the first quarter were impacted by the broader volatility across technology and software assets. As spreads widen meaningfully across technology credit names, valuations came under pressure across the space more broadly, including within our own portfolio. Importantly, this was a market driven pressure rather than a reflection of credit stress. Over 80% of the write down during the quarter was attributable to mark-to-market movements, and it did not reflect a weakness in the underlying quality of our assets.

Since quarter end, technology broadly syndicated loan prices have rebounded by roughly 70 basis points in April, which we think is an encouraging sign that the conversation is becoming more balanced and constructive. I would also highlight that our earnings this quarter were impacted by many of the same headwinds affecting the broader BDC sector. Lower base rates and tighter spreads weighed on adjusted net investment income, and elevated repayments kept leverage more moderate than we would have otherwise expected as we continue to ramp the portfolio.

As we look ahead, we're confident in the fundamentals that underpin the OTF portfolio. We're long-term investors, and we have constructed the portfolio with that perspective in mind. While there are questions around the impact to software from AI, we believe that over time the high quality technology businesses we finance will display resilience given the stability we've seen today and that we anticipate over time. Today, OTF has ample dry powder and the ability to increase leverage towards our target range, and volatile periods like this have historically created attractive opportunities for disciplined capital deployment. That said, our underwriting bar will remain high, and we expect to stay selective in the opportunities we pursue. With that, I'll turn it over to Erik.

Erik Bissonnette

Thanks, Craig, and good morning, everyone. Our strategy remains centered on lending to innovative, market-leading technology companies. Today, approximately 70% of the portfolio is in software, with the balance in other technology areas such as life sciences, hardware, and other tech-enabled services. We detailed our AI framework on last quarter's earnings call, and a full transcript of that discussion is available on our website.

Today, we will focus on the portfolio to provide insight into borrower level performance as the technology landscape continues to advance. We believe our portfolio remains positioned in the most durable segments of the software market, specifically within mission-critical products, embedded workflows, and trusted data. With a weighted average EBITDA of nearly \$300 million, these scaled businesses possess the inherent resilience necessary to navigate industry shifts while continuing to invest in their platforms.

The portfolio's construction further reinforces this durability, as our holdings remain predominantly senior secured. While the market sell-off caused weighted average LTVs to rise modestly to 40% from 34% last quarter, these levels remain conservative and provide a significant equity cushion beneath our debt investments.

We continue to see solid weighted average revenue and EBITDA growth across our software borrowers, and importantly, we have seen minimal signs of material disruption attributable to AI across the broader portfolio. Regarding core credit metrics, there were no new non-accruals this quarter, which remained significantly below the industry average at just 10 basis points of the total portfolio at fair value. 3 to 5 rated names were steady at 8.5% at fair value, as our internal ratings are broadly stable during the quarter.

Amendments remained similarly light, with no pickup in material amendment activity, and portfolio company revolver utilization remained consistent with historical levels at just under 10%. PIK income also remained moderate this quarter at approximately 13% of total investment income, down about half from prior peak levels, with approximately 7.6% of that coming from PIK interest and 5.4% from PIK dividends.

As a reminder, PIK dividend income reflects our dedicated allocation to preferred equity positions, which are designed to generate current income and often come with attractive premium return potential. Over 98% of our PIK was structured at origination, and notably, we have not realized a single loss since inception on any PIK loan that was structured this way at origination. We view structured PIK as a valuable return enhancer that allows high quality borrowers to prioritize growth reinvestment.

These portfolio indicators are also consistent with our direct market observations. Our 40-person dedicated technology investment team maintains a constant dialogue with portfolio companies, sponsors, and industry experts as they adapt to the changing landscape and deploy additional resources. It is notable that sophisticated software operators continue to invest heavily in AI enablement. A prime example is the strategic partnership announced earlier this month between Thoma Bravo and Google Cloud, which aims to accelerate AI transformations across enterprise software companies. We view this as a significant external signal that AI serves as a catalyst for product enhancement and value creation, rather than simply a source of disruption.

It was an active quarter for both new investments and repayments. We had \$1.1 billion of repayments during the quarter, including several meaningful ones, which we think reinforces the strategic value that scaled software assets can continue to command, even in a more challenging market environment.

For example, Intelrad, a medical imaging software business, was an over \$400 million investment across the Blue Owl platform, including \$163 million in OTF, and was acquired by GE Healthcare for \$2.3 billion, resulting in a full repayment of our position at par. Mindbody, a 2019 vintage investment, is a software and payments provider to gyms, salons, and spas. It was a \$105 million investment in OTF and an over \$200 million investment across the Blue Owl platform, and was fully repaid across our credit facilities and preferred equity in connection with the merger with a global leader in AI-enabled fitness tech.

And Relativity, a leading provider of e-discovery document review software, was a \$137 million investment in OTF and an over \$340 million platform investment, where we were fully repaid through a broadly syndicated loan refinancing ahead of its recently announced plan to go public. Our equity sleeve provides another avenue for the portfolio to capture differentiated upside, as proven by the partial sale of our SpaceX equity in early March. We sold 50% of our position, generating approximately \$133 million of proceeds, and a realized gain of \$117 million, which reflected roughly a 10x return on our original investment. We viewed this as an attractive opportunity to partially monetize a strong performer while retaining the remaining 50% of the position to participate in potential future upside. We view this as a prime example of how our

strategy can selectively capture additional value while keeping the portfolio primarily credit-oriented.

On the originations side, we entered the quarter with a strong pipeline, which converted into \$1.7 billion of new commitments and funded \$1.3 billion. Though, most of that activity reflected deals worked on in Q4 prior to the most recent widening of spreads.

However, the strength of repayments offset a significant portion of originations and resulted in net leverage increasing modestly to 0.85x at quarter end, just below the low end of our target range. While software remains a primary focus, our underwriting threshold for new investments has never been higher. As we evaluate opportunities against a rapidly evolving AI landscape, we are increasingly selective, continuing to pass on legacy models that may have been investable years ago, but now lack the core defensive attributes required to withstand technological disruption, which has always been our core focus.

Looking ahead, we anticipate that software deal activity will remain tempered as the market recalibrates to current dynamics. Historically, these periods have yielded attractive entry points for disciplined lenders with the capacity to increase leverage towards our target range, we are well positioned to capitalize on these opportunities as the market matures. At the same time, slower software deal flow may create an opportunity to revisit adjacent technology areas that have always been within scope for us, including digital infrastructure and life sciences, where we believe we can generate attractive, less-correlated returns over time. In digital infrastructure, we continue to see opportunities that help power AI enablement, such as GPUs and data center financings.

Blue Owl also has a dedicated life sciences credit and royalties platform, called LSI Financing, with specialized expertise and flexible financing solutions across the capital structure. That team focuses on term loans and royalty-based structures for later-stage companies funding innovation, commercialization, and drug development. LSI Financing currently includes 11 debt and royalty investments. OTF entered the strategy in November 2024, and this exposure has since delivered a net IRR of over 14% for the fund. Collectively, these strategies represent approximately 3% of the current portfolio, so there is ample room to increase our allocation from here as opportunities emerge. Overall, we are confident in the quality of the portfolio and how the platform is positioned today.

While AI-related uncertainty has clearly shaped market sentiment, the portfolio continues to perform, and we believe OTF is well equipped to capitalize on opportunities as the market continues to adjust. Now, I will turn the call over to Jonathan to discuss our financial results in more detail.

Jonathan Lamm

Thank you, Erik. In the first quarter, OTF reported adjusted net investment income of \$0.29 per share. While we continue to make progress in ramping the portfolio, our results this quarter reflected several headwinds that have been affecting the market, including the full impact of the

three rate cuts between September and December, spread compression from 2025 as newer originations came on at tighter spreads, and lighter nonrecurring income, which came in at approximately \$0.01 below historical averages. We would also note that our GAAP results also included \$0.08 per share capital gains incentive fee reversals, driven by mark-to-market impacts on equity investments following the market selloff.

Earlier this week, our Board declared a first quarter regular dividend of \$0.35 per share, consistent with our last quarterly distribution, which will be paid on or before July 15th, 2026, to shareholders of record as of June 30th, 2026. We also continue to pay a quarterly special dividend of \$0.05 per share through September 2026, supported by spillover income generated prior to listing, bringing total distributions for the quarter to \$0.40 per share. At our current rate of deployment and leverage, along with the widening spread environment, we remain confident in the long-term support for our base dividend. However, given the current market backdrop, it may take somewhat longer for earnings to cover the base dividend than we previously expected.

Importantly, we continue to have meaningful support from spillover income of \$0.50 per share, as well as gains from our equity book, as we continue to ramp the portfolio. Moving to the balance sheet, NAV per share was \$16.49 at quarter end, down from \$17.33 in the prior quarter, primarily reflecting the impact of mark-to-market adjustments, partially offset by realized gains, as well as \$0.05 per share of accretion from share repurchases during the quarter. We bought back approximately \$50 million of stock, bringing total repurchases over the past two quarters to \$115 million.

These repurchases reflect our conviction in the quality of the portfolio, while still preserving ample capacity to deploy into what we see as an increasingly more attractive market environment for technology names. Our Board also authorized a new \$300 million share repurchase program in February, replacing the prior \$200 million authorization, leaving approximately \$250 million remaining following our first quarter activity.

We ended the quarter with net leverage at 0.85x, reflecting \$284 million of net funded investment activity. While leverage increased modestly during the quarter, it remains just below the low end of our target range of 0.90x to 1.25x, which we believe leaves us well positioned to continue growing the portfolio as opportunities become more attractive.

Turning to our capital structure, we continue to be active in further strengthening our balance sheet. In January, we issued a \$400 million unsecured bond, which we subsequently swapped to a floating-rate coupon. This transaction demonstrated continued access to the investment-grade unsecured market, while maintaining alignment with our predominantly floating-rate asset base. We ended the quarter with over \$2.3 billion of total cash and available capacity across our credit facilities. This provides ample liquidity to meet upcoming obligations, including our June 2026 note maturity, and support continued portfolio growth as we move toward our target leverage range while maintaining balance sheet flexibility.

Additionally, at this time, approximately 80% of OTF's stock float has now been released, with the second-to-last lockup release scheduled for May 20th , and the final lockup release on June 12th. We believe these additional releases should continue to ease technical pressures, support trading liquidity, and further diversify our shareholder base over time. And now, I will hand it back to Craig to provide final thoughts for today's call.

Craig Packer

Thanks, Jonathan. As we wrap up today's call, I want to step back and reflect on what we believe this environment means for OTF. Periods like this tend to create more dispersion across technology, and that is especially true when the market is trying to separate durable businesses from those that may be more exposed to change. In our view, this is exactly the type of environment where domain expertise, disciplined underwriting, and long-term perspective matter most. Recent volatility in the broadly syndicated loan market, along with slower retail capital inflows into private credit, has made the supply-demand balance for new deals look more favorable than it has been in years.

We believe that backdrop may create a more differentiated opportunity set for lenders with the experience and underwriting depth to distinguish between businesses that can adapt and strengthen through this cycle, and those that may not. Importantly, we do not need a significant rebound in LBO volumes to improve returns from here. Even in a more moderate deal environment, we see meaningful opportunity to enhance portfolio spread through activity within our existing portfolio, including refinancing or re-underwriting names we know well and continue to like. That is where we believe OTF has unique positioning in the market.

Our portfolio remains concentrated in businesses we believe are durable and mostly have considerable backing from large private equity sponsors. Our balance sheet still has meaningful room to grow, and with leverage below our target range, we have the dry powder, team, and platform to move thoughtfully as opportunities emerge. Importantly, OTF's path from here is also somewhat different from that of many other BDCs. Because we are still ramping toward our target leverage range, we have a clear opportunity to grow earnings through prudent deployment over time. At the same time, we are not dependent on one narrow part of the market. Although software remains our core focus, we have the flexibility to target adjacent technology areas, such as digital infrastructure and life sciences, where Blue Owl has dedicated investment teams and where we believe we can generate attractive, less-correlated returns over time.

Looking ahead, we believe OTF is exceptionally well positioned to expand spread and improve returns by investing in this environment. We will remain cautious and highly selective, but we believe that discipline, combined with the quality of the portfolio and our long-term credit track record, should serve shareholders well. OTF has generated a strong track record since inception in 2018, with a net realized gain of 29 basis points annually, which we believe speaks to the strength of our underwriting across cycles. Thank you for your continued support. Operator, please open the line for questions.

Operator

Today's first question is coming from Finian O'Shea of Wells Fargo. Please go ahead.

Finian O'Shea

Hey, everyone. Good morning. I guess, Craig or Erik, big picture on software, performing well still, but the theme, more and more, the decided theme is lenders in private credit and in the liquid market want to pare down exposure, have less appetite for it, maybe from a portfolio construction, maybe from a risk perspective. Maybe it is temporary, but to the extent that that continues, is that a concern for future credit quality if new money dries up from the broader credit domain?

Craig Packer

Hey, Fin. I will start. Erik, you can chime in. To start, I would say that AI is a significant issue, and all lenders are trying to make sense, and all equity holders are trying to make sense, of the impact in AI on software. It is moving quickly. And so, I think as time elapses, we're all going to be able to better understand just how significant this is. So, this is a moment of peak uncertainty, and time will help that. I think that your characterization, I think, is fair. I think most lenders that have significant software will be looking to reduce exposure.

I think we'll be looking to reduce exposure, but within reasonable bounds. Think we'll still, at OTF, be a significant player in software, but our bar is going to be very high for new investments, but also very high as we have opportunities to refinance. We are going to go through our same process in making investment decisions in new software deals like we do in every other investment and take into account our outlook, our confidence in getting repaid. And we are certainly going to want to make sure that if we are staying invested in software names that we are getting appropriately compensated, and spreads have widened materially in the software sector given that uncertainty.

The companies are doing well. Even if good, durable software businesses, we believe, will continue to do well in an AI world, and they are working very closely with the sponsors to ensure that. If the companies are performing well, even in a world where lenders are looking to pull back, I would expect those companies to continue to have access to financing.

The financing will be more expensive, but it had tightened in quite considerably in the last 18 months, and to a certain extent, it is reverting back to more historical levels. Again, it is all about credit performance, it's all about confidence in getting repaid. I feel confident that if the company's outlooks are reasonable for lenders and lenders feel protected, then there will be plenty of capital there. It is just may be more expensive.

The private equity firms, again, if the businesses are performing well, then the private equity firms will equally have capital to support those businesses. So, I think the general picture I am painting is one where credits will be refinanceable. Even if lenders want to reduce exposure, then there will be other lenders that can increase, companies can pay down debt, they can de-lever,

sponsors can commit more capital. But I think if the companies are doing well, they will be refinaceable.

Finian O'Shea

Appreciate that. Follow-up more on the portfolio picture today. The marks this quarter look pretty broad, spread-related, but then the sharper, more acute marks look, to us atleast, either tied to liquid – there is a BSL quote kind of thing – or junior, like pref equity-type exposure. Correct me if I am wrong there. The question is, is that a pure loan-to-value thing, just taking down enterprise value, or is there any slowing in performance across that book? Thanks.

Jonathan Lamm

No, about a third – thanks, Fin. About a third of the marks associated with our markdowns were in that book, and really all multiple-driven. Nothing of materiality from a fundamental perspective, and the vast majority on the debt side, spread-related. So, just speaking to the book you are referring to, that has been an incredible driver of net realized gains for us since inception of close to 30 basis points annualized, and so we are giving back a little bit here just on mark movements.

Craig Packer

80% of the move in our debt marks was just spread-driven. And again, I think this is – I think our results in OTF – look, the fund, over the arc of time, has had one of the best credit performances in the industry, and we have had net NAV growth. But I think it is very logical and expected, after a quarter that went through a really rerating of valuation in the software space, that investors would expect that to be reflected in our marks.

And I think you bucketed it properly: the public loans moved meaningfully – that's very observable – and that is reflected in the portion of our book that is BSL-related. And the more junior investments, which have performed well, we do go through a valuation process, and those were also marked appropriately down. So, I think the book behaved the way I think investors should expect, given the environment that we just went through, but we are coming from such a strong position of strength and gave back a little bit this quarter.

Finian O'Shea

Great. Thanks, everybody.

Thanks, Fin.

Operator

Thank you. The next question is coming from Brian McKenna of Citizens. Please go ahead.

Brian McKenna

Great, thanks. It does feel like the tide might be shifting a bit in the public software market. The IGV is up 20% from the lows, and I feel like at some of the other names and subsectors within that, they're up quite a bit above that. So, Erik, I'm curious your thoughts here. It does seem like

maybe the public markets in this area overcorrected. We're getting some of that back. And then we'll see if a few weeks make a new trend.

But if this recovery in public software evaluations continue, does that start to drive a recovery and transaction activity? And then I'm also curious, the sponsors you're talking to and those counterparts, are any of them starting to look at some take private opportunities?

Erik Bissonnette

Yeah, look, we've seen a market change in sentiment as reflected in public stocks. We're going through public earnings right now. I won't mention specific names. But broadly speaking, the prints that we've seen have been very, very strong. So, we're seeing very public – publicly focused companies perform extremely well, which is consistent with what we're seeing across our portfolios. The conversations we have with sponsors, I think they do see opportunities in a very similar fashion to what you saw in 2022, where you had a very large number of go private transactions coming off of the peak, ZIRP-related multiples in 2020 and 2021. So, we think there's going to be a meaningful pickup in activity.

It's a bit muted right now. I think there's a bit of a pause in the market. We're seeing sentiment shift. To our points in the comments, the nuance around the conversation has changed dramatically in the past two months. We've been having hundreds or thousands of conversations with investors around our views, obviously, a litany of other investors in the marketplace having the same conversations. I think there's some breadcrumbs. We mentioned one with a TB / Google announcement. You saw another one with Anthropic. So, there's a lot of narrative shift around the reality of a combination or a partnership [inaudible] and the applications here, which I think will give a bit of more balance to that conversation. I think we'll unlock some deal activity going forward in the latter half of the year.

Brian McKenna

Okay, that's helpful. And then just following up on the last question and the comments there, I think all the focus has been on the downside and the defensive nature and kind of where we go. But it doesn't feel like the conversation has shifted to maybe some of the upside scenarios or the positive tailwinds from a lot of these businesses layering on AI. So, from your seat, when does that conversation start to shift, if at all? But is that a couple quarters? I'm just curious about your thoughts on that as well.

Erik Bissonnette

Yeah, look, I think it's going to take a few quarters. You know, one of the great strengths of the software revenue model is that many of these companies have multi-year contracts that are committed in advance. And what we're going through right now is, as these businesses embed AI into their solutions, it's going to take some time to roll through the financial statements to come out in the form of new KPIs.

But what we are seeing is a pretty strong increase both in R&D and now revenue start to roll through the system as these agentified solutions start to take hold. So, I think it's going to take a

few quarters. I think people are going to have to see a couple of prints from pretty large companies and continue to perform. But that sentiment, I believe, will change. Look obviously, things move quickly. Eight weeks ago, I'm not sure I would have told you that I think we feel meaningfully better in terms of narrative and sentiment, but I do feel better today. And I think that's going to just continue to improve over time as we see the stability and durability of these assets and the continued growth.

Brian Mckenna

Alright, I'll leave it there. Thanks so much.

Operator

Our next question is coming from Kenneth Lee of RBC Capital Markets. Please go ahead.

Kenneth Lee

Hey, good afternoon, and thanks for taking my question. Just in terms of potentially looking at other opportunities outside of software, you mentioned digital infrastructure, life sciences. Maybe just talk a little bit more about what sorts of deals you're seeing in those kind of pipelines, and whether there's a wide enough funnel for you to make enough investments to continue to ramp up the portfolio, you know, roughly within the same time – original timeframes. Thanks.

Craig Packer

Sure. I'll start. The answer is yes, I think that there's enough. Look, I don't want to overstate this. Software is the biggest part of the book and will be for the foreseeable future because it's performed extremely well, and we expect it to perform extremely well. But as I touched on a few minutes ago, I think we will look to reduce the software exposure and really focus on the best names that we have the most confidence in. These are two examples of sectors that we've already been active in.

We have teams that have dedicated capabilities, and they're quite meaningful. So, we talked about life sciences, which has been an area we've been active. These are commercially successful in the market drug royalties or loans to companies that have those drugs with very predictable revenue streams that take the technical knowledge of the underlying drugs and market demand to invest in.

And we have a team that has that expertise, and we've been investing in it, and we're seeing terrific opportunities that very much fit the remit of the technology fund but are obviously not – nothing to do with software itself. So, that's an area I think is scalable and where the deals are sizable. Very different, there's not typically a private equity firm involved. These are public or private companies, and it's an area that we'd like to scale up. I don't know if you want to touch, Erik, on digital infrastructure.

Erik Bissonnette

Yeah, on the digital infrastructure side, we've done a few transactions on the GPU financing space, which I think is a misunderstood part of the market. We're not really financing GPUs to their – to any residual value. They tend to be JVs or SPVs with IG counterparty credit risk, amortizing structures, premium rates of return. It's a very tightly documented, oftentimes with a corporate guarantee as well. So, really interesting assets.

You've seen a few of those start to leak in to the public markets recently. So, I think there's broader acceptance of the structures that we've been really pioneering over the past year. We have quite a few of those in the hopper right now, clearly from our seat, the demand for compute continues to be exceptionally high, well in excess of the supply of it. So, there'll be some interesting opportunities there that we're working on right now.

And then on the data center side, there are often things that we see through the broader Blue Owl platform. We have our IPI data center business who's actively involved in the development of these builds with hyperscaler offtakes. So, there's going to be some activity hopefully that we can review and analyze over the course of this year. And I think we'll increase the percentage of this, but there's some natural limiters. Oftentimes, these fit into the non-qualified bucket. So, I don't think it's going to be disproportionately high, but I think really attractive on a go-forward basis.

Kenneth Lee

Gotcha. Very helpful there. Very helpful color there. And one follow up, if I may, you touched upon this briefly in the prepared remarks around the dividend. I wonder if you can share some additional thoughts around dividend coverage. Is it something that the Board is going to continually evaluate just based on deal activity and ramping progress of the portfolio, just given that the – sounds like that the timeframes could be a little bit longer in terms of when you get your targeted leverage ranges there? Thanks.

Jonathan Lamm

Yeah, I mean, look, we're always constantly thinking through the dividends for all of our companies, and the Board is definitely always focused on it. We know the drivers here, similar to drivers in our other businesses: it's deployment, leverage, it's spreads. Here, it's also a little bit of the churn associated with the structured capital book. All of those things have obviously been – or at least the churn and deployment have certainly been impacted by the market events and just market perceptions over the course of this year. And so, all we're indicating here is that it will take longer for those things to play out.

In terms of the dividend and getting there, we haven't changed our view as to the ultimate outcome in terms of getting there. It's really just much more of a timing thing. And we've got, post this quarter, where we are still paying out roughly \$0.11 more than what we earned. We've still got \$0.50 cents of spillover income. And so, there's plenty of runway for us in the context of a short term, you know, just slippage with respect to reaching the dividend.

Erik Bissonnette

Yeah, I think the only thing I would add to that is, you know, as we go through any amendments or any potential extensions of existing positions, obviously, we're going to do comprehensive and thoughtful re-underwritings of everything. But given our view of what we've done with respect to our AI reviews and our AI internal evaluations, you know, we think there's a lot of companies that, you know, we've financed over the past few years that are exceptionally well positioned to grow and compound in an AI future that we did at tight spreads.

So, as those come up for renewal, we'll re-underwrite them. But most likely you'll see pretty meaningful mark-to-market adjustments on some of our better performing assets. So, I think that's a third leg of the stool that I would add there.

Kenneth Lee

Got you. Very helpful there. Thanks again.

Operator

Thank you. Our next question is coming from Arren Cyganovich of Truist Securities. Please go ahead.

Arren Cyganovich

Yeah, I was just wondering if you could talk about how the overall platform is dealing with the high level of redemption requests and the evergreen funds that are, you know, obviously not directly associated with OTF, in whether or not that's impacting your ability to maybe put as much capital to work as you need or if there's enough institutional flow coming in that can help essentially offset that.

Craig Packer

Has it had any impact on our ability to deploy capital? Obviously, the funds – individual funds – have capital. We've talked about that at OTF. We'd like to find attractive investment opportunities. OBDC, we talked earlier today. We just reduced leverage. We have non-BDC capital, institutional capital. And so, no impact on our ability to deploy. The non-traded funds that have outflows have ample liquidity to cover those outflows.

So, there's no ripple effect there. It's only part of our business. And it's very predictable. You know, we know exactly what the outflows are, you know, when we do the math around the tender limits. So look, we're one of the largest players in direct lending. We have deep relationships with the sponsors. We have as much available capital, I think, as any direct lender out there. And, you know, we are excited about this environment to deploy it for good deals with good sponsors and good companies at attractive returns, just like we have for the last 10 years.

Arren Cyganovich

Good to hear. Thanks, Craig.

Craig Packer

Thank you.

Operator

Thank you. Our next question is coming from Sean-Paul Adams of B. Riley Securities. Please go ahead.

Sean-Paul Adams

Hey, guys. Good morning. On the equity co-investment part of the portfolio, it looks like there was a large shift on the marks for some of those equity positions and that kind of drove some of the mark-to-market changes on the portfolio and the reflection. Do you guys have any kind of line of sight on any near-term liquidity events at these names? And, you know, at what point would you guys point to this just being a mark-to-market driven event versus just a realized loss scenario?

Erik Bissonnette

Yeah, the vast majority of the changes in the equity book were mark-to-market. Obviously, you saw the IGV traded off pretty dramatically throughout the course of the quarter, and that rolled through our marks directly for many of our equity positions. Most of those equity positions are senior preferred. So, even if they're trading below par, there's a very real possibility for us to get our payback and see some recoupment there no matter, you know, where they exit.

In terms of the forward, obviously we talked a bit about SpaceX and monetizing some of that position. There are another three to four behind that that we think are extremely attractive. One that I would emphasize is Revolute. It's about a \$75 million cost basis investment. Challenger Bank based in the UK, we had marked that up over the prior few quarters. You know, there have been rumors announced in the press around another tender offer, potential IPO coming in 2027. It's actually 2028. But we think there's going to be some pretty big exits. We have, you know, other investments in Stripe and some other really attractive assets that we could monetize. So, we feel like we're in a good position to continue to generate some of those upside returns.

Sean-Paul Adams

Perfect answer. Thank you. I appreciate it.

Operator

Thank you. At this time, I'd like to turn the floor back over to management for any additional or closing comments.

Craig Packer

You know, I thought I would just end with an observation. Obviously, OTF has a lot of software exposure and the stock, I think, has been impacted by that.

So, I thought I would just wrap with a couple of statistics. The average spread – the average debt spread in OTF is about 530 over. The average loan is marked at \$0.97 on the dollar. The nonaccruals in the fund are 10 basis points. The stock currently yields about 12.7% at today's prices. It's probably higher than that given today's trading activity. That was as of this morning.

The stock trades at 67% of NAV, you know, before today's levels. The stock traded closer to 80% of NAV at the beginning of the year. If the stock got back to 80% of NAV over the next one to two years, and you factor in that recovery and the dividend levels, that would be a total return of 19% to 25% over a one-to-two-year period.

There's obviously a lot of assumptions embedded in that. You can make your own assumptions about timeframe, what might happen to NAV, dividends, all those things. But I think it's a very – I want to put a spotlight on just where it's trading, what the yield is, and juxtapose that with the quality of portfolio, which continues to be extremely strong. We've been talking on this call about recovery in the equity markets and the stock of the equity of software businesses, and here's another area of the markets that, if the market is starting to have a more balanced view on software, that can offer equity-like returns.

So, I'll just pass that along for consideration. We're available. Folks have questions about the fund – we'd be pleased to take them. Just reach out, and we're available. With that, thank you. Thanks, and have a great day.

Operator

Ladies and gentlemen, this concludes today's event. You may disconnect your lines or log off the webcast at this time and enjoy the rest of your day.