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New Mountain Finance Corp
Form 10-Q
August 03, 2016

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the Quarter Ended June 30, 2016

Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

| Commission File Number | Exact name of registrant as specified in its charter, address of principal executive offices, telephone numbers and states or other jurisdictions of incorporation or organization | I.R.S. Employer Identification Number |
|------------------------|--|---------------------------------------|
| 814-00832 | New Mountain Finance Corporation 787 Seventh Avenue, 48th Floor New York, New York 10019 Telephone: (212) 720-0300 State of Incorporation: Delaware | 27-2978010 |

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).
Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):
Large accelerated filer Accelerated filer
Non-accelerated filer Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes No

Indicate the number of shares outstanding of each of the issuer's classes of common stock.

| Description | Shares as of August 3, 2016 |
|--|-----------------------------|
| Common stock, par value \$0.01 per share | 63,756,888 |

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

New Mountain Finance Corporation

Consolidated Statements of Assets and Liabilities

(in thousands, except shares and per share data)

(unaudited)

| | June 30, 2016 | December 31, 2015 |
|--|------------------|----------------------|
| Assets | | |
| Investments at fair value | | |
| Non-controlled/non-affiliated investments (cost of \$1,383,739 and \$1,438,415, respectively) | \$ 1,321,957 | \$ 1,377,515 |
| Non-controlled/affiliated investments (cost of \$94,105 and \$89,047, respectively) | 92,320 | 87,287 |
| Controlled investments (cost of \$69,139 and \$41,254, respectively) | 83,784 | 47,422 |
| Total investments at fair value (cost of \$1,546,983 and \$1,568,716, respectively) | 1,498,061 | 1,512,224 |
| Securities purchased under collateralized agreements to resell (cost of \$30,000 and \$30,000, respectively) | 29,630 | 29,704 |
| Cash and cash equivalents | 34,467 | 30,102 |
| Interest and dividend receivable | 15,272 | 13,832 |
| Receivable from unsettled securities sold | 3,600 | — |
| Receivable from affiliates | 953 | 360 |
| Other assets | 2,618 | 1,924 |
| Total assets | \$ 1,584,601 | \$ 1,588,146 |
| Liabilities | | |
| Borrowings | | |
| Holdings Credit Facility | \$ 348,013 | \$ 419,313 |
| SBA-guaranteed debentures | 121,745 | 117,745 |
| Convertible Notes | 115,000 | 115,000 |
| NMFC Credit Facility | 87,000 | 90,000 |
| Unsecured Notes | 50,000 | — |
| Deferred financing costs (net of accumulated amortization of \$10,411 and \$8,822, respectively) | (13,915) | (13,992) |
| Net borrowings | 707,843 | 728,066 |
| Payable for unsettled securities purchased | 15,832 | 5,441 |
| Management fee payable | 5,577 | 5,466 |
| Incentive fee payable | 5,449 | 5,622 |
| Interest payable | 2,749 | 2,343 |
| Deferred tax liability | 868 | 1,676 |
| Payable to affiliates | 437 | 564 |
| Other liabilities | 2,521 | 2,060 |
| Total liabilities | 741,276 | 751,238 |
| Commitments and contingencies (See Note 9) | | |
| Net assets | | |
| Preferred stock, par value \$0.01 per share, 2,000,000 shares authorized, none issued | — | — |
| Common stock, par value \$0.01 per share, 100,000,000 shares authorized, 64,005,387 and 64,005,387 shares issued, respectively, and 63,756,888 and 64,005,387 shares outstanding, respectively | 640 | 640 |
| Paid in capital in excess of par | 899,751 | 899,713 |

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| | | |
|--|-------------|--------------|
| Treasury stock at cost, 248,499 and 0 shares held, respectively | (2,948 |) — |
| Accumulated undistributed net investment income | 4,146 | 4,164 |
| Accumulated undistributed net realized gains on investments | 2,383 | 1,342 |
| Net unrealized (depreciation) appreciation (net of provision for taxes of \$868 and \$1,676, respectively) | (60,647 |) (68,951) |
| Total net assets | \$843,325 | \$ 836,908 |
| Total liabilities and net assets | \$1,584,601 | \$ 1,588,146 |
| Number of shares outstanding | 63,756,888 | 64,005,387 |
| Net asset value per share | \$13.23 | \$ 13.08 |

The accompanying notes are an integral part of these consolidated financial statements.

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New Mountain Finance Corporation

Consolidated Statements of Operations

(in thousands, except shares and per share data)

(unaudited)

| | Three Months Ended | | Six Months Ended | |
|--|--------------------|----------|------------------|----------|
| | June 30, | June 30, | June 30, | June 30, |
| | 2016 | 2015 | 2016 | 2015 |
| Investment income | | | | |
| From non-controlled/non-affiliated investments: | | | | |
| Interest income | \$36,302 | \$33,767 | \$72,008 | \$65,621 |
| Dividend income | 92 | 201 | 92 | 102 |
| Other income | 997 | 320 | 2,219 | 1,877 |
| From non-controlled/affiliated investments: | | | | |
| Interest income | 1,627 | 1,183 | 3,209 | 2,226 |
| Dividend income | 887 | 951 | 1,807 | 1,809 |
| Other income | 305 | 308 | 618 | 622 |
| From controlled investments: | | | | |
| Interest income | 483 | 520 | 985 | 970 |
| Dividend income | 742 | 643 | 1,461 | 1,191 |
| Other income | 55 | 12 | 67 | 23 |
| Total investment income | 41,490 | 37,905 | 82,466 | 74,441 |
| Expenses | | | | |
| Incentive fee | 5,449 | 5,057 | 10,834 | 9,935 |
| Capital gains incentive fee | — | 9 | — | 490 |
| Total incentive fees | 5,449 | 5,066 | 10,834 | 10,425 |
| Management fee | 6,818 | 6,198 | 13,654 | 12,666 |
| Interest and other financing expenses | 6,771 | 5,598 | 13,373 | 11,075 |
| Professional fees | 861 | 909 | 1,738 | 1,648 |
| Administrative expenses | 629 | 522 | 1,468 | 1,157 |
| Other general and administrative expenses | 384 | 453 | 816 | 882 |
| Total expenses | 20,912 | 18,746 | 41,883 | 37,853 |
| Less: management fee waived (See Note 5) | (1,241) | (1,247) | (2,560) | (2,629) |
| Less: expenses waived and reimbursed (See Note 5) | (63) | — | (347) | (400) |
| Net expenses | 19,608 | 17,499 | 38,976 | 34,824 |
| Net investment income before income taxes | 21,882 | 20,406 | 43,490 | 39,617 |
| Income tax expense | 50 | 153 | 91 | 302 |
| Net investment income | 21,832 | 20,253 | 43,399 | 39,315 |
| Net realized gains (losses): | | | | |
| Non-controlled/non-affiliated investments | 865 | (13,338) | 1,041 | (13,471) |
| Net change in unrealized appreciation (depreciation): | | | | |
| Non-controlled/non-affiliated investments | 13,532 | 11,970 | (882) | 10,508 |
| Non-controlled/affiliated investments | 1,126 | 1,600 | (25) | 728 |
| Controlled investments | 7,298 | (86) | 8,477 | 6,734 |
| Securities purchased under collateralized agreements to resell | (44) | — | (74) | — |
| Benefit (provision) for taxes | 84 | (135) | 808 | (636) |
| Net realized and unrealized gains (losses) | 22,861 | 11 | 9,345 | 3,863 |
| Net increase in net assets resulting from operations | \$44,693 | \$20,264 | \$52,744 | \$43,178 |
| Basic earnings per share | \$0.70 | \$0.35 | \$0.83 | \$0.74 |

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| | | | | |
|---|------------|------------|------------|------------|
| Weighted average shares of common stock outstanding - basic (See Note 11) | 63,839,925 | 58,076,552 | 63,887,036 | 58,037,868 |
| Diluted earnings per share | \$0.64 | \$0.33 | \$0.77 | \$0.70 |
| Weighted average shares of common stock outstanding - diluted (See Note 11) | 71,117,056 | 55,313,497 | 71,164,167 | 55,265,931 |
| Dividends declared and paid per share | \$0.34 | \$0.34 | \$0.68 | \$0.68 |

The accompanying notes are an integral part of these consolidated financial statements.

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New Mountain Finance Corporation

Consolidated Statements of Changes in Net Assets
(in thousands, except shares and per share data)
(unaudited)

| | Six Months Ended | |
|--|------------------|------------------|
| | June 30, 2016 | June 30, 2015 |
| Increase (decrease) in net assets resulting from operations: | | |
| Net investment income | \$43,399 | \$39,315 |
| Net realized gains (losses) on investments | 1,041 | (13,471) |
| Net change in unrealized appreciation (depreciation) of investments | 7,570 | 17,970 |
| Net change in unrealized (depreciation) appreciation of securities purchased under collateralized agreements to resell | (74) | — |
| Benefit (provision) for taxes | 808 | (636) |
| Net increase in net assets resulting from operations | 52,744 | 43,178 |
| Capital transactions | | |
| Deferred offering costs | 38 | 59 |
| Dividends declared to stockholders from net investment income | (43,417) | (39,465) |
| Reinvestment of dividends | — | 2,384 |
| Repurchase of shares under repurchase program | (2,948) | — |
| Total net decrease in net assets resulting from capital transactions | (46,327) | (37,022) |
| Net increase in net assets | 6,417 | 6,156 |
| Net assets at the beginning of the period | 836,908 | 802,170 |
| Net assets at the end of the period | \$843,325 | \$808,326 |
| Capital share activity | | |
| Shares issued from reinvestment of dividends | — | 163,931 |
| Shares repurchased under repurchase program | (248,499) | — |
| Net (decrease) increase in shares outstanding | (248,499) | 163,931 |

The accompanying notes are an integral part of these consolidated financial statements.

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New Mountain Finance Corporation

Consolidated Statements of Cash Flows

(in thousands)

(unaudited)

| | Six Months Ended | |
|--|------------------|-----------|
| | June 30, | June 30, |
| | 2016 | 2015 |
| Cash flows from operating activities | | |
| Net increase in net assets resulting from operations | \$52,744 | \$43,178 |
| Adjustments to reconcile net (increase) decrease in net assets resulting from operations to net cash (used in) provided by operating activities: | | |
| Net realized (gains) losses on investments | (1,041) | 13,471 |
| Net change in unrealized (appreciation) depreciation of investments | (7,570) | (17,970) |
| Net change in unrealized depreciation (appreciation) of securities purchased under collateralized agreements to resell | 74 | — |
| Amortization of purchase discount | (1,617) | (1,176) |
| Amortization of deferred financing costs | 1,589 | 1,419 |
| Non-cash investment income | (3,356) | (3,209) |
| (Increase) decrease in operating assets: | | |
| Purchase of investments and delayed draw facilities | (163,888) | (187,045) |
| Proceeds from sales and paydowns of investments | 198,211 | 315,219 |
| Cash received for purchase of undrawn portion of revolving credit or delayed draw facilities | 43 | 54 |
| Cash paid for purchase of drawn portion of revolving credit facilities | — | (3,050) |
| Cash paid on drawn revolvers | (8,851) | (970) |
| Cash repayments on drawn revolvers | 2,232 | 475 |
| Interest and dividend receivable | (1,440) | 288 |
| Receivable from unsettled securities sold | (3,600) | 8,912 |
| Receivable from affiliates | (593) | 128 |
| Other assets | (423) | (1,162) |
| Increase (decrease) in operating liabilities: | | |
| Payable for unsettled securities purchased | 10,391 | (26,460) |
| Management fee payable | 111 | (193) |
| Incentive fee payable | (173) | 254 |
| Interest payable | 406 | 8 |
| Deferred tax liability | (808) | 636 |
| Payable to affiliates | (127) | (362) |
| Capital gains incentive fee payable | — | 490 |
| Other liabilities | 257 | (658) |
| Net cash flows provided by operating activities | 72,571 | 142,277 |
| Cash flows from financing activities | | |
| Dividends paid | (43,417) | (37,081) |
| Offering costs paid | (53) | (56) |
| Proceeds from Holdings Credit Facility | 103,300 | 138,750 |
| Repayment of Holdings Credit Facility | (174,600) | (247,000) |
| Proceeds from SBA-guaranteed debentures | 4,000 | 17,500 |
| Proceeds from NMFC Credit Facility | 71,000 | 51,300 |
| Repayment of NMFC Credit Facility | (74,000) | (63,300) |
| Proceeds from Unsecured Notes | 50,000 | — |

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| | | |
|--|-----------|-----------|
| Deferred financing costs paid | (1,488) | (1,609) |
| Repurchase of shares under repurchase program | (2,948) | — |
| Net cash flows used in financing activities | (68,206) | (141,496) |
| Net increase in cash and cash equivalents | 4,365 | 781 |
| Cash and cash equivalents at the beginning of the period | 30,102 | 23,445 |
| Cash and cash equivalents at the end of the period | \$34,467 | \$24,226 |
| Supplemental disclosure of cash flow information | | |
| Cash interest paid | \$10,960 | \$9,303 |
| Income taxes paid | 3 | 143 |
| Non-cash operating activities: | | |
| Non-cash activity on investments | \$167 | \$60,652 |
| Non-cash financing activities: | | |
| Value of shares issued in connection with dividend reinvestment plan | \$— | \$2,384 |
| Accrual for offering costs | 817 | 824 |
| Accrual for deferred financing costs | 106 | 127 |

The accompanying notes are an integral part of these consolidated financial statements.

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New Mountain Finance Corporation

Consolidated Schedule of Investments

June 30, 2016

(in thousands, except shares)

(unaudited)

| Portfolio Company, Location and Industry (1) | Type of Investment | Interest Rate(10) | Maturity / Expiration Date | Principal Amount, Par Value or Shares | Cost | Fair Value | Percent of Net Assets |
|---|--------------------|----------------------|----------------------------|---------------------------------------|-----------|------------|-----------------------|
| Non-Controlled/Non-Affiliated Investments | | | | | | | |
| Funded Debt Investments - Australia | | | | | | | |
| Project Sunshine IV Pty Ltd** | | | | | | | |
| Media | First lien (2) | 8.00% (L + 7.00%/M) | 9/23/2019 | \$ 7,755 | \$ 7,725 | \$ 7,523 | 0.89 % |
| Total Funded Debt Investments - Australia | | | | \$ 7,755 | \$ 7,725 | \$ 7,523 | 0.89 % |
| Funded Debt Investments - Luxembourg | | | | | | | |
| Pinnacle Holdco S.à.r.l. / Pinnacle (US) Acquisition Co Limited** | | | | | | | |
| Software | Second lien (2) | 10.50% (L + 9.25%/Q) | 7/30/2020 | \$ 24,630 | \$ 24,349 | \$ 17,240 | |
| | Second lien (3) | 10.50% (L + 9.25%/Q) | 7/30/2020 | 8,204 | 8,329 | 5,743 | |
| Total Funded Debt Investments - Luxembourg | | | | \$ 32,834 | \$ 32,678 | \$ 22,983 | 2.73 % |
| Total Funded Debt Investments - Luxembourg | | | | \$ 32,834 | \$ 32,678 | \$ 22,983 | 2.73 % |
| Funded Debt Investments - Netherlands | | | | | | | |
| Eiger Acquisition B.V. (Eiger Co-Borrower, LLC)** | | | | | | | |
| Software | Second lien (3) | 10.13% (L + 9.13%/Q) | 2/17/2023 | \$ 10,000 | \$ 9,337 | \$ 9,450 | 1.12 % |
| Total Funded Debt Investments - Netherlands | | | | \$ 10,000 | \$ 9,337 | \$ 9,450 | 1.12 % |
| Funded Debt Investments - United Kingdom | | | | | | | |
| Air Newco LLC** | | | | | | | |
| Software | Second lien (3) | 10.50% (L + 9.50%/Q) | 1/31/2023 | \$ 32,500 | \$ 31,774 | \$ 30,265 | 3.59 % |
| Total Funded Debt Investments - United Kingdom | | | | \$ 32,500 | \$ 31,774 | \$ 30,265 | 3.59 % |
| Funded Debt Investments - United States | | | | | | | |

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Engility Corporation (fka TASC, Inc.)

| | | | | | | | |
|--------------------------|-----------------|----------------------|------------|-----------|----------|----------|--------|
| Federal Services | First lien (2) | 7.00% (L + 6.00%/Q) | 5/22/2020 | \$ 27,600 | \$27,325 | \$27,651 | |
| | Second lien (3) | 12.00%/M | 5/21/2021 | 12,500 | 12,104 | 12,552 | |
| | Second lien (3) | 12.00%/M | 5/21/2021 | 4,000 | 3,974 | 4,017 | |
| | | | | 44,100 | 43,403 | 44,220 | 5.24 % |
| Deltek, Inc. | | | | | | | |
| Software | Second lien (3) | 9.50% (L + 8.50%/Q) | 6/26/2023 | 21,000 | 20,982 | 21,276 | |
| | Second lien (2) | 9.50% (L + 8.50%/Q) | 6/26/2023 | 20,000 | 19,629 | 20,263 | |
| | | | | 41,000 | 40,611 | 41,539 | 4.93 % |
| Hill International, Inc. | | | | | | | |
| Business Services | First lien (2) | 7.75% (L + 6.75%/Q) | 9/28/2020 | 41,756 | 41,315 | 41,443 | 4.91 % |
| Navex Global, Inc. | | | | | | | |
| Software | First lien (4) | 5.75% (L + 4.75%/Q) | 11/19/2021 | 4,574 | 4,537 | 4,545 | |
| | First lien (2) | 5.75% (L + 4.75%/Q) | 11/19/2021 | 2,589 | 2,568 | 2,573 | |
| | Second lien (4) | 9.75% (L + 8.75%/Q) | 11/18/2022 | 18,187 | 17,972 | 17,734 | |
| | Second lien (3) | 9.75% (L + 8.75%/Q) | 11/18/2022 | 15,313 | 14,831 | 14,930 | |
| | | | | 40,663 | 39,908 | 39,782 | 4.72 % |
| AssuredPartners, Inc. | | | | | | | |
| Business Services | Second lien (2) | 10.00% (L + 9.00%/M) | 10/20/2023 | 20,000 | 19,246 | 19,762 | |
| | Second lien (3) | 10.00% (L + 9.00%/M) | 10/20/2023 | 20,200 | 19,444 | 19,960 | |
| | | | | 40,200 | 38,690 | 39,722 | 4.71 % |

The accompanying notes are an integral part of these consolidated financial statements.

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New Mountain Finance Corporation

Consolidated Schedule of Investments (Continued)

June 30, 2016

(in thousands, except shares)

(unaudited)

| Portfolio Company, Location and Industry (1) | Type of Investment | Interest Rate(10) | Maturity / Expiration Date | Principal Amount, Par Value or Shares | Cost | Fair Value | Percent of Net Assets |
|--|----------------------------|----------------------|----------------------------|---------------------------------------|-----------|------------|-----------------------|
| TIBCO Software Inc. | | | | | | | |
| Software | First lien (2) | 6.50% (L + 5.50%/M) | 12/4/2020 | \$ 29,625 | \$ 28,474 | \$ 27,181 | |
| | Subordinated (3) | 11.38%/S | 12/1/2021 | 15,000 | 14,635 | 12,000 | |
| | | | | 44,625 | 43,109 | 39,181 | 4.65 % |
| Kronos Incorporated | | | | | | | |
| Software | Second lien (2) | 9.75% (L + 8.50%/Q) | 4/30/2020 | 32,632 | 32,454 | 32,931 | |
| | Second lien (3) | 9.75% (L + 8.50%/Q) | 4/30/2020 | 4,999 | 4,962 | 5,044 | |
| | | | | 37,631 | 37,416 | 37,975 | 4.50 % |
| ProQuest LLC | | | | | | | |
| Business Services | Second lien (3) | 10.00% (L + 9.00%/Q) | 12/15/2022 | 35,000 | 34,337 | 35,000 | 4.15 % |
| Ascend Learning, LLC | | | | | | | |
| Education | Second lien (3) | 9.50% (L + 8.50%/Q) | 11/30/2020 | 35,227 | 34,860 | 33,906 | 4.02 % |
| CRGT Inc. | | | | | | | |
| Federal Services | First lien (2) | 7.50% (L + 6.50%/M) | 12/19/2020 | 32,408 | 32,203 | 32,164 | 3.81 % |
| Valet Waste Holdings, Inc. | | | | | | | |
| Business Services | First lien (2) | 8.00% (L + 7.00%/Q) | 9/24/2021 | 29,775 | 29,442 | 29,404 | |
| | First lien (3)(11) - Drawn | 8.00% (L + 7.00%/Q) | 9/24/2021 | 2,250 | 2,222 | 2,222 | |
| | | | | 32,025 | 31,664 | 31,626 | 3.75 % |
| PetVet Care Centers LLC | | | | | | | |
| Consumer Services | Second lien (3) | 10.25% (L + 9.25%/Q) | 6/17/2021 | 24,000 | 23,804 | 24,329 | |
| | Second lien (3) | 10.50% (L + 9.50%/Q) | 6/17/2021 | 6,500 | 6,438 | 6,630 | |
| | | | | 30,500 | 30,242 | 30,959 | 3.67 % |
| Rocket Software, Inc. | | | | | | | |
| Software | Second lien (2) | 10.25% (L + 8.75%/Q) | 2/8/2019 | 30,875 | 30,793 | 30,810 | 3.65 % |
| VetCor Professional Practices LLC | | | | | | | |
| Consumer Services | First lien (4) | | 4/20/2021 | 19,404 | 19,241 | 19,598 | |

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| | | | | | | | | |
|--|-------------------------------|-------------------------|------------|--------|--------|--------|--------|--|
| | | 7.25% (L + 6.25%/Q) | | | | | | |
| | First lien (2) | 7.25% (L + 6.25%/Q) | 4/20/2021 | 7,832 | 7,676 | 7,911 | | |
| | First lien (4)(11) - Drawn | 7.25% (L + 6.25%/Q) | 4/20/2021 | 2,265 | 2,244 | 2,288 | | |
| | First lien (3)(11) - Drawn | 7.25% (L + 6.25%/Q) | 4/20/2021 | 675 | 668 | 682 | | |
| | | | | 30,176 | 29,829 | 30,479 | 3.61 % | |
| CompassLearning, Inc. (15) | | | | | | | | |
| | Education | 8.00% (L + 6.75%/Q) | 11/26/2018 | 30,000 | 29,605 | 29,828 | 3.54 % | |
| Integro Parent Inc. | | | | | | | | |
| | Business Services | 6.75% (L + 5.75%/Q) | 10/31/2022 | 18,887 | 18,538 | 18,604 | | |
| | First lien (2) | 6.75% (L + 5.75%/Q) | 10/31/2022 | 1,019 | 1,000 | 1,003 | | |
| | Second lien (3) | 10.25% (L + 9.25%/Q) | 10/30/2023 | 10,000 | 9,906 | 9,650 | | |
| | | | | 29,906 | 29,444 | 29,257 | 3.47 % | |
| Ryan, LLC | | | | | | | | |
| | Business Services | 6.75% (L + 5.75%/M) | 8/7/2020 | 26,600 | 26,263 | 26,069 | 3.09 % | |
| DigiCert Holdings, Inc. | | | | | | | | |
| | Software | 6.00% (L + 5.00%/Q) | 10/21/2021 | 24,875 | 24,200 | 24,752 | 2.94 % | |
| Precyse Acquisition Corp. | | | | | | | | |
| | Healthcare Services | 10.75% (L + 9.75%/Q) | 4/20/2023 | 25,000 | 24,570 | 24,563 | 2.91 % | |
| AAC Holding Corp. | | | | | | | | |
| | Education | 8.25% (L + 7.25%/M) | 9/30/2020 | 24,621 | 24,299 | 24,253 | 2.88 % | |
| KeyPoint Government Solutions, Inc. | | | | | | | | |
| | Federal Services | 7.75% (L + 6.50%/Q) | 11/13/2017 | 24,143 | 23,977 | 24,023 | 2.85 % | |

The accompanying notes are an integral part of these consolidated financial statements.

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New Mountain Finance Corporation

Consolidated Schedule of Investments (Continued)

June 30, 2016

(in thousands, except shares)

(unaudited)

| Portfolio Company, Location and Industry (1) | Type of Investment | Interest Rate(10) | Maturity / Expiration Date | Principal Amount, Par Value or Shares | Cost | Fair Value | Percent of Net Assets |
|---|----------------------------|---------------------|----------------------------|---------------------------------------|----------|------------|-----------------------|
| Pelican Products, Inc. | | | | | | | |
| Business Products | Second lien (3) | 9.25% (L + 8.25%/Q) | 4/9/2021 | \$ 15,500 | \$15,512 | \$14,105 | |
| | Second lien (2) | 9.25% (L + 8.25%/Q) | 4/9/2021 | 10,000 | 10,111 | 9,100 | |
| | | | | 25,500 | 25,623 | 23,205 | 2.75 % |
| EN Engineering, LLC | | | | | | | |
| Business Services | First lien (2) | 7.00% (L + 6.00%/Q) | 6/30/2021 | 21,214 | 21,030 | 21,002 | |
| | First lien (2)(11) - Drawn | 8.50% (P + 5.00%/Q) | 6/30/2021 | 2,197 | 2,177 | 2,175 | |
| | | | | 23,411 | 23,207 | 23,177 | 2.75 % |
| TWDiamondback Holdings Corp. (18) Diamondback Drugs of Delaware, L.L.C. (TWDiamondback II Holdings LLC) | | | | | | | |
| Distribution & Logistics | First lien (4) | 9.75% (L + 8.75%/Q) | 11/19/2019 | 19,895 | 19,895 | 20,156 | |
| | First lien (3) | 9.75% (L + 8.75%/Q) | 11/19/2019 | 2,158 | 2,158 | 2,186 | |
| | First lien (4) | 9.75% (L + 8.75%/Q) | 11/19/2019 | 605 | 605 | 613 | |
| | | | | 22,658 | | | |