

**Blue Owl Technology Finance Corp.**  
**2Q 2025 Earnings Conference Call**  
**August 7, 2025**

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**Presenters**

**Michael Mosticchio – Head of BDC Investor Relations**  
**Craig Packer – CEO**  
**Erik Bissonnette – President**  
**Jonathan Lamm – CFO**

**Q&A Participants**

**Brian McKenna – Citizens**  
**Arren Cyganovich – Truist Securities**

**Operator**

Good morning, everyone, and welcome to Blue Owl Technology Finance Corp.'s Second Quarter 2025 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 Invest Relations. Mike, please go ahead.

**Mike Mosticchio**

Thank you, operator, and welcome to Blue Owl Technology Finance Corp. inaugural earnings conference call. Yesterday, OTF issued its earnings release and posted its earnings presentation for the Second Quarter ended June 30, 2025. These should be reviewed in connection with the company's 10-Q filed yesterday with the SEC. All materials referenced on today's call, including the earnings press release, earnings presentation and 10-Q are available on the 'Investor' section of the company's website at [blueowltechnologyfinance.com](http://blueowltechnologyfinance.com).

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.

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.

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. This is our first earnings call since listing on the New York Stock Exchange in June, and on behalf of the entire Blue Owl team, we would like to welcome our new and existing shareholders. We understand some of you might be new to OTF and the broader Blue Owl platform, so we will briefly cover our strategy before getting into our portfolio and performance.

Our credit platform was founded on the core strategy of originating loans for high quality sponsor backed upper-middle market companies in non-cyclical sectors. As we designed our direct lending business, we intentionally positioned software investing as a key component because we believe the unique nature of these assets creates one of the most compelling risk-return profiles in the market. Scaled software businesses have highly predictable and recurring revenue streams, which are often underpinned by multi year contracts for mission critical products and services. This combination of defensive positioning and revenue visibility makes these assets particularly attractive for direct lending.

Additionally, these credits typically offer tighter covenants, lower loan to value ratios and higher spreads, characteristics that contribute to better risk adjusted returns. Importantly, as Erik will also describe, software offers intrinsic diversification by virtue of the various end markets it serves. To take advantage of this opportunity, we launched OTF as our flagship technology direct lending fund in 2018.

Within technology, OTF primarily focuses on software, offering investors the opportunity to capitalize on the asset class's secular growth. Since its inception, we've built a high quality, diversified technology focused portfolio that has generated attractive risk adjusted returns while maintaining the credit discipline that has always defined Blue Owl. We have deployed approximately \$34 billion across our dedicated technology funds, while maintaining excellent credit quality with net gains since inception.

In the process, we've scaled OTF into the largest publicly traded technology focused BDC. And unlike certain technology focused BDCs that have exposure to venture debt, we are the only fund in the market dedicated to upper middle market technology direct lending.

In March of this year, OTF merged with OTF II, positioning the combined entity with additional scale and an opportunity to drive our ROE expansion. Subsequently, we listed OTF on the New York Stock Exchange this quarter, which represented an important milestone for OTF and our broader credit platform. The listing made OTF one of the largest publicly traded BDCs.

In our first quarter as a publicly listed company, our performance continues to be strong, reflecting the quality of the portfolio. As of quarter end, our net asset value per share increased to \$17.17, up \$0.08 from the prior quarter, primarily through unrealized gains in select equity investments. Since inception, OTF has generated NAV growth of approximately 17%,

demonstrating the strength of the portfolio. Credit quality continues to be excellent and is one of the best in the BDC industry, which we think reflects the attractive credit characteristics of software. Our nonaccrual rate is less than three basis points of the portfolio at fair value. And moreover, OTF has generated 16 basis points of net gains since inception. This compares well to the broader BDC industry, which has experienced roughly 40 plus basis points of net losses on average.

In summary, we are very pleased with our performance and the seamless execution of the listing. We believe our experienced team, high quality portfolio, disciplined underwriting, and highly durable funding model have positioned us for continued success. We continue to have the same conviction in software as we did seven years ago when we launched OTF as our first technology dedicated fund.

And now, I'll turn it over to Erik for more detail on our Technology Strategy and OTF.

**Erik Bissonnette**

Thanks, Craig. It's great to be with you today. To start, I want to reiterate our Technology Strategy and investment philosophy for those new to OTF. To expand on what Craig said, our focus is on building a highly diversified technology portfolio that provides steady, annuity-like cash flows to our investors, a strategy made even more compelling in today's investment landscape. We lend to large, high-quality companies in recession resilient end markets, supported by large and sophisticated sponsors with significant equity beneath our loans.

As a reminder, we are not focused on early- or mid-stage opportunities, nor are we focused on venture debt lending. Our Technology Strategy is supported by a dedicated team of 38 investment professionals, with 125-plus total investment professionals across the Blue Owl direct lending team. We have offices in Menlo Park and New York that provide us with differentiated sourcing opportunities. Our team is organized across 10-plus key sub-sectors that we think are the most important and actionable today, such as cybersecurity, healthcare, information technology, and fintech.

Though technology encompasses many subcategories. Our focus at Blue Owl is on software and is driven by the belief that digital transformation is crucial and resilient across economic cycles. We believe that software represents an asset class and not a sector. It touches all end markets and can serve every company in the world. While software's versatile nature provides inherent diversification, we focus on companies that provide mission critical solutions in sectors such as healthcare, education, and financial services, where we believe the end markets are the most stable. We intentionally avoid the more cyclical areas of the economy, such as retail, consumer products, as well as energy and power.

Our credit selection focuses on several key attributes that drive differentiated outcomes. Great software businesses are defensively positioned market leaders that provide mission critical solutions and display attractive credit profiles. We prioritize quality of revenue, which

encompasses sustainability, predictability, profitability, and capital efficiency, which results in high free cash flow conversion. These traits tend to lead to stable visible operating performance with strong free cash flow, which is ideal for lending.

Our disciplined approach is reflected in how we have constructed OTF's portfolio. The vast majority of our investments in our portfolio, approximately 81%, are senior secured. We also have a portion of our investments in equity related securities. These are primarily preferred equities in large, established, pre-IPO companies that generate contractual current income while offering meaningful upside potential through warrants, discounted conversion rates, and minimum guaranteed returns. Most importantly, they have structural protections and negative covenants designed to protect our invested capital.

As Craig highlighted earlier, Blue Owl's scale has been a competitive advantage for the BDCs, and it has enabled us to primarily focus on larger borrowers that we believe are well positioned to withstand market volatility. Accordingly, our debt portfolio's weighted average enterprise value, revenue, and EBITDA are \$5.2 billion, \$904 million, and \$266 million respectively. Our significant presence allows us to be lead or co-lead lender on roughly 90% of our deals, and administrative agent on approximately 65% of transactions. This allows us to achieve the size that we want in deals and control documentation, while having direct access to information from senior management on borrower performance.

In addition, our investments are supported by conservative LTV ratios of 32% on average. This is lower than most BDC peers, and we believe it is the key to protecting our downside while supporting robust recoveries during challenging times. OTF's credit quality has been exceptional. We have a nonaccrual rate of less than three basis points at fair value, only two names on nonaccrual in our entire operating history, and 16 basis points of net gain since inception. Our focus on upper-middle market software companies, which have historically been resilient across multiple cycles, with lower default rates compared to other industries, has underpinned our track-record and provides us with significant downside protection in uncertain macro environments like these.

Next, I want to spend a moment on some unique aspects of our portfolio, including ARR and PIK. We selectively offer PIK flexibility and ARR loans with the intent of achieving a premium return for our investors and to help us competitively attract high quality borrowers through customization in the direct lending market. Regarding our ARR strategy, we lend to high organic growth companies that have attractive unit economics and want to reinvest into customer acquisition.

In exchange for this temporary flexibility, almost all of these loans must convert to a regular way EBITDA loans within a specified period. We generate excess return, have superior covenant controls, and overall stronger documentation. Our ARR book indexes to very large, well-established businesses with average revenues in excess of \$500 million. These are far from cash strapped startups and emerging growth companies. These are well capitalized players making

the conscious decision to reinvest profits into growth. We've had a strong track record with our ARR investments. In OTF, we have deployed over \$5 billion across ARR loans with 100% of OTF loans converting to a traditional EBITDA based metric as planned or being refinanced early. In fact, several portfolio companies that began as ARR loans in our portfolio, including SailPoint, have performed so well that they were able to go public again.

Our ARR portfolio is performing as expected and is marked at 99.1, with an average LTV of 21%. These investments are downside protected, and they also come with premium pricing, with a weighted average spread of approximately 650 basis points, over 100 basis points higher than our senior secured portfolio spread. Due to this meaningful outperformance in early conversion, our ARR exposure has come down from its peak by roughly half to approximately 13%, leaving us ample room to increase our exposure as we find attractive opportunities.

With respect to PIK, we selectively offer PIK flexibility with the intent of achieving a premium return for our investors and to help us competitively attract high quality borrowers through customization. We offer this flexibility through various deal structures, including senior secured loans and preferred equity, and due to the nature of these investments, PIK exposure at OTF will typically be higher than a regular way diversified direct lending portal.

Nearly all of OTF's PIK income was structured at initial underwrite, not implemented retroactively because of credit underperformance. We believe this is an important verification, as PIK has been an intentional component of our underwriting process, which is a common misconception. And at OTF more recently, our PIK exposure has been trending down as loans convert to cash pay or are repaid early due to outperformance. That said, we intend to continue to deploy PIK consistently and expect that percentage will tick back up to historical averages moving forward.

To close, we believe OTF is well positioned for success as a public company, given its scaled and highly diversified portfolio, focus on downside protection, and proven track record of excellent credit quality and performance.

And now, I'll turn the call over to Jonathan to provide more detail on OTF's quarterly results and financial profile.

**Jonathan Lamm**

Thank you, Eric. We've delivered solid Second Quarter results, driven by the ongoing strong performance of our portfolio. We ended the quarter with total portfolio investments of \$12.7 billion, outstanding debt of \$4.8 billion, and total net assets of \$8 billion. As of quarter end, our net asset value per share was \$17.17, up \$0.08 from the prior quarter. The increase was primarily driven by the ongoing strong performance of several equity positions, which drove unrealized write ups in the quarter.

Turning to the income statement, we reported net investment income of \$0.34 per share in the Second Quarter. I would note that our Q2 figures include approximately \$6 million, or roughly

one and a half cents per share, of accrued capital gains incentive fees. Excluding this impact, our NII per share for the quarter was \$0.36. Since accrued capital gains incentive fees is a GAAP related non-cash item, we believe adjusted NII, which excludes the impact of the accrual, more accurately portrays the core earnings power of our business. To specify, the incentive fee accrual was driven by unrealized gains in the portfolio, and GAAP requires us to take these unrealized gains into account when accruing incentive fees each quarter.

OTF will only pay incentive fees annually, and to the extent that it has realized gains that exceed realized and unrealized losses. This incentive fee accrual underscores OTF's strong credit track record and 16 basis points of annualized net gains since inception. Earlier this week, our board declared a Third Quarter regular dividend of \$0.35 per share, which will be paid on October 15th to shareholders of record as of September 30th.

In addition to our regular dividend, in connection with our listing in June, our Board declared five special dividends of \$0.05 per share, each to be paid quarterly beginning in the Third Quarter. In aggregate, these special dividends provide an additional \$0.25 per share in distributions to our shareholders.

Reflecting the Second Quarter regular dividend and special dividends starting in Q3 of 2025, shareholders would earn \$0.40 of total dividends, equating to a 9.3% estimated dividend yield based on current NAV. Our Board of Directors has also authorized a share repurchase program of up to \$200 million in open market purchases from time to time.

Moving to the balance sheet, a key focus this quarter was on increasing leverage, which was a priority we highlighted at our June listing. We made solid progress to this end, finishing the quarter at .58x net leverage, up from .53x in the First Quarter. Our capital structure is diversified across a revolver, SPV asset facilities, CLOs, and unsecured notes. This ensures we are not overly reliant on any single source of funding and provides us flexibility to choose the most cost-effective financing solution for our specific needs. We also maintained four investment grade ratings, which have allowed us to raise a significant amount of unsecured debt.

Turning to liquidity, we ended the quarter with over \$3.5 billion of total cash and capacity on our facilities, which was over two times in excess of our unfunded commitments. Importantly, we have no material short term maturities, and our robust liquidity position provides us with more than ample unfunded capacity to support our future growth.

Finally, as a reminder, in connection with our direct listing in June, our board waived the lock up on approximately 5% of each investors position. Those shares were freely tradable at the time of the listing. Each investor's remaining position will be released in three equal tranches at three-month intervals, the first of which is December 9th. We believe improved liquidity over time will be supportive to OTF shares.

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

**Craig Packer**

Thanks Jonathan. In closing, I want to reflect on OTF's earnings profile. As a reminder, prior to the listing, we drew down the remainder of our equity capital commitments. As we mentioned previously, this has had a short-term impact on our ROE. However, over time, we expect to realize the full earnings potential of the portfolio as we return to our target leverage. We note that this is a similar approach that we took when OBDC went public in 2019, and we are confident we will have similar success.

Now, let me walk through the drivers. First, and perhaps the most meaningful driver of incremental ROE in the near term, is prudently increasing leverage. We've made progress on this during the quarter as we selectively grow our portfolio with what we believe to be attractive risk adjusted investments. Given the strength of our pipeline, we were able to deploy new capital commitments of \$1.5 billion, outpacing our initial forecast. Post quarter end, our pipeline remains active, providing us with confidence in our ability to achieve target leverage of 0.9 to 1.25x. That said, we expect it will take roughly three quarters to get back to the low end of our target range. We will only grow the portfolio as we find opportunities that we believe offer an attractive risk-return profile and are consistent with our investment approach.

Second, we remain focused on optimizing our portfolio and asset mix for an improved yield, which could include selectively increasing investments in strategic equity and joint ventures, and by leveraging Blue Owl's adjacent credit strategies for incremental deal flow. Additionally, as a public company, OTF will place an emphasis on income generation to support our base dividend. We are operating at the lower end of historical averages in ARR and PIK exposure, giving us capacity to rotate into these higher yielding investments.

Third, we believe the recently closed merger with OTF II, and the subsequent listing, can improve our cost of capital through lower pricing on unsecured note issuances. Additionally, we can further reduce funding costs through repricing facilities and eliminating redundant financing costs. Finally, OTF has yet to realize the full benefit of operating expense synergies from the merger with OTF II, which closed at the end of the First Quarter. As a result, this is our first full quarter as a combined company, and we are on track to experience the full earnings benefit of these synergies.

To put this all together for illustrative purposes, using today's rates and assuming a target leverage level, we believe ROE could increase by over 200 basis points over time, which would imply an approximate 10% ROE. In the meantime, while we execute on these drivers, we have provided clear visibility to our shareholders on returns by declaring five special dividends through September 2026.

To close, we have focused on delivering long term shareholder value at OTF since inception, both in how we invested and how we manage the fund. We will continue to follow our playbook as a

public company and look forward to leveraging the benefits of scale to deliver attractive risk adjusted returns for our shareholders.

Thank you for joining us for our first public earnings call, and we will now open the line for questions.

**Operator**

Thank you. We will now begin our question-and-answer session.

Our first question today is coming from Brian McKenna from Citizens. Your line is now live.

**Brian McKenna**

Ok, great. Thanks. Morning, everyone. I hopped on a little bit late, so maybe just some bigger picture questions. I'm just curious, as you've told the tech lending story in the public markets now, what's the feedback been so far? And I guess, is there a way to think about the learning curve or the education process for OTF in the public markets relative to when you're fundraising in the private markets?

**Craig Packer**

I'll take a stab at it, and Erik, you should chime in. We had a really successful track record as a private fund. You know, earnings, growth in NAV, portfolio performance. Public market investors probably are a little bit surprised to see a fund of this scale come to market. It's one of the few largest in this space. Software is a sector that is well known in the BDC space, but the previous tech oriented BDCs were venture lenders, and this is not a venture lender. You know, we are an upper-middle market software focused fund.

So, I think there's a bit of an education going on in our conversations with folks in the space. There's fairly limited float at this point, about 5%, and so, I think a lot of our conversations have been folks getting educated about the company and understanding when shares are going to come off, and putting themselves in a position, I'd like to think, to participate as more shares become – are freely tradable.

I think the feedback on the performance of the fund and the strategy has been very positive. You know, obviously there's a couple moving parts here. We drew down the remainder of our capital as a private fund, and so we are entering the public markets on the low leverage end. And so, there's a cycle we're going to go through where we get to our target leverage that will generate returns which we think will be really attractive, and in line, if not in excess, of other really high quality BDCs. So, there's a little bit of work that someone needs to do and think about, and we walk them through understanding that. Obviously, we have a terrific track record of executing on plans like that. That's basically the same exact playbook we did at OBDC, so I'd like to think we have a lot of credibility when we tell that story. And then lastly, we've got our special dividends which are out there that give a lot of visibility to the return profile.



You know we launched this strategy originally because software was the single biggest space within direct lending, and candidly, I think within the broader leverage finance markets. And that remains the case today, with higher spreads, better credit performance, better docs, etc. So, we think the fund makes a lot of sense, and it's well positioned for success in the public markets.

**Brian McKenna**

Ok, that's great. And then I guess just thinking through credit quality. I think everyone was pretty surprised just with how good the portfolio has held up here. I think they're in a tech lending portfolio, two nonaccruals since inception. So, you know, that is definitely a standout. And I guess just looking back at kind of the history and the evolution of the portfolio, I mean you might have touched on this a little bit, but what's really driving that? I know it's obviously the sector focus, the secular kind of growth parts of that market, but I mean what's driving such strong outcomes? And then longer term through the cycle from here, do you think you can replicate that credit quality?

**Craig Packer**

Sure. Erik, why don't you take that one?

**Erik Bissonnette**

Sure. I think it's really an adherence to our first principles and why we think software is so attractive and making sure that as opportunities have come across the transom over the years that we've stuck true to our knitting and really not deviated meaningfully from finding the most mission critical solutions that are out there in the marketplace – that have really high quality revenue, high retention rates, high degrees of overall recurring revenue, meaningful free cash flow conversion, very visible businesses, trying to stay away from tooling companies or things that are less subject to meaningful switching costs. And as long as we stay true to that knitting and continue to focus exactly where we have in the past, even as we evolve over time as we start to see AI enablement come into some of our own software companies, we think these are the most durable parts – some of the most durable companies in the entire marketplace.

**Brian McKenna**

Great. I'll leave it there. Appreciate it, guys.

**Operator**

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

**Arren Cyganovich**

Thanks. I was hoping you could talk a little bit about your ramp to get back to your target leverage. I think you said it was going to take three quarters. Just to clarify, is that the end of March of next year, or are you counting this most recent quarter? And then, what are some of the factors that might impact the either doing that sooner or later? We're hearing that activity's picking up in the

broader market. Are you seeing the same type of activity picking in your technology focused areas?

**Jonathan Lamm**

Yeah, sure. So, we think it's going to take until Q1 or Q2 of next year, about 9 to 12 months, to get back to the bottom end of our target leverage range. That would require around, call it \$2.5 billion of net originations. I would say that those bookings numbers, we feel really confident in achieving. They're consistent with what we've accomplished historically, and as you just noted and we mentioned earlier, we're seeing some promising signs of deal flow reemerging, both on the on the sponsors side, but also go-privates, as well as later stage pre-IPO structure deals. So, the overall tenor and feel of the market we think is improving. It's obviously maybe not as great as we would have hoped coming into the year but feels meaningfully better than it did 30 to 60 days ago. But we don't need a perfect M&A market to hit those goals. We are generating ample deal flow from all of the channels that I articulated.

**Arren Cyganovich**

Got it. In the share repurchase program that was put in place, I'm assuming that you're not using that currently just because the float is so low. Can you maybe just talk about what your plans on utilizing that in the future?

**Craig Packer**

So, we put in place the share purchase program. It's at our discretion. We have a similar one in OBDC. You know, we will look at market opportunities to deploy it. There's always a trade off between deploying that capital on new investments, which we continue to get really attractive returns on, and having that permanent capital, versus using it to purchase the stock. So, I think it's an important tool to have. We've used it OBDC in the past. You know, we would look at using it here. I won't be too prescriptive about when, certainly we think the stock is an attractive value here. So, I certainly – it's something that we would think about in conversations with our Board.

**Arren Cyganovich**

Got it. Ok. Thank you.

**Operator**

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

**Craig Packer**

All right. Thank you all for joining. We appreciate your interest. There may be folks – we intentionally made this call a little bit longer and sort of highlighted the strategy behind the fund and went into a great bit of detail. So, hopefully it's a useful reference point, now we're a publicly traded company, for folks to be able to circle back to.

We're very much available for folks that are newer to the story or newer to the space. If you have questions, please do reach out to the team, and we'd be pleased to address them or further introduce you to OTF. And with that, have a great afternoon.

**Operator**

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