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Carlyle Secured Lending, Inc (CGBD)

Q3 2025 Earnings Call

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Melissa Wedel

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MANAGEMENT DISCUSSION SECTION

Operator: Good day and thank you for standing by. Welcome to Carlyle Secured Lending, Inc.'s Third Quarter 2025 Earnings Call. At this time, all participants are in a listen-only mode. After the speakers' presentation, there will be a question-and-answer session. [Operator Instructions] Please be advised that today's conference is being recorded.

I would now like to hand the conference over to your speaker today, Nishil Mehta, Head of Shareholder Relations. Please go ahead.

Nishil Mehta

Managing Director - Head of Structured Credit, The Carlyle Group

Good morning and welcome to Carlyle Secured Lending's conference call to discuss the earnings results for the third quarter 2025. I'm joined by Justin Plouffe, our Chief Executive Officer; and Tom Hennigan, our Chief Financial Officer.

Last night, we filed our Form 10-Q and issued a press release with the presentation of our results, which are available on the Investor Relations section of our website. Following our remarks today, we will hold a question-and-answer session for the analysts and institutional investors. This call is being webcast and a replay will be available on our website.

Any forward-looking statements made today do not guarantee future performance and any undue reliance should not be placed on them. Today's conference call may include forward-looking statements reflecting our views with

respect to, among other things, the expected synergies associated with the merger, the ability to realize the anticipated benefits of the merger, and our future operating results and financial performance.

These statements are based on the current management expectations and involve inherent risks and uncertainties, including those identified in the Risk Factors section of our 10-K and 10-Qs. These risks and uncertainties could cause actual results to differ materially from those indicated. CGBD assumes no obligation to update any forward-looking statements at any time.

During this conference call, the company may discuss certain non-GAAP measures as defined by SEC Regulation G, such as adjusted net investment income or adjusted NII. The company's management believes adjusted net investment income, adjusted net investment income per share, adjusted net income, and adjusted net income per share are useful to investors as an additional tool to evaluate ongoing results and trends, and to review our performance without giving effect to the amortization or accretion resulting from the new cost basis of investments acquired and accounted for under the acquisition method of accounting in accordance with ASC 805 and the onetime purchase or non-recurring investment income and expense events, including the effects on incentive fees, and are used by management to value the economic earnings of the company.

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

With that, I'll turn the call over to Justin, CGBD's Chief Executive Officer.

Justin V. Plouffe

Chief Executive Officer, President, Interested Director & Deputy Chief Investment Officer-Global Credit, Carlyle Secured Lending, Inc

Thanks, Nishil. Good morning, everyone, and thank you all for joining. I'm Justin Plouffe, the CEO of the Carlyle BDCs and Deputy CIO of Carlyle Global Credit. On today's call, I'll give an overview of our third quarter 2025 results, including the quarter's investment activity and portfolio positioning. I will then hand the call over to our CFO, Tom Hennigan.

During the third quarter, CGBD benefited from strong originations across the platform, but was also impacted by historically tight market spreads. We generated \$0.37 per share of net investment income for the quarter on a GAAP basis and \$0.38 after adjusting for asset acquisition accounting. Our board of directors declared a fourth quarter dividend of \$0.40 per share. Our net asset value as of September 30 was \$16.36 per share, compared to \$16.43 per share as of June 30.

CGBD had another strong quarter of deployment, funding \$260 million of investments into new and existing borrowers, resulting in net investment activity of \$117 million after accounting for repayments and \$48 million of investments sold to our joint venture MMCF. Total investments at CGBD increased from \$2.3 billion to \$2.4 billion during the quarter.

Looking ahead, net new supply has picked up recently and the Q4 pipeline continues to build. Year-over-year, deal flow at the top of the funnel increased nearly 30% over the last two months. We expect activity will continue to increase, supported by declining base rates, driving lower funding costs, normalization of tariff and regulatory policy, and resilient expectations for economic growth.

Although there have been recent bankruptcies in the news, CGBD has no direct or indirect exposure to First Brands or Tricolor, and we continue to have confidence in the credit quality of our portfolio. As a reminder, CGBD consistently exhibits below average non-accruals and a strong track record of NAV preservation.

Based on June 30 reporting, CGBD's non-accruals were 120 basis points below the public BDC average at cost. And non-accruals at CGBD decreased by 140 basis points at cost between June 30 and September 30. Overall, we remain selective in our underwriting approach, seeking to provide first-lien loans to quality companies.

We remain focused on portfolio diversification, while managing target leverage. As of September 30, our portfolio was comprised of 221 investments and 158 companies across more than 25 industries. The average exposure to any single portfolio company was less than 1% of total investments, and 95% of our investments were in senior secured loans.

The median EBITDA across our portfolio was \$98 million. As always, discipline and consistency drove performance in the third quarter, and we expect these tenants to drive performance in future quarters.

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

Thomas M. Hennigan

Chief Financial Officer, Interested Director & Chief Operating Officer and Chief Risk Officer-Direct Lending, Carlyle Secured Lending, Inc

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

Total investment income for the third quarter was \$67 million, in line with prior quarter, driven by a stable average portfolio size, a modest change in total portfolio yields, and lower accretion of discounts from prepayment activity. Total expenses of \$40 million increased slightly versus prior quarter, primarily as a result of higher interest expense due in part to the 2030 senior notes transitioning from fixed to the floating rate swap.

The result was net investment income for the third quarter of \$27 million or \$0.37 per share on a GAAP basis and \$0.38 per share after adjusting for asset acquisition accounting, which excludes the amortization of the purchase price premium from the CSL III merger and the purchase price discount associated with the consolidation of Credit Fund II.

Our Board of Directors declared the dividend for the fourth quarter of 2025 at a level of \$0.40 per share, which is payable to stockholders of record as of the close of business on December 31. This dividend level represents an attractive yield of over 12% based on the recent share price. In addition, we currently estimate we had \$0.86 per share of spillover income generated over the last five years to support the quarterly dividend, which represents more than two quarters of the existing \$0.40 quarterly dividend.

On valuations, our total aggregate realized and unrealized net loss for the quarter was about \$3 million or \$0.04 per share, partially attributable to unrealized markdowns on select underperforming investments.

Turning to credit performance, we continued to see overall stability in credit quality across the portfolio. At the beginning of July, we closed the successful restructuring of Maverick, which was the main contributor to non-accruals decreasing to 1.6% of total investments at cost and 1% at fair value. And while our non-accrual rates may fluctuate from period-to-period, we're confident in our ability to leverage the broader Carlyle network to achieve maximum recoveries for underperforming borrowers.

Moving to our JV. We continued to focus on maximizing both asset growth and returns at the MMCF JV. We [ph] closed and upsized the (00:09:17) credit facility in October. The upsize enables us to increase our investments in the JV, which is achieving a run rate [ph] mid-teens ROA (00:09:24) for CGBD. Separately, we continue to work on optimizing our 30% non-qualifying asset capacity and are currently in advanced discussions with a potential institutional partner on a new joint venture. And based on our current outlook for earnings, we're comfortable with the current dividend policy of \$0.40 per share.

I'll finish by touching on our financing facilities and leverage. In October, we raised a new five-year \$300 million institutional unsecured bond at an attractive swap adjusted rate SOFR + 2.31%. We used the proceeds in part to repay in full the higher-priced legacy CSL III credit facility. In addition, we announced that we will redeem the \$85 million baby bond effective December 1. In the aggregate, these capital structure optimizations will lower our weighted average cost of borrowing by 10 basis points, extend the maturity profile of our capital structure with limited maturities until 2030, and reduce reliance on mark-to-market leverage.

Our debt stack is now 100% floating rate, matching our primarily floating rate assets, meaning CGBD is well-positioned in advance of future interest rate cuts. At quarter-end, statutory leverage was 1.1 times towards the midpoint of our target range, and given our current strong liquidity profile and targeted incremental asset sales to our MMCF JV, we're well-positioned to benefit from the expected pick up in deal volume in future quarters.

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

Justin V. Plouffe

Chief Executive Officer, President, Interested Director & Deputy Chief Investment Officer-Global Credit, Carlyle Secured Lending, Inc

Thanks, Tom. As we approach the middle of the fourth quarter, our portfolio remains resilient. We continue to focus on sourcing transactions with significant equity cushions, conservative leverage profiles, and attractive spreads relative to market levels. Our pipeline of new originations is active, and with a stable, high-quality portfolio, CGBD stockholders are benefiting from the continued execution of our strategy. As always, we remain committed to delivering resilient stable cash flow stream to our investors through consistent income and solid credit performance.

At the platform level, we continue to build out the Carlyle Direct Lending team. As a reminder, Alex Chi will be joining Carlyle as Partner, Deputy Chief Investment Officer for Global Credit and Head of Direct Lending in early 2026. We also hired a new Head of Origination during the quarter and continuing to build out the broader origination function with an additional hire in Q3 and one more slated to join the team in Q4. All three will expand our existing capabilities, combined with the expected increase in overall capital markets activity we are constructive on our expectations for activity and deployment going forward.

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

QUESTION AND ANSWER SECTION

Operator: Thank you. [Operator Instructions] Our first question comes from the line of Finian O'Shea from Wells Fargo Securities.

Finian O'Shea

Analyst, Wells Fargo Securities LLC

Hey, everyone. Good morning. Can you hear me?

Q

Justin V. Plouffe

Chief Executive Officer, President, Interested Director & Deputy Chief Investment Officer-Global Credit, Carlyle Secured Lending, Inc

Yeah, we can. Hey Fin.

A

Finian O'Shea

Analyst, Wells Fargo Securities LLC

Hey, how are you? Sorry, just getting ahead of any potential technical difficulty that I seem to have been facing. Tom, can you give us some color, maybe a bridge on the top line this quarter? SOFR was pretty stable. I think, there was – the non-accrual was small. Just seeing what the mix was, whether it be like average portfolio or onetime fees or anything else in there that's notable? Thanks.

Q

Thomas M. Hennigan

Chief Financial Officer, Interested Director & Chief Operating Officer and Chief Risk Officer-Direct Lending, Carlyle Secured Lending, Inc

Yeah. Sure, Fin. Thanks for the question. If you look at the top line, it's \$67 million last quarter and this quarter, but last quarter rounded down, this quarter rounded up. When you look at the delta, that's a very modest decline. It's primarily OID accretion on repaid investments. That's really the biggest bridge point in terms of the difference between the two.

A

When you look at fee income, it was up modestly. And in the aggregate, the average daily principal balance of loans outstanding was pretty flat across the quarter. That's what we'll see that – which could benefit in the coming quarter just based on that average daily outstanding investment balance. That was neutral from second quarter to third quarter. But it's really the OID accretion that's the biggest point on the top line.

Finian O'Shea

Analyst, Wells Fargo Securities LLC

Okay. Thanks. In the 10 bps you gave on borrowing spreads, was that just from the baby bond or was that also – there's a couple of post-quarter changes as well. Is that a holistic sort of guidance or just that one bond that – I'm sorry, I didn't catch that.

Q

Thomas M. Hennigan

Chief Financial Officer, Interested Director & Chief Operating Officer and Chief Risk Officer-Direct Lending, Carlyle Secured Lending, Inc

No, it was primarily post quarter-end items. It was the – we repaid our legacy CSL III facility that was priced at SOFR + 2.85%. The baby bond swap adjusted is SOFR + 3.14%. So those – the CSL III facility we repaid at the beginning of October. The baby bond will be repaid effective December 1. And then, the biggest replacement is

A

the new institutional deal we did, which is swap adjusted 2.31% so all for SOFR. So net-net, that's about 10 basis points across the capital structure.

Finian O'Shea

Analyst, Wells Fargo Securities LLC

Q

Okay, thanks. And one final one for me. I'll get back in the queue. I'm sure we [ph] told you about this last quarter, but the \$0.40 declared before (00:15:20) you said something like comfortable for now. Can you expand on for now does that include – like how far out into the SOFR curve does that include? And then, sort of what are – I know you mentioned the 30% bucket being a rotating spread. So, like how much of – how much shorter [ph] fundamental or octane sort of drivers offset how much said (00:15:47) decline in your outlook for coverage?

Thomas M. Hennigan

Chief Financial Officer, Interested Director & Chief Operating Officer and Chief Risk Officer-Direct Lending, Carlyle Secured Lending, Inc

A

Sure. And interestingly, our outlook and the support and our comfort with that \$0.40 is actually in the near term in the next few quarters is where we see the most pain, and that's just based on really primarily the SOFR curve. So we anticipate earnings will drop in the next couple of quarters. When you look at the longer term with our two JVs, let's just say, one JV in place and then potential second JV, that's what we see – that will just take time to ramp those vehicles. So for example, our existing JV, I mentioned, we increased the credit facility from \$600 million to \$800 million to just give us more dry powder to continue to invest. We reached agreement with our partner to increase our equity commitments from \$175 million to \$250 million each. And we've also been working on some creative, low-cost financing solutions [ph] to continue to operate at a very low (00:16:48) debt cost of capital for that JV.

So, that gives us the runway and it's going to take some time to grow that vehicle from \$800 million of assets to double the size to \$1.6 billion. And right now, look, we're at a 15% return on assets for CGBD. We see the ability to increase that by 300 basis points to 500 basis points. Yeah, so we see a lot of positive drivers with that JV, but it's going to take some time to invest over the course of the next number of quarters.

And then, the second JV, where we've made some really good progress with a potential partner, it's leveraging Carlyle's Global Credit expertise [ph] in investing loans. It's something we hope to have more color for the market, and hopefully, trying to closing that (00:17:34) deal sometime this quarter. But again...

Finian O'Shea

Analyst, Wells Fargo Securities LLC

Q

Appreciate...

Thomas M. Hennigan

Chief Financial Officer, Interested Director & Chief Operating Officer and Chief Risk Officer-Direct Lending, Carlyle Secured Lending, Inc

A

...that's a pretty longer term to ramp that vehicle.

Finian O'Shea

Analyst, Wells Fargo Securities LLC

Q

Yeah. No, appreciate all the color there, and thanks so much.

Operator: Thank you. One moment for our next question. Our next question comes from the line of Erik Zwick from Lucid Capital Markets.

Erik Zwick*Analyst, Lucid Capital Markets LLC*

Q

Good morning. Just looking at slide 5 of your deck this morning, over the past year or so, the concentration of first-lien debt has increased up to about 86% of the total portfolio. Now, with the second-lien investment bonds coming down, we've been hearing from others that second-lien debt potentially is not as attractive today given tighter spreads. So, just curious, are we likely to see this trend continue in your view of first-lien debt continuing to become a larger concentration in the portfolio?

Justin V. Plouffe*Chief Executive Officer, President, Interested Director & Deputy Chief Investment Officer-Global Credit, Carlyle Secured Lending, Inc*

A

Yeah, it's Justin. Thanks for the question. Look, we are operating in a tight spread environment across credit markets, and at this point in time, we don't see a ton of value in second liens. I think the – I think across all private credit markets, the amount you're getting paid to take significant risk has really has come down in the last 24 months.

So, our strategy has always been defensive, diversified, first lien, and then opportunistic on things like second liens. And I would tell you right now, we don't see the opportunity to be that compelling. So, I think you will see our portfolio continue to trend first lien, and I don't see any reason for that to change in the near term. Of course, we could have a credit cycle and then there might be opportunities that come up at that point. But for now, we're very, very focused on a defensive first-lien portfolio.

Erik Zwick*Analyst, Lucid Capital Markets LLC*

Q

I appreciate the commentary there. And then, just given your comments about the pipeline continuing to grow, and I guess, I'm curious what the kind of average yield looks like in the pipeline today versus the current weighted average yield in the portfolio. Is there potentially pressure there as the portfolio turns or what are your thoughts there?

Thomas M. Hennigan*Chief Financial Officer, Interested Director & Chief Operating Officer and Chief Risk Officer-Direct Lending, Carlyle Secured Lending, Inc*

A

Hey, Erik. It's Tom. There definitely continues to be pressure on spreads relative to where the portfolio is. For the third quarter, our weighted average spread was a shade over 500 basis point, [ph] third quarter was a (00:20:24) bit higher, and part of that is our mix of non-US transactions. In the second quarter, it was closer to 15%. We're typically seeing anywhere from the 75 basis point to 100 basis point premium for those non-US transactions. So got a little extra spread premium in the second quarter.

In the third quarter, our [ph] originations were strong, it was only about 5% (00:20:43) and only one deal from our European originations. So, we were right about 500 basis points.

But I think that there continues to be overall pressure when you look at where the overall portfolio yield is relative to, let's say, those new originations, which are more squarely at the 500 basis points weighted average, and for a brand new [ph] LBO, not in the portfolio, there would probably be a four handle is what we're seeing into those (00:21:06) market. But for CGBD, those are transactions, and we'll be investing in that particular transaction across our broader Direct Lending business for CGBD as those assets drift and spread below 500 basis points, that's where they're very good candidates for our JV.

Erik Zwick*Analyst, Lucid Capital Markets LLC*

Q

And last question for me, just looking at the chart on slide 12, the risk rating distribution, a nice quarter-over-quarter improvement in those two rated assets. I'm just curious the drivers there was it kind of industry related or a more company specific? If you're able to provide any commentary?

Thomas M. Hennigan*Chief Financial Officer, Interested Director & Chief Operating Officer and Chief Risk Officer-Direct Lending, Carlyle Secured Lending, Inc*

A

The increase in the two rated, Erik, from...

Erik Zwick*Analyst, Lucid Capital Markets LLC*

Q

Yes.

Thomas M. Hennigan*Chief Financial Officer, Interested Director & Chief Operating Officer and Chief Risk Officer-Direct Lending, Carlyle Secured Lending, Inc*

A

...about \$100 million. Yet, primarily a couple of deals transitioned from the three category to two category. The biggest component is just net originations for the quarter and those continue to be in our main categories of healthcare, software technology and financial services. Those continue to be through our larger categories and that's where most of our originations [ph] in the third quarter (00:22:16).

Erik Zwick*Analyst, Lucid Capital Markets LLC*

Q

Thank you for taking my questions.

Operator: Thank you. One moment for our next question. Our next question comes from the line of Sean-Paul Adams from B. Riley Securities.

Sean-Paul Adams*Analyst, B. Riley Securities, Inc.*

Q

Hey, guys. Good morning. Congrats on the great quarter. But when looking over the non-accruals, it looked like quarter-over-quarter non-accruals decreased significantly, but the rating within the portfolio increased from investment-grade rating 4 to 5. So, are the non-accruals that are remaining on the books, they just shifted to materially changing the expectations on recoveries? Or is this just more of a covenant change or just lapsing in the amount of time since payment? Thank you.

Thomas M. Hennigan*Chief Financial Officer, Interested Director & Chief Operating Officer and Chief Risk Officer-Direct Lending, Carlyle Secured Lending, Inc*

A

Hey, it's Tom again. I'll answer that in a slightly different way, I think, just to describe the changes in the category. The biggest decline in the four category was the restructuring of Arch Maverick. Now, it's called Align Precision. So, that was the largest component of that 4 category. And we successfully restructured and wrote off some debt, but now that transaction in the multiple tranches lives in the 2 and 3 categories. The migration from 4 to 5 is primarily one credit that remains on non-accrual that we are in the midst of restructuring right now.

And I think that it's the shift from 4 to 5 [ph] is acknowledgment on our part that, hey, (00:24:03) yes, we're restructuring it. Yes, we're going to be writing off debt. And my credit view, unlike Maverick, we see a path with the lead agent. We see a path to – it's going to take a few years, but to a very strong recovery, perhaps, a full recovery on that investment, the loan that we – there were two loans. One was the majority piece. The 4 to 5 were investments that were restructuring, their in-payment defaults and/or non-accruals. And we think that even longer term, we're likely not going to have a full return of capital.

Sean-Paul Adams

Analyst, B. Riley Securities, Inc.

Q

Thank you for the color.

Operator: Thank you. One moment for our next question. Our next question comes from the line of Robert Dodd from Raymond James.

Robert Dodd

Analyst, Raymond James & Associates, Inc.

Q

Hi, guys. On the potential and I realize nothing has been signed yet, right. The potential second JV, do you envision that – as your partner envision that as kind of the same kind of style as the existing one? I mean, in your prepared remarks, you mentioned, obviously, leveraging the global platform more maybe. Or yeah, is this potential second one going to be structurally similar but target assets is different than the first one, and i.e., diversifiable exposure or just participate in the same kind of deals and just diversify where it's held?

Thomas M. Hennigan

Chief Financial Officer, Interested Director & Chief Operating Officer and Chief Risk Officer-Direct Lending, Carlyle Secured Lending, Inc

A

Right. Rob, good morning.

Robert Dodd

Analyst, Raymond James & Associates, Inc.

Q

Good morning.

Thomas M. Hennigan

Chief Financial Officer, Interested Director & Chief Operating Officer and Chief Risk Officer-Direct Lending, Carlyle Secured Lending, Inc

A

This contemplated JV that the structure will be very similar to the existing JV in terms of 50/50 governance, there'll be 50/50 economic ownership. It is in loans, but it will be a different investment strategy really zero overlap to the current JV.

Robert Dodd

Analyst, Raymond James & Associates, Inc.

Q

Got it. Thank you. And then, just you're sounding obviously more optimistic about the outlook and 30% increase in deal flow for a couple of months is pretty good. How is the quality of those deals and kind of like the terms? I mean, are you seeing the initial look at those [ph] four handles on new LBOs (00:26:13)? I mean, is that what we're looking at, the terms consistent with that in terms of the pipeline build and is the quality of the assets you're seeing? It's one thing for 4.75%. The leverage is lower, but if leverage is getting [ph] followed and I don't know that (00:26:32) could be the case. Those terms might not be so attractive. I mean, any color you can give on like the constituents of the pipeline in terms of how it looks?

Thomas M. Hennigan

Chief Financial Officer, Interested Director & Chief Operating Officer and Chief Risk Officer-Direct Lending, Carlyle Secured Lending, Inc

A

Rob, I think the pipeline consists, I think, high-quality borrowers very much in the same makeup industry wise as our current portfolio in terms of focusing on whether it be software, technology, healthcare, business and consumer services, financial services, I would say it's very much industries deal specific in terms of leverage.

The one key attribute, though, and it was the case back in 2023 when leverage was lower, it's been the case now that there's somewhat of reopening in the market. Is the LTV investing in the first-lien loans? Are LTV consistently is 38% to 42% on average, perhaps even lower for some of the technology deals. We're looking at industrial deals that may be a bit higher because of the lower growth and lower enterprise value multiples. But overall, that's really the one common attribute is that loan to values with that significant coverage were – loan-to-value is typically 40%.

Robert Dodd

Analyst, Raymond James & Associates, Inc.

Q

Got it. Thank you.

Operator: Thank you. One moment for our next question. Our next question comes from the line of Melissa Wedel from JPMorgan.

Melissa Wedel

Analyst, JPMorgan Securities LLC

Q

Good morning. Thanks for taking my questions. Just want to make sure I'm understanding your comments on the – in your views on the JV appropriately. It seems like with the upsize in the existing one and the potential second JV, those will take time to scale up. And so, as you look at the earnings power of the portfolio, we shouldn't be thinking of those as having a particularly near-term impact on earnings power. Is that fair to say?

Thomas M. Hennigan

Chief Financial Officer, Interested Director & Chief Operating Officer and Chief Risk Officer-Direct Lending, Carlyle Secured Lending, Inc

A

Yeah, Melissa. That's a very good synopsis of it. When we look at the current quarter and the next quarter – next two quarters, we know the rate cut math is easy for us every 100 basis points is \$0.03 per share per quarter. Those JVs are going to take more time, multiple quarters. So, we see an earnings drop in the next couple of quarters and then it starts to build back up second half of 2026 into 2027.

Justin V. Plouffe

Chief Executive Officer, President, Interested Director & Deputy Chief Investment Officer-Global Credit, Carlyle Secured Lending, Inc

A

And of course, that will all depend on activity in the market as well. If we see elevated activity, perhaps, we can ramp faster. But we're thinking about these JVs as long-term drivers of increased income, not necessarily as a quarter-to-quarter fix.

Melissa Wedel

Analyst, JPMorgan Securities LLC

Q

Right. Okay.

Thomas M. Hennigan

Chief Financial Officer, Interested Director & Chief Operating Officer and Chief Risk Officer-Direct Lending, Carlyle Secured Lending, Inc

A

[indiscernible] (00:41:15) We have our \$0.86 of spillover over two quarters that for this interim basis, we feel comfortable if we're necessarily paying out this spillover, but we really have the long-term goal in mind.

Melissa Wedel

Analyst, JPMorgan Securities LLC

Q

Okay. Okay. Thank you for clarifying that. And then, following on one of your comments, I think it was during the prepared remarks, you mentioned at one point, the potential for spreads to widen, especially to compensate a little bit for lower base rates. I guess, I'm wondering if that's built into your – is that your base case expectation? And how does that – how do you reconcile that with, just the supply and demand imbalance of capital that we're seeing in the market now, even with base rates being lower and spreads still being so tight?

Justin V. Plouffe

Chief Executive Officer, President, Interested Director & Deputy Chief Investment Officer-Global Credit, Carlyle Secured Lending, Inc

A

Yeah, no, it's not necessarily our base case scenario. I think if you look historically when rates have been going down, spreads have actually more than compensated for the reduction in rates. But we're in an unusual environment now where we do have base rates going down while spreads either tighten or remain tight.

So, in the current environment, that's not the case. But as we know, credit goes through cycles. And I think eventually we will have a change in the supply-demand imbalance. I think historically, if you look across private credit spreads are at the tighter levels that they've been. So, I think it's reasonable in the intermediate term to think that there probably will be some movement on spread and we want to be positioned to take advantage of that, right. So that's really all that we're saying, not some prediction of near-term spread widening, because I don't really see the impetus for that in the markets today.

Melissa Wedel

Analyst, JPMorgan Securities LLC

Q

Okay. Got it. Thank you.

Operator: Thank you. At this time, I would now like to turn the conference back over to Justin Plouffe for closing remarks.

Justin V. Plouffe

Chief Executive Officer, President, Interested Director & Deputy Chief Investment Officer-Global Credit, Carlyle Secured Lending, Inc

Thanks, everybody, for joining the call. We really appreciate it. And we will speak with you next quarter. Take care.

Operator: This concludes today's conference call. Thank you for participating. You may now disconnect.

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