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New Mountain Finance Corp
Form 10-Q
May 07, 2018

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 March 31, 2018

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 (the "Exchange Act") 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, a non-accelerated filer, smaller reporting company, or an emerging growth company. See definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer
Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company
Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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 May 7, 2018
Common stock, par value \$0.01 per share	75,935,093

Table of Contents

FORM 10-Q FOR THE QUARTER ENDED MARCH 31, 2018

TABLE OF CONTENTS

	PAGE
<u>PART I. FINANCIAL INFORMATION</u>	<u>3</u>
<u>Item 1. Financial Statements</u>	<u>3</u>
<u>New Mountain Finance Corporation</u>	
<u>Consolidated Statements of Assets and Liabilities as of March 31, 2018 (unaudited) and December 31, 2017 (unaudited)</u>	<u>3</u>
<u>Consolidated Statements of Operations for the three months ended March 31, 2018 (unaudited) and March 31, 2017 (unaudited)</u>	<u>4</u>
<u>Consolidated Statements of Changes in Net Assets for the three months ended March 31, 2018 (unaudited) and March 31, 2017 (unaudited)</u>	<u>5</u>
<u>Consolidated Statements of Cash Flows for the three months ended March 31, 2018 (unaudited) and March 31, 2017 (unaudited)</u>	<u>6</u>
<u>Consolidated Schedule of Investments as of March 31, 2018 (unaudited)</u>	<u>7</u>
<u>Consolidated Schedule of Investments as of December 31, 2017</u>	<u>20</u>
<u>Notes to the Consolidated Financial Statements of New Mountain Finance Corporation</u>	<u>33</u>
<u>Report of Independent Registered Public Accounting Firm</u>	<u>61</u>
<u>Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>62</u>
<u>Item 3. Quantitative and Qualitative Disclosures About Market Risk</u>	<u>84</u>
<u>Item 4. Controls and Procedures</u>	<u>85</u>
<u>PART II. OTHER INFORMATION</u>	<u>86</u>
<u>Item 1. Legal Proceedings</u>	<u>86</u>
<u>Item 1A. Risk Factors</u>	<u>86</u>
<u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>87</u>
<u>Item 3. Defaults Upon Senior Securities</u>	<u>87</u>
<u>Item 4. Mine Safety Disclosures</u>	<u>87</u>
<u>Item 5. Other Information</u>	<u>87</u>
<u>Item 6. Exhibits</u>	<u>88</u>
<u>Signatures</u>	<u>89</u>

Table of Contents

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)

	March 31, 2018	December 31, 2017
Assets		
Investments at fair value		
Non-controlled/non-affiliated investments (cost of \$1,563,275 and \$1,438,889, respectively)	\$ 1,583,047	\$ 1,462,182
Non-controlled/affiliated investments (cost of \$152,521 and \$180,380, respectively)	155,729	178,076
Controlled investments (cost of \$229,862 and \$171,958, respectively)	239,147	185,402
Total investments at fair value (cost of \$1,945,658 and \$1,791,227, respectively)	1,977,923	1,825,660
Securities purchased under collateralized agreements to resell (cost of \$30,000 and \$30,000 respectively)	25,200	25,212
Cash and cash equivalents	29,636	34,936
Interest and dividend receivable	36,767	31,844
Receivable from affiliates	651	343
Other assets	8,242	10,023
Total assets	\$2,078,419	\$ 1,928,018
Liabilities		
Borrowings		
Holdings Credit Facility	\$355,663	\$ 312,363
Unsecured Notes	235,000	145,000
Convertible Notes	155,385	155,412
SBA-guaranteed debentures	150,000	150,000
NMFC Credit Facility	95,000	122,500
Deferred financing costs (net of accumulated amortization of \$17,885 and \$16,578, respectively)	(16,012)	(15,777)
Net borrowings	975,036	869,498
Payable for unsettled securities purchased	29,841	—
Management fee payable	14,435	7,065
Incentive fee payable	13,105	6,671
Interest payable	7,201	5,107
Payable to affiliates	2,076	863
Deferred tax liability	812	894
Other liabilities	2,912	2,945
Total liabilities	1,045,418	893,043
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, 75,935,093 and 75,935,903 shares issued and outstanding, respectively	759	759
Paid in capital in excess of par	1,053,468	1,053,468
Accumulated undistributed net investment income	39,083	39,165
Accumulated undistributed net realized losses on investments	(76,475)	(76,681)

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Net unrealized appreciation (depreciation) (net of provision for taxes of \$812 and \$894, respectively)	16,166	18,264
Total net assets	\$1,033,001	\$1,034,975
Total liabilities and net assets	\$2,078,419	\$1,928,018
Number of shares outstanding	75,935,093	75,935,093
Net asset value per share	\$13.60	\$13.63

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

3

Table of Contents

New Mountain Finance Corporation

Consolidated Statements of Operations

(in thousands, except shares and per share data)

(unaudited)

	Three Months Ended	
	March 31, 2018	March 31, 2017
Investment income		
From non-controlled/non-affiliated investments:		
Interest income	\$35,436	\$32,876
Dividend income	486	39
Non-cash dividend income	1,324	12
Other income	2,868	2,265
From non-controlled/affiliated investments:		
Interest income	102	647
Dividend income	845	1,004
Non-cash dividend income	4,009	644
Other income	302	298
From controlled investments:		
Interest income	1,201	475
Dividend income	4,239	4,213
Non-cash dividend income	1,454	821
Other income	623	13
Total investment income	52,889	43,307
Expenses		
Incentive fee	6,434	5,408
Management fee	8,692	7,614
Interest and other financing expenses	11,290	8,376
Professional fees	694	850
Administrative expenses	939	708
Other general and administrative expenses	410	466
Total expenses	28,459	23,422
Less: management and incentive fees waived (See Note 5)	(1,322)	(3,156)
Less: expenses waived and reimbursed (See Note 5)	—	(470)
Net expenses	27,137	19,796
Net investment income before income taxes	25,752	23,511
Income tax expense	16	80
Net investment income	25,736	23,431
Net realized gains (losses):		
Non-controlled/non-affiliated investments	206	826
Net change in unrealized appreciation (depreciation):		
Non-controlled/non-affiliated investments	(3,521)	7,979
Non-controlled/affiliated investments	1,809	(296)
Controlled investments	(456)	(1,478)
Securities purchased under collateralized agreements to resell	(12)	(800)
Benefit for taxes	82	755
Net realized and unrealized gains (losses)	(1,892)	6,986
Net increase in net assets resulting from operations	\$23,844	\$30,417

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Basic earnings per share	\$0.31	\$ 0.44
Weighted average shares of common stock outstanding - basic (See Note 11)	75,935,093	69,718,968
Diluted earnings per share	\$0.30	\$ 0.40
Weighted average shares of common stock outstanding - diluted (See Note 11)	85,759,227	79,543,095
Distributions declared and paid per share	\$0.34	\$ 0.34

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

4

Table of Contents

New Mountain Finance Corporation

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

	Three Months Ended	
	March 31, 2018	March 31, 2017
Increase (decrease) in net assets resulting from operations:		
Net investment income	\$25,736	\$23,431
Net realized gains on investments	206	826
Net change in unrealized (depreciation) appreciation of investments	(2,168) 6,205
Net change in unrealized (depreciation) appreciation of securities purchased under collateralized agreements to resell	(12) (800)
Benefit for taxes	82	755
Net increase in net assets resulting from operations	23,844	30,417
Capital transactions		
Distributions declared to stockholders from net investment income	(25,818) (23,704)
Reinvestment of distributions	—	1,548
Other	—	(81)
Total net decrease in net assets resulting from capital transactions	(25,818) (22,237)
Net (decrease) increase in net assets	(1,974) 8,180
Net assets at the beginning of the period	1,034,975	938,562
Net assets at the end of the period	\$1,033,001	\$946,742
Capital share activity		
Shares issued from the reinvestment of distributions	—	66,306
Shares reissued from repurchase program in connection with the reinvestment of distributions	—	37,573
Net increase in shares outstanding	—	103,879

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

Table of Contents

New Mountain Finance Corporation

Consolidated Statements of Cash Flows

(in thousands)

(unaudited)

	Three Months Ended	
	March 31, 2018	March 31, 2017
Cash flows from operating activities		
Net increase in net assets resulting from operations	\$23,844	\$30,417
Adjustments to reconcile net (increase) decrease in net assets resulting from operations to net cash provided by (used in) operating activities:		
Net realized gains on investments	(206)	(826)
Net change in unrealized depreciation (appreciation) of investments	2,168	(6,205)
Net change in unrealized depreciation (appreciation) of securities purchased under collateralized agreements to resell	12	800
Amortization of purchase discount	(926)	(747)
Amortization of deferred financing costs	1,307	988
Amortization of premium on Convertible Notes	(27)	(27)
Non-cash investment income	(4,292)	(1,933)
(Increase) decrease in operating assets:		
Purchase of investments and delayed draw facilities	(237,846)	(349,477)
Proceeds from sales and paydowns of investments	87,141	133,801
Cash received for purchase of undrawn portion of revolving credit or delayed draw facilities	29	120
Cash paid on drawn revolvers	(5,423)	(3,970)
Cash repayments on drawn revolvers	7,092	1,159
Interest and dividend receivable	(4,923)	(3,881)
Receivable from unsettled securities sold	—	(691)
Receivable from affiliates	(308)	(369)
Other assets	1,781	(967)
Increase (decrease) in operating liabilities:		
Payable for unsettled securities purchased	29,841	47,811
Management fee payable	7,370	6,258
Incentive fee payable	6,434	3,608
Interest payable	2,094	2,478
Payable to affiliates	1,213	276
Deferred tax liability	(82)	(755)
Other liabilities	(101)	298
Net cash flows used in operating activities	(83,808)	(141,834)
Cash flows from financing activities		
Distributions paid	(25,818)	(22,156)
Offering costs paid	—	(58)
Proceeds from Holdings Credit Facility	94,500	165,600
Repayment of Holdings Credit Facility	(51,200)	(122,200)
Proceeds from Unsecured Notes	90,000	—
Proceeds from NMFC Credit Facility	65,000	122,500
Repayment of NMFC Credit Facility	(92,500)	(10,000)
Other	—	(81)

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Deferred financing costs paid	(1,474)	(36)
Net cash flows provided by financing activities	78,508	133,569
Net decrease in cash and cash equivalents	(5,300)	(8,265)
Cash and cash equivalents at the beginning of the period	34,936	45,928
Cash and cash equivalents at the end of the period	\$29,636	\$ 37,663
Supplemental disclosure of cash flow information		
Cash interest paid	\$7,577	\$4,570
Income taxes paid	3	12
Non-cash financing activities:		
Value of shares issued in connection with the distribution reinvestment plan	\$—	\$988
Value of shares reissued from repurchase program in connection with the distribution reinvestment plan	—	560
Accrual for offering costs	944	540
Accrual for deferred financing costs	171	63

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

6

Table of Contents

New Mountain Finance Corporation

Consolidated Schedule of Investments

March 31, 2018

(in thousands, except shares)

(unaudited)

Portfolio Company, Location and Industry (1)	Type of Investment	Interest Rate(9)	Acquisition Date	Maturity / Expiration Date	Principal Amount, Par Value or Shares	Cost	Fair Value	Percent of Net Assets
Non-Controlled/Non-Affiliated Investments								
Funded Debt Investments - United Kingdom								
Shine Acquisition Co. S.à.r.l. / Boing US Holdco Inc.**								
Consumer Services	Second lien (3)	9.29% (L + 7.50%/Q)	9/25/2017	10/3/2025	\$ 40,353	\$40,064	\$40,480	3.92 %
Air Newco LLC**								
Software	Second lien (3)	11.37% (L + 9.50%/Q)	1/30/2015	1/31/2023	40,000	39,068	39,600	3.83 %
Total Funded Debt Investments - United Kingdom					\$ 80,353	\$79,132	\$80,080	7.75 %
Funded Debt Investments - United States								
Benevis Holding Corp.								
Healthcare Services	First lien (2)	8.50% (L + 6.32%/Q)	3/15/2018	3/15/2024	\$ 58,824	\$58,824	\$58,824	
	First lien (3)	8.50% (L + 6.32%/Q)	3/15/2018	3/15/2024	20,691	20,691	20,691	
					79,515	79,515	79,515	7.70 %
AmWINS Group, Inc.								
Business Services	Second lien (3)	8.63% (L + 6.75%/Q)	1/19/2017	1/25/2025	57,000	56,810	57,570	5.57 %
Alegeus Technologies, LLC								
Healthcare Services	Second lien (3)(10)	10.80% (L + 8.50%/Q)	4/28/2017	10/30/2023	23,500	23,500	23,500	
	Second lien (4)(10)	10.80% (L + 8.50%/Q)	4/28/2017	10/30/2023	22,500	22,500	22,500	
					46,000	46,000	46,000	4.45 %

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Integro Parent Inc.							
Business Services	First lien (2)	7.56% (L + 5.75%/Q)	10/9/2015	10/31/2022	34,784	34,525	34,784
	Second lien (3)	11.02% (L + 9.25%/Q)	10/9/2015	10/30/2023	10,000	9,922	9,800
					44,784	44,447	44,584 4.32 %
Severin Acquisition, LLC							
Software	Second lien (4)(10)	10.63% (L + 8.75%/M)	7/31/2015	7/29/2022	15,000	14,896	15,000
	Second lien (3)(10)	10.63% (L + 8.75%/M)	2/1/2017	7/29/2022	14,518	14,368	14,518
	Second lien (4)(10)	10.63% (L + 8.75%/M)	11/5/2015	7/29/2022	4,154	4,124	4,154
	Second lien (4)(10)	11.13% (L + 9.25%/M)	2/1/2016	7/29/2022	3,273	3,249	3,273
	Second lien (3)(10)	10.88% (L + 9.00%/M)	10/14/2016	7/29/2022	2,361	2,342	2,361
	Second lien (3)(10)	11.13% (L + 9.25%/M)	8/8/2016	7/29/2022	1,825	1,810	1,825
	Second lien (4)(10)	11.13% (L + 9.25%/M)	8/8/2016	7/29/2022	300	298	300
					41,431	41,087	41,431 4.01 %
Salient CRGT Inc.							
Federal Services	First lien (2)	7.63% (L + 5.75%/M)	1/6/2015	2/28/2022	39,882	39,445	40,380 3.91 %
Tenawa Resource Holdings LLC (13) Tenawa Resource Management LLC							
Energy	First lien (3)(10)	10.50% (Base + 8.00%/Q)	5/12/2014	10/30/2024	39,800	39,737	39,800 3.85 %
VetCor Professional Practices LLC							
Consumer Services	First lien (4)	8.56% (L + 6.25%/Q)	5/15/2015	4/20/2021	19,062	18,955	19,085
	First lien (2)	8.56% (L + 6.25%/Q)	5/15/2015	4/20/2021	7,694	7,591	7,704
			2/24/2017	4/20/2021	5,990	5,884	5,998

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First lien (3)(11) - Drawn	8.56% (L + 6.25%/Q)						
First lien (4)	8.56% (L + 6.25%/Q)	5/15/2015	4/20/2021	2,644	2,627	2,647	
First lien (3)(11) - Drawn	8.56% (L + 6.25%/Q)	6/24/2016	4/20/2021	1,881	1,865	1,884	
First lien (2)	8.56% (L + 6.25%/Q)	3/31/2016	4/20/2021	1,628	1,603	1,630	
First lien (4)	8.56% (L + 6.25%/Q)	5/15/2015	4/20/2021	494	487	494	
				39,393	39,012	39,442	3.82 %

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

7

Table of Contents

New Mountain Finance Corporation

Consolidated Schedule of Investments (Continued)

March 31, 2018

(in thousands, except shares)

(unaudited)

Portfolio Company, Location and Industry (1)	Type of Investment	Interest Rate(9)	Acquisition Date	Maturity / Expiration Date	Principal Amount, Par Value or Shares	Cost	Fair Value	Percent of Net Assets
Frontline Technologies Group Holdings, LLC								
Education	First lien (2)(10)	8.38% (L + 6.50%/M)	9/18/2017	9/18/2023	\$ 16,708	\$ 16,592	\$ 16,583	
	First lien (4)(10)	8.38% (L + 6.50%/M)	9/18/2017	9/18/2023	22,557	22,400	22,388	
					39,265	38,992	38,971	3.77 %
NM GRC Holdco, LLC								
Business Services	First lien (2)(10)	7.80% (L + 5.50%/Q)	2/9/2018	2/9/2024	38,930	38,739	38,735	3.75 %
Kronos Incorporated								
Software	Second lien (2)	10.02% (L + 8.25%/Q)	10/26/2012	11/1/2024	36,000	35,520	37,425	3.62 %
Valet Waste Holdings, Inc.								
Business Services	First lien (2)(10)	8.14% (L + 6.25%/M)	9/24/2015	9/24/2021	29,250	29,018	29,250	
	First lien (2)(10)	8.14% (L + 6.25%/M)	7/27/2017	9/24/2021	3,722	3,690	3,722	
	First lien (3)(10)(11) - Drawn	8.89% (L + 7.00%/M)	9/24/2015	9/24/2021	600	593	600	
					33,572	33,301	33,572	3.25 %
Navicure, Inc.								
Healthcare Services	Second lien (3)	9.38% (L + 7.50%/M)	10/23/2017	10/31/2025	31,470	31,385	31,627	3.06 %
Evo Payments International, LLC								
Business Services	Second lien (2)	10.88% (L + 9.00%/M)	12/8/2016	12/23/2024	25,000	24,827	25,250	
	Second lien (3)	10.88% (L + 9.00%/M)	12/8/2016	12/23/2024	5,000	5,052	5,050	
					30,000	29,879	30,300	2.93 %
Wirepath LLC								

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Distribution & Logistics Ansira Holdings, Inc.	First lien (2)	6.80% (L + 4.50%/Q)	7/31/2017	8/5/2024	27,661	27,533	27,895	2.70 %
Business Services	First lien (2)	8.80% (L + 6.50%/Q)	12/19/2016	12/20/2022	25,855	25,748	25,790	
	First lien (3)(11) - Drawn	8.80% (L + 6.50%/Q)	12/19/2016	12/20/2022	2,102	2,093	2,097	
Trader Interactive, LLC					27,957	27,841	27,887	2.70 %
Business Services	First lien (2)(10)	7.85% (L + 6.00%/M)	6/15/2017	6/17/2024	27,122	26,937	26,919	2.61 %
TW-NHME Holdings Corp. (20) National HME, Inc.								
Healthcare Services	Second lien (4)(10)	11.55% (L + 9.25%/Q)	7/14/2015	7/14/2022	21,500	21,309	20,702	
	Second lien (3)(10)	11.55% (L + 9.25%/Q)	7/14/2015	7/14/2022	5,800	5,740	5,585	
Keystone Acquisition Corp.					27,300	27,049	26,287	2.54 %
Healthcare Services	First lien (2)	7.55% (L + 5.25%/Q)	5/10/2017	5/1/2024	19,900	19,720	20,024	
	Second lien (3)	11.55% (L + 9.25%/Q)	5/10/2017	5/1/2025	4,500	4,458	4,556	
iPipeline, Inc. (Internet Pipeline, Inc.)					24,400	24,178	24,580	2.38 %
Software	First lien (4)(10)	9.14% (L + 7.25%/M)	8/4/2015	8/4/2022	17,550	17,430	17,550	
	First lien (4)(10)	8.06% (L + 6.25%/M)	6/16/2017	8/4/2022	4,566	4,546	4,543	
	First lien (2)(10)	8.04% (L + 6.25%/M)	9/25/2017	8/4/2022	1,158	1,153	1,152	
	First lien (4)(10)	8.04% (L + 6.25%/M)	9/25/2017	8/4/2022	509	507	507	
					23,783	23,636	23,752	2.30 %

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

Table of Contents

New Mountain Finance Corporation

Consolidated Schedule of Investments (Continued)

March 31, 2018

(in thousands, except shares)

(unaudited)

Portfolio Company, Location and Industry (1)	Type of Investment	Interest Rate(9)	Acquisition Date	Maturity / Expiration Date	Principal Amount, Par Value or Shares	Cost	Fair Value	Percent of Net Assets
AAC Holding Corp. Education	First lien (2)(10)	9.92% (L + 8.25%/M)	9/30/2015	9/30/2020	\$ 22,971	\$22,781	\$22,971	2.22 %
TWDiamondback Holdings Corp. (15) Diamondback Drugs of Delaware, L.L.C. (TWDiamondback II Holdings LLC)	First lien (4)(10)	11.22% (L + 8.75%/Q)	11/19/2014	11/19/2019	19,895	19,895	19,895	
Distribution & Logistics	First lien (3)(10)	10.79% (L + 8.75%/Q)	11/19/2014	11/19/2019	2,158	2,158	2,158	
	First lien (4)(10)	10.79% (L + 8.75%/Q)	11/19/2014	11/19/2019	605	605	605	
					22,658	22,658	22,658	2.19 %
EN Engineering, LLC Business Services	First lien (2)(10)	8.30% (L + 6.00%/Q)	7/30/2015	6/30/2021	20,839	20,715	20,839	
	First lien (2)(10)	8.30% (L + 6.00%/Q)	7/30/2015	6/30/2021	1,205	1,197	1,205	
					22,044	21,912	22,044	2.13 %
Avatar Topco, Inc. (23) EAB Global, Inc.	Second lien (3)	9.23% (L + 7.50%/Q)	11/17/2017	11/17/2025	21,450	21,139	21,450	2.08 %
DigiCert Holdings, Inc. Business Services	Second lien (3)	9.77% (L + 8.00%/M)	9/20/2017	10/31/2025	20,176	20,079	20,378	1.97 %
OEConnection LLC Business Services	Second lien (3)	10.46% (L + 8.00%/Q)	11/22/2017	11/22/2025	20,213	19,943	20,213	1.96 %
Help/Systems Holdings, Inc. Software	Second lien (5)	10.05% (L+ 7.75%/Q)	3/23/2018	3/27/2026	20,231	20,130	20,130	1.95 %

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DiversiTech Holdings, Inc.									
Distribution & Logistics	Second lien (3)	9.81% (L + 7.50%/Q)	5/18/2017	6/2/2025	19,500	19,319	19,744	1.91	%
ABILITY Network Inc.									
Healthcare Information Technology	Second lien (3)	9.54% (L + 7.75%/M)	12/11/2017	12/12/2025	18,851	18,839	18,933	1.83	%
AgKnowledge Holdings Company, Inc.									
Business Services	Second lien (2)(10)	10.13% (L + 8.25%/M)	7/23/2014	7/23/2020	18,500	18,417	18,500	1.79	%
KeyPoint Government Solutions, Inc.									
Federal Services	First lien (2)(10)	7.73% (L + 6.00%/M)	4/18/2017	4/18/2024	18,173	18,012	18,355	1.78	%
BackOffice Associates Holdings, L.L.C.									
Business Services	First lien (2)(10)	9.38% (L + 7.50%/M)	8/25/2017	8/25/2023	18,502	18,354	18,341	1.78	%
SW Holdings, LLC									
Business Services	Second lien (4)(10)	11.05% (L + 8.75%/Q)	6/30/2015	12/30/2021	18,161	18,030	18,260	1.77	%
VF Holding Corp.									
Software	Second lien (3)(10)	10.88% (L + 9.00%/M)	7/7/2016	6/28/2024	17,086	17,387	17,427	1.69	%
DCA Investment Holding, LLC									
Healthcare Services	First lien (2)(10)	7.56% (L + 5.25%/Q)	7/2/2015	7/2/2021	17,408	17,306	17,408	1.69	%
TIBCO Software Inc.									
Software	Subordinated (3)	11.38%/S	11/24/2014	12/1/2021	15,000	14,729	16,359	1.58	%
Hill International, Inc.**									
Business Services	First lien (2)(10)	7.63% (L + 5.75%/M)	6/21/2017	6/21/2023	15,682	15,611	15,603	1.51	%
FR Arsenal Holdings II Corp.									
Business Services	First lien (2)(10)	9.31% (L + 7.25%/Q)	9/29/2016	9/8/2022	15,317	15,189	15,348	1.49	%
Netsmart Inc. / Netsmart Technologies, Inc.									
Healthcare Information Technology	Second lien (2)	11.38% (L + 9.50%/Q)	4/18/2016	10/19/2023	15,000	14,695	15,075	1.46	%
Xactly Corporation									
Software	First lien (4)(10)	9.14% (L + 7.25%/M)	7/31/2017	7/29/2022	14,690	14,557	14,543	1.41	%

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

Table of Contents

New Mountain Finance Corporation

Consolidated Schedule of Investments (Continued)

March 31, 2018

(in thousands, except shares)

(unaudited)

Portfolio Company, Location and Industry (1)	Type of Investment	Interest Rate(9)	Acquisition Date	Maturity / Expiration Date	Principal Amount, Par Value or Shares	Cost	Fair Value	Percent of Net Assets
Transcendia Holdings, Inc.								
Packaging	Second lien (3)	9.88% (L + 8.00%/M)	6/28/2017	5/30/2025	\$ 14,500	\$ 14,313	\$ 14,391	1.39 %
Peraton Holding Corp. (fka MHVC Acquisition Corp.)								
Federal Services	First lien (2)	7.56% (L + 5.25%/Q)	4/25/2017	4/29/2024	13,994	13,953	14,099	1.36 %
Ministry Brands, LLC								
Software	First lien (3)	6.88% (L + 5.00%/M)	12/7/2016	12/2/2022	2,985	2,973	2,985	
	Second lien (3)(10)	11.13% (L + 9.25%/M)	12/7/2016	6/2/2023	7,840	7,790	7,840	
	Second lien (3)(10)	11.13% (L + 9.25%/M)	12/7/2016	6/2/2023	2,160	2,146	2,160	
	First lien (3)(10)(11) - Drawn	6.78% (L + 5.00%/Q)	12/7/2016	12/2/2022	600	597	600	
					13,585	13,506	13,585	1.32 %
Project Accelerate Parent, LLC								
Business Services	Second lien (3)(10)	10.19% (L + 8.50%/Q)	1/2/2018	1/2/2026	13,473	13,308	13,305	1.29 %
American Tire Distributors, Inc. Distribution & Logistics	Subordinated (3)	10.25%/S	2/10/2015	3/1/2022	12,520	12,279	12,849	1.24 %
nThrive, Inc. (fka Precyse Acquisition Corp.)								
Healthcare Services	Second lien (2)(10)	11.63% (L + 9.75%/M)	4/19/2016	4/20/2023	13,000	12,820	12,574	1.22 %
SSH Group Holdings, Inc. Education			10/13/2017	10/2/2024	8,386	8,346	8,344	

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	First lien (2)(10)	7.45% (L + 5.00%/Q)							
	Second lien (3)(10)	11.45% (L + 9.00%/Q)	10/13/2017	10/2/2025	3,363	3,330	3,329		
					11,749	11,676	11,673	1.13 %	
ProQuest LLC									
Business Services	Second lien (3)	10.88% (L + 9.00%/M)	12/14/2015	12/15/2022	11,620	11,447	11,620	1.12 %	
Zywave, Inc.									
Software	Second lien (4)(10)	10.87% (L + 9.00%/Q)	11/22/2016	11/17/2023	11,000	10,929	11,022		
	First lien (3)(10)(11) - Drawn	6.57% (L + 5.00%/Q)	11/22/2016	11/17/2022	500	496	500		
					11,500	11,425	11,522	1.12 %	
Amerijet Holdings, Inc.									
Distribution & Logistics	First lien (4)(10)	9.65% (L + 8.00%/M)	7/15/2016	7/15/2021	9,455	9,405	9,494		
	First lien (4)(10)	9.65% (L + 8.00%/M)	7/15/2016	7/15/2021	1,576	1,567	1,582		
					11,031	10,972	11,076	1.07 %	
Vectra Co.									
Business Products	Second lien (3)	8.96% (L + 7.25%/M)	2/23/2018	3/8/2026	10,788	10,748	10,896	1.05 %	
Masergy Holdings, Inc.									
Business Services	Second lien (2)	9.80% (L + 7.50%/Q)	12/14/2016	12/16/2024	10,500	10,448	10,583	1.02 %	
QC McKissock Investment, LLC (14) McKissock, LLC									
Education	First lien (2)(10)	8.30% (L + 6.00%/Q)	8/6/2014	8/5/2021	6,399	6,372	6,399		
	First lien (2)(10)	8.30% (L + 6.00%/Q)	8/6/2014	8/5/2021	3,051	3,040	3,051		
	First lien (2)(10)	8.30% (L + 6.00%/Q)	8/6/2014	8/5/2021	985	980	985		
					10,435	10,392	10,435	1.01 %	
Idera, Inc.									
Software	Second lien (4)	10.88% (L + 9.00%/M)	6/27/2017	6/27/2025	10,000	9,859	10,200	0.99 %	
Quest Software US Holdings Inc.									
Software	First lien (2)	7.27% (L + 5.50%/M)	10/31/2016	10/31/2022	9,899	9,780	10,095	0.98 %	
PowerPlan Holdings, Inc.									
Software	Second lien (2)(10)	10.88% (L + 9.00%/M)	2/23/2015	2/23/2023	10,000	9,929	10,000	0.97 %	

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

10

Table of Contents

New Mountain Finance Corporation

Consolidated Schedule of Investments (Continued)

March 31, 2018

(in thousands, except shares)

(unaudited)

Portfolio Company, Location and Industry (1)	Type of Investment	Interest Rate(9)	Acquisition Date	Maturity / Expiration Date	Principal Amount, Par Value or Shares	Cost	Fair Value	Percent of Net Assets
FPC Holdings, Inc.								
Distribution & Logistics	Second lien (3)	10.88% (L + 9.00%/Q)	3/28/2018	5/19/2023	\$ 10,116	\$ 9,711	\$ 9,711	0.94 %
WD Wolverine Holdings, LLC								
Healthcare Services	First lien (2)	7.38% (L + 5.50%/Q)	2/22/2017	8/16/2022	9,750	9,486	9,671	0.94 %
Pelican Products, Inc.								
Business Products	Second lien (2)	10.13% (L + 8.25%/Q)	4/9/2014	4/9/2021	9,500	9,531	9,548	0.92 %
J.D. Power (fka J.D. Power and Associates)								
Business Services	Second lien (3)	10.80% (L + 8.50%/Q)	6/9/2016	9/7/2024	9,333	9,232	9,473	0.92 %
Harley Marine Services, Inc.								
Distribution & Logistics	Second lien (2)	12.00% (L + 10.25%/M)	12/18/2013	12/20/2019	9,000	8,937	8,955	0.87 %
JAMF Holdings, Inc.								
Software	First lien (3)(10)	9.82% (L + 8.00%/Q)	11/13/2017	11/11/2022	8,757	8,675	8,670	0.84 %
Autodata, Inc. (Autodata Solutions, Inc.)								
Business Services	Second lien (3)	9.01% (L + 7.25%/M)	12/12/2017	12/12/2025	7,406	7,388	7,517	0.73 %
MH Sub I, LLC (Micro Holding Corp.)								
Software	Second lien (3)	9.28% (L + 7.50%/Q)	8/16/2017	9/15/2025	7,000	6,933	7,101	0.69 %
DG Investment Intermediate Holdings 2, Inc. (aka Convergent Technologies Holdings, LLC)								
Business Services	Second lien (3)	9.05% (L + 6.75%/Q)	1/29/2018	2/2/2026	6,732	6,699	6,833	0.66 %

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First American Payment Systems, L.P.								
Business Services	First lien (2)	6.44% (L + 4.75%/M)	1/3/2017	1/5/2024	6,688	6,630	6,763	0.66 %
CP VI Bella Midco, LLC								
Healthcare Services	Second lien (3)	8.63% (L + 6.75%/M)	1/25/2018	12/29/2025	6,732	6,699	6,741	0.65 %
Pathway Partners Vet Management Company LLC								
Consumer Services	Second lien (4)	9.88% (L + 8.00%/M)	10/4/2017	10/10/2025	5,556	5,528	5,527	
	Second lien (4)(11) - Drawn	9.88% (L + 8.00%/M)	10/4/2017	10/10/2025	698	694	694	
					6,254	6,222	6,221	0.60 %
Solera LLC / Solera Finance, Inc.								
Software	Subordinated (3)	10.50%/S	2/29/2016	3/1/2024	5,000	4,797	5,588	0.54 %
Applied Systems, Inc.								
Software	Second lien (3)	9.30% (L + 7.00%/Q)	9/14/2017	9/19/2025	4,923	4,923	5,102	0.49 %
ADG, LLC								
Healthcare Services	Second lien (3)(10)	10.88% (L + 9.00%/M)	10/3/2016	3/28/2024	5,000	4,936	5,037	0.49 %
Vencore, Inc. (fka The SI Organization Inc.)								
Federal Services	Second lien (3)	10.63% (L + 8.75%/Q)	6/14/2016	5/23/2020	4,400	4,355	4,439	0.43 %
Affinity Dental Management, Inc.								
Healthcare Services	First lien (2)(10)	8.30% (L + 6.00%/Q)	9/15/2017	9/15/2023	4,344	4,304	4,301	0.42 %
York Risk Services Holding Corp.								
Business Services	Subordinated (3)	8.50%/S	9/17/2014	10/1/2022	3,000	3,000	2,820	0.27 %
Ensemble S Merger Sub, Inc.								
Software	Subordinated (3)	9.00%/S	9/21/2015	9/30/2023	2,000	1,948	2,110	0.20 %

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

Table of Contents

New Mountain Finance Corporation

Consolidated Schedule of Investments (Continued)

March 31, 2018

(in thousands, except shares)

(unaudited)

Portfolio Company, Location and Industry (1)	Type of Investment	Interest Rate(9)	Acquisition Date	Maturity / Expiration Date	Principal Amount, Par Value or Shares	Cost	Fair Value	Percent of Net Assets
Education Management Corporation (12)								
Education Management II LLC								
Education	First lien (2)	10.25% (P + 5.50%/Q)(24)	1/5/2015	7/2/2020	\$211	\$205	\$50	
	First lien (3)	10.25% (P + 5.50%/Q)(24)	1/5/2015	7/2/2020	119	116	28	
	First lien (2)	13.25% (P + 8.50%/Q)(24)	1/5/2015	7/2/2020	475	437	7	
	First lien (3)	13.25% (P + 8.50%/Q)(24)	1/5/2015	7/2/2020	268	246	4	
					1,073	1,004	89	0.01 %
Total Funded Debt Investments - United States					\$1,442,480	\$1,432,395	\$1,446,005	139.98 %
Total Funded Debt Investments Equity - Hong Kong Bach Special Limited (Bach Preference Limited)**					\$1,522,833	\$1,511,527	\$1,526,085	147.73 %
Education	Preferred shares (3)(10)(22)	—	9/1/2017	—	60,711	\$5,991	\$5,988	0.58 %
Total Shares - Hong Kong Equity - United States Avatar Topco, Inc.						\$5,991	\$5,988	0.58 %
Education	Preferred shares (3)(10)(23)	—	11/17/2017	—	35,750	\$36,372	\$36,321	3.52 %

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Tenawa Resource Holdings LLC (13) QID NGL LLC									
Energy	Ordinary shares (7)(10)	—	5/12/2014	—	5,290,997	5,291	7,855		
	Preferred shares (7)(10)	—	10/30/2017	—	620,706	621	970		
						5,912	8,825	0.85	%
TWDiamondback Holdings Corp. (15)									
Distribution & Logistics	Preferred shares (4)(10)	—	11/19/2014	—	200	2,000	4,508	0.44	%
TW-NHME Holdings Corp. (20)									
Healthcare Services	Preferred shares (4)(10)	—	7/14/2015	—	100	1,000	409		
	Preferred shares (4)(10)	—	1/5/2016	—	16	158	64		
	Preferred shares (4)(10)	—	6/30/2016	—	6	68	25		
	Preferred shares (3)(10)	—	3/29/2018	—	40	162	162		
							1,388	660	0.06
Ancora Acquisition LLC									
Education	Preferred shares (6)(10)	—	8/12/2013	—	372	83	393	0.04	%

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

12

Table of Contents

New Mountain Finance Corporation

Consolidated Schedule of Investments (Continued)

March 31, 2018

(in thousands, except shares)

(unaudited)

Portfolio Company, Location and Industry (1)	Type of Investment	Interest Rate(9)	Acquisition Date	Maturity / Expiration Date	Principal Amount, Par Value or Shares	Cost	Fair Value	Percent of Net Assets	
Education Management Corporation (12)									
Education	Preferred shares (2)	—	1/5/2015	—	3,331	\$200	\$—		
	Preferred shares (3)	—	1/5/2015	—	1,879	113	—		
	Ordinary shares (2)	—	1/5/2015	—	2,994,065	100	11		
	Ordinary shares (3)	—	1/5/2015	—	1,688,976	56	6		
						469	17	—	%
Total Shares - United States						\$46,224	\$50,724	4.91	%
Total Shares Warrants - United States						\$52,215	\$56,712	5.49	%
ASP LCG Holdings, Inc.									
Education	Warrants (3)(10)	—	5/5/2014	5/5/2026	622	\$37	\$452	0.04	%
Ancora Acquisition LLC									
Education	Warrants (6)(10)	—	8/12/2013	8/12/2020	20	—	—	—	%
Total Warrants - United States						\$37	\$452	0.04	%
Total Funded Investments						\$1,563,779	\$1,583,249	153.26	%
Unfunded Debt Investments - United States									
VetCor Professional Practices LLC									
Consumer Services	First lien (3)(11) -	—	5/15/2015	4/20/2021	\$ 2,700	\$(27) \$3		

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	Undrawn First lien (3)(11) - Undrawn	—	12/29/2017	12/29/2019	6,671	(58) 8		
					9,371	(85) 11	—	%
DCA Investment Holding, LLC									
Healthcare Services	First lien (3)(10)(11) - Undrawn	—	7/2/2015	7/2/2021	2,100	(21) —		
	First lien (3)(10)(11) - Undrawn	—	12/20/2017	7/2/2021	13,465	(118) —		
					15,565	(139) —	—	%
iPipeline, Inc. (Internet Pipeline, Inc.)									
Software	First lien (3)(10)(11) - Undrawn	—	8/4/2015	8/4/2021	1,000	(10) —	—	%
Valet Waste Holdings, Inc.									
Business Services	First lien (3)(10)(11) - Undrawn	—	9/24/2015	9/24/2021	3,150	(39) —	—	%
Ministry Brands, LLC									
Software	First lien (3)(10)(11) - Undrawn	—	12/7/2016	12/2/2022	400	(2) —	—	%
Zywave, Inc.									
Software	First lien (3)(10)(11) - Undrawn	—	11/22/2016	11/17/2022	1,500	(11) —	—	%
Ansira Holdings, Inc.									
Business Services	First lien (3)(11) - Undrawn	—	12/19/2016	12/20/2018	1,700	(9) (4) —	%
JAMF Holdings, Inc.									
Software	First lien (3)(10)(11) - Undrawn	—	11/13/2017	11/11/2022	750	(8) (8) —	%
Pathway Partners Vet Management Company LLC									
Consumer Services	Second lien (4)(11) - Undrawn	—	10/4/2017	10/10/2025	1,746	(9) (9) —	%

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13

Table of Contents

New Mountain Finance Corporation

Consolidated Schedule of Investments (Continued)

March 31, 2018

(in thousands, except shares)

(unaudited)

Portfolio Company, Location and Industry (1)	Type of Investment	Interest Rate(9)	Acquisition Date	Maturity / Expiration Date	Principal Amount, Par Value or Shares	Cost	Fair Value	Percent of Net Assets
Xactly Corporation								
Software	First lien (3)(10)(11) - Undrawn	—	7/31/2017	7/29/2022	\$992	\$(10)	\$(10)	— %
Trader Interactive, LLC								
Business Services	First lien (3)(10)(11) - Undrawn	—	6/15/2017	6/15/2023	1,673	(13)	(13)	— %
NM GRC Holdco, LLC								
Business Services	First lien (3)(10)(11) - Undrawn	—	2/9/2018	2/9/2024	11,563	(29)	(29)	— %
BackOffice Associates Holdings, LLC								
Business Services	First lien (3)(10)(11) - Undrawn	—	8/25/2017	8/24/2018	3,448	(13)	(13))
	First lien (3)(10)(11) - Undrawn	—	8/25/2017	8/25/2023	2,586	(23)	(23))
					6,034	(36)	(36)) — %
Affinity Dental Management, Inc.								
Healthcare Services	First lien (3)(10)(11) - Undrawn	—	9/15/2017	3/15/2019	11,584	(29)	(29))
	First lien (3)(10)(11) - Undrawn	—	9/15/2017	3/15/2023	1,737	(17)	(17))
					13,321	(46)	(46)) (0.01) %
Frontline Technologies Group Holdings, LLC								
Education	First lien (3)(10)(11) - Undrawn	—	9/18/2017	9/18/2019	7,738	(58)	(58)) (0.01) %
Total Unfunded Debt Investments - United States					\$76,503	\$(504)	\$(202)) (0.02) %

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Total									
Non-Controlled/Non-Affiliated						\$1,563,275	\$1,583,047	153.24	%
Investments									
Non-Controlled/Affiliated									
Investments (25)									
Funded Debt Investments -									
United States									
Permian Holdco 1, Inc.									
Permian Holdco 2, Inc.									
Energy	Subordinated	14.00%	10/31/2016	10/15/2021	\$2,077	\$2,077	\$2,077		
	(3)(10)	PIK/Q*							
	Subordinated	14.00%	10/31/2016	10/15/2021	1,070	1,070	1,070		
	(3)(10)(11)	PIK/Q*							
					3,147	3,147	3,147	0.30	%
Total Funded Debt Investments					\$3,147	\$3,147	\$3,147	0.30	%
- United States									
Equity - United States									
HI Technology Corp.									
Business Services	Preferred		3/21/2017	—	2,768,000	\$105,155	\$107,450	10.40	%
	(3)(10)(21)	—							
NMFC Senior Loan Program I									
LLC**									
Investment Fund	Membership		6/13/2014	—	—	23,000	23,000	2.23	%
	(3)(10)	—							
Sierra Hamilton Holdings									
Corporation									
Energy	Ordinary		7/31/2017	—	25,000,000	1,501	11,208		
	(2)(10)	—							
	Ordinary		7/31/2017	—	2,786,000	1,281	1,248		
	(3)(10)	—							
						12,782	12,456	1.21	%

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Table of Contents

New Mountain Finance Corporation

Consolidated Schedule of Investments (Continued)

March 31, 2018

(in thousands, except shares)

(unaudited)

Portfolio Company, Location and Industry (1)	Type of Investment	Interest Rate(9)	Acquisition Date	Maturity / Expiration Date	Principal Amount, Par Value or Shares	Cost	Fair Value	Percent of Net Assets
Permian Holdco 1, Inc.								
Energy	Preferred shares (3)(10)(17)	—	10/31/2016	—	1,616,302	\$7,087	\$8,890	
	Ordinary shares (3)(10)	—	10/31/2016	—	1,366,452	1,350	786	
						8,437	9,676	0.94 %
Total Shares - United States						\$149,374	\$152,582	14.78 %
Total Funded Investments Total						\$152,521	\$155,729	15.08 %
Non-Controlled/Affiliated Investments						\$152,521	\$155,729	15.08 %
Controlled Investments (26)								
Funded Debt Investments - United States								
Edmentum Ultimate Holdings, LLC (16)								
Edmentum Inc. (fka Plato, Inc.)(Archipelago Learning Inc.)								
Education	Second lien (3)(10)	7.00% PIK/Q*	2/23/2018	12/9/2021	\$10,657	\$9,906	\$9,859	
	Second lien (3)(10)(11) - Drawn	5.00% PIK/Q*	6/9/2015	6/9/2020	4,881	4,881	4,881	
	Subordinated (3)(10)	8.50% PIK/Q*	6/9/2015	6/9/2020	4,588	4,584	4,588	
	Subordinated (2)(10)	10.00% PIK/Q*	6/9/2015	6/9/2020	17,188	17,188	13,751	
	Subordinated (3)(10)	10.00% PIK/Q*	6/9/2015	6/9/2020	4,228	4,228	3,383	
					41,542	40,787	36,462	3.53 %

UniTek Global Services,
Inc.

Business Services	First lien (2)(10)	10.81% (L + 8.50%/Q)	1/13/2015	1/13/2019	10,846	10,846	10,846		
	First lien (2)(10)	10.81% (L + 7.50%/M)	1/13/2015	1/13/2019	799	799	799		
	Subordinated (2)(10)	15.00% PIK/Q*	1/13/2015	7/13/2019	2,079	2,079	2,079		
	Subordinated (3)(10)	15.00% PIK/Q*	1/13/2015	7/13/2019	1,244	1,244	1,244		
					14,968	14,968	14,968	1.45	%
Total Funded Debt									
Investments - United States					\$56,510	\$55,755	\$51,430	4.98	%
Equity - Canada									
NM APP Canada Corp.**									
Net Lease	Membership interest (8)(10)	—	9/13/2016	—	—	\$7,345	\$8,234	0.80	%
Total Shares - Canada						\$7,345	\$8,234	0.80	%
Equity - United States									
NMFC Senior Loan Program II LLC**									
Investment Fund	Membership interest (3)(10)	—	5/3/2016	—	—	\$79,400	\$79,400	7.69	%

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

15

Table of Contents

New Mountain Finance Corporation