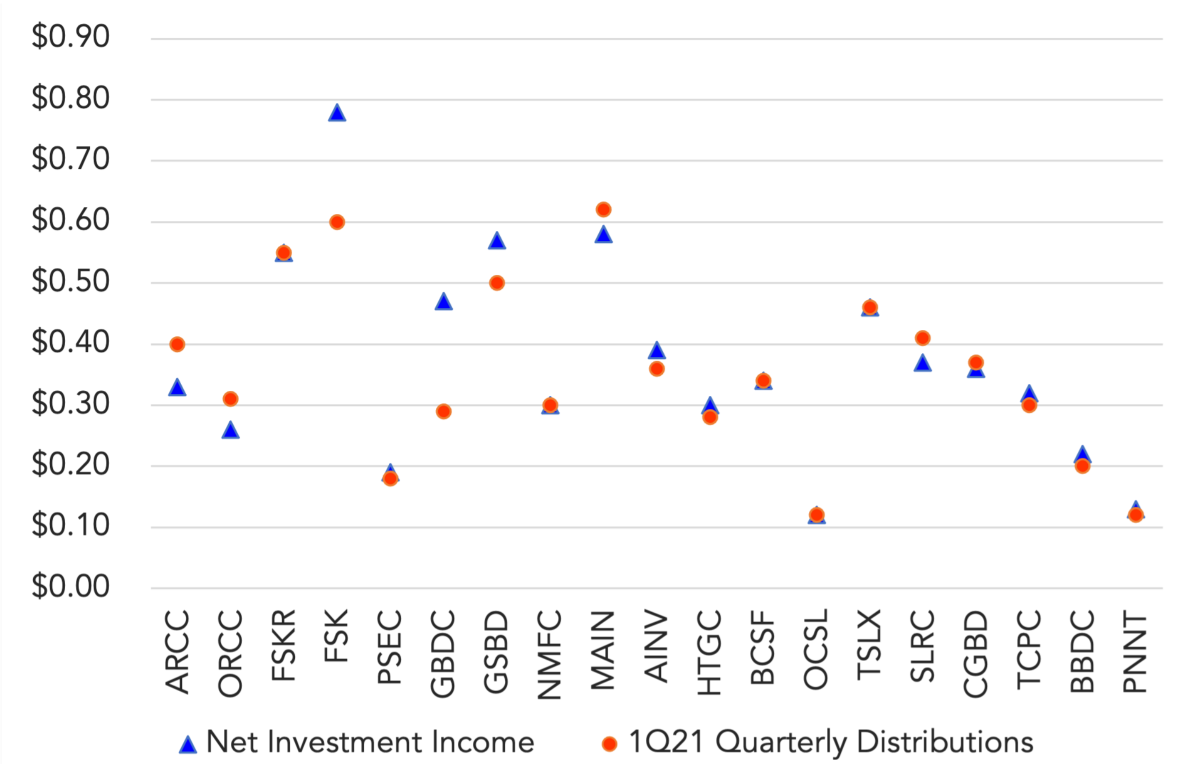
A handful of larger BDCs failed to cover dividend in 1Q21

LSEG | June 10, 2021



Source: Refinitiv's BDC Collateral

Larger BDCs, including Owl Rock and Ares Capital Corp, saw lower net investment income levels for 1Q21, raising concerns over dividend coverage. BDCs generally use NII per share as a measure of whether their earnings can continue to support the declared dividend.

Six out of the 20 larger public BDCs tracked failed to meet dividends with their 1Q21 net investment income. Five out of the cohort barely met their quarterly distributions with net investment income levels. A busier 2Q21 may help.

Owl Rock Capital noted on their conference call transcript: “As we expected, first quarter NII was temporarily down. However, we expect that we will make meaningful progress in the second quarter towards earning our dividend and believe we are still on track to fully cover our dividend from NII in the second half of the year.”