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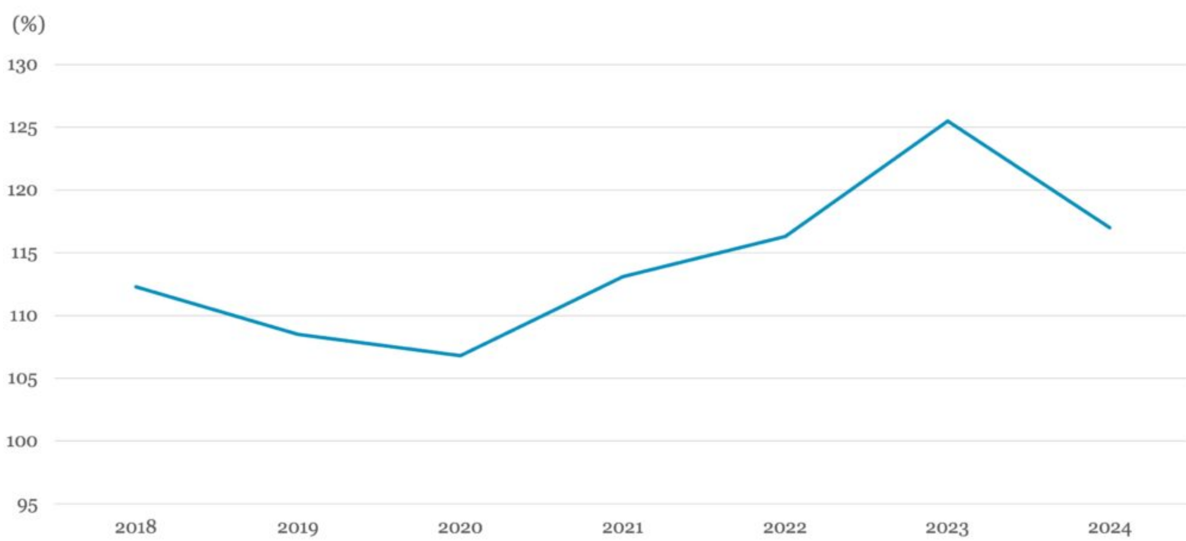
Tight Spreads, Rising Non-Accruals to Further Weaken BDC Earnings

Fitch Ratings | April 2, 2025

Dividend Coverage Has Fallen But Remains Solid for Fitch-Rated BDCs



Note: BDC - Business development company. Dividend coverage - Net investment income/dividends declared. Dividend coverage ratio is an average of 30 Fitch-rated BDCs.Net investment income is adjusted for merger accounting impacts, accruals of capital gains incentive fees and certain other one-time items.
Source: Fitch Ratings

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Continued spread pressure and additional non-accruals will likely weaken earnings and dividend coverage for business development companies (BDCs). Net investment income (NII) as a percentage of BDCs' portfolios declined in 4Q24 due to lower portfolio yields from rate cuts and tighter spreads.