

New Mountain Finance Holdings, L.L.C.

Form 10-Q

November 12, 2013

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

x **Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

For the Quarter Ended September 30, 2013

o **Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

Commission
File Number
814-00839

Exact name of registrants as specified in their charters, addresses of principal executive offices, telephone numbers and states or other jurisdictions of incorporation or organization

New Mountain Finance Holdings, L.L.C.

I.R.S. Employer
Identification Number
26-3633318

787 Seventh Avenue, 48th Floor
New York, New York 10019
Telephone: (212) 720-0300
State of Incorporation: Delaware

814-00832

New Mountain Finance Corporation

27-2978010

787 Seventh Avenue, 48th Floor
New York, New York 10019
Telephone: (212) 720-0300
State of Incorporation: Delaware

814-00902

New Mountain Finance AIV Holdings Corporation

80-0721242

787 Seventh Avenue, 48th Floor

New York, New York 10019
Telephone: (212) 720-0300
State of Incorporation: Delaware

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 during the preceding 12 months and (2) has been subject to such filing requirements for the past 90 days.

New Mountain Finance Holdings, L.L.C.	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>
New Mountain Finance Corporation	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>
New Mountain Finance AIV Holdings Corporation	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>

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).

New Mountain Finance Holdings, L.L.C.	Yes <input type="checkbox"/> No <input type="checkbox"/>
New Mountain Finance Corporation	Yes <input type="checkbox"/> No <input type="checkbox"/>
New Mountain Finance AIV Holdings Corporation	Yes <input type="checkbox"/> No <input type="checkbox"/>

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

New Mountain Finance Holdings, L.L.C.	Large accelerated filer <input type="checkbox"/>	Accelerated filer <input checked="" type="checkbox"/>
	Non-accelerated filer <input type="checkbox"/>	Smaller reporting company <input type="checkbox"/>
New Mountain Finance Corporation	Large accelerated filer <input type="checkbox"/>	Accelerated filer <input checked="" type="checkbox"/>
	Non-accelerated filer <input type="checkbox"/>	Smaller reporting company <input type="checkbox"/>
New Mountain Finance AIV Holdings Corporation	Large accelerated filer <input type="checkbox"/>	Accelerated filer <input checked="" type="checkbox"/>
	Non-accelerated filer <input type="checkbox"/>	Smaller reporting company <input type="checkbox"/>

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

New Mountain Finance Holdings, L.L.C.	Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>
New Mountain Finance Corporation	Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>

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New Mountain Finance AIV Holdings Corporation

Yes No

Registrants	Description	Shares / Units as of November 12, 2013
New Mountain Finance Holdings, L.L.C.	Common membership units	47,831,859
New Mountain Finance Corporation	Common stock, \$0.01 par value	45,159,921
New Mountain Finance AIV Holdings Corporation	Common stock, \$0.01 par value	100

This combined Form 10-Q is filed separately by three registrants: New Mountain Finance Holdings, L.L.C., New Mountain Finance Corporation and New Mountain Finance AIV Holdings Corporation (collectively, the New Mountain Finance Registrant(s) or the Registrant(s)). Information contained herein relating to any New Mountain Finance Registrant is filed by such registrant solely on its own behalf. Each New Mountain Finance Registrant makes no representation as to information relating exclusively to the other registrants.

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Table of Contents**PART I. FINANCIAL INFORMATION****Item 1. Financial Statements****New Mountain Finance Holdings, L.L.C.****Consolidated Statements of Assets, Liabilities and Members Capital**

(in thousands, except units and per unit data)

	September 30, 2013 (unaudited)	December 31, 2012
Assets		
Investments at fair value (cost of \$1,025,337 and \$976,243, respectively)	\$ 1,041,432	\$ 989,820
Cash and cash equivalents	17,629	12,752
Interest and dividend receivable	11,097	6,340
Deferred credit facility costs (net of accumulated amortization of \$3,147 and \$2,016, respectively)	4,838	5,490
Receivable from affiliate	317	534
Receivable from unsettled securities sold		9,962
Other assets	1,981	666
Total assets	\$ 1,077,294	\$ 1,025,564
Liabilities		
SLF Credit Facility	215,000	214,262
Holdings Credit Facility	159,091	206,938
Payable for unsettled securities purchased	43,400	9,700
Capital gains incentive fee payable	6,974	4,407
Incentive fee payable	3,534	3,390
Management fee payable	3,754	3,222
Interest payable	755	712
Payable to affiliate	3	
Dividends payable		11,192
Other liabilities	2,978	1,802
Total liabilities	435,489	455,625
Members Capital	641,805	569,939
Total liabilities and members capital	\$ 1,077,294	\$ 1,025,564
Outstanding common membership units	44,831,859	40,548,189
Capital per unit	\$ 14.32	\$ 14.06

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

Table of Contents**New Mountain Finance Holdings, L.L.C.****Consolidated Statements of Operations**

(in thousands)

(unaudited)

	Three months ended		Nine months ended	
	September 30, 2013	September 30, 2012	September 30, 2013	September 30, 2012
Investment income				
Interest income	\$ 27,175	\$ 21,362	\$ 79,539	\$ 60,087
Dividend income	(1,631)	215	4,802	215
Other income	249	175	1,926	771
Total investment income	25,793	21,752	86,267	61,073
Expenses				
Incentive fee	3,533	2,978	12,398	8,147
Capital gains incentive fee	1,587	2,583	2,568	3,547
Total incentive fee	5,120	5,561	14,966	11,694
Management fee	3,754	2,768	11,049	7,887
Interest and other credit facility expenses	3,190	2,402	9,379	7,286
Administrative expenses	743	544	2,441	1,604
Professional fees	549	405	1,684	1,279
Other general and administrative expenses	378	375	1,184	1,015
Total expenses	13,734	12,055	40,703	30,765
Less: expenses waived and reimbursed (See Note 5)	(600)	(439)	(2,265)	(1,387)
Net expenses	13,134	11,616	38,438	29,378
Net investment income	12,659	10,136	47,829	31,695
Net realized gains on investments	5,160	1,615	9,516	14,591
Net change in unrealized appreciation (depreciation) of investments	2,659	10,494	2,518	10,710
Net increase in members' capital resulting from operations	\$ 20,478	\$ 22,245	\$ 59,863	\$ 56,996

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

Table of Contents**New Mountain Finance Holdings, L.L.C.****Consolidated Statements of Changes in Members' Capital****(in thousands)**

(unaudited)

	Nine months ended	
	September 30, 2013	September 30, 2012
Increase in members' capital resulting from operations:		
Net investment income	\$ 47,829	\$ 31,695
Net realized gains on investments	9,516	14,591
Net change in unrealized appreciation (depreciation) of investments	2,518	10,710
Net increase in members' capital resulting from operations	59,863	56,996
Net contributions	57,020	82,300
Dividends declared	(48,877)	(40,046)
Offering costs	(249)	(377)
Reinvestment of dividends	4,109	980
Net increase in members' capital	71,866	99,853
Members' capital at beginning of period	569,939	420,502
Members' capital at end of period	\$ 641,805	\$ 520,355

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

Table of Contents**New Mountain Finance Holdings, L.L.C.****Consolidated Statements of Cash Flows**

(in thousands)

(unaudited)

	Nine months ended	
	September 30, 2013	September 30, 2012
Cash flows from operating activities		
Net increase in members' capital resulting from operations	\$ 59,863	\$ 56,996
Adjustments to reconcile net (increase) decrease in capital resulting from operations to net cash (used in) provided by operating activities:		
Net realized gains on investments	(9,516)	(14,591)
Net change in unrealized (appreciation) depreciation of investments	(2,518)	(10,710)
Amortization of purchase discount	(2,671)	(4,549)
Amortization of deferred credit facility costs	1,131	825
Non-cash interest income	(2,697)	(888)
(Increase) decrease in operating assets:		
Purchase of investments	(349,349)	(392,162)
Proceeds from sales and paydowns of investments	315,139	268,369
Cash paid for drawn revolvers		(10,710)
Cash repayments on drawn revolvers		9,870
Interest and dividend receivable	(4,757)	(1,272)
Receivable from affiliate	217	198
Receivable from unsettled securities sold	9,962	
Other assets	(302)	(642)
Increase (decrease) in operating liabilities:		
Payable for unsettled securities purchased	33,700	12,195
Capital gains incentive fee payable	2,567	3,547
Incentive fee payable	144	661
Management fee payable	532	567
Interest payable	43	(1,166)
Payable to affiliate	3	23
Other liabilities	590	(322)
Net cash flows provided by (used in) operating activities	52,081	(83,761)
Cash flows from financing activities		
Net contributions	57,020	82,300
Dividends paid	(55,961)	(39,066)
Offering costs paid	(656)	(259)
Proceeds from Holdings Credit Facility	246,923	311,326
Repayment of Holdings Credit Facility	(294,770)	(304,699)
Proceeds from SLF Credit Facility	11,138	89,031
Repayment of SLF Credit Facility	(10,400)	(54,959)
Deferred credit facility costs paid	(498)	(2,561)
Net cash flows (used in) provided by financing activities	(47,204)	81,113
Net increase (decrease) in cash and cash equivalents	4,877	(2,648)
Cash and cash equivalents at the beginning of the period	12,752	15,319
Cash and cash equivalents at the end of the period	\$ 17,629	\$ 12,671
Supplemental disclosure of cash flow information		

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Interest paid	\$	7,938	\$	7,185
Non-cash operating activities:				
Non-cash activity on investments	\$	1,986	\$	
Non-cash financing activities:				
Value of members' capital issued in connection with dividend reinvestment plan	\$	4,109	\$	980
Accrual for offering costs		1,162		326
Accrual for deferred credit facility costs		25		59

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

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New Mountain Finance Holdings, L.L.C.

Consolidated Schedule of Investments

September 30, 2013
(in thousands, except shares)

(unaudited)

Portfolio Company, Location and Industry(1)	Type of Investment	Interest Rate	Maturity Date	Principal Amount, Par Value or Shares	Cost	Fair Value	Percent of Members Capital
Funded Debt Investments - Bermuda							
Stratus Technologies Bermuda Holdings Ltd.(4)**							
Stratus Technologies Bermuda Ltd. / Stratus Technologies, Inc.							
Information Technology	First lien (2)(7)	12.00%	3/29/2015	\$ 6,497	\$ 6,305	\$ 6,513	1.01%
Total Funded Debt Investments - Bermuda				\$ 6,497	\$ 6,305	\$ 6,513	1.01%
Funded Debt Investments - Cayman Islands							
Pinnacle Holdco S.à r.l. / Pinnacle (US) Acquisition Co Limited**							
Software	Second lien (2)	10.50% (Base Rate + 9.25%)	7/30/2020	\$ 30,000	\$ 29,458	\$ 30,394	4.74%
Total Funded Debt Investments - Cayman Islands				\$ 30,000	\$ 29,458	\$ 30,394	4.74%
Funded Debt Investments - United States							
McGraw-Hill Global Education Holdings, LLC							
Education	First lien (2)	9.75%	4/1/2021	\$ 24,500	\$ 24,345	\$ 26,093	
	First lien (3)	9.00% (Base Rate + 7.75%)	3/22/2019	19,900	19,342	20,174	
				44,400	43,687	46,267	7.21%
UniTek Global Services, Inc.							
Business Services	First lien (2)	15.00% (Base Rate + 9.50% + 4.00% PIK)*	4/15/2018	26,176	25,265	25,543	
	First lien (2)	15.00% (Base Rate + 9.50% + 4.00% PIK)*	4/15/2018	6,337	6,117	6,184	
	First lien (2)	15.00% (Base Rate + 9.50% + 4.00% PIK)*	4/15/2018	5,268	5,084	5,140	
				37,781	36,466	36,867	5.74%
Edmentum, Inc.(fka Plato, Inc.)							
Education	First lien (3)	6.00% (Base Rate + 4.75%)	5/17/2018	6,449	6,291	6,486	
	Second lien (2)	11.25% (Base Rate + 9.75%)	5/17/2019	29,150	28,649	29,405	
				35,599	34,940	35,891	5.59%
SRA International, Inc.							

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Federal Services	First lien (2)	6.50% (Base Rate + 5.25%)	7/20/2018	34,750	33,739	34,533	5.38%
Rocket Software, Inc. Software	Second lien (2)	10.25% (Base Rate + 8.75%)	2/8/2019	30,875	30,726	30,921	4.82%
Global Knowledge Training LLC Education	First lien (3)	6.51% (Base Rate + 4.99%)	4/21/2017	4,624	4,575	4,624	
	First lien (3)	6.51% (Base Rate + 4.99%)	4/21/2017	1,159	1,147	1,159	
	Second lien (2)	11.50% (Base Rate + 9.75%)	10/21/2018	24,250	23,855	24,643	
				30,033	29,577	30,426	4.74%
Novell, Inc. (fka Attachmate Corporation, NetIQ Corporation) Software	First lien (3)	7.25% (Base Rate + 5.75%)	11/22/2017	7,158	7,044	7,195	
	Second lien (2)	11.00% (Base Rate + 9.50%)	11/22/2018	23,353	22,758	23,090	
				30,511	29,802	30,285	4.72%
Deltek, Inc. Software	Second lien (2)	10.00% (Base Rate + 8.75%)	10/10/2019	30,000	29,709	30,275	4.72%
JHCI Acquisition, Inc. Distribution & Logistics	First lien (3)	7.00% (Base Rate + 5.75%)	7/11/2019	19,950	19,658	20,000	
	Second lien (2)	11.00% (Base Rate + 9.75%)	7/11/2020	10,000	9,707	9,700	
				29,950	29,365	29,700	4.63%
Transtar Holding Company Distribution & Logistics	Second lien (2)	9.75% (Base Rate + 8.50%)	10/9/2019	28,300	27,828	28,866	4.50%
KeyPoint Government Solutions, Inc. Federal Services	First lien (3)	7.25% (Base Rate + 6.00%)	11/13/2017	17,392	17,023	17,218	
	First lien (2)	7.25% (Base Rate + 6.00%)	11/13/2017	10,483	10,303	10,378	
				27,875	27,326	27,596	4.30%
YP Holdings LLC (8) YP LLC Media	First lien (2)	8.06% (Base Rate + 6.69%)	6/4/2018	27,120	26,476	26,984	4.20%
Meritas Schools Holdings, LLC Education	First lien (3)	7.00% (Base Rate + 5.75%)	6/25/2019	18,953	18,769	18,988	
	First lien (2)	7.00% (Base Rate + 5.75%)	6/25/2019	6,983	6,915	6,996	
				25,936	25,684	25,984	4.05%
Kronos Incorporated Software	Second lien (2)	9.75% (Base Rate + 8.50%)	4/30/2020	25,000	24,771	25,953	4.04%
Permian Tank & Manufacturing, Inc. Energy	First lien (2)	10.50%	1/15/2018	24,500	24,770	24,010	3.74%

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

Table of Contents**New Mountain Finance Holdings, L.L.C.****Consolidated Schedule of Investments (Continued)****September 30, 2013****(in thousands, except shares)**

(unaudited)

Portfolio Company, Location and Industry(1)	Type of Investment	Interest Rate	Maturity Date	Principal Amount, Par Value or Shares	Cost	Fair Value	Percent of Members Capital
Aderant North America, Inc. Software	Second lien (2)	10.00% (Base Rate + 8.75%)	6/20/2019	\$ 22,500	\$ 22,191	\$ 23,119	3.60%
LM U.S. Member LLC (and LM U.S. Corp Acquisition Inc.) Business Services	Second lien (3)	9.50% (Base Rate + 8.25%)	10/26/2020	20,000	19,724	20,333	3.17%
Merrill Communications LLC Business Services	First lien (3)	7.31% (Base Rate + 6.20%)	3/8/2018	19,900	19,708	20,033	3.12%
First American Payment Systems, L.P. Business Services	Second lien (3)	10.75% (Base Rate + 9.50%)	4/12/2019	20,000	19,642	19,988	3.11%
Six3 Systems, Inc. Federal Services	First lien (3)	7.00% (Base Rate + 5.75%)	10/4/2019	19,850	19,674	19,974	3.11%
eResearchTechnology, Inc. Healthcare Services	First lien (3)	6.00% (Base Rate + 4.75%)	5/2/2018	19,800	19,061	19,899	3.10%
Distribution International, Inc. Distribution & Logistics	First lien (2)	7.50% (Base Rate + 6.50%)	7/16/2019	19,950	19,562	19,862	3.09%
ARSloane Acquisition, LLC Business Services	First lien (2)	7.50% (Base Rate + 6.25%)	10/1/2019	20,000	19,800	19,800	3.09%
Envision Acquisition Company, LLC Healthcare Services	Second lien (2)	9.75% (Base Rate + 8.75%)	11/4/2021	20,000	19,600	19,600	3.05%
Insight Pharmaceuticals LLC Healthcare Products	Second lien (3)	13.25% (Base Rate + 11.75%)	8/25/2017	19,310	18,738	19,214	2.99%
St. George's University Scholastic Services LLC Education	First lien (3)	8.50% (Base Rate + 7.00%)	12/20/2017	11,947	11,733	12,052	
	First lien (2)	8.50% (Base Rate + 7.00%)	12/20/2017	6,391	6,280	6,447	
				18,338	18,013	18,499	2.88%
PODS, Inc. (6)							

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Consumer Services

PODS Funding Corp. II	First lien (3)	7.25% (Base Rate + 6.00%)	11/29/2016	12,575	12,323	12,606
Storapod Holding Company, Inc.	Subordinated (2)	21.00% PIK*	11/29/2017	5,460	5,334	5,460
				18,035		