

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT
Pursuant to Section 13 or 15(d) of
The Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): November 20, 2019

Oaktree Specialty Lending Corporation
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction
of incorporation)

814-00755
(Commission
File Number)

26-1219283
(IRS Employer
Identification No.)

333 South Grand Avenue, 28th Floor
Los Angeles, CA
(Address of principal executive offices)

90071
(Zip Code)

Registrant's telephone number, including area code: (213) 830-6300

Not Applicable
(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common stock, par value \$0.01 per share	OCSL	The Nasdaq Stock Market LLC
5.875% Unsecured Notes due 2024	OSLE	The New York Stock Exchange
6.125% Unsecured Notes due 2028	OCSLL	The Nasdaq Stock Market LLC

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (17 CFR §230.405) or Rule 12b-2 of the Securities Exchange Act of 1934 (17 CFR §240.12b-2).

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.

Item 2.02. Results of Operations and Financial Condition.

On November 20, 2019, Oaktree Specialty Lending Corporation (the “Company”) issued a press release announcing its financial results for the fiscal quarter and year ended September 30, 2019. A copy of the press release is attached hereto as Exhibit 99.1.

On November 20, 2019, the Company will host a conference call to discuss its financial results for the fiscal quarter and year ended September 30, 2019. In connection therewith, the Company provided an investor presentation on its website at <http://www.oaktreespecialtylending.com>. A copy of the investor presentation is attached hereto as Exhibit 99.2.

The information disclosed under this Item 2.02, including Exhibits 99.1 and 99.2 hereto, is being “furnished” and is not deemed “filed” by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), or otherwise subject to the liabilities of that Section, nor is it deemed incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Exchange Act, except as shall be expressly set forth by specific reference in such filing.

Item 9.01. Financial Statements and Exhibits.

(d) *Exhibits*

99.1 [Press release of Oaktree Specialty Lending Corporation dated November 20, 2019](#)

99.2 [Oaktree Specialty Lending Corporation Fourth Quarter and Fiscal Year 2019 Earnings Presentation](#)

SIGNATURE

Pursuant to the requirements of the Exchange Act, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

OAKTREE SPECIALTY LENDING CORPORATION

Date: November 20, 2019

By: /s/ Mel Carlisle

Name: Mel Carlisle

Title: Chief Financial Officer and Treasurer



Oaktree Specialty Lending Corporation Announces Fourth Fiscal Quarter and Full Year 2019 Financial Results and Declares Distribution of \$0.095 Per Share

LOS ANGELES, CA, November 20, 2019—Oaktree Specialty Lending Corporation (NASDAQ: OCSL) (“Oaktree Specialty Lending” or the “Company”), a specialty finance company, today announced its financial results for the fiscal quarter and year ended September 30, 2019.

Financial Highlights for the Quarter and Year Ended September 30, 2019

- **Total investment income** was \$34.5 million (\$0.24 per share) and \$147.7 million (\$1.05 per share) for the fourth fiscal quarter and full fiscal year of 2019, respectively, as compared with \$36.7 million (\$0.26 per share) and \$138.7 million (\$0.98 per share) for the third fiscal quarter of 2019 and the full fiscal year of 2018, respectively. The increase in investment income for the full year was primarily due to higher levels of original issue discount (“OID”) accretion and call protection fees earned on exits of certain investments.
- **Net investment income** was \$16.3 million (\$0.12 per share) and \$67.9 million (\$0.48 per share) for the fourth fiscal quarter and full fiscal year of 2019, respectively, as compared with \$16.6 million (\$0.12 per share) and \$60.0 million (\$0.43 per share) for the third fiscal quarter of 2019 and the full fiscal year of 2018, respectively. The increase in net investment income for the full year was primarily due to higher levels of investment income and lower professional fees and general and administration expenses.
- **Net asset value (“NAV”) per share** was \$6.60 as of September 30, 2019, flat as compared to \$6.60 as of June 30, 2019 and up 8% from \$6.09 as of September 30, 2018. The increase in NAV was primarily due to capital gains realized through the monetization of investments and appreciation of certain debt and equity investments.
- **Originated** \$138.4 million of new investment commitments and received \$139.0 million of proceeds from prepayments, exits, other paydowns and sales during the quarter ended September 30, 2019.
- **A quarterly distribution was declared** of \$0.095 per share, payable on December 31, 2019 to stockholders of record on December 13, 2019.

Mathew Pendo, President and Chief Operating Officer, said, “The fourth quarter of 2019 capped another strong fiscal year for OCSL. NAV grew by more than 8 percent over the last twelve months. We also made further progress reducing risk in the portfolio, successfully exiting \$60 million of non-core investments during the quarter, including a par recovery from a large investment on non-accrual. Looking ahead, with \$385 million of dry powder, we remain well-positioned to take advantage of future investment opportunities.”

Armen Panossian, who was appointed Chief Executive Officer and Chief Investment Officer in September 2019, said, “The team managing OCSL has done a superb job growing NAV and repositioning the portfolio for stronger risk-adjusted returns over the past two years. I look forward to building on these accomplishments by continuing to execute on our strategic plan while maintaining our disciplined and risk-controlled investment approach.”

Distribution Declaration

The Board of Directors declared a quarterly distribution of \$0.095 per share, payable on December 31, 2019 to stockholders of record on December 13, 2019.

Distributions are paid primarily from distributable (taxable) income. To the extent taxable earnings for a fiscal taxable year fall below the total amount of distributions for that fiscal year, a portion of those distributions may be deemed a return of capital to the Company's stockholders.

Results of Operations

	For the three months ended			For the year ended	
	September 30, 2019 (unaudited)	June 30, 2019 (unaudited)	September 30, 2018 (unaudited)	September 30, 2019	September 30, 2018
<i>(\$ in thousands, except per share data)</i>					
GAAP operating results:					
Interest income	\$ 30,662	\$ 32,910	\$ 35,306	\$ 133,670	\$ 118,511
PIK interest income	1,187	1,198	499	5,497	5,769
Fee income	2,550	1,826	2,034	6,710	9,432
Dividend income	114	735	381	1,825	5,010
Total investment income	34,513	36,669	38,220	147,702	138,722
Net expenses	18,238	20,061	21,189	79,793	78,676
Net investment income	16,275	16,608	17,031	67,909	60,046
Net realized and unrealized gains (losses), net of taxes	(2,304)	3,378	16,300	58,251	(13,284)
Net increase (decrease) in net assets resulting from operations	\$ 13,971	\$ 19,986	\$ 33,331	\$ 126,160	\$ 46,762
Net investment income per common share	\$ 0.12	\$ 0.12	\$ 0.12	\$ 0.48	\$ 0.43
Net realized and unrealized gains (losses), net of taxes per common share	\$ (0.02)	\$ 0.02	\$ 0.12	\$ 0.41	\$ (0.10)
Earnings (loss) per common share — basic and diluted	\$ 0.10	\$ 0.14	\$ 0.24	\$ 0.89	\$ 0.33
Non-GAAP Financial Measures (1):					
Adjusted net investment income	\$ 16,713	\$ 17,293	\$ 17,031	\$ 69,032	\$ 60,046
Adjusted net investment income per common share	\$ 0.12	\$ 0.12	\$ 0.12	\$ 0.49	\$ 0.43

- (1) See *Non-GAAP Financial Measures — Adjusted Net Investment Income* below for a description of this non-GAAP measure and a reconciliation from net investment income to adjusted net investment income, including on a weighted-average per share basis. The Company's management uses this non-GAAP financial measure internally to analyze and evaluate financial results and performance and believes that this non-GAAP financial measure is useful to investors as an additional tool to evaluate ongoing results and trends for the Company without giving effect to capital gains incentive fees. The presentation of adjusted net investment income is not intended to be a substitute for financial results prepared in accordance with GAAP and should not be considered in isolation.

	As of		
	September 30, 2019	June 30, 2019 (unaudited)	September 30, 2018
<i>(\$ in thousands, except per share data and ratios)</i>			
Select balance sheet and other data:			
Investment portfolio at fair value	\$ 1,438,042	\$ 1,455,031	\$ 1,491,201
Total debt outstanding	473,367	537,278	637,213
Net assets	930,630	930,050	858,035
Net asset value per share	6.60	6.60	6.09
Total leverage	0.51x	0.58x	0.75x

Total investment income for the quarter ended September 30, 2019 was \$34.5 million and included \$30.7 million of interest income from portfolio investments, \$1.2 million of payment-in-kind ("PIK") interest income, \$2.6 million of fee income and \$0.1 million of dividend income. Total investment income decreased by \$2.2 million as compared to the quarter ended June 30, 2019, primarily due to significant call protection fees earned in connection with exits that occurred during the prior quarter, lower interest income earned due to decreases in LIBOR on our floating rate investments and lower dividend income resulting from the sale of an aircraft in our aircraft leasing portfolio company that occurred during the quarter ended June 30, 2019. PIK interest income represented 3.4% of total investment income for the quarter ended September 30, 2019.

Total investment income for the year ended September 30, 2019 was \$147.7 million and included \$133.7 million of interest income from portfolio investments, \$5.5 million of PIK interest income, \$6.7 million of fee income and \$1.8 million of dividend income. Total investment income increased by \$9.0 million as compared to the year ended September 30, 2018, primarily due to higher levels of OID accretion and call protection fees earned on exits of certain investments that occurred during the year, partially offset by lower dividend income.

Net expenses for the quarter totaled \$18.2 million, down \$1.8 million from the quarter ended June 30, 2019. The decrease in net expenses was primarily driven by lower interest expense resulting from a lower amount of borrowings outstanding and decreases in LIBOR during the quarter and a decrease in incentive fees, net of fees waived, mostly due to lower levels of investment income.

Net expenses for the year totaled \$79.8 million, up \$1.1 million from the year ended September 30, 2018. The increase in net expenses was primarily due to higher incentive fees resulting from higher investment income and capital gains realized through the monetization of certain investments and appreciation of certain debt and equity investments, partially offset by lower interest expense resulting from a lower amount of borrowings outstanding during the year, lower professional fees and lower general and administrative expenses.

Net realized and unrealized losses, net of taxes, were \$2.3 million for the quarter, primarily reflecting unrealized depreciation on certain debt and equity investments. Net realized and unrealized gains, net of taxes, were \$58.3 million for the year, primarily resulting from capital gains realized through the monetization of certain investments and unrealized appreciation of certain debt and equity investments.

Portfolio and Investment Activity

(\$ in thousands)	As of		
	September 30, 2019 (unaudited)	June 30, 2019 (unaudited)	September 30, 2018 (unaudited)
Investments at fair value	\$ 1,438,042	\$ 1,455,031	\$ 1,491,201
Number of portfolio companies	104	105	113
Average portfolio company debt size	\$ 15,300	\$ 15,400	\$ 14,800
Asset class:			
Senior secured debt	78.6%	79.7%	75.4%
Unsecured debt	5.7%	7.0%	11.0%
Equity	6.7%	4.3%	4.4%
SLF JV I	8.8%	8.8%	8.7%
Limited partnership interests	0.2%	0.2%	0.5%
Non-accrual debt investments:			
Non-accrual investments at fair value	\$ 2,706	\$ 86,796	\$ 98,760
Non-accrual investments as a percentage of debt investments	0.2%	6.4%	7.0%
Number of investments on non-accrual	3	5	8
Interest rate type:			
Percentage floating-rate	89.8%	88.5%	83.2%
Percentage fixed-rate	10.2%	11.5%	16.8%
Yields:			
Weighted average yield on debt investments (1)	8.9%	8.7%	8.4%
Cash component of weighted average yield on debt investments	8.1%	8.0%	8.2%
Weighted average yield on total portfolio investments (2)	8.2%	8.2%	8.1%
Investment activity:			
New investment commitments	\$ 138,400	\$ 66,800	\$ 228,400
New funded investment activity (3)	\$ 128,500	\$ 74,100	\$ 218,400
Proceeds from prepayments, exits, other paydowns and sales	\$ 139,000	\$ 138,300	\$ 267,500
Net new investments (4)	\$ (10,500)	\$ (64,200)	\$ (49,100)
Number of new investment commitments in new portfolio companies	5	3	13
Number of new investment commitments in existing portfolio companies	4	4	3
Number of portfolio company exits	7	8	18

- (1) Annual stated yield earned plus net annual amortization of original issue discount or premium earned on accruing investments, including the Company's share of the return on debt investments in the SLF JV I.
- (2) Annual stated yield earned plus net annual amortization of original issue discount or premium earned on accruing investments and dividend income, including the Company's share of the return on debt investments in the SLF JV I.
- (3) New funded investment activity includes drawdowns on existing revolver commitments.
- (4) Net new investments consists of new funded investment activity less proceeds from prepayments, exits, other paydowns and sales.

As of September 30, 2019, the fair value of the investment portfolio was \$1.4 billion and was comprised of investments in 104 companies. These included debt investments in 79 companies, equity investments in 33 companies, including our limited partnership interests in two private equity funds, and our investment in Senior Loan Fund JV I, LLC ("SLF JV I"). Nine of the equity investments were in companies in which the Company also had a debt investment.

As of September 30, 2019, 91.0% of the Company's portfolio as of September 30, 2019 consisted of debt investments, including 53.5% of first liens, 25.1% of second liens and 12.4% of unsecured debt investments, including the debt investments in SLF JV I at fair value.

As of September 30, 2019, there were three investments on which the Company had stopped accruing cash and/or PIK interest or OID income that, in the aggregate, represented 4.3% of the Company's debt portfolio at cost and 0.2% at fair value. During the three months ended September 30, 2019, the Company removed two investments from non-accrual status in connection with an exit and restructuring.

As of September 30, 2019, SLF JV I had \$360.9 million in assets, including senior secured loans to 51 portfolio companies. The joint venture generated income of \$2.3 million for the Company during the quarter ended September 30, 2019. As of September 30, 2019, SLF JV I had \$79.8 million of undrawn capacity on its senior revolving credit facility.

Over time, the Company intends to rotate out of the remaining investments it has identified as non-core investments, which is approximately \$200 million at fair value as of September 30, 2019. It will also seek to redeploy non-income generating investments comprised of equity investments, limited partnership interests and loans currently on non-accrual status into proprietary investments with higher yields. Certain additional information on such categorization and the portfolio composition is included in investor presentations that the Company files with the Securities and Exchange Commission ("SEC").

Liquidity and Capital Resources

As of September 30, 2019, the Company had \$15.4 million of cash and cash equivalents, total principal value of debt outstanding of \$476.1 million and \$385.2 million of undrawn capacity on its credit facility, subject to borrowing base and other limitations. The weighted average interest rate on debt outstanding was 4.8% and 5.1% as of September 30, 2019 and June 30, 2019, respectively.

The Company's total leverage ratio was 0.51x and 0.58x debt-to-equity as of September 30, 2019 and June 30, 2019, respectively.

Non-GAAP Financial Measures

Adjusted Net Investment Income

On a supplemental basis, the Company is disclosing adjusted net investment income and per share adjusted net investment income, each of which is a financial measure that is calculated and presented on a basis of methodology other than in accordance with U.S. GAAP ("non-GAAP"). Adjusted net investment income represents net investment income, excluding capital gains incentive fees ("Part II incentive fee"). The Company's management uses this non-GAAP financial measure internally to analyze and evaluate financial results and performance and believes that this non-GAAP financial measure is

useful to investors as an additional tool to evaluate ongoing results and trends for the Company without giving effect to capital gains incentive fees. The Company's investment advisory agreement provides that a capital gains-based incentive fee is determined and paid annually with respect to realized capital gains (but not unrealized capital appreciation) to the extent such realized capital gains exceed realized capital losses and unrealized capital depreciation on a cumulative basis. Refer to Note 11 – *Related Party Transactions* in our Annual Report on Form 10-K for further discussion. The Company believes that adjusted net investment income is a useful performance measure because it reflects the net investment income produced on the Company's investments during a period without giving effect to any changes in the value of such investments and any related capital gains incentive fees between periods. The presentation of adjusted net investment income is not intended to be a substitute for financial results prepared in accordance with GAAP and should not be considered in isolation.

The following table provides a reconciliation of net investment income (the most comparable U.S. GAAP measure) to adjusted net investment income for the periods presented (dollars in thousands, except per share amounts; unaudited):

	For the three months ended						For the year ended			
	September 30, 2019		June 30, 2019		September 30, 2018		September 30, 2019		September 30, 2018	
	Amount	Per Share	Amount	Per Share	Amount	Per Share	Amount	Per Share	Amount	Per Share
<i>(\$ in thousands, except per share data)</i>										
Net investment income	\$16,275	\$ 0.12	\$16,608	\$0.12	\$17,031	\$ 0.12	\$67,909	\$ 0.48	\$60,046	\$ 0.43
Part II incentive fee (net of waivers)	438	—	685	—	—	—	1,123	0.01	—	—
Adjusted net investment income	<u>\$16,713</u>	<u>\$ 0.12</u>	<u>\$17,293</u>	<u>\$0.12</u>	<u>\$17,031</u>	<u>\$ 0.12</u>	<u>\$69,032</u>	<u>\$ 0.49</u>	<u>\$60,046</u>	<u>\$ 0.43</u>

Conference Call Information

Oaktree Specialty Lending will host a conference call to discuss its fourth fiscal quarter and full year 2019 results at 11:00 a.m. Eastern Time / 8:00 a.m. Pacific Time on November 20, 2019. The conference call may be accessed by dialing (877) 507-3275 (U.S. callers) or +1 (412) 317-5238 (non-U.S. callers), participant password “Oaktree Specialty Lending.” During the earnings conference call, Oaktree Specialty Lending intends to refer to an investor presentation that will be available on the Investors section of the Oaktree Specialty Lending website, www.oaktreespecialtylending.com. Alternatively, a live webcast of the conference call can be accessed on Oaktree Specialty Lending’s website.

For those individuals unable to listen to the live broadcast of the conference call, a replay will be available on Oaktree Specialty Lending’s website, or by dialing (877) 344-7529 (U.S. callers) or +1 (412) 317-0088 (non-U.S. callers), access code 10135791, beginning approximately one hour after the broadcast.

About Oaktree Specialty Lending Corporation

Oaktree Specialty Lending Corporation (NASDAQ:OCSL) is a specialty finance company dedicated to providing customized one-stop credit solutions to companies with limited access to public or syndicated capital markets. The firm seeks to generate current income and capital appreciation by providing companies with flexible and innovative financing solutions including first and second lien loans, unsecured and mezzanine loans, and preferred equity. The Company is regulated as a business development company under the Investment Company Act of 1940, as amended. Oaktree Specialty Lending is managed by Oaktree Capital Management, L.P. For additional information, please visit Oaktree Specialty Lending’s website at www.oaktreespecialtylending.com.

Forward-Looking Statements

Some of the statements in this press release constitute forward-looking statements because they relate to future events or our future performance or financial condition. The forward-looking statements may include statements as to: our future operating results and distribution projections; our business prospects and the prospects of our portfolio companies; and the impact of the investments that we expect to make. In addition, words such as “anticipate,” “believe,” “expect,” “seek,” “plan,” “should,” “estimate,” “project” and “intend” indicate forward-looking statements, although not all forward-looking statements include these words. The forward-looking statements contained in this press release involve risks and uncertainties. Our actual results could differ materially from those implied or expressed in the forward-looking statements for any reason, including the factors set forth in “Risk Factors” and elsewhere in our annual report on Form 10-K and our quarterly reports on Form 10-Q. Other factors that could cause actual results to differ materially include: changes in the economy, financial markets and political environment; risks associated with possible disruption in our operations or the economy generally due to terrorism or natural disasters; future changes in laws or regulations (including the interpretation of these laws and regulations by regulatory authorities) and conditions in our operating areas, particularly with respect to business development companies or regulated investment companies; and other considerations that may be disclosed from time to time in our publicly disseminated documents and filings.

We have based the forward-looking statements included in this presentation on information available to us on the date of this presentation, and we assume no obligation to update any such forward-looking statements. Although we undertake no obligation to revise or update any forward-looking statements, whether as a result of new information, future events or otherwise, you are advised to consult any additional disclosures that we may make directly to you or through reports that we in the future may file with the SEC, including annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K.

Contacts

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Oaktree Specialty Lending Corporation
Consolidated Statements of Assets and Liabilities
(in thousands, except per share amounts)

	September 30, 2019	June 30, 2019 (unaudited)	September 30, 2018
ASSETS			
Investments at fair value:			
Control investments (cost September 30, 2019: \$224,255; cost June 30, 2019: \$190,181; cost September 30, 2018: \$213,470)	\$ 209,178	\$ 175,052	\$ 196,874
Affiliate investments (cost September 30, 2019: \$8,449; cost June 30, 2019: \$5,064; cost September 30, 2018: \$1,080)	9,170	5,964	2,161
Non-control/Non-affiliate investments (cost September 30, 2019: \$1,280,310; cost June 30, 2019: \$1,337,252; cost September 30, 2018: \$1,392,383)	<u>1,219,694</u>	<u>1,274,015</u>	<u>1,292,166</u>
Total investments at fair value (cost September 30, 2019: \$1,513,014; cost June 30, 2019: \$1,532,497; cost September 30, 2018: \$1,606,933)	1,438,042	1,455,031	1,491,201
Cash and cash equivalents	15,406	5,637	13,380
Restricted cash	—	—	109
Interest, dividends and fees receivable	11,167	13,156	10,272
Due from portfolio companies	2,616	1,850	1,357
Receivables from unsettled transactions	4,586	4	26,760
Deferred financing costs	6,396	6,759	5,209
Derivative assets at fair value	490	—	162
Other assets	2,335	2,579	3,008
Total assets	<u>\$ 1,481,038</u>	<u>\$ 1,485,016</u>	<u>\$ 1,551,458</u>
LIABILITIES AND NET ASSETS			
Liabilities:			
Accounts payable, accrued expenses and other liabilities	\$ 1,589	\$ 1,078	\$ 3,581
Base management fee and incentive fee payable	10,167	9,987	8,223
Due to affiliate	2,689	3,431	3,274
Interest payable	2,296	2,267	3,365
Payable to syndication partners	—	—	109
Payables from unsettled transactions	59,596	—	37,236
Derivative liability at fair value	—	206	—
Deferred tax liability	704	719	422
Credit facility payable	314,825	369,825	241,000
Unsecured notes payable (net of \$2,708, \$2,808 and \$3,483 of unamortized financing costs as of September 30, 2019, June 30, 2019 and September 30, 2018, respectively)	158,542	158,442	386,485
Secured borrowings at fair value (proceeds September 30, 2019: \$0; proceeds June 30, 2019: \$11,502; proceeds September 30, 2018: \$12,314)	—	9,011	9,728
Total liabilities	<u>550,408</u>	<u>554,966</u>	<u>693,423</u>
Commitments and contingencies			
Net assets:			
Common stock, \$0.01 par value per share, 250,000 shares authorized; 140,961 shares issued and outstanding as of September 30, 2019, June 30, 2019 and September 30, 2018	1,409	1,409	1,409
Additional paid-in-capital	1,487,774	1,492,739	1,492,739
Accumulated overdistributed earnings	<u>(558,553)</u>	<u>(564,098)</u>	<u>(636,113)</u>
Total net assets (equivalent to \$6.60, \$6.60 and \$6.09 per common share as of September 30, 2019, June 30, 2019 and September 30, 2018, respectively)	930,630	930,050	858,035
Total liabilities and net assets	<u>\$ 1,481,038</u>	<u>\$ 1,485,016</u>	<u>\$ 1,551,458</u>

Oaktree Specialty Lending Corporation
Consolidated Statements of Operations
(in thousands, except per share amounts)

	Three months ended September 30, 2019 (unaudited)	Three months ended June 30, 2019 (unaudited)	Three months ended September 30, 2018 (unaudited)	Year ended September 30, 2019	Year ended September 30, 2018
Interest income:					
Control investments	\$ 2,836	\$ 2,859	\$ 3,687	\$ 11,886	\$ 12,698
Affiliate investments	101	70	—	206	2,027
Non-control/Non-affiliate investments	27,640	29,850	31,496	120,888	103,223
Interest on cash and cash equivalents	85	131	123	690	563
Total interest income	30,662	32,910	35,306	133,670	118,511
PIK interest income:					
Control investments	—	—	—	67	3,446
Affiliate investments	—	—	—	—	416
Non-control/Non-affiliate investments	1,187	1,198	499	5,430	1,907
Total PIK interest income	1,187	1,198	499	5,497	5,769
Fee income:					
Control investments	6	6	6	25	951
Affiliate investments	5	5	—	19	48
Non-control/Non-affiliate investments	2,539	1,815	2,028	6,666	8,433
Total fee income	2,550	1,826	2,034	6,710	9,432
Dividend income:					
Control investments	114	735	381	1,825	5,010
Total dividend income	114	735	381	1,825	5,010
Total investment income	34,513	36,669	38,220	147,702	138,722
Expenses:					
Base management fee	5,496	5,548	5,767	22,343	22,652
Part I incentive fee	3,545	3,787	3,675	14,873	10,485
Part II incentive fee	(403)	607	—	10,194	—
Professional fees	720	721	859	2,906	5,696
Directors fees	142	143	143	570	650
Interest expense	6,960	7,592	9,323	32,426	35,728
Administrator expense	388	384	336	1,941	1,687
General and administrative expenses	549	645	794	2,530	3,120
Total expenses	17,397	19,427	20,897	87,783	80,018
Fees waived	841	634	292	(7,990)	(1,342)
Net expenses	18,238	20,061	21,189	79,793	78,676
Net investment income	16,275	16,608	17,031	67,909	60,046
Unrealized appreciation (depreciation):					
Control investments	52	3,419	26,081	1,519	115,906
Affiliate investments	(179)	—	—	(360)	(2,159)
Non-control/Non-affiliate investments	2,621	20,744	21,039	39,689	(13,657)
Secured borrowings	(2,624)	—	(87)	(2,719)	2,353
Foreign currency forward contracts	695	(768)	162	328	162
Net unrealized appreciation (depreciation)	565	23,395	47,195	38,457	102,605
Realized gains (losses):					
Control investments	—	—	(31,331)	—	(122,801)
Affiliate investments	—	—	—	—	2,048
Non-control/Non-affiliate investments	(6,248)	(21,112)	1,494	15,300	6,042
Secured borrowings	2,625	—	—	2,625	—
Foreign currency forward contracts	1,097	1,268	(436)	2,880	(436)
Net realized gains (losses)	(2,526)	(19,844)	(30,273)	20,805	(115,147)
Redemption premium on unsecured notes payable	—	—	—	—	(120)
Provision for income tax (expense) benefit	(343)	(173)	(622)	(1,011)	(622)
Net realized and unrealized gains (losses), net of taxes	(2,304)	3,378	16,300	58,251	(13,284)
Net increase (decrease) in net assets resulting from operations	\$ 13,971	\$ 19,986	\$ 33,331	\$ 126,160	\$ 46,762
Net investment income per common share — basic and diluted	\$ 0.12	\$ 0.12	\$ 0.12	\$ 0.48	\$ 0.43
Earnings (loss) per common share — basic and diluted	\$ 0.10	\$ 0.14	\$ 0.24	\$ 0.89	\$ 0.33
Weighted average common shares outstanding — basic and diluted	140,961	140,961	140,961	140,961	140,961



OAKTREE

OCSL | Specialty Lending Corporation

Fourth Quarter
Fiscal Year 2019
Earnings
Presentation

November 20, 2019

Nasdaq: OCSL

Forward Looking Statements

Some of the statements in this presentation constitute forward-looking statements because they relate to future events or our future performance or financial condition. The forward-looking statements contained in this presentation may include statements as to: our future operating results and distribution projections; the ability of Oaktree Capital Management, L.P. (“Oaktree”) to reposition our portfolio and to implement Oaktree’s future plans with respect to our business; the ability of Oaktree to attract and retain highly talented professionals; our business prospects and the prospects of our portfolio companies; the impact of the investments that we expect to make; the ability of our portfolio companies to achieve their objectives; our expected financings and investments and additional leverage we may seek to incur in the future; the adequacy of our cash resources and working capital; the timing of cash flows, if any, from the operations of our portfolio companies; and the cost or potential outcome of any litigation to which we may be a party. In addition, words such as “anticipate,” “believe,” “expect,” “seek,” “plan,” “should,” “estimate,” “project” and “intend” indicate forward-looking statements, although not all forward-looking statements include these words. The forward-looking statements contained in this presentation involve risks and uncertainties. Our actual results could differ materially from those implied or expressed in the forward-looking statements for any reason, including the factors set forth in “Risk Factors” and elsewhere in our annual report on Form 10-K for the fiscal year ended September 30, 2019. Other factors that could cause actual results to differ materially include: changes or potential disruptions in our operations, the economy, financial markets and political environment; future changes in laws or regulations (including the interpretation of these laws and regulations by regulatory authorities) and conditions in our operating areas, particularly with respect to business development companies or regulated investment companies; and other considerations that may be disclosed from time to time in our publicly disseminated documents and filings.

We have based the forward-looking statements included in this presentation on information available to us on the date of this presentation, and we assume no obligation to update any such forward-looking statements. Although we undertake no obligation to revise or update any forward-looking statements, whether as a result of new information, future events or otherwise, you are advised to consult any additional disclosures that we may make directly to you or through reports that we in the future may file with the SEC, including annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K.

Unless otherwise indicated, data provided herein are dated as of September 30, 2019.

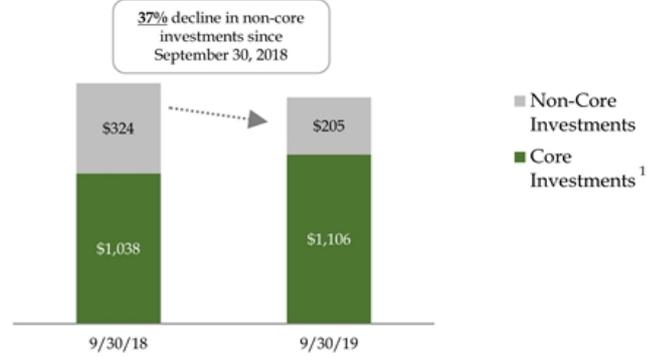
Accomplishments for the Fiscal Year Ended September 30, 2019

Key Accomplishments

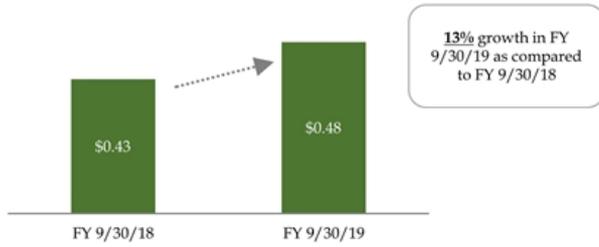
- 1 NAV Expansion
- 2 Continued Progress Rotating Portfolio
- 3 Earnings Growth
- 4 Improved Capital Structure Through Credit Facility Amendments

Portfolio Assets

(\$ in millions, at fair value)



Net Investment Income Per Share



NAV Per Share



¹ Excludes investments in Senior Loan Fund JV I, LLC ("Kemper JV"), a joint venture that primarily invests in middle-market and other corporate debt securities.



Highlights for the Quarter Ended September 30, 2019

1 Net asset value per share ("NAV") of \$6.60

- NAV has grown by approximately \$73 million (\$0.51 per share) or 8.5% since September 30, 2018
- **Seventh** consecutive quarter of NAV growth

2 Net investment income of \$0.12 per share

- Stable earnings of \$0.12 per share in-line with the prior quarter and comparable quarter one year ago
- Board of Directors declared a dividend of \$0.095 per share, payable on December 31, 2019 to stockholders of record as of December 13, 2019, consistent with the prior six quarters

3 Continued progress rotating portfolio

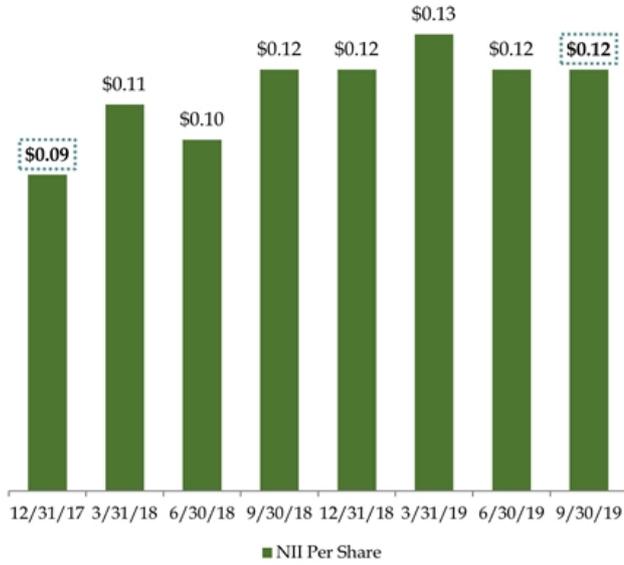
- Received \$67 million of proceeds from the exits of non-core investment during the quarter, including the full recovery of Refac Optical Group. At June 30, 2019, these exited investments had fair value of \$60 million, which contributed \$6 million (\$0.05 per share) to NAV during the quarter
- Non-core investments have been reduced by \$688 million, or 77%, since September 30, 2017, while core investments have more than doubled to \$1.1 billion over the same period

4 Maintained defensive posture and conservative financial position

- Originated \$138 million of new investment commitments to 9 portfolio companies
- 0.51x leverage (debt-to-equity) is below target leverage range of 0.70x to 0.85x
- Well positioned with \$385 million of dry powder available to invest

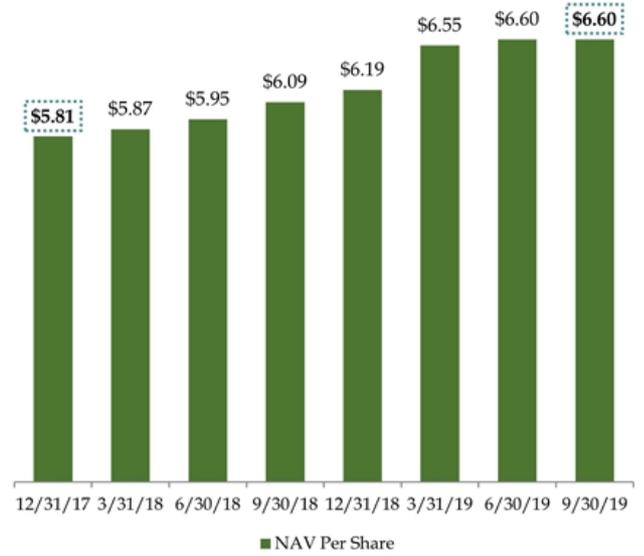
Key Earnings Metrics

Net Investment Income Per Share



NII has increased by approximately 22% since December 31, 2017

NAV Per Share



NAV has appreciated 14% since December 31, 2017

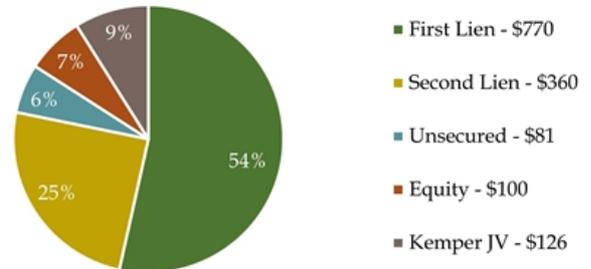
Portfolio Summary as of September 30, 2019

Portfolio Characteristics (at fair value)

- \$1.4 billion invested in 104 companies
- 91% of the total portfolio consists of debt investments
- \$15 million average debt investment size¹
- 8.9% weighted average yield on debt investments
- 90% of debt portfolio consists of floating rate investments

Portfolio Composition

(As % of total portfolio at fair value; \$ in millions)



Top 10 Industries^{2,3}

(As % of total portfolio, at fair value)



Note: Numbers may not sum due to rounding.

¹ Excludes investments in the Kemper JV.

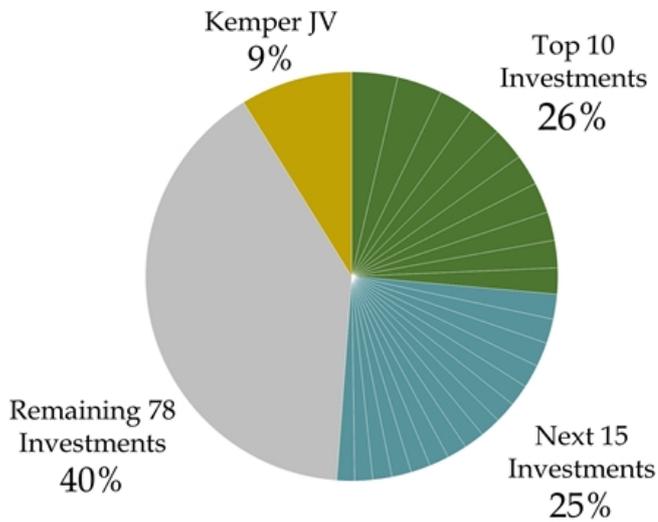
² Excludes multi-sector holdings, which is primarily comprised of investments in the Kemper JV.

³ Based on GICS sub-industry classification.

Portfolio Diversity

Diversity by Investment Size

(As % of total portfolio at fair value)



Portfolio by Industry^{1,2}

(As % of total portfolio at fair value)

Industry Group	% of Portfolio
Software	12.3%
IT Services	11.0%
Healthcare Providers & Services	8.2%
Biotechnology	6.5%
Insurance	5.7%
Pharmaceuticals	4.6%
Diversified Telecommunication Services	4.5%
Diversified Financial Services	4.1%
Healthcare Technology	4.0%
Oil, Gas & Consumable Fuels	3.3%
Auto Components	3.1%
Real Estate Management & Development	3.0%
Remaining 24 Industries	29.7%

OCSL's portfolio is diverse across borrowers and industries

As of September 30, 2019

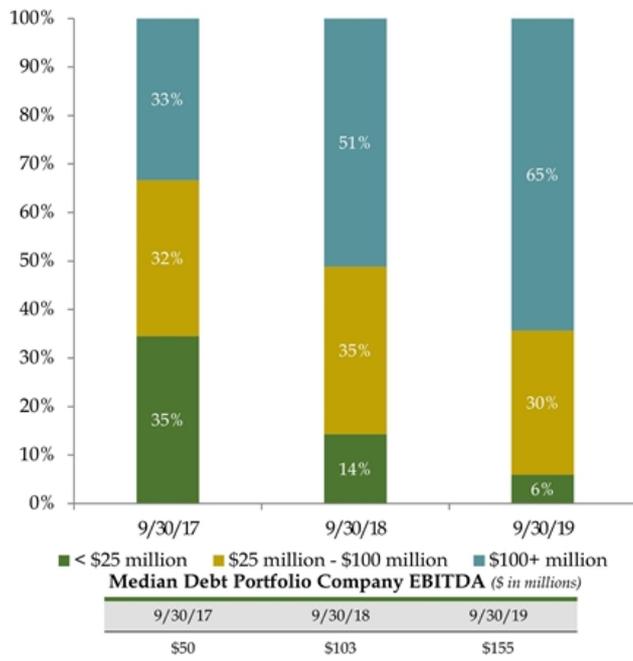
Note: Numbers may not sum due to rounding.

¹ Excludes investments in the Kemper JV.

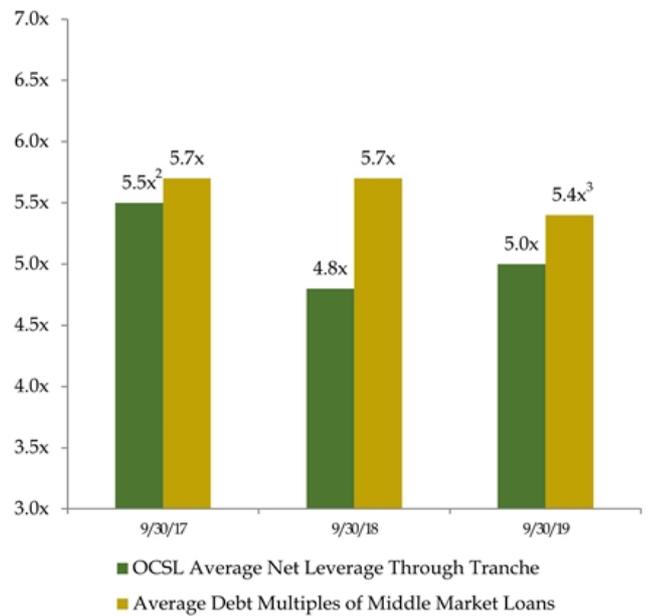
² Based on GICS industry classification.

Debt Portfolio Company Metrics

Debt Portfolio Company EBITDA¹



Debt Portfolio Company Leverage¹



OCSL's portfolio has transitioned into higher quality, larger borrowers with lower leverage, reflecting our defensive investment approach

Source: S&P Global Market Intelligence.

¹ Excludes negative EBITDA borrowers, investments in aviation subsidiaries and recurring revenue software investments.

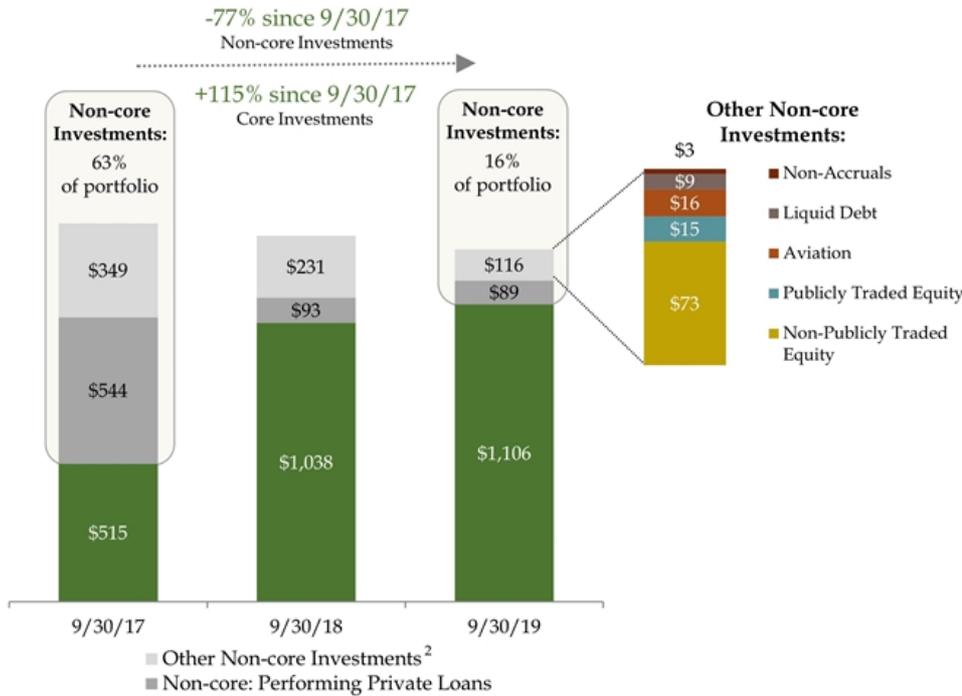
² Excludes one investment on non-accrual and one venture capital investment.

³ Represents average debt multiples for 1Q-3Q 2019.

Historical Portfolio Progression

Portfolio by Category¹

(\$ in millions, at fair value)



- Non-core portfolio has been reduced by \$688 million (77%) since September 30, 2017
- Exited seven investments on non-accrual, realizing \$55 million of gains since September 30, 2017
- Exited 61 other non-core investments and non-core performing private loans, realizing \$23 million of gains since September 30, 2017
- Core portfolio has grown by \$591 million (115%) since September 30, 2017

Non-core private loans and non-accruals currently represent only 7% of OCSL's portfolio

¹ Excludes investments in the Kemper JV.

² Other non-core investments includes liquid debt investments, investments in aviation entities, equity investments and non-accruals.

Non-core Investment Portfolio Detail

Non-core Investment Portfolio Characteristics

- Private Loans
 - \$89 million at fair value in five companies
 - Net leverage through tranche: 4.9x
 - Average debt price: 96.0%
- Equity Investments¹
 - \$89 million at fair value in 25 positions and limited partnership interests in two third-party managed funds
 - \$35 million: Cloud5 (post-restructuring equity)
 - \$15 million: YETI Holdings (public equity)
- Aviation
 - \$16 million at fair value in one aircraft
- Liquid Debt Investments
 - \$9 million at fair value in two companies
 - Average debt price: 94.7%
 - Exited \$11 million at par during the quarter ended September 30, 2019
- Non-accruals
 - \$3 million at fair value in three companies
 - Average debt price: 3.8%
 - Exited Refac Optical Group and restructured Cloud5 during the quarter ended September 30, 2019

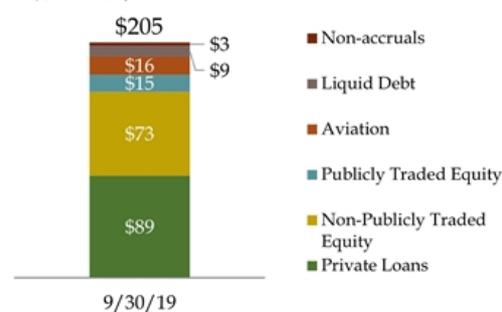
Non-core Investments by Type

(As % of non-core investment portfolio, at fair value; \$ in millions)



Non-core Portfolio Composition

(At fair value; \$ in millions)



Note: Numbers may not sum due to rounding.

¹ Excludes equity positions in non-accrual debt positions and equity in aviation entities.

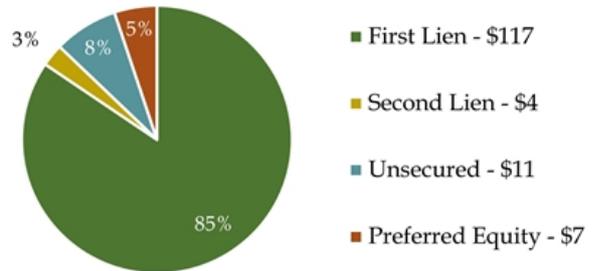
Q3 2019 Portfolio Originations

New Investment Highlights

- \$138 million of new investment commitments
- \$129 million of new funded investments¹
- 9 portfolio companies across 8 industries
- 7.7% weighted average yield at cost of new debt investments
- 92% of new debt investment commitments at floating rates
- 93% of new investments also held by other Oaktree funds

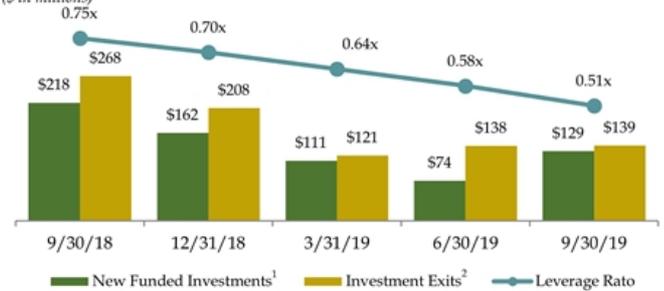
New Investment Composition

(As % of new investment commitments; \$ in millions)



Historical Originations and Exits

(\$ in millions)



Remaining patient and highly selective when evaluating new investment opportunities given competitive market environment

Note: Numbers rounded to the nearest million or percentage point.

¹ New funded investments includes drawdowns on existing revolver commitments.

² Investment exits includes proceeds from prepayments, exits, other paydowns and sales.

Historical Financial Information

Operating Results	For the three months ended				
	9/30/2019	6/30/2019	3/31/2019	12/31/2018	9/30/2018
<i>(\$ in thousands, except per share amounts)</i>					
Operating Results					
Interest income	\$30,662	\$32,910	\$34,309	\$35,789	\$35,306
PIK interest income	1,187	1,198	2,280	832	499
Fee income	2,550	1,826	1,132	1,202	2,034
Dividend income	114	735	523	453	381
Total investment income	34,513	36,669	38,244	38,276	38,220
Base management fee	5,496	5,548	5,731	5,568	5,767
Parts I & II incentive fees	3,142	4,394	11,983	5,548	3,675
Interest expense	6,960	7,592	8,970	8,904	9,323
Other operating expenses ¹	1,799	1,893	1,752	2,503	2,132
Total expenses	17,397	19,427	28,436	22,523	20,897
Fees waived	841	634	(7,901)	(1,564)	292
Net expenses	18,238	20,061	20,535	20,959	21,189
Net investment income	16,275	16,608	17,709	17,317	17,031
Net realized and unrealized gains (losses)	(1,961)	3,551	46,685	10,987	16,922
Provision for income taxes	(343)	(173)	91	(586)	(622)
Net increase/decrease in net assets resulting from operations	\$13,971	\$19,986	\$64,485	\$27,718	\$33,331
Net investment income per common share	\$0.12	\$0.12	\$0.13	\$0.12	\$0.12
Net realized and unrealized gains (losses) per common share	(0.02)	0.02	0.33	0.08	0.12
Earnings (loss) per common share - basic and diluted	\$0.10	\$0.14	\$0.46	\$0.20	\$0.24
Distributions per common share	\$0.095	\$0.095	\$0.095	\$0.095	\$0.095

¹ Includes professional fees, directors fees, administrator expenses and general and administrative expenses.

Historical Financial Information (continued)

Select Balance Sheet and Other Data	As of				
	9/30/2019	6/30/2019	3/31/2019	12/31/2018	9/30/2018
Investment Portfolio (at fair value)	\$1,438,042	\$1,455,031	\$1,504,888	\$1,464,885	\$1,491,201
Total Debt Outstanding ¹	473,367	537,278	592,178	607,141	637,213
Total Net Assets	930,630	930,050	923,456	872,362	858,035
Net Asset Value per share	\$6.60	\$6.60	\$6.55	\$6.19	\$6.09
Total Leverage	0.51x	0.58x	0.64x	0.70x	0.75x
Weighted Average Interest Rate on Debt Outstanding	4.8%	5.1%	5.1%	5.3%	5.1%
Weighted Average Yield on Debt Investments ²	8.9%	8.7%	9.0%	8.7%	8.4%
Cash Component of Weighted Average Yield on Debt Investments	8.1%	8.0%	8.3%	8.0%	8.2%
Weighted Average Yield on Total Portfolio Investments ³	8.2%	8.2%	8.3%	8.1%	8.1%

¹ Net of unamortized financing costs.

² Annual stated yield earned plus net annual amortization of original issue discount or premium earned on accruing investments, including our share of the return on debt investments in the Kemper JV.

³ Annual stated yield earned plus net annual amortization of original issue discount or premium earned on accruing investments and dividend income, including our share of the return on debt investments in the Kemper JV.

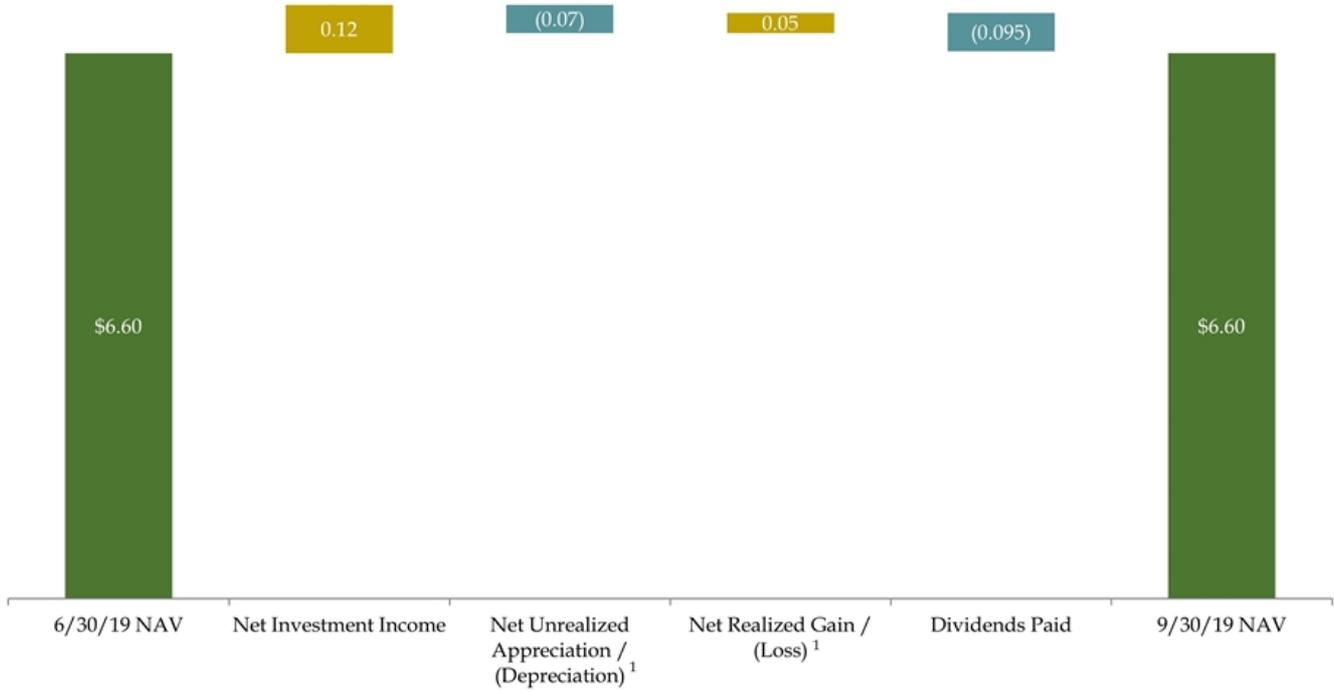
Historical Portfolio Activity

(\$ in thousands)	As of				
	9/30/2019	6/30/2019	3/31/2019	12/31/2018	9/30/2018
Investments at Fair Value	\$1,438,042	\$1,455,031	\$1,504,888	\$1,464,885	\$1,491,201
Number of Portfolio Companies	104	105	110	110	113
Average Portfolio Company Debt Investment Size	\$15,300	\$15,400	\$15,000	\$15,000	\$14,800
Asset Class:					
Senior Secured Debt	78.6%	79.7%	78.9%	80.0%	75.4%
Unsecured Debt	5.7%	7.0%	8.0%	7.8%	11.0%
Equity	6.7%	4.3%	4.2%	3.3%	4.4%
Limited Partnership Interests	0.2%	0.2%	0.5%	0.5%	0.5%
Kemper JV	8.8%	8.8%	8.4%	8.4%	8.7%
Interest Rate Type for Debt Investments:					
% Floating-Rate	89.8%	88.5%	86.3%	86.6%	83.2%
% Fixed-Rate	10.2%	11.5%	13.7%	13.4%	16.8%
Investment Activity:					
New Investment Commitments	\$138,400	\$66,800	\$100,000	\$231,100	\$228,400
New Funded Investment Activity ¹	128,500	74,100	111,100	162,400	218,400
Proceeds from Prepayments, Exits, Other Paydowns and Sales	139,000	138,300	120,700	208,300	267,500
Net New Investments ²	(10,500)	(64,200)	(9,600)	(45,900)	(49,100)
Number of New Investment Commitments in New Portfolio Companies	5	3	5	14	13
Number of New Investment Commitments in Existing Portfolio Companies	4	4	1	3	3
Number of Portfolio Company Exits	7	8	4	14	18

¹ New funded investment activity includes drawdowns on existing revolver commitments.

² Net new investments consists of new funded investment activity less proceeds from prepayments, exits, other paydowns and sales.

Net Asset Value Per Share Bridge



Note: Net asset value per share amounts are based on the shares outstanding at each respective quarter end. Net investment income per share, net unrealized appreciation / (depreciation), and net realized gain / (loss) are based on the weighted average number of shares outstanding for the period.

¹ Excludes reclassifications of net unrealized appreciation / (depreciation) to net realized gains / (losses) as a result of investments exited during the quarter.

Capital Structure Overview

Funding Sources

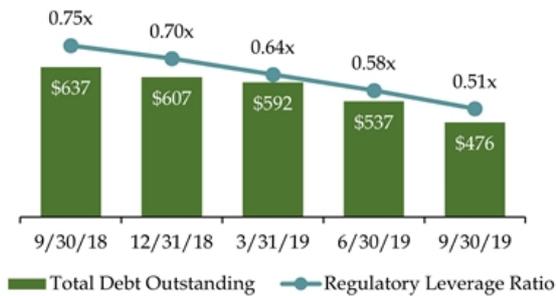
(\$ in millions)

	Committed	Principal Outstanding	Interest Rate	Maturity
Credit Facility	\$700	\$315	LIBOR+2.00% ¹	2/25/2024
2024 Notes	75	75	5.875%	10/30/2024
2028 Notes	86	86	6.125%	4/30/2028
Total	\$861	\$476		

Target Leverage Ratio: 0.70x-0.85x debt-to-equity

Historical Principal Outstanding and Leverage Ratio

(\$ in millions)

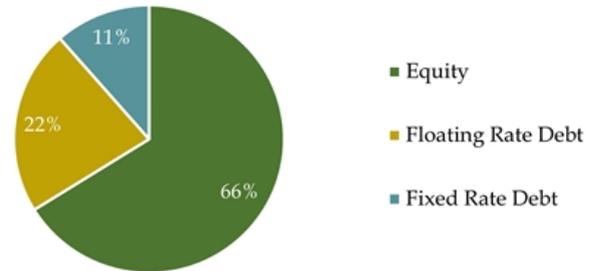


As of September 30, 2019

¹ Interest rate spread can increase up to 2.25% depending on the senior coverage ratio.

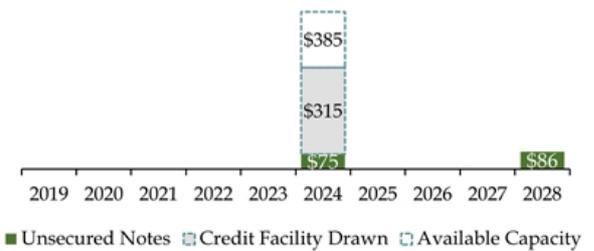
Funding Sources by Type

(As % of total funding sources)



Maturity Profile of Liabilities

(\$ in millions)



No debt maturities until 2024

Joint Venture Summary

Joint Venture Overview

- Joint venture between OCSL and Kemper Corporation that primarily invests in senior secured loans of middle market companies as well as other corporate debt securities
 - Capitalized pro rata by OCSL (87.5%) and Kemper (12.5%)
- Funded by \$250 million credit facility:

<i>\$ in millions</i>	Committed	Principal Outstanding	Interest Rate	Maturity
Credit facility	\$250	\$170	LIBOR + 2.1%	June 2026

Joint Venture Structure

(\$ in millions; at fair value)

Credit Facility \$170		Investment Portfolio \$345
OCSL \$126 (87.5%)	Kemper \$18 (12.5%)	
		Cash & Other Net Assets ¹ (\$31)

Current Leverage Ratio: 1.2x debt-to-equity
Target Leverage Ratio: 2.0x debt-to-equity

As of September 30, 2019

¹ Includes \$42 million of unsettled purchases.

Portfolio Summary

(\$ in millions; at fair value)

	9/30/19	6/30/19	3/31/19	12/31/18
Total investments	\$345	\$329	\$326	\$285
Number of issuers	51	51	49	42
Average issuer size	\$7	\$6	\$7	\$7
Largest issuer size	\$11	\$11	\$11	\$18
Wtg. avg. debt portfolio yield	6.7%	6.9%	6.9%	7.1%
Leverage ratio	1.2x	1.3x	1.3x	1.0x

Debt Portfolio Top Ten Industries

(As % of total portfolio, at fair value)



Opportunities to Increase Return on Equity

1 Redeploy non-interest generating investments

- Received \$49 million in proceeds from the exits of a non-accrual and equity position during the quarter ended September 30, 2019
- \$102 million of non-interest generating investments remain, including \$3 million of non-accruals and \$100 million of equity investments
- Received over \$245 million in proceeds from exits of non-interest generating investments since September 30, 2017

2 Operate within target leverage range of 0.70x-0.85x debt-to-equity

- Current leverage of 0.51x debt-to-equity is below target leverage range (would need to deploy approximately \$180 million in order to reach 0.70x leverage)
- Continue to be highly selective and patient given competitive market environment

3 Utilize additional investment capacity at the Kemper JV

- Originated \$46 million of investments across 7 issuers during the quarter ended September 30, 2019
- 1.2x leverage (debt-to-equity), below target leverage level of 2.0x
- \$118 million of available investment capacity (assuming 2.0x leverage)

We believe OCSL is well-positioned to enhance return on equity

As of September 30, 2019

Note: Numbers may not sum due to rounding.

Contact:
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