



OAKTREE

OCSL | Specialty Lending Corporation

SECOND QUARTER 2023  
MAY 4, 2023

EARNINGS PRESENTATION  
NASDAQ: OCSL



# Forward Looking Statements & Legal Disclosures

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 Fund Advisors, LLC (together with its affiliates, "Oaktree") to reposition our portfolio and to implement Oaktree's future plans with respect to our business; the ability of Oaktree and its affiliates 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, 2022 and our quarterly report on Form 10-Q for the quarter ended March 31, 2023. 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, war or other geopolitical conflict (including the current conflict between Russia and Ukraine), natural disasters or pandemics; 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 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.

## Calculation of Assets Under Management

References to total "assets under management" or "AUM" represent assets managed by Oaktree and a proportionate amount of the AUM reported by DoubleLine Capital LP ("DoubleLine Capital"), in which Oaktree owns a 20% minority interest. Oaktree's methodology for calculating AUM includes (i) the net asset value ("NAV") of assets managed directly by Oaktree, (ii) the leverage on which management fees are charged, (iii) undrawn capital that Oaktree is entitled to call from investors in Oaktree funds pursuant to their capital commitments, (iv) for collateralized loan obligation vehicles ("CLOs"), the aggregate par value of collateral assets and principal cash, (v) for publicly-traded business development companies, gross assets (including assets acquired with leverage), net of cash, and (vi) Oaktree's pro rata portion (20%) of the AUM reported by DoubleLine Capital. This calculation of AUM is not based on the definitions of AUM that may be set forth in agreements governing the investment funds, vehicles or accounts managed and is not calculated pursuant to regulatory definitions.

Unless otherwise indicated, data provided herein are dated as of March 31, 2023.



# Highlights for the Quarter Ended March 31, 2023

<b>ADJUSTED NET INVESTMENT INCOME<sup>1</sup></b>	<ul style="list-style-type: none"> <li>• \$0.62 per share as compared with \$0.61 per share for the quarter ended December 31, 2022</li> <li>• GAAP net investment income was \$0.63 per share, consistent with the quarter ended December 31, 2022</li> <li>• The increase in adjusted net investment income was primarily due to a larger investment portfolio and the impact of higher base rates on the Company's floating rate debt portfolio</li> </ul>
<b>NET ASSET VALUE PER SHARE</b>	<ul style="list-style-type: none"> <li>• \$19.66 as compared with \$19.63 as of December 31, 2022</li> <li>• The increase was primarily driven by net investment income in excess of the quarterly dividend</li> </ul>
<b>DIVIDENDS</b>	<ul style="list-style-type: none"> <li>• Declared a cash distribution of \$0.55 per share, which was well-covered by adjusted net investment income of \$0.62 per share</li> <li>• Distribution will be payable on June 30, 2023 to stockholders of record as of June 15, 2023</li> </ul>
<b>INVESTMENT ACTIVITY</b>	<ul style="list-style-type: none"> <li>• \$124 million of new investment commitments</li> <li>• 11.9% weighted average yield on new debt investments</li> <li>• \$104 million of new investment fundings and received \$162 million of proceeds from prepayments, exits, other paydowns and sales</li> </ul>
<b>INVESTMENT PORTFOLIO</b>	<ul style="list-style-type: none"> <li>• \$3.2 billion at fair value diversified across 165 portfolio companies</li> <li>• 11.9% weighted average yield on debt investments, up from 11.6% as of December 31, 2022 primarily due to higher base rates</li> <li>• 88% senior secured</li> <li>• 88% of debt portfolio was floating rate</li> </ul>
<b>CAPITAL STRUCTURE &amp; LIQUIDITY</b>	<ul style="list-style-type: none"> <li>• 1.14x net debt to equity ratio, as compared with 1.24x as of December 31, 2022</li> <li>• \$44 million of cash and \$335 million of undrawn capacity on credit facilities</li> </ul>
<b>MERGER WITH OSI2</b>	<ul style="list-style-type: none"> <li>• Completed the merger of Oaktree Strategic Income II, Inc. (“OSI2”) with and into us (the “OSI2 Merger”) on January 23, 2023</li> <li>• Added \$572 million of investments at fair value</li> </ul>

Note: The Company completed a 1-for-3 reverse stock split on January 20, 2023, effective as of the commencement of trading on January 23, 2023. All share amounts and per share information included in this presentation reflect the reverse stock split on a retroactive basis.

<sup>1</sup> See page 19 for a description of this non-GAAP measure.



# Portfolio Summary

## PORTFOLIO CHARACTERISTICS

(At fair value)

\$3.2bn

TOTAL INVESTMENTS

165

PORTFOLIO COMPANIES

11.9%

WEIGHTED AVERAGE YIELD ON DEBT INVESTMENTS

\$133mm

MEDIAN DEBT PORTFOLIO COMPANY EBITDA<sup>1</sup>

88%

SENIOR SECURED DEBT INVESTMENTS

88%

FLOATING RATE

As of March 31, 2023

Note: Numbers may not sum due to rounding.

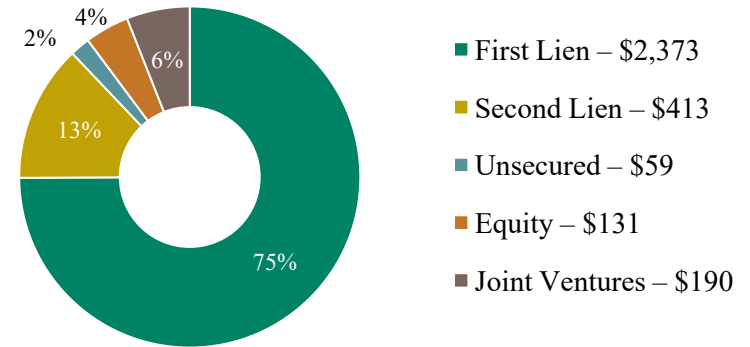
<sup>1</sup> Excludes investments in negative EBITDA borrowers, structured products and recurring revenue software businesses.

<sup>2</sup> Based on GICS sub-industry classification.

<sup>3</sup> Excludes multi-sector holdings, which is primarily composed of investments in Senior Loan Fund JV I LLC (the "Kemper JV") and OCSI Glick JV (the "Glick JV"), joint ventures that invest primarily in senior secured loans of middle market companies.

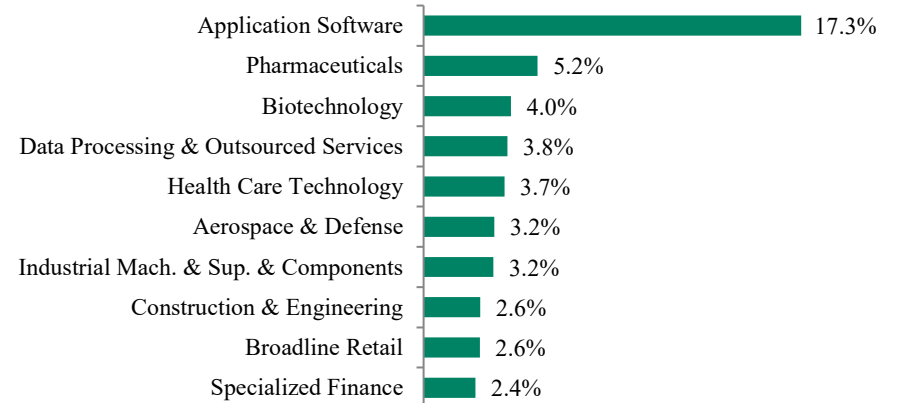
## PORTFOLIO COMPOSITION

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



## TOP TEN SUB-INDUSTRIES<sup>2, 3</sup>

(As % of total portfolio at fair value)

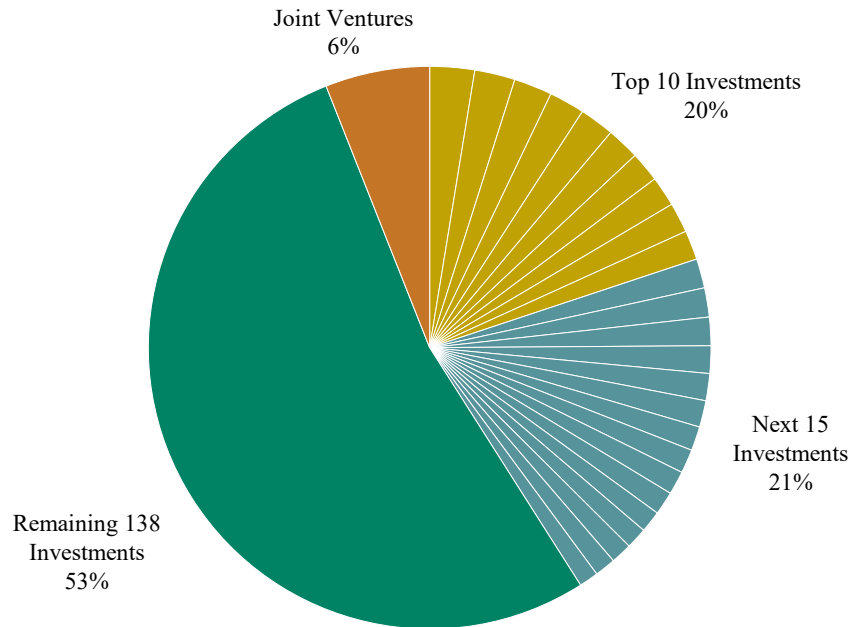




# Portfolio Diversity

## DIVERSITY BY INVESTMENT SIZE

(As % of total portfolio at fair value)



## PORTFOLIO BY INDUSTRY<sup>1</sup>

(As % of total portfolio at fair value)

Industry	% of Portfolio
Software	18.2%
Pharmaceuticals	5.2
Financial Services	4.7
Professional Services	4.1
Health Care Providers & Services	4.0
Biotechnology	4.0
Real Estate Management & Development	4.0
Specialty Retail	3.9
Health Care Technology	3.7
Aerospace & Defense	3.2
Machinery	3.2
Chemicals	3.0
Remaining 29 Industries	32.8
Joint Ventures	6.0

***OCSL's portfolio is diverse across borrowers and industries***

As of March 31, 2023

Note: Numbers may not sum due to rounding.

<sup>1</sup> Based on GICS industry classification.



## Investment Activity

### NEW INVESTMENT HIGHLIGHTS

**\$124mm**

NEW INVESTMENT  
COMMITMENTS

**\$104mm**

NEW INVESTMENT  
FUNDINGS<sup>1</sup>

**11.9%**

WEIGHTED AVERAGE YIELD ON  
NEW DEBT COMMITMENTS

**100%**

ALSO HELD BY OTHER  
OAKTREE FUNDS

**\$107mm**

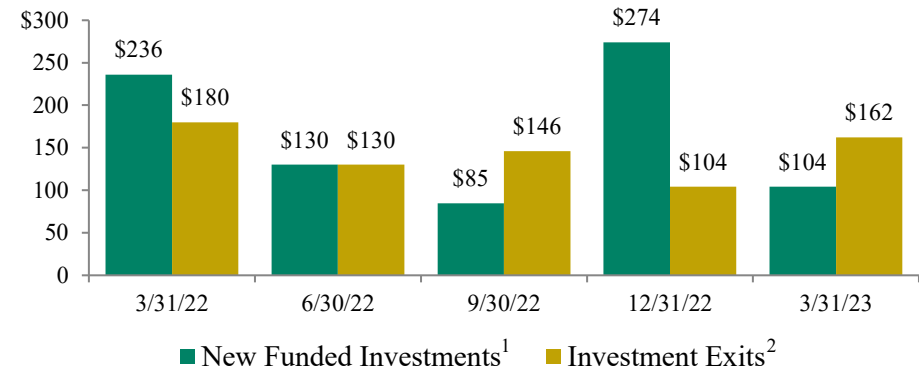
NEW INVESTMENT  
COMMITMENTS IN NEW  
PORTFOLIO COMPANIES

**\$17mm**

NEW INVESTMENT  
COMMITMENTS IN EXISTING  
PORTFOLIO COMPANIES

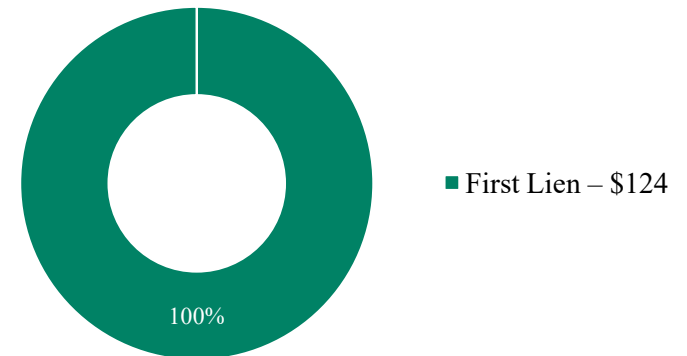
### HISTORICAL FUNDED ORIGINATIONS AND EXITS

(\$ in millions)



### NEW INVESTMENT COMPOSITION

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



Note: Numbers rounded to the nearest million or percentage point and may not sum as a result. Excludes the \$572 million of investments at fair value acquired in the OSI2 merger.

<sup>1</sup> New funded investments includes drawdowns on existing delayed draw and revolver commitments.

<sup>2</sup> Investment exits includes proceeds from prepayments, exits, other paydowns and sales.



# Investment Activity (continued)

## NEW INVESTMENT COMMITMENT DETAIL

(\$ in millions)

Fiscal Quarter	Investment Commitments	Number of Deals	Security Type			Market			Avg. Secondary Purchase Price
			First Lien	Second Lien	Unsecured & Other	Private Placement	Primary (Public)	Secondary (Public)	
2Q2020	\$273	39	\$210	\$21	\$42	\$141	\$58	\$75	83%
3Q2020	261	18	177	8	76	154	71	35	74
4Q2020	148	10	123	25	0.5	90	57	2	96
1Q2021	286	21	196	90	--	181	84	22	93
2Q2021	318	20	253	44	21	245	63	10	93
3Q2021	178	10	141	25	12	104	70	5	97
4Q2021	385	20	350	13	23	304	79	2	100
1Q2022	300	21	220	77	2	227	73	--	N/A
2Q2022	228	25	163	17	48	162	26	40	96
3Q2022	132	28	100	6	25	63	5	63	91
4Q2022	97	11	65	--	32	71	22	4	92
1Q2023	250	25	214	10	26	188	49	14	82
2Q2023	124	9	124	--	--	118	5	1	81

Note: Numbers may not sum due to rounding. Excludes any positions originated, purchased and sold within the same quarter and the assets acquired in the OSI2 merger.



# Financial Highlights

(\$ and number of shares in thousands, except per share amounts)	As of				
	3/31/2023	12/31/2022	9/30/2022	6/30/2022	3/31/2022
GAAP Net Investment Income per Share	\$0.63	\$0.63	\$0.59	\$0.66	\$0.66
<i>Adjusted Net Investment Income per Share<sup>1</sup></i>	<i>\$0.62</i>	<i>\$0.61</i>	<i>\$0.55</i>	<i>\$0.51</i>	<i>\$0.53</i>
Net Realized and Unrealized Gains (Losses), Net of Taxes per Share	\$(0.33)	\$(0.42)	\$(0.37)	\$(1.28)	\$(0.42)
<i>Adjusted Net Realized and Unrealized Gains (Losses), Net of Taxes per Share<sup>1</sup></i>	<i>\$(0.05)</i>	<i>\$(0.39)</i>	<i>\$(0.34)</i>	<i>\$(1.24)</i>	<i>\$(0.36)</i>
Earnings (Loss) per Share	\$0.29	\$0.22	\$0.22	\$(0.62)	\$0.24
<i>Adjusted Earnings (Loss) per Share<sup>1</sup></i>	<i>\$0.57</i>	<i>\$0.22</i>	<i>\$0.22</i>	<i>\$(0.62)</i>	<i>\$0.24</i>
Quarterly Distributions per Share	\$0.55	\$0.54	\$0.51	\$0.495	\$0.48
Special Distributions per Share	--	\$0.42	--	--	--
NAV per Share	\$19.66	\$19.63	\$20.83	\$20.67	\$21.78
Weighted Average Shares Outstanding	73,203	61,142	61,125	61,123	60,533
Shares Outstanding, End of Period	77,080	61,220	61,125	61,125	61,068
Investment Portfolio (at Fair Value)	\$3,164,860	\$2,642,870	\$2,494,111	\$2,565,389	\$2,644,775
Cash and Cash Equivalents	\$43,750	\$17,382	\$23,528	\$34,306	\$39,366
Total Assets	\$3,318,507	\$2,767,260	\$2,646,313	\$2,689,378	\$2,756,682
Total Debt Outstanding <sup>2</sup>	\$1,723,840	\$1,463,624	\$1,301,043	\$1,356,606	\$1,363,660
Net Assets	\$1,515,150	\$1,201,989	\$1,245,563	\$1,263,529	\$1,330,376
Total Debt to Equity Ratio	1.16x	1.26x	1.08x	1.10x	1.05x
Net Debt to Equity Ratio	1.14x	1.24x	1.06x	1.08x	1.02x
Weighted Average Interest Rate on Debt Outstanding <sup>3</sup>	6.2%	5.6%	4.4%	3.2%	2.5%

Note: The Company completed a 1-for-3 reverse stock split on January 20, 2023, effective as of the commencement of trading on January 23, 2023. All share amounts and per share information included in this presentation reflect the reverse stock split on a retroactive basis.

<sup>1</sup> See page 19 for a description of the non-GAAP measures.

<sup>2</sup> Net of unamortized financing costs.

<sup>3</sup> Includes effect of the interest rate swap agreement the Company entered into in connection with the issuance of the 2027 Notes.





# Portfolio Highlights

(\$ in thousands, at fair value)	As of				
	3/31/2023	12/31/2022	9/30/2022	6/30/2022	3/31/2022
Investments at Fair Value	\$3,164,860	\$2,642,870	\$2,494,111	\$2,565,389	\$2,644,775
Number of Portfolio Companies	165	156	149	151	146
Average Portfolio Company Debt Investment Size	\$18,800	\$16,500	\$16,500	\$16,700	\$17,700
<b>Asset Class:</b>					
First Lien	75.0%	71.9%	71.2%	70.0%	69.0%
Second Lien	13.0	14.4	15.7	16.6	17.3
Unsecured Debt	1.9	2.4	2.3	2.5	2.1
Equity	4.1	4.3	4.2	4.3	4.5
Joint Venture Interests	6.0	7.0	6.7	6.6	7.1
<b>Interest Rate Type for Debt Investments:</b>					
% Floating-Rate	87.9%	87.3%	86.5%	87.8%	89.0%
% Fixed-Rate	12.1	12.7	13.5	12.2	11.0
<b>Yields:</b>					
Weighted Average Yield on Debt Investments <sup>1</sup>	11.9%	11.6%	10.6%	9.3%	8.8%
Cash Component of Weighted Average Yield on Debt Investments	10.9	10.3	9.3	8.2	7.6
Weighted Average Yield on Total Portfolio Investments <sup>2</sup>	11.5	11.2	10.2	9.0	8.4

Note: Numbers may not sum due to rounding.

<sup>1</sup> Annual stated yield earned plus net annual amortization of OID or premium earned on accruing investments, including the Company's share of the return on debt investments in the Kemper JV and Glick JV, and excluding any amortization or accretion of interest income resulting solely from the cost basis established by ASC 805 for the assets acquired in connection with the mergers of Oaktree Strategic Income Corporation (the "OCSI Merger") and the OSI2 Merger. See page 19 for a description of the non-GAAP financial measures.

<sup>2</sup> Annual stated yield earned plus net annual amortization of OID or premium earned on accruing investments and dividend income, including the Company's share of the return on debt investments in the Kemper JV and Glick JV, and excluding any amortization or accretion of interest income resulting solely from the cost basis established by ASC 805 for the assets acquired in connection with the OCSI Merger and the OSI2 Merger. See page 19 for a description of the non-GAAP financial measures.



# Investment Activity

(\$ in thousands)	As of				
	3/31/2023 <sup>1</sup>	12/31/2022	9/30/2022	6/30/2022	3/31/2022
New Investment Commitments	\$123,800	\$250,300	\$97,000	\$131,900	\$227,900
New Funded Investment Activity <sup>2</sup>	\$103,600	\$274,400	\$84,500	\$130,000	\$236,200
Proceeds from Prepayments, Exits, Other Paydowns and Sales	\$162,100	\$104,400	\$146,100	\$129,900	\$180,100
Net New Investments <sup>3</sup>	\$(58,500)	\$170,000	\$(61,600)	\$100	\$56,100
New Investment Commitments in New Portfolio Companies	6	18	6	12	16
New Investment Commitments in Existing Portfolio Companies	3	7	5	16	9
Portfolio Company Exits	5	11	8	7	10
Weighted Average Yield at Cost on New Debt Investment Commitments	11.9%	13.1%	9.9%	9.2%	8.7%

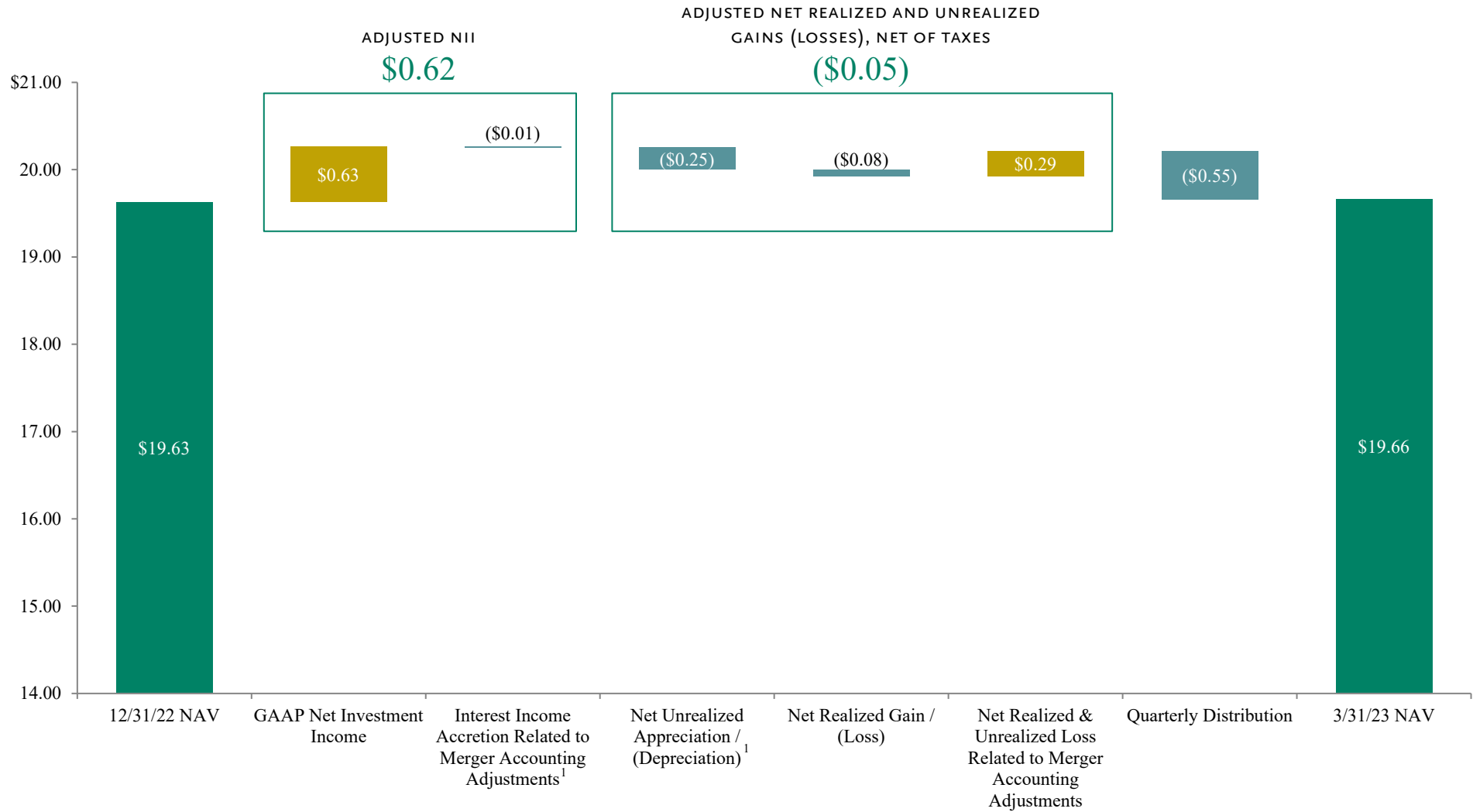
<sup>1</sup> Excludes the assets acquired in the OSI2 merger.

<sup>2</sup> New funded investment activity includes drawdowns on existing revolver commitments.

<sup>3</sup> 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: Numbers may not sum due to rounding. 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. Numbers may not sum due to rounding. See page 19 for a description of the non-GAAP measures. Per share amounts have been adjusted for the one-for-three reverse stock split which took effect before market open on January 23, 2023.

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



# Capital Structure Overview

**0.90x to 1.25x**

TARGET LEVERAGE RATIO

**Investment  
Grade Rated**

BY MOODY'S AND FITCH

**37%**

UNSECURED  
BORROWINGS

**\$379mm**

AVAILABLE LIQUIDITY<sup>4</sup>

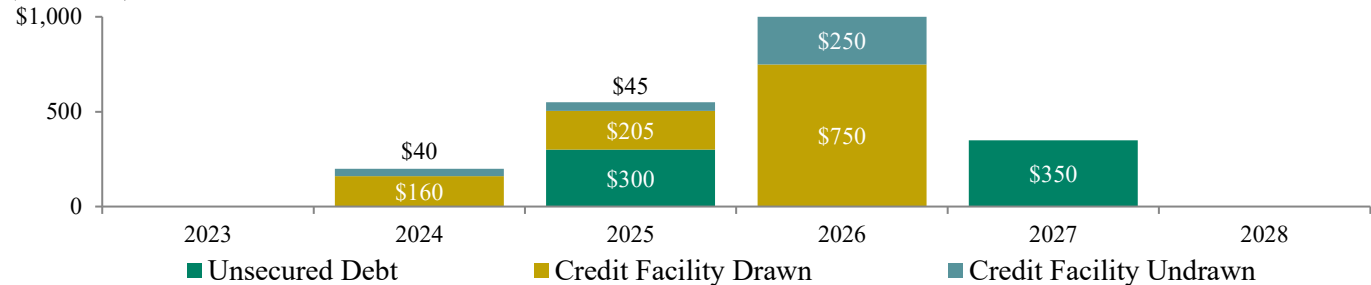
## FUNDING SOURCES

(\$ in millions)

	Committed	Principal Outstanding	Interest Rate	Maturity
Syndicated Credit Facility	\$1,000	\$750	SOFR + 2.00%	5/4/2026
Citibank Facility	200	160	LIBOR + 1.25%-2.25% <sup>1</sup>	11/18/2024
OSI2 Citibank Facility	250	205	LIBOR + 1.65%-2.25% <sup>2</sup>	1/26/2025
2025 Notes	300	300	3.500%	2/25/2025
2027 Notes	350	350	2.700% (LIBOR + 1.658%) <sup>3</sup>	1/15/2027
Cash and Cash Equivalents	--	(44)	--	--
<b>Total</b>	<b>\$2,100</b>	<b>\$1,721</b>		
<b>Weighted Average Interest Rate</b>		<b>6.2%</b>		
<b>Net Debt to Equity Ratio</b>		<b>1.14x</b>		

## MATURITIES

(\$ in millions)



***Diverse and flexible sources of debt capital with no near-term maturities***

As of March 31, 2023

Note: Numbers may not sum due to rounding.

<sup>1</sup> The interest rate on outstanding borrowings is LIBOR plus 1.25%-2.20% on broadly syndicated loans subject to observable market depth and LIBOR plus 2.25% on all other eligible loans.

<sup>2</sup> The interest rate on outstanding borrowings is LIBOR plus 1.65% on broadly syndicated loans and LIBOR plus 2.25% on all other eligible loans.

<sup>3</sup> The Company entered into an interest rate swap agreement under which the Company receives a fixed interest rate of 2.700% and pays a floating rate of the three-month LIBOR plus 1.658% on a notional amount of \$350 million.

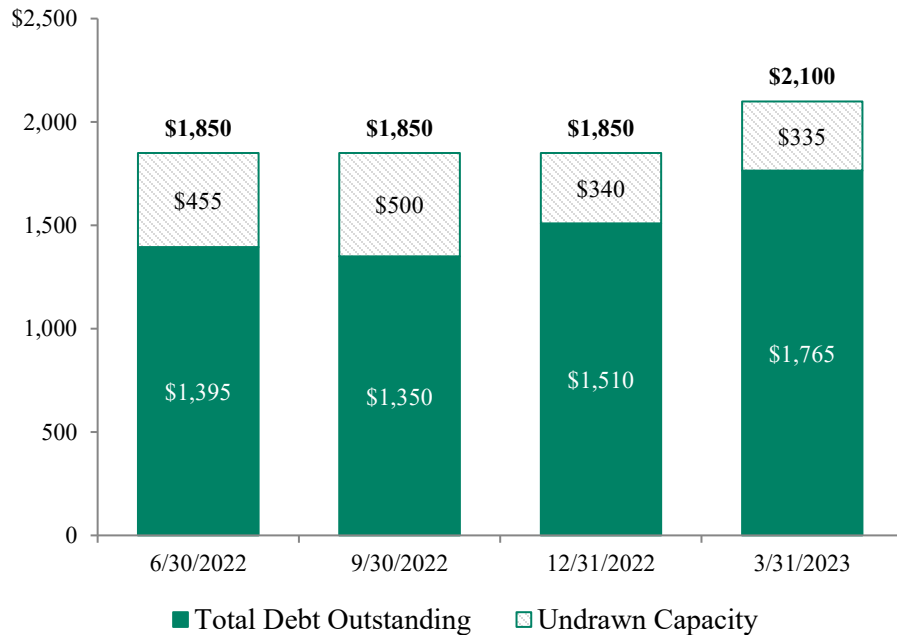
<sup>4</sup> Liquidity was composed of \$43.8 million of unrestricted cash and cash equivalents and \$335.0 million of undrawn capacity under the credit facilities (subject to borrowing base and other limitations).



# Funding and Liquidity Metrics

## LEVERAGE UTILIZATION

(\$ in millions)



## LIQUIDITY OVERVIEW

(\$ in millions)

	6/30/2022	9/30/2022	12/31/2022	3/31/2023
Credit Facilities Committed	\$1,200	\$1,200	\$1,200	\$1,450
Credit Facilities Drawn	(745)	(700)	(860)	(1,115)
Cash and Cash Equivalents	34	24	17	44
<b>Total Liquidity</b>	<b>489</b>	<b>524</b>	<b>357</b>	<b>379</b>
Total Unfunded Commitments <sup>1</sup>	(183)	(175)	(172)	(237)
Unavailable Unfunded Commitments <sup>2</sup>	56	33	42	53
<b>Adjusted Liquidity</b>	<b>\$362</b>	<b>\$382</b>	<b>\$227</b>	<b>\$195</b>

*Ample liquidity to support funding needs<sup>3</sup>*

	6/30/2022	9/30/2022	12/31/2022	3/31/2023
Cash	\$34	\$24	\$17	\$44
Net Assets	\$1,264	\$1,246	\$1,202	\$1,515
Total Leverage	1.10x	1.08x	1.26x	1.16x
Net Leverage	1.08x	1.06x	1.24x	1.14x

<sup>1</sup> Excludes unfunded commitments to the Kemper JV and Glick JV.

<sup>2</sup> Includes unfunded commitments ineligible to be drawn due to certain limitations in credit agreements.

<sup>3</sup> As of March 31, 2023, we have analyzed cash and cash equivalents, availability under our credit facilities, the ability to rotate out of certain assets and amounts of unfunded commitments that could be drawn and believe our liquidity and capital resources are sufficient to take advantage of market opportunities in the current economic climate.



# Strategic Joint Ventures are Accretive to Earnings

OCSL'S JOINT VENTURES ARE INCOME-ENHANCING VEHICLES THAT PRIMARILY INVEST IN SENIOR SECURED LOANS OF MIDDLE MARKET COMPANIES AND OTHER CORPORATE DEBT SECURITIES

## Key Attributes of Joint Ventures:

- Equity ownership: 87.5% OCSL and 12.5% joint venture partner
- Shared voting control: 50% OCSL and 50% joint venture partner

### KEMPER JV CHARACTERISTICS

(At fair value)

<b>\$140mm</b> OCSL'S INVESTMENTS IN THE KEMPER JV	<b>4.4%</b> % OF OCSL'S PORTFOLIO
<b>\$5.1mm</b> NET INVESTMENT INCOME <sup>1</sup>	<b>15.0%</b> RETURN ON OCSL'S INVESTMENT (ANNUALIZED) <sup>3</sup>

### GLICK JV CHARACTERISTICS

(At fair value)

<b>\$50mm</b> OCSL'S INVESTMENTS IN THE GLICK JV	<b>1.6%</b> % OF OCSL'S PORTFOLIO
<b>\$1.9mm</b> NET INVESTMENT INCOME <sup>2</sup>	<b>15.6%</b> RETURN ON OCSL'S INVESTMENT (ANNUALIZED) <sup>3</sup>

### COMBINED PORTFOLIO SUMMARY

INVESTMENT PORTFOLIO	FIRST LIEN	PORTFOLIO COMPANY COUNT	WTD. AVG. DEBT PORTFOLIO YIELD	LEVERAGE RATIO
<b>\$480mm</b>	<b>95%</b>	<b>59</b>	<b>10.6%</b>	<b>1.3x</b>

As of March 31, 2023

<sup>1</sup> Represents OCSL's 87.5% share of the Kemper JV's net investment income (excluding subordinated note interest expense) earned during the quarter ended March 31, 2023.

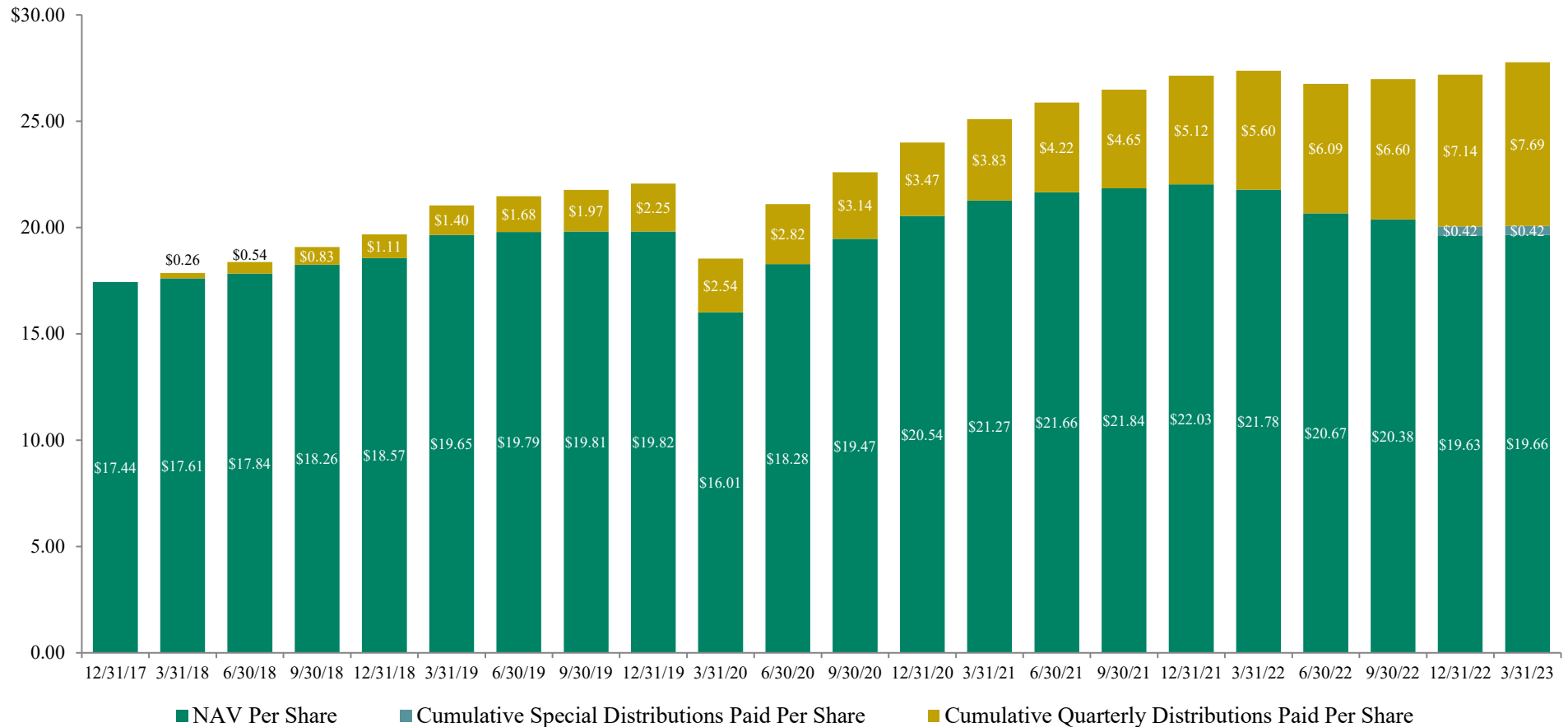
<sup>2</sup> Represents OCSL's 87.5% share of the Glick JV's net investment income (excluding subordinated note interest expense) earned during the quarter ended March 31, 2023.

<sup>3</sup> Calculated as OCSL's share of each respective joint venture's net investment income annualized, divided by the fair value of OCSL's investments in each joint venture as of December 31, 2022.



# Compelling Performance Under Oaktree Management

## NAV AND CUMULATIVE DISTRIBUTIONS PAID PER SHARE<sup>1</sup>



***OCSL has generated a 10.5% annualized return on equity under Oaktree management<sup>2</sup>***

Note: The Company completed a 1-for-3 reverse stock split on January 20, 2023, effective as of the commencement of trading on January 23, 2023. All share amounts and per share information included in this presentation reflect the reverse stock split on a retroactive basis.

<sup>1</sup> Cumulative distributions declared and paid from December 31, 2017 through March 31, 2023.

<sup>2</sup> Annualized return on equity calculated as the change in net asset value plus distributions paid from December 31, 2017 through March 31, 2023. Assumes dividends reinvested at NAV.



# Opportunities to Increase Return on Equity

1

## POSITIONED FOR CONTINUED INTEREST RATE INCREASES

- 88% of the debt portfolio at fair value was composed of floating rate debt investments
- Higher base rates are positively impacting net investment income

2

## CONTINUE ROTATING INTO HIGHER-YIELDING INVESTMENTS

- Opportunity to improve the portfolio's yield by rotating out of lower-yielding investments into higher-yielding, proprietary loans or discounted secondary market purchases
- \$21 million at fair value of senior secured loans with interest rates at or below LIBOR + 4.50%<sup>2</sup>
- \$53 million of investments with interest rates equal to or below LIBOR + 3.75% in the joint ventures<sup>2</sup>

3

## REALIZATION OF MERGER SYNERGIES

- Merger with OSI2 closed on January 23, 2023
- Operational synergies resulting from elimination of duplicative expenses expected to result in near-term G&A savings
- Streamlined capital structure anticipated to result in interest expense savings
- Base management fee waiver totaling \$9 million over two years

As of March 31, 2023

<sup>1</sup> Subject to borrowing base and other limitations.

<sup>2</sup> For senior secured loans that have a cost basis above 92.5%.



# Appendix



**OAKTREE**

OCSL | Specialty Lending Corporation

# Quarterly Statement of Operations

(\$ in thousands)	For the three months ended				
	3/31/2023	12/31/2022	9/30/2022	6/30/2022	3/31/2022
<b>INVESTMENT INCOME</b>					
Interest income	\$88,745	\$69,978	\$61,719	\$54,728	\$57,019
PIK interest income	4,123	6,130	6,011	5,178	4,674
Fee income	2,380	2,021	1,539	2,275	1,905
Dividend income	1,054	1,050	875	956	700
<b>GAAP total investment income</b>	<b>96,302</b>	<b>79,179</b>	<b>70,144</b>	<b>63,137</b>	<b>64,298</b>
Less: Interest income accretion related to merger accounting adjustments	(561)	(1,746)	(2,173)	(2,188)	(4,008)
<b>Adjusted total investment income</b>	<b>95,741</b>	<b>77,433</b>	<b>67,971</b>	<b>60,949</b>	<b>60,290</b>
<b>EXPENSES</b>					
Base management fee	11,483	9,917	9,703	9,819	10,082
Part I incentive fee	9,007	7,703	6,986	6,497	6,704
Part II incentive fee	--	--	--	(6,796)	(3,746)
Interest expense	27,804	20,719	15,751	11,870	9,908
Other operating expenses <sup>1</sup>	3,805	2,704	2,596	2,127	2,002
<b>Total expenses</b>	<b>52,099</b>	<b>41,043</b>	<b>35,036</b>	<b>23,517</b>	<b>24,950</b>
Reversal of fees waived (fees waived)	(1,775)	(750)	(750)	(750)	(750)
<b>Net expenses</b>	<b>50,324</b>	<b>40,293</b>	<b>34,286</b>	<b>22,767</b>	<b>24,200</b>
(Provision) benefit for taxes on net investment income	--	--	--	--	--
Excise tax	--	(78)	--	--	--
<b>GAAP net investment income</b>	<b>45,978</b>	<b>38,808</b>	<b>35,858</b>	<b>40,370</b>	<b>40,098</b>
Less: Interest income accretion related to merger accounting adjustments	(561)	(1,746)	(2,173)	(2,188)	(4,008)
Add: Part II incentive fee	--	--	--	(6,796)	(3,746)
<b>Adjusted net investment income</b>	<b>\$45,417</b>	<b>\$37,062</b>	<b>\$33,685</b>	<b>\$31,386</b>	<b>\$32,344</b>

Note: See page 19 for a description of the non-GAAP measures.

<sup>1</sup> Includes professional fees, directors fees, administrator expense and general and administrative expenses.

# Quarterly Statement of Operations (continued)

(\$ in thousands, except per share amounts)	For the three months ended				
	3/31/2023	12/31/2022	9/30/2022	6/30/2022	3/31/2022
<b>NET REALIZED AND UNREALIZED GAINS (LOSSES)</b>					
Net unrealized appreciation (depreciation)	\$ (18,279)	\$ (22,982)	\$ (17,869)	\$ (86,755)	\$ (27,038)
Net realized gains (losses)	(6,111)	(3,203)	(2,756)	9,212	1,402
(Provision) benefit for taxes on realized and unrealized gains (losses)	(66)	549	(2,025)	(661)	(21)
<b>GAAP net realized and unrealized gains (losses), net of taxes</b>	<b>\$ (24,456)</b>	<b>\$ (25,636)</b>	<b>\$ (22,650)</b>	<b>\$ (78,204)</b>	<b>\$ (25,657)</b>
Less: Net realized and unrealized losses (gains) related to merger accounting adjustments	20,955	1,746	2,173	2,188	4,008
<b>Adjusted net realized and unrealized gains (losses), net of taxes</b>	<b>\$ (3,501)</b>	<b>\$ (23,890)</b>	<b>\$ (20,477)</b>	<b>\$ (76,016)</b>	<b>\$ (21,649)</b>
<b>GAAP net increase (decrease) in net assets resulting from operations</b>	<b>\$ 21,522</b>	<b>\$ 13,172</b>	<b>\$ 13,208</b>	<b>\$ (37,384)</b>	<b>\$ 14,441</b>
Less: Interest income accretion related to merger accounting adjustments	(561)	(1,746)	(2,173)	(2,188)	(4,008)
Less: Net realized and unrealized losses (gains) related to merger accounting adjustments	20,955	1,746	2,173	2,188	4,008
<b>Adjusted earnings (loss)</b>	<b>\$ 41,916</b>	<b>\$ 13,172</b>	<b>\$ 13,208</b>	<b>\$ (37,834)</b>	<b>\$ 14,441</b>
<b>PER SHARE DATA:</b>					
GAAP total investment income	\$ 1.32	\$ 1.30	\$ 1.15	\$ 1.03	\$ 1.06
Adjusted total investment income	1.31	1.27	1.11	1.00	1.00
GAAP net investment income	0.63	0.63	0.59	0.66	0.66
Adjusted net investment income	0.62	0.61	0.55	0.51	0.53
GAAP net realized and unrealized gains (losses), net of taxes	(0.33)	(0.42)	(0.37)	(1.28)	(0.42)
Adjusted net realized and unrealized gains (losses), net of taxes	(0.05)	(0.39)	(0.34)	(1.24)	(0.36)
GAAP net increase/decrease in net assets resulting from operations	0.29	0.22	0.22	(0.62)	0.24
Adjusted earnings (loss)	0.57	0.22	0.22	(0.62)	0.24
Weighted average common shares outstanding	73,203	61,142	61,125	61,123	60,533
Shares outstanding, end of period	77,080	61,220	61,125	61,125	61,068

Note: See page 19 for a description of the non-GAAP measures. Per share amounts have been adjusted for the one-for-three reverse stock split which took effect before market open on January 23, 2023.



## Non-GAAP Disclosures

The OCSI Merger and the OSI2 Merger (the “Mergers”) were accounted for as asset acquisitions in accordance with the asset acquisition method of accounting as detailed in ASC 805-50, Business Combinations—Related Issues (“ASC 805”). The consideration paid to each of the stockholders of Oaktree Strategic Income Corporation (“OCSI”) and OSI2 were allocated to the individual assets acquired and liabilities assumed based on the relative fair values of the net identifiable assets acquired other than “non-qualifying” assets, which established a new cost basis for the acquired investments under ASC 805 that, in aggregate, was different than the historical cost basis of the acquired investments prior to the OCSI Merger or OSI2 merger, as applicable. Additionally, immediately following the completion of the Mergers, the acquired investments were marked to their respective fair values under ASC 820, Fair Value Measurements, which resulted in unrealized appreciation / depreciation. The new cost basis established by ASC 805 on debt investments acquired will accrete / amortize over the life of each respective debt investment through interest income, with a corresponding adjustment recorded to unrealized appreciation / depreciation on such investment acquired through its ultimate disposition. The new cost basis established by ASC 805 on equity investments acquired will not accrete / amortize over the life of such investments through interest income and, assuming no subsequent change to the fair value of the equity investments acquired and disposition of such equity investments at fair value, the Company will recognize a realized gain / loss with a corresponding reversal of the unrealized appreciation / depreciation on disposition of such equity investments acquired.

The Company’s management uses the non-GAAP financial measures described above internally to analyze and evaluate financial results and performance and to compare its financial results with those of other business development companies that have not adjusted the cost basis of certain investments pursuant to ASC 805. The Company’s management believes “Adjusted Total Investment Income”, “Adjusted Total Investment Income Per Share”, “Adjusted Net Investment Income” and “Adjusted Net Investment Income Per Share” are useful to investors as an additional tool to evaluate ongoing results and trends for the Company without giving effect to the accretion income resulting from the new cost basis of the investments acquired in the Mergers because these amounts do not impact the fees payable to Oaktree under its second amended and restated investment advisory agreement (the “A&R Advisory Agreement”), and specifically as it relates to “Adjusted Net Investment Income” and “Adjusted Net Investment Income Per Share”, without giving effect to Part II incentive fees. In addition, the Company’s management believes that “Adjusted Net Realized and Unrealized Gains (Losses), Net of Taxes”, “Adjusted Net Realized and Unrealized Gains (Losses), Net of Taxes Per Share”, “Adjusted Earnings (Loss)” and “Adjusted Earnings (Loss) Per Share” are useful to investors as they exclude the non-cash income/gain resulting from the Mergers and used by management to evaluate the economic earnings of its investment portfolio. Moreover, these metrics align the Company's key financial measures with the calculation of incentive fees payable to Oaktree under with the A&R Advisory Agreement (i.e., excluding amounts resulting solely from the lower cost basis of the acquired investments established by ASC 805 that would have been to the benefit of Oaktree absent such exclusion).



# OAKTREE

OCSL | Specialty Lending Corporation



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