



OAKTREE

OCSL | Specialty Lending Corporation

First Quarter
Fiscal Year 2020
Earnings
Presentation

February 6, 2020

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 or 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 December 31, 2019.

Highlights for the Quarter Ended December 31, 2019

Net Asset Value

- \$6.61 per share as of December 31, 2019, up \$0.01 as compared to \$6.60 as of September 30, 2019
- NAV has grown by \$59 million (\$0.42 per share) and \$111 million (\$0.79 per share) since December 31, 2018 and December 31, 2017, respectively
- **Eighth** consecutive quarter of NAV growth

Adjusted Net Investment Income¹

- \$0.10 per share for the quarter ended December 31, 2019 as compared to \$0.12 for the quarter ended September 30, 2019

Dividends

- Paid a distribution of \$0.095 per share during the quarter ended December 31, 2019
- Board of Directors declared a dividend of \$0.095 per share payable on March 31, 2020 to stockholders of record as of March 13, 2020

Investment Activity

- \$134 million of new investment commitments and received \$97 million of proceeds from prepayments, exits, other paydowns and sales
- 90% of new investment commitments were first lien and 10% were second lien
- 8.1% weighted average yield on new investment commitments
- Originated \$112 million at a weighted average yield of 8.7% from January 1, 2020 through January 31, 2020

Non-Core Investment Exits

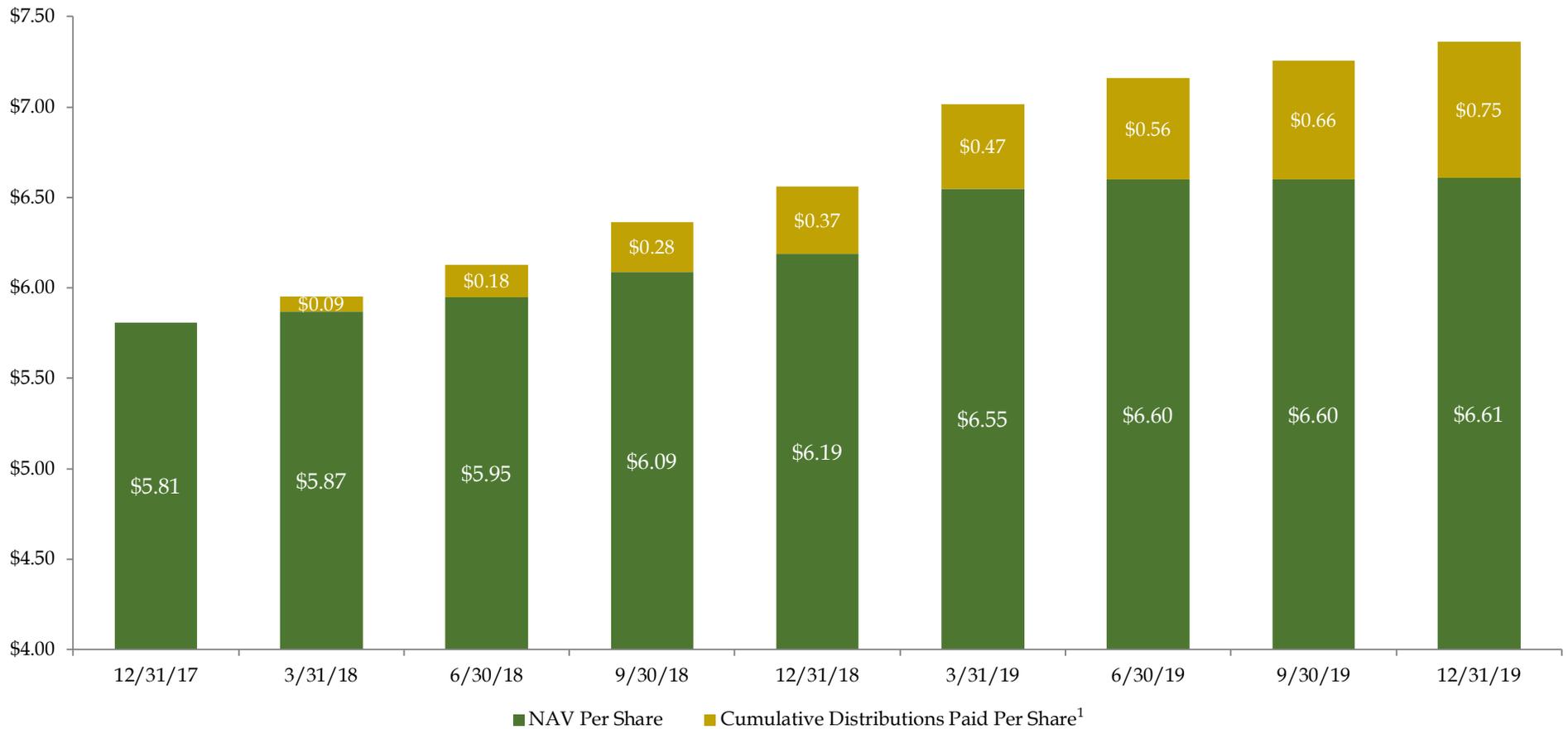
- Exited \$26 million of non-core investments in three companies
- Non-core investments have been reduced by \$719 million or 80% since September 30, 2017, and core investments have more than doubled to over \$1.0 billion over the same period

¹ See page 19 for a description of this non-GAAP measure and a reconciliation from net investment income per share to adjusted net investment income per share.

² Excludes investments in Senior Loan Fund JV I ("Kemper JV"), a joint venture that invests primarily in middle market and other corporate debt securities.

Compelling Track Record of NAV Performance Under Oaktree Management

NAV and Cumulative Distributions Paid Per Share



¹ Cumulative distributions declared and paid from December 31, 2017 through December 31, 2019.

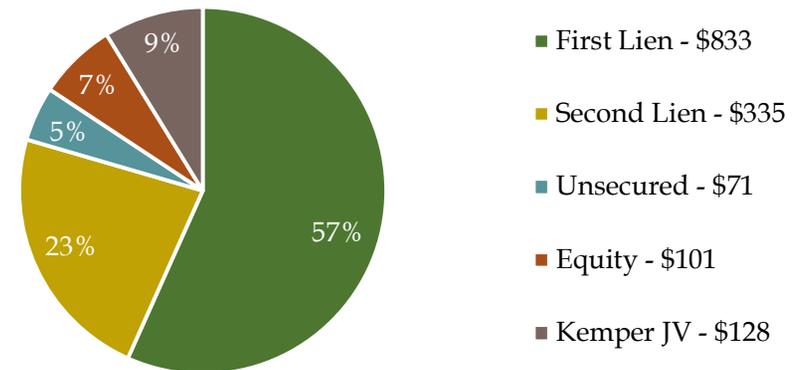
Portfolio Summary as of December 31, 2019

Portfolio Characteristics (at fair value)

- \$1.5 billion at fair value invested in 106 companies
- 91% of the total portfolio consists of debt investments
- \$15 million average debt investment size¹
- 8.6% weighted average yield on debt investments
- 91% of debt portfolio consists of floating rate investments
- \$0.5 million or 0.03% of the total debt portfolio at fair value is on non-accrual

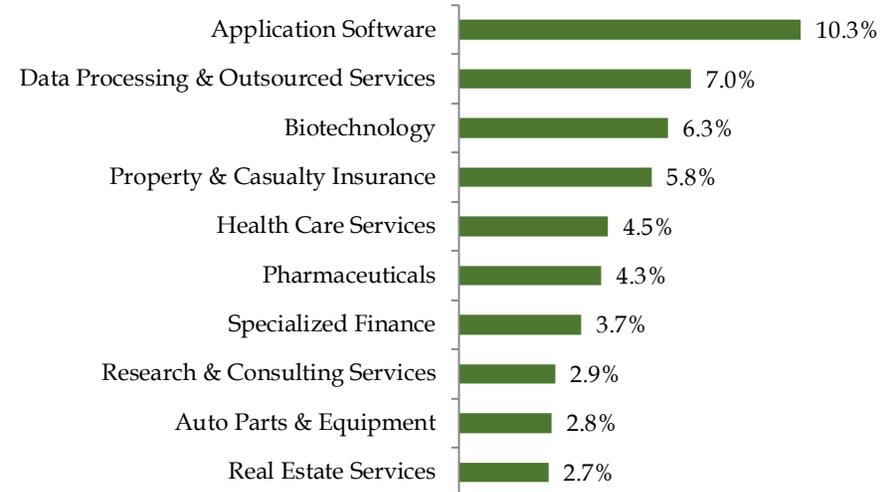
Portfolio Composition

(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.

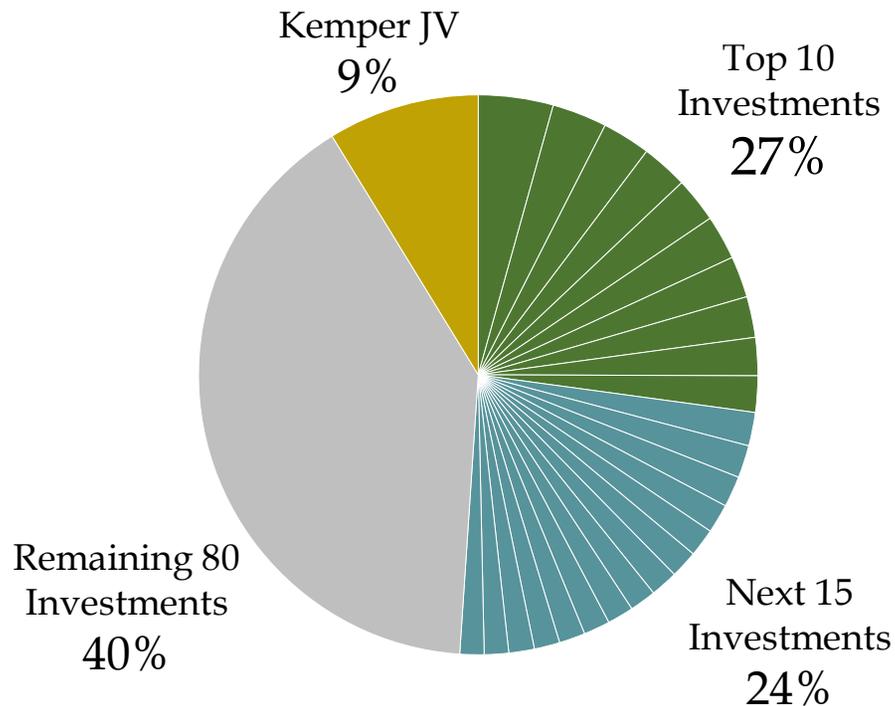
² Excludes multi-sector holdings, which is primarily comprised of investments in the Kemper JV.

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	13.7%
IT Services	10.8%
Healthcare Providers & Services	8.4%
Biotechnology	6.9%
Insurance	6.4%
Pharmaceuticals	4.7%
Diversified Financial Services	4.2%
Oil, Gas & Consumable Fuels	3.2%
Professional Services	3.2%
Auto Components	3.1%
Real Estate Management & Development	2.9%
Healthcare Technology	2.8%
Remaining 24 Industries	29.6%

OCSL's portfolio is diverse across borrowers and industries

As of December 31, 2019

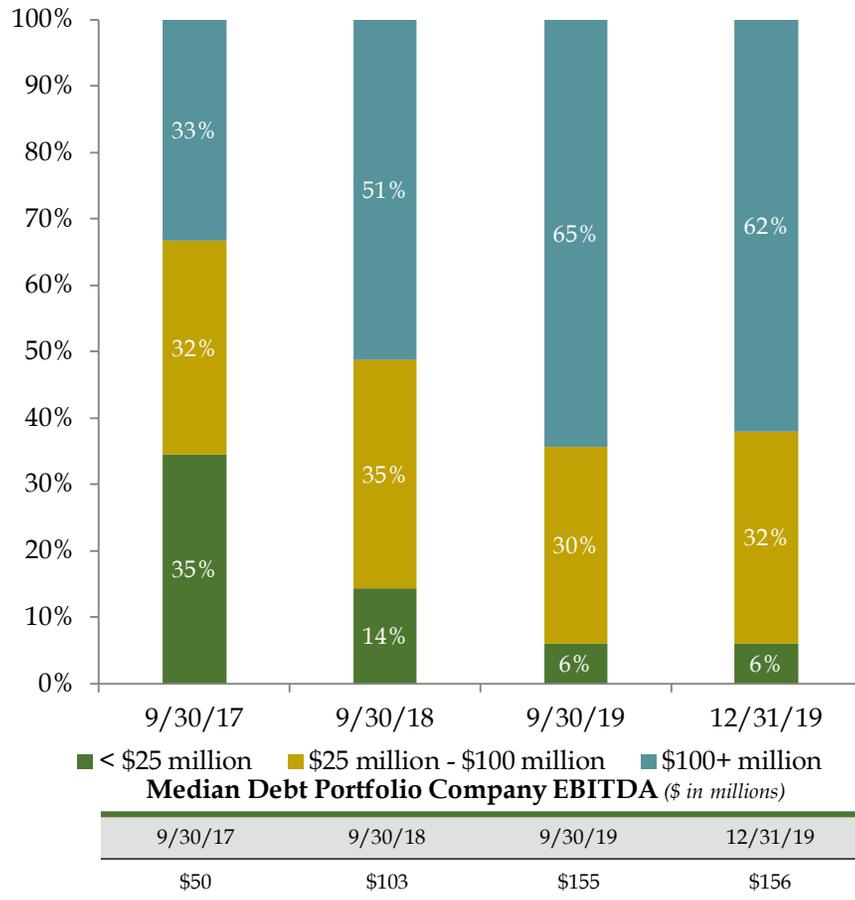
Note: Numbers may not sum due to rounding.

¹ Excludes investments in the Kemper JV.

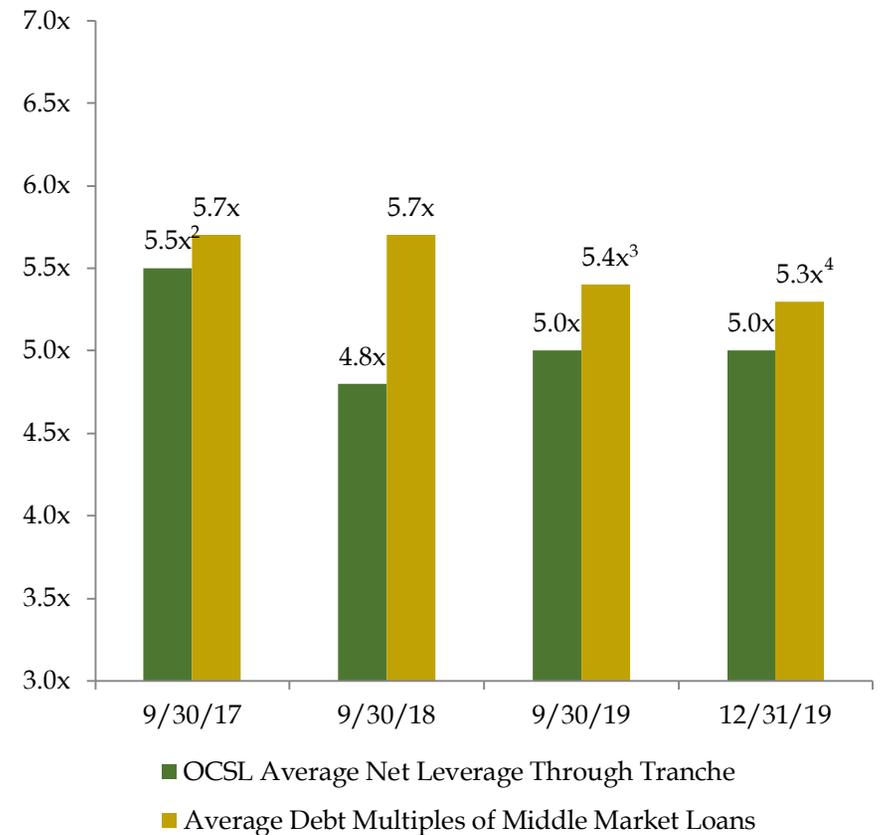
² Based on GICS industry classification.

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.

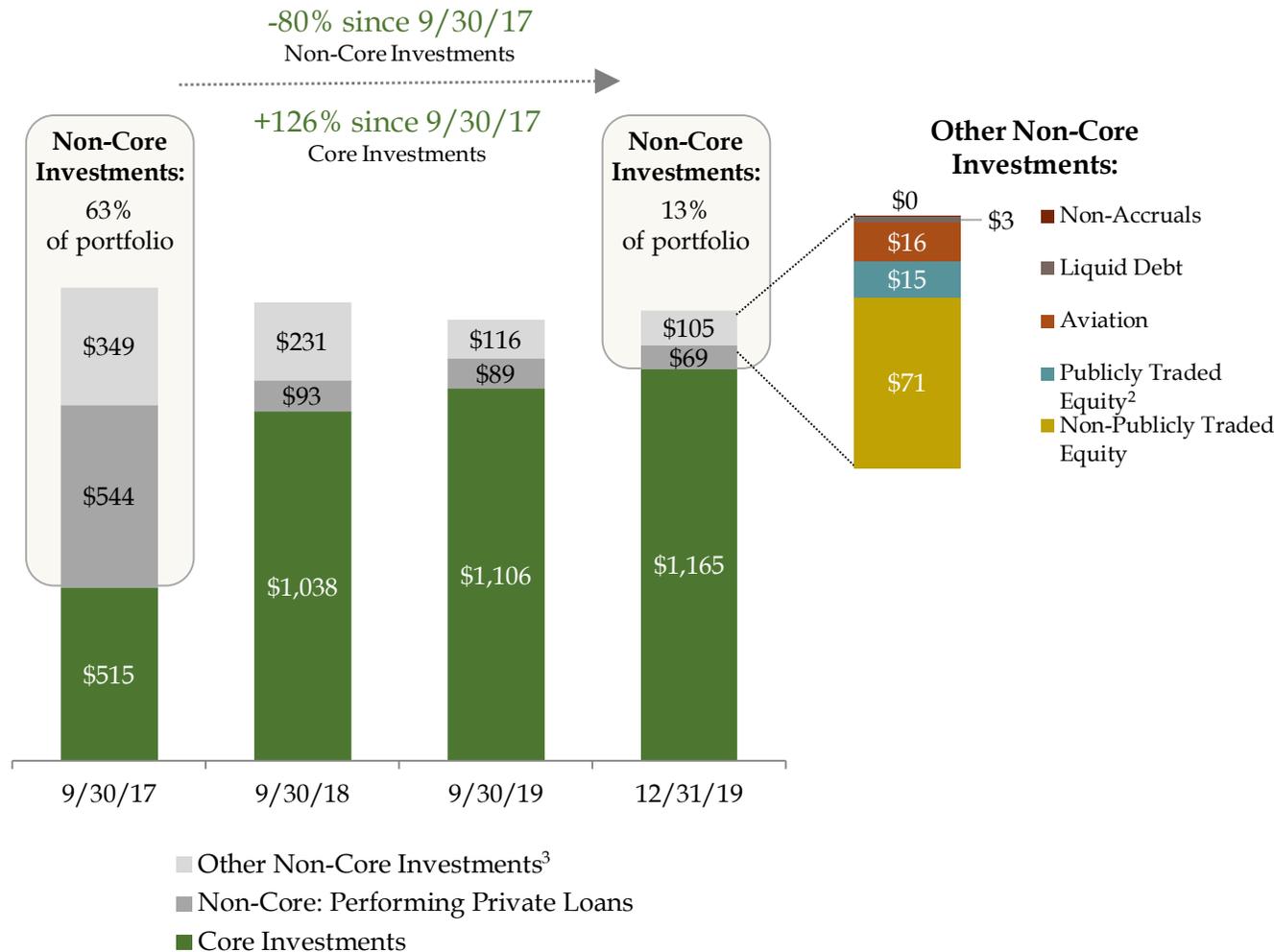
³ Represents average debt multiples for 1Q-3Q 2019.

⁴ Represents average debt multiples for CY 2019.

Historical Portfolio Progression

Portfolio by Category¹

(\$ in millions; at fair value)



- Non-core portfolio has been reduced by \$719 million (80%) since September 30, 2017
- Exited seven investments on non-accrual, realizing \$55 million of gains since September 30, 2017
- Exited 63 other non-core investments and non-core performing private loans, realizing \$23 million of gains since September 30, 2017
- Core portfolio has grown by \$650 million (126%) since September 30, 2017

¹ Excludes investments in the Kemper JV.

² Exited publicly traded equity position in Yeti Holdings subsequent to December 31, 2019.

³ Other non-core investments includes liquid debt investments, investments in aviation entities, equity investments and non-accruals.

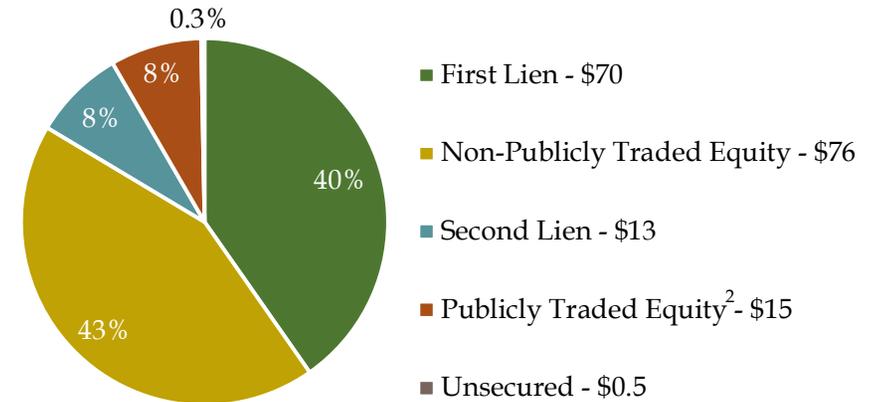
Non-Core Investment Portfolio Detail

Non-Core Investment Portfolio Characteristics

- Private Loans
 - \$69 million at fair value in four companies
 - Average debt price: 93.3%
 - Exited \$18 million at par during the quarter ended December 31, 2019
- Equity Investments¹
 - \$71 million at fair value in 23 positions and limited partnership interests in two third-party managed funds
 - \$15 million at fair value in Yeti Holdings common stock; fully exited subsequent to December 31, 2019
- Aviation
 - \$16 million at fair value in one aircraft
- Liquid Debt Investment
 - \$3 million at fair value in one company
 - Debt price: 87.3%
 - Exited \$6 million second lien investment during the quarter ended December 31, 2019 at par
- Non-Accruals
 - \$0.5 million at fair value in three companies
 - Average debt price: 0.6%

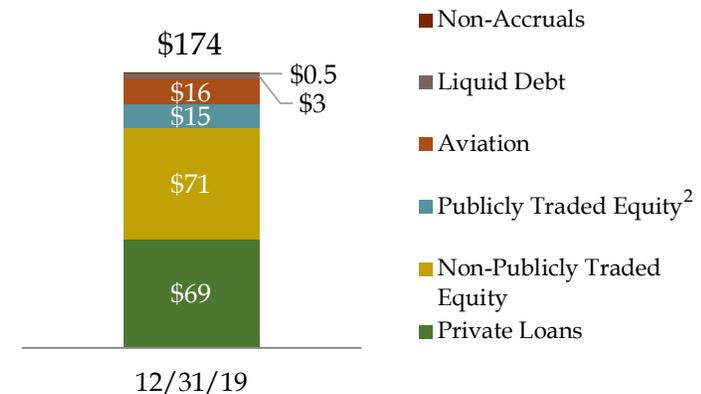
Non-Core Investments by Type

(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.

² Exited publicly traded equity position in Yeti Holdings subsequent to December 31, 2019.

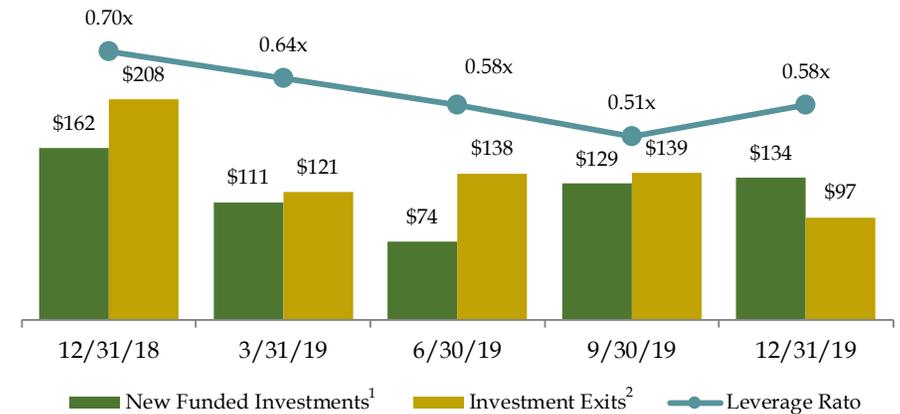
Q1 2020 Portfolio Originations

New Investment Highlights

- \$134 million of new investment commitments
- \$136 million of new funded investments¹
- 13 portfolio companies diversified across 11 industries
- 8.1% weighted average yield at cost of new debt investments
- 100% of new debt investment commitments at floating rates
- 90% of new investments also held by other Oaktree funds
- \$112 million of originations from January 1, 2020 through January 31, 2020
 - 8.7% weighted average yield at cost
 - 94% first lien

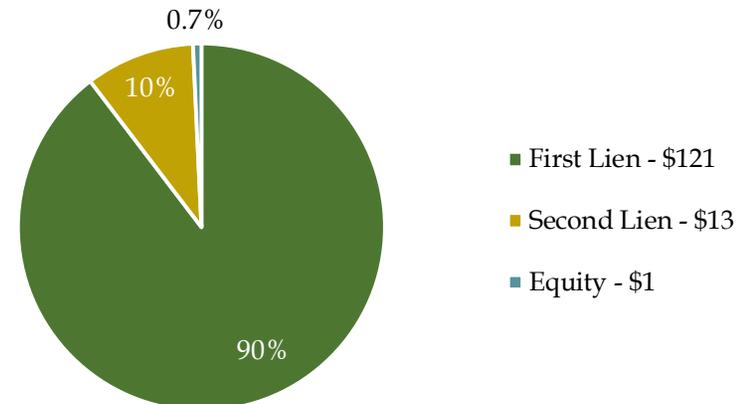
Historical Originations, Exits and Leverage

(\$ 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.

¹ New funded investments includes drawdowns on existing revolver commitments.

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

Financial Highlights

(\$ in thousands, except per share amounts)	As of				
	12/31/2019	9/30/2019	6/30/2019	3/31/2019	12/31/2018
GAAP Net Investment Income per Share	\$0.06	\$0.12	\$0.12	\$0.13	\$0.12
Adjusted Net Investment Income per Share ¹	\$0.10	\$0.12	\$0.12	\$0.13	\$0.12
Net Realized and Unrealized Gains (Losses), Net of Taxes per Share	\$0.04	\$(0.02)	\$0.02	\$0.33	\$0.08
Earnings (loss) per Share	\$0.10	\$0.10	\$0.14	\$0.46	\$0.20
Distributions per Share	\$0.095	\$0.095	\$0.095	\$0.095	\$0.095
NAV per Share	\$6.61	\$6.60	\$6.60	\$6.55	\$6.19
Weighted Average Shares Outstanding	140,961	140,961	140,961	140,961	140,961
Investment Portfolio (at Fair Value)	\$1,467,627	\$1,438,042	\$1,455,031	\$1,504,888	\$1,464,885
Total Assets	\$1,516,600	\$1,481,038	\$1,485,016	\$1,541,317	\$1,541,524
Total Debt Outstanding ²	\$536,468	\$473,367	\$537,278	\$592,178	\$607,141
Total Net Assets	\$931,082	\$930,630	\$930,050	\$923,456	\$872,362
Total Leverage	0.58x	0.51x	0.58x	0.64x	0.70x
Weighted Average Interest Rate on Debt Outstanding	4.5%	4.8%	5.1%	5.1%	5.3%

¹ See page 19 for a description of this non-GAAP measure and a reconciliation from net investment income per share to adjusted net investment income per share.

² Net of unamortized financing costs.

Portfolio Highlights

(\$ in thousands)	As of				
	12/31/2019	9/30/2019	6/30/2019	3/31/2019	12/31/2018
Investments at Fair Value	\$1,467,627	\$1,438,042	\$1,455,031	\$1,504,888	\$1,464,885
Number of Portfolio Companies	106	104	105	110	110
Average Portfolio Company Debt Investment Size	\$15,300	\$15,300	\$15,400	\$15,000	\$15,000
Asset Class:					
First Lien	56.7%	53.5%	54.0%	51.8%	52.2%
Second Lien	22.8%	25.1%	25.8%	27.1%	27.8%
Unsecured Debt	4.8%	5.7%	7.0%	8.0%	7.8%
Equity	6.7%	6.7%	4.3%	4.2%	3.3%
Limited Partnership Interests	0.2%	0.2%	0.2%	0.5%	0.5%
Kemper JV	8.8%	8.8%	8.8%	8.4%	8.4%
Interest Rate Type for Debt Investments:					
% Floating-Rate	90.6%	89.8%	88.5%	86.3%	86.6%
% Fixed-Rate	9.4%	10.2%	11.5%	13.7%	13.4%
Yields:					
Weighted Average Yield on Debt Investments ¹	8.6%	8.9%	8.7%	9.0%	8.7%
Cash Component of Weighted Average Yield on Debt Investments	7.8%	8.1%	8.0%	8.3%	8.0%
Weighted Average Yield on Total Portfolio Investments ²	7.9%	8.2%	8.2%	8.3%	8.1%

¹ 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.

² 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.

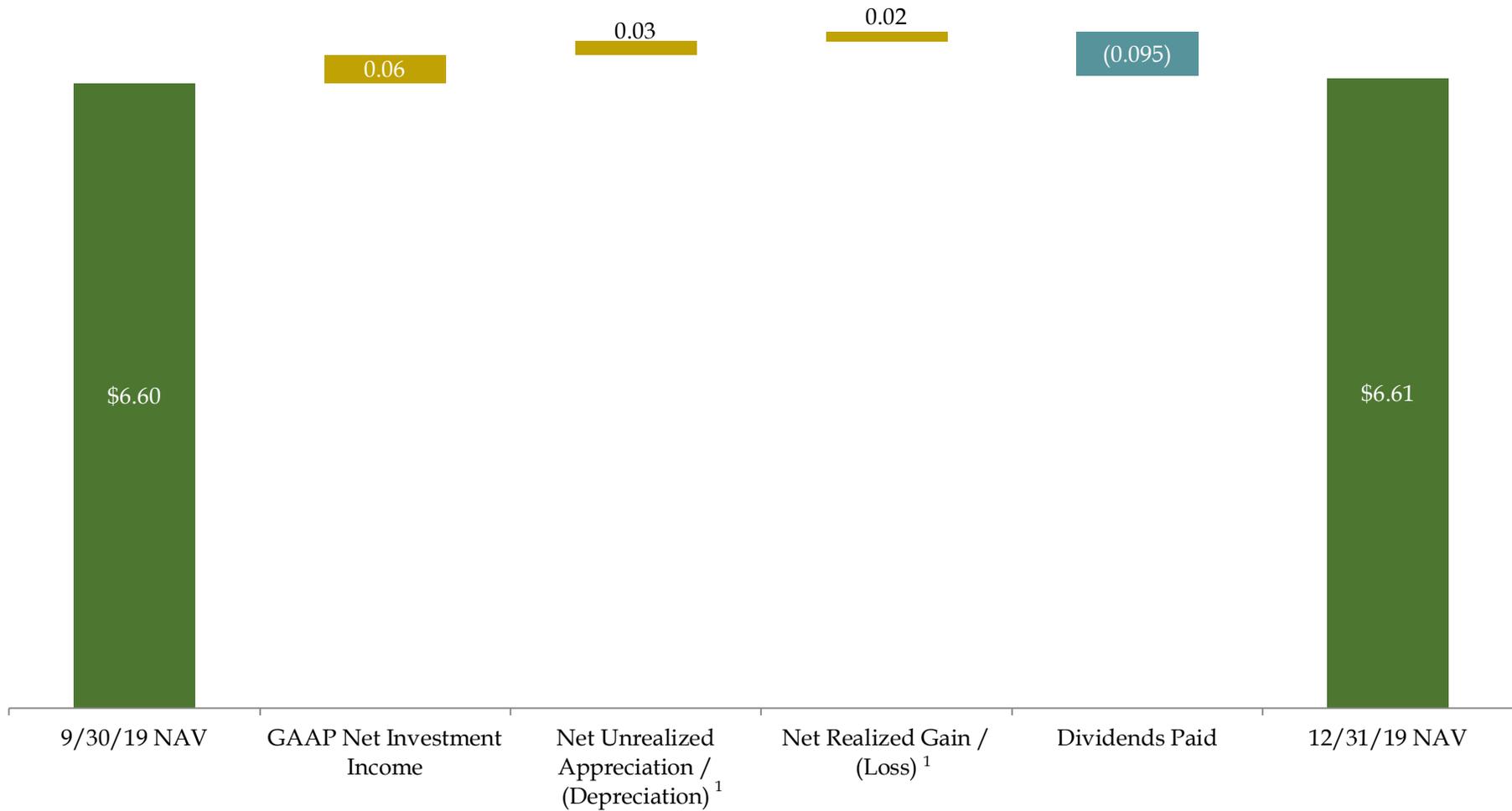
Investment Activity

(\$ in thousands)	As of				
	12/31/2019	9/30/2019	6/30/2019	3/31/2019	12/31/2018
New Investment Commitments	\$134,200	\$138,400	\$66,800	\$100,000	\$231,100
New Funded Investment Activity ¹	\$136,200	\$128,500	\$74,100	\$111,100	\$162,400
Proceeds from Prepayments, Exits, Other Paydowns and Sales	\$97,000	\$139,000	\$138,300	\$120,700	\$208,300
Net New Investments ²	\$39,200	\$(10,500)	\$(64,200)	\$(9,600)	\$(45,900)
New Investment Commitments in New Portfolio Companies	9	5	3	5	14
New Investment Commitments in Existing Portfolio Companies	3	4	4	1	3
Portfolio Company Exits	7	7	8	4	14
Weighted Average Yield at Cost on New Debt Investments	8.1%	7.7%	8.0%	8.7%	9.9%

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 and Credit Ratings

(\$ in millions)

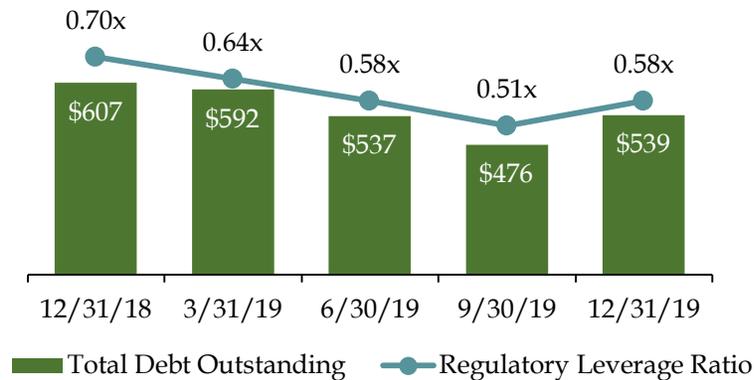
	Committed	Principal Outstanding	Interest Rate	Maturity
Credit Facility	\$700	\$378	LIBOR+2.00% ¹	2/25/2024
2024 Notes ²	75	75	5.875%	10/30/2024
2028 Notes	86	86	6.125%	4/30/2028
Total	\$861	\$539		

Issuer Credit Ratings:

- Moody's: Baa3 (stable)
- Fitch: BBB- (stable)

Historical Principal Outstanding and Leverage Ratio

(\$ in millions)



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

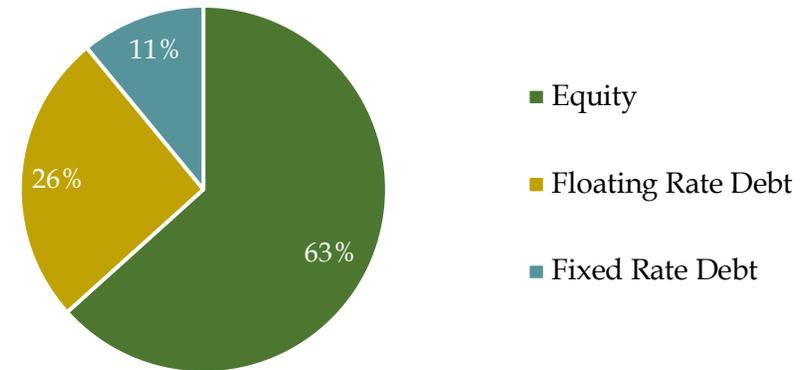
As of December 31, 2019

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

² The Company will redeem 100% of the 5.875% 2024 Notes on March 2, 2020.

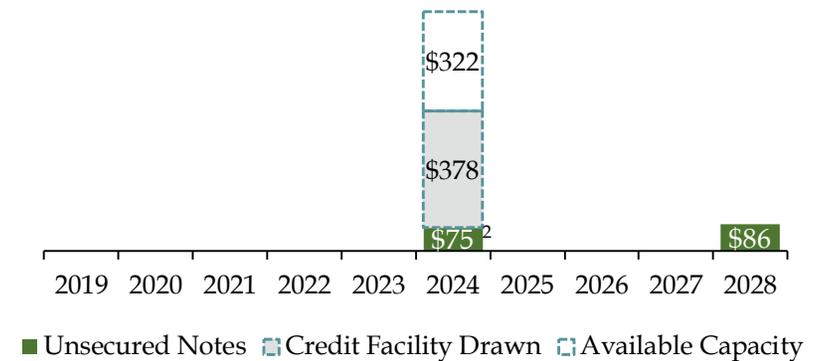
Funding Sources by Type

(As % of total funding sources)



Maturity Profile of Liabilities

(\$ in millions)



No debt maturities until 2024

Joint Venture Summary

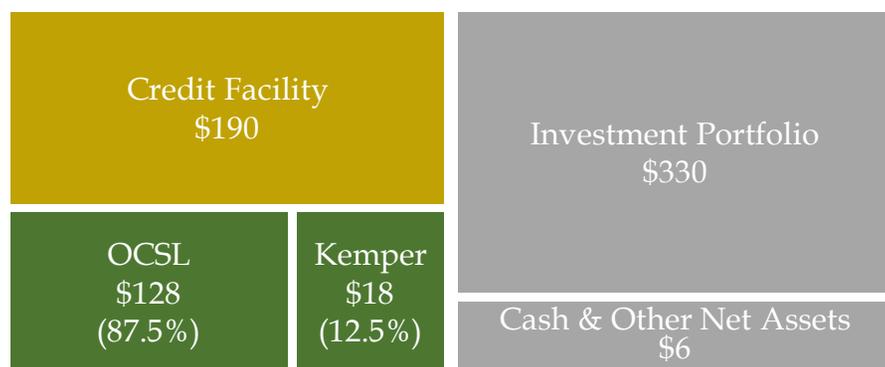
Joint Venture Overview

- 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	\$190	LIBOR + 2.1%	June 2026

Joint Venture Structure

(\$ in millions; at fair value)



Current Leverage Ratio: 1.3x debt-to-equity
Target Leverage Ratio: 2.0x debt-to-equity

As of December 31, 2019

¹ Based on GICS sub-industry classification.

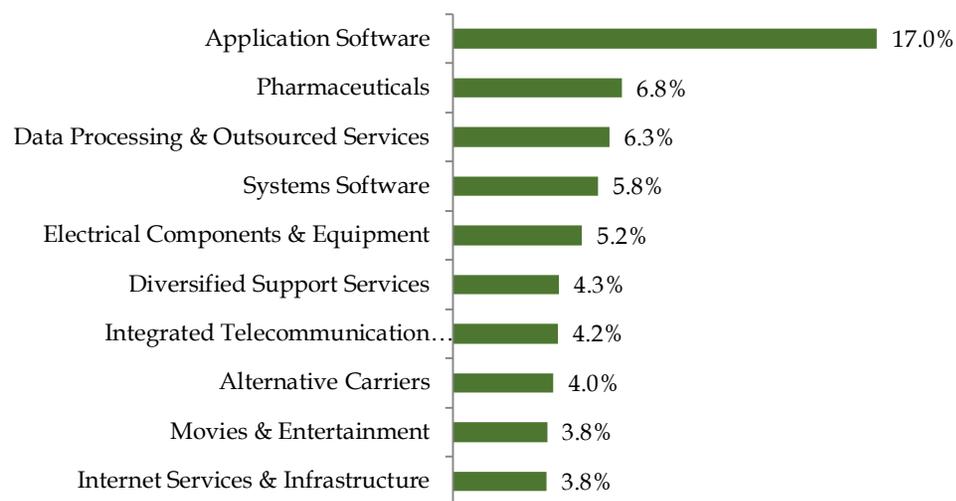
Portfolio Summary

(\$ in millions; at fair value)

	12/31/19	9/30/19	6/30/19	3/31/19
Total investments	\$330	\$345	\$329	\$326
Number of debt investments	51	51	51	49
Average issuer size	\$6	\$7	\$6	\$7
Largest issuer size	\$11	\$11	\$11	\$11
Wt. avg. debt portfolio yield	6.5%	6.7%	6.9%	6.9%
Leverage ratio	1.3x	1.2x	1.3x	1.3x

Debt Portfolio Top Ten Industries¹

(As % of total portfolio at fair value)



Opportunities to Increase Return on Equity

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

- 0.58x debt-to-equity as of December 31, 2019, below target leverage range
- Would need to invest over \$110 million in order to reach 0.70x
- Continue to be highly selective and patient given competitive market environment

2 Redeploy non-interest generating investments

- \$101 million of non-interest generating investments, including \$0.4 million of non-accruals and \$100.8 million of equity investments
- Exited entire investment in Yeti Holdings common stock (~\$15 million) since December 31, 2019
- Received over \$250 million in proceeds from exits of non-interest generating investments since September 30, 2017

3 Utilize additional investment capacity at the Kemper JV

- Originated \$44 million of investments across 9 issuers during the quarter ended December 31, 2019
- 1.3x leverage (debt-to-equity), below target leverage level of 2.0x
- \$104 million of available investment capacity (assuming 2.0x leverage)

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

As of December 31, 2019

Note: Numbers may not sum due to rounding.

Appendix



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Historical Statement of Operations

(\$ in thousands, except per share amounts)	For the three months ended				
	12/31/2019	9/30/2019	6/30/2019	3/31/2019	12/31/2018
Interest income	\$28,405	\$30,662	\$32,910	\$34,309	\$35,789
PIK interest income	1,161	1,187	1,198	2,280	832
Fee income	1,071	2,550	1,826	1,132	1,202
Dividend income	323	114	735	523	453
Total investment income	30,960	34,513	36,669	38,244	38,276
Base management fee	5,607	5,496	5,548	5,731	5,568
Part I incentive fees	2,988	3,545	3,787	3,813	3,728
Part II incentive fees	1,051	(403)	607	8,170	1,820
Interest expense	6,535	6,960	7,592	8,970	8,904
Other operating expenses ¹	1,743	1,799	1,893	1,752	2,503
Total expenses	17,924	17,397	19,427	28,436	22,523
Reversal of fees waived / (fees waived)	5,200	841	634	(7,901)	(1,564)
Net expenses	23,124	18,238	20,061	20,535	20,959
GAAP net investment income	7,836	16,275	16,608	17,709	17,317
Net realized and unrealized gains (losses)	6,167	(1,961)	3,551	46,685	10,987
Provision for income tax (expense) benefit	(160)	(343)	(173)	91	(586)
Net increase/decrease in net assets resulting from operations	\$13,843	\$13,971	\$19,986	\$64,485	\$27,718
Adjusted net investment income²	\$14,087	\$16,713	\$17,293	\$17,709	\$17,317

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

² See page 19 for a description of this non-GAAP measure and a reconciliation from net investment income to adjusted net investment income.

Reconciliation of Adjusted Net Investment Income

(\$ in thousands, except per share amounts)	As of				
	12/31/2019	9/30/2019	6/30/2019	3/31/2019	12/31/2018
GAAP net investment income	\$7,836	\$16,275	\$16,608	\$17,709	\$17,317
Part II incentive fee (net of waivers)	6,251	438	685	-	-
Adjusted net investment income	\$14,087	\$16,713	\$17,293	\$17,709	\$17,317
Per share:					
GAAP net investment income	\$0.06	\$0.12	\$0.12	\$0.13	\$0.12
Part II incentive fee (net of waivers)	0.04	0.00	0.00	0.00	0.00
Adjusted net investment income	\$0.10	\$0.12	\$0.12	\$0.13	\$0.12

Note: 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 Quarterly Report on Form 10-Q 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.

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