

**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): February 6, 2020

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 February 6, 2020, Oaktree Specialty Lending Corporation (the “Company”) issued a press release announcing its financial results for the fiscal quarter ended December 31, 2019. A copy of the press release is attached hereto as Exhibit 99.1.

On February 6, 2020, the Company will host a conference call to discuss its financial results for the fiscal quarter ended December 31, 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 February 6, 2020](#)

99.2 [Oaktree Specialty Lending Corporation First Quarter 2020 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: February 6, 2020

By: /s/ Mel Carlisle

Name: Mel Carlisle

Title: Chief Financial Officer and Treasurer



**Oaktree Specialty Lending Corporation Announces First Fiscal Quarter 2020 Financial Results
and Declares Distribution of \$0.095 Per Share**

LOS ANGELES, CA, February 6, 2020 - 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 ended December 31, 2019.

Financial Highlights for the Quarter Ended December 31, 2019

- **Total investment income** was \$31.0 million (\$0.22 per share) for the first fiscal quarter of 2020, down from \$34.5 million (\$0.24 per share) for the fourth fiscal quarter of 2019, primarily reflecting lower call protection fees earned on exits of investments as compared to the prior quarter as well as lower interest income resulting from decreases in LIBOR.
- **GAAP net investment income** was \$7.8 million (\$0.06 per share) for the first fiscal quarter of 2020, down from \$16.3 million (\$0.12 per share) for the fourth fiscal quarter of 2019, primarily resulting from lower investment income and higher net expenses due to an increase in accrued capital gain incentive fees primarily driven by the impact of the two-year contractual fee waiver expiration. This was partially offset by lower interest expense resulting from decreases in LIBOR.
- **Adjusted net investment income** was \$14.1 million (\$0.10 per share) for the first fiscal quarter of 2020, down from \$16.7 million (\$0.12 per share) for the fourth fiscal quarter of 2019, primarily reflecting lower investment income, partially offset by lower interest expense resulting from decreases in LIBOR.
- **Net asset value ("NAV") per share** was \$6.61 as of December 31, 2019, up from \$6.60 as of September 30, 2019.
- **Originated** \$134.2 million of new investment commitments and received \$97.0 million of proceeds from prepayments, exits, other paydowns and sales during the quarter ended December 31, 2019.
- **A quarterly distribution was declared** of \$0.095 per share, payable on March 31, 2020 to stockholders of record on March 13, 2020.
- **Moody's and Fitch each assigned OCSL investment grade credit ratings** (Moody's, Baa3 / Stable, and Fitch, BBB- / Stable)¹.

Armen Panossian, Chief Executive Officer and Chief Investment Officer, said, "OCSL delivered another quarter of strong performance, highlighted by our eighth consecutive quarter of NAV growth. We successfully exited three non-core positions and added \$134 million of new investments, the majority of which were privately placed to businesses that align with our late-cycle approach to investing. While leverage grew as a result of these originations, we remain below our target range and have ample dry powder and liquidity to invest opportunistically. In addition, we were recently assigned investment grade credit ratings by Fitch and Moody's, reflecting the strength and quality of Oaktree's credit platform, the progress that we have made in reducing exposure to non-core investments and our significant borrowing capacity. All told, we are off to a solid start to the fiscal year and believe we are well-positioned to deliver continued attractive risk-adjusted returns to our shareholders."

Distribution Declaration

The Board of Directors declared a quarterly distribution of \$0.095 per share, payable on March 31, 2020 to stockholders of record on March 13, 2020.

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.

¹ Ratings assigned in Moody's report as of January 28, 2020 and Fitch report as of December 3, 2019.

Results of Operations

	For the three months ended		
	December 31, 2019 (unaudited)	September 30, 2019 (unaudited)	December 31, 2018 (unaudited)
<i>(\$ in thousands, except per share data)</i>			
GAAP operating results:			
Interest income	\$ 28,405	\$ 30,662	\$ 35,789
PIK interest income	1,161	1,187	832
Fee income	1,071	2,550	1,202
Dividend income	323	114	453
Total investment income	30,960	34,513	38,276
Net expenses	23,124	18,238	20,959
Net investment income	7,836	16,275	17,317
Net realized and unrealized gains (losses), net of taxes	6,007	(2,304)	10,401
Net increase (decrease) in net assets resulting from operations	\$ 13,843	\$ 13,971	\$ 27,718
Net investment income per common share	\$ 0.06	\$ 0.12	\$ 0.12
Net realized and unrealized gains (losses), net of taxes per common share	\$ 0.04	\$ (0.02)	\$ 0.08
Earnings (loss) per common share — basic and diluted	\$ 0.10	\$ 0.10	\$ 0.20
Non-GAAP Financial Measures²:			
Adjusted net investment income	\$ 14,087	\$ 16,713	\$ 17,317
Adjusted net investment income per common share	\$ 0.10	\$ 0.12	\$ 0.12

- ² 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	
	December 31, 2019 (unaudited)	September 30, 2019
<i>(\$ in thousands, except per share data and ratios)</i>		
Select balance sheet and other data:		
Investment portfolio at fair value	\$ 1,467,627	\$ 1,438,042
Total debt outstanding	536,468	473,367
Net assets	931,082	930,630
Net asset value per share	6.61	6.60
Total leverage	0.58x	0.51x

Total investment income for the quarter ended December 31, 2019 was \$31.0 million and included \$28.4 million of interest income from portfolio investments, \$1.2 million of payment-in-kind ("PIK") interest income, \$1.1 million of fee income and \$0.3 million of dividend income. Total investment income decreased by \$3.6 million as compared to the quarter ended September 30, 2019, primarily reflecting lower call protection fees earned on exits of investments as compared to the prior quarter as well as decreases in LIBOR that impacted our floating rate investments.

Net expenses for the quarter totaled \$23.1 million, up \$4.9 million from the quarter ended September 30, 2019. The increase in net expenses was primarily due to a \$5.2 million reversal of previously accrued fee waivers³. This was partially offset by lower interest expense resulting from decreases in LIBOR.

- ³ To ensure compliance with Section 15(f) of the Investment Company Act, Oaktree Capital Management, L.P. ("Oaktree") entered into a two-year contractual fee waiver with the Company, which ended on October 17, 2019, pursuant to which Oaktree waived any management or incentive fees payable under the investment advisory agreement that exceeded what would have been paid to the Company's former investment adviser in the aggregate under the former investment advisory agreement. At the end of the two-year period, Oaktree permanently waived \$3.9 million. Prior to the end of the two-year period, amounts potentially subject to waiver under the two-year contractual fee waiver were accrued quarterly based on a theoretical "liquidation basis." As of September 30, 2019, the Company had accrued cumulative fee waivers of \$9.1 million. During the three months ended December 31, 2019, the Company reversed \$5.2 million of previously accrued fee waivers since the two-year fee waiver period has ended.

Adjusted net investment income was \$14.1 million (\$0.10 per share) for the quarter ended December 31, 2019, down from \$16.7 million (\$0.12 per share) for the quarter ended September 30, 2019, primarily reflecting lower investment income, partially offset by lower interest expense resulting from decreases in LIBOR.

Net realized and unrealized gains, net of taxes, were \$6.0 million for the quarter, primarily reflecting realized gains from the sale of a portion of our investment in Yeti Holdings, Inc. and unrealized appreciation on certain debt and equity investments.

Portfolio and Investment Activity

(\$ in thousands)	As of		
	December 31, 2019 (unaudited)	September 30, 2019 (unaudited)	December 31, 2018 (unaudited)
Investments at fair value	\$ 1,467,627	\$ 1,438,042	\$ 1,464,885
Number of portfolio companies	106	104	110
Average portfolio company debt size	\$ 15,300	\$ 15,300	\$ 15,000
Asset class:			
Senior secured debt	79.5%	78.6%	80.0%
Unsecured debt	4.8%	5.7%	7.8%
Equity	6.7%	6.7%	3.3%
SLF JV I	8.8%	8.8%	8.4%
Limited partnership interests	0.2%	0.2%	0.5%
Non-accrual debt investments:			
Non-accrual investments at fair value	\$ 461	\$ 2,706	\$ 132,355
Non-accrual investments as a percentage of debt investments	— %	0.2%	9.6%
Number of investments on non-accrual	3	3	7
Interest rate type:			
Percentage floating-rate	90.6%	89.8%	86.6%
Percentage fixed-rate	9.4%	10.2%	13.4%
Yields:			
Weighted average yield on debt investments (1)	8.6%	8.9%	8.7%
Cash component of weighted average yield on debt investments	7.8%	8.1%	8.0%
Weighted average yield on total portfolio investments (2)	7.9%	8.2%	8.1%
Investment activity:			
New investment commitments	\$ 134,200	\$ 138,400	\$ 231,100
New funded investment activity (3)	\$ 136,200	\$ 128,500	\$ 162,400
Proceeds from prepayments, exits, other paydowns and sales	\$ 97,000	\$ 139,000	\$ 208,300
Net new investments (4)	\$ 39,200	\$ (10,500)	\$ (45,900)
Number of new investment commitments in new portfolio companies	9	5	14
Number of new investment commitments in existing portfolio companies	4	4	3
Number of portfolio company exits	7	7	14

- (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 December 31, 2019, the fair value of the investment portfolio was \$1.5 billion and was comprised of investments in 106 companies. These included debt investments in 81 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 December 31, 2019, 90.9% of the Company's portfolio as of December 31, 2019 consisted of debt investments, including 56.7% of first liens, 22.8% of second liens and 11.4% of unsecured debt investments, including the debt investments in SLF JV I at fair value.

As of December 31, 2019, there were three investments on which the Company had stopped accruing cash and/or PIK interest or OID income that, in aggregate, represented 4.3% of the Company's debt portfolio at cost and 0.03% at fair value.

As of December 31, 2019, SLF JV I had \$351.7 million in assets, including senior secured loans to 51 portfolio companies. The joint venture generated income of \$2.2 million for the Company during the quarter ended December 31, 2019. As of December 31, 2019, SLF JV I had \$60.3 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 were approximately \$174.0 million at fair value as of December 31, 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 December 31, 2019, the Company had \$21.5 million of cash and cash equivalents, total principal value of debt outstanding of \$539.1 million and \$322.2 million of undrawn capacity on its credit facility, subject to borrowing base and other limitations. The weighted average interest rate on debt outstanding was 4.5% and 4.8% as of December 31, 2019 and September 30, 2019, respectively.

The Company's total leverage ratio was 0.58x and 0.51x as of December 31, 2019 and September 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 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.

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					
	December 31, 2019		September 30, 2019		December 31, 2018	
	Amount	Per Share	Amount	Per Share	Amount	Per Share
GAAP net investment income	\$ 7,836	\$ 0.06	\$16,275	\$ 0.12	\$17,317	\$ 0.12
Part II incentive fee (net of waivers)	6,251	0.04	438	—	—	—
Adjusted net investment income	\$14,087	\$ 0.10	\$16,713	\$ 0.12	\$17,317	\$ 0.12

(\$ in thousands, except per share data)

Conference Call Information

Oaktree Specialty Lending will host a conference call to discuss its first fiscal quarter 2020 results at 11:00 a.m. Eastern Time / 8:00 a.m. Pacific Time on February 6, 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 10138082, 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 Company 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

Investor Relations:
Oaktree Specialty Lending Corporation
Michael Mosticchio
(212) 284-1900
ocsl-ir@oaktreecapital.com

Media Relations:
Financial Profiles, Inc.
Moirá Conlon
(310) 478-2700
mediainquiries@oaktreecapital.com

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

	December 31, 2019 (unaudited)	September 30, 2019
ASSETS		
Investments at fair value:		
Control investments (cost December 31, 2019: \$205,608; cost September 30, 2019: \$224,255)	\$ 192,528	\$ 209,178
Affiliate investments (cost December 31, 2019: \$8,449; cost September 30, 2019: \$8,449)	9,106	9,170
Non-control/Non-affiliate investments (cost December 31, 2019: \$1,324,201; cost September 30, 2019: \$1,280,310)	1,265,993	1,219,694
Total investments at fair value (cost December 31, 2019: \$1,538,258; cost September 30, 2019: \$1,513,014)	1,467,627	1,438,042
Cash and cash equivalents	21,527	15,406
Interest, dividends and fees receivable	10,356	11,167
Due from portfolio companies	2,931	2,616
Receivables from unsettled transactions	5,458	4,586
Deferred financing costs	6,034	6,396
Deferred offering costs	65	—
Derivative assets at fair value	—	490
Other assets	2,602	2,335
Total assets	\$ 1,516,600	\$ 1,481,038
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable, accrued expenses and other liabilities	\$ 1,540	\$ 1,589
Base management fee and incentive fee payable	15,971	10,167
Due to affiliate	2,548	2,689
Interest payable	2,402	2,296
Payable to syndication partners	1	—
Payables from unsettled transactions	24,687	59,596
Derivative liability at fair value	972	—
Deferred tax liability	929	704
Credit facility payable	377,825	314,825
Unsecured notes payable (net of \$2,607 and \$2,708 of unamortized financing costs as of December 31, 2019 and September 30, 2019, respectively)	158,643	158,542
Total liabilities	585,518	550,408
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 December 31, 2019 and September 30, 2019	1,409	1,409
Additional paid-in-capital	1,487,774	1,487,774
Accumulated overdistributed earnings	(558,101)	(558,553)
Total net assets (equivalent to \$6.61 and \$6.60 per common share as of December 31, 2019 and September 30, 2019, respectively)	931,082	930,630
Total liabilities and net assets	\$ 1,516,600	\$ 1,481,038

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

	Three months ended December 31, 2019 (unaudited)	Three months ended September 30, 2019 (unaudited)	Three months ended December 31, 2018 (unaudited)
Interest income:			
Control investments	\$ 2,551	\$ 2,836	\$ 3,339
Affiliate investments	114	101	13
Non-control/Non-affiliate investments	25,659	27,640	32,167
Interest on cash and cash equivalents	81	85	270
Total interest income	28,405	30,662	35,789
PIK interest income:			
Control investments	—	—	67
Non-control/Non-affiliate investments	1,161	1,187	765
Total PIK interest income	1,161	1,187	832
Fee income:			
Control investments	6	6	6
Affiliate investments	5	5	4
Non-control/Non-affiliate investments	1,060	2,539	1,192
Total fee income	1,071	2,550	1,202
Dividend income:			
Control investments	323	114	453
Total dividend income	323	114	453
Total investment income	30,960	34,513	38,276
Expenses:			
Base management fee	5,607	5,496	5,568
Part I incentive fee	2,988	3,545	3,728
Part II incentive fee	1,051	(403)	1,820
Professional fees	640	720	966
Directors fees	143	142	143
Interest expense	6,535	6,960	8,904
Administrator expense	428	388	763
General and administrative expenses	532	549	631
Total expenses	17,924	17,397	22,523
Reversal of fees waived / (fees waived)	5,200	841	(1,564)
Net expenses	23,124	18,238	20,959
Net investment income	7,836	16,275	17,317
Unrealized appreciation (depreciation):			
Control investments	1,997	52	(5,820)
Affiliate investments	(64)	(179)	—
Non-control/Non-affiliate investments	2,408	2,621	(784)
Secured borrowings	—	(2,624)	(19)
Foreign currency forward contracts	(1,462)	695	(352)
Net unrealized appreciation (depreciation)	2,879	565	(6,975)
Realized gains (losses):			
Non-control/Non-affiliate investments	3,839	(6,248)	16,761
Secured borrowings	—	2,625	—
Foreign currency forward contracts	(551)	1,097	1,201
Net realized gains (losses)	3,288	(2,526)	17,962
Provision for income tax (expense) benefit	(160)	(343)	(586)
Net realized and unrealized gains (losses), net of taxes	6,007	(2,304)	10,401
Net increase (decrease) in net assets resulting from operations	\$ 13,843	\$ 13,971	\$ 27,718
Net investment income per common share — basic and diluted	\$ 0.06	\$ 0.12	\$ 0.12
Earnings (loss) per common share — basic and diluted	\$ 0.10	\$ 0.10	\$ 0.20
Weighted average common shares outstanding — basic and diluted	140,961	140,961	140,961



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

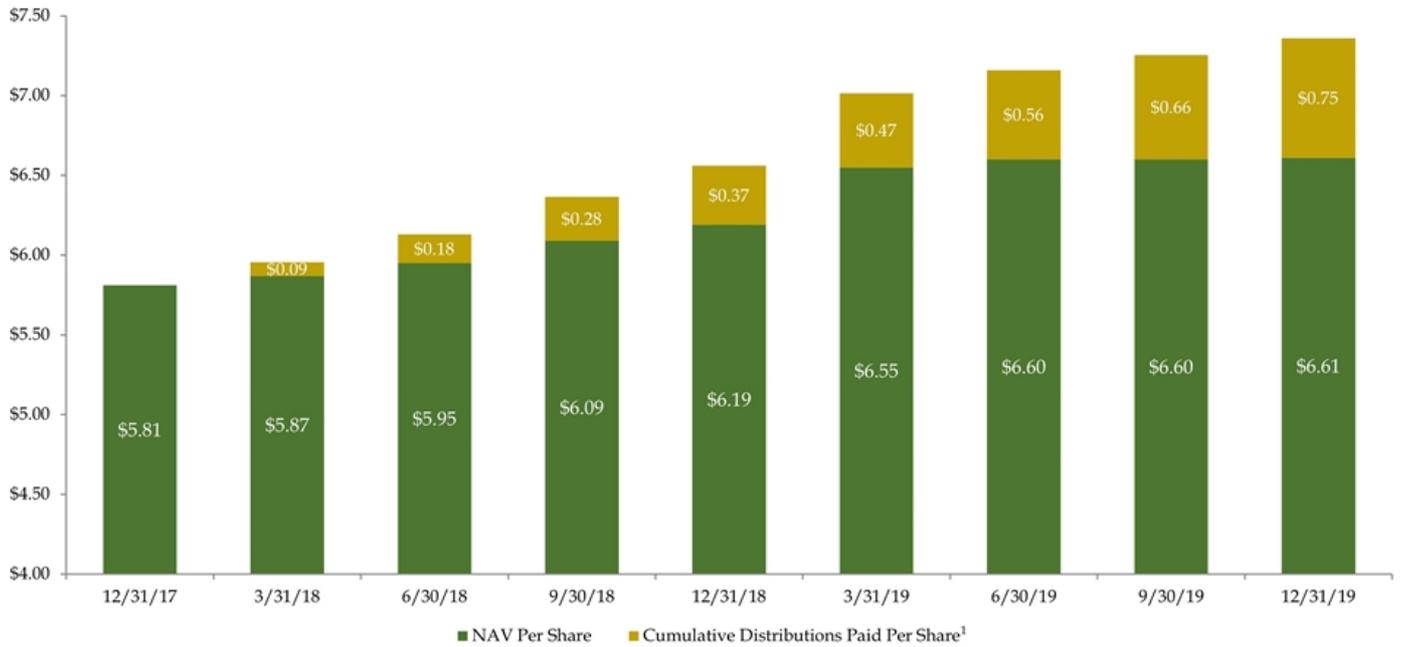
- Exited \$26 million of non-core investments in three companies
- Non-core investments have been reduced by \$719 million or 80% since September 30, 2017, and core investments have more than doubled to over \$1.0 billion over the same period

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 1 ("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

Note: Numbers may not sum due to rounding.

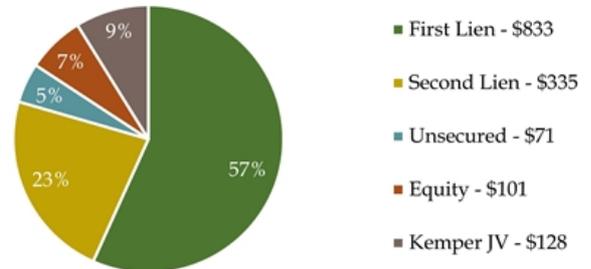
¹ Excludes investments in the Kemper JV.

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

³ Based on GICS sub-industry classification.

Portfolio Composition

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



Top 10 Industries^{2,3}

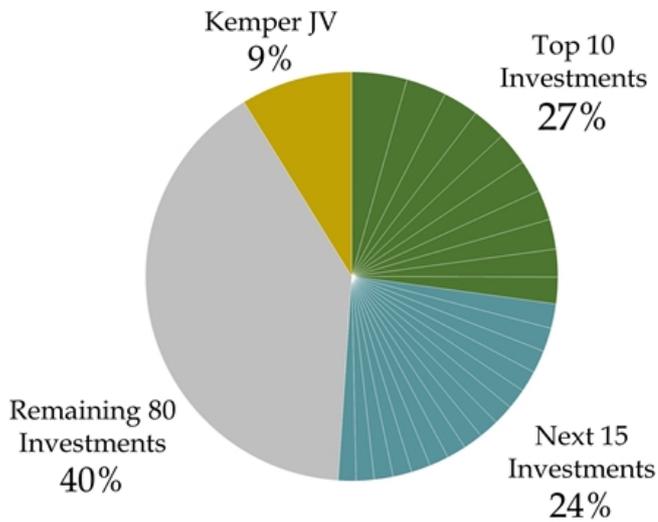
(As % of total portfolio at fair value)



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

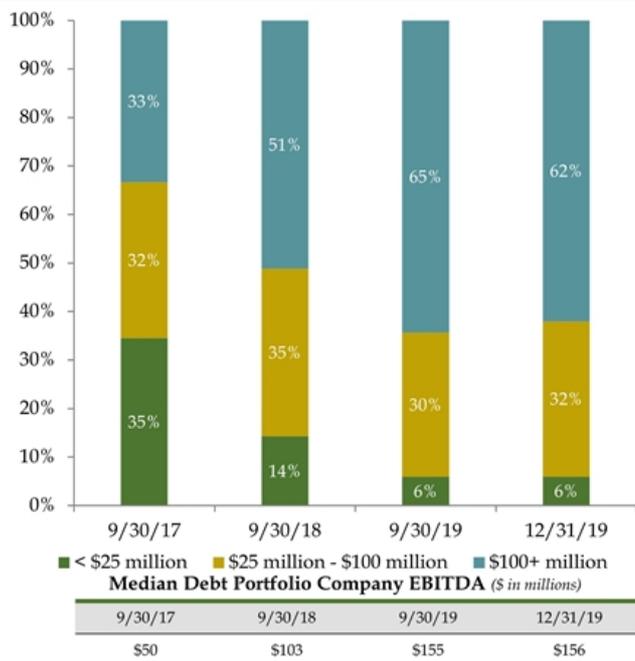
Note: Numbers may not sum due to rounding.

¹ Excludes investments in the Kemper JV.

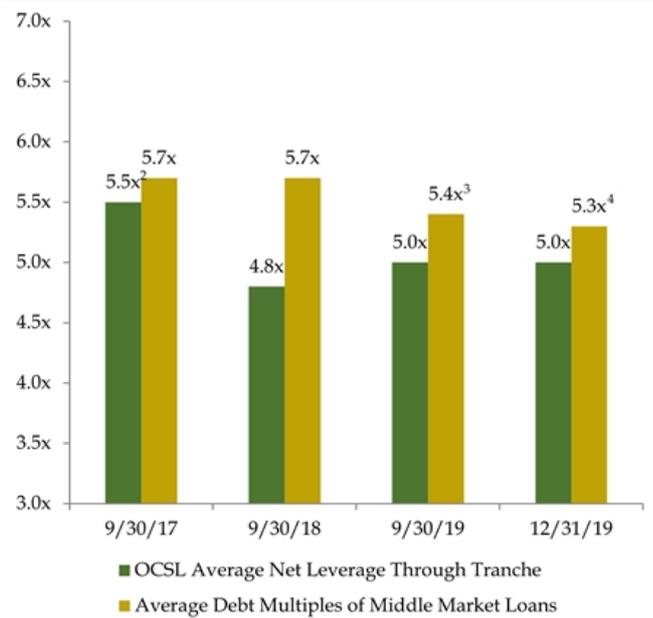
² Based on GICS industry classification.

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.

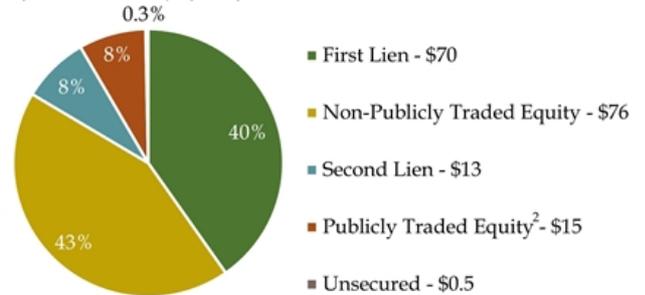
Non-Core Investment Portfolio Detail

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%

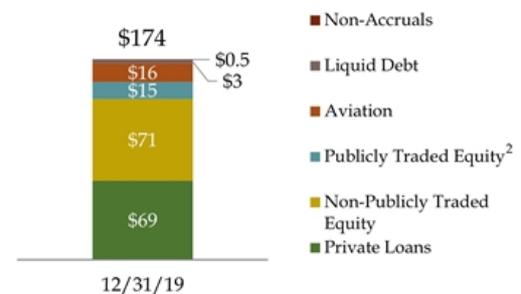
Non-Core Investments by Type

(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

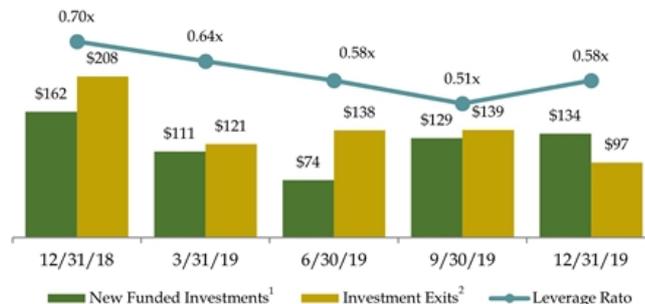
Note: Numbers rounded to the nearest million or percentage point and may not sum as a result.

¹ New funded investments includes drawdowns on existing revolver commitments.

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

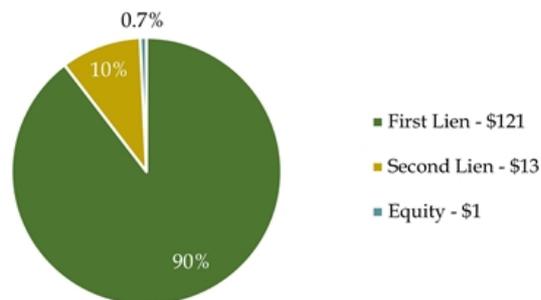
Historical Originations, Exits and Leverage

(\$ in millions)



New Investment Composition

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



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.

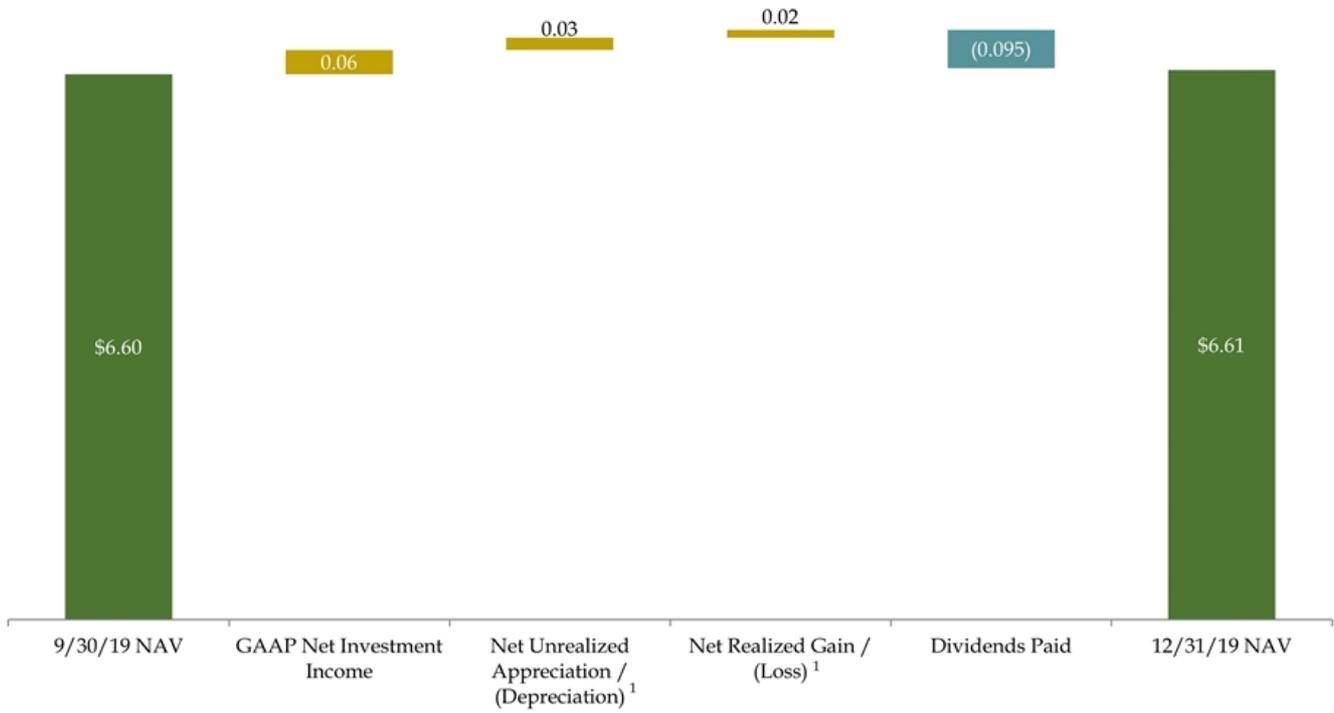
Investment Activity

(\$ 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

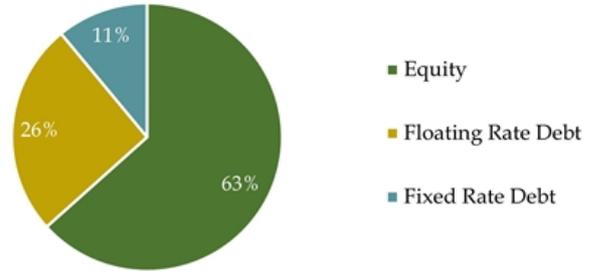
As of December 31, 2019

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



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.

Contact:
Michael Mosticchio, Investor Relations
ocsl-ir@oaktreecapital.com

