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OCSL | Specialty Lending Corporation

Oaktree Specialty Lending Corporation Announces First Fiscal Quarter 2022 Financial Results and Declares Increased Distribution of \$0.16 Per Share

LOS ANGELES, CA, February 3, 2022 - 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, 2021.

Financial Highlights for the Quarter Ended December 31, 2021

- **Total investment income** was \$64.9 million (\$0.36 per share) for the first fiscal quarter of 2022, as compared with \$63.8 million (\$0.35 per share) for the fourth fiscal quarter of 2021. Adjusted total investment income was \$62.1 million (\$0.34 per share) for the first fiscal quarter of 2022, as compared with \$58.2 million (\$0.32 per share) for the fourth fiscal quarter of 2021. The increase was primarily driven by higher interest income resulting from a larger investment portfolio.
- **GAAP net investment income** was \$32.3 million (\$0.18 per share) for the first fiscal quarter of 2022, as compared with \$33.0 million (\$0.18 per share) for the fourth fiscal quarter of 2021. The decrease for the quarter was principally from higher incentive fees and higher interest expense, partially offset by higher fee income.
- **Adjusted net investment income** was \$31.2 million (\$0.17 per share) for the first fiscal quarter of 2022, as compared with \$29.1 million (\$0.16 per share) for the fourth fiscal quarter of 2021. The increase for the quarter primarily reflected higher adjusted total investment income, which was driven by higher interest income and fee income, partially offset by higher incentive fees and higher interest expense.
- **Net asset value ("NAV") per share** was \$7.34 as of December 31, 2021, up 0.8% from \$7.28 as of September 30, 2021. The increase was primarily driven by realized and unrealized gains on certain investments and undistributed net investment income.
- **Originated** \$299.9 million of new investment commitments and received \$235.0 million of proceeds from prepayments, exits, other paydowns and sales during the quarter ended December 31, 2021. Of these new investment commitments, 73% were first lien loans, 26% were second lien loans and 1% were equity investments. The weighted average yield on new debt investments was 8.1%.
- **No investments were on non-accrual status** as of December 31, 2021.
- **Total debt outstanding** was \$1,300.0 million as of December 31, 2021. The total debt to equity ratio was 0.98x, and the net debt to equity ratio was 0.95x, after adjusting for cash and cash equivalents.
- **Liquidity** as of December 31, 2021 was composed of \$43.8 million of unrestricted cash and cash equivalents and \$550.0 million of undrawn capacity under the credit facilities (subject to borrowing base and other limitations). Unfunded investment commitments were \$295.3 million, or \$246.3 million excluding unfunded commitments to the Company's joint ventures. Of the \$246.3 million, approximately \$203.4 million can be drawn immediately with the remaining amount subject to certain milestones that must be met by portfolio companies.
- **A quarterly cash distribution was declared** of \$0.16 per share, up 3% from the prior quarter and the seventh consecutive quarterly distribution increase. The distribution will be paid in cash and is payable on March 31, 2022 to stockholders of record on March 15, 2022.

Armen Panossian, Chief Executive Officer and Chief Investment Officer, said, "OCSL delivered another strong quarter with adjusted net investment income of \$0.17 per share, up 7% from the prior quarter. Credit quality remains high with no non-accruals, and NAV grew by 1% sequentially to \$7.34 per share. Based on our continued exceptional performance, we increased our dividend for the seventh consecutive quarter to \$0.16 per share. All told, we are off to a solid start to the fiscal year and believe we are well-positioned to continue to deliver attractive risk-adjusted returns to our shareholders."

Appointment of Matthew Stewart as Chief Operating Officer

On January 28, 2022, the Company's Board of Directors appointed Matthew Stewart as Chief Operating Officer of the Company, effective immediately. Mathew Pendo, previously the Company's President and Chief Operating Officer, will continue in his role as the Company's President.

Mr. Stewart is a Senior Vice President and investment professional on Oaktree's Strategic Credit team responsible for supporting the strategy's portfolio management and day-to-day operations. Prior to joining Oaktree in 2017, Mr. Stewart held several roles within the credit businesses of Stifel Nicolaus, Knight Capital and Fifth Street Management. Mr. Stewart began his career in the restructuring group at BDO Consulting. He received a B.B.A. in finance and a B.S. in accountancy from Villanova University. Mr. Stewart is a CFA charterholder.

Mr. Panossian said, "Matt has contributed to the growth and success of OCSL since Oaktree took over management over four years ago. He has played a key part in helping to improve our capital structure and supporting me in managing the investment portfolio. I am very proud of Matt's accomplishments and wish to congratulate him on this well-deserved promotion."

Distribution Declaration

The Board of Directors declared a quarterly distribution of \$0.16 per share, an increase of 3%, or \$0.005 per share, from the prior quarter and the seventh consecutive quarterly distribution increase. The distribution is payable on March 31, 2022 to stockholders of record on March 15, 2022.

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

Results of Operations

(\$ in thousands, except per share data)

| | For the three months ended | | |
|--|-------------------------------------|--------------------------------------|-------------------------------------|
| | December 31, 2021 (unaudited) | September 30, 2021 (unaudited) | December 31, 2020 (unaudited) |
| GAAP operating results: | | | |
| Interest income | \$ 55,450 | \$ 55,094 | \$ 31,633 |
| PIK interest income | 4,663 | 4,960 | 3,089 |
| Fee income | 912 | 645 | 3,352 |
| Dividend income | 3,916 | 3,101 | 130 |
| Total investment income | 64,941 | 63,800 | 38,204 |
| Net expenses | 29,338 | 28,321 | 28,186 |
| Net investment income before taxes | 35,603 | 35,479 | 10,018 |
| (Provision) benefit for taxes on net investment income | (3,308) | (2,437) | — |
| Net investment income | 32,295 | 33,042 | 10,018 |
| Net realized and unrealized gains (losses), net of taxes | 7,113 | 3,519 | 55,526 |
| Net increase (decrease) in net assets resulting from operations | \$ 39,408 | \$ 36,561 | \$ 65,544 |
| Total investment income per common share | \$ 0.36 | \$ 0.35 | \$ 0.27 |
| Net investment income per common share | \$ 0.18 | \$ 0.18 | \$ 0.07 |
| Net realized and unrealized gains (losses), net of taxes per common share | \$ 0.04 | \$ 0.02 | \$ 0.39 |
| Earnings (loss) per common share — basic and diluted | \$ 0.22 | \$ 0.20 | \$ 0.46 |
| Non-GAAP Financial Measures¹: | | | |
| Adjusted total investment income | \$ 62,093 | \$ 58,229 | \$ 38,204 |
| Adjusted net investment income | \$ 31,198 | \$ 29,100 | \$ 19,558 |
| Adjusted net realized and unrealized gains (losses), net of taxes | \$ 9,959 | \$ 9,088 | \$ 55,526 |
| Adjusted earnings (loss) | \$ 39,406 | \$ 36,559 | \$ 65,544 |
| Adjusted total investment income per share | \$ 0.34 | \$ 0.32 | \$ 0.27 |
| Adjusted net investment income per share | \$ 0.17 | \$ 0.16 | \$ 0.14 |
| Adjusted net realized and unrealized gains (losses), net of taxes per share | \$ 0.06 | \$ 0.05 | \$ 0.39 |
| Adjusted earnings (loss) per share | \$ 0.22 | \$ 0.20 | \$ 0.46 |

¹ See *Non-GAAP Financial Measures* below for a description of the non-GAAP measures and the reconciliations from the most comparable GAAP financial measures to the Company's non-GAAP measures, including on a per share basis. The Company's management uses these non-GAAP financial measures internally to analyze and evaluate financial results and performance and believes that these non-GAAP financial measures are useful to investors as an additional tool to evaluate ongoing results and trends for the Company and to review the Company's performance without giving effect to non-cash income/gain resulting from the Merger and in the case of adjusted net investment income, without giving effect to capital gains incentive fees. The presentation of non-GAAP measures is not intended to be a substitute for financial results prepared in accordance with GAAP and should not be considered in isolation.

(\$ in thousands, except per share data and ratios)

| | As of | |
|---|----------------------------------|--------------------|
| | December 31, 2021 (unaudited) | September 30, 2021 |
| Select balance sheet and other data: | | |
| Cash and cash equivalents | \$ 43,765 | \$ 29,334 |
| Investment portfolio at fair value | 2,588,623 | 2,556,629 |
| Total debt outstanding (net of unamortized financing costs) | 1,285,461 | 1,268,743 |
| Net assets | 1,325,061 | 1,312,823 |
| Net asset value per share | 7.34 | 7.28 |
| Total debt to equity ratio | 0.98x | 0.97x |
| Net debt to equity ratio | 0.95x | 0.95x |

Adjusted total investment income for the quarter ended December 31, 2021 was \$62.1 million and included \$52.6 million of interest income from portfolio investments, \$4.7 million of payment-in-kind ("PIK") interest income, \$0.9 million of fee income and \$3.9 million of dividend income. The increase of \$3.9 million from the September quarter reflected \$2.8 million of higher interest income resulting from a larger average investment portfolio, \$0.8 million of higher dividend income from one investment and \$0.3 million of higher fee income primarily from higher prepayment fees.

Net expenses for the quarter ended December 31, 2021 totaled \$29.3 million, up \$1.0 million from the quarter ended September 30, 2021. The increase reflected \$0.6 million of higher incentive fees primarily due to higher adjusted total investment income and \$0.4 million of higher interest expense resulting from an increase in borrowings outstanding.

Adjusted net investment income was \$31.2 million (\$0.17 per share) for the quarter ended December 31, 2021, up from \$29.1 million (\$0.16 per share) for the quarter ended September 30, 2021. The increase reflected \$3.9 million of higher adjusted total investment income, partially offset by \$0.9 million of higher net expenses (excluding Part II incentive fees) and

a \$0.9 million increase in income tax expense. The increase in provision for taxes on net investment income was the result of higher tax distributions received from one portfolio investment. Such tax distributions are included in adjusted total investment income and are fully offset by provision for taxes on net investment income, which resulted in no net impact on adjusted net investment income.

Adjusted net realized and unrealized gains, net of taxes, were \$10.0 million for the quarter ended December 31, 2021, respectively, primarily reflecting gains on certain debt and equity investments.

Portfolio and Investment Activity

| (\$ in thousands) | As of | | |
|--|----------------------------------|--------------------------------------|----------------------------------|
| | December 31, 2021 (unaudited) | September 30, 2021 (unaudited) | December 31, 2020 (unaudited) |
| Investments at fair value | \$ 2,588,623 | \$ 2,556,629 | \$ 1,712,324 |
| Number of portfolio companies | 140 | 138 | 115 |
| Average portfolio company debt size | \$ 18,500 | \$ 18,700 | \$ 16,200 |
| Asset class: | | | |
| Senior secured debt | 87.4 % | 86.7 % | 85.7 % |
| Unsecured debt | 1.0 % | 1.7 % | 3.1 % |
| Equity | 4.2 % | 4.2 % | 3.8 % |
| JV interests | 7.4 % | 7.4 % | 7.3 % |
| Limited partnership interests | — % | — % | 0.1 % |
| Non-accrual debt investments: | | | |
| Non-accrual investments at fair value | \$ — | \$ — | \$ 470 |
| Non-accrual investments as a percentage of debt investments | — % | — % | — % |
| Number of investments on non-accrual | — | — | 1 |
| Interest rate type: | | | |
| Percentage floating-rate | 91.6 % | 91.5 % | 88.8 % |
| Percentage fixed-rate | 8.4 % | 8.5 % | 11.2 % |
| Yields: | | | |
| Weighted average yield on debt investments ¹ | 8.7 % | 8.7 % | 8.5 % |
| Cash component of weighted average yield on debt investments | 7.5 % | 7.4 % | 7.1 % |
| Weighted average yield on total portfolio investments ² | 8.3 % | 8.3 % | 8.0 % |
| Investment activity³: | | | |
| New investment commitments | \$ 299,900 | \$ 385,000 | \$ 286,300 |
| New funded investment activity ⁴ | \$ 240,800 | \$ 416,400 | \$ 241,500 |
| Proceeds from prepayments, exits, other paydowns and sales | \$ 235,000 | \$ 201,800 | \$ 160,700 |
| Net new investments ⁵ | \$ 5,800 | \$ 214,600 | \$ 80,800 |
| Number of new investment commitments in new portfolio companies | 12 | 14 | 14 |
| Number of new investment commitments in existing portfolio companies | 9 | 6 | 7 |
| Number of portfolio company exits | 10 | 11 | 12 |

¹ 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 SLF JV I and Glick JV, and excluding any amortization or accretion of interest income resulting solely from the cost basis established by ASC 805 (see Non-GAAP Financial Measures below) for the assets acquired in connection with the Merger.

² 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 SLF JV I 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 Merger.

³ Excludes the assets acquired as part of the Merger.

⁴ New funded investment activity includes drawdowns on existing revolver and delayed draw term loan commitments.

⁵ Net new investments consists of new funded investment activity less proceeds from prepayments, exits, other paydowns and sales.

As of December 31, 2021, the fair value of the investment portfolio was \$2.6 billion and was composed of investments in 140 companies. These included debt investments in 124 companies, equity investments in 34 companies, including limited partnership interests in one private equity fund, and the Company's joint venture investments in SLF JV I ("SLF JV I") and OCSI Glick JV LLC ("Glick JV"). 20 of the equity investments were in companies in which the Company also had a debt investment.

As of December 31, 2021, 94.3% of the Company's portfolio at fair value consisted of debt investments, including 69.7% of first lien loans, 17.7% of second lien loans and 6.9% of unsecured debt investments, including the debt investments in SLF JV I and Glick JV. This compared to 69.1% of first lien loans, 17.6% of second lien loans and 7.6% of unsecured debt investments, including the debt investments in SLF JV I and Glick JV, as of September 30, 2021.

As of December 31, 2021, there were no investments on non-accrual status.

The Company's investments in SLF JV I totaled \$134.7 million at fair value as of December 31, 2021, up 1% from \$133.9 million as of September 30, 2021. The increase in the value of the Company's investments in SLF JV I was primarily driven by undistributed net investment income.

As of December 31, 2021, SLF JV I had \$393.3 million in assets, including senior secured loans to 61 portfolio companies. This compared to \$379.2 million in assets, including senior secured loans to 55 portfolio companies, as of September 30, 2021. As of December 31, 2021, there were no investments held by SLF JV I on non-accrual status. SLF JV I generated cash interest income of \$2.0 million for the Company during the quarter ended December 31, 2021, which was unchanged from the prior quarter. In addition, SLF JV I generated dividend income of \$0.5 million for the Company during the quarter ended December 31, 2021, which was consistent with the prior quarter. As of December 31, 2021, SLF JV I had \$40.0 million of undrawn capacity (subject to borrowing base and other limitations) on its \$260 million senior revolving credit facility, and its debt to equity ratio was 1.4x.

The Company's investments in Glick JV totaled \$55.9 million at fair value as of December 31, 2021, up slightly from \$55.6 million as of September 30, 2021. As of December 31, 2021, Glick JV had \$145.1 million in assets, including senior secured loans to 44 portfolio companies. This compared to \$141.0 million in assets, including senior secured loans to 37 portfolio companies, as of September 30, 2021. As of December 31, 2021, there were no investments held by Glick JV on non-accrual status. Glick JV generated cash interest income of \$0.7 million during the quarter ended December 31, 2021, which was unchanged as compared to the prior quarter. As of December 31, 2021, Glick JV had \$18.1 million of undrawn capacity (subject to borrowing base and other limitations) on its \$90 million senior revolving credit facility, and its debt to equity ratio was 1.1x.

Liquidity and Capital Resources

As of December 31, 2021, the Company had total principal value of debt outstanding of \$1,300.0 million, including \$650.0 million of outstanding borrowings under its revolving credit facilities, \$300.0 million of the 3.500% Notes due 2025 and \$350.0 million of the 2.700% Notes due 2027. The funding mix was composed of 50% secured and 50% unsecured borrowings as of December 31, 2021. The Company was in compliance with all financial covenants under its credit facilities as of December 31, 2021.

On November 18, 2021, the Company entered into an amendment to the Citibank Facility that, among other things, increased the size of the facility by \$50 million to \$200 million and extended the reinvestment period and final maturity date. On December 10, 2021, the Company entered into an incremental commitment and assumption agreement pursuant to which a new lender provided additional commitments of \$50 million under the Syndicated Facility, which increased the size of the Syndicated Facility to \$1.0 billion.

As of December 31, 2021, the Company had \$43.8 million of unrestricted cash and cash equivalents and \$550.0 million of undrawn capacity on its credit facilities (subject to borrowing base and other limitations). As of December 31, 2021, unfunded investment commitments were \$295.3 million, or \$246.3 million excluding unfunded commitments to the Company's joint ventures. Of the \$246.3 million, approximately \$203.4 million could be drawn immediately with the remaining amount subject to certain milestones that must be met by portfolio companies. The Company has analyzed cash and cash equivalents, availability under its credit facilities, the ability to rotate out of certain assets and amounts of unfunded commitments that could be drawn and believes its liquidity and capital resources are sufficient to take advantage of market opportunities in the current economic climate.

As of December 31, 2021, the weighted average interest rate on debt outstanding, including the effect of the interest rate swap agreement, was 2.3%, down from 2.4% as of September 30, 2021.

The Company's total debt to equity ratio was 0.98x and 0.97x as of December 31, 2021 and September 30, 2021, respectively. The Company's net debt to equity ratio was 0.95x as of each of December 31, 2021 and September 30, 2021.

Non-GAAP Financial Measures

On a supplemental basis, the Company is disclosing certain adjusted financial measures, each of which is calculated and presented on a basis of methodology other than in accordance with GAAP (“non-GAAP”). The Company’s management uses these non-GAAP financial measures internally to analyze and evaluate financial results and performance and believes that these non-GAAP financial measures are useful to investors as an additional tool to evaluate ongoing results and trends for the Company and to review the Company’s performance without giving effect to non-cash income/gain resulting from the Merger and in the case of adjusted net investment income, without giving effect to capital gains incentive fees. The presentation of the below non-GAAP measures is not intended to be a substitute for financial results prepared in accordance with GAAP and should not be considered in isolation.

- **“Adjusted Total Investment Income” and “Adjusted Total Investment Income Per Share”** – represents total investment income excluding any amortization or accretion of interest income resulting solely from the cost basis established by ASC 805 (see below) for the assets acquired in connection with the Merger.
- **“Adjusted Net Investment Income” and “Adjusted Net Investment Income Per Share”** – represents net investment income, excluding (i) any amortization or accretion of interest income resulting solely from the cost basis established by ASC 805 (see below) for the assets acquired in connection with the Merger and (ii) capital gains incentive fees (“Part II incentive fees”).
- **“Adjusted Net Realized and Unrealized Gains (Losses), Net of Taxes” and “Adjusted Net Realized and Unrealized Gains (Losses), Net of Taxes Per Share”** – represents net realized and unrealized gains (losses) net of taxes excluding any net realized and unrealized gains (losses) resulting solely from the cost basis established by ASC 805 (see below) for the assets acquired in connection with the Merger.
- **“Adjusted Earnings (Loss)” and “Adjusted Earnings (Loss) Per Share”** – represents the sum of (i) Adjusted Net Investment Income and (ii) Adjusted Net Realized and Unrealized Gains (Losses), Net of Taxes and includes the impact of Part II incentive fees¹, if any.

On March 19, 2021, the Company completed the Merger. The Merger was accounted for as an asset acquisition 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 OCSI’s stockholders was 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 OCSI investments under ASC 805 that, in aggregate, was significantly lower than the historical cost basis of the acquired OCSI investments prior to the Merger. Additionally, immediately following the completion of the Merger, the acquired OCSI investments were marked to their respective fair values under ASC 820, *Fair Value Measurements*, which resulted in unrealized appreciation. The new cost basis established by ASC 805 on debt investments acquired will accrete over the life of each respective debt investment through interest income, with a corresponding adjustment recorded to unrealized appreciation on such investment acquired through its ultimate disposition. The new cost basis established by ASC 805 on equity investments acquired will not accrete 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 with a corresponding reversal of the unrealized appreciation 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 OCSI investments acquired in the Merger because these amounts do not impact the fees payable to Oaktree Fund Advisors, LLC (the “Adviser”) under its amended and restated 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 Merger and are 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 the

¹ Adjusted earnings (loss) includes accrued Part II incentive fees. For the three months ended December 31, 2021, \$1.8 million of accrued Part II incentive fees were expensed. As of December 31, 2021, the total accrued Part II incentive fee liability was \$10.5 million. Part II incentive fees are contractually calculated and paid at the end of the fiscal year in accordance with the A&R Advisory Agreement, which differs from Part II incentive fees accrued under GAAP. Hypothetically, if Part II incentive fees were calculated as of December 31, 2021 under the A&R Advisory Agreement, the amount payable would have been \$2.8 million.

Adviser under with the A&R Advisory Agreement (i.e., excluding amounts resulting solely from the lower cost basis of the acquired OCSI investments established by ASC 805 that would have been to the benefit of the Adviser absent such exclusion).

The following table provides a reconciliation of total investment income (the most comparable U.S. GAAP measure) to adjusted total investment income for the periods presented:

| | For the three months ended | | | | | |
|--|----------------------------------|-----------|-----------------------------------|-----------|----------------------------------|-----------|
| | December 31, 2021 (unaudited) | | September 30, 2021 (unaudited) | | December 31, 2020 (unaudited) | |
| | Amount | Per Share | Amount | Per Share | Amount | Per Share |
| GAAP total investment income | \$ 64,941 | \$ 0.36 | \$ 63,800 | \$ 0.35 | \$ 38,204 | \$ 0.27 |
| Less: Interest income accretion related to merger accounting adjustments | (2,848) | (0.02) | (5,571) | (0.03) | — | — |
| Adjusted total investment income | \$ 62,093 | \$ 0.34 | \$ 58,229 | \$ 0.32 | \$ 38,204 | \$ 0.27 |

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:

| | For the three months ended | | | | | |
|--|----------------------------------|-----------|-----------------------------------|-----------|----------------------------------|-----------|
| | December 31, 2021 (unaudited) | | September 30, 2021 (unaudited) | | December 31, 2020 (unaudited) | |
| | Amount | Per Share | Amount | Per Share | Amount | Per Share |
| GAAP net investment income | \$ 32,295 | \$ 0.18 | \$ 33,042 | \$ 0.18 | \$ 10,018 | \$ 0.07 |
| Less: Interest income accretion related to merger accounting adjustments | (2,848) | (0.02) | (5,571) | (0.03) | — | — |
| Add: Part II incentive fee | 1,751 | 0.01 | 1,629 | 0.01 | 9,540 | 0.07 |
| Adjusted net investment income | \$ 31,198 | \$ 0.17 | \$ 29,100 | \$ 0.16 | 19,558 | \$ 0.14 |

The following table provides a reconciliation of net realized and unrealized gains (losses), net of taxes (the most comparable U.S. GAAP measure) to adjusted net realized and unrealized gains (losses), net of taxes for the periods presented:

| | For the three months ended | | | | | |
|---|----------------------------------|-----------|-----------------------------------|-----------|----------------------------------|-----------|
| | December 31, 2021 (unaudited) | | September 30, 2021 (unaudited) | | December 31, 2020 (unaudited) | |
| | Amount | Per Share | Amount | Per Share | Amount | Per Share |
| GAAP net realized and unrealized gains (losses), net of taxes | \$ 7,113 | \$ 0.04 | \$ 3,519 | \$ 0.02 | \$ 55,526 | \$ 0.39 |
| Less: Net realized and unrealized losses (gains) related to merger accounting adjustments | 2,846 | 0.02 | 5,569 | 0.03 | — | — |
| Adjusted net realized and unrealized gains (losses), net of taxes | \$ 9,959 | \$ 0.06 | \$ 9,088 | \$ 0.05 | \$ 55,526 | \$ 0.39 |

The following table provides a reconciliation of net increase (decrease) in net assets resulting from operations (the most comparable U.S. GAAP measure) to adjusted earnings (loss) for the periods presented:

| | For the three months ended | | | | | |
|---|----------------------------------|-----------|-----------------------------------|-----------|----------------------------------|-----------|
| | December 31, 2021 (unaudited) | | September 30, 2021 (unaudited) | | December 31, 2020 (unaudited) | |
| | Amount | Per Share | Amount | Per Share | Amount | Per Share |
| Net increase (decrease) in net assets resulting from operations | \$ 39,408 | \$ 0.22 | \$ 36,561 | \$ 0.20 | \$ 65,544 | \$ 0.46 |
| Less: Interest income accretion related to merger accounting adjustments | (2,848) | (0.02) | (5,571) | (0.03) | — | — |
| Less: Net realized and unrealized losses (gains) related to merger accounting adjustments | 2,846 | 0.02 | 5,569 | 0.03 | — | — |
| Adjusted earnings (loss) | \$ 39,406 | \$ 0.22 | \$ 36,559 | \$ 0.20 | \$ 65,544 | \$ 0.46 |

Conference Call Information

Oaktree Specialty Lending will host a conference call to discuss its first fiscal quarter 2022 results at 11:00 a.m. Eastern Time / 8:00 a.m. Pacific Time on February 3, 2022. The conference call may be accessed by dialing (877) 507-4376 (U.S. callers) or +1 (412) 317-5239 (non-U.S. callers). All callers will need to reference “Oaktree Specialty Lending” once connected with the operator. Alternatively, a live webcast of the conference call can be accessed through the Investors section of Oaktree Specialty Lending’s website, www.oaktreespecialtylending.com. During the conference call, the Company intends to refer to an investor presentation that will be available on the Investors section of its 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 3546944, 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's investment objective is 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, and is externally managed by Oaktree Fund Advisors, LLC, an affiliate of 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, future performance or financial condition. The forward-looking statements may include statements as to: future operating results of the Company and distribution projections; business prospects of the Company and the prospects of its portfolio companies; and the impact of the investments that the Company expects 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. Certain factors could cause actual results and conditions to differ materially from those projected, including the uncertainties associated with (i) changes in the economy, financial markets and political environment, (ii) risks associated with possible disruption in the operations of the Company or the economy generally due to terrorism, natural disasters or the COVID-19 pandemic; (iii) future changes in laws or regulations (including the interpretation of these laws and regulations by regulatory authorities); (iv) conditions in the Company’s operating areas, particularly with respect to business development companies or regulated investment companies; (v) general considerations associated with the COVID-19 pandemic; and (vi) other considerations that may be disclosed from time to time in the Company’s publicly disseminated documents and filings. The Company has based the forward-looking statements included in this press release on information available to it on the date of this press release, and the Company assumes no obligation to update any such forward-looking statements. The Company undertakes 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 it may make directly to you or through reports that the Company in the future may file with the Securities and Exchange Commission, including annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K.

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

| | December 31, 2021 (unaudited) | September 30, 2021 |
|---|----------------------------------|---------------------|
| ASSETS | | |
| Investments at fair value: | | |
| Control investments (cost December 31, 2021: \$272,970; cost September 30, 2021: \$283,599) | \$ 259,469 | \$ 270,765 |
| Affiliate investments (cost December 31, 2021: \$18,845; cost September 30, 2021: \$18,763) | 18,120 | 18,289 |
| Non-control/Non-affiliate investments (cost December 31, 2021: \$2,283,055; cost September 30, 2021: \$2,236,759) | 2,311,034 | 2,267,575 |
| Total investments at fair value (cost December 31, 2021: \$2,574,870; cost September 30, 2021: \$2,539,121) | 2,588,623 | 2,556,629 |
| Cash and cash equivalents | 43,765 | 29,334 |
| Restricted cash | 2,292 | 2,301 |
| Interest, dividends and fees receivable | 18,508 | 22,125 |
| Due from portfolio companies | 2,793 | 1,990 |
| Receivables from unsettled transactions | 25,823 | 8,150 |
| Due from broker | 3,450 | 1,640 |
| Deferred financing costs | 9,055 | 9,274 |
| Deferred offering costs | 34 | 34 |
| Deferred tax asset, net | 1,673 | 714 |
| Derivative assets at fair value | 1,075 | 1,912 |
| Other assets | 2,848 | 2,284 |
| Total assets | \$ 2,699,939 | \$ 2,636,387 |
| LIABILITIES AND NET ASSETS | | |
| Liabilities: | | |
| Accounts payable, accrued expenses and other liabilities | \$ 6,169 | \$ 3,024 |
| Base management fee and incentive fee payable | 26,190 | 32,649 |
| Due to affiliate | 3,503 | 4,357 |
| Interest payable | 6,698 | 4,597 |
| Director fees payable | 123 | — |
| Payables from unsettled transactions | 40,803 | 8,086 |
| Derivative liability at fair value | 5,931 | 2,108 |
| Credit facilities payable | 650,000 | 630,000 |
| Unsecured notes payable (net of \$6,131 and \$6,501 of unamortized financing costs as of December 31, 2021 and September 30, 2021, respectively) | 635,461 | 638,743 |
| Total liabilities | 1,374,878 | 1,323,564 |
| Commitments and contingencies | | |
| Net assets: | | |
| Common stock, \$0.01 par value per share, 250,000 shares authorized; 180,469 and 180,361 shares issued and outstanding as of December 31, 2021 and September 30, 2021, respectively | 1,805 | 1,804 |
| Additional paid-in-capital | 1,805,139 | 1,804,354 |
| Accumulated overdistributed earnings | (481,883) | (493,335) |
| Total net assets (equivalent to \$7.34 and \$7.28 per common share as of December 31, 2021 and September 30, 2021, respectively) | 1,325,061 | 1,312,823 |
| Total liabilities and net assets | \$ 2,699,939 | \$ 2,636,387 |

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

| | Three months ended December 31, 2021 (unaudited) | Three months ended September 30, 2021 (unaudited) | Three months ended December 31, 2020 (unaudited) |
|--|---|--|---|
| Interest income: | | | |
| Control investments | \$ 3,480 | \$ 3,670 | \$ 2,343 |
| Affiliate investments | 334 | 279 | 105 |
| Non-control/Non-affiliate investments | 51,635 | 51,144 | 29,184 |
| Interest on cash and cash equivalents | 1 | 1 | 1 |
| Total interest income | 55,450 | 55,094 | 31,633 |
| PIK interest income: | | | |
| Non-control/Non-affiliate investments | 4,663 | 4,960 | 3,089 |
| Total PIK interest income | 4,663 | 4,960 | 3,089 |
| Fee income: | | | |
| Control investments | 13 | 13 | 15 |
| Affiliate investments | 5 | 5 | 5 |
| Non-control/Non-affiliate investments | 894 | 627 | 3,332 |
| Total fee income | 912 | 645 | 3,352 |
| Dividend income: | | | |
| Control investments | 3,916 | 3,101 | 130 |
| Total dividend income | 3,916 | 3,101 | 130 |
| Total investment income | 64,941 | 63,800 | 38,204 |
| Expenses: | | | |
| Base management fee | 9,952 | 9,768 | 6,541 |
| Part I incentive fee | 6,457 | 6,015 | 4,149 |
| Part II incentive fee | 1,751 | 1,629 | 9,540 |
| Professional fees | 1,322 | 1,288 | 867 |
| Directors fees | 123 | 160 | 143 |
| Interest expense | 9,400 | 9,032 | 6,095 |
| Administrator expense | 390 | 463 | 333 |
| General and administrative expenses | 693 | 716 | 518 |
| Total expenses | 30,088 | 29,071 | 28,186 |
| Fees waived | (750) | (750) | — |
| Net expenses | 29,338 | 28,321 | 28,186 |
| Net investment income before taxes | 35,603 | 35,479 | 10,018 |
| (Provision) benefit for taxes on net investment income | (3,308) | (2,437) | — |
| Net investment income | 32,295 | 33,042 | 10,018 |
| Unrealized appreciation (depreciation): | | | |
| Control investments | (667) | 1,395 | 8,335 |
| Affiliate investments | (251) | 355 | (290) |
| Non-control/Non-affiliate investments | (2,831) | (3,311) | 41,937 |
| Foreign currency forward contracts | (837) | (537) | (2,426) |
| Net unrealized appreciation (depreciation) | (4,586) | (2,098) | 47,556 |
| Realized gains (losses): | | | |
| Control investments | 1,868 | — | — |
| Non-control/Non-affiliate investments | 4,481 | 827 | 8,738 |
| Foreign currency forward contracts | 2,972 | 2,912 | (523) |
| Net realized gains (losses) | 9,321 | 3,739 | 8,215 |
| (Provision) benefit for taxes on realized and unrealized gains (losses) | 2,378 | 1,878 | (245) |
| Net realized and unrealized gains (losses), net of taxes | 7,113 | 3,519 | 55,526 |
| Net increase (decrease) in net assets resulting from operations | \$ 39,408 | \$ 36,561 | \$ 65,544 |
| Net investment income per common share — basic and diluted | \$ 0.18 | \$ 0.18 | \$ 0.07 |
| Earnings (loss) per common share — basic and diluted | \$ 0.22 | \$ 0.20 | \$ 0.46 |
| Weighted average common shares outstanding — basic and diluted | 180,381 | 180,361 | 140,961 |