

**Presentation**

# **OHA Investment Corporation Q1 2017 Earnings Results**

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**May 16, 2017**



# Disclaimer

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THIS PRESENTATION MAY CONTAIN FORWARD-LOOKING STATEMENTS OF OHA INVESTMENT CORPORATION ("OHA" OR THE "COMPANY"). WE MAY USE WORDS SUCH AS "ANTICIPATES," "BELIEVES," "INTENDS," "PLANS," "EXPECTS," "PROJECTS," "ESTIMATES," "WILL," "SHOULD," "MAY" AND SIMILAR EXPRESSIONS TO IDENTIFY FORWARD-LOOKING STATEMENTS. THESE FORWARD-LOOKING STATEMENTS ARE SUBJECT TO VARIOUS RISKS AND UNCERTAINTIES. CERTAIN FACTORS COULD CAUSE ACTUAL RESULTS AND CONDITIONS TO DIFFER MATERIALLY FROM THOSE PROJECTED, INCLUDING THE UNCERTAINTIES ASSOCIATED WITH THE TIMING OR LIKELIHOOD OF TRANSACTION CLOSINGS, CHANGES IN INTEREST RATES, AVAILABILITY OF TRANSACTIONS, THE FUTURE OPERATING RESULTS OF OUR PORTFOLIO COMPANIES, REGULATORY FACTORS, CHANGES IN REGIONAL, NATIONAL, OR INTERNATIONAL ECONOMIC CONDITIONS AND THEIR IMPACT ON THE INDUSTRIES IN WHICH WE INVEST, OTHER CHANGES IN THE CONDITIONS OF THE INDUSTRIES IN WHICH WE INVEST AND OTHER FACTORS ENUMERATED IN OUR FILINGS WITH THE SECURITIES AND EXCHANGE COMMISSION. YOU SHOULD NOT PLACE UNDUE RELIANCE ON SUCH FORWARD-LOOKING STATEMENTS, WHICH SPEAK ONLY AS OF THE DATE THEY ARE MADE. WE UNDERTAKE NO OBLIGATION TO UPDATE OUR FORWARD-LOOKING STATEMENTS MADE HEREIN, UNLESS REQUIRED BY LAW.

INVESTMENTS ARE CONSIDERED TO BE FULLY REALIZED WHEN THE ORIGINAL INVESTMENT AT THE SECURITY LEVEL HAS BEEN FULLY EXITED. INTERNAL RATE OF RETURN, OR IRR, IS A MEASURE OF OUR DISCOUNTED CASH FLOWS (INFLOWS AND OUTFLOWS). SPECIFICALLY, IRR IS THE DISCOUNT RATE AT WHICH THE NET PRESENT VALUE OF ALL CASH FLOWS IS EQUAL TO ZERO. THAT IS, IRR IS THE DISCOUNT RATE AT WHICH THE PRESENT VALUE OF TOTAL CAPITAL INVESTED IN OUR INVESTMENTS IS EQUAL TO THE PRESENT VALUE OF ALL REALIZED RETURNS FROM THE INVESTMENTS. OUR IRR CALCULATIONS ARE UNAUDITED. CAPITAL INVESTED, WITH RESPECT TO AN INVESTMENT, REPRESENTS THE AGGREGATE COST OF THE INVESTMENT, NET OF ANY UPFRONT FEES PAID AT CLOSING. REALIZED RETURNS, WITH RESPECT TO AN INVESTMENT, REPRESENTS THE TOTAL CASH RECEIVED WITH RESPECT TO AN INVESTMENT, INCLUDING ALL AMORTIZATION PAYMENTS, INTEREST, DIVIDENDS, PREPAYMENT FEES, ADMINISTRATIVE FEES, AMENDMENT FEES, ACCRUED INTEREST, AND OTHER FEES AND PROCEEDS. GROSS IRR, WITH RESPECT TO AN INVESTMENT, IS CALCULATED BASED ON THE DATES THAT WE INVESTED CAPITAL AND DATES WE RECEIVED DISTRIBUTIONS. GROSS IRR REFLECTS HISTORICAL RESULTS RELATING TO OUR PAST PERFORMANCE AND IS NOT NECESSARILY INDICATIVE OF OUR FUTURE RESULTS. IN ADDITION, GROSS IRR DOES NOT REFLECT THE EFFECT OF MANAGEMENT FEES, EXPENSES, INCENTIVE FEES OR TAXES BORNE, OR TO BE BORNE, BY US OR OUR STOCKHOLDERS, AND WOULD BE LOWER IF IT DID.

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# Section 1

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## Overview & Financial Results

# Overview & Financial Results

## First Quarter Developments

- NAV of \$3.02 per share, a \$0.97 or 24% decline from Q4 2016, substantially driven by net write-downs of legacy investments and partially offset by mark-to-market gains on OHA investments
  - \$20.8 MM of net write-downs on legacy investments (\$1.03 per share); includes a \$21.2 MM write-down of Castex preferred units
  - \$1.4 MM of mark-to-market gains on OHA investments, exclusive of Q1 realizations (\$0.07 per share)
- \$0.01 net investment income per share on a GAAP basis
  - Castex placed on non-accrual status, no dividend income recognized in Q1 2017
  - \$0.02 distribution declared per share (paid in April 2017)
- Added \$7.0 MM of Equinox Holdings' second lien term loan
- \$8.5 MM in realizations
  - Sold \$3.0 MM Equinox second lien term loan at an average price of 101.5% of par, recognized capital gain of \$68 k, after originally purchasing \$10 MM at 99.25% of par
  - Royal Holdings second lien term loan partial pay-down of \$4.5 MM, or 45% of \$10.0 MM position
  - Sold \$0.5 MM Berlin second lien term loan at 101.0% of par, recognized capital gain of \$23 k
  - \$0.5 MM of Gramercy CLO's quarterly remittance applied to our basis

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# Overview & Financial Results

## Q1 2017 Summary

- Investment income of \$2.5 MM, or \$0.12 per share
- Weighted average portfolio yield<sup>(1)</sup> of 12.8% on fair value and 12.5% on cost
- Base management fees of \$0.6 MM and no incentive fees
- Net investment income of \$0.2 MM, or \$0.01 per share
- Net realized and unrealized losses of (\$19.3) MM, or (\$0.96) per share
- NAV decreased (\$0.97) or 24% from \$3.99 to \$3.02 during the quarter
- Received positive assurance on valuation of 96% of Level 3 investments by a leading independent valuation firm

<sup>(1)</sup> Excludes non-yielding assets.

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# Overview & Financial Results

## Statement of Operations – GAAP Basis

(in \$000's)	Q1 2017	Q4 2016	Q1 2016
Investment income	\$2,455	\$4,037	\$5,157
Interest expense	974	988	1,088
Management and incentive fees	570	635	930
Other G&A	714	812	1,287
Income taxes provision (benefit)	<u>4</u>	<u>(12)</u>	<u>17</u>
Net investment income	<u>\$193</u>	<u>\$1,614</u>	<u>\$1,835</u>
<i>Net investment income per share</i>	<i>\$0.01</i>	<i>\$0.08</i>	<i>\$0.09</i>

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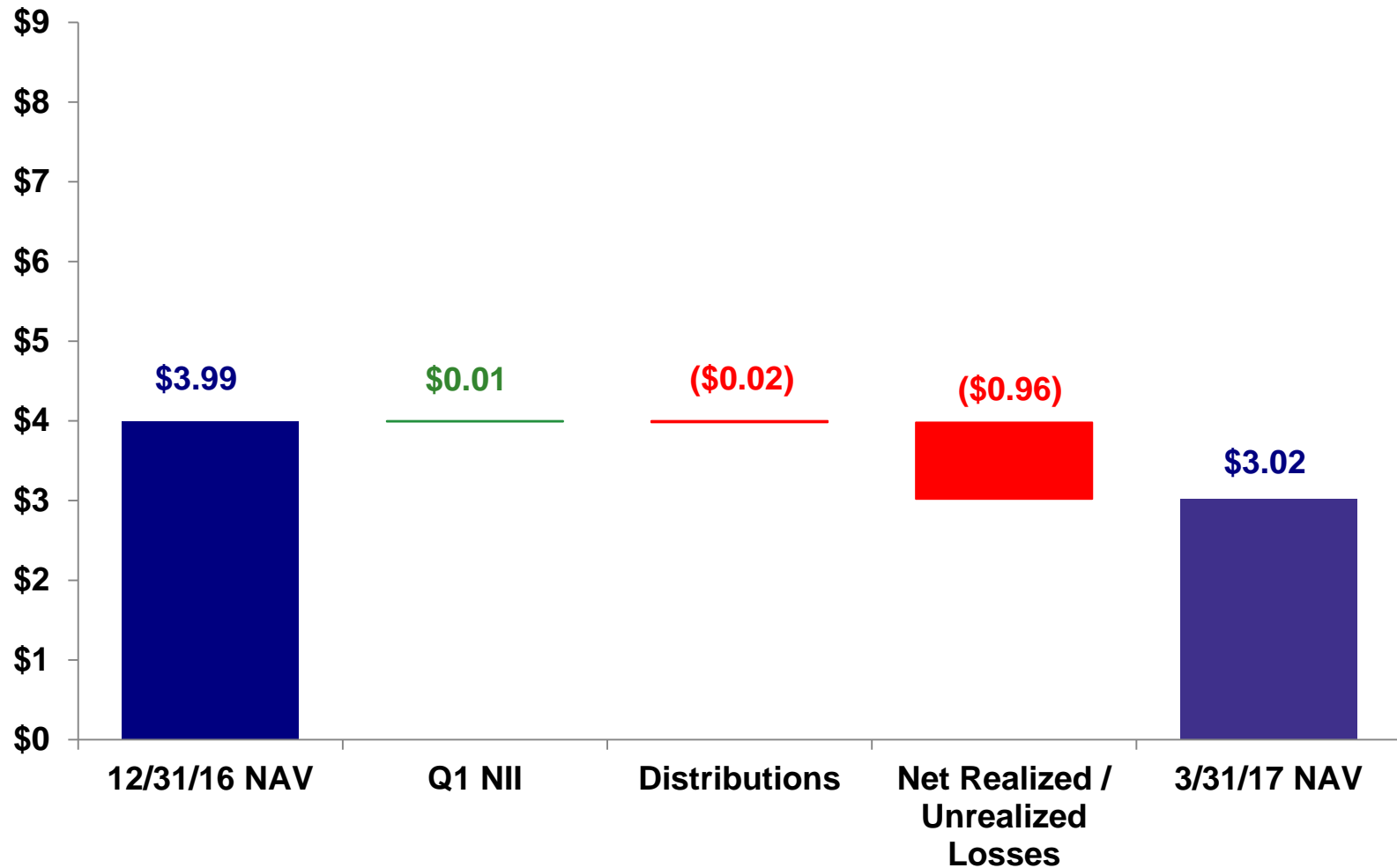
# Overview & Financial Results

(in \$000's)	Q1 2017	Q4 2016	Q1 2016
<b>Realized capital gains (losses):</b>			
Equinox	\$ 68	\$ --	\$ --
Berlin	23	--	--
Spirit Investments* – deemed worthless from tax perspective	--	(17,030)	
Other	4	--	24
Tax benefit (provision) related to capital gains (losses)	<u>--</u>	<u>29</u>	<u>--</u>
<b>Total realized capital gains (losses), net</b>	<u>95</u>	<u>(17,001)</u>	<u>24</u>
<b>Unrealized gains (losses):</b>			
Castex*	(21,243)	(2,709)	(6,020)
OCI (debt & equity investments)*	(299)	(1,233)	(36)
PAE	(32)	260	--
ATP / Bennu*	--	(12,286)	(32)
Gramercy	150	588	(1,019)
Equinox	166	--	--
Talos*	776	1,571	(1,564)
TIBCO	1,073	1,099	381
Reversals due to realizations	(82)	16,702	--
<b>Other unrealized gains (losses), net</b>	<u>112</u>	<u>110</u>	<u>(5,233)</u>
<b>Total unrealized gains (losses), net</b>	<u>(19,379)</u>	<u>4,102</u>	<u>(13,523)</u>
<b>Total realized and unrealized (losses), net</b>	<u>(\$19,284)</u>	<u>(\$12,899)</u>	<u>(\$13,499)</u>



# Overview & Financial Results

NAV per Share Declined 24% in Q1, Primarily due to Castex Write-down (Legacy Investment)



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# Section 2

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## Investment Activity & Portfolio Review

# Investment Activity & Portfolio Review

## \$127.4 MM of Investments in Fourteen New Portfolio Companies Under OHA Management

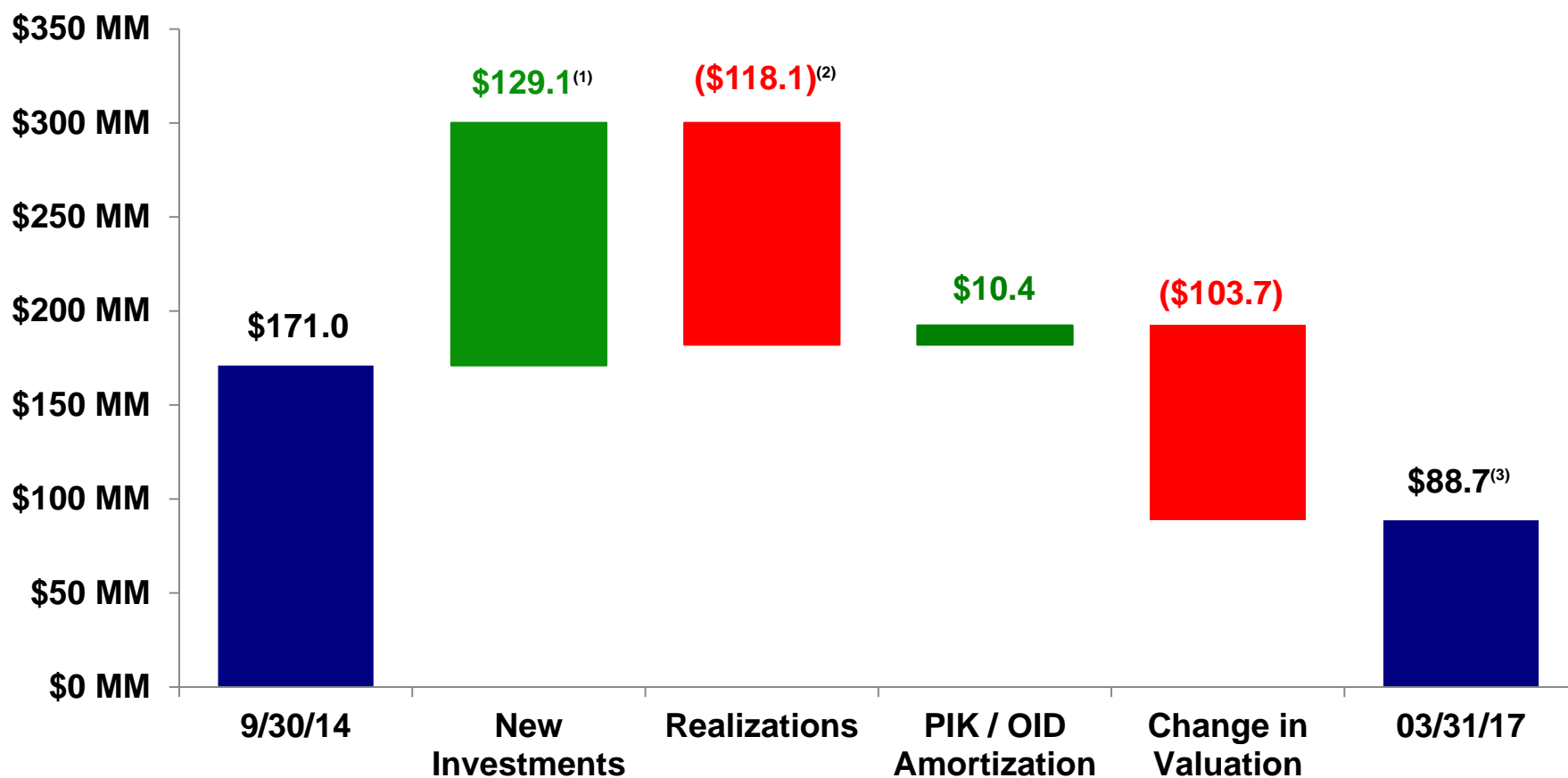
- 2014 (Q4 only) – \$36.8 MM (four new portfolio companies)
- 2015 – \$73.7 MM (eight new portfolio companies and one add-on to an existing OHA portfolio company)
- 2016 – \$7.0 MM (one new portfolio company and one add-on to an existing OHA portfolio company)
- 2017 – \$9.9 MM (one new portfolio company)
  
- Realizations of \$118.1 MM since September 30, 2014 (\$80.0 MM from OHA Investments)
  - \$50.9 MM realizations in 2016; \$40.5 MM OHA and \$10.4 MM legacy
  - \$8.5 MM realizations in Q1 2017, all OHA investments
  - Weighted average unlevered gross IRR of 14.7% on fully-realized OHA investments
  
- \$88.7 MM of portfolio investments at March 31, 2017
  - 63% floating rate, 37% fixed rate, by fair value
  - Fixed rate investments consist of Castex, Talos and TIBCO

Amounts of new investments presented above are shown at purchase price, not principal amount.

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# Investment Activity & Portfolio Review

Added \$129.1 MM of New Investments Since OHA Assumed Management on 9/30/14<sup>(1)</sup>



<sup>(1)</sup> New investments include \$1.7 MM of additional capital invested in legacy assets.

<sup>(2)</sup> \$80.0 MM of realizations/amortization from OHA investments.

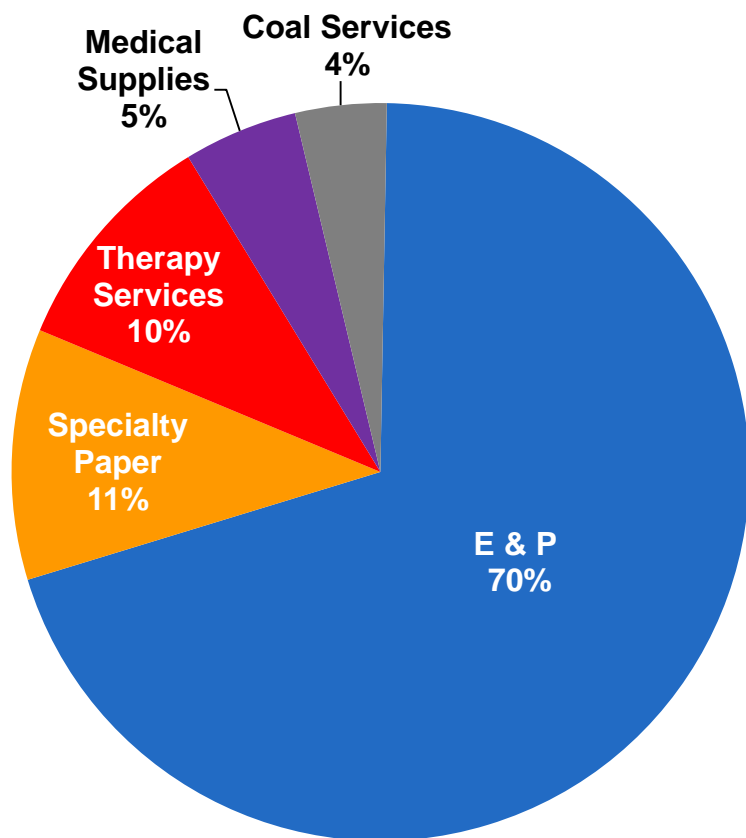
<sup>(3)</sup> Excludes cash and due from broker on unsettled trades of \$12.9 MM at March 31, 2017.

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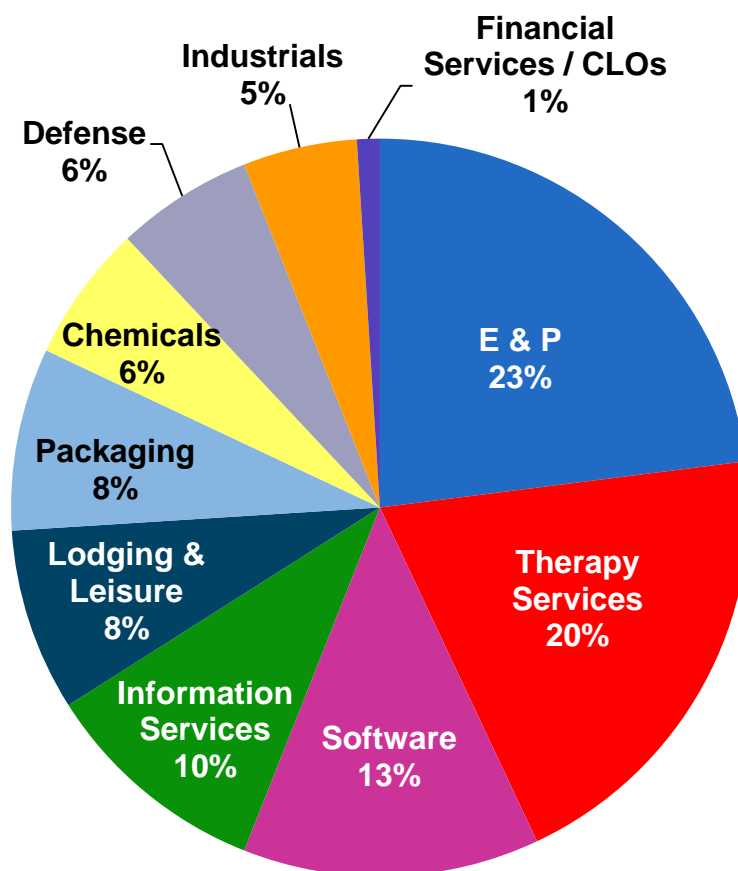
# Investment Activity & Portfolio Review

Energy Exposure <sup>(1)</sup> Reduced From 74% at 9/30/14 to 23% at 3/31/17

September 30, 2014



March 31, 2017



(1) As a percentage of total fair value.

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# Investment Activity & Portfolio Review

## Unrealized Losses in Castex (Legacy) Partially Offset by Mark-to-Market Gains in OHA Portfolio

(in \$000's)	Fair Value Category	Principal/ Total Sum	Value at 12/31/16	Net New Investments (Realizations)	PIK/OID	Write-up / (Write-down)	Value at 3/31/17	% of Portfolio Value
<b>Energy:</b>								
Talos senior unsecured notes	Level 2	\$ 12,000	\$ 7,140	\$ -	\$ 4	\$ 776	\$ 7,920	9%
Subtotal		12,000	7,140	-	4	776	7,920	9%
<b>Energy Non-accruals:</b>								
Castex redeemable preferred units	Level 3	58,058	32,876	-	652	(21,243)	12,285	14%
ATP/Bennu limited term royalty interest	Level 3	32,231	-	-	-	-	-	0%
Shoreline second lien term loan	Level 3	13,182	-	-	-	-	-	0%
Subtotal		103,471	32,876	-	652	(21,243)	12,285	14%
<b>Energy total</b>		<b>115,471</b>	<b>40,016</b>	<b>-</b>	<b>656</b>	<b>(20,467)</b>	<b>20,205</b>	<b>23%</b>
<b>Other Sectors:</b>								
OCI subordinated note	Level 3	18,122	16,464	-	807	(55)	17,216	19%
TIBCO senior unsecured notes	Level 2	10,100	10,100	-	13	1,073	11,186	13%
Appriss second lien term loan	Level 3	9,323	9,137	-	5	(5)	9,137	10%
Equinox second lien term loan	Level 2	7,000	-	6,879	-	235	7,114	8%
Berlin second lien term loan	Level 2	6,705	7,295	(505)	7	(8)	6,789	8%
PAE second lien term loan	Level 2	5,500	5,596	-	4	(31)	5,569	6%
Royal Holdings second lien term loan	Level 2	5,517	9,938	(4,483)	1	103	5,559	6%
WASH second lien term loan	Level 2	4,000	4,000	-	1	(1)	4,000	5%
Gramercy Park CLO residual interest	Level 3	n/a	1,773	(457)	-	149	1,465	1%
OCI equity units	Level 3	n/a	686	-	-	(244)	442	0%
Subtotal		<b>66,267</b>	<b>64,989</b>	<b>1,434</b>	<b>838</b>	<b>1,216</b>	<b>68,477</b>	<b>77%</b>
<b>Grand Total</b>		<b>\$ 181,738</b>	<b>\$ 105,005</b>	<b>\$ 1,434</b>	<b>\$ 1,494</b>	<b>\$ (19,251)</b>	<b>\$ 88,682</b>	<b>100%</b>

Since "principal" does not apply to instruments other than debt, "N/A" is shown in the "Principal" column for investments other than debt securities.

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# Investment Activity & Portfolio Review

Current Weighted Average Yield of 12.8%<sup>(1)</sup> on Fair Value Basis as of March 31, 2017

(in \$000's)	Principal/ Total Sum	Cost	Fair Value	Current Yield at Cost	Current Yield at Fair Value	% of Portfolio Value
<b>&lt; 10% Current Yield at Fair Value</b>						
Royal Holdings second lien term loan	5,517	5,479	5,559	8.6%	8.5%	6%
Berlin second lien term loan	6,705	6,415	6,789	8.8%	8.3%	8%
WASH second lien term loan	4,000	3,975	4,000	8.0%	8.0%	5%
Equinox second lien term loan	7,000	6,948	7,114	8.1%	7.9%	8%
Total < 10% Current Yield at Fair Value	23,222	22,817	23,462	8.4%	8.2%	27%
<b>10-15% Current Yield at Fair Value:</b>						
Talos senior unsecured notes	12,000	11,984	7,920	9.9%	15.0%	9%
Gramercy Park CLO residual interest	n/a	1,072	1,465	19.0%	13.9%	2%
TIBCO senior unsecured notes	10,100	9,767	11,186	12.3%	10.7%	13%
Appriss second lien term loan	9,323	9,221	9,137	10.6%	10.7%	10%
PAE second lien term loan	5,500	5,340	5,569	11.1%	10.7%	6%
Total 10-15% Current Yield at Fair Value	36,923	37,384	35,277	11.1%	11.8%	40%
<b>&gt; 15% Current Yield at Fair Value:</b>						
OCI subordinated note	18,122	18,030	17,216	20.4%	21.4%	19%
Total > 15% at Current Yield at Fair Value	18,122	18,030	17,216	20.4%	21.4%	19%
<b>Current Yielding Investments</b>	<b>78,267</b>	<b>78,231</b>	<b>75,955</b>	<b>12.5%</b>	<b>12.8%</b>	<b>86%</b>
<b>Other Investments:</b>						
Castex redeemable preferred units	58,058	56,495	12,285	N/A	N/A	14%
OCI equity units	n/a	2,500	442	N/A	N/A	<1%
ATP/Bennu limited term royalty interest	32,231	27,845	0	N/A	N/A	0%
Shoreline second lien term loan	13,182	12,659	0	N/A	N/A	0%
Total non-yielding investments	103,471	99,499	12,727	N/A	N/A	14%
<b>Grand Total</b>	<b>181,738</b>	<b>177,730</b>	<b>88,682</b>	<b>5.5%</b>	<b>11.0%</b>	<b>100%</b>

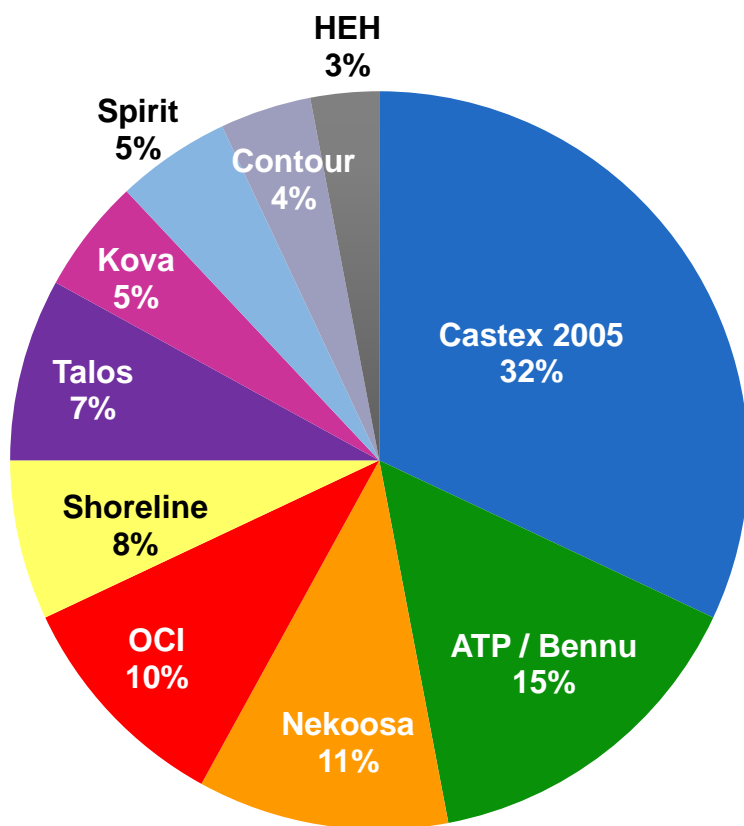
<sup>(1)</sup> Current yielding investments only.

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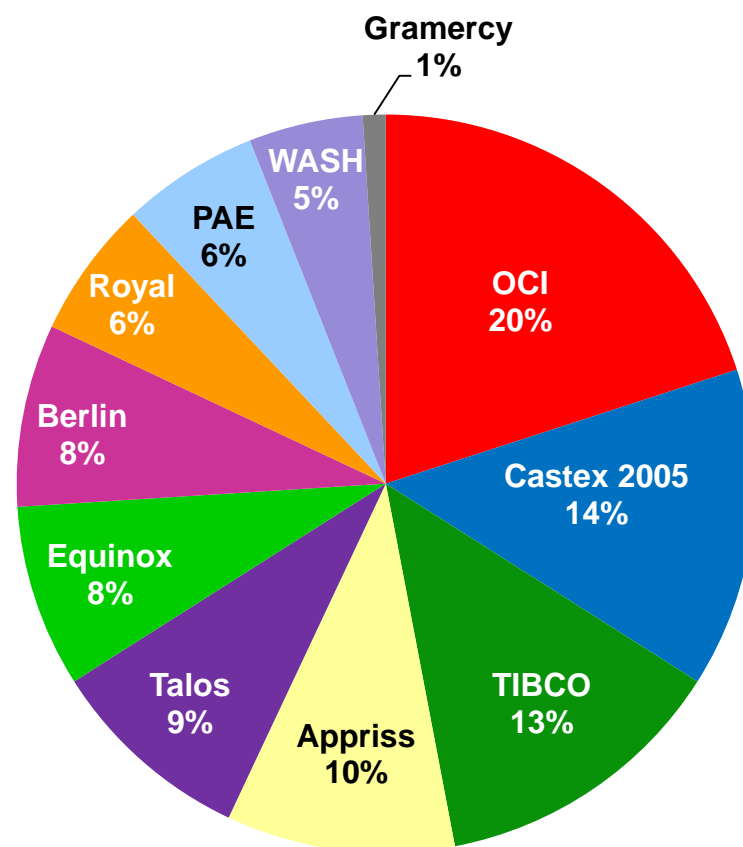
# Investment Activity & Portfolio Review

Portfolio Value<sup>(1)</sup> is Derived From 13 Active Investments<sup>(2)</sup> at 3/31/17 vs. 10 at 9/30/14

September 30, 2014



March 31, 2017



<sup>(1)</sup> As a percentage of total fair value.

<sup>(2)</sup> Includes \$0 fair value investments ATP/Bennu and Shoreline.

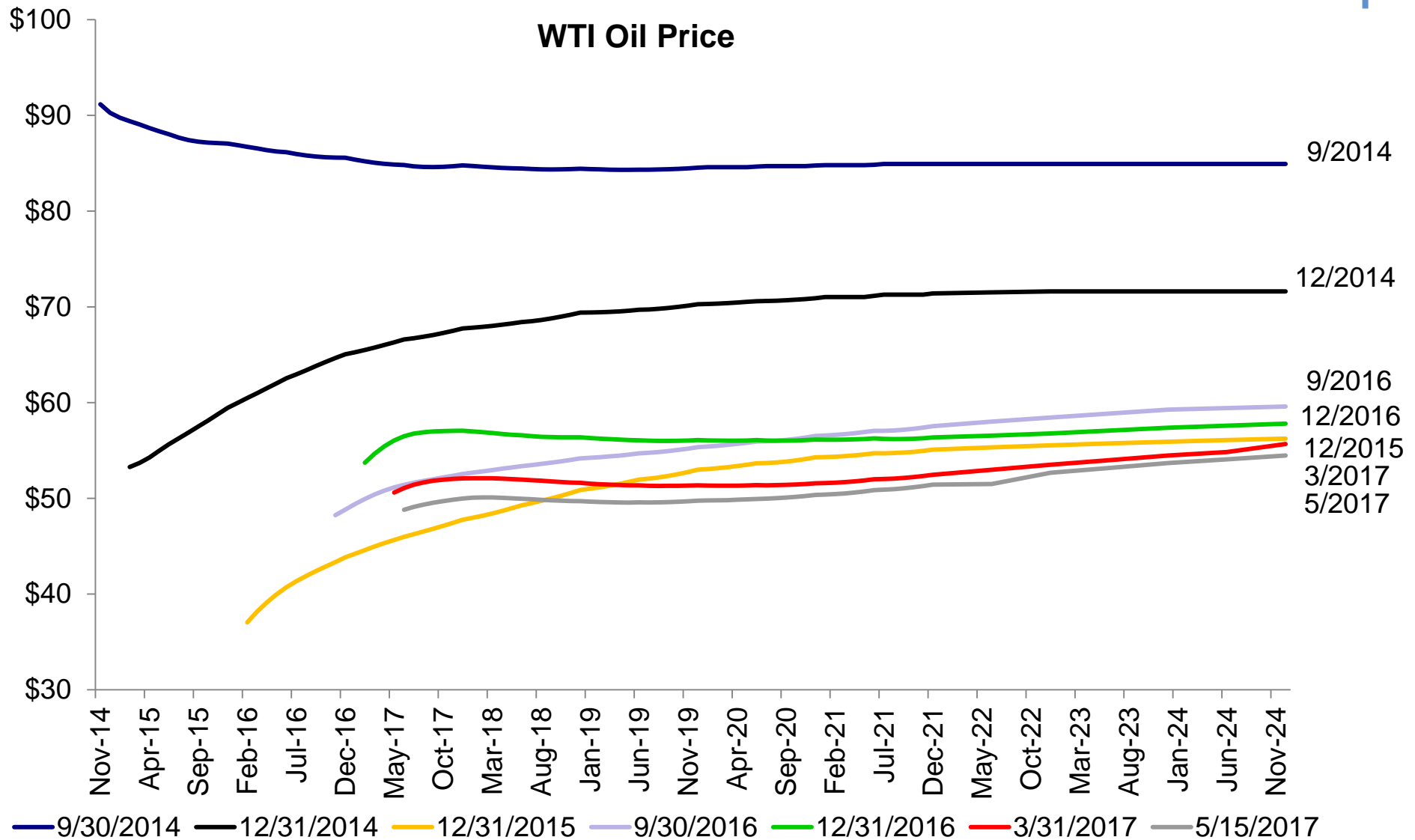
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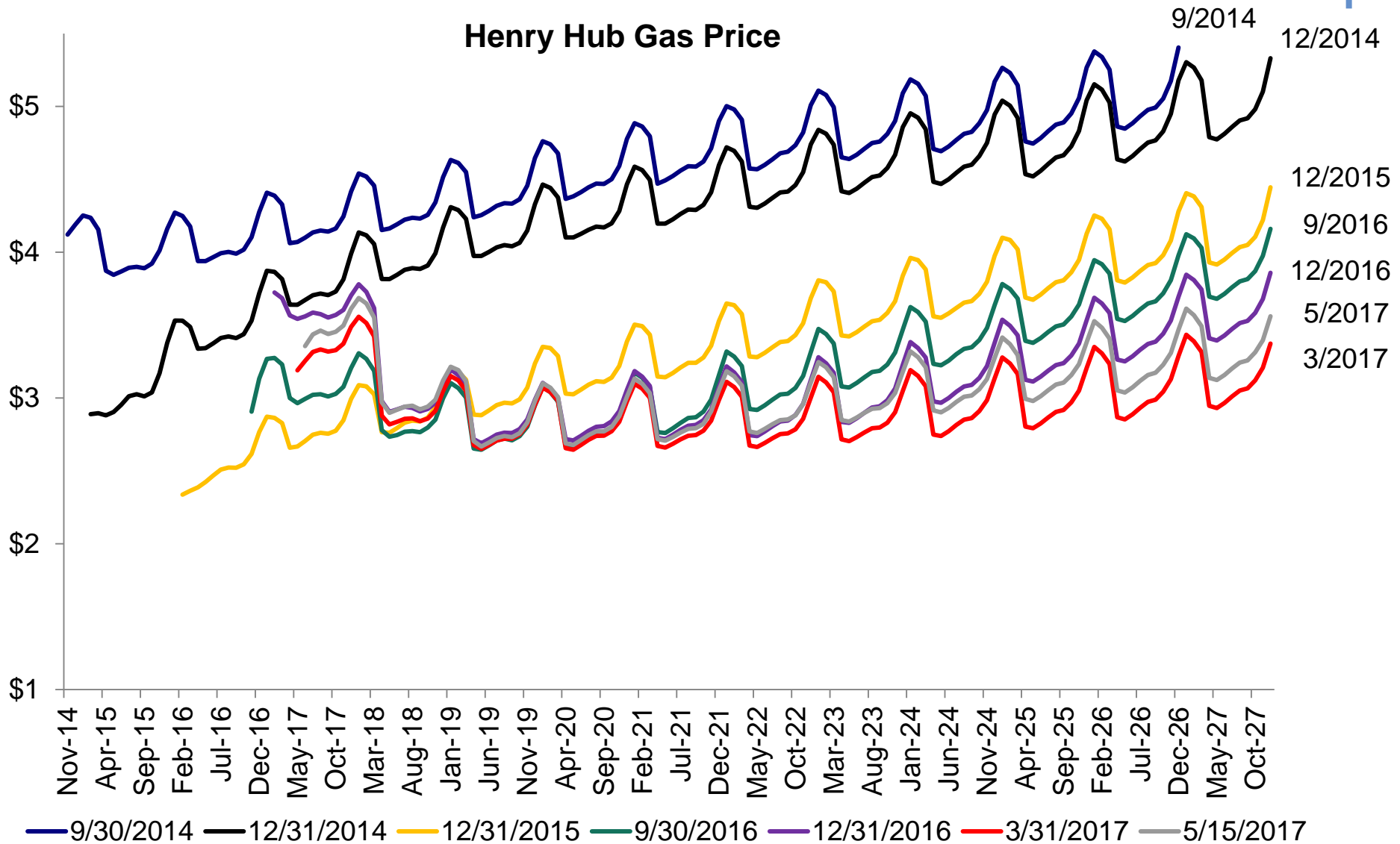
# Additional Information

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# Oil Price Strip



# Natural Gas Price Strip



# Q&A

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