

Presentation

OHA Investment Corporation Q4 & 2016 Year-End Results

March 15, 2017



Disclaimer

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

Overview & Financial Results

Overview & Financial Results

2016 Summary

- 2016 was second full fiscal year under Oak Hill Advisors, L.P. (“OHA”)
 - OHA assumed management of the Company on September 30, 2014
- NAV per share decreased \$1.50 during the year to \$3.99, a 27% decline
 - Continued suppressed energy prices led to \$34.5 MM of net write-downs in the legacy energy portfolio (\$1.71 per share)
 - OCI, a legacy non-energy portfolio company, write-downs of \$2.8 MM (\$0.14 per share)
- Entered into a new credit facility in September, providing up to \$56.5 MM of borrowing capacity, that matures March 9, 2018 and can be extended for a six-month period at the Company’s option
- One new portfolio company investment totaling \$5.3 MM (\$5.5 MM at 97% of par)
- Realizations of \$50.9 MM
 - Includes \$40.5 MM from full or partial realizations of six OHA investments and \$10.4 MM from realization of two legacy investments
- Energy exposure declined to 38% of the investment portfolio, on a fair value basis
- Net investment income of \$6.5 MM, or \$0.32 per share on a GAAP basis in 2016
 - \$0.24 of cash distributions declared per share in 2016
 - Generated \$0.29 of taxable income per share in 2016 - 100% deemed distributed to shareholders

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Overview & Financial Results

Fourth Quarter Developments

- NAV of \$3.99 per share, a \$0.62 or 13% decline from Q3 primarily driven by net write-downs of legacy investments partially offset by mark-to-market gains on OHA investments
 - \$13.4 MM of net write-downs on legacy energy investments (\$0.66 per share); includes \$12.3 MM write-down of ATP/Bennu ORRI
 - \$1.2 MM of write-downs on remaining legacy non-energy investments (\$0.06 per share)
 - \$2.1 MM of mark-to-market gains on OHA investments, exclusive of Q4 realizations (\$0.10 per share)
- \$0.08 net investment income per share on a GAAP basis
 - \$0.06 distribution declared per share (paid in January 2017), 90% to be applied to 2017 taxable income
- Deployed \$5.3 MM in one non-energy related investment (\$5.5 MM principal at 97%)
- Realized \$20.1 MM from four OHA investments, including full or partial pay-downs of Kronos, Bioclinica, Hanson and Gramercy CLO

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Overview & Financial Results

Q4 2016 Summary

- Investment income of \$4.0 MM, or \$0.20 per share
- Weighted average portfolio yield⁽¹⁾ of 12.2% on fair value and 9.7% on cost
- Base management fees of \$0.6 MM and no incentive fees
- Net investment income of \$1.6 MM, or \$0.08 per share
- Net realized and unrealized losses of (\$12.9) MM, or (\$0.64) per share
- NAV per share decreased (\$0.62) or 13% from \$4.61 to \$3.99 during the quarter

⁽¹⁾ Excludes non-yielding assets.

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Overview & Financial Results

Statement of Operations – GAAP Basis

(in \$000's)	Q4 2016	Q3 2016	Q4 2015
Investment income	\$4,037	\$4,321	\$6,231
Interest expense	988	768	946
Management and incentive fees	635	888	1,713
Other G&A	812	971	337
Income taxes provision (benefit)	<u>(12)</u>	<u>(6)</u>	<u>14</u>
Net investment income	<u>\$1,614</u>	<u>\$1,700</u>	<u>\$3,221</u>
<i>Net investment income per share</i>	<i>\$0.08</i>	<i>\$0.08</i>	<i>\$0.16</i>

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Overview & Financial Results

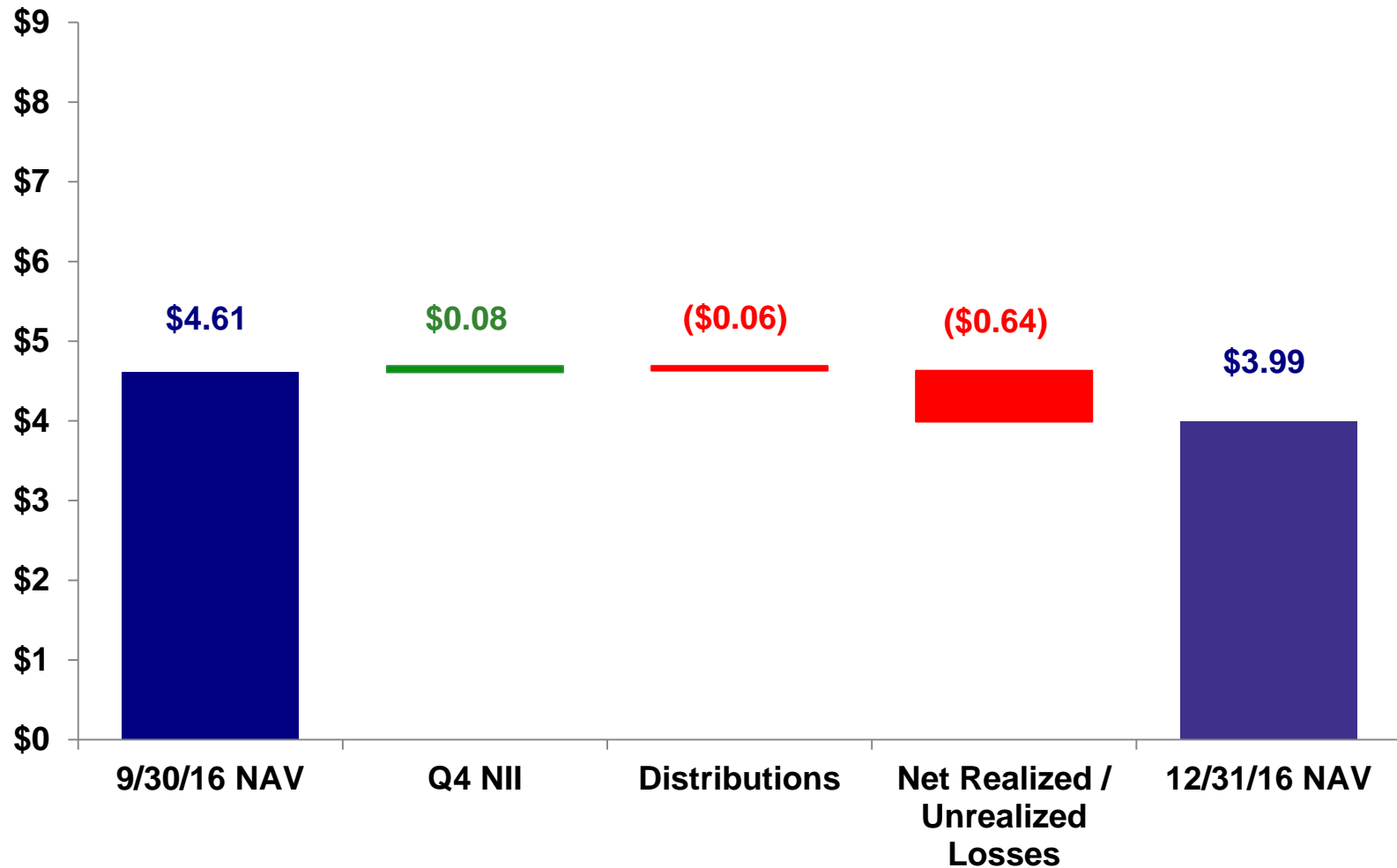
(in \$000's)	Q4 2016	Q3 2016	Q4 2015
Realized capital gains (losses):			
Spirit Investments* – deemed worthless from tax perspective	(\$17,030)	\$ --	\$ --
Myriant Shares* redeemed	--	--	(417)
Tax benefit (provision) related to capital gains (losses)	<u>29</u>	<u>--</u>	<u>--</u>
Total realized capital gains (losses), net	<u>(17,001)</u>	<u>--</u>	<u>(417)</u>
Unrealized gains (losses):			
ATP / Bennu*	(12,286)	(1,431)	(6,432)
Castex*	(2,708)	(5,356)	(10,310)
OCI (debt & equity investments)*	(1,233)	(1,254)	(456)
Appriss	(5)	549	(596)
Royal	62	574	(151)
Gramercy	588	559	(1,042)
TIBCO	1,099	947	(1,283)
Talos*	1,571	1,331	(3,004)
Contour*	--	--	(1,000)
Shoreline*	--	(500)	(904)
Reversals due to realizations	16,702	--	251
Other unrealized gains (losses), net	<u>312</u>	<u>269</u>	<u>(83)</u>
Total unrealized gains (losses), net	<u>4,102</u>	<u>(4,312)</u>	<u>(25,010)</u>
Total realized and unrealized (losses), net	<u>(\$12,899)</u>	<u>(\$4,312)</u>	<u>(\$25,427)</u>

* Denotes legacy investments.

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Overview & Financial Results

NAV per Share Declined 13% in Q4, Primarily due to Lower Valuations on Legacy Assets



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Section 2

Investment Activity & Portfolio Review

Investment Activity & Portfolio Review

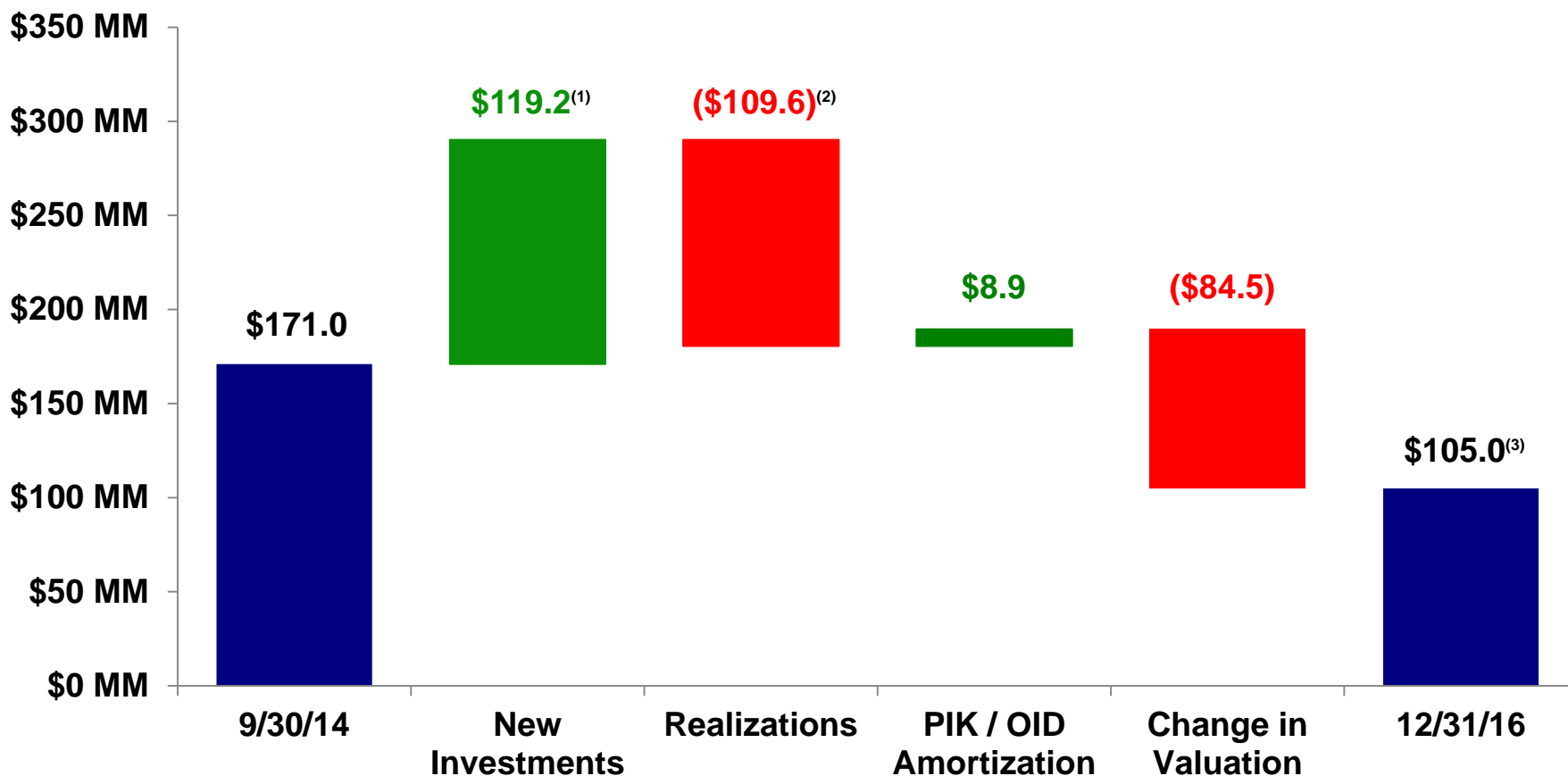
\$117.5 MM of Investments in Thirteen New Portfolio Companies Under OHA Management

- 2014 (Q4 only) – \$36.8 MM (four portfolio companies)
- 2015 – \$73.7 MM (eight portfolio companies and one add-on of existing OHA portfolio company)
- 2016 – \$7.0 MM (one portfolio company and one add-on of existing OHA portfolio company)
- Realizations of \$109.6 MM since September 30, 2014
 - \$50.9 MM realizations in 2016
 - Full realization of four OHA investments - Hanson (\$7.5 MM), Kronos (\$12.0 MM), EFS (\$10.0 MM) and Bioclinica (\$2.4 MM)
 - Amortization/partial pay-downs of two OHA investments – Appriss (\$3.8 MM) and Gramercy (\$4.8MM)
 - Realization of two legacy investments – Kova (\$9.0MM) and Contour (\$1.4 MM)
- \$105.0 MM of portfolio investments at December 31, 2016
 - 50% floating rate, 50% fixed rate, by fair value
 - Fixed rate investments consist of Castex, Talos and TIBCO

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Investment Activity & Portfolio Review

Added \$119.2 MM of New Investments Since OHA Assumed Management on 9/30/14⁽¹⁾



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

⁽²⁾ \$71.5 MM of realizations/amortization from OHA investments.

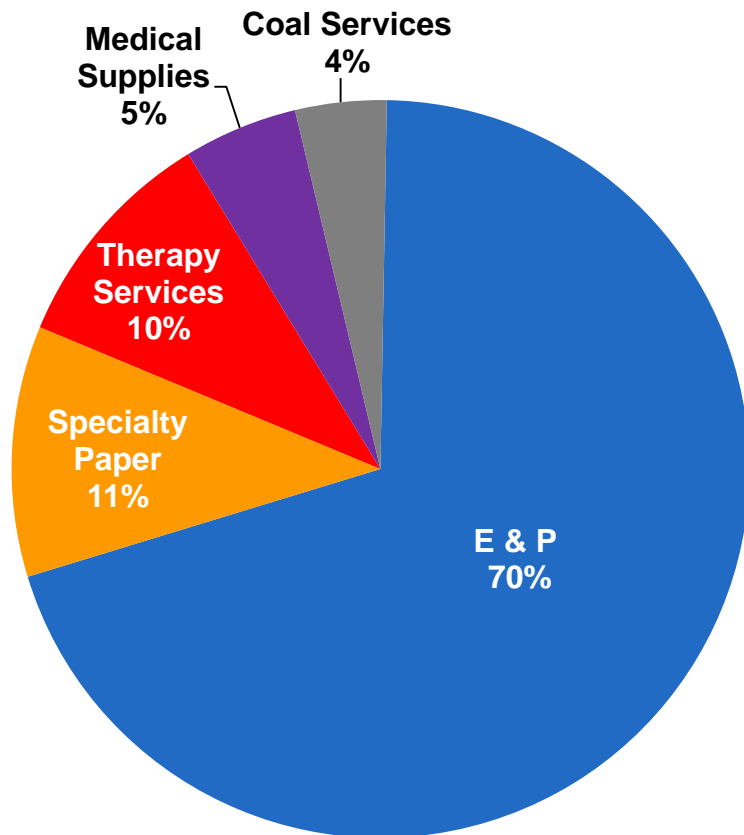
⁽³⁾ Excludes cash of \$16.5 MM at December 31, 2016.

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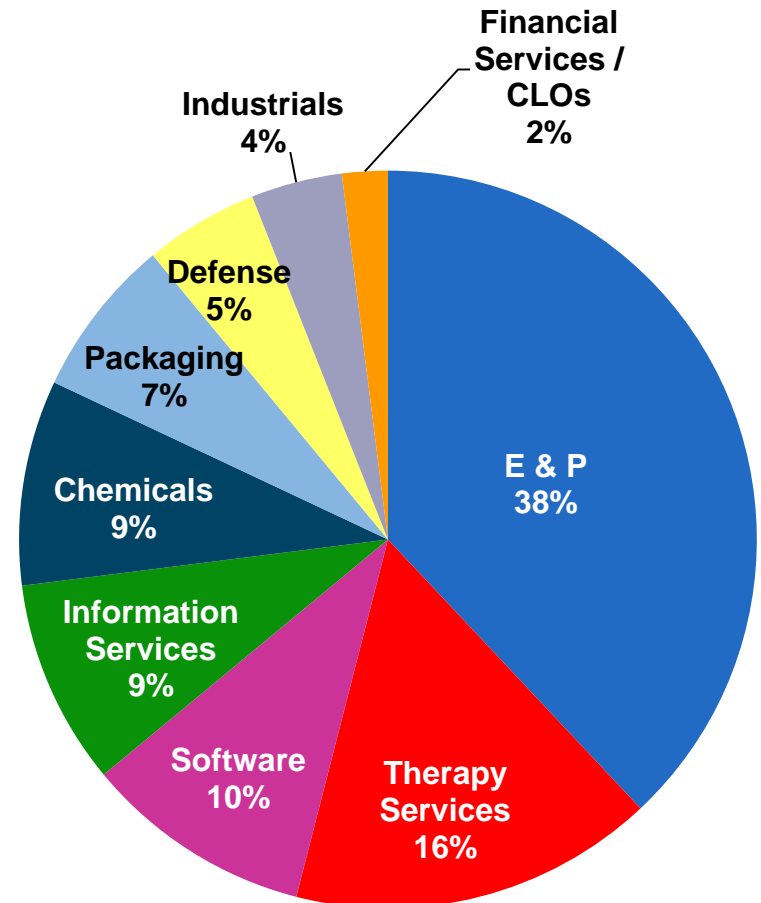
Investment Activity

Energy Exposure ⁽¹⁾ Reduced From 74% at 9/30/14 to 38% at 12/31/16

September 30, 2014



December 31, 2016



(1) As a percentage of total fair value.

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Investment Activity & Portfolio Review

Unrealized Losses in Legacy Investments Partially Offset by Mark-to-Market Gains in OHA Portfolio

(in \$000's)	Fair Value Category	Principal/ Total Sum	Value at 9/30/16	Net New Investments (Realizations)	PIK/OID	Write-up / (Write-down)	Value at 12/31/16	% of Portfolio Value
Legacy Energy:								
Castex redeemable preferred units	Level 3	\$ 56,625	\$ 34,706	\$ -	\$ 878	\$ (2,708)	\$ 32,876	31%
Talos senior unsecured notes	Level 2	12,000	5,565	-	4	1,571	7,140	7%
ATP/Bennu limited term royalty interest	Level 3	31,091	12,286	-	-	(12,286)	-	0%
Shoreline second lien term loan	Level 3	13,182	-	-	-	-	-	0%
Legacy Energy total		112,898	52,557	-	882	(13,423)	40,016	38%
Other Legacy:								
OCI subordinated note	Level 3	17,330	16,686	-	659	(881)	16,464	15%
OCI equity units	Level 3	n/a	1,038	-	-	(352)	686	1%
Other Legacy total		17,330	17,724	-	659	(1,233)	17,150	16%
Legacy Total		130,228	70,281	-	1,541	(14,656)	57,166	54%
OHA Portfolio:								
TIBCO senior unsecured notes	Level 2	10,100	8,989	-	12	1,099	10,100	10%
Royal Holdings second lien term loan	Level 2	10,000	9,875	-	1	62	9,938	9%
Appriss second lien term loan	Level 3	9,323	9,137	-	5	(5)	9,137	9%
Berlin second lien term loan	Level 2	7,205	7,259	-	11	25	7,295	7%
PAE second lien term loan	Level 2	5,500	-	5,335	2	259	5,596	5%
WASH second lien term loan	Level 2	4,000	3,970	-	1	29	4,000	4%
Gramercy Park CLO residual interest	Level 3	n/a	5,175	(3,990)	-	588	1,773	2%
Bioclinica first lien secured notes	Level 3	-	2,520	(2,400)	(120)	-	-	0%
Kronos second lien term loan	Level 2	-	12,225	(12,000)	(225)	-	-	0%
Hanson second lien term loan	Level 2	-	1,687	(1,687)	-	-	-	0%
OHA Portfolio Total		46,128	60,837	(14,742)	(313)	2,057	47,839	46%
Grand Total		\$ 176,356	\$ 131,118	\$ (14,742)	\$ 1,228	\$ (12,599)	\$ 105,005	100%

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 12.2%⁽¹⁾ on Fair Value Basis as of December 31, 2016

(in \$000's)	Principal/ Total Sum	Cost	Fair Value	Current Yield at Cost	Current Yield at Fair Value	% of Portfolio Value
< 10% Current Yield at Fair Value						
Castex redeemable preferred units	56,625	55,662	32,876	5.8%	9.9%	31%
Royal Holdings second lien term loan	10,000	9,929	9,938	8.6%	8.6%	9%
Berlin second lien term loan	7,205	6,886	7,295	8.7%	8.2%	7%
WASH second lien term loan	4,000	3,974	4,000	8.0%	8.0%	4%
Total < 10% Current Yield at Fair Value	77,830	76,451	54,109	6.6%	9.3%	51%
10-15% Current Yield at Fair Value:						
TIBCO senior unsecured notes	10,100	9,754	10,100	12.3%	11.9%	10%
Gramercy Park CLO residual interest	n/a	1,529	1,773	13.3%	11.5%	2%
Appriss second lien term loan	9,323	9,217	9,137	10.6%	10.7%	9%
PAE second lien term loan	5,500	5,337	5,596	11.1%	10.6%	5%
Total 10-15% Current Yield at Fair Value	24,923	25,837	26,606	11.5%	11.2%	26%
> 15% Current Yield at Fair Value:						
OCI subordinated note	17,330	17,224	16,464	20.5%	21.4%	16%
Talos senior unsecured notes	12,000	11,980	7,140	9.9%	16.6%	7%
Total > 15% at Current Yield at Fair Value	29,330	29,204	23,604	16.1%	19.9%	22%
Current Yielding Investments	132,083	131,492	104,319	9.7%	12.2%	100%
Other Investments:						
ATP/Bennu limited term royalty interest	31,091	27,845	0	5.3%	N/A	0%
Shoreline second lien term loan	13,182	12,659	0	N/A	N/A	0%
OCI equity units	n/a	2,500	686	N/A	N/A	<1%
Total non-yielding investments	44,273	43,004	686	N/A	N/A	<1%
Grand Total	176,356	174,496	105,005	8.1%	12.1%	100%

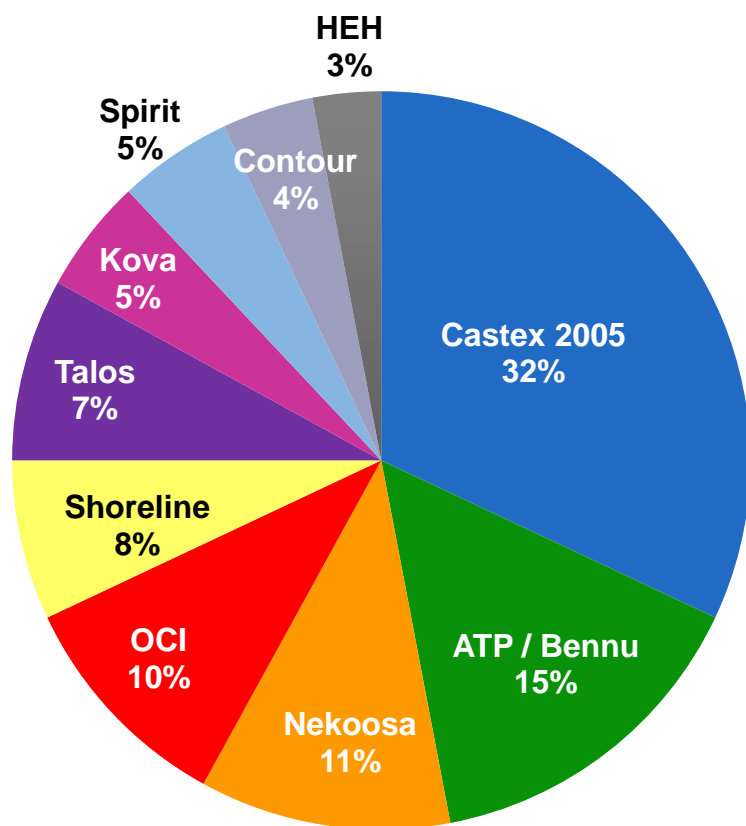
⁽¹⁾ Current yielding investments only.

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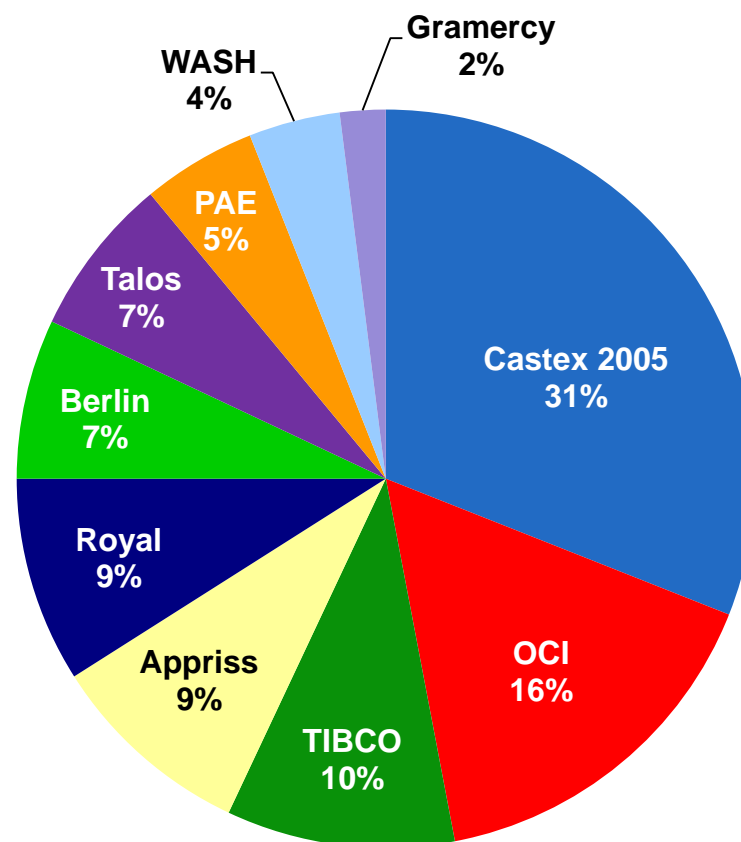
Investment Activity & Portfolio Review

Portfolio Value⁽¹⁾ is Derived From 12 Active Investments⁽²⁾ at 12/31/16 And At 9/30/14

September 30, 2014



December 31, 2016



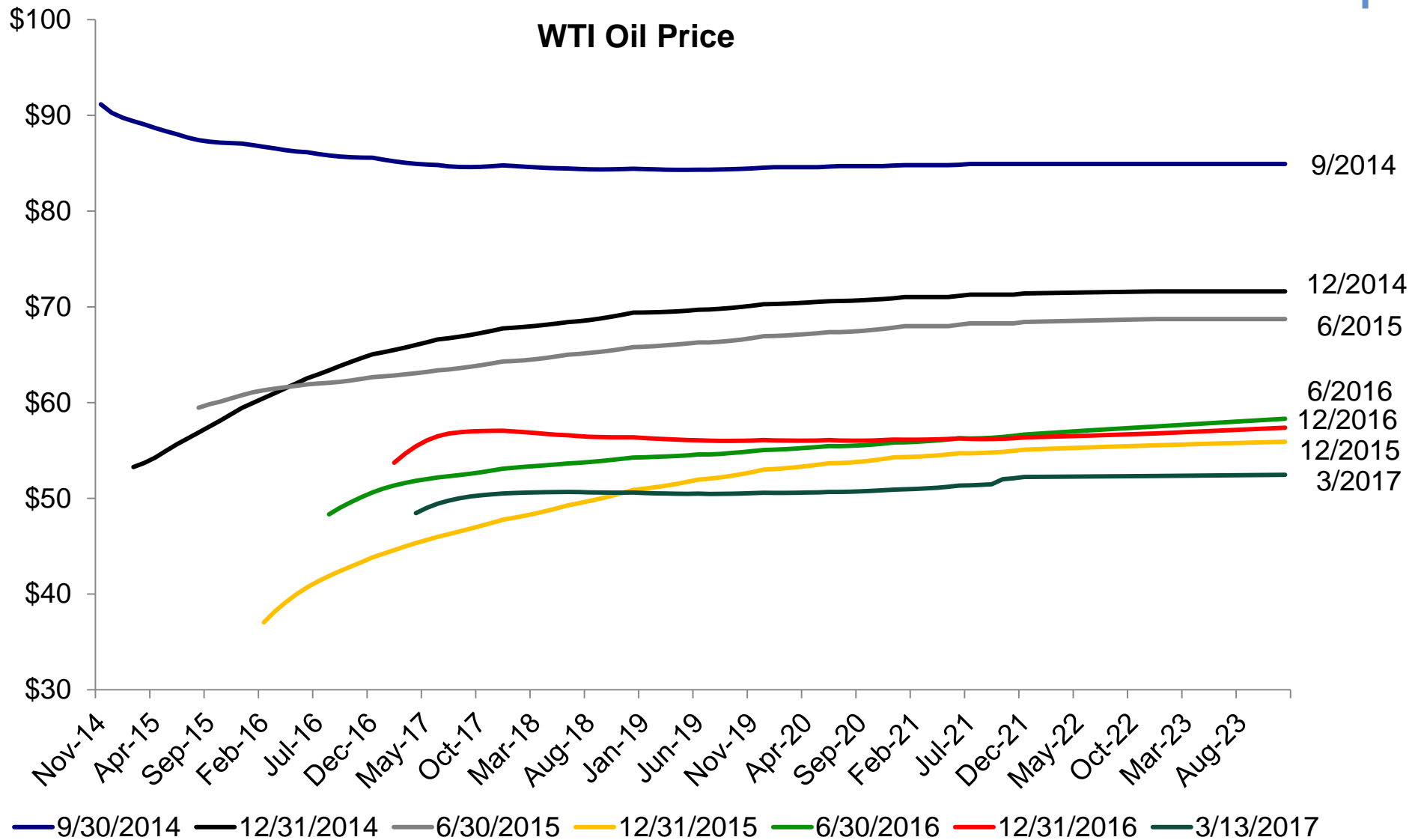
⁽¹⁾ As a percentage of total fair value.

⁽²⁾ Includes \$0 value investments ATP/Bennu and Shoreline.

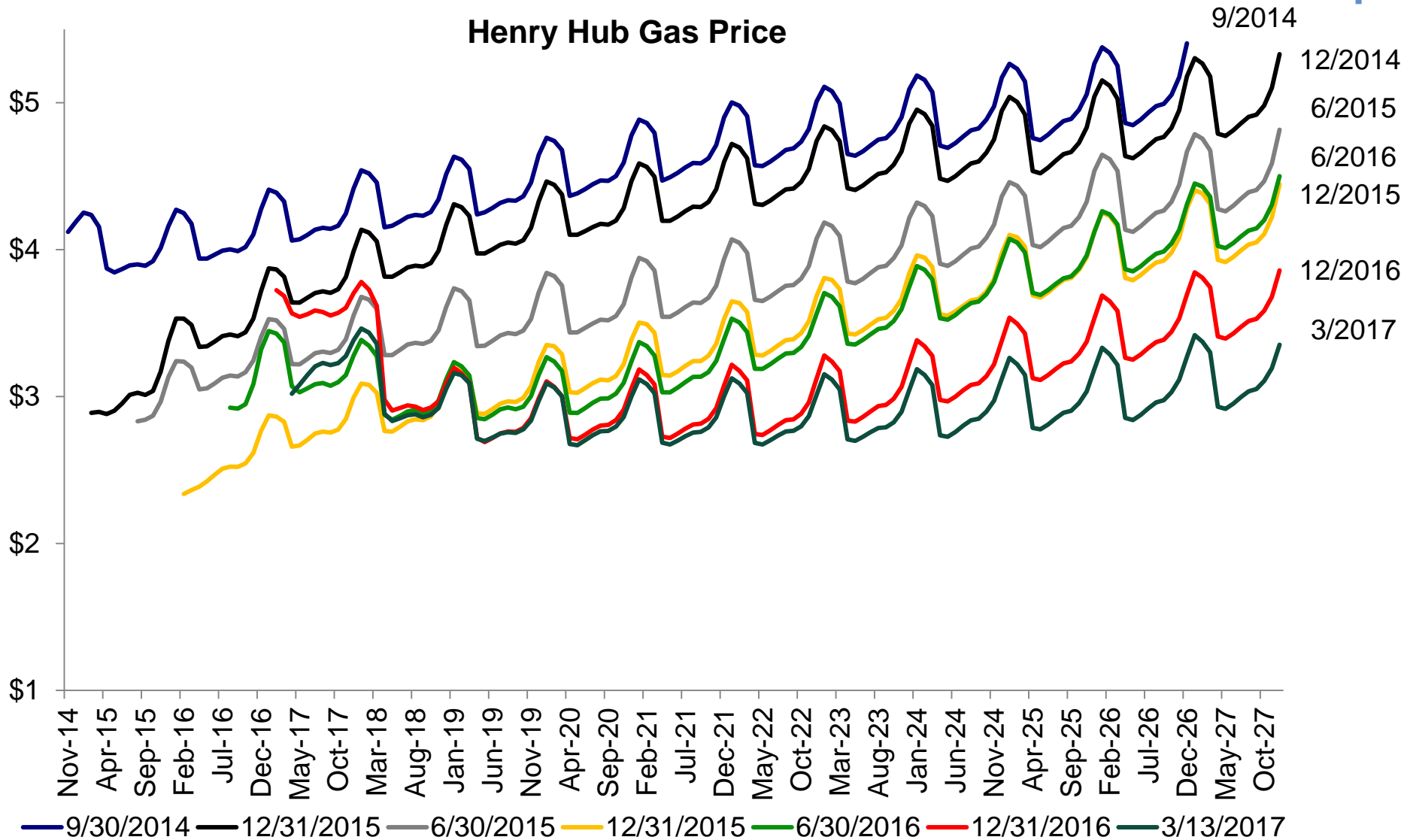
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Additional Information

Oil Price Strip



Natural Gas Price Strip



Q&A
