



OFS

# OFS Capital Corporation

Nasdaq: OFS (common stock)

Nasdaq: OFSSL, OFSSZ, OFSSI and OFSSG (unsecured notes)

Investor Presentation  
November 2020

# Important Disclosures



This presentation contains "forward looking statements" that are subject to risks and uncertainties. Forward-looking statements can be identified by terminology such as "anticipate," "believe," "could," "could increase the likelihood," "estimate," "expect," "intend," "is planned," "may," "should," "will," "will enable," "would be expected," "look forward," "may provide," "would" or similar terms, variations of such terms or the negative of those terms. Such forward-looking statements involve known and unknown risks, uncertainties and other factors including those risks, uncertainties and factors referred to in OFS Capital Corporation's ("OFS" or "OFS Capital") Annual Report on Form 10-K for the year ended December 31, 2019 filed with the Securities and Exchange Commission ("SEC") under the section "Risk Factors," as well as other documents that may be filed by OFS Capital from time to time with the SEC. As a result of such risks, uncertainties and factors, actual results may differ materially from any future results, performance or achievements discussed in or implied by the forward-looking statements contained herein. OFS Capital is providing the information as of this date and assumes no obligations to update the information included in this presentation or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

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## CIM Assets Owned and Operated

- » **Assets Owned and Operated (AOO)** represents the aggregate assets owned and operated by CIM on behalf of partners (including where CIM contributes alongside for its own account) and co-investors, whether or not CIM has discretion, in each case without duplication. AOO includes total gross assets at fair value, with real assets presented on the basis described in the Book Value disclosure and operating companies presented at gross assets less debt, as of June 30, 2020 (including the shares of such assets owned by joint venture partners and co-investments), plus binding unfunded commitments. AOO also includes the \$0.2 billion of AOO attributable to CIM Compass Latin America (CCLA), which is 50% owned and jointly operated by CIM. AOO for CMMT Partners, L.P. (which represents assets under management), a perpetual-life real estate debt fund, is \$1.0 billion as of June 30, 2020. **Equity Owned and Operated (EOO)**, representing the NAV (as defined below) before incentive fee allocation, plus binding unfunded commitments, is \$16.6 billion as of June 30, 2020, inclusive of \$0.2 billion of EOO attributable to CCLA (as described above) and \$0.9 billion of EOO for CMMT (which represents equity under management).
- » **Book Value** for each investment generally represents the investment's book value as reflected in the applicable fund's unaudited financial statements as of the Report Date prepared in accordance with U.S. generally accepted accounting principles on a fair value basis. These book values generally represent the asset's third-party appraised value as of the Report Date, but in the case of CIM's Cole Net-Lease Asset strategy, book values generally represent undepreciated cost (as reflected in SEC-filed financial statements).

Please note, changes in global, national, regional or local economic, demographic or capital market conditions (including as a result of the outbreak of the novel strain of coronavirus (COVID-19) that began in the fourth quarter of 2019) has, and may continue to have, a significant negative impact on our business financial condition, results of operations and cash flows and those of our portfolio companies, including our and their ability to achieve our respective objectives.

# OFS Capital Corporation (NASDAQ: OFS)



## Overview

- » OFS is a Nasdaq-listed BDC primarily focused on lending to U.S. middle market companies

## History

- » Raised ~\$100 million in 2012 IPO in addition to ~\$43 million contribution from adviser OFS Capital Management<sup>1</sup>
- » Raised \$53 million in 2017 equity follow-on offering

## Senior Focused Portfolio

- » \$456 million investment portfolio<sup>2</sup> (\$482 million total assets)<sup>3</sup>
- » 91% of loan portfolio is senior secured loans<sup>2,3,4</sup>

## Flexible Capital Structure

- » \$150 million net asset value (\$11.18 per share)<sup>3</sup>
- » 88% of debt matures in 2024 and beyond<sup>4</sup>; total weighted average cost of debt of 5.36%<sup>5</sup>

## Strong Track Record

- » Since 2011, OFS has invested ~\$1.4 billion with a cumulative net realized loss of 1.0% as of September 30, 2020<sup>6,7</sup>

## Alignment of Interest

- » OFS Capital Management owns ~22% of OFS's common shares<sup>1,3</sup>

<sup>1</sup> Includes OFS Capital Management, LLC, its parent company, Orchard First Source Asset Management, LLC ("OFSAM"), its predecessor entity, as well as other wholly-owned subsidiaries of OFSAM.

<sup>2</sup> Based on fair value.

<sup>3</sup> As of September 30, 2020.

<sup>4</sup> Excludes structured finance notes.

<sup>5</sup> Based on averages principal drawn for the three months ended September 30, 2020.

<sup>6</sup> Distributions are not guaranteed. Past performance is not indicative of future results.

<sup>7</sup> Investments for the years ended December 31, 2012 and 2011 give pro forma effect to OFS Capital's consolidation of OFS Capital WM, LLC as a result of the WM 2012 Credit Facility Amendments, as if the consolidation took place on January 1, 2011. Includes \$2.7 million realized gain from SBIC Fund acquisition.



## 3Q'20 Highlights

- » Net asset value per share increased 11% to \$11.18 at September 30, 2020 from \$10.10 at June 30, 2020
- » In the third quarter, no new loans placed on non-accrual status
- » Net investment income per share of \$0.20 exceeded distribution of \$0.18 per share
- » 91% of loan portfolio senior secured<sup>1,2,3</sup>
- » \$18.3 million of cash on balance sheet as of September 30, 2020
- » Additional capacity on two credit lines
- » 88% of debt matures in 2024 and beyond and 54% of our outstanding debt is unsecured<sup>2,4,5</sup>

1 Based on fair value.

2 As of September 30, 2020.

3 Excludes structured finance notes.

4 Based on principal drawn as of September 30, 2020.

5 The SBIC intends, over time, to repay its outstanding SBA debentures prior to the scheduled maturity date of its debentures.

## » Access To Infrastructure And Resources of Large Platform

- OFS benefits from shared services provided by CIM Group - owners and operators of \$28.4 billion of assets<sup>1</sup>
- OFS Capital Management has \$2.2 billion in AUM and owns 22% of OFS's common shares<sup>2,3</sup>

## » History of Generating Income For Investors and a Low Realized Loss Experience

- \$ 10.40 per share in distributions declared since 2012 IPO<sup>5</sup>
- Since 2011, OFS has invested ~\$1.4 billion with cumulative net realized losses on of 1.0%<sup>4,5,6</sup>

## » Senior Secured Focus With Earnings Growth Potential

- 88% of loans in loan portfolio are floating rate<sup>4,7,8</sup>
- Potential to grow investment income as capital is deployed and portfolio is optimized

## » Attractive Financing

- 88% of total debt matures in 2024 and beyond<sup>4,9,10</sup>
- Unsecured bonds provide flexibility and wholly-owned senior loan facility has non recourse financing

1. See Important Disclosures beginning on page 2 and, in particular, the section "CIM Assets Owned and Operated" for additional details.

2. Includes OFS Capital Management, LLC, its parent company, Orchard First Source Asset Management, LLC ("OFSAM"), its predecessor entity, as well as other wholly-owned subsidiaries of OFSAM.

3. AUM is preliminary as of September 30, 2020. Calculated in accordance with the Investment Advisers Act of 1940, as amended.

4. As of September 30, 2020.

5. Distributions are not guaranteed. Past performance is not indicative of future results.

6. Investments for the years ended December 31, 2012 and 2011 give pro forma effect to OFS Capital's consolidation of OFS Capital WM, LLC as a result of the WM 2012 Credit Facility Amendments, as if the consolidation took place on January 1, 2011. Includes \$2.7 million realized gain from SBIC Fund acquisition.

7. Based on fair value.

8. Excludes structured finance notes.

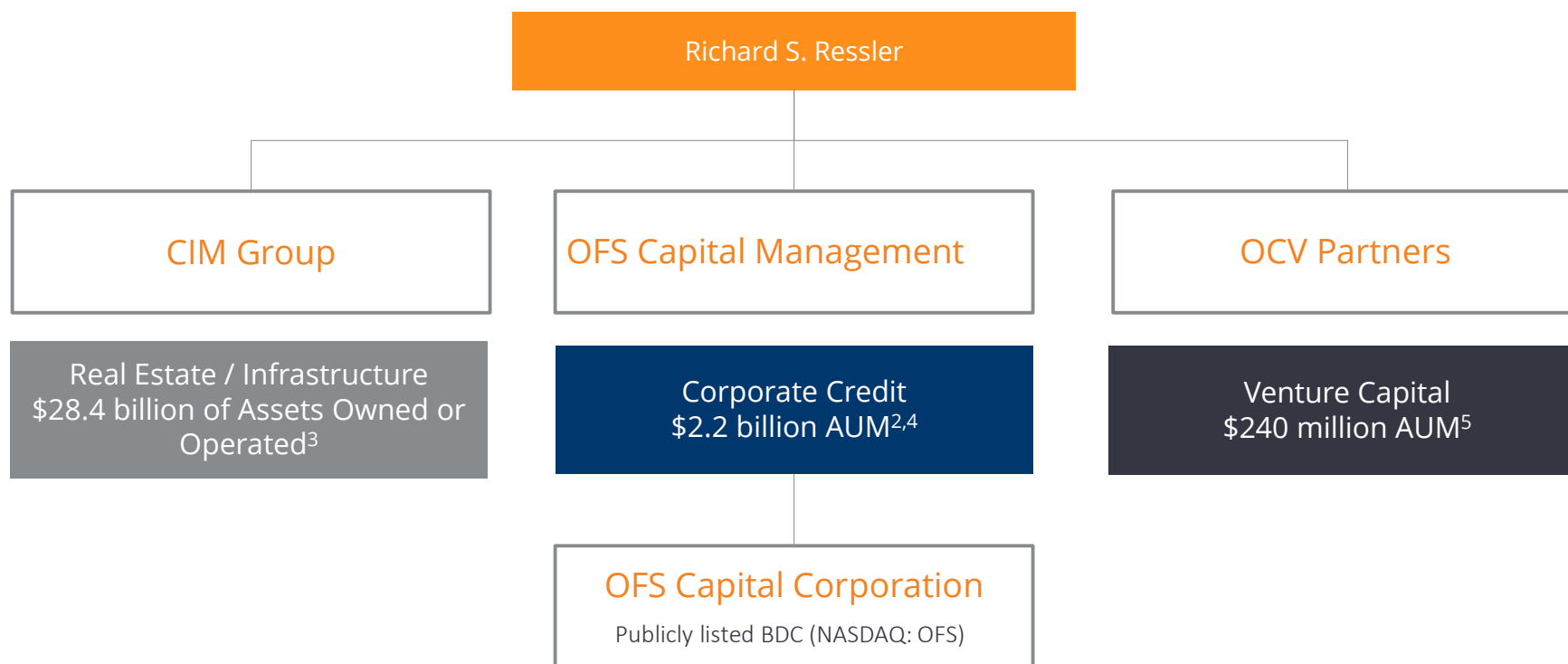
9. Based on principal drawn as of September 30, 2020.

10. The SBIC intends, over time, to repay its outstanding SBA debentures prior to the scheduled maturity date of its debentures.

# Access To Infrastructure And Resources of Large Platform<sup>1</sup>

# OFS

- » OFS is part of a group of affiliated firms controlled by Richard Ressler that own, operate and manage more than \$30 billion of real assets and corporate credit
- » Since 1994, OFS Capital Management has invested over \$17.4 billion in more than 7,400 transactions and has offices in Chicago, Los Angeles and New York City<sup>2</sup>



<sup>1</sup> Despite Mr. Ressler's involvement in each, none of CIM, OFS, or Orchard Capital Ventures has the benefit of any cross-guarantee. None of these entities are entitled to draw on the capital of any other, and no guarantee of the liabilities of any such entity by any other such entity should be inferred from their relationship.

<sup>2</sup> Includes Orchard First Source Asset Management, LLC, its predecessor entity, and its direct or indirect subsidiaries.

<sup>3</sup> As of June 30, 2020. See Important Disclosures on page 2.

<sup>4</sup> AUM is preliminary as of September 30, 2020. Calculated in accordance with the Investment Advisers Act of 1940, as amended.

<sup>5</sup> As of December 31, 2019.

# Access To Infrastructure and Resources of Large Platform **OFS**

- » Investing across the U.S. corporate loan market
- » Seasoned investment team with diverse skill set - dedicated industry analysts and loan and CLO structuring expertise

## OFS

\$2.2 Billion  
Assets Under Management<sup>1,2</sup>  
50 Professionals

### Middle Market Lending

- » Primarily invests in senior secured, floating rate loans to US based middle-market borrowers
- » "OFS" - Publicly listed BDC
- » "HPCI" - Non-listed BDC

### Structured Credit Investing

- » Structure and invest in CMBSS, CLO equity and debt
- » "OCCI" - Publicly-listed closed end fund
- » SMAs/Sub-advised accounts

### Broadly Syndicated Loans

- » Invests in broadly syndicated loans, primarily in the 1st lien, senior secured tranches of the capital structure.
- » 4 Active CLOs
- » SMAs/Sub-advised accounts

### OFS Platforms

**BDCs**

**Closed-end Listed Fund**

**SMAs/Sub-advised accounts**

**CLO Facilities**

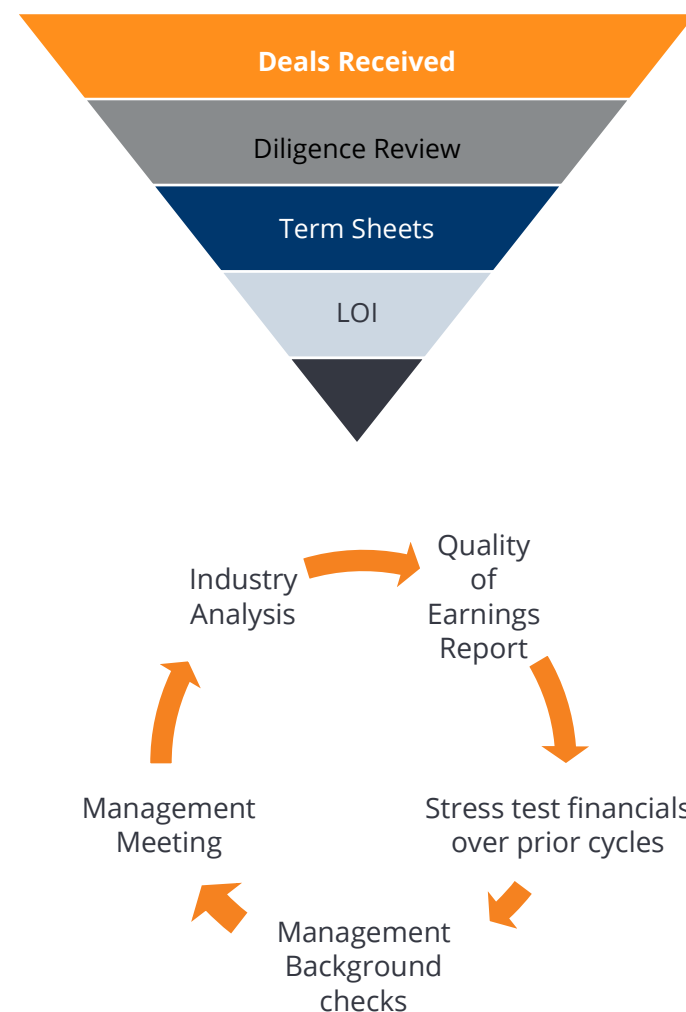
1. AUM includes an affiliated adviser and is preliminary as of September 30, 2020. Calculated in accordance with the Investment Advisers Act of 1940, as amended.

2. Includes approximately \$58 million of AUM in separately managed accounts, including proprietary investments.

# Quality Origination, Underwriting and Monitoring Process

OFS

- » Proprietary Loan Origination Capabilities...
- » National footprint with offices in Chicago, New York and Los Angeles
- » Long standing relationships with intermediaries, business owners and financial sponsors
- » Large database of contacts (10,000+ industry contacts)
- » Has the Potential to Lead to Stronger Loan Selection and Lender Protections
- » Board seats and/or observation rights
- » Covenants
- » Low leverage
- » Proven Ability to Effectively Handle Due Diligence & Manage Loans
- » Access to highly experienced team of investment professionals
- » Experienced management team that has underwritten through multiple credit cycles



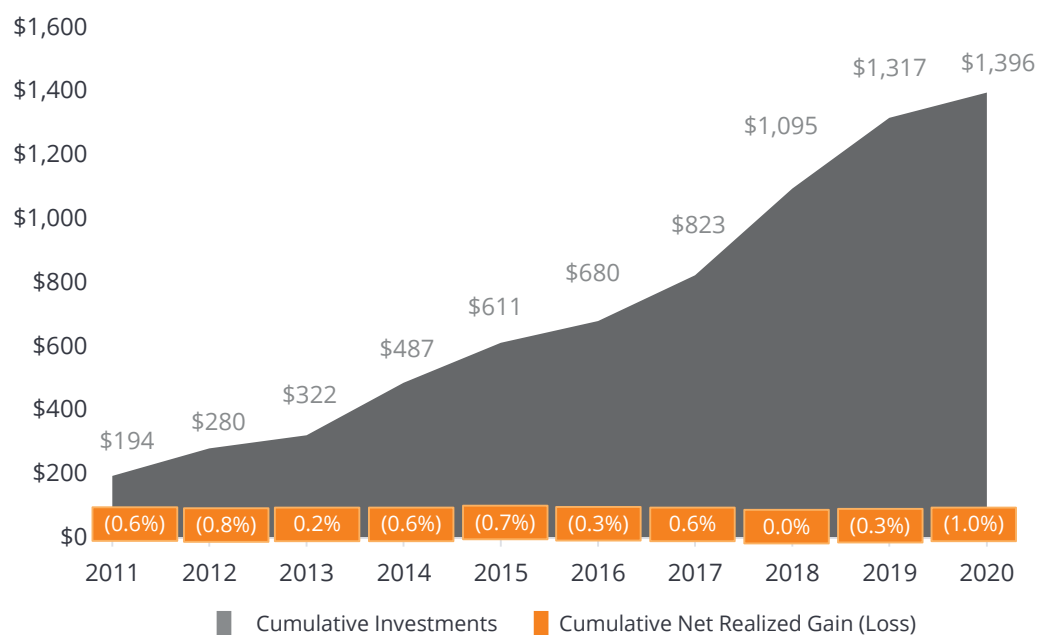


# Strong Track Record - Low Loss Experience

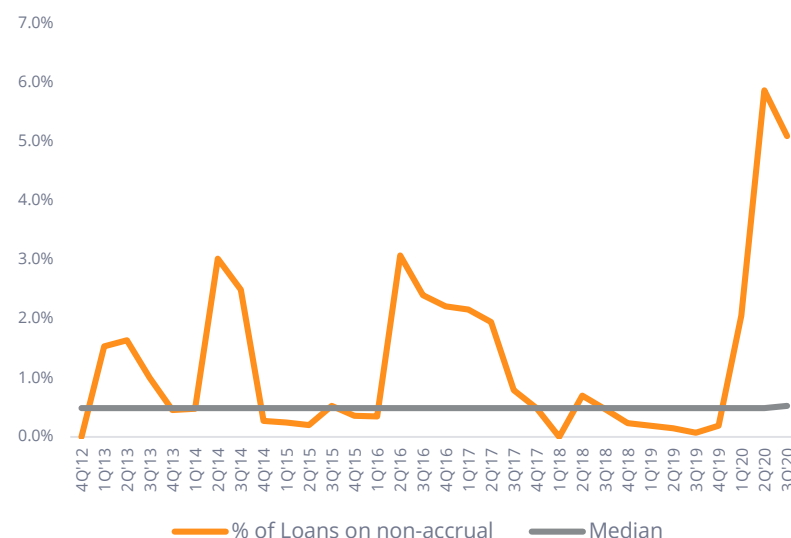
OFS

## Cumulative Investments, Net Realized Gain (Loss) since 2011<sup>1,2,3</sup>

(dollars in millions; excludes Interest and Fee Income)



## Non Accrual Loans as % of Loan Portfolio<sup>4</sup>



1 As of September 30, 2020. Past performance is not indicative of future results.

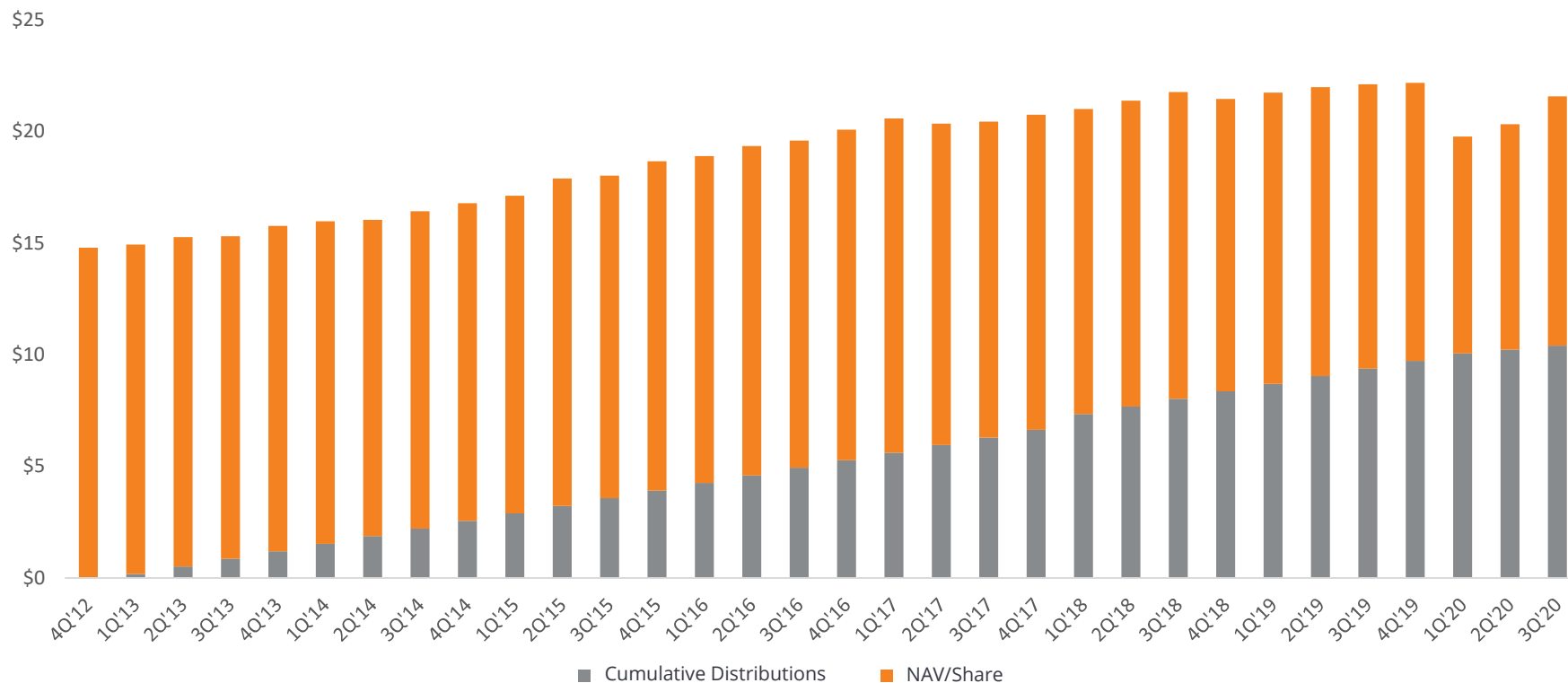
2 Investments and cumulative realized gains (loss) for the years ended December 31, 2012 and 2011 give pro forma effect to OFS Capital's consolidation of OFS Capital WM, LLC as a result of the WM 2012 Credit Facility Amendments, as if the consolidation took place on January 1, 2011. Includes \$2.7 million realized gain from SBIC Fund acquisition.

3 Cumulative net realized gains (losses) represent the cumulative net gains (losses) realized on sold, significantly modified or restructured, or otherwise disposed investments. Cumulative net realized gains (losses) excludes the net unrealized appreciation (depreciation) on investments held by the Company as of the reported period ends, and does not include interest, dividend or fee income, or fees and expenses that the Company paid over the period, which are disclosed in its financial statements.

4 Based on fair values.

# NAV Per Share + Cumulative Distributions<sup>1</sup>

OFS

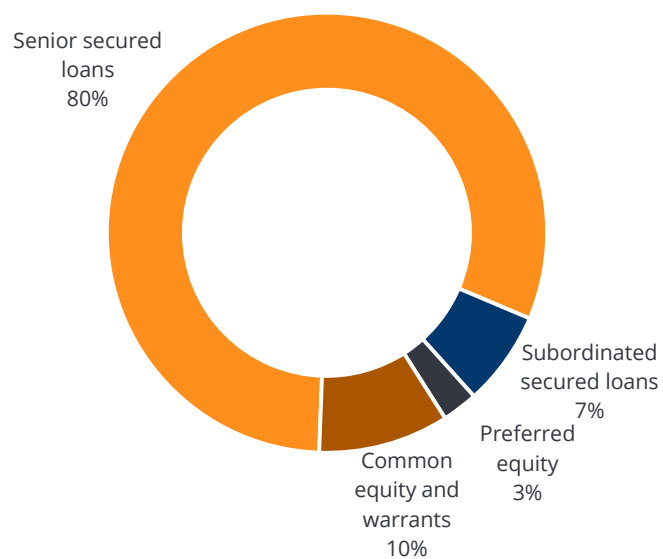


**\$10.40 Per Share in Distributions Declared since 4Q'12 IPO<sup>1</sup>**

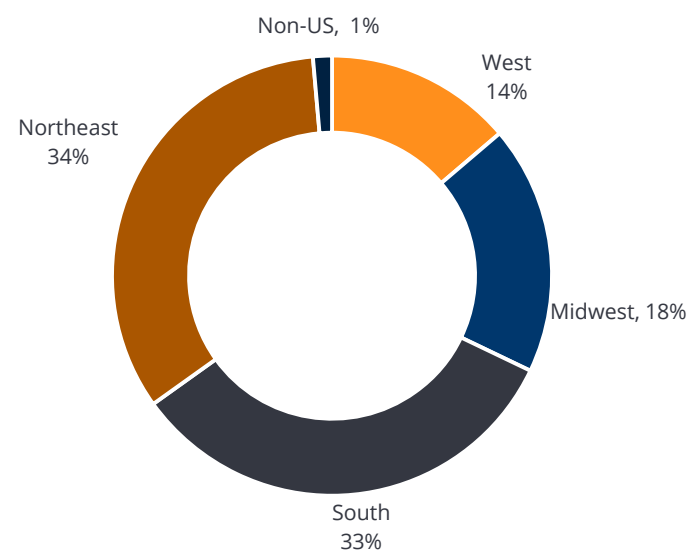
<sup>1</sup> Distributions are not guaranteed. Past performance is not indicative of future results.

## Portfolio Company Investments<sup>1</sup> - Diversified & Senior Focused

**Senior Loan Focus<sup>2</sup>**



**Geographic Diversification<sup>2,3</sup>**



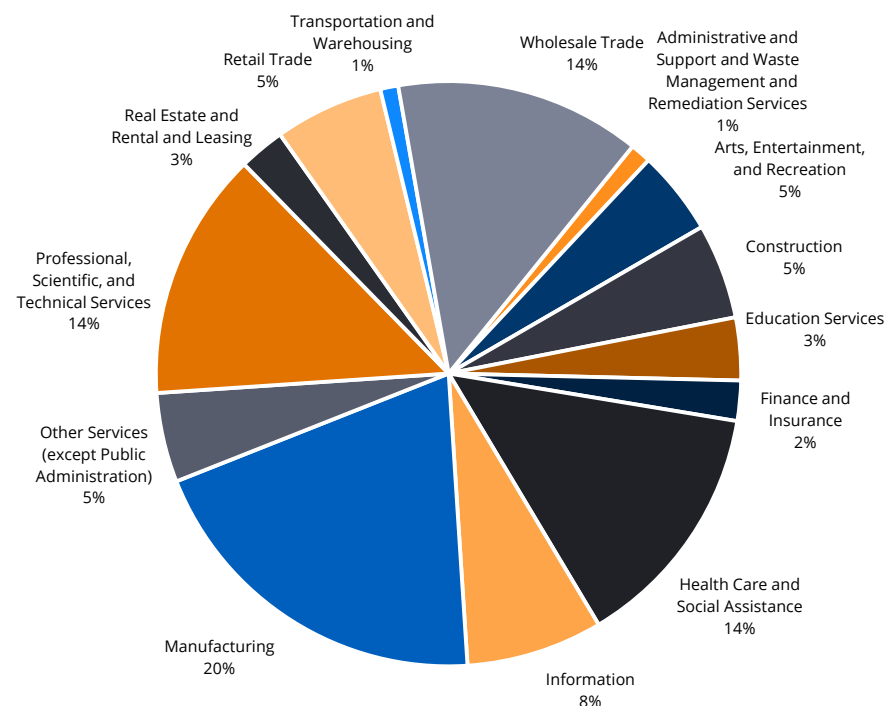
<sup>1</sup> A debt or equity investment in a portfolio company. Portfolio Company Investments exclude Structured Finance Notes.

<sup>2</sup> Based on fair value as of September 30, 2020. Percentages may not sum to 100% due to rounding.

<sup>3</sup> Based on locations of the portfolio companies' headquarters.

## Portfolio Company Investments<sup>1</sup> - Diversified & Senior Focused<sup>2</sup>

Industry Group	Fair Value <sup>2</sup>	%
Administrative and Support and Waste Management and Remediation Services	\$ 4,867	1%
Arts, Entertainment, and Recreation	19,673	5%
Construction	22,317	5%
Education Services	14,661	3%
Finance and Insurance	9,356	2%
Health Care and Social Assistance	58,530	14%
Information	31,915	8%
Manufacturing	91,204	20%
Other Services (except Public Administration)	20,871	5%
Professional, Scientific, and Technical Services	58,153	14%
Public Administration	696	-
Real Estate and Rental and Leasing	10,762	3%
Retail Trade	20,869	5%
Transportation and Warehousing	2,438	1%
Wholesale Trade	57,485	14%
	<u>\$ 423,797</u>	<u>100%</u>



- » **\$423.8 million investment portfolio<sup>2</sup>**
- » **65 portfolio companies<sup>2</sup> / ~\$6.5 million average investment at fair value<sup>2</sup>**
- » **Avoid material exposure to cyclical sectors (No direct oil and gas exposure)**

<sup>1</sup> A debt or equity investment in a portfolio company. Portfolio Company Investments exclude Structured Finance Notes.

<sup>2</sup> As of September 30, 2020. Excludes structured finance notes. Percentages may not sum to 100% due to rounding.

# Senior Secured Focus



## Senior Loan Subsidiary

- » Formed senior loan subsidiary in 2019 to primarily invest in first lien loans
- » Financing for the subsidiary is non recourse to the parent company
- » Reduced base management fee of 1% (from 1.75%) on assets in the subsidiary<sup>1</sup>

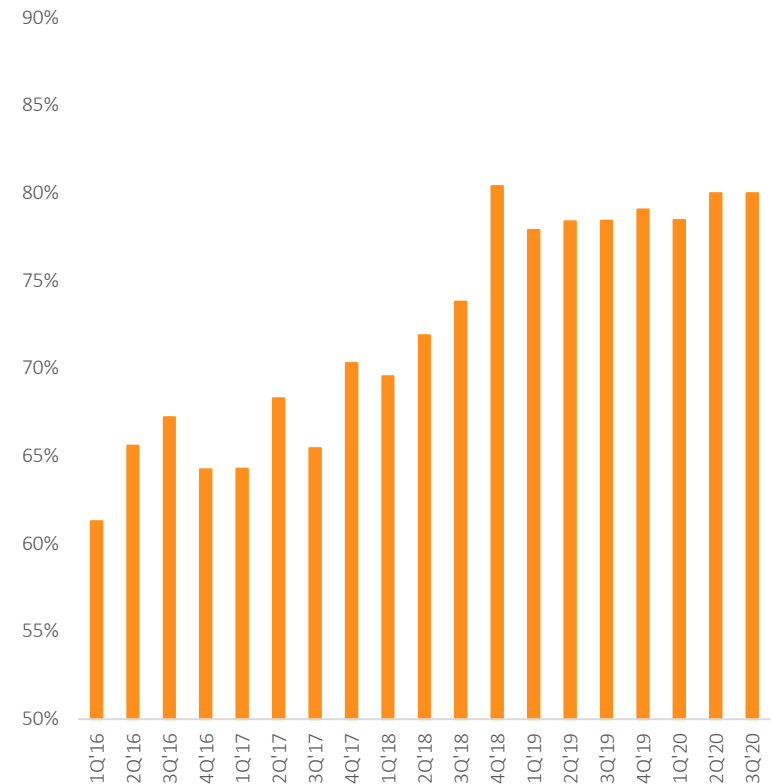
## Aims To Increase Return on Equity for Shareholders

- » Subsidiary seeks to invest in high quality, lower yielding loans that previously did not meet return targets
- » Expected increase to deal flow - quantity and consistency
  - Ability to deploy capital in lower yielding loans
  - Improves competitive position – larger capital base reduces closing certainty for borrower
- » Accelerates recent shift towards senior investments

## Benefits of Being Part of Large Platform

- » Access to attractive financing
- » OFS Capital Management has the experience/capabilities to invest across the corporate loan market
  - Large investment team to source, underwrite and manage larger portfolio

## Senior Loans As % of OFS Loan Portfolio<sup>2</sup>



<sup>1</sup> Measured at the end of the two most recently completed calendar quarters without regard to the statutory asset coverage ratio. Subject to annual renewal by OFS Advisor. The amount of the base management fee waived shall not be subject to recoupment by OFS Advisor.

<sup>2</sup> Based on Fair Value. Excludes structured finance notes



# Attractive Financing / Balance Sheet Capacity - 9/30/20

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	Capacity	Drawn	Maturity	Fixed/Variable	Coupon <sup>2</sup>
<b>SBA debentures</b> <sup>1</sup>					
		\$ 14.0	Sep-22	Fixed	3.05%
		26.3	Sep-24	Fixed	3.37%
		65.9	Mar-25	Fixed	2.87%
		22.6	Sep-25	Fixed	3.18%
<b>Sub-total</b>		<b>128.8</b>		<b>Weighted Avg.</b>	<b>3.05%</b>
Unamortized debt issuance costs		(1.4)			
<b>Total SBA debentures</b>		<b>127.4</b>			
<b>Unsecured notes</b>		25.0	Sep-23	Fixed	6.25%
<b>Unsecured notes</b>		50.0	Apr-25	Fixed	6.375%
<b>Unsecured notes</b>		48.5	Oct-25	Fixed	6.50%
<b>Unsecured notes</b>		54.3	Oct-26	Fixed	5.95%
<b>Sub-total</b>		<b>177.8</b>			
Unamortized debt issuance costs		(5.2)			
<b>Total unsecured notes</b>		<b>172.6</b>			
<b>Revolving credit facilities:</b>					
OFS Capital Corp	50.0 <sup>5,6</sup>	-	Feb-21	Variable	Prime + 0.25% <sup>3</sup>
OFSCC-FS	150.0 <sup>5</sup>	24.7	Jun-24	Variable	LIBOR+ Variable Margin <sup>4</sup>
	<b>200.0</b>	<b>24.7</b>			
<b>Total debt facilities:</b>		<b>\$ 324.7</b>			

<sup>1</sup> The SBIC intends, over time, to repay its outstanding SBA debentures prior to the scheduled maturity date of its debentures.

<sup>2</sup> Excludes upfront commitment and leverage fees and other deferred offering costs that are amortized over the life of the applicable debt instruments.

<sup>3</sup> Subject to 5.25% floor.

<sup>4</sup> Based on composition of collateral when drawn.

<sup>5</sup> The unused commitment is limited by borrowing base, advance rates, and other factors specified in the credit agreements as well as regulatory limits on the Company's leverage. The unused commitment may be less than the stated capacity in the agreements. Based on fair values and equity capital at September 30, 2020, we could access available lines of credit for \$100 million and remain in compliance with our asset coverage requirements.

<sup>6</sup> On October 7, 2020, the capacity was reduced from \$50 million to \$20 million.

# OFS

## Appendix

# Experienced Leadership of OFS Capital Management



Experienced management team that has underwritten through multiple business cycles.

Richard Ressler  
Chairman of  
Investment Committee

- » Co-Founder and Chairman of the Executive Committee of OFSAM
- » Founder of Orchard Capital Corporation, an investment and consulting firm
- » Co-Founder and Principal of CIM Group, LLC., a vertically integrated owner and operator of real assets
- » Chairman of j2 Global, Inc. (NASDAQ: JCOM) and CIM Commercial Trust Corporation (NASDAQ: CMCT)

Bilal Rashid  
Chairman & CEO

- » President of OFS Capital Management and a member of the investment and executive committees
- » Previously served as Managing Director in the global markets and investment banking division of Merrill Lynch
- » Also held positions with Natixis, CIBC, Lehman Brothers and the International Finance Corporation

Jeff Cerny  
Chief Financial Officer

- » Senior Managing Director of OFS Capital Management and a member of the investment and executive committees
- » Previously served as Deputy Division Head of Sanwa Business Credit's Asset Management Division

# Condensed Consolidated Balance Sheets



	9/30/20 (unaudited)	6/30/20 (unaudited)	3/31/20 (unaudited)	12/31/19 (audited)	9/30/19 (unaudited)
Investments, at fair value	\$ 456,328	\$ 435,762	\$ 465,653	\$ 516,931	\$ 502,161
Cash	18,297	31,781	2,170	13,447	7,974
Other assets	7,050	7,899	9,030	7,810	8,152
Total assets	<u>\$ 481,675</u>	<u>\$ 475,442</u>	<u>\$ 476,853</u>	<u>\$ 538,188</u>	<u>\$ 518,287</u>
SBA debentures	\$ 127,355	\$ 132,203	\$ 132,109	\$ 147,976	\$ 147,881
Unsecured notes	172,682	148,447	148,249	148,052	95,600
Revolving lines of credit	24,650	51,750	58,050	56,450	92,475
Other liabilities	7,076	7,645	8,462	19,083	11,925
Total liabilities	<u>331,763</u>	<u>340,045</u>	<u>346,870</u>	<u>371,561</u>	<u>347,881</u>
Net assets	<u>149,912</u>	<u>135,397</u>	<u>129,983</u>	<u>166,627</u>	<u>170,406</u>
Total liabilities and net assets	<u>\$ 481,675</u>	<u>\$ 475,442</u>	<u>\$ 476,853</u>	<u>\$ 538,188</u>	<u>\$ 518,287</u>

# Condensed Consolidated Statements of Operations

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(\$ in thousands, except per share data)

	Three Months Ended (unaudited)				
	9/30/20	6/30/20	3/31/20	12/31/19	9/30/19
Investment income					
Interest income	\$ 9,923	\$ 10,134	\$ 11,662	\$ 12,368	\$ 13,090
Payment-in-kind interest and dividend income	438	557	615	554	471
Dividends and fees	126	290	593	496	297
Total investment income	10,487	10,981	12,870	13,418	13,858
Expenses					
Interest expense	4,448	4,931	4,922	4,265	4,464
Management fee	1,871	1,869	2,019	2,209	2,164
Incentive fee	234	215	883	1,138	1,214
Other expenses	1,222	1,359	1,515	1,249	1,163
Total expenses	7,775	8,374	9,339	8,861	9,005
Net investment income	2,712	2,607	3,972	4,557	4,853
Net gain (loss) on investments	15,313	5,051	(36,132)	(3,057)	(3,091)
Net increase (decrease) in net assets resulting from operations	\$ 16,761	\$ 7,658	\$ (32,160)	\$ 706	\$ 1,762
Net investment income per common share - basic and diluted <sup>1</sup>	\$ 0.20	\$ 0.19	\$ 0.30	\$ 0.34	\$ 0.36
Net increase (decrease) in net assets resulting from operations per common share - basic and diluted <sup>1</sup>	\$ 1.25	\$ 0.57	\$ (2.41)	\$ 0.05	\$ 0.13
Distributions declared per common share	\$ 0.17	\$ 0.17	\$ 0.34	\$ 0.34	\$ 0.34
Basic and diluted weighted average shares outstanding (000's)	13,400	13,393	13,377	13,372	13,367

<sup>1</sup> Based on weighted average shares outstanding for the respective period.