

OFS Credit Company Announces Financial Results for the Second Fiscal Quarter 2023

June 6, 2023

CHICAGO--(BUSINESS WIRE)--Jun. 6, 2023-- OFS Credit Company, Inc. (NASDAQ: OCCI) ("OFS Credit," the "Company," "we," "us" or "our"), an investment company that primarily invests in collateralized loan obligation ("CLO") equity and debt securities, today announced its financial results for the fiscal quarter ended April 30, 2023.

SECOND QUARTER HIGHLIGHTS

- Net investment income ("NII") of \$3.6 million, or \$0.35 per common share, for the fiscal quarter ended April 30, 2023. This compares to NII of \$3.8 million, or \$0.41 per common share, for the fiscal quarter ended January 31, 2023. The decrease in net investment income was primarily due to a decrease in the portfolio's earned investment yield.
- Core net investment income ("Core NII")¹ of \$6.1 million, or \$0.59 per common share, for the fiscal quarter ended April 30, 2023. Core NII increased \$2.4 million, or \$0.21 per common share, from the prior quarter. The increase in Core NII was primarily due to an increase in CLO equity waterfall payments driven by the slowing pace of interest rate increases.
- Net asset value ("NAV") per common share of \$8.48 as of April 30, 2023, a decrease from \$10.13 as of January 31, 2023.
- As of April 30, 2023, the weighted average effective yield of our investment portfolio at amortized cost was 14.58%.

OTHER RECENT EVENTS

- On June 1, 2023, OFS Credit's board of directors declared a quarterly distribution of \$0.55 per share of common stock for the fiscal quarter ending July 31, 2023. The distribution is payable on July 31, 2023 in cash or shares of our common stock to stockholders of record as of June 14, 2023. The total amount of cash distributed to all stockholders will be limited to 20% of the total distribution, excluding any cash paid for fractional shares.
- On June 1, 2023, OFS Credit's board of directors also declared monthly cash distributions on our Series B Term Preferred Stock, Series C Term Preferred Stock, Series D Term Preferred Stock and Series E Term Preferred Stock.
- Also on June 1, 2023, OFS Credit's board of directors approved an amended and restated dividend reinvestment plan ("Amended Dividend Reinvestment Plan"). For stockholders participating in the Amended Dividend Reinvestment Plan, the number of shares to be issued to a stockholder in connection with any cash distribution will now be determined by dividing the total dollar amount of the distribution payable to such stockholder by an amount equal to ninety five percent (95%) of the market price per share of common stock at the close of regular trading on the Nasdaq Capital Market on the valuation date fixed by OFS Credit's board of directors for such distribution. The investment feature of the Amended Dividend Reinvestment Plan will be suspended for common stock distributions payable in cash and common stock.

SELECTED FINANCIAL HIGHLIGHTS

(in millions, except per share data) (unaudited)

	As of April 30, 2023		As of January 31, 2023	
Investment portfolio, at fair value	\$	142.6	\$	151.1
NAV per common share		8.48		10.13
	For the Fiscal Quarter Ended			
	April 30, 2023		January 31, 2023	
(Per common share)				
Net investment income	\$	0.35	\$	0.41
Net unrealized gain (loss) on investments		(1.49)		0.35
Total earnings (loss)	\$	(1.14)	\$	0.76
Core NII — Non-GAAP				
Net investment income	\$	0.35	\$	0.41
CLO equity adjustments		0.24		(0.03)
Core NII	\$	0.59	\$	0.38

¹ On a supplemental basis, we disclose Core NII, which is a financial measure calculated and presented on a basis of methodology other than in accordance with accounting principles generally accepted in the United States of America ("GAAP"). Core NII represents NII adjusted for differences in applicable cash distributions received on our CLO equity investments. See additional information under "Supplemental Information Regarding Core Net Investment Income" below.

MANAGEMENT COMMENTARY

"We are working diligently to manage the portfolio during this time of market volatility and rising interest rates, which is elevating the risk of recession," said Bilal Rashid, Chief Executive Officer. "We continue to believe that our balance sheet remains well positioned with 100% fixed-rate financing and over 95% of our liabilities maturing in 2026, which we expect will provide us with a measure of protection in today's rising rate environment."

PORTFOLIO AND INVESTMENT ACTIVITIES

As of April 30, 2023, the total fair value of our investment portfolio was approximately \$142.6 million, which was equal to approximately 76% of amortized cost. Although new primary market CLO issuance has declined due to current economic and market conditions, we continue to evaluate new investment opportunities, in both the primary and secondary markets, and intend to deploy capital into investments that we believe will generate attractive risk-adjusted returns. Subsequent to April 30, 2023, we deployed \$6.7 million into new CLO investments.

Portfolio Overview

<u>(\$ in millions)</u>	<u>As of April 30, 2023</u>	<u>As of January 31, 2023</u>
Investment portfolio, at fair value	\$ 142.6	\$ 151.1
Total number of portfolio companies	69	67
Weighted-average effective yield	14.58%	15.64%

<u>Portfolio Activity (\$ in millions)</u>	<u>For the Fiscal Quarter Ended</u>	
	<u>April 30, 2023</u>	<u>January 31, 2023</u>
CLO equity investments	\$ —	\$ 3.9
CLO debt investments	9.6	1.9
Loan accumulation facility investments	0.1	—
Total investments	\$ 9.7	\$ 5.8

<u>Portfolio Composition (\$ in millions)</u>	<u>As of April 30, 2023</u>	
	<u>Cost</u>	<u>Fair Value</u>
CLO equity investments	\$ 165.3	\$ 120.3
CLO debt investments	14.1	14.0
Loan accumulation facility investments	7.5	7.4
Other CLO equity-related investments	0.9	0.9
Total investments	\$ 187.8	\$ 142.6

RESULTS OF OPERATIONS

Interest Income

For the fiscal quarter ended April 30, 2023, interest income decreased by \$0.6 million compared to the prior quarter to \$6.9 million, primarily due to a decline in the portfolio's earned investment yield.

Expenses

For the fiscal quarter ended April 30, 2023, total expenses decreased by \$0.3 million compared to the prior quarter to \$3.3 million, primarily due to decreases in excise tax and incentive fees.

Net realized and unrealized gain (loss)

For the fiscal quarter ended April 30, 2023, net change in unrealized depreciation of \$15.2 million was primarily due to certain issuer-specific declines and broader declines in CLO equity securities that are not directly correlated to declines in underlying loan prices.

DISTRIBUTIONS

On June 1, 2023, our board of directors declared the following distribution on shares of our common stock.

<u>Record Date</u>	<u>Payable Date</u>	<u>Distribution Per Common Share²</u>
June 14, 2023	July 31, 2023	\$0.55

² The total amount of cash distributed to all stockholders will be limited to 20% of the total distribution to be paid, excluding any cash paid for fractional shares. The remainder of the distribution (approximately 80%) will be paid in the form of shares of our common stock. The exact distribution of cash and stock to any given stockholder will be dependent upon each stockholder's election as well as the elections of other stockholders, subject to the pro-rata limitation. Participants in the Company's dividend reinvestment plan will also receive an election form. The investment feature of the dividend reinvestment plan will be suspended for the common stock distribution payable in cash and common stock on July 31, 2023 and will be reinstated after the distribution has been completed.

On June 1, 2023, our board of directors declared the following cash distributions on preferred shares.

<u>Description</u>	<u>Record Date</u>	<u>Payable Date</u>	<u>Distribution Per Preferred Share</u>
Series B Term Preferred Stock	August 24, 2023	August 31, 2023	\$0.1375
	September 22, 2023	September 29, 2023	0.1375
	October 24, 2023	October 31, 2023	0.1375
Series C Term Preferred Stock	August 24, 2023	August 31, 2023	\$0.1276042
	September 22, 2023	September 29, 2023	0.1276042
	October 24, 2023	October 31, 2023	0.1276042

	November 23, 2023	November 30, 2023	0.1276042
	December 22, 2023	December 29, 2023	0.1276042
	January 24, 2024	January 31, 2024	0.1276042
Series D Term Preferred Stock	August 24, 2023	August 31, 2023	\$0.125
	September 22, 2023	September 29, 2023	0.125
	October 24, 2023	October 31, 2023	0.125
	November 23, 2023	November 30, 2023	0.125
	December 22, 2023	December 29, 2023	0.125
	January 24, 2024	January 31, 2024	0.125
Series E Term Preferred Stock	August 24, 2023	August 31, 2023	\$0.109375
	September 22, 2023	September 29, 2023	0.109375
	October 24, 2023	October 31, 2023	0.109375
	November 23, 2023	November 30, 2023	0.109375
	December 22, 2023	December 29, 2023	0.109375
	January 24, 2024	January 31, 2024	0.109375

OFS Credit Company, Inc.
Statement of Assets and Liabilities

	<u>As of April 30, 2023</u>
	(unaudited)
Assets:	
Investments, at fair value (amortized cost of \$187,809,208)	\$ 142,583,099
Cash	16,668,884
Interest receivable	608,344
Other assets	170,062
Total assets	<u>160,030,389</u>
Liabilities:	
Preferred stock (net of deferred issuance costs of \$1,463,537)	62,536,463
Payable to adviser and affiliates	2,326,371
Payable for investment purchased	2,958,647
Accrued professional fees	328,500
Other liabilities	104,783
Total liabilities	<u>68,254,764</u>
Net assets	<u>\$ 91,775,625</u>
Net assets consist of:	
Common stock, par value of \$0.001 per share; 90,000,000 shares authorized and 10,816,509 shares issued and outstanding	\$ 10,817
Paid-in capital in excess of par	122,307,427
Total accumulated losses	(30,542,619)
Total net assets	<u>\$ 91,775,625</u>
Net asset value per share	\$ 8.48

OFS Credit Company, Inc.
Statements of Operations

	Three Months Ended		Six Months Ended	
	<u>April 30, 2023</u>		<u>April 30, 2023</u>	
	(unaudited)		(unaudited)	
Investment income:				
Interest income	\$	6,908,517	\$	14,388,105
Operating expenses:				
Interest expense		1,021,241		2,042,482
Management fees		688,480		1,419,181
Incentive fees		902,825		1,863,890
Administration fees		279,852		569,247
Professional fees		174,628		392,581
Excise tax		60,000		300,000

Other expenses	170,188	345,163
Total operating expenses	<u>3,297,214</u>	<u>6,932,544</u>
Net investment income	<u>3,611,303</u>	<u>7,455,561</u>
Net realized and unrealized loss:		
Net change in unrealized depreciation on investments	<u>(15,180,424)</u>	<u>(11,867,718)</u>
Net realized and unrealized loss	<u>(15,180,424)</u>	<u>(11,867,718)</u>
Net decrease in net assets resulting from operations	<u>\$ (11,569,121)</u>	<u>\$ (4,412,157)</u>

About OFS Credit Company, Inc.

OFS Credit is a non-diversified, externally managed closed-end management investment company. The Company's investment objective is to generate current income, with a secondary objective to generate capital appreciation primarily through investment in CLO debt and subordinated securities. The Company's investment activities are managed by OFS Capital Management, LLC, an investment adviser registered under the Investment Advisers Act of 1940³, as amended, and headquartered in Chicago with additional offices in New York and Los Angeles.

Forward-Looking Statements

Statements in this press release regarding management's future expectations, beliefs, intentions, goals, strategies, plans or prospects, including statements relating to: the Company's results of operations, including NII, Core NII, earnings per share and net asset value and the factors that may affect such results; management's belief that the Company's balance sheet is well positioned due to liabilities that have a fixed rate of interest with maturities that do not come due until 2026, when there can be no assurance that such a composition will lead to future success; the intention to deploy capital into investments that management believes will generate attractive risk adjusted returns; and other factors may constitute forward-looking statements. These forward-looking statements are not historical facts, but rather are based on current expectations, estimates and projections about us, our current and prospective portfolio investments, our industry, our beliefs, and our assumptions. Words such as "anticipates," "expects," "intends," "plans," "will," "may," "continue," "believes," "seeks," "estimates," "would," "could," "should," "targets," "projects," and variations of these words and similar expressions are intended to identify forward-looking statements. These statements are not guarantees of future performance and are subject to risks, uncertainties, and other factors, some of which are beyond our control and difficult to predict and could cause actual results to differ materially from those expressed or forecasted in the forward-looking statements, including those risks, uncertainties and factors referred to in documents that may be filed by OFS Credit from time to time with the Securities and Exchange Commission ("SEC"), such as rising interest rates and elevated inflation rates, the ongoing war between Russia and Ukraine, instability in the U.S. and international banking systems, the risk of recession and of a failure to increase the U.S. debt ceiling and significant market volatility on our business, our portfolio companies, our industry and the global economy. Although we believe that the assumptions on which these forward-looking statements are based are reasonable, any of those assumptions could prove to be inaccurate, and, as a result, the forward-looking statements based on those assumptions also could be inaccurate. In light of these and other uncertainties, the inclusion of a projection or forward-looking statement in this press release should not be regarded as a representation by us that our plans and objectives will be achieved. You should not place undue reliance on these forward-looking statements, which apply only as of the date of this press release. Except as required by the federal securities laws, we undertake no obligation to revise or update any forward-looking statements, whether as a result of new information, future events or otherwise. You are advised to consult any additional disclosures that we may make directly to you or through reports that we in the future may file with the SEC, including Annual and Semi-Annual Reports on Form N-CSR and monthly portfolio investments reports filed on Form N-PORT for the third month of each of our fiscal quarters.

³ Registration does not imply a certain level of skill or training

Supplemental Information Regarding Core Net Investment Income

We provide information relating to Core NII (a non-GAAP measure) on a supplemental basis. This measure is not provided as a substitute for GAAP NII, but in addition to it. Our non-GAAP measures may differ from similar measures by other companies, even in the event of similar terms being utilized to identify such measures. Core NII represents GAAP NII adjusted for differences in applicable cash distributions received on our CLO equity investments. OFS Capital Management, LLC, our investment adviser, uses this information in its internal analysis of results and believes that this information may be informative in gauging the quality of the Company's financial performance, identifying trends in its results and providing meaningful period-to-period comparisons.

Income from investments in the "equity" class securities of CLO vehicles, for GAAP purposes, is recorded using the effective interest method; this is based on an effective yield to the expected redemption utilizing estimated cash flows, at current amortized cost, including those CLO equity investments that have not made their inaugural distribution for the relevant period end. The result is an effective yield for the investment in which the respective investment's cost basis is adjusted quarterly based on the difference between the actual cash received, or distributions entitled to be received, and the effective yield calculation. Accordingly, investment income recognized on CLO equity securities in the GAAP statement of operations differs from the cash distributions actually received by the Company during the period (referred to below as "CLO equity adjustments").

Furthermore, in order for the Company to continue to qualify for tax treatment as a regulated investment company, we are required, among other things, to distribute at least 90% of our investment company taxable income annually. Therefore, Core NII may provide a better indication of our estimated taxable income for a reporting period than GAAP NII; we can offer no assurance that will be the case, however, as the ultimate tax character of our earnings cannot be determined until after tax returns are prepared at the close of a fiscal year. We note that this non-GAAP measure may not serve as a useful indicator of taxable earnings, particularly during periods of market disruption and volatility, and, as such, our taxable income may differ materially from our Core NII.

The following table provides a reconciliation of GAAP NII to Core NII for the fiscal quarters ended April 30, 2023 and January 31, 2023 (unaudited):

For the Fiscal Quarter Ended April 30, 2023 For the Fiscal Quarter Ended January 31, 2023

	Amount	Per Common Share Amount	Amount	Per Common Share Amount
Net investment income	\$ 3,611,303	\$ 0.35	\$ 3,844,260	\$ 0.41
CLO equity adjustments	2,439,456	0.24	(222,342)	(0.03)
Core NII	<u>\$ 6,050,759</u>	<u>\$ 0.59</u>	<u>\$ 3,621,918</u>	<u>\$ 0.38</u>

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