



OFS Credit Company Announces Third Quarter 2019 Net Asset Value and Selected Financial Results

September 13, 2019

CHICAGO--(BUSINESS WIRE)--Sep. 13, 2019-- 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") debt and subordinated securities, today announced its net asset value and selected financial results for the fiscal quarter ended July 31, 2019.

HIGHLIGHTS

- Net investment income ("NII") of \$1.15 million, or \$0.46 per common share for the fiscal quarter ended July 31, 2019.
- Core net investment income ("Core NII")¹ of \$2.17 million, or \$0.87 per common share, which approximated 174% of our distributions for the fiscal quarter ended July 31, 2019.
- Net asset value of \$17.44 per common share as of July 31, 2019, a decrease from \$18.95 as of April 30, 2019.
- Closed investments totaling approximately \$3.32 million during the fiscal quarter ended July 31, 2019.
- The weighted average GAAP (as defined below) effective yield of our CLO equity investments at current cost was 14.76% as of July 31, 2019.
- Declared monthly distributions on common shares through October 2019 of \$0.167 per share, implying an annualized distribution of \$2.00 per share.

Management Commentary

"Our net investment income increased from the prior quarter as we deployed the proceeds from our preferred stock offering. Our net asset value declined from the prior quarter due to unrealized depreciation of the portfolio, resulting from declines in the broadly syndicated loan market."

"We believe we have balance sheet capacity to continue to grow our portfolio and net investment income and we continue to see attractive investment opportunities. We believe our commitment to strong, long-term performance is aligned with the interests of OFS Capital Management, LLC, our investment advisor who, together with other insiders, owns approximately 16.2% of our common stock as of September 12, 2019," said Bilal Rashid, Chief Executive Officer.

(1) Non-GAAP Financial Measure - Core NII

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"). Our non-GAAP measures may differ from similar measures used by other companies, even if similar terms are utilized to identify such measures. This measure is not provided as a substitute for GAAP NII, but in addition to it. Core NII represents GAAP net investment income adjusted for net interest cash distributions received on our CLO equity investments. OFS Credit's investment advisor uses this information in its internal analysis of results and believes that this information may be informative in determining the quality of the Company's financial performance, estimating taxable income, identifying trends in its results and providing meaningful period-to-period comparisons.

For GAAP purposes, interest income from investments in the "equity" class securities of CLO vehicles is recognized in accordance with the effective interest method, which is based on estimated cash flows to the expected redemption of the investments, and the investments' current amortized cost. The result is an effective yield for the investments which differs from the actual cash received. The effective yield is recognized as an increase to the amortized cost of the investment, and distributions received are recognized as a reduction in amortized cost basis. Accordingly, interest income recognized on CLO equity securities in the GAAP statement of operations differs from the cash distributions received by the Company during the period (referred to below as "CLO equity adjustments").

Our measure of Core NII utilizes the interest account waterfall distributions of the underlying CLOs, determined by the underlying CLOs' trustees in accordance with the applicable CLO indentures, in lieu of the GAAP measure of effective-yield interest income. Management believes this measure to be representative of the cash component of taxable income to be reported to us by the underlying CLOs. However, taxable income to be reported to us by the underlying CLOs may also include non-cash components—such as the amortization of premium or discounts on the underlying CLOs' investments in commercial loans and the amortization of deferred debt issuance costs on the underlying CLOs' debt obligations—as well as realized capital gains or losses resulting from trading activities within the underlying CLOs, which are generally retained in the principal account of (i.e., not distributed by) the underlying CLOs; and will be impacted by tax attribute carry-over (e.g., loss carry-forwards) within the CLO vehicles. Moreover, the taxable income we recognize may also be influenced by differences between our fiscal year end and the fiscal year end of any of the CLOs in which we invest, the legal form of the CLO vehicles, and other factors.

For the Company to continue to qualify as a regulated investment company for U.S. federal income tax purposes, we are required, among other things, to distribute annually at least 90% of our investment company taxable income. Thus, management monitors Core NII as an indication of our estimated taxable income for a reporting period. We can offer no assurance that these estimates will reflect the final amount or tax character of our earnings, which cannot be determined until we receive tax reports from the underlying CLOs and prepare our tax returns following the close of our fiscal year. We also 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.

Three Months Ended July 31, 2019

	Amount	Per Common Share Amount
GAAP Net investment income	\$1,145,284	\$0.46
CLO equity adjustments	1,026,893	0.41
Core Net investment income	\$2,172,177	\$0.87

Distributions

On July 11, 2019, our board of directors declared the following distributions on common shares.

Record Date	Payable Date	Distribution Per Share
August 23, 2019	August 30, 2019	\$0.167
September 23, 2019	September 30, 2019	\$0.167
October 24, 2019	October 31, 2019	\$0.167

On July 11, 2019, our board of directors declared the following dividends on the Series A Term Preferred Stock shares.

Record Date	Payable Date	Dividend Per Share
August 23, 2019	August 30, 2019	\$0.1432292
September 23, 2019	September 30, 2019	\$0.1432292
October 24, 2019	October 31, 2019	\$0.1432292

PORTFOLIO AND INVESTMENT ACTIVITIES

During the fiscal quarter ending July 31, 2019, OFS Credit closed three investments, totaling \$3.32 million of CLO subordinated note securities in two separate CLO deals. As of July 31, 2019, OFS Credit's portfolio had exposure to 30 separate collateral managers. Subsequent to July 31, 2019, OFS Credit closed three investments totaling \$2.9 million of CLO subordinated note securities.

RESULTS OF OPERATIONS

Income

Interest Income

Interest income for the fiscal quarter ending July 31, 2019 was \$2.52 million.

Expenses

Management fee

Management fee expense for the fiscal quarter ending July 31, 2019 was \$297,432.

Incentive fee

Incentive fee expense for the fiscal quarter ending July 31, 2019 was \$286,321.

Net Loss on Investments

Net losses for the fiscal quarter ending July 31, 2019 were \$3.7 million due to unrealized depreciation of \$3.7 million.

LIQUIDITY AND CAPITAL RESOURCES

As of July 31, 2019, we had \$1.8 million in cash with no restrictions or limitations on its use.

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 1940¹, as amended, and headquartered in Chicago, Illinois 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: management's beliefs regarding the Company's balance sheet capacity to grow the Company's portfolio and net investment income; the Company's commitment to strong, long-term performance and the alignment of that performance to the ownership of the Company's common stock by affiliated parties; and other factors may constitute forward-looking statements. 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 documents that may be filed by OFS Credit from time to time with the Securities and Exchange Commission. 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 Credit is providing the information in this press release as of this date and assumes no obligations to update the information included in this press release or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

¹ Registration does not imply a certain level of skill or training

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INVESTOR RELATIONS:
OFS Credit Company, Inc.
Steve Altebrando, 646-652-8473
saltebrando@ofsmanagement.com