



OFS Credit Company Announces Fourth Quarter and Year End 2019 Financial Results

December 17, 2019

CHICAGO--(BUSINESS WIRE)--Dec. 17, 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") equity and debt securities, today announced its financial results for the fiscal quarter and year ended October 31, 2019.

HIGHLIGHTS

- Net investment income ("NII") of \$1.2 million, or \$0.42 per common share for the fiscal quarter ended October 31, 2019.
- Core net investment income ("Core NII")¹ of \$2.6 million, or \$0.90 per common share, which approximated 180% of our distributions for the fiscal quarter ended October 31, 2019.
- Increased monthly distributions on common shares through January 2020 of \$0.17 per share, implying an annualized distribution of \$2.04 per share.
- Net asset value of \$14.98 per common share as of October 31, 2019, a decrease from \$17.44 as of July 31, 2019.
- Closed investments totaling approximately \$8.8 million during the fiscal quarter ended October 31, 2019.
- The weighted average GAAP (as defined below) effective yield of our CLO equity investments at current cost was 14.94% as of October 31, 2019.

Management Commentary

"In October, our Board of Directors increased our monthly distribution for our common stockholders," said Bilal Rashid, OFS Credit's Chairman and Chief Executive Officer.

"We see compelling investment opportunities today as a result of the recent price volatility in the loan and CLO markets. 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, increased ownership to approximately 16.2% of our common stock, from 13.1% at the end last quarter."

(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 NII adjusted for net interest cash distributions received on our CLO equity investments. OFS Capital Management, LLC, our 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 the 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 informative 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 October 31, 2019

	Amount	Per Common Share Amount
GAAP Net investment income	\$1,226,427	\$0.42
CLO equity adjustments	1,370,215	0.48
Core Net investment income	\$2,596,642	\$0.90

Distributions

On October 10, 2019, our board of directors declared the following distributions on common shares.

Record Date	Payable Date	Distribution Per Common Share
November 22, 2019	November 29, 2019	\$0.17
December 24, 2019	December 31, 2019	\$0.17
January 24, 2020	January 31, 2020	\$0.17

On October 10, 2019, our board of directors declared the following dividends on shares of Series A Term Preferred Stock.

Record Date	Payable Date	Dividend Per Preferred Share
November 22, 2019	November 29, 2019	\$0.1432292
December 24, 2019	December 31, 2019	\$0.1432292
January 24, 2020	January 31, 2020	\$0.1432292

RESULTS OF OPERATIONS

During the quarter ended October 31, 2019, OFS Credit closed two new investments totaling \$4.9 million, as well as five follow-on investments totaling \$3.6 million, in CLO equity securities. OFS Credit's portfolio currently has exposure to 21 separate collateral managers.

Interest income increased \$260,000 for the three months ended October 31, 2019, due to the deployment of \$8.8 million in proceeds from our August common stock rights offering. The rights offering transaction closed on August 30, 2019, and therefore the Company did not realize the full benefit of these investments in the quarter ended October 31, 2019.

The \$260,000 increase in interest investment income for the three months ended October 31, 2019 was offset by a \$180,000 increase in net operating expenses principally related to increases in administration and management fees of \$130,000 and \$35,000, respectively.

Investments depreciated \$6.43 million during the three months ended October 31, 2019 due to declines in the broadly syndicated loan market.

OFS Credit Company, Inc.

Statement of Assets and Liabilities

October 31, 2019

Assets:

Investments at fair value (cost of \$76,275,113)	\$ 64,147,358
Cash	3,931,208

Prepaid expenses and other assets	54,062
Total assets	68,132,628
Liabilities:	
6.875% Series A Term Preferred Stock (net of deferred debt issuance costs of \$733,672)	20,582,828
Payable to adviser and affiliates	1,039,310
Payable for investment purchased	320,000
Accrued professional fees	292,748
Other liabilities	42,434
Total liabilities	22,277,320
Commitments and contingencies	
Net assets	\$ 45,855,308
Net assets consists of:	
Common stock, par value of \$0.001 per share; 90,000,000 shares authorized and 3,061,858 shares issued and outstanding as of October 31, 2019	\$ 3,062
Paid-in capital in excess of par	50,946,200
Total distributable earnings	(5,093,954)
Total net assets	45,855,308
Total liabilities and net assets	\$ 68,132,628
Net asset value per share	\$ 14.98
Statement of Operations	
Year Ended October 31, 2019	

Investment income

Interest income	\$ 8,857,672
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Operating expenses

Interest expense	982,195
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Management fees	1,098,919
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Incentive fees	1,063,672
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Administration fees	739,165
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Professional fees	364,308
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Board of directors fees	180,000
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Other expenses	321,313
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Total operating expenses	4,749,572
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Less: waiver of management fee	(220,441)
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Net operating expenses	4,529,131
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Net investment income	4,328,541
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Realized and unrealized gain (loss) on investments

Net realized gain on investments	10,175
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Net unrealized depreciation on investments	(12,197,225)
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Net loss on investments	(12,187,050)
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Net decrease in net assets resulting from operations	\$ (7,858,509)
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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 view of investment opportunities resulting from price volatility in the loan and CLO market; management's belief that its commitment to strong, long-term performance is aligned with the interests of OFS Capital Management, LLC; 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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