



## OFS Credit Company Announces Second Quarter 2020 Financial Results

June 16, 2020

CHICAGO--(BUSINESS WIRE)--Jun. 16, 2020-- 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 six months ended April 30, 2020.

### HIGHLIGHTS

- Net investment income ("NII") of \$1.2 million, or \$0.39 per common share, for the fiscal quarter ended April 30, 2020.
- Core net investment income ("Core NII")<sup>1</sup> of \$2.3 million, or \$0.71 per common share, which approximated 136% of our distributions for the fiscal quarter ended April 30, 2020.
- On May 26, 2020, OFS Credit's board of directors declared distributions of \$0.52 per share, payable in cash or shares of common stock, for the third and fourth quarters of 2020, payable on July 31, 2020 and October 30, 2020, respectively, to stockholders of record as of June 16, 2020 and September 15, 2020, respectively, implying an annualized distribution of \$2.08 per share. The total amount of cash distributed to all stockholders will be limited to 10% of each total distribution to be paid, excluding any cash paid for fractional shares.
- Net asset value of \$9.27 per common share as of April 30, 2020, a decrease from \$15.92 as of January 31, 2020.
- Closed investments totaling approximately \$2.7 million during the fiscal quarter ended April 30, 2020.
- As of April 30, 2020, the weighted average GAAP (as defined below) effective yield of our CLO equity investments at current cost was 13.99%.

### Management Commentary

"Our net asset value declined due to unrealized declines in fair value, which was primarily a result of a volatile loan market in the quarter," said Bilal Rashid. "Despite this unrealized decline in our fair value, approximately 82% of our investments at cost made payments in April 2020 and we believe that the CLOs in which we have invested have been able to redeploy capital into loans that were trading at a discount. We believe that our commitment to the strong, long-term performance of OFS Credit is aligned with the interests of OFS Capital Management, LLC, our investment adviser who, together with other insiders, own approximately 15.26% of the Company's common stock."

### (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 April 30, 2020**

	Amount	Per Common Share Amount
GAAP Net investment income	\$1,248,693	\$0.39
CLO equity adjustments	1,040,697	0.32
Core Net investment income	\$2,289,390	\$0.71

#### Distributions

On May 26, 2020, our board of directors declared the following distributions on common shares.

Record Date	Payable Date	Distribution Per Common Share (2)
June 16, 2020	July 31, 2020	\$0.52
September 15, 2020	October 30, 2020	\$0.52

(2) The total amount of cash distributed to all stockholders will be limited to 10% of each total distribution to be paid, excluding any cash paid for fractional shares. The remainder of each distribution (approximately 90%) 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 his/her election as well as elections of other stockholders, subject to the pro-rata limitation.

On May 26, 2020, our board of directors declared the following dividends on shares of Series A Term Preferred Stock.

Record Date	Payable Date	Dividend Per Preferred Share
August 24, 2020	August 31, 2020	\$0.1432292
September 23, 2020	September 30, 2020	\$0.1432292
October 23, 2020	October 30, 2020	\$0.1432292
November 23, 2020	November 30, 2020	\$0.1432292
December 24, 2020	December 31, 2020	\$0.1432292
January 22, 2021	January 29, 2021	\$0.1432292

On June 11, 2020, the Company's board of directors authorized a program under which OFS Credit may repurchase up to \$10.0 million of its outstanding shares of Series A Term Preferred Stock. Under this program, OFS Credit may, but is not obligated to, repurchase its outstanding Series A Term Preferred Stock in the open market from time to time through June 11, 2022. The timing and amount of the Preferred Stock to be repurchased will depend on a number of factors, including then-existing market conditions, liquidity, prospects for future access to capital, contractual restrictions, alternative investment opportunities and other factors. In addition, any repurchases will also be conducted in accordance with the Investment Company Act of 1940, as amended. There are no assurances that OFS Credit will engage in any repurchases.

#### RESULTS OF OPERATIONS

##### *Portfolio Composition*

During the three months ended April 30, 2020, OFS Credit closed one new investment totaling \$2.5 million, as well as one follow-on investment totaling \$0.2 million, in CLO equity securities. OFS Credit's portfolio currently has exposure to 23 separate collateral managers.

##### *Interest Income*

Interest income remained stable for the three months ended April 30, 2020 compared to the prior quarter. The approximate \$13,000 decrease in interest income was due to a decrease in the weighted effective yield of the investment portfolio, partially offset by an increase in the size of the portfolio.

##### *Expenses*

Total expenses for the three months ended April 30, 2020 increased approximately \$96,000 compared to the prior quarter.

Management fee expense for the three months ended April 30, 2020 decreased approximately \$83,000 over the prior quarter, primarily due to a decrease in fair value of the investment portfolio.

Professional fees and general and administrative expenses for the three months ended April 30, 2020 increased approximately \$185,000 compared to the prior quarter, primarily due to an increase in legal expenses and franchise taxes.

**Net Loss**

Investments depreciated approximately \$21.1 million during the three months ended April 30, 2020 due to credit losses and rating downgrades, and associated cash flow diversions in the underlying CLO portfolios.

**OFS Credit Company, Inc.**

**Statement of Assets and Liabilities**

**April 30, 2020**

**(unaudited)**

**Assets:**

Investments at fair value (amortized cost of \$79,153,265)	\$ 49,025,116
Cash	2,684,494
Prepaid expenses and other assets	200,091
<b>Total assets</b>	<b>51,909,701</b>

**Liabilities:**

6.875% Series A Term Preferred Stock (net of deferred debt issuance costs of \$650,838)	20,665,662
Payable to adviser and affiliates	940,897
Accrued professional fees	141,500
Other liabilities	73,072
<b>Total liabilities</b>	<b>21,821,131</b>

Commitments and contingencies

**Net assets** **\$ 30,088,570**

**Net assets consists of:**

Common stock, par value of \$0.001 per share; 90,000,000 shares authorized and 3,244,829 shares issued and outstanding as of April 30, 2020	\$ 3,245
Paid-in capital in excess of par	53,748,944
Total distributable earnings	(23,663,619 )
<b>Total net assets</b>	<b>\$ 30,088,570</b>
Net asset value per share	\$ 9.27

**Statement of Operations**

**Six Months Ended April 30, 2020**

**(unaudited)**

**Investment income**

Interest income \$ 5,543,396

**Operating expenses**

Interest expense 815,588

Management fees 537,943

Incentive fees 591,517

Administration fees 447,536

Professional fees 217,973

Other expenses 327,067

**Total operating expenses** 2,937,624

**Net investment income** 2,605,772

**Unrealized gain (loss) on investments**

Net unrealized depreciation on investments (18,000,396 )

**Net loss on investments** (18,000,396 )

**Net decrease in net assets resulting from operations** \$(15,394,624)

#### **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 1940<sup>1</sup>, 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: the ability of CLOs in which the Company has invested to redeploy capital into loans trading at a discount, when there can be no assurance that is the case; 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 well as the impact of the global COVID-19 pandemic and related changes in base interest rates and significant market volatility on our business, our portfolio companies, our industry and the global economy. 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.

<sup>1</sup> Registration does not imply a certain level of skill or training

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