



## OFS Credit Company Announces First Quarter 2021 Financial Results

March 12, 2021

Net Asset Value Increased 22% From Prior Quarter

CHICAGO--(BUSINESS WIRE)--Mar. 12, 2021-- 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 January 31, 2021.

### HIGHLIGHTS

- Net investment income ("NII") of \$1.1 million, or \$0.29 per common share, for the fiscal quarter ended January 31, 2021.
- Core net investment income ("Core NII")<sup>1</sup> of \$2.6 million, or \$0.72 per common share, for the fiscal quarter ended January 31, 2021.
- Net asset value of \$14.14 per common share as of January 31, 2021, an approximate 22% increase from \$11.58 per common share at October 31, 2020.
- On February 8, 2021, OFS Credit's board of directors declared a \$0.53 per share quarterly distribution, an approximate 2% increase from the prior quarter, for common stockholders for the quarter ending April 30, 2021. The distribution is payable in cash or shares of our common stock on April 30, 2021, to stockholders of record as of March 23, 2021. 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.
- As of January 31, 2021, the weighted average GAAP (as defined below) effective yield of our CLO equity investments at current cost was 13.47%.

### Management Commentary

"Our net asset value increased approximately 22% in the quarter due to unrealized gains in fair value, which were primarily due to a continued rebound in the corporate loan market," said Bilal Rashid. "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, owns approximately 15% 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 adviser, 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 that 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 reported to us by the underlying CLOs. However, such taxable income may also include non-cash components—such as the amortization of premium or discounts on the underlying CLOs' commercial loans investments and the amortization of deferred debt issuance costs on the underlying CLOs' debt obligations—as well as realized capital gains or losses resulting from the underlying CLOs' trading activities, 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 January 31, 2021

	Amount	Per Common Share Amount
GAAP Net investment income	\$1,055,630	\$0.29
CLO equity adjustments	1,518,883	0.43
Core Net investment income	\$2,574,513	\$0.72

#### Distributions

On February 8, 2021, our board of directors declared the following distribution on common shares.

#### Record Date Payable Date Distribution Per Common Share (1)

March 23, 2021 April 30, 2021 \$0.53

(1) 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 his/her election as well as elections of other stockholders, subject to the pro-rata limitation.

In addition, on February 8, 2021, the board of directors declared cash distributions on shares of the Company's 6.875% Series A Term Preferred Stock and 6.60% Series B Term Preferred Stock. For the Company's 6.875% Series A Term Preferred Stock, the Board declared six monthly cash distributions of \$0.1432292 per preferred share. For the Company's 6.60% Series B Term Preferred Stock, the Board declared six monthly cash distributions of \$0.1375 per preferred share.

The following schedule applies to the 6.875% Series A Term Preferred Stock distributions for Series A preferred stockholders of record on the close of business of each specific Record Date:

Record Date	Payable Date	Distribution Per Share
February 19, 2021	February 26, 2021	\$0.1432292
March 24, 2021	March 31, 2021	\$0.1432292
April 23, 2021	April 30, 2021	\$0.1432292
May 24, 2021	May 31, 2021	\$0.1432292
June 23, 2021	June 30, 2021	\$0.1432292
July 23, 2021	July 30, 2021	\$0.1432292

The following schedule applies to the 6.60% Series B Term Preferred Stock distributions for Series B preferred stockholders of record on the close of business of each specific Record Date:

Record Date	Payable Date	Distribution Per Share
February 19, 2021	February 26, 2021	\$0.1375
March 24, 2021	March 31, 2021	\$0.1375
April 23, 2021	April 30, 2021	\$0.1375
May 24, 2021	May 31, 2021	\$0.1375

June 23, 2021      June 30, 2021      \$0.1375

July 23, 2021      July 30, 2021      \$0.1375

## RESULTS OF OPERATIONS

### *Portfolio Composition*

The total fair value of our investment portfolio was \$71.4 million at January 31, 2021, which was equal to approximately 87% of amortized cost. During the quarter ended January 31, 2021, we purchased two subordinated notes in new CLOs for \$6.0 million, increasing our portfolio exposure to 24 separate collateral managers.

### *Interest Income*

Interest income remained stable at \$2.75 million for the three months ended January 31, 2021 compared to \$2.74 million in the prior quarter.

### *Expenses*

Total expenses for the three months ended January 31, 2021 increased approximately \$153,000 compared to the prior quarter.

Interest expense for the three months ended January 31, 2021 increased approximately \$46,000 compared to the prior quarter due to the issuance of the 6.60% Series B Term Preferred Stock in November 2020.

Management fee expense for the three months ended January 31, 2021 increased approximately \$60,000 over the prior quarter, primarily due to an increase in the fair value of the investment portfolio.

Incentive fee expense for the three months ended January 31, 2021 decreased approximately \$36,000 over the prior quarter, primarily due to a decrease in net investment income.

Administrative fee expense for the three months ended January 31, 2021 increased approximately \$88,000 over the prior quarter, primarily due to an increase in our allocable portion of personnel and software costs of our administrator, OFS Capital Services, LLC.

### *Net Gain*

Investments appreciated approximately \$10.0 million during the three months ended January 31, 2021, primarily due to the increase in loan prices in the broadly syndicated loan market, which loans underlie our CLO investments.

## OFS Credit Company, Inc.

### Statement of Assets and Liabilities

January 31, 2021

(unaudited)

#### Assets:

Investments at fair value (amortized cost of \$82,238,242)	\$ 71,373,059
Cash	5,739,697
Other assets	226,917
<b>Total assets</b>	<b>77,339,673</b>

#### Liabilities:

Preferred Stock (net of deferred debt issuance costs of \$622,735)	23,693,765
Payable to adviser and affiliates	1,222,465

Accrued professional fees	64,375
Other liabilities	111,347
<b>Total liabilities</b>	<b>25,091,952</b>

Commitments and contingencies

**Net assets** \$ 52,247,721

**Net assets consists of:**

Common stock, par value of \$0.001 per share; 90,000,000 shares authorized and 3,695,652 shares issued and outstanding as of January 31, 2021	\$ 3,696
Paid-in capital in excess of par	54,835,065
Total distributable losses	(2,591,040 )
<b>Total net assets</b>	<b>\$ 52,247,721</b>

Net asset value per share \$ 14.14

**Statement of Operations**

**Three Months Ended January 31, 2021**

**(unaudited)**

**Investment income:**

Interest income \$ 2,750,756

**Operating expenses:**

Interest expense 453,890

Management fees 334,942

Incentive fees 264,020

Administration fees 329,190

Professional fees	173,122
Board of directors fees	45,000
Other expenses	94,962
<b>Total operating expenses</b>	<b>1,695,126</b>

**Net investment income** 1,055,630

**Net realized and unrealized gain (loss) on investments:**

Net unrealized appreciation on investments 10,048,045

**Net gain on investments** 10,048,045

**Net increase in net assets resulting from operations** \$ 11,103,675

**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 Company's results of operations, including NII, Core NII and net asset value and the factors that may affect such results; 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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