



OFS Credit Company Announces Financial Results for First Fiscal Quarter 2022

March 11, 2022

CHICAGO--(BUSINESS WIRE)--Mar. 11, 2022-- 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, 2022.

HIGHLIGHTS

- Net investment income ("NII") of \$2.5 million, or \$0.33 per common share, for the fiscal quarter ended January 31, 2022. This compares to NII of \$0.38 per common share for the fiscal quarter ended October 31, 2021.
- Core net investment income ("Core NII")¹ of \$6.0 million, or \$0.78 per common share, for the fiscal quarter ended January 31, 2022. This compares to Core NII of \$5.1 million, or \$0.69 per common share, for the fiscal quarter ended October 31, 2021.
- On March 1, 2022, OFS Credit's board of directors declared a quarterly distribution of \$0.55 per share of common stock for the quarter ending April 30, 2022. The distribution is payable on April 29, 2022 in cash or shares of our common stock to stockholders of record as of March 15, 2022. 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, 2022, the weighted average effective yield of our investment portfolio at amortized cost was 14.12%.
- During the fiscal quarter ended January 31, 2022, we redeemed \$21.3 million of 6.875% Series A Term Preferred Stock and issued \$35.0 million of 5.25% Series E Term Preferred Stock.

SELECTED FINANCIAL HIGHLIGHTS

For the Fiscal Quarter Ended

January 31, 2022 October 31, 2021

Net Investment Income Per Share

Net investment income per share	\$ 0.33	\$ 0.38
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Net Realized/Unrealized Gain (Loss) Per Share

Loss per share on redemption of preferred stock	\$ (0.05)) \$ —
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Net unrealized appreciation on investments per share ⁽²⁾	—	0.14
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Net realized/unrealized gain (loss) per share	\$ (0.05)) \$ 0.14
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Earnings Per Share

Earnings per share	\$ 0.28	\$ 0.52
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Net Asset Value Per Share

Net asset value per share	\$ 13.72	\$ 14.00
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Core NII Per Share

Net investment income per share	\$ 0.33	\$ 0.38
CLO equity adjustments per share	0.45	0.31
Core NII per share	\$ 0.78	\$ 0.69

Management Commentary

"We were pleased to declare another quarterly dividend that equates to a \$2.20 annualized distribution rate," said Bilal Rashid, Chief Executive Officer.

"Our portfolio continues to perform well. We continue to focus on generating strong cash flow and improving our scale, which we believe will enable us to further diversify the portfolio, reduce corporate overhead as a percentage of investment income and improve trading liquidity."

(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 periodic estimates of cash flows from the estimate date through the expected redemption dates of the investments, and the investments' then-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 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 expected to be reported to us by the underlying CLOs. However, such taxable income may also include non-cash components—such as the amortization of discounts or premiums on the underlying CLOs' commercial loan 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 may 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 for tax treatment 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.

For the Fiscal Quarter Ended January 31, 2022

	Amount	Per Common Share Amount
Net investment income	\$ 2,530,521	\$ 0.33
CLO equity adjustments	3,517,514	0.45
Core NII	\$ 6,048,035	\$ 0.78

(2) Amount rounds to less than a \$0.01 per share for the fiscal quarter ended January 31, 2022.

DISTRIBUTIONS

On March 1, 2022, our board of directors declared the following distribution on shares of our common stock.

Record Date **Payable Date** **Distribution Per Common Share** ⁽³⁾

March 15, 2022 April 29, 2022 \$0.55

(3) 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.

PORTFOLIO AND INVESTMENT ACTIVITIES

(\$ in millions)

The total fair value of our investment portfolio was \$167.7 million at January 31, 2022, which was equal to approximately 96% of amortized cost.

Portfolio Overview	At January 31, 2022		At October 31, 2021	
Investment portfolio, at fair value	\$	167.7	\$	149.7
Total number of portfolio companies		61		57
Weighted-average effective yield		14.12 %		14.35 %

For the Fiscal Quarter Ended

Portfolio Activity	January 31, 2022		October 31, 2021	
Investments in subordinated notes	\$	8.0	\$	19.2
Investments in loan accumulation facilities	\$	16.0	\$	9.9

RESULTS OF OPERATIONS

Interest Income

For the fiscal quarter ended January 31, 2022, interest income increased to \$5.8 million compared to \$5.7 million in the prior quarter. The increase in interest income was due to the deployment of new capital into subordinated notes and CLO loan accumulation facilities, partially offset by a slight decrease in the portfolio's weighted effective yield to 14.12% from 14.35% at October 31, 2021.

Expenses

For the fiscal quarter ended January 31, 2022, total expenses of \$3.3 million increased \$0.4 million compared to the prior quarter primarily due to an increase in interest expense and administration fees.

Net realized and unrealized gain (loss)

For the fiscal quarter ended January 31, 2022, net realized and unrealized losses of \$0.4 million was primarily due to the loss on early extinguishment of preferred stock related to the redemption of \$21.3 million in aggregate principal amount of our 6.875% Series A Term Preferred Stock due in March 2024.

OFS Credit Company, Inc. Statement of Assets and Liabilities January 31, 2022 (unaudited)

Assets:

Investments at fair value (amortized cost of \$174,751,480)	\$ 167,653,641
Cash	6,001,823
Interest receivable	630,896

Other assets	230,686
Total assets	174,517,046

Liabilities:

Preferred stock (net of deferred debt issuance costs of \$1,958,664)	62,041,336
Payable to adviser and affiliates	2,351,677
Accrued professional fees	226,121
Other liabilities	155,177
Total liabilities	64,774,311

Commitments and contingencies

Net assets	\$ 109,742,735
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Net assets consists of:

Common stock, par value of \$0.001 per share; 90,000,000 shares authorized and 7,999,063, shares issued and outstanding as of January 31, 2022	\$ 7,999
Paid-in capital in excess of par	100,080,637
Total distributable earnings	9,654,099
Total net assets	\$ 109,742,735

Net asset value per share	\$ 13.72
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**Statement of Operations
Three Months Ended January 31, 2022
(unaudited)**

Investment income:

Interest income	\$ 5,832,491
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Operating expenses:

Interest expense	982,344
Management fees	766,245
Incentive fees	632,630
Administration fees	550,130
Professional fees	199,362
Board of directors fees	45,000
Other expenses	126,259
Total operating expenses	3,301,970

Net investment income 2,530,521

Net realized and unrealized gain (loss)

Loss on redemption of preferred stock	(384,729)
Net unrealized appreciation on investments	10,673
Net realized and unrealized gain (loss)	(374,056)

Net increase in net assets resulting from operations \$ 2,156,465

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 1940⁴, 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; management's beliefs regarding portfolio performance; management's belief that focusing on cash flow and increasing the Company's scale will further diversify the Company's portfolio, reduce corporate overhead as a percentage of investment income and improve trading liquidity, when there can be no assurance that any of those benefits will occur; 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, inflation 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.

⁴ Registration does not imply a certain level of skill or training

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