



OFS Credit Company Announces Financial Results for Second Fiscal Quarter 2022

June 7, 2022

CHICAGO--(BUSINESS WIRE)--Jun. 7, 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 April 30, 2022.

HIGHLIGHTS

- Net investment income ("NII") of \$3.1 million, or \$0.38 per common share, for the fiscal quarter ended April 30, 2022. This compares to NII of \$0.33 per common share for the fiscal quarter ended January 31, 2022.
- Core net investment income ("Core NII") ¹ of \$7.8 million, or \$0.97 per common share, for the fiscal quarter ended April 30, 2022. This compares to Core NII of \$6.0 million, or \$0.78 per common share, for the fiscal quarter ended January 31, 2022.
- On June 1, 2022, OFS Credit's board of directors declared a quarterly distribution of \$0.55 per share of common stock for the fiscal quarter ending July 31, 2022. The distribution is payable on July 29, 2022 in cash or shares of our common stock to stockholders of record as of June 13, 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 April 30, 2022, the weighted average effective yield of our investment portfolio at amortized cost was 15.15%.

SELECTED FINANCIAL HIGHLIGHTS

(in thousands, except per share data)

	April 30, 2022	January 31, 2022
Investment portfolio, at fair value	\$ 158,666	\$ 167,654
Net asset value per share	\$ 12.44	\$ 13.72
For the Fiscal Quarter Ended		
	April 30, 2022	January 31, 2022
Net Investment Income Per Share	\$ 0.38	\$ 0.33
Net Realized/Unrealized Gain (Loss) Per Share		
Loss on redemption of preferred stock per share	\$ —	\$ (0.05)
Net change in unrealized depreciation on investments per share ⁽²⁾	(1.10)	—
Net realized/unrealized loss per share	\$ (1.10)	\$ (0.05)

Earnings (Loss) Per Share	\$ (0.72)	\$ 0.28
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Core NII Per Share

Net investment income per share	\$ 0.38	\$ 0.33
CLO equity adjustments per share	0.59	0.45
Core NII per share	\$ 0.97	\$ 0.78

¹ 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”). Core NII represents NII adjusted for additional applicable cash distributions received on our CLO equity investments. See additional information under “Supplemental Information Regarding Core Net Investment Income” below.

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

MANAGEMENT COMMENTARY

“During the second fiscal quarter, we continued to generate solid NII and Core NII per share from our portfolio”, said Bilal Rashid, Chief Executive Officer. “Our EPS and NAV per share were impacted in the quarter by a meaningful widening of market yields on CLO equity, but default rates continue to remain below historical levels and we believe overall credit fundamentals of the portfolio remain strong. Given current market volatility, we expect to continue to closely manage the investment portfolio and believe our balance sheet is well positioned in this environment with over 95.0% of our fixed rate liabilities maturing in 2026.”

DISTRIBUTIONS

On June 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⁾
June 13, 2022	July 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

The total fair value of our investment portfolio was approximately \$158.7 million as of April 30, 2022, which was equal to approximately 91% of amortized cost. During the quarter ended April 31, 2022, we made additional investments of approximately \$19.0 million and received approximately \$15.5 million from sales and repayments of our CLO investments.

Portfolio Overview

(\$ in millions, except number of portfolio companies) **As of April 30, 2022** **As of January 31, 2022**

Investment portfolio, at fair value	\$ 158.7	\$ 167.7
Total number of portfolio companies	63	61
Weighted-average effective yield	15.15 %	14.12 %

For the Fiscal Quarter Ended

Portfolio Activity **April 30, 2022** **January 31, 2022**

Investments in subordinated notes	\$ 15.6	\$ 8.0
Investments in loan accumulation facilities	3.4	16.0

RESULTS OF OPERATIONS

Interest Income

For the fiscal quarter ended April 30, 2022, interest income increased to \$6.0 million compared to \$5.8 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 and an increase in the portfolio's weighted effective yield to 15.15% as of April 30, 2022 from 14.12% at January 31, 2022.

Expenses

For the fiscal quarter ended April 30, 2022, total expenses of \$3.0 million decreased \$0.3 million compared to the prior quarter, primarily due to a decrease in incentive and administration fees.

Net realized and unrealized gain (loss)

For the fiscal quarter ended April 30, 2022, net unrealized losses of \$8.8 million were primarily due to widening of liquid credit market spreads.

OFS Credit Company, Inc.

Statement of Assets and Liabilities

	April 30, 2022
	(unaudited)
Assets:	
Investments at fair value (amortized cost of \$174,603,308)	\$ 158,665,746
Cash	8,307,589
Interest receivable	346,748
Other assets	181,717
Total assets	167,501,800
Liabilities:	
Preferred stock (net of deferred issuance costs of \$1,924,254)	62,075,746
Payable to adviser and affiliates	1,740,645
Accrued professional fees	361,817
Other liabilities	47,100
Total liabilities	64,225,308

Net assets	\$ 103,276,492
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Net assets consists of:

Common stock, par value of \$0.001 per share; 90,000,000 shares authorized and 8,300,744 shares issued and outstanding as of April 30, 2022	\$ 8,301
Paid-in capital in excess of par	103,792,215
Total accumulated losses	(524,024)
Total net assets	\$ 103,276,492

Net asset value per share	\$ 12.44
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OFS Credit Company, Inc.

Statement of Operations

	Three Months Ended	Six Months Ended
	April 30, 2022	April 30, 2022
	(unaudited)	(unaudited)
Investment income:		
Interest income	\$ 6,035,687	\$ 11,868,178
Operating expenses:		
Interest expense	1,023,689	2,006,034
Management fees	737,356	1,503,600
Incentive fees	524,557	1,157,187
Administration fees	256,075	806,205
Professional fees	260,347	459,709
Board of directors fees	45,000	90,000
Other expenses	127,580	253,839

Total operating expenses	2,974,603	6,276,574
Net investment income	3,061,084	5,591,604
Net realized and unrealized gain (loss)		
Loss on redemption of preferred stock	—	(384,729)
Net change in unrealized depreciation on investments	(8,839,723)	(8,829,050)
Net realized and unrealized loss	(8,839,723)	(9,213,779)
Net decrease in net assets resulting from operations	\$ (5,778,639)	\$ (3,622,175)

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 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, including credit fundamentals; the impact of widening market yields on CLO equity and the Company's EPS and NAV; management's belief that the Company's balance sheet is well positioned; management's ability to manage the portfolio in periods of market volatility; and other factors may constitute forward-looking statements. These forward-looking statements are not historical facts, but rather are based on current expectations, estimates and projections about us, our current and prospective portfolio investments, our industry, our beliefs, and our assumptions. Words such as "anticipates," "expects," "intends," "plans," "will," "may," "continue," "believes," "seeks," "estimates," "would," "could," "should," "targets," "projects," and variations of these words and similar expressions are intended to identify forward-looking statements. These statements are not guarantees of future performance and are subject to risks, uncertainties, and other factors, some of which are beyond our control and difficult to predict and could cause actual results to differ materially from those expressed or forecasted in the forward-looking statements, 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 ("SEC"), as well as the impact of significant market volatility on our business, our portfolio companies, our industry and the global economy, caused by impacts from the COVID-19 pandemic, the ongoing conflict between Russia and the Ukraine, and rising interest and inflation rates. Although we believe that the assumptions on which these forward-looking statements are based are reasonable, any of those assumptions could prove to be inaccurate, and, as a result, the forward-looking statements based on those assumptions also could be inaccurate. In light of these and other uncertainties, the inclusion of a projection or forward-looking statement in this press release should not be regarded as a representation by us that our plans and objectives will be achieved. You should not place undue reliance on these forward-looking statements, which apply only as of the date of this press release. Except as required by the federal securities laws, we undertake no obligation to revise or update any forward-looking statements, whether as a result of new information, future events or otherwise. You are advised to consult any additional disclosures that we may make directly to you or through reports that we in the future may file with the SEC, including Annual and Semi-Annual Reports on Form N-CSR and monthly portfolio investments reports filed on Form N-PORT for the third month of each of our fiscal quarters.

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

Supplemental Information Regarding Core Net Investment Income

We provide information relating to Core NII (a non-GAAP measure) on a supplemental basis. This measure is not provided as a substitute for GAAP NII, but in addition to it. Our non-GAAP measures may differ from similar measures by other companies, even in the event of similar terms being utilized to identify such measures. Core NII represents GAAP NII adjusted for additional applicable 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 gauging the quality of Company's financial performance, identifying trends in its results and providing meaningful period-to-period comparisons.

Income from investments in the "equity" class securities of CLO vehicles, for GAAP purposes, is recorded using the effective interest method; this is based on an effective yield to the expected redemption utilizing estimated cash flows, at current cost, including those CLO equity investments that have not made their inaugural distribution for the relevant period end. The result is an effective yield for the investment in which the respective

investment's cost basis is adjusted quarterly based on the difference between the actual cash received, or distributions entitled to be received, and the effective yield calculation. Accordingly, investment income recognized on CLO equity securities in the GAAP statement of operations differs from the cash distributions actually received by the Company during the period (referred to below as "CLO equity adjustments").

Furthermore, in order for the Company to continue to qualify for tax treatment as a regulated investment company, we are required, among other things, to distribute at least 90% of our investment company taxable income annually. Therefore, Core NII may provide a better indication of our estimated taxable income for a reporting period than GAAP NII; we can offer no assurance that will be the case, however, as the ultimate tax character of our earnings cannot be determined until after tax returns are prepared at the close of a fiscal year. We 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.

The following table provides a reconciliation of GAAP NII to Core NII for the fiscal quarters ended April 30, 2022 and January 31, 2022:

	For the Fiscal Quarter Ended April 30, 2022		For the Fiscal Quarter Ended January 31, 2022	
	Amount	Per Common Share Amount	Amount	Per Common Share Amount
Net investment income	\$ 3,061,084	\$ 0.38	\$ 2,530,521	\$ 0.33
CLO equity adjustments	4,706,825	0.59	3,517,514	0.45
Core NII	\$ 7,767,909	\$ 0.97	\$ 6,048,035	\$ 0.78

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