

## OFS Credit Company Announces Financial Results for Third Fiscal Quarter 2022

September 9, 2022

CHICAGO--(BUSINESS WIRE)--Sep. 9, 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 July 31, 2022.

### HIGHLIGHTS

- Net investment income ("NII") of \$3.5 million, or \$0.42 per common share, for the fiscal quarter ended July 31, 2022. This compares to NII of \$3.1 million, or \$0.38 per common share, for the fiscal quarter ended April 30, 2022.
- Core net investment income ("Core NII") <sup>1</sup> of \$4.5 million, or \$0.54 per common share, for the fiscal quarter ended July 31, 2022. Core NII declined \$3.2 million, or \$0.43 per common share, from the prior quarter primarily due to rising interest rates, which caused a mismatch in asset and liability rate resets and the elimination of the LIBOR/SOFR floor benefit within the underlying CLO structure.
- On September 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 October 31, 2022. The distribution is payable on October 31, 2022 in cash or shares of our common stock to stockholders of record as of September 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 July 31, 2022, the weighted average effective yield of our investment portfolio at amortized cost was 16.86%.

### SELECTED FINANCIAL HIGHLIGHTS

(in thousands, except per share data)

	<u>As of July 31, 2022</u>	<u>As of April 30, 2022</u>
Investment portfolio, at fair value	\$ 147,903	\$ 158,666
Net asset value per share	\$ 10.61	\$ 12.44

(Per common share)	<u>For the Fiscal Quarter Ended</u>	
	<u>July 31, 2022</u>	<u>April 30, 2022</u>
Net investment income	\$ 0.42	\$ 0.38
Net unrealized loss	(1.63)	(1.10)
Earnings (loss)	\$ (1.21)	\$ (0.72)

### Core NII — Non-GAAP

Net investment income	\$ 0.42	\$ 0.38
CLO equity adjustments	0.12	0.59
Core NII	<u>\$ 0.54</u>	<u>\$ 0.97</u>

<sup>1</sup> 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.

### MANAGEMENT COMMENTARY

"Our effective yield and NII remained strong and both increased for the second straight quarter," said Bilal Rashid, Chief Executive Officer. "While unrealized depreciation impacted our EPS and NAV per share, we believe this unrealized depreciation is primarily due to widening spreads and is not due to fundamental credit issues. We believe our balance sheet is well positioned in this environment as 100% of our liabilities are fixed rate with a weighted average stated interest rate of 5.66%, and over 95% of our liabilities mature in 2026."

### DISTRIBUTIONS

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

<u>Record Date</u>	<u>Payable Date</u>	<u>Distribution Per Common Share <sup>2</sup></u>
September 13, 2022	October 31, 2022	\$0.55

<sup>2</sup> 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

As of July 31, 2022, the total fair value of our investment portfolio was approximately \$147.9 million, which was equal to approximately 83% of amortized cost. During the quarter ended July 31, 2022, we made additional investments of approximately \$5.2 million and received approximately \$1.4 million from sales and repayments of our investments.

### Portfolio Overview

<i>(\$ in millions)</i>	<u>As of July 31, 2022</u>	<u>As of April 30, 2022</u>
Investment portfolio, at fair value	\$ 147.9	\$ 158.7
Total number of portfolio companies	64	63
Weighted-average effective yield	16.86%	15.15%

<u>Portfolio Activity</u>	<u>For the Fiscal Quarter Ended</u>	
	<u>July 31, 2022</u>	<u>April 30, 2022</u>
CLO equity investments	\$ 4.0	\$ 15.6
Loan accumulation facility investments	1.2	3.4
Total investments	\$ 5.2	\$ 19.0

## RESULTS OF OPERATIONS

### Interest Income

For the fiscal quarter ended July 31, 2022, interest income increased to \$6.8 million compared to \$6.0 million in the prior quarter. The increase in interest income was primarily due to an increase in the earned yield on investments to 15.4% from 14.2% during the prior quarter.

### Expenses

For the fiscal quarter ended July 31, 2022, total expenses increased \$0.37 million to \$3.34 million compared to \$2.97 million for the prior quarter, primarily due to an increase in incentive fees.

### Net realized and unrealized gain (loss)

For the fiscal quarter ended July 31, 2022, net unrealized depreciation of \$13.5 million was primarily due to widening of liquid credit market spreads.

## OFS Credit Company, Inc. Statement of Assets and Liabilities

	<u>July 31, 2022</u> (unaudited)
<b>Assets:</b>	
Investments, at fair value (amortized cost of \$177,386,461)	\$147,903,206
Cash	8,675,066
Interest receivable	365,306
Other assets	117,879
<b>Total assets</b>	<u>\$157,061,457</u>
<b>Liabilities:</b>	
Preferred stock (net of deferred issuance costs of \$1,809,074)	\$ 62,190,926
Payable to adviser and affiliates	2,166,071
Accrued professional fees	329,241
Other liabilities	51,632
<b>Total liabilities</b>	<u>\$ 64,737,870</u>
<b>Net assets</b>	<u>\$ 92,323,587</u>
<b>Net assets consists of:</b>	
Common stock, par value of \$0.001 per share; 90,000,000 shares authorized and 8,700,340 shares issued and outstanding as of July 31, 2022	\$ 8,700
Paid-in capital in excess of par	107,444,122
Total accumulated losses	(15,129,235)
<b>Total net assets</b>	<u>\$ 92,323,587</u>
Net asset value per share	\$ 10.61

**OFS Credit Company, Inc.**  
**Statements of Operations**

	<b>Three Months Ended</b>	<b>Nine Months Ended</b>
	<b>July 31, 2022</b>	<b>July 31, 2022</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
<b>Investment income:</b>		
Interest income	\$ 6,849,518	\$ 18,717,696
<b>Operating expenses:</b>		
Interest expense	1,021,241	3,027,275
Management fees	690,772	2,194,372
Incentive fees	876,473	2,033,660
Administration fees	326,811	1,133,016
Professional fees	211,150	670,859
Board of directors fees	45,000	135,000
Other expenses	172,180	426,019
<b>Total operating expenses</b>	<b>3,343,627</b>	<b>9,620,201</b>
<b>Net investment income</b>	<b>3,505,891</b>	<b>9,097,495</b>
<b>Net realized and unrealized gain (loss)</b>		
Loss on redemption of preferred stock	—	(384,729)
Net change in unrealized depreciation on investments	(13,545,693)	(22,374,743)
<b>Net realized and unrealized loss</b>	<b>(13,545,693)</b>	<b>(22,759,472)</b>
<b>Net decrease in net assets resulting from operations</b>	<b>\$ (10,039,802)</b>	<b>\$ (13,661,977)</b>

**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>3</sup>, 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 the cause of unrealized depreciation and whether such depreciation will be reversed, when there can be no assurance that will be the case; management's belief that the Company's balance sheet is well positioned; 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.

<sup>3</sup> 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 amortized 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 July 31, 2022 and April 30, 2022:

	For the Fiscal Quarter Ended July 31, 2022		For the Fiscal Quarter Ended April 30, 2022	
	Amount	Per Common Share Amount	Amount	Per Common Share Amount
Net investment income	\$ 3,505,891	\$ 0.42	\$ 3,061,084	\$ 0.38
CLO equity adjustments	1,013,500	0.12	4,706,825	0.59
Core NII	<u>\$ 4,519,391</u>	<u>\$ 0.54</u>	<u>\$ 7,767,909</u>	<u>\$ 0.97</u>

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INVESTOR RELATIONS:

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