

OFS Credit Company Announces Financial Results for the First Fiscal Quarter 2023

March 10, 2023

CHICAGO--(BUSINESS WIRE)--Mar. 10, 2023-- 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, 2023.

FIRST QUARTER HIGHLIGHTS

- Net investment income ("NII") of \$3.8 million, or \$0.41 per common share, for the fiscal quarter ended January 31, 2023. This compares to NII of \$4.0 million, or \$0.44 per common share, for the fiscal quarter ended October 31, 2022. The decrease in net investment income was primarily due to a decrease in the portfolio's weighted-average effective yield.
- Core net investment income ("Core NII")¹ of \$3.6 million, or \$0.38 per common share, for the fiscal quarter ended January 31, 2023. Core NII declined \$0.2 million, or \$0.05 per common share, from the prior quarter, primarily due to a decrease in initial CLO equity payments received on newly issued CLOs. For our newly issued CLO investments, it may take up to three quarters from issuance to receive initial distribution payments.
- Net asset value ("NAV") per common share of \$10.13 as of January 31, 2023, an increase from \$9.98 as of October 31, 2022.
- As of January 31, 2023, the weighted average effective yield of our investment portfolio at amortized cost was 15.64%.

SUBSEQUENT EVENTS

- On March 1, 2023, OFS Credit's board of directors declared a quarterly distribution of \$0.55 per share of common stock for the fiscal quarter ending April 30, 2023. The distribution is payable on April 28, 2023 in cash or shares of our common stock to stockholders of record as of March 14, 2023. 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.

SELECTED FINANCIAL HIGHLIGHTS

(in millions, except per share data) (unaudited)

	<u>As of January 31, 2023</u>	<u>As of October 31, 2022</u>
Investment portfolio, at fair value	\$ 151.1	\$ 145.8
NAV per share	\$ 10.13	\$ 9.98

	For the Fiscal Quarter Ended	
(Per common share)	<u>January 31, 2023</u>	<u>October 31, 2022</u>
Net investment income	\$ 0.41	\$ 0.44
Net unrealized gain (loss) on investments	0.35	(0.43)
Total earnings	\$ 0.76	\$ 0.01

Core NII — Non-GAAP

Net investment income	\$ 0.41	\$ 0.44
CLO equity adjustments	(0.03)	(0.01)
Core NII	\$ 0.38	\$ 0.43

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 differences in applicable cash distributions received on our CLO equity investments. See additional information under "Supplemental Information Regarding Core Net Investment Income" below.

MANAGEMENT COMMENTARY

"We are pleased with our first quarter performance in the face of a continuously challenging macro environment. We generated strong earnings per common share and increased our NAV per common share as our portfolio experienced unrealized gains related to credit market spreads tightening during the quarter and we reversed a portion of the unrealized mark-to-market losses that we incurred during our fiscal year ended October 31, 2022. We continue to believe that the majority of prior period unrealized losses were primarily related to spread widening and not due to fundamental credit issues," said Bilal Rashid, Chief Executive Officer. "We believe that our balance sheet remains strong with 100% fixed-rate financing and over 95.0% of our liabilities maturing in 2026, which we expect will provide us with a measure of protection in today's rising rate environment."

PORTFOLIO AND INVESTMENT ACTIVITIES

As of January 31, 2023, the total fair value of our investment portfolio was approximately \$151.1 million, which was equal to approximately 83% of amortized cost. Although new primary market CLO issuances have declined due to current economic and market conditions, we continue to evaluate new investment opportunities, in both the primary and secondary markets, and intend to deploy capital into investments that we believe will generate

attractive risk-adjusted returns. During the quarter ended January 31, 2023, we deployed \$5.8 million into three new CLO equity and debt investments. As of January 31, 2023, we had \$14.9 million of cash available for potential future investment opportunities and general working capital needs.

Portfolio Overview

<i>(\$ in millions)</i>	<u>As of January 31, 2023</u>	<u>As of October 31, 2022</u>
Investment portfolio, at fair value	\$ 151.1	\$ 145.8
Total number of portfolio companies	67	65
Weighted-average effective yield	15.64%	16.64%

<i>Portfolio Activity (\$ in millions)</i>	<u>For the Fiscal Quarter Ended</u>	
	<u>January 31, 2023</u>	<u>October 31, 2022</u>
CLO equity investments	\$ 3.9	\$ —
CLO debt investments	1.9	1.8
Total investments	\$ 5.8	\$ 1.8

RESULTS OF OPERATIONS

Interest Income

For the fiscal quarter ended January 31, 2023, interest income remained stable at \$7.5 million compared to the prior quarter as growth in total investments at cost was offset by a decline in the weighted average effective yield on our investment portfolio.

Expenses

For the fiscal quarter ended January 31, 2023, total expenses increased \$0.1 million to \$3.6 million compared to the prior quarter, primarily due to increases in professional fees and management fees.

Net realized and unrealized gain (loss)

For the fiscal quarter ended January 31, 2023, net change in unrealized appreciation of \$3.3 million was primarily due to tightening of liquid credit market spreads.

DISTRIBUTIONS

On March 1, 2023, 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 Share²</u>
March 14, 2023	April 28, 2023	\$0.55

² 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.

OFS Credit Company, Inc. Statement of Assets and Liabilities

	<u>As of January 31, 2023</u> (unaudited)
Assets:	
Investments, at fair value (amortized cost of \$181,161,434)	\$ 151,115,749
Cash	14,863,217
Interest receivable	589,346
Other assets	137,580
Total assets	<u>\$ 166,705,892</u>
Liabilities:	
Preferred stock (net of deferred issuance costs of \$1,578,716)	\$ 62,421,284
Payable to adviser and affiliates	2,390,653
Accrued professional fees	256,500
Other liabilities	312,000
Total liabilities	<u>\$ 65,380,437</u>
Net assets	<u>\$ 101,325,455</u>

Net assets consist of:

Common stock, par value of \$0.001 per share; 90,000,000 shares authorized and 9,997,837 shares issued and outstanding	\$ 9,998
Paid-in capital in excess of par	114,688,905
Total accumulated losses	(13,373,448)
Total net assets	\$ 101,325,455
Net asset value per share	\$ 10.13

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

	Three Months Ended January 31, 2023 (unaudited)
Investment income:	
Interest income	\$ 7,479,588
Operating expenses:	
Interest expense	1,021,241
Management fees	730,700
Incentive fees	961,065
Administration fees	289,395
Professional fees	217,953
Excise tax	240,000
Other expenses	174,974
Total operating expenses	3,635,328
Net investment income	3,844,260
Net realized and unrealized gain (loss):	
Net change in unrealized appreciation on investments	3,312,705
Net realized and unrealized gain	3,312,705
Net increase in net assets resulting from operations	\$ 7,156,965

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 1940³, 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, earnings per share and net asset value and the factors that may affect such results; management's beliefs regarding the cause of unrealized mark-to market losses; management's belief that the Company's balance sheet is well positioned due to liabilities that have a fixed rate of interest with maturities that do not come due until 2026, when there can be no assurance that such a composition will lead to future success; management's intention to deploy capital into discounted investments to achieve attractive risk-adjusted returns; 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"), such as rising interest rates and high inflation rates, the ongoing war between Russia and Ukraine, the continuing impact of the COVID-19 pandemic and significant market volatility on our business, our portfolio companies, our industry and the global economy. 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.

³ 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 differences in 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 the 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 January 31, 2023 and October 31, 2022 (unaudited):

	For the Fiscal Quarter Ended January 31, 2023		For the Fiscal Quarter Ended October 31, 2022	
	Amount	Per Common Share Amount	Amount	Per Common Share Amount
Net investment income	\$ 3,844,260	\$ 0.41	\$ 3,950,999	\$ 0.44
CLO equity adjustments	(222,342)	(0.03)	(93,022)	(0.01)
Core NII	<u>\$ 3,621,918</u>	<u>\$ 0.38</u>	<u>\$ 3,857,977</u>	<u>\$ 0.43</u>

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