

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

September 8, 2023

CHICAGO--(BUSINESS WIRE)--Sep. 8, 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 July 31, 2023.

THIRD QUARTER HIGHLIGHTS

- Net investment income ("NII") of \$3.8 million, or \$0.34 per common share, for the fiscal quarter ended July 31, 2023. This compares to NII of \$3.6 million, or \$0.35 per common share, for the fiscal quarter ended April 30, 2023. The decrease in net investment income per common share was primarily due to a decrease in the portfolio's earned investment yield and an increase in the weighted average shares outstanding primarily related to common stock issued pursuant to our "At-the-Market" offering.
- Core net investment income ("Core NII")¹ of \$7.0 million, or \$0.62 per common share, for the fiscal quarter ended July 31, 2023. Core NII increased \$1.0 million, or \$0.03 per common share, from the prior quarter. The increase in Core NII was primarily due to an increase in CLO equity issuers making their initial cash distribution payments.
- Net asset value ("NAV") per common share of \$8.02 as of July 31, 2023, a decrease of \$0.46 from NAV of \$8.48 as of April 30, 2023.
- During the fiscal quarter ended July 31, 2023, the earned income yield of our investment portfolio at amortized cost was 14.7%.

OTHER RECENT EVENTS

- On September 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 October 31, 2023. The distribution is payable on October 31, 2023 in cash or shares of our common stock to stockholders of record as of September 15, 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 July 31, 2023</u>	<u>As of April 30, 2023</u>
Investment portfolio, at fair value	\$ 147.1	\$ 142.6
NAV per common share	8.02	8.48
	<u>For the Fiscal Quarter Ended</u>	
	<u>July 31, 2023</u>	<u>April 30, 2023</u>
(Per common share)		
Net investment income	\$ 0.34	\$ 0.35
Net unrealized depreciation on investments	(0.29)	(1.49)
Net earnings (loss)	\$ 0.05	\$ (1.14)
 Core NII — Non-GAAP ¹		
Net investment income	\$ 0.34	\$ 0.35
CLO equity adjustments	0.28	0.24
Core NII	<u>\$ 0.62</u>	<u>\$ 0.59</u>

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 relative to income recognized in accordance with GAAP. See additional information under "Supplemental Information Regarding Core Net Investment Income" below.

MANAGEMENT COMMENTARY

"We continue to deploy capital into new investments both in the primary and secondary markets," said Bilal Rashid, Chief Executive Officer. "We continue to believe that our balance sheet remains well positioned with 100% fixed-rate financing and over 95% of our liabilities maturing in 2026."

PORTFOLIO AND INVESTMENT ACTIVITIES

As of July 31, 2023, the total fair value of our investment portfolio was approximately \$147.1 million, which was equal to approximately 75% of amortized cost.

Subsequent to July 31, 2023, we deployed \$24.2 million into new CLO investments and an additional \$0.8 million into a current portfolio investment.

Portfolio Overview (\$ in millions)	As of July 31, 2023	As of April 30, 2023
Investment portfolio, at fair value	\$ 147.1	\$ 142.6
Total number of portfolio companies	74	69
Weighted-average effective yield	14.11%	14.58%

Portfolio Activity (\$ in millions)	For the Fiscal Quarter Ended	
	July 31, 2023	April 30, 2023
CLO equity investments	\$ 3.9	\$ —
CLO debt investments	6.4	9.6
Loan accumulation facility investments	0.6	0.1
Total investments	\$ 10.9	\$ 9.7
Weighted-average effective yield	20.23%	13.65%

Portfolio Composition (\$ in millions)	As of July 31, 2023	
	Cost	Fair Value
CLO equity investments	\$ 166.2	\$ 117.5
CLO debt investments	20.5	20.7
Loan accumulation facility investments	8.1	8.0
Other CLO equity-related investments	0.8	0.9
Total investments	\$ 195.6	\$ 147.1

RESULTS OF OPERATIONS

Interest Income

During the fiscal quarter ended July 31, 2023, interest income increased by \$0.3 million, to \$7.2 million, compared to the prior quarter.

Expenses

During the fiscal quarter ended July 31, 2023, total expenses remained stable at \$3.4 million, increasing \$0.1 million over the prior quarter.

Net realized and unrealized gain (loss)

During the fiscal quarter ended July 31, 2023, net change in unrealized depreciation of \$3.3 million was primarily due to broader declines in CLO equity pricing, buoyed by an increase in underlying loan prices.

DISTRIBUTIONS

On September 1, 2023, our board of directors declared the following distribution on shares of our common stock:

Record Date	Payable Date	Distribution Per Common Share²
September 15, 2023	October 31, 2023	\$0.55

²The 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. Participants in the Company's dividend reinvestment plan will also receive an election form. The investment feature of the dividend reinvestment plan will be suspended for the common stock distribution payable in cash and common stock on October 31, 2023 and will be reinstated after the distribution has been completed.

OFS Credit Company, Inc.

Statement of Assets and Liabilities

	As of July 31, 2023 (unaudited)
Assets:	
Investments, at fair value (amortized cost of \$195,620,796)	\$ 147,075,483
Cash	22,541,930
Interest receivable	729,155
Other assets	791,002
Total assets	171,137,570
Liabilities:	
Preferred stock (net of deferred issuance costs of \$1,348,358)	62,651,642
Payable to adviser and affiliates	2,252,174
Accrued professional fees	402,026
Other liabilities	74,000

Total liabilities	<u>65,379,842</u>
Net assets	<u>\$ 105,757,728</u>
Net assets consist of:	
Common stock, par value of \$0.001 per share; 90,000,000 shares authorized and 13,187,300 shares issued and outstanding	\$ 13,187
Paid-in capital in excess of par	141,706,879
Total accumulated losses	<u>(35,962,338)</u>
Total net assets	<u>\$ 105,757,728</u>
Net asset value per share	\$ 8.02

OFS Credit Company, Inc.
Statements of Operations

	Three Months Ended July 31, 2023 (unaudited)	Nine Months Ended July 31, 2023 (unaudited)
Investment income:		
Interest income	\$ 7,228,780	\$ 21,616,886
Operating expenses:		
Interest expense	1,021,241	3,063,723
Management fees	750,181	2,169,362
Incentive fees	962,141	2,826,032
Administration fees	322,663	891,910
Professional fees	243,736	636,317
Excise tax provision (benefit)	(70,000)	230,000
Other expenses	150,253	495,416
Total operating expenses	<u>3,380,215</u>	<u>10,312,760</u>
Net investment income	<u>3,848,565</u>	<u>11,304,126</u>
Net realized and unrealized loss:		
Net change in unrealized depreciation on investments	<u>(3,319,205)</u>	<u>(15,186,923)</u>
Net realized and unrealized loss	<u>(3,319,205)</u>	<u>(15,186,923)</u>
Net increase (decrease) in net assets resulting from operations	<u>\$ 529,360</u>	<u>\$ (3,882,797)</u>

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 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; 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 elevated inflation rates, the ongoing war between Russia and Ukraine, instability in the U.S. and international banking systems, the risk of recession 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.

3Registration 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 relative to income recognized in accordance with GAAP. 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 our tax returns are prepared after 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, 2023 and April 30, 2023 (unaudited):

	For the Fiscal Quarter Ended July 31, 2023		For the Fiscal Quarter Ended April 30, 2023	
	Amount	Per Common Share Amount	Amount	Per Common Share Amount
Net investment income	\$ 3,848,565	\$ 0.34	\$ 3,611,303	\$ 0.35
CLO equity adjustments	3,160,851	0.28	2,439,456	0.24
Core NII	<u>\$ 7,009,416</u>	<u>\$ 0.62</u>	<u>\$ 6,050,759</u>	<u>\$ 0.59</u>

View source version on [businesswire.com](https://www.businesswire.com/news/home/20230908846004/en/): <https://www.businesswire.com/news/home/20230908846004/en/>

INVESTOR RELATIONS:
OFS Credit Company, Inc.
Steve Altebrando, 646-652-8473
saltebrando@ofsmanagement.com

Source: OFS Credit Company, Inc.