

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

December 11, 2023

CHICAGO--(BUSINESS WIRE)--Dec. 11, 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 fourth fiscal quarter and fiscal year ended October 31, 2023.

FOURTH QUARTER HIGHLIGHTS

- Net investment income ("NII") of \$5.3 million, or \$0.36 per common share, for the fiscal quarter ended October 31, 2023. This compares to NII of \$3.8 million, or \$0.34 per common share, for the fiscal quarter ended July 31, 2023. The increase in net investment income per common share was primarily due to non-recurring income realized upon the repayment of a loan accumulation facility.
- Core net investment income ("Core NII")¹ of \$9.1 million, or \$0.62 per common share, for the fiscal quarter ended October 31, 2023. Core NII per common share of \$0.62 was stable compared to the prior quarter. Total waterfall payments from CLO equity investments for the fiscal quarter ended October 31, 2023 increased \$0.5 million to \$10.1 million, primarily driven by cash flows from issuers making their initial payments.
- Net asset value ("NAV") per common share of \$7.55 as of October 31, 2023, a decrease of \$0.47 from NAV of \$8.02 as of July 31, 2023.
- During the fiscal quarter ended October 31, 2023, the earned income yield of our investment portfolio at amortized cost was 17.02%.
- During the fiscal quarter ended October 31, 2023, we issued 1,785,850 shares of common stock pursuant to our At-the-Market offering, for net proceeds of approximately \$14.1 million, which enabled the growth of our investment portfolio at cost by \$24.4 million, or 12.5%, compared to the prior quarter.

OTHER RECENT EVENTS

- On November 19, 2023, the Company redeemed all of the issued and outstanding shares of its 6.60% Series B Term Preferred Stock Due 2023, including the accumulated unpaid dividends, for approximately \$3.0 million.
- On November 28, 2023, our board of directors (the "Board") declared monthly all-cash distributions of \$0.10 per common share for each of the three months in the quarter ending January 31, 2024. See additional information under "Distributions" below.

SELECTED FINANCIAL HIGHLIGHTS

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

	<u>As of October 31, 2023</u>	<u>As of July 31, 2023</u>
Investment portfolio, at fair value	\$ 168.1	\$ 147.1
NAV per common share	7.55	8.02
	<u>For the Fiscal Quarter Ended</u>	
	<u>October 31, 2023</u>	<u>July 31, 2023</u>
(Per common share)		
Net investment income	\$ 0.36	\$ 0.34
Net unrealized depreciation on investments	(0.23)	(0.29)
Net earnings	\$ 0.13	\$ 0.05
Core NII — Non-GAAP ¹		
Net investment income	\$ 0.36	\$ 0.34
CLO equity adjustments	0.26	0.28
Core NII	<u>\$ 0.62</u>	<u>\$ 0.62</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 are excited about the Board's recent declaration of an all-cash distribution of \$0.10 per common share for each month in the first fiscal quarter," said Bilal Rashid, Chief Executive Officer. "We believe the current strength of our balance sheet allows us to convert to an all-cash distribution."

PORTFOLIO AND INVESTMENT ACTIVITIES

As of October 31, 2023, the total fair value of our investment portfolio was approximately \$168.1 million, which was equal to approximately 76.4% of amortized cost. We believe that our CLO equity investments continued to generate strong recurring cash flows notwithstanding the market volatility during the quarter. For the quarter ended October 31, 2023, our CLO equity cash flow yield was 23.57% based on amortized cost.

Portfolio Overview (\$ in millions)	As of October 31, 2023	As of July 31, 2023
Investment portfolio, at fair value	\$ 168.1	\$ 147.1
Total number of portfolio companies	83	74
Weighted-average effective yield	14.16%	14.11%

Portfolio Activity (\$ in millions)	For the Fiscal Quarter Ended	
	October 31, 2023	July 31, 2023
CLO equity investments	\$ 9.7	\$ 3.9
CLO debt investments	21.9	6.4
Loan accumulation facility investments	4.9	0.6
Total investments	\$ 36.5	\$ 10.9
Weighted-average effective yield	16.62%	20.23%

Portfolio Composition (\$ in millions)	As of October 31, 2023	
	Cost	Fair Value
CLO equity investments	\$ 171.9	\$ 119.6
CLO debt investments	41.6	42.0
Loan accumulation facility investments	5.6	5.6
Other CLO equity-related investments	0.9	0.9
Total investments	\$ 220.0	\$ 168.1

RESULTS OF OPERATIONS

Interest Income

During the fiscal quarter ended October 31, 2023, interest income increased by \$1.9 million to \$9.1 million compared to the prior quarter. The increase in interest income was primarily due to non-recurring income realized upon the repayment of a loan accumulation facility, as well as an 8.4% increase in the average total investments, at cost, compared to the prior quarter.

Expenses

During the fiscal quarter ended October 31, 2023, total expenses increased by \$0.4 million to \$3.7 million compared to the prior quarter, primarily due to an increase of \$0.4 million in incentive fees, corresponding to the increase in net investment income.

Net realized and unrealized gain (loss)

During the fiscal quarter ended October 31, 2023, net change in unrealized depreciation of \$3.3 million was primarily due to broader declines in CLO equity pricing net of payments received over the quarter, which was primarily driven by an increase in defaults and negative credit trends in the loan market.

DISTRIBUTIONS

On November 28, 2023, our Board declared monthly cash distributions on shares of our common stock for each of the three months in the quarter ending January 31, 2024. The following schedule applies to distributions for common stockholders of record on the close of business of each specific record date:

Month	Record Date	Payable Date	Cash Distribution Per Common Share
November 2023	December 22, 2023	December 29, 2023	\$0.10
December 2023	December 22, 2023	December 29, 2023	\$0.10
January 2024	January 24, 2024	January 31, 2024	\$0.10

Dividend Reinvestment Plan – DRIP Shares Issued at 95% of Market Price

On June 1, 2023, our Board approved an amended and restated dividend reinvestment plan (the “Amended DRIP”). For stockholders participating in the Amended DRIP, the number of shares to be issued to a stockholder in connection with any distribution will be determined by dividing the total dollar amount of the distribution payable to such stockholder by an amount equal to ninety five percent (95%) of the market price per share of common stock at the close of regular trading on the Nasdaq Capital Market on the valuation date fixed by the Board for such distribution.

OFS Credit Company, Inc. Statement of Assets and Liabilities

	As of October 31, 2023
Assets:	
Investments, at fair value (amortized cost of \$219,978,627)	\$ 168,097,728

Cash	16,781,214
Interest receivable	833,143
Other assets	221,190
Total assets	185,933,275
Liabilities:	
Preferred stock (net of deferred issuance costs of \$1,233,179)	62,766,821
Payable to adviser and affiliates	2,772,467
Other liabilities	205,000
Total liabilities	65,744,288
Net assets	\$ 120,188,987
Net assets consist of:	
Common stock, par value of \$0.001 per share; 90,000,000 shares authorized and 15,917,015 shares issued and outstanding	\$ 15,917
Paid-in capital in excess of par	163,082,987
Total accumulated losses	(42,909,917)
Total net assets	\$ 120,188,987
Net asset value per common share	\$ 7.55

OFS Credit Company, Inc.
Statements of Operations

	Three Months Ended October 31, 2023 (unaudited)	Year Ended October 31, 2023
Investment income:		
Interest income	\$ 9,079,506	\$ 30,696,392
Operating expenses:		
Interest expense	1,021,241	4,084,965
Incentive fees	1,332,506	4,158,538
Management fees	815,223	2,984,585
Administration fees	315,464	1,207,374
Professional fees	184,380	820,697
Excise tax provision (benefit)	(84,547)	145,453
Other expenses	165,216	660,630
Total operating expenses	3,749,483	14,062,242
Net investment income	5,330,023	16,634,150
Net realized and unrealized loss:		
Net change in unrealized depreciation on investments	(3,335,586)	(18,522,509)
Net realized and unrealized loss	(3,335,586)	(18,522,509)
Net increase (decrease) in net assets resulting from operations	\$ 1,994,437	\$ (1,888,359)

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 1940², as amended, and headquartered in Chicago with additional offices in New York and Los Angeles.

² Registration does not imply a certain level of skill or training

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 current strength of the Company's balance sheet allows the Company to convert to an all-cash

distribution; management's belief that the Company's CLO equity investments continue to generate strong recurring cash flows notwithstanding 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"), such as rising interest rates and elevated inflation rates, the ongoing war between Russia and Ukraine or current conflict in Israel, instability in the U.S. and international banking systems, the risk of recession or a shutdown of U.S. government services 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.

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 October 31, 2023 and July 31, 2023 (unaudited):

	For the Fiscal Quarter Ended October 31, 2023		For the Fiscal Quarter Ended July 31, 2023	
	Amount	Per Common Share Amount	Amount	Per Common Share Amount
Net investment income	\$ 5,330,023	\$ 0.36	\$ 3,848,565	\$ 0.34
CLO equity adjustments	3,798,856	0.26	3,160,851	0.28
Core NII	\$ 9,128,879	\$ 0.62	\$ 7,009,416	\$ 0.62

The following table provides a reconciliation of GAAP NII to Core NII for the fiscal years ended October 31, 2023 and 2022 (unaudited):

	For the Fiscal Year Ended October 31, 2023		For the Fiscal Year Ended October 31, 2022	
	Amount	Per Common Share Amount	Amount	Per Common Share Amount
Net investment income	\$ 16,634,150	\$ 1.46	\$ 13,048,495	\$ 1.58
CLO equity adjustments	9,176,823	0.80	9,144,817	1.11
Core NII	\$ 25,810,973	\$ 2.26	\$ 22,193,312	\$ 2.69

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Source: OFS Credit Company, Inc.