

OFS Credit Company Announces Financial Results for the First Fiscal Quarter 2024

March 8, 2024

CHICAGO--(BUSINESS WIRE)--Mar. 8, 2024-- 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, 2024.

FIRST QUARTER HIGHLIGHTS

- Net investment income ("NII") of \$4.6 million, or \$0.29 per common share, for the fiscal quarter ended January 31, 2024. This compares to NII of \$5.3 million, or \$0.36 per common share, for the fiscal quarter ended October 31, 2023. The decrease in net investment income per common share was primarily due to a decrease in interest income. See additional information under "Results of Operations" below.
- Core net investment income ("Core NII")¹ of \$7.2 million, or \$0.45 per common share, for the fiscal quarter ended January 31, 2024. This compares to Core NII of \$9.1 million, or \$0.62 per common share, for the fiscal quarter ended October 31, 2023. The decrease in Core NII was primarily due to a decrease in total waterfall payments from CLO equity investments of \$1.3 million, to \$8.8 million.
- Net asset value ("NAV") per common share of \$7.68 as of January 31, 2024, an increase of \$0.13 from NAV of \$7.55 as of October 31, 2023.
- During the fiscal quarter ended January 31, 2024, the earned income yield of our investment portfolio at amortized cost was 14.81%.

OTHER RECENT EVENTS

- As previously announced, on February 1, 2024, our board of directors (the "Board") declared monthly cash distributions of \$0.10 per common share for each of the three months in the quarter ending April 30, 2024. The Board also declared monthly cash distributions on our outstanding preferred stock through July 31, 2024. See additional information under "Distributions" below.

SELECTED FINANCIAL HIGHLIGHTS

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

	As of January 31, 2024	As of October 31, 2023
Investment portfolio, at fair value	\$ 177.6	\$ 168.1
NAV per common share	7.68	7.55
	For the Fiscal Quarter Ended	
	January 31, 2024	October 31, 2023
(Per common share)		
Net investment income	\$ 0.29	\$ 0.36
Net realized loss on investments	(0.12)	—
Net unrealized appreciation (depreciation) on investments	0.27	(0.23)
Net earnings	\$ 0.44	\$ 0.13
Reconciliation of Core NII — Non-GAAP ¹		
Net investment income	\$ 0.29	\$ 0.36
CLO equity adjustments	0.16	0.26
Core NII	\$ 0.45	\$ 0.62

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 pleased to announce an increase in our net asset value to \$7.68 per common share as of January 31, 2024," said Bilal Rashid, Chief Executive Officer. "We believe our long-dated and fixed-rate preferred stock financing, at below current market rates with a weighted average stated rate of 5.62%, affords us operational flexibility to create stockholder value in this interest rate environment."

PORTFOLIO AND INVESTMENT ACTIVITIES

As of January 31, 2024, the total fair value of our investment portfolio was approximately \$177.6 million, which was equal to approximately 78.8% of amortized cost. For the quarter ended January 31, 2024, our CLO equity cash flow yield was 20.12% based on amortized cost.

Portfolio Overview (\$ in millions)	As of January 31, 2024	As of October 31, 2023
Investment portfolio, at fair value	\$ 177.6	\$ 168.1
Total number of portfolio companies	82	83
Weighted-average effective yield	13.59%	14.16%
For the Fiscal Quarter Ended		
Portfolio Activity (\$ in millions)	January 31, 2024	October 31, 2023
CLO equity investments	\$ 7.5	\$ 9.7
CLO debt investments	1.9	21.9
Loan accumulation facility investments	5.7	4.9
Total investments	\$ 15.1	\$ 36.5
Weighted-average effective yield - period end	14.22%	16.62%
As of January 31, 2024		
Portfolio Composition (\$ in millions)	Amortized Cost	Fair Value
CLO equity investments	\$ 174.4	\$ 124.7
CLO debt investments	42.7	44.7
Loan accumulation facility investments	7.3	7.3
Other CLO equity-related investments	0.9	0.9
Total investments	\$ 225.3	\$ 177.6

RESULTS OF OPERATIONS

Interest Income

During the fiscal quarter ended January 31, 2024, interest income decreased by \$0.6 million to \$8.4 million compared to the prior quarter. The decrease in interest income was primarily due to non-recurring interest income recognized upon the repayment of a loan accumulation facility during the prior quarter.

Expenses

During the fiscal quarter ended January 31, 2024, total expenses increased by \$0.1 million to \$3.8 million compared to the prior quarter, primarily due to an increase in professional fees and other expenses, and partially offset by a decrease in incentive fees.

Net realized and unrealized gain (loss)

During the fiscal quarter ended January 31, 2024, net gain on investments of \$2.3 million was comprised of net unrealized appreciation of \$4.2 million, partially offset by net realized losses of \$1.9 million. Net unrealized appreciation of \$4.2 million was primarily due to meaningful tightening in debt spread levels and an increase in underlying collateral loan prices during the quarter.

DISTRIBUTIONS

Common Stock Distributions

As previously announced, on February 1, 2024, our Board declared monthly cash distributions on shares of our common stock for each of the three months in the quarter ending April 30, 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
February 2024	February 19, 2024	February 29, 2024	\$0.10
March 2024	March 19, 2024	March 29, 2024	\$0.10
April 2024	April 19, 2024	April 30, 2024	\$0.10

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

On June 1, 2023, our Board adopted a change to our dividend reinvestment plan (the “Amended DRIP”) so that common stockholders may receive their distribution in shares based on 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 (i.e., the payment date), providing a 5% discount to the market price.

Common stockholders that are interested in participating in our DRIP should contact their broker or financial intermediary.

Additional information about our DRIP and how to participate can be found at <https://ir.ofscreditcompany.com/shareholder-services/dividend-reinvestment-plan>. We make our website content available for informational purposes only. It should not be relied upon for investment purposes, nor is it incorporated by reference into this press release.

Preferred Stock Distributions

As previously announced, on February 1, 2024, our Board declared the following distributions on preferred shares.

Preferred Stock Series	For the Month	Record Date	Payable Date	Cash Distribution Per Share
6.125% Series C Term Preferred Stock	February 2024	February 19, 2024	February 29, 2024	\$0.1276042
	March 2024	March 19, 2024	March 29, 2024	\$0.1276042
	April 2024	April 19, 2024	April 30, 2024	\$0.1276042
	May 2024	May 21, 2024	May 31, 2024	\$0.1276042
	June 2024	June 18, 2024	June 28, 2024	\$0.1276042
	July 2024	July 19, 2024	July 31, 2024	\$0.1276042
	6.00% Series D Term Preferred Stock	February 2024	February 19, 2024	February 29, 2024
March 2024		March 19, 2024	March 29, 2024	\$0.125
April 2024		April 19, 2024	April 30, 2024	\$0.125
May 2024		May 21, 2024	May 31, 2024	\$0.125
June 2024		June 18, 2024	June 28, 2024	\$0.125
July 2024		July 19, 2024	July 31, 2024	\$0.125
5.25% Series E Term Preferred Stock		February 2024	February 19, 2024	February 29, 2024
	March 2024	March 19, 2024	March 29, 2024	\$0.109375
	April 2024	April 19, 2024	April 30, 2024	\$0.109375
	May 2024	May 21, 2024	May 31, 2024	\$0.109375
	June 2024	June 18, 2024	June 28, 2024	\$0.109375
	July 2024	July 19, 2024	July 31, 2024	\$0.109375

OFS Credit Company, Inc.
Statement of Assets and Liabilities

	As of January 31, 2024
	(unaudited)
Assets:	
Investments, at fair value (amortized cost of \$225,314,651)	\$ 177,635,351
Cash and cash equivalents	6,872,267
Interest receivable	697,227
Other assets	245,620
Total assets	185,450,465
Liabilities:	
Preferred stock (net of deferred issuance costs of \$1,124,793)	59,875,207
Payable to adviser and affiliates	2,646,700
Other liabilities	380,000
Total liabilities	62,901,907
Net assets	\$ 122,548,558
Net assets consist of:	
Common stock, par value of \$0.001 per share; 90,000,000 shares authorized and 15,948,379 shares issued and outstanding	\$ 15,948
Paid-in capital in excess of par	163,279,546
Total accumulated losses	(40,746,936)
Total net assets	\$ 122,548,558
Net asset value per common share	\$ 7.68

OFS Credit Company, Inc.
Statement of Operations

	Three Months Ended January 31, 2024
	(unaudited)
Investment income:	
Interest income	\$ 8,439,715

Operating expenses:	
Interest expense	979,848
Incentive fees	1,147,589
Base management fees	811,596
Administration fees	338,743
Professional fees	300,011
Other expenses	271,571
Total operating expenses	<u>3,849,358</u>
Net investment income	<u>4,590,357</u>
Net realized and unrealized gain (loss) on investments:	
Net realized loss on investments	(1,851,708)
Net change in unrealized appreciation on investments	4,201,599
Net gain on investments	<u>2,349,891</u>
Net increase in net assets resulting from operations	<u>\$ 6,940,248</u>
Weighted-average common shares outstanding	15,925,117

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 our long-dated and fixed-rate preferred stock financing, at below current market rates, affords us operational flexibility to create stockholder value in this interest rate environment; 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 elevated interest and inflation rates, the ongoing war between Russia and Ukraine, the escalated armed conflict in the Middle East, instability in the U.S. and international banking systems, the risk of recession or a shutdown of U.S. government services and related 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 January 31, 2024 and October 31, 2023 (unaudited):

	For the Fiscal Quarter Ended January 31, 2024		For the Fiscal Quarter Ended October 31, 2023	
	Amount	Per Common Share Amount	Amount	Per Common Share Amount
Net investment income	\$ 4,590,357	\$ 0.29	\$ 5,330,023	\$ 0.36
CLO equity adjustments	2,649,680	0.16	3,798,856	0.26
Core NII	\$ 7,240,037	\$ 0.45	\$ 9,128,879	\$ 0.62

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