

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

September 13, 2024

CHICAGO--(BUSINESS WIRE)--Sep. 13, 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 July 31, 2024.

THIRD QUARTER HIGHLIGHTS

- Net investment income ("NII") of \$3.9 million, or \$0.24 per common share, for the fiscal quarter ended July 31, 2024. This compares to NII of \$4.5 million, or \$0.28 per common share, for the fiscal quarter ended April 30, 2024. The decrease in NII 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 \$7.6 million, or \$0.47 per common share, for the fiscal quarter ended July 31, 2024. This compares to Core NII of \$8.4 million, or \$0.53 per common share, for the fiscal quarter ended April 30, 2024. For the fiscal quarter ended July 31, 2024, recurring waterfall payments from CLO equity investments decreased to \$9.6 million from \$9.7 million in the prior quarter.
- Net asset value ("NAV") per common share of \$7.24 as of July 31, 2024, a decrease of \$0.10 from NAV of \$7.34 as of April 30, 2024, primarily due to distributions of \$0.315 per common share paid during the quarter exceeding our quarterly NII of \$0.24 per common share.
- During the fiscal quarter ended July 31, 2024, the earned income yield of our investment portfolio based on average amortized cost was 13.71%.

OTHER RECENT EVENTS

- As previously announced, on August 1, 2024, our board of directors (the "Board") declared monthly cash distributions of \$0.115 per common share for common stockholders for each of the three months in the quarter ending October 31, 2024, a 9.5% increase from the prior monthly distribution amount of \$0.105 per common share. The Board also declared monthly cash distributions on our outstanding preferred stock through January 31, 2025. See additional information under "Distributions" below.

SELECTED FINANCIAL HIGHLIGHTS

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

	As of July 31, 2024	As of April 30, 2024
Investment portfolio, at fair value	\$ 161.1	\$ 164.6
NAV per common share	7.24	7.34
	For the Fiscal Quarter Ended	
	July 31, 2024	April 30, 2024
(Per common share)		
Net investment income	\$ 0.24	\$ 0.28
Net realized loss on investments	(0.37)	(0.12)
Net unrealized appreciation (depreciation) on investments	0.35	(0.20)
Net earnings (loss)	<u>\$ 0.22</u>	<u>\$ (0.04)</u>
Reconciliation of Core NII — Non-GAAP ¹		
Net investment income	\$ 0.24	\$ 0.28
CLO equity adjustments	0.23	0.25
Core NII	<u>\$ 0.47</u>	<u>\$ 0.53</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 pleased to announce another quarter of strong recurring waterfall payments from our CLO equity investments," said Bilal Rashid, Chief Executive Officer. "We believe our balance sheet remains strong and well positioned with an asset coverage ratio comfortably below regulatory requirements. We believe our 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 July 31, 2024, the total fair value of our investment portfolio was \$161.1 million, which was equal to 78.0% of amortized cost. For the quarter ended July 31, 2024, our CLO equity cash flow yield² was 21.61% based on amortized cost.

Portfolio Overview (\$ in millions)	As of July 31, 2024	As of April 30, 2024
Investment portfolio, at fair value	\$ 161.1	\$ 164.6
Total number of issuers	72	76
Weighted-average effective yield ³	12.71%	12.83%

² Calculated as CLO equity cash distributions received during the quarter, excluding distributions on CLO equity investments that have been optionally redeemed, divided by average CLO equity investments at amortized cost.

³ Based on amortized cost at period end; excludes discount accretion on CLO debt investments.

Portfolio Purchase Activity (\$ in millions)	For the Fiscal Quarter Ended	
	July 31, 2024	April 30, 2024
CLO equity investments	\$ 8.8	\$ 11.2
CLO debt investments	—	—
Other CLO equity-related investments	0.2	0.4
Loan accumulation facility investments	3.1	4.3
Total investments	\$ 12.1	\$ 15.9
Weighted-average effective yield - period end	20.03%	17.83%

Portfolio Composition (\$ in millions)	As of July 31, 2024	
	Amortized Cost	Fair Value
CLO equity investments	\$ 170.1	\$ 122.6
CLO debt investments	32.8	34.7
Loan accumulation facility investments	2.5	2.5
Other CLO equity-related investments	1.1	1.3
Total investments	\$ 206.5	\$ 161.1

RESULTS OF OPERATIONS

Interest Income

During the fiscal quarter ended July 31, 2024, interest income decreased by \$0.6 million to \$7.5 million compared to the prior quarter. The decrease in interest income was primarily due to certain incremental income recognized in the prior quarter related to loan accumulation facility and CLO debt investment repayments.

Expenses

During the fiscal quarter ended July 31, 2024, total expenses remained stable at \$3.6 million.

Net Realized and Unrealized Gain (Loss) on Investments

During the fiscal quarter ended July 31, 2024, net loss on investments of \$0.4 million was primarily due to net realized and unrealized losses of \$0.6 million on our CLO equity investments.

DISTRIBUTIONS

Fourth Quarter 2024 Common Stock Distributions

The following schedule applies to distributions for common stockholders of record on the close of business of each specific record date:

Month	Record Date	Payment Date	Cash Distribution Per Share
August 2024	August 20, 2024	August 30, 2024	\$0.115
September 2024	September 20, 2024	September 30, 2024	\$0.115
October 2024	October 21, 2024	October 31, 2024	\$0.115

Dividend Reinvestment Plan (“DRIP”) – DRIP Shares Issued at 95% of Market Price

Our DRIP offers our common stockholders the right to receive a 5% discount to the market price on the valuation date (i.e., the payment date). Our DRIP is structured to allow our common stockholders to 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.

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

The following schedule applies to distributions for preferred stockholders of record on the close of business of each specific record date:

Preferred Stock Series	Month	Record Date	Payment Date	Cash Distribution Per Share
6.125% Series C Term Preferred Stock	August 2024	August 20, 2024	August 30, 2024	\$0.127604
	September 2024	September 20, 2024	September 30, 2024	\$0.127604
	October 2024	October 21, 2024	October 31, 2024	\$0.127604
	November 2024	November 19, 2024	November 29, 2024	\$0.127604
	December 2024	December 20, 2024	December 31, 2024	\$0.127604
	January 2025	January 21, 2025	January 31, 2025	\$0.127604
6.00% Series D Term Preferred Stock	August 2024	August 20, 2024	August 30, 2024	\$0.125000
	September 2024	September 20, 2024	September 30, 2024	\$0.125000
	October 2024	October 21, 2024	October 31, 2024	\$0.125000
	November 2024	November 19, 2024	November 29, 2024	\$0.125000
	December 2024	December 20, 2024	December 31, 2024	\$0.125000
	January 2025	January 21, 2025	January 31, 2025	\$0.125000
5.25% Series E Term Preferred Stock	August 2024	August 20, 2024	August 30, 2024	\$0.109375
	September 2024	September 20, 2024	September 30, 2024	\$0.109375
	October 2024	October 21, 2024	October 31, 2024	\$0.109375
	November 2024	November 19, 2024	November 29, 2024	\$0.109375
	December 2024	December 20, 2024	December 31, 2024	\$0.109375
	January 2025	January 21, 2025	January 31, 2025	\$0.109375

OFS Credit Company, Inc. Statement of Assets and Liabilities (Unaudited)

	<u>As of July 31, 2024</u>
Assets:	
Investments, at fair value (amortized cost of \$206,533,305)	\$ 161,112,008
Cash and cash equivalents	22,007,239
Interest receivable	192,698
Other assets	674,370
Total assets	<u>183,986,315</u>
Liabilities:	
Preferred stock (net of deferred issuance costs of \$911,593)	60,088,407
Payable to adviser and affiliates	2,372,229
Other liabilities	517,000
Total liabilities	<u>62,977,636</u>
Net assets	<u>\$ 121,008,679</u>
Net assets consist of:	
Common stock, par value of \$0.001 per share; 90,000,000 shares authorized and 16,718,677 shares issued and outstanding	\$ 16,719
Paid-in capital in excess of par	168,862,318
Total accumulated losses	(47,870,358)
Total net assets	<u>\$ 121,008,679</u>
Net asset value per common share	\$ 7.24

OFS Credit Company, Inc. Statements of Operations (Unaudited)

	Three Months Ended July 31, 2024	Nine Months Ended July 31, 2024
Investment income:		
Interest income	\$ 7,451,266	\$ 23,963,937
Operating expenses:		
Interest expense	963,162	2,906,172
Incentive fees	964,744	3,238,103
Base management fees	804,026	2,405,415
Administration fees	400,316	1,016,634
Professional fees	258,279	767,743
Excise tax provision	—	35,000
Other expenses	201,762	642,459
Total operating expenses	3,592,289	11,011,526
Net investment income	3,858,977	12,952,411
Net realized and unrealized gain (loss) on investments:		
Net realized loss on investments	(5,938,328)	(9,686,876)
Net change in unrealized appreciation on investments	5,514,518	6,459,602
Net loss on investments	(423,810)	(3,227,274)
Net increase in net assets resulting from operations	\$ 3,435,167	\$ 9,725,137
Weighted-average common shares outstanding	16,211,566	16,037,061

About OFS Credit Company, Inc.

OFS Credit is a non-diversified, externally managed closed-end management investment company. The Company's primary investment objective is to generate current income, with a secondary objective to generate capital appreciation, which we seek to achieve primarily through investment in CLO equity and debt securities. The Company's investment activities are managed by OFS Capital Management, LLC, an investment adviser registered under the Investment Advisers Act of 1940⁴, as amended, and headquartered in Chicago with additional offices in New York and Los Angeles.

⁴ 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 Company's balance sheet remains strong and is well positioned with an asset coverage ratio below regulatory requirements; management's belief that the Company's fixed-rate preferred stock financing affords the Company 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, uncertainties related to the 2024 U.S. presidential election, 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 if similar terms are used 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 estimated effective yield, at current amortized cost, to the expected redemption of the security utilizing assumed cash flows, including those CLO equity investments that have not made their inaugural distribution for the relevant period end. The result is an estimated 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 income recognized via the estimated 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"). Therefore, management believes that Core NII may provide a useful indicator of distributable operating income, as this reflects a measure of potential cash availability, net of operating expenses, that could be utilized to cover distributions to common stockholders. We note that this non-GAAP measure has no bearing on the tax character of the common stock distributions made during the period, and future distributions are not guaranteed. A portion of current and future common stock distributions may consist of a return of capital for tax purposes. The actual tax character of our earnings cannot be finally determined until our tax return is prepared after the close of our taxable year.

The following table provides a reconciliation of GAAP NII to Core NII for the fiscal quarters ended July 31, 2024 and April 30, 2024 (unaudited):

	For the Fiscal Quarter Ended July 31, 2024		For the Fiscal Quarter Ended April 30, 2024	
	Amount	Per Common Share Amount	Amount	Per Common Share Amount
Net investment income	\$ 3,858,977	\$ 0.24	\$ 4,503,076	\$ 0.28
CLO equity adjustments	3,711,202	0.23	3,914,723	0.25
Core NII	<u>\$ 7,570,179</u>	<u>\$ 0.47</u>	<u>\$ 8,417,799</u>	<u>\$ 0.53</u>

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