

## OFS Credit Company Announces Financial Results for the Fourth Fiscal Quarter 2024

December 11, 2024

CHICAGO--(BUSINESS WIRE)--Dec. 11, 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 October 31, 2024.

### FOURTH QUARTER HIGHLIGHTS

- Net investment income ("NII") of \$4.5 million, or \$0.24 per common share, for the fiscal quarter ended October 31, 2024. This compares to NII of \$3.9 million, or \$0.24 per common share, for the fiscal quarter ended July 31, 2024. During the fiscal quarter ended October 31, 2024, NII increased by \$0.6 million while NII per common share remained stable at \$0.24 due to an increase in the weighted-average outstanding shares from At-the-Market share sales during the quarter. See additional information under "Results of Operations" below.
- Core net investment income ("Core NII")<sup>1</sup> of \$10.7 million, or \$0.57 per common share, for the fiscal quarter ended October 31, 2024. This compares to Core NII of \$7.6 million, or \$0.47 per common share, for the fiscal quarter ended July 31, 2024. For the fiscal quarter ended October 31, 2024, recurring waterfall payments from CLO equity investments increased to \$13.0 million from \$9.6 million in the prior quarter, primarily attributable to an increase in issuers making their first payment since origination.
- Net asset value ("NAV") per common share of \$7.18 as of October 31, 2024, a decrease of \$0.06 from NAV of \$7.24 as of July 31, 2024. This decrease in NAV was primarily due to distributions of \$0.345 per common share paid during the quarter, which exceeded our quarterly NII of \$0.24 per common share.
- During the fiscal quarter ended October 31, 2024, the interest income yield<sup>2</sup> of our investment portfolio, based on average amortized cost, was 14.49%.
- During the fiscal quarter ended October 31, 2024, we issued 3,850,322 shares of common stock through our At-the-Market offering, for net proceeds of \$27.9 million, after deducting commissions, fees and offering costs.

### OTHER RECENT EVENTS

- As previously announced, on October 28, 2024, our board of directors (the "Board") declared monthly cash distributions of \$0.115 per common share for each of the three months in the quarter ending January 31, 2025, which implied an annualized cash distribution rate of 19.5% based on the closing market price of \$7.07 per common share on October 31, 2024. See additional information under "Distributions" below.
- In October 2024, we issued 1,196,000 shares of our 7.875% Series F Term Preferred Stock for net proceeds of \$28.8 million, after deducting underwriting costs and offering expenses. As of October 31, 2024, our debt-to-equity ratio was 0.61x<sup>3</sup>, which remains within our target leverage ratio of 0.50x-to-0.67x.

### SELECTED FINANCIAL HIGHLIGHTS

(in millions, except per share data)

	As of October 31, 2024	As of July 31, 2024
Investment portfolio, at fair value	\$ 214.9	\$ 161.1
NAV per common share	7.18	7.24
	For the Fiscal Quarter Ended	
	October 31, 2024	July 31, 2024
<b>(Per common share)</b>		
Net investment income	\$ 0.24	\$ 0.24
Net realized loss on investments	(0.24)	(0.37)
Net unrealized appreciation on investments	0.28	0.35
Net earnings	\$ 0.28	\$ 0.22
Reconciliation of Core NII — Non-GAAP <sup>†</sup>		
Net investment income	\$ 0.24	\$ 0.24
CLO equity adjustments	0.33	0.23
Core NII	\$ 0.57	\$ 0.47

<sup>1</sup> 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 and equity-related investments that have not been optionally redeemed relative to income

recognized in accordance with GAAP. See additional information under “Supplemental Information Regarding Core Net Investment Income” below.

<sup>2</sup> Interest income yield is calculated as total investment income earned on the investment portfolio (excluding idle cash interest income) divided by the average total investments at cost (annualized).

<sup>3</sup> Debt-to-equity ratio is calculated as the total principal of outstanding preferred stock divided by total net assets.

## MANAGEMENT COMMENTARY

“During the fourth quarter, we deployed \$81.1 million of capital in CLO equity and warehouse investment opportunities that we expect will deliver attractive yields,” said Bilal Rashid, Chief Executive Officer. “We believe that our ability to utilize the capital markets to raise additional capital of \$56.7 million helped grow our investment portfolio and increase its weighted-average remaining reinvestment period to 3.1 years as of October 31, 2024.”

## PORTFOLIO AND INVESTMENT ACTIVITIES

As of October 31, 2024, the total fair value of our investment portfolio was \$214.9 million, which was equal to 84.3% of amortized cost. For the quarter ended October 31, 2024, our CLO equity cash flow yield<sup>4</sup> was 25.78% based on amortized cost.

<i>Portfolio Overview (\$ in millions)</i>	As of October 31, 2024	As of July 31, 2024
Investment portfolio, at fair value	\$ 214.9	\$ 161.1
Total number of issuers	77	72
Weighted-average effective yield <sup>5</sup>	14.30%	12.71%

<sup>4</sup> Calculated as CLO equity and equity-related cash distributions received during the quarter, excluding distributions on CLO equity investments that have been optionally redeemed, divided by average CLO equity and equity-related investments at amortized cost.

<sup>5</sup> Based on amortized cost at period end; excludes discount accretion on CLO debt investments.

<i>Portfolio Purchase Activity (\$ in millions)</i>	For the Fiscal Quarter Ended	
	October 31, 2024	July 31, 2024
CLO equity investments	\$ 72.4	\$ 8.8
Loan accumulation facility investments	8.6	3.1
Other CLO equity-related investments (fee rebates)	0.1	0.2
Total investments	\$ 81.1	\$ 12.1
Weighted-average effective yield - period end	19.05%	20.03%

<i>Portfolio Composition (\$ in millions)</i>	As of October 31, 2024	
	Amortized Cost	Fair Value
CLO equity investments	\$ 228.5	\$ 186.7
CLO debt investments	19.7	21.1
Loan accumulation facility investments	5.5	5.5
Other CLO equity-related investments (fee rebates)	1.2	1.6
Total investments	\$ 254.9	\$ 214.9

## RESULTS OF OPERATIONS

### Interest Income

During the fiscal quarter ended October 31, 2024, interest income increased by \$1.1 million to \$8.6 million compared to \$7.5 million for the prior quarter. The increase in interest income was primarily due to net investment deployment of \$58.9 million, as well as certain non-recurring income related to loan accumulation facility and CLO debt investment repayments.

### Expenses

During the fiscal quarter ended October 31, 2024, total expenses increased by \$0.5 million to \$4.1 million, primarily due to an aggregate net increase of \$0.4 million in base management and incentive fees, attributed to a higher total equity base and NII, as well as \$0.2 million in interest expenses related to the issuance of our 7.875% Series F Term Preferred Stock in October 2024.

### Net Realized and Unrealized Gain (Loss) on Investments

During the fiscal quarter ended October 31, 2024, net gain on investments of \$0.8 million was primarily due to net realized and unrealized gains of \$0.8 million on our CLO equity investments. During the fiscal quarter ended October 31, 2024, we sold investments with an amortized cost of \$18.8 million resulting in a realized loss of \$4.5 million, of which \$0.3 million was recognized during the quarter (net of the reversal of previously recognized unrealized depreciation).

## DISTRIBUTIONS

### First Quarter 2025 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
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November 2024	November 19, 2024	November 29, 2024	\$0.115
December 2024	December 20, 2024	December 31, 2024	\$0.115
January 2025	January 21, 2025	January 31, 2025	\$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 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 each distribution (i.e., the payment date).

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 October 7, 2024, our Board declared monthly cash distributions on our 7.875% Series F Term Preferred Stock through January 31, 2025.

The following schedule applies to distributions for preferred stockholders of our 7.875% Series F Term Preferred Stock of record on the close of business of each specific record date:

<u>Month</u>	<u>Record Date</u>	<u>Payment Date</u>	<u>Cash Distribution Per Share</u>
October 2024	October 21, 2024	October 31, 2024	\$0.15859375
November 2024	November 19, 2024	November 29, 2024	\$0.1640625
December 2024	December 20, 2024	December 31, 2024	\$0.1640625
January 2025	January 21, 2025	January 31, 2025	\$0.1640625

**OFS Credit Company, Inc.**

**Statement of Assets and Liabilities**

	<u>As of October 31, 2024</u>
<b>Assets:</b>	
Investments, at fair value (amortized cost of \$254,918,653)	\$ 214,850,657
Cash and cash equivalents	24,696,288
Receivable for common stock sold	518,428
Interest receivable	282,455
Other assets	426,222
<b>Total assets</b>	<u>240,774,050</u>
<b>Liabilities:</b>	
Preferred stock (net of deferred issuance costs of \$1,926,456)	88,973,544
Payable to adviser and affiliates	2,850,702
Other liabilities	343,000
<b>Total liabilities</b>	<u>92,167,246</u>
<b>Net assets</b>	<u>\$ 148,606,804</u>
<b>Net assets consist of:</b>	
Common stock, par value of \$0.001 per share; 90,000,000 shares authorized and 20,701,251 shares issued and outstanding	\$ 20,701
Paid-in capital in excess of par	193,755,039
Total accumulated losses	(45,168,936)
<b>Total net assets</b>	<u>\$ 148,606,804</u>
Net asset value per common share	\$ 7.18

**OFS Credit Company, Inc.**

**Statements of Operations**

<b>Three Months Ended</b>	<b>Year Ended</b>
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	<u>October 31, 2024</u>	<u>October 31, 2024</u>
<b>Investment income:</b>		
Interest income	\$ 8,589,631	\$ 32,553,569
<b>Operating expenses:</b>		
Interest expense	1,171,266	4,077,437
Incentive fees	1,121,024	4,359,127
Base management fees	1,057,373	3,462,787
Administration fees	355,385	1,372,020
Professional fees	215,170	982,913
Other expenses	185,317	862,778
<b>Total operating expenses</b>	<u>4,105,535</u>	<u>15,117,062</u>
<b>Net investment income</b>	<u>4,484,096</u>	<u>17,436,507</u>
<b>Net realized and unrealized gain (loss) on investments:</b>		
Net realized loss on investments	(4,540,922)	(14,227,797)
Net change in unrealized appreciation on investments	5,353,302	11,812,903
<b>Net gain (loss) on investments</b>	<u>812,380</u>	<u>(2,414,894)</u>
<b>Net increase in net assets resulting from operations</b>	<u>\$ 5,296,476</u>	<u>\$ 15,021,613</u>
Weighted-average common shares outstanding	18,652,031	16,694,376

#### 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 investments 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 1940<sup>6</sup>, as amended, and headquartered in Chicago with additional offices in New York and Los Angeles.

<sup>6</sup> 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 ability to access the capital markets to raise additional capital helped grow its investment portfolio and increase its weighted-average remaining reinvestment period; management's belief that the recent deployment of capital in CLO equity and warehouse investment opportunities will deliver attractive yields when there can be no assurance that will be the case; 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 interest rate and inflation rate changes, the ongoing war between Russia and Ukraine, the agenda of the new U.S. Presidential administration, including the potential impact of tariff enactment and tax reductions, 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 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 and equity-related investments that have not been optionally redeemed 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 and equity-related 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 October 31, 2024 and July 31, 2024:

	<b>For the Fiscal Quarter Ended October 31, 2024</b>		<b>For the Fiscal Quarter Ended July 31, 2024</b>	
	<b>Amount</b>	<b>Per Common Share Amount</b>	<b>Amount</b>	<b>Per Common Share Amount</b>
Net investment income	\$ 4,484,096	\$ 0.24	\$ 3,858,977	\$ 0.24
CLO equity adjustments	6,215,423	0.33	3,711,202	0.23
Core NII	<u>\$ 10,699,519</u>	<u>\$ 0.57</u>	<u>\$ 7,570,179</u>	<u>\$ 0.47</u>

The following table provides a reconciliation of GAAP NII to Core NII for the fiscal years ended October 31, 2024 and 2023:

	<b>For the Fiscal Year Ended October 31, 2024</b>		<b>For the Fiscal Year Ended October 31, 2023</b>	
	<b>Amount</b>	<b>Per Common Share Amount</b>	<b>Amount</b>	<b>Per Common Share Amount</b>
Net investment income	\$ 17,436,507	\$ 1.04	\$ 16,634,150	\$ 1.46
CLO equity adjustments	16,491,028	0.99	9,176,823	0.80
Core NII	<u>\$ 33,927,535</u>	<u>\$ 2.03</u>	<u>\$ 25,810,973</u>	<u>\$ 2.26</u>

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Source: OFS Credit Company, Inc.