

# Saratoga Investment Corp.

**Fiscal Second Quarter 2023  
Shareholder Presentation**

October 5, 2022



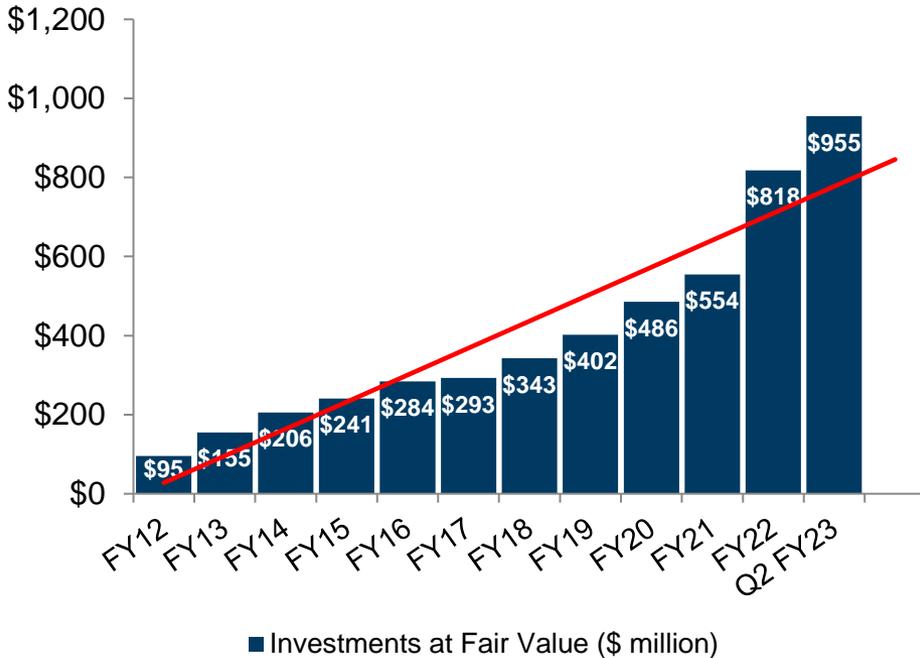
# Continued Growth and Strong Long-Term Performance

## Fiscal Second Quarter 2023 Highlights:

- Continued high quality portfolio and strong performance
  - Investment quality remains strong
    - 95.6% of loan investments with highest internal rating and only one non-accrual
  - Return on equity of 4.8% for LTM
    - Net realized gains and unrealized depreciation of \$5.3 million for Q2, includes approximately \$3.6 million net unrealized depreciation primarily reflecting changing market spreads and \$1.2 million unrealized depreciation on the CLO and JV investments, reflecting broadly syndicated loan market price movements
    - Realized loss on extinguishment of \$1.2 million from repayments of \$43.1 million SAK baby bond and \$18.3 million SBA debentures
  - Gross Unlevered IRR of 10.6% on total unrealized portfolio as of August 31, 2022
    - Fair value of \$954.7 million is 0.1% below total cost of portfolio
    - Gross Unlevered IRR of 16.4% on \$835.5 million of total realizations
- Consistent strong long-term originations contribute to growing assets under management
  - AUM up 17% since year-end, up 7% since Q1 and up 43% year-over-year, with originations of \$140.6 million in Q2, resulting from strong pipeline and healthy success in term sheets and deals executed
  - 98% of our interest earnings portfolio is floating rate
- Base of liquidity and capital remains strong
  - Quarter-end pro forma liquidity allows growth of AUM by 15% and is mostly long-term
    - \$37 million is cash or available liquidity on the credit facility
    - Application for third SBIC license approved, providing \$107.0 million in additional current liquidity
- Declared dividend of \$0.54 per share for the quarter ended August 31, 2022, a 1c increase, paid on September 29, 2022
- Key performance indicators for Q2 - Adjusted NII of \$7.0 million, Adjusted NII per share of 58c, LTM ROE of 4.8% and NAV per share of \$28.27

# Continued Asset Growth and Strong Credit Quality

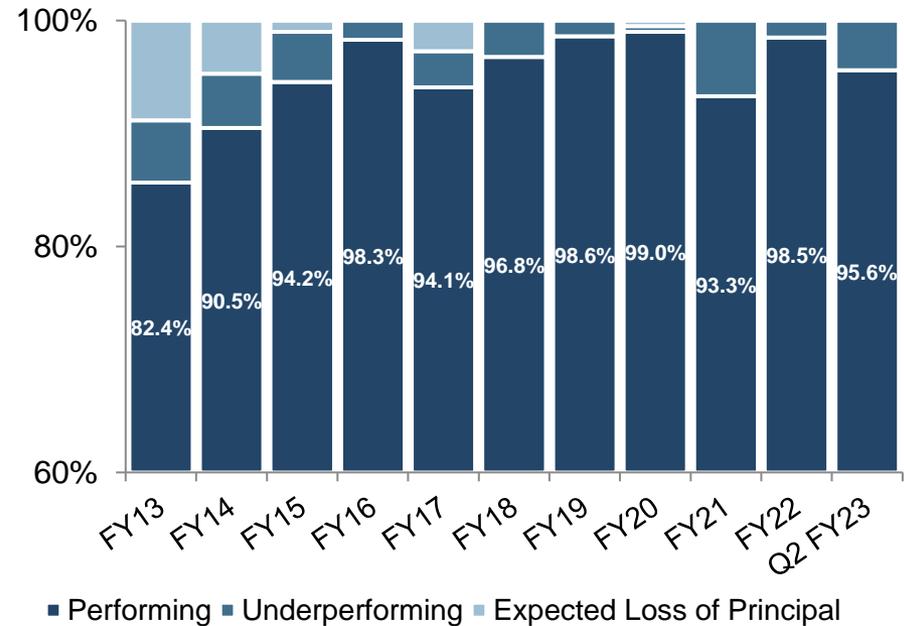
## Asset Base Expansion Trend



**Fair value of AUM increased 43% year-over-year, 17% since year-end and 7% since last quarter**

**Fair value of \$955m at Q2 FY23 is at cost**

## Overall Credit Quality Remains Strong



**95.6% of our SAR loan investments hold our highest internal rating, up from 95.0% last quarter; one investment on non-accrual at quarter-end\***

\* Excludes our investment in our CLO and our equity positions

# Q2 FY23: Strong Financial Foundation and Momentum

## Key Performance Metrics for the Fiscal Quarter

For the quarter ended and as of (\$ in millions except per share)	August 31, 2021	May 31, 2022	August 31, 2022
Net investment income	\$6,393	\$7,976	\$7,698
Adjusted net investment income*	\$7,003	\$6,432	\$6,959
Net investment income per share	\$0.57	\$0.66	\$0.64
Adjusted net investment income per share*	\$0.63	\$0.53	\$0.58
Net investment income yield	7.9%	9.1%	9.0%
Adjusted net investment income yield*	8.7%	7.3%	8.2%
Return on Equity – Last Twelve Months	14.4%	6.9%	4.8%
Fair value of investment portfolio	\$666.1	\$894.5	\$954.7
Total net assets	\$324.1	\$345.2	\$337.2
Investments in new/existing portfolio companies	\$116.0	\$97.2	\$140.6
Loan Investments held in “Performing” credit ratings	93.2%	95.0%	95.6%



\*Adjusted for accrued capital gains incentive fee expense and interest expense on SAK baby bond during the period that SAT baby bond was issued prior to repayment, reconciliation to GAAP net investment income, net investment income per share and net investment income yield included in our fiscal second quarter 2023 earnings release.

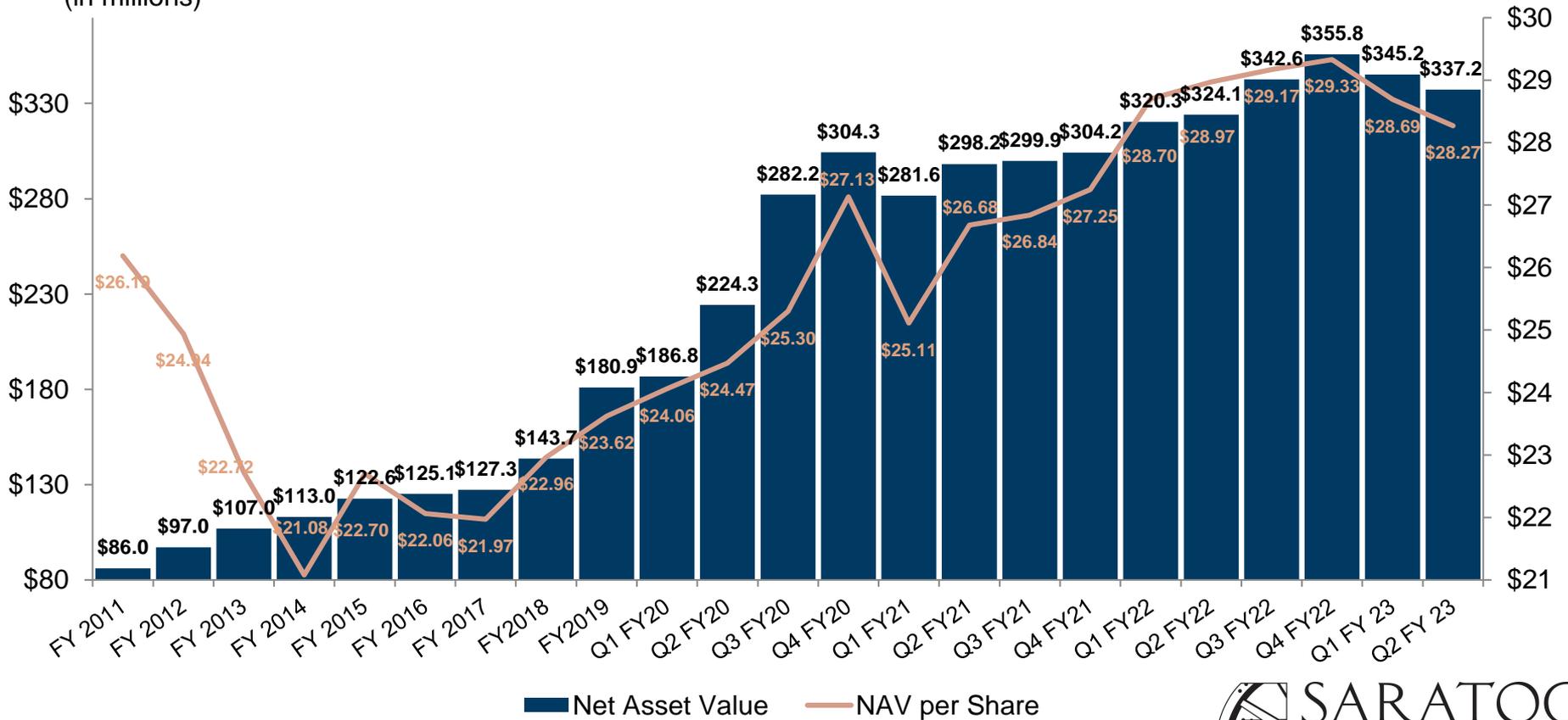
# Long-Term Accretive NAV and NAV Per Share Growth

## Net Asset Value and NAV per Share (FY11 to Q2FY23)

**NAV:** 2% decrease this quarter. 292% increase since Saratoga took over management.

**NAV/Share:** 1.5% decrease this quarter. 29% increase since FY17 with increases 17 of the last 21 quarters.

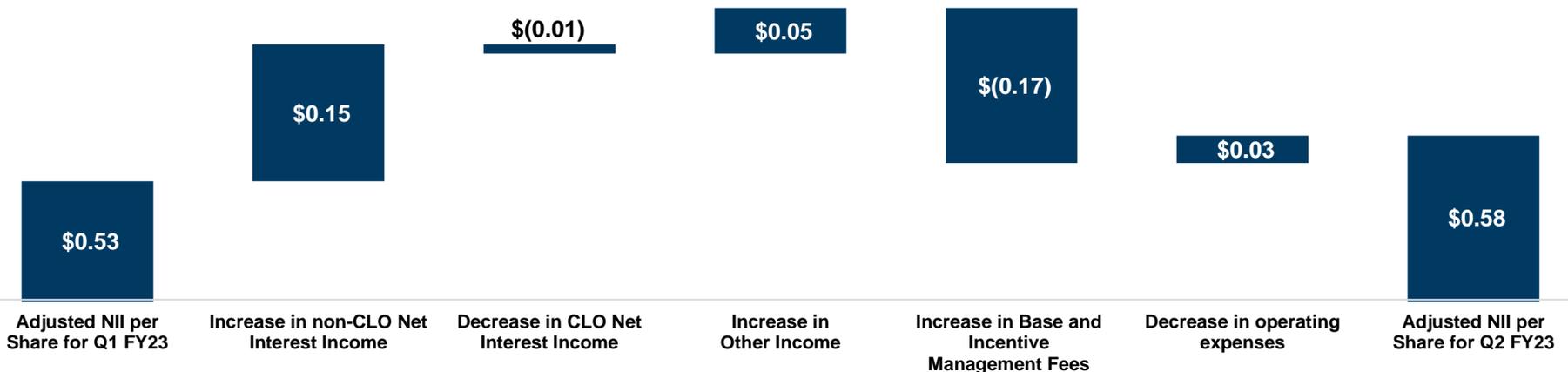
(in millions)



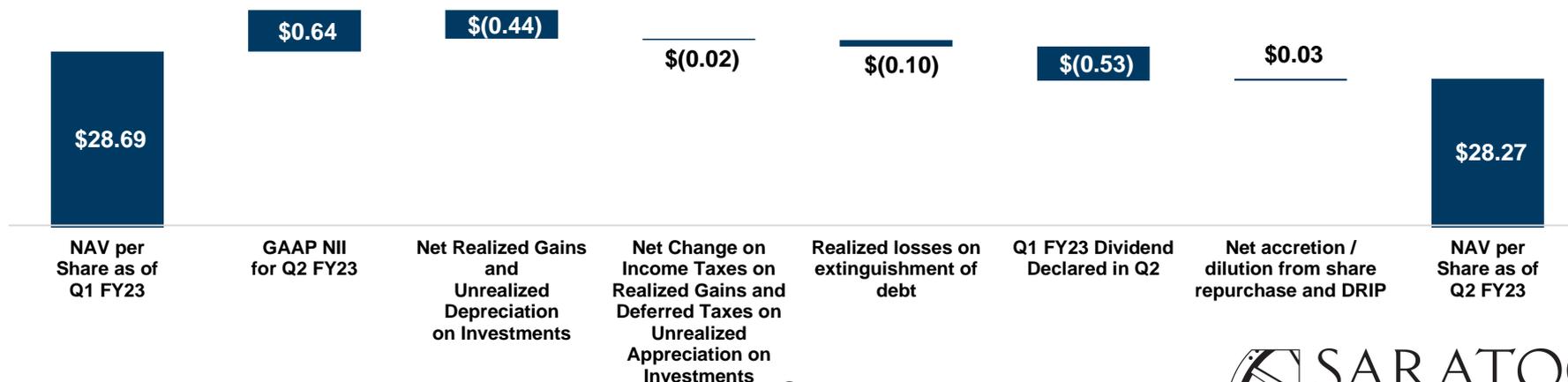
# Quarterly Reconciliation of NII and NAV per Share

## Reconciliation of Quarterly Adjusted NII per Share

- Zero net accretion/dilution from share repurchase plan and DRIP.



## Reconciliation of Quarterly NAV per Share



# Dry Powder Remains Available

(As of August 31, 2022)		Total Borrowing Capacity	Outstanding	Available Liquidity	Remaining Maturity Period	Fixed / Floating Rate
Secured Revolving Credit Facility		\$50.0 million	\$25.0 million	\$25.0 million	2 Years	Floating
SBA Debentures	SBIC I	\$67.7 million	\$67.7 million	\$0.0 million	2-6 years	Fixed
	SBIC II	\$175.0 million	\$166.0 million	\$9.0 million	8-10 years	Fixed
	SBIC III	\$175.0 million	\$0.0 million	\$107.0 million*	10 years	Fixed
Publicly-Traded Notes (at par value)	SAT	\$105.5 million	\$105.5 million	\$0.0 million	5 Years	Fixed
Unsecured Notes		\$250.0 million	\$250.0 million	\$0.0 million	4-5 years	Fixed
Private Notes (at par value)		\$20.0 million	\$20.0 million	\$0.0 million	3-5 Years	Fixed
Cash and Cash Equivalents		\$12.6 million	\$12.6 million	\$12.6 million	-	-

**Total Available Liquidity (at quarter-end): \$ 144.6 million**

**Ability to grow AUM by 15% without any new external financing as of August 31, 2022 (including new SBIC license)**

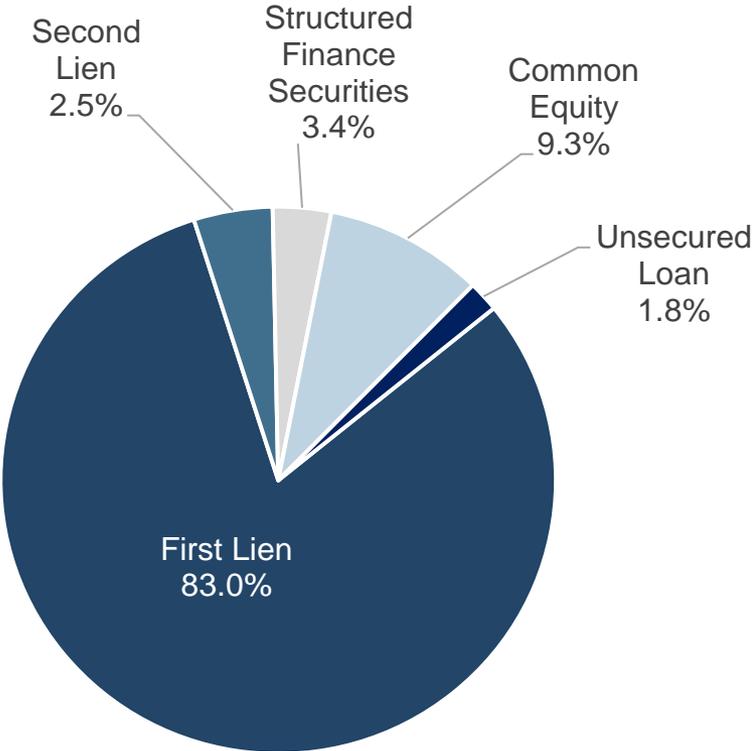
- \$9.0m of SBIC II debentures currently available and undrawn on \$87.5m of capital for new and existing SBIC II investments. SBIC II debentures are generally not available to support existing BDC or SBIC I investments

*\*Total availability for all combined SBIC licenses limited to \$350.0 million outstanding debentures.*

# Portfolio Composition and Yield

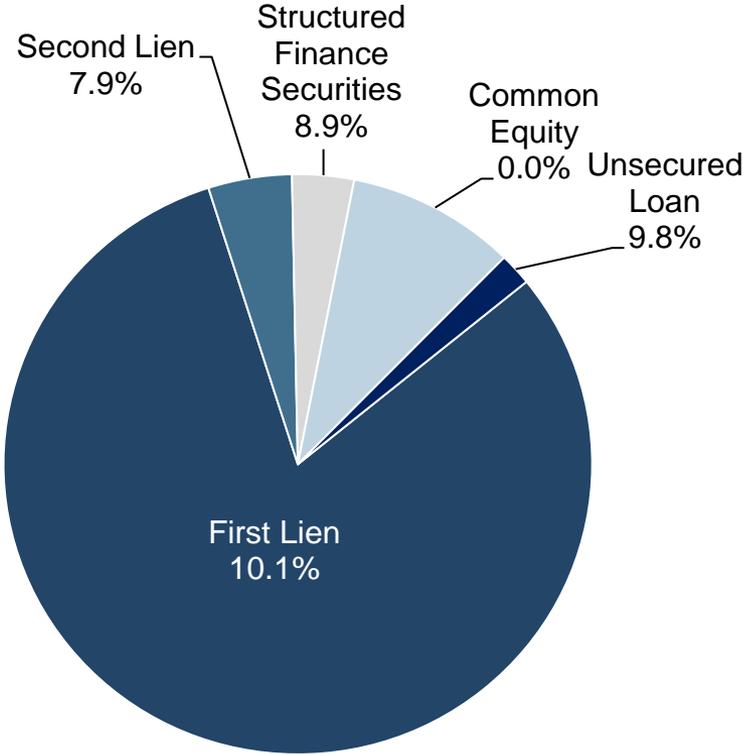
## Portfolio Composition – \$954.7m

(Based on Fair Values  
as of August 31, 2022)



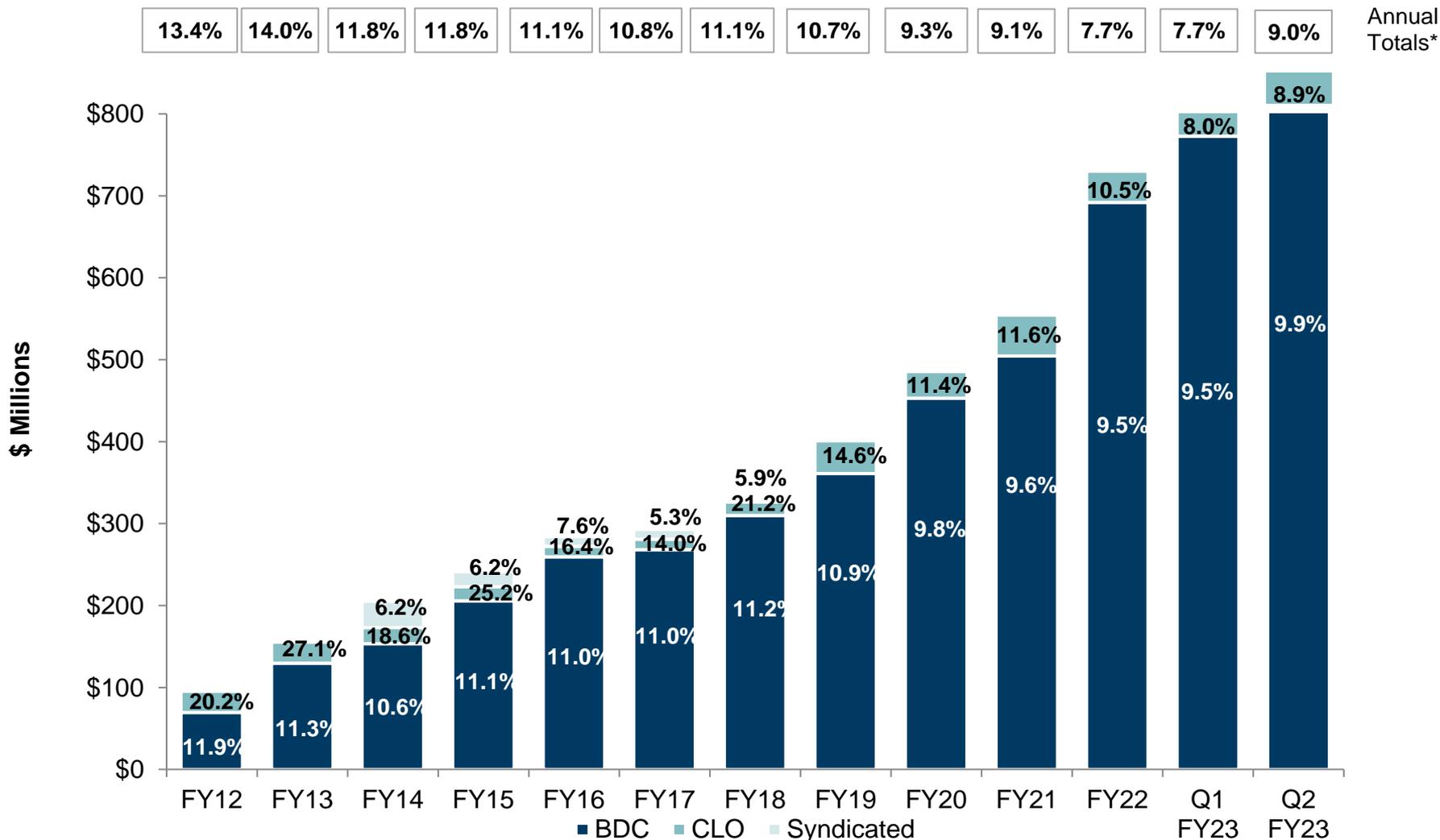
## Portfolio Yield – 9.0%

(Weighted Average  
Current Yield of Existing Portfolio)



# Yield of BDC Growing With Rising Rates

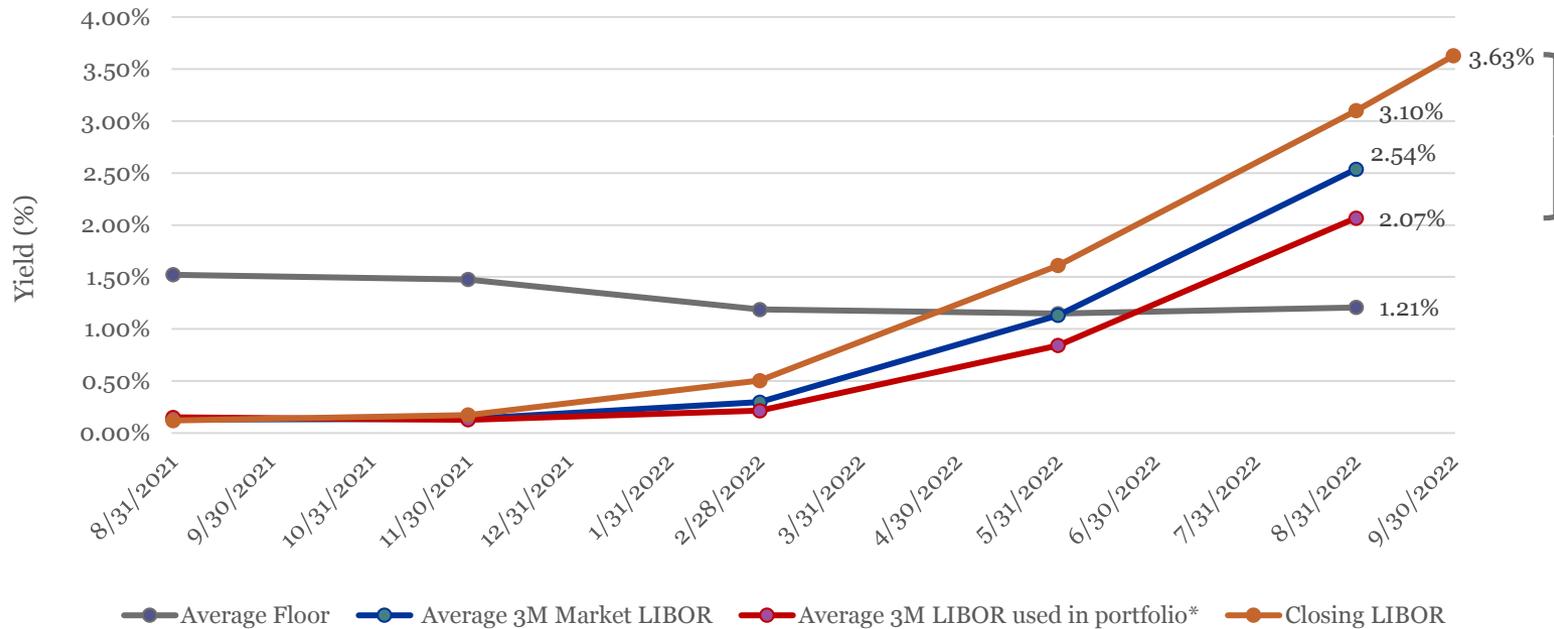
## Weighted Average Current Yields



\* Annual total yields on full portfolio. Excludes dividend income on preferred equity investments and other income. BDC, CLO and Syndicated yields are annualized and calculated on fair value of interest earning assets.

# Accretive Impact of Increased Rates with Lag Effect on Earnings

3-Month LIBOR Impact on Portfolio\*



**Q2 actual earnings does not reflect full quarter impact of Q2 average rate increase (47bps) or quarter-end closing rate difference (another 56bps), PLUS impact of September increase of 3-month LIBOR to 3.63% (another 53 bps).**

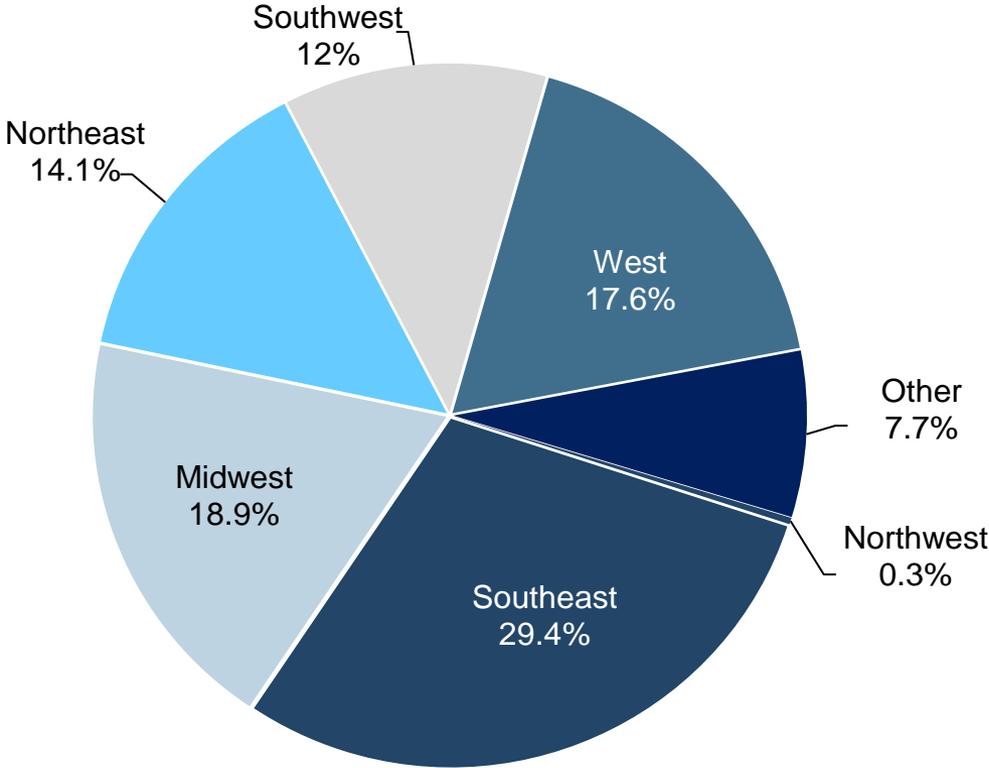
**98% of our interest earning assets are variable rate**

**96% of our borrowings (all debt except \$25 million) are fixed rate**

\*For illustrative purposes only includes Saratoga investments with 3-month LIBOR as reference rate, which is the majority of the investments

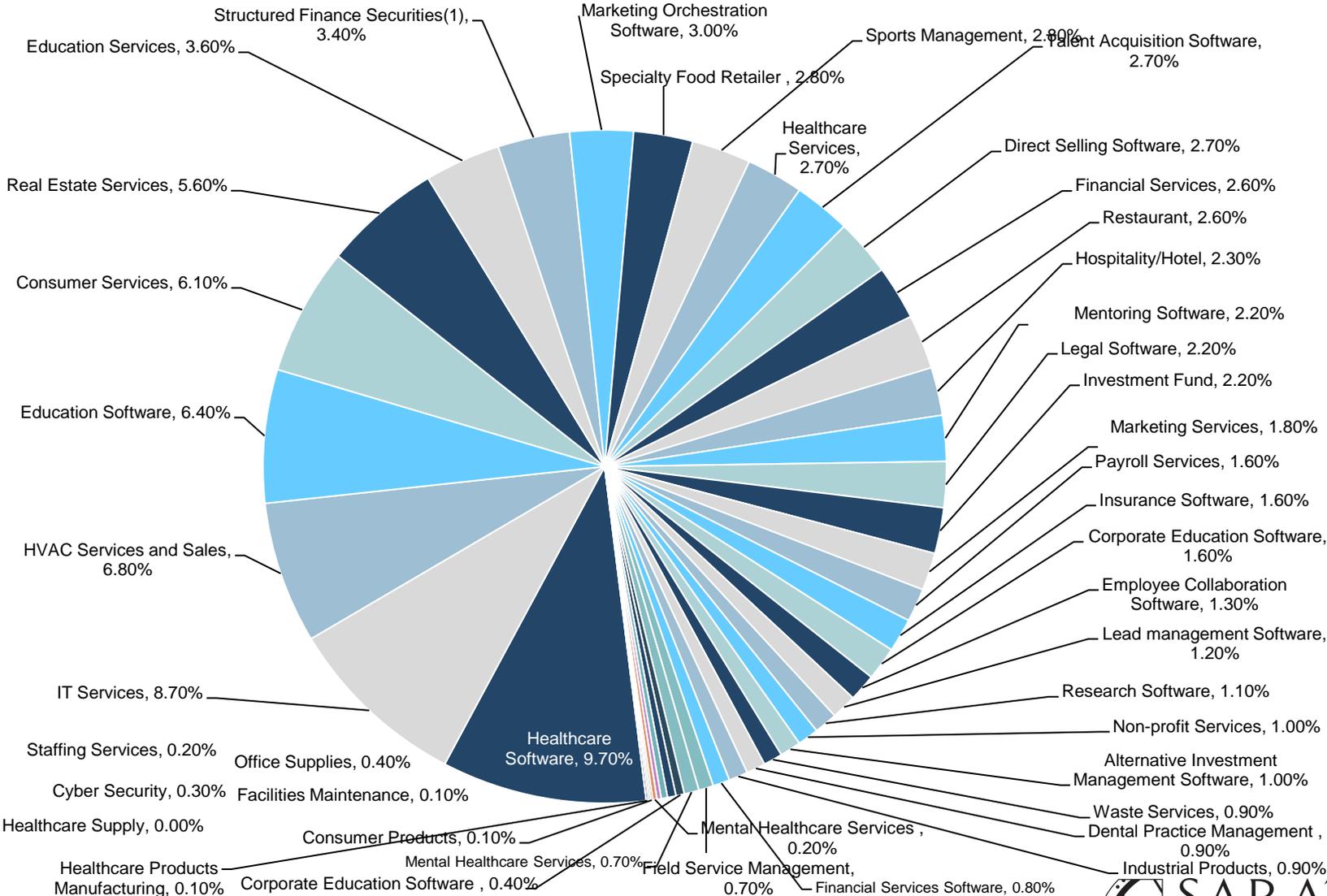
# Diversified Across Geography

Investments Diversified Geographically



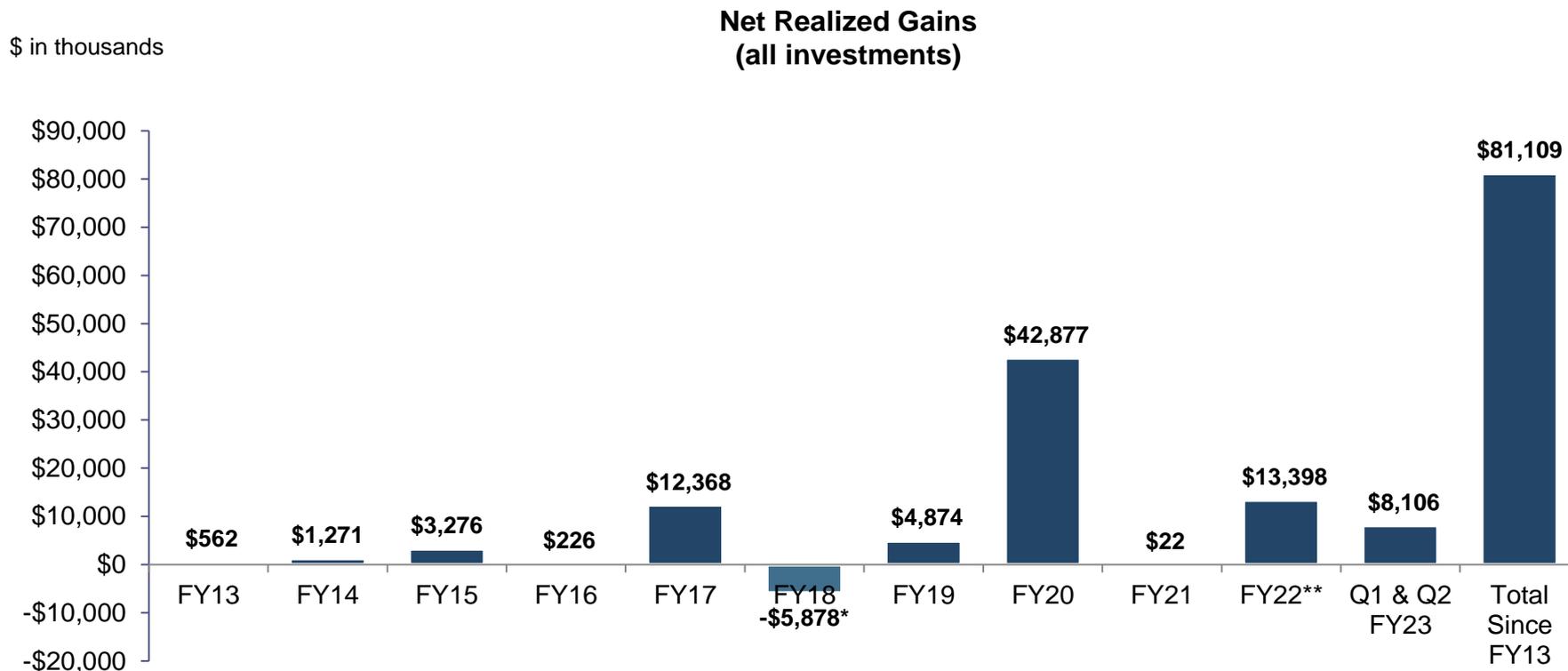
# Diversified Across Industry

Investments across 42 distinct industries



# Net Realized Gains Help Protect Shareholder Capital

Cumulative net realized gains reflect portfolio credit quality



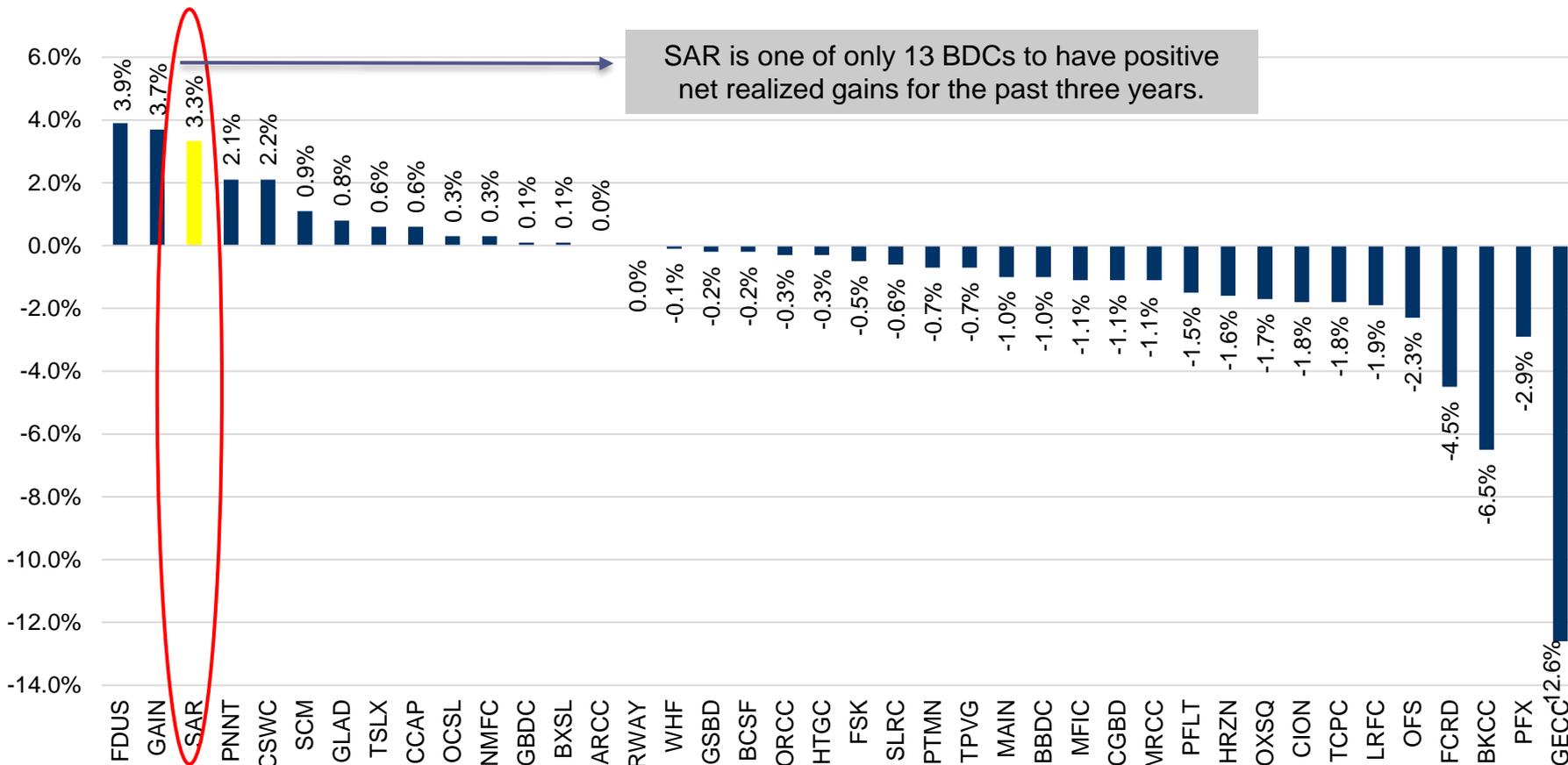
\* Reflects realized loss on My Alarm Center investment of \$7.7m less \$1.8m in other realized gains in FY18.

\*\* Reflects realized gains of \$18.3m on various equity investments in FY22, offset by full \$4.9m write-down of remaining My Alarm Center investment.

Table above reflects investments originated by Saratoga management (excludes Elyria legacy investment)

# Strong Net Realized Gains Flow from Disciplined Underwriting

## Last 3 Year Average Realized Gains (Loss) as a Percentage of Portfolio at Cost\*

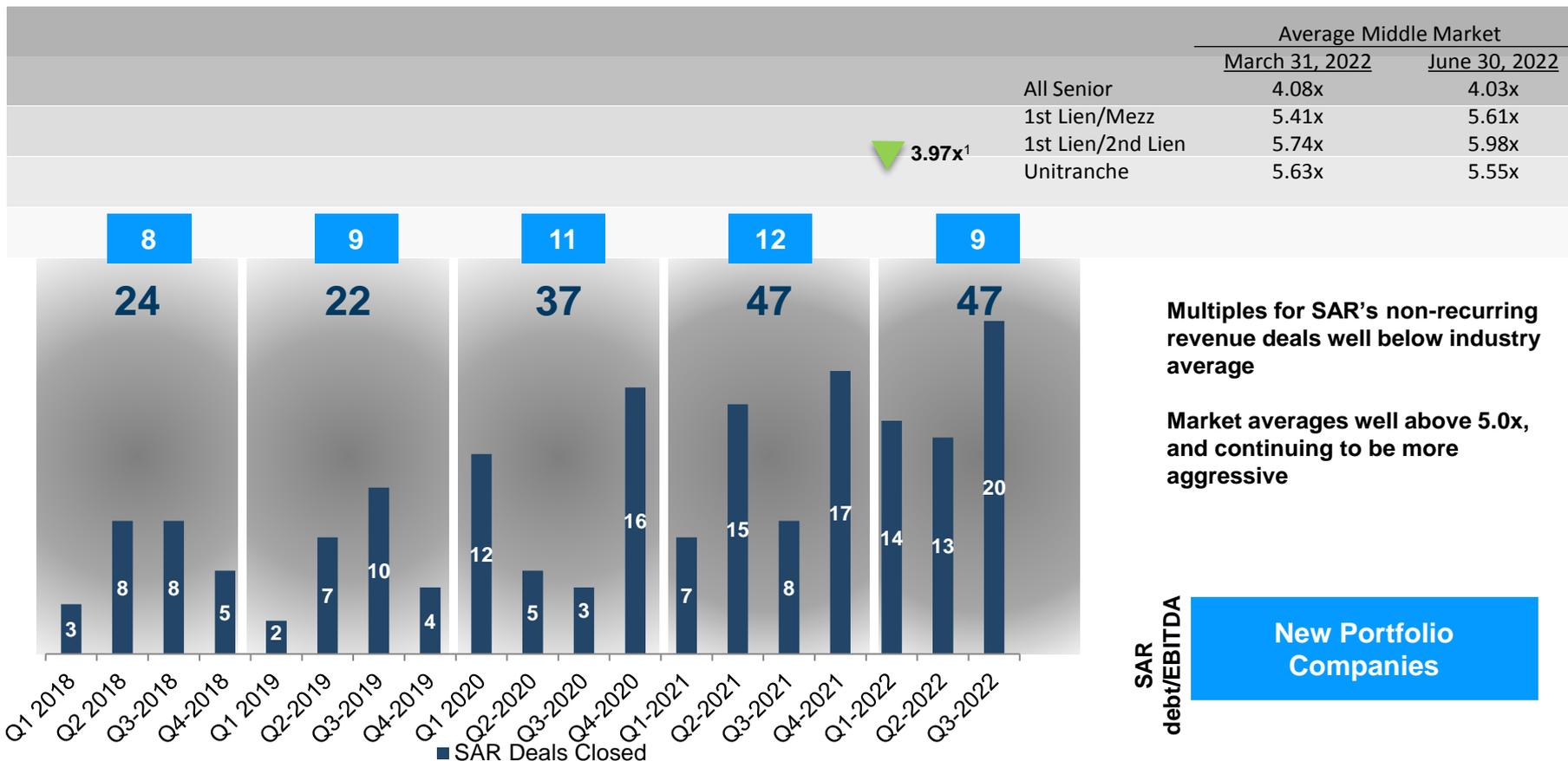


\*Source: Ladenburg Thalmann - calculated as three year average realized gains as proportion of average cost  
SAR data excludes legacy investments not originated by Saratoga management

# Exercising Disciplined Investment Judgment While Growing Origination Pace

## SAR Debt Multiples/Deals Closed (2018-2022)

Portfolio leverage with non-recurring revenue underwriting is 3.97x<sup>1^</sup>



\*Calendar quarters, not fiscal

<sup>1</sup>Excludes 26 loans underwritten using recurring revenue metrics. These recurring revenue loans would have significantly different portfolio leverage statistics.

<sup>^</sup>Excludes our two yellow assets, Knowland and Pepper Palace. Leverage 5.42x including these two investments

\*8 of the 37 deals closed in calendar year 2020 were liquidity draws related to COVID.

# Pipeline Growth Interrupted by COVID-19

**New business opportunities severely impacted by COVID-19 but healthy success in term sheets and deals executed driven by investments in team and strong reputation**

Calendar*	2018	Δ	2019	Δ	2020	Δ	2021	Δ	LTM Q3 2022	◇	Q1-Q3 2021	Δ	Q1-Q3 2022
<b>Deals Sourced</b>	846	2%	863	-28%	619	-8%	572	-7%	530	◇	436	-14%	373
<b>Term Sheets (excludes follow-ons)</b>	73	5%	77	-58%	32	109%	67	-49%	34	◇	39	-54%	18
<b>Deals Executed (new and follow-on)</b>	24	-8%	22	32%	29	62%	47	38%	65	◇	30	57%	47
<b>New portfolio companies</b>	8		9		11		12		13	◇	8		9

- ~68% of deal flow from private equity sponsors
- ~32% of deals from private companies without institutional ownership
- Saratoga maintains investment discipline which is demonstrated by passing on many deals that other firms close

- ~76% of term sheets are issued for transactions involving a private equity sponsor
- Being more selective in issuing term sheets based on credit quality

- Includes follow-on investments which reliably augment portfolio growth
- 2020 and 2021 deals executed exclude COVID related liquidity draws

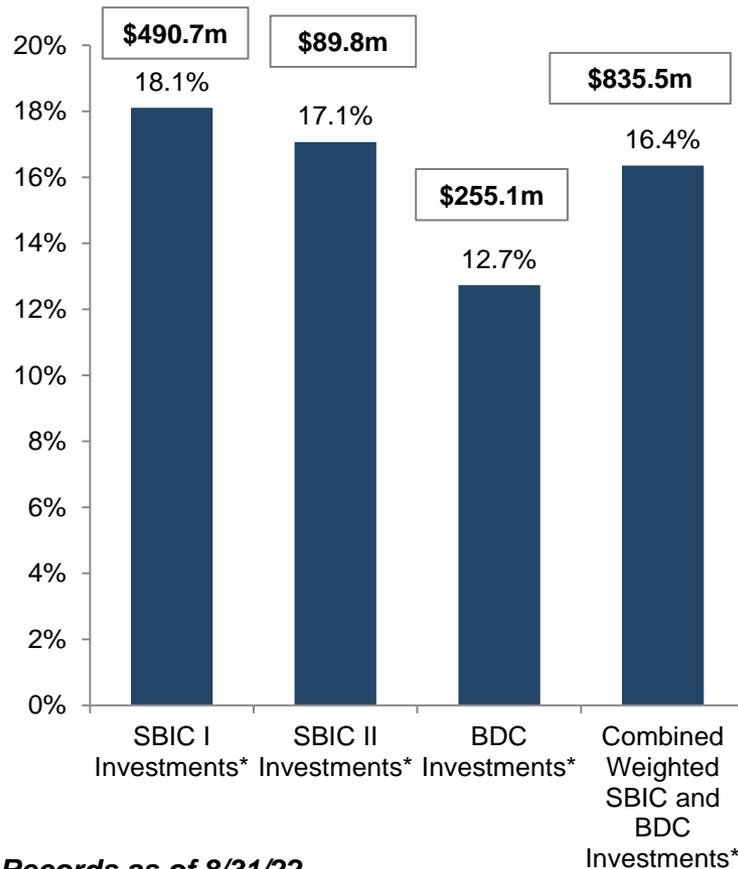
- Thirteen new portfolio companies during LTM Q3 2022
- Saratoga new portfolio company investments average ~ 2% of deals reviewed

\*Calendar quarters, not fiscal quarters.

# Demonstrated Strong Track Record

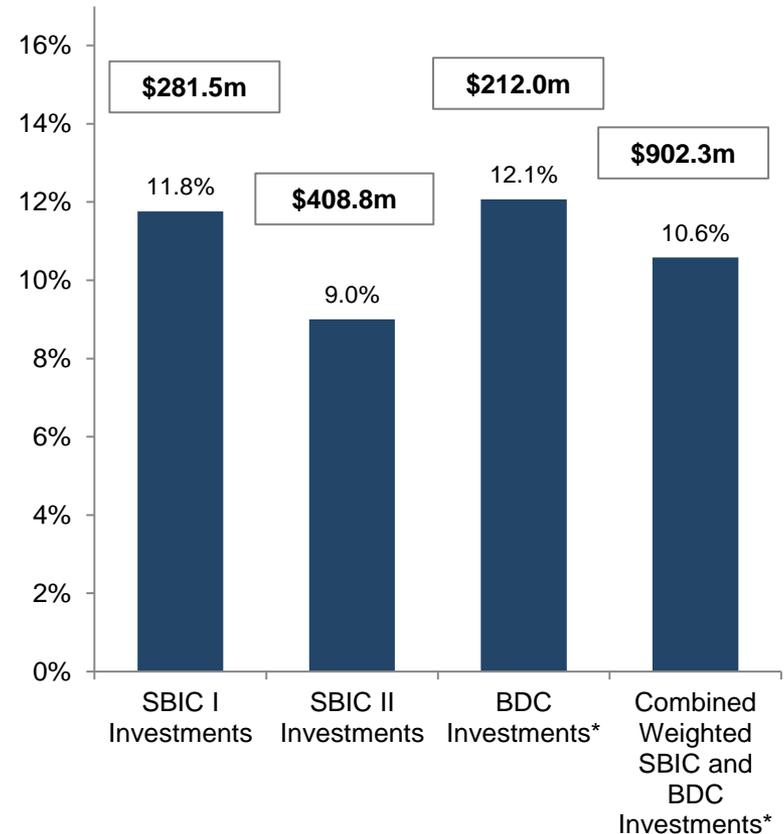
## Realized Investments

(Gross Unlevered IRR%)



## Unrealized Investments <sup>1</sup>

(Gross Unlevered IRR%)

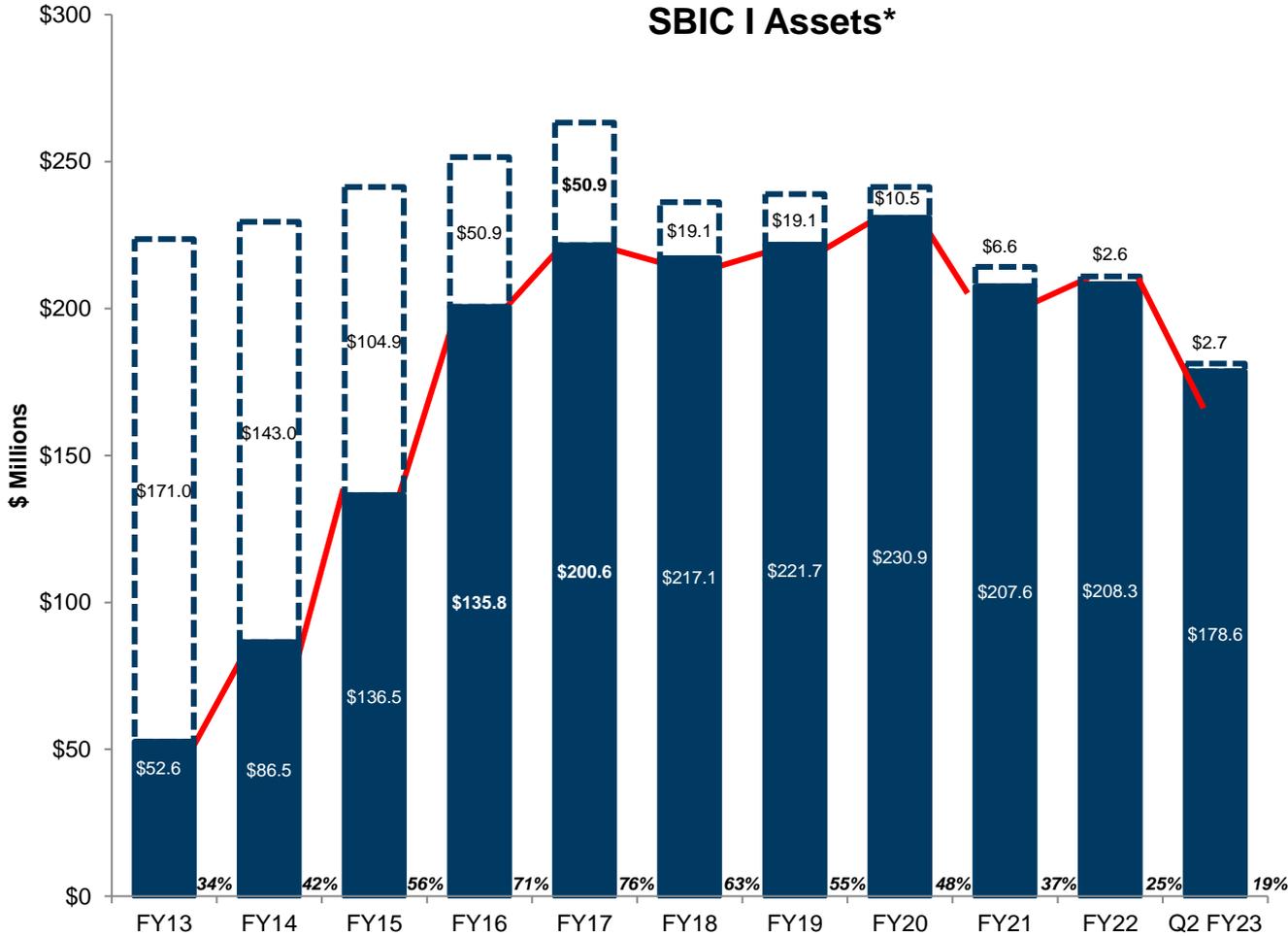


**Track Records as of 8/31/22**

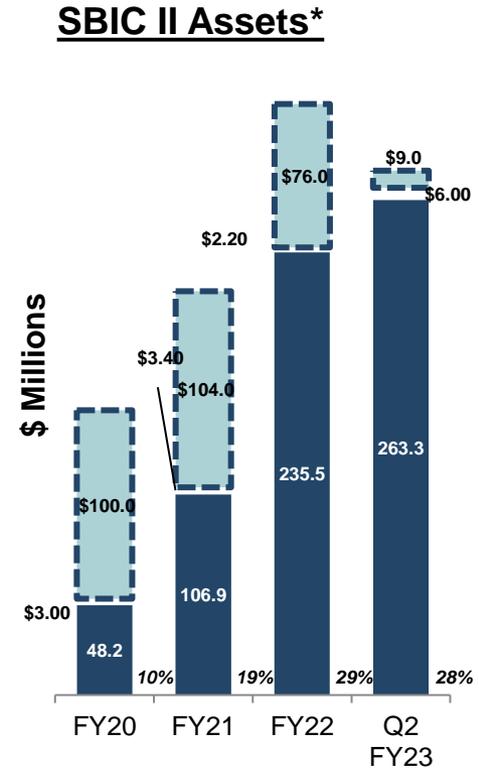
<sup>1</sup> IRRs for unrealized investments include fair value and accrued interest as of 8/31/2022

\* SBIC I and SBIC II investments represent all investments in the specific funds, including later follow-ons that might be invested in the BDC due to SBIC fund size limitations. BDC investments exclude investments existing when Saratoga management took over, corporate financing investments and our investments in our CLO and JV.

# SBIC I Fully Funded - SBIC II Still Available



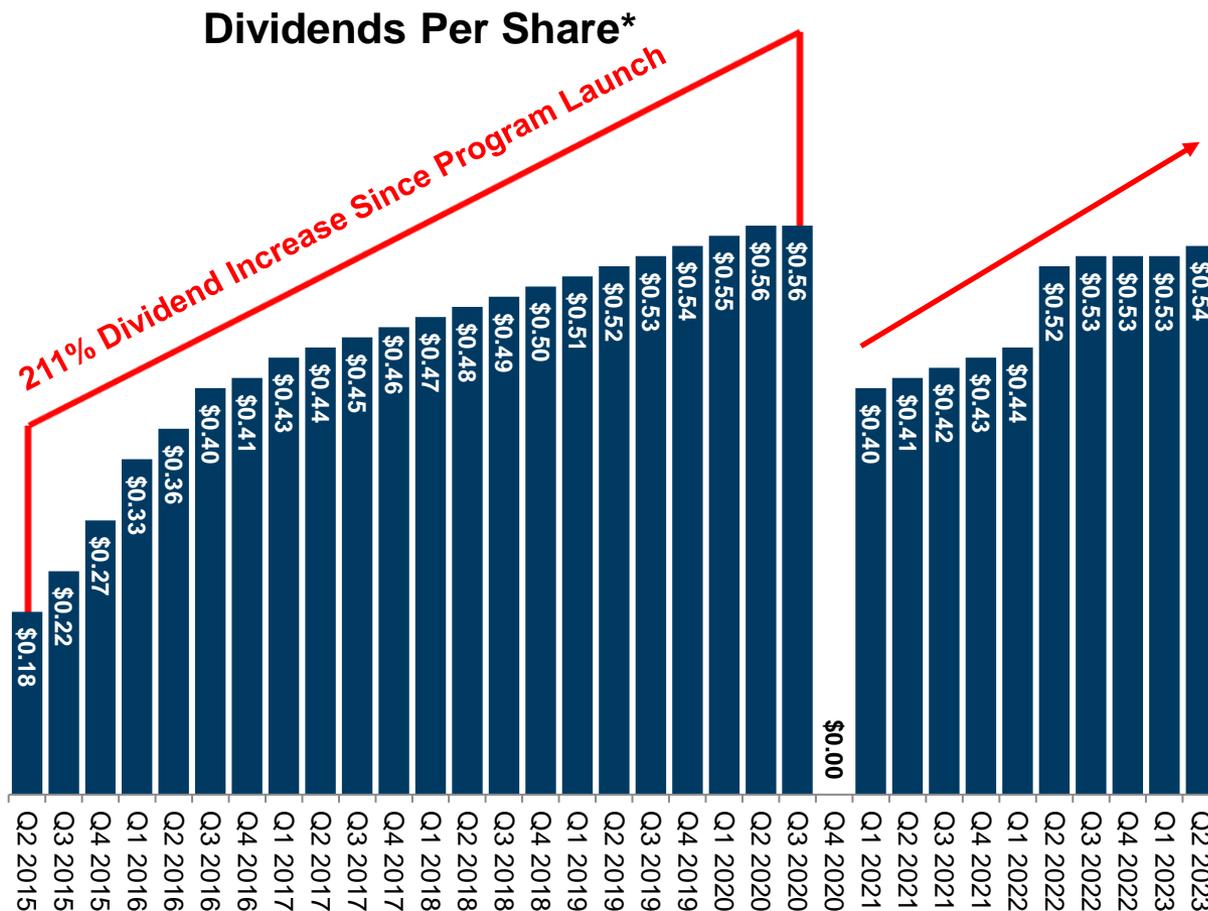
SBIC second license provided \$103m, \$107m, \$78m and \$15m of available capacity in FY20, FY21, FY22 and Q2FY23 respectively (debt and equity at 2:1 leverage)



\* At Fair Value for SBIC I and II assets

# Long-Term Dividend Growth

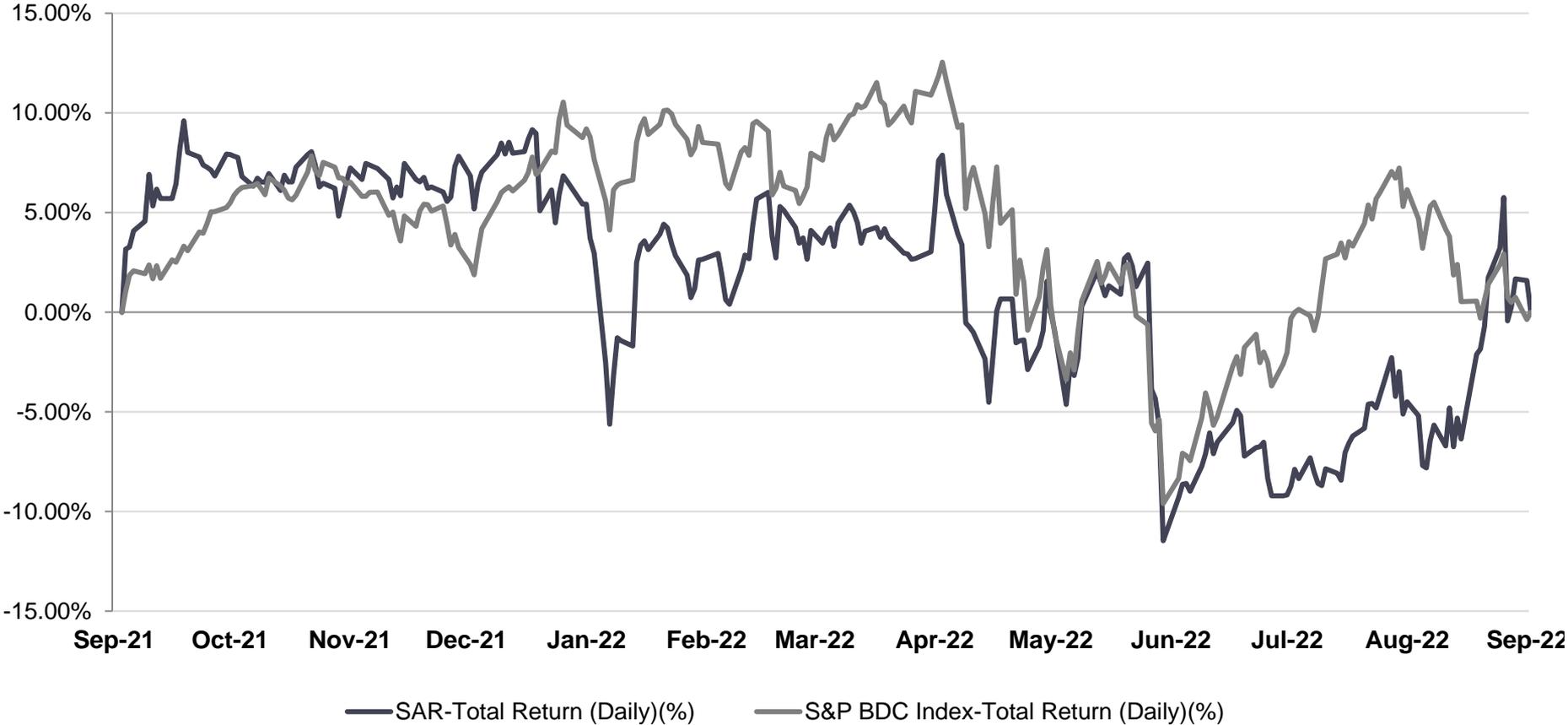
- Established dividend policy to pay regular quarterly cash dividends to stockholders pursuant to dividend reinvestment plan (“DRIP”) in 2014
- Increased dividend by 211% since program launch until last year-end deferral
- Increased dividend by 23% over past fifteen months, with a 2% increase this past quarter
- Q2 FY23 dividend of \$0.54 declared and paid for the quarter ended August 31, 2022



\*Excludes special dividend of \$0.20 per share paid on September 5, 2016

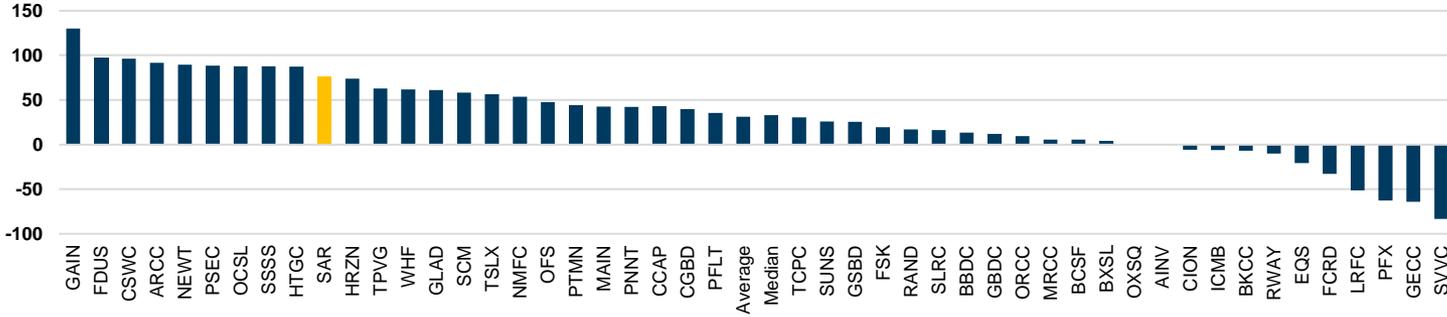
# SAR LTM Total Return In Line With BDC Index

**LTM Total Return (%)**  
(September 2021 to September 2022)  
**SAR -0.4% v BDC Index -0.4%**

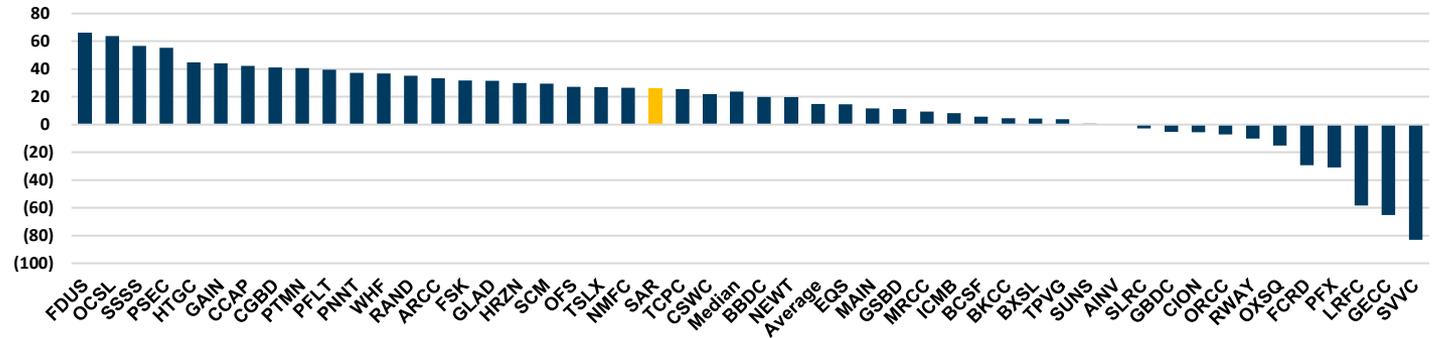


# Long-Term Performance at Top of BDC Industry

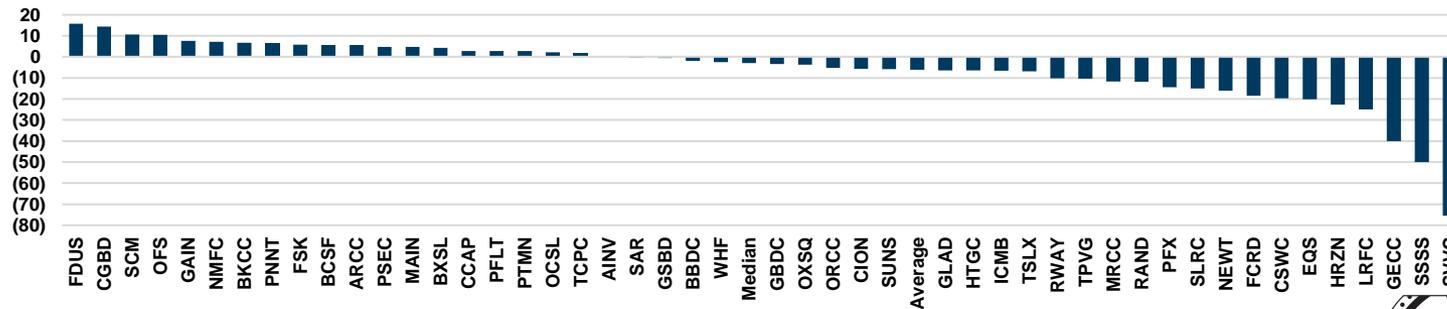
## BDC Total Return (%)



Last 5 years:  
77%

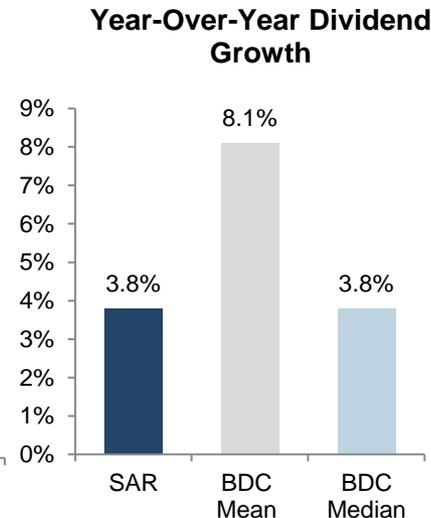
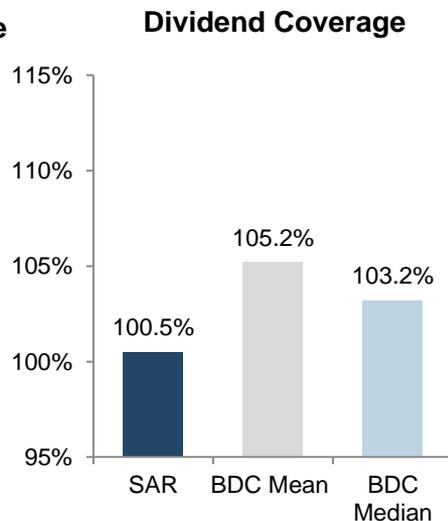
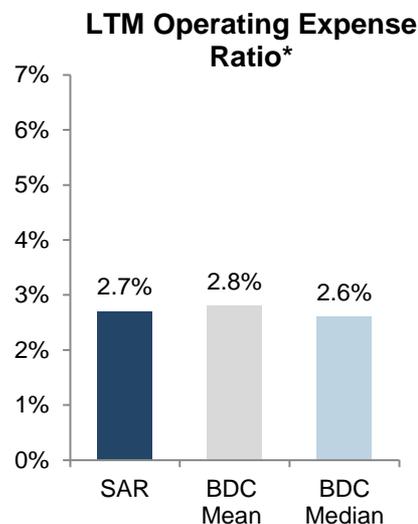
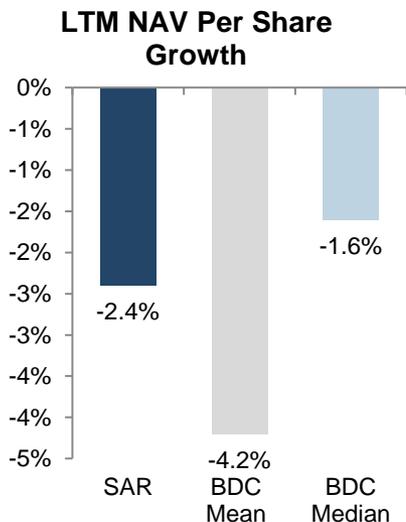
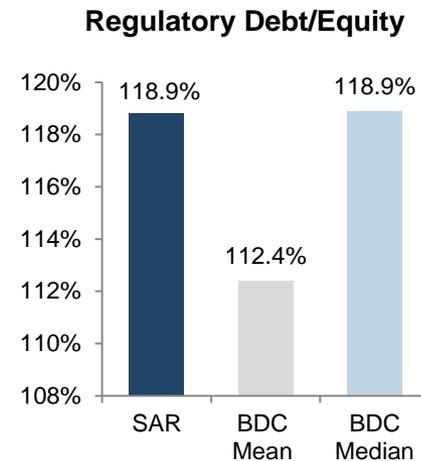
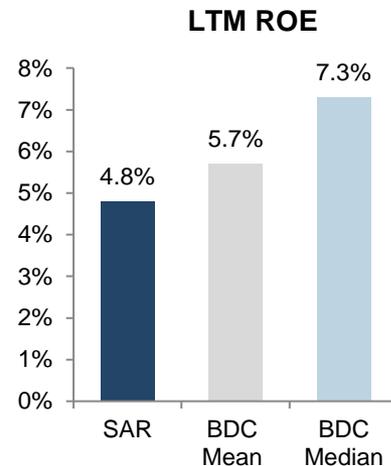
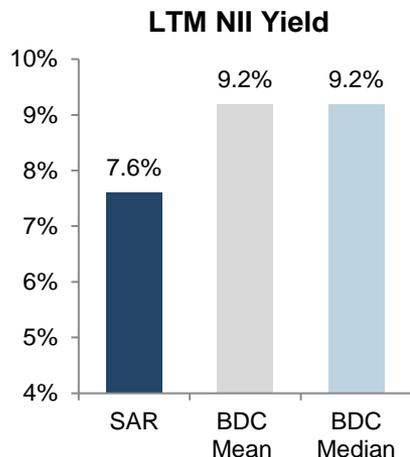
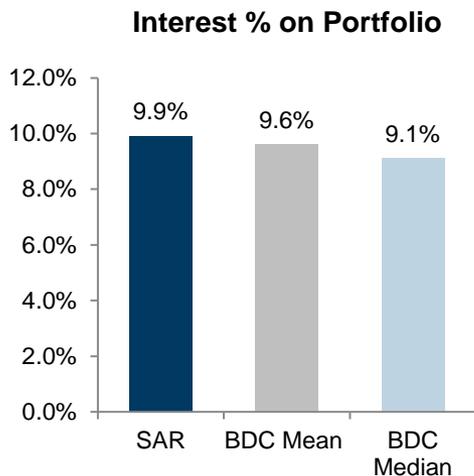


Last 3 years:  
26%



Last 12 months:  
0%

# Solid Long-Term Performance



Source: SNL Financial / Company Filings / Raymond James report as of 9/16/22

\* LTM Operating Expense Ratio defined as total operating expenses, net of interest and debt financing expenses and income and excise taxes, divided by average total assets. Total operating expenses divided by net assets is 14.5%, .

# Establishing Competitive Edge vs. Other BDCs

## Outstanding performance characteristics

### ▶ Strong long-term dividend

Increased quarterly dividend by 211% since program launched until recent deferral; Latest dividend declared of 54c per share for the quarter ended August 31, 2022, up 23% last fifteen months, represents current dividend yield of 10%; significant management ownership of 14%

### ▶ Strong return on equity

LTM ROE of 4.8% factors in both investment income and net gains/losses

### ▶ Low-cost available liquidity

Borrowing capacity still at hand through SBIC II and new SBIC III debentures, new credit facility and cash – can grow current asset base by 15% as of quarter ended August 31, 2022, with most of it in cash or low cost liquidity (SBIC II and SBIC III debentures) that will be accretive to earnings.

### ▶ Solid earnings per share and NII Yield

Attractive and growing NII per share generated from strong risk-adjusted portfolio returns and favorable capital structure

### ▶ Commitment to AUM expansion

Fair value of AUM increased 7% from last quarter and 43% from prior year, with portfolio fair value now at approximate cost

### ▶ Well-positioned for changes in interest rates

Beneficiary of rising rates with 98% of our investments having floating interest rates, and 96% of our debt fixed rate and long-term. Interest rates currently higher than all floors and future increases fully accretive to interest income. Investment grade rating of “BBB+”.

### ▶ Limited oil & gas exposure

Will not be facing significant write-downs as a result of major direct exposure to energy/oil/gas investments

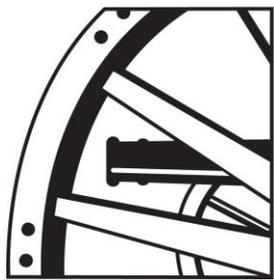
### ▶ Attractive risk profile

96% of credits are the highest quality, 83% of investments are first lien

# Objectives for the Future

- Expand our asset base without sacrificing credit quality while benefitting from scale
- Increase our capacity to source, analyze, close and manage our investments by adding to our management team and processes
- Utilize benefits of fully deploying available financing to build scale and increase our AUM and net investment income/yield, enabling us to achieve growth in:
  - Net Asset Value
  - Return on Equity
  - Earnings per Share
  - Stock Values

Questions?



SARATOGA  
INVESTMENT CORP.



SARATOGA  
INVESTMENT CORP.

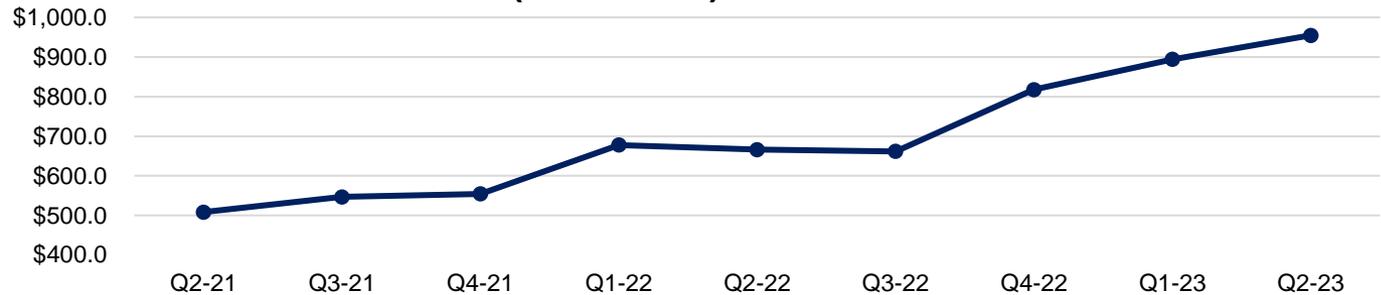
# KPIs – Balance Sheet – Q2 FY23

Period	FMV Investment Portfolio (in millions)
Q2-21	\$ 508.1
Q3-21	\$ 546.9
Q4-21	\$ 554.3
Q1-22	\$ 677.8
Q2-22	\$ 666.1
Q3-22	\$ 661.8
Q4-22	\$ 817.6
Q1-23	\$ 894.5
Q2-23	\$ 954.7

Period	NAV (in millions)
Q2-21	\$ 298.2
Q3-21	\$ 299.9
Q4-21	\$ 304.2
Q1-22	\$ 320.3
Q2-22	\$ 324.1
Q3-22	\$ 342.6
Q4-22	\$ 355.8
Q1-23	\$ 345.2
Q2-23	\$ 337.2

Period	NAV Per Share
Q2-21	\$ 26.68
Q3-21	\$ 26.84
Q4-21	\$ 27.25
Q1-22	\$ 28.70
Q2-22	\$ 28.97
Q3-22	\$ 29.17
Q4-22	\$ 29.33
Q1-23	\$ 28.69
Q2-23	\$ 28.27

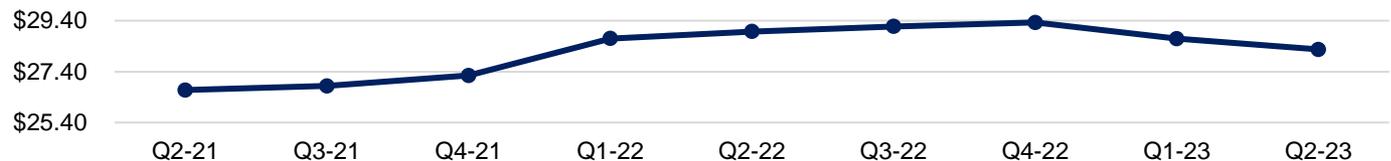
### FMV Investment Portfolio (in millions)



### NAV (in millions)



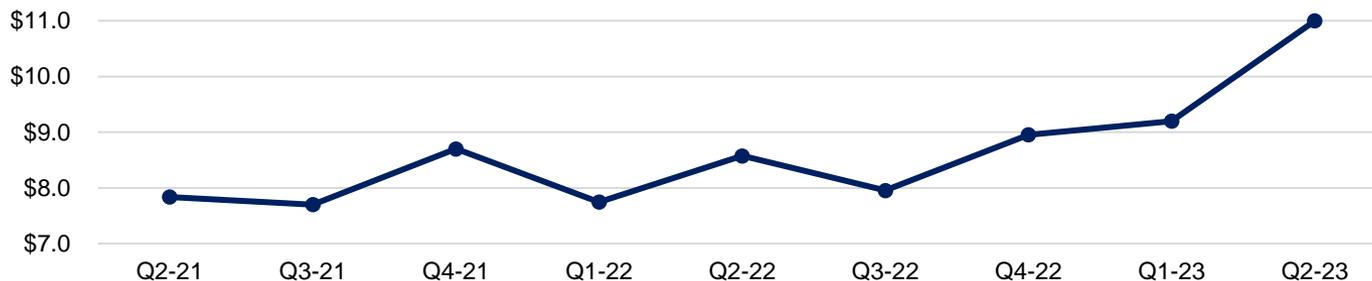
### NAV Per Share



# KPIs – Income Statement – Q2 FY23

Period	Net Interest Margin (in millions)
Q2-21	\$ 7.8
Q3-21	\$ 7.7
Q4-21	\$ 8.7
Q1-22	\$ 7.7
Q2-22	\$ 8.6
Q3-22	\$ 8.0
Q4-22	\$ 9.0
Q1-23	\$ 9.2
Q2-23	\$ 11.0

**Net Interest Margin Excluding CLO**  
(in millions)



Period	NII Per Share
Q2-21	\$ 0.49
Q3-21	\$ 0.50
Q4-21	\$ 0.52
Q1-22	\$ 0.56
Q2-22	\$ 0.63
Q3-22	\$ 0.53
Q4-22	\$ 0.53
Q1-23	\$ 0.53
Q2-23	\$ 0.58

**Adjusted NII Per Share**



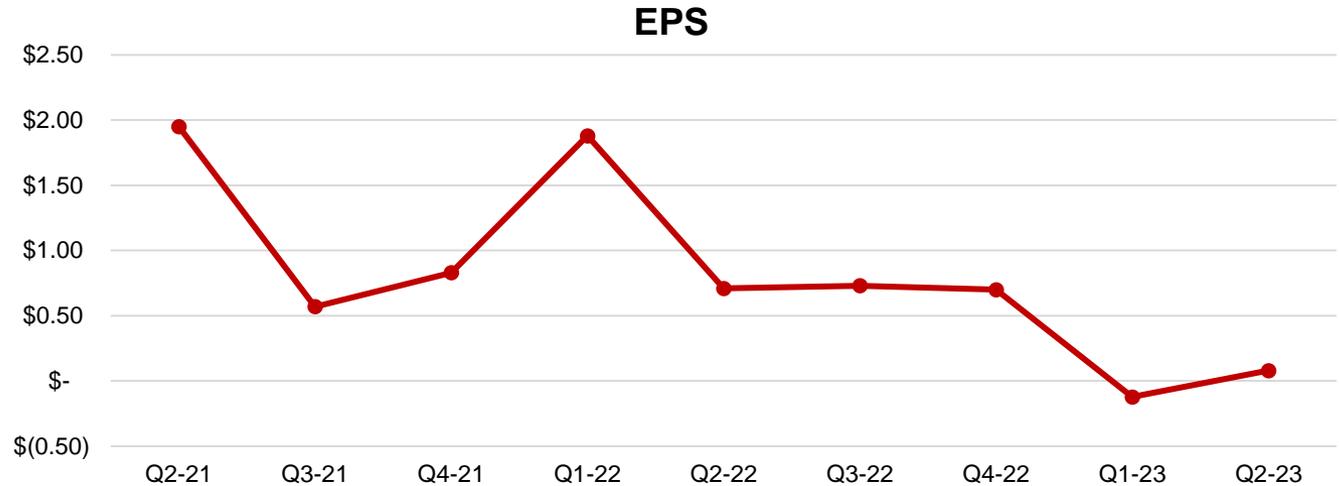
Period	NII Yield
Q2-21	7.6%
Q3-21	7.4%
Q4-21	7.7%
Q1-22	8.0%
Q2-22	8.7%
Q3-22	7.3%
Q4-22	7.3%
Q1-23	7.3%
Q2-23	8.2%

**Adjusted NII Yield**

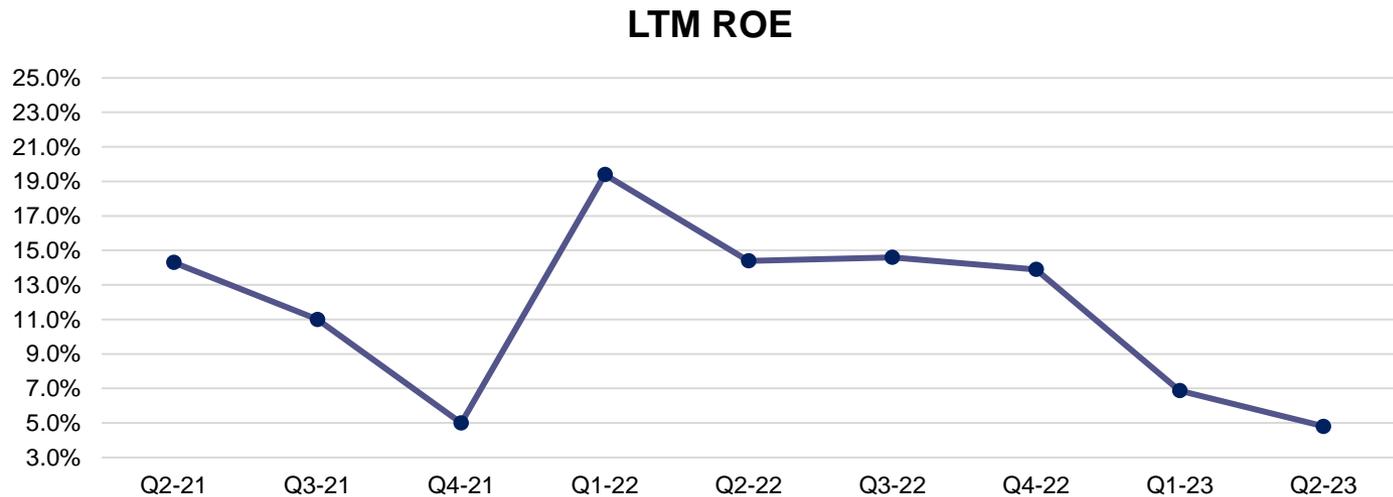


# KPIs – Income Statement– Q2 FY23 (continued)

Period	EPS
Q2-21	\$ 1.95
Q3-21	\$ 0.57
Q4-21	\$ 0.83
Q1-22	\$ 1.88
Q2-22	\$ 0.71
Q3-22	\$ 0.73
Q4-22	\$ 0.70
Q1-23	\$ (0.12)
Q2-23	\$ 0.08



Period	LTM ROE
Q2-21	14.3%
Q3-21	11.0%
Q4-21	5.0%
Q1-22	19.4%
Q2-22	14.4%
Q3-22	14.6%
Q4-22	13.9%
Q1-23	6.9%
Q2-23	4.8%



# KPIs - SAR Net Interest Margin

**SAR has quadrupled its Net Interest Margin since taking over management**

## Net Interest Margin

