

# Saratoga Investment Corp.

## **Fiscal Third Quarter 2025 Shareholder Presentation**

January 9, 2025



# Steady Long-Term Performance in Q3 2025

## Fiscal Third Quarter 2025 Highlights:

### Continued high quality portfolio and solid performance

- Investment quality remains solid
  - 99.7% of loan investments with highest internal rating and two residual non-accruals (0.3% of fair value / 0.3% of cost)
  - Two remaining non-accrual or watchlist investments have undergone successful restructurings with decisive action
- Return on equity in Q3 of 9.5% (annualized) and 9.2% for LTM, as compared to industry average of 8.5%
  - Net realized gains and unrealized depreciation of \$3.5 million, consisting of \$4.0 million net unrealized depreciation in the CLO and JV and \$1.4 million net unrealized depreciation in our core non-CLO portfolio, including Pepper Palace and Zollege, offset by (i) \$1.2 million net realized gains on the various repayments and realizations in the quarter, most notably the Invita Investment, and (ii) \$0.7 million of various escrow realized gains, most notably the former Netro investment.
  - Remaining total Pepper Palace and Zollege fair value as of quarter-end is \$5.8 million
- Average ROE over the past ten years of 10.4% exceeds industry average of 6.9% and is consistently positive and steady
- Gross Unlevered IRR of 10.5% on total unrealized portfolio as of November 30, 2024
  - Fair value of \$960.1 million is 0.7% below total cost of portfolio, with core non-CLO BDC portfolio 3.0% above cost
  - Gross Unlevered IRR of 15.0% on \$1.20 billion of total realizations

### Outsized repayments this quarter exceed strong originations, remain on track for growing long-term assets under management

- AUM of \$960.1 million, a decrease of 13.8% since last year and 7.7% from last quarter, with \$84.5m in originations offset by \$160.4m repayments in Q3

### Base of liquidity and capital remains strong, with significant levels of available cash

- Quarter-end liquidity allows growth of AUM by 49% and is mostly long-term, with \$250.2 million in cash

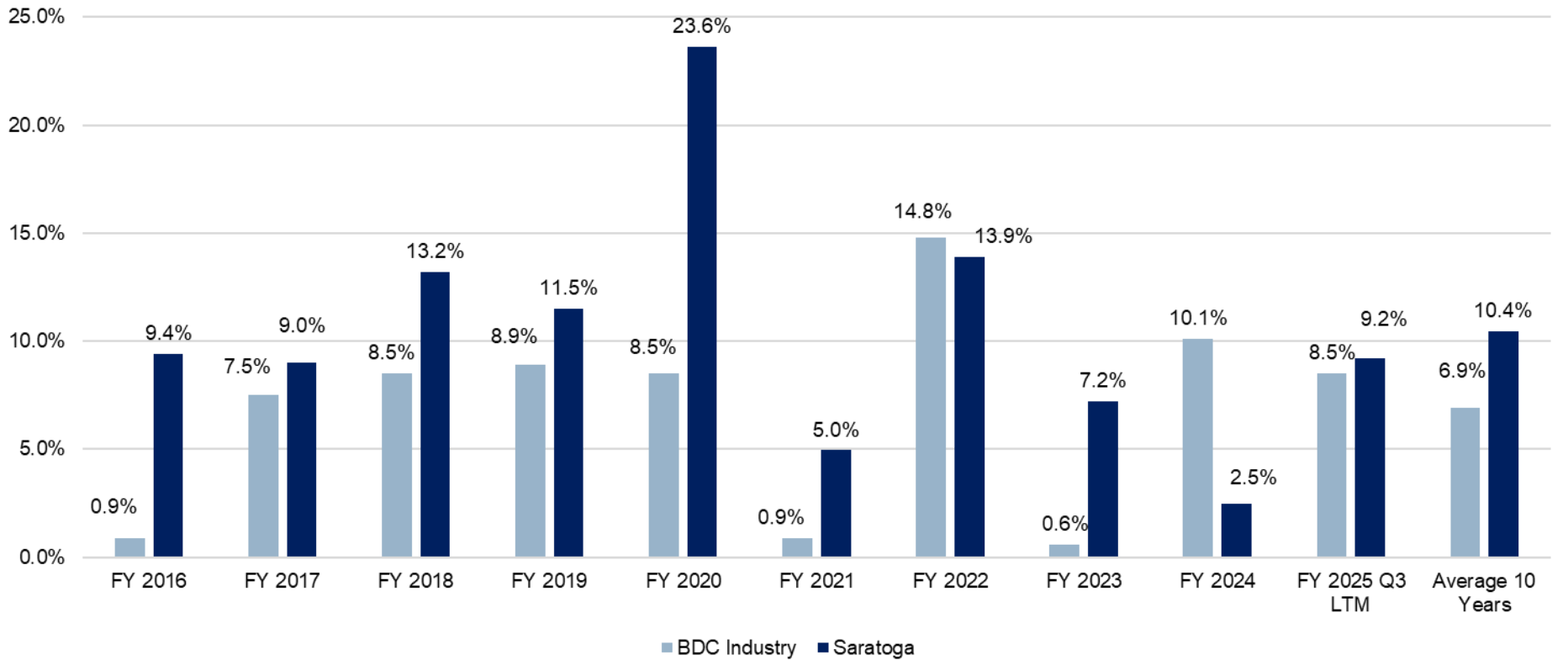
### Declared dividend of \$0.74 per share for the quarter ended November 30, 2024, and an additional special dividend of \$0.35 per share, both paid on December 19, 2024

### Key performance indicators for Q3 and versus Q2 2025

- Adjusted NII of \$12.4 million (down 31.7%), Adjusted NII per share of \$0.90 (down 32.3%), Adjusted NII Yield of 13.3% (down 640bps), LTM ROE of 9.2% (versus 8.5% for industry) and NAV per share of \$26.95 (down \$0.12, or 0.4%)
- Adjusted NII per share increase of \$0.01 per share (\$0.89 to \$0.90 per share) when excluding the \$7.6 million (\$0.44 per share) net impact of the non-recurring Knowland investment interest reserve release in the previous and current quarter

# Saratoga Double Digit Long-Term ROE Substantially Ahead of the BDC Industry

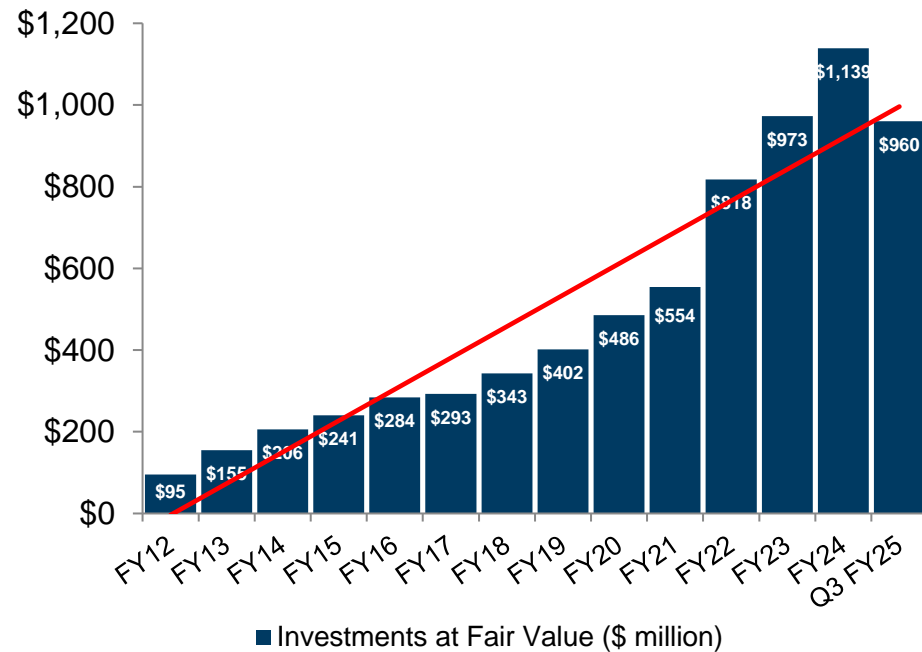
Return on Equity



**Positive performance has led to SAR ROE beating the BDC industry eight of the past ten years, with a 10-year average that is almost 1.5x the industry and consistently positive every year**

# Consistent Long-Term Asset Growth and Solid Credit Quality

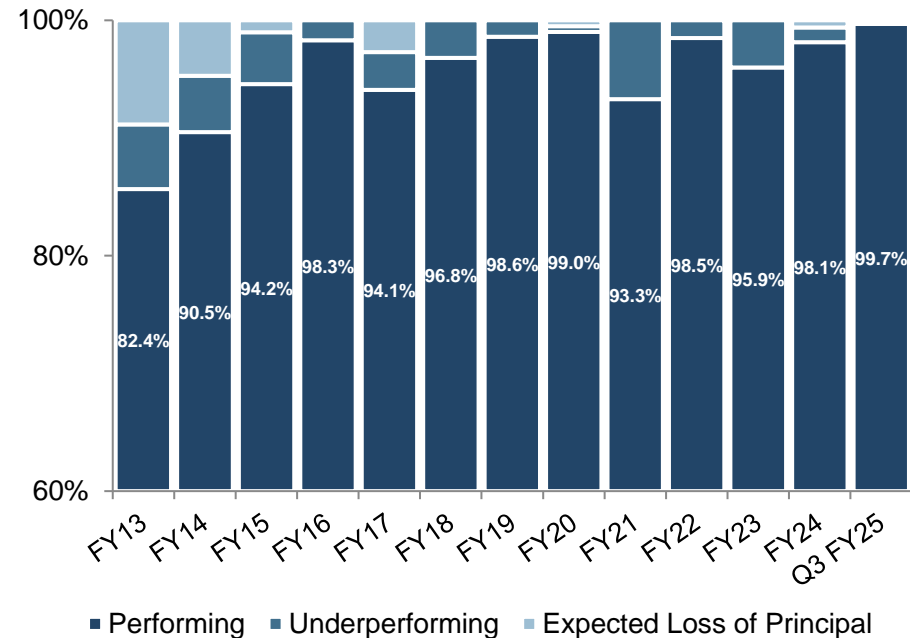
## Asset Base Expansion Trend



**Fair value of AUM decreased 13.8% year-over-year and 7.7% since last quarter.**

**Fair value of \$960.1m at Q3 FY25 is 0.7% below cost, with core non-CLO BDC portfolio 3.0% above cost.**

## Overall Credit Quality Remains Solid



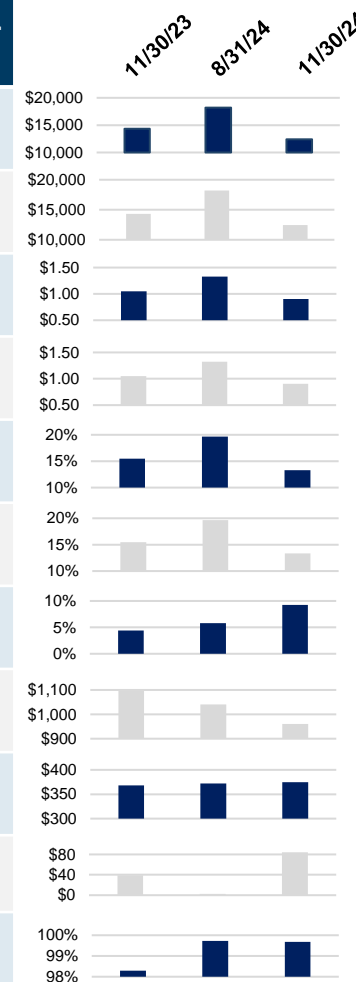
**99.7% of our SAR loan investments hold our highest internal rating, unchanged from last quarter; two residual investments on non-accrual at quarter-end (0.3% of fair value / 0.3% of cost)\***

\* Internal credit ratings exclude our investment in our CLO and our equity positions.

# Q3 FY25: Strong Financial Foundation

## Key Performance Metrics for the Fiscal Quarter

For the quarter ended and as of (\$ in millions except per share)	November 30, 2023	August 31, 2024	November 30, 2024
Net investment income	\$14.2	\$18.2	\$12.4
Adjusted net investment income <sup>1</sup>	\$13.1	\$18.2	\$12.4
Net investment income per share	\$1.09	\$1.33	\$0.90
Adjusted net investment income per share <sup>1</sup>	\$1.01	\$1.33	\$0.90
Net investment income yield	15.7%	19.7%	13.3%
Adjusted net investment income yield <sup>1</sup>	14.6%	19.7%	13.3%
Return on Equity – Last Twelve Months	6.6%	5.8%	9.2%
Fair value of investment portfolio	\$1,114.0	\$1,040.7	\$960.1
Total net assets	\$359.6	\$372.1	\$374.9
Investments in new/existing portfolio companies	\$35.6	\$2.6	\$84.5
Loan Investments held in “Performing” credit ratings	97.1%	99.7%	99.7%



1) Adjusted for accrued capital gains incentive fee expense, reconciliation to GAAP net investment income, net investment income per share and net investment income yield included in our fiscal third quarter 2025 earnings release.

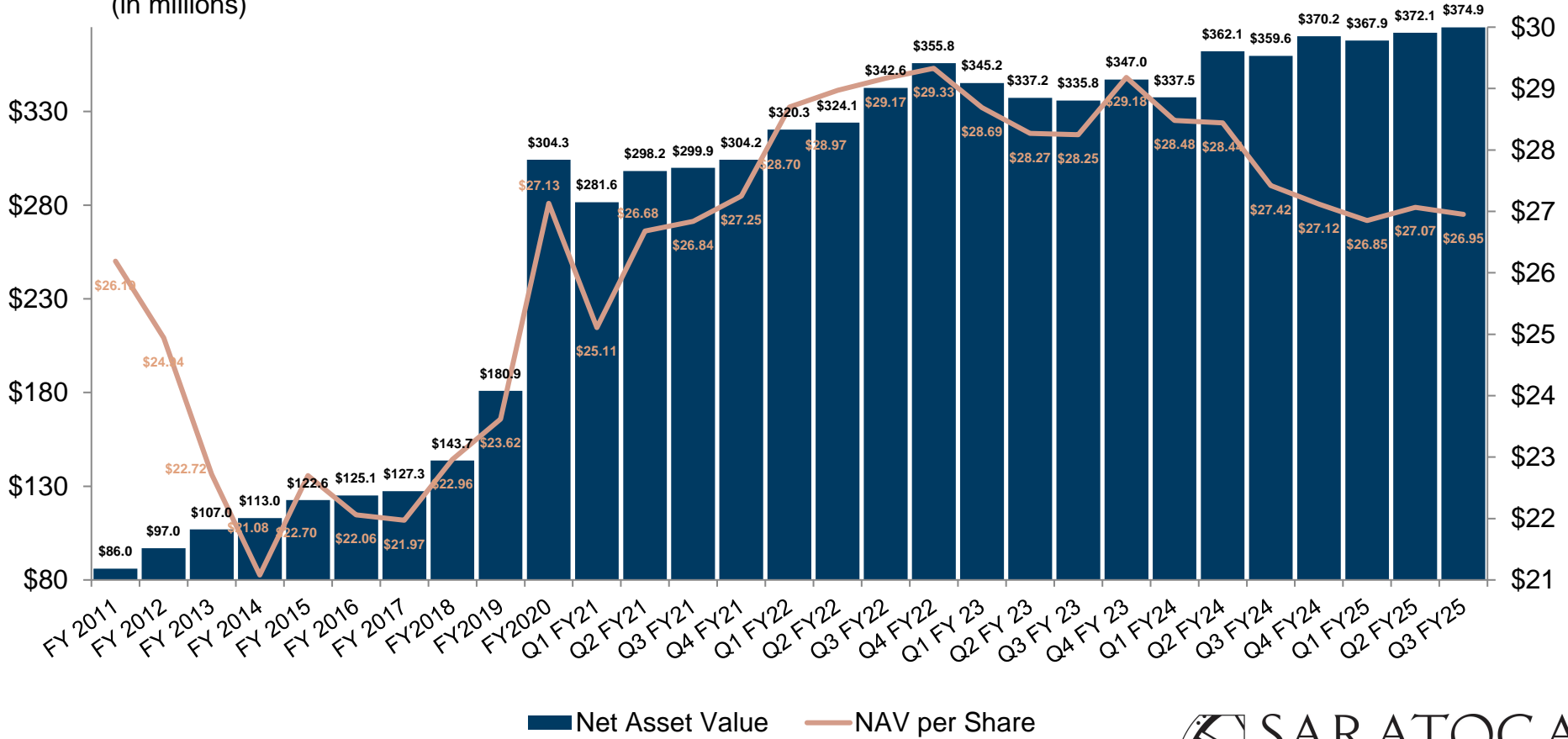
# Long-Term NAV and NAV Per Share Growth Despite Recent Discrete Weakness

## Net Asset Value and NAV per Share (FY 11 to Q3 FY25)

**NAV:** 1% increase this quarter. 336% increase since Saratoga took over management.

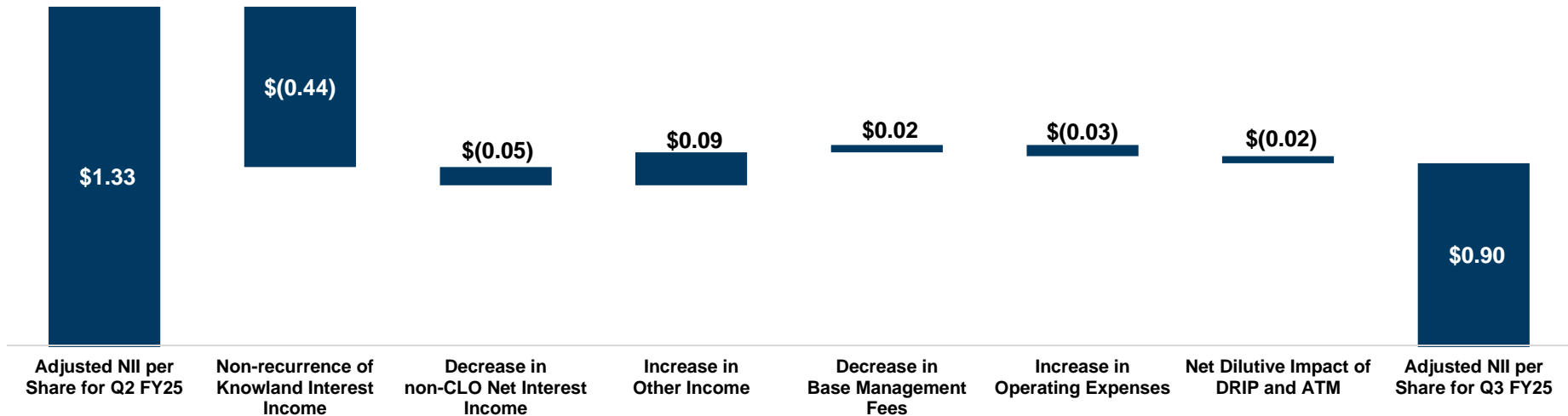
**NAV/Share:** 0.4% decrease this quarter. 23% increase since FY17 with increases 22 of the last 29 quarters.

(in millions)

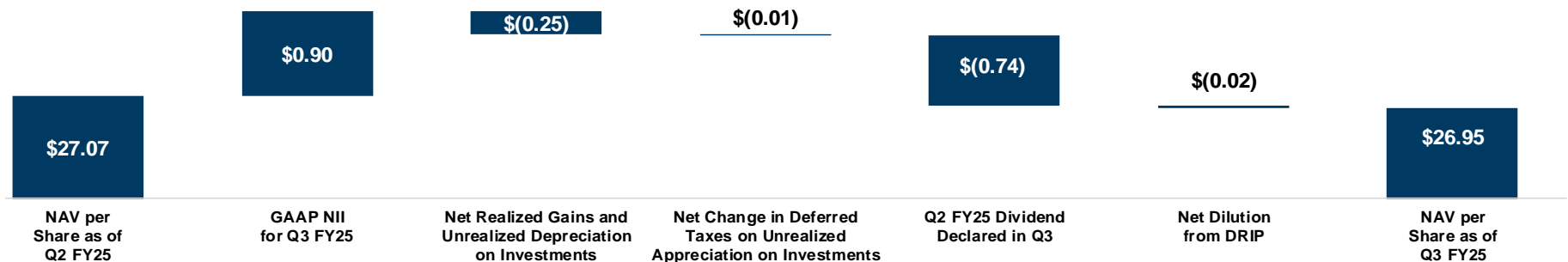


# Quarterly Reconciliation of NII and NAV per Share

## Reconciliation of Quarterly Adjusted NII per Share<sup>(1)</sup>



## Reconciliation of Quarterly NAV per Share



1) Impacts are shown net of incentive fees

# Dry Powder Remains Available

(As of November 30, 2024)		Total Borrowing Capacity	Outstanding	Available Liquidity	Remaining Maturity Period	Call Period	Fixed / Floating Rate
Encina Credit Facility		\$65.0 million	\$32.5 million	\$32.5 million	1 Year	-	Floating
Live Oak Credit Facility		\$75.0 million	\$20.0 million	\$55.0 million	2.5 Years	-	Floating
SBA Debentures <sup>1</sup>	SBIC II	\$175.0 million	\$175.0 million	-	6-8 years	Now	Fixed
	SBIC III	\$175.0 million	\$39.0 million	\$136.0 million	9-10 years	Now	Fixed
Publicly-Traded Notes (at par value)	SAT	\$105.5 million	\$105.5 million	-	2.5 Years	Now	Fixed
	SAJ	\$46.0 million	\$46.0 million	-	3.0 Years	Now	Fixed
	SAY	\$60.4 million	\$60.4 million	-	3.0 Years	Now	Fixed
	SAZ	\$57.5 million	\$57.5 million	-	3.5 Years	< 4 Months	Fixed
Unsecured Notes		\$250.0 million	\$250.0 million	-	2-3 Years	-	Fixed
Private Notes (at par value)		\$52.0 million	\$52.0 million	-	1-4 Years	< 1 Months	Fixed
Cash and Cash Equivalents		\$250.2 million	\$250.2 million	\$250.2 million	-	-	-
<b>Total Available Liquidity (at quarter-end): \$473.7 million</b>							

## Ability to grow AUM by 49% without any new external financing as of November 30, 2024

- SBIC III debentures are generally not available to support existing BDC or SBIC II investments

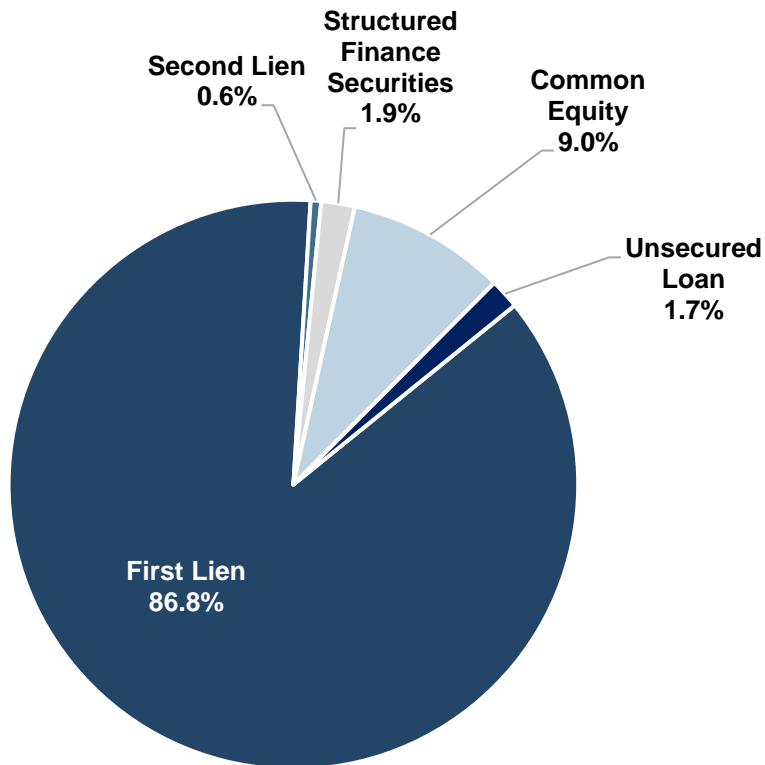
1) Total availability for all combined SBIC licenses limited to \$350.0 million outstanding debentures.



# Portfolio Composition and Yield

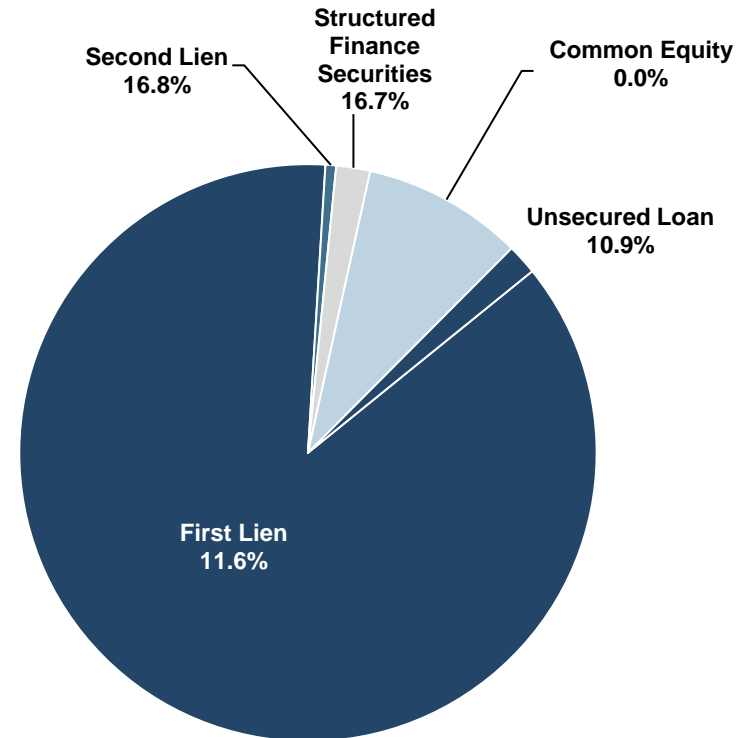
## Portfolio Composition – \$960.1m

(Based on Fair Values  
as of November 30, 2024)



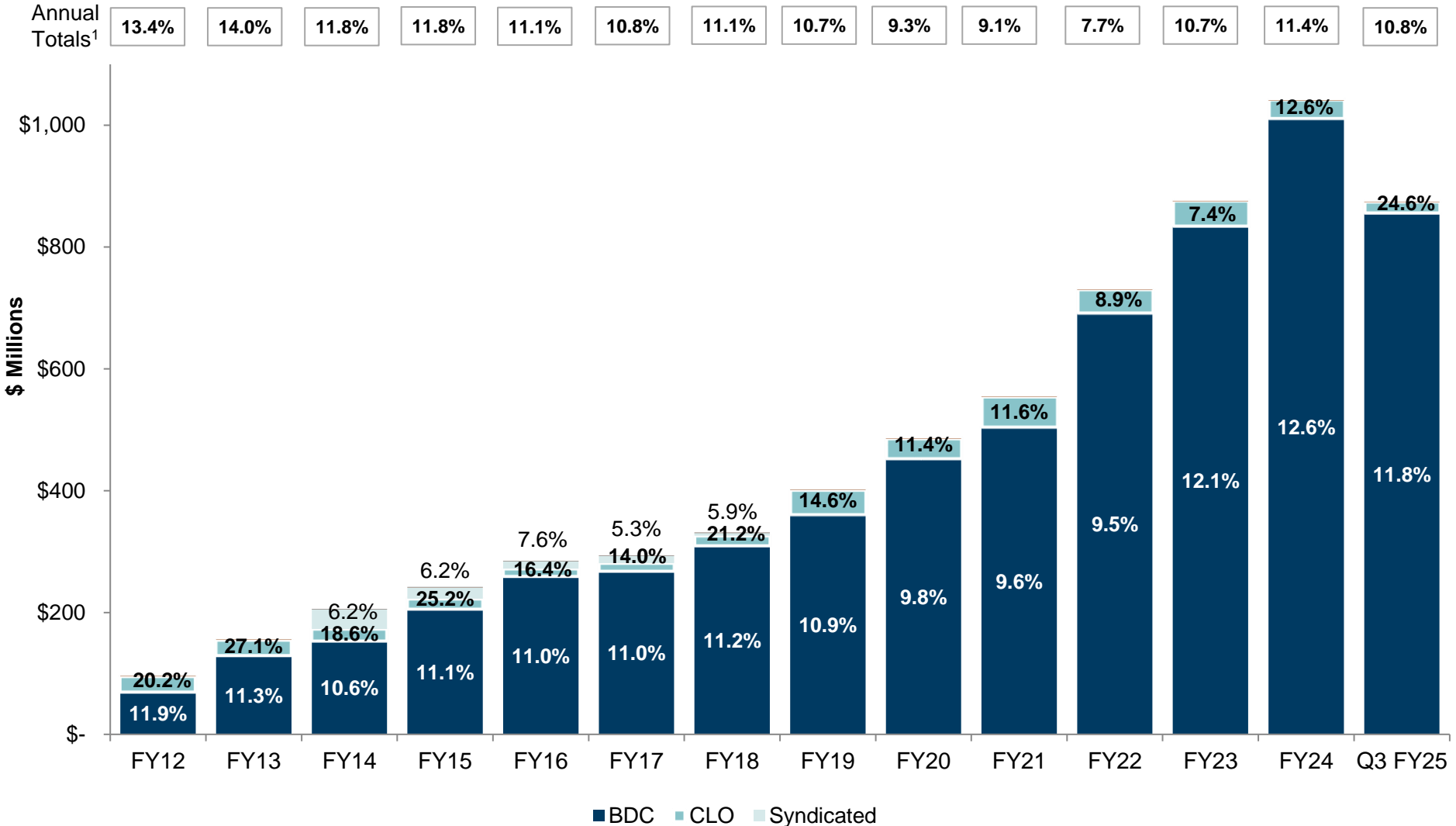
## Portfolio Yield – 10.8%

(Weighted Average  
Current Yield of Total Existing Portfolio)



# Yield of BDC Grew With Rising Rates

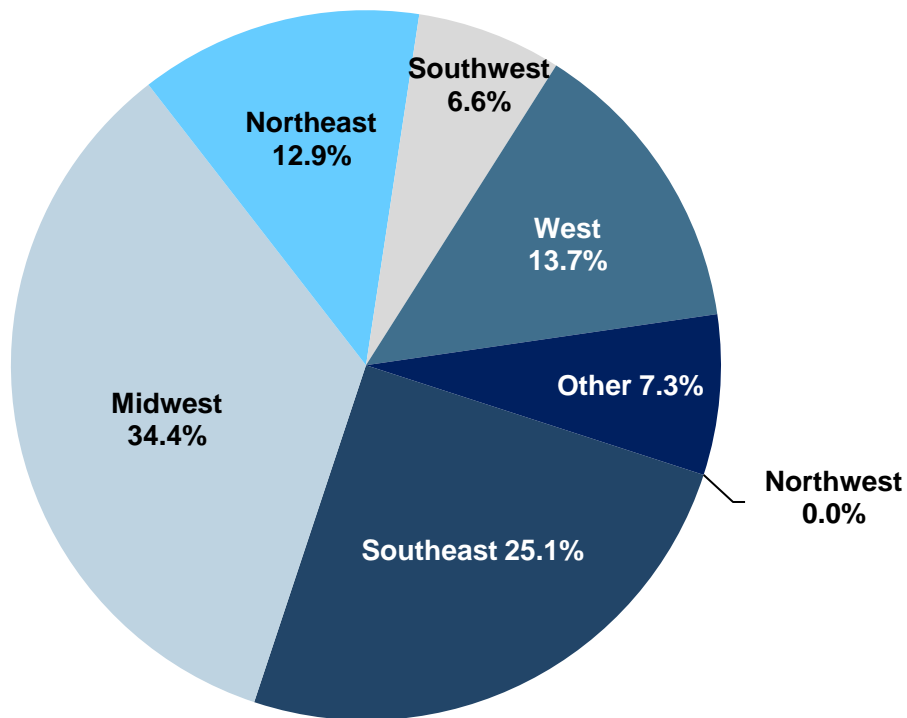
## Weighted Average Current Yields



1) Annual total yields on fair value of 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.

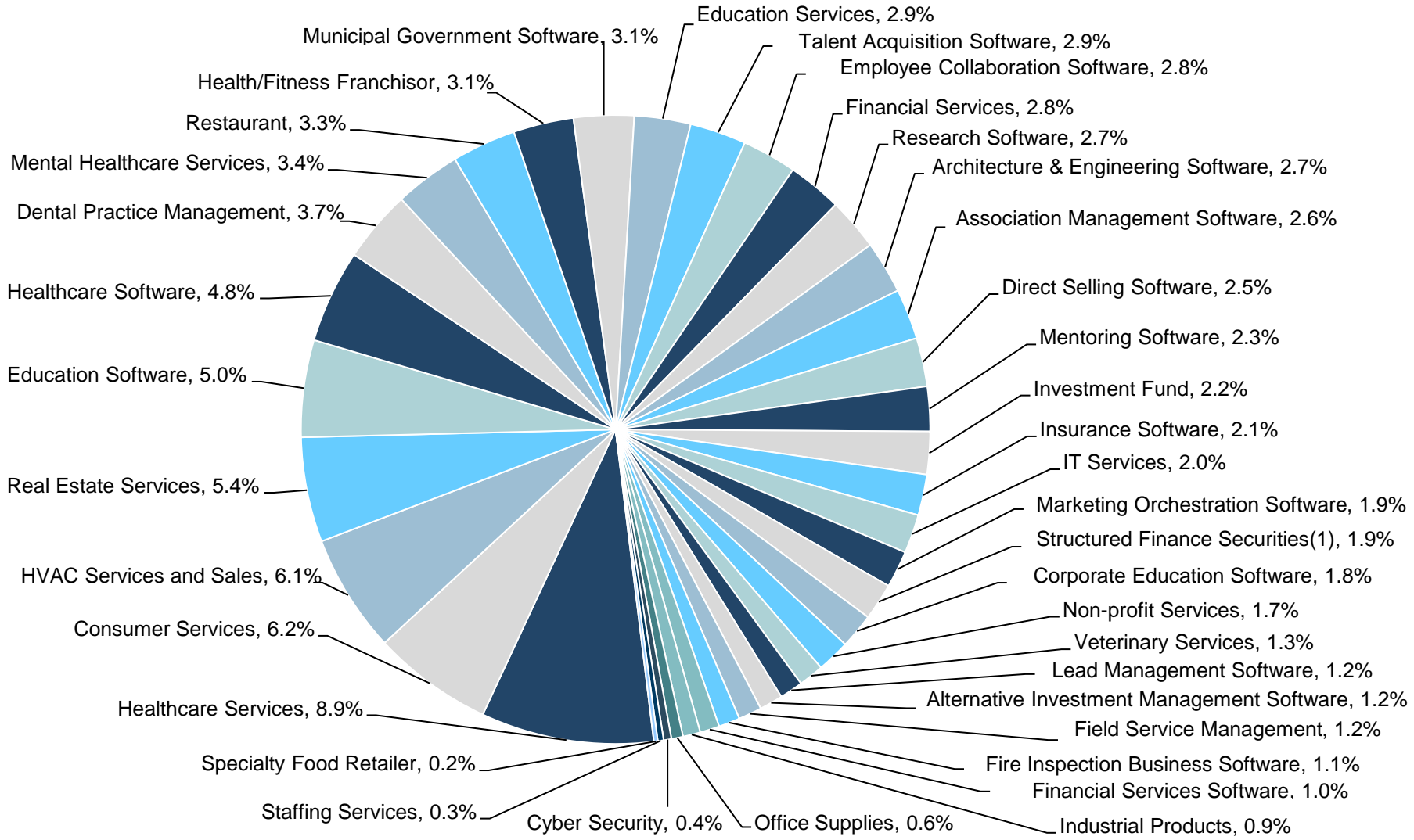
# Diversified Across Geography

Investments Diversified Geographically



# Diversified Across Industry

**Investments across 40 distinct industries**



# Net Realized Gains Help Protect Shareholder Capital

Cumulative net realized gains reflect portfolio credit quality

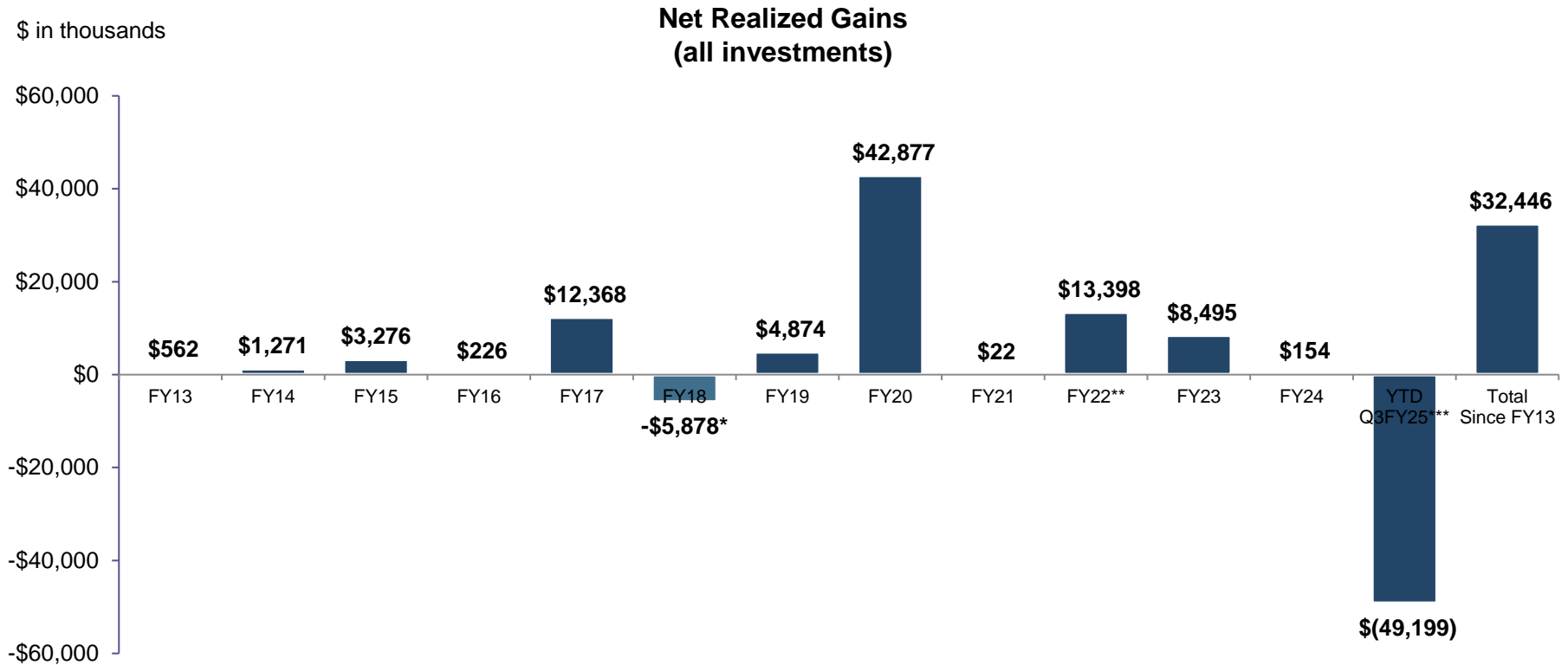


Table above reflects investments originated by Saratoga management (excludes Elyria legacy investment)

\*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.

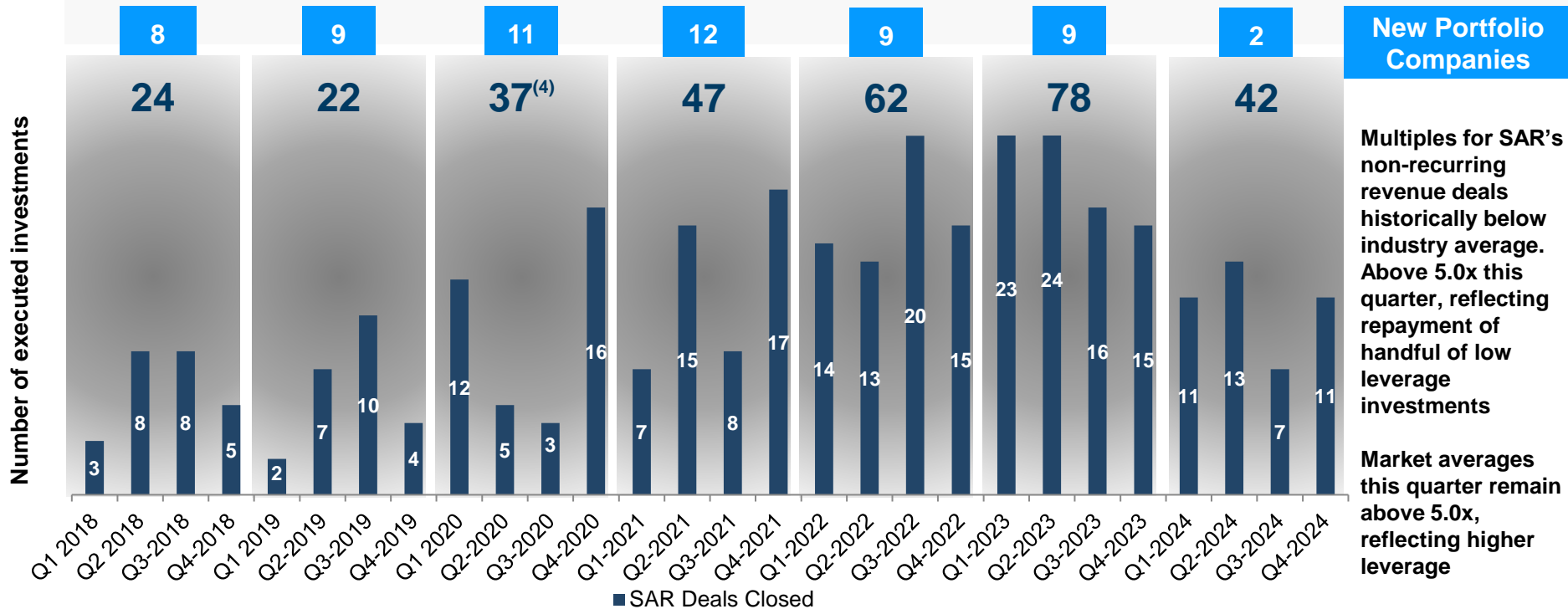
\*\*\* Includes realized loss of \$15.1M on Zollege, \$5.5M on Netro, and \$34.0M on Pepper Palace investment, offset by \$4.8M realized gain on Invita investment

# Exercising Disciplined Investment Judgment

## SAR Debt Multiples/Deals Closed (2018-2024)<sup>(1)</sup>

Portfolio leverage with non-recurring revenue underwriting is 5.56x<sup>(2)(3)</sup>

	6/30/2024	9/30/2024
All Senior	3.87x	3.95x
1st Lien/Mezz	4.69x	5.40x
Unitranche	5.52x	5.67x



1) Calendar quarters, not fiscal

2) Excludes 27 loans underwritten using recurring revenue metrics. These recurring revenue loans would have significantly different portfolio leverage statistics.

3) Excludes yellow asset, Zollege, and red asset, Pepper Palace. Leverage 4.50x including Zollege. Pepper Palace leverage is excluded due to negative EBITDA.

4) 8 of the 37 deals closed in calendar year 2020 were liquidity draws related to COVID.

# Pipeline Remains Healthy But Reflects Market Slowdown

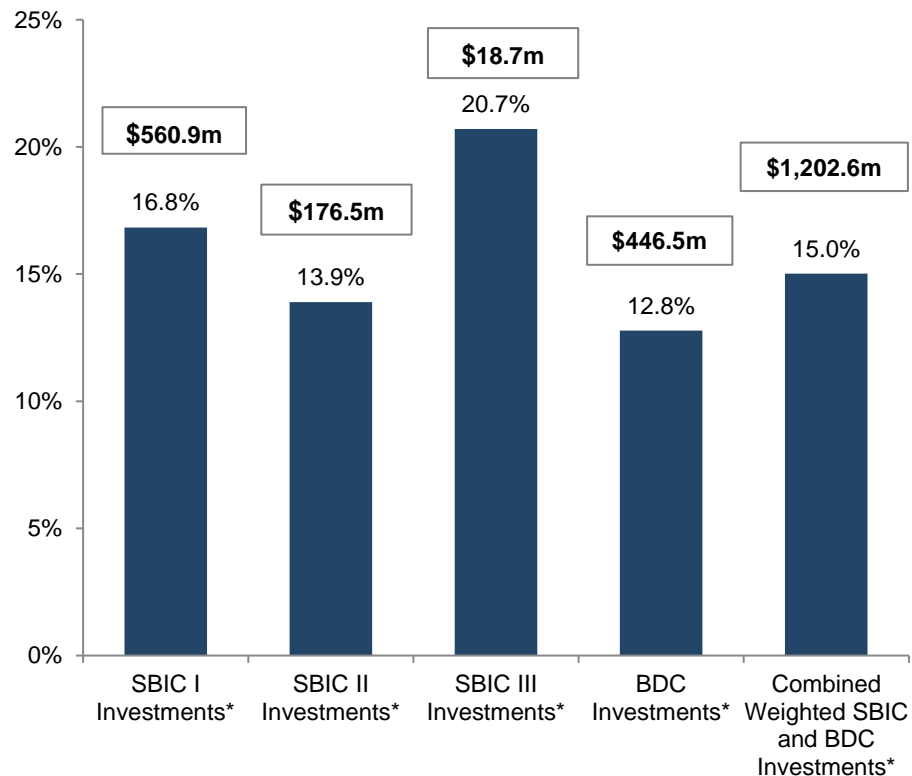
## New business opportunities impacted by market opportunities and partially offset by follow-on investments

Calendar <sup>(1)</sup>	2020	Δ	2021	Δ	2022	Δ	2023	Δ	2024	
<b>Deals Sourced</b>	619	-8%	572	-18%	469	8%	506	-4%	484	<ul style="list-style-type: none"> <li>~60% of deal flow from private equity sponsors</li> <li>~40% of deals from private companies without institutional ownership</li> <li>Saratoga maintains investment discipline which is demonstrated by passing on many deals that other firms close</li> </ul>
<b>Term Sheets (excludes follow-ons)</b>	32	109%	67	-30%	47	-17%	39	-46%	21	<ul style="list-style-type: none"> <li>~86% of term sheets are currently issued for transactions involving a private equity sponsor</li> <li>Selective in issuing term sheets based on credit quality</li> </ul>
<b>Deals Executed (new and follow-on)</b>	29	62%	47	32%	62	26%	78	-46%	42	<ul style="list-style-type: none"> <li>Includes follow-on investments which reliably augment portfolio growth</li> <li>2020 and 2021 deals executed exclude COVID related liquidity draws</li> </ul>
<b>New portfolio companies</b>	11		12		9		9		2	<ul style="list-style-type: none"> <li>Two new portfolio companies during 2024</li> <li>Saratoga new portfolio company investments average ~1-2% of deals reviewed</li> </ul>

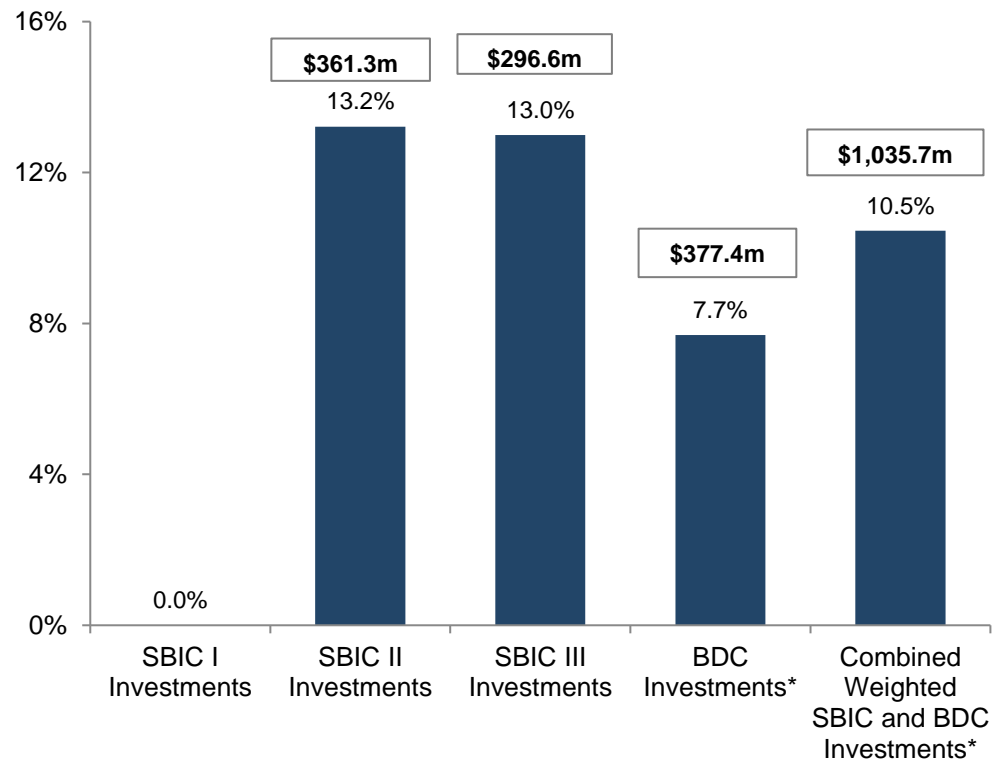
1) Calendar quarters, not fiscal quarters.

# Demonstrated Strong Track Record

**Realized Investments<sup>(1)(2)(3)</sup>**  
(Gross Unlevered IRR%)



**Unrealized Investments<sup>(1)(2)(3)(4)</sup>**  
(Gross Unlevered IRR%)

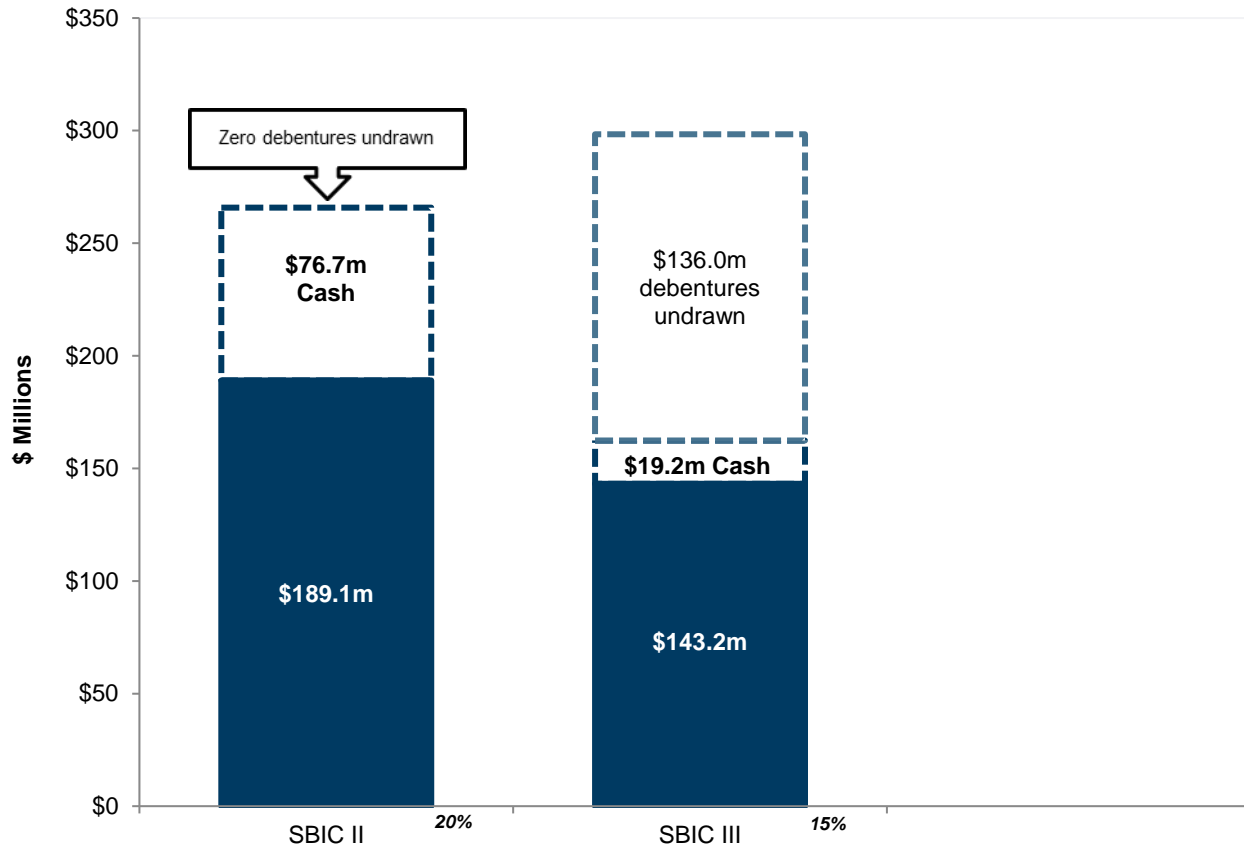


- 1) Track Record as of 11/30/24
- 2) Graphs show invested dollars
- 3) Track record reflects the Zollege and Pepper Palace investments as fully unrealized as we still own the Companies
- 4) IRRs for unrealized investments include fair value and accrued interest as of 11/30/2024

\*SBIC I, SBIC II and SBIC III 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.



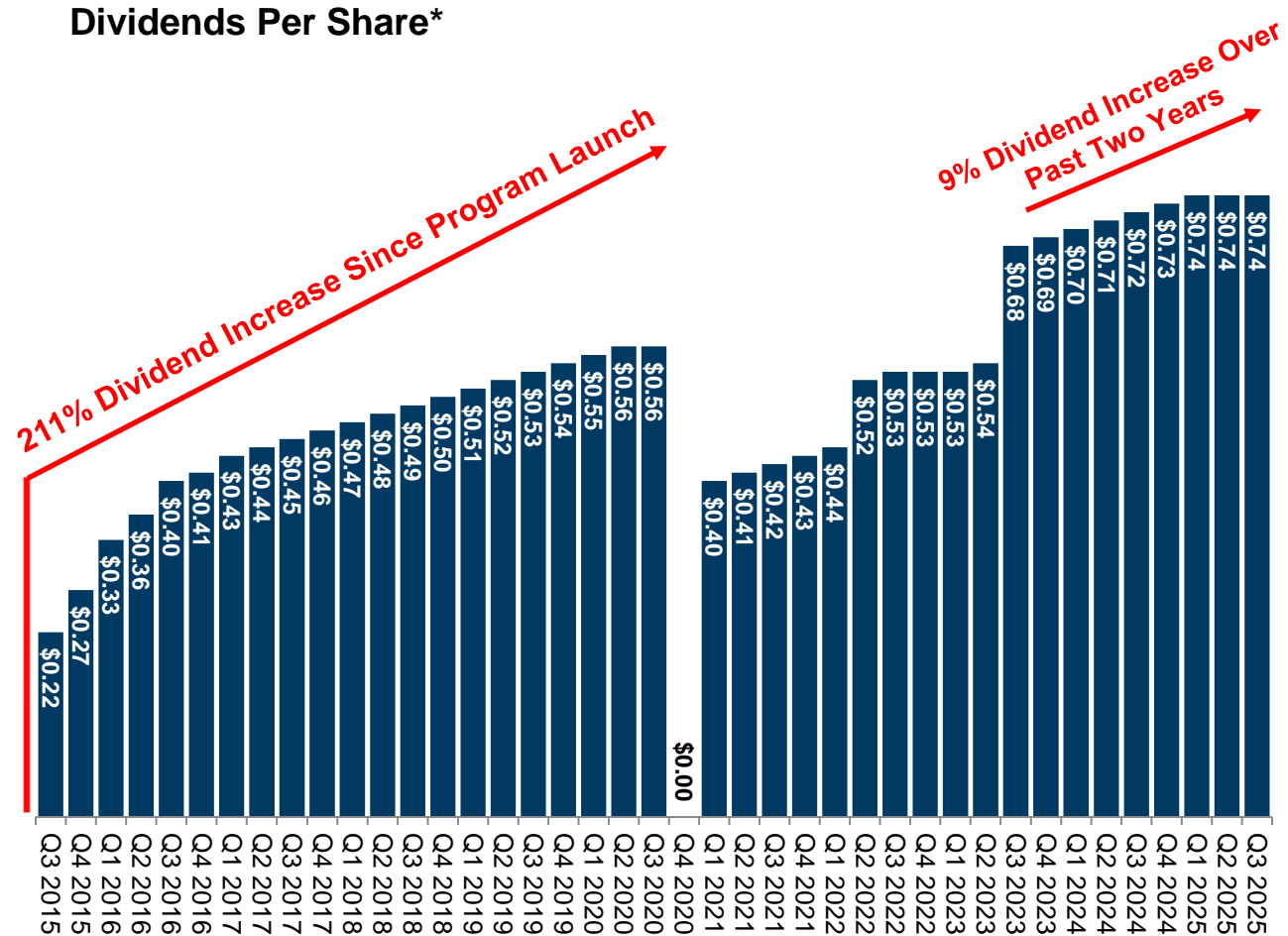
# SBIC II Fully Funded - SBIC III Availability<sup>(1)(2)</sup>



- 1) SBIC III cash available for new originations and follow-ons in existing license, with SBIC II cash only available for follow-ons
- 2) SBIC III has \$136 million of available debentures based on the SBA family of funds limit

# Long-Term Consistent Dividend Growth

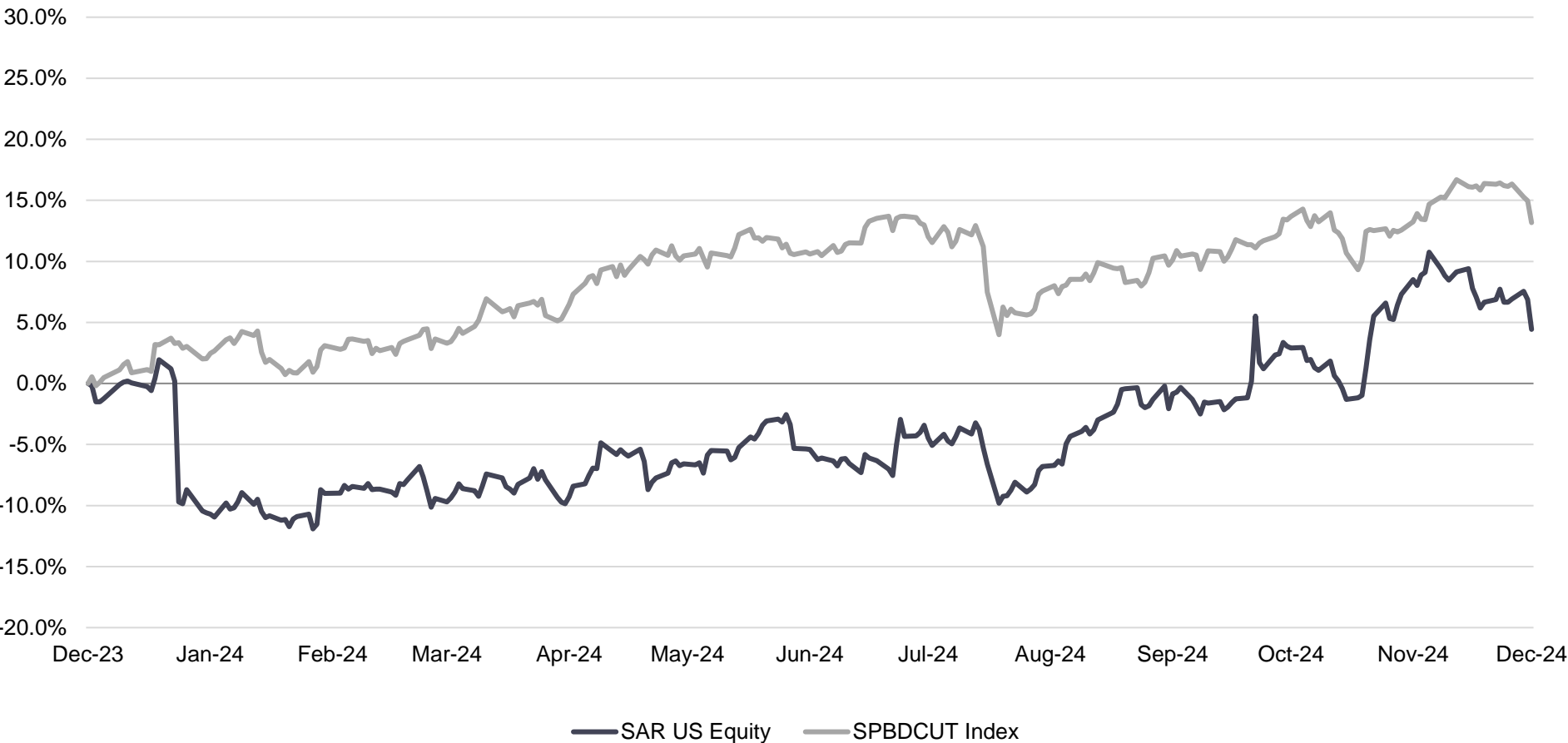
- Established dividend policy to pay regular quarterly cash dividends to stockholders pursuant to dividend reinvestment plan (“DRIP”) in 2014
- Increased dividend by 211% since program launch** until Covid deferral
- Increased dividend by 3% over past year** and remained unchanged this past quarter
- Q3 FY25 dividend of \$0.74** declared and paid for the quarter ended November 30, 2024. Also paid a \$0.35 special dividend during this quarter.



1) Excludes special dividend of \$0.20 per share paid on September 5, 2016 and special dividend of \$0.35 per share paid on December 19, 2024

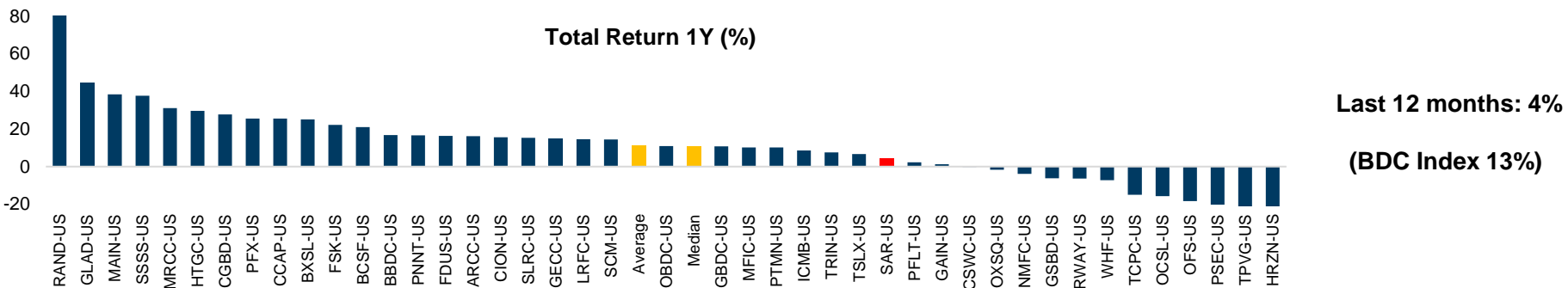
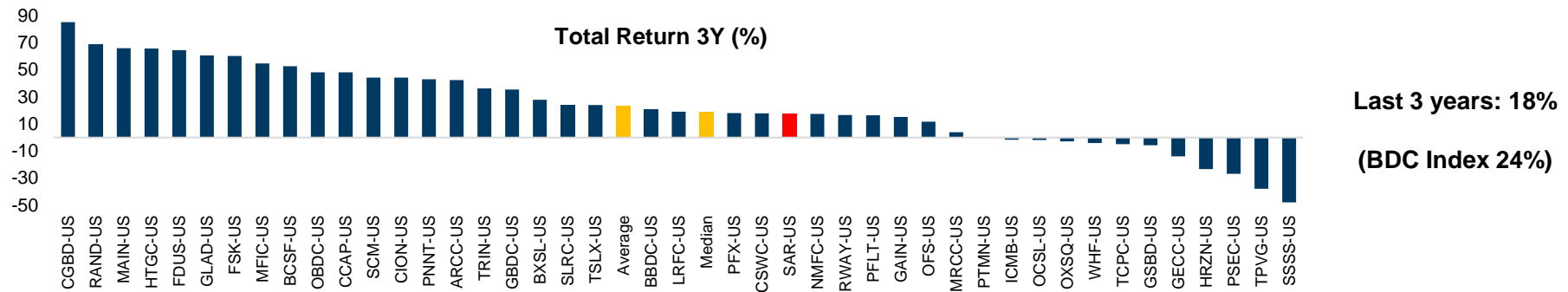
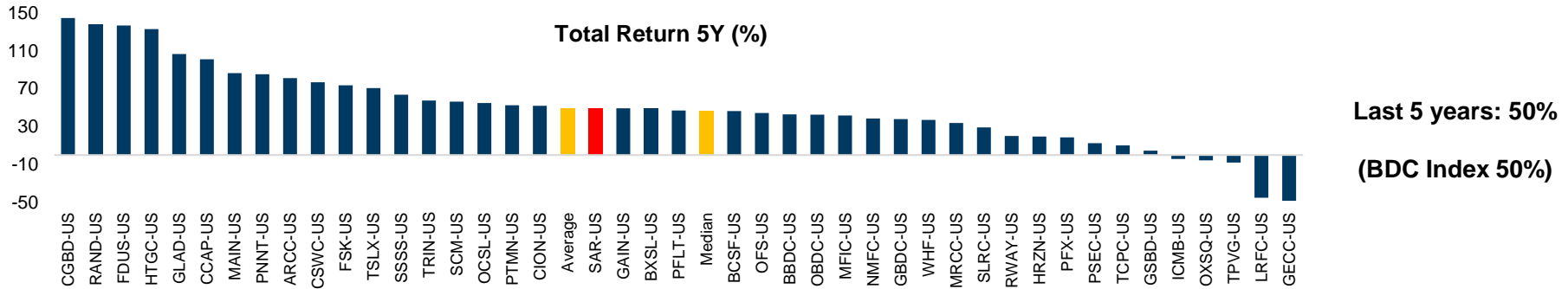
# SAR LTM Total Return Lagging BDC Index Creates Opportunity

**LTM Total Return (%)**  
(December 2023 to December 2024)  
**SAR +4% v BDC Index +13%**

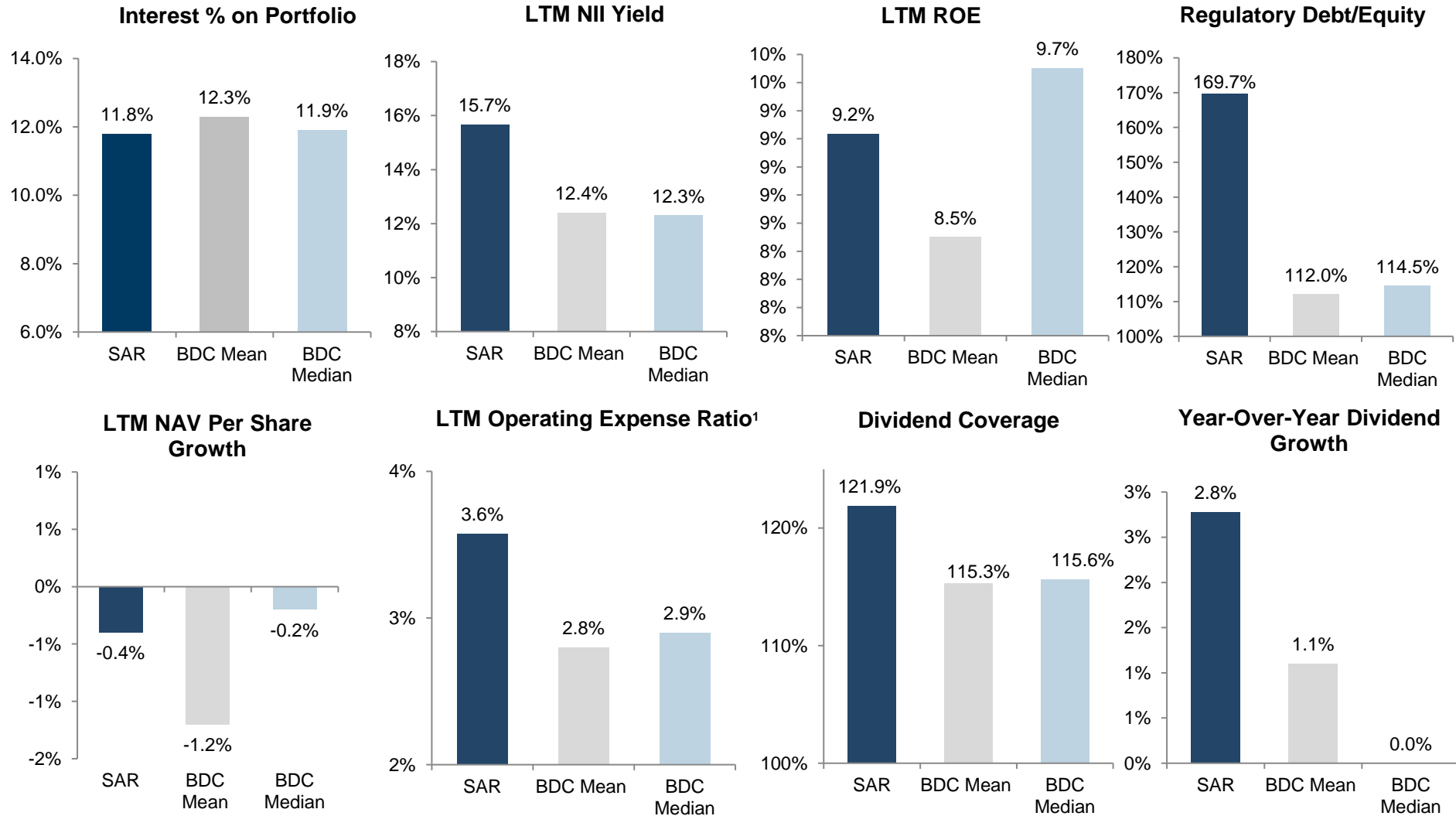


# Long-Term Performance Impacted by LTM Performance

## BDC Total Return (%)



# Differentiated Performance Despite Discrete Non-Accruals



Source: SNL Financial / Company Filings / Raymond James report as of 12/13/24

1) 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 26.3%.

# Establishing Competitive Edge vs. Other BDCs

## Outstanding performance characteristics

### ▶ Strong long-term dividend

Increased quarterly dividend by 211% since program launched until Covid deferral; Latest dividend declared of \$0.74 per share for the quarter ended November 30, 2024, up 3% over prior year, represents current dividend yield of 12.2%; significant management ownership of 12.1%

### ▶ Strong return on equity

Long term ROE factors in both investment income and net gains/losses, averages 10.4% over the past ten years versus industry average of 6.9% - most recent LTM ROE of 9.2% above current industry average of 8.5%

### ▶ Low-cost available liquidity

Borrowing capacity still at hand through new SBIC III debentures, undrawn existing and new credit facility and cash – can grow current asset base by 49% as of quarter ended November 30, 2024, with most of it in cash or low-cost liquidity (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 down 13.5% from prior year - total portfolio fair value 0.7% below cost, with core non-CLO BDC portfolio fair value 3.0% above cost

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

Approx. 99.0% of our loans have floating interest rates, with interest rates currently higher than all floors. Debt primarily at fixed rates and long-term. Investment grade rating of “BBB+”. All our baby bonds are callable either now or within a year.

### ▶ 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

99.7% of credits are the highest quality, 86.8% 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 diverse and available financing to build scale and increase our AUM and net investment income/yield, enabling us to achieve growth in:
  - Net Asset Value and Net Asset Value per Share
  - Return on Equity
  - Earnings per Share
  - Stock Values

Questions?



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INVESTMENT CORP.

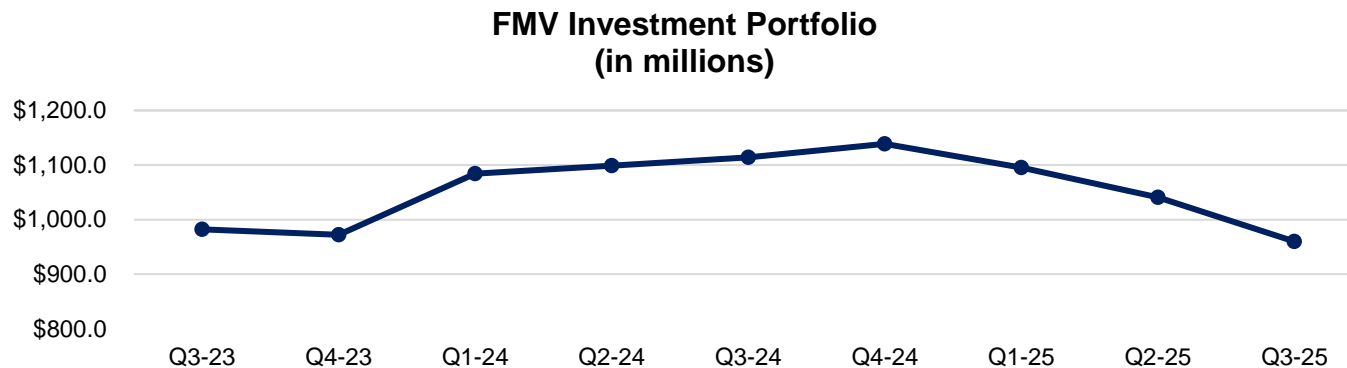




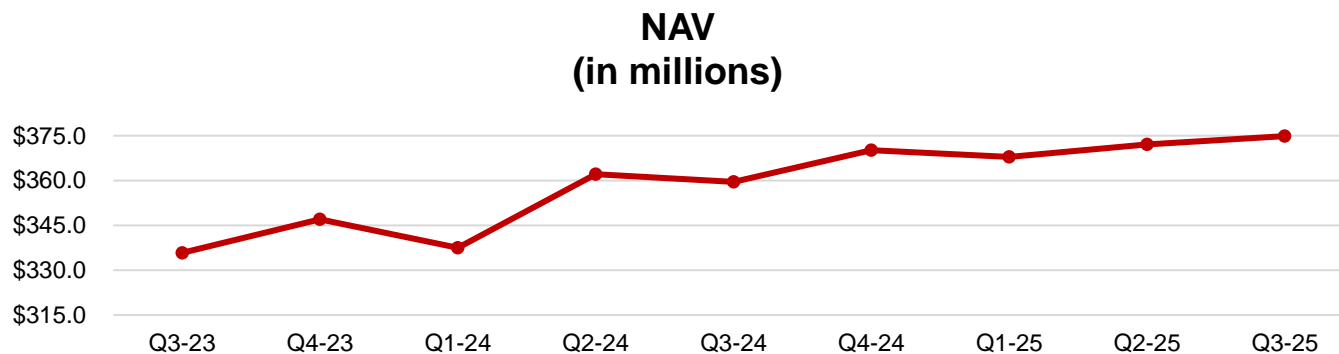
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INVESTMENT CORP.

# KPIs – Balance Sheet – Q3 FY25

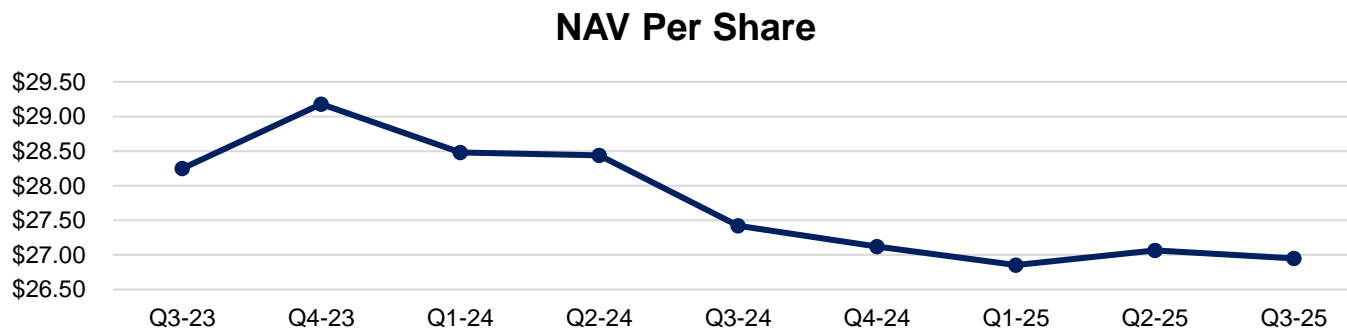
Period	FMV Investment Portfolio (in millions)
Q3-23	\$ 982.0
Q4-23	\$ 972.6
Q1-24	\$ 1,084.1
Q2-24	\$ 1,098.9
Q3-24	\$ 1,114.0
Q4-24	\$ 1,138.8
Q1-25	\$ 1,095.6
Q2-25	\$ 1,040.7
Q3-25	\$ 960.1



Period	NAV (in millions)
Q3-23	\$ 335.8
Q4-23	\$ 347.0
Q1-24	\$ 337.5
Q2-24	\$ 362.1
Q3-24	\$ 359.6
Q4-24	\$ 370.2
Q1-25	\$ 367.9
Q2-25	\$ 372.1
Q3-25	\$ 374.9



Period	NAV Per Share
Q3-23	\$ 28.25
Q4-23	\$ 29.18
Q1-24	\$ 28.48
Q2-24	\$ 28.44
Q3-24	\$ 27.42
Q4-24	\$ 27.12
Q1-25	\$ 26.85
Q2-25	\$ 27.07
Q3-25	\$ 26.95



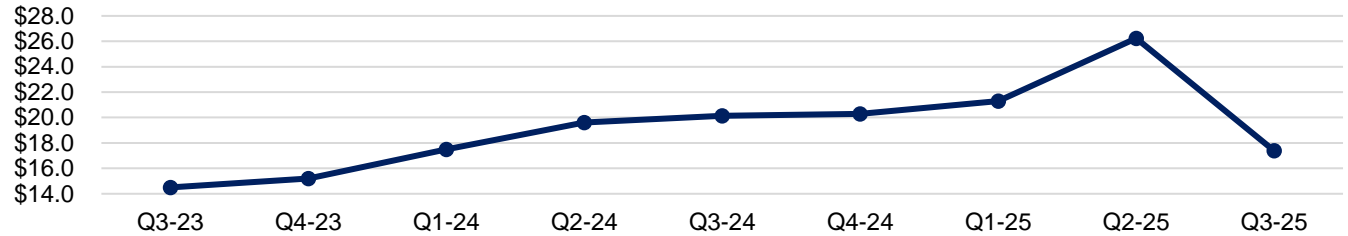
# KPIs – Income Statement – Q3 FY25

Period	Net Interest Margin (in millions)
Q3-23	\$ 14.5
Q4-23	\$ 15.2
Q1-24	\$ 17.5
Q2-24	\$ 19.6
Q3-24	\$ 20.1
Q4-24	\$ 20.3
Q1-25	\$ 21.3
Q2-25	\$ 26.2
Q3-25	\$ 17.4

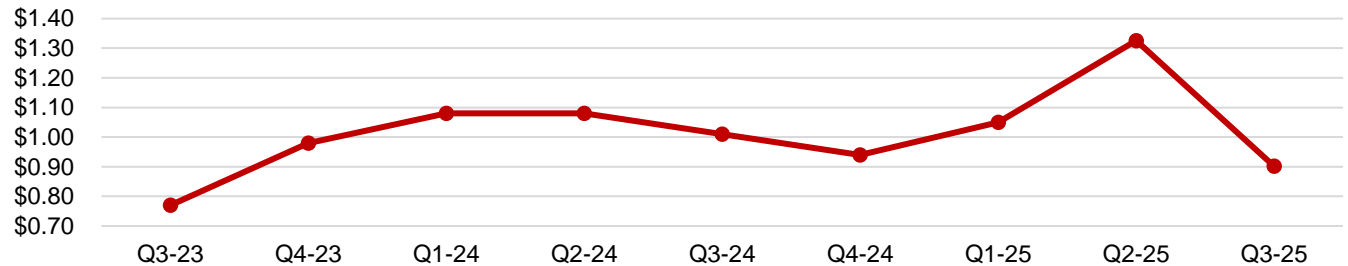
Period	NII Per Share
Q3-23	\$ 0.77
Q4-23	\$ 0.98
Q1-24	\$ 1.08
Q2-24	\$ 1.08
Q3-24	\$ 1.01
Q4-24	\$ 0.94
Q1-25	\$ 1.05
Q2-25	\$ 1.33
Q3-25	\$ 0.90

Period	NII Yield
Q3-23	10.8%
Q4-23	13.6%
Q1-24	15.0%
Q2-24	15.0%
Q3-24	14.6%
Q4-24	14.0%
Q1-25	15.5%
Q2-25	19.7%
Q3-25	13.3%

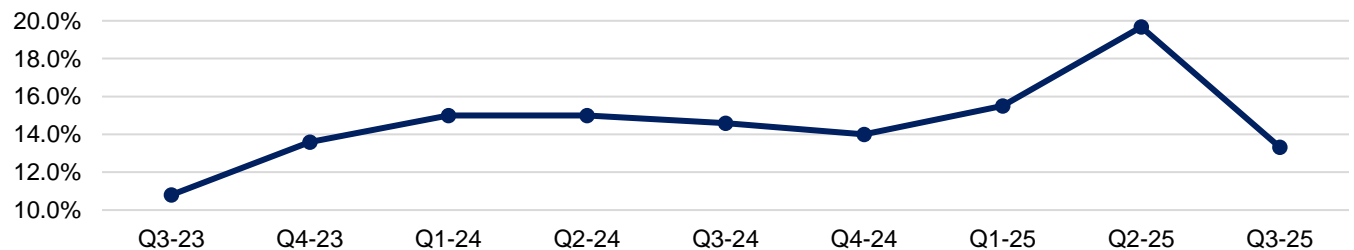
**Net Interest Margin Excluding CLO  
(in millions)**



**Adjusted NII Per Share**

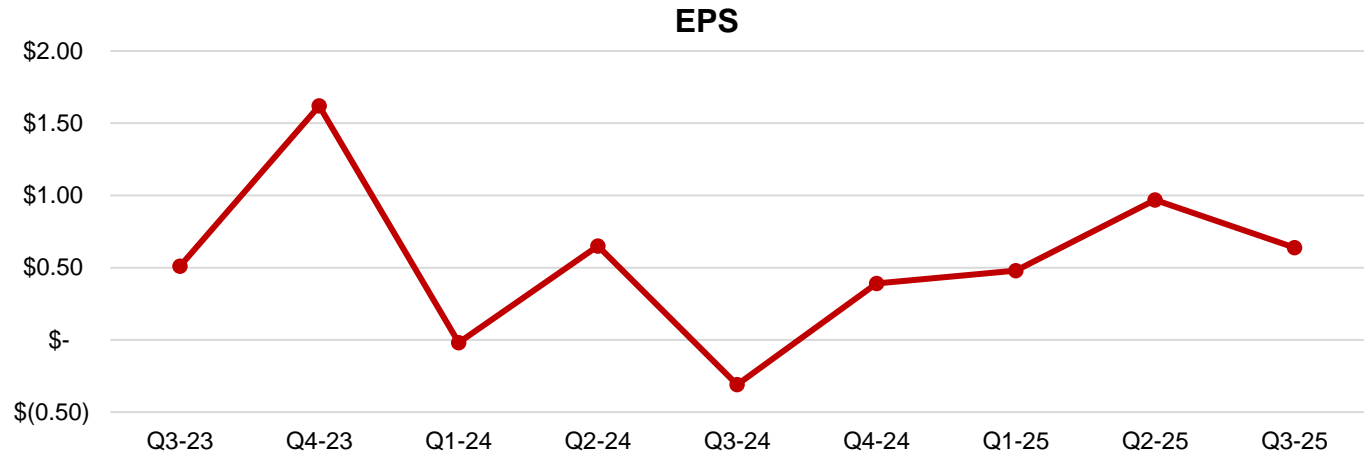


**Adjusted NII Yield**

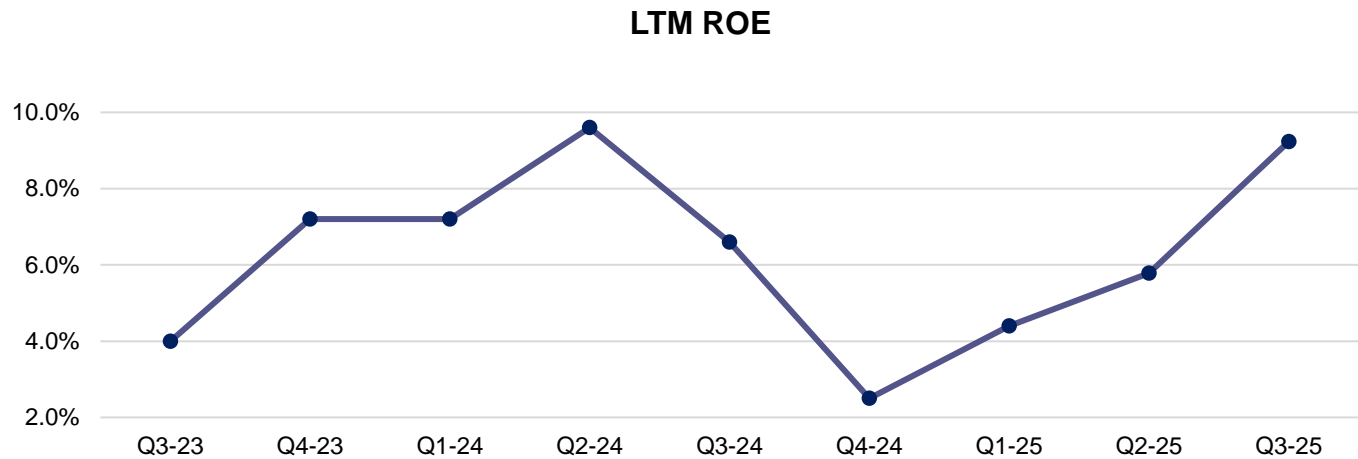


# KPIs – Income Statement– Q3 FY25 (continued)

Period	EPS
Q3-23	\$ 0.51
Q4-23	\$ 1.62
Q1-24	\$ (0.02)
Q2-24	\$ 0.65
Q3-24	\$ (0.31)
Q4-24	\$ 0.39
Q1-25	\$ 0.48
Q2-25	\$ 0.97
Q3-25	\$ 0.64



Period	LTM ROE
Q3-23	4.0%
Q4-23	7.2%
Q1-24	7.2%
Q2-24	9.6%
Q3-24	6.6%
Q4-24	2.5%
Q1-25	4.4%
Q2-25	5.8%
Q3-25	9.2%



# KPIs - SAR Net Interest Margin Continues to Grow

**SAR Net Interest Margin up 17% the past twelve months and over sixfold since taking over management**

## Net Interest Margin

