



January 14, 2013

Saratoga Investment Corp. Announces Fiscal Third Quarter 2013 Financial Results

NEW YORK, Jan. 14, 2013 /PRNewswire/ -- Saratoga Investment Corp. (NYSE: SAR) ("Saratoga Investment" or "the Company"), a business development company, today announced financial results for its 2013 fiscal third quarter.

Operating Results

For the fiscal quarter ended November 30, 2012, Saratoga Investment reported net investment income of \$2.5 million or \$0.63 on a weighted average per share basis, and net loss on investments of \$1.7 million, or \$0.44 on a weighted average per share basis, resulting in an increase in net assets from operations of \$0.8 million, or \$0.19 on a weighted average per share basis. The \$1.7 million net loss on investments was comprised of \$1.8 million in net unrealized depreciation on investments and \$0.1 million in net realized gains from investments.

Net asset value ("NAV") was \$102.9 million as of November 30, 2012, compared to \$105.4 million as of August 31, 2012 and \$100.6 million as of May 31, 2012. NAV per share was \$21.75 (\$27.39 before the effect of the dividend described below) as of November 30, 2012 and \$27.20 as of August 31, 2012 and \$25.94 as of May 31, 2012.

The decrease in reported NAV per share from August 31, 2012 was primarily the result of the \$16.5 million cash/stock dividend (which consisted of \$3.3 million in cash and 853,455 shares of common stock) declared by Saratoga Investment's Board of Directors on November 9, 2012 and paid on December 31, 2012. In accordance with generally accepted accounting principles ("GAAP"), the number of shares outstanding used to calculate NAV per share as of November 30, 2012 was retroactively adjusted to reflect the additional shares issued in connection with the cash/stock dividend.

Christian L. Oberbeck, Chairman, Chief Executive Officer and President of Saratoga Investment, said, "Our growing pipeline and financial strength enabled us to make another \$6.4 million of investments in new and existing portfolio companies during the quarter, plus an additional \$30 million of investments during December in four new and one existing portfolio company. We continue to see attractive opportunities, and the trend of improving credit quality within the overall portfolio continues. During this quarter, we have increased both the amount and proportion of internally rated strong credits."

Portfolio and Investment Activity

As of November 30, 2012, the fair value of the Company's investment portfolio was \$119.3 million, principally invested in 23 portfolio companies and one collateralized loan obligation fund (the "CLO"). The overall portfolio composition consisted of 53.7% of first lien term loans, 8.4% of second lien term loans, 8.8% of senior secured notes, 1.9% of unsecured notes, 20.7% of subordinated notes of the CLO and 6.5% of common equity.

During the 2013 fiscal third quarter, the Company invested \$6.4 million in new or existing portfolio companies and had \$1.5 million in aggregate amount of exits and repayments on its investments, resulting in net investments of \$4.9 million for the period. The Company invested an additional \$29.7 million in December with \$0.7 million of exits and repayments resulting in net investments of \$29.0 million for the month of December 2012.

As of November 30, 2012, the weighted average current yield on Saratoga Investment's first lien term loans, second lien term loans, senior secured notes, unsecured notes and the CLO subordinated notes were 10.0%, 11.3%, 16.8%, 19.9%, and 22.9%, respectively, which resulted in an aggregate weighted average current yield of 12.9%.

Liquidity and Capital Resources

As of November 30, 2012, Saratoga Investment had \$14.9 million in outstanding borrowings under its \$45 million senior secured revolving credit facility with Madison Capital Funding LLC. In addition, Saratoga Investment had an aggregate of \$2.5 million in cash and cash equivalents and \$3.8 million in cash and cash equivalents, reserve accounts, at November 30, 2012. The Company is required to use the amounts held in cash and cash equivalents, reserve accounts to pay interest expense, reduce borrowings or pay other amounts in accordance with the terms of its senior secured revolving credit facility. As of November 30, 2012, the Company's Small Business Investment Company subsidiary had \$25 million in regulatory capital and \$4.0 million of debentures guaranteed by the Small Business Administration.

2013 Fiscal Third Quarter Conference Call/Webcast Information

When: Jan. 15, 2013 at 9:00 a.m. Eastern Time (ET)

Call: Interested parties may participate by dialing (877) 312-9208 (U.S. and Canada) or (678) 224-7872 (outside U.S. and Canada).

A replay of the call will be available from 11:00 a.m. ET on Jan. 15, 2013 through 11:59 p.m. ET on Jan. 22, 2013 by dialing (800) 585-8367 (U.S. and Canada) or (404) 537-3406 (outside U.S. and Canada). Passcode for both replay numbers is 88743795.

Webcast: Interested parties may also access a simultaneous webcast of the call by going to <http://ir.saratogainvestmentcorp.com/events.cfm>.

About Saratoga Investment Corp.

Saratoga Investment Corp. is a specialty finance company that provides customized financing solutions to U.S. middle-market businesses. The Company invests primarily in mezzanine debt, leveraged loans and, to a lesser extent, equity to provide financing for change of ownership transactions, strategic acquisitions, recapitalizations and growth initiatives in partnership with business owners, management teams and financial sponsors. Saratoga Investment Corp.'s objective is to create attractive risk-adjusted returns by generating current income and long-term capital appreciation from its debt and equity investments. Saratoga Investment Corp. has elected to be regulated as a business development company ("BDC") under the Investment Company Act of 1940 and is externally-managed by Saratoga Investment Advisors, LLC, an SEC-registered investment advisor focusing on credit-driven strategies. Within the BDC, Saratoga Investment manages both an SBIC-licensed subsidiary and a \$400 million Collateralized Loan Obligation (CLO) fund. These diverse funding sources, combined with a permanent capital base, enable Saratoga Investment to offer a broad range of financing solutions.

Forward Looking Statements

This press release contains certain forward-looking statements. These forward-looking statements are subject to risks and uncertainties and other factors enumerated in this press release and the filings Saratoga Investment Corp. makes with the SEC. Saratoga Investment Corp. undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Financial Statements

Saratoga Investment Corp.

Consolidated Statements of Assets and Liabilities

	As of	
	November 30, 2012	February 29, 2012
	(unaudited)	
ASSETS		
Investments at fair value		
Non-control/non-affiliate investments (amortized cost of \$97,083,018 and \$73,161,722, respectively)	\$ 94,649,656	\$ 69,513,434
Control investments (cost of \$20,361,593 and \$23,540,517, respectively)	24,641,107	25,846,414
Total investments at fair value (amortized cost of \$117,444,611 and \$96,702,239, respectively)	119,290,763	95,359,848
Cash and cash equivalents	2,494,552	1,325,698
Cash and cash equivalents, reserve accounts	3,787,183	25,534,195
Outstanding interest rate cap at fair value (cost of \$0 and \$131,000, respectively)	-	75
Interest receivable, (net of reserve of \$228,113 and \$273,361, respectively)	1,906,186	1,689,404
Deferred credit facility financing costs, net	1,453,985	1,199,490
Management fee receivable	216,947	227,581
Other assets	18,973	94,823
Receivable from unsettled trades	-	59,511
Total assets	<u>\$ 129,168,589</u>	<u>\$ 125,490,625</u>
LIABILITIES		
Revolving credit facility	\$ 14,850,000	\$ 20,000,000
SBA debentures payable	4,000,000	-
Payable for unsettled trades	-	4,072,500
Dividend payable	3,295,306	-
Management and incentive fees payable	3,364,719	2,885,670
Accounts payable and accrued expenses	508,042	704,949

Interest and credit facility fees payable	140,424	53,262
Due to manager	117,877	394,094
Total liabilities	<u>\$ 26,276,368</u>	<u>\$ 28,110,475</u>
NET ASSETS		
Common stock, par value \$.001, 100,000,000 common shares authorized, 4,730,116 and 3,876,661 common shares issued and outstanding, respectively	\$ 4,730	\$ 3,877
Capital in excess of par value	174,824,076	161,644,426
Distribution in excess of net investment income	(25,319,688)	(13,920,068)
Accumulated net realized loss from investments and derivatives	(48,463,047)	(48,874,767)
Net unrealized appreciation (depreciation) on investments and derivatives	1,846,150	(1,473,318)
Total Net Assets	<u>102,892,221</u>	<u>97,380,150</u>
Total liabilities and Net Assets	<u>\$ 129,168,589</u>	<u>\$ 125,490,625</u>
NET ASSET VALUE PER SHARE	<u>\$ 21.75</u>	<u>\$ 25.12</u>

Saratoga Investment Corp.

Consolidated Statements of Operations

	For the three months ended November		For the nine months ended November	
	30,	30,	30,	30,
	2012	2011	2012	2011
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
INVESTMENT INCOME				
Interest from investments				
Non-control/Non-affiliate investments	\$ 2,466,595	\$ 1,877,650	\$ 6,951,338	\$ 5,212,182
Control investments	1,046,285	1,155,241	3,186,751	3,095,304
Total interest income	3,512,880	3,032,891	10,138,089	8,307,486
Interest from cash and cash equivalents	731	1,567	5,368	6,815
Management fee income	500,454	501,920	1,500,519	1,512,091
Other income	19,750	92,671	172,310	238,579
Total investment income	<u>4,033,815</u>	<u>3,629,049</u>	<u>11,816,286</u>	<u>10,064,971</u>
EXPENSES				
Interest and credit facility financing expenses	529,858	307,221	1,808,586	987,042
Base management fees	528,735	393,888	1,492,345	1,203,820
Professional fees	347,459	356,144	986,781	1,282,009
Administrator expenses	250,000	250,000	750,000	730,000
Incentive management fees	(412,654)	1,178,750	887,020	842,097
Insurance	128,891	145,105	389,506	448,786
Directors fees and expenses	53,705	51,000	155,705	153,000
General & administrative	117,357	121,019	265,720	290,232
Other expense	1,311	2,150	4,434	5,340
Total expenses	<u>1,544,662</u>	<u>2,805,277</u>	<u>6,740,097</u>	<u>5,942,326</u>
NET INVESTMENT INCOME	<u>2,489,153</u>	<u>823,772</u>	<u>5,076,189</u>	<u>4,122,645</u>
REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS:				
Net realized gain (loss) from investments	95,372	(5,831,905)	542,720	(5,839,864)
Net realized loss from derivatives	-	-	(131,000)	-
Net unrealized appreciation (depreciation) on investments	(1,838,957)	11,221,387	3,188,543	11,927,052
Net unrealized appreciation (depreciation) on derivatives	-	166	130,925	(15,108)
Net gain (loss) on investments	<u>(1,743,585)</u>	<u>5,389,648</u>	<u>3,731,188</u>	<u>6,072,080</u>
NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS	<u>\$ 745,568</u>	<u>\$ 6,213,420</u>	<u>\$ 8,807,377</u>	<u>\$ 10,194,725</u>
WEIGHTED AVERAGE - BASIC AND DILUTED EARNINGS (LOSS) PER COMMON SHARE	\$ 0.19	\$ 1.88	\$ 2.25	\$ 3.10

WEIGHTED AVERAGE COMMON STOCK OUTSTANDING - BASIC AND
DILUTED

3,970,447

3,310,021

3,907,696

3,287,979

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