

# Saratoga Investment Corp.

**Fiscal Year-End and Fourth Quarter  
2024 Shareholder Presentation**

May 7, 2024



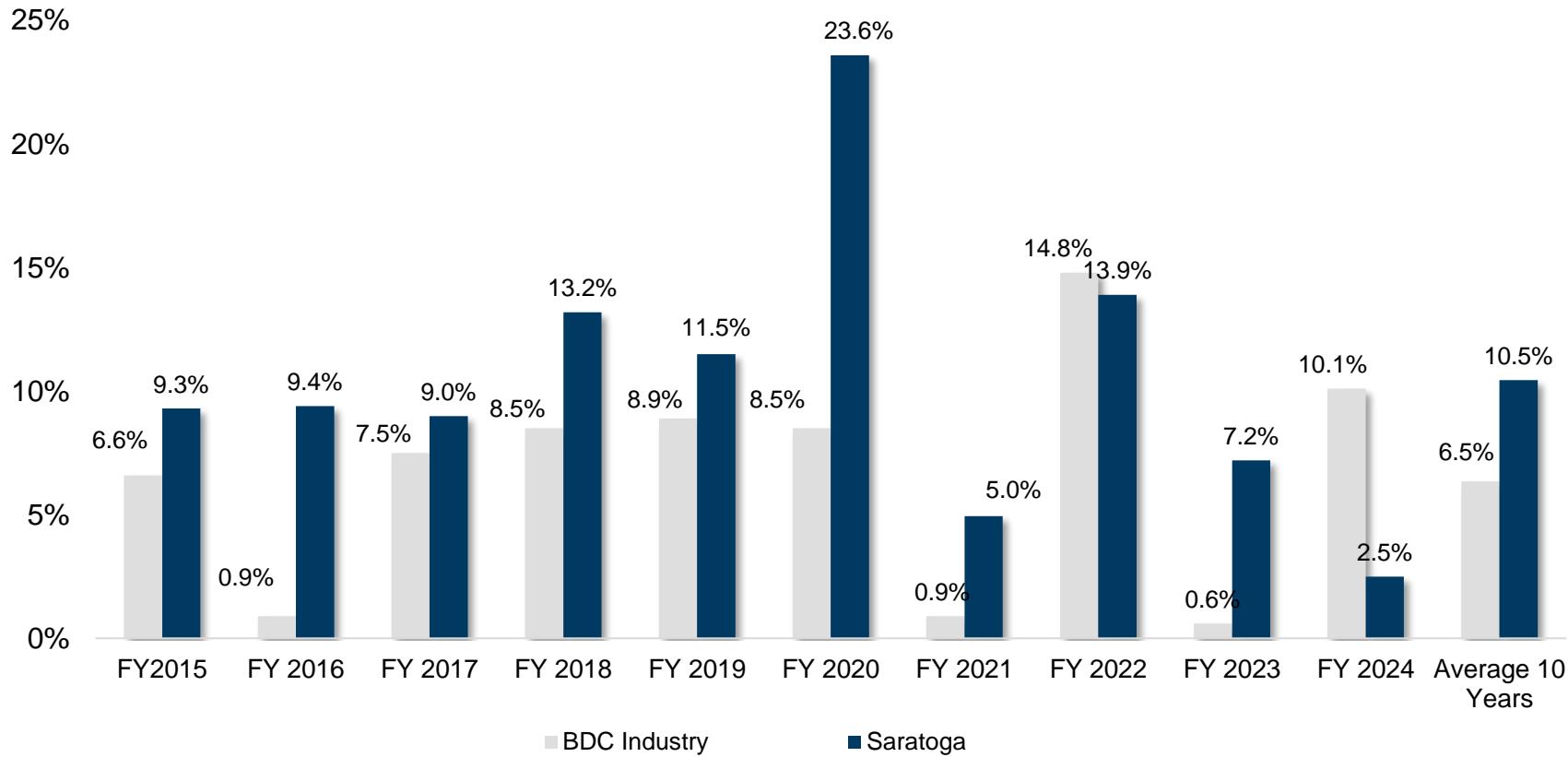
# Steady Growth and Performance in FY24 and Q4

## Fiscal Year-End and Fourth Quarter 2024 Highlights:

- Continued high quality portfolio and solid performance
  - Investment quality remains solid
    - 98.1% of loan investments with highest internal rating and three non-accruals (1.7% of fair value/ 5.7% of cost)
  - Return on equity in Q4 of 5.8% and 2.5% for LTM, as compared to industry average of 10.1%
    - Net unrealized depreciation of \$7.2 million for Q4 includes (a) the core non-CLO portfolio with net depreciation of \$9.6 million, comprised of (i) an additional \$2.5 million unrealized mark-down of our Pepper Palace investment and an additional \$11.3 million mark-down of our Zollege investment, offset by (ii) \$4.2 million of unrealized appreciation across remaining core BDC portfolio, and (b) \$2.5 million of net unrealized appreciation related to our CLO and JV investments in the broadly syndicated market
    - Remaining total Pepper Palace and Zollege fair value as of year-end is \$6.3 million
  - Average ROE over the past ten years of 10.5% exceeds industry average of 6.5% and consistently positive and steady
  - Gross Unlevered IRR of 10.7% on total unrealized portfolio as of February 29, 2024
    - Fair value of \$1.139 billion is 3.5% below total cost of portfolio, with core non-CLO BDC portfolio 1.7% below cost
    - Gross Unlevered IRR of 15.7% on \$917 million of total realizations
- Consistent strong long-term originations contribute to growing assets under management
  - AUM up 17% since last year and up 2% this quarter, with originations of \$43 million in Q4 from strong pipeline
- Base of liquidity and capital remains strong
  - Quarter-end liquidity allows growth of AUM by 18% and is mostly long-term, with \$41 million in cash
  - Issued \$48 million of equity at net asset value since Q1, with \$24 million raised in Q2, \$10 million in Q3 and \$14 million in Q4
  - In March 2024, closed new 3-year \$50.0 million secured revolving credit facility, fully available
- Declared dividend of \$0.73 per share for the quarter ended February 29, 2024, paid on March 28, 2024
- Key performance indicators for Q4 and versus Q3 - Adjusted NII of \$12.8 million (down 2.6%), Adjusted NII per share of \$0.94 (down 7%), LTM ROE of 2.5% (down versus 10.1% for industry) and NAV per share of \$27.12 (down 30c, or 1.1%)
- Key performance indicators for FY24 and versus FY23 – Adjusted NII of \$51.9 million (up 52%) and Adjusted NII per share of \$4.10 (up 44%)

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

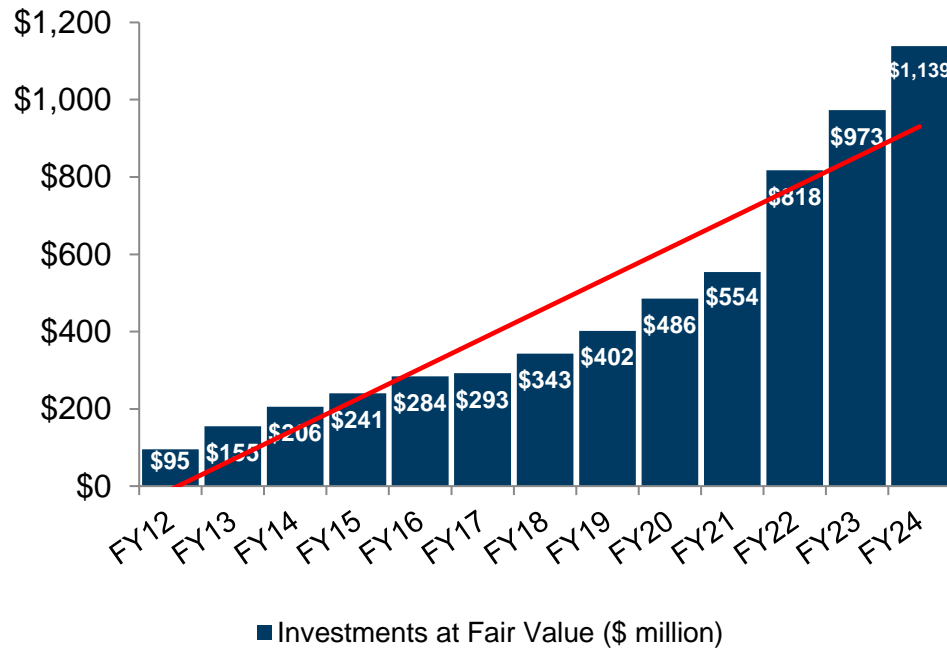
## Return on Equity



**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 1.6x the industry and consistently positive every year**

# Continued Asset Growth and Solid Credit Quality

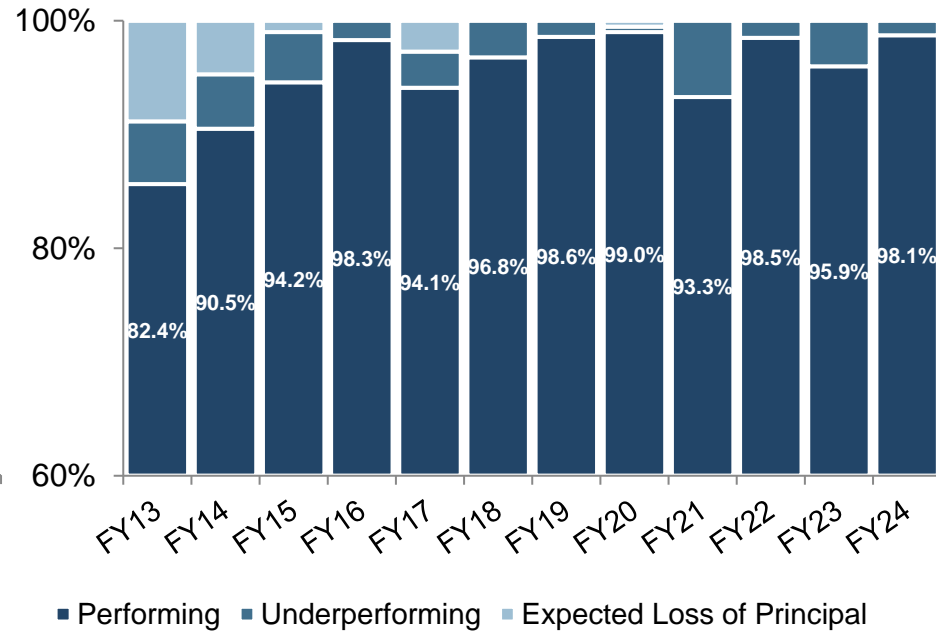
## Asset Base Expansion Trend



**Fair value of AUM increased 17% year-over-year and increased 2% since last quarter.**

**Fair value of \$1.139bn at year-end is 3.5% below cost, with the core non-CLO BDC portfolio 1.7% below cost**

## Overall Credit Quality Remains Solid



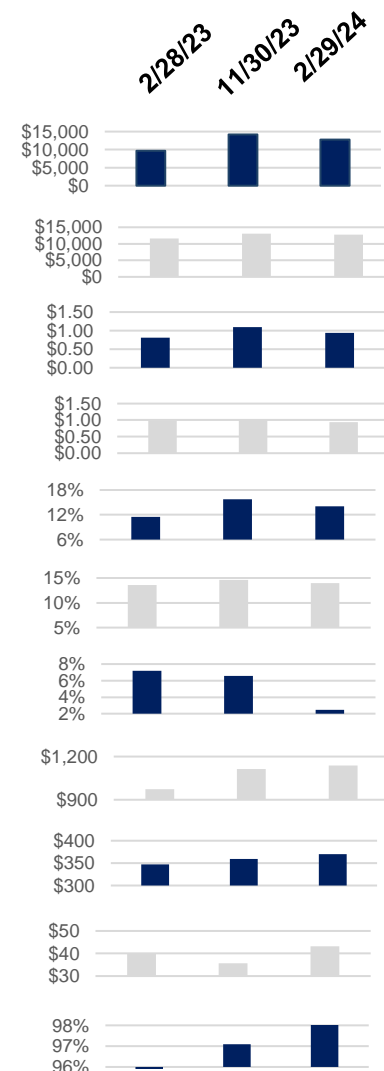
**98.1% of our SAR loan investments hold our highest internal rating, consistent with recent history; three investments on non-accrual at quarter-end (1.7% of fair value/ 5.7% of cost)\***

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

# Q4 FY24: Strong Financial Foundation and Momentum

## Key Performance Metrics for the Fiscal Quarter

For the quarter ended and as of (\$ in millions except per share)	February 28, 2023	November 30, 2023	February 29, 2024
Net investment income	\$9,649	\$14,166	\$12,785
Adjusted net investment income*	\$11,591	\$13,127	\$12,785
Net investment income per share	\$0.81	\$1.09	\$0.94
Adjusted net investment income per share*	\$0.98	\$1.01	\$0.94
Net investment income yield	11.5%	15.7%	14.0%
Adjusted net investment income yield*	13.6%	14.6%	14.0%
Return on Equity – Last Twelve Months	7.2%	6.6%	2.5%
Fair value of investment portfolio	\$972.6	\$1,114.0	\$1,138.8
Total net assets	\$347.0	\$359.6	\$370.2
Investments in new/existing portfolio companies	\$40.0	\$35.6	\$43.2
Loan Investments held in “Performing” credit ratings	95.9%	97.1%	98.1%



\*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 fourth quarter 2024 earnings release.

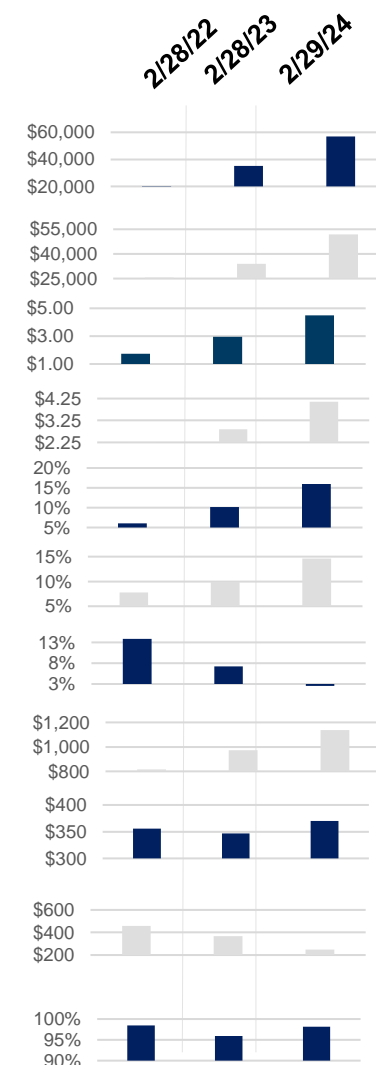


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# FY24: Strong Financial Foundation and Momentum

## Key Performance Metrics for the Fiscal Year

For the year ended and as of (\$ in millions except per share)	Feb 28, 2022	Feb 28, 2023	Feb 29, 2024
Net investment income	\$19,943	\$35,201	\$56,874
Adjusted net investment income*	\$25,702	\$34,074	\$51,917
Net investment income per share	\$1.74	\$2.94	\$4.49
Adjusted net investment income per share*	\$2.24	\$2.85	\$4.10
Net investment income yield	6.1%	10.2%	16.0%
Adjusted net investment income yield*	7.8%	9.9%	14.6%
Return on Equity – Last Twelve Months	13.9%	7.2%	2.5%
Fair value of investment portfolio	\$817.6	\$972.6	\$1,138.8
Total net assets	\$355.8	\$347.0	\$370.2
Investments in new/existing portfolio companies	\$458.1	\$365.4	\$246.1
Loan Investments held in “strong” credit ratings	98.5%	95.9%	98.1%



\*Adjusted for accrued capital gains incentive fee expense, interest expense on SAK baby bond during the period that SAT baby bond was issued prior to repayment, and interest expense on SAF baby bond during the period that 2026 Notes 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 fourth quarter 2024 earnings release.



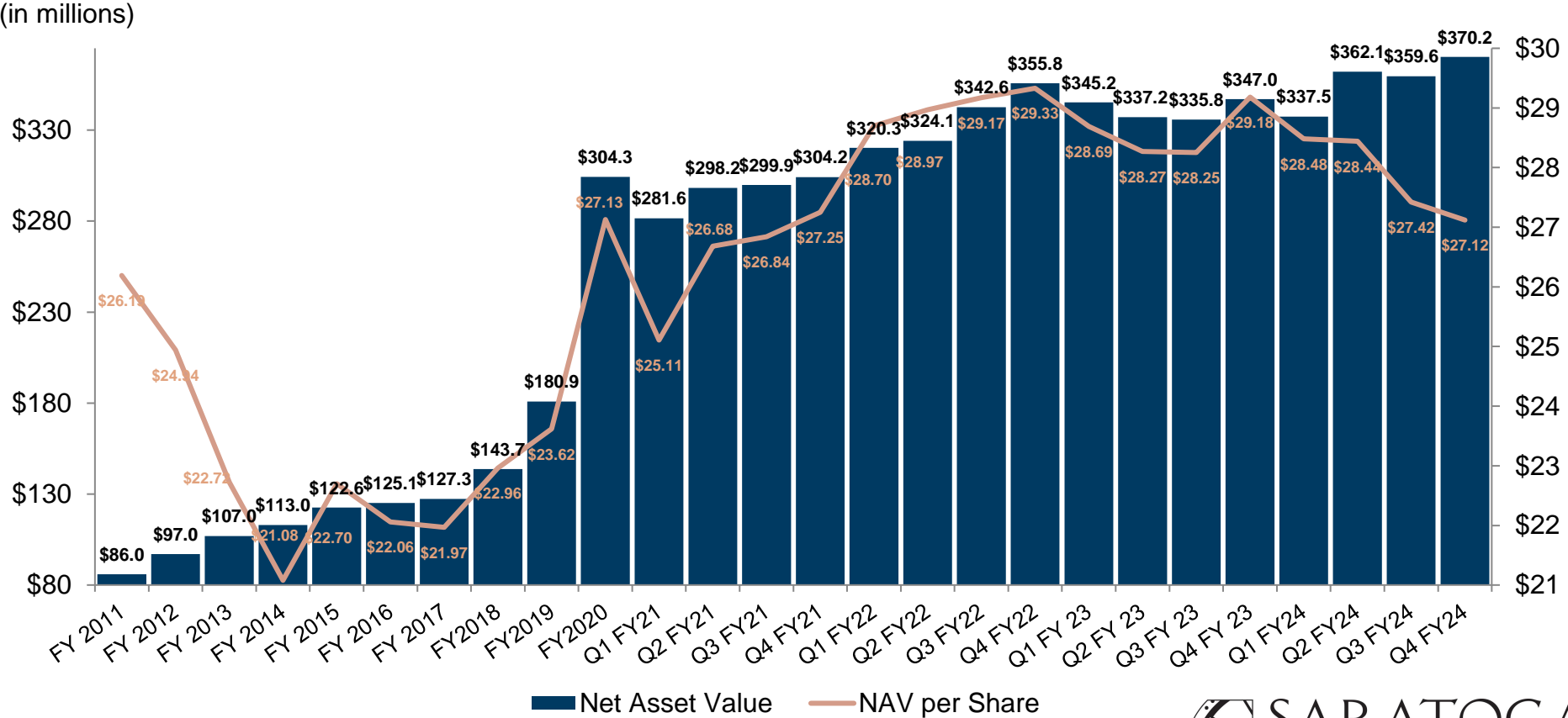
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# Long-Term NAV and NAV Per Share Growth Despite Recent Isolated Weakness

## Net Asset Value and NAV per Share (FY 11 to FY24)

**NAV:** 3% increase this quarter. 330% increase since Saratoga took over management.

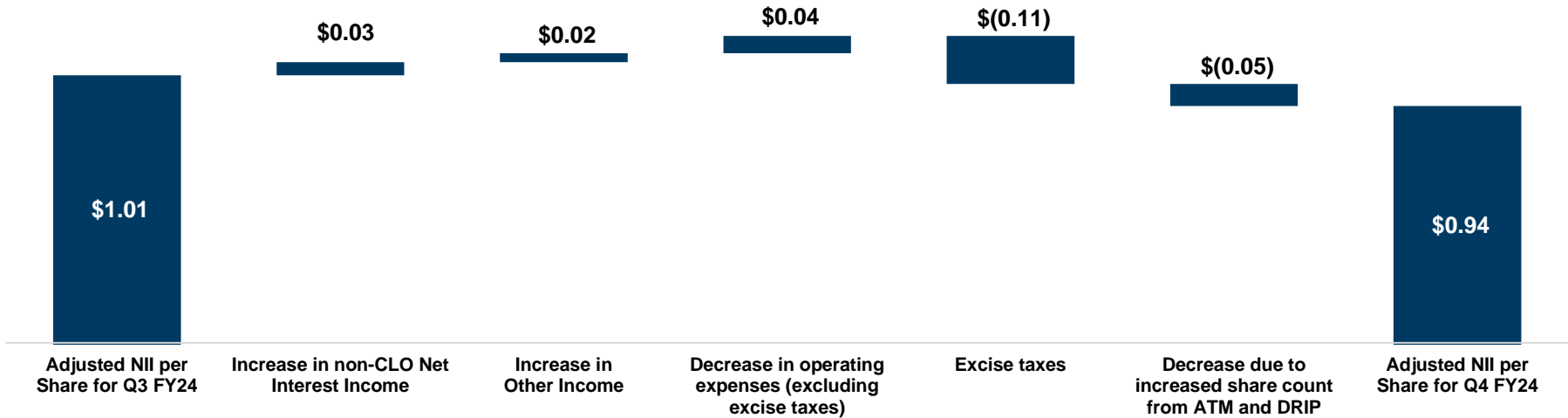
**NAV/Share:** 1% decrease this quarter. 23% increase since FY17 with increases 20 of the last 28 quarters.



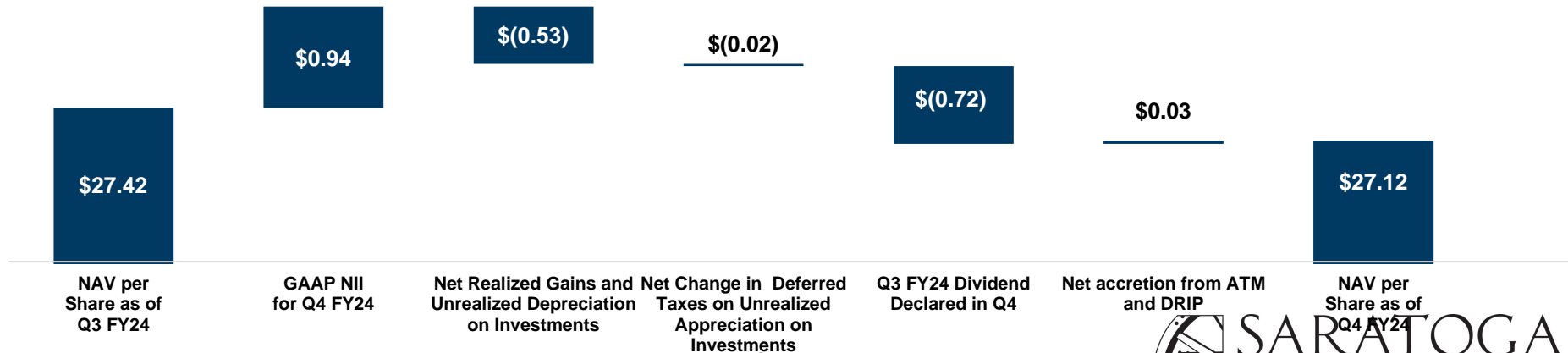
# Quarterly Reconciliation of NII and NAV per Share

## Reconciliation of Quarterly Adjusted NII per Share

- Impacts are shown net of incentive fees.



## Reconciliation of Quarterly NAV per Share

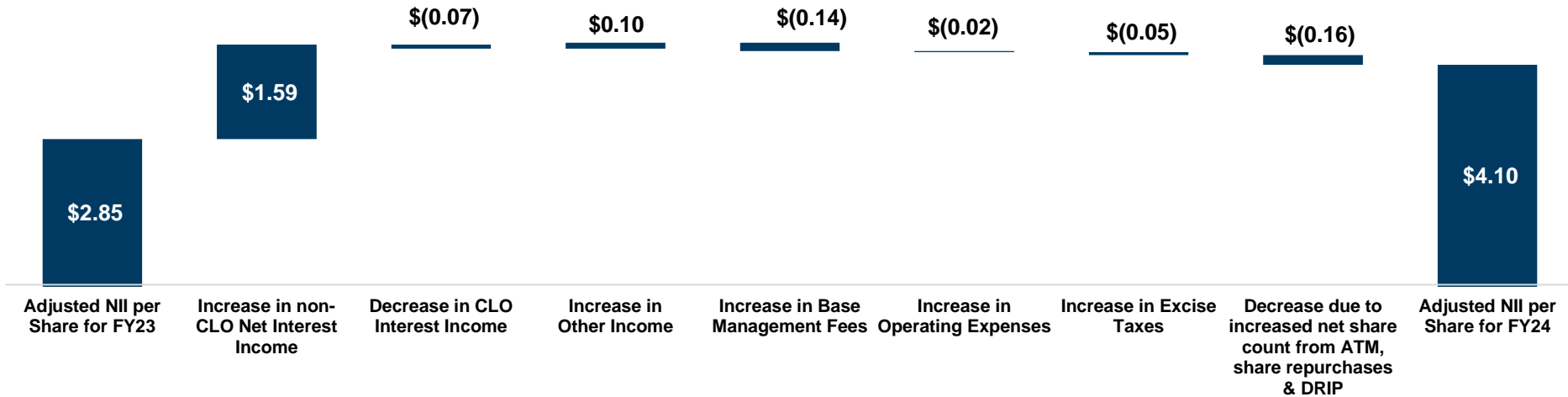




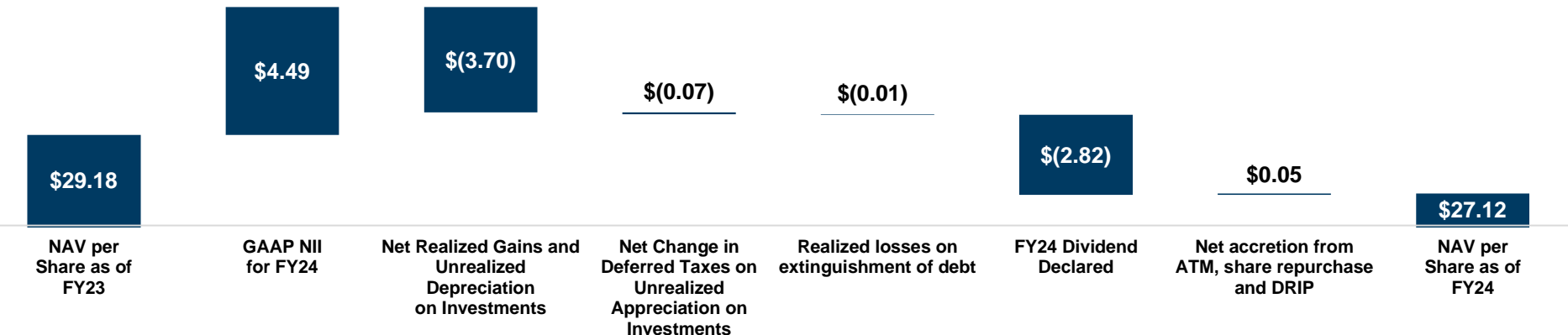
# Annual Reconciliation of NII and NAV per Share

## Reconciliation of Annual Adjusted NII per Share

- Impacts are shown net of incentive fee



## Reconciliation of Annual NAV per Share\*



\* Includes the impact of the different share amounts used for different items (weighted average basic common shares outstanding for the full year earnings numbers and actual common shares outstanding at the end of the year) in the per common share data calculation and rounding impacts.

# Dry Powder Remains Available

(As of February 29, 2024)		Total Borrowing Capacity	Outstanding	Available Liquidity	Remaining Maturity Period	Call Period	Fixed / Floating Rate
Secured Revolving Credit Facility		\$65.0 million	\$35.0 million	\$30.0 million	2 Years	-	Floating
SBA Debentures	SBIC I	\$0.0 million	\$0.0 million	\$0.0 million	-	-	Fixed
	SBIC II	\$175.0 million	\$175.0 million	\$0.0 million	5-8 years	-	Fixed
	SBIC III	\$175.0 million	\$39.0 million	\$136.0 million*	9-10 years	-	Fixed
Publicly-Traded Notes (at par value)	SAT	\$105.5 million	\$105.5 million	\$0.0 million	3 Years	Now	Fixed
	SAJ	\$46.0 million	\$46.0 million	\$0.0 million	3.5 Years	< 1 Year	Fixed
	SAY	\$60.4 million	\$60.4 million	\$0.0 million	3.5 Years	< 1 Year	Fixed
	SAZ	\$57.5 million	\$57.5 million	\$0.0 million	4 Years	< 1 Year	Fixed
Unsecured Notes		\$250.0 million	\$250.0 million	\$0.0 million	2-3 years	-	Fixed
Private Notes (at par value)		\$52.0 million	\$52.0 million	\$0.0 million	1-3 Years	< 1 Year	Fixed
Cash and Cash Equivalents		\$41.0 million	\$41.0 million	\$41.0 million	-	-	-
<b>Total Available Liquidity (at quarter-end):</b>				<b>\$ 207.0 million</b>			

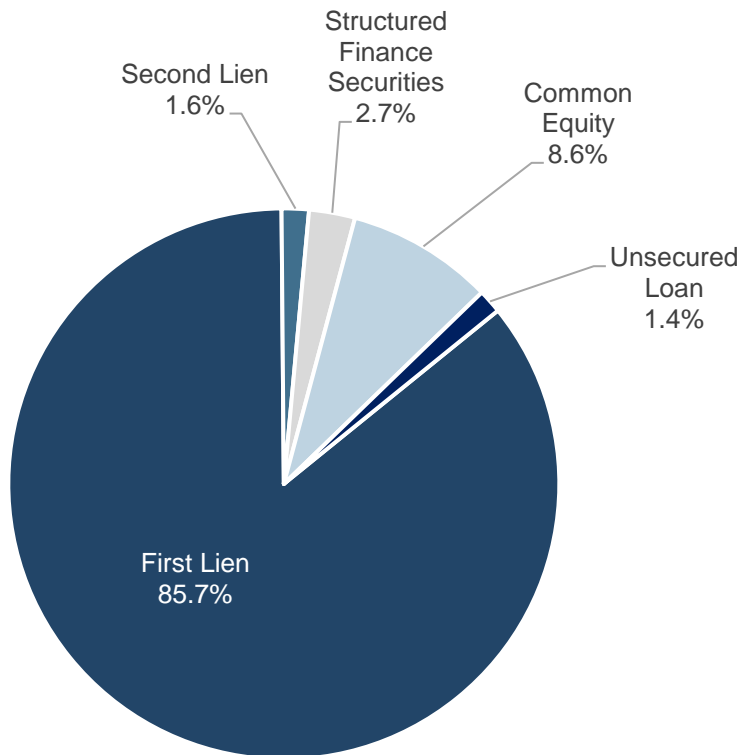
**Ability to grow AUM by 18% without any new external financing as of February 29, 2024 (including SBIC III license)**

- SBIC III debentures are generally not available to support existing BDC or SBIC II investments
- In March 2024, closed new 3-year \$50.0 million secured revolving credit facility, fully available

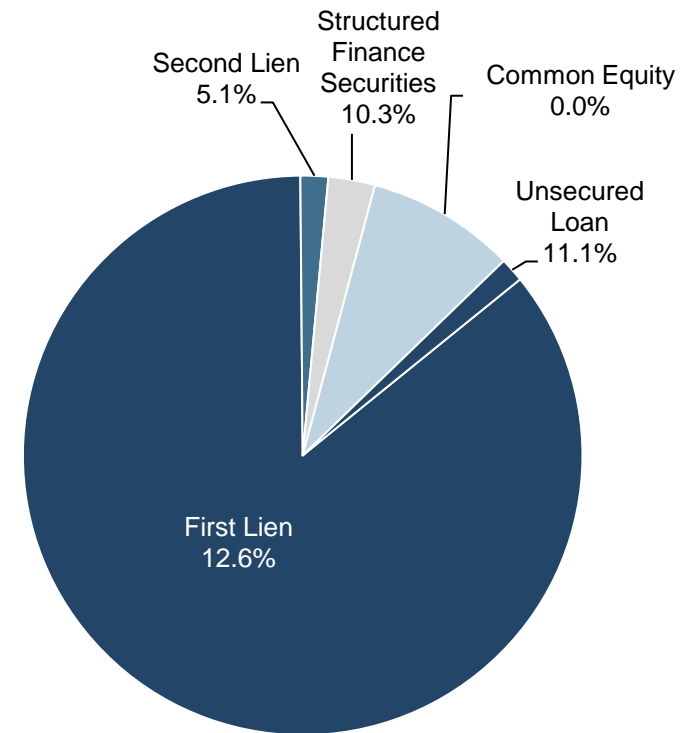
\* Total availability for all combined SBIC licenses limited to \$350.0 million outstanding debentures.

# Portfolio Composition and Yield

**Portfolio Composition – \$1,138.8m**  
(Based on Fair Values  
as of February 29, 2024)

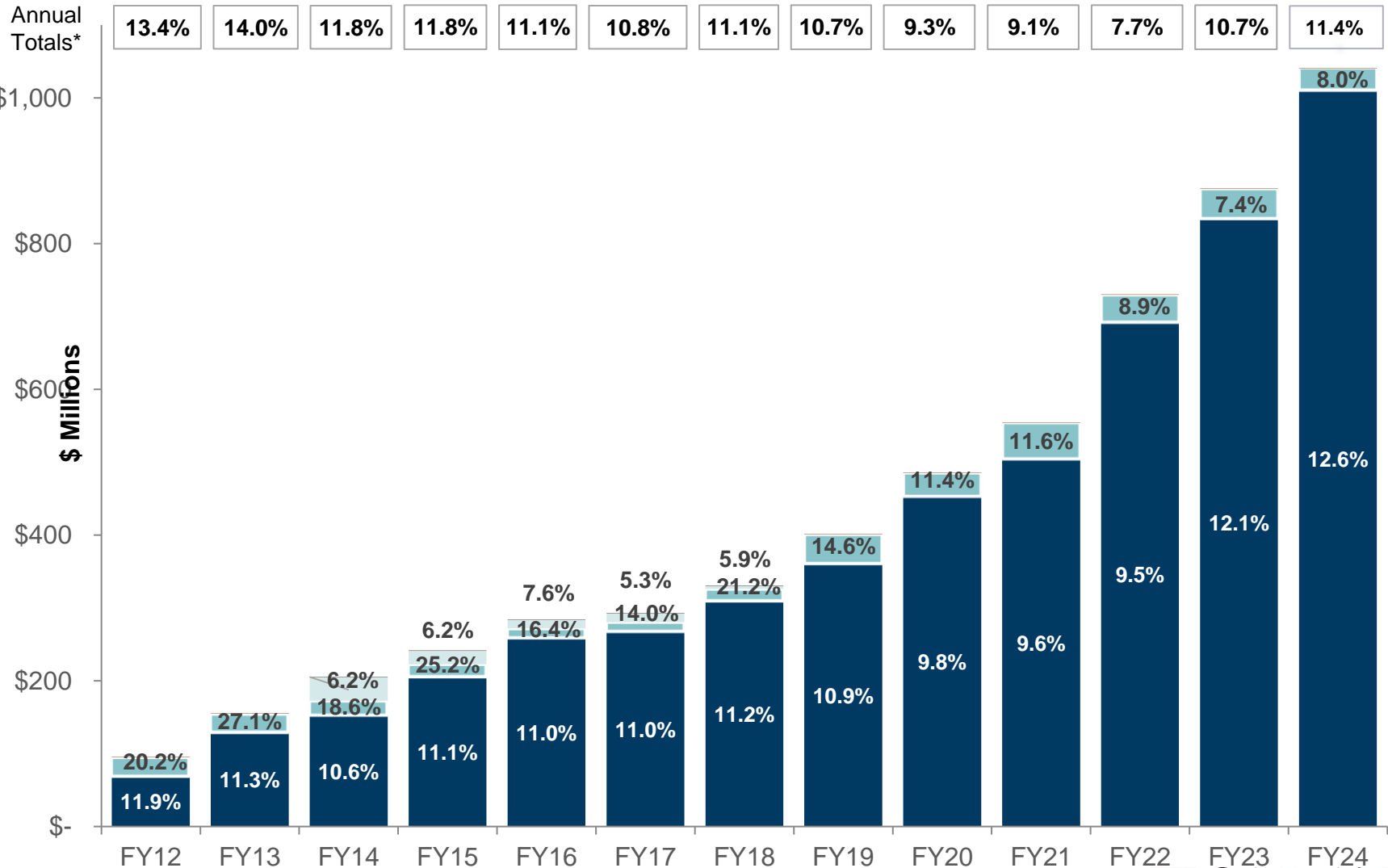


**Portfolio Yield – 11.4%**  
(Weighted Average  
Current Yield of Total Existing Portfolio)



# Yield of BDC Growing With Rising Rates

## Weighted Average Current Yields



\* 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.

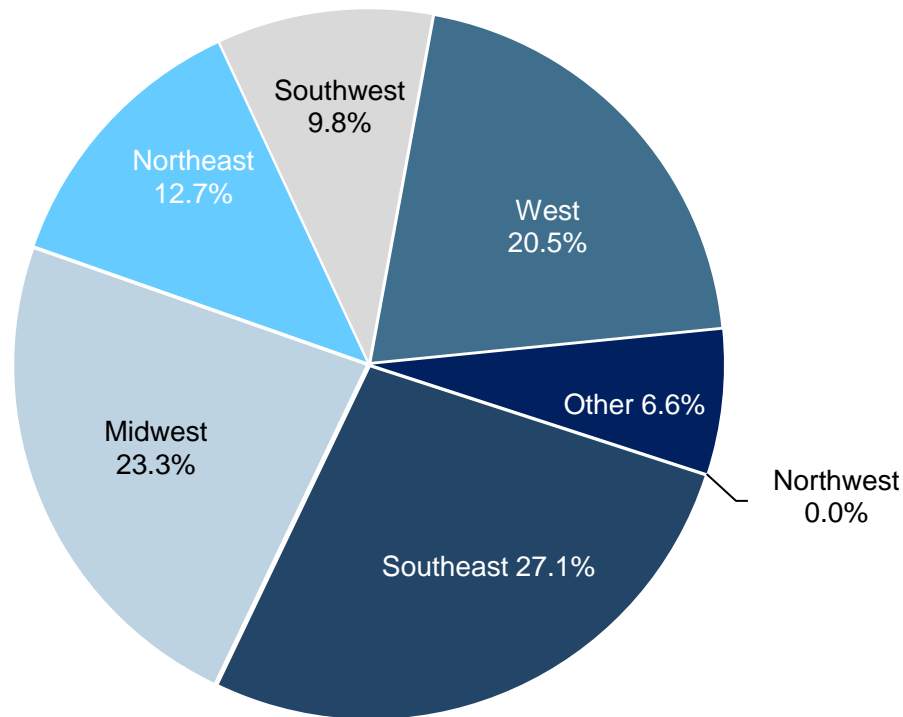
■ BDC ■ CLO ■ Syndicated



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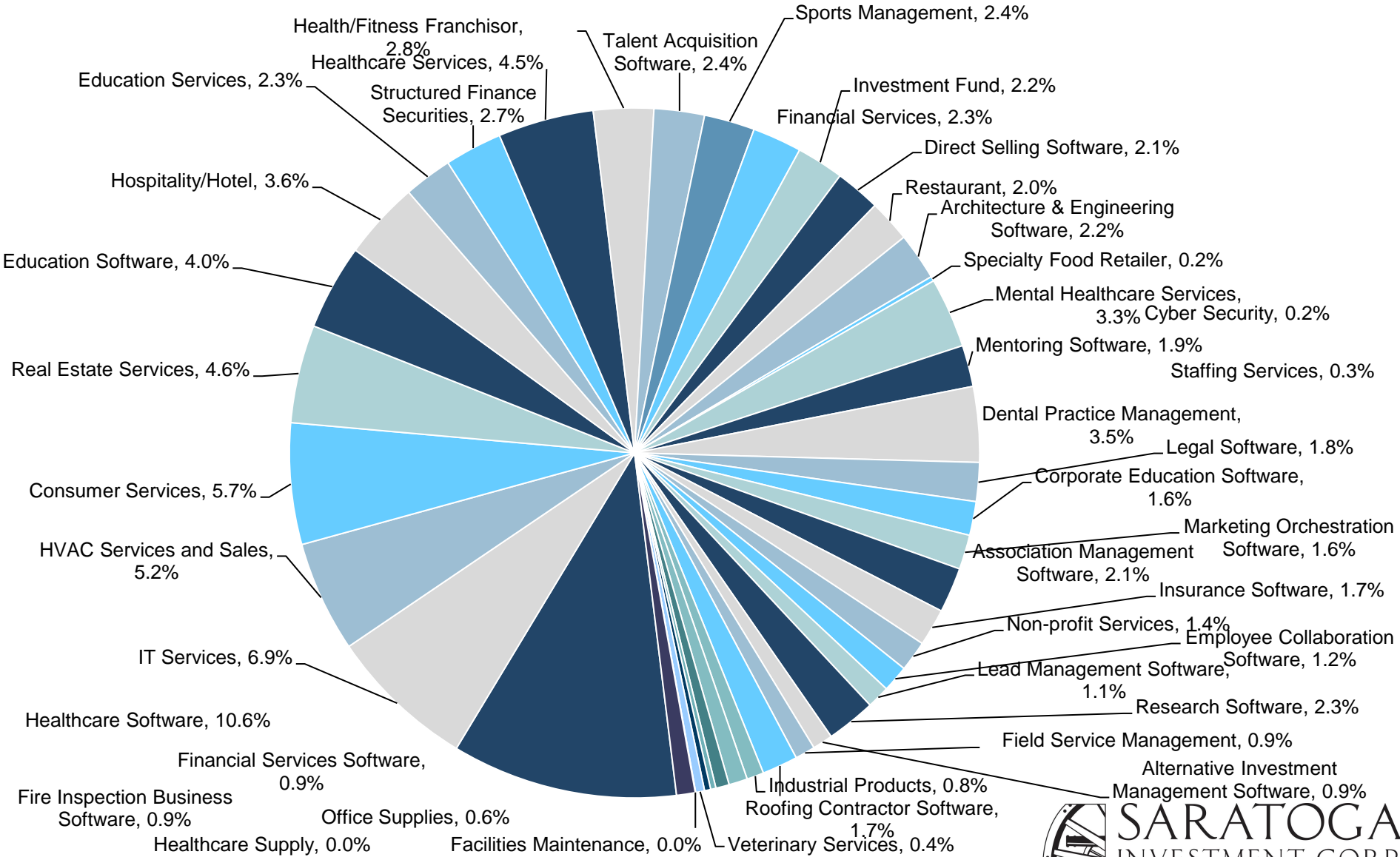
# Diversified Across Geography

Investments Diversified Geographically



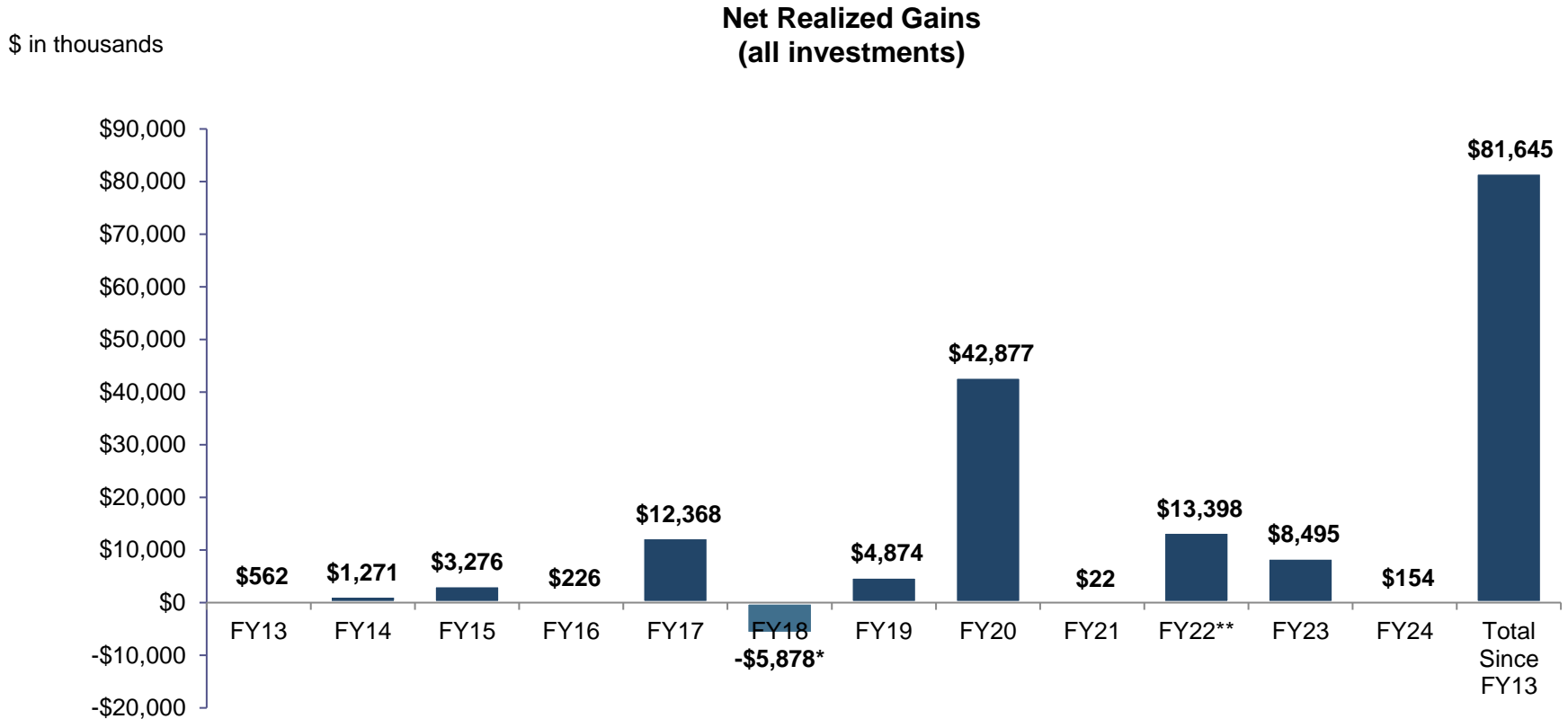
# Diversified Across Industry

## Investments across 43 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.

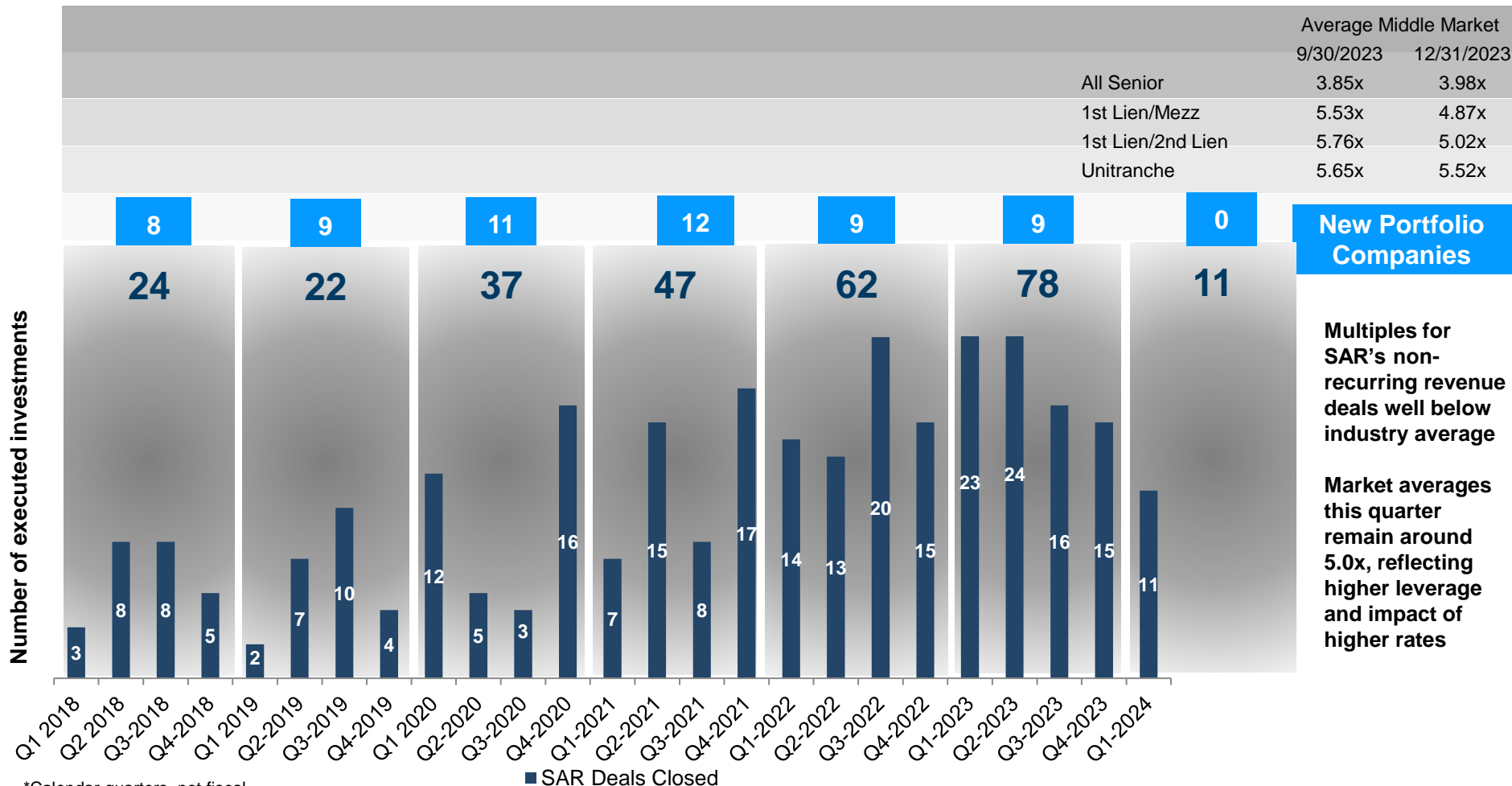
\*\* Reflects realized gains of \$18.3m on various equity investments in FY22, offset by full \$4.9m write-down of remaining My Alarm Center investment.

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

# Exercising Disciplined Investment Judgment While Expanding Portfolio

## SAR Debt Multiples/Deals Closed (2018-2024)

Portfolio leverage with non-recurring revenue underwriting is 3.98x<sup>1^</sup>



	Average Middle Market 9/30/2023	12/31/2023
All Senior	3.85x	3.98x
1st Lien/Mezz	5.53x	4.87x
1st Lien/2nd Lien	5.76x	5.02x
Unitranche	5.65x	5.52x

**New Portfolio Companies**

Multiples for SAR's non-recurring revenue deals well below industry average

Market averages this quarter remain around 5.0x, reflecting higher leverage and impact of higher rates

\*Calendar quarters, not fiscal

<sup>1</sup>Excludes 27 loans underwritten using recurring revenue metrics. These recurring revenue loans would have significantly different portfolio leverage statistics.

<sup>^</sup>Excludes our yellow and red assets, Knowland, Pepper Palace, and Zollege. Leverage 4.71x including these three investments

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



# Pipeline Remains Healthy But Reflects Market Slowdown

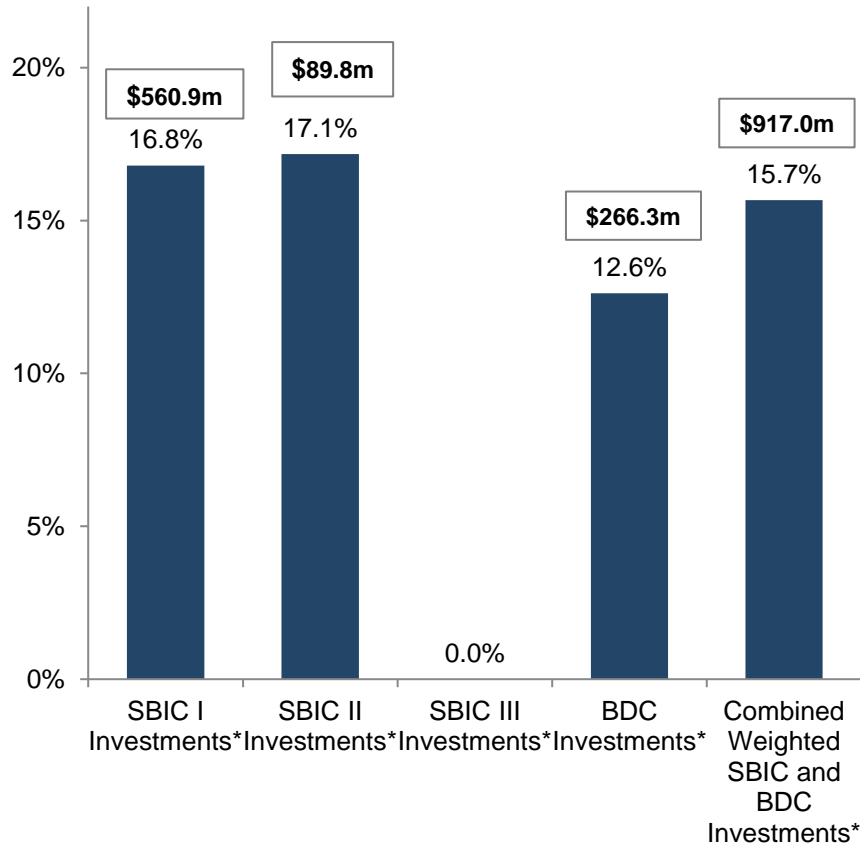
New business opportunities impacted by market opportunities and largely offset by follow-on investments

Calendar*	2019	Δ	2020	Δ	2021	Δ	2022	Δ	2023	Δ	LTM Q1 2024	
Deals Sourced	863	-28%	619	-8%	572	-20%	469	8%	506	4%	525	<ul style="list-style-type: none"> <li>~61% of deal flow from private equity sponsors</li> <li>~39% 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>
Term Sheets (excludes follow-ons)	77	-58%	32	109%	67	-30%	47	-17%	39	-38%	24	<ul style="list-style-type: none"> <li>~92% of term sheets are currently issued for transactions involving a private equity sponsor</li> <li>Being more selective in issuing term sheets based on credit quality</li> </ul>
Deals Executed (new and follow-on)	22	32%	29	62%	47	32%	62	27%	78	-15%	66	<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>
New portfolio companies	9		11		12		9		9		5	<ul style="list-style-type: none"> <li>5 new portfolio companies during LTM Q1 2024, and 2 from new relationships</li> <li>Saratoga new portfolio company investments average ~1-2% of deals reviewed</li> </ul>

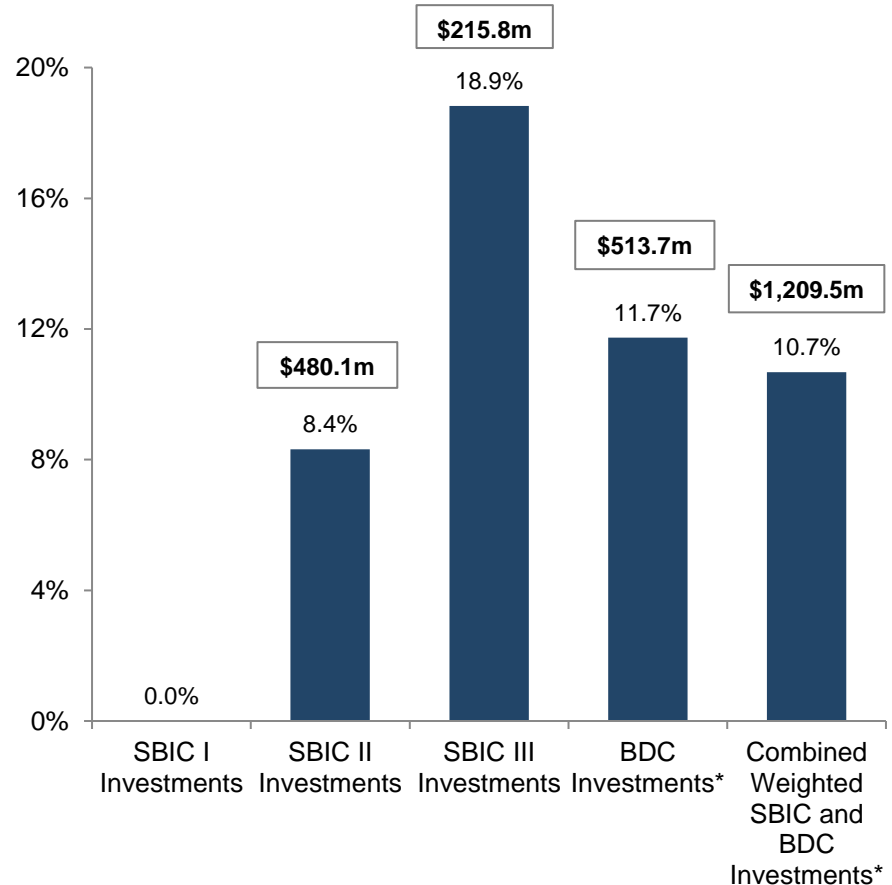
\*Calendar quarters, not fiscal quarters.

# Demonstrated Strong Track Record

## Realized Investments <sup>^</sup> (Gross Unlevered IRR%)



## Unrealized Investments <sup>1 ^</sup> (Gross Unlevered IRR%)



### Track Records as of 2/29/24

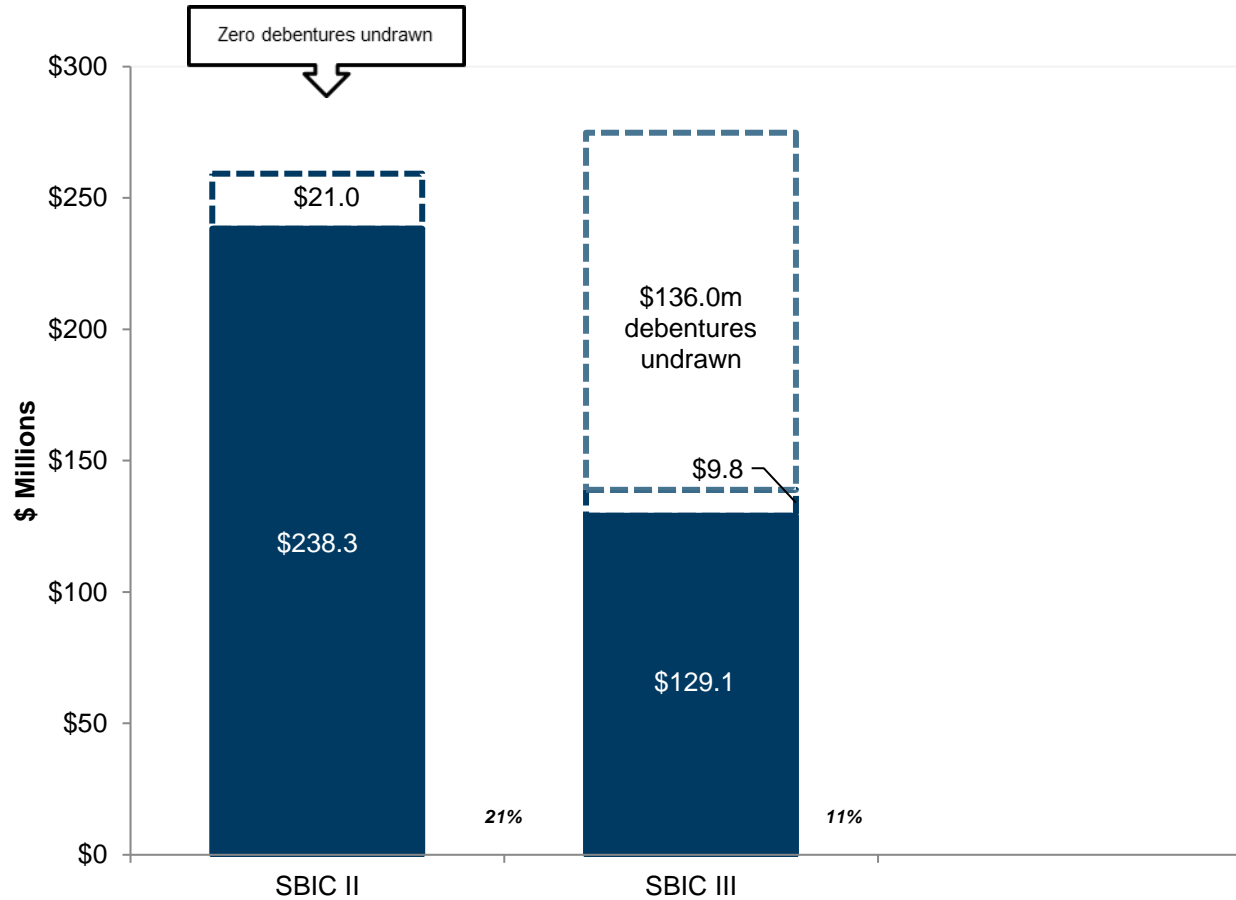
<sup>1</sup> IRRs for unrealized investments include fair value and accrued interest as of 2/29/2024

\* 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.

<sup>^</sup> Graphs show invested dollars

# SBIC II Fully Funded - SBIC III Availability

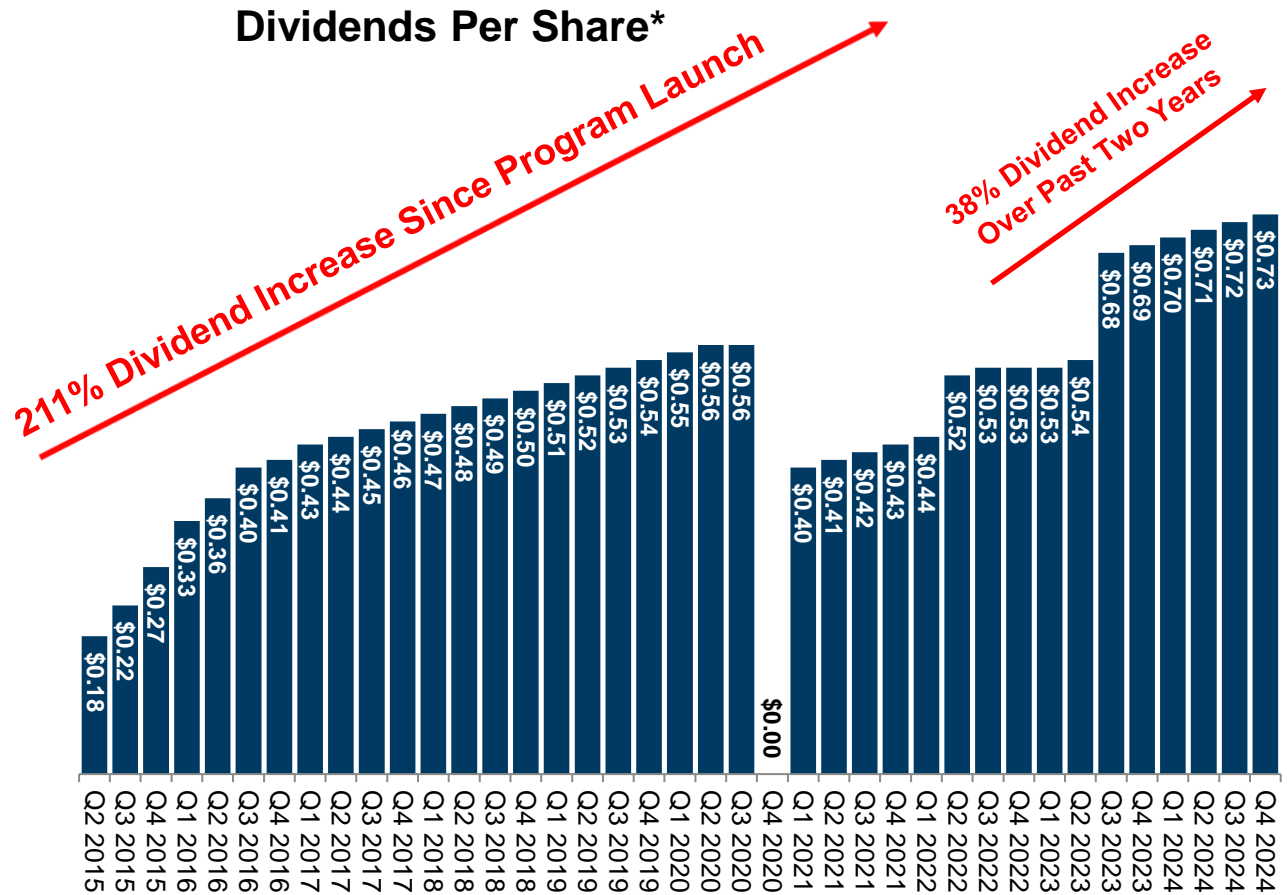


\*\* SBIC II and III cash available for new originations and follow-ons in existing license.

\*\*\* SBIC III has \$136 million of available debentures based on the SBA family of funds limit

# Long-Term, Consistent Dividend Growth

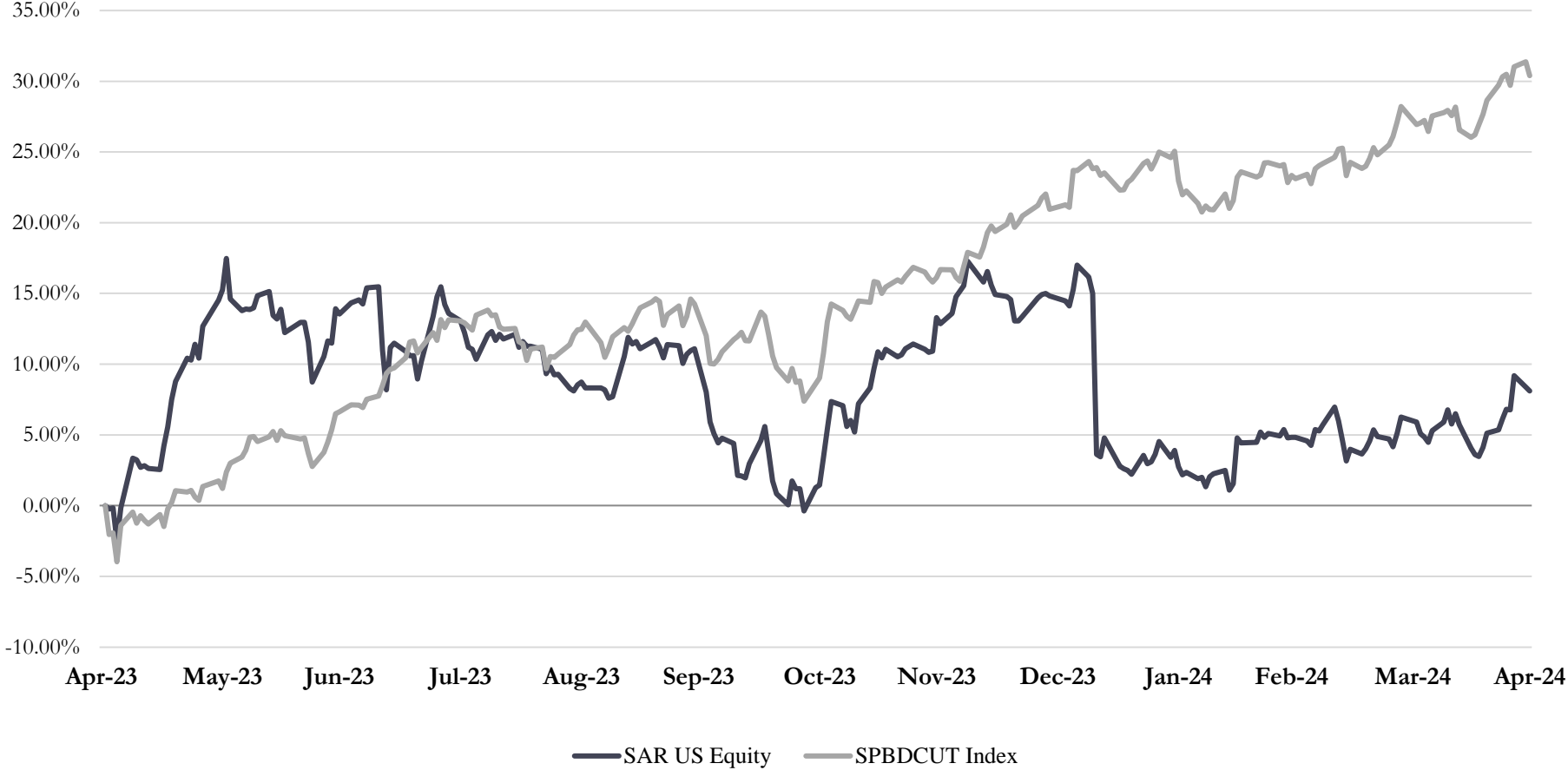
- Established dividend policy to pay regular quarterly cash dividends to stockholders pursuant to dividend reinvestment plan (“DRIP”) in 2014
- Increased dividend by 211% since program launch until Covid deferral
- Increased dividend by 6% over past year, with a 1% increase this past quarter
- Q4 FY24 dividend of \$0.73 declared and paid for the quarter ended February 29, 2024.



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

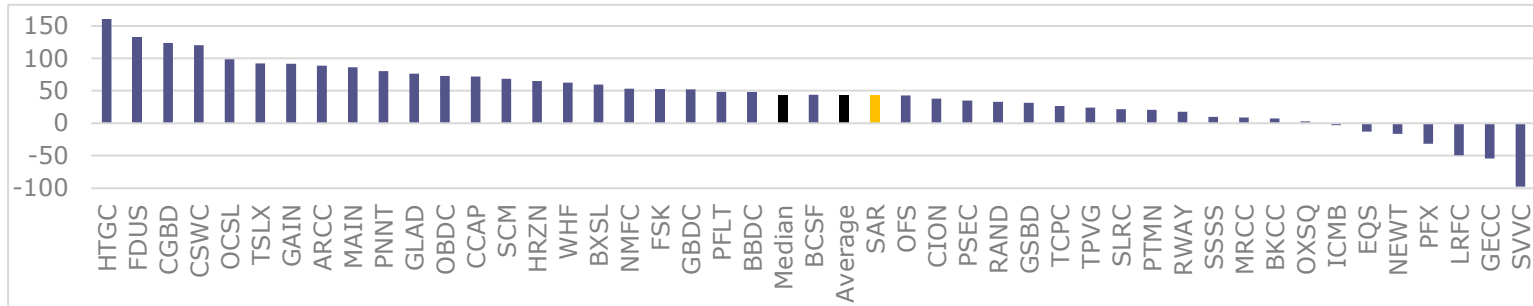
# SAR LTM Total Return Lagging BDC Index Creates Opportunity

**LTM Total Return (%)**  
(April 2023 to April 2024)  
**SAR +8% v BDC Index +30%**



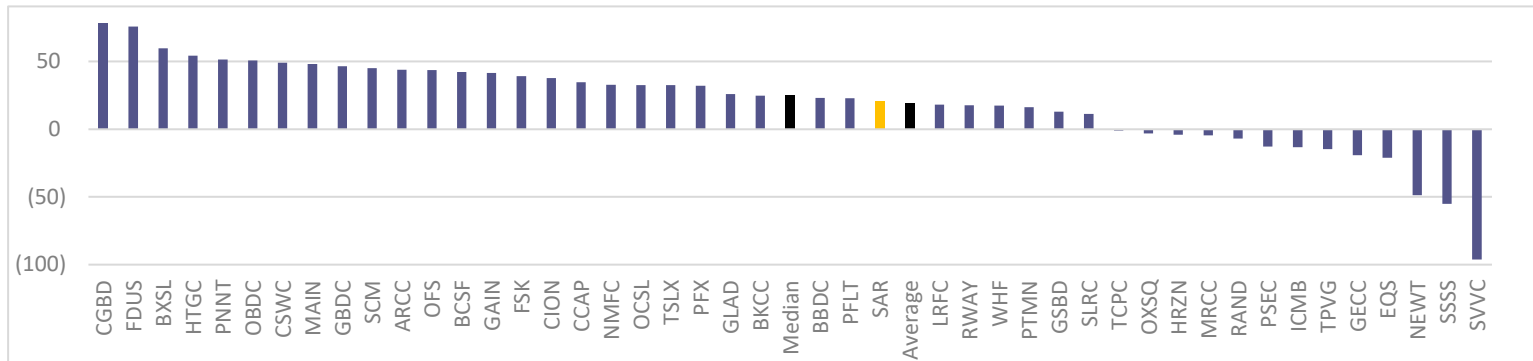
# Long-Term Performance Beats BDC Industry

## BDC Total Return (%)



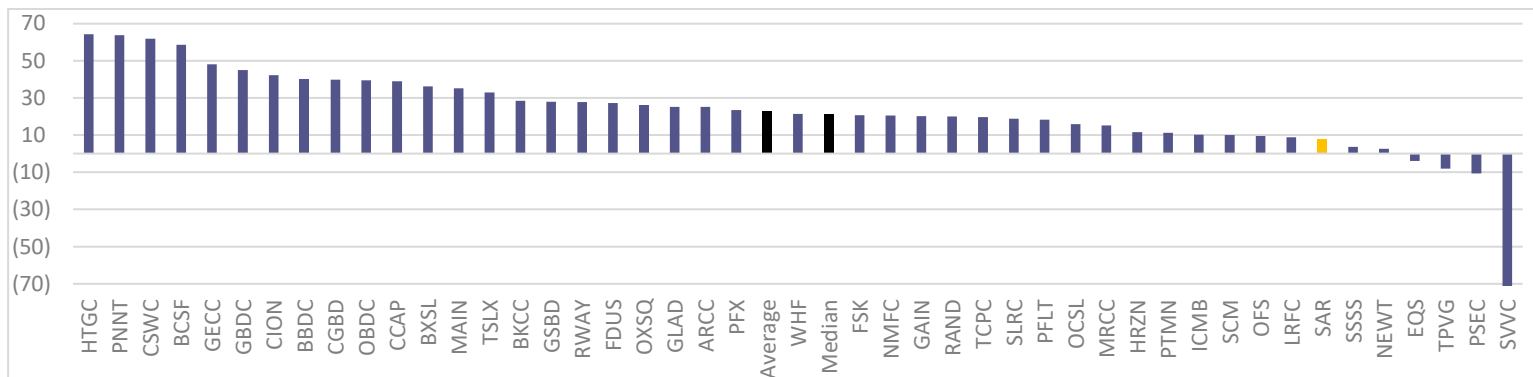
Last 5 years: 43%

(BDC Index 43%)



Last 3 years: 21%

(BDC Index 20%)

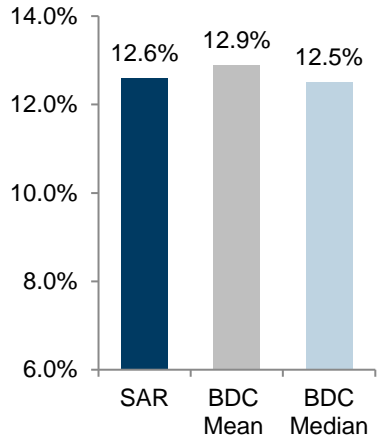


Last 12 months: 8%

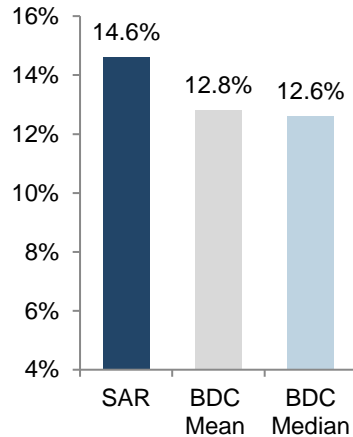
(BDC Index 30%)

# Short-Term Performance Impacted by Discrete Non-Accruals

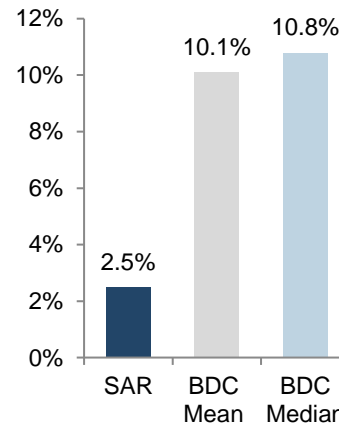
**Interest % on Portfolio**



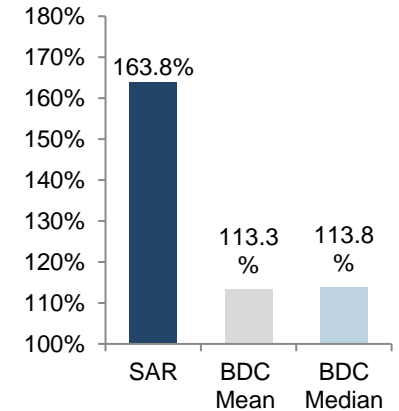
**LTM NII Yield**



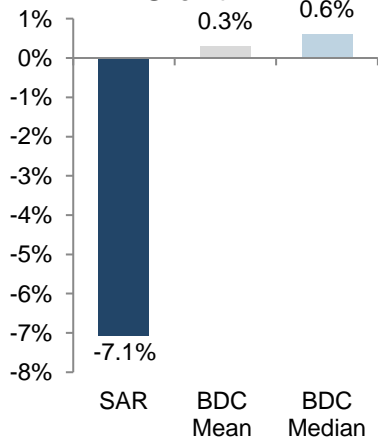
**LTM ROE**



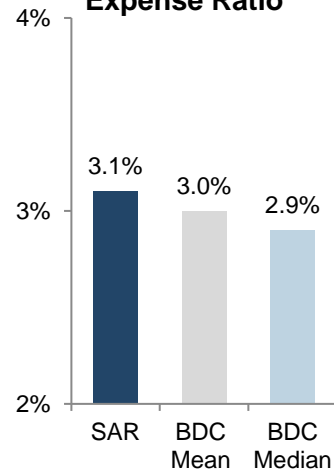
**Regulatory Debt/Equity**



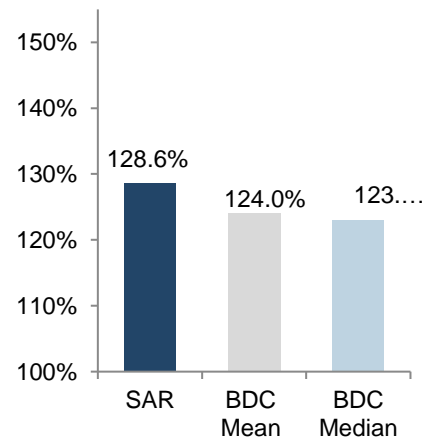
**LTM NAV Per Share Growth**



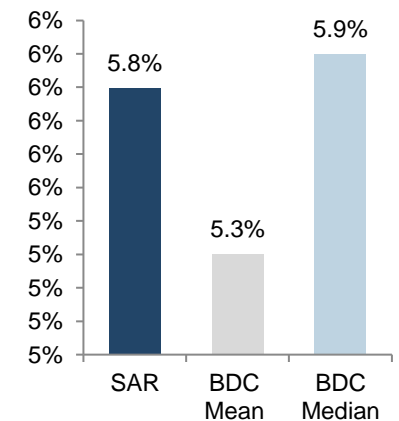
**LTM Operating Expense Ratio\***



**Dividend Coverage**



**Year-Over-Year Dividend Growth**



Source: SNL Financial / Company Filings / Raymond James report as of 3/28/24

\* 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 24.4%.

# 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 73c per share for the quarter ended February 29, 2024, up 6% over prior year, represents current dividend yield of 12.7%; significant management ownership of 12.5%

### ▶ Strong return on equity

Long term ROE factors in both investment income and net gains/losses, averages 10.5% over the past ten years versus industry average of 6.5% - most recent LTM ROE of 2.5% below current industry average of 10.1% primary due to recent discrete non-accruals

### ▶ 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 18% as of quarter ended February 29, 2024, with most of it in cash or low-cost liquidity (SBIC III debentures) that will be accretive to earnings. Closed a new \$50m credit facility in March 2024 that adds to liquidity

### ▶ 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 up 17% from prior year - total portfolio fair value 3.5% below cost, with core non-CLO BDC portfolio fair value 1.7% below cost

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

Approx. 99.5% 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+” affirmed in April 2024. All our baby bonds are callable 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

98% of credits are the highest quality, 86% 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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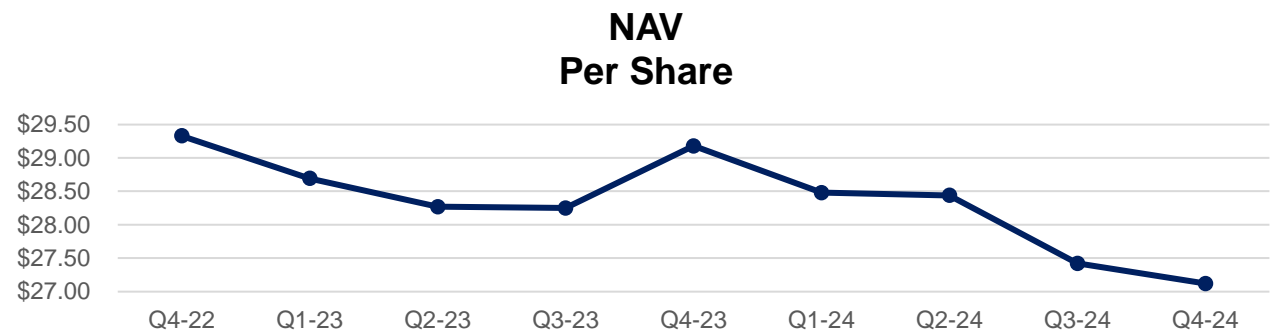
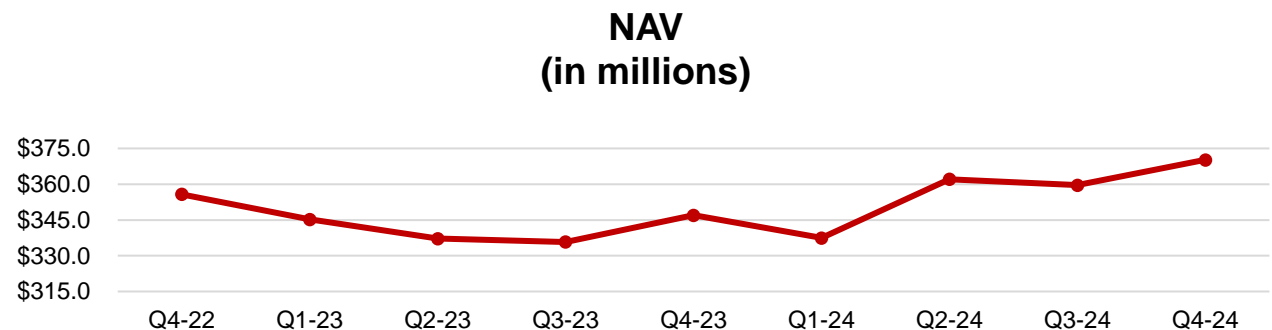
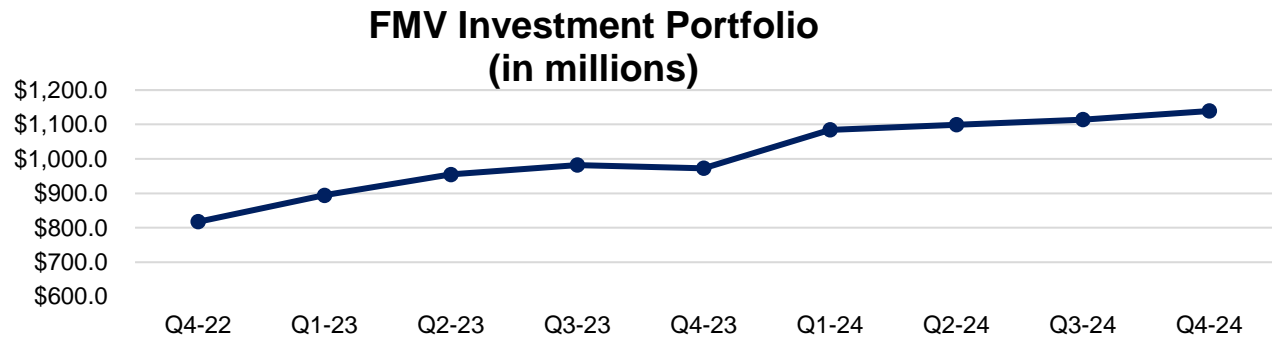
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# KPIs – Balance Sheet – Q4 FY24

Period	FMV Investment Portfolio (in millions)
Q4-22	\$ 817.6
Q1-23	\$ 894.5
Q2-23	\$ 954.7
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

Period	NAV (in millions)
Q4-22	\$ 355.8
Q1-23	\$ 345.2
Q2-23	\$ 337.2
Q3-23	\$ 335.8
Q4-23	\$ 347.0
Q1-24	\$ 337.5
Q2-24	\$ 362.1
Q3-24	\$ 359.6
Q4-24	\$ 370.2

Period	NAV Per Share
Q4-22	\$ 29.33
Q1-23	\$ 28.69
Q2-23	\$ 28.27
Q3-23	\$ 28.25
Q4-23	\$ 29.18
Q1-24	\$ 28.48
Q2-24	\$ 28.44
Q3-24	\$ 27.42
Q4-24	\$ 27.12



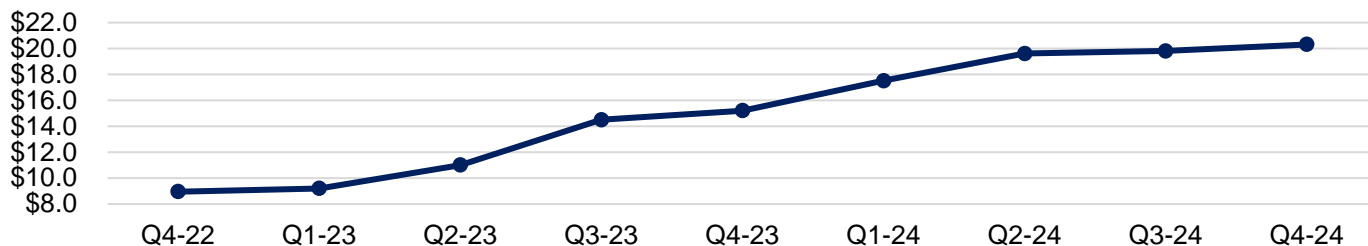
# KPIs – Income Statement – Q4 FY24

Period	Net Interest Margin (in millions)
Q4-22	\$ 9.0
Q1-23	\$ 9.2
Q2-23	\$ 11.0
Q3-23	\$ 14.5
Q4-23	\$ 15.2
Q1-24	\$ 17.5
Q2-24	\$ 19.6
Q3-24	\$ 19.8
Q4-24	\$ 20.3

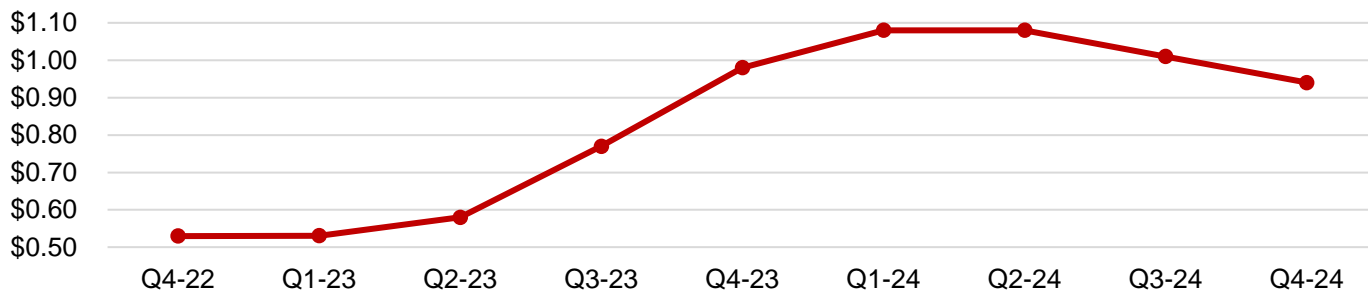
Period	NII Per Share
Q4-22	\$ 0.53
Q1-23	\$ 0.53
Q2-23	\$ 0.58
Q3-23	\$ 0.77
Q4-23	\$ 0.98
Q1-24	\$ 1.08
Q2-24	\$ 1.08
Q3-24	\$ 1.01
Q4-24	\$ 0.94

Period	NII Yield
Q4-22	7.3%
Q1-23	7.3%
Q2-23	8.2%
Q3-23	10.8%
Q4-23	13.6%
Q1-24	15.0%
Q2-24	15.0%
Q3-24	14.6%
Q4-24	14.0%

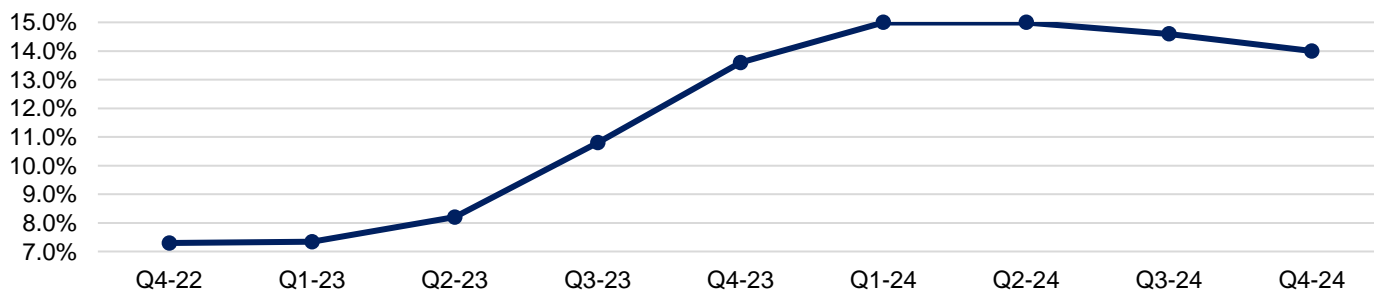
## Net Interest Margin Excluding CLO (in millions)



## Adjusted NII Per Share

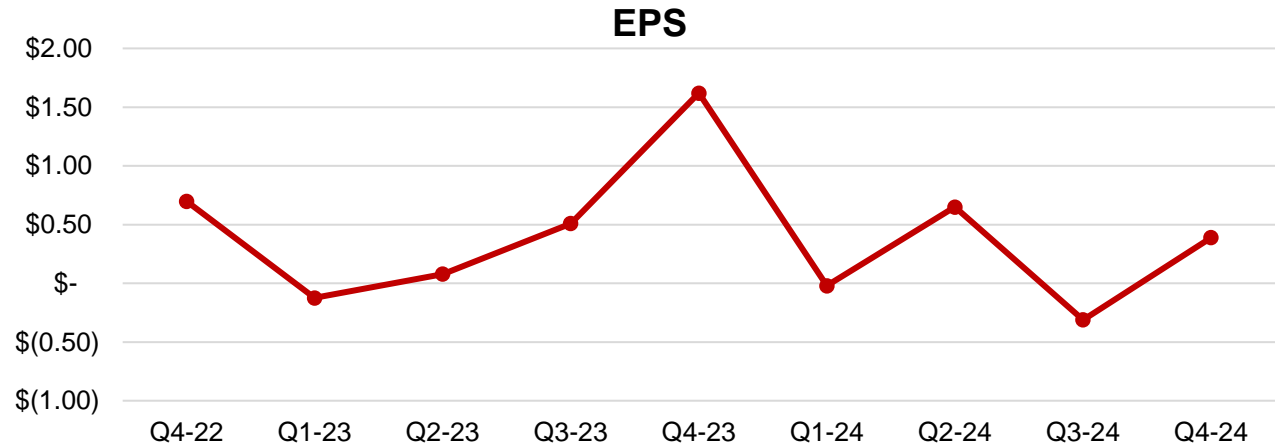


## Adjusted NII Yield

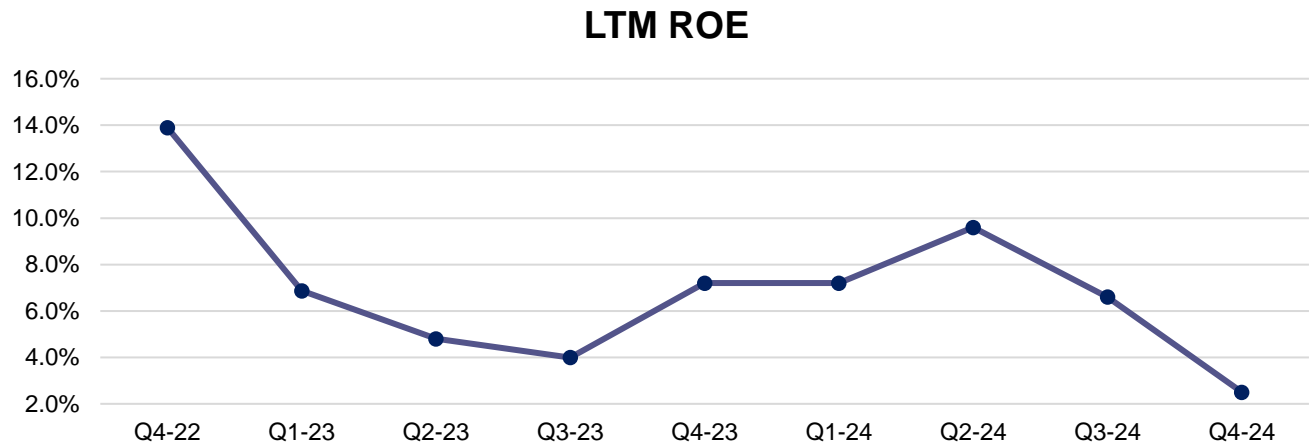


# KPIs – Income Statement– Q4 FY24 (continued)

Period	EPS
Q4-22	\$ 0.70
Q1-23	\$ (0.12)
Q2-23	\$ 0.08
Q3-23	\$ 0.51
Q4-23	\$ 1.62
Q1-24	\$ (0.02)
Q2-24	\$ 0.65
Q3-24	\$ (0.31)
Q4-24	\$ 0.39



Period	LTM ROE
Q4-22	13.9%
Q1-23	6.9%
Q2-23	4.8%
Q3-23	4.0%
Q4-23	7.2%
Q1-24	7.2%
Q2-24	9.6%
Q3-24	6.6%
Q4-24	2.5%



# KPIs - SAR Net Interest Margin Continues to Grow

**SAR Net Interest Margin up 50% the past year and sevenfold since taking over management**

## Net Interest Margin

