

# Saratoga Investment Corp.

**Fiscal Year-End and Fourth Quarter  
2023 Shareholder Presentation**

May 3, 2023



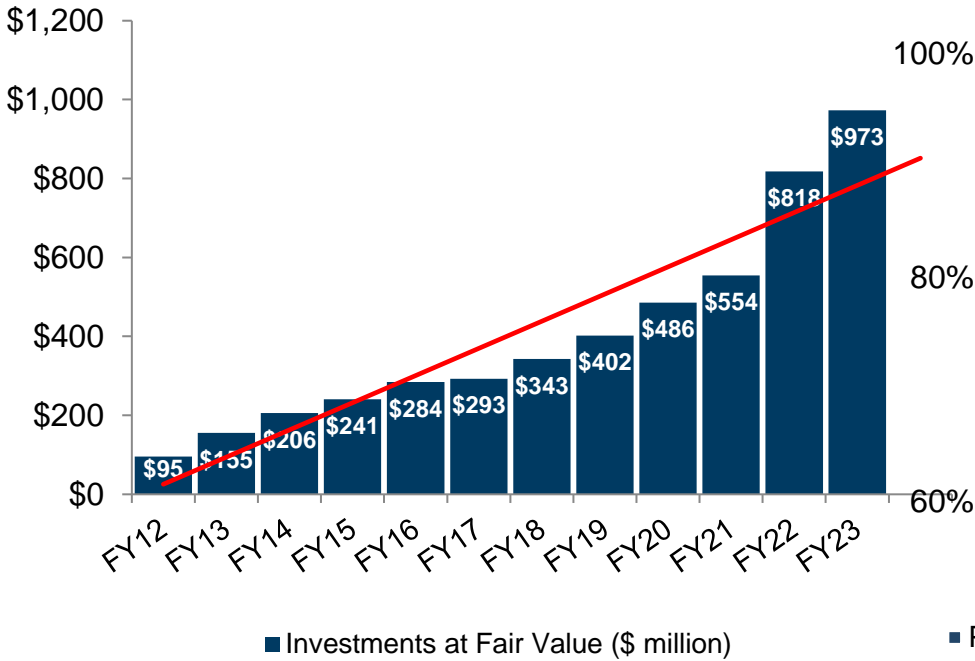
# Continued Growth and Outperformance in FY23 and Q4

## Fiscal Year-End and Fourth Quarter 2023 Highlights:

- Continued high quality portfolio and strong performance
  - Investment quality remains strong
    - 95.9% of loan investments with highest internal rating and one non-accrual (1.0% of fair value, 1.6% of cost)
  - Return on equity of 7.2% for LTM, as compared to industry average of 0.6%
    - Net unrealized appreciation of \$10.5 million for Q4 includes approx. \$7.4 million net unrealized appreciation related to our CLO and JV investments in the broadly syndicated loan market, and approx. \$3.1 million net unrealized appreciation in the remaining core BDC portfolio
  - Gross Unlevered IRR of 11.6% on total unrealized portfolio as of February 28, 2023
    - Fair value of \$972.6 million is 0.6% above total cost of portfolio
    - Gross Unlevered IRR of 15.7% on \$907.7 million of total realizations
- Consistent strong long-term originations contribute to growing assets under management
  - AUM up 19% this year and decreased 1% since last quarter, with originations of \$365 million in FY23 and \$40 million in Q4, resulting from strong pipeline and healthy success in term sheets and deals executed – repayments remain lumpy
- Base of liquidity and capital remains strong
  - Quarter-end liquidity allows growth of AUM by 28% and is mostly long-term
    - \$96.1 million is cash, with approx. \$109 million net deployments since quarter-end almost fully accretive to earnings
    - Post quarter-end, issued one public and two private baby bonds totaling \$77.5 million (public ticker “SAZ”)
    - Received third SBIC license this year providing an additional \$148.0 million in liquidity
- Declared dividend of \$0.69 per share for the quarter ended February 28, 2023, paid on March 30, 2022
- Key performance indicators for Q4 and versus Q3 - Adjusted NII of \$11.6 million (up 27%), Adjusted NII per share of 98c (up 27%), LTM ROE 7.2% (up 320bps) and NAV per share of \$29.18 (up 93c, or 3.3%)
- Key performance indicators for FY23 and versus FY22 – Adjusted NII of \$34.1 million (up 33%) and Adjusted NII per share of \$2.85 (up 27%)

# Continued Asset Growth and Strong Credit Quality

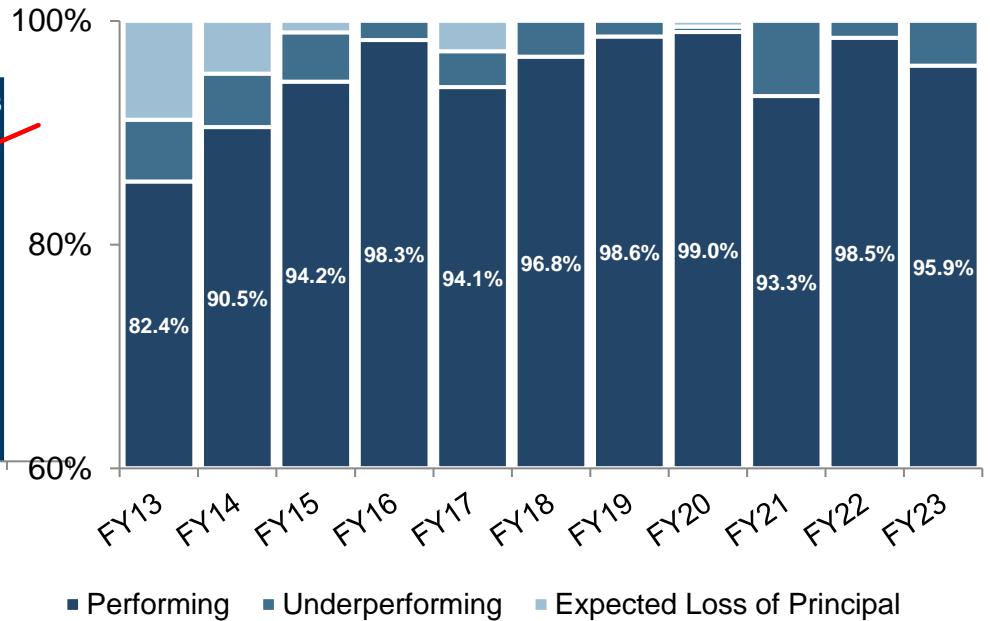
## Asset Base Expansion Trend



**Fair value of AUM increased 19% year-over-year and decreased 1% since last quarter**

**Fair value of \$973m at Q4 FY23 is 0.5% above cost**

## Overall Credit Quality Remains Strong



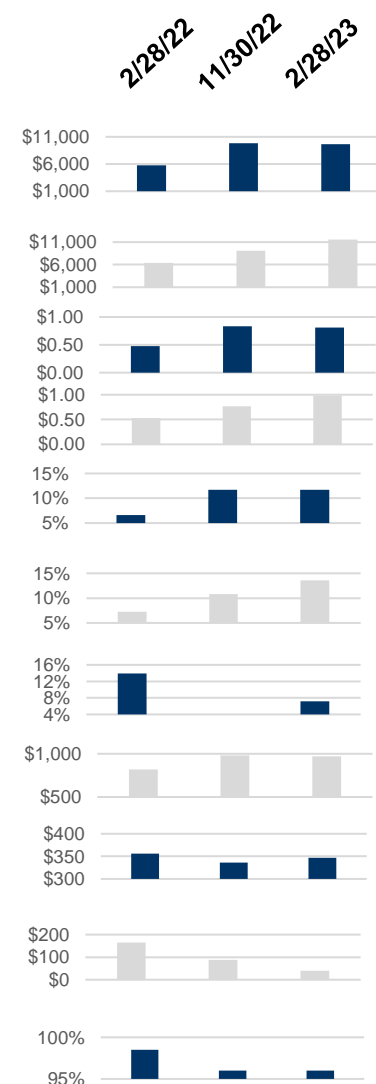
**95.9% of our SAR loan investments hold our highest internal rating, same as last quarter; one investment on non-accrual at year-end (1.0% of fair value/1.6% of cost)\***

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

# Q4 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)	February 28, 2022	November 30, 2022	February 28, 2023
Net investment income	\$5,797	\$9,877	\$9,649
Adjusted net investment income*	\$6,354	\$9,126	\$11,591
Net investment income per share	\$0.48	\$0.83	\$0.81
Adjusted net investment income per share*	\$0.53	\$0.77	\$0.98
Net investment income yield	6.6%	11.7%	11.5%
Adjusted net investment income yield*	7.3%	10.8%	13.6%
Return on Equity – Last Twelve Months	13.9%	4.0%	7.2%
Fair value of investment portfolio	\$817.6	\$982.0	\$972.6
Total net assets	\$355.8	\$335.8	\$347.0
Investments in new/existing portfolio companies	\$164.3	\$87.6	\$40.0
Loan Investments held in “Performing” credit ratings	98.5%	96.0%	95.9%



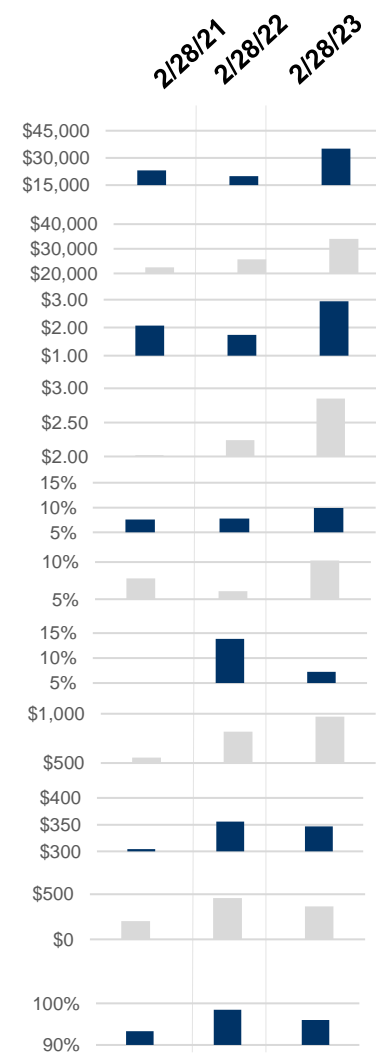
\*Adjusted for accrued capital gains incentive fee expense, reconciliation to GAAP net investment income, net investment income per share and net investment income yield included in our fiscal fourth quarter 2023 earnings release.



# FY23: 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, 2021	Feb 28, 2022	Feb 28, 2023
Net investment income	\$23,113	\$19,943	\$35,201
Adjusted net investment income*	\$22,569	\$25,702	\$34,074
Net investment income per share	\$2.07	\$1.74	\$2.94
Adjusted net investment income per share*	\$2.02	\$2.24	\$2.85
Net investment income yield	7.8%	6.1%	10.2%
Adjusted net investment income yield*	7.6%	7.8%	9.9%
Return on Equity – Last Twelve Months	5.0%	13.9%	7.2%
Fair value of investment portfolio	\$554.3	\$817.6	\$972.6
Total net assets	\$304.2	\$355.8	\$347.0
Investments in new/existing portfolio companies	\$202.3	\$458.1	\$365.4
Loan Investments held in “strong” credit ratings	93.3%	98.5%	95.9%

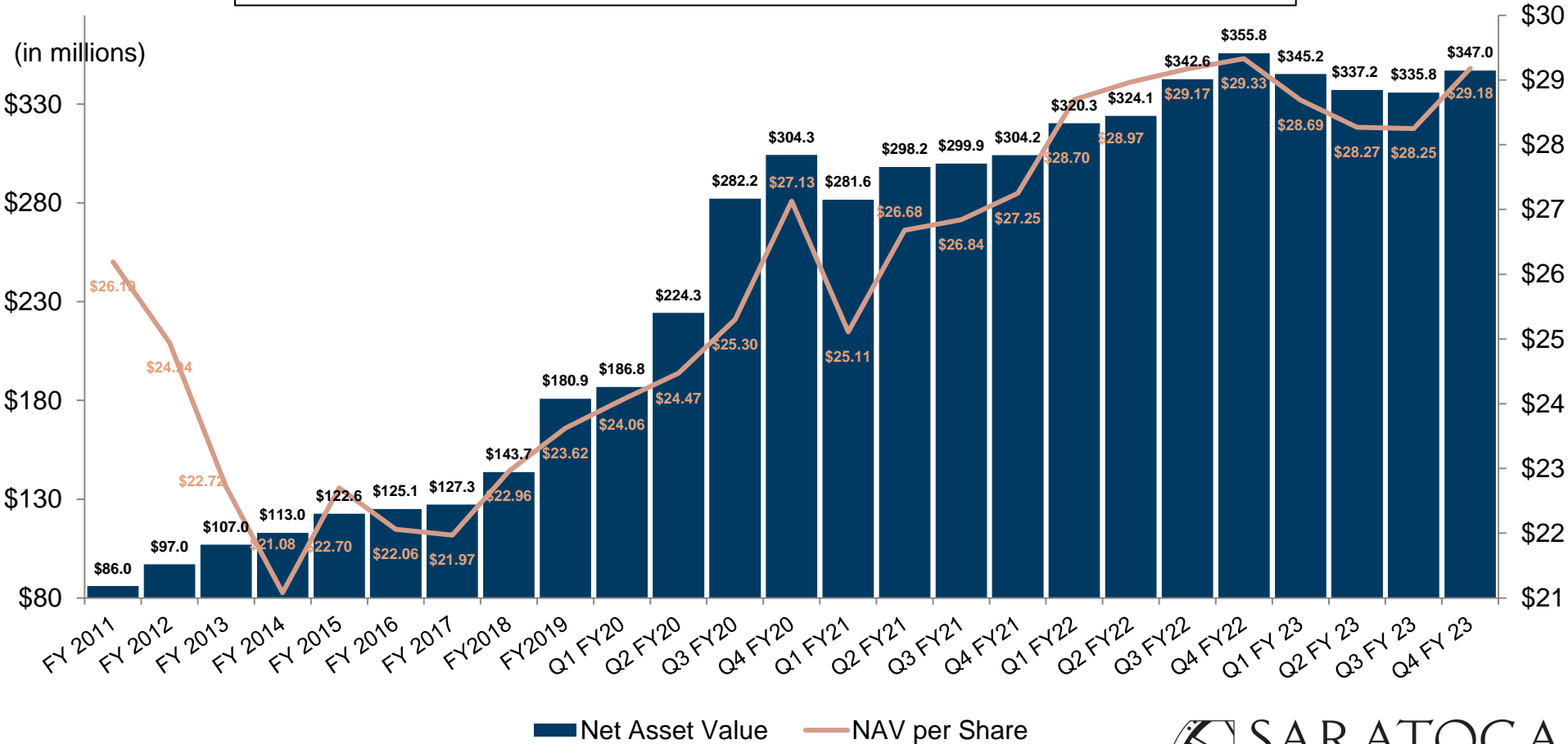


\*Adjusted for accrued capital gains incentive fee expense, interest expense on SAK baby bond during the period that SAT baby bond was issued prior to repayment, and interest expense on SAF baby bond during the period that 2026 Notes was issued prior to repayment, reconciliation to GAAP net investment income, net investment income per share and net investment income yield included in our fiscal fourth quarter 2023 earnings release.

# Long-Term Accretive NAV and NAV Per Share Growth

## Net Asset Value and NAV per Share (FY11 to FY23)

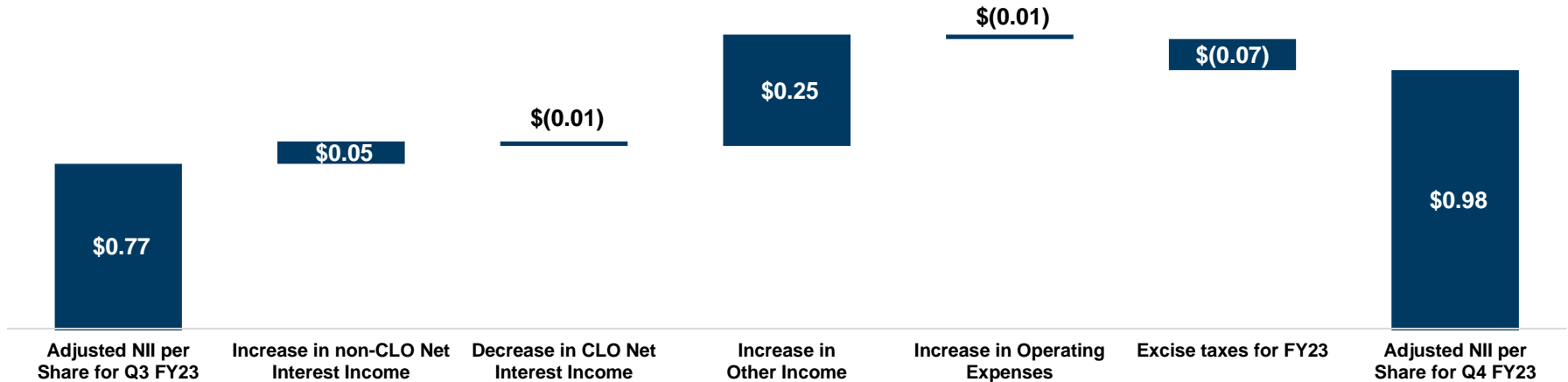
**NAV:** 3% increase this quarter. 303% increase since Saratoga took over management.  
**NAV/Share:** 3% increase this quarter. 33% increase since FY17 with increases 16 of the last 20 quarters.



# Quarterly Reconciliation of NII and NAV per Share

## Reconciliation of Quarterly Adjusted NII per Share

- Impacts are shown net of incentive fees
- Zero net accretion/dilution from share repurchase plan and DRIP.



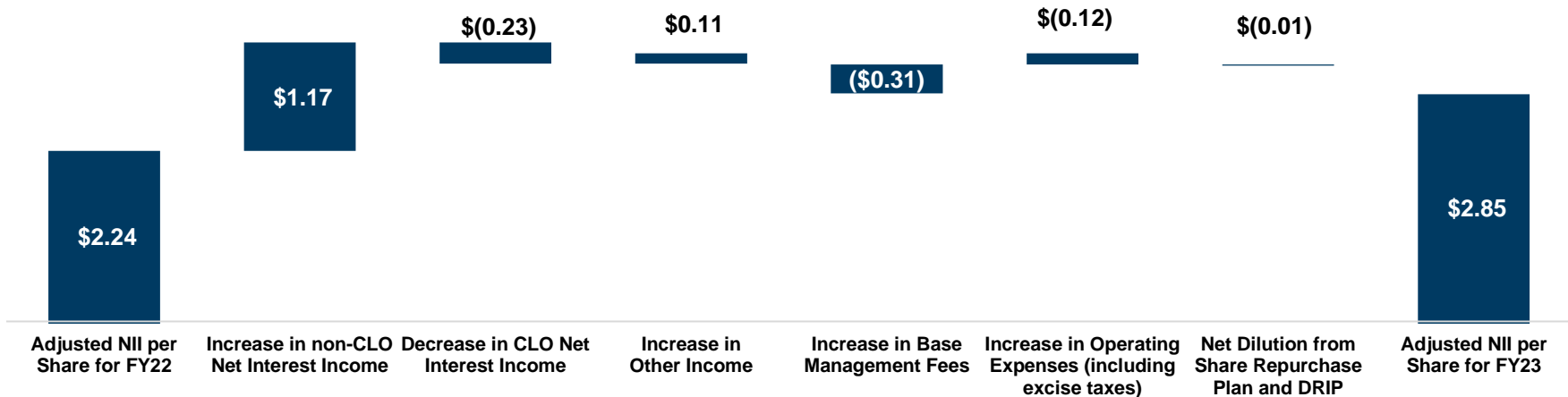
## Reconciliation of Quarterly NAV per Share



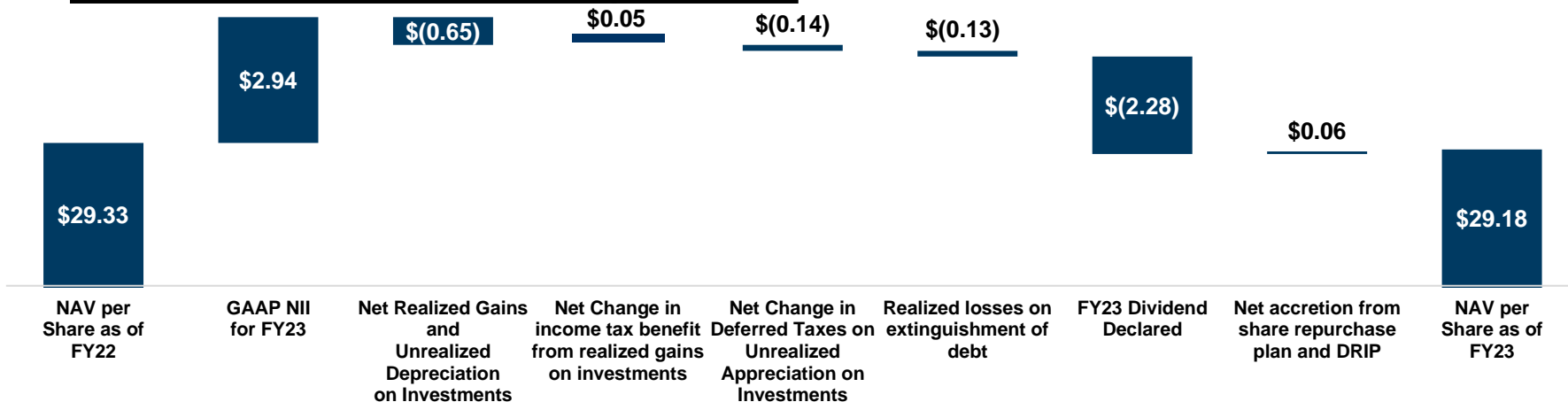
# Annual Reconciliation of NII and NAV per Share

- Impacts are shown net of incentive fee

## Reconciliation of Annual Adjusted NII per Share



## 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 28, 2023)		Total Borrowing Capacity	Outstanding	Available Liquidity	Remaining Maturity Period	Fixed / Floating Rate
Secured Revolving Credit Facility		\$65.0 million	\$32.5 million	\$32.5 million	3 Years	Floating
SBA Debentures	SBIC I	\$27.0 million	\$27.0 million	\$0.0 million	2-3 years	Fixed
	SBIC II	\$175.0 million	\$175.0 million	\$0.0 million	7-9 years	Fixed
	SBIC III	\$175.0 million	\$0.0 million	\$148.0 million*	10 years	Fixed
Publicly-Traded Notes (at par value)**	SAT	\$105.5 million	\$105.5 million	\$0.0 million	4 Years	Fixed
	SAJ	\$46.0 million	\$46.0 million	\$0.0 million	4 Years	Fixed
	SAY	\$60.4 million	\$60.4 million	\$0.0 million	5 Years	Fixed
Unsecured Notes		\$250.0 million	\$250.0 million	\$0.0 million	3-4 years	Fixed
Private Notes (at par value)		\$32.0 million	\$32.0 million	\$0.0 million	2-4 Years	Fixed
Cash and Cash Equivalents		\$96.1 million	\$96.1 million	\$96.1 million	-	-
<b>Total Available Liquidity (at quarter-end):</b>				<b>\$ 276.6 million**</b>		

**Ability to grow AUM by 28% without any new external financing as of February 28, 2023 (including new SBIC license)**

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

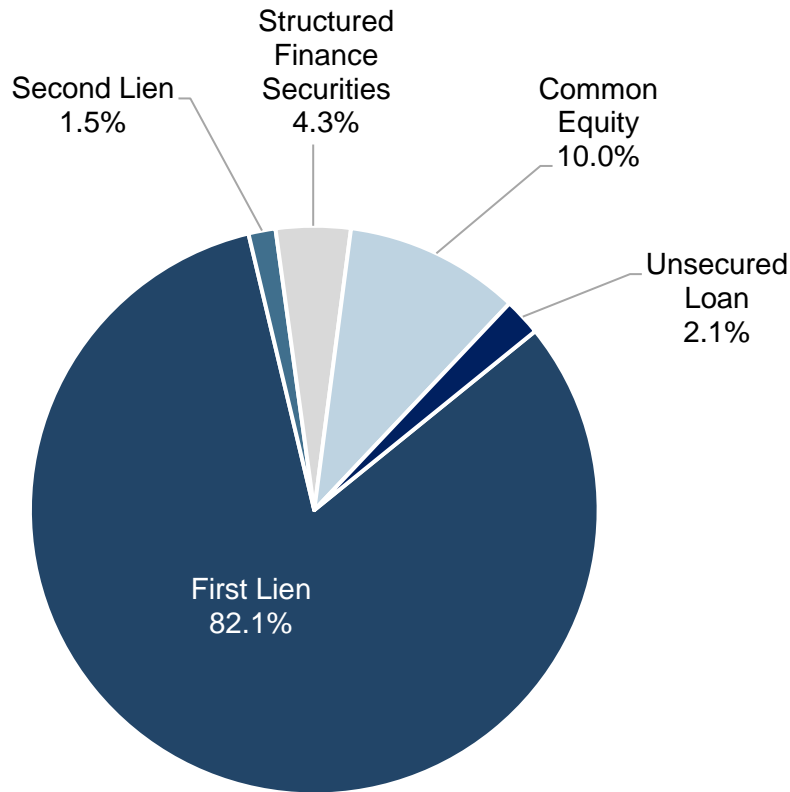
\* Total availability for all combined SBIC licenses limited to \$350.0 million outstanding debentures.

\*\* In March and April 2023, the SAZ 8.5% 2028 baby bond of \$57.5 million (including green shoe) and the 8.75% 2024 private baby bonds of \$20.0 million was issued, generating net proceeds of \$75.0 million

# Portfolio Composition and Yield

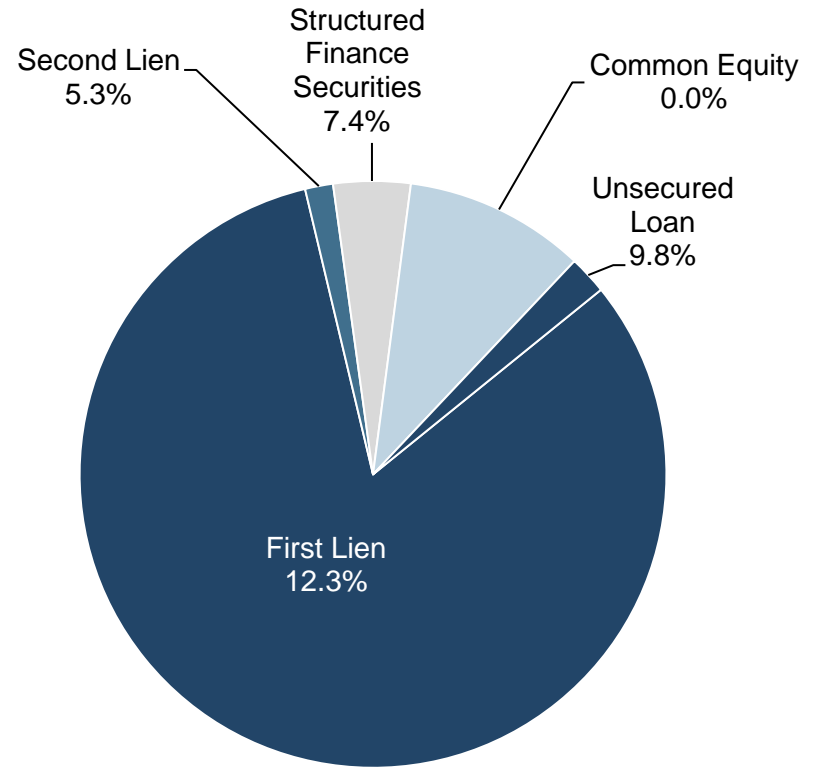
## Portfolio Composition – \$972.6m

(Based on Fair Values  
as of February 28, 2023)



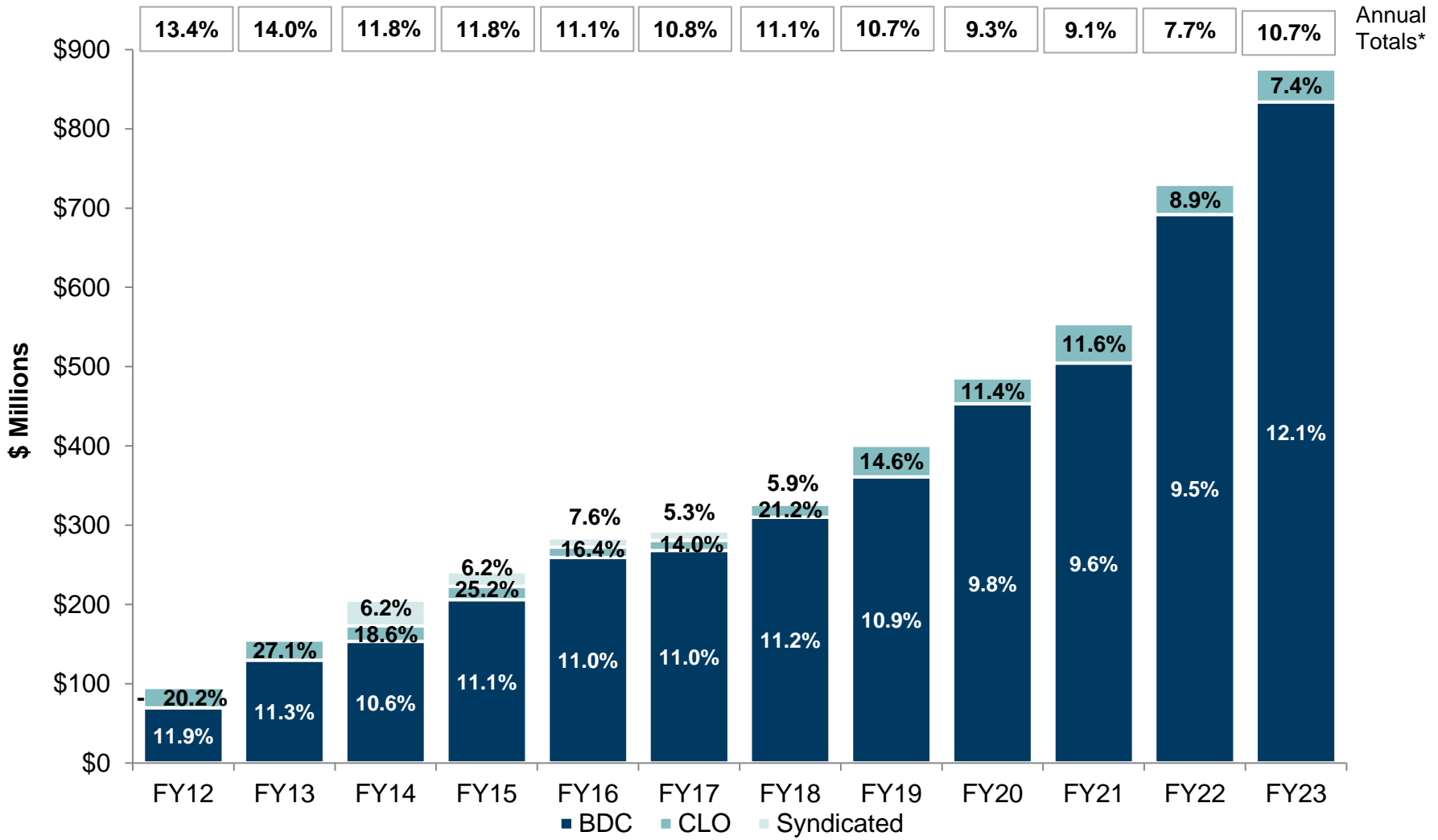
## Portfolio Yield – 10.7%

(Weighted Average  
Current Yield of Existing Portfolio)



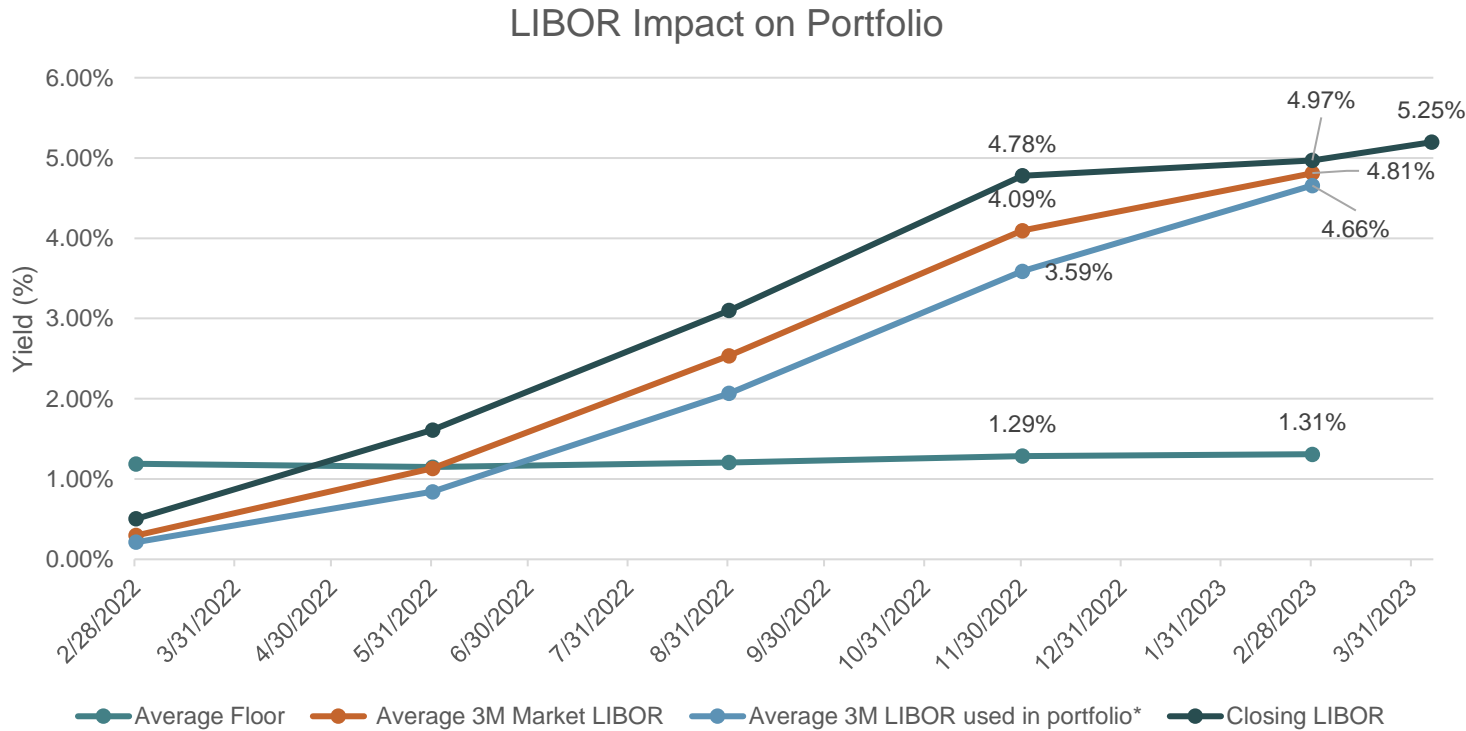
# Yield of BDC Growing With Rising Rates

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



Q4 actual earnings do not reflect full quarter impact of Q4 average rate increase (15bps) nor quarter-end closing rate difference (another 16bps), PLUS impact of post-Feb increase of 3-month LIBOR to 5.25% (additional 28 bps).

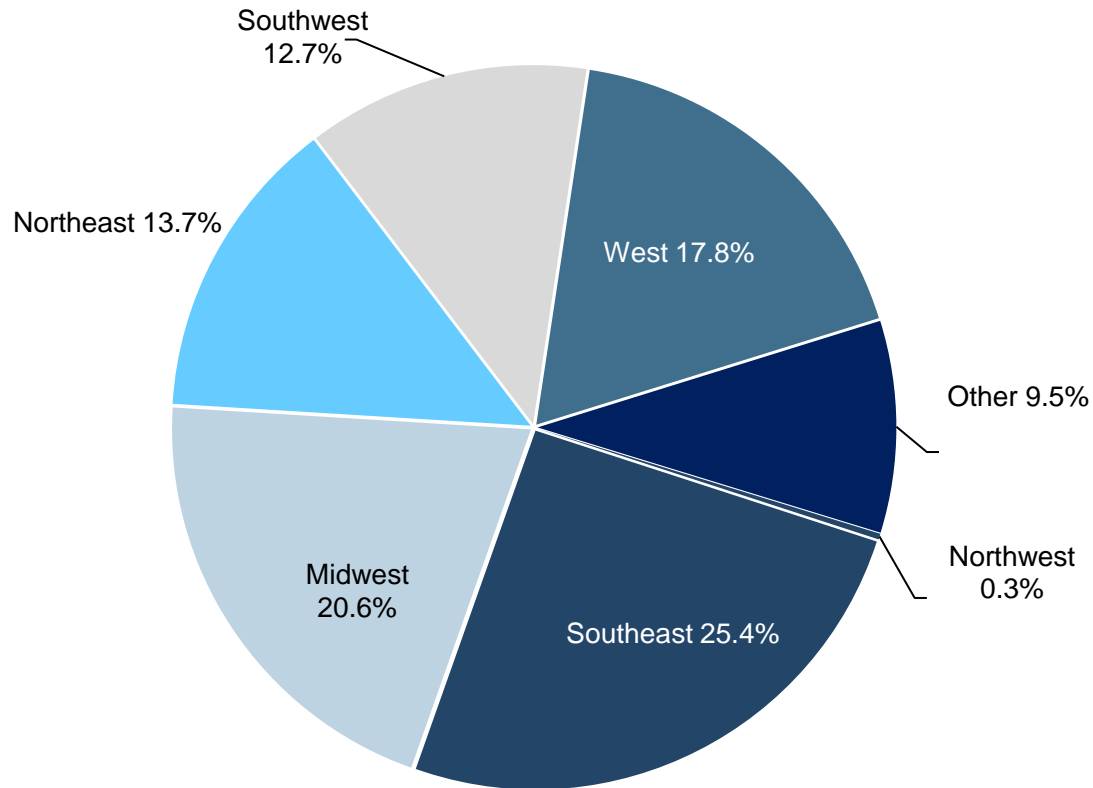
99% of our interest earning assets are variable rate

95% of our borrowings (all debt except \$32.5 million) are fixed rate

\*For illustrative purposes only includes Saratoga investments with 3-month LIBOR as reference rate. Impact of 3-month SOFR is similar

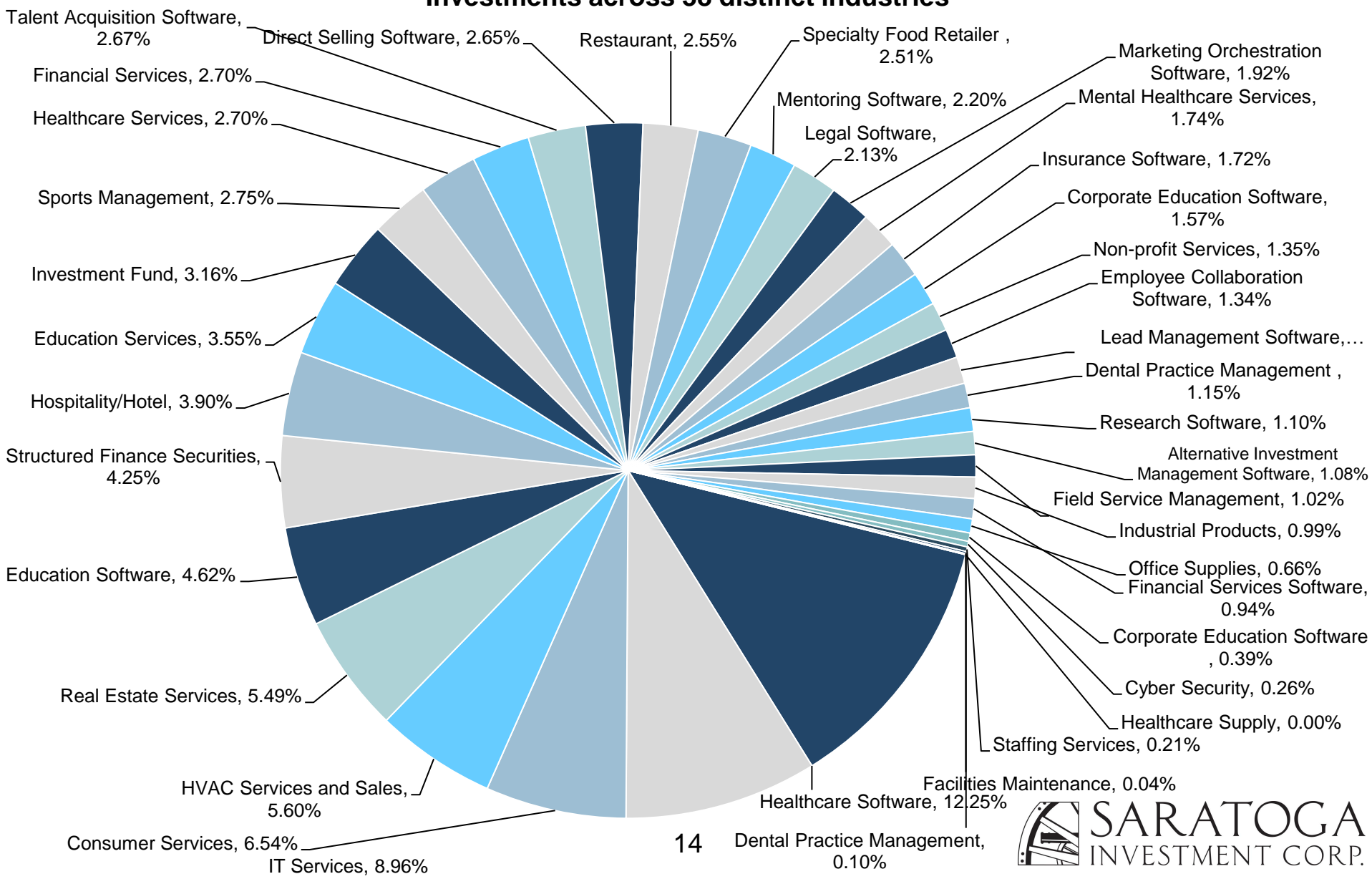
# Diversified Across Geography

Investments Diversified Geographically



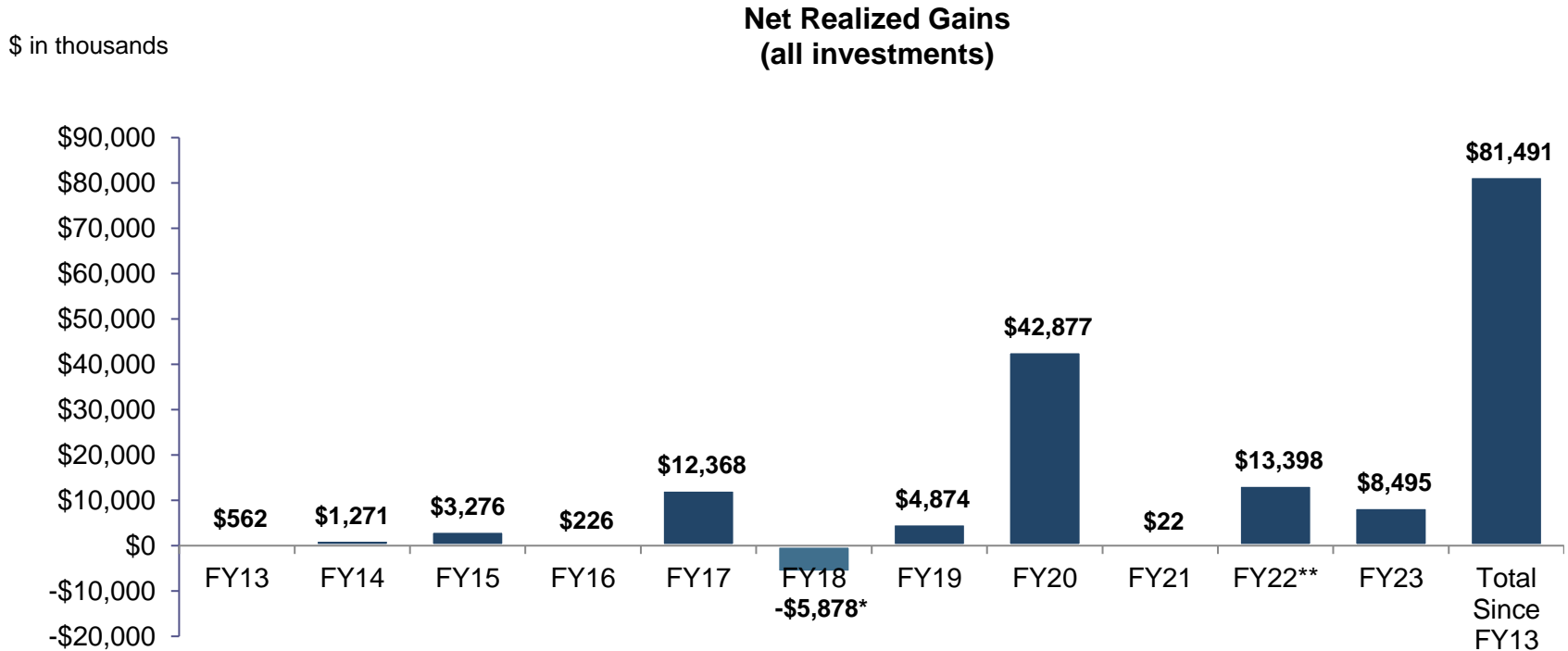
# Diversified Across Industry

## Investments across 38 distinct industries



# Net Realized Gains Help Protect Shareholder Capital

**Cumulative net realized gains reflect portfolio credit quality**



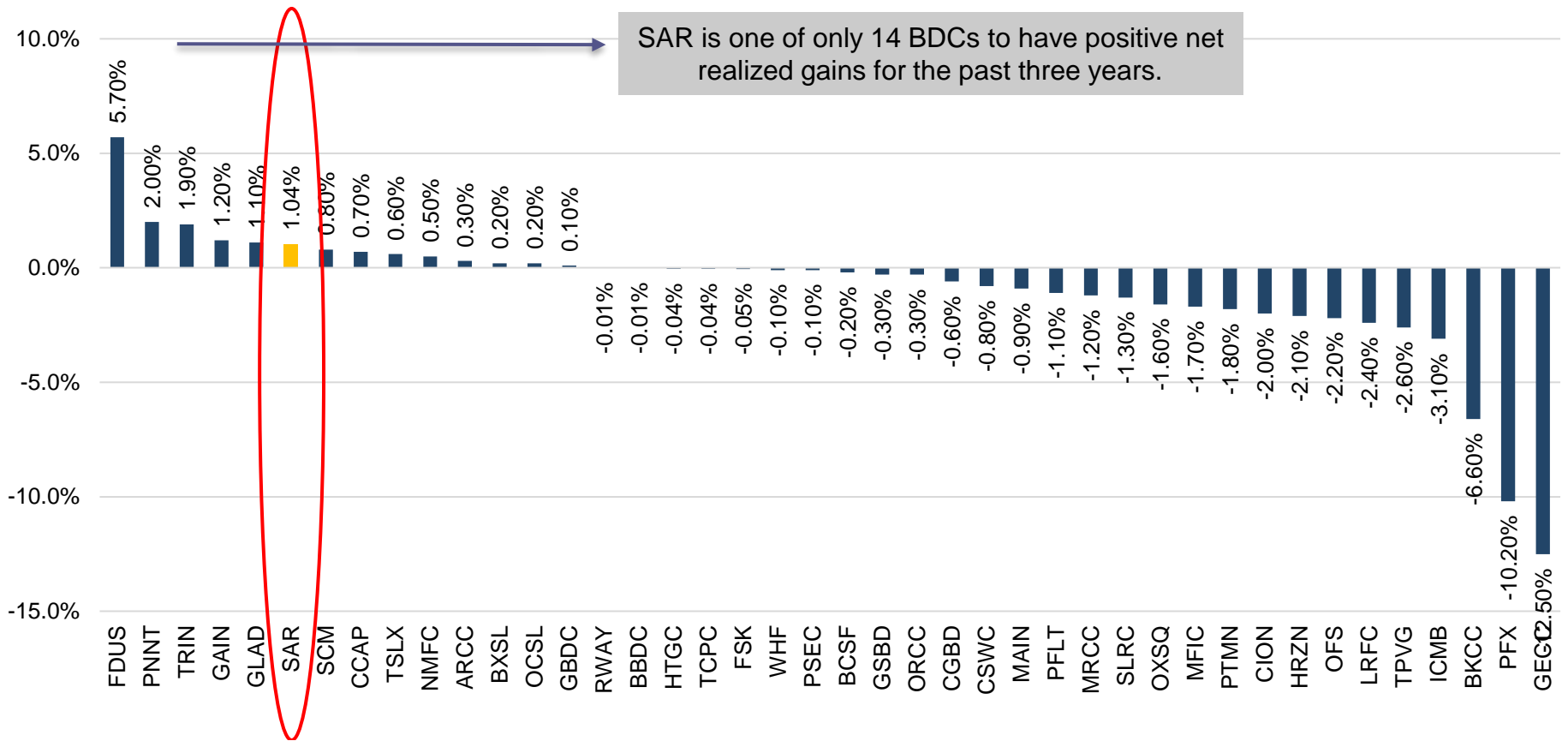
\* Reflects realized loss on My Alarm Center investment of \$7.7m less \$1.8m in other realized gains in FY18.

\*\* 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

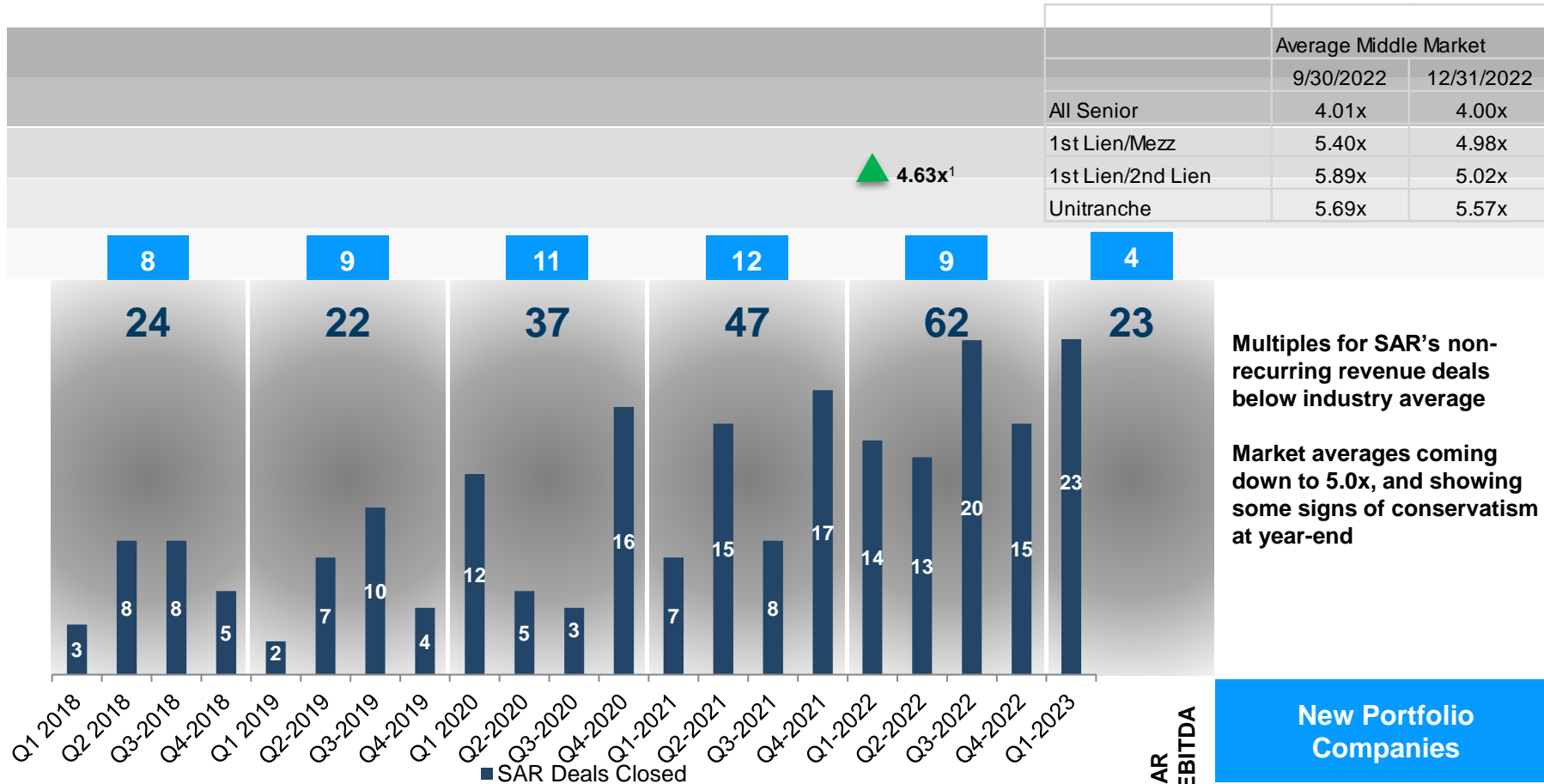
SAR data excludes legacy investments not originated by Saratoga management



# Exercising Disciplined Investment Judgment While Growing Origination Pace

## SAR Debt Multiples/Deals Closed (2018-2023)

Portfolio leverage with non-recurring revenue underwriting is 4.63x<sup>1^</sup>



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

Market averages coming down to 5.0x, and showing some signs of conservatism at year-end

SAR  
debt/EBITDA

New Portfolio  
Companies

\*Calendar quarters, not fiscal

<sup>1</sup>Excludes 23 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 6.08x 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

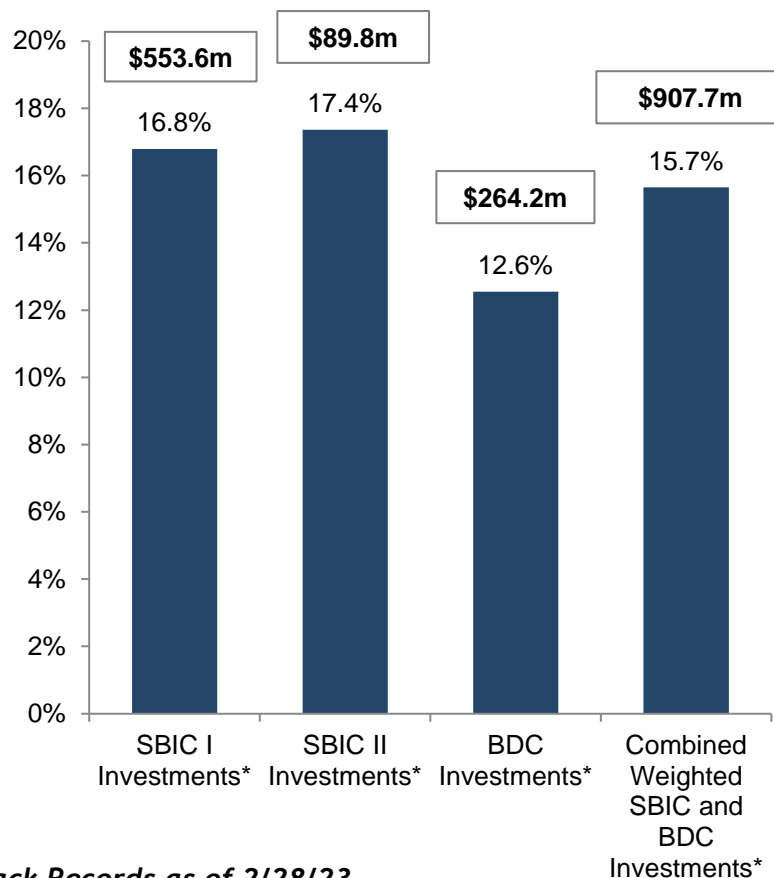
**New business opportunities severely impacted by COVID-19 but healthy success in term sheets and deals executed driven by investments in team and strong reputation**

Calendar*	2018	Δ	2019	Δ	2020	Δ	2021	Δ	2022	Δ	LTM Q1 2023	
<b>Deals Sourced</b>	846	2%	863	-28%	619	-8%	572	-18%	469	4%	486	<ul style="list-style-type: none"> <li>~65% of deal flow from private equity sponsors</li> <li>~35% 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>	73	5%	77	-58%	32	109%	67	-30%	47	-23%	36	<ul style="list-style-type: none"> <li>~93% of term sheets are issued for transactions involving a private equity sponsor</li> <li>Being more selective in issuing term sheets based on credit quality</li> </ul>
<b>Deals Executed (new and follow-on)</b>	24	-8%	22	32%	29	62%	47	32%	62	15%	71	<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>	8		9		11		12		9		11	<ul style="list-style-type: none"> <li>Eleven new portfolio companies during LTM Q1 2023, and six from new relationships</li> <li>Saratoga new portfolio company investments average ~ 2% of deals reviewed</li> </ul>

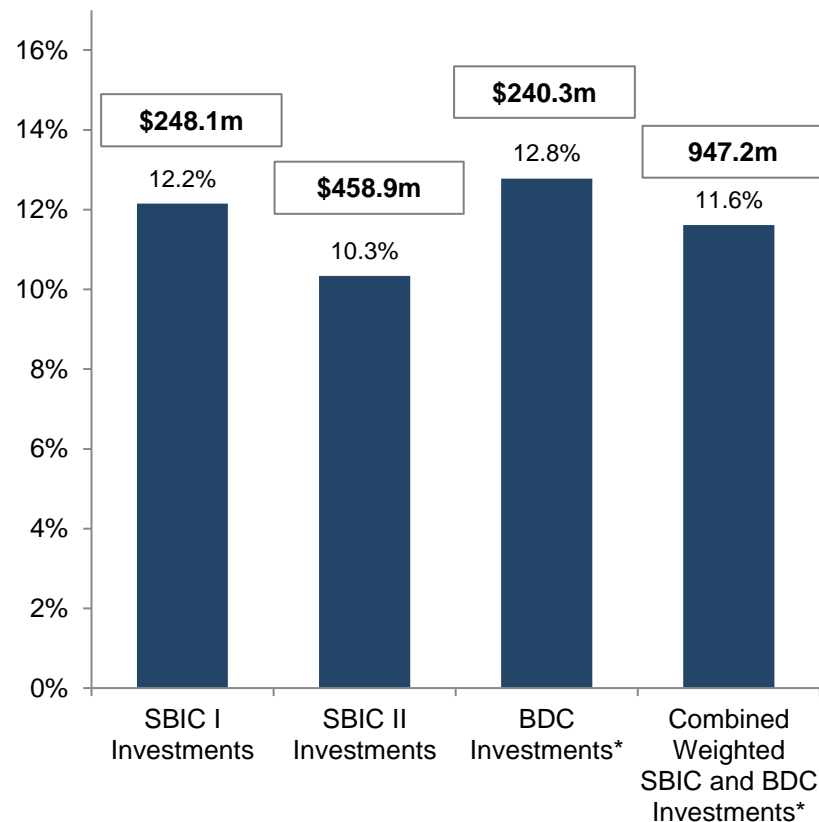
\*Calendar quarters, not fiscal quarters.

# Demonstrated Strong Track Record

## Realized Investments (Gross Unlevered IRR%)



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

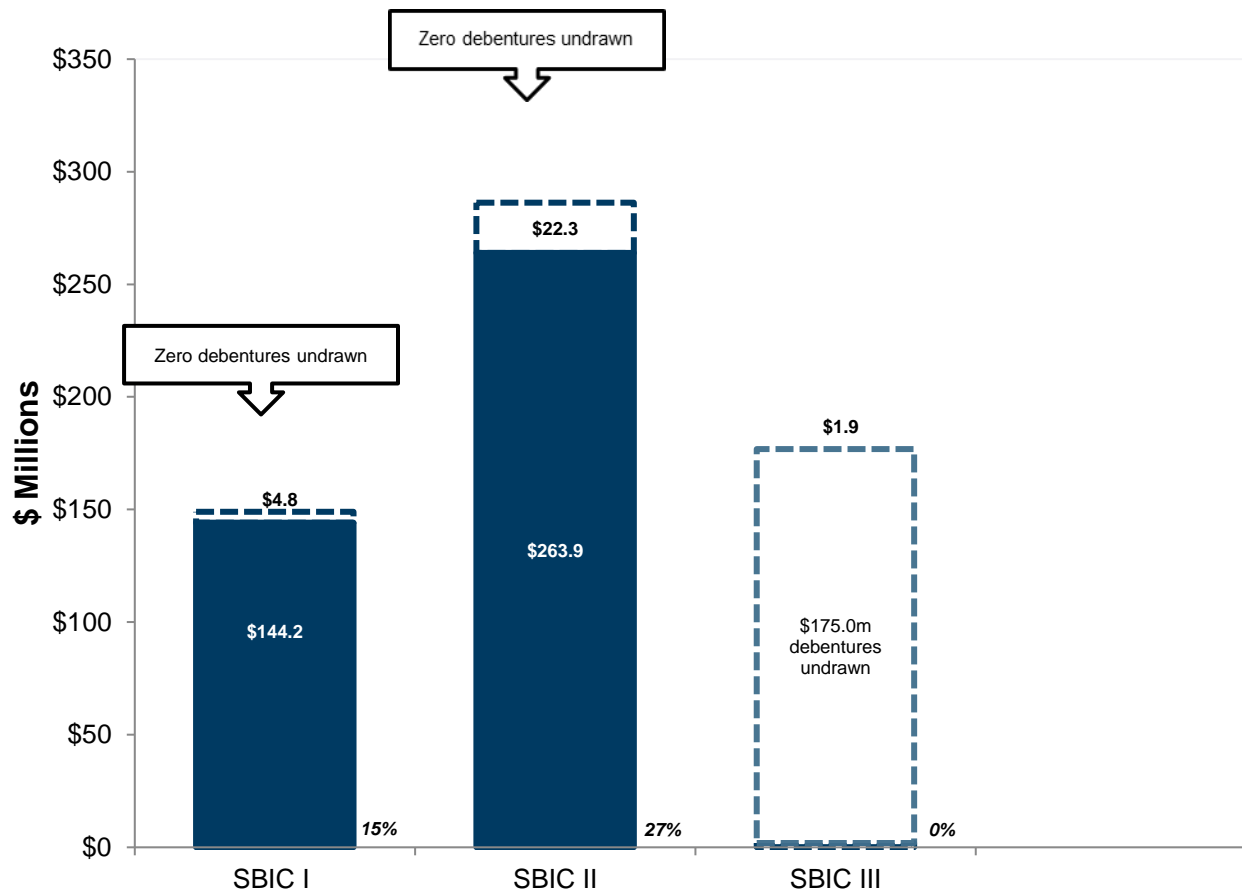


*Track Records as of 2/28/23*

<sup>1</sup> IRRs for unrealized investments include fair value and accrued interest as of 2/28/2023

\* 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 and II Fully Funded - SBIC III Fully Available

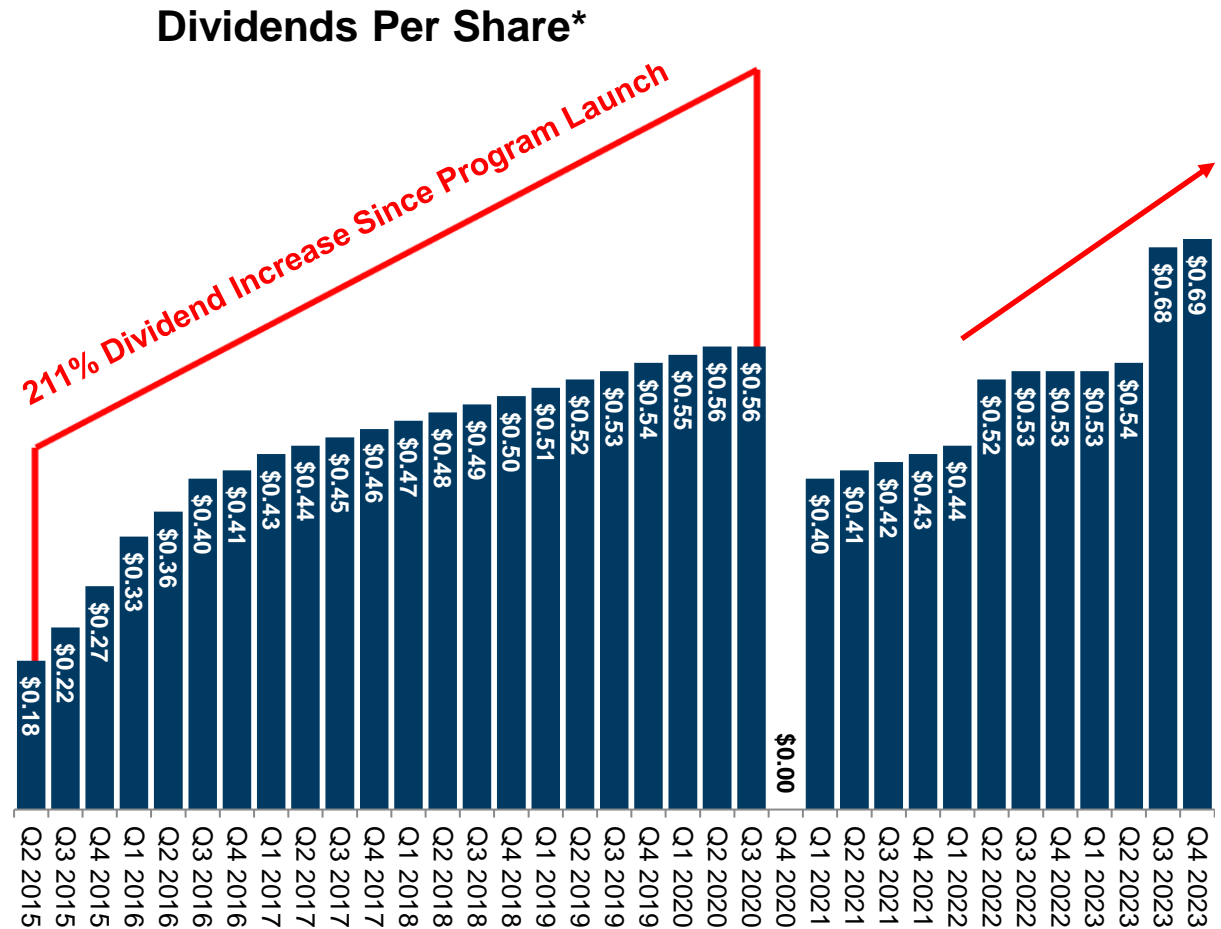


\* SBIC I cash only available for debenture repayments and small follow-ons.

\*\* Cash available for new originations and follow-ons in existing license.

# 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 60% over past two years, with a 1.5% increase this past quarter
- Q4 FY23 dividend of \$0.69 declared and paid for the quarter ended February 28, 2023.



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

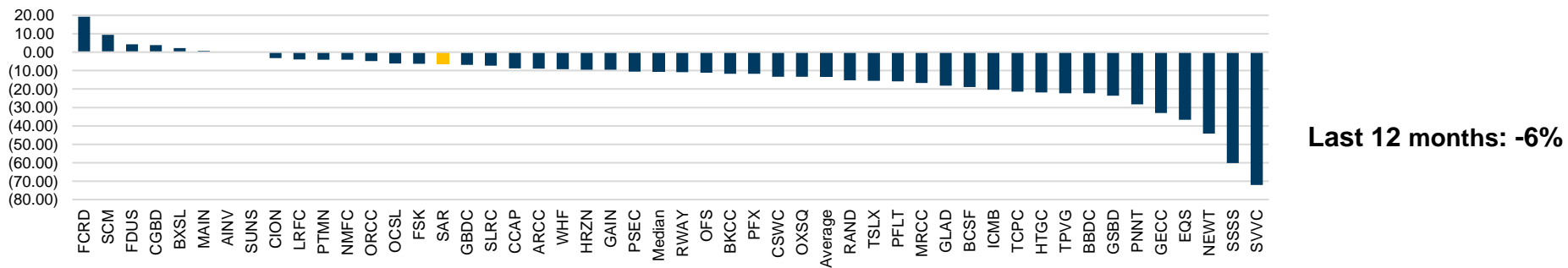
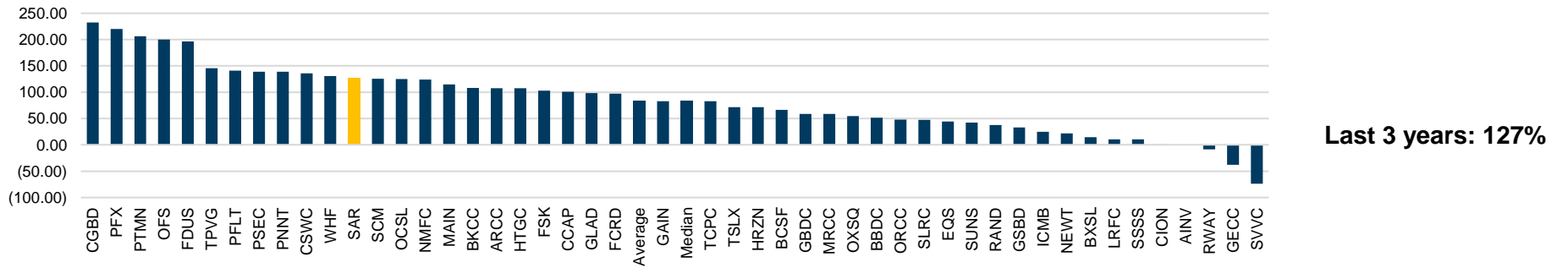
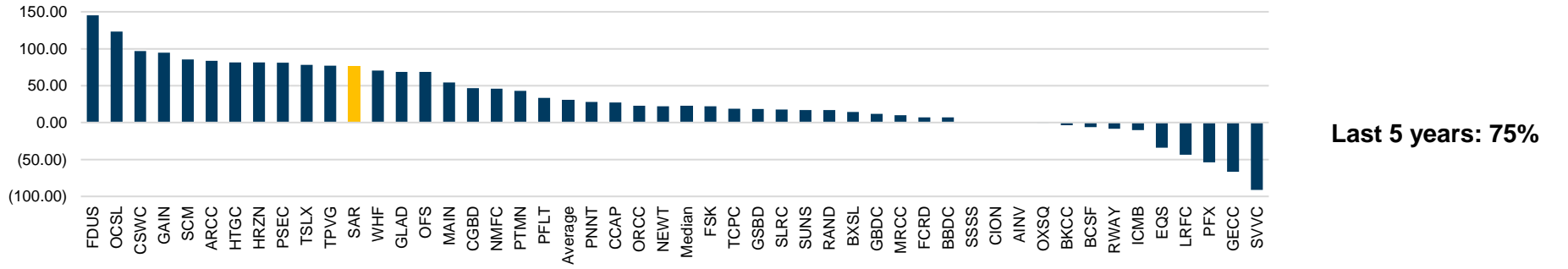
# SAR LTM Total Return In Line With BDC Index

**LTM Total Return (%)**  
(April 2022 to April 2023)  
**SAR -6% v BDC Index -8%**



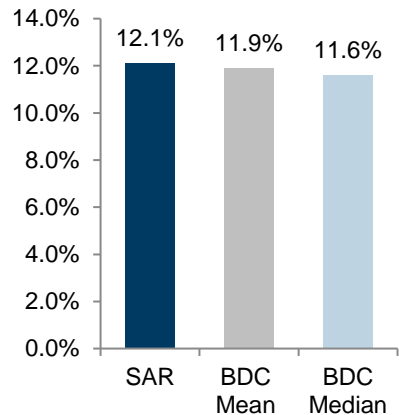
# Long-Term Performance at Top of BDC Industry

## BDC Total Return (%)

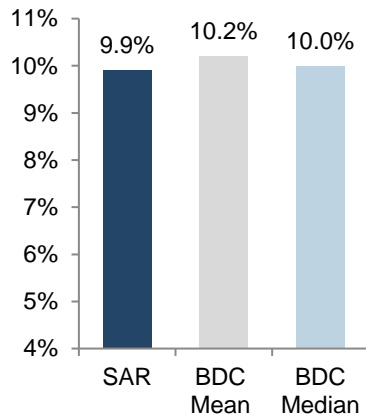


# Differentiated Outperformance

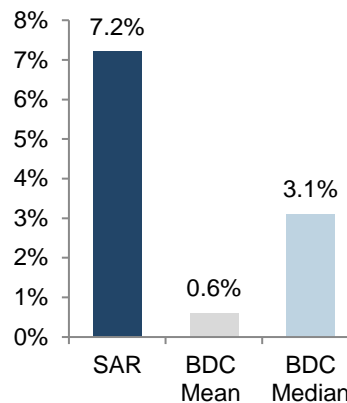
### Interest % on Portfolio



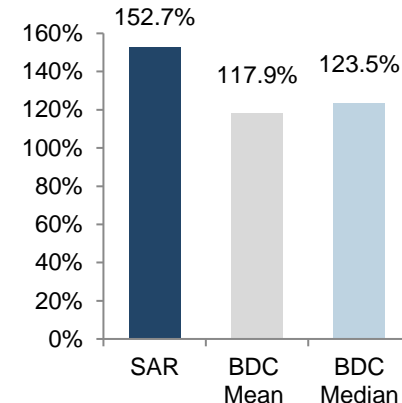
### LTM NII Yield



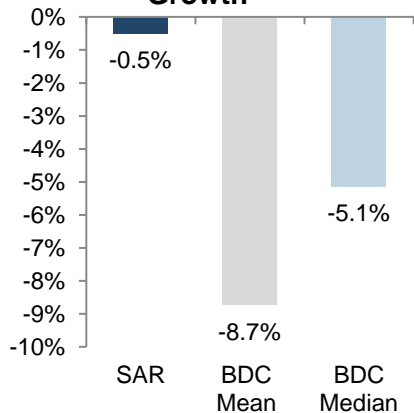
### LTM ROE



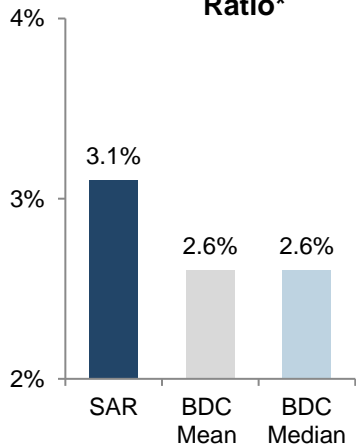
### Regulatory Debt/Equity



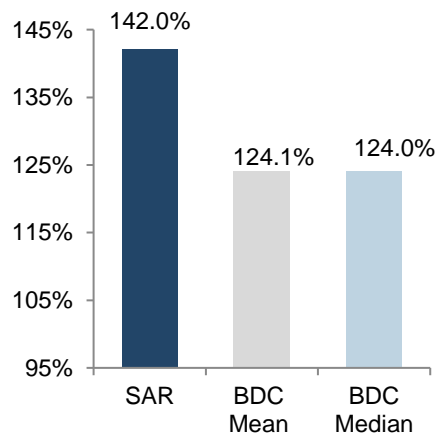
### LTM NAV Per Share Growth



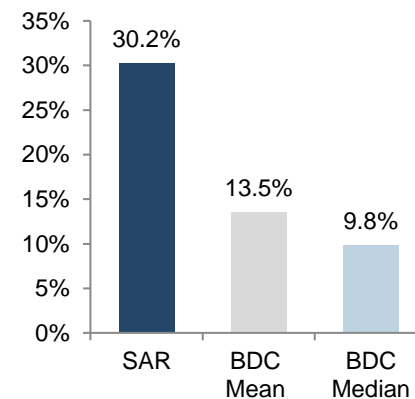
### LTM Operating Expense Ratio\*



### Dividend Coverage



### Year-Over-Year Dividend Growth



Source: SNL Financial / Company Filings / Raymond James report as of 4/6/23

\* 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 18.6% .



# 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 69c per share for the quarter ended February 28, 2023, up 30% over prior year, represents current dividend yield of 11.3%; significant management ownership of 14%

### ▶ Strong return on equity

LTM ROE of 7.2% factors in both investment income and net gains/losses, beats current industry average of 0.6%

### ▶ Low-cost available liquidity

Borrowing capacity still at hand through new SBIC III debentures, new credit facility and cash – can grow current asset base by 28% as of quarter ended February 28, 2023, with most of it in cash or low-cost liquidity (SBIC III debentures) that will be accretive to earnings. Raised additional \$20m in 8.75% 2024 private notes and \$57.5m in 8.50% 2028 SAZ baby bond in March/April 2023

### ▶ 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 20% from prior year, with portfolio fair value now 0.6% above cost

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

Approx. 99% of our loans have floating interest rates, with interest rates currently higher than all floors and future increases fully accretive to interest income. Debt primarily at fixed rates and long-term. Investment grade rating of “BBB+”, recently affirmed

### ▶ 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, 82% 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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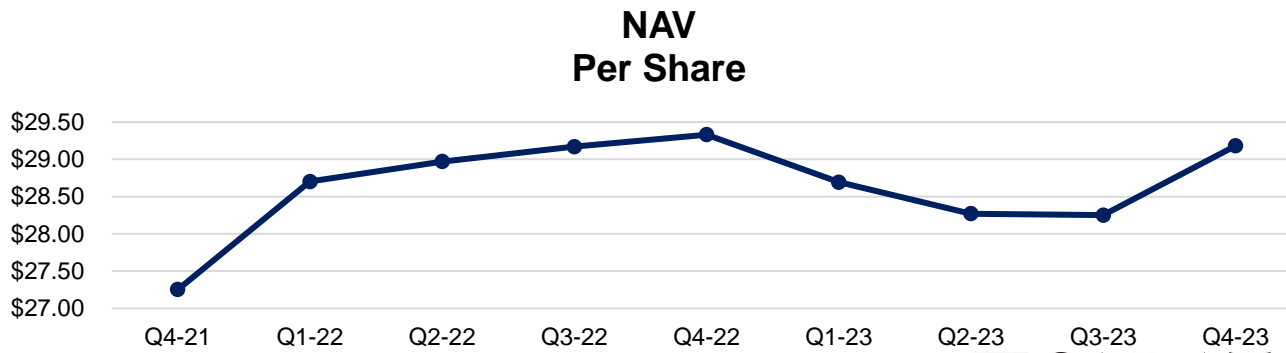
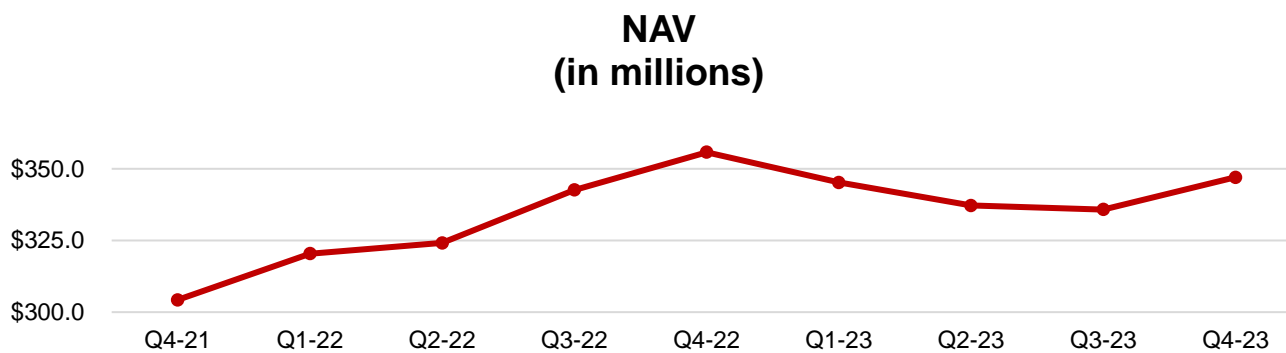
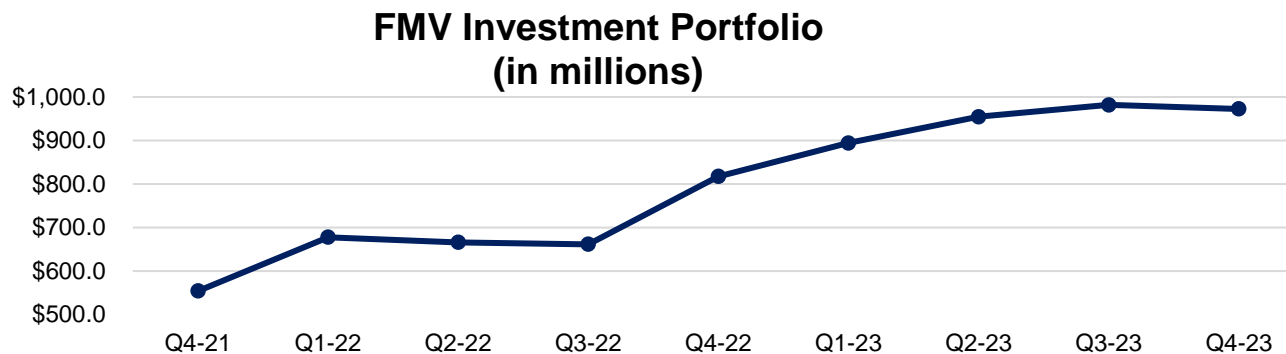
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# KPIs – Balance Sheet – Q4 FY23

Period	FMV Investment Portfolio (in millions)
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
Q3-23	\$ 982.0
Q4-23	\$ 972.6

Period	NAV (in millions)
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
Q3-23	\$ 335.8
Q4-23	\$ 347.0

Period	NAV Per Share
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
Q3-23	\$ 28.25
Q4-23	\$ 29.18



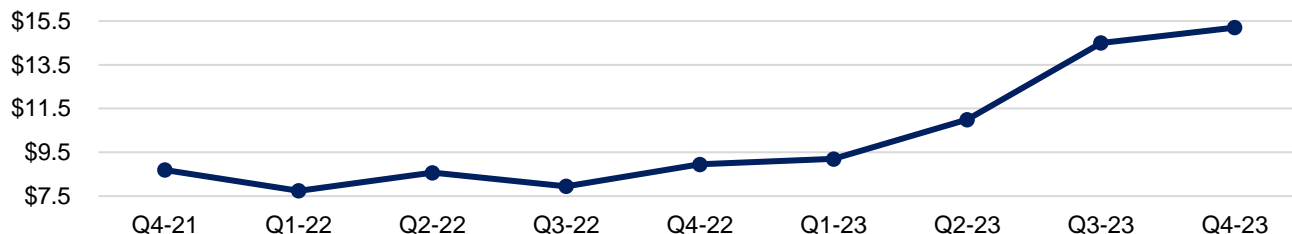
# KPIs – Income Statement – Q4 FY23

Period	Net Interest Margin (in millions)
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
Q3-23	\$ 14.5
Q4-23	\$ 15.2

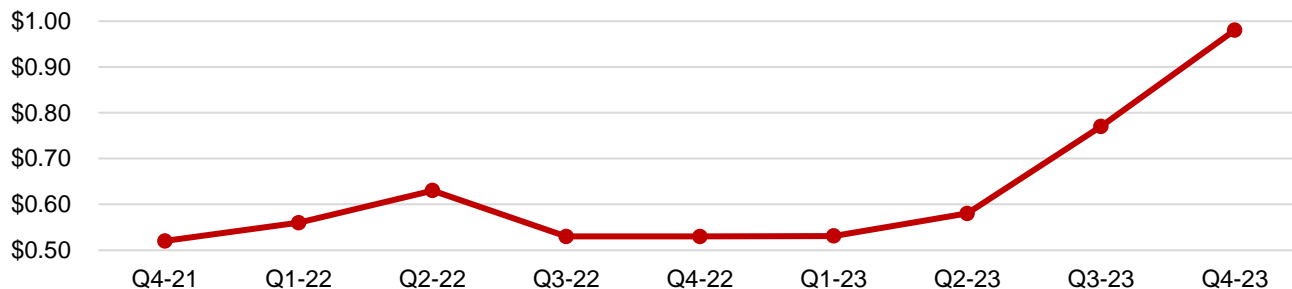
Period	NII Per Share
Q4-21	\$ 0.52
Q1-22	\$ 0.56
Q2-22	\$ 0.63
Q3-22	\$ 0.53
Q4-22	\$ 0.53
Q1-23	\$ 0.53
Q2-23	\$ 0.58
Q3-23	\$ 0.77
Q4-23	\$ 0.98

Period	NII Yield
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%
Q3-23	10.8%
Q4-23	13.6%

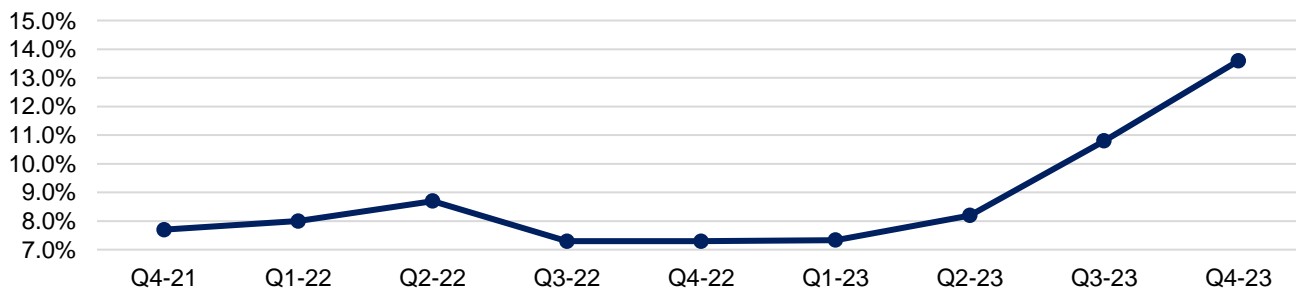
## Net Interest Margin Excluding CLO (in millions)



## Adjusted NII Per Share

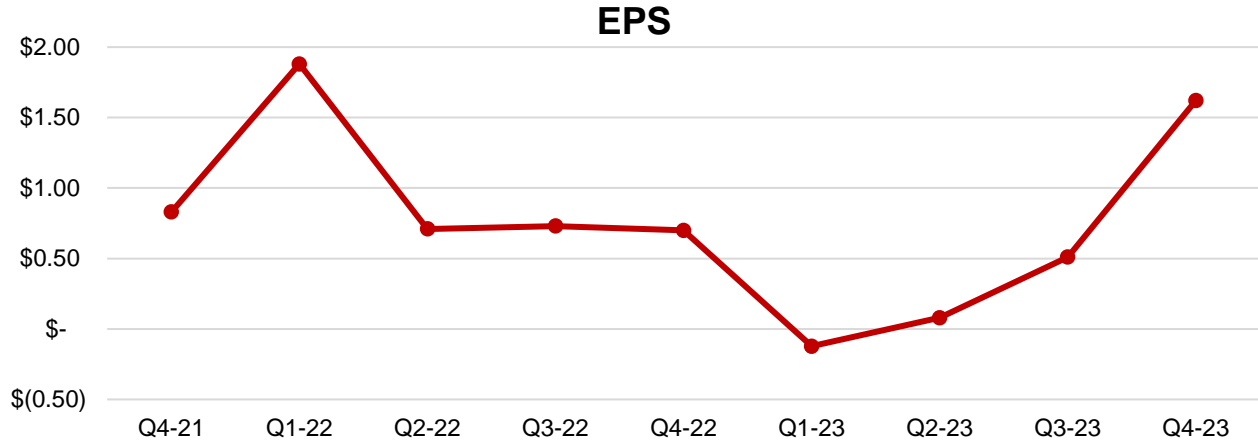


## Adjusted NII Yield

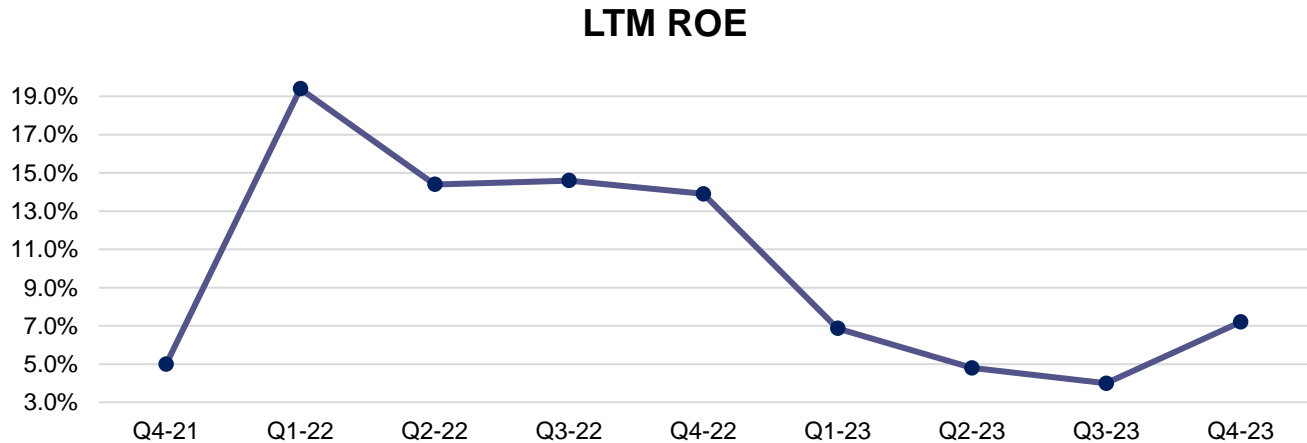


# KPIs – Income Statement– Q4 FY23 (continued)

Period	EPS
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
Q3-23	\$ 0.51
Q4-23	\$ 1.62



Period	LTM ROE
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%
Q3-23	4.0%
Q4-23	7.2%



# KPIs - SAR Net Interest Margin Continues to Grow

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

## Net Interest Margin

**35% increase in LTM**  
**427% increase in 11 years**

