



July 15, 2013

## **Saratoga Investment Corp. Announces Fiscal First Quarter 2014 Financial Results**

NEW YORK, July 15, 2013 /PRNewswire/ -- Saratoga Investment Corp. (NYSE: SAR) ("Saratoga Investment" or "the Company"), a business development company, today announced financial results for its 2014 fiscal first quarter.

### Operating Results

For the fiscal quarter ended May 31, 2013, Saratoga Investment reported net investment income of \$2.5 million or \$0.52 on a weighted average per share basis, and net gain on investments of \$1.3 million, or \$0.28 on a weighted average per share basis, resulting in an increase in net assets from operations of \$3.8 million, or \$0.80 on a weighted average per share basis. The \$1.3 million net gain on investments was comprised of \$0.8 million in net unrealized appreciation on investments and \$0.5 million in net realized gains from investments.

Net asset value ("NAV") was \$112.5 million as of May 31, 2013, compared to \$108.7 million as of February 28, 2013. NAV per share was \$23.78 as of May 31, 2013 compared to \$22.98 as of February 28, 2013.

Christian L. Oberbeck, Chairman and Chief Executive Officer of Saratoga Investment, said, "Our robust pipeline, balance sheet strength and management team enabled us to make \$32.9 million of investments in new and existing portfolio companies during the first quarter. We continue to see attractive opportunities and the number and quality of our portfolio investments have increased as a result."

### Portfolio and Investment Activity

As of May 31, 2013, the fair value of the Company's investment portfolio was \$164.8 million, principally invested in 28 portfolio companies and one collateralized loan obligation fund (the "CLO"). The overall portfolio composition consisted of 58.0% of first lien term loans, 4.1% of second lien term loans, 15.0% of senior secured notes, 3.0% of unsecured notes, 14.3% of subordinated notes of the CLO and 5.6% of common equity.

During the 2014 fiscal first quarter, the Company invested \$32.9 million in new or existing portfolio companies and had \$24.9 million in aggregate amount of exits and repayments on its investments, resulting in net investments of \$8.0 million for the period.

As of May 31, 2013, the weighted average current yields on Saratoga Investment's first lien term loans, second lien term loans, senior secured notes, unsecured notes and the Saratoga CLO subordinated notes were 10.6%, 11.1%, 14.7%, 16.2%, and 29.3%, respectively, which resulted in an aggregate weighted average current yield of 14.3%.

### Liquidity and Capital Resources

As of May 31, 2013, Saratoga Investment had no borrowings outstanding under its \$45 million senior secured revolving credit facility with Madison Capital Funding LLC. In addition, Saratoga Investment had an aggregate of \$31.6 million in cash and cash equivalents and \$4.8 million in cash and cash equivalents, reserve accounts at May 31, 2013. 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 May 31, 2013, the Company's Small Business Investment Company subsidiary had \$25 million in regulatory capital and \$40.0 million of Small Business Administration debentures.

In the first quarter, Saratoga Investment closed an underwritten public offering of \$48.3 million in aggregate principal amount of 7.50% fixed-rate notes due 2020. The proceeds of the offering were used to pay down the revolving credit facility and to fund new investment opportunities.

With the \$45 million credit facility and the up to \$150 million borrowing capacity at the SBIC subsidiary, Saratoga Investment has a total of \$195 million of borrowing capacity in addition to the Notes.

### 2014 Fiscal First Quarter Conference Call/Webcast Information

**When:** July 16, 2013 at 10:00 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 1:00 p.m. ET on July 16, 2013 through 11:59 p.m. ET on July 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 18211344.

**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

	<u>As of</u>	
	<u>May 31, 2013</u>	<u>February 28, 2013</u>
	(unaudited)	
<b>ASSETS</b>		
Investments at fair value		
Non-control/non-affiliate investments (amortized cost of \$140,710,469 and \$130,465,086, respectively)	\$ 141,254,519	\$ 129,563,428
Control investments (cost of \$17,657,435 and \$18,944,966 respectively)	<u>23,584,582</u>	<u>25,516,959</u>
Total investments at fair value (amortized cost of \$158,367,904 and \$149,410,052 respectively)	164,839,101	155,080,387
Cash and cash equivalents	31,555,038	149,025
Cash and cash equivalents, reserve accounts	4,812,160	12,086,142
Interest receivable, (net of reserve of \$114,742 and \$53,543, respectively)	2,152,892	2,889,358
Due from manager	4,929	-
Deferred debt financing costs, net	4,494,124	2,090,184
Management fee receivable	215,821	215,853
Other assets	147,763	83,407
Receivable from unsettled trades	8,064	1,817,074
Total assets	<u>\$ 208,229,892</u>	<u>\$ 174,411,430</u>
<b>LIABILITIES</b>		
Revolving credit facility	\$ -	\$ 24,300,000
SBA debentures payable	40,000,000	36,000,000
Notes payable	48,300,000	-
Management and incentive fees payable	6,067,160	4,509,322
Accounts payable and accrued expenses	673,106	435,038
Interest and debt fees payable	484,287	257,796
Due to manager	<u>218,727</u>	<u>222,513</u>

Total liabilities	\$ 95,743,280	\$ 65,724,669
<b>NET ASSETS</b>		
Common stock, par value \$.001, 100,000,000 common shares authorized, 4,730,116 and 4,730,116 common shares issued and outstanding, respectively	\$ 4,730	\$ 4,730
Capital in excess of par value	174,824,076	174,824,076
Distribution in excess of net investment income	(22,053,262)	(24,522,951)
Accumulated net realized loss from investments and derivatives	(46,760,127)	(47,289,427)
Net unrealized appreciation on investments and derivatives	6,471,195	5,670,333
Total Net Assets	<u>112,486,612</u>	<u>108,686,761</u>
Total liabilities and Net Assets	<u>\$ 208,229,892</u>	<u>\$ 174,411,430</u>
NET ASSET VALUE PER SHARE	<u>\$ 23.78</u>	<u>\$ 22.98</u>

**Saratoga Investment Corp.**

**Consolidated Statements of Operations**

	For the three months ended May 31, 2013 (unaudited)	For the three months ended May 31, 2012 (unaudited)
<b>INVESTMENT INCOME</b>		
Interest from investments		
Non-control/Non-affiliate investments	\$ 4,045,585	\$ 2,064,985
Control investments	1,126,004	1,045,785
Total interest income	<u>5,171,589</u>	<u>3,110,770</u>
Interest from cash and cash equivalents	1,906	2,846
Management fee income	498,091	499,840
Other income	346,176	5,726
Total investment income	<u>6,017,762</u>	<u>3,619,182</u>
<b>EXPENSES</b>		
Interest and debt financing expenses	1,127,855	625,703
Base management fees	736,716	458,808
Professional fees	331,064	345,839
Administrator expenses	250,000	250,000
Incentive management fees	821,122	430,271
Insurance	119,995	130,307
Directors fees and expenses	51,000	51,000
General & administrative	98,361	51,341
Other expense	11,960	3,123
Total expenses	<u>3,548,073</u>	<u>2,346,392</u>
NET INVESTMENT INCOME	<u>2,469,689</u>	<u>1,272,790</u>
<b>REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS:</b>		
Net realized gain from investments	529,300	178,630
Net realized loss from derivatives	-	(131,000)
Net unrealized appreciation on investments	800,862	1,739,422
Net unrealized appreciation on derivatives	-	130,925
Net gain on investments	<u>1,330,162</u>	<u>1,917,977</u>
NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS	<u>\$ 3,799,851</u>	<u>\$ 3,190,767</u>
WEIGHTED AVERAGE - BASIC AND DILUTED EARNINGS PER COMMON SHARE	\$ 0.80	\$ 0.82
WEIGHTED AVERAGE COMMON STOCK OUTSTANDING - BASIC AND DILUTED	4,730,116	3,876,661

**Contact:** Richard Petrocelli  
Saratoga Investment Corp.  
212-906-7800

Roland Tomforde  
Broadgate Consultants  
212-232-2222

SOURCE Saratoga Investment Corp.

News Provided by Acquire Media