

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 8-K

CURRENT REPORT
Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934

Date of report (Date of earliest event reported): October 8, 2024

SARATOGA INVESTMENT CORP.
(Exact Name of Registrant as Specified in Charter)

| | | |
|--|---------------------------------------|--|
| Maryland (State or Other Jurisdiction of Incorporation) | 814-00732 (Commission File Number) | 20-8700615 (IRS Employer Identification No.) |
| 535 Madison Avenue New York, New York (Address of Principal Executive Offices) | | 10022 (Zip Code) |

Registrant's telephone number, including area code (212) 906-7800

Not Applicable
(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (*see* General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Securities registered pursuant to Section 12(b) of the Act:

| Title of each class | Trading symbol(s) | Name of each exchange on which registered |
|---|-------------------|---|
| Common Stock, par value \$0.001 per share | SAR | New York Stock Exchange |
| 6.0% Notes due 2027 | SAT | New York Stock Exchange |
| 8.0% Notes due 2027 | SAJ | New York Stock Exchange |
| 8.125% Notes due 2027 | SAY | New York Stock Exchange |
| 8.50% Notes due 2028 | SAZ | New York Stock Exchange |

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (17 CFR §230.405) or Rule 12b-2 of the Securities Exchange Act of 1934 (17 CFR §240.12b-2).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Item 2.02. Results of Operations and Financial Condition.

On October 8, 2024, Saratoga Investment Corp. issued a press release announcing its financial results for the quarter ended August 31, 2024. A copy of the press release is furnished as Exhibit 99.1 to this Current Report on Form 8-K and is incorporated herein by reference.

The information disclosed under this Item 2.02, including Exhibit 99.1 attached hereto, is being furnished and shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and shall not be deemed incorporated by reference into any filing made under the Securities Act of 1933, as amended, except as expressly set forth by specific reference in such filing.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits

The following Exhibit 99.1 is being furnished herewith to this Current Report on Form 8-K:

| Exhibit No. | Description |
|--------------------|---|
| 99.1 | Press Release dated October 8, 2024 of Saratoga Investment Corp.* |
| 104 | Cover Page Interactive Data File (embedded within the Inline XBRL document) |

* The press release attached hereto as Exhibit 99.1 is “furnished” and not “filed,” as described in Item 2.02 of this Current Report on Form 8-K.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

SARATOGA INVESTMENT CORP.

Date: October 8, 2024

By: /s/ Henri J. Steenkamp
Name: Henri J. Steenkamp
Title: Financial Officer, Chief Compliance Officer,
Treasurer and Secretary



**Saratoga Investment Corp. Announces Fiscal Second
Quarter 2025 Financial Results**

Reports Per Share Increases in Net Investment Income (“NII”), Adjusted NII, and Net Asset Value (“NAV”), as Compared to Prior Quarter

NEW YORK, October 8, 2024 – Saratoga Investment Corp. (NYSE: SAR) (“Saratoga Investment” or “the Company”), a business development company (“BDC”), today announced financial results for its 2025 fiscal second quarter ended August 31, 2024.

Summary Financial Information

The Company’s summarized financial information is as follows:

| (\$ in thousands, except per share) | For the three months ended and as of | | |
|--|---|-------------------------|----------------------------|
| | August 31, 2024 | May 31, 2024 | August 31, 2023 |
| Assets Under Management (AUM) | 1,040,711 | 1,095,559 | 1,098,945 |
| Net Asset Value (NAV) | 372,054 | 367,855 | 362,079 |
| NAV per share | 27.07 | 26.85 | 28.44 |
| Total Investment Income | 43,003 | 38,678 | 35,514 |
| Net Investment Income (NII) per share | 1.33 | 1.05 | 1.15 |
| Adjusted NII per share | 1.33 | 1.05 | 1.08 |
| Earnings per share | 0.97 | 0.48 | 0.65 |
| Dividends per share (declared) | 0.74 | 0.74 | 0.71 |
| Return on Equity – last twelve months | 5.8% | 4.4% | 9.6% |
| – annualized quarter | 14.4% | 7.2% | 9.0% |
| Originations | 2,584 | 39,301 | 27,447 |
| Repayments | 60,140 | 75,703 | 6,036 |

Christian L. Oberbeck, Chairman and Chief Executive Officer of Saratoga Investment, commented, “Highlights this quarter include the successful full repayment and resolution of our Knowland investment, the last of our four non-accrual or watchlist investments in our portfolio resolved this past year, a return to increasing NAV per share and continued substantial overearning of our record level of dividends. Our annualized second quarter dividend of \$0.74 per share implies a 12.7% dividend yield based on the stock price of \$23.26 per share on October 7, 2024. The substantial overearning of the dividend this quarter continues to support the current level of dividends, increases NAV, supports increased portfolio growth and provides a cushion against adverse events. This quarter’s earnings continue to benefit from elevated levels of rates and spreads on Saratoga Investment’s largely floating rate assets, while costs of long-term balance sheet liabilities are largely fixed but callable either now or in the future.”

“Though interest rates have decreased from their highs, they remained stable throughout our fiscal second quarter, resulting in solid recurring net interest margins on our portfolio. In addition, our strong reputation and differentiated market positioning, combined with our ongoing development of sponsor relationships, continues to create attractive investment opportunities from high quality sponsors. We appear to be seeing the early stages of a potential increase in M&A in the lower middle market, reflected in multiple repayments over the past few months, in addition to significant new originations, including importantly, two new portfolio investments closed subsequent to quarter-end.”

“Saratoga’s solid overall performance is reflected in our continued strong key performance indicators this past quarter, including: (i) sequential adjusted NII per share increase of 26.7% over the past quarter (\$1.05 to \$1.33 per share), including one-time accrued interest benefits from the Knowland sale, (ii) sequential NAV per share increase of \$0.22 per share (\$26.85 to \$27.07 per share), (iii) dividend of \$0.74 per share, up 4.2% from \$0.71 per share in the second quarter of 2023, and (iv) continued over-earning of the current dividend.”

“At the foundation of our strong operating performance is the high-quality nature, resilience and balance of our \$1.041 billion portfolio in the current environment. Where we have encountered significant challenges in four of our portfolio companies over the past year, we have completed decisive action:

- the Zollege restructuring was completed last quarter, and the Pepper Palace restructuring this quarter. As of quarter-end, both investments are now being held at a total combined remaining fair value of \$3.6 million, and Saratoga has taken control over both investments and brought in new CEOs through consensual restructurings with the prior sponsors and former management. We continue to actively implement management changes, capital structure improvements and business plan adjustments, which have the potential for future increases in recovery value;
- our Knowland investment repaid our full principal as well as all accrued and reserved interest through a sale transaction. As of August 31, 2024, we recognized the \$7.9 million previously reserved interest into NII, and also booked a \$0.5 million unrealized appreciation. This leaves \$2.7 million that will be recognized into unrealized appreciation in the third quarter; and
- our Netreo investment was also sold in the prior quarter, with full recovery of our invested debt capital and a modest overall return.”

“The remaining core non-CLO portfolio was relatively unchanged this quarter, and the CLO and JV were marked down by \$2.7 million, for a total net reduction in portfolio value of \$4.7 million this quarter. Our total portfolio fair value is now 0.2% above cost, while our core non-CLO portfolio, is 3.3% above cost. With the two restructurings completed and Knowland and Netreo having repaid, we have resolved uncertainties related to all four portfolio companies on our watch list. The overall financial performance and strong earnings power of our current portfolio reflects strong underwriting in our solid, growing portfolio companies and sponsors in well-selected industry segments.”

“We continue to remain prudent and discerning in terms of new commitments in the current volatile environment. Originations this quarter demonstrate that, despite an overall robust pipeline, there are periods when investments we review do not meet our high-quality credit and pricing standards, like this quarter where we originated no new portfolio company investments while benefitting from five follow-on investments in existing portfolio companies that we know well with strong business models and balance sheets. Subsequent to quarter-end we have seen actionable opportunities, and closed on two new platform companies for the first time in several quarters.”

“Our quarter-end cash position grew to \$162.0 million, largely due to net repayments of \$57.6 million, with originations this quarter totaling \$2.6 million versus \$60.1 million of repayments and amortization. This increase in cash and cash equivalents has improved our effective leverage from 159.6% regulatory leverage to 172.0% net leverage, netting available cash against outstanding debt.”

“Our overall credit quality for this quarter increased to 99.7% of credits rated in our highest category, with the two investments remaining on non-accrual status being Zollege and Pepper Palace and which have been successfully restructured, representing only 0.3% and 0.4% of fair value and cost, respectively. With 85.2% of our investments at quarter-end in first lien debt and generally supported by strong enterprise values and balance sheets in industries that have historically performed well in stressed situations, we believe our portfolio and company leverage is well structured for future economic conditions and uncertainty.”

Mr. Oberbeck concluded, “As we navigate through a dynamic interest rate environment and uncertain economic outlook, we remain confident in our experienced management team, robust pipeline, strong leverage structure, and high underwriting standards to continue to steadily increase our portfolio size, quality and investment performance over the long-term to deliver exceptional risk adjusted returns to shareholders.”

Discussion of Financial Results for the Quarter ended August 31, 2024:

- **AUM** as of August 31, 2024, was \$1.041 billion, a decrease of 5.3% from \$1.099 billion as of August 31, 2023, and a decrease of 5.0% from \$1.096 billion as of last quarter.
- **Total investment income** for the three months ended August 31, 2024, was \$43.0 million, an increase of \$7.5 million, or 21.1%, from \$35.5 million in the three months ended August 31, 2023, and \$4.3 million, or 11.2%, as compared to \$38.7 million for the quarter ended May 31, 2024. This quarter’s investment income increases were primarily due to the reversal of the Knowland interest reserve of \$7.9 million that was previously on non-accrual status, following the investment’s full repayment subsequent to quarter-end, including accrued interest. Investment income reflects a weighted average interest rate of 12.6%, consistent with last quarter and last year.

- **Total expenses** for second fiscal quarter 2025, excluding interest and debt financing expenses, base management fees and incentive fees, and income and excise taxes, increased \$0.1 million to \$2.2 million as compared to \$2.1 million in the second quarter of fiscal year 2023, and decreased \$0.7 million as compared to \$2.9 million for the quarter ended May 31, 2024. This represented 0.7% of average total assets on an annualized basis, unchanged from 0.7% last year and down from 1.0% last quarter.
- **Adjusted NII** for the quarter ended August 31, 2024, was \$18.2 million, an increase of \$5.0 million, or 38.3%, from \$13.2 million in the period ended August 31, 2023, and \$3.9 million, or 26.9%, from \$14.3 million in the prior quarter. The increases in investment income were primarily offset by (i) increased interest expense resulting from the various new Notes Payable and SBA debentures issued during the past year, and (ii) increased incentive management fees from higher average AUM and earnings.
- **NII Yield** as a percentage of average net asset value was 19.7% for the quarter ended August 31, 2024. Adjusted for the incentive fee accrual related to net capital gains, the NII Yield was also 19.7%. In comparison, adjusted NII Yield was 15.0% for the quarter ended August 31, 2023, and 15.5% for the quarter ended May 31, 2024.
- **NAV** was \$372.1 million as of August 31, 2024, an increase of \$10.0 million from \$362.1 million as of August 31, 2023, and an increase of \$4.2 million from \$367.9 million as of May 31, 2024.
- **NAV per share** was \$27.07 as of August 31, 2024, compared to \$28.44 as of August 31, 2023, and \$26.85 as of May 31, 2024.
- **Return on equity (“ROE”)** for the last twelve months ended August 31, 2024, was 5.8%, down from 9.6% for the comparable period last year, and up from 4.4% in the previous quarter. ROE on an annualized basis for the quarter ended August 31, 2024 was 14.4%.
- **The weighted average common shares outstanding** increased from 12.2 million last year to 13.7 million for both this year’s quarters.

Portfolio and Investment Activity as of August 31, 2024

- **Fair value of Saratoga Investment’s portfolio** was \$1.041 billion, excluding \$162.0 million in cash and cash equivalents, principally invested in 50 portfolio companies, one collateralized loan obligation fund (the “CLO”) and one joint venture fund (the “JV”).

- **Cost of investments made during the period:** \$2.6 million, including five follow-ons and no investments in new portfolio companies.
- **Principal repayments during the period:** \$60.1 million, including three full and four partial repayments of existing investments, plus amortization.
 - The fair value of the portfolio also decreased by \$4.7 million of net realized losses and unrealized appreciation, consisting of a \$34.0 million realized loss on our Pepper Palace investment following its restructuring this quarter, offset by a \$0.5 million realized gain on our Book4time Class A preferred investment resulting from the sale of the company, and \$28.7 million unrealized appreciation across the portfolio.
 - The unrealized appreciation includes (i) reversal of \$32.1 million net unrealized depreciation previously recognized on our Pepper Palace and Book4 time realized investments, offset by (i) \$2.7 million net unrealized depreciation on our CLO and JV, primarily related to mark-downs due to individual credits in the CLO broadly syndicated portfolio, (ii) an additional \$0.2 million unrealized depreciation completing the Zollege investment restructuring, and (iii) \$0.5 million unrealized depreciation on the remaining core BDC portfolio.
 - Since taking over management of the BDC, the Company has generated \$1.03 billion of repayments and sales of investments originated by Saratoga Investment, generating a gross unlevered IRR of 15.2%. Total investments originated by Saratoga is \$2.2 billion.
- **The overall portfolio composition** consisted of 85.2% of first lien term loans, 2.5% of second lien term loans, 1.6% of unsecured term loans, 2.2% of structured finance securities, and 8.5% of common equity.
- **The weighted average current yield** on Saratoga Investment's portfolio based on current fair values was 11.5%, which was comprised of a weighted average current yield of 12.3% on first lien term loans, 18.0% on second lien term loans, 10.8% on unsecured term loans, 13.3% on CLO subordinated notes and 0.0% on equity interests.

Portfolio Update:

Subsequent to quarter-end, Saratoga Investment has executed approximately \$56.7 million of new originations in two new portfolio companies and two follow-ons, including delayed draws, and had one repayment of \$20.5 million, for a net increase in investments of \$36.2 million. The repayment was the full repayment of Knowland, including interest, as previously noted.

Liquidity and Capital Resources

Outstanding Borrowings:

- As of August 31, 2024, Saratoga Investment had a combined \$52.5 million in outstanding combined borrowings under its \$65.0 million senior secured revolving credit facility with Encina and its \$75.0 million senior secured revolving credit facility with Live Oak.

- At the same time, Saratoga Investment had \$175.0 million SBA debentures in its SBIC II license outstanding, \$39.0 million SBA debentures in its SBIC III license outstanding, \$269.4 million of listed baby bonds issued, \$250.0 million of unsecured unlisted institutional bond issuances, five unlisted issuances of \$52.0 million in total, and an aggregate of \$162.0 million in cash and cash equivalents.

Undrawn Borrowing Capacity:

- With \$87.5 million available under the two credit facilities and \$162.0 million of cash and cash equivalents as of August 31, 2024, Saratoga Investment has a total of \$249.5 million of undrawn credit facility borrowing capacity and cash and cash equivalents for new investments or to support its existing portfolio companies in the BDC.
- In addition, Saratoga Investment has \$136.0 million in undrawn SBA debentures available from its existing SBIC III license. Availability under the Encina and Live Oak credit facilities can change depending on portfolio company performance and valuation. In addition, certain follow-on investments in SBIC II and the BDC will not qualify for SBIC III funding. Overall outstanding SBIC debentures are limited to \$350.0 million across all active SBIC licenses.
- Total Saratoga undrawn borrowing capacity is therefore \$385.5 million.
- As of quarter-end, Saratoga Investment had \$48.4 million of committed undrawn lending commitments and \$83.7 million of discretionary funding commitments.

Additionally:

- Saratoga Investment has an active equity distribution agreement with Ladenburg Thalmann & Co. Inc., Raymond James and Associates, Inc, Lucid Capital Markets, LLC and Compass Point Research and Trading, LLC, through which Saratoga Investment may offer for sale, from time to time, up to \$300.0 million of common stock through an ATM offering.
 - o As of August 31, 2024, Saratoga Investment has sold 6,543,878 shares for gross proceeds of \$172.5 million at an average price of \$26.37 for aggregate net proceeds of \$171.0 million (net of transaction costs). During the three and six months ended August 31, 2024, Saratoga Investment did not sell any shares under the ATM program.

- On June 14, 2024, Saratoga Investment and its wholly owned financing subsidiary, Saratoga Investment Funding III LLC (“SIF III”), entered into the First Amendment and Lender Joinder to the Credit and Security Agreement (the “Amendment” and the Credit and Security Agreement as amended by the Amendment, the “Credit Agreement”), by and among SIF III, as borrower, the Company, as collateral manager and as equity holder, the lenders parties thereto, and Live Oak Banking Company, as administrative agent and as collateral agent, relating to the special purpose vehicle financing credit facility (the “Live Oak Credit Facility”). The Amendment, among other things: (i) increased the borrowings available under the Live Oak Credit Facility from up to \$50.0 million to up to \$75.0 million, subject to a borrowing base requirement; (ii) added New Lenders (as identified in the Amendment) to the Credit Agreement; (iii) replaced administrative agent approval with “Required Lender” (as defined in the Credit Agreement) approval with respect to certain matters; (iv) replaced Required Lender approval with 100% lender approval with respect to certain matters; and (v) changed the definition of Required Lender to require the approval of at least two unaffiliated lenders.

Dividend

On August 22, 2024, Saratoga Investment announced that its Board of Directors declared a quarterly dividend of \$0.74 per share for the fiscal quarter ended August 31, 2024, paid on September 26, 2024, to all stockholders of record at the close of business on September 11, 2024.

Shareholders have the option to receive payment of dividends in cash or receive shares of common stock, pursuant to the Company’s DRIP. Shares issued under the Company’s DRIP is issued at a 5% discount to the average market price per share at the close of trading on the ten trading days immediately preceding (and including) the payment date.

The following table highlights Saratoga Investment’s dividend history over the past eleven quarters:

| Declared | Ex-Date | Record | Payable | Amount |
|-------------------|--------------------|--------------------|--------------------|---------------|
| August 22, 2024 | September 11, 2024 | September 11, 2024 | September 26, 2024 | \$ 0.74 |
| May 23, 2024 | June 13, 2024 | June 13, 2024 | June 27, 2024 | \$ 0.74 |
| February 15, 2024 | March 12, 2024 | March 13, 2024 | March 28, 2024 | \$ 0.73 |
| November 15, 2023 | December 8, 2023 | December 11, 2023 | December 28, 2023 | \$ 0.72 |
| August 14, 2023 | September 13, 2023 | September 14, 2023 | September 28, 2023 | \$ 0.71 |
| May 22, 2023 | June 12, 2023 | June 13, 2023 | June 29, 2023 | \$ 0.70 |
| February 28, 2023 | March 15, 2023 | March 16, 2023 | March 30, 2023 | \$ 0.69 |
| November 15, 2022 | December 14, 2022 | December 15, 2022 | January 4, 2023 | \$ 0.68 |
| August 29, 2022 | September 13, 2022 | September 14, 2022 | September 29, 2022 | \$ 0.54 |
| May 26, 2022 | June 13, 2022 | June 14, 2022 | June 29, 2022 | \$ 0.53 |
| February 28, 2022 | March 11, 2022 | March 14, 2022 | March 28, 2022 | \$ 0.53 |

Share Repurchase Plan

As of August 31, 2024, the Company purchased 1,035,203 shares of common stock, at the average price of \$22.05 for approximately \$22.8 million pursuant to its existing Share Repurchase Plan. During the three and six months ended August 31, 2024, the Company did not purchase any shares of common stock pursuant to its Share Repurchase Plan.

Of note, in fiscal year 2015, the Company announced the approval of an open market share repurchase plan that allows it to repurchase up to 200,000 shares of its common stock at prices below its NAV as reported in its then most recently published financial statements. Since then, the Share Repurchase Plan has been extended annually, and the Company has periodically increased the amount of shares of common stock that may be purchased under the Share Repurchase Plan, most recently to 1.7 million shares of common stock. On January 8, 2024, our board of directors extended the Share Repurchase Plan for another year to January 15, 2025.

2025 Fiscal Second Quarter Conference Call/Webcast Information

When: Wednesday, October 9, 2024
10:00 a.m. Eastern Time (ET)

How: Webcast: Interested parties may access a live webcast of the call and find the Q2 2025 presentation by going to the “Events & Presentations” section of Saratoga Investment Corp.’s investor relations website, Saratoga events and presentations (<https://edge.media-server.com/mmc/p/4wjabwge>). A replay of the webcast will also be available for a limited time at Saratoga events and presentations (<https://ir.saratogainvestmentcorp.com/events-presentations>).

Call: To access the call by phone, please go to this link Registration Link (<https://register.vevent.com/register/BI004113120bd94b86a98c7524bf95f17e>) and you will be provided with dial in details. To avoid delays, we encourage participants to dial into the conference call fifteen minutes ahead of the scheduled start time.

About Saratoga Investment Corp.

Saratoga Investment is a specialty finance company that provides customized financing solutions to U.S. middle-market businesses. The Company invests primarily in senior and unitranche leveraged loans and mezzanine debt, 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’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 has elected to be regulated as a business development company 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. Saratoga Investment Corp. owns two active SBIC-licensed subsidiaries, having surrendered its first license after repaying all debentures for that fund following the end of its investment period and subsequent wind-down. Furthermore, it manages a \$650 million collateralized loan obligation (“CLO”) fund and co-manages a joint venture (“JV”) fund that owns a \$400 million collateralized loan obligation (“JV CLO”) fund. It also owns 52% of the Class F and 100% of the subordinated notes of the CLO, 87.5% of both the unsecured loans and membership interests of the JV and 87.5% of the Class E notes of the JV CLO. The Company’s diverse funding sources, combined with a permanent capital base, enable Saratoga Investment to provide a broad range of financing solutions.

Forward Looking Statements

This press release contains historical information and forward-looking statements with respect to the business and investments of the Company, including, but not limited to, the statements about future events or our future performance or financial condition. Forward-looking statements can be identified by the use of forward looking words such as “outlook,” “believes,” “expects,” “potential,” “continues,” “may,” “will,” “should,” “seeks,” “approximately,” “predicts,” “intends,” “plans,” “estimates,” “anticipates” or negative versions of those words, other comparable words or other statements that do not relate to historical or factual matters. The forward-looking statements are based on our beliefs, assumptions and expectations of our future performance, taking into account all information currently available to us. These statements are not guarantees of future performance, condition or results and involve a number of risks and uncertainties. Actual results may differ materially from those in the forward-looking statements as a result of a number of factors, including, but not limited to: changes in the markets in which we invest; changes in the financial, capital, and lending markets; an economic downturn and its impact on the ability of our portfolio companies to operate and the investment opportunities available to us; the impact of interest rate volatility on our business and our portfolio companies; the impact of supply chain constraints and labor shortages on our portfolio companies; and the elevated levels of inflation and its impact on our portfolio companies and the industries in which we invests, as well as those described from time to time in our filings with the Securities and Exchange Commission.

Any forward-looking statement speaks only as of the date on which it is made. The Company undertakes no duty to update any forward-looking statements made herein or on the webcast/conference call, whether as a result of new information, future developments or otherwise, except as required by law. Readers should not place undue reliance on any forward-looking statements and are encouraged to review the Company’s Annual Report on Form 10-Q for the fiscal quarter ended August 31, 2024 and subsequent filings, including the “Risk Factors” sections therein, with the Securities and Exchange Commission for a more complete discussion of the risks and other factors that could affect any forward-looking statements.

Contacts:

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Financials

Saratoga Investment Corp. Consolidated Statements of Assets and Liabilities

| | August 31, 2024 | February 29, 2024 |
|---|-------------------------|-------------------------|
| | (unaudited) | |
| ASSETS | | |
| Investments at fair value | | |
| Non-control/Non-affiliate investments (amortized cost of \$932,599,967 and \$1,035,879,751, respectively) | \$ 963,176,509 | \$ 1,019,774,616 |
| Affiliate investments (amortized cost of \$27,197,048 and \$26,707,415, respectively) | 29,193,438 | 27,749,137 |
| Control investments (amortized cost of \$79,244,797 and \$117,196,571, respectively) | 48,341,503 | 91,270,036 |
| Total investments at fair value (amortized cost of \$1,039,041,812 and \$1,179,783,737, respectively) | <u>1,040,711,450</u> | <u>1,138,793,789</u> |
| Cash and cash equivalents | 84,569,590 | 8,692,846 |
| Cash and cash equivalents, reserve accounts | 77,434,591 | 31,814,278 |
| Interest receivable (net of reserve of \$21,216 and \$9,490,340, respectively) | 10,085,266 | 10,298,998 |
| Management fee receivable | 333,826 | 343,023 |
| Other assets | 1,567,007 | 1,163,225 |
| Current income tax receivable | 1,931 | 99,676 |
| Total assets | <u>\$ 1,214,703,661</u> | <u>\$ 1,191,205,835</u> |
| LIABILITIES | | |
| Revolving credit facilities | \$ 52,500,000 | \$ 35,000,000 |
| Deferred debt financing costs, revolving credit facilities | (1,651,311) | (882,122) |
| SBA debentures payable | 214,000,000 | 214,000,000 |
| Deferred debt financing costs, SBA debentures payable | (5,306,833) | (5,779,892) |
| 8.75% Notes Payable 2025 | 20,000,000 | 20,000,000 |
| Discount on 8.75% notes payable 2025 | (61,587) | (112,894) |
| Deferred debt financing costs, 8.75% notes payable 2025 | (2,557) | (4,777) |
| 7.00% Notes Payable 2025 | 12,000,000 | 12,000,000 |
| Discount on 7.00% notes payable 2025 | (132,133) | (193,175) |
| Deferred debt financing costs, 7.00% notes payable 2025 | (16,212) | (24,210) |
| 7.75% Notes Payable 2025 | 5,000,000 | 5,000,000 |
| Deferred debt financing costs, 7.75% notes payable 2025 | (46,883) | (74,531) |
| 4.375% Notes Payable 2026 | 175,000,000 | 175,000,000 |
| Premium on 4.375% notes payable 2026 | 439,902 | 564,260 |
| Deferred debt financing costs, 4.375% notes payable 2026 | (1,283,387) | (1,708,104) |
| 4.35% Notes Payable 2027 | 75,000,000 | 75,000,000 |
| Discount on 4.35% notes payable 2027 | (254,551) | (313,010) |
| Deferred debt financing costs, 4.35% notes payable 2027 | (859,567) | (1,033,178) |
| 6.25% Notes Payable 2027 | 15,000,000 | 15,000,000 |
| Deferred debt financing costs, 6.25% notes payable 2027 | (237,503) | (273,449) |
| 6.00% Notes Payable 2027 | 105,500,000 | 105,500,000 |
| Discount on 6.00% notes payable 2027 | (105,834) | (123,782) |
| Deferred debt financing costs, 6.00% notes payable 2027 | (1,871,368) | (2,224,403) |
| 8.00% Notes Payable 2027 | 46,000,000 | 46,000,000 |
| Deferred debt financing costs, 8.00% notes payable 2027 | (1,099,544) | (1,274,455) |
| 8.125% Notes Payable 2027 | 60,375,000 | 60,375,000 |
| Deferred debt financing costs, 8.125% notes payable 2027 | (1,358,240) | (1,563,594) |
| 8.50% Notes Payable 2028 | 57,500,000 | 57,500,000 |
| Deferred debt financing costs, 8.50% notes payable 2028 | (1,474,914) | (1,680,039) |
| Base management and incentive fees payable | 9,316,716 | 8,147,217 |
| Deferred tax liability | 4,417,880 | 3,791,150 |
| Accounts payable and accrued expenses | 1,497,040 | 1,337,542 |
| Interest and debt fees payable | 4,001,012 | 3,582,173 |
| Directors fees payable | 80,000 | - |
| Due to Manager | 784,693 | 450,000 |
| Total liabilities | <u>842,649,819</u> | <u>820,981,727</u> |
| Commitments and contingencies | | |
| NET ASSETS | | |
| Common stock, par value \$0.001, 100,000,000 common shares authorized, 13,745,769 and 13,653,476 common shares issued and outstanding, respectively | 13,746 | 13,654 |
| Capital in excess of par value | 373,087,033 | 371,081,199 |
| Total distributable deficit | (1,046,937) | (870,745) |
| Total net assets | <u>372,053,842</u> | <u>370,224,108</u> |
| Total liabilities and net assets | <u>\$ 1,214,703,661</u> | <u>\$ 1,191,205,835</u> |
| NET ASSET VALUE PER SHARE | <u>\$ 27.07</u> | <u>\$ 27.12</u> |

Saratoga Investment Corp.
Consolidated Statements of Operations
(unaudited)

| | For the three months ended | |
|---|-----------------------------------|----------------------------|
| | August 31, 2024 | August 31, 2023 |
| INVESTMENT INCOME | | |
| Interest from investments | | |
| Interest income: | | |
| Non-control/Non-affiliate investments | \$ 35,721,214 | \$ 28,489,719 |
| Affiliate investments | 491,015 | 907,064 |
| Control investments | 1,247,256 | 2,085,448 |
| Payment in kind interest income: | | |
| Non-control/Non-affiliate investments | 1,654,044 | 493,338 |
| Affiliate investments | 250,346 | 215,547 |
| Control investments | 1,277 | 142,289 |
| Total interest from investments | 39,365,152 | 32,333,405 |
| Interest from cash and cash equivalents | 1,671,031 | 539,093 |
| Management fee income | 792,323 | 817,250 |
| Dividend income(*): | | |
| Non-control/Non-affiliate investments | 162,779 | 94,613 |
| Control investments | 915,590 | 1,536,970 |
| Total dividend from investments | 1,078,369 | 1,631,583 |
| Structuring and advisory fee income | 35,000 | 45,000 |
| Other income | 61,500 | 147,814 |
| Total investment income | 43,003,375 | 35,514,145 |
| OPERATING EXPENSES | | |
| Interest and debt financing expenses | 13,128,941 | 12,413,462 |
| Base management fees | 4,766,445 | 4,840,899 |
| Incentive management fees expense (benefit) | 4,550,270 | 2,481,473 |
| Professional fees | 125,886 | 486,673 |
| Administrator expenses | 1,133,333 | 904,167 |
| Insurance | 77,597 | 81,901 |
| Directors fees and expenses | 80,000 | 111,000 |
| General and administrative | 821,584 | 467,116 |
| Income tax expense (benefit) | 121,921 | (237,330) |
| Total operating expenses | 24,805,977 | 21,549,361 |
| NET INVESTMENT INCOME | 18,197,398 | 13,964,784 |
| REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS | | |
| Net realized gain (loss) from investments: | | |
| Non-control/Non-affiliate investments | 558,701 | - |
| Control investments | (34,007,428) | - |
| Net realized gain (loss) from investments | (33,448,727) | - |
| Net change in unrealized appreciation (depreciation) on investments: | | |
| Non-control/Non-affiliate investments | 32,524,852 | (11,657,451) |
| Affiliate investments | 353,445 | 39,648 |
| Control investments | (4,150,142) | 5,880,232 |
| Net change in unrealized appreciation (depreciation) on investments | 28,728,155 | (5,737,571) |
| Net change in provision for deferred taxes on unrealized (appreciation) depreciation on investments | (159,187) | (221,206) |
| Net realized and unrealized gain (loss) on investments | (4,879,759) | (5,958,777) |
| Realized losses on extinguishment of debt | - | (110,056) |
| NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS | \$ 13,317,639 | \$ 7,895,951 |
| WEIGHTED AVERAGE - BASIC AND DILUTED EARNINGS (LOSS) PER COMMON SHARE | \$ 0.97 | \$ 0.65 |
| WEIGHTED AVERAGE COMMON SHARES OUTSTANDING - BASIC AND DILUTED | 13,726,142 | 12,158,440 |

* Certain prior period amounts have been reclassified to conform to current period presentation.

Saratoga Investment Corp.
Consolidated Statements of Operations
(unaudited)

| | For the six months ended | |
|---|---------------------------------|-------------------|
| | August 31, | August 31, |
| | 2024 | 2023 |
| INVESTMENT INCOME | | |
| Interest from investments | | |
| Interest income: | | |
| Non-control/Non-affiliate investments | \$ 66,945,491 | \$ 54,800,512 |
| Affiliate investments | 987,855 | 1,634,150 |
| Control investments | 3,244,368 | 4,131,308 |
| Payment in kind interest income: | | |
| Non-control/Non-affiliate investments | 1,717,874 | 618,233 |
| Affiliate investments | 491,450 | 423,136 |
| Control investments | 284,590 | 283,852 |
| Total interest from investments | 73,671,628 | 61,891,191 |
| Interest from cash and cash equivalents | 2,295,662 | 1,343,382 |
| Management fee income | 1,596,779 | 1,634,038 |
| Dividend income(*): | | |
| Non-control/Non-affiliate investments | 412,270 | 112,033 |
| Control investments | 2,212,640 | 3,360,480 |
| Total dividend from investments | 2,624,910 | 3,472,513 |
| Structuring and advisory fee income | 445,843 | 1,474,222 |
| Other income | 1,046,703 | 330,842 |
| Total investment income | 81,681,525 | 70,146,188 |
| OPERATING EXPENSES | | |
| Interest and debt financing expenses | 26,091,022 | 24,106,284 |
| Base management fees | 9,749,025 | 9,405,088 |
| Incentive management fees expense (benefit) | 8,135,004 | 2,584,821 |
| Professional fees | 1,125,196 | 972,723 |
| Administrator expenses | 2,208,333 | 1,722,917 |
| Insurance | 155,193 | 163,802 |
| Directors fees and expenses | 193,000 | 200,068 |
| General and administrative | 1,430,711 | 1,297,844 |
| Income tax expense (benefit) | 61,638 | (231,093) |
| Total operating expenses | 49,149,122 | 40,222,454 |
| NET INVESTMENT INCOME | 32,532,403 | 29,923,734 |
| REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS | | |
| Net realized gain (loss) from investments: | | |
| Non-control/Non-affiliate investments | 558,701 | 90,691 |
| Control investments | (55,202,425) | - |
| Net realized gain (loss) from investments | (54,643,724) | 90,691 |
| Net change in unrealized appreciation (depreciation) on investments: | | |
| Non-control/Non-affiliate investments | 46,681,677 | (13,385,585) |
| Affiliate investments | 954,668 | (205,636) |
| Control investments | (4,976,759) | (8,468,657) |
| Net change in unrealized appreciation (depreciation) on investments | 42,659,586 | (22,059,878) |
| Net change in provision for deferred taxes on unrealized (appreciation) depreciation on investments | (620,188) | (161,799) |
| Net realized and unrealized gain (loss) on investments | (12,604,326) | (22,130,986) |
| Realized losses on extinguishment of debt | - | (110,056) |
| NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS | \$ 19,928,077 | \$ 7,682,692 |
| WEIGHTED AVERAGE - BASIC AND DILUTED EARNINGS (LOSS) PER COMMON SHARE | \$ 1.45 | \$ 0.64 |
| WEIGHTED AVERAGE COMMON SHARES OUTSTANDING - BASIC AND DILUTED | 13,704,759 | 12,011,180 |

* Certain prior period amounts have been reclassified to conform to current period presentation.

Supplemental Information Regarding Adjusted Net Investment Income, Adjusted Net Investment Income Yield and Adjusted Net Investment Income per Share

On a supplemental basis, Saratoga Investment provides information relating to adjusted net investment income, adjusted net investment income yield and adjusted net investment income per share, which are non-GAAP measures. These measures are provided in addition to, but not as a substitute for, net investment income, net investment income yield and net investment income per share. Adjusted net investment income represents net investment income excluding any capital gains incentive fee expense or reversal attributable to realized and unrealized gains. The management agreement with the Company's advisor provides that a capital gains incentive fee is determined and paid annually with respect to cumulative realized capital gains (but not unrealized capital gains) to the extent such realized capital gains exceed realized and unrealized losses for such year. In addition, Saratoga Investment accrues, but does not pay, a capital gains incentive fee in connection with any unrealized capital appreciation, as appropriate. All capital gains incentive fees are presented within net investment income within the Consolidated Statements of Operations, but the associated realized and unrealized gains and losses that these incentive fees relate to, are excluded. As such, Saratoga Investment believes that adjusted net investment income, adjusted net investment income yield and adjusted net investment income per share is a useful indicator of operations exclusive of any capital gains incentive fee expense or reversal attributable to gains. The presentation of this additional information is not meant to be considered in isolation or as a substitute for financial results prepared in accordance with GAAP. The following table provides a reconciliation of net investment income to adjusted net investment income, net investment income yield to adjusted net investment income yield and net investment income per share to adjusted net investment income per share for the three and six months ended August 31, 2024 and August 31, 2023.

| | For the Three Months Ended | |
|--|-----------------------------------|----------------------------|
| | August 31, 2024 | August 31, 2023 |
| Net Investment Income | \$ 18,197,398 | \$ 13,964,784 |
| Changes in accrued capital gains incentive fee expense/ (reversal) | - | (808,452) |
| Adjusted net investment income | <u>\$ 18,197,398</u> | <u>\$ 13,156,332</u> |
| Net investment income yield | 19.7% | 16.0% |
| Changes in accrued capital gains incentive fee expense/ (reversal) | - | (1.0)% |
| Adjusted net investment income yield ⁽¹⁾ | <u>19.7%</u> | <u>15.0%</u> |
| Net investment income per share | \$ 1.33 | \$ 1.15 |
| Changes in accrued capital gains incentive fee expense/ (reversal) | - | (0.07) |
| Adjusted net investment income per share ⁽²⁾ | <u>\$ 1.33</u> | <u>\$ 1.08</u> |

(1) Adjusted net investment income yield is calculated as adjusted net investment income divided by average net asset value.

(2) Adjusted net investment income per share is calculated as adjusted net investment income divided by weighted average common shares outstanding.

| | For the Six Months Ended | |
|--|---------------------------------|----------------------------|
| | August 31, 2024 | August 31, 2023 |
| Net Investment Income | \$ 32,532,403 | \$ 29,923,734 |
| Changes in accrued capital gains incentive fee expense/ (reversal) | - | (3,918,274) |
| Adjusted net investment income | <u>\$ 32,532,403</u> | <u>\$ 26,005,460</u> |
| Net investment income yield | 17.6% | 17.2% |
| Changes in accrued capital gains incentive fee expense/ (reversal) | - | (2.3)% |
| Adjusted net investment income yield ⁽¹⁾ | <u>17.6%</u> | <u>14.9%</u> |
| Net investment income per share | \$ 2.37 | \$ 2.49 |
| Changes in accrued capital gains incentive fee expense/ (reversal) | - | (0.32) |
| Adjusted net investment income per share ⁽²⁾ | <u>\$ 2.37</u> | <u>\$ 2.17</u> |

(3) Adjusted net investment income yield is calculated as adjusted net investment income divided by average net asset value.

(4) Adjusted net investment income per share is calculated as adjusted net investment income divided by weighted average common shares outstanding.