

Saratoga Investment Corp.

**Fiscal Third Quarter 2020
Shareholder Presentation**

January 9, 2020



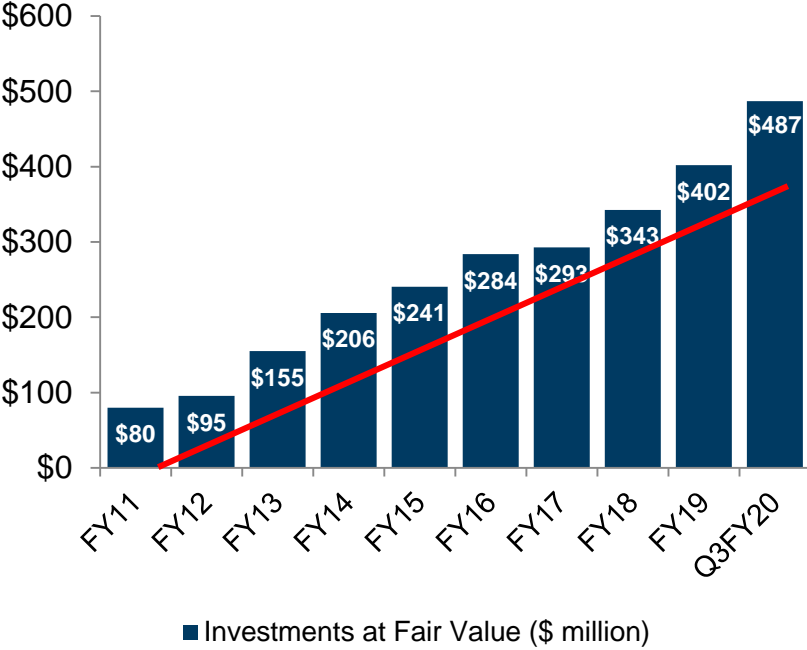
Continued Growth and Outperformance in Q3 FY20

Fiscal Third Quarter 2020 Highlights:

- Continued high quality portfolio and strong performance
 - Investment quality remains strong
 - 99.0% of loan investments with highest internal rating
 - Return on equity of 17.6% for LTM and 21.7% for Q3, beating BDC industry mean of 7.6%
 - Realized and unrealized net gain of \$9.1 million in Q3 on overall portfolio – includes Censis gain
 - Additional Easy Ice proceeds post quarter-end to add more than \$17 million to NAV, \$1.51 per share, in Q4 – not yet included in NAV or NAV per share
 - Gross Unlevered IRR of 14.1% on total unrealized portfolio as of November 30, 2019
 - Gross Unlevered IRR of 14.8% on \$435.4 million of total realizations (excluding Easy Ice gain in Q4)
- Consistent strong long-term originations contribute to growing assets under management
 - AUM up 21% since year-end and unchanged since last quarter
 - Originations in two new portfolio platforms in Q3, plus two follow-on investments
- Declared unchanged dividend of \$0.56 per share for the quarter ended November 30, 2019
- Base of liquidity and capital increased and strengthened in Q3
 - ATM equity program – sold 2.0 million shares in Q3 for gross proceeds of \$49.4 million to further fund second SBIC license
 - Existing pro forma end-of-Q3 available liquidity including SBIC II allows current AUM increase by 52%
- Key performance indicators of Q3 remain strong versus last year
 - Adjusted NII of \$6.1 million is up 27%, Adjusted NII per share of 61c is down 4c, LTM ROE of 17.6% is up from 10.1% and NAV per share of \$25.30 is up 9.4%, or \$2.17

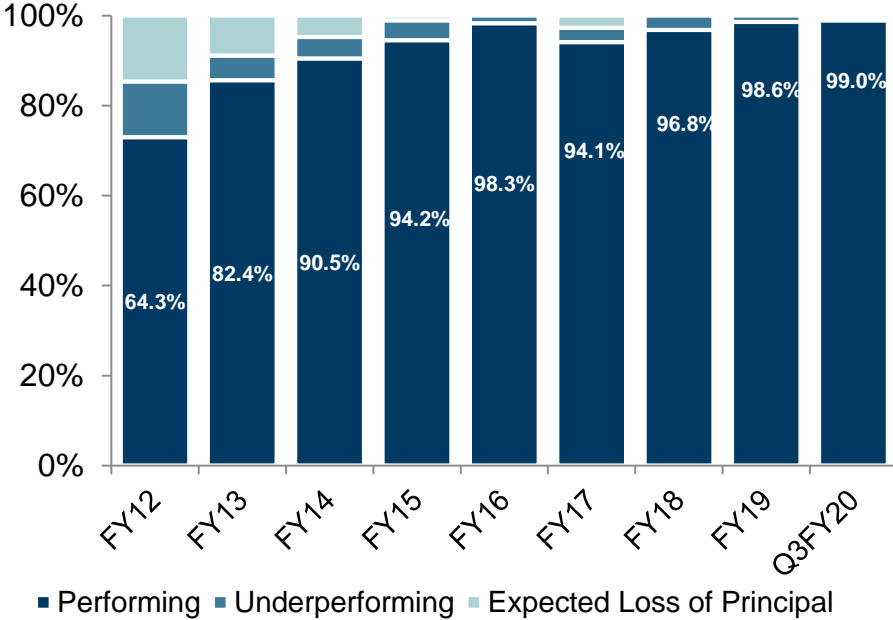
Continued Asset Growth and Strong Credit Quality

Asset Base Expansion Trend



Fair value of AUM increased 21% since year-end and 10% year-over-year

Overall Credit Quality Remains Strong



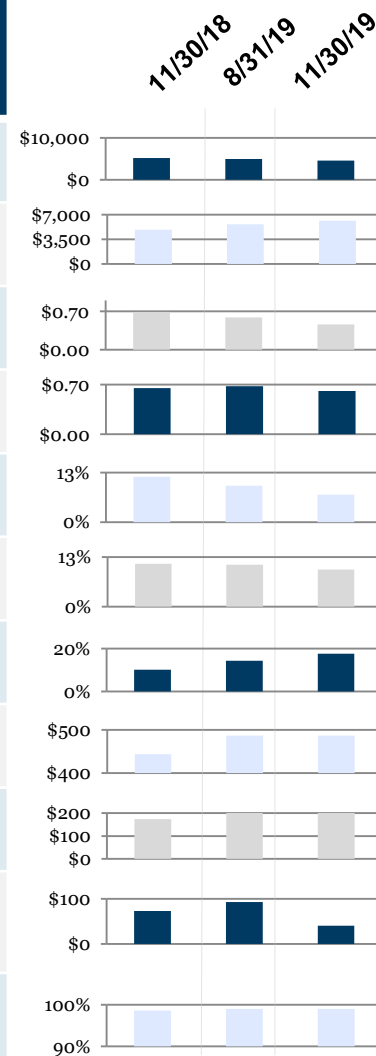
99% of our SAR loan investments hold our highest internal rating; three on non-accrual at quarter-end*

* Excludes our investment in our CLO, and our equity and written-off legacy investments.

Q3 FY20: Strong Financial Foundation and Momentum

Key Performance Metrics for the Fiscal Quarter

For the quarter ended and as of (\$ in millions except per share)	Nov 30, 2018	Aug 31, 2019	Nov 30, 2019
Net investment income	\$5,139	\$4,956	\$4,575
Adjusted net investment income*	\$4,850	\$5,633	\$6,142
Net investment income per share	\$0.69	\$0.59	\$0.46
Adjusted net investment income per share*	\$0.65	\$0.68	\$0.61
Net investment income yield	11.9%	9.6%	7.2%
Adjusted net investment income yield*	11.2%	11.0%	9.7%
Return on Equity – Last Twelve Months	10.1%	14.3%	17.6%
Fair value of investment portfolio	\$443.8	\$486.9	\$487.0
Total net assets	\$173.3	\$224.3	\$282.2
Investments in new/existing portfolio companies	\$73.7	\$93.2	\$40.8
Loan Investments held in “Performing” credit ratings	98.6%	99.0%	99.0%

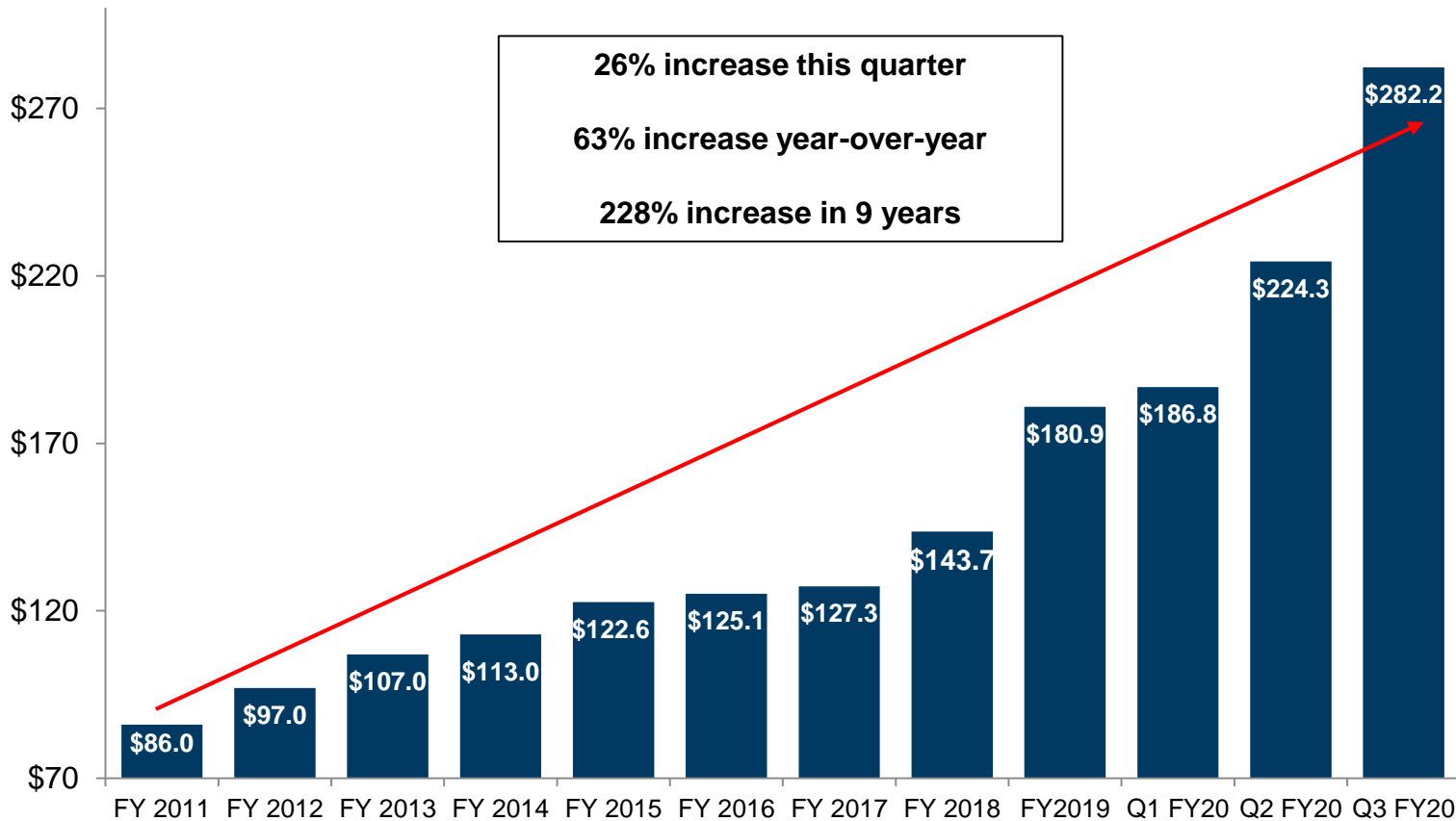


*Adjusted for accrued capital gains incentive fee expense, reconciliation to GAAP net investment income and net investment income per share included in our fiscal third quarter 2020 earnings release.

NAV Growth Continues Accretively

Net Asset Value (FY11 to FY20)

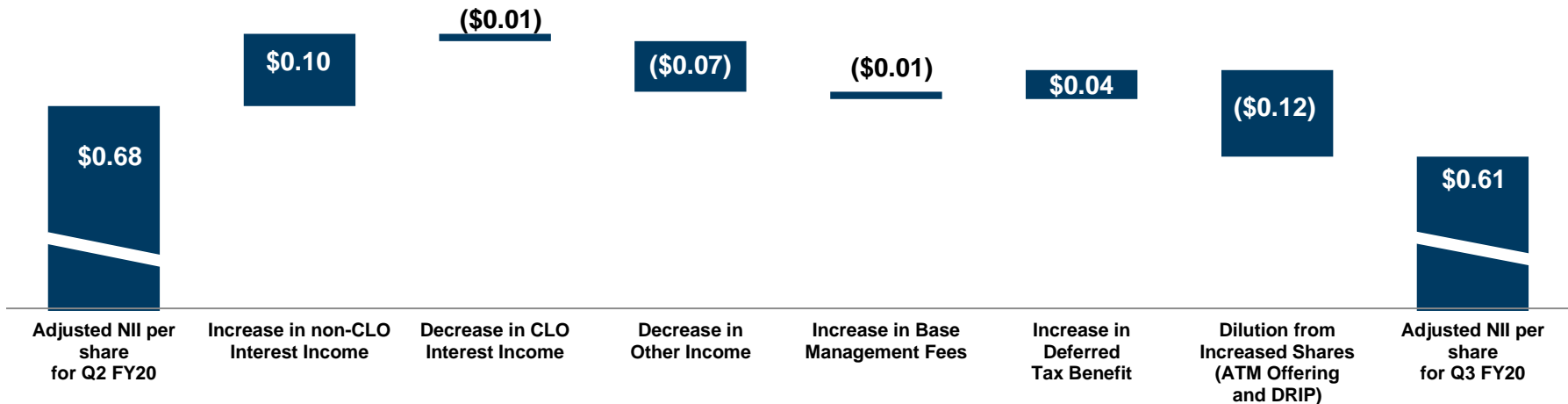
in millions



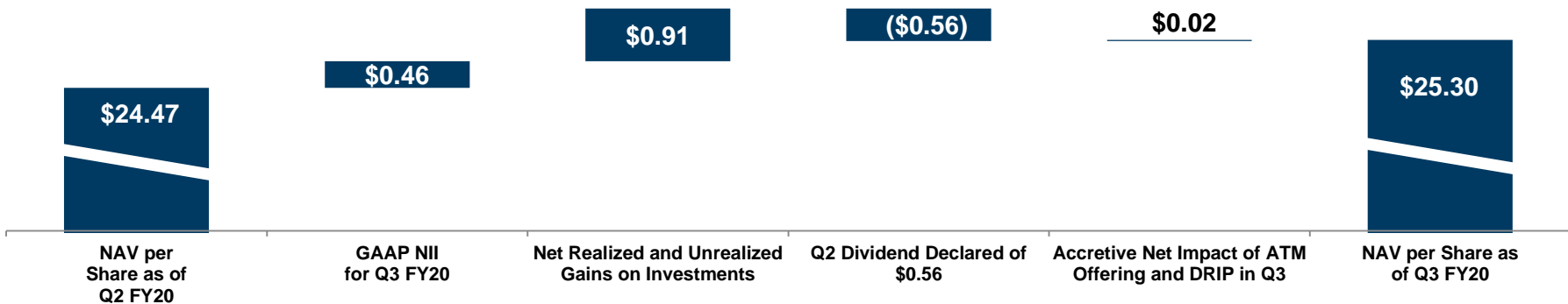
Quarterly Reconciliation of NII and NAV per Share

- Impacts are shown net of incentive fee

Reconciliation of Quarterly Adjusted NII per Share



Reconciliation of Quarterly NAV per Share



Dry Powder Remains Available

(As of Nov 30, 2019)		Total Borrowing Capacity	Outstanding	Available Liquidity	Remaining Maturity Period	Fixed / Floating Rate
Secured Revolving Credit Facility		\$45.0 million	\$0.0 million	\$45.0 million	6 Years	Floating
SBA Debentures	SBIC I	\$150.0 million	\$150.0 million	\$0.0 million	4-9 years	Fixed
	SBIC II	\$175.0 million	\$0.0 million	\$175.0 million	10 years	Fixed
Publicly-Traded Notes (at par value)	SAB	\$74.5 million*	\$74.5 million*	\$0.0 million	4 Years	Fixed
	SAF	\$60.0 million	\$60.0 million	\$0.0 million	6 Years	Fixed
Cash and Cash Equivalents		\$81.1 million	\$0.0 million	\$81.1 million	-	-

Total Available Liquidity (at quarter-end): \$ 301.1 million

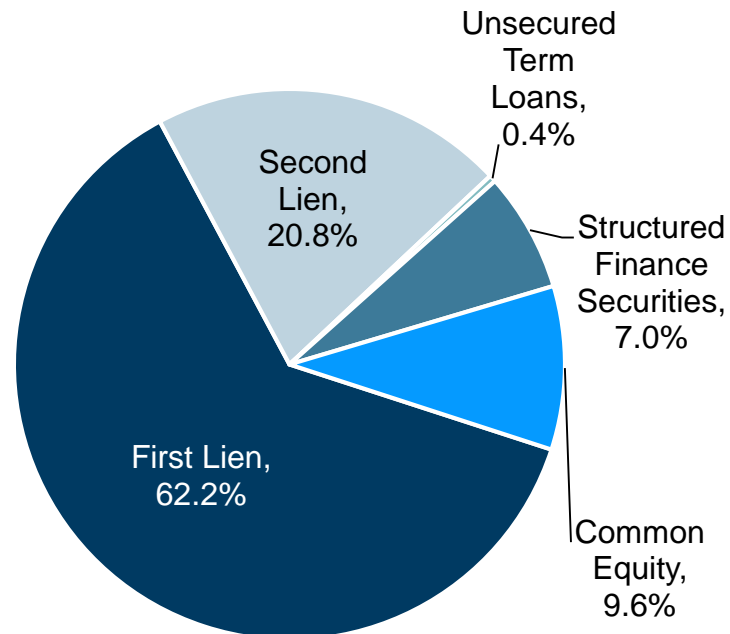
- Ability to grow AUM by 52% without any new external financing (post Baby Bond redemption)

*\$50.0 million of the SAB notes were redeemed in December 2019 using existing cash

Portfolio Composition and Yield

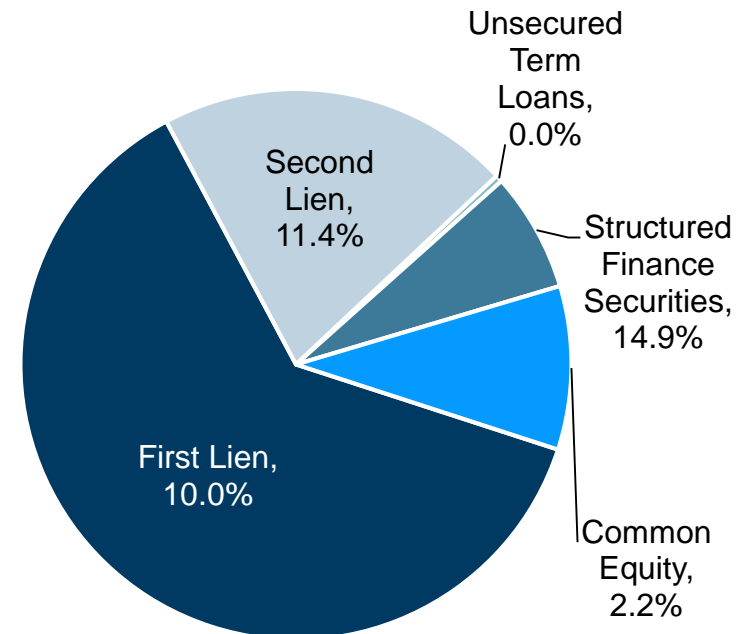
Portfolio Composition – \$487.0 m

(Based on Fair Values
as of Nov 30, 2019)



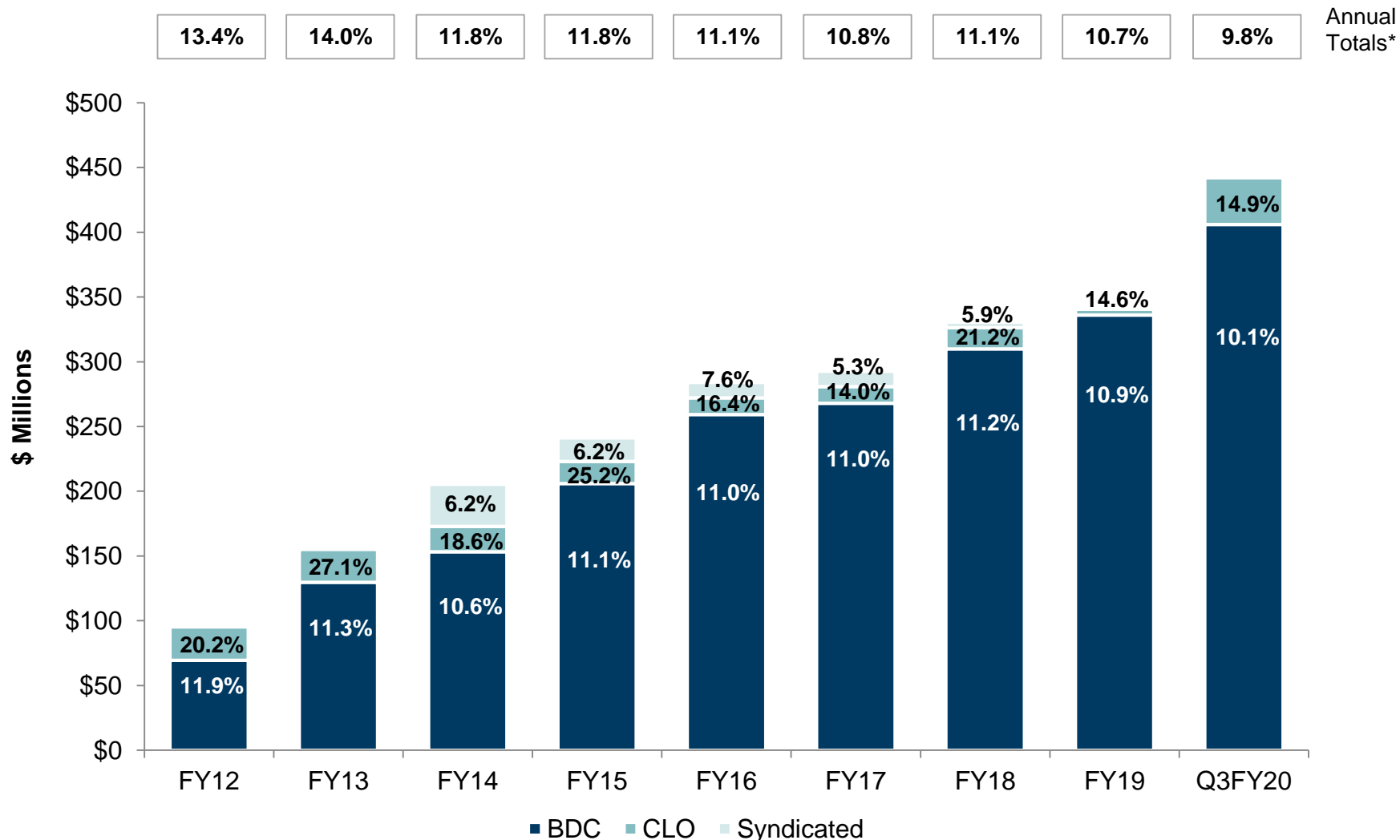
Portfolio Yield – 9.8%

(Weighted Average
Current Yield of Existing Portfolio)



Yield of BDC Remains Healthy

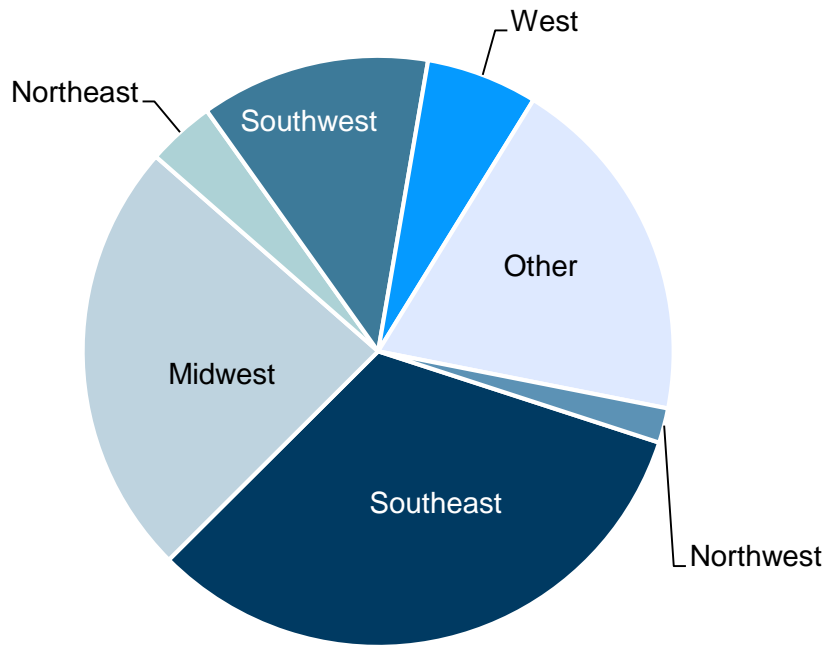
Weighted Average Current Yields



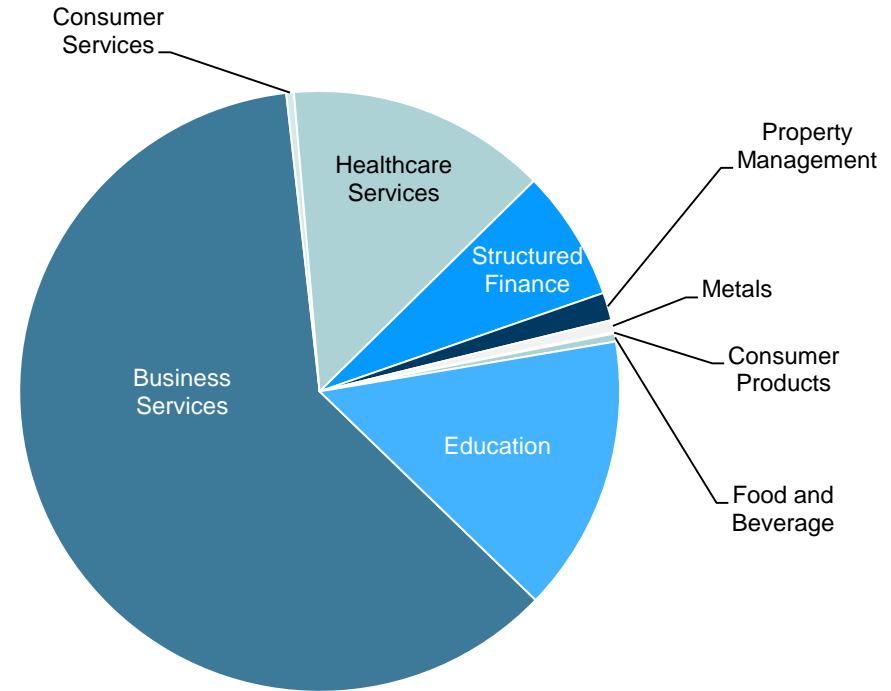
Annual total yields on full portfolio. BDC, CLO and Syndicated yields are annualized and calculated on fair value of interest earning assets.

Diversified Across Industry and Geography

Investments diversified geographically

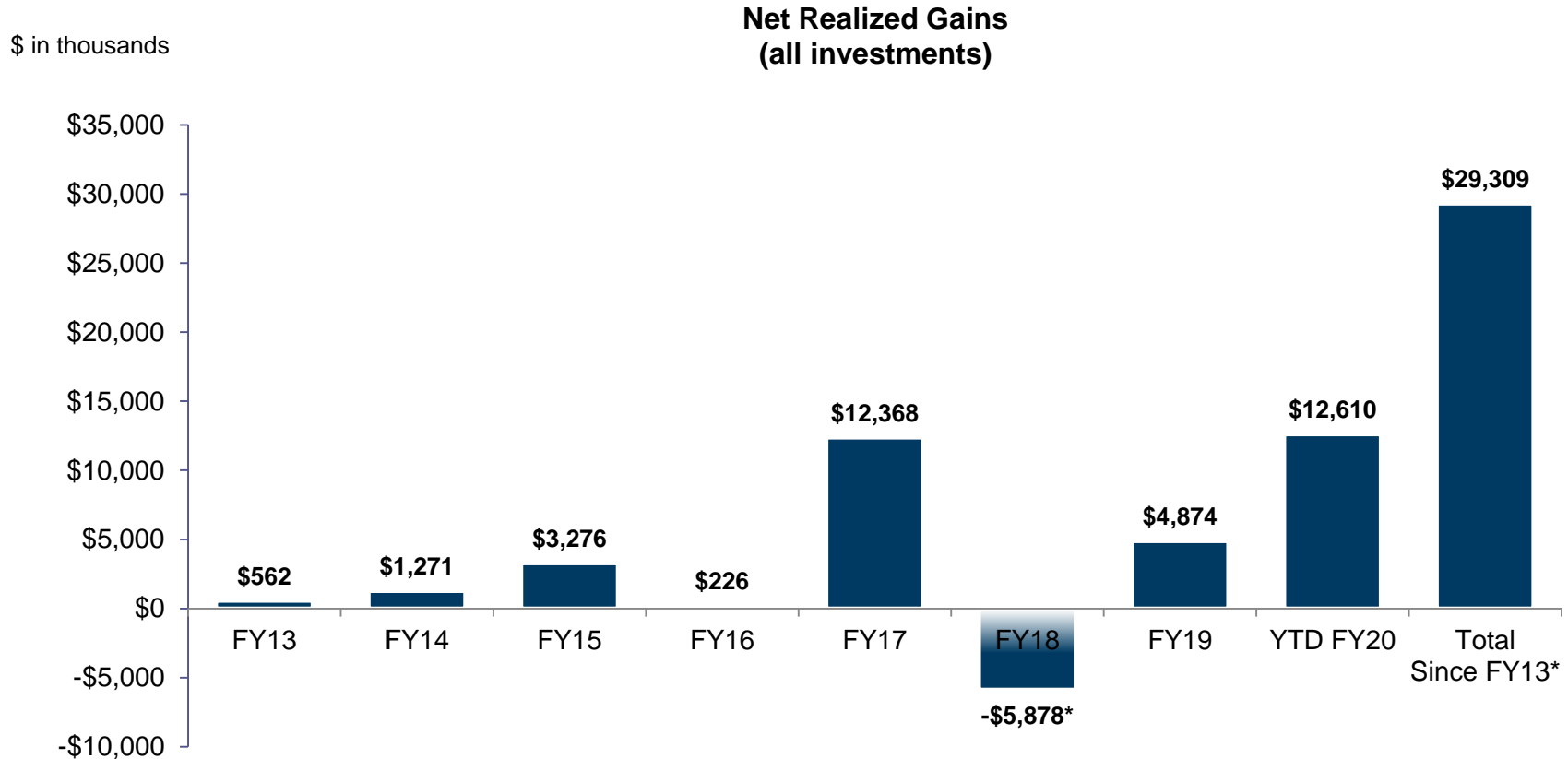


Investments across 9 distinct industries



Net Realized Gains Help Protect Shareholder Capital

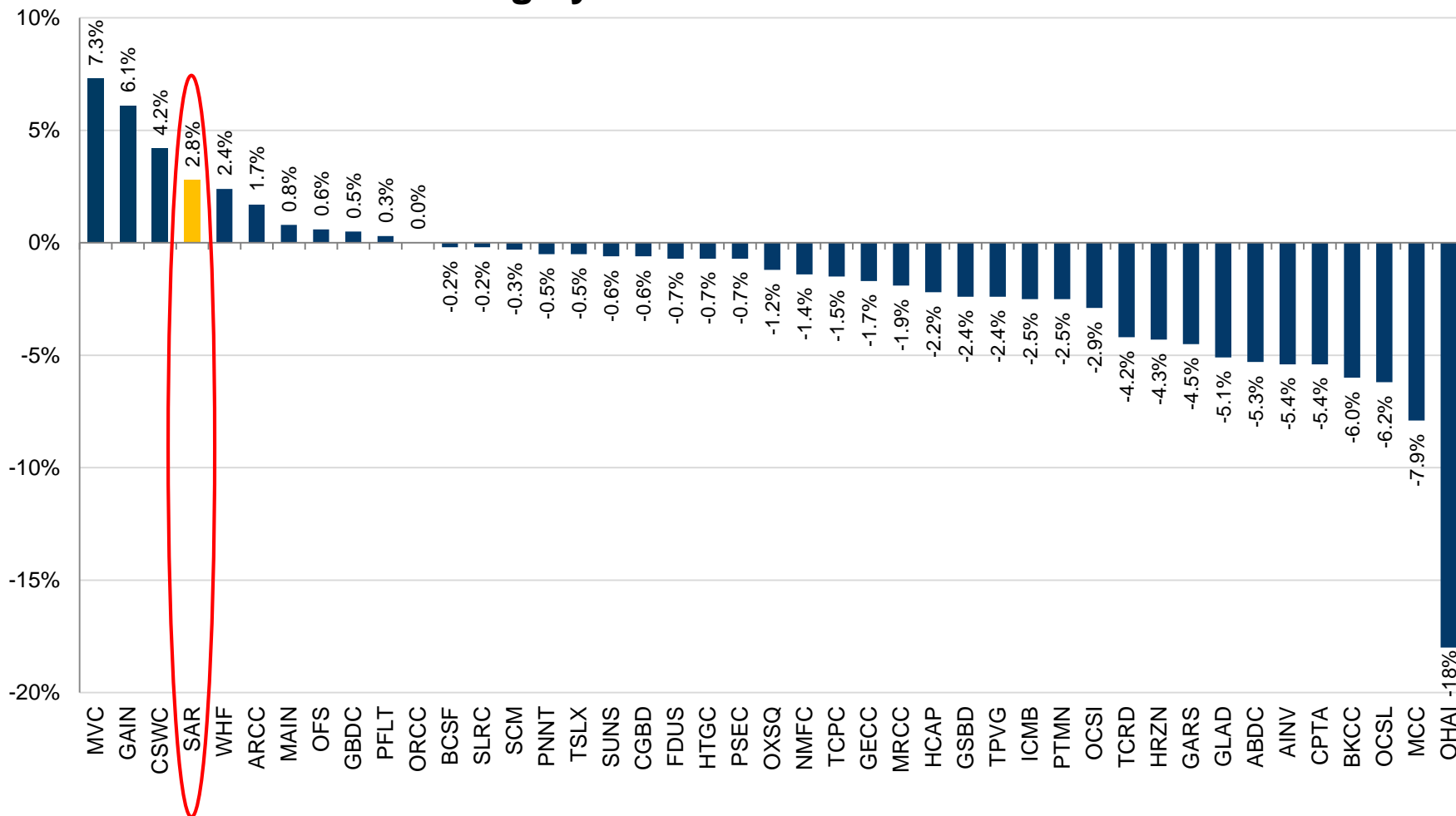
Cumulative net realized gains reflect portfolio credit quality



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

Strong Net Realized Gains Flow from Disciplined Underwriting

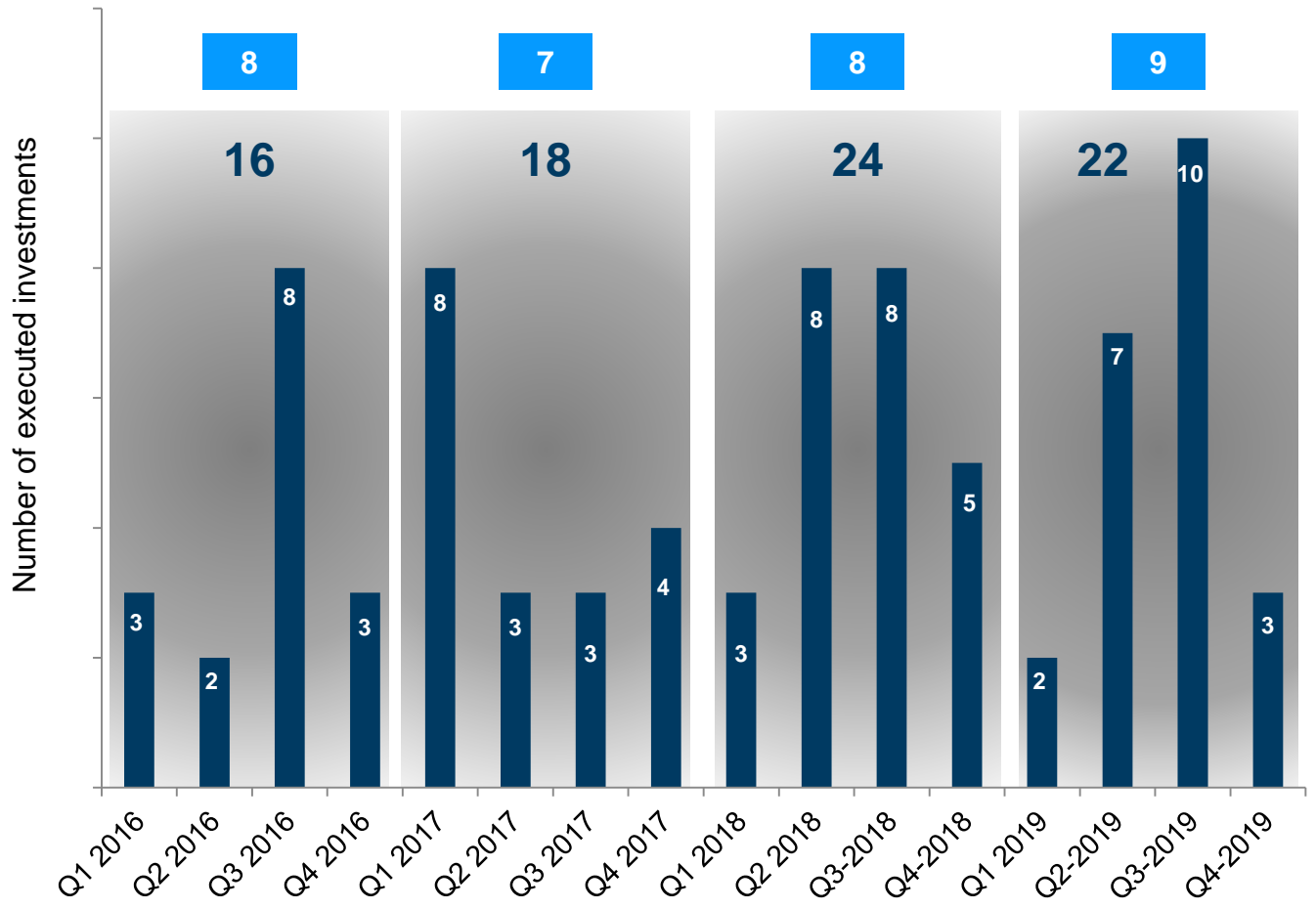
Ranking by Net Realized Gains Last 3 Years



Source: Ladenburg Thalmann report as of 12/16/2019, adjusted for Q3FY20 Saratoga results
 Calculated as realized gains as proportion of average cost

SAR Debt Multiples/Deals Closed (2016-2019)

Total Portfolio Leverage is 4.86x¹



New Portfolio Companies

Multiples for SAR deals at low end of YTD industry average of 5.4x

*Calendar quarters, not fiscal

¹Excludes fifteen loans underwritten using recurring revenue metrics

■ SAR Deals Closed

Robust and Growing Pipeline During Tough Execution Market

The number of new business opportunities remains strong, yet we remain as disciplined as ever.

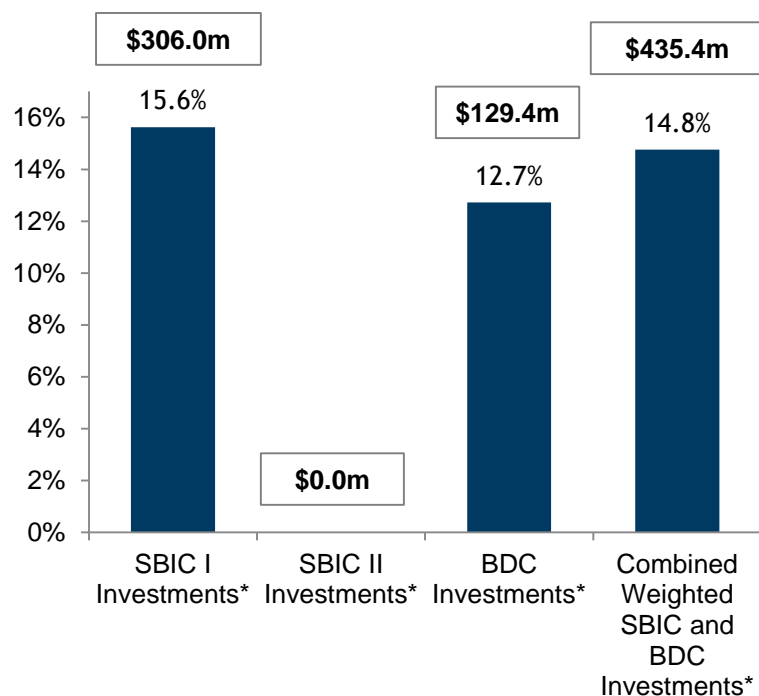
Calendar*	2016	Δ	2017	Δ	2018	Δ	2019	
Deals Sourced	645	28%	722	17%	846	2%	863	<ul style="list-style-type: none"> 60% of deal flow from private equity sponsors 40% of deals from private companies without institutional ownership Saratoga maintains investment discipline which is demonstrated by passing on ~60 deals a year that other firms close
Term Sheets	48	2%	49	49%	73	5%	77	<ul style="list-style-type: none"> Saratoga issues an average of 20 term sheets per quarter, or 9% of deals reviewed ~ 90% of term sheets are issued for transactions involving a private equity sponsor
Deals Executed (new and follow-on)	16	13%	18	33%	24	-8%	22	<ul style="list-style-type: none"> Saratoga closes an average of 6 new deals or follow-ons per quarter, ~3% of deals reviewed
New portfolio companies	8		7		8		9	<ul style="list-style-type: none"> Nine new portfolio companies during 2019

*Calendar quarters, not fiscal quarters.

Demonstrated Strong Track Record

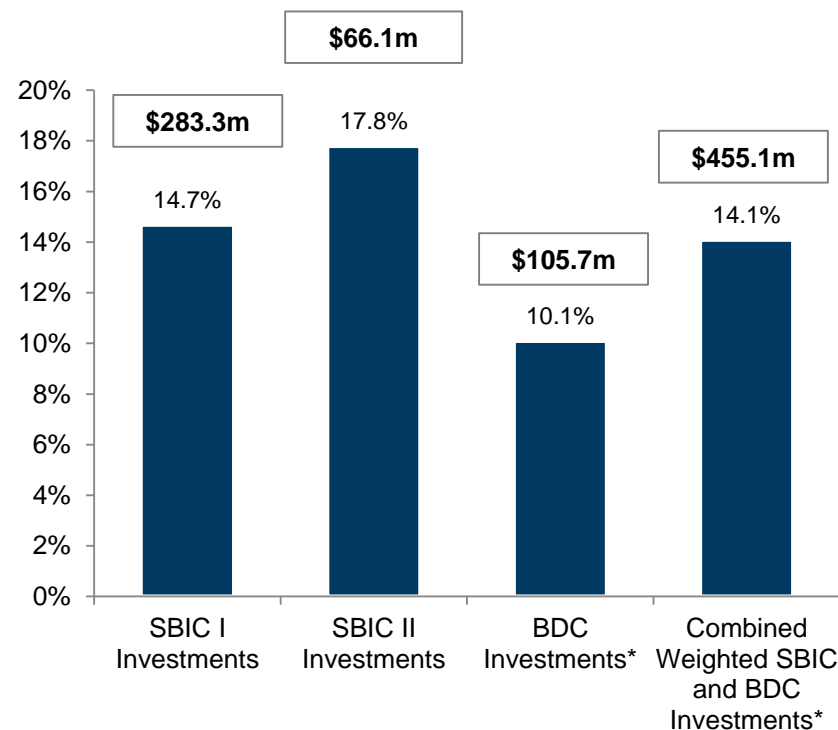
Realized Investments

(Gross Unlevered IRR%)



Unrealized Investments ¹

(Gross Unlevered IRR%)

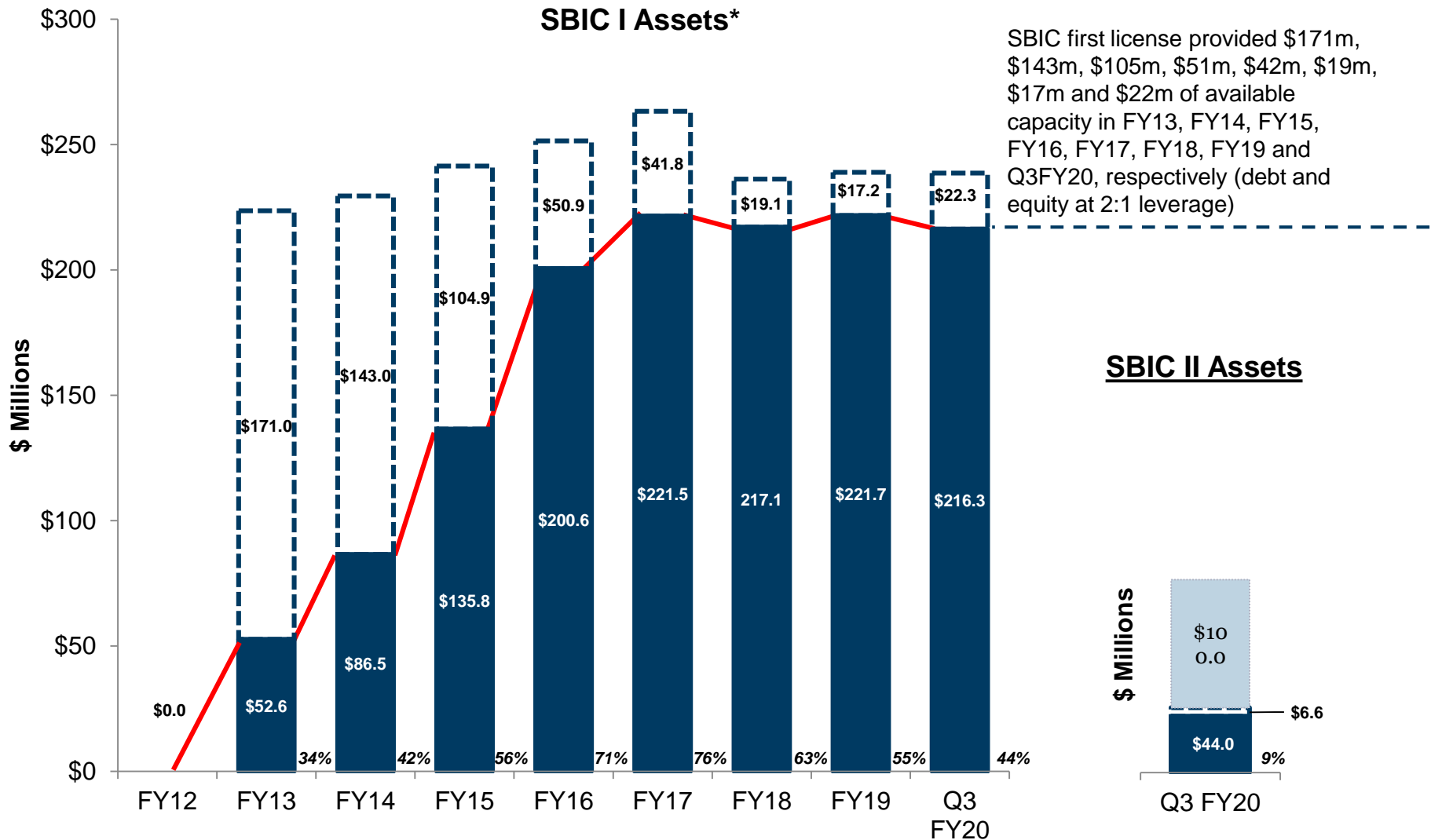


Track Records as of 11/30/19

¹ IRRs for unrealized investments include fair value and accrued interest as of 11/30/19

* SBIC I and SBIC II investments represent all investments in the specific funds. BDC investments exclude investments existing when Saratoga management took over, and corporate financing investments.

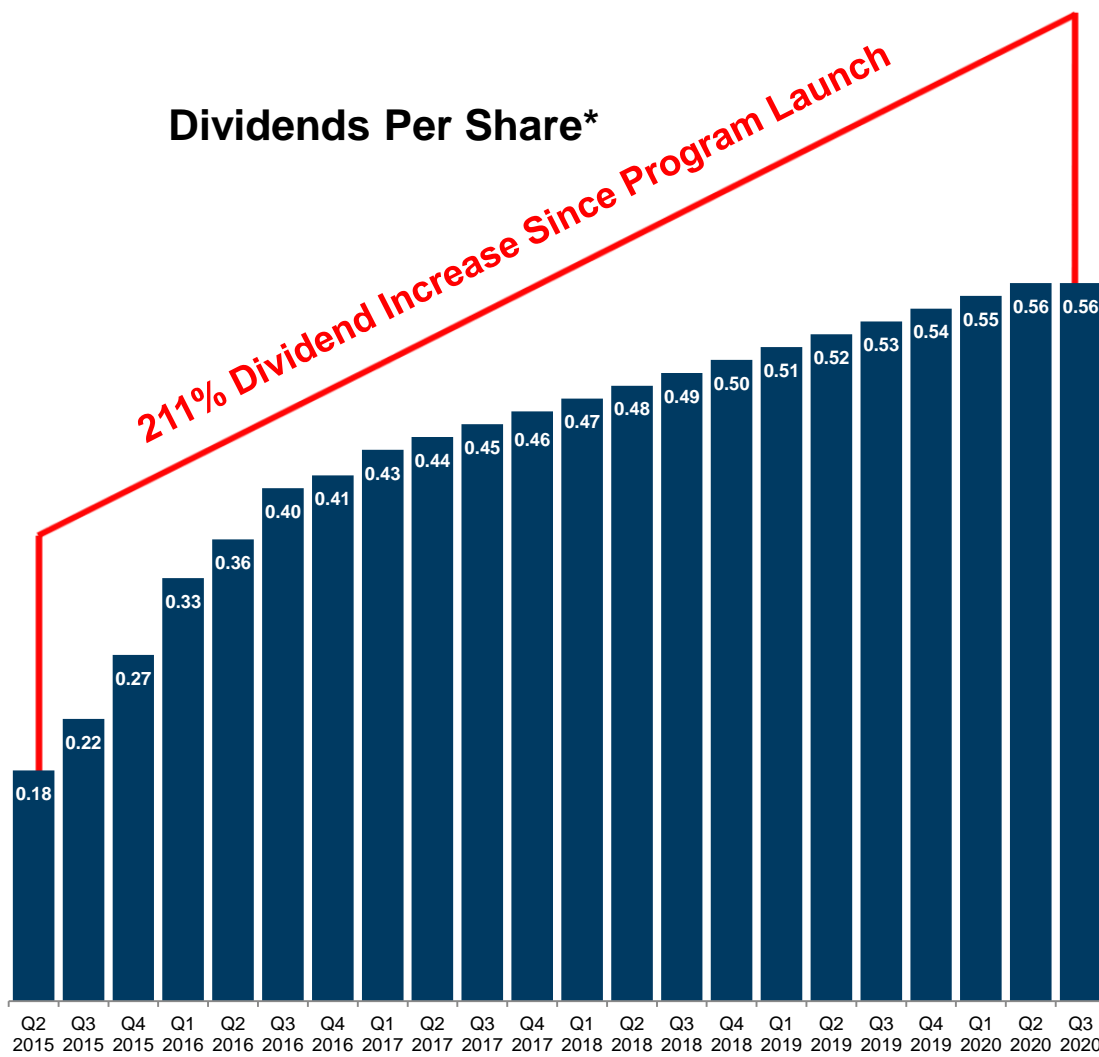
SBIC I Fully Funded - SBIC II Mostly Available



* At Fair Value as of November 30, 2019 for SBIC I and II Fund

Strong Long-Term Dividend Growth

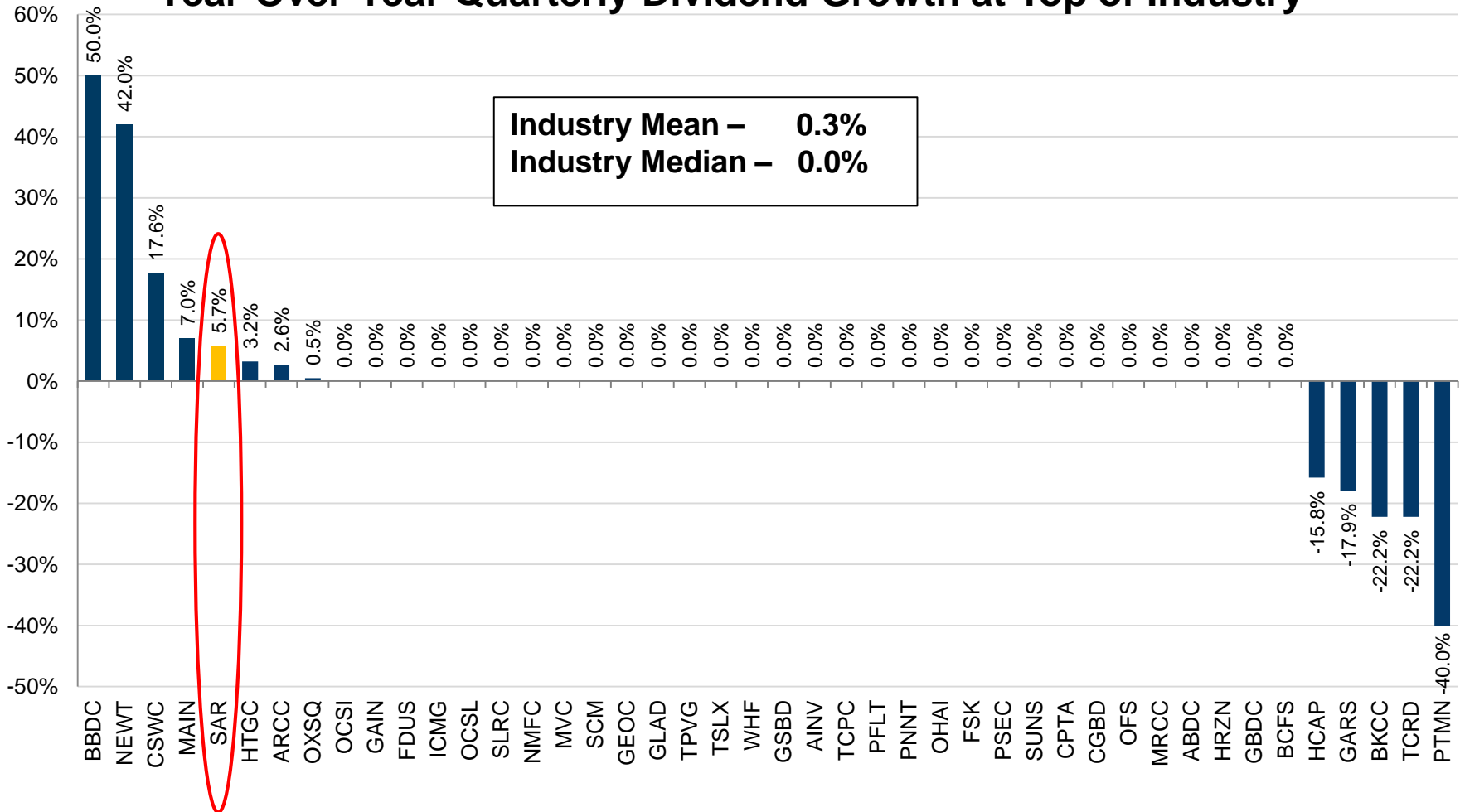
- Established dividend policy to pay regular quarterly cash dividends to stockholders pursuant to dividend reinvestment plan (“DRIP”)
- Increased dividend by 211% since program launch
- Declared Q3 FY20 dividend of \$0.56 per share
 - Five years of dividend growth



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

Saratoga Growing Dividends the Past Five Years

Year-Over-Year Quarterly Dividend Growth at Top of Industry

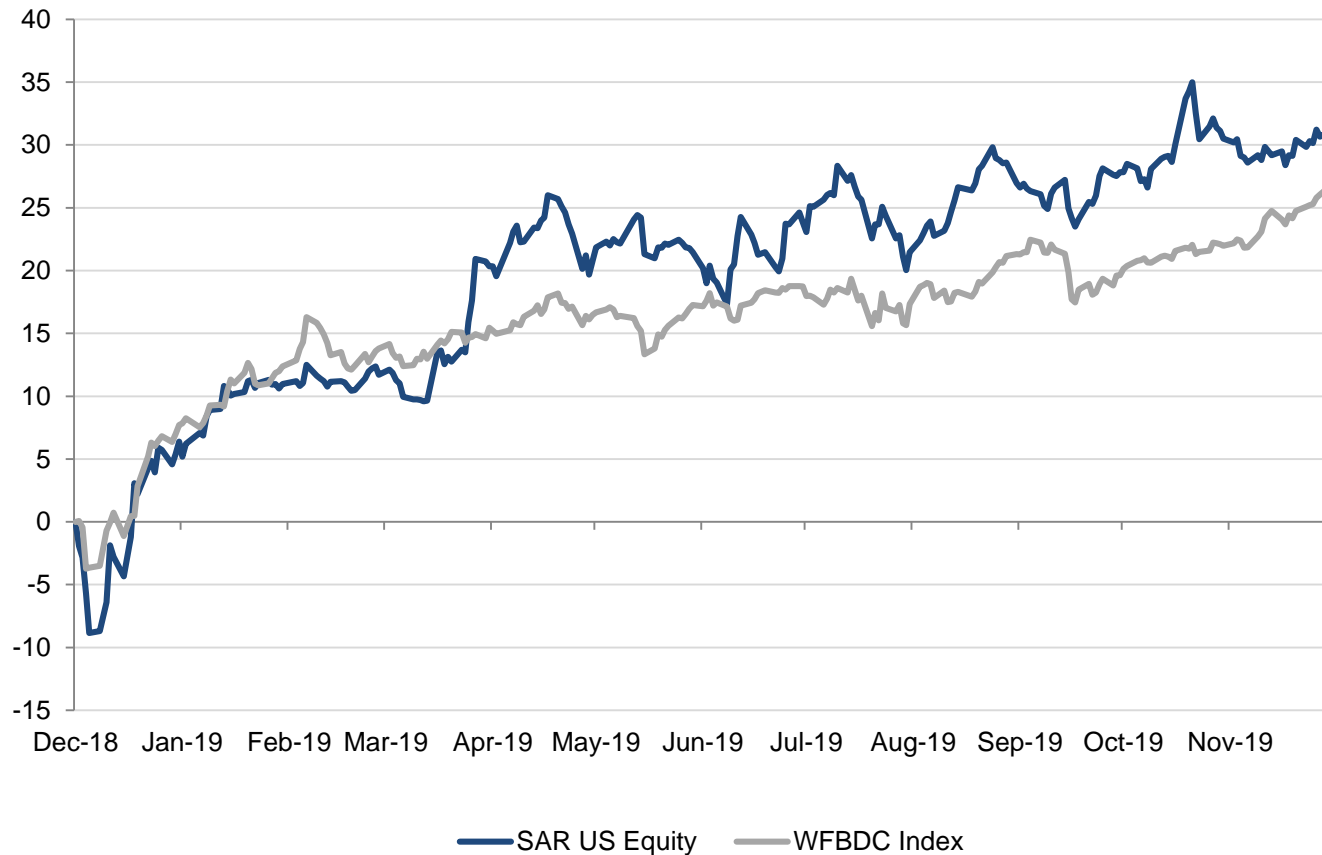


Source: Raymond James report as of 12/13/2019

SAR LTM Total Return Outperforms BDC Index

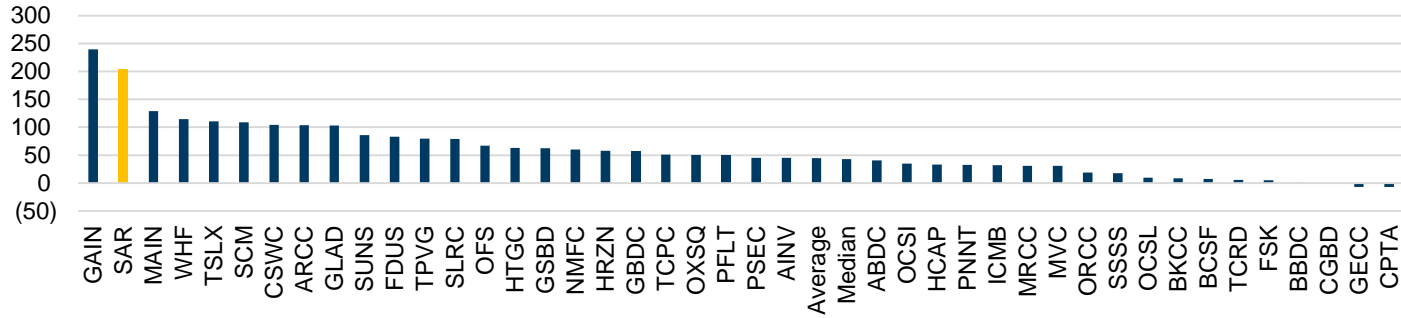
LTM Total Return (%)
(December 2018 to December 2019)

SAR +31% v BDC Index +27%

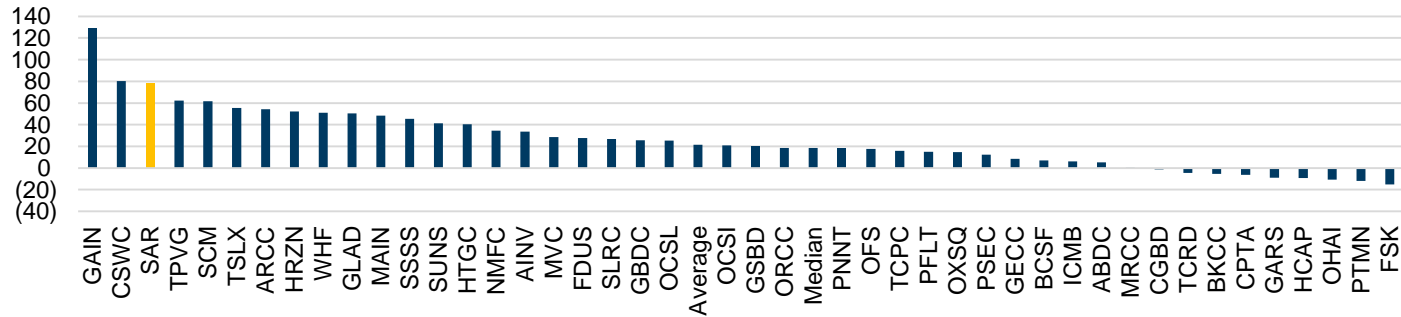


Performance at Top of BDC Industry

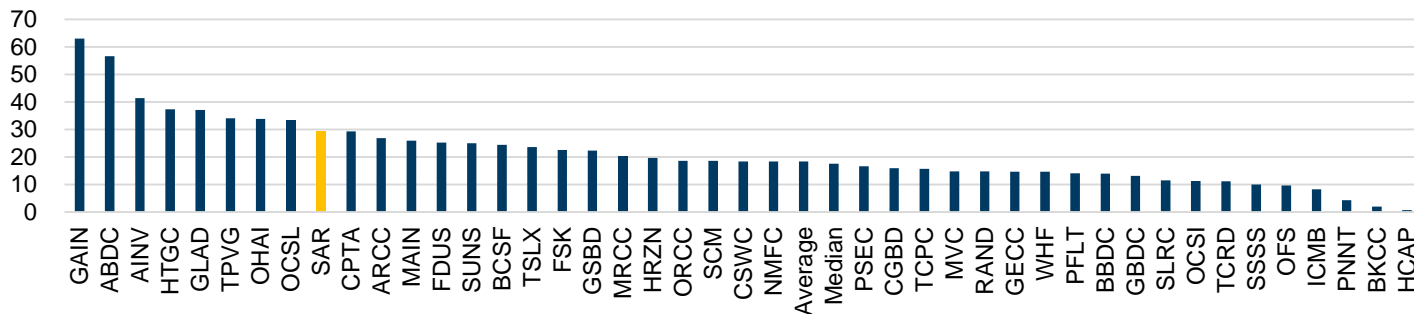
BDC Total Return (%)



**Last 5 years:
203%**

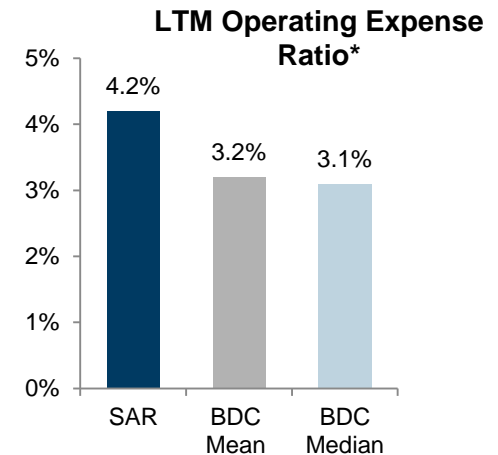
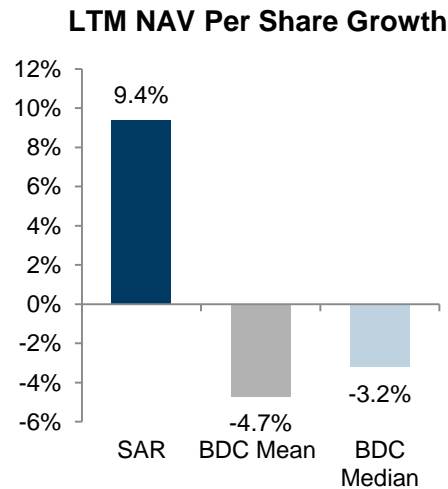
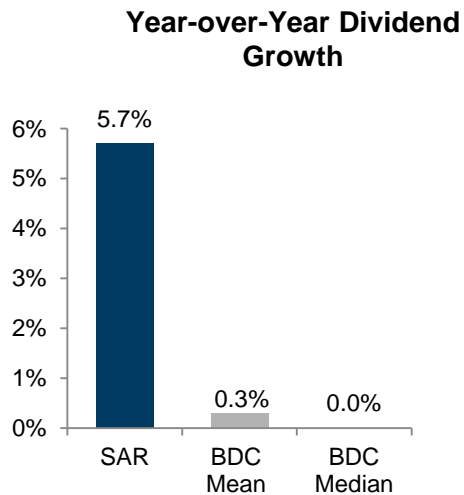
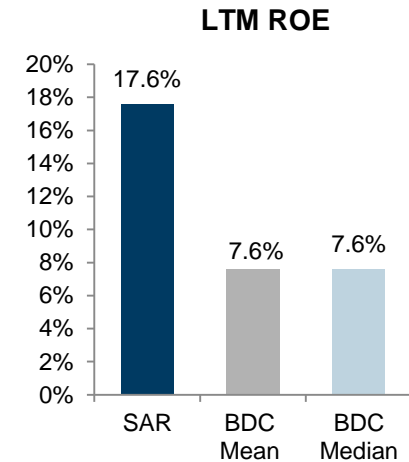
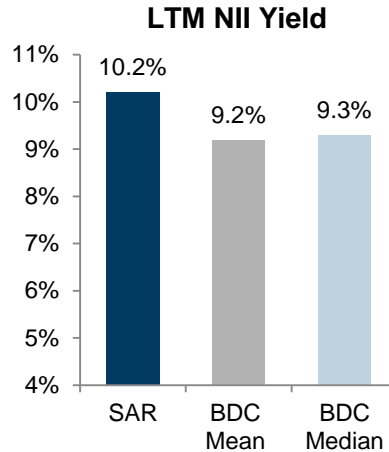
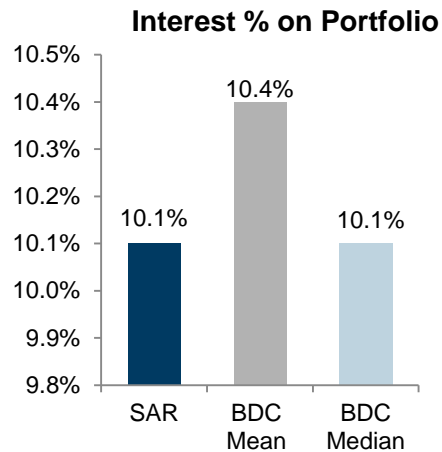


**Last 3 years:
78%**



**Last 12 months:
31%**

Strongly Differentiated Outperformance



Source: SNL Financial / Company Filings / Raymond James report as of 12/13/19

* LTM Operating Expense Ratio defined as total operating expenses, net of interest and debt financing expenses, divided by average total assets. Total operating expenses divided by net assets is 17.4%.

Establishing Competitive Edge vs. Other BDCs

Outstanding performance characteristics

- ▶ **Strong and growing dividend**
Paying a current dividend yield of approx. 9.0%; increased quarterly dividend by 211% since program launched; significant management ownership of 14%
- ▶ **Strong return on equity**
LTM ROE of 17.6% factors in both investment income and net gains/losses – generated while growing NAV by \$109 million (63%) and NAV per share by \$2.17 (9%) the past twelve months
- ▶ **Low-cost available liquidity**
Borrowing capacity still at hand through SBIC II debentures, credit facility and cash – can grow current asset base by 52% as of quarter ended November 30, 2019 (adjusted for baby bond repayment)
- ▶ **Solid earnings per share and NII Yield**
Attractive NII per share generated from strong risk-adjusted portfolio returns and favorable capital structure
- ▶ **Commitment to AUM expansion**
Assets under management has grown steadily 509% since FY 2011, 21% in past year.
- ▶ **Well-positioned for changes interest rates**
Approx. 86% of our investments have floating interest rates. Debt primarily at fixed rates and long-term, with additional \$40.0m 7-year baby bond issued in Q3FY19 and \$20.0m 7-year baby bond follow-on in Q4FY19. Obtained “BBB” investment grade rating. Floors of new investments reset at generally higher levels than current market rates.
- ▶ **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**
SAR and SBIC leverage is below market averages, 99% of credits are the highest quality, 62% 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 available financing to build scale and increase our AUM and net investment income/yield, enabling us to achieve growth in:
 - Net Asset Value
 - Return on Equity
 - Earnings per Share
 - Stock Values

Questions?



SARATOGA
INVESTMENT CORP.



SARATOGA
INVESTMENT CORP.

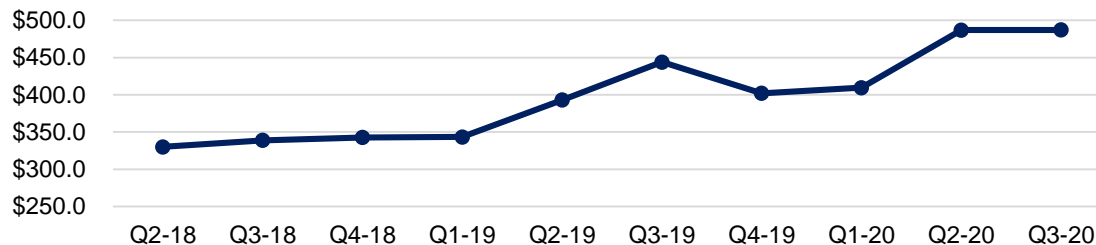
KPIs – Balance Sheet – Q3 FY20

Period	FMV Investment Portfolio (in millions)
Q2-18	\$ 330.0
Q3-18	\$ 338.8
Q4-18	\$ 342.7
Q1-19	\$ 343.4
Q2-19	\$ 392.9
Q3-19	\$ 443.8
Q4-19	\$ 402.0
Q1-20	\$ 409.5
Q2-20	\$ 486.9
Q3-20	\$ 487.0

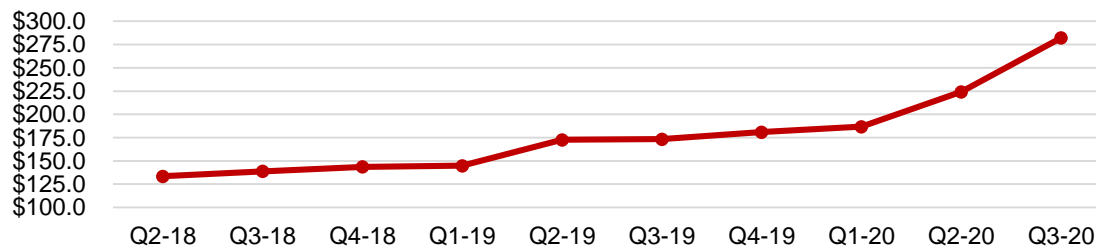
Period	NAV (in millions)
Q2-18	\$ 133.5
Q3-18	\$ 138.8
Q4-18	\$ 143.7
Q1-19	\$ 144.8
Q2-19	\$ 172.7
Q3-19	\$ 173.3
Q4-19	\$ 180.9
Q1-20	\$ 186.8
Q2-20	\$ 224.3
Q3-20	\$ 282.2

Period	NAV Per Share
Q2-18	\$ 22.4
Q3-18	\$ 22.6
Q4-18	\$ 23.0
Q1-19	\$ 23.1
Q2-19	\$ 23.2
Q3-19	\$ 23.1
Q4-19	\$ 23.6
Q1-20	\$ 24.1
Q2-20	\$ 24.5
Q3-20	\$ 25.3

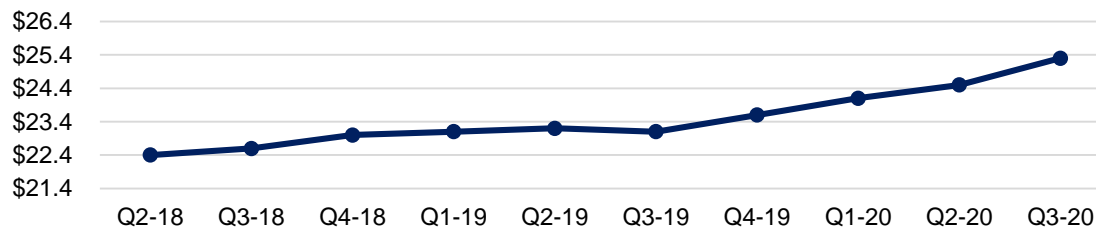
FMV Investment Portfolio (in millions)



NAV (in millions)



NAV Per Share



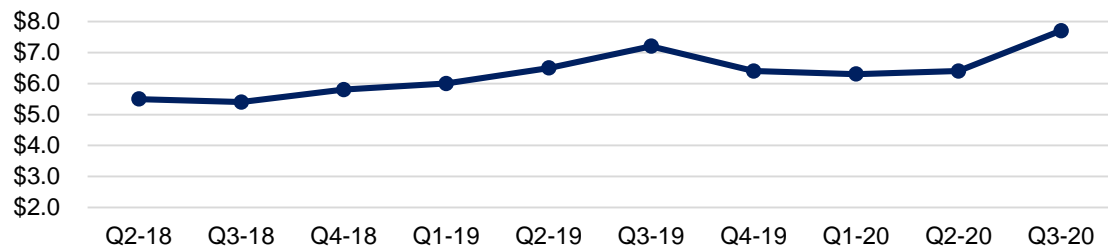
KPIs – Income Statement – Q3 FY20

Period	Net Interest Margin (in millions)
Q2-18	\$ 5.5
Q3-18	\$ 5.4
Q4-18	\$ 5.8
Q1-19	\$ 6.0
Q2-19	\$ 6.5
Q3-19	\$ 7.2
Q4-19	\$ 6.4
Q1-20	\$ 6.3
Q2-20	\$ 6.4
Q3-20	\$ 7.7

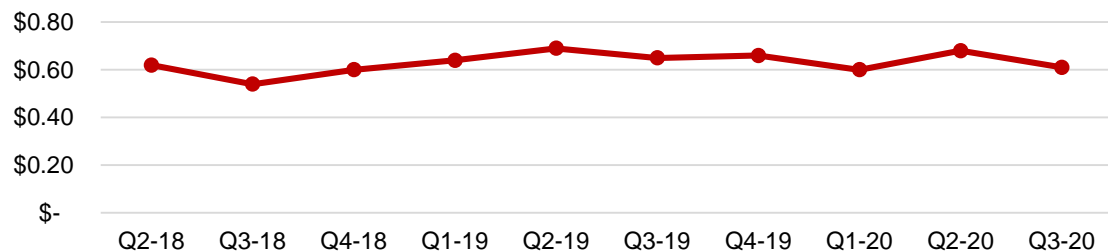
Period	NII Per Share
Q2-18	\$ 0.62
Q3-18	\$ 0.54
Q4-18	\$ 0.60
Q1-19	\$ 0.64
Q2-19	\$ 0.69
Q3-19	\$ 0.65
Q4-19	\$ 0.66
Q1-20	\$ 0.60
Q2-20	\$ 0.68
Q3-20	\$ 0.61

Period	NII Yield
Q2-18	11.3%
Q3-18	9.6%
Q4-18	10.7%
Q1-19	11.1%
Q2-19	11.9%
Q3-19	11.2%
Q4-19	11.2%
Q1-20	10.1%
Q2-20	11.0%
Q3-20	9.7%

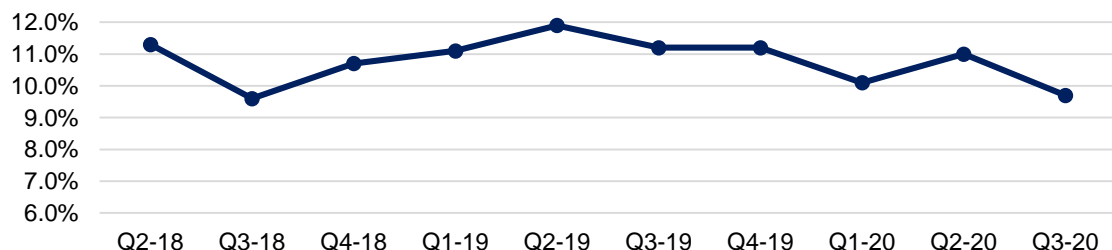
Net Interest Margin Excluding CLO (in millions)



NII Per Share

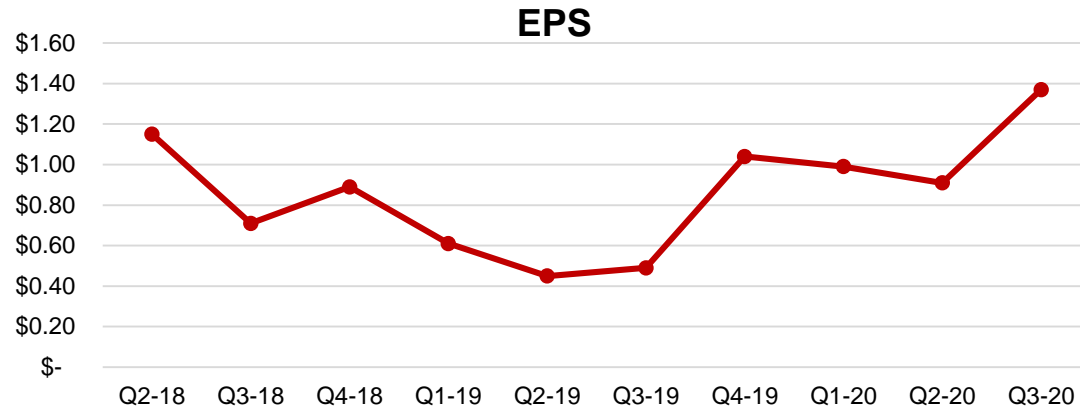


NII Yield

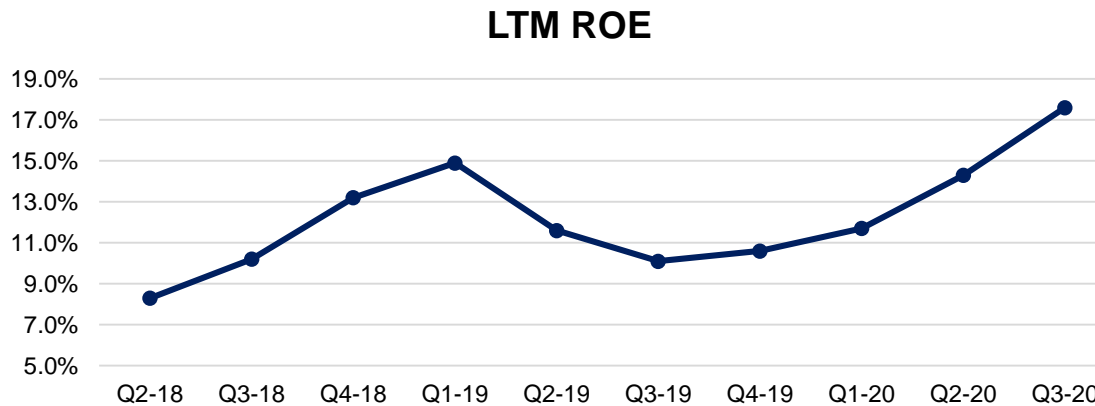


KPIs –Income Statement– Q3 FY20 (continued)

Period	EPS
Q2-18	\$ 1.15
Q3-18	\$ 0.71
Q4-18	\$ 0.89
Q1-19	\$ 0.61
Q2-19	\$ 0.45
Q3-19	\$ 0.49
Q4-19	\$ 1.04
Q1-20	\$ 0.99
Q2-20	\$ 0.91
Q3-20	\$ 1.37

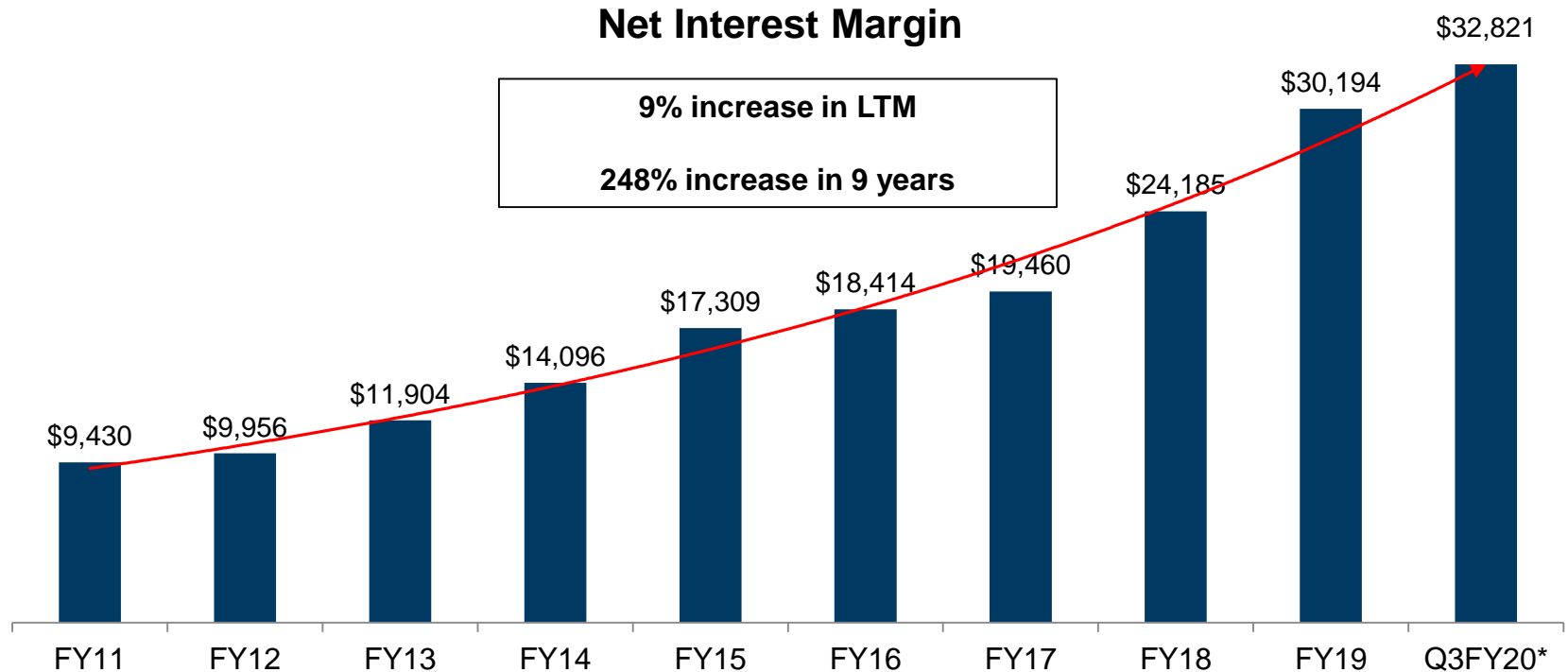


Period	LTM ROE
Q2-18	8.3%
Q3-18	10.2%
Q4-18	13.2%
Q1-19	14.9%
Q2-19	11.6%
Q3-19	10.1%
Q4-19	10.6%
Q1-20	11.7%
Q2-20	14.3%
Q3-20	17.6%



KPIs - SAR Net Interest Margin

SAR has more than tripled its Net Interest Margin since taking over management



* Calculated as annualization of YTD FY20