

Saratoga Investment Corp.

**Fiscal Second Quarter 2020
Shareholder Presentation**

October 10, 2019



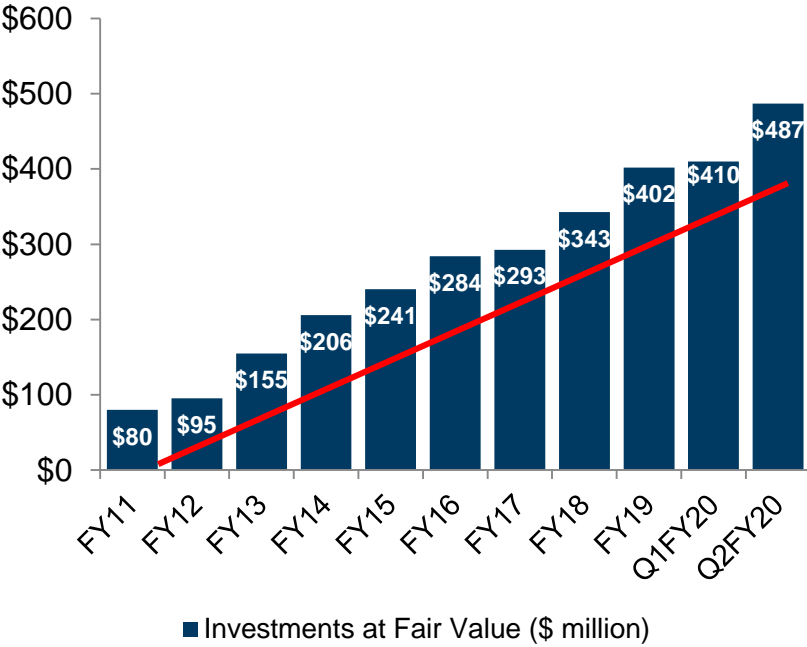
Continued Growth and Outperformance in Q2 FY20

Fiscal Second Quarter 2020 Highlights:

- Second SBIC license approval provides up to \$175 million in additional long-term, low-cost capital
- Continued high quality portfolio and strong performance
 - Investment quality remains strong
 - 99.0% of loan investments with highest internal rating
 - Return on equity of 14.3% for LTM and 14.7% for Q2, beating BDC industry mean of 8.7%
 - Realized and unrealized net gain of \$2.6 million in Q2 on overall portfolio
 - Gross Unlevered IRR of 13.5% on total unrealized portfolio as of August 31, 2019
 - Gross Unlevered IRR of 14.0% on \$393 million of total realizations
- Consistent strong long-term originations contribute to growing assets under management
 - AUM up 24% since last year and up 19% since last quarter
 - Originations in four new portfolio platforms in Q2, plus two since quarter-end and eight YTD
- Latest dividend of \$0.56 per share continued twentieth increase in quarterly dividends
- Base of liquidity and capital increased and strengthened in Q2
 - ATM equity program – sold 1,371,666 shares in Q2 for gross proceeds of \$34.1 million
 - Existing end-of-Q2 available liquidity including SBIC II allows us to increase current AUM by 50%
- Key performance indicators of Q2 strong versus last year
 - Adjusted NII of \$5.6 million is up 18%, Adjusted NII per share of 68c is down 1c and NAV per share of \$24.47 is up \$1.31, or 5.7%

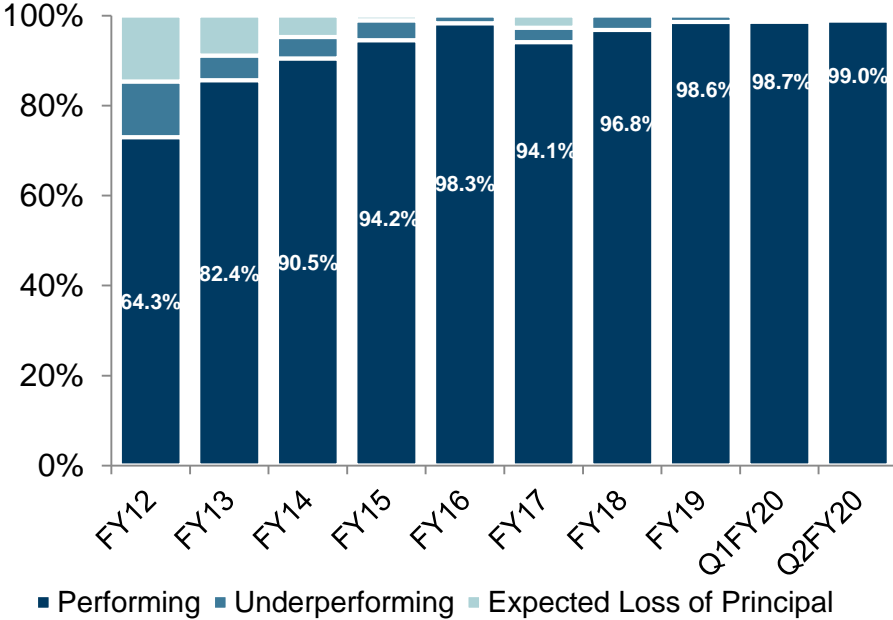
Continued Asset Growth and Strong Credit Quality

Asset Base Expansion Trend



Fair value of AUM increased 21% since year-end, 19% since last quarter and 24% year-over-year

Overall Credit Quality Remains Strong



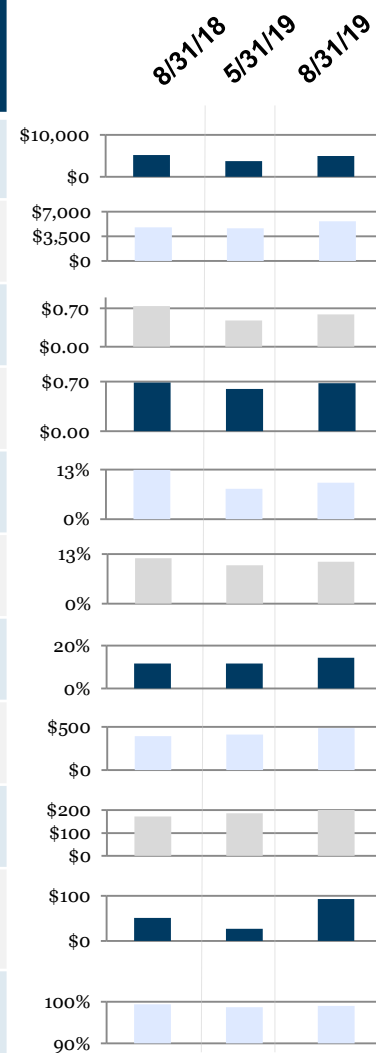
99% of our SAR loan investments hold our highest internal rating; three on non-accrual at quarter-end*

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

Q2 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)	Aug 31, 2018	May 31, 2019	Aug 31, 2019
Net investment income	\$5,144	\$3,681	\$4,956
Adjusted net investment income*	\$4,761	\$4,635	\$5,633
Net investment income per share	\$0.74	\$0.48	\$0.59
Adjusted net investment income per share*	\$0.69	\$0.60	\$0.68
Net investment income yield	12.9%	8.0%	9.6%
Adjusted net investment income yield*	11.9%	10.1%	11.0%
Return on Equity – Last Twelve Months	11.6%	11.7%	14.3%
Fair value of investment portfolio	\$392.9	\$409.5	\$486.9
Total net assets	\$172.7	\$186.8	\$224.3
Investments in new/existing portfolio companies	\$51.7	\$27.4	\$93.2
Loan Investments held in “Performing” credit ratings	99.4%	98.7%	99.0%

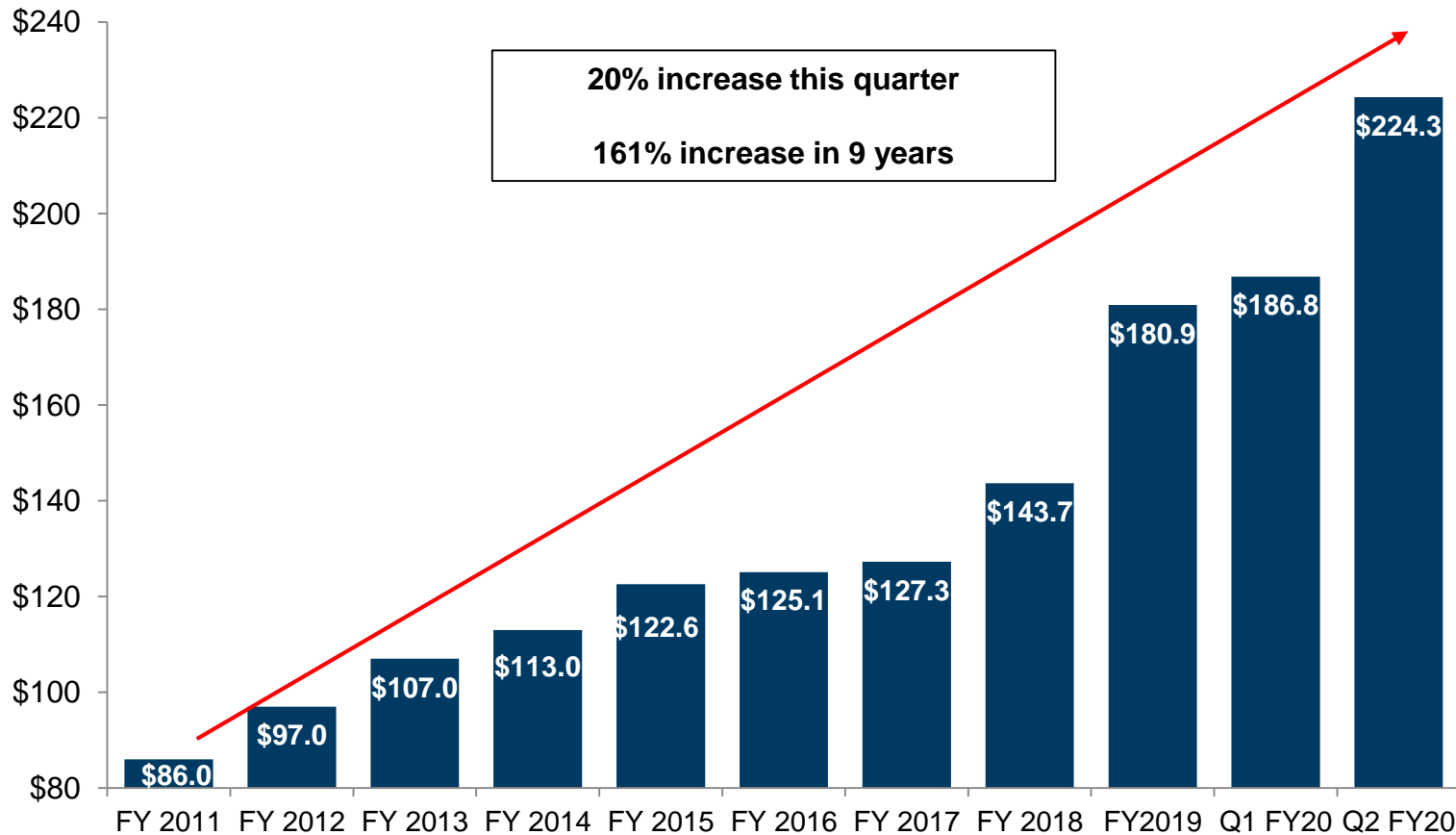


*Adjusted for accrued capital gains incentive fee expense, reconciliation to GAAP net investment income and net investment income per share included in our fiscal second quarter 2020 earnings release.

NAV Growth Continues Accretively

Net Asset Value (FY11 to FY20)

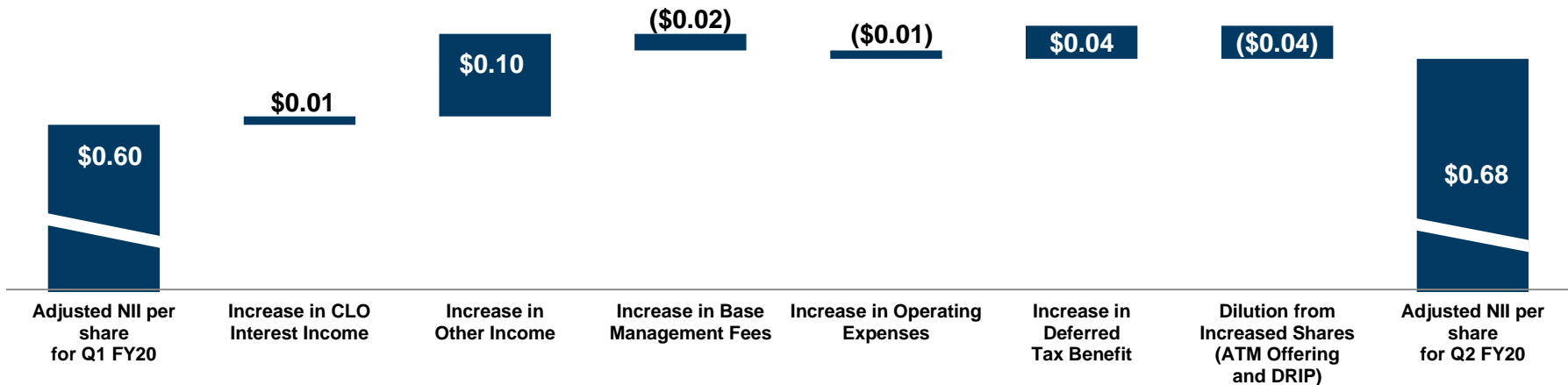
in millions



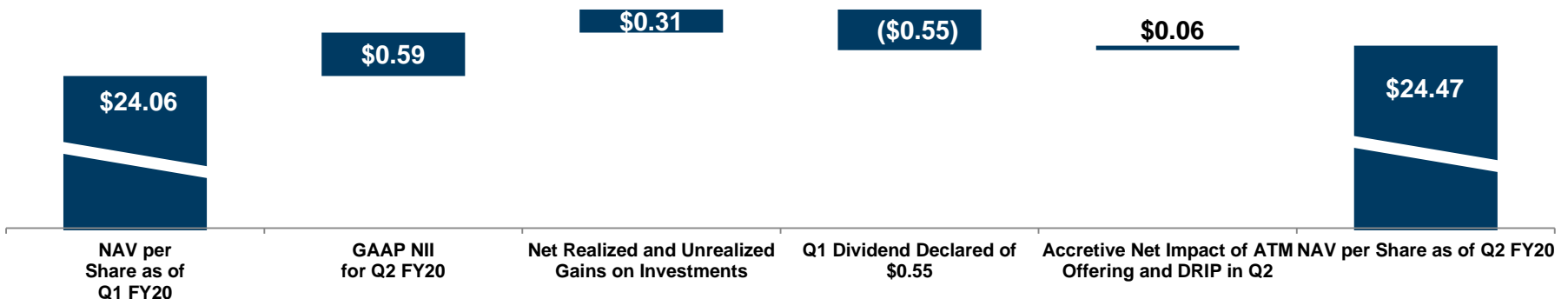
Quarterly Reconciliation of NII and NAV per Share

- Impacts are shown net of incentive fee

Reconciliation of Quarterly Adjusted NII per Share



Reconciliation of Quarterly NAV per Share



Dry Powder Remains Available

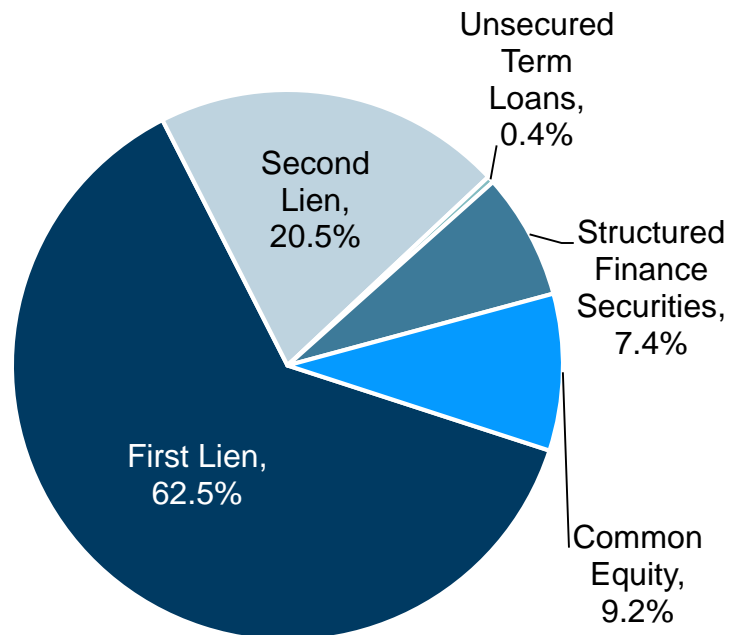
(As of Aug 31, 2019)		Total Borrowing Capacity	Outstanding	Available Liquidity	Remaining Maturity Period	Fixed / Floating Rate
Secured Revolving Credit Facility		\$45.0 million	\$0.0 million	\$45.0 million	6 Years	Floating
SBA Debentures	SBIC I	\$150.0 million	\$150.0 million	\$0.0 million	4-9 years	Fixed
	SBIC II	\$175.0 million	\$0.0 million	\$175.0 million	10 years	Fixed
Publicly-Traded Notes (at fair value)	SAB	76.7 million	76.7 million	\$0.0 million	4 Years	Fixed
	SAF	\$61.9 million	\$61.9 million	\$0.0 million	6 Years	Fixed
Cash and Cash Equivalents		\$24.1 million	\$0.0 million	\$24.1 million	-	-
Total Available Liquidity (at quarter-end):				\$ 244.1 million		

- Ability to grow AUM by 50% without any new external financing

Portfolio Composition and Yield

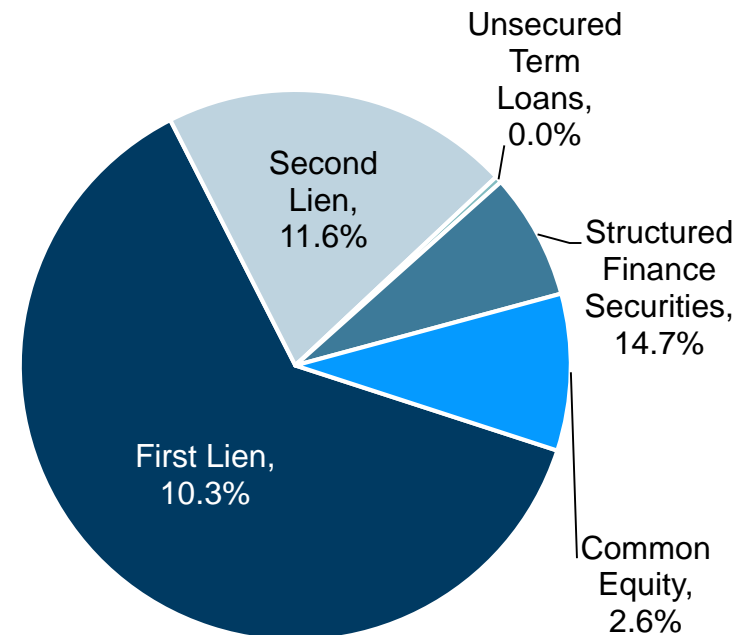
Portfolio Composition – \$486.9 m

(Based on Fair Values
as of Aug 31, 2019)



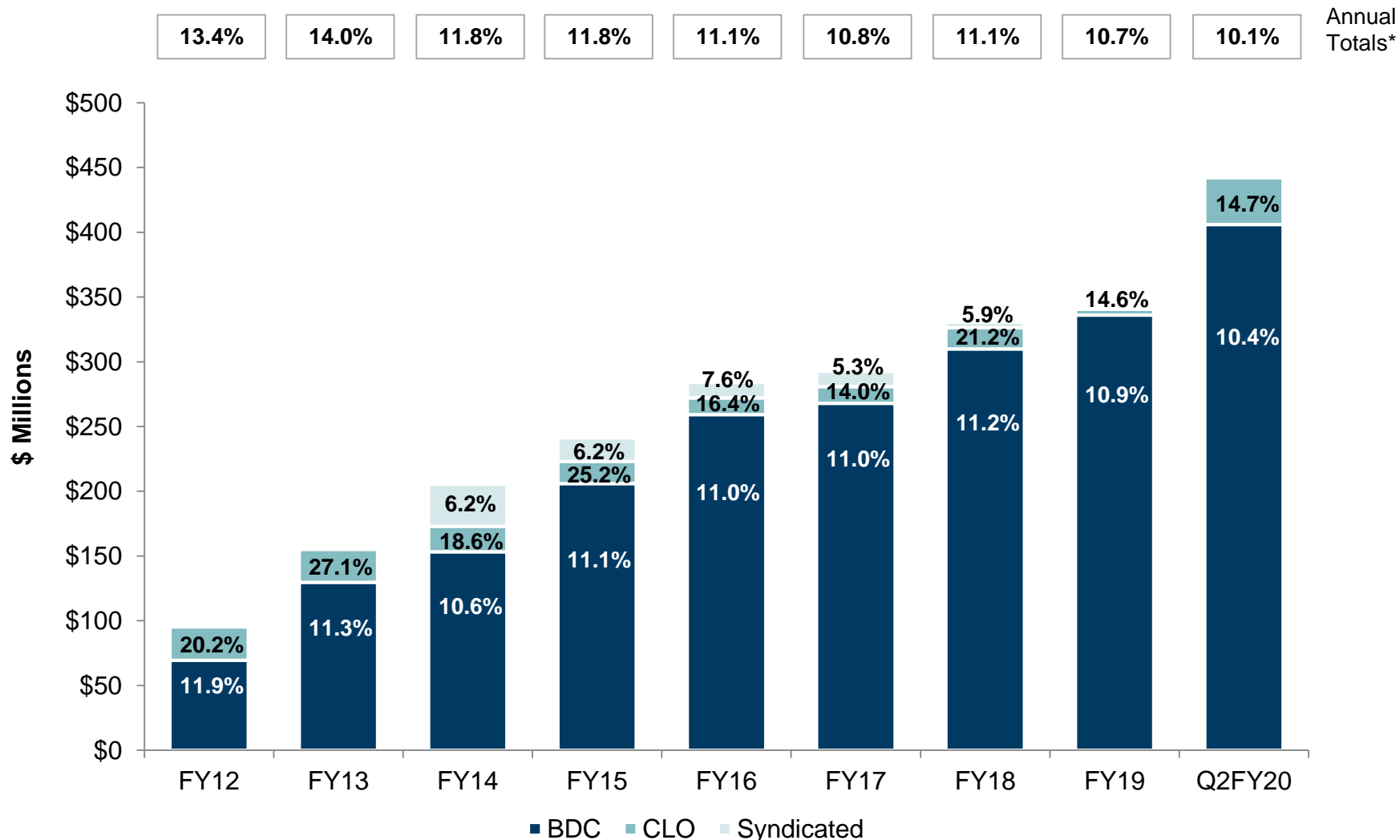
Portfolio Yield – 10.1%

(Weighted Average
Current Yield of Existing Portfolio)



Yield of BDC Remains Strong

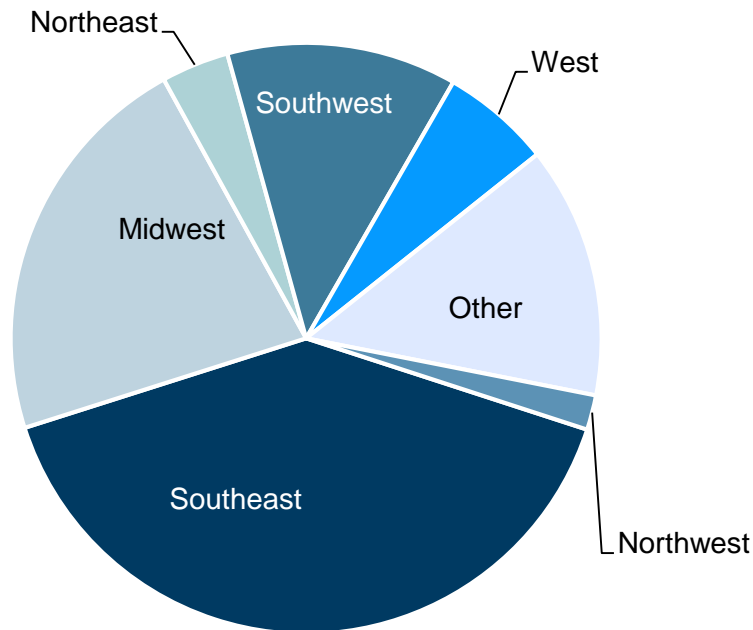
Weighted Average Current Yields



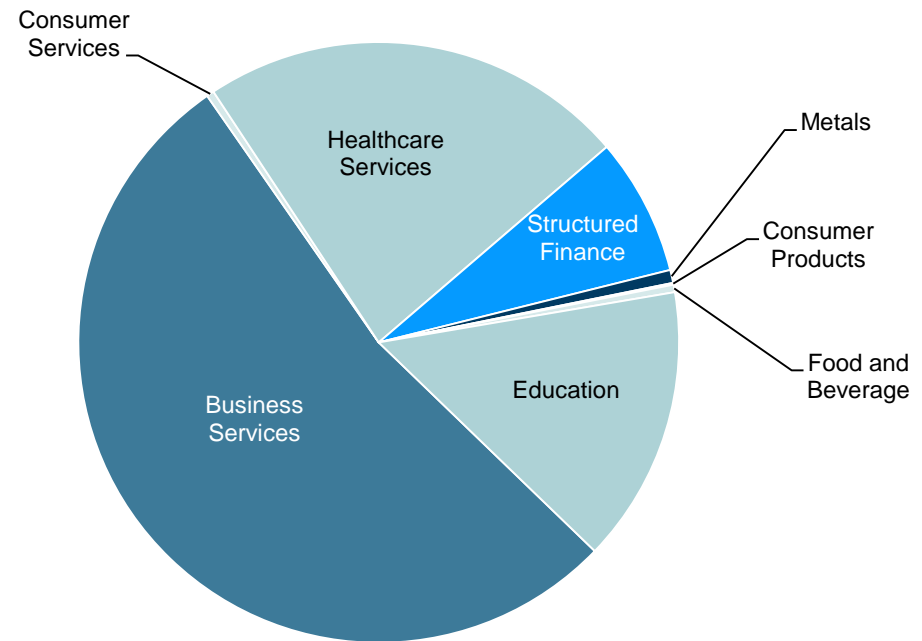
Annual total yields on full portfolio. BDC, CLO and Syndicated yields are annualized and calculated on fair value of interest earning assets.

Diversified Across Industry and Geography

Investments diversified geographically

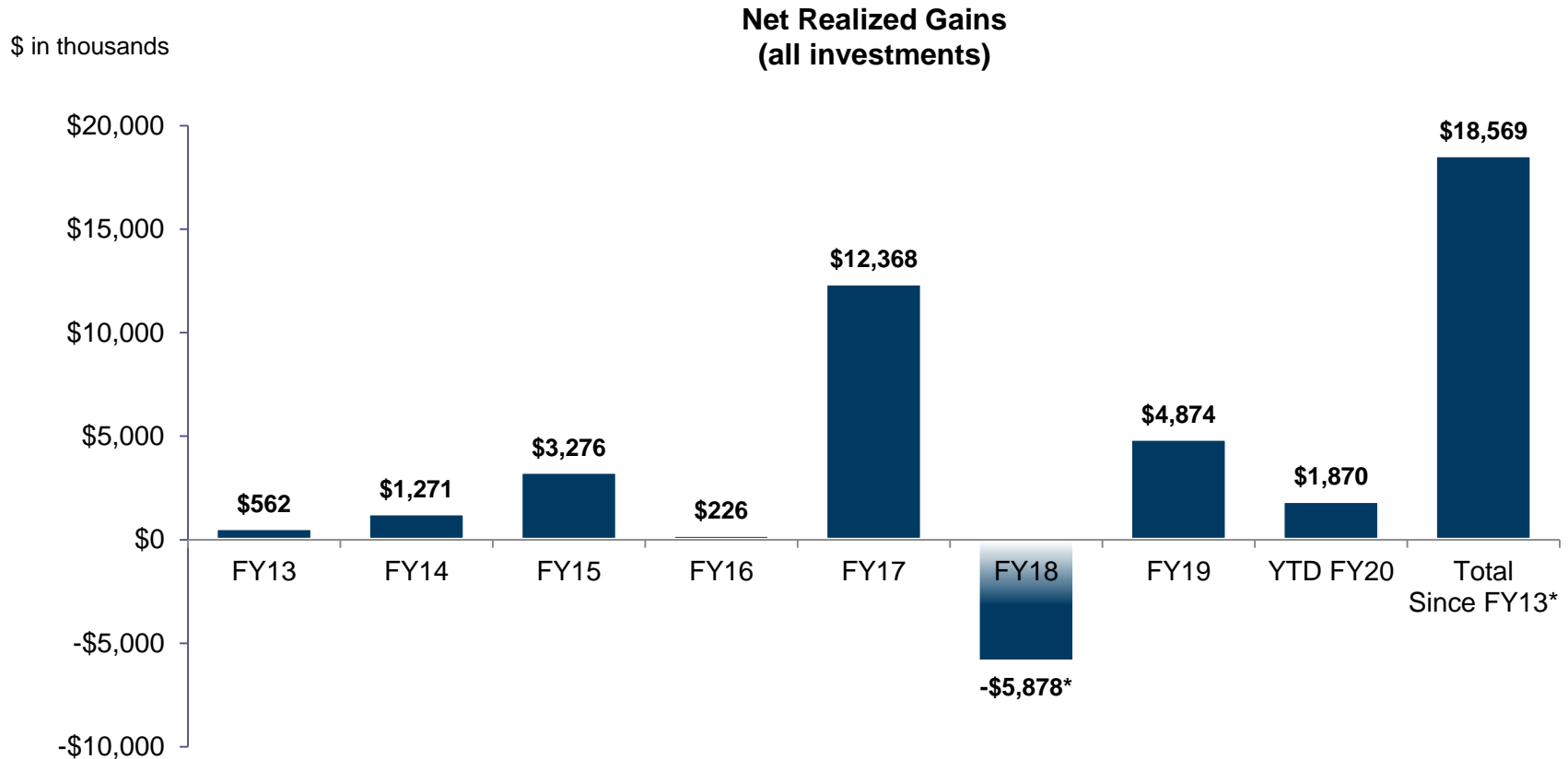


Investments across 8 distinct industries



Net Realized Gains Help Protect Shareholder Capital

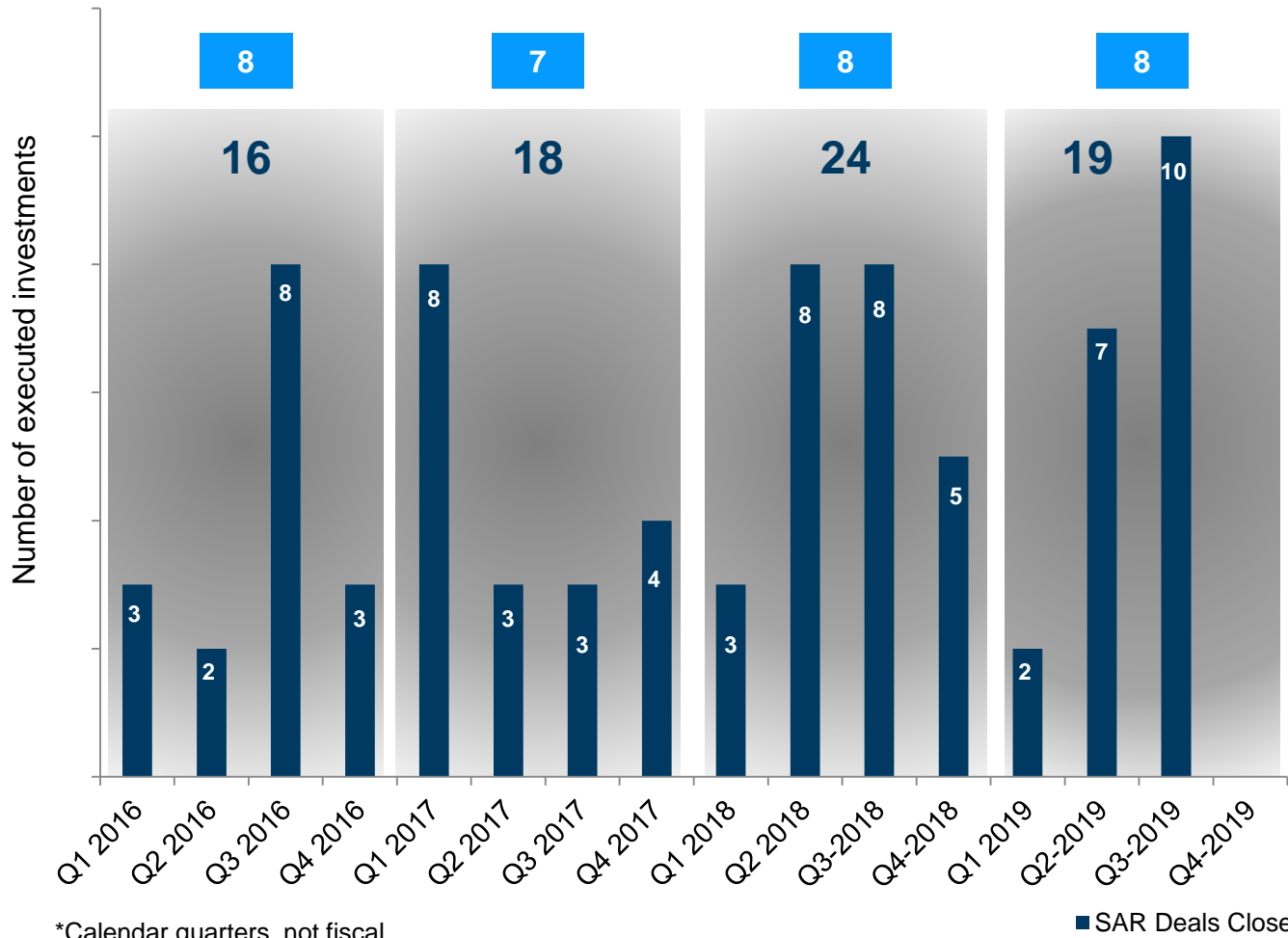
Cumulative net realized gains reflect portfolio credit quality



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

SAR Debt Multiples/Deals Closed (2016-2019)

Total Portfolio Leverage is 4.89x¹



New Portfolio Companies

Multiples for SAR deals at low end of YTD industry average of 5.6x

*Calendar quarters, not fiscal

¹Excludes fourteen loans underwritten using recurring revenue metrics, fair value of \$181.0 million as of Aug 31, 2019

■ 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.

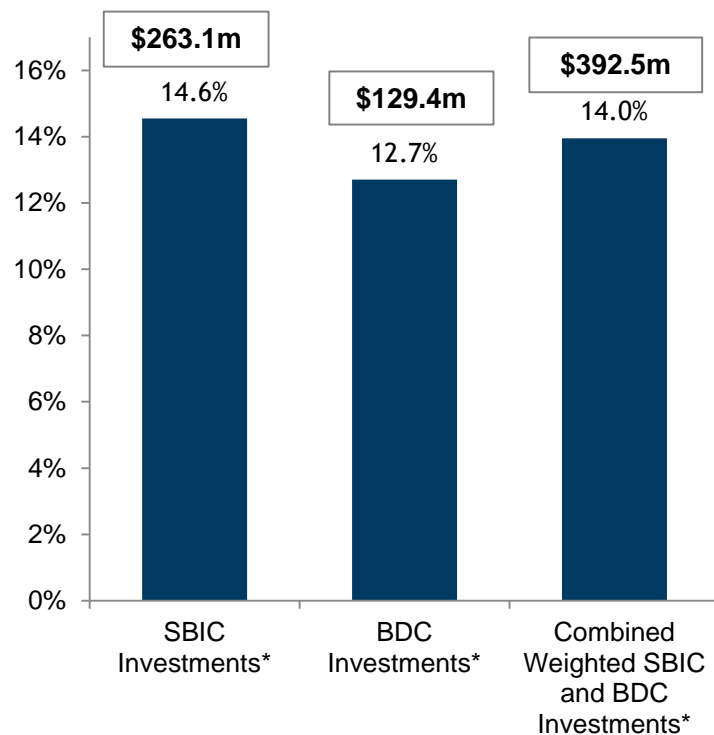
Calendar*	2016	Δ	2017	Δ	2018	Δ	LTM Q3 2019	
Deals Sourced	645	28%	722	17%	846	4%	878	<ul style="list-style-type: none"> • 50% of deal flow from private equity sponsors • 40% of deals from private companies without institutional ownership • Saratoga maintains investment discipline which is demonstrated by passing on ~70 deals a year that other firms close
Term Sheets	48	2%	49	49%	73	11%	81	<ul style="list-style-type: none"> • Saratoga issues an average of 20 term sheets per quarter, or 9% of deals reviewed • ~ 80% of term sheets are issued for transactions involving a private equity sponsor
Deals Executed (new and follow-on)	16	13%	18	33%	24	4%	25	<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		8	<ul style="list-style-type: none"> • Eight new portfolio companies in the past twelve months

*Calendar quarters, not fiscal quarters.

Demonstrated Strong Track Record

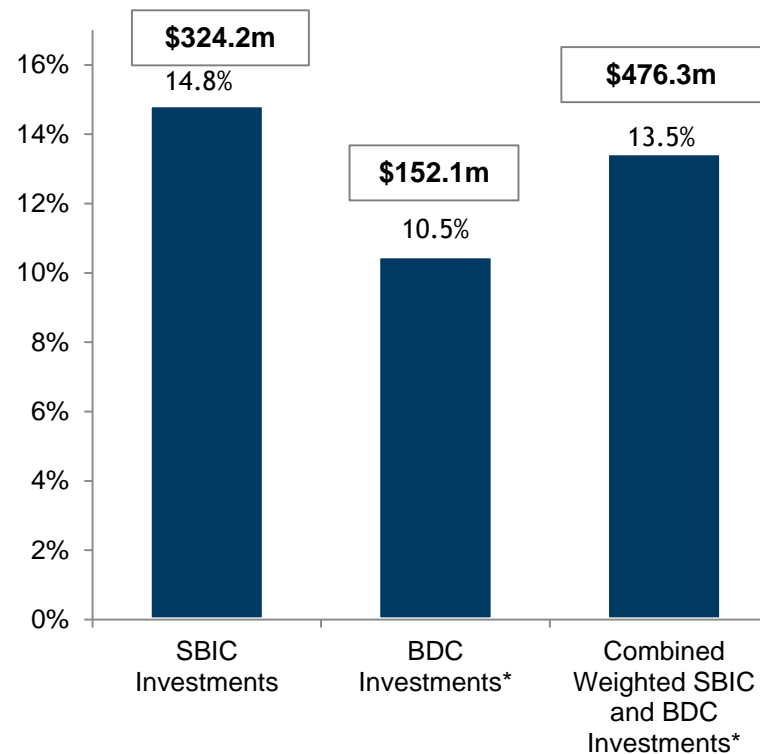
Realized Investments

(Gross Unlevered IRR%)



Unrealized Investments ¹

(Gross Unlevered IRR%)

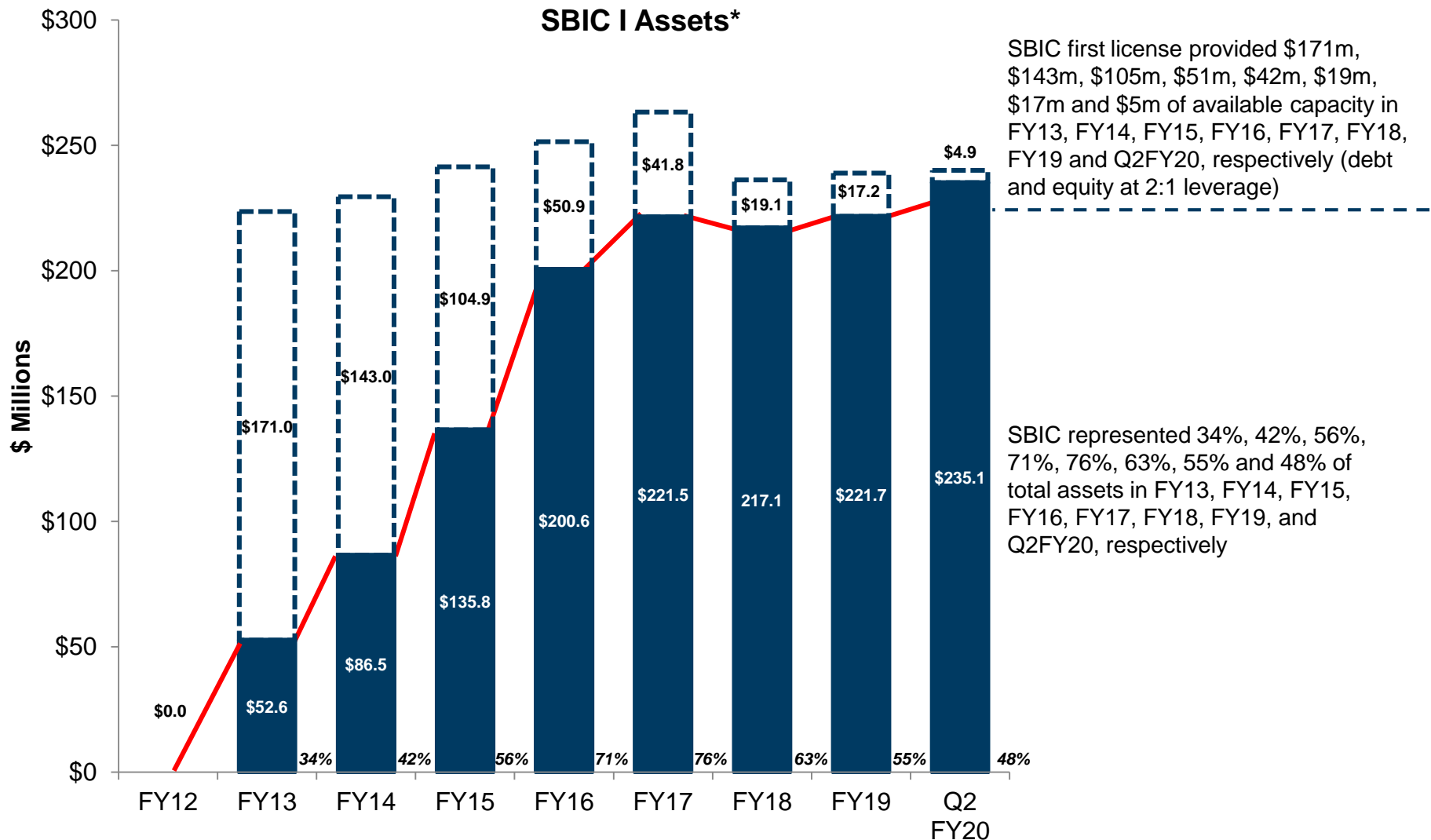


Track Records as of 8/31/19

¹ IRRs for unrealized investments include fair value and accrued interest as of 8/31/19

* SBIC investments represent all investments in the first license. BDC investments exclude investments existing when Saratoga management took over, and corporate financing investments.

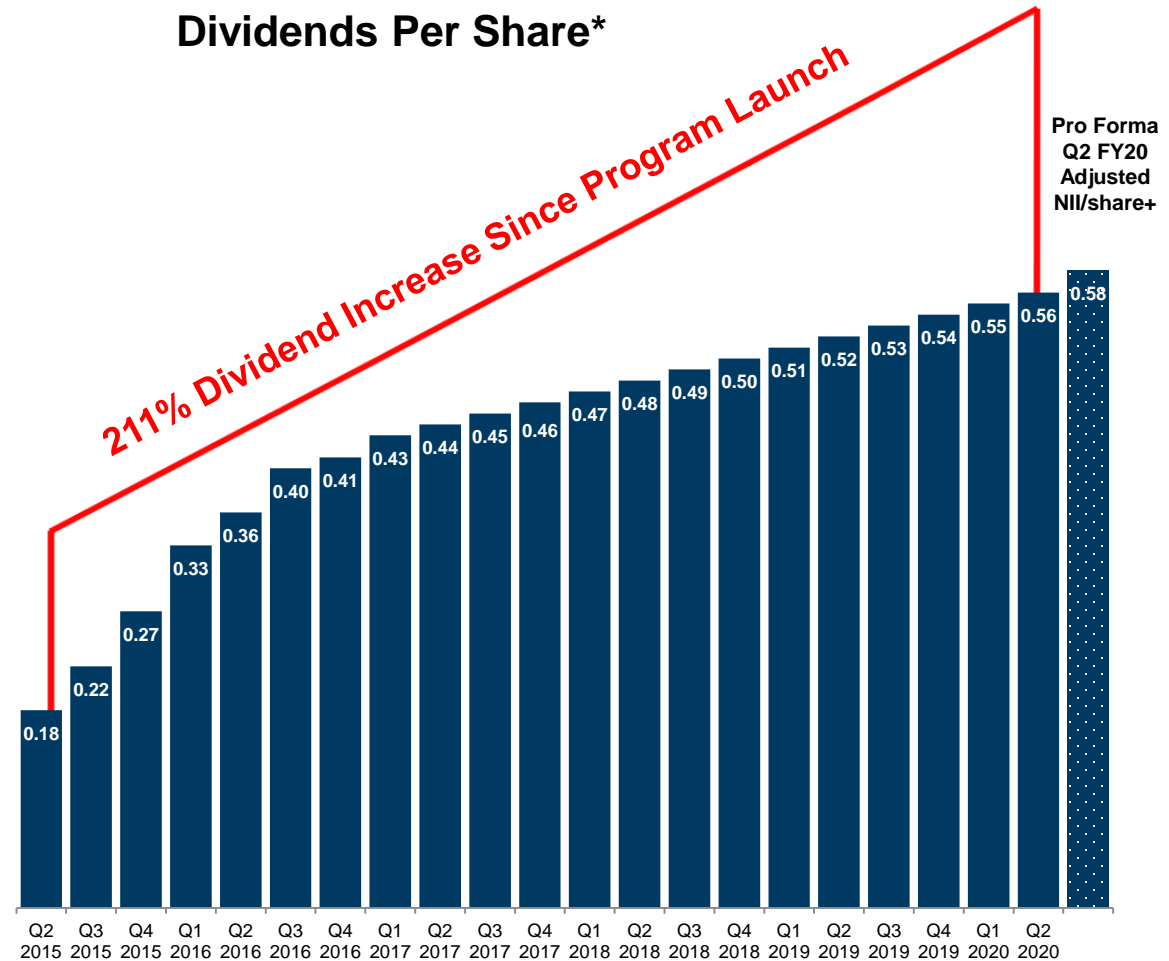
SBIC I Fully Funded - SBIC II Fully Available



* At Fair Value as of August 31, 2019 for SBIC I Fund

Dividends Continue to Increase

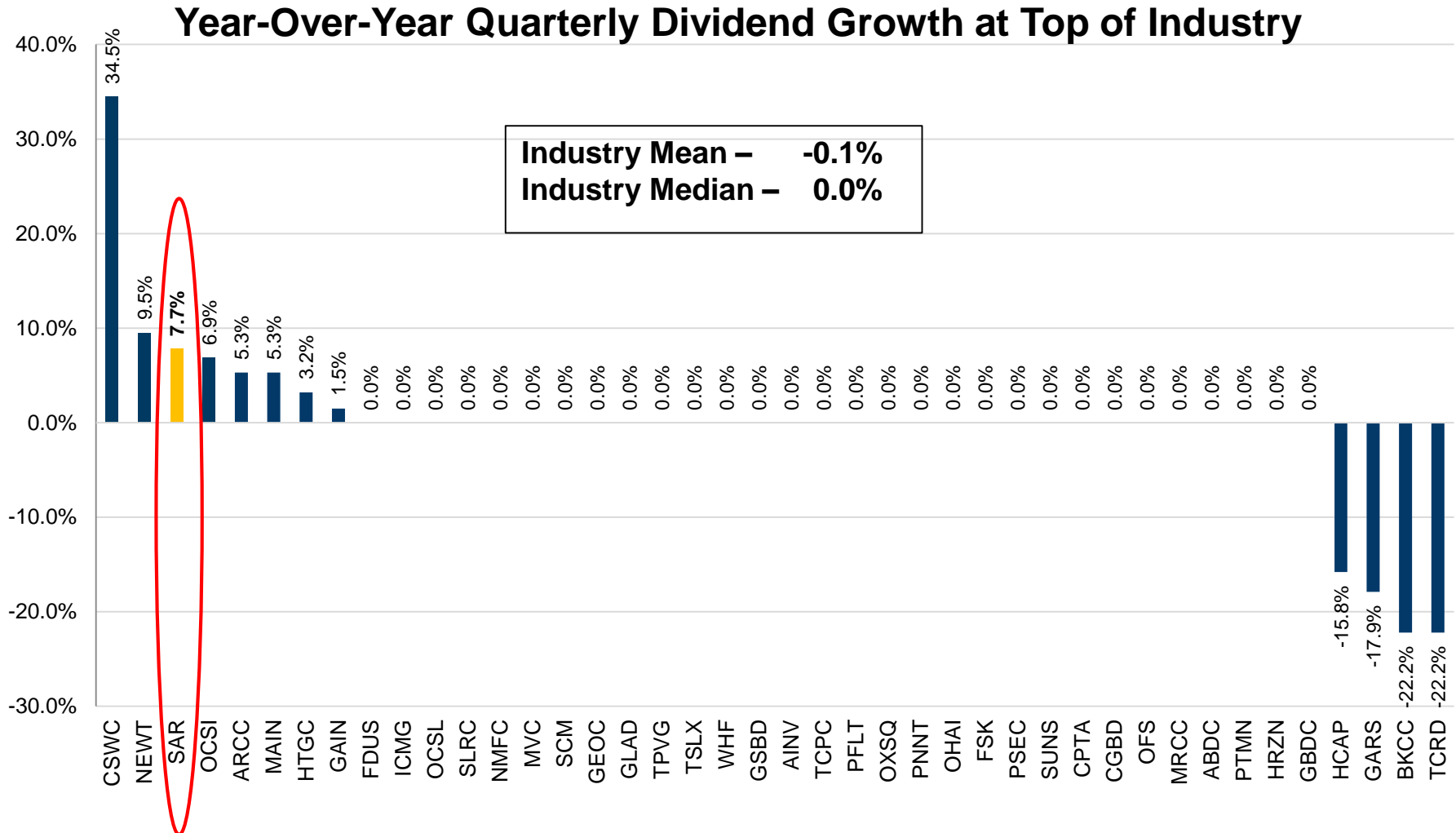
- Established dividend policy to pay regular quarterly cash dividends to stockholders pursuant to dividend reinvestment plan (“DRIP”)
- Increased dividend by 211% since program launch
- Declared Q2 FY20 dividend of \$0.56, an increase of \$0.01 (2%)
- Overearning our current dividend based on pro forma adjusted Q2 FY20 NII per share



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

+Pro Forma reflects full impact of outstanding shares as of October 8, 2019

Saratoga Growing Dividends the Past Twenty Quarters

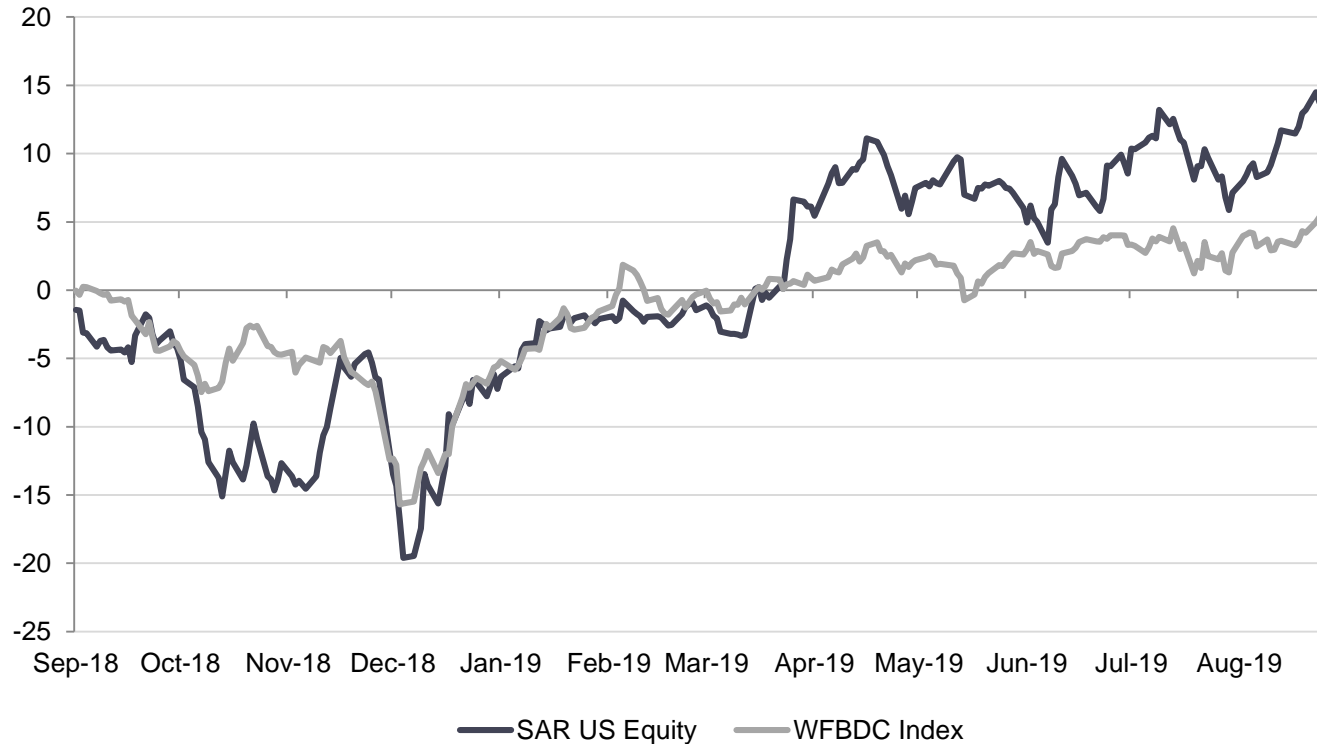


Source: Raymond James report as of 9/19/2019

SAR LTM Total Return Outperforms BDC Index

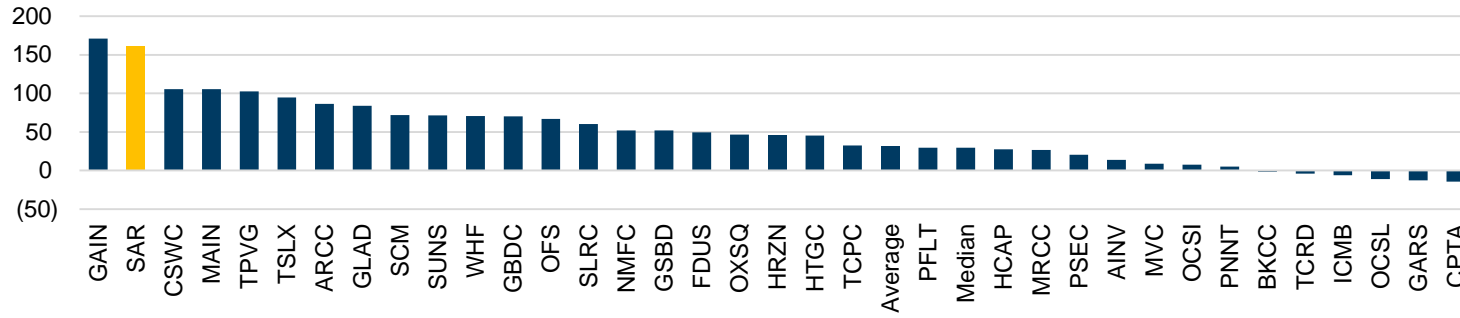
LTM Total Return (%)
(September 2018 to September 2019)

SAR +12% vs. BDC Index +6%

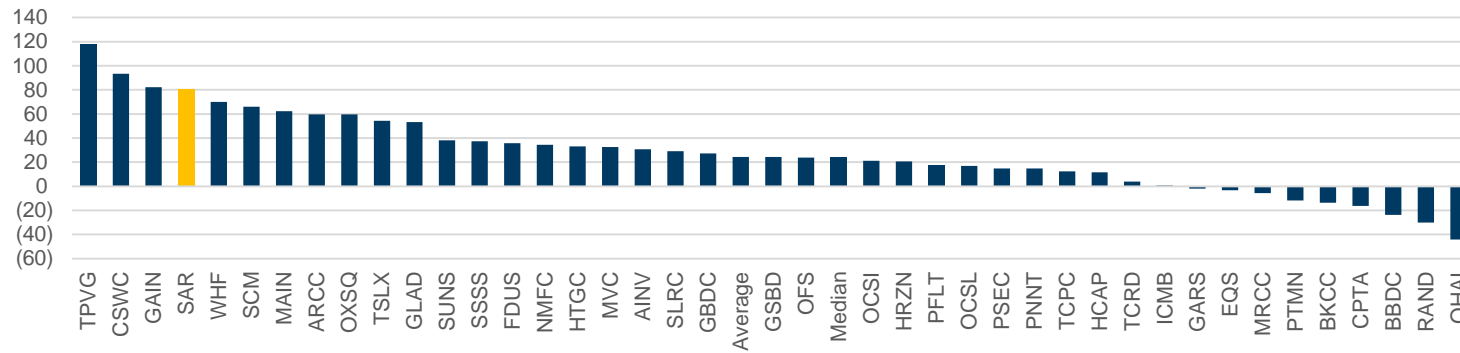


Performance at Top of BDC Industry

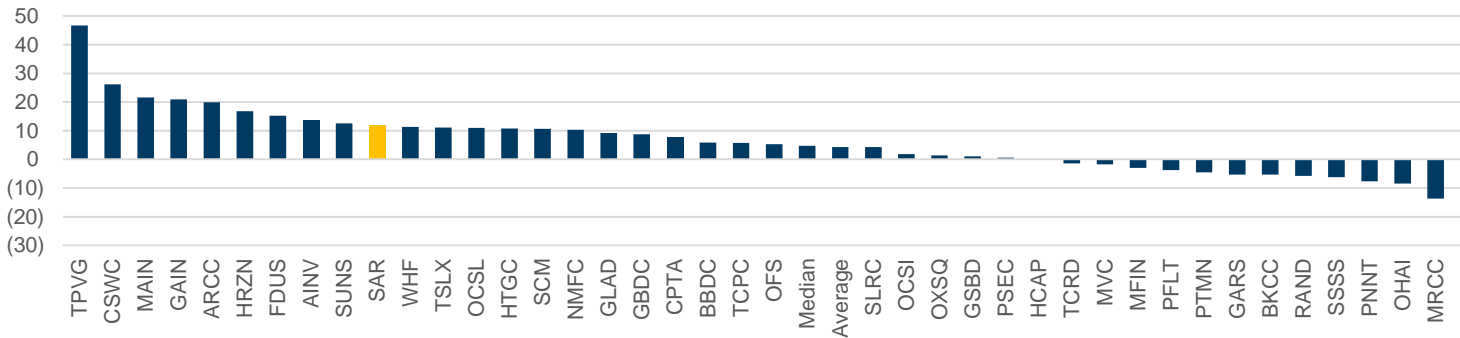
BDC Total Return (%)



**Past 5 years:
161%**



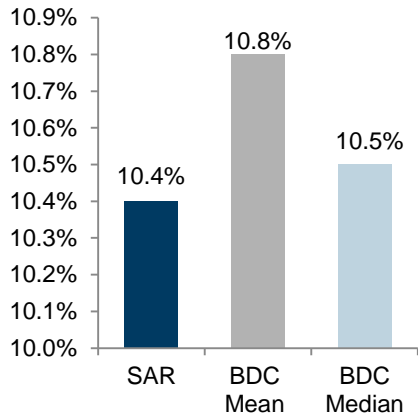
**Last 3 years:
81%**



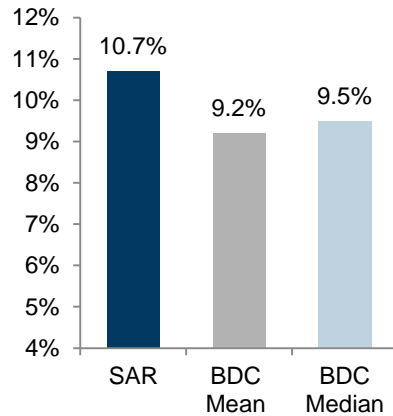
**Last 12 months:
12%**

Strongly Differentiated Outperformance

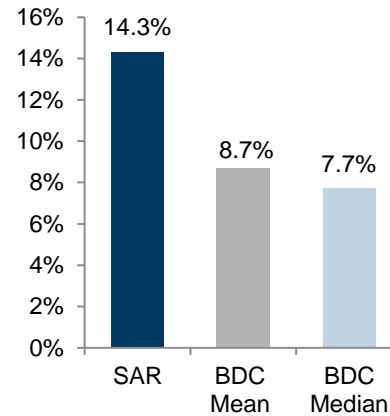
Interest % on Portfolio



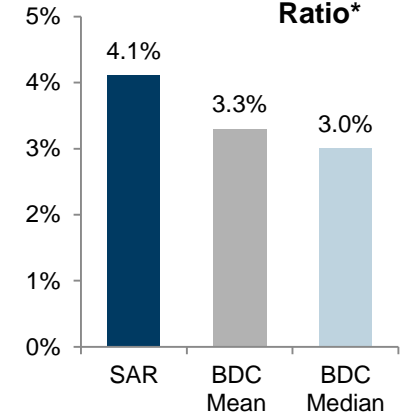
LTM NII Yield



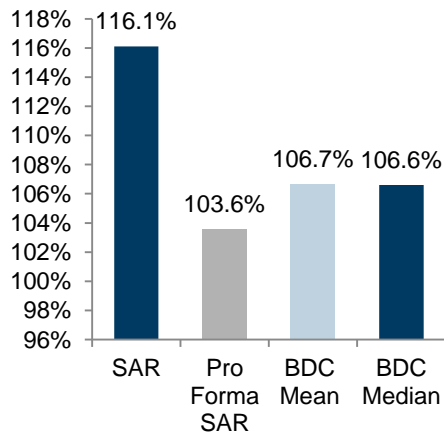
LTM ROE



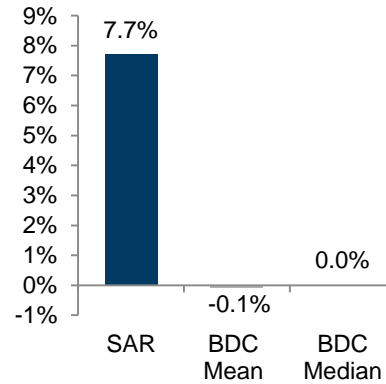
LTM Operating Expense Ratio*



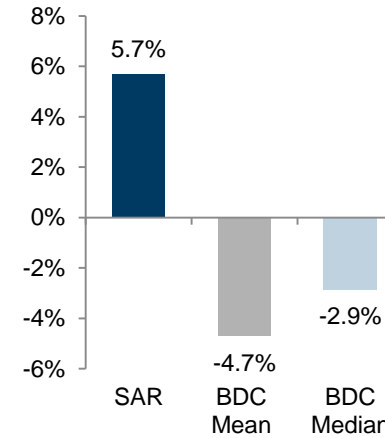
Dividend Coverage (NII/Dividend)



Year-over-Year Dividend Growth



NAV Per Share Growth



Source: SNL Financial / Company Filings / Raymond James report as of 9/19/19

* 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 18.4%.

Establishing Competitive Edge vs. Other BDCs

Outstanding performance characteristics

- ▶ **Strong and growing dividend**
Paying a current dividend yield of approx. 9.1%; increased quarterly dividend by 211% since program launched; over-earning dividend; significant management ownership of 16%
- ▶ **Strong return on equity**
LTM ROE of 14.3% factors in both investment income and net gains/losses
- ▶ **Low-cost available liquidity**
Borrowing capacity still at hand through both credit facility and cash, and grown by \$175 million with receipt of second SBIC license – can grow current asset base by 50% as of quarter ended August 31, 2019
- ▶ **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 412% since FY 2011, 24% in past year.
- ▶ **Well-positioned for higher 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.
- ▶ **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, 63% 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.

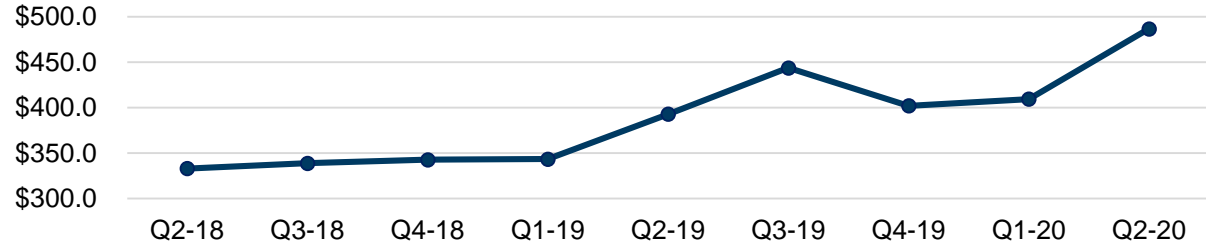
KPIs – Balance Sheet – Q2 FY20

Period	FMV Investment Portfolio (in millions)	
Q2-18	\$	333.0
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

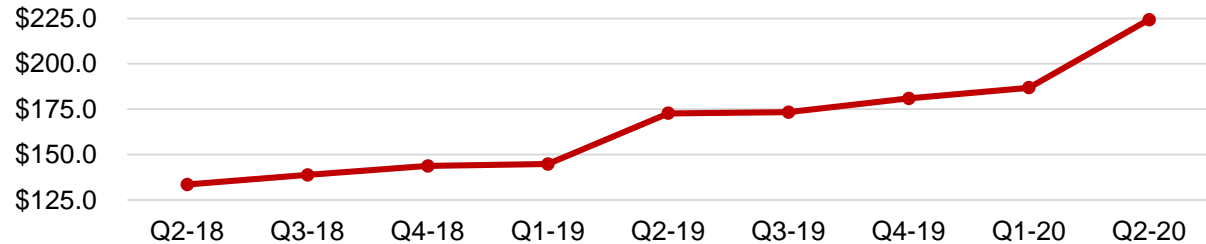
Period	NAV (in millions)	
Q2-18	\$	133.5
Q3-18	\$	138.8
Q4-18	\$	143.7
Q1-19	\$	144.8
Q2-19	\$	172.7
Q3-19	\$	173.3
Q4-19	\$	180.9
Q1-20	\$	186.8
Q2-20	\$	224.3

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

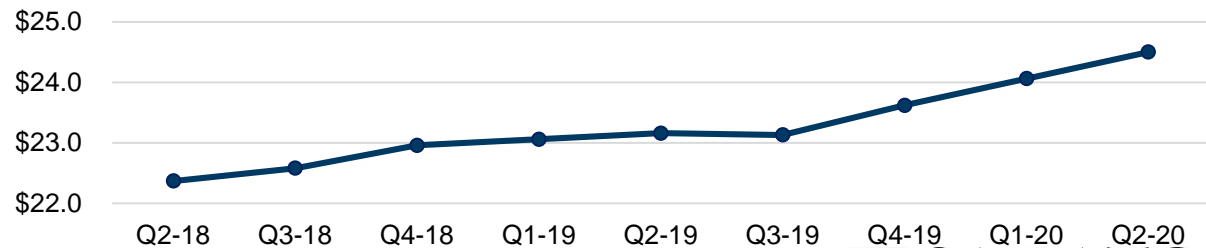
**FMV Investment Portfolio
(in millions)**



**NAV
(in millions)**



**NAV
Per Share**



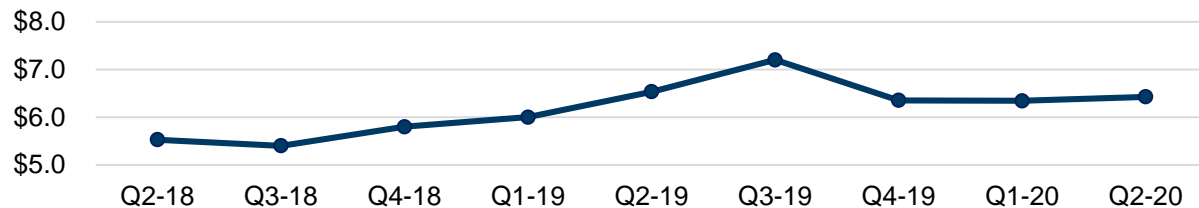
KPIs – Income Statement – Q2 FY20

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

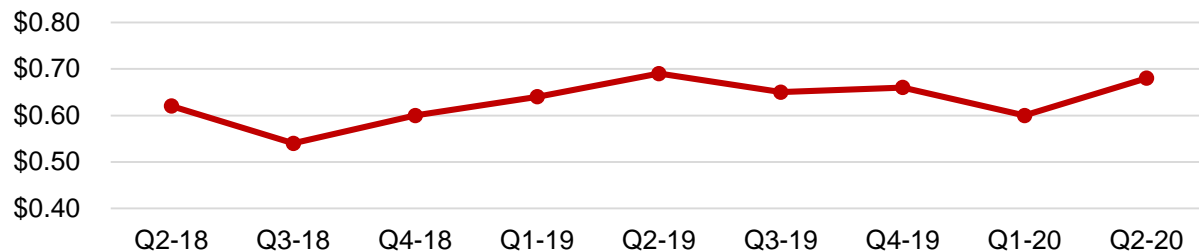
Period	NII Per Share
Q2-18	\$ 0.62
Q3-18	\$ 0.54
Q4-18	\$ 0.60
Q1-19	\$ 0.64
Q2-19	\$ 0.69
Q3-19	\$ 0.65
Q4-19	\$ 0.66
Q1-20	\$ 0.60
Q2-20	\$ 0.68

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%

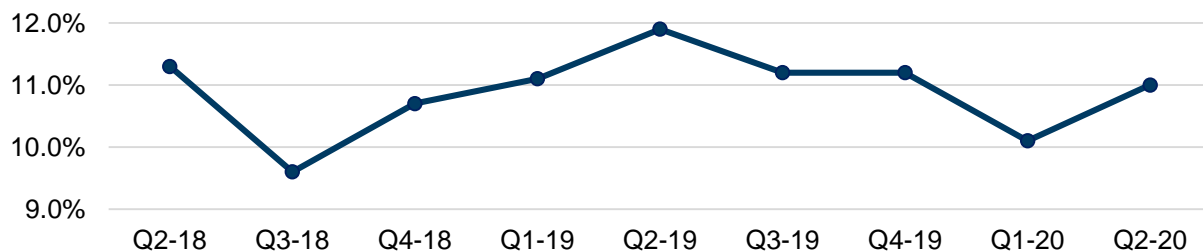
Net Interest Margin Excluding CLO (in millions)



NII Per Share

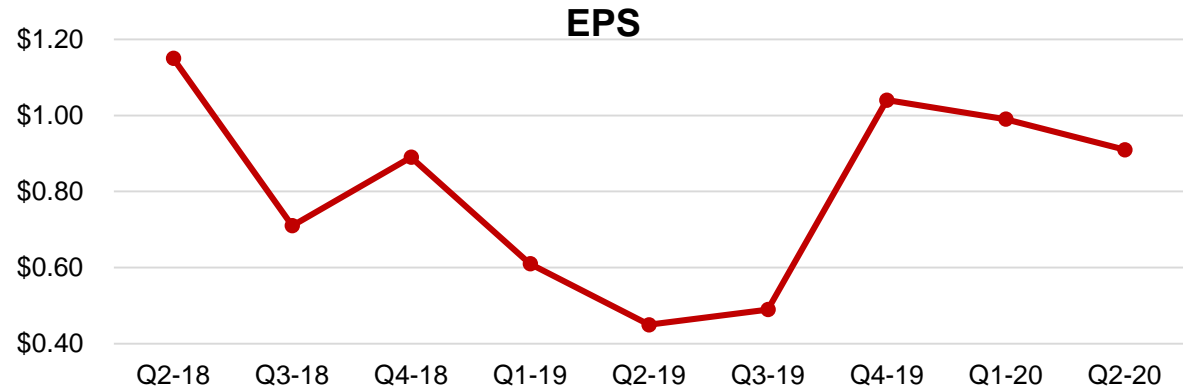


NII Yield

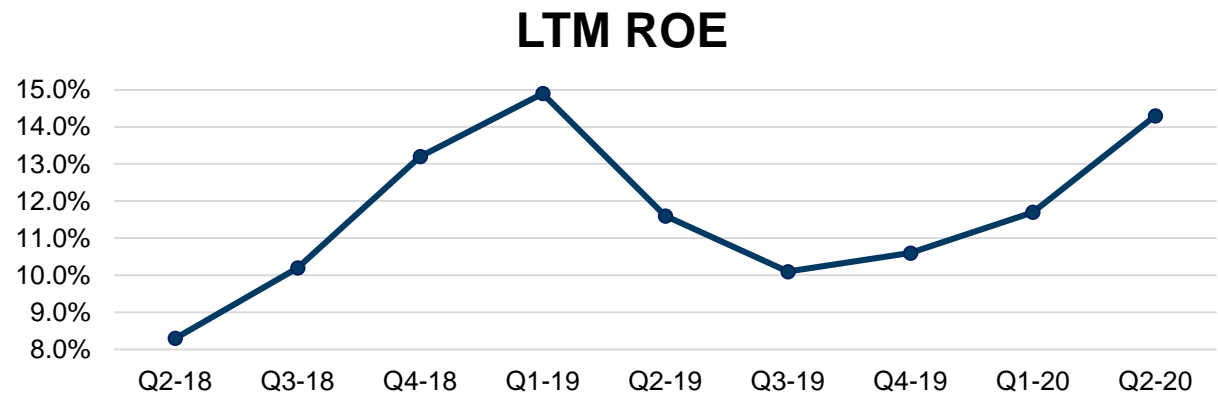


KPIs –Income Statement– Q2 FY20 (continued)

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

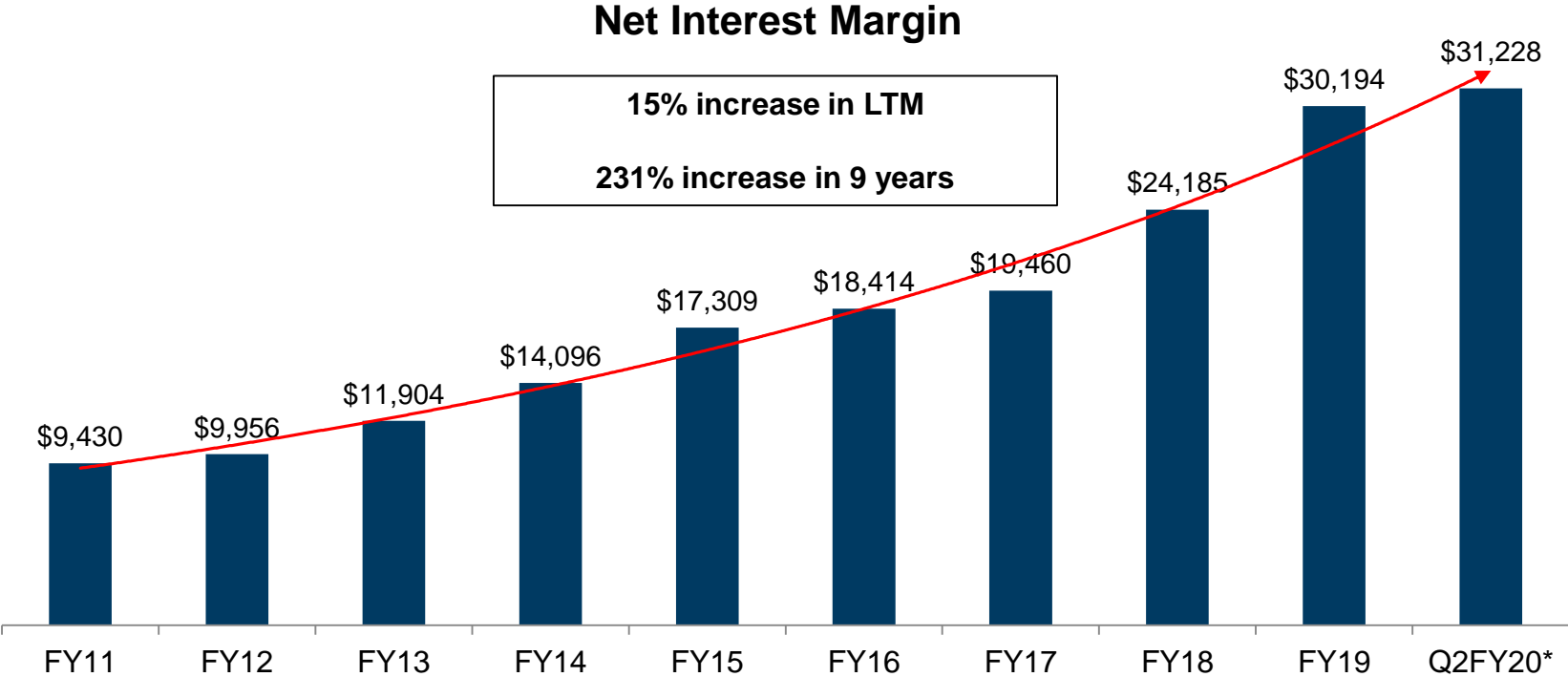


Period	LTM ROE
Q2-18	8.3%
Q3-18	10.2%
Q4-18	13.2%
Q1-19	14.9%
Q2-19	11.6%
Q3-19	10.1%
Q4-19	10.6%
Q1-20	11.7%
Q2-20	14.3%



KPIs - SAR Net Interest Margin

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



* Calculated as annualization of YTD FY20