



May 29, 2013

## **Saratoga Investment Corp. Announces Fiscal Fourth Quarter and Year End 2013 Financial Results**

NEW YORK, May 29, 2013 /PRNewswire/ -- Saratoga Investment Corp. (NYSE: SAR) ("Saratoga Investment" or "the Company"), a business development company, today announced financial results for its 2013 fiscal fourth quarter and year end.

### Operating Results

For the fiscal year ended February 28, 2013, Saratoga Investment reported net investment income of \$7.0 million, or \$1.71 on a weighted average per share basis, and net gain on investments of \$7.6 million, or \$1.84 on a weighted average per share basis, resulting in a net increase in net assets from operations of \$14.6 million, or \$3.55 on a weighted average per share basis. The \$7.6 million net gain on investments was comprised of \$7.6 million in net unrealized appreciation on investments.

Net asset value ("NAV") was \$108.7 million as of February 28, 2013, an \$11.3 million increase from NAV of \$97.4 million as of February 29, 2012. NAV per share was \$22.98 as of February 28, 2013 compared to \$25.12 as of February 29, 2012. The decrease in NAV per share from February 29, 2012 was mostly due to the issuance of 853,455 shares of common stock and a payment of \$3.3 million in cash in connection with the Company's \$16.5 million stock and cash dividend declared on November 9, 2012.

For the quarter ended February 28, 2013, Saratoga Investment reported net investment income of \$2.0 million, or \$0.42 on a weighted average per share basis, and a net gain on investments of \$3.8 million, or \$0.81 on a weighted average per share basis, resulting in a net increase in net assets from operations of \$5.8 million, or \$1.23 on a weighted average per share basis. The \$3.8 million net gain on investments was comprised of \$3.8 million in net unrealized appreciation on investments.

"In fiscal year 2013, we continued to build on the financial strength and positive momentum established in 2012," said Christian L. Oberbeck, Chairman and Chief Executive Officer of Saratoga Investment. "We have increased significantly both the size and quality of our portfolio in 2013, investing almost twice the amount this year as compared to the year prior with a commensurate increase in the percentage of higher quality credits in the portfolio. Moreover, 2013 allowed us to develop plans to extend our capital resources in other ways which has come to fruition with our fixed-rate note issuance since fiscal year end. This additional liquidity will enable us to further grow our portfolio of investments in middle-market businesses. We continue to have a positive view of the demand for financing in the markets we address."

### Portfolio and Investment Activity

As of February 28, 2013, the fair value of Saratoga Investment's portfolio was \$155.1 million (excluding \$12.2 million in cash and cash equivalents), principally invested in 28 portfolio companies and one collateralized loan obligation fund ("CLO"). The overall portfolio composition consisted of 54.0% of first lien term loans, 6.2% of second lien term loans, 15.0% of senior secured notes, 3.1% of unsecured notes, 5.2% of equity interests, and 16.5% of subordinated notes of a CLO.

During the fiscal year 2013, Saratoga Investment invested \$71.6 million in new or existing portfolio companies and had \$21.5 million in aggregate amount of exits and repayments, resulting in net investments of \$50.1 million for the year. At the CLO, Saratoga Investment invested \$41.7 million in new or existing portfolio companies and had \$51.7 million of exits and repayments.

As of February 28, 2013, the weighted average current yield on Saratoga Investment's first lien term loans, second lien term loans, senior secured notes, unsecured notes and the CLO subordinated notes were 10.0%, 11.1%, 14.8%, 16.4%, and 27.1%, respectively, which resulted in an aggregate weighted average current yield of 14.0%.

### Liquidity and Capital Resources

As of February 28, 2013, Saratoga Investment had \$24.3 million in outstanding borrowings under its \$45 million senior secured revolving credit facility with Madison Capital Funding LLC. At the same time, Saratoga Investment had \$36.0 million outstanding of SBA debentures as well as an aggregate of \$12.2 million in cash and cash equivalents.

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.

On May 10, 2013, Saratoga Investment closed an underwritten public offering of \$42.0 million in aggregate principal amount of 7.50% fixed-rate notes due 2020. On May 17, 2013, the underwriters exercised their overallotment provision bringing the total amount of fixed-rate notes raised to \$48.3 million. The Company intends to use the net proceeds from the offering to repay a portion of the outstanding indebtedness under its senior secured revolving credit facility and to fund new investment opportunities.

#### Dividend

Given the size of the Company's asset base and its growing pipeline of attractive investments, the Company's board of directors believes that retaining its capital resources to further build and diversify its portfolio serves stockholders' interests best by better positioning the Company to generate current income and capital appreciation on an increasing scale in future periods. Therefore, the Company's board of directors determined in November 2012 to pay a 20% cash and 80% stock dividend with respect to a significant portion of the Company's taxable income for its 2013 fiscal year. This dividend maintains the Company's favorable regulated investment company tax status.

#### 2013 Fiscal Fourth Quarter and Year End Conference Call/Webcast Information

**When:** Thursday, May 30, 2013, 5:00 p.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 8:00 p.m. ET on Thursday, May 30, 2013 through 11:59 p.m. ET on Thursday, June 6, 2013 by dialing (800) 585-8367 (U.S. and Canada) or (404) 537-3406 (outside U.S. and Canada), passcode for both replay numbers: 80506150.

**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. Saratoga Investment Corp. owns an SBIC-licensed subsidiary and manages a \$400 million Collateralized Loan Obligation (CLO) fund. It also owns 100% of the subordinated notes of the CLO. These diverse funding sources, combined with a permanent capital base, enable Saratoga Investment Corp. 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.

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

Roland Tomforde  
Broadgate Consultants  
212-232-2222

**Consolidated Statements of Assets and Liabilities**

	<u>As of</u>	
	<u>February 28, 2013</u>	<u>February 29, 2012</u>
<b>ASSETS</b>		
Investments at fair value		
Non-control/non-affiliate investments (amortized cost of \$130,465,086 and \$73,161,722, respectively)	\$ 129,563,428	\$ 69,513,434
Control investments (cost of \$18,944,966 and \$23,540,517, respectively)	<u>25,516,959</u>	<u>25,846,414</u>
Total investments at fair value (amortized cost of \$149,410,052 and \$96,702,239, respectively)	155,080,387	95,359,848
Cash and cash equivalents	149,025	1,325,698
Cash and cash equivalents, reserve accounts	12,086,142	25,534,195
Outstanding interest rate cap at fair value (cost of \$0 and \$131,000, respectively)	-	75
Interest receivable, (net of reserve of \$290,883 and \$273,361, respectively)	2,889,358	1,689,404
Deferred credit facility financing costs, net	2,090,184	1,199,490
Management fee receivable	215,853	227,581
Other assets	83,407	94,823
Receivable from unsettled trades	<u>1,817,074</u>	<u>59,511</u>
Total assets	<u>\$ 174,411,430</u>	<u>\$ 125,490,625</u>
<b>LIABILITIES</b>		
Revolving credit facility	\$ 24,300,000	\$ 20,000,000
SBA debentures payable	36,000,000	-
Payable for unsettled trades	-	4,072,500
Management and incentive fees payable	4,509,322	2,885,670
Accounts payable and accrued expenses	435,038	704,949
Interest and credit facility fees payable	257,796	53,262
Due to manager	<u>222,513</u>	<u>394,094</u>
Total liabilities	<u>\$ 65,724,669</u>	<u>\$ 28,110,475</u>
<b>NET ASSETS</b>		
Common stock, par value \$.001, 100,000,000 common shares		
authorized, 4,730,116 and 3,876,661 common shares issued and outstanding, respectively	\$ 4,730	\$ 3,877
Capital in excess of par value	174,824,076	161,644,426
Distribution in excess of net investment income	(24,522,951)	(13,920,068)
Accumulated net realized loss from investments and derivatives	(47,289,427)	(48,874,767)
Net unrealized appreciation (depreciation) on investments and derivatives	<u>5,670,333</u>	<u>(1,473,318)</u>
Total Net Assets	<u>108,686,761</u>	<u>97,380,150</u>
Total liabilities and Net Assets	<u>\$ 174,411,430</u>	<u>\$ 125,490,625</u>
NET ASSET VALUE PER SHARE	<u>\$ 22.98</u>	<u>\$ 25.12</u>

**Saratoga Investment Corp.**

**Consolidated Statements of Operations**

	For the year ended February 28, <u>2013</u>	For the year ended February 29, <u>2012</u>	For the year ended February 28, <u>2011</u>
<b>INVESTMENT INCOME</b>			
Interest from investments			
Non-control/Non-affiliate investments	\$ 9,176,156	\$ 5,613,705	\$ 7,601,140
Payment-in-kind interest income from Non-control/Non-affiliate investments	1,062,687	1,442,004	1,144,799
Control investments	<u>4,205,509</u>	<u>4,198,007</u>	<u>3,295,359</u>
Total interest income	14,444,352	11,253,716	12,041,298
Interest from cash and cash equivalents	5,956	7,865	8,857
Management fee income	2,000,072	2,011,516	2,032,357
Other income	<u>556,427</u>	<u>238,579</u>	<u>90,503</u>
Total investment income	<u>17,006,807</u>	<u>13,511,676</u>	<u>14,173,015</u>

EXPENSES			
Interest and credit facility financing expenses	2,540,413	1,297,985	2,611,839
Base management fees	2,107,378	1,617,496	1,645,552
Professional fees	1,190,587	1,455,380	3,325,475
Administrator expenses	1,000,000	1,000,000	810,416
Incentive management fees	2,044,788	1,257,087	1,868,503
Insurance	516,121	578,746	704,800
Directors fees and expenses	206,705	208,851	373,385
General & administrative	368,815	389,825	478,730
Other expense	4,434	5,445	-
Expenses before expense waiver and reimbursement	<u>9,979,241</u>	<u>7,810,815</u>	<u>11,818,700</u>
Expense reimbursement	-	-	(258,562)
Waiver of deferred incentive management fees	-	-	(2,636,146)
Total expenses	<u>9,979,241</u>	<u>7,810,815</u>	<u>8,923,992</u>
NET INVESTMENT INCOME	<u>7,027,566</u>	<u>5,700,861</u>	<u>5,249,023</u>
REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS:			
Net realized gain (loss) from investments	561,700	(12,185,997)	(24,684,262)
Net realized loss from derivatives	(131,000)	-	-
Net unrealized appreciation on investments	7,012,726	19,776,469	36,419,362
Net unrealized appreciation (depreciation) on derivatives	130,925	(16,190)	(25,882)
Net gain on investments	<u>7,574,351</u>	<u>7,574,282</u>	<u>11,709,218</u>
NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS	<u>\$ 14,601,917</u>	<u>\$ 13,275,143</u>	<u>\$ 16,958,241</u>
WEIGHTED AVERAGE - BASIC AND DILUTED EARNINGS PER COMMON SHARE	\$ 3.55	\$ 3.87	\$ 6.96
WEIGHTED AVERAGE COMMON STOCK OUTSTANDING - BASIC AND DILUTED	4,110,484	3,434,345	2,437,577

SOURCE Saratoga Investment Corp.

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