

Saratoga Investment Corp. Announces Fiscal Third Quarter 2012 Financial Results

NEW YORK, Jan. 12, 2012 /PRNewswire/ -- Saratoga Investment Corp. (NYSE: SAR) ("Saratoga Investment" or "the Company"), a business development company, today announced financial results for its 2012 fiscal third quarter.

Operating Results

For the fiscal quarter ended November 30, 2011, Saratoga Investment reported net investment income of \$0.8 million, or \$0.25 per share, and net gain on investments of \$5.4 million, or \$1.63 per share, resulting in a net increase in net assets from operations of \$6.2 million, or \$1.88 per share. The net gain was primarily due to a \$6.5 million repayment at par of our Senior Secured Notes in Energy Alloys. The position was valued at \$2.5 million at August 31, 2011.

Net asset value ("NAV") was \$94.3 million as of November 30, 2011, compared to \$90.0 million as of August 31, 2011 and \$86.1 million as of February 28, 2011. NAV per share was \$24.32 (\$29.38 before the effect of the dividend described below) as of November 30, 2011 and \$27.48 as of August 31, 2011 and \$26.26 as of February 28, 2011. The decrease in reported NAV per share from August 31, 2011 was primarily the result of the \$9.8 million cash/stock dividend (which consisted of \$2.0 million in cash and 599,584 shares of common stock) declared by Saratoga Investment Corp.'s Board of Directors on November 15, 2011 and paid on December 30, 2011. In accordance with generally accepted accounting principles ("GAAP"), the number of shares outstanding used to calculate NAV per share as of November 30, 2011 was retroactively adjusted to reflect the additional shares issued in connection with the cash/stock dividend.

Christian L. Oberbeck, Chairman, Chief Executive Officer and President of Saratoga Investment, said, "We continue to re-position our portfolio into companies with better long-term prospects and employ a conservative and disciplined approach. We made two new investments and exited Energy Alloys at a level substantially higher than its carrying value, resulting in a \$6.2 million increase in net asset value resulting from operations for the quarter."

The Company continues to work toward the grant of a license by the U.S. Small Business Administration (SBA) to operate as a Small Business Investment Company (SBIC). The SBA previously issued a "green light" or "go forth" letter inviting Saratoga Investment to continue its application process to obtain a license to form and operate an SBIC subsidiary in the 2012 fiscal second quarter. An SBIC license would permit Saratoga to issue SBA-guaranteed debentures, which carry long-term fixed rates that are generally lower than rates on comparable bank debt and other debt.

Portfolio and Investment Activity

As of November 30, 2011, the fair value of Saratoga Investment's investment portfolio was \$85.4 million (excluding \$8.8 million of cash), principally invested in 21 portfolio companies and one collateralized loan obligation fund (the "CLO"). The overall portfolio composition consisted of 42.0% of first lien term loans, 10.3% of second lien term loans, 8.7% of senior secured notes, 2.3% of unsecured notes, 29.7% of subordinated notes of the CLO and 7.0% of common equity.

During the 2012 fiscal third quarter, Saratoga Investment invested \$11.4 million in new or existing portfolio companies and had \$18.4 million in aggregate amount of exits and repayments, resulting in net repayments of \$7.0 million for the period.

As of November 30, 2011, the weighted average current yield on Saratoga Investments first lien term loans, second lien term loans, senior secured notes, unsecured notes and the CLO subordinated notes were 10.7%, 10.7%, 18.3%, 19.1%, 22.7%, respectively, which resulted in an aggregate weighted average current yield of 14.4%.

Liquidity and Capital Resources

At November 30, 2011, Saratoga Investment had an aggregate of \$8.8 million in cash and cash equivalents. Saratoga Investment had no outstanding borrowings and approximately \$40.0 million of available liquidity under its senior secured revolving credit facility to fund investments as of November 30, 2011.

Dividend

On November 15, 2011, the Company's Board of Directors declared a dividend of \$3.00 per share payable on December 30, 2011, to shareholders of record as of November 25, 2011, representing 10% of net asset value. Shareholders had until December 22, 2011 to elect whether to receive the dividend in cash (up to an aggregate maximum cash amount of approximately \$2.0 million or approximately 20% of the total dividend paid) or in shares of common stock. The dividend consisted of \$2.0 million in cash and 599,584 shares of common stock or 18% of Saratoga Investment Corp.'s outstanding shares prior to the dividend. The dividend included the balance of the Company's fiscal year 2011 taxable income and a significant portion of the Company's fiscal year 2012 taxable income including a component for the third quarter of fiscal year 2012.

2012 Fiscal Third Quarter Conference Call/Webcast Information

When: January 13, 2012 at 11:00 a.m. Eastern Time (ET)

Call: Interested parties may participate by dialing (877) 312-9208 (U.S. and Canada) or (678) 224-7872 (outside U.S. and Canada).

A replay of the call will be available from 2:00 p.m. ET on January 13, 2012 through 11:59 p.m. ET on January 18, 2012 by dialing (855) 859-2056 (U.S. and Canada) or (404) 537-3406 (outside U.S. and Canada), passcode for both replay numbers: 42061505.

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. Saratoga Investment Corp.'s investment objective is to create attractive risk-adjusted returns by generating current income from its debt investments and capital appreciation from its equity investments. The Company partners with business owners, management teams and financial sponsors to provide financing for change of ownership transactions, strategic acquisitions, recapitalizations and growth initiatives. It has elected to be regulated as a business development company under the Investment Company Act of 1940.

About Saratoga Investment Advisors, LLC

Saratoga Investment Advisors, LLC is a New York-based investment firm formed to focus on credit-driven strategies. It is the external investment adviser to Saratoga Investment Corp. and is affiliated with Saratoga Partners, a middle-market private equity investment firm that primarily invests in businesses with strong management teams and valuations of between \$50 million and \$500 million. Saratoga Partners' investment strategy focuses on companies in manufacturing and business services and it has significant experience in special situations and distressed investing.

Since Saratoga Partners was founded in 1984 as a division of the New York investment firm Dillon, Read & Co., Inc., it has invested in 35 companies with an aggregate value of more than \$3.7 billion. It has been an independent firm since its spinoff in 1998 after Dillon Read was acquired by Swiss Bank Corporation (a predecessor to UBS AG).

Forward Looking Statements

This press release may contain certain forward-looking statements. Words such as "intends," "believes," "expects," "projects," and "future" or similar expressions are intended to identify forward-looking statements. These forward-looking statements are subject to risks and uncertainties and other factors enumerated in 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.

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Financial Statements

Saratoga Investment Corp.

Consolidated Statements of Assets and Liabilities

	As of	
	November 30, 2011	February 28, 2011
	(unaudited)	
ASSETS		
Investments at fair value		
Non-control/non-affiliate investments (amortized cost of \$70,208,225 and \$73,779,271, respectively)	\$ 60,003,928	\$ 57,292,723
Control investments (cost of \$24,362,779 and \$27,364,350, respectively)	25,375,268	22,732,038
Total investments at fair value (amortized cost of \$94,571,004 and \$101,143,621, respectively)	85,379,196	80,024,761
Cash and cash equivalents	7,941,870	10,735,755
Cash and cash equivalents, securitization accounts	833,546	4,369,987
Outstanding interest rate cap at fair value (cost of \$131,000 and \$131,000, respectively)	1,157	16,265
Interest receivable, (net of reserve of \$552,352 and \$14,796, respectively)	1,295,797	1,666,083
Deferred credit facility financing costs, net	1,128,392	1,638,768
Management fee receivable	227,462	231,753
Other assets	2,966,063	85,166
Total assets	<u>\$ 99,773,483</u>	<u>\$ 98,768,538</u>
LIABILITIES		
Revolving credit facility	\$ -	\$ 4,500,000
Payable for unsettled trades	-	4,900,000
Dividend payable	1,966,447	-
Management and incentive fees payable	2,490,901	2,203,806
Accounts payable and accrued expenses	685,990	785,486
Interest and credit facility fees payable	45,833	67,792
Due to manager	<u>284,580</u>	<u>240,000</u>

Total liabilities	\$ 5,473,751	\$ 12,697,084
NET ASSETS		
Common stock, par value \$.001, 100,000,000 common shares authorized, 3,876,661 and 3,277,077 common shares issued and outstanding, respectively	\$ 3,877	\$ 3,277
Capital in excess of par value	161,632,864	153,768,680
Distribution in excess of net investment income	(14,627,476)	(8,918,890)
Accumulated net realized loss from investments and derivatives	(43,387,880)	(37,548,016)
Net unrealized depreciation on investments and derivatives	(9,321,653)	(21,233,597)
Total Net Assets	<u>94,299,732</u>	<u>86,071,454</u>
Total liabilities and Net Assets	<u>\$ 99,773,483</u>	<u>\$ 98,768,538</u>
NET ASSET VALUE PER SHARE	<u>\$ 24.32</u>	<u>\$ 26.26</u>

Saratoga Investment Corp.

Consolidated Statements of Operations

	For three months ended November 30		For nine months ended November 30	
	2011 (unaudited)	2010 (unaudited)	2011 (unaudited)	2010 (unaudited)
INVESTMENT INCOME				
Interest from investments				
Non-control/Non-affiliate investments	\$ 1,877,650	\$ 3,639,216	\$ 5,212,182	\$ 7,006,161
Control investments	1,155,241	941,281	3,095,304	2,410,803
Total interest income	<u>3,032,891</u>	<u>4,580,497</u>	<u>8,307,486</u>	<u>9,416,964</u>
Interest from cash and cash equivalents	1,567	2,460	6,815	3,642
Management fee income	501,920	508,674	1,512,091	1,523,530
Other income	92,671	-	238,579	71,192
Total investment income	<u>3,629,049</u>	<u>5,091,631</u>	<u>10,064,971</u>	<u>11,015,328</u>
EXPENSES				
Interest and credit facility financing expenses	307,221	618,810	987,042	2,188,078
Base management fees	393,888	424,044	1,203,820	1,258,875
Professional fees	356,144	381,096	1,282,009	3,138,221
Administrator expenses	250,000	240,000	730,000	568,562
Incentive management fees	1,178,750	1,173,144	842,097	1,173,144
Insurance	145,105	170,684	448,786	536,934
Directors fees and expenses	51,000	48,000	153,000	320,844
General & administrative	121,019	100,961	290,232	306,558
Other expense	2,150	-	5,340	-
Expenses before expense waiver and reimbursement	<u>2,805,277</u>	<u>3,156,739</u>	<u>5,942,326</u>	<u>9,491,216</u>
Expense reimbursement	-	-	-	(258,562)
Waiver of deferred incentive management fees	-	-	-	(2,636,146)
Total expenses net of expense waiver and reimbursement	<u>2,805,277</u>	<u>3,156,739</u>	<u>5,942,326</u>	<u>6,596,508</u>
NET INVESTMENT INCOME	<u>823,772</u>	<u>1,934,892</u>	<u>4,122,645</u>	<u>4,418,820</u>
REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS:				
Net realized loss from investments	(5,831,905)	(13,731,107)	(5,839,864)	(16,280,370)
Net unrealized appreciation on investments	11,221,387	15,107,701	11,927,052	24,546,024
Net unrealized appreciation/(depreciation) on derivatives	166	(1,366)	(15,108)	(19,797)
Net gain on investments	<u>5,389,648</u>	<u>1,375,228</u>	<u>6,072,080</u>	<u>8,245,857</u>
NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS	<u>\$ 6,213,420</u>	<u>\$ 3,310,120</u>	<u>\$ 10,194,725</u>	<u>\$ 12,664,677</u>
WEIGHTED AVERAGE - BASIC AND DILUTED EARNINGS PER COMMON SHARE	\$ 1.88	\$ 1.20	\$ 3.10	\$ 5.86
WEIGHTED AVERAGE COMMON STOCK OUTSTANDING - BASIC AND DILUTED	3,310,021	2,752,914	3,287,979	2,162,832

Non-GAAP Financial Measure

This press release contains a non-GAAP financial measure. This non-GAAP information supplements and is not intended to represent a measure of performance in accordance with disclosures required by GAAP. The accompanying table has more details on the GAAP financial measure that is most directly comparable to a non-GAAP financial measure and the related reconciliations between those financial measures.

NAV	\$ 94,299,732
Addback: Dividend payable	<u>1,966,447</u>
ProForma NAV	\$ 96,266,179
Shares outstanding before dividend	<u>3,277,077</u>
ProForma NAV	<u>\$ 29.38</u>

SOURCE Saratoga Investment Corp.

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