



Oxford Square Capital Corp. (OXSQ)

Updated August 20th, 2025 by Nikolaos Sismanis

Key Metrics

Current Price:	\$2.25	5 Year CAGR Estimate:	6.9%	Market Cap:	\$175.7 M
Fair Value Price:	\$1.60	5 Year Growth Estimate:	0.0%	Ex-Dividend Date:	08/15/2025
% Fair Value:	141%	5 Year Valuation Multiple Estimate:	-6.6%	Dividend Payment Date:	08/29/2025
Dividend Yield:	18.7%	5 Year Price Target	\$1.60	Years Of Dividend Growth:	0
Dividend Risk Score:	F	Sector:	Financials	Rating:	Sell

Overview & Current Events

Oxford Square Capital Corp. is a BDC (Business Development Company) specializing in financing early- and middle-stage businesses through loans and investments in collateralized loan obligations. At the end of Q2, the total fair value of Oxford Square's investment portfolio stood at about \$241.5 million across 61 positions, allocated approximately 61% in secured debt (48% first-lien, 13% second-lien), 37% in CLO equity, and about 2% in equity or other investments. Last year, the BDC generated roughly \$42.7 million in total investment income. Oxford Square is headquartered in Greenwich, Connecticut.

On August 7th, 2025, Oxford Square Capital reported its Q2 results for the period ending June 30th, 2025. The company generated about \$9.5 million in total investment income, down from \$10.2 million in Q1 2025 and \$11.4 million in Q2 2024, mainly due to lower interest income from debt investments

The weighted average yield on debt investments ticked up to 14.5%, compared to 14.3% in Q1. The BDC's effective yield on CLO equity investments slipped to 8.8%, while the cash distribution yield on cash-generating CLO equity fell to 13.8% (from 15.5% in Q1). The weighted average cash distribution yield on income-producing secured notes was 9.0%, versus 9.7% in Q1. Total expenses were \$4.0 million, modestly lower than \$4.1 million in Q1

Net investment income (NII) came in at \$5.5 million, or \$0.08 per share, compared with \$6.1 million, or \$0.09 per share in Q1 2025, and \$7.7 million, or \$0.13 per share in Q2 2024. NAV per share stood at \$2.06 at quarter-end, versus \$2.09 at March 31st, 2025. Despite net realized losses of \$2.4 million, the company recorded \$1.3 million in unrealized appreciation, resulting in a \$4.4 million increase in net assets from operations. We have set our FY2025 NII per share forecast at \$0.32.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
NII	\$0.66	\$0.52	\$0.60	\$0.67	\$0.81	\$0.40	\$0.32	\$0.42	\$0.51	\$0.42	\$0.32	\$0.32
DPS	\$1.13	\$1.15	\$0.80	\$0.79	\$0.80	\$0.61	\$0.42	\$0.42	\$0.51	\$0.42	\$0.42	\$0.25
Shares¹	59.8	51.9	51.5	49.7	47.8	49.4	49.6	49.8	53.9	65.5	78.0	90.0

The company's investment income per share has been declining at a 10-year CAGR of 4.9%, as Oxford Square has been failing when it comes to refinancing its investment at attractive yields, resulting in declining investment spreads. Further, the company has been historically over-distributing dividends to shareholders, decaying its NAV, and hence its future income generation due to fewer assets.

Rising interest rates should help boost the company's results in the medium-term. Still, with the company's investments declining in value and a generally falling NAV creating a downward spiral on reinvested capital, income generation could further decline. Hence, we don't expect any growth in NII per share in the medium-term. As has been the case in the past several times, we expect further dividend cuts over the medium-term due to their barely sustainable levels. We

¹ Share count is in millions.

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have embedded a -10% distribution decline on an annualized basis in our estimates as a result. Since 2019, the company has switched its distributions’ frequency from quarterly to monthly.

Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
Avg. P/E	10.5	11.1	11.3	10.6	7.9	7.0	13.8	10.8	5.3	7.1	7.0	5.0
Avg. Yld.	18.3%	19.9%	11.2%	12.2%	12.9%	21.0%	9.5%	12.2%	20.2%	14.1%	18.7%	15.5%

As per its goal and obligation (as a Business Development Company) to distribute the largest chunk of its net income to shareholders, the stock’s yield has hovered around the mid-teens, averaging over 15% during the past decade. Despite management’s latest distribution slash to a monthly \$0.035 payout, the stock has declined enough to push the current yield to nearly 19%. We believe a valuation multiple of 5.0x adequately reflects the stock’s risk/reward profile. OXSQ is better valued through its book value, which currently stands at \$2.06, which is lower than the stock’s price of \$2.25. This is likely because investors expect a rebound in NAV following higher NII. It could be the case in the short-term, but we believe the long-term trend of NAV deterioration will last. We remind that NAV/share stood at \$2.55, \$2.78, \$4.92, \$4.55, and \$5.12, in each of the past five years, respectively.

Safety, Quality, Competitive Advantage, & Recession Resiliency

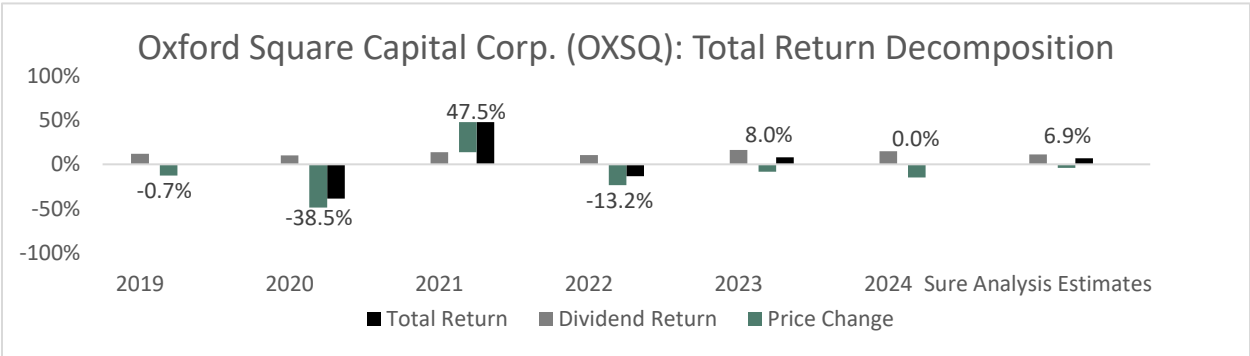
Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	171%	221%	133%	118%	99%	153%	131%	100%	100%	100%	131%	78%

OXSQ’s payout ratio has often been above 100% over the years, as management has historically paid investors more than what the company earned. While the stock’s distribution yield has been seemingly attractive over the years, the company has been wiping an equal, and sometimes higher, amount from its NAV. Such a strategy could be sustained only via a gradually increased interest income. However, with total investment income declining over time amid a shrinking investment portfolio, we can hardly see any reversal from the current predicament. The ongoing shareholder value deterioration trend does not seem to be nearing an end-, at least not anytime soon. Overall, we believe that the company’s future investment income generation carries substantial risks, while a potential recession and an adverse economic environment could severely damage its interest income.

Final Thoughts & Recommendation

Oxford Square Capital benefits from above-average yields, but it is likely to continue deteriorating shareholders’ equity value over the medium-term. Thus, another distribution reduction should not surprise investors. We see an annualized total return potential of 6.9% in the medium-term. This is because our weakening distribution estimates and a potential multiple contraction could offset the current yield. In any case, we rate the stock a sell due to the lack of dividend growth prospects. We highlight that income investors should not rely on Oxford Square’s distributions.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenue	(56)	124	53	(5)	(29)	6	44	(81)	23	10
SG&A Expense	8	10	5	3	3	3	3	3	3	3
Net Income	(66)	110	44	(9)	(33)	2	40	(86)	17	6
Net Margin	118.1%	88.8%	83.0%	169%	114%	30.9%	90.2%	105%	75.8%	59.0%
Free Cash Flow	244	183	218	(34)	48	95	(107)	20	66	26

Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets	718	612	454	467	385	358	434	328	278	300
Cash & Equivalents	23	8	30	14	14	59	9	9	6	35
Total Liabilities	357	226	66	152	137	132	189	189	126	139
Accounts Payable	2	2	0	0	1	0	1	1	1	13
Long-Term Debt	348	220	62	148	134	107	185	186	123	124
Total Equity	361	386	388	315	248	225	245	139	151	161
LTD/E Ratio	0.96	0.57	0.16	0.47	0.54	0.47	0.76	1.34	0.81	0.77

Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Return on Assets	-7.5%	16.6%	8.2%	-2.0%	-7.7%	0.5%	10.0%	-22.5%	5.7%	2.0%
Return on Equity	-15.0%	29.6%	11.3%	-2.6%	-11.7%	0.7%	16.8%	-44.6%	11.9%	3.8%
ROIC	-7.6%	16.8%	8.3%	-2.0%	-7.8%	0.5%	10.4%	-22.7%	5.8%	2.1%
Shares Out.	59.8	51.9	51.5	49.7	47.8	49.4	49.6	49.8	53.9	65.5
Revenue/Share	(0.80)	2.01	1.02	(0.11)	(0.60)	0.11	0.88	(1.64)	0.42	0.16
FCF/Share	3.49	2.96	4.23	(0.68)	1.00	1.92	(2.16)	0.41	1.22	0.41

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.

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