



Saratoga Investment Corp. (SAR)

Updated January 15th, 2025 by Nikolaos Sismanis

Key Metrics

Current Price:	\$23.57	5 Year Annual Expected Total Return:	12.4%	Market Cap:	\$382.1M
Fair Value Price:	\$26	5 Year Growth Estimate:	1.0%	Ex-Dividend Date:	02/04/2026
% Fair Value:	92%	5 Year Valuation Multiple Estimate:	1.6%	Dividend Payment Date:	02/23/2026
Dividend Yield:	12.7%	5 Year Price Target	\$27	Years Of Dividend Growth:	5
Dividend Risk Score:	F	Sector:	Financials	Rating:	Hold

Overview & Current Events

Saratoga Investment Corp is a business development company (BDC) that provides customized debt and equity financing to U.S. middle-market companies, focusing on income generation through predominantly senior credit instruments. As of November 30th, 2025, the fair value of its investment portfolio was \$1,016.0 million, excluding \$169.6 million in cash and cash equivalents. The portfolio composition by fair value was \$852.5 million in first-lien term loans (83.9%), \$8.1 million in second-lien term loans (0.80%), \$16.3 million in unsecured loans (1.60%), \$54.9 million in structured finance securities (5.40%), and \$84.4 million in common equity (8.3%). SAR's holdings span 39 distinct industry classifications, with notable exposures in Healthcare Services (largest single sector) at 9.7% of portfolio fair value, Structured Finance Securities at 7.3%, and Consumer Services at 6.0%. Its portfolio mix supports a weighted average current yield of 9.7% across all investments. SAR's strategy emphasizes senior secured credit with selective structured and equity positions to balance yield and risk, supported by substantial liquidity and diversified financing sources. The company pays dividends on a monthly basis. The company's fiscal year ends every February 28th (or 29th in leap years).

On January 7th, 2026, Saratoga Investment Corp. reported its fiscal Q3 2026 results for the period ending November 30th, 2025. Total investment income declined 11.8% year over year to \$31.6 million, reflecting lower base rates and a smaller average portfolio following elevated repayments over the past year. Net asset value increased to \$413.2 million, or \$25.59 per share, representing a 0.7% increase quarter over quarter.

Net investment income was \$9.8 million, or \$0.61 per share, representing a 32% decline from \$0.90 per share in the prior year period, due to lower base interest rates and a smaller average earning asset base following elevated repayments over the past 12 months. For Fiscal 2026 we see NII/share of \$3.00.

Growth on a Per-Share Basis

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2031
NII	\$1.91	\$1.94	\$2.11	\$2.60	\$1.59	\$2.07	\$1.74	\$2.94	\$4.49	\$3.81	\$3.00	\$3.15
DPS	\$1.50	\$1.78	\$1.94	\$2.10	\$1.67	\$1.66	\$2.02	\$2.44	\$2.86	\$2.96	\$3.00	\$3.15
Shares¹	5.6	5.7	6.0	7.0	9.3	11.2	11.5	12.0	12.7	13.9	15.4	17.0

From 2016 to 2019, NII/share rose from \$1.91 to \$2.60 as Saratoga scaled its portfolio meaningfully and grew interest income faster than expenses, despite some gradual yield compression. The decline in 2020 to \$1.59 was driven by a combination of lower portfolio yields, COVID-era rate cuts, and higher expense drag on a larger balance sheet. In 2021 and 2022 (\$2.07 then \$1.74), earnings recovered only partially as asset growth continued but base rates were still low and yields remained under pressure, limiting incremental profitability despite a bigger portfolio.

The major inflection came in 2023 and 2024, when NII/share jumped from \$2.94 to \$4.49, driven by both a much larger portfolio and a sharp increase in asset yields as floating-rate loans reset higher while most liabilities re-priced more slowly, creating strong net interest margin expansion. In 2025, NII/share declined to \$3.81 even though total investment income increased, reflecting some combination of balance sheet contraction, higher funding costs, and margin normalization after the unusually favorable 2024 spread environment.

¹ Share count is in millions.

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Moving forward, we believe Saratoga can continue to grow its NII/share by about 1% from here, to be driven primarily by incremental portfolio growth, continued deployment of its sizable liquidity into high-yielding first-lien loans, and the earnings contribution from its SBIC and CLO platforms, partially offset by higher funding costs, modest competitive pressure on spreads, and the normalization of net interest margins from the unusually favorable 2023–2024 environment.

Valuation Analysis

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2031
Avg. P/NII	8.1	8.2	7.6	8.5	13.2	12.1	8.6	7.5	5.1	6.6	7.9	8.5
Avg. Yld.	9.7%	11.1%	12.1%	9.5%	8.0%	6.6%	13.5%	11.1%	12.4%	11.8%	12.7%	11.8%

Historically, NII/share has shown notable volatility, peaking in 2020–2021, and then resetting lower in 2022–2024 before partially recovering in 2025. This record shows that the company’s earnings power expands sharply in favorable rate and credit environments and contracts when spreads and leverage compress. Today, we believe the stock is undervalued, as our fair multiple stands at 8.5x. The dividend yields stands at a significant 12.7%. We expect it to be the main driver of future returns moving forward.

Safety, Quality, Competitive Advantage, & Recession Resiliency

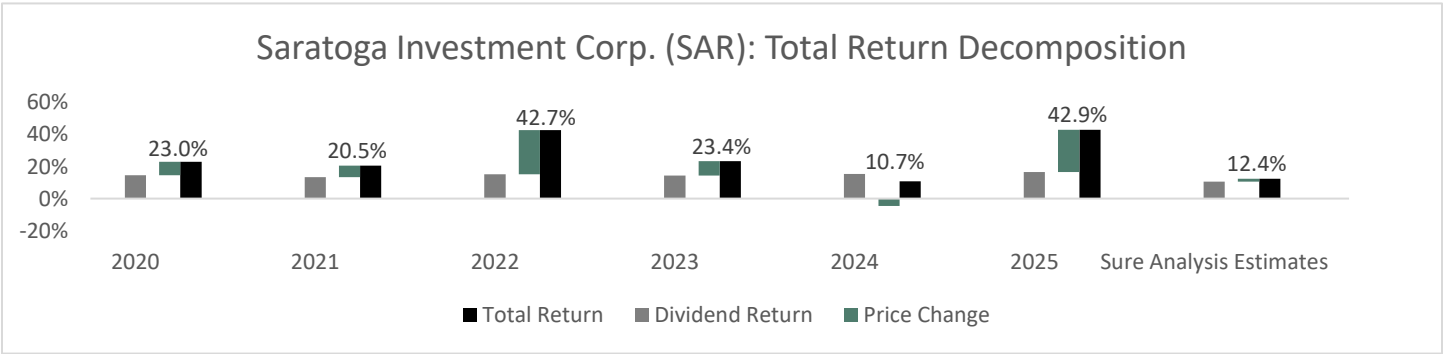
Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2031
Payout	79%	92%	92%	81%	105%	80%	116%	83%	64%	78%	100%	100%

Saratoga’s business model is built around lending at the top of the capital structure to sponsor-backed, cash-generating middle-market companies, which provides strong collateral coverage, predictable interest income, and meaningful protection against permanent capital loss. Diversification, conservative position sizing, and long-standing sponsor relationships support consistent origination and generally resilient portfolio performance across cycles. However, the track record also shows that the business is not immune to severe macro shocks. During COVID, management cut the dividend, reflecting pressure on portfolio income, asset values, and balance sheet flexibility in a stress scenario. While earnings and the dividend subsequently recovered and reached higher levels, that episode illustrates that performance remains cyclically exposed to credit conditions, funding costs, and market liquidity, even with a predominantly senior-secured and conservatively managed portfolio.

Final Thoughts & Recommendation

Overall, the company offers a compelling, high-yielding income platform built on a senior-secured lending strategy, but investors should remain mindful that earnings and dividends can still come under pressure in severe downturns. In any case, we forecast annualized returns of 12.4% over the medium term, driven by the dividend yield, our growth forecast, and the possibility of a multiple expansion. Saratoga earns a hold rating.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Revenue	30	46	33	53	101	49	84	107	144	107
Gross Profit	22	36	21	39	77	32	58	82	113	70
Gross Margin	73.8%	79.8%	63.9%	74.0%	75.9%	66.2%	68.4%	76.9%	78.4%	66.0%
SG&A Exp.	-	-	-	-	-	-	-	-	-	-
D&A Exp.										
Operating Profit	12	13	18	19	73	33	70	61	59	82
Operating Margin	38.5%	28.2%	54.0%	36.6%	72.0%	67.3%	83.4%	57.0%	41.1%	77.2%
Net Profit	12	11	18	19	56	15	46	25	9	28
Net Margin	38.5%	25.0%	54.0%	35.2%	55.0%	30.2%	54.4%	23.2%	6.2%	26.3%
Free Cash Flow	(32)	13	11	12	22	10	28	32	59	54
Income Tax	-	-	-	1	1	4	2	1	1	1

Balance Sheet Metrics

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Total Assets	295	319	360	471	531	592	876	1,078	1,191	1,192
Cash & Equivalents	7	22	14	62	39	30	53	96	41	205
Accounts Receivable										
Inventories	-	-	-	-	-	-	-	-	-	-
Goodwill & Int. Ass.	-	-	-	-	-	-	-	-	-	-
Total Liabilities	170	191	217	290	227	288	520	731	821	799
Accounts Payable										
Long-Term Debt	161	181	206	277	205	274	499	711	804	782
Shareholder's Equity	125	127	144	181	304	304	356	347	370	393
LTD/E Ratio	1.28	1.43	1.44	1.53	0.67	0.90	1.40	2.05	2.17	1.99

Profitability & Per Share Metrics

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Return on Assets	4.2%	3.7%	5.2%	4.5%	11.1%	2.6%	6.2%	2.5%	0.8%	2.4%
Return on Equity	9.4%	9.0%	13.0%	11.4%	23.0%	4.9%	13.9%	7.0%	2.5%	7.4%
ROIC	4.3%	3.8%	5.4%	4.6%	11.5%	2.7%	6.4%	2.6%	0.8%	2.4%
Shares Out.	5.6	5.7	6.0	7.0	9.3	11.2	11.5	12.0	12.7	13.9
Revenue/Share	5.42	7.93	5.43	7.46	10.87	4.37	7.34	8.91	11.35	7.68
FCF/Share	(5.77)	2.18	1.76	1.70	2.39	0.86	2.44	2.72	4.63	3.85

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

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