



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 |
| Shares ¹ | 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.

Disclosure: This analyst has no position in the security discussed in this research report, and no plans to initiate one in the next 72 hours.



Saratoga Investment Corp. (SAR)

Updated January 15th, 2025 by Nikolaos Sismanis

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

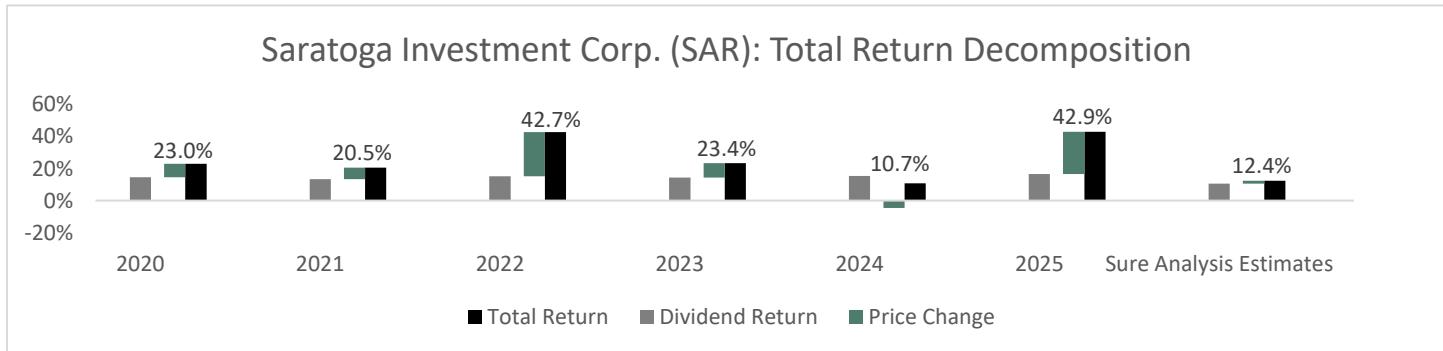
| Year | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2031 |
|--------|------|------|------|------|------|------|------|------|------|------|------|------|
| Payout | 79% | 92% | 92% | 81% | 105% | 80% | 116% | 83% | 64% | 78% | 100% | 100% |

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



Disclosure: This analyst has no position in the security discussed in this research report, and no plans to initiate one in the next 72 hours.



Saratoga Investment Corp. (SAR)

Updated January 15th, 2025 by Nikolaos Sismanis

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.

Disclaimer

Nothing presented herein is, or is intended to constitute, specific investment advice. Nothing in this research report should be construed as a recommendation to follow any investment strategy or allocation. Any forward-looking statements or forecasts are based on assumptions and actual results are expected to vary from any such statements or forecasts. No reliance should be placed on any such statements or forecasts when making any investment decision. While Sure Dividend has used reasonable efforts to obtain information from reliable sources, we make no representations or warranties as to the accuracy, reliability or completeness of third-party information presented herein. No guarantee of investment performance is being provided and no inference to the contrary should be made. There is a risk of loss from an investment in marketable securities. Past performance is not a guarantee of future performance.