



# Saratoga Investment Corp. (SAR)

Updated May 15<sup>th</sup>, 2026 by Nikolaos Sismanis

## Key Metrics

<b>Current Price:</b>	\$22.08	<b>5 Year Annual Expected Total Return:</b>	15.5%	<b>Market Cap:</b>	\$358 M
<b>Fair Value Price:</b>	\$28	<b>5 Year Growth Estimate:</b>	1.0%	<b>Ex-Dividend Date:</b>	06/04/2026
<b>% Fair Value:</b>	78%	<b>5 Year Valuation Multiple Estimate:</b>	5.2%	<b>Dividend Payment Date:</b>	06/23/2026
<b>Dividend Yield:</b>	13.6%	<b>5 Year Price Target</b>	\$30	<b>Years Of Dividend Growth:</b>	5
<b>Dividend Risk Score:</b>	F	<b>Sector:</b>	Financials	<b>Rating:</b>	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 February 28<sup>th</sup>, 2026, the fair value of its investment portfolio was \$1.1 billion, excluding \$21.8 million in cash and cash equivalents. The portfolio composition by fair value was \$911.0 million in first-lien term loans (82.1%), \$42.7 million in second-lien term loans (3.9%), \$16.1 million in unsecured loans (1.5%), \$54.8 million in structured finance securities (4.9%), and \$84.5 million in common equity (7.6%). SAR's holdings span 42 distinct industry classifications, with notable exposures in Healthcare Services (largest single sector) at 8.4% of portfolio fair value, Structured Finance Securities at 6.6%, and Consumer Services at 6.0%. Its portfolio mix supports a weighted average current yield of 9.6% 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 28<sup>th</sup> (or 29<sup>th</sup> in leap years).

On May 5<sup>th</sup>, 2026, Saratoga reported its fiscal Q4 and full-year 2026 results for the period ending February 28<sup>th</sup>, 2026. Total investment income declined 0.5% year over year to \$31.1 million, reflecting lower short-term interest rates and tighter spreads, partly offset by stronger originations and higher assets under management. Net asset value declined to \$396.2 million, or \$24.42 per share, representing a 4.6% decrease quarter over quarter. Net investment income was \$7.7 million, or \$0.48 per share, compared to \$0.56 per share in the prior year period, while adjusted NII was \$0.53 per share. Excluding excise tax expense, adjusted NII was \$0.61 per share, consistent with the prior quarter, as lower base rates and tighter spreads continued to pressure the largely floating-rate portfolio. For Fiscal 2026, NII/share was \$3.32. For Fiscal 2027 we see NII/share of \$3.35.

## Growth on a Per-Share Basis

Year	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2032
<b>NII</b>	\$1.94	\$2.11	\$2.60	\$1.59	\$2.07	\$1.74	\$2.94	\$4.49	\$3.81	\$3.32	<b>\$3.35</b>	<b>\$3.52</b>
<b>DPS</b>	\$1.78	\$1.94	\$2.10	\$1.67	\$1.66	\$2.02	\$2.44	\$2.86	\$2.96	\$3.00	<b>\$3.00</b>	<b>\$3.15</b>
<b>Shares<sup>1</sup></b>	5.7	6.0	7.0	9.3	11.2	11.5	12.0	12.7	13.9	15.9	<b>15.9</b>	<b>17.0</b>

From 2017 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 despite higher total investment income, reflecting some combination of balance sheet contraction, higher funding costs, and margin

<sup>1</sup> Share count is in millions.

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normalization after the unusually favorable 2024 spread environment. In 2026, NII/share fell further to \$2.32, as total investment income declined to \$125.7 million and lower short-term rates, tighter spreads, and elevated repayment activity continued to pressure earnings despite renewed portfolio growth late in the year.

Moving forward, we believe Saratoga can continue to grow its NII/share by about 1% from here, to be driven mainly 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 NII margins from the unusually favorable 2023–2024 environment.

## Valuation Analysis

Year	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	Now	2032
Avg. P/NII	8.2	7.6	8.5	13.2	12.1	8.6	7.5	5.1	6.6	7.2	6.6	8.5
Avg. Yld.	11.1%	12.1%	9.5%	8.0%	6.6%	13.5%	11.1%	12.4%	11.8%	12.6%	13.6%	10.5%

Historically, NII/share has shown notable volatility, peaking in 2020–2021, and then resetting lower in 2022–2024 before partially recovering in 2025 and 2026. This record shows Saratoga’s earnings power expands sharply in favorable rate and credit environments and contracts when spreads and leverage compress. We view the stock as undervalued given our 8.5x fair multiple. The regular dividend yield is significant at 13.6%, excluding periodic special dividends.

## Safety, Quality, Competitive Advantage, & Recession Resiliency

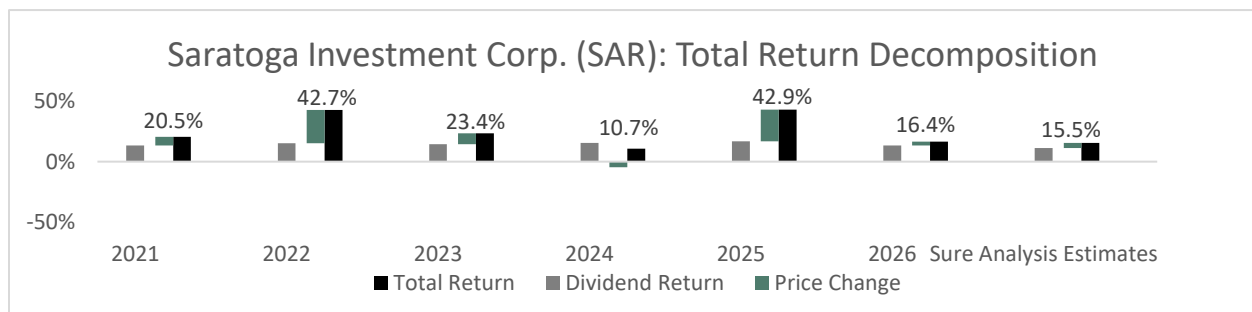
Year	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2032
Payout	92%	92%	81%	105%	80%	116%	83%	64%	78%	90%	90%	90%

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 15.5% over the medium-term, driven by the dividend yield, our growth forecast, and the possibility of a multiple expansion. Saratoga earns a hold rating, however, due to its poor dividend score.

## Total Return Breakdown by Year



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## Income Statement Metrics

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

## Balance Sheet Metrics

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
<b>Total Assets</b>	295	319	360	471	531	592	876	1,078	1,191	1,192
<b>Cash &amp; Equivalents</b>	7	22	14	62	39	30	53	96	41	205
<b>Accounts Receivable</b>	-	-	-	-	-	-	-	-	-	-
<b>Inventories</b>	-	-	-	-	-	-	-	-	-	-
<b>Goodwill &amp; Int. Ass.</b>	-	-	-	-	-	-	-	-	-	-
<b>Total Liabilities</b>	170	191	217	290	227	288	520	731	821	799
<b>Accounts Payable</b>	-	-	-	-	-	-	-	-	-	-
<b>Long-Term Debt</b>	161	181	206	277	205	274	499	711	804	782
<b>Shareholder's Equity</b>	125	127	144	181	304	304	356	347	370	393
<b>LTD/E Ratio</b>	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
<b>Return on Assets</b>	4.2%	3.7%	5.2%	4.5%	11.1%	2.6%	6.2%	2.5%	0.8%	2.4%
<b>Return on Equity</b>	9.4%	9.0%	13.0%	11.4%	23.0%	4.9%	13.9%	7.0%	2.5%	7.4%
<b>ROIC</b>	4.3%	3.8%	5.4%	4.6%	11.5%	2.7%	6.4%	2.6%	0.8%	2.4%
<b>Shares Out.</b>	5.6	5.7	6.0	7.0	9.3	11.2	11.5	12.0	12.7	13.9
<b>Revenue/Share</b>	5.42	7.93	5.43	7.46	10.87	4.37	7.34	8.91	11.35	7.68
<b>FCF/Share</b>	(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

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