Saratoga Investment Corp. (SAR)

Updated October 17th, 2026 by Nikolaos Sismanis

Key Metrics

Current Price:	$15.32	**5 Year Annual Expected Total Return:**	15.0%	**Market Cap:**	$238 M
Fair Value Price:	$17.00	**5 Year Growth Estimate:**	1.0%	**Ex-Dividend Date:**	11/05/2026
% Fair Value:	90%	**5 Year Valuation Multiple Estimate:**	2.1%	**Dividend Payment Date:**	11/24/2026
Dividend Yield:	19.6%	**5 Year Price Target**	$17.87	**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 August 31st, 2026, the fair value of its investment portfolio was $1.150 billion, excluding $95.9 million in cash and cash equivalents. The portfolio composition by fair value was about $939.0 million in first-lien term loans (81.7%), $43.4 million in second-lien term loans (3.8%), $15.5 million in unsecured loans (1.3%), $70.5 million in structured finance securities (6.1%), and $81.8 million in equity interests (7.1%). SAR's holdings spanned 44 distinct industry classifications, with its largest exposures comprising Healthcare Services at 8.4% of portfolio fair value, Structured Finance Securities at 7.8%, and Consumer Services at 5.8%. Its portfolio mix supported a weighted average current yield of 9.9% 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 October 6th, 2026, Saratoga posted fiscal Q2 2027 results for the period ending August 31st, 2026. Total investment income grew 2.0% year over year to $31.2 million, as income from new originations more than offset repayments. Net asset value fell 6.8% quarter over quarter to $352.6 million, or $22.15 per share, reflecting portfolio markdowns and distributions exceeding earnings. Net investment income was $7.3 million, or $0.45 per share, compared with $0.58 per share last year, while adjusted NII was $0.46 per share. Higher interest expense following debt refinancing, lower fee income, and increased management fees continued to pressure earnings. AUM though grew 2.1% to $1.150 billion on $37.1 million of net originations. Non-accruals remained at zero at fair value. For Fiscal 2027 we see NII/share of $2.00.

Growth on a Per-Share Basis

Year	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2032
NII	$1.94	$2.11	$2.60	$1.59	$2.07	$1.74	$2.94	$4.49	$3.81	$3.32	***$2.00***	***$2.10***
DPS	$1.78	$1.94	$2.10	$1.67	$1.66	$2.02	$2.44	$2.86	$2.96	$3.00	***$3.00***	***$2.32***
Shares[1]	5.7	6.0	7.0	9.3	11.2	11.5	12.0	12.7	13.9	15.9	***16.2***	***17.0***

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 normalization after the unusually favorable 2024 spread environment. In 2026, NII/share fell further to $2.32, as total

[1] Share count is in millions.

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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. We have applied a negative 5% rate to dividend growth to account for the possibility of a dividend cut in the coming years.

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	***7.7***	***8.5***
Avg. Yld.	11.1%	12.1%	9.5%	8.0%	6.6%	13.5%	11.1%	12.4%	11.8%	12.6%	***19.6%***	***13.0%***

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 dividend yield is significant at 19.6%, excluding periodic special dividends, though it's at risk.

Safety, Quality, Competitive Advantage, & Recession Resiliency

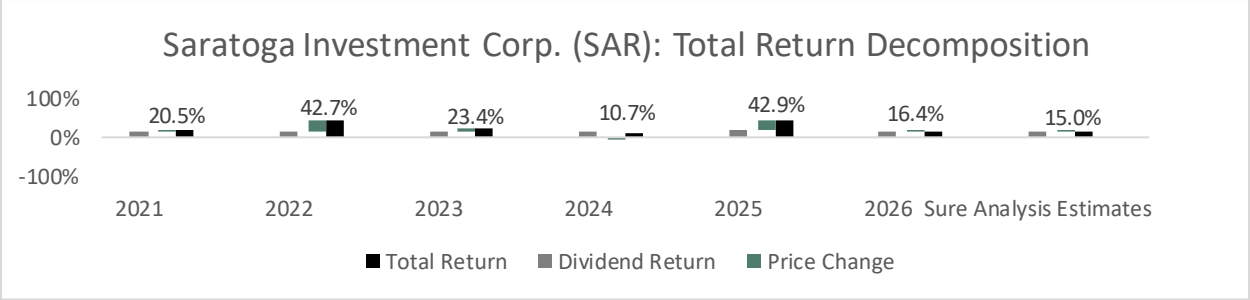
Year	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2032
Payout	92%	92%	81%	105%	80%	116%	83%	64%	78%	90%	***150%***	***110%***

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. Today, we are wary about Saratoga's regular dividend.

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 15.0% over the medium-term, driven by the dividend yield, our NII and dividend forecast, and the possibility of a multiple expansion. Still, Saratoga earns a hold rating, due to its poor dividend score.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Revenue	46	33	53	101	49	84	107	144	107	131
Gross Profit	36	21	39	77	32	58	82	113	70	99
Gross Margin	79.8%	63.9%	74.0%	75.9%	66.2%	68.4%	76.9%	78.4%	66.0%	75.6%
SG&A Exp.	-	-	-	-	-	-	-	-	-	-
D&A Exp.										-
Operating Profit	13	18	19	73	33	70	61	59	82	86
Operating Margin	28.2%	54.0%	36.6%	72.0%	67.3%	83.4%	57.0%	41.1%	77.2%	65.6%
Net Profit	11	18	19	56	15	46	25	9	28	37
Net Margin	25.0%	54.0%	35.2%	55.0%	30.2%	54.4%	23.2%	6.2%	26.3%	28.2%
Free Cash Flow	13	11	12	22	10	28	32	59	54	37
Income Tax	-	-	1	1	4	2	1	1	1	(0.3)

Balance Sheet Metrics

Year	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Total Assets	319	360	471	531	592	876	1,078	1,191	1,192	1,139
Cash & Equivalents	22	14	62	39	30	53	96	41	205	22
Accounts Receivable										-
Inventories	-	-	-	-	-	-	-	-	-	-
Goodwill & Int. Ass.	-	-	-	-	-	-	-	-	-	-
Total Liabilities	191	217	290	227	288	520	731	821	799	743
Accounts Payable										
Long-Term Debt	181	206	277	205	274	499	711	804	782	726
Shareholder's Equity	127	144	181	304	304	356	347	370	393	396
LTD/E Ratio	1.43	1.44	1.53	0.67	0.90	1.40	2.05	2.17	1.99	1.83

Profitability & Per Share Metrics

Year	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Return on Assets	3.7%	5.2%	4.5%	11.1%	2.6%	6.2%	2.5%	0.8%	2.4%	3.1%
Return on Equity	9.0%	13.0%	11.4%	23.0%	4.9%	13.9%	7.0%	2.5%	7.4%	9.3%
ROIC	3.8%	5.4%	4.6%	11.5%	2.7%	6.4%	2.6%	0.8%	2.4%	3.2%
Shares Out.	5.7	6.0	7.0	9.3	11.2	11.5	12.0	12.7	13.9	15.9
Revenue/Share	7.93	5.43	7.46	10.87	4.37	7.34	8.91	11.35	7.68	8.29
FCF/Share	2.18	1.76	1.70	2.39	0.86	2.44	2.72	4.63	3.85	2.32

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

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