Oxford Square Capital Corp. (OXSQ)

Updated October 31st, 2026, by Nikolaos Sismanis

Key Metrics

Current Price:	$0.92	**5 Year Annual Expected Total Return:**	14.4%	**Market Cap:**	$110 M
Fair Value Price:	$0.90	**5 Year Growth Estimate:**	0.0%	**Ex-Dividend Date:**	11/16/2026
% Fair Value:	102%	**5 Year Valuation Multiple Estimate:**	-0.4%	**Dividend Payment Date:**	11/30/2026
Dividend Yield:	19.6%	**5 Year Price Target**	$0.90	**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) investing primarily in syndicated bank loans and collateralized loan obligation equity. At the end of Q3 2026, the investment portfolio had a fair value of $260.1 million across 69 positions, allocated approximately 54% to first-lien secured debt, 5% to second-lien secured debt, 33% to CLO equity, and 8% to other investments. The BDC generated $40.3 million in total investment income last year. Oxford Square is headquartered in Greenwich, Connecticut.

On October 28th, 2026, Oxford Square's board cut its monthly distribution from $0.035 to $0.015, a 57.1% reduction, effective January 2027. The new rate represents $0.18 per share annually. The reduction better aligns distributions with the company's lower earning power, although coverage remains thin.

On October 30th, Oxford Square reported Q3 results for the period ended September 30th. Total investment income increased to $9.9 million from $9.4 million in Q2, while expenses rose to $5.0 million from $4.3 million. NII fell to $4.9 million, or $0.04 per share, from $5.1 million, or $0.05. NAV declined from $1.29 to $1.21 per share. Realized losses of $11.3 million were partly offset by $7.9 million of unrealized appreciation. Preferred equity investments worth $6.8 million remained on non-accrual. The company raised $19.4 million by issuing 14.1 million shares. Nine-month NII was $0.14 per share. We now expect FY2026 NII of $0.18 per share, down from $0.20.

Growth on a Per-Share Basis

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2031
NII	$0.52	$0.60	$0.67	$0.81	$0.40	$0.32	$0.42	$0.51	$0.42	$0.30	***$0.18***	***$0.18***
DPS[1]	$1.15	$0.80	$0.79	$0.80	$0.61	$0.42	$0.42	$0.54	$0.42	$0.42	***$0.18***	***$0.18***
Shares[2]	61.8	58.3	49.7	47.8	49.5	49.6	49.8	53.9	63.5	76.4	***105.0***	***150.0***

The company's net investment income per share has been declining at a nine-year CAGR of 5.9%, as Oxford Square has struggled to reinvest capital 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.

Oxford Square's floating-rate debt income and CLO cash flows remain sensitive to interest rates, credit quality, and investment valuations. Its history of NAV erosion and share issuance has weakened income generation per share. We therefore do not expect NII per share to grow over the medium term. Following the substantial distribution reduction, we expect the lower monthly payout to remain flat over the medium term. Nevertheless, limited earnings coverage leaves distributions vulnerable if portfolio income or asset values weaken further. Distributions have been monthly since 2019.

[1] DPS and yield use the $0.015 monthly rate effective January 2027. Previously declared November and December 2026 payments remain $0.035.

[2] Share count is in millions.

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Valuation Analysis

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	Now	2031
Avg. P/E	11.1	11.3	10.6	7.9	7.0	13.8	10.8	5.3	7.1	7.6	***5.1***	***5.0***
Avg. Yld.	19.9%	11.2%	12.2%	12.9%	21.0%	9.5%	12.2%	20.2%	14.1%	18.4%	***19.6%***	***20.0%***

Oxford Square's yield has averaged about 15.2% over the past decade. The newly reduced payout implies a 19.6% annualized yield at the current share price. We retain a fair multiple of 5.0 times NII to reflect the company's credit risks and weak per-share record, versus a current multiple of 5.1. The stock trades at a roughly 24% discount to its $1.21 NAV, which reflects concerns over asset quality, distribution coverage, and further NAV erosion.

Safety, Quality, Competitive Advantage, & Recession Resiliency

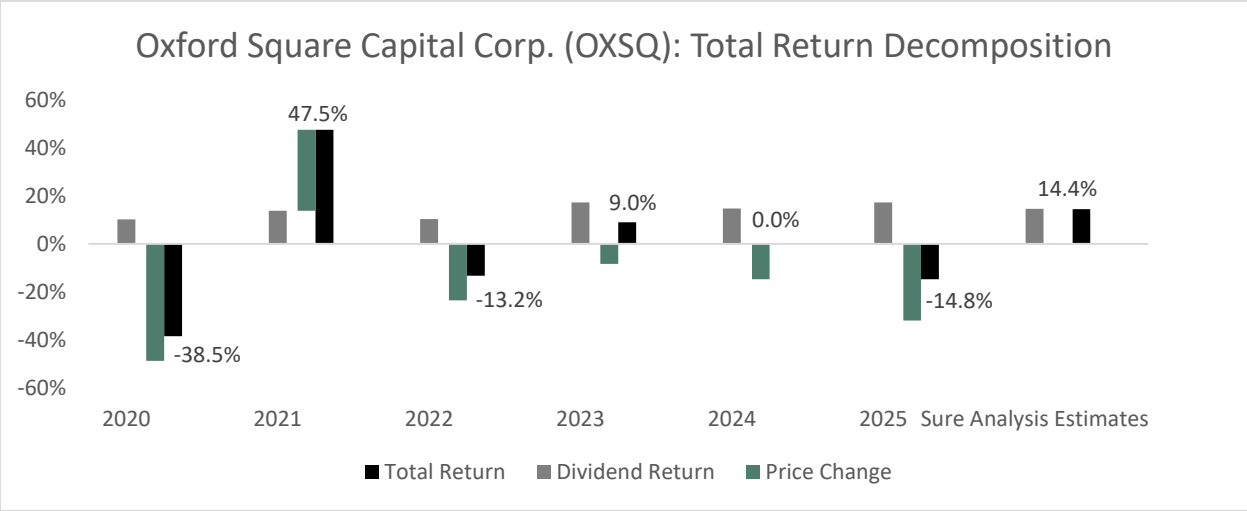
Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2031
Payout	221%	133%	118%	99%	153%	131%	100%	106%	100%	140%	***100%***	***100%***

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 alongside a long-term contraction in the investment base, 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. Even after the cut, forecast NII provides little distribution coverage cushion. 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. Further distribution reductions remain possible if income or asset values weaken. We see an annualized total return potential of 14.4% in the medium-term. This estimate assumes the reduced distribution and NII remain flat, with the high starting yield partly offset by modest valuation pressure. In any case, we rate the stock as 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	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Revenue	69	61	56	63	36	37	43	52	43	40
G&A Expense	3	1	1	1	1	1	1	1	1	1
Net Income	110	44	-9	-33	2	40	-86	17	6	-19
Net Margin	159.3%	71.0%	-16.4%	-52.4%	4.8%	106.5%	-198.4%	33.3%	13.8%	-46.4%
Operating CF	186	218	-34	48	95	-107	20	66	26	-14

Balance Sheet Metrics

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Total Assets	612	454	467	385	358	434	328	278	300	307
Cash & Equivalents	8	30	14	14	59	9	9	6	35	52
Total Liabilities	226	66	152	137	132	189	189	126	139	161
Accrued Expenses	1	1	1	1	0	1	0	1	1	1
Long-Term Debt	220	62	148	134	107	185	186	123	124	152
Total Equity	386	388	315	248	225	245	139	151	161	145
LTD/E Ratio	0.57	0.16	0.47	0.54	0.47	0.76	1.34	0.81	0.77	1.04

Profitability & Per Share Metrics

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Return on Assets	16.6%	8.2%	-2.0%	-7.7%	0.5%	10.0%	-22.5%	5.7%	2.0%	-6.2%
Return on Equity	29.6%	11.3%	-2.6%	-11.7%	0.7%	16.8%	-44.6%	11.9%	3.8%	-12.2%
ROIC	16.8%	8.3%	-2.0%	-7.8%	0.5%	10.4%	-22.7%	5.8%	2.1%	-6.4%
Shares Out.	51.9	51.5	49.7	47.8	49.5	49.6	49.8	53.9	63.5	76.4
Revenue/Share	1.34	1.19	1.13	1.31	0.73	0.75	0.87	0.96	0.67	0.53
OCF/Share	3.58	4.23	-0.68	1.00	1.92	-2.16	0.41	1.21	0.41	-0.18

Note: USD millions unless per share. Revenue is total investment income. Operating cash flow includes investment purchases and sales. Net income includes investment gains and losses.

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