

Saratoga Investment Corp.

**Fiscal Fourth Quarter and Fiscal
Year 2017 Shareholder Presentation**

May 17, 2017



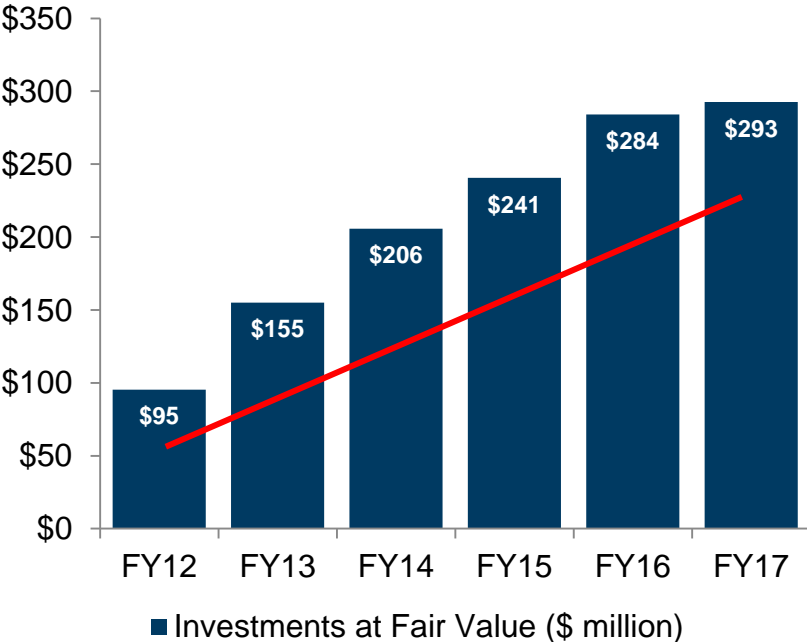
Continued Progress in Q4 and FY 2017

Fiscal year-end and fourth quarter 2017 highlights:

- Continued strengthening of financial foundation
 - Investment quality remains strong
 - 94.1% of loan investments with highest rating
 - Return on equity of 9.0% LTM (11.3% excluding legacy investments and interest and loss on extinguishment), beating industry average of 7.5%
 - Gross Unlevered IRR of 17.0% on \$108.0 million of realizations during FY17
- Consistent originations sustain assets under management despite significant repayments
 - AUM up 208% from FY12, up 3.1% from last fiscal year and up 5.4% from Q3
 - \$126.9 million originations this fiscal year offset repayments of \$121.2 million
 - \$41.1 million of originations in Q4 offset repayments of \$26.5 million
- Two important refinancings recently completed during the fiscal year
 - CLO refinanced for second time – extends reinvestment period to October 2018
 - Baby bonds offering completed of \$74.5m – extends maturity by almost four years and reduces interest rate by 75 bps
- Latest dividend of \$0.46 per share continued increase in quarterly dividends
 - Over-earning our current dividend by 9% - \$0.50 adjusted NII/share for FY17
- Base of liquidity remains strong - existing available liquidity allows us to increase current AUM by 36%
- New ATM equity program - sold 60,679 shares for gross proceeds of \$1.4 million
 - Average price of \$22.49 per share

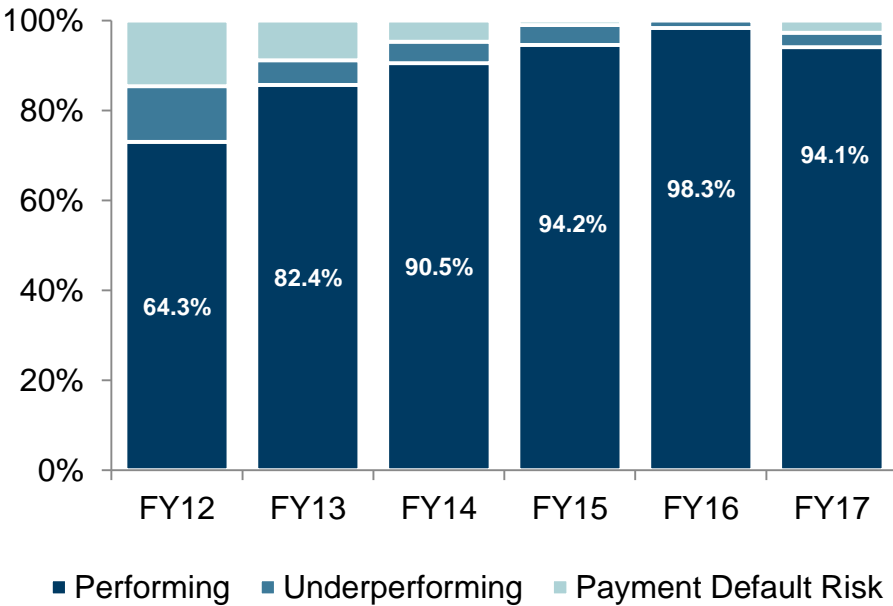
Continued Asset Growth and Solid Credit Quality

Asset Base Expansion Trend



Fair value of AUM increased 3% year-over-year, and has increased 208% since FY12

Overall Credit Quality Continues Strong



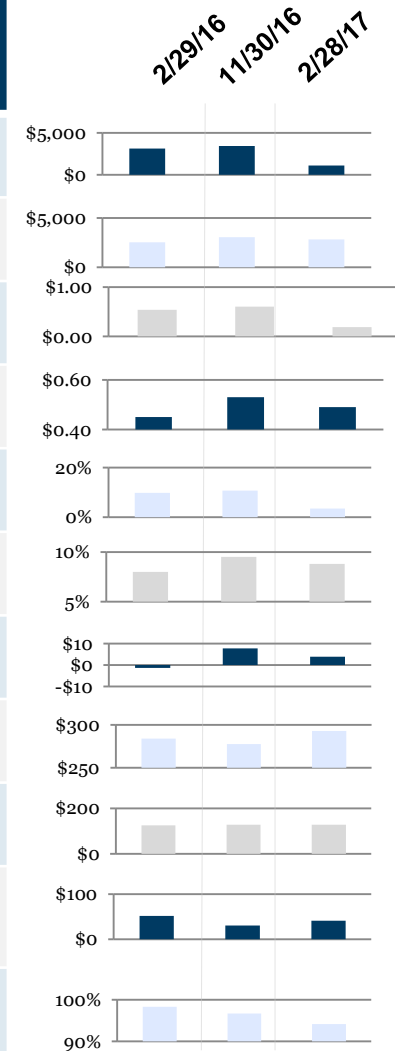
Over 94.1% of our SAR loan investments hold our highest internal rating; one on non-accrual at quarter-end*

* Excludes our investment in our CLO, and our equity investments.

Q4 FY17: Strong Financial Foundation and Momentum

Key Performance Metrics for the Fiscal Quarter

| For the quarter ended and as of (\$ in millions except per share) | Feb 29, 2016 | Nov 30, 2016 | Feb 28, 2017 |
|--|--------------|--------------|--------------|
| Net investment income | \$3,100 | \$3,419 | \$1,100 |
| Adjusted net investment income* | \$2,537 | \$3,050 | \$2,872 |
| Net investment income per share | \$0.54 | \$0.60 | \$0.19 |
| Adjusted net investment income per share* | \$0.45 | \$0.53 | \$0.49 |
| Net investment income yield | 9.8% | 10.7% | 3.5% |
| Adjusted net investment income yield* | 8.0% | 9.5% | 8.8% |
| Return on Equity – Last Three Months | (1.3%) | 7.7% | 3.9% |
| Fair value of investment portfolio | \$284.0 | \$277.6 | \$292.7 |
| Total net assets | \$125.1 | \$127.7 | \$127.3 |
| Investments in new/existing portfolio companies | \$51.8 | \$30.1 | \$41.1 |
| Loan Investments held in “strong” credit ratings | 98.3% | 96.7% | 94.1% |

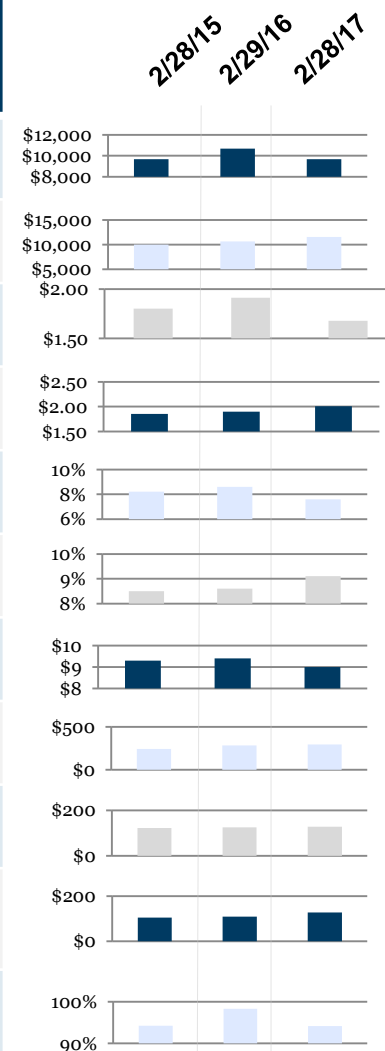


*Adjusted for accrued capital gains incentive fee expense, and interest during call period and loss on extinguishment of existing baby bonds debt, reconciliation to GAAP net investment income included in our fiscal fourth quarter 2017 earnings release.

FY17: Strong Financial Foundation and Momentum

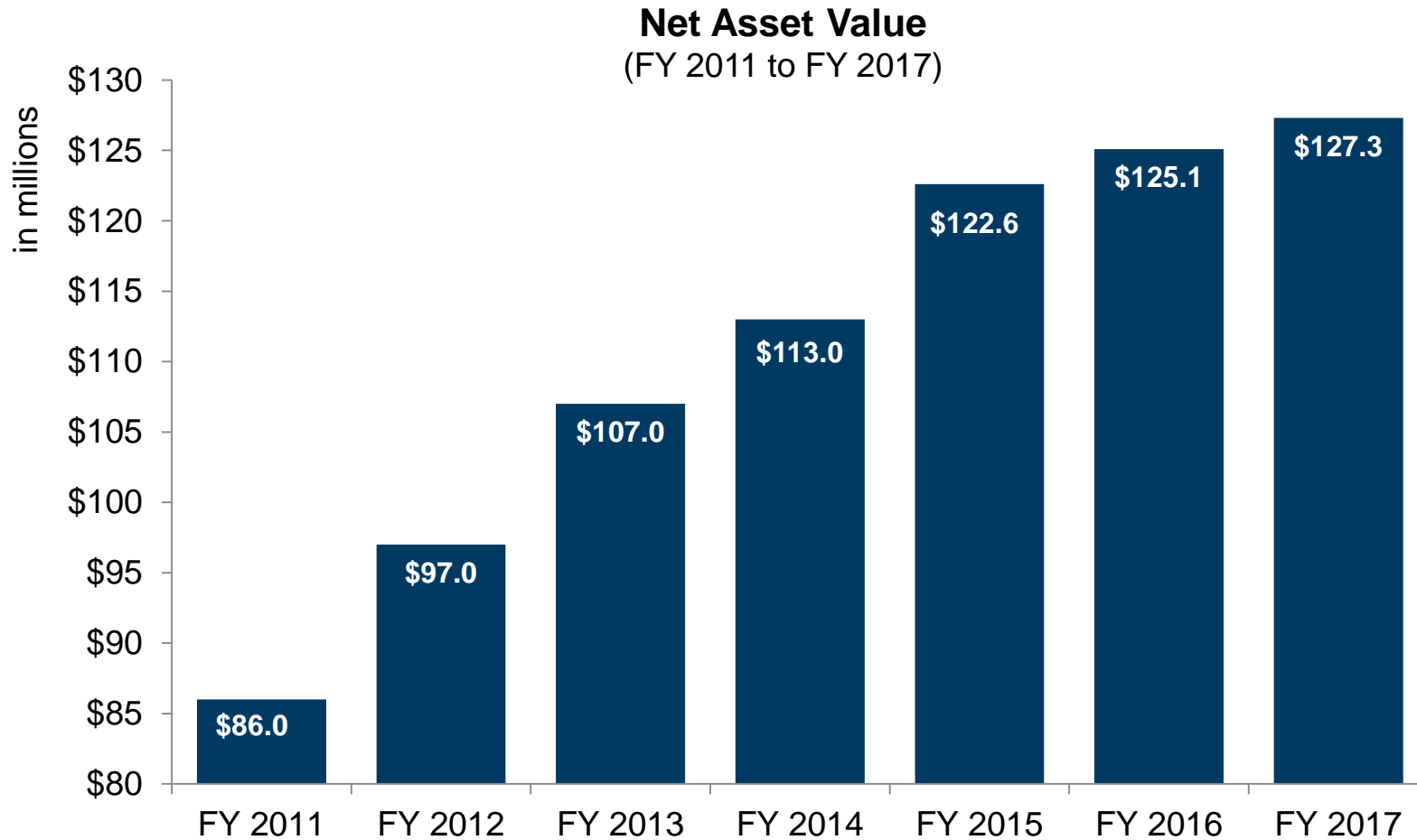
Key Performance Metrics for the Fiscal Year

| For the year ended and as of (\$ in millions except per share) | Feb 28, 2015 | Feb 29, 2016 | Feb 28, 2017 |
|---|--------------|--------------|--------------|
| Net investment income | \$9,674 | \$10,678 | \$9,661 |
| Adjusted net investment income* | \$9,978 | \$10,633 | \$11,518 |
| Net investment income per share | \$1.80 | \$1.91 | \$1.68 |
| Adjusted net investment income per share* | \$1.85 | \$1.90 | \$2.01 |
| Net investment income yield | 8.2% | 8.6% | 7.6% |
| Adjusted net investment income yield* | 8.5% | 8.6% | 9.1% |
| Return on Equity – Last Twelve Months | 9.3% | 9.4% | 9.0% |
| Fair value of investment portfolio | \$240.5 | \$284.0 | \$292.7 |
| Total net assets | \$122.6 | \$125.1 | \$127.3 |
| Investments in new/existing portfolio companies | \$104.9 | \$109.2 | \$126.9 |
| Loan Investments held in “strong” credit ratings | 94.2% | 98.3% | 94.1% |



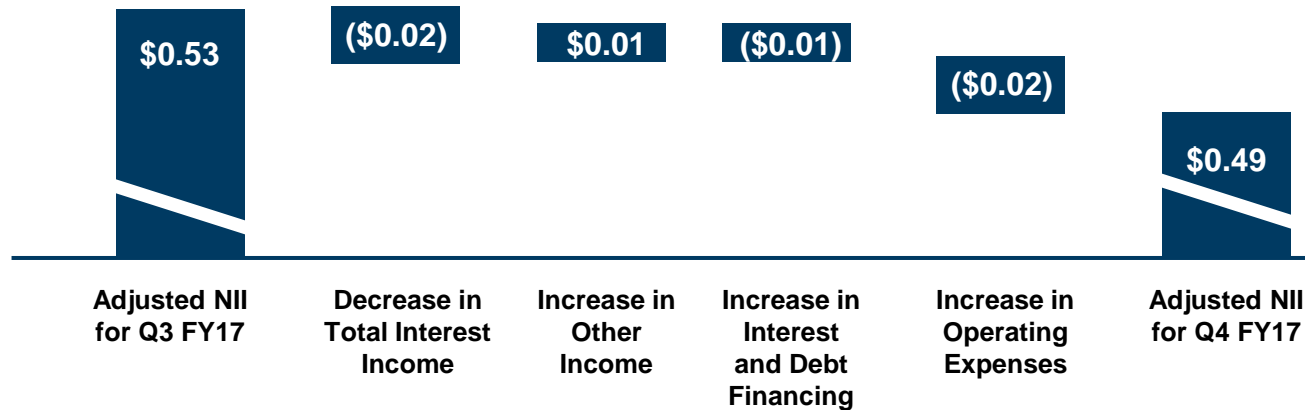
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NAV Continues to Benefit from Realizations



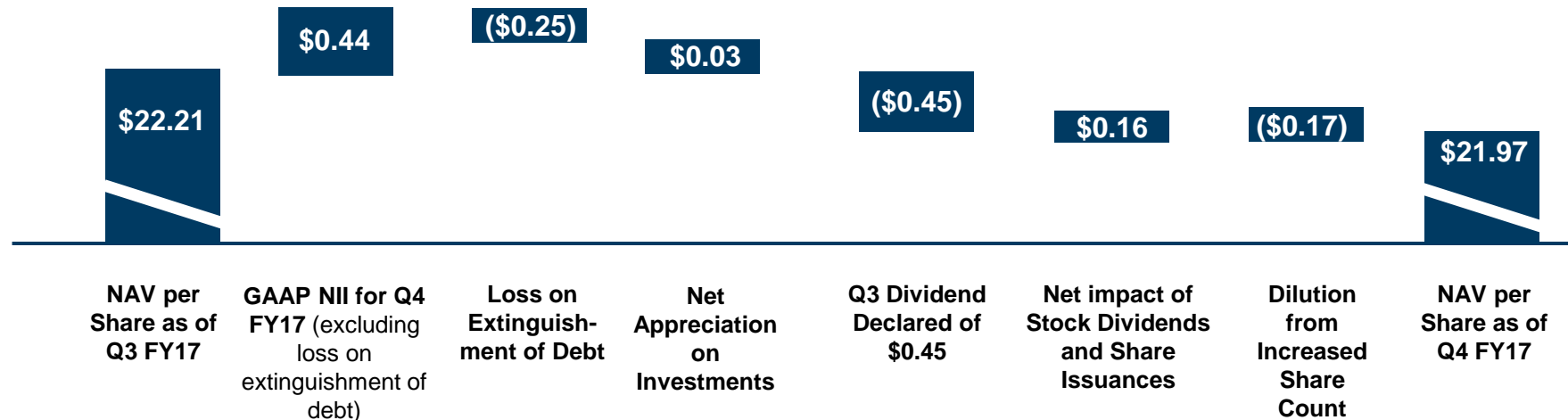
Quarterly Reconciliation of NII and NAV per Share

Reconciliation of Quarterly NII per Share



- Impact to adjusted NII from slightly higher weighted average shares outstanding was minimal
- Impacts are shown net of incentive fee

Reconciliation of Quarterly NAV per Share



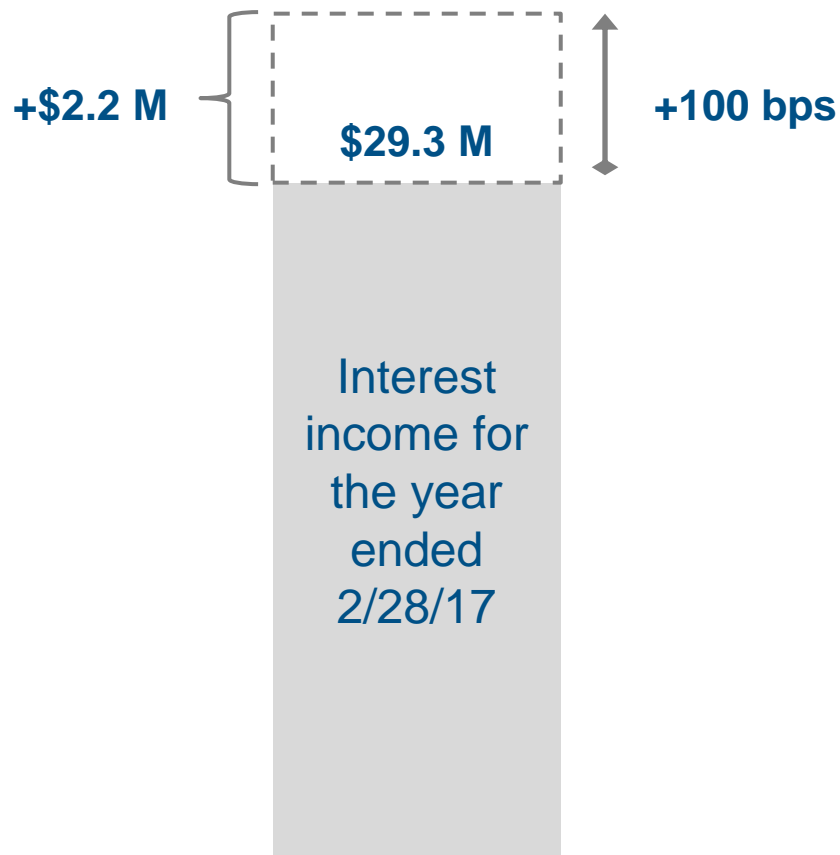
Significant Dry Powder Available

| (As of February 28, 2017) | Total Borrowing Capacity | Outstanding | Available Liquidity | Maturity Period | Fixed / Floating Rate |
|---|--------------------------|-----------------|---------------------|-----------------|-----------------------|
| Secured Revolving Credit Facility | \$45.0 million | \$0.0 million | \$45.0 million | 5 Years | Floating |
| SBA Debentures | \$150.0 million | \$112.7 million | \$37.3 million | 6-10 years | Fixed |
| Publicly-Traded Notes (at fair value) | \$77.1 million | \$77.1 million | \$0.0 million | 7 Years | Fixed |
| Cash and Cash Equivalents | \$22.1 million | \$0.0 million | \$22.1 million | - | - |
| Total Available Liquidity (at quarter-end): \$ 104.4 million | | | | | |

* Ability to grow AUM by 36% without any new external financing

SAR Benefits from Increased Interest Rates

Interest Income Grows with Higher Interest Rates



- 83% of SAR lending at floating rates
- Hypothetical 1% change in interest rates would result in ~\$2.2 million increase in interest income
 - Assumes investments as of 2/28/17 outstanding for full year and no change to existing rate terms

Impact of Baby Bonds Refinancing

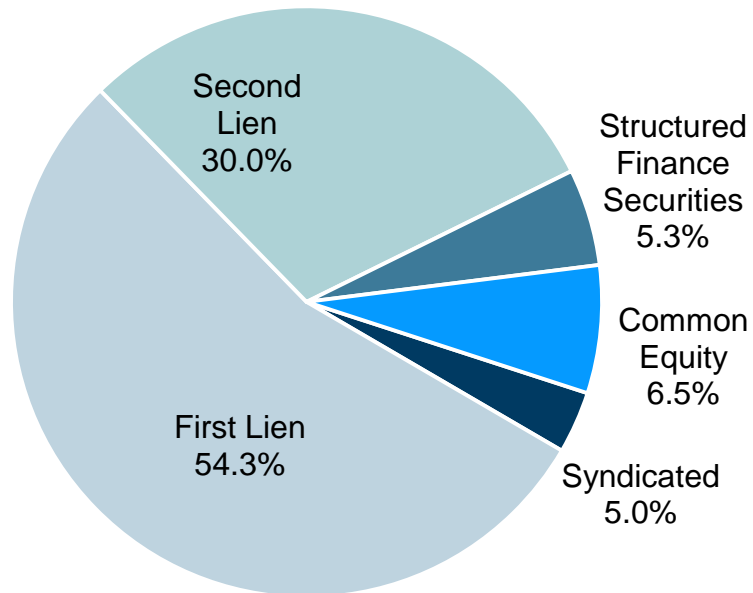
Two non-recurring financial impacts related to Q4 baby bonds refinancing reflected in adjusted ratios:

1. Write-down of deferred financing costs related to 2020 baby bonds
 - Loss on extinguishment of \$1.5 million on face of income statement
 - Excluded from operating expenses and incentive fee calculation
2. Additional interest expense and amortized deferred financing costs related to capital decision to only call the 2020 bonds once the 2023 bonds have been issued:
 - Prudent cash management
 - Standard call period of 30 days
 - Impact of additional interest and amortization of prior deferred financing costs on 2020 baby bonds is \$0.3 million in Q4 2017, net of incentive fee impact

Portfolio Composition and Yield

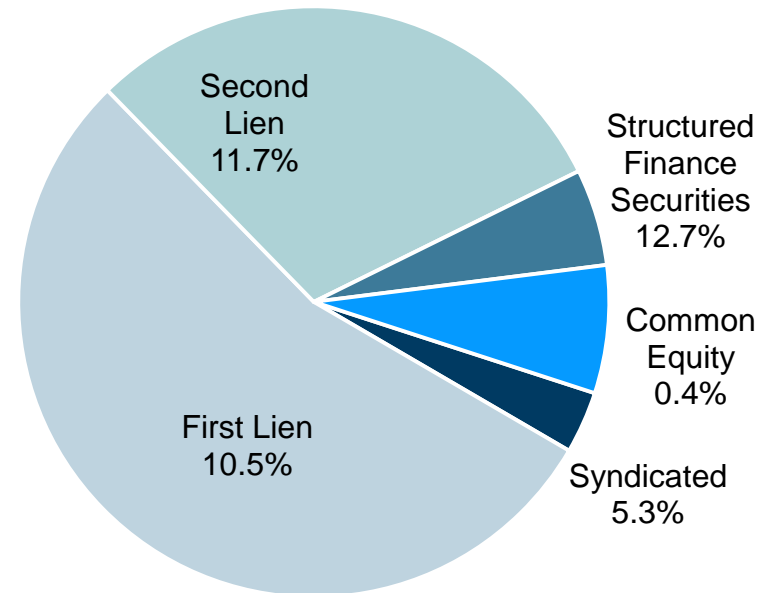
Portfolio Composition – \$292.7m

(Based on Fair Values
as of February 28, 2017)



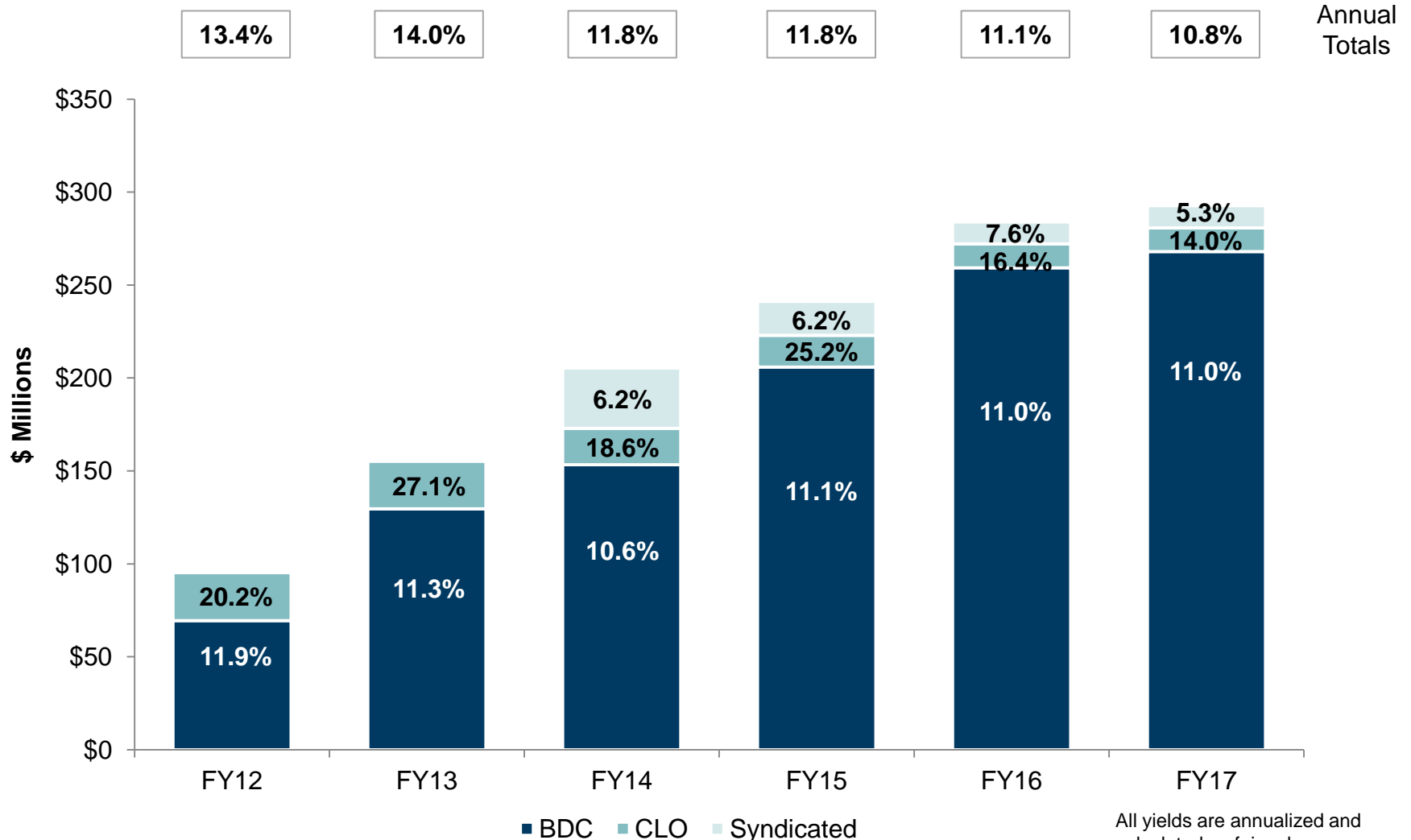
Portfolio Yield – 10.8%

(Weighted Average
Current Yield of Existing Portfolio)



Yield of BDC Remains Strong and Consistent

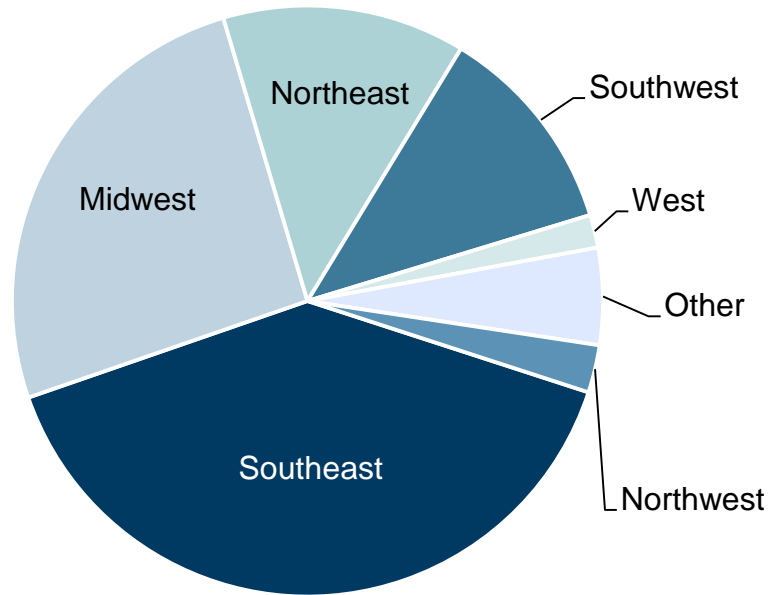
Weighted Average Current Yields



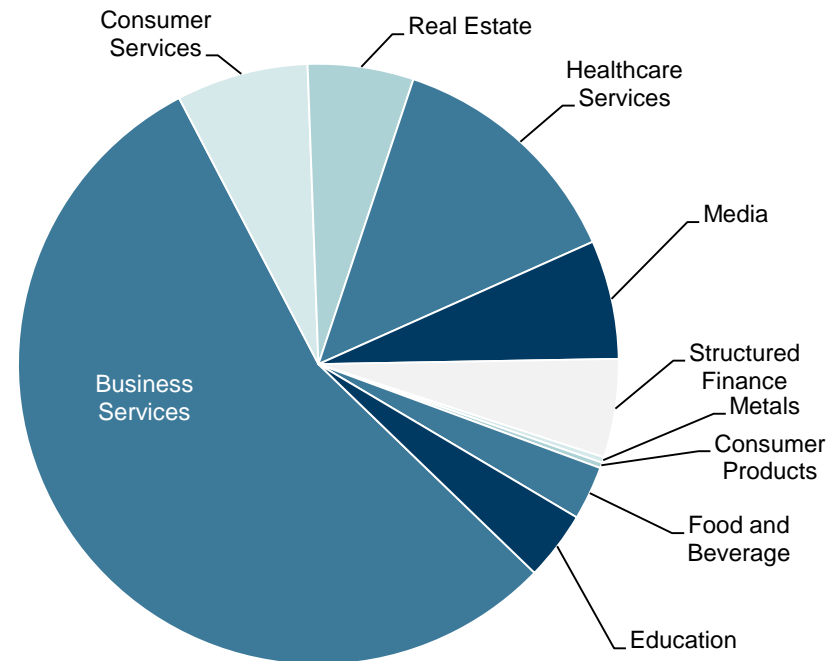
All yields are annualized and calculated on fair value

Diversified Across Industry and Geography

Investments diversified geographically

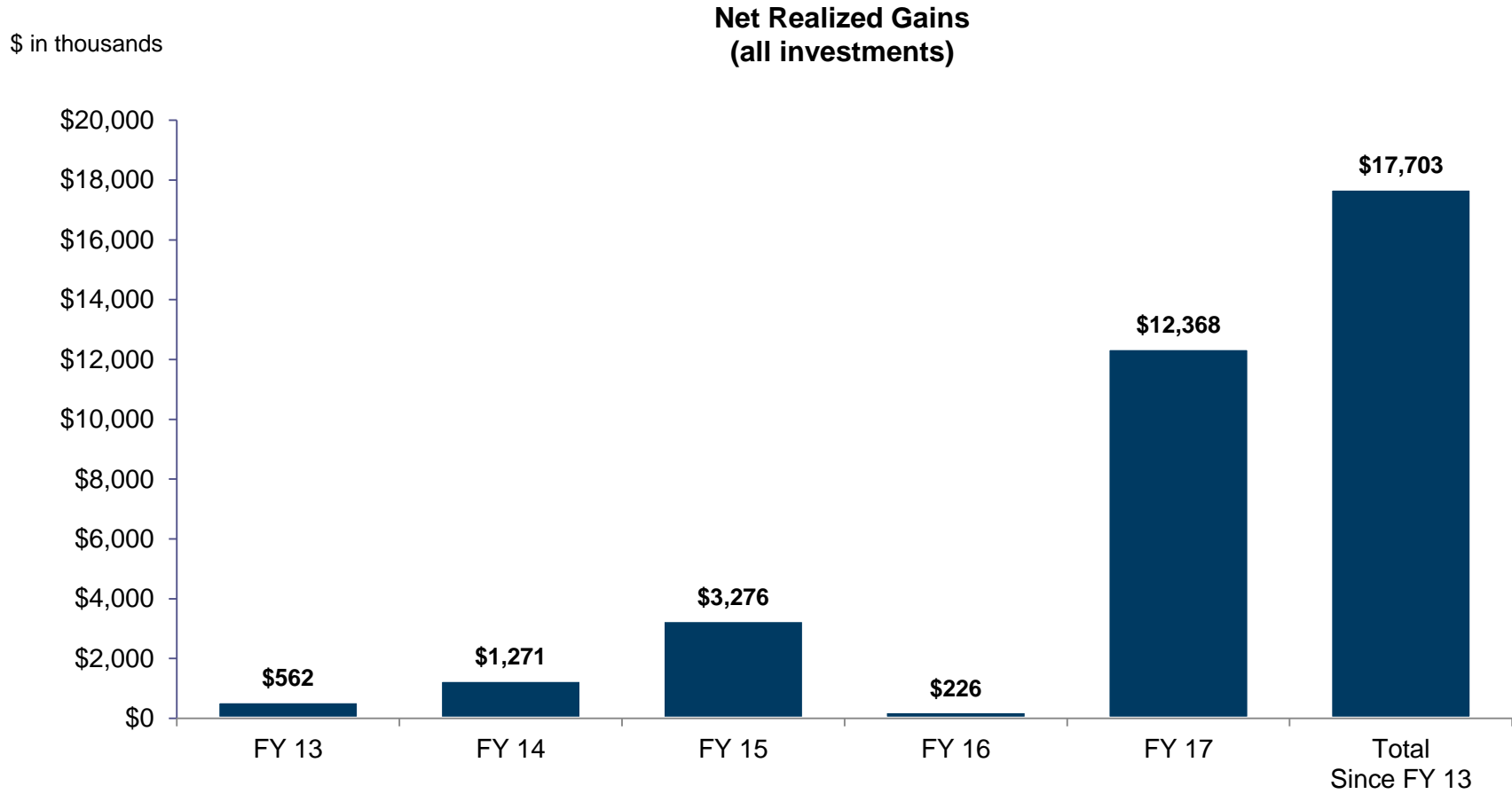


Investments across 10 distinct industries



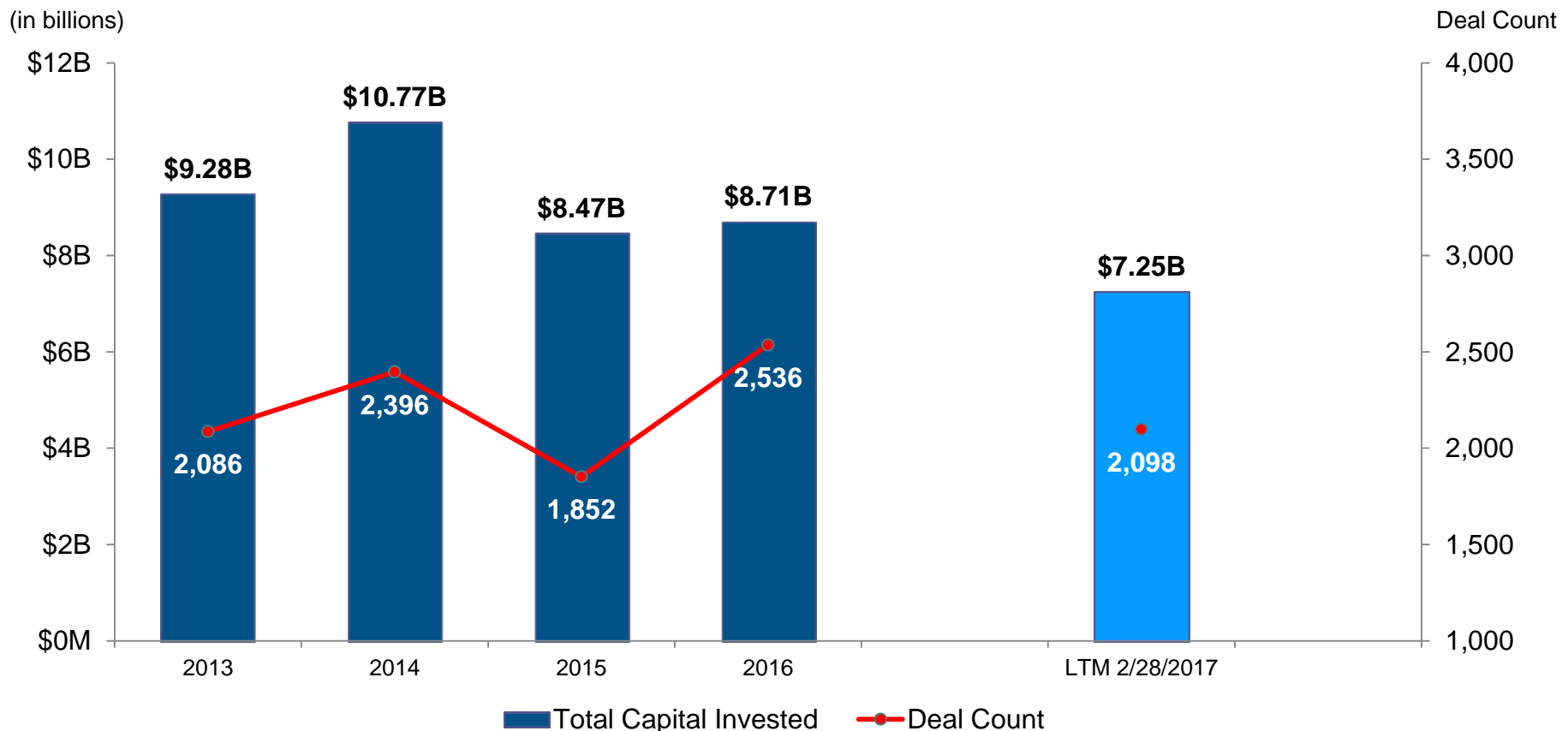
Net Realized Gains Help Protect Shareholder Capital

Cumulative net realized gains reflect portfolio credit quality



US Deal Activity Below \$25m Continues to Decrease

- 2016 transactions for US deals below \$25 million remained 19% below 2014 levels
- LTM February continue that trend – down by 17% over calendar 2016

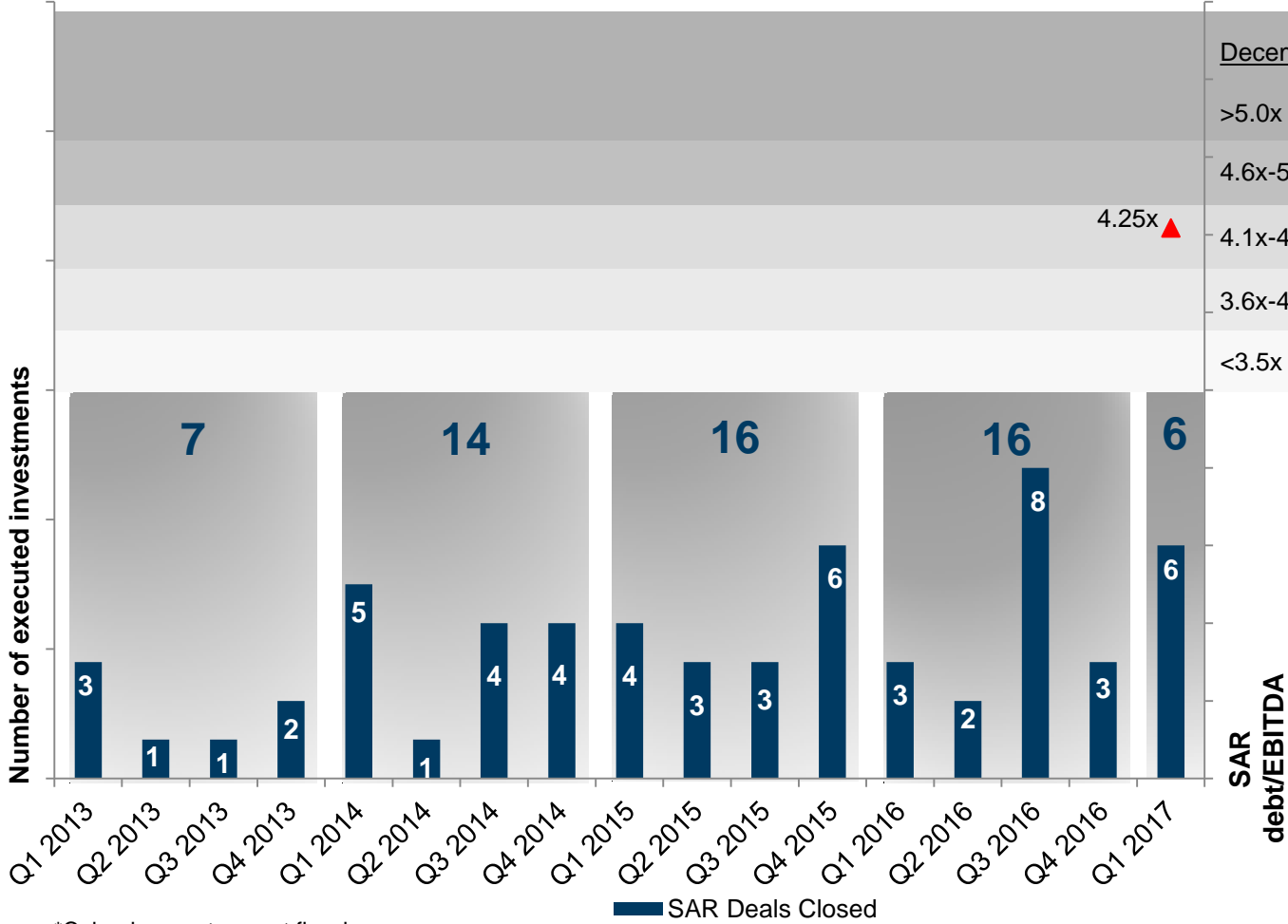


Exercising Disciplined Investment Judgment While Growing Origination Pace

SAR Debt Multiples/Deals Closed (2013-2017)

Total Portfolio Leverage is 4.25x

Market Average Multiples
(Total Debt/EBITDA)



| December 31, 2016 | | September 30, 2016 | |
|-------------------|-------|--------------------|-------|
| >5.0x | 26.0% | >5.0x | 12.5% |
| 4.6x-5.0x | 5.0% | 4.6x-5.0x | 25.0% |
| 4.1x-4.5x | 26.0% | 4.1x-4.5x | 25.0% |
| 3.6x-4.0x | 16.0% | 3.6x-4.0x | 25.0% |
| <3.5x | 27.0% | <3.5x | 12.5% |

Multiples for SAR deals below industry average

Market averages slightly decreased this quarter – overall more aggressive for high quality credits

*Calendar quarters, not fiscal

■ SAR Deals Closed
▲ Weighted Average SAR leverage across portfolio

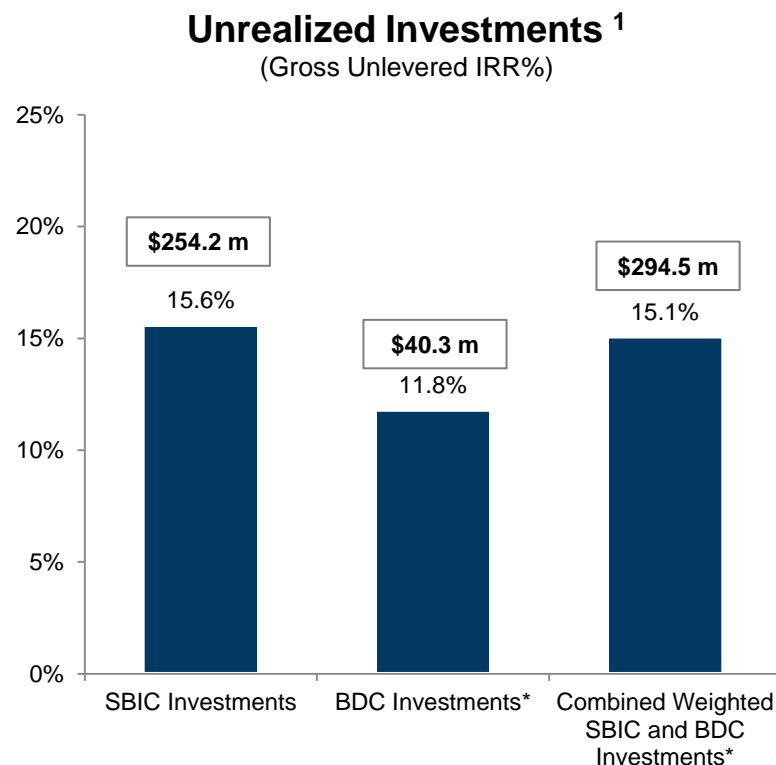
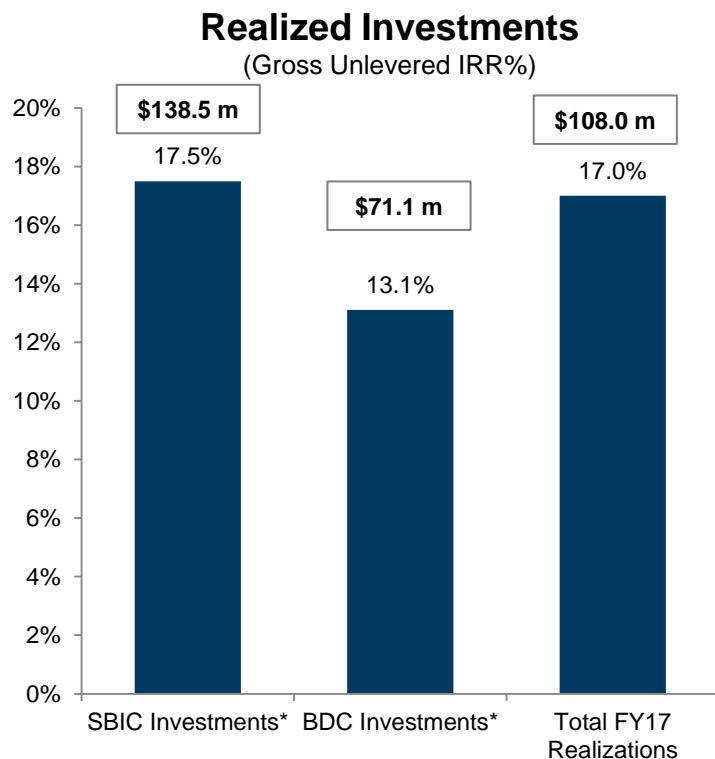


Robust Pipeline During Tough Execution Market

Despite a difficult market to close deals, the number of new business opportunities is increasing for us, yet we remain as disciplined as ever.

| Calendar | 2014 | Δ | 2015 | Δ | 2016 | Δ | LTM Q1 2017 | |
|------------------------------------|------|-----|------|-------|------|-----|-------------|---|
| Deals Sourced | 480 | 28% | 613 | 5% | 645 | 6% | 686 | <ul style="list-style-type: none"> • 50% of deal flow from private equity sponsors • 50% of deals from private companies without institutional ownership |
| Term Sheets | 48 | 40% | 67 | (28%) | 48 | 17% | 56 | <ul style="list-style-type: none"> • Saratoga issues an average of 14 term sheets per quarter • ~ 80% of term sheets are issued for transactions involving a private equity sponsor • Decrease from 2015 reflects inconsistent quality |
| Deals Executed (new and follow-on) | 14 | 14% | 16 | - | 16 | 19% | 19 | <ul style="list-style-type: none"> • Saratoga closes an average of 5 deals or follow-ons per quarter, 2.5% of deals reviewed • High level of follow-ons the past quarters |

Demonstrated Strong Track Record



Track Records as of 02/28/17

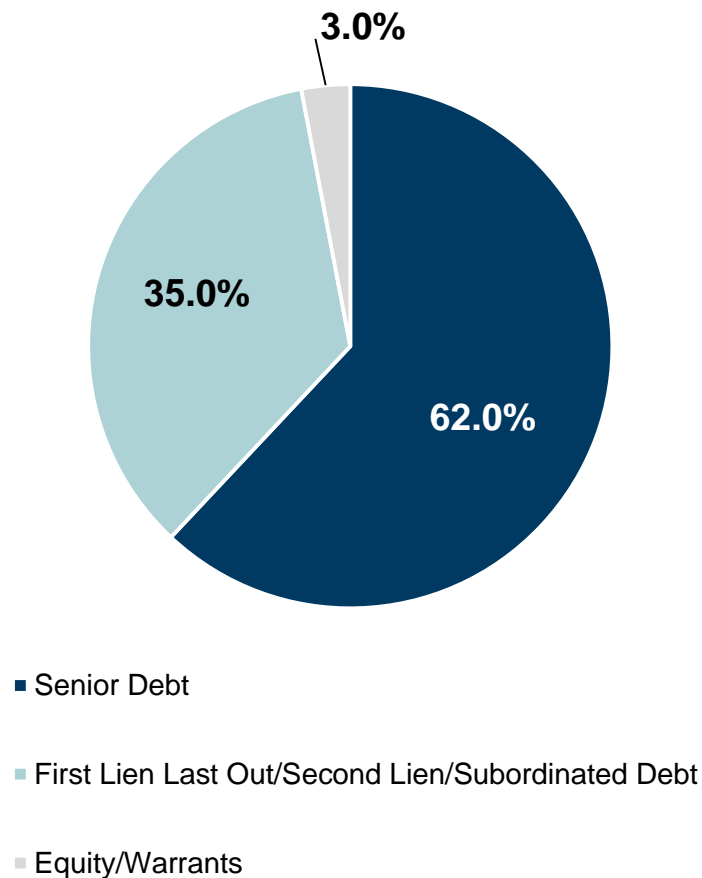
¹ IRRs for unrealized investments include fair value through 02/28/17, accrued interest through 03/31/17 and actual interest received through 4/30/17

* SBIC investments represent all investments in the first license. BDC investments exclude investments existing when Saratoga management took over, and corporate financing investments.

SBIC Portfolio Primarily Senior Debt

- SBIC portfolio consists of 20 investments across a range of industries. Compared to the broader loan market tracked by S&P and Thomson Reuters, SAR's leverage levels are lower.
- The weighted average leverage for all SBIC debt investments is 4.3x¹.
 - 62.0% of the SBIC portfolio consists of senior debt investments, up from 58.0% in November 2016
 - 34.5% of the SBIC portfolio consists of first lien, last out or second lien/subordinated debt investments, down from 38.5% in November 2016

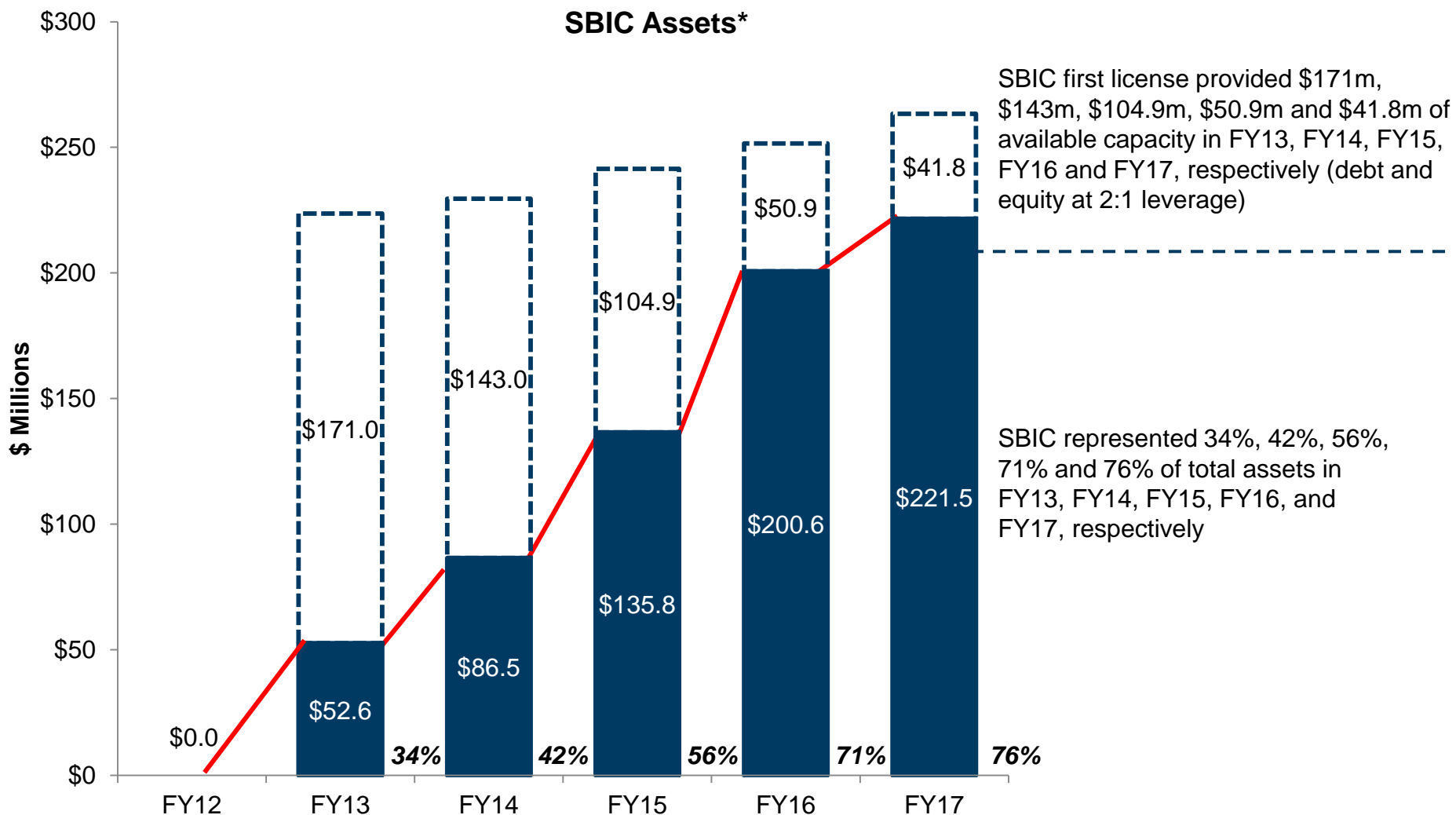
Composition of SBIC Portfolio ²



¹Excludes two loans underwritten using recurring revenue metrics

²Based on market value as of February 28, 2017

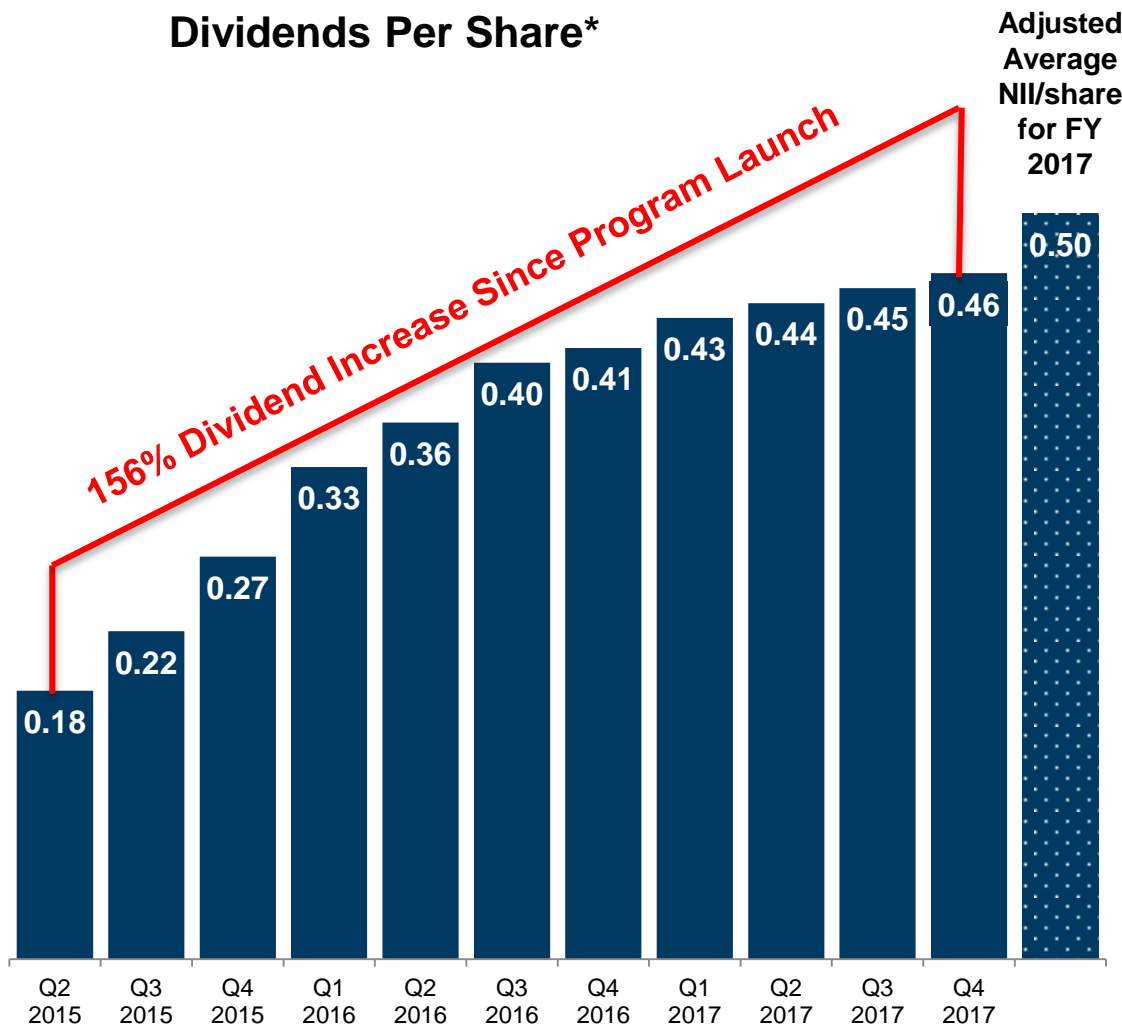
SBIC Assets Continue to Grow



* At Fair Value as of February 28, 2017

Dividends Continue to Increase

- Established dividend policy to pay regular quarterly cash dividends to stockholders pursuant to dividend reinvestment plan (“DRIP”)
- Increased dividend by 156% since program launch
- Declared Q4 2017 dividend of \$0.46, an increase of \$0.01 (2%)
- Overearning our dividend currently (9% on average FY 2017 NII per share)

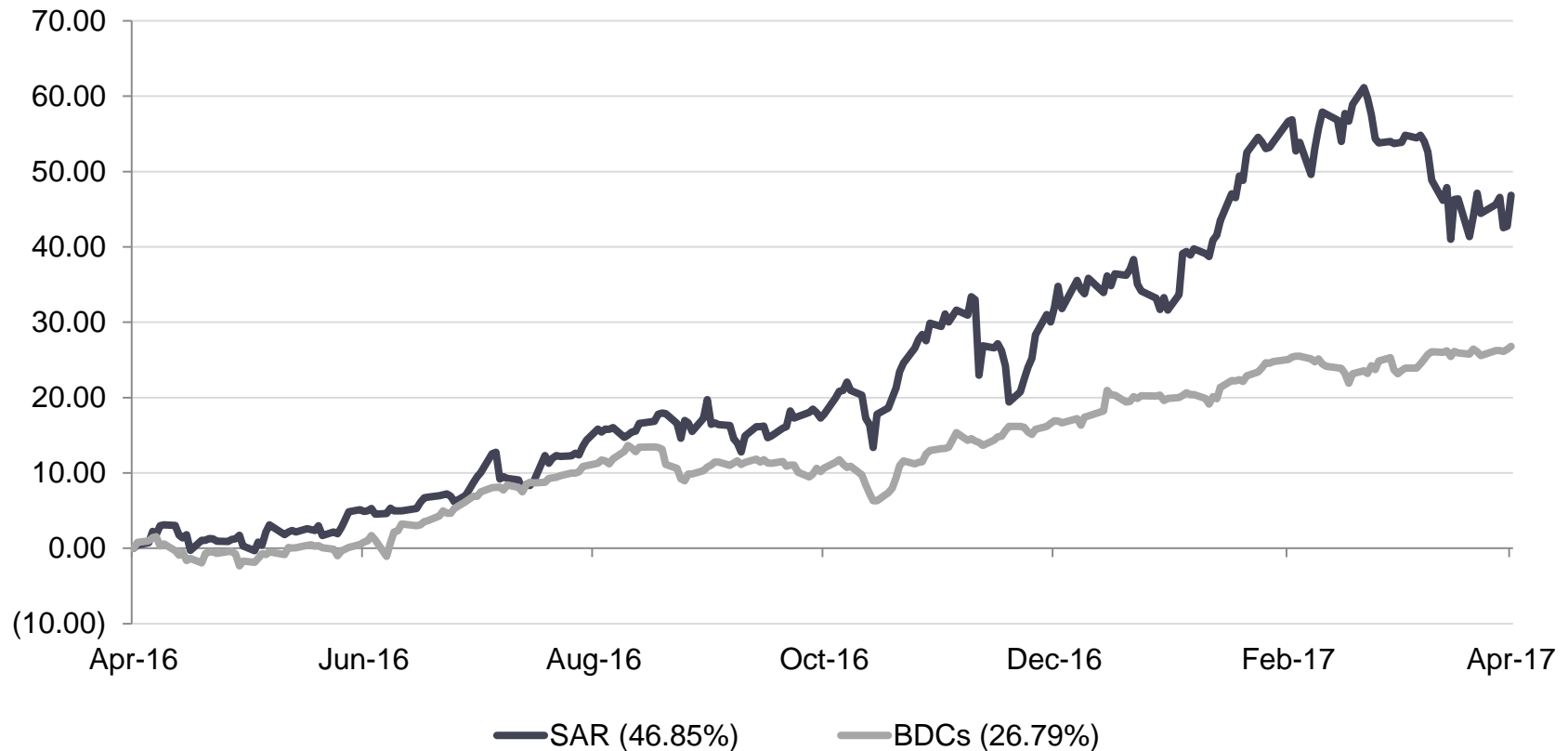


*Excludes special dividend of \$0.20 per share paid on September 5, 2016

SAR LTM Total Return Outperforms BDC Index

LTM Total Return (%)
(April 2016 to April 2017)

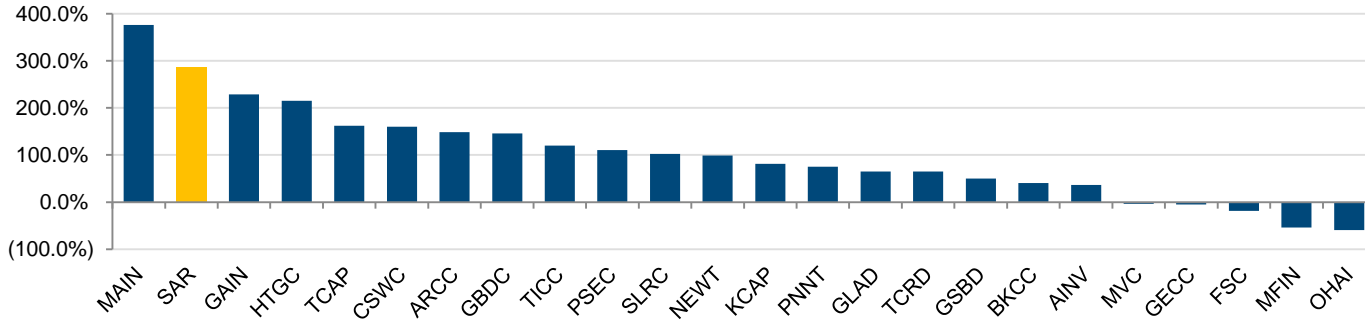
SAR +47% v BDC Index +27%



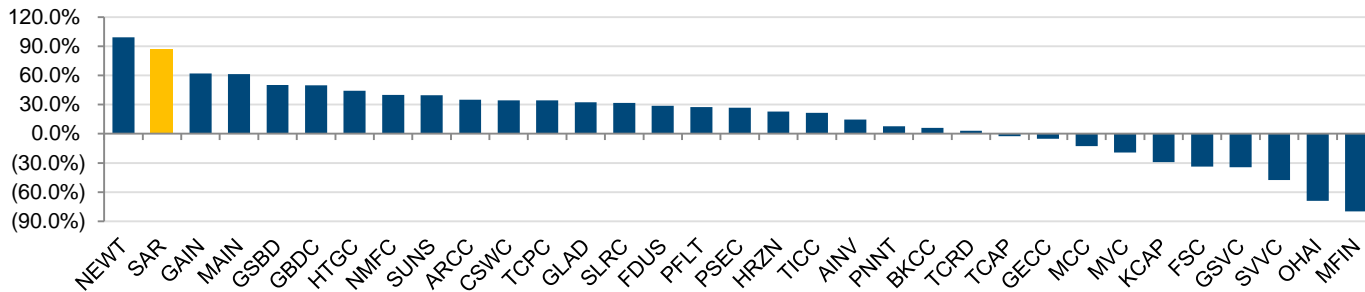
Source: Keefe, Bruyette & Woods

Performance at Top of BDC Industry

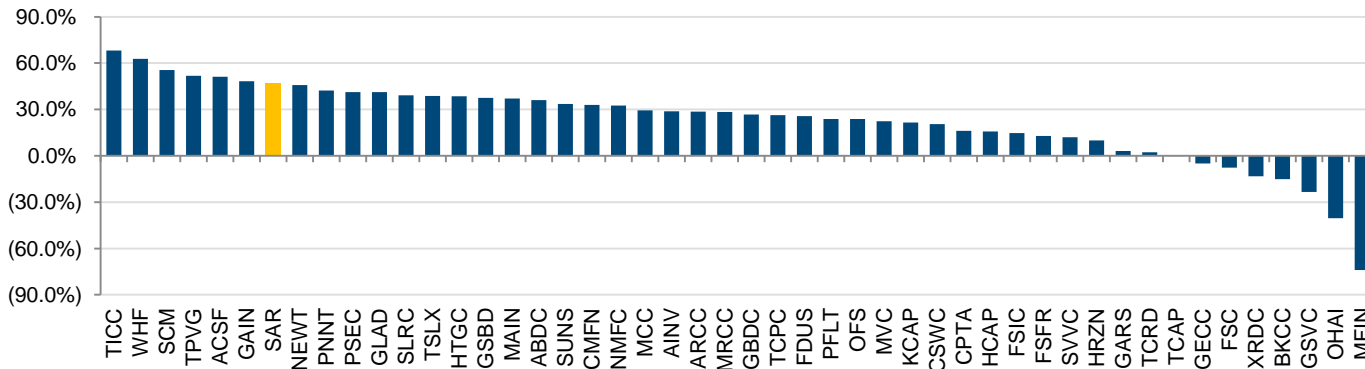
BDC Total Return (%)



**Past 6 years
since
Saratoga took
over: 286%**



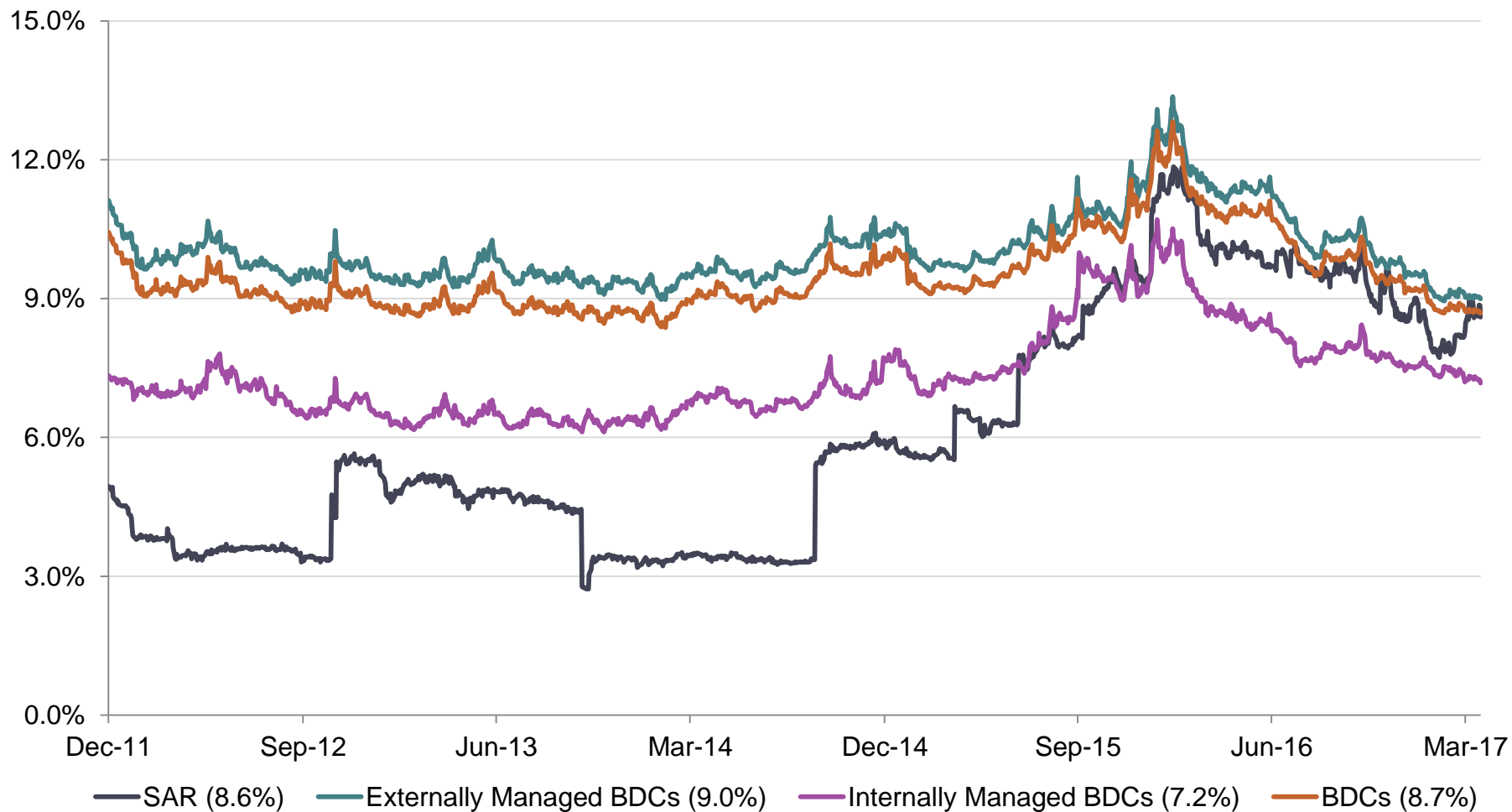
**Last 3 years:
87%**



**Last 12 months:
47%**

SAR Dividend Yield Last 5 Years

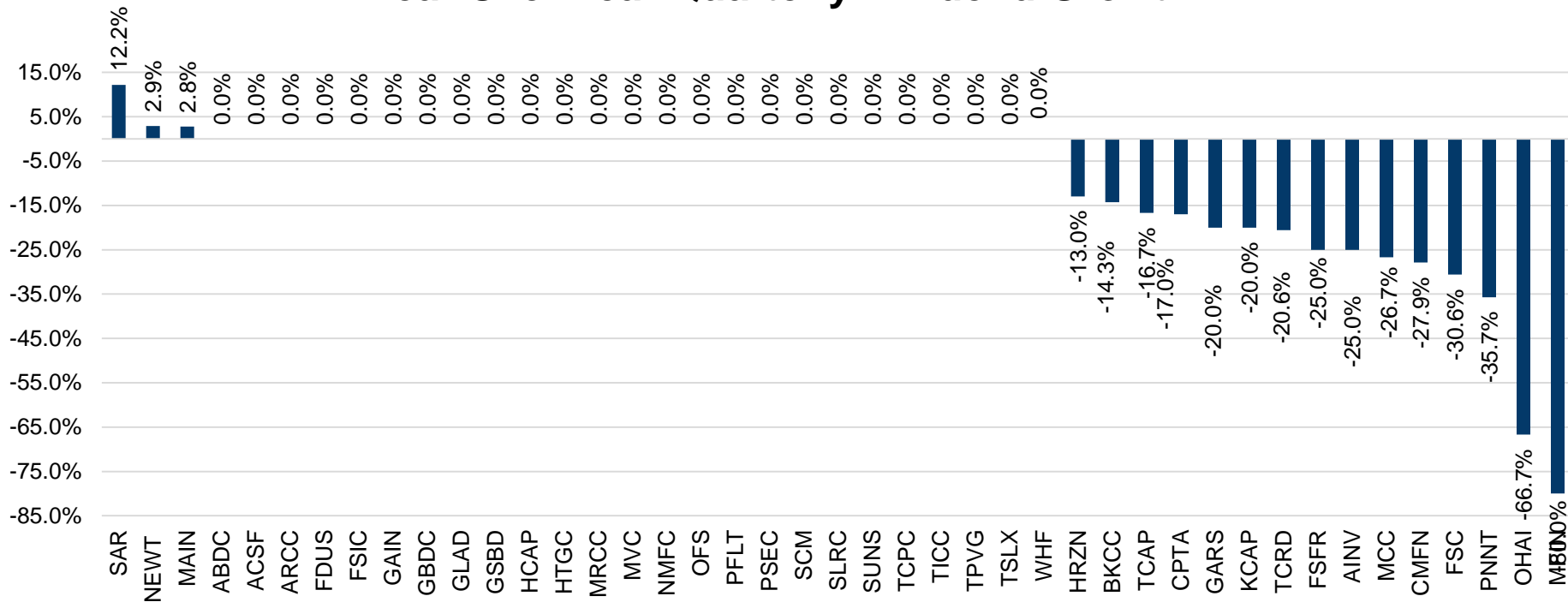
Dividend Yield Since 12/30/2011



Source: Keefe, Bruyette & Woods

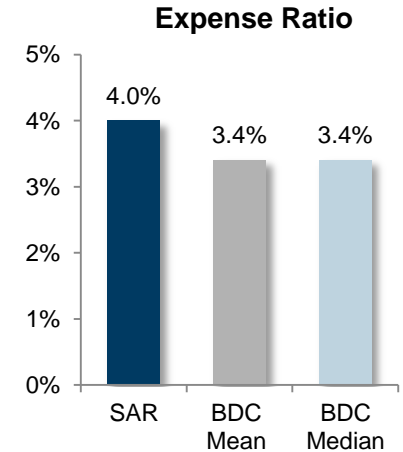
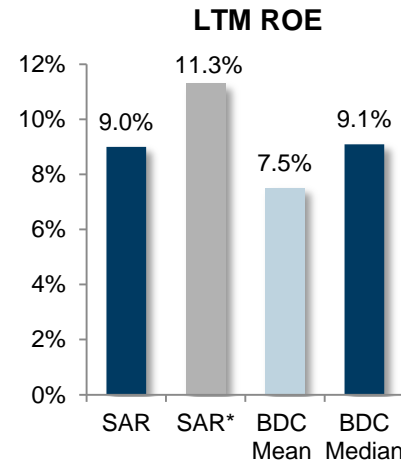
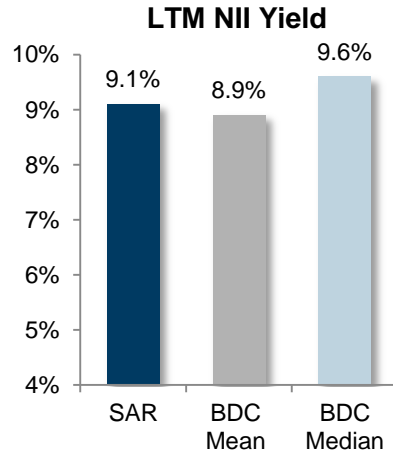
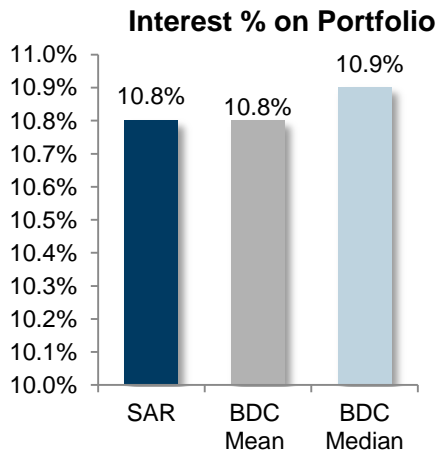
Saratoga Highest Dividend Growth the Past Year

Year Over Year Quarterly Dividend Growth

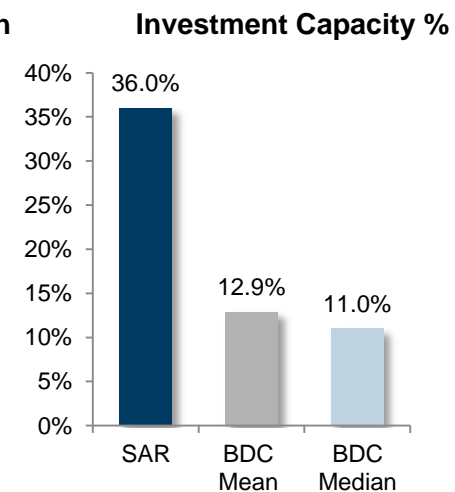
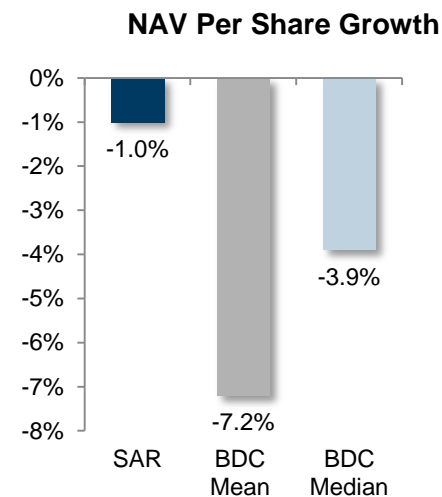
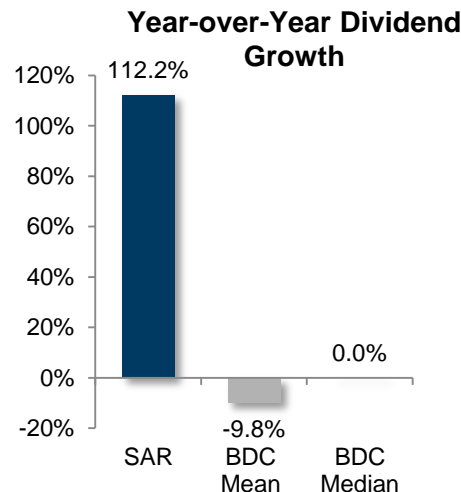
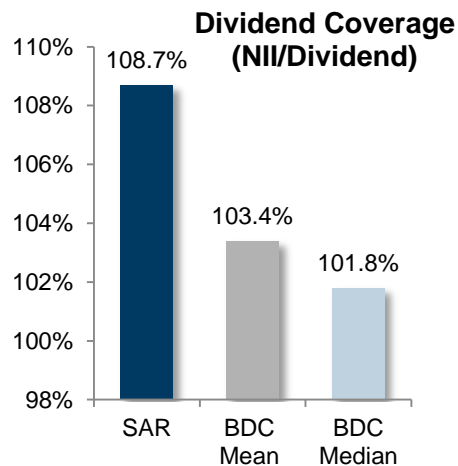


Source: Raymond James report as of 4/13/17

Strongly Differentiated Outperformance



*Adjusted for interest and loss on extinguishment and legacy deals pre-Saratoga



Source: SNL Financial / Company Filings / Raymond James report as of 4/13/17 / Wells Fargo BDC Scorecard 9-1-2016

Establishing Competitive Edge vs. Other BDCs

Outstanding performance characteristics

- ▶ **Growing dividend** | Paying a current dividend yield of approx. 8.6%; increased quarterly dividend by 156% over past two years
- ▶ **Industry-leading return on equity** | LTM ROE of 9.0% factors in both investment income and net gains/losses and significantly beats BDC LTM average of 7.5% - excluding legacy investments and interest and loss on extinguishment, LTM ROE is 11.3%
- ▶ **Ample low-cost, liquidity available** | Large borrowing capacity still at hand through both credit facility and SBA debentures relative to competitors – can grow current asset base by 36%; maturity extended through recent successful baby bond offering
- ▶ **Solid earnings per share and NII Yield** | Attractive NII per share generated from strong risk-adjusted portfolio returns and favorable capital structure – next \$50 million of net investment growth very accretive
- ▶ **Commitment to AUM expansion** | Assets under management has steadily grown 208% since FY 2012 with strong originations offsetting significant repayments
- ▶ **Well-positioned for higher interest rates** | Over 83.1% of our investments have floating interest rates, a significant portion of which have 75 to 100 basis point floors. Debt primarily at fixed rates
- ▶ **Limited oil & gas exposure** | Will not be facing significant write-downs as a result of major direct exposure to energy/oil/gas investments
- ▶ **Attractive risk profile** | SAR and SBIC leverage is below market averages, 94.1% of credits are the highest quality, 54% of investments are first lien, protected against potential interest rate risk of rising rates

Objectives for the Year Ahead

- Expand our asset base without sacrificing credit quality while benefitting from scale
- Increase our capacity to source, analyze, close and manage our investments by adding to our management team and processes
- Utilize benefits of fully deploying available financing to build scale and increase our AUM and net investment income/yield, enabling us to achieve growth in:
 - Net Asset Value
 - Return on Equity
 - Earnings per Share
 - Stock Values

Questions?



SARATOGA
INVESTMENT CORP.