NEW YORK, Oct. 15, 2013 /PRNewswire/ -- Saratoga Investment Corp. (NYSE: SAR) ("Saratoga Investment" or "the Company"), a business development company, today announced financial results for its 2014 fiscal second quarter.

Operating Results

For the fiscal quarter ended August 31, 2013, Saratoga Investment reported net investment income of $2.3 million, or $0.48 on a weighted average per share basis, and a net loss on investments of $2.3 million, or $0.49 on a weighted average per share basis, resulting in a decrease in net assets from operations of $0.04 million, or $0.01 on a weighted average per share basis. The $2.3 million net loss on investments was comprised of $2.9 million in net unrealized depreciation on investments and $0.6 million in net realized gains from investments.

Net asset value ("NAV") was $112.4 million as of August 31, 2013, compared to $112.5 million as of

May 31, 2013
and
$108.7 million
as of
February 28
, 2013. NAV per share was
$23.77
as of
August 31, 2013
and
$23.78
as of
May 31, 2013
and
$22.98
as of February 28, 2013.

Christian L. Oberbeck, Chairman, Chief Executive Officer and President of Saratoga Investment, said, "We continue to see opportunities and this quarter were able to add to the investments in our portfolio. We invested approximately $55 million in both new and existing portfolio companies during the quarter, and our significant financial resources will enable us to invest in future situations as they arise."

Portfolio and Investment Activity

As of August 31, 2013, the fair value of Saratoga Investment's investment portfolio was $187.8 million, principally invested in 34 portfolio companies and one collateralized loan obligation fund (the "CLO"). The overall portfolio composition consisted of 19.8% of middle market loans, 40.2% of first lien term loans, 8.7% of second lien term loans, 13.0% of senior secured notes, 2.9% of unsecured notes, 10.5% of subordinated notes of the CLO and 4.9% of equity interests.

During the 2014 fiscal second quarter, Saratoga Investment invested $54.9 million in new or existing portfolio companies and had
$29.6 million
in aggregate amount of exits and repayments on its investments, resulting in net investments of
$25.3 million
for the period.

On October 1, 2013, the Saratoga CLO priced a refinancing of its notes. The refinanced Saratoga CLO has assets of $300 million and will have a reinvestment period through October 2016. As a result of increased pricing on the notes and the smaller asset base, interest income and equity distributions in the future will be lower than historical amounts but provide greater earnings stability during the next three to four years. Saratoga Investment Corp. will continue to own 100% of the subordinated notes and receive a 50 basis point management fee for the life of the Saratoga CLO. The refinancing is expected to close on October 17, 2013.

As of August 31, 2013, the weighted average current yield on Saratoga Investment's middle market loans, first lien term loans, second lien term loans, senior secured notes, unsecured notes, and the CLO subordinated notes were 6.6%, 10.5%, 10.1%, 14.9%, 14.9%, and 27.2%, respectively, which resulted in an aggregate weighted average current yield of 12.2%.

Liquidity and Capital Resources

As of August 31, 2013, Saratoga Investment had $48.3 million in notes payable outstanding, no borrowings under its $45 million senior secured revolving credit facility with Madison Capital Funding LLC. In addition, Saratoga Investment had an aggregate of $11.6 million in cash and cash equivalents and $16.6 million in cash and cash equivalents, reserve accounts at August 31, 2013. The Company is required to use the amounts held in cash and cash equivalents, reserve accounts to pay interest expense, reduce borrowings or pay other amounts in accordance with the terms of its senior secured revolving credit facility and its Company's Small Business Investment Company ("SBIC") subsidiary. As of August 31, 2013, the SBIC subsidiary had $25 million in regulatory capital and $40.0 million of Small Business Administration debentures.

2013 Annual Meeting of Stockholders

At Saratoga Investment's Annual Meeting of Stockholders held September 26, 2013, Mssrs. Steven M. Looney and Charles S. Whitman were elected to serve until the 2016 Annual Meeting of Stockholders. Also approved at the Meeting was the proposal to reauthorize the Company to issue its common stock at an offering price per share not less than 85% of the Company's then current net asset value per share.

2014 Fiscal Second Quarter Conference Call/Webcast Information

When: Oct. 16, 2013 at 10:00 a.m. Eastern Time (ET)

Call: Interested parties may participate by dialing (877) 312-9208 (U.S. and Canada) or (678) 224-7872 (outside U.S. and Canada).

A replay of the call will be available from 12:00 p.m. ET on Oct. 16, 2013 through 11:59 p.m. ET on Oct. 22, 2013 by dialing (800) 585-8367 (U.S. and Canada) or (404) 537-3406 (outside U.S. and Canada). Passcode for both replay numbers is 76281766.

Webcast: Interested parties may also access a simultaneous webcast of the call by going to http://ir.saratogainvestmentcorp.com/events.cfm.

About Saratoga Investment Corp.

Saratoga Investment Corp. is a specialty finance company that provides customized financing solutions to U.S. middle-market businesses. The Company invests primarily in mezzanine debt, leveraged loans andequity to provide financing for change of ownership transactions, strategic acquisitions, recapitalizations and growth initiatives in partnership with business owners, management teams and financial sponsors. Saratoga Investment Corp.'s objective is to create attractive risk-adjusted returns by generating current income and long-term capital appreciation from its debt and equity investments. Saratoga Investment Corp. has elected to be regulated as a business development company ("BDC") under the Investment Company Act of 1940 and is externally-managed by Saratoga Investment Advisors, LLC, an SEC-registered investment advisor focusing on credit-driven strategies. Within the BDC, Saratoga Investment manages both an SBIC-licensed subsidiary and a $300 million Collateralized Loan Obligation (CLO) fund. These diverse funding sources, combined with a permanent capital base, enable Saratoga Investment to offer a broad range of financing solutions.

Forward Looking Statements

This press release contains certain forward-looking statements. These forward-looking statements are subject to risks and uncertainties and other factors enumerated in this press release and the filings Saratoga Investment Corp. makes with the SEC. Saratoga Investment Corp. undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

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Financial Statements

Saratoga Investment Corp.

Consolidated Statements of Assets and Liabilities

As of

August 31, 2013

February 28, 2013

(unaudited)

ASSETS

Investments at fair value

Non-control/non-affiliate investments (amortized cost of $167,382,770 and $130,465,086, respectively)

$ 168,058,055

$ 129,563,428

Control investments (cost of $16,804,518 and $18,944,966 respectively)

19,741,624

25,516,959

Total investments at fair value (amortized cost of $184,187,288 and $149,410,052 respectively)

187,799,679

155,080,387

Cash and cash equivalents

11,558,783

149,025

Cash and cash equivalents, reserve accounts

16,592,698

12,086,142

Interest receivable, (net of reserve of $240,693 and $53,543, respectively)

2,060,413

2,889,358

Due from manager

4,929

-

Deferred debt financing costs, net

4,250,199

2,090,184

Management fee receivable

198,522

215,853

Other assets

91,345

83,407

Receivable from unsettled trades

1,500,585

1,817,074

Total assets

$ 224,057,153

$ 174,411,430

LIABILITIES

Revolving credit facility

$ -

$ 24,300,000

SBA debentures payable

40,000,000

36,000,000

Notes payable

48,300,000

-

Payable for unsettled trades

16,270,000

-

Management and incentive fees payable

5,486,746

4,509,322

Accounts payable and accrued expenses

501,640

435,038

Interest and debt fees payable

745,051

257,796

Due to manager

308,401

222,513

Total liabilities

$ 111,611,838

$ 65,724,669

NET ASSETS

Common stock, par value $.001, 100,000,000 common shares

authorized, 4,730,116 and 4,730,116 common shares issued and outstanding, respectively

$ 4,730

$ 4,730

Capital in excess of par value

174,824,076

174,824,076

Distribution in excess of net investment income

(19,781,396)

(24,522,951)

Accumulated net realized loss from investments and derivatives

(46,214,485)

(47,289,427)

Net unrealized appreciation on investments and derivatives

3,612,390

5,670,333

Total Net Assets

112,445,315

108,686,761

Total liabilities and Net Assets

$ 224,057,153

$ 174,411,430

NET ASSET VALUE PER SHARE

$ 23.77

$ 22.98

See accompanying notes to consolidated financial statements.

Saratoga Investment Corp.

Consolidated Statements of Operations

For the three months ended August 31

For the six months ended August 31

2013

2012

2013

2012

(unaudited)

(unaudited)

(unaudited)

(unaudited)

INVESTMENT INCOME

Interest from investments

Non-control/Non-affiliate investments

$ 3,385,362

$ 2,206,947

$ 7,254,826

$ 3,945,469

Payment-in-kind interest income from Non-control/Non-affiliate investments

296,802

212,811

472,923

539,274

Control investments

1,109,535

1,094,681

2,235,539

2,140,466

Total interest income

4,791,699

3,514,439

9,963,288

6,625,209

Interest from cash and cash equivalents

3,959

1,791

5,865

4,637

Management fee income

480,750

500,225

978,841

1,000,065

Other income

111,300

146,834

457,476

152,560

Total investment income

5,387,708

4,163,289

11,405,470

7,782,471

EXPENSES

Interest and debt financing expenses

1,603,581

653,025

2,731,436

1,278,728

Base management fees

811,106

504,802

1,547,822

963,610

Professional fees

235,191

293,483

566,255

639,322

Administrator expenses

250,000

250,000

500,000

500,000

Incentive management fees

(39,770)

869,403

781,352

1,299,674

Insurance

119,234

130,308

239,229

260,615

Directors fees and expenses

45,000

51,000

96,000

102,000

General & administrative

91,425

97,022

189,786

148,363

Other expense

75

-

12,035

3,123

Total expenses

3,115,842

2,849,043

6,663,915

5,195,435

NET INVESTMENT INCOME

2,271,866

1,314,246

4,741,555

2,587,036

REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS:

Net realized gain from investments

545,642

268,718

1,074,942

447,348

Net realized loss from derivatives

-

-

-

(131,000)

Net unrealized appreciation (depreciation) on investments

(2,858,805)

3,288,078

(2,057,943)

5,027,500

Net unrealized appreciation on derivatives

-

-

-

130,925

Net gain (loss) on investments

(2,313,163)

3,556,796

(983,001)

5,474,773

NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS

$ (41,297)

$ 4,871,042

$ 3,758,554

$ 8,061,809

WEIGHTED AVERAGE - BASIC AND DILUTED EARNINGS (LOSS) PER COMMON SHARE

$ (0.01)

$ 1.26

$ 0.79

$ 2.08

WEIGHTED AVERAGE COMMON STOCK OUTSTANDING - BASIC AND DILUTED

4,730,116

3,876,661

4,730,116

3,876,661

See accompanying notes to consolidated financial statements.

SOURCE Saratoga Investment Corp.

RELATED LINKS http://ir.saratogainvestmentcorp.com