



# GLADSTONE INVESTMENT

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Quarterly Overview  
June 30, 2023

# Legal Disclaimer

This presentation may include forward-looking statements. These forward-looking statements may involve known and unknown risks, uncertainties and other factors that may cause our actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by such forward-looking statements. Such factors include, but are not limited to: (1) changes in the economy and the capital markets, including stock price volatility, inflation, rising interest rates and risks of recessions; (2) risks associated with negotiation and consummation of pending and future transactions; (3) the loss of one or more of our executive officers, in particular David Gladstone, David Dullum, or Terry Lee Brubaker; (4) changes in our investment objectives and strategy; (5) availability, terms (including the possibility of interest rate volatility) and deployment of capital; (6) changes in our industry, interest rates, exchange rates, regulation, or the general economy, including inflation; (7) our business prospects and the prospects of our portfolio companies; (8) the degree and nature of our competition; (9) changes in governmental regulation, tax rates and similar matters; (10) our ability to exit investments in a timely manner; (11) our ability to maintain our qualification as a regulated investment company and as a business development company; and (12) those factors listed under the caption “Risk Factors” in our Form 10-K, Form 10-Q, registration statements and related prospectus supplements, and other documents we may file with the Securities and Exchange Commission (“SEC”) from time to time.

We caution readers not to place undue reliance on any such forward-looking statements. Actual results could differ materially from those anticipated in our forward-looking statements and future results could differ materially from historical performance. We have based forward-looking statements on information available to us on the date of this presentation. Except as required by the federal securities laws, we undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, after the date of this presentation. Although we undertake no obligation to revise or update any forward-looking statements, whether as a result of new information, future events or otherwise, you are advised to consult any additional disclosures that we may make directly to you or through reports that we have filed or in the future may file with the SEC, including subsequent annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K.

**Past or Present Performance Disclaimer:** This presentation includes information regarding our past or present performance. Please note, past or present performance is not a guarantee of future performance or future results. We undertake no obligation to update the information contained herein to reflect subsequently occurring events or circumstances, except as required by applicable securities laws and regulations.

# Gladstone Investment | Overview<sup>(1)</sup>

## BDC differentiated through buyout investment strategy

### Publicly traded business development company

- Nasdaq symbol “GAIN” | market cap of \$438 million
- \$1.6+ billion invested since 2005 IPO
- 2026 Notes listed on Nasdaq under the symbol “GAINN,” with an interest rate of 5.00%
- 2028 Notes listed on Nasdaq under the symbol “GAINZ,” with an interest rate of 4.875%
- 2028 Notes listed on Nasdaq under the symbol “GAINL,” with an interest rate of 8.00%

### Buyout structure provides upside potential with strong downside protection

- Primary equity investor - Lead majority of prospective transactions, often partnering with existing management teams
- Differentiated approach - Turnkey provider of equity & secured debt to effect change of control buyouts
  - Target mix of total invested dollars per transaction is 25% equity & 75% debt (at cost)
  - Traditional BDCs typically have equity exposure of 5 - 10%
- Monthly distributions from interest on debt investments and other investment income
- Supplemental distributions to shareholders from capital gains on investment exits

### Dedicated lower middle market focus

- Target lower middle market companies (EBITDA of \$4 - \$15 million) domiciled in the United States
- Focused on businesses that are cash-flow positive (no early stage) and have strong management teams
- Industry agnostic with investments in manufacturing, business services/distribution, and consumer products

### Diversified portfolio across industry and geography

- Current portfolio is diversified across 25 companies, 19 states, and 15 industries
- \$847 million in total assets at fair value

### Experienced management team with proven track record

- Externally managed by an SEC-registered investment adviser, Gladstone Management Corporation, and administrator with over 70 professionals, collectively
- Nine investment professionals dedicated exclusively to Gladstone Investment Corporation
- Proven investment track record across multiple economic cycles

(1) All information in this presentation is as of 6/30/2023, except as noted.

# Investment Highlights

Leveraged buyout investor with history of increasing distributions and realizing capital gains

1

## Focus on Risk Management & Equity Value Creation

GAIN strives for prudent purchase multiples in companies with strong growth prospects. GAIN's investment discipline and risk management approach yield attractive risk-adjusted returns.

2

## Strong and Growing Distributions

GAIN has consistently raised regular monthly distributions to shareholders, having never missed a monthly distribution since its IPO in 2005. The regular, monthly distribution was last increased to a \$0.96/share annual run-rate in October 2022.

3

## Long-term Outperformance Compared to Industry Peers<sup>(1)</sup>

GAIN has outperformed industry peers in total return and return of equity ("ROE") over the past five years. GAIN's five-year total return is 72% vs. industry peers of 49% and GAIN's five-year average ROE is 13% vs. industry peers of 9%.

4

## Significant Equity Positions Drive Upside Potential and Supplemental Distributions

GAIN is a proactive board participant and driver of value creation within the portfolio. Significant equity ownership provides basis for managing downside risk and making supplemental distributions from capital gains. Average buyout exit cash-on-cash equity return of 3.8x.

5

## Actively Investing in New Buyout Opportunities and Strategic Investments in Existing Portfolio Companies

GAIN continues to add to its portfolio with one new buyout investment in FY 2024, in addition to investing in existing portfolio companies.

<sup>(1)</sup> See slide 10 for details.

# Investment Focus and Process

## Investment Focus

- Target stable lower middle market companies with EBITDA of \$4 - \$15 million
- Investment size (debt & equity) generally up to \$75 million (typically 25% equity & 75% debt)
- Lead or co-lead prospective transactions
- Focused on cash-flow positive businesses with proven competitive advantages and strong management teams
- Sector agnostic with interest in manufacturing, business services/distribution, and consumer products

## Investment Structures

- Preferred equity is typically participating with a stated dividend of around 8%
- Secured 1<sup>st</sup> or 2<sup>nd</sup> lien term debt with current interest rates in the low- to mid-teens, generally with a success fee due upon a change of control and 5-year term without amortization
- Revolver may be provided with the expectation of refinancing shortly after close
- Portfolio company management option pool range of 10 – 25%

## Deal Sourcing

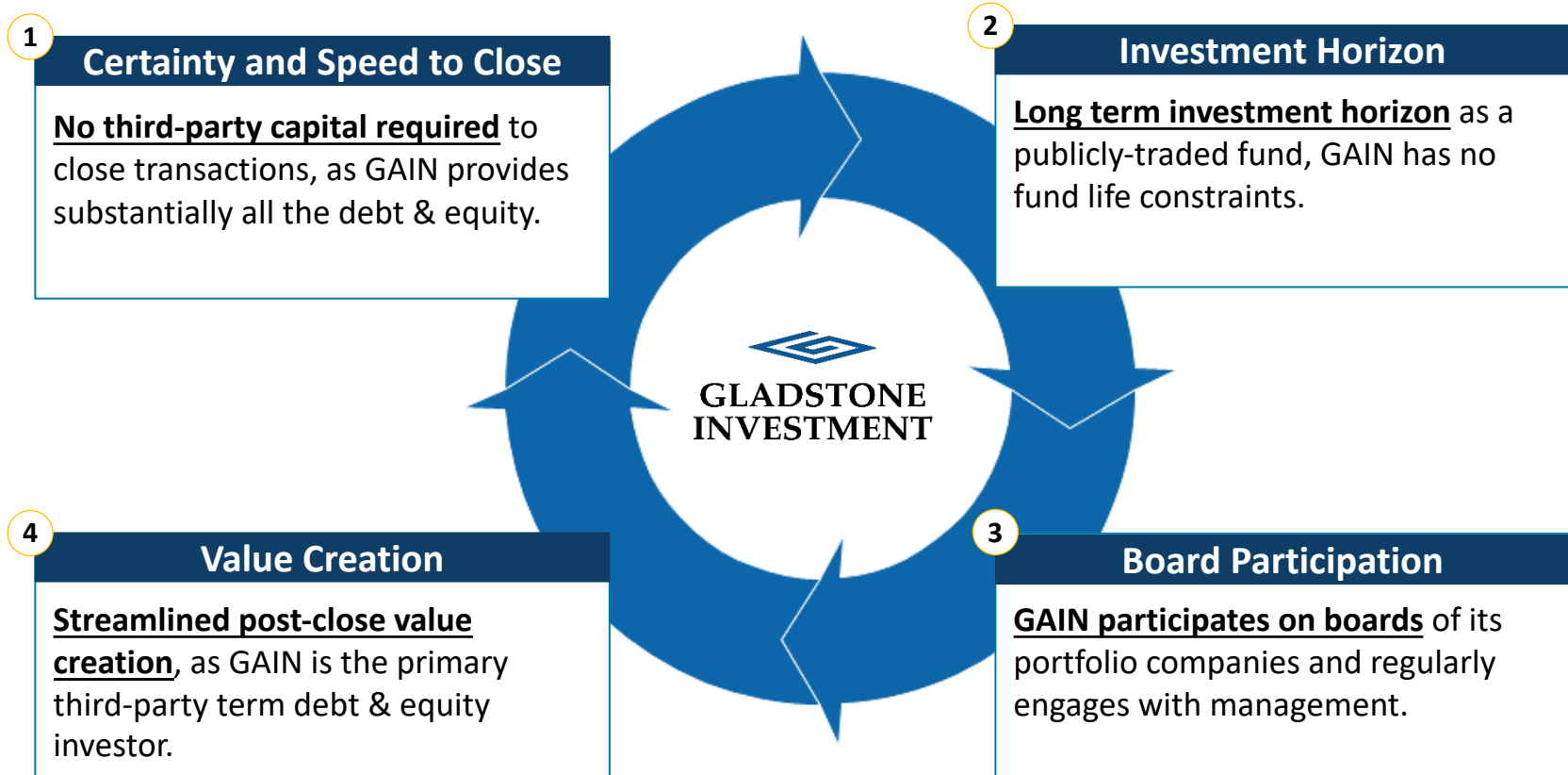
- Source opportunities from investment banks, M&A advisory firms, and industry executives
- Regionally focused sourcing strategy, spearheaded by every member of the investment team
- Debt & equity from single investor provides competitive advantage by improving the certainty of close and decreasing deal complexity

## Due Diligence

- Typical due diligence period of 45 to 60 days after executing letter of intent
- Thorough multi-disciplinary approach – blending internal industry experience, onsite visits and management assessments, supplemented with third party quality of earnings reports, industry studies, management assessments, and customary legal and insurance investigations

# Risk Management and Value Creation

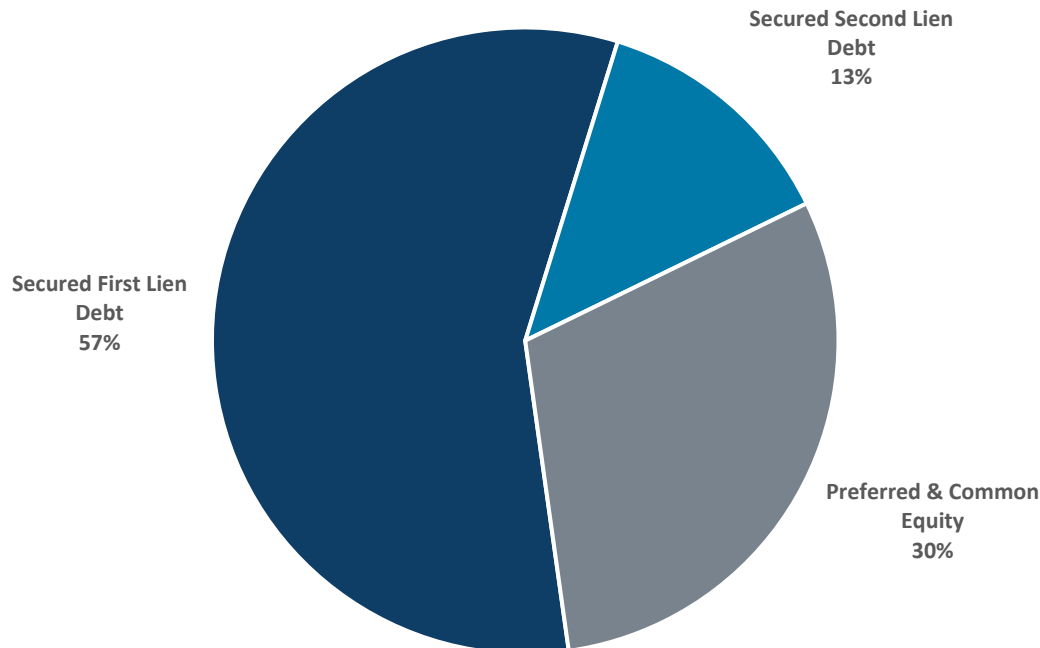
**GAIN takes a long-term approach with a strategy to deploy debt & equity designed to streamline post-close value creation**



# Upside Potential Driven by Focus on Equity Securities

- GAIN's equity ownership provides further upside to shareholders through prospective capital gains and other income from successful exits which supports supplemental distributions from time to time
- Since inception, GAIN has generated approximately \$324 million in net realized gains and dividends on the exit of the equity portion of buyout portfolio companies

## Meaningful Equity Component in GAIN Portfolio<sup>(1)</sup>



**Approximately 30% of GAIN's portfolio, at fair value, is comprised of equity securities (typically preferred equity with common equity participation)**

<sup>(1)</sup> At fair value as of 6/30/2023.

# Successful Realizations Enhance Shareholder Value

**History of exits generating significant capital gains. GAIN's target investment mix of 75% debt and 25% equity provides potential for high returns through consistent current yield and capital appreciation at exit.**

\$ in '000s

Exits in Fiscal Year <sup>(1)</sup>	Invested Capital <sup>(2)</sup>			Equity Return at Exit	
	Total	Debt <sup>(3)</sup>	Equity	Equity Proceeds <sup>(4)</sup>	CoC
FY 2023	\$ 64,625	\$ 56,000	\$ 8,625 <sup>(5)</sup>	\$ 10,088	2.1x
FY 2022	\$ 84,686	\$ 57,299	\$ 27,387	\$ 50,717	1.9x
FY 2021	\$ 14,025	\$ 12,500	\$ 1,525	\$ 16,911	11.1x
FY 2020	\$ 100,328	\$ 76,364	\$ 23,963	\$ 94,397	3.9x
Exits in prior FYs / others <sup>(6)</sup>	\$ 294,274	\$ 234,151	\$ 60,123	\$ 266,127	4.6x
<b>Total</b>	<b>\$ 557,938</b>	<b>\$ 436,314</b>	<b>\$ 121,624</b>	<b>\$ 438,240</b>	<b>3.8x</b>

(1) As of 6/30/2023, no exits for fiscal year 2024.

(2) Some capital may have been returned/restructured/written-off prior to ultimate exit.

(3) Excludes line of credit commitments.

(4) Includes all equity proceeds on exit (return of capital, realized gains, and dividends); does not include debt repayments or gains/losses on debt.

(5) FY 2023 includes \$3,735 in equity returned prior to exit.

(6) Includes all buyout exits from inception in 2005 through 3/31/2019 and other non-material buyout exits.

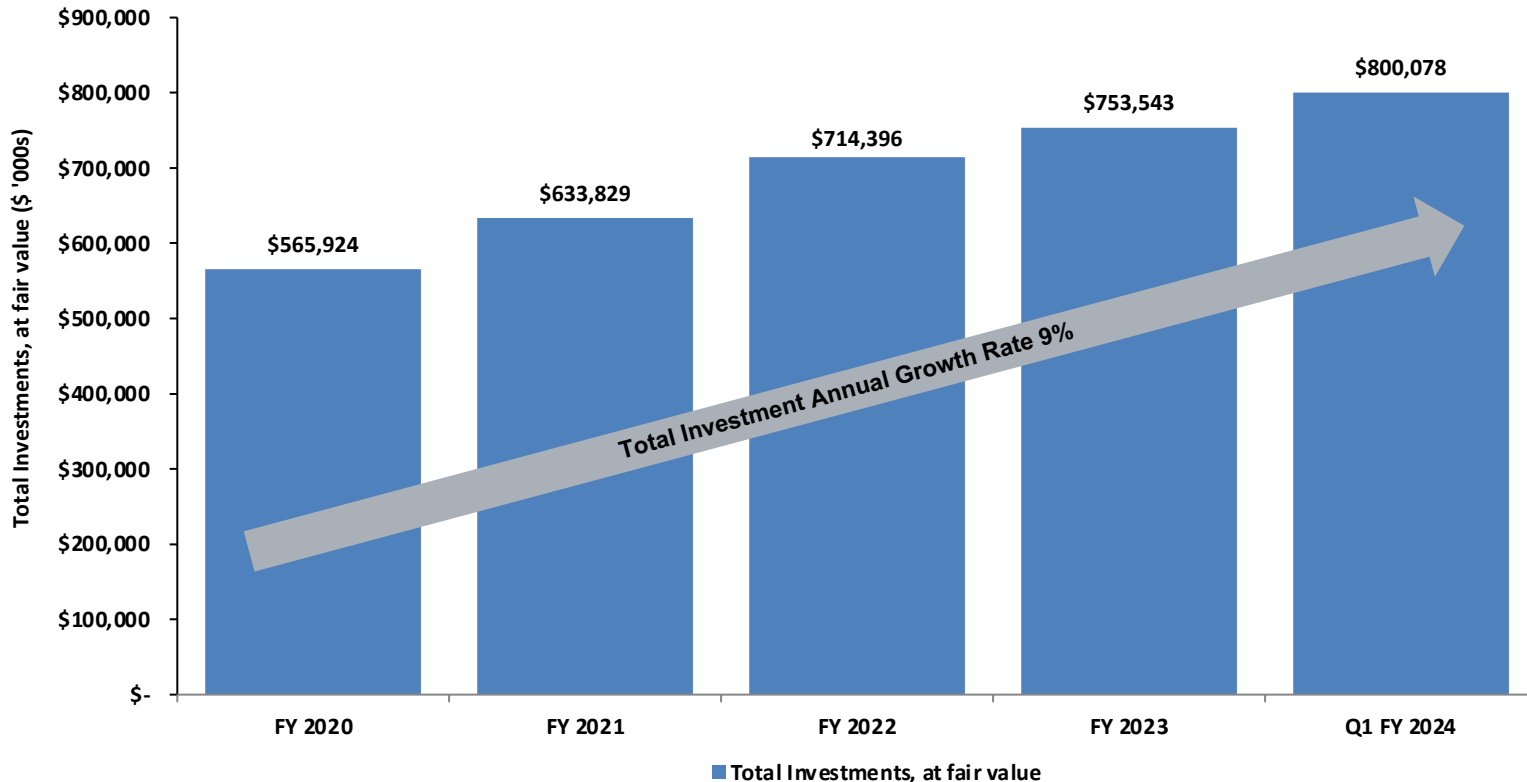


# Growing Portfolio

From 4/1/2019 to 6/30/2023, we have:

- Made investments in 8 new companies, deploying approximately \$233 million of new capital <sup>(1)</sup>
- Exited 13 companies, returning approximately \$212 million<sup>(1)</sup> of invested capital and realizing approximately \$80 million of net gains

FYE March 31

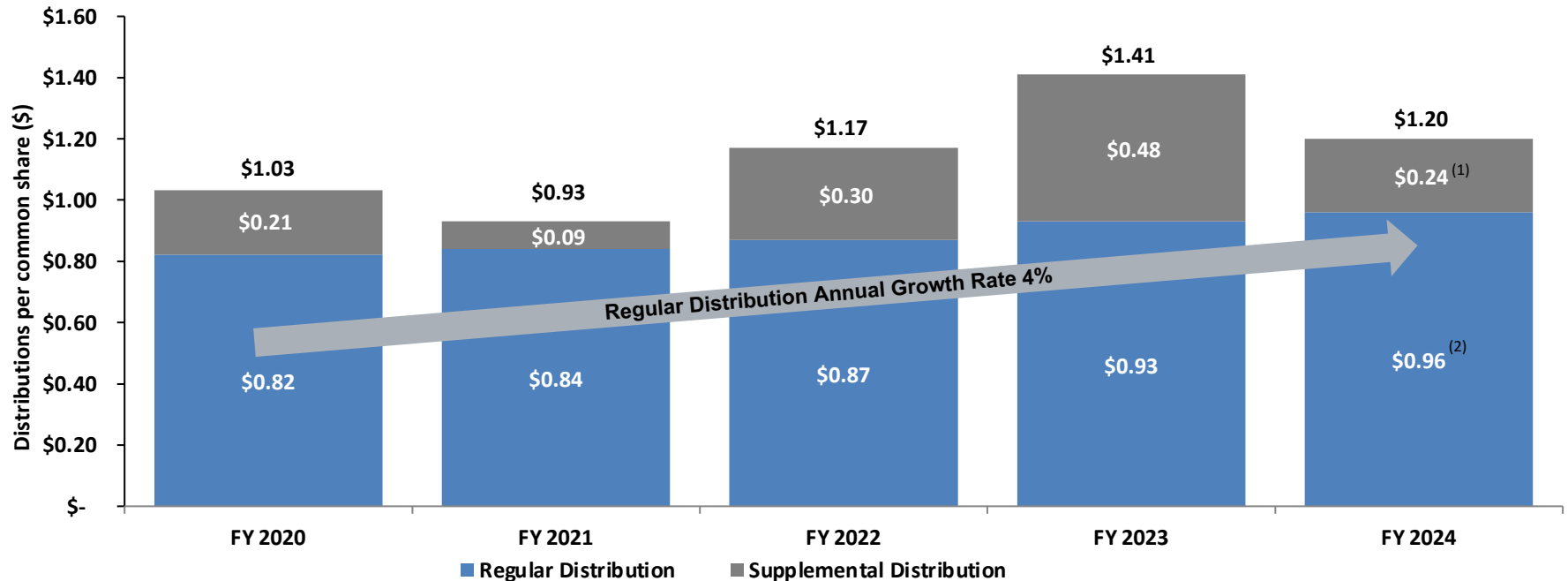


<sup>(1)</sup> Excludes line of credit commitments.

# Strong and Growing Monthly and Supplemental Distributions

- From inception through 6/30/23, GAIN has paid 216 consecutive monthly distributions to common shareholders
- GAIN’s regular annual distribution run-rate was increased 6.7% to \$0.96 per common share in October 2022
- In addition to regular distributions, GAIN has also paid supplemental distributions to common shareholders, consisting of realized capital gains from portfolio company exits

FYE March 31

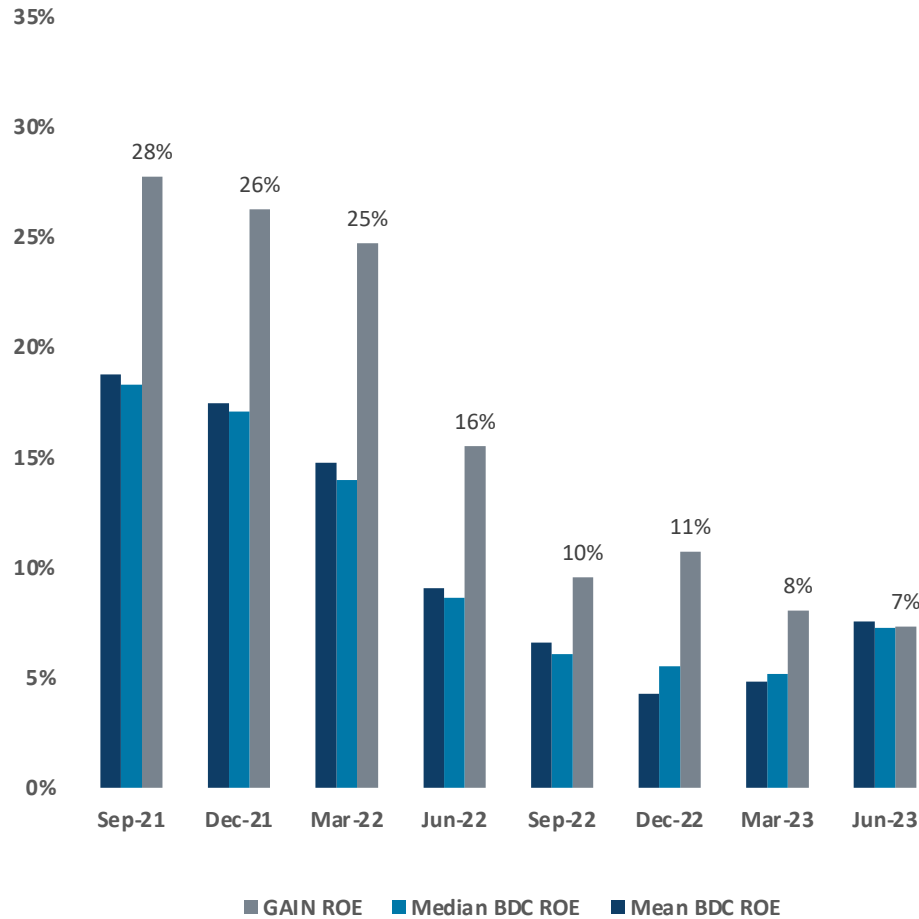


<sup>(1)</sup> Includes the supplemental distribution of \$0.12 paid in June 2023 and the declared but not yet paid supplemental distribution of \$0.12 in September 2023.

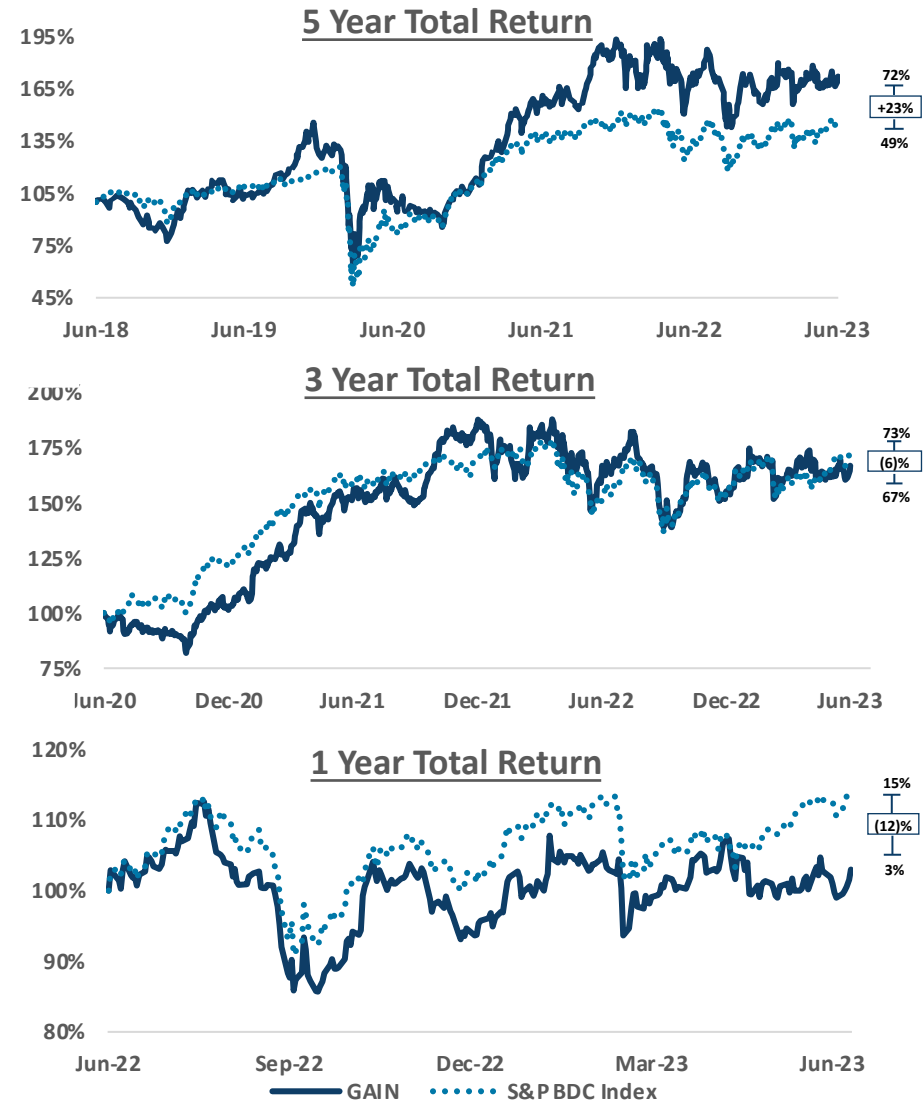
<sup>(2)</sup> Assumes a full year of the \$0.08 per share regular monthly distributions, including amounts not yet paid in August 2023 through March 2024.

# History of Driving High Long-term Shareholder Returns

## Return on Equity Outperforming Industry Peers<sup>(1)</sup>



## Greater Total Return vs. BDC Peers<sup>(2)</sup>



**Notes:**  
 (1) Source: Capital IQ, latest available quarterly data as of 8/9/2023. BDC peer group defined as participants in MVIS US BDC Index as of 8/9/2023. ROE defined as LTM NII +/- real & unrealized gains/losses divided by average NAV.  
 (2) Total return as of 6/30/2023 inclusive of reinvested dividends. BDC peer group defined as participants in the S&P BDC Index as of 8/9/2023.

# Financial Highlights

	Three Months Ended			
	June 30, 2023	March 31, 2023	December 31, 2022	September 30, 2022
Total investment income	\$ 20,300	\$ 19,857	\$ 21,594	\$ 20,795
Net investment income (loss) (NII/NIL)	\$ 8,440	\$ 9,644	\$ 8,569	\$ 11,416
Adjusted NII <sup>(1)</sup>	\$ 8,507	\$ 8,642	\$ 10,011	\$ 9,747
Realized gain (loss)	\$ 1,155	\$ 155	\$ 3,844	\$ 2,302
Unrealized appreciation (depreciation)	\$ (809)	\$ (5,141)	\$ 3,366	\$ (10,643)
Weighted-average shares	33,592	33,511	33,316	33,219
Distributions per share from NII	\$ 0.21	\$ 0.46	\$ 0.22	\$ 0.14
Distributions per share from realized gains	\$ 0.15	\$ 0.02	\$ 0.14	\$ 0.08
NII/NIL per weighted-average share	\$ 0.25	\$ 0.29	\$ 0.26	\$ 0.34
Adjusted NII per weighted avg. share <sup>(1)</sup>	\$ 0.25	\$ 0.26	\$ 0.30	\$ 0.29
Weighted-average yield <sup>(2)</sup>	14.7%	14.3%	13.4%	12.1%
ROE - NII/NIL <sup>(3)</sup>	7.7%	8.7%	7.7%	10.3%
ROE - NII/NIL + realized/unrealized gain (loss) <sup>(3)</sup>	8.0%	4.2%	14.2%	2.8%
Portfolio, at fair value	\$ 800,078	\$ 753,543	\$ 760,463	\$ 737,935
Debt	\$ 383,438	\$ 297,688	\$ 292,088	\$ 279,088
Net asset value (NAV)	\$ 436,435	\$ 439,742	\$ 449,191	\$ 442,470
NAV per share	\$ 12.99	\$ 13.09	\$ 13.43	\$ 13.31

**GAIN's  
buyout  
focus drives  
capital gains  
& outsized  
ROE**

(1) See slide 12 for discussion of non-GAAP measure.

(2) Annualized weighted-average yield on our interest-bearing investment portfolio.

(3) Annualized and based on average NAV.

## Notes

Dollar and share amounts in thousands, except per share amounts.

The financial information above is not comprehensive and is without notes, so readers should obtain and carefully review the consolidated financial statements and notes contained therein of GAIN's Form 10-Q and Form 10-K, as filed with the SEC for the respective periods.

## Financial Highlights (Non-GAAP Measure)

	Three Months Ended			
	June 30, 2023	March 31, 2023	December 31, 2022	September 30, 2022
<b>Amount</b>				
Net investment income	\$ 8,440	\$ 9,644	\$ 8,569	\$ 11,416
(+) Capital gains-based incentive fee	67	(1,002)	1,442	(1,669)
<b>Adjusted net investment income</b>	<b>\$ 8,507</b>	<b>\$ 8,642</b>	<b>\$ 10,011</b>	<b>\$ 9,747</b>
<b>Per Share Amount</b>				
Net investment income, per share	\$ 0.25	\$ 0.29	\$ 0.26	\$ 0.34
(+) Capital gains-based incentive fee, per share	-	(0.03)	0.04	(0.05)
<b>Adjusted net investment income, per share</b>	<b>\$ 0.25</b>	<b>\$ 0.26</b>	<b>\$ 0.30</b>	<b>\$ 0.29</b>

**Non-GAAP Financial Measure — Adjusted Net Investment Income:** Adjusted net investment income represents net investment income, excluding the capital gains-based incentive fee. The Company uses this non-GAAP financial measure internally in analyzing financial results and believes that this non-GAAP financial measure is useful to investors as an additional tool to evaluate ongoing results and trends for the Company. The Company's investment advisory agreement provides that a capital gains-based incentive fee is determined and paid annually with respect to realized capital gains (but not unrealized capital gains) to the extent such realized capital gains exceed realized losses and unrealized depreciation on investments for such year. However, under U.S. GAAP, a capital gains-based incentive fee is accrued if realized capital gains and unrealized appreciation of investments exceed realized capital losses and unrealized depreciation of investments. The Company believes that Adjusted net investment income is a useful indicator of operations exclusive of any capital gains-based incentive fee as net investment income does not include realized or unrealized investment activity associated with the capital gains-based incentive fee.

# Portfolio is Broad and Diversified

## Manufacturing



## Business/Consumer Services



## Consumer Products



# Geographic Diversification



# Why own Gladstone Investment's Common Stock?

## Consistent Monthly Distributions

- Annual yield of approximately 7.3% as of August 9, 2023
- Increased regular monthly distributions annual run-rate by 28% since April 2016 to \$0.96 per share as of October 2022

## Supplemental Distributions

- Supplemental distributions to be made from realized gains and net investment income
- Most recently: \$0.12 per share declared to be paid in September 2023, in addition to \$0.12, \$0.24, \$0.12 and \$0.12 per share paid in June 2023, March 2023, December and June 2022, respectively

## Capital Gains Upside

- 30% of investments at fair value are invested in equity as of March 31, 2023. Such investments do not generally contribute to our monthly distributions, but provide potential for capital gains that may be distributed as supplemental distributions

## Strong Long-term Total Returns and ROE vs. Peers

- 1, 3, and 5-year total returns of 3%, 67%, and 72% vs. industry peers of 15%, 73%, and 49%<sup>(1)</sup>
- 1, 3, and 5-year average return on equity of 7%, 15%, and 13% vs. industry peers of 8%, 12%, and 9%<sup>(2)</sup>

## Conservative Balance Sheet with Low Leverage

- Low leverage: leverage was about 48% of total assets
- Strong liquidation coverage: fair value of assets represents about 206% of all liabilities

## Diversification and Liquidity

- Portfolio is diversified across 25 companies, 19 states, and 15 industries
- Common stock is listed on Nasdaq under GAIN

## Experienced Management

- Led by an SEC-registered investment adviser and administrator with over 70 professionals with a successful track record of investing in lower middle market businesses

<sup>(1)</sup> Total return as of 6/30/23 inclusive of reinvested dividends. BDC peer group defined as MVIS US BDC Index as of 8/9/2023. <sup>(2)</sup> Source: Capital IQ, latest available quarterly data as of 8/9/2023. BDC peer group defined as participants in MVIS US BDC Index as of 8/9/2023. Average ROE defined as (A) 1, 3, and 5 year cumulative NII +/- real & unrealized gains/losses divided by (B) average NAV (defined as average of (i) beginning NAV, (ii) ending NAV, and (iii) NAV every 12 months throughout the period) divided by (C) 1, 3, or 5 (depending on the relevant time period being averaged).



# Why own Gladstone Investment's Registered Notes?

## Strong Quarterly Interest

- Annual interest rate ranging from 4.875% to 8.00% depending on the series with interest paid quarterly

## Strong Interest Coverage

- Strong coverage of interest: Adjusted NII<sup>(1)</sup> before interest expense for the 12 months ended June 30, 2023 covers interest expense for the same period 3.2 times

## Daily Liquidity for Investors

- 2026 Notes listed on Nasdaq under the symbol "GAINN," with an interest rate of 5.00%
- 2028 Notes listed on Nasdaq under the symbol "GAINZ," with an interest rate of 4.875%
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<sup>(1)</sup> See slide 12 for discussion of non-GAAP measure.

# Corporate Data

## Key Executive Officers

**David Gladstone**  
Chairman & CEO

**Terry Lee Brubaker**  
COO

**David Dullum**  
President

**Rachael Easton**  
CFO & Treasurer

## Research Coverage

### **B. Riley Securities**

Bryce Rowe

### **Janney**

John Rowan

### **Jefferies & Company**

Kyle Joseph

### **Ladenburg Thalmann**

Mickey M. Schleien

### **Oppenheimer & Co.**

Mitchel Penn

## Websites

**Gladstone Investment:**  
[www.gladstoneinvestment.com](http://www.gladstoneinvestment.com)

**Investment Adviser:**  
[www.gladstonemanagement.com](http://www.gladstonemanagement.com)

**Information on all Gladstone Funds:**  
[www.gladstonecompanies.com](http://www.gladstonecompanies.com)  
[www.gladstonedividend.com](http://www.gladstonedividend.com)

## Independent Directors

**Paul Adelgren**

**Michela A. English**

**John Outland**

**Anthony W. Parker**

**Walter H. Wilkinson, Jr**

## Investor Relations

**Investor Relations**  
703-287-5893  
[info@gladstonecompanies.com](mailto:info@gladstonecompanies.com)

## Other

**Corporate Counsel:**  
Kirkland & Ellis LLP  
Stradley Ronon Stevens & Young, LLP

**Transfer Agent:**  
Computershare

**Auditors:**  
PricewaterhouseCoopers LLP

## Nasdaq Listings

**Common: GAIN**

**2026 5.00% Notes: GAINN**

**2028 4.875% Notes: GAINZ**

**2028 8.00% Notes: GAINL**

## Corporate Headquarters

1521 Westbranch Drive, Ste. 100  
McLean, VA 22102  
703-287-5800