



# GLADSTONE INVESTMENT

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Quarterly Overview  
September 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>

## GAIN is differentiated from other BDCs through its buyout investment strategy

### Differentiated buyout structure

- 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
  - Typically provides most, if not all, of the debt capital along with a majority of the equity capital
  - Target mix of total invested dollars per transaction is 25% equity & 75% debt (at cost)
  - Traditional BDCs typically have equity exposure of 5 - 10%
- Turnkey approach greatly increases certainty and speed of closing, providing business owners and intermediaries with confidence in GAIN's ability to execute a transaction

### Dedicated lower middle market focus on niche market leaders

- Target lower middle market companies (EBITDA of \$4 - \$15 million) domiciled in the United States
- Focused on businesses with leading market positions, positive cash flow generation, and strong management teams
- Industry agnostic with investments in manufacturing, business/consumer services, and consumer products

### Evergreen fund structure creates alignment with management

- Investment decisions not guided by fundraising or end-of-fund deadlines versus a traditional buy-out fund
- Provides flexibility to portfolio company boards and management in terms of strategy and timing
- Allows all stakeholders to focus on sustainable, long-term value creation

### Active portfolio management

- Active leadership on portfolio company boards to drive alignment and accountability with management teams
- Leverage knowledge and experience from past deals to identify revenue and cost opportunities
- Current portfolio is diversified across 26 companies, 19 states, and 15 industries

(1) All information in this presentation is as of 9/30/2023, except as noted.

# Gladstone Investment | Overview

## Delivering to investors consistent and increasing distributions

### Investment structure creates attractive risk-reward profile

- Senior secured debt provides downside protection, along with the upside potential of GAIN's equity investments
- No third-party sponsor risk as GAIN is the sponsor
- Greater ability to influence decision making or enact changes to drive shareholder value, due to GAIN's significant economic ownership position in its portfolio companies

### Strong and growing distributions

- Consistently raised regular monthly distributions to shareholders, as a result of growing debt portfolio, and has never missed a monthly distribution since its IPO in 2005
- GAIN's equity ownership provides further upside to shareholders through prospective capital gains from successful exits, which supports supplemental distributions
  - Since inception, average buyout exit cash-on-cash equity return of 3.8x
- Dividend yield of 6.5% as of November 15, 2023 <sup>(2)</sup>

### Outperformance and outsized upside potential compared to industry peers<sup>(1)</sup>

- Excellent long-term historical performance compared to industry peers in total return and return of equity ("ROE"):
  - GAIN's 1, 3 and 5-year total return is 18%, 84% and 75% vs. industry peers of 34%, 77% and 53%
  - GAIN's 1, 3 and 5-year average ROE is 17%, 18% and 13% vs. industry peers of 10%, 11% and 9%

(1) See slide 18 for detail.

(2) Assumes a full year of the \$0.08 per share regular monthly distributions, including amounts not yet paid and/or declared in November 2023 through March 2024, and the supplemental distributions of \$0.12 paid in June and September 2023 and the declared but not yet paid aggregate supplemental distributions of \$1.00 to be paid in November and December 2023.

# Investment Focus and Process

## Driving performance with a focused and diligent approach to investment selections

### 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 1st or 2nd 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

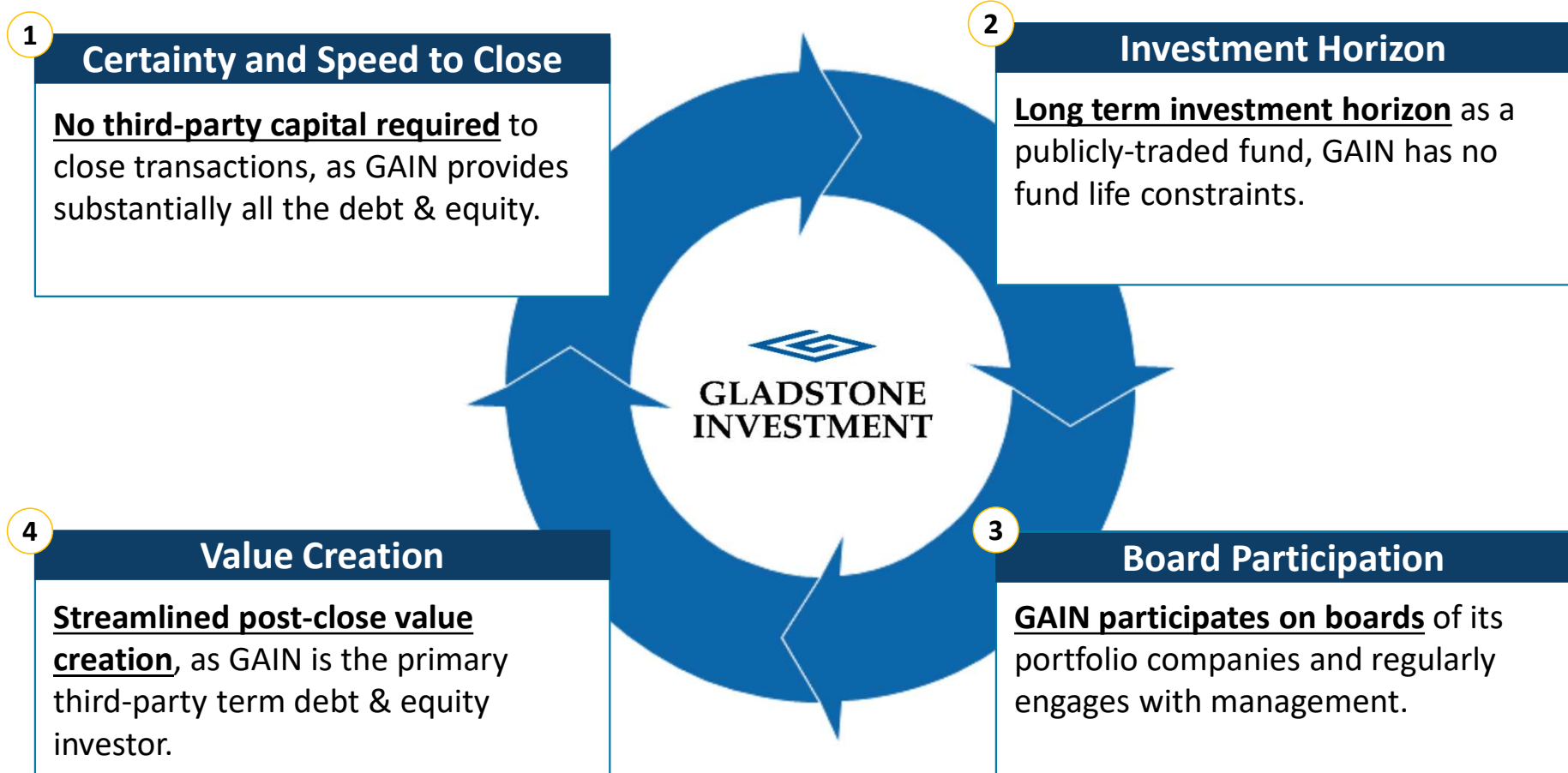
- Source opportunities from investment banks, M&A advisory firms, and industry executives
- Regionally focused sourcing strategy, spearheaded by every member of the investment team
- Debt & equity from single investor provides competitive advantage by improving the certainty of close and decreasing deal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



# Value Creation Across the Portfolio

**Equity ownership allows GAIN to effect change with its investments**

**GAIN helps to establish an effective board governance structure at the onset of each investment**

- Enables GAIN to influence company strategy
- GAIN supports board members with relevant value-added industry expertise
- GAIN has ability to replace and enhance management

**When appropriate, GAIN develops add-on and roll-up strategies to build value**

- GAIN has executed two roll-up strategies as well as 8 add-on acquisitions in the last 5 years

**Experienced  
Governance  
Structure**

**Strategic  
Planning**

**Add-on and  
Roll-up  
Strategies**

**Sales and  
Operational  
Initiatives**

**At the outset of its investment, GAIN, along with company management, develop a strategic plan**

- Builds buy-in with management on what we plan to do and when
- Creates a framework for alignment and accountability at the Board level

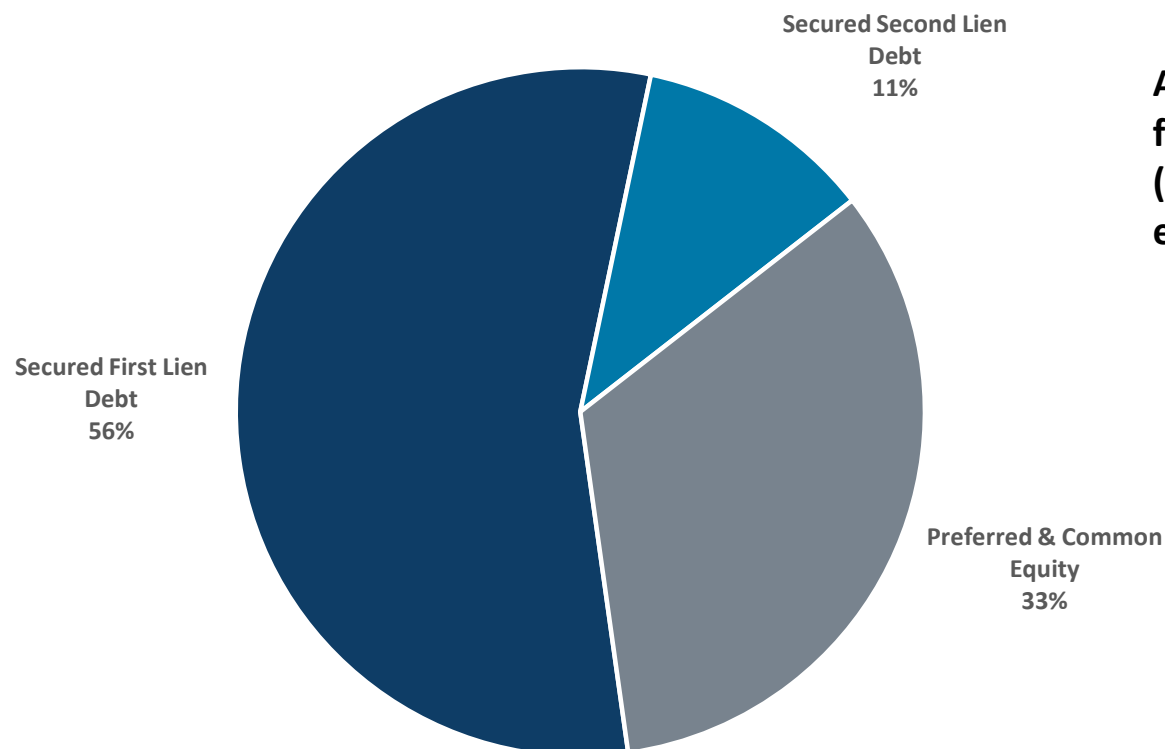
**Proactive interaction with company management to drive long term value creation**

- Leverage knowledge and experience from past deals to identify revenue and cost opportunities
- Significant experience in professionalizing sales management, investing in personnel and equipment, and negotiating costs

# 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 \$325 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 33% of GAIN's portfolio, at fair value, is comprised of equity securities (typically preferred equity with common equity participation)**

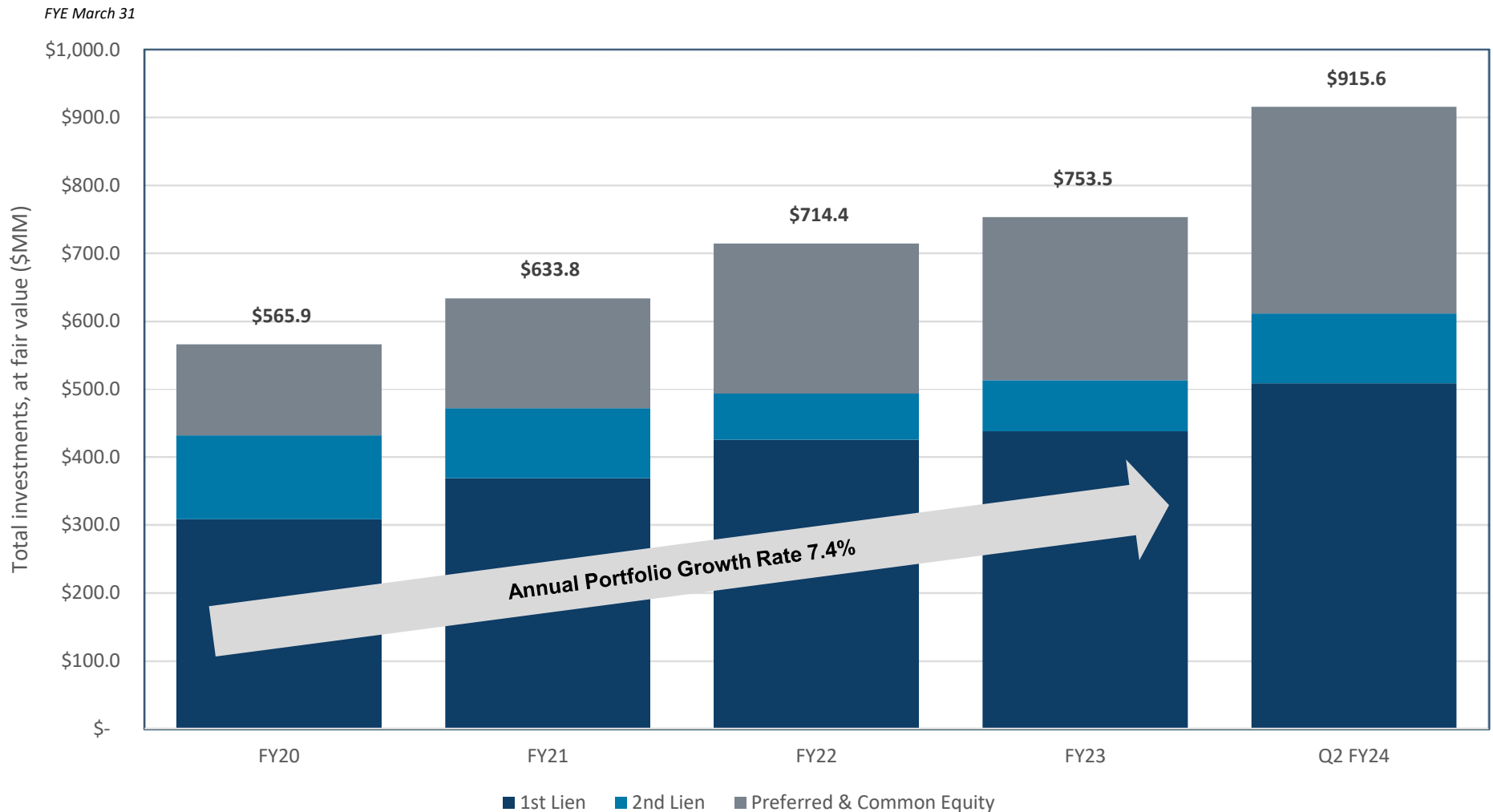
<sup>(1)</sup> At fair value as of 9/30/2023.



# Growing Portfolio

From 4/1/2019 to 9/30/2023, we have:

- Made investments in 9 new companies, deploying approximately \$277 million of new capital<sup>(1)</sup>
- Exited 13 companies for a return of proceeds of \$354.0 million<sup>(1)(2)</sup>



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

<sup>(2)</sup> Includes return of capital, realized gains and dividends received from initial investment date through exit, net of losses on debt/equity and cost balances written-off or restructured.

# Portfolio is Broad and Diversified

## Manufacturing



PHOENIX  
DOOR SYSTEMS



## Business/Consumer Services



B+T GRP



IMAGWORKS  
DISPLAY



COUNSEL PRESS<sup>(1)</sup>



n<sup>o</sup> nth degree<sup>(2)</sup>

## Consumer Products



<sup>(1)</sup> Investment was exited subsequent to 9/30/2023.

<sup>(2)</sup> Investment was previously exited with GAIN retaining a debt and/or equity investment in the entity post-exit.

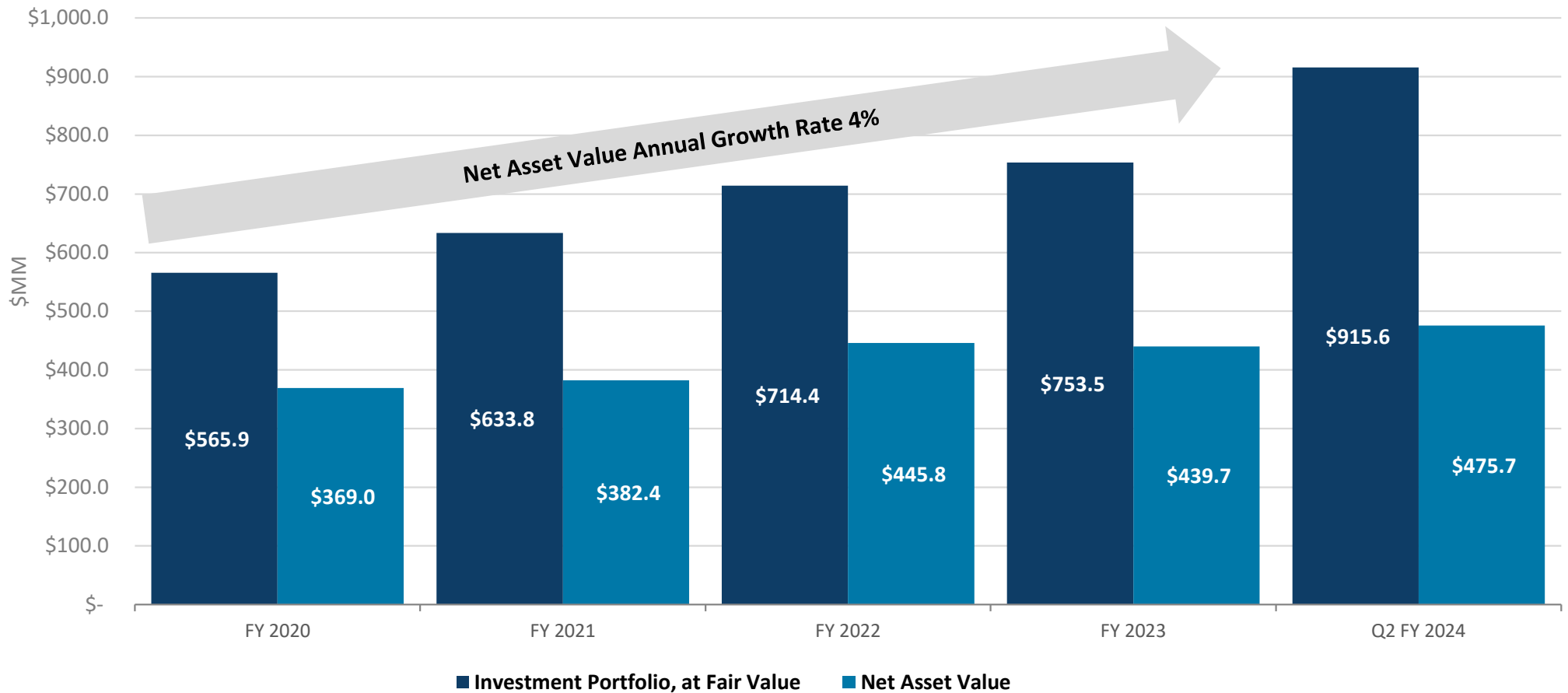
# Geographic Diversification



# Continuous NAV Growth

- Continuous growth in overall NAV, driven by diligent growth and value creation in investment portfolio
- Significant NAV per share growth to \$14.03 at 9/30/2023 from \$11.17 at 3/31/2020

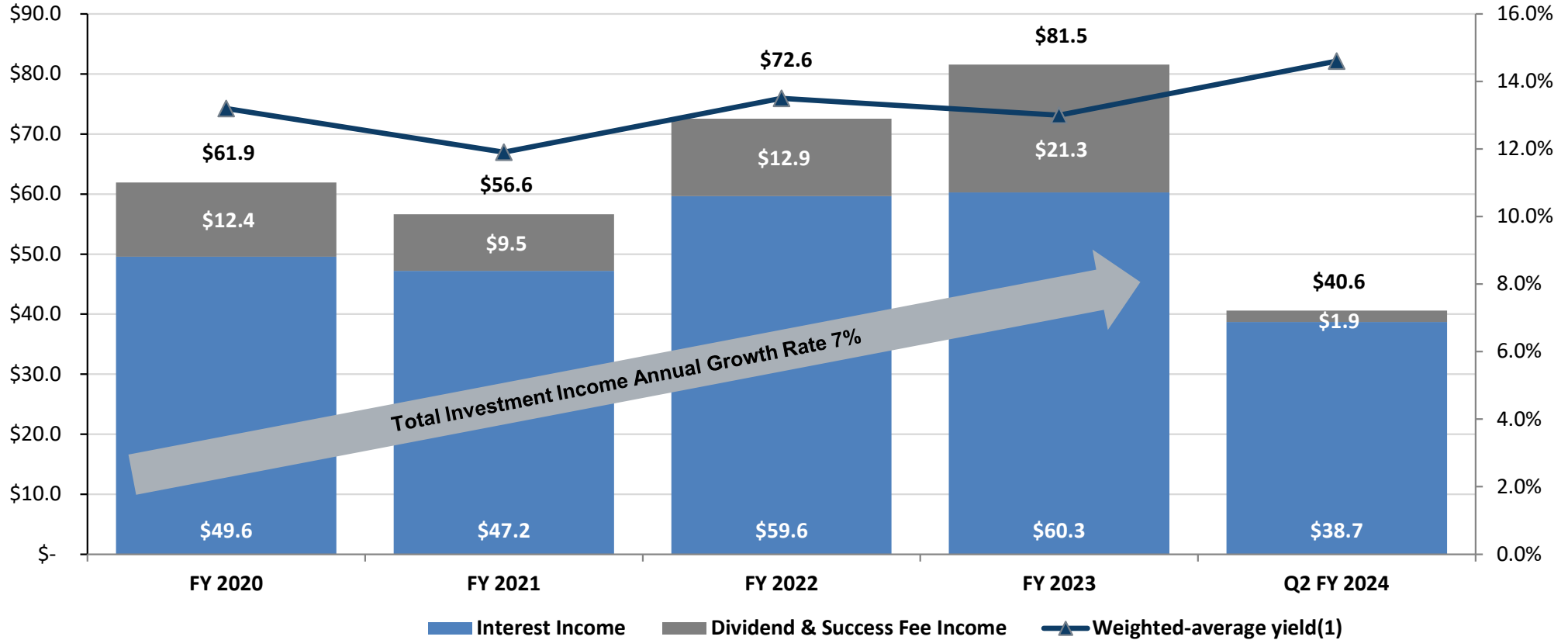
FYE March 31



# Investment Income Growth

- Significant growth in Investment Income, driven by growth in investment portfolio, increased yields and other income
- Other income is comprised of dividends on preferred investments and success fees from our portfolio companies

FYE March 31



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

# 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.

Since inception, total equity proceeds returned through successful exits of \$438.5 million, inclusive of \$324.6 million of net realized gains and dividends.

\$ 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>	\$ 10,378	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 <sup>(5)</sup>	\$ 266,128	4.6x
<b>Total</b>	<b>\$ 557,938</b>	<b>\$ 436,314</b>	<b>\$ 121,624</b>	<b>\$ 438,530</b>	<b>3.8x</b>

(1) As of 9/30/2023, excludes the exit of Counsel Press, Inc. which occurred after 9/30/2023..

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

(3) Excludes line of credit commitments.

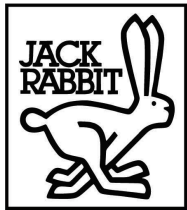
(4) Includes all equity proceeds on exit (return of capital, realized gains, and dividends); does not include debt repayments or gains/losses on debt.

(5) FY 2023 includes \$3,735 and prior FY's include \$3,890 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.

# Historical Exits

## Manufacturing



## Business/Consumer Services

AQUAVENTURE

Bassett Creek Restoration



## Consumer Products



PSB



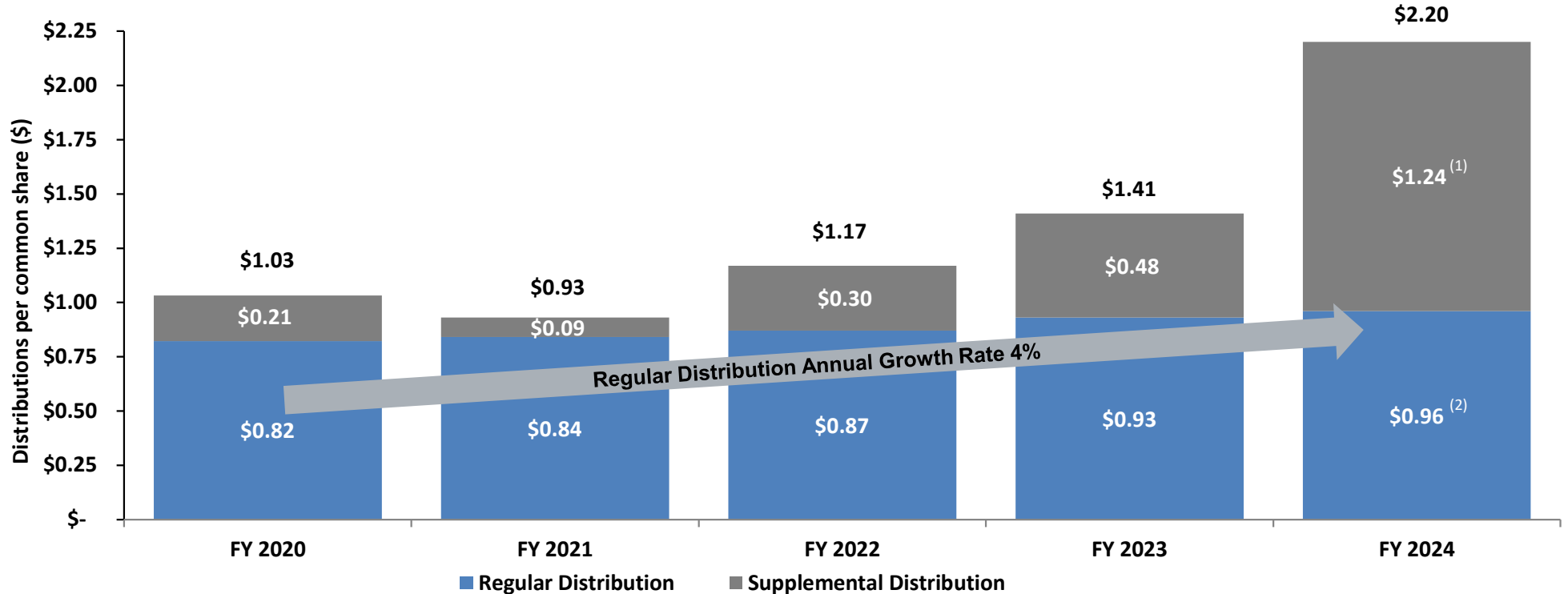
PACKERLAND WHEY PRODUCTS



# Strong and Growing Monthly and Supplemental Distributions

- From inception through 9/30/23, GAIN has paid 219 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 distributions of \$0.12 paid in each of June, September and November 2023 and the declared but not yet paid supplemental distribution of \$0.88 in December 2023.

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



# Financial Highlights <sup>(1)</sup>

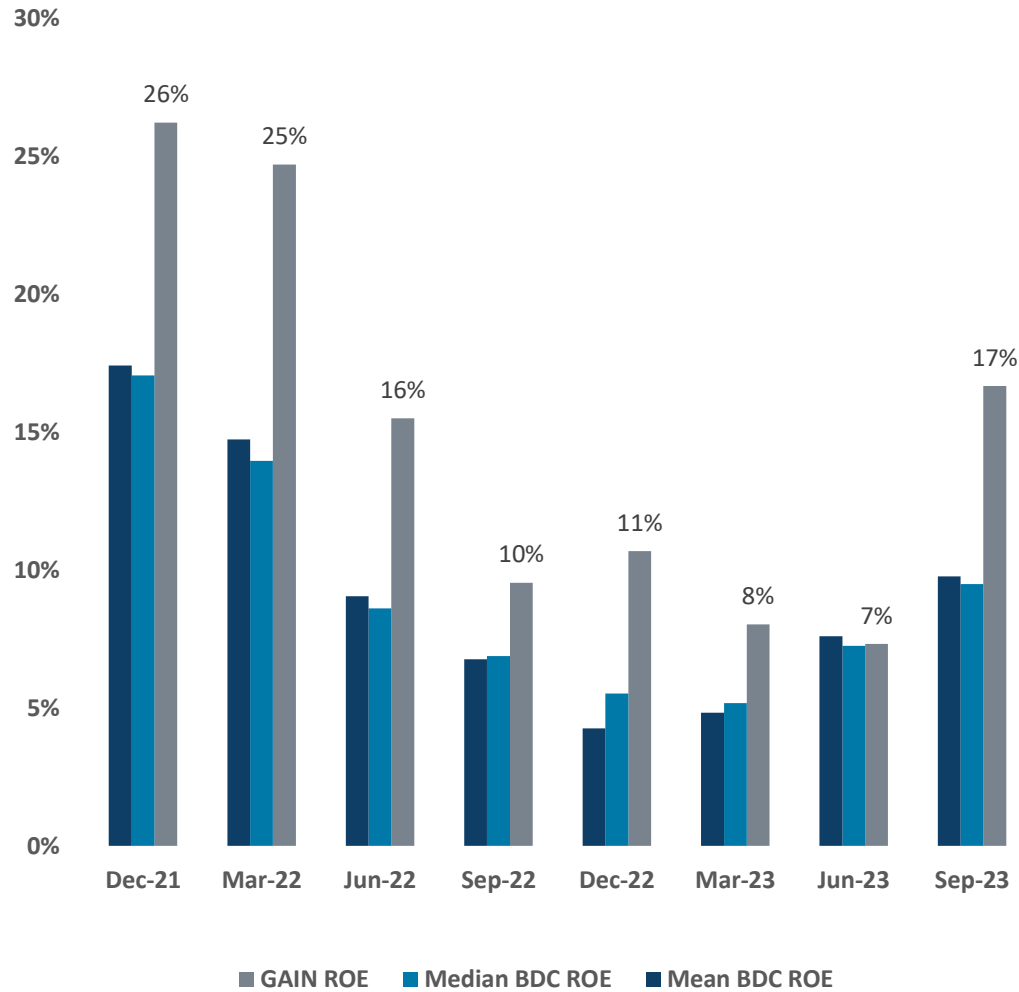
	Three Months Ended			
	September 30, 2023	June 30, 2023	March 31, 2023	December 31, 2022
Net investment (loss) income (NIL/NII)	\$ (1,730)	\$ 8,440	\$ 9,644	\$ 8,569
(+) Capital gains-based incentive fee	\$ 9,807	\$ 67	\$ (1,002)	\$ 1,442
Adjusted NII <sup>(2)</sup>	\$ 8,077	\$ 8,507	\$ 8,642	\$ 10,011
Realized gain	\$ 289	\$ 1,155	\$ 155	\$ 3,844
Unrealized appreciation (depreciation)	\$ 48,797	\$ (809)	\$ (5,141)	\$ 3,366
Weighted-average shares	33,817	33,592	33,511	33,316
Regular Monthly Distributions per share	\$ 0.24	\$ 0.24	\$ 0.24	\$ 0.24
Supplemental Distributions per share	0.12	0.12	0.24	0.12
Total Distributions per share	\$ 0.36	\$ 0.36	\$ 0.48	\$ 0.36
NII/NIL per weighted-average share	\$ (0.05)	\$ 0.25	\$ 0.29	\$ 0.26
Adjusted NII per weighted avg. share <sup>(2)</sup>	\$ 0.24	\$ 0.25	\$ 0.26	\$ 0.30
Portfolio, at fair value	\$ 915,636	\$ 800,078	\$ 753,543	\$ 760,463
Net asset value (NAV)	\$ 475,666	\$ 436,435	\$ 439,742	\$ 449,191
NAV per share	\$ 14.03	\$ 12.99	\$ 13.09	\$ 13.43

(1) Dollar 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.

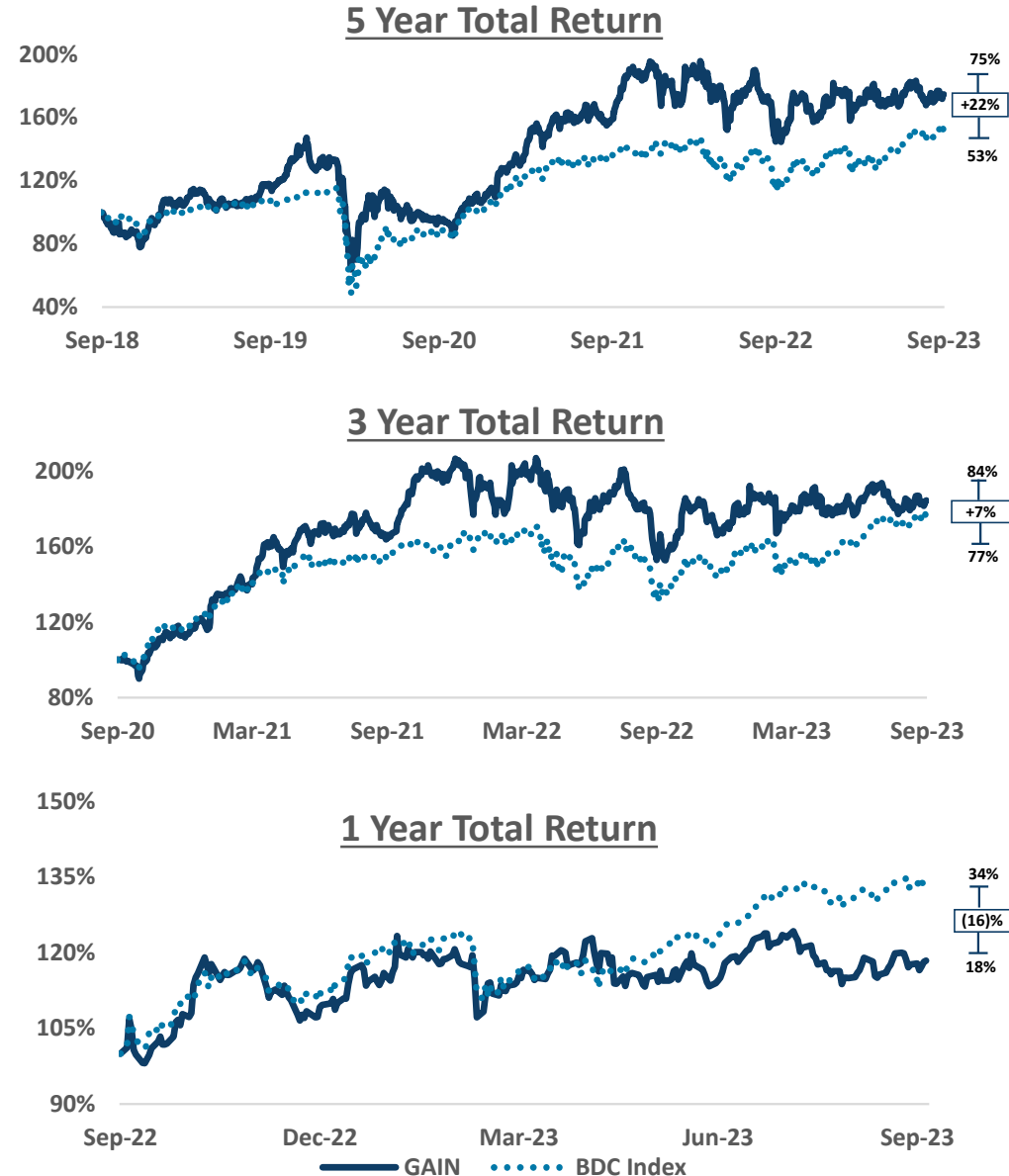
(2) Adjusted NII – Non-GAAP Financial Measure: Adjusted net investment income represents net investment income, excluding the capital gains-based incentive fee. The Company uses this non-GAAP financial measure internally in analyzing financial results and believes that this non-GAAP financial measure 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.

# History of Driving High 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 11/15/2023. BDC peer group defined as participants in MVIS US BDC Index as of 11/15/2023. 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).

(2) Total return as of 9/30/2023 inclusive of reinvested dividends. BDC peer group defined as participants in the S&P BDC Index as of 11/15/2023.

# Capital Structure: Conservative Approach

- GAIN maintains a conservative balance sheet with low leverage and available liquidity to support needs of the business
  - Asset coverage ratio on senior securities representing indebtedness of 212% compared to the required 150%
  - Focus on long-term fixed rate financing to match funding needs
- GAIN utilizes common stock offerings to tap into the equity market when prices are accretive
  - Since IPO, raised an aggregate \$123.5MM of gross proceeds from multiple post-IPO common stock offerings and \$17.7MM of gross proceeds using various common stock At-the-Market (“ATM”) programs
  - Under the current \$50.0MM ATM program, established in August 2022, we have raised aggregate gross proceeds of \$9.6MM to date, with all sales above then-current NAV per share

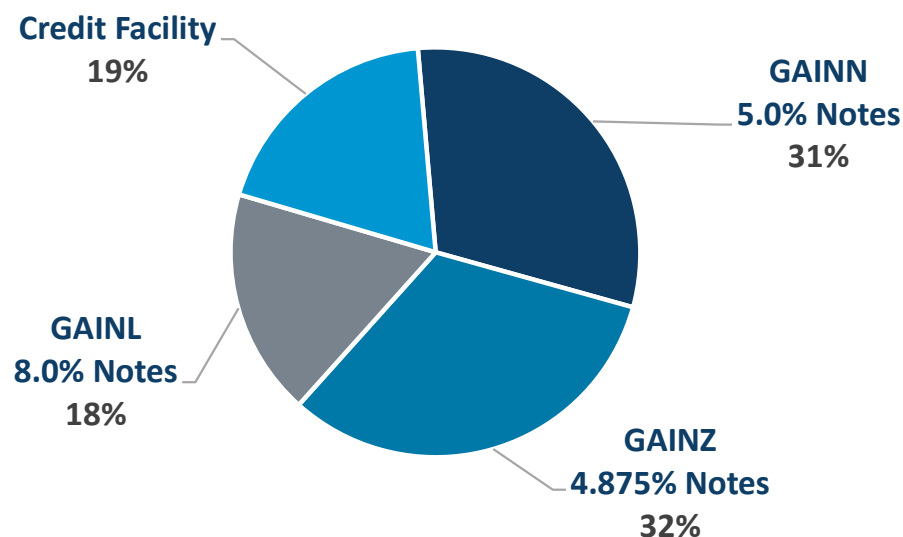
## Components of Total Debt as of 9/30/2023

### Publicly Traded Notes

- GAINN: \$127.9MM of 5.00% 2026 Notes
- GAINZ: \$134.6MM of 4.875% 2028 Notes
- GAINL: \$74.8MM of 8.00% 2028 Notes

### \$135MM Credit Facility<sup>(1)</sup>

- 1-month SOFR + 3.15% spread + 0.10% SOFR adjustment
- \$ 68.8MM of availability at 11/1/2023



<sup>(1)</sup> Credit Facility was amended subsequent to 9/30/23. Terms and availability included reflect the effective amendment.

# Why own Gladstone Investment's Common Stock?

## Consistent Monthly Distributions

- Annual yield of approximately 6.5% as of November 15, 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: \$0.88 per share declared to be paid in December 2023, in addition to \$0.12 per share paid in each November 2023, September 2023 and June 2023 and \$0.24 per share paid in March 2023

## Capital Gains Upside

- 33% of investments at fair value are invested in equity as of September 30, 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<sup>(1)</sup>

- 1, 3, and 5-year total returns of 18%, 84% and 75% vs. industry peers of 34%, 77% and 53%
- 1, 3, and 5-year average ROE of 17%, 18% and 13% vs. industry peers of 10%, 11% and 9%

## Conservative Balance Sheet with Low Leverage

- Low leverage: leverage was about 49% of total assets
- Strong liquidation coverage: fair value of assets represents about 205% of all liabilities

## Diversification and Liquidity

- Portfolio is diversified across 26 companies, 19 states, and 16 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> Refer to slide 18 for details on the calculation of the total return and ROE metrics.

# Why own Gladstone Investment's Registered Notes?

## 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%
- 2028 Notes listed on Nasdaq under the symbol "GAINL," with an interest rate of 8.00%

## Strong Interest Coverage

- Strong coverage of interest: Adjusted NII<sup>(1)</sup> before interest expense for the 12 months ended September 30, 2023 covers interest expense for the same period 2.8 times

## Strong Quarterly Interest

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

## Conservative Balance Sheet with Low Leverage

- Low leverage: leverage was about 49% of total assets
- Strong liquidation coverage: fair value of assets represents about 205% of all liabilities

## Diversification

- Portfolio is diversified across 26 companies, 19 states, and 16 industries

## 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> 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