



# GLADSTONE INVESTMENT

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Quarterly Overview  
December 31, 2020

# 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; (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; (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; (12) the impact of COVID-19 generally and on the economy, the capital markets and our portfolio companies, including the measures taken by governmental authorities to address it; and (13) 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. Additionally, many of the risks, uncertainties and other factors listed above, among others, are currently elevated by and may or will continue to be elevated by the COVID-19 pandemic.

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 \$335 million
- Preferred stock listed on Nasdaq under the symbol “GAINL,” with a dividend rate of 6.375%<sup>(2)</sup>
- 2026 Notes listed on Nasdaq under the symbol “GAINN,” with an interest rate of 5.00%
- \$1+ billion invested since 2005 IPO

### 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 \$3 - \$20 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 28 companies, 17 states, and 13 industries
- \$622 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 65 professionals, collectively
- Eight investment professionals dedicated exclusively to Gladstone Investment Corporation
- Proven investment track record across multiple economic cycles

<sup>(1)</sup> All information in this presentation as of 12/31/2020, except as noted.

<sup>(2)</sup> The Series D term preferred stock was redeemed in March 2021.

# 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 increased to \$0.84/share annual run-rate in January 2020.

3

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

GAIN has outperformed industry peers in return of equity ("ROE") and total return over the past three years. GAIN's three-year average ROE is 10% vs. industry peers of 6% and GAIN's three-year total return is 18% vs. industry peers of 5%.

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 4.5x.

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## Actively Investing in New Buyout Opportunities

GAIN continues to add to its portfolio and made three new buyout investments in FY 2020 and one in FY 2021 to date, deploying approximately \$124 million in capital.<sup>(2)</sup>

<sup>(1)</sup> See slide 11 for details.

<sup>(2)</sup> Excludes line of credit fundings.

# Investment Focus and Process

## Investment Focus

- Target stable lower middle market companies with EBITDA of \$3 - 20 million
- Investment size (debt & equity) up to \$30 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. 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

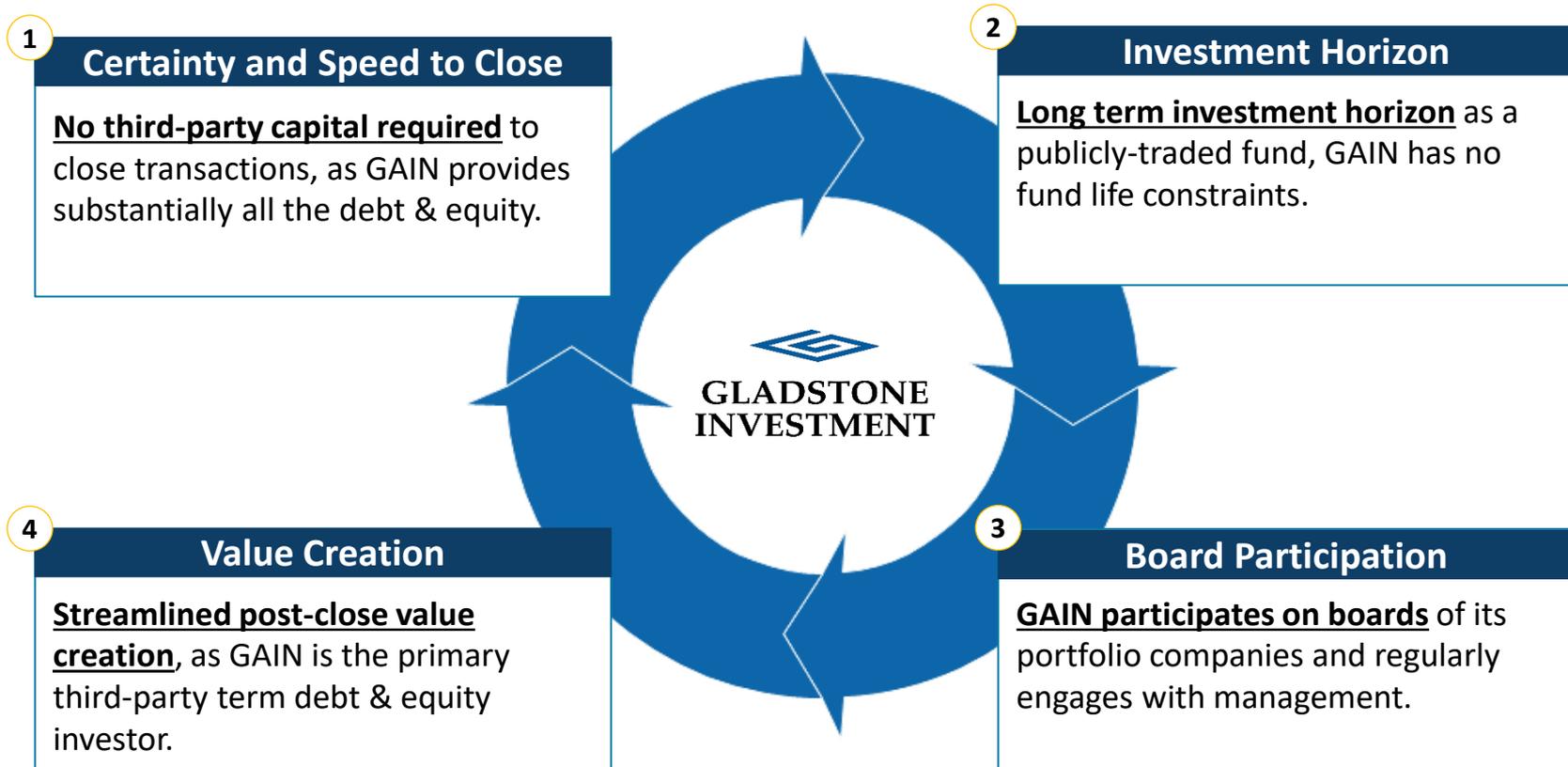
- Source opportunities from regional investment banks, M&A advisory firms, and industry executives
- Regionally focused sourcing strategy, spearheaded by every member of the investment team
- Debt & equity from single investor provides competitive advantage by improving the certainty of close and decreasing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

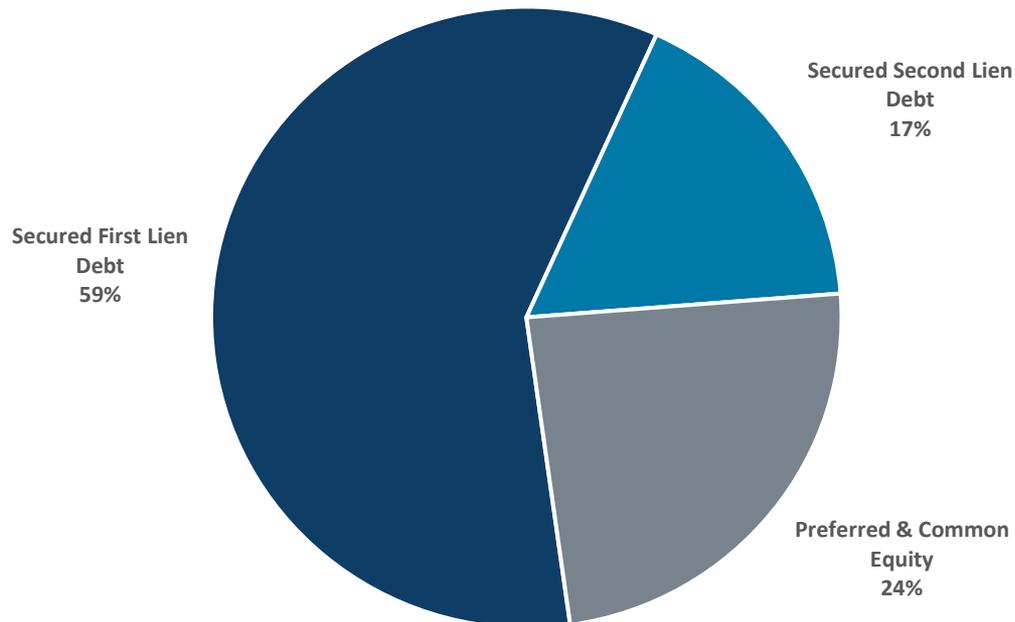
GAIN is typically a long-term investor with a strategy to deploy debt & equity designed to streamline post-close value creation



# 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
- Since inception, GAIN has generated approximately \$293 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 24% 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

# 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

Company	Investment Date	Exit Date	Invested Capital <sup>(1)</sup>			Equity Return at Exit	
			Total	Debt <sup>(2)</sup>	Equity	Proceeds <sup>(3)</sup>	CoC
Frontier	November-12	December-20	\$ 14,024	\$ 12,500	\$ 1,525	\$ 16,455	10.8x
Exits in prior FYs / others <sup>(4)</sup>	N/M	N/M	\$ 394,603	\$ 310,515	\$ 84,087	\$ 359,555	4.4x
<b>Total</b>			<b>\$ 408,627</b>	<b>\$ 323,015</b>	<b>\$ 85,612</b>	<b>\$ 376,010</b>	<b>4.5x</b>

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

(2) Excludes line of credit commitments.

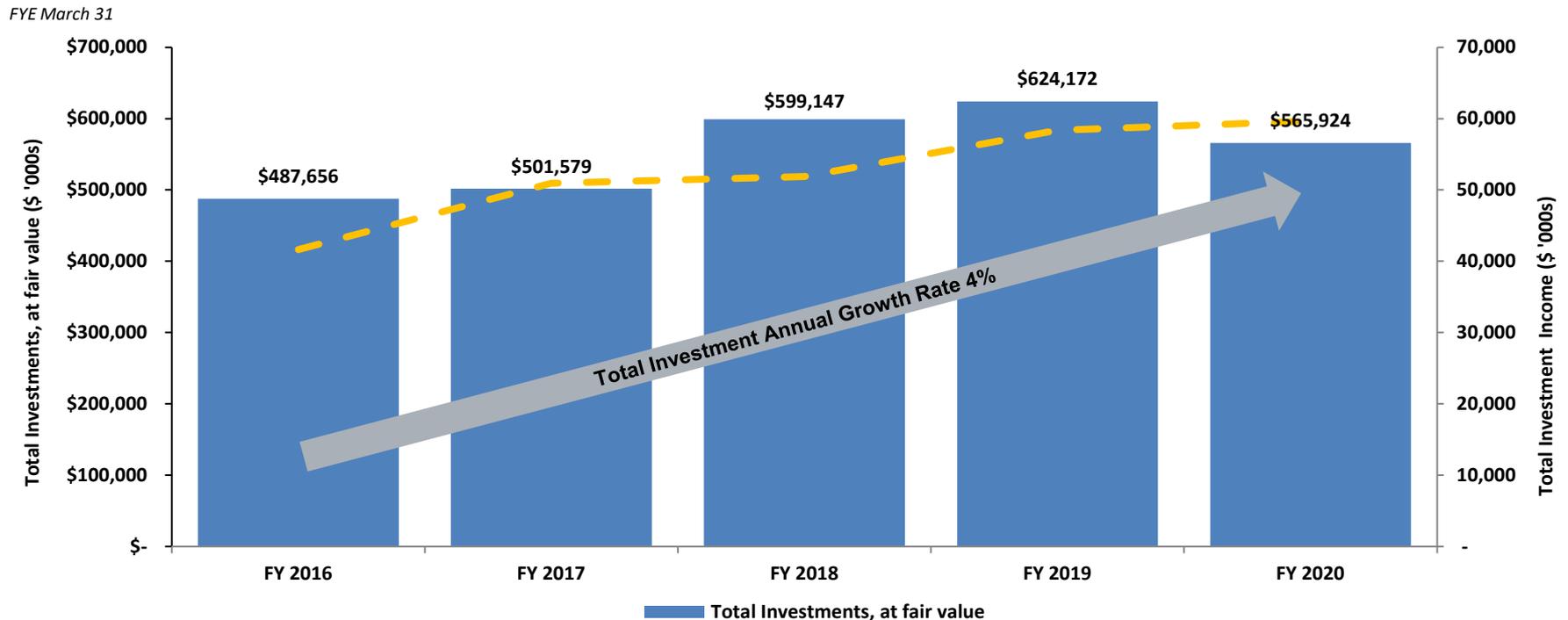
(3) Includes all equity proceeds on exit (return of capital, realized gains, and dividends); does not include debt repayments or gains/losses on debt.

(4) Includes all buyout exits from inception in 2005 through 3/31/2020 and other non-material buyout exits.

# Growing Portfolio and Investment Income

From 3/31/2016 to 3/31/2020, we have:

- Made investments in 14 new companies, deploying new capital of approximately \$310 million<sup>(1)</sup>;
- Exited 14 companies, returning approximately \$180 million<sup>(1)</sup> of invested capital and realizing approximately \$169 million of net gains;
- Maintained a consistent yield on interest-bearing debt of approximately 13%<sup>(2)</sup>; and
- Earned other income, including dividends and success fees, ranging from 9% to 20% of total investment income.



<sup>(1)</sup> Excludes line of credit commitments. <sup>(2)</sup> Weighted-average cash yield on interest-bearing investments, excluding loans on non-accrual status.

## Growing Portfolio and Investment Income (cont.)

As of December 31, 2020, we had total investments at fair value of approximately \$611 million.

During the nine months ended December 31, 2020, we:

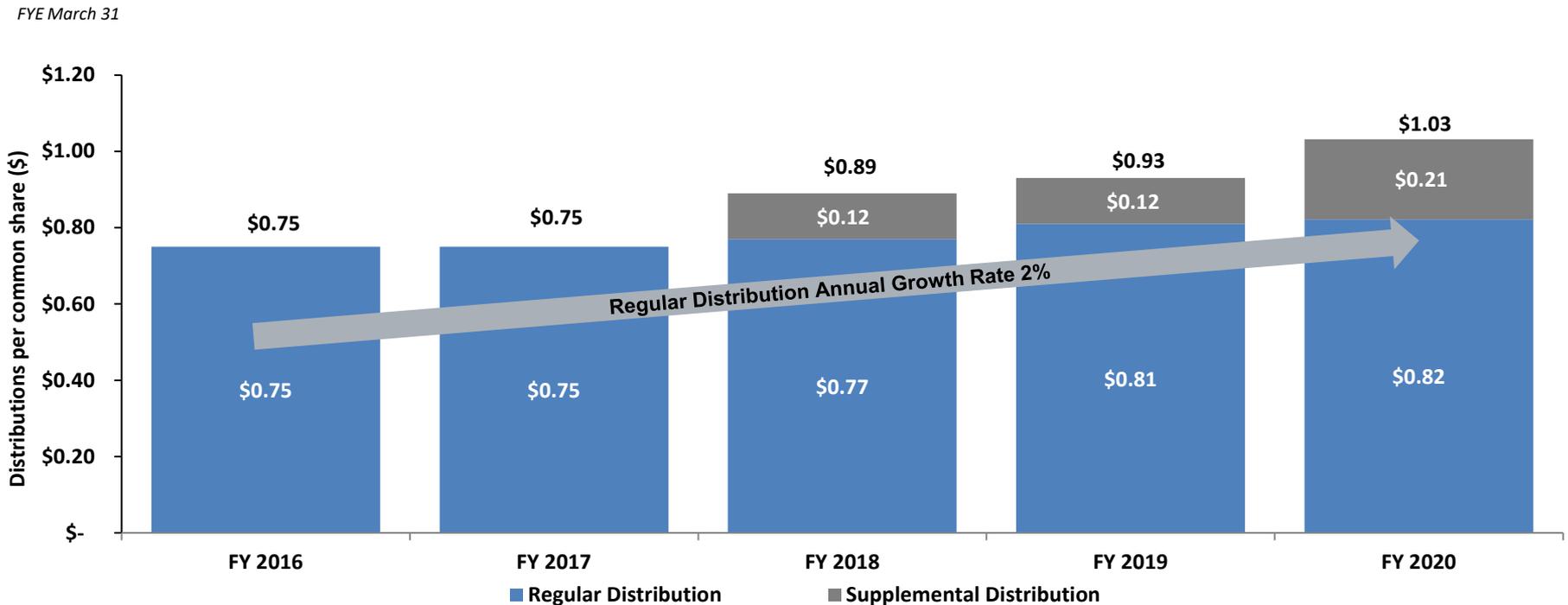
- Invested in one new company, deploying new capital of approximately \$47 million;<sup>(1)</sup>
- Exited one company, returning approximately \$11 million of capital and realizing a gain of approximately \$14 million;
- Generated a yield on interest-bearing debt of approximately 12%;<sup>(2)</sup> and
- Earned other income, including dividends and success fees, of 14% of total investment income.

*(1) Excludes line of credit fundings.*

*(2) Weighted average cash yield on interest-bearing investments, excluding loans on non-accrual status.*

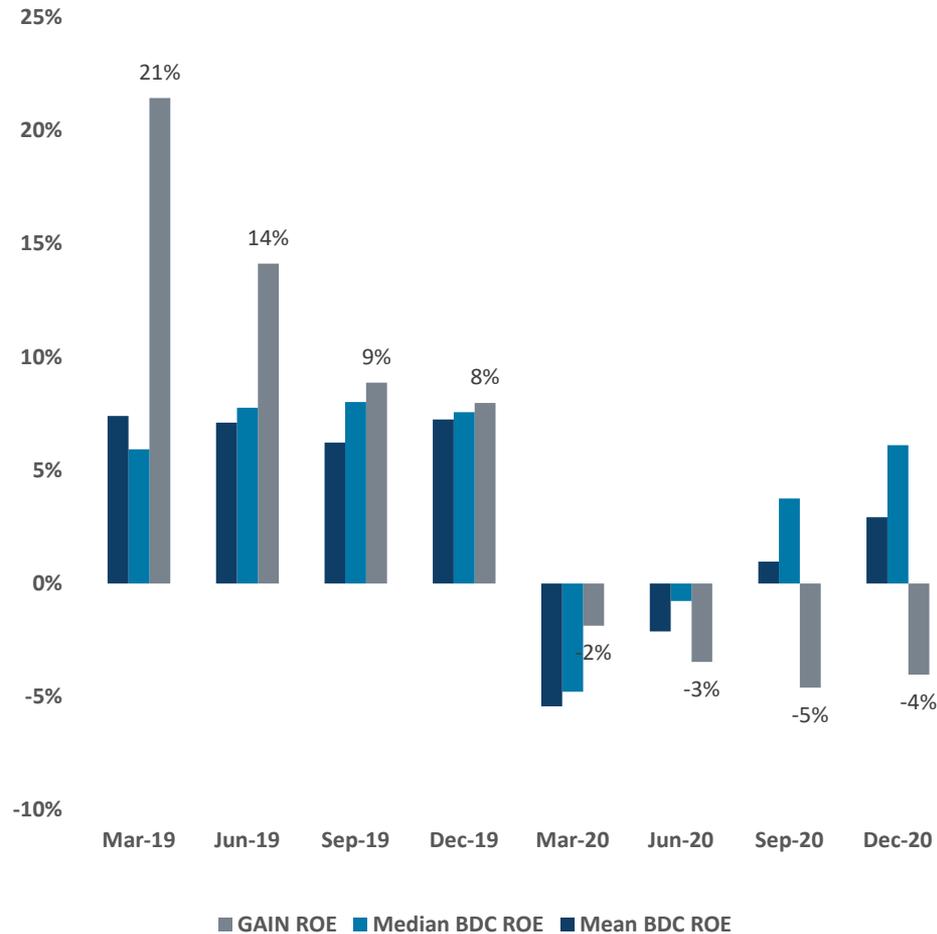
## Strong and Growing Monthly and Supplemental Distributions

- From inception through 12/31/20, GAIN has paid 186 consecutive monthly distributions to common shareholders
- GAIN's regular annual distribution run-rate was increased to \$0.84 per common share in January 2020
- In addition to regular distributions, GAIN has also paid supplemental distributions to common shareholders, consisting of realized capital gains from portfolio company exits and other income
  - For the current fiscal year: paid a \$0.09 per common share supplemental distribution in June 2020

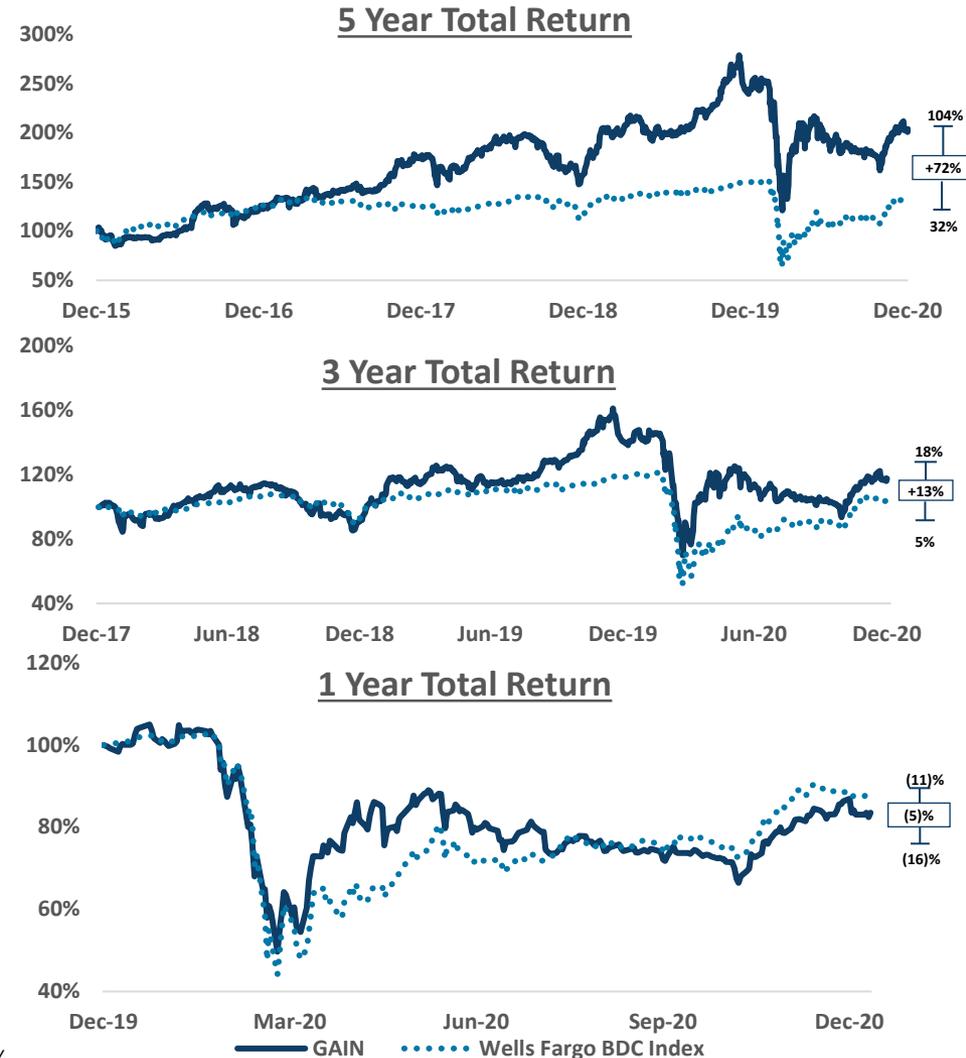


# History of Driving High Shareholder Returns

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



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



**Notes:**  
<sup>(1)</sup> Source: Capital IQ, latest available quarterly data as of 3/3/2021. BDC peer group defined as participants in Wells Fargo BDC Index as of 3/3/2021. ROE defined as LTM NII +/- real & unrealized gains/losses divided by average NAV.  
<sup>(2)</sup> Total return as of 12/31/2020 inclusive of reinvested dividends. BDC peer group defined as Wells Fargo BDC Index as of 3/3/2021.

# Financial Highlights

	Three Months Ended			
	December 31, 2020	September 30, 2020	June 30, 2020	March 31, 2020
Total investment income	\$ 17,372	\$ 11,840	\$ 10,707	\$ 11,982
Net investment income (loss) (NII/NIL)	6,255	4,368	4,173	14,766
Adjusted net investment income <sup>(1)</sup>	8,009	4,820	3,419	6,344
Realized gain (loss)	9,105	621	753	(10,879)
Unrealized appreciation (depreciation)	(89)	1,641	(4,887)	(31,229)
Weighted-average shares	33,205	33,205	33,092	32,997
Distributions per share from NII	0.20	0.20	0.28	0.19
Distributions per share from realized gains	0.01	0.01	0.02	0.03
NII/NIL per weighted-average share	0.19	0.13	0.13	0.45
Adjusted NII per weighted avg. share <sup>(1)</sup>	0.24	0.15	0.11	0.19
Weighted-average yield <sup>(2)</sup>	11.9%	12.1%	11.8%	12.4%
ROE - NII/NIL <sup>(3)</sup>	6.9%	4.8%	4.6%	15.2%
ROE - NII/NIL + realized/unrealized gain (loss) <sup>(3)</sup>	16.8%	7.4%	0.0%	(28.1%)
Portfolio, at fair value	\$ 610,888	\$ 608,962	\$ 561,342	\$ 565,924
Debt, including preferred stock at face value	240,967	260,411	199,233	186,546
Net asset value (NAV)	368,823	360,526	360,869	369,031
NAV per share	11.11	10.86	10.87	11.17

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

(1) See slide 13 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-Qs and Form 10-K, as filed with the SEC for the respective periods.

## Financial Highlights (Non-GAAP Measure)

### Three Months Ended

December 31, 2020

September 30, 2020

June 30, 2020

March 31, 2020

#### Amount

Net investment income	\$	6,255	\$	4,368	\$	4,173	\$	14,766
(+) Capital gains-based incentive fee		1,754		452		(754)		(8,422)
<b>Adjusted net investment income</b>	<b>\$</b>	<b>8,009</b>	<b>\$</b>	<b>4,820</b>	<b>\$</b>	<b>3,419</b>	<b>\$</b>	<b>6,344</b>

#### Per Share Amount

Net investment income, per share	\$	0.19	\$	0.13	\$	0.13	\$	0.45
(+) Capital gains-based incentive fee, per share		0.05		0.02		(0.02)		(0.26)
<b>Adjusted net investment income, per share</b>	<b>\$</b>	<b>0.24</b>	<b>\$</b>	<b>0.15</b>	<b>\$</b>	<b>0.11</b>	<b>\$</b>	<b>0.19</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



DPMS



## Business Services/Distribution



## Consumer Products



# Geographic Diversification



# Why own Gladstone Investment's Common Stock?

## Consistent Monthly Distributions

- Annual yield of approximately 6.9% as of March 3, 2021
- Increased regular monthly distributions annual run-rate by 12% since April 2015 to \$0.84 per share as of December 31, 2020

## Supplemental Distributions

- Supplemental distributions to be made from realized gains and net investment income
- Declared several supplemental distributions; most recently: \$0.09 per share paid in June 2020

## Capital Gains Upside

- 24% of investments at fair value are invested in equity. Such investments do not generally contribute to our monthly distributions, but provide potential for capital gains that may be distributed as supplemental distributions

## Strong Total Returns and ROE vs. Peers

- 1, 3, and 5-year total returns of (16)%, 18%, and 104% vs. industry peers of (11)%, 5%, and 32%<sup>(1)</sup>
- 1, 3, and 5-year average return on equity of (4)%, 10%, and 13% vs. industry peers of 2%, 6%, and 6%<sup>(2)</sup>

## Conservative Balance Sheet with Low Leverage

- Low leverage: leverage was about 41% of total assets
- Strong liquidation coverage: fair value of assets represents about 246% of all liabilities, including all preferred stock

## Diversification and Liquidity

- Portfolio is diversified across 28 companies, 17 states, and 13 industries
- Common stock is listed on Nasdaq under GAIN

## Experienced Management

- Led by an SEC-registered investment adviser and administrator with over 65 professionals with a successful track record of investing in lower middle market businesses

<sup>(1)</sup> Total return as of 12/31/2020 inclusive of reinvested dividends. BDC peer group defined as Wells Fargo BDC Index as of 3/3/2021. <sup>(2)</sup> Source: Capital IQ, latest available quarterly data as of 3/3/2021. BDC peer group defined as participants in Wells Fargo BDC Index as of 3/3/2021. 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 Preferred Stock?

## High Monthly Distributions

- Preferred annual dividends on Series E term preferred stock of 6.375%<sup>(1)</sup> are paid monthly and generally compare favorably to current fixed yield investment alternatives

## Strong Dividend Coverage

- Strong coverage of the preferred dividends: Adjusted NII<sup>(2)</sup> before interest expense and preferred dividends for the twelve months ended December 31, 2020 covers interest expense plus preferred dividends for the same period 2.8 times

## Daily Liquidity for Investors

- The Series E term preferred stock is listed on Nasdaq under "GAINL" and has mandatory redemption date

## Conservative Balance Sheet with Low Leverage

- Low leverage: leverage was about 41% of total assets
- Strong liquidation coverage: fair value of assets represents about 246% of all liabilities, including all preferred stock

## Diversification

- Portfolio is diversified across 28 companies, 17 states, and 13 industries

## Experienced Management

- Led by an SEC-registered investment adviser and administrator with over 65 professionals with a successful track record of investing in lower middle market businesses

<sup>(1)</sup> The Series D term preferred stock was redeemed in March 2021.

<sup>(2)</sup> See slide 13 for discussion of non-GAAP measure.

# Corporate Data

## Key Executive Officers

**David Gladstone**  
Chairman & CEO

**Terry Lee Brubaker**  
Vice Chairman & COO

**David Dullum**  
President

**Julia Ryan**  
CFO & Treasurer

## Research Coverage

**Janney Montgomery Scott**  
Mitchel Penn

**Jefferies & Company**  
Kyle Joseph

**Ladenburg Thalmann**  
Mickey M. Schleien

**National Securities**  
Bryce Rowe

**Wedbush**  
Henry Coffey

## 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)

## Independent Directors

**Paul Adelgren**

**Michela A. English**

**Caren Merrick**

**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:**  
Proskauer Rose LLP  
Stradley Ronon Stevens & Young, LLP

**Transfer Agent:**  
Computershare

**Auditors:**  
PricewaterhouseCoopers LLP

## Nasdaq Listings

**Common: GAIN**  
**Series E Term Preferred: GAINL**  
**2026 Notes: GAINN**

## Corporate Headquarters

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