



GLADSTONE CAPITAL

Investor Presentation
for the Fiscal Quarter Ended
March 31, 2022

Legal Disclaimer

Forward-Looking Statements: This presentation may include “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These forward-looking statements may include comments with respect to our objectives and strategies, and the results of our operations and our business.

These forward-looking statements inherently involve numerous risks, assumptions, and uncertainties, both general and specific. The risk exists that these statements may not be fulfilled. Although these statements are based on information available to us as of the date of this presentation, which we believe is reasonable, we caution readers of this presentation not to place undue reliance on these forward-looking statements as a number of known and unknown factors could cause future results to differ materially from these statements, including those factors listed under the caption “Risk Factors” in our Form 10-K and Form 10-Q filings, our registration statement, and other filings we may make with the Securities and Exchange Commission, all of which can be found on our web site at www.GladstoneCapital.com or the SEC’s web site, www.SEC.gov.

Forward-looking statements may be influenced in particular by factors such as the overall impact of the COVID-19 pandemic and other health emergencies, fluctuations in interest rates and stock indices, the effects of competition in the areas in which we operate, and changes in economic, political, regulatory and technological conditions. We caution that the foregoing list is not exhaustive. When considering forward-looking statements when making decisions, investors should carefully consider the aforementioned factors as well as other uncertainties and events.

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.

****Amounts in tables and charts in thousands, except for share and per share amounts and as otherwise stated.**

Gladstone Capital Overview

Background:

- Founded in 2001, Gladstone Capital was one of the first business development companies (BDC) focused on making loans to lower middle market U.S. businesses (\$3-15MM of EBITDA) and today the investment team remains dedicated to the BDC's activities and performance and thus aligned with the BDC's investors
- Gladstone Capital is funded through publicly traded common stock (*Nasdaq: GLAD*) and is leveraged via various senior unsecured note issues and a bank revolving credit facility
- Managed by Gladstone Management Corporation, an SEC registered investment adviser that manages in excess of \$3.8 billion in assets across four publicly traded yield-oriented funds with significant insider equity holdings and a history of shareholder friendly actions to support fund distributions

Investment Strategy:

- Target current yield investments in growth-oriented companies with proven cashflows, where capital flexibility is highly valued to support attractive investment yields
- Growth equity valuations support proportionately greater equity contributions and reduce the investment risk profile, while revenue growth also provides a path to organic deleveraging and multiple repayment options
- Majority of investments are backed by private equity sponsors, which provide institutional governance, strategic sector insight, experience managing leveraged balance sheets and investment capacity to support the business
- Leverage seasoned origination team to source, structure and pro-actively manage investments to mitigate losses

Investment Profile (as of March 31, 2022):

- \$538 million portfolio at fair value diversified across 45 companies and 13 different industries
- Conservative asset mix with 86% of investments in secured loans, 70% in lower risk 1st lien loans and weighted average EBITDA leverage across core proprietary loan portfolio of 3.7x
- Attractive weighted average portfolio yield of 10.2%, which is modestly leveraged (0.68:1 debt/equity) to support GLAD's net investment income (NII) yield on net asset value which averaged 9.9% for the last four quarters

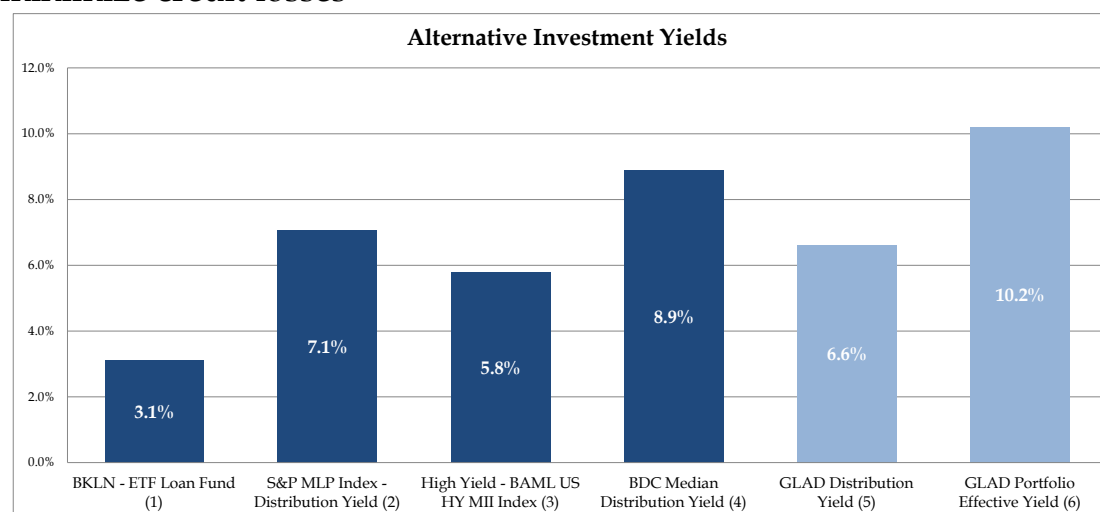
Why Invest in a BDC?

BDCs are regulated by the SEC, which mandates asset diversity, investor transparency via quarterly SEC filings including fair value adjustments of all assets and limits financial leverage to a maximum of 2:1 debt to equity leverage.

BDCs typically operate as regulated investment companies for tax purposes and pay no corporate income taxes, provided they distribute at least 90% of taxable income and all earnings and gains are passed through to investors.

Investment Profile

- **Competitive returns** – Current yields typically exceed other yield-oriented investment alternatives
- **Limited interest rate risk** – Distributions backed by floating rate loans supporting increased distributions as interest rates rise
- **Credit protection** – Distributions generated by a diversified portfolio of secured loans
- **Investment liquidity** – Established public equity market for common stock
- **Experienced credit managers** – Experience and capital base structured to manage loan portfolio through various business cycles to minimize credit losses



(1) PowerShares Exchange-Traded Fund Trust II - Senior Loan Portfolio (BKLN) - Yield 3/31/2022

(2) S&P MLP Index Dividend Yield – 3/31/2022

(3) BAML US High Yield Master II Index - Effective Yield 3/31/2022

(4) Raymond James 4/28/2022 BDC Industry Investment Banking Weekly Newsletter

(5) GLAD's stock price as of 3/31/2022

(6) Reported in GLAD's Form 10-Q for the quarter ended 3/31/2022

Gladstone Capital Strategy and Risk Management

Investment Strategy:

- Originate secured debt investments in established lower middle market companies with sustainable margins/cash flows and favorable growth characteristics, which can support a leveraged capital structure
- Target companies with operating cash flow (EBITDA) of \$3-15 million and investments of \$7-30 million
- Maintain industry and borrower diversity across added value businesses with revenue visibility or competitive barriers including specialty manufacturing, industrial or business services, or healthcare services, while avoiding financial services, early stage or high-tech companies, commodity or cyclical businesses

Deal Sourcing:

- Origination team provides regional coverage of middle market PE firms, investment banks and other deal sources
- Leverage seasoned investment team and dedicated lower middle market focus to deliver an elevated level of expertise to win investor-oriented financing solutions and actively manage ongoing investment portfolio risks
- Highly selective screening process where under 5% of deals reviewed ultimately close and the bulk of investments are backed by private equity (~70% of the portfolio at 3/31/22)

Due Diligence:

- Thorough multi-disciplinary “equity like” underwriting approach – blending internal industry experience, onsite visits and management assessments, supplemented with third party financial reviews, industry assessments, management background checks, and legal and insurance investigations, etc.

Risk Management:

- Gladstone Capital requires board level participation in portfolio companies to monitor operating performance and outlook to proactively manage risk profile
- Ongoing senior management reviews, quarterly third party expert investment valuations which are subject to quarterly oversight by Gladstone Capital’s audit committee and independent board members

Attractive Lower Middle Market Dynamics

Why we target lower middle market (“LMM”) companies

- Greater industry diversity and more consistent flow of growth-oriented investment opportunities across the vast array of U.S. based businesses
- Lower middle market companies typically sell for lower cash flow multiples, which translates into reduced financial leverage and better asset collateral coverage
- Smaller investment size attracts less competition from larger funds or commercial banks which supports more attractive investment returns at lower relative leverage levels
- More receptive to equity co-investments, providing an opportunity to selectively participate in anticipated growth and equity appreciation

Trends Enhancing Opportunity for Non-Bank Lenders

- A PE Sponsor’s ability to scale LMM acquisitions and achieve their targeted equity returns often hinge on the support of a financing solution tailored to the business or deal framework which require a more experienced and responsive lender able to flex to the circumstances even if at a slightly higher financing cost
- The ability to provide simplified and expedient “one-stop” financing solutions serves to expedite transaction closing and reduce execution risk
- Regulations and shifting market conditions have curtailed commercial bank capacity to hold leveraged investments and scale diminishes their flexibility to respond to changing business conditions or LMM opportunities
- Most private debt funds focused on senior loans to larger borrowers (>\$10 million EBITDA) with higher minimum investment thresholds to achieve costs efficiencies and meet deployment objectives of their institutional investor base

**LMM investment strategy can provide attractive investment upside
and is well suited for non-bank investment flexibility**

Gladstone Capital 3/31/2022 Quarter Summary

Originations/Portfolio Activity:

- Invested \$11 million during the quarter, which consisted of small add-on investments to existing portfolio companies.
- Received \$50.9 million in exits and repayments, resulting in a \$39.9 million decline in assets for the period; however, subsequent closings have made up much of this run-off.

Portfolio Yield / Net Investment Income (NII):

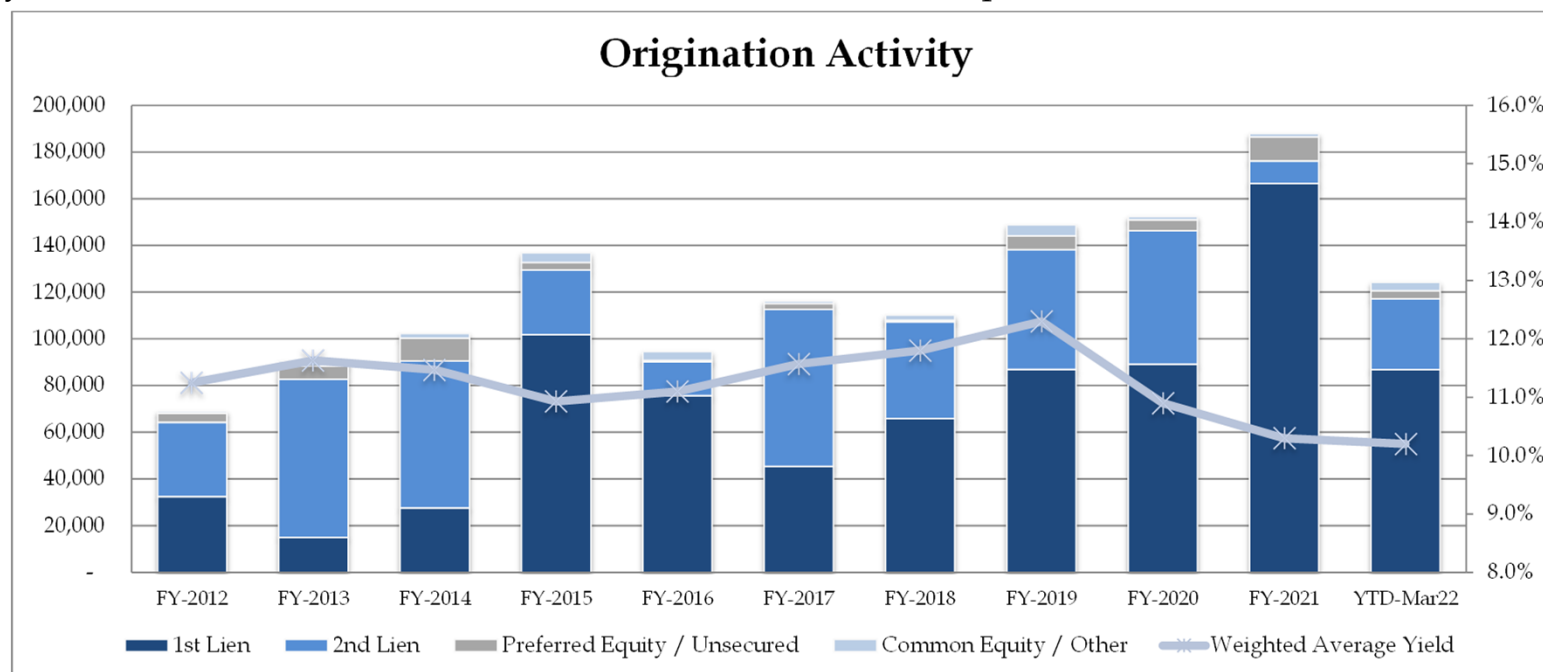
- The weighted average yield on the loan portfolio fell slightly to 10.2%; however, the portfolio average balance increased by \$20 million so interest income at \$13.0 million was largely unchanged from the prior quarter.
- Other income increased by \$1.0 million to \$4.3 million which included a \$3.2 million exit fee which supported the 6.8% increase in total investment income to \$17.3 million.
- Total expenses increased by \$1.6 million, quarter over quarter, driven by an increase in the net management fees associated with the decline in new deal closing fee credits compared to the prior quarter.
- Net investment income for the quarter ended March 31, 2022 was \$8.7 million, a decrease of 5.1%, as compared to the prior quarter, or \$0.25 per share and covered the dividends paid of \$0.195 by 130%.

Portfolio Performance and Valuation:

- Net Assets from Operations came in at \$8.3 million for the quarter, or \$0.24 per share, driven by an increase in earnings and small net unrealized portfolio depreciation and contributed to the \$0.05 per share increase in NAV to \$9.49 per share as of March 31, 2022.
- Overall leverage performance improved as the core portfolio leverage decreased slightly to 3.7x with no non-performing assets as of 3/31/22.

Gladstone Capital Origination Activity

- Originations for the quarter ended March 31, 2022 declined with the overall market activity and net of exits and repayments resulted in a \$40 million decline in investments for the period.

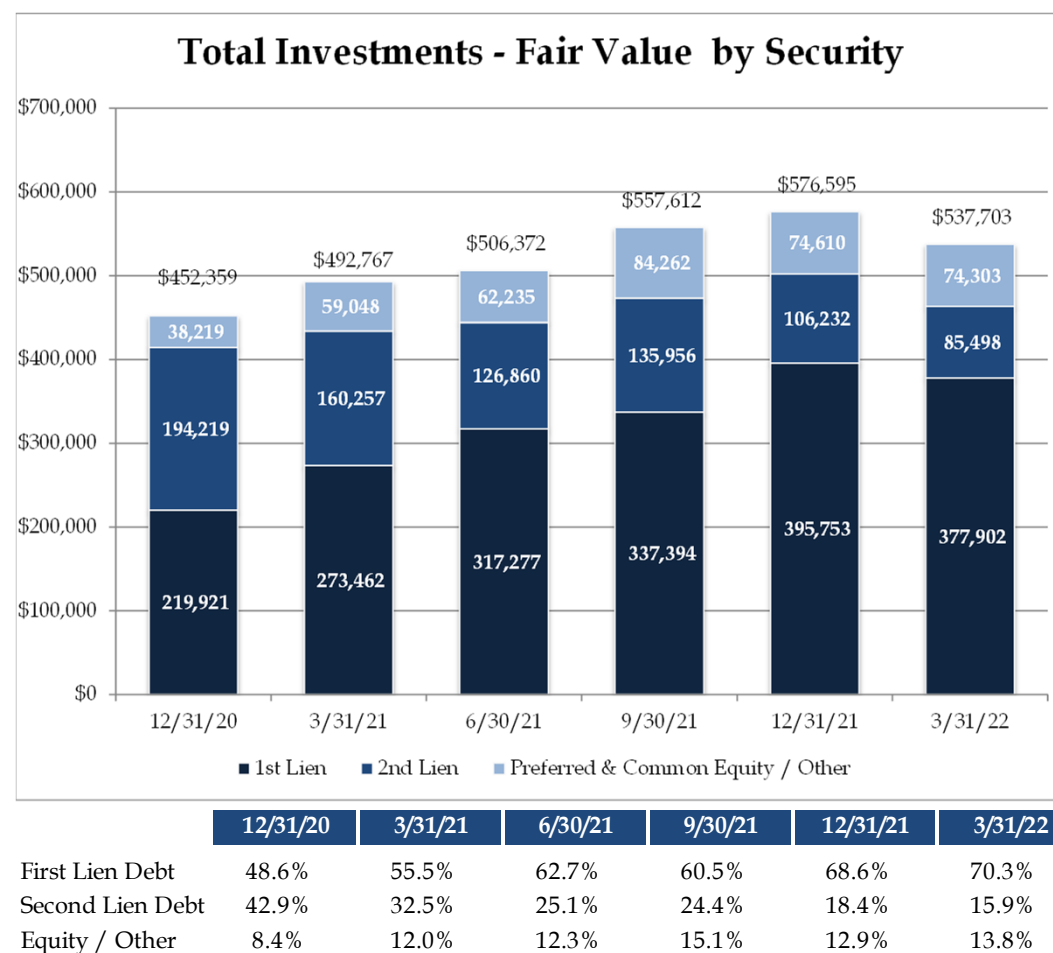


Gladstone Capital Quarterly Net Investment

	3/31/2020	6/30/2020	9/30/2020	12/31/2020	3/31/2021	6/30/2021	9/30/2021	12/31/2021	3/31/2022
New Investments at Cost	\$ 19,000	\$ 53,500	\$ 20,650	\$ 29,000	\$ 72,000	\$ 37,992	\$ -	\$ 106,918	\$ -
Disbursements to Existing Portfolio Companies	10,792	2,177	1,252	98	-	15,200	27,551	3,876	10,775
Sales, Repayments, Other Exits at Cost	(26,405)	(17,084)	(22,635)	(34,142)	(47,912)	(54,428)	(2,791)	(96,799)	(50,858)
Net New Investments at Cost	\$ 3,387	\$ 38,593	\$ (733)	\$ (5,044)	\$ 24,088	\$ (1,236)	\$ 24,760	\$ 13,995	\$ (40,083)
Number of New Portfolio Company Investments	1	2	1	2	3	3	0	6	0
Number of Portfolio Company Exits	4	2	1	3	3	3	1	5	2
Total Portfolio Companies	48	48	48	47	47	47	46	47	45

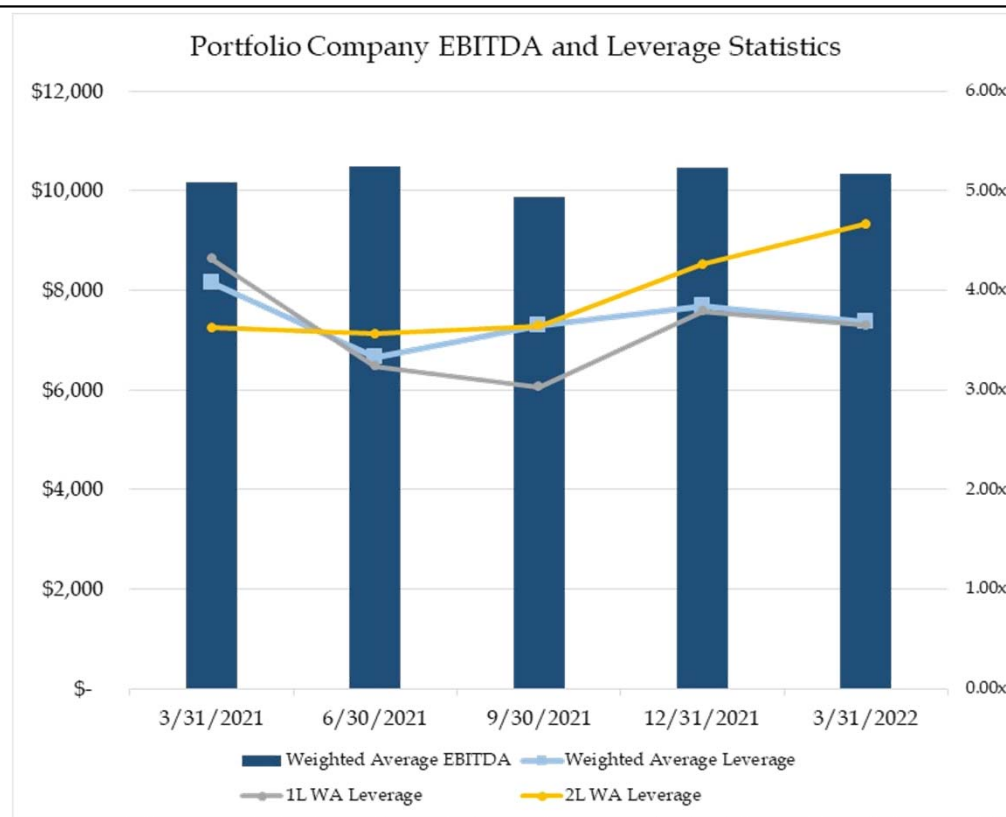
Gladstone Capital Portfolio Trends

- Net originations have generally maintained pace with the surge of portfolio exits over the past several quarters while generating realized gains of \$19.8 million over the past four quarters.
- PE sponsor demand for flexible first lien/unitranche financing continues to dominate new originations while legacy 2nd lien assets roll-off, lifting 1st lien assets to over 70% of the portfolio at 3/31/22.
- 90% of our loan portfolio are subject to floating rates which are expected to increase above the average LIBOR floor rates in the coming quarters.
- We have made equity co-investments in four of the six new originations in the December 2021 quarter as we rebuild the equity portfolio realized gains over the past year.
- The current loan portfolio valuations represent 95% of cost, while equity investments have appreciated to 149.5% of cost and in total the investment portfolio is valued at 100% of cost as of 3/31/22.



Portfolio Metrics

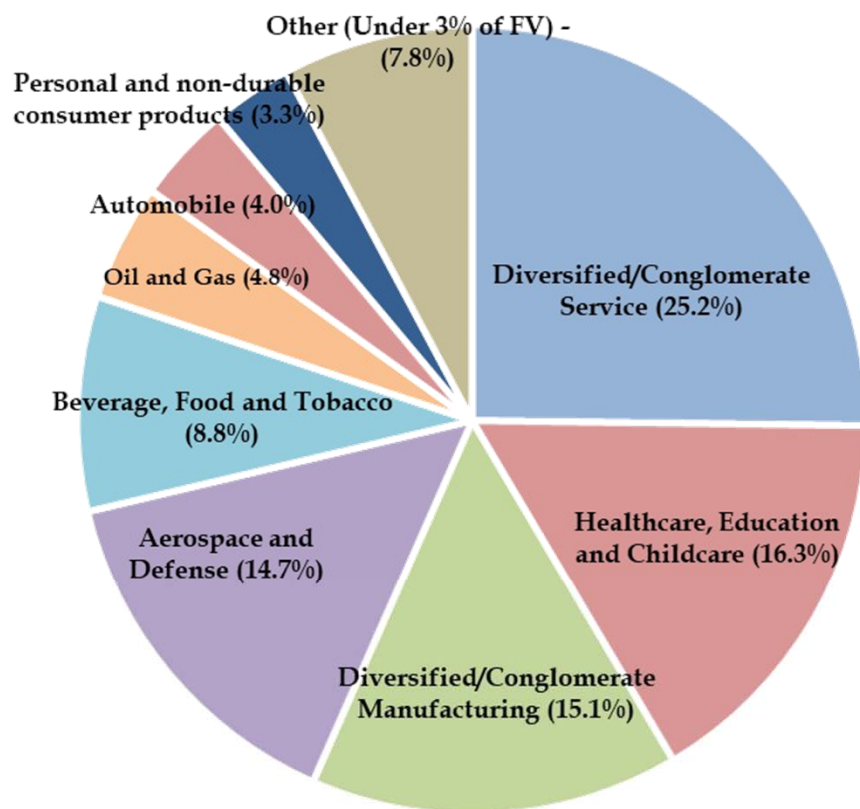
Consistent with GLAD's LMM focus, the core loan portfolio continues to represent companies with an average EBITDA of approx. \$10 million and an average leverage multiple of 3.7x EBITDA



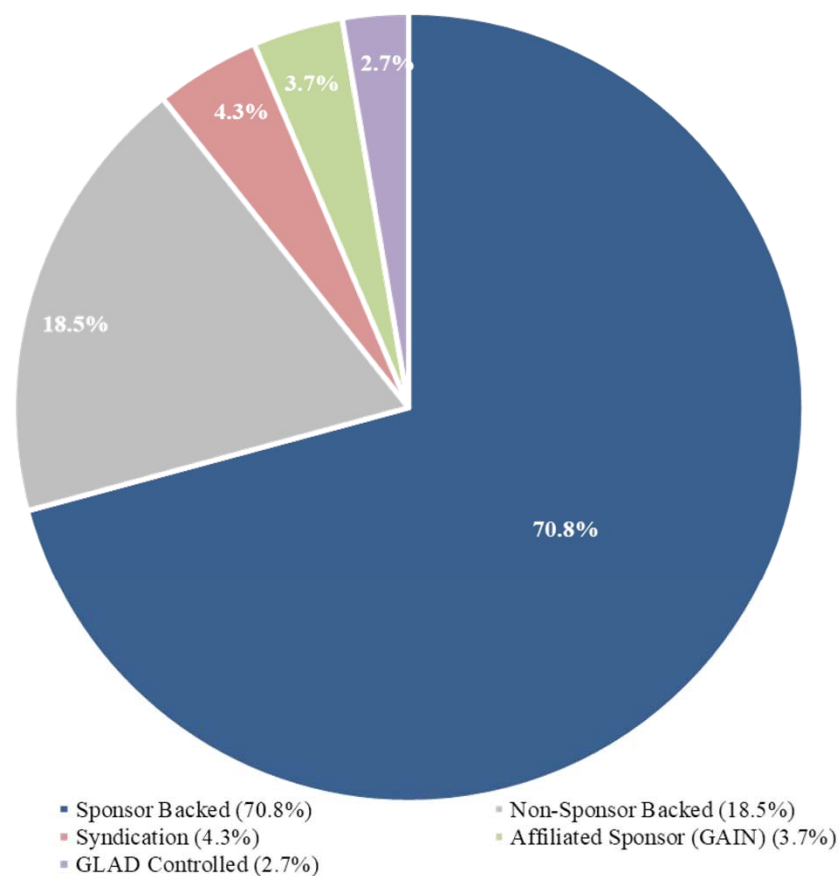
*For the purposes of this presentation, certain investments have been excluded from the data used to develop the above analysis. Those exclusions include investments: (i) originated as Syndications; (ii) co-investments with GAIN; (iii) investments under \$4 million; (iv) equity only investments; (v) one negative EBITDA business; (vi) two oil and gas investments that saw outsized impacts from COVID-19; (vii) two investments that have outsized TTM EBITDA, and skews weighted average EBITDA; and (viii) restructured LWO Acquisitions Company LLC. Additionally, investment EBITDA and Leverage are weighted based on the size of the principal outstanding.

Industry and Deal Sources Are Diversified

Portfolio Diversification Across 13 Industries - At 3/31/2022 Fair Value



Deal Source Composition - At 3/31/2022 Fair Value



Portfolio Composition

<i>Portfolio Characteristics As Of:</i>	June 30, 2021		September 30, 2021		December 31, 2021		March 31, 2022	
Total Portfolio - FV	\$	506,372	\$	557,612	\$	576,595	\$	537,703
# of Portfolio Companies		47		46		47		45
Average Investment Size - FV	\$	10,774	\$	12,122	\$	12,268	\$	11,949
Top 5 Investments % FV		26.8%		29.8%		26.3%		29.5%
WAVG Investment Yield**		10.5%		10.3%		10.3%		10.2%
1st Lien FV	\$	317,277	\$	337,394	\$	395,753	\$	377,902
2nd Lien FV		126,860		135,956		106,232		85,498
Equity / Other FV		62,235		84,262		74,610		74,303
Proprietary % of FV		94.0%		94.3%		95.5%		95.7%
Syndicated % of FV		6.0%		5.7%		4.5%		4.3%
Fixed Rate Debt % Cost		12.9%		12.2%		11.5%		9.1%
Variable Rate Debt % of Cost		87.1%		87.8%		88.5%		90.9%
Performing % FV (Debt)		98.5%		100.0%		100.0%		100.0%
Non-Performing % FV (Debt)		1.6%		0.0%		0.0%		0.0%
Accrued Potential Success Fees	\$	10,500	\$	11,700	\$	11,400	\$	12,100

***Weighted average yield on interest bearing debt investments (excludes non-accruals and reserves on interest receivables)*

Note: \$'s are in (000's)

Representative Portfolio Investments

REPRESENTATIVE PORTFOLIO INVESTMENTS



NETFORTRIS CORP. delivers cloud communications solutions that enable people to work, collaborate, and deliver customer service where and when business calls.



BELNICK, INC. is a distributor of branded furniture and sells to major e-commerce retailers and directly to consumers through its own furniture websites.



WADECO SPECIALTIES, INC. provides production well chemicals to oil well operators used for corrosion prevention; separating oil, gas and water once extracted; bacteria growth management; and conditioning water utilized for hydraulic fracturing.



ENCORE DREDGING PARTNERS, LLC is a premier mid-sized cutter suction and mechanical dredging services provider focusing on navigable waterways throughout the United States.



MCG ENERGY SOLUTIONS, LLC

MCG ENERGY SOLUTIONS, LLC is a provider of SaaS-based energy trading, asset and risk management workflow automation software products to the energy sector.



EL ACADEMIES, INC. owns and operates early childhood education centers in the United States.



SEA LINK INTERNATIONAL is a Tier 2 manufacturer and supplier of automotive lighting components and Intermediate Bulk Container "IBC" valves.



DEFIANCE INTEGRATED TECHNOLOGIES, INC. is the leading manufacturer of axle nut and washer systems for the heavy truck ("Class 8") industry in North America.



LIGNETICS, INC. manufactures and distributes branded wood pellets which are used as a renewable fuel for home and industrial heating, animal bedding, moisture absorption products, and firelogs and fire starters.



GRAYMATTER

GRAYMATTER is a leading provider of operational technologies and Industrial IoT consulting services to the manufacturing, water and energy industries in North America.



KARMAN MISSILE & SPACE SYSTEMS is a premier manufacturer of flight-critical and high temperature assemblies and components for space and defense end-markets with significant content on the industry's most coveted platforms.



ANTENNA RESEARCH ASSOCIATES, INC. designs and manufactures radio frequency based antenna sub-systems and integrated antenna systems for military and commercial customers.



ARC DRILLING, LLC is a leading provider of electrical discharge machining services to the industrial gas turbine and aerospace markets, handling over 200,000 parts annually.



R2i HOLDINGS, LLC is a leading national marketing agency that combines data and technology with creative design to build digital solutions.



ITEN DEFENSE, LLC is a leading provider of advanced composites and armor solutions used in personal protective equipment, aircraft, tactical vehicles, and maritime vessels.



CAFÉ ZUPAS is a healthy fast casual restaurant brand that serves house-made soups, salads and sandwiches from over 200 fresh ingredients.



Quarterly Financial Summary

	Three Months Ended			
	June 30, 2021	September 30, 2021	December 31, 2021	March 31, 2022
<i>In Thousands, except per share data</i>				
Income:				
Interest Income	\$ 12,746	\$ 13,245	\$ 12,866	\$ 12,962
Other Investment Income	920	1,116	3,301	4,298
Total Investment Income	13,666	14,361	16,167	17,260
Expenses:				
Fees to Advisor & Admin	3,196	3,756	3,063	4,749
Interest Expense	2,886	3,066	3,007	3,020
Operating Expense	858	700	937	796
Total Expenses	6,940	7,522	7,007	8,565
Net Investment Income (NII)	\$ 6,604	\$ 6,839	\$ 9,160	\$ 8,695
Weighted Average Shares*	33,766	34,304	34,304	34,304
NII Per WAVG Share	\$ 0.196	\$ 0.199	\$ 0.267	\$ 0.253
Realized/Unrealized Gains (Loss) per Share	\$ 0.336	\$ 0.755	\$ 0.086	\$ (0.011)
Dividend Per WAVG Share	\$ 0.195	\$ 0.195	\$ 0.195	\$ 0.195
NAV Per Share	\$ 8.53	\$ 9.28	\$ 9.30	\$ 9.49
Return on Equity (NII)**	9.7%	9.3%	9.6%	9.9%
Portfolio at Fair Value	506,372	557,612	576,595	537,703
Debt***	209,463	237,111	251,138	214,736
Net Asset Value	292,506	318,439	323,853	325,467
Debt-to-Equity	71.6%	74.5%	81.4%	68.5%

*Total Shares outstanding at 3/31/2022 was 34,304,371

**Return on Equity (NII) defined as: LTM net investment income divided by LTM average net assets

***Debt includes Line of Credit and Long Term Debt

Note: The financial information above is not comprehensive and is without notes, so readers should obtain and carefully review GLAD's Forms 10-K and 10-Q for the corresponding reporting periods as filed with the SEC.

Gladstone Capital 3/31/2022 Quarter Summary

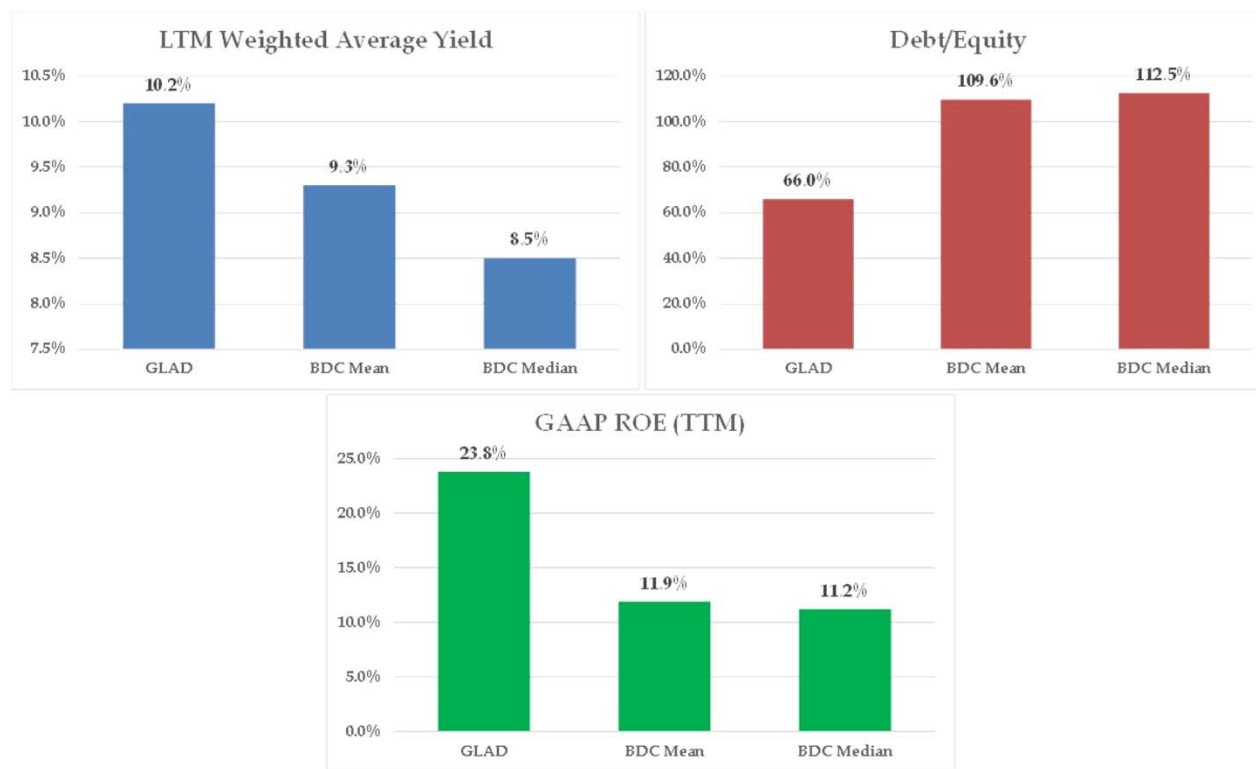
Capital Base and Liquidity

- Liabilities declined to \$223 million as of 3/31/2022, consisting primarily of \$150 million of 5.125% senior notes due 2026 and \$50.0 million of 3.75% senior notes due 2027.
- Total leverage declined during the quarter to 68% of Net Assets which was in line with a decline in assets.
- As of 3/31/2022, advances under our floating rate bank line of credit decreased to \$17.4 million and we had in excess of \$130 million of borrowing availability to grow our investment portfolio and capitalize on our conservative leverage position to increase net interest income.

ROE Performance

- Despite the shift to 1st lien assets and modest financial leverage, the portfolio generated an average ROE yield (NII) of 9.9% for the twelve months ended March 2022.
- NAV appreciation of \$39.8 million for the twelve months ending March 31, 2022 lifted the GAAP ROE for the period to 23.8% significantly outpacing the average BDC returns. ⁽¹⁾
- With 90% of our debt investments subject to floating rates and 90% of our debt at fixed rates, we expect net interest income to increase by \$5.2 million if LIBOR or its replacement rises by 2.0%.

(1) BDC ROE Source: Raymond James BDC Industry Weekly Newsletters



Corporate Data

Executive Officers

David Gladstone
Chairman & CEO

Terry Lee Brubaker
Vice Chairman & COO

Bob Marcotte
President

Nicole Schaltenbrand
CFO & Treasurer

Research Coverage

Ladenburg Thalmann
Mickey Schleien

Oppenheimer & Co.
Mitchel Penn

Raymond James
Robert Dodd

Websites

Gladstone Capital:
www.gladstonecapital.com

Investment Adviser:
www.gladstonemanagement.com

Information on all Funds:
www.gladstonecompanies.com

Other Officers

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General Counsel and Secretary

Jack Dellafiora
Chief Compliance Officer

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Auditors:
PricewaterhouseCoopers LLP

NASDAQ Listings

Common Stock Ticker: GLAD

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New York