



GLADSTONE CAPITAL

Investor Presentation
for the Fiscal Quarter Ended
June 30, 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 June 30, 2022):

- \$586 million portfolio at fair value diversified across 49 companies and 14 different industries
- Conservative asset mix with 88% of investments in secured loans, 74% in lower risk 1st lien loans and weighted average EBITDA leverage across core proprietary loan portfolio of 3.6x
- Attractive weighted average portfolio yield of 10.0%, which is modestly leveraged (0.91:1 debt/equity) to support GLAD's net investment income (NII) yield on net asset value which averaged 9.9% for the last four quarters

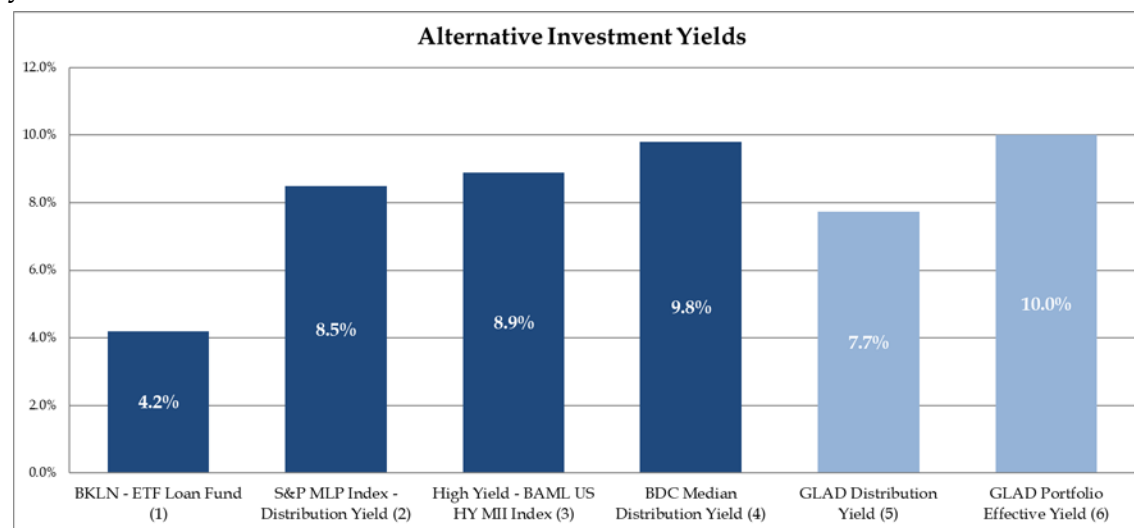
Why Invest in a BDC?

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 6/30/2022

(2) S&P MLP Index Dividend Yield – 6/30/2022

(3) BAML US High Yield Master II Index - Effective Yield 6/30/2022

(4) Raymond James 7/21/2022 BDC Industry Investment Banking Weekly Newsletter

(5) GLAD's stock price as of 6/30/2022

(6) Reported in GLAD's Form 10-Q for the quarter ended 6/30/2022

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 (~75% of the portfolio at 6/30/22)

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 6/30/2022 Quarter Summary

Originations/Portfolio Activity:

- New investments totaled \$67 million during the quarter, which consisted of three new platform investments and several add-on investments to existing portfolio companies.
- Repayments and net proceeds amounted to \$6.3 million, resulting in strong net originations of \$61 million for the quarter.

Portfolio Yield / Net Investment Income (NII):

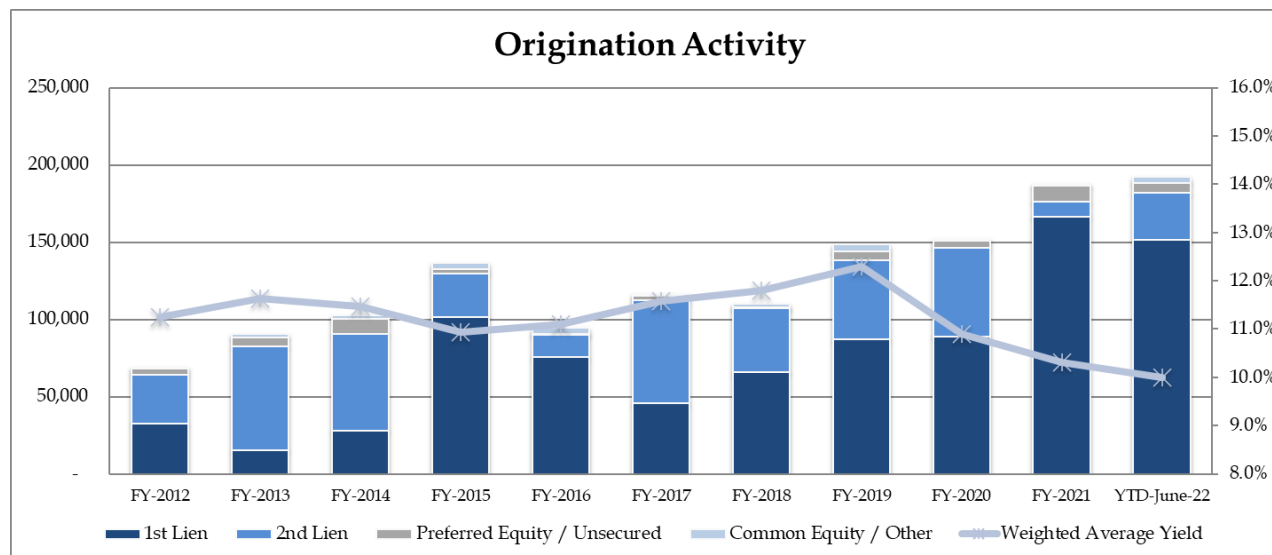
- Interest income for the quarter fell 2.8% to \$12.6 million as the average loan balance was down slightly and the weighted average yield on the portfolio to 10.0% which was down 20 basis points with the decline in PIK interest.
- Fee and other income declined with the reduced success fee income to \$1.2 million from the elevated levels of the last several quarters and as a result total investment income fell to \$13.8 million for the quarter.
- Total expenses declined by \$1.7 million compared to the prior quarter as net management fees declined \$1.8 million with the \$1.1 million of new deal closing fees credited against the base management fee and incentive fee credits of \$0.4 million.
- Net investment income for the quarter ended June 30, 2022 was \$6.9 million or \$0.2025 per share and covered the recently increased common stock distributions.

Portfolio Performance and Valuation:

- Net Assets fell \$12.5 million from the prior quarter, driven by realized and unrealized depreciation associated with the market valuation of the portfolio in the face of elevated loan market spreads, reduced equity valuation multiples and two equity investments which experienced isolated revenue shortfalls, resulting in a 3.9% decline in NAV which fell to \$9.12 per share as of June 30, 2022.
- Senior secured assets rose with origination activity to 74% of the investment portfolio at fair value while the 2nd lien investments fell to 14% during the period.
- Total leverage as of June 30, 2022 rose with the increase in total assets and NAV decline and now stands at 91% of Net Assets.

Gladstone Capital Origination Activity

- New investment activity outpaced amortization and reduced repayment activity during the June 30, 2022 quarter resulting in a \$61 million increase in investments.
- Originations continue to favor 1st lien assets and through 9 months of FY22 the total invested exceeds the total for FY21.

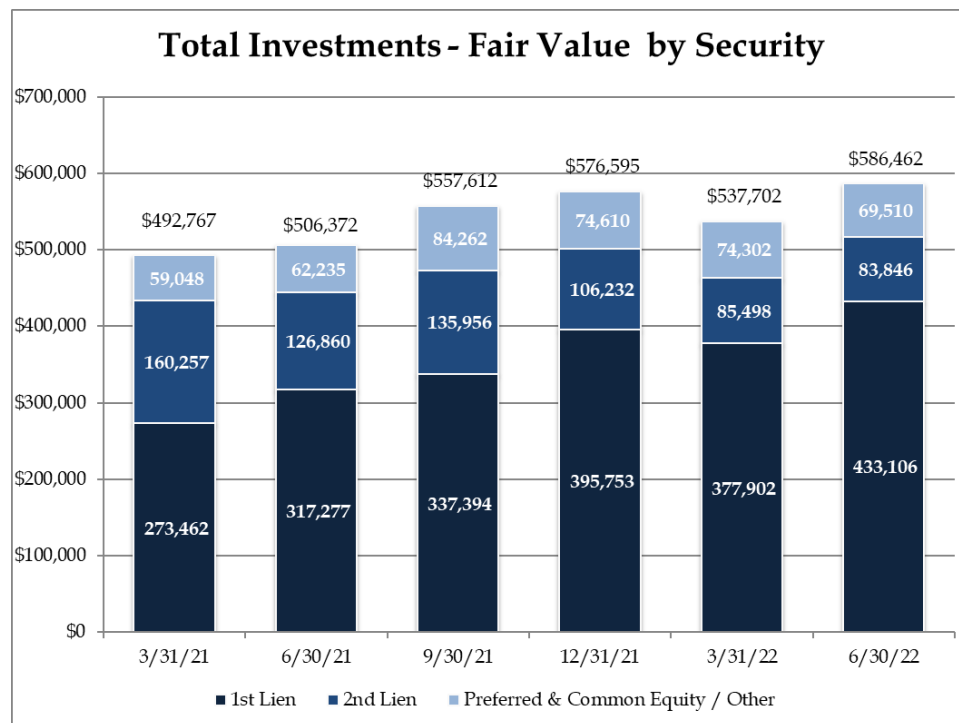


Gladstone Capital Quarterly Net Investment

	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	6/30/2022
New Investments at Cost	\$ 19,000	\$ 53,500	\$ 20,650	\$ 29,000	\$ 72,000	\$ 37,992	\$ -	\$ 106,918	\$ -	\$ 48,717
Disbursements to Existing Portfolio Companies	10,792	2,177	1,252	98	-	15,200	27,551	3,876	10,775	18,565
Sales, Repayments, Other Exits at Cost	(26,405)	(17,084)	(22,635)	(34,142)	(47,912)	(54,428)	(2,791)	(96,799)	(50,858)	(6,292)
Net New Investments at Cost	\$ 3,387	\$ 38,593	\$ (733)	\$ (5,044)	\$ 24,088	\$ (1,236)	\$ 24,760	\$ 13,995	\$ (40,083)	\$ 60,990
Number of New Portfolio Company Investments	1	2	1	2	3	3	0	6	0	4
Number of Portfolio Company Exits	4	2	1	3	3	3	1	5	2	0
Total Portfolio Companies	48	48	48	47	47	47	46	47	45	49

Gladstone Capital Portfolio Trends

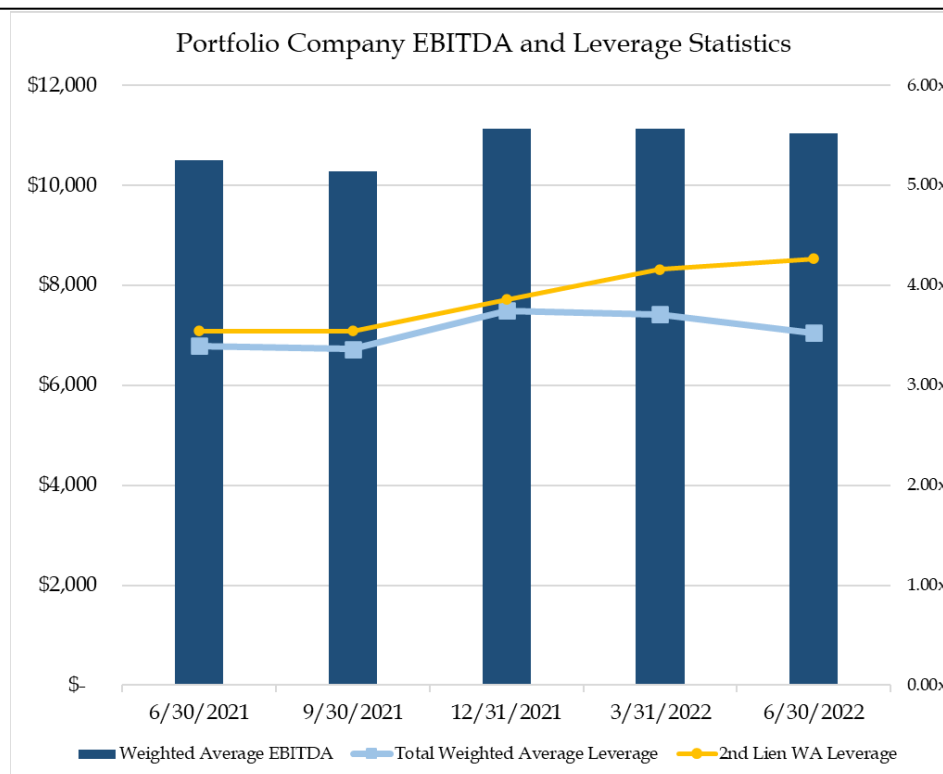
- Originations have outpaced portfolio exits and refinances over the past several quarters, generating a net \$75 million increase in total investments on the past four quarters.
- PE sponsor demand for flexible first lien/unitranche financing continues to dominate new originations while legacy 2nd lien assets roll-off, lifting 1st lien assets to over 74% of the portfolio at 6/30/22.
- 93% of our loan portfolio is subject to floating rates and as of 6/30/22 LIBOR has risen above the average loan floor rates.
- We continue to make equity co-investments in over half of our new originations during the past three quarters as we rebuild the equity portfolio realized gains of the past year.
- The current loan portfolio valuations represent 97% of cost, while equity investments have appreciated to 117% of cost with the total the investment portfolio valued at 99% of cost as of 6/30/22.



	3/31/21	6/30/21	9/30/21	12/31/21	3/31/22	6/30/22
First Lien Debt	55.5%	62.7%	60.5%	68.6%	70.3%	73.9%
Second Lien Debt	32.5%	25.1%	24.4%	18.4%	15.9%	14.3%
Equity / Other	12.0%	12.3%	15.1%	12.9%	13.8%	11.8%

Portfolio Metrics

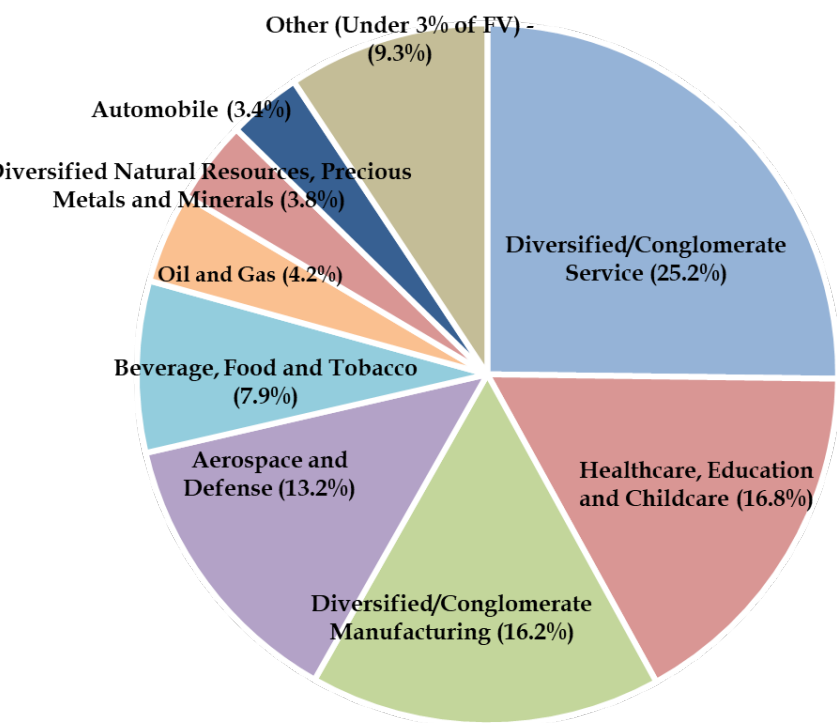
Consistent with GLAD's LMM focus, the core loan portfolio continues to represent companies with an average EBITDA of approx. \$11.1 million and an average leverage multiple of 3.5x EBITDA



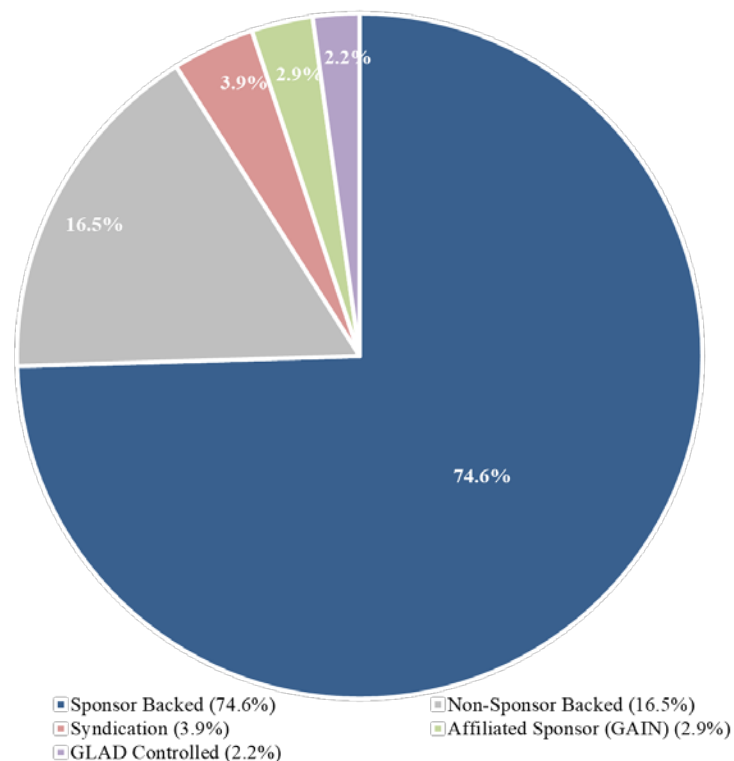
**For the purposes of this presentation, certain investments have been excluded from the data used to develop the above analysis. The average EBITDA excludes 2 outsized investments w/ EBITDA >\$50 million. The average leverage stats include ~90.3% of loans at FMV but exclude: (i) investments originated as Syndications; (ii) co-investments with GAIN; (iii) equity only investments; (iv) investments under \$4 million; and (v) 3 investments with a negative or de minimis TTM EBITDA. 2nd Lien WA leverage excludes 1 investment with leverage < 1.0x. Investment EBITDA and Leverage are weighted based on the size of the principal outstanding.*

Industry and Deal Sources Are Diversified

Portfolio Diversification Across 14 Industries - At 6/30/2022 Fair Value



Deal Source Composition - At 6/30/2022 Fair Value



Portfolio Composition

<i>Portfolio Characteristics As Of:</i>	September 30, 2021	December 31, 2021	March 31, 2022	June 30, 2022
Total Portfolio - FV	\$ 557,612	\$ 576,595	\$ 537,703	\$ 586,462
# of Portfolio Companies	46	47	45	49
Average Investment Size - FV	\$ 12,122	\$ 12,268	\$ 11,949	\$ 11,969
Top 5 Investments % FV	29.8%	26.3%	29.5%	27.1%
WAVG Investment Yield**	10.3%	10.3%	10.2%	10.0%
1st Lien FV	\$ 337,394	\$ 395,753	\$ 377,902	\$ 433,106
2nd Lien FV	135,956	106,232	85,498	83,846
Equity / Other FV	84,262	74,610	74,303	69,510
Proprietary % of FV	94.3%	95.5%	95.7%	96.1%
Syndicated % of FV	5.7%	4.5%	4.3%	3.9%
Fixed Rate Debt % Cost	12.2%	11.5%	9.1%	6.9%
Variable Rate Debt % of Cost	87.8%	88.5%	90.9%	93.1%
Performing % FV (Debt)	100.0%	100.0%	100.0%	100.0%
Non-Performing % FV (Debt)	0.0%	0.0%	0.0%	0.0%
Accrued Potential Success Fees	\$ 11,700	\$ 11,400	\$ 12,100	\$ 4,400

***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



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



AXIOS INDUSTRIAL GROUP is a provider of scaffolding, insulation, coatings, surface preparation and specialty solutions for a broad range of industrial customers in support of turnaround, maintenance and capital projects.



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



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



ENGINEERING MANUFACTURING TECHNOLOGIES, LLC is a precision manufacturer of close tolerance metal components used in defense, industrial, and other end markets and applications.



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



FIX-IT GROUP LLC is a provider of residential maintenance, repair, and replacement services.



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



HH-INSPIRE ACQUISITION, INC. is a plastic surgery and aesthetic center offering a comprehensive range of cosmetic surgeries and aesthetics treatments



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



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.



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



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



SALVO TECHNOLOGIES, INC. provides an integrated suite of technologies to serve the security and defense, medical, industrial, semiconductor, commercial, and science and technology markets.



WORKFORCEQA LLC is a leading tech-enabled Third-Party Administrator ("TPA") of employee compliance solutions focused on regulated and safety-sensitive industries.



XCEL HOLDINGS LLC designs and markets high-quality, innovative equipment and apparel for the surfing, diving and paddleboarding categories.



Quarterly Financial Summary

<i>In Thousands, except per share data</i>	Three Months Ended			
	September 30, 2021	December 31, 2021	March 31, 2022	June 30, 2022
Income:				
Interest Income	\$ 13,245	\$ 12,866	\$ 12,962	\$ 12,593
Other Investment Income	1,116	3,301	4,298	1,191
Total Investment Income	14,361	16,167	17,260	13,784
Expenses:				
Fees to Advisor & Admin	3,756	3,063	4,749	2,916
Interest Expense	3,066	3,007	3,020	3,150
Operating Expense	700	937	796	771
Total Expenses	7,522	7,007	8,565	6,837
Net Investment Income (NII)	\$ 6,839	\$ 9,160	\$ 8,695	\$ 6,947
Weighted Average Shares*	34,304	34,304	34,304	34,304
NII Per WAVG Share	\$ 0.199	\$ 0.267	\$ 0.253	\$ 0.203
Realized/Unrealized Gains (Loss) per Share	\$ 0.755	\$ 0.086	\$ (0.011)	\$ (0.366)
Dividend Per WAVG Share	\$ 0.195	\$ 0.195	\$ 0.195	\$ 0.195
NAV Per Share	\$ 9.28	\$ 9.30	\$ 9.49	\$ 9.12
Return on Equity (NII)**	9.3%	9.6%	9.9%	9.9%
Portfolio at Fair Value	557,612	576,595	537,703	586,462
Debt***	237,111	251,138	214,736	277,456
Net Asset Value	318,439	323,853	325,467	312,921
Debt-to-Equity	74.5%	81.4%	68.5%	90.9%

*Total Shares outstanding at 6/30/2022 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.

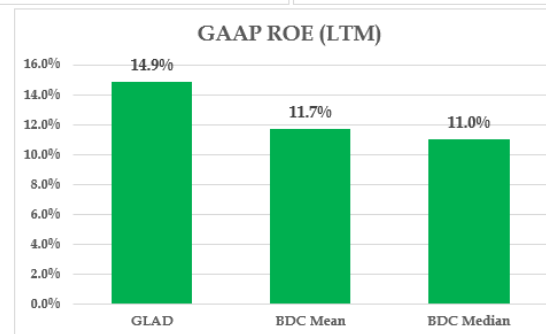
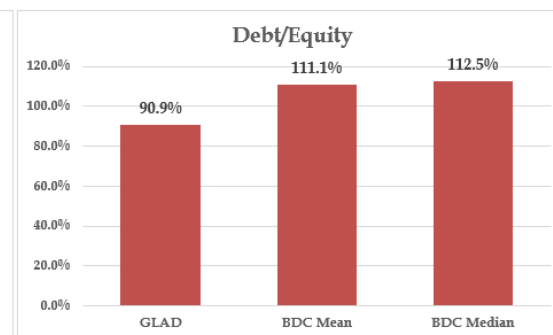
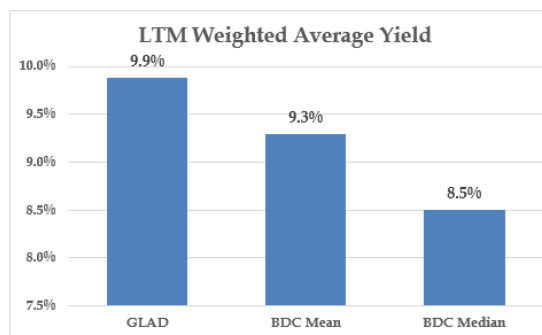
Gladstone Capital 6/30/2022 Quarter Summary

Capital Base and Liquidity

- Total assets grew to \$597 million as of June 30, 2022, consisting of \$586 million in investments at fair value and \$11 million in cash and other assets.
- Leverage remains modest as of June 30, 2022 at 91% of Net Assets, up slightly from the prior quarter given the increase in total assets and NAV decline.
- As of 6/30/2022, we have in excess of \$70 million of current borrowing availability under our line of credit the revolving period of which expires October 31, 2023.

ROE Performance

- The portfolio generated an average ROE Yield (NII) of 9.9% for the twelve months ended June 2022.
- Despite the decline in NAV per share for the quarter, our cumulative return on equity of 14.9% over the past year has outpaced average BDC returns.⁽¹⁾
- With 93% of our debt investments subject to floating rates and 71% of our debt at fixed rates, we expect that each 75 bps increase above LIBOR as of 6/30/22 (1.80%) will increase our quarterly net interest margin by \$.5 million and NII per share by \$.01.



(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

Janney Montgomery Scott LLC
John Rowan

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

Michael LiCalsi
General Counsel and Secretary

Jack Dellafiora
Chief Compliance Officer

Investor Relations

1521 Westbranch Drive, Suite 100
McLean, VA 22102
(703) 287-5893
capital@gladstonecompanies.com

Other

Corporate Counsel:
Kirkland & Ellis LLP

Transfer Agent:
Computershare Inc.

Auditors:
PricewaterhouseCoopers LLP

NASDAQ Listings

Common Stock Ticker: GLAD

Corporate Headquarters

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

Other Locations: Dallas, Los Angeles &
New York