



GLADSTONE CAPITAL

Investor Presentation
for the Fiscal Quarter Ended
March 31, 2023

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 the investors section of 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:

- Gladstone Capital was founded in 2001 as 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 \$4.0 billion in assets across four publicly traded yield-oriented funds with significant insider equity holdings and a history of shareholder friendly actions in support of investor fund distributions

Investment Strategy:

- Target current yield investments in growth-oriented companies with revenue visibility and proven cashflows where capital flexibility is highly valued to achieve the equity growth plan
- Growth equity valuations support proportionately greater equity contributions reducing debt risk profile (lower LTV) and near term growth provides visibility 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 capital structures and additional investment capacity support
- Leverage seasoned origination team to source, structure and pro-actively manage investments to mitigate losses

Investment Profile (as of March 31, 2023):

- \$679 million portfolio at fair value diversified across 51 companies and 13 different industries
- Conservative asset mix with 91% of investments in secured loans, 74% in lower risk 1st lien loans and weighted average leverage across core proprietary loan portfolio of less than 3.5x EBITDA while generating an attractive weighted average portfolio yield of 13.1%
- Modestly leveraged capital base (1.05:1.00 debt/equity) has generated net investment income (NII) yield on net asset value of 10.1% for the last four quarters and currently supports annual cash distribution of \$.96/share

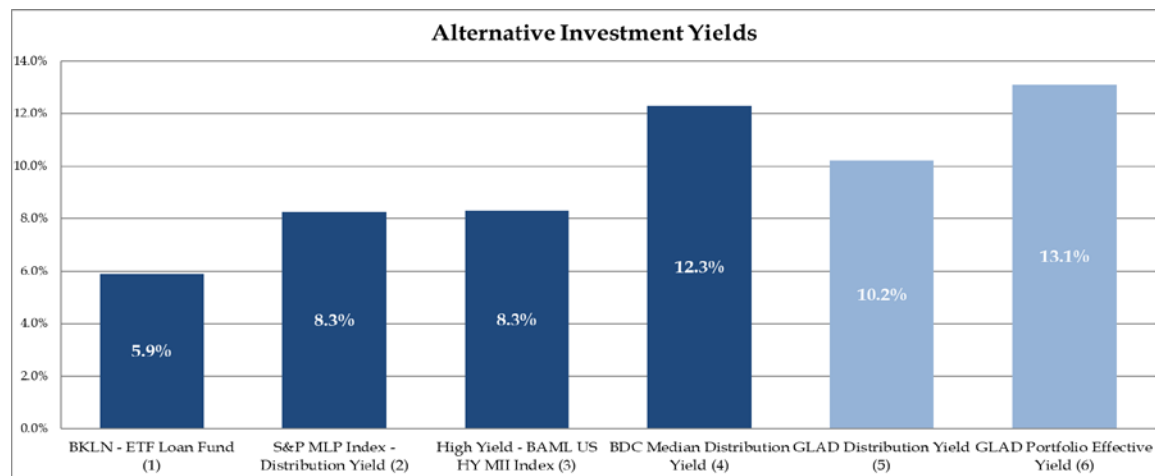
Why Invest in a BDC?

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** – BDC equity distributions typically exceed other yield-oriented investment alternatives
- **Limited interest rate risk** – Distributions backed by floating rate loans which have supported increased distributions with the recent increase in interest rates
- **Credit protection** – Equity is supported by a diversified portfolio of directly originated secured loans with lender friendly credit protections
- **Investment liquidity** – Established public equity market for common stock
- **Experienced credit managers** – Team experience, ongoing oversight and modestly leveraged 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 3/31/2023

(2) S&P MLP Index Dividend Yield – 3/31/2023

(3) BAML US High Yield Master II Index – Effective Yield 3/31/2023

(4) Raymond James 3/23/2023 BDC Industry Investment Banking Weekly Newsletter

(5) GLAD's stock price as of 3/31/2023

(6) Reported in GLAD's Press Release dated May 2, 2023

Gladstone Capital Strategy and Risk Management

Investment Strategy:

- Originate secured debt investments in established lower middle market companies with sustainable margins/cash flows to support a leveraged capital structure and favorable growth characteristics to deleverage risk profile
- 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, most consumer, 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 lower middle market focus to deliver an elevated level of expertise to win investor-oriented financing solutions and provide active portfolio monitoring to mitigate credit losses
- 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 3/31/23)

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 or market assessments, management background checks, 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
- LMM companies typically sell for lower cash flow multiples, which translates into reduced financial leverage, better asset collateral coverage and ability to structure and control entire debt financing solution
- Smaller investment size attracts less competition from larger private debt 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/Private Credit Lenders

- A PE Sponsor’s ability to scale LMM platform investments and achieve their targeted equity returns often look to tailor the financing to the growth needs of the business 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 while simplifying post-closing credit situations or expansions
- Shifting capital market conditions and leverage constraints are expected to lessen regional bank participation in LMM loans and few large banks have coverage platforms able to originate or manage LMM investments
- Largest proportion of private debt funds appended to multi-billion platforms focused on senior loans to larger borrowers (>\$25 million EBITDA) with higher minimum investment thresholds needed to achieve cost efficiencies and meet capital deployment objectives

LMM is a less competitive segment of the leverage finance market which provides a more attractive risk reward profile and matches up well with the investment flexibilities of Gladstone Capital’s non-bank investment platform

Gladstone Capital 3/31/2023 Quarter Summary

Originations/Portfolio Activity:

- New investments totaled \$64 million during the quarter, including two new platform investments along with \$16 million of add-on investments to existing portfolio companies.
- Repayments and net proceeds totaled \$10 million, resulting in strong net originations of \$54 million for the quarter.

Portfolio Yield / Net Investment Income (NII):

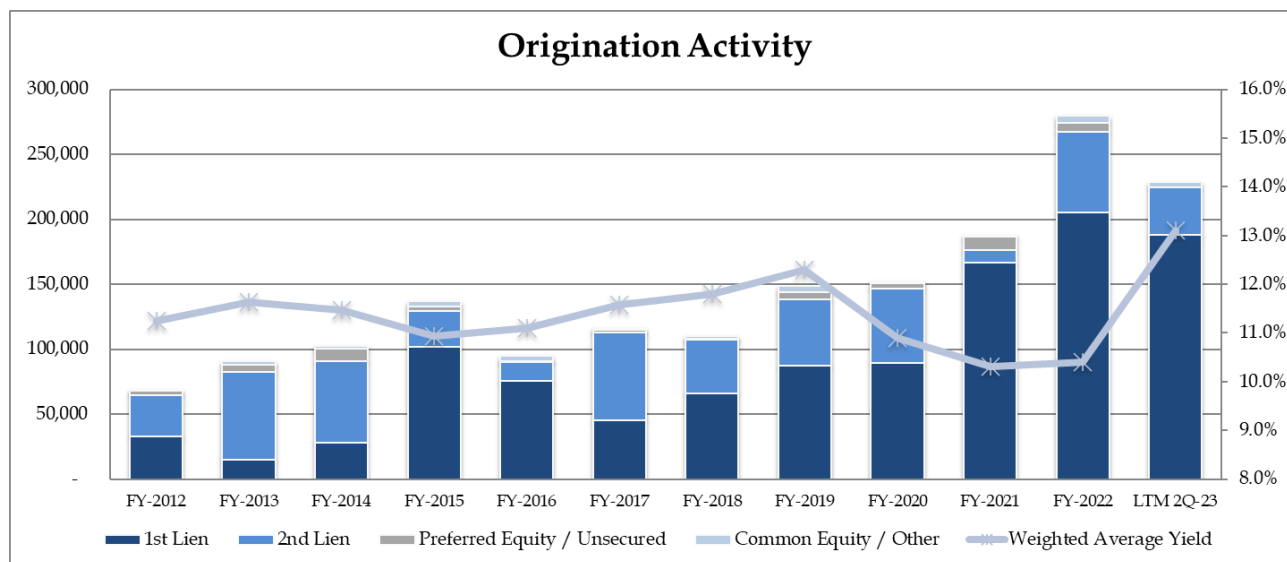
- Interest income for the quarter rose 6.6% to \$19.6 million as the weighted average yield rose with market rates to 13.1%, up 80 basis points from the prior quarter.
- Other income was largely unchanged at \$1.0 million and total investment income rose \$1.3 million to \$20.6 million for the quarter.
- Total expenses rose by \$0.4 million compared to the prior quarter with higher interest expenses as net management fees were unchanged with new deal closing fee credits offsetting higher incentive fees.
- Net investment income for the quarter rose 10.4% to \$9.6 million or \$0.26 per share, covering approximately 110% of the recently increased common stock distributions.

Portfolio Performance and Valuation:

- Our portfolio continues to perform well with generally modest leverage metrics and favorable liquidity and we ended the quarter with only one non-earning debt investment representing 0.4% of assets at fair value.
- Conservative asset mix with 91% of investments in secured loans, 74% in lower risk 1st lien loans and weighted average EBITDA leverage across core proprietary loan portfolio of under 3.5x.
- Appreciation for the quarter of \$2.4 million was primarily related to the net move in several equity co-investment positions as net depreciation of the debt investment portfolio was nominal.

Gladstone Capital Origination Activity

- Net originations of \$54 million for the March 31, 2023 quarter continue demonstrate LMM momentum over the past year and market demand for one-stop 1st lien financing solutions.

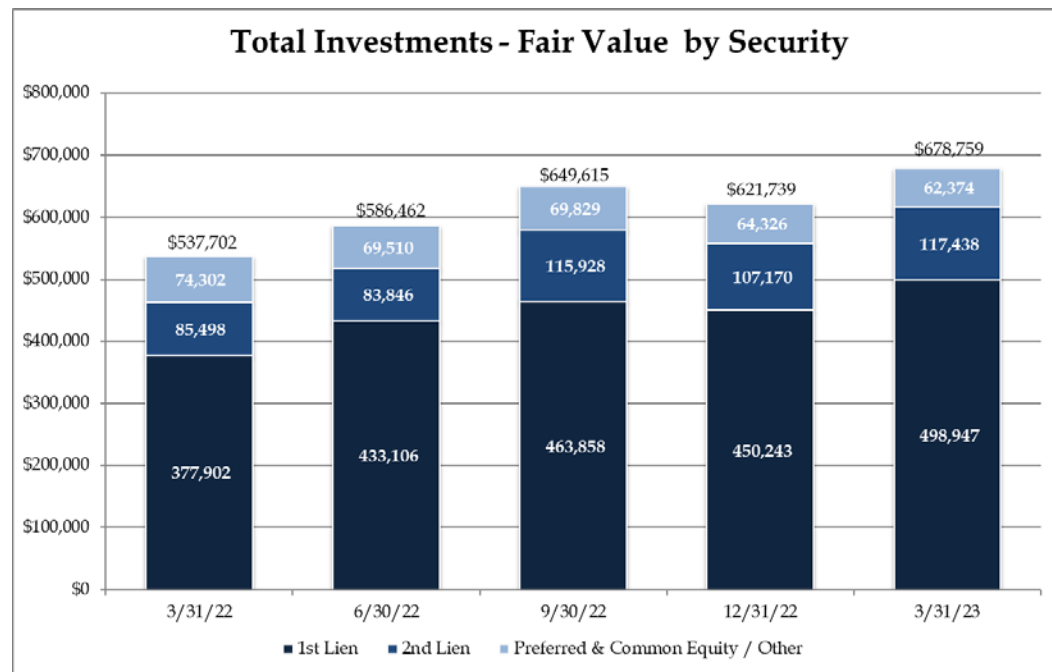


Gladstone Capital Quarterly Net Investment

| | 6/30/2021 | 9/30/2021 | 12/31/2021 | 3/31/2022 | 6/30/2022 | 9/30/2022 | 12/31/2022 | 3/31/2023 |
|---|------------|-----------|------------|-------------|-----------|-----------|-------------|-----------|
| New Investments at Cost | \$ 37,992 | \$ - | \$ 106,918 | \$ - | \$ 48,717 | \$ 59,619 | \$ 2,416 | \$ 48,000 |
| Disbursements to Existing Portfolio Companies | 15,200 | 27,551 | 3,876 | 10,775 | 18,565 | 26,428 | 10,963 | 16,090 |
| Sales, Repayments, Other Exits at Cost | (54,428) | (2,791) | (96,799) | (50,858) | (6,292) | (21,801) | (39,183) | (9,761) |
| Net New Investments at Cost | \$ (1,236) | \$ 24,760 | \$ 13,995 | \$ (40,083) | \$ 60,990 | \$ 64,246 | \$ (25,804) | \$ 54,329 |
| Number of New Portfolio Company Investments | 3 | 0 | 6 | 0 | 4 | 4 | 0 | 2 |
| Number of Portfolio Company Exits | 3 | 1 | 5 | 2 | 0 | 1 | 2 | 1 |
| Total Portfolio Companies | 47 | 46 | 47 | 45 | 49 | 52 | 50 | 51 |

Gladstone Capital Portfolio Trends

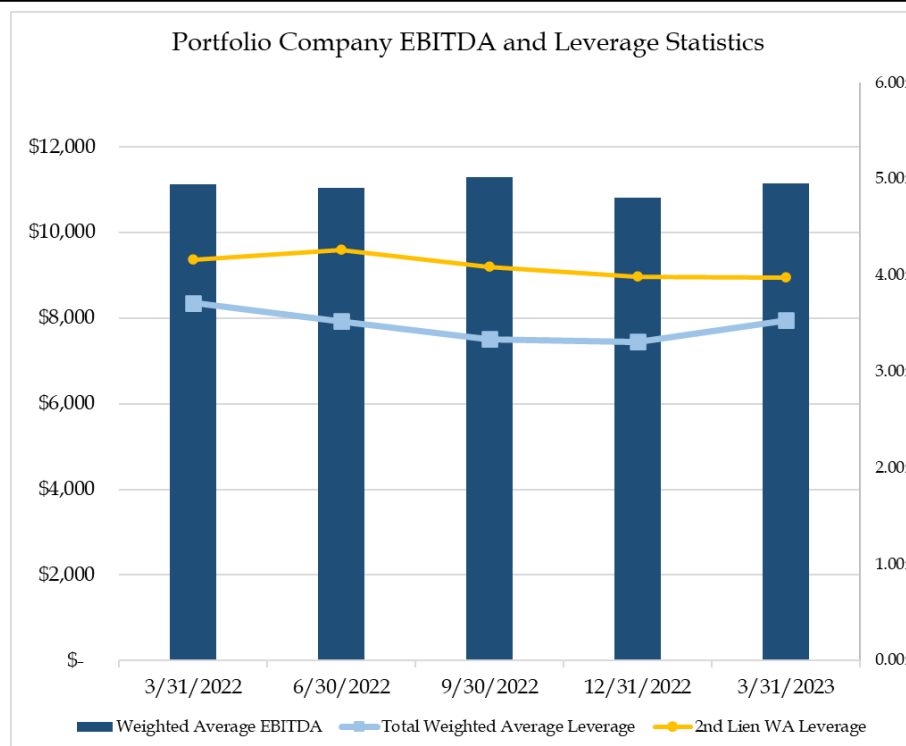
- Originations have exceeded portfolio exits and refinancings for the past several quarters lifting portfolio net asset growth by more than \$150 million over the past twelve months.
- PE sponsor demand for unitranche financings has lifted 1st lien investments to 74% of the portfolio.
- Approximately 91.5% of our loan portfolio is subject to floating rates with minimum LIBOR/SOFR floors.
- We continue to make equity co-investments in approximately half of our new originations to reseed the equity portfolio after the realized gains of the past year.
- The current portfolio valuation of \$678.8 million represents 97.5% of cost as of 3/31/2023.



| | 3/31/22 | 6/30/22 | 9/30/22 | 12/31/22 | 3/31/23 |
|------------------|---------|---------|---------|----------|---------|
| First Lien Debt | 70.3% | 68.7% | 71.4% | 72.4% | 73.5% |
| Second Lien Debt | 15.9% | 14.3% | 17.8% | 17.2% | 17.3% |
| Equity / Other | 13.8% | 11.9% | 10.7% | 11.8% | 9.2% |

Portfolio Metrics

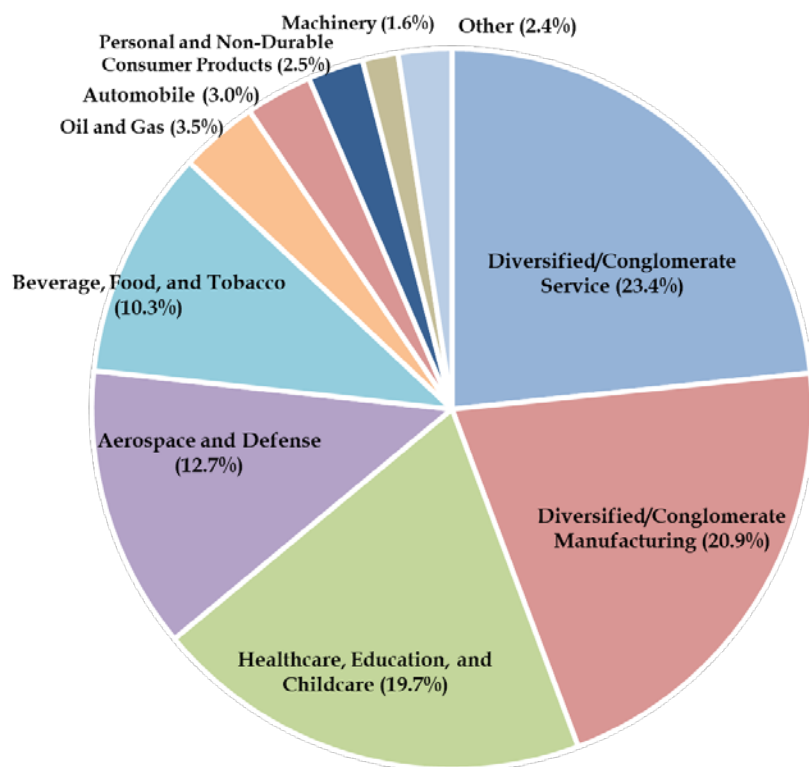
Consistent with GLAD's LMM focus, the core loan portfolio continues to represent companies with an average EBITDA of approx. \$11.1 million and an average leverage attachment point of under 3.5x EBITDA



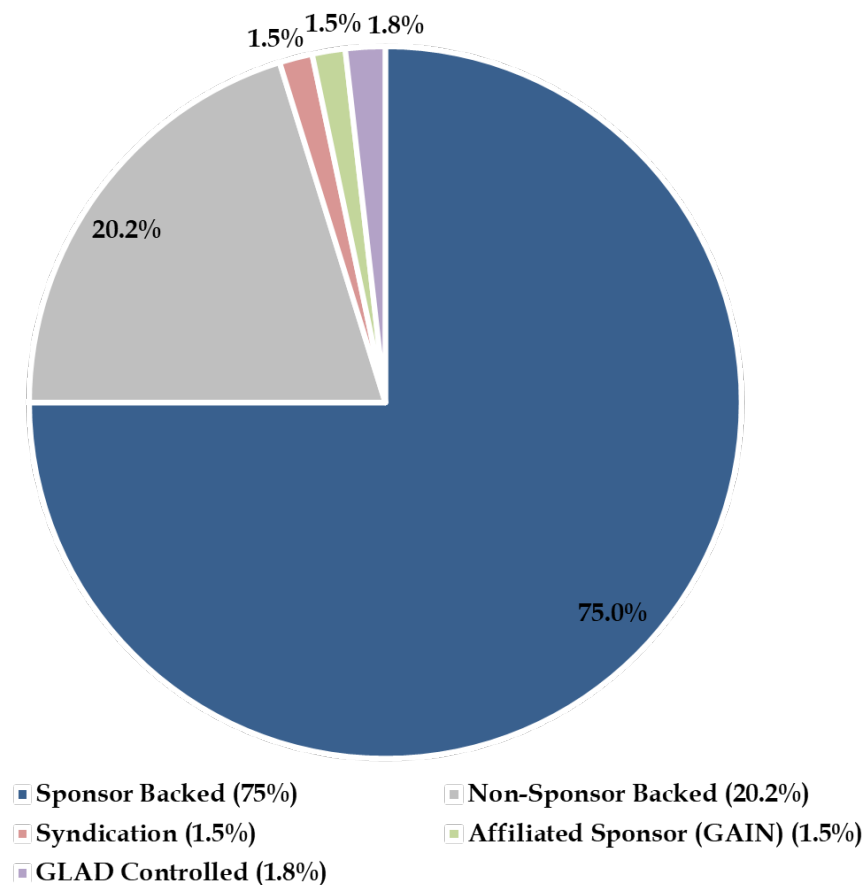
**For the purposes of this presentation, certain investments have been excluded from the data used to develop the above analysis. Those exclusions include investments: (i) originated as Syndications; (ii) co-investments with GAIN; (iii) investments under \$5 million; (iv) equity only investments; (v) two oil and gas investments that saw outsized impacts from COVID-19; (vi) investments with outsized TTM EBITDA that skew weighted average EBITDA; (vii) one investment with a de minimis TTM EBITDA relative to total debt skewing weighted average leverage; 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 3/31/2023 Fair Value



Deal Source Composition - At 3/31/2023 Fair Value



Portfolio Composition

| <i>Portfolio Characteristics As Of:</i> | June 30, 2022 | September 30, 2022 | December 31, 2022 | March 31, 2023 |
|---|---------------|--------------------|-------------------|----------------|
| Total Portfolio - FV | \$ 586,462 | \$ 649,615 | \$ 621,739 | \$ 678,759 |
| # of Portfolio Companies | 49 | 52 | 50 | 51 |
| Average Investment Size - FV | \$ 11,969 | \$ 12,493 | \$ 12,435 | \$ 13,309 |
| Top 5 Investments % FV | 29.5% | 26.9% | 28.2% | 26.3% |
| WAVG Investment Yield** | 10.0% | 11.2% | 12.3% | 13.1% |
| 1st Lien FV | \$ 433,106 | \$ 463,858 | \$ 450,243 | \$ 498,947 |
| 2nd Lien FV | 83,846 | 115,928 | 107,170 | 117,438 |
| Equity / Other FV | 69,510 | 69,829 | 64,326 | 62,374 |
| Proprietary % of FV | 96.1% | 97.1% | 98.4% | 98.5% |
| Syndicated % of FV | 3.9% | 2.9% | 1.6% | 1.5% |
| Fixed Rate Debt % Cost | 6.9% | 11.5% | 8.6% | 8.5% |
| Variable Rate Debt % of Cost | 93.1% | 88.5% | 91.4% | 91.5% |
| Performing % FV (Debt) | 100.0% | 100.0% | 99.6% | 99.5% |
| Non-Performing % FV (Debt) | 0.0% | 0.0% | 0.4% | 0.5% |
| Accrued Potential Success Fees | \$ 4,400 | \$ 4,700 | \$ 4,000 | \$ 3,600 |

***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 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

In Thousands, except per share data

| | Three Months Ended | | | |
|--|--------------------|--------------------|-------------------|----------------|
| | June 30, 2022 | September 30, 2022 | December 31, 2022 | March 31, 2023 |
| Income: | | | | |
| Interest Income | \$ 12,593 | \$ 15,567 | \$ 18,367 | \$ 19,578 |
| Other Investment Income | 1,191 | 372 | 927 | 983 |
| Total Investment Income | 13,784 | 15,939 | 19,294 | 20,561 |
| Expenses: | | | | |
| Fees to Advisor & Admin | 2,916 | 3,837 | 4,977 | 5,003 |
| Interest Expense | 3,150 | 3,789 | 4,629 | 4,909 |
| Operating Expense | 771 | 836 | 963 | 1,017 |
| Total Expenses | 6,837 | 8,462 | 10,569 | 10,929 |
| Net Investment Income (NII) | \$ 6,947 | \$ 7,477 | \$ 8,725 | \$ 9,632 |
| Weighted Average Shares* | 34,304 | 34,492 | 35,207 | 36,604 |
| NII Per WAVG Share | \$ 0.203 | \$ 0.217 | \$ 0.248 | \$ 0.263 |
| Realized/Unrealized Gains (Loss) per Share | \$ (0.366) | \$ (0.069) | \$ (0.086) | \$ 0.064 |
| Dividend Per WAVG Share | \$ 0.203 | \$ 0.203 | \$ 0.210 | \$ 0.225 |
| NAV Per Share | \$ 9.12 | \$ 9.08 | \$ 9.06 | \$ 9.19 |
| Return on Equity (NII)** | 9.9% | 10.1% | 10.0% | 10.1% |
| Portfolio at Fair Value | 586,462 | 649,615 | 621,739 | 678,759 |
| Debt*** | 277,456 | 339,407 | 306,064 | 350,253 |
| Net Asset Value | 312,921 | 315,487 | 324,326 | 341,811 |
| Debt-to-Equity | 90.9% | 109.5% | 97.2% | 104.7% |

*Total Shares outstanding at 3/31/2023 was 37,185,569

**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.

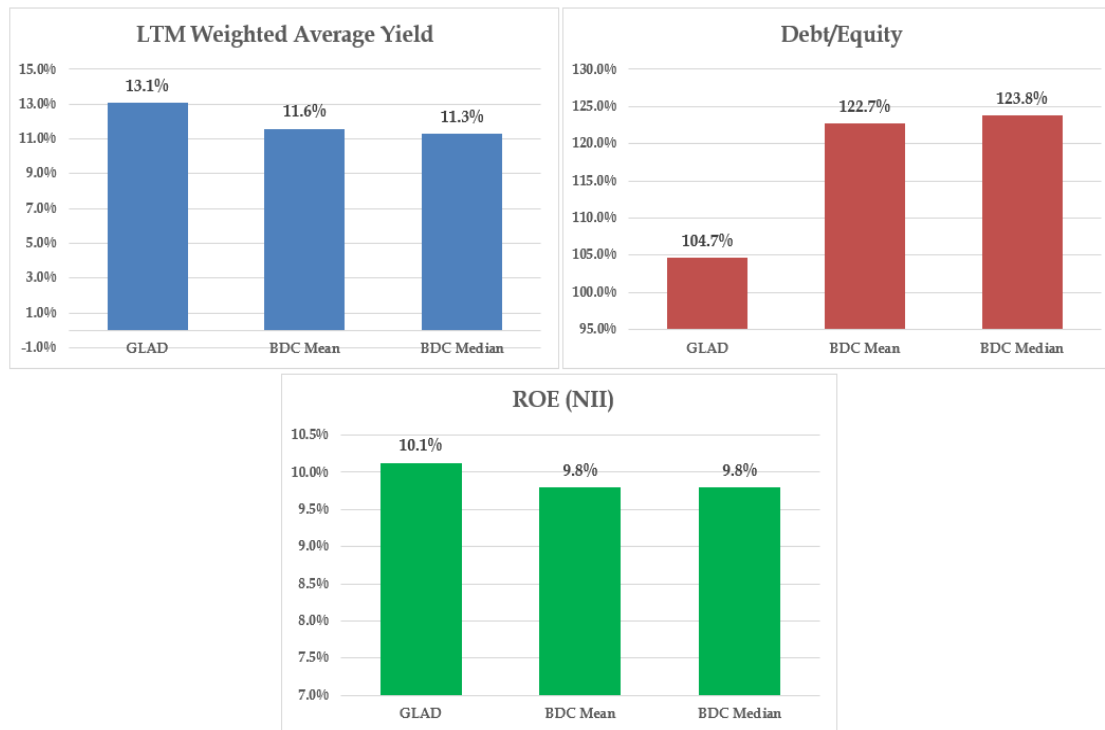
Gladstone Capital 3/31/2023 Quarter Summary

Capital Base and Liquidity

- Total Assets increased to \$700 million as of March 31, 2023, consisting of \$679 million in investments at fair value and \$21 million in cash and other assets.
- Leverage as of March 31, 2023 increased slightly with new investment activity to 105% of Net Assets which is well below the BDC industry average of 123%.
- Borrowing commitments under our line of credit totaled \$245 million with borrowing availability in excess of \$70 million as of March 31, 2023.

ROE Performance

- The portfolio generated an average ROE Yield (NII) of 10.1% for the twelve months ended March 2023.
- Based on the increases in NII with prevailing interest rates, the annual dividend was increased to \$0.96 per share and NII earnings for the quarter covered dividends by 110%.
- With floating rate investments exceeding floating rate liabilities by approx. \$412 million and the current market rates on pace to be up at least 40 bps over the last quarter, we expect net interest income to continue to rise in the near term.



(1) BDC ROE Source: Raymond James BDC Industry Weekly Newsletters (3/2/2023)

Corporate Data

Executive Officers

David Gladstone
Chairman & CEO

Terry Lee Brubaker
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

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Other

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Auditors:
PricewaterhouseCoopers LLP

Nasdaq Listings

Common Stock Ticker: GLAD

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