



GLADSTONE CAPITAL

Investor Presentation
for the Fiscal Quarter Ended
December 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 public 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 (\$3-25MM of EBITDA) and today the investment team remains dedicated to the BDC's activities
- 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 support the achievement of the company's growth plan
- Growth equity valuations support greater equity contributions reducing the 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 December 31, 2023):

- \$750 million portfolio at fair value diversified across 51 companies and 12 different industries
- Conservative asset mix with 90% of investments in secured loans, 73% in lower risk 1st lien loans and weighted average leverage across core proprietary loan portfolio of 4.0x EBITDA while generating an attractive weighted average portfolio yield of 13.9% and currently supports annual cash distribution of \$0.99/share
- Conservatively leveraged capital base (83% debt/equity) positions GLAD well to continue to grow earning assets and net investment income

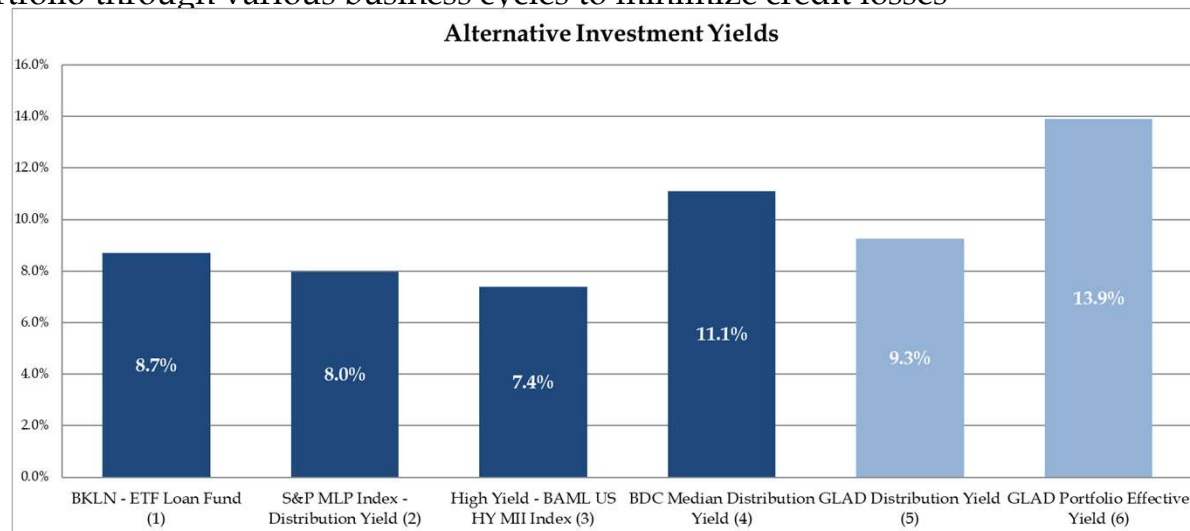
Why Invest in a BDC?

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 12/31/2023

(2) S&P MLP Index Dividend Yield – 1/31/2024

(3) BAML US High Yield Master II Index – Effective Yield 12/31/2023

(4) Raymond James 02/04/2024 BDC Industry Investment Banking Weekly Newsletter

(5) GLAD's stock price as of 12/29/2023

(6) Reported in GLAD's Press Release dated February 5, 2024

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 \$3-25 million and investments of \$8-40 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 (~78% of the portfolio at 12/31/23)

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

- PE Sponsor’s ability to scale LMM platform investments and achieve their targeted equity returns often require the financing be structured to accommodate 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 the funding of future growth or facility modifications
- Shifting capital market conditions and leverage constraints are expected to reduce regional bank participation in LMM loan market and few large banks have coverage platforms able to originate or manage LMM investments
- Over 90% of private debt funds raised exceed \$1B and are managed by multi-billion firms focused on larger borrowers (>\$25 million EBITDA) with higher minimum investment thresholds needed to achieve cost efficiencies and 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 12/31/2023 Quarter Summary

Originations/Portfolio Activity:

- New investments totaled \$58 million during the quarter, including one new platform investment along with \$47 million of add-on investments in support of the growth of existing portfolio companies.
- Repayments and net proceeds totaled \$22 million, resulting in strong net originations of \$36 million for the quarter.

Portfolio Yield / Net Investment Income (NII):

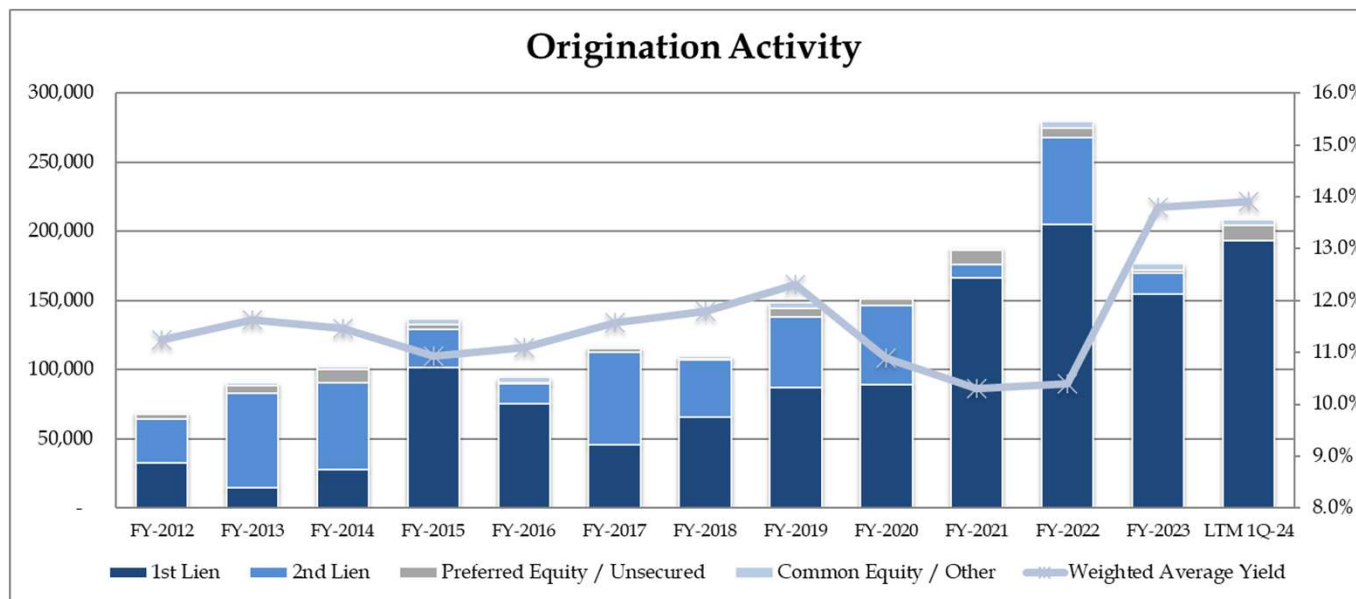
- Interest income for the quarter declined 1.2% to \$23.0 million based on a small decline in average earning assets, however, the weighted average yield remained stable from the prior quarter at 13.9%.
- Total investment income was down \$0.5 million (2.3%) and totaled \$23.2 million for the quarter.
- Total expenses declined \$1.5 million compared to the prior quarter as net management fees declined \$1.0 million with higher deal closings and advisory fee credits.
- Net investment income for the quarter increased 8.6% to \$11.9 million, or \$0.274, per share, covering the current recurring common stock distribution by over 110%.

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 debt investments at fair value.
- Conservative asset mix with 90% of investments in secured loans, 73% in lower risk 1st lien loans and weighted average leverage across core proprietary loan portfolio of ~4.0x.
- Appreciation for the quarter of \$8.1 million was led by the broad based appreciation of our debt investments which totaled \$6.3 million while the net appreciation of our equity co-investments contributed an additional \$1.6 million.

Gladstone Capital Origination Activity

- Net originations of \$36 million for the December 31, 2023 quarter demonstrated the benefit of our incumbent position supporting growth-oriented businesses across a variety of industries in an otherwise slow deal environment.

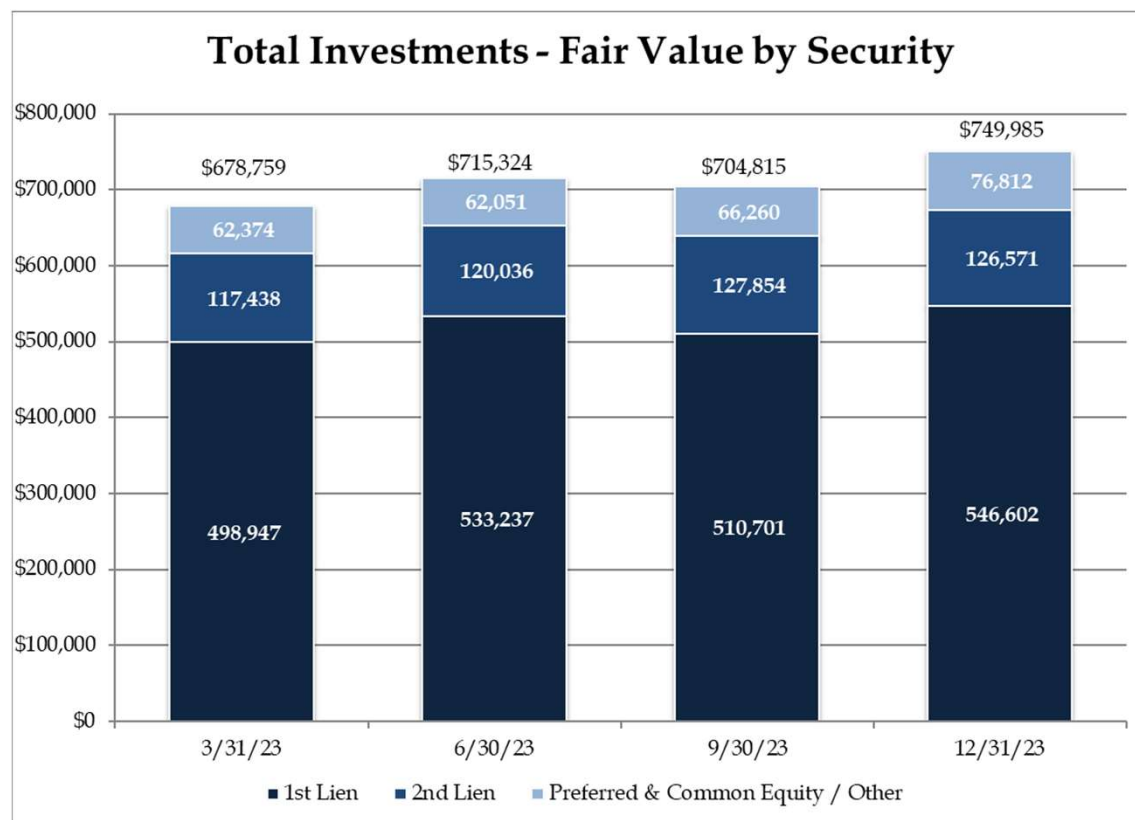


Gladstone Capital Quarterly Net Investment

	12/31/2021	3/31/2022	6/30/2022	9/30/2022	12/31/2022	3/31/2023	6/30/2023	9/30/2023	12/31/2023
New Investments at Cost	\$ 106,918	\$ -	\$ 48,717	\$ 59,619	\$ 2,416	\$ 48,000	\$ 53,500	\$ -	\$ 11,000
Disbursements to Existing Portfolio Companies	3,876	10,775	18,565	26,428	10,963	16,090	17,115	27,393	46,998
Sales, Repayments, Other Exits at Cost	(96,799)	(50,858)	(6,292)	(21,801)	(39,183)	(9,761)	(35,230)	(41,017)	(22,066)
Net New Investments at Cost	\$ 13,995	\$ (40,083)	\$ 60,990	\$ 64,246	\$ (25,804)	\$ 54,329	\$ 35,385	\$(13,624)	\$ 35,932
Number of New Portfolio Company Investments	6	0	4	4	0	2	3	0	1
Number of Portfolio Company Exits	5	2	0	1	2	1	2	1	1
Total Portfolio Companies	47	45	49	52	50	51	52	51	51

Gladstone Capital Portfolio Trends

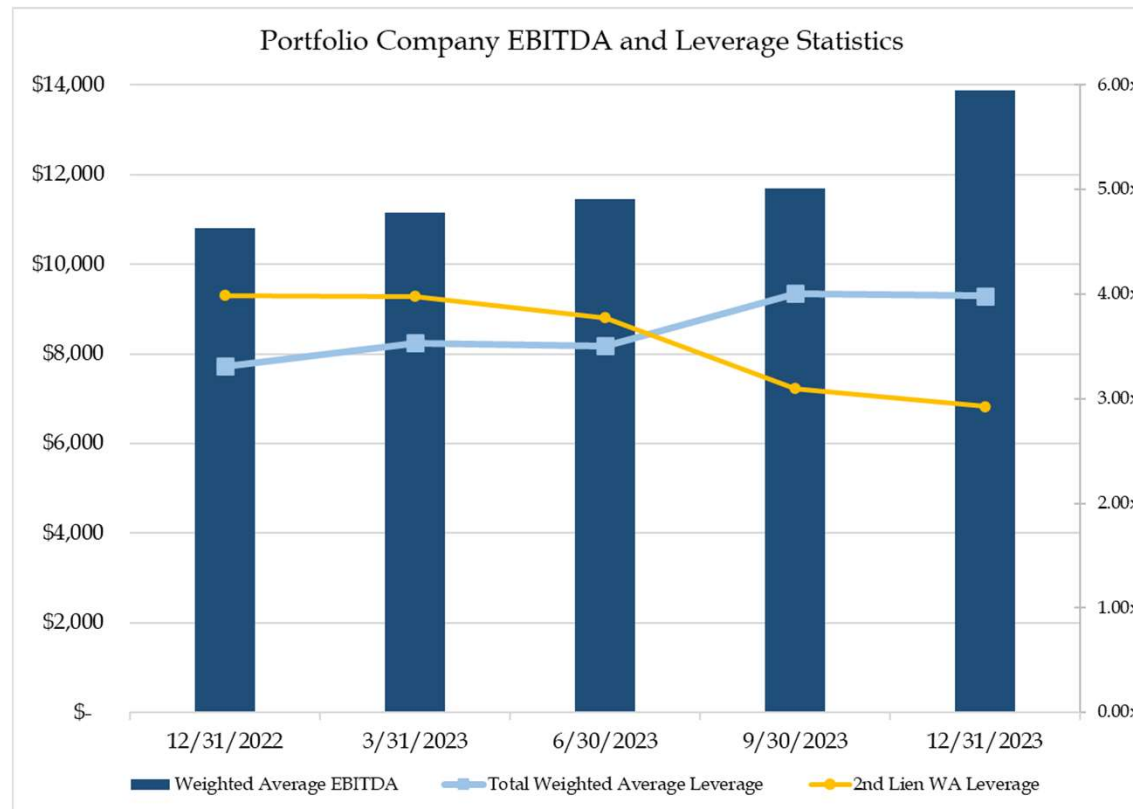
- While deal activity has been volatile in the past few quarters, deal flow has improved and our investment portfolio has grown to ~\$750 million as of December 31, 2023.
- PE sponsor demand for unitranche financings has lifted 1st lien investments to 72.9% of the portfolio.
- Approximately 88.3% of our loan portfolio is subject to floating rates with minimum 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 \$750.0 million represents 98.7% of cost as of 12/31/2023.



	9/30/22	12/31/22	3/31/23	6/30/23	9/30/23	12/31/23
First Lien Debt	71.4%	72.4%	68.7%	74.5%	72.5%	72.9%
Second Lien Debt	25.0%	17.2%	17.3%	16.8%	18.1%	16.9%
Equity / Other	10.7%	10.3%	9.2%	8.7%	11.8%	10.2%

Portfolio Metrics

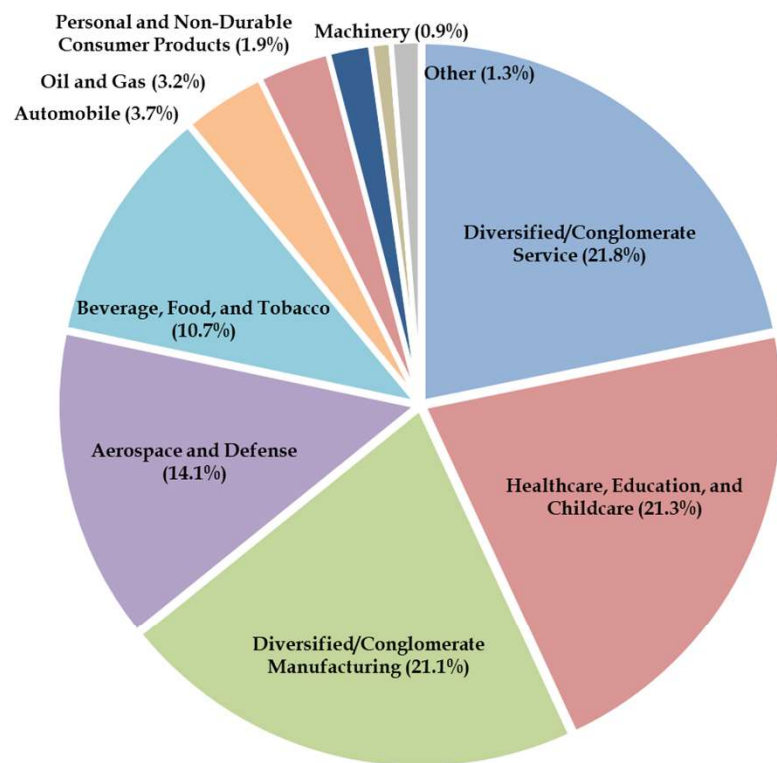
Consistent with GLAD's LMM focus, the core loan portfolio continues to represent companies with an average EBITDA of approx. \$13.9 million and an average leverage attachment point of <math><4.0\times</math> EBITDA



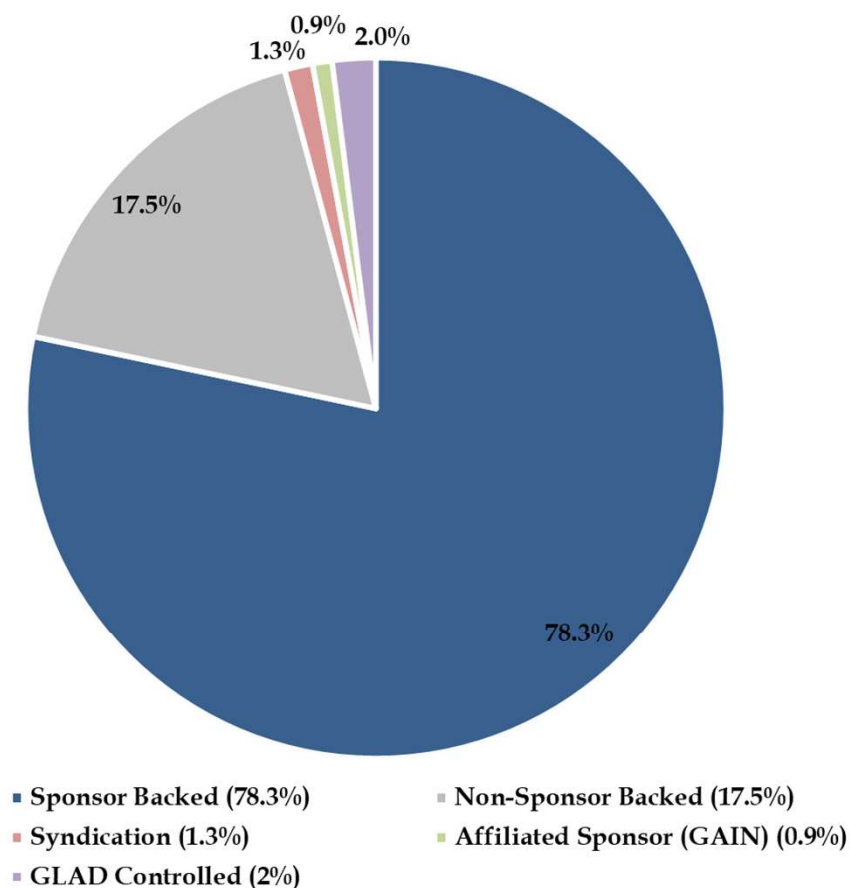
**For the purposes of this presentation, certain investments have been excluded from the data used to develop the above analysis. Those exclusions include investments: (i) originated as Syndications; (ii) co-investments with GAIN; (iii) investments under \$5 million; (iv) equity only investments; (v) investments with outsized TTM EBITDA that skew weighted average EBITDA; (vi) one investment with a de minimis TTM EBITDA relative to total debt skewing weighted average leverage; and (vii) 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 12 Industries - At 12/31/2023 Fair Value



Deal Source Composition - At 12/31/2023 Fair Value



Portfolio Composition

<i>Portfolio Characteristics As Of:</i>	March 31, 2023	June 30, 2023	September 30, 2023	December 31, 2023
Total Portfolio - FV	\$ 678,759	\$ 715,324	\$ 704,815	\$ 749,985
# of Portfolio Companies	51	52	51	51
Average Investment Size - FV	\$ 13,309	\$ 13,756	\$ 13,820	\$ 14,706
Top 5 Investments % FV	26.3%	24.0%	25.1%	24.8%
WAVG Investment Yield**	13.1%	13.6%	13.8%	13.9%
1st Lien FV	\$ 498,947	\$ 533,237	\$ 510,701	\$ 546,602
2nd Lien FV	117,438	120,036	127,854	126,571
Equity / Other FV	62,374	62,051	66,260	76,812
Proprietary % of FV	98.5%	98.6%	98.6%	98.7%
Syndicated % of FV	1.5%	1.4%	1.4%	1.3%
Fixed Rate Debt % Cost	8.5%	8.4%	10.8%	11.7%
Variable Rate Debt % of Cost	91.5%	91.6%	89.2%	88.3%
Performing % FV (Debt)	99.5%	99.6%	99.5%	99.6%
Non-Performing % FV (Debt)	0.5%	0.4%	0.5%	0.4%

***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.



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

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



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



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.

Quarterly Financial Summary

<i>In Thousands, except per share data</i>	Three Months Ended				
	December 31, 2022	March 31, 2023	June 30, 2023	September 30, 2023	December 31, 2023
Income:					
Interest Income	\$ 18,367	\$ 19,578	\$ 21,816	\$ 23,269	\$ 22,996
Other Investment Income	927	983	1,007	487	225
Total Investment Income	19,294	20,561	22,823	23,756	23,221
Expenses:					
Fees to Advisor & Admin	4,977	5,003	4,516	6,084	5,101
Interest Expense	4,629	4,909	5,553	5,756	5,032
Operating Expense	963	1,017	1,078	929	1,154
Total Expenses	10,569	10,929	11,147	12,769	11,287
Net Investment Income (NII)	\$ 8,725	\$ 9,632	\$ 11,676	\$ 10,987	\$ 11,934
Weighted Average Shares*	35,207	36,604	37,680	39,760	43,509
NII Per WAVG Share	\$ 0.248	\$ 0.263	\$ 0.310	\$ 0.276	\$ 0.274
Realized/Unrealized Gains (Loss) per Share	\$ (0.086)	\$ 0.064	\$ 0.006	\$ 0.053	\$ 0.185
Dividend Per WAVG Share	\$ 0.210	\$ 0.225	\$ 0.240	\$ 0.268	\$ 0.248
NAV Per Share	\$ 9.06	\$ 9.19	\$ 9.27	\$ 9.39	\$ 9.61
LTM Return on Equity (NII)**	10.0%	10.1%	11.2%	11.5%	11.6%
Portfolio at Fair Value	621,739	678,759	715,324	704,815	749,985
Debt***	306,064	350,253	361,686	300,914	338,359
Net Asset Value	324,326	341,811	357,946	408,695	417,928
Debt-to-Equity	97.2%	104.7%	104.0%	76.0%	83.4%

*Total Shares outstanding at 12/31/2023 was 43,508,897

**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.

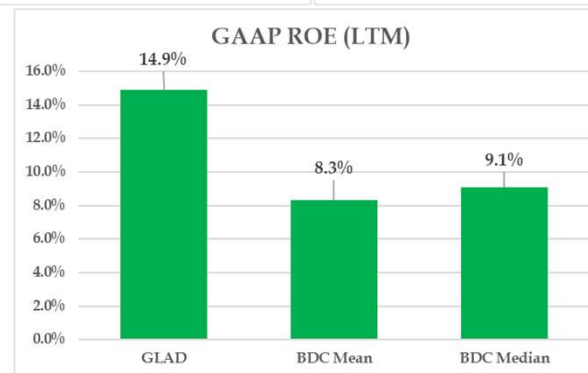
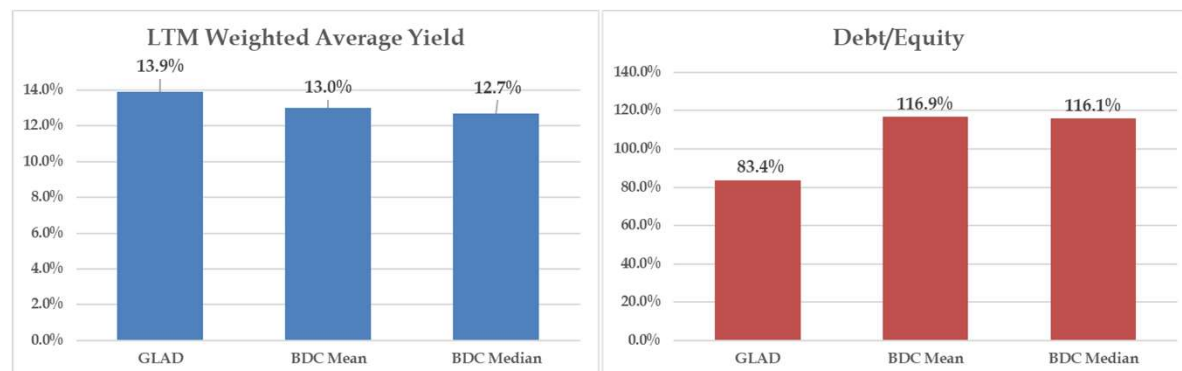
Gladstone Capital 12/31/2023 Quarter Summary

Capital Base and Liquidity

- Total Assets increased to \$766.6 million as of December 31, 2023, consisting of \$750.0 million in investments at fair value and \$16.6 million in cash and other assets.
- Leverage as of December 31, 2023 increased with the asset growth to 83% of Net Assets, which is well below the BDC industry average of 117%.
- Liabilities increased with net originations to \$349 million as of December 31, 2023, and consisted primarily of \$253 million of Senior Notes including the \$57 million 7.75% “GLADZ” baby bond due September 2028, which closed during the prior quarter, and advances under our \$234 million line of credit increased to \$85 million.

ROE Performance

- The portfolio generated an average ROE of 14.9% for the twelve months ended December 2023.
- Based on the increases in NII with prevailing interest rates, NII earnings for the quarter covered dividends by over 110%.
- With ample availability under our bank credit facility, GLAD is very well positioned to grow our earning assets as the primary driver of our net interest growth and shareholder distributions in the coming year.



(1) BDC ROE Source: Raymond James BDC Industry Weekly Newsletters (2/4/2024)

Corporate Data

Executive Officers

David Gladstone
Chairman & CEO

Terry Lee Brubaker
COO

Bob Marcotte
President

Nicole Schaltenbrand
CFO & Treasurer

Research Coverage

Janney Montgonery Scott LLC
John Rowan

Jefferies
Kyle Joseph

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
7.75% notes due 2028 Ticker: GLADZ

Corporate Headquarters

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

Other Locations: Dallas, Los Angeles &
New York