



GLADSTONE CAPITAL

Investor Presentation
for the Fiscal Quarter Ended
September 30, 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.

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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)
- 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 September 30, 2023):

- \$705 million portfolio at fair value diversified across 51 companies and 12 different industries
- Conservative asset mix with 91% of investments in secured loans, 72.5% in lower risk 1st lien loans and weighted average leverage across core proprietary loan portfolio of under 4.0x EBITDA while generating an attractive weighted average portfolio yield of 13.8% and currently supports annual cash distribution of \$0.99/share
- Conservatively leveraged capital base (76% debt/equity) positions GLAD well to continue to grow earning assets and net investment income

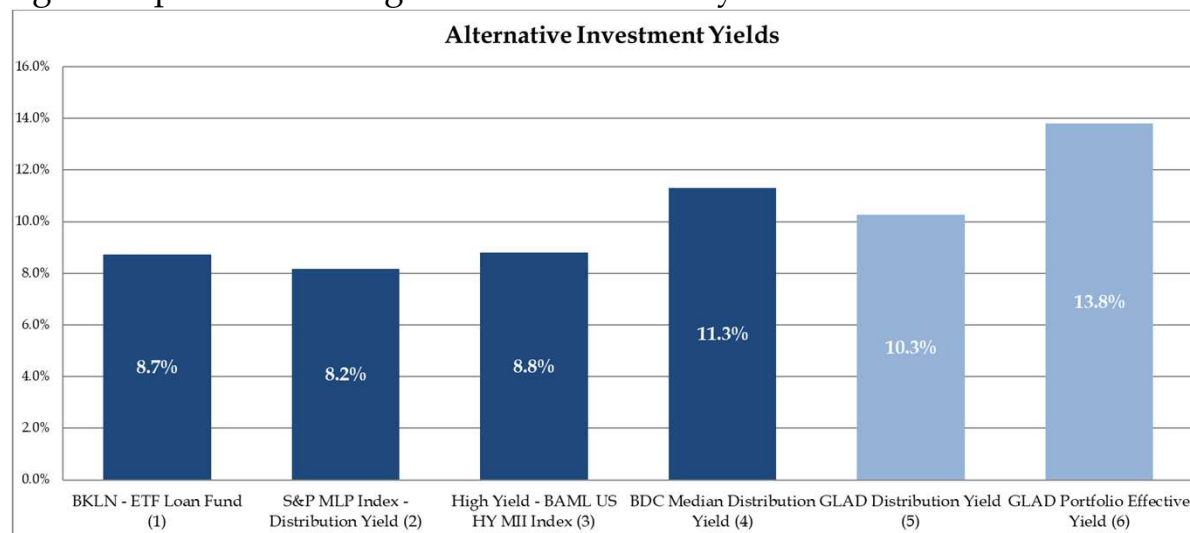
Why Invest in a BDC?

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 9/30/2023

(2) S&P MLP Index Dividend Yield – 10/31/2023

(3) BAML US High Yield Master II Index – Effective Yield 9/30/2023

(4) Raymond James 9/07/2023 BDC Industry Investment Banking Weekly Newsletter

(5) GLAD's stock price as of 9/29/2023

(6) Reported in GLAD's [Press Release](#) dated November 13, 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 (~77% of the portfolio at 9/30/23)

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 9/30/2023 Quarter Summary

Originations/Portfolio Activity:

- New investments totaled \$27.4 million during the quarter, all of which were in support of the growth of existing portfolio companies. Repayments and net proceeds totaled \$41.0 million, primarily driven by a sizeable prepayment from Encore Dredging which, combined with the portfolio amortization, resulted in a \$13.6 million decline in our ending investment balance.

Portfolio Yield / Net Investment Income (NII):

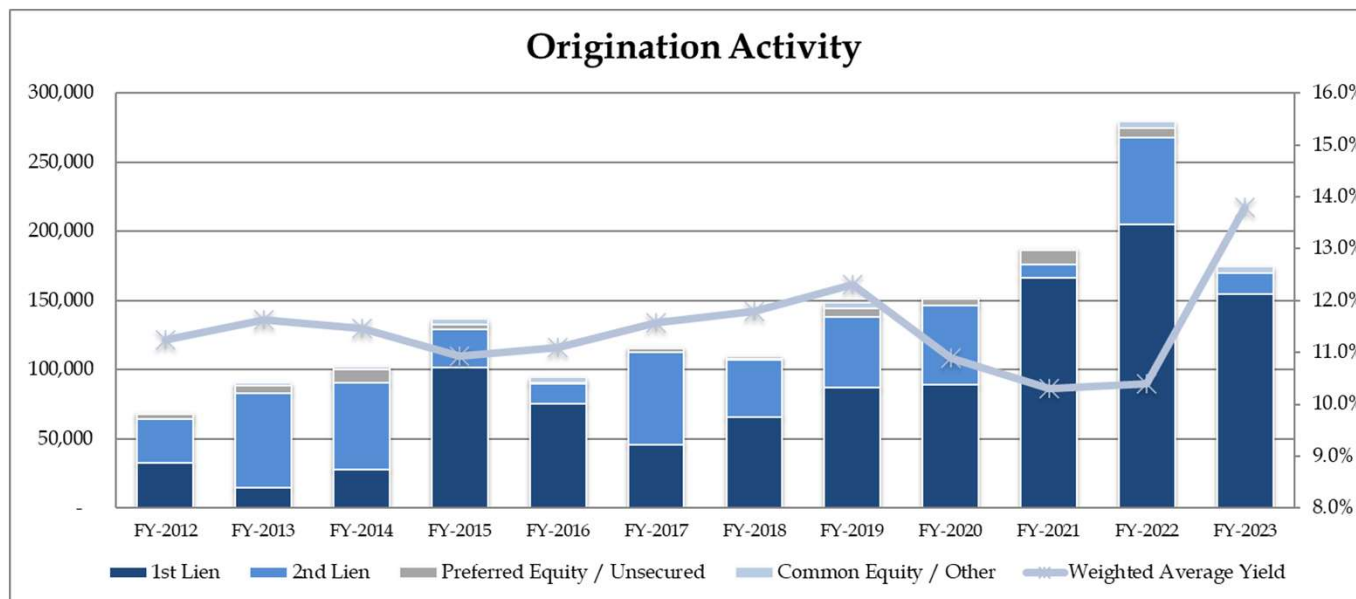
- Interest income for the quarter rose 6.7% to \$23.3 million as average earning assets rose 3.7% and the weighted average yield rose 20 basis points from the prior quarter to 13.8%.
- Other income declined to \$0.5 million; however total investment income rose \$0.9 million (4.1%) to \$23.8 million for the quarter.
- Total expenses increased \$1.6 million compared to the prior quarter as net base management fees rose \$1.7 million with the reduced deal closing and advisory fee credits.
- Net investment income for the quarter decreased 0.7% to \$11.0 million, or \$0.28 per share, covering the current recurring common stock distribution by 113%.

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 0.5% of debt investments at fair value.
- Conservative asset mix with 91% of investments in secured loans, 72.5% in lower risk 1st lien loans and weighted average leverage across core proprietary loan portfolio of <4.0x.
- Appreciation for the quarter of \$2.1 million was primarily driven by the equity appreciation of our position in a manufacturer of defense related electronics which was partially offset by the depreciation of a handful of senior debt position, most of which are PE sponsor-backed with significant underlying equity support.

Gladstone Capital Origination Activity

- Originations for the quarter ended September 30, 2023 were below trend as we entered the quarter closely managing our overall leverage and with a cautious view on investment leverage levels in the face of slowing price escalation and elevated interest rates.

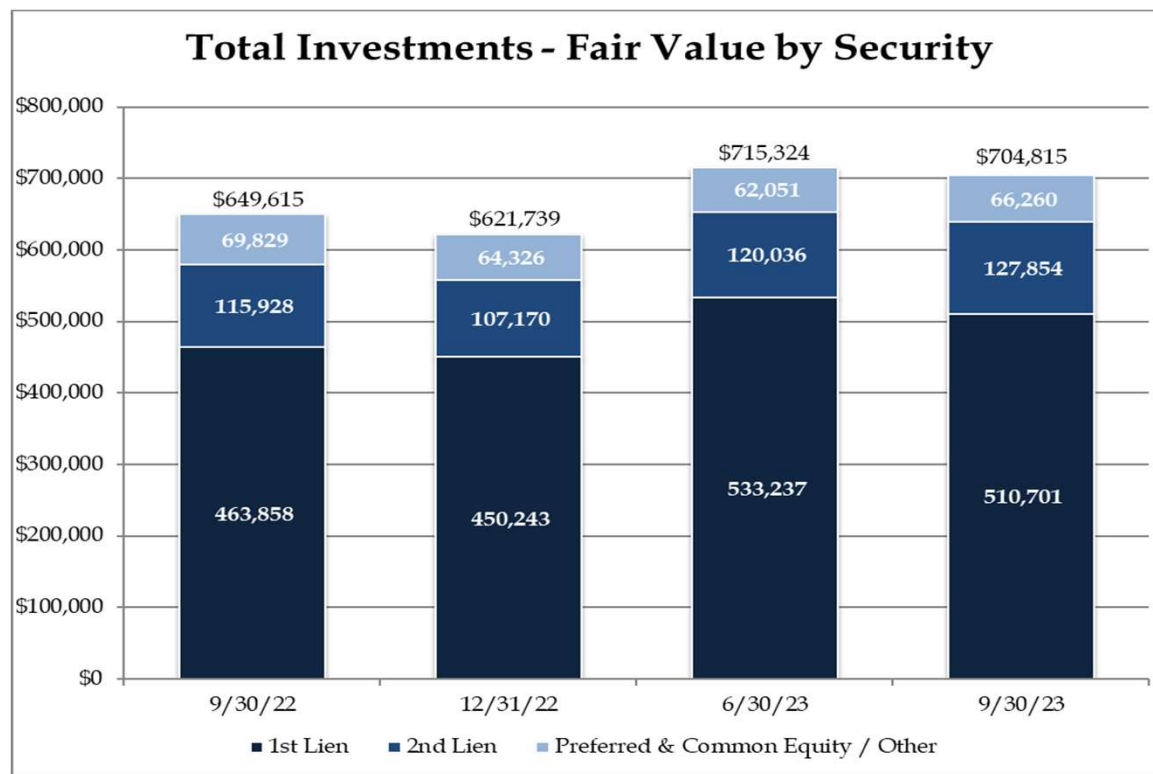


Gladstone Capital Quarterly Net Investment

	9/30/2021	12/31/2021	3/31/2022	6/30/2022	9/30/2022	12/31/2022	3/31/2023	6/30/2023	9/30/2023
New Investments at Cost	\$ -	\$ 106,918	\$ -	\$ 48,717	\$ 59,619	\$ 2,416	\$ 48,000	\$ 53,500	\$ -
Disbursements to Existing Portfolio Companies	27,551	3,876	10,775	18,565	26,428	10,963	16,090	17,115	27,393
Sales, Repayments, Other Exits at Cost	(2,791)	(96,799)	(50,858)	(6,292)	(21,801)	(39,183)	(9,761)	(35,230)	(41,017)
Net New Investments at Cost	\$ 24,760	\$ 13,995	\$ (40,083)	\$ 60,990	\$ 64,246	\$ (25,804)	\$ 54,329	\$ 35,385	\$ (13,624)
Number of New Portfolio Company Investments	0	6	0	4	4	0	2	3	0
Number of Portfolio Company Exits	1	5	2	0	1	2	1	2	1
Total Portfolio Companies	46	47	45	49	52	50	51	52	51

Gladstone Capital Portfolio Trends

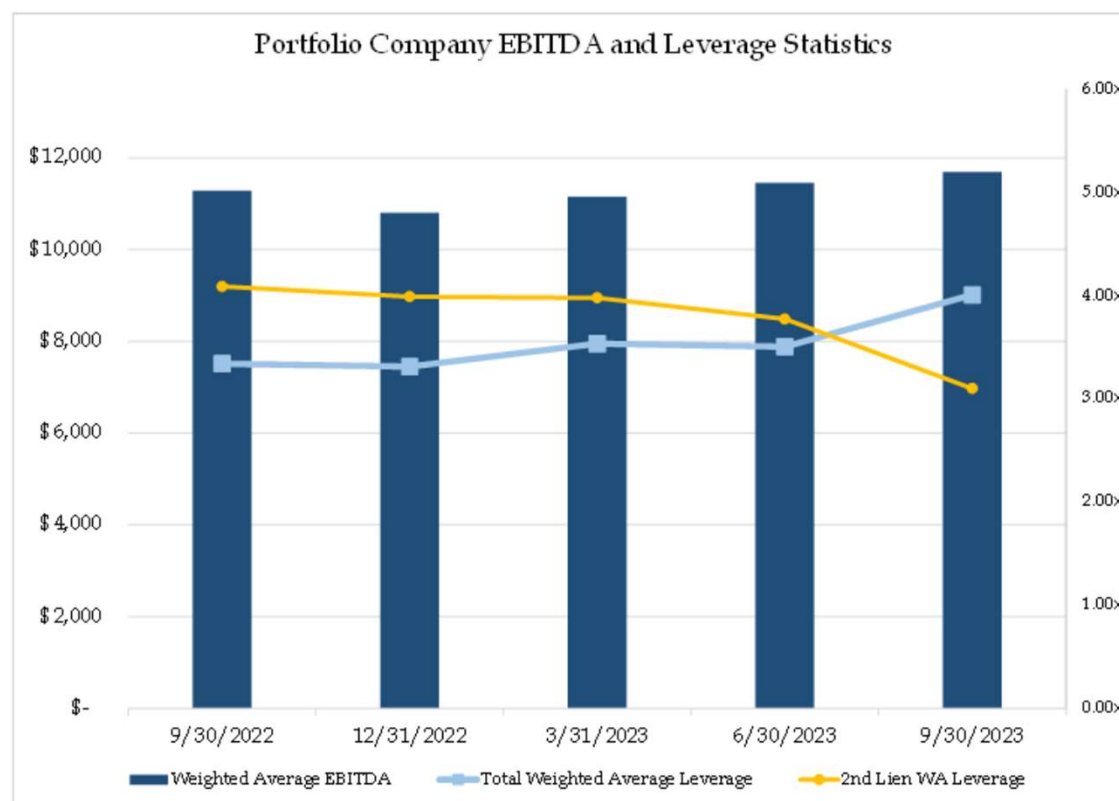
- While FY 2023 deal activity has been volatile, our investment portfolio has grown by \$55 million to over \$700 million.
- PE sponsor demand for unitranche financings has lifted 1st lien investments to 72.5% of the portfolio.
- Approximately 89.2% of our loan portfolio is subject to floating rates 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 \$704.8 million represents 97.6% of cost as of 9/30/2023.



	6/30/22	9/30/22	12/31/22	3/31/23	6/30/23	9/30/23
First Lien Debt	73.9%	71.4%	68.7%	73.5%	74.5%	72.5%
Second Lien Debt	25.0%	17.8%	17.2%	17.3%	16.8%	18.1%
Equity / Other	11.9%	10.7%	10.3%	9.2%	11.8%	9.4%

Portfolio Metrics

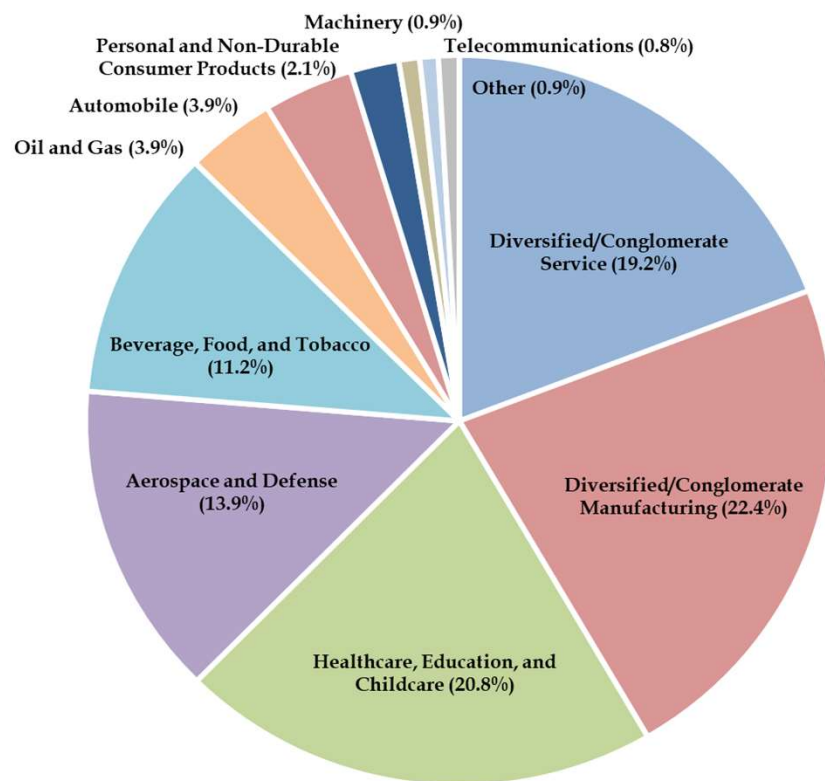
Consistent with GLAD's LMM focus, the core loan portfolio continues to represent companies with an average EBITDA of approx. \$11.7 million and an average leverage attachment point of <4.0x EBITDA



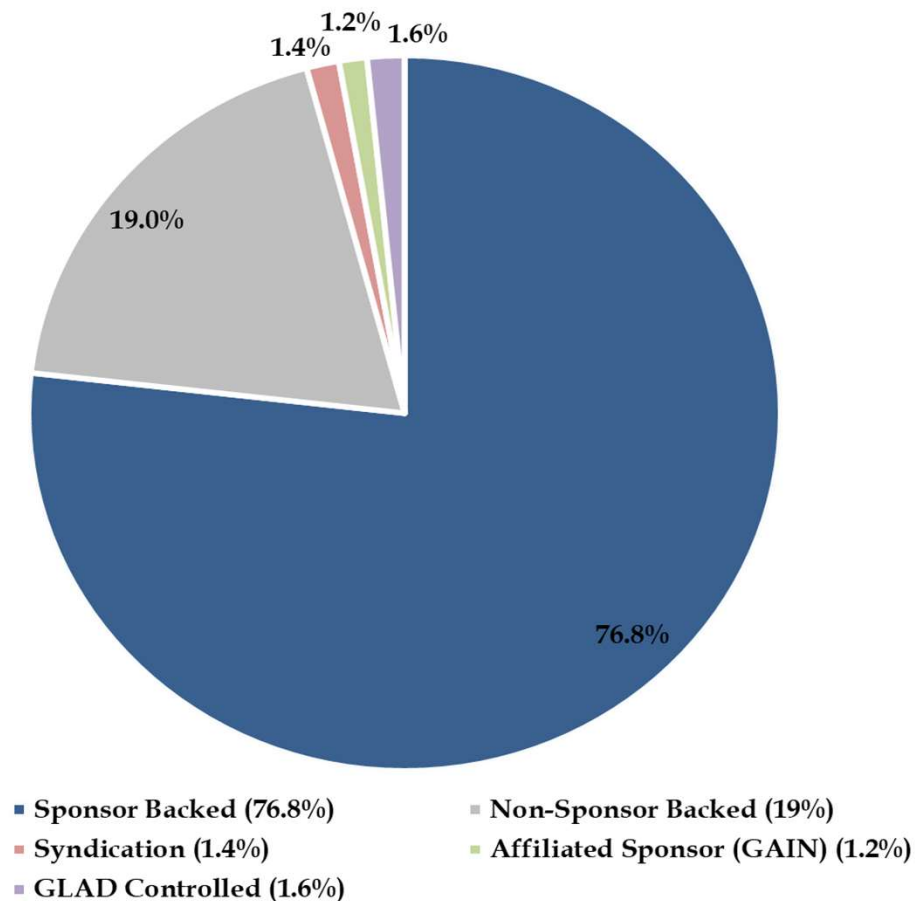
**For the purposes of this presentation, certain investments have been excluded from the data used to develop the above analysis. Those exclusions include investments: (i) originated as Syndications; (ii) co-investments with GAIN; (iii) investments under \$5 million; (iv) equity only investments; (v) investments with outsized TTM EBITDA that skew weighted average EBITDA; and (vi) one investment with a de minimis TTM EBITDA relative to total debt skewing weighted average leverage. 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 9/30/2023 Fair Value



Deal Source Composition - At 9/30/2023 Fair Value



Portfolio Composition

<i>Portfolio Characteristics As Of:</i>	December 31, 2022		March 31, 2023		June 30, 2023		September 30, 2023	
Total Portfolio - FV	\$	621,739	\$	678,759	\$	715,324	\$	704,815
# of Portfolio Companies		50		51		52		51
Average Investment Size - FV	\$	12,435	\$	13,309	\$	13,756	\$	13,820
Top 5 Investments % FV		28.2%		26.3%		24.0%		25.1%
WAVG Investment Yield**		12.3%		13.1%		13.6%		13.8%
1st Lien FV	\$	450,243	\$	498,947	\$	533,237	\$	510,701
2nd Lien FV		107,170		117,438		120,036		127,854
Equity / Other FV		64,326		62,374		62,051		66,260
Proprietary % of FV		98.4%		98.5%		98.6%		98.6%
Syndicated % of FV		1.6%		1.5%		1.4%		1.4%
Fixed Rate Debt % Cost		8.6%		8.5%		8.4%		10.8%
Variable Rate Debt % of Cost		91.4%		91.5%		91.6%		89.2%
Performing % FV (Debt)		99.6%		99.5%		99.6%		99.5%
Non-Performing % FV (Debt)		0.4%		0.5%		0.4%		0.5%

***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 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

	Three Months Ended				
	September 30, 2022	December 31, 2022	March 31, 2023	June 30, 2023	September 30, 2023
<i>In Thousands, except per share data</i>					
Income:					
Interest Income	\$ 15,567	\$ 18,367	\$ 19,578	\$ 21,816	\$ 23,269
Other Investment Income	372	927	983	1,007	487
Total Investment Income	15,939	19,294	20,561	22,823	23,756
Expenses:					
Fees to Advisor & Admin	3,837	4,977	5,003	4,516	6,084
Interest Expense	3,789	4,629	4,909	5,553	5,756
Operating Expense	836	963	1,017	1,078	929
Total Expenses	8,462	10,569	10,929	11,147	12,769
Net Investment Income (NII)	\$ 7,477	\$ 8,725	\$ 9,632	\$ 11,676	\$ 10,987
Weighted Average Shares*	34,492	35,207	36,604	37,680	39,760
NII Per WAVG Share	\$ 0.217	\$ 0.248	\$ 0.263	\$ 0.310	\$ 0.276
Realized/Unrealized Gains (Loss) per Share	\$ (0.069)	\$ (0.086)	\$ 0.064	\$ 0.006	\$ 0.053
Dividend Per WAVG Share	\$ 0.203	\$ 0.210	\$ 0.225	\$ 0.240	\$ 0.268
NAV Per Share	\$ 9.08	\$ 9.06	\$ 9.19	\$ 9.27	\$ 9.39
LTM Return on Equity (NII)**	10.1%	10.0%	10.1%	11.2%	11.5%
Portfolio at Fair Value	649,615	621,739	678,759	715,324	704,815
Debt***	339,407	306,064	350,253	361,686	300,914
Net Asset Value	315,487	324,326	341,811	357,946	408,695
Debt-to-Equity	109.5%	97.2%	104.7%	104.0%	76.0%

*Total Shares outstanding at 9/30/2023 was 43,508,898

**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.

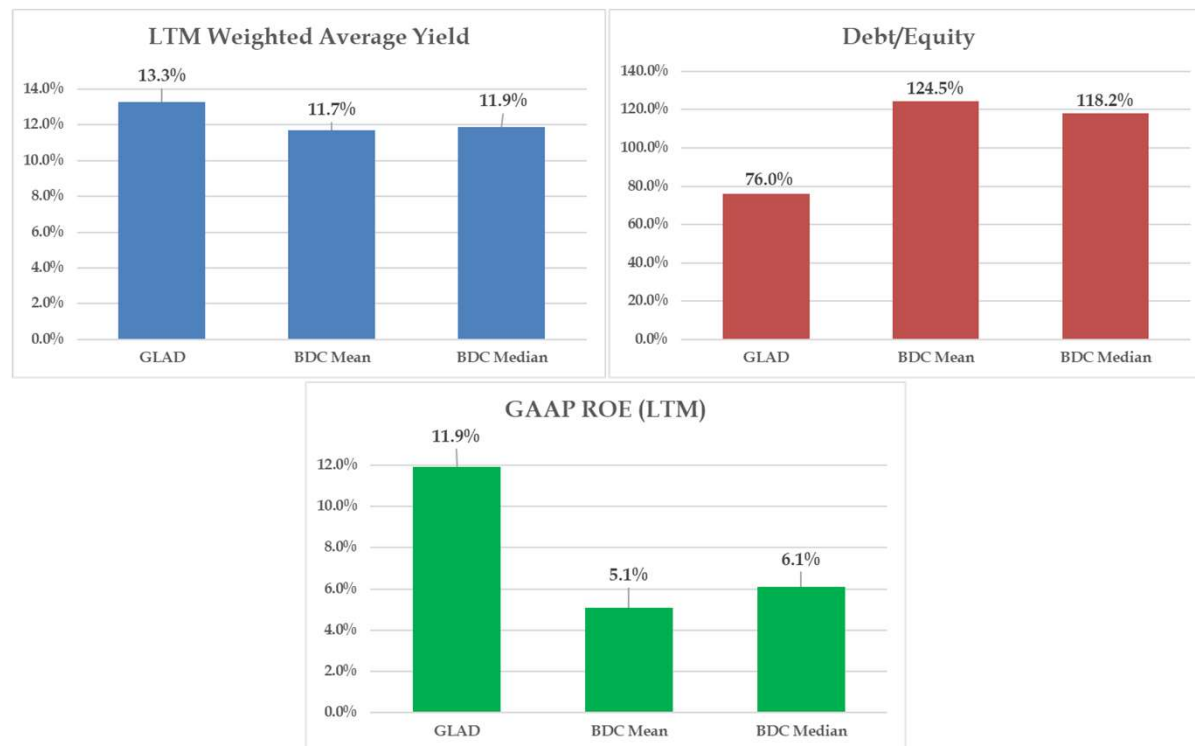
Gladstone Capital 9/30/2023 Quarter Summary

Capital Base and Liquidity

- Total Assets decreased to \$719.5 million as of September 30, 2023, consisting of \$704.8 million in investments at fair value and \$14.7 million in cash and other assets.
- Leverage as of September 30, 2023 decreased significantly with the common stock issuance and debt reduction to 76% of Net Assets which is well below the BDC industry average of 125%.
- Liabilities declined to \$311 million as of September 30, 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 quarter, and advances under our \$223 million line of credit declined to \$48 million.

ROE Performance

- The portfolio generated an average ROE of 11.9% for the twelve months ended September 2023 ⁽¹⁾.
- Based on the increases in NII with prevailing interest rates, NII earnings for the quarter covered dividends by 113%.



(1) BDC ROE Source: Raymond James BDC Industry Weekly Newsletters (9/7/2023)

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

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

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Auditors:
PricewaterhouseCoopers LLP

Nasdaq Listings

Common Stock Ticker: GLAD

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