



GLADSTONE CAPITAL

Investor Presentation
for the Quarter Ended
September 30, 2024

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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.

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

Gladstone Capital Quarterly Highlights

(as of 9/30/2024)

Financial Results

- Net Investment Income Per Share: \$0.50
- Net Asset Value Per Share: \$21.18 (+\$1.00 over prior quarter-end)
- LTM ROE: 21.5% per GAAP and 10.5% on net investment income
- Monthly dividends per share: \$0.165 or annualized dividend yield on NAV of 9.35%

Portfolio

- Total investments at fair value of \$796 million invested in 49 companies
- Weighted average yield on debt investments of 14.0%⁽¹⁾
- 70% of portfolio in first-lien loans and 84% loans secured
- Weighted average and median EBITDA of borrowers of \$11.7 and \$7.7 million⁽²⁾, respectively
- Average investment by obligor of \$15.7 million or 2% investment portfolio at fair value
- 3 obligors on non-accrual representing \$12.8 million or 1.9% of investments (based on fair value)

Debt & Liquidity

- Outstanding debt balance was \$325 million; quarter-end debt-to-equity ratio was 0.71x
- Current investment capacity: \$200 million under undrawn committed bank lines

Recent Events

- Declared 4Q regular distribution of \$0.165/share per month for Oct., Nov., and Dec. (\$0.495 total)
- Declared supplemental distribution on November 12, 2024, of \$0.40/share payable in December

¹ Actual yields earned over the life of investments could be materially different from the yields presented herein.

² Excludes certain investments on the watchlist.

Gladstone Capital Investment Highlights

- Lending focused on growth-oriented lower middle market businesses
- Experienced, long-tenured leadership and investment team
- High-quality sourcing and execution model with high degree of selectivity
- Diversified, conservative portfolio with focus on senior secured, first lien loans
- Active portfolio management and risk monitoring
- Focus on shareholder alignment

Gladstone Capital Overview

Background:

- Founded in 2001 with the purpose of making loans to lower middle market U.S. businesses, Gladstone Capital's investment team is exclusively focused on this segment of the private capital market
- 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 managing \$4.0+ billion in assets across four publicly traded yield-oriented funds

Investment Strategy:

- Target direct originated secured debt investments in growth-oriented companies with revenue visibility and free cashflow to support organic deleveraging and where capital structure flexibility and lender support are valued
- Target companies with operating cash flow (EBITDA) of \$3-25 million and investments of \$8-40 million which are below the investment threshold of most of the large-scale private capital funds
- Majority of investments are backed by private equity sponsors (~82% of the portfolio at 9/30/24), which provide governance oversight, strategic sector insight, experience managing leveraged capital structures and access to additional investment capacity to support growth

Deal Sourcing/Diligence/Risk Management:

- Leverage experienced origination team to source, structure, undertake "equity level" diligence and pro-actively manage investments via ongoing board level participation to mitigate credit losses
- Highly selective screening process where under 5% of deals reviewed ultimately close and all deals require financial maintenance covenants
- All investments undergo ongoing senior management review, quarterly third-party expert investment valuations in support of SEC filed financials which are subject to quarterly oversight by Gladstone Capital's audit committee and independent board members

Attractive Lower Middle Market Dynamics

Why focus on 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 flexible or include future funding to support the growth needs of the business and a more experienced and responsive lender able to underwrite the long-term equity plan
- The ability to provide simplified “one-stop” financing solutions serves to expedite transaction closing, allows GLAD primary diligence and control of documentation 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 the 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 consistent with lower management fees and institutional 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 9/30/2024 Quarter Summary

Originations/Portfolio Activity:

- New investments totaled \$28.5 million during the quarter, comprised of add-on investments in support of existing portfolio companies.
- Refinancings and amortization payments were \$12.6 million, resulting in net originations of \$15.9 million.

Portfolio Yield / Net Investment Income (NII):

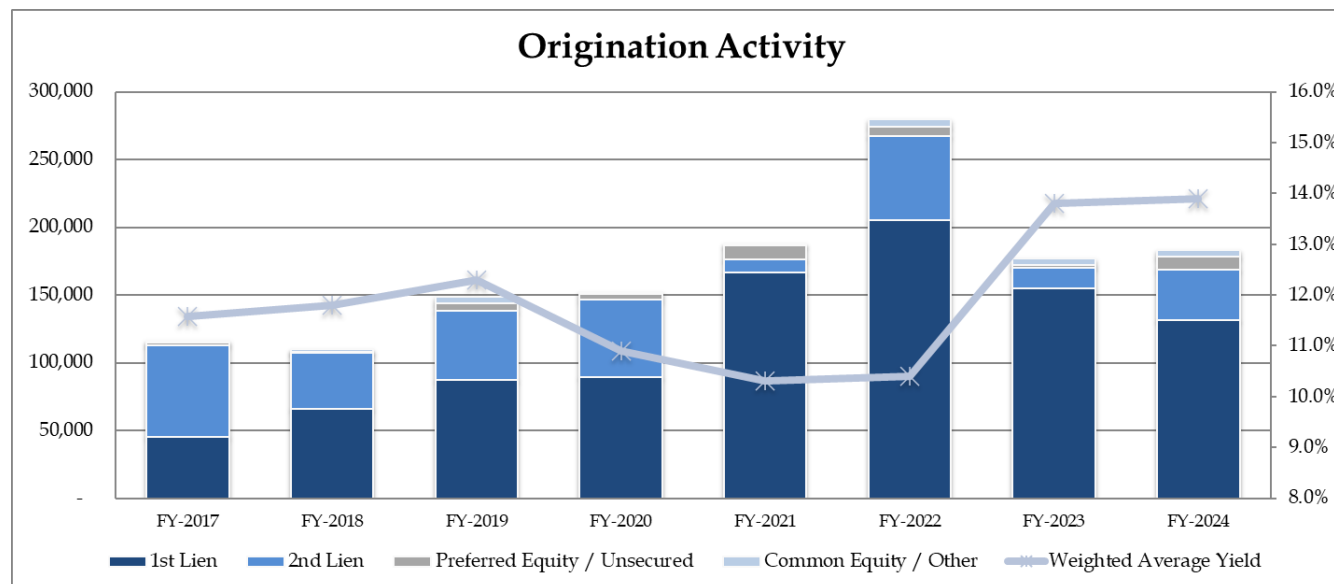
- The Fed's reduction in short-term rates was late in the quarter, so the weighted average yield was unchanged at 14% and with earning assets relatively unchanged, interest income increased 0.8% to \$23.4 million.
- Given modest asset turnover, other investment income declined \$2.2 million leading total investment income to decline by \$2.0 million, to \$23.7 million.
- Total expenses declined by \$0.5 million as net management fees and professional/other fees declined while interest and financing costs were unchanged on a modest reduction on average line borrowings.
- Net investment income for the quarter declined by \$1.4 million, or 12% to \$11 million, or \$0.50, per share and covered common 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 three non-earning debt investments representing 1.9% of debt investments at fair value.
- Conservative asset mix with 84% of investments in secured loans, 70% in lower risk 1st lien loans and weighted average leverage across core proprietary loan portfolio of ~3.8x.
- Appreciation for the quarter of \$21 million was led by the unrealized appreciation of our position in ARA which was partially offset by the depreciation of several smaller manufacturing, consumer and service-related businesses.

Gladstone Capital Origination Activity

- Originations of \$28.5 million exceeded repayments & amortization resulting in \$16 million of net originations.

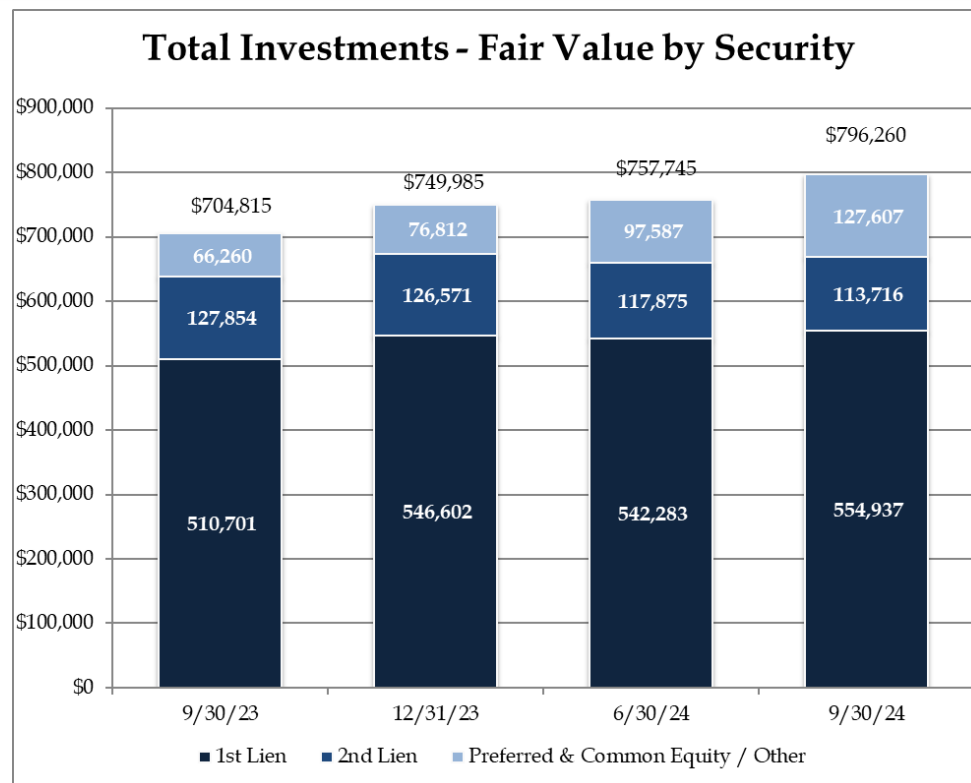


Gladstone Capital Quarterly Net Investment

	9/30/2022	12/31/2022	3/31/2023	6/30/2023	9/30/2023	12/31/2023	3/31/2024	6/30/2024	9/30/2024
New Investments at Cost	\$ 59,619	\$ 2,416	\$ 48,000	\$ 53,500	\$ -	\$ 11,000	\$ 15,000	\$ 27,250	\$ -
Disbursements to Existing Portfolio Companies	26,428	10,963	16,090	17,115	27,393	46,998	29,735	19,139	28,527
Sales, Repayments, Other Exits at Cost	(21,801)	(39,183)	(9,761)	(35,230)	(41,017)	(22,066)	(15,146)	(86,420)	(12,638)
Net New Investments at Cost	\$ 64,246	\$ (25,804)	\$ 54,329	\$ 35,385	\$ (13,624)	\$ 35,932	\$ 29,589	\$ (40,031)	\$ 15,889
Number of New Portfolio Company Investments	4	0	2	3	0	1	1	2	0
Number of Portfolio Company Exits	1	2	1	2	1	1	1	2	2
Total Portfolio Companies	52	50	51	52	51	51	51	51	49

Gladstone Capital Portfolio Trends

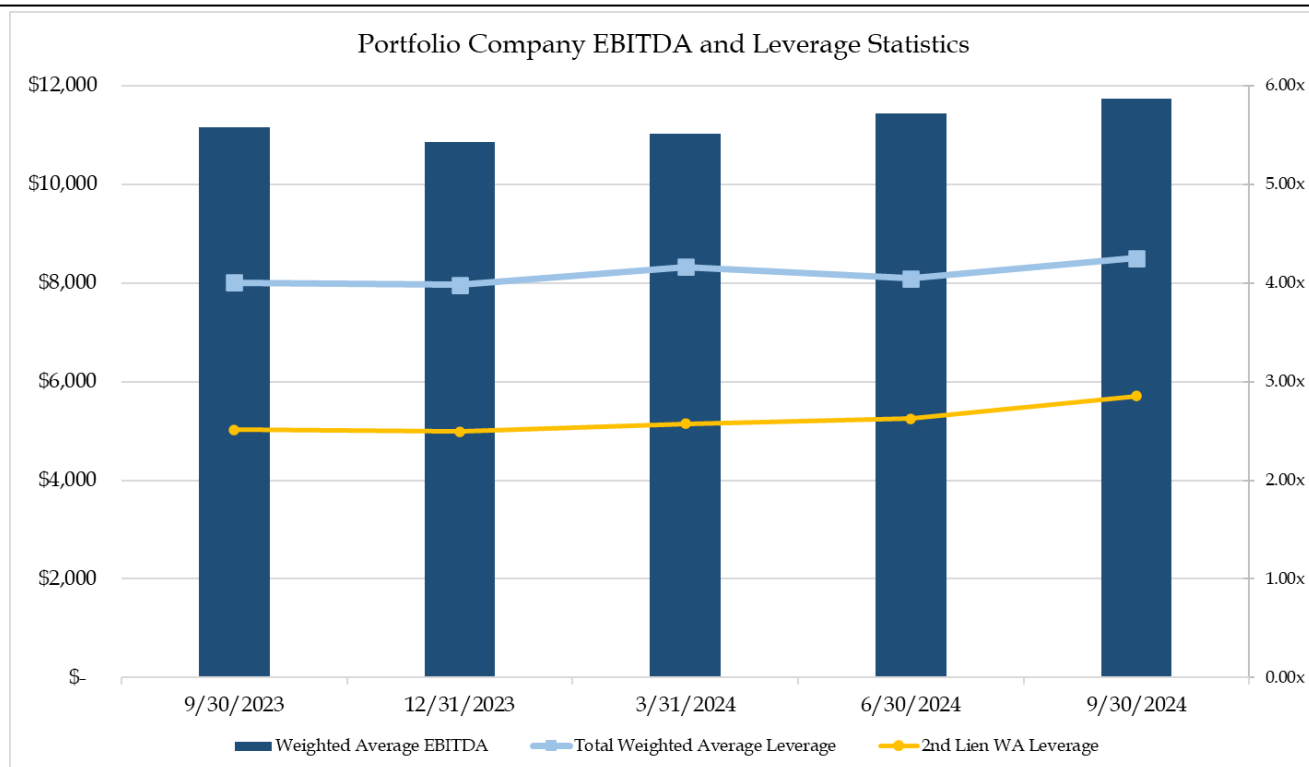
- While new deal buyout activity has been volatile in the past several quarters, we have absorbed significant refinancings of larger and mature credits while seeding a new vintage of growth oriented LMM platform investments to maintain our AUM and portfolio diversity.
- 1st lien investments declined to 69.7% of the portfolio largely driven by recent equity appreciation.
- Approximately 93.9% of our loan portfolio is subject to floating rates with minimum SOFR floors.
- We continue to make minority equity co-investments in approximately half of our new originations to selectively capitalize on the most attractive buyout opportunities.
- The current portfolio valuation of \$796.3 million represents ~103.3% of cost as of 9/30/2024.



	6/30/23	9/30/23	12/31/23	3/31/24	6/30/24	9/30/24
First Lien Debt	74.5%	72.5%	72.9%	71.2%	71.6%	69.7%
Second Lien Debt	16.8%	18.1%	16.9%	17.8%	15.5%	14.3%
Equity / Other	8.7%	9.4%	10.2%	11.0%	12.9%	16.0%

Portfolio Metrics

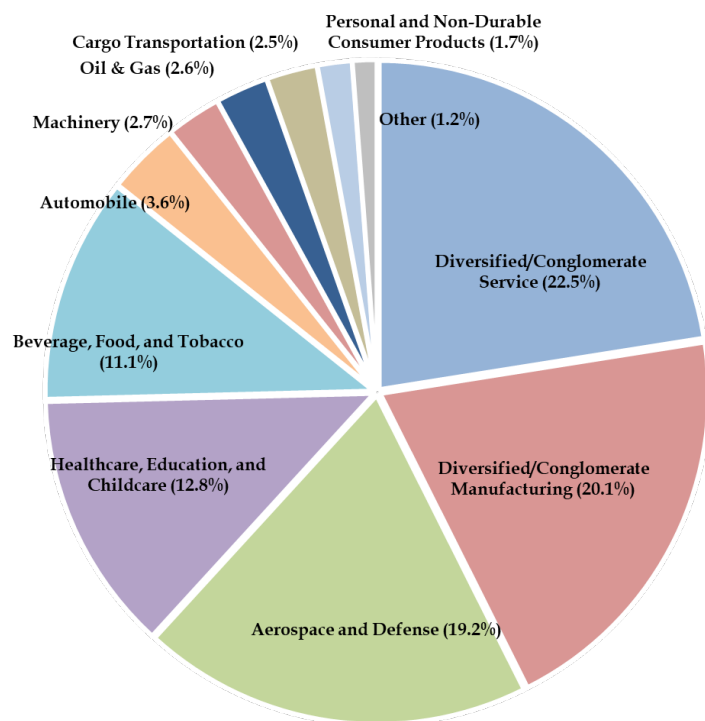
Consistent with GLAD's LMM focus, the core loan portfolio continues to represent companies with an average EBITDA of approx. \$11.7 million and an average leverage attachment point of 4.25x EBITDA



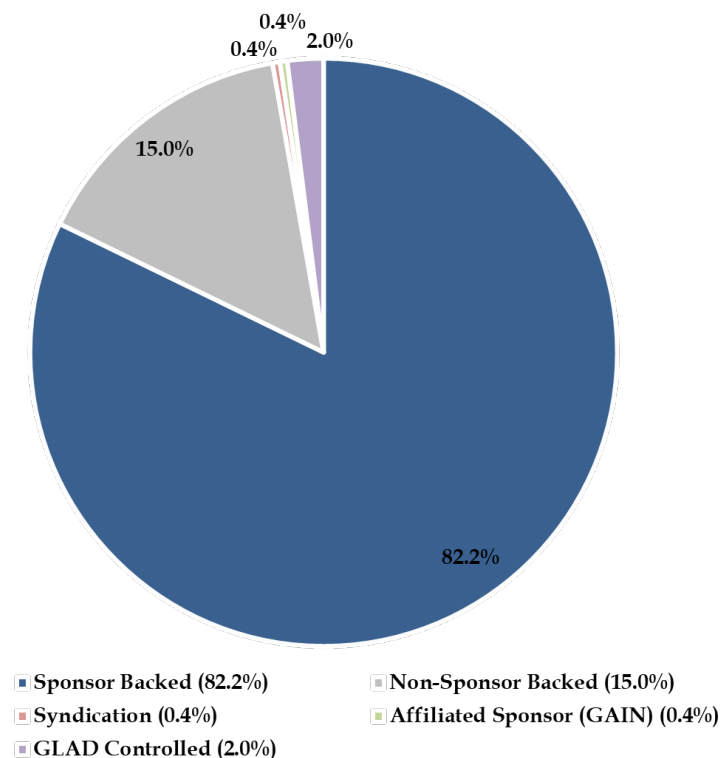
**For the purposes of this presentation, certain investments have been excluded from the data used to develop the above analysis. Those exclusions include investments: (i) originated as Syndications; (ii) co-investments with GAIN; (iii) residual investments under \$5 million; (iv) equity only investments; (v) investments with outsized TTM EBITDA that skew weighted average EBITDA; and (vi) two investments 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 13 Industries - At 9/30/2024 Fair Value



Deal Source Composition - At 9/30/2024 Fair Value



Portfolio Composition

<i>Portfolio Characteristics As Of:</i>	December 31, 2023		March 31, 2024		June 30, 2024		September 30, 2024	
Total Portfolio - FV	\$	749,985	\$	791,588	\$	757,745	\$	796,260
# of Portfolio Companies		51		51		51		49
Average Investment Size - FV	\$	14,706	\$	15,521	\$	14,858	\$	16,250
Top 5 Investments % FV		24.8%		25.7%		27.3%		29.2%
WAVG Investment Yield**		13.9%		14.0%		13.9%		14.0%
1st Lien FV	\$	546,602	\$	563,849	\$	542,283	\$	554,937
2nd Lien FV		126,571		140,409		117,875		113,716
Equity / Other FV		76,812		87,330		97,587		127,607
Proprietary % of FV		98.7%		99.1%		98.9%		99.6%
Syndicated % of FV		1.3%		0.9%		1.1%		0.4%
Fixed Rate Debt % Cost		11.7%		11.8%		6.2%		6.1%
Variable Rate Debt % of Cost		88.3%		88.2%		93.8%		93.9%
Performing % FV (Debt)		99.6%		98.2%		97.9%		98.1%
Non-Performing % FV (Debt)		0.4%		1.8%		2.1%		1.9%

***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

In Thousands, except per share data

	Three Months Ended				
	September 30, 2023	December 31, 2023	March 31, 2024	June 30, 2024	September 30, 2024
Income:					
Interest Income	\$ 23,269	\$ 22,996	\$ 23,715	\$ 23,199	\$ 23,384
Other Investment Income	\$ 487	\$ 225	\$ 282	\$ 2,490	\$ 330
Total Investment Income	23,756	23,221	23,997	25,689	23,714
Expenses:					
Fees to Advisor & Admin	6,084	5,101	6,131	6,412	6,174
Interest Expense	5,756	5,032	5,732	5,509	5,442
Operating Expense	929	1,154	1,357	1,375	1,143
Total Expenses	12,769	11,287	13,220	13,296	12,759
Net Investment Income (NII)	\$ 10,987	\$ 11,934	\$ 10,777	\$ 12,393	\$ 10,955
Weighted Average Shares*	39,760	43,509	43,509	21,754	21,860
NII Per WAVG Share	\$ 0.276	\$ 0.274	\$ 0.248	\$ 0.570	\$ 0.493
Realized/Unrealized Gains (Loss) per Share	\$ 0.053	\$ 0.185	\$ 0.296	\$ 0.310	\$ 0.944
Dividend Per WAVG Share	\$ 0.268	\$ 0.248	\$ 0.248	\$ 0.570	\$ 0.500
NAV Per Share	\$ 9.39	\$ 9.61	\$ 9.90	\$ 20.18	\$ 21.18
LTM Return on Equity (NII)**	11.5%	11.6%	11.2%	10.9%	10.5%
Portfolio at Fair Value	704,815	749,985	791,588	757,745	796,260
Debt***	300,914	338,359	370,815	319,674	324,610
Net Asset Value	408,695	417,928	430,791	439,078	470,895
Debt-to-Equity	76.0%	83.4%	88.1%	75.3%	70.9%

*Total Shares outstanding at 9/30/2024 was 22,230,587 following the 1:2 reverse share split executed April 2024

**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.

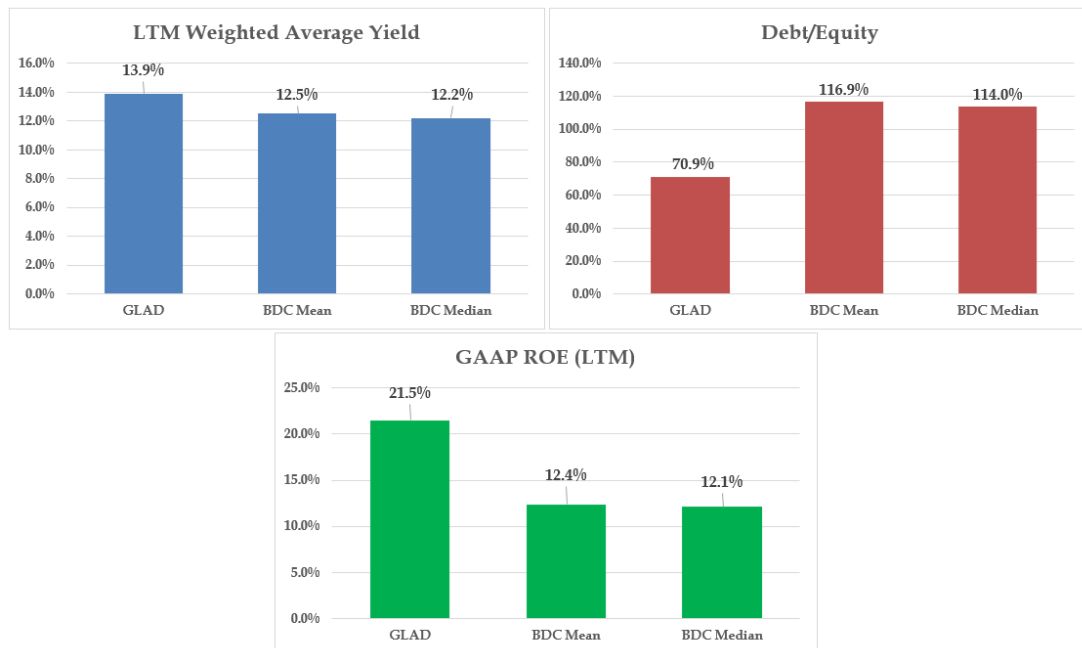
Gladstone Capital 9/30/2024 Quarter Summary

Capital Base and Liquidity

- Total Assets increased to \$812 million as of September 30, 2024, consisting of \$796 million in investments at fair value and \$16 million in cash and other assets.
- We ended the quarter with a conservative leverage position of 70.9% of NAV, which is well below the BDC industry average of 117%.
- Liabilities rose slightly with net originations to \$333 million as of September 30, 2024, and consisted primarily of \$254 million of Senior Notes including the \$57 million 7.75% “GLADZ” baby bond due September 2028, and advances under our \$293 million line of credit increased to \$70.6 million.

ROE Performance

- Between higher rates and the performance of the portfolio, GLAD achieved an ROE of 21.5% for the twelve months ended September 2024.
- With ample availability under our bank credit facility, GLAD is well positioned to grow our earning assets and fee income to continue to support our shareholder distributions in the coming year.
- Monthly distributions to our common stockholders of \$0.165 per common share was announced for the months of October, November and December which is an annual run rate of \$1.98 per share.



(1) BDC ROE Source: Raymond James BDC Industry Weekly Newsletters (11/7/2024)

Corporate Data

Executive Officers

David Gladstone
Chairman & CEO

Terry Lee Brubaker
COO

Bob Marcotte
President

Nicole Schaltenbrand
CFO & Treasurer

Research Coverage

B. Riley Securities
Bryce Rowe

Janney Montgomery Scott LLC
John Rowan

Jefferies
Matt Hurwit

Ladenburg Thalmann
Mickey Schleien

Oppenheimer & Co.
Mitchel Penn

Raymond James
Robert Dodd

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www.gladstonecapital.com

Investment Adviser:
www.gladstonemanagement.com

Information on all Funds:
www.gladstonecompanies.com

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Common Stock Ticker: GLAD
7.75% Notes Ticker: GLADZ

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