



GLADSTONE CAPITAL

Investor Presentation
for the Fiscal Quarter Ended
June 30, 2024

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 (\$3-25MM of EBITDA) and today maintains an investment team exclusively 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 June 30, 2024):

- \$758 million portfolio at fair value diversified across 51 companies and 13 different industries
- Conservative asset mix with 87% of investments in secured loans, 72% 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 \$1.98/share
- Conservatively leveraged capital base (75% debt/equity) positions GLAD well to continue to grow earning assets and net investment income

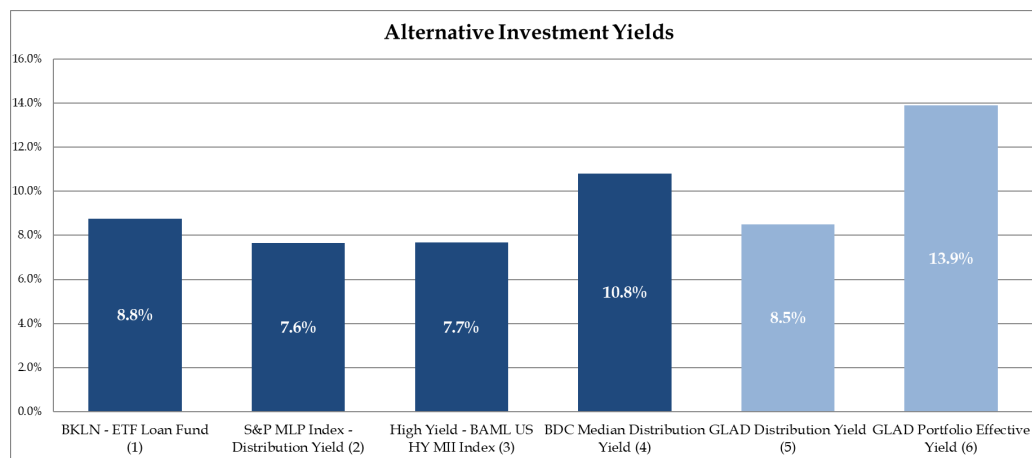
Why Invest in a BDC?

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.

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
- **Credit protection** – Equity is supported by a diversified portfolio of directly originated secured loans with lender friendly credit protections and financial covenants
- **Investment liquidity** – Established public equity market for common stock
- **Experienced credit managers** – Deep bench of LMM investing experience, active 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 6/28/2024

(2) S&P MLP Index Dividend Yield – 7/31/2024

(3) BAML US High Yield Master II Index – Effective Yield 6/28/2024

(4) Raymond James 8/8/2024 BDC Industry Investment Banking Weekly Newsletter

(5) GLAD's stock price as of 6/28/2024

(6) Reported in GLAD's Press Release dated August 7, 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 often including future financing to support underlying growth plans
- Highly selective screening process where under 5% of deals reviewed ultimately close and the bulk of investments are backed by private equity (~81% of the portfolio at 6/30/24)

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 and mitigate credit losses
- 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 flexible or include future funding to support the growth needs of the business which require 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 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 6/30/2024 Quarter Summary

Originations/Portfolio Activity:

- New investments totaled \$46 million during the quarter as new deal buyout activity was building over the period, including two new platform investments along with \$19 million of add-on investments in support of the growth of existing portfolio companies. Repayments totaled \$86 million, primarily driven by two sizeable prepayments from Giving Health and Pansophic, which combined with the portfolio amortization resulted in negative net originations of \$40 million for the quarter.

Portfolio Yield / Net Investment Income (NII):

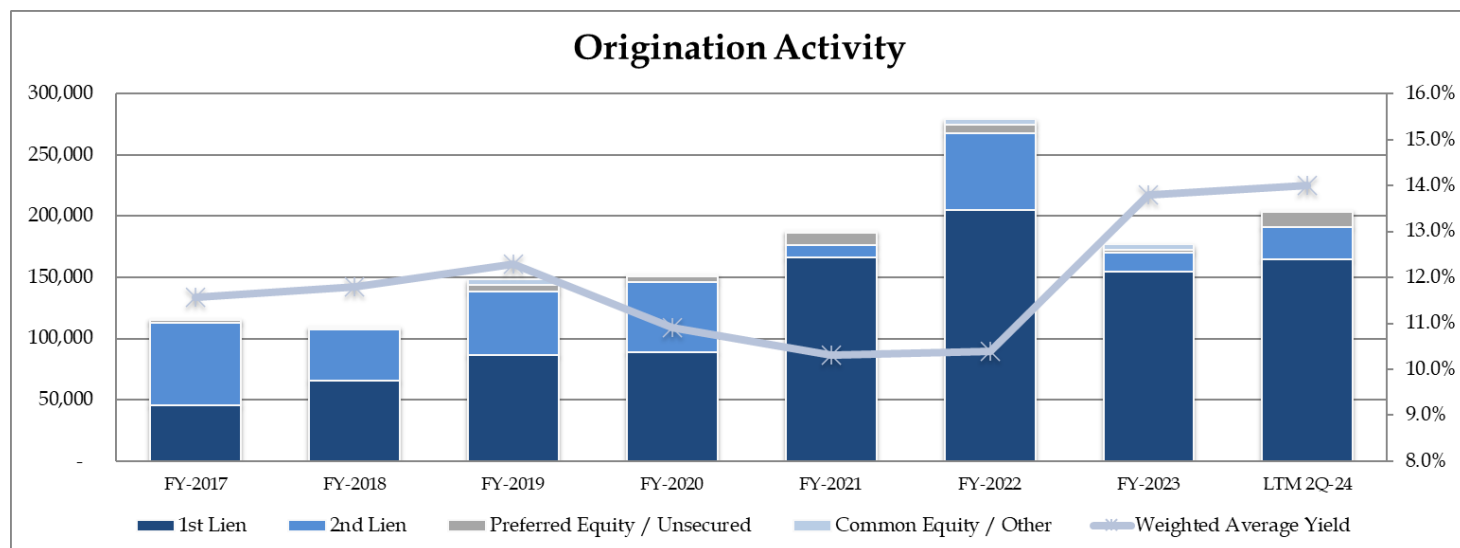
- Interest income for the quarter decreased 2.2% to \$23.2 million based on average earning assets slightly declining, however, other income rose to \$2.5 million due to an increase in prepayment fees and dividends which lifted total investment income by \$1.7 million to \$25.7 million, leading the weighted average yield to remain stable at 13.9%.
- Total expenses rose by \$0.1 million compared to the prior quarter as net management fees rose \$0.3 million with increased investment income while interest expenses declined \$0.2 million due to reduced bank borrowings.
- Net investment income for the quarter increased 15.0% to \$12.4 million, or \$0.57, per share, providing ample coverage of the current common distribution.

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 2.1% of debt investments at fair value.
- Conservative asset mix with 87% of investments in secured loans, 72% in lower risk 1st lien loans and weighted average leverage across core proprietary loan portfolio of ~4.0x.
- Appreciation for the quarter of \$6.8 million was led by \$3.3 million of realized appreciation of several equity positions driven by strong underlying operating performance or preferred share liquidation preference and partially offset by the depreciation of multiple smaller manufacturing, consumer, and service-related businesses.

Gladstone Capital Origination Activity

- Net originations for the June 30, 2024 quarter declined with the market spike in refinancing activity for larger middle market credits, which eclipsed the new platform and follow on fundings of \$46 million.

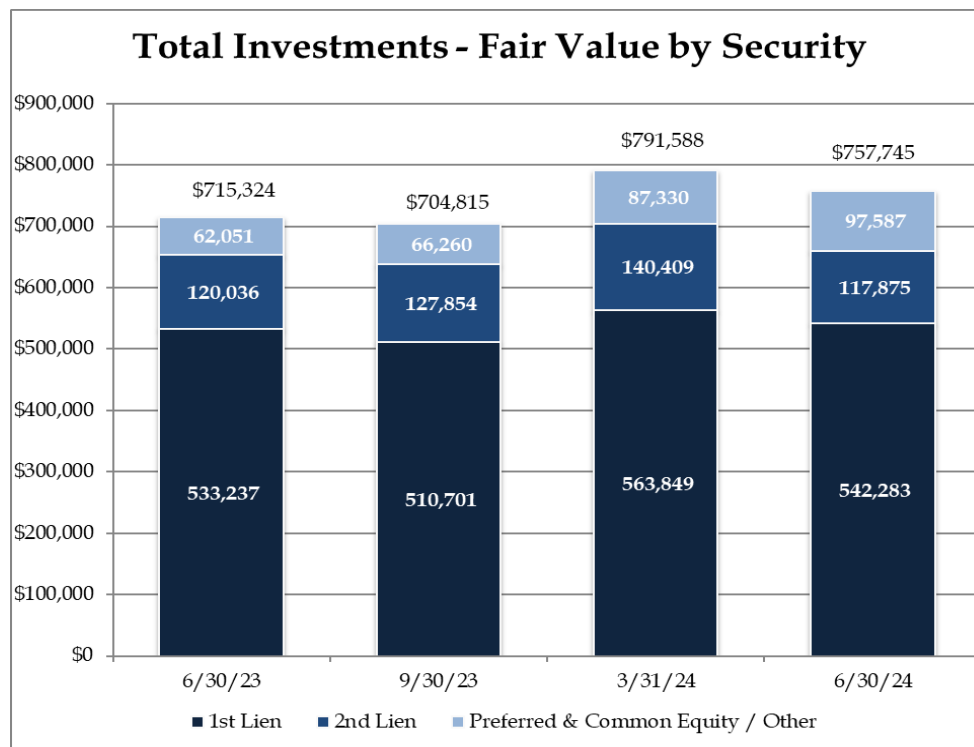


Gladstone Capital Quarterly Net Investment

	6/30/2022	9/30/2022	12/31/2022	3/31/2023	6/30/2023	9/30/2023	12/31/2023	3/31/2024	6/30/2024
New Investments at Cost	\$ 48,717	\$ 59,619	\$ 2,416	\$ 48,000	\$ 53,500	\$ -	\$ 11,000	\$ 15,000	\$ 27,250
Disbursements to Existing Portfolio Companies	18,565	26,428	10,963	16,090	17,115	27,393	46,998	29,735	19,139
Sales, Repayments, Other Exits at Cost	(6,292)	(21,801)	(39,183)	(9,761)	(35,230)	(41,017)	(22,066)	(15,146)	(86,420)
Net New Investments at Cost	\$ 60,990	\$ 64,246	\$ (25,804)	\$ 54,329	\$ 35,385	\$ (13,624)	\$ 35,932	\$ 29,589	\$ (40,031)
Number of New Portfolio Company Investments	4	4	0	2	3	0	1	1	2
Number of Portfolio Company Exits	0	1	2	1	2	1	1	1	2
Total Portfolio Companies	49	52	50	51	52	51	51	51	51

Gladstone Capital Portfolio Trends

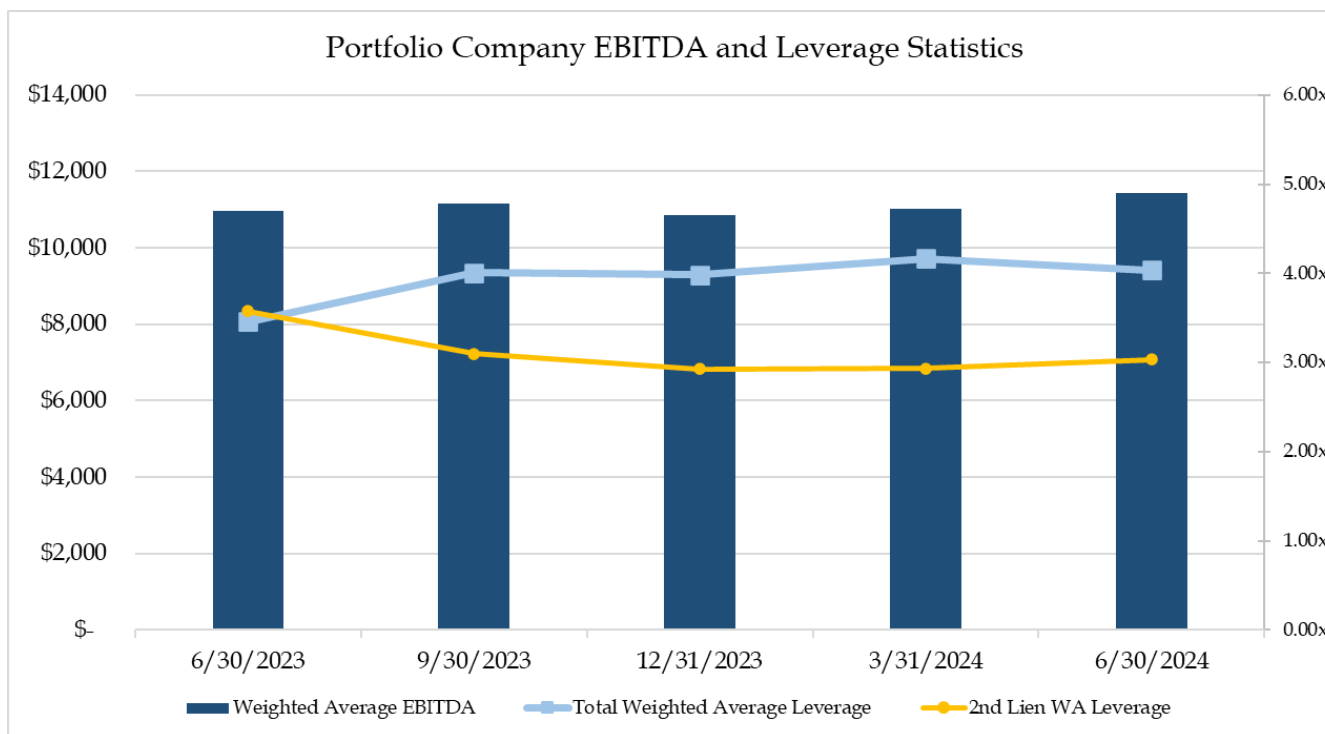
- While new deal buyout activity has been volatile in the past several quarters, we have absorbed significant repayments while reseeded or growing our platform investments to maintain our AUM and portfolio diversity.
- PE sponsor demand for unitranche financings has lifted 1st lien investments to 71.6% of the portfolio.
- Approximately 93.8% 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 \$757.7 million represents 100.6% of cost as of 6/30/2024.



	3/31/23	6/30/23	9/30/23	12/31/23	3/31/24	6/30/24
First Lien Debt	73.5%	74.5%	72.5%	72.9%	71.2%	71.6%
Second Lien Debt	17.3%	16.8%	18.1%	16.9%	17.8%	15.6%
Equity / Other	9.2%	8.7%	9.4%	10.2%	11.0%	12.9%

Portfolio Metrics

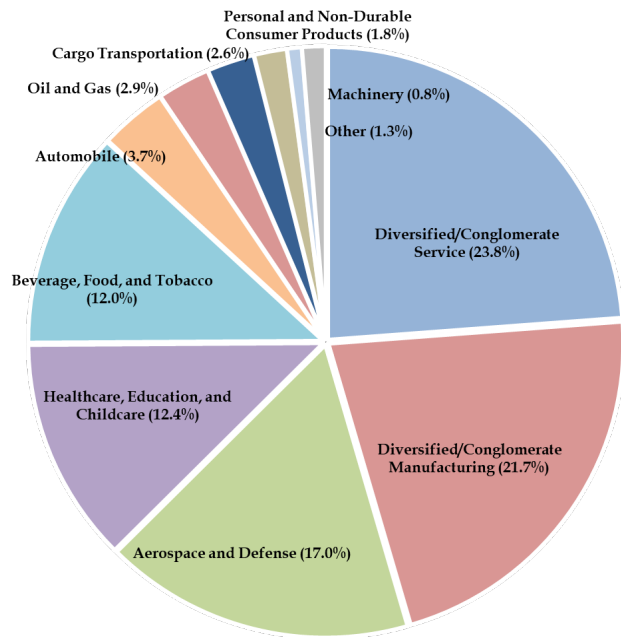
Consistent with GLAD's LMM focus, the core loan portfolio continues to represent companies with an average EBITDA of approx. \$11.4 million and an average leverage attachment point of 4.0x EBITDA



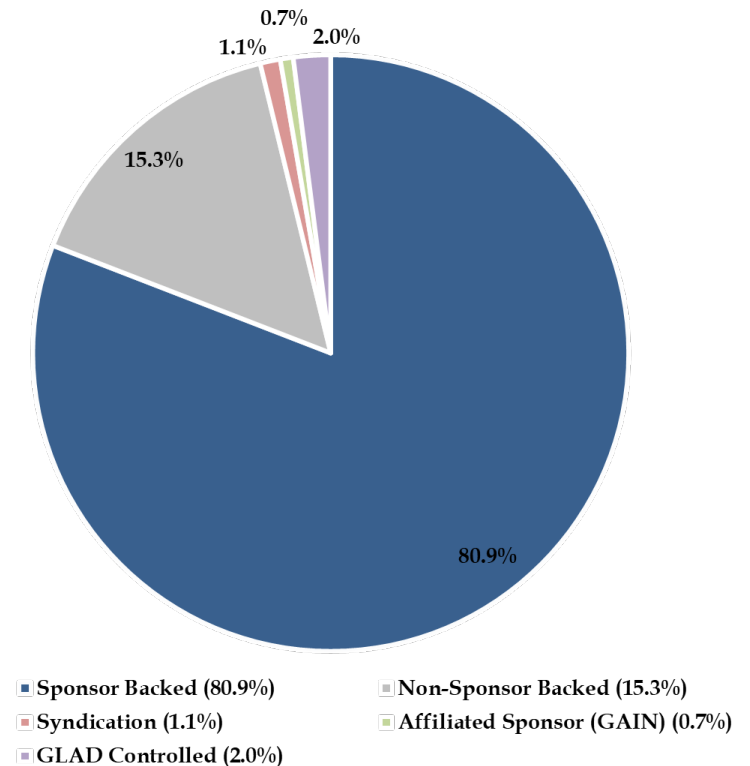
**For the purposes of this presentation, certain investments have been excluded from the data used to develop the above analysis. Those exclusions include investments: (i) originated as Syndications; (ii) co-investments with GAIN; (iii) residual investments under \$5 million; (iv) equity only investments; (v) investments with outsized TTM EBITDA that skew weighted average EBITDA; (vi) two investments with a de minimis TTM EBITDA relative to total debt skewing weighted average leverage; and (vii) an investment under LOI for sale in excess of investment. 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 6/30/2024 Fair Value



Deal Source Composition - At 6/30/2024 Fair Value



Portfolio Composition

<i>Portfolio Characteristics As Of:</i>	September 30, 2023	December 31, 2023	March 31, 2024	June 30, 2024
Total Portfolio - FV	\$ 704,815	\$ 749,985	\$ 791,588	\$ 757,745
# of Portfolio Companies	51	51	51	51
Average Investment Size - FV	\$ 13,820	\$ 14,706	\$ 15,521	\$ 14,858
Top 5 Investments % FV	25.1%	24.8%	25.7%	27.3%
WAVG Investment Yield**	13.8%	13.9%	14.0%	13.9%
1st Lien FV	\$ 510,701	\$ 546,602	\$ 563,849	\$ 542,283
2nd Lien FV	127,854	126,571	140,409	117,875
Equity / Other FV	66,260	76,812	87,330	97,587
Proprietary % of FV	98.6%	98.7%	99.1%	98.9%
Syndicated % of FV	1.4%	1.3%	0.9%	1.1%
Fixed Rate Debt % Cost	10.8%	11.7%	11.8%	6.2%
Variable Rate Debt % of Cost	89.2%	88.3%	88.2%	93.8%
Performing % FV (Debt)	99.5%	99.6%	98.2%	97.9%
Non-Performing % FV (Debt)	0.5%	0.4%	1.8%	2.1%

***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

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.



Early Learning
Academies

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

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

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

	Six Months Ended		Three Months Ended		
	June 30, 2023	September 30, 2023	December 31, 2023	March 31, 2024	June 30, 2024
<i>In Thousands, except per share data</i>					
Income:					
Interest Income	\$ 21,816	\$ 23,269	\$ 22,996	\$ 23,715	\$ 23,199
Other Investment Income	\$ 1,007	\$ 487	\$ 225	\$ 282	\$ 2,490
Total Investment Income	22,823	23,756	23,221	23,997	25,689
Expenses:					
Fees to Advisor & Admin	4,516	6,084	5,101	6,131	6,412
Interest Expense	5,553	5,756	5,032	5,732	5,509
Operating Expense	1,078	929	1,154	1,357	1,375
Total Expenses	11,147	12,769	11,287	13,220	13,296
Net Investment Income (NII)	\$ 11,676	\$ 10,987	\$ 11,934	\$ 10,777	\$ 12,393
Weighted Average Shares*	37,680	39,760	43,509	43,509	21,754
NII Per WAVG Share	\$ 0.310	\$ 0.276	\$ 0.274	\$ 0.248	\$ 0.570
Realized/Unrealized Gains (Loss) per Share	\$ 0.006	\$ 0.053	\$ 0.185	\$ 0.296	\$ 0.310
Dividend Per WAVG Share	\$ 0.240	\$ 0.268	\$ 0.248	\$ 0.248	\$ 0.495
NAV Per Share	\$ 9.27	\$ 9.39	\$ 9.61	\$ 9.90	\$ 20.18
LTM Return on Equity (NII)**	11.2%	11.5%	11.6%	11.2%	10.9%
Portfolio at Fair Value	715,324	704,815	749,985	791,588	757,745
Debt***	361,686	300,914	338,359	370,815	319,674
Net Asset Value	357,946	408,695	417,928	430,791	439,078
Debt-to-Equity	104.0%	76.0%	83.4%	88.1%	75.3%

*Total Shares outstanding at 6/30/2024 was 21,754,449 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.

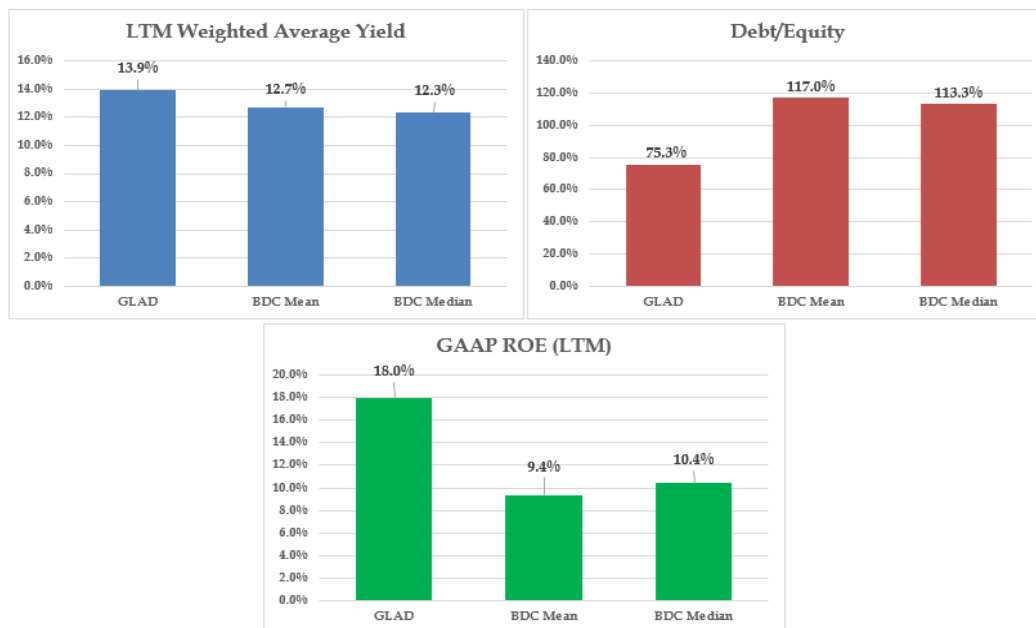
Gladstone Capital 6/30/2024 Quarter Summary

Capital Base and Liquidity

- Total Assets decreased to \$775 million as of June 30, 2024, consisting of \$758 million in investments at fair value and \$17 million in cash and other assets.
- We ended the quarter with a conservative leverage position of 75% of NAV, which is well below the BDC industry average of 117%.
- Liabilities declined with net originations to \$330 million as of June 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 \$269 million line of credit decreased to \$66 million.

ROE Performance

- Between higher rates and the performance of the portfolio, GLAD achieved an ROE of 18% for the twelve months ended June 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 proforma for the 1-for-2 reverse stock split of \$0.165 per common share was announced for the months of July, August and September which is an annual run rate of \$1.98 per share.



(1) BDC ROE Source: Raymond James BDC Industry Weekly Newsletters (8/8/2024)

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
Matt Hurwit

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

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Transfer Agent:
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Auditors:
PricewaterhouseCoopers LLP

Nasdaq Listings

Common Stock Ticker: GLAD

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