



Gladstone Capital Corporation

*Financial and Portfolio Overview
for the Fiscal Quarter & Year Ended September 30, 2017*



Legal Disclaimer

Forward-Looking Statements: *This presentation may include forward-looking statements. These forward-looking statements may include comments with respect to our objectives and strategies, and the results of our operations and our business.*

However, by their nature, these forward-looking statements involve numerous assumptions, uncertainties and opportunities, both general and specific. The risk exists that these statements may not be fulfilled. We caution readers of this presentation not to place undue reliance on these forward-looking statements as a number of 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 as well as our registration statement, as filed with the Securities and Exchange Commission, all of which can be found on 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 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:

- Founded in 2001, Gladstone Capital was one of the first business development companies focused on making loans to lower middle market U.S. businesses (\$3-15MM of EBITDA)
- Managed by Gladstone Management Corporation, an SEC registered investment adviser that manages more than \$2.1 billion in assets across 4 publicly traded funds
- Funding sources include publicly traded common stock (*NASDAQ:GLAD*), preferred stock (*NASDAQ:GLADN*) and a revolving credit facility
- Common stock annual distribution is currently \$0.84 per share; paid monthly at \$0.07 per share
- Preferred stock annual distribution rate is 6.00%; paid monthly at \$0.125 per share

Objective: “Delivering Distributions to Our Stockholders”

- Maintain and grow common distributions from interest income from our secured loan portfolio
- Target investments in growth oriented industries while maintaining portfolio industry diversity
- Invest in companies with proven cash flow and experienced management teams, which are backed by private equity sponsors or owner-operators with significant equity at risk

Investment Portfolio (as of September 30, 2017):

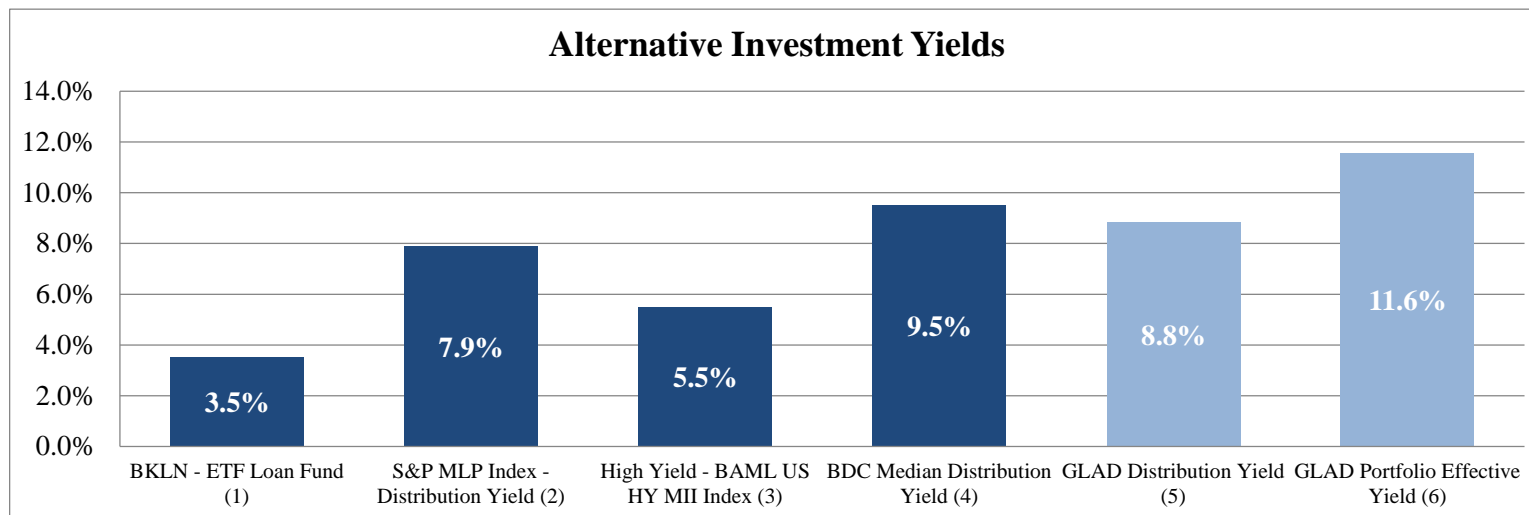
- \$352 million at fair value diversified across 47 companies and 19 different industries
- Conservative asset mix with 93% of investments in secured loans and 49% in lower risk 1st lien loans
- Average portfolio yield of 11.6%

What is a Business Development Company?

- **Business Development Companies (“BDCs”)** are often publicly traded closed-end funds that enable public investors to participate in potentially high yielding private U.S. middle market investments while maintaining daily liquidity
- **BDCs are regulated under the Investment Company Act of 1940 and have the following characteristics**
 - **Diversification** – BDCs must maintain certain asset diversification criteria
 - **Transparency** – Required annual and quarterly SEC filings
 - **Fair Value** – All investments are marked at fair value quarterly
 - **Low Leverage** – Maximum debt-to-equity ratio of 1:1
- **Most BDCs operate under a regulated investment company tax structure**
 - BDCs are required to distribute at least 90% of any taxable income
 - Eliminates corporate level income tax
 - Earnings and capital gains are passed through to investors (similar to a REIT)

Why Invest in a BDC?

- **Superior returns** – Current yields typically exceed other yield oriented investment alternatives
- **Limited interest rate risk** – Distributions backed by floating rate loans supporting increased distributions or appreciation as interest rates rise
- **Superior credit protections** – Distributions generated by a diversified portfolio of secured loans
- **Investment liquidity** – Established public equity market for common stock shares
- **Experienced credit managers** – Experience and capital base structured to manage loan portfolio through a business cycle to minimize credit losses



(1) PowerShares Exchange-Traded Fund Trust II - Senior Loan Portfolio (BKLN) - Yield 12/4/17

(2) S&P MLP Index Dividend Yield – 10/31/17

(3) BAML US High Yield Master II Index - Effective Yield 9/29/17

(4) Raymond James 11/24/17 BDC Industry Investment Banking Weekly Newsletter

(5) Using Stock Price at Close of 9/29/17

(6) Reported in 9/30/17 GLAD 10-K

Gladstone Strategy and Risk Management

Investment Strategy:

- Originate secured debt investments in lower middle market companies in stable industries, with sustainable margins/cash flows and favorable growth characteristics which can support a leveraged capital structure
- Target companies with operating cash flow (EBITDA) of \$3-\$15 million and investments of \$8-\$30 million
- Focus on industries including light and specialty manufacturing, industrial products and services, business and information services, added-value distribution/logistics and healthcare services while avoiding financial institutions, early stage or high technology companies, commodity or highly cyclical businesses

Deal Sourcing:

- Dedicated origination team across 3 offices to provide regional coverage of middle market private equity firms, investment banks and other deal sources
- Leverage dedicated lower middle market focus and team experience to deliver investor oriented financing solutions

Due Diligence:

- Thorough multi-disciplinary equity oriented underwriting approach – blending internal industry experience, onsite visits and management assessments, supplemented with third party financial reviews, industry assessments, management background checks, and legal and insurance investigations, etc.

Risk Management:

- Board level participation in portfolio companies to monitor performance and proactively manage exposure
- Ongoing Gladstone senior management review, external assistance with quarterly investment valuations, and Gladstone board oversight

Attractive Lower Middle Market Dynamics

Why we target lower middle market companies

- Lower middle market companies typically sell for lower cash flow multiples, which translate into reduced debt financing requirements and lower leverage levels
- Greater industry diversity and more consistent flow of growth oriented investment opportunities
- Better asset collateral coverage and lender protective covenants
- Limited competition from larger funds and commercial banks can yield more attractive investment returns at lower relative leverage
- More receptive to equity co-investments, which typically provides Gladstone an opportunity to capitalize on the anticipated growth and equity appreciation

Trends Enhancing Opportunity for Non-Bank Lenders

- Ability to provide simplified “one-stop” financing solutions, and reduce repayment requirements or fund follow-on capital to support a company’s growth objectives
- Existing regulations have curtailed commercial bank flexibility and appetite to hold leveraged investments
- Bulk of loan funds / private debt managers focus on larger borrowers (>\$10 million EBITDA) and deal size to get larger funds deployed on timely basis

Gladstone Capital 9/30/17 Quarter Summary

Originations/Portfolio Activity:

- Closed 3 new investments totaling \$14.0 million of originations and \$2.6 million of follow-on investments
- Net originations of \$4.2 million for the period after repayments of \$12.4 million
- Subsequent to September 30, 2017, we closed six additional investments totaling \$36.0 million and exited three investments resulting in net originations of \$22.0 million
- Proprietary loan originations consistent with lower middle market investment strategy of modest leverage (~3.5x EBITDA) while maintaining average yield (~11%)

Portfolio Yield / Net Investment Income (NII):

- Weighted Average Yield on our interest-bearing investment portfolio increased slightly to 11.8%
- Other income increased to \$0.6 million during the quarter
- NII was \$5.5 million or \$0.21 per common share which covered 100% of shareholder distributions

Portfolio Performance and Valuation:

- Maintained asset quality with secured 1st lien loans at 49% of the portfolio at fair value
- Non-accrual investments unchanged at \$5.6 million or 1.7% of asset fair value
- Net realized and unrealized portfolio gains totaled \$1.3 million
- Portfolio appreciation offset the \$1.3 million non-recurring expense associated with the refinancing of our prior Preferred Stock issue and NAV per share increased by \$0.02/share to \$8.40

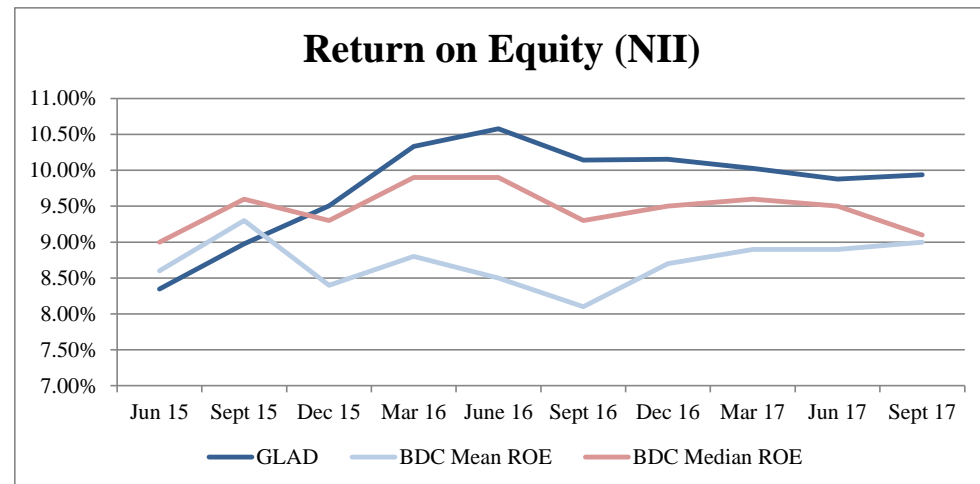
Gladstone Capital 9/30/17 Quarter Summary

Capital Base and Liquidity

- Revolving line of credit borrowings increased by \$10.8 million to \$93.1 million on \$170.0 million bank line while maintaining available borrowing capacity of \$59 million at September 30, 2017.
- GLAD's balance sheet leverage was unchanged as debt and preferred stock remained ~65% of total capital, and remains below the BDC peer average of ~72% (*Raymond James 11/24/17 Newsletter*).
- During the quarter, we executed the refinancing of our GLADO preferred issue through a combination of a new \$51.75 million preferred issue (Ticker: GLADN) and a small bank line draw.
- We issued 280 thousand shares under our at-the-market stock program at a weighted average price of \$9.86, or 117% of the prevailing NAV during the September 30, 2017 quarter.

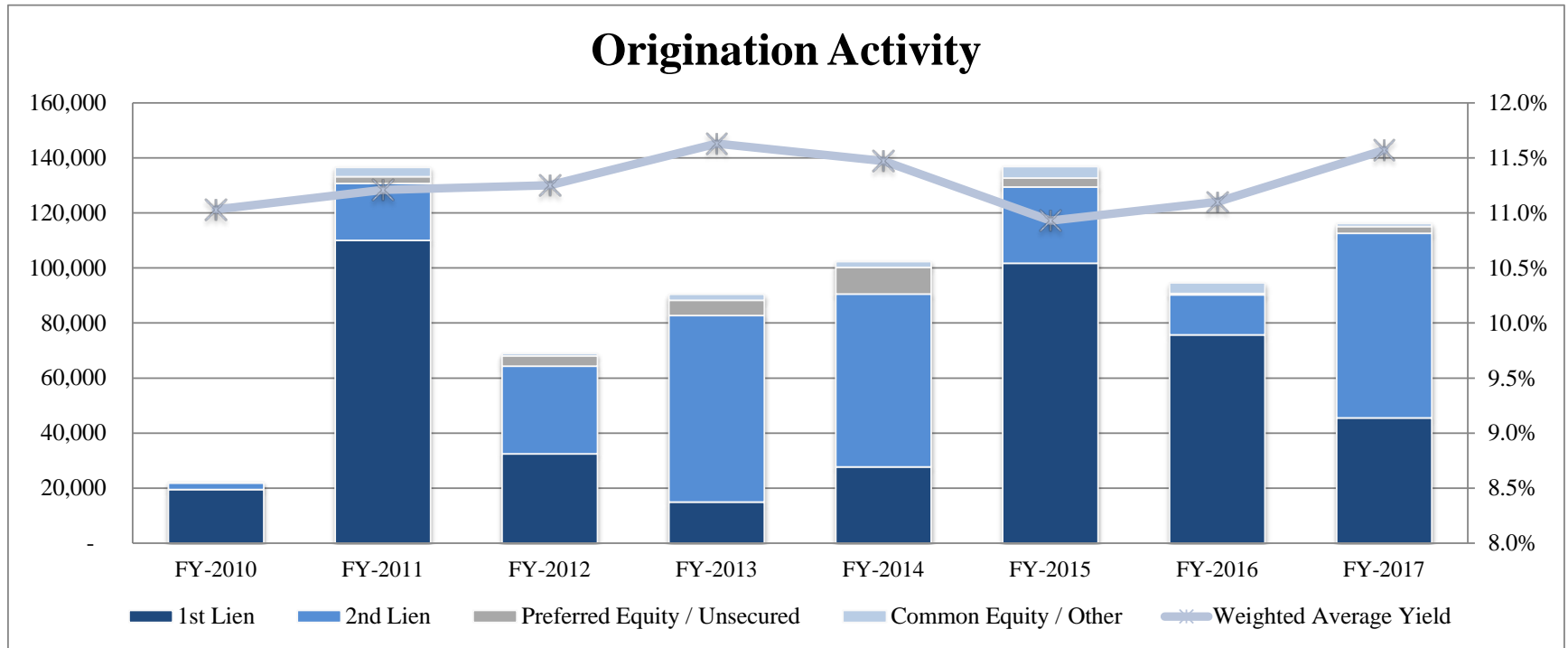
Improving ROE

- Over the last 24 months, GLAD's portfolio performance, as measured by NII / Average Net Assets, has improved increasing the average to 10%
- GLAD has outpaced the average BDC performance as the lower middle market has been less impacted by competitive yield pressures and generally lower non-performing assets



BDC ROE Source: Raymond James BDC Industry Weekly Newsletters

Gladstone Capital Origination Activity



- Loan originations for Fiscal 2017 include eleven new investments and several add-ons to existing investments totaling \$112 million, which is in line with our historic pacing of loan originations

Attraction of Lower Middle Market Strategy

(Consist Deal Flow at Attractive Leverage & Yields)

Gladstone Capital Quarterly Net Investment

	6/30/15	9/30/15	12/31/15	3/31/16	6/30/2016	9/30/2016	12/31/2016	3/31/2017	6/30/2017	9/30/2017
New Investments at Cost	\$ -	\$ 36,951	\$ 3,800	\$ 18,500	\$ 32,000	\$ 19,500	\$ 17,240	\$ 39,001	\$ 29,000	\$ 14,000
Disbursements to Existing Portfolio Companies	1,325	5,407	1,287	2,281	1,994	663	2,807	610	6,791	2,643
Sales, Repayments, Other Exits at Cost	(15,808)	(13,742)	(61,207)	(16,829)	(20,389)	(22,719)	(50,453)	(14,613)	(6,015)	(12,412)
Net New Investments at Cost	\$ (14,483)	\$ 28,616	\$ (56,120)	\$ 3,952	\$ 13,605	\$ (2,556)	\$ (30,406)	\$ 24,998	\$ 29,776	\$ 4,231
Number of New Portfolio Company Investments	0	4	1	2	2	4	3	2	3	3
Number of Portfolio Company Exits	4	2	5	2	3	2	4	2	0	3
Total Portfolio Companies	46	48	44	44	43	45	44	44	47	47

Gladstone Capital Proprietary Originations⁽¹⁾

Closing Date	Name	Industry	Sponsored	Amount Committed	Type ⁽²⁾	Closing Leverage	Closing LTV	Interest Yield	D - IRR ⁽³⁾
01/06/16	Portfolio Company	Buildings & Real Estate	Yes	\$ 8,500	1st Lien	2.75x	56%	10.0%	10.4%
03/31/16	Portfolio Company	Diversified / Service	No	\$ 10,000	1st Lien	4.06x	51%	9.5%	9.6%
06/27/16	Portfolio Company	Diversified / Service	No	\$ 30,000	1st Lien	2.23x	20%	12.0%	12.3%
08/02/16	Portfolio Company	Healthcare	No	\$ 10,000	2nd Lien	2.90x	48%	13.0%	13.3%
09/01/16	Portfolio Company	Non-durable products	Yes	\$ 8,000	1st Lien / Equity	3.19x	58%	10.5%	10.8%
11/18/16	Portfolio Company	Automobile	Yes	\$ 7,240	2nd Lien / Equity	1.70x	34%	11.3%	11.7%
12/28/16	Portfolio Company	Traveler Accommodation	No	\$ 7,000	2nd Lien	3.00x	38%	14.0%	14.3%
01/31/17	Portfolio Company	E-Commerce	Yes	\$ 10,000	2nd Lien	3.78x	52%	11.0%	11.3%
02/27/17	Portfolio Company	Telecommunications	Yes	\$ 29,000	1st Lien	4.09x	40%	9.4%	10.5%
04/25/17	Portfolio Company	Diversified / Service	No	\$ 22,000	2nd Lien	3.71x	48%	11.0%	12.0%
05/10/17	Portfolio Co/ Follow-On	Manufacturing	Yes	\$ 4,100	Sub Debt / Equity	4.00x	72%	12.0%	13.1%
08/15/17	Portfolio Company	Education	Yes	\$ 24,750	1st Lien / Equity	4.50x	52%	10.8%	11.0%
10/31/17	Portfolio Company	Telecommunications	Yes	\$ 11,000	1st Lien	3.40x	77%	10.5%	10.8%
11/17/17	Portfolio Company	Manufacturing	Yes	\$ 8,500	1st Lien / Equity	3.46x	59%	10.8%	11.3%
11/22/17	Portfolio Company	Diversified / Service	Yes	\$ 9,500	2nd Lien	3.90x	43%	12.0%	13.5%
Total Originations Committed				\$ 199,590	Wtd Avg:	3.45x	46%	11.0%	11.6%

(1) Includes Proprietary New Investments and Add-on's greater than \$1MM for the Last 8 Quarters

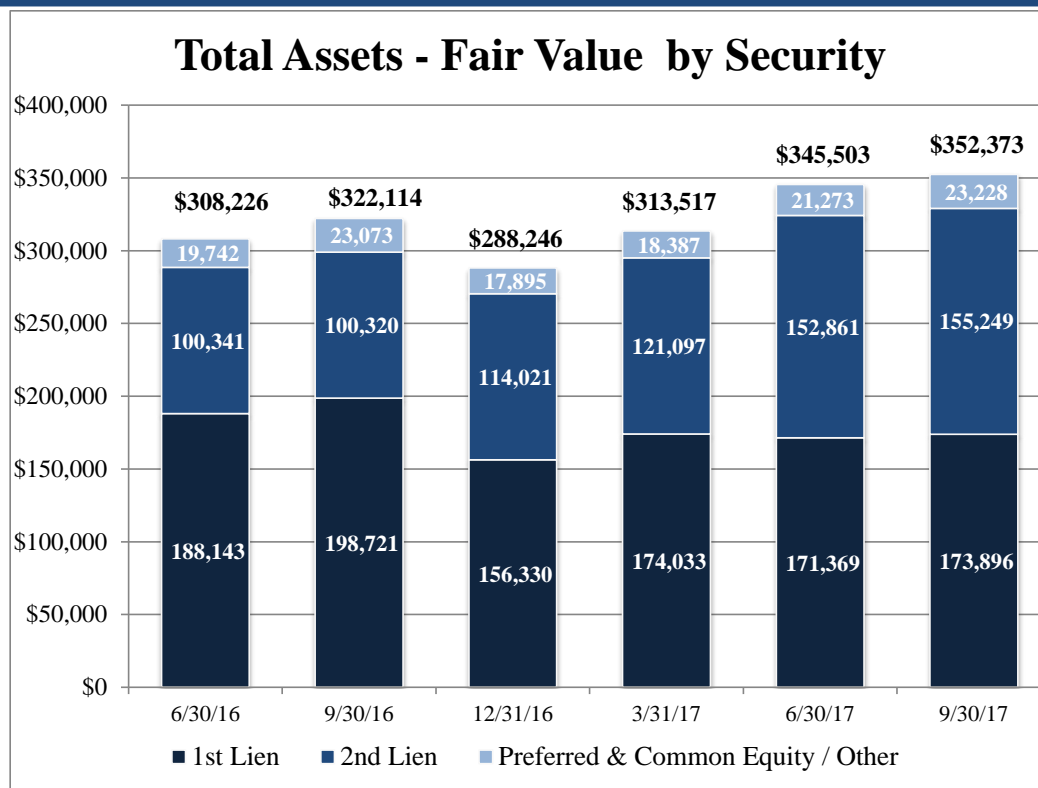
(2) All Equity positions are minority equity positions.

(3) Projected Debt IRR under Gladstone's Base Case over projected life of investment



Gladstone Capital Portfolio Trends

- Repayments spiked to \$50MM during the 12/31/16 quarter resulting in a dip in assets; however, strong net growth over the balance of Fiscal 2017 lifted net growth to 10% on the year.
- Since 9/30/17, 6 additional investments have generated an additional \$22.0 million of net originations extending this growth trend into FY2018.
- Maintained prudent asset mix with first lien loans at 49% of total investments and secure debt investments at 93% of total investments.



	6/30/16	9/30/16	12/31/16	3/31/17	6/30/17	9/30/17
First Lien Debt	61.0%	61.7%	54.2%	55.5%	49.6%	49.3%
Second Lien Debt	32.6%	31.1%	39.6%	38.6%	44.2%	44.1%
Equity / Other	6.4%	7.2%	6.2%	5.9%	6.2%	6.6%

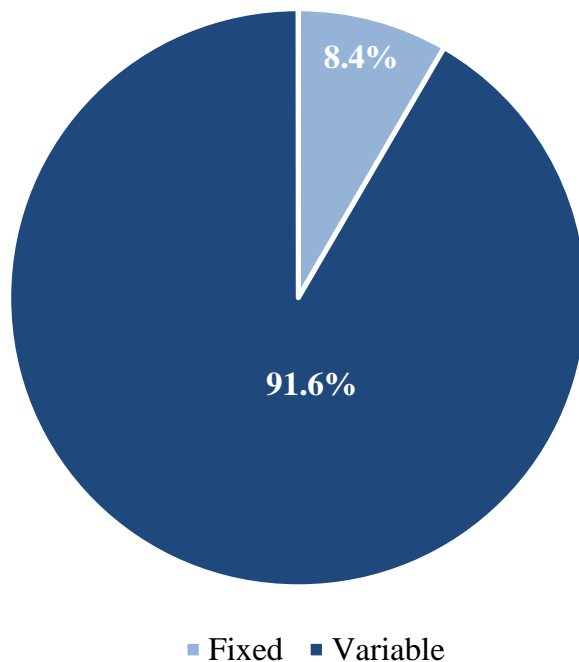
Portfolio Composition

<i>Portfolio Characteristics As Of:</i>	September 30, 2016	December 31, 2016	March 31, 2017	June 30, 2017	September 30, 2017
Total Portfolio - FV	\$ 322,114	\$ 288,246	\$ 313,517	\$ 345,503	\$ 352,373
# of Portfolio Companies	45	44	44	47	47
Average Investment Size	\$ 7,158	\$ 6,551	\$ 7,125	\$ 7,351	\$ 7,497
Top 5 Investments % FV	34.8%	30.2%	32.8%	31.7%	31.5%
WAVG Investment Yield**	11.1%	11.3%	11.4%	11.5%	11.6%
1st Lien FV	\$ 198,721	\$ 156,330	\$ 174,033	\$ 171,369	\$ 173,896
2nd Lien FV	100,320	114,021	121,097	152,861	155,249
Equity / Other FV	23,073	17,895	18,387	21,273	23,228
Proprietary % of FV	90.4%	88.2%	90.2%	89.5%	90.4%
Syndicated % of FV	9.6%	11.8%	9.8%	10.5%	9.6%
Fixed Rate Debt % Cost	14.4%	9.1%	11.2%	10.7%	8.4%
Variable Rate Debt % of Cost	85.6%	90.9%	88.8%	89.3%	91.6%
Performing % FV (Debt)	98.1%	98.9%	97.6%	97.7%	98.3%
Non-Performing % FV (Debt)	1.9%	1.1%	2.4%	2.3%	1.7%
Accrued Potential Success Fees	\$ 3,400	\$ 2,400	\$ 2,900	\$ 3,800	\$ 4,600

***Weighted average yield on interest bearing debt investments (excludes non-accruals and reserves on interest receivables)*

Portfolio Composition

Debt Interest Rate Composition as of 9/30/17 Principal Cost



GLAD is well positioned to participate in any increase in interest rates with its high floating rate asset mix

Interest Rate Sensitivity - Annual Impact

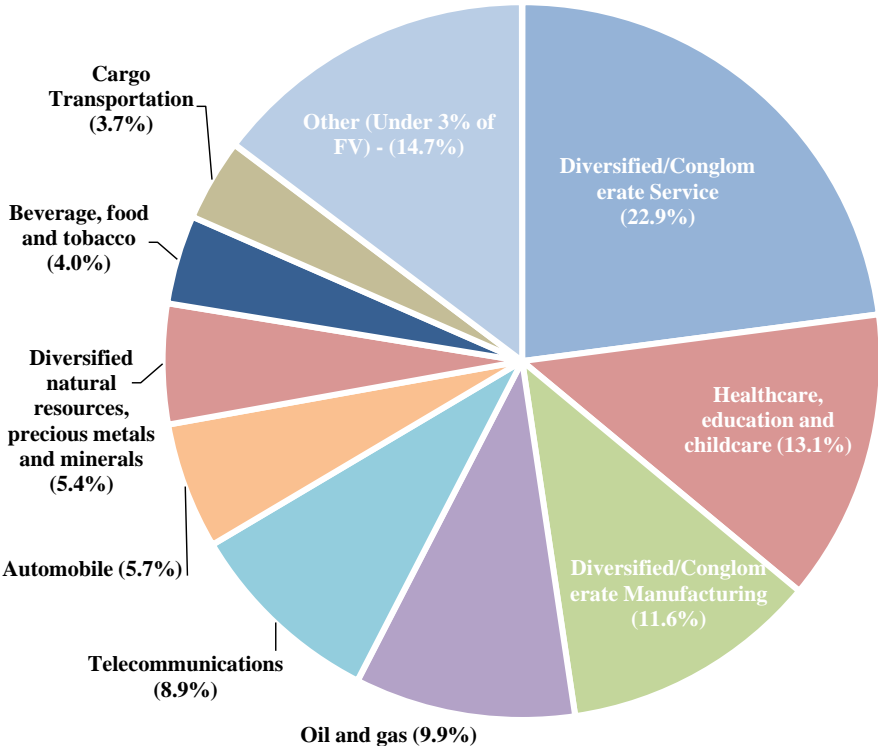
Basis Point Change	Increase Int. Income	Incr. (Dec.) in Int. Exp.	Net Interest Income Impact	Net Increase in Net Assets Resulting from Operations
Up 300 basis points	\$ 8,689	\$ 2,790	\$ 5,899	\$ 3,531
Up 200 basis points	5,470	1,860	3,610	1,785
Up 100 basis points	2,566	930	1,636	361
Down 123 basis points	(959)	(1,146)	187	187

- With expectations of increasing interest rates over the next year, the portfolio should generate a rise in net interest income available for distributions
- The weighted average LIBOR floor on these assets is 1.3%, and with only \$93 million of floating rate debt, a 100bp rise in LIBOR should generate an approximate 6% increase to net interest income
- The team continues to target adding floating rate loans to the portfolio to maintain upside in a rising rate environment

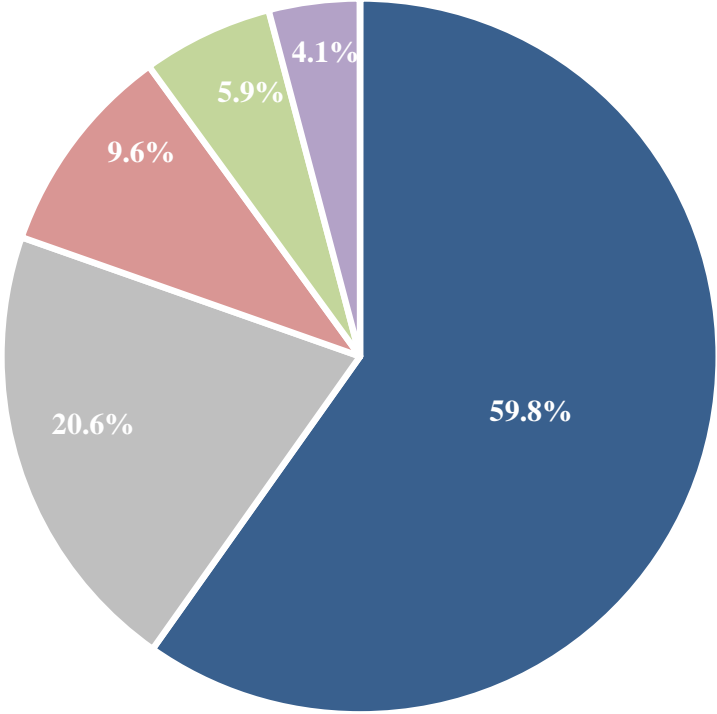
Note: Sensitivity Analysis above assumes no significant changes in the composition of the portfolio and the continued ability of portfolio companies to service debt obligations.

Industry and Deal Sources Are Diversified

Portfolio Diversification Across 19 Industries - At 9/30/17 Fair Value



Deal Source Composition - At 9/30/17 Fair Value

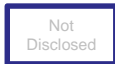


- Sponsor Backed (59.8%)
- Non-Sponsor Backed (20.6%)
- Syndication (9.6%)
- Affiliated Sponsor (GAIN) (5.9%)
- GLAD Controlled (4.1%)

Representative Portfolio Investments



CIRCUITRONICS, INC. is a premier electronic manufacturing services company focused on the design and production of specialized printed circuit board assemblies and related services.



A safety solutions and personal protective equipment manufacturer and distributor. Serving the industrial, construction, renewable energy, and other end markets.



WADECO SPECIALTIES, INC. provides production well chemicals to oil well operators used for corrosion prevention; separating oil, gas and water once extracted; bacteria growth management; and conditioning water utilized for hydraulic fracturing.



VACATION RENTAL PROS is an innovative vacation home property management and rental reservation system with over 2,000 properties under exclusive management across the United States.



TRAVEL SENTRY, INC. developed a master key & lock security system that has been adopted by the Transportation Security Administration in the US and other similar aviation agencies around the globe.



MERLIN INTERNATIONAL, INC. provides IT services and solutions to Federal Government agencies, with a focus on the Federal Healthcare community.



SEA LINK INTERNATIONAL is a Tier 2 manufacturer and supplier of automotive lighting components and Intermediate Bulk Container "IBC" valves.



VISION GOVERNMENT SOLUTIONS, INC. is a leading provider of land parcel management software technology and appraisal services to local government organizations.



B+T GRP

B+T GROUP is a full-service provider of structural engineering, construction, and technical services to the wireless tower industry for tower upgrades and modifications.



LIGNETICS, INC. manufactures and distributes branded wood pellets which are used as a renewable fuel for home and industrial heating, animal bedding, moisture absorption products, and firelogs and fire starters.



STRATATECH EDUCATION GROUP operates post-secondary skilled trades institutions through its subsidiaries.



DEFIANCE STAMPING COMPANY is the leading manufacturer of axle nut and washer systems for the heavy truck ("Class 8") industry in North America.



UNITED FLEXIBLE GROUP is a global leader in the design, development, manufacture and support of performance critical flexible engineered solutions for the transfer of fluids and gases in extreme environments.



AG TRUCKING, INC. is a regional food grade liquid and dry bulk carrier based in Goshen, Indiana whose services are critical to their customer's ability to maintain tight production schedules.

Quarterly Financial Summary

<i>In Thousands, except per share data</i>	Three Months Ended				
	September 30, 2016	December 31, 2016	March 31, 2017	June 30, 2017	September 30, 2017
Income:					
Interest Income	\$ 9,112	\$ 8,633	\$ 8,588	\$ 9,629	\$ 10,224
Other Investment Income	637	1,341	205	3	611
Total Investment Income	9,749	9,974	8,793	9,632	10,835
Expenses:					
Fees to Advisor & Admin	2,282	2,272	1,195	1,593	2,476
Interest Expense	834	556	587	904	1,064
Preferred Dividend Expense	1,029	1,029	1,029	1,029	1,026
Operating Expense	702	910	623	727	781
Total Expenses	4,847	4,767	3,434	4,253	5,347
Net Investment Income (NII)	\$ 4,902	\$ 5,207	\$ 5,359	\$ 5,379	\$ 5,488
Weighted Average Shares*	23,344	24,779	25,518	25,576	26,109
NII Per WAVG Share	\$ 0.21	\$ 0.21	\$ 0.21	\$ 0.21	\$ 0.21
Dividend Per WAVG Share	\$ 0.21	\$ 0.21	\$ 0.21	\$ 0.21	\$ 0.21
Weighted Avg Yield**	11.1%	11.3%	11.4%	11.5%	11.6%
Return on Equity (NII)***	10.1%	10.2%	10.0%	9.9%	9.9%
Gross Originations	\$ 26,455	\$ 21,142	\$ 40,804	\$ 37,099	\$ 16,643
Portfolio at Fair Value	322,114	288,246	313,517	345,503	352,373
Debt (LOC & Preferred Stock)	132,300	87,435	113,525	141,895	142,964
Net Asset Value	201,207	213,385	212,670	216,983	219,650
NAV Per Share	\$ 8.62	\$ 8.36	\$ 8.33	\$ 8.38	\$ 8.40

*Total Shares outstanding at 9/30/17 was 26,160,684

**Weighted average yield on interest bearing debt investments (excludes non-accruals and reserves on interest

***Return on Equity (NII) defined as: LTM net investment income divided by LTM average net assets

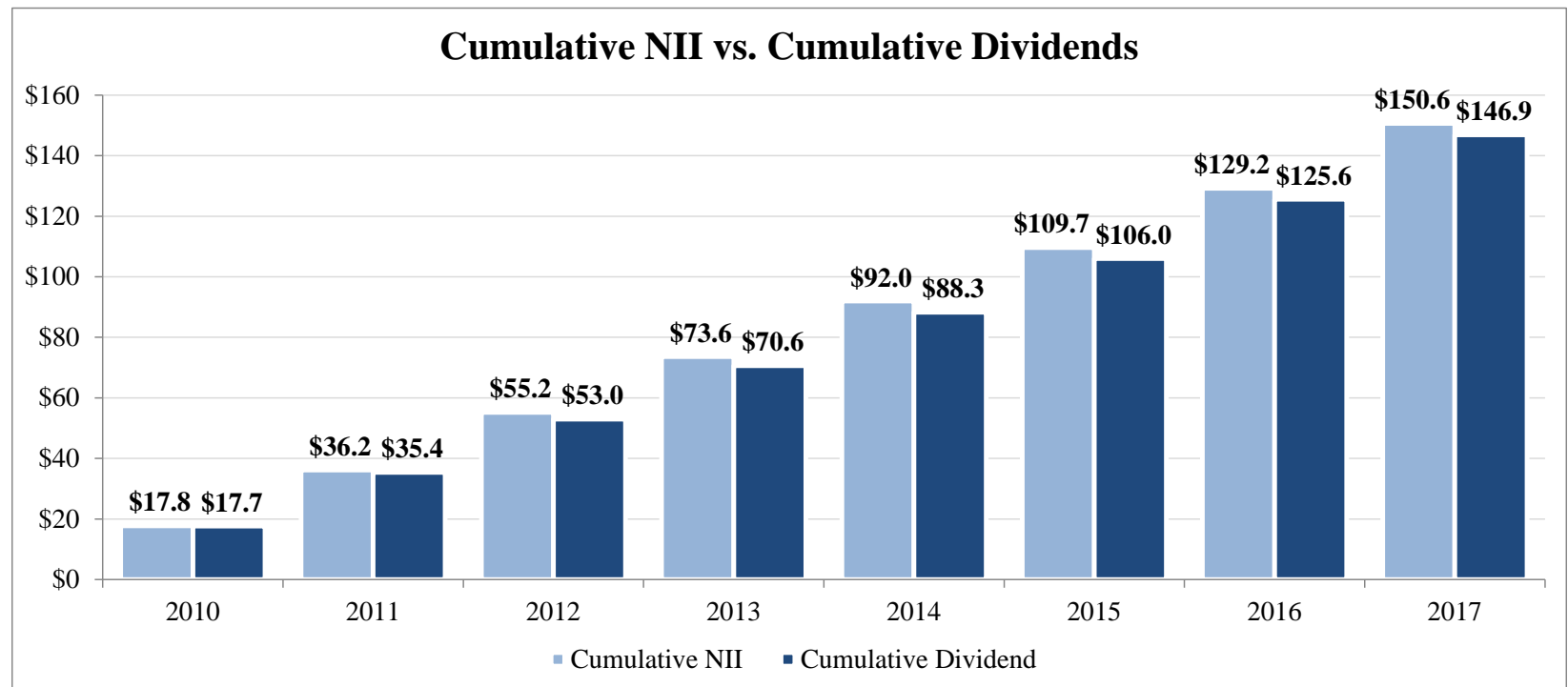
Note: The financial information above is not comprehensive and is without notes, so readers should obtain and carefully review GLAD's Forms 10-K and 10-Q for the corresponding reporting periods as filed with the SEC.

Why Own Gladstone Capital Stock?

- **Well established lender in attractive lower middle market arena**
 - Dedicated focus on this sector supported by a team of more than 60 experienced professionals
 - Attraction of lower middle market as less competitive generating higher yields at lower leverage levels with more consistent deal flow
- **Conservative Business Model**
 - Reduced credit risk profile with mix of lower leverage and predominately 1st lien senior loans
 - Shareholder distributions supported by interest income from a diversified portfolio of secured loans
 - Paid 176 consecutive distributions; annual distribution yield of 8.8% as of September 30, 2017
 - Net investment income has consistently covered 100% of common stock distributions
 - Commitment to support the common stock distributions with the management fee credits as needed
 - Insiders own more than 5% of our common stock
- **Significant capacity to grow NII / Distributions**
 - The deployment of our excess investment capacity at current yields will materially lift NII. We continue to have a strong pipeline of opportunities from which we anticipate deploying much of this excess capacity over the remainder of the year
 - The portfolio is well positioned to benefit from any incremental increase in Fed rates, as a 100 bps rise in libor should lift net interest income by approximately 6%

Distributions and Earnings Consistency

- Our Adviser's investment track record and commitment to supporting shareholder distributions via incentive fee credits has contributed to an uninterrupted distribution track record
- Gladstone Capital has made 176 consecutive monthly or quarterly distributions since inception. Cumulative distributions since the end of fiscal 2009 total \$146.9 million or \$6.72 per common share through Fiscal 2017



Note: \$ presented in millions above.

Corporate Data

Executive Officers

David Gladstone
Chairman & CEO

Terry Lee Brubaker
Vice Chairman & COO

Bob Marcotte
President

Nicole Schaltenbrand
CFO & Treasurer

Research Coverage

Janney Montgomery Scott
Mitchel Penn

Hilliard Lyons
Andy Stapp

National Securities
Christopher Testa

Ladenburg Thalmann
Mickey Schlein

Websites

Gladstone Capital:
www.gladstonecapital.com

Investment Adviser:
www.gladstonemanagement.com

Information on all Funds:
www.gladstone.com

Other Officers

Michael LiCalsi
General Counsel and Secretary

Jack Dellafiora
Chief Compliance Officer

Investor Relations

info@gladstonecompanies.com

Karin McLaughlin
703-287-5893
Karin.McLaughlin@gladstonecompanies.com

Other

Corporate Counsel:
Bass, Berry & Sims, PLC
Stradley, Ronon, Stevens & Young, LLP

Transfer Agent:
Computershare Inc.

Auditors:
PricewaterhouseCoopers LLP

NASDAQ Listings

Common Ticker: GLAD
6.00% Series 2024 Term Preferred:
GLADN

Corporate Headquarters

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

Other Offices: Los Angeles / New York