



GLADSTONE CAPITAL

Financial and Portfolio Overview
for the Fiscal Quarter Ended
June 30, 2018

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 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.

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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:

- 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 \$2.4 billion as of June 30, 2018 in assets across four publicly traded funds
- Funding sources include publicly traded common stock (*NASDAQ:GLAD*), preferred stock (*NASDAQ:GLADN*) and a bank 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 generated by 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 June 30, 2018):

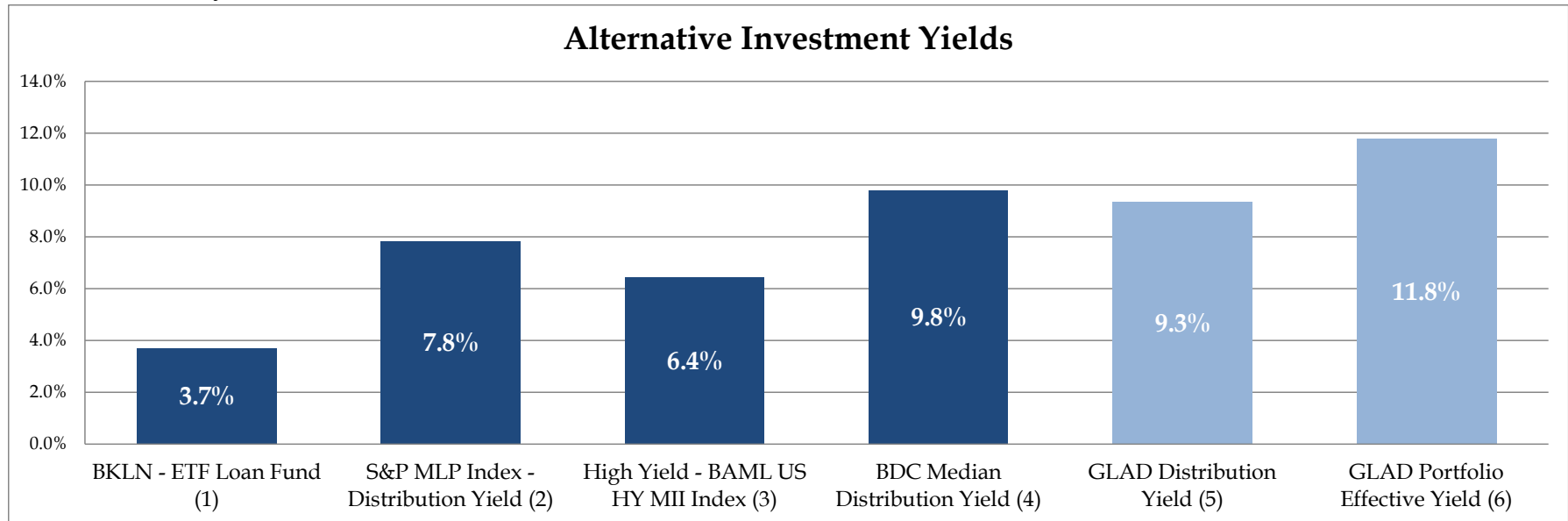
- \$405 million at fair value diversified across 50 companies and 18 different industries
- Conservative asset mix with 92.5% of investments in secured loans and 49% in lower risk 1st lien loans
- Average portfolio yield of 11.8%

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?

- **Competitive 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
- **Credit protection** - Distributions generated by a diversified portfolio of secured loans
- **Investment liquidity** - Established public equity market for common stock
- **Experienced credit managers** - Experience and 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 7/26/18

(2) S&P MLP Index Dividend Yield - 6/29/18

(3) BAML US High Yield Master II Index - Effective Yield 6/30/18

(4) Raymond James 7/13/18 BDC Industry Investment Banking Weekly Newsletter

(5) Using Stock Price at Close of 6/29/18

(6) Reported in GLAD's Form 10-Q for the quarter ended 6/30/18

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

Due Diligence:

- Thorough multi-disciplinary 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 allow for 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 private debt funds focus on larger borrowers (>\$10 million EBITDA) and deal size to get larger funds deployed on timely basis

Gladstone Capital 6/30/18 Quarter Summary

Originations/Portfolio Activity:

- Invested ~\$21 million in the quarter including one new syndicated investment of \$3 million and \$17.1 million in follow-on investments in existing portfolio companies.
- Net pay-down of \$3 million after scheduled amortization and \$22 million prepayment.
- Proprietary loan originations in the last four quarters are consistent with lower middle market investment strategy of modest leverage (~3.3x EBITDA) while maintaining average yield (>11%).

Portfolio Yield / Net Investment Income (NII):

- Investment income rose to \$12.4 million, an increase of 11.7% quarter over quarter, as interest income increased 4.0% with the increase in average LIBOR rates and prepayment and success fees rose to \$0.9 million.
- Weighted Average Yield on our interest-bearing investment portfolio increased slightly to 11.8% compared to last year and last quarter supported by a 33 bps increase in 1-month LIBOR.
- Net Investment Income for the quarter ended June 30, 2018 was \$6.0 million, or \$0.22 per weighted average share and covered 105% of distributions.

Portfolio Performance and Valuation:

- Maintained asset mix with secured 1st lien loans at 49% and total secured loans at 92.5% of investments at fair value.
- The Increase in Net Assets from Operations totaled \$.45 per share up from \$0.35 per share last quarter driven by the \$6.1 million of net portfolio appreciation on the quarter which lifted the return on equity for the quarter to 20.3% and 14.7% for the trailing four quarters.
- Net Asset Value increased 2.8% or \$.24 per share to \$8.86 with the net portfolio appreciation on the quarter.

Gladstone Capital 6/30/18 Quarter Summary

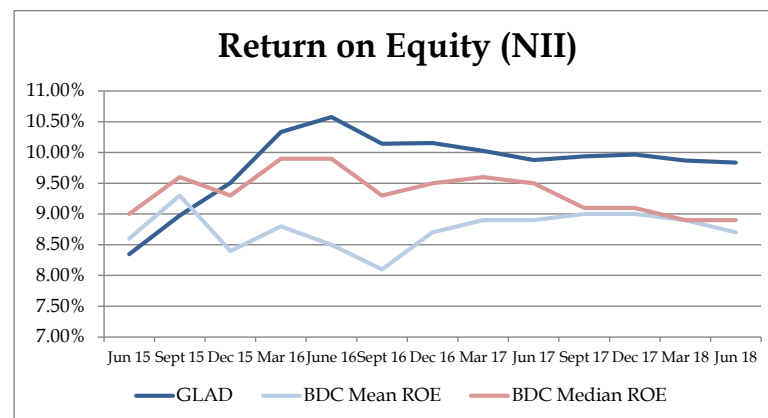
Capital Base and Liquidity

- Revolving line of credit borrowings decreased slightly to \$117 million and current availability rose to \$67 million under the \$190 million credit facility.
- The capital position improved during the quarter through the issuance of \$6.9 million of common stock under the ATM program at a weighted average price of \$9.13 per share and as a result of the \$6.1MM of net portfolio appreciation. As of June 30, 2018 debt to equity has declined to under 70% providing additional capacity to grow assets in the near term.

Improving ROE

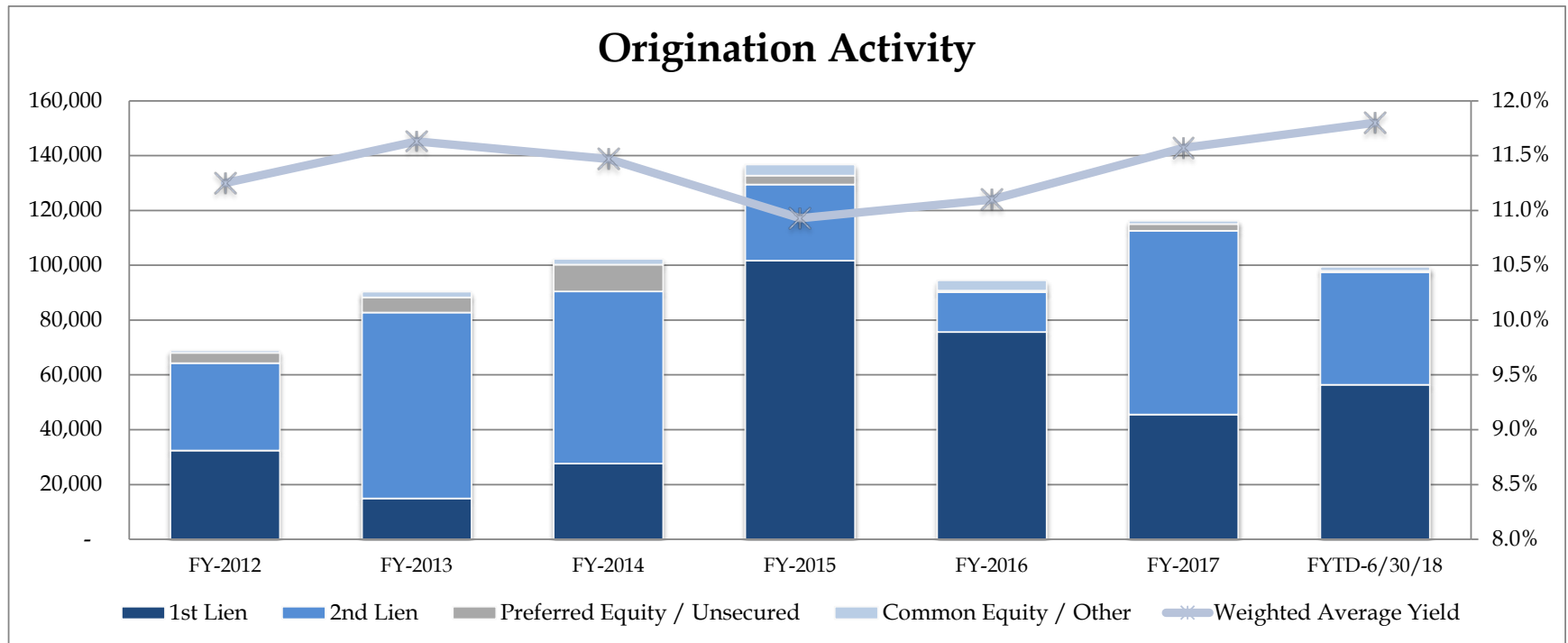
- Over the last 36 months, GLAD's portfolio performance, as measured by NII / Average Net Assets, has consistently averaged ~10% and outpaced the average BDC returns (1)
- As of 6/30/18 the overall GAAP return on equity for the trailing four quarters has risen to 14.7%, given the net appreciation of the portfolio, which, like the NII ROE (to the right) stands near the top of the BDC peers.

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



Gladstone Capital Origination Activity

- Loan originations for the first three quarters of fiscal year 2018 included nine new investments and add-ons to existing investments totaling \$96.5 million, which is in line with our historic pacing of loan originations



Attraction of Lower Middle Market Strategy

Consistent Deal Flow at Attractive Leverage & Yields

Gladstone Capital Quarterly Net Investment									
	6/30/2016	9/30/2016	12/31/2016	3/31/2017	6/30/2017	9/30/2017	12/31/2017	3/31/2018	6/30/2018
New Investments at Cost	\$ 32,000	\$ 19,500	\$ 17,240	\$ 39,001	\$ 29,000	\$ 14,000	\$ 56,336	\$ 8,100	\$ 3,000
Disbursements to Existing Portfolio Companies	1,994	663	2,807	610	6,791	2,643	602	11,339	17,143
Sales, Repayments, Other Exits at Cost	(20,389)	(22,719)	(50,453)	(14,613)	(6,015)	(12,412)	(19,843)	(14,198)	(24,356)
Net New Investments at Cost	\$ 13,605	\$ (2,556)	\$ (30,406)	\$ 24,998	\$ 29,776	\$ 4,231	\$ 37,095	\$ 5,241	\$ (4,213)
Number of New Portfolio Company Investments	2	4	3	2	3	3	7	1	1
Number of Portfolio Company Exits	3	2	4	2	0	3	3	2	1
Total Portfolio Companies	43	45	44	44	47	47	51	50	50

Gladstone Capital Proprietary Originations ⁽¹⁾									
Closing Date	Name	Industry	Sponsored	Amount Committed	Type ⁽²⁾	Closing Leverage	Closing LTV	Interest Yield	D - IRR ⁽³⁾
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%
12/11/17	Portfolio Company	Oil & Gas	Yes	\$ 6,000	1st Lien	1.99x	37%	10.8%	11.2%
12/29/17	Portfolio Co/ Follow-On	Oil & Gas	Yes	\$ 16,500	1st Lien	3.10x	38%	10.8%	11.0%
01/12/18	Portfolio Co/ Follow-On	Telecommunications	Yes	\$ 8,100	1st Lien	1.87x	44%	10.8%	12.3%
02/14/18	Portfolio Co/ Follow-On	Manufacturing	Yes	\$ 4,000	2nd Lien	3.80x	63%	12.0%	13.1%
03/09/18	Portfolio Co/ Follow-On	Diversified / Service	Yes	\$ 3,600	2nd Lien	3.92x	54%	12.0%	13.5%
05/30/18	Portfolio Co/ Follow-On	Healthcare	No	\$ 10,000	2nd Lien	1.57x	35%	12.0%	13.6%
06/29/18	Portfolio Co/ Follow-On	Diversified / Service	No	\$ 7,000	1st Lien	3.00x	N/A	13.0%	13.3%
Total Originations Committed				\$ 108,950	Wtd Avg:	3.30x	49%	11.2%	11.9%

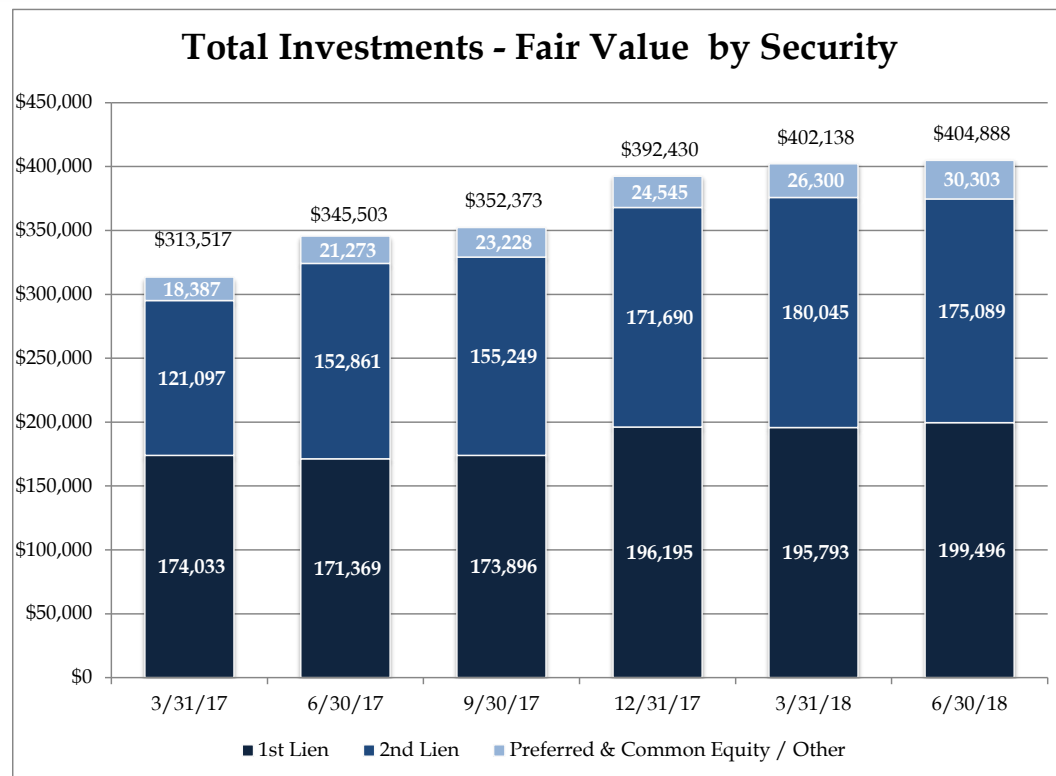
(1) Includes Proprietary New Investments and Add-on's greater than \$1MM for the Last 4 Quarters

(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

- Lower middle market deal flow has allowed GLAD to report net originations and consistent asset growth totaling 29% over the last five quarters
- Despite this growth, GLAD has maintained prudent asset mix with first lien loans at 49% of total investments and secure debt investments over 90% of total investments while maintaining accretive investment returns
- We continue to experience a healthy pace of investment origination opportunities and will be monitoring repayment activity and asset sales to support the majority of net origination growth in the near term.



	3/31/17	6/30/17	9/30/17	12/31/17	3/31/18	6/30/18
First Lien Debt	55.5%	49.6%	49.3%	50.0%	48.7%	49.3%
Second Lien Debt	38.6%	44.2%	44.1%	43.7%	44.8%	43.2%
Equity / Other	5.9%	6.2%	6.6%	6.3%	6.5%	7.5%

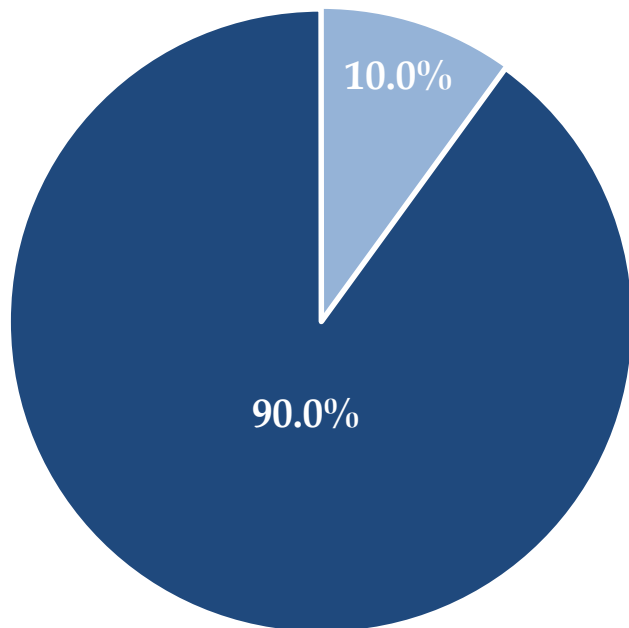
Portfolio Composition

<i>Portfolio Characteristics As Of:</i>	June 30, 2017	September 30, 2017	December 31, 2017	March 31, 2018	June 30, 2018
Total Portfolio - FV	\$ 345,503	\$ 352,373	\$ 392,430	\$ 402,138	\$ 404,888
# of Portfolio Companies	47	47	51	50	50
Average Investment Size - FV	\$ 7,351	\$ 7,497	\$ 7,695	\$ 8,043	\$ 8,098
Top 5 Investments % FV	31.7%	31.5%	28.3%	29.0%	29.9%
WAVG Investment Yield**	11.5%	11.6%	12.0%	11.5%	11.8%
1st Lien FV	\$ 171,369	\$ 173,896	\$ 196,195	\$ 195,793	\$ 199,496
2nd Lien FV	152,861	155,249	171,690	180,045	175,089
Equity / Other FV	21,273	23,228	24,545	26,300	30,303
Proprietary % of FV	89.5%	90.4%	90.8%	91.4%	90.6%
Syndicated % of FV	10.5%	9.6%	9.2%	8.6%	9.4%
Fixed Rate Debt % Cost	10.7%	8.4%	9.4%	10.0%	10.0%
Variable Rate Debt % of Cost	89.3%	91.6%	90.6%	90.0%	90.0%
Performing % FV (Debt)	97.7%	98.3%	98.5%	98.7%	99.7%
Non-Performing % FV (Debt)	2.3%	1.7%	1.5%	1.3%	0.3%
Accrued Potential Success Fees	\$ 3,800	\$ 4,600	\$ 5,600	\$ 6,400	\$ 6,700

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

Portfolio Composition

Debt Interest Rate Composition as of 6/30/18 Principal Cost



■ Fixed ■ Variable

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

Interest Rate Sensitivity - Annual Impact

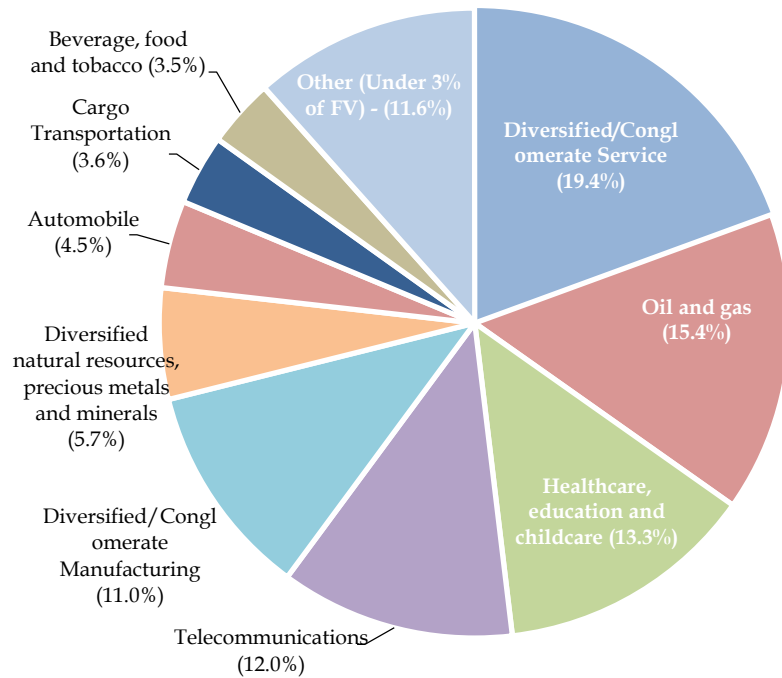
Basis Point Change	Increase Int. Income	Incr. (Dec.) in Int. Exp.	Net Interest Income Impact
Up 300 basis points	\$ 2,517	\$ 878	\$ 1,639
Up 200 basis points	1,644	585	1,059
Up 100 basis points	776	293	483
Down 209 basis point:	(687)	(611)	(76)

- 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 \$117 million of floating rate debt, a 100bp rise in LIBOR should generate an approximate 5.5% 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

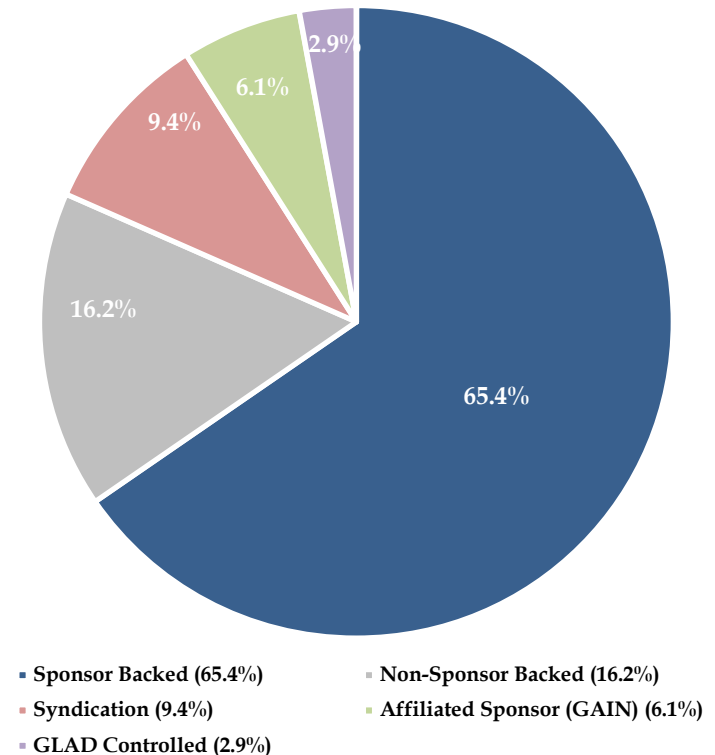
Note: Sensitivity Analysis above assumes no significant changes in the composition of the portfolio and the continued ability of portfolio companies to service debt obligations.

Industry and Deal Sources Are Diversified

Portfolio Diversification Across 18 Industries - At 6/30/18 Fair Value



Deal Source Composition - At 6/30/18 Fair Value



Representative Portfolio Investments



NETFORTRIS CORP. delivers cloud communications solutions that enable people to work, collaborate, and deliver customer service where and when business calls.



BELNICK, INC. is a distributor of branded furniture and sells to major e-commerce retailers and directly to consumers through its own furniture websites.



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.



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



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.



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



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



GRAYMATTER

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



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.



ARC DRILLING, LLC is a leading provider of electrical discharge machining services to the industrial gas turbine and aerospace markets, handling over 200,000 parts annually.



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.



THE MOCHI ICE CREAM COMPANY is a 106-year old producer of specialty frozen desserts and is the product leader in the mochi ice cream category.

Quarterly Financial Summary

<i>In Thousands, except per share data</i>	Three Months Ended				
	June 30, 2017	September 30, 2017	December 31, 2017	March 31, 2018	June 30, 2018
Income:					
Interest Income	\$ 9,629	\$ 10,224	\$ 10,670	\$ 11,000	\$ 11,435
Other Investment Income	3	611	189	86	944
Total Investment Income	9,632	10,835	10,859	11,086	12,379
Expenses:					
Fees to Advisor & Admin	1,593	2,476	2,480	2,276	3,348
Interest Expense	904	1,064	1,231	1,569	1,556
Preferred Dividend Expense	1,029	1,026	776	776	776
Operating Expense	727	781	795	852	703
Total Expenses	4,253	5,347	5,282	5,473	6,383
Net Investment Income (NII)	\$ 5,379	\$ 5,488	\$ 5,577	\$ 5,613	\$ 5,996
Weighted Average Shares*	25,576	26,109	26,523	26,709	27,134
NII Per WAVG Share	\$ 0.21	\$ 0.21	\$ 0.21	\$ 0.21	\$ 0.22
Dividend Per WAVG Share	\$ 0.21	\$ 0.21	\$ 0.21	\$ 0.21	\$ 0.21
Weighted Avg Yield**	11.5%	11.6%	12.0%	11.5%	11.8%
Return on Equity (NII)***	9.9%	9.9%	10.0%	9.9%	9.8%
Gross Originations	\$ 37,099	\$ 16,643	\$ 56,938	\$ 20,794	\$ 21,259
Portfolio at Fair Value	345,503	352,373	392,430	402,138	404,888
Debt (LOC & Preferred Stock)	141,895	142,964	180,703	177,738	167,007
Net Asset Value	216,983	219,650	225,717	231,725	244,951
NAV Per Share	\$ 8.38	\$ 8.40	\$ 8.48	\$ 8.62	\$ 8.86

*Total Shares outstanding at 6/30/18 was 27,660,432

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

***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 debt investments as less competitive generating higher yields at lower leverage levels with more consistent deal flow
- Asset performance improved since 2006-08 vintage and ROE increased to over 10% and consistently exceeds average BDC performance (*BDC ROE Source: Raymond James BDC Industry Weekly Newsletters*)

Conservative Business Model

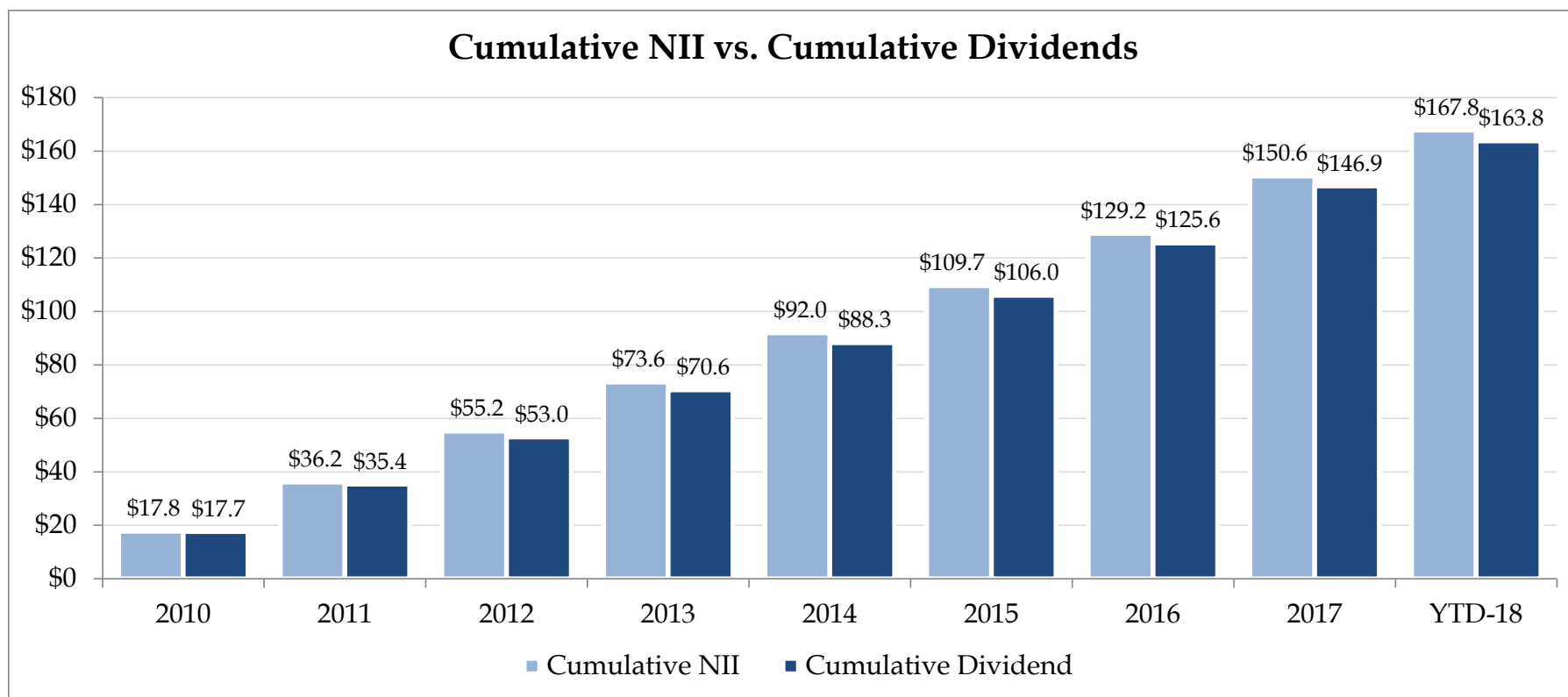
- Reduced credit risk profile with mix of lower leverage and predominately 1st lien senior loans
- History of shareholder friendly behavior including management fee credits to support continuing shareholder distributions in face of interest rate compressions in 2016-17. Insiders own >5% of our common stock
- Annual distribution yield of 9.3% as of June 30, 2018

Prospect for the growth of Net Interest Income & Distributions

- NII growth from continued asset growth, improved financing costs or realization of accumulated exit fees, or improved financing costs
- NII upside from rising interest rates on floating rate portfolio
- Intent to capitalize on regulatory asset coverage relief to prudently increase leverage to increase portfolio diversity and enhance shareholder returns

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 185 consecutive monthly or quarterly distributions since inception. Cumulative distributions since the end of fiscal 2009 shown below:



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

National Securities
Christopher Testa

Ladenburg Thalmann
Mickey Schleien

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: Dallas / New York