



Gladstone Capital (GLAD)

Updated December 2nd, 2025, by Josh Arnold

Key Metrics

Current Price:	\$21	5 Year CAGR Estimate:	6.0%	Market Cap:	\$472 M
Fair Value Price:	\$19	5 Year Growth Estimate:	0.0%	Ex-Dividend Date:	12/22/25
% Fair Value:	111%	5 Year Valuation Multiple Estimate:	-2.0%	Dividend Payment Date:	12/31/25
Dividend Yield:	8.6%	5 Year Price Target	\$19	Years Of Dividend Growth:	0
Dividend Risk Score:	F	Sector:	Financials	Rating:	Sell

Overview & Current Events

Gladstone Capital is a business development company, or BDC, that primarily invests in small and medium businesses. These investments are made via a variety of equity (10% of portfolio) and debt instruments (90% of portfolio), generally with very high yields. Loan size is typically in the \$7 million to \$30 million range and has terms up to seven years. The BDC's stated purpose is to generate income it can distribute to its shareholders. The company trades with a market capitalization of \$472 million and it pays distributions monthly, instead of quarterly.

Gladstone posted fourth quarter and full-year earnings on November 18th, 2025. The BDC posted Q4 net investment income of 52 cents per share, while total investment income was \$23.94 million.

Gladstone invested \$107 million during the quarter in five new portfolio companies, and \$20 million in existing portfolio companies. To fund this, the BDC issued 2030 convertible notes at 5.875% for \$150 million.

Interest income was up \$2.9 million to \$23.8 million, driven by a 16.2% increase in average earning assets, despite the portfolio yield declining 30 basis points to 12.5%. Total expenses were higher by \$2.1 million, including higher interest expense from increased bank borrowings and higher net management fees.

Net investment income was \$11.4 million, while net realized losses were \$6.3 million. Net assets rose \$7.6 million to \$482 million, and NAV ended the quarter at \$21.34 per share.

The big news was Gladstone cutting its dividend from \$1.98 to \$1.80 annually, but still paid monthly. We've also initiated 2026 at \$1.90 in NII-per-share, which would not have covered the prior dividend, prompting the cut.

Growth on a Per-Share Basis

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2031
NII	\$1.68	\$1.68	\$1.70	\$1.68	\$1.62	\$1.58	\$1.88	\$2.20	\$2.11	\$2.02	\$1.90	\$1.90
DPS	\$1.68	\$1.68	\$1.68	\$1.68	\$1.56	\$1.56	\$1.56	\$1.92	\$1.98	\$1.94	\$1.80	\$1.85
Shares¹	11.6	12.75	13.55	14.65	16.5	17	17.55	21.8	22.3	22.6	24	30

Gladstone reports net investment income per share, or NII, instead of earnings-per-share, which is consistent with other BDCs. On that measure, the company's results have been lackluster in terms of growth over the past decade. Our estimate of \$1.90 for this year is roughly in line with recent historical NII. Gladstone's share issuances have funded higher NII in dollar terms but haven't earned enough above its cost of capital to move the needle on NII-per-share. We're currently looking for no annual NII-per-share growth from here.

The yields on the company's portfolio influence its ability to earn income and therefore, cover its expenses and pay distributions to shareholders. Over time, the company's portfolio yield has moved to more than 12%. Despite the cost of funding rising as well, Gladstone has managed to increase its yield spreads. Gladstone's portfolio continues to grow in dollar terms, but lending spreads continue to contract.

The dividend is now 15 cents monthly, down about 9% from prior.

¹ Share count in millions

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Valuation Analysis

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	Now	2031
Avg. P/NII	9.1	11.4	10.7	10.8	10.2	12.7	9.0	8.8	11.4	10.8	11.1	10.0
Avg. Yld.	11.0%	8.8%	9.3%	9.2%	9.4%	7.8%	9.2%	10.0%	8.2%	8.9%	8.6%	9.7%

Gladstone has traded at a price-to-NII ratio very near 10 in the past decade, which is where we assess fair value. At 11.1 times NII, the stock appears to be modestly overvalued. We therefore see a small negative impact to total returns from the valuation. The valuation has improved, but not quite enough.

The yield is lower than it has been for most of the past decade; Gladstone's average yield in the past decade has been close to 10%, and we see the yield with the potential to move higher in the coming years, as the stock could see a valuation headwind.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2031
Payout	100%	100%	99%	100%	96%	99%	83%	87%	94%	96%	95%	97%

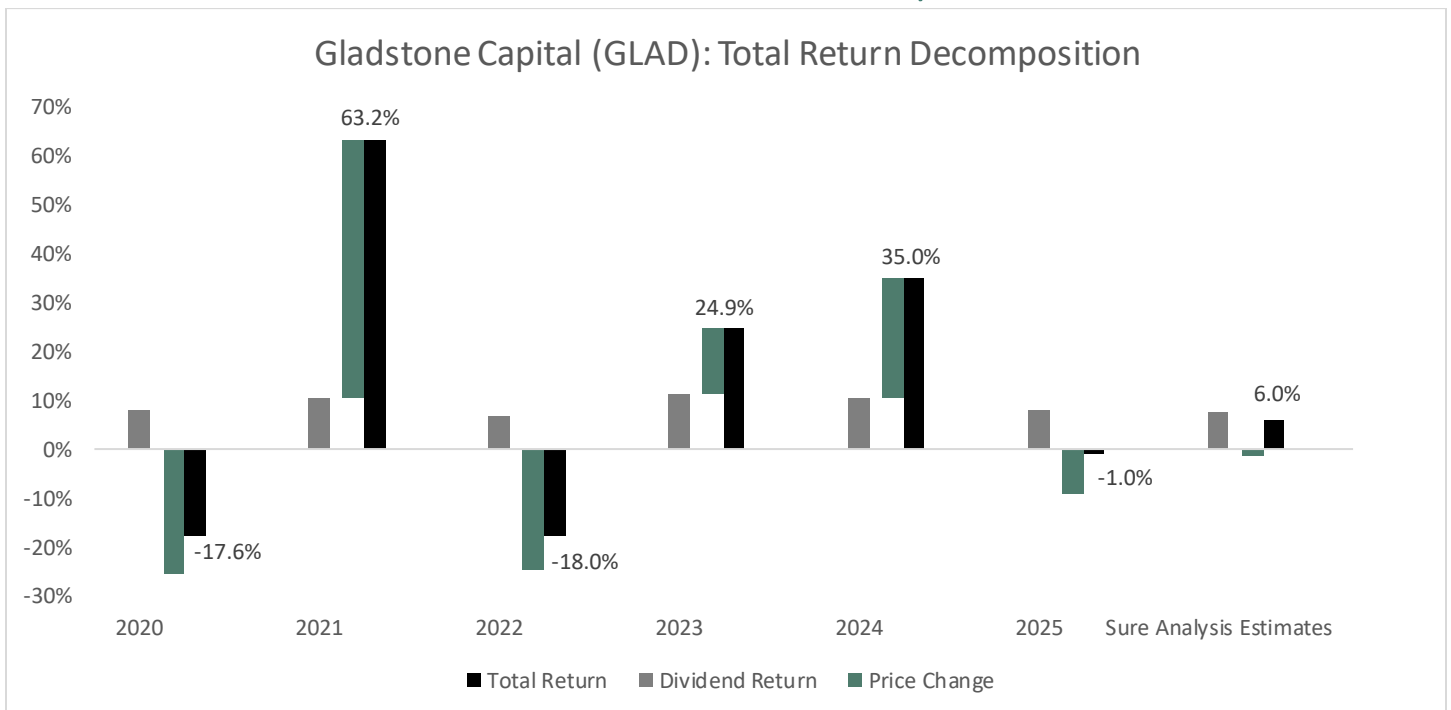
Gladstone doesn't have any competitive advantages as it operates in much the same way as any other BDC. It is also dependent upon funding costs and the spreads it can earn on its debt and equity investments. During recessions, Gladstone will likely struggle as repayments may become a problem for its debt investments.

Gladstone cut its distribution for this reason in Q2 2020, and with earnings estimates coming down, the payout ratio is just under 100% again, making us cautious. The most recent increase is seen as a vote of confidence from management.

Final Thoughts & Recommendation

We forecast 6% total annual returns in the coming years. The stock is overvalued, in our view. However, the dividend payout ratio is back under 100%. We see a 2% headwind from the valuation, as well as 0% growth and the 8.6% dividend yield. The stock now earns a sell rating given the recent dividend cut.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenue	21	25	30	31	33	8	95	32	59	99
SG&A Exp.	6	7	7	8	8	8	8	10	3	14
Net Profit	8	11	17	19	20	(2)	84	20	43	95
Net Margin	40.4%	46.0%	56.8%	59.5%	59.4%	-22.3%	89.0%	62.5%	72.8%	96.1%
Free Cash Flow	(74)	60	(13)	(18)	9	(46)	(14)	(76)	(11)	3

Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets	382	336	366	400	426	459	567	661	719	812
Cash & Equivalents	4	6	5	2	16	2	1	2	1	2
Accounts Receivable	6	2	2	3	3	3	2	3	6	---
Total Liabilities	191	134	146	162	177	225	248	345	311	334
Accounts Payable	1	1	1	1	1	2	2	3	4	4
Long-Term Debt	127	71	93	110	123	222	237	339	301	325
Shareholder's Equity	191	201	220	237	249	234	318	315	409	471
LTD/E Ratio	0.66	0.35	0.42	0.46	0.49	0.95	0.74	1.08	0.74	0.68

Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Return on Assets	2.5%	3.2%	4.9%	4.9%	4.8%	-0.4%	16.4%	3.2%	6.2%	12.4%
Return on Equity	4.3%	5.8%	8.2%	8.2%	8.2%	-0.8%	30.5%	6.3%	11.8%	21.3%
ROIC	3.0%	3.8%	5.9%	5.7%	5.5%	-0.5%	16.7%	3.3%	6.3%	12.5%
Shares Out.	21.1	23.2	25.5	27.1	29.3	33.0	34.0	34.4	37.3	21.8
Revenue/Share	1.00	1.07	1.19	1.16	1.14	0.27	2.85	0.94	1.57	4.52
FCF/Share	(3.54)	2.59	(0.51)	(0.66)	0.32	(1.48)	(0.42)	(2.22)	(0.29)	0.15

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.

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