



Gladstone Capital (GLAD)

Updated May 30th, 2026, by Josh Arnold

Key Metrics

Current Price:	\$19	5 Year CAGR Estimate:	8.9%	Market Cap:	\$438 M
Fair Value Price:	\$19	5 Year Growth Estimate:	1.0%	Ex-Dividend Date:	06/23/26
% Fair Value:	100%	5 Year Valuation Multiple Estimate:	0.0%	Dividend Payment Date:	06/30/26
Dividend Yield:	9.5%	5 Year Price Target	\$20	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 \$438 million and it pays distributions monthly, instead of quarterly.

Gladstone posted second quarter earnings on May 6th, 2026, and results were roughly as expected. Total investment income, which is akin to revenue, was \$26 million. Net investment income per share was 52 cents.

Total interest income fell to \$23.2 million, while the weighted average yield fell to 11.8%. Total expenses rose, driven primarily by higher net management fees on higher average assets. The increase in net assets resulting from operations was \$15.5 million, or 68 cents per share. Net portfolio appreciation came in at \$4.2 million.

Total assets rose to \$925 million, with \$907 million of that in investments at fair value. Gross leverage was 91.8% of net assets at the end of the quarter. NAV per share rose from \$21.13 to \$21.36.

The company noted that the 15-cent monthly dividend will be paid for the next couple of payments and that the board is meeting to decide the payment after that. The dividend should be safe at current levels, but it is a risk that it gets cut in the coming months based upon this.

We've cut our estimate of NII-per-share by a nickel after Q2 results to \$1.90 per share.

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	\$2.00
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 1% 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 15 cents monthly, down about 9% from prior. We note the payment is under review by the board over the summer months of 2026.

¹ Share count in millions

Disclosure: This analyst has no position in the security discussed in this research report, and no plans to initiate one in the next 72 hours.



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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	10.0	10.0
Avg. Yld.	11.0%	8.8%	9.3%	9.2%	9.4%	7.8%	9.2%	10.0%	8.2%	8.9%	9.5%	9.2%

Gladstone has traded at a price-to-NII ratio very near 10 in the past decade, which is where we assess fair value. At 10 times NII, the stock appears to be exactly fairly valued. We therefore see no impact to total returns from the valuation. The valuation has deteriorated slightly since our last update.

The yield is near where 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 a bit lower in the coming years.

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%	92%

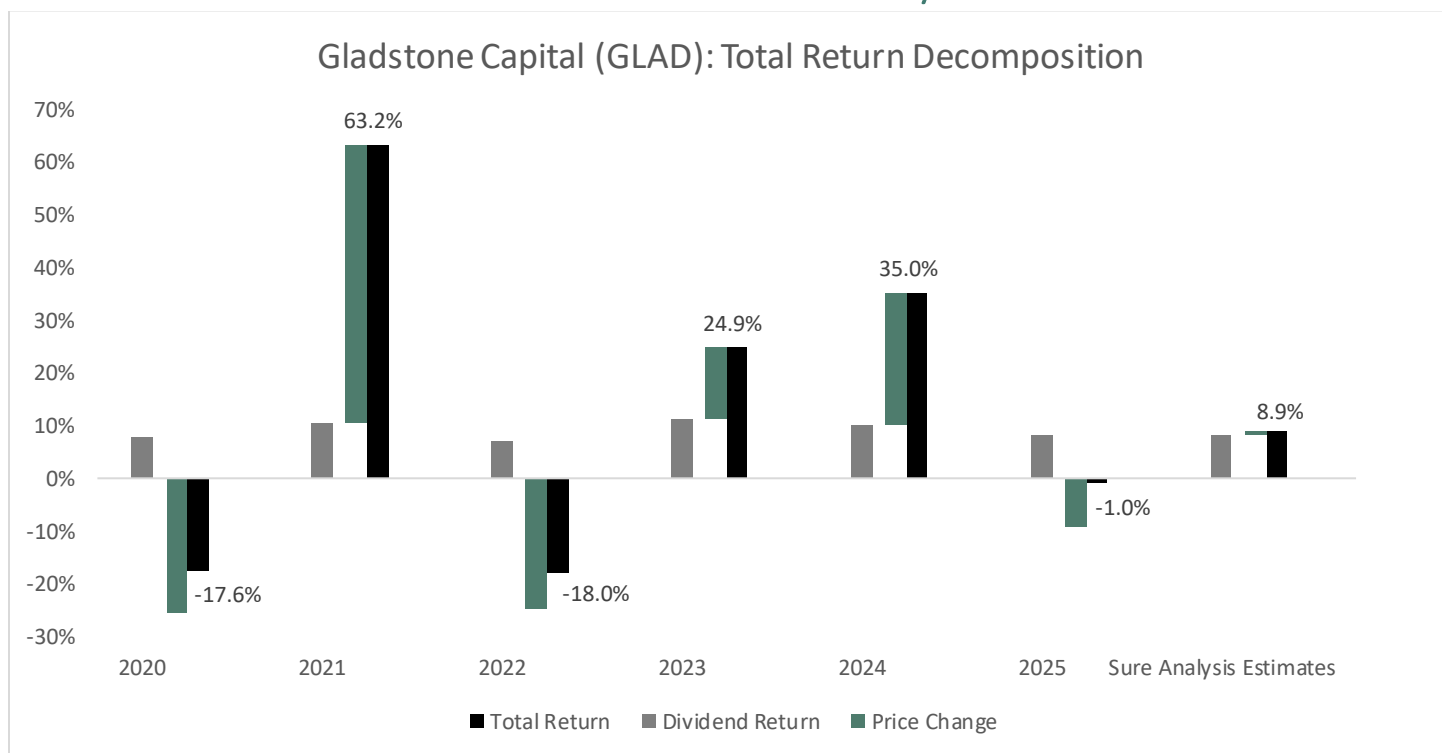
Gladstone doesn't have any competitive advantages as it operates in much the same way as any other BDC. It is also dependent upon funding costs and the spreads it can earn on its debt and equity investments. During recessions, Gladstone will likely struggle as repayments may become a problem for its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

Final Thoughts & Recommendation

We forecast 8.9% total annual returns in the coming years. The stock is fairly valued now, and the dividend payout ratio is back under 100%. We see 1% growth along with the 9.5% dividend yield. The stock earns a sell rating given the relatively recent dividend cut.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Revenue	25	30	31	33	8	95	32	59	99	145
SG&A Exp.	7	7	8	8	8	8	10	3	14	---
Net Profit	11	17	19	20	(2)	84	20	43	95	58
Net Margin	46.0%	56.8%	59.5%	59.4%	-22.3%	89.0%	62.5%	72.8%	96.1%	40.0%
Free Cash Flow	60	(13)	(18)	9	(46)	(14)	(76)	(11)	3	44

Balance Sheet Metrics

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Total Assets	336	366	400	426	459	567	661	719	812	908
Cash & Equivalents	6	5	2	16	2	1	2	1	2	32
Accounts Receivable	2	2	3	3	3	2	3	6	---	---
Total Liabilities	134	146	162	177	225	248	345	311	334	406
Accounts Payable	1	1	1	1	2	2	3	4	4	---
Long-Term Debt	71	93	110	123	222	237	339	301	325	398
Shareholder's Equity	201	220	237	249	234	318	315	409	471	482
LTD/E Ratio	0.35	0.42	0.46	0.49	0.95	0.74	1.08	0.74	0.68	0.79

Profitability & Per Share Metrics

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Return on Assets	3.2%	4.9%	4.9%	4.8%	-0.4%	16.4%	3.2%	6.2%	12.4%	6.8%
Return on Equity	5.8%	8.2%	8.2%	8.2%	-0.8%	30.5%	6.3%	11.8%	21.3%	11.9%
ROIC	3.8%	5.9%	5.7%	5.5%	-0.5%	16.7%	3.3%	6.3%	12.5%	6.8%
Shares Out.	23.2	25.5	27.1	29.3	33.0	34.0	34.4	37.3	21.8	22.7
Revenue/Share	1.07	1.19	1.16	1.14	0.27	2.85	0.94	1.57	4.52	6.39
FCF/Share	2.59	(0.51)	(0.66)	0.32	(1.48)	(0.42)	(2.22)	(0.29)	0.15	1.93

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

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