

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event Reported): July 29, 2020

Gladstone Capital Corporation
(Exact Name of Registrant as Specified in Charter)

Maryland
(State or Other Jurisdiction of Incorporation)

814-00237
(Commission File Number)

54-2040781
(I.R.S. Employer Identification Number)

1521 Westbranch Drive, Suite 100
McLean, Virginia
(Address of Principal Executive Offices)

22102
(Zip Code)

(703) 287-5800
(Registrant's telephone number, including area code)

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Securities registered pursuant to Section 12(b) of the Act:

| <u>Title of each class</u> | <u>Trading symbol</u> | <u>Name of each exchange on which registered</u> |
|---|-----------------------|--|
| Common Stock, \$0.001 par value per share | GLAD | The Nasdaq Stock Market LLC |
| 6.125% Notes due 2023, \$25.00 par value per note | GLADD | The Nasdaq Stock Market LLC |
| 5.375% Notes due 2024, \$25.00 par value per note | GLADL | The Nasdaq Stock Market LLC |

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (17 CFR §230.405) or Rule 12b-2 of the Securities Exchange Act of 1934 (17 CFR §240.12b-2). Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Item 2.02. Results of Operations and Financial Condition.

On July 29, 2020, Gladstone Capital Corporation issued a press release announcing its financial results for the quarter ended June 30, 2020. The text of the press release is included as an exhibit to this Current Report on Form 8-K. The information in this Current Report on Form 8-K, including Exhibit 99.1 attached hereto, is being furnished and shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or incorporated by reference in any filing under the Securities Act of 1933, as amended, or the Exchange Act, regardless of any general incorporation language in such filing.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits.

Exhibit No. **Description**

99.1 Press Release of Gladstone Capital Corporation, dated July 29, 2020.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Gladstone Capital Corporation

Date: July 29, 2020

By: /s/ Nicole Schaltenbrand
Nicole Schaltenbrand
Chief Financial Officer and Treasurer

Gladstone Capital Corporation Reports Financial Results for its Third Quarter Ended June 30, 2020

MCLEAN, Va., July 29, 2020 (GLOBE NEWSWIRE) -- Gladstone Capital Corporation (Nasdaq: GLAD) (the "Company") today announced earnings for its third fiscal quarter ended June 30, 2020. Please read the Company's Quarterly Report on Form 10-Q filed today with the U.S. Securities and Exchange Commission (the "SEC"), which is available on the SEC's website at www.sec.gov, and the investor relations section of the Company's website at www.GladstoneCapital.com.

Summary Information (dollars in thousands, except per share data) (unaudited):

| For the Quarter Ended: | June 30, 2020 | March 31, 2020 | Change | % Change |
|---|------------------|-------------------|-----------|----------|
| Total investment income | \$ 11,729 | \$ 11,492 | \$ 237 | 2.1% |
| Total expenses, net of credits | (5,646) | (4,945) | (701) | 14.2 |
| Net investment income | 6,083 | 6,547 | (464) | (7.1) |
| Net investment income per common share | 0.195 | 0.21 | (0.015) | (7.1) |
| Cash distribution per common share | 0.195 | 0.21 | (0.015) | (7.1) |
| Net realized gain (loss) | (107) | (3,070) | 2,963 | (96.5) |
| Net unrealized appreciation (depreciation) | 8,981 | (31,252) | 40,233 | NM |
| Net increase (decrease) in net assets resulting from operations | 14,957 | (27,775) | 42,732 | NM |
| Weighted average yield on interest-bearing investments | 10.9% | 10.9% | —% | — |
| Total invested | \$ 55,677 | \$ 29,792 | \$ 25,885 | 86.9 |
| Total repayments and net proceeds | 17,084 | 26,405 | (9,321) | (35.3) |
| As of: | June 30, 2020 | March 31, 2020 | Change | % Change |
| Total investments, at fair value | \$ 446,676 | \$ 398,316 | \$ 48,360 | 12.1% |
| Fair value, as a percent of cost | 90.3% | 87.5% | 2.8% | 3.2 |
| Net asset value per common share | \$ 7.27 | \$ 6.99 | \$ 0.28 | 4.0 |

NM=Not Meaningful

Third Fiscal Quarter 2020 Highlights:

- **Portfolio Performance:** Strong company performances and liquidity management in the face of COVID-19 disruptions resulted in no payment defaults, and non-accruals declined to 1.5% of the portfolio at fair value.
- **Investment Activity:** Invested \$53.5 million in two new proprietary portfolio companies and \$2.2 million in existing portfolio companies and received \$17.1 million in repayments and net proceeds resulting in net originations of \$38.6 million.
- **Net Unrealized Appreciation:** Increased \$9.0 million supported by the decrease in market spreads for comparable loan investments during the quarter and improved operating results for several credits.
- **Net Asset Value:** Increased 4.0% from March 31, 2020 to \$226.8 million or \$7.27 per share as of June 30, 2020.
- **Conservative Capital Base:** Maintained a debt-to-equity ratio of 101.8%.
- **Credit Facility:** Extended the revolving period on existing terms to July 15, 2021 and decreased the commitment amount from \$190 million to \$180 million.

Third Fiscal Quarter 2020 Results:

Interest income increased by \$0.6 million, or 5.7%. The increase was driven mainly by an increase in the weighted average principal balance of our interest-bearing investment portfolio, which was \$429.0 million for the three months ended June 30, 2020, compared to \$404.3 million for the three months ended March 31, 2020, an increase of \$24.7 million, or 6.1%. Other income decreased by \$0.4 million, or 79.4%, quarter over quarter, primarily due to a decrease in success fees received. Total expenses increased by 14.2% quarter over quarter, primarily due to a \$0.8 million decrease in fee credits granted by the Adviser.

Net Investment Income for the quarter ended June 30, 2020 was \$6.1 million, a decrease of 7.1%, as compared to the prior quarter, or \$0.195 per share.

The Net Increase in Net Assets Resulting from Operations was \$15.0 million, or \$0.48 per share, for the quarter ended June 30, 2020, compared to the Net Decrease in Net Assets Resulting from Operations of \$27.8 million, or \$0.89 per share, for the quarter ended March 31, 2020. The current quarter increase was driven by \$9.0 million in net portfolio appreciation during the period. The decrease in market spreads for comparable loan investments was the primary driver of the net unrealized appreciation of investments of \$9.0 million for the quarter ended June 30, 2020. The increase in comparable multiples used to estimate the fair value of several of our portfolio companies also impacted the total net unrealized appreciation, partially offset by decreased performance in certain of our portfolio companies. In part, the performance of

certain of our portfolio companies was driven by the impact COVID-19 has had or is expected to have on our portfolio companies and the markets in which they operate.

Subsequent Events: Subsequent to June 30, 2020, the following significant events occurred:

- **Portfolio Activity:** In July 2020, our investment in Universal Survey Center, Inc. paid off at par for net proceeds of \$14.1 million. In conjunction with the payoff, we received a prepayment fee of \$0.3 million.
- **Distributions Declared:** In July 2020, our Board of Directors declared the following monthly distributions to common stockholders for July, August and September:

| <u>Record Date</u> | <u>Payment Date</u> | <u>Distribution per Common Share</u> |
|--------------------|------------------------------|--------------------------------------|
| July 24, 2020 | July 31, 2020 | \$ 0.065 |
| August 24, 2020 | August 31, 2020 | 0.065 |
| September 23, 2020 | September 30, 2020 | 0.065 |
| | Total for the Quarter | \$ 0.195 |

Comments from Gladstone Capital’s President, Bob Marcotte: “The ramifications and impact of COVID-19 last quarter were certainly unprecedented; however, we are pleased to report that, on balance, our portfolio performed well, our non-accrual assets declined, and we were able to close on several attractive investments to grow our earning asset base and lift our core net interest income, which are all key drivers to maintain and grow our shareholder distributions. While there may be additional challenges ahead, and we have a ways to go to fully recover from the unrealized losses of the prior quarter, our investment principles and strategies are intact and we are well positioned to expand our investment portfolio as a value-added capital provider to growth oriented lower middle market companies.”

Conference Call for Stockholders: The Company will hold its earnings release conference call on Thursday, July 30, 2020, at 8:30 a.m. EDT. Please call (833) 519-1258 and enter conference number 6854369 to enter the conference call. An operator will monitor the call and set a queue for any questions. A replay of the conference call will be available through August 6, 2020. To hear the replay, please dial (855) 859-2056 and use conference number 6854369. The replay of the conference call will be available beginning approximately one hour after the call concludes. The live audio broadcast of the Company’s quarterly conference call will also be available online at www.GladstoneCapital.com. The event will be archived and available for replay on the Company’s website through September 30, 2020.

About Gladstone Capital Corporation: Gladstone Capital Corporation is a publicly traded business development company that invests in debt and equity securities, consisting primarily of secured first and second lien term loans to lower middle market businesses in the United States. Information on the business activities of all the Gladstone funds can be found at www.GladstoneCompanies.com.

To obtain a paper copy of the Company’s most recent Form 10-Q, please contact the Company at 1521 Westbranch Drive, Suite 100, McLean, VA 22102, ATTN: Investor Relations. The financial information above is not comprehensive and is without notes, so readers should obtain and carefully review the Company’s Form 10-Q for the quarter ended June 30, 2020, including the notes to the consolidated financial statements contained therein.

Investor Relations Inquiries: Please visit www.gladstonecompanies.com or +1-703-287-5893.

Forward-looking Statements:

The statements in this press release about future growth and shareholder returns are "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 inherently involve certain risks and uncertainties in predicting future results and conditions. Although these statements are based on our current plans that are believed to be reasonable as of the date of this press release, a number of factors could cause actual results and conditions to differ materially from these forward-looking statements, including those factors described from time to time in our filings with the U.S. Securities and Exchange Commission. The Company undertakes no obligation to publicly release the result of any revisions to these forward-looking statements that may be made to reflect any future events or otherwise, except as required by law.