

**COMPANY UPDATE / ESTIMATE CHANGE**
**Key Metrics**

GLAD - NASDAQ (as of 11/21/17)	\$9.80
Price Target	NA
52-Week Range	\$8.03-\$10.12
Shares Outstanding (mm)	26.6
Market Cap. (\$mm)	\$261
3-Mo. Average Daily Volume (000)	108.8
Institutional Ownership	13.7%
Total Debt/Equity	65.1%
TTM ROE	8.0%
Net Asset Value Per Share	\$8.40
Price/Net Asset Value	116.7%
Dividend Yield	8.6%
Price/LTM Net Investment Income	14.6x

**Net Investment Income Per Share FY 9/30**

	2017A	Prior 2018E	Curr. 2018E	Prior 2019E	Curr. 2019E
1Q	\$0.21	\$0.21	\$0.21		\$0.22
2Q	\$0.21	\$0.21	\$0.21		\$0.22
3Q	\$0.21	\$0.21	\$0.21		\$0.22
4Q	\$0.21	\$0.21	\$0.22		\$0.22
Year	\$0.84	\$0.84	\$0.85		\$0.87
P/Nil	11.6x		11.5x		11.2x

Numbers may not add due to rounding

**Net Asset Value Per Share FY 9/30**

	2017A	Prior 2018E	Curr. 2018E	Prior 2019E	Curr. 2019E
1Q	\$8.36	\$8.33	\$8.44		\$8.52
2Q	\$8.33	\$8.33	\$8.46		\$8.55
3Q	\$8.38	\$8.33	\$8.47		\$8.57
4Q	\$8.40	\$8.33	\$8.50		\$8.60

**Company Description:** Headquartered in McLean, Virginia, Gladstone Capital Corporation operates as a business development company which requires the company to pay out at least 90% of earnings to shareholders. GLAD provides cash flow-based loans to privately held lower middle market businesses based in the U.S.

**Gladstone Capital Corp.**

GLAD -- NASDAQ – Neutral – 3

**F4Q17 Review – Reaffirming Neutral Rating**

- **Earnings Update:** F4Q17 operating net investment income per share of \$0.21 was in line with our estimate and the Street consensus.
- **Operating Highlights:** Total investment income rose \$1.2 million linked-quarter (LQ) to \$10.8 million on \$0.6 million gains in both interest income and other income. We had modeled investment income of \$10.5 million. Net investment income rose \$0.1 million to \$5.5 million LQ as the lift in total investment income was mostly offset by a \$1.1 million increase in total expenses. Net asset value per share (NAV) grew \$0.02 sequentially to \$8.40 primarily from the accretive impact of issuing 471,498 shares of common stock through the company's at-the-market program at a premium to NAV. GLAD invested \$14.0 million in three new portfolio companies and \$2.6 million in existing companies during the quarter. We had projected \$35.0 million in investment production. The company received \$12.4 million in repayments in F4Q17 versus \$6.0 million in F3Q17 and \$21.1 million in the year-ago quarter. Unrealized appreciation of \$1.3 million was offset by the write-off of unamortized issuance costs associated with the refinancing of higher cost preferred stock.
- **Estimates & Valuation:** We are raising our FY2018 net investment income per share estimates by \$0.01 to \$0.85 and introducing our FY2019 estimate at \$0.87. GLAD continues to make progress in covering dividends with net investment income without incentive fee waivers from its external advisor. We project the company will be able to accomplish this feat in F4Q18. However, we believe the progress GLAD is making in this regard is reflected in the 19% YOY advance in GLAD's share price and are reaffirming our Neutral rating.

**Note Important Disclosures on pages 6-7**

**Note Analyst Certification on page 6**

**OTHER KEY TAKEAWAYS**

- Gladstone Capital redeemed its 6.75% Series 2021 Preferred Stock toward the end of F4Q17 and issued approximately \$52 million of 6.00% Series 2024 Preferred Stock (GLADN - \$25.57). Management estimates this refinancing will result in annual savings of approximately \$725,000.
- Certain loans to two portfolio companies, Sunshine Media Holdings and Alloy Die Casting Corp., were on nonaccrual status at quarter-end with an aggregate cost basis of \$27.9 million, or 7.5% of the cost basis of all debt investments. Nonaccrual assets were unchanged on a LQ basis.
- With a higher level of new investment production than principal repayments and favorable net valuation marks, investments at FV rose 2.0% sequentially.
- Management noted that the investment pipeline is strong and believes investment production should be in line with the more robust levels realized in prior quarters in fiscal 2017, if not stronger.
- The weighted average yield on interest-bearing investments increased to 11.8% in F4Q17 from 11.4% in the prior quarter.
- Approximately 92.0% of debt investments were variable rate at quarter-end, all of which contain interest rate floors. The weighted average LIBOR floor on these assets is approximately 1.3%. A 100 bp rise in LIBOR would be expected to result in an approximate 6% increase in net interest income.
- Total expenses were higher primarily due to an increase in the base management fee, a substantial decline in the incentive fee waiver and higher interest expense.
- Borrowings from GLAD's line of credit increased \$10.8 million to \$93.1 million LQ. The credit limit under the facility is \$170.0 million.
- The debt-to-equity ratio was flat sequentially at 0.66X.

The following chart provides information regarding the company's investment portfolio. Total net depreciation for the portfolio was 14.9% at quarter-end versus 16.4% at June 30, 2017. Hilliard Lyons does not project any changes in the valuation of the portfolio.

**PORTFOLIO HOLDINGS**

<b>HOLDINGS SUMMARY @ SEPTEMBER 30, 2017</b>							
<b>Company</b>	<b>Product</b>	<b>Cost (000)</b>	<b>Fair Value 6/30/17</b>	<b>App. (Dep.)</b>	<b>Cost of Portfolio %</b>	<b>FV Portfolio %</b>	
<b><u>Control Investments</u></b>							
1	Defiance Integrated Technologies	Automobile	\$ 8,645	\$ 10,921	\$ 2,276	2.10%	3.10%
2	PIC 360, LLC	Machinery	\$ 4,001	\$ 4,316	\$ 315	0.97%	1.22%
3	Sunshine Media Holdings	Printing & Publishing	\$ 29,969	\$ 3,628	\$ (26,341)	7.28%	1.03%
<b><u>Affiliate Investments</u></b>							
4	Edge Adhesives Holdings, Inc.	Diversified/Conglomerate Manufacturing	\$ 10,316	\$ 7,184	\$ (3,132)	2.51%	2.04%
5	Lignetics, Inc.	Diversified Natural Resources	\$ 19,955	\$ 18,948	\$ (1,007)	4.85%	5.38%
6	LWO Acquisitions Company	Diversified/Conglomerate Manufacturing	\$ 14,588	\$ 11,637	\$ (2,951)	3.55%	3.30%
7	Targus Cayman HoldCo Limited	Textiles & Leather	\$ 5,009	\$ 4,879	\$ (130)	1.22%	1.38%
<b><u>Non-Control Investments</u></b>							
8	AG Transportation Holdings, LLC	Cargo Transport	\$ 14,244	\$ 13,081	\$ (1,163)	3.46%	3.71%
9	Alloy Die Casting Co	Diversified/Conglomerate Manufacturing	\$ 7,910	\$ 3,565	\$ (4,345)	1.92%	1.01%
10	B+T Group Acquisition Inc.	Telecommunications	\$ 7,799	\$ 6,095	\$ (1,704)	1.90%	1.73%
11	Belnick, Inc.	Home & Office Furnishings, Housewares	\$ 10,000	\$ 10,100	\$ 100	2.43%	2.87%
12	Canopy Safety Brands, LLC	Personal & Non-Durable Products	\$ 7,100	\$ 6,875	\$ (225)	1.73%	1.95%
13	Chinese Yellow Pages Company	Printing & Publishing	\$ 107	\$ -	\$ (107)	0.03%	0.00%
14	DataPipe, Inc.	Diversified/Conglomerate Service	\$ 1,966	\$ 2,005	\$ 39	0.48%	0.57%
15	Edmentum Ultimate Holdings, LLC	Healthcare, Education, Childcare	\$ 5,960	\$ 3,324	\$ (2,636)	1.45%	0.94%
16	EL Academies, Inc.	Healthcare, Education, Childcare	\$ 12,500	\$ 12,500	\$ -	3.04%	3.55%
17	FedCap Partners, LLC	Aerospace and Defense	\$ 1,634	\$ 751	\$ (883)	0.40%	0.21%
18	Flight Fit N Fun LLC	Leisure, Amusement, Motion Pic. Ent.	\$ 8,500	\$ 9,225	\$ 725	2.07%	2.62%
19	Francis Drilling Fluids, Ltd.	Oil and Gas	\$ 25,500	\$ 12,557	\$ (12,943)	6.20%	3.56%
20	Frontier Financial Group, Inc.	Diversified/Conglomerate Service	\$ 500	\$ 500	\$ -	0.12%	0.14%
21	Funko Acquisition Holdings, LLC	Personal & Non-Durable Products	\$ 167	\$ 159	\$ (8)	0.04%	0.05%
22	GFRC Holdings, LLC	Buildings and Real Estate	\$ 3,205	\$ 3,004	\$ (201)	0.78%	0.85%
23	HB Capital Resources, Ltd.	Diversified Conglomerate Service	\$ 22,000	\$ 22,110	\$ 110	5.35%	6.27%
24	IA Tech, LLC	Diversified/Conglomerate Service	\$ 23,000	\$ 23,633	\$ 633	5.59%	6.71%
25	Keystone Acquisition Corp.	Diversified/Conglomerate Service	\$ 3,922	\$ 3,960	\$ 38	0.95%	1.12%
26	LDiscovey, LLC	Diversified/Conglomerate Service	\$ 4,815	\$ 4,550	\$ (265)	1.17%	1.29%
27	Leeds Novamark Capital I, L.P.	Private Equity Fund - Health, Edu, Childcare	\$ 1,628	\$ 1,645	\$ 17	0.40%	0.47%
28	Medical Solutions Holdings	Healthcare, Education, Childcare	\$ 2,956	\$ 2,970	\$ 14	0.72%	0.84%
29	Meridian Rack & Pinion, Inc.	Automobile	\$ 5,589	\$ 3,776	\$ (1,813)	1.36%	1.07%
30	Merlin International	Healthcare, Education, Childcare	\$ 10,000	\$ 10,150	\$ 150	2.43%	2.88%
31	NetFortis Corp.	Telecommunications	\$ 24,001	\$ 24,240	\$ 239	5.83%	6.88%
32	NetSmart Technologies, Inc.	Healthcare, Education, Childcare	\$ 3,609	\$ 3,678	\$ 69	0.88%	1.04%
33	Neustar, Inc.	Telecommunications	\$ 1,000	\$ 1,015	\$ 15	0.24%	0.29%
34	New Trident Holdcorp, Inc.	Healthcare, Education, Childcare	\$ 4,000	\$ 2,412	\$ (1,588)	0.97%	0.68%
35	Precision Acquisition Group Hldgs, Inc	Machinery	\$ 808	\$ 798	\$ (10)	0.20%	0.23%
36	PSC Industrial Holdings Corp.	Diversified/Conglomerate Service	\$ 3,452	\$ 3,500	\$ 48	0.84%	0.99%
37	Sea Link International	Automobile	\$ 5,470	\$ 5,387	\$ (83)	1.33%	1.53%
38	The Mochi Ice Cream Company	Beverage, Food, and Tobacco	\$ 7,200	\$ 6,809	\$ (391)	1.75%	1.93%
39	Travel Sentry, Inc.	Diversified/Conglomerate Service	\$ 8,902	\$ 9,170	\$ 268	2.16%	2.60%
40	Triple H Food Processors	Beverage, Food, and Tobacco	\$ 7,050	\$ 7,294	\$ 244	1.71%	2.07%
41	TWS Acquisition Corporation	Healthcare, Education, Childcare	\$ 9,432	\$ 9,609	\$ 177	2.29%	2.73%
42	United Flexible, Inc.	Diversified/Conglomerate Manufacturing	\$ 18,595	\$ 18,457	\$ (138)	4.52%	5.24%
43	Vacation Rental Pros Prop. Mgt.	Hotels, Motels, Inns, and gaming	\$ 7,145	\$ 7,136	\$ (9)	1.74%	2.03%
44	Vertellus Holdings LLC	Chemicals, Plastics, and Rubber	\$ 4,117	\$ 1,371	\$ (2,746)	1.00%	0.39%
45	Vision Government Solutions	Diversified/Conglomerate Service	\$ 12,050	\$ 11,295	\$ (755)	2.93%	3.21%
46	W3, Co.	Oil and Gas	\$ 499	\$ 139	\$ (360)	0.12%	0.04%
47	WadeCo Specialties Inc.	Oil and Gas	\$ 20,620	\$ 22,015	\$ 1,395	5.01%	6.25%
		<b>Total</b>	<b>\$ 411,435</b>	<b>\$ 352,373</b>	<b>\$ (59,062)</b>	<b>depre./cost</b>	<b>-14.36%</b>
		<b>Number of Portfolio Companies</b>	<b>47</b>	<b>\$ 7,497</b>	<b>Average Investment Size</b>	<b>FV</b>	

Source: Company, Hilliard Lyons estimates; Nonaccrual assets: if the portfolio company's debt is on nonaccrual the entire investment is listed here

## SUITABILITY

Our suitability rating on GLAD is 3 on our scale of 1 to 4 (1 = most conservative, 4 = most aggressive). Factors contributing to our suitability rating include the company's market capitalization, liquidity and trading volume, diversity of revenues and the geographic diversification of its footprint.

## RISKS AND CONSIDERATIONS

Gladstone Capital is exposed to various risks including:

- **Economic Risk** – A widespread economic downturn could weaken the credit quality of GLAD's portfolio companies which could lead to higher than expected write downs and limit future growth opportunities in the small and medium sized companies GLAD invests in.
- **Interest Rate Risk** - A rise in interest rates could place stress on GLAD's portfolio companies and eventually affect their ability to pay. Additionally, as interest rates rise, GLAD's high dividend may lose appeal and lead to lower demand for the stock.
- **Investment Criteria Risk** - Failure to invest in securities that will support the dividend and future growth of GLAD could eventually lead to dividend cuts.
- **Sector Rotation** – The share price of the company's common stock may be vulnerable to any sector rotation that might occur.

## GLOSSARY

**Regulated Investment Company (RIC):** As regarded by the Internal Revenue Service. By following a few requirements, the most important of which is paying out at least 90% of taxable income (ordinary income plus short-term capital gains), the company does not pay federal income tax. This *avoids double taxation*. A typical company distributes common dividends out of net income (after-tax). Taxes are paid again by the shareholder upon receipt of a dividend. Sometimes a RIC will report income taxes paid. Any amount of taxable income greater than 90% but less than 98% not paid to shareholders is subject to a 4% excise tax and a 35% rate on any taxable income retained. There may be some instances where it is in the RIC's best interest to retain income in spite of paying the taxes.

**Business Development Company (BDC):** Structure provided in the Investment Company Act of 1940. Basic requirements: 1) Qualifying assets – 70% of total assets must be small private U.S. companies. 2) Asset coverage – assets must cover the company's borrowings by at least 200% or debt to equity cannot exceed 1. 3) Significant managerial assistance – BDCs must offer to provide guidance to its portfolio companies.

**Non-Diversified Company:** May have investments exceeding 5% of total assets or an equity interest in a company exceeding 10%.

	GLADSTONE CAPITAL CORPORATION										GLAD:NEUTRAL			
	12/31/16	3/31/17	6/30/17	9/30/17	12/31/17	3/31/18	6/30/18	9/30/18	12/31/17	3/31/18	6/30/18	9/30/17	9/30/18	9/30/19
	1Q17A	2Q17A	3Q17A	4Q17A	1Q18E	2Q18E	3Q18E	4Q18E	FY 2017 E	FY 2018 E	FY 2019 E	FY 2017 E	FY 2018 E	FY 2019 E
<b>\$ Thousands, Except for Per Share Data</b>														
<b>Income Statement Analysis</b>														
Total Investment Income	8,633	8,588	9,629	10,223	10,428	10,504	10,710	11,234	35,216	37,073	42,876	42,876	46,536	46,536
Total Interest Income	1,341	205	3	611	950	950	950	950	3,893	2,160	3,800	3,800	3,800	3,800
Total Other Income	9,974	8,793	9,632	10,834	11,378	11,454	11,660	12,184	39,109	39,233	46,676	46,676	50,336	50,336
<b>Expenses:</b>														
Base Management Fee	1,378	1,359	1,480	1,564	1,581	1,604	1,619	1,650	5,685	5,781	6,454	6,454	6,818	6,818
Incentive Fee	1,293	1,070	1,116	1,300	1,391	1,389	1,419	1,484	4,514	4,779	5,682	5,682	6,101	6,101
Administration Fee	300	286	272	244	320	322	328	342	1,182	1,102	1,311	1,311	1,414	1,414
Interest Expense	556	567	904	1,026	1,193	1,251	1,271	1,393	2,899	3,073	5,109	5,109	6,000	6,000
Dividends on Preferred Stock	1,029	1,029	1,029	1,064	837	837	837	837	4,117	4,117	3,348	3,348	3,348	3,348
Other General and Administrative	910	623	727	779	825	830	845	883	3,531	3,039	3,384	3,384	3,649	3,649
Expenses Before Credits from Advisor	5,466	4,954	5,528	5,977	6,146	6,233	6,319	6,500	21,926	21,926	25,268	25,268	27,330	27,330
Portfolio Company Fee Credit	(649)	(434)	(261)	(244)	(255)	(259)	(261)	(266)	(783)	(1,586)	(1,041)	(1,041)	(1,100)	(1,100)
Senior Syndicated Loan Fee Waiver	(13)	(9)	(100)	(99)	(75)	(75)	(75)	-	(92)	(221)	(300)	(300)	(300)	(300)
Incentive Fee Waiver	(37)	(1,077)	(914)	(289)	-	(33)	-	-	(1,429)	(2,317)	(303)	(303)	-	-
Total Expenses	4,767	3,434	4,253	5,345	5,816	5,866	5,983	6,249	19,624	17,800	23,914	23,914	25,931	25,931
Net Investment Income	5,207	5,359	5,379	5,489	5,563	5,588	5,677	5,935	19,485	21,433	22,762	22,762	24,405	24,405
<b>Realized &amp; Unrealized Gain (Loss):</b>														
Total Net Realized Gain/(Loss)	(3,448)	45	(23)	(1,337)	-	-	-	-	7,154	(4,763)	-	-	-	-
Net Unrealized Gain/(Loss)	(843)	(748)	807	1,294	-	-	-	-	(15,271)	510	-	-	-	-
Net Dec./Inc. in Net Assets from Operations	916	4,656	6,163	5,446	5,563	5,588	5,677	5,935	11,368	17,180	22,762	22,762	24,405	24,405
<b>Balance Sheet</b>														
<b>Assets:</b>														
Total Investments At Cost	348,988	374,906	405,903	411,435	422,306	422,079	429,365	436,250	381,801	411,435	436,250	436,250	453,278	453,278
Unrealized Gain/(Loss)	(60,742)	(61,398)	(60,400)	(59,062)	(59,062)	(59,062)	(59,062)	(59,062)	(59,687)	(59,062)	(59,062)	(59,062)	(59,062)	(59,062)
Total Investments At Fair Value	288,246	313,517	345,503	352,373	363,244	363,017	370,303	377,188	322,114	352,373	377,188	377,188	394,216	394,216
Cash & Cash Equivalents	5,780	5,014	7,002	5,012	5,012	5,012	5,012	5,012	6,152	5,012	5,012	5,012	5,012	5,012
Other Assets	10,626	10,106	8,840	8,475	8,475	8,475	8,475	8,475	8,912	8,475	8,475	8,475	8,475	8,475
Total Assets	304,652	328,637	361,345	365,860	376,731	376,504	383,790	390,675	337,778	365,860	390,675	390,675	407,703	407,703
<b>Liabilities &amp; Shareholders' Equity:</b>														
Borrowings At Fair Value (\$170M Line)	27,987	53,969	59,624	93,115	101,009	97,827	102,118	105,798	71,300	93,115	105,798	105,798	109,821	109,821
Mandatorily Redeemable Preferred Stock	59,448	59,536	59,536	49,849	49,849	49,849	49,849	49,849	61,000	49,849	49,849	49,849	49,849	49,849
Total Borrowings	87,435	113,505	119,160	142,964	150,858	147,676	151,967	155,647	132,300	142,964	155,647	155,647	159,670	159,670
Other Liabilities	3,832	2,442	25,202	3,246	2,500	2,501	2,502	2,503	3,671	3,246	2,503	2,503	2,503	2,503
Total Liabilities	91,267	115,947	144,362	146,210	153,358	150,177	154,469	158,150	135,971	146,210	158,150	158,150	162,173	162,173
Shareholders' Equity (Net Assets)	213,385	212,670	216,983	219,650	223,373	226,327	229,321	232,525	201,207	219,650	232,525	232,525	245,530	245,530
Total Liabilities & Shareholders' Equity	304,652	328,637	361,345	365,860	376,731	376,504	383,790	390,675	337,778	365,860	390,675	390,675	407,703	407,703
<b>Share &amp; Per Share Data:</b>														
Common Shares Outstanding (000)	25,518	25,518	25,880	26,161	26,461	26,761	27,061	27,361	23,344	26,161	27,361	27,361	28,561	28,561
Average Diluted Shares (000)	24,431	25,576	25,689	26,021	26,311	26,611	26,911	27,211	23,202	25,432	26,761	26,761	27,961	27,961
Net Investment Income Per Share	0.21	0.21	0.21	0.21	0.21	0.21	0.21	0.22	0.84	0.84	0.85	0.85	0.87	0.87
Dividends	0.21	0.21	0.21	0.21	0.21	0.21	0.21	0.21	0.84	0.84	0.84	0.84	0.84	0.84
Net Investment Income Payout Ratio	99%	100%	100%	100%	99%	100%	100%	96%	100%	100%	99%	99%	96%	96%
Earnings Per Share	0.04	0.18	0.24	0.21	0.21	0.21	0.21	0.22	0.49	0.68	0.85	0.85	0.87	0.87
Net Asset Value Per Share	8.36	8.33	8.38	8.40	8.44	8.46	8.47	8.50	8.62	8.40	8.50	8.50	8.60	8.60
<b>Performance Ratios:</b>														
Interest Income / Avg. Investments at Cost	9.37%	9.62%	9.89%	9.92%	9.92%	10.09%	10.09%	10.30%	9.22%	9.70%	10.10%	10.10%	10.45%	10.45%
Total Expenses / Avg. Borrowings	2.01%	2.37%	3.12%	3.11%	3.22%	3.40%	3.40%	3.59%	2.18%	2.65%	3.40%	3.40%	3.79%	3.79%
Total Expenses / Total Investment Income	47.79%	39.06%	44.16%	49.34%	51.11%	51.21%	51.32%	51.29%	50.18%	45.37%	51.23%	51.23%	51.52%	51.52%
Annualized Total Expenses / Avg. Assets	-0.74%	-0.46%	-0.26%	-0.24%	-0.25%	-0.24%	-0.24%	-0.24%	5.82%	5.23%	6.26%	6.26%	6.45%	6.45%
Return on Avg. Assets	0.30%	1.42%	1.71%	1.49%	1.48%	1.48%	1.48%	1.52%	3.37%	4.70%	5.83%	5.83%	5.99%	5.99%
Return on Avg. Equity	0.43%	2.19%	2.84%	2.48%	2.49%	2.47%	2.48%	2.56%	5.65%	7.82%	9.79%	9.79%	9.94%	9.94%
<b>Balance Sheet Ratios</b>														
Assets/Equity	1.43x	1.55x	1.67x	1.67x	1.69x	1.66x	1.67x	1.68x	1.68x	1.67x	1.68x	1.68x	1.66x	1.66x
Total Debt to Equity	0.43x	0.55x	0.67x	0.67x	0.69x	0.66x	0.67x	0.68x	0.68x	0.67x	0.68x	0.68x	0.66x	0.66x
Net Debt to Equity	0.38x	0.51x	0.52x	0.63x	0.65x	0.63x	0.64x	0.65x	0.63x	0.63x	0.63x	0.63x	0.63x	0.63x

Source: Company reports and Hilliard Lyons estimates.

*Additional information is available upon request.*

### **Analyst Certification**

I, Andrew W. Stapp, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject company(ies) and its (their) securities. I also certify that I have not been, am not, and will not be receiving direct or indirect compensation in exchange for expressing the specific recommendation(s) in this report.

### **Important Disclosures**

Hilliard Lyons' analysts receive bonus compensation based on Hilliard Lyons' profitability. They do not receive direct payments from investment banking activity.

Gladstone Commercial Corp. (GOOD-\$22.60), Gladstone Investment Corp. (GAIN-\$10.04), and Gladstone Land Corp. (LAND-\$13.50) share the same management and board as Gladstone Capital Corp.

Hilliard Lyons acted as a manager or co-manager of an offering of securities of Gladstone Capital Corp. in the past 12 months.

Hilliard Lyons has received investment banking compensation from Gladstone Capital Corp. in the past 12 months.

Hilliard Lyons expects to receive investment banking compensation from Gladstone Capital Corporation in the coming 3 months.

### **Investment Ratings**

**Buy** - We believe the stock has significant total return potential in the coming 12 months.

**Long-term Buy** - We believe the stock is an above average holding in its sector, and expect solid returns to be realized over a longer time frame than our Buy rated issues, typically 2-3 years.

**Neutral** - We believe the stock is an average holding in its sector, is currently fully valued, and may be used as a source of funds if better opportunities arise.

**Underperform** - We believe the stock is vulnerable to a price set back in the next 12 months.

### **Suitability Ratings**

**1** - A large cap, core holding with a solid history

**2** - A historically secure company which could be cyclical, has a shorter history than a "1" or is subject to event driven setbacks

**3** - An above average risk/reward ratio could be due to small size, lack of product diversity, sporadic earnings or high leverage

**4** - Speculative, due to small size, inconsistent profitability, erratic revenue, volatility, low trading volume or a narrow customer or product base



Rating	Hilliard Lyons Recommended Issues		Investment Banking Provided in Past 12 Mo.	
	# of Stocks Covered	% of Stocks Covered	Banking	No Banking
Buy	32	29%	13%	88%
Hold/Neutral	73	65%	7%	93%
Sell	7	6%	0%	100%

As of 8 November 2017

### Other Disclosures

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