

Golub Capital Middle Market Report

FEATURING THE GOLUB CAPITAL ALTMAN INDEX

Earnings in the U.S. Middle Market Grew by nearly 13% in Q2 2018, According to the Golub Capital Middle Market Report

Overall, Index revenue grew by 11% during the first two months of the second quarter

The Golub Capital Altman Index can provide early insight into financial performance of public companies and GDP in advance of earnings season

The Golub Capital Altman Index experienced year-over-year earnings growth of 12.59% and revenue growth of 11.15% during the first two months of the second quarter of 2018. This is an increase from the first quarter 2018 year-over-year earnings growth of 6.22% and revenue growth of 10.96%.

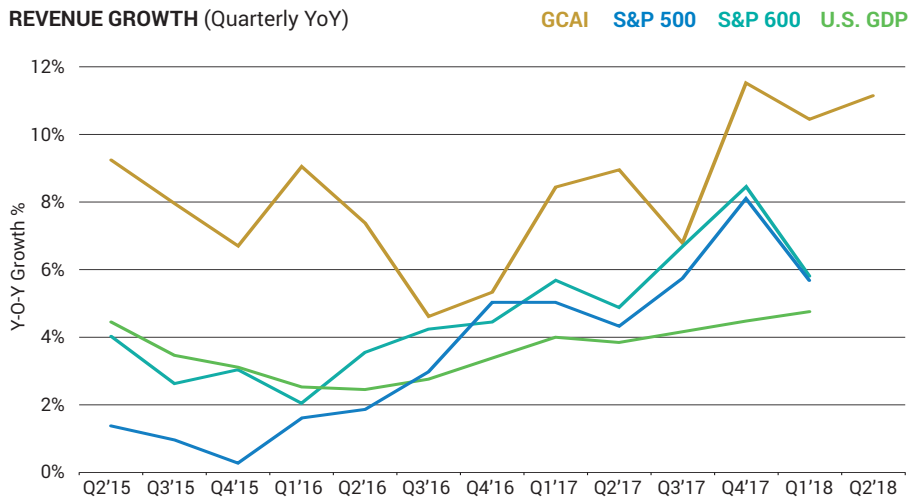
Lawrence E. Golub, CEO of Golub Capital, said, "The last three quarters in a row have set three records in a row for the highest revenue growth since inception of the Golub Capital Altman Index in 2012. Q4 2017 was the best fourth quarter, Q1 2018 was the best first quarter and now Q2 2018 was the best second quarter. In the second quarter of 2018, all sectors showed accelerating earnings growth compared to the first quarter, even as they maintained revenue growth at or near double-digit rates. This suggests middle market companies' efforts to control costs are paying off in the form of better margins. Our data gave early insight into the pickup of economic growth that began last year and today's results suggest the U.S. economy is on track for second quarter GDP growth of 3.5% to 4.0%."

Dr. Edward I. Altman said, "Technology and Industrials companies led the way for earnings growth, with year-over-year EBITDA growth rates of more than 20%. Although trade tensions appear to be creating challenges for some larger-cap companies in specific sectors, we are not seeing a noticeable impact in our middle market portfolio."

GOLUB CAPITAL ALTMAN INDEX HIGHLIGHTS

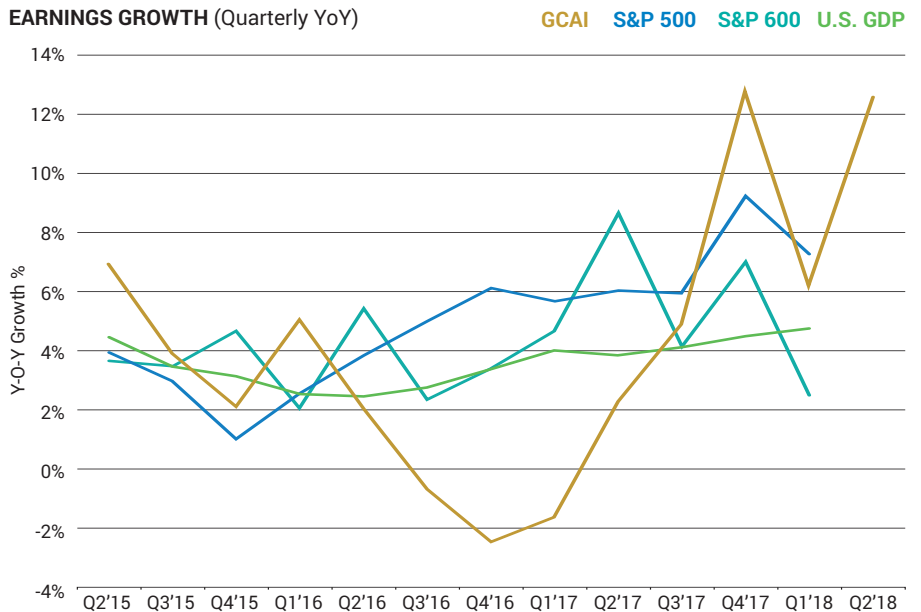
Year-Over-Year ("YoY") Growth	REVENUE	EARNINGS
Q2 2018	11.15%	12.59%
Q1 2018	10.96%	6.22%
Key Sectors Q2 2018 (YoY)	REVENUE	EARNINGS
Consumer	8.95%	11.37%
Healthcare	10.16%	2.31%
Industrials	27.53%	23.86%
Technology	12.67%	22.76%

REVENUE GROWTH (Quarterly YoY)



Source: Bloomberg and Golub Capital Internal Data.

EARNINGS GROWTH (Quarterly YoY)



Source: Bloomberg and Golub Capital Internal Data.

“The Healthcare sector, which has generally been a negative outlier, has now shown positive earnings growth in two of the last three quarters. We may be seeing a similar turnaround in Healthcare profitability as we saw in the Consumer sector in the second quarter of last year.”

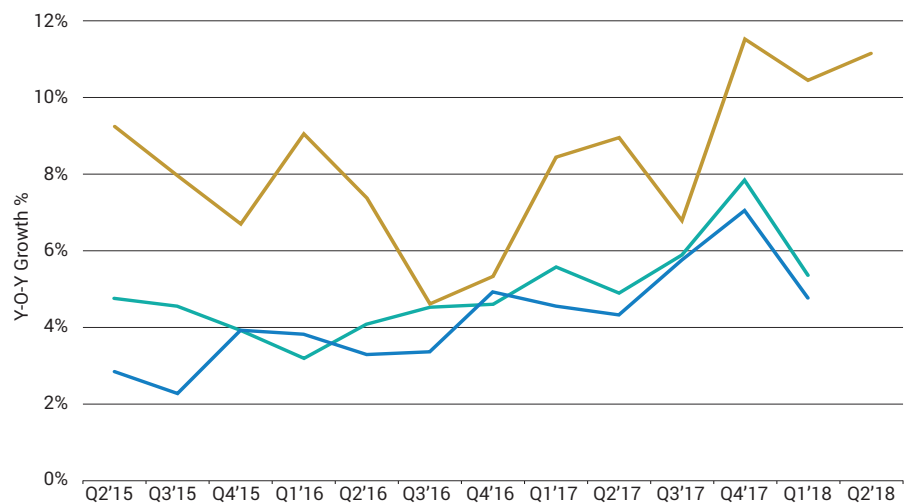
The Golub Capital Altman Index (“GCAI”), which is produced by Golub Capital in collaboration with renowned credit expert Dr. Edward I. Altman, is the first and only index based on actual revenue and earnings (defined as earnings before interest, taxes, depreciation and amortization, or “EBITDA”) for middle market companies. It measures the median revenue and earnings growth of more than 150 private U.S. companies in the loan portfolio of Golub Capital, a leading middle market lender. Reported shortly before public company quarterly earnings season, the GCAI has served as a reliable indicator of the overall growth rates in revenue and earnings of public companies in market indexes such as the S&P 500 and S&P SmallCap 600 (“S&P 600”), as well as quarterly Gross Domestic Product (“GDP”), according to statistical back-testing dating back to 2012, when data began to be tracked.

The size and diversity of the Golub Capital loan portfolio ensure that the confidentiality of all company-specific information used in the index is maintained in both the aggregate and industry segment data.

We believe the results (1) are representative of the general performance of middle market companies, which are a major contributor to U.S. private sector employment; (2) can be easily compared to the performance of the public companies that make up major stock indexes; (3) are relevant to the aggregate economic performance of the U.S. economy and (4) provide timely information for the investment community.

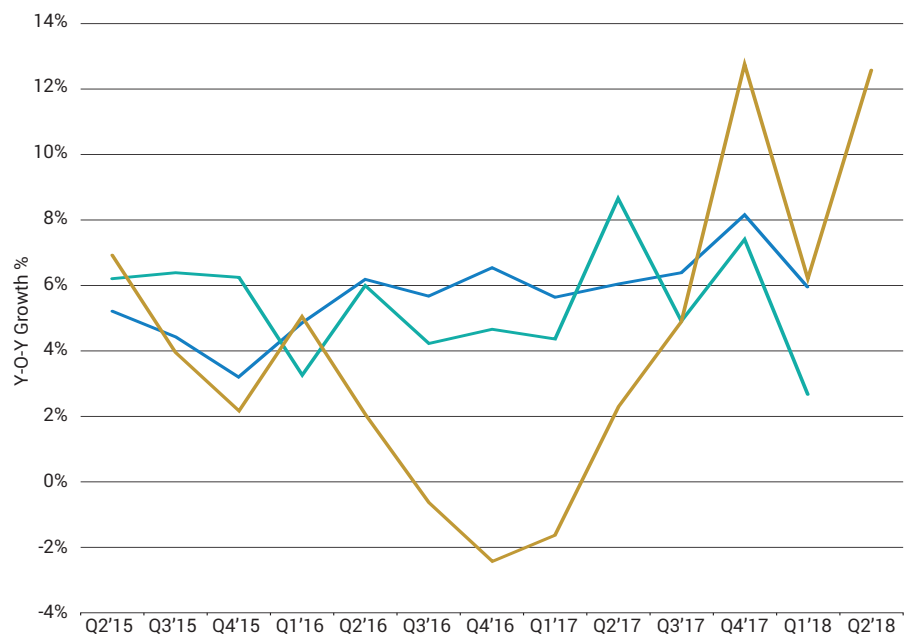
The companies in the GCAI operate in a wide range of industries. Results are provided for the total universe of GCAI constituents and by industry segment. Given the index’s limited exposure to Financials, Utilities, Energy and Materials, comparisons are made to the S&P 500 and S&P 600 as well as to “adjusted” versions of those indexes that exclude the aforementioned sectors.

REVENUE GROWTH vs. ADJ. INDEXES (Quarterly YoY) GCAI S&P 500 Adj.* S&P 600 Adj.*



Source: Bloomberg and Golub Capital Internal Data.
 *Note: Indexes are adjusted to exclude the Energy, Financials, Materials, Real Estate, Telecommunications Services and Utilities industries.

EARNINGS GROWTH vs. ADJ. INDEXES (Quarterly YoY) GCAI S&P 500 Adj.* S&P 600 Adj.*



Source: Bloomberg and Golub Capital Internal Data.
 *Note: Indexes are adjusted to exclude the Energy, Financials, Materials, Real Estate, Telecommunications Services and Utilities industries.

About the Golub Capital Middle Market Report

The Golub Capital Middle Market Report analyzes the results of the Golub Capital Altman Index (“GCAI”), which measures the median revenue and earnings growth of more than 150 privately owned companies in the Golub Capital loan portfolio for the first two months of each calendar quarter. It compares these results to the U.S. gross domestic product, and the financial performance of well-known market indexes, including the S&P 500 and S&P SmallCap 600. The GCAI is produced by Golub Capital in collaboration with renowned credit expert Dr. Edward I. Altman. For more information, including a description of the methodology used to create the report, please visit golubcapital.com/middle-market-report.

About Golub Capital Middle Market Lending

Golub Capital’s Middle Market Lending group provides financing for middle market, private equity-backed transactions with hold positions of over \$600 million and is an arranger of credit facilities up to \$1 billion. Golub Capital’s award-winning team strives to establish long-term, win-win partnerships by providing dependable, fast and creative solutions that meet private equity sponsors’ and portfolio companies’ needs.

Golub Capital is a nationally recognized credit asset manager with over \$25 billion of capital under management. For over 20 years, Golub Capital has provided credit to help medium-sized U.S. businesses grow. The firm’s award-winning Middle Market Lending business provides financing for middle market companies and their private equity sponsors. Golub Capital’s credit expertise also forms the foundation of its Late Stage Lending and Broadly Syndicated Loan businesses. Golub Capital has worked hard to build a reputation as a fast, reliable provider of compelling financing solutions, and we believe this has inspired repeat clients and investors. Today, the firm has over 350 employees with lending offices in Chicago, New York and San Francisco. For more information, please visit golubcapital.com.

About Dr. Edward I. Altman

A leading expert on credit markets, Dr. Edward I. Altman is the Max L. Heine Professor of Finance, Emeritus at the NYU Stern School of Business, and Director of Research in Credit and Debt Markets at the NYU Salomon Center for the Study of Financial Institutions. He is currently an advisor to several foreign central banks.

Professor Altman has published or edited two-dozen books and over 150 articles in scholarly finance, accounting and economic journals. He has been inducted into the Fixed Income Analysts Society Hall of Fame, served as President of the Financial Management Association, was an FMA Fellow, and was amongst the inaugural inductees into the Turnaround Management Association Hall of Fame. He received his MBA and Ph.D. in Finance from the University of California, Los Angeles.

Media Contact

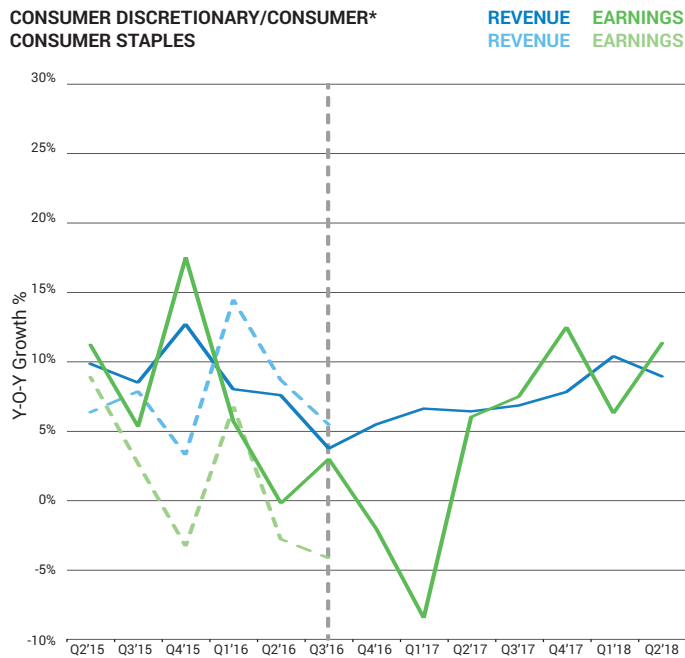
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Important Disclosure

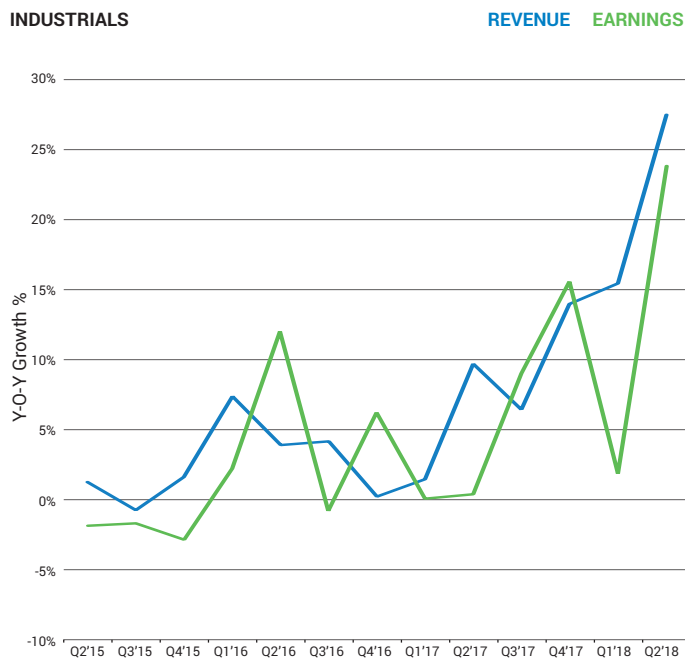
The Golub Capital Altman Index is provided as an indicator only, and does not constitute investment advice or the offer to sell or a solicitation to buy any security. Some of these statements constitute forward-looking statements, which may be predictions about future events, future performance, or future financial conditions. Some of these statements reflect opinions based upon the data presented in the Index, and these opinions may be incorrect. Actual results could vary materially from those implied or expressed in such forward-looking statements for any reason. The Golub Capital Altman Index has been created on the basis of information provided by third-party sources that are believed to be reliable, but the information has not been verified independently by Golub Capital. Golub Capital makes no warranty or representation as to the accuracy or completeness of such third-party information.

Appendix: GCAI Results by Sector

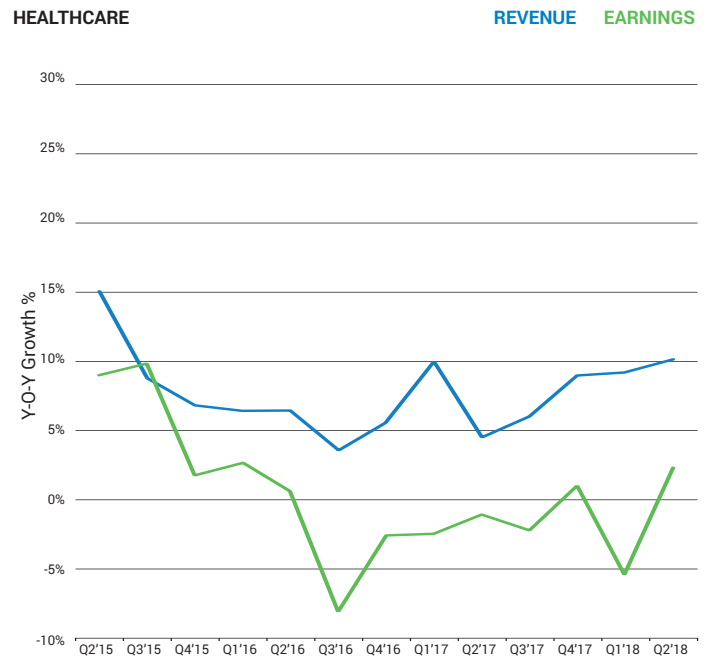
Additional information can be found below regarding sector trends in the Golub Capital Altman Index.



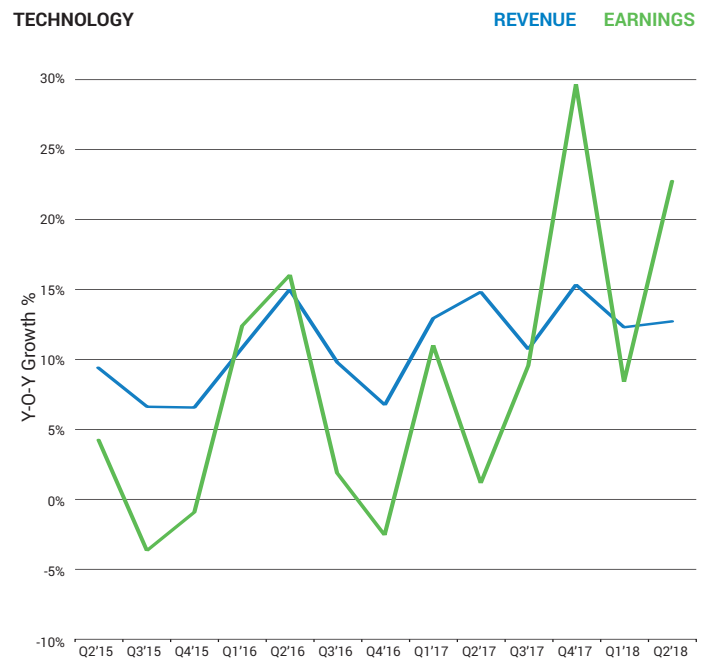
Source: Golub Capital Internal Data.
* On October 1, 2016, the Consumer Discretionary and Consumer Staples sectors were reclassified into one sector called Consumer. The year-over-year growth percentages for the reclassified Consumer sector are reflected in the chart above beginning the fourth quarter of 2016.



Source: Golub Capital Internal Data.



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