

# Earnings in the U.S. Middle Market Grew by more than 13% in Q3 2019

## Golub Capital Middle Market Report

FEATURING THE GOLUB CAPITAL ALTMAN INDEX

Overall, Index revenue grew by nearly 10% during the first two months of the third quarter.

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

Middle market private companies in the Golub Capital Altman Index experienced approximate year-over-year earnings growth of 13.2% and revenue growth of 9.6% during the first two months of the third quarter of 2019. This compares to approximate year-over-year earnings growth of 12.5% and revenue growth of 10.3% in the second quarter of 2019.

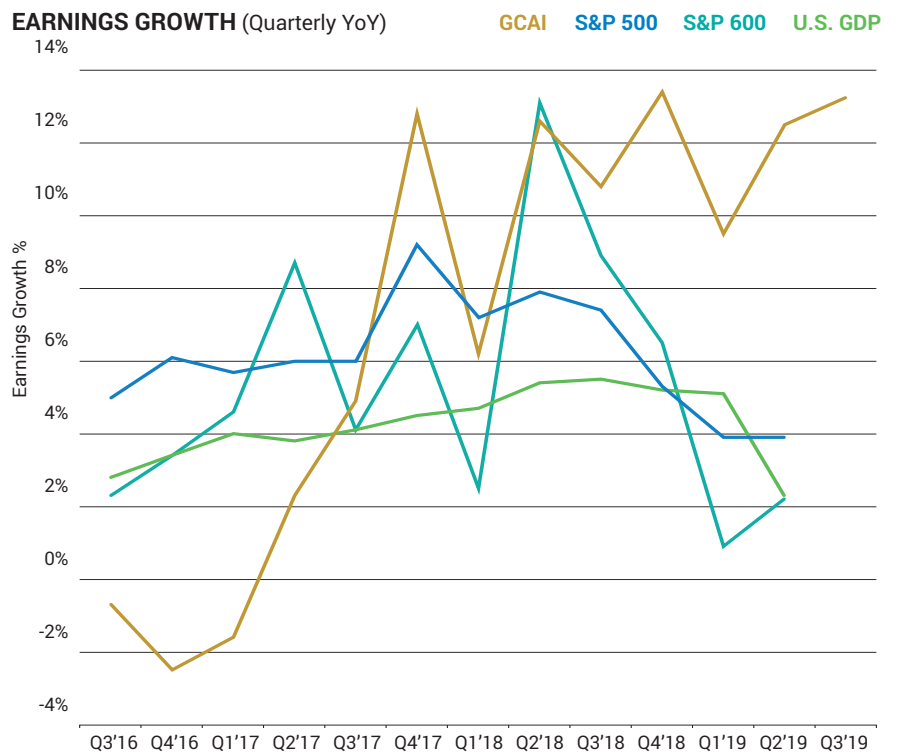
Lawrence E. Golub, CEO of Golub Capital, said, "We continue to see very strong growth among U.S. businesses selling primarily to U.S. customers. The Golub Capital Altman Index for the third quarter of 2019 posted an eighth consecutive quarter of revenue growth at or near double-digit rates, and a sixth consecutive quarter of earnings growth at or near double-digit rates. Profit margins generally expanded in the third quarter despite a very tight labor market. This suggests that even though U.S. workers are earning more, companies continue to be smart about improving efficiency. We expect U.S. businesses that focus on the U.S. market to remain resilient despite a currently softening outlook for global growth."

Dr. Edward I. Altman said, "Revenue and earnings growth remain strong in our sample of U.S. middle market companies, with margin expansion accelerating from the second quarter of 2019. Our sample of domestically focused Industrials companies posted double-digit revenue and earnings growth, in contrast with the recent spate of weak manufacturing data and the persistent uncertainty around tariffs weighing on companies

### GOLUB CAPITAL ALTMAN INDEX HIGHLIGHTS

| Year-Over-Year ("YoY") Growth | Revenue      | Earnings     |
|-------------------------------|--------------|--------------|
| <b>Q3 2019</b>                | <b>9.6%</b>  | <b>13.2%</b> |
| <b>Q2 2019</b>                | <b>10.3%</b> | <b>12.5%</b> |

| Key Sectors Q3 2019 (YoY) | Revenue      | Earnings     |
|---------------------------|--------------|--------------|
| <b>Consumer</b>           | <b>8.6%</b>  | <b>10.7%</b> |
| <b>Healthcare</b>         | <b>8.3%</b>  | <b>6.0%</b>  |
| <b>Industrials</b>        | <b>10.0%</b> | <b>15.2%</b> |
| <b>Technology</b>         | <b>11.9%</b> | <b>20.1%</b> |



Source: Bloomberg and Golub Capital Internal Data.

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that sell to the global market. The divergence between U.S. businesses focused on the domestic market and those focused on the global market appears likely to continue through the rest of 2019 and into the first half of 2020.”

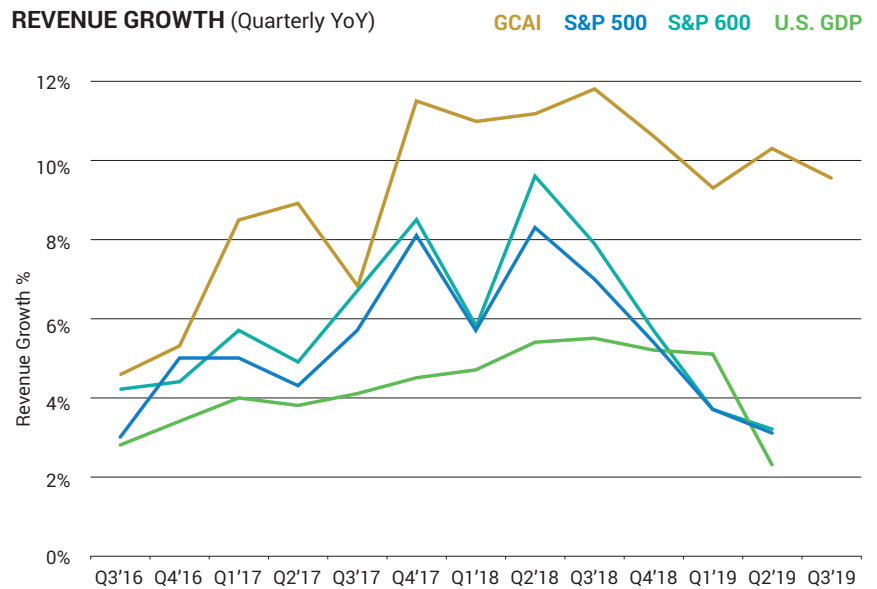
The Golub Capital Altman Index (“GCAI”), which is produced by Golub Capital in collaboration with renowned credit expert Dr. Edward I. Altman, is the first and only index based on actual revenue and earnings (defined as earnings before interest, taxes, depreciation and amortization, or “EBITDA”) for 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 (Quarterly YoY)

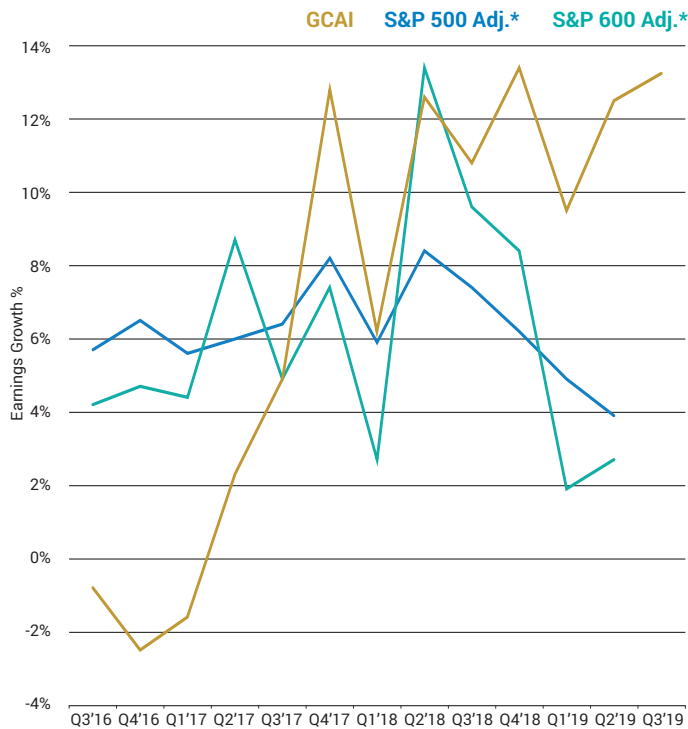


Source: Bloomberg and Golub Capital Internal Data.

## About the Golub Capital Middle Market Report

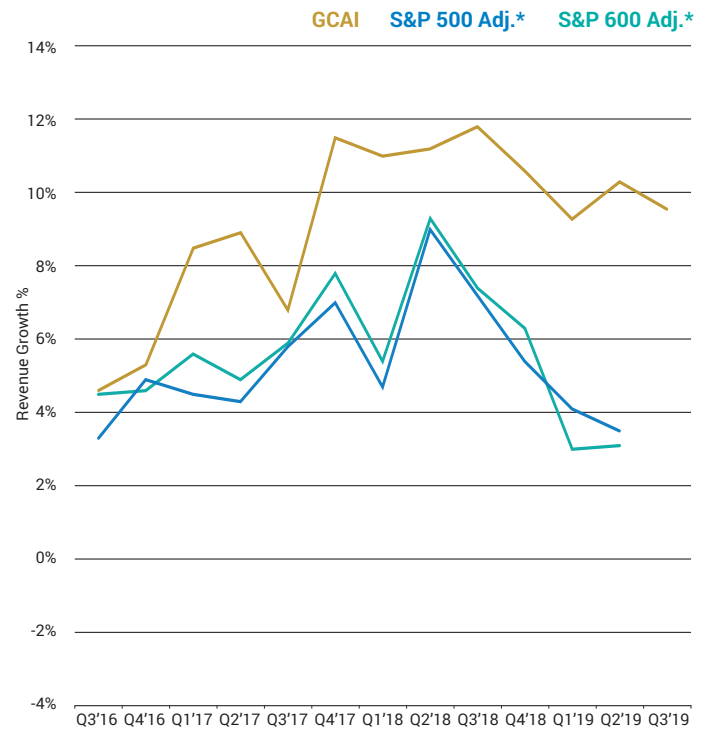
The Golub Capital Middle Market Report analyzes the results of the Golub Capital Altman Index (“GCAI”), which measures the median revenue and earnings growth of more than 150 privately owned companies in the Golub Capital loan portfolio for the first two months of each calendar quarter. It compares these 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](http://golubcapital.com/middle-market-report).

## EARNINGS GROWTH (Quarterly YoY) GCAI vs. ADJ. INDEXES



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

## REVENUE GROWTH (Quarterly YoY) GCAI vs. ADJ. INDEXES



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## About Golub Capital

Golub Capital is a market-leading, award-winning direct lender and credit asset manager, with over \$30 billion of capital under management. We specialize in delivering reliable, creative and compelling financing solutions to U.S. middle market companies backed by private equity sponsors. The firm's credit expertise also forms the foundation of our Late Stage Lending business and our Broadly Syndicated Loan investment program. Across our activities, Golub Capital nurtures long-term, win-win partnerships that inspire repeat business from our private equity sponsor clients and investors. Founded 25 years ago, Golub Capital today has over 425 employees and lending offices in Chicago, New York and San Francisco. For more information, please visit [golubcapital.com](http://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

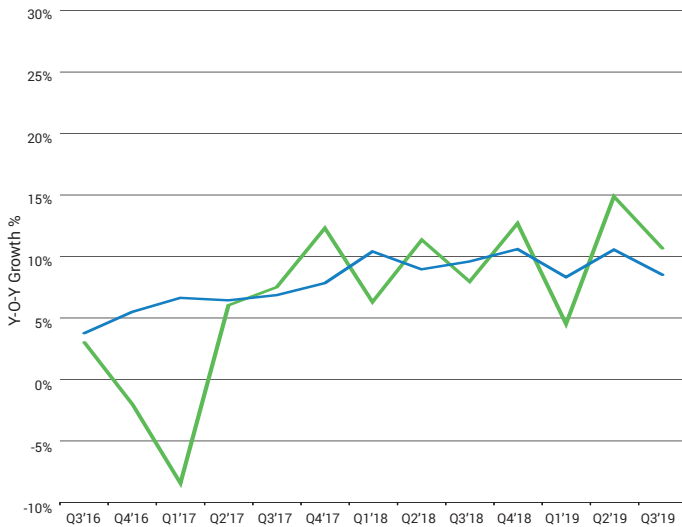
[press@golubcapital.com](mailto:press@golubcapital.com)

## Appendix: GCAI Results by Sector

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

### CONSUMER

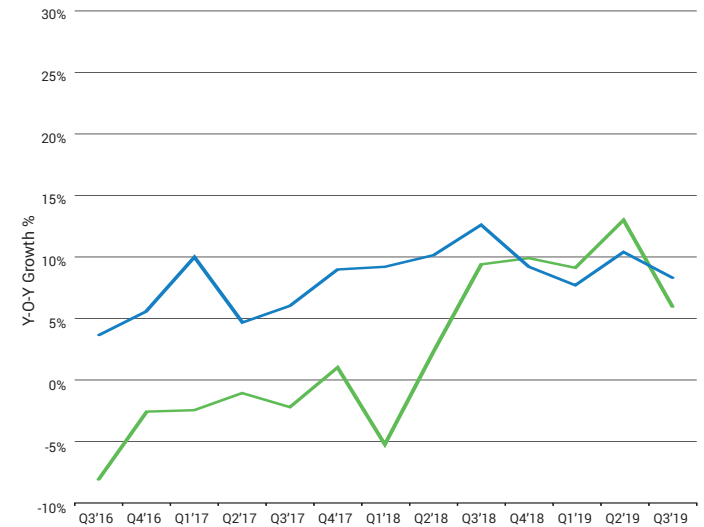
REVENUE EARNINGS



Source: Golub Capital Internal Data.

### HEALTHCARE

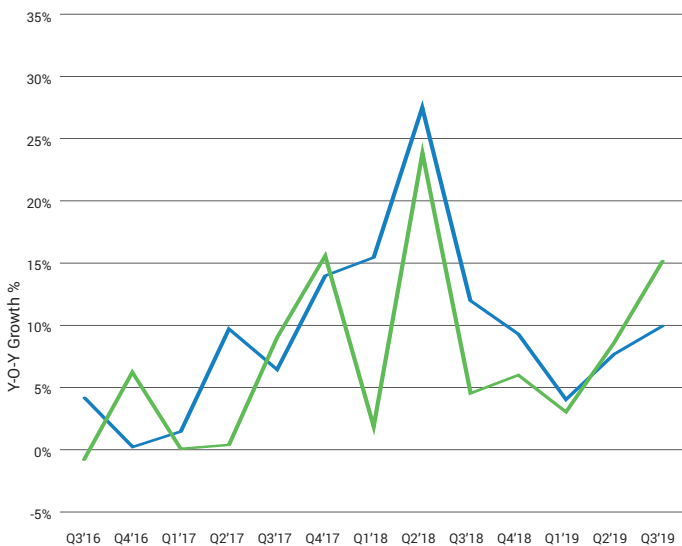
REVENUE EARNINGS



Source: Golub Capital Internal Data.

### INDUSTRIALS

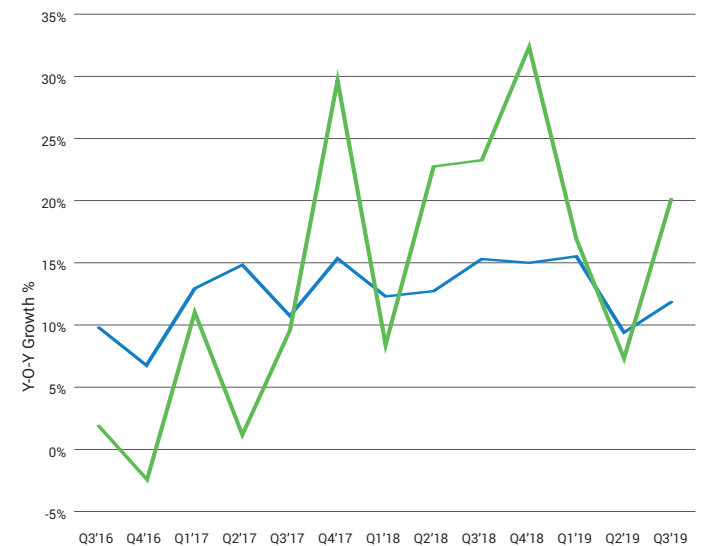
REVENUE EARNINGS



Source: Golub Capital Internal Data.

### TECHNOLOGY

REVENUE EARNINGS



Source: Golub Capital Internal Data.

## 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.