

# Earnings in the U.S. Middle Market Grew by 10% in Q4 2019

## Golub Capital Middle Market Report

FEATURING THE GOLUB CAPITAL ALTMAN INDEX

Overall, Index revenue grew by 8% during the first two months of the fourth 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 10.0% and revenue growth of 8.3% during the first two months of the fourth quarter of 2019. This compares to approximate year-over-year earnings growth of 13.2% and revenue growth of 9.6% in the third quarter of 2019.

Lawrence E. Golub, CEO of Golub Capital, said, "The consensus view at the end of 2018 was that the U.S. economy was at material risk of a recession in 2019. Our data said otherwise. The strong revenue and earnings growth in our portfolio of U.S. middle market companies showed that the domestically oriented half of the U.S. economy was in great shape at the start of 2019—and remained in great shape throughout the year. The fourth quarter of 2019 was another solid quarter for U.S. businesses selling primarily to U.S. customers. The Golub Capital Altman Index posted a ninth consecutive quarter of revenue growth and a seventh consecutive quarter of earnings growth at or near double-digit rates. The strong performance of domestically focused U.S. businesses in the fourth quarter of 2019 shows the U.S. economy has momentum going into 2020."

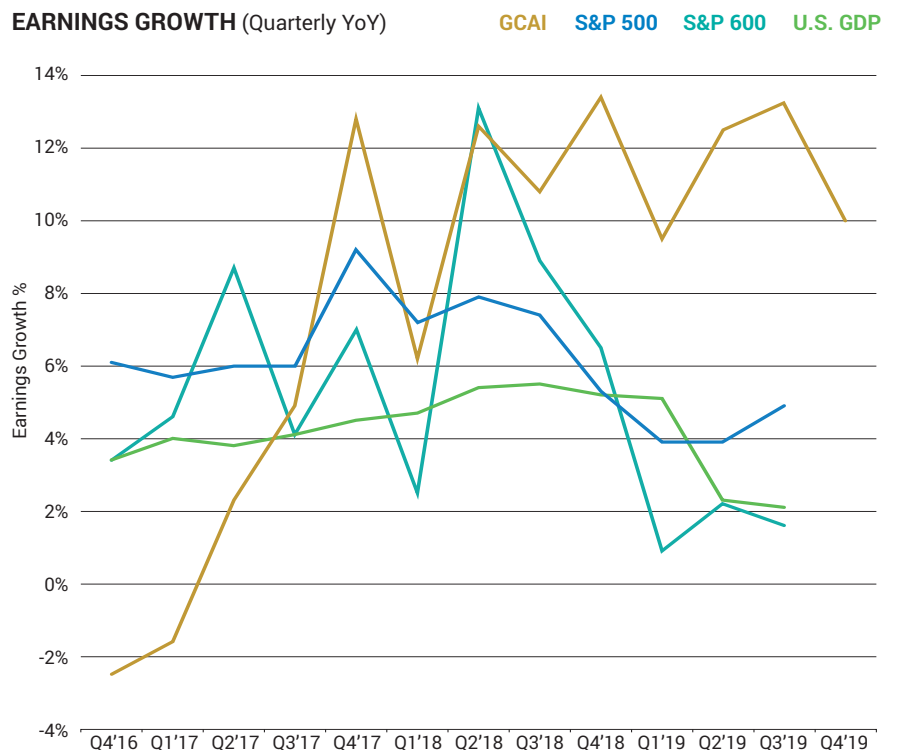
Dr. Edward I. Altman said, "Revenue and earnings growth remain robust, although we are not surprised to see a modest deceleration after two years of remarkable growth. Our view on the Industrial sector continues to diverge from mainstream expectations. While we acknowledge

### GOLUB CAPITAL ALTMAN INDEX HIGHLIGHTS

Year-Over-Year ("YoY") Growth	Revenue	Earnings
<b>Q4 2019</b>	<b>8.3%</b>	<b>10.0%</b>
<b>Q3 2019</b>	<b>9.6%</b>	<b>13.2%</b>

Key Sectors Q4 2019 (YoY)	Revenue	Earnings
<b>Consumer</b>	<b>8.3%</b>	<b>8.3%</b>
<b>Healthcare</b>	<b>6.6%</b>	<b>6.5%</b>
<b>Industrials</b>	<b>7.0%</b>	<b>16.7%</b>
<b>Technology</b>	<b>12.9%</b>	<b>19.2%</b>

### EARNINGS GROWTH (Quarterly YoY)



Source: Bloomberg and Golub Capital Internal Data.

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potential headwinds from weak manufacturing data, trade uncertainties and soft expectations for global growth, domestically focused U.S. industrials continue to thrive. Earnings growth accelerated and margins expanded in the fourth quarter of 2019—despite rising costs and a strong labor market. Our data indicates that domestically focused U.S. industrial businesses remain resilient despite the challenges facing industrials that compete in global markets.”

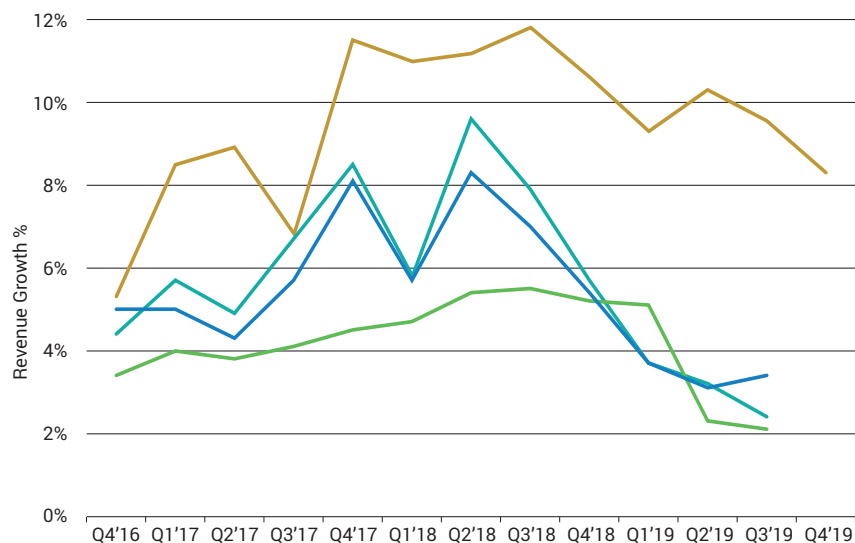
The Golub Capital Altman Index (“GCAI”), which is produced by Golub Capital in collaboration with renowned credit expert Dr. Edward I. Altman, is the first and longest-running index based on actual revenue and earnings (defined as earnings before interest, taxes, depreciation and amortization, or “EBITDA”) 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) GCAI S&P 500 S&P 600 U.S. GDP

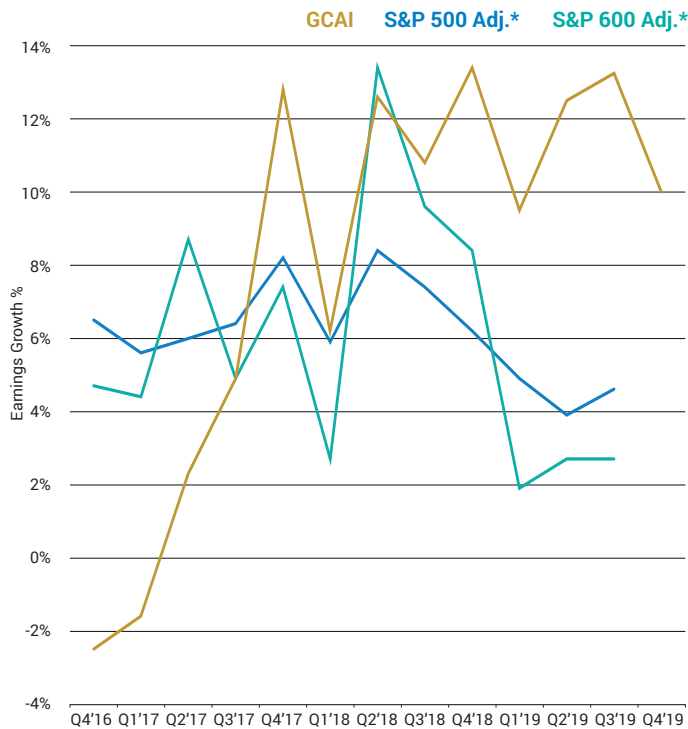


Source: Bloomberg and Golub Capital Internal Data.

## About the Golub Capital Middle Market Report

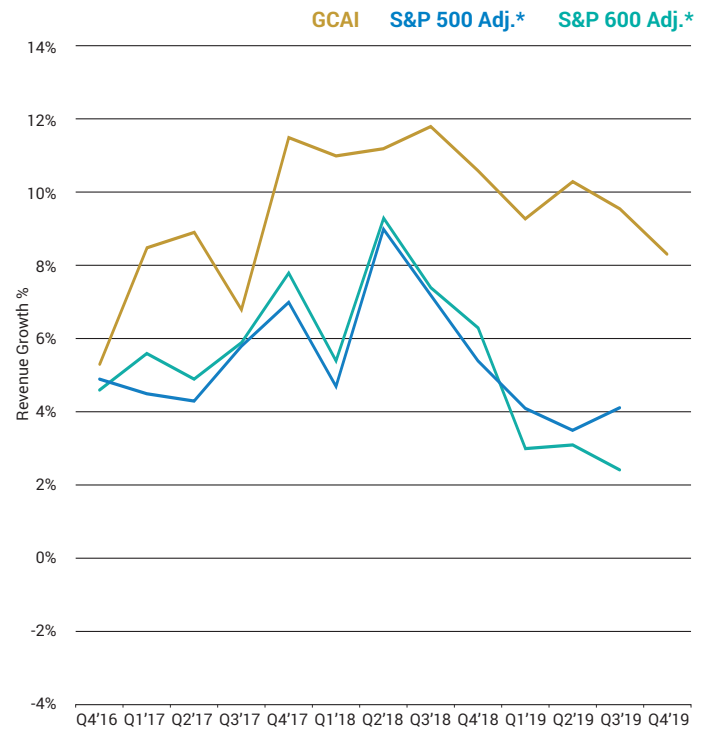
The Golub Capital Middle Market Report analyzes the results of the Golub Capital Altman Index (“GCAI”), which measures the median revenue and earnings growth of more than 150 privately owned companies in the Golub Capital loan portfolio for the first two months of each calendar quarter. It compares these 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. Golub Capital specializes 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 its Late Stage Lending business and its Broadly Syndicated Loan investment program. Across its activities, Golub Capital nurtures long-term, win-win partnerships that inspire repeat business from its private equity sponsor clients and investors. Founded 25 years ago, Golub Capital today has over 450 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

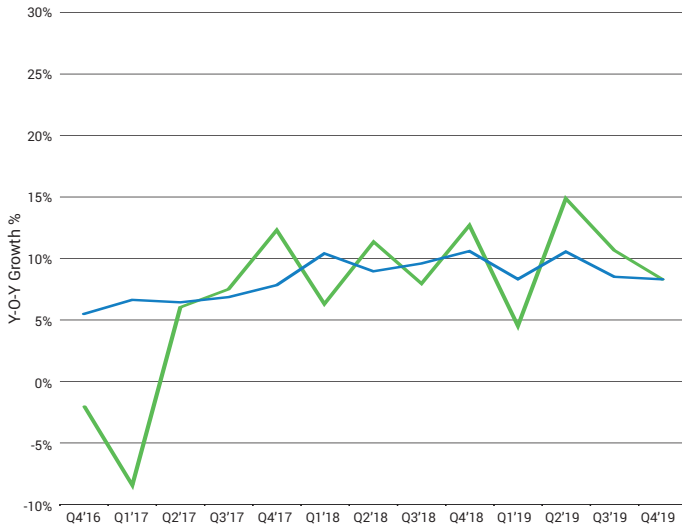
[press@golubcapital.com](mailto:press@golubcapital.com)

## Appendix: GCAI Results by Sector

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

### CONSUMER

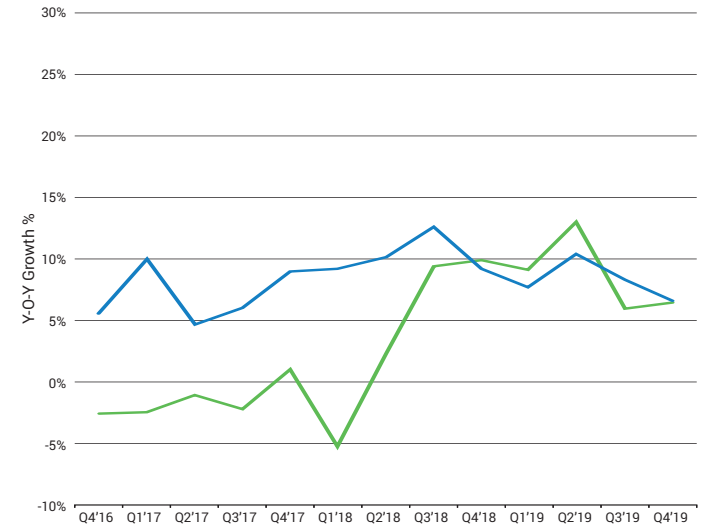
REVENUE EARNINGS



Source: Golub Capital Internal Data.

### HEALTHCARE

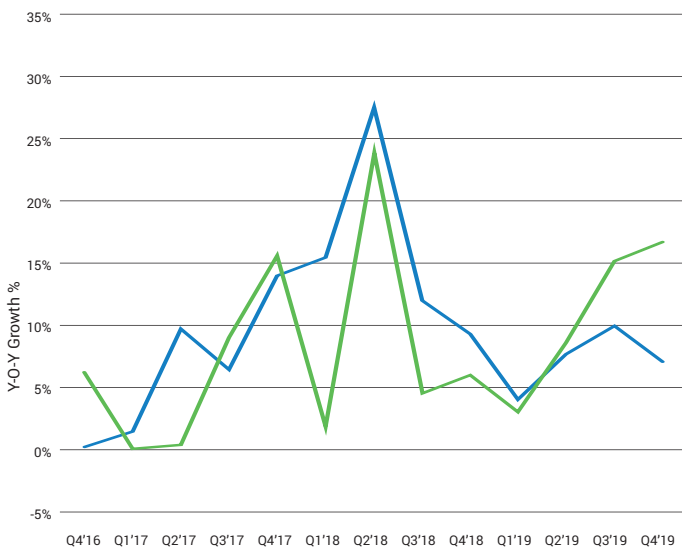
REVENUE EARNINGS



Source: Golub Capital Internal Data.

### INDUSTRIALS

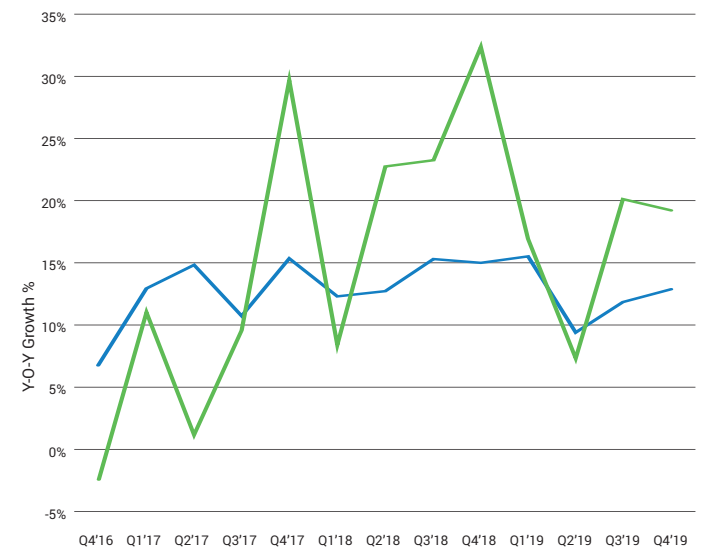
REVENUE EARNINGS



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.