

Earnings in the U.S. Middle Market Are Booming, Even Compared to Strong, Pre-Covid Q2 2019 Results

Golub Capital Middle Market Report

FEATURING THE GOLUB CAPITAL ALTMAN INDEX

Q2 2021 Earnings Grew 31% vs. Q2 2019

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

This quarter's Golub Capital Middle Market Report compares April and May 2021 revenue and earnings of middle market private companies in the Golub Capital Altman Index to revenue and earnings in April and May 2019. This analysis is intended to provide greater insight into economic conditions than the report's typical year-over-year comparisons, which reflect the impact of Covid-related lockdowns in April and May 2020. The year-over-year data is provided in the appendix for continuity purposes.

Middle market private companies in the Golub Capital Altman Index experienced EBITDA growth of 31% and revenue growth of 21% in April and May 2021 compared to their April and May 2019 earnings and revenue. The data in this special edition report reflects the median performance of approximately 130 companies that were in the Golub Capital Altman Index in both periods.

Lawrence E. Golub, CEO of Golub Capital, said, "The U.S. economic boom continues in Q2. Revenue and earnings growth in April and May 2021 were remarkably strong relative to April and May 2019, which was also a strong period. The 21% revenue growth compared to the pre-Covid period is striking because we had been seeing soft year-over-year revenue growth rates for the last several quarters. This indicates that growth in the second quarter is not just a recovery from Covid; it's a reflection of a booming economy."

Dr. Edward I. Altman said, "Our analysis looks at growth rates on a company-by-company basis, giving us a clean comparison of the ongoing boom to the strong pre-Covid economy of 2019. We think it is challenging to extract insight from year-over-year growth rates given the significant shutdown in April and May 2020. That said, it is notable that the Technology sector experienced year-over-year revenue and earnings growth in excess of 20%, as shown in the appendix. These companies generally were not impacted by Covid-related lockdowns, so we believe their strong year-over-year growth reflects fundamental strength as opposed to an 'easy comp' to the Covid period. The Technology companies in the Golub Capital Altman Index primarily serve the B2B market, so we expect strong growth to continue as companies invest in productivity-enhancing solutions in anticipation of potentially higher labor costs."

GOLUB CAPITAL ALTMAN INDEX COMPARISON PRE- AND POST-COVID

April–May 2021 vs. April–May 2019

	Revenue	Earnings
Aggregate	20.6%	31.5%
Consumer	21.4%	25.0%
Healthcare	4.4%	18.1%
Industrials	2.4%	20.0%
Technology	27.0%	52.6%

Source: Golub Capital Internal Data.
This table reflects a two-year growth period.

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.

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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.

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 credit expert Dr. Edward I. Altman.

About Golub Capital

Golub Capital is a market-leading, award-winning direct lender and credit asset manager, with over \$40 billion of capital under management. Golub Capital specializes in delivering reliable, creative and compelling financing solutions to companies backed by private equity sponsors. The firm's sponsor finance expertise also forms the foundation of its Late Stage Lending, Broadly Syndicated Loan and Opportunistic Credit investment programs. Across its activities, Golub Capital nurtures long-term, win-win partnerships that inspire repeat business from private equity sponsors and investors. Founded over 25 years ago, Golub Capital today has over 550 employees and lending offices in Chicago, New York, San Francisco and London. 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

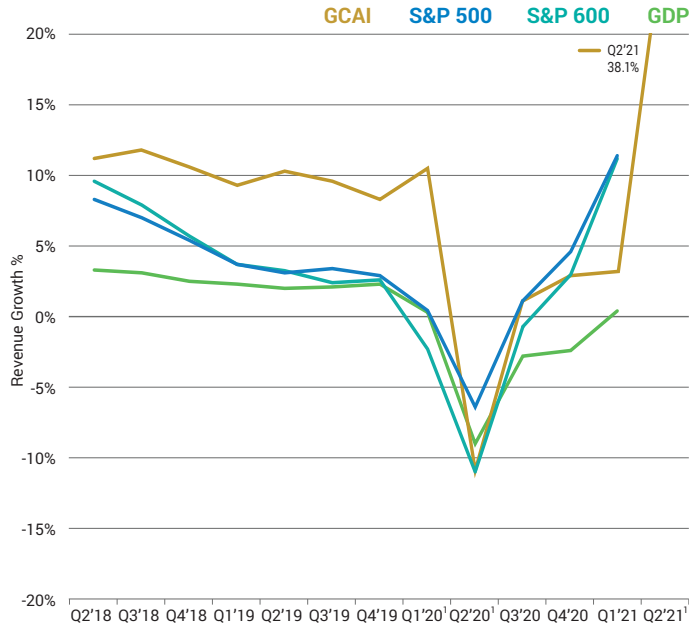
press@golubcapital.com

Appendix: GCAI Revenue and Earnings Growth

Year-Over-Year ("YoY") Growth	Revenue	Earnings
Q2 2021	38.1%	80.8%
Q1 2021	3.2%	16.3%

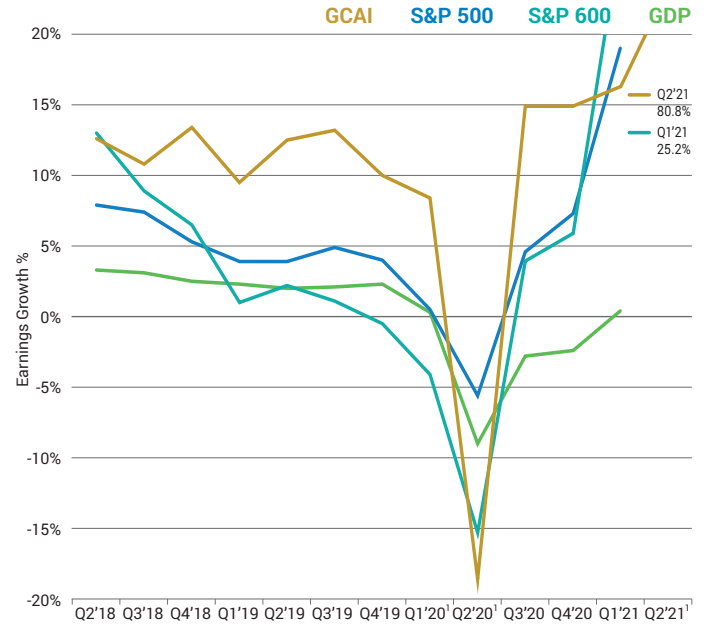
Key Sectors Q2 2021 (YoY)	Revenue	Earnings
Consumer	90.1%	238.4%
Healthcare	98.4%	227.7%
Industrials	19.0%	16.9%
Technology	20.6%	28.1%

REVENUE GROWTH (Quarterly YoY)



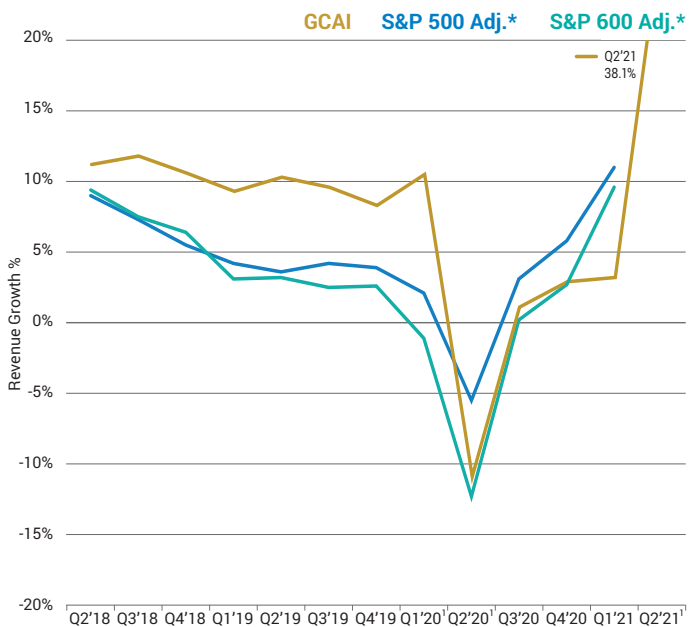
Source: FRED, Golub Capital Internal Data and S&P Capital IQ.
Please see footnote on page 4 regarding Q1'20, Q2'20 and Q2'21 data.

EARNINGS GROWTH (Quarterly YoY)



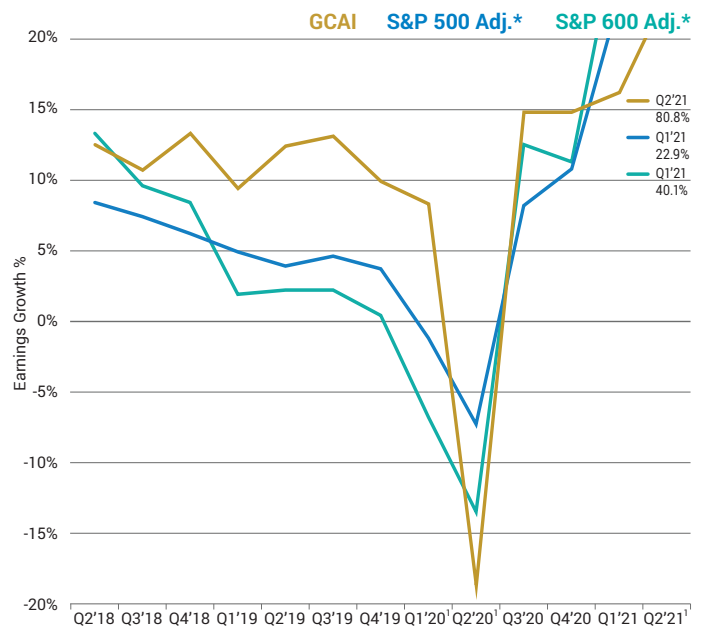
Source: FRED, Golub Capital Internal Data and S&P Capital IQ.
Please see footnote on page 4 regarding Q1'20, Q2'20 and Q2'21 data.

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



Source: Golub Capital Internal Data and S&P Capital IQ.
* Note: Indexes are adjusted to exclude the Energy, Financials, Materials, Real Estate, Telecommunications Services and Utilities industries.
Please see footnote on page 4 regarding Q1'20, Q2'20 and Q2'21 data.

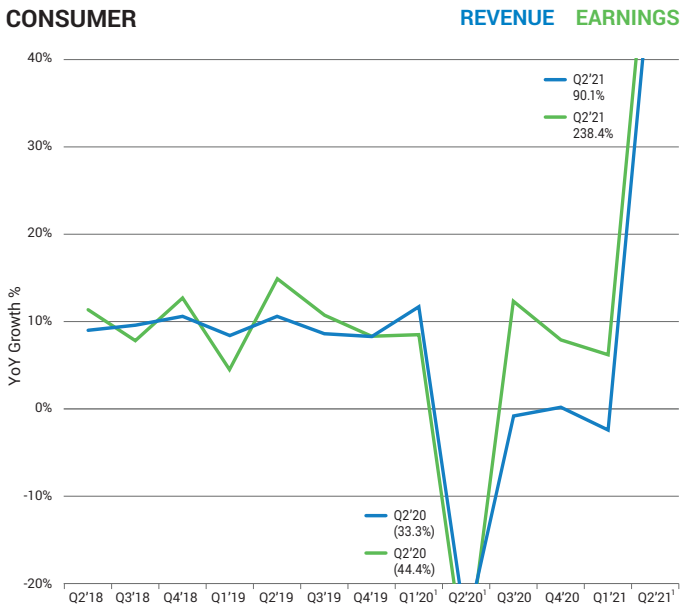
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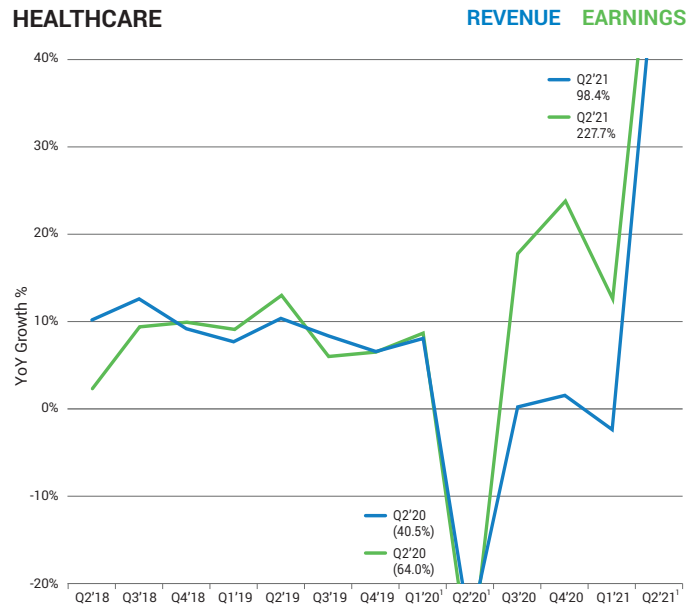
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Appendix: GCAI Results by Sector

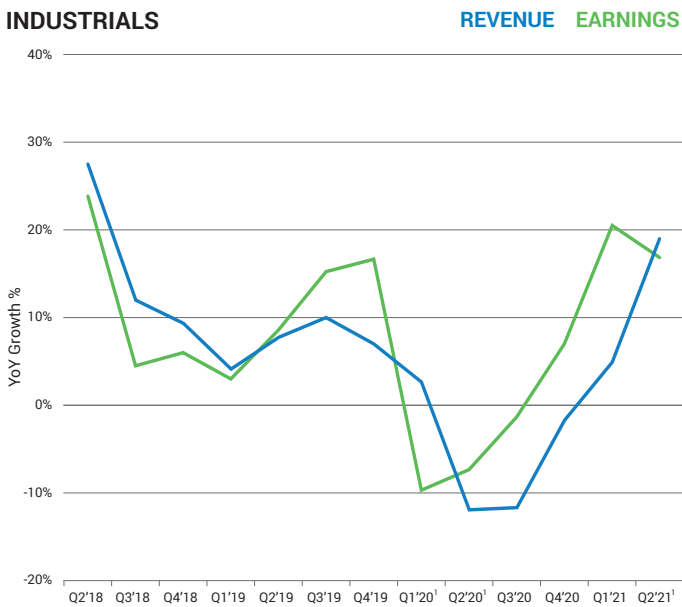
Additional information can be found below regarding sector trends in the Golub Capital Altman Index.



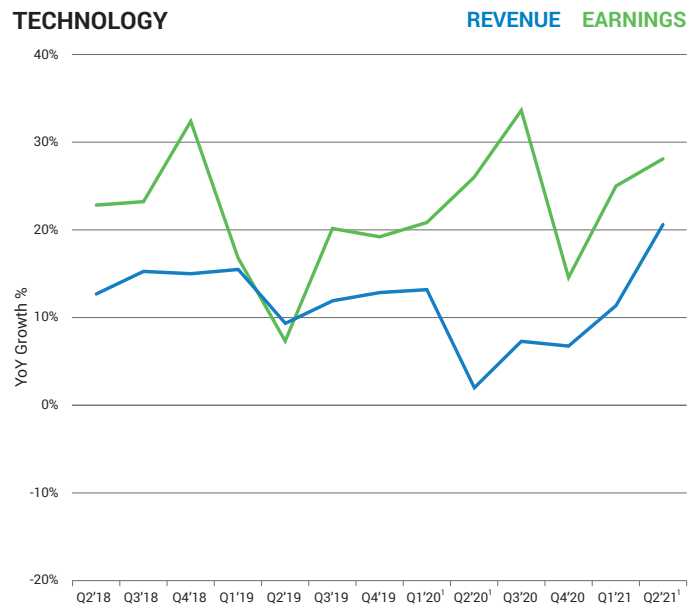
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Important Disclosure

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.

Footnote

1. The Golub Capital Altman Index (GCAI) data for Q1 2020, Q2 2020 and Q2 2021 are presented solely for the purpose of continuity. Readers are encouraged to interpret the data from those periods with caution. The GCAI is designed to offer early insight into the performance of the U.S. economy, based on data from the first two months of each calendar quarter. GCAI results for Q1 2020 were based on data from January and February 2020 and did not reflect the economic impact of the COVID-19 pandemic in March 2020. GCAI results for Q2 2020 were based on data from April and May 2020 and did not reflect the meaningful reopening of the U.S. economy in June 2020. GCAI results for Q2 2021 were based on data from April and May 2021 compared to April and May 2020, when many businesses were affected by lockdowns and other restrictions.