

# Earnings in the U.S. Middle Market Continue To Boom Compared To Strong, Pre-Covid Q3 2019 Results

## Golub Capital Middle Market Report

FEATURING THE GOLUB CAPITAL ALTMAN INDEX

### Q3 2021 Earnings Grew by 21% vs. Q3 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 July and August 2021 revenue and earnings of middle market private companies in the Golub Capital Altman Index to revenue and earnings in July and August 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 July and August 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 21% and revenue growth of 24% in July and August 2021 compared to their July and August 2019 earnings and revenue. The data in this special edition report reflects the median performance of approximately 120 companies that were in the Golub Capital Altman Index in both periods.

Lawrence E. Golub, CEO of Golub Capital, said, "The U.S. economy continued to boom in Q3. The Consumer sector had a blockbuster quarter, with 27% revenue growth and 48% EBITDA growth compared to the same period in 2019. Consumer sector margins benefited from operating leverage as customers spent stimulus payments and caught up on purchases deferred by the pandemic. However, heading into Q4 the key question to ask is whether or not there will be enough inventory to keep pace with demand during the holiday season. With supply chain issues worsening by the day, it's smart to get your holiday shopping done early this year."

Dr. Edward I. Altman said, "While Q3 results were strong in aggregate, the Industrial sector showed the inverse of the positive trend in the Consumer sector for both revenue and EBITDA growth. Average Industrial revenue growth lagged the overall index, and Industrial sector EBITDA declined compared to 2019. Industrial businesses were challenged by stockouts and delivery problems, reducing revenues and inflating costs which were not passed through to customers. We would not be surprised to see a rolling wave of stockouts affecting other sectors in Q4, especially Consumer. On the other hand, businesses that sell intangible goods and services, like software companies, are well positioned to capitalize on the fundamental strength of the economy."

### GOLUB CAPITAL ALTMAN INDEX COMPARISON PRE- AND POST-COVID

July–August 2021 vs. July–August 2019

|                    | Revenue      | Earnings      |
|--------------------|--------------|---------------|
| <b>Aggregate</b>   | <b>23.7%</b> | <b>21.2%</b>  |
| <b>Consumer</b>    | <b>27.2%</b> | <b>47.8%</b>  |
| <b>Healthcare</b>  | <b>16.7%</b> | <b>18.8%</b>  |
| <b>Industrials</b> | <b>7.8%</b>  | <b>(9.0%)</b> |
| <b>Technology</b>  | <b>31.0%</b> | <b>34.1%</b>  |

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 backtesting 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.

(Continued on next page)

---

*(Continued)*

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](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**

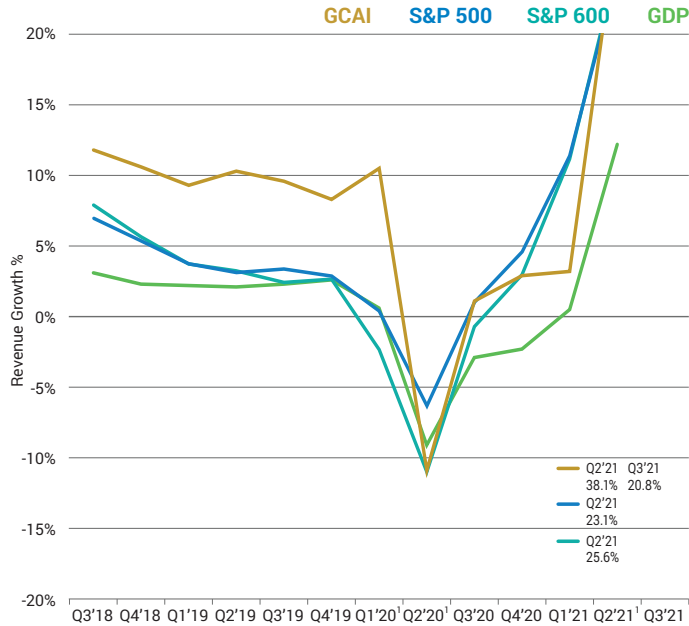
[press@golubcapital.com](mailto:press@golubcapital.com)

## Appendix: GCAI Revenue and Earnings Growth

| Year-Over-Year (YoY) Growth | Revenue | Earnings |
|-----------------------------|---------|----------|
| Q3 2021                     | 20.8%   | 13.4%    |
| Q2 2021                     | 38.1%   | 80.8%    |

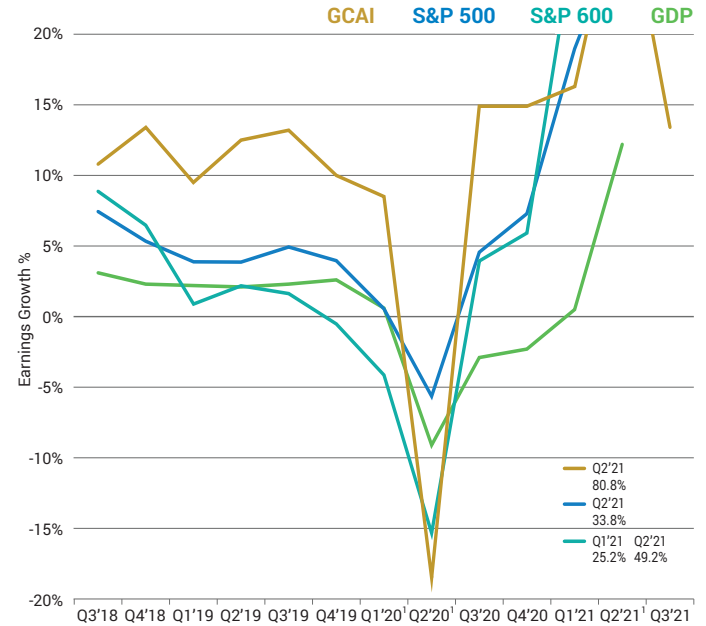
| Key Sectors Q3 2021 (YoY) | Revenue | Earnings |
|---------------------------|---------|----------|
| Consumer                  | 27.9%   | 21.4%    |
| Healthcare                | 9.2%    | 4.9%     |
| Industrials               | 13.5%   | 0.2%     |
| Technology                | 18.9%   | 13.4%    |

### REVENUE GROWTH (Quarterly YoY)



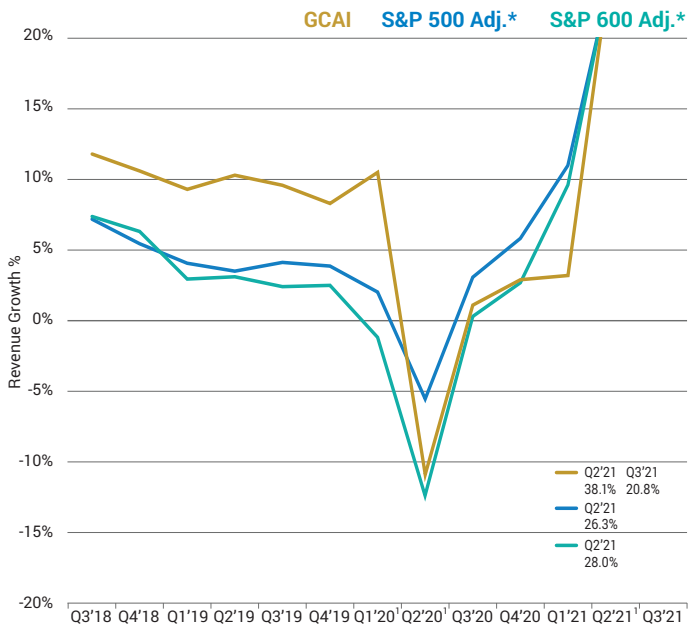
Source: FRED, Golub Capital Internal Data and S&P Capital IQ.  
Please see footnote on page 4 regarding Q1'20, Q2'20 and Q2'21 data.

### EARNINGS GROWTH (Quarterly YoY)



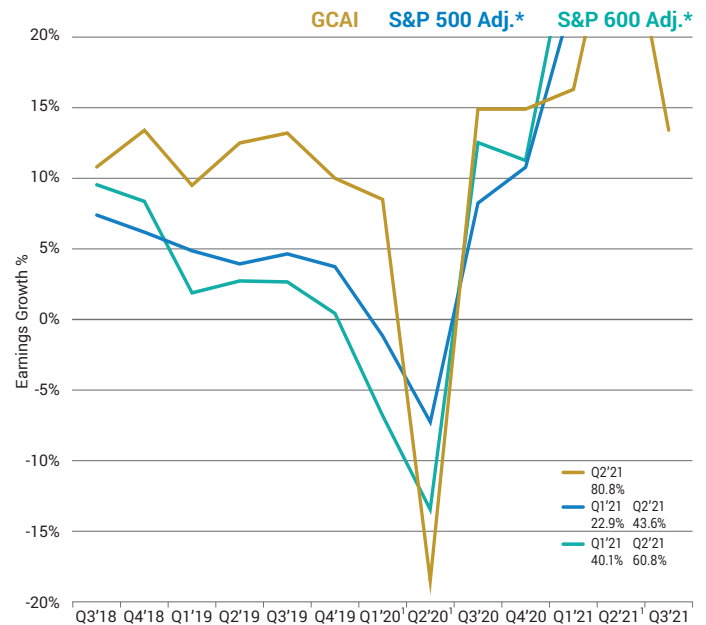
Source: FRED, Golub Capital Internal Data and S&P Capital IQ.  
Please see footnote on page 4 regarding Q1'20, Q2'20 and Q2'21 data.

### 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.

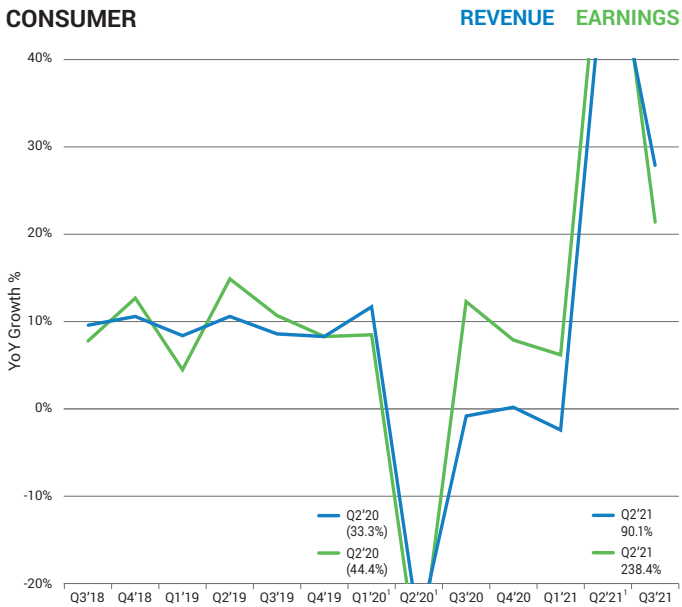
### EARNINGS GROWTH (Quarterly YoY) GCAI vs. ADJ. INDEXES



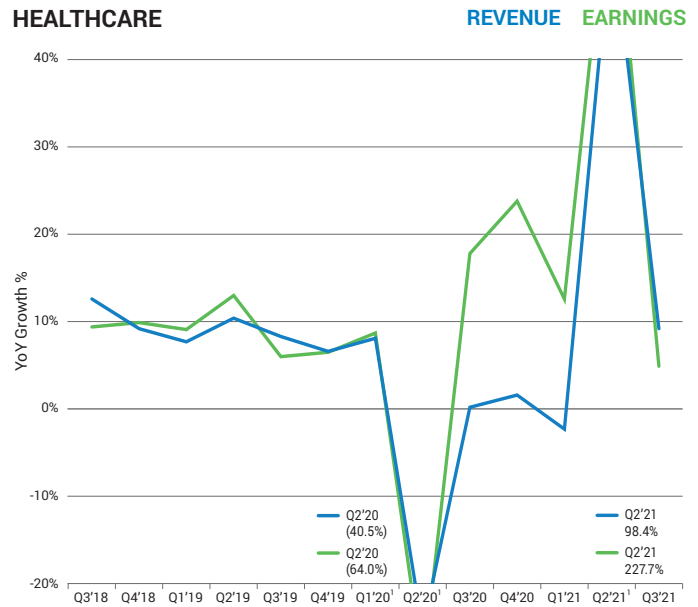
Source: Golub Capital Internal Data and S&P Capital IQ.  
\* Note: Indexes are adjusted to exclude the Energy, Financials, Materials, Real Estate, Telecommunications Services and Utilities industries.  
Please see footnote on page 4 regarding Q1'20, Q2'20 and Q2'21 data.

## Appendix: GCAI Results by Sector

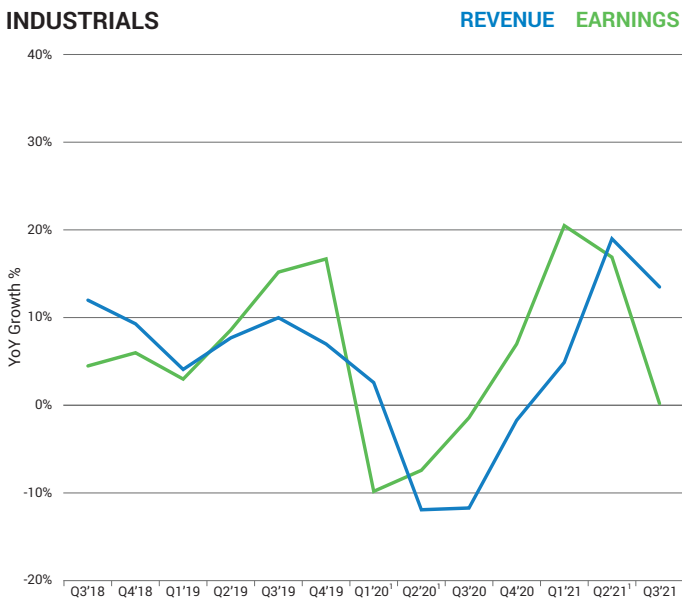
Additional information can be found below regarding sector trends in the Golub Capital Altman Index.



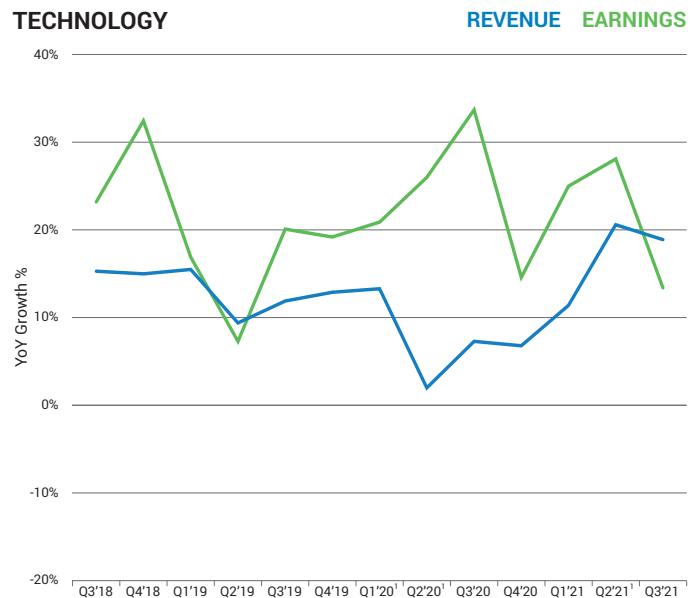
Source: Golub Capital Internal Data.  
Please see footnote regarding Q1'20, Q2'20 and Q2'21 data.



Source: Golub Capital Internal Data.  
Please see footnote regarding Q1'20, Q2'20 and Q2'21 data.



Source: Golub Capital Internal Data.  
Please see footnote regarding Q1'20, Q2'20 and Q2'21 data.



Source: Golub Capital Internal Data.  
Please see footnote regarding Q1'20, Q2'20 and Q2'21 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.

## 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.