

# U.S. Middle Market Revenue Grew 12% in the First Two Months of Q3 2022

## Golub Capital Middle Market Report

FEATURING THE GOLUB CAPITAL ALTMAN INDEX

### Index earnings fell slightly year-over-year as inflation continued to put pressure on profit margins.

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 year-over-year revenue growth of 12% and earnings decline of 2% during the first two months of the third quarter of 2022. This compares to year-over-year revenue growth of 12% and earnings growth of 2% in the second quarter of 2022.

Lawrence E. Golub, CEO of Golub Capital, said, "The U.S. economy continues to muddle through an environment of heightened uncertainty. This quarter's data is consistent with our expectation that economic growth will likely remain low in real terms for the rest of 2022 into 2023. Although profit growth declined slightly in aggregate, the data also shows increasing dispersion in performance by industry and company. Successfully navigating this environment will require management teams and owners to adapt quickly to changing circumstances. In our view, this type of environment plays to the strengths of private equity-backed businesses."

Dr. Edward I. Altman said, "EBITDA growth rates in the first two months of Q3 were negative versus the same period of 2021 with four of the five major industrial sectors registering negative growth. Only Industrials showed relative strong profit growth as these firms improved their cost management after suffering margin pressure in earlier quarters. Indeed, the Consumer and Technology sectors turned negative this past quarter despite revenue growth of more than 12%. The pullback in Consumer sector profit growth suggests companies struggled to pass rising input costs on to consumers, who faced rising prices for food and gasoline. Even Technology companies faced margin pressure, after a long stretch of very strong profit growth. That said, across all four of the sectors we track, companies with the strongest pricing power, like mission critical business-to-business SaaS companies, are in general keeping up with inflation."

The Golub Capital Altman Index ("GCAI"), which is produced by Golub Capital in collaboration with 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 approximately 110–150 private U.S. companies in the loan

## GOLUB CAPITAL ALTMAN INDEX HIGHLIGHTS

Year-Over-Year (YoY) Growth	Revenue	Earnings
<b>Q3 2022</b>	<b>11.6%</b>	<b>(2.1%)</b>
Key Sectors Q3 2022 (YoY)	Revenue	Earnings
<b>Consumer</b>	<b>12.3%</b>	<b>(4.5%)</b>
<b>Healthcare</b>	<b>6.7%</b>	<b>(4.6%)</b>
<b>Industrials</b>	<b>13.4%</b>	<b>6.8%</b>
<b>Technology</b>	<b>13.0%</b>	<b>(3.2%)</b>

Source: Golub Capital Internal Data.  
Please see footnotes on page 4.

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.

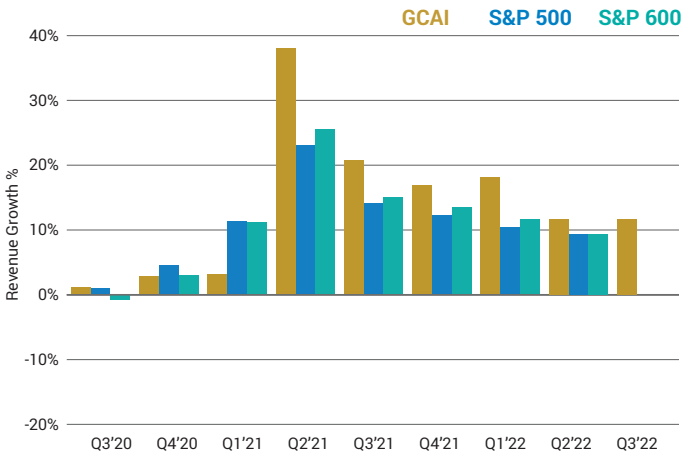
We believe the results (1) are representative of the general performance of middle market companies, which are a major contributor to U.S. private sector employment; (2) can be easily compared to the performance of the public companies that make up major stock indexes; (3) are relevant to the aggregate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

**GOLUB CAPITAL**

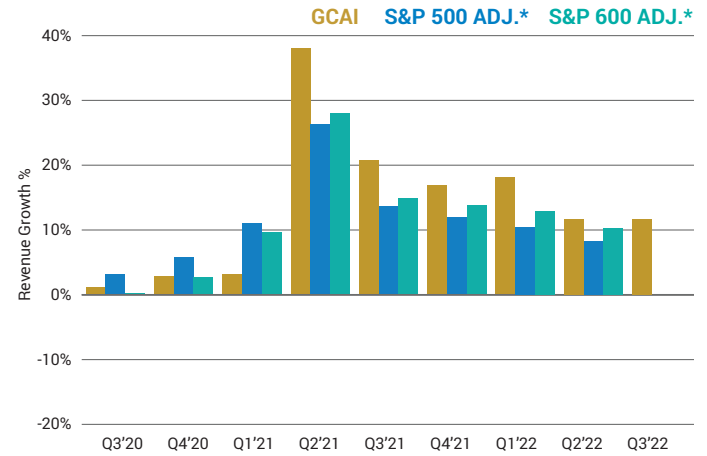
## GCAI Revenue and Earnings Growth

### REVENUE GROWTH (Quarterly YoY)



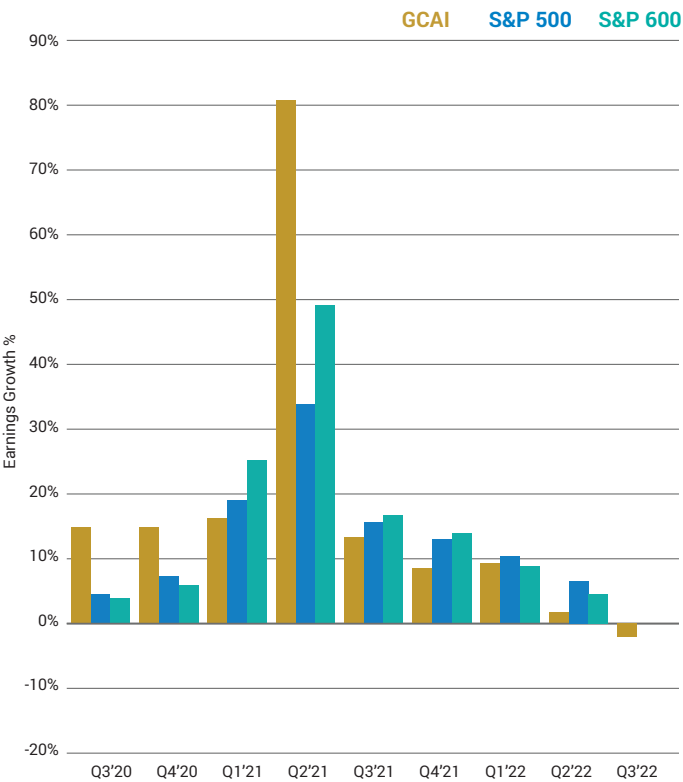
Source: Golub Capital Internal Data and S&P Capital IQ.  
Please see footnotes on page 4.

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



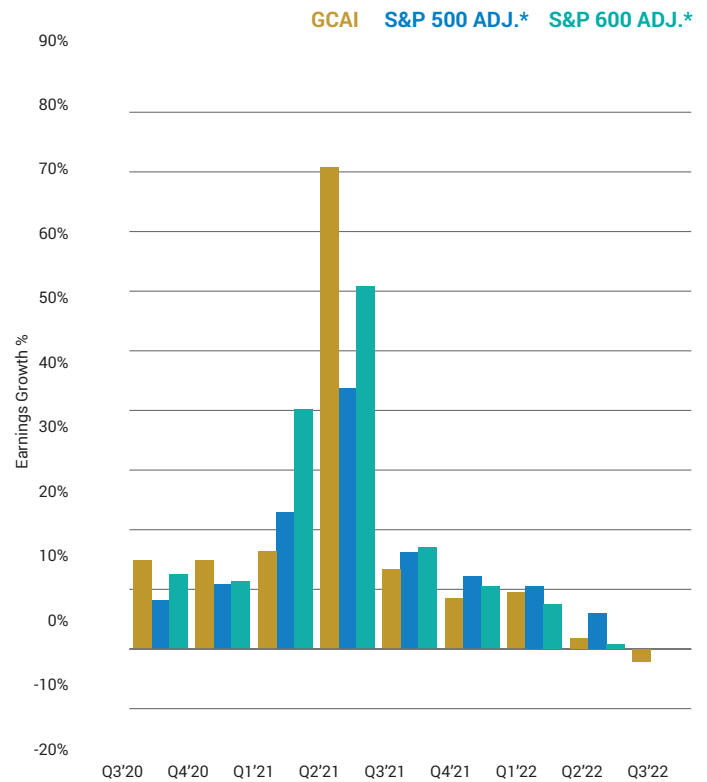
Source: Golub Capital Internal Data and S&P Capital IQ.  
\* Note: Indexes are adjusted to exclude the Energy, Financials, Materials, Real Estate, Telecommunications Services and Utilities industries.  
Please see footnotes on page 4.

### EARNINGS GROWTH (Quarterly YoY)



Source: Golub Capital Internal Data and S&P Capital IQ.  
Please see footnotes on page 4.

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



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## 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 approximately 110-150 privately owned companies in the Golub Capital loan portfolio for the first two months of each calendar quarter. It compares these results to the 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. Effective Q2 2022, the Golub Capital Altman Index (GCAI) excludes Golub Capital portfolio companies that have recurring revenue-based credit facilities. The data referenced herein may not reflect all companies in the loan portfolio of Golub Capital during the time periods indicated.

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## About Golub Capital

Golub Capital is a market-leading, award-winning direct lender and experienced credit asset manager. We specialize in delivering reliable, creative and compelling financing solutions to companies backed by private equity sponsors. Our sponsor finance expertise also forms the foundation of our Late Stage Lending, Broadly Syndicated Loan and Credit Opportunities investment programs. We nurture long-term, win-win partnerships that inspire repeat business from private equity sponsors and investors.

As of July 1, 2022, Golub Capital had over 675 employees and over \$55 billion of capital under management, a gross measure of invested capital including leverage. The firm has lending offices in Chicago, New York, San Francisco and London. For more information, please visit [golubcapital.com](https://golubcapital.com).

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## 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.

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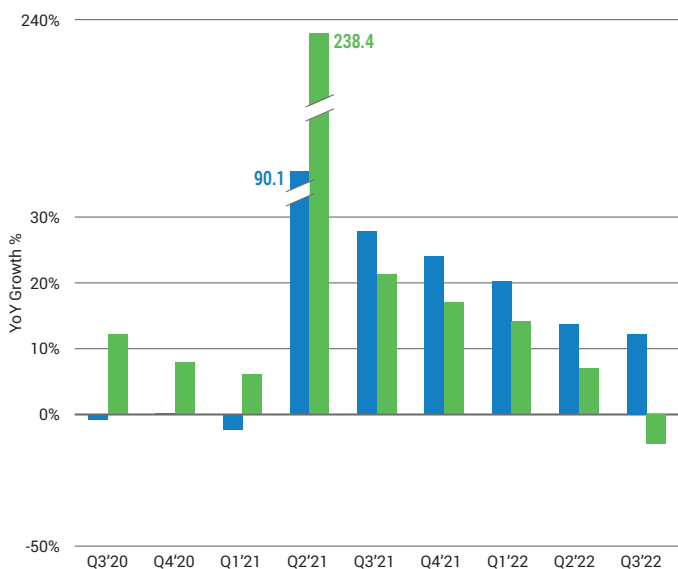
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## Appendix: GCAI Results by Sector

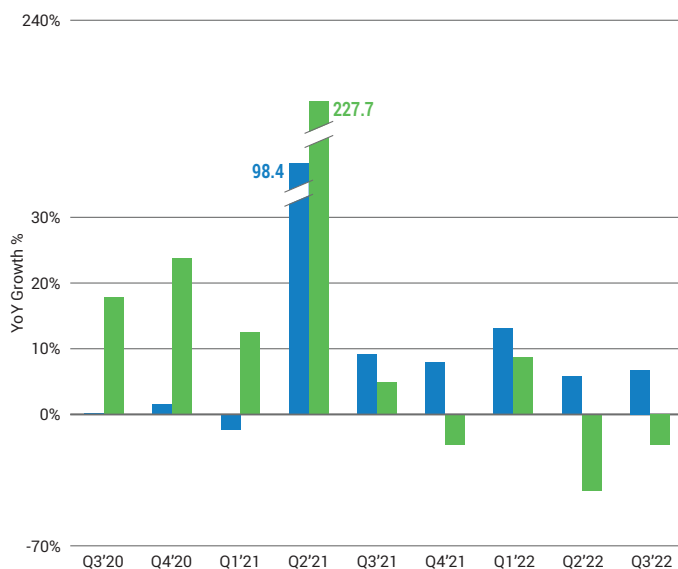
Additional information can be found below regarding sector trends in the Golub Capital Altman Index.

### CONSUMER REVENUE EARNINGS



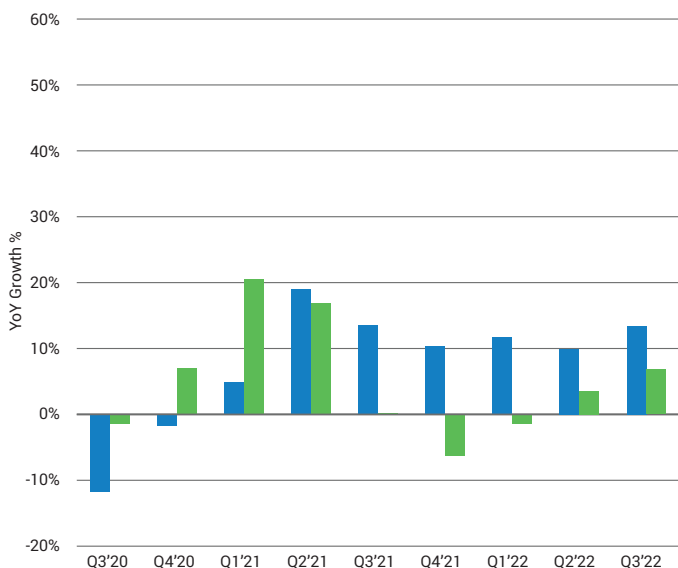
Source: Golub Capital Internal Data.  
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### HEALTHCARE REVENUE EARNINGS



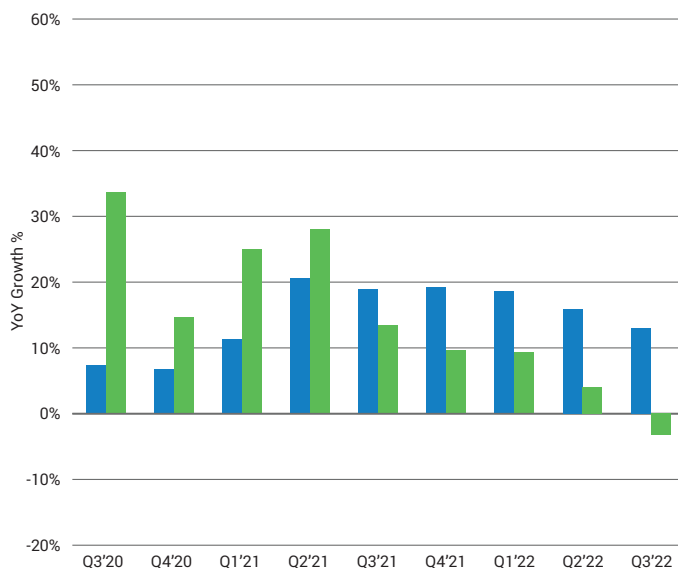
Source: Golub Capital Internal Data.  
Please see footnotes.

### INDUSTRIALS REVENUE EARNINGS



Source: Golub Capital Internal Data.  
Please see footnotes.

### TECHNOLOGY REVENUE EARNINGS



Source: Golub Capital Internal Data.  
Please see footnotes.

## 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.

## Footnotes

- The Golub Capital Altman Index (GCAI) data for 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 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.
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