

U.S. Middle Market Growth Continues to Exceed Expectations

Golub Capital Middle Market Report

FEATURING THE GOLUB CAPITAL ALTMAN INDEX

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 earnings growth of 11% and revenue growth of 11% during the first two months of the first quarter of 2023.

Lawrence E. Golub, CEO of Golub Capital, said, “Revenue and profit growth again were positive surprises, building on the strength we highlighted in last quarter’s report. Our data suggests that many analysts continue to underestimate the health of the U.S. economy and the resilience of private equity-owned businesses. Profit margins on average expanded as our sample of companies continued to adapt to a challenging operating environment. Although the data in this report doesn’t capture the impact of banking system stress in March 2023, we believe the strength of our January and February data is encouraging for the upcoming earnings season.”

Dr. Edward I. Altman said, “Growth exceeded our expectations across all four sectors we track. The acceleration of revenue growth in the Consumer sector suggests that the tailwind of falling energy prices more than offset the headwind of rising interest rates on mortgage and credit card debt. While Consumer Revenue continued its strong growth, we do observe some softness in consumer profit and cash flow growth compared to prior quarters. Moreover, profit margins expanded even as the labor market remained strong, which suggests that cost-control measures are having an effect. That said, we’d advise caution in extrapolating from our data given the uncertainty about the potential economic impact of recent bank failures.”

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 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

GOLUB CAPITAL ALTMAN INDEX HIGHLIGHTS

Year-Over-Year (YoY) Growth	Revenue	Earnings
Q1 2023	11.1%	10.9%
Key Sectors Q1 2023 (YoY)	Revenue	Earnings
Consumer	10.6%	0.4%
Healthcare	9.8%	13.5%
Industrials	11.0%	4.8%
Technology	12.5%	19.0%

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

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.

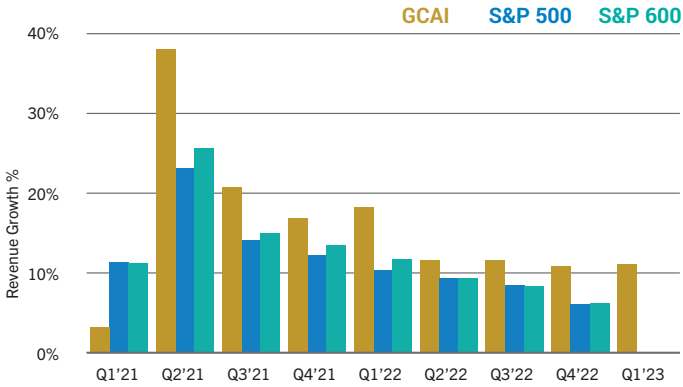
We believe the results (1) are representative of the general performance of middle market companies, which are a major contributor to U.S. private sector employment; (2) can be easily compared to the performance of the public companies that make up major stock indexes; (3) are relevant to the aggregate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

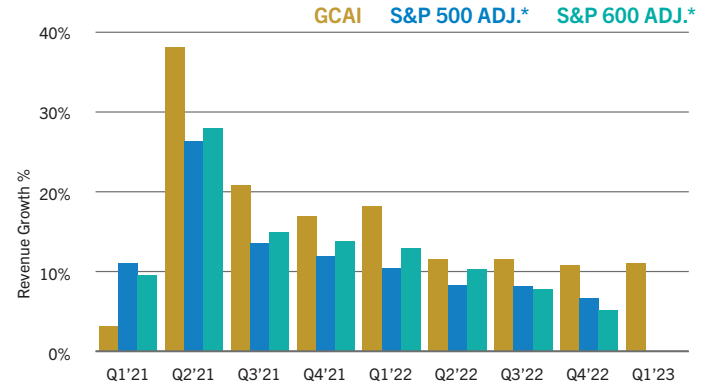
GCAI Revenue and Earnings Growth

REVENUE GROWTH (Quarterly YoY)



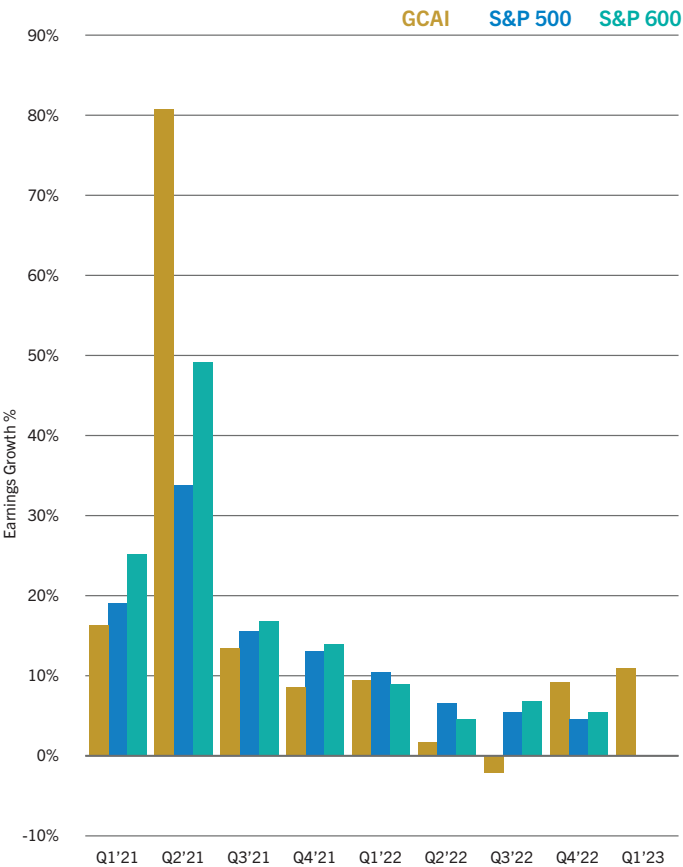
Source: Golub Capital Internal Data and S&P Capital IQ.
Please see footnotes on page 4.

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



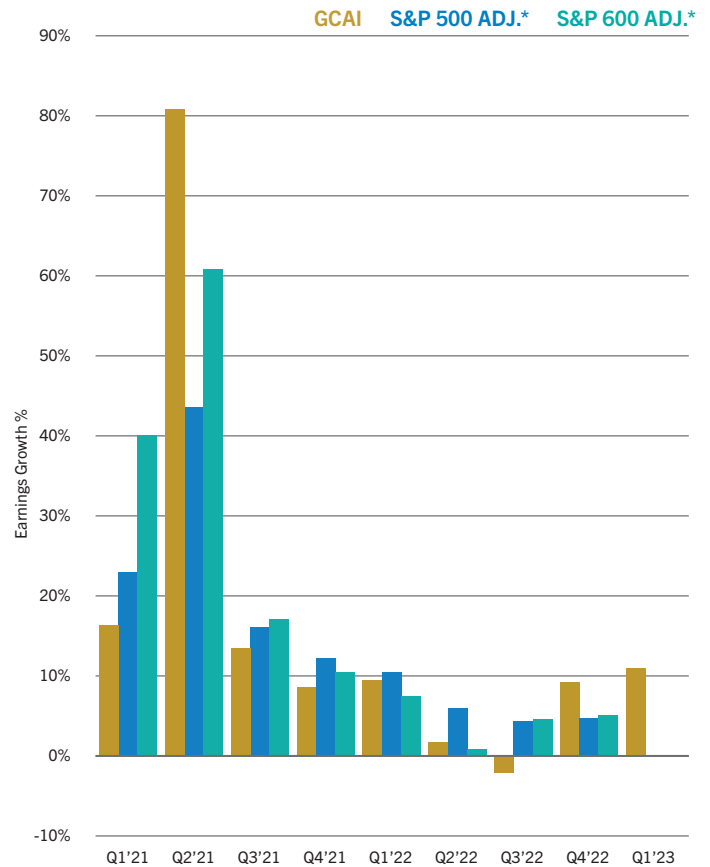
Source: Golub Capital Internal Data and S&P Capital IQ.
* Note: Indexes are adjusted to exclude the Energy, Financials, Materials, Real Estate, Telecommunications Services and Utilities industries.
Please see footnotes on page 4.

EARNINGS GROWTH (Quarterly YoY)



Source: Golub Capital Internal Data and S&P Capital IQ.
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EARNINGS GROWTH (Quarterly YoY) GCAI vs. ADJ. INDEXES



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* Note: Indexes are adjusted to exclude the Energy, Financials, Materials, Real Estate, Telecommunications Services and Utilities industries.
Please see footnotes on page 4.

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.

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 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 January 1, 2023, Golub Capital had over 775 employees and over \$60 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.

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.

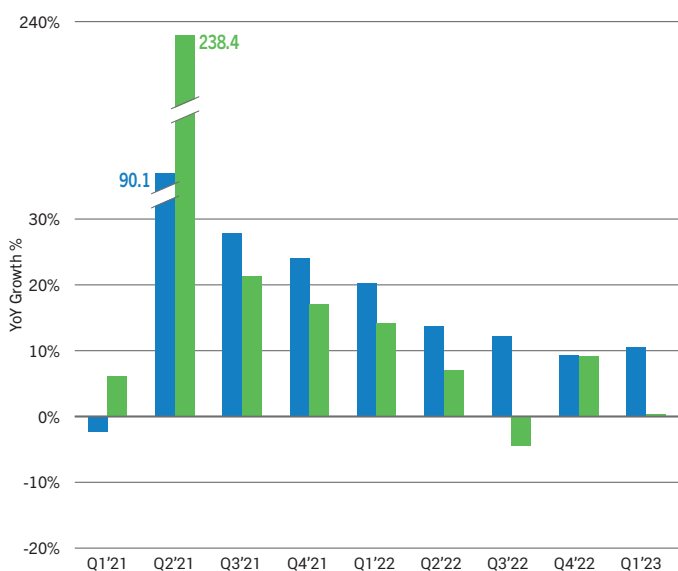
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Appendix: GCAI Results by Sector

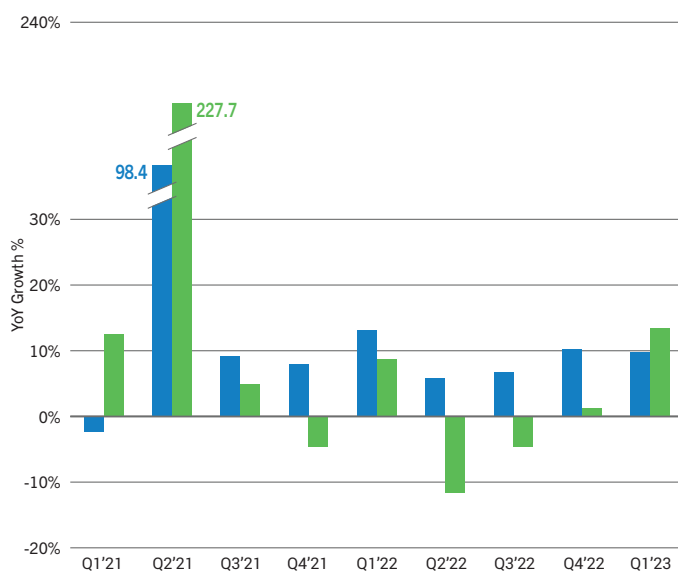
Additional information can be found below regarding sector trends in the Golub Capital Altman Index.

CONSUMER REVENUE EARNINGS



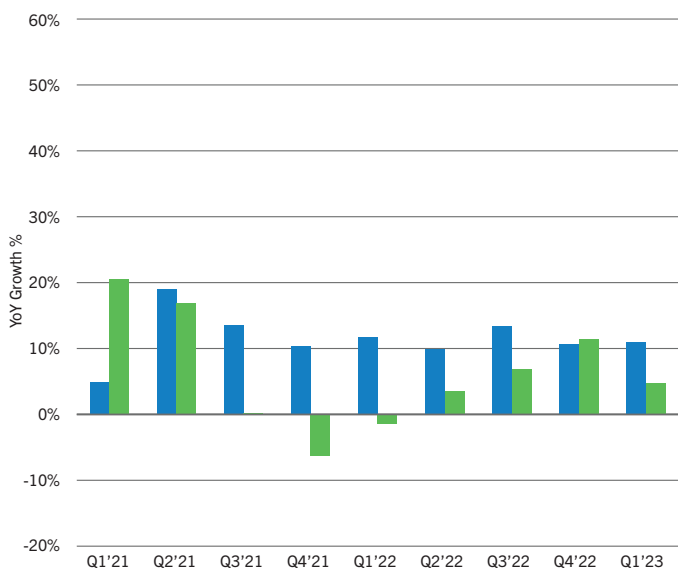
Source: Golub Capital Internal Data.
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HEALTHCARE REVENUE EARNINGS



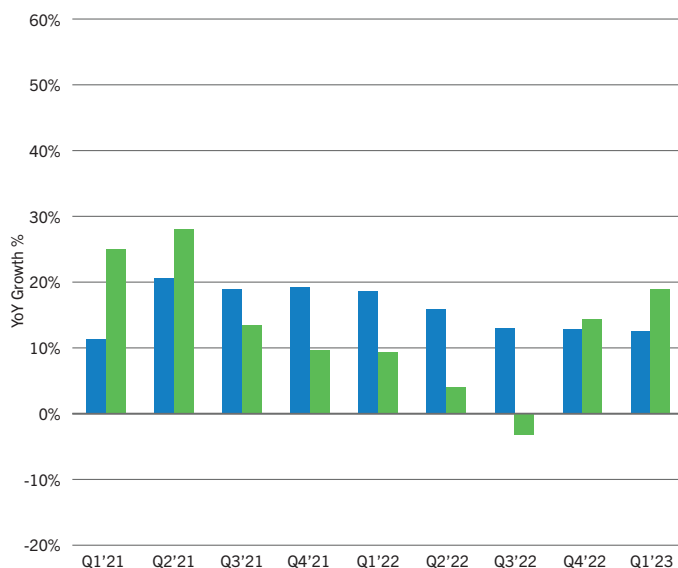
Source: Golub Capital Internal Data.
Please see footnotes.

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.
- 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.