

# U.S. Middle Market Remains Resilient

## 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 5% and revenue growth of 4% during the first two months of the second quarter of 2023.

Lawrence E. Golub, CEO of Golub Capital, said, “Revenue and profit growth in Q2 remained consistent with our expectation of continued muddling economic growth. Despite much talk in recent months of an economic slowdown, our data suggests that the U.S. middle market remains resilient and companies continue to adapt to the uncertain environment. Although the pace of revenue and earnings growth in Q2 was slower than in prior quarters, profit margins remained stable in aggregate. Muddling growth and stable profitability are welcome signs that Main Street largely shrugged off the impact of March’s bank failures.”

Dr. Edward I. Altman said, “While our Q2 data shows revenue and earnings growth in aggregate, there are notable differences in performance by sector. Revenue in the Industrials sector declined 4% year-over-year at the same time as profits grew 9%. It’s uncommon to see revenue fall while margins expand. In our view, this highlights the importance of pricing power. Industrial companies that were able to pass through price increases in prior quarters are now capturing the benefit of falling input costs. By contrast, labor market tightness weighed on margins in the Consumer and Healthcare sectors. The Technology sector had the best of both worlds: robust demand for productivity-enhancing software solutions and high operating leverage. In short, while our aggregate data supports an outlook of continued positive growth for the middle market, the trends are somewhat inconsistent across sectors.”

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.

## GOLUB CAPITAL ALTMAN INDEX HIGHLIGHTS

Year-Over-Year (YoY) Growth	Revenue	Earnings
<b>Q2 2023</b>	<b>4.3%</b>	<b>4.5%</b>
Key Sectors Q2 2023 (YoY)	Revenue	Earnings
<b>Consumer</b>	<b>5.1%</b>	<b>0.8%</b>
<b>Healthcare</b>	<b>2.5%</b>	<b>(0.8%)</b>
<b>Industrials</b>	<b>(3.9%)</b>	<b>9.2%</b>
<b>Technology</b>	<b>7.9%</b>	<b>26.2%</b>

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

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.

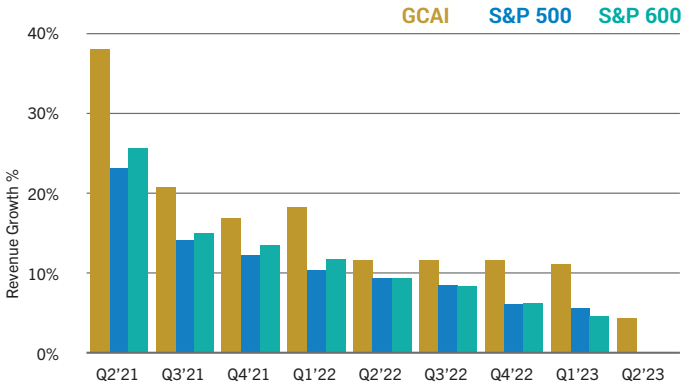
We believe the results (1) are representative of the general performance of middle market companies, which are a major contributor to U.S. private sector employment; (2) can be easily compared to the performance of the public companies that make up major stock indexes; (3) are relevant to the aggregate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

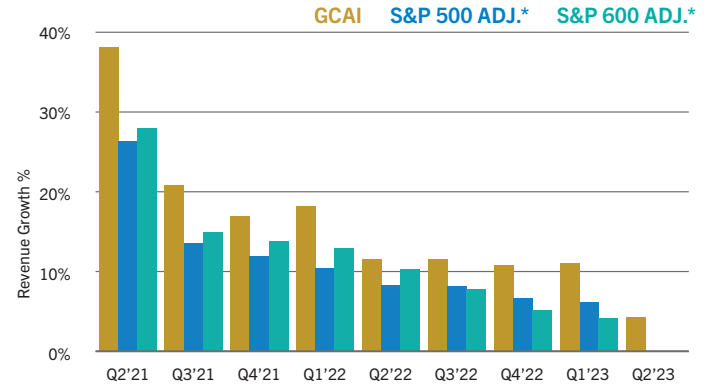
## GCAI Revenue and Earnings Growth

### REVENUE GROWTH (Quarterly YoY)



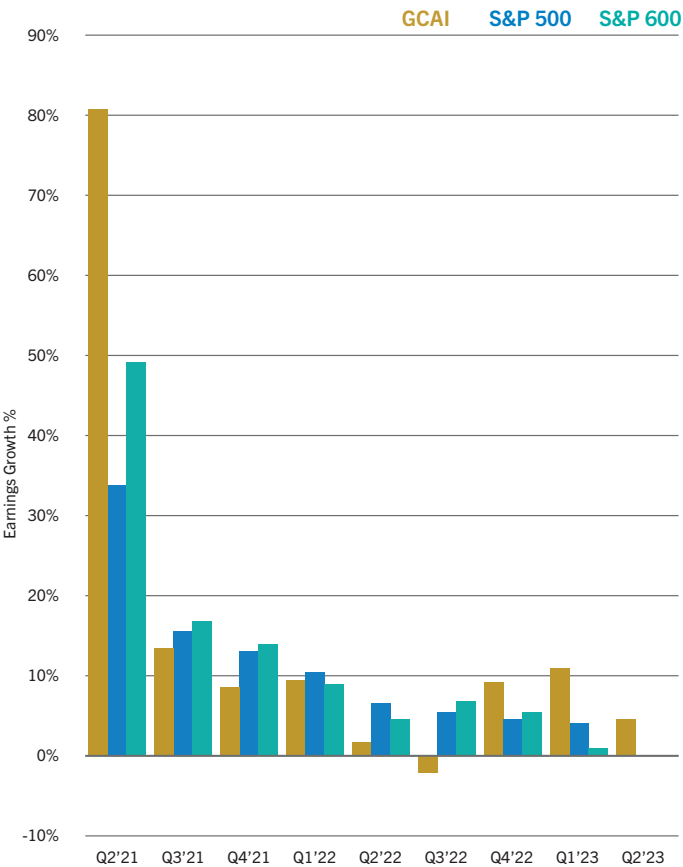
Source: Golub Capital Internal Data and S&P Capital IQ.  
Please see footnotes on page 4.

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



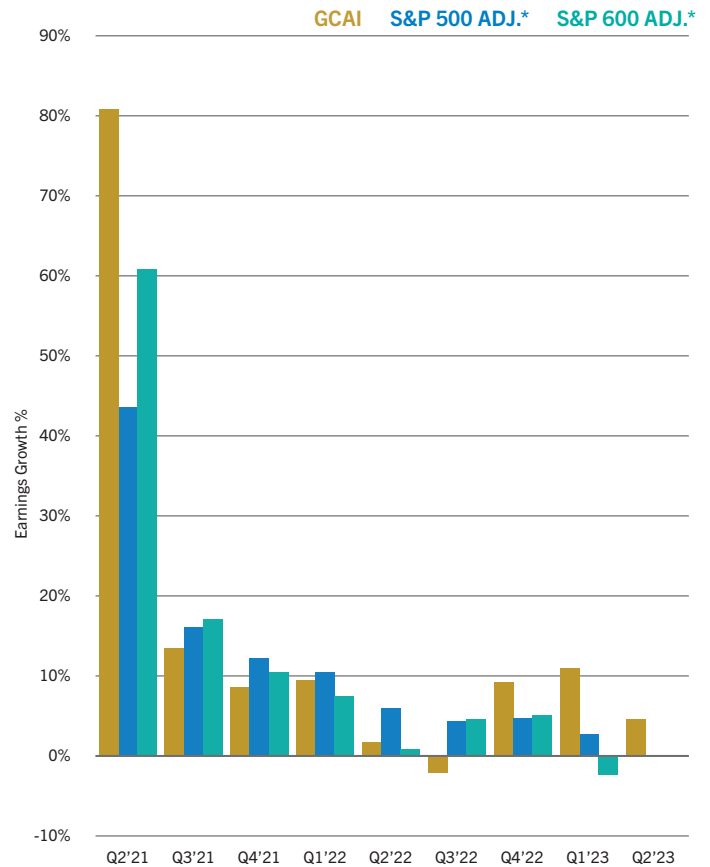
Source: Golub Capital Internal Data and S&P Capital IQ.  
\* Note: Indexes are adjusted to exclude the Energy, Financials, Materials, Real Estate, Telecommunications Services and Utilities industries.  
Please see footnotes on page 4.

### 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



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.  
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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 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 April 1, 2023, Golub Capital had over 800 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](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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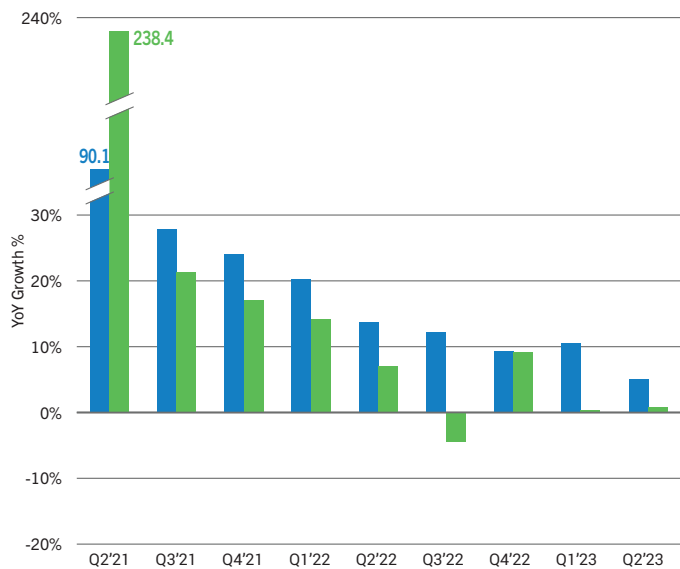
## Media Contact

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## Appendix: GCAI Results by Sector

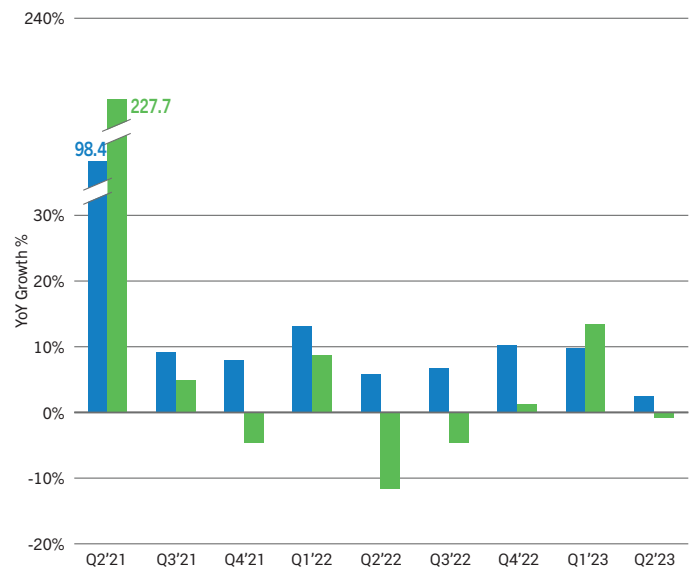
Additional information can be found below regarding sector trends in the Golub Capital Altman Index.

### CONSUMER REVENUE EARNINGS



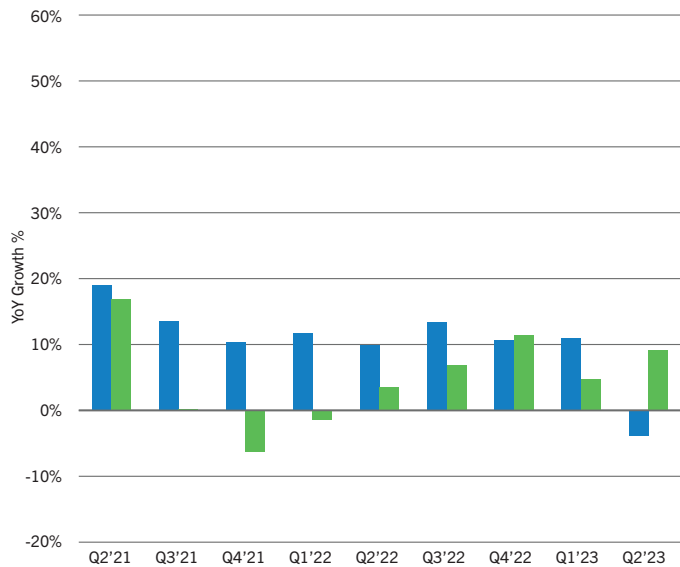
Source: Golub Capital Internal Data.  
Please see footnotes.

### HEALTHCARE REVENUE EARNINGS



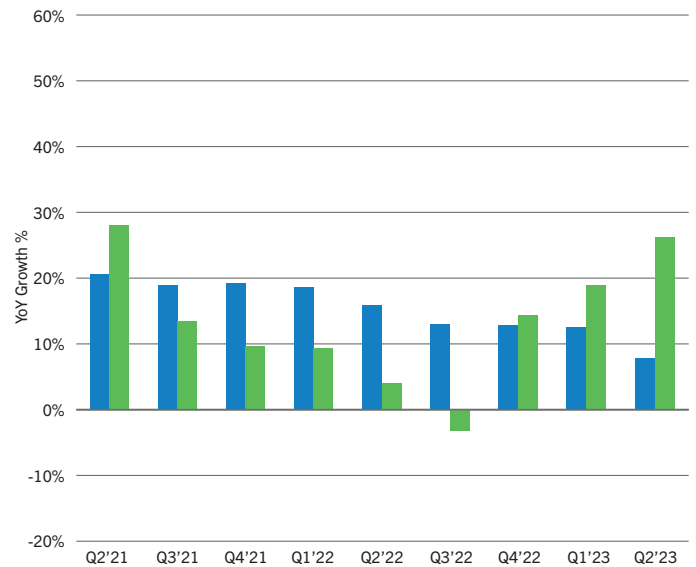
Source: Golub Capital Internal Data.  
Please see footnotes.

### 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.