

Golub Capital Middle Market Report

FEATURING THE GOLUB CAPITAL ALTMAN INDEX

Revenue in the U.S. Middle Market Grows at 5.33% in Q4 2016, According to the Golub Capital Middle Market Report

Overall Earnings Show Decline of 2.48% During First Two Months of the Quarter

Index provides 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 increased revenues by 5.33% and earnings (defined as earnings before interest, taxes, depreciation and amortization, or "EBITDA") declined by 2.48% during the first two months of the fourth quarter of 2016. This is compared to increases of 4.62% in revenues and a decline of 0.66% in earnings in the third quarter of 2016.

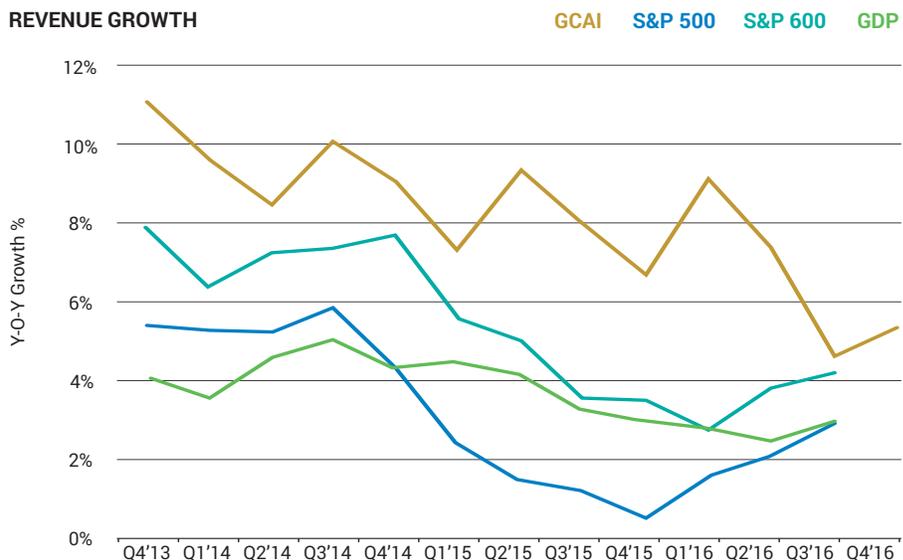
Lawrence E. Golub, CEO of Golub Capital said, "The Golub Capital Altman Index for the fourth quarter of 2016 indicates that the economy is still growing, though we are seeing continued profit margin pressure. Revenue growth in the Consumer sector is strong at 5.50%, as a result of a more confident consumer with additional purchasing power driven by a strong dollar and payrolls, coupled with the unemployment rate at new lows. Weakness in the restaurant sector is driving a modest decline in Consumer sector profits."

Dr. Altman said, "We are seeing a continued earnings slowdown that we have observed for the last three quarters. The latest quarter's results showed an earnings decline of 2.48%, the second consecutive quarterly negative growth in EBITDA. The two sectors leading the downturn were the Healthcare and Information Technology sectors with declines of 2.56% and 2.48%, respectively. Increases in unit labor costs as wages rise faster than productivity and tougher competition from imports due to the strength of the U.S. dollar contribute to these declines. While earnings growth for the Industrials sector was impressive, this sector had relatively low revenue growth year-over-year in the most recent quarter, indicating significant cost cutting in

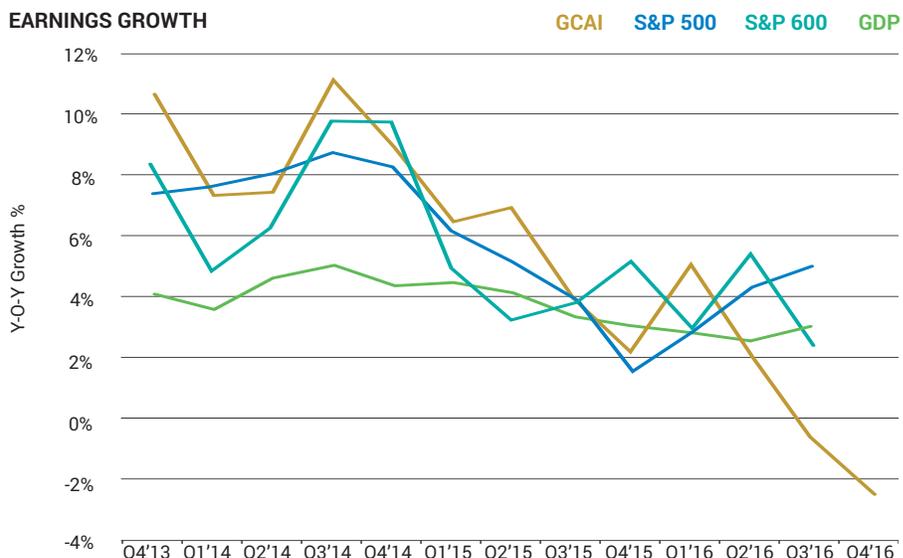
GOLUB CAPITAL ALTMAN INDEX HIGHLIGHTS

Year-Over-Year Growth	REVENUES	EARNINGS
Q4 2016	5.33%	(2.48%)
Q3 2016	4.62%	(0.66%)
Key Sectors Q4 2016	REVENUES	EARNINGS
Consumer	5.50%	(2.05%)
Healthcare	5.61%	(2.56%)
Industrials	0.29%	6.27%
Information Technology	6.82%	(2.48%)

REVENUE GROWTH



EARNINGS GROWTH



aggregate expenditures.”

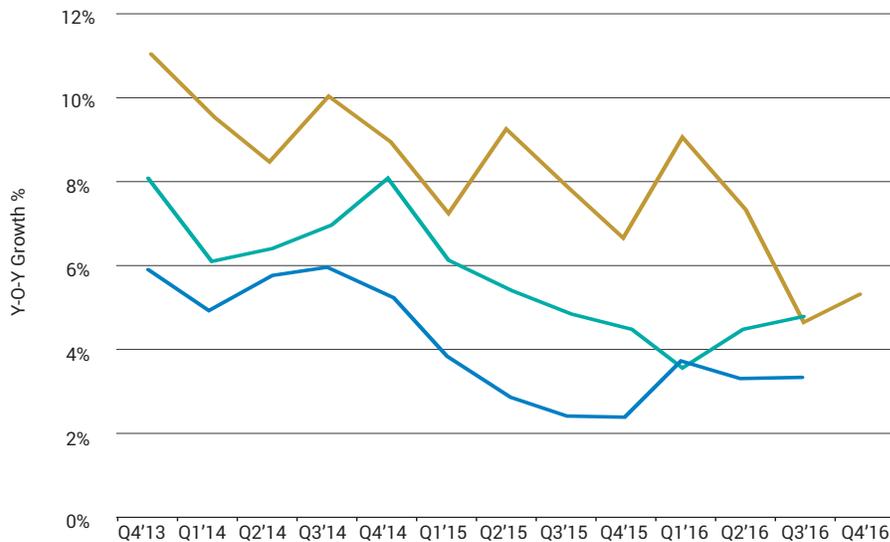
The Golub Capital Altman Index, which is produced by Golub Capital in collaboration with renowned credit expert Dr. Edward I. Altman, is the first and only index based on actual sales and earnings data for middle market companies. It measures median revenue and earnings performance from the data of more 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 index 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, as well as quarterly Gross Domestic Product (“GDP”), according to statistical back-testing dating back to 2012, when data began to be tracked.

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.

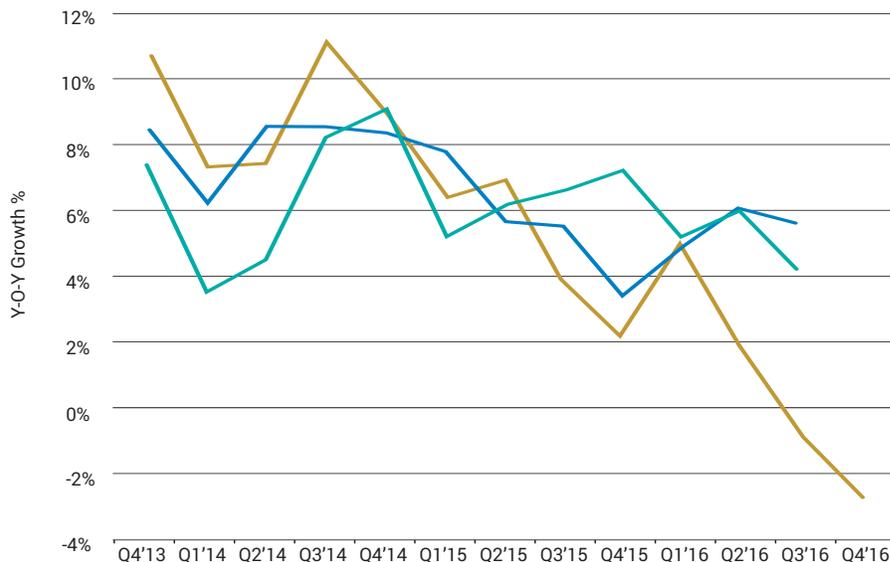
Importantly, the size and diversity of the Golub Capital loan portfolio ensures that the confidentiality of all company-specific information used in the report is maintained in both the aggregate and industry segment data.

The companies in the Golub Capital Altman Index operate in a wide range of industries, and aggregate results are provided for the total universe and by industry segment. Given the index’s limited exposure to Financials, Utilities, Energy and Materials, calculations are made for the public indexes both including and excluding these sectors (for the latter, see charts marked “S&P 500 Adjusted” and “S&P 600 Adjusted”).

REVENUE GROWTH VERSUS ADJUSTED INDICES GCAI S&P 500 adj. S&P 600 adj.



EARNINGS GROWTH VERSUS ADJUSTED INDICES GCAI S&P 500 adj. S&P 600 adj.



About The Golub Capital Middle Market Report

The Golub Capital Middle Market Report analyzes the results of the Golub Capital Altman Index, 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 financial performance of public companies in well-known market indexes, including the S&P 500 and S&P SmallCap 600, as well as the quarterly Gross Domestic Product. The index is produced by Golub Capital in collaboration with renowned credit expert Dr. Edward I. Altman. For more information, including a description of the methodology used to create the report, please visit golubcapital.com/middle-market-report.

About Golub Capital Middle Market Lending

Golub Capital's Middle Market Lending group provides financing for middle market, private equity-backed transactions with hold positions of up to \$300 million and is an arranger of credit facilities up to \$750 million. Golub Capital's award-winning team strives to establish long-term, win-win partnerships by providing dependable, fast and creative solutions that meet private equity sponsors' and portfolio companies' needs.

Golub Capital is a nationally recognized credit asset manager with over \$20 billion of capital under management. For over 20 years, the firm has provided credit to help medium-sized U.S. businesses grow. The firm's award-winning middle market lending business helps provide financing for middle market companies and their private equity sponsors. Golub Capital's credit expertise also forms the foundation of its Late Stage Lending and Broadly Syndicated Loan businesses. Golub Capital has worked hard to build a reputation as a fast, reliable provider of compelling finance solutions, and we believe this has inspired repeat clients and investors. Today, the firm has over 300 employees with lending offices in Chicago, New York and San Francisco. For more information, please visit www.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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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.

Appendix: GCAI Middle Market Sectors

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

CONSUMER DISCRETIONARY/CONSUMER* CONSUMER STAPLES



* On October 1, 2016, the Consumer Discretionary and Consumer Staples sectors were reclassified into one sector called Consumer. The year-over-year growth percentages for the reclassified Consumer sector will be reflected in the chart above beginning in the quarter ended December 31, 2016.

HEALTHCARE



INDUSTRIALS



INFORMATION TECHNOLOGY

