

Golub Capital Middle Market Report

FEATURING THE GOLUB CAPITAL ALTMAN INDEX

Earnings in the U.S. Middle Market Grew by nearly 10% in Q1 2019

Revenue grew by 9% in Q1 2019

The Golub Capital Altman Index can provide early insight into the financial performance of public companies and GDP in advance of earnings season

Middle market private companies in the Golub Capital Altman Index experienced approximate year-over-year earnings growth of 9.5% and revenue growth of 9.3% during the first two months of the first quarter of 2019. This compares to approximate year-over-year earnings growth of 13.4% and revenue growth of 10.6% in the fourth quarter of 2018.

Lawrence E. Golub, CEO of Golub Capital, said, "U.S. businesses selling primarily in the domestic market are in great shape. The Golub Capital Altman Index posted nearly double-digit revenue and earnings growth in Q1, despite the U.S. government shutdown for most of January. The Technology sector, which for us consists primarily of business-to-business software companies, remains the standout, extending a nine-quarter streak of double-digit revenue growth and a four-quarter streak of double-digit earnings growth. These signs of fundamental strength, together with low unemployment, stable inflation and a moderating pace of wage growth, suggest the U.S. economy may not need additional support from the Fed in 2019."

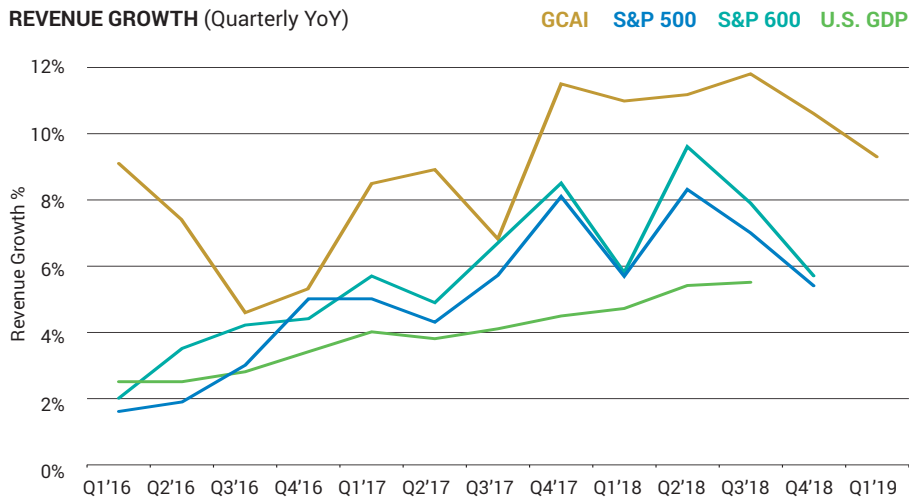
Dr. Edward I. Altman said, "Revenue and earnings growth remain strong in our sample of U.S. middle market companies, although growth has decelerated moderately from the record pace of 2018. The turnaround we identified last year in the Healthcare sector continued in the first quarter of 2019, as the Healthcare companies in our sample maintained solid growth while increasing margins. Although the Industrial companies in our sample reported relatively modest growth, their focus on the U.S. domestic market appears to have insulated them from concerns about growth and trade in the global economy. In sum, our data suggests the U.S. economy has retained much of its momentum from 2018."

GOLUB CAPITAL ALTMAN INDEX HIGHLIGHTS

Year-Over-Year ("YoY") Growth	REVENUE	EARNINGS
Q1 2019	9.3%	9.5%
Q4 2018	10.6%	13.4%

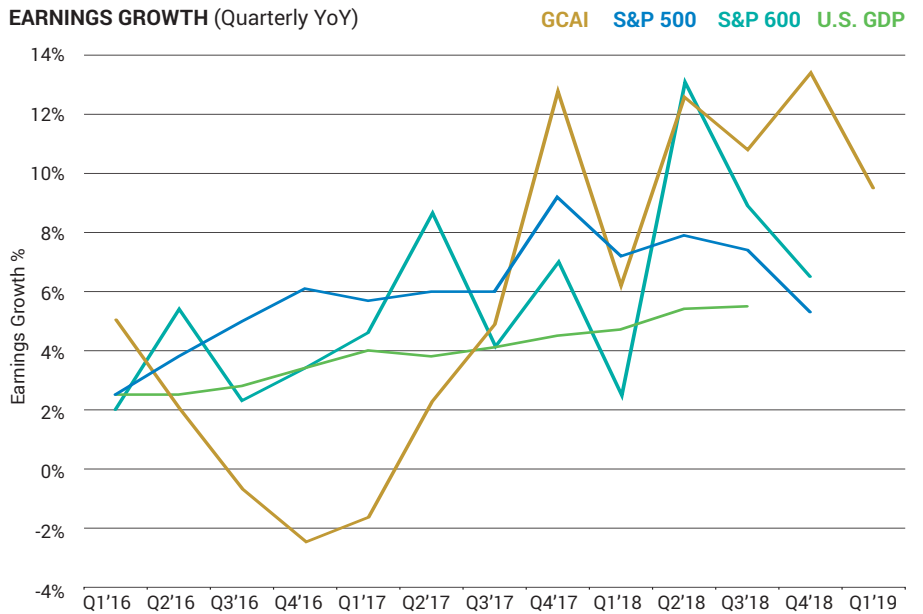
Key Sectors Q1 2019 (YoY)	REVENUE	EARNINGS
Consumer	8.4%	4.5%
Healthcare	7.7%	9.1%
Industrials	4.1%	3.0%
Technology	15.5%	16.9%

REVENUE GROWTH (Quarterly YoY)



Source: Bloomberg and Golub Capital Internal Data.

EARNINGS GROWTH (Quarterly YoY)



Source: Bloomberg and Golub Capital Internal Data.

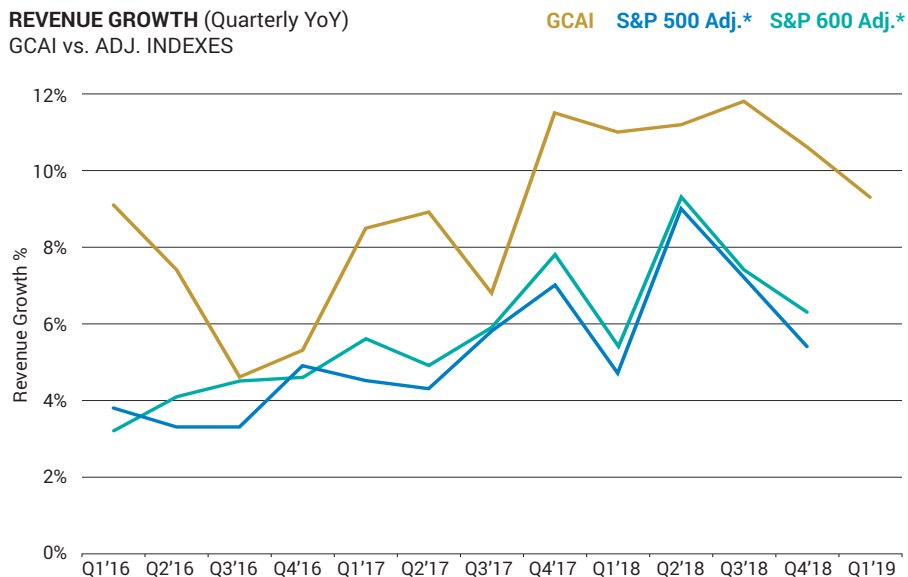
The Golub Capital Altman Index (“GCAI”), which is produced by Golub Capital in collaboration with renowned credit expert Dr. Edward I. Altman, is the first and only index based on actual revenue and earnings (defined as earnings before interest, taxes, depreciation and amortization, or “EBITDA”) for 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 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.

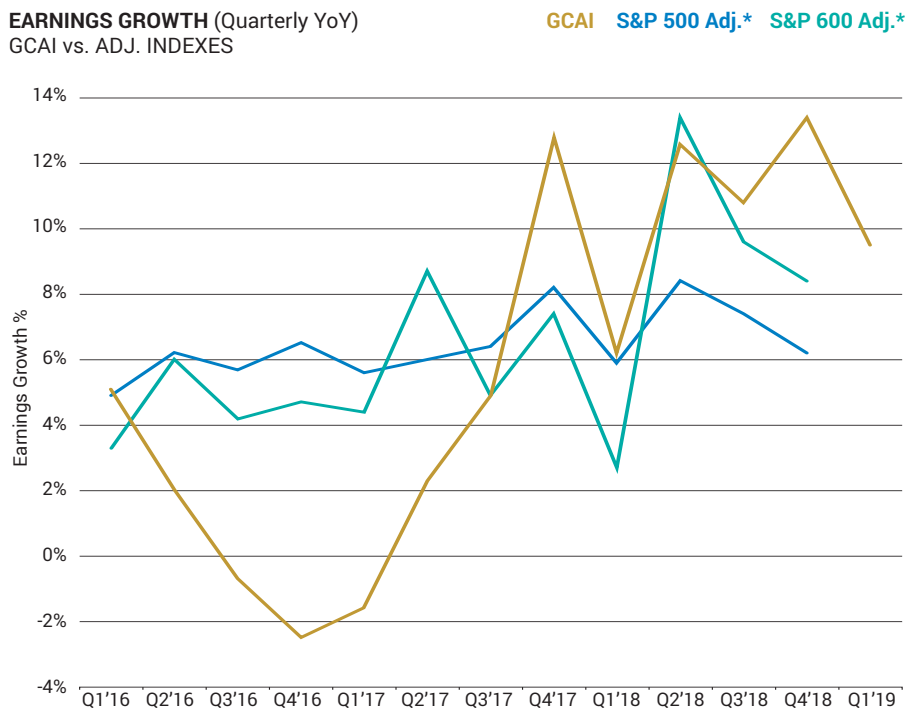
The companies in the GCAI operate in a wide range of industries. Results are provided for the total universe of GCAI constituents and by industry segment. Given the index’s limited exposure to Financials, Utilities, Energy and Materials, comparisons are made to the S&P 500 and S&P 600 as well as to “adjusted” versions of those indexes that exclude the aforementioned sectors.

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



Source: Bloomberg and Golub Capital Internal Data.
*Note: Indexes are adjusted to exclude the Energy, Financials, Materials, Real Estate, Telecommunications Services and Utilities industries.

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



Source: Bloomberg and Golub Capital Internal Data.
*Note: Indexes are adjusted to exclude the Energy, Financials, Materials, Real Estate, Telecommunications Services and Utilities industries.

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 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 \$600 million and is an arranger of credit facilities up to \$1 billion. Golub Capital’s award-winning team specializes in delivering reliable, creative and compelling financing solutions to U.S. middle market companies backed by private equity sponsors.

Golub Capital is a market-leading, award-winning private debt platform with over \$30 billion of capital under management. The Middle Market Lending team has particular domain expertise in select industries, including software, technology services, healthcare, consumer and restaurant and retail. The firm’s credit expertise also forms the foundation of its Late Stage Lending business and its Broadly Syndicated Loan investment program. Across its activities, Golub Capital nurtures long-term, win-win partnerships that inspire repeat business from its private equity sponsor clients and investors. Founded in 1994, Golub Capital today has over 400 employees and lending offices in Chicago, New York and San Francisco. 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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Important Disclosure

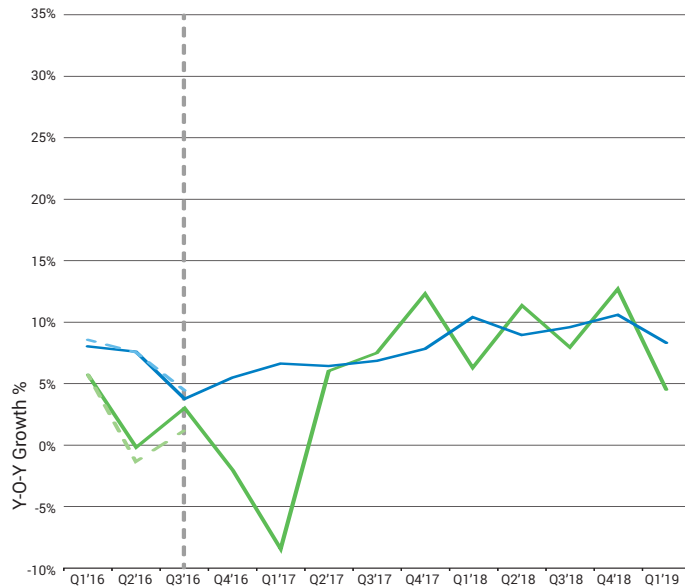
The Golub Capital Altman Index is provided as an indicator only, and does not constitute investment advice or the offer to sell or a solicitation to buy any security. Some of these statements constitute forward-looking statements, which may be predictions about future events, future performance, or future 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 Results by Sector

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

CONSUMER DISCRETIONARY/CONSUMER* CONSUMER STAPLES

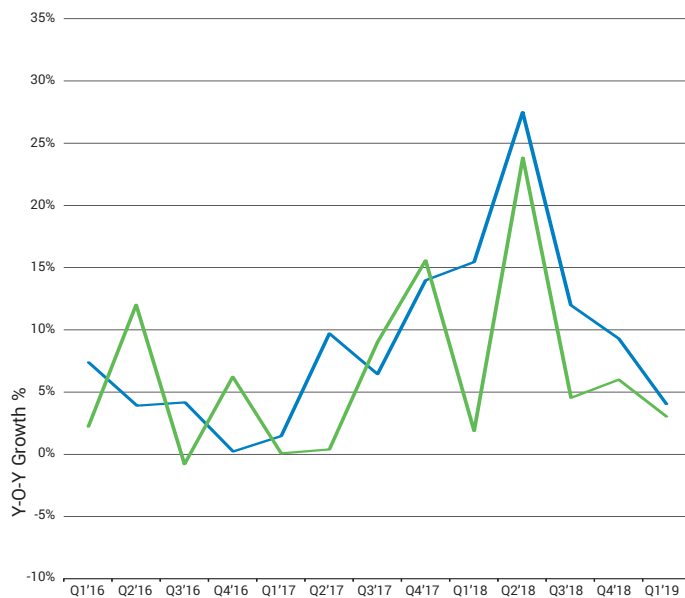
REVENUE EARNINGS
REVENUE EARNINGS



Source: Golub Capital Internal Data.
* 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 are reflected in the chart above beginning the fourth quarter of 2016.

INDUSTRIALS

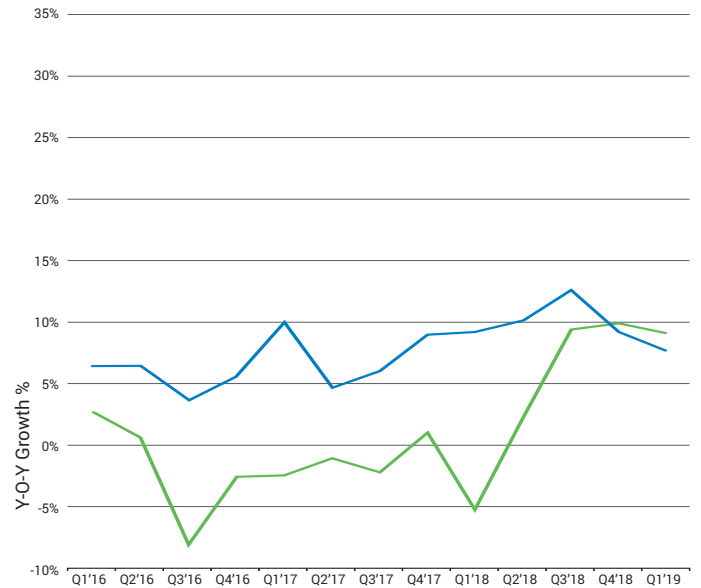
REVENUE EARNINGS



Source: Golub Capital Internal Data.

HEALTHCARE

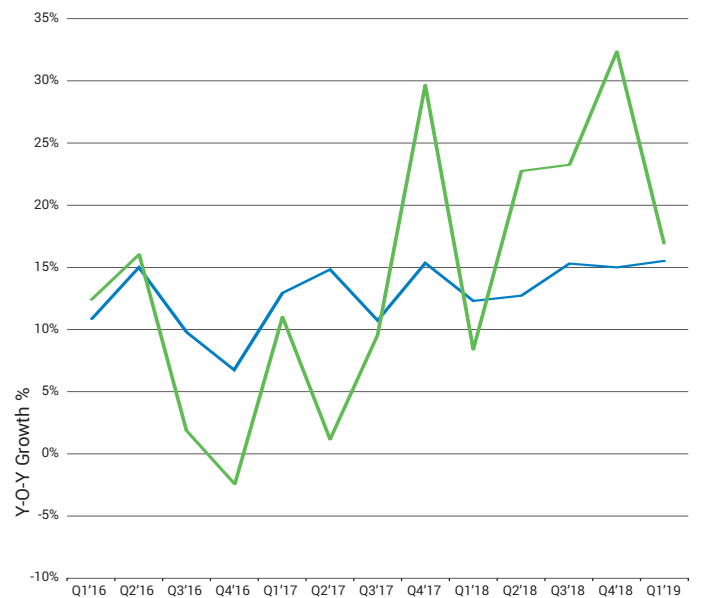
REVENUE EARNINGS



Source: Golub Capital Internal Data.

TECHNOLOGY

REVENUE EARNINGS



Source: Golub Capital Internal Data.