

Jan 12, 2018 10:25:58 AM EST

Golub: Middle market companies see 4Q revenue, earnings growth

A key barometer of U.S. private middle market companies, the Golub Capital Altman Index, showed that revenue year-over-year grew by 11.51% in the first two months of 4Q17, while earnings grew by 12.77%.

By comparison, in the third quarter of 2017, revenue grew by 6.79% and EBITDA by 4.89%.

“Middle market companies had an outstanding fourth quarter of 2017, building on the strong performance we saw in the third quarter. Revenue and earnings accelerated to the fastest rates of year-over-year growth since the inception of the Golub Capital Altman Index. The fourth quarter’s robust growth was accompanied by profit margin expansion, which suggests that the U.S. economy has strong momentum going into 2018,” noted Golub Capital CEO Lawrence Golub.

The information technology sector led earnings growth in the fourth quarter, at 29.73%, while revenue climbed 15.4%. At the other end of the spectrum, healthcare company EBITDA grew 1.06%, while revenue increased 9.03%.

Earnings increased 12.50% for consumer companies, and revenue rose 7.85%. For industrials, earnings were 15.63%, and revenue increased 14.01%.

“The data shows improved company performance in all sectors. The technology sector, strong throughout the year, had median earnings growth of nearly 30% year-over-year. The consumer and industrials sectors continue to rebound since the lackluster first quarter of 2017. Even the healthcare sector, which has struggled with profitability, ended a five-quarter streak of declining earnings,” said Edward Altman, 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.

The Golub Capital Altman Index measures median revenue and earnings performance from the data of more than 150 private U.S. companies in the loan portfolio of Golub Capital.

Tracking of the data for the Index began in 2012. — Shivan Bhavnani