

Earnings in the U.S. Middle Market Continue To Boom Compared To Strong, Pre-Covid Q4 2019 Results

Golub Capital Middle Market Report

FEATURING THE GOLUB CAPITAL ALTMAN INDEX

Industrial Sector Weaker due to Rising Costs and Physical Supply Chain Problems

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 EBITDA growth of 22% and revenue growth of 21% in October and November 2021 compared to their October and November 2019 earnings and revenue. The data in this report reflects the median performance of approximately 100 companies that were in the Golub Capital Altman Index in both periods. The comparison over a two-year period is intended to provide greater insight than the report's typical year-over-year analysis, given the impact of COVID-related lockdowns throughout much of 2020.

"Boomflation continued in Q4," said Lawrence E. Golub, CEO of Golub Capital. "For the third consecutive quarter, median revenue and EBITDA grew by more than 20% compared to the same period in 2019, pre-Covid. That said, many industrial companies could not meet demand, and the missed operating leverage allowed increased labor and material costs to compress margins. With Omicron, 2022 will reveal which private equity backed companies fixed their 2020 Covid-related problems permanently and which just kicked the can down the road and will now face hard times."

Dr. Edward I. Altman said, "The Consumer and Tech sectors were once again the standout performers, posting revenue and EBITDA growth in excess of 30% compared to the same period in 2019, while expanding profit margins. Looking ahead, Omicron seems likely to drive dispersion in company performance based on industry as well as geography. Businesses that sell intangible goods and services, like software companies, will have an easier time than those that rely on physical goods and in-person interactions."

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 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 more than 150 private U.S. companies in the loan portfolio of Golub Capital, a leading middle market lender.

GOLUB CAPITAL ALTMAN INDEX COMPARISON PRE- AND POST-COVID

October–November 2021 vs. October–November 2019

	Revenue	Earnings
Aggregate	21.4%	21.7%
Consumer	33.3%	34.7%
Healthcare	11.8%	10.2%
Industrials	11.0%	(5.3%)
Technology	32.0%	54.5%

Source: Golub Capital Internal Data.
This table reflects a two-year growth period.

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

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 credit expert Dr. Edward I. Altman.

About Golub Capital

Golub Capital is a market-leading, award-winning direct lender and credit asset manager, with over \$45 billion of capital under management. We specialize in delivering reliable, creative and compelling financing solutions to companies backed by private equity sponsors. The firm’s sponsor finance expertise also forms the foundation of our Late Stage Lending, Broadly Syndicated Loan and Credit Opportunities investment programs. Across our activities, Golub Capital nurtures long-term, win-win partnerships that inspire repeat business from private equity sponsors and investors. Founded over 25 years ago, Golub Capital today has over 600 employees and 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.

Media Contact

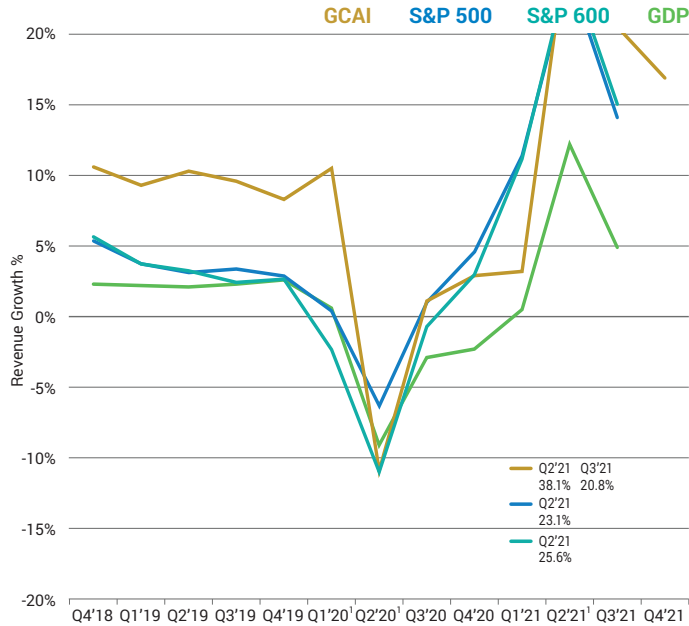
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Appendix: GCAI Revenue and Earnings Growth

Year-Over-Year (YoY) Growth	Revenue	Earnings
Q4 2021	16.9%	8.5%
Q3 2021	20.8%	13.4%

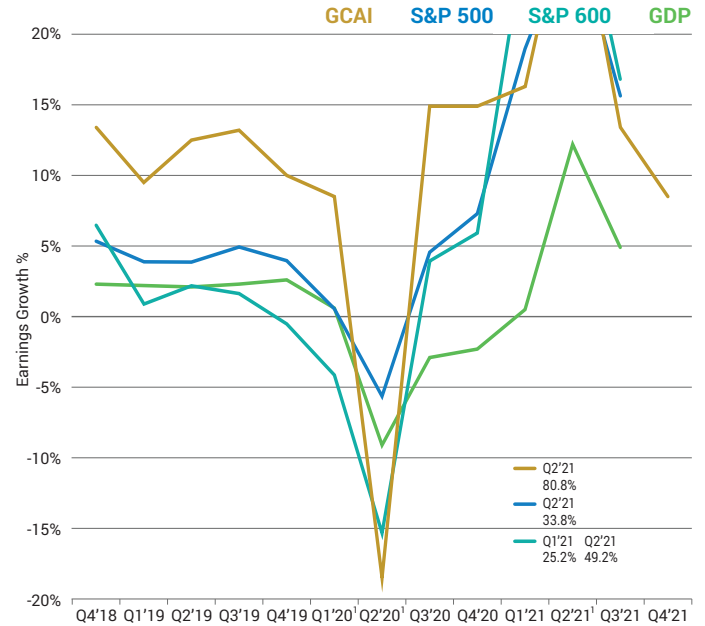
Key Sectors Q4 2021 (YoY)	Revenue	Earnings
Consumer	24.1%	17.1%
Healthcare	8.0%	(4.6%)
Industrials	10.3%	(6.3%)
Technology	19.3%	9.6%

REVENUE GROWTH (Quarterly YoY)



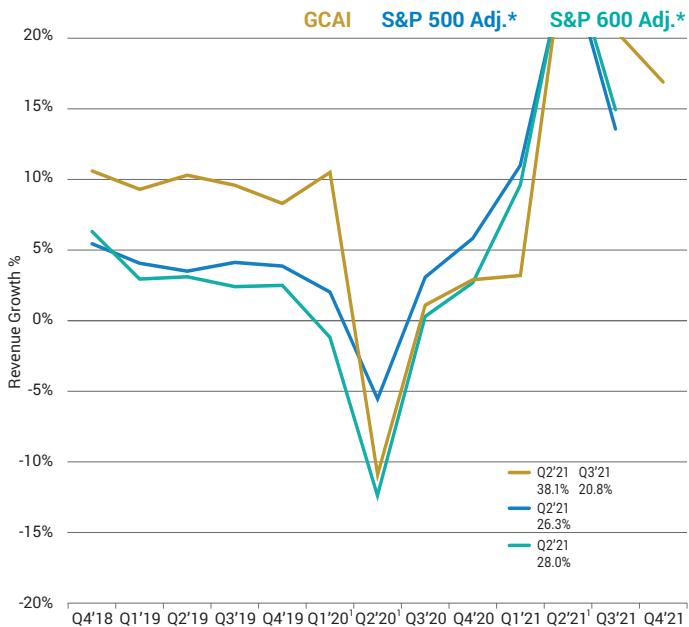
Source: FRED, Golub Capital Internal Data and S&P Capital IQ.
Please see footnote on page 4 regarding Q1'20, Q2'20 and Q2'21 data.

EARNINGS GROWTH (Quarterly YoY)



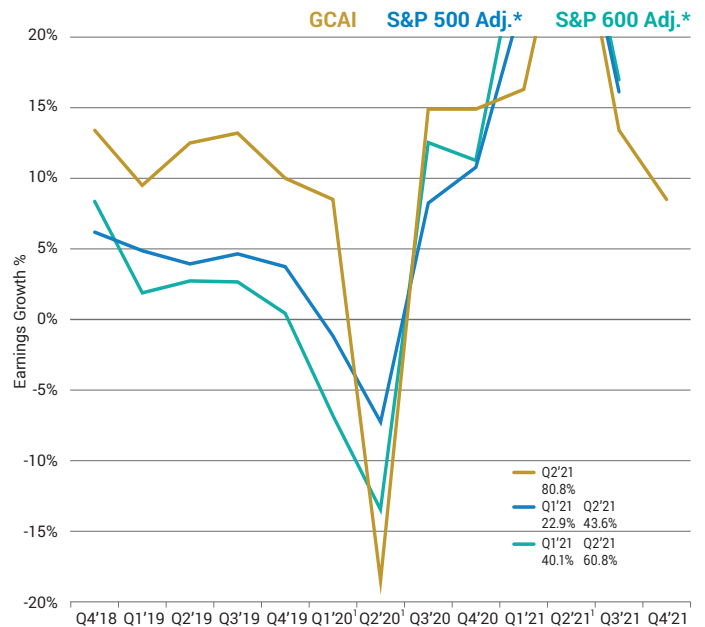
Source: FRED, Golub Capital Internal Data and S&P Capital IQ.
Please see footnote on page 4 regarding Q1'20, Q2'20 and Q2'21 data.

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 footnote on page 4 regarding Q1'20, Q2'20 and Q2'21 data.

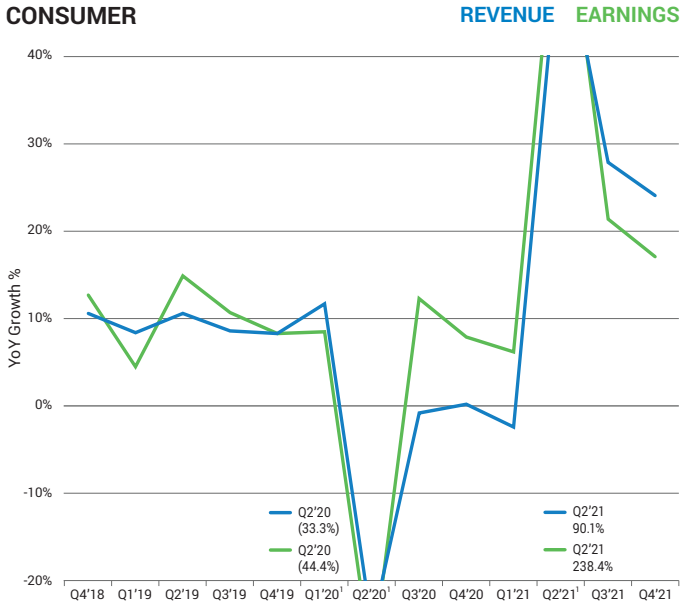
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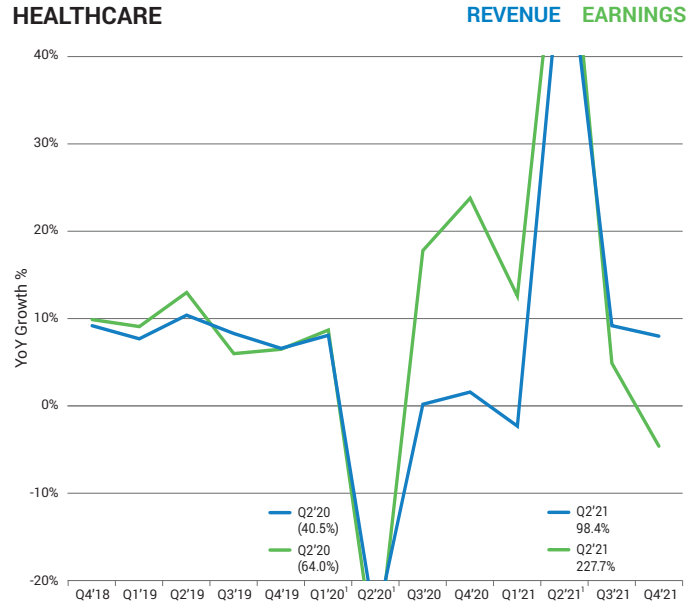
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* Note: Indexes are adjusted to exclude the Energy, Financials, Materials, Real Estate, Telecommunications Services and Utilities industries.
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Appendix: GCAI Results by Sector

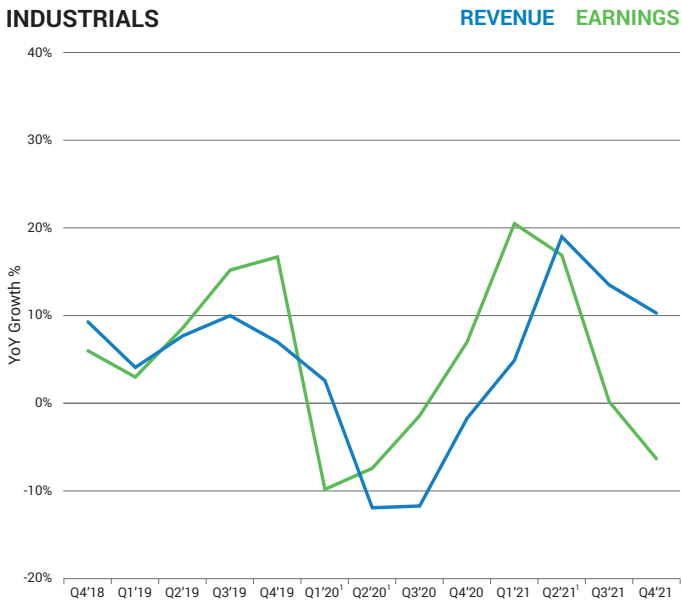
Additional information can be found below regarding sector trends in the Golub Capital Altman Index.



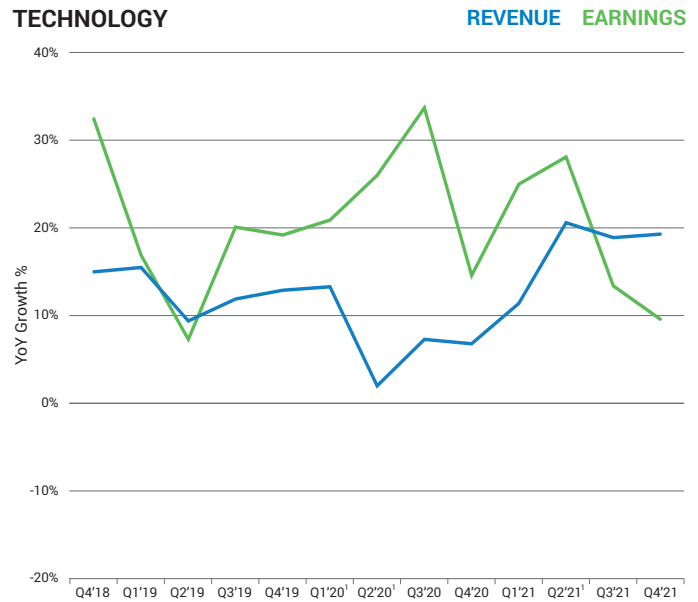
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Important Disclosure

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.

Footnote

1. The Golub Capital Altman Index (GCAI) data for Q1 2020, Q2 2020 and 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 Q1 2020 were based on data from January and February 2020 and did not reflect the economic impact of the COVID-19 pandemic in March 2020. GCAI results for Q2 2020 were based on data from April and May 2020 and did not reflect the meaningful reopening of the U.S. economy in June 2020. 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.