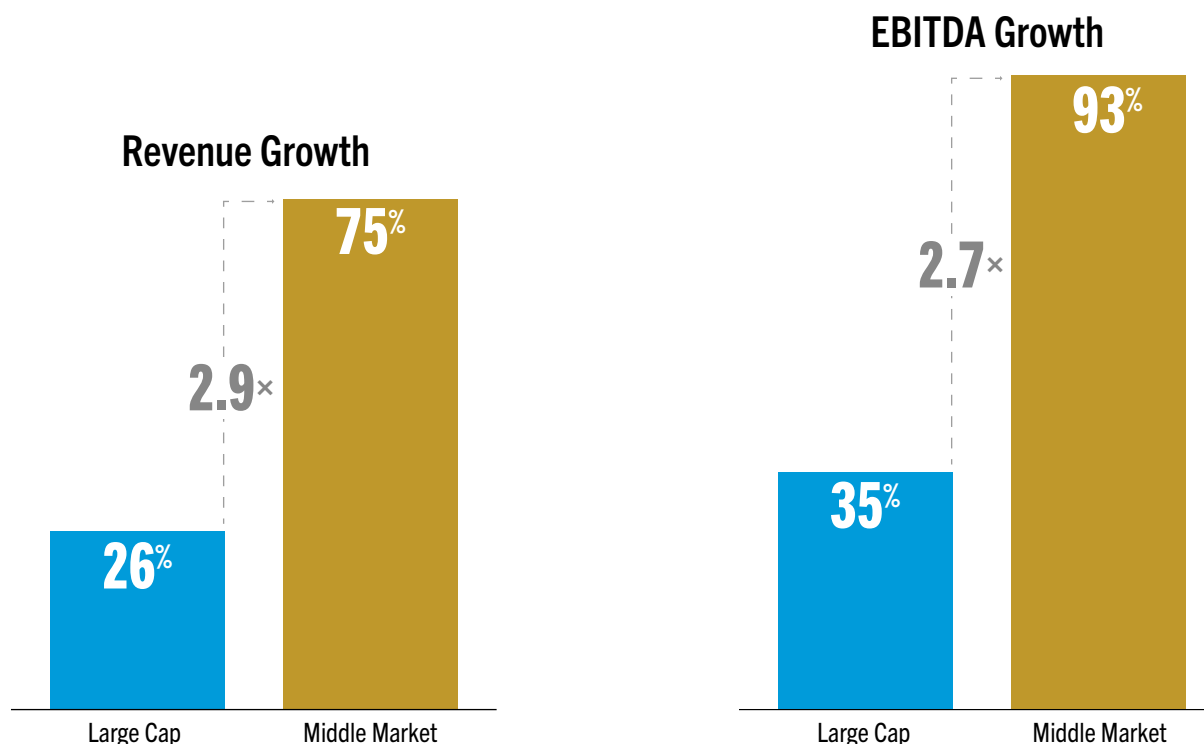


It's Better in the Middle: More Room to Grow

We believe middle market firms offer greater upside potential to private equity sponsors than large cap buyouts.

Revenue and Profit Growth in Middle Market vs. Large Cap Private Equity Investments

Weighted Average Change in Revenue and EBITDA from Entry to Exit



Attractions of the Middle Market

- Middle market companies are small or mid size by definition. That means they have more room to grow—making them highly appealing to private equity (PE) sponsors.
- PE sponsors' primary goal is growing their portfolio companies, and success is measured by the difference between the price they pay on purchase vs. where they sell it.
- PE sponsors of middle market deals achieved revenue and EBITDA growth about three times that of large cap buyouts.
- They achieve this growth largely by *organic* means—expanding to new markets with new products to reach more customers—and by *inorganic* steps via acquisitions.

Source: Golub Capital internal analysis. MSIM database of transaction-level information, including only U.S. deals and excluding Morgan Stanley transactions. Represents a sample of portfolio companies that report on EV, Revenue, EBITDA, Net Debt and Public/Private Company, with data as of June 30, 2023. MSIM analysis as of September 2023. Given the sample universe and size, there is potential for selection bias. Middle market is defined as a transaction value of \$500 million or less. Sample includes 166 total transactions—37 large cap and 129 middle market. Analysis excludes outliers.

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