New index provides early insight into financial performance of public companies and GDP in advance of quarterly earnings season. Results point to modest growth and profit margin compression in Q2.

Middle market private companies in the Golub Capital Altman Index ("GCAI") increased revenues by 9.26% and earnings (defined as earnings before interest, taxes, depreciation and amortization, or "EBITDA") by 6.93% year-over-year during the first two months of the second quarter of 2015. This compared to year-over-year increases of 7.24% and 6.42% in revenues and earnings, respectively, in the first quarter.

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 approximately 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”).

Lawrence E. Golub, CEO of Golub Capital, said, “These results demonstrate that U.S. middle market companies continue to grow in the second quarter, with higher revenue growth relative to Q1, likely reflecting a bounce back from the harsh winter. While profits are growing on an absolute basis, the rate of growth is comparable to Q1 and demonstrates a nine-month trend of profit margin compression, most notably in the Industrial sub sector. We believe this relates to two headwinds: increases in unit labor costs as wages rise faster than productivity, and tougher competition from imports due to the stronger U.S. dollar. Lower energy prices slightly offset these factors, but seem to be driving revenues more than profits.”

“Despite these factors, middle market companies continue to grow at a higher rate than larger public companies, and remain the force behind strengthening employment and moderate growth in the U.S. economy,” Mr. Golub concluded.

Dr. Altman said, “We believe the same factors that are affecting middle market firms in the Golub Capital Altman Index will be evident in the quarterly results of public companies. While the overall level of aggregate economic activity is relatively high, the most recent two-month period portends the continuation of sluggish growth in corporate earnings and the U.S. economy in general. In addition, I would expect to see health care service firms and companies in the consumer discretionary category continue to outperform other sectors of the economy.”

**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 approximately 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](http://golubcapital.com/middle-market-report).
About Golub Capital

Golub Capital’s award winning middle market lending team structures financing solutions with hold positions of up to $300 million. The team also underwrites and syndicates senior credit facilities and a proprietary suite of GOLD (one-loan debt) facilities, up to $500 million. Golub Capital has been a top 3 U.S. Middle Market Bookrunner each year from 2008 through Q1 2015 for senior secured loans of up to $500 million for leveraged buyouts (according to Thomson Reuters LPC and internal data; based on number of deals).

Golub Capital is a nationally recognized credit asset manager with over $15 billion of capital under management. Golub Capital has four highly complementary business lines led by exceptional teams of credit professionals: Middle Market Lending, Late Stage Lending, Broadly Syndicated Loans and Opportunistic Credit. Golub Capital’s lending offices are located in Chicago, New York and San Francisco. For more information, please visit the firm’s website at 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 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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Appendix

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