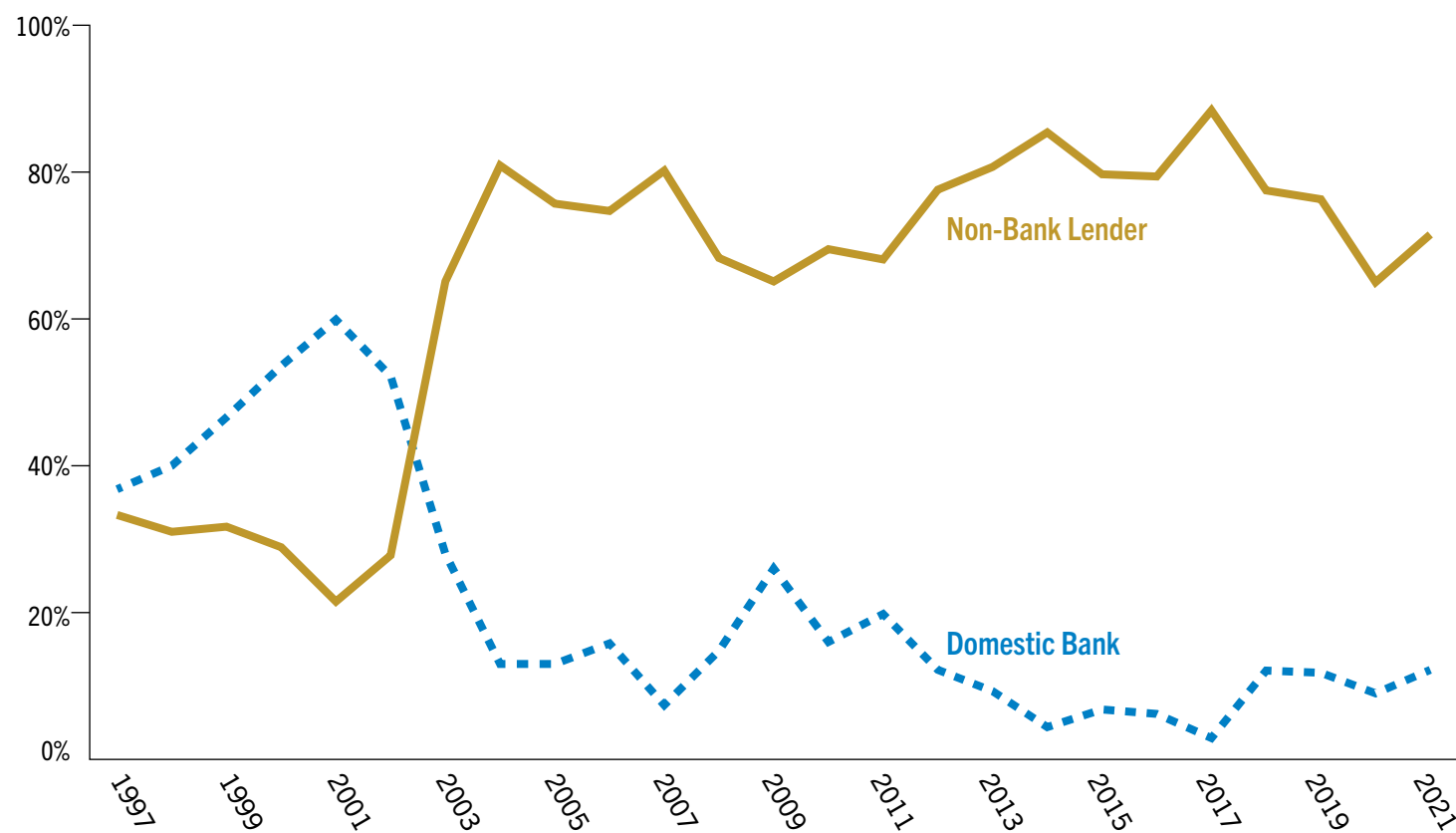


Non-Bank Lenders and the Rise of Sponsor Finance

Non-bank lenders have replaced banks as the main source of debt capital for sponsor-backed middle market companies.

A Shift in the Source of Funds for Middle Market Deals



Regime Change

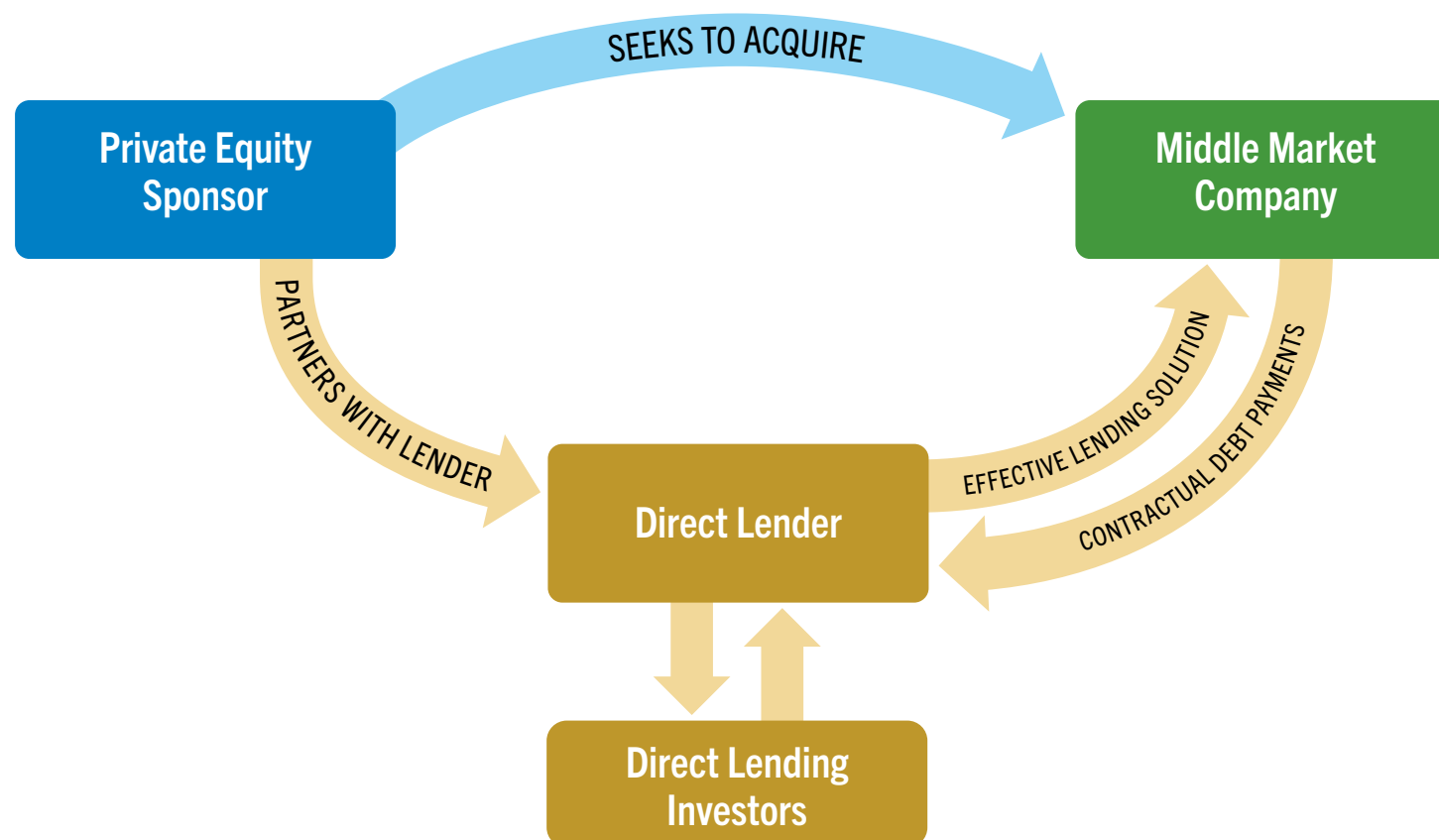
- Twenty years ago, the primary source of debt capital for middle market companies was regional commercial banks.
- Many of these local banks were subsumed by national brands in the 1990s; then, new regulation further hindered banks from issuing smaller company loans, setting the stage for private direct lenders to step in.
- Non-bank lenders brought distinct innovations (such as the unitranche loan) and offered a number of benefits (including speed, simplicity and certainty of execution) to the private equity firms driving most middle market transactions.
- The relationship that grew between non-bank direct lenders and PE sponsors has developed into a win-win partnership that undergirds a long-standing symbiosis in the space.

Pitchbook, LCD, "High-End Middle Market Lending Review 4Q 2023." Excludes data for 2020, 2022 and 2023 because PitchBook LCD did not have enough observations. Data series begins in 1997.

Sponsor Finance and the Direct Lending Ecosystem

Sponsor Finance is a partnership between the Private Equity Sponsor, the Target Middle Market Company and the Direct Lender.

How Sponsor Finance Gets Done



A Win–Win–Win Relationship

- At the heart of the direct lending ecosystem, you will find a trio of essential participants: the Private Equity Sponsor, the Target Company and the Direct Lender.
- To enable any middle market transaction to occur, the Private Equity Sponsor will seek out a trusted source of debt capital to support the deal's financing.
- Sponsor Finance requires an integral partnership among this group to ensure proper alignment of interests across all participants.

Starting from the Middle: Not Too Big, Not Too Small

Middle market companies represent a critical but often overlooked segment of our economy.

The Private Market Continuum



It's Better in the Middle

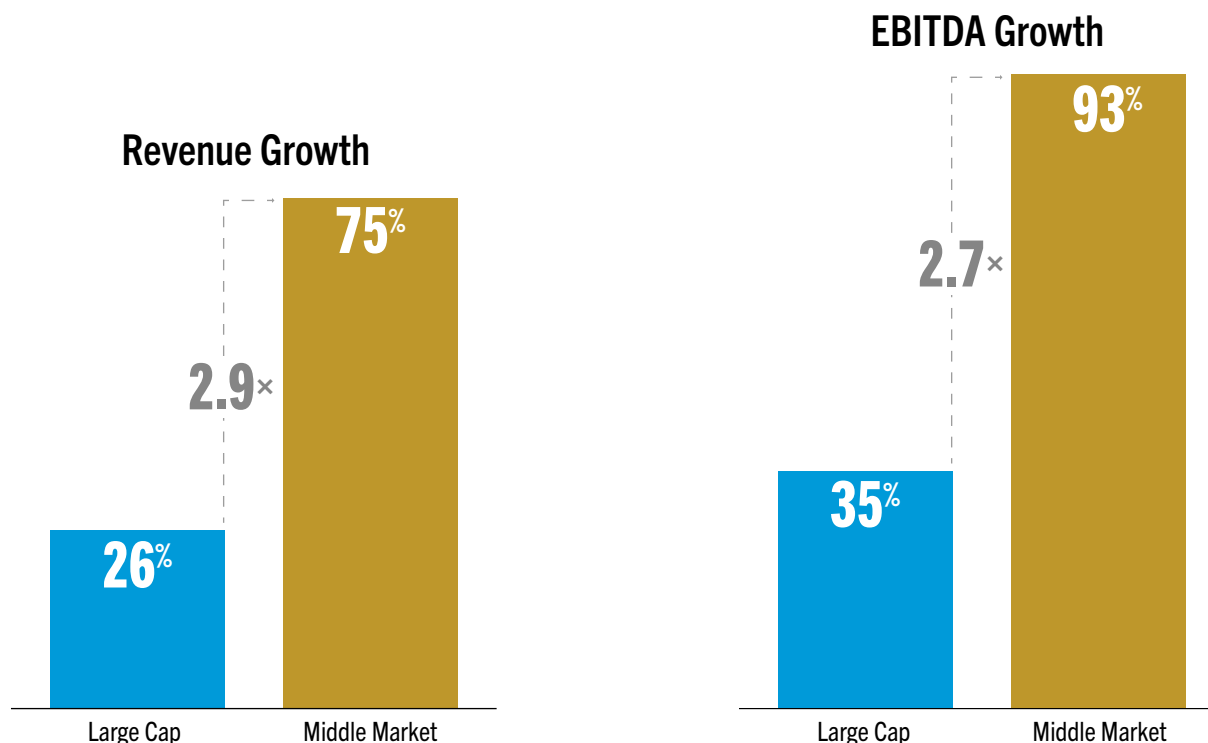
- Middle market direct lending sits in the middle—between venture capital and large cap buyouts.
- Venture involves early-stage start-ups with little or no revenues funded by angel investors or venture funds.
- Large cap companies are either public already or supported by the largest private equity firms.
- While the two ends of this continuum get the most headlines, middle market firms represent the vast majority of U.S. companies, national employment and GDP and offer distinct investment attractions for both direct lending firms and private equity sponsors.

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.

In this document, the terms “Golub Capital” and “Firm” (and, in responses to questions that ask about the management company, general partner or variants thereof, the terms “Management Company” and “General Partner”) refer, collectively, to the activities and operations of Golub Capital LLC, GC Advisors LLC (“GC Advisors”), GC OPAL Advisors LLC (“GC OPAL Advisors”) and their respective affiliates or associated investment funds. A number of investment advisers, such as GC Investment Management LLC (“GC Investment Management”), Golub Capital Liquid Credit Advisors, LLC (Management Series) and OPAL BSL LLC (Management Series) (collectively, the “Relying Advisers”) are registered in reliance upon GC OPAL Advisors’ registration. The terms “Investment Manager” or the “Advisers” may refer to GC Advisors, GC OPAL Advisors (collectively the “Registered Advisers”) or any of the Relying Advisers. For additional information about the Registered Advisers and the Relying Advisers, please refer to each of the Registered Advisers’ Form ADV Part 1 and 2A on file with the SEC. Certain references to Golub Capital relating to its investment management business may include activities other than the activities of the Advisers or may include the activities of other Golub Capital affiliates in addition to the activities of the Advisers. This document may summarize certain terms of a potential investment for informational purposes only. In the case of conflict between this document and the organizational documents of any investment, the organizational documents shall govern.

Information is current as of the stated date and may change materially in the future. Golub Capital undertakes no duty to update any information herein. Golub Capital makes no representation or warranty, express or implied, as to the accuracy or completeness of the information herein.

Views expressed represent Golub Capital’s current internal viewpoints and are based on Golub Capital’s views of the current market environment, which is subject to change. Certain information contained in these materials discusses general market activity, industry or sector trends or other broad-based economic, market or political conditions and should not be construed as investment advice. There can be no assurance that any of the views or trends described herein will continue or will not reverse. Forecasts, estimates and certain information contained herein are based upon proprietary and other research and should not be interpreted as investment advice, as an offer or solicitation, nor as the purchase or sale of any financial instrument. Forecasts and estimates have certain inherent limitations, and unlike an actual performance record, do not reflect actual trading, liquidity constraints, fees, and/or other costs. In addition, references to future results should not be construed as an estimate or promise of results that a client portfolio may achieve. Past events and trends do not imply, predict or guarantee, and are not necessarily indicative of, future events or results. Private credit involves an investment in non-publicly traded securities which may be subject to illiquidity risk. Portfolios that invest in private credit may be leveraged and may engage in speculative investment practices that increase the risk of investment loss.

This presentation has been distributed for informational purposes only, and does not constitute investment advice or the offer to sell or a solicitation to buy any security. This presentation incorporates 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. No part of this material may be reproduced in any form, or referred to in any other publication, without express written permission.

Past performance does not guarantee future results.

All information about the Firm contained in this document is presented as of May 2025, unless otherwise specified.

The Morningstar Indexes are the exclusive property of Morningstar, Inc. Morningstar, Inc., its affiliates and subsidiaries, its direct and indirect information providers and any other third party involved in, or related to, compiling, computing or creating any Morningstar Index (collectively, “Morningstar Parties”) do not guarantee the accuracy, completeness and/or timeliness of the Morningstar Indexes or any data included therein and shall have no liability for any errors, omissions, or interruptions therein. None of the Morningstar Parties make any representation or warranty, express or implied, as to the results to be obtained from the use of the Morningstar Indexes or any data included therein.

“Cliffwater,” “Cliffwater Direct Lending Index,” and “CDLI” are trademarks of Cliffwater LLC. The Cliffwater Direct Lending Indexes (the “Cliffwater Indexes”) and all information on the performance or characteristics thereof (“Cliffwater Index Data”) are owned exclusively by Cliffwater LLC, and are referenced herein under license. Neither Cliffwater nor any of its affiliates sponsor or endorse, or are affiliated with or otherwise connected to, Golub Capital, or any of its products or services. All Cliffwater Index Data is provided for informational purposes only, on an “as available” basis, without any warranty of any kind, whether express or implied. Cliffwater and its affiliates do not accept any liability whatsoever for any errors or omissions in the Cliffwater Indexes or Cliffwater Index Data, or arising from any use of the Cliffwater Indexes or Cliffwater Index Data, and no third party may rely on any Cliffwater Indexes or Cliffwater Index Data referenced in this report. No further distribution of Cliffwater Index Data is permitted without the express written consent of Cliffwater. Any reference to or use of the Cliffwater Index or Cliffwater Index Data is subject to the further notices and disclaimers set forth from time to time on Cliffwater’s website at <https://www.cliffwaterdirectlendingindex.com/disclosures>.

20250815.GC.TILE