



Golub Capital BDC, Inc. (GBDC)

Updated May 7th, 2025 by Nikolaos Sismanis

Key Metrics

Current Price:	\$14.19	5 Year CAGR Estimate:	9.4%	Market Cap:	\$3.78 B
Fair Value Price:	\$14.40	5 Year Growth Estimate:	0.0%	Ex-Dividend Date:	06/13/25
% Fair Value:	99%	5 Year Valuation Multiple Estimate:	0.3%	Dividend Payment Date:	06/27/25
Dividend Yield:	11.0%	5 Year Price Target	\$14.40	Years Of Dividend Growth:	4
Dividend Risk Score:	F	Sector:	Financials	Rating:	Hold

Overview & Current Events

Golub Capital is an externally managed, closed-end investment company that has chosen to be regulated as a Business Development Company (BDC). Golub aims to generate interest income and capital appreciation by investing primarily in one-stop and other senior secured loans of U.S. middle-market companies. The company's investment criteria require its potential investments to generate annual EBITDA of less than \$100 million, have a sustainable leading position in their respective markets, and scalable revenues and operating cash flows. Golub was formed in 2009, generated just over \$600 million in total investment income (NII) per year, and is based in Chicago, Illinois.

On May 5th, 2025, Golub Capital reported its fiscal Q2 results for the quarter ended March 31st, 2025. Note that the company's fiscal year ends September 30th. This applies to the figures shown in our tables.

For the quarter, total investment income came in at \$213.9 million, up 30.2% compared to the same quarter last year. Net investment income rose 14.0% to \$98.7 million. On a per-share basis, net investment income came in at \$0.37, unchanged from last quarter. On an adjusted basis, which excludes amortization of purchase premium per share, EPS came in at \$0.39, unchanged from the prior quarter.

As of March 31st, 2025, Golub's portfolio consisted of 393 investments, 87% of which were allocated in one-stop debt, 5% in senior secured debt, 7% in equities, and 1% in junior debt. Diversification by weight remains solid, with the top 10 investments accounting for around 12% of the total portfolio. Software, Healthcare Providers and Services, and Specialty Retail continue to dominate Golub's industry exposure, representing 26%, 7%, and 6% of the portfolio, respectively. For fiscal 2025, we expect NII/share of \$1.70.

Total distributions per share declared during the first half of fiscal 2025 amounted to \$0.87. We utilize the base dividend rate of \$1.56 per annum in our estimates. No special dividends have been declared with respect to fiscal 2025 thus far.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
NII	\$1.20	\$1.25	\$1.23	\$1.27	\$1.36	\$0.94	\$0.99	\$1.15	\$1.70	\$1.90	\$1.60	\$1.60
DPS	\$1.28	\$1.28	\$1.53	\$1.36	\$1.40	\$1.37	\$1.16	\$1.20	\$1.40	\$1.89	\$1.56	\$1.56
Shares¹	49.0	51.9	59.8	60.1	72.4	167.2	170.0	170.7	170.3	201.3	264.4	300.0

Golub's net investment income has remained quite stable over the years, only temporarily suffering as a result of higher expenses. The company currently pays an annualized base dividend of \$1.56. However, over the years, its equity investments have delivered additional gains which are not recorded as net investment income.

The company has been using these additional proceeds to pay special dividends, resulting in higher annual DPS, as shown in the table. This is not always the case, however.

Regarding future profitability, it's hard to estimate accurately. On the one hand, the company's investment income yield was on a declining trend amid declining global rates. It was 8.1% in Q3-2020 and had fallen to 7.3% by Q2-2022. On the

¹ Share count is in millions.

Disclosure: This analyst has no position in the security discussed in this research report, and no plans to initiate one in the next 72 hours.



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other hand, with interest on the rise, investment income yield has now surged to 12.0%. However, the net investment spread currently stands at 5.9%, down from 7.0% during the same period last year due to rising cost of debt.

Since it's impossible to speculate on how these private investments will perform under various changes in interest rates, and thus, we don't speculate on higher or lower earnings-per-share moving forward. Golub did not announce any special dividends during FY2021 and FY2022. It announced \$0.04 in supplemental dividends in FY2023 and \$0.35 in FY2024.

Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
Avg. P/E	14.2	13.6	14.3	13.0	12.6	15.0	15.8	12.4	7.4	7.9	8.9	9.0
Avg. Yld.	7.5%	7.5%	8.7%	8.2%	8.2%	9.7%	7.3%	8.4%	11.1%	12.7%	11.0%	10.8%

Golub's well-diversified portfolio, higher tech-oriented exposure, and frequent additional gains resulting in special dividends have historically attracted a slight valuation premium compared to its industry peers. We believe the current valuation multiple of 8.9x is more or less fair. NAV/share stands at \$15.04, above the current stock price. The yield has always been hefty, as per Golub's BDC nature. Excluding any special dividends, shares are yielding 11.0%.

Safety, Quality, Competitive Advantage, & Recession Resiliency

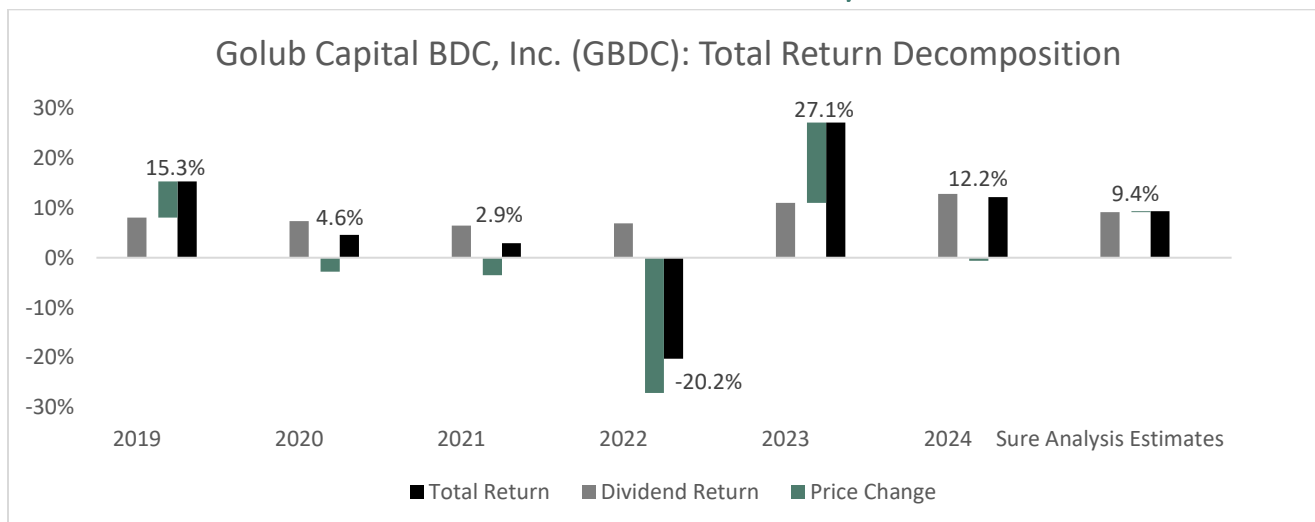
Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	107%	102%	124%	107%	103%	146%	117%	104%	82%	99%	98%	98%

With improved earnings following rising interest rates, we believe that at the minimum, Golub's \$1.56 base dividend remains relatively well-covered. Because most of the company's investments are in one-stop debt and secured notes, its assets should prove resilient during a potential recession, though due to its formation post the 2007 to 2009 period, we lack better historical indication. Golub performed somewhat alright during the pandemic, nonetheless. Being an investment company, Golub does not possess any material competitive advantage other than its management's expertise, which seems to be delivering results in line with the industry.

Final Thoughts & Recommendation

Golub is a well-diversified investment company, with a decent investment spread of 5%. We forecast annualized returns of 9.4%, mainly powered by the dividend. However, it's quite possible that Golub delivers higher returns based on how its private equity investments perform. It's worth noting that insiders own over 10% of the \$3.78 billion company, suggesting aligned interest with shareholders. Shares earn a hold rating at current prices.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenue	76.7	75.1	87.6	87.6	-12.7	66.8	349.5	172.6	284.4	273
SG&A Exp.	5.9	5.5	5.3	5.7	5.9	12.0	12.6	12.5	14.8	16.3
Net Profit	70.8	69.2	82.3	82.0	-18.6	54.9	340.3	153.4	258.6	274
Net Margin	92.3%	92.2%	93.9%	93.5%	N/A	82.1%	97.4%	88.9%	90.9%	100.4%
Free Cash Flow	-103.3	-56.1	62.2	-8.5	-118.5	187.7	-306.1	-416.5	195.4	344

Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets	1633.4	1756.5	1754.2	1835.6	4394.9	4444.3	5165	5681	5733	8706
Cash & Equivalents	5.5	10.9	4.0	5.9	6.5	24.6	175.6	124.1	69.8	131
Total Liabilities	822.6	877.7	796.2	866.7	2172.0	2048.1	2582	3137	3186	4691
Accounts Payable	4.8	5.3	6.1	6.2	39.4	11.9	18.6	26.7	32.3	56
Long-Term Debt	806.0	859.5	776.8	842.7	2119.5	2017.8	2551	3076	3118	4599
Shareholder's Equity	810.9	878.8	957.9	968.9	2222.9	2396.2	2583	2544	2548	4015
LTD/E Ratio	1.0	1.0	0.8	0.9	1.0	0.8	0.99	1.21	1224	1.15

Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Return on Assets	4.6%	4.1%	4.7%	4.6%	-0.6%	1.2%	7.1%	2.8%	4.5%	3.8%
Return on Equity	9.2%	8.2%	9.0%	8.5%	-1.2%	2.4%	13.7%	6.0%	10.2%	8.3%
ROIC	4.6%	4.1%	4.7%	4.6%	-0.6%	1.3%	7.1%	2.9%	4.6%	3.8%
Shares Out.	51.7	54.8	60.0	61.7	65.5	148.9	168	170.7	170.3	201.3
Revenue/Share	1.48	1.37	1.46	1.42	-0.19	0.45	2.08	1.01	1.67	1.35
FCF/Share	-2.00	-1.02	1.04	-0.14	-1.81	1.26	-1.82	-2.44	1.15	1.71

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.

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