



# Lord Abbett Explains: Private Credit—Middle Market Direct Lending



**Michael Cibelli, CFA**  
Portfolio Specialist, Alternatives

*In this video, Lord Abbett Portfolio Specialist Michael Cibelli explains senior direct lending and how it is organized by borrower size and financing needs.*

**MICHAEL CIBELLI:** In this video, we'll look at the key parts of the \$1.7 trillion private corporate lending market.<sup>1</sup>

This is Lord Abbett Explains: Private Credit.

## Direct Lending

Private corporate lending can take many forms. But at the forefront is senior direct lending. It's also the category on which many business development companies, or BDCs, are focused. Senior direct lending refers to private loans made by non-bank lenders that are first in line to get paid back if a company goes bankrupt. That makes them less risky relative to any subordinated debt. These loans are often used to finance the purchase of a company, to fund growth initiatives, or to refinance existing debt.

## A Focus on Middle Market

Within middle market direct lending, borrowers are often grouped by company size, typically measured by earnings, or EBITDA.

Smaller companies, generally those with less than \$100 million in annual earnings, would historically source capital from banks. However, in recent years, their ability to acquire loans from banks has decreased as a result of changes in banking dynamics.

And that's where private lenders step in. The U.S. middle market encompasses over 200,000 businesses that may be prime candidates for private loans.<sup>2</sup> The middle market can be defined as:

### The lower middle market:

Between \$10 and \$25 million in annual earnings

### The core middle market:

Between \$25 and \$100 million

### And the upper middle market:

Between \$100 and \$300 million

Also worth noting that even larger borrowers beyond the upper middle markets have begun to source financing from the private markets, as they assess the benefits of private financing against public debt.

## Let's Recap

So, what are the key takeaways?

### 1. A diverse space with roughly \$1.7 trillion in assets

First, the private corporate lending market is a diverse space with roughly \$1.7 trillion in assets.

### 2. Senior direct lending is the largest share

Second, senior direct lending is the largest piece of that market.

### 3. Senior direct lending covers first lien, senior secured private loans to the middle market

And third, senior direct lending encompasses first lien, senior secured private loans to companies of various sizes in what we call the middle market, which can be subdivided into the lower, core, and upper middle market.

Thanks for joining us. Don't miss our next Lord Abbett Explains: Private Credit video on yield and performance.

<sup>1</sup>Data source is Preqin as of September 30, 2024. Most recent data available.

<sup>2</sup>Data source is Lord Abbett estimate.



## Glossary

**Business development company (BDC)** is a type of investment company in the U.S. that provides capital to small and mid-sized businesses, as well as distressed companies. BDCs are designed to help these firms grow during their early stages or regain financial stability.

**Direct lending** is a type of private credit strategy that makes direct, illiquid loans to middle market companies outside of the traditional banking system. A direct loan refers to a privately negotiated loan provided by non-bank lenders directly to a borrower, typically a middle-market company.

**First lien senior secured loan** refers to a loan that has a senior status in the capital structure, which is the highest-ranking priority for repayment. It is also secured by collateral and holds the first lien position, which gives the lending the first claim on the collateral in the event of default or liquidation.

**Senior debt** is the highest-ranking debt in a company's capital structure and has first priority for repayment in the event of bankruptcy or other type of liquidation.

**Subordinated debt** is a type of loan that ranks below senior debt in terms of repayment priority.

## Important Information

The information contained herein is provided by Lord, Abbett & Co. LLC ("Lord Abbett"). Lord Abbett is a registered investment adviser under the U.S. Investment Advisers Act of 1940 (the "Advisers Act"), as amended, and is subject to the Advisers Act rules and regulations adopted by the U.S. Securities and Exchange Commission ("SEC"). Registration with the SEC does not imply a particular ability or training. Lord Abbett is a global asset manager with headquarters in Jersey City, New Jersey.

The information contained herein is current as of the date of issuance (or such earlier date as referenced herein) and is subject to change without notice. Lord Abbett has no obligation to update any or all of such information. All amounts, market value information, and estimates included herein have been obtained from outside sources where indicated or represent the good faith judgment of Lord Abbett.

Where such information has been obtained from outside sources, Lord Abbett cannot guarantee the accuracy or completeness of such information. These materials are not intended to be an offer or solicitation with respect to the purchase or sale of any security or other financial instrument or any investment management services. These materials do not constitute investment advice and should not be used as the basis for any investment decision.

These materials do not take into account individual client circumstances, objectives, or needs. No determination has been made regarding the suitability of any securities, financial instruments, or strategies for particular clients or prospects.

None of the information provided should be regarded as a suggestion to engage in or refrain from any investment-related course of action as neither Lord Abbett nor its affiliates are undertaking to provide impartial investment advice, act as an impartial adviser, or give advice in a fiduciary capacity. If you are an individual retirement investor, contact your financial advisor or other fiduciary about whether any given investment idea, strategy, product or service may be appropriate for your circumstances.

Certain information contained in the material constitutes "forward-looking statements," which can be identified by the use of forward-looking terminology such as "may," "will," "should," "expect," "anticipate," "project," "estimate," "intend," "continue," or "believe," or the negatives thereof or other variations thereon or comparable terminology. Due to various risks and uncertainties, actual events, results or actual performance may differ materially from those reflected or contemplated in such forward-looking statements. Nothing contained in the material may be relied upon as a guarantee, promise, assurance or a representation as to the future.

The information contained herein is provided on the basis and subject to the explanations, caveats, and warnings set out in this notice and elsewhere herein. Any discussion of risk management is intended to describe Lord Abbett's efforts to monitor and manage risk but does not imply low risk.

## A Note about Risk:

Alternative investments are often speculative, usually have higher fees than traditional investments, involve high risk, and are suitable only for eligible long-term investors willing to forgo liquidity and put capital at risk for an indefinite period. They can be highly illiquid and may engage in leverage and speculative practices, increasing volatility and risk of loss.

The information provided is solely for general investment education. Contact your financial advisor or other fiduciary to determine whether any given investment idea, strategy, product, or service may be appropriate for your circumstances.

These materials may not be reproduced in whole or in part or any form without the permission of Lord Abbett.

These materials do not purport to provide any legal, tax, or accounting advice.

**All investments involve risk, including the loss of capital. Investments are not guaranteed by Lord Abbett, its affiliates, or any governmental agency.**

Copyright © 2026 by Lord, Abbett & Co. LLC. All rights reserved.