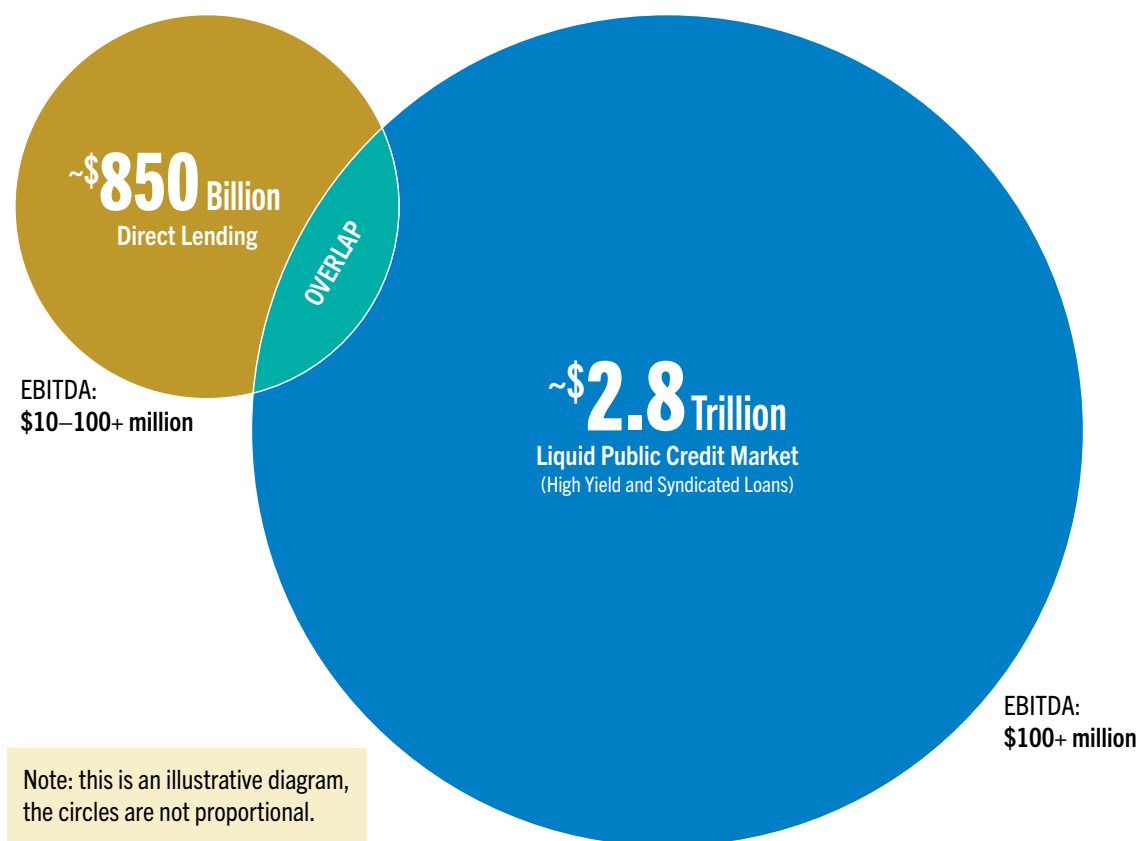


Distinction Versus Overlap: Respecting the Private–Public Divide

Middle market direct lending focuses on smaller companies with more modest financing needs; as company and deal size grow, the loan may take on characteristics more common to public syndicated debt.

Mind the Gap: Private and Public Credit Have Important Distinctions

Estimated market (and deal) size of public and private credit markets



Fundamentally Unlike

- The median middle market firm (with a value of around \$0.5 billion) is unrated and smaller than most public borrowers (~\$4.6B) which are subject to oversight from well-known credit rating agencies.
- Core middle market companies tend to have EBITDA in a range of \$10–\$100 million, compared with public borrowers that are generally far larger in size.
- Middle market lenders buy and hold the debt after extensive diligence done in conjunction with sponsors; syndicated loans are widely traded among banks and other investors on the basis of a marketing term sheet.
- Middle market loan documents are heavily negotiated with strong lender protections and less “flex”; they tend to offer more certainty and faster speed to close.
- Direct lending involves fewer participants at the negotiating table and tends to offer better terms, lower leverage and higher spreads than publicly syndicated loans.

Source: Golub Capital, Preqin and KBW, as of December 31, 2023.

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