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## Jason Bennett Moderated Panel at SFNet's International Lending Conference 2021

MAY 19, 2021

On May 19, Winston & Strawn Partner Jason Bennett moderated the "Covenant Update: Back to 'Normal'?" discussion at SFNet's International Lending Conference 2021. Winston also sponsored the panel.

Here are a few key takeaways:

- Covenants have been trending in favor of borrowers for many years, and COVID only offered a brief pause and retreat of this borrower-friendly trend
- Data from the high-yield bond and institutional term loan markets are relevant to the ABL market because the ABL is often a "taker" of terms from these other tranches of debt, especially where the ABL is part of larger debt structure
- Borrower-friendly EBITDA addbacks and covenant grower baskets are very common
- Loose covenant structures have resulted in unintended consequences in the form of "drop down financing" (e.g., J Crew) and "up-tiering transaction" (e.g., Serta)
- The ABL must focus on preserving discipline in what matters most to the ABL: liquidity, borrowing base accuracy, cash dominion, payment conditions, exit strategy, etc.
- Environment, Social and Governance (ESG) initiatives have recently appeared in the European leveraged loan market in the form of pricing adjustments for meeting (or failing to meet) ESG metrics. This development is in the early stages, and watered-downed ESG metrics may further erode pricing discipline. The ABL and US markets should closely follow the development of ESG in Europe

1 Min Read

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Jason Bennett