



CreditSights

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# CR TRENDLINES TOPICAL REPORT:

Q1 LMT Covenant, Spread  
Changes Pre- and Post-  
Transaction, By the Numbers

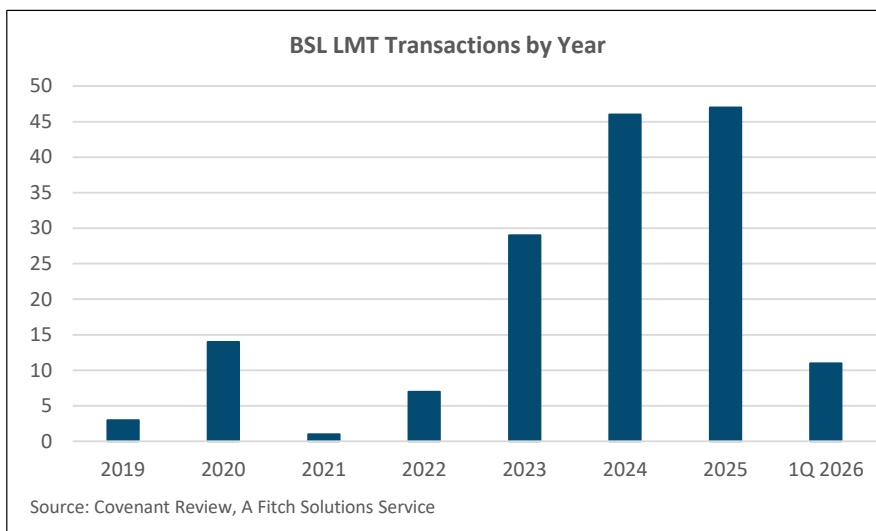
Steve Miller: *Executive*

## U.S. TRENDLINES

Research Date: May 4th, 2026

### Q1 LMT Covenant, Spread Changes Pre- and Post-Transaction, By the Numbers

In Q1, 11 Liability Management Transactions for broadly syndicated loans hit the tape, according to *Covenant Review's* comprehensive database of such executions. That's roughly on pace with 2024 and 2025 activity, as this chart shows.

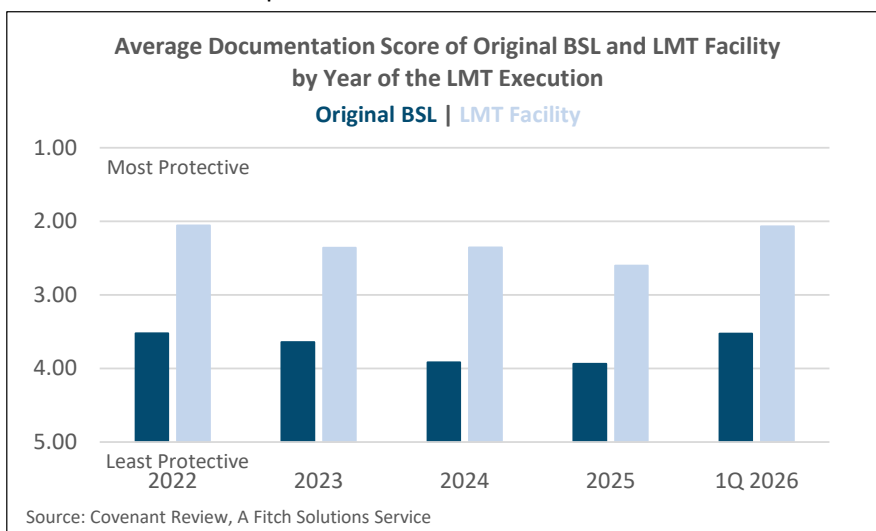


LMTs have, clearly, become the dominant way to deal with balance sheet stress of BSL, accounting for 3.3 percentage points of the 4.9% default rate registered among Fitch Ratings' U.S. Leveraged Loan Universe the 12 months ended March 31.

Ahead, we run down the extent to which lenders tightened documents and increased spreads via LMTs from the predecessor loans of the borrowers in question.

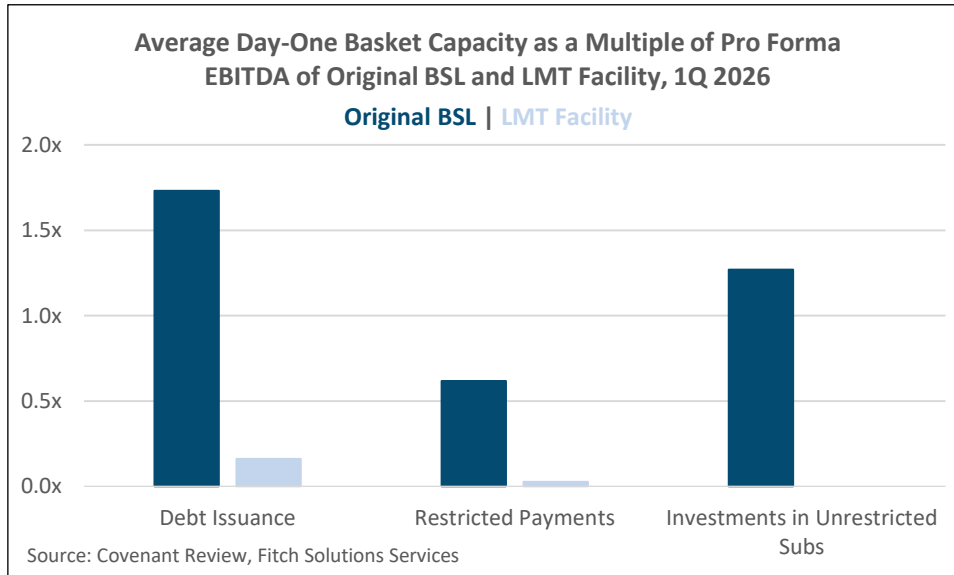
### Documentation Scores

- During Q1, the average Documentation Score of LMT facilities stood at 2.07 on *Covenant Review's* scale of 1 (most protective) to 5. That compares with 3.53 for the original BSLs. Two observations: (1) Q1's 1.46 move in the direction of lenders is a tick above 2025's average of 1.33 but is down from 1.56 in 2024 and (2) the Q1 average post-LMT Score is the most protective since 2022.



## Basket Capacity

- The Q1 LMT facilities significantly tightened the screws on day-one maximum capacity for debt issuance, restricted payments, and investments in unrestricted subsidiaries as lenders look to make sure their position in the capital stack is ironclad.



## Pick-Your-Poison

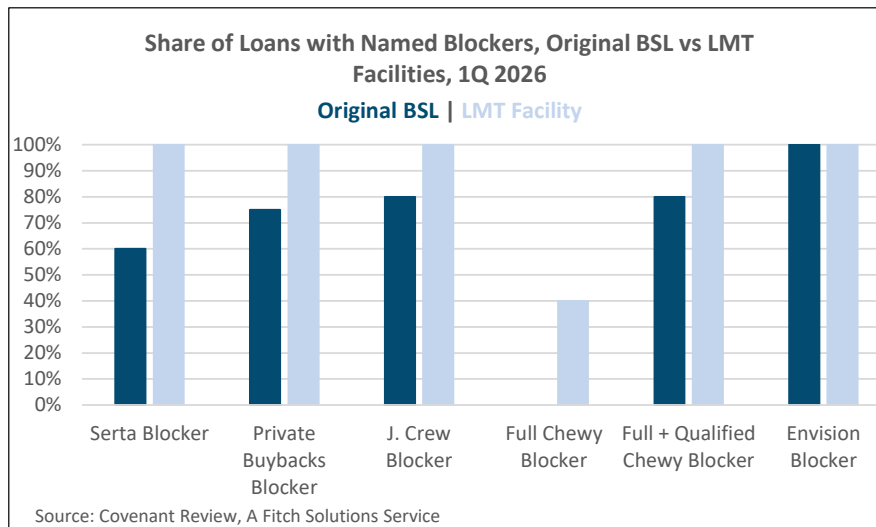
- Among the Q1 executions, none of the LMT facilities had a pick-your-poison provision, compared with 40% of the original BSLs

## Private Buyback

- Among the Q1 LMTs, each cleared with a Private Buyback Blocker, compared with 75% pre-LMT.

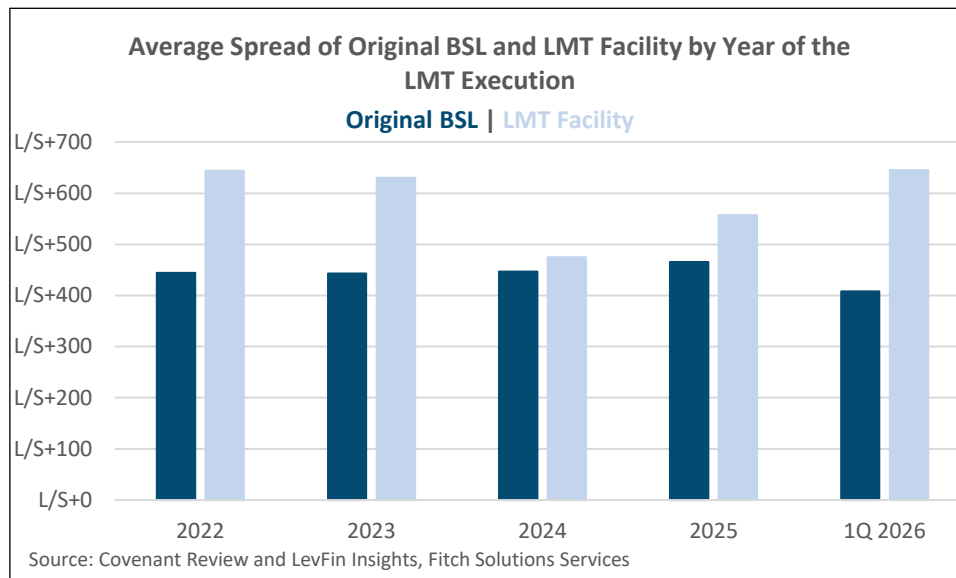
## Blockers

- Lenders kept or brought each of the named blocker categories—except the full Chewy Blocker—to 100% via Q1 LMTs.



## Spreads

- Q1 LMT transactions boosted spreads, on average, by 237bps—the largest increase on record—to S+645 post-LMT from S+408 pre. That compares with an average increase of 92bps in 2025: to S+558 from S+465.



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