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CR TRENDLINES TOPICAL REPORT:

SOFTWARE NEW-ISSUE BSL
COVENANT TERMS: UNTIL 
THE PAST 6 MONTHS
LOOSER THAN THE
BROADER MARKET

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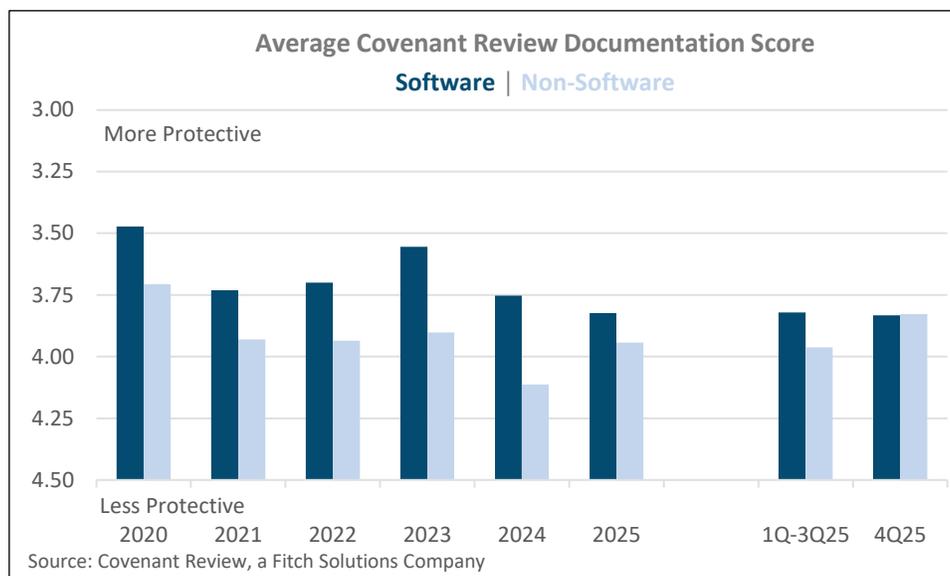
US TRENDLINES

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Software new-issue BSL covenant terms: until the past 6 months looser than the broader market

After a punishing sell-off in late January and February, secondary levels for Software BSLs caught a bid in March. Even after bouncing back roughly three-quarters of a point, however, the average bid of JP Morgan BSL Index Software Names was down 6.1 points, to 88.7, in the year to March 13, and new-issue activity in the sector remains dormant, with managers reluctant to take on more exposure for obvious reasons. Where clearing spreads and covenant terms will shake out when the window for Software BSL opens is unclear, but most players expect the sector to pay a premium to issue as long as the AI overhang remains. That’s a significant turnabout from recent years when Software was a market darling. Indeed, a review of new-issue data from *Covenant Review* shows that these deals were, on average, structured with looser documents than non-Software loans in recent years—though that gap closed significantly in 2025 and disappeared entirely in Q4.

From a 5,000-foot view, the average Documentation score of new-issue Software loans were, on average, 0.36 looser on *Covenant Review*’s scale of 1 (most protective) to 5 in 2024 before closing to 0.12 in 2025, the narrowest since we started tracking this data in 2020. Isolating the Q4 data, what’s more, Software BSLs average Documentation Score was even with non-Software loans at 3.83. Over the first nine months of last year, by comparison, Software Scores were, on average, 0.14 looser.



Baskets

Average day-one minimum basket levels helped drive this trend. Notably, in Q4 average limits for Software BSLs were lower than those of non-Software loans, reversing the rule of prior years.

Average Day-One Minimum Basket Limit as a Multiple of Initial Pro Forma EBITDA								
	Free & Clear		General Debt		Restricted Payments		Investment in Unrestricted Subs	
	Non-Software	Software	Non-Software	Software	Non-Software	Software	Non-Software	Software
2020	0.78x	0.86x	1.64x	2.05x	0.49x	0.70x	1.15x	1.44x
2021	1.03x	1.08x	2.31x	2.41x	0.68x	0.69x	1.57x	1.72x
2022	1.03x	1.09x	2.27x	2.50x	0.65x	0.60x	1.49x	1.72x
2023	0.92x	0.92x	2.01x	2.45x	0.56x	0.68x	1.27x	1.54x
2024	1.17x	1.24x	2.63x	3.16x	0.78x	0.89x	1.69x	2.10x
2025	1.34x	1.64x	2.88x	3.20x	0.92x	0.90x	2.01x	1.91x
1Q-3Q 2025	1.35x	1.70x	2.87x	3.18x	0.92x	0.90x	1.96x	1.87x
4Q2025	1.31x	1.10x	2.95x	2.86x	0.92x	0.80x	2.23x	2.01x

Source: Covenant Review, A Fitch Solutions Service

Highly Negotiated Terms

For key terms, the record is less consistent—critically, though, the share of Software BSLs with effectively uncapped EBITDA adjustment definitions remained well wide of the broader population in 2025 overall and Q4 specifically.

% of BSLs with Highly Negotiated Terms								
	Uncapped EBITDA Definition		Asset Sales Sweep Stepdown		MFN Sunset		Inside Maturity	
	Non-Software	Software	Non-Software	Software	Non-Software	Software	Non-Software	Software
2020	51%	47%	40%	39%	59%	61%	36%	39%
2021	53%	73%	47%	35%	70%	72%	47%	55%
2022	46%	63%	45%	42%	72%	83%	46%	54%
2023	49%	79%	40%	42%	73%	79%	43%	46%
2024	54%	70%	53%	64%	83%	90%	57%	67%
2025	55%	69%	53%	51%	88%	85%	63%	59%
1Q-3Q 2025	53%	67%	53%	50%	88%	84%	63%	57%
4Q2025	62%	80%	55%	60%	86%	90%	63%	70%

Source: Covenant Review, A Fitch Solutions Service

Blockers

The story is also mixed for named blockers.

% of BSLs with Named Blockers								
	Serta		J Crew		Envision		Chewy (Full & Qualified)	
	Non-Software	Software	Non-Software	Software	Non-Software	Software	Non-Software	Software
2020	16%	18%	5%	20%	72%	76%	62%	68%
2021	39%	31%	35%	35%	77%	73%	68%	56%
2022	48%	46%	55%	58%	84%	79%	74%	70%
2023	56%	58%	60%	63%	89%	83%	78%	63%
2024	59%	44%	67%	75%	86%	81%	73%	68%
2025	65%	49%	72%	79%	86%	79%	76%	78%
1Q-3Q 2025	64%	45%	72%	78%	86%	78%	76%	76%
4Q2025	67%	70%	73%	90%	86%	90%	73%	90%

Source: Covenant Review, A Fitch Solutions Service

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For additional covenant stats or other cuts of the data, please contact research@covenantreview.com.

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