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Where Private Market Data Meets Performance

In partnership with:

MEP capital

The MEP Capital Case Study: Using Data-Driven Covenant Benchmarking to Shape a Better Credit Deal

Learn how one lender used market data to turn the tables in a tough credit negotiation.

Executive Summary

In a competitive private credit market, it's easy for discipline to slip under the pressure of borrower demands and deal velocity. But one lender recently demonstrated how access to deep market data, specifically covenant benchmarks, can be a decisive advantage in structuring resilient credit terms.

The deal involved a media and entertainment borrower with under $50 million in EBITDA. Lender MEP Capital, a private credit firm focused on the media sector, valued the company's strong intellectual property but was wary of its volatile revenue history.

Despite this feedback, the company pushed for aggressive covenant terms claiming they were consistent with "market." That included 5.0x initial leverage with no step-downs and minimal controls on liquidity or restricted payments.

MEP leveraged covenant intelligence capabilities, powered by Allvue's credit solutions, to gain precise market data and insights enabling them to negotiate with confidence and secure favorable deal terms.

Cutting Through the Noise with Market-driven Benchmarks

Drawing from Allvue's broad, anonymized dataset, MEP isolated a benchmark set of 787 loans issued by 193 mid-market media and entertainment companies with under $50 million in EBITDA, narrowly tailored to match the borrower's profile. They analyzed leverage covenants, coverage ratios, liquidity thresholds, and step-down structures across that subset. The data was segmented by year, ownership type, and loan structure, allowing the team to define exactly what 'market' looked like for the deal in question.

KEY FINDINGS

The findings were clear, and with these insights, MEP created a compelling, data-driven case for their proposed terms, showcasing deep sector expertise and reinforcing their credibility as a trusted, value-added financing partner.

4.5X

Initial leverage covenants in the peer group clustered around 4.5x, with a median cushion of 25%.

1.7X

Interest coverage covenants were present in over 70% of comparable deals, typically set at 1.75x.

60%

Minimum liquidity requirements were standard in nearly 60% of transactions, typically ranging from $1M to $5M.

65%

65% of similar loans included leverage-linked payment blockers, restricting dividends or equity buybacks above 4x total leverage.

SETTING AND HOLDING TERMS

Rather than capitulate to borrower demands, the lender presented a covenant package grounded in peer-driven benchmarks:

4.25x total leverage, stepping down to 3.75x after 12 months, aligned with market norms.

2x minimum interest coverage ratio, consistent with recent deals in the same EBITDA range.

A $2 million minimum liquidity requirement, tested monthy.

Restricted payments and incremental capcity tied to performance triggers, not open-ended baskets.

Initially, the borrower resisted, suggesting they might seek alternative lenders. However, MEP's data-driven rationale proved persuasive. Once the company recognized that the proposed terms aligned with true market standards rather than outliers, they returned to the table. The final agreement preserved the covenant structure nearly in full, with only minor adjustments to timing and reporting frequency.

Why It Matters

This was more than just a win in a single negotiation. It reflected a broader shift: as private credit continues to grow, lenders armed with real data have an edge, not just in underwriting, but in risk management, investor transparency, and long-term portfolio performance.

Without access to granular, up-to-date benchmarks, even the most experienced credit team risks flying blind in negotiations. But with data-driven solutions that support covenant intelligence, lenders can identify outliers, validate standards, and structure deals with conviction.

TURNING DATA INTO DISCIPLINE

In today’s market, where the pressure to close quickly can erode structuring discipline, this deal demonstrates that lenders can have both speed and strength. Covenant Intelligence, powered by Allvue’s credit solutions, empowers private credit teams to act with agility while delivering superior outcomes.

By turning precise market benchmarks into tailored solutions, lenders can negotiate with authority, protect their position, and distinguish themselves as market leaders.

As private credit competition intensifies, this combination of insightful data and market benchmarking ensures that lenders are equipped to structure smarter deals, win more opportunities, and safeguard their investments.

TURNING COVENANT BENCHMARKS INTO ACTION

Learn how benchamrking can support your firm.

Teams can take the type of covenant benchmarking data in the MEP Capital case study and turn it into a practical competitive advantage across the credit lifecycle.

By embedding market-driven benchmarks into both underwriting and monitoring workflows, credit teams can make faster, more confident decisions while safeguarding their portfolios. For example:

- **Validate deal terms during structuring –** Compare proposed leverage, coverage, and liquidity covenants directly against recent peer transactions to ensure they align with actual market norms, not outlier demands.
- **Spot early signs of portfolio stress –** Use percentile ranking and trend analysis to identify borrowers approaching covenant thresholds faster than expected, enabling proactive engagement.
- **Act before flexibility is lost –** Adjust reporting frequency, renegotiate interim performance targets, request additional collateral, or reprice loans before a breach occurs.
- **Enhance investor confidence –** Demonstrate to LPs and stakeholders that oversight is systematic, data-driven, and goes beyond basic covenant tracking.
- **Strengthen risk management –** Turn static ratios into dynamic performance signals, providing a clearer view of risk across the portfolio and informing capital allocation.

This disciplined, data-first approach transforms covenant monitoring from a reactive checkpoint into a predictive, value-creating capability

APPENDIX - DEFINITIONS

- **Loan Covenant Terms** - Covenant terms are contractual conditions in a loan agreement that require a borrower to meet specific obligations or restrictions to protect the lender's interests and manage credit risk.

- **EBITDA –** EBITDA, or Earnings Before Interest, Taxes, Depreciation, and Amortization, is a financial metric that measures a company's operating performance by excluding non-operating expenses and non-cash charges from net income.

- **Initial Leverage Covenants –** Set a maximum allowable ratio of a borrower's total debt to EBITDA at the time the loan is issued to limit starting leverage.

- **Interest Coverage Covenants –** Require a borrower to maintain a minimum ratio of EBITDA (or similar earnings measure) to interest expense, ensuring adequate capacity to service debt.

- **Minimum Liquidity Requirements –** Obligate a borrower to maintain a specified level of readily available cash or cash equivalents to safeguard short-term financial stability.

- **Restricted Payment Blocker –** Prohibits a borrower from making certain payments, such as dividends or equity buybacks, unless defined financial thresholds are met.

ABOUT ALLVUE DATA & ANALYTICS

Allvue is uniquely positioned to offer unprecedented market intelligence through anonymized, comparative analytics and provide strategic insights into market trends, competitive positioning, and investment opportunities that were previously invisible.

ABOUT ALLVUE SYSTEMS

Allvue is headquartered in Miami with locations globally throughout North America, Europe and India. Allvue is a recognized leader of cloud-based technology, data, and services solutions for alternative investment managers in the private capital markets. Our integrated suite of software empowers firms of all sizes—including private equity managers, private debt managers, public credit managers, fund administrators, and banks—to streamline operations, enhance data accuracy, and drive superior investment decisions. Allvue has made deep investments in AI research and development as part of its commitment to innovation, which will enable clients to optimize workflows, automate processes, and gain deeper analytical insights across the entire investment lifecycle.

ABOUT MEP CAPITAL

MEP Capital is a New York-based private investment firm focused exclusively on the media and entertainment industry. The firm has significant experience in structuring credit transactions across film/TV, music, publishing, and digital media sectors. MEP is a long-term investor providing financing through funds committed by its limited partners, which include institutions and family offices.

DATA PRIVACY

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