

# COVID-19 and the impact on financial covenants

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## INTRODUCTION

■ Since the escalation of the COVID 19 outbreak in the UK during March and April 2020, businesses across all sectors have been affected by issues flowing from customers and the workforce self-isolating and from staff having to work from home and adjust their usual working patterns. Many businesses have experienced severe interruptions in their supply chains and the financial sector

this ambiguity to increase its flexibility in interpreting EBITDA. In many cases, a borrower will have succeeded in including a long, but explicitly non-exhaustive, list of items which are to be treated as “exceptional” and thus ignored when calculating EBITDA.

Financial covenant definitions may also include business disruption event provisions. Such clauses are triggered by exceptional events, such as an act of god, terrorism or (possibly) a pandemic, which negatively affect the performance of the business during the relevant covenant testing period. The impact on the covenant calculations will be that,

