

Executive Summary

ACME Corporation – Credit Review (FY2025)

This document summarizes ACME's financial performance and covenant compliance for the fiscal year 2025.

Key ratios reported by management: Interest coverage ratio is **2.6x**. Debt service coverage ratio (DSCR) is **1.32x**. Net leverage is **3.2x**.

Covenant thresholds per the Credit Agreement: minimum DSCR 1.25x, minimum interest coverage 2.0x, and maximum net leverage 3.5x.

Covenants

Covenant Compliance

After review of the credit agreement and quarterly certificates, the company remains in compliance with all financial covenants.

- Minimum Interest Coverage: threshold 2.0x; reported 2.6x — **compliant**.
- Minimum DSCR: threshold 1.25x; reported 1.32x — **compliant**.
- Maximum Net Leverage: threshold 3.5x; reported 3.2x — **compliant**.

Management Discussion

Narrative

Operating performance improved modestly year-over-year, driven by stable EBITDA and lower interest expense. The interest coverage ratio of 2.6x and DSCR of 1.32x are consistent with internal forecasts.

Management expects net leverage to trend toward 3.0x over the next two quarters.