

FINANCING ALTERNATIVES

These are challenging times for the corporate treasurer. The confidence of capital markets investors has been dented by an ever-growing assault: the global threat of terrorism, corporate fraud, financial accounting irregularities and now the shadow of war. This has created a downward spiral in the equity markets as falling prices have raised still more concerns linked to rising pension fund deficits and insurance company insolvency. The debt side has fared little better. With investors remaining wary of the shadow of corporate failure, the bond and commercial paper markets have shied away from many lower credit rated issuers and the lending banks are looking ever more closely at a borrower's ability to sustain debt servicing in an adverse trading environment.

Yet necessity is the mother of invention. Faced with these negative market forces, treasurers are taking an imaginative but pragmatic approach to ensuring their companies' financing needs are met. They are now expanding their funding horizons by looking to release cash from existing assets and exploiting the preferences of cautious investors.

So, in this month's Spotlight on 'Financing Alternatives in a Difficult Market', we take a closer look at the prospects for the capital markets in 2003 and highlight some of these.

Neill Thomas launches the Spotlight on a reassuring note with the observation that, in the economic cycle, what goes down must eventually come back up. **Simon Tilley** then reviews the various alternatives open to mid-market corporate treasurers. The art of gauging investor sentiment

comes to the fore as our case study and **John Whorwood** examines the success of Legal and General's rights issue in a troubled market. **Crispin Southgate** follows up with his thoughts on how investor demand at the long end of the euro-denominated corporate bond spectrum has been tapped by recent telecoms issuers. The emphasis then moves to asset-backed financings as **Charles Hyatt** provides a timely update on a securitisation market which has expanded significantly over the past 12 months. This study is complemented by two perspectives on the use of receivables

to collateralise borrowings. **Tim Nicolle** highlights the availability of technologies to aid in administering a trade receivables securitisation and **David De Milt** sets out the opportunities for corporates in setting up an asset backed commercial paper programme linked to receivables. Alternative methods of tapping the capital markets are then explored as **Jocelyn Monk** assesses the role of the private placement and invites **Alan Dick** of Scottish & Newcastle to review his company's recent deal. **Jim Keeling** presents the case for private equity as a funding component for the well-managed

developing business. Finally, building as ever on the traditional 'bricks and mortar' of investment, Spotlight concludes with **Ian Whittock's** comparison of options for releasing funds from a company's property portfolio.



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