Trends in financing

The sands are shifting, the wind is changing…it often seems that corporate treasury is a bit like trying to sail across the seas. The environment can be fair or foul, often unpredictable, and treacherous seas can lie ahead. These are usually charted by professionals – but that doesn't stop some from running onto the rocks. One main difference, of course, is that the treasurer never gets to find a safe home port – his/her job is to help keep the boat sailing, on high or low seas, ever greater distances.

The debt markets have changed substantially over the past few years, and treasurers must adapt to this change or find themselves running aground. This Spotlight is intended to give treasurers an insight into some of the changes, including both threats and opportunities.

The treasury profession is right to congratulate itself on its increasing sophistication and expertise over the past decade, but treasurers should remember that investors have also been evolving. Gone are the days when companies split neatly into large, highly-rated capital issuers and small, bank-reliant companies. The debt markets have been swamped by higher-yielding debt to support M&A transactions, while the growth in securitisation is raising opportunities for those with the right assets – but further reducing demand for traditional high grade, uncovenanted bond issues.

Clare Dawson of the LMA clearly sounds the warning bell in her article on loan markets, while **Mark Hutchinson** of Prudential amply demonstrates the substantial shift on investor sentiment which has occurred over the past few years. But it is not all bad news – **Stephen Moller** of Simmons & Simmons describes the increasing variety of assets that can be securitised, while **Michael Medlicott** of Servus Holdings describes how treasurers can look to an idea from the public sector to unlock value from their property investments.

Next, **James Davis** of Intermediate Capital Group reviews both the traditional and new ways in which mezzanine finance can be utilised; leveraged debt may be an attractive alternative to issuing equity that some treasurers have not contemplated. **Jeremy Froud** of Barclays Capital looks into the reasons for the volatility in the euro bond market in 2000.

And finally, with more investors demanding credit ratings, **Rupert Atkinson** of Morgan Stanley Dean Witter describes some of the steps to take in order to achieve the best possible result.

As always, there is never a dull moment in treasury (well, maybe there is – say when dealing with FASB pronouncements!). I hope you find this Spotlight of interest and wish to thank our contributors who spent time and thought in putting together these articles for you. ■

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