

# CORPORATE DEBT RESEARCH REVEALS BUSINESSES REMAIN CONFIDENT DESPITE THE CHALLENGES POSED BY BREXIT

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Firm news

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International law firm Herbert Smith Freehills has published the results of its annual research anticipating trends in the corporate debt markets. The research comprises over 70 survey responses and interviews with senior clients in treasury and finance functions of leading listed UK corporates including FTSE 100 and FTSE 250 companies, and reveals that large UK corporates remain confident despite the challenges posed by Brexit.

## **Key conclusions include:**

Businesses remain confident despite the challenges posed by Brexit and there is a more optimistic long term outlook than might initially have been expected. To date there have been no knee-jerk reactions by corporates in relation to Brexit. In fact, year on year increases in spending is focussed on acquisitions.

Whilst there are a number of macro-economic and political headwinds, none are seen as precluding the efficient raising of debt currently although regulatory uncertainty and Brexit could change that.

The weight of bank debt refinancings seen in 2015 plus the threat of Brexit to cross-border lending may result in a debt financing spike in late 2018/early 2019 as a potential funding gap appears in the bank lending market. This is likely to drive greater debt diversification, particularly into the US private placement market.

The price of debt is likely to rise in the short to medium term. That is primarily expected to be due to increased credit margins or credit spreads although higher bank funding costs, increasing US base rates and FX will all play a role.

There is evidence that banks are deploying capital far more carefully as they continue to evolve rapidly and that they are retrenching from relationships where the returns do not meet their hurdles.

Finance partner Kristen Roberts comments: "The degree of resilience in relation to Brexit was initially surprising but those we spoke to offered objective information to support that view. Aside from Brexit, corporates are well funded and the debt markets clearly remain receptive to funding future business growth although the costs of that will rise. I'd like to thank our clients for participating in the survey and especially to those who we interviewed; they provided invaluable insights into the data collected."

The survey can be viewed [here](#). Please contact Barbara Watson if you have any queries.

### **About Herbert Smith Freehills**

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