



PRESS RELEASE

W&P-Study: Euro Debt Crisis Influences Corporate Financing

[Munich, 24 October 2012] - Up to date, the real economy in our country was mainly disconnected from the debt crisis. Should we just barge ahead? It won't be that easy. The Euro crisis shows its effects. In particular companies with a bad creditworthiness are facing great challenges. On the one hand, lenders are less willing to take risks due to new balance sheet requirements for banks. On the other hand, a current survey of corporate consulting company Dr. Wieselhuber & Partner (W&P) among roughly 90 decision-makers of the banking landscape shows that the conduct of consumers and companies in crisis countries influences the local real economy as well. The survey focussed on the area of restructuring/intensive care and sales. Although experts expect an increasing number of restructuring, most of them do not believe in a "hard" Europe-wide recession.

The respondents perceive the decreasing willingness to fund large projects to be the clearest consequence of the debt crisis up to date (57 percent). For roughly half of the respondents, "club deals" and syndicated loans in which the creditors distribute the credit risk on several shoulders to minimise the burden for their own risk portfolios are very sought-after as "new" financing forms. According to Dr. Volkhard Emmrich, managing shareholder of Dr. Wieselhuber & Partner and initiator of the study, "[t]his trend will even increase in the next years due to the Basel III directives and turn into a long-term essential component of corporate funding." The benefit for companies is that the entire financing architecture is from a single cast. It is secured against volatilities by defined bandwidths. Even if banks reduce their own credit risk and profit of defined operating conditions and processes, as well as financial-market-capability by club deals, designing a financing structure that maps a company's business model and adjusts to it in spite of being a well-structured "complete package" is an essential challenge. A clearly increasing communications and coordination effort with the stakeholders also essentially reduces the design tolerance of the banks (70 percent).



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Another direct consequence of the debt crisis for financing is the loss of trust in banks that clearly slows down the awarding of regular operating loans due to the risk-adequate refinancing costs. The higher willingness of the companies to take up corporate bonds and other maturity products speaks a clear language. 57 percent of the experts also expect that in particular large products must be funded in a more equity-related manner due to changing business models of the banks. One example would be special project companies with a high equity ratio. In the light of this, Emmrich suggests: "No matter the financing form a company uses at the end of the day, it is decisive that the financing structure matches the business model and catches market volatility."

Only a fraction of the respondents assumes that the markets will come to rest from the debt crisis by the end of 2013. Only 11 percent have positive expectations and believe that the debt crisis can be overcome in the next year. Instead, most expect a clear increase of restructuring cases (26 percent). Does this also mean that Europe is facing a clear recession? Our experts say that there is hope. Only 16 percent expect this scenario in the next 12 months.

Please contact us if you have any questions about the study.

About Dr. Wieselhuber & Partner

Dr. Wieselhuber & Partner (W&P) is an independent, cross-sector top management consultancy for family-owned businesses, as well as public institutions. This consistent orientation to particular target groups and the expertise resulting from it has led W&P in the past twenty years to become the leading management consultancy firm in Germany for family-owned businesses and the public sector. With offices in Munich, Düsseldorf and Hamburg, Dr. Wieselhuber & Partner affords its clients comprehensive expertise in business sectors and methods and stands out above all due to its competency in the area of conflicting priorities of family, management and business

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