

European corporate debt restructuring wave will hit first half of 2012

London, Tuesday 24 January 2012 - The number of European corporate debt restructurings will likely peak in the first half this year, according to respondents surveyed for Debtwire Europe's 2012 Distressed Debt Outlook. Cooling economic growth is already creating headwinds, but the knock-on effect of the European sovereign debt crisis on bank lending will be a key driver pushing companies into balance sheet workouts, the survey found.

"Heavy write-downs on bank holdings of distressed sovereign bonds is impacting their ability to fund themselves, which in turn is causing them to rein in lending," said Robert Schach, deputy editor of Debtwire Europe. "Conditions will be exceptionally tough in under-pressure sovereigns, where soaring bond yields will translate into more expensive funding for domestic banks, exacerbating their reluctance to lend."

This is borne out by investors' expectations that Italy and Spain will account for the lion's share of restructuring in 2012.

Amend-and-extend or forward start facilities are the most likely outcome of debt negotiations, the survey found, suggesting stretched corporates will try to kick the can down the road instead of tackling a clean-up on their over-bloated balance sheets.

While most of investors questioned expect Greece to remain in the eurozone, they see real risk the single currency could break, which would trigger a severe downturn. In a feature included in the report, Deutsche Bank's chief economist Thomas Mayer highlights the single currency's structural flaws and the risk of overwhelming core members' ability to carry on supporting the weaker peripheral countries.

For the report Debtwire canvassed the opinions of 100 hedge fund managers, long-only investors and prop desk traders as well as 30 private equity investors in Europe on their expectations for the European distressed debt market in 2012 and beyond.

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About Debtwire:

Launched in 2003 by The Mergermarket Group, Debtwire has quickly become a leading publisher of news and information on the distressed debt and leveraged finance markets. The business was acquired by the Financial Times Group in August 2006.

As an independent organization our experienced team, comprising individuals with backgrounds in sales and trading, credit research and financial journalism, generates unbiased and value-added intelligence on fixed income markets for our clients. In addition to our proprietary intelligence, we aggregate all relevant news prior to the market opening using our extensive network of journalists in over 65 locations across

the globe. We complement our intelligence with credit analysis of company balance sheets, timetables, M&A activity and advisor analysis.

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