

TRADITIONAL AND ALTERNATIVE FORMS OF FINANCING CAN BE BLENDED TO FUND PROJECTS

Posted on 22/02/2018



Category: [In-house news](#)



Certain forms of finance can be better suited to certain corporate structures or objectives, and this is something that companies should consider

Traditional lending as well as alternative forms – such as tranche financing and crowdfunding – can be successfully blended together to finance projects and should not be considered mutually exclusive, attendees at a recent Iberian Lawyer event in Madrid heard.

Participants at the event – held in collaboration with PwC – heard that traditionally, up to 80 per cent of corporate financing in Spain was accessed through financial institutions. However, the market has witnessed a paradigm change since the onset of the 2008 financial crisis. As banks tightened their lending requirements, alternative forms of financing such as tranche financing, listings in secondary stock markets and crowdfunding have gradually gained in popularity. Attendees heard that both traditional and alternative financing can co-exist and complement each other. One participant said that some forms of finance can be better suited to certain corporate structures or objectives, and this is something that companies need to consider carefully. For example, for an infrastructure company with a specific project in mind, issuing project bonds can be more cost-efficient than corporate financing through a banking entity.

In selecting the most appropriate and efficient form of finance, corporates face several challenges. In general terms, discerning the advantages and eventual costs of each option is more complex than comparing lending offers from different banks, and certain forms of financing such as public listings give rise to concerns over loss of control and the handling of information and communication with investors. However, attendees heard that there are measures available to mitigate this sort of risk, for example by issuing shares subject to buy-back rights, and making sure that a sound investor relations strategy is in place. Overall, public listings present many advantages for companies beyond the immediate raising of funds. Participants were told that the media attention generated following a

listing often opens the door to other investors not just in Spain but also other markets.

Unitranche loans

As well as listings, companies are increasingly turning to investment funds for finance to enable their expansion, participants were told. Investment funds have their own requirements, and may make lending subject to the restructuring of the company. Nevertheless, this can prove advantageous for the company in the long-term. In addition, attendees heard that investment funds are providing smaller companies with access to products that were previously the preserve of large corporates, such as unitranche loans subject to UK law, as recently granted by KKR to Dentix.



Event: *Are companies diversifying their sources of finance beyond traditional bank financing?*

Location: Madrid

In collaboration with: PwC Tax & Legal