



# ASIA-PACIFIC DISTRESSED DEBT & SPECIAL SITUATIONS MARKET UPDATE

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## Global uncertainty and volatility fuel Asia-Pacific distressed debt and special situation opportunities in 2017

**Media contacts:**

**Su Chin Zhang**

Debtwire

T: +852 2158 9706

E: [suchin.zhang@mergermarketgroup.com](mailto:suchin.zhang@mergermarketgroup.com)

**Natalie Choo**

PwC Singapore

Tel: +65 6236 4309

Mobile: +65 9738 1415

E-mail: natalie.yl.choo@sg.pwc.com

**Jeyda Star**

Reed Smith

T: +44 (0) 203 116 2571

E: jstar@reedsmith.com

**Singapore, 21 November 2016** – As the world reckons with the results of the US presidential election, and while Brexit negotiations remain hanging in the air, there are speculations of realignments in political and trade relations involving the US and Europe, prompting investors to sharpen their focus on markets in the Asia-Pacific region.

Debtwire's *Asia-Pacific Distressed Debt & Special Situations Market Update*, produced in association with **PwC Singapore** and global law firm **Reed Smith**, shows that in the next 12 months, 88% of respondents plan to allocate more or the same amount of capital to Asia-Pacific distressed debt opportunities, while all respondents plan to do likewise for special situations in the region. Respondents include a mix of private equity investors, prop desk traders, hedge fund managers, credit risk or workout managers, and emerging market investors.

Financial services, oil and gas, and energy are some of the largest topics in distressed debt at the moment, and respondents are also bullish about their prospects in the sectors. 60% of respondents chose financial services as one of three sectors they look to target in the next 12 months.

Key findings from *Asia-Pacific Distressed Debt & Special Situations Market Update*:

- China offers the most attractive distressed opportunities in Asia-Pacific in the next 12 months, according to 52% of those surveyed, followed by Japan (35%) and India (7%).
- The issue of unfavourable bankruptcy laws is ranked as the greatest impediment to restructuring efforts, nominated by 35% of respondents, followed by the lender's own capital issues (33%) and debtor delay due to legal and regulatory permissions.
- In the next 12 months, 90% and 82% of respondents are expecting to see an increase in volume in primary markets for

high yield bonds and private placements (loans and bonds excluding bi-laterals) respectively.

“Volatility and uncertainty remain the watchwords of the year to come, both in economic and geopolitical terms, and it is up to the shrewd investor to know when to strike while the iron is hot,” says Luc Mongeon, Managing Editor of Debtwire Asia-Pacific, in the foreword of the report.

The report provides an in-depth review of emerging trends in the distressed debt markets of 2016 as well as insight into expectations for Asia-Pacific distressed debt and special situations in the next 12 months.

Adding commentary to the data analysis, Peter Greaves, Restructuring Leader, PwC Singapore, says, “Most respondents felt that at least one in four distressed debt or special situation opportunities explored in the region were attractive. This reflects the extent and quality of opportunities in the region and suggests that supply should be able to continue to meet the appetite of the investment community.”

Diane Roberts, Restructuring Partner, from global law firm Reed Smith, observes, “Navigating pockets of volatility can be challenging for the market, but at the same time volatility provides definite opportunities for restructuring and investment for those investors with risk appetite. There seems to be positive sentiment throughout the market for new opportunities to present themselves over the next 12 months.”

On the impact of China’s continued slowdown in growth, Matthew Gorman, Partner, from global law firm Reed Smith, notes, “Following the reduced growth in China, we are seeing a direct impact on the natural resources and commodities sectors, and accordingly the companies connected to those sectors.”

Evaluating the highest ranked impediments to restructuring efforts in Asia-Pacific, Peter Greaves, Restructuring Leader, PwC Singapore, observes, “The region is a patchwork quilt of bankruptcy frameworks. This was seen earlier in the variability of appetite between different jurisdictions. Some territories such as Malaysia and Singapore are already making inroads into the harmonization of bankruptcy frameworks with international practices. It will be interesting to see what extent and how quickly other territories are willing and able to follow suit.”

On the evolution of restructuring options for distressed companies in the ASEAN, Greaves adds, “Singapore is already amongst the most creditor friendly jurisdictions, but it is not resting on its laurels with the current live consultation on the development of restructuring and insolvency laws to promote a rescue culture to match, and Singapore’s wider ambitions to cement its position as a hub for restructuring in Asia. However, other countries are also making progress as Indonesia is exploring regulatory change and Malaysia has added new options within its Companies Bill to facilitate more of a turnaround culture.”

**The full report is available for viewing here:**

**[http://mergermarketgroup.com/publication/dw\\_apac\\_market\\_update/](http://mergermarketgroup.com/publication/dw_apac_market_update/)**

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Debtwire publishes real-time news and data for financial professionals in fixed income markets across the world. Debtwire provides the opportunity for clients to be first to pitch for business by regularly identifying evolving Stressed, Distressed, and Restructuring situations ahead of the market. To find out more please visit [www.debtwire.com](http://www.debtwire.com)

### **About Reed Smith**

Reed Smith is a global law firm with 26 offices and more than 1,700 lawyers across Europe, the Middle East, Asia and the United States.

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## Contacts



### **Siew Ling Ong**

Press Contact

Manager, Brand and Communications

[siew.ling.ong@pwc.com](mailto:siew.ling.ong@pwc.com)



### **Candy Li**

Press Contact

Team Lead - Brand & Communications

[candy.yt.li@pwc.com](mailto:candy.yt.li@pwc.com)



### **Verlynn Heng**

Press Contact

Senior Associate

Brand & Communications

[verlynn.wy.heng@pwc.com](mailto:verlynn.wy.heng@pwc.com)

81251483