



# Resilient Growth, Selective Investment

Why 2026 allows more assertive capital allocation

Capital Structure & Rating Advisory | Annual Insights 2026

S.426  
7/20/2026

# Important Notes

This analysis is based on 1,080 companies across 19 corporate sectors, drawn from the S&P Global 1200 Index and Hang Seng Index

Sector definition, abbreviations, constituents, related assumptions and sources are documented here [\(Details here\)](#)

Findings are presented at sector level and are not intended as commentary on individual companies, which may differ based on various factors

**Please see disclaimer at the end of the presentation for further details**  
**[Please contact us for the Detailed Sector Review](#)**

# Executive Summary: From caution to deployment



**2026 growth outlook remains resilient across both emerging and developed markets, even as policy support continues to fade.** Country risk has broadly improved across regions, supported by easing inflation and tighter sovereign spreads, providing a more stable macro backdrop



**Corporate balance sheets remain robust.** Leverage has marginally improved versus last year, leaving companies with ample headroom (+8%), while liquidity cushions (+6%) remain inefficiently elevated. This positions corporates well to absorb shocks but also to selectively deploy capital



**Despite several years of underinvestment, not all sectors have returned to pre-COVID investment levels.** However, shareholder returns remain strong (16 sectors), with another year of elevated share price yields driven largely by share buybacks rather than a broad-based capex recovery



**The 2025 story for working capital persists.** Working capital optimisation remains the cheapest source of funding and one of the largest opportunities to enhance ROIC, with significant cash (~US\$2.6tn) still tied up across the cash conversion cycle



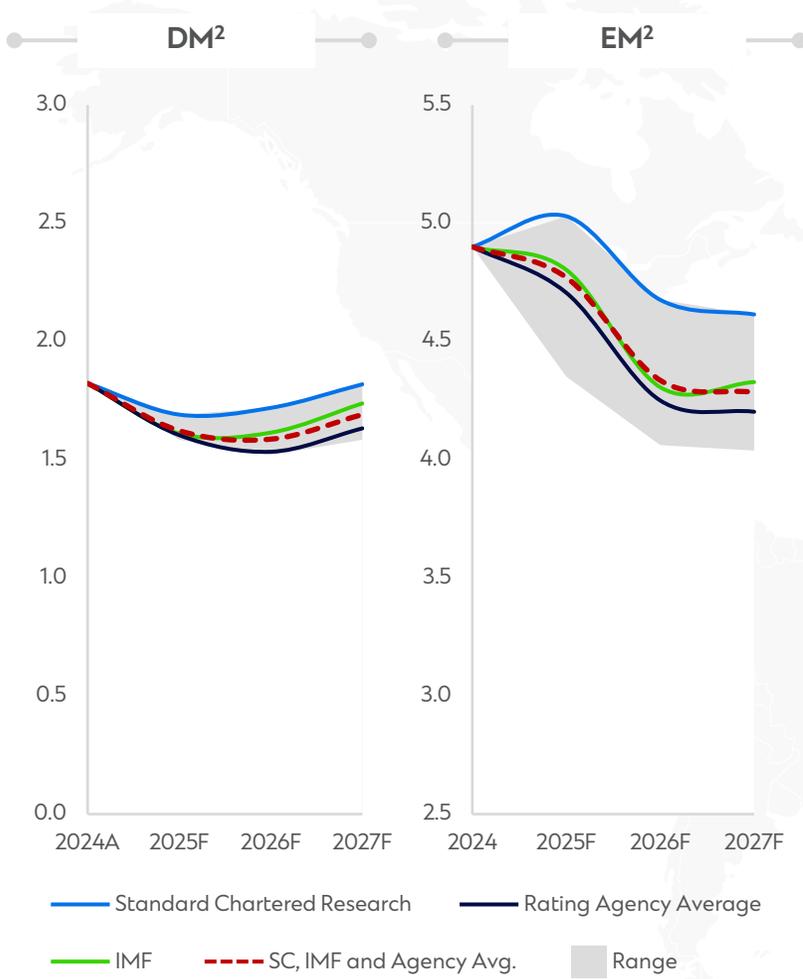
**Interestingly, China's outbound momentum has boosted profitability across many (~9) sectors,** outperforming global peers despite ongoing geopolitical and structural challenges



Meanwhile, **rapid growth in AI adoption and data centre development is creating substantial financing needs and increasing pressure on power grids,** highlighting emerging infrastructure constraints

# Macro Outlook: Stable, albeit fragile growth outlooks, but improving country risk

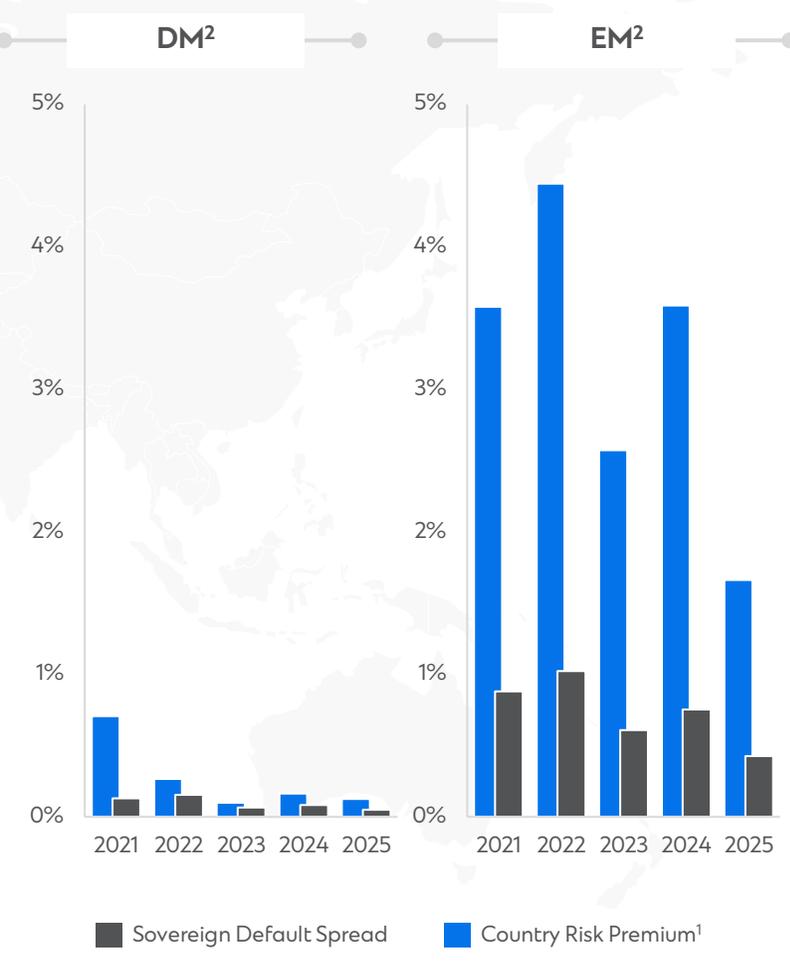
## Resilient GDP growth (%)



## Despite policy support subsiding



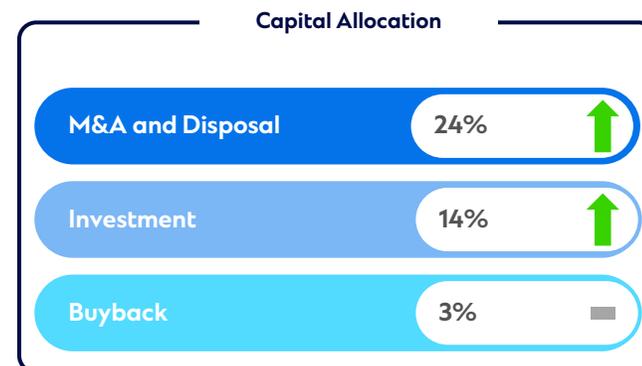
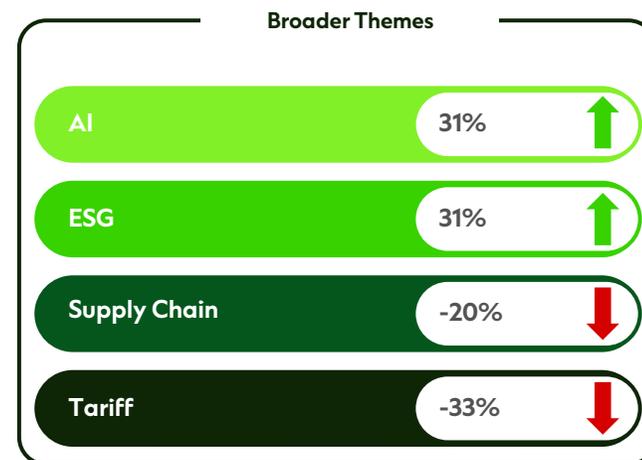
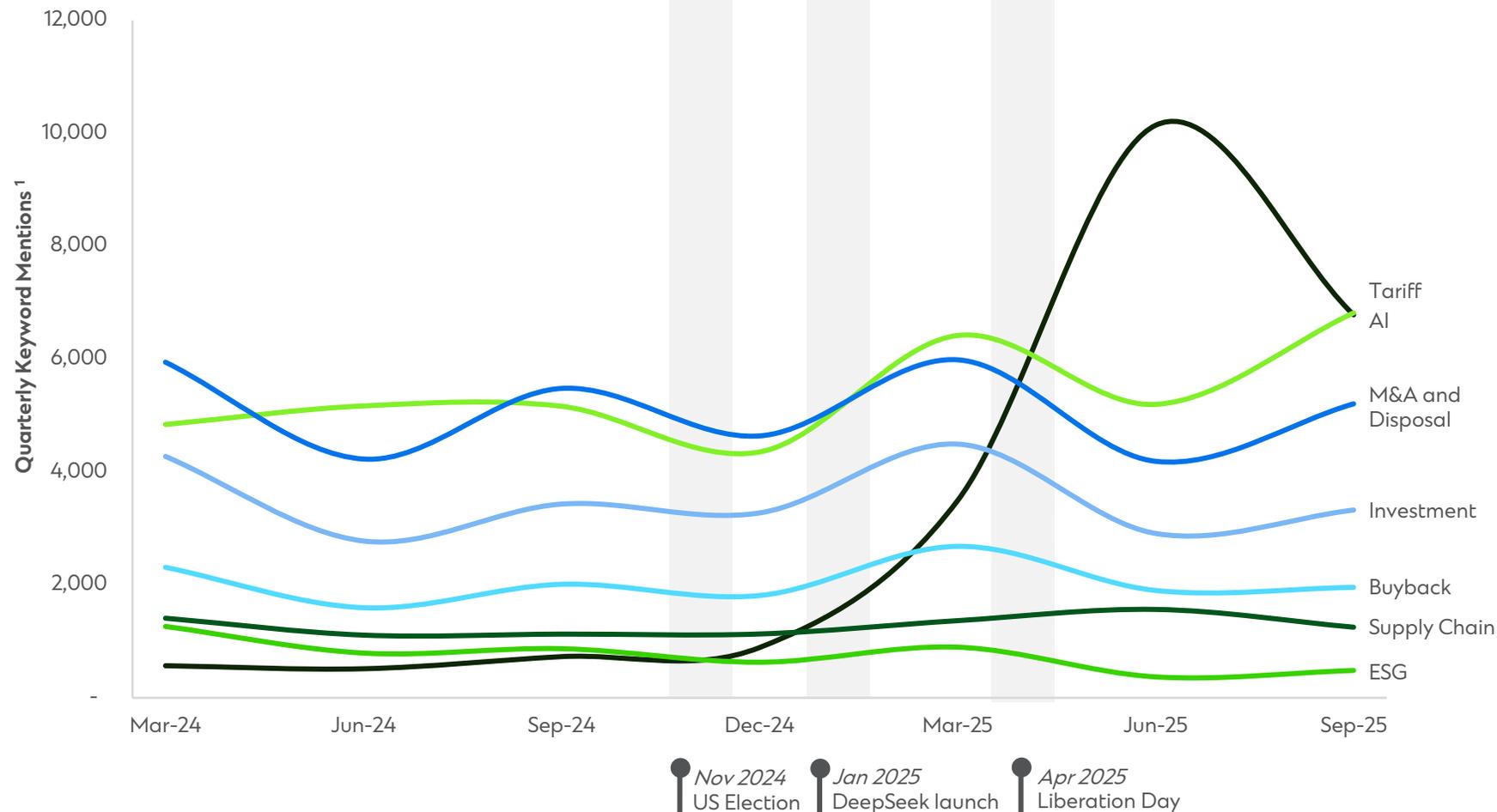
## And improving country risks<sup>1</sup>



# Corporate Focus: Tariff still top of mind but corporates pivoting to capital allocation

AI continues to gain momentum and M&A/Investment is also seeing another uptick

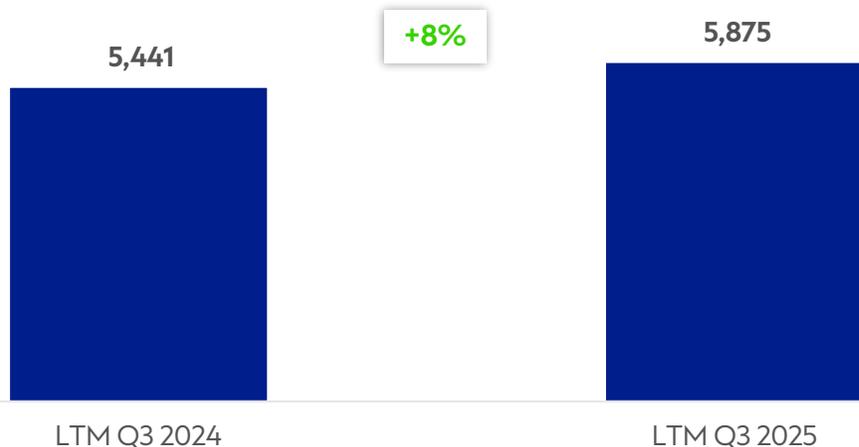
Q2 2025 vs Q3 2025<sup>2</sup>



# Balance Sheet Strength: Robust leverage capacity and liquidity buffer

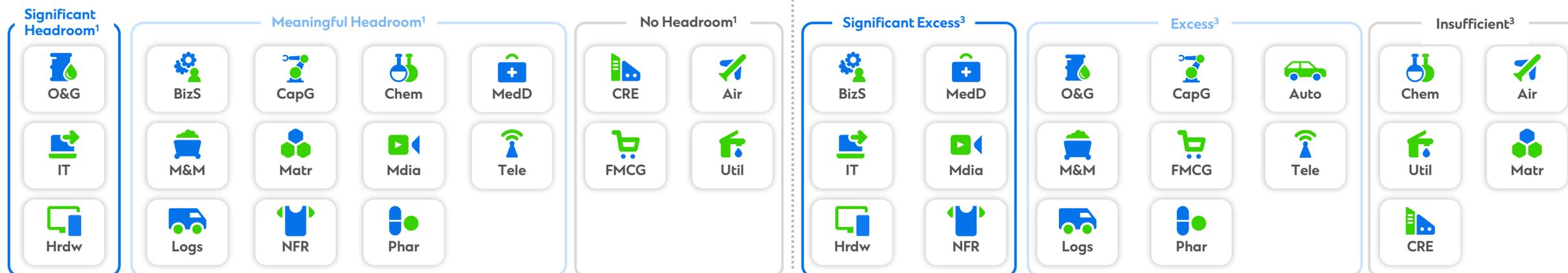
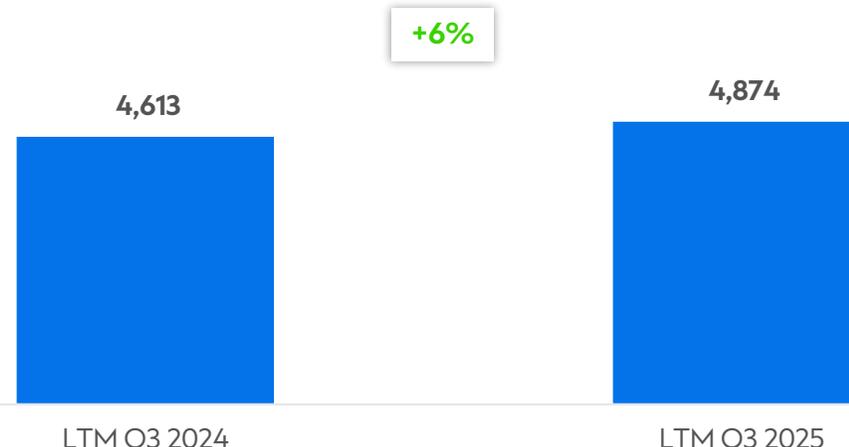
## Leverage headroom<sup>1</sup> remains ample and mostly stable

Leverage Headroom (US\$bn)



## Liquidity<sup>2</sup> continues to be high, with a few upticks in certain sectors

Liquidity (US\$bn)

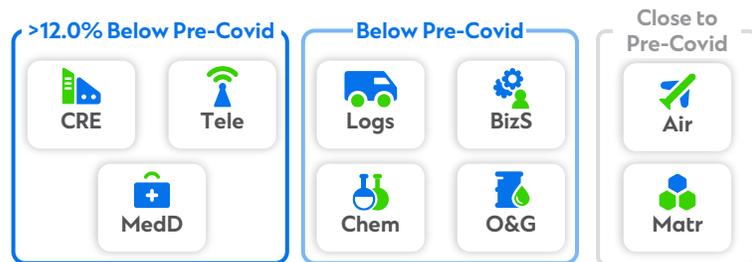


# The Investment Reboot: Recovery towards pre-covid levels remains slow<sup>1</sup>

## Investment lower than pre-covid for many

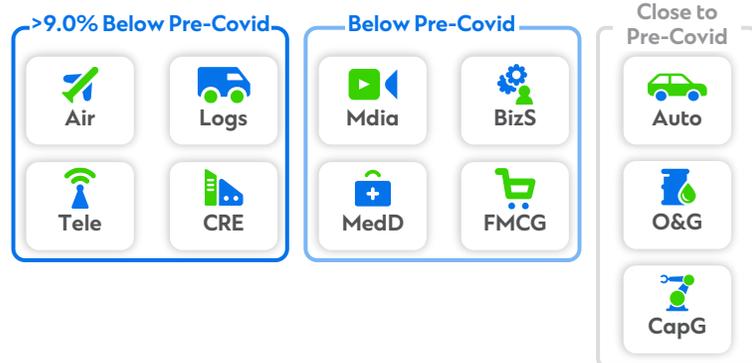
9/19

Sectors present Capex / D&A ratios below or equal to pre-covid average



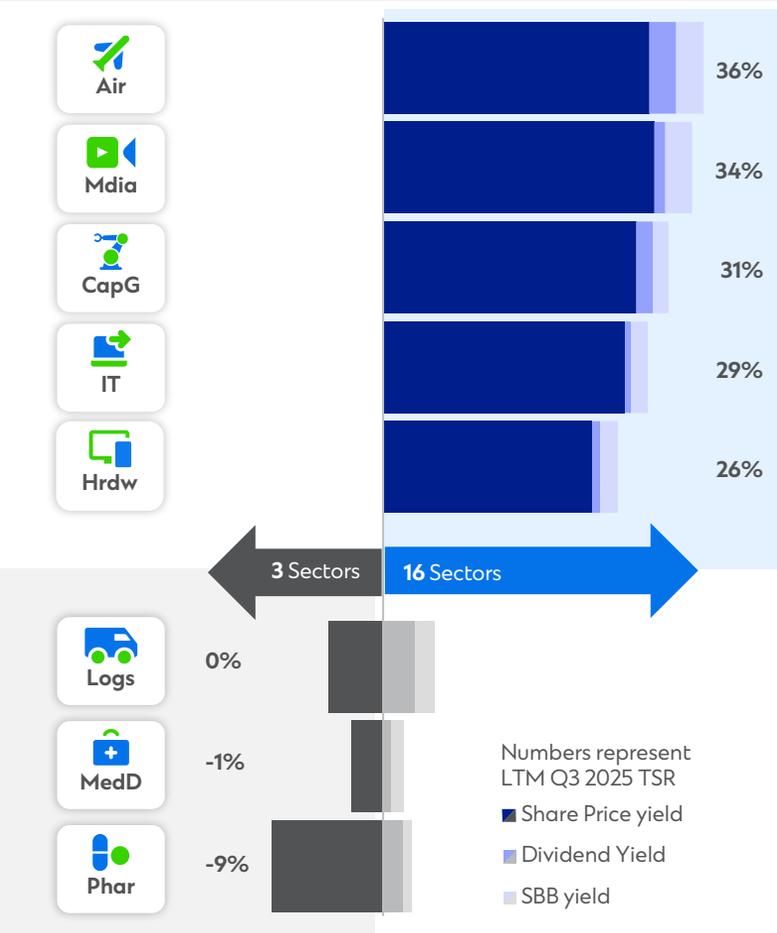
11/19

Sectors present Capex / Sales ratios below or equal to pre-covid average



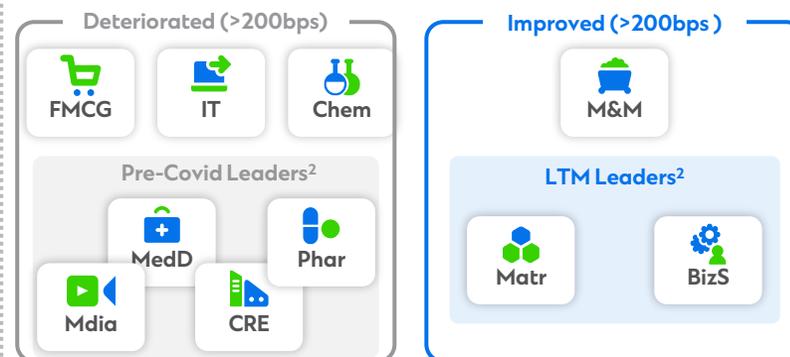
## While valuations continues to grow

Total Shareholder Return - Best / Worst Performers (LTM Q3 2025)

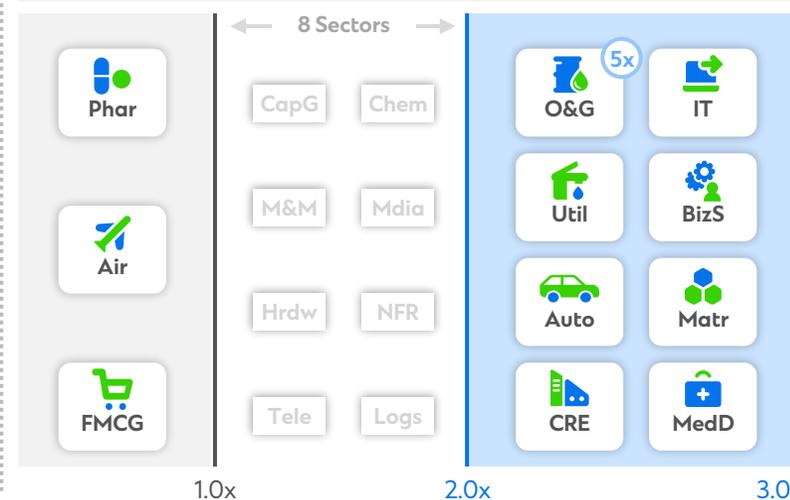


## However, focus remains on shareholder returns

LTM Gross M&A/Sales vs Pre-Covid



LTM SBB / Pre-Covid SBB



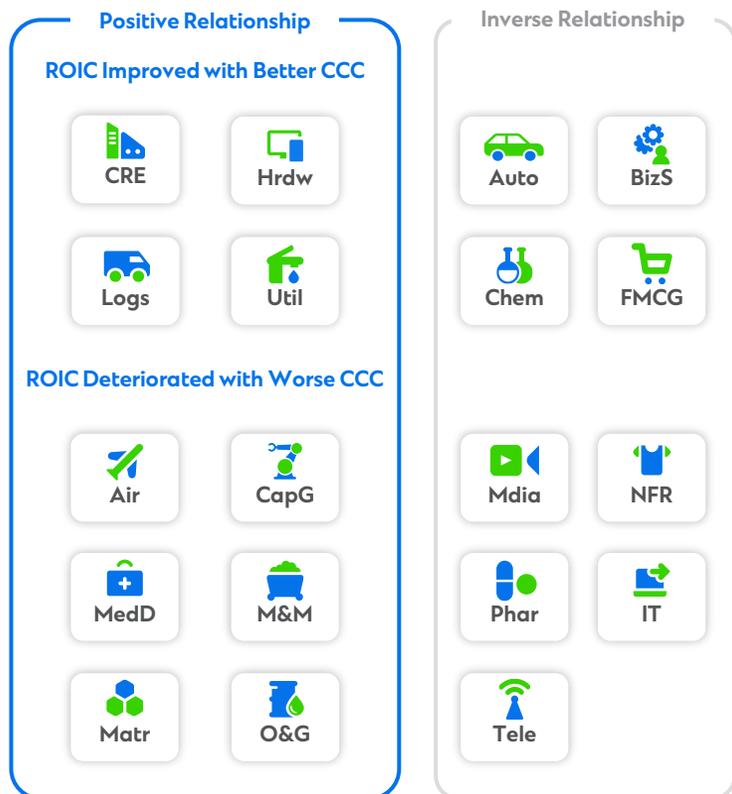
# Working Capital: Cheapest form of self-funding with a \$2.6tn opportunity to boost returns

CCC<sup>1</sup> changes can meaningfully impact ROIC<sup>2</sup>

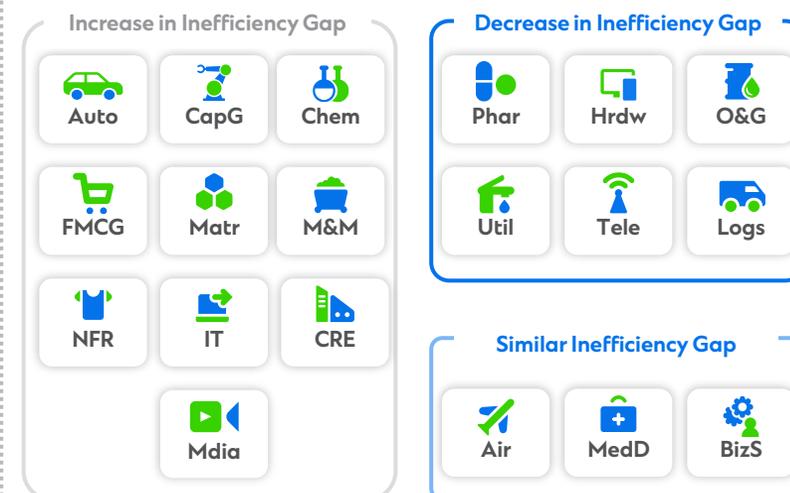
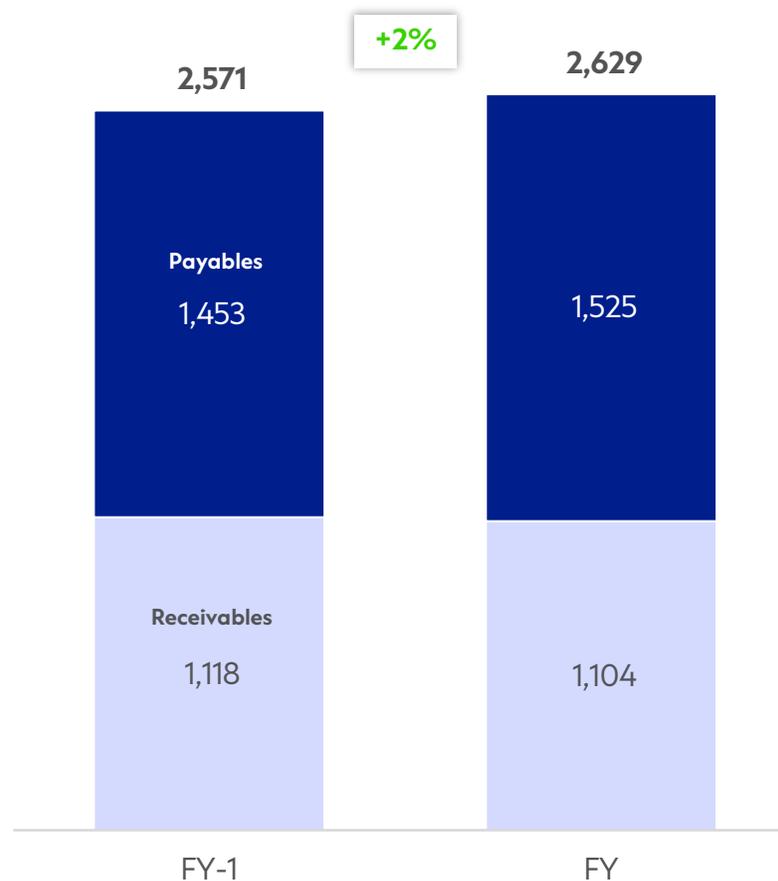
~US\$2.6tn capital release<sup>3</sup> still available

Inefficiency gap grew for most YoY

Impact of Changes in CCC on ROIC for Top Quartile Performers



Relationship consistent across top and bottom quartile performers



# Other Important Thematics: China's growth & data centres remain top of the agenda

## Chinese corporates<sup>1</sup> with global footprint saw improved profitability

Offshore Revenue Change (2023-2024)

EBITDA Margin Change (2023-LTM Q3 2025)

Increase  
14 Sectors

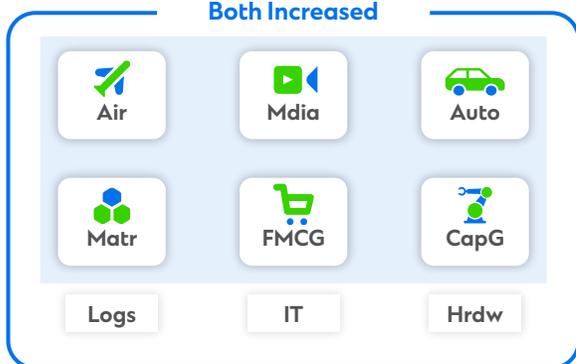
Increase  
10 Sectors

Decrease  
5 Sectors

Decrease  
9 Sectors

Both Increased

Both Decreased



Sectors where margins were higher for Chinese corporates vs Global peers

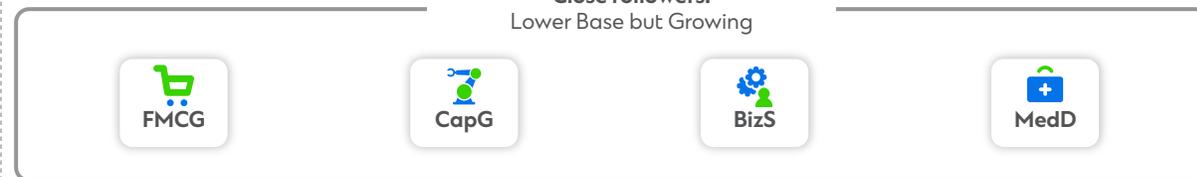
## AI demand is fast extending to sectors outside of Tech<sup>2</sup>

Near-term (6M) Adoption Intent for AI

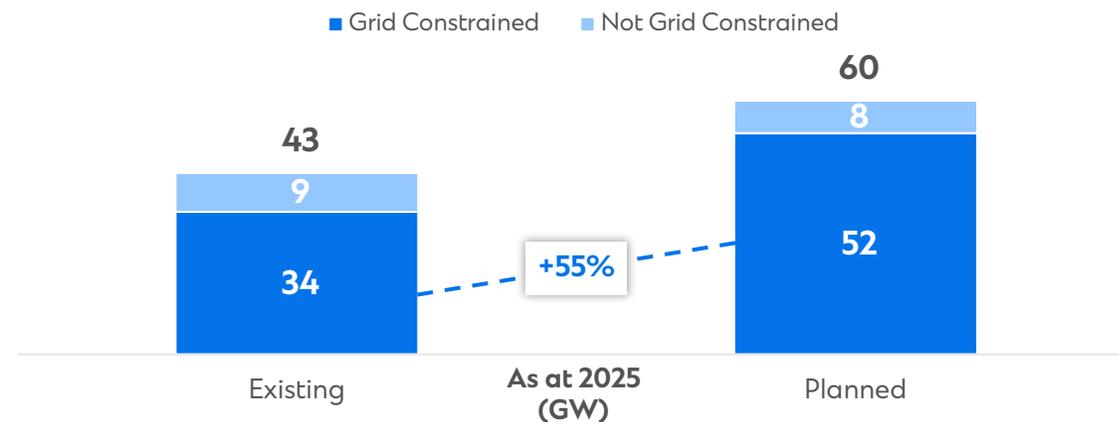
Leaders:  
High Adoption and Growth



Close followers:  
Lower Base but Growing



## Grids are constrained to host incremental supply of data centre capacity<sup>3</sup>



# What this means for capital allocation in 2026?

Putting the pieces together, 2026 is a year where corporates can responsibly become more assertive, if they do it with structure

## Be selective

Prioritise investments that protect competitiveness

## Sequence sources of funding

Do not ignore working capital and portfolio actions

## Rethink policy

Recalibrate leverage, liquidity and credit guardrails

## Manage risk

Include rate, FX, refinancing and ratings sensitivities in the plan

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