CALCBENCH

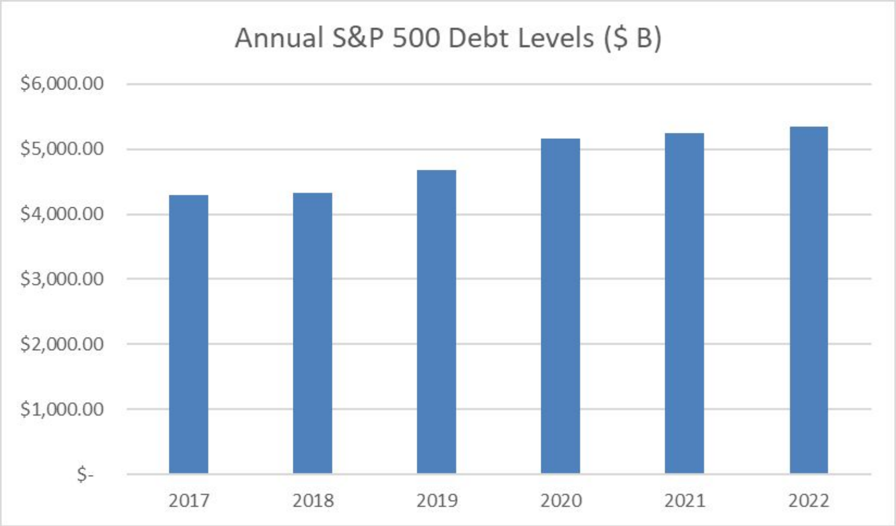
Corporate Debt & Rising Interest Rates: Who will feel the squeeze in 2024

November 2023

Background

From the global financial crisis in 2008, throughout the 2010s and into the early 2020s during the pandemic, corporations grew accustomed to a world of extremely low interest rates.

Those low rates encouraged firms to take on more debt — which they did, with zeal, for many years. See chart at right.[1]



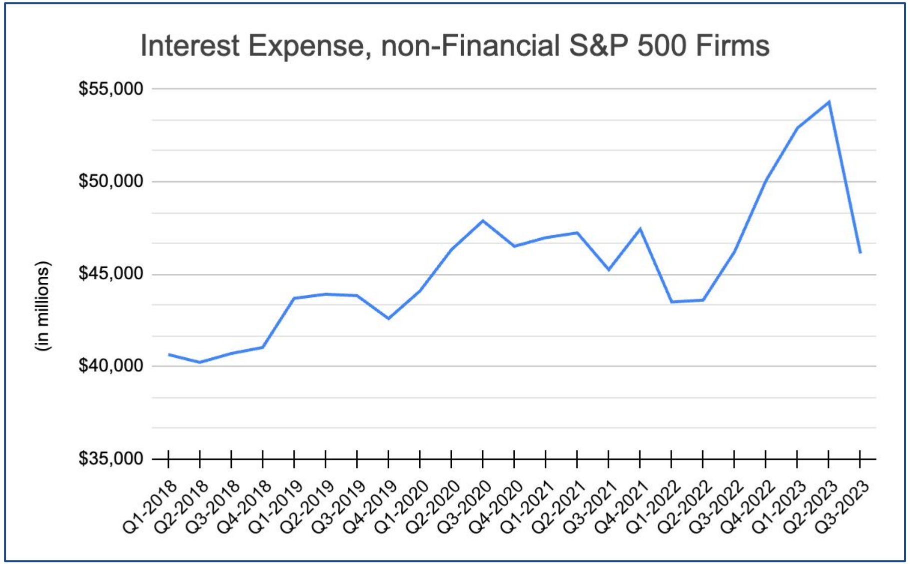
Then came 2022 and a new period of **rising** interest rates. Higher rates are likely to put considerable pressure on corporate balance sheets as companies refinance their older debt loads at newer, higher interest rates.

[1] Financial and utilities firms excluded.

Rising Interest Expense

Since 2016, interest expense among S&P 500 non-financial firms has risen from $40.6 billion at the start of 2018 to $54.3 billion in Q2 2023, a jump of 33.6 percent. See chart at right.[2]

Interest payments leveled off during 2021, when interest rates had been cut to historic lows during the pandemic. As interest rates began to climb in 2022, interest expense spiked. Those costs are likely to remain high in 2024 and beyond.



[2]Q3 2023 data as of Nov. 6, 2023, with several dozen S&P firms still outstanding.

What Calcbench Did

Calcbench reviewed the debt disclosures of all non-financial S&P 500 companies and found 55 firms with debt coming due in 2024.

Those 55 companies collectively have **$105.2 billion** in debt due next year, with an average interest rate of **2.75 percent**.

If the companies refinance that debt at 5.44 percent (rate of the one-year Treasury bill in early November), that will **add another $3.04 billion** to their collective interest expense.

Using Q2 2023 EPS as a baseline, that higher interest expense would reduce the firms' average EPS by $0.10, or 2.9 percent.

On the Watch List

Within our sample of 55 companies, we identified 19 that did not have enough cash as of mid-2023 to cover their debt due in 2024. The firms with the largest deficits are at right.

How will these companies pay those debts? Will they sell assets to raise enough cash to cover; or refinance at a higher rate, which will drive up interest expense and potentially squeeze EPS?

Company	2024 Debt Due	Cash Q2-23	Deficit
Microchip Technology	$2,400,000,000	$271,200,000	-$2,128,800,000
Kinder Morgan	$1,900,000,000	$497,000,000	-$1,403,000,000
Marathon Oil	$1,500,000,000	$215,000,000	-$1,285,000,000
Walgreens Boots Alliance	$2,154,000,000	$871,000,000	-$1,283,000,000
Capri Holdings	$1,334,000,000	$238,000,000	-$1,096,000,000
Becton Dickinson	$2,014,000,000	$923,000,000	-$1,091,000,000
Thermo Fisher (TMO[3])	$4,071,000,000	$3,133,000,000	-$938,000,000
Fiserv	$2,000,000,000	$1,082,000,000	-$918,000,000

In Q3 23 TMO raised cash to cover the obligation

Specific Corporate Examples

This chart shows the potential hit to earnings for several companies if they roll over their 2024 debt at current interest rates.

Assumes companies refinance at 5.44 percent (current rate for one-year T-bills); EPS estimates are based on trailing 12 month earnings from ending at Q2 2023.

Company	2024 Debt Due USD M	Old rate	Add'l Interest Exp.	Hit to EPS	EPS % Impact
Home Depot	$1,099	3.75%	$18.6	-$0.02	-0.1%
IBM	$5,009	3.3%	$107.2	-$0.12	-1.5%
Pepsico	$2,867	2.20%	$92.9	-$0.07	-1.1%
Tyson Foods[3]	$1,250	3.95%	$18.6	-$0.05	N/A
Nvidia	$2,435	0.58%	$118,243,600	-$0.05	-1.1%

3Tyson foods had a negative TTM EPS

Conclusions

- As companies refinance their debt in 2024 and beyond, they will face considerably higher interest rates, which consequently will lead to higher interest expense.
- We found numerous companies where higher interest expense was greater than available cash the companies had on hand, which implies that those companies **must** refinance or sell off assets to raise more cash; they can't otherwise pay off the debt.
- Higher interest expenses will likely lead to materially lower EPS in the future.
- To keep EPS income up, companies will need to grow revenue (potentially difficult if recession comes), cut costs, or do a mix of both.

Ways Calcbench Can Help

Debt disclosures. Our Segments and Breakouts page lets users research specific segments, tables, and other breakouts reported by firms, including debt instruments. This lets you see specific debts coming due, interest rates on that debt, and other details, all at one easy glance.

Standardized financial data. Our Multi-Company database lets you search revenue, net income, assets, debt, interest expense, debt ratios, and other financial data (including non-GAAP disclosures such as adjusted net income) across large groups of firms. All metrics can be searched for one firm, peer groups you create, or standard groups such as the S&P 500.

Footnote disclosures. The good stuff is always in the fine print. Our Interactive Disclosure database lets you search for any disclosures by type (debt, contingencies, revenue, and more), or search for specific terms in the text.

The Firms We Studied

IBM	Micron Technology	Oracle Corp.	ConocoPhillips	Abbott Laboratories	Carnival Corp.
Pepsico	Home Depot.	Nvidia Corp.	Motorola Solutions	Thermo Fisher Scientific	Linde Plc
Pfizer	Howmet Aerospace	Microchip Technology	Whirlpool Corp	Exxon Mobil	Phillips 66
Fiserv	Capri Holdings	Walgreens Boots Alliance	Illinois Tool Works	Western Digital	3M Co.
Gilead Sciences	Booking Holdings	Intel Corp.	Merck	Becton Dickinson	Occidental Petroleum
Chevron Corp.	Mastercard	Danaher Corp.	RTX Corp	Kinder Morgan	AbbVie Inc.
Marathon Oil	Costco Wholesale	Stryker Corp.	Iqvia Holdings	Honeywell	
Amgen	Cisco Systems	Procter & Gamble	Cardinal Health	Broadcom Inc.	
Fox Corp.	HP Enterprise	PPG Industries	Sherwin Williams	UPS	
Tyson Foods	Johnson & Johnson	Lennar Corp.	CVS Health	AbbVie Inc.	


Thank you, that's all!
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