8 EIGHT INTERNATIONAL

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RESTRUCTURING TRENDS
Europe 2023

EightAdvisory FRP JP Weber NEW DEAL ADVISORS

Foreword

We stand on the threshold of a new year. The global landscape of restructuring and change is evolving at an unprecedented pace, offering both new challenges and boundless opportunities. In this era of profound change, ranging from political conflicts, healthcare crisises to the digital revolution and environmental changes, adaptability and innovation have taken on unprecedented importance.

To provide investors with valuable insights into the current scenario, we offer a comprehensive overview of the global restructuring landscape and practical advice to help your business successfully navigate the current economic and non-economic global uncertainties.

Also once again, we asked Eight International experts from different regions for their views on the current challenges and opportunities in their local restructuring markets, the pace of local economic recovery and the outlook for mergers and acquisitions in the coming year.

In considering these perspectives, it is important to recognise that restructuring is not just a reaction to crises, but a proactive strategy aimed at creating a more equitable and sustainable future. Moreover, through restructuring and collective efforts, we can together shape a more resilient and promising future for all.

Our thanks go to the authors and experts who made this report possible.

The Eight International Restructuring Team

Simon Longfield
Partner
FRP Advisory

Florent Berckmans
Partner
Eight Advisory

Xavier Bailly
Partner
Eight Advisory

Johannes Steinel
Partner
Eight Advisory

Philippe Fimmers
Partner
Eight Advisory

Boudewijn Wellink
Partner
Eight Advisory

Tomasz Sadurski
Partner
JP Weber

Francesco Moro
Advisor
New Deal Advisors

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Global Restructuring landscape

In an ever-changing economic landscape, the current state of insolvency in Europe and around the world is a topic of critical importance to businesses, investors and policy makers alike. While the massive wave of bankruptcies predicted by economic analysts has not yet materialised, a return to the bankruptcy figures of before COVID is noted across Europe in 2023. Three common trends help explain this phenomenon.

Three common trends across Europe in 2023

The extensive support provided by various states during the pandemic COVID -19 in the form of direct aid, loan guarantees or moratoria on social and tax contributions has run out. The companies that benefited from this aid are now obliged to repay the loans, which increases the pressure on their cash flow. States have not completely stopped their support for ailing companies, but they have become much more selective, leading to protracted negotiations and demands for concessions from other creditors and shareholders.

Furthermore, the specter of inflation looms large. Inflation remains high, although it has fallen from 2022 levels (6.1% in July 2023 compared to 9.8% in July 2022), reflecting lower energy prices and freight costs. This persistent inflation undermines purchasing power and penalises many sectors, especially B2C companies.

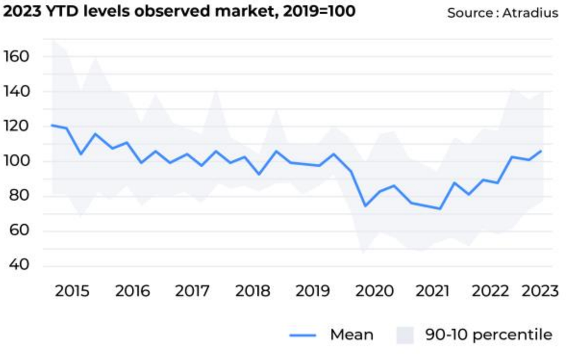
As a result of rising inflation, interest rates have continued to rise since 2022. The 3-month Euribor has reached almost 4%, compared to 0% in the summer of 2022. This rise in interest rates affects highly indebted companies, whose debt costs are rising, and also households. The impact varies from country to country and depends on the type of mortgage (fixed or variable rate).

European insolvency trends

In Europe, insolvency trends vary due to different dynamics. Recovery from the pandemic varies from country to country; some are recovering well while others are struggling with economic difficulties. This divergence is reflected in different insolvency rates, highlighting the need for a nuanced, country-specific approach to understanding Europe.
European governments have put in place extensive support programmes, such as redundancy schemes and grants, to help struggling businesses.

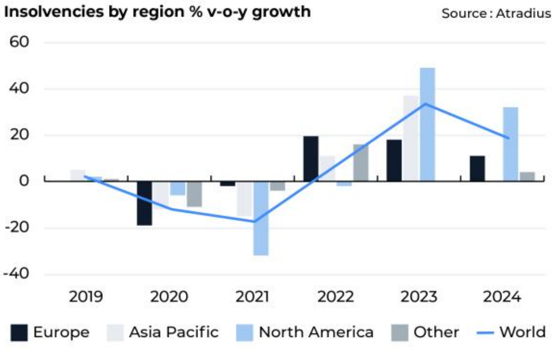
While these programmes are crucial for preserving jobs and preventing bankruptcies immediately, there are concerns about their sustainability and possible abrupt effects when the support ends.

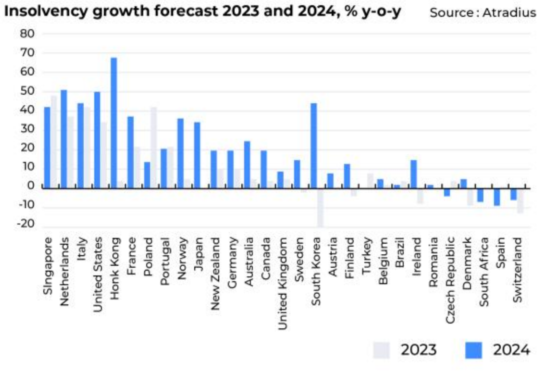
As per the most recent report by Atradius, there has been a 9% rise in the worldwide count of insolvencies in 2022. This can be attributed to the discontinuation of pandemic support packages and the temporary modifications made to insolvency legislation. Furthermore, the average insolvency rate in the second quarter of 2023 has already surpassed the level recorded in 2019.



Global insolvency levels vary widely from country to country. Turkey, South Korea, the UK, Switzerland and Finland have high insolvency rates for 2023 compared to 2019 due to specific economic challenges. Turkey's problems include high inflation and corporate debt. South Korea is struggling with high corporate debt and interest rates. The UK is seeing more insolvencies due to the end of government support and the slow post-Brexit recovery. In Switzerland, insolvencies increased as government support ended and zombie companies were affected. In Singapore, Poland, Italy, the US and the Netherlands, on the other hand, insolvencies declined compared to pre-pandemic times.

Atradius forecasts a 34% year-on-year increase in global insolvencies in 2023, with North America, particularly the US, expected to see a 49% increase. Europe expects an increase of 18% as insolvency normalisation progresses. Asia Pacific is expected to see a significant increase of 37%. For 2024, North America is expected to maintain the highest growth in insolvencies at 33%, while more moderate changes are forecast for the other regions.→





Distressed Sectors

The different levels of resilience exhibited by certain sectors have emerged as a key determinant of insolvency patterns worldwide. In particular, conventional sectors such as real estate, retail and consumer goods, and even healthcare, have faced formidable obstacles.

According to the June 2023 Weil European Distress Index, the real estate sector is currently the most distressed for the second quarter in a row. The distress levels of European real estate companies remain high. Recent trends point to a further rise, driven by increasing liquidity pressures, weaker investment metrics and lower profitability. The rise in interest rates has a particular impact on the real estate sector, affecting property development and construction.

Many key indicators of the sector, such as transaction volumes, commercialisation rates of existing projects and the initiation of new projects, have turned negative in many European countries in 2023. In addition, the sector has to adapt to new regulations, which often impose higher environmental quality standards or restrict land development. This challenging environment is expected to benefit players who have managed to accumulate reserves during a very favourable decade, while others are under serious threat.

The Retail & Consumer goods sector, including food, textiles, and DIY, ranks as the second most distressed industry. It is particularly affected by inflation and the resulting decline in household purchasing power. All types of goods are affected. The clothing retail sector was already heavily restructured during the pandemic, with many brands being taken over in bankruptcy proceedings. These new businesses, with low capitalisation and limited access to credit, are now vulnerable. Trends that emerged during the pandemic, such as online shopping and subsequent supply chain adaptation, continue to impact companies that have not adapted.

Startups that used to receive ample funding have also faced challenges since 2023 as credit becomes tighter. These companies, unaccustomed to restructuring, have had to adapt as they have been unable to obtain new financing. Many have been forced to cease or suspend certain activities, cut costs or lay off staff at extremely short notice in order not to disappear.

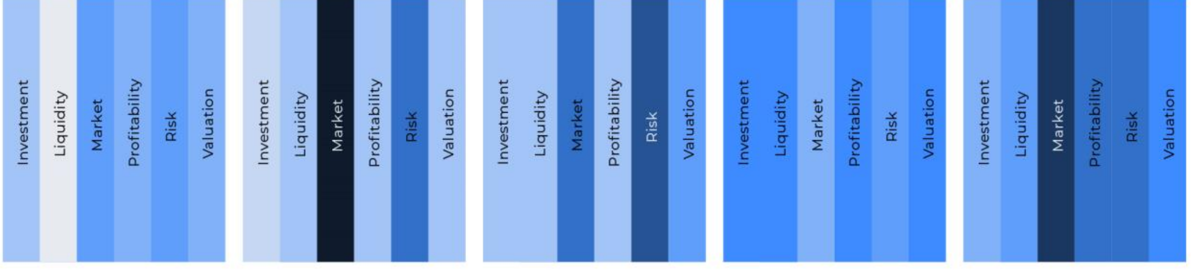
The healthcare industry remains one of the three most vulnerable sectors, primarily due to lower profitability, a weakened liquidity position and declining investment ratios. Unprecedented support during the pandemic is expected to lead to higher levels of distress as rising interest rates and operating costs continue to put pressure on profit margins.
The chemicals sector faces its own set of challenges, particularly in relation to imports from China. Supply chain disruptions and rising costs have disrupted the previously smooth flow of chemical imports, prompting companies to re-evaluate their sourcing strategies and invest in supply chain resilience.

These sector-specific challenges underscore the importance for businesses to adopt adaptive strategies, diversify their sourcing options, and carefully manage their finances in order to effectively navigate the complexities of the evolving global economic landscape. →

Distress Index May 2023

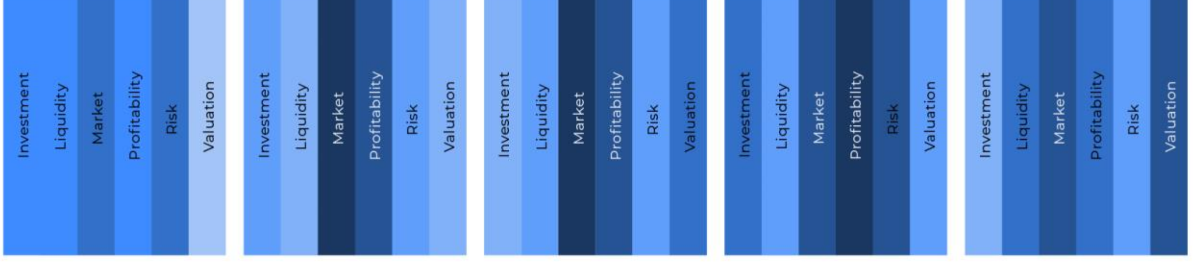
Source : The Weil European Distress Index

	Real Estate	Retail and Consumer Goods	Healthcare	Financial Services	Travel, Leisure and Hospitality
Distress ranking	1	2	3	4	5
Index value	+6.9	+4.0	+3.9	+2.0	+1.1
YoY trend	↑ +4.3 May 22	↑ -5.1 May 22	↑ -2.1 May 22	↑ -1.5 May 22	↓ +1.3 May 22



Source : The Weil European Distress Index

	Industrials	Technology, Media and Telecoms	Commodities / Natural Resources	Infrastructure	Oil & Gas
Distress ranking	6	7	8	9	10
Index value	+0.8	+0.8	-0.7	-2.1	-1.1
YoY trend	↑ -0.7 May 22	↑ -2.2 May 22	↑ -5.6 May 22	↑ -4.4 May 22	↓ -2.6 May 22



Debt market analysis

In the dynamic realm of finance, the debt market serves as a vital gauge of economic well-being and investor confidence. Notably, this market has experienced remarkable transformations in recent times, owing to the profound effects of the COVID-19 pandemic and shifts in central bank strategies. Of particular significance is the examination of the maturity of Leveraged Buyouts (LBOs) and the extensive ramifications it carries for investors, enterprises, and the wider financial landscape.

In recent years, global central banks have implemented unconventional monetary measures, such as near-zero or negative interest rates, as a response to economic challenges. These policies have resulted in an extended period of low borrowing expenses, enticing both corporations and investors to access the debt market for various purposes, including corporate expansion and yield-seeking investments. However, the post-pandemic era has brought about a changing landscape.

Central banks, including the Federal Reserve in the United States, are gradually raising interest rates in order to address the issue of rising inflation. This upward trend in interest rates is prompting a reassessment of the debt market. Borrowing costs are on the rise, leading companies to reevaluate their financing strategies, while investors are reconsidering the risk profiles of their portfolios.

Extending the maturities of leveraged buyouts (LBOs) is a major focus in the evolving landscape. LBOs, or debt-financed corporate buyouts, have become increasingly popular. Traditionally, they have had terms of 5-7 years, but there is a trend towards ten-year terms.

This shift aims to increase financial flexibility in a complex economic environment by stretching out debt repayments to relieve immediate cash flow. It accommodates longer time horizons for strategic growth plans and reduces short-term financial pressures.

However, extending the maturities of LBOs also has consequences: careful management of the debt profile to meet obligations and investor scrutiny of creditworthiness in times of market changes. Longer maturities carry risks due to potential fluctuations in interest rates, cash flows and market dynamics over a decade.

New factors shaping global restructuring

In today's ever-changing global landscape, the factors influencing the restructuring landscape are constantly evolving. In addition to traditional economic and financial considerations, geopolitical events and tensions have become significant determinants in shaping the future of global markets. One such looming factor is the potential China-Taiwan conflict and its profound implications for economic development and restructuring on a global scale.

Taiwan plays a pivotal role in the semiconductor industry, supplying microchips crucial to high-tech products like smartphones and automotive components. Any disruption to Taiwan's semiconductor manufacturing would reverberate across industries and economies worldwide. Additionally, China is Taiwan's largest trading partner, with Taiwanese businesses heavily invested in mainland China. A conflict would disrupt these economic ties, causing uncertainty and potential financial distress for regional businesses. This situation adds complexity to global restructuring scenarios, prompting companies to reassess supply chain resilience and diversification.

Economic fallout may drive increased restructuring activities worldwide, as businesses grapple with financial distress arising from supply chain disruptions, reduced demand, or geopolitical uncertainties.

Certainly, beyond the potential China-Taiwan conflict, there are several other factors that could significantly influence the global restructuring situation. These factors include:

- New geopolitical tensions and conflicts in various regions that can disrupt supply chains and create uncertainty for businesses.
- Trade policy shifts, tariff disputes, and trade barriers between major economies that can affect the cost structure of businesses, making it necessary for them to reevaluate their supply chain strategies and potentially restructure their operations.→
- Rapid technological advancements, such as automation, artificial intelligence, and digital transformation, that are reshaping industries. Companies that do not keep pace with technological innovations may face obsolescence and may need to restructure to remain competitive. →

- Increasing concerns about climate change and environmental sustainability prompting governments and consumers to demand more eco-friendly practices from businesses. Companies that fail to adapt to these changing expectations may face reputational risks, regulatory challenges, and the need for restructuring to align with sustainability goals.
- The increasing frequency and sophistication of cyberattacks posing a significant risk to businesses worldwide. Data breaches and cybersecurity incidents can result in financial losses and reputational damage, potentially necessitating financial and operational restructuring efforts.
- Aging populations in many parts of the world that can impact labor markets and consumer behavior. Businesses may need to restructure their workforce, adapt their products and services, or explore new markets to address changing demographics effectively.
- Shifts in government regulations, tax policies, and compliance requirements that can have far-reaching implications for businesses.
- While the COVID-19 pandemic highlighted the vulnerability of global supply chains, future health crises or pandemics can disrupt business operations and necessitate restructuring efforts to ensure business continuity and resilience.
- Climate-related events and natural disasters that can disrupt supply chains, damage infrastructure, and disrupt business operations. Companies may need to restructure their operations and supply chains to mitigate the impact of such events.

Necessary but complex restructuring

In the face of all these difficulties, some companies have no choice but to undergo extensive restructuring to survive. While financial restructuring, involving negotiations with debt and financing contributions from shareholders and lenders, is necessary, it is no longer sufficient to ensure a company's turnaround. This financial negotiation must be accompanied by a deep review of the business model, impacting the organization, including layoffs, and the company's strategy, with considerations of activity cessation, carve-outs, or mergers.

The involvement of all stakeholders is crucial for the success of the restructuring. As mentioned earlier, government support has become more selective, requiring a good understanding of existing aid mechanisms, their applicability criteria, and the ability to respond quickly to more demanding requirements.

These discussions take place in a legal environment that evolved significantly in recent years in many jurisdictions, including the implementation of the new European directive on distressed companies. While these new provisions theoretically allow for faster proceedings by limiting the blocking power of certain lenders, they are not yet fully understood by all parties involved.

2023 forced companies to undergo extensive restructurings to adapt to new trends which are likely to continue in 2024. At Eight Advisory we're perfectly placed to assist our clients to cope with these challenging market conditions.

2 Succesful Restructuring

Early signs of distress

A first step is always to be able to identify the first signs of distress or even anticipate them. The faster a problem is identified, generally the better chance for a successful turnaround. Time is generally not in your favor when facing distress and our experiences show that management and boards may wait too long to act decisively. This minimizes your available options to negotiate and maneuver out of this position. Acting too late or not having a plan of action in place may result in bankruptcy.

In situations of distress, financial indicators remain the most widely consulted. The key indicators are classic: **turnover, financial results, and cash flow**.

With regards to cash flow, the financial monitoring of customers and suppliers is a key approach to prevent situations of underperformance. Studies have shown that 60% of companies who have experienced cash alerts state that they do not regularly monitor customer and supplier payments. Is this due to a lack of time or tools? Is it due to complex reporting within the company? Or are some of these alerts not coming through to the appropriate management level? Steering and forecasting operational indicators and monitoring your operation ↗ are essential in anticipating situations of underperformance and stress, as these indicators can detect an unusual situation before the financial indicators.

The main operational indicators include **Human Resources & high staff turnover**, **problems in production or supply chain** and **monitoring of disputes and accidents**.

Your stakeholders may also look at management changes and stock prices moving downwards.

As the current crisis is leading a large number of companies into a state of financial and operational underperformance, correctly identifying the indicators that show you your business is in distress is only the first step in finding an appropriate solution. Companies must now focus on maintaining or improving their liquidity profitability, ensure the agility of their organisation to adapt quickly and resolutely to the new situation as well ensuring swift execution of transformation and turnaround plans. •

A step-by-step approach

Each turnaround requires different solutions, and each process is different. Turnaround processes can go from workforce reductions to disposals, mergers and acquisitions, and redesigning operating models. They can even be applied to healthy companies that are experiencing structural difficulties, but they are mostly aimed at companies in difficulties. The goal of every turnaround remains the same, that is to protect and optimize your business while minimizing the negative impacts.

In a turnaround process, we can distinguish the following five phases:

Taking a step back

To prepare for a transition stage, to take measures adapted to the problem encountered.

Defining and announcing achievable goals, action plan, and new KPIs

This stage is crucial because it initiates the change. It is essential to define realistic goals to be achieved, prepare an action plan and communicate both internally and externally insist on the Positive effects of a reorganization, and – finally – align the existing KPIs to the new business strategy.

Unwinding the current business model

These changes can sometimes take away employees' day-to-day structure and can be destabilizing.

Rebuilding

The new structure will be put in place
and employees will gradually take their positions. New missions, new objectives, but also departures and/or layoffs. Transparency is the order of the day, because both acceptance and rejection are possible.

Integrating

It seals the new organization and the beginning of a new life cycle for the company.

Following the above-mentioned key phases, you also need to have an experienced team to deliver the results. All your stakeholders will need to feel comfortable on the team that will execute the turnaround plan. Some stakeholders may seek outside support from professionals that have prior experience in such processes. The important thing is to minimize your risk in every step of the process.

The secret of effective restructuring

Each turnaround requires different solutions and each trajectory is different. Based on years of experience in turnarounds and a study on underperforming companies, which we performed last year, we were able to identify 4 success factors to restore the profitability of your business:

Fresh cash is king!

During the last couple of months, the majority of companies have been focusing on cash management. Some traditional initiatives include strict working capital management (both to suppliers and customers), leveraging government support, (economic unemployment, subventions, etc.), and postponing debt repayment in consultation with lenders. Our experience indicates that these initiatives are often not sufficient to implement a fundamental reorientation of the company. 85% of turnarounds require an additional cash injection. A well-founded financial plan is essential to get a clear view of the company's financial needs and prospects going forward.

It's all about value creation!

When defining a strategy, it is fundamental to take a step back and focus on value creation. Ask yourself the question: 'which activities, channels, products, clients, regions." are currently creating value for your company, both in terms of turnover, margin, EBITDA, and cash flow. Be sure to consider the latest trends, as well as any fundamental changes Covid-19-19 might have caused in the sector you are operating in. Saying goodbye to elements that no longer fit your strategy is tough, but they are an essential part of every turnaround. In addition, to further develop those value-creating activities, we want to underline the importance of ambition. If your initial objective is 'damage control', be sure that you will merely reach an underperforming EBITDA. Ambition is key to ensuring the effectiveness of your turnaround plan. A plan without ambition will not bring about any fundamental change nor convince stakeholders to contribute to the plan.

Build a successful team!

A new strategy calls for a new set of skills. In most successful turnaround plans we see a change in the executive committee. In more than 80% of turnarounds, 25% of the executive committee is replaced or expanded by restructuring professionals. In 60% of turnarounds, we even see more than 75% of the executive committee being replaced. It is safe to say that most turnarounds require a brand-new skillset, a fresh perspective on business operations, and above all an energizing wind of change throughout the company.

Create momentum!

Creating momentum and setting the pace are determining factors of a successful turnaround. This can not only be created by a strong management involvement but also by the energy that arises from a new vision and strategy. Having a plan with well-defined deadlines, responsibilities, and objectives is an absolute must.

Make it real with our Chief Restructuring Office (CRO)!

Shareholders and business leaders turn to our Turnaround & Restructuring specialists when facing exceptional challenges and opportunities, and unconventional thinking is required to effectively address the issues at hand.

CRO Office when special execution skills are called for

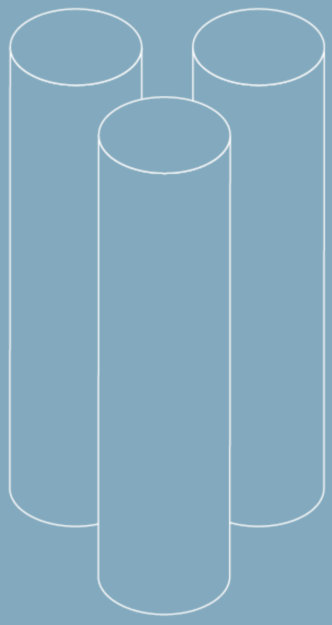
Working with clients in a variety of situations, we have observed the effectiveness of solid turnaround plans with specialised execution. These situations require unique skills and hands-on experience that are often not available within an organisation's leadership team. Our CRO Office product fills this gap and provides the expertise needed to successfully execute the plan.

Entrepreneurial approach

We have set up a crisis team made up of cross-functional teams (sales, operations, purchasing, HR, finance). Within a set timeframe, we create a rapid action plan to restore the financial and operational well-being of your organisation. Local teams ensure mobilisation and execute the jointly defined turnaround plan. Our approach is characterised by tight governance ensured by regular working meetings and coordination with functional heads. We emphasise short decision-making loops with senior managers through short and productive meetings. In addition, we develop a financial model that evaluates sales and cost trends and helps management make informed decisions.

3-pillars for best results!

A recovery plan is a process to preserve value. It follows a pragmatic and holistic approach.
With proven experience, we rely on 3 pillars that guarantee fast, thorough and sustainable results:



Speed!

Permanent restructuring can risk dissipating the remaining strength needed for the turnaround plan. We help you establish a sense of urgency to eliminate decision-making bottlenecks, reduce timeframes and promote the rapid implementation of solutions.

Hands-on action

We guarantee success by helping you apply the 80/20 rule, analyse key indicators, develop strategy, and act accordingly, empowering leaders, and clearly defining roles, such as the CRO, programme manager, and so on.

Accountability

We help you create an action-driven environment, put experienced and determined implementers in charge, and define and assume accountability for outcomes.

3 Local Trends

1

United Kingdom

Simon Longfield
Partner
Restructuring
FRP Advisory

What is the current state of the restructuring market in your specific country? Does the government support businesses financially in any way – if so, how?

Following the Covid pandemic, where company failures were kept relatively low due to high levels of government support and investor liquidity, UK insolvencies are now on the rise.

There are a few reasons for this. Persistently high inflation is still contributing to the rising cost of raw materials in many sectors and squeezing household budgets. This in turn is contributing to weak demand – particularly in consumer-facing sectors such as retail, leisure and hospitality and casual dining. We're also seeing margin attrition in businesses as firms try to balance rising input costs with limited scope to pass on price increases to their end-customers.

Although we've seen improvements in recent months, supply chains remain under significant pressure and the labour market is still tight, meaning firms have to compete fiercely to attract and retain the talent they need to continue growing.

However, what we expect to see as one of the biggest drivers of restructurings this year are higher interest rates.

These are affecting both the availability of credit and making it more expensive to service current debt, whilst also affecting company valuations and uncertainty where interest rates will settle will add further pressure to highly levered companies. For some businesses, the inability to meet the cost of debt or secure new financing will be the final straw. For others, it will force them to consider consolidation.

This consolidation drive was highlighted in a recent survey we commissioned into the UK fintech sector – to give just one example. The majority of the fintech leaders that we surveyed said that they had reviewed and amended their exit strategy in the last year, with consolidation the most popular option.

This came as nearly half of firms surveyed were concerned about their risk of failure by the end of 2023, with a third expecting their valuation to decline over the next 12 months.

When it comes to government support, there is some support with energy costs available until March 2024. But the measures that were in place during the Covid pandemic have been rolled back and businesses are now having to repay any debt they took on – for some, only adding further to the pressure that inflation, interest rates and supply chain disruption are already exerting.

Under pressure to maintain revenue flows, we've also seen the UK's tax authority – His Majesty's Revenue and Customs (HMRC) – start to offer less forbearance on outstanding taxes. While it once was offering firms generous 'time to pay' arrangements, these are now less common.

What challenges / opportunities do you see in the restructuring market?

Restructuring plans are the most exciting development to hit the UK restructuring market in recent years, and they've only been gathering pace.

The process, which came into effect via the Corporate Insolvency and Governance Act (CIGA) in 2020, has not only been a viable alternative to traditional restructuring processes such as Schemes of Arrangement and Company Voluntary Arrangements (CVAs), it has also proven its potential to be more flexible, efficient and powerful – something we've seen first-hand with the plans that our teams have worked on. In its simplest form, a restructuring plan (the 'Plan') is a court-approved agreement between a company and its creditors to affect a solvent re-organisation. →

The Plan is set out in a new Part 26A of the Companies Act 2006 (CA06) and draws much of its substance from the existing Part 26 CA06 scheme of arrangement (a 'Scheme'), albeit there are key distinctions. Unlike a Scheme, it doesn't need to be approved by a majority (there is no headcount / numerosity test) and can become binding with only one class of creditor approving – provided that no one would be 'worse off' under the 'relative alternative'. This means it reduces the control of 'hold out' creditors, producing a far more consensual process. Indeed, it will be interesting to see if there continues to be a decline in investors looking to buy hold-out positions. The new moratorium and cross-class cramdown arrangements are key contributors to this decline and have resulted in more consensual outcomes being achieved.

One factor preventing more widespread use of restructuring plans has been their relative cost. As a relatively new innovation, there has been a high cost for services such as legal advice for pioneering cases. But we expect this to reduce as the courts become more familiar with the processes. Ultimately, their advantages mean they're here to stay, and are likely to be an increasingly popular and common restructuring tool going forward. Another development has been the effect of the Ukraine war and sanctions on Russian operated businesses. Where sanctions have led to sizeable parts of a company's business being cut off from the rest of a group (that previously provided liquidity / treasury management), this has resulted in trapped cash being unavailable for debt service and has given rise to divestment M&A strategies.

What is the M&A outlook for your country? Are there certain sectors that are booming now?

There is currently a much more cautious approach to M&A activity than we've seen in previous years – a reflection of a tightening of lending markets amid those ongoing challenges of inflation and interest rates. Private equity has continued to underpin a lot of the activity that we're seeing. However, despite appetite and capital for the 'right' type of deal, we're seeing investors becoming increasingly more discerning about where they deploy their capital, and are being more extensive in any pre-investment due diligence.

Looking ahead, we're expecting to see a higher proportion of M&A activity to be on a 'special situations' basis where businesses enter M&A processes on a distressed basis – a consequence of the challenging headwinds that are facing the UK economy.

What advice do you have for management teams to combat the headwinds they're currently facing?

A close focus on liquidity and cashflow management is imperative for management teams at the moment, given the interest rate environment and the consequential cost of capital and tightening availability of credit. Building a 13-week rolling cashflow forecasting model, conducted at granular a level as possible and updated on a regular basis, is a good starting point, as this can help understand and anticipate pressure points, and rapidly identify solutions accordingly.

If companies identify the need for new debt financing, or are looking to refinance existing structures and deal with upcoming maturities, consider seeking the advice of a debt advisory professional. Even in a contracting debt market, they're best placed to help identify where good deals can still be sought – whether that means exploring more innovative debt structures, or more niche lenders, credit funds and investors. If management teams identify cracks in their operations, it's essential that they act both quickly, and proactively.

Strong stakeholder management becomes even more important in these circumstances. Being honest and open with stakeholders as to challenges being faced makes it more likely they'll be able and willing to help find a solution that preserves value. Similarly, being ready to seek expert advice is a strength, not a weakness. A restructuring professional can help review the full range of options available. Engaging them early maximises the time available to assess and explore potential recovery paths.

France

Florent Berckmans
Partner
Strategy & Operations
Eight Advisory

Xavier Bailly
Partner
Restructuring
Eight Advisory

What is the current state of the restructuring market in your specific country?

The restructuring market in France has not been spared the major trends in Europe (inflation, rising interest rates, end of massive state aid) and the number of insolvencies in July 2023 has almost returned to 2019 levels, according to the Banque de France. The restructuring market has been active this year with numerous significant cases, particularly in the textile retail and restaurant chain sectors. However, we expect the market to accelerate due to the difficulties observed in the consumer goods sector in the autumn. The decline in purchasing power has materialised and inflation is no longer compensating for the drop in volume.

What is influencing bankruptcy and restructuring activity the most this year? Shifts in consumer behaviour? Unfavourable credit conditions? Operational challenges due to rising costs? Liquidity levels and lenders'/credit funds' willingness to follow their money?

In 2022, companies had to quickly adapt to significant supply chain disruptions and a sudden increase in energy costs. These events proved to be relatively temporary and government energy support programmes helped to mitigate their impact. Conversely, there is a consensus that the trends observed in 2023, such as high interest rates and declining consumption, are likely to continue. As a result, many business plans that predicted continued growth at the beginning of the year are already outdated. This is expected to lead to more extensive restructuring efforts, including cost-cutting measures and, in some cases, redundancies.

In addition, the credit market has tightened, making it more difficult to obtain financing. Even with extensive collateral, lenders are increasingly reluctant to lend.

How do you see reforms /new restructuring tools (eg. restructuring plans) introduced over the last few years impacting workouts?

The new EU regulation introduced for medium and large companies significantly changes the way all procedures, including amicable ones, are currently handled. In any amicable restructuring, the parties involved always analyse what alternatives there are to negotiations, e.g. a sale process or court proceedings. As the balance of power has changed drastically in the latter, they also contribute to a change in the amicable procedures. Therefore, the class approach can now naturally be observed in amicable proceedings as well. One of the most important changes is the increased negotiating power of all secured creditors to the detriment of unsecured creditors and ultimately shareholders.

In our experience, this change is immediately noticeable in medium and large companies as they are amenable to corporate or PE funds for M&A or build-up purposes, whereas the restructuring of smaller, family dependent companies is likely to remain owner-led due to the lack of alternatives for creditors.

Does the government support businesses financially in any way? If so, how?

The government is still heavily involved, particularly through the CIRI, which intervenes in most important cases. However, it has also taken on a more mediating role, as was the case at the height of the pandemic or during the energy price hikes.

In addition, the government follows a specific doctrine when renegotiating PGE (government-backed loans) by granting waivers or additional support (e.g. FDES) only in situations that fulfil certain criteria (such as endangered jobs in a specific region, specific expertise, high value-added industrial activity or sectors requiring strategic independence) and in return for similar efforts by creditors and shareholders. In addition, compliance with EU competition rules is still scrutinised very carefully.

What challenges and opportunities do you see in the restructuring market?

After very positive markets in 2021 and 2022, which meant growth for companies, we are now facing markets with less gross (listed tech companies reducing their growth forecasts to less than double digits) and other sectors with negative numbers. Executing a turnaround is much more complex in a negative market, making it more difficult each year to recover the original value. We are also convinced that turnaround plans will focus more on workforce restructuring. In September, France surpassed a record in the number of employees affected by underperformance (the last comparable figure dates to 2016).

What advice do you have for management teams to combat the headwinds they're currently facing?.

In view of the current poor consumption trend and the extreme difficulty for many underperforming companies to refinance themselves, we would tend to advise downsizing in parallel with significant downsizing plans. We believe that underperforming companies are currently likely to downsize their business in order to (i) create growth potential instead of experiencing long periods of degradation, (ii) lower the break-even point, (iii) generate cash by reducing working capital requirements and (iv) save investment capacity for the rest of the business.
More generally, given the economic uncertainty, companies should also include downside scenarios in their forecasts. This approach should be flexible to respond to observed trends, so it is important to find the right granularity. In this context, it is better to be transparent with creditors and justify cautious assumptions, as the uncertainties are significant. Anticipating difficulties as early as possible is still the best way to manage them. This anticipation is even more important because securing financing now takes more time.

What is the M&A outlook for your country? Are there certain sectors that are booming now?

The M&A sector is underperforming, especially among large caps. Processes are taking much longer and ongoing trading is now an important issue when finalising a process. But for the underperformance, M&A is a solution as leverage is quite high due to COVID impact and banks are willing to limit their risks.

What types of deals/growth strategies are prevalent now? Buy & build strategies? Focus on organic growth? Other

Buy & Build has taken the lead because the size of the deals is smaller and therefore the financing is much less difficult.

3

Germany

Johannes Steinel
Partner
Restructuring
Eight Advisory

What is the current state of the restructuring market in your specific country?

The number of insolvencies registered in Germany in 2023 is higher than the year before. However, the pre-Corona insolvency level has not yet been reached - even though new major cases have been popping up for months, especially in the automotive sector and in stationary retail. In addition, requests for Independent Business Reviews, performance improvement projects, working capital and cash management, and CROs have piled up. Given the current combination of cost inflation in key commodities, geopolitical risks in the supply chain and disruptive changes in technologies and customer requirements, we expect this trend to continue.

What is influencing bankruptcy and restructuring activity the most this year? Shifts in consumer behavior? Unfavorable credit conditions? Operational challenges due to rising costs? Liquidity levels and lenders'/credit funds' willingness to follow their money?

The German economy faces major challenges in terms of the supply of skilled labour due to the ageing population, the long-term restructuring of the energy supply and the possible loss of low-cost procurement and lucrative sales markets due to geopolitical tensions. In addition, banks are passing on their higher refinancing costs to businesses due to increased central bank interest rates.

The loans subsidised by the state-owned bank KfW, which were offered to rescue ailing companies during the Corona pandemic, have to be repaid. For many companies, the repayment period starts in the remaining years 2023 and 2024. As the performance of many companies has not yet fully recovered to pre-Corona pandemic levels, we expect loan defaults to increase.

How do you see reforms / new restructuring tools (e.g., restructuring plans) introduced over the last few years impacting workouts?

With the introduction of the StaRUG at the beginning of 2021, the German legislator has implemented the European Restructuring Directive. After initial hesitation, the procedure has become established. Well-known companies such as the fashion groups Eterna and Gerry Weber and the automotive supplier Leonie use the procedure as a restructuring option. However, the number of StaRUG cases is still relatively low compared to established insolvency proceedings.

Does the government support businesses financially in any way? If so, how?

Government support has declined since the end of the coronavirus restrictions and is expected to fall further over the course of the year. The simplified access to subsidies for short-term work introduced during the coronavirus crisis expired on 30 June 2023. However, the retail sector is benefiting from government support for consumers in terms of energy costs, which is maintaining purchasing power and consumer spending.

What challenges / opportunities do you see in the restructuring market?

We assume that the NPL ratio could rise higher than before the pandemic due to a "toxic mix" causing problems for companies. The main triggers for loan defaults are high inflation and energy costs, followed by supply chain problems as well as geopolitical risks and the need to refinance government-subsidised loans. The automotive sector and bricks-and-mortar retail are the most affected. We therefore expect the rest of 2023 and 2024 to be a busy time for restructuring experts. →

What advice do you have for management teams to combat the headwinds they are currently facing?

Given the lack of predictability of exogenous variables, managers are faced with the challenge of nevertheless providing their internal and external stakeholders with an outlook on future business development and securing the company's financing. To ensure the stability of the company and its financial independence, there are three main levers:

1. Liquidity planning and cash management: rolling direct 13-week planning with regular plan-actual deviation analyses, standardized periodic reporting, minimize working capital.
2. Contingency planning and scenario analysis: identify the main drivers of the company's success, create real-case and worst-case scenarios, and sensitive the drivers to changes in exogenous factors.
3. Consistent, target group-specific reporting: company and sector-specific key performance indicators, summarized in a standardized dashboard, ideally via Power BI visualization.

What is the M&A outlook for your country? Are there certain sectors that are booming now?

The M&A market is driven by two key variables that are currently working in opposite directions: the cost of buy-out financing and the capital available to investors and their funds (dry powder). While the availability of buy-out financing, i.e. the willingness of banks to finance buy-outs (due to higher interest rates), is decreasing, institutional investors nevertheless have huge amounts of committed capital. We assume that the two effects will initially offset each other, but that the appetite for new investments will gradually increase from the fourth quarter of 2023, albeit with strong differentiation by sector. Software and fintech will probably not see their peak from 2021 onwards for the foreseeable future, while investments in healthcare and infrastructure will become more attractive. Real estate investments, on the other hand, have come to a virtual standstill in some markets (such as Germany).

What types of deals/growth strategies are prevalent now? Buy & build strategies? Focus on organic growth? Other?

We see that buy-and-build strategies have become considerably more important. Highly fragmented sectors characterised by strong growth and many competitors are popular with investors who grow a platform company by buying and integrating suitable others. However, given the economic slowdown, we also see companies in certain sectors (e.g. automotive, bricks-and-mortar retail) pursuing cost cutting and working capital management, and M&A is not currently a management priority.

4

Benelux

Philippe Fimmers
Partner
Transaction Services
& Restructuring
Eight Advisory

Boudewijn Wellink
Partner
Restructuring
& Turnaround
Management
Eight Advisory

What is the current state of the restructuring market in your specific country?

The Benelux is intertwined with neighbouring countries and thus the same factors impacting the European economy also affect the restructuring market in the Benelux (rising interest rates, wage indexations, increasing raw materials costs and dwindling consumer confidence). This is translated in the rise of bankruptcies which is now in line with levels seen pre-covid-19.

At the moment we see that specific sectors are impacted more than others, such as real estate, construction, transport and consumer goods given their direct exposure to current challenges, but also notice that bankruptcies are mainly with smaller/younger companies (started less than 5 years ago) that have less cash buffers to absorb these disruptions. As a result, the number of restructuring cases remain modest with increased activity expected in Q4'23/start of 2024 resulting from refinancing issues and margin deterioration.

Also, leverage financed deals of the last couple of years will face more challenging refinancing processes which might end up in more complex restructuring cases if not dealt with in a coordinated way based on solid business plan assumptions to underpin the robustness and bankability of the case. This will certainly be the case for those LBO's financed as from FY18 as the economic context was much more favourable as well as the liquidity in the general lending market.

What is influencing bankruptcy and restructuring activity the most this year? Shifts in consumer behaviour? Unfavourable credit conditions? Operational challenges due to rising costs? Liquidity levels and lenders'/credit funds' willingness to follow their money?

Rising interest rates and increased demand from investors to realise returns on investments results in increased follow-up on portfolio companies/investments (also reflected by increased funding pressures with some Biotech and start-up companies) resulting in an increase in IBRs or placement of CROs.

Additionally, companies active in Belgium have to apply automatic wage indexation which automatically links wage increases with inflation rates thus protecting the purchase power of employees. As this impacts company margins, management teams need to set-up clear price increase and cost reduction plans to mitigate the impact of cost increases on their bottom line.

Overall, we cannot speak of a credit crunch as lenders in both the Belgian as well as the Dutch market still finance transactions, although the terms and conditions are more stringent as well as the total exposure is more cautious. Lenders also avoid being over-exposed to those sectors that are more impacted by the current economic conditions.

How do you see reforms / new restructuring tools (eg. restructuring plans) introduced over the last few years impacting workouts?

If it comes to Belgium, as of September 2023 the new Belgian restructuring law will go into force aligning the Belgian law with the EU restructuring directive. It will apply to all large companies, whilst SME's will have the possibility to opt for the old or new legislation. It will be interesting to see how the market will respond to the new law as it might further professionalise the process and change the overall restructuring dynamic in Belgium. →

In case of the Netherlands, the Dutch Act on Court Confirmation of Extrajudicial Restructuring Plans, also known by its Dutch acronym “WHOA”, is gradually impacting the dynamics of the restructuring market with some large cases such as Royal IHC.
Other tools such as debt for equity (lenders more hesitant due to ECB capital rules), discounts combined with a refinancing, deleveraging by divesting (which doesn’t solve the route cause generally and may even weaken the company further as the cash generating potential may be drastically reduced) remain alternatives for out of court solutions.

Does the government support businesses financially in any way? If so, how?

If it comes to Belgium, all state support ended and only the usual social security or VAT payment extensions are possible yet there is no direct support from the various Belgian authorities in terms of liquidity or any of those support measures.

In the Netherlands during Covid-19 companies were able to postpone tax payments. As state support has ended, companies are now facing a stringent repayment schedule of accrued fiscal debt. Tax authorities are reluctant to further extend repayment plans yet may still look at requests on an individual basis.

What challenges and opportunities do you see in the restructuring market?

The adverse macro-economic outlook, inflation, cost of debt (interest rates), labour shortage/demographic trends (huge labour shortage), geopolitical risks and climate change (extreme weather conditions) will put business models under pressure.

There are opportunities for companies with excess cash as interesting, yet (di)stressed assets may come to market as a result of funding difficulties. Also in the current more restrained way of financing by the incumbent lenders in Belgium and The Netherlands, direct lenders, such as debt funds, may also find momentum to increase their market share in these markets, which remain dominated by incumbent banks.

What advice do you have for management teams to combat the headwinds they're currently facing?

The top priority for executives is keeping a finger on the pulse of cash through short term liquidity forecasts (13-weeks) and focus on working capital management, as the bandwidth of recovering or recuperating cash burned is limited.

Furthermore, close follow-up on margins is key to ensure that inflationary pressures on costs are mitigated through price increases or cost optimisation.

If anticipating upcoming refinancing, make sure a clear process of solid business planning is part of the refinancing process and you engage with current stakeholders, particularly lenders and shareholders, to find the best-balanced financing structure for the company going forward

What is the M&A outlook for your country? Are there certain sectors that are booming now?

M&A activity is down, but attractive assets remain heavily sought after given the available capital within PE funds (albeit at suppressed prices given increased financing costs).

Cash-rich corporates are heading for interesting times as they will be able to further consolidate their position by acquiring distressed competitors. A diligent post-merger approach following the transaction of these kinds of assets remains a prerequisite for a successful acquisition.

What types of deals/growth strategies are prevalent now? Buy & build strategies? Focus on organic growth? Other?

Buy & Build remains a popular strategy, but there’s increased focus on maintaining profitability in existing assets.

6

Italy

Francesco Moro
Advisor
Debt & Restructuring
New Deal Advisors

What is the current state of the restructuring market in your specific country?

Following a quiet 2022 and 1Q23, the activity has notably increased in 2Q23. The number of payment defaults is still below historical averages, but breaches of financial covenants, requests for contractual amendments, additional financing needs (particularly for working capital) have become more frequent. We expect this trend to continue in the second half of 2023 and well into 2024, particularly if the economic outlook remains stagnant.

What is influencing bankruptcy and restructuring activity the most this year? Shifts in consumer behaviour? Unfavourable credit conditions? Operational challenges due to rising costs? Liquidity levels and lenders'/credit funds' willingness to follow their money?

A mix of all these causes: the end of most of public guarantee schemes for bank loans (used both during Covid-19 pandemic and the first period of geopolitical and inflationary tensions) now limits the access of small and medium enterprises to bank credit, and the banks themselves have become extremely selective in the evaluation of credit scores. We expect this sort of "low intensity credit crunch" to last in the following months. Shifts in consumer behaviour continue to influence certain industries (entertainment, product delivery) but the trend is not very much different from past years.

For sure consumer spending has stalled in many sectors, even in food & beverage or others generally considered more resilient in an economic downturn.

How do you see reforms / new restructuring tools (eg. restructuring plans) introduced over the last few years impacting workouts?

The new bankruptcy law introduced in late 2021 is still being "tested" by restructuring professionals (advisors, lawyers, etc.) and some areas of concerns voiced last year remain valid as to the legal protection ensured by the newly established out of court procedures. Nevertheless, the number of cases filed with these schemes is now much higher than 2022.

Does the government support businesses financially in any way? If so, how?

Government support has generally reduced in early 2023 and is expected to further fade away in the rest of the year due to public deficit issues. Since Covid-19, the construction business has received strong public subsidies and has been booming since then. With the recent abrogation of certain support measures and the end of public guarantees on bank loans, we could expect a kickback in this sector and all connected industries (building materials, home furniture, etc.)

What challenges and opportunities do you see in the restructuring market?

The market is today in a relatively quiet period, but operators are not factoring (yet) an increase in UTP/NPL masses which need management once defaults will let them emerge in the banks' balance sheets. Late 2023 and 2024 will likely be busy periods for restructuring professionals but some risks lay in front of us: particularly the application of the new law, the presence of huge stocks of State-guarantee loans and the proliferation of servicers that may add complexity to deals. →

What advice do you have for management teams to combat the headwinds they're currently facing?

Value preservation and risk management are key business aspects in these days. Shocks in the last two-three years have been really game-changing and companies should have learnt the concept of resilience on their own skin. CEOs and CFOs have undoubtedly a difficult task to face among reducing margins, surging cost of debt and market risks. One advise is thinking out of the box, looking at external solutions to their problems: for instance, instead of losing energy and time to fix a troublesome business unit, it may be more practical dispose it to a turnaround fund. Another advise is preserving the best company assets, including the workforce whose retention is becoming a strategic issue for many businesses.

We see M&A continuing with some trends in sub-segments. Probably less transnational activity, more distressed M&A transactions fuelled by corporate defaults and break-ups. Private equity activity will depend on the availability of leveraged loans and financiers' risk attitude. The higher cost of financing will produce a long-awaited natural selection of the wisest deals only: no more free lunches built on financial leverage.

What is the M&A outlook for your country? Are there certain sectors that are booming now?

M&A is losing momentum right now, but not as much as expected. What is really missing are the big deals, because of scarcity of assets on sale and financing opportunities. On one side, bid-ask differentials are large, as vendors would like to cash in as much as possible on good historical financials (2021 and 2022) but buyers are much more cautious on the outlook for this and next year. On the other side, banks and capital markets have been extremely selective on leveraged finance deals and debt costs have soared because of stricter monetary policies.

What types of deals/growth strategies are prevalent now? Buy & build strategies? Focus on organic growth? Other?

We see many buy and build strategies, lots of add-on acquisitions but fewer big deals. In general, we see many companies are focused on their “characteristic business”, engaging in margin protection through cost cutting, translation of inflationary pressures onto customers (when this is possible without causin disruption on consumer spending, loss of market share, etc.). With management occupied on day-by-day business, we believe M&A is not on top of the priority list at the moment, except for opportunistic moves which may arise in the future.

7

Poland

Tomasz Sadurski
Partner
Attorney at Law
Restructuring Advisor
JP Weber

What is the current state of the restructuring market in your specific country?

The number of restructuring procedures continues to increase steadily. In 2022, it reached 2 379 cases, which is over 20% more than in 2021. The upward trend can also be observed in the first half of 2023, as 2 160 proceedings were announced by June, a remarkable increase of 45% compared to the same period in 2022. All indications are that the number of restructuring proceedings will reach an all-time record in 2023.

What is influencing bankruptcy and restructuring activity the most this year? Shifts in consumer behaviour? Unfavourable credit conditions? Operational challenges due to rising costs? Liquidity levels and lenders'/credit funds' willingness to follow their money?

The increase in the number of bankruptcy and restructuring proceedings in Poland in 2023 has been primarily influenced by four key factors. The first of these factors is changes in bankruptcy law and increased awareness among entrepreneurs. The amendments to bankruptcy laws, especially the legislative changes in March 2020, led to the liberalization of rules governing consumer bankruptcies. This made it more accessible and attractive to consumers as a legal and financial tool, resulting in more individuals using this option.

The second significant factor contributing to the rise in restructuring and bankruptcy proceedings is the increase in debt and financial difficulties faced by businesses. In recent years, various events such as the COVID-19 pandemic and the conflict in Ukraine have led to rising prices of essential goods, increased inflation, and higher operating costs, ultimately causing challenges in maintaining a presence in the market.

Another issue affecting the change in the number of restructuring and bankruptcy proceedings is the slowdown in the judicial system, attributed to difficulties in implementing the National Debt Register (Krajowy Rejestr Zadłużonych or KRZ). This system was primarily designed to facilitate restructuring and bankruptcy cases and provide information about debtors.

The final aspect contributing to the increase in bankruptcy cases may be unsuccessful business restructuring attempts, especially for sole proprietors. An increase in the number of restructuring proceedings does not always lead to success, and failure in the restructuring process may prompt entrepreneurs to file for bankruptcy, which is permissible under certain conditions.

How do you see reforms / new restructuring tools (eg. restructuring plans) introduced over the last few years impacting workouts?

New tools and restructuring procedures have been introduced to streamline the process of transforming financially distressed companies. They provide more flexibility in tailoring restructuring plans to the individual needs of debtors. This, in turn, allows for more effective management of financial difficulties, elimination of unnecessary delays and cost reduction, benefiting both debtors and creditors.

Reforms often introduce mechanisms to protect debtors' interests. They ensure that restructuring processes are fairer and more equitable and provide debtors with greater certainty regarding the protection of their rights and access to solutions tailored to their financial situation. On the other hand, the interests of creditors are also taken into account when introducing the reforms. →

With the new tools and procedures, they can participate more effectively in the restructuring process, which can increase their chances of recovering part of their claims.

As a result, these changes contribute to more stable and equitable solutions to financial difficulties, which have a positive impact on the functioning of the financial market and the economy as a whole.

Does the government support businesses financially in any way? If so, how?

At the beginning of 2023, the programmes to support entrepreneurs affected by the negative consequences of the war in Ukraine ended. This support was provided in the form of loans for micro, small, medium and large enterprises. The loans had a maximum term of 6 years and their amount was determined individually with the applicants. More than PLN 45 million was allocated for this purpose and the funds were distributed by the regional marshals.

In the context of the upcoming parliamentary elections, it is worth mentioning the announcement of new plans to support businesses as well as to fight inflation, which has a significant impact on the cost of current operations. It is important to emphasise that the parliamentary elections are a decisive moment for the economic future and economic policy of the country. The decisions taken by the new government will influence the direction in which the Polish economy will move. The fight against inflation will be one of the most important challenges, especially against the background of global price trends and changes in international markets.

What challenges and opportunities do you see in the restructuring market?

One of the biggest challenges in restructuring is the availability and reliability of information on companies that need to be restructured. This can be particularly difficult for private companies or those operating in sectors with weak supervision.

Corporate restructuring often involves complex legal and financial issues, such as bankruptcy, creditor agreements, labour rights and intellectual property. It can be challenging to understand and comply with all the legal requirements. In international restructurings, there are also cultural issues and different business approaches that can affect the success of the process. In addition, the restructuring market is competitive and restructuring companies compete for clients and projects. This can put pressure on prices and the quality of services. As societal and political interest in sustainable development increases, restructuring companies also need to consider these issues in their projects, which can be challenging for many.

In terms of opportunities, the COVID -19 pandemic is having a significant impact on many companies and increasing demand for restructuring services. Consequently, there are potential growth opportunities for companies that specialise in restructuring.

The use of modern technologies such as data analytics, artificial intelligence and automation can significantly improve the efficiency of restructuring processes and provide added value to clients. In the current global economic environment, there are also opportunities for restructuring firms to assist companies in different parts of the world with recovery and transformation processes. In financially difficult situations, companies often need additional capital and restructuring firms can help to obtain such financing, benefiting both the clients and the firms specialising in restructuring.

What advice do you have for management teams to combat the headwinds they're currently facing?

In today's business environment, constant monitoring of the economic and geopolitical situation is necessary, as these factors can have a significant impact on the way businesses operate. This means that entrepreneurs need to be fully aware of the changing environment and adapt their strategies and financial decisions to the current circumstances. →

However, despite the challenges posed by the current situation, do not ignore the new business opportunities that are emerging. One example is the shortening of supply chains, which can increase companies' efficiency and operational flexibility. In addition, the lower labour costs in Poland compared to other European countries can attract investors and create new opportunities for business development.

Entrepreneurs need to be prepared for dynamic changes in the business environment and react flexibly to current challenges. At the same time, they should pay attention to new opportunities that may arise from these changes and use them effectively to grow their businesses.

What is the M&A outlook for your country? Are there certain sectors that are booming now?

In the first half of 2023, Poland recorded 191 transactions, an increase of 9% compared to the same period in 2022. The dominant sector for both acquisitions and disposals remains the technology, media and telecommunications (TMT) sector.

However, the most significant change can be observed in the fast-moving consumer goods (FMCG) sector, where the number of transactions more than doubled in the first quarter of 2023, rising from 7 acquisitions in the last quarter of the previous year to 16 in the period analysed. This sector accounted for about 17% of all completed acquisitions. This difference becomes even more pronounced when annual results are compared, resulting in a growth rate of over 200%. The development of the FMCG market in 2022 was primarily influenced by factors such as the Ukraine conflict, which led to raw material shortages and price increases (inflationary pressure), as well as the rapid growth of e-commerce.

The number of transactions in the industrial production sector has also increased significantly, from 7 to 14 in the last three months, accounting for about 15% of all completed transactions. On an annual basis, this sector recorded an increase of 5 acquisition transactions.

These changes in the transaction market in Poland reflect the dynamics of economic activity and the impact of external factors on the development of the various sectors. The FMCG sector seems to be responding to global events, while industrial production is gaining importance, indicating an economic revival in this sector. It is important to continue to monitor these trends as they may have long-term effects on the Polish economic market.

What types of deals/growth strategies are prevalent now? Buy & build strategies? Focus on organic growth? Other?

In the current macroeconomic situation, where access to bank financing is limited and banks are becoming more cautious in lending, we can expect the average value of deals done by strategic investors to decline this year.

At the same time, financial investors such as private equity funds may be more inclined to pursue a "buy & build" strategy. This strategy involves supporting the development of a portfolio company by acquiring smaller companies that complement the main company's business. In this case, the portfolio company serves as a platform for further growth through acquisitions.

Authors

Simon Longfield
Partner, Restructuring
FRP Advisory UK
simon.longfield@frpadvisory.com

Florent Berckmans
Partner, Strategy & Operations
Eight Advisory France
florent.berckmans@8advisory.com

Xavier Bailly
Partner, Restructuring
Eight Advisory France
xavier.bailly@8advisory.com

Johannes Steinel
Partner, Restructuring
Eight Advisory Germany
johannes.steinel@8advisory.com

Philippe Fimmers
Partner, Transaction Services & Restructuring
Eight Advisory BeNeLux
Philippe.fimmers@8advisory.com

Boudewijn Wellink
Partner, Restructuring & Turnaround Management
Eight Advisory Netherlands
boudewijn.wellink@8advisory.com

Tomasz Sadurski
Partner, Attorney at Law
Restructuring Advisor
JP Weber Poland
t.sadurski@jpweber.com

Francesco Moro
Advisor, Debt & Restructuring
New Deal Advisors Italy
francesco.moro@newdealadvisors.com

EIGHT INTERNATIONAL

EIGHT INTERNATIONAL

12 Rue Jean Engling
L-1466 Luxembourg

EIGHT ADVISORY

37, Rue La Boétie
75008 Paris / France

17 rue de la République
69002 Lyon / France

34 rue du Pré Gauchet
44000 Nantes / France

28 boulevard du Colombier
35000 Rennes / France

Les Docks, Atrium 10.4
10, place de la Joliette
13002 Marseille / France

100 Pall Mall
SW1Y 5NQ London / UK

53 Avenue des Arts
1000 Brussels / Belgium

Locatellikade 1
1076 AZ Amsterdam / Netherlands

Mainbuilding, Taunusanlage 15
60325 Frankfurt am Main / Germany

Rudolfplatz 3
50674 Cologne / Germany

Isartorplatz 1
80331 Munich / Germany

Neuer Wall 80
20354 Hamburg / Germany

Brandschenkestrasse 90
CH-8002 Zurich / Switzerland

Urmi axis, Seventh floor, Famous Studiolane, Mahalaxmi
Mumbai 400 011 / India

FRP

110 Cannon Street
London, EC4N 6EU/ UK

JP WEBER

Ul. Wspólna 70,
00-687 Warsaw / Poland

Grodzka 9
50-137 Wroclaw / Poland

NEW DEAL ADVISORS

Via Santa Maria Fulcorina,
2-20123 Milan / Italy

contact@8-international.com
8-international..com

8 EIGHT INTERNATIONAL