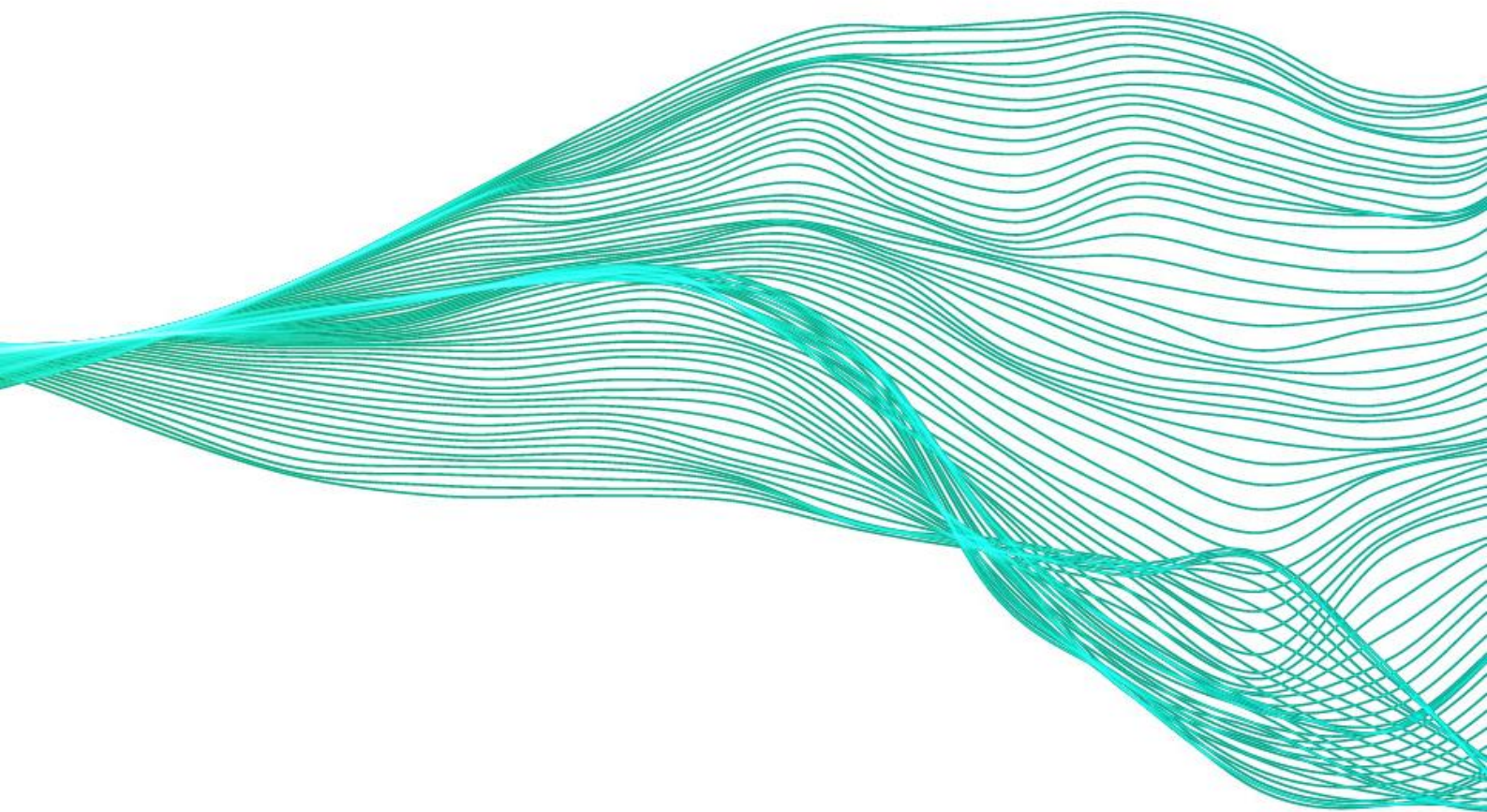


**UK TURNAROUND
AND RESTRUCTURING**
CERTAIN MOVES IN AN
UNCERTAIN WORLD



OUR OUTLOOK

WELCOME TO THE SUMMER EDITION OF ALIXPARTNERS' UK TURNAROUND AND RESTRUCTURING UPDATE, PUBLISHING AT A TIME WHEN ECONOMIC PRESSURES ARE INTENSIFYING AROUND THE COST AND AVAILABILITY OF CAPITAL

We hear from our clients that there is much uncertainty in EMEA, and it remains unclear whether we are on the brink of a sustained downturn or whether we will see a level of resilience in the markets that avoids this scenario.

Central banks and economic units are wavering as interest rate strategies – and the likelihood of further rises – reach a delicate period of consideration. It is a very difficult market to call; there is liquidity that we've seen put to work, and while lenders will typically display support for "amend and extends" within a restructuring framework, they currently don't have a strong appetite for new money.

The release of our 18th Annual Survey this month bears out this sentiment, with heightening financial constraints dominating the strongest responses in the report. This study has drawn upon the expert insight of 700 finance and restructuring professionals from around the world and the majority anticipate recessionary times in their respective regions – if they are not already in one – with the cost or availability of capital considered to be the top driver of distress. On the following pages you'll find an executive summary of the survey's findings, including personal viewpoints from our senior Turnaround & Restructuring team members in the UK and pertinent data points from the UK respondents in this year's study.

"The cost or availability of capital is considered to be the top driver of distress"

In the UK and Europe, we have continued to be busy across our entire suite of service offerings, with several large-scale business critical mandates, supporting clients across a variety of industries that continue to be significantly exposed and hit the hardest, in particular; Altnet Fibre Providers, Hospitality and Leisure, Public Utilities, Real Estate, Retail, Telecommunications and Shipbuilding.

With the continued impact of inflation on businesses, and the challenge of passing increasing costs onto consumers – inflation looks set to remain a long-standing issue for companies in distress.

Team growth in the UK

Our UK Turnaround & Restructuring division continues to grow in 2023 with a number of new hires to the team across all levels. Our award-winning internship programme is shaping the future of our restructuring practice.

Putting social mobility at its core, we actively open up employment opportunities for candidates from a range of socio-economic backgrounds through our close working relationships with leading institutions such as Generation Success and 10,000 Black Interns.

"I love the plans going forward on how we progress our relationship to drive more social impact."

- James Adeleke, Founder and CEO, Generation Success

Internally, it was fantastic to get the team together at our recent EMEA Turnaround & Restructuring Conference in Barcelona – not only to discuss how we can best help clients navigate ongoing disruption, but to also connect with the wider team, and offer our much-needed support to one of the local foodbanks.

Externally, we have had the honour of showcasing how business leaders can drive change through our continued partnerships with the The Times CEO Summit and The FT Women in Business Summit.

Finally, it was great to see so many of you at our recent client party at Sushi Samba in Covent Garden. We look forward to seeing you again soon!

IN THIS EDITION:

- **IN FOCUS: THE RISING COST OF CAPITAL**
- **ALIXPARTNERS TURNAROUND AND TRANSFORMATION SURVEY FINDINGS**

If you'd like to discuss any of the issues raised in this edition, please reach out to your AlixPartners contact or one of the team on the back page.

OUR OUTLOOK

ON AMEND AND EXTEND



JESSICA CLAYTON

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Pushing out debt maturity may be appropriate to take a company to a major corporate event or alongside an operational transformation to address underlying structural problems, which is easier said than done. At a time where clarity and certainty are at a premium for business leaders, success in this respect involves building a bridge, not a pier.

ON REFINANCING RISK



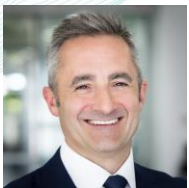
ANTHONY PLACE

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Whilst the timing and depth of any economic downturn or recession is dependent on a large number of factors, the results of this year's survey, particularly in relation to the availability and cost of finance, clearly indicate warning lights. Companies need to take refinancing risk seriously and plan for debt maturities well in advance.

ON LENDER COMMUNICATIONS



LEE WATSON

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Open dialogue and well-reasoned requests to lenders help demonstrate the soundness of a business and its management; what may be obvious in the boardroom isn't necessarily obvious to others. As ever, it pays to get ahead of potential problems; in the current high interest rate environment, capital solutions are more complicated and will take more time to implement.

ON STAKEHOLDER ENGAGEMENT



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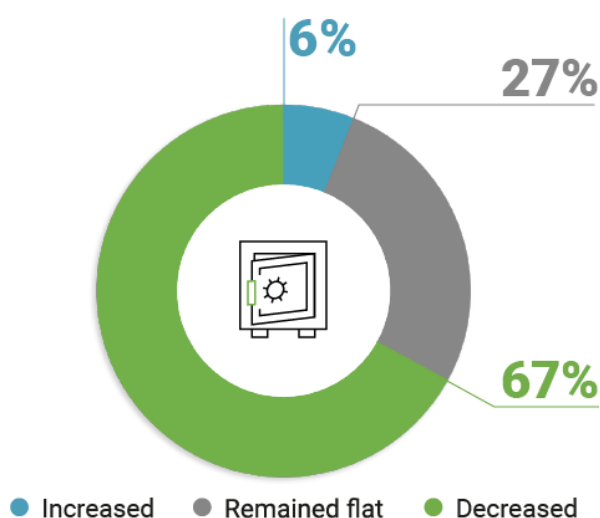
Rather than bury their heads because of a limping business or wait for financial relief, today's executives need to be rallying stakeholders to tackle disruption in their business operations and discover unique ways to address the big picture changes in consumer behaviors because of rising rates, mounting debt, and dipping confidence.

CERTAIN MOVES IN AN UNCERTAIN WORLD

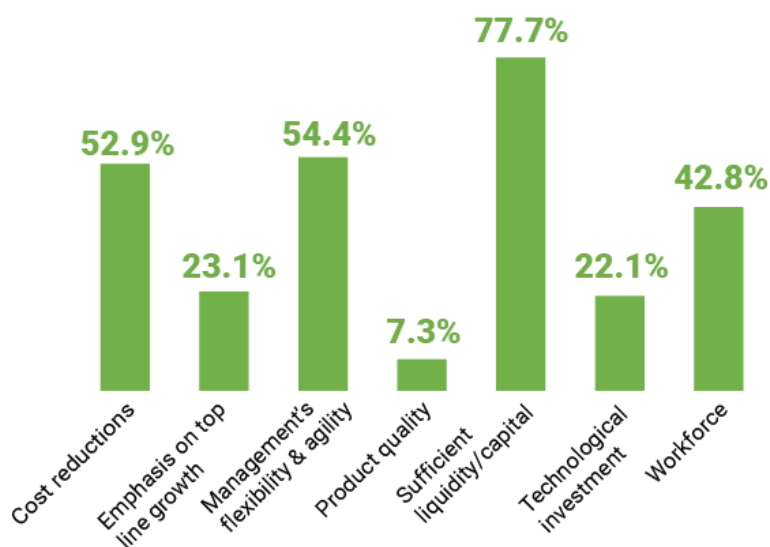
Summary insights from the AlixPartners 18th Annual Turnaround and Transformation Survey

THE GLOBAL OUTLOOK

THE AVAILABILITY OF CAPITAL IN RELATION TO THE PREVIOUS YEAR HAS:



WHAT ARE THE MOST COMMON CHALLENGES CONFRONTING A COMPANY FACING TURNAROUND OR TRANSITION?



34% told us that Commercial Real Estate is most likely to face distress in 2023 globally, followed by Retail (18%) and Financial Services (11%)

73% expect global supply chain disruption to remain steady or decrease in the next 12 months

90% believe that efforts by troubled companies to buy time through "amend and extend" debt agreements are temporary solutions that do not resolve fundamental business issues

78% agree that recent banking failures will further limit capital availability

THE VIEWS OF U.K. RESPONDENTS

89% Say the cost of capital has increased, in relation to the previous year

64% Say they anticipate a recession in the U.K. within the next 12 months

77% Believe financial / credit terms have become more restrictive in the past year

47% Told us that they believe inflation to be the top driver of distress

Research for the 18th Annual Turnaround and Transformation survey was conducted between May 2 and 25, 2023. Respondents comprised 700 lawyers, investment bankers, lenders, financial advisors, and other industry executives involved in corporate workouts representing more than 20 major industries across the Americas, Europe, Middle East and Africa, and Asia.

CAN MIDDLE-MARKET BUSINESSES WITHSTAND A CAPITAL CRUNCH?



Jessica Clayton,
Partner &
Managing Director



Lee Watson,
Partner &
Managing Director



David Orlofsky,
Partner &
Managing Director

As one macroeconomic fire abates, others rage. In particular, the rising cost and reduced availability of capital are sounding alarms across the world.

These will be the biggest drivers of corporate distress in 2023, according to this year's Turnaround and Transformation Survey. More than one third (36%) of respondents worldwide cited capital as the main challenge, ahead of inflation at 20%. Capital isn't just scarce, but harder to secure: almost all (85%) reported a tightening in credit terms, up from 52% in 2022.

The headline findings mask regional divergence. While capital constraints are seen as the largest single cause of distress in the Americas, respondents in the UK cited inflation as the number one issue. This may simply reflect the fact that US inflation has cooled more quickly, with consumer prices increasing at around half the rate compared to the UK at the time of our survey. It would not be a surprise to see financing concerns rise further up the agenda in EMEA markets as the year progresses, in line with trends elsewhere.

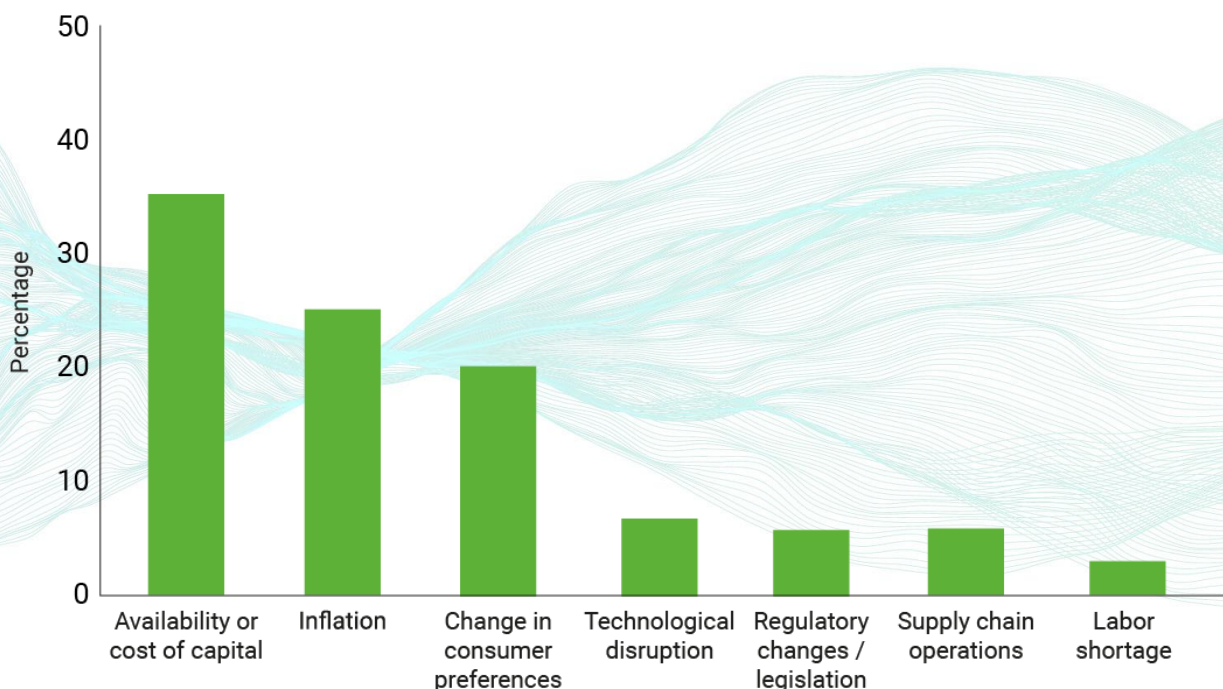
Middle-market headwinds

The capital crunch is the latest challenge for executives labouring under the relentless pressure of recent events, from COVID-19 to inflation by way of supply chains. Such a varied series of challenges would test the resilience of any business; leadership teams tell us the accumulated impacts are taking their toll.

We suspect middle-market companies face particularly intense headwinds. Their relative inability to dictate price – both with consumers and suppliers – is a major disadvantage in an inflationary environment. Mid-market management teams also tend to have fewer levers to pull within the business than large, diversified entities. And smaller corporates drew heavily on government support during the pandemic; the full impact of its withdrawal may not have played out entirely.

As lenders weigh such considerations, middle- and lower middle-market companies may find themselves with reduced access to the capital that remains in the market, with priority going to those perceived as safer bets. Two thirds of the experts we surveyed said that capital availability has already decreased in 2023, with just 6% reporting an increase.

WHAT IS THE TOP FACTOR DRIVING DISTRESS?



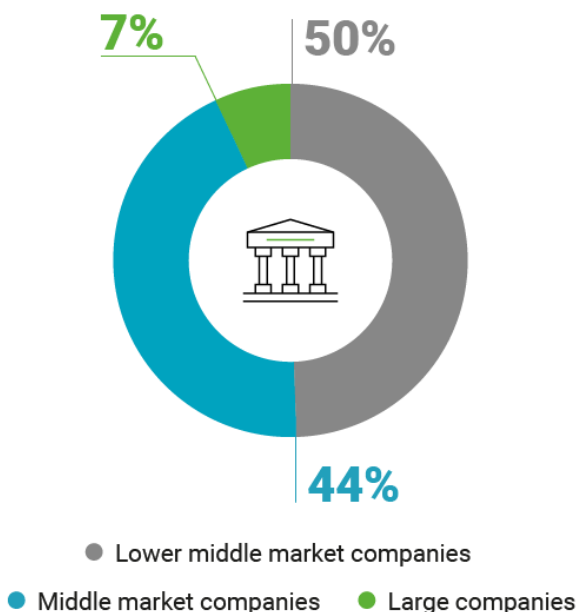
As rates have risen, lenders are looking to harness strong yields from “better” borrowers that show a lower risk profile. In these times, they will lean towards these opportunities compared to the riskier situations that may have been more enticing when rates were lower.

The lingering effect of turmoil in financial services could also be an exacerbating factor. More than three-quarters (78%) of respondents thought that the uncertainties introduced by recent banking failures will worsen capital market conditions.

To respond effectively, businesses need to accept the things they cannot change and display the courage to change what they can. Approaching cost base with a “no-stone-unturned” mindset is a useful defensive move in difficult times. This includes talking to suppliers to ensure cost reductions are being passed on in markets where the price of energy is edging down from recent peaks. Similarly, rigorous cash focus (such as inventory reduction) is within the power of executives to deliver, irrespective of external factors.

“To respond effectively, businesses need to accept the things they cannot change and display the courage to change what they can.”

WHICH SIZE MARKET OF LEVERAGED BORROWERS WILL FACE THE GREATEST RISK OF DISRUPTION GIVEN THE COST AND AVAILABILITY OF CAPITAL IN THE COMING YEAR?



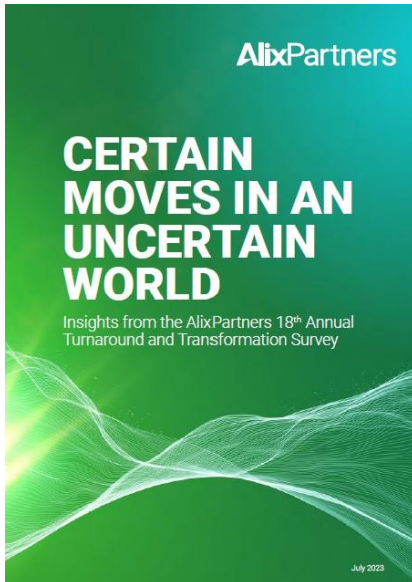
Double down on refinancing and operational plans

For distressed middle-market companies seeking to refinance in a capital crunch, critical foundation disciplines assume renewed importance. The best way to address the growing uncertainty and never-ending disruption is a return to “no regret” moves that propel the business forward. Open dialogue and well-reasoned requests to lenders help demonstrate the soundness of a business and its management; too many boardrooms assume that what is obvious to them will be obvious to others. And, as ever, it pays to get ahead of potential problems and be open minded; in the current environment, capital solutions are more complicated and will likely take more time to implement compared to when interest rates were lower.

Above all, those hoping to buy time through an amend and extend exercise need a clear idea of what they are buying time for. Pushing out debt maturity may be appropriate to take a company to a major corporate event (such as a sale or equity injection) or alongside an operational transformation to address underlying structural problems, which is easier said than done. At a time where clarity and certainty are at a premium for business leaders, success in this respect involves building a bridge, not a pier.

OUR THINKING...

AlixPartners 18th Annual Turnaround and Transformation Survey



As companies try to navigate choppy and unpredictable economic waters, the number one challenge they face is the cost and availability of capital. Here, more than 700 of the world's leading restructuring experts tell us how they view the current climate as executives continue to wrestle with another big problem – the persistent lack of clarity.

[EXPLORE THIS YEAR'S RESULTS](#)

MORE INSIGHTS FROM THE ALIXPARTNERS TEAM

FACING DOWN THE STORM

How some companies are turning disruption into opportunity

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Industry opportunities, ESG priorities, and potential challenges

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Responding to Economic Headwinds

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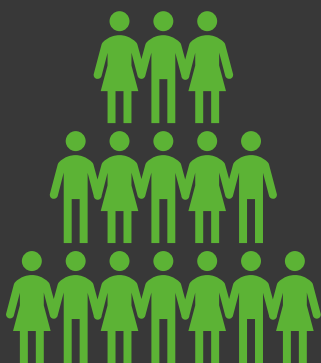


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...work collaboratively with our **global turnaround and restructuring team**



Our 200+ experts across Europe and over 500 worldwide hold deep experience, honed over 40 years in some of the most complex and challenging restructuring and turnaround cases.