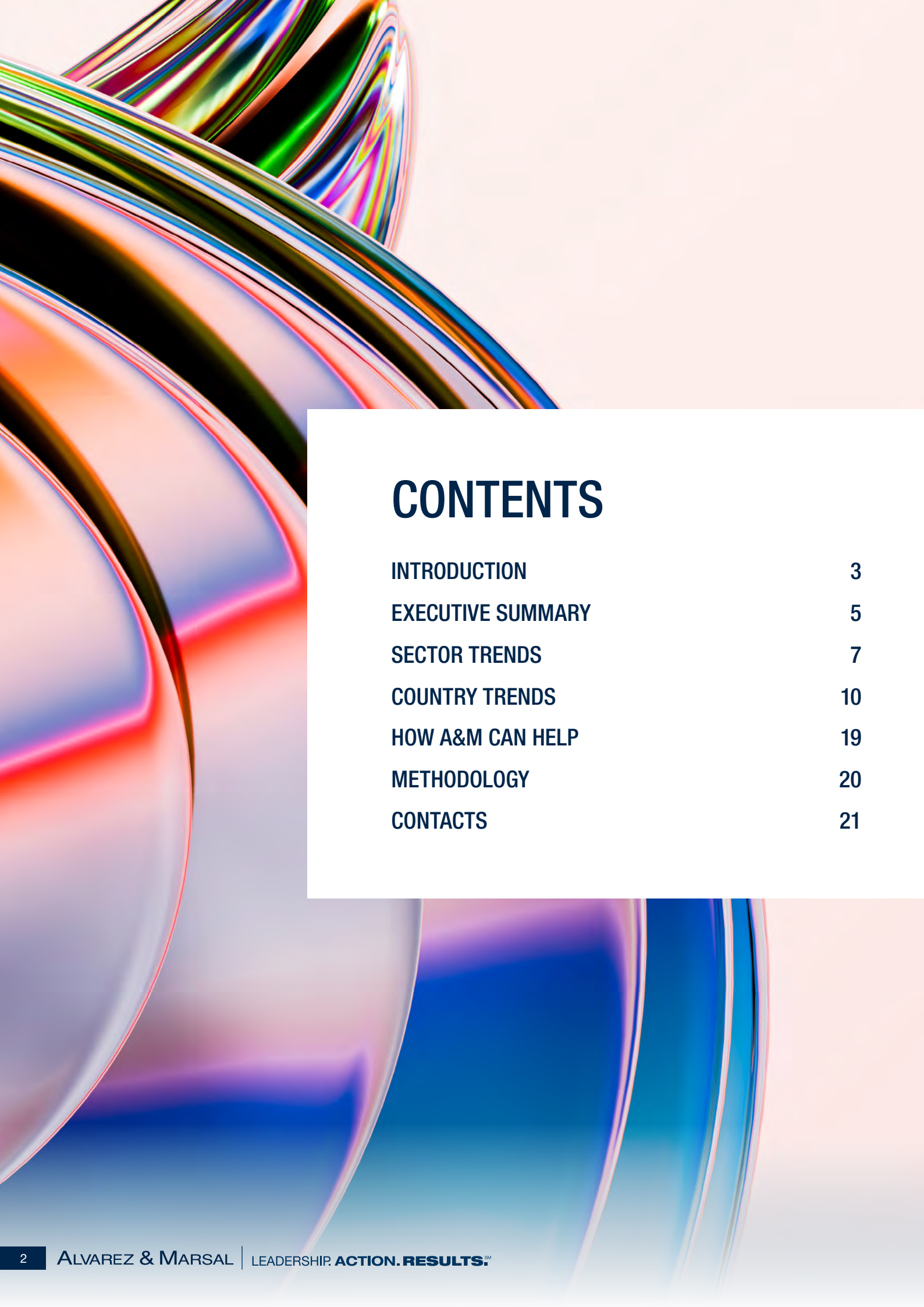




THE A&M DISTRESS ALERT

July 2026

ALVAREZ & MARSAL
LEADERSHIP. ACTION. RESULTS.™



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INTRODUCTION

2026 began with a geopolitical shock that added to the strain of trade disruption and subdued growth that has weighed on businesses globally over the past 12 months.

The outbreak of war in Iran introduced cost and once again severe supply chain pressures that continue to filter through to earnings and the wider economy. A ceasefire has since been announced, but economists caution that the deal remains fragile and the economic fallout far from over.

For European corporates, the picture remains deeply uncertain. The European Central Bank has raised interest rates for the first time since 2023 in response to surging inflation caused by the war. Consumer confidence, already eroded by years of cost-of-living pressure, has also taken a hit, raising the prospect of lower sales volumes and more margin pressure.

How we define distress

A company is classified as financially distressed when it shows significant deficits across both its financial position and earnings performance – insufficient liquidity and/or unsustainable capital structure combined with weak profitability, both on a stand-alone basis as well as compared to industry peers.

For more details on the A&M's Distress Alert methodology, see page 20.



The latest Alvarez & Marsal (A&M) Distress Alert indicates that businesses are entering this shaky period from a vulnerable financial position. The data shows that financial distress among European corporates reached a four-year high in 2025, driven primarily by earnings weakness. Given that these figures predate the supply chain and energy pressures from the conflict in Iran, we expect that distress will further increase in the next 18 to 24 months.

Distress has risen in 10 of 12 sectors and across nearly all nine markets covered by the analysis, suggesting distress has widened beyond pockets of sector-specific weakness.

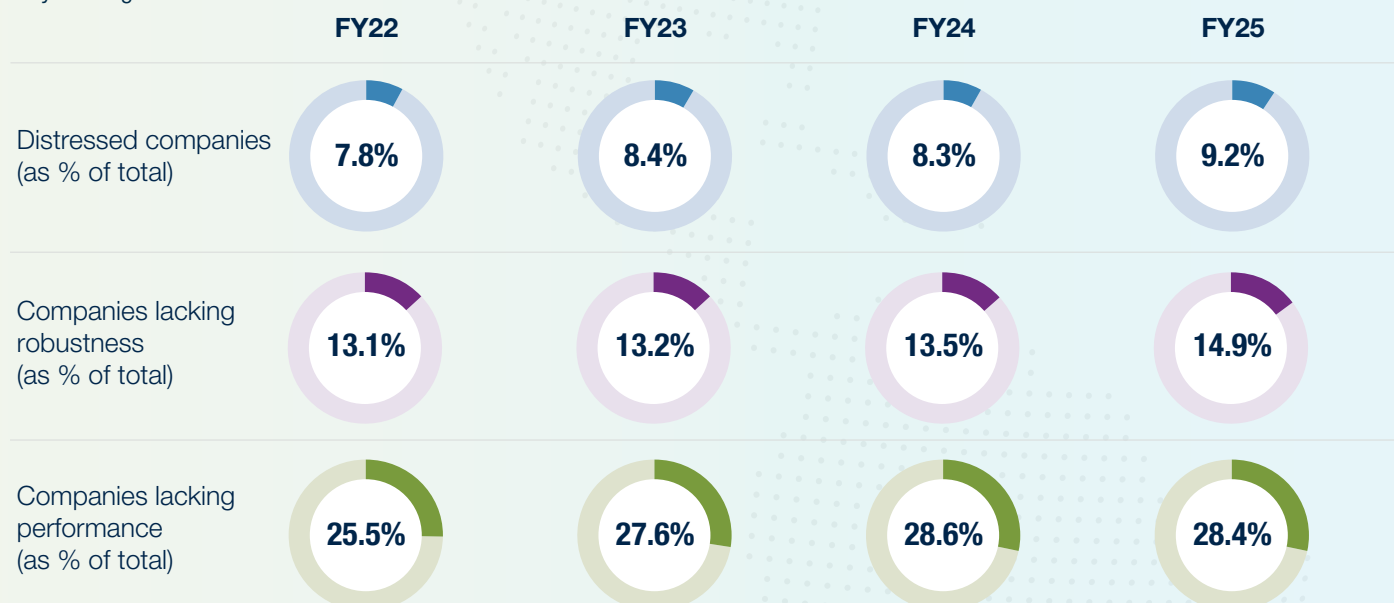
The data shows distress building more quickly in energy-intensive sectors such as Manufacturing and Automotive, a trend likely to accelerate as these industries take the biggest hit from surging oil prices and fractured supply chains in 2026. Discretionary retail businesses are among the most distressed, leaving them with limited headroom to absorb new pressures from rising freight costs and softer demand.

Despite a stabilisation year-on-year, the share of firms lacking balance sheet robustness remains high overall at 28%, and above 30% in major markets including France, Italy and the Benelux. These are firms that typically underperform in key metrics such as bankability, financial leverage, as well as the ability to pay short-term debt. For them, the combination of higher borrowing costs and war-driven cost inflation is likely to shorten the financial runway and make the path to recovery much narrower.

In an environment where sudden shocks can catch even financially sound businesses off guard, the companies best placed to navigate this period are those acting proactively on both financial resilience and operational efficiency through diversified sourcing and end-markets.

This report explores the key findings of our latest analysis and examines how the current environment is likely to shape European corporate financial health through the rest of 2026 and beyond.

Figure 1
Key Findings



EXECUTIVE SUMMARY

Our latest Distress Alert analysis reveals five key trends:



1. Distress widens beyond sector-specific pockets

Corporate distress has risen sharply to a four-year high of 9.2%, with 1,411 businesses across EMEA now classified as distressed – up 18.4% over three years. Financial health has weakened in 10 of 12 sectors analysed and across several of Europe's largest economies, including the UK and France, suggesting distress has widened beyond sector-specific pockets and become more systemic.



2. Deteriorating earnings are fuelling financial distress

Deteriorating earnings is the most significant driver of rising distress. The proportion of companies classified as lacking performance – those underperforming against key metrics including revenue growth, EBITDA margin and cash generation – has reached 14.9% of the total dataset, or 2,292 companies, with nearly every region recording an increase.



3. France and Germany lead surge in European distress

France is the most distressed market at 12.4%, recording the largest year-on-year increase of any country. Subdued GDP growth, deteriorating sentiment, and political uncertainty have all weighed heavily on French companies in 2025. Germany follows closely at 12.1%, with a fifth of its firms struggling with performance amid weak domestic and export demand, waning competitiveness and persistent cost pressures (e.g. energy costs).



4. Pressures mount in Fashion Retail, Chemicals, Manufacturing

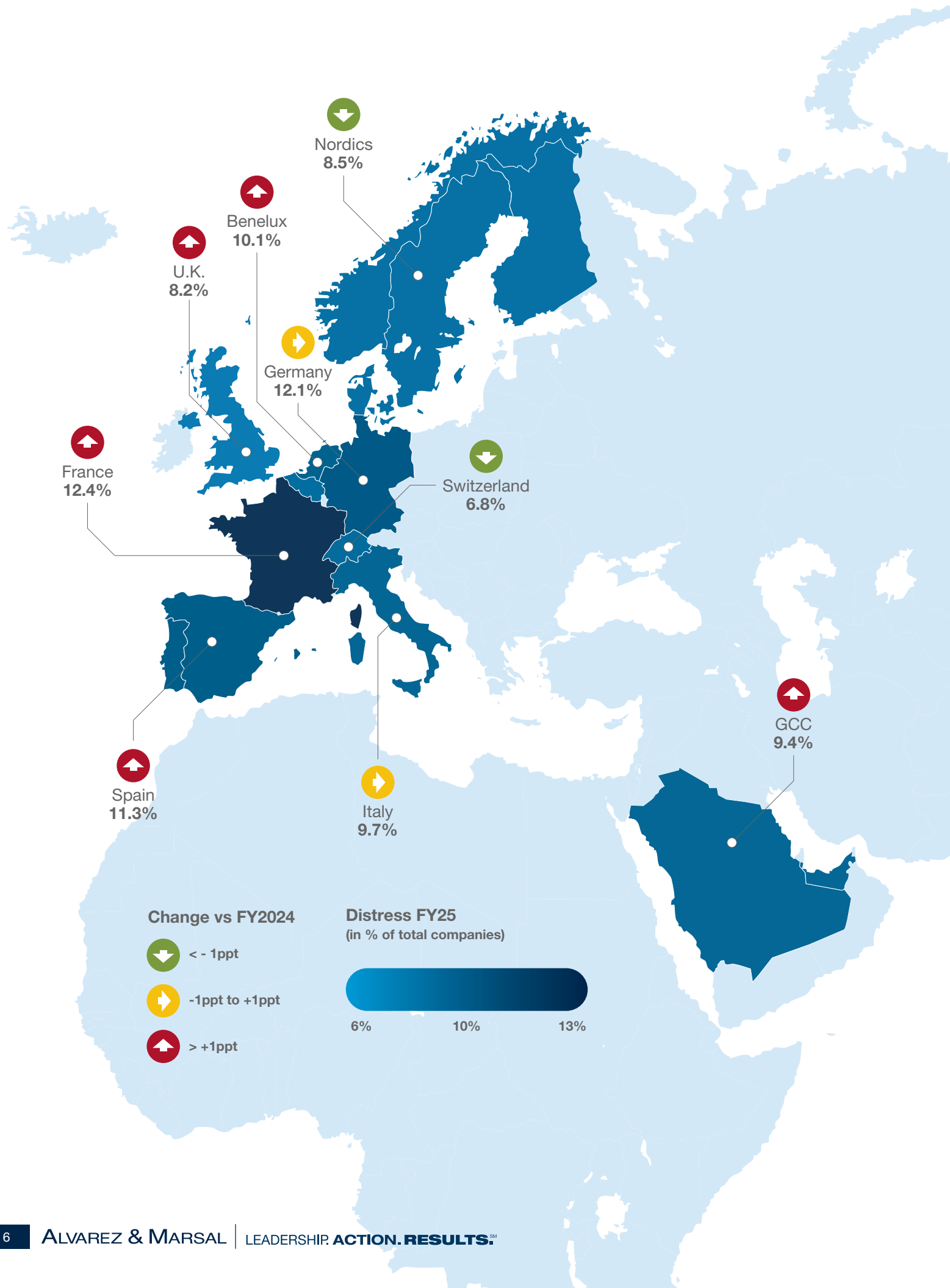
Fashion Retail, Chemicals, as well as Media, Entertainment and Media Services carry the highest levels of distress, while Automotive, Manufacturing and Specialised Retail¹ have recorded the sharpest year-on-year deterioration of financial health. The common thread is exposure to supply disruptions, rising input costs and weakening consumer demand that are squeezing cash flow and eroding balance sheet resilience. Recent geopolitical volatility has accelerated vulnerabilities within these industries.



5. Runway is shortening amid fallout from the Iran war

The economic damage of several months of conflict in the Middle East may intensify existing distress. Rising energy costs are squeezing already thin margins in Chemicals and Manufacturing; higher logistics costs are feeding back into inflation, with impacts on consumer-facing sectors. Beyond direct cost impacts, boards are shifting toward capital preservation over investment. For businesses carrying high debt or operating on thin margins, the combination of cost pressure and strategic caution makes proactive restructuring increasingly urgent.

¹ Specialised Retail includes Computer and Electronics Retail, Consumer Electronics, Drug Retail, Home Furnishings, Home Improvement Retail, Household Appliances, among other sub-sectors.



SECTOR TRENDS

At the sector level, pressure remains concentrated in industries most exposed to discretionary spending and international supply chains.

Fashion Retail, Chemicals as well as Media, Entertainment and Media Services showed the highest distress levels.

Nearly 20% of media, entertainment and media services business have struggled with financial performance, reflecting a tougher operating environment as AI continues to reshape traditional advertising, digital marketing and content services.

The construction sector has also come under increasing strain, with 9.1% of companies in distress and building materials and housebuilding businesses among the most exposed.

Meanwhile, Automotive, Manufacturing and Specialised Retail had the sharpest year-on-year increases; all now rank among the most distressed sectors in the dataset.

Figure 2
Top distressed sectors

Sector	% of companies in distress	Trend*
Fashion Retail	14.1%	⬆️ +1.9ppt
Chemical & Others	12.0%	⬆️ +1.7ppt
Media, Entertainment & Media Services	11.7%	⬆️ -0.1ppt
Automotive	11.2%	⬆️ +2.2ppt
Specialised Retail	10.6%	⬆️ +1.8ppt
Manufacturing	10.5%	⬆️ +2.0ppt
Energy & Utilities	9.9%	⬆️ +1.7ppt
Healthcare	9.9%	⬆️ +0.9ppt
Travel, Hospitality & Leisure	9.1%	⬆️ +0.9ppt
Construction	9.1%	⬆️ +0.6ppt
Business Services	6.7%	⬆️ +0.1ppt
Consumer Food & Beverage	5.9%	⬆️ +0.8ppt

*Change FY25 vs FY24

⬆️ < - 1ppt ⬆️ -1ppt to +1ppt ⬆️ < - 1ppt



FASHION RETAIL

- Fashion Retail is the most distressed sector, with 14.1% of companies classified as distressed in 2025, up from 12.2% the year prior.
- Financial distress in this group has been largely driven by balance sheet weakness, with a quarter of Retail businesses in Europe lacking robustness. That said, earnings performance has deteriorated in recent years, with 18.2% classified as lacking performance, up from 16.7% in 2024 and 14.6% the year before.
- Retailers' top-line growth has struggled against a backdrop of weak consumer demand across the region. European households remained cautious and reluctant to spend throughout 2025, with geopolitical instability and inflation concerns weighing on spending that was already subdued following years of cost-of-living crisis.
- Volumes have also been suppressed due to the growth of resale platforms, which are absorbing a material share of demand, particularly from younger and value-conscious shoppers.
- Demand pressures are bearing down on a sector that already operates on structurally thin margins as a result of intense competition, deep discounting cycles and high promotional spend. A high fixed cost base, including personnel, marketing and rent costs, amplifies the impact of any revenue slowdown, translating quickly into cash and profitability stress.
- Retailers also continue to struggle with long lead times – often stretching 6–12 months – meaning capital is committed to inventory, eroding margins further and straining cash and working capital positions.
- The Iran conflict has added further pressure to an already strained cost base. Logistics and freight costs have risen, but with consumers still scared by the inflationary cycle that followed the war in Ukraine in 2022, retailers have little ability to pass them on.



CHEMICALS

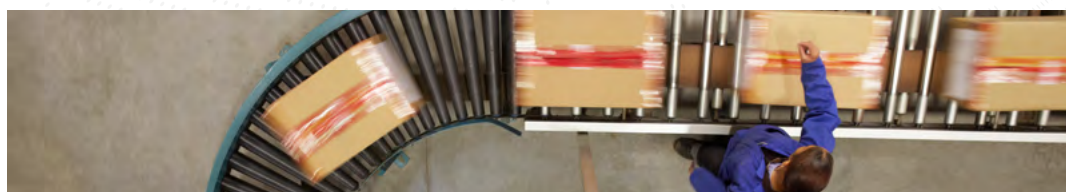
- 12% of European chemical companies are classified as distressed – one of the largest year-on-year increases. Underlying performance has deteriorated, with the share of companies lacking performance rising to 18.3% from 15.4% year-on-year, and 32% lacking balance sheet robustness.
- European chemical firms have been in structural crisis for several years. Supply factors such as high energy and feedstock costs, European carbon pricing, and a rapid build-out of capacity in China have pushed global operating rates well below the levels needed for profitable operation, while demand has stalled amid weakness in construction and automotive, among other sectors.
- The consequences are visible in the asset base: around 11 million tons of European chemical capacity closed in 2023-24, with a further 8% of the chemical value chain's added value at risk in the next five years.²
- The Strait of Hormuz disruption has stoked energy price volatility and pushed up input costs for key materials such as naphtha. Some European producers have moved to pass through higher costs, but these are temporary offsets – the structural challenges defining the European industry remain firmly in place.
- For distressed assets in the sector, the combination of cyclical shock and structural impairment is accelerating timelines, with wind-downs and operational restructuring becoming more widely used as strategic tools.

² <https://cefic.org/app/uploads/2025/05/Cefic-Advancy-study-The-Competitiveness-of-the-European-Chemical-Industry.pdf>



AUTOMOTIVE

- At 11.2%, Automotive is among the five most distressed sectors in our coverage universe. Distress levels have nearly doubled since 2022, when they stood at 6.4%, rising to 9% in 2024 and accelerating further through 2025. Earnings performance in the sector has worsened, with the share of companies lacking performance rising from 11% to 14.6% in one year.
- The sector is grappling with chronically weak China demand – historically a key growth market – and mounting competition in Europe from Chinese rivals with an aggressive export pricing strategy. Alongside intensifying competition, margins have been eroded by tariff-driven cost increases last year and the capital demands of the transition to electric vehicles (EVs).
- Falling demand and shrinking market share have produced a serious overcapacity problem. Several large OEMs have paused production at multiple plants across Europe, and an A&M analysis indicates that 42% of European OEM manufacturing capacity is underutilised and at risk of closure.³
- Current balance sheets show only limited protection against further shocks. Nearly four in ten automotive companies (38%) lack robustness, one of the highest rates across all sectors. For auto suppliers in particular, which will be facing further impacts with a certain time lag, covenant headroom is thin and refinancing risk is rising.
- The onset of the Iran conflict and related cost pressures represent another headwind for a sector that is heavily dependent on global supply chains. With little pricing power to offset these costs, the risk of further earnings deterioration and accelerated distress is real and near-term.



MANUFACTURING

- One in ten Manufacturing businesses in Europe are in distress. The industry experienced one of the largest year-on-year increases in distress levels, largely driven by deteriorating earnings performance.
- Rising input costs, including energy, raw materials, and logistics, have compressed margins across the sector, leaving manufacturers with limited capacity to absorb further cost shocks or invest in operational improvements.
- Demand volatility has made strategic business planning increasingly difficult, with manufacturers caught between overcapacity in some segments and acute shortages in others, undermining the efficiency gains that underpin profitability.
- The accelerating shift toward electrification of mobility, clean energy and automation has created significant transition costs for traditional manufacturers, many of whom face the dual burden of maintaining legacy operations while investing in next-generation capabilities.
- Labour market pressures and wage inflation, including skills shortages in specialist engineering and technical roles, have constrained output and driven up wage costs, particularly in higher-cost Western manufacturing economies.
- In addition, the sector has been particularly challenged by tariff levies and international trade dynamics, including the growing advancement of Chinese high-quality manufacturing competitors.

³ <https://www.alvarezandmarsal.com/thought-leadership/automotive-breakfast-seminar-key-takeaways>

COUNTRY TRENDS

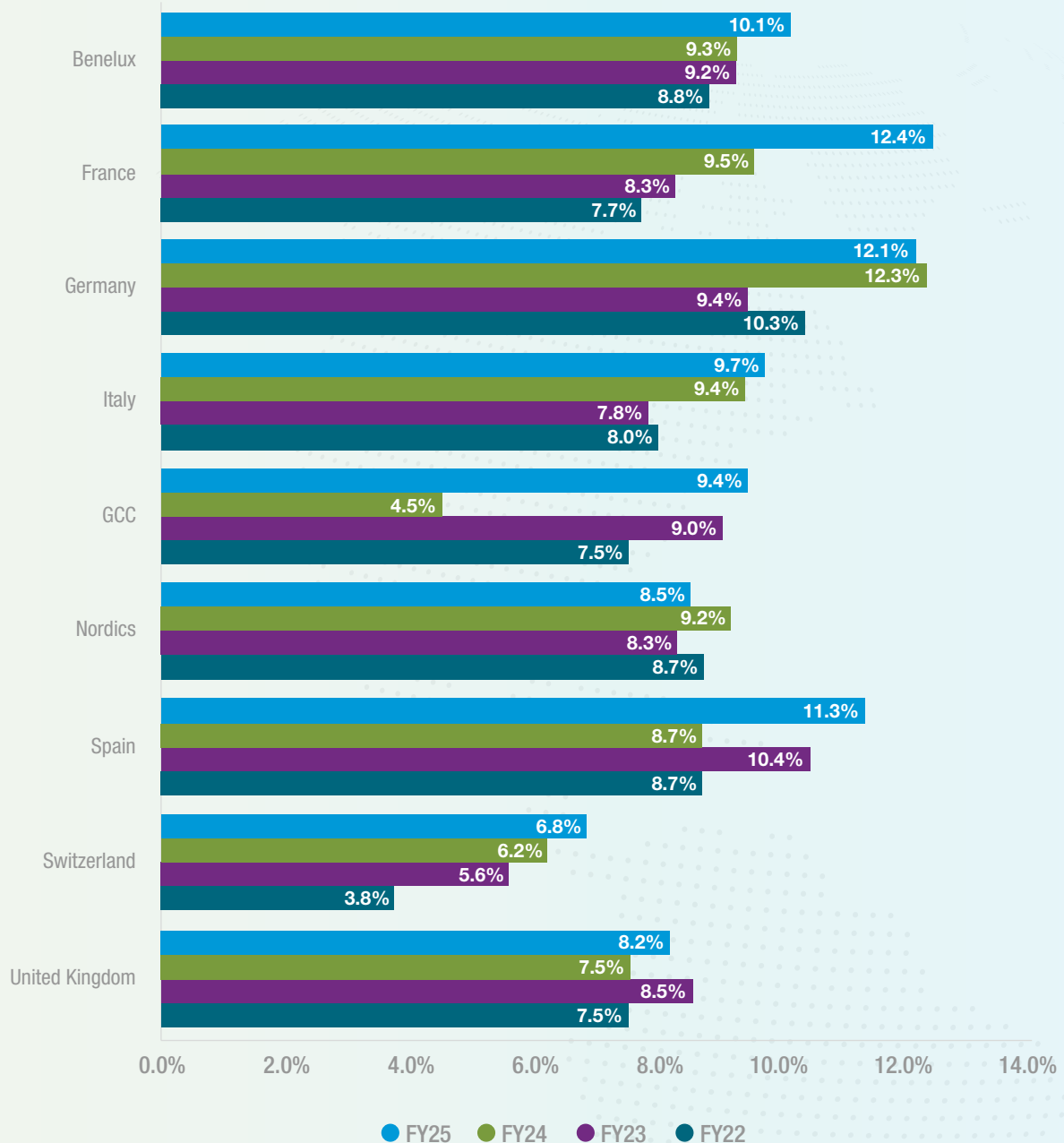
France stands out as the most distressed market in the dataset, with 12.4% of companies classified as distressed, a 30% increase year-on-year and the sharpest acceleration of any country assessed.

Germany remains the second most distressed market at 12.1%, broadly stable year-on-year but carrying significant underlying fragility, with 29.7% of companies lacking balance sheet robustness and a concentrated exposure to Chemicals and Energy that leaves it particularly vulnerable to ongoing geopolitical volatility and a broad range of domestic challenges.

Italy and Benelux continue to deteriorate gradually, while in the Gulf Cooperation Council (GCC) region distress nearly doubled year-on-year from 4.5% to 9.4%.

Figure 3

Distress levels by country





BENELUX

- Distress levels across Benelux have risen to 10.1% of companies, among the highest of any European market in the dataset, with deterioration recorded across both performance and balance sheet measures.
- Fashion Retail is the most distressed sector in the region, consistent with the broader European picture. Operational and trading pressures continue to weigh on apparel businesses with weaker finances, driven by a combination of macro headwinds – including higher energy costs, tight supply chains and soft consumer spending – and longer-term structural shifts toward online channels and sustainable products.
- Travel, Hospitality and Leisure as well as Specialised Retail are the next most distressed sectors, while manufacturing recorded one of the highest year-on-year deterioration in the dataset, reflecting the broader pressure on industrial businesses across the continent amid trade and supply chain disruptions, as well as intensifying international competition, particularly from China.
- Anecdotally, we also see a rise in distressed situations within the technology, media and telecom sector (TMT) sector, driven by high debt loads and the heavy capital expenditure required for infrastructure build-up.

Key findings



	Fashion retail	Travel, Hospitality & Leisure	Specialised retail		
Worst sectors	27.3%	20.8%	19.7%		
	Travel, Hospitality & Leisure	Specialised retail	Manufacturing		
Worst trend sectors	+16.7pp	+12.1pp	+4.5pp		
	FY22	FY23	FY24	FY25	YoY ↑
Distress	8.8%	9.2%	9.3%	10.1%	+0.8pp
	FY22	FY23	FY24	FY25	YoY ↑
Lacking performance	15.1%	12.6%	12.7%	14.3%	+1.6pp
	FY22	FY23	FY24	FY25	YoY ↑
Lacking robustness	30.6%	31.1%	31.1%	32.4%	+1.3pp



FRANCE

- Distress continues to accelerate in France, now reaching 12.4% of companies in the dataset – the highest of any country assessed and a 30% increase from 2024.
- Deterioration is seen across both earnings and balance sheet: the share of underperforming businesses has risen from 13.2% to 17.2%, and 31.8% lack balance sheet robustness, the second highest.
- Pressure has been most acute in Healthcare, Automotive, and Media and Entertainment, with Manufacturing seeing a marked deterioration year-on-year.
- French corporates are contending with adverse operating conditions, accelerated by the crisis in the Middle East. Economic growth in the euro area's second largest economy has been tepid in recent years amid a prolonged period of political uncertainty that has impacted public finances and economic confidence. In 2025, GDP was held back by weak investment, soft household consumption and trade headwinds.
- Business failures have settled at a level much higher than pre-pandemic averages, with nearly 70,000 judicial insolvency proceedings registered last year, a 3.1% increase on 2024.⁴
- A key concern is the approaching repayment deadline for the majority of State-Guaranteed Loans (PGE) granted during the Covid crisis, which falls in summer 2026. This maturity wall is likely to accelerate financial stress on already fragile companies, potentially triggering a new wave of restructurings and insolvency proceedings.

⁴ <https://www.insol-europe.org/technical-content/national-insolvency-statistics-france>

Key findings



	Health Care	Automotive	Media & Entertainment		
Worst sectors	25.2%	18.9%	16.2%		
	Health Care	Manufacturing	Automotive		
Worst trend sectors	+8.1pp	+6.5pp	+5.4pp		
	FY22	FY23	FY24	FY25	YoY ↑
Distress	7.7%	8.3%	9.5%	12.4%	+2.9pp
	FY22	FY23	FY24	FY25	YoY ↑
Lacking performance	12.1%	11.2%	13.2%	17.2%	+4.0pp
	FY22	FY23	FY24	FY25	YoY ↑
Lacking robustness	25.9%	29.1%	31.5%	31.8%	+0.3pp

GERMANY

- In Germany, corporate distress has plateaued at an elevated level, with 12.1% of companies classified as distressed in 2025, the second highest rate in Europe. Key drivers are broadly unchanged: slow demand, compressed margins, issues around competitiveness and productivity, elevated funding costs, and weak balance sheets.
- Germany also has the highest proportion of companies lacking earnings performance, of 21.1%, reflecting still-muted industrial momentum, weak domestic and export demand, and persistent cost pressures. US tariff volatility added further strain throughout 2025,⁵ with export-oriented sectors bearing the brunt of a 9.5% annual decline in German exports to the US.⁶
- Nearly 30% of German businesses lack balance sheet robustness, a figure that has risen steadily since 2022. The deterioration reflects higher interest rates feeding through more fully into cash flow and refinancing capacity, as post-Covid liquidity buffers are exhausted.
- Sector distress has been concentrated in Energy and Utilities, Chemicals and Commodities. A third of German chemical companies are classified as distressed, underscoring the severity of the ongoing crisis gripping the sector (read more on p.8).
- Automotive suppliers remain a strong German restructuring theme, trapped in a deep crisis characterised by weak order intake, rising operational costs, and intensifying competitive pressure, with no clear near-term catalyst for recovery.
- Looking ahead, alternative network operators and broader telecommunications are emerging as a more visible pocket of distress, as highly leveraged fibre rollout models face refinancing pressure, slower-than-expected customer take-up, and increasingly cautious lender behaviour.
- Green energy projects are also emerging as an area of concern. While rising conventional energy prices in 2026 may improve the relative economics of some renewable projects, many remain exposed to financing constraints, construction cost inflation, and subsidy uncertainty.

⁵ <https://www.ft.com/content/152088a1-9615-4485-9669-fb8300f60b13?syn-25a6b1a6=1>

⁶ <https://think.ing.com/snaps/german-trade-jan26/>

Key findings



	Energy & Utilities	Chemicals & others	Commodities		
Worst sectors	42.9%	33.3%	19.0%		
	Energy & Utilities	Infrastructure & Logistics	Consumer-Food & Beverage		
Worst trend sectors	+35.7pp	+8.3pp	+8.0pp		
	FY22	FY23	FY24	FY25	YoY ↑
Distress	10.3%	9.4%	12.3%	12.1%	-0.2pp
	FY22	FY23	FY24	FY25	YoY ↑
Lacking performance	16.8%	16.4%	21.1%	21.1%	-
	FY22	FY23	FY24	FY25	YoY ↑
Lacking robustness	23.7%	26.0%	28.6%	29.7%	+1.1pp



ITALY

- Continuing a multi-year deterioration, Italy's distress rate has edged up further to 9.7% in 2025, with Infrastructure and Logistics, Automotive and Commodities the three hardest-hit sectors.
- The proportion of businesses lacking performance has risen to 15.3%, a 1.3 percentage point increase year-on-year, reflecting a challenging operating environment for corporates. Italy's economy expanded by just 0.5% in 2025, one of the weakest growth rates among major European economies. Despite a modest recovery in domestic demand, US tariffs, global trade uncertainty and intensifying competitive pressure weighed heavily on the country's large export base, with recent data already showing measurable impact on trade flows.
- Infrastructure and Logistics has emerged as the highest-distress sector at 27.3%, facing margin pressure from elevated input costs and subdued investment activity linked to slower public spending disbursement under the country's National Recovery and Resilience Plan (PNRR).
- Automotive is the second most distressed at 17.3%, having deteriorated rapidly since 2024. The shift away from internal combustion engines continues to disrupt domestic supply chains, while the rise of lower-cost Chinese entrants is intensifying competition. OEMs are increasingly pushing cost pressure downstream onto suppliers, driving a wave of restructuring across the sector.
- The share of businesses lacking robustness fell slightly to 34.1%, though the absolute level remains high, indicating that balance sheet resilience across Italian corporates is still limited.

Key findings



	Infrastructure & Logistics	Automotive	Commodities		
Worst sectors	27.3%	17.3%	15.8%		
	Automotive	Infrastructure & Logistics	Manufacturing		
Worst trend sectors	+11.5pp	+9.1pp	+5.3pp		
	FY22	FY23	FY24	FY25	YoY ↑
Distress	8.0%	7.8%	9.4%	9.7%	+0.3pp
	FY22	FY23	FY24	FY25	YoY ↑
Lacking performance	12.8%	11.6%	14.0%	15.3%	+1.3pp
	FY22	FY23	FY24	FY25	YoY ↑
Lacking robustness	31.2%	33.7%	35.1%	34.1%	-1.0pp



SWITZERLAND

- Corporate distress levels in Switzerland rose to 6.8% in 2025, up from 6.2% the year before, reflecting subdued economic momentum. That said, the distress rate remains well below the European average of 9.3%, a sign that the country's business landscape continues to demonstrate resilience and agility.
- The proportion of companies lacking operating performance decreased slightly to 13% from 13.7% in the previous period. Meanwhile, 19.9% lacked balance sheet robustness, a moderation from 20.5% in 2024.
- Automotive, Specialised Retail and Energy and Utilities were the top distressed sectors. While financials in the healthcare sector (hospitals) are rarely published in Switzerland and are therefore just marginally covered in the analysis, we continued to observe a number of challenging situations in the space.
- Retail continues to be affected by softer demand combined with low inflation preventing firms from passing rising input costs to the consumer and squeezing business margins.
- The KOF Swiss Economic Institute has revised its economic forecast downward for 2026, citing the war in Iran and the resulting increase in oil prices. It now expects seasonally and sports-event-adjusted real GDP growth of 0.8%, versus 1% previously.
- The durable goods manufacturing and leisure sectors have seen a recent rise in bankruptcies, partly driven by a legal reform of the Debt Enforcement and Bankruptcy Act, which requires public authorities to enforce unpaid claims through formal proceedings.
- The Swiss franc remains historically strong against major global currencies – a persistent headwind for most Swiss exporters.
- Anecdotally, we are observing a tougher operating environment across the services sector as AI-driven disruption increases pressure on cost.

Key findings



	Automotive	Specialised retail	Energy & Utilities		
Worst sectors	20.0%	16.7%	12.5%		
	Energy & Utilities	Information Technology	Manufacturing		
Worst trend sectors	+12.5pp	+8.3pp	+6.3pp		
	FY22	FY23	FY24	FY25	YoY ↑
Distress	3.8%	5.6%	6.2%	6.8%	+0.6pp
	FY22	FY23	FY24	FY25	YoY ↑
Lacking performance	11.3%	9.3%	13.7%	13.0%	-0.7pp
	FY22	FY23	FY24	FY25	YoY ↑
Lacking robustness	15.0%	19.3%	20.5%	19.9%	-0.6pp

- The UK's overall distress rate ticked up to 8.2% in 2025, continuing the gradual deterioration seen in the past four years. With 14.4% of businesses lacking earnings performance and nearly 26% lacking balance sheet robustness, the headline figure understates the depth of vulnerability building across the country's corporate base.
- Fashion Retail is the highest-distress sector at 16.1%, reflecting a low-for-longer demand environment that has not recovered to pre-cost-of-living-crisis levels. Structural headwinds – including the channel shift to online, rising occupancy costs, and wage pressures – continue to compress retailers' margins.. These pressures are intensifying in 2026 as surging freight costs bite, with several large retailers already warning of material cost increases arising from the Strait of Hormuz disruption.
- In Media, Entertainment and Media Services, reduced disposable income has softened consumer spending on subscriptions, driving slower growth in streaming and intensifying price competition across the sector. Industry players also face a tougher operating environment as AI-driven disruption displaces demand for traditional advertising, digital marketing and content services.
- The altnet and fibre industry faces acute challenges, with highly leveraged rollout models under pressure from the need for continued heavy investment in full-fibre and 5G infrastructure, against a backdrop of slower-than-expected customer take-up and tightening lender appetite.
- Beyond the reported data, we observe stress emerging in housebuilders and building material companies, where subdued transaction volumes, planning uncertainty, and input cost inflation have compressed margins on committed schemes.
- Pressure is also mounting in gigafactory projects that gained momentum during the EV optimism of 2021-23 and are now facing construction turbulence, supply chain stress, and a more uncertain demand environment. Data centre developers face similar constraints, with financing conditions tightening and planning approvals proving slower and more contested than the pace of demand would suggest.
- The outlook for the remainder of 2026 is materially more challenging than anticipated at the start of the year. Consumer confidence has remained weak, weighed down by job insecurity and geopolitical instability, and domestic political uncertainty has added a further headwind following the resignation of Prime Minister Starmer in June.
- More significantly, the conflict in Iran has triggered a new energy price shock to a still-faltering economy. The UK economy contracted for the first time in eight months in April 2026 as higher fuel prices and tighter funding conditions started to drag on activity. For companies carrying stretched balance sheets, the runway for proactive restructuring is narrowing.⁷

7 <https://www.reuters.com/world/uk/uk-economy-contracted-by-01-april-says-ons-2026-06-12/>

Key findings



	Fashion retail	Media & Entertainment	Commodities		
Worst sectors	16.1%	15.1%	13.0%		
	Commodities	Automotive	Fashion retail		
Worst trend sectors	+3.5pp	+2.9pp	+2.7pp		
	FY22	FY23	FY24	FY25	YoY ↑
Distress	7.5%	8.5%	7.5%	8.2%	+0.7pp
	FY22	FY23	FY24	FY25	YoY ↑
Lacking performance	13.5%	14.4%	13.4%	14.4%	+1.0pp
	FY22	FY23	FY24	FY25	YoY ↑
Lacking robustness	22.8%	25.2%	26.0%	25.8%	-0.2pp

GCC

- Overall distress levels in the GCC⁸ have nearly doubled year-on-year, rising 4.9pp to 9.4% in 2025, the highest since 2022. The percentage of companies lacking performance has also deteriorated markedly, jumping to nearly 15% of all businesses in the region, from just 5% the year before.
- Construction has seen the sharpest year-on-year rise in distress. The Kingdom of Saudi Arabia has seen several giga-projects mothballed, cancelled or revised as the Kingdom reevaluates its strategic priorities and budgets, a development expected to add further pressure to the construction sector going forward.
- In the United Arab Emirates (UAE), demand for residential units rose steadily through 2025, with prices supported by population growth. However, the extent to which the conflict involving Iran will affect demand for these units remains uncertain, as does the potential knock-on effect on the wider construction sector, which is already contending with rising input costs as raw material prices increase due to the disruption in the Strait of Hormuz.
- Chemicals is the most distressed sector, with 21.4% of chemical companies in the region in distress, reflecting high exposure to energy price volatility and global supply chain disruptions. Commodities is the second most distressed at 17.1%, and is similarly exposed to the fallout from Hormuz disruption and the broader deterioration in regional trade flows.
- Both sectors have been further impacted since the onset of hostilities involving Iran: for example, QatarEnergy has suspended production of urea, polymers and methanol following drone attacks on its Ras Laffan and Mesaieed facilities⁹, with comparable attacks on wider infrastructure placing additional pressure across the sectors.

8 GCC data covers Saudi Arabia and the United Arab Emirates (UAE) only.

9 <https://www.spglobal.com/energy/en/news-research/latest-news/shipping/030226-qatarenergy-suspends-lng-production-after-military-attacks>

Key findings



	Chemicals & others	Commodities	Manufacturing		
Worst sectors	21.4%	17.1%	13.3%		
	Construction	Commodities	Chemicals & others		
Worst trend sectors	+11.1pp	+8.6pp	+7.1pp		
	FY22	FY23	FY24	FY25	YoY ↑
Distress	7.5%	9.0%	4.5%	9.4%	+4.9pp
	FY22	FY23	FY24	FY25	YoY ↑
Lacking performance	10.2%	11.3%	4.9%	14.7%	+9.8pp
	FY22	FY23	FY24	FY25	YoY ↑
Lacking robustness	27.8%	30.5%	28.9%	28.3%	-0.6pp



NORDICS

- The proportion of Nordic companies classified as distressed has fallen to 8.5% in our latest analysis, down from 9.2% the previous year. This reflects a natural cooling following a busy 2024, which saw a number of large, high-profile restructuring situations work through the system.
- However, the improvement at the aggregate level masks ongoing stress: a quarter of businesses continue to carry weak balance sheets, and small and mid-cap companies remain under meaningful pressure.
- Travel, Hospitality and Leisure, Construction and Business Services face the highest levels of distress in the region. Travel, Hospitality & Leisure businesses are under pressure due to overcapacity established during Covid and reduced consumer spending.
- Construction firms have struggled with a prolonged weakness in real estate markets and persistent cost inflation – though conditions have shown gradual signs of improvement more recently. Business Services companies have been squeezed by tighter corporate budgets and reduced capex that have reduced demand for external services and advisors.
- Elsewhere, pockets of distress have emerged in energy and defence, reflecting the vulnerabilities of more opportunistic business models and continued difficulties in attracting financing.
- The region has also seen a number of rescue equity rights issues and public debt support in recent years, which helped secure liquidity and resolved many stressed and distressed situations.

Key findings



	Travel, Hospitality & Leisure	Construction	Business Services		
Worst sectors	15.9%	13.9%	12.8%		
	Health Care	Chemicals & others	Media & Entertainment		
Worst trend sectors	+3.3pp	+2.8pp	+2.8pp		
	FY22	FY23	FY24	FY25	YoY ↑
Distress	8.7%	8.3%	9.2%	8.5%	-0.7pp
	FY22	FY23	FY24	FY25	YoY ↑
Lacking performance	13.4%	13.9%	14.2%	12.8%	-1.4pp
	FY22	FY23	FY24	FY25	YoY ↑
Lacking robustness	24.2%	25.1%	26.3%	25.0%	-1.3pp



HOW A&M CAN HELP

Companies looking to protect earnings and balance sheets against these market challenges must act proactively.

Some of the key preventive measures for management, boards and financial stakeholders include:



Business model review

Transparency regarding profitable and cash burning areas, clients and products, along with robust business planning grounded in realistic analyses will help business leaders understand the impact of market conditions and changes in customer behaviour so they can implement the necessary counter measures early enough.



Plan for volatility

Permanent screening of macroeconomic drivers, peer behaviour analysis and strategic business and scenario planning should be conducted in a three-way financial planning model. Relying on business-as-usual practices is no longer enough given the several operational and financial headwinds facing companies.



Liquidity assessment

Critical review of short-term cash flow forecasting and cash management tools to obtain a robust platform for restructuring remains a top priority when situations become challenging or resolution uncertainty rises.



Robust three-way financial planning

The development of a robust, integrated financial plan which combines the business plan and the impact on earnings and liquidity from restructuring measures is vital to evaluate the feasibility of a restructuring against different scenarios.



A&M has the most comprehensive suite of services to help companies and their stakeholders through challenging times. Our multi-function, European-wide Restructuring team brings decades of experience of working on the world's largest and most complex turnarounds and restructurings and gaining consensus amongst multifaceted stakeholder groups to deliver outstanding outcomes against difficult backdrops.

These core restructuring services are supported by complementary skills that can address every aspect of complex transactions from within one team. Our deep strategic, operational and financial expertise, valuations and tax advice combined with cutting-edge contingency planning and bias-to-action culture ensure we can get a transaction done in any circumstances.

METHODOLOGY

The A&M Distress Alert systematically assesses performance and balance sheet robustness of European businesses through a proprietary methodology developed by seasoned restructuring experts on the basis of extensive practical experience, aiming to identify those that are in financial distress or may soon be heading in that direction.

The study analyses data from over 15,000 companies with over €20 million of annual revenues across 33 countries in Europe and the GCC. These companies consistently provided data for all financial years from 2022 to 2025.

The index analyses 18 KPIs to create two sub-scores: the performance score, which is based on the company's own income statement as well as related KPIs measured against its industry peers, and the robustness score, based on detailed balance sheet data.

The scores are applied on a scale from zero (heavily impacted) to 10 (very solid situation). Based on the scoring, companies are clustered into four groups:

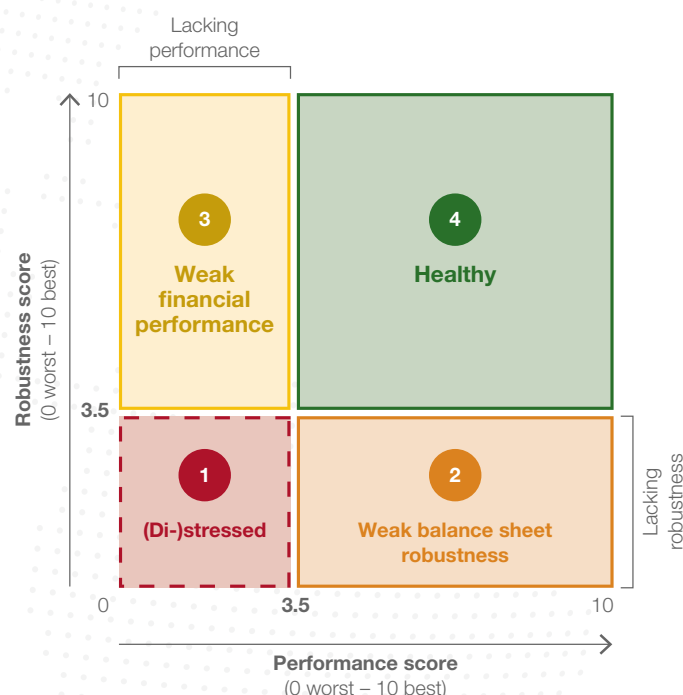
Distressed (cluster 1): companies have (significant) deficits in terms of both their financial and earnings situation. These therefore have insufficient liquidity and/or inadequate and unsustainable capital structures and, at the same time, weak/insufficient profitability. Some of these companies are therefore likely to be in "financial (di) stress".

Weak balance sheet robustness (cluster 2): companies with a robust earnings/profit performance but insufficient liquidity and/or inadequate and unsustainable capital structures. These companies are in a potential need of a financial restructuring.

Weak financial performance (cluster 3): companies have a fundamentally solid balance sheet but show weaknesses in their earnings or profitability. These companies are in a potential need of performance improvement measures.

Healthy (cluster 4): includes companies that have a solid balance sheet and robust earnings.

Index-based clustering





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