U.K. Turnaround and Restructuring Update

February 2025

Welcome...

...to the first AlixPartners U.K. Turnaround and Restructuring Update of 2025

Esben Christensen, Head of U.K. Turnaround and Restructuring Practice

While we may have witnessed a degree of muted activity in the final quarter of 2024, this year has opened with renewed vigour, presenting strong signs of a busy 2025 for our U.K. Turnaround and Restructuring team.

It was perhaps the Chancellor's Autumn Budget statement in October that brought 2025's potential challenges for many businesses into much sharper focus. Material changes to National Insurance Contributions and larger than expected increases in the National Minimum Wage and National Living Wage will significantly impact industries where part-time or entry level posts constitute a large proportion of their workforce. As a result, Retail and Hospitality & Leisure companies have been left to count the additional costs and chart a course through this challenging time.

CONSTRAINED AND MACRO DISRUPTION

There could be an additional inflationary by-product from the announcement too. Price rises across consumer goods will place further pressure on an already constrained consumer purse – highlighted in our recent Global Consumer Spending Outlook, where a third of the U.K. consumers we polled told us they are intending to spend less this year versus last.

More broadly, the findings of our 2025 AlixPartners Disruption Index highlight regulation and taxation as the chief concern for executives this year, cited by nearly 60% of U.K. respondents – some way clear of the global average. In its many forms, business disruption continues to buffet organisations in their pursuit of productivity and growth.

CURRENT ENGAGEMENTS ACROSS EUROPE

Influenced by these numerous concurrent factors, we saw a strong CRO market throughout 2024 across our European team, and this has continued the first months of this year. Notable public examples of our company-side involvement include our ongoing engagements with Thames Water and grocery delivery start-up Getir in a CRO capacity, the latter of which I also serve as Executive Director.

We are also advising on the restructuring of credit management company Intrum, continue in our interim CEO and CRO office role at Four Seasons Healthcare, and also see increasing demand for our Contingency Planning and Insolvency (CP&I) capabilities, which I expect to continue as 2025 progresses.

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TEAM GROWTH AND MARKET RECOGNITION

Our outstanding work in the market last year was also recognised before Christmas in a number of awards. We were privileged to be named Corporate Restructuring Firm of the Year at the 2024 TRI Awards and also celebrated wnning Large Turnaround of the Year at the IFT Awards for our work with Four Seasons Healthcare. A special individual mention should also be made to Tom Miller, who received the 'Rising Star' award at the IFT Awards.

With many challenging engagements ahead in the coming 12 months and beyond, the continued growth of our team remains critical in ensuring we continue to deliver award-winning outcomes for our clients. I am also delighted to congratulate Neil Douglas on his promotion to Partner & Managing Director, alongside promotions to Partner for Alex Czerniewski, Tom Miller, and Kevin Wall.

As always, please feel free to contact me or any of the wider team if you would like to discuss any of the content covered in this issue.

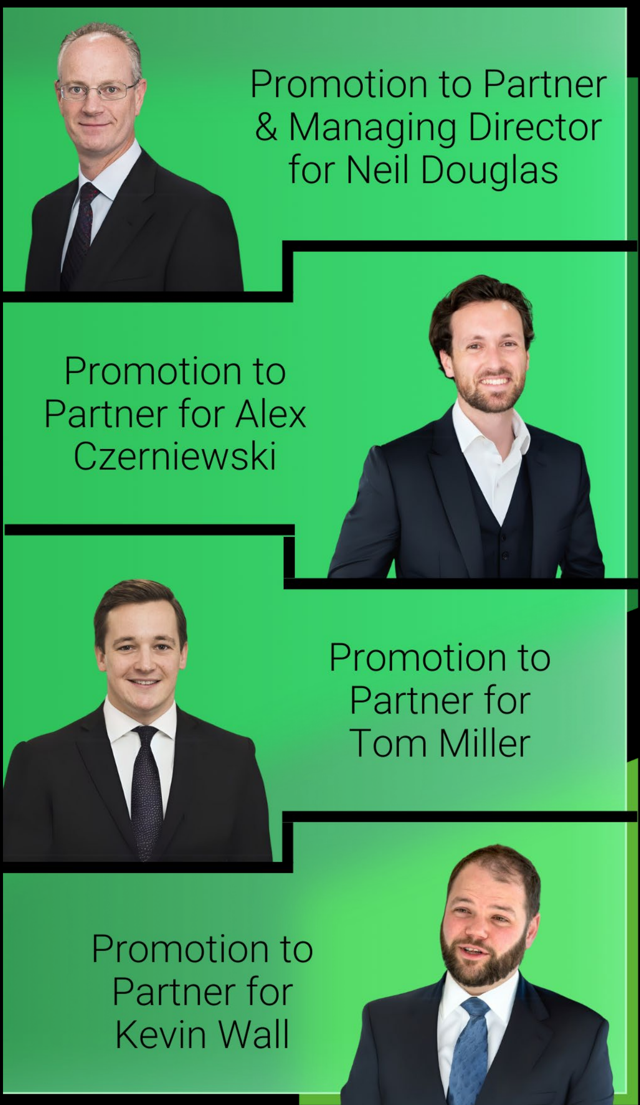
IN THIS EDITION:

- **Retail, Hospitality, and Telecoms outlooks**
- **The future of non-standard motor insurance**
- **AlixPartners 2025 Disruption Index**

Our recognition...

An outstanding performance from our team in 2024

Our promotions – Class of 2024



Name	Promoted to
Neel Malde	Director
Fergus Hallam	Director
Melissa Brooks	Director
Jay Pabari	Senior Vice President
Jayin Hirani	Senior Vice President
Charindi Ranasinghe	Senior Vice President
Michael Rabbitte	Senior Vice President
Joseph Kerins	Senior Vice President
Paul Butterfield	Senior Vice President
Atef Chowdhury	Vice President
Michael Smollen	Vice President

Congratulations to all our team!

Our outlook

Hospitality and leisure

Ben Browne
Partner and
Managing Director

Financial pressures, additional tax burdens, and fluctuating consumer sentiment present a challenging outlook for hospitality and leisure businesses in 2025.

Of course, there is no one-size-fits-all solution because there are so many different operating models in these sectors – from small, family-owned premises to large, company-owned managed sites.

Heightened uncertainty is universal though. Cost bases have been dealt a sizeable shock at a time when many businesses were just beginning to leave the lingering effects of the pandemic behind. They remain vulnerable to changes in consumer sentiment and the economic climate in general, making future performance hard to predict.

Nevertheless, businesses can chart a way ahead by dynamically modelling the interplay of the factors that most affect them – pricing, geographical footprint, labour costs etc. – defining the key actions they must take to mitigate additional costs and the financially-constrained consumer.

Retail

Clare Kennedy
Partner and
Managing Director

After the October budget announcements and only a modest increase in UK retail sales over the Christmas period, retail leadership teams will have rerun forecasts and reconsidered opex budgets, capex commitments, and margin expectations.

A fresh look at labour and non-labour spend may highlight room for additional efficiency gains through labour reductions or offering part-time workers fewer hours, although this may not be able to offset the full impact of the Budget’s tax increases on the cost base this year.

The Budget has also called into question retail and leisure operators’ best channel mix, given the pressure on profitability for labour-intensive stores. As such, companies will continue to assess whether their store estate is still fit for purpose and, to the extent that they believe there are opportunities to right-size, strategic use of tools such as CVAs and Restructuring Plans may come to the fore.

It is highly likely that companies will also have to revisit pricing strategies, which may drive more price inflation coming through the system. The question is, how much of this can be passed on to shoppers, as price sensitivity runs high?

Telecommunications

Tom Miller
Partner

Fibre companies in the UK find themselves stuck in a ‘loop’. They face challenges in commercialising the platforms they have built, as weaker demand, competition intensity, and operational issues mean the majority of them are subscale, and therefore unable to generate sufficient EBITDA and free cashflow.

As a result, FibreCos are funding-constrained, given the lack of operational liquidity and deteriorating market appetite to fund. They are therefore unable to make the investment needed to commercialise the platforms they have built.

This loop is difficult to break, as operators remain focused on delivery of new “connections-focused” plans and investors have continued to provide funding in support of these new ‘reset’ business plans.

Several discrete factors are likely to influence how and when the ‘firing gun’ of consolidation will be triggered. Investors must take the lead in driving the consolidation narrative if they are to protect the investment they have already made. In light of this, I anticipate increased investor-initiated activity before the funding taps turn off.

Is there a future for brokers in non-standard motor insurance?


Richard Harrison
Partner


Rosanna Juer
Director


Christoph Lüer
Director


Alice Madden
Director

The UK market for personal motor insurance is among the most competitive in the world and, over time, some marked characteristics have emerged.

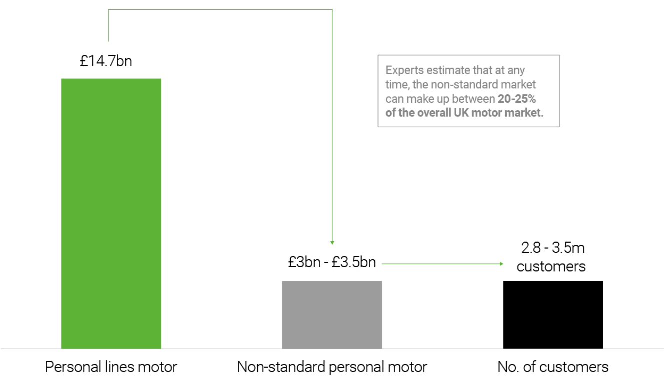
These include:

1. The surge of price comparison websites (PCW) as the dominant distribution channel, creating unprecedented price transparency, but also amalgamating significant market power into a few hands;

2. A race among underwriters to build the most sophisticated pricing algorithms, leveraging data and technology to drill into customer behaviour and claim projections; and

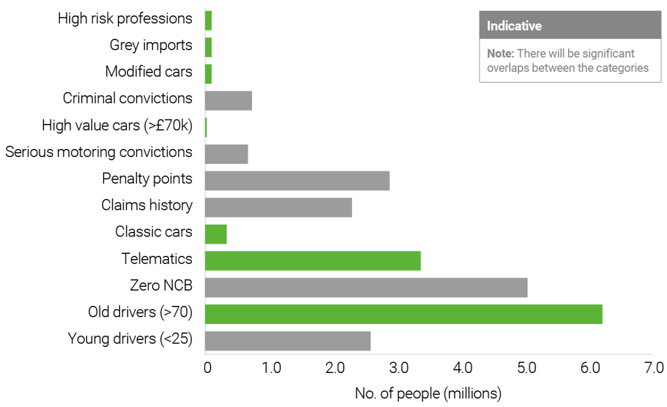
3. The singling out of a significant part of the market as 'non-standard', due to elevated, less predictable risk profiles, e.g. young or older drivers, drivers with convictions or recent accidents, or a restrained availability of standard data, as in the case for vintage or high value cars.

FIGURE 1: **NON-STANDARD MOTOR MARKET – EST. SIZE**

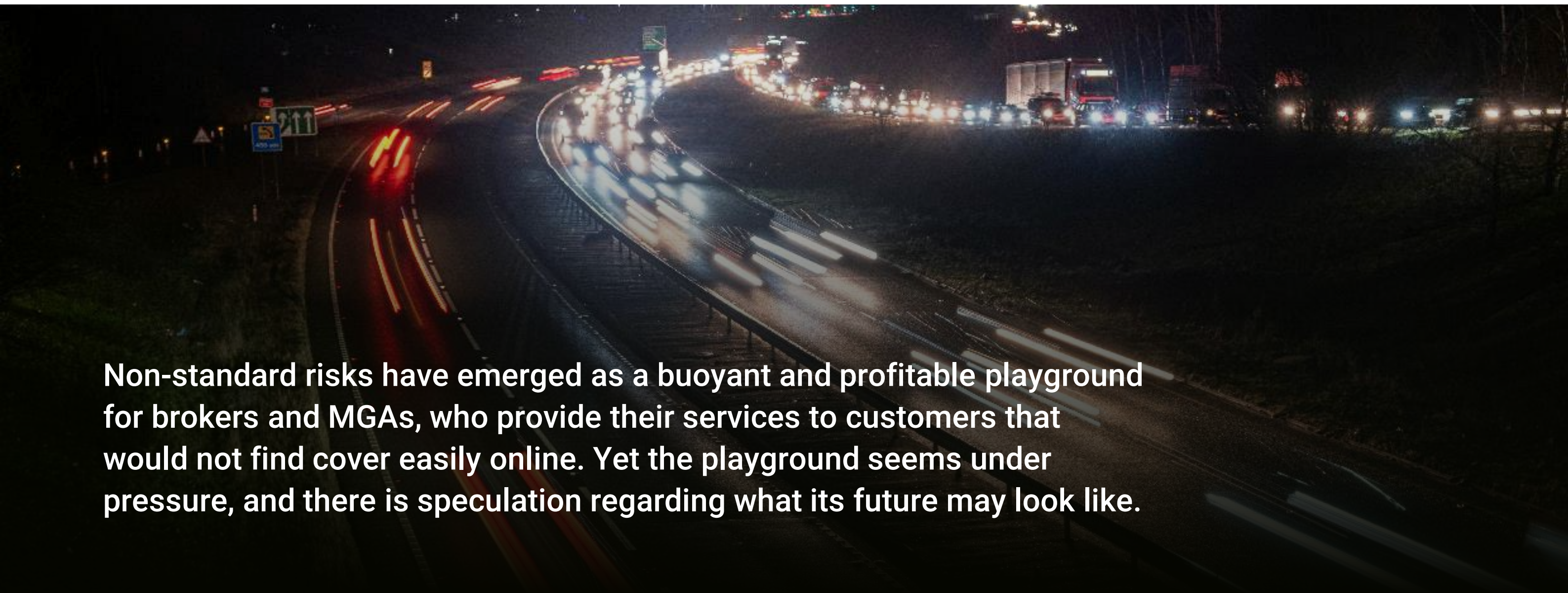


Source: AlixPartners analysis/Expert witness interviews

FIGURE 2: **NUMBER OF DRIVERS PER NON-STANDARD MOTOR SEGMENTS**



Source: DVLA/GOV.uk/Statista/AlixPartners analysis



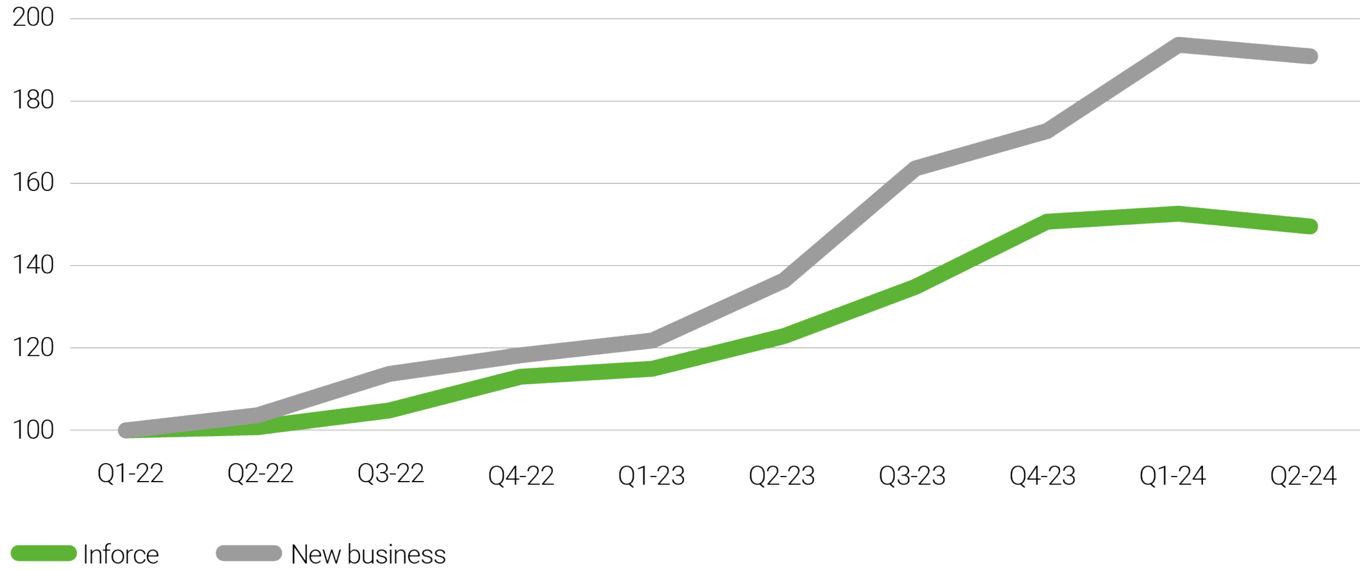
Non-standard risks have emerged as a buoyant and profitable playground for brokers and MGAs, who provide their services to customers that would not find cover easily online. Yet the playground seems under pressure, and there is speculation regarding what its future may look like.

The post-pandemic double whammy

The pandemic put its mark on many industries, and the impact for motor insurance was particularly nuanced. As countries closed down, accident numbers dropped and motor insurers saw profits skyrocket, only to be overwhelmed by a sudden inflationary surge as societies started moving back to normal. Financial cushions built during the pandemic (and not yet burned in a price war) disappeared as a result of sky-rocketing motor parts prices, a rate-fuelling shortage of repair shop capacity, and higher costs for medical services – none of which had been factored appropriately into premiums.

In the UK, huge inflationary pressure was exacerbated by newly-introduced pricing regulation. UK motor insurers (as with most of the industry globally) have spread new business from renewal premiums, banking on customers' propensity not to churn, while cashing in on the ageing benefits inherent to the business. In 2022, the UK regulator put an end to this practice, levelling down the flow of subsidies from renewal premiums into new business prices, a corrective shift that topped up on the already heightened inflationary premium uplift. The public outcry on perceived premium increases north of 40% still seems to hang in the halls of Westminster, and the challenge for the industry navigating its combined ratio is obvious.

FIGURE 3: AVERAGE MOTOR PREMIUM – NEW BUSINESS AND INFORCE – INDEXED 2022 TO 2024



Sources: ABI/Association of British Insurers and Deutsche Bank Research

There is therefore little surprise that underwriters focused on the hard-to-write, non-standard risk segments, some of which had exposed adverse claims patterns during the pandemic. When everyone stayed home, lower-income blue collar and healthcare workers – allegedly overrepresented in non-standard segments – switched from public transport to their cars– translating into an increasing claims frequency. Insurance carriers responded by cutting capacity for the most difficult non-standard segments.

Data – The hidden force at play

While the underwriting economics at play are obvious, the impact of data is less so. COVID-19 also weighed on the PCW business. In times of uncertainty, customers are less likely to churn. This has driven a drop in business volumes for PCWs, who in turn were seeking untapped territory and found: Non-standard motor.

The race for pricing sophistication not only entailed a surge in tools and algorithms, but also a growing number of data sources built, maintained, and tapped across the industry over the past years, including ABI and MOT databases, LexisNexis etc. With richer and better-quality data at hand, PCWs have started to push for replacing traditional underwriting of non-standard motor risks with online quote and bind processes akin to standard business, thereby creating enhanced price transparency for a growing number of non-standard subsegments. And with carriers holding capacity tight, the pressure is now on intermediary margins; the once buoyant playground for brokers and MGAs is at stake.

The future of non-standard motor insurance

There are a number of lessons to be learned.

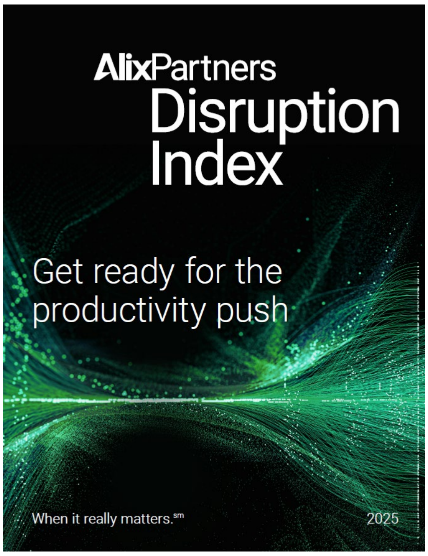
For sure, capacity will return, as claims frequency normalises and inflation comes down. However, the unexpected turns driven by the pandemic have unravelled the vulnerability of overly niche propositions. While specialisation and deep expertise are at the very heart of superior underwriting, restraining one's business on to narrow a field is dangerous. Size matters, when it comes to securing access to well-priced markets.

Secondly, data wins. Selecting and pricing risks is first and foremost about leveraging data to gauge what the burning cost for claims will be. With AI in ascendency, the need to invest in new sources of data and the sophistication of algorithms cannot be underestimated. Digitisation of the non-standard motor space is set to continue and expand into further sub-segments. Players with superior capabilities in aggregating data across multiple data sources and deploying high quality pricing models are set to stay – and win. However, such capabilities do not come cheap, which is another reason why scale increasingly matters in non-standard motor.

That said, subsegments in non-standard do not lend themselves to a "one-size-fits-all" approach – the ability to build out differentiated models and cater to the nuances is key to success in this field. This limits large industry players to cater to this part of the market beyond some obvious adjacencies of their core business. Non-standard motor – or large part of it – is hence set to remain a remit of specialised brokers and MGAs – provided they bring the scale and skill needed for a digitised underwriting and transaction model.

Our thinking...

AlixPartners Disruption Index 2025



Our 6th annual AlixPartners Disruption Index uncovers the challenges faced by 3,200 executives globally, as well as the behaviors of those companies that are thriving in this disrupted world.

The results show that companies are beginning to develop the mindset, tools, and resources to address these issues, lending support to the idea that new technologies, operating models, and ways of working are driving a workplace revolution, leading to material gains in productivity. The winners will be those who push hardest today.

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

220 experts across Europe and 475 worldwide, with deep experience honed over 40 years in some of the most complex and challenging restructuring and turnaround cases.

ABOUT US

For more than forty years, AlixPartners has helped businesses around the world respond quickly and decisively to their most critical challenges – circumstances as diverse as urgent performance improvement, accelerated transformation, complex restructuring and risk mitigation.

These are the moments when everything is on the line – a sudden shift in the market, an unexpected performance decline, a time-sensitive deal, a fork-in-the-road decision. But it's not what we do that makes a difference, it's how we do it.

Tackling situations when time is of the essence is part of our DNA – so we adopt an action-oriented approach at all times. We work in small, highly qualified teams with specific industry and functional expertise, and we operate at pace, moving quickly from analysis to implementation. We stand shoulder to shoulder with our clients until the job is done, and only measure our success in terms of the
results we deliver.

Our approach enables us to help our clients confront and overcome truly future-defining challenges. We partner with you to make the right decisions and take the right actions. And we are right by your side. When it really matters.