AlixPartners

MAY 2025

COMMERCIAL HEADWINDS MEET MATURITY WALLS:

Continuing debt refinancing challenges in the DACH region

The DACH region is navigating a shifting financial landscape, where easing interest rates offer some relief, but new external pressures are emerging, including uncertainty from the latest U.S. tariffs.

After a period of elevated interest rates and tightening liquidity, refinancing conditions have started to improve. For example, interest rates have eased slightly after reaching their highest levels in 15 years, due to a shift in monetary policy as inflation has begun to moderate across the eurozone. However, this positive shift is now being offset by renewed earnings pressure, particularly for export-driven companies exposed to the United States. The imposition of EU-wide tariffs—including a general 10% levy on goods from the bloc, alongside 25% duties targeting steel, aluminum, and automobiles—has introduced a new layer of uncertainty to transatlantic trade relations. For many large DACH corporates with strong U.S. market exposure, this could translate into reduced revenues and margin compression.

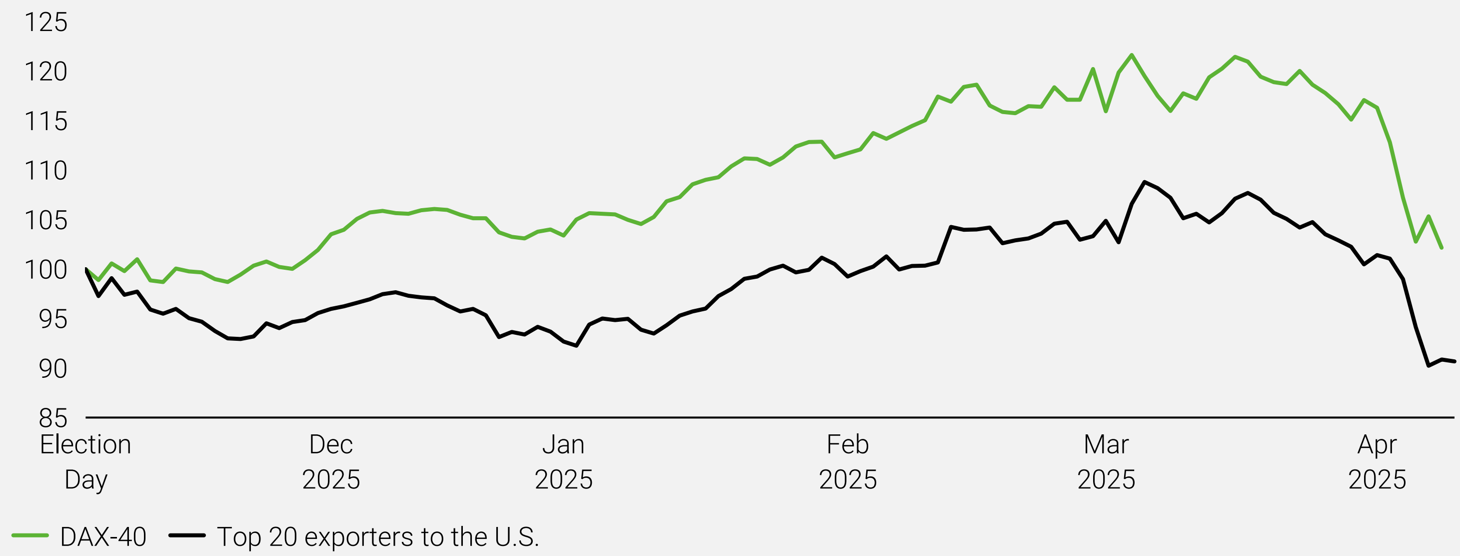
In an environment where leverage levels remain elevated and maturity walls persist, this earnings pressure could significantly impact refinancing capacity and terms. Many companies in the DACH region took on additional debt during the pandemic, amplifying the refinancing challenge as large volumes of debt near maturity. While the immediate effects of the pandemic have receded, the structural debt burden remains, creating a ripple effect across capital markets. At the same time, funding dynamics are evolving. Traditional financing sources such as leveraged loans, promissory notes, high-yield bonds, and Nordic bonds remain constrained. In response, companies and sponsors are increasingly turning to private debt and direct lending as alternative funding channels.

RISING REFINANCING RISKS FOR DACH EXPORTERS AMID U.S. TARIFF PRESSURES

With the recent introduction of U.S. tariffs targeting European imports (as at the date of this report 10% “reciprocal tariffs” on all imports from Europe; 25% on automobiles, steel, and aluminum), DACH companies with significant exposure to the American market are facing financial pressure—particularly when it comes to refinancing. The potential revenue impact of these tariffs poses a direct challenge to profitability and credit metrics, especially for large exporters already navigating a high-interest rate environment and tighter lending conditions.

Since the U.S. elections on 5 November 2024, the TOP-20 DACH exporters to the United States have experienced significantly poorer stock performance than the overall stock market.

FIGURE 1: STOCK PERFORMANCE: TOP 20 DACH EXPORTERS TO THE UNITED STATES VS. DAX-40



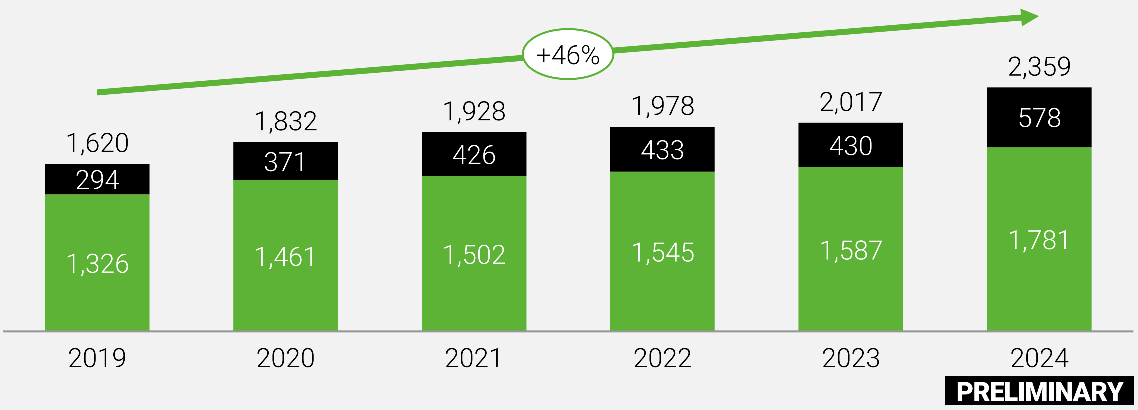
Source: Capital IQ, Bloomberg

DACH companies that rely on the U.S. market should consider building liquidity buffers, stress-test their capital structures, and evaluate hedging strategies to cushion the impact of adverse trade policies. In a volatile geopolitical and macroeconomic environment, resilience starts with preparation. Understanding how external shocks can reverberate through the balance sheet is a critical step in that direction.

DEBT LEVELS REMAIN STRUCTURALLY HIGH

Since 2019, corporate debt volume for a sample of 990 listed companies in the DACH region (excluding Real Estate and Financial Services firms) has grown by 46%, exceeding € 2.3 trillion. After remaining relatively stable since 2021, cash and cash equivalents increased by 34% in the past year. The growth in corporate debt was further fueled by a 30% increase in private debt issuance and a 15% rise in high-yield bond issuance compared to 2023. While debt volumes have risen in absolute terms, operational performance, as measured in EBITDA, has contributed to a decrease in total and net leverage ratios.

FIGURE 2: DEBT DEVELOPMENT IN DACH REGION (€BN)



AS EBITDA MULTIPLE	2019	2020	2021	2022	2023	2024 PRELIMINARY
Net leverage (net debt/EBITDA multiple)	**3.2x**	**4.1x**	**4.3x**	**3.9x**	**3.5x**	**3.6x**
Total leverage (total debt/EBITDA multiple)	**4.0x**	**5.1x**	**5.5x**	**5.0x**	**4.4x**	**4.8x**

Source: Capital IQ, Bloomberg
Note: Based on a sample of 990 listed companies in the DACH region, excluding those in the Financial Services and Real Estate sectors. Data for 2024 is preliminary, as many companies have yet to publish their final figures and are subject to change.

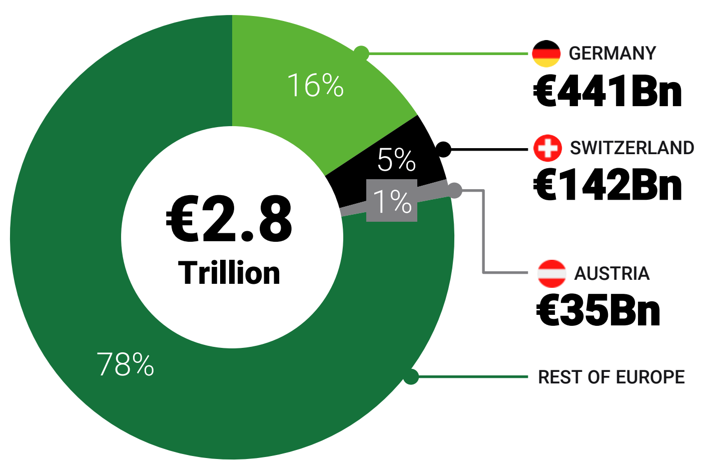
For 2025, operational performance and EBITDA are expected to be under pressure, likely reversing recent improvements in debt leverage. The deteriorations of total and net leverage will come at the wrong time for many companies facing a need to refinance maturing debt in the coming months.

MATURITIES

Between 2025 and 2029, a total of €2.8 trillion in corporate debt is set to mature across Europe, with the DACH region accounting for more than €600 billion—€441 billion in Germany, €142 billion in Switzerland, and €35 billion in Austria. This wave of maturing debt comes at a time of elevated interest rates, posing a significant refinancing challenge for many companies.

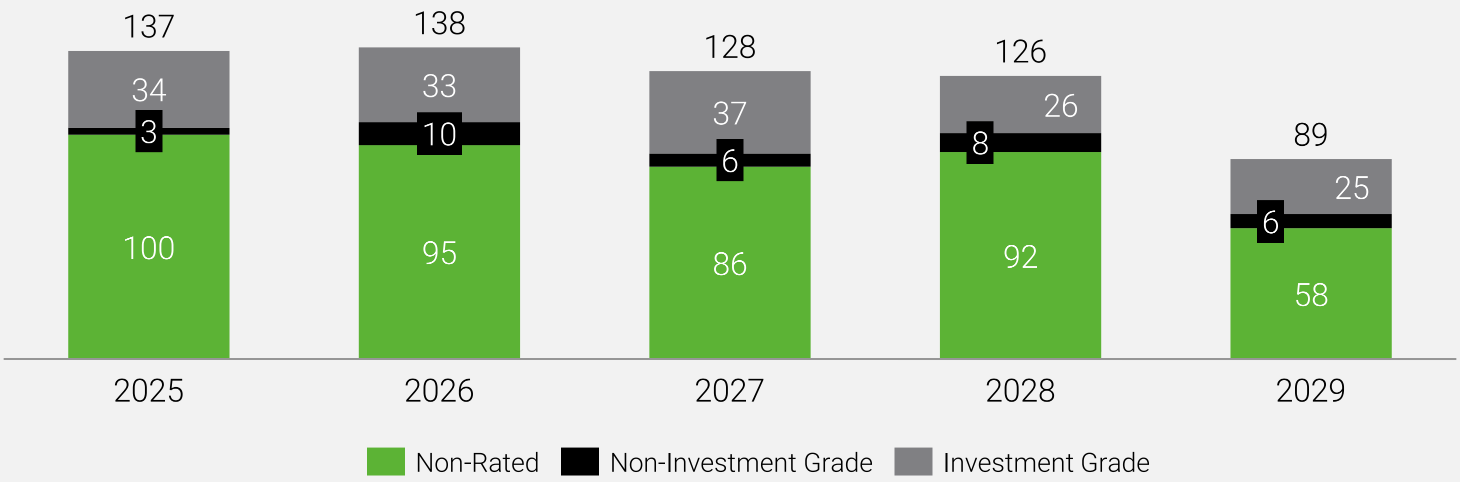
Over the next three years, corporate debt totaling €403 billion will mature in the DACH region. A large portion of this—70%—is held by non-rated companies. Investment-grade-rated firms account for 26% of the volume, while non-investment-grade companies represent the remaining 4%. In the current tighter credit environment, non-rated and non-investment-grade companies are likely to face increased scrutiny from lenders and more restrictive financing conditions.

FIGURE 3: TOTAL CORPORATE DEBT MATURING IN EUROPE BETWEEN 2025 AND 2029 (€BN)



Source: Capital IQ, FactSet, Refinitiv, Bloomberg
Note: Excluding Financial Services and Real Estate

FIGURE 4: DACH CORPORATE DEBT MATURITIES BY ISSUER CREDIT RATING (€BN)



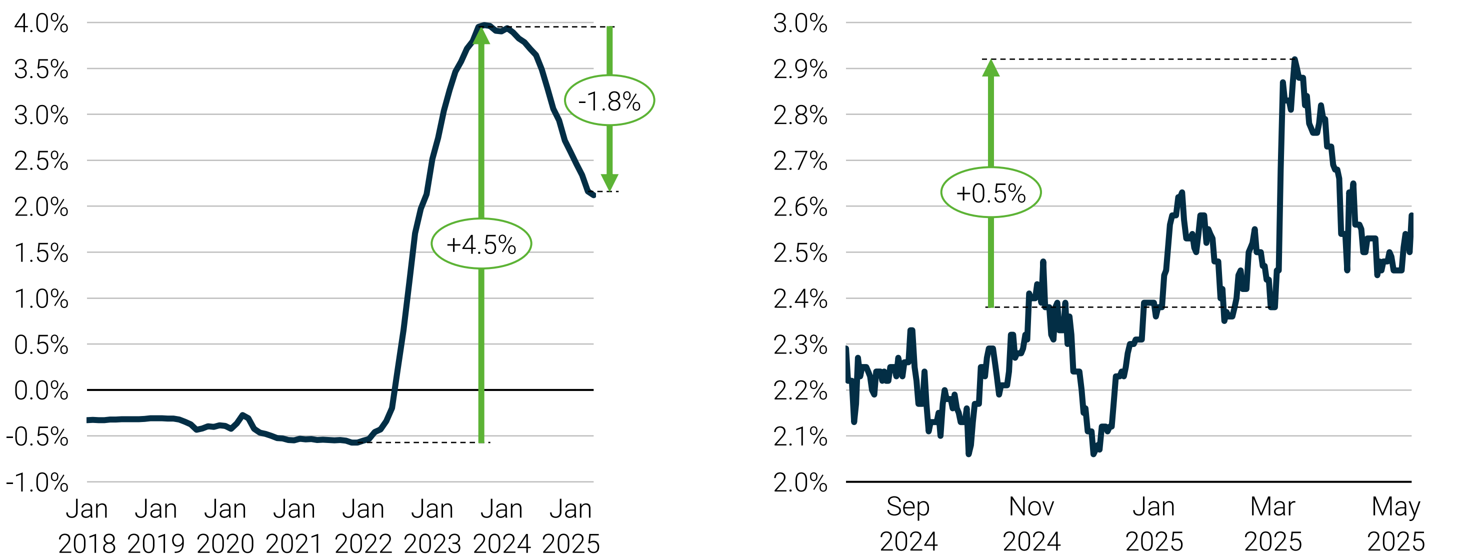
Source: Capital IQ, FactSet, Refinitiv, Bloomberg
Note: Excluding Financial Services and Real Estate sectors.

Refinancing at higher interest rates poses a significant challenge for highly leveraged companies, with the potential to strain balance sheets and limit financial flexibility. This added pressure could constrain investment in growth, innovation, and day-to-day operations—ultimately slowing business momentum across the region. As large volumes of debt near maturity, the DACH corporate sector faces a crucial test of its financial resilience.

FIGURE 5: INTEREST RATES DEVELOPMENT

Euribor 3-months (Jan18–May25)

German 10-year Government Bond Yields (Aug24–May25)



Source: European Central Bank, Deutsche Bundesbank, Bloomberg, S&P Global

DEBT MARKET TRENDS

LEVERAGED LOANS

In 2024, leveraged loan issuance in the DACH region totaled €454 billion, down from €514 billion in 2023 and well below the 2022 peak of €601 billion. While the market shows signs of stabilization, activity was driven by refinancing and repricing as companies optimize capital structures. Despite weaker LBO volumes, the growing M&A pipeline and refinancing momentum suggest a potential recovery. However, many banks in the region have written off significant real estate loans, depleting their equity and limiting their ability to lend across sectors. This could lead to tighter credit conditions, higher borrowing costs, and stricter lending criteria.

HIGH YIELD BONDS

High-yield bond issuance in the DACH region showed signs of recovery in 2024, reaching €93 billion—up from €81 billion in 2023 and a significant rebound from the low of €62 billion in 2022. The previous two years had seen a marked decline, particularly in Germany, as rising interest rates dampened issuance activity. During this period, refinancing dominated the market, with companies focusing on managing existing debt rather than seeking new capital. However, the uptick in 2024 suggests growing market stability, supported by improved corporate earnings and a more measured investor response to central bank policies, which had previously fueled volatility. At the same time, traditional funding sources have become harder to access, contributing to a shift in the market dynamics.

PRIVATE DEBT

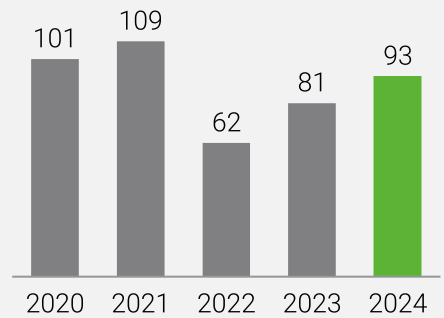
As traditional funding sources have become harder to access under favorable terms, borrowers and sponsors across the DACH region have increasingly turned to alternative financing, particularly direct lending. This shift has been driven by the constraints in syndicated loan markets, where direct lenders have stepped in to offer greater flexibility and faster execution—especially for larger transactions.

The impact of this transition is clearly reflected in the steady rise of European private debt funds with a focus on DACH, which have grown from a cumulative €36 billion in 2020 to €78 billion by 2024. This strong momentum in fundraising highlights the expanding role of private debt as a viable financing option.

FIGURE 6: DEBT ISSUANCE

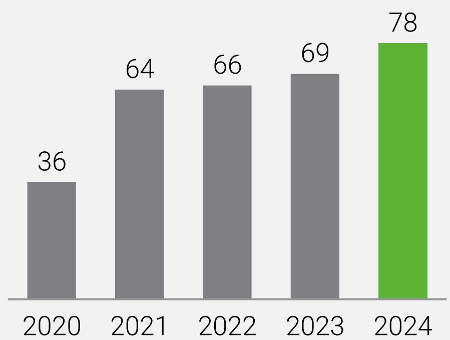
Leveraged loans issuance in DACH (€BN)

High-yield bonds issuance in DACH (€BN)



European Private Debt funds with focus on DACH (€BN)

CUMULATIVE

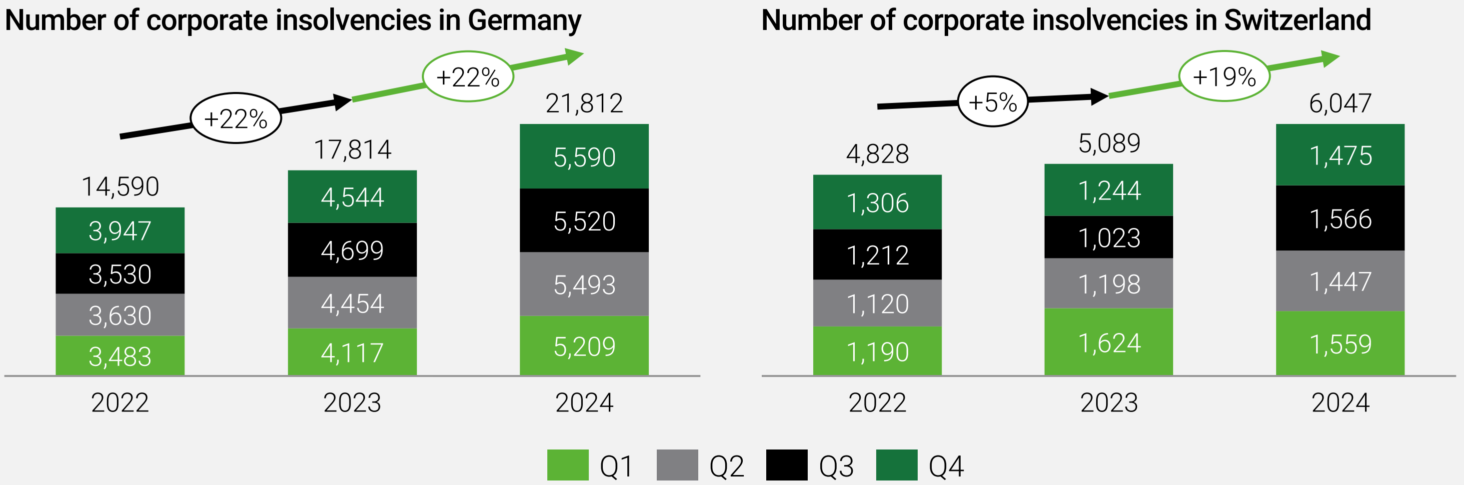


Source: Refinitiv, S&P Global, Pitchbook LCD, Capital IQ
Note: Excluding Financial Services and Real Estate sectors. Private Debt funds figure calculated following a cumulative method.

UNCERTAINTY AHEAD

Corporate defaults continue to rise as more companies struggle to absorb elevated interest expenses and refinance maturing debt. In Germany, corporate insolvencies rose 22% in 2024 to 21,812—still below the 2008–09 Global Financial Crisis average of 30,998 and the post-dot-com bubble average (2000-2003) of 34,354—but underscoring the persistent financial strain. This development is being driven by structural and cyclical challenges—including economic stagnation, rising wage demands in the wake of past inflation, elevated energy costs, and constrained fiscal capacity. Together, these factors have created a difficult operating environment, pushing an increasing number of businesses into insolvency.

FIGURE 7: CORPORATE INSOLVENCIES DEVELOPMENT IN GERMANY AND SWITZERLAND



Source: Creditreform, Destatis, Financial Times, Dun & Bradstreet, as of March 2025

Switzerland is also facing mounting financial strain. After a modest 5% increase in 2023, corporate insolvencies surged by 19% in 2024. Over-indebtedness remains a central issue, compounded by still-elevated, though slightly declining, interest rates and subdued economic activity. While the Swiss franc remained relatively stable against the Euro in 2024, its sustained strength continues to weigh on export-reliant firms facing weaker demand from key international markets, further challenging their competitiveness.

Meanwhile, although inflation has eased significantly from its 2022 peaks—falling to 2.2% in Germany and 1.1% in Switzerland in 2024—elevated input costs from prior years, coupled with lagging consumer demand, are still weighing on cash flows. Despite the recent moderation, the cumulative impact of sustained inflationary pressure, combined with tight financing conditions and broader macroeconomic uncertainty, keeps insolvency risk elevated across both Germany and Switzerland.

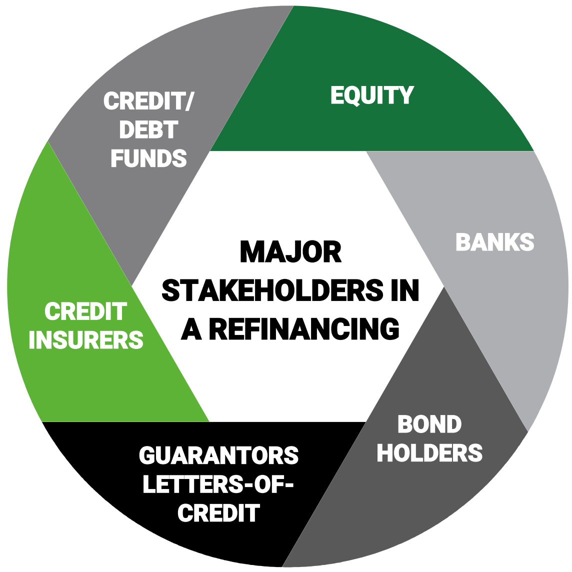
STAKEHOLDER MANAGEMENT IN REFINANCING

Refinancing is often complex due to diverse financing structures and stakeholder groups—banks, bondholders, guarantors, funds, and insurers—with overlapping roles and interests. Success depends on coordinated stakeholder and shareholder engagement, transparency, and a clear, executable plan. Early shareholder support, including financial contributions, can be pivotal in strengthening lender confidence and improving the capital structure.

The following key success factors for refinancing emerge:

- Regular communication and active maintenance of relationships with financiers to recognize their requirements in the financing process and prioritize the corresponding measures accordingly.
- Ensuring complete transparency about the company's situation and maintaining a consistent level of information with stakeholders to build trust.
- Developing a detailed understanding of the initial situation, expectations, and decision-making leeway of the individual financial stakeholders.
- Creating a realistic ("bankable") business plan that serves as the basis for refinancing, as well as a thorough analysis of debt sustainability, collateral, and potential additional collateral for financiers.
- Consistent implementation, systematic tracking, and regular review of progress in the agreed refinancing measures to adjust if necessary.

FIGURE 8: MAJOR STAKEHOLDERS IN A REFINANCING



Source: AlixPartners

FIGURE 9: ALIXPARTNERS' ROLE IN FINANCIAL RESTRUCTURING AND HOW WE SUPPORT OUR CLIENTS

CRITICAL WORKSTREAMS

INVESTMENT BANKS/ FINANCIAL ADVISORS

Focus:
Capital structure options, negotiations, debt and capital markets

Illustrative Responsibilities:

- Capital Structure
- Liability Management
- Manage M&A/Divestiture
- Valuation
- Investors/Sources of Capital
- Debt Capacity Analysis

- Financial Modeling
- Covenants
- Strategic Options
- Board Presentations
- Creditor Communication

AlixPartners DACH

Focus: Day-to-day management support, on-site coordinator of various restructuring workstreams, liquidity/treasury

Illustrative Responsibilities:

- Business Plan Development/Review
- Liquidity Management
- Creditor Diligence Management
- Contingency Planning
- Operational Improvement

- Board Advice
- Strategic Options
- Reporting/ Compliance
- Contingency Planning
- Stakeholder Management

LEGAL ADVISORS

Focus:
Negotiations and legal implementation

Illustrative Responsibilities:

- Stakeholder Negotiations
- Drafting Legal Documentation
- Advising Company's Board of Directors and Management
- Contingency Planning/ Preparation

Closely coordinated with financial and legal advisors

Source: AlixPartners

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ABOUT US

For more than 40 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.