AlixPartners

# The four warning signs of distress:

Spot signs early, find resolutions, preserve value

# Introduction

Asia-Pacific (APAC)'s diverse business ecosystem is full of growth opportunities. Yet, in this highly populated and dynamic market, dominated by both family-owned businesses and the world's largest corporations, risks to success run high. AlixPartners has analyzed data from across the region, drawing on decades of experience to identify early distress signals that require immediate attention from company stakeholders.

By combining an assessment of macroeconomic conditions, financial datasets, business trends across APAC, and our experience advising companies facing financial distress, we have identified four warning signs that every company stakeholder—from leaders to board members, financiers, lenders, and others—in the region should monitor:

1 Decreasing access to quality capital

2 Mismatch between EBITDA and cash

3 Missed milestones and targets

4 Senior management churn

Recognizing these warning signs early can provide stakeholders with valuable time to take corrective action, preserve value, and return companies to growth.

The analysis we've conducted in this report aims to help organizations across APAC build stronger, more resilient businesses, encourage positive and proactive interventions earlier, and prevent avoidable insolvencies and loss of corporate value.

By monitoring the four warning signs and responding decisively, stakeholders will be better equipped to help businesses **navigate uncertainty and position themselves for long-term growth in today's challenging APAC and global environments**.

**Lian Hoon Lim**
Asia Leader of Turnaround & Restructuring, Partner & Managing Director
Singapore, AlixPartners

# The Asia-Pacific challenges driving a need for turnaround and restructuring

APAC is one of the world's largest centers of business activity. Home to an estimated 60% of the global population[1], the region also accounts for a significant share of the world's businesses, many of which have substantial financing needs and strong growth potential.

Following persistently high inflation in the aftermath of the COVID-19 pandemic and other challenges, businesses in Asia are under strain. Company insolvencies rose by 39% in Asia in 2025, with even the global financial centers of Hong Kong and Singapore recording increases of 33%[2]. Conditions remain uncertain for many businesses in 2026.

## The backbone of APAC: Family businesses

The region is dominated by millions of small, family-owned businesses, with micro, small, and medium-sized enterprises (MSMEs) making up an estimated 97% of all companies in the region. The business landscape is colored by companies struggling to scale and professionalize their management infrastructure. This creates an additional layer of difficulty in navigating macroeconomic conditions and adjusting to volatile geopolitics.

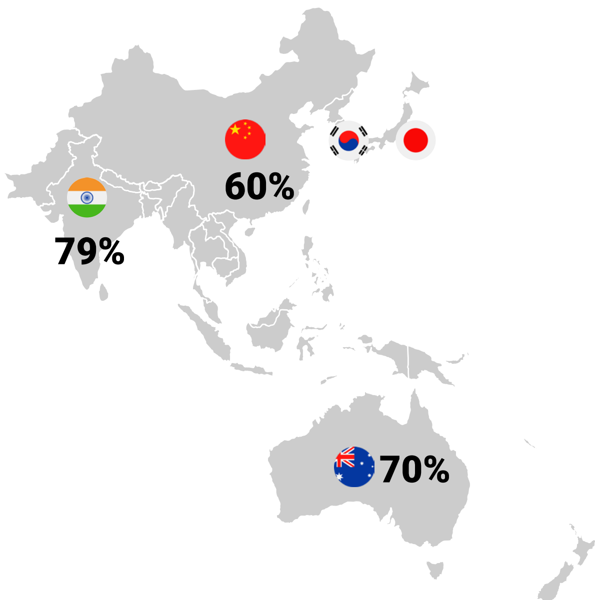
## Uneven exposure to headwinds

The exposure to global macroeconomic headwinds has not been felt evenly, highlighted by recent insolvency trends. While tech-exporting Taiwan and high-growth India saw large declines in business failures (24% and 27%, respectively), Australia posted a 14% jump in insolvencies[8].

## Composition of family businesses across APAC

In fast-growing India, family-run businesses account for around 79% of GDP[4]. In China, they contribute an estimated 60% or more of economic output[5].

They also continue to dominate the business landscape in South Korea[6] and Japan. In Australia, family businesses represent 70% of all companies and employ 50% of the national workforce[7].

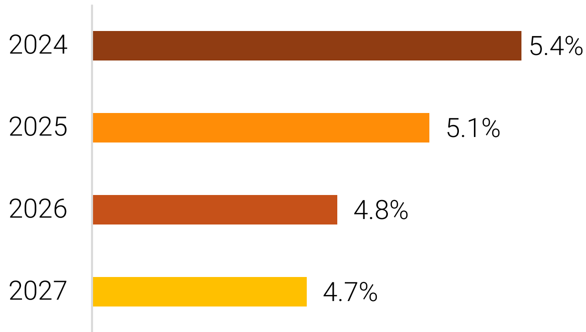



1. UNPFA Population Trends; UNFPA
2. Global Insolvency Outlook 2026-27; Allianz
3. Small and Medium Enterprises Working Group; Asia-Pacific Economic Cooperation
4. Family-owned businesses in Asia: Harmony through succession planning; HSBC
5. Understanding Family Businesses in China: the Path, the Trend, and the Future; IE China Center, Cheung Kong Graduate School of Business
6. A giant succession wave is coming for family businesses; The Economist
7. Why are 70% of all Australian businesses family owned?; Small Business Connections
8. Global Insolvency outlook 2026-27; Allianz

## Risk and volatility increasing in 2026

Inflationary pressures—resulting from conflict in the Middle East and subsequent energy crises—have spurred the Asian Development Bank to cut its growth forecast for developing Asia and the Pacific. Concurrently, central banks, including the Reserve Banks of Australia and New Zealand, have signaled further interest rate increases to curb persistent price pressures[9]. With stagflationary pressures mounting, there are early signs of increased demand for turnaround and restructuring consultations.

**Declining Asian development bank growth forecasts based on new reference scenario[10]:**




> "AI is also changing the world faster than most companies can plan for. The trend is clear, but the speed, scale and impact on day-to-day work are far less predictable. The best thing a company can do is build in flexibility and always have a contingency plan."
>
> **Una Ge, Partner & Managing Director, Hong Kong SAR, AlixPartners**

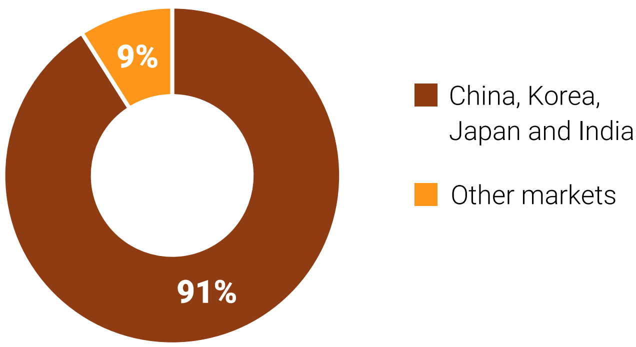
## AI disruption across all sectors

As rapid AI adoption transforms the landscape, capital requirements for new digital infrastructure are impacting balance sheets. Others are seeing their business models upended by the new technology as they seek ways to convert the promise of AI into profitability gains. In Australia, only 38% of leaders expect AI to improve manager effectiveness, and only 8% believe managers have the skills to use AI today[11]. Future-proofing and planning for the impact of AI should be a priority for business owners across the region.

## Rising vulnerabilities in APAC's debt financing landscape

Nearly one-fifth of all corporate debt is owed by firms with low interest coverage ratios, leaving many companies exposed to refinancing pressures as rates remain elevated[12]. Private credit has emerged as an alternative financing source. However, its deployment is concentrated in just four markets, limiting the breadth of relief available to stressed borrowers.

**Private credit investment between 2010 and 2024[13]**




Against this complex and shifting backdrop, AlixPartners has identified **the four warning signs of distress** that business leaders, financiers, shareholders, suppliers, and related parties must recognize before they escalate into critical strain and business insolvency.

9. Goldman's Freund sees early sign of Australia M&A rebound; Bloomberg
10. Asia and Pacific growth outlook sharply downgraded as Middle East conflict disruptions deepen; Asian Development Bank
11. Gartner survey reveals poor manager quality the top driver of employee turnover in Australia; Gartner
12. Asia Capital Markets Report 2025; OECD
13. Asia Capital Markets Report 2025; OEDC

## The four warning signs of distress

# 1 Decreasing access to quality capital

Asia remains a fundamentally bank-financed region, accounting for just 29% of the global corporate bond market and 5% of the global private debt markets[14]. Alternative financing channels are expanding, yet most companies still depend on banks and traditional debt markets.

Given many Asian businesses remain privately or family-owned, there is often less transparency regarding their sources of capital and related debt-financing risks, which can be an early indicator of corporate distress. As a result, stakeholders may need to work harder to evaluate risks, particularly when non-bank financing is involved.

In some APAC markets, such as Australia, private credit financing has gained share as high-quality financing options recede. As bank lending conditions remain tight, companies are looking further down the risk spectrum by seeking funding from lower-quality sources at higher interest rates.

**Risk profile of financing sources**

### Banks

Low risk and high-quality funding; generally sophisticated in understanding the risks associated with debt.

### Institutional bond-holders

High-quality capital; can provide larger amounts if bank appetite declines.

### Private capital

Family offices and private wealth introduce more risk, but less than public financing.

### Public financing

Highest risk and often the last resort when institutional financing is unavailable.

"With public companies, you have greater visibility regarding the sources of capital they are accessing to fund their business. When companies start tapping higher-cost debt providers or less sophisticated retail investors for additional funding, it can indicate that a company's banks or shareholders are no longer willing to commit additional capital. This lack of additional support from stakeholders familiar with the company may stem from concerns about the company's performance and prospects. With private companies, this dynamic may be less obvious requiring additional diligence to fully understand and assess the associated risks."

**Patrick Bance, Partner & Managing Director, Singapore, AlixPartners**

"In Greater China, one of the clearest signs that access to quality capital is drying up is the retreat of foreign investors. After recovering only a fraction of their investments from many property-sector defaults since 2021, U.S. funds are no longer focused on whether the next opportunity offers attractive returns. Instead, they are asking two fundamental questions: have we recovered value from existing investments and, if not, why commit additional capital? For many, the answer to both is no. When overseas lenders stop engaging with a borrower, it is more than a company-specific issue—it reflects a broader reassessment of risk across an entire sector."

**Una Ge, Partner & Managing Director, Hong Kong SAR, AlixPartners**

14. Asia Capital Markets Report 2025; OECD

The shift away from bank financing is likely to heighten risks in the years to come.

"In Australia, we're seeing businesses shift away from the big four banks towards private credit. This costs more, but it can shoulder greater risk. The difficulty is that, in many cases, this defers problems rather than resolving them: the debt, and the restructuring that can follow, are simply pushed down the road. For many companies, an uncomfortable restructuring is deferred, not avoided."

**Peter Saville, Australia Country Leader, Partner & Managing Director, AlixPartners**

# Case study: Hyflux

The collapse of Singapore's homegrown water technology company, Hyflux Ltd, illustrates how access to capital can narrow and ultimately close. Founded in 1989 and once celebrated as a homegrown champion, the SGX Mainboard-listed company made an ambitious bet with its S$1.05 billion Tuaspring Integrated Water and Power Plant in 2011, which paired contracted desalination revenue with electricity sales. Hyflux secured project financing of ~$720m and needed to raise additional funds to cover the remaining construction costs. After amassing significant debt with international lenders, Hyflux turned to retail investors and issued retail bonds, preference shares, and perpetual securities to fund cost overruns on major projects and ongoing negative cash flow.

When wholesale electricity prices collapsed, the Tuaspring project turned from a projected cash flow engine into a financial drain. By the time Hyflux filed for court protection in May 2018, every conventional funding option had closed. Project finance lenders faced potential shortfalls in loan recoveries; banks that had provided working capital loans were facing recoveries of less than 10c on the dollar; and perpetual security and preference shareholders were likely to recover nothing from their investments.

# 2 Mismatch between EBITDA and cash

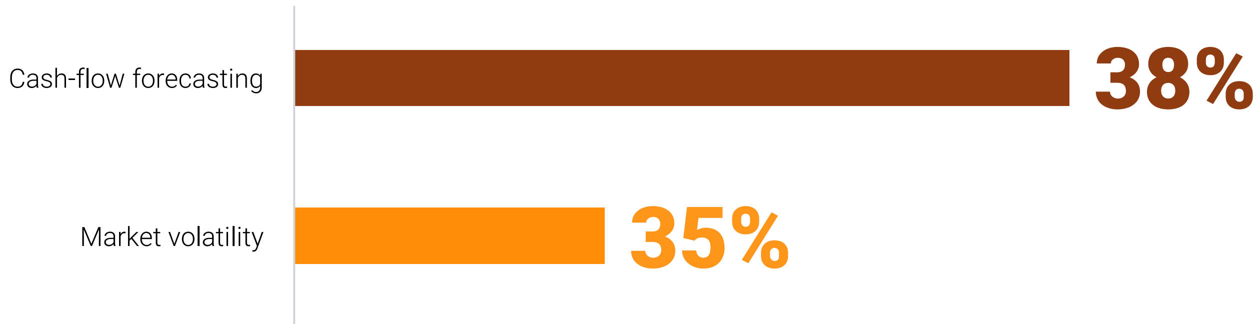
Earnings before interest, taxation, depreciation, and amortization (EBITDA) is a widely used measure of company profitability, but it does not always capture whether a company has sufficient cash flow to service debt.

Nearly one-fifth of total Asian corporate debt is owed by firms with low interest coverage ratios, suggesting pressure on many companies where EBITDA alone does not tell the full story[15]. With EBITDA excluding the costs of financing, taxes, and asset aging, company stakeholders should carefully review each business's debt-servicing capabilities.

## Liquidity management concerns

Liquidity management remains a core concern for APAC Chief Financial Officers (CFOs) and treasurers.

**CFO biggest challenges[16]**




In a region characterized by diverse markets, rapid expansion, and frequent currency swings, maintaining clear visibility over cash flows is essential for building resilience, ensuring stakeholder confidence, and capturing opportunities[17].

Liquidity management is an increasing concern for companies in Australia, particularly in capital-intensive sectors such as construction.

> "Too many board members assume that EBITDA equals cash. And in many industries, it's a good proxy. However, there are many industries where that is not the case. This is why it's so important to understand cash flow and cash on hand—if this starts to run short, there's an issue to be addressed."
>
> **Lian Hoon Lim, Partner & Managing Director, Singapore, AlixPartners**

15. Asia Capital Markets Report 2025; OEDC
16. The CFO View: Asia-Pacific Outlook 2026; J.P.Morgan
17. The CFO View: Asia-Pacific Outlook 2026; J.P.Morgan

"The troubles in the Australian construction sector over recent years are a textbook example of the mismatch between EBITDA and cash. Contractors report positive EBITDA, but for fixed-price contracts, the cash needed to keep the business running can drain away long before the EBITDA figures catch up. This has been all the more true as post-COVID cost inflation pushes expenses higher."

**Peter Saville, Australia Country Leader, Partner & Managing Director, AlixPartners**

"A persistent mismatch between EBITDA and cash generation is the surest warning sign. As an early client said to me, 'It's never too early to start worrying about cash.'"

**Matt Hinds, Partner & Managing Director, Singapore, AlixPartners**

# Case study: Noble Group

Once Asia's largest commodity trader, with reporting revenues exceeding US$80 billion at its 2011 peak, Hong Kong-based Noble Group is a defining illustration of why EBITDA is an insufficient measure of financial health. The company's collapse was rooted in an accounting model that overstated financial health through treatments that Noble maintained were compliant with accounting standards.

The divergence between EBITDA and operating cash flows was driven by the surging fair value of unrealized commodity contracts. The paper gains reflected in EBITDA figures had not translated into cash. When this was exposed by an activist research firm in February 2015, the resulting crisis of confidence triggered credit downgrades, a collapse in share price, and an accelerating liquidity squeeze. This, along with the fundamental mismatch between profitability and cash flows, led to liquidity-driven payment defaults.

By 2017, the company was forced to reverse years of accounting gains that had sustained Noble's reported profitability. The company reported its largest full-year loss of US$4.9 billion as a result and entered a debt restructuring in 2018. A complex restructuring was finally resolved years later with a successful sale to Vitol BV, and investigations culminated in a S$12.6 million fine in 2022 for publishing misleading financial statements.

# 3 Missed milestones and targets

As past high-profile corporate failures demonstrate, missed targets, milestones, and shareholder commitments are important warning signs for company stakeholders to monitor.

While operational setbacks can be concerning, the most significant warning signals typically arise when companies fail to meet commitments to shareholders, lenders, or investors. Missed IPO timelines, fundraising targets, debt covenants or repayment obligations can quickly erode confidence and impact access to capital—placing additional strain on a company's financial position.

Lenders, suppliers, and other key company stakeholders should consistently monitor whether a business meets financial targets over time.

**By tracking performance against key forecasts, including**

- Production targets
- Capex budgets
- Timely filing of audited accounts

**Stakeholders can assess financial performance and the reliability of management's projections.**

Delays in filing accounts are a particularly telling signal. Companies including Luckin Coffee (which delayed filings following its 2020 accounting fraud scandal[18]) and Evergrande (which missed multiple filing deadlines as its liquidity crisis deepened in 2021-2022[19]) have demonstrated that an inability or unwillingness to produce timely financial statements frequently precedes or accompanies deeper financial distress.

"Missing milestones and targets can be a key indicator of broader issues with a business. Delayed statutory filings and delayed or downsized fundraising efforts can be an early warning sign of potential disagreements about asset valuation, business performance, forecast cashflows, and investor confidence in the company."

**Patrick Bance, Partner & Managing Director, Singapore, AlixPartners**

"A company that constantly budgets and forecasts better performance than it actually delivers is a bigger red flag. You simply don't believe the forecast going forward, if they have a track record of missing it."

**Matt Hinds, Partner & Managing Director, Singapore, AlixPartners.**

# Case study: Ravenswood Gold Mine

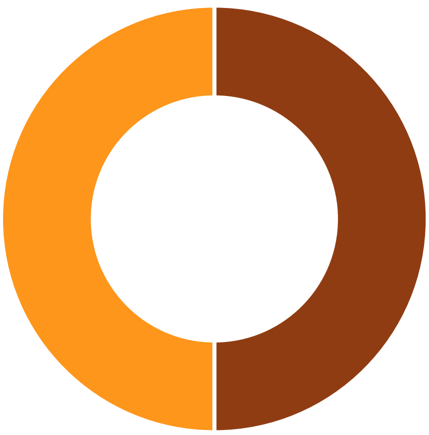
In some cases, warning signs present as operational, but there are underlying financial issues. For example, Ravenswood Gold Mine in Queensland, Australia, jointly owned by Singapore-listed Golden Energy and Resources and EMR Capital, repeatedly pushed back its production ramp-up target of 200,000 ounces per year, a milestone originally set at acquisition in 2020 that remains unachieved six years later. The delay was not primarily an operational failure, but one relating to financial structure, as a legacy hedge book set at below-market gold prices consumed cash that should have funded operational ramp-up. The misaligned structure ultimately drove the company to the brink of receivership in early 2026 before a US$35 million refinancing was secured.

### Early identification

Several APAC regulators have introduced policies to encourage company directors to identify distress early and pursue proactive restructuring options. Australia's Safe Harbour Regime, introduced in 2017, protects directors from personal liability if they demonstrate they are actively pursuing restructuring plans which are reasonably likely to deliver a better outcome than insolvency. The framework aims to encourage early identification of distress, such as missed milestones and targets, to improve corporate turnaround efforts. However, uptake has been limited since its adoption[20].

Against an uncertain macroeconomic and geopolitical backdrop, stakeholders are encouraged to be vigilant about missed company milestones.

### Expectations of increasing insolvencies



**50%**

of businesses across Asia expect B2B customer insolvencies to increase[21]

Rising insolvency expectations point to a greater risk of missed trading targets across the region[22].

18. Luckin Coffee Delays Its Annual Report, Citing Pandemic, Bloomberg News
19. Evergrande's crisis continues: $2 billion seized, earnings delayed, CNN
20. Safe Harbour From Insolvent Trading In Australia; Clifford Chance
21. B2B payment practices trends in Asia 2025; Atradius
22. B2B payment practices trends in Asia 2025; Atradius

# 4 Senior management churn

A stable management team with a clear, cohesive strategy is a positive sign for any business, whereas senior management turnover is often an early sign of company distress. The process of replacing departing leaders is highly disruptive to the normal functioning of business and can set a company's progress back by as much as 12 months. Even if senior departures occur only once every few years, they can signal a lack of strategy and the ability to execute over the entire period.

## Succession planning in family businesses

Leadership stability is the norm rather than the exception.

In such an environment, where senior leadership is typically far more stable, any departure, particularly one involving a family member, should be treated as a red flag and prompt immediate questions about the company's strategy, succession planning, and direction.

In Hong Kong, for example,

**48%**

of CEOs are appointed after more than 10 years inside the company and 13% are founders or co-founders[23], reflecting a strong preference for continuity and insider succession.

"If you are seeing increasingly high levels of management churn, the thing you are going to worry about is that they are not getting rid of those who are responsible for poor performance. It is the good ones who will go somewhere else. And management churn, in itself, is disruptive."

**Matt Hinds, Partner & Managing Director, Singapore, AlixPartners**

"A degree of senior management churn is, in truth, healthy; the departure of a CFO, however, is worthy of more attention. When a CFO is replaced by a more junior internal appointment or is found to have left over a disagreement on financial strategy, that is precisely the moment the market should be posing hard questions to the board."

**Peter Saville, Australia Country Leader, Partner & Managing Director, AlixPartners**

## Family succession challenges

In markets dominated by family businesses, clear succession planning can be a material risk factor. The concentration of strategic decision-making, institutional knowledge, and key relationships in the hands of a single patriarch or matriarch means that an unplanned or contested transition can rapidly destabilize an otherwise healthy business. As such, stakeholders should also treat the absence of a credible, communicated succession plan as a warning sign.

## Planning for succession

**52%**

of family business leaders in Asia have not yet planned for succession[24]

> "A lot of Chinese companies are family-run, where the business is often seen as part of the family's legacy, so the instinct to keep it in family hands is very strong. The issue is whether the right succession planning is in place and being executed. In many cases, formal succession planning remains limited. The more resilient approach is likely to be one that retains family ownership but combines it with stronger governance and professional management—a shift that some Hong Kong family businesses are still in the process of making."
>
> **Una Ge, Partner & Managing Director, Hong Kong SAR, AlixPartners**

24. Family-owned businesses in Asia: Harmony through succession planning 2025; HSBC

# Conclusion

## Distress signals are an opportunity to act

At AlixPartners, we know that business failures are not caused by a single event. More often, they result from warning signs that were visible but not addressed early enough.

The four warning signs outlined in this report:

- Declining access to quality capital
- A mismatch between EBITDA and cash
- Missed milestones and targets
- Senior management churn

These signals should be viewed as **imperatives for action**, rather than concerns to be monitored from the sidelines.

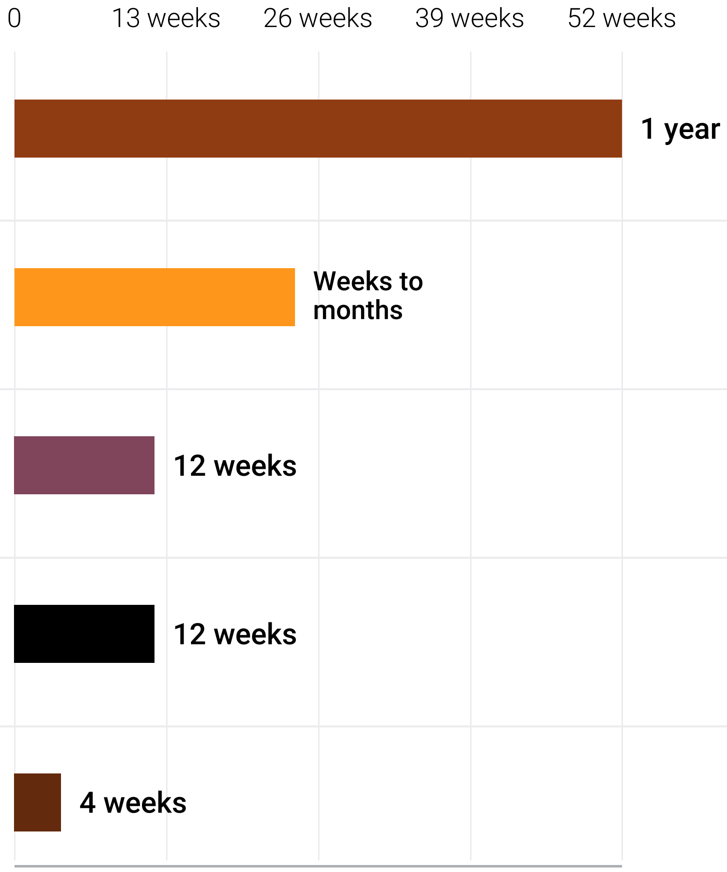
## Take control early before options narrow

Through decades of working with firms across APAC, where there are multiple regulatory and corporate structures, we know that when signs of distress emerge, time becomes a critical asset regardless of jurisdiction. Stakeholders who act early have access to a broader set of value-preserving interventions, while those who delay often find themselves resorting to increasingly disruptive measures.

The organizations that emerge strongest are often those that recognize the signals early, confront difficult realities quickly, and act decisively before circumstances force their hand.

### Turnaround levers take time to implement:

Levers to ease distress—ordered from slowest to fastest time to see impact




| Lever | Why |
|---|---|
| Supply chain | Requires a longer time frame to see changes that drive impact |
| Sales | Changes take at least one sales cycle to see results in the second sales cycle |
| Manufacturing | Roughly three months required to see improvements in manufacturing yield |
| Procurement | Initiatives to “buy better” can have a significant impact on the bottom line |
| Headcount reduction | Can quickly drive cost savings, but cash is required for severance packages |

# Looking ahead

The restructuring landscape across APAC continues to evolve. Singapore is enhancing its restructuring framework, Hong Kong is advancing long-awaited corporate rescue reforms, and India is pursuing significant insolvency law amendments to accelerate resolutions and improve cross-border coordination. At the same time, the rise of private credit and growing regulatory expectations on boards and management teams are reshaping how distressed situations unfold.

We believe that early intervention is the single most effective tool for preserving value, protecting stakeholders, and restoring businesses to sustainable growth.

---

**How AlixPartners can help**

AlixPartners' Asia-Pacific Turnaround and Restructuring team is an expert in the region. Comprised of a senior leadership team with decades of experience counseling clients across APAC and globally, we are embedded in the markets and sectors where we advise clients. Backed by the global prowess of AlixPartners, we provide solid advice backed by hands-on experience.

Our work includes acquisitions, debt financing and restructurings, divestitures, and successful bankruptcy reorganizations.

Over the past 40 years, we've brought our expertise to stakeholders across Asia on some of the most complex and high-profile bankruptcies and restructurings, assisting companies as they contend with financial, strategic, and operational challenges.

Today, we are a leading global provider of turnaround and restructuring services, helping companies across a wide spectrum of bankruptcy activities reach their financial and operational goals as we guide them through turbulence.

AlixPartners

## Contact the authors


**Lian Hoon Lim**
Partner & Managing Director,
Singapore, AlixPartners
llim@alixpartners.com

**Una Ge**
Partner & Managing Director,
Greater China, AlixPartners
jge@alixpartners.com

**Matt Hinds**
Partner & Managing Director,
Singapore, AlixPartners
mhinds@alixpartners.com

**Masashi Niwa**
Partner & Managing Director,
Tokyo, AlixPartners
mniwa@alixpartners.com

**Patrick Bance**
Partner & Managing Director,
Singapore, AlixPartners
pbance@alixpartners.com

**Peter Saville**
Partner & Managing Director,
Australia, AlixPartners
psaville@alixpartners.com


## 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.