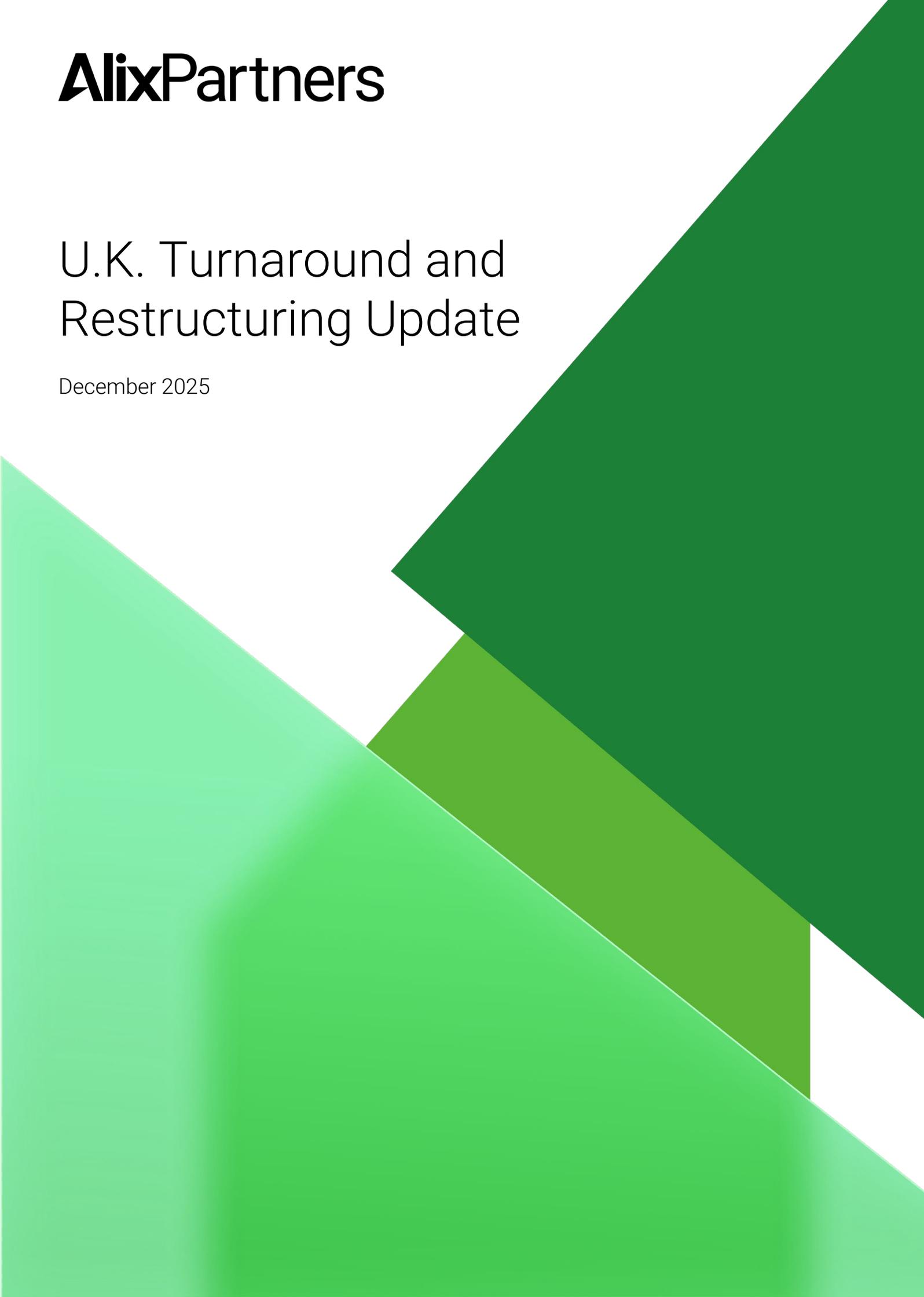


AlixPartners

U.K. Turnaround and Restructuring Update

December 2025



Welcome...



...to the final edition of AlixPartners' U.K. Turnaround and Restructuring Update for 2025

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

2025 has been characterised by significant geopolitical adjustments, which have reinforced how such macroeconomic shifts are now central to business disruption, rather than simply background noise.

I have seen that the most resilient organisations to emerge from this period are those that can pivot quickly, communicate transparently, and empower their teams to move forward despite such uncertainty. Agility and scenario planning are not just best practices – they're essential survival skills in a world where elections and policy shifts can upend the status quo overnight.

Of course, the impacts of economic policy and overall market conditions ripple through to consumers, too. We expect only a modest increase above inflation in spending in the U.K. in the run-up to Christmas and our [2026 Global Consumer Outlook](#), released earlier this month, suggests that consumer sentiment – and associated spending – will once again remain constrained for the year ahead.

This presents challenges for consumer-facing businesses as they compete for increased share of tightened wallets. While grocery may hold relatively firm, we see threats emerging for operators in the hospitality, travel, and non-food retail sectors. Unlocking like-for-like volume growth in a suppressed retail market will require a "turnaround mindset" to ensure success in 2026.

TEAM GROWTH AND MARKET RECOGNITION

More broadly, we have seen the restructuring market pick up quite significantly during Q4, reflecting these global macro trends and more localised headwinds. Beyond the U.K., debt refinancing pressures continue to rise, and are particularly pronounced in the chemicals sector, [where a €3.4 billion maturity wall looms large](#) for next year.

In addition, November's [Cost Inflation Outlook](#) presents a mixed picture for input costs across industries, challenging traditional procurement approaches and demanding new strategies for cost management, risk mitigation, and competitive advantage.

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TEAM GROWTH AND MARKET RECOGNITION

As 2025 draws to a close, we were thrilled to receive industry recognition at the annual IFT awards for Large Turnaround of the Year, in relation to our work with SGS. This is the second year in a row that we have secured this accolade, following 2024's victory for our engagement with Four Seasons Healthcare. My congratulations go out to all of the team involved.

Looking forward, another challenging yet exciting year is ahead of us, and we continue to expand and develop our team to bring the very best of our firm to the clients we serve every day.

To that end, I am delighted to celebrate annual promotions within AlixPartners' U.K. TRS community, with Richard Harrison transitioning to Partner & Managing Director, and Chris Duffy and Steve Maskell stepping into Partner roles. Anneka Brown, Alison Curry, Alex Godfrey, Victoria Maitland, Gemma Smith, and Luke Stephenson have also been promoted to Director, with all effective from 1 January 2026.

As always, I hope you find this edition informative. Please get in touch with myself or the wider team if you would like to discuss any of the themes raised in this issue, and I wish you all the very best for the holiday season ahead.

IN THIS EDITION:

- **Post-budget industry perspectives**
- **Consolidation on the horizon for U.K. altnets?**
- **Disruption and distress in U.K. Higher Education**

Post-budget perspectives from our industry leaders

Retail



Matt Clark
Partner and
Managing Director

The timing and execution of this Budget remains a significant challenge for the retail industry. While there were no major surprises this year, consumer and business confidence – already unsettled by weeks of speculation – remains low.

Consumers face a very mixed picture. Lower-income consumers, especially those on welfare, will feel most positive and therefore more willing to part with their money, while middle- and higher-income consumers will feel more reluctant as they navigate the effects of the freeze on tax thresholds, the cap on salary-sacrifice pension contributions, and the smorgasbord of additional tax increases. As a result, retailers are likely to see a differentiated response in discretionary spending based on their target customer: value-led retailers may see an uptick in sales, while those in the more premium space could see a dip.

From a retailer perspective, it was a relief that most the measures in the Budget were heavily anticipated: 'no surprise' being a good outcome. Small-store retailers will welcome the drop in business rates, although the additional business rates on large stores will hit supermarkets and anchor stores in malls. As many large-store retail businesses tend to operate with lower margins, this could lead to closures and further impact on footfall where those stores exist. Additionally, the slightly unexpected 8% increase in the youth National Living Wage will cause all retailers to reconsider whether they hire younger employees, who make up a significant proportion of the workforce – especially given the impact of the Employment Rights Bill. Retailers may find themselves accelerating automation options, with fewer younger people finding their first job in the sector as a result.



Hospitality and Leisure



Graeme Smith
Partner and
Managing Director

The Budget brought mixed news for the hospitality space. The reduction of business rates for smaller properties will undoubtedly be welcomed by the industry. However, increases to the National Minimum Wage and a new tourism tax come at a time when the hospitality industry is already under significant pressure.

The sector has been grappling with cost and tax changes introduced in April, alongside rising consumer uncertainty – an issue unlikely to ease following the announcement of further consumer tax hikes.

While hospitality has demonstrated resilience through recent years of disruption, that resilience is being tested like never before. Operators are now likely to face higher labour costs and continued input cost inflation from their supply chain. In response, operators will need to reassess pricing, menus, and workforce planning without pushing prices beyond what consumers can absorb in an already challenging economic period.

All of this may lead to further restructurings as companies move to reduce costs and central overheads and exit uneconomic sites. In this environment, it is critical for businesses to identify the actions that matter most – and where to take them – to mitigate the additional financial burden and safeguard long-term competitiveness.

Automotive



Andrew Bergbaum
Partner and
Managing Director

The Budget delivered a complex mix of measures for an automotive industry already navigating intense disruption.

While the continued freeze on fuel duty, expansion of the electric car grant, and increase in the ECS threshold for electric vehicles offered welcome news, the Budget fell short of the boost many had hoped for. A significant rise in Vehicle Excise Duty brings bad news for consumers and the industry alike, while the proposed 'pay-per-mile' scheme risks tempering momentum in EV sales at a time when the U.K. market remains fragile and the industry is striving to meet Net Zero targets.

Notably, the higher tax rate for battery electric vehicles compared to the rate for plug-in hybrids could incentivise hybrid purchases over fully electric models – potentially shifting consumer behaviour in the months ahead. These changes will shape how businesses plan, invest, and engage with consumers, with policies affecting electrification costs set to redefine adoption patterns and prompt strategic reviews across the sector.

Against this backdrop, the industry faces a delicate balancing act: managing disruption while accelerating the transition to electrification. U.K. manufacturers continue to grapple with high energy costs, skills shortages, and supply chain fragility. To remain competitive, leaders must prioritise targeted skills investment, operational efficiency, and modernised manufacturing practices.

Commercial reality check raises consolidation prospects for U.K. altnets



Stuart Cockburn
Partner



Tom Miller
Partner



Chris Duffy
Partner



Kristian Williams
Vice President

The U.K. altnet (alternative fibre broadband networks) sector is moving closer to further consolidation as the focus on commercialisation sharpens.

Since 2023, the sector has been moving away from a singular push to grow networks, with altnet financing activity slowing considerably into 2024. By early 2025, debt volumes for financing had fallen to around £170m across a handful of deals.

The cooling funding context and reassessment of the sector’s potential have led banks to set aside funds to cover potential defaults and completely rethink altnet strategies. Companies are no longer judged on their network expansion capability; it’s now a question of commercialising existing infrastructure. The outcome is a sector marked by inconsistent core business foundations, with some companies far better placed to succeed with this new strategic focus, intensifying M&A expectations.

Amidst the drop-off in debt financing, CityFibre announced in July that it had secured £500m in new equity and had agreed with lenders to an expansion

of its debt facility up to £960m. A specific line of £800 million “accordion” funding has been agreed to finance the company’s “M&A pipeline and cement its position as the sector consolidator.”

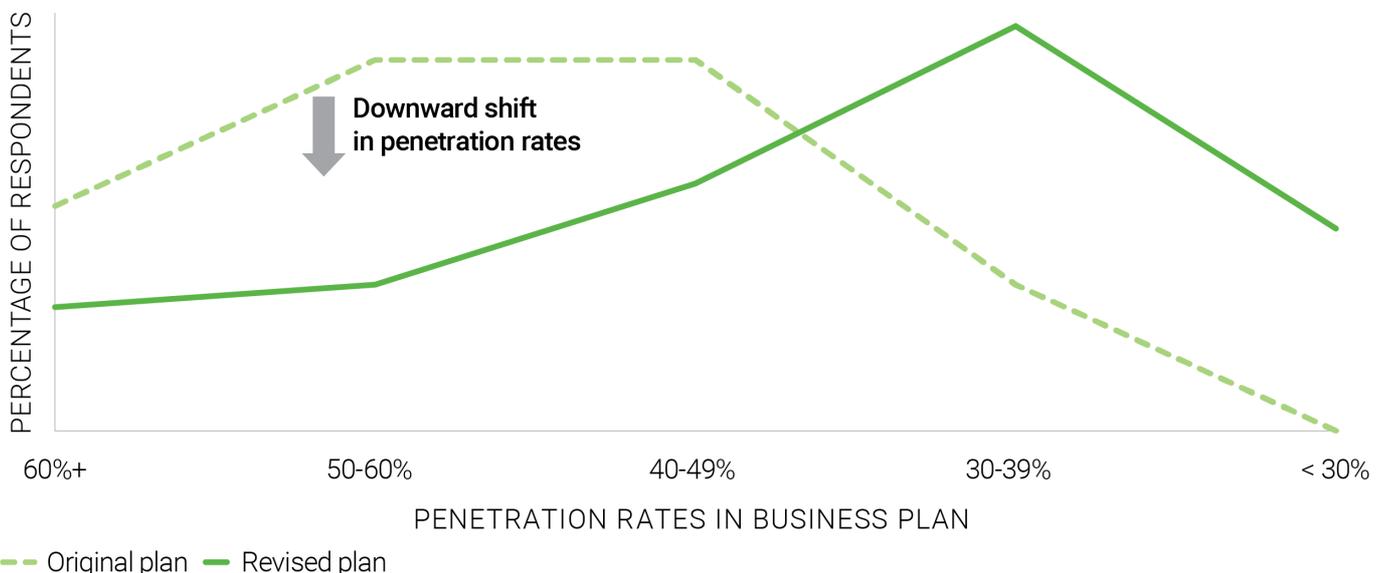
Is an uptick in altnet M&A therefore imminent? The current waiting state is likely to be due to valuation gaps, as buyers’ perspectives have fallen out of sync with sellers’ projections and scrutiny is locked onto consumer take-up, cost to serve, and integration overheads. However, looming refinancing and a growing consensus on today’s altnet opportunity could soon push the market into action.

Realism around market penetration

Few altnets planned for their current situation, but growth-focused business models built on high penetration rates haven’t materialised. Our 2025 European Fibre Survey highlighted how much expectations have changed. Pre-2024, no altnets targeted penetration lower than 30%; the majority were targeting 40% to 60%+. However, as we entered 2025, our survey respondents were more likely to target penetration levels between 30-50% or sub-30%.

FIGURE 1: PENETRATION RATES ARE BEING REVISED DOWNWARDS

Original vs. Revised target penetration



Source: AlixPartners’ European Fibre Survey

These rates are a measure of progress in turning network coverage into customer revenue and reflect the difficulty that businesses have had in achieving that goal.

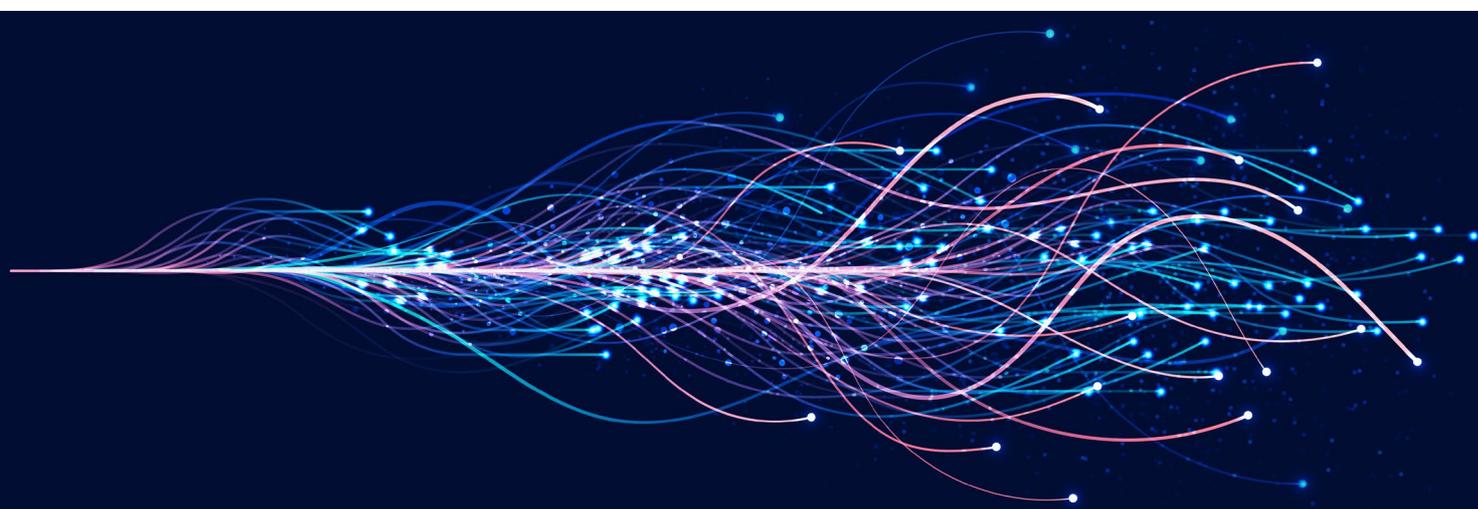
A combination of regulatory inertia and weaker demand than expected for ultrafast connection speeds has contributed to delays in switching off copper connections, suppressing demand. Incumbent companies have retained more of their existing customers than first envisaged, who have no need to switch to full fibre services.

Competition has also been greater than anticipated, from new entrants and the aggressive strategies of the existing providers. Estimates suggest that the combined network coverage targets of the U.K. altnets, if realised, would have connected 100 million homes, more than triple the number of homes in the U.K.

This level of fibre performance and realisation of a new market reality comes at a time when lending to altnets is estimated to have reached £1 billion, with much of that debt approaching maturity.

In a sign of how stressed some situations have become, funds are being set aside to cover loans and creditors have entered talks over repayments. These talks are likely to cover shareholder cash injections, debt-for-equity swaps, or extended credit facilities. However, the structural imbalances in the sector – too many operators, overbuild, and increasing costs – mean lenders are pushing for sponsor-led funding injections rather than taking on ownership.

Consolidation could be the way to rebalance the market, driving cost efficiencies and strengthening returns.



Taking positions

In the first half of 2025, an industry survey revealed 96% of altnets were considering M&A or partnerships, signalling that preparations were underway for transactions.

The changing focus that has swept through the sector means that any transactions will now be negotiated around monetisation, installation costs, and platform resilience rather than simple coverage statistics.

Investors are scrutinising the downward pressure on average revenue per user (ARPU), customer lifetime value, and operational gearing with unprecedented intensity. Net debt per home passed is a key value indicator – revealing how efficiently capital is deployed by altnets and, while it averages at more than £500, it varies significantly across companies, from £263 to more than £1,000. These figures are clearly impacted by location – rural-focused altnets have much higher build costs vs altnets focused on dense urban/suburban builds. Net debt per home

connected is even higher at more than £4,000, on average. [1]

Consolidation activity in 2024 and 2025 has been underpinned by technical alignment, clear integration theses and the ability to compete effectively through combining mid-sized footprints. As mentioned earlier, CityFibre’s new financing package positions the company as a primary consolidator, with Netomnia also exploring acquisitions with new debt and investor financing that brings its total debt funding to £1.2 billion.

These cases underscore the contrast between wholesale and integrated approaches. The business model adopted can greatly influence how straightforward M&A and integration processes will be, as well as the likelihood of post-merger success if you are one or the other, rather than mixing the two. This difference in business model is evident here, with Netomnia facing competition from Sky, whereas CityFibre benefits from a partnership with them.

[1] Enders analysis: Altnets in the U.K. – Consolidation endgame, June 2023

Improving positions

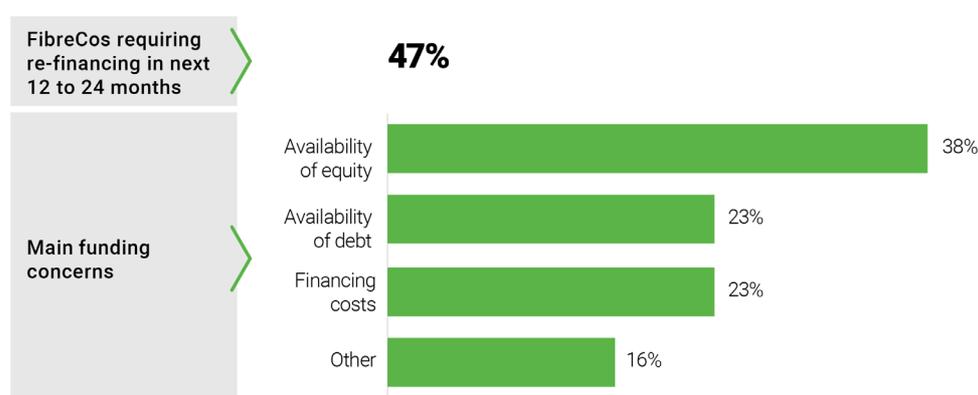
Significant obstacles must be overcome for a wave of consolidation to be triggered throughout the U.K. altnet market.

Some sellers may already have chosen to adjust their value expectations, but some are still anchored to pre-2022 perspectives, framed by peak valuations based on build metrics. However, the view looks very different on the buy side.

This valuation disconnect continues to impede transaction progress, alongside a mismatch among sitting investors around timelines, return expectations, and governance. This is compounded by transactional and governance complexity, which is a result of altnet ownership structures via special purpose vehicles (SPV) or holding companies. Many shareholders may soon be faced with the prospect of putting in more money or the risk of losing what's already been put in.

While there is some distance to travel over valuation and fundamentals, a sense of urgency is growing as the need to refinance nears. Our European Fibre Market Survey also showed that 47% of U.K. fibre companies would be refinancing a significant proportion of their debt and/or equity by 2026; we expect this to be significantly higher in our forthcoming 2026 European Fibre Market Survey. This refinancing pressure may force more realistic valuations and accelerate the consolidation process.

FIGURE 2: FUNDING IS A KEY ISSUE IN BOTH U.K.



Source: AlixPartners' European Fibre Survey

But that consolidation comes with inherent complexity:

- **Transaction complexity:**
 - Ownership structures with minority investors mean complex legal negotiations, creditor consents, and potential restructuring of security positions
 - Debt in the sector must be successfully navigated by acquirers, including addressing covenant structures
- **Operational / Integration complexity:**
 - A lack of common wholesale standards in the U.K. fibre industry means every merger requires a tailored approach to integration, making the process more complex and time-consuming.
 - Deal viability also rests on technical alignment that is complicated by different network architectures, operations and business support systems (OSS/BSS), and operational processes

Where next?

While the valuation gaps, technical complexities, and diverging capital interests have been headwinds to any altnet M&A and consolidation efforts, there are signs that the market is moving closer to a consensus on the challenges, and work is underway to develop ways to overcome those challenges.

Our forthcoming European Fibre Market 2026 Survey will provide a valuable view of how altnets are positioned to move forward. Looking back at our 2025 survey and the current market dynamics, altnets will need to focus on clear commercial traction that has moved beyond a reliance on organic growth, as well as operational excellence and technical compatibility that can enable scalable platforms.

Our thinking...

Disruption and distress in U.K. Higher Education



The U.K. Higher Education sector faces severe financial pressures, with falling student numbers, eroded fee income, and rising debt. Few institutions see enrolment growth, and forecasts remain uncertain.

Without a clear insolvency framework, government intervention may be needed. Providers are considering mergers and collaborations, but policy direction is lacking, risking disorderly market exits.

Read our full report for detailed analysis of the financial landscape, policy challenges, and the strategic options facing U.K. Higher Education providers.

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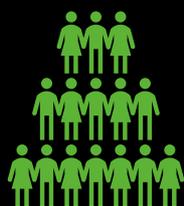


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...work collaboratively with our **global turnaround and restructuring team**



220 experts across Europe and 475 worldwide, with deep experience honed over more than 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.

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