



BCG Transform & Special Situations Index 2024 -TSS Index-

United Kingdom

JUNE 2024

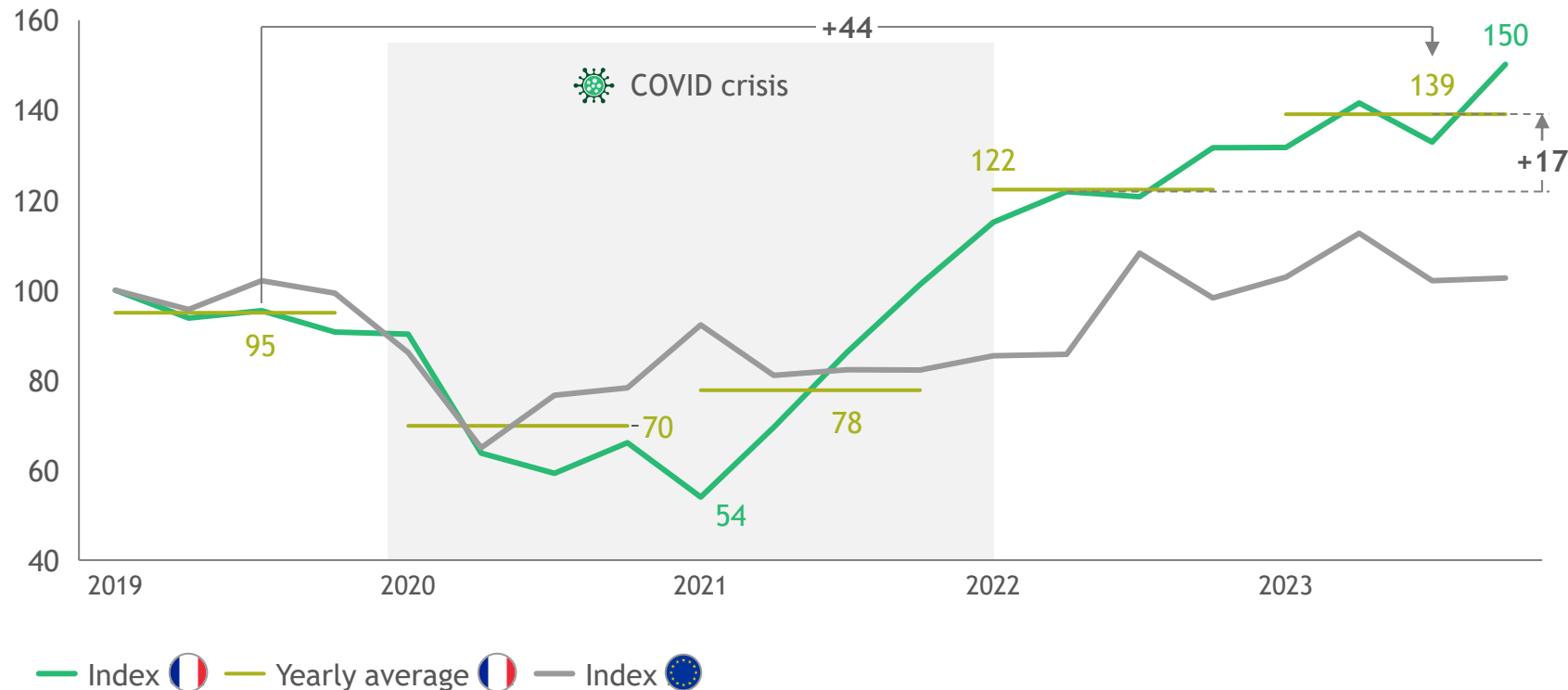


+17pp in insolvencies over last year in the UK, well above pre-COVID level and European average

Insolvency filings: Q1 2019 through Q4 2023

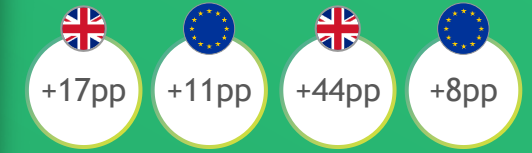
Indexed development of the number of insolvencies (2019 at 100)

Index, base 100



1. CIGA = Corporate Insolvency and Governance Act 2020.

Sources: Eurostat; Insolvency Service, monthly insolvency statistics for England and Wales, January 2024; International Monetary Fund; BCG analysis.



insolvencies
2023 vs. 2022

insolvencies vs.
pre-COVID
period

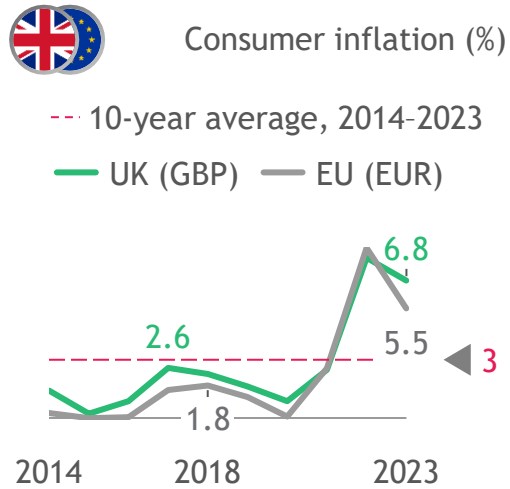
- End of UK's abundant support during the COVID-19 pandemic (16.7% of GDP for equity, loans, and guarantees, second highest in Europe) leading to a surge in insolvencies, surpassing 2019 level since 2022
- High slowdown of GDP growth and Brexit, resulting in uncertainty driving continuous increase in insolvencies over the past two years, above EU average
- Restructuring Plan introduced by CIGA¹ in 2020: well-received by large companies, limited penetration within SMEs and not slowing down insolvency growth yet

~25K insolvencies in 2023

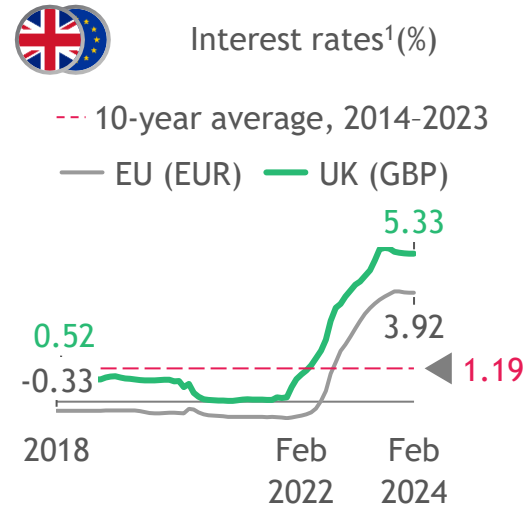
Continuing macroeconomic headwinds suggest that transformation and restructuring pressures will remain high in the next 24 months



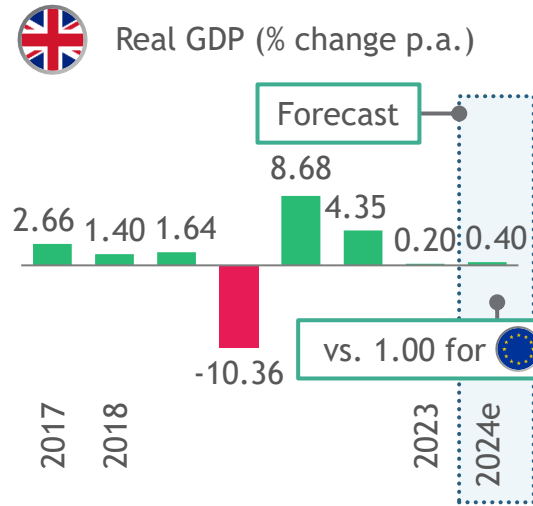
Higher inflation in the UK vs. EU



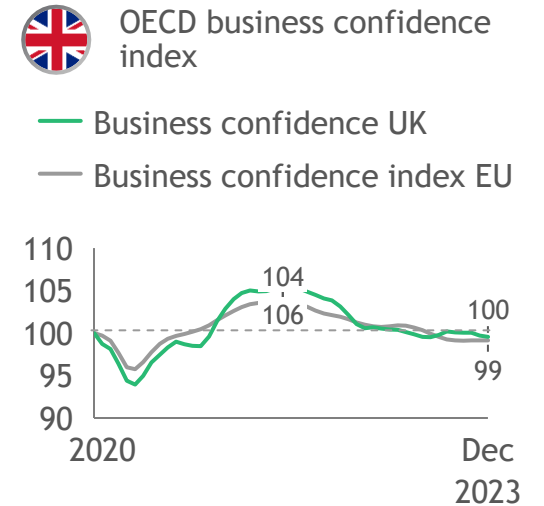
Interest rates have skyrocketed for last 2 years




GDP growth halved vs. pre-COVID



Business confidence decreasing



 Geopolitical instability: conflicts and tensions in Eastern Europe, Middle East, and Asia; >50% of worldwide population electing new government in 2024

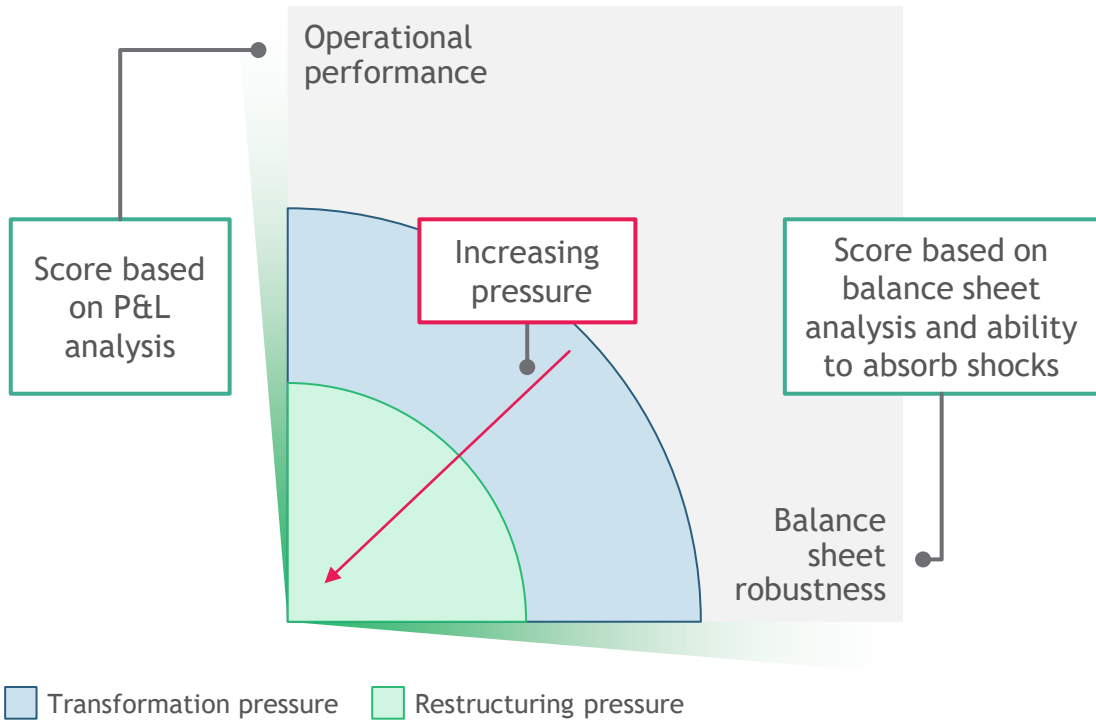
 Industry-driven and export-focused (>50% of GDP) economy; decarbonization of energy sector

1. Euribor for EU, LIBOR for UK.; Note: Latest data available as of March 13, 2024.
Sources: Eurostat; European Central Bank; Oxford Economics; OECD; BCG analysis.

BCG Transform and Special Situations (TSS) Index identifies companies showing signs of weak operational performance and undercapitalization

1 Transformation and restructuring pressures by sector

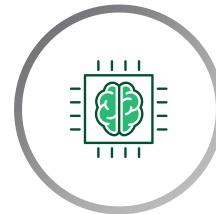
Assessment of about 2,000 European public companies and analysis of 12 performance and financial stability KPIs



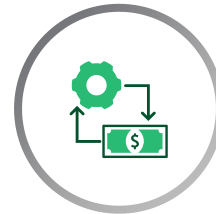
Note: Transformation pressure—initial signs of weakening operational performance and financial stability require optimization. Restructuring pressure—clear signs of weak or negative operational performance and undercapitalization require more structural steps to recover.
Source: BCG analysis.

2 Forward-looking view

Assessment of sector dynamics based on AI-powered sentiment analysis and insights from sector experts



AI-powered sentiment analysis to synthesize insights from market and company documents (including earnings calls transcripts) and all publicly available materials

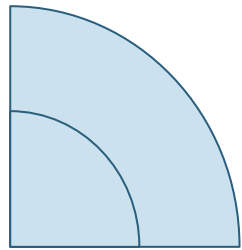


Targeted in-depth interviews with industry experts

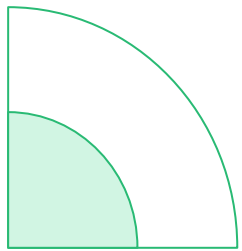
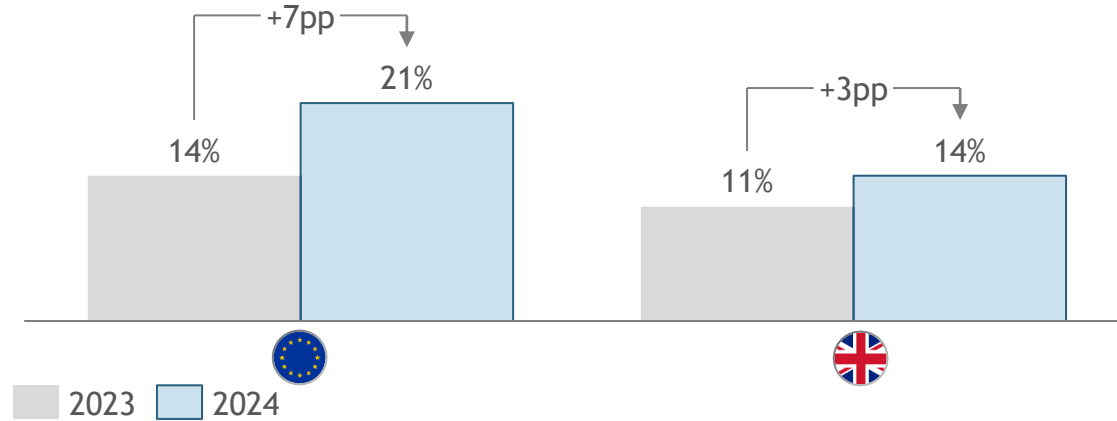


200+ European executives surveyed on their perspectives, priorities, and challenges for 2024

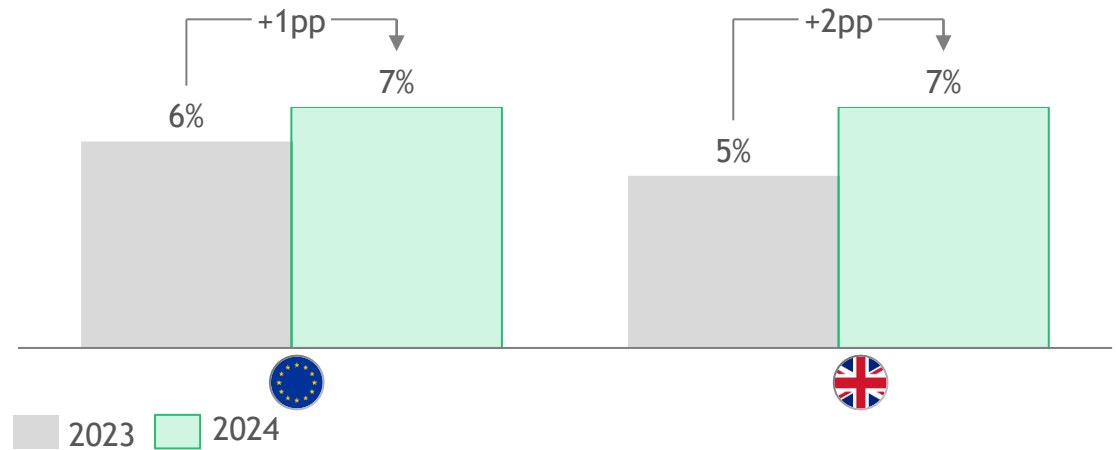
+3pp increase in transformation pressure; UK close to European average for restructuring pressure



Transformation pressure



Restructuring pressure



About **1 in 7** companies face significant transformation pressure in the UK

About **1 in 14** companies face significant restructuring pressure in the UK

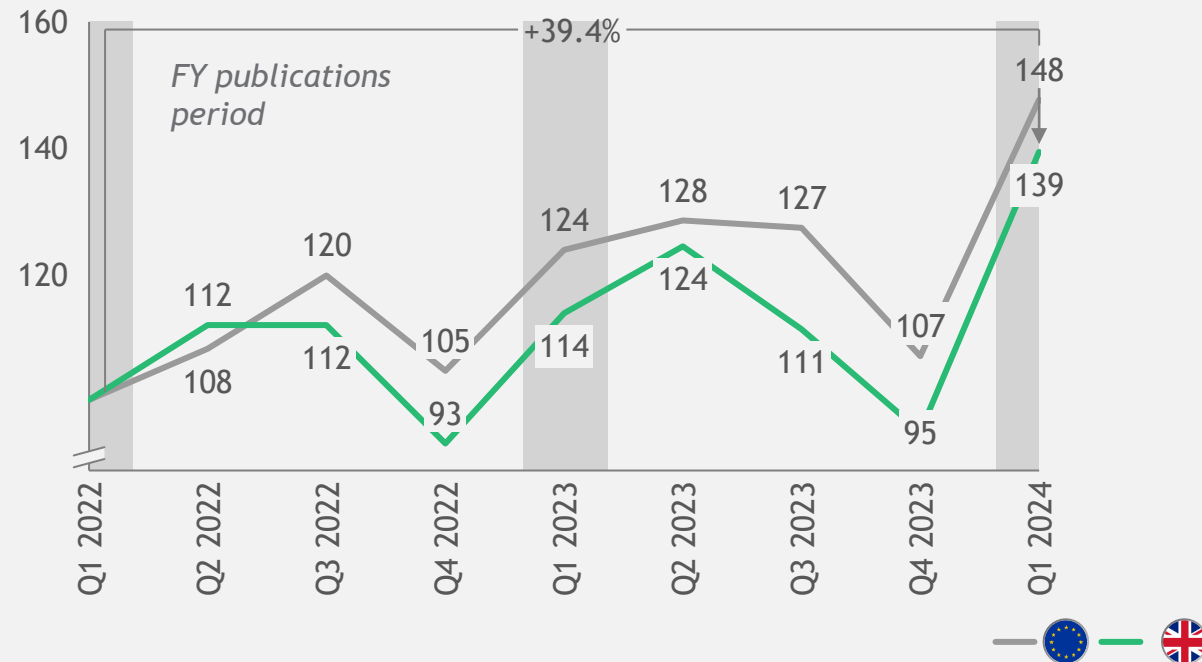
Note: The BCG Transform and Special Situations Index is based on share of revenue.
Sources: S&P Capital IQ; BCG analysis.

AI-powered sentiment analysis shows transformation and restructuring topics are currently gaining momentum, on a par with European average

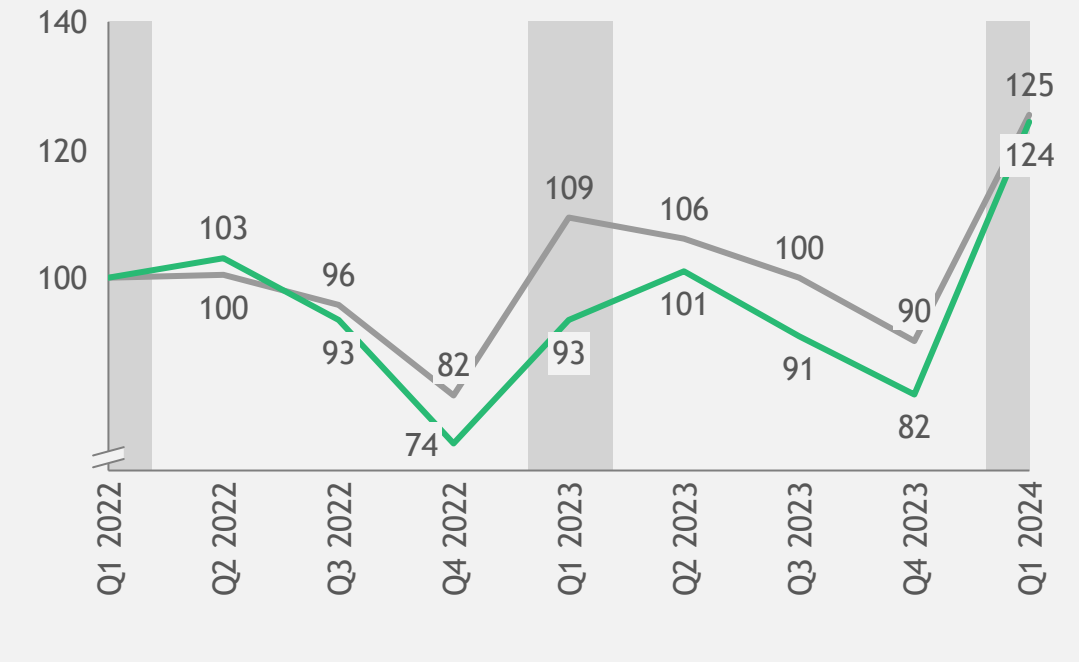
Development of transformation and restructuring citations in public company documents

Q1 2022 through Q1 2024, index, base 100 = Q1 2022

Relative frequency¹ of transformation-related company talks

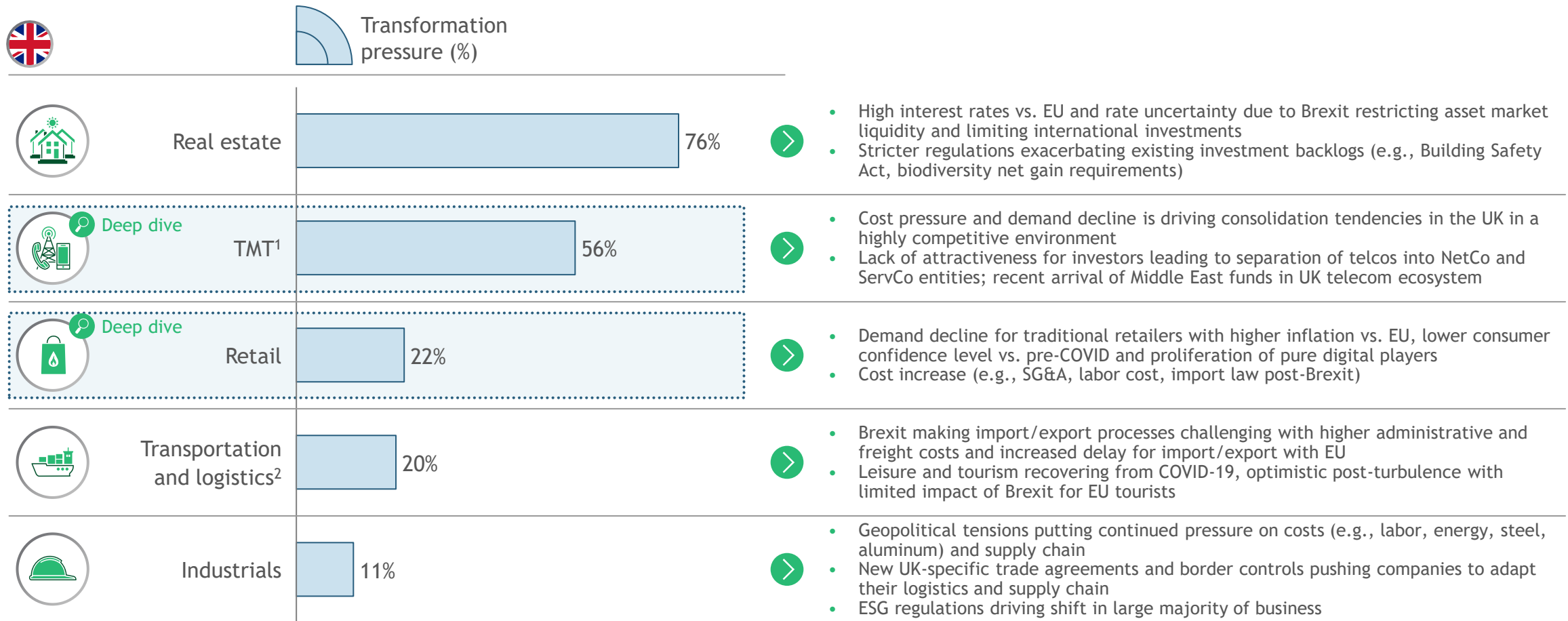


Relative frequency¹ of restructuring-related company talks



1. AlphaSense trend score (based to 100 for Q1 2022), calculated based on all publicly available documents (company documents, research documents, transcripts), smoothed quarterly data. Sources: AlphaSense; BCG analysis.

Real estate, TMT, and retail face strong transformation pressure



1. TMT = technology, media, and telecommunications. 2. Including leisure and tourism.

Note: Top five sectors.

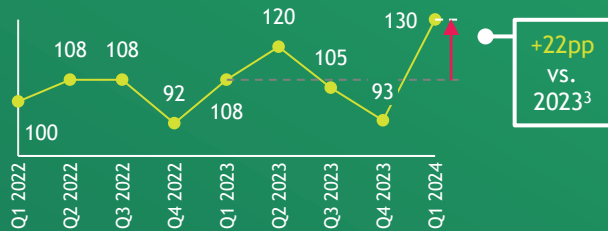
Sources: S&P Capital IQ; BCG analysis.

Key figures



56%  vs. 16% in 2023







Restructuring and transformation topics²



Top executive views

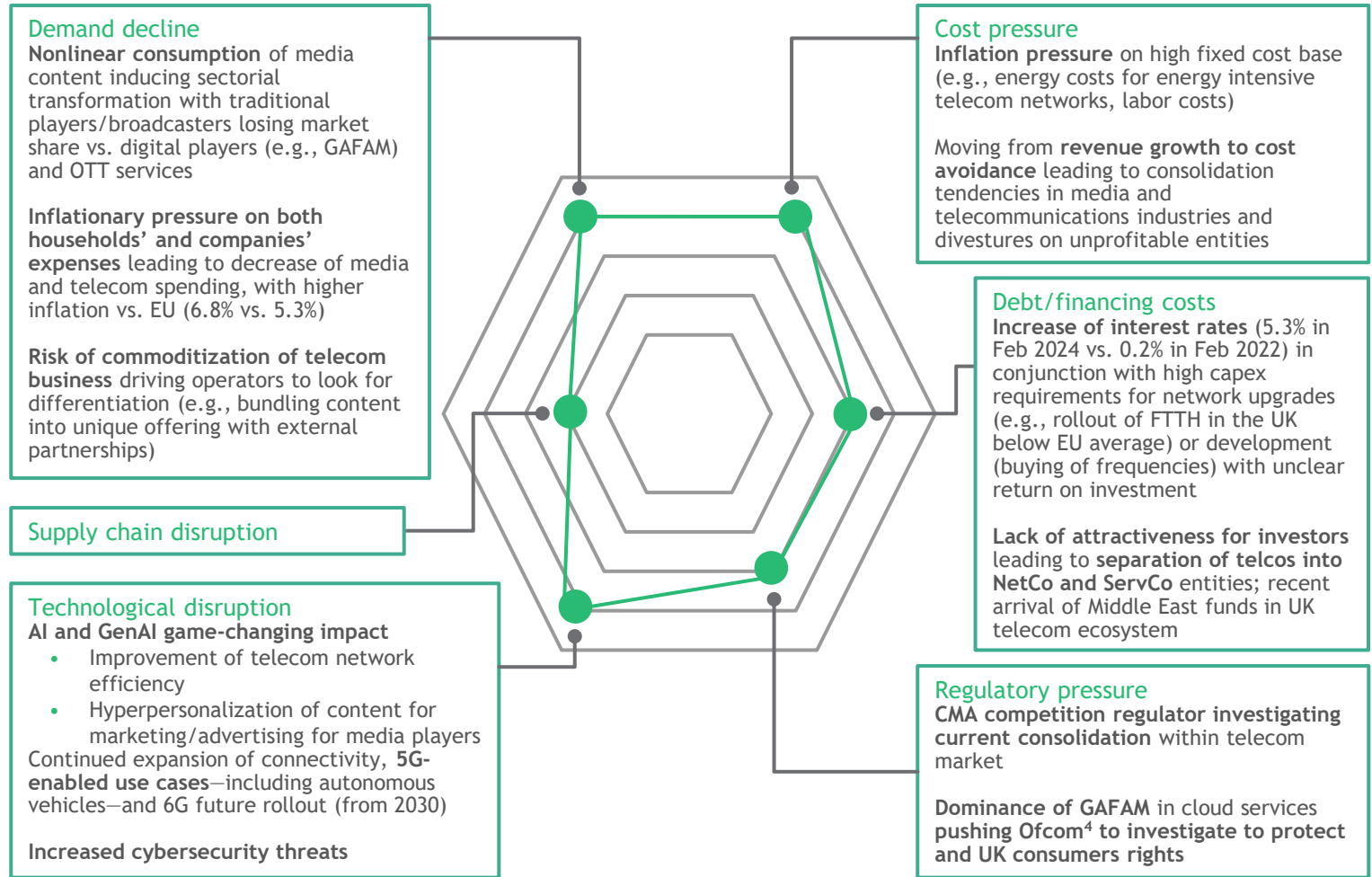
59%  vs. 34% in  Worried about uncertain economic outlook

25%  vs. 18% in  Worried about human capital and talent accessibility for their company

65%  vs. 10% in  Have margin enhancement as their top priority for 2024



Key trends and challenges in the UK



1. TMT = technology, media, and telecommunications. 2. Relative frequency of restructuring and transformation topics via public citations. 3. Comparing Q1 2023 with Q1 2024. 4. UK regulator (Office of Communications).
Sources: S&P Capital IQ; AlphaSense; BCG analysis and BCG expert views; BCG C-Suite survey 2024.

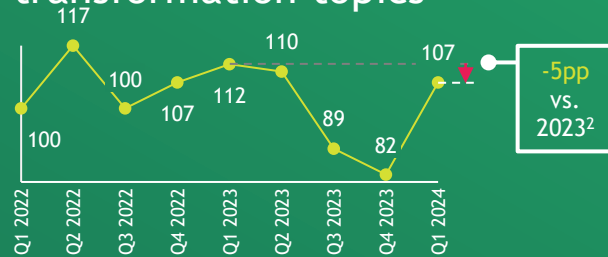
Retail

Key figures


22%  vs. 19% in 2023



 Transformation pressure



Restructuring and transformation topics¹



Top executive views

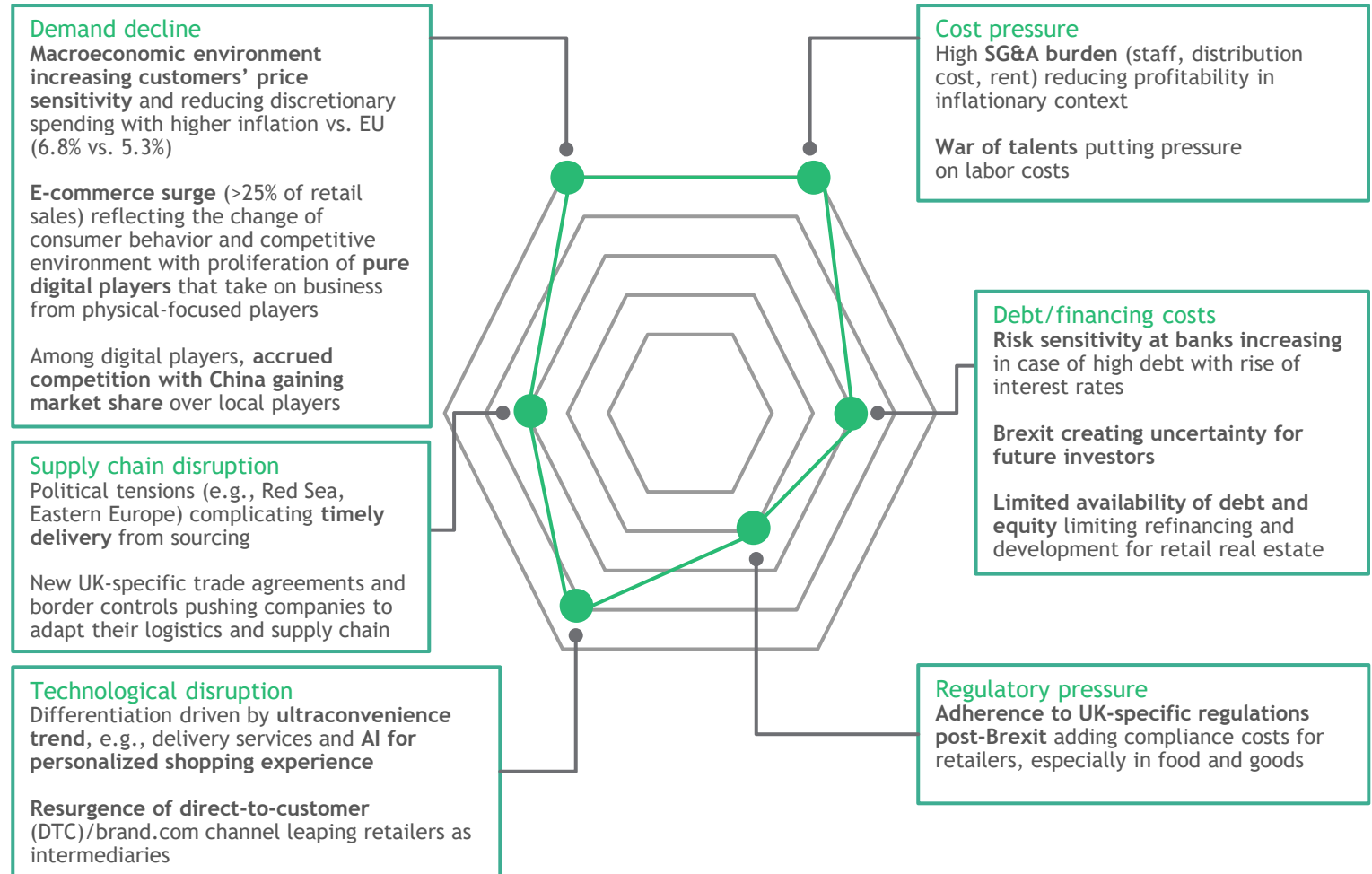
35%  vs. 29% in  Worried about inflation and rising interest rates

64%  vs. 54% in  Considering labor cost actions as very important to remain competitive

26%  vs. 14% in  Have volume improvement as their top priority for 2024

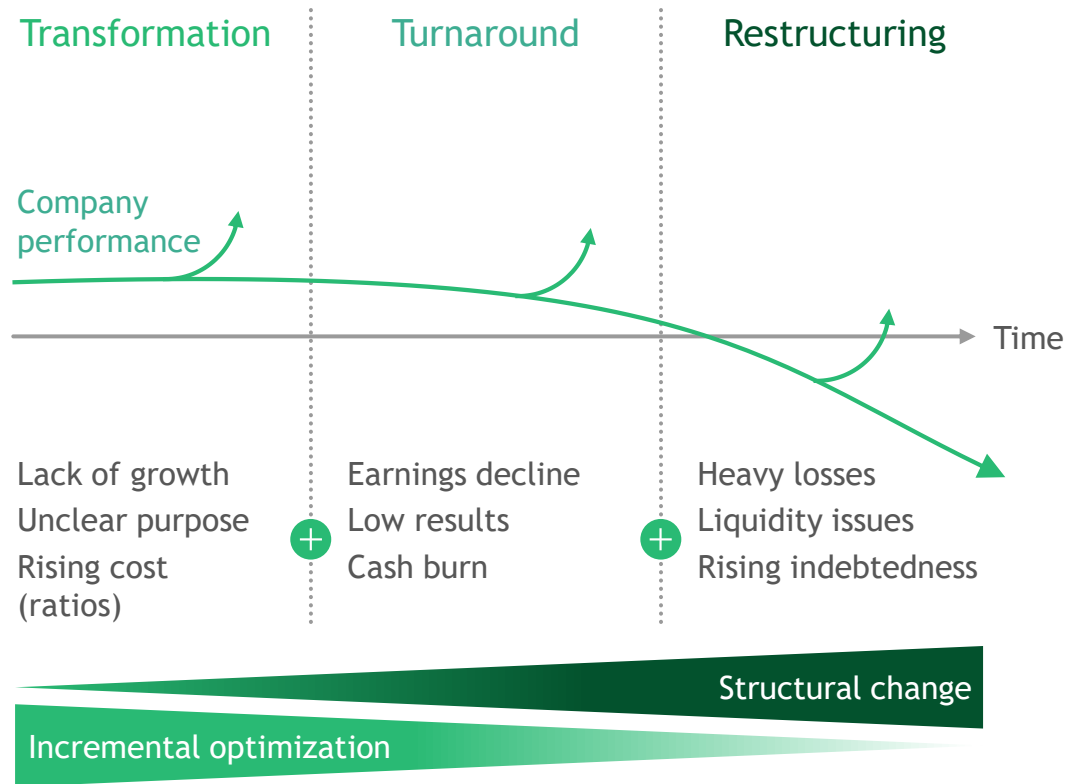


Key trends and challenges in the UK



1. Relative frequency of restructuring and transformation topics via public citations. 2. Comparing Q1 2023 with Q1 2024. Sources: S&P Capital IQ; AlphaSense; BCG analysis and BCG expert views, BCG C-Suite survey 2024.

BCG Transform assists companies for transformation, turnaround, and restructuring



Typical transformation offering



Full potential plan (FPP)

FPP development includes cost efficiency, NWC optimization, and CTO offering



Execution support/ transformation office (TO)

Aligning, monitoring, and steering large-scale transformation programs

Typical special situations offering



IBR/restructuring opinions

Creating new and/or validating existing restructuring programs



Cash office

Establishing 13-week as well as midterm liquidity planning and actively managing cash

Your BCG special situations local experts to assist you along your journey



Philip Jones
Partner & Associate Director
London



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