







Special Situations M&A in the UK: 2025 Market Dynamics and Outlook

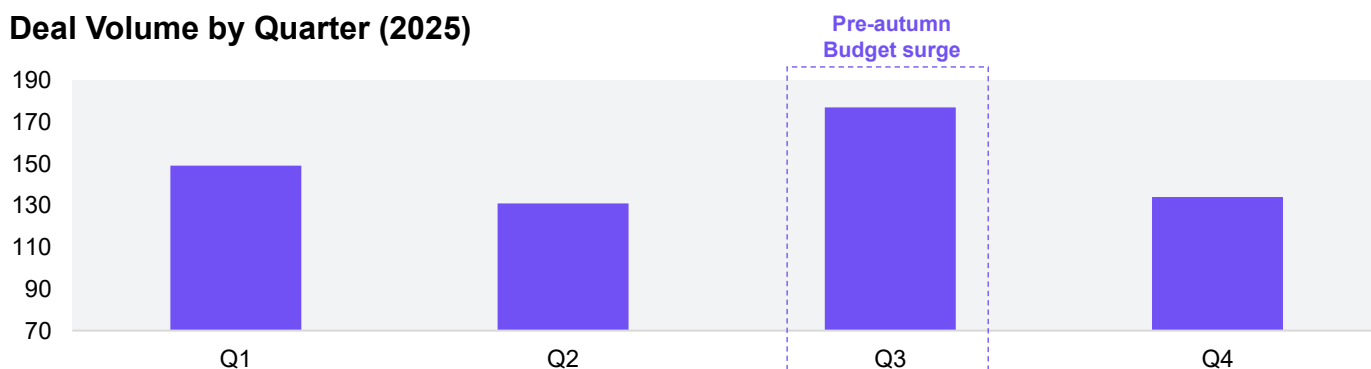
Introduction

Special Situations M&A encompasses the structuring and execution of transactions in complex or time-critical circumstances, leveraging specialist experience to protect value, preserve optionality and deliver the best outcome for stakeholders.

2025 marked a busy year for the special situations and distressed M&A market with over 600 deals completed in the UK across a range of sectors and situational dynamics, delivered both solvently and insolvently. The key drivers of this level of deal activity included:

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Operational turnaround / right-sizing | Operationally challenged businesses, often burdened by loss-making units or onerous contracts, requiring restructuring to stabilise performance and create a credible platform for growth
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Failed M&A processes | Conventional sale processes stalling given diverging valuation expectations in tougher market conditions, resulting in aborted transactions and mandates transitioning to special situations teams
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Urgent liquidity / funding need | Over-levered companies approaching near-term liquidity events, with limited debt capacity and/or insufficient shareholder appetite for additional capital support
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Stakeholder misalignment | Consensual solutions failing due to divergent stakeholder objectives (e.g. lenders, shareholders, landlords, pension trustees), creating execution risk and pushing outcomes towards distressed M&A or enforcement-led scenarios
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Cost of waiting | Boards relying on prolonged self-help measures, allowing liquidity headroom, stakeholder confidence and enterprise value to erode, thereby narrowing strategic options by the time advisors are engaged
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Increase of corporate carve-outs | Large corporate groups refocusing portfolios and balance sheets, accelerating disposals of non-core divisions, subsidiaries or assets, often via more complex carve-out and separation-led transactions

Deal Volume by Quarter (2025)



Source: GOV.UK, Pitchbook, Mergermarket, Teneo Internal Research.

“Special Situations M&A is a fundamental component of the restructuring options available to stakeholders for both social / reputational and financial reasons. In 2025, our analysis shows over 73,000 jobs were saved and over £1.7bn of cash proceeds were generated for stakeholders through distressed M&A transactions.”



James Pratt
Senior Managing Director
Head of Special Situations M&A

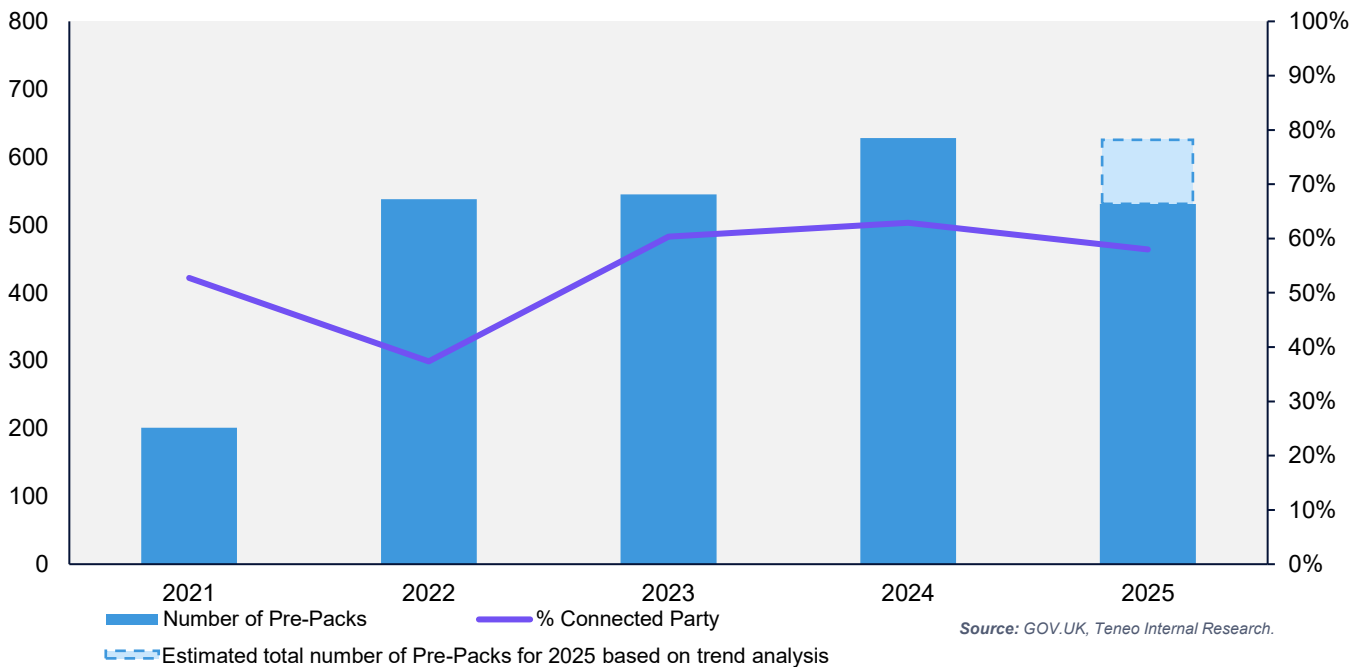
Insolvent Transaction Structure Insights

Insolvency-led structures dominated 2025 special situations activity, representing the majority of deal volume and generating >£600m of cash proceeds to stakeholders (excluding value delivered through credit bids and debt extinguishment).

Almost all of these going concern deals were delivered via a pre-packaged insolvency (“Pre-Pack”) mechanism rather than a sale of business out of administration, reinforcing the mechanism’s role in protecting value and minimising the operational disruption from trading in administration.

There has been an uptick in Pre-Packs in recent years with 628 transactions delivered in 2024 vs 201 in 2021. 531 have been recorded in 2025, however, the complete data set will be released by GOV.UK in mid-2026.

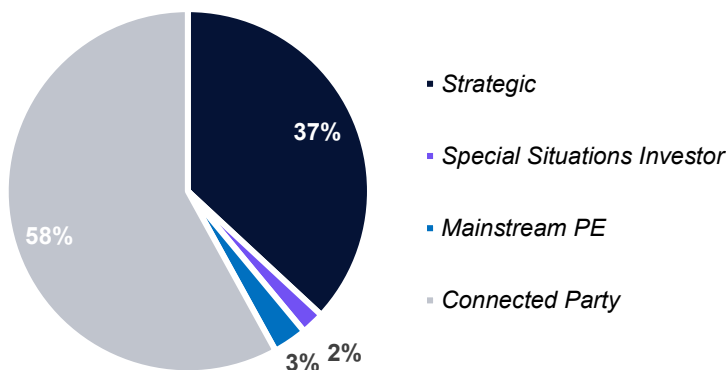
Number of Pre-Packs Per Annum Including Connected Party Transactions



Pre-Packs remain a key route to implement connected-party outcomes, with c.58% of 2025 insolvent deals involving a connected party that used a Pre-Pack to either:

- Deliver non-consensual restructurings anchored in a robust, market tested valuation;
- Enable operational restructuring, supported by debt write-downs / debt forgiveness; or
- Facilitate “loan-to-own” strategies for opportunistic financial stakeholders, including direct lenders

2025 Insolvent Transactions Buyer Profile



Source: GOV.UK, Pitchbook, Teneo Internal Research.

Analysis of the 42% of third-party transactions shows that the majority involved acquisitions by strategic buyers, who are selectively acquiring assets and contracts to integrate into existing platforms and drive scale and synergies.

Financial investor activity is broadly split between dedicated special situations investors and mainstream private equity, reflecting continued stagnation in traditional M&A markets despite significant dry powder. This dynamic is prompting sponsors to explore distressed and special situations opportunities, particularly bolt-ons.

Solvent Transaction Structure Insights

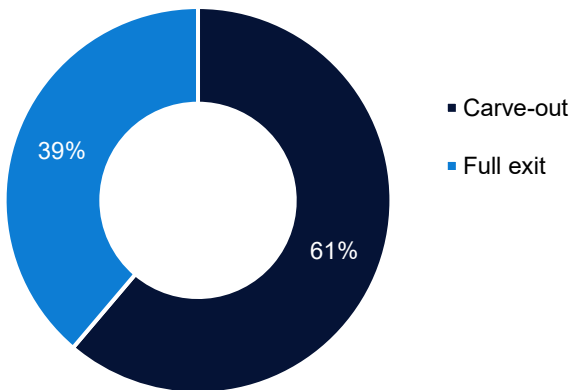
While insolvent structures accounted for the majority of 2025 special situations M&A deal volume, solvent transactions became increasingly prominent, particularly where vendors sought to avoid insolvency and / or buyers prioritised minimising reputational risk and operational disruption.

Corporate carve-outs accounted for 61% of solvent deals in 2025, as large corporates refined their strategies in a challenging market, accelerating portfolio rationalisation and shifts in operating models and market positioning.

Carve-outs remain a key opportunity set for special situations investors, offering the ability to:

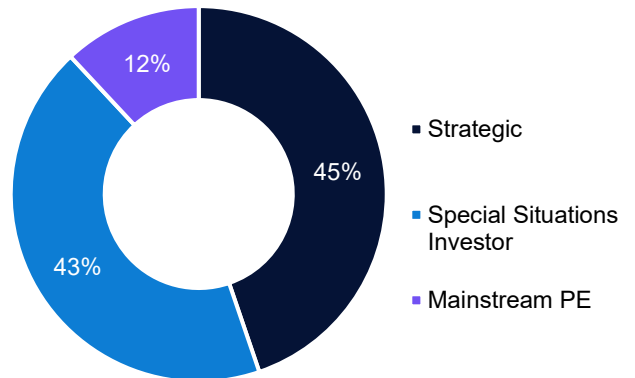
- Purchase non-core assets or divisions and execute operational turnarounds beyond the vendor's core focus or capability (often due to competing priorities)
- Secure attractive entry pricing, including structures incorporating vendor support
- Acquire relatively unencumbered assets, providing meaningful downside protection on purchase price and follow-on capital

Solvent Special Situations transaction structures



Source: GOV.UK, Pitchbook, Mergermarket, Teneo Internal Research.

Solvent transaction buyer profile



Source: GOV.UK, Pitchbook, Mergermarket, Teneo Internal Research.

2025 Case Study

Poundland

Successful solvent carve-out sale to special situations investor underpinned by fully developed leasehold restructuring

June 2025
Retail

Deal overview

Teneo advised on a highly complex carve-out M&A process, integrating special situations M&A and restructuring to deliver the vendor's key objectives: avoid insolvency and maximise value.

Outcome

Teneo successfully executed a solvent sale to an investor, underpinned by an unprecedented "stapled" Part 26A Restructuring Plan, fully prepared and launch-ready at completion. This bespoke approach enabled the buyer to realise the full benefits of the restructuring from Day 1, while driving material value uplift for the seller's shareholders.

Deal highlights



Unprecedented interplay between M&A and court-led restructuring tools



Avoidance of insolvency event



16,000 jobs secured



Material value accretion delivered to vendor shareholders

Sector Insights

2025 distressed deal volumes were broadly distributed across primary sectors, with no single industry dominating activity, reflecting the macroeconomic headwinds faced across the UK.

Notwithstanding, sector-specific factors continue to drive further pockets of distress in particular industries, contributing to an increased number of special situations M&A solutions required

Special Situations Deal Volume by Sector

④ Industrial & Engineered Products

② Legal, financial & corporate services

⑤ Consumer products / wholesale

① Retail / fashion

③ Travel, hospitality & leisure

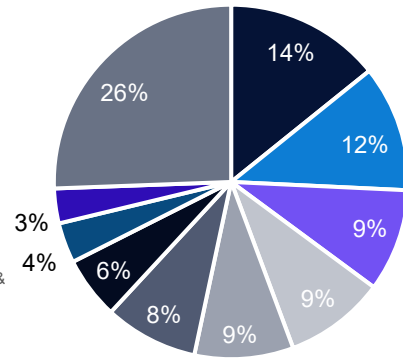
② Advisory, consulting & creative services

② People & Recruitment, IT & Tech & Operational services

④ Consumer, Medical & Advanced Manufacturing

④ Building & Architectural Products

- Other



Source: GOV.UK, Pitchbook, Mergermarket, Teneo Internal Research.

Industrial & engineered products (14%)

- Capital-intensive, low-margin business models, combined with high debt levels and working capital reliance, leave the sector particularly exposed to cost inflation, demand volatility and tightening credit conditions.
- However, the prevalence of longer-term contracts and heightened customer attrition risk in an insolvency scenario mean buyers typically favour solvent transaction mechanisms to preserve continuity and value (as evident by the 15% of distressed solvent deals compared to 14% of insolvent deals).

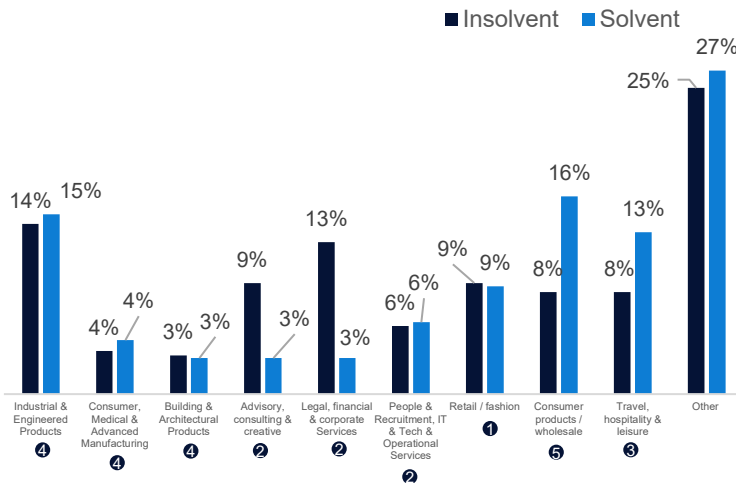
Legal, financial & corporate services (12%)

- Deal activity was elevated across legal, financial and corporate services, driven primarily by margin pressure from rising employee and regulatory costs.
- The sector represented 13% of insolvent deals versus 3% of solvent deals, reflecting the relatively lower disruption risk associated with an insolvency event, given that business models are typically characterised by shorter-term contracts, portable operations and client-embedded skilled workforces.

Retail / consumer / THL (27%)

- Distress was largely driven by weak consumer demand, sizeable labour bases and rising input costs, alongside limited ability to pass on price increases, resulting in margin compression.
- The consumer products and wholesale sector accounted for 16% of distressed solvent deals vs 8% of insolvent deals given the aim to protect highly coveted customer contracts.

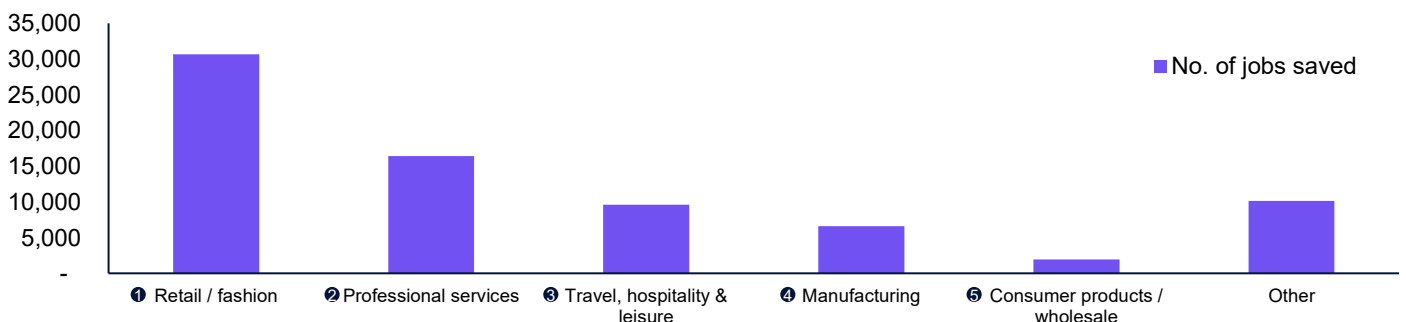
Share of Total Deals by Transaction Structure



Source: GOV.UK, Pitchbook, Mergermarket, Teneo Internal Research.

Jobs Saved by Sector

Our analysis shows that special situations M&A transactions in 2025 secured over 73,000 jobs across multiple sectors, with retail, professional services and THL accounting for more than 75% of total jobs saved.



Source: GOV.UK, Pitchbook, Mergermarket, Teneo Internal Research.

2026 Special Situations Market Outlook

UK businesses are expected to face continued pressure in 2026, driven primarily by the broader geopolitical and economic environment. The principal drivers of this pressure include:

- **Inflationary cost increases**, with small and mid-market enterprises particularly exposed to rising business rates, energy and labour costs
- **Weakened consumer confidence**, notably across retail, wholesale, THL and related sub-sectors
- **Ongoing stress in infrastructure-heavy sub-sectors**, including Altnet, renewable energy and electric vehicle charging infrastructure, amid persistent structural headwinds
- **Increasing commercial disruption from AI**, particularly in pay-per-seat, SaaS, healthcare and professional services markets
- **Debt maturity walls** arising from lower-cost financing secured in 2021–2022, now approaching refinancing or repayment milestones

Accordingly, we expect a continued flow of distressed situations in 2026, as businesses contend with these headwinds, creating increased activity across the broader restructuring market.

In parallel, we anticipate an uptick in special situations M&A activity, driven by a number of specific structural factors:

1. The “hold-period overhang” to force sponsor-led outcomes

With exits still constrained, a growing cohort of PE-backed assets will (or have already) hit hard hold-period limits. We anticipate more sponsors to pivot from “wait and see” to finding elegant / discreet solutions.

2. Continued corporate carve-out activity as strategics narrow focus

Large corporates are likely to continue pruning portfolios to fund fewer, higher-conviction strategies and simplify operating models, sustaining carve-out volume through 2026.

3. Defensive consolidation to accelerate in fragmented sectors disrupted by AI

In fragmented sectors where AI compresses margins or commoditises service lines (recruitment, wealth management, real estate agencies, insurance brokerage etc.) we expect to see consolidation used as a defensive strategy.

4. Credit-led control transactions rise: loan-to-own and restructuring-driven M&A

Direct lenders and credit funds are expected to make increasing use of amendments, equitisations and restructuring pathways to take control, especially where sponsors can't or won't re-equitise. We expect more lender-driven sales processes, debt for equity outcomes and credit bid dynamics.

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M&A Offering and Senior Team

Special Situations M&A

Our team provides bespoke M&A solutions to clients facing challenging, complex or business critical issues where specialist situational expertise and experience is key to delivering the optimal outcome

Mainstream M&A

Teneo has a team of highly experienced M&A professionals who leverage Teneo's deep sector expertise to advise clients across geographies on M&A strategy and executing sell-side and buy-side transactions



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About Teneo

Teneo is the global CEO advisory firm. We partner with our clients globally to do great things for a better future.

Drawing upon our global team and expansive network of senior advisors, we provide advisory services across our five business segments on a stand-alone or fully integrated basis to help our clients solve complex business challenges. Our clients include a significant number of the Fortune 100 and FTSE 100, as well as other corporations, financial institutions and organizations.

Our full range of advisory services includes strategic communications, investor relations, financial transactions and restructuring, management consulting, physical and cyber risk, organizational design, board and executive search, geopolitics and government affairs, corporate governance and ESG.

The firm has more than 1,800 employees located in 45+ offices around the world.