

Insights

The New Restructuring Landscape: When Markets Meet Reality

June 2026

Executive Summary

This report offers our perspective on the three-to-five-year outlook for the global restructuring market. With private credit established as a dominant force within the credit landscape, our analysis focuses on how we expect the market to evolve and what this means for lenders operating within the sector.

Our conclusions draw on Teneo's unique understanding of the market, informed by the high-profile engagements that we support, combined with a rigorous analysis of third-party data from the likes of Bloomberg, national statistical offices, specialised data providers and leading asset managers.



The Macroeconomic Outlook

The next 18 months will present a perfect storm across public and private credit markets, making refinancing the central stress point as a growing wave of maturities comes due.

The restructuring market is entering a new phase after years of abundant liquidity and amend-and-extend (A&E) strategies that allowed companies to defer financial stress. More than \$1.4 trillion of high-yield (i.e. poorer credit quality) debt is due to mature in 2026–2027 alone, and \$3.6 trillion between 2028–2029, creating a refinancing wall significantly larger than that seen during the Global Financial Crisis (GFC). Against a backdrop of higher borrowing costs, tighter liquidity and macroeconomic uncertainty, private lenders are becoming more disciplined and increasingly proactive in managing stressed credits.



The Limits of the “Extend and Pretend” Era

Out-of-court fixes may delay financial stress, but without genuine operational improvement, more comprehensive restructurings often become unavoidable.

Out-of-court solutions are increasingly being used instead of formal restructuring processes, as they are often viewed as faster and less costly. These fixes – including A&E transactions, sponsor support and distressed disposals – may provide temporary relief but are only effective when paired with genuine operational improvement. Where challenges are structural rather than cyclical, more comprehensive restructurings often become unavoidable.



Private Credit Faces Its First Major Stress Test

As private credit matures, the market is shifting from growth at all costs toward resilience, liquidity and transparency.

Private credit continues to grow, but the market is entering its first major refinancing and restructuring stress test. Reported defaults may understate underlying pressure due to widespread A&E activity and payment-in-kind (PIK) features, while recent fraud allegations have intensified scrutiny around transparency and governance. Liquidity mismatches and rising convergence between public and private credit markets are increasing restructuring complexity as 2019–2021 vintage debt approaches maturity.



What This Means for Private Lenders

Private lenders are shifting toward earlier intervention, tighter underwriting and more active portfolio management.

As refinancing pressure rises, private lenders are placing greater emphasis on underwriting discipline, proactive portfolio management and earlier intervention to preserve value. At the same time, many firms are expanding in-house restructuring and workout capabilities as the current environment drives a broader period of market normalisation and recalibration across private credit. Industry consolidation is also expected to accelerate as managers seek greater scale, diversification and operational capability in a more challenging market environment.



Sectors Most Exposed

The sectors most exposed to refinancing and restructuring pressure are those facing high leverage, margin pressure and structural disruption.

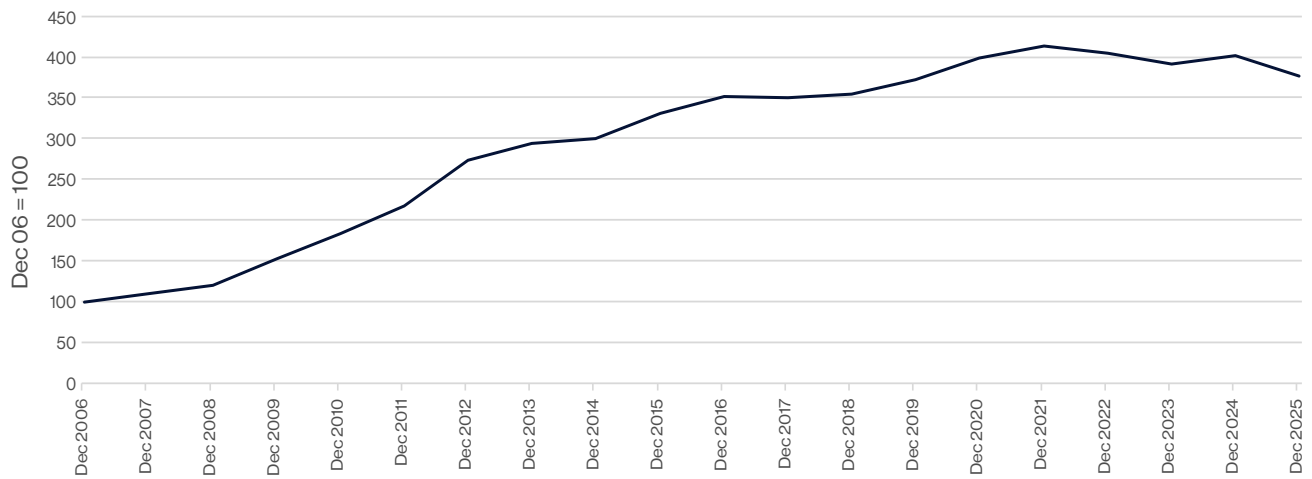
Areas currently under strain include commercial real estate, retail and consumer, hospitality, industrials, transport, chemicals, automotive suppliers and parts of software and business services. At the same time, private equity activity has slowed as sponsors delay exits amid persistent valuation pressure and macroeconomic uncertainty.

The Emerging Restructuring Cycle

Refinancing Pressure Becomes a Key Stress Test

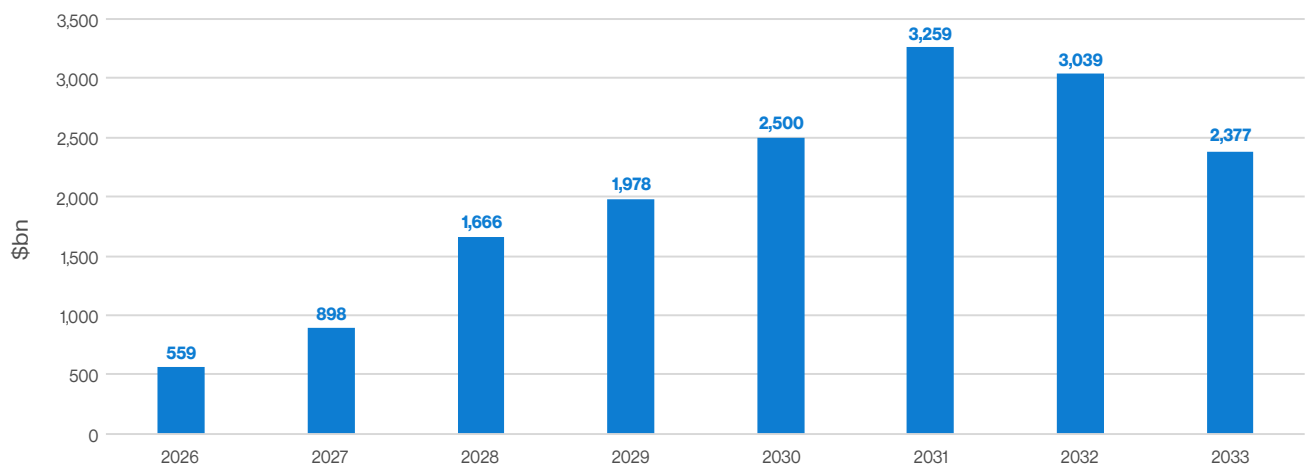
In public markets, high-yield corporate debt outstanding (excluding private credit) has increased fourfold since the GFC (see Figure 1). More than \$5 trillion of this debt is due to mature between 2026 and 2029, including over \$1.4 trillion in 2026–2027 alone (see Figure 2), creating one of the largest refinancing walls since the aftermath of the GFC.

Figure 1: High-Yield Total Debt Outstanding, Indexed (2006=100)



Source: Bloomberg, as of 28 April 2026; Teneo Analysis

Figure 2: High-Yield Issuers: Bond and Loan Maturity Wall

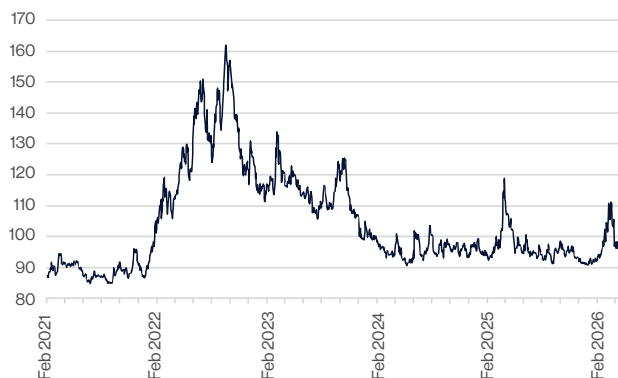


Source: Bloomberg, as of 28 April 2026; Teneo Analysis

High-yield corporate debt refers to debt rated below investment grade — below BBB- by S&P and Fitch and below Baa3 by Moody's.

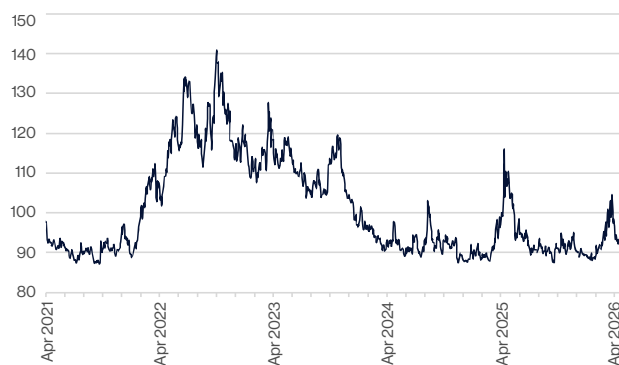
This maturity wall is colliding with a more volatile macro backdrop: since the onset of the Iran conflict, debt market volatility (see Figures 3 and 4) and yields for sub-investment-grade credit (see Figures 5 and 6) have increased substantially, as have prices of oil and gas, particularly in Europe.

Figure 3: Europe – iTRAXX



Source: Bloomberg, as of 28 April 2026; Teneo Analysis

Figure 4: U.S. – CDX



Source: Bloomberg, as of 28 April 2026; Teneo Analysis

Figure 5: EU Composite B BVAL Yield Curve – 10-Year Yield



Source: Bloomberg, as of 28 April 2026; Teneo Analysis

Figure 6: U.S. Composite B BVAL Yield Curve – 10-Year Yield



Source: Bloomberg, as of 28 April 2026; Teneo Analysis

While these dynamics are most visible in public markets, their implications extend into private credit. Public and private markets do not operate in isolation: public market spreads and refinancing conditions ultimately anchor underwriting, pricing and exit pathways.

Historically, periods of volatility have driven incremental flow from public to private markets. When syndicated markets tighten, some lower-rated companies can struggle to access financing due to technical constraints (e.g., collateralised loan obligation (CLO) limits).

This can create selective opportunities for private credit lenders to step in. However, this is not a full release valve: it is likely to benefit only companies facing short-term, temporary volatility, while businesses with genuinely weakening fundamentals will continue to face refinancing challenges across both public and private markets.

Against this backdrop, private credit is entering a more self-constrained phase. The long-standing playbook of “kicking the can down the road,” by either extending maturities, toggling to PIK interest and/or deferring restructuring, is becoming less viable.

Pressure from Limited Partners (LPs) for realisations – forcing General Partners (GPs) to return capital and pursue exits – together with finite fund lives and the approaching maturity limits of 2019–2021 vintage loans, is increasingly limiting the ability to defer restructurings without crystallising losses.

These vintages are reaching a key pressure point. Many transactions were underwritten in an era of ultra-low interest rates, high valuations and therefore aggressive leverage. Today, those same borrowers face a structurally higher cost of capital, tighter profitability margins, weakening fundamentals and a markedly different macroeconomic backdrop (e.g., Russia-Ukraine war and the conflict in Iran).

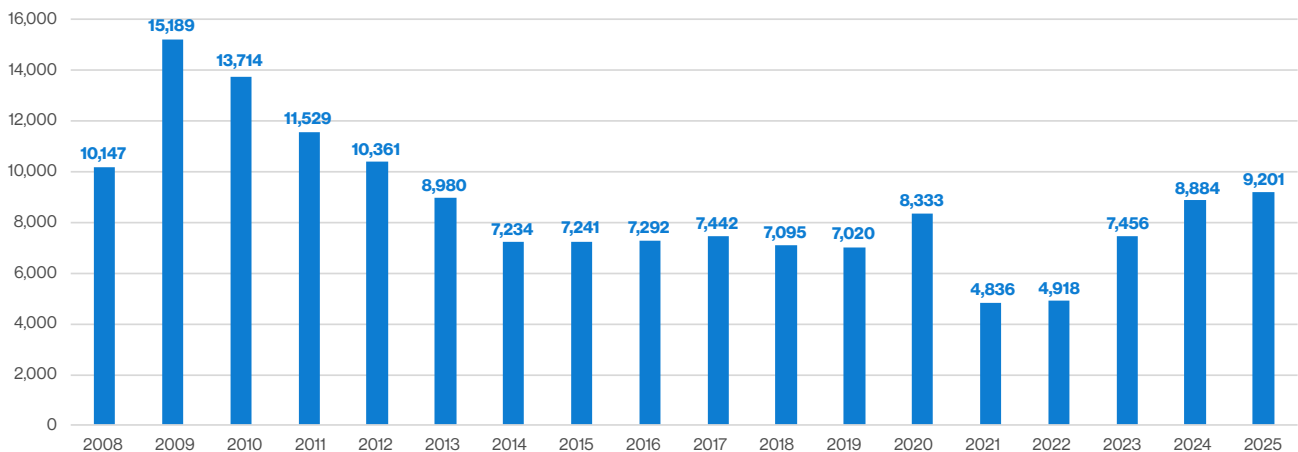
Refinancing pressure is emerging as the defining stress test for companies with weaker credit profiles across both public and private credit markets. The next 18 months are likely to present a perfect storm, as many borrowers face refinancing conditions that are materially more challenging than those underpinning the original business plan assumptions.

U.S. Filings at Highs

Many companies and sponsors wait too long to approach lenders, often because of the covenant-light environment, meaning talks begin only once liquidity has deteriorated to the point that it has become an issue. In those cases, lenders insist on assessing “backstop” options, including potential insolvency outcomes, to understand their true negotiating position. Examples like **Thames Water Utilities Holdings Ltd** show how insolvency risk itself can drive more pragmatic cooperation between creditors and management.

This creates a difficult dynamic: when negotiations begin too late, companies risk limiting their strategic options and reducing the time available to engage with existing or prospective lenders. For instance, U.S. Chapter 11 activity remains extremely elevated in 2026, with filings in January-February 2026 up 72% year-over-year, although this increase can be largely attributed to a higher number of smaller filings.^{1,2} **If the current trajectory is maintained, 2026 will see the second highest year of Chapter 11 filings since the 2009 peak during the GFC.**

Figure 7: U.S. Chapter 11 Filings (2008–2025)



Source: U.S. State Courts, Yearly Bankruptcy Filings (2008-2025)

1Epiq Systems, January Commercial Chapter 11 Filings Increase 76% Over 2025, February 2026

2Epiq Systems, February Small Business Subchapter V Elections Increase 91% Over Last Year, March 2026

The Shift Toward Out-of-Court Solutions

Out-of-court fixes are often being used instead of formal processes, as they are seen as faster and cheaper than court processes. These fixes include liability management exercises (LMEs), A&E transactions (sometimes uncharitably referred to by lenders as Amend & Pretend), structured sponsor support (including, in some cases, debt priming existing lenders, e.g., **Zenith Automotive Holdings Limited/Bridgepoint Group PLC and Biscuit Holding SAS/Platinum Equity Advisors LLC**) and distressed disposals.

While these fixes are increasingly popular, they are only effective when paired with genuine operational improvement; otherwise, they risk delaying rather than resolving underlying structural challenges. Ultimately, deeper restructurings become unavoidable when the problem is structural rather than cyclical. For example, when the business model itself is under strain, margins are being squeezed by high input costs or technology has shifted the market. That is when lenders typically move toward debt-for-equity swaps, recapitalisations and changes of control.

We are also seeing a clear split between performing and stressed credits.

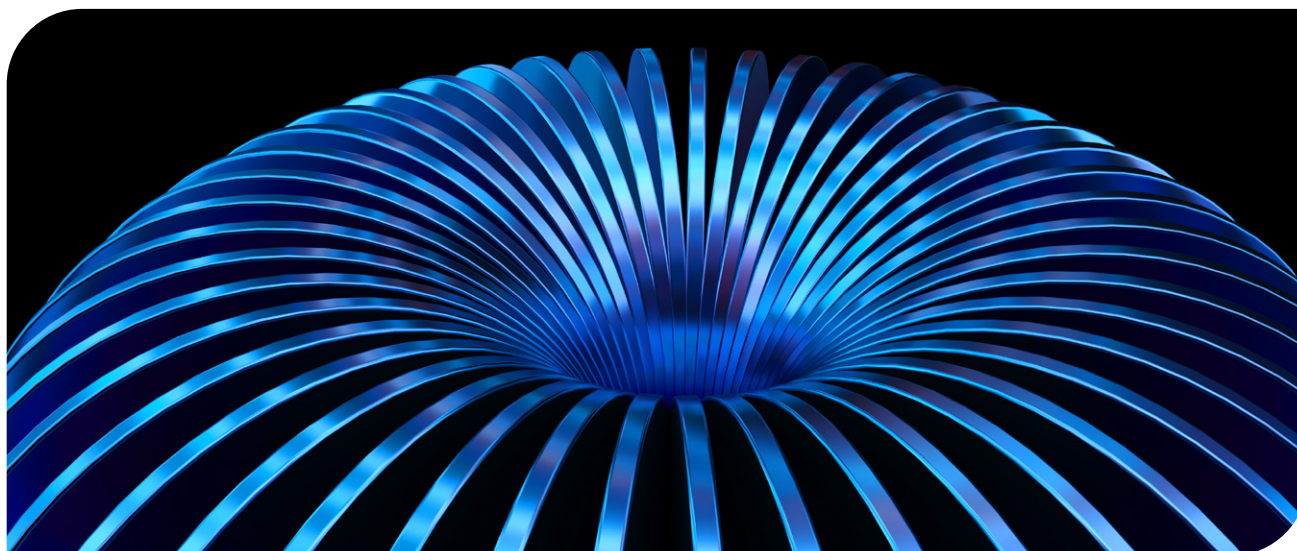
- On the **performing side**, light-touch LMEs/A&Es are being used proactively. Companies are extending early, sometimes years ahead of maturity, to improve flexibility and even fund shareholder returns, as seen in **Etraveli Group AB** and **Euro Ethnic Foods Bidco SAS**. In that sense, these transactions have evolved from defensive tools into broader corporate finance strategies.

- However, for **stressed borrowers**, the story is different. These companies tend to come to market later, face higher costs and often adopt structures that blur the line between a LME/A&E transaction and a full restructuring. In some cases, lenders continue to defer more fundamental restructurings with the expectation that earnings recovery will allow companies to grow back into their capital structures. Banks also favour A&Es because they can avoid provisioning or crystallising losses. However, as seen in cases like **Obrascón Huarte Lain, S.A. (OHLA)** or **Thames Water Utilities Holdings Ltd**, when liquidity pressure builds, those A&Es can quickly evolve into full-scale restructurings.

Recent examples illustrate the spectrum:

- **Keter Group B.V.** started with an A&E to buy time for a sale but ended up with creditors taking over the business.
- **Oriflame Holding Limited** needed a full recapitalisation and major debt write-off.
- Cases such as **Victoria PLC** also illustrate the emergence of more controversial “distressed A&Es,” highlighting how far lenders and companies may be willing to extend these tools before accepting the need for a full restructuring.

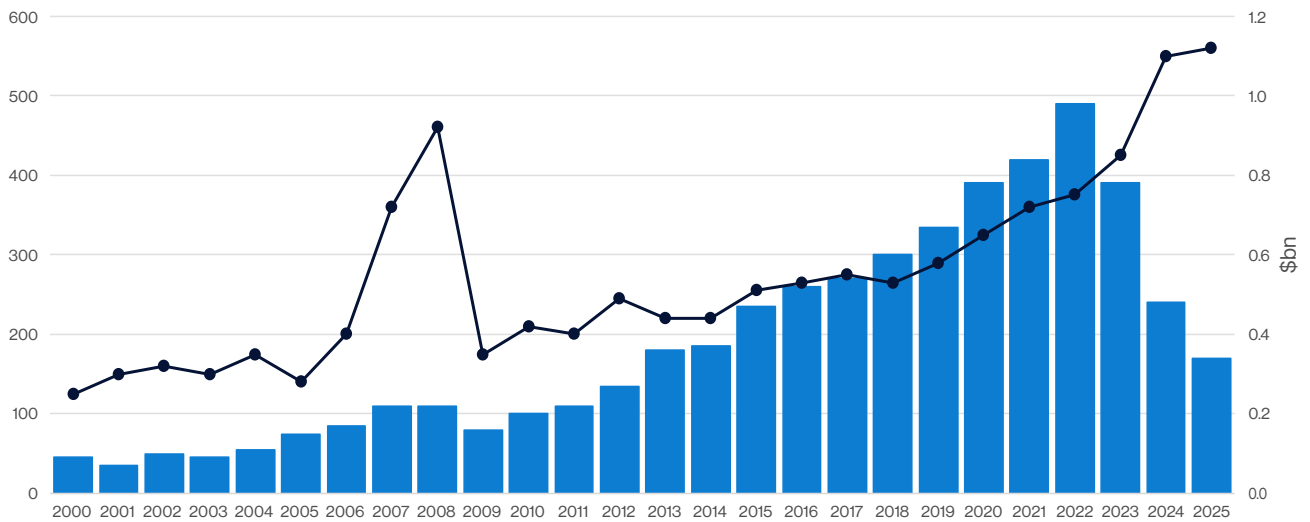
Overall, light-touch fixes remain viable where stress is temporary, but the current earnings downturn is revealing their limits. In sectors facing deeper structural headwinds, the market is moving beyond short-term fixes toward more comprehensive, balance sheet-driven solutions.



Private Credit Faces Growing Structural Pressures

Private credit reached \$3.5 trillion in 2025³ and is still growing (see Figure 8), but as it matures, growth slows and underwriting concerns mount, the conversation has shifted away from growth at all costs to resilience, liquidity and transparency.

Figure 8: Global Count of Private Credit Funds Closed Each Year and Average Fund Size



Key

■ Number of funds (LHS) — Average fund size (RHS)

Source: BlackRock, Global Credit Quarterly: 1Q2026



³ Alternative Credit Council, Strong Growth Sees Private Credit Market Reach US \$3.5 Trillion, December 2025

The increasing nervousness around the sector comes from a combination of challenges and risks set out below:

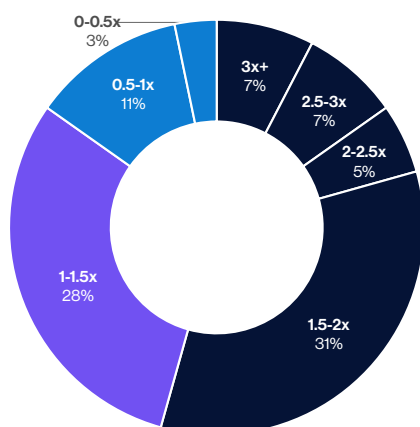
Private Credit Portfolio Defaults Don't Tell the Whole Story

Reported default rates in private credit are potentially understated due to:

- The widespread use of light-touch A&E transactions and the growing prevalence of PIK features. Today, roughly 10% of private credit loans include PIK features.⁴
- Borrower underperformance has yet to fully translate into defaults, with approximately 14% of borrowers not generating sufficient EBITDA to cover interest expense (see Figure 9).

The full extent of underlying stress is likely to become clearer as refinancing pressure increases over the coming years.

Figure 9: Interest Coverage Ratios of Private Credit Borrowers



Source: Houlihan Lokey, as of June 30, 2025

Surge in Redemptions Exposes Flaws in Private Credit Fund Structures

Private credit funds face an inherent mismatch between the illiquid nature of their assets and the liquidity features offered to investors, particularly in retail-oriented and semi-liquid vehicles, ranging from daily trading on public exchanges to quarterly redemption options in non-traded structures. The recent surge in redemptions highlights the risk of a liquidity crunch, especially as the maturity wall approaches.

While this is a structural issue rather than a sign of immediate credit deterioration, sustained redemption

pressure could pose significant risks for funds reliant on retail inflows, as these vehicles are inherently more sensitive to shifts in market sentiment and liquidity conditions.

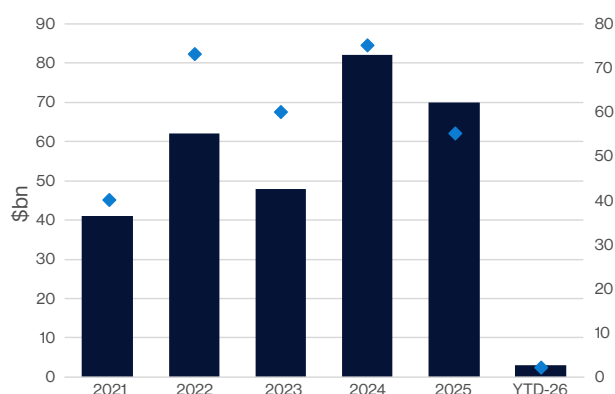
Rising Competition From (and Convergence With) Public Markets

Private credit historically offered stronger documentation and tighter covenants than public markets. However, as large amounts of capital flowed into the asset class, competition for deals increased significantly. This imbalance has driven a shift toward covenant-light structures. The growing stock of capital ready for deployment, or dry powder, has intensified this pressure. Managers are being pushed to accept tighter pricing and looser terms in order to deploy capital.

At the same time, deal flow is now being split more evenly between private and public credit, and the spread premium for private credit over CLO-driven public markets has compressed to around 150–200 basis points, down significantly from multiples of that level in previous years.⁵

Private lenders are increasingly participating alongside syndicated lenders rather than fully replacing them, often sitting within a broader, mixed capital structure or joining larger, clubbed or syndicated-style facilities. This reflects the rapid maturation of private credit, where the growth of “jumbo” deals (\$1 billion or larger private credit loans) has become more frequent (see Figure 10).

Figure 10: Jumbo Private Debt Lending in the USD Market by Volume and Number of Deals



Key
 ■ Jumbo private loan volume ◆ Number of deals (RHS)

Source: KBRA DLD, Goldman Sachs Global Investment Research
 Note: as of February 10, 2026 (most recent as of March 31, 2026)

4 Lincoln International, Modest Growth Appears in Lincoln's Private Market Index – yet Cracks are Emerging, February 2025

5 UBS, Private credit: The Red Thread – Alternatives, December 2025

This has allowed private credit to further expand its addressable market of borrowers, serving larger firms which may have historically only accessed syndicated credit markets. As a result, the distinction between private and public credit markets is becoming less clear-cut, with a growing “financing continuum” in which the same issuer can access both channels at different points in time, and even simultaneously within the same capital structure.

In recent years, we have also seen instances of publicly traded firms opting to add a private financing solution as part of their overall debt capital structure, such as **Meta Platforms Inc.** (via a JV with **Blue Owl Capital Corporation**) and **Electricité de France S.A./Apollo Global Management, Inc.**

This convergence is driving greater overlap in lender groups and deal structures, which in turn introduces additional complexity in restructuring scenarios. Divergent documentation standards, creditor rights and coordination dynamics between private lenders and syndicated participants can make workouts more intricate, especially where private credit investors are only one component of a multi-layered capital stack.

Fraud Allegations and Heightened Regulatory Scrutiny

Recent high-profile collapses, including **Tricolor Holdings LLC**, **First Brands Group LLC** and **Market Financial Solutions Ltd**, have underscored structural risks in private markets, particularly around transparency, underwriting discipline and regulatory oversight. Several of these cases have involved allegations of fraud or misrepresentation, intensifying scrutiny of governance standards and due diligence across the sector.

While these risks are not unique to private credit, certain features of the asset class, notably limited disclosure, highly bespoke deal structures and complex financing arrangements, can heighten vulnerability to fraud.

- One example is **First Brands Group LLC**, where allegations have involved double factoring and the reuse of receivables through off-balance-sheet structures, combined with commingled cash flows, weak segregation controls and the retention of effective control over supposedly sold assets.
- Similarly, in **Market Financial Solutions Ltd**, there have been allegations of double-pledging property collateral across multiple lenders within opaque, intermediary-driven financing structures.

This has reignited debate over whether private credit is a suitable asset class for retail investors. At its core, the concern is that expanding access may shift inherently illiquid and complex risks into investor bases with lower capacity to absorb losses, potentially amplifying stress and increasing the risk of broader market dislocation in a downturn.

While regulators on both sides of the Atlantic are converging on concerns that opacity in private credit markets may amplify stress in a downturn, their approaches are diverging:

- In the UK, authorities are taking a more proactive stance. In December 2025, the Bank of England launched a system-wide exploratory scenario focused on private markets, aimed at assessing how shocks could propagate through leverage, valuation practices and funding structures.



- In contrast, the U.S. approach continues to evolve:
 - While the Financial Stability Oversight Council and the Federal Reserve have acknowledged the rapid growth of private credit and its increasing interconnectedness with banks and insurers, regulatory efforts have so far focused on data gathering, monitoring and targeted supervision, rather than formal stress testing or a comprehensive prudential framework.
 - At the same time, policy developments may further accelerate the sector's expansion. The U.S. Department of Labor has proposed a rule that would make it easier for retirement plan sponsors to allocate to private credit, potentially directing a portion of the \$10 trillion 401(k) market into alternative assets.⁶

What This Means for Private Lenders

Private credit is now facing its first meaningful credit cycle stress test. The current environment therefore represents a period of normalisation and recalibration, as many of the assumptions underpinning pre-pandemic performance no longer hold.

For private lenders, this is likely to result in:



Greater underwriting discipline: As market conditions tighten, lenders are placing greater emphasis on underwriting discipline and due diligence, with a renewed focus on fundamentals, including tighter credit selection, more conservative structuring and increased scrutiny of borrower performance.



Earlier lender intervention and more active portfolio management: Private lenders are increasingly engaging earlier with borrowers and sponsors to preserve value, particularly when operating performance begins to deteriorate. This shift toward more proactive portfolio management reflects both necessity and a more hands-on approach within private credit.

- Private lenders are therefore realising that workout expertise and restructuring capabilities are becoming essential, and a growing number are setting up their own in-house teams.
- There is also growing evidence of lenders assuming control in distressed situations. Teneo's research shows that private lender equitisations in Europe have grown fourfold between 2019 and 2025.



Consolidation across the private credit industry:

There is a growing expectation of industry consolidation over the next five years, driven by the need for scale, regulatory pressure and investor preference for diversified, large-scale managers. Large asset managers are acquiring smaller, specialised firms, consolidating the market into a few major “one-stop-shop” providers. Recent examples include **Blackstone/HPS Investment Partners, Franklin Templeton/Apera Asset Management and Clearlake Capital/MV Credit.**



Increased sensitivity to market-based stress indicators: Recent reporting suggests that major banks and hedge funds are trading credit default swaps (CDS) on leading private credit funds. As CDS spreads reflect the market's view of default risk and can move independently of underlying asset performance, they may become a reference point for how counterparties price exposure, leading to tighter financing conditions and higher borrowing costs for funds perceived as underperforming. Widening spreads could then contribute to higher redemption requests, potentially increasing the likelihood of gating or withdrawal limits in weaker funds, which might reinforce stress dynamics.

⁶ Investment Company Institute and Department of Labor, Quarterly Retirement Market Data, Fourth Quarter 2025, March 2026

Sectors Under Greatest Pressure

The sectors most at risk are those exposed to a mix of high leverage, margin pressure, capex demands, environmental, social and governance (ESG) pressures, declining valuations, high energy and transportation costs and structural change.

The sectors currently most exposed include:



Commercial Real Estate: Refinancing and Valuation Decline

- Pressure within commercial real estate markets is global, but particularly acute in China and Hong Kong Special Administrative Region (SAR). Recent reporting suggests that weaker Hong Kong SAR developers and private investors are increasingly becoming forced sellers amid mounting refinancing pressure, while official data from the Hong Kong government's Rating and Valuation Department indicates that Grade A office prices in core districts have declined by approximately 60% from their 2018 peak levels.⁷



Selected Business Services and Software/SaaS Segments

- The industry's traditional seat-based model has increasingly become less aligned with value delivered, as AI handles more tasks and customers need fewer incremental users, creating near-term revenue risk and accelerating a shift toward usage- and outcome-based pricing.
- The industry has not yet aligned around a new pricing model, as value is difficult to measure consistently and costs are hard to attribute, making pure usage or outcome-based models difficult to apply fairly. This is driving interim hybrid models such as seat-based bundles with AI usage add-ons.



Additional Sectors Facing Pressure

- Other sectors likely to be impacted, due to a mix of tariffs, weak consumer confidence and high energy prices, include: retail & consumer, hospitality, industrials, transport, chemicals and automotive suppliers.



GCC/UAE Specific

- Post-COVID-19, and prior to the escalation of the conflict in Iran, economic conditions across the GCC were broadly supportive, particularly in the UAE. However, regional instability is now beginning to weigh on sectors such as tourism and hospitality, while real estate development, investment activity and consumer-facing sectors are also expected to face increasing pressure.
- Banks will pursue A&E transactions where possible and will support borrowers as they did during COVID-19 and in prior economic downturns. However, many borrowers carry aggressive leverage and/or have seen their pre-war expected cash flows negatively impacted.



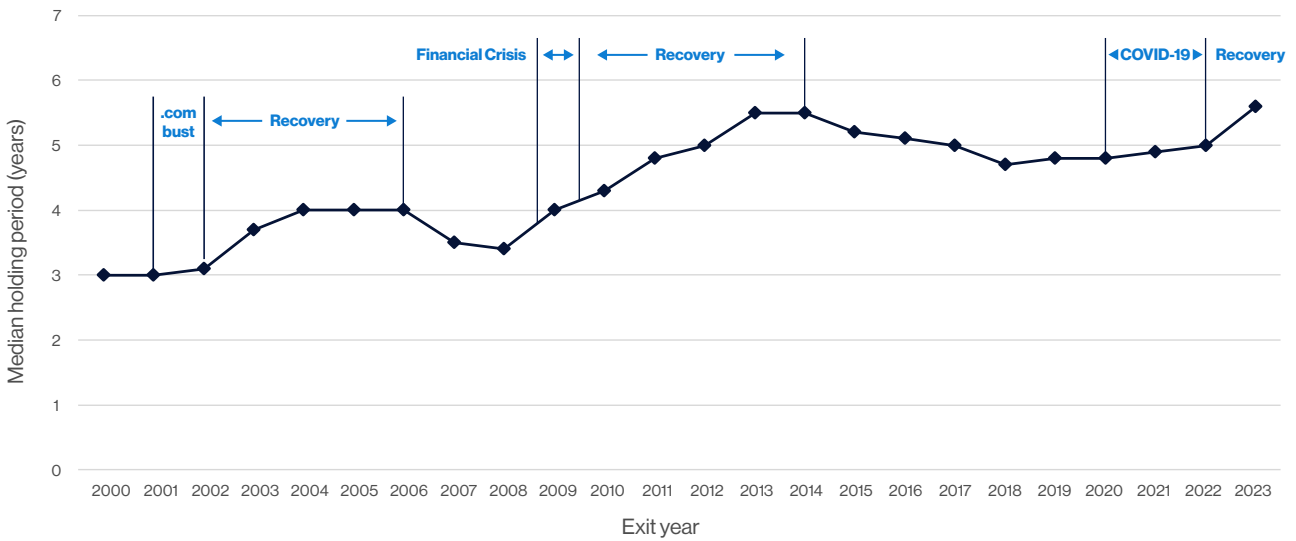
PE-backed companies

- Following a period of partial normalisation in 2024, private equity activity slowed materially in the first half of 2025 across both investments and exits, spanning all deal size categories (see Figures 11 and 12). Dealmaking activity has effectively paused as sponsors remain reluctant to exit investments amid persistently high interest rates, valuation pressure and continued macroeconomic uncertainty.

⁷ Rating and Valuation Department, The Government of the Hong Kong Special Administrative Region, Teneo Analysis

Figure 11: Private Equity Holding Periods

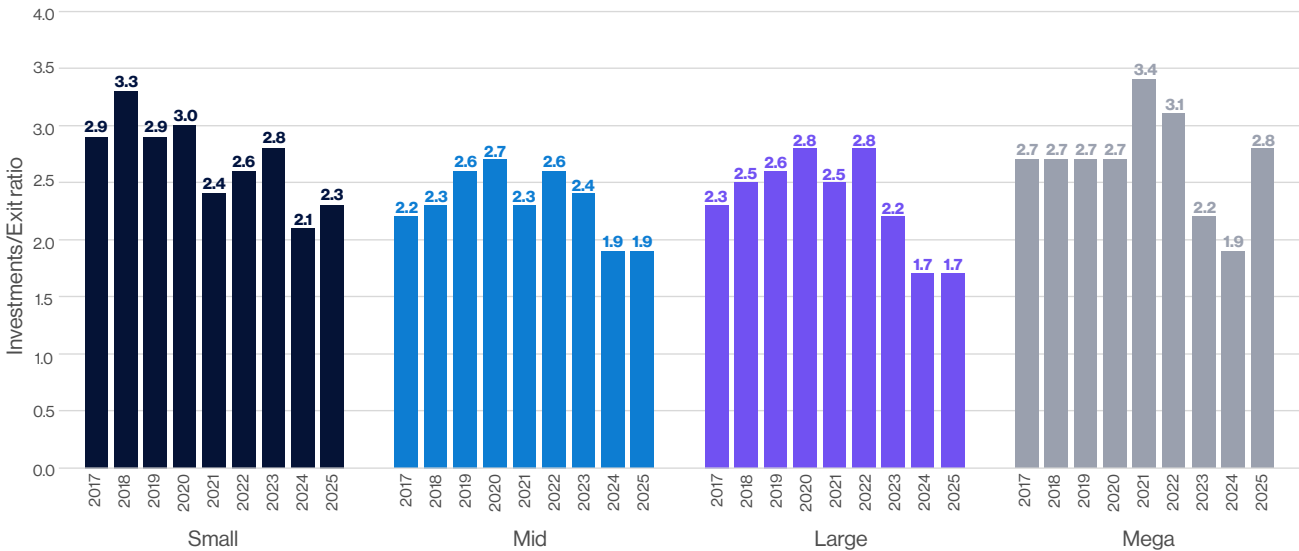
2023 median holding period = 5.6 years (highest ever)



Source: CFO Leadership, As PE Company Exits Slow, Holding Periods Now Longest Ever, October 2023

Figure 12: PE Investments/Exit Ratio (2017–2025 YTD)

Exits slowed in 2025 after a post-COVID-19 rebound

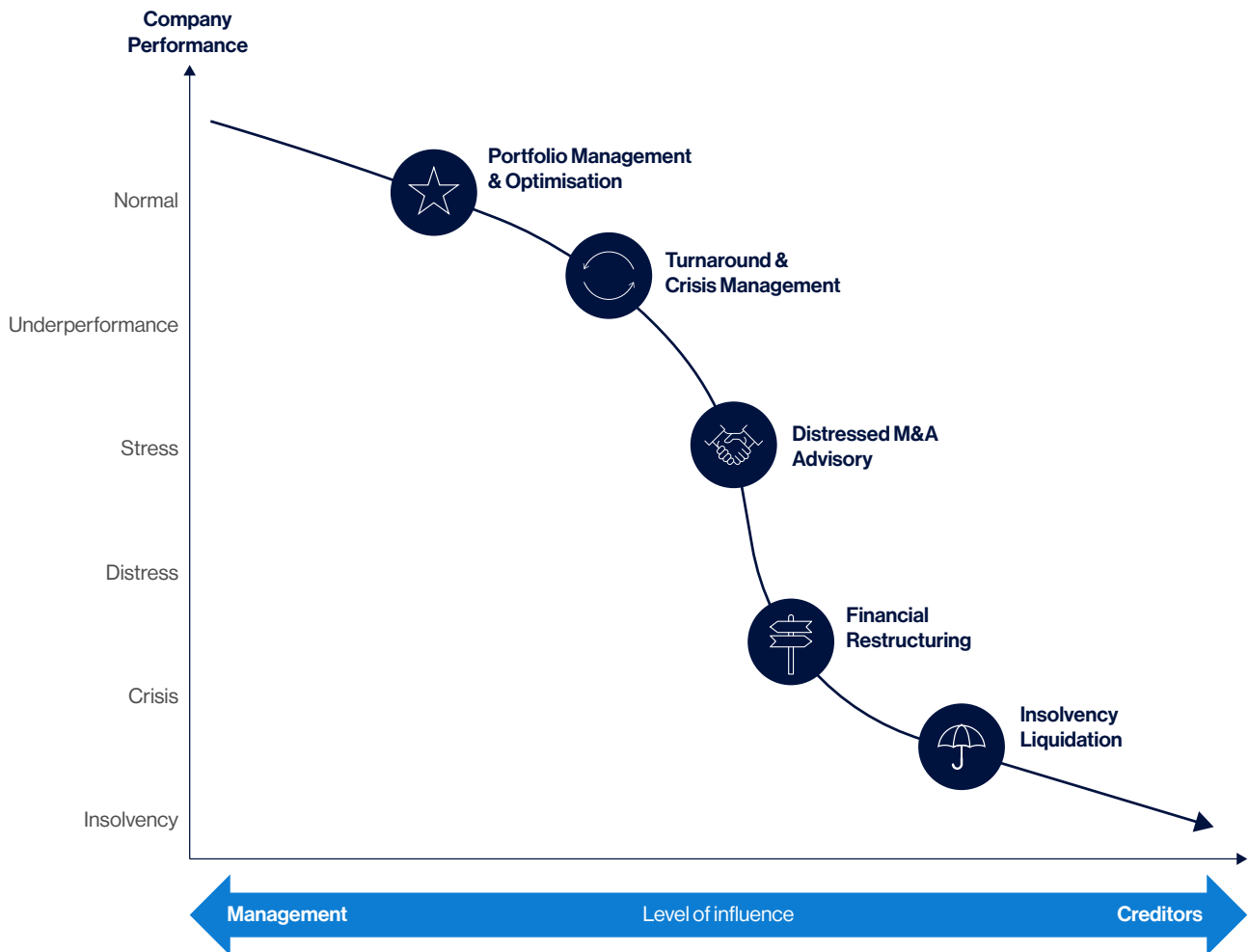


Source: Private Equity Info, Exits Slow In 2025, After A Post-COVID-19 Bounce Back

Teneo's Integrated Approach to Complex Restructuring Situations

Teneo's Financial Advisory business has unparalleled experience advising creditors, sponsors and companies across complex restructuring and special situations globally. Across these engagements, we are seeing earlier lender intervention, increasingly complex stakeholder dynamics and growing convergence between public and private credit markets. In our experience, preserving optionality through early engagement remains critical, particularly in situations involving multi-layered capital structures, cross-border considerations and operational stress.

Our integrated model enables us to support stakeholders across the full corporate lifecycle, from portfolio optimisation and operational turnaround through to distressed M&A, financial restructuring and insolvency scenarios. This integrated approach is increasingly important in a market where operational execution, stakeholder coordination and strategic communication are becoming as critical as financial restructuring itself.



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