

# Distressed M&A 2025: Rising number of increasingly complex processes

**Edition Retail**  
January 2025

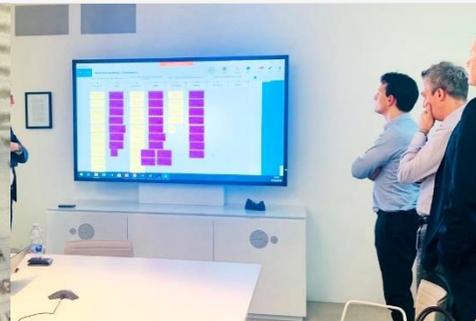
KEARNEY



Distressed M&A is anticipated to rise, despite a decline relative to other insolvency outcomes, underscoring the critical importance of a well-managed M&A process

**Distressed M&A definition**  
Companies that have been entirely or partial sold, that had filed for insolvency before

## Chapters & key insights



### 1 Distressed M&A market

M&A deals are expected to **moderately increase**, driven by an expected increase in insolvencies

However, M&A as a share from other insolvency outcomes (e.g. liquidations) is expected to decline

### 2 Distressed M&A in the retail & consumer market

M&A deals in the retail & consumer market are expected to **remain stable**, albeit on a higher level compared to previous years

### 3 Distressed M&A success factors (case study)

A **well-structured sell-side process** is key and requires an experienced advisor with an extensive network to (financial) investors and a solid understanding of the industry to identify and attract strategic investors

### 4 Introduction of Kearney and consideration of partners

We thank our leading restructuring partners for their contribution to our study; Kearney combines global expertise in key sectors with in-depth M&A experience

# Distressed M&A remains the predominant insolvency outcome and is expected to rise

“Selling insolvent distressed assets is becoming increasingly more challenging due to lack of performance upside and deal financing options.”

Dr. Jens Schmidt, Runkel

“Cherry-picking in a distressed M&A process in retail allows for building a more sustainable business model.”

Christopher Seagon, Wellensiek

## 1. Distressed M&A market

## The role of distressed M&A<sup>1</sup> in large insolvencies<sup>2</sup> in Germany

- The increase in insolvencies leads to increased **distressed M&A**
- Among large insolvencies, **distressed M&A remains the predominant outcome**
- **Market participants** expect an **increasingly challenging environment** for **distressed M&A**, e.g., due economic and financing uncertainties
- Therefore, **distressed M&A as share** of overall outcome **is declining** / is expected **to decline** relative to other insolvency outcomes, e.g., liquidations
- Overall reduced investor interest allows remaining interested buyers to **cherry-pick premium assets at below-market valuations**, to enhance **competitive position while achieving attractive ROIC<sup>3</sup>**
- **Special situation investors** are often investors of **last resort** (equity / debt)
- In the current market environment, a **broader, adaptable approach** is critical for **successful distressed M&A**, requiring financial analysis and strategic, operational, as well as legal integration.



**Distressed M&A deals are expected to grow below the overall number of insolvencies**

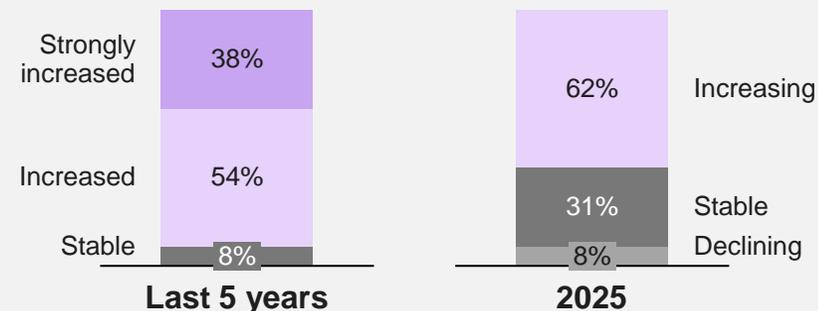
1. Companies that have been entirely or partial sold, that had filed for insolvency before;  
 2. Companies >100 FTEs 3. Return on invested capital; 4. Bases on expert/partner interviews  
 5. Rated from 1 (strongly declining/ed) – 5 (strongly increasing/ed)  
 Source: Expert interviews; Kearney

## Expert consensus – Germany<sup>4</sup>

### Development # of distressed M&A deals<sup>5</sup> % share of responses

How has the number of deals developed in the last 5 years?

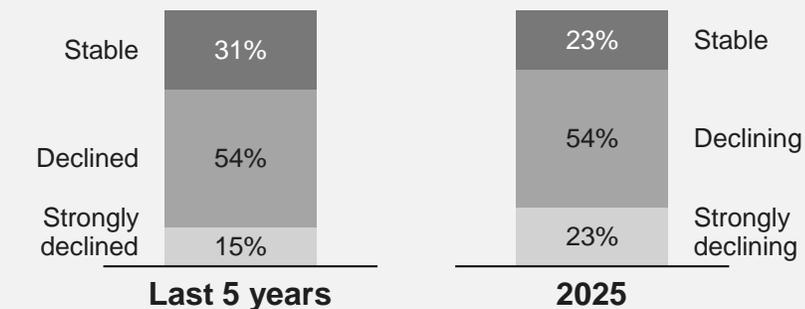
How will the number of deals develop in 2025?



### Development of share distressed M&A<sup>5</sup> % share of responses

How has the share of distressed M&A from all insolvency outcomes developed in the last 5 years?

How will the share of distressed M&A from all insolvency outcomes develop in 2025?



# Several key trends are driving the rise of distressed M&A, but dealmaking is expected to become increasingly challenging

*“Distressed M&A transactions are becoming increasingly more challenging due to the overall economic downturn”*

**Dr. Matthias Kampshoff,  
McDermott Will & Emery**

*“Automotive, medical care facilities, retail and real estate sectors face considerable challenges in regard to financial performance”*

**Stefan Denkhau, BRL**

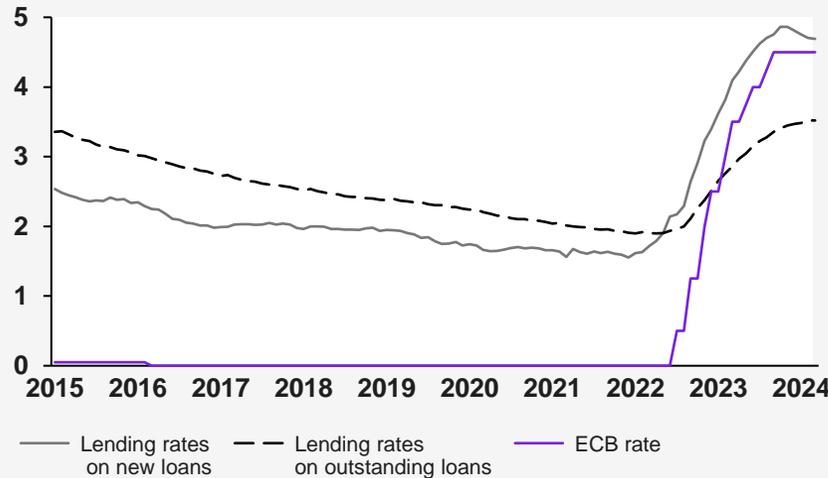
## 1. Distressed M&A market

## Key trends shaping the distressed M&A market

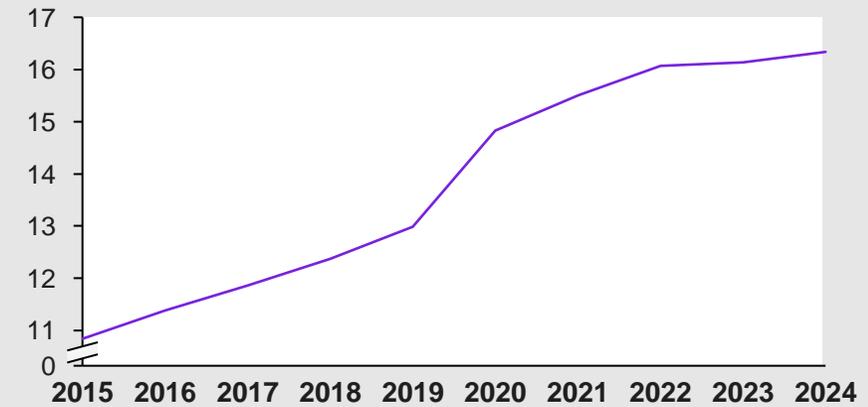
	Trend	Description
Macro trends	1 Challenges to finance debt <b>DEEP-DIVE ON PAGE 5</b>	<ul style="list-style-type: none"> <li>– <b>Financing / re-financing</b> is becoming <b>increasingly more challenging</b> for companies in DACH and abroad</li> <li>– <b>Increased financing costs, more restrictive lending</b> and <b>considerable refinancing of maturing debt in FY25 and beyond</b> are expected to <b>further drive-up insolvencies and the need for distressed M&amp;A</b></li> <li>– While interest rates are easing, <b>long-term interest rates are expected to remain significantly higher</b>, e.g., the 10-year German bond yield increased to <b>~2.3%</b> in October 2024 compared to <b>~-0.15%</b> 3 years ago</li> </ul>
	2 Declining profitability & cash <b>DEEP-DIVE ON PAGE 6</b>	<ul style="list-style-type: none"> <li>– The <b>number of companies unable to generate sufficient cash to service interest payments</b> has been <b>increasing dramatically</b> in recent years, as shown by our yearly “Zombi Study”</li> <li>– <b>Lacking consumer demand</b> resulting from years of price inflation and economic uncertainty, and <b>increasing operational costs negatively impacted profitability</b> and <b>cashflow</b> generation, a trend that is expected to continue into 2025 albeit considering that the economic outlook is expected to slightly improve</li> </ul>
	3 Rising non-performance loans <b>DEEP-DIVE ON PAGE 7</b>	<ul style="list-style-type: none"> <li>– <b>The increasing NPL ratio</b> in Germany and Austria reflects that non-financial corporations struggle to service their loans – <b>the NPL ratio increased to 3.4%, up from 2.3% at the end of 2022</b></li> </ul>
Distressed M&A specific trends	4 Sharply rising insolvencies <b>DEEP-DIVE ON PAGE 8</b>	<ul style="list-style-type: none"> <li>– <b>Insolvencies</b> of large companies are <b>expected to rise</b> from <b>136</b> in 2022 to <b>~260</b> in 2024 and are expected to <b>continue to rise in 2025</b> due unstable economic outlook negatively impacting re-/financing conditions and cash generation</li> </ul>
	5 Delayed insolvency filings	<ul style="list-style-type: none"> <li>– Most companies that received <b>government support during the pandemic</b> and struggled to turn around have <b>already filed for insolvency</b> – however, few remaining unsuccessful turnaround cases remain that will likely file for insolvency</li> </ul>
	6 Challenge to sell distressed assets	<ul style="list-style-type: none"> <li>– The <b>success rate of selling</b> the distressed assets and <b>finding interested parties</b> has become more challenging, especially with regards to financial / distressed investors</li> </ul>
	7 The rise of StaRug	<ul style="list-style-type: none"> <li>– <b>StaRUG</b> is expected to decrease insolvencies and distressed M&amp;A going forward, as companies will have the <b>opportunity to renegotiate debt with creditors before filing for bankruptcy</b></li> </ul>

# Companies face rising financing costs and more restrictive access to corporate loans

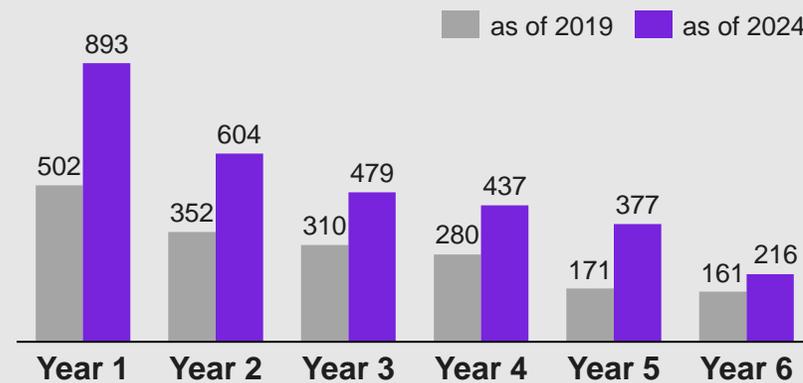
## Financing rates ECB vs. corporate financing rates %, Europe



## Development of M3 money supply €tn; Eurozone



## Debt Maturity wall<sup>1</sup> €bn, Germany, as of 2019 vs. as of 2024



1. Corporate bonds and CLOs  
Source: European Banking Authority, Bloomberg, Capital IQ, European Central Bank – Financial Stability report May 2024; Kearney

## Remarks

- Corporate interest expenses are trailing behind ECB interest rate hikes
- Interest rate increases have yet to be fully absorbed by companies – **lending rates on new loans ~1.2% higher than for existing loans** (on like-for-like basis)
- Higher **financing costs, more restrictive** lending combined with a stagnating economy and **rising maturing debt** levels, are expected to drive **insolvencies**

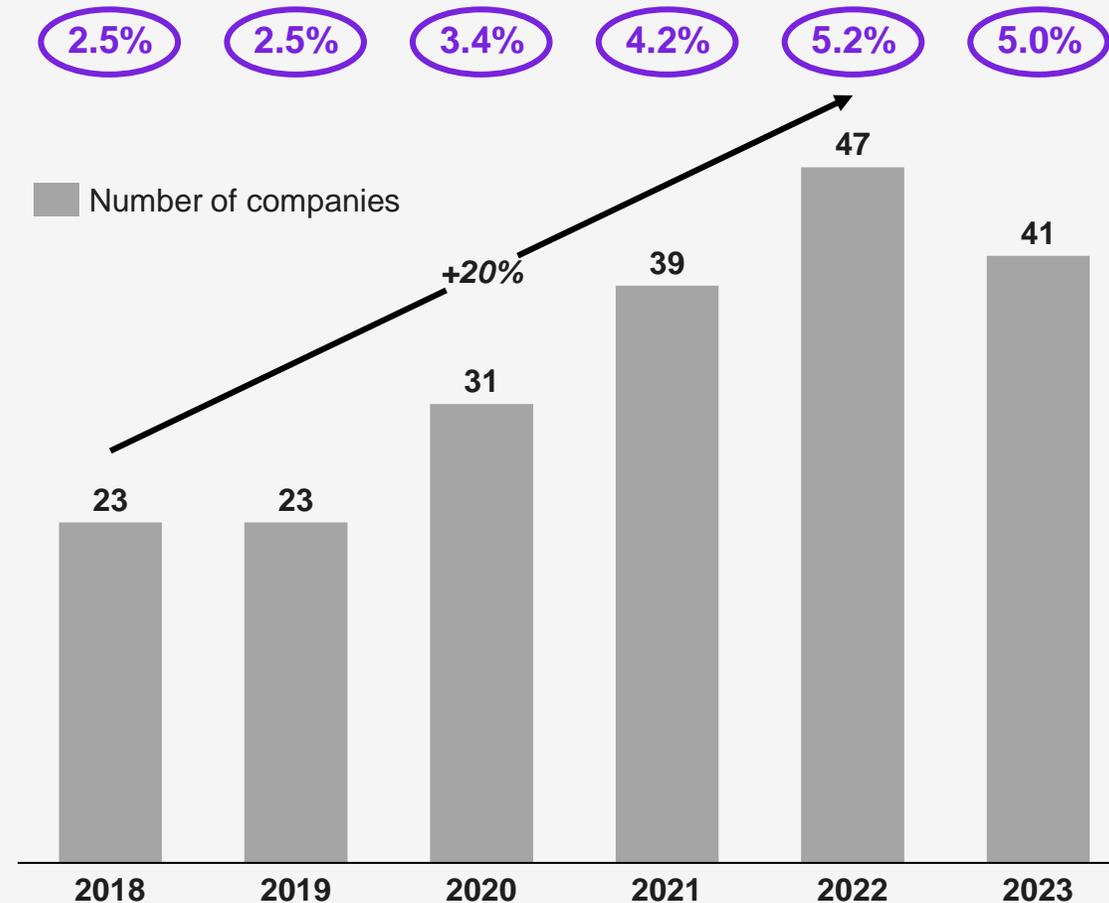
- 1 Challenges to finance debt
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- 6 Challenge to sell distressed assets
- 7 The rise of StaRug

### 1. Distressed M&A market

The number of "zombies" companies<sup>1</sup> has been rising sharply – the number of zombies is expected to remain above pre-COVID levels and will likely further increase

## Development of stock listed zombie companies<sup>1</sup> in DACH

% share of companies<sup>2</sup>



1. Companies that do not generate sufficient cash to service their debt financing costs  
 2. Listed public companies; total of 825 in 2023  
 Source: Kearney Zombi Study; Kearney

- 1 Challenges to finance debt
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### 1. Distressed M&A market

## Kearney's "Zombie Study"

For the last four years we have published the **Kearney "Zombie Study"**, which illustrates the challenges companies in DACH and globally increasingly face with regard to serving their financial obligation



# Surging non-performing loans ratios exceed COVID levels, indicating a lack of financial performance of companies

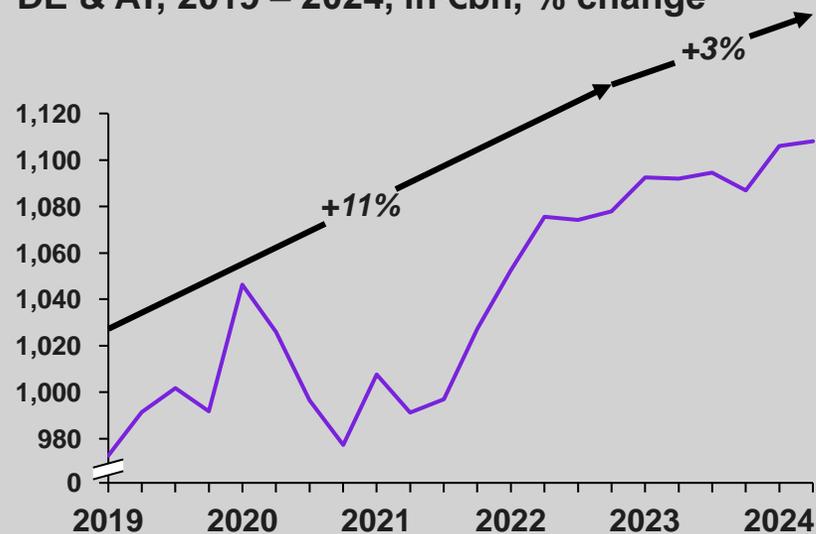
“Managing teams seeking to finance an MBO are increasingly drawing towards alternative financiers”

Christian Fritsch, ELF Capital

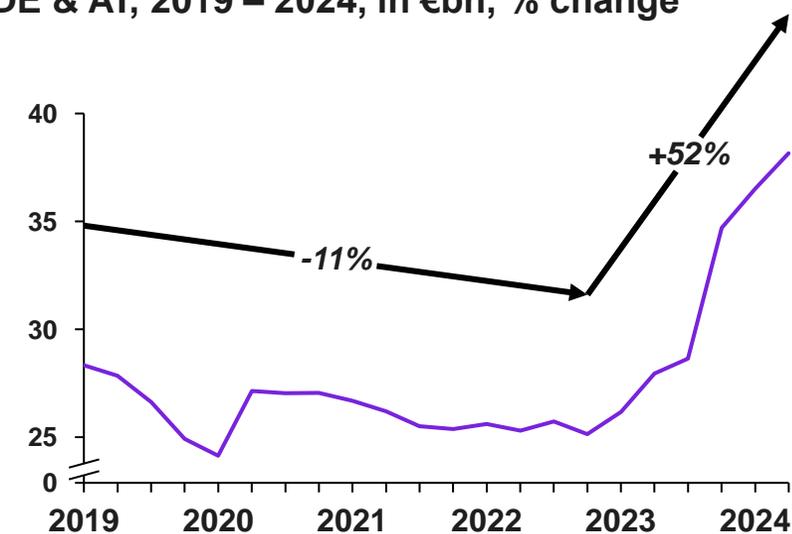
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## 1. Distressed M&A market

Loans to non-financial corporations<sup>1</sup>  
DE & AT, 2019 – 2024, in €bn, % change



NPL<sup>2</sup> to non-financial corporations<sup>1</sup>  
DE & AT, 2019 – 2024, in €bn, % change



## NPL ratios by sector in Germany

Sector	As of Q2 FY24 as %	Development since FY22
Construction	5.5%	+ 51%
Manufacturing	4.5%	+ 8%
Real estate	4.4%	+ 212%
Retail	3.3%	+ 9%
Financial services	3.1%	+ 20%

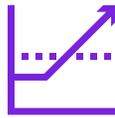
## NPL increased by 13bn € since FY22

- The **NPL ratio** for loans to non-financial corporations **increased to 3.4%**, up from **2.3% at the end of 2022**
- This **increase has been driven by corporate real estate, the energy sector and information and communication**
- Additionally, across sectors, **SMEs have experienced a significant increase in NPL**

1. Excluding financial corporations such as banks and insurances; 2. Non-performing loans  
Source: European Banking Authority; Kearney

# Experts anticipate a rise in insolvency activity among large companies for 2025

- Insolvencies among large companies in Germany have shown an increase, rising from **139 cases in 2018 to 231 in 2023**
- **In the first half of 2024, 136 large company insolvencies have been filed, a 18% increase** compared to the same period in 2023 - underscoring an **accelerating trend in corporate financial distress**
- These large insolvencies include notable cases in the **real estate** (Helma Eigenheimbau AG & Omega AG), **retail** (KaDeWe-Group & Weltbild) and **automotive sector** (WKW Group & Eissmann Automotive)
- Insolvencies have been driven by **economic downturn, rising refinancing costs and more restrictive lending**, and increased **operational expenses**
- In **Switzerland**, insolvency rates have remained **relatively stable**, while **Austria is experiencing a rising trend in insolvencies**, similar to the pattern observed in Germany

 **Due to ongoing economic pressures, large insolvencies are anticipated to continue rising in the coming years.**

- 1 Challenges to finance debt
- 2 Declining profitability & cash
- 3 Rising non-performance loans
- 4 **Sharply rising insolvencies**
- 5 Delayed insolvency filings
- 6 Challenge to sell distressed assets
- 7 The rise of StaRug

*"I assume that the number of insolvency cases will continue to rise in the future due to political and economic factors."*

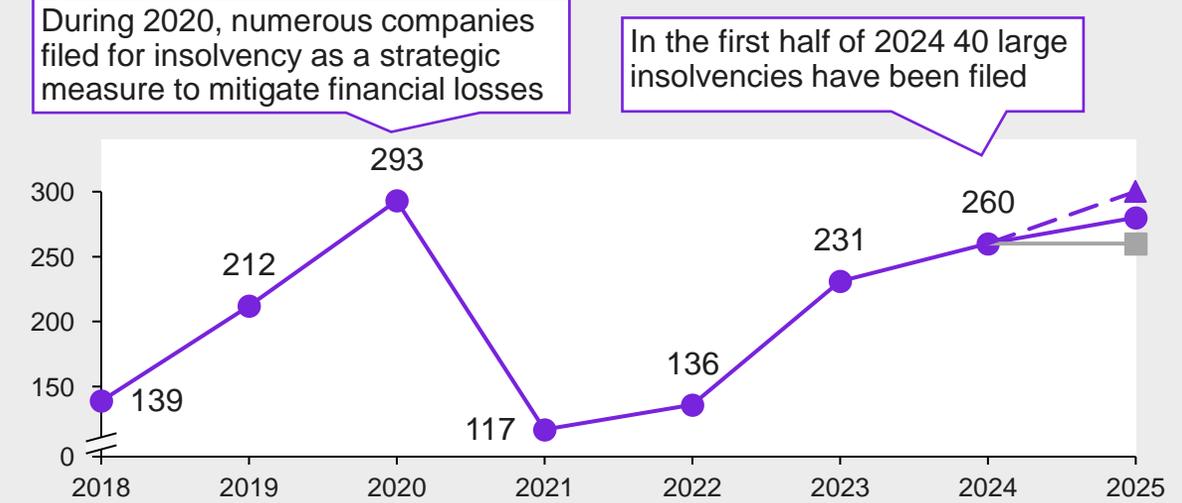
**Detlef Specovius,  
Schultze & Braun**

## 1. Distressed M&A market

1. Large insolvencies defined as > 100 FTE;  
2. Rated from 1 (strongly declining/ed) – 5 (strongly increasing/ed); bases on expert/partner interviews  
Source: Destatis, Expert Interviews, Insolvenzportal, Kearney

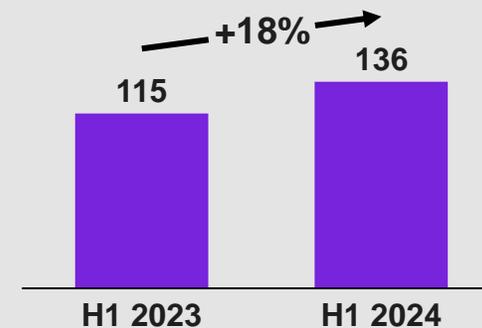
## Large insolvencies<sup>1</sup> in Germany

# insolvencies, 2018 – 2025F



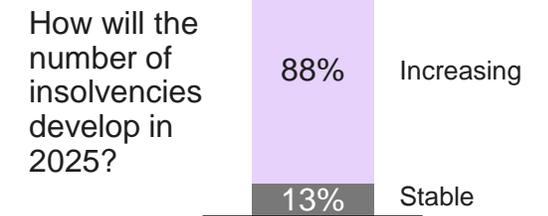
## Insolvencies H1/23 vs. H1/24

# large insolvencies



## Expert forecast insolvencies in 2025<sup>2</sup>

% share of responses



# The volume of distressed M&A transactions in the retail & consumer sector is expected to remain elevated...

“Certain retail segments remain challenging incl. fashion, home supplies and partially food”

Dr. Christian Gerloff, GL Law

## 2. Distressed M&A in the retail

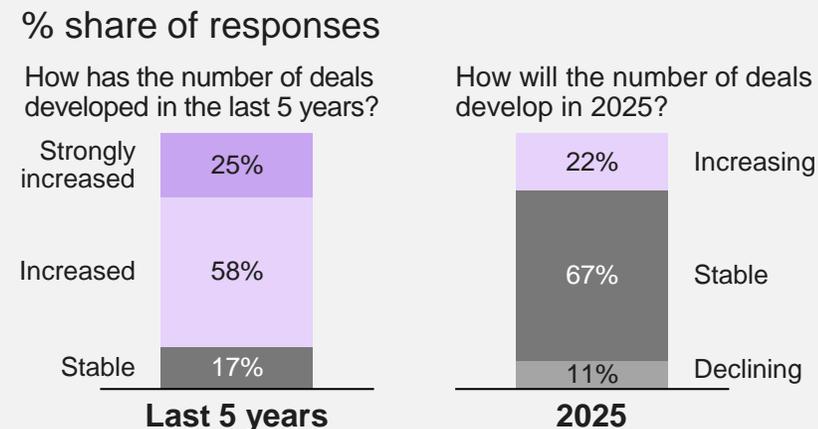
### The role of distressed M&A in retail & consumer goods - Germany

- Following years of significant landmark transactions like KaDeWe Group, Galeria, and SportScheck, **distressed M&A is still expected to stay on an elevated level** in the retail & consumer goods sector
- As the consumer climate is expected to remain weak **experts predict stable to rising insolvency rates** in retail & consumer goods in 2025, especially, as some companies file for insolvency more than once
- As insolvency levels are expected to remain elevated, **distressed M&A** in the retail and consumer sector is expected to continue to play a **significant role in the coming years**
- **Strategic investors remain interested in distressed M&A**, as it provides a chance to expand or establish their footprint in Germany at below-market valuations
- Additionally, distressed M&A in the retail sector offers investors the opportunity to cherry-pick a selection of assets in a **buyer concept to reconfigure a sustainable and profitable business model**

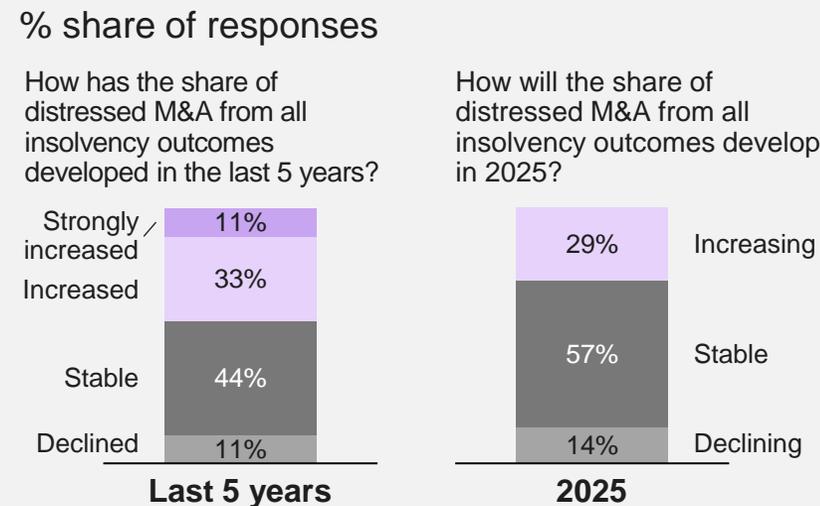
1. Bases on expert/partner interviews  
 2. Rated from 1 (strongly declining/ed) – 5 (strongly increasing/ed)  
 Source: Expert interviews; Kearney

### Expert consensus – Germany<sup>1</sup>

#### Development of distressed M&A deals in the retail & consumer sector<sup>2</sup>



#### Development of share distressed M&A in the retail & consumer sector<sup>2</sup>



# ... due to a challenging operating environment for retailers

## Overview of key trends shaping distressed M&A in the retail & consumer sector

	Trend	Description
Macro trends	1 Depressed business & consumer climate DEEP-DIVE P.11	<ul style="list-style-type: none"> <li>– <b>Consumer sentiment</b> in 2023 and 2024 has <b>not fully recovered</b> to pre-COVID levels <b>due to economic uncertainty, rising unemployment, and past inflation</b></li> <li>– Despite slightly expected improvements in inflation and economic growth in 2025, the <b>consumer climate is likely to remain challenging</b>, thereby negatively impacting the retail and consumer sector and driving insolvencies, <b>while reducing investor appetite</b>, thus moderating the share of distressed M&amp;A</li> </ul>
	2 Declining market growth & consumer spending DEEP-DIVE P.12	<ul style="list-style-type: none"> <li>– <b>Growth in several retail and consumer segments</b> has been <b>declining in recent years</b></li> <li>– <b>Increased costs of living</b>, especially for housing and energy, are forcing households to <b>reduce spending on discretionary items</b></li> <li>– Spending on <b>fashion and leisure items has dropped</b> in recent years, a <b>trend that is expected to continue</b> due to persistent high costs of living and overall economic/job uncertainty</li> </ul>
	3 Increasing structural challenges	<ul style="list-style-type: none"> <li>– <b>Structural challenges</b> such as <b>market consolidation</b> in several retail and consumer market segments, the rapid <b>growth of e-commerce</b>, intensified <b>competition</b> incl. rise of <b>direct-to-consumer (DTC) brands</b> and <b>changing consumer behavior</b> are adding further <b>pressure on the market</b></li> </ul>
Distressed M&A specific trends	4 Stable high number of insolvencies DEEP-DIVE P.13	<ul style="list-style-type: none"> <li>– <b>Insolvencies in the retail and consumer sector are expected to remain elevated</b>, as consumer confidence shows little sign of improvement and discretionary spending continues to remain a challenge for consumers</li> </ul>
	5 Contd' interest from strategic buyers DEEP-DIVE P.14	<ul style="list-style-type: none"> <li>– <b>Recent transactions</b> typically involve <b>strategic buyers</b> from the EU and Asia, targeting prominent market players to <b>expand their presence in the German market</b></li> <li>– With tight margins and ongoing market consolidation, <b>strategic buyers are expected to dominate the investor landscape</b></li> </ul>
	6 Hesitant special situation investors DEEP-DIVE P.14	<ul style="list-style-type: none"> <li>– Financial <b>distressed M&amp;A investors</b> currently indicate <b>low interest in the retail and consumer sector</b>; <b>interest of DACH investor overall higher</b> compared to London / USA counter parts</li> </ul>

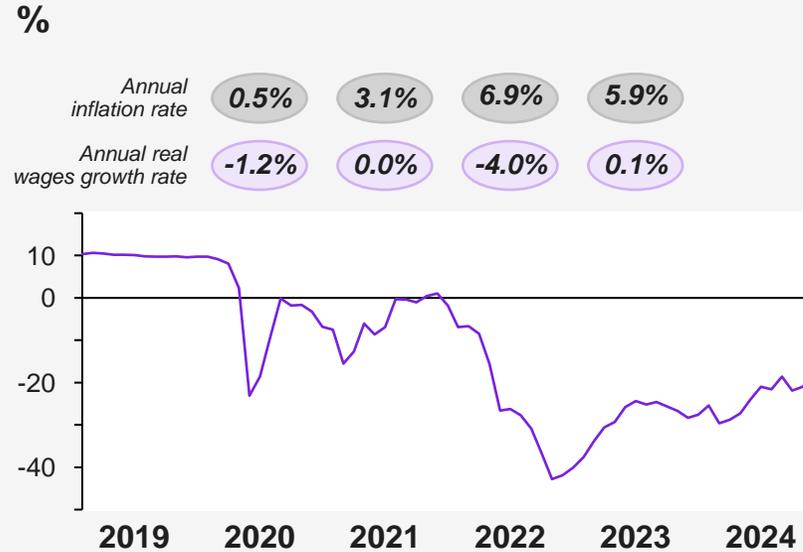
“Expected future development of the consumer climate and behavior considered key driver for investor interest for distressed retail assets.”

Axel Bierbach, MHBK

### 2. Distressed M&A in the retail

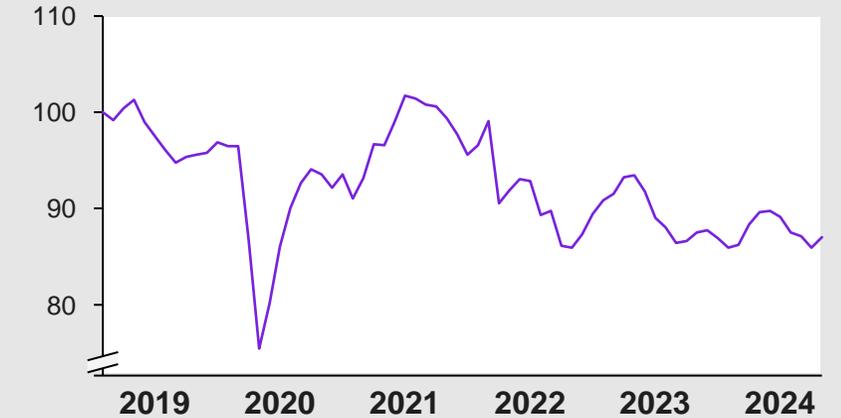
**Consumer sentiment recovered in 2023-2024 but remains below pre-COVID levels, while the business climate remains on a downward trajectory and unemployment increases**

## GfK Consumer Climate Index

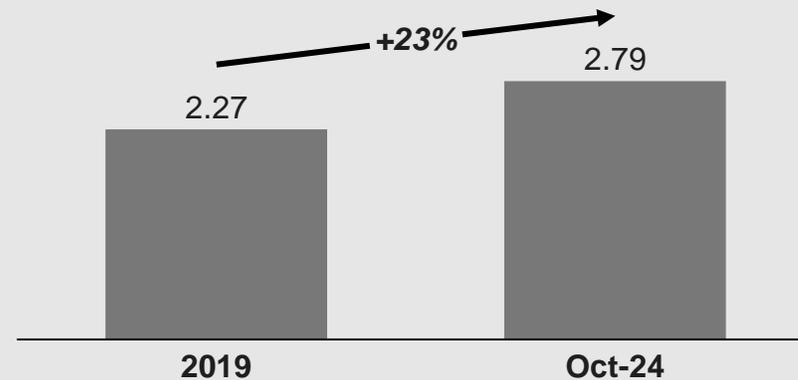


## IFO Business Climate Index

% index based on 2019



## Unemployment figures #mn, Germany



Source: Destatis; IFO Institut; GfK SE; Kearney,

## Remarks

- Despite a **recovery in consumer sentiment** during 2023 and 2024, levels remain below pre-COVID due to **ongoing economic uncertainty, moderately rising unemployment**, and the lingering effects of **significant price inflation in recent years**
- Although inflation is expected to decrease to 2% in 2025 and the economy is expected to only grow by 0,4%, the **consumer climate is anticipated to remain challenging** and below pre-COVID levels
- This persistent uncertainty will **continue to pose challenges for the retail and consumer sector**

1	Depressed business & consumer climate
2	Declining market growth & consumer spending
3	Increasing structural challenges
4	Stable high number of insolvencies
5	Continued interest from strategic buyers
6	Hesitant special situation investors

## 2. Distressed M&A in the retail

## Retail and consumer sector growth has been declining due to consumer shift towards essential spending

### Retail growth by sectors % real change, 2019 - 2024; Germany

Sector	% growth
 Food	4.9%
 Fashion	( 11.0%)
 Home supplies	( 10.1%)
 Other	( 6.2%)
<b>Total</b>	<b>( 2.1%)</b>

### Household monthly spending - key categories % CAGR, 2019 - 2022, Germany

Category	CAGR
 Housing, energy, housing maintenance	3.6%
 Food, beverages, tobacco products, etc.	4.0%
 Leisure, sport and culture	(3.6%)
 Catering and accommodation	3.0%
 Clothing and shoes	(0.7%)

### Remarks

- **Several retail sectors** are **declining** and **facing multiple challenges** driven by consumer behavior as well as structural challenges
- **Consumers increasingly focus on essential spending** due to escalating costs for necessities, and on **household savings** due to economic uncertainty
- Key **structural challenges** include **market consolidation** in various retail and consumer segments, the rapid **rise of e-commerce** incl. the challenge to develop sustainable e-com business models, intensified **competition** incl. the **rise of direct-to-consumer brands**, and changed **consumer behavior** (e.g., working from home)

1	Depressed business & consumer climate
2	<b>Declining market growth &amp; consumer spending</b>
3	Increasing structural challenges
4	Stable high number of insolvencies
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## 2. Distressed M&A in the retail

# Insolvencies in the retail and consumer sector are expected to remain elevated as customers reprioritize spending

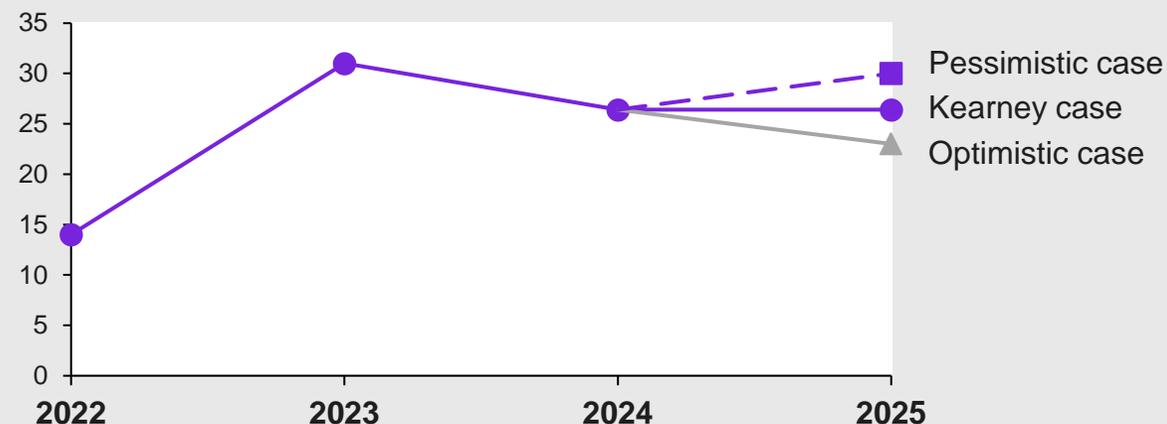
“Consumer spending remains low, with the exception of food retail, as customers shift away from discretionary purchases.”

Axel von Przybylski,  
Commerzbank

- 1 Depressed business & consumer climate
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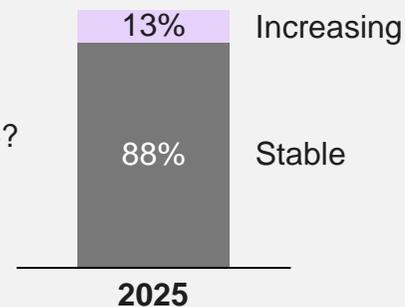
## 2. Distressed M&A in the retail

### Large insolvencies<sup>1</sup> retail and consumer #, 2022 – 2024; Germany



### Expert consensus and forecast Development of insolvencies in retail and consumer<sup>1</sup> % share of responses

How will the number of insolvencies develop in 2025?



1. Rated from 1 (strongly declining/ed) – 5 (strongly increasing/ed); bases on expert/partner interviews  
2. Companies >100 FTEs  
Source: Destatis; Expert interviews; Insolvenzportal; Kearney

## Remarks

- During COVID-19, widespread retailer insolvencies and market consolidation accelerated the shift to e-commerce, allowing online platforms to capture significant market share that redefined the retail landscape
- Post COVID many retail and consumer goods companies were unable to rebuild liquidity buffers, due to the repayment of government funded COVID support
- In 2023, numerous insolvencies, including SportScheck and the cascading insolvency of Galeria, were linked to the Signa Retail collapse, resulting in a notable one-time impact on the retail market
- Experts predict stable to rising insolvency rates in retail and consumer goods from 2025 onward

# The retail and consumer sector is of special interest for strategic buyers and special situation investors from DACH

“Asset-light licensing platforms such as Polaroid, Laura Ashley and Telefunken will provide new attractive investment opportunities in European retail, as in the USA”

**Dr. Andreas Kemper,  
Gordon Brother**

- 1 Depressed business & consumer climate
- 2 Declining market growth & consumer spending
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## 2. Distressed M&A in the retail

### Strategic buyers

- **Strategic buyers** have **different rationales for acquisitions** within the retail and consumer sector:
  - **Market entry / penetration:** Quick access to existing **market coverage** and **brand awareness**
  - **Distribution channels:** **Leveraging** distribution **network and synergies** to increase **market penetration** as well as **omnichannel coverage** (e.g., from online to stationary)
  - **Product portfolio:** **Expansion / strengthening** of existing **product portfolio**
- **Financial parameters** as well as the **cause of distress** (e.g., cyclical or structural) **are also relevant** for strategic buyers, **however** the **focus is more on alignment** of a purchase **with overall company strategy**

“Opportunities for strategic investors from abroad to successfully enter the German market through acquisitions of retail companies in the crisis. The key is to buy good brands and distribution channels and to take full advantage of the instruments of insolvency”

**Dr. Maximilian Pluta**

### Special situation investors

- Typically, distressed M&A **investors prefer, equity strategies, but debt strategies can also trigger a change of ownership** (e.g. debt-to-equity swaps)
- **Focus is on companies in difficulties** due to **cyclical** rather than structural **aspects**:
  - **Home supplies:** Current situation characterized by post-COVID-19 cyclical decline
  - **Food:** Interests **primarily in food production** - case-by-case assessment
  - **Fashion:** Of **limited interest** due to **structural** drivers and fragility of brands
- Additionally, distressed M&A **investors prefer retailers with own production** (vertical formats) and a **brand** with high awareness
- **Valuation** logic built **on assets** (e.g. brand, production, distribution), while deal logic still might be share deal

### Results of the survey:



**Strategic buyers are expected to dominate the investor landscape**



**International special situations investors are (still) hesitant in regard to acquiring DACH retail assets (Reasons: Company size, investment volume, structural problems); DACH investors are more likely to invest into national retail assets than international investors**

# Recent distressed retail M&A transactions reveal key patterns

## Distressed M&A activity in retail sector (key transactions) 2020 – 2024 (non-exhaustive)

Target			Käufer		
Company	Business purpose	Employees	Company	Type	Origin
Signa Retail, AT	Department stores	40,000	Several	Financial	-
Real	Food Retailer	35,000	Several	Strategic+Financial	
Galeria Karstadt Kaufhof GmbH, DE	Department stores	15,000	Several	Financial	
KadeWe Group GmbH, DE	High-end department stores	4,000	Central Group	Strategic	
Tom Tailor GmbH, DE	Fashion retailer	3,400	Fosun International	Strategic	
Gerry Weber International AG, DE	Fashion retailer	2,100	GWJ Holding	Financial	
Ludwig Görztz, DE	Footwear retailer	1,800	CK Tech. Solutions	Strategic	
Ahlers AG, DE	Fashion retailer	3,500	Röther Gruppe	Strategic	
Esprit Europe GmbH, DE	Fashion retailer	1,500	Alteri, CBR Fashion	Strategic	-
Real GmbH, DE	Food	1,500	REWE, Kaufland, Edeka	Strategic	
SportScheck GmbH, DE	Sporting goods retailer	1,300	Cisalfa Group	Strategic	
Hallhuber GmbH, DE	Fashion retailer	1,100	Several	Financial	
Reno Schuh GmbH, DE	Footwear retailer	750	Kienast	Strategic	
Peter Hahn GmbH, DE	Fashion retailer	500	Wourth Group	Strategic	
Tennis Point GmbH, DE	Tennis equipment and apparel retailer	500	Orlando Capital GmbH	Financial	
Weltbild GmbH & Co. KG, DE	Publisher and media retailer	440	Thalia Bücher GmbH	Strategic	

### Selected top-transactions

*“Especially in the retail sector, share deals are expected to remain predominant, as it reduces complexity, e.g., gaining access to customer data”*

Dr. Holger Leichtle , GÖRG

### Patterns in distressed retail M&A deals



Strategic buyers usually **target distressed players** to enhance their footprint



Recent transactions indicate ongoing **interest from international strategic buyers**



**In general, distressed M&A acquisitions are done via asset deals;** in case the liquidity situation allows, **share deals** are expected to rise due to **simpler transfer of contracts, etc.**

## 2. Distressed M&A in the retail

# Key sell-side success factors

There are a few key success factors during the time compressed - distressed M&A process

## 1 Project preparation

- Appoint a highly experienced **advisor** with significant process experience and **knowledge on and connections to potential investors**
- Understand **creditors' concerns** and ensure alignment with all stakeholders
- Define clear **objectives, timelines and deliverables** for the overall process and the potential investors



## 2 Initial investor approach

- Ensure a **focused investor approach** to avoid distraction and disclosure of information with investors lacking adequate interest
- Prepare **investment thesis by investor type** to guide investor material preparation



## 3 Develop investor documents

- Ensure **sequencing and alignment among sell-side due diligence workstreams** to ensure **consistent information**
- Key is **sell side business plan** with restructuring measures – return to profitability within two yrs
- Provide clear **process guidance** to potential investors by **pre-structuring bid-letter** (e.g. valuation items, deal structure, etc.) in alignment with legal advisors



## 4 Shortlist investors and release sell-side materials

- Compare non-binding (LOI)<sup>1</sup> offers based on **bid-guidance** to select investors advancing to next round incl. assessment of potential risks associated with take-over from different investor types



## 5 Coordinate buy-side due diligence process

- Coordinate buy-side due diligence process to ensure timely and accurate information exchange among stakeholders and **focus on key due diligence items** (e.g., legal and financial liabilities)
- **Request and review acquisition concept and provide feedback**



## 6 Compare and select confirmatory bids

- **Compare confirmatory bids** based on bid-guidance along key criteria (e.g., valuation, creditor satisfaction, employee guarantees, etc.) incl. assessment of associated conditions ("subject to...")
- **Evaluate different scenarios of recovery rates** based on buyers' concept



## 7 Final offer, negotiations & closing

- Ensure process and negotiation experience as well as commercial understanding to successfully drive to signing
- **Find commercial solutions to legal conditions to mitigate risk of non-closing**
- Set and enforce clear **bidding deadlines**



### 3. Distressed M&A success factors

## Attractive distressed retail targets exhibit similar key attributes

*“To find potential buyers for an insolvent company, the overall story is key”*

Dr. Holger Leichtle, GÖRG

### Favorable existing financing structure

Existing and newly arranged, favorable **financing conditions and facilities to secure operations**



### Financial performance potential

Need to identify levers for a **quick turnaround time** - like **economies of scale to return to profitability**



### Management quality

The **quality and engagement** of the **management** is key, ideally familiar with the process



### High brand equity

A well-known brand is a significant asset and reduces **marketing efforts** to retain customers and attract new ones



### Attractiveness of store portfolio

**Location, fitting size of stores and adequate rental contracts** represent valuable assets



### Broad and loyal customer base

Minimizes the risk of **customer attrition post acquisition**



### Recoverability of inventory

**Sellable inventory**, without discounts / write-downs



### Modularity of store concept

**Facilitates harmonization** of assortment, equipment, etc. - allows for scale effect



### 3. Distressed M&A success factors

# Kearney successfully led the distressed M&A process for the sale of SportScheck

## Case study: SportScheck

“Quickly agreed financing facilities to keep up the ongoing business, experience of management in restructuring together with a tightly managed sales process were the key success factors in the sale of SportScheck.”

Axel Bierbach, MHBK

### 3. Distressed M&A success factors

## SportScheck insolvency

- SportScheck, Germany's leading omnichannel sports retailer, subsidiary of the Signa Group filed for insolvency in late November 2023
- Mr. Axel Bierbach was appointed insolvency administrator

## Kearney mandate

- Kearney was appointed to manage the sale from initial investor contact until signing
- Signing would need to be finished with start of the official insolvency period – three months (beginning of March)

## Bieter-Kreis

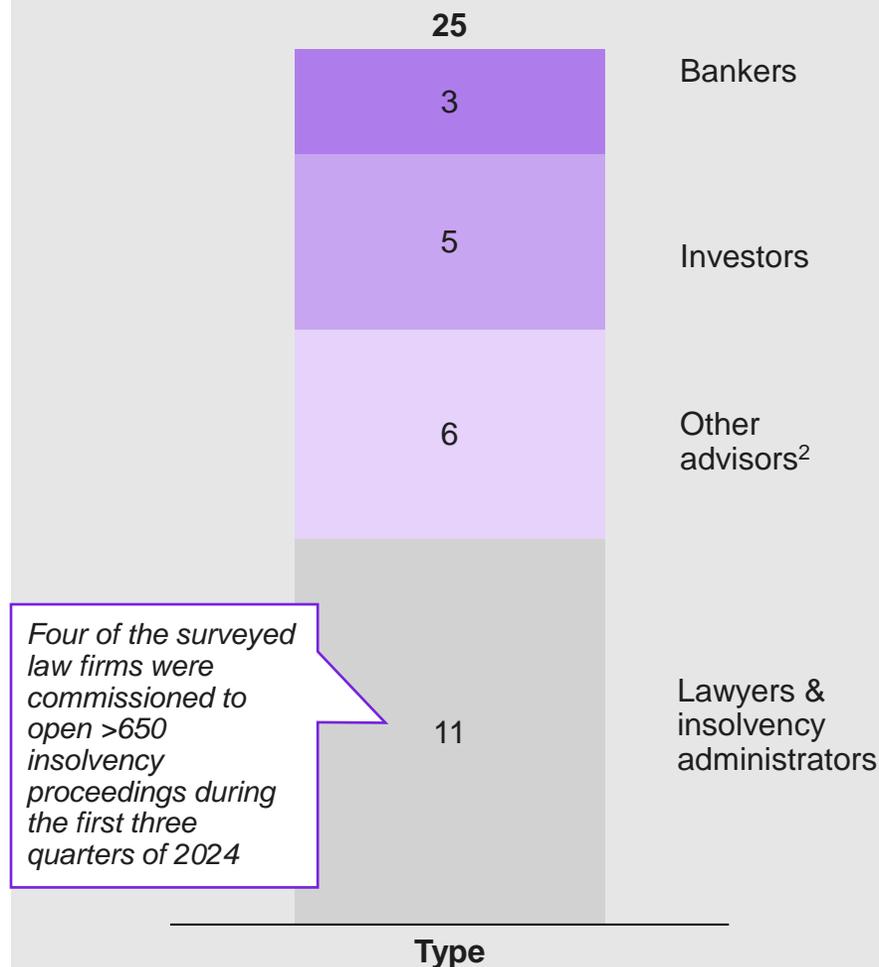


## Key activities Kearney

Key activity	Key Kearney contributions
Project preparation	Deployment of team with considerable restructuring, M&A and industry experience on short notice
Initial investor approach	Connections to potential investors and a deep understanding of the investment rationale of different investor types
Develop investor documents	Developed a comprehensive and compelling documentation to streamline processes effectively
Shortlist investors and release sell-side materials	Managed processes of selecting and approaching investors efficiently
Coordinate buy-side due diligence process	Cooperated closely with legal and financial teams to allow for efficient information flow
Compare and select confirmatory bids	Supported communication with creditor committee and evaluated different offers at each stage; allowed for several iterations of acquirer concepts
Final offer, negotiations & closing	Negotiated purchase price, reduced closing conditions by putting a price tag / formular if conditions will not be met at closing; kept two bidders in the last round in a transparent process

This study was written with the valuable insights of partners, to whom we extend our sincere gratitude

### Interview partners by type



### Named contributors<sup>1</sup>

Interviewee	Company	Position
Axel Bierbach	MHBK	Partner Restructuring & Insolvency
Stefan Denkhaus	BRL	Lawyer Restructuring & Insolvency
Christian Fritsch	DBAG/ELF Capital Group /	Managing Partner
Dr. Christian Gerloff	GL Law	Partner Restructuring & Insolvency
Dr. Matthias Kampshoff	McDermott Will & Emery	Partner Restructuring & Insolvency
Dr. Andreas Kemper	Gordon Brothers	Managing Director
Dr. Holger Leichtle	GÖRG	Partner Restructuring & Insolvency
Dr. Maximilian Pluta	Pluta	Managing Partner
Axel von Przybylski	Commerzbank	Sector Head Retail, Food & Beverages, Consumer Goods
Dr. Jens Schmidt	Runkel	Lawyer Restructuring & Insolvency
Christopher Seagon	Wellensiek	Partner Restructuring & Insolvency
Detlef Specovius	Schultze & Braun	Lawyer Restructuring & Insolvency

#### 4. Introduction of Kearney and consideration of partners

1. Only includes partners that specifically agreed to be named  
 2. Debt advisor and real estate developers  
 Source: INDat; Kearney

# Kearney combines global expertise in key sectors with in-depth M&A experience

Global presence



5.700 employees

>60 offices

>42 countries

## Our team



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## M&A Qualifications



**120**

Private equity funds served since 2022

**1,000+**

Portfolio companies serviced since 2020

**100%**

Diligences that engage Kearney industry experts

Strategic partner for M&A transactions...

# KEARNEY

### Distressed M&A

We advise distressed companies in structured end-to-end sell-side processes incl. financial planning and short-term liquidity planning to find suitable investors while ensuring business continuity.

### Investment thesis

We help clients develop high-ROI investment strategies and define where to employ capital, considering market conditions, business models, and operational competencies.

### Due diligence

We eliminate transaction surprises by defining risks, value potential, and scalability for investments. We support commercial, operational, IT/digital, ESG, and carve-out diligence.

### Portfolio-wide opportunity and risk assessments

We evaluate thematic opportunities and systemic risks based on multiple factors and drive cross-portfolio assessments for procurement and SG&A.

### Operational value creation

We leverage our High-Impact Transformation (HiT) framework to deliver EBITDA uplift strategies that provide material gains and ROI within three years.

### Commercial value creation

We collaborate with PortCo management to help the company capitalize on top-line and margin improvement opportunities that reflect the business model nuances.

# Thank you

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Kearney is a leading global management consulting firm. For nearly 100 years, we have been a trusted advisor to C-suites, government bodies, and nonprofit organizations. Our people make us who we are. Driven to be the difference between a big idea and making it happen, we work alongside our clients to regenerate their businesses to create a future that works for everyone.

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