



Evening Briefing Frankfurt: Restructuring 2026

Current Issues and Stakeholder Dynamics in Financial Restructuring

March 4, 2026



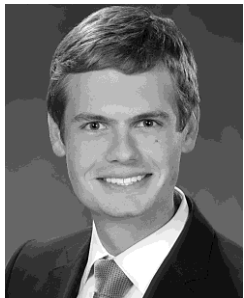
Today's presenters



Nikolai Hoeltzenbein
Director
11 years experience






Rothschild & Co Debt Advisory & Restructuring

- 200+ bankers globally with €290bn debt raised or negotiated in 2025
- 20 bankers locally in Frankfurt
- Coverage across all sectors fully integrated with R&Co industry experts



Daniel Vorndran
Vice President
9 years experience

Selected recent advisory experience

<p>Webasto</p>  <p>Sole financial adviser on its c. €1.4bn financial restructuring</p> <p>2025</p>	<p>VARTA</p>  <p>Sole financial adviser to the Company on its c. €600m financial restructuring</p> <p>2025</p>	<p>BayWa</p>  <p>Sole financial adviser to the Company on its c. €8.0bn financial restructuring</p> <p>2025</p>	<p>EMAG</p>  <p>Adviser on financial restructuring by way of German StaRUG</p> <p>2025</p>	<p>DEMIRE</p>  <p>Adviser on c.€500m corporate bond restructuring</p> <p>2024</p>
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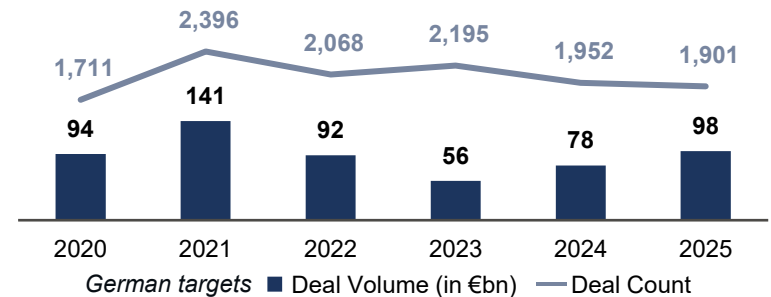
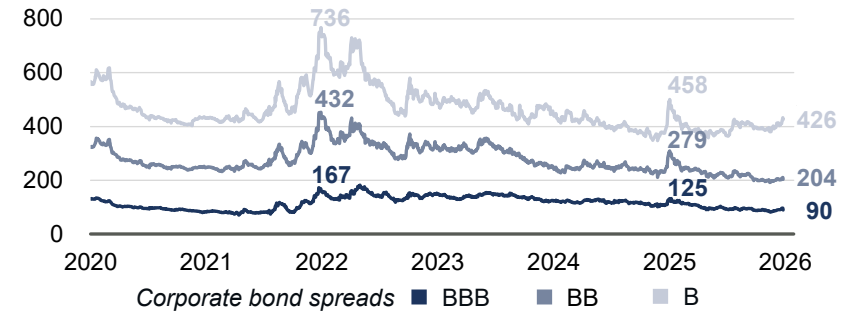
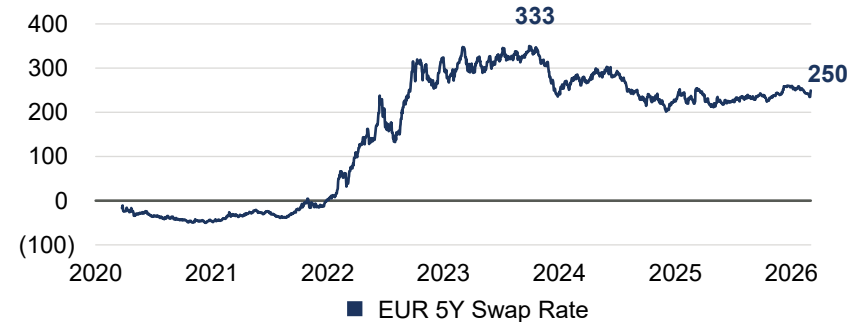


Mixed signals: on the one hand...

Interest rate environment has stabilized – higher than pre-2022, but well below peak levels

Robust public debt markets with significant spread compression, especially for high yield BB / B indices

Recent growth in volumes (but not number of deals) – recovery in M&A activity expected to continue



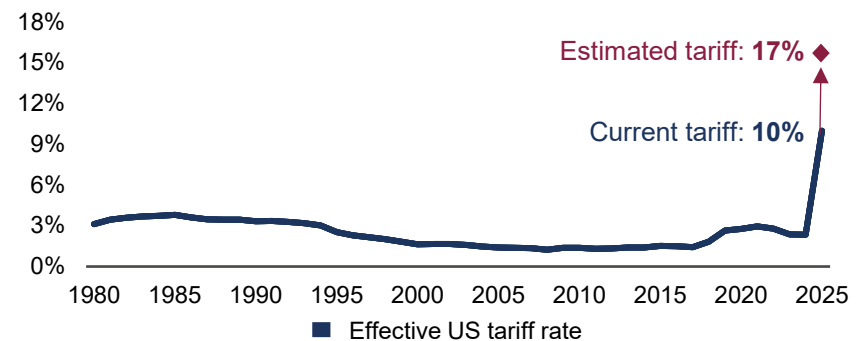
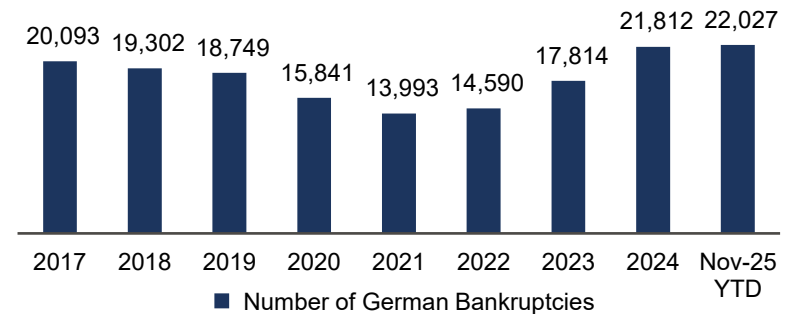
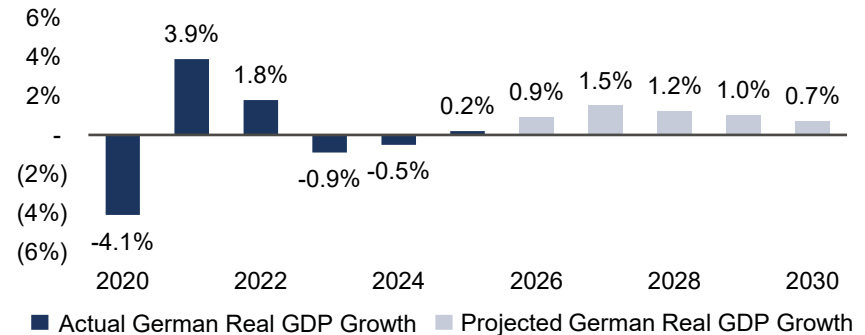


Mixed signals: ...on the other

Economic stagnation 2023-2025
with limited overall growth expectation
for 2026 and following years

High number of insolvencies and
significant increase in large-cap
insolvency filings year to date

Continued fragility in global trade and
geopolitics driving uncertainty





Structural constraints

Large scale transformation requirements (infrastructure, energy transition, technology) calling for hybrid financing solutions in absence of primary equity market solutions

European competitiveness in light of US / China economic conflict and large-scale industrial policy (incl. tariffs and oversupply) putting **pressure on business models**

Large invested private equity asset base with **low-interest environment LBOs hitting exit windows** and **pressure to return capital to investors**

Companies **“trapped” in A&E cycles** having kicked the can down the road, but **still facing structural challenges**

Overall, despite some positive market signs, we do expect the RX cycle in Germany to continue for longer

Stressed financing / restructuring tool kit widening



Sources of funds

Hybrid capital solutions

- Strongly promoted by alternative asset managers
- Can offer accounting equity at debt pricing...
- ...but structuring can be complex

Nordic Bond Market

- Key alternative source of capital for stressed refinancings
- First German restructurings being processed
- To be seen if enduring tool or only temporary fad

Technologies

StaRUG

- Fully established as a tool
- “Threat” often sufficient to facilitate consensual solutions
- But also proven in practical implementation

Liability management exercises

- Key talking point and “hot topic”
- Relevance in German market (beyond intl. LBOs) to be seen
- Better availability of restructuring tools and fewer loopholes in documentation

Key industries in focus





Automotive sector view (1/2)

Sector commentary



- Global light-vehicle volumes have only recently returned to pre-pandemic peak levels (c. 92m vehicles in 2025 vs. 90m in 2019) – but Global view masks a much weaker recovery in parts of Europe and uneven supplier utilization
- Sharp volume pressure for German premium OEMs in China, historically a high-margin region for many suppliers, disproportionately eroding supplier profitability
- Technological “dual-track” situation between internal combustion engines and electric vehicles is especially challenging for those suppliers that heavily committed to electric technologies and are now suffering from underutilization
- Even though acute inflation levels and interest rates have eased, persistent profitability gaps remain compared to the original pricing assumptions
- Supplier insolvencies are increasing, particularly among smaller and Tier-2 players with limited differentiation, weak pricing power and no clear strategic relevance in future OEM platform roadmaps



Automotive sector view (2/2)

Financing environment



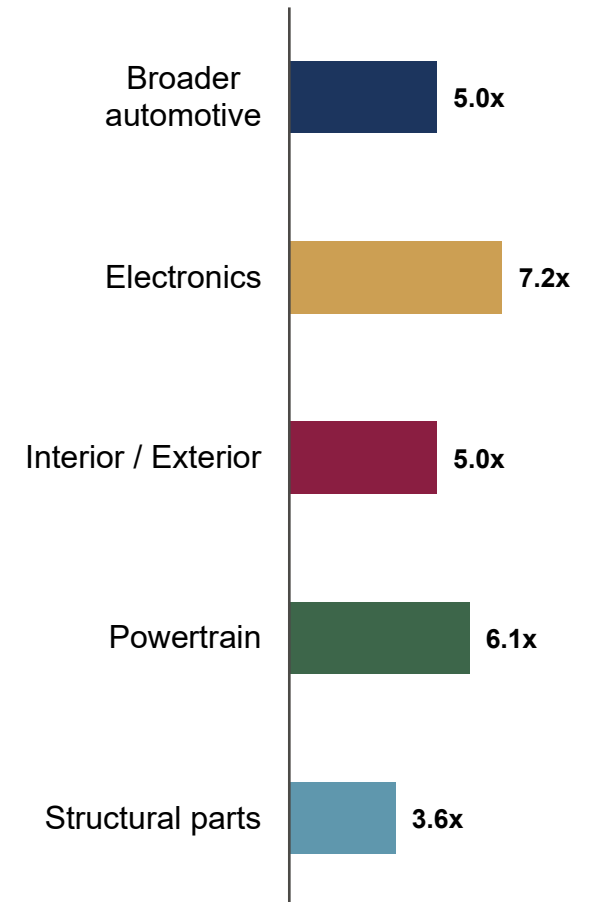
- Mostly bank syndicates, although tendency toward withdrawal can be observed (to the extent possible)
- Promissory notes used regularly as second source of funding
- Outside of the very largest suppliers, capital market instruments are rather uncommon
- Generally, not a focus sector for private debt (OEM market power difficult to underwrite for lenders)

Deal expectations



- Significant operational restructuring / transformation activity
- Limited field of active buyers and low valuation unlikely to generate meaningful deleveraging for sellers in most situations
- Constraints on outside capital (equity and debt) even for lowly levered / cash flow-generating companies
- OEMs favoring stable and trusted partners (mostly strategics) as buyers in consolidation moves and tend to not shy away from implementing such transaction through insolvency route

Trading valuation levels



 EV / 2026 EBITDA



Automotive deep dive (1/2): Key areas of discussion to address profitability challenges

Volume claims

Key challenge: Loss of contribution margin from fewer vehicles being manufactured and subsequently less demand for parts

- Certain level of flex against nominated volumes usually agreed (e.g. 15%) and to be fully borne by supplier
- Additional shortfalls in contribution margin to be compensated by OEMs

Burden on OEMs that have models that significantly underperform initial expectations at nomination

Profitability claims

Key challenge: Unprofitable projects due to low profitability per unit sold

- Largely driven by inflation over last years that has not always been (fully) compensated
- Additionally, challenges can be driven by structurally unprofitable projects for which OEMs may (temporarily) agree upon compensation payments

Roughly balanced between OEMs – addressing structural profitability puts greater burden on OEMs that have historically negotiated attractive price levels

Achievement of market-standard EBIT margins (core requirement of IDW S6 standard) can in many cases only be achieved with OEM support measures given that capital structure measures can only improve net income / return on equity and net leverage



Automotive deep dive (2/2):

Focus areas in Automotive restructurings beyond profitability

- 1** Commercial concessions from other stakeholders in exchange for OEM support:
 - Fees and margins for debt instruments sometimes reduced below market-standard terms
 - Use of payment-in-kind and upside participation elements vs. cash payment to reduce ongoing liquidity burden

- 2** Equal treatment of OEMs with creditors in key concepts:
 - Comprehensive involvement / information & consent rights in M&A processes
 - Partial repayment of contributions provided pari passu to bank debt as part of sale / refinancing proceeds waterfall
 - Right to reclaim contributions in case restructuring fails

- 3** Robust framework for enabling exit from restructuring period:
 - Measures to delever companies in case of underperformance
 - Firm process milestones for deleveraging M&A transactions

**Negotiations between stakeholders have become more intense and complex –
in order to avoid process delays, all relevant parties should be included
in stakeholder negotiations at an early stage**



Sector commentary

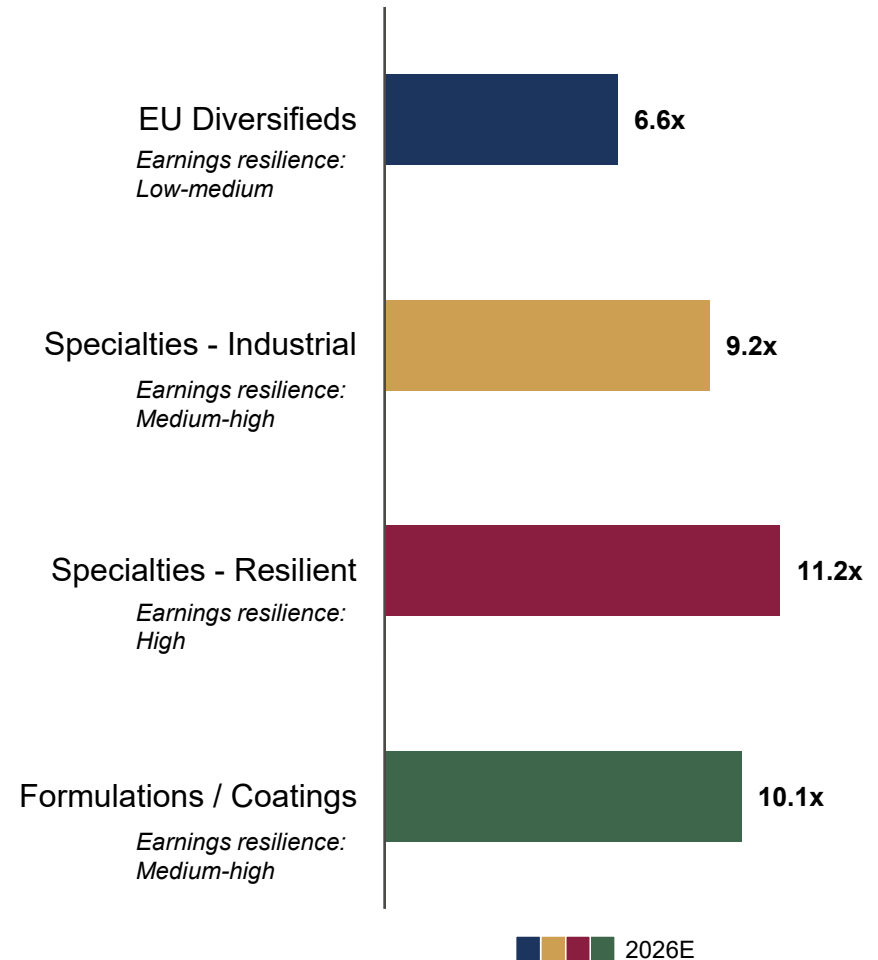
- Structural competitiveness challenged due to high-cost base
- Rapid capacity expansion in Asia reduced export margins and weakened pricing power leading to capacity cuts / shutdowns in Germany (significant underutilization)

Focus capital structures

- As traditional PE focus sector, typically large-cap LBO structures with senior / junior elements
- Challenging pre 2022 vintages with acquisitions at through-cycle elevated EBITDAs at high multiples increasing challenge to exit such structures



Valuation levels





Deal expectations



- Increase in stressed M&A activity: insolvency deals, exit deals
- Dilemma in portfolio transactions: “challenging” parts of the business not yielding enough proceeds to deleverage / question whether “strong” parts of the business sufficient to solve the capital structure problems (and a viable core remains)
- Given valuations have decreased from through-cycle highs, likely significant A&E activity ahead to bridge into better performance
- Complex corporate / multi-instrument financing structures (including loose documentation) might open opportunities for some LME-style activity to try to capture some value for sponsors



Sector commentary

- Industry structure with large incumbent player and potential for consolidation pressure
- Rising build-out costs and continued comparatively low connection rates impeding sub-scale operators from reaching profitability
- Significant funding gaps to reach originally underwritten business plans



Focus capital structures



- Infrastructure-style financings with wide syndication (i.e. typically no “dominant” lender positions)
- Capital structures sized to high valuation levels during low rates environment
- Accordion financings with fixed debt / equity ratios have reached its limits due to significantly higher funding requirements



Deal expectations



- Holistic recapitalization requirements to adjust for “new reality”
 - Fibre assets have historically been acquired based on significant growth expectations and corresponding financing structures
 - Challenge to “slot” new money in the capital structure to achieve adequate return – will require concessions / contributions from incumbent stakeholders
- Some stressed M&A activity with similar underlying challenge, i.e. creating pathway for new equity investment



Further themes to watch



Real Estate

Transaction markets have not fully reset, however, post multiple A&E rounds, stronger focus on creating pathways for M&A exits; funding gaps (e.g. in development projects) being addressed through hybrid capital solutions



Renewables

Regulation changes pressuring pipeline revaluations for project developers which can have significant impact on equity positions / future profitability



Mechanical engineering

End market weakness (especially automotive) and weaker China demand slowing down through-cycle recoveries; similar capital structure considerations as for automotive



Key takeaways

1

Expectation of longer RX cycle driven by structural challenges especially in traditional industrial core sectors and fragile geopolitical / trade environment

2

Restructuring toolkit expanding along funding avenues and available restructuring technology

3

While A&Es remain a core tool to address challenges, more holistic recapitalization solutions likely required to recalibrate capital structures with growth / profitability expectations



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