BCG

TSS INDEX – 2025 EDITION

BCG Transform & Special Situations Index 2025

Europe

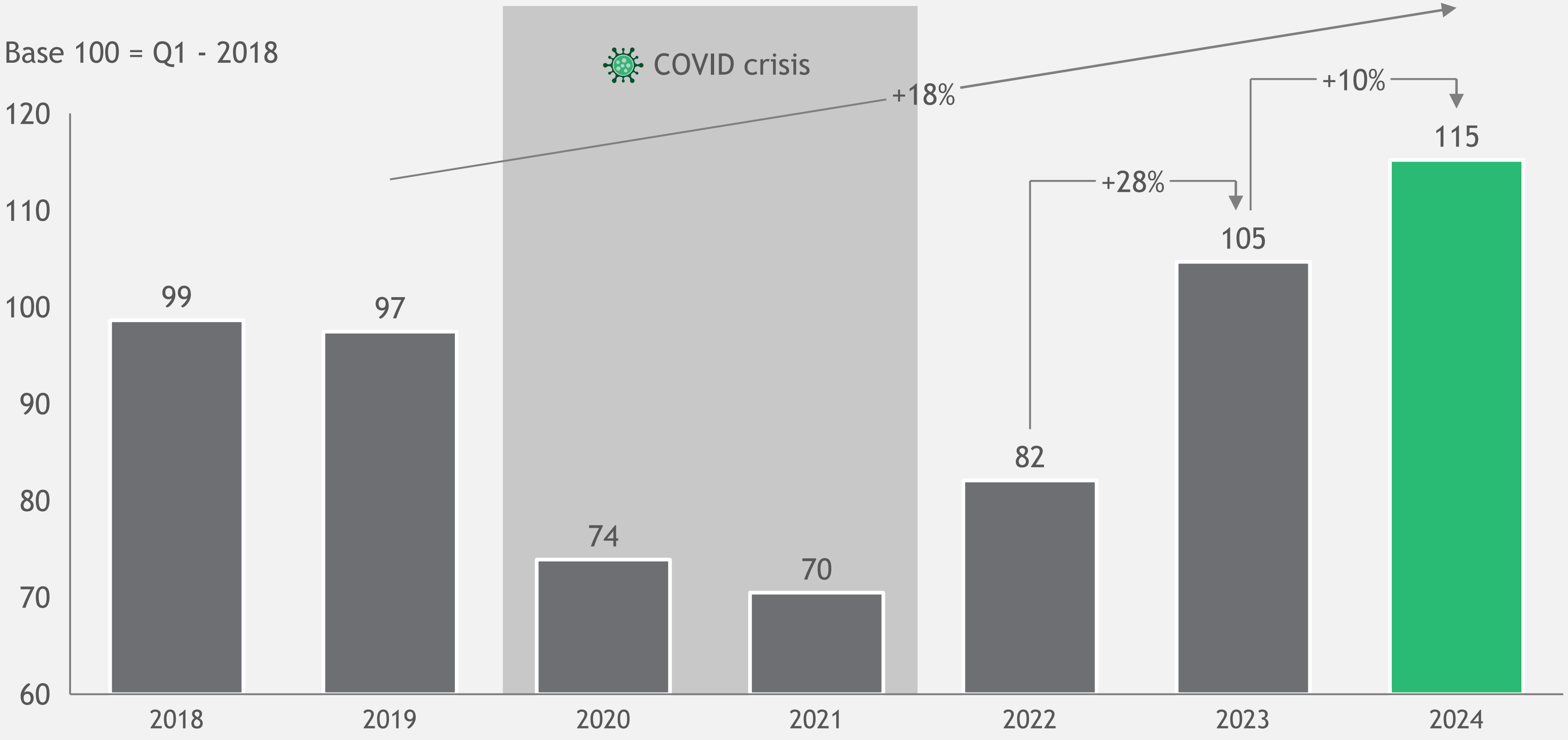
JULY 2025

Bankruptcy rate increases for EU companies slows: +10% in 2024 vs. +28% in 2023, but remains higher than pre-COVID

EU

Bankruptcy filings: 2018 through 2024

Indexed development of # of bankruptcies (2018 at 100%), seasonally adjusted, European Union



Source: Eurostat, BCG analysis

+10%

Bankruptcies 2024 vs. 2023

+28%

Bankruptcies 2023 vs. 2022

+18%

Bankruptcies vs. pre-COVID period

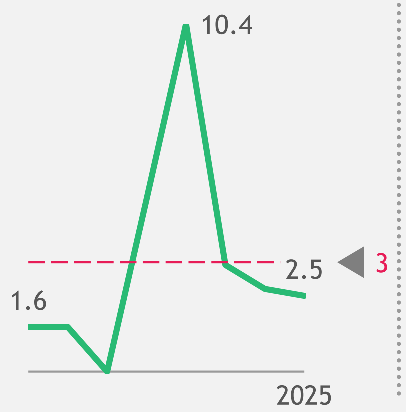
EU

Conflicting macro signals: Mild improvements in inflation, interest rates, and GDP growth offset by heightened geopolitical risk and global uncertainty

Inflation returns closer to historical levels

Consumer inflation (%)

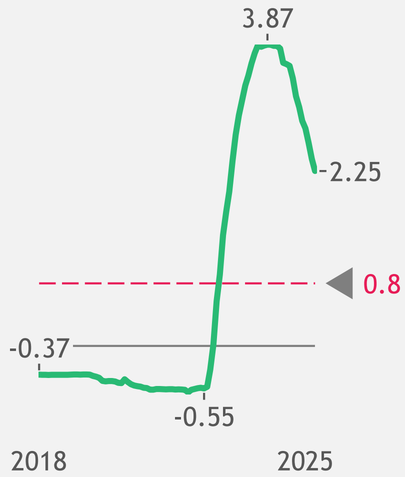
-- 7-year avg, 2018–2025



Interest rates declined vs. last year

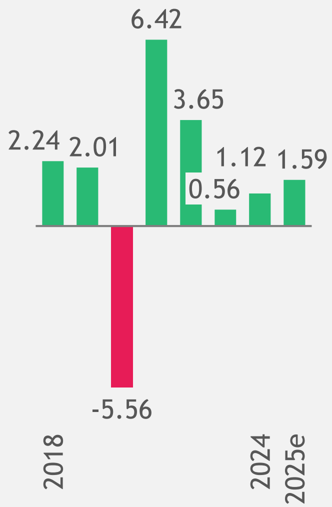
3M Euribor rate (%)

-- 7-year avg, 2018–2025



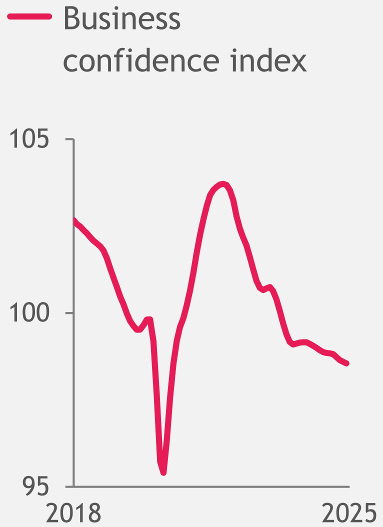
GDP rising modestly since 2023

Real GDP (% change p.a.)



Business confidence decreasing

OECD Business confidence index[1]



Geopolitical instability impacts global trade

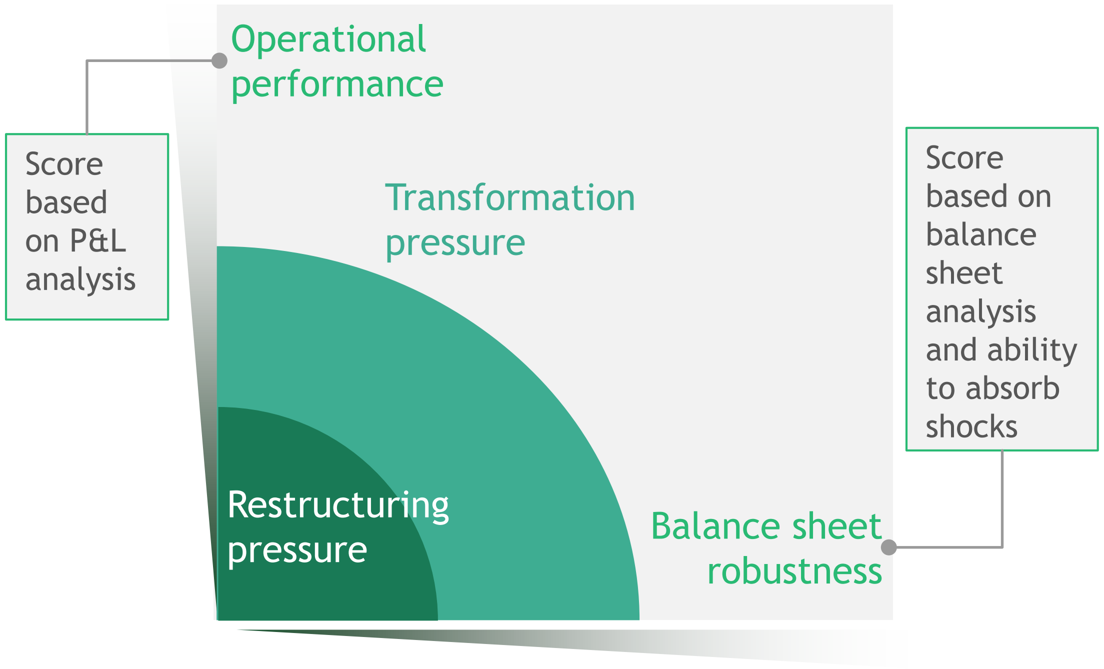
- **Tariff Volatility:** Sudden shifts in trade policy (e.g., US-China) fuel pricing uncertainty and weaken investor confidence
- **Ukraine War:** Severed supply chains, especially energy and grain, driving price spikes and regional instability
- **Red Sea Turmoil:** Attacks forced shipping detours, raising freight costs and disrupting global delivery timelines

Note: Latest data available as of 05/22/2025
Source: Eurostat; European Central Bank; Oxford Economics; OECD; BCG analysis

Our study identified the most vulnerable companies based on their financial health—measured using BCG's Transform & Special Situations (TSS) Index—and their exposure to macroeconomic risks

1 Financial health based on TSS index

Assessment of ~1,700 public European companies based on 12 performance and financial stability KPIs



2 Exposure to macro risks

Assessment of sector vulnerability accounting for impact of trade tariffs and demand-supply dynamics

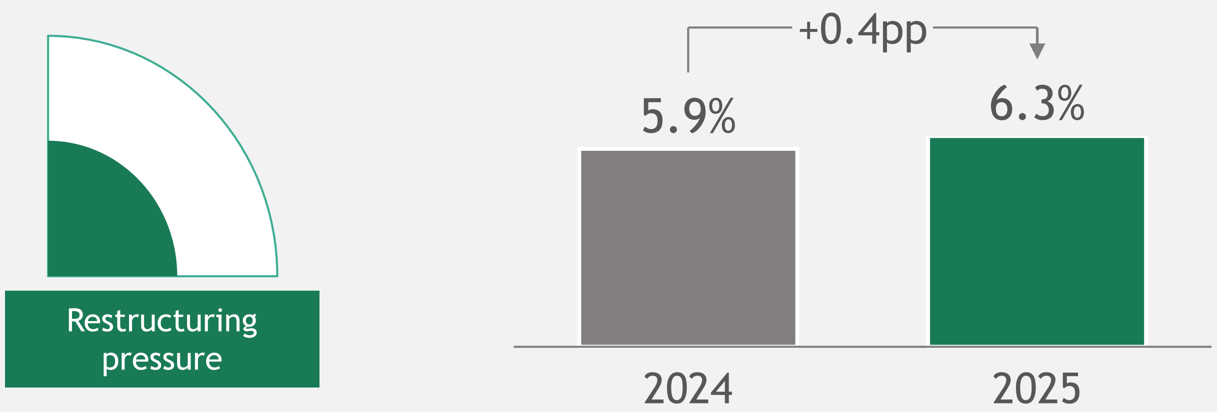
- Impact of revised trade tariffs, accounting for their severity on a specific sector and economic interdependencies with the US
- Future demand-supply dynamics considering demand resilience, evolving production landscape, and sector-specific disruptions

Based on targeted in-depth interviews with industry experts

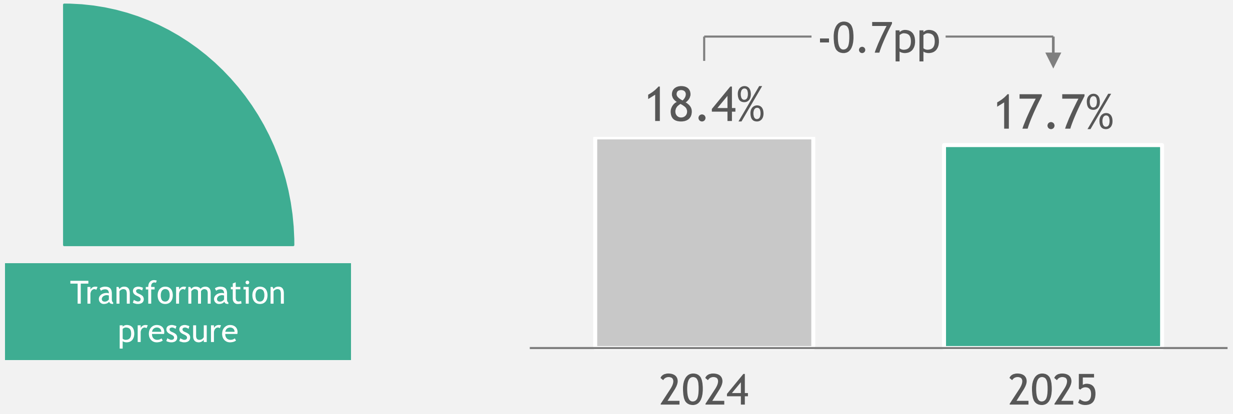
Transformation pressure: Initial signs of weakening operational performance and financial stability that require optimization
Restructuring pressure: Clear signs of weak or negative operational performance and undercapitalization that require more structural steps to recover
Source: BCG analysis

EU

Pressure remains elevated in Europe: 17% of companies are under transformation pressure, 6% of which face more severe (restructuring) pressure. Overall stress slightly down from 2024, but restructuring levels are holding steady



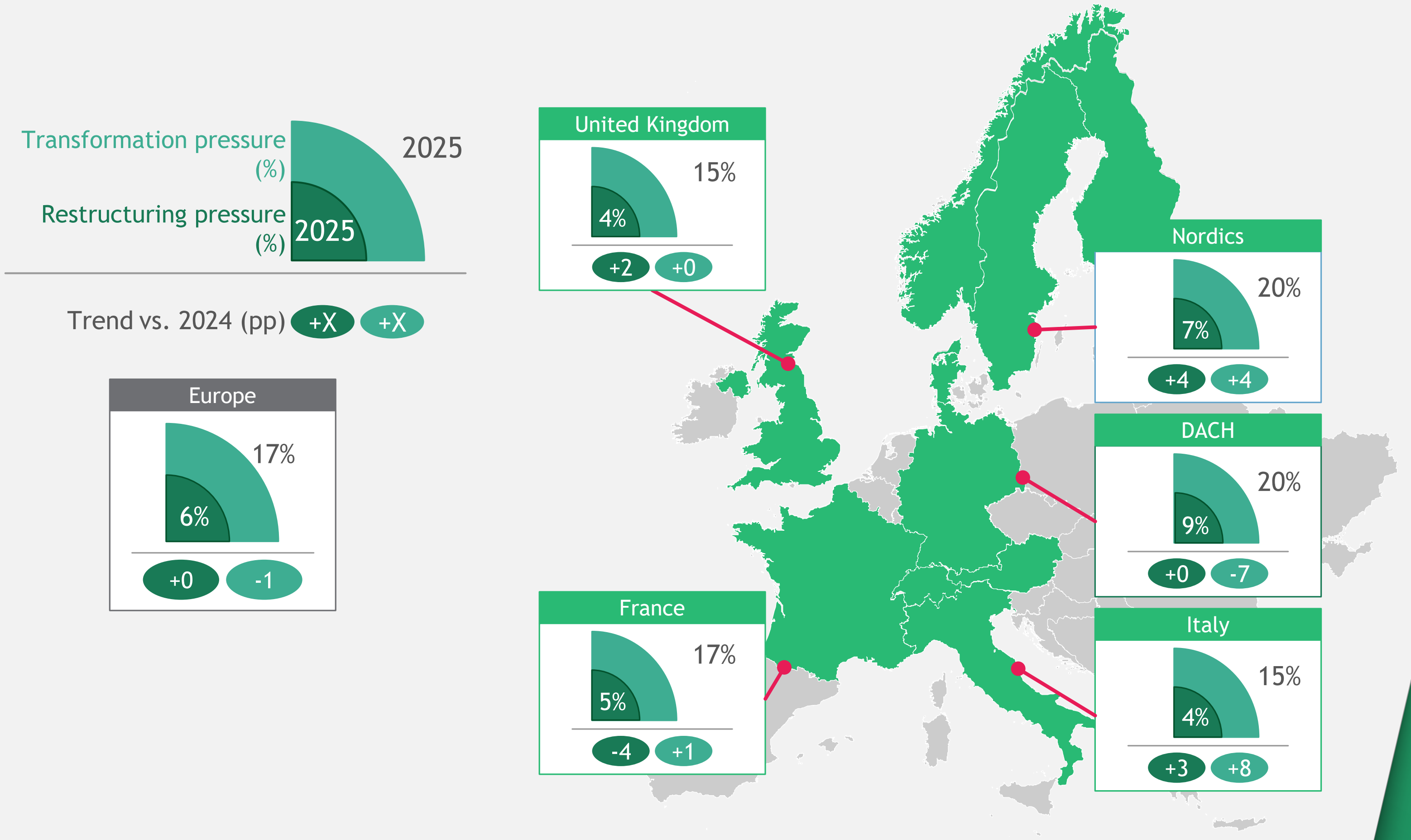
About 6% of European companies under significant restructuring pressure



About 1 in 6 European companies under significant transformation pressure

Note: The Transform and Special Situations Index reflects the revenue share of companies showing signs of operational challenges and financial instability compared with the total revenues of all companies under review. This weighting has been done to better reflect the importance and impact of the pressured companies in the sample than a pure counting of companies would do.
Source: Capital IQ, BCG analysis

Restructuring risk remains highest in Germany but is trending down. Italy & the Nordics are moving in the opposite direction, with pressure mounting on all fronts



Note: DACH: Germany, Austria, and Switzerland; Nordics: Denmark, Finland, Norway, and Sweden; TMT: Telecommunications, Media, Technology
Source: Capital IQ, BCG analysis

- DACH remains particularly exposed to restructuring risk, notably in Automotive (16%) and Consumer & Retail (16%), where a significant share of companies are under pressure. Signs of recovery appear in Industrials and Transportation & logistics (resp. -14pp and -19pp transformation pressure vs. 2024)
- Italy and Nordics saw increase in pressure, especially in Italian TMT (+33pp increase in restructuring pressure) and in Nordic Energy (+29pp increase in restructuring pressure)
- France shows signs of recovery, largely supported by strong performance in Health Care and Consumer & Retail (resp. -7pp and -14pp drop in restructuring pressure since last year)

EU

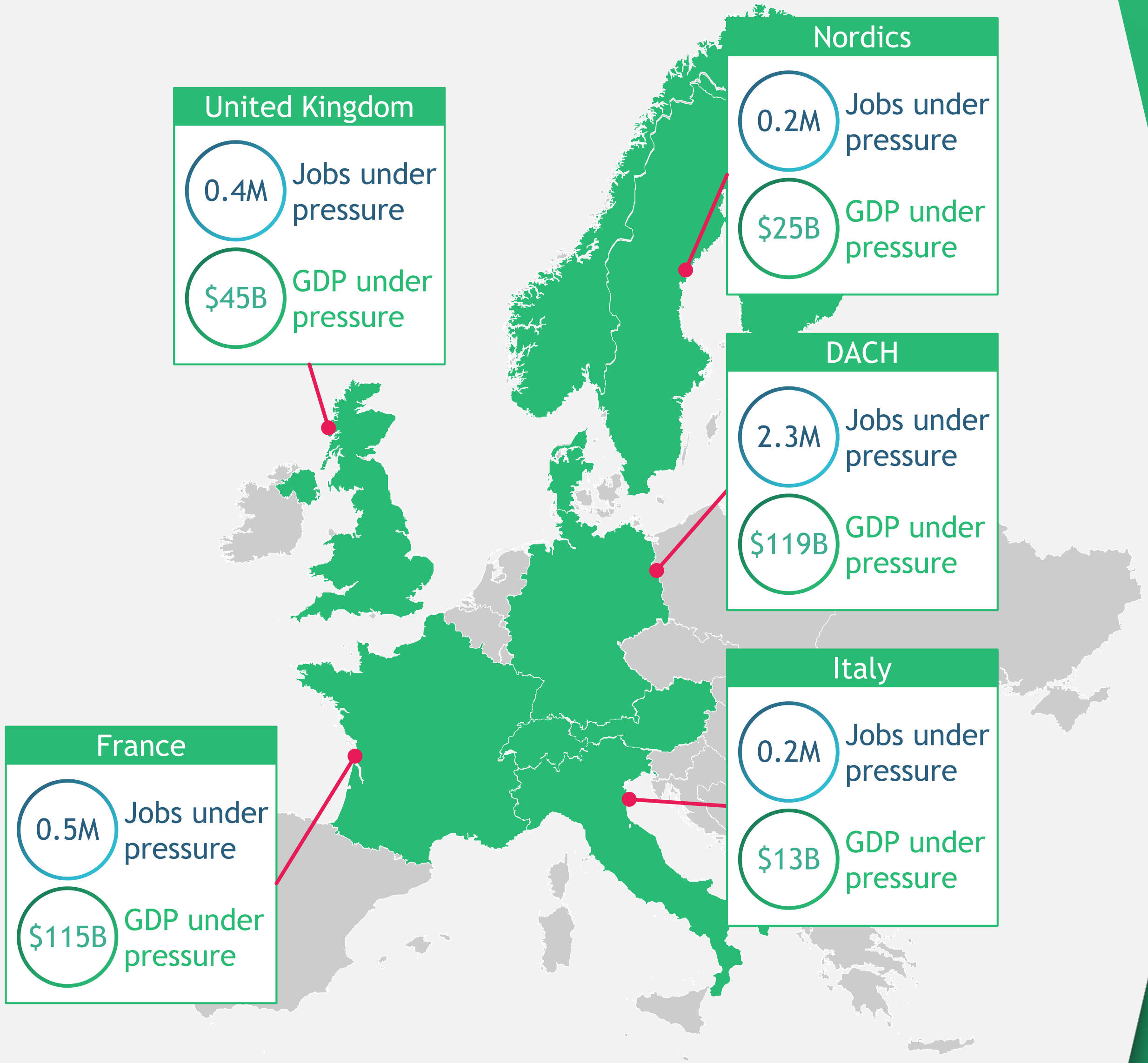
xx Jobs under pressure

xx GDP under pressure

Europe

3.6M Jobs under pressure

$317B GDP under pressure



Overall, 3.5 M jobs are under pressure across Europe, representing $300B+ in GDP

Restructuring pressure is calculated based primarily on public companies. To estimate the broader impact on GDP and jobs, we extrapolated these findings to the private sector.
Specifically, we applied the share of public companies under restructuring pressure (weighted by revenue) to the total GDP and employment contribution of private companies with more than 250 employees.

Note: DACH: Germany, Austria, and Switzerland; Nordics: Denmark, Finland, Norway, and Sweden
Source: Capital IQ, BCG analysis

EU

Sector-wise, Automotive, TMT & T&L show the weakest financial health and face the most intense pressure, while Real Estate shows signs of recovery

2025	Restructuring pressure (%)	Transformation pressure (%)	Trend[3] (Share of company under transfo. pressure compared to last year)
Automotive	10%	39%	25pp
TMT	14%	23%	-1pp
Chemicals	3%	23%	8pp
Transportation & Logistics	4%	20%	-4pp
Health Care	5%	18%	-5pp
Consumer & Retail	7%	17%	-4pp
Energy	4%	14%	0pp
Real Estate	9%	13%	-35pp
Industrials (excl. Auto)	4%	11%	-3pp
EU	6%	18%	-1pp

Weakest financial health

Restructuring pressure increased by 11pp compared to last year

Strong improvement since last year in transfo. pressure; -3pp in restr. pressure

Note: Transportation & Logistics includes Leisure & Tourism; Source: Capital IQ, BCG analysis

A difficult year for Automotive in Europe

- European passenger car sales (including EV) were essentially flat in 2024, and even slightly declined in major markets such as Germany and France. Overall margin eroded due to rising inputs costs (inflation, labor), high inventories, and significant R&D investment toward EV transition

TMT overall shows positive but mixed performance

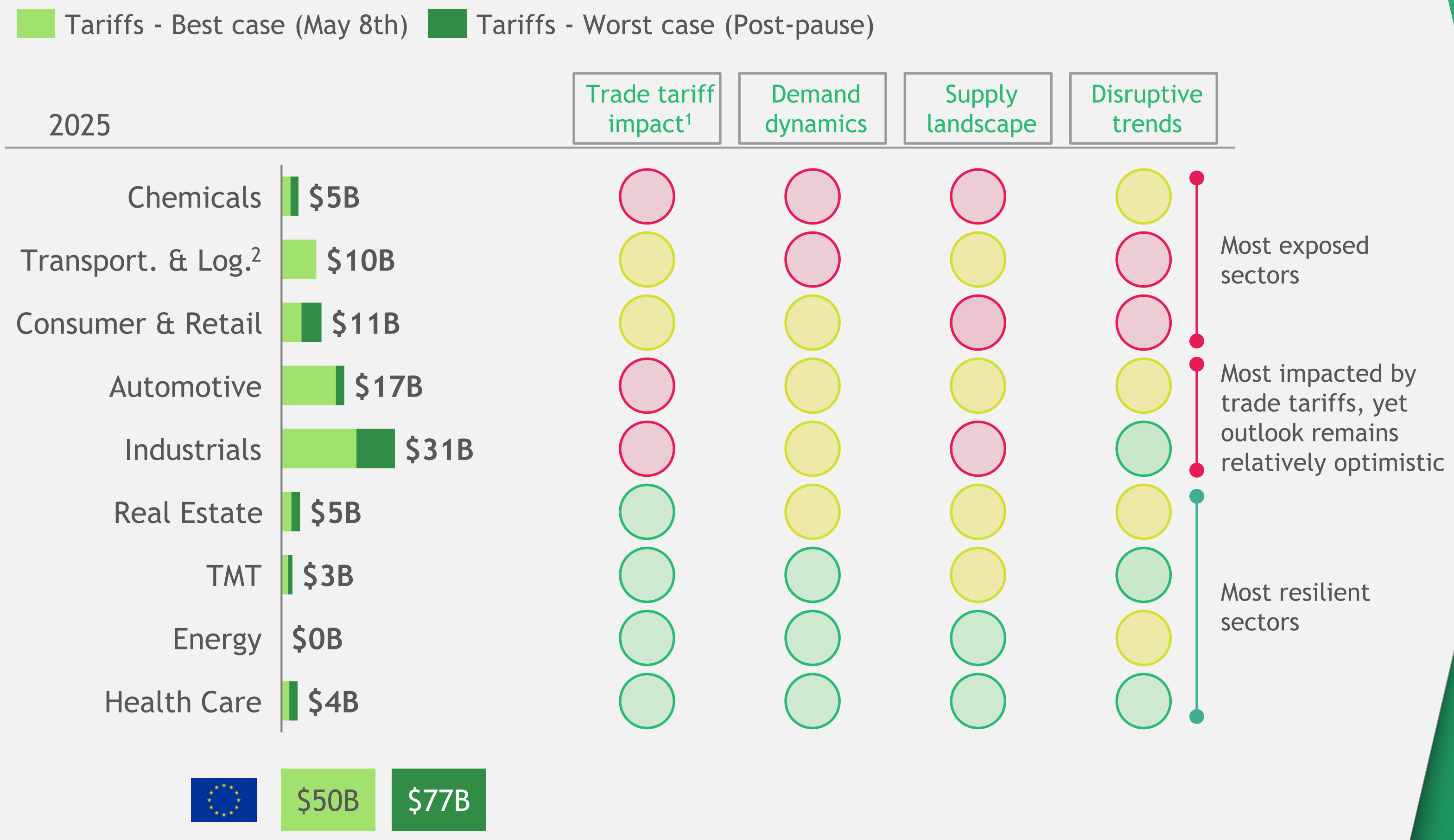
- EU TMT saw growth in digital ads and data demand and strong 5G/fiber investment momentum
- Telecom revenue was flat while legacy media and services declined amid inflation and weak demand

Real Estate sector shows sign of recovery

- House prices increased in 2024 in most countries, driven by tight housing supply and healthy demand
- Transaction volume for commercial real estate was up in 2024 led by industrial and prime office assets

EU

Looking ahead, sector resistance to macro shocks varies. Chemicals, T&L, and Consumer are the most exposed, facing weak demand and margin pressure



1. Tariffs impact = Sector tariffs rate per country * Trade $ value (on imports & exports) / Sector Value-added output
2. T&L tariffs impact computed as a weighted average of other sectors to reflect trade value loss
Source: Oxford Economics, USITC, US Census, BCG analysis

Chemicals under pressure

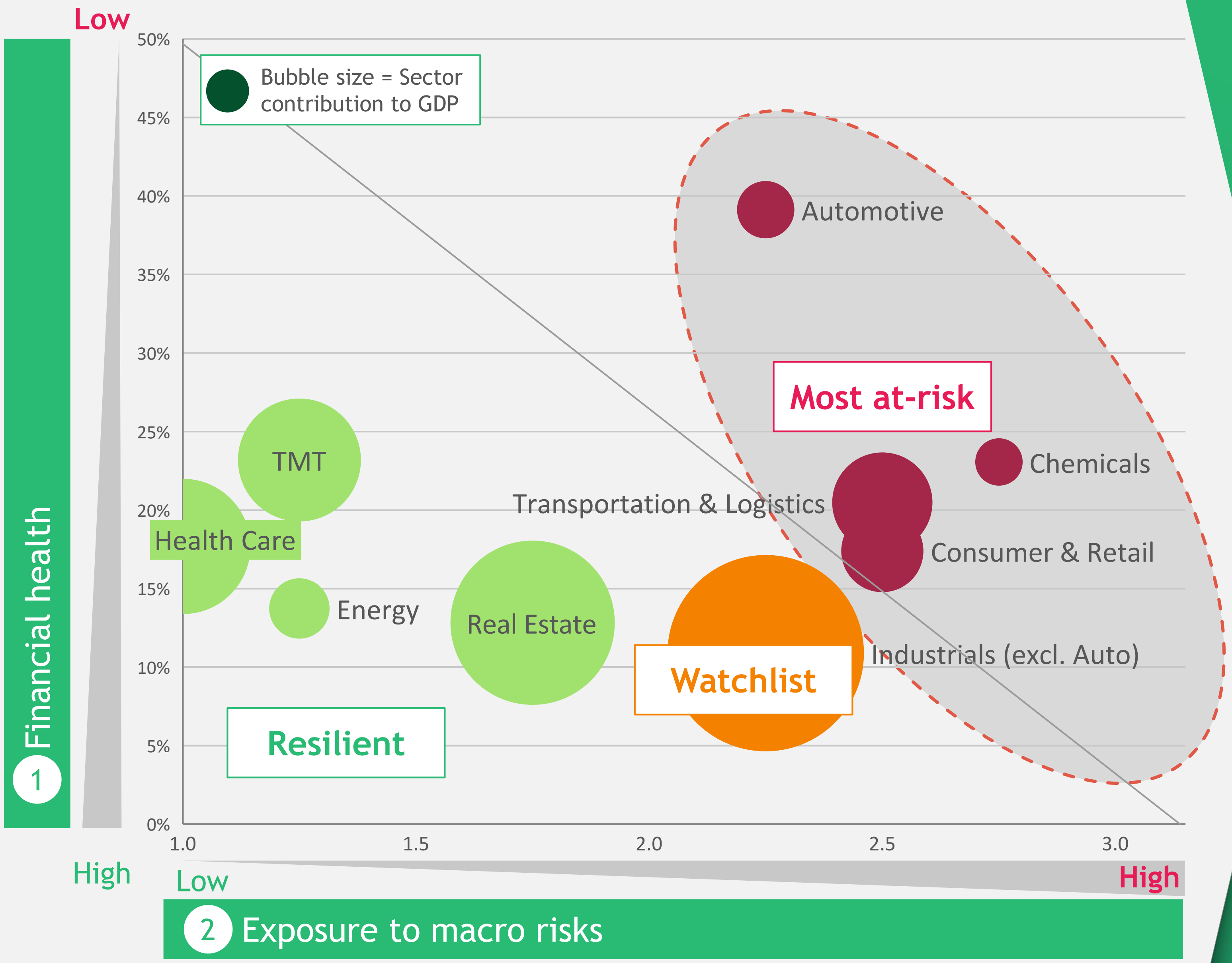
- A significant oversupply from China and the Middle East is expected to weaken the competitive position of European players
- Further pressured by declining demand amid a downturn in industrial activity across Europe

Transportation & Logistics strained

- Trade volatility and global tensions expected to put prolonged strain on global demand
- Meanwhile, shipping lane disruptions, driver shortages, and port congestion will put pressure on supply chains; T&L players will partly offset through pricing power
- Tightening green regulations will force fleet modernization, with large CapEx required

Consumer & Retail outlook remains fragile

- Persistent pressure on disposable income is intensifying the consumer focus on value for money. At the same time, rising input costs (e.g., labor, warehousing) are compressing margins
- Digital-native players continue to disrupt the landscape with tech-driven retail innovation



When both financial health and exposure to macro risks were combined, Automotive, Transportation & Logistics, Chemical, and Consumer & Retail companies emerged as the most at-risk

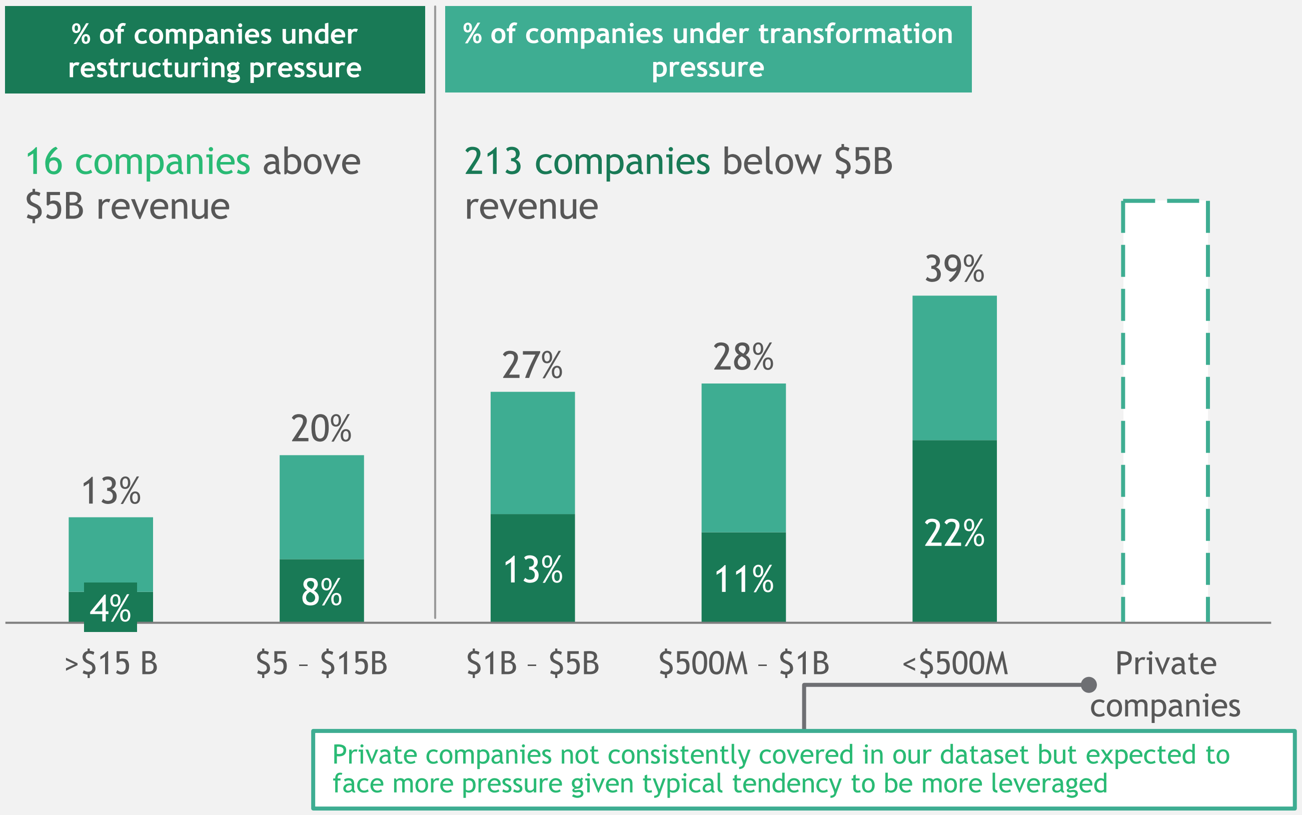
Note: Financial pressure set as share of companies, weighted by revenue, that are under transformation and restructuring pressure based on stability & performance KPIs; Macro pressure set as the combination between Demand, Production, Disruptive trends & impact of tariffs increase
1. Germany, Switzerland & Austria, 2. Sweden, Norway, Finland & Denmark

The smaller the company, the greater the restructuring risk: Across Europe, smaller public companies in industrials and TMT face elevated restructuring risks

EU

Transformation & Restructuring pressures per company size

2024, €m revenue, public companies only



Source: Capital IQ, BCG analysis

Large companies (+$5bn revenue)

12 out of 16 large companies are TMT (5), Consumer & Retail (4), and Industrials (3);
Restructuring pressure stems from diverse context:

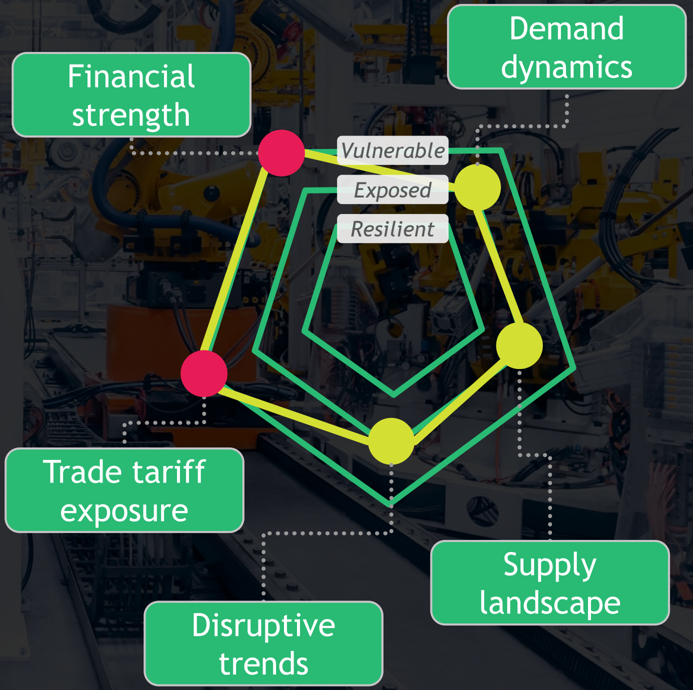
- High leverage and costly acquisitions
- Overly broad portfolio of products/geographies
- Investments and reorganization pressuring margins

Small-mid companies (+$0-$5B revenue)

Among the 213 European public companies under restructuring, ~50% come from the Industrials and TMT sectors:

- Industrials: Pressures stem from cost inflation, macro headwinds, and overinvestment in green tech with slower-than-expected returns
- TMT (esp. Tech): Restructuring driven by overexpansion, high leverage, and falling demand across semiconductors, IT services, and hardware

Automotive



EU

2024 Performance: profits squeezed amid flat sales volumes

- Flat market, fragile demand: European car sales stagnated in 2024, with Germany and France slipping into slight decline amid subsidy cuts and subdued consumer confidence.
- Margins under pressure: OEM profitability deteriorated—input inflation (raw materials, labor), elevated inventories, and EV R&D costs led to margin compression (large OEMs and suppliers all trimmed forecasts).
- Hybrid sales consolidated position while BEV growth stalled.

Sector Outlook: European automakers face squeeze from Chinese competition—but structural shift offer strategic headroom for European car makers

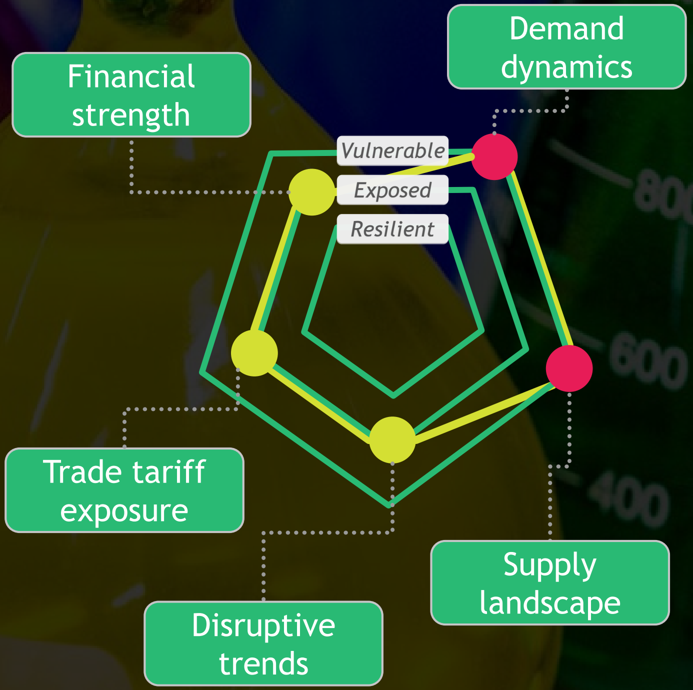
- Profit pressure persists: European OEM margins remain under strain, with raw material and labor costs staying elevated in the near term.
- China's EV surge: Aggressive Chinese entrants deliver high-quality, value-driven EVs, leveraging ultra-lean cost structures and vertically integrated ecosystems.
- Tariff risk looms: Up to $17B in EU automotive output could be impacted by potential trade tariffs, compounding sector vulnerability.
- EV adoption accelerates: BEVs to exceed 70% of new car sales by 2030, driven by Fit-for-55 and ICE bans—though affordability remains a key barrier.
- Software-Defined Vehicles reshape economics: SDVs unlock recurring revenue via post-sale monetization and enable faster product innovation cycles.
- Localization gains momentum: OEMs restructure supply chains—investing in EU-based battery gigafactories and semiconductor capacity to cut reliance on China.

What can Automotive CEOs do to build resilience?

- Respond strategically to Chinese competition: Reassess their cost base and expand footprint in China to benefit from lower costs. Consider revenue growth via large Asian markets, especially China—including potential M&A opportunities.
- Monetize innovation to stay ahead of disruption: Accelerate EV rollout, adopt circular models, and scale AI-driven platforms to boost demand, cut costs, and unlock recurring revenue.
- Improve cash position for sustained R&D investment: Unlock cash trapped in car dealerships as much as possible, divest legacy assets, reduce fixed costs, and securing low-cost capital across the value chain.

Source: Capital IQ, BCG analysis and BCG expert views

Chemicals



EU

2024 Performance: A difficult year for European chemicals

- Global overcapacity, especially in China and the Middle East, led to a surge of low-cost chemical exports into the EU, disrupting the supply-demand balance and intensifying price competition.
- European producers faced a double squeeze: Persistent inflation and elevated feedstock costs severely eroded margins and weakened cost positioning.
- As a result, EU suppliers operated at just 74% utilization, well below historical norms, and delivered weak financial performance across the region.

Sector Outlook: Continued pressure on supply and demand with limited relief

- Overcapacity from Chinese and Middle Eastern producers is expected to persist and continue flowing into the EU, sustaining pressure on local players.
- Demand remains weak, largely because of the Industrials sector, which is structurally declining in Europe.

Disruptive Trends: Competitive pressure partly offset by protective regulation

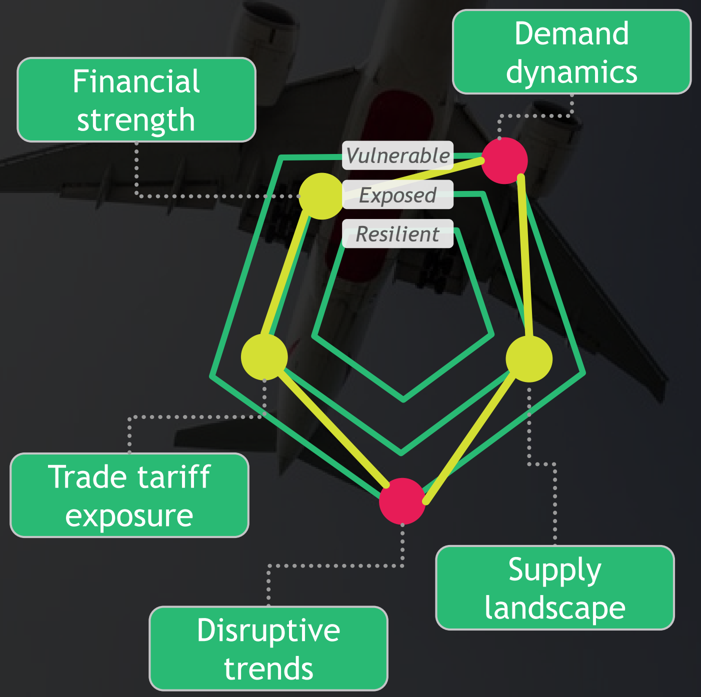
- Investment is increasingly being redirected to Asia and the US, where integrated ecosystems and generous subsidies offer more attractive returns. Several major European players have already committed capital in these regions.
- Regulation plays a double-edged role: It shields local producers from higher-emission Asian and Middle Eastern imports, but also increases compliance costs—further tightening already thin margins.
- Demand for specialty and green chemicals is also uncertain, as European producers struggle to compete on cost—particularly when exporting to markets without strict green regulations.

What can Chemicals CEOs do to weather the storm?

- Streamline operations for profitability and resilience: Double down on high-margin activities. Exit low-return segments. Outsource selectively, balancing cost efficiency with supply chain redundancy to mitigate potential geopolitical challenges.
- Fund innovation without margin erosion: Drive product innovation with strong market fit and use balance sheet levers (e.g., carve-outs, green bonds) to finance decarbonization and R&D without overextending financially.

Source: Capital IQ, BCG analysis and BCG expert views, BCG C-Suite survey 2024

Transportation & Logistics



EU

Transportation & Logistics

2024 Performance: Resilient pricing amid disruption

- Freight volumes fell in 2024 due to global tensions (Red Sea, Russia-Ukraine) disrupting shipping routes and increasing transit times.
- Despite lower volumes, persistent port congestion added pressure across supply chains; sea freight firms preserved margins through effective pricing.

Outlook: Inflationary pressures & diverging impacts

- International freight faces renewed inflation risk with potential new/ongoing disruptions (Panama Canal, Red Sea).
- Intra-regional, especially road freight, is less affected geopolitically but hit hard by labor shortages. Truck driver shortage is critical: Europe may see ~2 million unfilled jobs by 2026.

Regulation & Investment Gap: IMO pressure rising

- Stricter IMO rules may limit operations to newer, compliant ships while smaller and short-sea operators are at risk as CapEx is lagging.

Travel & Leisure

2024 performance: Travel rebounds

- Air and Cruise sectors fully recovered: Europe's 2024 air passengers ~102% of 2019; global cruise volumes, 107%.
- Revenues and margins improved: Tourism spend +7.8% YoY to €705 billion in 2024, and airlines returned ~4% net margin.

Outlook: Sustained growth and green transition

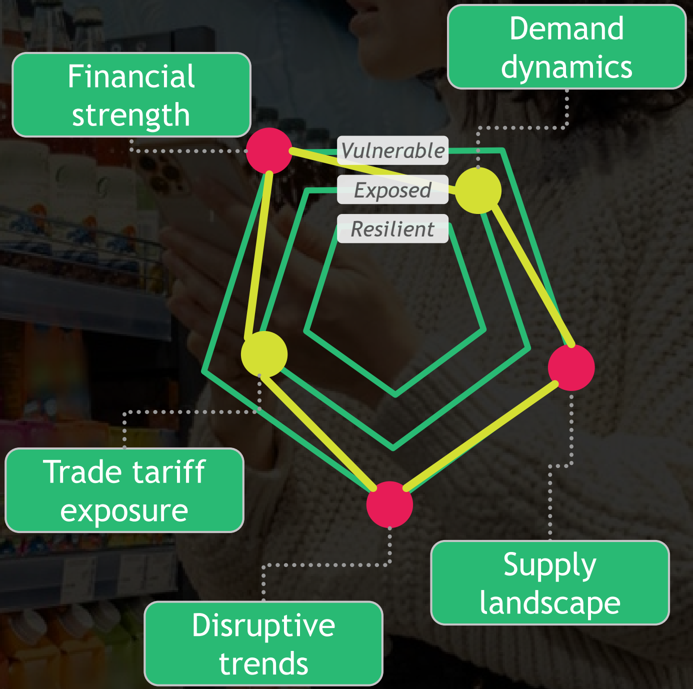
- Global travel demand keeps expanding, with international tourist arrivals projected ~1.8 billion by 2030 (≈20% above 2019).
- Consumer behavior shifts: hybrid work and videoconferencing curb business travel; eco-conscious tourists favor greener alternatives.

What can Transportation & Logistics CEOs do to weather the storm?

- Build resilient and diversified revenues: Redesign pricing models, adapt services (e.g., multimodal, warehousing), and expand geographically into growth corridors to offset tariff and demand shocks.
- Simplify and modernize the cost base: Go beyond cost-cutting: digitize core operations (e.g., routing), automate terminals and warehouses, and streamline processes to drive both savings and agility.
- Decarbonize at pace: Transition to low-emission fuels (bio-LNG, hydrogen), electrify short-haul fleets, cut empty miles, and lead in carbon pricing readiness to stay ahead of regulation.

Source: Capital IQ, Reuters, IRU, IATA, BCG analysis and BCG expert views

Consumer & Retail



EU

2024 Performance: Improvement, yet still strongly under pressure

- Consumer spending remained under pressure, with inflation and rate pressures driving a shift toward essentials at the expense of discretionary categories such as apparel and electronics.
- Operational costs surged, as retailers faced persistent inflation in transportation, warehousing, and labor.
- Supplier diversification remained a challenge, with many firms still reliant on Asia, exposing them to volatility and shipping delays.

Sector Outlook: Demand is uncertain, and margin pressure likely to persist

- Macro uncertainty and constrained disposable income to limit spending in the near term.
- Up to $11B in EU consumer & retail output is exposed to potential trade tariffs, especially impacting Germany, the UK, and France.
- Consumers expected to remain highly price-sensitive, reinforcing demand for value-oriented formats and discount retail.

Disruptive Trends: Digital disruption redefines the consumer playbook and will create winners and laggards

- Pure digital players set to gain ground, thanks to leaner cost structures and greater agility.
- Tech disruption and automation are reshaping customer engagement through AI-driven personalization and ultra-convenience formats.
- Sustainability and digital traceability are driving change in sourcing, packaging, and transparency standards.
- Platform convergence and social commerce are accelerating the shift toward non-traditional, content-led sales channels.

What can Consumer & Retail CEOs do to build resilience?

- Reshape the portfolio: Focus on profitable growth areas, reduce exposure to underperforming segments, and offer more affordable options for budget-conscious consumers.
- Manage prices and margins: Improve their optimization of promotion and trade spending while continuing to rationalize cost.
- Boost demand generation: Increase marketing ROI by focusing on the most high-impact channels. Innovate with GenAI and AI.
- Get serious about sustainability: Integrate consumers' sustainability requirements into products and communicate green benefits to attract the environmentally conscious.

Source: Capital IQ, BCG analysis and BCG expert views, BCG C-Suite survey 2024

The CEO agenda: 7 actions to weather the storm

1. Turn volatility into opportunity – Instability is unlocking new demand and M&A opportunities—act fast to capture the advantage
2. Strengthen your revenue footprint - Proactively build tariff-resilient revenues by redesigning pricing, adapting products, and shifting market focus wherever possible
3. Make supply chains shockproof - Diversify suppliers across regions to reduce exposure to tariffs, disruptions, and political risk
4. Pressure-test your cost base - Identify 3–5 high-impact levers to protect margins before volatility bites harder
5. Make innovation a strategic engine – Focus investments where innovation (incl. AI) drives measurable results, as it must fuel core growth, competitiveness, and productivity
6. Turn working capital into a liquidity engine – Free up trapped cash now; it's your lowest-cost funding lever in today's environment
7. Rewire your balance sheet for agility - High funding costs and volatility require leaner, smarter capital structures—don't wait to adjust

Amid tariff concerns, CEOs are focused on revenue and M&A—overlooking how cost and liquidity efficiency bolster resilience

Topics discussed in earnings calls, in order of frequency of mention

#	Topic	Frequency of mention in Q1 2025[1]	Increase in mentions vs. Q1 2024[2]
1	Turn volatility into opportunity		+7%
2	Strengthen your revenue footprint		+6%
3	Make supply chains shockproof		-3%
4	Pressure-test your cost base		+5%
5	Make innovation a strategic engine	AI Sustainability	+5%
6	Turn working capital into a liquidity engine		-2%
7	Rewire your balance sheet for agility		-4%

Revenue and M&A/market opportunity are the main topics discussed by CEOs, even more in the context of trade tariffs' uncertainty

Sustainability has slipped among CEOs' priorities, despite being a key long-term transformative topic

As trade tariffs dominate the discussions, focus on balance sheet items has declined, helped by a progressive decrease of interest rates

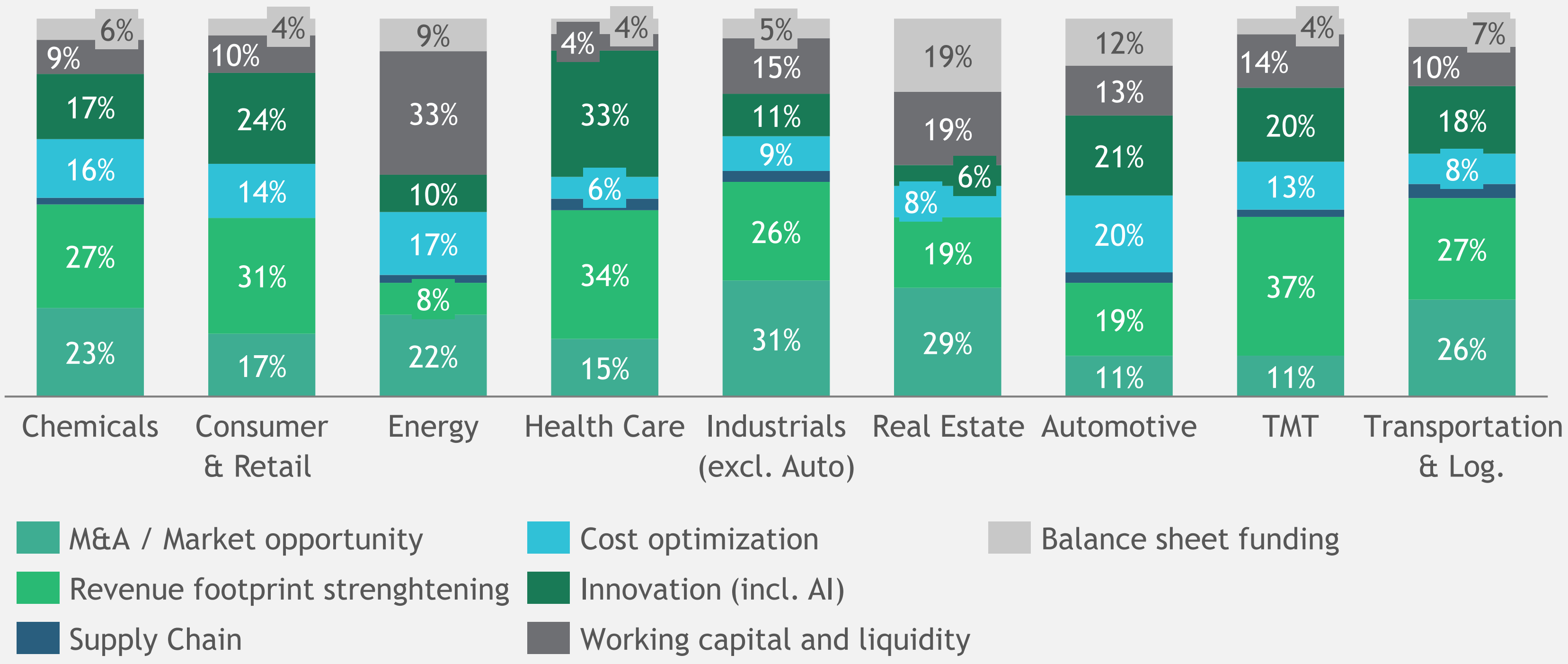
1. Share of companies that mentioned the keyword in Q1 2025 at least once 2. Based on the number of related words occurrences in earnings in Q1 2025 vs. Q1 2024
Source: BCG Market Sensing Portal, BCG Marketing Analysis April 2025, AlphaSense, BCG analysis

EU

Sector view confirms gaps in CEO focus: most prioritize top-line levers over resilience specifically in chemicals, transport & logistics and industrials sectors

Level[1] of CEO/CFO focus per topic by sector

Based on FY 2024 Earnings calls published during Q1 2025



- M&A and Market opportunity are the topics most discussed by CEOs in almost every sector
- The only sectors where CEOs allocate more time to balance sheet items are Energy, Industrials, and Automotive—which makes sense, given the capital intensiveness of these industries

1. Based on the number of citation by CEOs/CFOs of top 10 Market Cap per sector in Europe

Source: AlphaSense, BCG analysis