

The IFT Quarterly Snapshot: Company Turnaround in the UK

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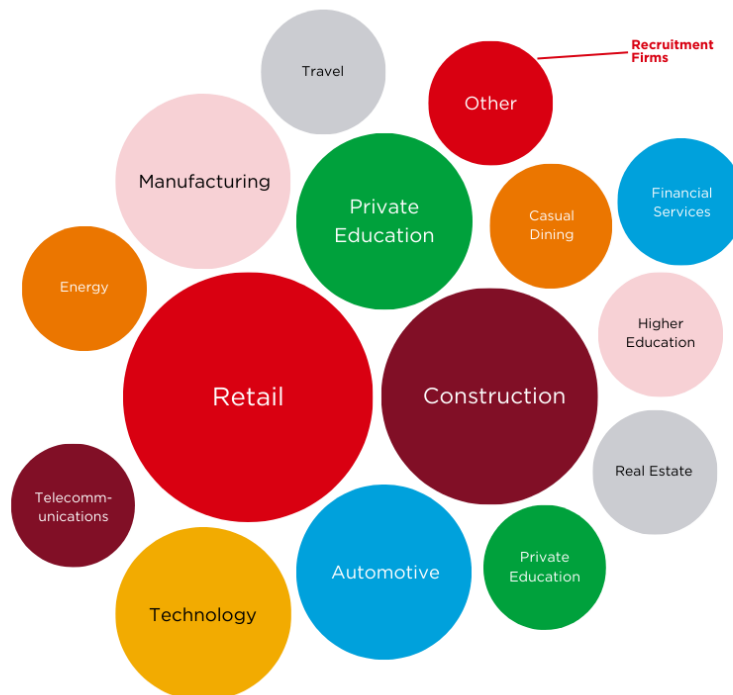
This quarterly update from The Institute for Turnaround covers activity in the turnaround and restructuring sector, as well as levels of company distress and key business pressures. The update includes an analysis of company data provided by FRP Advisory¹ and information from a survey of IFT partners.

Headline summary

IFT survey data showed Q4 2024 as a busier quarter in the turnaround and restructuring space, with 83% of respondents to the survey seeing an increase in activity and the rest about the same level of activity (compared to the previous quarter where about half had seen an increase and about half the same).

In terms of the busiest sectors for turnaround and restructuring activity, amongst IFT partners, the retail sector saw a large spike in Q4 2024 to become the busiest sector, followed by construction. Other sectors seeing a relatively large increase in turnaround and restructuring activity in the last quarter amongst our partners include private education and manufacturing, with continuing levels of activity in the automotive and technology sectors.

Which sectors have been busiest in the last quarter?
Please choose up to 3 answers.



¹ Quarterly figures are provisional and are likely to be subject to revision in later quarters.

Conversely however, real estate and financial services, which had been amongst the busiest sectors in previous quarters, were less busy for turnaround and restructuring in Q4.



In terms of the most common factors driving business distress, survey responses for Q4 2024 were evenly split between inflationary pressures, the cost of servicing debt and the withdrawal of shareholder support/funding.

While still cited by 50% of survey respondents, the depletion of working capital was no longer the most common factor driving business distress in Q4. A third of survey respondents (33%) also highlighted lack of awareness by management of a business' position.

Context

According to data from FRP Advisory, there were 6208 insolvencies across all UK regions in Q4 2024, compared to 6349 in Q3 2024, representing a decrease of 2.2%, and a decrease of 9.8% compared to Q4 2023.

Nevertheless, FRP data showed 181,719 businesses in distress in Q4 2024, a slight increase (1.4%) from the Q3 2024 total of 179,260, and a 6% increase from Q4 2023 (171,368 businesses).

Insolvency Service statistics for December 2024 (after seasonal adjustment) showed 1,838 registered company insolvencies in England and Wales, 6% lower than the previous month and 14% lower than December 2023².

Where is distress focused?

Top 10 Sectors for Companies in Distress - Q4 2024

Industry	Companies in Distress
Construction	24348
Professional, Scientific and Technical Activities	23896
Retail and Repairs	20695
Administrative and Support Services Activities	20158
Real Estate Activities	19366
Information and Communication	16744
Accommodation and Food Service Activities	15649
Manufacturing	15200
Other Service Activities	9858
Wholesale	9279

Source: FRP Advisory analysis

² [Commentary - Company Insolvency Statistics December 2024 - GOV.UK](#)

For insolvencies, the sector seeing the highest number of insolvencies for Q4 2024 remained construction, followed by the accommodation and food service activities and administrative and support service activities sectors. All three sectors have featured consistently as showing high levels of difficulty, and the construction sector was also the sector featuring the largest number of companies in distress for Q4 2024. The next highest sectors for companies in distress (though not yet at the point of insolvency) for Q4 were the professional, scientific and technical activities³ and retail and repairs sectors. This aligns to a certain extent with some of the sectors which IFT partners experienced as the busiest for turnaround and restructuring activity.

Demand for turnaround expertise

Q4 2024 saw a spike in demand for turnaround and restructuring support, with 83% of IFT survey respondents seeing an increase in turnaround/restructuring activity, with the remaining 50% about the same level of activity. Whilst demand for turnaround support in the construction sector remained high, Q4 saw retail as the busiest sector for IFT partners responding to the survey, indicating perhaps that the sector was seeking to take a proactive approach to ensure financial stability ahead of upcoming tax and cost increases announced in the October budget. Automotive also saw a fair amount of demand, with IFT partner firms indicating many in the sector were watching the impact of geopolitical developments relating to supply chains, such as possible tariffs, carefully.

According to IFT partner firms, a number of different factors were commonly seen as putting pressure on UK businesses, including (increasing in prevalence amongst businesses our partners are working with): the impact of inflationary pressures, the cost of servicing debt and the withdrawal of shareholder support/funding. The depletion of working capital fell in Q4 from the most common reason for distress to below the above three factors.

Are there any common themes or reasons for distress across your engagements in each sector?



³ Including businesses involved in law, consultancy, architecture, engineering, research and veterinary activities.

We can see overall that businesses in Q4 2024 were struggling with a number of different pressures, with sectors such as retail and automotive also concerned about the impact of future global and UK policy changes. Whilst 2024 as a whole saw a drop in numbers of insolvencies, FRP data has showed a clear trend of increasing numbers of businesses experiencing financial distress and with continued global economic uncertainty as well as continuing inflationary and costs pressures, it remains to be seen if this will be reflected in an increase in insolvency numbers for 2025.

