Riveron

Q3 2026 Restructuring & Turnaround Guide:

What's New, What's Next

Second Edition | Q3 2026

Market and Industry Insights from Riveron's Restructuring & Turnaround Practice

In Brief

The restructuring environment through Q3 2026 was defined less by sudden crisis than by slow-burn pressure across the capital stack. In the middle market, stressed and distressed businesses have continued the trend of accomplishing their restructuring goals outside of a formal bankruptcy process.

August CPI rose 0.4% from July and 3.4% year over year, while core CPI increased 0.3% for the month and 2.4% from a year earlier, largely driven by higher gasoline and shelter costs. As a result, the Fed raised its benchmark rate by 25 basis points at its September meeting. Growth remained concentrated in a narrow set of sectors: AI-driven equipment investment, affluent consumer spending on services, and recreation and hospitality.

Out-of-court alternatives remain popular options for larger borrowers. Liability management exercises (LMEs) reached record levels in 2024 and continued at an elevated pace through 2025, comprising approximately 65% of default activity by count. Research increasingly suggests, however, that non-pro-rata LMEs buy a shorter, more fragile runway than proponents claim, with most ultimately defaulting again or filing for bankruptcy anyway. As Riveron's David Nolletti outlines in his latest article, financial engineering without operational reform delays the inevitable.

On the regulatory front, US tariff policy and trade uncertainty reshaped corporate balance sheets, while enforcement uncertainty across antitrust and securities agencies continued to influence distressed M&A timelines.

The forward pipeline of companies either in process or approaching a restructuring inflection point is substantial. One thing remains clear across the stressed and distressed business landscape, companies that acted early had options; those that waited saw many of those doors close.

__Sources:__ PitchBook LCD, January 2026; Congressional Budget Office, 2026; U.S. Bureau of Economic Analysis, August 2026; U.S. Bureau of Labor Statistics, September 2026; S&P Global Market Intelligence, July 2026; Epiq AACER / American Bankruptcy Institute, July 2026; Columbia Law School Blue Sky Blog, March 2026.

KEY INSIGHT

65%

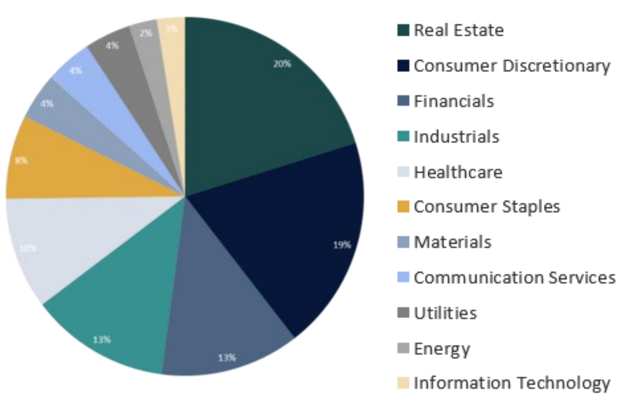
of default activity in 2025 involved LMEs.

But volume is not validation.

As Riveron's **David Nolletti** explains, financial engineering without operational reform delays the inevitable.

Read the Insight

Market Signals: What We Are Seeing



Q3 2026 Restructuring Snapshot

Consumer sectors, Real Estate dominated restructuring activity in Q3 2026, together accounting for nearly half of all cases with liabilities above $50M through August. Industrials and Healthcare round out the top four, reflecting the compounding pressure of tariff-driven cost inflation and structural reimbursement challenges. The distribution confirms what we are seeing on the ground: distress is broad-based, not concentrated in a single sector, and the pipeline across asset-heavy and consumer-facing industries remains full.

Market Trends & Industry Dynamics (at a glance)

Aerospace, Defense, Aviation & Space (ADAS)
Record OEM backlogs and historic defense spending across the United States, Europe, and Asia define the current moment: a sustained structural expansion with no near-term ceiling in sight. Growth is reinforced by rising orbital launch demand and heavy investment in critical defense infrastructure, including solid rocket motor (SRM) capacity, missile and interceptor production, and early-stage Golden Dome development. Whether this backlog expansion converts to revenue and profitability will depend on disciplined, risk-aware capacity expansion across the supply chain.

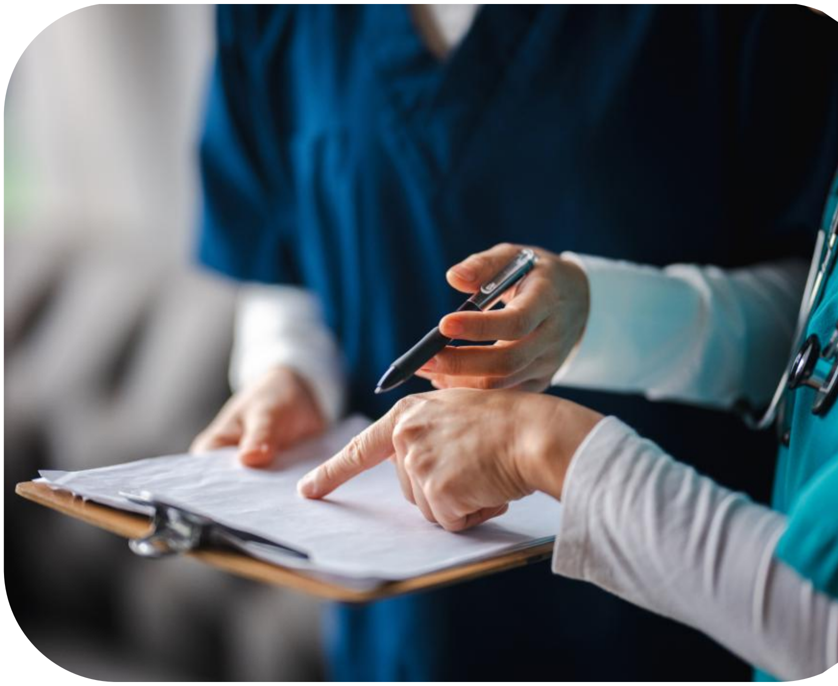
Automotive & Industrials
Tariff exposure, uneven vehicle volumes, and evolving powertrain strategies are forcing OEMs and suppliers to protect margins and reassess where and how they operate. Suppliers are increasingly focused on pairing operational improvements—including targeted adoption of AI and automation—with disciplined commercial strategies to pursue pricing and cost recovery from OEM customers, while localizing supply chains, optimizing cost structures, and selectively investing in differentiated capabilities. We expect continued supplier consolidation, restructuring, and portfolio realignment as the industry prioritizes operational resilience, capital discipline, and sustainable profitability over growth at any cost.

Consumer Product & Retail
Consumers are demonstrating a "second wave" of value-seeking behavior, rotating toward discount chains and private labels as cost pressures persist. Retailers must adapt by focusing on SKU rationalization, sharpening supply chain execution, and making sound purchasing decisions to stay competitive in an increasingly price-driven environment.

Energy
A massive investment supercycle is underway, driven by the dual needs for grid stability and the integration of renewable energy sources to meet surging demand from AI data centers. While nuclear fusion and small modular reactors (SMRs) represent the next frontier for carbon-free baseload power, the near-term landscape is defined by a 70% surge in global energy storage pipelines and record capital flows into hydrogen infrastructure.

Engineering & Construction
Strong AI-related infrastructure demand is sustaining the project pipeline, even as architectural billings soften and office, retail, lodging, and education markets lag. However, elevated financing, labor, and material costs, along with compressed AI project schedules, are pressuring project economics and working capital, while equipment lead times, tariffs, and permitting uncertainty contribute to procurement challenges and project delays.

Healthcare & Life Sciences
Healthcare and life sciences face a collision between expanding demand and the ability to finance it. In 2025, hospital expenses rose 7.5% vs 3.3% and drug prices increased over 13%. Over next 12 months, we expect sharper payer controls, continued margin pressure and greater scrutiny of acquisition synergies and biotech runway. Sponsors must prove earnings durability, lender, cash repayment; counsel, defensible reimbursement, and restructuring teams must be equipped to redesign operations and commercialization – not just the balance sheet. The CFO's defining mandate is to identify where clinical and scientific value translates to cash – and where capital is financing an unsustainable model.



Hospitality & Entertainment
High-income consumers kept the lights on in Q3, but middle-market operators including regional hotels, casual dining, and live entertainment venues are running out of runway. Labor cost inflation, softening discretionary demand, and overleveraged post-COVID capital structures are converging, pushing more names toward the restructuring table.

Other Industries
Business services and financial services firms continue to feel margin pressure from elevated labor costs and AI implementation spend that has yet to yield offsetting productivity gains. Commercial real estate remained a fault line, with office and mixed-use exposure straining regional bank balance sheets and private credit portfolios alike. Government-adjacent businesses face budget uncertainty as federal spending priorities shift under the reconciliation process.

Industry Spotlight: Technology, Media & Telecom

Rapid AI adoption, shifting advertising dynamics, and ongoing infrastructure investment are reshaping the TMT landscape. As capital costs remain elevated, companies are increasingly focused on monetization efficiency, margin preservation, and navigating regulatory scrutiny across software, streaming, and connectivity markets.

+ **AI –driven software demand accelerating**
Enterprise adoption of AI-powered tools is fueling durable subscription growth, with hyperscalers and SaaS platforms reporting expanded deal sizes and higher net revenue retention.

− **Valuation pressure on unprofitable growth names**
Rising rate sensitivity continues to compress multiples for pre-profitability tech companies, with lenders applying tighter leverage and coverage covenants across sponsor-backed deals.

+ **Connectivity infrastructure remains resilient**
Recurring revenue models and long-term contracts in fiber, towers, and data centers provide predictable cash flows and support stable asset-based lending structures.

− **~30% of traditional pay-TV subscribers lost since 2020, pressuring legacy media**
Cord-cutting acceleration has driven structural revenue declines in linear TV, weakening affiliate fee streams and ad inventory values across legacy media portfolios.

+ **Digital advertising recovering across key platforms**
Programmatic and performance-based ad spend has rebounded, with large-platform CPMs stabilizing as brand advertisers return amid improved audience targeting capabilities.

− **AI and data regulation creating compliance uncertainty**
Evolving EU and U.S. frameworks around data privacy, algorithmic accountability, and AI liability are increasing compliance costs and slowing product deployment timelines across the sector.

Jesse York
Senior Managing Director

FEATURED INSIGHT

Navigating Distress

The Financing Problem Behind the AI Infrastructure Boom: What Lenders and Sponsors Need to Watch

Capital is flooding into AI infrastructure faster than cash flow can follow — and the financing structures built around it may not survive the gap.

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Riveron professionals serve as a trusted guide for CFO offices, private equity, and other stakeholders navigating distress with experienced guidance that stabilizes operations and protects stakeholder value. Whether through operational improvement, restructuring, or bankruptcy, Riveron brings decades of experience to guide the path forward. Questions? We're here to help.

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