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Financial Restructuring in the Corporate Sector: Due Diligence Aspects

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Abstract. *Company financial restructuring is becoming increasingly relevant as firms operate under the pressure of high corporate debt, costly refinancing, weaker access to capital and growing insolvency risks. In many cases, financial distress is not caused solely by excessive leverage; it reflects a deeper imbalance between liabilities, cash flow generation, operating capacity, and the ability to coordinate creditors. The paper aims to examine financial restructuring as a complex corporate finance process that includes debt renegotiation, liquidity restoration, capital structure adjustment, contract revision and due diligence assessment of future viability. The study is based on open-source data on corporate debt, insolvencies and defaults, and selected restructuring cases, including Hertz, WeWork, Carvana and Rite Aid. The results show that restructuring risk is closely linked to the large volume of liabilities that companies must refinance, service or renegotiate. The growing share of distressed exchanges also points to a practical shift from purely court-based insolvency procedures to negotiated liability management, where the main objective is to preserve going-concern value. The analyzed cases confirm that restructuring outcomes depend on the nature of distress. Corporate cases show how debt relief and liquidity support may help a viable firm recover after an external shock. Case analysis reveals that lease obligations and other long-term contracts can be as important as financial debt. The paper concludes that the effectiveness of restructuring should be measured not by the nominal amount of debt eliminated, but by post-restructuring liquidity, lower refinancing pressure, a lower interest burden, creditor alignment, operating efficiency, and sustainable cash flow generation. Further research may develop integrated models that combine financial ratios, due diligence indicators and post-restructuring performance measures to assess the probability of successful corporate recovery.*

Keywords: *financial restructuring, insolvency, corporate finance, financial analysis, due diligence.*

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Фінансова реструктуризація в корпоративному секторі: аспекти Дью Ділідженс

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Анотація. *Фінансова реструктуризація компаній набуває дедалі більшої актуальності, оскільки підприємства працюють під тиском значного корпоративного боргу, дорогого рефінансування, обмеженого доступу до капіталу та зростання ризиків неплатоспроможності. У багатьох випадках фінансові труднощі зумовлені не лише надмірним борговим навантаженням, а й глибшим дисбалансом між зобов'язаннями, здатністю генерувати грошові потоки, операційним потенціалом і можливістю узгоджувати позиції кредиторів. Метою статті є аналіз фінансової реструктуризації як складного процесу корпоративних фінансів, що охоплює перегляд боргових зобов'язань, відновлення ліквідності, коригування структури капіталу, перегляд контрактних умов і Дью Ділідженс життєздатності бізнесу. Дослідження ґрунтується на відкритих даних щодо корпоративного боргу, неплатоспроможності та дефолтів, а також на вибраних кейсах реструктуризації, зокрема Hertz, WeWork, Carvana та Rite Aid. Результати показують, що ризик реструктуризації тісно пов'язаний із великим обсягом зобов'язань, які компанії мають рефінансувати, обслуговувати або переглядати. Зростання частки обміну боргових зобов'язань на умовах фінансового дистресу також свідчить про практичний перехід від суто судових процедур банкрутства до договірного управління зобов'язаннями, головною метою якого є збереження вартості діючого бізнесу. Проаналізовані кейси підтверджують, що результати реструктуризації залежать від природи фінансових ускладнень бізнесу. Аналіз показав, що зменшення боргового навантаження та підтримка ліквідності можуть допомогти життєздатній компанії відновитися після екзогенного шоку. Водночас кейс-аналіз засвідчує, що орендні зобов'язання та інші довгострокові контракти можуть мати для реструктуризації не менше значення, ніж фінансовий борг. Зауважено, що ефективність реструктуризації варто оцінювати не за номінальним обсягом списаного боргу, а за рівнем ліквідності після реструктуризації, зниженням тиску рефінансування, меншим процентним навантаженням, узгодженістю позицій кредиторів, операційною ефективністю та здатністю генерувати стійкі грошові потоки. Подальші дослідження будуть спрямовані на розроблення інтегрованих моделей, які поєднують фінансові показники, індикатори Дью Ділідженс і показники постреструктуризаційної результативності для оцінювання ймовірності успішної реструктуризації.*

Ключові слова: *фінансова реструктуризація; неплатоспроможність; корпоративні фінанси; фінансовий аналіз; Дью Ділідженс.*

Problem setting. Company financial restructuring has become an important issue in corporate finance as firms face high debt levels, rising refinancing costs, volatile demand, and more selective access to capital. Financial distress usually appears when a company's liability structure no longer matches its cash-flow capacity, operating performance, asset base, or market position. Therefore, restructuring should not be viewed only as a technical renegotiation of debt, but as a broader process aimed at restoring financial stability, preserving enterprise value, and supporting business recovery. The relevance of this topic is reinforced by recent global trends in debt and insolvency. Large volumes of outstanding corporate liabilities create refinancing pressure for firms with weak liquidity or excessive leverage. At the same time, companies increasingly use restructuring instruments such as distressed exchanges, maturity extensions, covenant amendments, debt-for-equity swaps, asset sales, and court-supervised reorganizations. These mechanisms are applied not only after default, but also as preventive tools to avoid liquidation and preserve going-concern value.

Recent publications analysis. The academic literature on company financial restructuring generally treats restructuring as a response to financial distress, capital structure imbalance, declining operational efficiency, or a broader mismatch between the firm's strategy and its financial capacity. The studies reviewed in this paper show that restructuring is not a single instrument, but a combination of financial, operational, strategic and organizational measures. Its effectiveness depends on whether the firm can translate balance-sheet changes into stronger performance, a more sustainable capital structure and improved capacity to generate cash flows.

Fang [1] provides a useful general framework by distinguishing among business restructuring, financial restructuring and debt restructuring. The study emphasizes that restructuring is usually triggered by changing market conditions, internal inefficiencies, excessive debt pressure or the need to improve competitiveness. From this perspective, financial restructuring cannot be separated from the broader business context. Debt reduction, refinancing, or maturity extension may ease immediate pressure, but these tools are effective only when aligned with changes in operations, governance, and strategy. This idea is important for the present paper because it supports the view that financial restructuring should be analyzed as part of a wider corporate transformation process, rather than as a purely technical adjustment of liabilities.

A similar point is developed by Danovi, Magno & Dossena [2], who examine debt restructuring agreements in Italy. Their study is based on an empirical analysis of debt restructuring agreement plans from bankruptcy courts. The authors focus on the effectiveness of different restructuring measures, including managerial, operational, asset-related, strategic and financial interventions. Their findings are particularly relevant because they show that debt restructuring agreements should be assessed not only through the formal reduction or renegotiation of debt, but also through their ability to restore economic sustainability. In other words, restructuring is meaningful only if it improves the company's capacity to remain economically viable after the agreement is implemented.

The relationship between debt restructuring and firm performance is also examined by Kaur & Srivastava [3], who study Indian firms that received corporate debt restructuring packages. Their research examines whether restructuring improved profitability and enabled distressed firms to reach the performance levels of their industry peers. The study is important because it shifts attention from the restructuring event itself to post-restructuring outcomes. The evidence suggests that debt restructuring does not automatically lead to better firm performance. Its effects depend on how restructured firms use the relief they obtain from creditors, whether they improve operating efficiency, and whether they can restore profitability after the financial burden is reduced.

Rastogi & Mazumdar [4] extend this discussion by analyzing the long-run impact of financial restructuring on capital structure in India. Using pre- and post-admission data from firms undergoing financial restructuring, they examine the relationship between leverage and its determinants, including profitability, firm size, tangibility, and growth opportunities. Study shows that restructuring may have a lasting effect on capital structure, but this effect is not necessarily accompanied by a clear improvement in profitability. This finding is especially relevant for the present research because it highlights the risk of "formal restructuring" without sufficient business recovery. A company may renegotiate its debt, but if the new capital structure remains inconsistent with its earning capacity, the probability of renewed distress remains high.

Mielcarz, Osiichuk & Owczarkowski [5] approach financial restructuring from a value-maximization perspective. They propose an iterative algorithm for determining the level of debt repayment, debt contracting or equity investment needed to move a company toward its target capital structure. The study is useful because it connects restructuring decisions with shareholder value and optimal leverage. Rather than treating restructuring as a reactive response to distress, the authors present it as a structured financial decision aimed at restoring an efficient capital structure. Their model also suggests that failure to adjust leverage toward a target level may destroy value. This contribution is directly relevant to due diligence in restructuring, as it implies that analysts should assess not only current financial distress but also the gap between the existing and target capital structures.

Operational performance is another important dimension in the literature. Sethi, Singh & Gupta [6] examine the operational efficiency of restructured companies. Their study focuses on firms that underwent restructuring to resolve financial distress and evaluates whether restructuring improved the efficiency with which these companies used their resources. This line of research is valuable

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because it moves beyond traditional financial ratios and introduces efficiency-based measurement. In this paper, this is important because restructuring outcomes should not be judged solely by debt reduction, liquidity improvement, or changes in leverage. A company may become less leveraged after restructuring but remain inefficient. Therefore, operational efficiency should be included as a key post-restructuring performance criterion.

Herman [7] adds another perspective by analyzing companies in poor financial condition in Poland and asking whether restructuring is "worth it." This question is central to restructuring research because not every distressed company can be successfully revived. The practical implication is that restructuring should be preceded by a realistic assessment of recovery potential. If the company's financial problems are mainly due to temporary liquidity pressures or an inefficient capital structure, restructuring may create value. If the firm suffers from deeper operational weakness, a weak market position or a persistent inability to generate cash flows, restructuring may only delay failure. This argument strengthens the role of due diligence as a screening mechanism before restructuring measures are selected.

The international dimension is developed by Forcadell, Romero-Jordán, Sanchez-Riofrio & Guerras-Martín [8], who analyze the effect of restructuring internationalised companies on performance using evidence from European firms. Their study argues that restructuring may have different performance effects depending on a firm's level of internationalization. Internationalized companies can potentially benefit from restructuring by reallocating resources across markets, leveraging broader operational capabilities, and exploiting complementarities between restructuring and international strategy. This contribution is useful for the present paper because it shows that restructuring outcomes depend not only on internal financial indicators, but also on the strategic scope of the firm. For multinational or internationally active companies, due diligence should therefore include market geography, foreign asset structure, cross-border obligations and the ability to reconfigure operations across countries.

Evidence from Kenya also confirms the importance of capital restructuring for financial performance. Ithuku & Mwangi [9] examine the relationship between capital restructuring and the financial performance of listed firms in Kenya. Their study is relevant because it broadens the discussion beyond European and Indian contexts and shows that restructuring-performance links are also important in emerging markets. In such markets, firms may face additional constraints, including limited access to long-term finance, weaker capital markets and greater dependence on bank lending. As a result, capital restructuring may influence not only leverage and profitability, but also the firm's ability to secure future financing and maintain investor confidence.

The Ukrainian context adds an important institutional and strategic dimension to the literature on company financial restructuring. While much of the international research focuses on firm-level debt renegotiation, capital structure correction and post-restructuring performance, Ukrainian studies draw attention to two additional issues, i.e. the quality of insolvency legislation and the role of financial strategy under uncertainty. These aspects are particularly relevant for analyzing restructuring in economies exposed to institutional volatility, macroeconomic shocks and limited access to long-term financing.

Ostrovska, Usherenko & Kharchenko [10] examine innovations in Czech bankruptcy legislation and discuss the possibility of implementing similar approaches in Ukraine. Their contribution is important because it shifts the discussion from restructuring as a purely corporate decision to restructuring as an institutionally embedded process. The effectiveness of financial restructuring depends not only on the willingness of creditors and debtors to negotiate, but also on whether the legal framework allows early intervention, protects creditor rights, supports business rehabilitation and reduces the risk of value destruction during insolvency proceedings. In this sense, the Czech experience is relevant for Ukraine because it shows how bankruptcy law can be used not only for liquidation but also to preserve economically viable companies.

Aleksin [11] provides a complementary firm-level perspective by analyzing the formulation and implementation of financial strategy under economic uncertainty in Ukrainian companies. The study is directly relevant to financial restructuring because restructuring decisions are rarely made in stable conditions. Such decisions usually arise when firms face uncertainty regarding revenues, exchange rates, financing costs, market demand or creditor behavior. Paper emphasizes that, in such conditions, financial strategy should not be reduced to short-term liquidity management. It should include strategic financial planning, scenario-based decision-making, risk assessment and alignment between financial resources and corporate development priorities.

This literature provides a basis for the present study's analytical framework. Financial restructuring should be evaluated not only by the immediate debt relief, but also by the company's ability to restore liquidity, reduce refinancing risk, improve operational efficiency, achieve a sustainable capital structure, and maintain economic viability after restructuring. This is why due diligence becomes a central element of restructuring analysis. It connects the diagnosis of distress with the choice of restructuring instruments and helps distinguish between firms that can recover through financial adjustment and firms that require deeper operational or strategic transformation.

Methodology. The study uses a qualitative and analytical research design to examine company financial restructuring as a multidimensional corporate finance process. The methodology combines literature review, open-source empirical data, comparative case analysis and a due diligence framework. This approach allows financial restructuring to be analyzed not only as debt renegotiation, but also as a mechanism for restoring liquidity, adjusting capital structure, coordinating creditors and preserving going-concern value.

The first stage of the research involved reviewing academic literature on financial restructuring, debt restructuring, insolvency, capital structure, operational efficiency and post-restructuring performance. This helped define the key analytical categories of the paper, including financial distress, economic distress, leverage reduction, liquidity restoration, creditor coordination and long-term business viability.

The second stage was based on open-source quantitative data on corporate debt markets, insolvency trends, bankruptcy filings and corporate defaults. These data were used to describe the macro-financial environment in which restructuring decisions are made and to show how firm-level restructuring is linked to broader refinancing pressures and changing access to capital.

The third stage applied comparative case analysis. The paper examines Hertz, WeWork, Carvana and Rite Aid as examples of different restructuring trajectories. Hertz reflects restructuring after an external demand shock; WeWork shows the importance of lease and contractual obligations; Carvana illustrates creditor coordination and out-of-court debt exchange; Rite Aid demonstrates the limits of debt reduction when operational weaknesses remain unresolved.

The final stage uses a due diligence framework to interpret restructuring outcomes. The framework covers debt structure and maturity profile, liquidity position, debt service capacity, operating viability, asset quality, creditor composition, contractual obligations, legal and regulatory risks, governance quality and post-restructuring capital needs. These dimensions help assess whether a company can recover through financial restructuring or requires deeper operational transformation.

The study relies on analytical comparison rather than advanced quantitative analysis. This choice aligns with the paper's purpose, i.e. to develop an integrated understanding of restructuring effectiveness. The main criterion is whether restructuring improves liquidity, reduces refinancing risk, lowers the interest burden, strengthens creditor alignment and supports sustainable cash-flow generation after restructuring.

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Aim of this paper is to analyze company financial restructuring as a multidimensional corporate finance process that combines debt adjustment, liquidity restoration, creditor coordination, legal mechanisms, and due diligence-based assessment of business viability. The study integrates macro-financial evidence, company-level cases, and a due diligence framework to show that effective restructuring depends on whether the redesigned capital structure is supported by sustainable cash-flow generation and operational viability.

Results. The empirical results indicate that company financial restructuring has become closely connected with broader changes in global corporate debt markets, insolvency dynamics, creditor behavior and restructuring due diligence. The data show that restructuring is no longer limited to isolated cases of corporate failure. Rather, it increasingly reflects a wider adjustment of corporate balance sheets to higher refinancing costs, large debt maturities and more selective access to capital. In 2025, global corporate debt issuance reached USD 13.7 trillion, including USD 6.8 trillion in corporate bonds and USD 7.0 trillion in syndicated loans [12]. At the end of the same year, outstanding corporate market debt amounted to USD 59.5 trillion, of which USD 36.4 trillion related to corporate bonds and USD 23.1 trillion to syndicated loans. These figures demonstrate that restructuring risk is embedded in a large stock of corporate liabilities that must be refinanced, serviced or renegotiated under changing financial conditions.

The results also show that corporate financial stress has become more persistent. Forecasts of global insolvencies point to a 6% increase in 2025 and a further 5% in 2026, while the expected level of bankruptcies is estimated to be 24% above the pre-pandemic average [13]. In the U.S., business bankruptcy filings rose from 23,107 to 24,737 in the year ending December 31, 2025, representing a 7.1% annual increase [14]. These indicators suggest that the current wave of restructuring is not merely a delayed effect of the pandemic. It is also associated with weaker corporate resilience, tighter financial conditions and the growing difficulty of refinancing debt without changes in liability structure.

A further result concerns the changing form of corporate default. In 2024, S&P Global Ratings recorded 145 global corporate defaults, compared with 153 in 2023. Although the number of defaults declined slightly, the composition of defaults is more revealing. Distressed exchanges accounted for 59.3% of global corporate defaults in 2024, the highest share since 2008 [15]. This means that many companies did not move directly into liquidation or formal bankruptcy. Instead, they used negotiated debt exchanges, maturity extensions and other liability management tools. This finding confirms that financial restructuring is increasingly used as a mechanism of negotiated balance-sheet repair rather than only as a court-driven insolvency procedure.

From a due diligence perspective, these results imply that the first stage of restructuring analysis should focus on the quality and structure of liabilities. It is not enough to measure total debt. A restructuring assessment should also examine the maturity profile, the split between secured and unsecured debt, covenant pressure, interest-rate exposure, creditor concentration, and the share of debt maturing within the next 12-36 months. These indicators help determine whether the company faces a short-term liquidity problem, a refinancing problem or a deeper solvency problem. In this context, due diligence becomes an analytical bridge between financial diagnostics and the choice of restructuring instrument.

The company-level evidence supports this interpretation. The analyzed cases show that financial restructuring may produce different outcomes depending on the nature of distress, creditor coordination and the viability of the underlying business model. Hertz represents a restructuring case caused largely by an external demand shock. Its Chapter 11 plan eliminated more than USD 5 billion of debt and provided over USD 2.2 billion of liquidity to the reorganized company [16, 17]. This case shows that restructuring can preserve enterprise value when the company's core business remains viable and market demand has the potential to recover. For due diligence, the Hertz case underlines the importance of assessing operating viability, liquidity needs after restructuring and the realism of recovery assumptions.

Carvana is another major example of restructuring through creditor coordination and management of liabilities outside of the courts. In contrast to Hertz, the company did not depend heavily on a court-supervised reorganization. Instead, it carried out a negotiated debt exchange supported by most of its noteholders. Carvana said the swap would cut overall debt by more than USD 1.3 billion, push out maturities and reduce short-term cash interest expense by more than USD 455 million a year for the next two years in 2023 [18]. The transaction was supported by holders of more than 96% of the company's senior unsecured notes, reflecting strong creditor coordination and allowing the company to avoid a more disruptive restructuring scenario.

WeWork demonstrates a more complex restructuring pattern. Its distress was not limited to financial debt, but was also linked to long-term lease obligations and an overextended operating model. The company's Chapter 11 plan eliminated around USD 4 billion of debt and reduced future rent costs by more than USD 12 billion, while allowing the company to continue operating 337 locations [19, 20]. In addition, the restructuring involved amended lease terms for about 150 leases, planned exits from another 150 leases and the continuation of around 150 leases without changes [20, 21]. This case shows that effective restructuring may require renegotiating contractual obligations alongside formal debt reduction. From a due diligence standpoint, this means that lease contracts, supplier agreements, purchase commitments, and other long-term obligations should be analyzed alongside financial debt, as they may create a similar burden on future cash flows.

By contrast, Rite Aid shows the limits of balance-sheet repair when financial distress is combined with deeper operational weakness. The company emerged from Chapter 11 in 2024 after eliminating around USD 2 billion of debt and securing approximately USD 2.5 billion in exit financing – however, the firm filed for bankruptcy again less than a year later [22, 23]. This case indicates that debt reduction and new financing may create temporary relief, but they do not guarantee long-term recovery if the company's market position, cost structure or operating model remains weak [24, 25]. For restructuring due diligence, the Rite Aid case is especially important because it shows the need to test post-restructuring sustainability through projected free cash flow, EBITDA margins, capital expenditure needs, competitive position and refinancing risk after exit from restructuring.

Analysis results suggest that financial restructuring should be assessed through a wider due diligence framework. This framework should include debt and maturity analysis; liquidity review; debt service capacity; operating viability; asset quality; creditor structure; contractual obligations; legal and regulatory risks; governance quality; post-restructuring capital needs; scenario-based recovery analysis. Such an approach helps distinguish between firms that need temporary financial relief and firms that require deeper operational or strategic restructuring. Analysis is summarized in Table 1.

Table 1

Due Diligence framework for assessing company financial restructuring

Due diligence area	Key questions for restructuring analysis	Main indicators	Relevance for analytical interpretation
Debt structure and maturity profile	What is the scale of debt pressure and when do major repayments fall due?	Total debt, short-term debt, secured and unsecured debt, debt maturing within 12-36 months, covenant breaches	Explains whether restructuring is driven mainly by refinancing pressure or by structural insolvency
Liquidity position	Can the firm meet near-term obligations without emergency financing?	Cash balance, undrawn credit lines, operating cash flow, working capital gap, current ratio	Identifies whether the firm needs bridge financing, standstill agreements or urgent court protection

Continuation of Table1

Debt service capacity	Can the company service interest and principal from operating cash flows?	EBITDA, free cash flow, interest coverage, debt service coverage ratio, cash interest burden	Shows whether debt reduction, interest renegotiation or maturity extension is required
Operating viability	Is the core business capable of recovery after restructuring?	Revenue trend, EBITDA margin, customer base, market share, cost structure	Distinguishes financial distress from economic distress
Asset quality and disposal potential	Can assets be sold, pledged or reorganised without destroying core value?	Non-core assets, collateral value, asset turnover, impairment risk, sale-and-leaseback potential	Determines whether asset sales can support deleveraging or liquidity restoration
Creditor coordination	Is an out-of-court restructuring feasible?	Number of creditors, concentration of claims, bondholder participation, creditor classes, intercreditor agreements	Explains why some firms can restructure privately while others require formal insolvency proceedings
Contractual obligations	Do non-debt obligations create a hidden restructuring burden?	Lease liabilities, supplier contracts, pension obligations, purchase commitments, litigation payments	Shows why restructuring may need to cover leases and contracts, not only financial debt
Legal and regulatory risks	Are there claims or restrictions that may affect recovery value?	Litigation, tax liabilities, regulatory penalties, insolvency-law constraints, enforcement rights	Influences creditor recovery, timing and the legal form of restructuring
Governance and management quality	Can the existing management implement the restructuring plan?	Management credibility, reporting transparency, governance structure, incentive alignment	Affects creditor confidence and the probability of successful implementation
Post-restructuring sustainability	Will the company remain financially viable after restructuring?	Projected net debt/EBITDA, interest coverage, free cash flow, liquidity buffer, future refinancing needs	Prevents purely cosmetic restructuring and helps assess the risk of repeated distress

Source: analysis based on [12-25].

Taken together, the results reveal three main patterns. First, financial restructuring is increasingly driven by refinancing pressure. The large volume of outstanding corporate debt means that even moderate deterioration in credit conditions may create significant stress for firms with high leverage, weak interest coverage and concentrated near-term maturities. Second, restructuring is shifting toward negotiated liability management. The high share of distressed exchanges in corporate defaults suggests that firms and creditors often prefer restructuring tools that preserve going-concern value and avoid disorderly liquidation. Third, the success of restructuring depends on the link between financial relief and business viability. Hertz and Carvana show how debt reduction and creditor coordination can support recovery when the core business remains viable. WeWork shows that contractual obligations may be as important as financial debt. Rite Aid, however, demonstrates that restructuring may fail when operational problems remain unresolved.

Overall, the findings suggest that company financial restructuring should be assessed not only by the nominal amount of debt eliminated, but also by its effect on post-restructuring liquidity, refinancing risk, interest burden, creditor coordination and operating sustainability. The due diligence perspective strengthens this conclusion: a restructuring plan is credible only when it is supported by a detailed review of liabilities, cash-flow capacity, creditor structure, legal risks, contractual obligations and the firm's ability to generate sustainable future cash flows. Where this link is absent, financial restructuring may postpone distress rather than resolve it.

Conclusions and prospects of future research. The study confirms that company financial restructuring should be understood as a multidimensional corporate finance process rather than a narrow technical debt renegotiation. The analysis shows that restructuring becomes necessary when the existing liability structure no longer corresponds to the firm's cash-flow capacity, operating performance, maturity profile and strategic position. In this sense, financial distress is not only a balance-sheet problem. It is also a signal that the company's financial model, business model and creditor relationships may require deeper reassessment.

The company-level cases analyzed in the paper show that restructuring outcomes depend on the nature of distress. Hertz illustrates that financial restructuring can be effective when distress is caused by an external shock and the core business remains viable. WeWork demonstrates that formal debt reduction may be insufficient if long-term contractual obligations, especially leases, continue to burden future cash flows. Carvana indicates the importance of creditor coordination and out-of-court debt exchanges as alternatives to bankruptcy. Rite Aid, by contrast, confirms that even significant debt reduction and exit financing may not prevent repeated distress if operational weaknesses remain unresolved

Due diligence should be treated as a central element of financial restructuring analysis. Before selecting restructuring instruments, it is necessary to assess the company's debt structure, maturity profile, liquidity position, debt service capacity, asset quality, creditor composition, contractual obligations, legal risks, governance quality and post-restructuring capital needs. This approach helps distinguish between firms that can be stabilized through financial adjustment and firms that require broader operational or strategic transformation.

Overall, the effectiveness of a company's financial restructuring should be assessed not by the nominal amount of debt eliminated, but by the firm's ability to restore sustainable financial performance after restructuring. A successful restructuring reduces refinancing pressure, improves liquidity, aligns the capital structure with earning capacity, strengthens creditor confidence and supports operational recovery. Where these conditions are absent, restructuring may only postpone financial distress rather than resolve it. Future research may focus on developing integrated models that combine financial ratios, due diligence indicators, creditor coordination variables and post-restructuring performance measures to assess the probability of successful corporate recovery.

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