

# UNDER THE SURFACE: LEARNING FROM RECENT RETAIL BANKRUPTCIES

The Euler Hermes team studied 31 retail bankruptcies in the US involving companies with annual revenues exceeding \$70 million that occurred between 2015 and 2018 to identify common themes and insights.

**32%**

of the bankrupt companies reviewed cited **high occupancy costs** for brick-and-mortar locations as a contributing factor



**68%**

of bankruptcies in the study sample were attributed in part to consumer preference **shifting from brick-and-mortar to online purchases**

## TRADE RISKS IN THE RETAIL INDUSTRY



**42%**

of the now-defunct companies experienced liquidity crunch — a time when demand is high, but cash is low



**61%**

of the bankrupt retailers were owned by Private Equity firms

+ *The retail sector accounted for 17% of Chapter 11 filings by Private Equity-owned companies over the past 6 year period, despite comprising only 9% of the portfolio<sup>1</sup>*



Prior to filing bankruptcy, **21 OF 31** companies were aggressively leveraged, with **net debt to EBITDA above 8.5x**

+ *Public retailers typically are conservatively capitalized at 2x net debt to EBITDA*



**7%**

of retail borrowers were expected to default on loans in 2019 – up from **approximately 4.5% in 2018<sup>2</sup>**

## ARE YOU ON A COLLISION COURSE WITH A TRADE RISK ICEBERG?

Make sure you can navigate dangerous waters by getting the predictive risk insights necessary to avoid most bad debts before they happen.

Learn more at [eulerhermes.us](http://eulerhermes.us).

<sup>1</sup> <https://www.fticonsulting.com/~media/Files/us-files/insights/articles/private-equity-has-retail-problem.pdf>

<sup>2</sup> <https://your.fitch.group/rs/732-CKH-767/images/fitch-ratings-outlooks-2019-us-leveraged-finance.pdf>



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