CORNERSTONE RESEARCH

Economic and Financial Consulting and Expert Testimony

Trends in Large Corporate Bankruptcy and Financial Distress

Midyear 2024 Update

Table of Contents

Table of Figures

This report examines trends in Chapter 7 and Chapter 11 bankruptcy filings for large corporations between January 2005 and June 2024. This midyear 2024 update focuses on trends over the last 12 months of this period (2H 2023–1H 2024). Unless specified otherwise, the bankruptcies analyzed in this report involve public and private companies with over $100 million in assets at the time of filing.[1]

Executive Summary

The number of large corporate bankruptcy filings continued to increase over the last 12 months, maintaining the accelerated pace of filings that began during the first half of 2023. Rising costs due to high inflation and interest rates and lingering impacts of COVID-19 were the most commonly cited factors among the largest bankruptcies.

Bankruptcy Filing Trends

- A total of 113 large companies filed for bankruptcy in the last 12 months, an increase of 8% from 105 in the prior 12 months (2H 2022–1H 2023). This is 43% above the 2005–2023 annual average of 79. (page 2)
- Average assets at the time of filing were $673 million, which continued the downward trend observed in the prior 12-month period and remained substantially below the 2005–2023 average of $1.99 billion. (page 5)
- There were 24 mega bankruptcies (those filed by companies with over $1 billion in reported assets) in the last 12 months, down from 28 in the prior year, but above the 2005–2023 annual average of 22. Sixteen of the mega bankruptcies were filed in 1H 2024, double the eight mega bankruptcies in 2H 2023. (pages 2–3)
- The Services and Manufacturing industries continued to experience an elevated number of bankruptcies. The Finance, Insurance, and Real Estate industry also experienced an uptick in bankruptcy filings. (page 4)
- The largest bankruptcy in the last 12 months was filed by WeWork Inc. ($15.1 billion in assets at filing). In 1H 2024, the largest bankruptcy was filed by Enviva Inc. ($2.9 billion in assets at filing). (pages 5–6)

Uptiering Transactions

- Out-of-court "uptiering" transactions conducted by financially distressed companies showed an initial uptick following the notable Serta Simmons transaction, with six in 2020 (including the Serta Simmons transaction). After a dip in 2021, the number of uptiering transactions has since increased, with at least 12 transactions in 2023, a 100% increase from 2022, and 11 through 1H 2024. (page 8)
- Between 2020 and 2022, related litigation followed the majority of uptiering transactions. (page 8)
- Despite the potential financial benefits from allowing the borrower to raise liquidity or extend debt maturities, between 2020 and 2022, among the 13 companies that undertook an uptiering transaction, eight (or 62%) have since filed for Chapter 11 bankruptcy. (page 8)

Bankruptcy Venues

- Consistent with prior years, Delaware and the Southern District of Texas continued to be the two most common venues for large company bankruptcy filings. (page 10)
- The District of New Jersey continued its trend of increased bankruptcy filings that began in 2023, topping the Southern District of New York for the first time. (page 10)

Figure 1: Key Trends in Bankruptcy Filings
2005–1H 2024

	2H 2023–1H 2024				
	2H 2023	1H 2024	Total	2H 2022–1H 2023	Annual Average 2005–2023
Chapter 11 Bankruptcy Filings	50	58	108	98	76
Chapter 11 Mega Bankruptcies	8	16	24	28	22
Chapter 11 Bankruptcy Filings by Public Companies	24	22	46	34	43
Chapter 11 Bankruptcy Filings by Private Companies	26	36	62	64	33
Chapter 7 Bankruptcy Filings	3	2	5	7	3
Total Chapter 7 and Chapter 11 Bankruptcy Filings	53	60	113	105	79
Average Asset Value at Time of Filing (Billions)	$0.86	$0.51	$0.67	$1.16	$1.99

Source: BankruptcyData

Note: For companies where exact asset values are not known, the lower bound of the estimated range is used. Asset values are not adjusted for inflation. Mega bankruptcies are defined as those for companies with over $1 billion in reported assets at the time of their bankruptcy filings.

Bankruptcy Filings

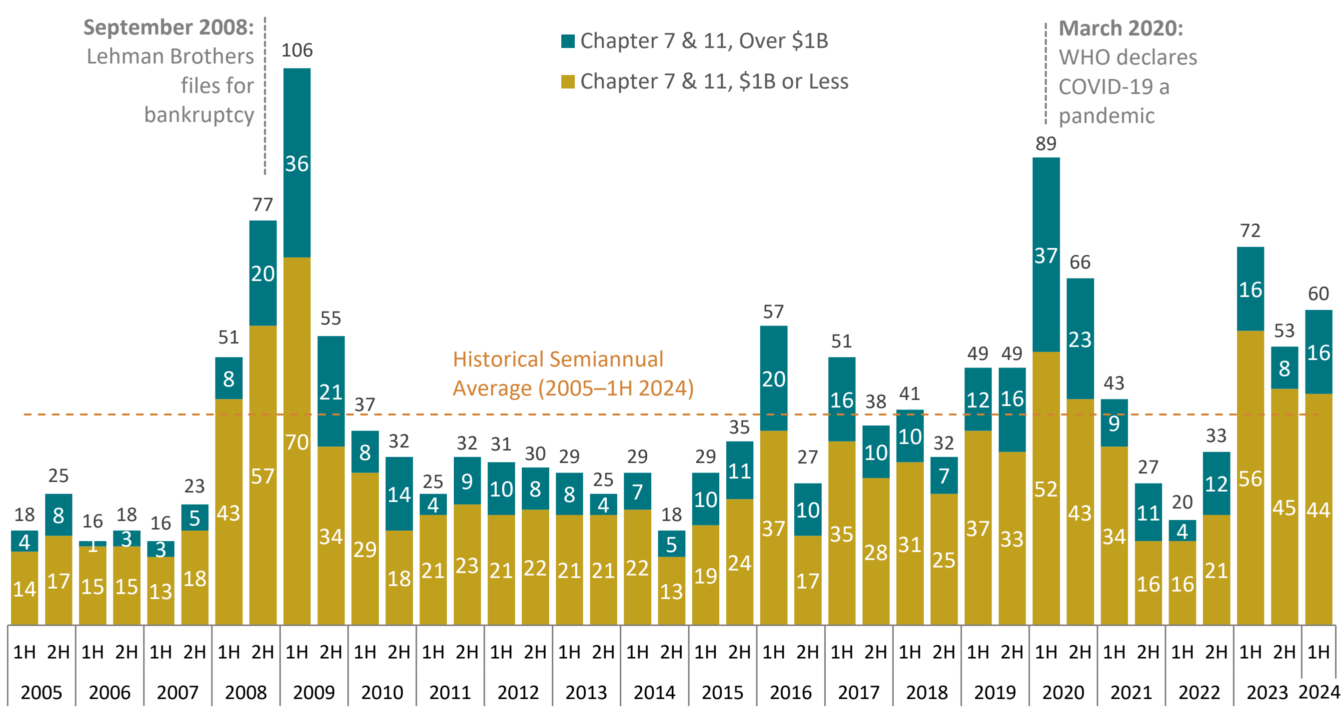
Number of Bankruptcy Filings

- In the last 12 months, there were 113 companies with over $100 million in assets that filed for Chapter 7 or Chapter 11 bankruptcy, compared to 105 in 2H 2022–1H 2023 and well above the historical annual average of 79.2 between 2005 and 2023.
- The number of bankruptcy filings was elevated in 1H 2024 with 60 filings (26 and 34 bankruptcies in 1Q 2024 and 2Q 2024, respectively).
- The 60 bankruptcy filings in 1H 2024 were nearly 50% higher than the historical semiannual average of 39.6 filings between 2005 and 2023.
- In the last 12 months, there were 24 mega bankruptcies (those filed by companies with over $1 billion in reported assets), a decrease from 28 in 2H 2022–1H 2023 but above the 2005–2023 annual average of 22.5.
- There were 16 mega bankruptcies in 1H 2024. This number matches 1H 2023 as the highest number of mega bankruptcies in a half-year period since the COVID-19 pandemic in 2020.

113

Number of bankruptcy filings in 2H 2023 and 1H 2024 by companies with over $100 million in assets.

Figure 2: Monthly Chapter 7 and Chapter 11 Bankruptcy Filings
2005–1H 2024



Source: BankruptcyData

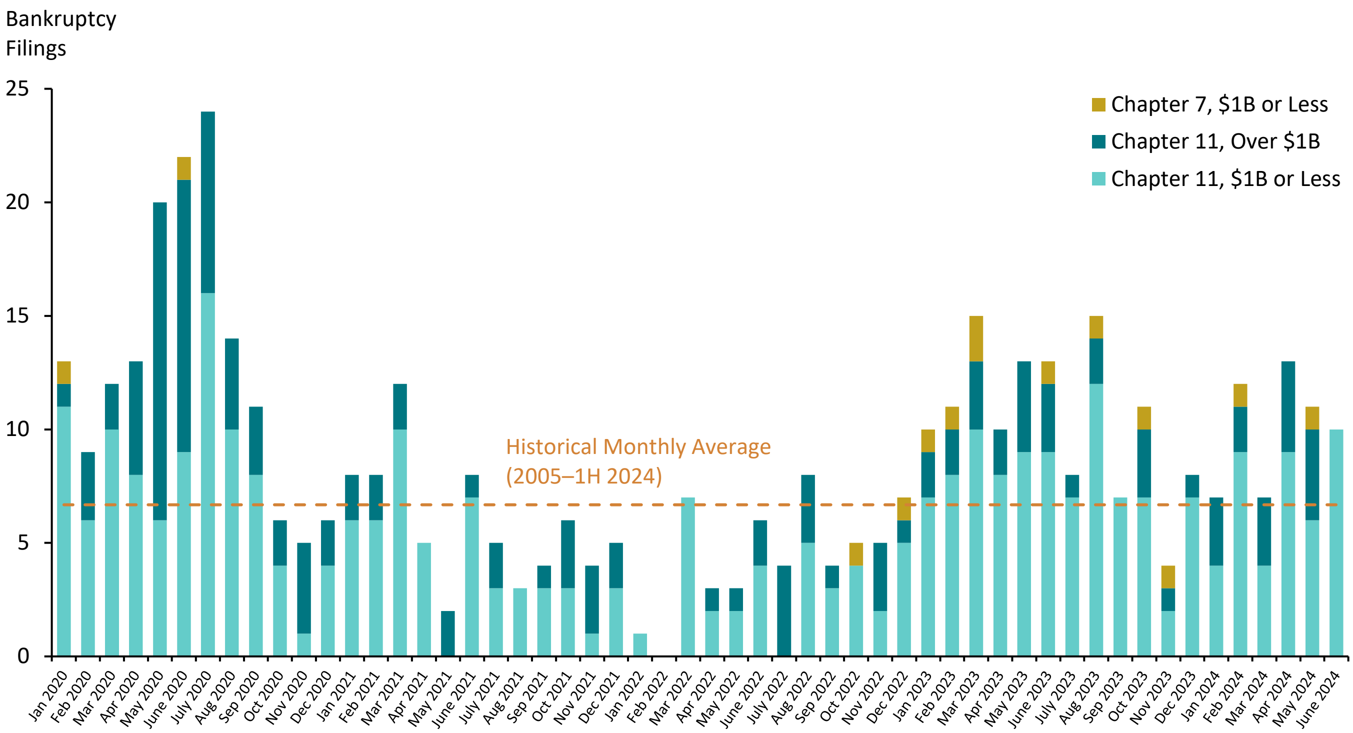
Note: For companies where exact asset values are not known, the lower bound of the estimated range is used. Asset values are not adjusted for inflation. Lehman Brothers filed for bankruptcy on September 15, 2008. The World Health Organization (WHO) declared COVID-19 a pandemic on March 11, 2020. Years are labeled at January 1.

60

Number of bankruptcy filings in 1H 2024 by companies with over $100 million in assets.

- In the last 12 months, monthly bankruptcy filings were generally above the historical average, with filings below average in only one month (November 2023). This trend reflects a reversal from the number of filings in 2021 and 2022, when monthly bankruptcy filings were persistently below the historical average.
- In 1H 2024, 60 companies filed for bankruptcy, an increase of 13% compared to 2H 2023 when 53 companies filed for bankruptcy.

Figure 3: Monthly Chapter 7 and Chapter 11 Bankruptcy Filings (Recent Trends)
2020–1H 2024



Source: BankruptcyData

Note: No Chapter 7 bankruptcy filings with total assets greater than $1 billion are observed during the sample period. For companies where exact asset values are not known, the lower bound of the estimated range is used. Asset values are not adjusted for inflation.

Bankruptcies by Industry

- Bankruptcy filings increased across almost all industries in 2023 compared to 2022, most notably in the Retail Trade, Services, and Manufacturing industries.
- In the last 12 months, the number of bankruptcy filings in the Services and Manufacturing industries remained elevated. In addition, bankruptcies increased in the Finance, Insurance, and Real Estate industry.
- Mining, Oil, and Gas bankruptcy filings—which accounted for the largest share of filings in 2020 at 28%—have declined substantially since 2020. The industry made up only 3% of all bankruptcy filings in the last 12 months and 2% in 1H 2024.
- The Services industry had the highest share of bankruptcy filings in the last 12 months, accounting for 29% (33 filings) of all bankruptcies during the period. This marked a substantial increase compared to the industry's historical average share of 17% from 2005 to 2023. There were 17 bankruptcy filings (28% of all filings) in the Services industry in 1H 2024. The largest industry filers by assets focus on services related to Healthcare, Computers and Software, and Education.

28%

Share of 1H 2024 bankruptcies filed by Services companies.

- The Manufacturing industry had the second-highest number of bankruptcy filings in the last 12 months (26% with 29 filings), consistent with its historical average share of 26% from 2005 to 2023. The 1H 2024 share of bankruptcy filings was similar at 25%.
- Bankruptcy filings in the Finance, Insurance, and Real Estate industry in 1H 2024 (10 filings) nearly reached the number of bankruptcies recorded for the full year of 2023 (11 filings). The consumer finance company CURO Group Holdings filed one of the largest bankruptcies by assets in 1H 2024 after it reportedly failed to stay profitable following acquisitions and a strategic shift in its business model.[2] Several large companies in the Real Estate industry, including WeWork, Hudson 888, and Celebration Pointe, filed bankruptcies and attributed their filings to lingering impacts of COVID-19 on real estate markets as well as high interest rates, among other factors.[3]
- After Retail Trade bankruptcies more than doubled to 16 in 2023 from 2022, the pace of bankruptcies in the sector decreased to nine filings in the last 12 months with six of those in 1H 2024. However, two Retail Trade bankruptcies were among the top five bankruptcy filings in 1H 2024 by asset size: JOANN and Express filed for Chapter 11 protection in March and April, respectively.

Figure 4: Heat Map of Bankruptcies by Industry 2005–1H 2024

SIC Industry Division	Average 2005–2023	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2H 2023–1H 2024	1H 2024
Mining, Oil, and Gas	10.2	3	0	0	5	13	0	3	2	3	9	32	30	14	13	26	44	9	2	3	3	1
Retail Trade	9.4	4	2	5	22	16	4	10	2	3	5	5	9	13	11	13	31	5	6	16	9	6
Transportation, Communications, and Utilities	9.6	9	4	2	18	11	7	13	13	11	11	1	12	10	9	16	16	12	6	10	13	7
Services	13.1	5	5	4	16	20	14	11	11	12	5	9	10	12	12	15	24	13	9	34	33	17
Manufacturing	20.1	18	19	10	32	64	21	11	20	15	12	12	16	16	14	20	26	8	13	38	29	15
Wholesale Trade	2.1	1	0	2	0	0	2	0	1	3	1	0	2	5	5	2	3	6	3	4	4	2
Finance, Insurance, and Real Estate	10.1	3	2	13	25	31	19	7	12	5	3	4	3	14	6	6	10	15	13	11	17	10
Construction	1.9	0	2	3	8	5	1	2	0	0	1	0	1	4	3	0	1	1	1	3	3	2
Agriculture, Forestry, and Fishing	0.7	0	0	0	1	1	1	0	0	1	0	0	1	1	0	0	0	1	0	4	2	0
Public Administration	0.3	0	0	0	1	0	0	0	0	1	0	1	0	0	0	0	0	0	0	2	0	0
Number of Bankruptcies	78	43	34	39	128	161	69	57	61	54	47	64	84	89	73	98	155	70	53	125	113	60

Legend (annualized)	0–4	5–9	10–19	20–29	30 and above

Source: BankruptcyData

Note: Only Chapter 7 and Chapter 11 bankruptcy filings by companies (both public and private) with over $100 million in assets are included. The Standard Industrial Classification (SIC) Industry Division "Mining" is labeled as "Mining, Oil, and Gas" to reflect the specific industries under the Industry Division. The SIC Industry Division "Transportation, Communications, Electric, Gas, and Sanitary Services" is labeled as "Transportation, Communications, and Utilities." For companies where exact asset values are not known, the lower bound of the estimated range is used. Asset values are not adjusted for inflation.

Largest Bankruptcies by Assets

- Companies that filed for bankruptcy in the last 12 months exhibited a downward trend in size: the average asset size was $673 million in the last 12 months, 42% lower than the prior 12-month period ($1.16 billion). The average asset size dropped to $510 million in 1H 2024 from $858 million in 2H 2023.
- The largest bankruptcy filing by asset size in the last 12 months was WeWork, a global workplace provider with $15.1 billion in assets at the time of its Chapter 11 filing in November 2023.[4] The largest filing in 1H 2024 was Enviva, the world's largest wood pellets manufacturer with assets of $2.9 billion at the time of its Chapter 11 filing in March 2024.[5]
- There were also fewer mega bankruptcies: 24 in the last 12 months, down from 28 in the prior 12-month period. Companies filing mega bankruptcies in 2H 2023–1H 2024 most commonly identified the following contributing factors: (i) rising costs due to high inflation and interest rates, (ii) lingering impacts of COVID-19, (iii) increased competition for the company's products or services, and (iv) unsuccessful strategic initiatives.
- Rising costs due to high inflation and interest rates, the most frequently mentioned factor, was identified in 88% (21) of the 24 mega bankruptcies. For example, Mallinckrodt, a global specialty pharmaceutical manufacturer, stated that "the escalation and persistence of high interest rates [on the company's variable rate debt] have absorbed [much of its] cash flow" and led to its bankruptcy filing.[6] Red Lobster Management, an international seafood restaurant chain, noted that it has been "weighed down in recent years by macroeconomic factors," including inflationary pressures, and that increases in minimum hourly wages in 2024 have put pressure on margins.[7] Enviva also noted that historically high inflation reduced its profit margins on its long-term contracts.[8]
- The lingering impact of COVID-19 was the second most frequently mentioned factor, identified in 79% (19) of the 24 mega bankruptcies. For example, WeWork stated that "the COVID-19 pandemic struck and wreaked havoc on the commercial real estate landscape, particularly in major cities where WeWork has a large footprint."[9] Akumin, a national healthcare service provider, and Air Methods Corporation, an air medical emergency services provider, also noted that the pandemic led to labor shortages and higher labor costs in the healthcare and aviation industry, respectively.[10] Several companies in the Manufacturing industry, such as Careismatic Brands, a global medical apparel and workwear manufacturer and distributor, noted that worsening supply chain problems created by the pandemic were contributing factors leading to their bankruptcy filings.[11]

88%

Companies filing mega bankruptcies that identified high interest rates as one of the factors for their financial insolvency.

- Increased competition for the company's products or services was identified in 58% (14) of the 24 mega bankruptcies. For example, Rite Aid, a national retail pharmacy and pharmacy service provider, noted intense competition from traditional drugstores, supermarkets, and mass merchandisers, and from online retailers like Amazon and online pharmacies like Capsule.[12] Express noted that much of its business downturn "came as consumer shopping patterns shifted dramatically towards online shopping."[13]
- Unsuccessful strategic initiatives were identified in half (12) of the 24 mega bankruptcies. For example, Yellow Corporation noted that its strategic initiative to transform its legacy business into a unified national platform faced obstruction from local unions, leading to operational losses and liquidity issues that eventually resulted in the company's financial insolvency.[14] Cano Health, a national primary care physician group, noted that its strategic acquisitions failed to realize material synergies and resulted in significant operational inefficiencies and inflated costs.[15]
- Other factors mentioned among mega bankruptcies included logistical and supply chain issues induced by the Russia-Ukraine War. For example, Voyager Aviation Holdings, an aircraft leasing company, noted that its leasing agreements with a Russian airline were canceled and the airline failed to return two of its aircraft, resulting in significant negative impact on the company's cash flows.[16] Zachry Holdings, a global turnkey construction company, also noted that it suffered from logistical issues and supply chain disruptions due to the Russia-Ukraine War.[17]

Figure 5: Mega Bankruptcies
2H 2023–1H 2024

Rank	Company	Assets (In Billions)	SIC Industry Division and Description	Court	Rising Costs Due to High Inflation and Interest Rates	Lingering Impacts of COVID-19	Increased Competition for Company's Products or Services	Unsuccessful Strategic Initiatives
1	WeWork Inc.	$15.06	Finance, Insurance, and Real Estate: Operators of Nonresidential Buildings	New Jersey	✔	✔	✔	✔
2	Rite Aid Corporation	$7.65	Retail Trade: Drug Stores and Proprietary Stores	New Jersey	✔	✔	✔	
3	Mallinckrodt plc	$5.11	Manufacturing: Pharmaceutical Preparations	Delaware	✔	✔	✔	
4	Enviva Inc.	$2.89	Manufacturing: Wood Products, not Elsewhere Classified	Virginia Eastern	✔	✔		✔
5	Audacy Inc.	$2.79	Transportation, Communications, and Utilities: Miscellaneous Home Furnishings Stores	Texas Southern	✔	✔	✔	✔
6	JOANN Inc.	$2.26	Retail Trade: Sewing, Needlework, and Piece Goods Stores	Delaware	✔	✔	✔	
7	Yellow Corporation	$2.15	Transportation, Communications, and Utilities: Trucking, Except Local	Delaware		✔		✔
8	CURO Group Holdings Corp.	$1.78	Finance, Insurance, and Real Estate: Trucking	Texas Southern	✔			✔
9	Pennsylvania Real Estate Investment Trust	$1.72	Finance, Insurance, and Real Estate: Real Estate Investment Trusts	Delaware	✔	✔	✔	
10	Akumin Inc.	$1.64	Services: Medical Laboratories	Texas Southern	✔	✔		
11	Express Inc.	$1.30	Retail Trade: Business Services	Delaware	✔	✔	✔	
12	Cano Health Inc.	$1.21	Services: Mattresses	Delaware	✔		✔	✔

Rank	Company	Assets (In Billions)	SIC Industry Division and Description	Court	Rising Costs Due to High Inflation and Interest Rates	Lingering Impacts of COVID-19	Increased Competition for Company's Products or Services	Unsuccessful Strategic Initiatives
13	Voyager Aviation Holdings LLC	$1.00	Services: Biological Products	New York Southern	✔	✔	✔	
14	Air Methods Corporation	$1.00	Transportation, Communications, and Utilities: Air Transportation, Nonscheduled	Texas Southern	✔	✔		
15	Careismatic Brands LLC	$1.00	Manufacturing: Health and Allied Services	New Jersey	✔	✔	✔	✔
16	GOL Linhas Aereas Inteligentes S.A.	$1.00	Transportation, Communications, and Utilities: Air Transportation, Scheduled	New York Southern	✔	✔		
17	Thrasio Holdings Inc.	$1.00	Services: Health and Allied Services	New Jersey	✔	✔		✔
18	WOM S.A.	$1.00	Transportation, Communications, and Utilities: Telephone Communications, Except Radiotelephone	Delaware				
19	ConvergeOne Holdings Inc.	$1.00	Services: Health and Allied Services	Texas Southern	✔			
20	Number Holdings Inc. (99 Cents Only Stores)	$1.00	Retail Trade: Variety Stores	Delaware	✔	✔	✔	
21	Steward Health Care System LLC	$1.00	Services: General Medical and Surgical Hospitals	Texas Southern	✔	✔	✔	✔
22	Red Lobster Management LLC	$1.00	Retail Trade: Eating Places	Florida Middle	✔		✔	✔
23	Zachry Holdings Inc.	$1.00	Construction: Bridge, Tunnel, and Elevated Highway Construction	Texas Southern		✔		✔
24	Dynata LLC	$1.00	Services: Calculating and Accounting Machines	Delaware	✔	✔	✔	✔
Total					**21**	**19**	**14**	**12**

Source: BankruptcyData

Note: Mega Bankruptcies are those filed by companies with over $1 billion in reported assets. All companies in this table filed for Chapter 11 bankruptcy. The SIC Industry Division "Transportation, Communications, Electric, Gas, and Sanitary Services" is labeled as "Transportation, Communications, and Utilities." Some SIC descriptions are shortened for clarity. For companies where exact asset values are not known, the lower bound of the estimated range is used. Asset values are not adjusted for inflation. Where asset values are the same, companies are ranked by bankruptcy filing date. Contributing factors for bankruptcy filings are identified from each company's bankruptcy filings materials.

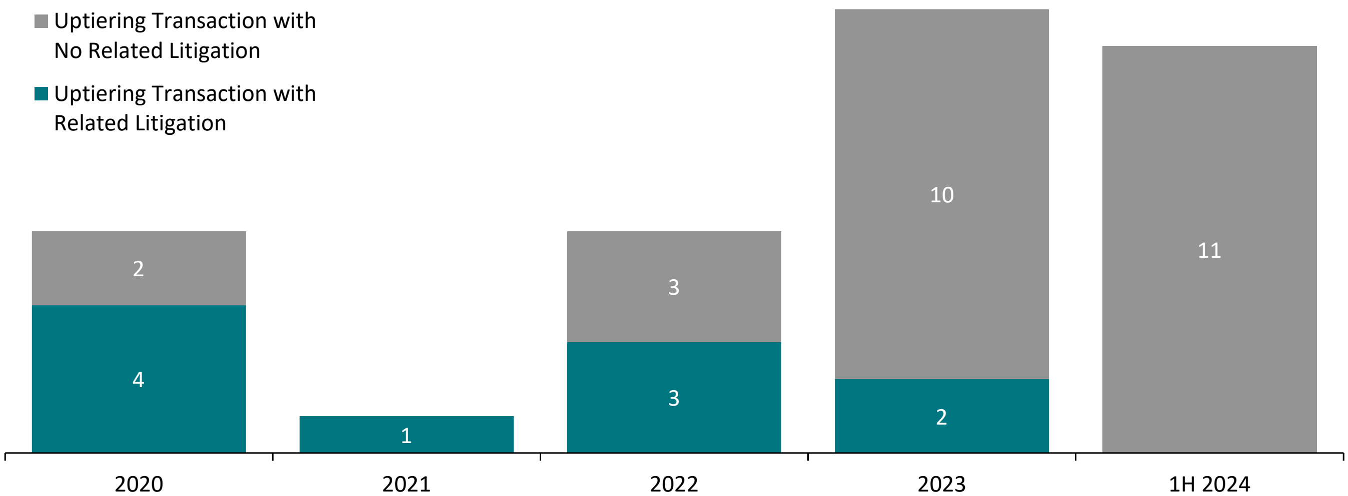
Uptiering Transactions

- In recent years, the use of so-called Liability Management Transactions (LMTs), such as "uptiering," "drop down," and "double-dip" transactions, has increased in frequency.[18] These transactions, conducted outside of bankruptcy courts, can enable financially distressed companies to partially refinance their debt, access liquidity, or extend debt maturities.
- In uptiering transactions, the borrower and a majority of its creditors typically amend the loan agreements to allow the borrower to issue new debt that is senior to existing debt. The majority creditors that are needed to approve the transaction often then exchange their existing loans with the to-be-issued higher-priority loans; the non-participating minority creditors continue to hold the existing debt (which becomes subordinated to the new debt).
- Serta Simmons completed a notable uptiering transaction in June 2020.[19] Five additional uptiering transactions were completed shortly thereafter in 2020. Following a decline in 2021, the number of uptiering transactions has since rebounded, with at least 12 transactions in 2023 (a 100% increase from 2022) and 11 transactions through 1H 2024 according to data compiled by CreditSights.[20]
- Among the 35 companies involved in uptiering transactions between 2020 and 1H 2024, 29 (or 83%) had at least one private equity (PE) sponsor. These PE sponsors sometimes hold both debt and equity of the borrower, creating a potential incentive for these investors to prefer an out-of-court LMT that could produce a more favorable restructuring outcome for the borrower's equity holders compared to an in-court restructuring.
- Litigation contesting uptiering transactions is typically brought by the non-participating minority creditors. Between 2020 and 2022, related litigation followed the majority of uptiering transactions. Uptiering transactions completed since 2023 have seen less litigation, although less time has elapsed for such litigation to have occurred.
- Despite the potential financial benefits from allowing the borrower to raise liquidity or its extend debt maturities, financially distressed borrowers that pursue an uptiering transaction often subsequently file for bankruptcy. Between 2020 and 2022, among the 13 companies that undertook an uptiering transaction, eight (or 62%) have since filed for Chapter 11 bankruptcy. As of 1H 2024, uptiering transactions completed since 2023 have started to see additional bankruptcies, although less time has elapsed for potential bankruptcies to have occurred.
- Although bankruptcy risks remain for distressed borrowers that engage in an uptiering transaction, recent commentary and analysis suggests that leveraged loan default rates have fallen as borrowers pursue out-of-court restructurings using LMTs, including uptiering transactions.[21]
- A recent academic study finds that loan agreements originated after the Serta Simmons transaction in 2020 are more likely to incorporate provisions that prohibit or attempt to block uptiering transactions. The rate of new loan contracts with uptier blocking provisions increased from approximately 40% prior to the Serta Simmons transaction to over 85% two years after the Serta Simmons transaction.[22] Cooperation agreements that mandate all participating creditors to act as a group on any negotiations to restructure the borrower's debt (thus preventing participating lenders from negotiating a deal with the borrower that could negatively impact other lenders) have also become more common.[23]

100%

Increase in uptiering transactions from 2022 to 2023.

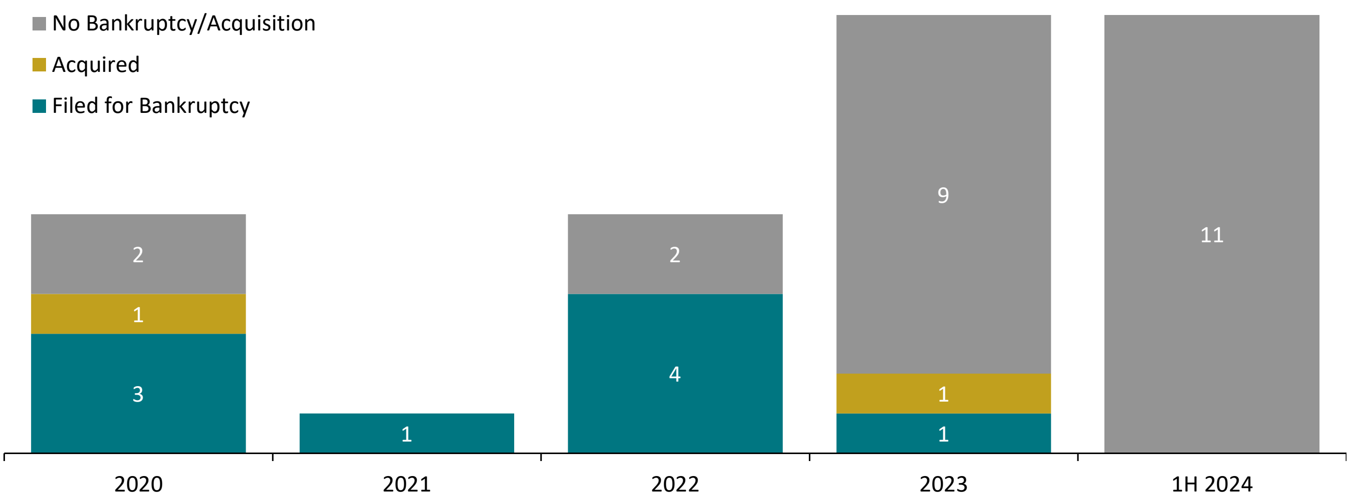
Figure 6: Uptiering Transactions and Associated Litigation
2020–1H 2024



Source: "Liability Management Transactions: Quarterly Update through Q2 2024," *CreditSights*, July 18, 2024; Selected Pleadings

Note: All transactions with uptiering features that were announced or closed between 2020 and the end of 1H 2024, as reported by CreditSights, are included. Transactions are grouped by year of announcement. "Uptiering Transaction with Related Litigation" includes the uptiering transactions that have been identified as subject to lawsuits, even if the respective lawsuits were not filed in the same year of the transaction announcement or closing. Litigations against uptiering transaction borrowers are identified as of July 30, 2024, based on a text-based search of related litigation using the company names of the at-issue borrowers, as reported by Lex Machina.

Figure 7: Uptiering Transaction Borrowers and Bankruptcy Filings
2020–1H 2024



Source: "Liability Management Transactions: Quarterly Update through Q2 2024," *CreditSights*, July 18, 2024; BankruptcyData; "United Rentals to Acquire Yak Access for $1.1 Billion," *United Rentals*, March 4, 2024, https://investors.unitedrentals.com/press-releases/press-releases-details/2024/United-Rentals-to-Acquire-Yak-Access-for-1.1-Billion/default.aspx; "Authentic Brands Group to Acquire Boardriders," *Authentic Brands Group*, March 31, 2023, https://authenticnewsroom.com/press-releases/authentic-brands-group-boardriders

Note: All borrowers involved in transactions with uptiering features that were announced or closed between 2020 and the end of 1H 2024, as reported by CreditSights, are included. "Acquired" and "Filed for Bankruptcy" include all borrowers that were acquired or that filed for bankruptcy, respectively, subsequent to the uptiering transactions. Bankruptcies and acquisitions of uptiering transaction borrowers are identified as of July 30, 2024.

Bankruptcy Venues

- The top four venues (Delaware, Southern District of Texas, New Jersey, and Southern District of New York) accounted for 76% of large corporate bankruptcies in the last 12 months and 75% in 1H 2024.
- Consistent with prior years, Delaware continued to be the most common venue for large bankruptcy filings, accounting for 44% of such filings in the last 12 months and 43% in 1H 2024.
- The Southern District of Texas remained the second most preferred venue for large bankruptcy filings, with 16% of filings in the last 12 months and 13% in 1H 2024.
- Following the resignation of Judge David R. Jones in October 2023, bankruptcy filings in the Southern District of Texas decreased by 65% in 1H 2024 compared to 1H 2023. From 2017 to 2023, Judge Jones took on 81 large corporate bankruptcy cases, the highest number of cases among bankruptcy judges nationwide, according to *Bloomberg Law*.[24]
- In 1H 2024, the District of New Jersey topped the Southern District of New York and was the third most prominent venue for the first time, accounting for 10% of total filings. The number of filings in New Jersey in 1H 2024 reached 86% of the total number of cases filed in that venue during the full year of 2023 (which was higher than the number of cases filed there in any year from 2005 to 2022).
- Delaware and the Southern District of Texas had six and five of the mega bankruptcies in 1H 2024, respectively. This is consistent with a shift of the largest bankruptcies from the Southern District of Texas to Delaware. The fraction of mega bankruptcies in the Southern District of Texas had a substantial drop, from 81% in 1H 2023 to 31% in 1H 2024, while mega bankruptcy filings in Delaware jumped from zero in 1H 2023 to six in 1H 2024. Two of the mega bankruptcies in 1H 2024 were filed in New Jersey, the same number as in 1H 2023.

75%

Combined percentage of 1H 2024 bankruptcy filings in Delaware, Southern District of Texas, New Jersey, and Southern District of New York.

Figure 8: Heat Map of Bankruptcies by Venue
2005–1H 2024

Court	Average 2005–2023	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2H 2023–1H 2024	1H 2024
Delaware	33	10	14	19	54	67	25	33	21	34	25	33	39	30	37	39	57	24	23	52	50	26
Texas - Southern	9	1	0	1	4	4	0	2	1	1	2	5	13	14	9	14	47	17	9	33	18	8
New York - Southern	14	10	11	4	20	28	22	10	22	9	10	5	14	18	11	18	21	11	9	10	10	5
New Jersey	2	2	2	0	2	3	1	0	0	1	2	1	0	0	0	3	3	2	1	7	8	6
Virginia - Eastern	1	0	1	1	3	0	2	0	1	0	1	3	2	2	2	1	6	2	0	0	1	1
Georgia - Northern	1	2	0	1	6	2	0	1	1	0	0	0	0	1	0	2	1	0	0	0	1	1
Texas - Northern	2	0	1	1	2	5	0	0	2	0	1	2	2	3	2	3	1	4	2	2	3	2
California - Central	2	0	0	3	5	8	3	0	2	0	0	1	0	0	1	2	0	2	2	2	3	2
Other	15	18	5	9	32	44	16	11	11	9	6	14	14	21	11	16	19	8	7	19	19	9
Number of Bankruptcies	79	43	34	39	128	161	69	57	61	54	47	64	84	89	73	98	155	70	53	125	113	60

Legend (annualized)	0–4	5–9	10–19	20–49	50 and above

Source: BankruptcyData

Note: Only Chapter 7 and Chapter 11 bankruptcy filings by companies (both public and private) with over $100 million in reported assets are included. For companies where exact asset values are not known, the lower bound of the estimated range is used. Asset values are not adjusted for inflation. “Other” includes courts with fewer than five bankruptcies in all years during the time period.

Market Indicators

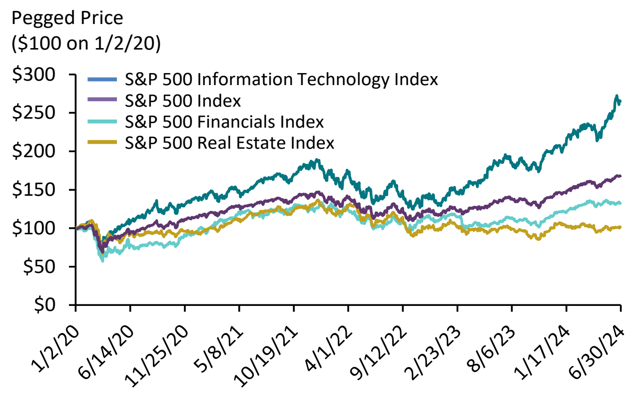
Despite generally elevated levels of large corporate bankruptcies in 2023 and 1H 2024, U.S. stock market values have generally increased across different industries. While interest rates have reached their highest levels since January 2001, as of the time of this publication, the Federal Open Market Committee (FOMC) has already announced a 50-basis-point reduction in the federal fund rate and is projecting lower rates in the next two years. In 1H 2024, the yield curve remained inverted and below levels not seen since 1981. Performance of cryptocurrency indices rebounded in 1H 2024, which is consistent with a decrease in bankruptcy filings of cryptocurrency firms.

The S&P 500 Index showed strong performance over the last 12 months. The S&P 500 Information Technology Index showed particularly positive performance, further widening the gap with other select indices that became apparent in early 2023. Optimistic outlooks for companies investing in artificial intelligence advancements may be helping drive the sector's performance. The Real Estate Index remained relatively flat and continued its underperformance against other select indices. Risks of a U.S. commercial real estate downturn continue to be discussed by market commentators.[25]

Figure 9 Source: Refinitiv

Figure 9 Note: Select sector indices shown. All indices are indexed to 100 on January 1, 2020.

Figure 9: Broad Market and Sector Index Performance
January 2020–June 2024

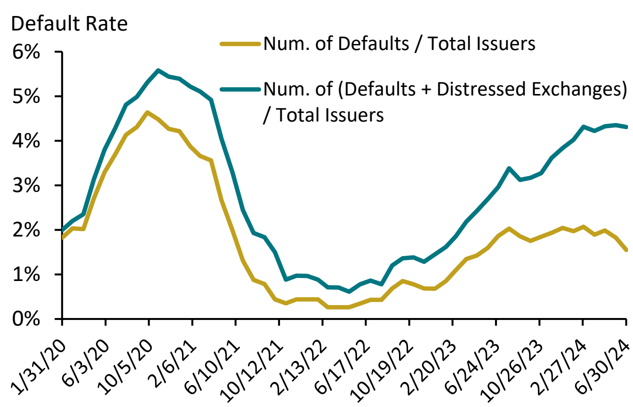


The trailing 12-month payment default rate by number of issuers for the U.S. leveraged loan market flattened in the last 12 months. By contrast, when taking into account the number of distressed exchanges (including LMTs), the so-called dual-track default rate increased by 1.3% during the same period. The difference between the two default rate series in June 2024 was the widest since January 2021, with the default rate that includes those defaults from distressed exchanges reaching a level similar to the peak level of defaults during the COVID-19 period.

Figure 10 Source: PitchBook

Figure 10 Note: Data are reported each month as the cumulative number of defaults or defaults and distressed exchanges over the last 12 months divided by the total issuers over the last 12 months.

Figure 10: Leveraged Loan Defaults and Distressed Exchanges
January 2020–June 2024



Market yields of relatively risky corporate debt over the last 12 months have continued to indicate heighted risks of default for the most highly leveraged issuers. The yield spread between the riskiest corporate debt with credit ratings of CCC or lower and investment-grade corporate debt remained high over the last 12 months, particularly when compared to levels observed in 2021. The yields of higher-rated non-investment-grade corporate debt decreased in relative terms over the last 12 months, as illustrated by the yield spread between B-rated and BBB-rated corporate debt.

Figure 11: Credit Spreads on Corporate Debt
January 2020–June 2023

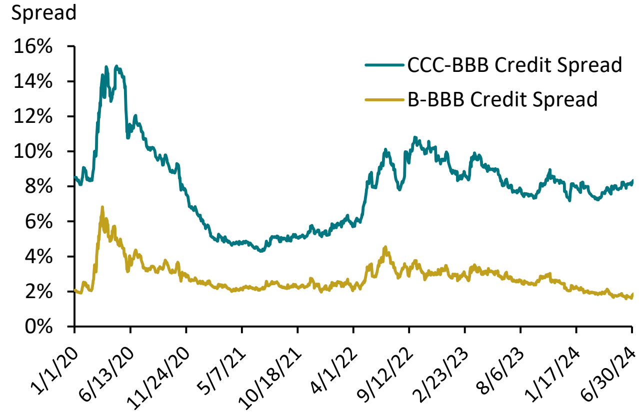


Figure 11 Source: FRED Economic Data

Figure 11 Note: Non-investment-grade credit spreads are calculated based on the ICE BofA US High Yield Index Effective Yield series for CCC and lower and B-rated corporate debt, minus the ICE BofA US Corporate Index Effective Yield for BBB-rated corporate debt.

Contrary to expectations from some market participants, the Federal Reserve did not lower interest rates during 1H 2024 and maintained the effective federal funds rate at 5.33% throughout the period. However, on September 19, 2024, the Federal Reserve lowered the target range for the federal funds rate by half a percentage point.[26] Interest rates are projected to continue a downward trend.

Figure 12: Effective Federal Funds Rate
January 2016–June 2024 (Actual), 2024–2026 (Projected)

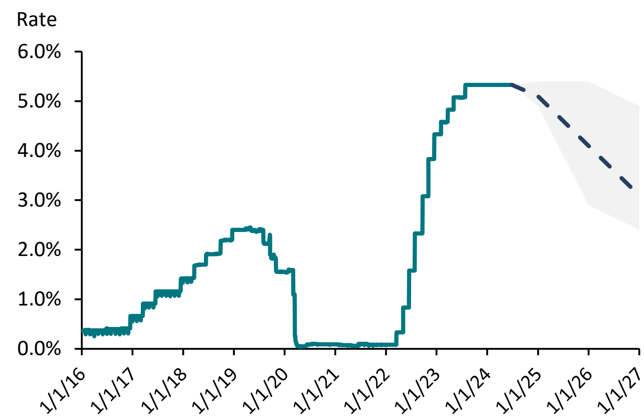


Figure 12 Source: FRED Economic Data; Board of Governors of the Federal Reserve

Figure 12 Note: Dashed line represents the median predicted value from the June 2024 meeting of the FOMC, plotted as of December 31 of the predicted year. The gray shaded area indicates the range of FOMC predictions from June 2024.

The spread on the 10-year minus two-year U.S. Treasury yields inverted (i.e., became negative) on July 6, 2022, while the 10-year minus three-month U.S. Treasury yields inverted on October 25, 2022. Both spreads remained inverted through 1H 2024. In 2023, the spread on the 10-year minus two-year U.S. Treasury yields reached its lowest point since 1981. An inverted yield curve has closely predated each of the prior six U.S. recessions. Only recently, in early September 2024, the U.S. Treasury yield curve stopped being inverted.[27]

Figure 13: Inversions in the U.S. Treasury Yield
January 1979–June 2024

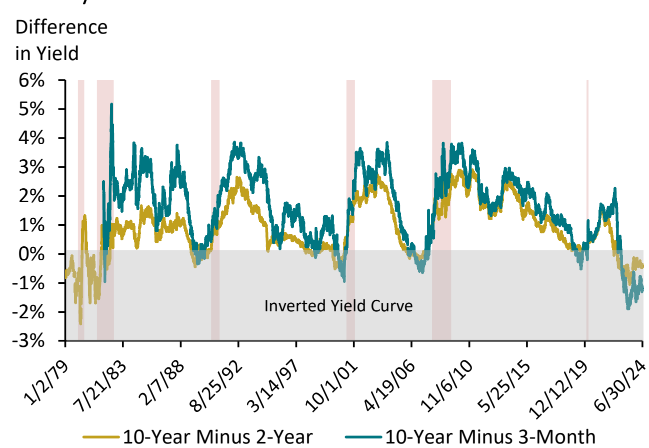


Figure 13 Source: FRED Economic Data; National Bureau of Economic Research (NBER)

Figure 13 Note: Each line represents the daily series of differences between the 10-year U.S. Treasury yield and either the two-year U.S. Treasury yield or the three-month U.S. Treasury yield, respectively. Vertical shading indicates recessions, as dated by NBER. The three-month treasury yield data are available starting in January 1982.

The Office sector of the U.S. Commercial Real Estate (CRE) industry has been under increasing stress since 2023. Loans in the Office sector of CRE reached a 7.6% delinquency rate by the end of June 2024, more than quadrupling the rate observed as of January 2023 (1.8%), when delinquencies began to trend upward. Delinquencies in non-Office sectors of CRE have remained flat or even decreased recently.[28] Some market participants have forecasted that these delinquency rates will continue to increase over the next year, with Fitch Ratings forecasting that the U.S. CMBS Office delinquency rate could rise to 11% in 2025, higher than during the global financial crisis.[29]

Figure 14: Delinquency Rate in U.S. Commercial Real Estate Overall and Office Sector
January 2020–June 2024

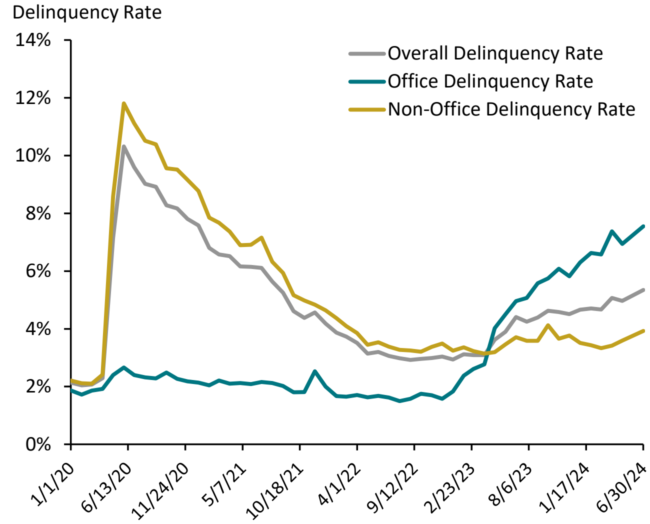


Figure 14 Source: Trepp

Figure 14 Note: Each line represents the monthly series of delinquency rates of commercial mortgage-backed securities (CMBS). The delinquency rate is the percentage of CMBS loans that are delinquent for more than 30 days.

After a sharp decline in prices in 2022, and a very active 2H 2022 in terms of bankruptcies, cryptocurrency markets recovered in 2023 and 1H 2024. Consistent with this recovery, in the 2023 and 1H 2024 period, the cryptocurrency sector did not see any mega bankruptcies, compared to five observed in 2022. One notable bankruptcy in this sector was the Chapter 11 filing of Terraform Labs, on January 21, 2024, which occurred while the company was the subject of an SEC enforcement action.

Figure 15: Cryptocurrency Market Performance
January 2020–June 2024

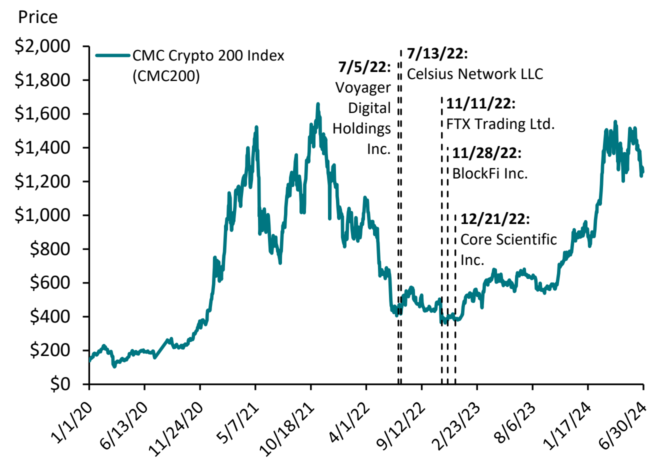


Figure 15 Source: Refinitiv; BankruptcyData

Figure 15 Note: The Nasdaq Crypto Index comprises the most liquid and representative cryptocurrencies available in the market, excluding Bitcoin and stablecoins, weighted by market capitalizations. The companies highlighted in the chart are crypto-related bankruptcies that appeared in the top 20 filings in 2022 or 1H 2023 and are not necessarily members of the index.

Research Sample

The research sample in this report uses BankruptcyData to identify Chapter 7 and Chapter 11 bankruptcies filed by public and private companies with over $100 million in assets.

The sample contains 1,564 such bankruptcies from January 1, 2005, through June 30, 2024.[30] For companies with subsidiaries, separate bankruptcy filings by subsidiaries do not count toward the total number of bankruptcies.

Mega bankruptcies are defined as Chapter 7 or Chapter 11 bankruptcies filed by companies with over $1 billion in reported assets. The sample contains 444 mega bankruptcies from January 1, 2005, through June 30, 2024.

Asset values at the time of bankruptcy filings are used to measure bankruptcy size.

Endnotes

[1] This report relies on data obtained from BankruptcyData on July 1, 2024. It focuses on asset values at the time of bankruptcy filings.

[2] "Consumer Lender Curo Files for Bankruptcy to Cut $1 Bln in Debt," *Reuters*, March 25, 2024, https://www.reuters.com/legal/litigation/consumer-lender-curo-files-bankruptcy-cut-1-bln-debt-2024-03-25/.

[3] Declaration of David Tolley, Chief Executive Officer of WeWork Inc., in Support of Chapter 11 Petitions and First Day Motions, *In re: WeWork Inc. et al.*, United States Bankruptcy Court, District of New Jersey, Chapter 11, Case No. 23-19865, Doc. 21, November 7, 2023; Declaration of Sheng Zhang pursuant to Local Bankruptcy Rule 1007-2, *In re: Hudson 888 Owner LLC et al.*, United States Bankruptcy Court, Southern District of New York, Case No. 24-10021, Doc. 7, January 7, 2024; Disclosure Statement Pursuant to 11 U.S.C. § 1125 for Celebration Pointe Holdings LLC et al., *In re: Celebration Pointe Holdings LLC et al.*, United States Bankruptcy Court, Northern District of Florida, Gainesville Division, Case No. 24-10056, Doc. 126, June 28, 2024.

[4] "Our Mission," WeWork, https://www.wework.com/mission.

[5] "About Us," Enviva, https://www.envivabiomass.com/about-us.

[6] Declaration of Jason Goodson, Executive Vice President and Chief Strategy and Restructuring Officer, in Support of Chapter 11 Petitions and First Day Motions, *In re: Mallinckrodt plc et al.*, United States Bankruptcy Court, District of Delaware, Chapter 11, Case No. 23-11258, Doc. 16, August 28, 2023.

[7] Declaration of Jonathan Tibus in Support of Debtors' Chapter 11 Petitions and First Day Relief, *In re: Red Lobster Management LLC et al.*, United States Bankruptcy Court, Middle District of Florida, Orlando Division, Chapter 11, Case No. 24-02486, Doc. 6, May 19, 2024; "Fast Casual Dining Hurt by Consumer Struggles," *Bloomberg*, May 11, 2024, https://www.bloomberg.com/news/articles/2024-05-11/fast-casual-dining-hurt-by-consumer-struggles-credit-weekly.

[8] Declaration of Glenn Nunziata in Support of Chapter 11 Petitions, *In re: Enviva Inc. et al.*, United States Bankruptcy Court, Eastern District of Virginia, Alexandria Division, Chapter 11, Case No. 24-10453, Doc. 27, March 13, 2024.

[9] Declaration of David Tolley, Chief Executive Officer of WeWork Inc., in Support of Chapter 11 Petitions and First Day Motions, *In re: WeWork Inc. et al.*, United States Bankruptcy Court, District of New Jersey, Chapter 11, Case No. 23-19865, Doc. 21, November 7, 2023.

[10] Declaration of Riadh Zine in Support of First Day Motions, *In re: Akumin Inc. et al.*, United States Bankruptcy Court, Southern District of Texas, Houston Division, Chapter 11, Case No. 23-90827, Doc. 4, October 22, 2023; Declaration of Jason Kahn in Support of Debtors' Chapter 11 Petitions and First Day Relief, *In re: Air Methods Corporation et al.*, United States Bankruptcy Court, Southern District of Texas, Houston Division, Chapter 11, Case No. 23-90886, Doc. 5, October 24, 2023.

[11] Declaration of Kent Percy, Chief Restructuring Officer of Careismatic Brands LLC in Support of the Debtors' Chapter 11 Petitions and First Day Motions, *In re: Careismatic Brands LLC et al.*, United States Bankruptcy Court, District of New Jersey, Chapter 11, Case No. 24-10561, Doc. 3, January 22, 2024.

[12] Declaration of Jeffrey S. Stein in Support of Debtors' Chapter 11 Petitions and First Day Motions, *In re: Rite Aid Corporation et al.*, United States Bankruptcy Court, District of New Jersey, Chapter 11, Case No. 23-18993, Doc. 20, October 16, 2023.

[13] Declaration of Stewart Glendinning, Chief Executive Officer of Express Inc., in Support of the Debtors' Chapter 11 Petitions and First Day Motions, *In re: Express Inc. et al.*, United States Bankruptcy Court, District of Delaware, Chapter 11, Case No. 24-10831, Doc. 20, April 22, 2024.

[14] Declaration of Matthew A. Doheny, Chief Restructuring Officer of Yellow Corporation, in Support of the Debtor's Chapter 11 Petitions and First Day Motions, *In re: Yellow Corporation et al.*, United States Bankruptcy Court, District of Delaware, Chapter 11, Case No. 23-11069, Doc. 14, August 7, 2023.

[15] Declaration of Mark Kent in Support of Debtors' Chapter 11 Petitions, *In re: Cano Health Inc. et al.*, United States Bankruptcy Court, District of Delaware, Chapter 11, Case No. 24-10164, Doc. 14, February 5, 2024.

[16] Declaration of Robert A. Del Genio, Chief Restructuring Officer of Voyager Aviation Holdings LLC, in Support of Chapter 11 Petitions and First Day Motions, *In re: Voyager Aviation Holdings LLC et al.*, United States Bankruptcy Court, Southern District of New York, Chapter 11, Case No. 23-11177, Doc. 16, July 27, 2023.

[17] Declaration of Mohsin Y. Meghji in Support of Debtors' Petitions and Requests for First Day Relief, *In re: Zachry Holdings Inc. et al.*, United States Bankruptcy Court, Southern District of Texas, Houston Division, Chapter 11, Case No. 24-90377, Doc. 7, May 21, 2024.

[18] "Drop down" transactions typically involve the transfer of asset(s) to an unrestricted subsidiary that is not subject to existing loan covenants and can incur debt that is senior in respect of the transferred asset(s); "double dip" transactions typically involve the potential enhancement of claims against existing collateral assets. See "Liability Management Transactions: Quarterly Update through Q2 2024," *CreditSights*, July 18, 2024.

[19] Vincent Buccola and Greg Nini, "The Loan Market Response to Dropdown and Uptier Transactions," *Journal of Legal Studies*, forthcoming.

[20] The sample contains the LMTs tracked by Covenant Review and LevFin Insights, data and analytic products offered by CreditSights, from 2014 to the end of the second quarter of 2024. See "Liability Management Transactions: Quarterly Update through Q2 2024," *CreditSights*, July 18, 2024.

[21] Leveraged loans are non-investment-grade, highly illiquid, secured loans. See Michael Gatto, *The Credit Investors Handbook* (John Wiley & Sons., 2024), p. 8.

[22] Vincent Buccola and Greg Nini, "The Loan Market Response to Dropdown and Uptier Transactions," *Journal of Legal Studies*, forthcoming.

[23] "Creditor Cooperation Agreements Are Getting Longer," *Bloomberg*, July 6, 2024, https://www.bloomberg.com/news/newsletters/2024-07-06/creditor-cooperation-agreements-are-getting-longer.

[24] "Sex, Secrets Trigger Downfall of Star Texas Bankruptcy Judge (2)," *Bloomberg Law*, April 30, 2024, https://news.bloomberglaw.com/bankruptcy-law/sex-and-secrets-trigger-downfall-of-star-texas-bankruptcy-judge.

[25] "U.S. Commercial Real Estate Is Headed Toward a Crisis," *Harvard Business Review*, July 23, 2024, https://hbr.org/2024/07/u-s-commercial-real-estate-is-headed-toward-a-crisis.

[26] "Federal Reserve Issues FOMC Statement," Board of Governors of the Federal Reserve System, September 19, 2024, https://www.federalreserve.gov/newsevents/pressreleases/monetary20240918a.htm.

[27] "The Most Well-Known Recession Indicator Stopped Flashing Red, But Now Another One Is Going Off," *CNN*, September 13, 2024, https://www.cnn.com/2024/09/13/economy/inverted-treasury-yield-recession-indicator/index.html.

[28] "Delinquency Rates for Commercial Property Loans Declined Slightly in the Second Quarter of 2024," *Mortgage Bankers Association*, July 25, 2024, https://www.mba.org/news-and-research/newsroom/news/2024/07/25/delinquency-rates-for-commercial-property-loans-declined-slightly-in-the-second-quarter-of-2024; "CMBS Delinquency Rate Surges Back above 5% in June with Three Property Types Posting Large Increases," *Trepp CMBS Research*, July 2024, https://www.trepp.com/hubfs/Trepp%20CMBS%20Delinquency%20Report%20June%202024_.pdf.

[29] "U.S. CMBS Office Dashboard: June 2024 (Emerging Office Weaknesses Will Amplify in 2H24 and 2025)," *Fitch Ratings*, June 7, 2024, https://www.fitchratings.com/research/structured-finance/us-cmbs-office-dashboard-june-2024-emerging-office-weaknesses-will-amplify-in-2h24-2025-07-06-2024.

[30] For the research sample used in this report, the asset size of Emergent Capital Inc. in the BankruptcyData is adjusted to $175 million based on Emergent Capital Inc.'s bankruptcy petition form.

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