MIDYEAR 2025 UPDATE

Trends in Large Corporate Bankruptcy and Financial Distress

REVIEW & ANALYSIS

CORNERSTONE RESEARCH
Economic and Financial Consulting and Expert Testimony

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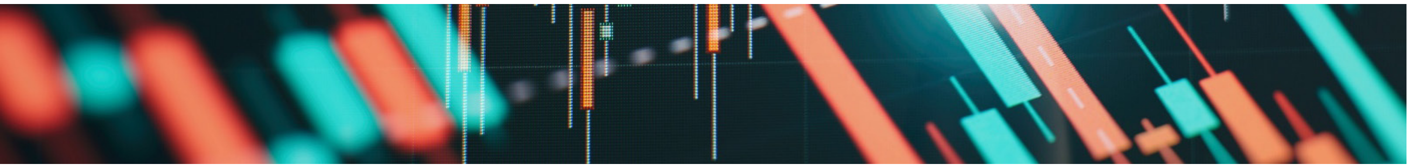


Executive Summary

The elevated pace of large corporate bankruptcy filings that began in early 2023 has persisted over the last 12 months (2H 2024–1H 2025) and even increased over the prior year. The most common reported drivers have been high inflation and interest rates, reduced consumer demand, and shifts in public policy. Out-of-court restructurings involving liability management transactions have also intensified in frequency and complexity.

BANKRUPTCY FILING TRENDS

A total of 117 large companies filed for bankruptcy in the last 12 months (2H 2024–1H 2025), an increase of 4% from 113 in the prior 12 months (2H 2023–1H 2024). This is 44% above the 2005–2024 annual average of 81 bankruptcies. (page 2)

There were 32 large bankruptcy filers with assets over $1 billion (mega bankruptcies) in the last 12 months, up from 24 in the prior 12 months and well above the 2005–2024 annual average of 23. (page 2)

Of the mega bankruptcy filers, 61% identified reduced demand and/or increasing costs due to high inflation as one of the factors for their financial insolvency. (pages 4–5)

The Manufacturing and Services industries continued to experience an elevated number of bankruptcies, representing a combined 54% of filings in the last 12 months. (pages 6–7)

OUT-OF-COURT TRENDS

The use of liability management transactions (LMTs) among financially distressed firms as an out-of-court restructuring tool reached a record level, with 46 completed transactions in 2024 and 27 in 1H 2025. (page 8)

BANKRUPTCY VENUES

Consistent with recent years, Delaware and the Southern District of Texas remained the two most common venues for large company bankruptcy filings. The Northern District of Texas surpassed the Southern District of New York for the first time during 2005–1H 2025 and became the third most common venue (tied with New Jersey) for the first time since 2012. (page 9)

Figure 1: Key Trends in Bankruptcy Filings
2005–1H 2025

	2H 2024–1H 2025				
	2H 2024	1H 2025	Total	2H 2023–1H 2024	Annual Average 2005–2024
Total Chapter 7 and Chapter 11 Bankruptcy Filings	58	59	117	113	81
Mega Bankruptcies	15	17	32	24	23
Percent	*26%*	*29%*	*27%*	*21%*	*28%*
Bankruptcy Filings by Public Companies	20	16	36	51	45
Percent	*34%*	*27%*	*31%*	*45%*	*56%*

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, 117 companies with over $100 million in assets filed for Chapter 7 or Chapter 11 bankruptcy, compared to 113 in 2H 2023–1H 2024. This represents a 44% increase over the historical annual average of 81 between 2005 and 2024.

The number of bankruptcy filings in 1H 2025 (59 filings) was nearly identical to the prior six-month period (58 filings in 2H 2024).

117

Number of bankruptcy filings in 2H 2024 and 1H 2025 by companies with over $100 million in assets

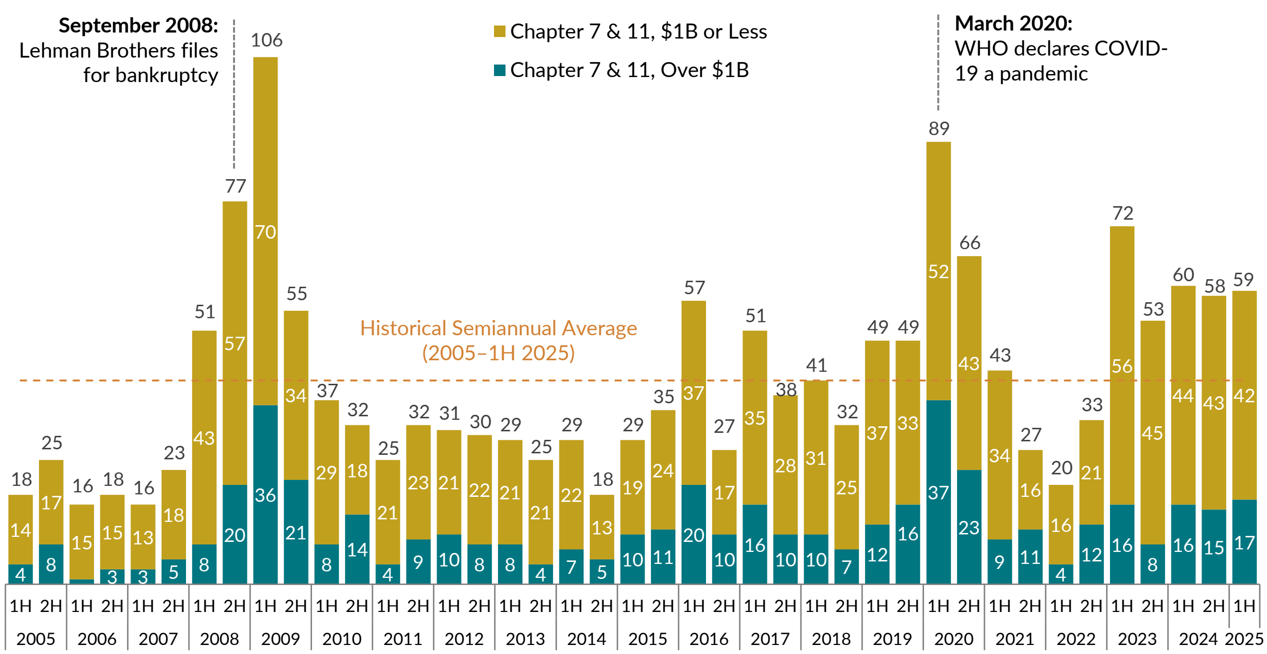
In 1H 2025, the most recent quarter saw fewer bankruptcies (26 filings in 2Q 2025) than the prior quarter (33 filings in 1Q 2025).

The 59 bankruptcy filings in 1H 2025 were nearly 50% higher than the historical semiannual average of 41 filings between 2005 and 1H 2025.

In the last 12 months, there were 32 mega bankruptcies (filed by companies with over $1 billion in reported assets), an increase from 24 in 2H 2023–1H 2024 and well above the 2005–2024 annual average of 23.

There were 17 mega bankruptcies in 1H 2025, the highest number in any half-year period since the COVID-19 outbreak in 2020.

Figure 2: Semiannual Chapter 7 and Chapter 11 Bankruptcy Filings
1H 2005–1H 2025



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.

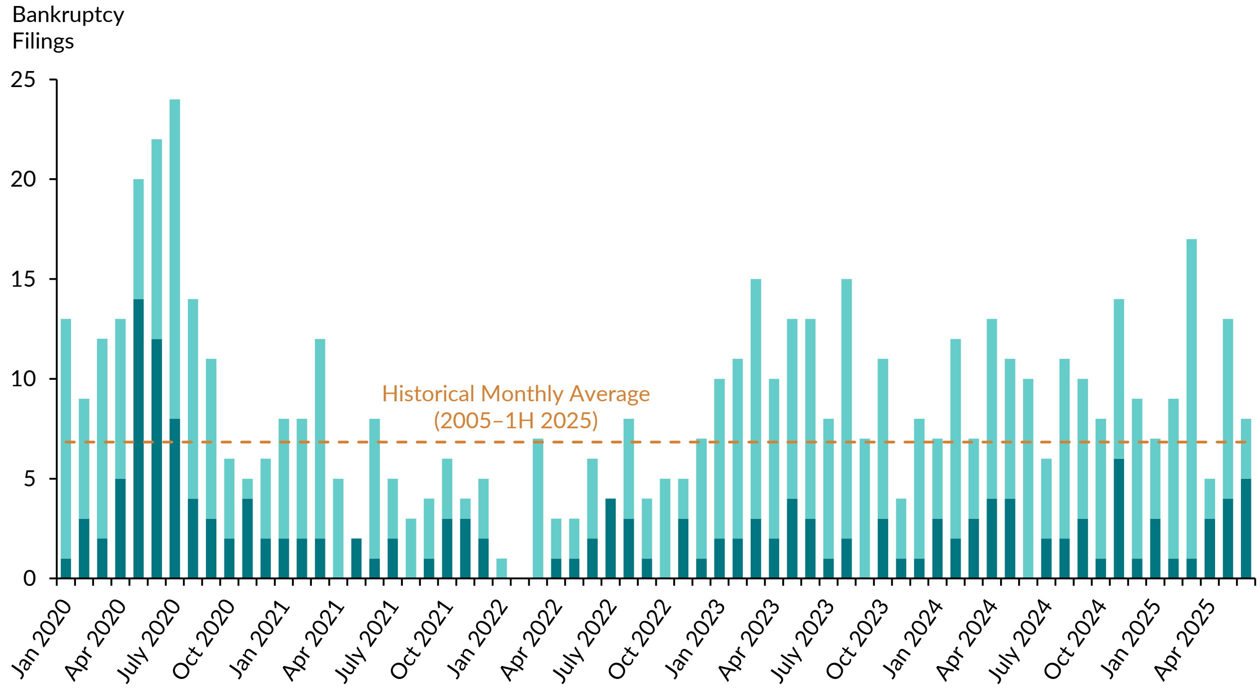
In the last 12 months, monthly bankruptcy filings were generally above the historical average, with filings below average in only two months (July 2024 and April 2025). This continues a trend of elevated monthly filings that began in early 2023.

March 2025 (17 filings) marked the highest number of total bankruptcies since the spike following the onset of the COVID-19 pandemic.

59

Number of bankruptcy filings in 1H 2025 by companies with over $100 million in assets

Figure 3: Monthly Chapter 7 and Chapter 11 Bankruptcy Filings (Recent Trends)
January 2020–June 2025



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.

DRIVERS OF FINANCIAL DISTRESS FOR LARGEST BANKRUPTCY FILERS

Of the 32 mega bankruptcies in the last 12 months, first day declarations in those bankruptcies most commonly cited the following drivers of financial distress: (i) reduced demand and/or increasing costs due to high inflation; (ii) reduced demand due to consumer preferences, market competition, and/or industry factors; (iii) increasing operational and financing costs due to high interest rates; and (iv) challenges in the regulatory, legal, and policy landscape.[1] See details for each of companies filed for mega bankruptcies in Appendix 1.

Continued Impacts from High Inflation

Reduced demand and/or increasing costs due to high inflation was the most frequently cited driver, identified in 61% (19) of the 31 mega bankruptcies with first day declarations.[2] For example, AIO US, an international manufacturer and marketer of beauty, fashion, and home products, stated that "demand abated generally in the beauty and cosmetics sector due to a weakening global economy and rising inflation."[3] Similarly, Wheel Pros, a global manufacturer and distributor of aftermarket wheels and related vehicle products, noted that "macroeconomic issues, including a rapid and dramatic rise in interest rates [and] persistent inflation . . . placed significant pressure on the Company's revenue and cost structure."[4]

Shifts in Consumer Behavior and Competition

Additional factors that led to lower demand were shifts in consumer behavior and/or increased competition, cited in 58% (18) of the 31 mega bankruptcies with first day declarations. For example, Spirit Airlines, the second-largest mega bankruptcy in the last 12 months by total assets ($9.5 billion),[5] noted that "margin advantage has re-shifted [post-pandemic] to favor Legacy [e.g., Delta Air Lines] and Value [e.g., Southwest Airlines] carriers that enjoy optionality to attract price-conscious customers while responding to premium leisure demand."[6] Big Lots, a national home furniture and supplies discount retailer, attributed their bankruptcy to "the marked shift by consumers towards e-commerce" and "increased competition across all segments of the retail industry."[7] Northvolt AB, a Swedish battery developer and manufacturer, cited a "recent slowdown in enthusiasm for electric vehicles" as causing a "combination of oversupply, underutilization of capacity, and lower return on investments."[8]

Burden of High Interest Rates

Impacts of high interest rates were identified as a driver of financial distress in 45% (14) of the 31 mega bankruptcies with first day declarations. For example, Franchise Group, a holding company that acquires and manages franchised businesses across various retail sectors, stated that the "ongoing increase in interest rates . . . has detrimentally impacted [its] cash flow and related ability to service [its] debt obligations."[9] MLN US HoldCo LLC, the holding company of Mitel Networks Corporation, a global provider of on-premise business telecommunication solutions, noted that in addition to inflationary pressures, "higher federal interest rates further negatively impacted the Company's financial and liquidity position."[10]

61%

Companies filing mega bankruptcies that identified reduced demand and/or increasing costs due to high inflation as one of the factors for their financial insolvency

Challenges in the Regulatory, Legal, and Policy Landscape

Challenges in the regulatory, legal, and policy landscape were cited by 48% (15) of the 31 mega bankruptcies with first day declarations, most often relating to public policies involving renewable and clean energy or international trade and tariffs.

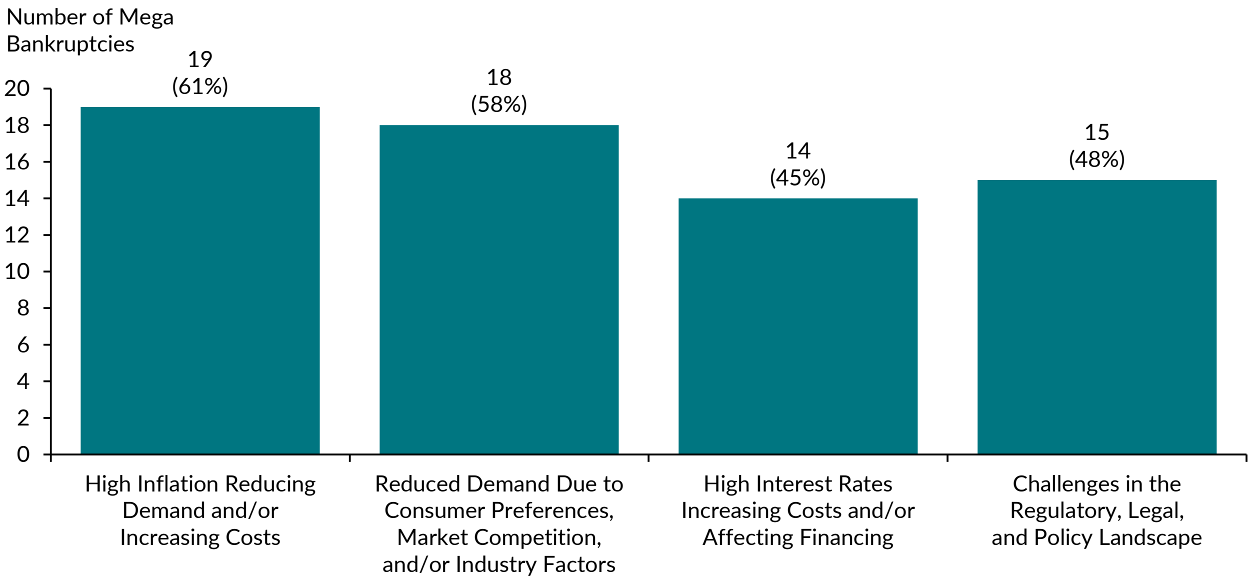
Four mega bankruptcy filers in the renewable/clean energy industry cited public policy uncertainty as a driver. Sunnova Energy International, a clean energy service provider and the largest mega bankruptcy in the last 12 months by total assets ($13.4 billion),[11] stated in its declaration that "[s]ubstantial regulatory changes and uncertainty have put further pressure on both demand for the Company's products and the Company's ability to effectively raise capital."[12] Similarly, three other mega bankruptcies in this industry (Global Clean Energy Holdings Inc., SunPower Corporation, and Mosaic Sustainable Finance Corporation) all cited negative impacts from public policy and regulatory uncertainty.[13]

Trade policy and tariff uncertainty was cited as a driver in three mega bankruptcy filings. Wheel Pros stated that "in 2019, the U.S. government imposed 25% tariffs on wheels sourced from China, which impacted the business."[14] At Home, a nationwide home décor and furnishings retailer, stated that the company "has faced significant challenges in addressing tariffs given its reliance on goods sourced from China." The company further commented that the "introduction of broad-based tariffs caused significant unpredictability and disruption to the retail industry and put retailers . . . in a difficult operating position."[15] Marelli, one of the world's largest international automotive parts suppliers, stated that it "was severely affected by tariffs due to its import/export-focused business and the imposition of tariffs specifically against automotive manufacturers and suppliers."[16]

Lingering Impacts of the COVID-19 Pandemic

During the last 12 months, over half (51%) of the 31 mega bankruptcies with first day declarations cited lasting negative impacts from the pandemic, as compared to 79% (19 out of 24) in the prior 12 months. These impacts included slowed market activities due to shutdowns, restrictions on travel and international trade, supply chain issues, and the resulting adverse macroeconomic environment. Notably, several filers in the last 12 months stated that the pandemic had led to demand shift and volatility. For example, Conn's, a national home appliance retailer, noted that the "increase in spending on consumer goods during the height of the [COVID-19] pandemic also 'pulled forward' consumer spending on many of the [company's] best-selling items, . . . leading to a lull in the following period."[17]

Figure 4: Drivers of Financial Distress Cited for Mega Bankruptcies
2H 2024–1H 2025



Source: BankruptcyData

Note: Mega Bankruptcies are those filed by companies with over $1 billion in reported assets. All companies reflected in this table filed for Chapter 11 bankruptcy. 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. Contributing factors for bankruptcy filings are identified from each company's bankruptcy filings materials.

BANKRUPTCIES BY INDUSTRY

In the last 12 months, the Manufacturing industry had the highest share of bankruptcy filings, accounting for 30% of filings across all industries. This share exceeded Manufacturing industry's historical average of 26% during 2005–2024 and was higher than any single year during this same period. In 1H 2025, the Manufacturing industry's share of bankruptcy filings (32%) rose slightly compared to the last 12 months overall.

Among the 12 mega bankruptcies in the Manufacturing industry, challenges in the regulatory, legal, and policy landscape were the mostly commonly cited driver of financial distress (in 8 filings, or 67%). The largest Manufacturing bankruptcy by assets was Wolfspeed Inc. ($7.57 billion), a developer and manufacturer of semiconductors, which stated that "[s]ince January 2025, there [had] been ongoing uncertainty surrounding the future of the CHIPS Act and its associated commitments. This uncertainty regarding the amount and timing of funding the Company might receive [had] complicated Wolfspeed's ability to forecast its future liquidity."[18] Ligado Networks LLC, a telecommunications manufacturing company that provides mobile satellite services to government and commercial customers, stated it filed for bankruptcy in January 2025 due to a block from the U.S. government against its planned 5G expansion, which rendered its "massive amounts of debt" unsustainable.[19]

Marelli, one of the 12 mega bankruptcies in the Manufacturing industry, cited the "macroeconomic headwinds associated with the imposition of tariffs in countries around the world" as one of the drivers of its financial distress.[20] (See *Challenges in the Regulatory, Legal, and Policy Landscape* in the *Drivers of Financial Distress* section.)

32%

Share of 1H 2025 bankruptcies filed by Manufacturing companies

Bankruptcy filings in the Services industry also remained elevated in the last 12 months, comprising the second-largest share of filings (24%). This is 7 percentage points higher than its historical average annual share of 17% during 2005–2024. Reduced demand due to consumer preferences, market competition, and/or industry factors was the most commonly cited driver of financial distress in three of the four mega bankruptcy filings in the Services industry. The largest Services bankruptcy by assets was 2U Inc. ($1.22 billion), a technology company that builds and supports online educational programs. The company stated that "fewer students [were] currently learning online than during the height of the pandemic," and that "[t]he unforeseen adoption of artificial intelligence [starting in 2023] also began to impact demand for entry-level coding positions and, eventually, led to a decline in demand for 2U's coding Boot Camp offerings."[21]

The Finance, Insurance, and Real Estate industry represented 13% of bankruptcy filings in the last 12 months, remaining elevated after increasing from a 9% share in 2023. There were two mega bankruptcies in this sector: Intrum AB, a global credit management company, and Mosaic Sustainable Finance Corporation, a financial services company focusing on consumer clean energy projects. Both companies cited high interest rates, among other factors, as financial distress drivers. (See Appendix 1.)

The share of bankruptcy filings in the Retail Trade industry declined to 10% over the last 12 months, down from an elevated 20% share in 2020 during the onset of the COVID-19 pandemic.

Consistent with 2H 2023 and 1H 2024, there were no large bankruptcies in the cryptocurrency sector in the last 12 months, compared to five mega bankruptcies in the cryptocurrency sector in 2022 (see Midyear 2023 Update).

Figure 5: Heat Map of Bankruptcies by Industry
2005–1H 2025

SIC Industry Division	Average 2005–2024	2020	2021	2022	2023	2024	2H24–1H25	1H25
Manufacturing	26%	17%	11%	25%	30%	26%	30%	32%
Services	17%	15%	19%	17%	27%	28%	24%	20%
Finance, Insurance, and Real Estate	14%	6%	21%	25%	9%	14%	13%	14%
Transportation, Communications, and Utilities	13%	10%	17%	11%	8%	11%	10%	10%
Retail Trade	12%	20%	7%	11%	13%	12%	10%	7%
Wholesale Trade	3%	2%	9%	6%	3%	4%	7%	8%
Construction	2%	1%	1%	2%	2%	3%	3%	5%
Mining, Oil, and Gas	13%	28%	13%	4%	2%	2%	2%	2%
Agriculture, Forestry, and Fishing	1%	0%	1%	0%	3%	0%	1%	2%
Public Administration	0%	0%	0%	0%	2%	0%	0%	0%
Number of Bankruptcies	81	155	70	53	125	118	117	59

Legend	0–5%	5–10%	10–20%	20–30%	30% and above

Source: BankruptcyData

Note: 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."

Liability Management Transactions

The use of liability management transactions (LMTs) among financially distressed firms as an out-of-court restructuring tool reached a record level in 2024, with 46 completed transactions (based on data compiled by *CreditSights*, an independent credit research company).[22] This momentum accelerated in 2025, with 27 transactions recorded in the first half of the year alone, a pace that surpasses the prior year.[23]

Consistent with this upward trend, *PitchBook*, a global capital markets data company, noted that "the landscape for managing unsustainable debt burdens has shifted away from conventional defaults to out-of-court [LMTs]."[24] Broader market commentary suggests this trend will persist, particularly in the current interest rate environment.[25]

LMTs have also become more complex, with multiple deals in 2025 incorporating two or more common elements (uptiering, drop-down, and double-dip).[26]

27

Liability management transactions in 1H 2025

Uptiering Transactions

Two recent court rulings on uptiering LMTs have attracted market attention. In December 2024, the U.S. Court of Appeals for the Fifth Circuit ruled on Serta Simmons's 2020 uptiering debt exchange, reversing a lower court decision that allowed Serta to prioritize certain lenders.[27] On the same day, a New York appellate court upheld uptiering transactions by Mitel Networks.[28]

Following these court rulings, the number of uptiering LMTs continued to rise.[29] *CreditSights* reported that at least 12 and 10 LMTs that closed or launched in 1Q 2025 and 2Q 2025, respectively, "involved elements of [an] uptiering/superpriority component."[30]

Drop-Down Transactions

Drop-down LMTs have garnered widespread attention since the J. Crew transaction in 2016. There were eight drop-down LMTs during the last 12 months, with four such transactions in 1H 2025, according to *CreditSights*.[31]

Double-Dip Transactions

The "double-dip" feature was first used "for purposes of effectuating a liability management exercise" in the May 2023 At Home deal.[32] In June 2025, At Home filed for bankruptcy in the District of Delaware, with a restructuring plan supported by 96% of its first-lien debtholders.[33] Research from *CreditSights* indicates that double-dip structures continue to be a prominent feature of LMTs, with at least three transactions incorporating this element in 1Q 2025, followed by another two in 2Q 2025.[34]

LMTs and Subsequent Bankruptcy

While LMTs can provide distressed firms with crucial short-term liquidity, market commentary notes and the data increasingly suggest that LMTs are often insufficient to address the fundamental financial distress drivers and are often followed by bankruptcy filings.[35] A study by *S&P Global Ratings* found that 33% of the companies that underwent LMTs filed for bankruptcy between 2017 and 1Q 2025.[36]

Available data also indicate that firms undertaking LMTs prior to a bankruptcy filing have lower creditor recoveries on average than those that do not. According to a study by *Fitch Ratings*, among firms emerging from Chapter 11 bankruptcy, the expected average recovery rates pursuant to the approved restructuring plan for firms with prior LMTs are about 23%, compared to 53% for bankruptcy filers without a prior LMT.[37] Moreover, *CreditSights* noted that there was "a material divergence in recovery rates" between creditors that participated in LMTs and those that did not.[38]

Bankruptcy Venues

The top five venues (Delaware, Southern District of Texas, Northern District of Texas, New Jersey, and Southern District of New York) accounted for 79% of large corporate bankruptcies in the last 12 months and 75% in 1H 2025.

Consistent with prior years, Delaware continued to be the most common venue for large bankruptcy filings, accounting for 40% of such filings in the last 12 months and 36% in 1H 2025.

The Southern District of Texas remained the second most common venue for large bankruptcy filings, with 24% of filings in the last 12 months and 20% in 1H 2025.

From 2H 2024 through 1H 2025, the Northern District of Texas topped the District of New Jersey and Southern District of New York for the first time during the 2005–1H 2025 period. It became the third most common venue for the first time since 2012, accounting for 7% of total filings during the last 12 months.

Large bankruptcy filings in the Southern District of New York continued a downward trend, declining to 4% of the total filings in the last 12 months, compared with 17% in 2022 and 8% in 2023.

The District of New Jersey had the same number of large bankruptcy filings as the Southern District of New York during the last 12 months. In 1H 2025, New Jersey topped the Southern District of New York, tying with the Northern District of Texas as the third most common venue.

Figure 6: Heat Map of Bankruptcies by Venue
2005–1H 2025

Court	Average 2005–2024	2020	2021	2022	2023	2024	2H24–1H25	1H25
Delaware	42%	37%	34%	43%	42%	44%	40%	36%
Texas - Southern	12%	30%	24%	17%	26%	20%	24%	20%
Texas - Northern	2%	1%	6%	4%	2%	5%	7%	7%
New Jersey	2%	2%	3%	2%	6%	6%	4%	7%
New York - Southern	17%	14%	16%	17%	8%	6%	4%	5%
California - Central	2%	0%	3%	4%	2%	4%	3%	2%
Virginia - Eastern	2%	4%	3%	0%	0%	1%	0%	0%
Other	20%	13%	11%	13%	15%	14%	17%	24%
Number of Bankruptcies	81	155	70	53	125	118	117	59

Legend	0–5%	5–10%	10–20%	20–30%	30% and above

Source: BankruptcyData
Note: “Other” includes courts with fewer than five bankruptcies in all years during the time period.

Market Indicators

Over the past 12 months, the U.S. financial markets have presented a complex landscape of signals, with equity markets posting strong but volatile gains despite underlying economic uncertainties. While the S&P 500 rallied on optimism around the Federal Reserve's easing monetary policy, credit markets signaled growing concerns, evidenced by widening high-yield credit spreads, a rising "dual-track" default rate (which captures an increase in out-of-court restructurings, including LMTs), and growing delinquency rates in the U.S. commercial real estate market.

Meanwhile, a prolonged inversion of the Treasury yield curve (historically a leading recessionary indicator) recently ended as longer-term yields climbed above shorter-term yields.

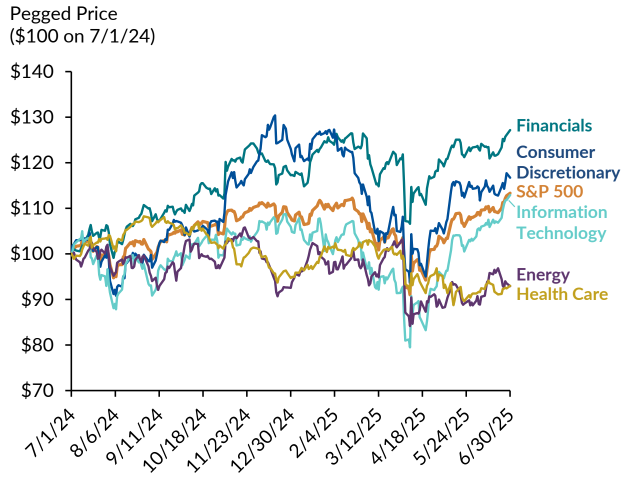
Over the last 12 months, the S&P 500 Index posted a strong yet volatile performance. The market experienced a sharp decline in April 2025, driven by heightened uncertainty following new tariff policies, then subsequently rebounded. The Financials and Consumer Discretionary Sectors surged over the optimism around rate cuts and a soft-landing economy.[39] The Energy and Health Care sectors were the primary laggards, facing headwinds from geopolitical instability and policy uncertainty.[40] Following the April sell-off, the Information Technology Sector led the market's recovery, fueled by the long-term growth narrative surrounding artificial intelligence.[41]

Figure 7 Source: Refinitiv

Figure 7 Note: Select sector indices shown. All indices are indexed to 100 on July 1, 2024.

Figure 7: Broad Market and Sector Index Performance

July 1, 2024–June 30, 2025



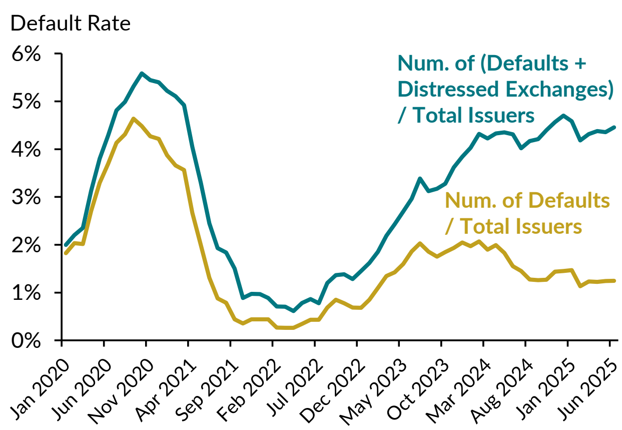
While the trailing 12-month payment default rate by number of issuers for the U.S. leveraged loan market declined from 1.5% to 1.2% over the past year, broader measures of corporate financial distress tell a different story. The so-called dual-track default rate, which includes the number of distressed exchanges (including LMTs), increased during the same period, peaking at 4.7% in December 2024. Consequently, the gap between these two default metrics widened to a peak at 3.2% in December. The dual-track metric was approaching a level last seen during the COVID-19 pandemic.

Figure 8 Source: PitchBook

Figure 8 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 8: Leveraged Loan Defaults and Distressed Exchanges

January 2020–June 2025

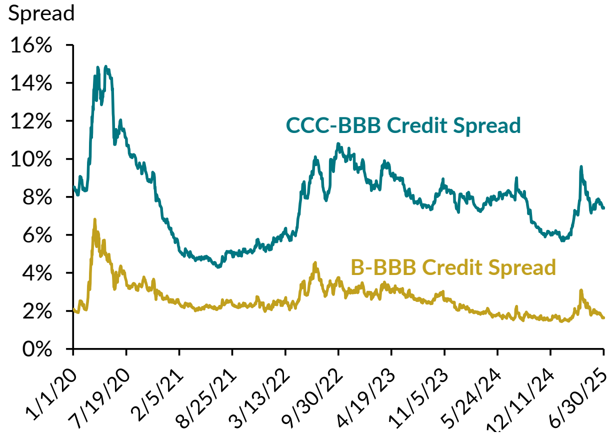


Over the last 12 months, credit spreads in the high-yield market have signaled heightened default risk for speculative-grade issuers. After a period of improvement in 2H 2024—where the spread between CCC-rated and investment-grade debt compressed from over 800 to below 600 basis points—market sentiment deteriorated sharply. In the first half of 2025, this spread widened significantly, peaking at over 960 basis points in April 2025. A similar pattern of compression followed by a sharp widening was observed in higher-rated speculative debt, as reflected in the B-to-BBB credit spread.

Figure 9 Source: FRED Economic Data

Figure 9 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.

Figure 9: Credit Spreads on Corporate Debt
January 1, 2020–June 30, 2025

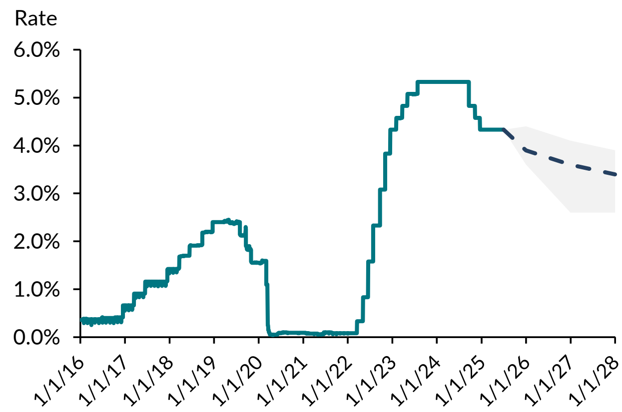


Following three interest rate cuts by the Federal Reserve in 2H 2024, the effective federal funds rate settled at 4.33% in December 2024. The Federal Reserve held the target rate steady throughout 1H 2025, citing elevated uncertainty about the economic outlook.[42] As of June 2025, the rate stood a full percentage point lower than its level in June 2024 and was projected to continue its downward trajectory in the next few years. In response to rising downside risks to employment, the Federal Reserve lowered the target rate by 0.25% in September 2025.[43]

Figure 10 Source: FRED Economic Data; Board of Governors of the Federal Reserve

Figure 10 Note: Dashed line represents the median predicted value from the June 2025 meeting of the Federal Open Market Committee (FOMC), plotted as of December 31 of the predicted year. The gray shaded area indicates the range of FOMC predictions from June 2025.

Figure 10: Effective Federal Funds Rate
January 1, 2016–June 30, 2025 (Actual), 2025–2028 (Projected)

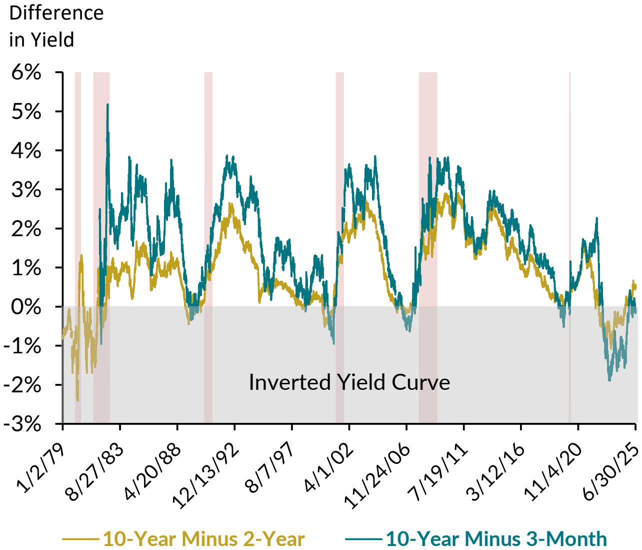


The U.S. Treasury yield curve, a key predictor of economic downturns, has provided complex signals. The closely watched spread between the 10-year and 2-year yield rates, which inverted (i.e., became negative) in July 2022, returned and remained positive in September 2024. Meanwhile, the 10-year/3-month spread inverted in October 2022 and has hovered near zero since December 2024. Historically, an inverted yield curve has preceded the last six U.S. recessions. Market commentary notes that over the last four business cycles, the actual recession began, on average, six months after the curve "un-inverted."[44]

Figure 11 Source: FRED Economic Data; National Bureau of Economic Research (NBER)

Figure 11 Note: Each line represents the daily series of differences between the 10-year U.S. Treasury yield and either the 2-year U.S. Treasury yield or the 3-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.

Figure 11: Inversions in the U.S. Treasury Yield
January 2, 1979–June 30, 2025

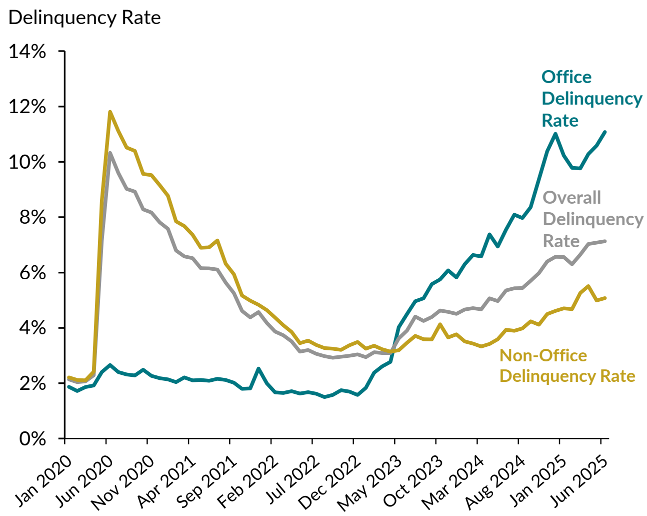


The U.S. Commercial Real Estate (CRE) market, particularly the Office sector, has faced escalating stress over the last 12 months. By the end of June 2025, the delinquency rate for the Office sector surged to 11.1%, more than six times the 1.8% rate recorded in January 2023. While distress has been most acute in the Office sector, other CRE sectors also saw delinquencies rise over the past year, peaking at 5.5% in April 2025. Market observers have noted that this delinquency spike in the Office sector surpasses levels seen during the Global Financial Crisis, with the first half of 2025 marking the fastest midyear increase on record, "underscoring the unique structural challenges now facing the sector."[45]

Figure 12 Source: Trepp

Figure 12 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.

Figure 12: Delinquency Rate in U.S. Commercial Real Estate Overall and Office Sector
January 2020–June 2025



Research Sample

This report examines trends in Chapter 7 and Chapter 11 bankruptcy filings for large corporations between January 2005 and June 2025. This Midyear 2025 Update focuses on trends over the last 12 months of this period (2H 2024–1H 2025). 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.[46]

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 1,681 such bankruptcies from January 1, 2005 through June 30, 2025. Separate bankruptcy filings by subsidiaries are not counted toward the total number of bankruptcies.

Mega bankruptcies are defined as Chapter 7 or Chapter 11 filings by companies with over $1 billion in reported assets. The sample contains 476 mega bankruptcies from January 1, 2005 through June 30, 2025.

Tetrad Enterprises LLC has been removed from the sample due to a data error.

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

Endnotes

[1] This analysis is based on a review of the "first day declarations" filed in each mega bankruptcy case in the last 12 months. Specifically, this includes factors described in the sections outlining the circumstances leading to the commencement of Chapter 11 cases.

[2] Petitioning creditors of Xinyuan Real Estate Co. Ltd. filed an involuntary bankruptcy case against the company under Chapter 11 on April 14, 2025. No first day declaration was filed by the company. See *In re Xinyuan Real Estate Co. LTD.*, United States Bankruptcy Court, Southern District of New York, Chapter 11, Case No. 25-10745, April 14, 2025.

[3] Declaration of Philip J. Gund in Support of Debtors' Chapter 11 Petitions and First Day Pleadings, *In re: AIO US, Inc., et al.*, United States Bankruptcy Court, District of Delaware, Chapter 11, Case No. 24-11836, Doc. 12, August 13, 2024.

[4] Declaration of Vance Johnston, Chief Executive Officer of Wheel Pros, LLC, in Support of Debtors' Chapter 11 Petitions and First Day Motions, *In re: Wheel Pros, LLC. et al.*, United States Bankruptcy Court, District of Delaware, Chapter 11, Case No. 24-11939, Doc. 6, September 8, 2024.

[5] Declaration of Fred Cromer in Support of the Chapter 11 Proceedings and First Day Pleadings, *In re: Spirit Airlines, Inc., Debtor,* United States Bankruptcy Court, Southern District of New York, Chapter 11, Case No. 24-11988, Doc. 2, November 18, 2024.

[6] Declaration of Fred Cromer in Support of the Chapter 11 Proceedings and First Day Pleadings, *In re: Spirit Airlines, Inc., Debtor,* United States Bankruptcy Court, Southern District of New York, Chapter 11, Case No. 24-11988, Doc. 2, November 18, 2024.

[7] Declaration of Jonathan Ramsden as Chief Financial and Administrative Officer of the Debtors in Support of the Debtors' Chapter 11 Proceedings and First Day Pleadings, *In re: Big Lots, Inc., et al.*, United States Bankruptcy Court, District of Delaware, Chapter 11, Case No. 24-11967, Doc. 3, September 9, 2024.

[8] Declaration of Scott Millar, Senior Managing Director of Teneo, in Support of the Debtors' Chapter 11 Petitions and First Day Motions, *In re: Northvolt AB, et al.*, United States Bankruptcy Court, Southern District of Texas, Houston Division, Chapter 11, Case No. 24-90577, Doc. 4, November 21, 2024.

[9] Declaration of David Orlofsky in Support of Debtors' Chapter 11 Petitions and First Day Pleadings, *In re: Franchise Group, Inc., et al.*, United States Bankruptcy Court, District of Delaware, Chapter 11, Case No. 24-12480, Doc. 15, November 4, 2024.

[10] Declaration of Janine Yetter in Support of Chapter 11 Petitions and First Day Motions, *In re: MLN US HoldCo LLC, et al.*, United States Bankruptcy Court, Southern District of Texas, Houston Division, Chapter 11, Case No. 25-90090, Doc. 18, March 10, 2025.

[11] Declaration of Paul Mathews, President and Chief Executive Officer of Sunnova Energy International Inc., in Support of Debtors' Chapter 11 Petitions, *In re: Sunnova Energy International Inc., et al.*, United States Bankruptcy Court, Southern District of Texas, Houston Division, Chapter 11, Case No. 25-90160, Doc. 17, June 9, 2025.

[12] Declaration of Paul Mathews, President and Chief Executive Officer of Sunnova Energy International Inc., in Support of Debtors' Chapter 11 Petitions, *In re: Sunnova Energy International Inc., et al.*, United States Bankruptcy Court, Southern District of Texas, Houston Division, Chapter 11, Case No. 25-90160, Doc. 17, June 9, 2025.

[13] Declaration of Noah Verleun, Chief Executive Officer of Global Clean Energy Holdings, Inc., in Support of the Debtors' Chapter 11 Petitions, *In re: Global Clean Energy Holdings, Inc., et al.*, United States Bankruptcy Court, Southern District of Texas, Houston Division, Chapter 11, Case No. 25-90113, Doc. 2, April 16, 2025; Declaration of Matthew Henry, Chief Transformation Officer of SunPower

Corporation, in Support of the Debtors' Chapter 11 Petitions and First Day Motions, *In re: SunPower Corporation, et al.*, United States Bankruptcy Court, District of Delaware, Chapter 11, Case No. 24-11649, Doc. 9, August 5, 2024; Declaration of Mark A. Renzi, Chief Restructuring Officer of the Debtors, in Support of Debtors' Chapter 11 Petitions and First Day Motions, *In re: Mosaic Sustainable Finance Corporation, et al.*, United States Bankruptcy Court, Southern District of Texas, Houston Division, Chapter 11, Case No. 25-90156, Doc. 5, June 6, 2025.

14 Declaration of Vance Johnston, Chief Executive Officer of Wheel Pros, LLC, in Support of Debtors' Chapter 11 Petitions and First Day Motions, *In re: Wheel Pros, LLC. et al.*, United States Bankruptcy Court, District of Delaware, Chapter 11, Case No. 24-11939, Doc. 6, September 8, 2024.

15 Declaration of Jeremy Aguilar, Chief Financial Officer of At Home Group Inc. and Certain of its Affiliates, in Support of the Debtors' Chapter 11 Petitions and First Day Pleadings, *In re: At Home Group Inc., et al.*, United States Bankruptcy Court, District of Delaware, Chapter 11, Case No. 25-11120, Doc. 4, June 16, 2025.

16 Declaration of David Slump, Chief Executive Officer of Marelli Automotive Lighting USA LLC, in Support of First Day Motions, *In re: Marelli Automotive Lighting USA LLC. et al.*, United States Bankruptcy Court, District of Delaware, Chapter 11, Case No. 25-11034, Doc. 20, June 11, 2025.

17 Declaration of Norman L. Miller in Support of Debtors' Chapter 11 Petitions and First Day Pleadings, *In re: Conn's, Inc., et al.*, United States Bankruptcy Court, Southern District of Texas, Houston Division, Chapter 11, Case No. 24-33357, Doc. 3, July 23, 2024.

18 Declaration of Daniel Hugo in Support of Debtors' Chapter 11 Petitions and First Day Relief, *In re: Wolfspeed, Inc., et al.*, United States Bankruptcy Court, Southern District of Texas, Houston Division, Chapter 11, Case No. 25-90163, Doc. 5, June 30, 2025.

19 Declaration of Douglas Smith, Chief Executive Officer of Ligado Networks LLC, in Support of Chapter 11 Petitions and First Day Pleadings, *In re: Ligado Networks, LLC. et al.*, United States Bankruptcy Court, District of Delaware, Chapter 11, Case No. 25-10006, Doc. 2, January 6, 2025.

20 Declaration of David Slump, Chief Executive Officer of Marelli Automotive Lighting USA LLC, in Support of First Day Motions, *In re: Marelli Automotive Lighting USA LLC. et al.*, United States Bankruptcy Court, District of Delaware, Chapter 11, Case No. 25-11034, Doc. 20, June 11, 2025.

21 Declaration of Matthew Norden, Chief Legal Officer and Chief Financial Officer of the Debtors, in Support of Chapter 11 Petitions, *In re: 2U, Inc.*, United States Bankruptcy Court, Southern District of New York, Chapter 11, Case No. 24-11279, Doc. 3, July 25, 2024.

22 *CreditSights* compiled the data from Covenant Review, a Fitch Solutions Company. Covenant Review considers an LMT to be any transaction by a distressed borrower or issuer which utilizes existing or amended contract terms to manage long-term corporate debt liabilities with creative out-of-court solutions. *See* "U.S. Liability Management Transactions: Quarterly Update Through Q2 2025," *CreditSights*, July 15, 2025.

23 "U.S. Liability Management Transactions: Quarterly Update Through Q2 2025," *CreditSights*, July 15, 2025.

24 "Leveraged Loan Default Rate Dips to 0.73%, but LMEs Send Dual-Track Gauge Higher," *Pitchbook*, May 2, 2025.

25 "Restructuring Becomes Pit Stop to Bankruptcy for Risky Borrowers," *Bloomberg*, August 7, 2024.

26 "U.S. Liability Management Transactions: Quarterly Update Through Q2 2025," *CreditSights*, July 15, 2025. Uptiering transactions often involve the distressed firm negotiating with a majority of its creditors to amend an existing loan agreement and issue new loans senior to their existing debt. (See discussion in the Midyear 2024 Update.) Drop-down transactions often involve transferring assets to one or more unrestricted subsidiaries that are outside the collateral package securing the distressed firm's existing debt. The firm raises liquidity by issuing new debt secured by the transferred assets, leaving the original creditors with reduced collateral. A double-dip transaction has a more complex

structure, often providing new creditors with two or more separate claims against a distressed firm's assets, such as (i) a direct secured claim, and (ii) an indirect secured claim created through an intercompany loan with a subsidiary guaranteed by the distressed parent firm. With two or more claims, the new creditors may have enhanced recovery prospects in a default compared to existing creditors with a single claim.

[27] *In re Serta Simmons Bedding, LLC*, No. 23-20181 (5th Cir. Dec. 31, 2024).

[28] *Ocean Trails CLO VII v. MLN Topco Ltd.*, No. 2024-00169, 2024 WL 5248898 (N.Y. App. Div. 1st Dep't, Dec. 31, 2024).

[29] *CreditSights* noted that most distressed borrowers have simply bypassed the Fifth Circuit's opinion via additional structuring or maneuvering. *See* "U.S. Liability Management Transactions: Quarterly Update Through Q1 2025," *CreditSights*, April 8, 2025.

[30] "U.S. Liability Management Transactions: Quarterly Update Through Q1 2025," *CreditSights*, April 8, 2025; "U.S. Liability Management Transactions: Quarterly Update Through Q2 2025," *CreditSights*, July 15, 2025.

[31] "U.S. Liability Management Transactions: Quarterly Update Through Q2 2025," *CreditSights*, July 15, 2025.

[32] "At Home Group Ch. 11 May Not Result in Guidance from Bankruptcy Court on Allowance of Double-DIP Claim Given Potential de Minimis Economic Relevance," *Octus*, June 4, 2025.

[33] Declaration of Jeremy Aguilar, Chief Financial Officer of At Home Group Inc. and Certain of its Affiliates, in Support of the Debtors' Chapter 11 Petitions and First Day Pleadings, *In re: At Home Group Inc., et al.*, United States Bankruptcy Court, District of Delaware, Chapter 11, Case No. 25-11120, Doc. 4, June 16, 2025, p. 5.

[34] "U.S. Liability Management Transactions: Quarterly Update Through Q1 2025," *CreditSights*, April 8, 2025; "U.S. Liability Management Transactions: Quarterly Update Through Q2 2025," *CreditSights*, July 15, 2025.

[35] "Restructuring Becomes Pit Stop to Bankruptcy for Risky Borrowers," *Bloomberg*, August 7, 2024.

[36] "U.S. Leveraged Finance and BSL CLO Quarterly: Shifting Credit Sentiments, Q2 2025," *S&P Global Ratings*, May 9, 2025, p. 26.

[37] "Liability Management Transactions Drive Down U.S. Recoveries in 2024," *Fitch Ratings*, December 9, 2024.

[38] "U.S. Liability Management Transactions: Quarterly Update Through Q2 2025," *CreditSights*, July 15, 2025.

[39] "The 1% Move Report," *Morgan Stanley*, May 27, 2025.

[40] "Energy Sector Stocks: Is Now the Time to Invest?," *U.S. Bank Wealth Management*, June 19, 2025; "Struggling US Healthcare Stocks Endure Rough 2025 but Draw Some Bargain Hunters," *Reuters*, August 7, 2025.

[41] "Q2 in Review: Don't Call It a Comeback," *Sapphire Ventures*, July 2025.

[42] "Federal Reserve Issues FOMC Statement," *Federal Reserve*, January 29, 2025, March 19, 2025, May 7, 2025, and June 18, 2025.

[43] "Federal Reserve Issues FOMC Statement," *Federal Reserve*, September 17, 2025.

[44] "Was the Yield Curve Inversion Wrong in Predicting a U.S. Recession?," *J.P. Morgan Asset Management*, January 10, 2025.

[45] "The Office Sector's Double Whammy," *Moody's*, July 8, 2025.

[46] This report relies on data obtained from BankruptcyData on July 1, 2025. It focuses on asset values at the time of bankruptcy filings.

Appendix

Appendix 1: Drivers of Financial Distress Cited for Mega Bankruptcies

2H 2024–1H 2025

Rank	Company	Assets (USD, in Billions)	SIC Industry Division and Description	High Inflation Reducing Demand and/or Increasing Costs	Reduced Demand Due to Consumer Preferences, Market Competition, and/or Industry Factors	High Interest Rates Increasing Costs and/or Affecting Financing	Challenges in the Regulatory, Legal, and Policy Landscape
1	Sunnova Energy International Inc.	$13.35	Transportation, Communications, and Utilities: Electric and Other Services	✔		✔	✔
2	Spirit Airlines Inc.	$9.49	Transportation, Communications, and Utilities: Air Transportation, Scheduled	✔	✔		
3	Wolfspeed Inc.	$7.57	Manufacturing: Semiconductors and Related Devices				✔
4	Azul S.A.	$4.54	Transportation, Communications, and Utilities: Air Transportation, Scheduled	✔		✔	✔
5	Big Lots Inc.	$3.18	Retail Trade: Variety Stores		✔	✔	
6	Conn's Inc.	$2.44	Retail Trade: Household Appliance Stores	✔	✔	✔	
7	Global Clean Energy Holdings Inc.	$1.60	Manufacturing: Petroleum Refining	✔		✔	✔
8	2U Inc.	$1.22	Services: Schools and Educational Services		✔		
9	SunPower Corporation	$1.22	Manufacturing: Semiconductors and Related Devices	✔			✔
10	AIO US Inc. (Avon Products)	> $1.00	Manufacturing: Perfumes, Cosmetics, and Other Toilet Preparations	✔	✔		✔

Rank	Company	Assets (USD, in Billions)	SIC Industry Division and Description	High Inflation Reducing Demand and/or Increasing Costs	Reduced Demand Due to Consumer Preferences, Market Competition, and/or Industry Factors	High Interest Rates Increasing Costs and/or Affecting Financing	Challenges in the Regulatory, Legal, and Policy Landscape
11	Wheel Pros LLC	> $1.00	Wholesale Trade: Motor Vehicle Supplies and New Parts	✔		✔	✔
12	Red River Talc LLC	> $1.00	Manufacturing: Pharmaceutical Preparations				✔
13	American Tire Distributors Inc.	> $1.00	Wholesale Trade: Motor Vehicle Supplies and New Parts	✔	✔		
14	Franchise Group Inc.	> $1.00	Retail Trade: Miscellaneous General Merchandise Stores	✔	✔	✔	
15	Wellpath Holdings Inc.	> $1.00	Services: General Medical and Surgical Hospitals				✔
16	Intrum AB	> $1.00	Finance, Insurance, and Real Estate: Mortgage Bankers and Loan Correspondents	✔		✔	
17	Northvolt AB	> $1.00	Manufacturing: Storage Batteries		✔		
18	H-Food Holdings LLC (Hearthside)	> $1.00	Manufacturing: Food Preparations	✔	✔		
19	Party City Holdco Inc. (2024)	> $1.00	Retail Trade: Gift, Novelty, and Souvenir Shops	✔		✔	
20	Ligado Networks LLC	> $1.00	Manufacturing: Radio and Television Broadcasting and Communications Equipment				✔
21	Prospect Medical Holdings Inc.	> $1.00	Services: Offices and Clinics of Doctors of Medicine	✔	✔		✔
22	JOANN Inc. (2025)	> $1.00	Retail Trade: Sewing, Needlework, and Piece Goods Stores	✔	✔	✔	
23	InvaTech Pharma Solutions LLC	> $1.00	Manufacturing: Pharmaceutical Preparations				

Rank	Company	Assets (USD, in Billions)	SIC Industry Division and Description	High Inflation Reducing Demand and/or Increasing Costs	Reduced Demand Due to Consumer Preferences, Market Competition, and/or Industry Factors	High Interest Rates Increasing Costs and/or Affecting Financing	Challenges in the Regulatory, Legal, and Policy Landscape
24	MLN US HoldCo LLC (Mitel Networks)	> $1.00	Manufacturing: Radio and Television Broadcasting and Communications Equipment	✔	✔	✔	✔
25	Ascend Performance Materials Holdings Inc.	> $1.00	Manufacturing: Plastics Materials, Synthetic Resins, and Nonvulcanizable Elastomers		✔		
26	New Rite Aid LLC (2025)	> $1.00	Wholesale Trade: Drugs, Drug Proprietaries, and Druggists' Sundries				
27	Harvest Sherwood Food Distributors Inc.	> $1.00	Wholesale Trade: Meats and Meat Products	✔	✔		
28	WW International Inc. (Weight Watchers)	> $1.00	Services: Miscellaneous Personal Services		✔		
29	Mosaic Sustainable Finance Corporation	> $1.00	Finance, Insurance, and Real Estate: Loan Brokers		✔	✔	✔
30	Marelli Automotive Lighting USA LLC	> $1.00	Manufacturing: Motor Vehicle Parts and Accessories	✔	✔	✔	✔
31	At Home Group Inc.	> $1.00	Retail Trade: Miscellaneous home furnishings Stores	✔	✔	✔	✔
Total				**19**	**18**	**14**	**15**

Source: BankruptcyData, Chapter 11 First Day Declarations

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.

About the Authors

Allie Schwartz
Vice President

Allie Schwartz specializes in the valuation of securities and financial derivatives in the context of securities litigation, bankruptcy, and valuation and M&A. Dr. Schwartz has more than 15 years of experience supporting experts through multiple stages of litigation, such as deposition, domestic and international arbitration, and trial. She has also provided support on a variety of regulatory inquiries, including analyzing complex data and presenting findings to enforcement staff.

Nicholas D. Yavorsky
Vice President

Nick Yavorsky focuses on complex securities litigation; valuation, bankruptcy, and financial distress matters; and matters involving financial institutions. Mr. Yavorsky consults to clients on economic, financial, and damages issues through all phases of litigation. His experience spans a range of topics, including failed financial institutions, financial accounting restatements, hedge funds, due diligence, cryptocurrency, and public stock offerings.

Matt Osborn
Principal

Matt Osborn has more than 15 years of experience providing economic analysis for complex litigation, regulatory, and business consulting matters. He specializes in business valuation and analysis of economic damages involving issues related to corporate finance, capital market transactions, M&A, financial restructuring, and financial markets. His experience encompasses many industries with focus on energy (renewables, oil & gas, utilities), financial services/banking, and real estate. He has testified as an expert witness at deposition and trial and led support teams for a wide variety of academic and industry finance experts.

Shiyu Zhao
Associate

Shiyu Zhao provides economic and financial analysis and expert support in all phases of commercial litigation and regulatory investigations, with a focus on matters involving securities class actions, market manipulation, and valuation. Dr. Zhao has extensive experience analyzing academic research, market studies, and complex financial data, and in applying economic and finance theories in a variety of litigation and regulatory matters.

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The authors request that you reference Cornerstone Research in any reprint of the information or figures included in this report.

Please direct any questions to:

Allie Schwartz
212.605.5439
aschwartz@cornerstone.com

Nicholas D. Yavorsky
213.553.2577
nyavorsky@cornerstone.com

Matt Osborn
202.912.8905
mosborn@cornerstone.com

Shiyu Zhao
212.605.5479
shiyu.zhao@cornerstone.com

Cornerstone Research

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