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Shutting up shop: post-pandemic retail sector restructurings continue

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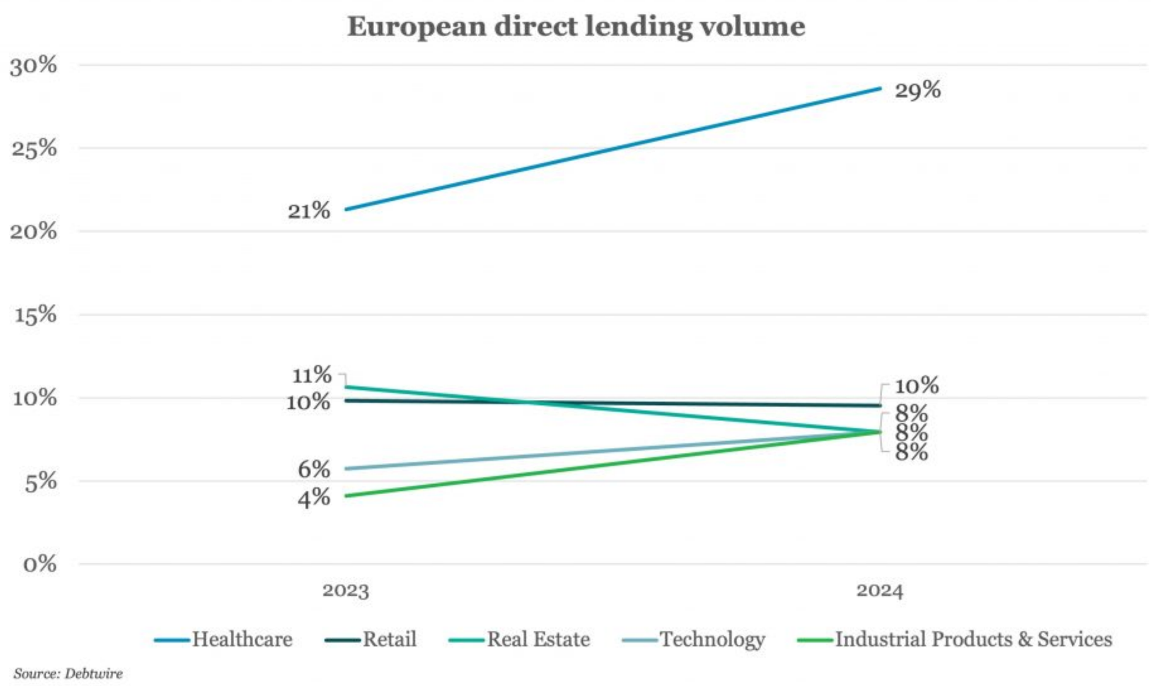

The COVID-19 pandemic triggered a significant transformation of the US retail landscape, fueling a dramatic shift in consumer behavior. As a result of a seismic switch to online purchases from in-store shopping, many retail firms found themselves grappling with unprecedented operating challenges, leaving some players ill-equipped or unable to adapt to the changes and forced to seek protection under Chapter 11 bankruptcy laws.

With activity yet to return to pre-pandemic norms, the situation remains volatile for many companies, as evidenced by retail restructurings reaching 10% of all Chapter 11 cases in the year to date (YTD). Debtwire's Restructuring Database counts six cases of retail sector restructurings out of an overall total of 66 recorded in 2024 YTD. Our likely-to-distress (LTD) metric shows a further seven stressed and three distressed firms in the sector, all on the edge of possible restructuring events.

Last year, retail sector Chapter 11 filings accounted for approximately 10% of all cases, followed by real estate, consumer services technology and industrials.

Among the prominent names facing financial turmoil last year were industry stalwarts such as Rite Aid, Bed Bath & Beyond and Party City, each with substantial pre-petition funded debt exceeding USD 1bn. During the first few months of 2024, there have already been two retail firms with pre-petition debt of more than USD 1bn that have filed for Chapter 11: JOANN and Express.

(Past performance is no guarantee of future results.)