



CORNERSTONE RESEARCH

Economic and Financial Consulting and Expert Testimony

Trends in Large Corporate Bankruptcy and Financial Distress

Midyear 2023 Update

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Executive Summary

The number of large corporate bankruptcy filings surged in the first half of 2023, marking a reversal from a gradual decline in filings since the start of 2021. Bankruptcy filings increased in the Retail Trade, Services, and Manufacturing industries, while Mining, Oil, and Gas sector bankruptcies continued to decline. Average assets at the time of filing declined overall.

This report examines trends in Chapter 7 and Chapter 11 bankruptcy filings for large corporations between January 2005 and June 2023. Unless specified otherwise, the bankruptcies analyzed in this report involve public and private companies with over \$100 million in assets at the time of bankruptcy filing.¹

Number of Bankruptcies

- In 1H 2023, 72 large companies filed for bankruptcy, already surpassing the total number of bankruptcies filed in 2022 and more than three times the number of bankruptcies in 1H 2022. (page 2)
- While the number of bankruptcies in 1H 2023 increased, the average assets at the time of filing, \$780 million, were below the 2005–2022 average of \$2.05 billion and the 2022 average of \$1.62 billion. (page 1)
- A total of 53 companies filed for bankruptcy in 2022, below the 2005–2022 annual average of 77. (page 2)

Bankruptcies by Industry

- Bankruptcy filings in the Manufacturing industry have increased nearly twofold since 2022 and accounted for 33% of all filings in 1H 2023. The Retail Trade and Services industries also experienced increases. (page 4)

Mega Bankruptcies

- There were 16 mega bankruptcies (those filed by companies with over \$1 billion in reported assets) in 1H 2023, matching the full-year total for 2022 and higher than the 2005–2022 half-year average of 11. (pages 2–3)
- The full-year total of 16 mega bankruptcies in 2022 was less than the number of filings in 2021 and the 2005–2022 annual average. (page 2)
- In 1H 2023, the largest bankruptcy was filed by SVB Financial Group, with \$19.68 billion in assets at the time of filing. The largest non-financial-firm bankruptcy in 1H 2023 was Bed Bath & Beyond Inc., with \$4.40 billion in assets at the time of filing. (pages 5–6)
- The largest bankruptcy in 2022, among bankruptcies with confirmed total asset values, was filed by Cineworld Group plc, with \$10.37 billion in assets at the time of filing. (pages 5–6)

Bankruptcy Venues

- The most common venues for bankruptcy filings were Delaware and the Southern District of Texas, which accounted for 39% and 32% of all bankruptcy filings in 1H 2023, respectively. (page 8)

Figure 1: Key Trends in Bankruptcy Filings 2005–1H 2023

	2005–2022 Annual Average	2022	1H 2022	2H 2022	1H 2023
Chapter 11 Bankruptcy Filings	74	51	20	31	67
Chapter 11 Mega Bankruptcies	22	16	4	12	16
Chapter 11 Bankruptcy Filings by Public Companies	43	16	8	8	26
Chapter 11 Bankruptcy Filings by Private Companies	31	35	12	23	41
Chapter 7 Bankruptcy Filings	3	2	0	2	5
Total Chapter 7 and Chapter 11 Bankruptcy Filings	77	53	20	33	72
Average Asset Value at Time of Filing (Billions)	\$2.05	\$1.62	\$1.04	\$1.97	\$0.78

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. Mega bankruptcies are defined as those for companies with over \$1 billion in reported assets at the time of their bankruptcy filings.

Bankruptcy Filings

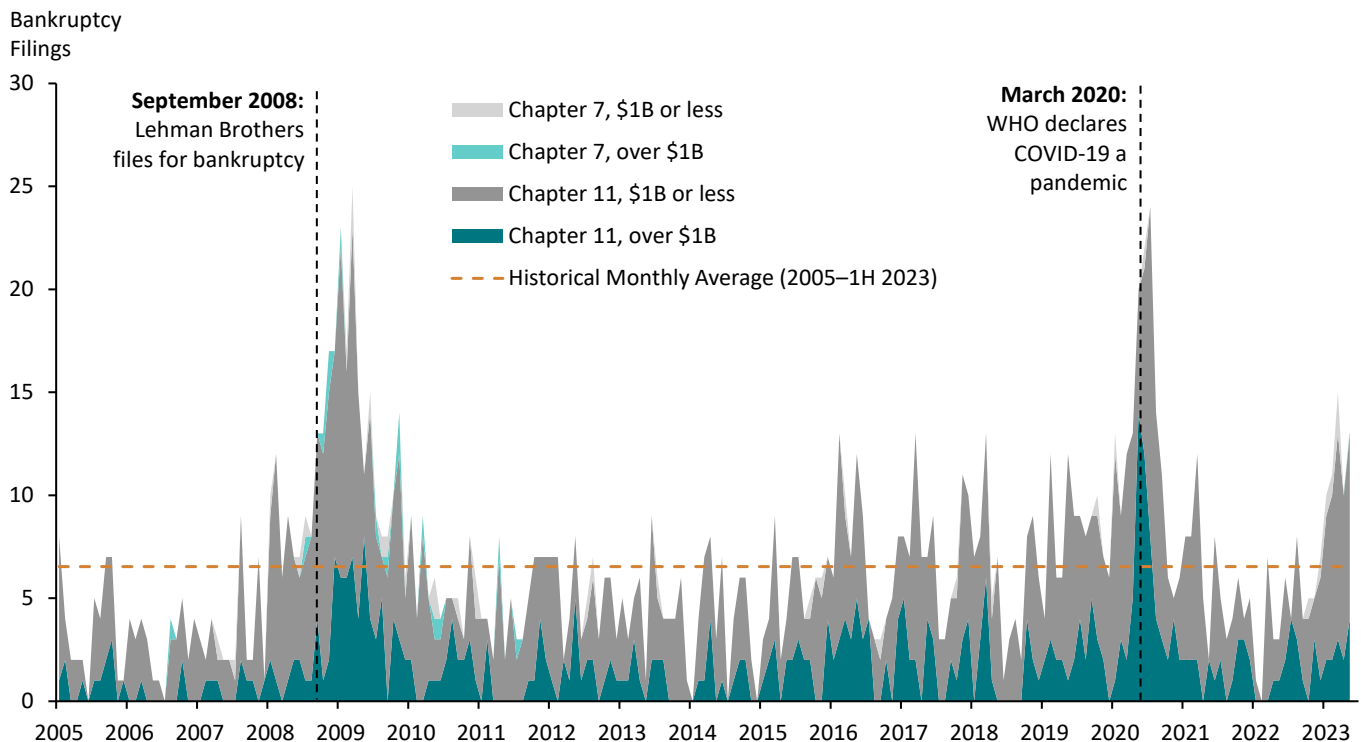
Number of Bankruptcies

- Bankruptcy filings surged in 1H 2023 with 72 filings—more bankruptcies than in each of the previous two full years. Both Q1 and Q2 of 2023 had 36 bankruptcies each.
- In 2022, only 53 companies filed for Chapter 7 or Chapter 11 bankruptcy, compared to 70 in 2021 and a historical annual average of 77 observed between 2005 and 2022.
- The first half of 2023 saw an average of 12 bankruptcies per month, nearly two times higher than the monthly average between 2005 and 2022 of 6.4.
- There were 16 mega bankruptcies in 1H 2023, the highest number in a half-year period since 2020.
- In 2022, there were 16 mega bankruptcies, compared to 20 in 2021 and 60 in 2020.

72

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

Figure 2: Monthly Chapter 7 and Chapter 11 Bankruptcy Filings 2005–1H 2023



Source: BankruptcyData

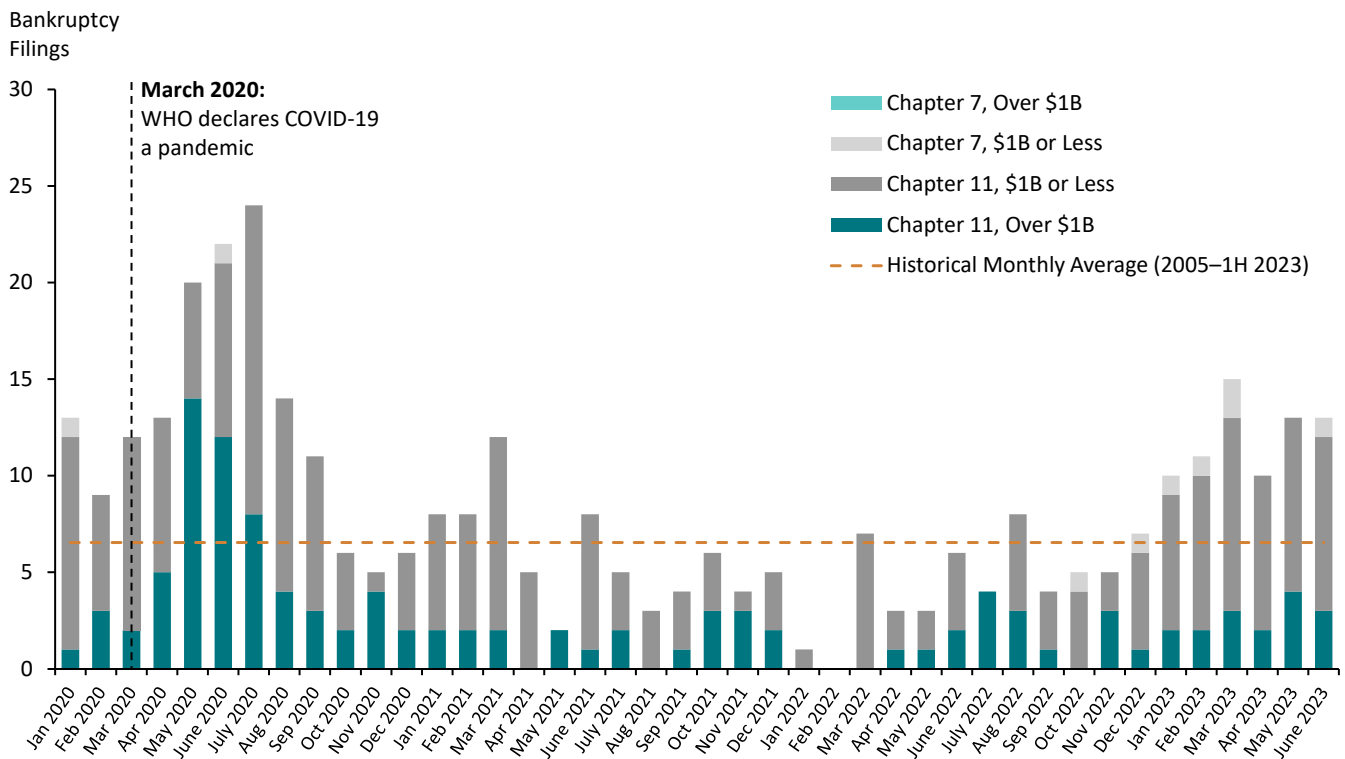
Note: Only Chapter 7 and Chapter 11 bankruptcy filings by companies (both public and private) with over \$100 million in assets are included. For companies where exact asset values are not known, the lower bound of the estimated range is used. Asset values are not adjusted for inflation. Lehman Brothers 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.

53

Number of bankruptcy filings in 2022 by companies with over \$100 million in assets.

- Starting in Q2 2021 and until the end of 2022, monthly bankruptcy filings were generally below the historical average, with filings below average in 17 of the 21 months included in that time period. In contrast, bankruptcy filings were above the historical average in each month of 1H 2023.
- In 1H 2023, 72 companies filed for bankruptcy, compared to 20 and 43 in 1H 2022 and 1H 2021, respectively. While above the historical average, the number of bankruptcy filings in 1H 2023 was below the 89 filings observed in 1H 2020.
- Sixteen of the bankruptcies in 1H 2023 were mega bankruptcies, compared to four in 1H 2022 and nine in 1H 2021.

Figure 3: Monthly Chapter 7 and Chapter 11 Bankruptcy Filings (Recent Trends) 2020–1H 2023



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. 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. The World Health Organization (WHO) declared COVID-19 a pandemic on March 11, 2020.

Bankruptcies by Industry

- In 1H 2023, bankruptcy filings increased most notably in the Retail Trade, Services, and Manufacturing industries.
- Bankruptcy filings decreased across most industries in 2022, with the exception of Retail Trade and Manufacturing.
- Mining, Oil, and Gas bankruptcy filings, which accounted for 28% of bankruptcy filings in 2020, continued to decline. The industry made up only 4% of all bankruptcy filings in 2022 and 1% in 1H 2023.
- Manufacturing has already seen almost twice as many bankruptcy filings in 1H 2023 (24 filings) as in 2022 (13 filings). However, the share of all bankruptcies filed by Manufacturing companies in 1H 2023 (33%) is only modestly above its historical average share of 25%.
- Retail Trade bankruptcy filings increased from six filings in 2022 to 13 filings in 1H 2023, consistent with expectations expressed by some commentators.² Among the largest bankruptcy filings in 1H 2023, Bed Bath & Beyond Inc. filed for Chapter 11 protection in April. The home goods chain saw demand fall in recent years after a failed strategy to sell more store-branded products.³ Party City Holdco Inc. also filed for Chapter 11 protection in January 2023, citing slow sales since the pandemic, higher shipping and labor costs, and inventory shortages.⁴
- Although SVB Financial Group reported the largest bankruptcy by assets in 1H 2023, the Finance, Insurance, and Real Estate industry overall saw a modest decrease in the number of bankruptcy filings. However, these figures do not include the failures of regional banks and financial services firms that materialized during 1H 2023 without filing for Chapter 7 or Chapter 11 bankruptcy protection, such as First Republic Bank, Signature Bank, and Silvergate Capital, in addition to Silicon Valley Bank, a subsidiary of SVB Financial Group.⁵ Banks operating in the U.S. are ineligible to file for bankruptcy and instead are typically placed into receivership or required to self-liquidate.⁶

33%

Share of 1H 2023 bankruptcies filed by Manufacturing companies.

- Bankruptcy filings in Services increased in 1H 2023, with the largest filers by assets coming from the Computers and Software, Healthcare, and Publishing industry groups.

Figure 4: Heat Map of Bankruptcies by Industry 2005–1H 2023

SIC Industry Division	Average 2005–2022	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	1H 2023
Mining, Oil, and Gas	11.6	3	0	0	5	13	0	3	2	3	9	32	30	14	13	26	44	9	2	1
Retail Trade	9.2	4	2	5	22	16	4	10	2	3	5	5	9	13	11	13	31	5	6	13
Transportation, Communications, and Utilities	10.1	9	4	2	18	11	7	13	13	11	11	1	12	10	9	16	16	12	6	4
Services	11.5	5	5	4	16	20	14	11	11	12	5	9	10	12	12	15	24	13	9	18
Manufacturing	19.3	18	19	10	32	64	21	11	20	15	12	12	16	16	14	20	26	8	13	24
Wholesale Trade	2.0	1	0	2	0	0	2	0	1	3	1	0	2	5	5	2	3	6	3	2
Finance, Insurance, and Real Estate	10.6	3	2	13	25	31	19	7	12	5	3	4	3	14	6	6	10	15	13	4
Construction	1.8	0	2	3	8	5	1	2	0	0	1	0	1	4	3	0	1	1	1	2
Agriculture, Forestry, and Fishing	0.4	0	0	0	1	1	1	0	0	1	0	0	1	1	0	0	0	1	0	2
Public Administration	0.2	0	0	0	1	0	0	0	0	1	0	1	0	0	0	0	0	0	0	2
Number of Bankruptcies	77	43	34	39	128	161	69	57	61	54	47	64	84	89	73	98	155	70	53	72

Legend: 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

- While the number of bankruptcy filings in 1H 2023 increased, assets at the time of filing were generally lower than in 2022. The average asset size of the 20 largest bankruptcies in 1H 2023 (\$2.32 billion) was 41% lower than that of the 20 largest in 2022 (\$3.95 billion). Each of the average asset sizes in 2022 and 1H 2023 is higher than the comparable average size for the 20 largest bankruptcies in 2021 of \$1.62 billion but substantially below that of \$10.31 billion in 2020.
- The largest bankruptcy filing by assets in 1H 2023 was SVB Financial Group, with assets of \$19.68 billion at the time of filing for Chapter 11 bankruptcy on March 17, 2023.⁷ The bankruptcy of SVB Financial Group was announced days after its core operating subsidiary, Silicon Valley Bank, was closed by the California Department of Financial Protection and Innovation (DFPI) and placed into receivership with the FDIC.⁸ Around the days of SVB Financial Group's bankruptcy, a number of other regional banks failed and multiple others suffered downgrades and episodes of depositor withdrawals.⁹ A common factor identified in most of these bank failures was an increased vulnerability to interest rate risk and reliance on uninsured deposits.¹⁰
- Bed Bath & Beyond Inc. experienced the second-largest bankruptcy of 1H 2023. With assets of \$4.4 billion, this bankruptcy was smaller than the six largest bankruptcies of 2022. Similar to other bankruptcies in the Retail sector, Bed Bath & Beyond cited unprecedented supply chain issues, reduced market capitalization, and failed transformation plans as factors leading to its Chapter 11 filing.¹¹
- The largest bankruptcy filing by assets in 2022 was Cineworld Group plc, the second-largest global cinema operator with sites primarily in the U.S. and U.K., with assets of \$10.37 billion.¹² The next two largest bankruptcies in 2022 were Talen Energy Supply LLC and SAS AB, both firms in the Transportation, Communication, and Utilities industry division. Talen filed for bankruptcy in 1H 2022, and SAS AB filed in 2H 2022.
- In 1H 2023, Services accounted for the most mega bankruptcies with six such filings. Among those, the largest is Avaya Inc., a cloud communications company that filed for Chapter 11 bankruptcy in February 2023 to restructure the business as it continues to operate. Prior to its Chapter 11 filing, Avaya noted that debt maturing in 2023 raised

41%

Decline in total assets of the 20 largest bankruptcies in 1H 2023 versus the 20 largest in 2022.

- substantial doubt about its ability to continue operations.¹³
- In 2022 and 1H 2023, multiple cryptocurrency-focused companies, brokers, and exchanges filed for bankruptcy, including Voyager Digital Holdings, Celsius Network, FTX Trading, BlockFi, and Core Scientific Inc., among others.¹⁴ Although there have been a number of crypto-related bankruptcies in 1H 2023, none of them has been large enough to be in the 20 largest bankruptcies, compared to multiple that appeared in the top 20 largest bankruptcies in 2022. Cryptocurrency companies have cited declining crypto markets and increased regulatory scrutiny among the reasons for bankruptcy. Regulators and legislators have begun to pay closer attention to the cryptocurrency market in recent months, putting additional pressure on the industry.¹⁵
- Retail saw several mega bankruptcies in the last year, especially in 1H 2023. In addition to Bed Bath & Beyond, Party City filed for bankruptcy in January 2023 in order to restructure its debt and continue operating a smaller number of stores. Party City cited increasing costs and high inflation, labor shortages, and liquidity constraints as factors in the decision to file for bankruptcy. Other issues the company faced include supply chain problems, reduced consumer spending, and competition from big-box retailers.¹⁶
- Outside of the top five bankruptcies by assets, Manufacturing also saw several large bankruptcy filings. Serta Simmons Bedding filed for Chapter 11 bankruptcy in January 2023. The company cited slower economic growth and reduced consumer spending from interest rate pressures as reasons for a decline in industry demand for bedding. The company completed its restructuring and emerged from Chapter 11 in June 2023,¹⁷ having reduced its debt by \$1.6 billion.

Figure 5: Twenty Largest Recent Bankruptcies
2022 vs. 1H 2023

Rank	2022			1H 2023		
	Company	Assets (In Billions)	SIC Industry Division and Description	Company	Assets (In Billions)	SIC Industry Division and Description
1	Cineworld Group plc	\$10.37	Services: Motion Picture Theaters	SVB Financial Group	\$19.68	Finance, Insurance, and Real Estate: State Commercial Banks
2	Talen Energy Supply LLC	\$10.00	Transportation, Communications, and Utilities: Electric Services	Bed Bath & Beyond Inc.	\$4.40	Retail Trade: Miscellaneous Home Furnishings Stores
3	SAS AB	\$10.00	Transportation, Communications, and Utilities: Air Transportation	Avaya Inc.	\$4.34	Services: Prepackaged Software
4	FTX Trading Ltd.	\$10.00	Retail Trade: Crypto	Party City Holdco Inc.	\$2.87	Retail Trade: Gift, Novelty, and Souvenir Shops
5	Reverse Mortgage Investment Trust Inc.	\$10.00	Finance, Insurance, and Real Estate: Trusts	Loyalty Ventures Inc.	\$1.59	Services: Business Services
6	Endo International plc	\$6.33	Manufacturing: Pharmaceutical Preparations	Serta Simmons Bedding LLC	\$1.00	Manufacturing: Mattresses
7	Celsius Network LLC	\$4.31	Finance, Insurance, and Real Estate: Personal Credit Institutions	Sorrento Therapeutics Inc.	\$1.00	Manufacturing: Biological Products
8	Altera Infrastructure LP	\$3.83	Transportation, Communications, and Utilities: Deep Sea Freight	Diamond Sports Group LLC	\$1.00	Transportation, Communications, and Utilities: Broadcasting Stations
9	GWG Holdings Inc.	\$3.49	Finance, Insurance, and Real Estate: Life Insurance	LTL Management LLC	\$1.00	Services: Health and Allied Services
10	Revlon Inc.	\$2.33	Manufacturing: Perfumes, Cosmetics, and Other Toilet Preparations	Venator Materials plc	\$1.00	Manufacturing: Industrial Inorganic Chemicals
11	Core Scientific Inc.	\$1.40	Retail Trade: Crypto	Envision Healthcare Corporation	\$1.00	Services: General Medical and Surgical Hospitals
12	TPC Group Inc.	\$1.00	Manufacturing: Industrial Organic Chemicals	Monitronics International Inc.	\$1.00	Services: Miscellaneous Business Services
13	Voyager Digital Holdings Inc.	\$1.00	Finance, Insurance, and Real Estate: Security and Commodity Brokers, Dealers, Exchanges, and Services	Benefytt Technologies Inc.	\$1.00	Finance, Insurance, and Real Estate: Insurance Agents, Brokers, and Service
14	Aearo Technologies LLC	\$1.00	Manufacturing: Photographic, Medical and Optical Goods	Diebold Holding Company Inc.	\$1.00	Manufacturing: Calculating and Accounting Machines

Rank	2022			1H 2023		
	Company	Assets (In Billions)	SIC Industry Division and Description	Company	Assets (In Billions)	SIC Industry Division and Description
15	Carestream Health Inc.	\$1.00	Services: Health Services	Genesis Care Pty Ltd.	\$1.00	Services: General Medical and Surgical Hospitals
16	BlockFi Inc.	\$1.00	Retail Trade: Crypto	Wesco Aircraft Holdings Inc.	\$1.00	Wholesale Trade: Hardware
17	Armstrong Flooring Inc.	\$0.52	Manufacturing: Floor Coverings	National CineMedia LLC	\$0.89	Services: Advertising Agencies
18	Seadrill New Finance Limited	\$0.50	Mining, Oil, and Gas: Drilling Oil and Gas Wells	QualTek Services Inc.	\$0.69	Construction: Water, Sewer, Pipeline, and Communications and Power Line Construction
19	Footprint Power Salem Harbor Development LP (n/k/a Salem Harbor Power Development LP)	\$0.50	Transportation, Communications, and Utilities: Electric Services	Nautical Solutions LLC	\$0.50	Transportation, Communications, and Utilities: Deep Sea Freight
20	Ruby Pipeline LLC	\$0.50	Transportation, Communications, and Utilities: Natural Gas Transmission	FB Debt Financing Guarantor LLC	\$0.50	Manufacturing: Perfumes, Cosmetics, and Other Toilet Preparations

Source: BankruptcyData

Note: All companies in this table filed for Chapter 11 bankruptcy. The 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." 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.

Bankruptcy Venues

- Consistent with prior years, the most common venue for bankruptcy filings was Delaware, which accounted for 39% of large company bankruptcies in 1H 2023 and 43% in 2022.
- The second-largest venue was the Southern District of Texas, which accounted for 32% of filings in 1H 2023 and 17% in 2022.
- Consistent with increasing overall bankruptcy filings in 1H 2023 compared to 2022, bankruptcy filings have increased in both of the top two venues. Manufacturing bankruptcies comprised the most bankruptcies within an industry in both Delaware and the Southern District of Texas in 1H 2023—11 (39%) in Delaware and nine (39%) in the Southern District of Texas.
- The two largest bankruptcies by assets in 2022, seven of the top 10 largest bankruptcies in 1H 2023, and 16 of the top 20 largest bankruptcies in 1H 2023 were filed in the Southern District of Texas. Only one of the top 20 bankruptcies by assets in 1H 2023 was filed in Delaware.
- The Southern District of New York and the District of New Jersey were the next most common venues in 1H 2023, each accounting for 7% of the total. The number of filings in the District of New Jersey in 1H 2023 was higher than the total number filed there in any previous year from 2005 to 2022, and consistent with observations that this venue may offer relatively favorable conditions for filers.¹⁸ Two of these filings were Retail bankruptcies—David’s Bridal LLC and Bed Bath & Beyond Inc.
- The top four venues (Delaware, Southern District of Texas, Southern District of New York, and New Jersey) accounted for 85% of large corporate bankruptcies in 1H 2023 and 79% in 2022.

85%

Combined percentage of 1H 2023 bankruptcy filings in Delaware, Southern District of Texas, Southern District of New York, and New Jersey.

Figure 6: Heat Map of Bankruptcies by Venue 2005–1H 2023

Court	Average 2005–2022	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	1H 2023
Delaware	32	10	14	19	54	67	25	33	21	34	25	33	39	30	37	39	57	24	23	28
Texas - Southern	8	1	0	1	4	4	0	2	1	1	2	5	13	14	9	14	47	17	9	23
New York - Southern	14	10	11	4	20	28	22	10	22	9	10	5	14	18	11	18	21	11	9	5
New Jersey	1	2	2	0	2	3	1	0	0	1	2	1	0	0	0	3	3	2	1	5
Virginia - Eastern	2	0	1	1	3	0	2	0	1	0	1	3	2	2	2	1	6	2	0	0
Georgia - Northern	1	2	0	1	6	2	0	1	1	0	0	0	0	1	0	2	1	0	0	0
Texas - Northern	2	0	1	1	2	5	0	0	2	0	1	2	2	3	2	3	1	4	2	1
California - Central	2	0	0	3	5	8	3	0	2	0	0	1	0	0	1	2	0	2	2	1
Other	15	18	5	9	32	44	16	11	11	9	6	14	14	21	11	16	19	8	7	9
Number of Bankruptcies	77	43	34	39	128	161	69	57	61	54	47	64	84	89	73	98	155	70	53	72

Legend: < 5, 5–10, 11–20, 21–50, Over 50

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

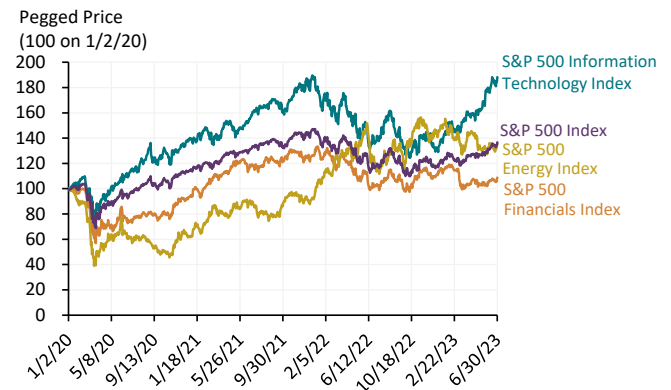
Recent predictions of a recession expressed by commentators have not materialized as of the time of this publication, and the economy has generally continued to perform well in most industries. While interest rates have reached their highest levels since January 2001 as of the time of this publication, the Federal Open Market Committee (FOMC) is projecting lower rates in the next two years. In 1H 2023, the yield curve remained inverted and below levels not seen since 1981. Performance of retail and cryptocurrency indices has deteriorated since the start of 2022, which is consistent with an increase in bankruptcy filings in those sectors.

Since the pandemic-driven decline in March 2020, the S&P 500 Index has recovered. The S&P 500 Information Technology Index has outpaced other select indices, particularly since early 2023. The Energy Index lagged from 2020 to 2022 but rallied to end in June 2023 at a level close to the broader S&P 500 index. The Financials Index has lagged, particularly as interest rates rose during 2022 and ended at the lowest level of these select indices in June 2023.¹⁹

Figure 7 Source: Refinitiv

Figure 7 Note: Select sector indices shown. All indices are indexed to 100 on January 1, 2020.

Figure 7: Broad Market and Sector Index Performance January 2020–June 2023

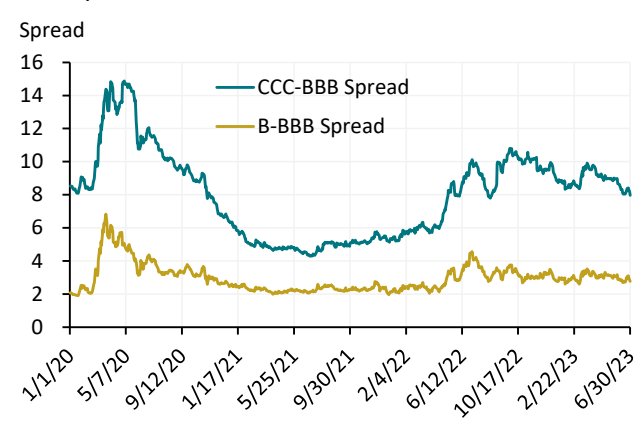


After credit spreads peaked in March 2020 and then receded, the yield spread between non-investment grade and investment grade corporate debt began widening in mid-2022, particularly for riskier corporate debt with credit ratings of CCC or lower. The wider credit spreads have persisted into 1H 2023.

Figure 8 Source: FRED Economic Data

Figure 8 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 8: Credit Spreads on Corporate Debt January 2020–June 2023

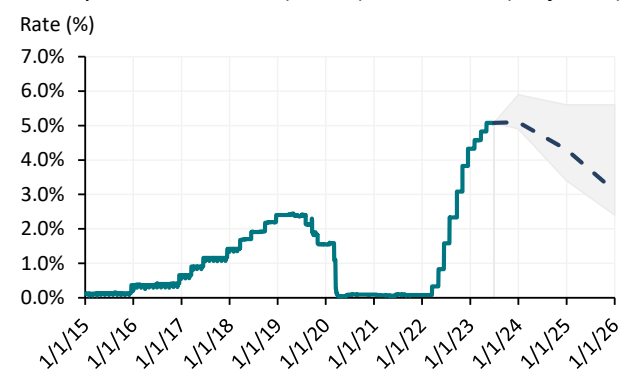


Interest rates in 1H 2023 increased as the Federal Reserve enacted three 25-basis-point increases. The effective federal funds rate increased from 4.33% to 5.08% during 1H 2023, with the median forecasted rate from the FOMC reaching 5.1% by year-end 2023, as of June 2023.

Figure 9 Source: FRED Economic Data; Board of Governors of the Federal Reserve

Figure 9 Note: Dashed line represents the median predicted value from the June 2023 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 2023.

Figure 9: Effective Federal Funds Rate January 2015–June 2023 (Actual), 2023–2025 (Projected)

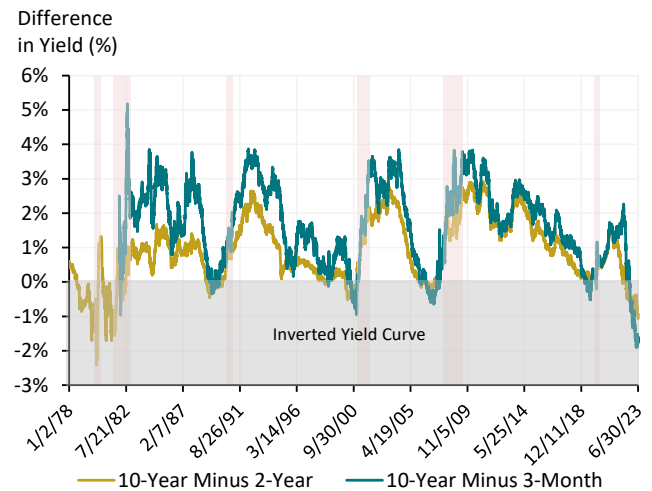


The spread on the 10-year minus two-year U.S. Treasury yields inverted (i.e., became negative) on July 6, 2022, while the 10-year minus three-month U.S. Treasury yields inverted on October 25, 2022. Both spreads remained inverted through 1H 2023. In 1H 2023, the spread on the 10-year minus two-year U.S.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

Figure 10 Source: FRED Economic Data; National Bureau of Economic Research (NBER)

Figure 10 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 is available starting in January 1982.

Figure 10: Inversions in the U.S. Treasury Yield January 1978–June 2023

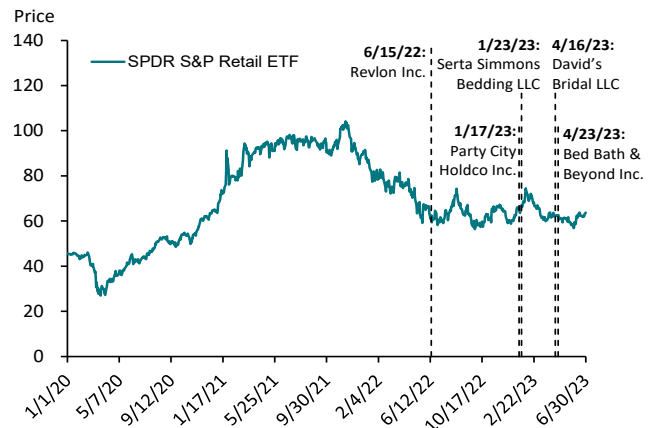


The S&P Retail sector index has risen since mid-2020 through the beginning of 2022, when it began to decline, eventually reaching approximately the same performance level as the end of 2020. After some pandemic-driven retail bankruptcies in 2020 and a quieter 2021, multiple large retailers have filed for bankruptcy in 2022 and 2023, citing, in part, continued impacts of the pandemic, including lower consumer demand, continued inflation pressures, rising interest rates, and supply chain issues. Since June 2022, some of the better-known companies that have filed for bankruptcy include Revlon with \$2.3 billion in assets at the time of bankruptcy, Party City with \$2.9 billion, Serta Simmons Bedding with \$1 billion, David’s Bridal with \$0.1 billion, and Bed Bath & Beyond with \$4.4 billion.

Figure 11 Source: Refinitiv; BankruptcyData

Figure 11 Note: The SPDR S&P Retail ETF benchmarks to the equal-weighted S&P Retail Select Industry Index, which represents the retail segment of the S&P Total Market Index. The companies highlighted in the chart are not necessarily members of the index. Serta Simmons Bedding LLC is classified as Manufacturing per its SIC code but is also included in the chart given the direct-to-consumer component of its retail business.

Figure 11: Retail Market Performance January 2020–June 2023

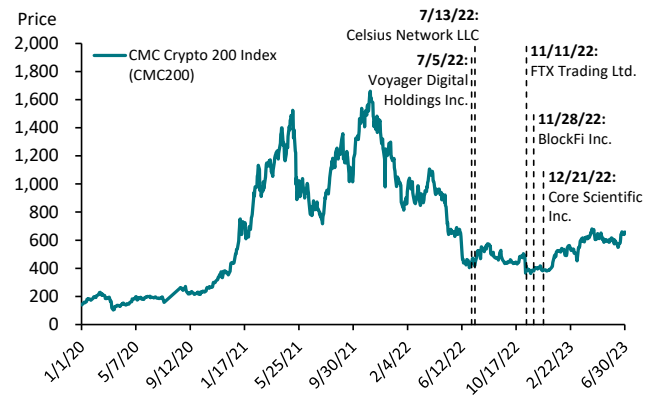


The cryptocurrency market experienced a precipitous decline in prices in the first half of 2022. Starting in July 2022, bankruptcy activity in the cryptocurrency sector intensified. Some of the largest Chapter 7 and Chapter 11 bankruptcies in the second half of 2022 include Voyager Digital Holdings, with \$1 billion in assets at the time of bankruptcy, Celsius Network with \$4.3 billion, FTX Trading with \$10 billion, BlockFi with \$1 billion, and Core Scientific Inc. with \$1.4 billion.

Figure 12 Source: Refinitiv; BankruptcyData

Figure 12 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 appear in the top 20 filings in 2022 or 1H 2023 and are not necessarily members of the index.

Figure 12: Cryptocurrency Market Performance January 2020–June 2023



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 1,451 such bankruptcies from January 1, 2005, through June 30, 2023.²⁰ 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 420 mega bankruptcies from January 1, 2005, through June 30, 2023.

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 5, 2023. It focuses on asset values at the time of bankruptcy filings.
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- ³ “Bed Bath & Beyond Files for Bankruptcy Protection, Begins Liquidation Sale,” *Reuters*, April 24, 2023, <https://www.reuters.com/business/retail-consumer/bed-bath-beyond-files-bankruptcy-protection-after-long-struggle-2023-04-23/>.
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- ⁵ “Failed Bank Information for First Republic Bank, San Francisco, CA,” *FDIC*, <https://www.fdic.gov/resources/resolutions/bank-failures/failed-bank-list/first-republic.html>; “Failed Bank Information for Signature Bank, New York, NY,” *FDIC*, <https://www.fdic.gov/resources/resolutions/bank-failures/failed-bank-list/signature-ny.html>; “Silvergate Capital Corporation Announces Intent to Wind Down Operations and Voluntarily Liquidate Silvergate Bank,” *Silvergate*, March 8, 2023, <https://ir.silvergate.com/news/news-details/2023/Silvergate-Capital-Corporation-Announces-Intent-to-Wind-Down-Operations-and-Voluntarily-Liquidate-Silvergate-Bank/default.aspx>.
- ⁶ 11 U.S.C. § 109.
- ⁷ “SVB Financial Group Commences Chapter 11 Proceeding to Preserve Value,” *PR Newswire*, March 17, 2023, <https://www.prnewswire.com/news-releases/svb-financial-group-commences-chapter-11-proceeding-to-preserve-value-301774997.html>.
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- ¹⁰ Declaration of William C. Kosturos in Support of the Debtor’s Chapter 11 Petition and First Day Pleadings, *In re: SVB Financial Group*, March 19, 2023; Statement of Martin J. Gruenberg, Chairman, Federal Deposit Insurance Corporation on “Recent Bank Failures and the Federal Regulatory Response” before the Committee on Banking, Housing, and Urban Affairs, United States Senate, March 28, 2023.
- ¹¹ Amended Disclosure Statement Relating to the Amended Joint Chapter 11 Plan of Bed Bath & Beyond Inc. and Its Debtor Affiliates, *In re: Bed Bath & Beyond Inc. et al.*, July 31, 2023.
- ¹² “Cineworld Eyes Bankruptcy Exit in July as Most Lenders Back Restructuring Plan,” *Reuters*, May 25, 2023, <https://www.reuters.com/business/media-telecom/cineworld-expects-exit-chapter-11-bankruptcy-july-2023-05-25/>.
- ¹³ “Avaya Files for Chapter 11 Bankruptcy,” *Reuters*, February 14, 2023, <https://www.reuters.com/technology/avaya-files-chapter-11-bankruptcy-2023-02-14/>.
- ¹⁴ There have been other crypto-related Chapter 7, Chapter 11, and Chapter 15 bankruptcy filings in 2022 and 2023, some of which include Desolation Holdings LLC (Bittrex), Emergent Fidelity Technologies Ltd., Genesis Global Holdco LLC, and Three Arrows Capital. See “As Crypto Bankruptcies Continue, Crypto Miners Strain Power Grids,” *Bloomberg Law*, March 28, 2023.
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- ¹⁶ Disclosure Statement for the Joint Chapter 11 Plan of Reorganization of Party City Holdco Inc. and Its Debtor Affiliates, *In re: Party City Holdco Inc. et al.*, April 4, 2023.
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- ¹⁸ “New Jersey Is the New Hot Spot for Big Businesses to Go Broke,” *Bloomberg*, May 2, 2023, <https://www.bloomberg.com/news/articles/2023-05-02/new-jersey-is-new-bankruptcy-hot-spot-for-david-s-bridal-bed-bath-beyond>.
- ¹⁹ “It’s Been a Year since the Fed Began Hiking Rates—Where Things Go from Here Remains ‘Muddy,’” *CNBC*, March 22, 2023, <https://www.cnbc.com/2023/03/22/one-year-of-interest-rate-hikes-who-has-been-most-affected.html>.
- ²⁰ 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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