

## **BankruptcyData's 2017 Corporate Bankruptcy Review: Energy & Retail Sectors Dominate; Prepackaged Chapter 11 Bankruptcies Up 75% and Looming Debt Maturities Point to Increased Chapter 11 Activity**

Quincy, MA; January 10, 2018: Year-end analysis by New Generation Research's [BankruptcyData](#) indicates that the uptick in public\* company bankruptcy filings since 2014 reversed this year, with 2017's bankruptcy count decreasing 28%. That reduction marks a sharp departure from the respective 25% and 48% gains seen in 2016 and 2015.

Despite this year's decline, many economic analysts, including George Putnam—Publisher of [The Turnaround Letter](#), [Distressed Company Alert](#) and [BankruptcyData](#)—anticipate that Chapter 11 activity will tick higher in 2018. Putnam explains, "Much of the unprecedented amount of debt that has been raised during the exuberant markets since 2009 comes due soon. Roughly \$1.5 trillion dollars of lower quality corporate debt (a combination of high yield bonds and so-called 'leveraged' bank loans) comes due over the next five years. Even if the debt markets stay strong, some small percentage of that debt will need to be restructured, much of that through Chapter 11. If the debt markets get more selective, a larger percentage of the maturing debt will not be able to be refinanced, leading to even more bankruptcies."

Commenting on U.S. Bankruptcy Court activity and its Wall Street impact, Putnam notes, "If we are correct and the pace of defaults pick up, this will create a wealth of opportunities for distressed debt investors. Also, the large number of companies, particularly energy companies, emerging from Chapter 11 has created interesting opportunities in post-reorganization stocks."

Despite 2017's declining public company bankruptcy counts, however, the combined assets\*\* of Chapter 7 and Chapter 11 petitioners rose slightly, fueled in large part by the high asset figures of two of the year's largest Chapter 11 filings: **Seadrill Limited** (SDRL), \$21.7 billion, and **Walter Investment Management Corp.** (WAC), \$16.8 billion.

### **Ten Largest Public Bankruptcies (2017)**

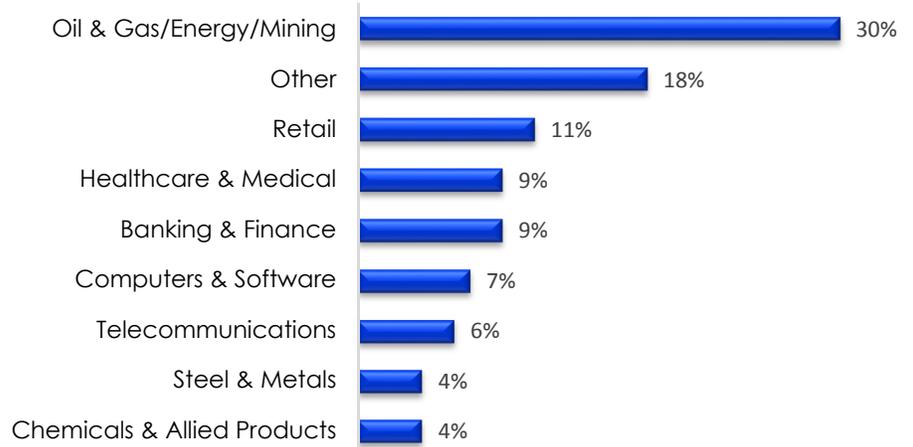
<b>Company</b>	<b>Bankruptcy Date</b>	<b>Pre-Petition Assets (\$mils)</b>
Seadrill Limited	09/12/17	\$21,666
Walter Investment Management Corp.	11/30/17	16,759
Toys "R" Us, Inc.	09/19/17	6,908
Avaya Inc.	01/19/17	6,862
Pacific Drilling S.A.	11/12/17	5,998
J.G. Wentworth Company, The	12/12/17	4,993
Tidewater Inc.	05/17/17	4,991
GenOn Energy, Inc.	06/14/17	4,860
First NBC Bank Holding Company	05/11/17	4,706
Memorial Production Partners LP	01/16/17	2,906

Interestingly, the largest bankruptcy of 2017 was not initiated by a company, and it technically might not even be a "bankruptcy" at all. When the **Commonwealth of Puerto Rico** defaulted with a total estimated \$73 billion of debt earlier this year, it was ineligible to seek protection under the U.S. Bankruptcy Code because that law does not cover unincorporated territories. Instead, Congress passed a special statute called the Puerto Rico Oversight, Management and

Economic Stability Act (PROMESA) to provide judicial oversight for the restructuring of Puerto Rico's debt. The Commonwealth initiated its Title III proceeding on May 3, 2017 in the District of Puerto Rico.

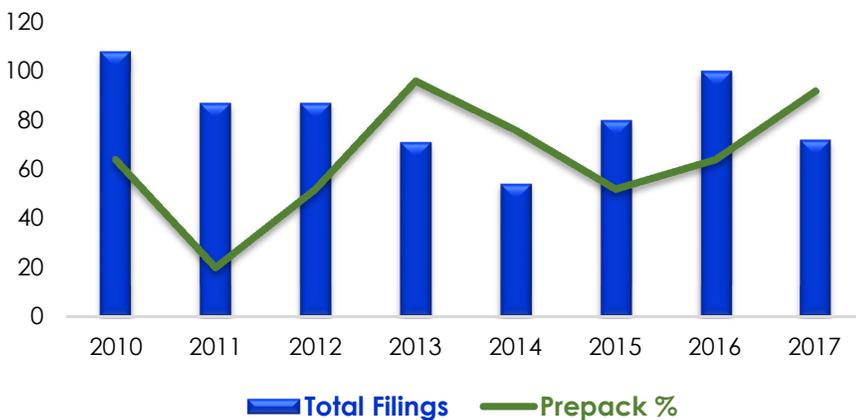
In terms of industries represented in public company bankruptcies, this year's oil & gas/energy/mining sector activity remained significant—generating 21 of the year's 71 public bankruptcies (or 30%). Despite 2017's impressive totals, this industry's impact declined from 2016's 41%. This is also reflected in the ten largest Chapter 11 filings of 2017: Four of this year's top ten herald from oil & gas-related companies; while 2016's top ten petitioners included eight from that sector.

### Public Bankruptcies by Industry (2017)



The distressed retail industry received a lot of press coverage in 2017 with the Chapter 11 filings of, among others, **Gymboree Corporation; hhrgregg, Inc.; rue21, inc.** and **Toys "R" Us, Inc.**—not to mention a flurry of high profile private bankruptcies: **AeroGroup International, Inc. (Aerosoles); Charming Charlie, LLC; Gander Mountain Company, Inc.; Payless Inc.; True Religion Apparel, Inc.; Vitamin World, Inc.** and **Wet Seal, LLC**, just to name a few. Not surprisingly, the retail sector saw the second highest bankruptcy count with 11% of the total.

### Public Bankruptcies by Total Count and % Prepackaged (2010-2017)



2017 also saw a notable uptick in prepackaged or pre-negotiated public company Chapter 11 restructurings, with half of the ten largest and 23% of the year's total bankruptcies employing this technique, a 44% rise from 2016's 16% of total prepackaged bankruptcies. This expedited approach is utilized when a company and its creditors can agree on the key terms of a plan of reorganization before the company files its Chapter 11 petition. The advantage to this filing

approach is a quicker, less contentious bankruptcy proceeding, which can benefit both the debtor and its creditors with a pronounced reduction in both legal expenses and consumer distress.

In terms of duration of bankruptcy proceedings, the two most expeditious proceedings ever (not surprisingly, both prepackaged Chapter 11's) received U.S. Bankruptcy Court Plan confirmation

orders in 2017. Ranking as the most rapid historic Chapter 11 case, **Global A&T Electronics Ltd.'s** December 17<sup>th</sup> filing received a confirmation order just five days later; **Roust Corporation** was a close second at a mere 11 days from petition filing to confirmation date.

BankruptcyData's analysis of 2017's private company bankruptcies reveals that those filings rose slightly (.2%) since 2016 and an impressive 26% versus 2015. In fact, this year's business bankruptcy filing count was the largest annual figure since 2014; private business bankruptcy filings dropped significantly following the 2008 recession—until 2016 when that count spiked 26% over 2015's figure and the number has risen steadily since. 2017's private service sector bankruptcies declined further while the rise in retail and finance, insurance & real estate industries' bankruptcies continued.

### Public Bankruptcy Counts & Assets (2000-2017)

Year	Total Filings	Pre-Petition Assets (\$mils)	Avg. Pre-Petition Assets (\$mils)
2000	187	100,882	539
2001	266	267,203	1,008
2002	229	401,063	1,751
2003	176	100,214	569
2004	93	47,802	514
2005	86	133,843	1,556
2006	66	22,257	337
2007	78	70,525	904
2008	138	1,159,351	8,401
2009	211	593,733	2,813
2010	106	89,109	840
2011	86	103,990	1,209
2012	87	70,843	814
2013	71	42,641	600
2014	54	71,918	1,332
2015	79	76,903	973
2016	99	104,665	1,057
2017	71	106,931	1,506

\* [BankruptcyData](#) defines publicly traded as those companies with common stock and/or bonds that are publicly traded on U.S. markets.

\*\* Asset figures are pre-petition and taken from each debtor's most recent Annual Report filed with the Securities and Exchange Commission (SEC).

Disclaimer: [BankruptcyData](#) collects its information from the U.S. Bankruptcy Court and the SEC. Although sources are believed to be reliable, accuracy cannot be guaranteed. New Generation Research thoroughly analyzed and audited all bankruptcy figures and statistics; however, certain details may require adjustment pending untimely SEC reporting and/or delayed U.S. Bankruptcy Court docketing.

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For additional information on corporate bankruptcies, visit <http://www.bankruptcydata.com>. A division of George Putnam, III's New Generation Research, Inc., [BankruptcyData](#) hosts the

industry's most comprehensive business bankruptcy database that allows subscribers to monitor all new business bankruptcies across the U.S. and perform in depth research on all public company bankruptcy filings dating back to the mid-1980s. BankruptcyData also collects business bankruptcy case data directly from the 94 U.S. Bankruptcy Courts and appends key demographic data to each record.

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