

Chapter 11 Recap

Year in Review for 2024

Highlights

- Retail bankruptcies surged to their highest levels since the pandemic, with major names like Party City, Red Lobster, 99 Cents Only, and Big Lots highlighting a busy year of filings
- Despite thousands of store closures tied to recent bankruptcies, there remains plenty of fast-growing operators poised to jump on new market opportunities
- While the pace of bankruptcy filings is expected to slow in 2025, macroeconomic pressures—including slower consumer spending, inflation, and higher interest rates—remain significant challenges, as highlighted by JOANN's second Chapter 11 filing in two years earlier this month.

Retail bankruptcies surged to their highest levels since the pandemic in 2024, with some of the biggest names in retail filing for bankruptcy. Driven by slower consumer spending, inflation, and higher interest rates, and hampered by mismanagement and inefficient strategies, many retailers were ill-equipped to adapt to changing market conditions. These filings spanned a variety of sectors, with restaurants and home goods businesses particularly affected. Several operators, such as Big Lots, Franchise Group, and LL Flooring, closed hundreds of stores as part of the bankruptcy process, while others, including 99 Cents Only, Party City, rue21, and Conn's, were forced into full liquidations.

Many retailers struggled to adapt to post-pandemic realities, including the end of "cheap money" and fading benefits from COVID-era shopping trends. While we expect the pace of filings to slow in 2025, these same pressures are likely to drive additional retailers into bankruptcy courts. Notably, JOANN filed for Chapter 11 earlier this month for the second time in two years, and while specifics have not yet been disclosed, more store closings are likely to follow, adding to the slew of new locations entering the market over the past year. That said, the availability of prime retail real estate remains tight, and companies such as TJX, Burlington, Five Below, Hobby Lobby, Michaels, and Aldi are well-positioned to capitalize on newly available spaces.

Below we provide a recap of significant industry bankruptcy filings in 2024 – including both liquidations and restructuring efforts.



JOANN

Filing Date: 03/18/2024 **Store Closures:** 0/815 **Outcome:** Reorganization

JOANN filed a prepackaged Chapter 11 in March 2024 which was intended to reduce debt and enable a quick emergence. During the proceedings the Company reduced its debt by almost half, to \$555 million. The effective date of the Plan of Reorganization was April 30, 2024, about six weeks after the filing. Upon emergence, the Company operated all 815 of the stores it had on the petition date.

We noted that the Company emerged without closing any underperforming stores, while still operating with tight liquidity, further limited by the minimum liquidity requirement under the ABL Facility. Ultimately, these were the reasons it was forced to file a second bankruptcy in January 2025.



99 Cents Only Stores

Filing Date: 04/08/2024 **Store Closures:** 371/371 **Outcome:** Anticipated liquidation

The Chapter 11 filing was initiated to facilitate a wind-down of operations and to sell assets. During the proceedings the Debtors transferred 170 leases to Dollar Tree, Inc. and sold 11 locations to Ollie's Bargain Outlet, Inc. Wind-down activities continued at the end of FY24. The Plan of Liquidation provides that allowed administrative claims are expected to be paid in full, and general unsecured creditors are expected to receive a recovery of between 0.5% and 2% of their allowed claims. The Debtors will release and discharge all preference claims and avoidance actions with respect to: (i) creditors that vote in favor to accept the Plan; and (ii) parties who are not entitled to vote.

Express

EXPRESS

Filing Date: 04/22/2024 **Store Closures:** 134/584 **Outcome:** Asset Sale

Express filed Chapter 11 to right-size its retail footprint and wind down brick-and-mortar operations. During the proceedings the Debtors completed a sale of most of their tangible and intangible property to The Phoenix JV, including 450 of the 584 stores they operated on the petition date. Phoenix is a joint venture formed by WHP Global, Simon Property Group and Brookfield Properties. The Plan provides for the wind-down of the bankruptcy estate and the liquidation of the remaining assets. The recovery to general unsecured creditors is estimated to be between 10%-15% of allowed claims, although the timing of the payment cannot be determined at this time.

rue21[®] Rue21

Filing Date: 05/02/2024 **Store Closures:** 543/543 **Outcome:** Liquidation

The Chapter 11 filing was the Company's third, following previous bankruptcies in 2017 and 2002. The Debtors closed all 543 of their stores during the proceedings. They sold most of their intellectual property, personal property and leasehold interests to YM Inc., a Canadian corporation which controls brands including: Charlotte Russe, Aeropostale, Urban Planet, Sirens, Bluenotes, Thrifty's, Suzy, Urban Kids, Stitches, West 49, and Amnesia. Ultimately the proceedings were dismissed; general unsecured creditors are unlikely to receive any recovery on their claims.



Sam Ash Music

Filing Date: 05/08/2024 **Store Closures:** 45/45 **Outcome:** Liquidation

Sam Ash cited "an over-reliance on in-store retail traffic and too many locations" as contributing factors to its unsustainable financial situation and ensuing Chapter 11 filing. During the proceedings, the Company closed all 45 of its retail stores and sold its intellectual property to Mexican retailer Grupo Gonher for \$15.2 million.

Red Lobster

Filing Date: 05/19/2024 **Store Closures:** 142/687 **Outcome:** Asset Sale

The Chapter 11 filing was intended to extricate the Company from long-term contracts and enable renegotiation of leases, including master leases. The Debtors leased 687 locations (247 in master leases and 440 individual property leases) on the petition date. Many of the restaurants are old and in run-down locations, hurting profitability. Lenders, including Fortress Investment Group, acquired the assets after no competing bidders expressed interest. Following completion of the transaction, Red Lobster said it "is an independent, privately held company with 545 restaurant locations across 44 U.S. states and four Canadian Provinces."



Eastern Mountain Sports and Bobs Stores

Filing Date: 06/18/2024 **Store Closures:** 43/50 **Outcome:** Asset Sale

The Chapter 11 filing was precipitated by deteriorating operations and a "liquidity crisis." The Debtors explored alternatives to maximize value for PNC (the pre-petition lender) and other creditors including: (i) a full wind-down of the business and inventory liquidation, or (ii) a hybrid approach, including closing all Bob's stores and some Eastern Mountain Sports units, while restructuring the profitable EMS locations. Ultimately, Mountain Warehouse Limited (a UK retailer of outdoor merchandise), purchased seven EMS stores, which it plans to continue operating. The remaining EMS and Bob's stores were closed. The Debtors are now in the process of winding up the bankruptcy estate.



Conn's Home Plus

Filing Date: 07/23/2024 **Store Closures:** 555/555 **Outcome:** Liquidation

The Company filed Chapter 11 after the acquisition of W.S. Badcock further compromised operations. The Debtors closed all stores and completed the sale of their remaining assets (largely receivables) to Jefferson Capital Systems, LLC for \$342.7 million on December 3, 2024. Jefferson Capital, the stalking horse bidder, is a debt collection agency.



LL Flooring

Filing Date: 08/11/2024 **Store Closures:** 211/430 **Outcome:** Asset Sale

The Company filed Chapter 11 due to liquidity issues and "a challenging macro environment". The Debtors completed a going-concern sale of the business to F9 Investments, a private equity firm based in Miami Beach, FL. The transaction included 219 of its 430 stores, inventory in the stores, and intellectual property. Additionally, the Debtors announced the completion of the private sale of the Sandston distribution center.



Blink Fitness

Filing Date: 08/12/2024 **Store Closures:** N/A **Outcome:** Asset Sale

The Court approved the sale of the Debtor's corporate operations, tangible property, intellectual property, claims and causes of action and its New York and New Jersey locations to PureGym Ltd., the stalking horse bidder. The Court also approved the sale of the Chicago, Houston, and California locations to an affiliate of JTRE Holdings LLC. The transaction with JTRE does not include franchise locations, which continue to operate as usual. PureGym, whose investors include Leonard Green & Partners and KKR, will pay \$105 million in cash and assume certain liabilities.



Big Lots

Filing Date: 09/09/2024 **Store Closures:** N/A **Outcome:** Asset Sale

After announcing a stalking horse purchase agreement with Nexus Capital fell through, and immediately starting going out of business sales at all stores, Big Lots, DIP was able to complete a more modest transaction with Gordon Brothers on January 3, 2025. Gordon Brothers bought all assets for \$495 million, an amount that covers most but not all administrative expenses and does not include any payments to typical trade vendors for 503(b)(9) claims or post-petition shipments. Gordon Brothers assumed day to day operations as it continues to liquidate most of the remaining 900+ stores while concurrently fine tuning a planned sale transaction with Variety Wholesalers (Roses parent) which will include up to two distribution centers and likely less than 200 of the stores (still operating under the Big Lots banner) which remain open under new ownership.



True Value Company

Filing Date: 10/14/2024 **Store Closures:** 0/4500 **Outcome:** Asset Sale

The Debtors filed Chapter 11 due to "significant liquidity challenges." Do It Best was designated as the successful bidder for the Company's assets after an auction was cancelled because there were no other qualified bids. The Court authorized the sale to Do It Best for \$153 million in cash, plus up to \$45 million of assumed liabilities.



TGI Friday

Filing Date: 11/02/2024 **Store Closures:** 0/39 **Outcome:** Anticipated reorganization

The Chapter 11 filing noted that ongoing fallout from the pandemic was the primary driver of financial challenges. The bankruptcy proceedings affect TGI Fridays' parent company, which operates 39 restaurants, and not the franchisees that control the remaining locations. As of the petition date, the Company's global system consists of more than 461 locations across the U.S. including 39 Company-owned units and 122 restaurants which are franchised inside the U.S., and 316 which are franchised internationally. The Company has secured financing so all restaurants will operate as usual while it navigates the bankruptcy process. The Court approved the sale of nine corporate owned restaurants to Mexican restaurant operator MERA Global LLC for \$34.5 million. Proceeds from the sale will be used to repay the entire \$24 million DIP Facility. All of the 39 corporate locations are expected to remain open.



Franchise Group DBA Pet Supplies Plus, Vitamin Shoppe, American Freight, Buddy's

Filing Date: 11/03/2024 **Store Closures:** 329/2200 **Outcome:** Anticipated asset sale

The Debtors cited "underperforming stores, inflationary pressure, an overleveraged balance sheet, and rising interest expense" as the reasons for their Chapter 11 filing. The Court authorized the Debtors to continue store closing sales at all 329 American Freight retail store locations and seven distribution centers. Additionally, bidding procedures were approved for a sale of substantially all of the Debtors' assets, including an auction on February 7, 2025 (if necessary) and a sale hearing on either February 10th or 14th (depending on whether an auction is held).



Hearthside Food Solutions

Filing Date: 11/22/2024 **Store Closures:** N/A **Outcome:** Anticipated reorganization

The Debtors filed Chapter 11 to "right size the balance sheet, infuse the business with significant equity capital, and position the Company for significant long-term growth". The Plan of Reorganization provides for: (i) a reduction of \$1.9 billion of funded debt; and (ii) a \$200 million equity rights offering. The proceeds will be used to: (i) repay outstanding amounts under the DIP Facility, (ii) provide liquidity for working capital and general corporate purposes, and (iii) ensure at least \$100 million of pro forma cash balance at emergence. The reorganized company will enter into an \$825 million First Lien Term Loan Facility and use commercially reasonable efforts to enter into an asset based revolving facility with up to \$375 million in commitments. The Disclosure Statement notes that the Debtors are not yet able to estimate the recovery to general unsecured creditors. A hearing to consider confirmation of the Plan is scheduled for March 10, 2025.



Filing Date: 12/21/2024 **Store Closures:** 695/695 **Outcome:** Anticipated liquidation

The Company's second Chapter 11 filing in two years includes a plan to implement an orderly wind down of the business and liquidate its assets. The Company's real estate advisor, A&G Real Estate Partners, is expected to auction the 695 Party City store leases as it begins to wind down its operations.



The Container Store

The Container Store **Filing Date:** 12/22/2024 **Store Closures:** 0/100 **Outcome:** Anticipated reorganization

The Container Store Group, Inc., DIP filed a voluntary prepackaged Chapter 11. The Plan of Reorganization provide that funded debt will be reduced from \$243 million to \$190 million upon emergence, along with a \$40 million increase in ABL facility. Management stated that the Plan of Reorganization does not impair any of its general unsecured creditors as all trade vendor and similar claims will be paid or otherwise satisfied, and the Company will continue to operate in the ordinary course. The restructuring is supported by "the overwhelming majority of the Debtors' capital structure;" new equity would be owned by Prepetition Term Lenders. The Debtors expect to confirm the Plan of Reorganization on January 24, 2025.

Company Name	Industry	State	Case #	Date Filed	Closures	Outcome	Petition
99 Cents Only Stores	Discount General Mdse Stores	CA	24-10721	04/08/2024	371	Anticipated liquidation	View
Big Lots	Discount General Mdse Stores	OH	24-11967	09/09/2024	N/A	Asset Sale	View
Blink Fitness	Entertainment/Recreation	NY	24-11686	08/12/2024	N/A	Asset Sale	View
Conn's Home Plus	Electrical & Electronic Appliance Retailers	TX	24-33357	07/23/2024	555	Liquidation	View
Eastern Mountain Sports and Bobs Stores	Outdoor Sports/Camping Retailers	CT	24-11385	06/18/2024	43	Asset Sale	View
Express	Apparel Retailers	OH	24-10831	04/22/2024	134	Asset Sale	View
Franchise Group DBA Pet Supplies Plus, Vitamin Shoppe, American Freight, Buddy's	Home Furnishings Retailers	VA	24-12480	11/03/2024	329	Anticipated asset sale	View
Hearthside Food Solutions	Baked Goods Manufacturers	IL	24-90587	11/22/2024	N/A	Anticipated reorganization	View
JOANN		OH	24-10418	03/18/2024	N/A	Reorganization	View

LL Flooring	Home Center/Building Materials Retailers	VA	24-11680	08/11/2024	211	Asset Sale	View
Party City	Retail	TX	24-90623	12/21/2024	695	Anticipated liquidation	View
Red Lobster	Food/Drug, Restaurant	FL	24-02486	05/19/2024	142	Asset Sale	View
Rue21	Apparel Retailers	PA	24-10939	05/02/2024	543	Liquidation	View
Sam Ash Music	Retail	NY	24-14727	05/08/2024	45	Liquidation	View
TGI Friday	Food/Drug, Restaurant	TX	24-80069	11/02/2024	N/A	Anticipated reorganization	View
The Container Store	Retail	TX	24-90626	12/22/2024	N/A	Anticipated reorganization	View
True Value Company	Home Center/Building Materials Retailers	IL	24-12337	10/14/2024	N/A	Asset Sale	View

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