Published on *The National Law Review* https://natlawreview.com

20 Retailers to Watch for a Bankruptcy Filing in the Second Half of 2020

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The unprecedented global pandemic has created a limbo for most retail tenants, and in some cases, left landlords without payment of rents. Further, some states have placed moratoriums on eviction actions, allowing tenant to stay and not pay. However, as states begin to open back up for business there appears to be light at the end of this tunnel. Still, expect a host of retailers to file for protection in July and August to eliminate stores and try to renegotiate rents.

Although we normally provide a list of 10 retailers to watch, we have increased the list to 20 given the current state of affairs. Following are the top 20 to retailers to watch for possible Chapter 11 filing(s) in the remaining year:

1. **Chuck E. Cheese's – Secret Pizza Selling Flopped.** The Complexreports that the company's plan to secretly sell pizza under Pasqually's Pizza & Wings on delivery apps, a reference to a musician who plays in Chuck E. Cheese's band, flopped. The Wall Street Journal cited that its parent company, CEC Entertainment, was almost $1 billion in debt as it asked lenders for a $200 million loan to keep the business open. With 610 locations across 47 states that provide primarily closed quarters space for kids, it's hard to see how this company does not file.

2. **AMC – Let's Go to the Movies?** According to the Hollywood Reporter, the company is expected to disclose first-quarter financials showing a $2.4 billion loss due to the pandemic. Some analysts think the company can hold out until October 2020 before making a bankruptcy call. However, the real test will be will moviegoers feel safe to go to the cinemas when they open this summer?

3. **Brooks Brothers – Nowhere to Wear a Suit.** Forbes reports revenues have been flat for the last three years, and the 202-year-old company recently took a loan of $20 million from Gordon Brothers, the bankruptcy liquidator. Bloomberg notes that Authentic Brands Group and Simon Property Group are discussing purchasing the company in a Chapter 11 filing. Brooks Brothers faced a difficult market prior to the outbreak with relaxed dress codes. Adding the cancellation of a host of events this year, like weddings and other formal functions, does not bode well for the retailer.

4. **Bed Bath & Beyond.** According to The Motely Fool, the company ended fiscal 2019 with $1.4 billion of cash and investments, up from $1 billion a year earlier. Yet, the company instead of using this time of closed stores to remodel or re-envision itself, has the same old floor plans. Further, it continues to have difficulties in online sales, unlike its competitors The Home Depot, Target, and The TJX Companies.

5. **Victoria's Secret – Closing a ¼ of stores.** USA Today reports in May 2020 that the company planned to permanently close approximately a quarter of its 1,000 stores in the U.S. and Canada in 2020. Prior to the pandemic, the company suffered from lack luster sales and slower foot traffic. Perhaps a smaller footprint will help.

6. **Ascena Retail Group**. With more than 3,400 stores, the owner of women's clothing brands, including Loft, Ann Taylor, Justice, Lane Bryant, and Catherines has been hit hard by the pandemic. Many landlords have failed to receive any rent payments from the brands since the stay at home orders were issued. With stores closed and tough competition with on-line sales, bankruptcy appears to be the only option.

7. **LA Fitness – A Reduction in Footprint?** Last year the Irvine, California company was named number one on Club Industry's Top 100 Clubs list for the sixth consecutive year. However, the difficulties in operating a club in this environment are clear. If this company does file, expect it to use the filing as a true footprint reduction to consolidate stores. The company could follow in the footsteps of Gold's Gym and 24 Hour Fitness, which both just recently filed.

8. **GAP – Falling into Bankruptcy**? The company, which owns Banana Republic and Old Navy, announced it would close 230 stores prior to the pandemic. Reuters reported in late April, the company stated that it was suspending rent and needed to borrow more money. Fortune reports that CEO, Sonia Syngal recently called on landlords to be flexible and work with retailers to get through the biggest crisis in retail's modern history. The San Francisco Chronical predicts that the retailer will be in bankruptcy court, but that it can use its good credit ratings and relatively little debt to stave off the filing for a bit.

9. **Guitar Centers – Filing Towards End of Year?** Bloomberg reports that the company gained some reprieve with new bonds for old debt. The largest U.S. retailer of musical instruments and equipment fulfilled its previously skipped debt payments. However, with concerts and other venues not opening, it may be difficult for them to stave off bankruptcy this year,

10. **GNC – Filing in August in Pittsburgh?** The Trib reports that the Pittsburgh-based company secured a deal to extend time to pay down debt. However, the deal is only good through mid-August. The company closed 900 stores last year and S&P downgraded the company. Many thought that GNC would follow competitors like the Vitamin World, which filed in 2017. Bloomberg reports that the company continues to hoard cash and not pay rent to landlords.

11. Party City – Is the Party Over? RetailDive reports the company carries significant debt from a leveraged buyout and was hurt from a helium shortage last year for balloon sales. This coupled with a poor Halloween and the pandemic with cancelled graduations and prohibitions against large gatherings could lead to a filing soon.

12. **The Men's Wearhouse and Jos. A. Banks – Two for One Filing?** Bloomberg reports that

Tailored Brands, the retailers' Houston-based parent company, is trying to restructure more than $1 billion in debt. Kirkland & Ellis and investment bank PJT Partners are advising Tailored Brands on restructuring, The parent and its affiliates have struggled as demand for suits and other formal wear has declined.

13. **GameStop – The New Blockbuster Video**. RetailDive reports that the company has a miserable 2019 – closing about 200 of its stores and sales dropping 28%. Moody's and S&P both downgraded the retailer prior to the pandemic hit. Unlike Blockbuster, the company has a strong balance sheet and flexible leases. But it is difficult to see how it can continue in this new environment where gamers can get there content on-line.

14. **Francesca's.** According to Alpha Street, the Houston-based, boutique women's apparel and accessory retailer, continued to cut costs by closing more than 10 of its 700-plus stores and laying off a sizeable chunk of its corporate staff. However, last summer, the company secured $10 million in new financing. Despite the belt tightening, the company appears poised for a possible Chapter 11 filing as it struggles to both drive traffic towards its key fashion trends and compete due to the continuing shift in customer demand away from physical stores to on-line venues.

15. **Stein Mart.** RetailDive reports that despite a positive profit in first quarter 2019, the company's top sales have fallen for the past few years. The company has taken steps to install self-service Amazon lockers in about 200 of its 283 stores in an effort to drive traffic. With tight margins and online retailers, the company faces difficulties and could be forced to file for bankruptcy protection.

16. **Rite Aid. I**nvestor Place reports with more than 2,400 stores, Rite-Aid remains challenged and is engaged in a never-ending turnaround plan. Although the bankruptcy filing of Fred's retail pharmacy freed up some market share, the company continues to fight for survival in a competitive pharmacy environment. Further, the pandemic is keeping people away from stores, including drug stores.

17. **Hobby Lobby – Divine Intervention?** According to Business Insider, the company's founder reportedly told employees a message from God in informed his decision to leave stores open amid the start of coronavirus outbreak. The decision was quickly changed with the closing of all stores in April. All though some have started to re-open, the company could use a bankruptcy filing to reduce its footprint.

18. **99 Cents Only – Will Consumers Continue to Treasure Hunt?** – RetailDive reports that the company recently made a deal with creditors and its private equity owners to trade debt for equity. The announcement caused S&P to downgrade the retailers credit rating, to CC. The deal is reminiscent of Charlotte Russe, which obtained the same relief for only a brief respite prior to filing for Chapter 11. Will people go back to the retailer, which is essentially a "treasure hunt" for consumers sifting for deals, or will the virus' log lasting impact change consumer behavior to avoid such "treasure hunting" stores.

19. RetailDive reports that prior to the virus, the company had a CCC+ or lower rating from S&P. Now with the last few months of stay in orders, many consumers have been making their purchases online, using familiar sites like Amazon. Can the pet store company pivot to more of an online mode or will its heavy focus on physical stores lead it to a filing?

20. **Best Buy – Can its Customer Focused Approach Work?** According to MarketWatch, the company's reopening strategy is focused on one-on-on service. The Street recently listed them as one of the top 15 to watch for a filing. However, the question is will the company's customer-focused approach work with consumer behavior in the new normal?

If you are an owner, developer, and/or landlord, it is important to know and understand how these changes will affect your shopping center.

National Law Review, Volumess X, Number 169