

Economics

## **U.S. Bankruptcy Filings Cool Off After a Busy March Start**

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- ▶ Only two large firms sought court protection in U.S. last week
  - ▶ Real estate, travel and entertainment firms remain vulnerable
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After a burst of bankruptcy in the first half of March, U.S. filings slowed to a trickle.

Only two companies with at least \$50 million of liabilities sought protection from creditors in the U.S. last week, according to data compiled by Bloomberg. That's the slowest seven-day stretch in five weeks.

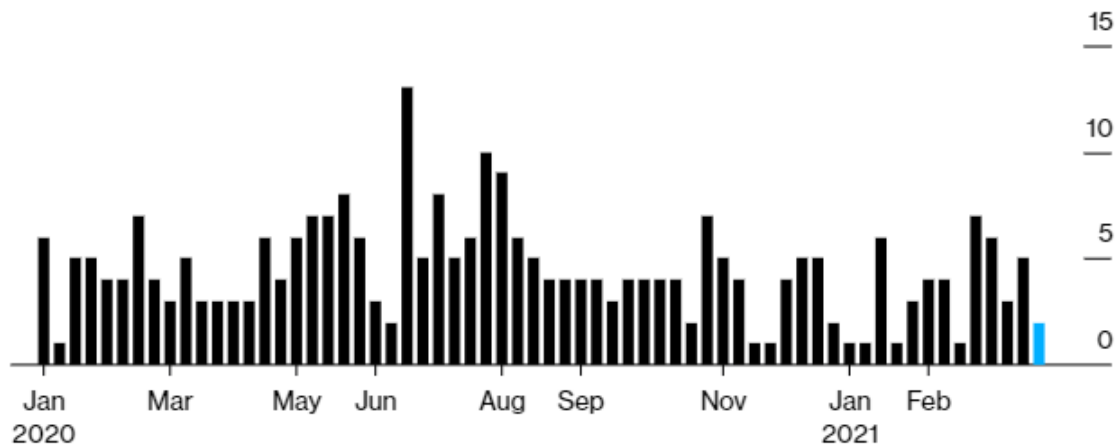
Last week was all about financial services, with a U.S. unit of embattled supply chain finance firm Greensill Capital [entering](#) court protection, listing liabilities of just over \$50 million. In addition, defunct broker dealer First Standard Financial LLC [filed](#) a Chapter 7, two years after the state of New Jersey revoked its registration.

Chapter 11 filings this week from aircraft leasing company [AeroCentury Corp.](#) and power retailer [Entrust Energy Inc.](#) boosted March filings to 18, exceeding the 16 during the third month of 2020. That's the most March bankruptcies since 2018.

## Spring Break

U.S. bankruptcy courts set for slow end to otherwise busy March

■ Weekly bankruptcy filings



Source: Bloomberg

Note: Filings are companies with \$50m+ in liabilities

There were 44 filings through March 29, less than the 50 seen by the same point of 2020, but still higher than the average of 33 for the corresponding period over the last 10 years, according to data compiled by Bloomberg. Last year's wave of large bankruptcies -- the biggest since 2009 -- began building in April and peaked in July, when 32 big firms sought court protection in that month alone.

## Propped Up

The pace of filings will be muted as long as funding costs remain relatively low and government support helps prop up borrowers, Scott Avila, partner at restructuring consultancy Paladin Management Group, said in an interview.

Avila expects more filings in financial services as long as the industry focuses on efficiency and cost cutting. "The models will change and with it, new companies will come along that do things better, faster, and cheaper," he said.

Travel, airlines, entertainment and commercial real estate remain vulnerable, according to Eric Siegert, co-head of global restructuring at investment bank Houlihan Lokey.

“There’s still a very significant inventory of highly levered companies out there, there’s just no catalyst to trigger defaults,” Siegert said. “Some people will earn their way out of the problem and life will go on. Some of them will not.”

Bankruptcy filings may increase as lenders who had been patient, waiting out restrictions and uncertainties around the pandemic, “start to pull the trigger,” said Richelle Kalnit, senior vice president at Hilco Streambank. “Now, with the vaccine rollout and re-openings, more companies may choose to file” and undergo a sale process.

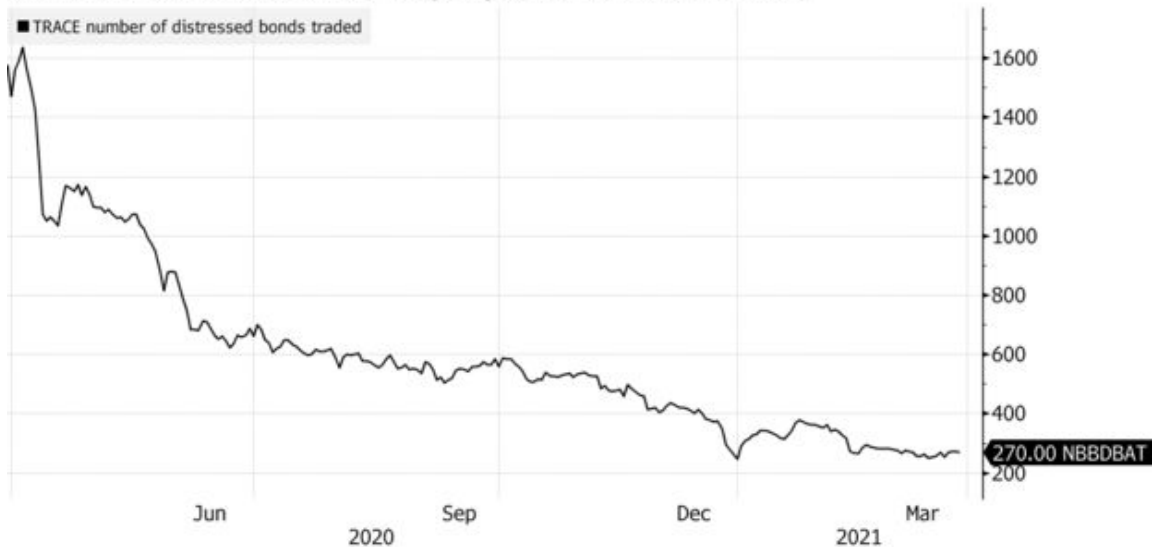
## Distress Rises

The amount of traded distressed bonds and loans rose to about \$93.8 billion as of March 26 -- up 0.5% week-on-week. The amount of troubled bonds rose 0.9% while distressed loans eased 0.6%.

There were 270 distressed bonds from 146 issuers trading as of Monday, according to Trace data. That’s up from the prior week’s 267 bonds from 139 issuers, but far below the 1,896 troubled bonds at the March 23 peak.

### On the Turn

Number of distressed bonds crept up after weeks of decline



Diamond Sports Group LLC had the most distressed debt of issuers that hadn't filed for bankruptcy as of March 26, Bloomberg data show.

TOP 5 DISTRESSED ISSUERS	DEBT (\$B)
Diamond Sports Group LLC	8.0
Transocean Inc	4.2
GTT Communications	2.3
Lightstone Holdco	2.0
Digicel Group	1.9

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