



2021 Year in Review

Key Industry Developments & Highlights

- Following 2020, the busiest year for chapter 11s on First Day record, 2021 was the slowest and is the first in at least six years to record fewer than 300 cases (2021 total: 275)
- Filings across all sectors were down 43% from 2020, down 32% from 2019 and down 17% from 2018
- All sectors recorded a drop in filings except for real estate and utilities. Real estate matched 2020's total exactly, and utilities were up 57% because of Winter Storm Uri's impact on power producers in Texas
- The biggest drops in filing frequency by sector were energy (down 73%), industrials (down 54%), consumer discretionary (down 53%), consumer staples (down 45%) and healthcare (down 42%)
- Filings in the consumer discretionary sector fell overall, while hotel filings doubled 2020's count; however, these filings slowed down after the first half of the year
- 2021 included five real estate chapter 11s with more than \$1 billion in debt; the sector led all others with respect to filings

Market Overview

After 2021's first half's massive drop in chapter 11 filings across nearly all sectors from each of 2020's halves, chapter 11 activity fell further during the second half of 2021, making 2021 the slowest year on First Day record and 2021's second half the slowest half-period on First Day record.

Only one industry increased in filing frequency from 2020 to 2021: the utilities sector, where the rise in filings was driven largely by fallout from Winter Storm Uri for electric power producers in Texas. One other industry, real estate, matched its 2020 level exactly at 77 cases. Both were record highs for the First Day Database. Real estate cases initially spiked toward the end of 2020 and gained further momentum throughout much of 2021 before tapering off closer to historical averages at the end of the year. In general, the same pressures affecting myriad industries in 2020 - many of them pandemic-related - were largely still active in 2021 but with a much gentler impact.

Prior to 2021, in which 275 cases were recorded (the only year in our dataset with fewer than 300 cases), 2018 was the slowest year in our dataset, with 330 cases. From 2016 to 2019, the average daily chapter 11 filing rate was approximately one case per day. This rate in 2020 was 1.32 per day. In 2021, the rate was 0.75 per day.

Meet the First Day by Reorg Team



Jessica Steinhagen is Deputy Managing Editor and the head of the First Day team. She has extensive experience working in the restructuring and bankruptcy group at Otterbourg, where she represented stakeholders in all aspects of reorganizations, liquidations and distressed situations.



Ian Howland is a Research and Data Analyst and manages all data projects for First Day. He has extensive experience working as a researcher for the Advisory Committee on Investor Responsibility at The New School and as an editor for The New School's economics journal.

Johanna Schaaper supports Jessica and Ian by providing legal analysis of bankruptcy filing data for cases with \$10 million in liabilities or more for First Day. Johanna has experience as a data analyst at The Environmental Finance Center at the University of North Carolina.

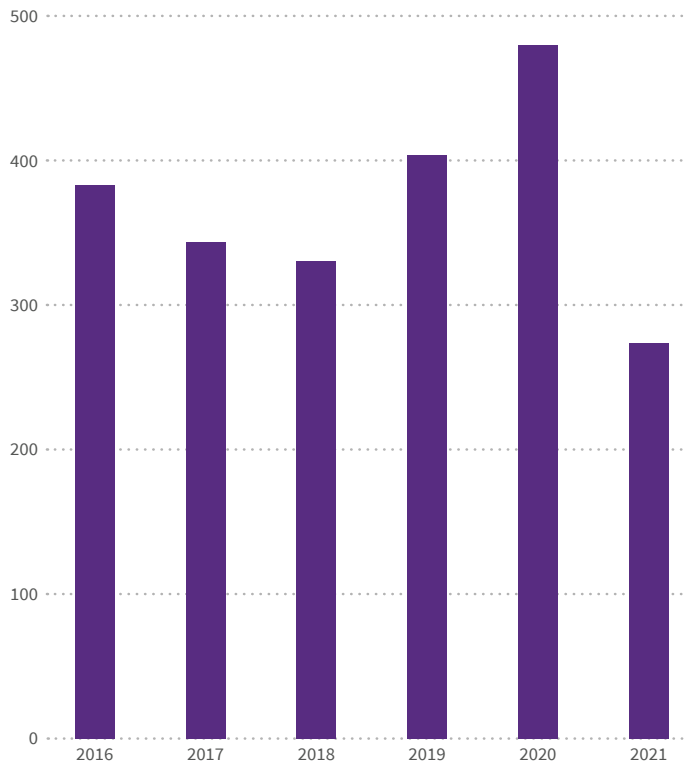
About First Day by Reorg

First Day provides in-depth analysis of new chapter 11 cases and comprehensive data on bankruptcies across the United States. First Day alerts clients every time a chapter 11 case with more than \$10 million in liabilities files and features searchable databases of cases filed since 2012 including detailed DIP information, advisor fees and 363 sales.

First Day can be purchased as part of Reorg's packaged solutions including **Americas Edge**, **Americas Edge Plus**, **Global Edge** and **Global Edge Plus**.

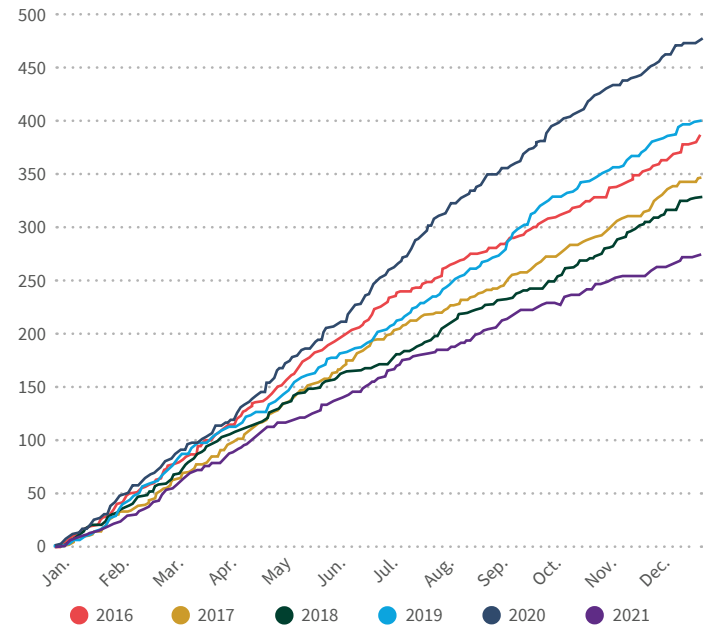
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**Annual Chapter 11 Filing Count
(2016 - 2021)**



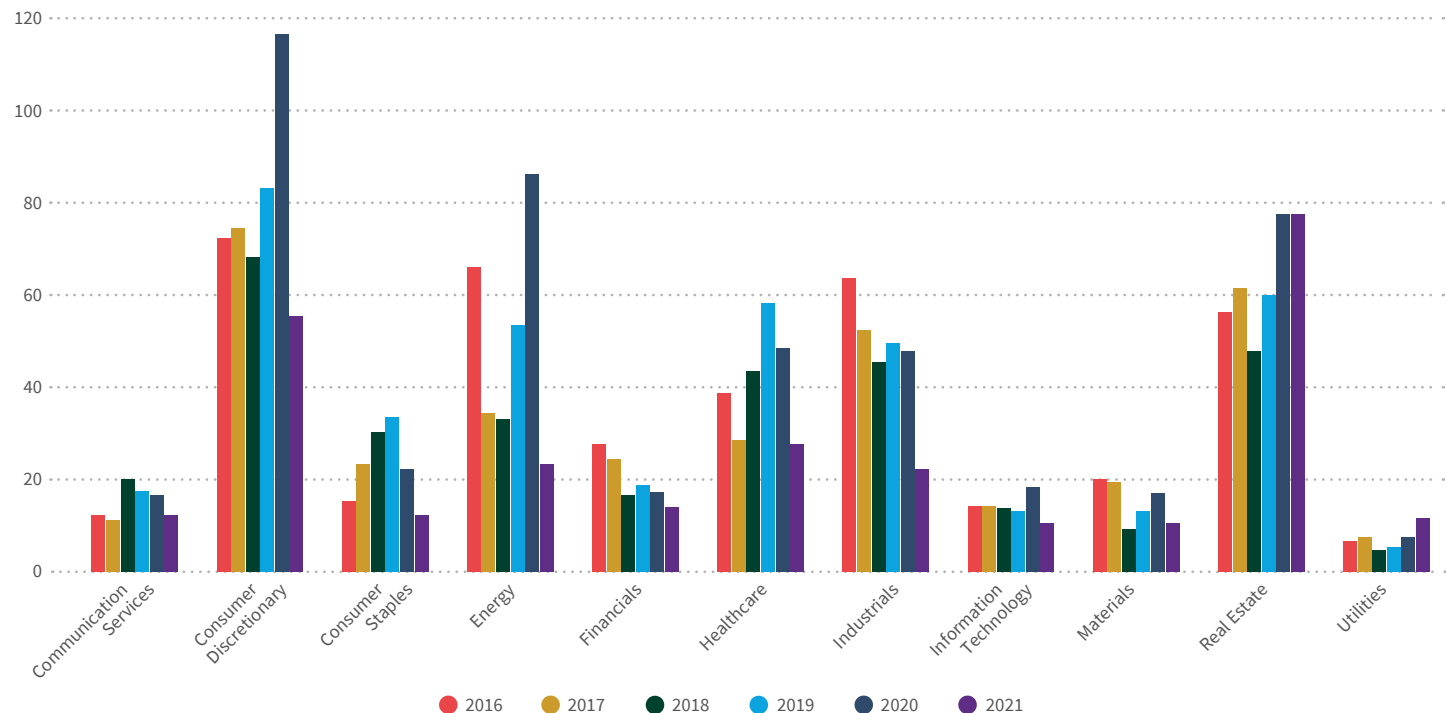
The graph below shows the timeline of annual aggregate chapter 11 filings for 2016 through 2021. As the year progressed, 2021 fell further behind historical averages:

**Timeline of Annual Chapter 11 Filings
2016 - 2021**



The graph below shows the end-of-year totals for each sector from 2016 to 2021:

**Chapter 11s Per Year by Sector
2016 - 2021**



The first half of 2021 included a muted version of certain 2020 trends, especially with respect to retail and restaurant filings, but these trends dissipated as the year progressed. As retail and restaurant filings started to slow, hotel chapter 11s and real estate cases rose but still fell well short of rivaling 2020's economywide surge in bankruptcy activity.

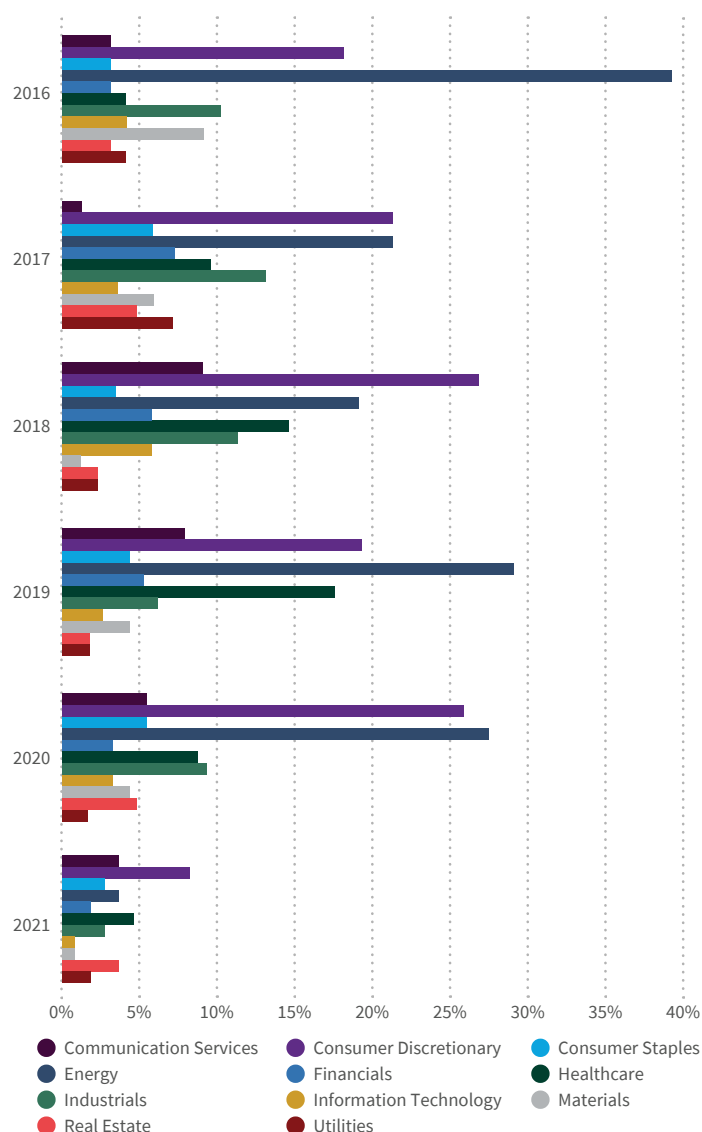
For example, consumer discretionary filings, including retail, restaurants and hotels, among others, fell by 32% from 2020's second half to 2021's first half (from 58 in the second half of 2020 to 40 in the first half of 2021). From 2021's first half to its second, these filings fell a further 63% (from 40 to 15).

Toward the end of 2020, two billion-dollar real estate chapter 11s were filed by shopping center REITs. These large real estate filings, the first two of their kind in the First Day Database, were followed in 2021 by five others: one shopping center REIT, one hotel REIT, a co-working space owner, a Brooklyn, N.Y., mixed real estate owner and the owner of skyscrapers in New York and Chicago.

Other notable 2021 trends include increased activity in the utilities sector in the wake of Winter Storm Uri in Texas and a sharp increase in filings by senior living and skilled nursing facility operators.

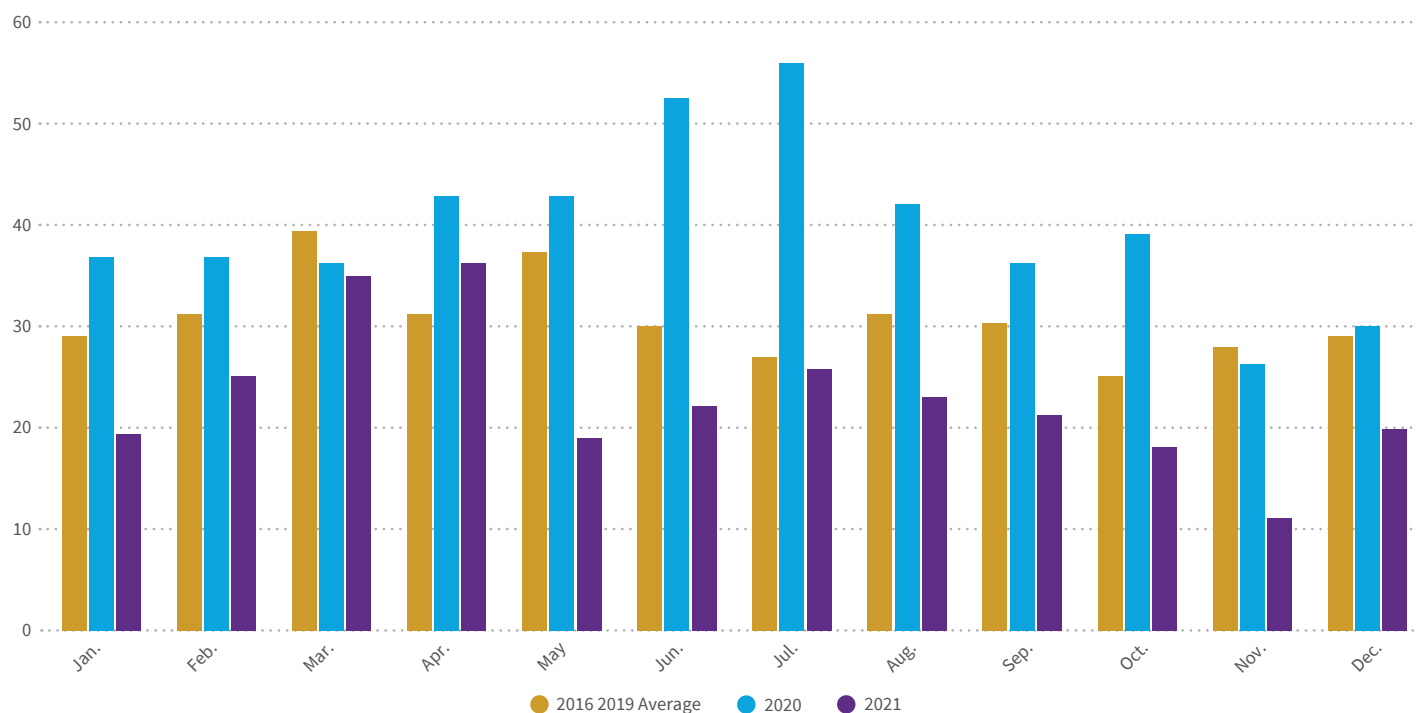
With filings down largely across the board and quieter industry trends than prior years, the sector distribution of chapter 11 filings in 2021 is far different from those of prior years, particularly with respect to larger filings. For cases with more than \$100 million in liabilities, no individual sector accounts for at least 20% of 2021's cases; that had historically been achieved by the consumer discretionary and/or energy sectors:

**\$100M+ Liability Chapter 11s by Sector Share
2016 – 2021**



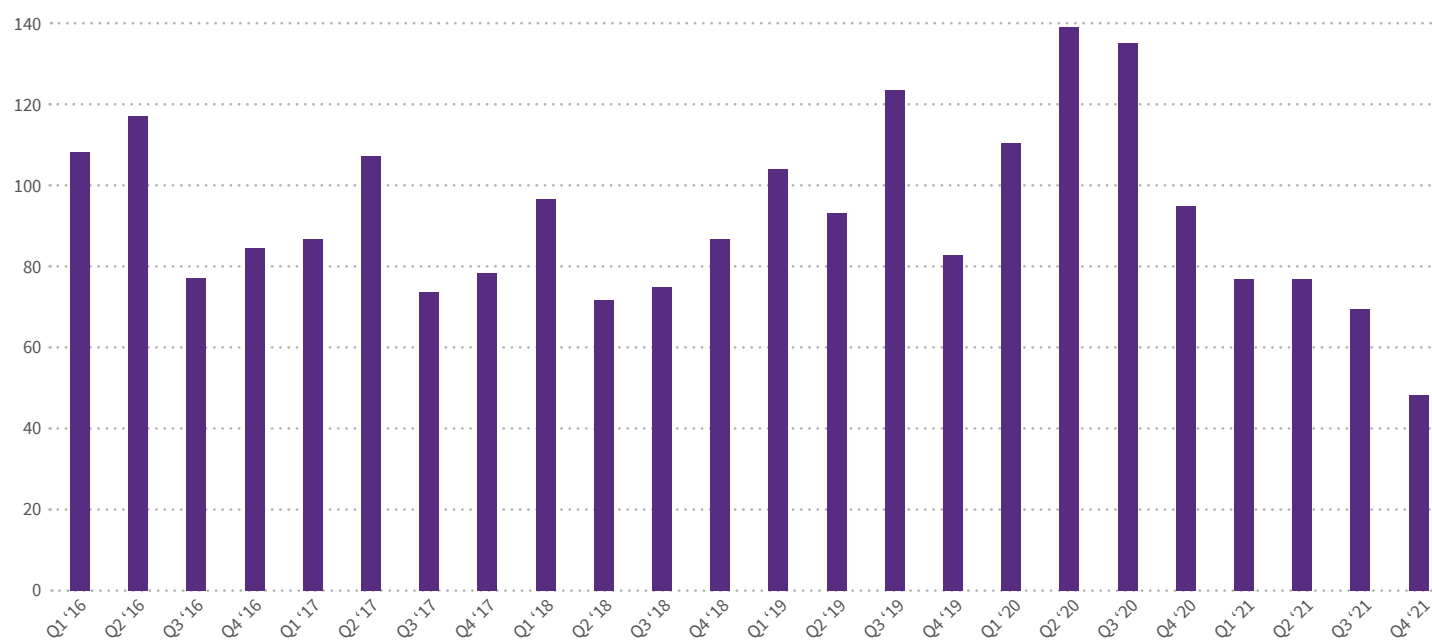
Although the year in general was slow, November 2021 was particularly slow, with just 11 chapter 11s satisfying the First Day liability threshold of \$10 million that month. This is the lowest number of cases recorded in any single month since First Day began reporting on bankruptcies in June 2015.

Monthly Chapter 11 Filings
2021

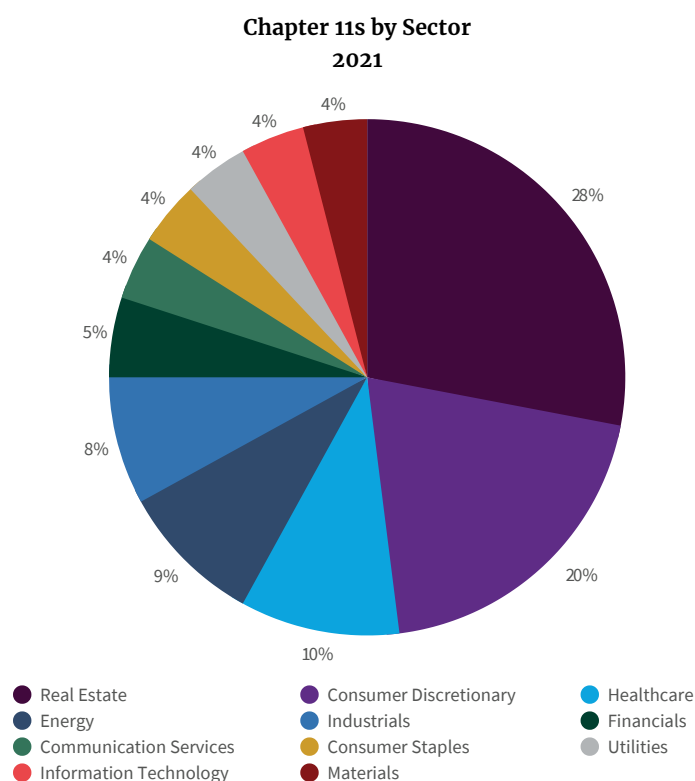


Over the entire 2016-2021 period, the third and fourth quarters of 2021 are the quietest quarters on First Day record:

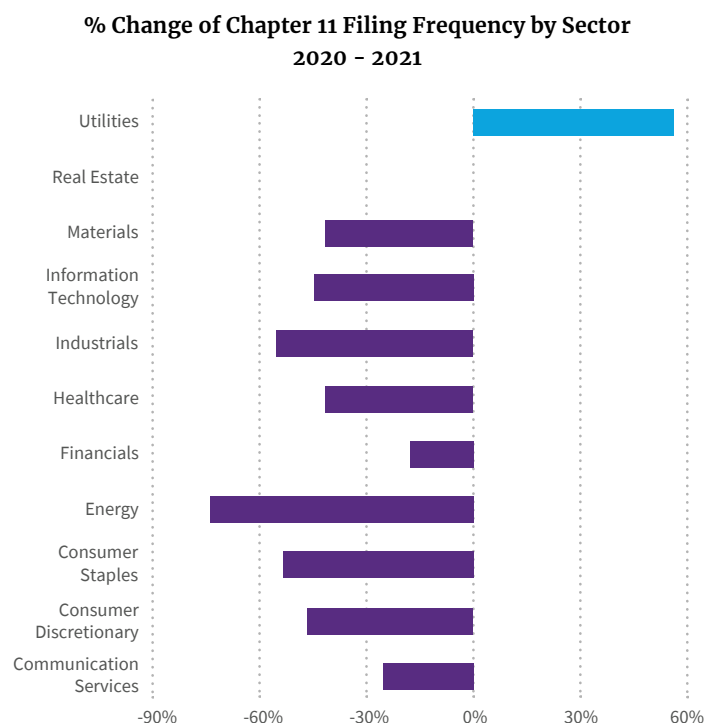
Chapter 11 Filings Per Quarter
2016 - 2021



Looking more closely at just 2021, the sector breakdown is shown below:



The graph below summarizes the year-over-year change in filing frequency from 2020, the busiest year on First Day record, to 2021, the slowest:



As mentioned above, the utilities sector is the only one to record an increase in filings from 2020 to 2021; however, this sector accounts for very few filings annually, increasing to 11 cases in 2021 from seven in 2020, and as a consequence, this increase, while significant with respect to percentage, offsets very little of the decreases in the other sectors.

With respect to liability ranges, filings were down across the board. As a scale check, 2020 had more cases within the \$10 million to \$100 million liability range than 2021 had across all First Day liability ranges:

% Change of Chapter 11 Filing Frequency by Liabilities 2020 - 2021

