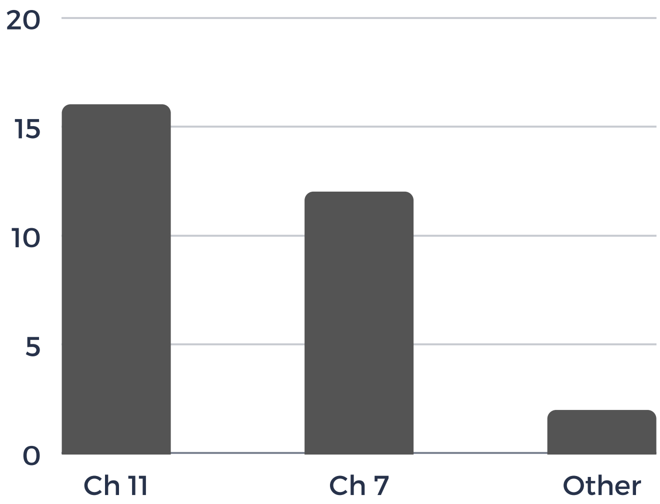
ProfitGuard
Know The Risk *Before* You Ship

November 2022

Defaults Are Now Arriving

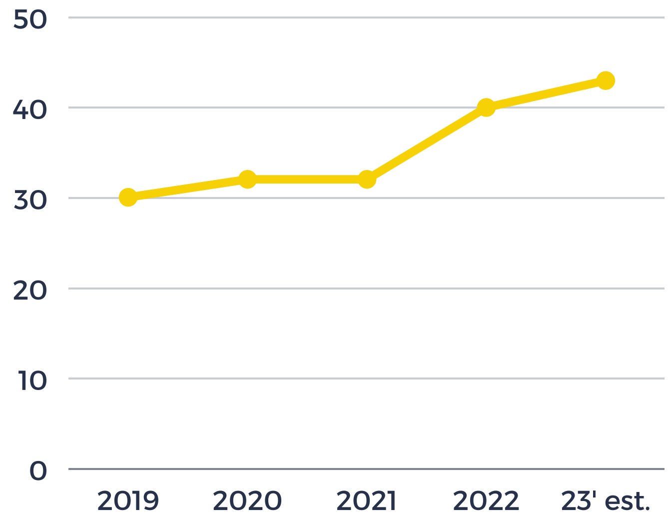


BANKRUPTCY MIX

Industrial sector insolvencies are on the rise. We have recorded 30 through mid Nov. 2022. While the majority of defaults have been Chapter 11 bankruptcy reorganizations, there have been been many liquidations through Chapter 7 and some out of court such as an assignment for the benefit of creditors.

INSOLVENCY TRENDS

After a period of relative calm, we are starting to see a surge in corporate defaults. Continued pressure from inflation, rising borrowing costs, and tighter capital markets is having a negative impact on weaker credits.



PG'S TAKE

The top two drivers of corporate default are typically either illiquidity or leverage. Corporate debt is now about 80% of GDP, up 23% since 2007. As credit tightens, illiquidity usually shows up first, which ultimately will lead to more insolvencies, as we are seeing now.

+16%

September saw 1,994 commercial bankruptcy filings, a 16% increase year over year.

60%

Most bankruptcies were filed by private companies this year.

2.5X

Weak customers are over 2.5 times more likely to default on payments