

# The Bill Comes Due: 2025 Year in Review

## *Corporate Restructuring, Capital Structure Failure, and the Quiet Middle-Market Reckoning*

Ordinarily, the annual year-end review and forward outlook bring a sense of rhythm to the restructuring market. In hindsight, however, 2025 will be remembered as the year the bill finally came due.

For nearly a decade, and with increasing urgency following the post-pandemic inflation cycle, corporate borrowers and their private equity sponsors relied on aggressive financial engineering to defer operational reality. Uptier exchanges, drop-down financings, double dips, and other liability-management exercises extended liquidity runways well beyond what fundamentals alone could support. These strategies bought time, but they did not solve underlying leverage, cost, or demand problems. What ultimately failed in 2025 was not creativity, but duration: capital structures were built on the assumption that optionality would always exist.

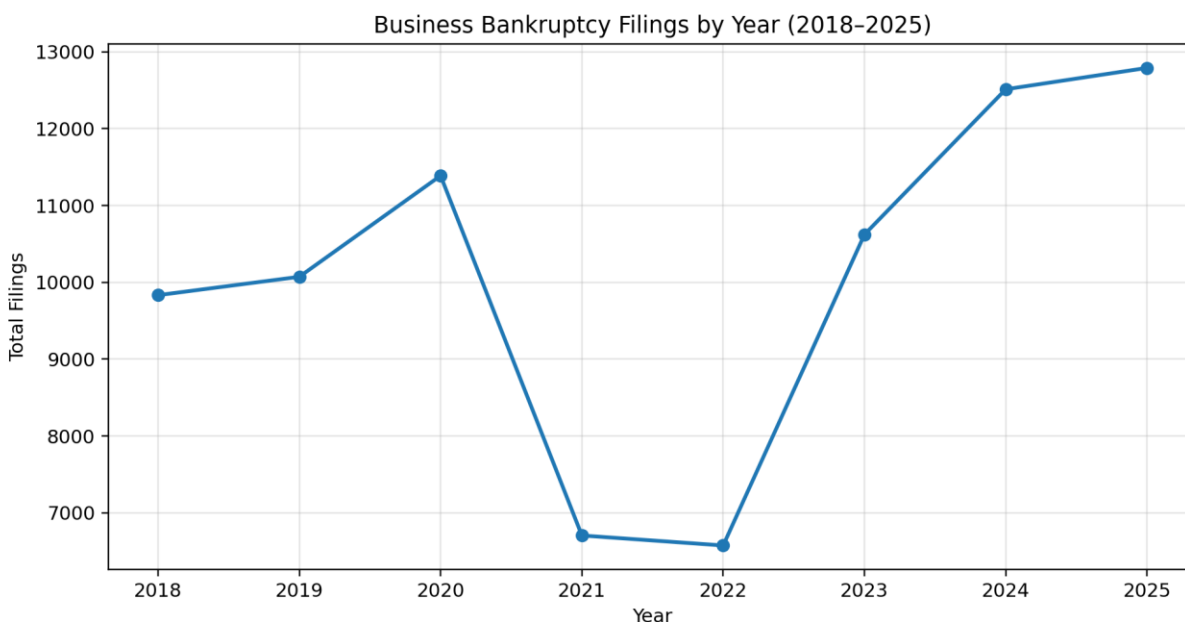
Throughout 2025, those tools met a definitive maturity wall. What distinguished the year was not merely the breadth of distress, but the decisive shift from creative, out-of-court maneuvering toward definitive, often value-destructive, in-court restructurings. The restructuring cycle moved from engineering to adjudication. The time between last-ditch liability management and Chapter 11 continued to compress, leaving fewer paths to consensus and far less room for error once liquidity tightened.

This transition was accelerated by an unforgiving macro backdrop. A higher-for-longer interest-rate regime exposed floating-rate capital structures built during the era of cheap money, while persistent labor and input-cost inflation compressed margins across retail, healthcare, industrials, and transportation. Capital structures that had survived on covenant flexibility and liquidity patches finally failed. Layered onto these pressures, evolving tariff regimes created genuine cost dislocations for some issuers, while providing others with a see-through justification to accelerate already-inevitable filings.

## **Macro Activity Backdrop: 2018–2025**

Measured against the post-2018 baseline, 2025 represents a structural inflection point in business bankruptcy activity. Aggregated **BankruptcyData** records from 2018 through year-end 2025 show a steady accumulation of pressure culminating in 12,791 filings in 2025. The year-over-year trajectory confirms that elevated activity was not episodic, but rather the convergence of higher-for-longer financing costs, margin compression, and the exhaustion of liability-management strategies. The accompanying chart illustrates the post-COVID lull in filings during a period of extraordinary liquidity, low unemployment, and suppressed interest rates, followed by a rapid

normalization as monetary conditions tightened. Culminating in 2025 as the highest annual filing total since the late-2000s cycle and the post-BAPCPA adjustment period.



**Business bankruptcy filings by year (2018–2025). Annual totals are derived from BankruptcyData collection of Business Filing Petitions and Business Natured Debt Daily; 2025 totals 12,791.**

## Part I: The Return of the Mega Case

The most visible feature of the 2025 restructuring landscape was the return of the mega case. Beginning in the first half of the year, filings by companies with liabilities exceeding \$1 billion increased materially, reflecting not just balance-sheet insolvency but the exhaustion of regulatory, sponsor-driven, and financial alternatives. These were not balance-sheet recalibrations; they were end-state filings following years of deferred reckoning. In aggregate, 2025 ranks as the second-most active year for billion-dollar filings over the past eight years, surpassed only by the extraordinary COVID-era surge in 2020.

The table below highlights some of the most significant Chapter 11 (and Ch. 7) petitions filed during the year, ranked by pre-petition liabilities. These cases—spanning both public companies and large private enterprises—defined the upper end of the restructuring market and shaped financing, litigation, and recovery outcomes across the docket.

Situation Name	Bankruptcy Filing Date	Industries	Liabilities Range
<b>Sunnova Energy International Inc.</b>	2025-06-08	Renewables	\$ 10,668,606,000
<b>First Brands Group, LLC</b>	2025-09-28	Automotive	\$10 billion to \$50 billion
<b>Azul S.A.</b>	2025-05-28	Aviation	\$ 9,575,000,000
<b>Wolfspeed, Inc.</b>	2025-06-30	Electronics	\$ 6,743,000,000
<b>Office Properties Income Trust</b>	2025-10-30	Banking and Finance	\$ 2,501,583,119
<b>United Site Services, Inc.</b>	2025-12-29	Construction and Supplies	\$1 billion to \$10 billion
<b>Sonder Holdings Inc.</b>	2025-11-14	Hotel and Gaming	\$1 billion to \$10 billion
<b>Pine Gate Renewables, LLC</b>	2025-11-06	Renewables	\$1 billion to \$10 billion
<b>Kleopatra Finco S.a r.l. (Klockner Pentaplast)</b>	2025-11-04	Packaging and Paper	\$1 billion to \$10 billion
<b>Anthology, Inc.</b>	2025-09-29	Computers and Software	\$1 billion to \$10 billion
<b>Omnicare, LLC</b>	2025-09-22	Healthcare and Medical	\$1 billion to \$10 billion
<b>Tricolor Holdings, LLC</b>	2025-09-10	Retail	\$1 billion to \$10 billion
<b>Spirit Aviation Holdings, Inc. (2025)</b>	2025-08-29	Aviation	\$1 billion to \$10 billion
<b>ModivCare Inc.</b>	2025-08-20	Healthcare and Medical	\$1 billion to \$10 billion
<b>TPI Composites, Inc.</b>	2025-08-11	Renewables	\$1 billion to \$10 billion
<b>Claire's Holdings LLC</b>	2025-08-06	Retail	\$1 billion to \$10 billion
<b>Desktop Metal, Inc.</b>	2025-07-28	Manufacturing (Misc.)	\$1 billion to \$10 billion
<b>LifeScan Global Corporation</b>	2025-07-15	Biotech	\$1 billion to \$10 billion
<b>Genesis Healthcare, Inc.</b>	2025-07-09	Healthcare and Medical	\$1 billion to \$10 billion
<b>Del Monte Foods Corporation II Inc.</b>	2025-07-01	Food, Beverage and Tobacco	\$1 billion to \$10 billion
<b>At Home Group Inc.</b>	2025-06-16	Retail	\$1 billion to \$10 billion
<b>Marelli Automotive Lighting USA LLC</b>	2025-06-11	Automotive	\$1 billion to \$10 billion
<b>Mosaic Sustainable Finance Corporation</b>	2025-06-06	Renewables	\$1 billion to \$10 billion
<b>Everstream Solutions LLC</b>	2025-05-28	Telecommunications	\$1 billion to \$10 billion
<b>WW International, Inc. (Weight Watchers)</b>	2025-05-06	Other	\$1 billion to \$10 billion
<b>New Rite Aid, LLC (2025)</b>	2025-05-05	Healthcare and Medical	\$1 billion to \$10 billion
<b>Ascend Performance Materials Holdings Inc.</b>	2025-04-21	Chemicals and Allied Products	\$1 billion to \$10 billion
<b>Xinyuan Real Estate Co., Ltd.</b>	2025-04-14	Construction and Supplies	\$1 billion to \$10 billion

<b>F21 OpCo, LLC (Forever 21)</b>	2025-03-16 00:00:00	Retail	\$1 billion to \$10 billion
<b>MLN US HoldCo LLC (Mitel Networks)</b>	2025-03-09	Telecommunications	\$1 billion to \$10 billion
<b>DocuData Solutions, L.C. (Exela Technologies)</b>	2025-03-03	Other	\$1 billion to \$10 billion
<b>Zips Car Wash, LLC</b>	2025-02-05	Automotive	\$1 billion to \$10 billion
<b>JOANN Inc. (2025)</b>	2025-01-15	Retail	\$1 billion to \$10 billion
<b>Prospect Medical Holdings, Inc.</b>	2025-01-11	Healthcare and Medical	\$1 billion to \$10 billion
<b>Ligado Networks LLC</b>	2025-01-05	Telecommunications	\$1 billion to \$10 billion

These were not routine reorganizations aimed at deleveraging. Cases such as **First Brands Group**, filed in the Southern District of Texas with liabilities estimated between \$10 billion and \$50 billion and burdened by allegations of widespread collateral double-counting and fraud, and **Genesis HealthCare**, emblematic of private-equity-backed healthcare roll-ups under stress, reflected multi-year accumulations of leverage and financial engineering finally colliding with materially tighter financial conditions.

While mega cases remained numerically limited (as they should), 2025 recorded the second-highest number of billion-dollar filings over the past eight years, absorbing a disproportionate share of professional resources, judicial attention, and capital-markets impact, echoing patterns last seen in the immediate aftermath of the 2008 financial crisis and the early months of the COVID 19 shock.

## Part II: The LME Reckoning

A defining narrative running through the large case docket of 2025 was the demonstrable failure of late cycle liability management exercises to deliver durable solutions. Across multiple mega and upper middle market filings, the interval between aggressive LMEs and Chapter 11 protection continued to compress, confirming that many of these transactions served only as bridges to bankruptcy. In practice, LMEs increasingly solved for control rather than solvency, concentrating value among a shrinking creditor cohort while leaving capital structures more fragile, not less.

**At Home Group** executed a double dip financing in May 2023 intended to extend liquidity and reset maturities. Less than 25 months later, the company filed for Chapter 11 in the District of Delaware, having exhausted both operational and financial flexibility. **Del Monte Foods** followed a similar trajectory, attempting a contested LME in 2024 before filing in July 2025, less than 18 months later, after litigation and stakeholder conflict foreclosed any consensual path forward.

Viewed alongside charts tracking liabilities by size and industry, these cases reveal a recurring pattern: LMEs increasingly concentrated value and control among a shrinking subset of creditors,

leaving fractured capital structures that inevitably produced litigation heavy bankruptcies once liquidity ran out.

## Part III: Private Credit Takes Control

The year 2025 cemented private credit as the dominant force in large cap restructuring. As traditional banks retreated from high-risk Debtor in Possession lending, private credit funds, often existing creditors, stepped into the breach.

### *The Rise of the Defensive DIP*

The defining feature of DIP financing in 2025 was the prevalence of the roll up. These Defensive DIPs were designed less to fund operational turnarounds and more to protect pre-petition positions and hard wire priority.

- **First Brands Group** entered Chapter 11 with a \$1.1 billion DIP featuring an aggressive 3:1 roll up ratio.
- **Ligado Networks** secured a \$939 million DIP split nearly evenly between new money and rolled up debt, with PIK pricing approaching 17.5%.

Other notable roll-ups surfaced by the DIP specific **BankruptcyData** dataset this year include **Pine Gate Renewables**, **PrimaLend Capital**, and **Harvest Sherwood Foods**—all private-equity-backed credits employing aggressive 3:1 roll-ups, reinforcing the prevalence of defensive DIP structures across sponsor-owned capital stacks.

DIP composition and pricing underscore how these facilities reshaped case dynamics, narrowing negotiating leverage for junior stakeholders and accelerating lender driven outcomes. Private credit did not merely finance the restructuring cycle in 2025—it inherited it, assuming duration, operational, and execution risk traditionally borne by sponsors and strategic buyers.

### *Credit Bidding and Loan to Own Outcomes*

Credit bidding emerged as the dominant exit strategy in 2025. **iRobot**'s prepackaged Chapter 11 resulted in a full equity acquisition by its secured lender through a credit bid, while **Wellpath Holdings**' restructuring enabled lenders to acquire core assets via a \$395 million bid following a bifurcated process.

These outcomes reinforce a central theme of the year: for many large issuers, Chapter 11 functioned less as a forum for balance sheet repair and more as the final step in a lender driven change of control.

## Part IV: In Court Lawmaking

Large cases in 2025 also advanced the legal frontier of restructuring practice. Post **Purdue Pharma**, courts grappled with the boundaries of consent for third party releases, producing divergent outcomes even within the same districts. Meanwhile, judicial resistance to the Texas Two Step hardened, culminating in dismissals that signaled Chapter 11 would no longer serve as a safe harbor for solvent entities seeking litigation insulation. Taken together, these rulings reflect a broader judicial reassertion of Chapter 11 as a collective process, not a transaction-clearing mechanism.

The legal environment confronting large Chapter 11 cases has become markedly less permissive, reinforcing expectations of longer timelines, heavier litigation, and increased judicial scrutiny.

## Part V: The Quiet Macro Story Beneath the Headlines

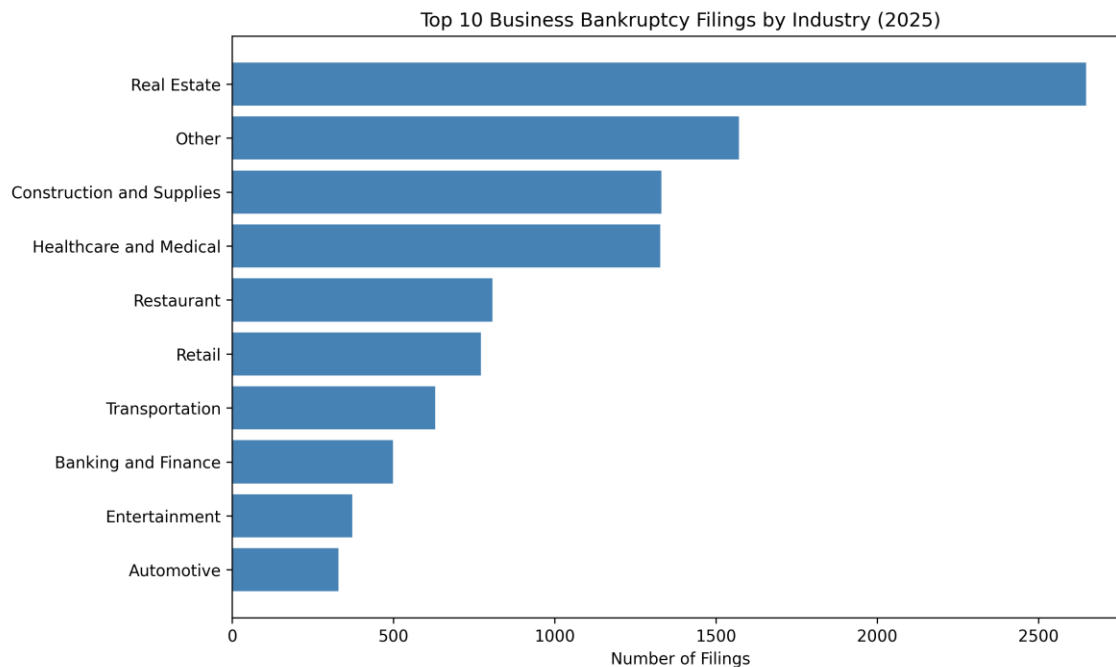
While mega cases dominated attention, the broader restructuring story of 2025 unfolded beneath the surface. Drawing from the **BankruptcyData** platform analytics covering the full universe of business filings, the year reveals a far more pervasive recalibration of the corporate landscape.

Charts illustrating filing composition by liabilities, assets, industry, employee count, and creditor size show that the middle market remained the true volume driver of complex business bankruptcies. These companies lacked the scale, sponsor support, and financing optionality available to large cap issuers, leaving little margin for error once rates and costs reset. This is a ripe landscape for targeted asset buyers and the like.

For many of these debtors, Chapter 11 functioned less as a restructuring forum than as a triage process, where outcomes were dictated by liquidity constraints rather than strategic choice. Of the 12,791 business filings, 1,749 were filed under Subchapter V, representing **approximately 13.7%** of total filings.

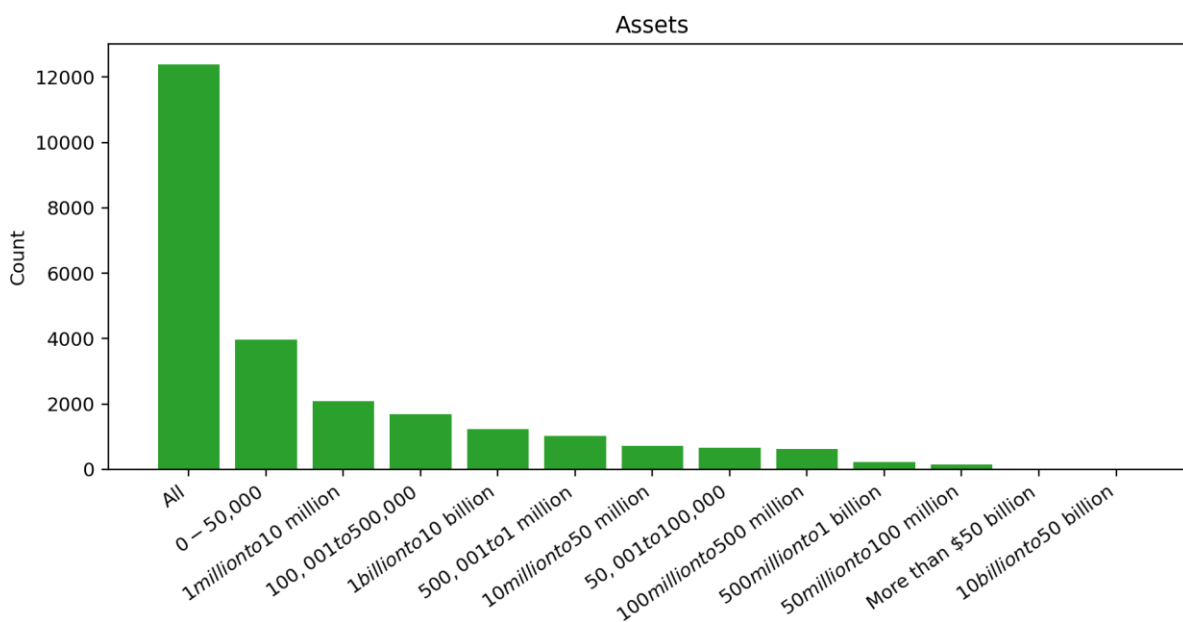
Industry level charts reinforce this conclusion. Healthcare, retail, and industrial services filings clustered heavily in the middle market liability bands, indicating widespread operational stress rather than isolated idiosyncratic failures.

## Industry Concentration



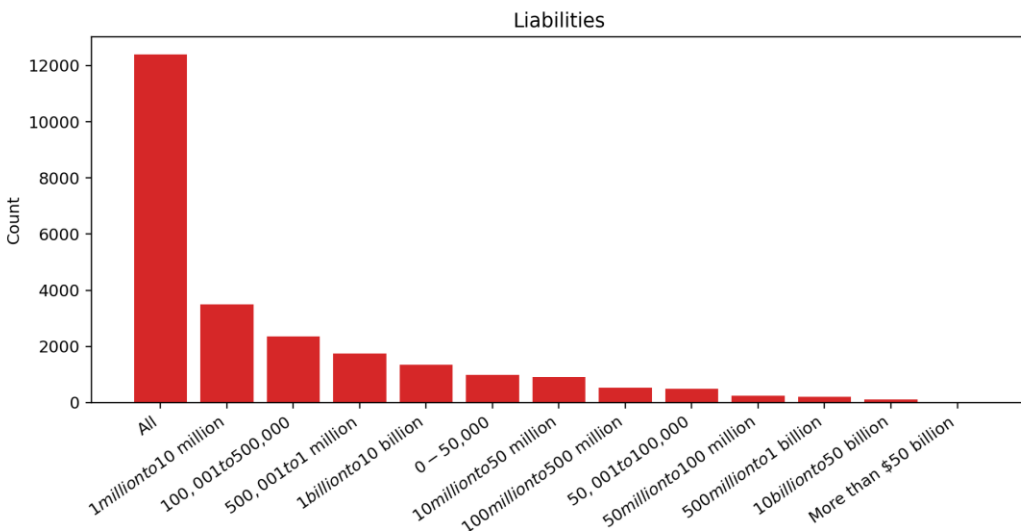
**Figure 1. Industry concentration. Bankruptcy clustered in a handful of sectors, consistent with margin-sensitive businesses absorbing higher-for-longer financing costs and persistent input inflation.**

## Assets



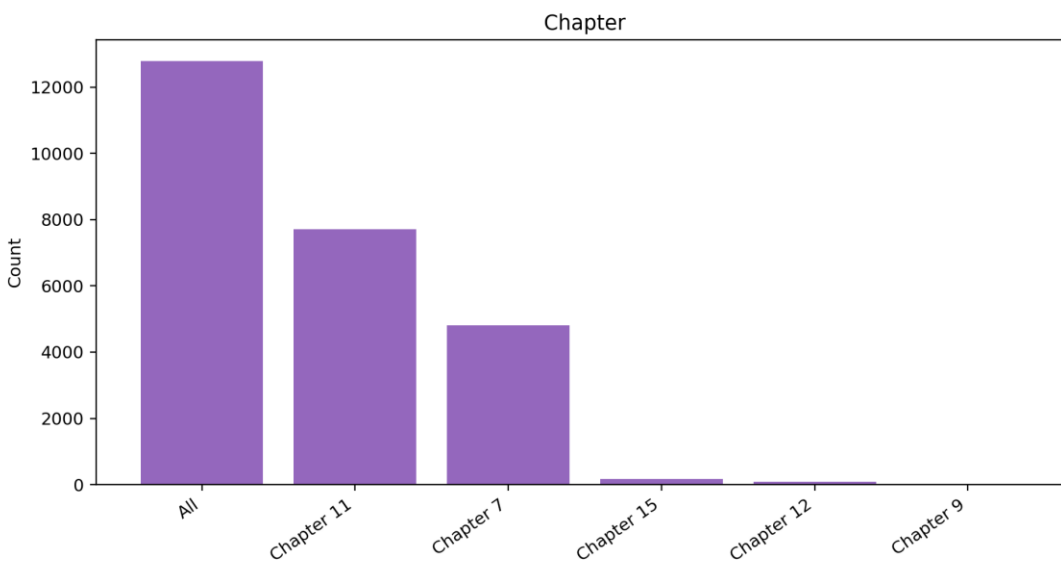
**Figure 2. Asset-size distribution. The typical filing sits well below mega-case scale, underscoring an operationally meaningful but less visible middle-market footprint.**

## Liabilities



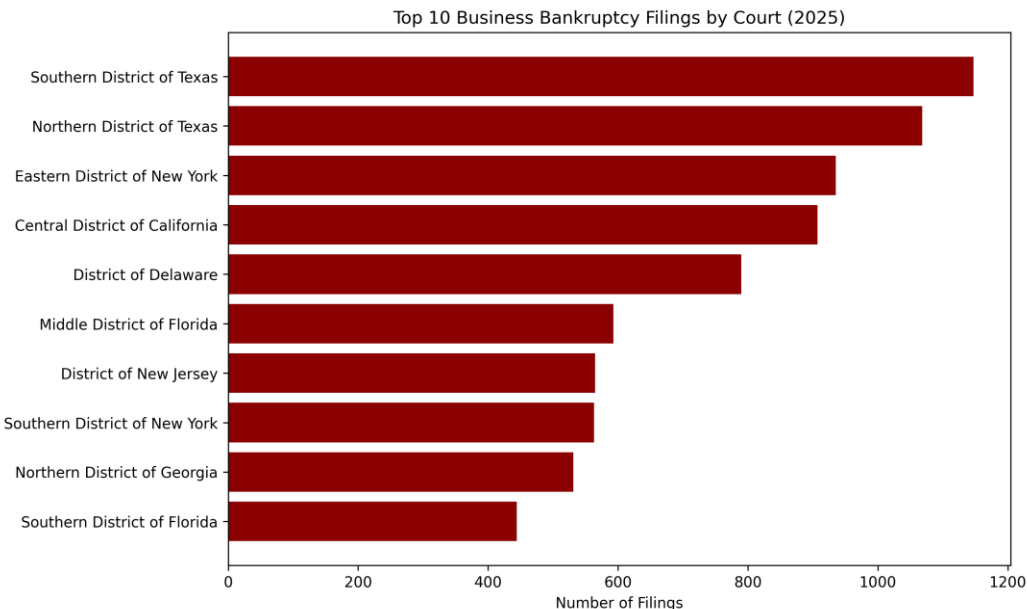
**Figure 3. Liability-size distribution. Liabilities, like asset- size, identify the middle market as the primary volume driver of complex work.**

## Chapter Type



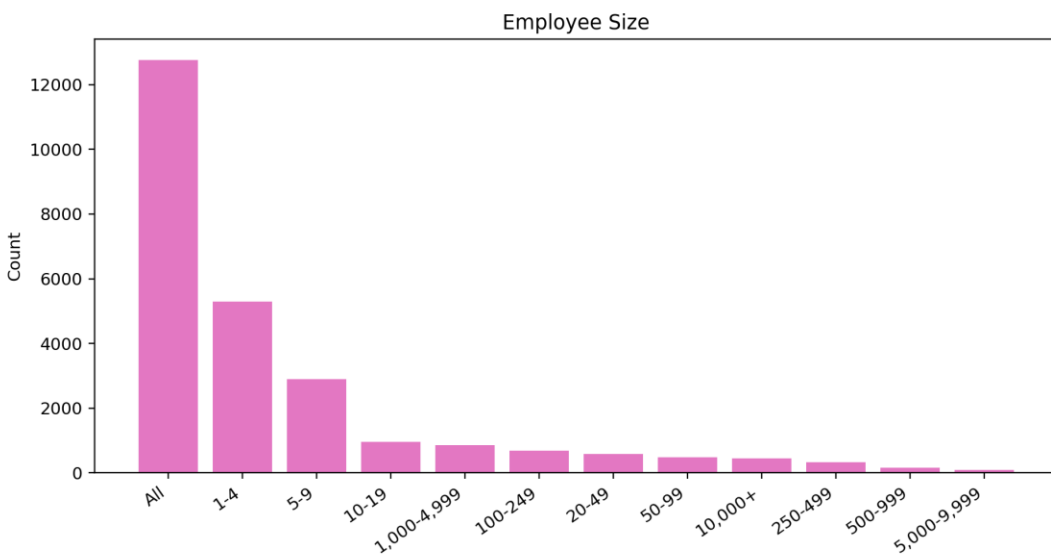
**Figure 4. Chapter selection. Chapter choice reflects a bifurcation between reorganizations and liquidation-oriented outcomes where rescue capital is scarce.**

## Court Filing District



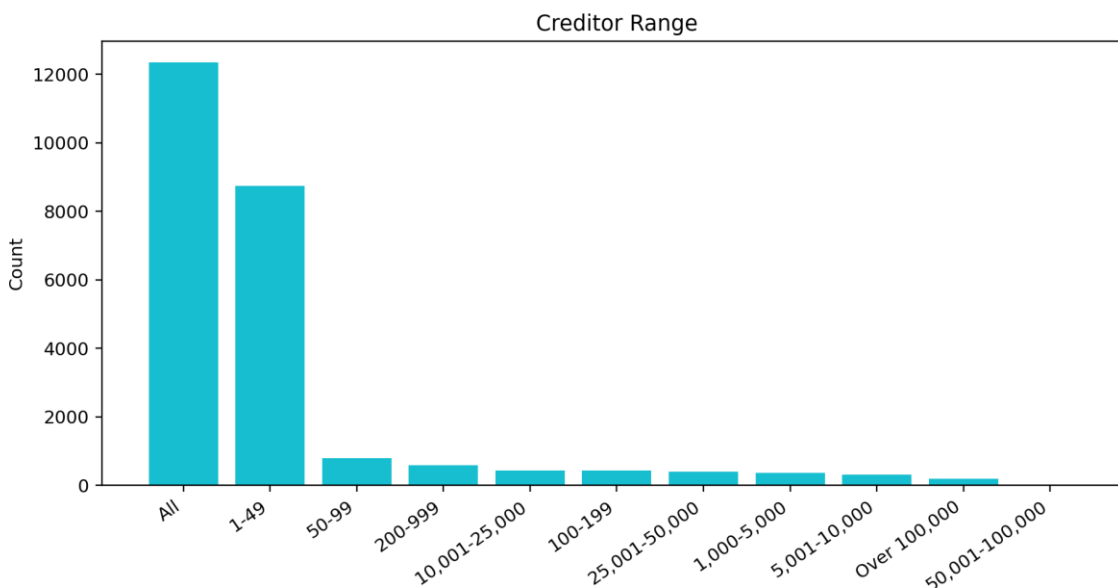
**Figure 5. Venue concentration. A small number of districts continue to dominate business filings, reinforcing the strategic importance of forum selection.**

## Employee Size



**Figure 6. Employee footprint. Many filings involve operating employers, elevating real-economy consequences beyond balance-sheet reallocation.**

## Creditor Range



**Figure 7. Creditor complexity. Broader creditor bases correlate with longer timelines, higher administrative costs, and more frequent disputes.**

## Conclusion: From Engineering to Adjudication

Taken together, the large-case docket and the macro-level data tell a unified story. The 2025 restructuring cycle marked the transition from a decade defined by financial engineering to one defined by judicial resolution. The bill did not come due in one corner of the market but arrived simultaneously at the top and throughout the middle.

If 2025 was the year of the filing, 2026 is poised to become the year of the fight. With capital structures fractured by years of aggressive LMEs and courts increasingly skeptical of transaction-driven outcomes, the next phase of the cycle is likely to be slower, more expensive, and far more contested. As private credit assumes a larger role not only in financing but in ownership and governance outcomes, and as BDC portfolios absorb a growing share of stressed exposures, these dynamics are likely to move beyond courtrooms and into broader regulatory and media scrutiny.

The era of easy extensions has ended. The adjudicative phase has begun....

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