

SURPRISE BANKRUPTCY DUE TO COVID-19

BUYER:
24 HOUR FITNESS WORLDWIDE, INC.

SECTOR:
SERVICES

24 Hour Fitness Worldwide, Inc. operates five types of fitness centers with services that range from basketball courts, swimming pools, tanning salons, cardiovascular equipment, and free weights.

Founded in 1983, the company—along with its affiliates—filed a voluntary petition for reorganization under Chapter 11 in the U.S. Bankruptcy Court for the District of Delaware in June 2020.

RED FLAGS



Operating results, before the current economic downturn, were below average.



Government-mandated social distancing rules forced the company to close its facilities.



Facility closures suggest declining revenues, which could lead to inability to meet its financial obligations.

FINAL STRAW

The current economic downturn and the government-enforced mandates to close businesses and social distance forced the company to close all of its facilities. The shutdown significantly impacted its operating results, ultimately ending with the company filing for bankruptcy protection.

CONCLUSIONS

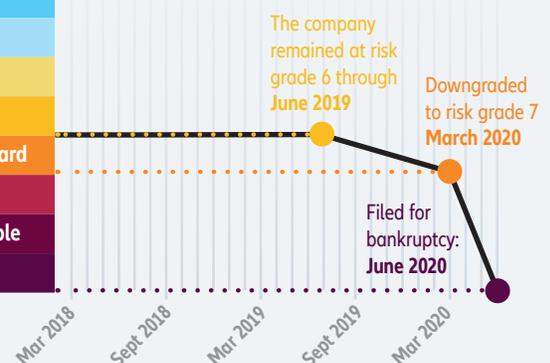
24 Hour Fitness Worldwide Inc. is currently under Chapter 11 Bankruptcy and will emerge after restructuring its obligations. The company has permanently closed approximately 100 locations. It is currently using the \$250M in loans it has received, as well as cash generated by operations, to fund current working capital needs. The company will continue to operate while restructuring its debt.

Euler Hermes spotted the warning signs of an eminent bankruptcy and protected its customers from potential nonpayment. After removing coverage in March 2020, Euler Hermes has since received claims which are processing for payments helping our clients to avoid an unexpected loss.

RISK RATING

EH Risk Rating	Generic Description
1	Exceptional
2	Excellent
3	Strong
4	Good
5	Average
6	Watch
7	Substandard
8	High Risk
9	Uninsurable
10	Failed

Euler Hermes' 1-to-10 risk ratings are reliably based on multiple sources of information and crosschecked thoroughly by our team of expert risk underwriters. **This chart shows how the risk rating for 24 Hour Fitness Worldwide Inc. progressed leading up to its bankruptcy.**



Last updated September 2020