What Are the Credit Risk Red Flags For Gymboree?

BY CREDITRISKMONITOR

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Things aren't looking good for children's retailer Gymboree Corporation. With looming debt payments and an ongoing cash crunch, a Chapter 11 filing may be right around the corner.

While we've talked about retail bankruptcy before, our latest High Risk Report for Gymboree provides a timely lesson on spotting financial risk, by looking at the pattern of financial red flags that often precede bankruptcy.

Get the full details of Gymboree's financial distress: READ THE HIGH RISK REPORT

Children's Store Bankruptcy Risk Accelerates, +563%

In 2017, brick-and-mortar store closings and Chapter 11 filings have accelerated, due to a long list of factors, including a shift to online shopping, physical overstoring, discounting and other secular industry challenges.

The FRISK® Stress Index, below, shows that bankruptcy risk is extremely high for specialty children's apparel retailers like Gymboree. Bankruptcy risk for this category is +593%, compared to the period before the last recession.

Children's Store Bankruptcy Risk Accelerates: As of April 2017, +563%

Gymboree Vs. Apparel Retailing Peers

When we compare troubled Gymboree to other apparel retailers (using the **Peer Analysis Report**, available to CreditRiskMonitor subscribers), the company consistently scores in the bottom quartile, for margin, interest coverage, cash ratio, total debts to assets, and other financial results.

And for this over-leveraged retailer, a debt-heavy balance sheet makes it even harder to survive the negative industry trend. A large interest payment is due June 1, and a deficient interest coverage ratio throws their survival in doubt.

The role of debt and refinancing in retail bankruptcy risk is discussed further in 9 Companies Where *Refinancing Risk Could Lead to Distress.*

In-Depth Analysis: A Typical Pattern Of Distress

Our High Risk Report for Gymboree highlights a typical pattern of financial distress. Red flags include:

- Drastically declining operating margin, and net losses in 3 of the past 5 quarters
- Sale of assets, and shifts in leadership
- Recurring negative tangible net worth, and negative return on assets in 3 of the last 5 quarters
- A recent negative turn in short term debt in relation to working capital
- A FRISK® score of 1, the lowest possible score in our predictive model, corresponding to a high probability of bankruptcy.

So, is it 'class dismissed' for Gymboree? To answer this question, we turn to Gymboree's FRISK® score.

The FRISK® score is calculated by a proprietary model that measures the degree of financial distress for a public company. The model has been back-tested over the last decade to predict 96% of US public company bankruptcies. The score is enhanced by our subscriber base through crowd sourced behavioral data patterns.

See all the red flags for Gymboree Corporation, and learn to pinpoint your biggest bankruptcy risks.
READ THE FULL HIGH RISK REPORT

Detect Credit Risk In Your Portfolio

An accurate financial risk score can help you to detect pubic company risk in your portfolio, providing ample time to take action to limit the fallout, should the company file for bankruptcy.

Need help spotting your riskiest counterparties? Read the Gymboree HIgh Risk Report, or get in touch.

READ THE HIGH RISK REPORT FOR GYMBOREE CORPORATION

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