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Case Study: Stoli Group

The EDF-X Early Warning System identified Stoli Group as an elevated credit risk well before the vodka producer filed for bankruptcy

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EDF-X Flagged Stoli Group as a Risky Exposure Ahead of its December 2024 Bankruptcy

Stoli Group USA LLC, the U.S. subsidiary the SPI Group, filed for Chapter 11 bankruptcy on December 1st 2024 following several years of weaker sales and mounting operational hurdles. The EDF-X Early Warning System flagged Stoli as an elevated credit risk since at least 2019, with the company's 12-month forward looking probability of default consistently trending above its peer-group based trigger. Within the EDF-X Early Warning System, when a company's PD crosses its peer-based trigger it is an indication of heightened credit risk relative to economically similar firms, and the likelihood of a negative credit event significantly increases.

Stoli found itself flat footed in the wake of the pandemic. While sales initially boomed during lockdowns they quickly trailed off as the economy normalized in 2021. At the same time, consumer preferences gradually shifted away from spirits towards other beverages, particularly canned cocktails, which offer a lower priced, more accessible product. Stoli found itself dealing with excess inventory and shrinking margins as a result, leaving the firm in a tenuous position.

While these factors also plagued many of Stoli's peers, the company was ultimately brought down by an asymmetric risk – Stoli's operations were paralyzed by a global cyber attack during the summer of 2024. With few remaining options, the firm filed for bankruptcy in early December of the same year, though it will continue operations while working with creditors.