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## Case Study: Nikola Corp

The EDF-X Early Warning System identified Nikola Corp's mounting credit risk well ahead of the company's bankruptcy

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## Nikola Corp's Extended Deterioration was Flagged Early On by EDF-X

Nikola Corp, the Arizona-based electric truck producer, filed for Chapter 11 bankruptcy in February 2025 as rising costs and waning demand pushed the firm past the breaking point. The bankruptcy filing concludes a challenging period for Nikola Corp, which has dealt with various company-specific and industry-wide obstacles. The EDF-X Early Warning System first spotted Nikola Corp as an elevated credit risk in June 2022 when the company's 12-month forward-looking probability of default broke 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.

Nikola Corp went public in 2020 but was almost immediately confronted with allegations of fraud, a federal investigation and the resignation of its CEO. Several suppliers and potential partners stepped away in the months following. Nikola pivoted its focus to hydrogen fuel cell electric powered trucks but struggled to ramp up production. Further, potential buyers were hesitant to make significant investments given the U.S.'s thin electric battery transportation infrastructure. While Nikola increased output, rising interest rates in 2022 increased the firm's already substantial debt servicing outlays. Financing costs tripled between 2022 and 2023 while Nikola Corp continued to operate at a significant loss. With investors fleeing the stock, the firm had no option but to seek the courts' protection as it monetized its remaining asset base.

