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Case Study: Express, Inc.

EDF-X's Early Warning System identified Express, Inc. as a Severe credit risk more than five years before bankruptcy

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EDF-X Provides Long Lead Time Ahead of Express, Inc. Bankruptcy

Casual workwear retailer Express, Inc. filed for bankruptcy on April 22, 2024, capping off a tumultuous multi-year struggle littered with financial, competitive and economic obstacles. The EDF-X Early Warning System first flagged the company as a significant credit risk in December 2018, when Express' forward-looking probability of default (PD) pushed past its peer-based trigger. Within the EDF-X Early Warning System, when a company's PD crosses its peer-based trigger, the likelihood of a negative credit event significantly increases.

Express was beset by several headwinds. While positioned as one of a handful of go-to retailers for reasonably priced office apparel for both men and women, concerns around product quality and stale design choices left it vulnerable to fast-fashion competitors like Zara, H&M and others. Further, Express increasingly leaned on debt to maintain operations as the company's debt to asset ratio climbed from 5% to over 50% between 2018 and 2023.

COVID-19 rocked Express' already tenuous position. In-person shopping slumped, pressuring the firm's online operations. More substantially, the rise of remote work in the wake of the pandemic sapped demand for Express' relaxed office-centric styles and designs. The firm failed to turn a profit in 2021 and 2022 and investors started looking towards the exits, leading to a more than 60% decline in the company's share price in 2023. With few options remaining, Express filed for Chapter 11 bankruptcy with the hope of selling most of its assets during the court supervised proceedings. The company simultaneously announced plans to shutter roughly 100 stores across the U.S., though it will maintain online operations.