

Sports Authority Declares Bankruptcy

By Brigid McCurdy, J.D. Candidate 2017 | March 15, 2016

Sporting goods retailer Sports Authority recently filed for bankruptcy, claiming over [\\$1 billion](#) in debt. The retailer cited a [variety of company issues](#) in its bankruptcy filing, including acquisitions that led to inconsistent store formats, expensive leases, frequent executive turnover, and outdated information systems. The U.S. Bankruptcy Court in Delaware has already approved a [\\$595 million bankruptcy loan](#) for the sporting retailer, and has given the company authorization to immediately begin using up to \$275 million of the loan and to start liquidating stores.

As part of the bankruptcy loan agreement, Sports Authority plans to find a buyer for its business by April. [Potential bidders](#) include Modell's Sporting Goods and asset manager Columbia Threadneedle Investments. In the meantime, Sports Authority will close or sell [140 of its 450](#) nationwide stores.

Despite Sports Authority's liquidation plans, some of its biggest creditors remain optimistic. Sportswear maker Under Armour announced that [it will support the retailer](#) through restructuring, and does not foresee a negative impact on Under Armour's 2016 financial outlook. Under Armour and Nike are two of Sports Authority's biggest trade creditors, owed [\\$23 million and \\$48 million](#), respectively.

Sports Authority's bankruptcy may be part of a bigger trend of large companies taken private in 2006 and 2007 that are now struggling. Private equity firm Leonard Green & Partners bought Sports Authority for [\\$1.3 billion](#) in 2006, one of many deals that took companies private that year, including [nine of the largest 10 deals](#) on record. Of the large companies taken private in 2006 and 2007, some have gone public again through IPOs, but many have struggled. TXU Corporation, now Energy Future Holdings, is one example. Purchased by the Texas Pacific Group, Kohlberg Kravis Roberts, and Goldman Sachs in 2007 for [\\$44.3 billion](#), Energy Future Holdings filed for bankruptcy in 2014, claiming almost [\\$50 billion](#) in debt. Although Hilton Hotels has not declared bankruptcy, it has also struggled since Blackstone bought the hotel group for [\\$26 billion](#) in 2007. Since its 2013 IPO, Hilton shares have declined [20 percent overall](#), including 26 percent in the last year. As the ten-year mark of many of these "going private" deals approaches, it will be interesting to see how other large companies fare.