



LOWENSTEIN BANKRUPTCY LOWDOWN

Lowenstein Bankruptcy Lowdown Video 17 – Bed, Bath and Bankruptcy: The Prudence of Avoiding Ch. 11

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MARCH 2023

Brent Weisenberg: Welcome to Lowenstein Lowdown. I'm Brent Weisenberg from Lowenstein's [Bankruptcy & Restructuring](#) group.

This week, we're going to focus on Bed Bath & Beyond and its seeming march into bankruptcy, only to be saved at the eleventh hour through a transaction that only could have taken place in the era we live in. But first, let's focus on that march.

Bed Bath at one point was the crown jewel of what we called “the category killers.” It was known as a store for pots and pans and beddings as high as the ceiling could take. The ubiquitous 20% off coupon was something that Bed Bath became famous for, and so Bed Bath was riding high until they made the ill-fated decision to, number one, cut back on the use of those coupons, and number two, switch to private brand.

And so slowly, the company crept towards a bankruptcy, until Hudson Bay Capital solved the company's problems by agreeing to invest over \$225 million initially and \$800 million over the long term to save the company.

It did so based upon the stock being what we call a “meme stock,” which is a stock that is not based on the fundamentals of the company and how it performs but rather based on a group of amateur traders who merely are bidding up the stock collectively. And so based upon that, Hudson Bay decided to step in and utilize the fascination with Bed Bath in order to make a quick sale of the stock they were buying. The question for all of the people in my industry, and more particularly for Bed Bath itself, is: have they really solved their problems?

Number one: Bed Bath has announced that it's going to close up to 200 stores, but how is it going to do so cost-effectively without the tools of bankruptcy? Number two: consumer spending is at an all-time low; high interest rates inevitably have people squeezing their pocketbooks and spending less. And perhaps equally important, how is Bed Bath going to win back the support of its vendors?

These are questions that undoubtedly management is hyper-focused on and that people in our industry are closely watching. And so next week,

we're going to focus on the Hudson Bay Capital transaction itself—what it did and what it means.

Until then, we'll see you soon.