creditrisk monitor®

FAT BRANDS INC. BANKRUPTCY CASE STUDY

FILED ON 01/26/2026

The FRISK® Score warned of FAT Brand's bankruptcy risk.

Score/Index	2025												2026
	J	F	M	A	M	J	J	A	S	O	N	D	J
FRISK® Score	2	2	2	2	2	2	2	2	2	2	1	1	1
DBT Index	7	7	7	7	7	8	8	8	8	8	8	8	DBT

FRISK® Score identified high bankruptcy risk for 12 months, enabling clients to mitigate their accounts receivable exposure.

"Cloaking Effect"

Days Beyond Terms (DBT), a measure of historical payment performance, is an ineffective indicator of financial stress for public companies.

Because publics often pay on time right up until bankruptcy.

Crowdsourced intelligence provided a critical high-risk warning six months before the bankruptcy.

HELPING TRADE CREDITORS

Problem: FAT Brands filed bankruptcy on May 6, 2025. Its top 30 unsecured creditors were owed about **$38 million in open accounts receivable!**

Consequence: Trade creditors are typically impleaded into the bankruptcy proceeding, where recoveries are less than 15% and may take years to obtain.

Solution: CreditRiskMonitor® identifies 96%+ of public company bankruptcies at least 3 months before filing.

Payment and financial-only risk models often don’t provide enough advanced warning.

> **Trade creditors with average dollar exposure who mitigated risk received a 10x to 100x ROI on the CreditRiskMonitor® service after only one bankruptcy ...**
>
> **a highly cost-effective insurance policy**

The CreditRiskMonitor® solution identified these key warning signs for subscribers:

96%-accurate FRISK® Score indicated FAT Brands’ high-risk for more than one year unlike payment-based scores.

Enhanced News Alerts reported deteriorating same store sales, steepening operating losses, and an accelerated default on securitization notes.

Management Discussion & Analysis revealed a credit amendment shifting the call date by which it needed to repay or refinance, or otherwise accrue additional interest.

Financial ratios indicated stress, including relative to its industry peers.

MONTHLY AVERAGE FRISK® SCORE

CreditRiskMonitor.com's FRISK® Score had been warning of financial stress at FAT Brands (OTC: FATAQ) for more than a year. The company ultimately filed for bankruptcy on January 26, 2026.

FAT Brands entered into a credit amendment on its Fazoli's securitization, which included relaxing its financial covenants – a red flag.

Q1 2025 earnings reported a net sales decline of 6.5% and a 10.1% increase in G&A expenses, widening its steep operating losses.

UMB Bank provided an acceleration notice to FAT Brands related to its FB Resid Notes, following default event disclosed in November.

Business Name	2025												2026
	J	F	M	A	M	J	J	A	S	O	N	D	J
FAT Brands	2	2	2	2	2	2	2	1	1	1	1	1	1

BANKRUPT!

FAT Brands' FRISK® Score downgraded to a "1" due to crowdsourced intelligence, reflecting concern from subscribers.

With the release of Q3 2025 earnings, FAT Brands indicated it entered debt restructuring negotiations with noteholders.

FRISK® Score is 96% accurate in predicting the risk of corporate failure over a 12-month horizon.

FRISK® Score	Probability of Bankruptcy within 12 Months	
	From	To
10	0.00%	0.12%
9	0.12%	0.27%
8	0.27%	0.34%
7	0.34%	0.55%
6	0.55%	0.87%
5	0.87%	1.40%
4	1.40%	2.10%
3	2.10%	4.00%
2	4.00%	9.99%
1	9.99%	50.00%

A FRISK® Score of 5 or less indicates an above average risk of bankruptcy, an important warning sign for clients. Maximize your ROI by continuously monitoring such counterparties, begin considering mitigation strategies if they fall to a FRISK® 3, and start taking action at FRISK® 2.

Did You Know? Companies with a FRISK® 2 or less account for almost 70% of all bankruptcies.

THE FRISK® SCORE COMPONENTS

CreditRiskMonitor's **96% accurate FRISK® Score** uses four high-quality data components:

Real-time subscriber crowdsourced research patterns

A "Merton" type model using stock market capitalization and volatility

Agency ratings

Financial ratios, including those used in the Altman Z"-Score Model

Our model's competitive advantage lies in non-linear scaling for each data subcomponent and the combination of the above components to mitigate the individual shortcomings of each input

- ✓ **Bankruptcy Focused:** our model is trained to predict bankruptcy, not default. This is important because only 1 in 5 defaulting public companies declare bankruptcy. FRISK® reduces false positives by focusing on bankruptcy
- ✓ **Daily Updating from Stock Market Data & Crowdsourced Inputs:** real-time insights, not stale data from outdated financial statements that look backward quarterly or annually. Incorporating market cap volatility captures the "wisdom of markets" every day.
- ✓ **Crowdsourced Intelligence:** insider sentiment based on the aggregate click patterns of our subscribers who are sophisticated credit professionals

We are the only platform making use of the wisdom of the crowd which represents nearly 40% of the Fortune 1000 plus thousands of corporations worldwide

Why is aggregate insider sentiment important?

- ✓ It's independently predictive of bankruptcy
- ✓ It's asymmetric to other inputs since the actors involved have access to material, non-public information under their exemption from Regulation Fair Disclosure
- ✓ If credit professionals move in aggregate, and purposely decide to cut-off working capital to a specific counterparty, then this counterparty is more prone to bankruptcy

Learn more about our approach: Crowdsourcing the Research of Credit Professionals

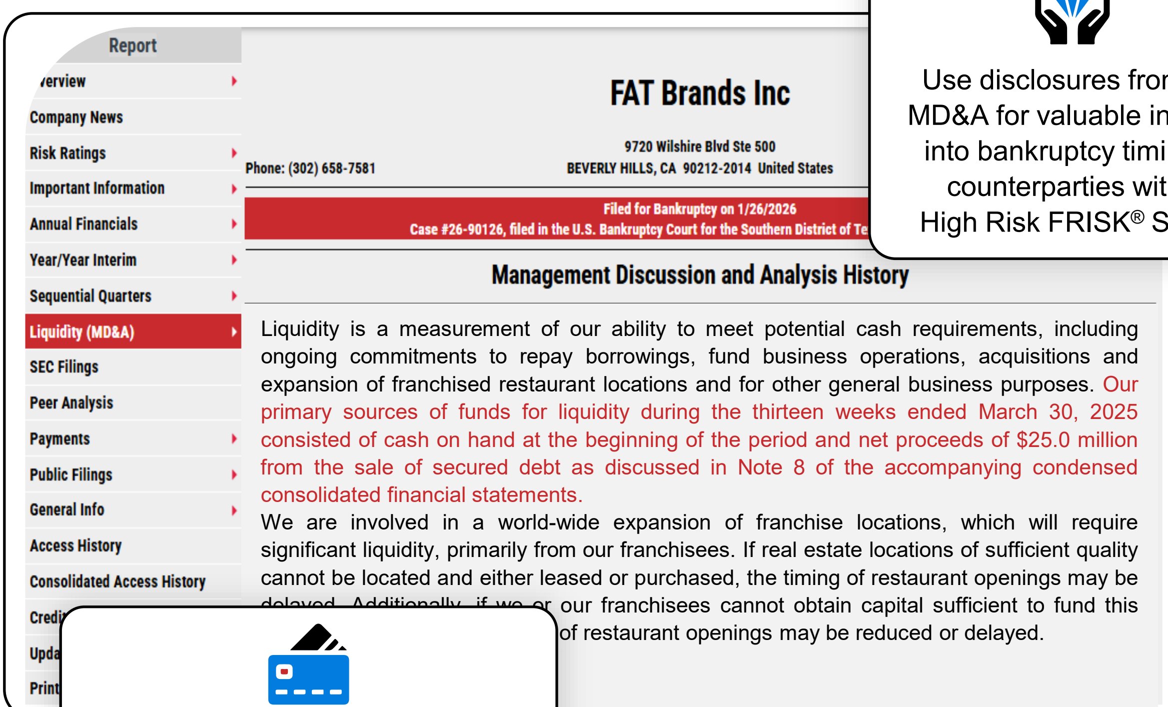
DO NOT MISS THIS – MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)

The MD&A contains relevant and accurate statements about a company's liquidity, capital resources, and other aspects of financial stability.

Sarbanes-Oxley (SOX): it is illegal to falsify information, subjecting CEOs and CFOs to fines or imprisonment for noncompliance.

Financial Accounting Standards Board (FASB): "MD&A should provide a balanced presentation that includes both positive and negative information about the topics discussed."

Access our **MD&A CHEAT SHEET** to see how we can enhance your risk assessment process even further.


Report
verview
Company News
Risk Ratings
Important Information
Annual Financials
Year/Year Interim
Sequential Quarters
Liquidity (MD&A)
SEC Filings
Peer Analysis
Payments
Public Filings
General Info
Access History
Consolidated Access History
Credi
Upda
Print

FAT Brands Inc

Phone: (302) 658-7581

9720 Wilshire Blvd Ste 500
BEVERLY HILLS, CA 90212-2014 United States

Filed for Bankruptcy on 1/26/2026
Case #26-90126, filed in the U.S. Bankruptcy Court for the Southern District of Te

Management Discussion and Analysis History

Liquidity is a measurement of our ability to meet potential cash requirements, including ongoing commitments to repay borrowings, fund business operations, acquisitions and expansion of franchised restaurant locations and for other general business purposes. Our primary sources of funds for liquidity during the thirteen weeks ended March 30, 2025 consisted of cash on hand at the beginning of the period and net proceeds of $25.0 million from the sale of secured debt as discussed in Note 8 of the accompanying condensed consolidated financial statements.

We are involved in a world-wide expansion of franchise locations, which will require significant liquidity, primarily from our franchisees. If real estate locations of sufficient quality cannot be located and either leased or purchased, the timing of restaurant openings may be delayed. Additionally, if we or our franchisees cannot obtain capital sufficient to fund this ... of restaurant openings may be reduced or delayed.

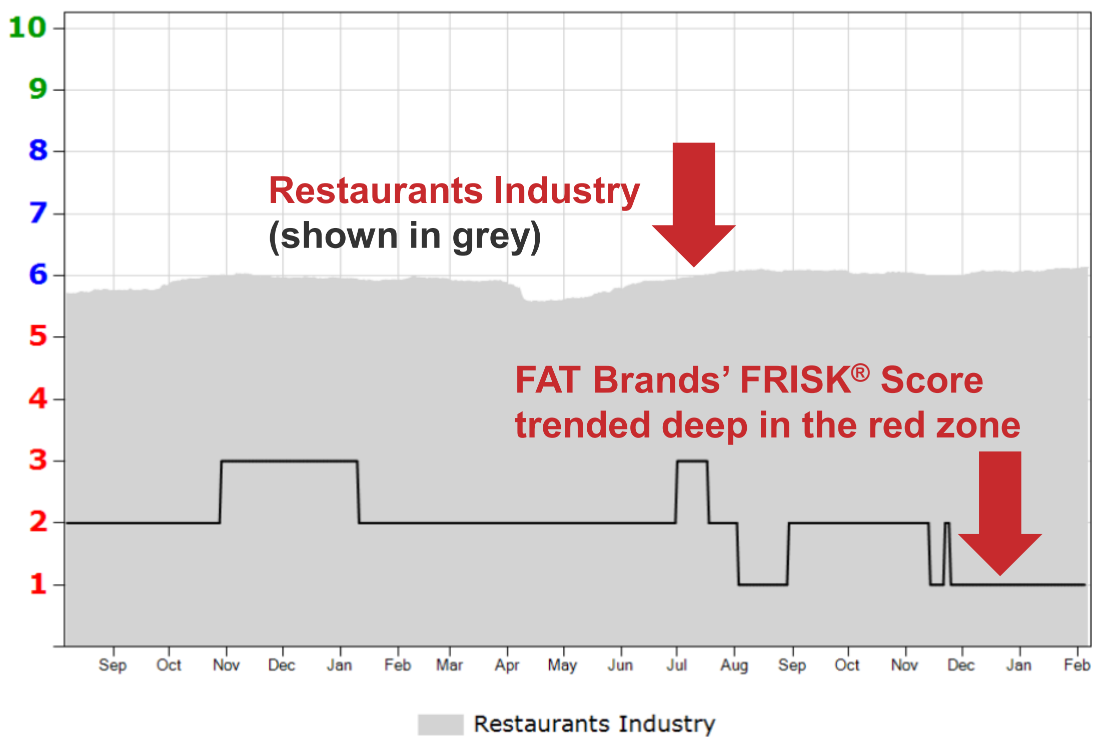
Use disclosures from the MD&A for valuable insights into bankruptcy timing of counterparties with a High Risk FRISK® Score.

FAT Brands indicated liquidity was primarily derived from cash and debt financing, which included credit amendment disclosures about 9 months in advance of bankruptcy.

Credit professionals must monitor these important red flags.

FRISK® DEEP DIVE

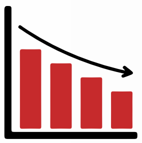
Per the FRISK® Score, this company **has a 10-to-50 times greater risk of bankruptcy** than the average public company.



The FRISK® Score relative to the broader Restaurant industry raised a red flag signaling heightened risk relative to peers.

MAKING IMMEDIATE ATTENTION REQUIRED!

FRISK® Score Comparison



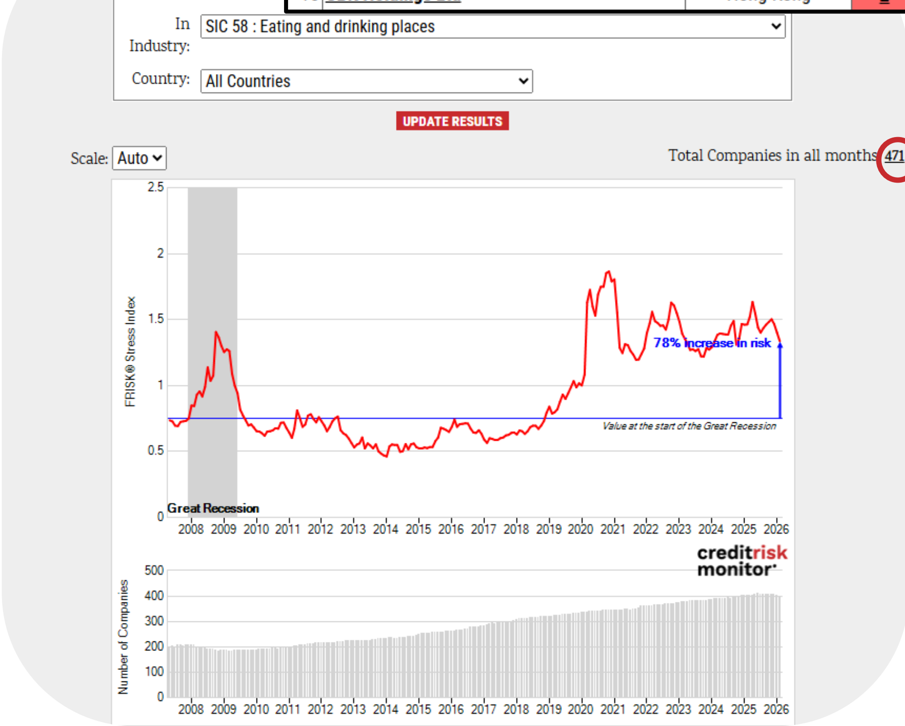
Subscribers should evaluate the company's FRISK® Score of "1" relative to the average FRISK® Score of "6" for the broader industry. With much higher bankruptcy risk, further research and mitigation steps should be taken.

FRISK® STRESS INDEX

Average probability of failure for Eating and drinking places (SIC 58) has increased 78% since 2007. FAT Brands was among the weakest names in the industry as evidenced by its FRISK® Score of 1.

Click to access the total composite of 471 companies

#	Business Name	Country	Current FRISK® score
1	FAT Brands Inc	United States	1
2	Cipta Selera Murni Tbk PT	Indonesia	1
3	Revel Collective PLC	United Kingdom	2
4	Twin Hospitality Group Inc	United States	1
5	GEN Restaurant Group Inc	United States	1
6	Sub Sri Thai PCL	Thailand	2
7	Meritage Hospitality Group Inc	United States	2
8	Bromat Holdings Ltd	Singapore	2
9	Sunshine Food Inc	South Korea	2
10	CBK Holdings Ltd	Hong Kong	2



FRISK® Stress Index shows the collective probability of failure in a group of companies (industry, country or portfolio) over the next 12 months. This index shows the trends in risk level across a group of companies.

Levels near or above 1.5 are considered high risk (and levels of 3 or 4 for a smaller group of companies).

SEQUENTIAL QUARTERLY RATIOS

PERFORMANCE RATIOS

What does this tell us?

- ✓ Significant operating losses and net losses due to poor top line and increased SG&A spend
- ✓ Interest coverage ratio indicates an incapacity to service its interest payments
- ✓ Persistently negative free cash flow

Performance Ratios - Sequential Quarters
(Thousands of U.S. Dollars)

Period Ended	13 weeks 9/28/2025	13 weeks 6/29/2025	13 weeks 3/30/2025	13 weeks 12/29/2024	13 weeks 9/29/2024
Net Sales $	**$140,009**	**$146,836**	**$142,019**	**$145,280**	**$143,365**
% change	*-4.65%*	*3.39%*	*-2.24%*	*1.34%*	*-5.71%*
SG&A $	**$53,429**	**$55,963**	**$44,119**	**$46,345**	**$44,513**
% change	*-4.53%*	*26.85%*	*-4.80%*	*4.12%*	*0.69%*
% of sales	*38.16%*	*38.11%*	*31.07%*	*31.90%*	*31.05%*
change as % of incremental sales	*n/m*	*245.88%*	*n/m*	*95.67%*	*n/m*
Operating Profit $	**($54,110)**	**($50,502)**	**($40,161)**	**($71,789)**	**($39,942)**
% change	*-7.14%*	*-25.75%*	*44.06%*	*-79.73%*	*-23.70%*
% of sales	*-38.65%*	*-34.39%*	*-28.28%*	*-49.41%*	*-27.86%*
change as % of incremental sales	*n/m*	*-214.68%*	*n/m*	*-1,663.03%*	*n/m*
EBITDA $	**($8,927)**	**($7,161)**	**$1,711**	**($30,707)**	**$1,651**
% change	*-24.66%*	*-518.53%*	*105.57%*	*-1,959.90%*	*-75.69%*
% of sales	*-6.38%*	*-4.88%*	*1.20%*	*-21.14%*	*1.15%*
change as % of incremental sales	*n/m*	*-184.18%*	*n/m*	*-1,689.71%*	*n/m*
EBIT $	**($16,836)**	**($15,543)**	**($8,680)**	**($41,059)**	**($9,085)**
% change	*-8.32%*	*-79.07%*	*78.86%*	*-351.94%*	*-162.95%*
% of sales	*-12.02%*	*-10.59%*	*-6.11%*	*-28.26%*	*-6.34%*
change as % of incremental sales	*n/m*	*-142.47%*	*n/m*	*-1,669.66%*	*n/m*
Pre-tax income $	**($58,355)**	**($54,912)**	**($44,542)**	**($75,738)**	**($44,612)**
% change	*-6.27%*	*-23.28%*	*41.19%*	*-69.77%*	*-19.10%*
% of sales	*-41.68%*	*-37.40%*	*-31.36%*	*-52.13%*	*-31.12%*
change as % of incremental sales	*n/m*	*-215.28%*	*n/m*	*-1,625.38%*	*n/m*
Net income (loss) $	**($58,219)**	**($54,188)**	**($45,969)**	**($67,417)**	**($44,755)**
% change	*-7.44%*	*-17.88%*	*31.81%*	*-50.64%*	*-13.71%*
% of sales	*-41.58%*	*-36.90%*	*-32.37%*	*-46.40%*	*-31.22%*
change as % of incremental sales	*n/m*	*-170.62%*	*n/m*	*-1,183.39%*	*n/m*
Tax expense $	**$1,100**	**$457**	**$1,769**	**($8,321)**	**$143**
Effective tax rate	*-1.89%*	*-0.83%*	*-3.97%*	*10.99%*	*-0.32%*
Depreciation expense $	**$4,009**	**$4,482**	**$6,491**	**$10,352**	**$6,436**
% of sales	*2.86%*	*3.05%*	*4.57%*	*7.13%*	*4.49%*
% of capital expenses	*172.21%*	*186.52%*	*142.78%*	*1,751.61%*	*81.76%*
% of PP&E, net (annualized)	*5.71%*	*6.23%*	*8.87%*	*13.62%*	*8.21%*
Capital expenditures $	**$2,328**	**$2,403**	**$4,546**	**$591**	**$7,872**
% change	*-3.12%*	*-47.14%*	*669.20%*	*-92.49%*	*-22.91%*
% of PP&E, net (annualized)	*3.31%*	*3.34%*	*6.21%*	*0.78%*	*10.04%*
% of working capital (annualized)	*-1.05%*	*-3.86%*	*-8.19%*	*-1.12%*	*-16.50%*
Interest coverage ratio	**(0.22)**	**(0.18)**	**0.05**	**(0.89)**	**0.05**
% change	*-18.20%*	*-481.34%*	*105.39%*	*-2,004.30%*	*-76.72%*
Free cash flow $	**($16,876)**	**($29,310)**	**($17,763)**	**($11,001)**	**($11,093)**
% change	*42.42%*	*-65.01%*	*-61.47%*	*0.83%*	*54.59%*
Source:	10-Q 11/12/2025	10-Q 7/31/2025	10-Q 5/9/2025	10-K 2/28/2025	10-Q 10/31/2024

LEVERAGE RATIOS

What does this tell us?

- ✓ Its cumbersome debt load exceeded its total asset base
- ✓ Negative tangible net worth reflected limited capability for any new collateralized borrowing
- ✓ Short-term debt increased due to a default event

Leverage Ratios - Sequential Quarters
(Thousands of U.S. Dollars)

Period Ended	9/28/2025	6/29/2025	3/30/2025	12/29/2024	9/29/2024
Total debt $	**$1,265,929**	**$1,275,919**	**$1,265,333**	**$1,258,238**	**$1,227,062**
% change	*-0.78%*	*0.84%*	*0.56%*	*2.54%*	*1.12%*
Stockholders' equity $	**($593,801)**	**($543,200)**	**($499,496)**	**($455,712)**	**($386,150)**
% change	*-9.32%*	*-8.75%*	*-9.61%*	*-18.01%*	*-14.03%*
Tangible net worth $	**($1,463,142)**	**($1,416,431)**	**($1,376,616)**	**($1,336,738)**	**($1,299,662)**
% change	*-3.30%*	*-2.89%*	*-2.98%*	*-2.85%*	*-3.44%*
Total assets $	**$1,210,626**	**$1,247,760**	**$1,273,539**	**$1,289,178**	**$1,339,635**
% change	*-2.98%*	*-2.02%*	*-1.21%*	*-3.77%*	*-1.23%*
Total debt to assets ratio	**1.05**	**1.02**	**0.99**	**0.98**	**0.92**
% change	*2.26%*	*2.92%*	*1.80%*	*6.55%*	*2.38%*
Tangible assets $	**$341,285**	**$374,529**	**$396,419**	**$408,152**	**$426,123**
% change	*-8.88%*	*-5.52%*	*-2.87%*	*-4.22%*	*-2.82%*
Short-term debt $	**$1,263,470**	**$57,702**	**$48,528**	**$49,241**	**$49,141**
% change	*2,089.65%*	*18.90%*	*-1.45%*	*0.20%*	*9.06%*
Short-term debt % of total debt	**99.81%**	**4.52%**	**3.84%**	**3.91%**	**4.00%**
% change	*2,106.92%*	*17.92%*	*-2.00%*	*-2.28%*	*7.85%*
Short-term debt % of working capital	**-83.29%**	**-21.80%**	**-20.78%**	**-23.42%**	**-23.31%**
% change	*-281.96%*	*-4.92%*	*11.25%*	*-0.45%*	*11.61%*
Total liabilities $	**$1,804,427**	**$1,790,960**	**$1,773,035**	**$1,744,890**	**$1,725,785**
% change	*0.75%*	*1.01%*	*1.61%*	*1.11%*	*1.82%*
Total debt to EBITDA ratio (annualized)	**n/a**	**n/a**	**184.88**	**n/a**	**185.81**
% change	*n/a*	*n/a*	*n/a*	*n/a*	*315.93%*
Source:	10-Q 11/12/2025	10-Q 7/31/2025	10-Q 5/9/2025	10-K 2/28/2025	10-Q 10/31/2024

SEQUENTIAL QUARTERLY RATIOS

LIQUIDITY RATIOS

What does this tell us?

- ✓ Working capital deficit steepened over time, while its liquidity ratios trended in the bottom quartile of industry peers

Liquidity Ratios - Sequential Quarters
(Thousands of U.S. Dollars)

Period Ended	9/28/2025	6/29/2025	3/30/2025	12/29/2024	9/29/2024
Current assets $	**$49,144**	**$71,051**	**$83,081**	**$88,034**	**$91,418**
% change	*-30.83%*	*-14.48%*	*-5.63%*	*-3.70%*	*-9.59%*
% of short-term debt	*3.89%*	*123.13%*	*171.20%*	*178.78%*	*186.03%*
Current liabilities $	**$1,566,176**	**$335,681**	**$316,594**	**$298,316**	**$302,215**
% change	*366.57%*	*6.03%*	*6.13%*	*-1.29%*	*11.13%*
Working capital $	**($1,517,032)**	**($264,630)**	**($233,513)**	**($210,282)**	**($210,797)**
% change	*-473.27%*	*-13.33%*	*-11.05%*	*0.24%*	*-23.39%*
% of sales (annualized)	*-270.88%*	*-45.06%*	*-41.11%*	*-36.19%*	*-36.76%*
Cash $	**$2,052**	**$7,648**	**$12,150**	**$23,383**	**$16,837**
% change	*-73.17%*	*-37.05%*	*-48.04%*	*38.88%*	*1.57%*
% of short-term debt	*0.16%*	*13.25%*	*25.04%*	*47.49%*	*34.26%*
Cash ratio	**0.00**	**0.02**	**0.04**	**0.08**	**0.06**
% change	*-94.30%*	*-40.63%*	*-51.02%*	*40.75%*	*-8.69%*
Quick assets $	**$16,038**	**$23,759**	**$29,225**	**$42,805**	**$35,093**
% change	*-32.50%*	*-18.70%*	*-31.73%*	*21.98%*	*-8.68%*
% of short-term debt	*1.27%*	*41.18%*	*60.22%*	*86.93%*	*71.41%*
Quick ratio	**0.01**	**0.07**	**0.09**	**0.14**	**0.12**
% change	*-85.59%*	*-23.29%*	*-35.68%*	*23.60%*	*-17.83%*
Current ratio	**0.03**	**0.21**	**0.26**	**0.30**	**0.30**
% change	*-85.17%*	*-19.32%*	*-11.08%*	*-2.45%*	*-18.64%*
Net burn rate (monthly) $	**($4,970)**	**($3,912)**	**($2,683)**	**($2,043)**	**($2,795)**
% change	*-27.05%*	*-45.81%*	*-31.33%*	*26.91%*	*10.76%*
Source:	10-Q 11/12/2025	10-Q 7/31/2025	10-Q 5/9/2025	10-K 2/28/2025	10-Q 10/31/2024

RATES OF RETURN

- ✓ Persistently negative returns on total and tangible assets

Rate of Return - Sequential Quarters
(Thousands of U.S. Dollars)

Period Ended	13 weeks 9/28/2025	13 weeks 6/29/2025	13 weeks 3/30/2025	13 weeks 12/29/2024	13 weeks 9/29/2024
Return on total assets	**-4.74%**	**-4.30%**	**-3.59%**	**-5.13%**	**-3.32%**
% change	*-10.19%*	*-19.82%*	*30.06%*	*-54.49%*	*-15.61%*
Return on tangible assets	**-16.27%**	**-14.06%**	**-11.43%**	**-16.16%**	**-10.35%**
% change	*-15.71%*	*-23.02%*	*29.30%*	*-56.11%*	*-18.55%*
Source:	10-Q 11/12/2025	10-Q 7/31/2025	10-Q 5/9/2025	10-K 2/28/2025	10-Q 10/31/2024

YEAR TO DATE STATEMENTS

CASH FLOWS

What does this tell us?

- ✓ Substantial net losses, negative operating cash flow, and lower investment capex
- ✓ Debt issuance and dividend payments materially weakened its financial position

Statement of Cash Flows - Year-over-Year - Standardized - Year to Date
(Thousands of U.S. Dollars)

Period Ended	39 weeks 9/28/2025	39 weeks 9/29/2024	39 weeks 9/24/2023	39 weeks 9/25/2022	39 weeks 9/26/2021
Cash Flows from Operating Activities:					
Net income	($161,135)	($122,430)	($63,873)	($55,380)	($11,998)
Depreciation/depletion	26,682	31,176	21,217	20,076	3,161
Deferred taxes	1,368	3,751	(184)	3,438	(3,384)
Non-cash Items	42,282	19,615	16,210	16,636	6,063
Changes in working capital	36,131	22,052	3,594	(21,374)	2,152
Total cash from operating activities	**(54,672)**	**(45,836)**	**(23,036)**	**(36,604)**	**(4,006)**
Cash Flows from Investing Activities:					
Capital expenditures	(9,277)	(22,210)	(13,427)	(13,356)	(1,661)
Other investing cash flow items, total	4,553	(3,753)	(922)	(1,079)	(344,489)
Total cash from investing activities	**(4,724)**	**(25,963)**	**(14,349)**	**(14,435)**	**(346,150)**
Cash Flows from Financing Activities:					
Financing cash flow items	n/a	n/a	0	(2,885)	(2,516)
Total cash dividends paid	(2,921)	(12,879)	(12,155)	(12,622)	(8,124)
Issuance/retirement of stock, net	5,352	3,061	3,817	117	10,438
Issuance/retirement of debt, net	12,234	56,458	115,797	28,607	386,675
Total cash from financing activities	**14,665**	**46,640**	**107,459**	**13,217**	**386,473**
Net change in cash	**(44,731)**	**(25,159)**	**70,074**	**(37,822)**	**36,317**
Net cash-beginning balance	**67,389**	**91,903**	**68,763**	**99,921**	**7,211**
Net cash-ending balance	**$22,658**	**$66,744**	**$138,837**	**$62,099**	**$43,528**
Supplemental Disclosures:					
Cash interest paid	$88,362	$88,047	$80,616	$46,488	$5,874
Cash taxes paid, supplemental	$1,560	$1,944	$802	$713	$639
Source:	10-Q 11/12/2025	10-Q 10/31/2024	10-Q 10/31/2023	10-Q 10/21/2022	10-Q 11/8/2021

ABOUT CREDITRISKMONITOR

About Our Bankruptcy Case Study

CreditRiskMonitor Bankruptcy Case Studies provide post-filing analyses of public and private company bankruptcies. Our case studies educate subscribers about how they can use our proprietary solutions to avoid the disastrous impact from bankrupt creditors and suppliers.

About Our Company

CreditRiskMonitor is a financial risk analysis and news service that helps credit and supply chain professionals stay ahead of and manage risk quickly, accurately and cost effectively.

Nearly 40% of the Fortune 1000, plus over a thousand other large corporations worldwide, rely on our coverage of 30+ million public companies and private companies globally.

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