US electronics retailer RadioShack files for bankruptcy

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Electronics retailer RadioShack filed for US bankruptcy protection Thursday, placing the future of its 27,000 employees in jeopardy. The retailer plans to sell 1,500 to 2,400 stores to its largest shareholder, Standard General, and has filed a motion to proceed with closing the remainder of its 4,000 U.S. stores.

Mobile phone company Sprint Corp plans to operate as many as 1,750 of the stores owned by Standard General. The deals made between RadioShack, Sprint and Standard General still require approval from the U.S. Bankruptcy Court in Delaware.

The announcement of its formal filing for bankruptcy came after the New York Stock Exchange (NYSE) suspended trading of RadioShack shares on Monday, as the company did not meet the minimum market value of $50 million required to be listed on the exchange. The same day, the company’s key lender, Salus Capital Partners, accused RadioShack of being in default on its loan and said it was considering legal action against the company.

The bankruptcy comes after 11 consecutive unprofitable quarters. The company has been squeezed by competition from Walmart and Amazon in particular, as well as Best Buy and other traditional electronics retailers.

Amazon has suggested that it is considering purchasing some of the RadioShack stores, as part of a move to supplement its online business with traditional retail stores.

RadioShack shares had lost ninety percent of their value in the last twelve months, and in its filing for bankruptcy the company listed $1.2 billion in assets and $1.39 billion of debt. The company said it has reached an agreement with a lender group led by DW Partners for a $285 million loan to operate while in bankruptcy.

The bankruptcy process will be utilized by the corporate owners and hedge fund directors to leach as much money as possible from what remains of the company while upending the lives of RadioShack employees. They have hired auction company Hilco Industrial to shutter under-performing stores. Hilco played a leading role in the recent auction of assets of the city of Detroit and is a major international player in the liquidation business.

Sprint and General Wireless are planning to establish co-branded stores that will exclusively sell mobile devices operated by Sprint, along with RadioShack products, services and accessories. Sprint CEO Marcelo Claure lavished praise on the deal, saying “We’ve proven that our products and new offers drive traffic to stores, and this agreement would allow Sprint to grow branded distribution quickly and cost-effectively in prime locations. Sprint and RadioShack expect to benefit from operational efficiencies and by cross-marketing to each other’s customers.”

If RadioShack does not end a large number of its leases soon, it is faced with the threat of liquidation, following in the wake of Loehmann’s Inc and Borders Group. RadioShack, which is being advised by law firm Jones Day, investment bank Lazard, and financial advisers at Maeva and FTI, is likely to rush through its remaining store closures as soon as possible to avoid this fate.

RadioShack has not provided its thousands of employees with a list of stores slated for closure, but in many locations the impending bankruptcy was felt well in advance. Last March, the company sought to close roughly 1,100 of its stores nationally, as part of an effort to stave off bankruptcy for at least another year. Their creditors, chiefly GE Capital, rejected this plan, limiting closures to 200 stores for each fiscal year.

Over the past year, under instruction from corporate headquarters in Fort Worth, Texas, managers at hundreds of “targeted store locations” have gradually cut their payrolls by firing workers, while stripping the stores of merchandise, essentially hollowing out hundreds of their store locations and closing roughly 200 throughout 2014.

This past Sunday, the first day of fiscal year 2016, RadioShack abruptly closed over 200 such nearly-empty stores. *CNNMoney* reports that “staff at several of those stores say they were given only hours notice last week before rental trucks arrived to haul away remaining inventory.”

An anonymous store manager, whose store shuttered on Sunday, told *CNNMoney*, “When they converted me to a clearance store, I knew that was a death knell. I feel the company has been mismanaged for at least the last decade.”

Also this week, IBM sought to dismiss rumors that it intends to slash roughly 100,000 jobs, or 26 percent of its workforce, the largest mass layoff of any U.S. corporation in at least 20 years. The IBM employees’ union says that is has collected reports of 5,000 jobs eliminated, and that this year could see as many as 10,000.

On Jan. 22, eBay Inc. announced its plan to cut 2,400 jobs in the first quarter of 2015, which amounts to roughly seven percent of the company’s 34,600-person workforce. The company justified this move by citing “weak holiday sales, revenues lower than expected, and restructuring ahead of its PayPal spin-off.”

American Express Co. reported Jan. 22 that it plans to fire 4,000 employees, or six percent of its 63,000-person workforce in the coming year.

The retailer JC Penney announced plans to lay off 2,250 workers by April, as part of its shuttering of 40 underperforming stores. Macy’s, another major retailer, is cutting 1,660 to 2,500 workers, with fourteen stores slated for closure.