

**MOODY'S**

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# Case Study: Sam Ash Music Corporation

The EDF-X Early Warning Signal identified Sam Ash as an elevated credit risk 6+ months before it filed for bankruptcy

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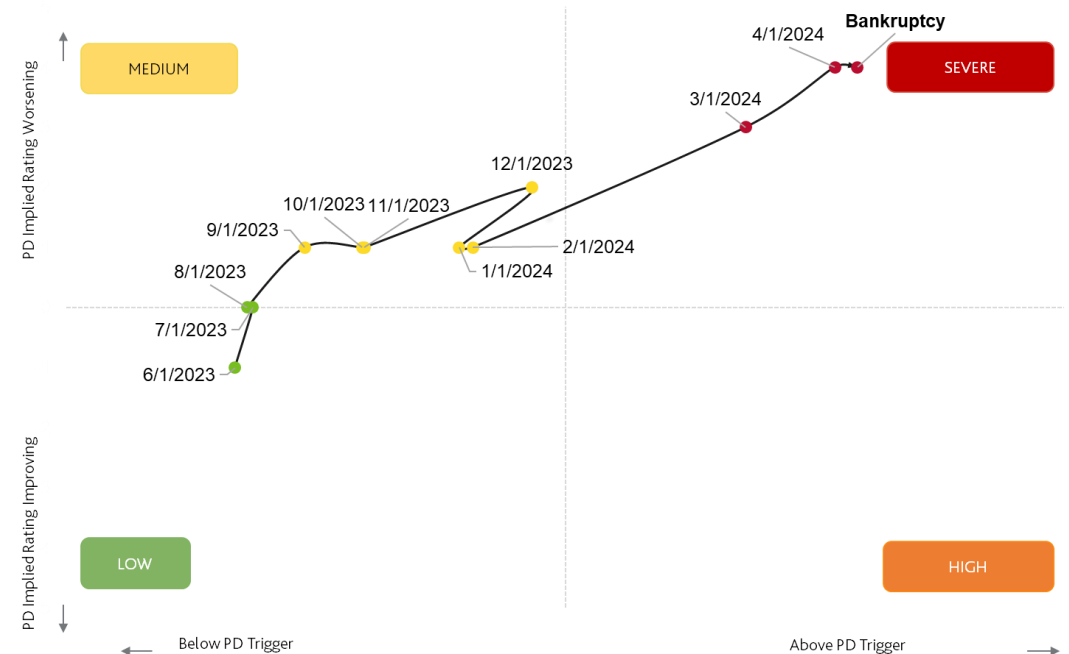
## From Forte to Finale: Mounting financial strains and post-pandemic market shifts silenced Sam Ash Music Corporation

Sam Ash Music Corporation, the US-based family-owned music store chain, went flat in May 2024 after 100 years in business. Like many retailers, its financial difficulties were significantly worsened by the COVID-19 pandemic, which triggered shifts in consumer preferences, and heavy debt burden coupled with declining revenues. Having relied on in-store visits, the new, post-pandemic environment forced the iconic music retailer to file for bankruptcy and launch plans to close all 42 brick-and-mortar stores by summer's end. EDF-X flagged the company as a credit risk to watch in the third quarter of 2023 when its Early Warning Signal (EWS) moved from "Low" to "Medium", where it remained until Q1 2024 when it changed to a "Severe" risk.\* When a company is categorized as a "Severe" risk, the likelihood of a negative credit event significantly increases.

Sam Ash opened its first location in Brooklyn, NY in 1924 and grew to 830 employees. The company entered bankruptcy owing \$40 million to creditors including Tiger Finance and key suppliers like Yamaha and Gibson. At the time of bankruptcy, Tiger Finance offered to buy Sam Ash's existing inventory and intellectual property, while providing \$20 million in financing, but the company passed in search for a better deal.

Strapped for cash, Sam Ash was unable to pay the rent for most of its locations in April and May 2024, while also failing to make vendor payments, leading to a stop in supply.

As of a June 2024 auction, Mexican retailer Gohner Music Center has acquired most of Sam Ash's assets for \$15.2 million, in addition to liabilities and fees. Despite the sale, all of Sam Ash's retail locations will still be closed.



\*Note: The EWS uses two automated rules to alert on a company's risk by comparing it to peers (PD Trigger) and tracking changes in its own credit risk (PD Implied Rating). This quadrant approach categorizes risk levels into four categories: severe, high, medium, and low, making it easier to understand and act upon.