

## **BP Bankruptcy Unlikely**

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Worries that BP could reach bankruptcy before all claims resulting from the Gulf oil spill can be settled are unfounded, says Peter Ricchiuti, assistant dean and clinical professor of finance at the A. B. Freeman School of Business.



Bankruptcy may not be an issue, but BP could have to sell off some assets, says Peter Ricchiuti, director of research for the Burkenroad Reports program at the A. B. Freeman School of Business. (Photo by Paula Burch-Celentano)

"It's really tough to imagine them going bankrupt because the company is worth about \$95 billion in market capital and has \$25-\$30 billion per year in free cash flow," says Ricchiuti. "I don't think that bankruptcy is going to be an issue, but I do see them having to sell off some of their assets in the future."

[Ricchiuti](#), who also is director of research for the Freeman School's Burkenroad Reports program, predicts that the first of the company's assets to be eliminated would be its North American retail stores that are branded with the company's

name. BP's declining public image has led to reported drops of 10 to 40 percent in income for its gas station owners. In light of this trend, BP has proposed offering financial assistance to privately owned gas stations bearing the BP name.

Much has been made of the \$20 billion oil spill escrow fund created to compensate victims of the oil spill, with critics suggesting that amount will fall short of satisfying all claims. While Ricchiuti says the move to force the company to create the account was a good one, he agrees that the amount likely will not be enough, largely due to unseen damages from the oil spill that may soon require attention.

For example, Ricchiuti points to the slowing traffic of visitors to the Gulf's recreational areas. The larger hotels may stand a chance of overcoming a weak vacation season, he says, but the owners of small condo will take a much harder hit.

"There are a lot of property owners who have condos along the shore that they use for extra income," says Ricchiuti. "Repairing them from damage is one thing, but if they aren't being rented, mortgages could go unpaid and that would lead to a real estate meltdown."