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Investing Groups

New Fortress Energy: Prepare For Bankruptcy - Strong Sell

Sep. 07, 2025 10:20 PM ET | **New Fortress Energy Inc. (NFE) Stock** | NFE



Henrik Alex

Investing Group

Summary

New Fortress Energy reported disastrous Q2 results well below consensus expectations with negative Adjusted EBITDA and record cash outflows from operations.

Assuming no major increase in LNG cargo sales, the recent sale of the Jamaica business will result in Q3 results to be even worse.

Adding insult to injury, the company warned of imminent debt covenant violations.

While New Fortress Energy has initiated a formal review of strategic alternatives, a pre-packaged bankruptcy appears to be the most likely outcome at this time.

Given the high likelihood of a total loss, investors should consider selling existing positions and moving on. With the company apparently moving closer to bankruptcy, I am downgrading my rating from "Sell" to "Strong Sell."

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Note:

*I have covered **New Fortress Energy Inc.,** or "NFE" (NASDAQ:NFE) previously, so investors should view this as an update to my earlier articles on the company.*

After the close of Friday's regular session, debt-laden LNG infrastructure player New Fortress Energy reported another set of abysmal quarterly results with negative Adjusted EBITDA and substantial cash outflows from operating activities:

New Fortress Energy - Key Financial Metrics										
	Q1/2023	Q2/2023	Q3/2023	Q4/2023	Q1/2024	Q2/2024	Q3/2024	Q4/2024	Q1/2025	Q2/2025
Revenue	579.1	561.3	514.5	758.4	690.3	428.0	567.5	679.0	470.5	301.7
Adjusted EBITDA	439.7	246.5	208.4	387.6	340.1	120.2	176.2	313.5	82.3	-3.7
Cash Flow from Operations	200.1	303.7	33.3	287.6	70.1	92.9	-16.8	440.5	-31.7	-352.5
Capital Expenditures	-563.3	-902.4	-726.0	-838.2	-683.4	-662.9	-434.9	-840.0	-340.5	-312.3
Free Cash Flow	-363.1	-598.6	-692.7	-550.7	-613.4	-570.0	-451.7	-399.4	-372.2	-664.8
Cash and Cash Equivalents	296.9	104.3	171.3	155.4	143.5	133.0	90.8	492.9	447.9	551.1
Restricted Cash	325.3	100.5	66.2	155.4	171.5	164.9	145.9	472.7	379.5	270.3
Debt	5,228.6	5,431.1	6,168.1	6,803.1	7,026.4	7,629.0	8,009.0	8,894.8	9,192.4	8,986.8

Company Press Releases / Regulatory Filings

Revenues of $301.7 million and Adjusted EBITDA of ($3.7) million represented new multi-year lows, while cash used in operating activities of $352.5 million reached a new all-time high.

In its quarterly report on Form 10-Q, the company attributed the poor performance to two major factors:

1. Lack of excess LNG cargo sales
2. The sale of the Jamaica business on May 14

However, the latter resulted in unrestricted cash and cash equivalents increasing by more than $100 million on a quarter-over-quarter basis.

New Fortress Energy ended the quarter with $551.1 million in unrestricted cash and cash equivalents as well as $270.3 million in restricted cash.

Total consolidated debt amounted to $9.0 billion, with approximately $5.8 billion at the holding company level:

	June 30, 2025
Corporate debt	
Senior Secured Notes, due November 2029	$ 2,726,074
Senior Secured Notes, due September 2026	509,454
Senior Secured Notes, due March 2029	234,020
Revolving Facility	710,400
Term Loan B, due October 2028	1,155,204
Term Loan A, due July 2027	275,573
Short-term Borrowings	159,730
Sale leaseback financing	
Vessel Financing Obligation, due August 2042	1,366,050
Tugboat Financing, due December 2038	45,980
Asset level financing	
PortoCem Debentures, due September 2040	847,587
BNDES Term Loan, due October 2045	362,684
Brazil Financing Notes, due August 2029	357,068
Turbine Financing, due July 2027	138,175
EB-5 Loan, due July 2028	98,820
South Power 2029 Bonds, due May 2029	—
Barcarena Debentures, due October 2028	—
Total debt	$ 8,986,819
Current portion of long-term debt	$ 1,181,559
Long-term debt	7,805,260

Regulatory Filing

Please note that the company's Q2 results included six weeks of contributions from the Jamaica business. Without a sizeable increase in LNG cargo sales, Q3 results will be even worse.

Adding insult to injury, New Fortress Energy warned of near-term debt covenant violations:

> *As of the date of this filing, the Company does not expect to be in compliance with the consolidated first lien ratio or the fixed charge coverage ratio included within the Revolving Facility, Letter of Credit Facility and Term Loan A Credit Agreement for the fiscal quarter ending September 30, 2025.*
>
> *If the Company is not in compliance with these covenants and this non-compliance is not waived, the lenders have the right to accelerate the repayment of the outstanding principal under the Revolving Facility and Term Loan A and require cash collateralization of all outstanding letters of credit.*
>
> *If lenders choose to accelerate under those facilities, substantially all of the Company's outstanding indebtedness would be payable on demand.*
>
> *If substantially all of the Company's outstanding indebtedness is accelerated, the Company would not have sufficient liquidity or capital resources to satisfy the outstanding principal obligations.*

In addition, the company has failed to provide a required $79.1 million bank guarantee to holders of its PortoCem Debentures:

> *The Company was required to provide a $79,100 bank guarantee to holders of the PortoCem Debentures on or before August 17, 2025; this guarantee was not provided by the deadline, and as a result, a majority of debenture holders have the right to call for a meeting of holders and declare an event of early maturity.*
>
> *If the debenture holders exercise their right to declare an early maturity, substantially all of the Company's outstanding indebtedness would be payable on demand.*

Not surprisingly, New Fortress Energy has initiated a formal process to evaluate "*strategic alternatives to improve its capital structure*":

> *The Company, along with its advisors, is considering all options available, including asset sales, capital raising, debt amendments and refinancing transactions, and other strategic transactions that seek to provide additional liquidity and relief from acceleration under its debt agreements. As part of this process, NFE is engaging in discussions with various existing stakeholders and potential investors.*

On a more positive note, the company remains in negotiations for a new long-term LNG supply agreement with Puerto Rico and continues to pursue a $659 million request for equitable adjustment with FEMA following the surprise termination of a high-margin emergency power supply contract last year.

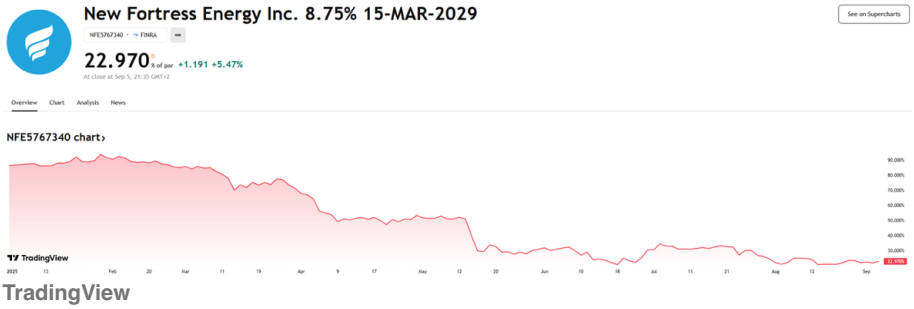
However, New Fortress Energy is running out of time, and given the company's structural issues, I would expect creditors to press for a comprehensive debt restructuring.

At least in my opinion, a more viable capital structure would require equitizing all existing bond debt at the holding company level (approximately $3.5 billion), but this would still leave New Fortress Energy with approximately $2.3 billion in bank debt.

Please note that S&P Global expects even term loan holders to take a 25% haircut, while holders of legacy 2026 and 2029 notes are expected to recover only between 10% and 30% under a default scenario. The company's new, higher-ranking 2029 notes are expected to recover between 30% and 50%.

In recent months, prices of New Fortress Energy's publicly traded bonds have deteriorated to new all-time lows:







Please note that the company will be required to make $26.7 million in interest payments under its legacy 2026 and 2029 bonds next week. Should New Fortress Energy decide to skip the payments, a bankruptcy filing might be close at hand.

However, even if the payments will be made, I really don't expect the company to come up with the $163.8 million semi-annual interest payment due under its new 2029 notes in November.

In my opinion, New Fortress Energy's next step would be to enter into forbearance agreements with lenders in order to provide more time to negotiate a comprehensive debt restructuring, which I would expect to be implemented under Chapter 11.

With creditors projected to take a large haircut, equity holders would almost certainly end up holding the bag.

Please note that the company won't hold a conference call and has abstained from providing an earnings presentation for the first time since going public in 2019.

As New Fortress Energy appears to be getting closer to bankruptcy, I am downgrading my rating from "*Sell*" to "*Strong Sell*".

Risks

As usual, the bear thesis is not without risks. While odds seem to be stacked firmly against the company, there are still two major catalysts for the shares:

1. Favorable resolution of the company's $659 million FEMA claim
2. A new long-term LNG supply agreement with Puerto Rico

However, I do not expect these potential catalysts to play out in the near term. But even if New Fortress Energy receives a sizeable FEMA payment and secures a new supply contract with Puerto Rico, creditors are still likely to require a comprehensive debt restructuring.

Bottom Line

New Fortress Energy is going from bad to worse as the company reported abysmal second quarter results and warned of imminent debt covenant violations.

Not surprisingly, New Fortress Energy has initiated a formal process to evaluate strategic alternatives for improving its capital structure.

However, given the company's poor operating performance and the sheer magnitude of outstanding debt, I would expect creditors to press for a comprehensive debt restructuring, which will likely require implementation under Chapter 11.

For my part, I would expect the strategic review to result in a pre-packaged bankruptcy later this year, with creditors becoming the new owners of the business while current equity holders will likely end up being wiped out.

Given the high likelihood of a total loss, investors should consider selling existing positions and moving on.

With the company apparently moving closer to bankruptcy, I am downgrading my rating from *"Sell"* to *"Strong Sell."*

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Year	VIE Return	S&P 500	Russell 2000	Shipping Industry
2016	23.7%	12.0%	19.5%	-3.5%
2017	65.4%	21.8%	13.1%	6.5%
2018	0.9%	-4.4%	-12.2%	-26.9%
2019	66.5%	31.5%	23.7%	28.6%
2020	-7.0%	18.4%	18.4%	-36.2%
2021	133.1%	28.7%	13.7%	60.2%
2022	54.9%	-18.1%	-21.6%	60.5%
2023	54.5%	26.3%	18.8%	44.9%
2024	13.3%	25.0%	8.3%	1.9%
2025 YTD	-2.2%	-5.1%	-9.3%	-4.8%
Average Rtn	43.8%	14.8%	7.9%	14.3%
Cumulative Rtn	1876.0%	220.7%	80.9%	122.8%
Annualized Rtn	**38.1%**	**13.4%**	**6.6%**	**9.1%**

Note: Unaudited results from median tracked trades (2016-2018) and shipping model portfolios (2019-2024). Past performance does NOT guarantee future results. This is not a solicitation for an investment into any financial product. Research product only, all readers must always conduct their own due diligence and consult their own professional advisors before considering any investment or trade idea.

This article was written by



Henrik Alex
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Comments (10)

Newest

O

OnlyAlpha1
Today, 9:17 AM

Premium Investing Group

Comments (38)

Company claims it was "able to utilize all volumes under its supply contracts in their downstream terminal operations" so probably fair to assume not a lot more cargo sales in Q3/4, no?
Volume delivered to customers looks extremely low (14.2 TBtu only in Q2 o/w 11.2 in Puerto Rico ...) ...
So not only they deliver little LNG to end clients … but also report no cargo sales on top … doesn't that imply FLNG1 probably not producing that much?

Reply Like

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Henrik Alex
Today, 9:56 AM

Analyst Premium Investing Group

Comments (51.37K)

Analyst's Reply *@OnlyAlpha1*

The 11.2 TBtu number includes the La Paz Facility in Mexico but otherwise I would agree with your assessment. They sold a LNG supply contract In Q4 and FLNG1 was subject to downtime for optimization efforts and scheduled maintenance.

The San Juan facility also underwent maintenance and repair activities during H1 so volumes might increase in the second half.

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500MPH
Today, 8:08 AM

Premium Investing Group

Comments (6.22K)

I own VG and was wondering if anyone could comment on how/if this might affect their business? This one has disappointed since the IPO.
Thank you

Reply Like

Henrik Alex
Today, 9:48 AM

Analyst Premium Investing Group

Comments (51.37K)

Analyst's Reply *@500MPH*

Venture Global has signed two 20-year supply agreements with NFE back in 2022. If the terms are unfavorable, NFE would be able to reject these contracts in bankruptcy. However, if terms are favorable, NFE would likely remain committed to the agreements.

Reply Like (1)

D

dumpster_diver_king
Today, 5:47 AM

Comments (52)

I'm in the minority camp and speculate they won't default in September, IF they get another waiver from the Portocem long term debenture group (the full context & history you left out…) to delay payment as well as further covenant amendments from other creditors. As I commented elsewhere, they are trying every little way in dealing with all creditors to stave off technical default.

Don't mean to nit pick but the exact coupon on the new 2029 notes is ~$5mm less than your figure and it is subsidiary level debt NOT at holding level, which is a pretty important distinction in this case.

Reply Like (2)

Henrik Alex
Today, 6:36 AM

Analyst Premium Investing Group

Comments (51.37K)

Analyst's Reply *@dumpster_diver_king*

Thanks for your comments, they might indeed make the relatively minor coupon payments this week in order to gain more time but they are about to default on their debt anyway so not much sense in making coupon payments anymore.

In addition, there's no sense in kicking the can further down the road either as the company's operations simply can't support current debt levels.

As the PortoCem debentures have been issued to the Brazilian Development Bank, further amendments are possible.

Where did you get the exact November coupon payment number from?

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H

Hugh Arhue
Today, 9:42 AM

Premium Investing Group

Comments (4.03K)

@dumpster_diver_king Are you an owner of NFE's debt?

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E

energyguy921
Today, 12:45 AM

Premium Investing Group

Comments (7.99K)

It's all over !

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A

Artster 2
Yesterday, 11:48 PM

Premium Investing Group

Comments (121)

Run don't walk from ownership in NFE! Just look at their track record.

Reply Like (1)

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waterlogger
Yesterday, 11:03 PM

Premium Investing Group

Comments (1.41K)

Any payments from FEMA will be approved and paid in slow motion during this political cycle.
Not uneven handedly, just actual DOGE review as needful.

An actual contract with Puerto Rico could be at higher risk for default than New Fortress Energy.

How warm and fuzzy could any financial guy get over that contract as the secured source of debt repayment?

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