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DISTRESSED DAILY: Hackers Target Cash-Short Issuers, Alix Says
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(Bloomberg) -- Averting the utter and complete collapse of your business can be very distracting. The result is that cybersecurity sometimes gets neglected by distressed companies, making a bad situation worse, according to a report from AlixPartners.

Alix runs one of Wall Street’s biggest restructuring practices, and the report says online break-ins can devalue assets to a potential rescuer and cut recoveries for creditors.

The vulnerability stems from penny-pinching, according Gretchen Ruck, founder of Alix’s cybersecurity practice and the report’s author. The companies “no longer see security measures and precautions as being critical to survival, so they reduce their priority level and cut investments previously allotted,” she wrote.

Ruck cited a 2017 survey that found as many as half of target companies in M&A situations experienced data security breaches in the prior two years. She pointed to 21st Century Oncology Inc., whose lengthy slide into bankruptcy last year was preceded by a 2015 patient data intrusion that led to more than $2 million in regulatory fines. Problems at struggling firms are compounded by neglected maintenance, unpatched software and demoralized tech workers.

“The breach could be the thing that adds the insurmountable damages that broke the company,” Ruck said in an interview.