Fashion turns its back on the stock market

Superdry will become the latest to leave a listed fashion retail sector that has shrunk drastically as companies go private or succumb to takeover by larger rivals

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A growing number of fashion retailers have exited the London Stock Exchange since 2022 as the retail market continues to consolidate.

On 16 April, Superdry, which floated in March 2010, became the latest retailer to plan an exit from the FTSE, when it set out proposals to delist as part of a restructuring plan. The delisting is subject to shareholder approval at its annual general meeting in June.

In 2023, Unbound Group was delisted after it sold its main trading subsidiary, Hotter Shoes, to WoolOvers Group in July; Seraphine was taken private by Mayfair Equity Partners in April; and In The Style was acquired by Baaj Capital in March. It follows the departure in 2022 from the London Stock Exchange of Joules, MySale and Ted Baker, which were acquired by Next, Frasers Group and Authentic Brands Group, respectively.

The number of fashion companies listed on FTSE and Aim has dropped from 21 in 2020 to 15. The number of companies floating in London has also fallen dramatically: a total of 23 listed in London in 2023. This is down 49% on the 45 in 2022, accountancy firm EY reports, and represents the quietest year since 2010.

Meanwhile, other retailers, especially those that listed during the 2021 initial public offering (IPO) boom, are having a bumpy ride. Dr Martens' share price has fallen 74% since it floated at 370p in January 2021. On 15 March, one of its investors, Marathon Partners Equity

Trade shows – when done properly – are inspiring"
Deryane Tadd, founder of The Dressing Room, St Albans, show calendar **p51**

Management, urged the board to undertake a strategic review that could lead to a sale of the company. It said maintaining Dr Martens as a publicly traded company "is likely no longer in the best interests of shareholders".

In the US, footwear brand AllBirds received notice from the Nasdaq on 8 April that its share price had remained below $1 (80p) for a month, which is not compliant with listing rules. It needs to trade at above $1 for at least 10 consecutive days by 30 September or risk being delisted.

The recent string of fashion retailers underperforming after their IPO and exiting the stock exchange suggests the volatile retail environment and unsustainable growth plans are eroding investor confidence, leaving stricken listed companies vulnerable to takeover. So what are the factors driving the stock market exodus and what are the prospects for the listed fashion retail sector?

How companies can raise funds

EQUITY FUNDING

- Venture capital
- Private equity
- Initial public offering (IPO)

DEBT FUNDING

- Through mainstream banks
- Through specialist lenders such as Hilco

THE RETAIL INDUSTRY has faced supply chain disruption and unpredictable consumer demand since 2020, making it harder for companies to forecast sales, meet market expectations and find favour with the stock market.

Marc Dench, former CFO of Ted Baker and Joules, said: "From the start of the pandemic and coming out of it, one of the hardest things as a fashion retailer is forecasting. But as a public business, having a forward view for the six to 12 months ahead, and being able to guide the market accordingly, is really important.

"If you're a private business, it's still critically important and you're still impacted by the same things. But you may have more resilience, as you could have shareholders thinking longer term or happy to adjust their expectations to navigate that." He added that listed retailers could get into a "negative spiral" of profit warnings in a tough trading environment, which is difficult to recover from in the public markets.

Under constant investor pressures and regular reporting obligations, companies have also found it harder to execute turnaround plans. Superdry said delisting would allow it to carry out its strategy "away from the heightened exposure of public markets".

Co-founder and CEO Julian Dunkerton said: "The real problem is not the listing – it's being listed while doing a turnaround. I think it's very difficult for the markets to understand what we are going through currently because we are in a reset position. So much of my time is spent in running a public company. Our audit fees [of around £5m a year] are five times higher than they were five years ago. That is not a sustainable position to be in, so delisting will save us a lot of money and it will allow me to refocus."

Meanwhile, a raft of retailers that enjoyed rapid ecommerce growth during pandemic lockdowns and took their businesses public in 2021 – including In The Style and Seraphine – have suffered plummeting online sales volumes following the return of physical shopping.

When Seraphine announced it was delisting last year, the maternitywear retailer attributed the decision to the global supply chain crisis, rising cost of living and substantial inflation in online marketing costs that had "disproportionately challenged" the company because of its reliance on ecommerce.

John Stevenson, retail analyst at investment bank Peel Hunt, believes the growth forecasts of these newly listed businesses were unsustainable: "When you look at companies like In The Style, it came to market in peak internet time, so the numbers couldn't have been any better.

"Dr Martens is a fabulous brand and has a good case for long-term development." But, he adds, it came to market at the "best possible level of performance", so further growth at a similar level may be difficult to achieve.

Nevertheless, some fashion retailers have flourished as publicly traded companies over the past three decades, increasing their investor base and enjoying global expansion. Peel Hunt's Stevenson described JD Sports Fashion, which floated in 1997, as "a huge success story, going from a small-cap retailer to one of the biggest players in sports fashion globally". He posits that it could not have become the behemoth it is today without being publicly listed. ▶

FASHION'S STOCK EXCHANGE EXODUS

FASHION COMPANIES THAT HAVE DELISTED FROM THE LONDON STOCK EXCHANGE SINCE 2020

- **Hotter Shoes owner Unbound Group** Acquired by WoolOvers Group in July 2023
- **Seraphine** Acquired by Mayfair Equity Partners in April 2023
- **In The Style** Acquired by Baaj Capital in March 2023
- **Joules** Acquired by Next in November 2022
- **MySale** Acquired by Frasers Group in November 2022
- **Ted Baker** Acquired by Authentic Brands Group in August 2022
- **French Connection** Acquired by MIP Holdings in October 2021
- **Moss Bros** Acquired by Brigadier Acquisition Company in June 2020
- **Laura Ashley** Acquired by Gordon Brothers in April 2020

Similarly, Asos floated in 2001 on the junior Aim market, one year after it was founded: "Asos realised early on that it needed the public market, [which] going back 20 years was without question the right place [for the business]. The founders didn't want to be in a PE [private equity] cycle every three to four years, which is potentially disruptive to the management team."

Dench echoed that being a public company can provide a level of stability to the leadership team: "As a management team, you can focus more on the mid- and long term because you're not thinking about whether there is a private equity exit coming up and being distracted by that. You really are the stewards of the business."

One former CFO of a listed fashion retailer said the public market also brings greater recognition and access to finance: "Being listed gives you a greater profile and more exposure. It's easier to get your story out to people. You also get the benefit of raising money. If you're looking to do a major acquisition, you can raise money from existing shareholders and it's often cheaper money than going through banks."

For example, listed high street giant Next, which has been snapping up retailers including Joules and Cath Kidston to solidify its market position, raised £53.4m by issuing shares as part of its £115.2m takeover of FatFace in 2023.

Retailers should also explore other financing opportunities, said Joe Price, managing director of investment firm Retail Realisation: "The key consideration is what the medium-to-long-term vision for the company is and ultimately public equity is just one of many options available [box, previous page]. High-growth companies may benefit from the exposure and flexibility provided by public equity, whereas mature companies may be better suited to private-equity backing and more debt financing."

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> **Julian Dunkerton** CEO, Superdry

BUSINESSES THAT ARE EYEING IPOs need to prepare for tougher interrogation from investors and have a more realistic valuation target.

The former CFO of a listed fashion retailer said: "There have been a few failed flotations recently when investors have lost money, so they're starting to ask harder questions and expecting more robust numbers, and businesses often aren't prepared for that. Business owners need to understand that they're not necessarily going to get the value they would ideally be seeking. But owners often have a significant stake, so, as the business continues to grow and the share price improves, they can get value that way."

Looking ahead, there are early signs of global IPO activity after a subdued three years. Retailers including Singapore-based Shein, US shapewear brand Skims and American athleisure label Vuori are all rumoured to be exploring an IPO this year. Italian footwear brand Golden Goose, owned by private equity firm Permira, is understood to be working towards a Milan listing this year to raise €1bn (£850m).

David Maddison, director of UK retail and leisure at HSBC, believes more fashion brands could go public: "Birkenstock's IPO late last year; [Authentic Brands Group's private equity backer] CVC Capital Partners is also likely to do the same; and the ever-present conversations around Shein suggest a thawing of the market." Birkenstock listed on the New York Stock Exchange at $46 (£37) per share last October. After an initial drop in share price, it was trading at $42.5 (£34) as of 15 April.

"Volatility remains constant, but positive signals through near-target inflation levels being reached, lower interest rate expectations and economic growth point towards a reopening of the capital markets door."

As Dench concludes: "There are opportunities for businesses that have a strong brand, loyal customer base, differentiated proposition, confidence in their supply chain and a clear path to how they're going to grow, because investors are always looking for strong growth stories." D