

Allbirds' strong IPO demonstrates consumers' appetite for eco-friendly brands

Article

The news: Eco-friendly apparel brand **Allbirds'** shares surged 90% during its Wednesday IPO.

- The company priced 20.2 million shares at \$15 apiece on Tuesday, opened its first trade at \$21.21, and ended the day at \$28.64.
- It raised approximately \$303 million and ended its first day of trading with a valuation of about \$4.1 billion.

A surge in digitally native IPOs: Allbirds, which is known for environmentally friendly wool sneakers, is appealing to investors who demonstrate a commitment to sustainability.

- It also follows a trend of IPOs from digitally native brands that build reputations primarily through online channels, including **Warby Parker** and **Rent the Runway**.
- Allbirds had a far stronger IPO, likely on account of its shrewd pricing and sustainability angle.

The counterpoint: Though focusing on sustainability and deriving most sales directly from consumers can yield clear benefits, there are drawbacks.

Costs are high: Allbirds hasn't had a profitable year.

- “Before the pandemic, we were already very close to and on the path to break-even,” co-founder and CEO Joey Zwillinger said on CNBC's "Squawk Box," but the numbers don't entirely back up that statement. The company lost \$14.5 million in 2019 and \$25.9 million the following year, according to SEC filings.
- For the quarter that ended September 30, Allbirds expects to report a **net loss of between \$15 million and \$18 million**.

Many digitally native direct-to-consumer (D2C) brands open more physical retail locations to boost profitability, as Zwillinger plans; many others, including oral care brand Quip, have turned to third-party brick-and-mortar retailers to lower their costs to reach consumers.

Analyst takes:

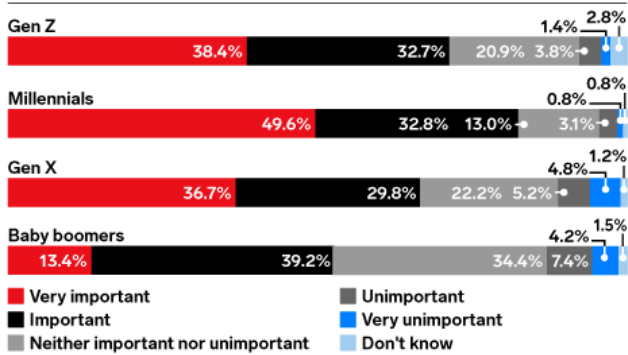
- “The long-term question is whether Allbirds' move into nonshoe apparel and hundreds more brick-and-mortar stores, up from 20 or so, will pay off with consumers,” said Sky Canaves, senior analyst at Insider Intelligence.
- “Sustainability concerns are here to stay,” said Suzy Davidkhanian, principal analyst at Insider Intelligence. “Brands like Allbirds are learning that you not only need to take the proper steps toward eco-friendliness but also need to spend the time marketing what your efforts are specifically.”

The big takeaway: While Allbirds’ IPO might have benefited from impeccable timing—overlapping with the UN Climate Change Conference (COP26) that runs through next week—there’s no doubt that sustainability is increasingly important to the average consumer.

- In the US, China, and the UK, **88%** of respondents believe that sustainability should be a standard business practice, according to a recent Wunderman Thompson study.
- **86%** of respondents also feel that businesses should play a part in solving challenges like climate change.

Importance of Sustainability When US Internet Users Shop for Beauty, Clothes, and Travel Experiences, by Generation, March 2021

% of respondents in each group



Note: numbers may not add up to 100% due to rounding
Source: Composed and MaCher, "Sustainability & Consumerism: U.S. Consumer Behaviors and Preferences," May 6, 2021
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