

insights

TYPES NOT MAPPED YET October 16, 2023 | TTR not mapped yet | David J. Kaufman

David Kaufman Discusses Reasons Behind Stock Drops in Fashion IPO Market

Fashion brands have been showing a growing interest in going public after a quiet period during the pandemic. Recent IPOs, such as Birkenstock, have garnered attention, but they have also faced challenges. Birkenstock, for instance, saw its share prices drop by 12% on the first day of trading. This trend of initial stock drops can be attributed to factors like rising interest rates, economic uncertainty, and inflated valuations.

For *Glossy*, Thompson Coburn Partner [David Kaufman](#) states, “Rising interest rates have made it more expensive for companies to borrow money, impacting their profitability, while also making stocks and IPOs a less attractive investment alternative than bonds with a higher yield...Because of numerous shocks to the economic system – relatively high interest rates, high inflation, threats of [a government] shutdown, the war in Ukraine – the markets have had wild swings up and down. Markets hate uncertainty and turmoil, leading to poor performance.”

Companies are increasingly entering the public market with overpriced shares, which can lead to a negative trajectory for public companies. Some brands have even deliberately reduced their valuations before going public to avoid this situation. However, going public still offers access to a larger pool of capital, which can be valuable. Despite the challenges, there are potential benefits for fashion brands to go public, provided they can navigate the current market volatility.

Read the full article [here](#).

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