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Rent the Runway Targets Valuation of Up to $1.5 Billion in IPO

Clothing-rental company set to launch roadshow on Tuesday



A Rent the Runway IPO would cap a comeback for the clothing-rental business.

PHOTO: ALEXI ROSENFELD/GETTY IMAGES

By *Corrie Driebusch*

Updated Oct. 18, 2021 8:38 pm ET

Rent the Runway Inc. is seeking a valuation of as much as $1.5 billion in its initial public offering next week, in what would cap a comeback for the clothing-rental business.

The New York company is aiming to sell shares at between $18 and $21 apiece for a fully diluted valuation of $1.24 billion to $1.46 billion, it said in a securities filing Monday. The roadshow for company management and their underwriters to pitch the shares to potential investors begins Tuesday and the shares are to start trading on the Nasdaq Stock Market next Wednesday.

The targeted range is above the $1 billion the company was valued at in early 2019, before the pandemic largely eliminated the need for work clothes and eventwear. Last year, its valuation shrank to roughly $750 million, as Covid-19-related office and other closures

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caused as much as two-thirds of the company's subscribers to pause or cancel their memberships.

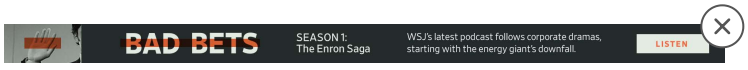
Founded in 2008 by Jenn Hyman and Jenny Fleiss, Rent the Runway began as a "shared designer closet" from which women could rent single items for special events. It has since grown to offer a range of clothes from fancy to casual, and most of its revenue now comes from subscribers to its service that allows them to borrow a set number of items each month for a flat rate.

Covid-19 forced Ms. Hyman, Rent the Runway's chief executive, to cut the company's costs by 51% and furlough or lay off half the workforce. She also raised new financing.

The company still struggled. Revenues decreased by 39% to $157.5 million in fiscal 2020. Active subscribers shrunk to about 54,000 in the summer of 2020 from more than 133,000 as of Jan. 31 of that year. This year, however, there has been a rebound, as widespread access to Covid-19 vaccines paved the way for social gatherings and a return to the office for some. In its latest IPO filing, Rent the Runway said that as of the end of September the number of active subscribers had grown to roughly 112,000.

The IPO will be closely watched, despite the company's size, given its relatively high profile. The new issue market is running at a record pace. And investors are watching for signs of whether the year will end on a strong note and whether others planning listings, like Rivian Automotive Inc., will succeed.

Rent the Runway is aiming to capitalize on the growing trend of "do-gooder" companies, emphasizing how renting clothes instead of purchasing them is better for the environment.



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Corrections & Amplifications

Most of Rent the Runway's revenue comes from subscribers to its monthly clothing-rental service. An earlier version of this story incorrectly said most users subscribe to the service. (Corrected on Oct. 18.)

Appeared in the October 19, 2021, print edition as 'Rent the Runway Targets $1.5 Billion Valuation.'

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