Deliveroo skids on stock market debut

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Deliveroo is set for a huge stock market listing but its IPO has been snubbed by some asset management firms, citing the job insecurity of riders

Deliveroo skidded on its stock market launch Wednesday, with its share price slumping by almost a third in value after the app-driven meals delivery company faced criticism from institutional investors over its treatment of self-employed riders.

Deliveroo's initial public offering (IPO) was London's biggest stock market launch for a decade, valuing the group at £7.6 billion ($10.4 billion, 8.9 billion euros), after the eight-year-old company enjoyed surging sales during the coronavirus pandemic as locked-down people ordered in.

But the British group's shares plunged as low as £2.71 after an IPO set at £3.90—already the bottom of its target-range.

"Deliveroo has gone from hero to zero as the much-hyped stock market debut falls flat on its face," noted AJ Bell investment director Russ Mould.

"Initially there was a lot of fanfare about the Amazon-backed company making its shares available to the public, including the ability for customers to buy stock in the IPO offer," Mould said.

"Sadly, the narrative took a turn for the worst when multiple fund managers came out and said they wouldn't back the business due to concerns about working practices."

'Continue to invest'

Deliveroo shares opened down 15 percent before institutional investors—the first allowed to buy and sell Deliveroo shares—pushed down its price further.

There was a brief halt in trading of its stock owing to volatility, while at around 1000 GMT its shares stood at £2.96, a drop of 24 percent.

Deliveroo is selling just over one-fifth of the group, while the general public can start trading in its shares from April 7.

Group founder and chief executive Will Shu on Wednesday said that as a public company, Deliveroo "will continue to invest in the innovations that help restaurants and grocers to grow their businesses, to bring customers more choice than ever before, and to provide riders with more work".

Deliveroo maintains that its riders—around 100,000 across 800 cities worldwide—value the flexibility the job affords.

However, its business model has come under scrutiny, including in Britain, France and Spain, over conditions.

The highly anticipated float has been overshadowed by small-scale protests, strikes and rallies in Australia, Britain and France, with more set to follow.

Deliveroo co-founder and chief executive Will Shu will get 20 votes per share while all other shareholders get one vote per share

On the streets of London, Deliveroo riders said working conditions remained a source of concern.

"Normally these big companies when they go public, it's going be worse for the employees so I hope it's better for us," Raphael, a rider originally from Colombia told AFP.

"The conditions are not so great right now, but let's hope they don't get worse," he added.

Ernest, another rider originally from France, said he was going to quit the company over the way employees had been treated ahead of the listing.

"Little by little we got the impression that because there was this future stock market listing that they didn't give a damn about us," he said.

"I'm not surprised they lost 30 percent," the rider said about the slump in share prices. "Deliveroo doesn't have a good reputation," he added.

London boost

Deliveroo's listing has been anticipated as a major boost to London's financial sector, known as the City, which following Brexit earlier this year lost its European share trading crown to Amsterdam.

The stock market float was London's largest since Swiss miner Glencore's IPO in 2011 valued at almost £37 billion.

Deliveroo is making a portion of its stock available for customers, with delivery riders and restaurant partners also able to participate.

The company has adopted a dual class share structure, giving Shu 20 votes per share while all other shareholders get one vote per share.

"Concerns over working conditions for its riders were... cited as one of the reasons for the reluctance to invest," said Michael Hewson, chief market analyst at CMC Markets UK.

However "there are probably a number of others, including the dual class structure which restricts the voting rights of ordinary shareholders and gives CEO Will Shu, majority control over any significant board decisions", he added

Britain's antitrust regulator last year approved Amazon's 16-percent investment in Deliveroo after an in-depth probe concluded it would not harm competition.

In 2020, more than six million people ordered food and drink every month via Deliveroo's app from 115,000 cafes, restaurants and stores. But it still ended up with a hefty loss owing to rising costs.