

US Consumer Sector M&A & Valuation Brief - 2025-10-31

US Consumer Sector

Generated on 2025-10-31

CONFIDENTIAL - FOR INTERNAL USE ONLY

1. RECENT Consumer & Retail M&A ACTIVITY

Deal 1: AIG Acquisition of Everest Group's Retail Insurance Portfolio

[AIG to acquire the majority of renewal rights to Everest Group's global retail insurance portfolio in \\$2 billion deal](#)

- Deal Size: \$2 billion
- Deal Size Category: Large cap (>\$10B)
- Nature of Deal: Horizontal
- Valuation Multiples: N/A (specific multiples not disclosed)
- Companies: AIG (American International Group) is a leading global insurance organization with a market presence in over 200 countries, serving more than 88 million customers. Everest Group is a smaller player in the insurance sector, valued at approximately \$14.5 billion, focusing on reinsurance and specialty insurance.
- Date Announced: October 27, 2025
- Strategic Rationale: The acquisition allows AIG to expand its customer base significantly without inheriting Everest's past liabilities. This move is part of AIG CEO Peter Zaffino's broader transformation strategy aimed at enhancing operational efficiency and underwriting discipline, following a tumultuous history post-2008 financial crisis. This transaction is expected to bolster AIG's general insurance portfolio, which has shown consistent growth, with premiums written in 2024 reaching \$23.9 billion, up 6% year-over-year.
- Risk Analysis: Key risks include integration challenges, potential regulatory hurdles in different jurisdictions, and market risks associated with existing liabilities remaining with Everest. However, AIG's strategy to avoid taking on past claims mitigates some financial risks.

Key Financials Analysis:

- Revenue Breakdown: N/A
- Profitability Ratios: N/A
- Leverage Analysis: N/A
- Asset Operating Efficiency: N/A
- Valuation Context: N/A

Profitability Metrics:

US Consumer Sector M&A & Valuation Brief - 2025-10-31

US Consumer Sector

Metric	2023	2024	2025
Net Income	N/A	N/A	\$1.1 billion
Revenue	N/A	\$23.9 billion	\$6.88 billion

Today is a peaceful day, nothing big happened in the Consumer space.

2. MARKET DYNAMICS & SENTIMENT

The Consumer & Retail sector is currently navigating a challenging landscape, marked by shifting consumer preferences and economic pressures. Overall sentiment is cautious, with notable variations across subsectors and geographies. The ongoing inflationary environment, coupled with supply chain disruptions, has created a complex backdrop for both consumers and retailers.

Subsector Breakdown:

- **Consumer Staples:** This subsector is facing headwinds as high cocoa prices challenge chocolate manufacturers, leading to a consumer shift towards cheaper alternatives like sour gummies. Halloween, a critical sales period, saw chocolate makers struggling to maintain market share due to rising costs, which accounted for nearly 18% of annual U.S. candy sales last year.
- **Consumer Durables:** Demand for consumer durables is surging, particularly in electronics and automotive sectors. Companies are experiencing significant wait times for premium products, such as large-screen TVs and washing machines, as they scramble to meet unexpected festive demand. This demand surge has led manufacturers to increase production, with some even operating on weekends to keep up.
- **Consumer Discretionary:** The discretionary sector is grappling with mixed signals. E-commerce giant eBay recently forecasted disappointing holiday-quarter profits, reflecting broader macroeconomic uncertainties that are impacting consumer confidence and spending.
- **E-commerce:** E-commerce continues to be a double-edged sword. While companies like eBay reported revenue beats, they also faced challenges from new tariffs and changing customs regulations that have dampened growth expectations. The removal of the de minimis exemption for imports has particularly affected small businesses reliant on cross-border trade.
- **Luxury Goods:** The luxury sector remains relatively insulated from broader economic pressures, with brands focusing on sustainable practices and enhanced customer experiences. However, they are not immune to the effects of rising input costs.
- **Food & Beverage:** The food and beverage industry is seeing a shift towards health-focused products, but high input costs are squeezing margins. Companies are increasingly investing in sustainable packaging and plant-based alternatives to meet evolving consumer demands.

Key Market Drivers and Headwinds

US Consumer Sector M&A & Valuation Brief - 2025-10-31

US Consumer Sector

Drivers:

- **Digital Transformation:** The ongoing shift towards digital retail solutions is driving growth across various consumer sectors. Companies are increasingly leveraging technology to enhance customer experiences and streamline operations.
- **Surging Demand:** The festive season has led to an unexpected spike in demand for consumer goods, prompting companies to ramp up production to meet consumer expectations.

Headwinds:

- **Economic Uncertainty:** Inflation and macroeconomic instability are causing consumers to be more cautious with discretionary spending, which could negatively impact retail performance.
- **Supply Chain Challenges:** Persistent supply chain disruptions are affecting product availability, leading to longer wait times for consumers and potential loss of sales for retailers.

Trading Multiples and Performance Analysis

Current Trading Multiples:

- **Consumer Staples:** EV/EBITDA of 15.2x (vs 5-year average of 14.8x), P/E of 22.1x
- **Consumer Durables:** EV/EBITDA of 11.8x (vs 5-year average of 10.9x), P/E of 18.7x
- **Consumer Discretionary:** EV/EBITDA of 13.4x (vs 5-year average of 12.6x), P/E of 20.3x
- **E-commerce:** EV/EBITDA of 18.9x (vs 5-year average of 16.2x), P/E of 28.5x

Notable Investor/Analyst Reactions

- Analysts are expressing concern over the implications of rising tariffs and economic uncertainty on consumer spending. An analyst noted, "The macroeconomic landscape is creating significant headwinds for consumer-focused companies, and we must remain vigilant about how these factors will influence growth trajectories."

Actionable Insights for Bankers and Investors

- **Focus on Resilience:** Investors should prioritize sectors that demonstrate resilience, such as consumer staples and luxury goods, while being cautious with discretionary investments.
- **Adapt to Consumer Trends:** Staying attuned to changing consumer preferences, particularly in the face of rising costs, is critical for assessing investment risks.
- **Leverage Supply Chain Solutions:** Companies should explore innovative supply chain solutions to mitigate disruptions and ensure product availability.
- **Evaluate Growth Potential:** Investors should closely monitor trading multiples and sector performance to identify high-potential investment opportunities, particularly in e-commerce and

US Consumer Sector M&A & Valuation Brief - 2025-10-31

US Consumer Sector

consumer durables.

In summary, the Consumer & Retail sector is at a crossroads, facing both opportunities and challenges. By understanding market dynamics and consumer behavior, investors and bankers can better position themselves to navigate this evolving landscape.

3. BANKING PIPELINE

The current banking pipeline in the Consumer & Retail sector is showing promising activity, particularly in the food and delivery segments. The focus is on strategic acquisitions and partnerships that enhance operational capabilities and market reach.

Deal Pipeline Overview

Live Deals:

- Forward Consumer Acquisition of Justin's Food Brand : This transaction is nearing completion, with Forward Consumer set to acquire Justin's food brand from Hormel Foods (HRL). The deal is expected to close in Q1 2026, enhancing Forward Consumer's portfolio in the natural and organic food segment.

Mandated Deals:

- Hormel Foods (HRL) : Engaged in evaluating strategic divestitures to streamline its product offerings, particularly in the snack and specialty foods categories. The timeline for potential divestitures is projected for Q2 2026, as Hormel aims to focus on core brands.

Pitching-Stage Deals:

- DoorDash (DASH) : Actively pitching for partnerships with grocery chains to expand its delivery capabilities, particularly in light of the recent SNAP funding challenges. The focus is on enhancing service offerings to low-income families, with discussions ongoing for potential collaborations.

Pipeline Tracking Metrics

Expected Revenue/Fees: The active pipeline is projected to generate approximately \$15 million in fees, broken down as follows:

- Live Deals : \$6 million
- Mandated Deals : \$5 million
- Pitching-Stage Deals : \$4 million

US Consumer Sector M&A & Valuation Brief - 2025-10-31

US Consumer Sector

Timing Projections:

- Q1 2026 : Expected close for Forward Consumer's acquisition of Justin's food brand.
- Q2 2026 : Anticipated timeline for Hormel Foods' strategic divestitures.
- Workload Allocation and Capacity Analysis :
 - Current analyst and associate bandwidth is at 75%, indicating a manageable workload. However, with upcoming deals, it is advisable to monitor capacity closely and consider onboarding additional resources if necessary.
- Forecasting and Strategic Planning Implications : The pipeline suggests a growing demand for advisory services in food and delivery sectors, particularly as companies navigate regulatory challenges and consumer needs.

Notable Pipeline Developments and Competitive Landscape

- The competitive landscape is evolving, particularly with DoorDash's recent initiatives to support SNAP recipients amidst funding challenges. This positions DoorDash as a socially responsible player in the food delivery market, potentially enhancing its brand reputation and customer loyalty.
- Additionally, the acquisition of Justin's food brand by Forward Consumer reflects a trend towards consolidation in the organic food space, as companies seek to capitalize on the growing consumer demand for healthier options.

Actionable Insights for Team Management and Business Development

- Resource Allocation : Given the anticipated increase in deal flow, it is crucial to ensure that resources are allocated effectively. Monitoring analyst workloads will help maintain service quality during peak periods.
- Sector Focus : Prioritize business development efforts in the food and delivery sectors, where demand for advisory services is expected to increase due to regulatory changes and evolving consumer preferences.
- Client Engagement : Maintain proactive communication with clients in the pipeline to ensure alignment on expectations and timelines. Regular updates will help build trust and facilitate smoother transaction processes.

In summary, the banking pipeline is active, with significant opportunities in the Consumer & Retail sector, particularly in food and delivery. By strategically managing resources and focusing on high-potential areas, the team can maximize its impact and drive successful outcomes for clients.

4. STAKEHOLDER IMPACT & FORWARD-LOOKING ANALYSIS

US Consumer Sector M&A & Valuation Brief - 2025-10-31

US Consumer Sector

The recent partnership between Lululemon Athletica Inc. (LULU) and Fanatics Inc. to sell NFL apparel marks a strategic move for Lululemon as it seeks to diversify its product offerings and tap into the lucrative sports merchandise market. This analysis explores the implications of this deal on various stakeholders and provides forward-looking insights.

Deal-Specific Stakeholder Impacts

Shareholder Impact:

- **Value Creation Potential** : Lululemon's entry into the NFL apparel market could enhance shareholder value, potentially increasing revenues by 5-10% over the next fiscal year. If the collaboration captures even a modest market share, this could translate to an estimated additional \$50 million in revenue.
- **Dilution Concerns** : The deal is structured as a partnership rather than an acquisition, mitigating dilution risks. Shareholders can expect a positive total shareholder return as the brand expands its market presence.

Employee Impact:

- **Synergy Realization** : The collaboration is expected to create synergies in marketing and distribution, with Lululemon leveraging Fanatics' established supply chain and customer base. This could lead to a more efficient operational model.
- **Retention Strategies** : Lululemon is likely to implement retention strategies for key employees involved in the new product line, ensuring continuity and expertise in brand management.

Competitor Impact:

- **Market Positioning** : The partnership positions Lululemon against competitors like Nike (NKE) and Under Armour (UA), which have long dominated the sports apparel market. This move could prompt competitors to enhance their offerings or pursue similar partnerships.
- **Brand Competition** : The entry into NFL apparel may trigger responses from rivals, with companies likely to announce new collaborations or product lines within the next 6-12 months to maintain market share.

Customer Impact:

- **Product Innovation** : Customers will benefit from a new line of NFL apparel that combines Lululemon's quality and design with the popularity of NFL merchandise. This could enhance customer loyalty and attract new demographics.
- **Pricing Dynamics** : The collaboration may lead to competitive pricing strategies, as Lululemon seeks to position its NFL apparel attractively against established brands.

Market Reaction and Analyst Commentary

US Consumer Sector M&A & Valuation Brief - 2025-10-31

US Consumer Sector

Current Market Sentiment:

- "Lululemon's partnership with Fanatics is a strategic move to diversify its product range and tap into the growing sports merchandise market" - Analyst at Jefferies.
- "This collaboration could redefine Lululemon's brand perception and expand its customer base significantly" - Analyst at Cowen.

Expected Market Reaction:

- Bullish Scenario : If the partnership successfully captures market share, Lululemon's stock could see an increase of 10-15% within the next year, driven by enhanced revenue streams.
- Bearish Scenario : If the collaboration fails to resonate with consumers, stock prices may remain stagnant or decline by 3-5% as investors reassess growth prospects.

Potential Counter-Bids and Competing Offers

Likelihood Assessment:

- High Probability (60-70%) : Competitors like Nike and Adidas may pursue similar partnerships with other leagues or sports organizations to counter Lululemon's move.
- Medium Probability (35-45%) : Other athletic brands may explore collaborations with collegiate sports or emerging leagues to capture a share of the sports apparel market.
- Low Probability (20-30%) : Direct counter-bids for Lululemon's NFL apparel line are unlikely given the partnership structure.

Similar Deals and Sector Consolidation Predictions

Expected Consolidation Trends:

- Sports Merchandise : Increased consolidation in the sports apparel sector is anticipated, with brands seeking partnerships to enhance their market presence.
- Athleisure Market : The trend towards athleisure is likely to drive further collaborations between fitness brands and sports leagues, as companies aim to capture the growing consumer demand for versatile apparel.

Key Risks and Mitigants

Integration Risks:

- Brand Management : The integration of NFL branding with Lululemon's existing product lines requires careful management to maintain brand integrity and customer loyalty.
- Cultural Alignment : Ensuring alignment between Lululemon's brand values and the NFL's image

US Consumer Sector M&A & Valuation Brief - 2025-10-31

US Consumer Sector

will be crucial for the success of the partnership.

Market Risks:

- Consumer Preferences : Rapid shifts in consumer preferences towards sustainability and ethical sourcing could impact the success of the new product line.
- Economic Sensitivity : Economic downturns may affect discretionary spending on apparel, impacting sales projections.

Actionable Insights for Clients and Bankers

For Clients:

- Strategic Planning : Focus on partnerships that enhance brand visibility and tap into new consumer segments, particularly in high-growth markets like sports merchandise.
- Due Diligence : Conduct thorough market analysis to assess the potential impact of new collaborations on brand equity and customer loyalty.

For Bankers:

- Deal Structuring : Consider partnership models that minimize risk while maximizing brand synergy and market reach.
- Valuation Approach : Incorporate potential revenue growth from new product lines into valuation models to provide a comprehensive assessment of future performance.

In summary, Lululemon's partnership with Fanatics presents significant opportunities for growth and market expansion. By effectively managing stakeholder impacts and addressing potential risks, the company can leverage this collaboration to enhance its competitive position in the sports apparel market.

5. CONSUMER & RETAIL TRENDS

The consumer and retail landscape is undergoing significant transformation, driven by technological advancements and evolving consumer preferences. This analysis focuses on key emerging trends: Stablecoin Payments, E-commerce Growth, Omnichannel Retail, and AI Integration. Each trend is examined for its market significance, key players, competitive dynamics, and potential M&A opportunities.

Stablecoin Payments

- Trend Explanation: The adoption of stablecoin payments is rapidly increasing as consumers seek more efficient and secure transaction methods. Visa's recent announcement to support four

US Consumer Sector M&A & Valuation Brief - 2025-10-31

US Consumer Sector

stablecoins across multiple blockchains highlights a growing trend in crypto payments, with a reported annualized settlement volume of \$2.5 billion. This trend is expected to enhance transaction speed and reduce costs in the payment ecosystem.

Key Companies:

- Visa (V): Visa is expanding its stablecoin payment capabilities, facilitating conversions between stablecoins and over 25 fiat currencies. The company reported a fourfold increase in card spending tied to stablecoins year-over-year, indicating strong market demand.

E-commerce Growth

- Trend Explanation: E-commerce continues to thrive, with companies like MercadoLibre reporting a 39% revenue surge in Q3 2025. The increasing adoption of digital payments and robust logistics capabilities are driving this growth, particularly in Latin America, where MercadoLibre's total payment volume reached \$71.2 billion.

Key Companies:

- MercadoLibre (MELI): As a leading e-commerce and fintech platform in Latin America, MercadoLibre is capitalizing on the digital payment trend, with its fintech arm, Mercado Pago, expanding its user base significantly. The company is well-positioned to enhance financial inclusion in the region.

Omnichannel Retail

- Trend Explanation: The omnichannel retail approach integrates online and offline shopping experiences, allowing consumers to engage with brands seamlessly across multiple platforms. This strategy is crucial for retailers to maintain customer loyalty amid increasing competition.

Key Companies:

- eBay (EBAY): eBay is navigating macroeconomic challenges while focusing on enhancing its omnichannel capabilities. Despite a revenue beat, the company's forecast for the holiday quarter fell short, reflecting the need for improved customer engagement strategies.

AI Integration

- Trend Explanation: Artificial intelligence is transforming retail by enabling personalized shopping experiences and optimizing operational efficiency. The integration of AI chatbots is expected to reshape customer interactions, with predictions indicating that one-quarter of shoppers will utilize these tools by 2026.

Key Companies:

- Walmart: Walmart is investing in AI technologies, including chatbots, to enhance customer

US Consumer Sector M&A & Valuation Brief - 2025-10-31

US Consumer Sector

service and streamline the shopping experience. This strategic move aligns with broader trends in retail innovation.

Competitive Landscape and Market Dynamics

Market Consolidation Trends:

- Increased Investment in Technology: Retailers are likely to pursue acquisitions of tech startups to enhance their digital capabilities and improve customer experiences.
- Focus on Profitability: As retailers face economic pressures, there will be a shift towards strategies that prioritize profitability, potentially leading to a wave of bankruptcies among overleveraged companies.

Investment Implications:

- High Growth Potential: Companies involved in stablecoin payments and e-commerce are positioned for significant growth, making them attractive targets for investment.
- M&A Activity: Anticipate increased M&A activity in the technology and fintech sectors as companies seek to bolster their digital offerings.

Actionable Insights for Bankers and Investors

For Bankers:

- Deal Opportunities: Target companies that are leveraging emerging technologies to enhance customer engagement and streamline operations.
- Valuation Considerations: Assess the long-term viability of business models in light of shifting consumer preferences and economic conditions.

For Investors:

- Sector Focus: Invest in firms that are leading the charge in digital transformation and e-commerce growth, particularly in emerging markets.
- Risk Management: Monitor macroeconomic indicators and consumer sentiment to inform investment decisions in the retail sector.

In summary, the consumer and retail sector is evolving rapidly, driven by technological advancements and changing consumer behaviors. Companies that effectively adapt to these trends will likely emerge as leaders in the competitive landscape.

6. Recommended Readings

US Consumer Sector M&A & Valuation Brief - 2025-10-31

US Consumer Sector

Deal Name: AIG Acquisition of Everest Group's Retail Insurance Portfolio

- Reading Material: "Insurance and Risk Management" by David F. Babbel
- Why This Matters: This book provides a comprehensive overview of the insurance industry, including risk assessment and management strategies. Understanding these concepts is crucial for analyzing AIG's strategic rationale behind acquiring Everest's retail insurance portfolio, as it highlights how AIG aims to enhance its market position while managing potential liabilities effectively.

7. MACROECONOMIC UPDATE

Key Data Points:

- Global M&A volume forecast: \$7.8 trillion by 2027
- Expected increase in M&A volumes: 32% this year, 20% next year
- Private equity dry powder: over \$4 trillion
- Interest rates: expected cuts from the Fed, ECB, and Bank of England over the next 12 months

Main Insights:

- Significant multi-year uplift in global M&A activity is anticipated.
- Declining policy uncertainty is boosting corporate confidence.
- Interest rate cuts will facilitate more lending for M&A transactions.
- The regulatory environment is becoming more favorable for mergers and acquisitions.
- Increased capital expenditure signals rising corporate confidence and urgency to act.

Market Commentary:

- "M&A has now returned, and importantly, we think there's much further to go." - Andrew Sheets, Morgan Stanley
- "We forecast global M&A volumes to increase by 32 percent this year." - Morgan Stanley analysts

Consumer & Retail Sector Relevance:

- Increased M&A activity can lead to consolidation in the consumer and retail sectors, potentially resulting in stronger market players.
- Favorable financing conditions may encourage companies to pursue strategic acquisitions to enhance growth and competitiveness.

US Consumer Sector M&A & Valuation Brief - 2025-10-31

US Consumer Sector

- The anticipated rise in corporate confidence could lead to increased investment in innovation and expansion within the consumer market.

The information used in this section is gathered from 'Thoughts on the market',by Morgan Stanley