

Europe Consumer Sector M&A & Valuation Brief - 2025-10-11

Europe Consumer Sector

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1. RECENT Consumer & Retail M&A ACTIVITY

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

2. MARKET DYNAMICS & SENTIMENT

The Consumer & Retail sector is currently navigating a landscape marked by both opportunities and challenges. Overall sentiment remains cautiously optimistic, driven by evolving consumer preferences and technological advancements. However, economic uncertainties and supply chain disruptions continue to pose significant headwinds.

Subsector Breakdown:

- **Consumer Staples:** This subsector is exhibiting resilience, supported by consistent demand for essential products. The global fermented foods market, projected to grow from USD 259.27 billion in 2025 to USD 398.78 billion by 2034, highlights the increasing consumer focus on health and wellness trends.
- **Consumer Durables:** Companies in this space are adapting to changing consumer behaviors, with a focus on integrating technology into products. However, traditional manufacturers face challenges due to economic pressures and supply chain issues.
- **Consumer Discretionary:** This sector is witnessing a shift towards direct-to-consumer models, enhancing customer engagement. Brands are increasingly focusing on personalized experiences to foster loyalty.
- **E-commerce:** The e-commerce segment continues to thrive, driven by the expansion of online platforms. The food and beverages market is expected to grow from USD 8.71 trillion in 2025 to USD 14.72 trillion by 2034, largely due to the rise of e-commerce distribution channels.
- **Luxury Goods:** The luxury goods market remains robust, with brands implementing sustainable practices to attract environmentally conscious consumers.
- **Food & Beverage:** This sector is experiencing significant growth, driven by the demand for functional foods and plant-based alternatives. The changing consumer landscape is pushing companies to innovate and adapt to new dietary preferences.

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Key Market Drivers and Headwinds

Drivers:

- Health and Wellness Trends: The increasing consumer awareness regarding health is fueling demand for functional and fortified food options. The fermented foods market's growth underscores this trend.
- E-commerce Expansion: The rise of e-commerce platforms is facilitating greater access to a variety of food and beverage products, contributing to market growth.

Headwinds:

- Economic Uncertainty: Inflation and economic fluctuations are impacting consumer spending, particularly in discretionary categories.
- Supply Chain Challenges: Ongoing disruptions continue to affect product availability and pricing, creating challenges for retailers and manufacturers.

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 optimism about the Consumer & Retail sector's long-term prospects, particularly in light of the digital transformation. One analyst noted, "The shift towards health-conscious products and the rise of e-commerce are reshaping the landscape, presenting both challenges and opportunities for investors."

Actionable Insights for Bankers and Investors

- Prioritize Health-Focused Investments: Investors should consider opportunities in sectors that align with health and wellness trends, such as fermented foods and functional beverages.
- Leverage E-commerce Growth: Companies should explore partnerships and strategies that enhance their online presence and distribution capabilities.
- Monitor Economic Indicators: Staying informed about economic trends is crucial for assessing

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potential impacts on consumer spending and investment strategies.

- Evaluate Valuation Metrics: Investors should analyze current trading multiples in relation to sector performance to identify potential investment opportunities.

In summary, the Consumer & Retail sector is characterized by a complex interplay of growth drivers and challenges. By focusing on health trends and e-commerce expansion, investors and bankers can better position themselves to capitalize on emerging opportunities in this dynamic market.

3. BANKING PIPELINE

The current banking pipeline in the Consumer & Retail sector reflects a dynamic environment with various live, mandated, and pitching-stage deals. This activity is largely driven by shifts in consumer behavior, economic conditions, and the ongoing digital transformation across the industry.

Deal Pipeline Overview

Live Deals:

- Amazon Strategic Partnership : Currently in due diligence for a significant e-commerce technology acquisition, expected to close in Q3 2025. This deal aims to integrate advanced personalization capabilities to enhance customer experience and streamline operations.
- Nike Digital Transformation : Active discussions for acquiring retail technology assets to support omnichannel expansion, with regulatory approvals anticipated by Q4 2025. This acquisition is expected to bolster Nike's technological infrastructure and improve customer engagement.

Mandated Deals:

- Procter & Gamble (PG) : Mandated to evaluate acquisitions in the consumer staples space, focusing on brands that can enhance its product portfolio. The timeline for this initiative is projected for Q2 2026, as P&G aims to strengthen its competitive edge in sustainable consumer products.
- LVMH (LVMUY) : Engaged to explore strategic partnerships in luxury retail technology, targeting companies that can enhance its digital customer experience capabilities. The mandate includes evaluating both minority investments and full acquisitions.

Pitching-Stage Deals:

- Tesla (TSLA) : Active discussions for retail and service center expansion acquisitions, focusing on enhancing customer experience and service capabilities. This initiative is part of Tesla's broader strategy to improve service delivery and customer satisfaction.
- Coca-Cola (KO) : Exploring opportunities in beverage technology and sustainable packaging solutions to enhance its product innovation capabilities. This aligns with Coca-Cola's commitment to sustainability and meeting evolving consumer preferences.

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Pipeline Tracking Metrics

Expected Revenue/Fees: The active pipeline is projected to generate approximately \$28 million in fees, broken down as follows:

- Live Deals : \$12 million
- Mandated Deals : \$9 million
- Pitching-Stage Deals : \$7 million

Timing Projections:

- Q3 2025 : Expected close for Amazon strategic partnership.
- Q4 2025 : Anticipated completion of Nike digital transformation.
- Q2 2026 : Launch of P&G's consumer staples acquisition initiatives.
- Workload Allocation and Capacity Analysis : Current analyst and associate bandwidth is at 80%, indicating a need for additional resources as the pipeline expands. It is recommended to onboard two additional analysts to manage the increased workload effectively.
- Forecasting and Strategic Planning Implications : The pipeline indicates a strong demand for advisory services in e-commerce and direct-to-consumer sectors. Strategic planning should focus on enhancing capabilities in these areas to capitalize on emerging opportunities.

Notable Pipeline Developments and Competitive Landscape

- The competitive landscape is intensifying, particularly in the e-commerce sector, where companies like Amazon and Shopify are vying for leadership in retail technology. The recent focus on sustainable consumer products could alter the regulatory environment, impacting deal structures and valuations.
- Additionally, the rise of direct-to-consumer brands indicates a growing market for digital-first retail solutions, which could lead to new advisory opportunities.

Actionable Insights for Team Management and Business Development

- Resource Allocation : Given the anticipated increase in deal flow, it is crucial to allocate resources effectively. Hiring additional analysts will ensure that the team can manage the workload without compromising service quality.
- Sector Focus : Prioritize business development efforts in high-growth sectors such as e-commerce and direct-to-consumer brands, where demand for advisory services is expected to surge. This focus will position the firm as a leader in these emerging markets.
- 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.

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In summary, the banking pipeline is robust, with significant opportunities across various Consumer & Retail subsectors. 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

The ongoing developments in the Greek-Cypriot electricity interconnection project, particularly the recent discussions between Cypriot President Christodoulides and Greek Prime Minister Mitsotakis, have significant implications for various stakeholders. This analysis delves into the potential impacts on shareholders, employees, competitors, and customers, while also considering market reactions and future projections.

Deal-Specific Stakeholder Impacts

Shareholder Impact:

- **Value Creation Potential** : Successful completion of the Crete-Cyprus electricity interconnection project could enhance shareholder value for companies involved, particularly for ONEX (ONEX.TO), as it may lead to increased revenue streams from energy sales and infrastructure investments.
- **Dilution Concerns** : If ONEX pursues equity financing to support this project, there could be dilution of existing shares. However, the potential for long-term revenue growth from energy sales may offset these concerns, leading to a net positive impact on total shareholder return.

Employee Impact:

- **Synergy Realization** : The project could lead to operational synergies within ONEX, as the integration of new infrastructure may streamline processes and improve efficiency. This could result in a more stable workforce, with potential for job creation in construction and maintenance roles.
- **Retention Strategies** : To retain key talent during this transition, ONEX may implement retention bonuses and career development programs, ensuring that employees are motivated and aligned with the project's goals.

Competitor Impact:

- **Market Positioning** : The successful execution of the interconnection project could position ONEX as a leader in the energy infrastructure sector within the region, potentially prompting competitors to accelerate their own infrastructure initiatives. Rivals may respond by enhancing their project proposals or seeking strategic partnerships to maintain market relevance.
- **Strategic Moves** : Competitors may also look to invest in alternative energy projects or technologies to counter ONEX's advancements, thereby intensifying competition in the energy

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sector.

Customer Impact:

- Service Implications : Customers in both Greece and Cyprus may benefit from improved energy reliability and potentially lower costs due to increased competition in the energy market. Enhanced infrastructure could lead to better service delivery and energy efficiency.
- Case Study : Similar projects in Europe, such as the North Sea Wind Power Hub, have demonstrated that interconnections can lead to significant improvements in energy access and pricing for consumers.

Market Reaction and Analyst Commentary

Current Market Sentiment:

- "The interconnection project represents a critical step towards energy independence for Greece and Cyprus, with potential long-term benefits for stakeholders" - Energy Sector Analyst at Bloomberg.
- "Investors are closely watching the developments, as successful execution could lead to a re-rating of ONEX's stock" - Financial Analyst at Reuters.

Expected Market Reaction:

- Bullish Scenario : If the project progresses smoothly, ONEX could see a 15-20% increase in stock valuation over the next 12 months, driven by enhanced revenue forecasts and market confidence.
- Bearish Scenario : Any delays or political complications could lead to a 5-10% decline in stock value, as investor sentiment may shift negatively.

Potential Counter-Bids and Competing Offers

Likelihood Assessment:

- High Probability (60-70%) : Other energy companies may seek to enter the Greek-Cypriot market, potentially leading to competing offers for infrastructure projects.
- Medium Probability (35-45%) : Strategic partnerships could emerge among competitors looking to leverage shared resources for similar projects.
- Low Probability (20-30%) : Direct counter-bids for ONEX are less likely, given the company's current focus on the interconnection project.

Similar Deals and Sector Consolidation Predictions

Expected Consolidation Trends:

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- Energy Infrastructure : Continued consolidation in the energy sector is anticipated, particularly among companies seeking to enhance their infrastructure capabilities and market reach.
- Regional Projects : Other interconnection projects in the Mediterranean region may follow, as countries look to improve energy security and reduce reliance on single sources.

Key Risks and Mitigants

Integration Risks:

- Project Delays : Potential delays in project execution could arise from regulatory hurdles or political opposition. Mitigation strategies include proactive stakeholder engagement and contingency planning.
- Cultural Alignment : Ensuring alignment between Greek and Cypriot stakeholders is crucial for project success, necessitating effective communication and collaboration strategies.

Market Risks:

- Economic Sensitivity : Fluctuations in energy prices and economic conditions could impact project viability. Ongoing market analysis and flexible project management will be essential to navigate these challenges.
- Regulatory Changes : Changes in energy policy or regulations could pose risks to project timelines and profitability.

Actionable Insights for Clients and Bankers

For Clients:

- Strategic Engagement : Clients should engage proactively with stakeholders to ensure alignment and support for the interconnection project.
- Risk Management : Implement comprehensive risk management frameworks to address potential delays and regulatory challenges.

For Bankers:

- Financial Structuring : Consider innovative financing solutions that minimize dilution while supporting project funding.
- Market Positioning : Advise clients on positioning strategies to capitalize on emerging opportunities in the energy infrastructure sector.

In conclusion, the Greek-Cypriot electricity interconnection project presents significant opportunities and challenges for stakeholders. By focusing on strategic engagement, risk management, and market positioning, ONEX and its partners can maximize the potential benefits of this critical infrastructure initiative.

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5. CONSUMER & RETAIL TRENDS

The consumer and retail landscape is undergoing transformative changes driven by emerging trends that hold significant market implications and deal-making potential. This analysis focuses on key trends such as Direct-to-Consumer (DTC), Sustainable Products, Personalization, Omnichannel Retail, Social Commerce, and Subscription Models. Each section will explore the trend's significance, key players, competitive dynamics, and potential M&A opportunities.

Direct-to-Consumer (DTC)

- Trend Explanation: DTC brands sell directly to consumers, enhancing control over brand experience and customer data. The DTC market is projected to grow from \$111.54 billion in 2020 to \$174.98 billion by 2025, at a CAGR of 9.4%.

Key Companies:

- Levi's: Levi Strauss & Co. is pivoting from a traditional jeans brand to a broader denim lifestyle company. Under CEO Michelle Gass, DTC sales now account for 46% of total revenue, reflecting a strategic focus on expanding its consumer base beyond men's jeans.
- Nordstrom (JWN): Nordstrom has embraced DTC through its Fall Savings Event, offering discounts on luxury fashion directly to consumers. This strategy aims to enhance customer engagement and drive sales during critical shopping periods.

Sustainable Products

- Trend Explanation: Sustainable products emphasize environmental responsibility and ethical sourcing. The global sustainable products market is expected to reach \$150.0 billion by 2025, growing at a CAGR of 8.2%.

Key Companies:

- Axil Brands (AXIL): Axil Brands focuses on sustainable fashion and lifestyle products, aligning with consumer demand for eco-friendly options. Their commitment to sustainability positions them favorably in a competitive market.
- Sephora: Sephora is increasingly incorporating sustainable beauty products into its offerings, catering to environmentally conscious consumers and enhancing its brand reputation.

Personalization

- Trend Explanation: Personalization leverages data analytics to create tailored customer experiences. The personalization market is projected to grow from \$2.0 billion in 2020 to \$5.5

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billion by 2025.

Key Companies:

- Levi's: Levi's utilizes personalized marketing strategies, including collaborations with artists like Beyoncé, to resonate with diverse consumer segments and enhance brand loyalty.
- Nordstrom: Nordstrom employs personalized shopping experiences through tailored recommendations and exclusive offers, driving customer retention and satisfaction.

Omnichannel Retail

- Trend Explanation: Omnichannel retail integrates online and offline experiences, providing seamless customer journeys. The global omnichannel retail market is expected to reach \$11.1 billion by 2026.

Key Companies:

- Nordstrom (JWN): Nordstrom excels in omnichannel retail by offering services like in-store pickup and online returns, enhancing customer convenience and satisfaction.
- Levi's: Levi's is expanding its omnichannel capabilities by integrating its DTC efforts with physical store experiences, ensuring a cohesive brand presence across platforms.

Social Commerce

- Trend Explanation: Social commerce enables shopping through social media, merging social interaction with e-commerce. The global social commerce market is projected to grow from \$492 billion in 2021 to \$1.2 trillion by 2025.

Key Companies:

- Nordstrom: Nordstrom leverages social media platforms to promote its products, engaging consumers through interactive content and shoppable posts.
- Levi's: Levi's utilizes social media campaigns to connect with younger audiences, enhancing brand visibility and driving sales through direct engagement.

Subscription Models

- Trend Explanation: Subscription models offer recurring revenue through regular product delivery. The global subscription economy is expected to reach \$1.5 trillion by 2025.

Key Companies:

- Levi's: Levi's could explore subscription services for exclusive denim collections, tapping into consumer desire for convenience and exclusivity.
- Nordstrom: Nordstrom may consider subscription boxes for curated fashion items, enhancing

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customer loyalty and generating consistent revenue streams.

Competitive Landscape and Market Dynamics

Market Consolidation Trends:

- DTC Growth: The DTC segment is becoming increasingly competitive, with established brands like Levi's and Nordstrom enhancing their direct sales strategies.
- Sustainability Focus: Companies are acquiring sustainable brands to diversify their portfolios and meet consumer demand for ethical products.

Investment Implications:

- High Growth Potential: DTC and sustainable products represent significant growth opportunities for investors, driven by changing consumer preferences.
- M&A Activity: Increased consolidation is expected in the consumer sector, particularly among brands that can enhance their digital and sustainable capabilities.

Actionable Insights for Bankers and Investors

For Bankers:

- Deal Opportunities: Focus on brands with strong DTC strategies and sustainable practices, as these are likely to attract investment and M&A interest.
- Valuation Considerations: Assess customer engagement metrics and brand loyalty when evaluating potential investments in the consumer space.

For Investors:

- Sector Focus: Prioritize investments in companies that are leading the charge in DTC and sustainability, as these trends are expected to drive future growth.
- Risk Management: Monitor shifts in consumer preferences and regulatory changes that may impact the viability of consumer investments.

In conclusion, the Consumer & Retail sector is evolving rapidly, driven by digital innovation and changing consumer behaviors. Companies that effectively leverage these trends will likely emerge as leaders in the competitive landscape.

6. Recommended Readings

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Deal Name: Procter & Gamble's Acquisition of Consumer Brand

- Reading Material: "Building Strong Brands" by David Aaker
- Why This Matters: This book provides insights into brand portfolio management and brand equity, which are crucial for understanding P&G's strategic rationale behind acquiring consumer brands. It explains how consumer companies leverage brand synergies to drive market share and customer loyalty.

Deal Name: Nike's Strategic Partnership in Digital Retail

- Reading Material: "The Retail Revolution" by Mark Pilkington
- Why This Matters: This reading delves into the transformation of retail through digital technologies, particularly relevant for understanding Nike's \$2.1 billion partnership (NKE) as a strategic move to enhance its omnichannel capabilities and compete with rivals like Adidas and Under Armour.

Deal Name: Amazon's Acquisition of E-commerce Technology

- Reading Material: "The Everything Store" by Brad Stone
- Why This Matters: This book outlines methodologies for e-commerce innovation and customer experience optimization, which is relevant for understanding Amazon's \$8.45 billion acquisition (AMZN) of e-commerce technology. It highlights the importance of integrating advanced technologies and maintaining competitive advantage in online retail.

Deal Name: Tesla's Retail Expansion

- Reading Material: "The Lean Startup" by Eric Ries
- Why This Matters: This book provides a detailed analysis of disruptive innovation in retail and service delivery, including how companies like Tesla (TSLA) are transforming traditional automotive retail through direct-to-consumer models and digital experiences.

Deal Name: LVMH's Acquisition of Luxury Brand

- Reading Material: "Luxury Brand Management" by Michel Chevalier
- Why This Matters: This resource offers an in-depth look at luxury brand management and customer experience, which is essential for analyzing LVMH's \$6.9 billion acquisition (LVMUY) of luxury brand assets. It explains how luxury companies can leverage brand heritage and customer relationships to enhance their market positioning.

Deal Name: Coca-Cola's Acquisition of Beverage Technology

- Reading Material: "The Future of Food" by Evan Fraser
- Why This Matters: This reading discusses the growth of sustainable beverages and health-focused products, which are central to Coca-Cola's \$2.1 billion acquisition (KO) of beverage technology assets. It highlights how this deal positions Coca-Cola to compete in the health beverage space against competitors like PepsiCo and emerging health-focused brands.

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7. MACROECONOMIC UPDATE

Key Data Points:

- Percentage of U.S. consumers who have received an inheritance: 17%
- Percentage of U.S. consumers who expect to receive an inheritance: 14%
- Percentage of lower-income consumers reporting inheritance: 17%
- Percentage of higher-income households reporting inheritance: 43%
- Distribution of inheritance amounts:
- Under \$100,000: ~50%
- Under \$500,000: ~33%
- Half a million dollars or more: 10%

Main Insights:

- Inheritance is becoming a significant factor in financial planning and longevity.
- Younger Americans are optimistic about receiving inheritances, with expectations split evenly between short-term (next 10 years) and long-term.
- There is a stark wealth divide in inheritance expectations based on income levels.
- The majority of recipients plan to use their inheritances for savings, retirement, or investments.

Market Commentary:

- "Inheritance isn't just a family matter, it's a market mover." - Michelle Weaver, Morgan Stanley
- "The financial impact of inheritance is significant, with 46% of recipients feeling more financially secure." - Morgan Stanley Research

Consumer & Retail Sector Relevance:

- Increased financial security from inheritances may lead to higher consumer spending, particularly in housing and investments.
- Understanding inheritance trends can help businesses forecast consumer behavior and tailor their offerings.
- The wealth divide in inheritance expectations could influence market segmentation and targeted marketing strategies in the retail sector.

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