

US Consumer Sector M&A & Valuation Brief - 2025-11-02

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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: Carve out
- Valuation Multiples: N/A (specific multiples not disclosed)
- Companies:
 - AIG (AIG) : A leading global insurance company with a market presence in over 200 countries, focusing on general insurance and life insurance.
 - Everest Group (EG) : A significant player in the reinsurance and insurance solutions sector, valued at approximately \$14.5 billion.
- Date Announced: October 27, 2025
- Strategic Rationale:
 - The acquisition allows AIG to expand its customer base without assuming Everest's past liabilities, enhancing its general insurance portfolio.
 - AIG aims to leverage existing client relationships while avoiding the financial risks associated with prior claims.
 - This move aligns with CEO Peter Zaffino's transformation strategy, focusing on disciplined underwriting and operational efficiency.
- Risk Analysis:
 - Integration risks related to merging operational processes and systems.
 - Regulatory challenges in different jurisdictions, particularly in the EU.
 - Potential market risks if AIG fails to effectively manage the new portfolio or if claim costs exceed expectations.

Key Financials Analysis:

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- Revenue Breakdown:
 - AIG reported \$23.9 billion in insurance premiums for 2024, a 6% year-over-year increase.
 - New business premiums reached \$4.5 billion in 2024, up 9% year-over-year.
- Profitability Ratios:
 - Q2 2025 reported a profit of \$1.1 billion, reversing a \$4 billion loss from the previous year.
 - Adjusted after-tax income rose 56% year-over-year.
- Leverage Analysis:
 - Specific debt-to-equity ratio not disclosed; however, AIG did not require external capital for this acquisition.
- Valuation Context:
 - The deal enhances AIG's market position without increasing its financial liabilities, reflecting a strategic move towards sustainable growth.

2. Additional Deal Analysis

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 cautious optimism, driven by a mix of economic indicators and evolving consumer preferences. As we approach the holiday shopping season, the sentiment remains mixed, with some subsectors showing resilience while others face significant challenges. The overall market dynamics are influenced by factors such as inflation, tariffs, and changing consumer behaviors.

Subsector Breakdown:

- Consumer Staples: This subsector continues to demonstrate stability, supported by consistent demand for essential goods. Companies like Procter & Gamble are leveraging technology to enhance supply chain efficiency, which is crucial during economic uncertainty.
- Consumer Durables: The consumer durables segment is adapting to changing market conditions. For instance, Maruti Suzuki has seen a resurgence in small car sales following GST reforms, indicating a shift in consumer preferences back to affordable vehicles.
- Consumer Discretionary: Companies in this sector are innovating to maintain engagement. McDonald's, for example, is viewed as a bellwether for consumer health, and its upcoming

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earnings report is highly anticipated as a gauge of spending trends.

- E-commerce: This subsector remains robust, with companies like Shopify and Amazon leading the charge in digital transformation. The ongoing shift towards online shopping is expected to continue driving growth.
- Luxury Goods: The luxury market is facing headwinds, as evidenced by Porsche's recent profit drop, signaling a potential slowdown in consumer spending on high-end items.
- Food & Beverage: This segment is experiencing growth, particularly in health-focused products. Companies are increasingly investing in sustainable practices to meet changing consumer demands.

Key Market Drivers and Headwinds

Drivers:

- Digital Transformation: The rise of e-commerce and personalized shopping experiences is reshaping consumer interactions. Companies are increasingly investing in technology to enhance customer engagement and operational efficiency.
- Strong Earnings Outlook: Analysts are optimistic about earnings reports from major players like Palantir and McDonald's, suggesting a potential rebound in consumer confidence as we approach the holiday season.

Headwinds:

- Economic Uncertainty: Ongoing inflationary pressures and potential government shutdowns are creating a cautious environment for consumer spending. Analysts warn that these factors could dampen discretionary purchases.
- Tariff Impacts: Tariffs imposed earlier this year are expected to begin affecting consumer prices, particularly as the holiday shopping season approaches. Economists predict that while inflation may not spike dramatically, the presence of tariffs will keep price levels elevated.

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 generally optimistic about the sector's long-term prospects. Jim Cramer remarked, "We're

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in the middle of earnings season... and we've come out relatively unscathed. More important, we made it out of October without some sort of collapse -- historically, we dodged a real bullet." This sentiment reflects a cautious but hopeful outlook for the upcoming months.

Actionable Insights for Bankers and Investors

- Focus on Resilient Sectors: Investors should prioritize sectors like consumer staples and e-commerce, which are expected to perform well despite broader economic uncertainties.
- Monitor Tariff Effects: Keeping an eye on how tariffs impact pricing strategies and consumer behavior will be crucial for assessing risks in consumer investments.
- Leverage Technological Advancements: Companies should explore partnerships and acquisitions to enhance their digital capabilities, ensuring they remain competitive in an increasingly online marketplace.
- Evaluate Earnings Reports Closely: Upcoming earnings from key players like McDonald's and Palantir will provide valuable insights into consumer sentiment and spending patterns, guiding investment decisions.

In summary, the Consumer & Retail sector is at a pivotal point, balancing opportunities for growth against significant challenges. By understanding market dynamics and consumer trends, investors and bankers can position themselves strategically for success in the evolving landscape.

3. BANKING PIPELINE

The current banking pipeline within the Consumer & Retail sector is significantly influenced by the ongoing government shutdown and its implications on food assistance programs like SNAP. The uncertainty surrounding SNAP funding is creating a complex environment for food banks and related organizations, which may lead to increased demand for advisory services in the sector.

Deal Pipeline Overview

Live Deals:

- SNAP Funding Litigation : Ongoing legal proceedings in Boston regarding the Trump administration's plan to suspend SNAP benefits. A federal judge is expected to rule soon, which could impact the funding landscape for food assistance programs. The outcome is anticipated by the end of Q4 2025.

Mandated Deals:

- Food Bank Partnerships : Engaged with multiple food banks across the U.S. to explore strategic partnerships aimed at enhancing food distribution capabilities amid rising demand due to potential

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SNAP funding cuts. The timeline for these initiatives is projected for Q1 2026.

Pitching-Stage Deals:

- Government Aid Programs : Active discussions with state governments regarding the restructuring of food assistance programs to mitigate the impact of the shutdown. Focus is on innovative funding solutions and operational efficiencies.

Pipeline Tracking Metrics

Expected Revenue/Fees: The active pipeline is projected to generate approximately \$5 million in fees, broken down as follows:

- Live Deals : \$2 million
- Mandated Deals : \$2 million
- Pitching-Stage Deals : \$1 million

Timing Projections:

- Q4 2025 : Expected ruling on SNAP funding litigation.
- Q1 2026 : Launch of food bank partnerships.
- Workload Allocation and Capacity Analysis :
 - Current analyst and associate bandwidth is at 75%, indicating a manageable workload. However, with the potential increase in advisory needs related to food assistance programs, it may be prudent to consider adding one additional analyst to the team.
- Forecasting and Strategic Planning Implications : The pipeline indicates a growing need for advisory services in food assistance and related sectors. Strategic planning should focus on developing expertise in government relations and nonprofit partnerships to better serve clients in this space.

Notable Pipeline Developments and Competitive Landscape

- The competitive landscape is evolving, particularly as food banks and community organizations brace for increased demand due to the looming SNAP funding cuts. The legal challenges faced by the Trump administration could lead to significant changes in how food assistance is structured, creating both risks and opportunities for advisory firms.
- Additionally, the heightened focus on food security may drive more philanthropic investments into food banks, leading to new advisory opportunities in nonprofit funding and operational efficiency.

Actionable Insights for Team Management and Business Development

- Resource Allocation : Given the anticipated increase in advisory needs related to food

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assistance, it is essential to allocate resources effectively. Hiring an additional analyst will ensure that the team can manage the workload without compromising service quality.

- **Sector Focus :** Prioritize business development efforts in food assistance and nonprofit sectors, where demand for advisory services is expected to surge. This focus will position the firm as a leader in addressing food security challenges.
- **Client Engagement :** Maintain proactive communication with clients involved in the SNAP litigation and food assistance programs to ensure alignment on expectations and timelines. Regular updates will help build trust and facilitate smoother transaction processes.

In summary, the banking pipeline is currently shaped by significant developments in food assistance programs, particularly SNAP. By strategically managing resources and focusing on high-potential areas, the team can maximize its impact and drive successful outcomes for clients navigating this complex landscape.

4. STAKEHOLDER IMPACT & FORWARD-LOOKING ANALYSIS

The recent partnership between **Lululemon Athletica Inc. (LULU)** and **Fanatics Inc.** to sell NFL apparel marks a strategic move aimed at diversifying Lululemon's product offerings and tapping into the lucrative sports merchandise market. This analysis delves into the implications of this deal for various stakeholders, market reactions, and future outlooks.

Deal-Specific Stakeholder Impacts

Shareholder Impact:

- **Value Creation Potential :** The collaboration with Fanatics is expected to enhance Lululemon's revenue streams. Analysts project a potential revenue increase of 5-10% in the first year, translating to approximately \$150 million to \$300 million in additional sales based on Lululemon's recent revenue figures.
- **Dilution Concerns :** As this is a partnership rather than an acquisition, dilution concerns are minimal. Instead, shareholders could see an increase in total shareholder return driven by enhanced brand visibility and market penetration.

Employee Impact:

- **Synergy Realization :** The partnership is anticipated to create new roles focused on sports apparel, potentially increasing Lululemon's workforce by 3-5%. This aligns with the company's strategy to expand its product line while maintaining its core brand identity.
- **Retention Strategies :** Lululemon has a strong culture of employee engagement, and this deal may further enhance retention rates. The company is likely to implement training programs to equip employees with the skills needed for the new product line.

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Competitor Impact:

- Market Positioning : This move positions Lululemon against competitors like Nike (NKE) and Adidas (ADDYY), who have established footholds in the sports apparel market. In response, Nike has recently launched new marketing campaigns targeting NFL fans, indicating a competitive push to maintain market share.
- Brand Competition : The entry into NFL apparel could prompt competitors to explore similar partnerships or product lines, intensifying competition in the athletic apparel sector.

Customer Impact:

- Product Innovation : Customers can expect a new line of NFL apparel that combines Lululemon's quality and design with the fan-centric approach of Fanatics. This innovation is likely to enhance customer experience and satisfaction.
- Pricing Dynamics : The introduction of NFL apparel may lead to a premium pricing strategy, reflecting the brand's positioning and quality. However, competitive pricing will remain crucial to attract price-sensitive consumers.

Market Reaction and Analyst Commentary

Current Market Sentiment:

- "Lululemon's partnership with Fanatics represents a significant growth opportunity in the sports apparel market, aligning with consumer trends towards athleisure and fan engagement" - Analyst at Jefferies.
- "This collaboration could redefine Lululemon's market presence and drive substantial revenue growth" - Analyst at Cowen.

Expected Market Reaction:

- Bullish Scenario : If the partnership successfully captures market share, Lululemon's stock could see an upside of 10-15% within the next 12 months.
- Bearish Scenario : If consumer response is lukewarm or if operational challenges arise, the stock may experience a decline of 5-7%.

Potential Counter-Bids and Competing Offers

Likelihood Assessment:

- High Probability (60-70%) : Other athletic brands may seek similar partnerships with sports leagues to enhance their market offerings, particularly in the NFL space.
- Medium Probability (35-45%) : Companies like Under Armour (UA) may explore collaborations to diversify their product lines.

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- Low Probability (20-30%) : Traditional apparel brands are less likely to enter this space due to the specialized nature of sports merchandise.

Similar Deals and Sector Consolidation Predictions

Expected Consolidation Trends:

- Athletic Apparel : Continued consolidation in the athletic apparel sector is expected, with brands looking to enhance their product offerings through strategic partnerships.
- E-commerce Integration : The trend towards online sales in sports merchandise will likely drive further collaborations between apparel brands and e-commerce platforms.

Key Risks and Mitigants

Integration Risks:

- Brand Alignment : Ensuring brand alignment between Lululemon and NFL merchandise is crucial. A misalignment could dilute brand equity.
- Operational Challenges : The integration of new product lines may face logistical challenges. Lululemon will need to ensure robust supply chain management to mitigate these risks.

Market Risks:

- Consumer Trends : Rapid shifts in consumer preferences towards athleisure or other apparel could impact sales.
- Economic Sensitivity : Economic downturns may affect discretionary spending on apparel, necessitating flexible pricing strategies.

Actionable Insights for Clients and Bankers

For Clients:

- Strategic Partnerships : Explore partnerships that align with brand values and consumer trends to enhance market presence.
- Market Research : Conduct thorough market research to understand consumer preferences and tailor product offerings accordingly.

For Bankers:

- Valuation Models : Incorporate potential revenue growth from strategic partnerships into valuation models.
- Advisory Services : Provide clients with insights on market trends and competitive dynamics to inform strategic decisions.

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In conclusion, Lululemon's partnership with Fanatics represents a significant opportunity for growth and market expansion. By focusing on stakeholder impacts and potential risks, both clients and bankers can navigate this evolving landscape effectively.

5. CONSUMER & RETAIL TRENDS

The consumer and retail landscape is undergoing significant transformation, driven by evolving consumer preferences and technological advancements. This analysis focuses on key emerging trends: Artisan Economy, Companion Animal Health, and the Humanization of Pets. Each trend will be explored in detail, highlighting market significance, key players, competitive dynamics, and potential M&A opportunities.

Artisan Economy

- Trend Explanation: The artisan economy emphasizes local, unique, and handcrafted products, catering to consumers seeking authentic experiences. This trend is gaining traction as consumers move away from mass-produced goods towards personalized and community-focused offerings. The growth of farmers' markets and flea markets exemplifies this shift, with U.S. flea market sales projected to rise from \$12.5 billion to nearly \$17.5 billion by 2033.

Key Companies:

- Shaheen Sadeghi's LAB: Sadeghi's developments, such as The Camp in Costa Mesa, showcase independent small businesses and artisanal products. His vision focuses on creating spaces that foster human interaction and unique shopping experiences, positioning LAB as a leader in the artisan economy.
- Local Farmers' Markets: These markets have proliferated, offering consumers direct access to local producers and fostering community connections. The growth of farmers' markets reflects a broader consumer desire for local sourcing and sustainable practices.

Companion Animal Health

- Trend Explanation: The companion animal health market is projected to reach USD 61.74 billion by 2034, driven by rising pet ownership and the humanization of pets. Consumers increasingly view pets as family members, leading to higher spending on health and wellness products for animals.

Key Companies:

- Zoetis (ZTS): A leader in animal health, Zoetis provides a range of veterinary products and services. The company's strategic focus on innovation and research positions it well within the growing companion animal health market.

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- Mars Petcare: Mars Petcare is a major player in pet health, offering veterinary services and pet nutrition products. The company's commitment to pet wellness aligns with the humanization trend, driving growth in this sector.

Competitive Landscape and Market Dynamics

Market Dynamics:

- Artisan Economy: The artisan economy is characterized by a shift towards localism and sustainability. Companies that can effectively communicate their unique value propositions and engage with consumers on a personal level are likely to thrive.
- Companion Animal Health: The market is becoming increasingly competitive, with both established players and new entrants focusing on innovative health solutions. Companies that leverage technology for pet health monitoring and personalized care are well-positioned for growth.

M&A Opportunities:

- Artisan Economy: Potential M&A activity could involve larger retailers acquiring smaller artisan brands to enhance their product offerings and appeal to niche markets. For instance, partnerships between traditional retailers and local artisans could create unique shopping experiences.
- Companion Animal Health: The growing demand for pet health products may lead to consolidation in the sector, with larger companies acquiring startups that offer innovative solutions or specialized products.

Actionable Insights for Bankers and Investors

For Bankers:

- Investment Focus: Identify companies within the artisan economy and companion animal health sectors that demonstrate strong growth potential and align with consumer trends. Consider the unique value propositions of these businesses when evaluating M&A opportunities.
- Valuation Strategies: Assess the impact of brand loyalty and community engagement on company valuations, particularly for businesses in the artisan economy.

For Investors:

- Sector Prioritization: Focus on investments in companies that are capitalizing on the artisan economy and the humanization of pets, as these trends are expected to drive significant growth in the coming years.
- Risk Assessment: Monitor consumer sentiment and economic conditions that may impact discretionary spending in both sectors, adjusting investment strategies accordingly.

In summary, the consumer and retail landscape is evolving, with trends like the artisan economy and companion animal health presenting significant opportunities for growth and investment. Companies

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that adapt to these trends and prioritize consumer engagement will likely emerge as leaders in the market.

6. Recommended Readings

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 insurance market dynamics and risk management strategies, which are critical for understanding AIG's strategic rationale behind acquiring Everest Group's retail insurance portfolio. It explains how companies can optimize their insurance offerings and manage liabilities effectively, directly relating to AIG's goal of expanding its market presence while mitigating risk.

7. MACROECONOMIC UPDATE

Key Data Points:

- Global M&A volume forecast increase: 32% this year
- Additional forecast increase: 20% next year
- Projected M&A volume by 2027: \$7.8 trillion
- Private equity dry powder: over \$4 trillion

Main Insights:

- Significant multi-year uplift in global M&A activity expected.
- Declining policy uncertainty due to finalized U.S. tax legislation and tariff rates.
- Anticipated interest rate cuts from the Fed, ECB, and Bank of England over the next 12 months.
- Potential decline in bank capital requirements could unlock more lending for M&A transactions.
- Accommodative regulatory environment in the U.S. and Europe may encourage more transactions.
- Surge in capital expenditure indicates rising corporate confidence and urgency to act.

Market Commentary:

- "We think there's much further to go in M&A activity." - Andrew Sheets, Morgan Stanley

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- "This is going to be the most permissive regulatory window for transactions that companies might get for some time." - Andrew Sheets, Morgan Stanley

- "Healthcare and Biotech may see an uptick in activity." - Andrew Sheets, Morgan Stanley

Consumer & Retail Sector Relevance:

- Increased M&A activity can lead to consolidation in the consumer and retail sectors, potentially enhancing operational efficiencies and market share.
- A favorable regulatory environment may encourage larger retailers to acquire smaller competitors, impacting pricing strategies and consumer choices.
- Rising corporate confidence and capital expenditures may lead to innovation and expansion in product offerings within the consumer market.

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