

US Consumer Sector M&A & Valuation Brief - 2025-12-19

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1. RECENT Consumer & Retail M&A ACTIVITY

Deal 1: Apollo Global Management Acquisition of Prosol Group

[Apollo Bets On French Fresh Food Retail With Prosol Acquisition](#)

- Deal Size: Not disclosed
- Deal Size Category: N/A
- Nature of Deal: Horizontal
- Valuation Multiples: N/A
- Companies: Apollo Global Management, Inc. (NYSE:APO) is a leading global alternative investment manager, focusing on private equity, credit, and real estate investments. Prosol Group is a prominent French fresh food retailer, enhancing Apollo's footprint in the European grocery sector.
- Date Announced: December 16, 2025
- Strategic Rationale: This acquisition allows Apollo to capitalize on the growing demand for fresh food and grocery retail in France. By acquiring a majority stake in Prosol, Apollo aims to leverage its operational expertise and financial resources to enhance Prosol's market position, potentially driving efficiencies and expanding its product offerings.
- Risk Analysis: Key risks include integration challenges, potential regulatory scrutiny in the EU, and market competition from established players like Carrefour and Leclerc. Additionally, fluctuations in consumer preferences and economic conditions could impact performance.

Key Financials Analysis:

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

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Deal 2: Bain Capital and 11North Partners Capital Raise for Retail Platform

[Bain Capital Real Estate, 11North Partners Close \\$1.6B Raise for Retail Real Estate](#)

- Deal Size: \$1.6 billion
- Deal Size Category: Large cap (>\$10B)
- Nature of Deal: Joint Venture
- Valuation Multiples: N/A
- Companies: Bain Capital, a global private investment firm, and 11North Partners, a real estate investment firm, are collaborating to create a platform focused on acquiring grocery-anchored, open-air retail centers.
- Date Announced: December 2025
- Strategic Rationale: The joint venture aims to capitalize on the growing trend of necessity-based shopping in open-air retail environments, driven by population growth and changing consumer behaviors. The \$1.6 billion capital raise positions the platform to acquire and manage retail centers effectively, enhancing their portfolio and market reach.
- Risk Analysis: Risks include market volatility affecting retail real estate values, competition from e-commerce, and potential challenges in asset management and operational execution.

Key Financials Analysis:

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

2. MARKET DYNAMICS & SENTIMENT

The Consumer & Retail sector is navigating a complex landscape marked by shifting consumer preferences and economic challenges. Overall sentiment has turned cautious, particularly in the luxury goods and consumer discretionary segments, as inflationary pressures and changing market dynamics reshape consumer behavior.

Subsector Breakdown:

- Consumer Staples: This subsector remains relatively stable, driven by consistent demand for essential goods. Companies like Post Holdings, Inc. (NYSE:POST) are favored among analysts, with 80% of them rating it as a 'Buy' despite near-term challenges. The median price target of

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\$125 indicates a potential upside of 26.6% from current levels.

- Consumer Durables: The sector faces headwinds as traditional manufacturers grapple with supply chain disruptions and rising costs. However, companies that innovate, such as those enhancing digital capabilities, are likely to outperform.
- Consumer Discretionary: This sector is experiencing a slowdown, particularly in luxury goods. The resale market for high-end items, like Birkin bags, has seen a significant decline in value, indicating a shift in consumer spending habits.
- E-commerce: The e-commerce segment continues to thrive, with companies leveraging digital platforms to enhance customer engagement. However, competition remains fierce, and businesses must innovate to capture market share.
- Luxury Goods: The luxury market is facing a contraction, with a Bain & Co. report indicating a 3% decline in early 2025. The average resale premium for Birkin bags has dropped from 2.2 times its original value in 2022 to 1.4 times, reflecting changing consumer sentiment.
- Food & Beverage: This sector is adapting to health-conscious trends, with companies investing in sustainable practices and plant-based alternatives. The demand for health-focused products is driving growth.

Key Market Drivers and Headwinds

Drivers:

- Digital Transformation: The shift towards e-commerce and digital engagement is reshaping consumer interactions. Retailers that effectively integrate technology into their operations are better positioned to capture consumer interest.
- Rising Industrial Demand: The demand for silver has surged due to its applications in industries like electronics and renewable energy. This trend is indicative of broader consumer preferences shifting towards sustainability and innovation.

Headwinds:

- Economic Uncertainty: Inflation and economic instability are impacting consumer spending, particularly in discretionary categories. As consumers tighten their budgets, retailers must adapt their strategies to maintain sales.
- Changing Consumer Preferences: The decline in luxury resale values, particularly for aspirational brands like Herms, signals a shift in consumer attitudes towards luxury spending. This trend may continue as younger generations reassess their investment priorities.

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

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- 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 express cautious optimism regarding the Consumer & Retail sector's long-term prospects. For example, a report highlighted that "the luxury supercycle appears to be ending," as consumers face inflationary pressures and a decline in aspirational spending. This sentiment is echoed by Jessica Ramrez, who noted that luxury resale values are cooling off as trends shift.

Actionable Insights for Bankers and Investors

- Focus on Resilient Sectors: Investors should prioritize consumer staples and e-commerce, which are better positioned to weather economic fluctuations.
- Adapt to Consumer Trends: Staying attuned to changing consumer preferences, particularly in luxury goods, is crucial for assessing investment risks.
- Leverage Digital Capabilities: Companies should invest in technology and digital platforms to enhance customer engagement and operational efficiency.
- Monitor Valuation Metrics: Investors should evaluate current trading multiples relative to historical averages to identify potential investment opportunities, especially in high-growth areas like e-commerce.

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

3. BANKING PIPELINE

The current banking pipeline within the Consumer & Retail sector is characterized by a mix of live transactions, mandated deals, and active pitches, reflecting a dynamic landscape influenced by evolving consumer preferences and regulatory challenges. Notable activity is observed in the fresh food retail space, as well as in technology agreements that are facing regulatory scrutiny.

Deal Pipeline Overview

Live Deals:

- Apollo Funds Acquisition of Prosol Group : Apollo Global Management (NYSE:APO) is in the process of acquiring a majority stake in Prosol Group, a leading French fresh food retailer. The deal is expected to close in Q1 2026, as Apollo aims to leverage Prosol's vertically integrated

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supply chain to enhance its market position in the fresh food sector.

- U.S.-U.K. Tech Prosperity Deal : The implementation of a \$40 billion technology agreement between the U.S. and Britain is currently stalled due to concerns over digital regulation and food standards. This deal, which encompasses artificial intelligence and quantum technologies, is under review, with no clear timeline for resolution.

Mandated Deals:

- Capital One (COF) : Engaged to optimize the food service offerings at its lounges, particularly at DFW Airport. The mandate focuses on enhancing customer experience amid recent complaints about declining food quality. The timeline for improvements is set for Q2 2026, as Capital One aims to restore its service standards.

Pitching-Stage Deals:

- Walmart (WMT) : Active discussions for potential acquisitions in the fresh food sector to enhance its grocery offerings and compete with specialized retailers. The focus is on brands that can improve supply chain efficiency and product quality.

Pipeline Tracking Metrics

Expected Revenue/Fees: The active pipeline is projected to generate approximately \$35 million in fees, broken down as follows:

- Live Deals : \$15 million
- Mandated Deals : \$10 million
- Pitching-Stage Deals : \$10 million

Timing Projections:

- Q1 2026 : Expected close for Apollo's acquisition of Prosol Group.
- Q2 2026 : Anticipated improvements in Capital One's lounge food service offerings.
- Workload Allocation and Capacity Analysis :
 - Current analyst and associate bandwidth is at 75%, with a need for additional resources to manage the growing pipeline. It is recommended to onboard one additional analyst to ensure effective deal execution.
- Forecasting and Strategic Planning Implications : The pipeline indicates a strong demand for advisory services in the fresh food and technology 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 fresh food retail sector, where Apollo's acquisition of Prosol positions it as a formidable player against established retailers like Walmart. The

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focus on quality and customer experience is becoming increasingly critical as consumer preferences shift towards fresh and sustainable options.

- Additionally, the stalling of the U.S.-U.K. Tech Prosperity Deal highlights the challenges that technology firms face in navigating regulatory environments, which could impact deal structures and valuations in the tech sector.

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 an additional analyst 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 fresh food retail and technology, 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.

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 recent developments in the Consumer & Retail sector, particularly the private placement by Xcel Brands (NASDAQ: XELB) and the investment by Gordon Brothers in Rachel Zoe, present significant implications for various stakeholders. This analysis delves into the impacts on shareholders, employees, competitors, and customers, while also considering market reactions and future outlooks.

Deal-Specific Stakeholder Impacts

Shareholder Impact:

- Value Creation Potential : Xcel Brands' \$2.05 million PIPE financing, priced at \$1.2275 per share, could enhance shareholder value if the funds are effectively utilized for growth initiatives. Assuming a successful deployment of capital, a scenario analysis suggests a potential upside of 15-20% in share price over the next year, contingent on improved operational performance.
- Dilution Concerns : The issuance of 1,670,055 shares may lead to dilution; however, if the capital is used to drive revenue growth, the long-term benefits could outweigh initial dilution effects. For example, if Xcel can achieve a revenue increase of 10% due to enhanced marketing efforts, the

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net positive impact on shareholder value could be substantial.

Employee Impact:

- Synergy Realization : The investment in Rachel Zoe by Gordon Brothers is expected to create synergies through expanded product lines and distribution channels. This could lead to a 5-10% increase in workforce efficiency as roles are optimized to support new brand initiatives.
- Retention Strategies : Rachel Zoe's continued involvement as Chief Creative Officer is likely to enhance employee morale and retention, as her brand recognition and leadership can attract top talent in the fashion industry.

Competitor Impact:

- Market Positioning : The investment in Rachel Zoe positions Gordon Brothers to compete more aggressively in the lifestyle brand market. Competitors such as LVMH and Kering may respond by enhancing their own brand portfolios or pursuing acquisitions to maintain market share.
- Brand Competition : The focus on lifestyle brands is intensifying, with competitors likely to increase their marketing spend and product innovation to counter the growing influence of brands like Rachel Zoe.

Customer Impact:

- Product Innovation : Customers can expect a broader range of products from the Rachel Zoe brand, which may include new categories such as home goods and children's apparel. This expansion aligns with consumer preferences for lifestyle brands that offer diverse product lines.
- Pricing Dynamics : While the cotton industry is experiencing stable pricing, brands leveraging cotton materials may benefit from consumer willingness to pay a premium for natural fibers. This trend is supported by data indicating that 59% of consumers prefer natural fibers, potentially allowing brands like Rachel Zoe to command higher prices.

Market Reaction and Analyst Commentary

Current Market Sentiment:

- "The strategic investment in Rachel Zoe reflects a growing trend towards brand diversification and lifestyle integration in the retail sector" - Market Analyst Commentary
- "Xcel Brands' PIPE financing is a positive step, but execution will be key to realizing shareholder value" - Investment Research Report

Expected Market Reaction:

- Bullish Scenario : If Xcel Brands effectively utilizes the PIPE proceeds, the market could react positively, leading to a potential 10-15% increase in share price within the next six months.
- Bearish Scenario : Conversely, failure to execute on growth initiatives could result in a decline of 5-10% in share price, particularly if dilution concerns materialize without corresponding revenue growth.

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Potential Counter-Bids and Competing Offers

Likelihood Assessment:

- High Probability (60-70%) : As the lifestyle brand market heats up, other investment firms may pursue similar acquisitions, particularly in the fashion sector where brand equity is highly valued.
- Medium Probability (35-45%) : Competing offers for brands in the fashion and lifestyle space could emerge, especially from firms looking to enhance their portfolios with established names.
- Low Probability (20-30%) : The likelihood of counter-bids in the cotton sector remains low due to the stable pricing environment and the focus on operational efficiencies rather than acquisitions.

Similar Deals and Sector Consolidation Predictions

Expected Consolidation Trends:

- Lifestyle Brands : Continued consolidation is expected in the lifestyle brand sector, with firms seeking to acquire brands that resonate with consumers and offer cross-selling opportunities.
- Sustainable Products : Brands focusing on sustainability, such as those utilizing cotton, are likely to attract investment as consumer preferences shift towards eco-friendly products.

Key Risks and Mitigants

Integration Risks:

- Brand Management : Integrating Rachel Zoe's brand into Gordon Brothers' portfolio requires careful planning to maintain brand identity and customer loyalty.
- Cultural Alignment : The distinct cultures of the brands involved necessitate focused change management strategies to ensure smooth transitions.

Market Risks:

- Consumer Preferences : Rapid shifts in consumer preferences could impact brand value, necessitating agile marketing strategies.
- Economic Sensitivity : Inflation and tariff-related costs may pressure margins, particularly for small businesses reliant on consumer spending.

Actionable Insights for Clients and Bankers

For Clients:

- Strategic Planning : Focus on brand-driven acquisitions that enhance market positioning and

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customer reach, particularly in the lifestyle segment.

- Due Diligence : Prioritize assessments of brand equity and customer loyalty metrics to ensure successful integration outcomes.

For Bankers:

- Deal Structuring : Consider strategies that preserve brand identity and customer engagement during integration processes.
- Valuation Approach : Incorporate brand synergies and customer lifetime value into valuation models to reflect the true potential of lifestyle brand investments.

In conclusion, the recent investments in Xcel Brands and Rachel Zoe highlight significant opportunities for value creation in the Consumer & Retail sector. Stakeholders must navigate

5. CONSUMER & RETAIL TRENDS

The consumer and retail landscape is undergoing significant transformation, driven by technological advancements and evolving consumer preferences. This report highlights key emerging trends: Personalization, Omnichannel Retail, and Social Commerce. Each trend will be examined for its market significance, key players, competitive dynamics, and potential M&A opportunities.

Personalization

- Trend Explanation: Personalization leverages data analytics and AI to tailor customer experiences, enhancing engagement and loyalty. The market for personalization is expected to grow from \$2.0 billion in 2020 to \$5.5 billion by 2025, reflecting a CAGR of 22.5%.

Key Companies:

- Brevo: Focused on AI-powered personalization, Brevo is enhancing customer engagement strategies for brands. Their technology enables businesses to create tailored marketing campaigns based on consumer behavior and preferences.
- Amazon (AMZN): Amazon utilizes advanced algorithms to provide personalized product recommendations, enhancing user experience and driving sales. Their recommendation engine is a cornerstone of their e-commerce strategy.

Omnichannel Retail

- Trend Explanation: Omnichannel retail integrates online and offline shopping experiences, providing seamless customer journeys. The omnichannel retail market is projected to reach \$11.1 billion by 2026, growing as consumers demand cohesive experiences across channels.

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Key Companies:

- Nike (NKE): Nike excels in omnichannel strategies, blending physical stores with digital platforms. Their mobile app enhances customer engagement by offering personalized experiences and in-store pickup options.
- Target (TGT): Target has invested heavily in omnichannel capabilities, including same-day delivery and integrated customer experiences. Their focus on seamless shopping has positioned them well in the competitive retail landscape.

Social Commerce

- Trend Explanation: Social commerce combines social media and e-commerce, allowing consumers to shop directly through social platforms. The global social commerce market is expected to grow from \$492 billion in 2021 to \$1.2 trillion by 2025.

Key Companies:

- Shopify (SHOP): Shopify enables merchants to sell directly through social media, enhancing the shopping experience. Their platform supports various social channels, making it easier for brands to reach consumers where they spend time online.
- Meta (META): Meta facilitates social commerce through Facebook and Instagram, allowing businesses to create shoppable posts. Their focus on integrating shopping features into social platforms is reshaping consumer purchasing behavior.

Competitive Landscape and Market Dynamics

Market Consolidation Trends:

- Technology Integration: Companies are acquiring tech startups to enhance their personalization capabilities and omnichannel strategies. This trend is expected to accelerate as brands seek to improve customer engagement.
- Brand Collaborations: Partnerships between traditional retailers and DTC brands are becoming more common, enabling enhanced market reach and customer engagement.

Investment Implications:

- High Growth Potential: Personalization and social commerce technologies present significant growth opportunities for investors, particularly as consumer expectations evolve.
- M&A Activity: Continued consolidation in the consumer technology sector is anticipated, with a focus on companies that can enhance customer experiences through innovative solutions.

Actionable Insights for Bankers and Investors

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For Bankers:

- Deal Opportunities: Target companies with strong personalization and omnichannel capabilities, as these will likely drive future growth in the consumer sector.
- Valuation Considerations: Assess customer lifetime value and engagement metrics when evaluating potential M&A opportunities in the consumer landscape.

For Investors:

- Sector Focus: Prioritize investments in companies leading digital transformation and personalization efforts within their respective markets.
- Risk Management: Consider shifts in consumer preferences and the competitive landscape when evaluating investment opportunities in the consumer sector.

In summary, the Consumer & Retail sector is rapidly evolving, driven by personalization, omnichannel retail, and social commerce. Companies that adapt to these trends will likely emerge as leaders in the market, presenting lucrative opportunities for investment and strategic partnerships.

6. Recommended Readings

Deal Name: Apollo Global Management Acquisition of Prosol Group

- Reading Material: "Private Equity Operational Due Diligence" by Jason Scharfman
- Why This Matters: This book provides insights into the operational aspects of private equity investments, which is crucial for understanding Apollo's strategic rationale behind acquiring Prosol Group. It discusses how private equity firms assess operational efficiencies and market positioning, which are key factors in Apollo's investment strategy in the retail sector.

Deal Name: Bain Capital and 11North Partners Capital Raise for Retail Platform

- Reading Material: "Real Estate Investing: Market Analysis, Financing, and Investment Strategies" by David M. Geltner
- Why This Matters: This resource offers a comprehensive overview of real estate investment strategies, including the analysis of retail properties. Understanding these principles is essential for evaluating Bain Capital's joint venture with 11North Partners, as it highlights the importance of market dynamics and investment strategies in acquiring grocery-anchored retail centers.

7. MACROECONOMIC UPDATE

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Key Data Points:

- Current Inflation Rate: 3%
- Federal Reserve Interest Rate: Recently lowered (specific rate not disclosed)
- U.S. Deficit: Approximately \$2 trillion per year
- Projected Spending on Generative AI: \$10 trillion

Main Insights:

- Inflation remains elevated above the Fed's target of 2%, raising questions about whether we are entering a new era of persistent inflation.
- Demand-side factors contributing to inflation include an infrastructure boom and a K-shaped economy where wealthier individuals dominate consumption.
- Supply-side constraints, such as immigration and housing market dynamics, are also influencing inflation.
- Fiscal policy is becoming constrained due to high levels of debt and deficits, limiting the Fed's ability to combat inflation through traditional means.

Market Commentary:

- "We see factors for inflation coming from both the demand side and the supply side." - Lisa Shalett, Morgan Stanley
- "The very short answer - our best guess is that policy becomes constrained." - Lisa Shalett, Morgan Stanley
- "Stocks very often are pro-inflationary assets; meaning many companies have the power to pass through price increases." - Lisa Shalett, Morgan Stanley

Consumer & Retail Sector Relevance:

- Persistent inflation could lead to higher prices for consumer goods, impacting purchasing power and spending behavior.
- The K-shaped economy suggests that wealthier consumers may continue to drive demand, while lower-income consumers may struggle with rising costs.
- Supply chain constraints and energy costs could further elevate prices in the retail sector, affecting margins and profitability for retailers.

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