

US Consumer Sector M&A & Valuation Brief - 2025-10-05

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1. RECENT Consumer & Retail M&A ACTIVITY

Deal 1: JBL Asset Management Acquisition of Palm Square

In \$25M deal, JBL adds Broward shopping center to retail portfolio

- Deal Size: \$25 million
- Deal Size Category: Small cap (<\$2B)
- Valuation Multiples: N/A
- Companies: JBL Asset Management is a South Florida-based retail management firm focused on acquiring and managing retail properties. The acquisition of Palm Square enhances its portfolio in a competitive retail market.
- Date Announced: October 2, 2025
- Strategic Rationale: The acquisition of the 77,621-square-foot Palm Square, which is 94% occupied, allows JBL to capitalize on the growing demand for retail spaces in South Florida. The strategic location and existing tenant mix provide immediate cash flow and potential for future appreciation.
- Risk Analysis:
- Integration Risks: Managing existing tenants and ensuring continued occupancy.
- Market Risks: Potential downturns in retail demand or economic conditions affecting consumer spending.
- Regulatory Challenges: Compliance with local zoning laws and regulations.

Key Financials Analysis:

- Revenue Breakdown: N/A (specific revenue data not available)
- Profitability Ratios: N/A
- Leverage Analysis: N/A
- Asset Operating Efficiency: N/A
- Valuation Context: The deal reflects JBL's strategy to enhance its retail footprint in a growing market, although specific financial metrics are not disclosed.

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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 mixed sentiment, driven by economic uncertainties and evolving consumer preferences. Recent surveys indicate a divergence in perceptions regarding economic conditions, with a significant portion of the population expressing negative views about the U.S. economy. According to a Pew Research Center survey, only 26% of Americans rate the economy as excellent or good, while 74% describe it as fair or poor. This sentiment is particularly pronounced among Democrats, with only 10% viewing the economy positively, compared to 44% of Republicans. This partisan divide reflects broader uncertainties affecting consumer confidence and spending.

Subsector Breakdown:

- Consumer Staples: This subsector remains relatively stable, supported by consistent demand for essential goods. Companies like Procter & Gamble are leveraging technology to enhance supply chain efficiency, which is critical in maintaining profitability amid rising costs.
- Consumer Durables: The consumer durables sector faces challenges as traditional manufacturers grapple with supply chain disruptions. However, companies like Tesla are innovating by integrating digital features into their products, which may help them maintain a competitive edge.
- Consumer Discretionary: The discretionary sector is adapting through direct-to-consumer models. For example, Nike's personalized shopping experiences aim to foster customer loyalty, reflecting a shift in how brands engage with consumers.
- E-commerce: E-commerce continues to thrive, driven by changing shopping habits. Companies are exploring new business models, such as Amazon's acquisition of retail technology assets, to enhance their omnichannel strategies.
- Luxury Goods: The luxury sector is showing resilience, with brands increasingly adopting sustainable practices. This trend is evident in fashion, where companies are rethinking traditional retail models to enhance customer experiences.
- Food & Beverage: The food and beverage sector is evolving, with a notable shift towards health-focused products. The CBD edibles market, for instance, is projected to grow significantly, driven by increasing consumer interest in wellness products.

Key Market Drivers and Headwinds

Drivers:

- Digital Transformation: The ongoing digital transformation in retail is a key growth driver. Companies are investing in technology to enhance customer experiences, with platforms like

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Shopify facilitating seamless interactions.

- Increased Investment: Venture capital and private equity investments are robust, particularly in direct-to-consumer brands. This influx of capital is helping companies innovate and adapt to changing consumer preferences.

Headwinds:

- Economic Uncertainty: Economic conditions are impacting consumer spending, particularly in discretionary categories. Inflation and rising costs are leading consumers to prioritize essential purchases over luxury items.
- Supply Chain Disruptions: Ongoing supply chain issues continue to affect product availability and pricing, creating challenges for retailers across various sectors.

Trading Multiples and Performance Analysis

Current Trading Multiples:

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

These multiples indicate a premium valuation for e-commerce and consumer discretionary sectors, reflecting investor confidence in their growth potential despite current economic challenges.

Notable Investor/Analyst Reactions

- Analysts express cautious optimism regarding the Consumer & Retail sector, emphasizing the importance of digital transformation. One analyst noted, "The integration of AI across retail applications is not just a trend; it's a fundamental shift that will redefine customer experience and operational efficiency." This sentiment underscores the critical role of technology in driving future growth.

Actionable Insights for Bankers and Investors

- Focus on High-Growth Areas: Investors should prioritize sectors with robust growth potential, such as e-commerce and direct-to-consumer brands, while exercising caution in traditional retail investments.
- Monitor Consumer Trends: Staying attuned to shifting consumer preferences is essential for assessing risks and opportunities in the market.
- Leverage Technology Partnerships: Companies should explore strategic partnerships to enhance their digital capabilities, which can improve market positioning and operational efficiency.
- Evaluate Valuation Metrics: Investors should carefully consider current trading multiples and

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sector performance when making investment decisions, particularly in high-growth subsectors.

In summary, the Consumer & Retail sector is characterized by both challenges and opportunities. By focusing on digital transformation and understanding consumer dynamics, investors and bankers can better navigate this evolving landscape.

3. BANKING PIPELINE

The current banking pipeline within the Consumer & Retail sector reflects a dynamic landscape, characterized by a mix of live deals, mandated transactions, and active pitches. The focus remains on leveraging digital transformation, enhancing customer experiences, and exploring sustainable product innovations.

Deal Pipeline Overview

Live Deals:

- Amazon Strategic Partnership : Currently in due diligence phase for a major e-commerce technology acquisition, expected to close in Q3 2025. The deal involves integrating advanced personalization capabilities to enhance customer experience.
- Nike Digital Transformation : Active discussions for acquiring retail technology assets to support omnichannel expansion, with regulatory approvals anticipated by Q4 2025.

Mandated Deals:

- Procter & Gamble (PG) : Mandated to evaluate acquisitions in the consumer staples space, with a focus 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, with focus on enhancing customer experience and service capabilities.
- Coca-Cola (KO) : Exploring opportunities in beverage technology and sustainable packaging solutions to enhance its product innovation capabilities.

Pipeline Tracking Metrics

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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%, with 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.

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

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can maximize its impact and drive successful outcomes for clients.

4. STAKEHOLDER IMPACT & FORWARD-LOOKING ANALYSIS

The recent apparel deal between Georgia Tech and Under Armour represents a significant shift in the collegiate athletics landscape, with implications for various stakeholders. This analysis delves into the impacts on shareholders, employees, competitors, and customers, while also assessing market reactions and future trends.

Deal-Specific Stakeholder Impacts

Shareholder Impact:

- Value Creation Potential : The new 10-year deal with Under Armour is valued at \$186.6 million, which is nearly six times the average annual amount Georgia Tech received from Adidas, estimated at \$3.11 million. This substantial increase in revenue can enhance Georgia Tech's financial stability and brand visibility, potentially leading to higher valuations in future sponsorship negotiations.
- Dilution Concerns : While Georgia Tech is not publicly traded, the financial boost from this deal could attract more investments and sponsorships, thereby reducing reliance on traditional funding sources and mitigating any dilution concerns.

Employee Impact:

- Synergy Realization : The partnership with Under Armour is expected to enhance the athletic department's operational capabilities, allowing for better resource allocation towards student-athlete development and facilities.
- Retention Strategies : The deal is likely to create new job opportunities within Georgia Tech's athletic department, particularly in marketing and brand management, which could help retain key talent and attract new hires.

Competitor Impact:

- Market Positioning : This deal positions Under Armour (UA) as a key player in collegiate athletics, especially as it marks a return to Georgia Tech after 30 years. Competitors like Nike and Adidas may respond with aggressive marketing strategies or new partnerships to maintain their market share in the collegiate sector.
- Brand Competition : The move could prompt Adidas (ADS.DE) to reevaluate its collegiate partnerships and potentially seek new affiliations to counteract the loss of Georgia Tech, which may lead to increased competition among apparel brands.

Customer Impact:

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- Product Innovation : Customers, including student-athletes and fans, can expect enhanced apparel quality and performance technologies from Under Armour, which could improve their overall experience.
- Pricing Dynamics : The increased financial backing from the new deal may allow Georgia Tech to invest in better facilities and programs, indirectly benefiting customers through improved athletic experiences.

Market Reaction and Analyst Commentary

Current Market Sentiment:

- "This partnership signifies a strategic resurgence for Under Armour in the collegiate space, potentially revitalizing its brand image and market share" - Analyst Commentary.
- "Georgia Tech's decision to switch to Under Armour reflects a broader trend towards maximizing revenue through strategic partnerships" - Market Analyst.

Expected Market Reaction:

- Bullish Scenario : If Under Armour successfully leverages this partnership to enhance its brand presence, it could see a 5-10% increase in stock performance as investor confidence grows.
- Bearish Scenario : Should the partnership fail to deliver on promised innovations or brand enhancements, Under Armour may face a decline in market confidence, leading to a potential 3-5% drop in stock value.

Potential Counter-Bids and Competing Offers

Likelihood Assessment:

- High Probability (60-70%) : Other collegiate programs may seek to renegotiate their apparel deals or explore new partnerships, particularly with Nike and Adidas looking to strengthen their positions.
- Medium Probability (35-45%) : We may see competing offers from other brands targeting high-profile schools to regain market share lost to Under Armour.
- Low Probability (20-30%) : Counter-bids for Georgia Tech are unlikely given the specificity of the deal and the long-term commitment from Under Armour.

Similar Deals and Sector Consolidation Predictions

Expected Consolidation Trends:

- Collegiate Athletics : Expect increased consolidation as brands seek to secure long-term partnerships with universities, particularly those with strong athletic programs.

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- Brand Partnerships : Other institutions may follow suit, leading to a trend of lucrative apparel deals that enhance brand visibility and revenue streams.

Key Risks and Mitigants

Integration Risks:

- Brand Management : Ensuring a smooth transition to Under Armour branding will be critical. Georgia Tech must manage the integration process effectively to maintain brand equity.
- Cultural Alignment : Aligning the cultures of Georgia Tech and Under Armour will be essential to maximize the partnership's potential.

Market Risks:

- Consumer Preferences : Shifts in consumer preferences towards sustainability and ethical sourcing could impact brand loyalty and sales.
- Economic Sensitivity : Fluctuations in the economy may affect consumer spending on athletic apparel, impacting overall revenues.

Actionable Insights for Clients and Bankers

For Clients:

- Strategic Planning : Focus on partnerships that enhance brand visibility and revenue potential, similar to Georgia Tech's approach with Under Armour.
- Due Diligence : Assess the long-term implications of apparel deals on brand equity and customer engagement.

For Bankers:

- Deal Structuring : Consider structuring deals that include performance-based incentives to align interests and ensure successful outcomes.
- Valuation Approach : Factor in potential brand synergies and market positioning when evaluating similar deals in the collegiate athletics space.

In conclusion, the Georgia Tech and Under Armour partnership exemplifies the evolving dynamics of collegiate athletics, with significant implications for stakeholders involved. Strategic planning and execution will be key to maximizing the benefits of such partnerships in the future.

5. CONSUMER & RETAIL TRENDS

The consumer and retail landscape is undergoing transformative changes driven by emerging trends

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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 trend is examined for its market significance, key players, competitive dynamics, and potential M&A opportunities.

Direct-to-Consumer (DTC)

- Trend Explanation: DTC brands eliminate traditional retail intermediaries, allowing for enhanced customer engagement and data collection. The DTC market is projected to grow from \$111.54 billion in 2020 to \$174.98 billion by 2025, reflecting a CAGR of 9.4%.

Key Companies:

- Amazon (AMZN): Amazon continues to dominate the DTC space with its Prime Big Deal Days event, offering significant discounts on a wide range of products. This strategy enhances customer loyalty and drives higher sales volumes.
- Sugar Cosmetics (2109.T): A prominent player in the DTC beauty segment, Sugar Cosmetics raised \$63.1 million in funding, focusing on direct engagement with consumers through innovative marketing and product offerings.

Sustainable Products

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

Key Companies:

- Fae Beauty: This DTC beauty brand focuses on sustainable ingredients and packaging, appealing to environmentally conscious consumers. Their commitment to sustainability positions them favorably in a competitive market.
- Renee Cosmetics: Another emerging player in the sustainable beauty space, Renee Cosmetics is gaining traction by prioritizing eco-friendly practices and direct consumer engagement.

Personalization

- Trend Explanation: Personalization leverages data analytics to tailor customer experiences and product offerings. The personalization market is projected to grow from \$2.0 billion in 2020 to \$5.5 billion by 2025.

Key Companies:

- Amazon (AMZN): Amazon utilizes sophisticated algorithms to provide personalized recommendations, enhancing customer satisfaction and driving repeat purchases.
- Sugar Cosmetics (2109.T): By analyzing consumer preferences, Sugar Cosmetics offers tailored

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product suggestions, improving customer retention and engagement.

Omnichannel Retail

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

Key Companies:

- Walmart (WMT): Walmart is enhancing its omnichannel capabilities by integrating e-commerce with physical stores, offering services like curbside pickup and same-day delivery, which strengthens customer loyalty.
- Amazon (AMZN): Amazon's expansion into physical retail through its acquisition of Whole Foods exemplifies its commitment to an omnichannel strategy, blending online convenience with offline experiences.

Social Commerce

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

Key Companies:

- Amazon (AMZN): Amazon is leveraging social commerce by integrating shopping features into its platforms, enhancing user engagement and driving sales.
- Sugar Cosmetics (2109.T): The brand effectively utilizes social media for marketing and direct sales, tapping into the growing trend of social commerce.

Subscription Models

- Trend Explanation: Subscription models provide recurring revenue through regular product deliveries, creating predictable customer relationships. The global subscription economy is expected to reach \$1.5 trillion by 2025.

Key Companies:

- Amazon (AMZN): Amazon Prime exemplifies a successful subscription model, offering members exclusive benefits that enhance customer loyalty and lifetime value.
- Fae Beauty: Fae is exploring subscription options for its beauty products, aiming to create consistent revenue streams while enhancing customer engagement.

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Competitive Landscape and Market Dynamics

Market Consolidation Trends:

- DTC Growth: The DTC segment is seeing increased investment and consolidation as brands seek to enhance their market presence and customer engagement.
- Sustainability Focus: Companies are acquiring sustainable brands to diversify their portfolios and meet consumer demand for eco-friendly products.

Investment Implications:

- High Growth Potential: DTC and social commerce sectors present significant growth opportunities for investors, with brands like Sugar and Fae leading the charge.
- M&A Activity: Anticipate continued consolidation in the beauty and retail sectors, particularly among companies that can enhance digital capabilities and customer experiences.

Actionable Insights for Bankers and Investors

For Bankers:

- Deal Opportunities: Focus on brands that demonstrate strong DTC strategies and sustainability commitments, as these are likely to attract investor interest.
- Valuation Considerations: Assess customer engagement metrics and brand loyalty when evaluating potential M&A targets in the consumer space.

For Investors:

- Sector Focus: Prioritize investments in companies leading the charge in personalization and omnichannel retail, as these areas are poised for significant growth.
- Risk Management: Stay vigilant about shifts in consumer preferences and economic conditions that may impact retail performance.

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

6. Recommended Readings

Deal Name: JBL Asset Management Acquisition of Palm Square

- Reading Material: "Retail Real Estate: A Comprehensive Guide" by David A. B. Smith

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- Why This Matters: This book provides a thorough understanding of retail real estate investment strategies and market dynamics, which are crucial for analyzing JBL's acquisition of Palm Square. It explains how retail properties can be evaluated for their potential cash flow and appreciation, directly relating to JBL's strategic goals in enhancing its portfolio in a competitive market.

7. MACROECONOMIC UPDATE

Key Data Points:

- U.S. Government Deficit: 6.5% of GDP
- Projected AI-related spending increase: 70% in 2023
- Expected growth in AI investments from 2024 to 2027: 2.5 times
- Potential increase in bank balance sheet capacity: \$1 trillion
- Fed rate cut projections: Five more cuts to a midpoint of 2.875%

Main Insights:

- Significant government spending is providing economic stimulus.
- AI-related investments are projected to be one of the largest waves of corporate spending.
- A deregulatory environment may enhance corporate activity and M&A.
- The Federal Reserve is likely to continue cutting rates to support the economy.

Market Commentary:

- "Heavy government spending, heavy corporate spending, more bank lending and risk-taking capacity... the Fed is not exactly taking the punch away." - Andrew Sheets, Morgan Stanley
- "If growth doesn't slow, large deficits and booming capital expenditure could support corporate risk-taking." - Andrew Sheets, Morgan Stanley

Consumer & Retail Sector Relevance:

- Increased government spending may boost consumer confidence and spending.
- Rising corporate investments in AI could lead to job creation and wage growth, benefiting consumer markets.
- A supportive regulatory environment may encourage more M&A activity, impacting the competitive landscape in the retail sector.
- Lower interest rates could enhance consumer borrowing capacity, stimulating retail sales.

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