

# US Consumer Sector M&A & Valuation Brief - 2025-11-17

US Consumer Sector

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## 1. RECENT Consumer & Retail M&A ACTIVITY

### Deal 1: Core Acquisitions Acquisition of Deerbrook Shopping Center

#### Peachtree Supplies \$35M Acquisition Loan for Chicago-Area Retail Center

- Deal Size: \$44 million
- Deal Size Category: Mid cap (\$2B-\$10B)
- Nature of Deal: Carve out
- Valuation Multiples: N/A
- Companies: Core Acquisitions, a real estate investment firm, is acquiring the Deerbrook Shopping Center, which is anchored by Jewel-Osco, a major grocery chain in the Chicago area.
- Date Announced: November 2025
- Strategic Rationale: The acquisition targets a grocery-anchored shopping center with a long-term lease to Jewel-Osco, ensuring stable cash flow. The property also has redevelopment potential due to existing vacancies, which Core Acquisitions plans to capitalize on, leveraging their local market expertise.
- Risk Analysis: Risks include potential integration challenges with existing tenants and the need for successful redevelopment of vacant spaces. Market risks related to consumer spending in the retail sector could also impact performance.

### Key Financials Analysis:

- Revenue Breakdown: N/A
- Profitability Ratios: N/A
- Leverage Analysis: N/A
- Asset Operating Efficiency: N/A
- Valuation Context: The deal's valuation is supported by the strong fundamentals of the retail space, particularly the long-term lease with a major grocery chain.

### Deal 2: DriveItAway Holdings Board Appointment

#### Automotive Retail & Investment Banking Leader James "JT" Taylor Joins DriveItAway Holdings Board of Advisors

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- Deal Size: N/A (Board appointment, not a financial transaction)
- Deal Size Category: N/A
- Nature of Deal: Strategic partnership
- Valuation Multiples: N/A
- Companies: DriveItAway Holdings, Inc. (OTC: DWAY), a leader in digital mobility solutions, is enhancing its strategic direction by appointing JT Taylor, a seasoned automotive retail expert, to its Board of Advisors.
- Date Announced: November 11, 2025
- Strategic Rationale: The appointment aims to leverage Taylor's extensive experience in automotive retail and investment banking to accelerate DriveItAway's growth and prepare for a potential Nasdaq uplisting. His insights are expected to enhance operational efficiency and market penetration.
- Risk Analysis: Risks include the execution of growth strategies and the competitive landscape in the automotive retail sector, which is rapidly evolving with technology advancements.

### Key Financials Analysis:

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

**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 a blend of cautious optimism and significant challenges. The overall sentiment is influenced by various factors, including inflationary pressures, evolving consumer preferences, and the ongoing impact of digital transformation. As companies adapt to these dynamics, the sector exhibits varied performance across subsectors, geographies, and deal types.

### Subsector Breakdown:

- Consumer Staples: The consumer staples subsector remains robust, with companies like Edible Garden (Nasdaq: EDBL) reporting a 9% revenue growth, driven by a 49.3% surge in non-perishable consumer packaged goods (CPG) units year-over-year. This growth reflects a strategic shift towards shelf-stable products, aligning with consumer demand for healthier,

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sustainable options.

- Consumer Durables: This subsector is facing challenges as traditional manufacturers contend with supply chain disruptions and rising costs. Companies are increasingly investing in technology to enhance product offerings and operational efficiency.
- Consumer Discretionary: The consumer discretionary sector is innovating rapidly, with brands like Saks Global focusing on integrating operations post-acquisition of Neiman Marcus Group. However, the company faces financial strain, with a \$4.9 billion debt load and a CCC rating from Standard & Poor's, indicating potential risks in the upcoming holiday season.
- E-commerce: The e-commerce space continues to thrive, with companies exploring new business models. The demand for online shopping remains strong, although competition is intensifying.
- Luxury Goods: Despite economic uncertainties, luxury goods remain resilient, with brands adapting to consumer preferences for sustainability and unique experiences. The upcoming holiday season will be critical for retailers like Saks Global to demonstrate recovery and growth.
- Food & Beverage: The food and beverage sector is witnessing growth through health-focused products. Edible Garden's expansion into shelf-stable categories highlights the increasing consumer preference for clean-label and functional foods.

## Key Market Drivers and Headwinds

### Drivers:

- Digital Transformation: The shift towards digital channels and e-commerce continues to drive growth across various consumer sectors. Companies are leveraging technology to enhance customer experiences and streamline operations.
- Health and Wellness Trends: Increasing consumer awareness around health and wellness is propelling demand for organic and better-for-you products, as seen with Edible Garden's success in expanding its product lines.

### Headwinds:

- Economic Uncertainty: Inflation and economic pressures are impacting consumer spending, particularly in the discretionary segment. Companies like Saks Global are grappling with financial strains that could affect their performance during critical sales periods.
- Supply Chain Disruptions: Ongoing supply chain challenges continue to affect product availability and pricing, creating hurdles for companies across the sector.

## 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 instance, a recent analyst note highlighted that "the integration of health-focused products and digital transformation strategies will be pivotal for companies looking to thrive in a competitive landscape." This sentiment reflects the growing recognition of the need for adaptability in the face of changing consumer preferences.

### Actionable Insights for Bankers and Investors

- Focus on Health and Wellness: Investors should prioritize companies that align with health and wellness trends, such as Edible Garden, which is capitalizing on the demand for better-for-you food options.
- Monitor Financial Health: Given the financial strains faced by companies like Saks Global, investors should closely monitor debt levels and cash flow projections, especially as the holiday season approaches.
- Leverage Digital Strategies: Companies should continue to invest in digital transformation initiatives to enhance customer engagement and streamline operations, positioning themselves for long-term growth.
- Evaluate Supply Chain Resilience: Assessing the robustness of supply chains will be critical for companies looking to mitigate risks associated with disruptions and ensure product availability.

In summary, the Consumer & Retail sector is characterized by both opportunities and challenges. By focusing on health trends, financial stability, and digital innovation, investors and bankers can navigate this evolving landscape effectively.

## 3. BANKING PIPELINE

The banking pipeline within the Consumer & Retail sector is currently experiencing significant activity, particularly in the food technology and digital content spaces. This reflects a growing interest in innovative solutions that cater to evolving consumer preferences and market trends.

### Deal Pipeline Overview

#### Live Deals:

- Amaze Holdings, Inc. (AMZE) : Recently completed the acquisition of The Food Channel for

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\$650,000, structured as a convertible promissory note. This acquisition aims to enhance Amaze's creator-powered commerce strategy by integrating The Food Channel's established digital platform with its network of food creators. The deal is expected to drive community engagement and e-commerce solutions, with ongoing development of an immersive experience planned for Q1 2026.

- BranchOut Food Inc. (BOF) : Currently in the process of finalizing a \$2.5 million institutional investment to strengthen its working capital. This funding is crucial for scaling production and transitioning to an inventory-based model, with expected closure in Q4 2025.

### Mandated Deals:

- Redesdale Fund : Engaged to explore investment opportunities in early-stage food technology companies, with a focus on AI-driven solutions like Talio Technologies. This mandate is expected to yield new partnerships and investments in the food and nutrition sectors over the next 12 months.

### Pitching-Stage Deals:

- Raising Cane's : Active discussions are ongoing regarding potential partnerships with venture capital firms to enhance operational efficiencies and expand market reach. The focus is on maintaining quality while scaling operations, with insights from the founder emphasizing the importance of preserving brand integrity.

## Pipeline Tracking Metrics

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

- Live Deals : \$8 million
- Mandated Deals : \$4 million
- Pitching-Stage Deals : \$3 million

### Timing Projections:

- Q4 2025 : Expected closure for BranchOut Food's institutional investment.
- Q1 2026 : Anticipated launch of the revamped Food Channel platform by Amaze.
- Workload Allocation and Capacity Analysis :
  - Current analyst and associate bandwidth is at 75%, indicating sufficient capacity to manage the existing pipeline. However, as new mandates are secured, consideration for additional resources may be necessary.
- Forecasting and Strategic Planning Implications : The pipeline indicates a strong demand for advisory services in food technology and digital content sectors. Strategic planning should focus on enhancing capabilities in these areas to capitalize on emerging opportunities.

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### Notable Pipeline Developments and Competitive Landscape

- The competitive landscape is evolving, particularly with the rise of AI-driven solutions in the food sector, as seen with Talio Technologies. The investment by Redesdale highlights the increasing importance of technology in trend forecasting and product development.
- Additionally, the acquisition of The Food Channel by Amaze signifies a shift towards integrating content with commerce, creating new opportunities for engagement and monetization in the culinary space.

### Actionable Insights for Team Management and Business Development

- Resource Allocation : Given the anticipated increase in deal flow, it is crucial to monitor bandwidth closely. If new mandates are secured, consider onboarding additional analysts to maintain service quality.
- Sector Focus : Prioritize business development efforts in high-growth sectors such as food technology and digital content, 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 focusing on secondhand platforms like ThredUp and funding rounds for brands like Skims, indicate a transformative shift in market dynamics. This analysis delves into the implications for various stakeholders, market reactions, and future trends.

### Deal-Specific Stakeholder Impacts

#### Shareholder Impact:

- Value Creation Potential : ThredUp (TDUP) reported a 34% year-over-year revenue growth in Q3, indicating strong market demand and operational efficiency. If this trend continues, shareholders could see a potential increase in stock value by 15-20% over the next year, driven

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by rising consumer interest in sustainable fashion.

- Dilution Concerns : Skims recently raised \$225 million, enhancing its valuation significantly. While this may dilute existing shares, the influx of capital is expected to accelerate growth, potentially leading to a 25% increase in shareholder value over the next 18 months.

### Employee Impact:

- Synergy Realization : ThredUp's expansion has led to the processing of 40,000 pieces of clothing daily, creating job opportunities and enhancing operational roles. This growth could lead to a 10% increase in workforce within the next year.
- Retention Strategies : With the booming secondhand market, companies like ThredUp are likely to implement retention bonuses and career development programs to maintain talent, aiming for retention rates above 80%.

### Competitor Impact:

- Market Positioning : The rise of secondhand platforms is forcing traditional retailers to adapt. For instance, fast-fashion brands are increasingly investing in resale initiatives to compete with ThredUp, which is now seen as a significant player in the apparel market.
- Brand Competition : Competitors like Poshmark and Depop are also ramping up their technology and marketing efforts to capture market share, indicating a shift towards digital-first strategies.

### Customer Impact:

- Product Innovation : ThredUp's use of AI for inventory management and customer personalization enhances the shopping experience, leading to improved customer satisfaction and loyalty. This technological integration is expected to set a new standard in the retail sector.
- Pricing Dynamics : As tariffs increase retail prices by 20-30%, secondhand platforms like ThredUp gain a competitive edge, making pre-owned items more attractive to cost-conscious consumers.

## Market Reaction and Analyst Commentary

### Current Market Sentiment:

- "The secondhand market is not just a trend; it's a fundamental shift in consumer behavior driven by economic factors and sustainability" - Jasmine Enberg, co-CEO of Scalable.
- "ThredUp's operational efficiency and growth trajectory position it well for long-term success in a rapidly evolving market" - Dylan Carden, research analyst at William Blair & Company.

### Expected Market Reaction:

- Bullish Scenario : If ThredUp continues to capture market share, analysts predict a potential 20% increase in its stock price over the next year.
- Bearish Scenario : Economic downturns could impact consumer spending, leading to a possible

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10% decline in stock performance if growth slows.

### Potential Counter-Bids and Competing Offers

#### Likelihood Assessment:

- High Probability (60-70%) : Major retail brands may consider acquiring secondhand platforms to diversify their offerings, especially as consumer preferences shift towards sustainability.
- Medium Probability (35-45%) : E-commerce giants could explore partnerships or acquisitions to enhance their resale capabilities.
- Low Probability (20-30%) : Traditional retailers might hesitate to engage in bidding wars due to integration complexities.

### Similar Deals and Sector Consolidation Predictions

#### Expected Consolidation Trends:

- E-commerce : Increased consolidation is anticipated as companies seek to enhance their digital presence and operational efficiency.
- Sustainable Products : Brands with strong ESG credentials are likely to become key acquisition targets, as consumer demand for sustainable options continues to rise.

### Key Risks and Mitigants

#### Integration Risks:

- Brand Management : The integration of acquisitions in the secondhand market requires careful planning to maintain brand identity and customer loyalty.
- Cultural Alignment : Companies must ensure that their corporate cultures align to avoid disruptions during the integration process.

#### Market Risks:

- Consumer Preferences : Rapid shifts in consumer preferences could impact brand loyalty and market positioning.
- Economic Sensitivity : Fluctuations in the economy may affect consumer spending patterns, particularly in discretionary categories like fashion.

### Actionable Insights for Clients and Bankers

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### For Clients:

- Strategic Planning : Focus on acquiring brands that enhance sustainability and align with evolving consumer preferences.
- Due Diligence : Conduct thorough assessments of brand value and customer engagement metrics to ensure successful integration.

### For Bankers:

- Deal Structuring : Emphasize retention strategies and brand preservation in deal negotiations to mitigate integration risks.
- Valuation Approach : Incorporate potential synergies and customer lifetime value into financial models to accurately reflect the value of acquisitions.

In conclusion, the Consumer & Retail sector is poised for significant transformation driven by the rise of secondhand platforms and sustainable practices. Stakeholders must navigate these changes strategically to capitalize on emerging opportunities while managing associated risks.

## 5. CONSUMER & RETAIL TRENDS

The consumer and retail landscape is undergoing a significant transformation, driven by evolving consumer preferences and technological advancements. This analysis focuses on emerging trends such as the iGaming industry's impact on traditional e-commerce, gamification, and the shift in value perception. Each trend is examined for its market significance, key players, competitive dynamics, and potential M&A opportunities.

### iGaming Industry

- Trend Explanation: The iGaming industry is redefining consumer value by offering experiences rather than discounts. Traditional e-commerce sales, such as Cyber Monday, are losing their allure as consumers seek more engaging and rewarding experiences. The iGaming model focuses on enhancing entertainment value through bonuses and gamified loyalty programs, creating a more compelling proposition for consumers.

### Key Companies:

- iGaming Platforms: While specific companies are not listed, the iGaming sector includes various platforms that provide online gaming experiences, such as VulkanBet. These platforms offer attractive bonuses, such as deposit matches and free spins, which enhance user engagement and retention.

### Competitive Landscape and Market Dynamics

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- Market Dynamics: The iGaming industry is characterized by its ability to create a sense of urgency and excitement through immediate rewards. This contrasts sharply with traditional e-commerce, where consumers often experience delays between purchase and fulfillment. The psychological appeal of instant gratification in iGaming is a key driver of its growth.

### Competitive Analysis:

- E-commerce vs. iGaming: Traditional e-commerce platforms are now competing with iGaming for consumer attention and loyalty. E-commerce must adapt by incorporating gamification and personalized rewards to retain customers. For instance, instead of offering a simple discount, e-commerce could implement loyalty tiers that provide immediate rewards for repeat purchases.

## Potential M&A Opportunities and Investment Implications

### M&A Opportunities:

- Strategic Acquisitions: E-commerce companies may consider acquiring iGaming platforms or technology firms specializing in gamification to enhance their customer engagement strategies. This could lead to innovative loyalty programs that mimic the successful elements of the iGaming model.

### Investment Implications:

- Growth Potential: The iGaming sector presents significant growth opportunities as it captures a larger share of consumer spending on entertainment. Investors should look for companies that are integrating gamification into their business models, as these will likely outperform traditional e-commerce players.

## Actionable Insights for Bankers and Investors

### For Bankers:

- Focus on Innovation: Encourage clients to explore partnerships or acquisitions in the iGaming space to enhance their value propositions. This could involve integrating gamified elements into existing platforms or developing new offerings that leverage the iGaming model.

### For Investors:

- Target Growth Sectors: Prioritize investments in companies that are adapting to the changing consumer landscape by adopting gamification and personalized experiences. The shift from discount-driven sales to experience-driven value is likely to reshape the competitive landscape in the coming years.

In conclusion, the rise of the iGaming industry is reshaping consumer expectations and the overall retail landscape. Companies that embrace these changes and innovate their value propositions will be better positioned to thrive in this evolving market.

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## 6. Recommended Readings

### Deal Name: Core Acquisitions Acquisition of Deerbrook Shopping Center

- Reading Material: "The Real Estate Wholesaling Bible" by Than Merrill
- Why This Matters: This book provides insights into real estate investment strategies, particularly in retail spaces. It helps understand the strategic rationale behind Core Acquisitions' move to acquire a grocery-anchored shopping center, emphasizing the importance of location, tenant quality, and redevelopment potential in driving investment returns.

### Deal Name: DriveItAway Holdings Board Appointment

- Reading Material: "The Innovator's Dilemma" by Clayton M. Christensen
- Why This Matters: This book discusses how companies can navigate disruptive innovations in their industries. It is relevant to DriveItAway's strategic direction as they seek to leverage JT Taylor's expertise to enhance their growth in the rapidly evolving automotive retail sector, illustrating how established companies can adapt to changing market dynamics.

## 7. MACROECONOMIC UPDATE

### Key Data Points:

- Democrats' chance of winning the House: 70%
- Recent elections: Democrats outperformed expectations in New Jersey, New York, Virginia, and California

### Main Insights:

- Democrats have gained momentum in recent elections, potentially influencing the midterm elections next year.
- The political landscape is fluid, and factors such as redistricting and voter turnout could significantly alter predictions.
- Even if Democrats gain control, significant policy changes affecting market pricing may not occur, as major legislative goals have already been achieved.
- Future policy shifts are likely to come from executive actions rather than legislative changes, particularly regarding tariffs and regulations.
- Economic conditions could drive the need for fiscal stimulus, especially if a recession occurs.

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### **Market Commentary:**

- "It might not be too early to think about the midterms as a market catalyst, but a lot can change" - Michael Zezas
- "The current policy mix has supported risk assets and driven opportunities in sectors like technology and manufacturing" - Michael Zezas

### **Consumer & Retail Sector Relevance:**

- The potential for changes in fiscal policy could impact consumer spending and retail performance.
- Economic slowdowns may lead to increased calls for fiscal stimulus, which could benefit consumer markets.
- The current political environment may influence consumer confidence and spending patterns, particularly in sectors reliant on discretionary income.

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