

Consumer & Retail Perspectives

January 2025



Eric Higgins
Co-Founder &
Senior Managing Director
ehiggins@greensideca.com
(978) 761-8111



Bob Snape
Co-Founder &
Senior Managing Director
bsnape@greensideca.com
(399) 236-1050

C&R Deal Highlights

3% increase in YOY deal volume	24% increase in YOY deal value	26% Private equity involvement
--	--	--

Notable Quotes & Trends:

"January 20, 2025, will be the birth date of the External Revenue Service. I will increase tariffs on imports from China by 10%, and impose 25% fees on products from Canada and Mexico" – Donald J. Trump

"In general, countries that have remained open to trade, that haven't erected barriers including tariffs, have grown faster, they have higher incomes, higher productivity," – Jerome Powell, Federal Reserve Chairman

A survey by the University of Chicago in September 2024 asked a group of respected economists whether they agreed with the statement that "imposing tariffs results in a substantial portion of the tariffs being borne by consumers of the country that enacts the tariffs, through price increases". Only 2% disagreed.

CONSUMER & RETAIL M&A POISED TO SURGE IN 2025

Despite the uncertainty surrounding the elections, the Consumer & Retail (C&R) sector experienced a 4% year-over-year increase in announced deals in the fourth quarter of 2024. The outlook for 2025 is even more promising, with higher consumer and executive confidence, easing financial conditions, and post-election optimism regarding economic growth. Although the Federal Reserve's caution about inflation tempered some enthusiasm, consumer spending remains at record levels, bolstering CEO confidence in the sector. Several strategic themes will continue to drive M&A activity in 2025, including technological advancement, supply chain safety and stability, brand aggregation, and increasing economies of scale. Private equity firms, holding over \$3 trillion in dry powder, are expected to lead a surge in M&A due to a more business-friendly environment, more aggressive lending, and lower capital costs. Additionally, private equity firms need to monetize aging portfolio companies and generate returns, further fueling M&A activity. Corporates and global conglomerates are also under pressure from shareholders to rationalize portfolios by divesting non-core and underperforming assets across various sectors, including food & beverage, household products, beauty, wellness, and apparel retail. Cross-border deal activity is expected to accelerate due to strong growth and favorable conditions in the U.S. compared to European and Asian markets.

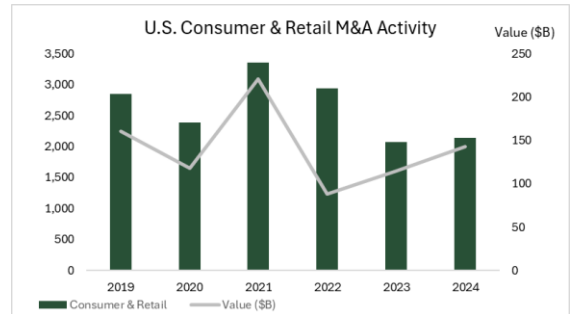
TAXES AND TARIFFS

The proposed policy changes by the Trump administration are anticipated to significantly impact the Consumer & Retail sector. Changes in tax policies and tariffs could create a highly complex environment for consumer spending, with lower taxes increasing discretionary income but higher prices offsetting such a

benefit. Proposed tariffs on imported goods, especially from China, Canada, and Mexico, could lead to notable price increases in electronics, footwear, home goods, automobiles, and appliances. Retailers will need to adjust their sourcing strategies and supply chains due to increased import costs, potentially affecting profit margins. M&A may emerge as a stabilizing force in response to these policy changes, as companies turn to deal-making to mitigate the negative impacts of import tariffs. Weaker companies may lose market share and become takeover targets for stronger, well-capitalized aggregators.

BOTTOM LINE

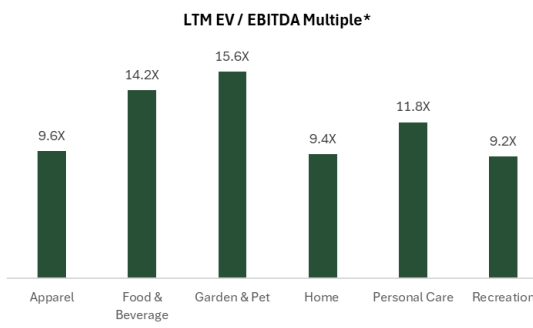
2025 is likely to be the best year to pursue M&A in the C&R sector since the tailwinds of the post COVID period. Pent up demand, abundant capital, and high equity prices will support strategic positioning via deal-making in the face of seismic geopolitical changes.



DEAL & VALUATION TRACKER

Acquirer	Target	Value (billions)
Liverpool	NORDSTROM	\$6.25
butterfly	DUCKHORN	\$1.95
Keurig Dr Pepper	CHOCOLATE	\$1.65
PEPSICO	AMERICA'S	\$1.20
LIMESIDE PARTS	NOVA	\$0.20

Public C&R Multiples



G-Side Capital Advisors provides independent M&A and ancillary investment banking advisory services to privately-held middle market businesses in a variety of industries. Learn more at www.g-sideca.com.