



# HARBOR VIEW

## Consumer Report

2023 Review & Outlook



## SUMMARY & OUTLOOK

Deal financing difficulties and other macroeconomic factors led to a 17% drop in global M&A activity last year, reaching a 10-year low at \$2.9 trillion. In line with broader trends, Consumer deal volumes in the US also dropped to their lowest levels in a decade.

We anticipate a recovery in 2024, based on a variety of structural factors as well as anecdotal evidence. Robust GDP growth, record-high stock market indices and improving animal spirits in America bode well for dealmaking in the coming year.

*We feel good about the consumer in '24 in the U.S. [...] in the sense of very low unemployment. We feel good about the fact that we think wages will go higher than inflation next year. And we hope that by the summer, interest rates will go down and that will create another source of oxygen for disposable income in households.*

Ramon Laguarta (CEO, PepsiCo)

Q4 2023 Earnings Call

At the December 2023 Federal Open Market Committee meeting, three potential rates cuts were announced for the coming year. The prospect of a rate cut was met with excitement by investors. However, weeks later, the latest jobs print was so unexpectedly strong that the Fed is almost certain to keep interest rates intact until 2H24. Even if debt remains expensive by historical standards, the Fed has managed to orchestrate a soft landing, dampening the hubris of many economists who were quite convinced a recession was inevitable. That scenario did not materialize and to boot, inflation has been tamed across most sectors. Notwithstanding the timing and cadence of rate cuts, we believe a resurgence in M&A this year will be driven by three factors:

- Sustained economic growth in the US that will continue to attract investor dollars;
- A strong dollar that is expected to prompt more cross-border deals, particularly Transatlantic; and
- A thematic shift towards health and wellness is gaining momentum across the Consumer category.

Higher market valuations and sustained growth prospects will entice sellers to pursue exits, after fidgeting on the sidelines for much of last year. Meanwhile, private equity will also feel pressure to deploy more capital this year. With a reported cash pile approaching \$2.5 trillion, we expect PE to fuel M&A in North America and overseas. After focusing on their existing PortCos in 2023 and on pursuing add-ons, PE investors are feeling the urge to realize returns for their LPs while seeking new platforms more purposefully. We expect this favorable dynamic to be partially offset by election-year turbulence and geopolitical instability in Eastern Europe and the Middle East, as consumers and corporates brace themselves for an unprecedented level of angst and vitriol.

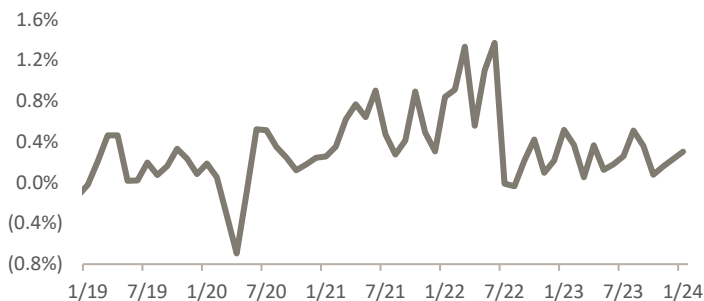
More than ever, M&A will also have to contend with two other major Capex categories for investment allocation: Innovation and Sustainability, both of which were overwhelmingly on display at the 2024 Consumer Electronics Show last month. Of course, M&A also functions as an accelerant, and we expect this dynamic to fuel consolidation in some sectors. Responding to more stringent consumer and regulatory requirements, healthy products and eco-friendly packaging constitute another powerful impetus for more strategic Consumer M&A.

Based on our discussions with clients and prospects, we expect Consumer M&A activity to rebound this year, especially in the middle market. Food & Beverage and Personal Care should lead the way, and the Discretionary space also strikes us as a particularly promising area, led by Luxury (where scale is paramount).



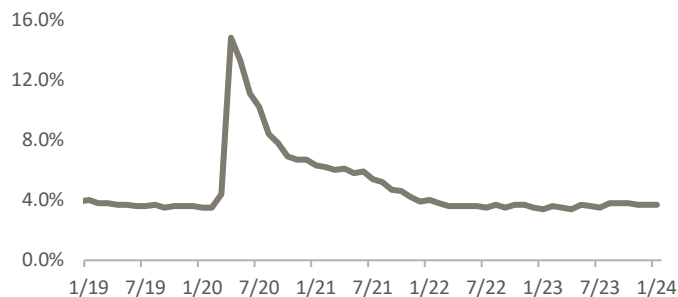
# CONSUMER M&A SUMMARY

## CONSUMER PRICE INDEX



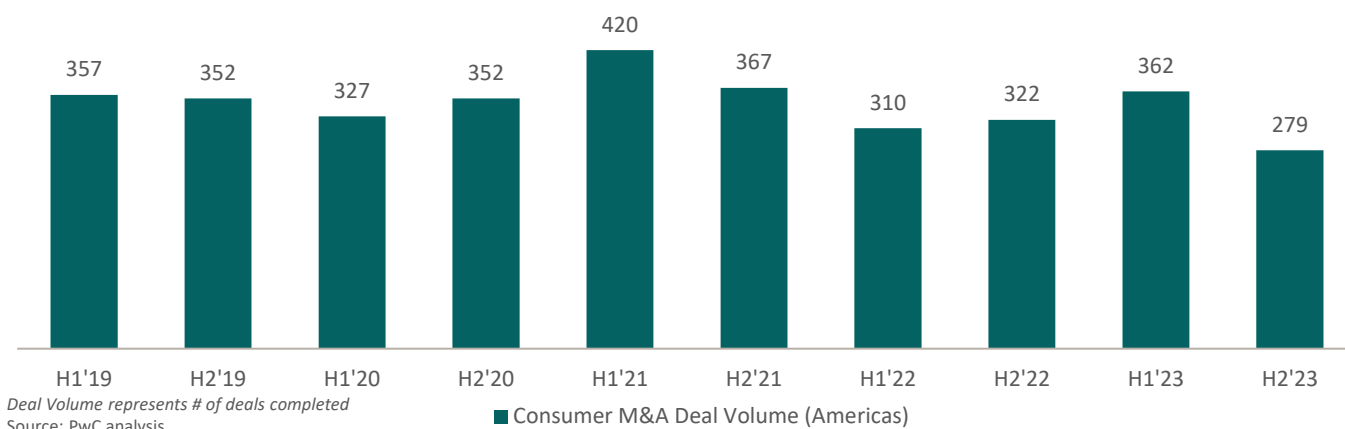
Source: U.S. Bureau of Labor Statistics

## UNEMPLOYMENT RATE



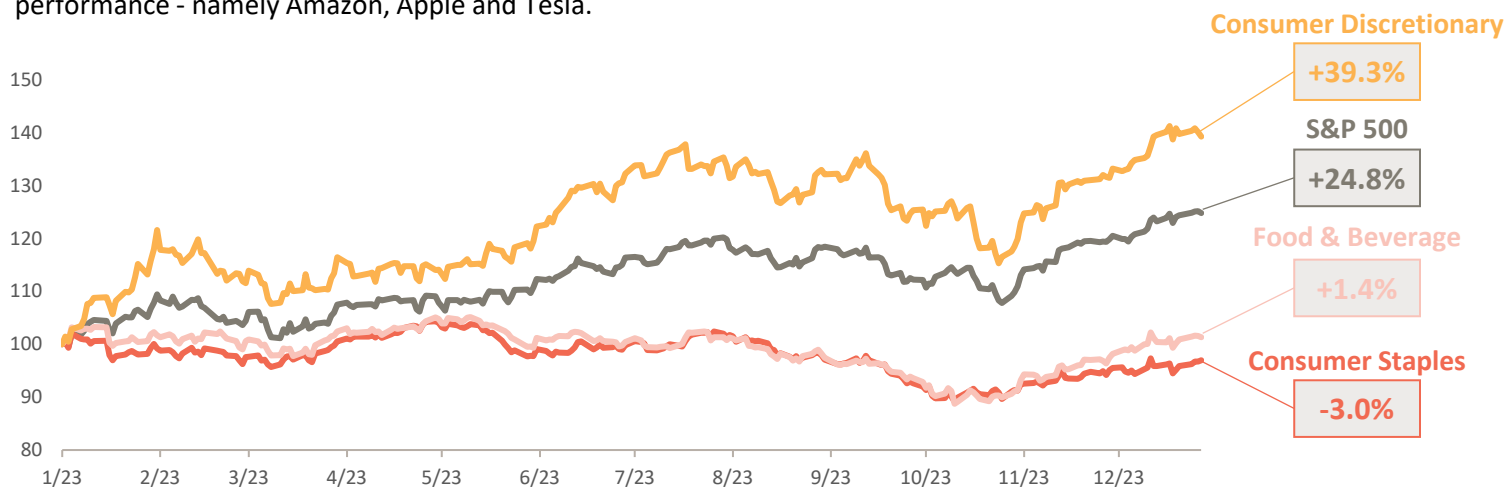
Source: U.S. Bureau of Labor Statistics

## CONSUMER DEAL VOLUME IN THE AMERICAS



## CONSUMER INDICES

In 2023, Consumer Discretionary (CD) navigated a challenging inflationary environment to outperform other indices such as Consumer Staples and Food & Beverage. This trend was driven primarily by two factors: (1) the ability of many CD brands to pass on cost increases to consumers, as demonstrated by luxury, travel services and car manufacturers, which posted massive profits; and (2) a major demographic shift towards discount stores and private label products, which was quite pronounced in Staples and Food. Several tech giants further skewed the CD index's record performance - namely Amazon, Apple and Tesla.

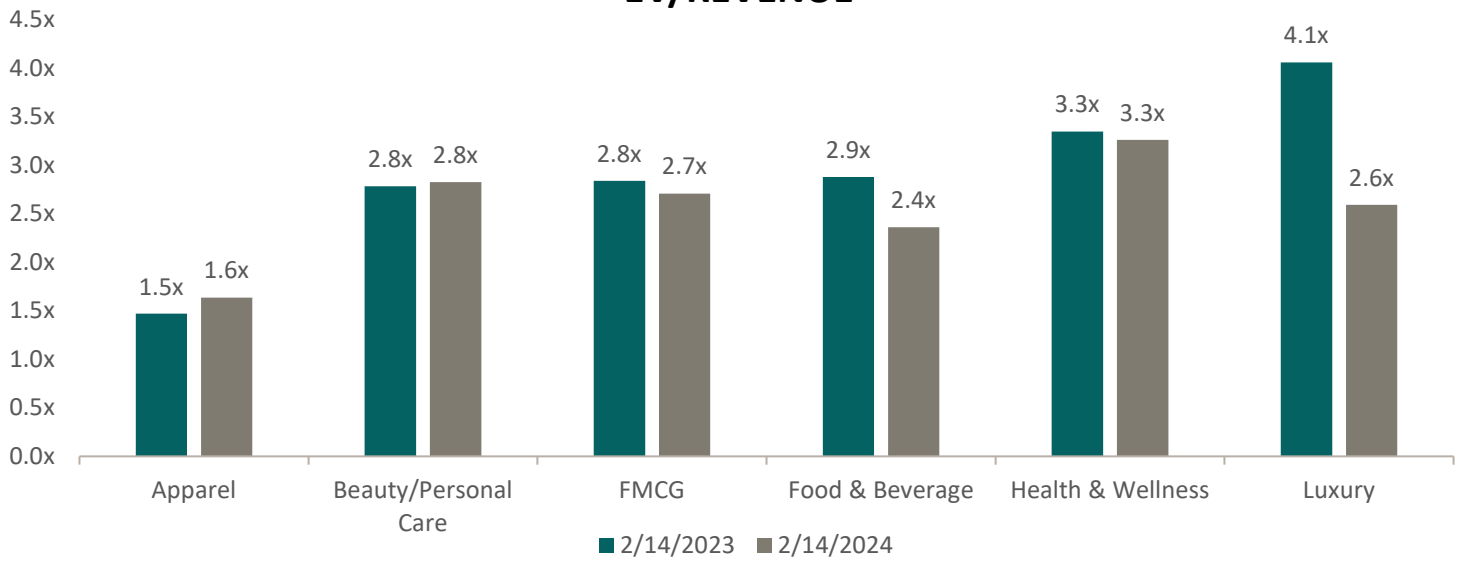


Sources: Consumer Staples Index Select Sector SDPR Fund, Food & Beverage: Invesco Food & Beverage ETF, Consumer Staples: Consumer Staples Select Sector SPDR Fund



# CONSUMER VALUATION DATA (HARBOR VIEW INDEX)

## EV/REVENUE



Source: Pitchbook data as of 2/14/24

HARBOR VIEW INDEX

### APPAREL

### BEAUTY/PERSONAL CARE

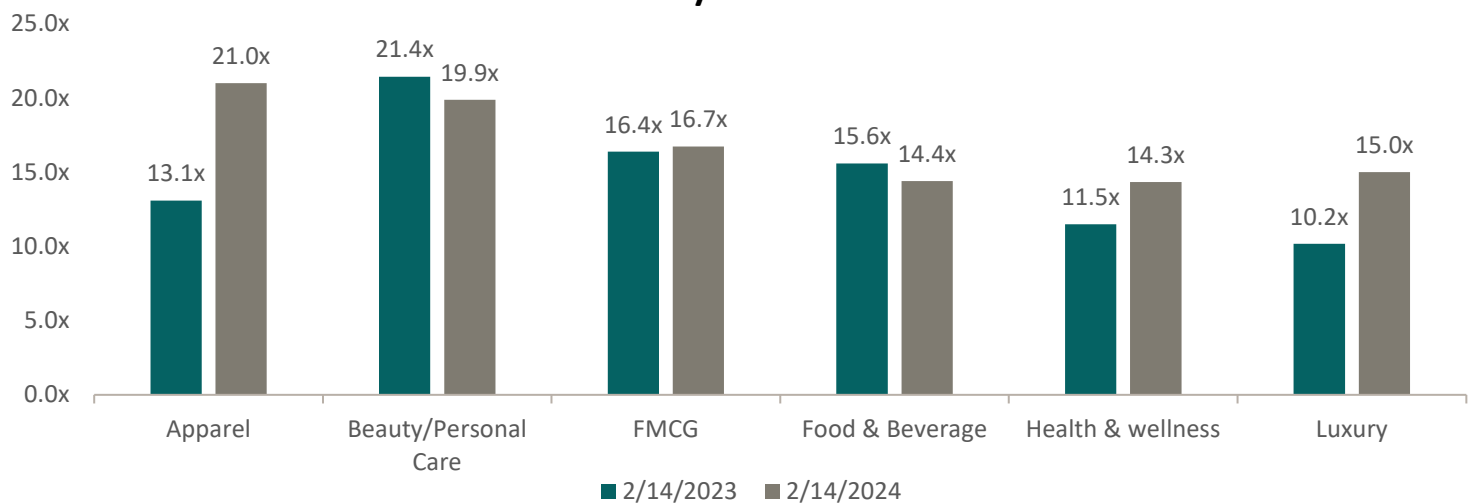
### FMCG

### FOOD & BEVERAGE

### HEALTH & WELLNESS

### LUXURY

## EV/EBITDA



Source: Pitchbook data as of 2/14/24

# PUBLIC TRADING STATISTICS (HARBOR VIEW INDEX)



## APPAREL

(\$ in bn)

Company	EV	TTM Revenue	TTM EBITDA	EV/Revenue	EV/EBITDA	Beta	Dividend Yield
Hanes Brands	5.5	5.8	0.3	0.9x	16.9x	1.46	0.0%
Levi Strauss	8.8	6.2	0.5	1.4x	18.5x	1.31	2.7%
Lululemon	58.2	9.2	1.9	6.3x	30.3x	1.21	0.0%
Nike	163.4	51.5	7.0	3.2x	23.5x	1.27	1.3%
Ralph Lauren	12.2	6.6	0.9	1.8x	13.3x	1.25	1.7%
V.F. Corp	13.0	10.8	0.5	1.2x	27.1x	1.53	5.8%
<b>Median:</b>				<b>1.6x</b>	<b>21.0x</b>		
<b>Mean:</b>				<b>2.5x</b>	<b>21.6x</b>		
<b>Weighted Mean*:</b>				<b>3.6x</b>	<b>24.4x</b>		

## BEAUTY & PERSONAL CARE

(\$ in bn)

Company	EV	TTM Revenue	TTM EBITDA	EV/Revenue	EV/EBITDA	Beta	Dividend Yield
Beiersdorf	31.6	9.7	1.6	3.3x	19.9x	0.31	0.5%
Coty	14.4	6.0	1.2	2.4x	11.9x	1.05	0.0%
Estée Lauder	58.2	15.2	1.8	3.8x	32.9x	1.00	1.9%
L'Oréal	252.2	42.3	9.7	6.0x	26.1x	1.03	1.4%
Natura	5.0	6.9	0.0	0.7x	n/a	1.68	0.0%
Shiseido	12.0	7.4	0.8	1.6x	14.7x	0.15	1.5%
<b>Median:</b>				<b>2.8x</b>	<b>19.9x</b>		
<b>Mean:</b>				<b>3.0x</b>	<b>21.3x</b>		
<b>Weighted Mean*:</b>				<b>5.2x</b>	<b>26.0x</b>		

\*Weighted Mean weighted by Enterprise value

\*\* Excluded from the calculation of both the mean and weighted mean due to its outlier status.

Source: Pitchbook, Data as of 2/14/24



# PUBLIC TRADING STATISTICS (HARBOR VIEW INDEX)

## FMCG

(\$ in bn)

Company	EV	TTM Revenue	TTM EBITDA	EV/Revenue	EV/EBITDA	Beta	Dividend Yield
Clorox	21.8	7.3	0.5	3.0x	46.2x**	0.67	3.1%
Colgate	76.9	19.1	3.3	4.0x	23.2x	0.36	2.3%
Edgewell	3.2	2.3	0.3	1.4x	10.4x	0.78	1.5%
Kimberly Clark	47.1	20.4	3.0	2.3x	15.7x	0.28	4.0%
P&G	393.1	83.9	22.1	4.7x	17.8x	0.39	2.4%
Unilever	154.7	63.7	14.3	2.4x	10.8x	0.61	3.8%
<b>Median:</b>				<b>2.7x</b>	<b>15.7x</b>		
<b>Mean:</b>				<b>3.0x</b>	<b>15.6x</b>		
<b>Weighted Mean*:</b>				<b>3.9x</b>	<b>16.1x</b>		

## FOOD & BEVERAGE

(\$ in bn)

Company	EV	TTM Revenue	TTM EBITDA	EV/Revenue	EV/EBITDA	Beta	Dividend Yield
Anheuser-Busch	208.4	59.6	19.9	3.5x	10.5x	0.74	1.3%
Coca-Cola	285.3	45.0	14.8	6.3x	19.3x	0.47	3.1%
Danone	53.3	29.8	4.2	1.8x	12.7x	0.36	3.3%
Diageo	107.8	20.6	7.0	5.2x	15.3x	0.46	2.8%
General Mills	47.7	20.2	3.9	2.4x	12.2x	-0.04	3.7%
Grupo Bimbo	27.2	22.3	3.7	1.2x	7.3x	0.69	1.0%
J.M Smucker	17.2	8.2	0.6	2.1x	27.9x	0.35	3.3%
Kellogg's	24.9	15.9	1.7	1.6x	14.4x	0.20	4.3%
Kraft Heinz	60.7	27.2	5.6	2.2x	10.9x	0.26	4.7%
Molson Coors	18.7	11.5	1.4	1.6x	13.2x	0.54	2.7%
Mondelez	114.3	36.0	7.4	3.2x	15.4x	0.62	2.3%
Nestlé	353.3	101.7	17.5	3.5x	20.1x	0.96	3.0%
PepsiCo	265.0	91.5	15.8	2.9x	16.8x	0.48	3.0%
<b>Median:</b>				<b>2.4x</b>	<b>14.4x</b>		
<b>Mean:</b>				<b>2.9x</b>	<b>15.1x</b>		
<b>Weighted Mean*:</b>				<b>3.8x</b>	<b>16.3x</b>		

\*Weighted Mean weighted by Enterprise value

\*\* Excluded from the calculation of both the mean and weighted mean due to its outlier status.

Source: Pitchbook, Data as of 2/14/24

# PUBLIC TRADING STATISTICS (HARBOR VIEW INDEX)



## HEALTH & WELLNESS

(\$ in bn)

Company	EV	TTM Revenue	TTM EBITDA	EV/Revenue	EV/EBITDA	Beta	Dividend Yield
Haleon	48.7	14.9	3.1	3.3x	15.6x	n/a	1.3%
Hims & Hers	1.9	0.8	(0.0)	2.4x	n/a	1.21	0.0%
Kenvue	43.8	15.5	2.2	2.8x	19.6x	n/a	3.1%
Prestige Consumer	4.5	1.1	0.4	4.0x	11.8x	0.46	0.0%
Reckitt	60.7	18.1	4.6	3.4x	13.1x	0.47	3.3%
<b>Median:</b>				<b>3.3x</b>	<b>14.3x</b>		
<b>Mean:</b>				<b>3.2x</b>	<b>15.0x</b>		
<b>Weighted Mean*:</b>				<b>3.2x</b>	<b>15.5x</b>		

## LUXURY

(\$ in bn)

Company	EV	TTM Revenue	TTM EBITDA	EV/Revenue	EV/EBITDA	Beta	Dividend Yield
Capri Holdings	9.0	5.3	0.4	1.7x	21.7x	1.15	0.0%
Hermès	231.0	14.5	6.9	15.9x**	33.2x**	1.30	0.6%
Kering	70.7	21.2	7.0	3.3x	10.1x	1.51	3.4%
LVMH	461.7	93.2	30.8	5.0x	15.0x	1.28	1.6%
Ralph Lauren	12.2	6.6	0.9	1.8x	13.3x	1.25	1.7%
Richemont	87.0	21.9	5.2	4.0x	16.7x	1.35	1.9%
Tapestry	12.0	6.7	1.4	1.8x	8.7x	1.42	2.9%
<b>Median:</b>				<b>3.3x</b>	<b>15.0x</b>		
<b>Mean:</b>				<b>2.9x</b>	<b>14.2x</b>		
<b>Weighted Mean*:</b>				<b>2.8x</b>	<b>11.7x</b>		

\*Weighted Mean weighted by Enterprise value

\*\* Excluded from the calculation of both the mean and weighted mean due to its outlier status.

Source: Pitchbook, Data as of 2/14/24



# NOTABLE TRANSACTIONS

## DEAL OF THE YEAR



**\$41.55bn**  
AUG 2023  
SPUN-OFF BY



Last August, Johnson & Johnson (NYSE: JNJ) finally pulled the trigger, spinning off its portfolio of iconic consumer brands (Band-Aid, Tylenol, Visine, Rogaine, Neutrogena...) under the name Kenvue. The \$41bn IPO was the largest carve-out in years and, by far, the largest Consumer deal of 2023. The move allowed JNJ to establish itself as a pure-play Pharma and MedTech company while generating over \$13bn in cash to revitalize its M&A strategy. This strategic decision mirrors those of other pharma companies (including Merck and Pfizer) who took similar measures to separate business that typically command different valuations. This spinoff allows JNJ to focus on its higher-growth, more profitable core business while maximizing shareholder value.

Source: Reuters, FiercePharma

## SWEETEST OUTCOME



**\$5.6bn**  
NOV 2023  
ACQUIRED BY



THE J.M. SMUCKER Co

The snack food segment (sweet and salty) has grown considerably over the past decade, driven principally by increasingly health-conscious consumers' appetite for nutritional foods. Popular snacks centered on grains, nuts and proteins have outperformed traditional processed foods, and captured most of the M&A activity in this category, but Twinkies, HoHos and Ding Dongs remain popular. Strategically, this deal boosts Smucker's presence in the convenience snacking segment and expands its reach, as well as its production capabilities. Naturally, the size and timing of this major J.M. Smucker (NYSE: SJM) acquisition defied expectations. SJM's winning 11th-hour bid (in what was reported to be a robust auction) reflected a 45% premium.

Source: SEC filings & FoodBusinessNews

## IMPULSE BUY

**FARFETCH**

**\$500m**  
JAN 2024  
ACQUIRED BY



A victim of its own success, lost its way after raising far too much capital. Its initial strategy was centered on creating a global tech platform to match smaller brands and boutiques with consumers online. It executed that strategy, building marketplaces in a dozen languages that offered worldwide shipping. Then bought a luxury retailer in London before acquiring a popular fashion eCommerce website. After going public in 2018, Farfetch promptly embarked on a series of aggressive (and some would say undisciplined) investments including Stadium Goods, Wannaby, and Violet Grey, before springing for Net-à-Porter in 2022. As difficulties mounted and it crumbled under its debt load, fire sales began. Ultimately the company was saved in *extremis* by an unlikely suitor: Coupang. South Korea's \$20bn eCommerce giant offered \$500m for Farfetch, seeking to penetrate the elusive e-luxury segment. With Kering announcing that it will pull its brands from Farfetch's platform, other luxury brands are now rumored to follow suit. Farfetch has gone so far as to consider providing 'complete anonymity' to third party retailers in exchange for sourcing specific luxury brands.

Source: Financial Times, Modern Retail, Business of Fashion



# SELECT CONSUMER M&A TRANSACTIONS



Deal Date	Company Name	Sub-Sector	Acquirer	Deal Size (\$m)	Revenue (\$m)	EBITDA (\$m)	Revenue Multiple	EBITDA Multiple
Feb-24	Dr. Dennis Gross Skincare	Personal Care	Shiseido Company	\$450	\$94	n/a	4.79x	n/a
Feb-24	The Honey Pot	Personal Care	Compass Diversified	\$380	\$120	\$29	3.17x	13.10x
Jan-24	Farfetch	Luxury	Coupang	\$500	n/a	n/a	n/a	n/a
Jan-24	TB12 sports	Health & Wellness	NOBULL	n/a	n/a	n/a	n/a	n/a
Jan-24	ChapStick	Personal Care	Suave	\$510	\$139	n/a	3.66x	n/a
Jan-24	Revela Foods	Food & Beverage	Archer Daniels Midland	n/a	\$240	n/a	n/a	n/a
Jan-24	RoC Skincare	Personal Care	Bridgepoint Advisers	\$500	n/a	n/a	n/a	n/a
Jan-24	Sperry	Apparel	Authentic Brands Group	\$70	n/a	n/a	n/a	n/a
Jan-24	Riley's	Pet Food	Pet MD Brands	\$8	\$3	n/a	2.34x	n/a
Jan-24	Chico's FAS	Apparel	Sycamore Partners	\$1,000	\$2,109	\$159	0.51x	6.73x
Dec-23	Biossance	Personal Care	THG	\$20	n/a	n/a	n/a	n/a
Dec-23	Courvoisier	Food & Beverage	Gruppo Campari	\$1,200	n/a	n/a	n/a	n/a
Dec-23	Perfection Pet Foods	Pet Food	Post Holdings	\$235	n/a	n/a	n/a	n/a
Nov-23	Bonafide Health	Health & Wellness	Pharmavite	\$425	n/a	n/a	n/a	n/a
Nov-23	Marucci Sports	Health & Wellness	Ridefox	\$572	n/a	n/a	n/a	n/a
Nov-23	Sahale Snacks	Food & Beverage	Second Nature Brands	\$34	\$48	n/a	0.71x	n/a
Oct-23	Mile Hi Bakery	Food & Beverage	Grupo Bimbo	\$82	n/a	n/a	n/a	n/a
Oct-23	Focus Consumer Healthcare	Health & Wellness	Kobayashi Pharmaceutical	\$75	n/a	n/a	n/a	n/a
Sep-23	NatureSweet Tomatoes	Food & Beverage	Blue Road Capital	\$260	n/a	n/a	n/a	n/a
Sep-23	Bell (Packaging)	FMCG	Graphic Packaging	\$263	n/a	n/a	n/a	n/a
Aug-23	Frette	Luxury	Raza heritage holdings	\$218	n/a	n/a	n/a	n/a
Aug-23	Naturium	Personal Care	E.L.F. Cosmetics	\$355	\$90	\$17	3.94x	20.88x
Aug-23	Capri Holdings	Luxury	Tapestry	\$8,500	\$5,488	\$682	1.55x	12.46x
Aug-23	Blue Run Spirits	Food & Beverage	Molson Coors Beverage	\$78	n/a	n/a	n/a	n/a
Aug-23	Kevin's Natural Foods	Food & Beverage	Mars	\$810	n/a	n/a	n/a	n/a
Jul-23	Bang Energy	Food & Beverage	Monster Beverage	\$362	n/a	n/a	n/a	n/a
Jul-23	David's Bridal	Apparel	CION Investments	\$90	n/a	n/a	n/a	n/a
Jul-23	Ace Beverage Group	Food & Beverage	Corby Spirit and Wine	\$103	\$70	n/a	1.64x	n/a
Jun-23	Benson Hill	Food & Beverage	IMG Enterprises	\$21	\$380	n/a	0.06x	n/a

Source: PitchBook, Data as of 2/14/24



# SELECT CONSUMER M&A TRANSACTIONS

Deal Date	Company Name	Sub-Sector	Acquirer	Deal Size (\$m)	Revenue (\$m)	EBITDA (\$m)	Revenue Multiple	EBITDA Multiple
Jun-23	Lucky Foods	Food & Beverage	Daesang	\$30	n/a	n/a	n/a	n/a
Jun-23	Bradford Soapworks	Personal Care	Gemspring Capital	\$47	n/a	n/a	n/a	n/a
Jun-23	Penelope Bourbon	Food & Beverage	Luxco	\$216	n/a	n/a	n/a	n/a
May-23	Williams Sausage Company	Food & Beverage	Tyson Foods	\$223	n/a	n/a	n/a	n/a
May-23	Los Altos Food Products	Food & Beverage	Sigma Alimentos	n/a	\$100	n/a	n/a	n/a
May-23	Breitling	Luxury	Trail Europe	n/a	n/a	n/a	n/a	n/a
Apr-23	The J.M. Smucker Co	Pet Food	Post Holdings	\$1,208	n/a	n/a	n/a	n/a
Apr-23	Tom Ford International	Luxury	Estée Lauder	\$2,550	\$6,041	n/a	0.42x	n/a
Apr-23	Morphe	Beauty	Lenders	\$33	\$550	n/a	0.06x	n/a
Apr-23	Aprinova	Beauty	Amyris	\$49	n/a	n/a	n/a	n/a
Mar-23	Coffee Holding	Food & Beverage	Bunker Connect	\$625	\$67	(\$5)	9.28x	n/m
Mar-23	Hardie's Fresh Foods	Food & Beverage	The Chefs' Warehouse	\$42	n/a	n/a	n/a	n/a
Mar-23	Park Coffee	Food & Beverage	Compass Group	\$137	n/a	n/a	n/a	n/a
Mar-23	Clean Uniform	Apparel	Unifirst	\$299	\$90	n/a	3.32x	n/a
Mar-23	Waterloo Brewing	Food & Beverage	Carlsberg	\$107	\$82	\$13	1.31x	8.31x
Feb-23	Riri	Luxury	Oerlikon	\$392	\$180	n/a	2.18x	n/a
Feb-23	Soylent	Food & Beverage	Starco Brands	\$67	\$100	n/a	0.67x	n/a
Feb-23	Tofurky	Food & Beverage	Morinaga Nutritional Foods	\$50	n/a	n/a	n/a	n/a
Feb-23	Yucatan Foods	Food & Beverage	Flagship Food Group	\$18	n/a	n/a	n/a	n/a
Feb-23	R.E.M. Beauty	Beauty	Undisclosed	\$15	\$84	n/a	0.18x	n/a
Jan-23	Rocco & Roxie Supply Co	Pet Food	PetIQ	\$27	\$29	n/a	0.91x	n/a
Jan-23	Poshmark	Apparel	Naver	\$1,784	\$353	(\$73)	5.06x	n/m
Jan-23	BabyBuddha Products	Personal Care	Mayborn Group	\$25	n/a	n/a	n/a	n/a

*With the market stabilizing somewhat and returning to a healthier state, I believe 2024 and 2025 are going to be extraordinary years for beauty M&A. New exciting cohorts of innovative beauty brands are growing up and reaching interesting threshold revenue stages yet still offer considerable expansion and development opportunities to the acquirer.*

Deborah Benton  
 Founder & Managing Partner, Willow Growth  
 Beauty Independent (January 22, 2024)



# CONSUMER EXPERTISE

## SELECT TRANSACTIONS\*



Health & Wellness

Buy-Side Advisory

(USA)

# LVMH

Luxury

Fairness Opinion

(France)

## Zorbit

Juvenile/Apparel

Sell-Side Advisory

(UK)



Kitchen Equipment

Sell-Side Advisory

(France, USA, Mexico)



OTC

Programmatic M&A

(Pan-European)

## Area 1



Edutainment

Capital Raise

(USA)



Fashion

Capital Raise

(France)



Personal Care

Sell-Side Advisory

(France, Ireland)



VERTICAL  
HARVEST

Food & Beverage

Capital Raise

(USA)

\*Includes engagements executed with previous firms



### Anthony Sehnaoui

MANAGING DIRECTOR

Anthony heads the Consumer practice at Harbor View. Drawing on his international background and experience, he has executed transactions in 15 countries. In addition to his extensive M&A experience as a banker, Anthony also has considerable experience as a business operator.

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# HARBOR VIEW

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