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Consumer and Retail Q&A:

Seeing Pockets of Clarity Through the Confusion

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Consumer & Retail

Q: What is your long-term outlook for the consumer and retail sector?

A: Despite current challenges, the consumer sector still powers the U.S. economy, accounting for nearly 70% of total economic activity .[1] While the economic situation may seem cloudy right now, historically downturns have been temporary and pivots were inevitable. Change is the only constant. We will continue to see shifts in consumer behavior and the emergence of new opportunities as businesses and brands develop quickly. As investment bankers, we are always on the lookout for these rapid shifts and are constantly working with our clients to effectively navigate change and take advantage of opportunities.

Q: What current trends do you find most promising?

A: Consumer interest in health and wellness is strong, evolving from a discretionary choice to an essential part of everyday life. If the economy faces a downturn, a key question is not whether consumers will stop going to gyms or focus on health and wellness, but whether they will find lower cost alternatives. Some may switch to more budget-friendly gyms, which are a large part of today's fitness market and could benefit from any economic weakness. So far, high-end consumers have also shown resilience, with little sign of decline in that segment. We are also witnessing companies making substantial investments in AI and robotics and exploring how to leverage these tools for various purposes like customer acquisition, retention, and overall business efficiency.

Q: How are you evaluating potential investment opportunities?

A: We are engaging with clients as frequently as ever, discussing their business situations, observations, and plans based on the current environment. Our guidance remains steadfast: be prepared. Windows reopen, and you should be ready to seize them. This includes taking advantage of potential financing opportunities and the M&A markets when they become more robust. Preparation is key, so don't wait to start getting ready. We are also seeing strong resilience in the credit markets and are advising companies with refinancing maturities to capitalize on that strength.

Q: How are macroeconomic and geopolitical factors influencing the space?

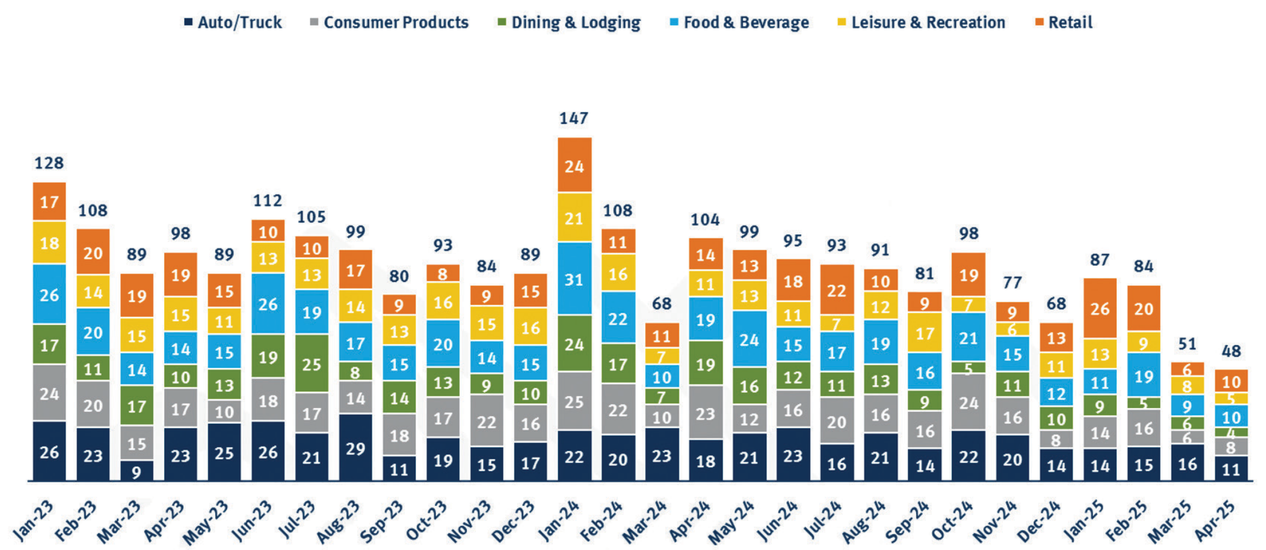
A: The uncertainty surrounding tariffs and a potential macroeconomic recession is creating challenges for businesses, leading private equity investors to often adopt a "wait and see" approach. However, we see positive signs in certain areas. Businesses that are service-oriented, have products minimally impacted by tariffs, and are experiencing growth will be attractive acquisition candidates for both private equity and strategics. We recently witnessed the announcement of the largest footwear transaction in history. This indicates that investors are finding opportunities amidst the uncertainty. We are also seeing pockets of clarity through the confusion.

[1]Source: U.S. Bureau of Economic Analysis via FRED®

Q: What is your M&A outlook for the remainder of the year?

A: At the beginning of this year, we felt optimistic about the M&A environment for consumer sectors, but that sentiment changed quickly. However, such conditions are temporary. Based on our conversations with companies, financial sponsors, and the overall market backdrop, we believe that if stability returns, the latter half of the year could be much stronger. The urge to merge isn't dead, it's just delayed. Bankers are typically optimistic, and consumer companies will always focus on growth, whether through organic means like new product development and market expansion, or inorganic strategies such as M&A.

North American Completed Consumer M&A Transaction Count (2023 – YTD 2025)



Source: Dealogic as of 4/30/25.

Notes: Includes only completed deals where targets are located in the U.S. or Canada. Includes only transactions where the target's primary industry code is: Auto/Truck, Consumer Products, Dining & Lodging, Food & Beverage, Leisure & Recreation, and Retail.

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