



North American Consumer

Quarterly Market Report

Q1-2023



Q1-2023 M&A Highlights

Q1-2023 Macro Highlights



Collapse of Silicon Valley Bank (SVB)

- On March 8th, Silicon Valley Bank, a bank specialized in working with tech start-ups, sold \$21B worth of bonds at a \$1.8B loss. The bank then announced that it was conducting a ~\$1.3B equity raise via a stock sale.
- Their efforts ultimately failed and VCs began to instruct their portfolio companies to withdraw their deposits from SVB, leading to a run on the bank.
- Two days later, SVB was shutdown by the FDIC, with the Federal Reserve eventually stepping in to guarantee all deposits.
- The contagion eventually caused runs on a number of other banks, including New York's Signature Bank.
- SVB's failure sent shockwaves throughout the VC and financial world.



Interest Rates

- The Federal Reserve has raised interest rates twice so far in 2023. In late January, the Fed increased its policy rate by 25 bps to a range of 4.5% to 4.75%. In late March, the Fed increased rates a further 25 bps to a range of 4.75% to 5.0%.
- Meanwhile, despite the Bank of Canada following suit in January by increasing their target rate from 4.25% to 4.5%, it has not increased rates since.
- The Fed had reportedly planned a full 50 bps rate hike in March, but eventually settled on a smaller increase due to a series of bank failures that rocked the global economy.
- Experts predict that the Fed will likely hold rates stable until the fall, at which point a rate cut is expected.









Recessionary Concerns

- Labour markets in Canada and the US remained strong in January. However, experts predict that, as interest rates start to have their intended impact, unemployment will rise. Job growth in both Canada and the US began to slow in the latter parts of Q1.
- Consumer demand, while still high in the early months of the year, is expected to decrease throughout 2023. Mortgage holders will begin to feel the brunt of interest rates later this year, which will tie up household income in debt repayment and contribute to lower levels of consumer spending.
- While central banks may not be able to engineer the soft landing first expected by many, the forthcoming recession will likely be mild in comparison to past downturns.

Q1-2023 M&A Highlights

Notable M&A Transactions

TARGET			TOM FORD	NJOY
ACQUIRER			 ESTÉE LAUDER	
DETAILS	<ul style="list-style-type: none"> Based in Seattle, DC, Seattle's Best is a producer and distributor of roasted coffee beans. Transaction value: \$7.2B Undisclosed valuation multiples 	<ul style="list-style-type: none"> Weber-Stephen Products is an outdoor cooking appliance and supplies company based in Palatine, IL. Transaction value: \$3.7B EV/Revenue: 4.9x EV/EBITDA: NM 	<ul style="list-style-type: none"> Based in New York, NY, Tom Ford is a manufacturer of beauty and fashion accessories and clothing. Transaction value: \$2.8B EV/Revenue: 2.8x EV/EBITDA: NM 	<ul style="list-style-type: none"> NJOY is a Scottsdale, AZ manufacturer of disposable e-cigarettes and vaping products. Transaction value: \$2.8B Undisclosed valuation multiples

Source: PitchBook

\$30.0B

Capital invested in Q1-2023

552

Transactions in Q1-2023

7.0x

Median EBITDA multiple across all transactions

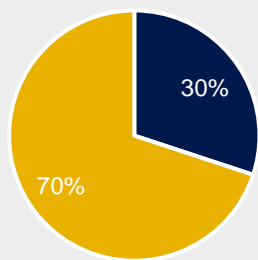
Top Consumer Transactions in Q1-2023

Date	Target	Acquirer	EV	EBITDA Multiple	Sector
13-Jan		 Nestlé	\$7.2B	NM	Food and Beverage
21-Feb		 BDT&MSD	\$3.7B	NM	Household Appliances
02-Mar	TOM FORD	 ESTÉE LAUDER	\$2.8B	NM	Luxury Goods
03-Mar	NJOY	 Altria	\$2.8B	NM	Consumer Packaged Goods
16-Feb		 bp	\$1.3B	3.5x	Specialty Retail
08-Feb		 Post	\$1.2B	NM	Consumer Packaged Goods
03-Feb	 A COLLECTION BY HILTON	 TRINITY  CREDIT SUISSE	\$835.0M	NM	Leisure Facilities
01-Feb	 A HILLMAN BRAND COMPANY	 LONGRANGE CAPITAL	\$761.5M	NM	Funeral Services
31-Mar		 bunker connect	\$625.0M	NM	Consumer Packaged Goods
07-Mar	 Kimball International	 HNI	\$485.0M	38.2x	Commercial Furniture Products

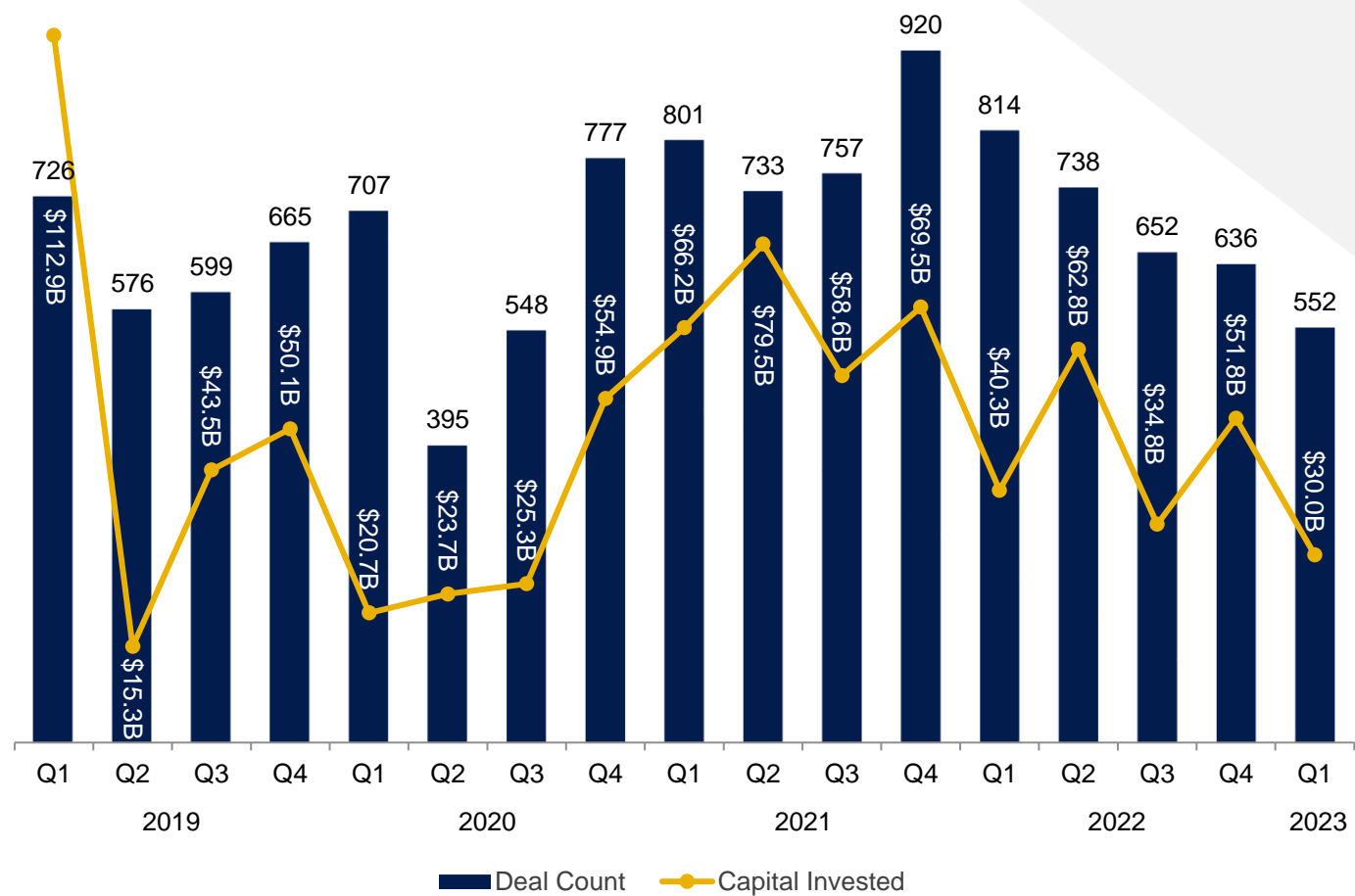
Quarterly M&A Activity

- The consumer sector saw a total of 552 M&A deals and \$30.0B in capital invested throughout Q1-2023, a significant drop from the \$51.8B invested across 636 deals in Q4-2022
- Strategic buyers continued to dominate the broader M&A market across the sector, with strategic deals consisting of 70% of all deals in Q1-2023.
- Despite strong consumer spending in the latter stages of 2022, experts predict disposable income will drop throughout 2023, which has the potential to impact activity throughout the sector in the coming quarters.

Deal Count by Buyer Type



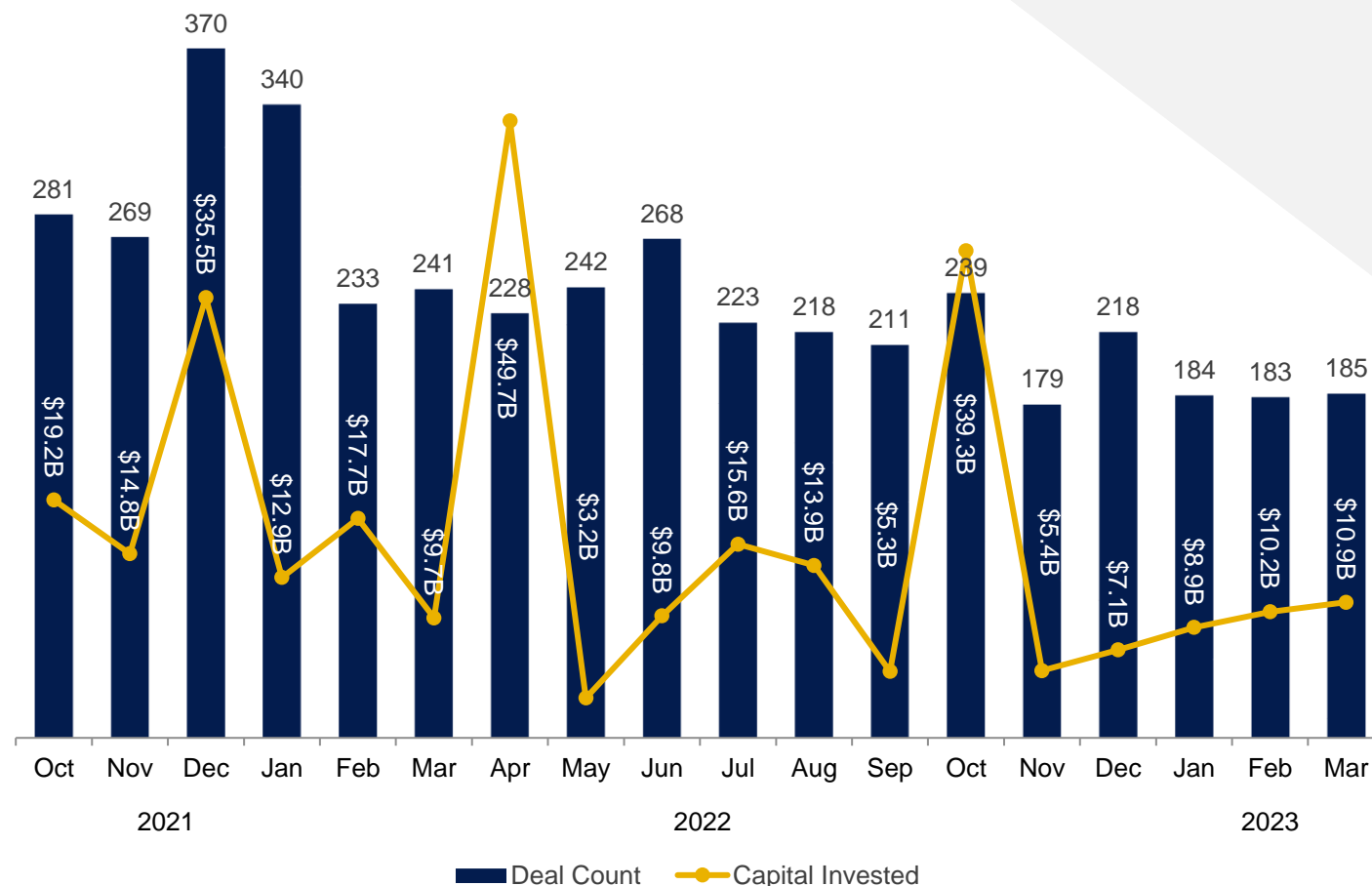
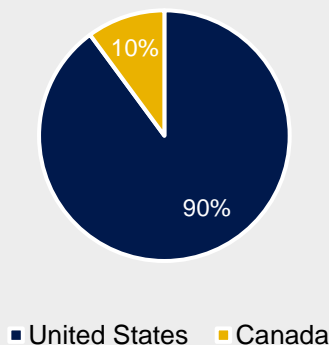
■ Financial ■ Strategic



Monthly M&A Deal Activity

- M&A deal flow saw only a slight increase in March 2023 from the levels observed in February. However, M&A activity has dropped sharply when compared to March 2022, with March 2023 seeing ~23% less deals.
- Capital invested in March 2023 was \$10.9B, representing a ~12% increase from March 2022.
- March has shown an uptick in M&A activity YTD, attributable to a slight drop in inflation figures and slowed interest rate hikes.

Deal Count by Buyer Type



Q1-2023 Consumer Subsector M&A Trends



- **Food & Beverage:** Dynamics influencing M&A activity throughout the food and beverage sector have continued to evolve due to changes in consumer preferences, inflation, and technological advancements. As has been the case over the past few quarters, there continues to be a significant shift towards functional and healthy products, which continues to drive M&A activity. Given the pressure on margins companies have faced throughout the subsector over the course of the past 18 months, primarily due to high shipping and distribution costs, consolidation throughout the sector has persisted. IJW expects consolidation to increase in the coming quarters as companies unable to raise new rounds of funding given the limited availability of venture capital financing face pressure to exit.



- **Pets:** The pet products and services industry was one of the bright spots of the consumer sector in Q1-2023, as new entrants continue to enter the market due to the rise in number of household pets that first began during the pandemic. Pet owners are increasingly searching for supplements and functional foods for their pets, leading to increased acquisition activity in the healthy pet food space. One transaction that dominated headlines in Q1 was Post Holdings' acquisition of J.M. Smucker's pet food brands, which include Milk Bone, Nature's Recipe, and Rachel Ray Nutrish, for \$1.2B.



- **Ecommerce:** Ecommerce aggregators continue to close deals throughout the sector, albeit at a much slower pace than in 2021. Aggregators were able to raise close to \$16B at the height of the pandemic bull market. However, many have since struggled to effectively operate the ecommerce businesses they acquired and have had trouble raising additional funds to finance a continued acquisition spree. The market has also seen several new entrants, from an M&A perspective, including online brands, PE funds, and category-focused companies. The largest ecommerce deal in Q1-2023 was Victoria's Secret's acquisition of Adore Me, an ecommerce-focused lingerie and swimwear company, for \$400.0M.



- **Travel & Hospitality:** Despite seeing continued signs of resurgence, M&A activity throughout the travel and hospitality sector continued to lag historic levels. While investor concerns surrounding the impact of COVID-19 on the sector is a thing of the past, they continue to exhibit restraint due to the uncertain macroeconomic backdrop and its future impact on consumer spending. Despite these factors, there were several large M&A deals throughout the subsector, including BP's acquisition of TravelCenters of America for \$1.3B and Credit Suisse and Trinity Investment's acquisition of hotel group Curio for \$835.0M.



- **Distressed M&A:** Distressed M&A activity continues to accelerate throughout the consumer sector due to the limited availability of funding for early-stage companies from traditional sources, including venture capital investors. Coupled with the lingering impact of high freight and distribution costs, in addition to continued high labor and raw material costs, IJW anticipates that distressed M&A activity will accelerate in the coming quarters as companies face a choice between exiting and bankruptcy.









- **Retail:** Despite showing signs of resiliency in the early parts of the quarter, retail market data began to soften in March, with the sector witnessing a decline in sales. Consumer confidence also began to drop towards the end of the quarter. There are signs that banks may tighten credit to consumers, which may in turn lead to lower use of credit cards and a further drop in consumer spending. The combination of these factors resulted in significantly less M&A activity throughout the subsector in Q1-2023 when compared to previous quarters.



Q1-2023 Capital Raise Highlights

Q1-2023 Capital Raise Highlights

Notable North American Growth Equity Transactions

INVESTEE				NOBULL
LEAD INVESTOR	 QATAR INVESTMENT AUTHORITY	CVC	Beedie/ 	
DETAILS	<ul style="list-style-type: none"> Chernin Entertainment is a Los Angeles-based film and television production company. Transaction value: \$150.0M 	<ul style="list-style-type: none"> The Women's Tennis Association is a Saint Petersburg, Florida-based association that organizes women's professional tennis tournaments. Transaction value: \$150.0M 	<ul style="list-style-type: none"> Nettwerk Music Group is a Vancouver-based record label and artist management company. Transaction value: \$75.0M 	<ul style="list-style-type: none"> NOBULL is a Boston-based company that provides footwear and athletic apparel. Transaction value: \$30.0M

Source: PitchBook

\$464M

Capital invested in Q1-2023

53








Transactions in Q1-2023

\$10.0M

Median Capital Invested

Q1-2023 Capital Raise Highlights

Notable North American VC Transactions

INVESTEE				
LEAD INVESTOR	 revolution	 	Undisclosed Investors	Undisclosed Investors
DETAILS	<ul style="list-style-type: none"> Meati is a Boulder, Colorado-based company that produces plant-based food products Transaction value: \$172.0M Later Stage VC 	<ul style="list-style-type: none"> Athletic Brewing Co. is a Milford, Connecticut-based company that produces non-alcoholic beer. Transaction value: \$75.0M Later Stage VC 	<ul style="list-style-type: none"> Guayaki is a Sebastopol, California-based company that products organic Yerba Mate beverages. Transaction value: \$75.0M Later Stage VC 	<ul style="list-style-type: none"> Lemnature AquaFarms is a Vero Beach, Florida-based company that provides plant-based ingredients to food and beverage companies. Transaction value: \$50.7M Later Stage VC

Source: PitchBook

\$3.2B

Capital invested in Q1-2023

564

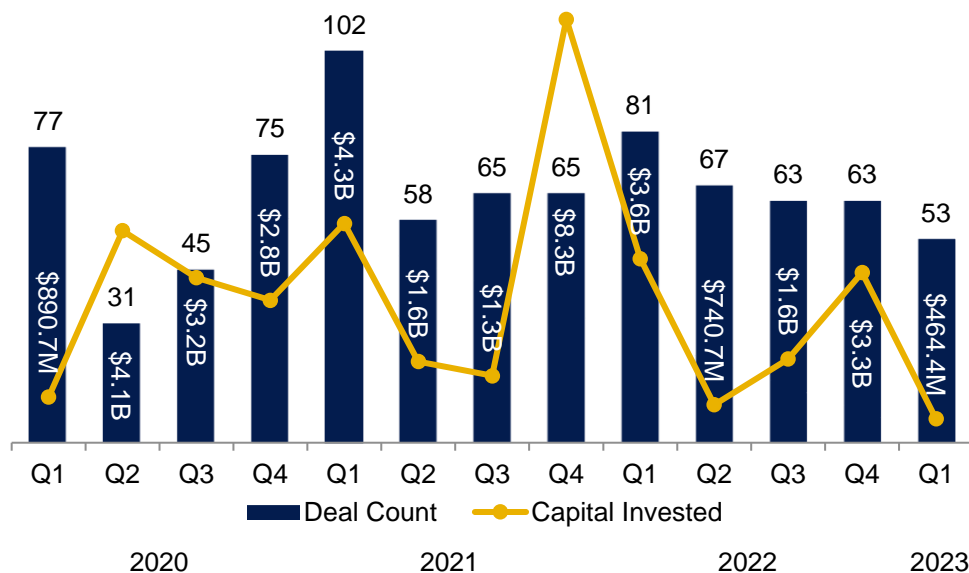
Transactions in Q1-2023

\$2.2M

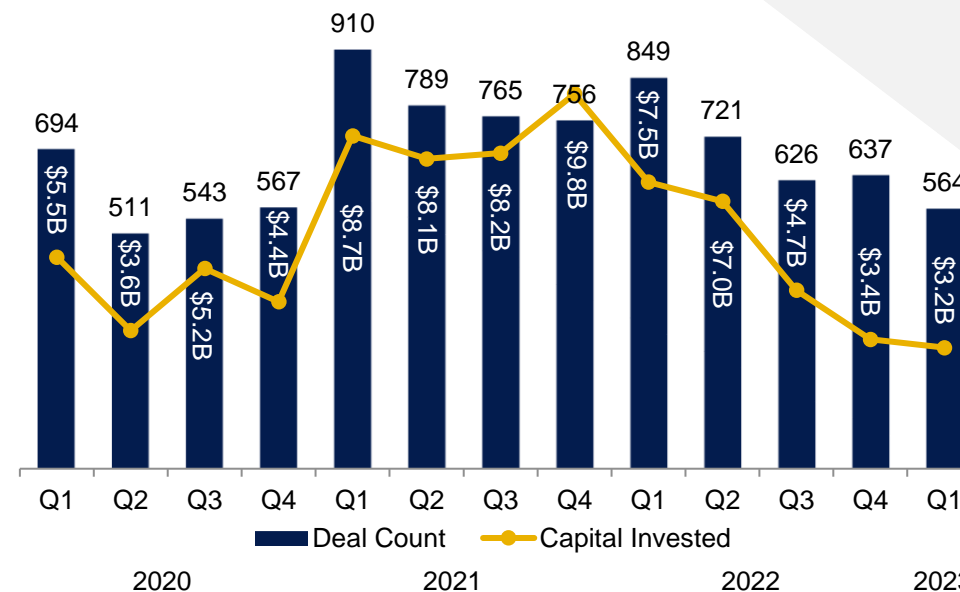
Median Capital Invested

Growth Equity & VC Investment

Growth Equity Funding



VC Funding



- Growth equity funding dropped ~86% in Q1-2023 when compared to Q4-2022, with the quarter seeing 53 growth equity deals and a mere \$464.4M in capital invested.
- Rising uncertainty surrounding the future state of the consumer sector has resulted in a pullback in growth equity funding throughout the industry.
- Despite the drop in activity, IJW anticipates that growth equity investors will continue to be active throughout the sector and will fill the much needed gap created by lower levels of VC funding.

- Venture capital investment activity remained largely flat in Q1-2023 from a capital deployed perspective, dropping 6.3% from the levels of investment in Q1-2022 to \$3.2B.
- A poor exit and IPO environment, in addition to macroeconomic pressures and questions surrounding sector growth, has led to a fundraising environment where capital is scarce.
- Median round sizes for later stage deals fell approximately 45% YoY in Q1.
- IJW anticipates that the difficult capital raising environment will persist amid continued macroeconomic uncertainty.



About **IJW & Co.**

Team



Ian Wooden, CBV, MRICS – CEO and Managing Director

Ian is the Founder of IJW & Co. and serves as Managing Director and CEO of the firm. Ian has advised hundreds of corporations around the globe across numerous industries on matters of corporate divestitures, mergers and acquisitions, negotiation strategy and business valuation. Ian has developed a specialization in the technology sector and has been fortunate enough to work on transactions along side some of North America's top tech companies. Ian is also the co-founder and board member of the M&A Club, a networking group comprising of 15 chapters with over 400 M&A professionals. He also sits on the board of various technology and consumer product-based companies. In 2013, Ian was awarded the prestigious Top 40 Under 40 by the M&A Advisor, winning in the dealmaker category.

Ian holds an undergraduate degree from the John Molson School of Business with a major in Finance, graduating with distinction, holds the Chartered Business Valuator (CBV) designation, and is a Member of the Royal Institution of Chartered Surveyors (MRICS).



Giancarlo Petraro, LL.B., J.D., LL.M. – Managing Director

Giancarlo is a Managing Director overseeing the Investment Banking Division at IJW & Co. Giancarlo provides middle-market corporate finance and mergers & acquisitions advisory services to corporations in both the public and private sectors. He offers expertise and insights on deal structuring and negotiation strategy with a focus on cross-border transactions. He has completed transactions in a broad range of industries including software, healthcare, manufacturing, business services, and consumer products.

Giancarlo holds a Bachelor of Laws degree and a Juris Doctor, North American Common Law from the Université de Montréal. He also holds a Master of Laws in Banking and Financial Law from Boston University School of Law. He is a member of the New York State Bar Association.



Drew Stuart Dorweiler, MBA, CPA (IL), CPA-ABV, FCBV, ASA, CFE, CBA, CVA, FRICS – Managing Director

Drew is the Managing Director of IJW & Co.'s valuation practice and oversees the firm's Asian operations under the IJW Dorweiler brand. Drew has over 34 years of experience advising on hundreds of valuation, M&A, corporate finance and litigation-support mandates globally. He formerly held the positions of VP at RSM Richter, Sr. Manager of Financial Advisory Services at BDO, Principal at Wise Blackman and worked in various other capacities with Lazard, Merrill Lynch and Deloitte in New York City.

Drew holds a dual MBA in Corporate Finance and Accounting from Lubin Graduate School of Business at Pace University and received a Bachelor degree in Economics from Dartmouth College. He is also a Trustee of The Appraisal Foundation in Washington DC and a Fellow of the Royal Institution of Chartered Surveyors and of the CICBV.

Team



John Lee, Bambini Partners LLC an Affiliate of IJW & Co. – Senior Advisor

John is currently Co-Founder and General Partner of Bambini Partners LLC, an IJW & Co affiliate, with focus on kids, family and pets consumer products. Prior to forming Bambini Partners, John was CEO of Callaway Arts & Entertainment, a highly regarded publishing and IP development enterprise that spawned winning brands such as Miss Spider (by David Kirk), The English Roses (by Madonna); and The Sunny Patch brand (in partnership with Target). Additionally, under John's leadership, Callaway was selected by Apple as one of the first kid's app developers for the launch of the iPad.



Sami Kabir, CFA, MBA – Vice President, Investment Banking

Sami is a Vice President with the Investment Banking division at IJW & Co. Sami joined IJW & Co. in 2019 after spending nearly three years at two different boutique investment banks in Ottawa. Prior to investment banking, Sami held corporate finance roles at Brookfield Asset Management and its subsidiary, Brookfield Renewable Energy, and at Scotiabank as an Analyst within their Commercial Bank.

Sami recently completed and attained his Chartered Financial Analyst (CFA) designation and holds a Bachelors Degree in Commerce, majoring in Accounting, from the Sprott School of Business at Carleton University. Sami is currently enrolled at the Smith School of Business at Queen's University where he is completing his MBA.



Gabrielle Desjardins – Senior Analyst, Investment Banking

Gabrielle is an Analyst within the Mergers & Acquisition advisory practice at IJW & Co. Gabrielle joined IJW & Co. in the Fall of 2019 after having graduated from the Rowe School of Business at Dalhousie University. Gabrielle holds a Bachelor's Degree in Commerce, majoring in Finance with Distinction. Gabrielle was inducted into the Golden Key Society in 2015 and was an active member in Dalhousie's Investment Society and the Rowe Woman in Business Association.

Prior to investment banking, Gabrielle held two different roles as part of her Commerce Co-op program, the first being a Business Strategy & Support Analyst at Export Development Canada, and the second being an Asset Management Administrator at a Real Estate Private Equity group in Ottawa, Ontario.

Team



Simon Cinq-Mars – Deal Origination Lead

Simon is the Deal Origination Lead at IJW & Co. Prior to joining the firm, Simon worked at Modaxo, a Constellation Software portfolio company, where he was a Business Development Analyst on their M&A team. He has previously worked as an intern in private equity and management consulting.

Simon holds a bachelor's degree in Economics with a minor in Finance from McGill University. Following his undergrad, Simon pursued a master's degree in Management with a specialization in Finance from Imperial College Business School, which he completed in 2020. Simon is also a CFA Level I Candidate.



Sarina Gill – Senior Analyst, Investment Banking

Sarina is a Senior Analyst within the Mergers & Acquisitions advisory practice at IJW & Co. Sarina joined IJW & Co. in the Fall of 2021, having recently completed her Bachelor of Commerce Degree from the Joseph L. Rotman School of Management at the University of Toronto with a specialization in both finance and economics. Sarina has also enrolled in the CFA program and is currently a Level I Candidate.

During her undergraduate studies, Sarina worked as a Research Assistant where she analyzed patent data alongside faculty members. In 2020, Sarina joined a financial commentary blog as an Equity Research Analyst and has also held the role of an Economic Development Student Intern for her municipality's Enterprise Centre in Oakville, Ontario.



William Robinson – Analyst, Investment Banking

William is an Investment Banking Analyst at IJW & Co. William joined IJW & Co. in March 2022 after completing his MBA at the Smith School of Business at Queen's University, where he specialized in Finance. William was a member of his school's Tri-Colour Venture Fund, completing due diligence work and successfully investing in an early-stage biotech company out of the USA. William also has experience performing management consulting work for a Technology start-up based in Seattle.

Prior to completing his MBA, William spent three years with TD Bank as a people manager and bank manager. William has supported personal and commercial clients with their most important business needs and was responsible for leading bank strategy. William holds a Bachelor's Degree (Honours) from the University of Western Ontario.

Team



Bronte Macfarlane – Analyst, Investment Banking

Bronte is an Investment Banking Analyst at IJW & Co. Since graduating from the John Molson School of Business at Concordia University, Bronte has spent three years working in various finance roles, including as an Analyst at Novartis, an Analyst at State Street, and most recently, an Analyst at a single-family office here in Montreal.

Bronte holds a Bachelor's Degree in Commerce, majoring in Finance. She is currently pursuing her MBA in Investment Management and is a Level II candidate for the Chartered Financial Analyst (CFA) designation.

In her spare time, Bronte enjoys skiing, hiking and yoga.



Thank You.



Sami Kabir, CFA, MBA
Vice President



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