



IJW & Co.

North American Consumer Markets

2022 Annual Market Report



2022 Macroeconomic Highlights

2022 Macro Round-Up

- Policymakers, central banks, and businesses faced several economy-altering events throughout the year. Below are some of the main factors and events that influenced economic and M&A deal making activity in 2022, and will likely continue to influence the way governments and businesses conduct themselves in 2023:



Russian Invasion of Ukraine:

- In February, Russia invaded Ukraine, resulting in a humanitarian crisis not seen in Europe since WW2.
- The impact of the war rippled through public markets and resulted in higher energy costs for consumers throughout Europe, as well as higher food costs for consumers globally.
- The conflict also resulted in a number of supply chain issues in the region, further hampering the flow of critical goods in and out of the area.
- Public markets dropped by the highest level in over a year in response to the conflict. At the same time, oil prices soared.
- The war continues to have a wide ranging impact, from commodity prices to food prices globally.



Inflation and Rising Interest Rates:

- Driven by a combination of demand and supply-side factors, global inflation has risen to its highest levels since the 1970s.
- In response, the Federal Reserve and other central banks around the world raised interest rates. The Fed raised rates seven times throughout 2022. The last increase of 2022 increase was announced on December 14th, with the Fed raising interest rates 50 basis points (bps) to a range of 4.25% to 4.5%, the highest rate in 15 years.
- The Bank of Canada also raised interest rates seven times throughout the year. Its last of the year was in December, which saw the BoC increase rates by 50 bps to 4.25%.
- While experts have determined that US inflation likely peaked in June at 9.1%, prices for goods and services remain high.
- Declines in inflation in recent months has largely been driven by lower costs for goods, as well as decreased gas prices. The costs of services, on the other hand, have not responded to the recent interest rate hikes as quickly.
- By December, US inflation had slowed to 6.5%.

2022 Macro Round-Up



Employment:

- US unemployment peaked at 14.8% in April 2020 due to the COVID-19 pandemic.
- Since then, US employment figures have steadily improved, with unemployment reaching a rate of 3.5% in December 2022.
- Maintaining strong employment figures despite the impact of interest rate hikes on consumer spending and businesses has been a key priority for governments around the world.
- Accompanying low unemployment figures have been low unemployment-to-job vacancy ratios in many markets.
- At the same time, wages have continued to rise in many countries, including Canada, where hourly wages were up 5.1% YoY in December.



Supply Chains

- To the content of many readers, research suggests that many of the supply chains that were disrupted throughout the pandemic are on the mend. However, significant disruptions persist, which impacted the prices of commodities and goods in 2022.
- Throughout the year, ports steadily became less congested, ocean freight times normalized, and, overall, freight rates have fallen.
- Ocean freight costs on busy China-US West Coast trading routes returned to the pre-pandemic levels.
- The recent end to China's COVID-zero policy will likely further alleviate supply chain concerns.
- Trucking and air freight costs have also come down. Air freight costs, however, remain high when compared to pre-pandemic levels.
- Decreased container costs will likely result in lower good and commodity prices in 2023, barring other disruptions.
- Logistical issues have resulted in large organizations looking to vertically integrate their respective supply chains through M&A over the course of the past few years.

2022 Macro Round-Up



Housing

- Interest rate hikes throughout 2022 have resulted in increased mortgage rates throughout Canada and the US, which in turn caused demand for housing to drop.
- Thankfully, a housing-led recession is unlikely due to more strict loan-to-value and loan-to-income ratios imposed by lenders. Variable rate mortgages are also far less prevalent than they were in 2007.
- Home sales across numerous Canadian and American markets fell significantly.
- Decreased housing demand will likely continue to have a domino effect on several consumer subsectors, including furniture and other household items. Demand for these goods is likely to continue to be lower in the coming quarters, which should contribute to lowering inflation.



Impact on Public Markets

- 2022 has been a year of significant market volatility driven by a variety of macroeconomic and geopolitical factors.
- The S&P 500 peaked on 2022's first day of trading and never came close to that level again.
- In the first six months of the year, the S&P 500 fell by 21%, its worst H1 performance since 1970.
- Inflation and rate hikes continued to cause market shocks, with the S&P dropping 4% on September 13th following a bleak report on the rising prices of goods and services. On the other hand, the S&P jumped 5.5% on November 10th following the release of October's inflation report.
- Overall, the S&P 500 dropped ~19% in 2022.
- As a result of lower valuations in public equity markets, most notably in the technology sector, 2022 saw a significant increase in the number of take-private transactions. US private equity firms spent a record \$195.1B across 47 deals, amounting to 19% of the total capital deployed by US PE's last year.

2022 Macro Round-Up

Key Takeaways:









- Western governments have sought to engineer a “soft landing” through a series of rate hikes aimed to tame runaway inflation while keeping their economies at full employment.
- Currently, all signs point to central banks being able to achieve their goals. As a result, IJW anticipates that western economies will enter a modest recession at some point in 2023.
- While it may take several years for inflation to reach the Fed’s target rate of 2%, inflation will likely cool in 2023, resulting in fewer rate hikes.
- However, the pathway to 2% may be further complicated by other macroeconomic shocks, including continued geopolitical tensions in Ukraine and Europe, persisting inflation, as well as labour market and supply chain disruptions, among other factors.



2022 M&A Highlights

M&A Highlights

Notable Strategic M&A Transactions

TARGET	 WARNER BROS.			
ACQUIRER				
DETAILS	<ul style="list-style-type: none"> Based in Burbank, CA, Warner Bros engages in the creation, production, distribution, licensing, and marketing of various forms of entertainment. Transaction value: \$42.4B Undisclosed valuation multiples 	<ul style="list-style-type: none"> Based in Phoenix, AZ, Albertsons is the second-largest traditional grocer in America, operating 2,276 stores under 24 banners in 34 states. Transaction value: \$25.0B EV/ Revenue: 0.3x EV/ EBITDA: 5.0x 	<ul style="list-style-type: none"> Based in Seattle, WA, 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"> Based in Denver, CO, BellRock manufactures and develops cannabis-related consumer packaged products. Transaction value: \$6.6B Undisclosed valuation multiples

Source: PitchBook

\$200.0B

Capital invested in 2022

2,703







Transactions in 2022

8.2x

Median EV / EBITDA

M&A Highlights

Notable Private Equity M&A Transactions

TARGET	TEGNA			The LYCRA Company
ACQUIRER				
DETAILS	<ul style="list-style-type: none"> Based in Tyson, VA, Tegna is a media company with a portfolio of broadcast stations and digital sites. Transaction value: \$5.4B EV/ Revenue: 1.8x EV/ EBITDA: 5.8x 	<ul style="list-style-type: none"> Based in Chicago, IL, Tropicana is a producer of natural fruit juice. Transaction value: \$3.3B Undisclosed valuation multiples 	<ul style="list-style-type: none"> Based in Boston, MA, Reebok is a manufacturer and distributor of sports apparel intended for fitness athletes. Transaction value: \$2.4B Undisclosed valuation multiples 	<ul style="list-style-type: none"> Based in Wilmington, DE, The LYCRA Company designs and manufactures apparel for men and women and offers activewear and athleisure, lingerie, hosiery and socks, as well as swimwear. Transaction value: \$1.6B EV/ Revenue: 1.2x EV/ EBITDA: N/A

Source: PitchBook

\$39.4B

Capital invested in 2022

952









Transactions in 2022

9.2x

Median EV / EBITDA

M&A Highlights

Notable Canadian M&A Transactions

TARGET				
ACQUIRER				
DETAILS	<ul style="list-style-type: none"> Based in Pointe-Claire, QC, Kaycan is a manufacturer and distributor of exterior building materials intended for professionals and homeowners. Transaction value: \$928.0M EV/ Revenue: NM EV/ EBITDA: 11.2x 	<ul style="list-style-type: none"> Based in Vaughan, ON, Recipe is a restaurant operator and franchisor. Transaction value: \$873.0M EV/ Revenue: 0.9x EV/ EBITDA: 5.8x 	<ul style="list-style-type: none"> Based in Montreal, QC, Nortera is a manufacturer and distributor of frozen and canned vegetables intended to cater to the retail supermarket and food service sectors. Transaction value: \$662.7M EV/ Revenue: 1.5x EV/ EBITDA: NM 	<ul style="list-style-type: none"> Based in Boucherville, QC, Lowe's Canada is a chain of hardware stores that provides a range of building materials and home improvement products. Transaction value: \$400.0M Undisclosed valuation multiples

Source: PitchBook

\$5.9_B

Capital invested in 2022








284




















Transactions in 2022

7.4x

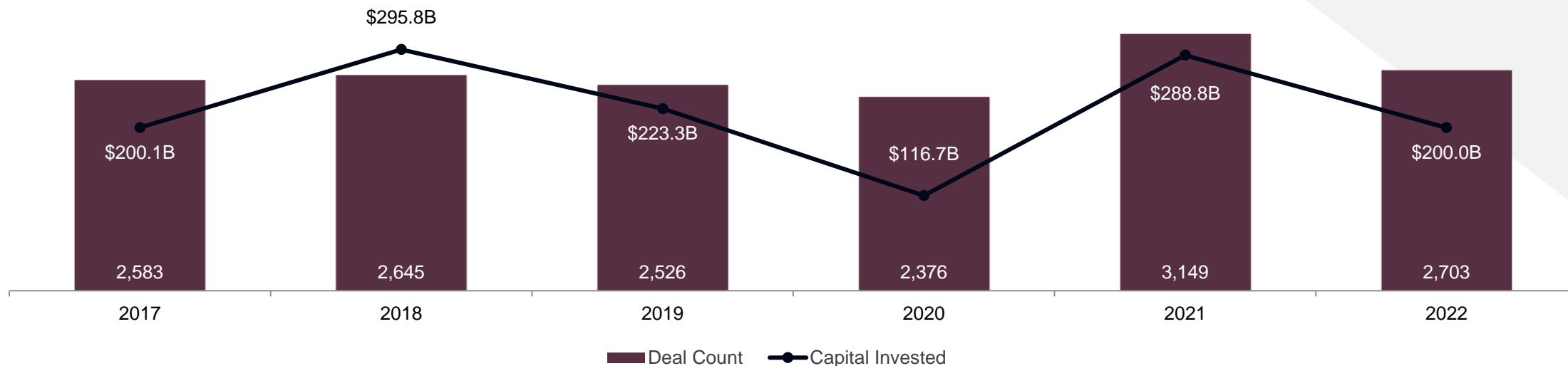
Median EV / Revenue

Top Consumer Transactions in 2022

Date	Target	Acquirer	EV (\$B)	EBITDA Multiple	Sector
Apr-22		Discovery	\$42.4B	N/A	Media
Oct-22			\$21.6B	5.0x	Retail
Oct-22			\$7.2B	N/A	Consumer Non-Durable
Jun-22			\$6.6B	N/A	Consumer Non-Durables
Feb-22	TEGNA		\$5.4B	5.8x	Media
Jul-22			\$3.7B	2.8x	Agriculture
Jan-22			\$3.3B	N/A	Consumer Non-Durables
Aug-22			\$2.9B	N/A	Consumer Non-Durables
Nov-22	TOM FORD		\$2.8B	2.8x	Apparel & Accessories
Nov-22			\$2.8B	N/A	Restaurant, Hotel and Leisure

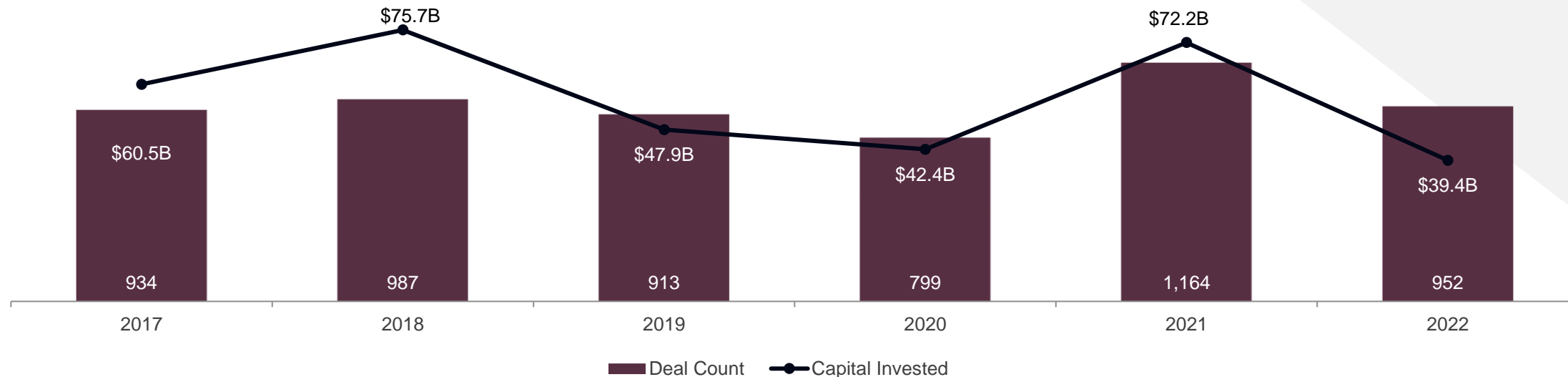
Date	Target	Acquirer	EV (\$B)	EBITDA Multiple	Sector
Feb-22	heydude		\$2.5B	N/A	Apparel & Accessories
Feb-22			\$2.4B	N/A	Retail
Mar-22			\$2.0B	N/A	Consumer Non-Durables
Feb-22			N/A	N/A	Consumer Non-Durables
May-22			\$1.6B	3.9x	Restaurant, Hotel and Leisure
Jun-22	The LYCRA Company	 	\$1.6B	N/A	Apparel & Accessories
Jul-22			\$1.5B	N/A	Consumer Durables
Dec-22			\$1.4B	N/A	Consumer Non-Durables
Jul-22			\$1.2B	N/A	Consumer Non-Durables
Apr-22			\$1.1B	N/A	Consumer Durables

M&A Deal Volume & Capital Invested



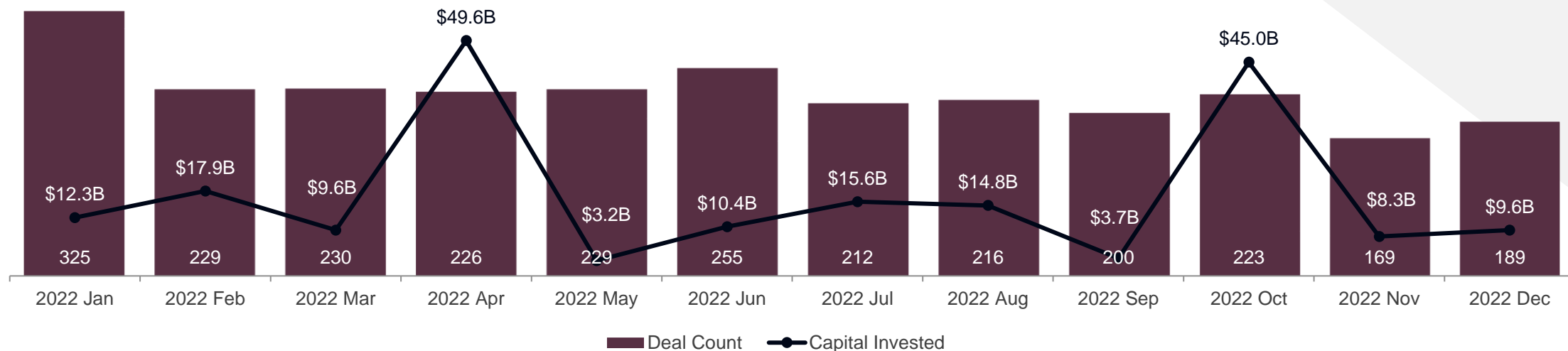
- Consumer M&A experienced a slowdown in 2022, both in terms of deal value and deal count. The decline was consistent with the broader M&A market as macroeconomic and geopolitical headwinds grew and consumer sentiment fell.
- As shown by the ~31% drop in capital invested in 2022, average deal size decreased in 2022 compared to 2021, especially among corporates focused on portfolio optimisation and smaller tuck-in acquisitions rather than larger, more transformational deals. It is expected that consumer sector operators will continue to optimize their portfolios in 2023 and focus on using M&A to transform their businesses to accelerate the delivery of their strategies.
- Additionally, cash-rich strategics and PEs with significant dry powder to deploy will continue to look for opportunities to acquire quality assets.
- Despite remaining opportunistic, acquirers may face pushback when seeking to acquire large, underperforming sector assets due to heightened borrowing costs.
- M&A has remained strong in the consumer non-discretionary space, reflecting the recession-proof nature of the subsector.
- Corporate divestitures continue to provide opportunities for firms to adjust to market headwinds and sell non-core assets in a bid to cut costs and increase efficiencies.

PE Deal Volume & Capital Invested



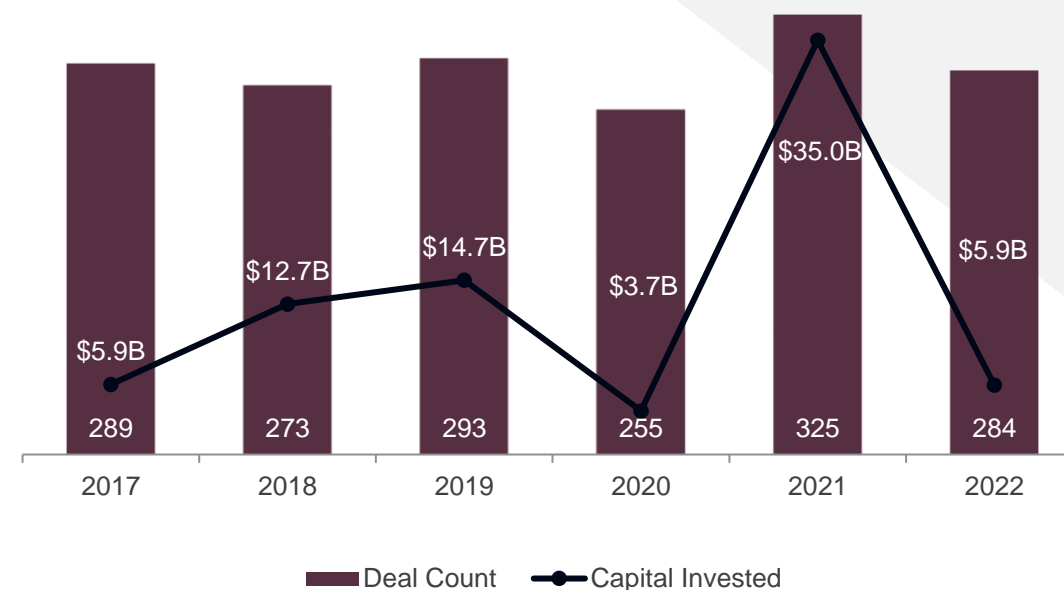
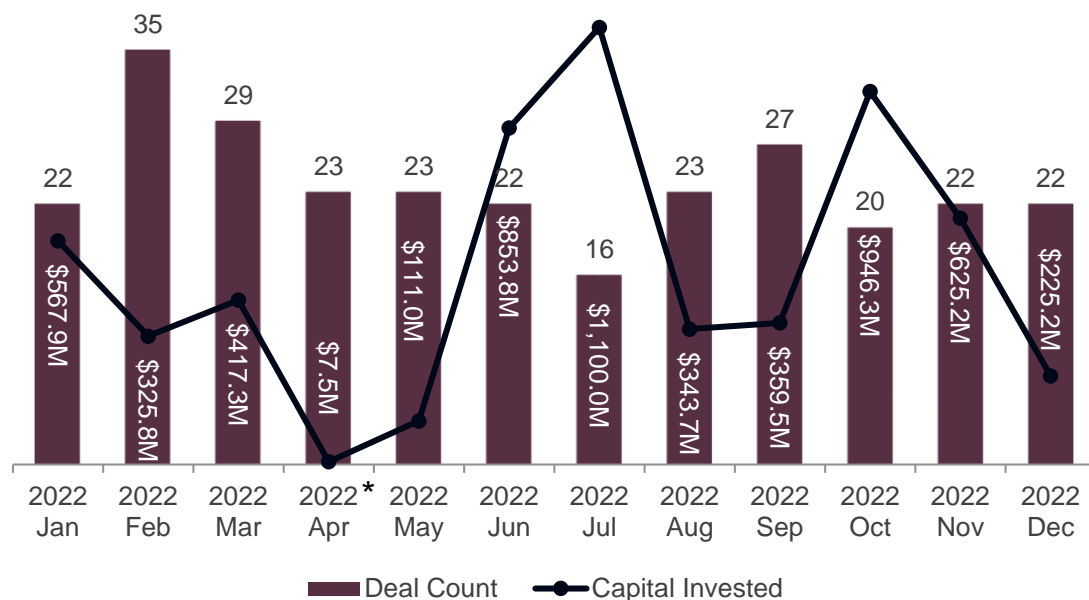
- In 2022, PE investors closed 952 deals across North America, deploying \$39.4B alongside these deals. Despite corporate buyers leading the way for M&A in the consumer sector, PE-backed transactions represented 26% of total deals for the year.
- Following a period of unprecedented activity from 2021 through early 2022, PE activity slowed due to inflationary pressures, geopolitical risk, and challenging financing costs — issues IJW expects to gradually ease throughout 2023.
- Rising interest rates makes deal financing challenging, especially for PE firms as they are faced with a higher cost of capital for leveraged buyouts and are having to increase their equity portion to keep interest costs in check. Although valuations have come down, deal activity has declined, especially as buyer-seller valuation disconnect persists.
- Despite the aforementioned factors, IJW anticipates that appetite for quality deal flow throughout the consumer industry will persist in 2023. However, transaction sizes, on average, may decrease as more buyers look for undervalued assets in the mid-market.

Monthly M&A Deal Activity



- M&A deal flow across the consumer sector began to decline in H2 2022 as interest rates increased and continued economic uncertainty resulted in poor market sentiment.
- Despite December 2022 only finishing with 189 deals, which was 42% less than January 2022, deal volumes for the month were aligned with pre-pandemic levels.
- The first few months of 2022 were experiencing the tailwinds of the post-pandemic catch up era, where dealmaking activity was at an all-time high. Deal value decreased by ~22% in December 2022 relative to January 2022.
- From a quarterly, perspective, Q1 was the most active with 784 transactions. From a capital deployed perspective, Q2 was the most active with \$63.4B deployed, followed closely by Q4 with \$62.9B. However, barring the Kroger-Albertsons, Tom Ford-Estee Lauder, and Peninsula Pacific-Churchill Downs transactions, Q4 saw relatively little M&A activity.

2022 M&A Deal Volume - Canada



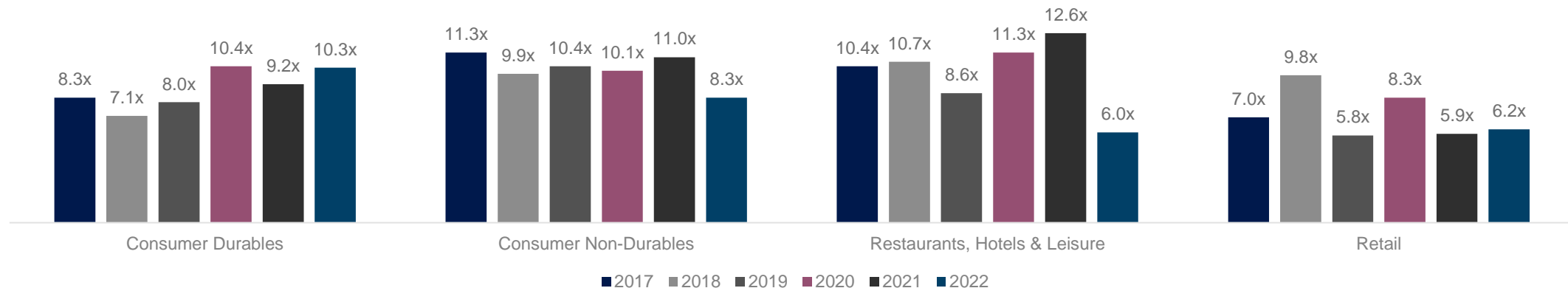
- Deal flow throughout Canada varied significantly month-over-month in 2022.
- While deal flow declined by 16% in H2 2022 (compared to H1 2022), it remained high when compared to historical levels. That being said, the amount of capital deployed increased by 58% in H2 of 2022 (compared to H1 2022). This was the result of several large deals, when compared to the average Canadian deal size, that occurred over the course of 2022.

- While activity tapered off in the latter months of the year, Canadian M&A deal volumes were aligned with pre-pandemic levels. Companies and investors continue to have the appetite and capital to execute M&A transactions, including PE funds who continue to seek accretive opportunities to deploy capital in the Canadian economy across several consumer sub-sectors.
- However, investors are showing fiscal restraint and reluctance of doing a deal at any cost. Acquirers are being more selective with their investments, ensuring the company has a strong financial profile and realistic growth projections. This has become evident with the drop in capital deployed with concerns of a recession persisting and increased cost of capital.

Multiples by Subsector

At the start of 2022, dealmakers were riding high from the best year on record for M&A. In H2 2022, the M&A market faced significant headwinds due to increased inflation and interest rates, along with lingering supply chain challenges which had varying effects across the industry.

- **Consumer Durables:** There is currently \$3T of excess savings in US consumers' bank accounts due to several factors, including government aid and few spending opportunities. Consumer spending started to come down in the latter months of 2022, which may impact market activity going forward. The skewed ratio of consumer spending towards high-ticket goods (home appliances, new electronics, etc.) vs. services observed in 2020-2021 has now flipped as services have reopened post-pandemic. This may negatively impact the consumer durables market and M&A activity as a result.
- **Consumer Non-Durables:** Dealmakers were slightly less active in 2022 due to a variety of macroeconomic factors. Specifically, within the food and beverage industry, companies continue to experience difficulties with increased costs of labor and raw material inputs. That being said, the food and beverage sector continues to transact at relatively premium multiples when compared to other consumer sub-sectors due to its recession-proof nature. Additionally, companies that have felt the impact from inflationary pressures will serve as attractive targets for buyers with strong balance sheets looking to be opportunistic.
- **Restaurants, Hotels and Leisure:** The hospitality sector made significant strides in its recovery in H2 2022, largely driven by the continued improvement of leisure demand throughout the summer months, as well as the re-emergence of individual and group business travel. Despite the significant improvement in operating conditions, M&A activity has remained muted due to a combination of factors, including high financing costs and valuation concerns given somewhat uncertain visibility into continued recovery.
- **Retail:** Dealmaking cooled in 2022 due to the tough inflationary environment, however, the deals that did take place were big, most notably the Kroger-Albertsons transaction. This drove an uptick in transaction multiples. Despite the relatively quiet year for M&A, some corners of the retail industry did exceptionally well (most notably the athletic category and recession-resistant luxury market) as consumers' increased spending habits in 2021 lingered into 2022. The general expectation is for consumers to spend less on discretionary items as we enter a recession, resulting in lower earnings across the subsector. As such, retail companies will be less desirable targets for M&A, leading to decreased demand and multiples for companies in this space.



Consumer Sub-Sector M&A Trends



- **Food & Beverage:** Despite a slight decrease in the number of transactions, aggregate transaction value in the North American food and beverage industry increased in H1 2022. Top executives did not lose sight of the need to make acquisitions to better position themselves for the future. Throughout 2022, buyers purchased consumer-tested brands or companies that allowed them to immediately access a new category or strengthen their position in their current market. For example, Mondelez agreed to pay ~\$2.9B for Clif Bar & Company to further expand its reach into the high-growth bar sector.



- **Pets:** Pet and pet care M&A has remained strong as buyers aim to consolidate a fragmented market, expand product and channel offerings, and help smaller players accelerate growth. Brand owners will continue to buy health facilities, pet clinics and broader pet wellness solutions, while online pet retailers are acquiring complimentary businesses to increase their market presence. That said, M&A activity within the pet industry has been primarily driven by large manufacturers and distributors looking to control costs. Most notably, pet food and supplies wholesaler, Animal Supply Company, acquired 6 smaller wholesalers across the west coast in 2022. Additionally, continuous mergers of various marketing, sales, and logistics networks by industry leaders will allow for the most substantial growth opportunities.



- **eCommerce:** eCommerce continues to win with consumers. Even as lockdown restrictions ended, consumers continued to shop online. Online platforms and eCommerce companies are on an M&A shopping spree to acquire capabilities, expand into adjacent categories, and gain market share. Most notably, the fashion rental and resale sub-sector has gained significant traction in 2022, as well-known fashion brands move into the sector. That being said, we have seen a drop in M&A activity from Amazon and eCommerce aggregators, many of whom have had difficulty raising additional funds from investors.



- **Travel & Hospitality:** Travel and hospitality transactions decreased in 2022. While the return of leisure travel has been encouraging for hoteliers, the recovery of corporate travel volumes has been delayed due to remote working and other lingering uncertainties. Travel and hospitality face plenty of economic challenges (inflation, wage pressures, rising oil and gas prices, and labor shortages), as well as a variety of opportunities (new tech to reduce labor shortages, improve customers experience, etc.). Sector participants who think creatively will find be able to find value-generating M&A opportunities in the current down market.



- **Retail:** Brick-and-mortar stores continue to face headwinds due to consumer confidence, inflationary pressures, excess inventories, and continued labor shortages. Despite these challenges, savvy retailers continue to invest in long-term strategies of omnichannel, digital, and supply chain transformation. We expect to see a shift from mega deals to a greater emphasis on mid-market deal activity in 2023 as acquirers focus on tuck-ins and portfolio optimization.












IJW & Co.

2022 Capital Raise Highlights

2022 Capital Raise Highlights

Notable Growth Equity Transactions

TARGET		 CHERNIN GROUP	 LEGENDARY	
LEAD INVESTOR				 
DETAILS	<ul style="list-style-type: none"> Based in New York, NY, Primary Wave is a provider of music publishing, marketing, and talent management services intended for the entertainment industry. Transaction value: \$1.7B 	<ul style="list-style-type: none"> Based in Los Angeles CA, The Chernin Group is a film and television production company based focusing on feature films and television series. Transaction value: \$800.0M 	<ul style="list-style-type: none"> Based in Burbank, CA, Legendary Entertainment operates a media company that produces and distributes content for television and digital platforms worldwide. Transaction value: \$760.0M 	<ul style="list-style-type: none"> Based in Plantation, FL, Virgin Voyages operates a leisure, travel, and tourism company providing luxury travel and high-end vacations. Transaction value: \$550.0M

Source: PitchBook

\$9.1B

Capital invested in 2022

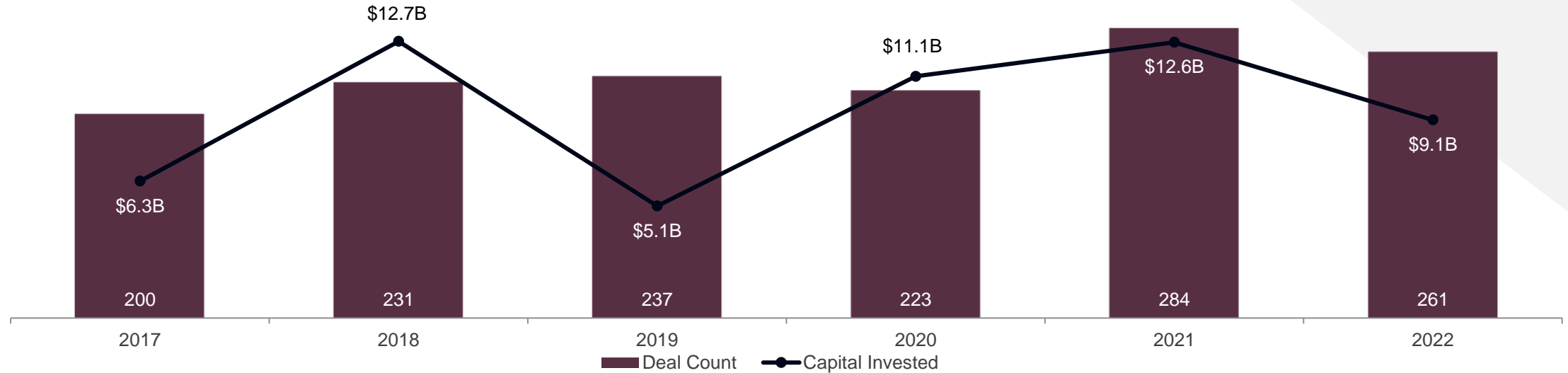
261

Transactions in 2022

\$18.0M

Median Capital Invested









Growth Equity Investment



- 2022 saw 261 growth equity deals in North America, with \$9.1B in capital deployed alongside these deals.
- While deal volume declined by 8.1% compared to 2021, it remains high when compared to historical levels as more companies that are at the inflection point between the start-up and growth phase have turned to growth equity and other alternative forms of funding due to the decreased availability of venture capital funding.
- The influx of well-capitalized growth equity firms will lead to increased investment activity in the coming year. Furthermore, unlike traditional private equity funds, growth equity firms do not typically use leverage and thus are not negatively impacted by rising interest rates.
- Overall, capital deployed across growth equity rounds dropped by 27.8% compared to 2021. While significant, this is likely a product of a combination of factors, including a slight normalization in activity following a near-record level of investment in 2021, as well as investors' appetite to limit their downside exposure by investing less per deal.

2022 Capital Raise Highlights

Notable North American VC Transactions

TARGET				
LEAD INVESTOR		 TEMASEK		
DETAILS	<ul style="list-style-type: none"> Based in San Francisco, CA, Plenty operates an indoor vertical farm intended to grow fresh and nutritious produce without using GMOs or pesticides. Later Stage VC Transaction value: \$400.0M 	<ul style="list-style-type: none"> Based in Berkeley, CA, Upside Foods operates a cultivated meat company intended to help firms produce real meat, poultry, and seafood without slaughtering animals. Later Stage VC Transaction value: \$400.0M 	<ul style="list-style-type: none"> Based in New York, NY, Gotham Greens is a producer of greenhouse-grown vegetables and herbs intended to provide a year-round, local supply of pesticide-free produce. Later Stage VC Transaction value: \$310.0M 	<ul style="list-style-type: none"> Based in Culver City, CA, SKIMS is a manufacturer and retailer of undergarments and loungewear. Early Stage VC Transaction value: \$240.0M

Source: PitchBook



Capital invested in 2022











Transactions in 2022



Median Capital Invested

2022 Capital Raise Highlights

Notable Canadian VC Transactions

TARGET				
LEAD INVESTOR				
DETAILS	<ul style="list-style-type: none"> Based in Montreal, QC, Hopper is a developer of a mobile-only travel booking application. Later Stage VC Transaction value: \$96.0M 	<ul style="list-style-type: none"> Based in Montreal, QC, Sheertex is a manufacturer of super-durable pantyhose intended to offer durability and comfort to consumers. Later Stage VC Transaction value: \$79.9M 	<ul style="list-style-type: none"> Based in Dorval, QC, Repas WeCook is a producer of ready-to-eat meals intended to provide fresh and healthy food. Later Stage VC Transaction value: \$43.5M 	<ul style="list-style-type: none"> Based in Vancouver, BC, Monos is a designer of luxury travel bags created to offer a sleek line of luggage alternatives. Early Stage VC Transaction value: \$30.0M

Source: PitchBook

\$1.3B

Capital invested in 2022

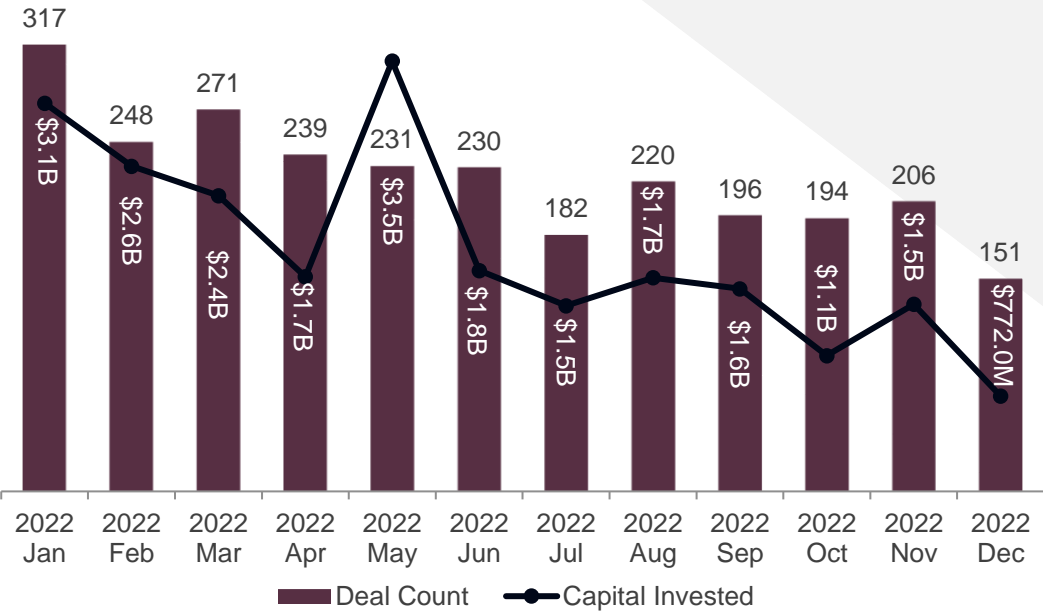
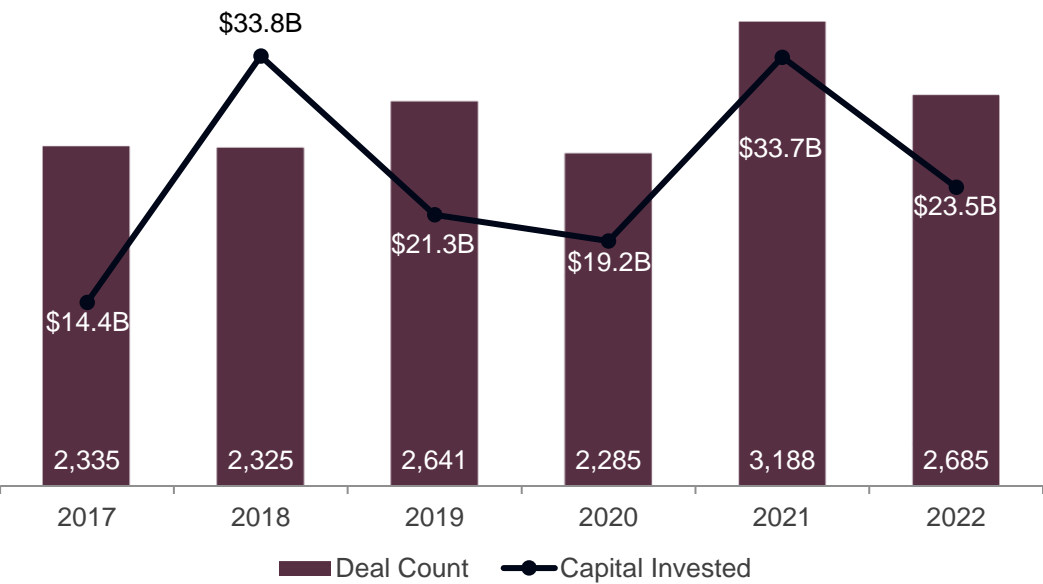
215

Transactions in 2022

\$2.3M

Median Capital Invested

VC Investment



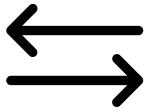
- 2022 has seen 2,685 venture deals in North America, with \$23.5B in capital deployed alongside these deals.
- Deal volume declined by 15.8% and overall capital deployed dropped by 30.2% since 2021.
- VC investors are transitioning away from seed stage investments and generally moving into later or multi-stage investments due to the tough market conditions for seed stage consumer start-ups.

- Compared to the first half of 2022, venture capital deal volumes steadily declined across the last quarter of 2022, with only \$772.0M of capital invested in December 2022 across 151 deals.
- The dip in VC activity is a result of a number of factors, including the difficult conditions VCs are having raising new funds from LPs, as well as the desire to support their existing portfolio companies given current market conditions.
- In an effort to limit their downside risk given recessionary concerns, VCs are being more selective with their investments and are writing significantly smaller cheques than in 2021.



2023 Outlook

2023 Outlook



Downsizing of Transactions:

- Despite the Discovery-Warner Brothers and Kroger-Albertsons deals, data suggests that buyers throughout the consumer industry remained cautious due to the combination of rising interest rates, increased borrowing costs, an inflationary cost environment and, overall, a bleak outlook for many consumer subsectors.
- At the business level, increased rent, labor, and raw material costs have resulted in lower levels of profitability for many companies throughout the sector.
- Given the conditions listed above, acquirers seem to have largely shelved their interests in large acquisitions in favor of smaller acquisitions in the mid-market of companies with sustained levels of profitability and solid growth projections despite the environment.
- IJW anticipates that 2023 will continue to see increased levels of dealmaking activity in the mid-market as large transactions continue to face hurdles due to financing costs, regulatory and investor scrutiny, and overall market conditions.



Potential Catalysts:

- Recent data has shown that U.S. inflation is declining. After topping out at 9.1% in June, December CPI showed inflation at 6.5%. While the decline is nowhere near the Fed's target inflation rate of 2%, it is a good sign that the series of interest rate hikes throughout 2022 should be slowing in 2023. Assuming no other economic shocks, broader M&A activity and leveraged buyouts should make a return by late 2023 or early 2024.
- The price of countless goods increased in 2022 as a result of China's "Covid-Zero" policy, which resulted in shuttered factories and slower trade between the traditionally busy China-US West Coast trade corridor. The lifting of these restrictive policies will likely coincide with lower prices for several goods and raw materials. These factors, along with the increased trade activity and lower freight costs, should result in lower costs for some consumer goods in 2023.

2023 Outlook



Creative Capital Deployment, Pressure to Raise Capital, and Protecting Core Assets:

- For many PE firms, the central theme in 2023 will revolve around creative ways to deploy dry powder to drive returns while minimizing risk from traditional buy-out deals.
- The market can expect more creative approaches from private equity, growth equity, and other financial investors to deploy capital through add-ons, minority investments, all equity deals, and private placement of debt as many larger funds are well-capitalized. A broader recovery in investment activity is also expected either as inflation is tamed or as asset valuations become sufficiently depressed to provide acquirers with attractive entry points.
- Given the current state of the capital raising environment, early-stage and VC-backed companies in a cash-burn position will likely turn to alternative ways of finding funding, including M&A, growth equity, and private placements.
- Given the economic environment, many large corporations will be forced to consider their strategic options, which will likely include the divestiture of non-core assets as companies look to sell under-performing assets and preserve the viability of their core business.
- Such reviews will also likely result in high profile strategic mergers of equals, as was seen with the Kroger-Albertsons deal. The combined entity will likely result in significant cost synergies, allowing the companies to reduce costs for consumers.
- IJW expects that distressed sales, divestitures, strategic mergers, and acquisitions of undervalued companies will predominantly drive dealmaking activity in 2023.



Resilience from Recession-Proof Consumer Subsectors:

- In 2023, the consumer sector will likely suffer from depressed valuations due to its vulnerability to rising costs, interest rate hikes, and reduced consumer spending. However, certain recession-proof consumer subsectors are expected to be resilient.
- Non-discretionary items, such as food & beverage, consumer staples such as hygiene products and beauty products, among others, have proven to perform well in past economic downturns.
- IJW expects that the aforementioned subsectors will continue to consolidate as acquirers turn their focus to quality, recession-proof assets.



About **IJW & Co.**

Notable Consumer Products Clientele



HAGEN®

SNSHealth



BRIO®



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.

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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.

In his spare time, Simon is an avid skier and sports fan.



Sarina Gill – 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.

In her spare time, Sarina is an avid swimmer and golfer.



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.

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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.



Eric Wu – Analyst, Investment Banking

Eric is an Investment Banking Analyst at IJW & Co. Eric is an Economics student at the University of Western Ontario. Prior to joining IJW, Eric completed two internships in software M&A at Constellation Software and Valsoft Corporation.

Outside of class, Eric started a charity fund and donated to various non-profit organizations in the London, Ontario community. He also enjoys playing basketball and is a huge Toronto Raptors fan.



Thank You.



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