

The State of the Consumer

Sector Review – 2H 2024

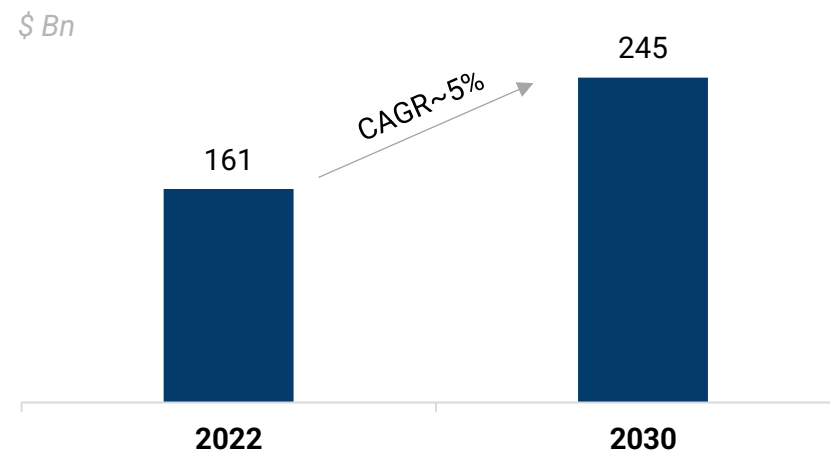


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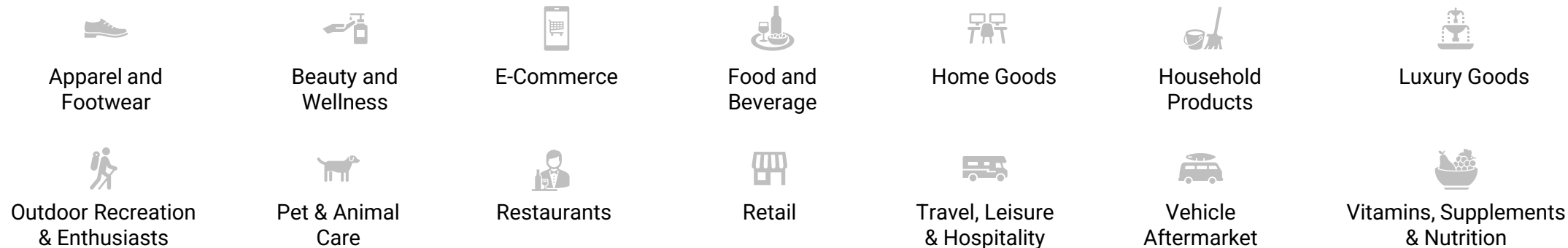
Consumer Sector Overview

- The industry is facing temporary headwinds like inflation & rising input costs which had to be **gradually passed on to the consumers to maintain margins**
- As the consumer preferences evolve, CPG industry is headed towards a health and sustainability focus, with **increasing demand for natural, organic and plant-based alternatives**
- Another key trend is the rise of D2C brands which establish closer relationships with their consumers and **leverage data and analytics to offer personalized and customized products**
- Since CPGs are often competing with similar products, **branding and packaging play a crucial role in influencing consumer choices**, they are widely available through various retail channels, including supermarkets, convenience stores and online marketplaces

Global CPG Market



Key Market Segments – By product Type



Consumer Sector: Key Market Trends



Health and Sustainability Revolution

Consumers are prioritizing wellbeing and environmental responsibility. This translates to a surge in demand for organic, natural and functional products that promote health. Sustainability concerns are driving a shift towards eco-friendly packaging, reduced carbon footprints and ethical sourcing practices



E-Commerce Boom and Omnichannel Imperative

CPG companies must establish a strong online presence with efficient fulfillment strategies to cater to this growing segment. However, a successful future lies in omnichannel retailing, where online and physical stores integrate seamlessly. Consumers expect a consistent brand experience across all platforms



Personalization Powerhouse: Data & Customization

Consumers are no longer satisfied with a one-size-fits-all approach. They crave products tailored to their specific needs and preferences. This trend necessitates data-driven marketing to understand customer behavior and personalize marketing campaigns



Social Media Savvy: Building Brands and Riding Trends

Social media platforms have become powerful tools for CPG companies. They can leverage these platforms for brand building through engaging content and influencer marketing

Consumer M&A Overview

- The CPG M&A landscape has undergone fluctuations. **After a pandemic-induced low point in 2020, there was an uptick in mid-market deals in 2021-22**
- In Q1 2024, **consumer markets saw a 7% increase in deal volume** compared to Q1 2023, with Q1 deal value reaching its highest level since Q4 2022. Companies are using M&A to adapt to changing consumer preferences and market dynamics

Recent notable transactions in the market include:

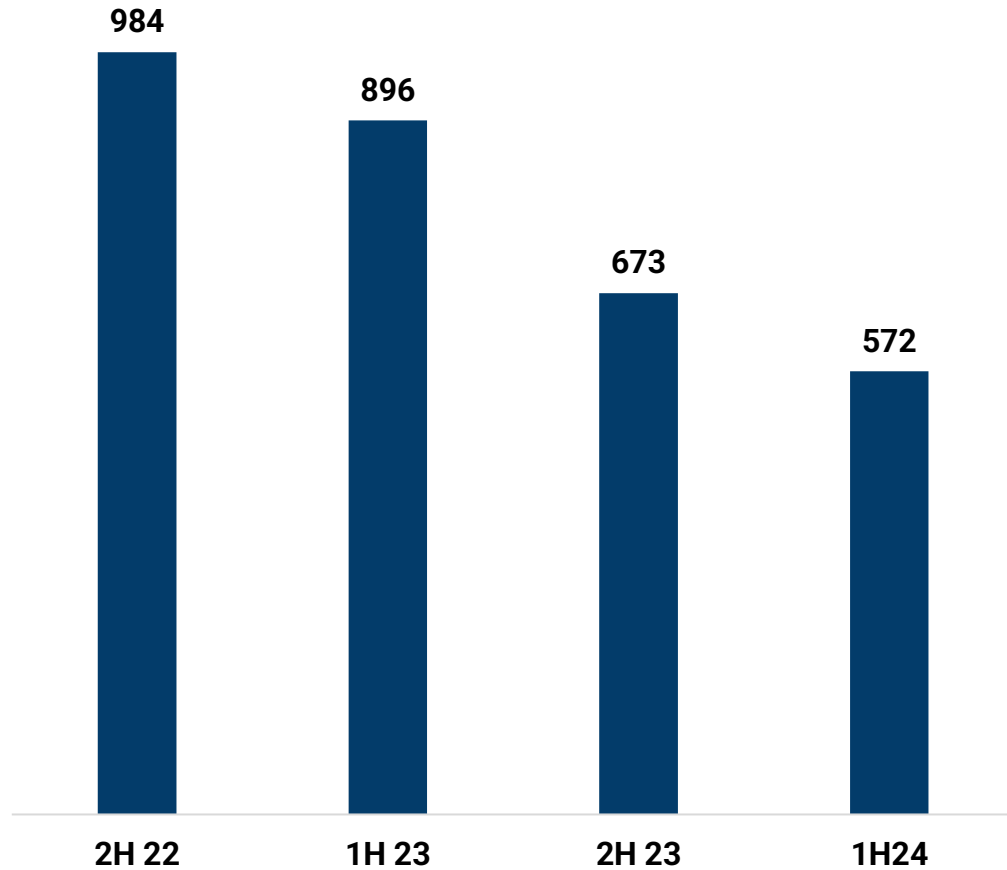
- **Restaurant Brands International** acquired **Carrols Restaurant Group** (Burger King and Popeyes franchises) for around **\$1 bn**
- **Authentic Brands Group** acquired **Sperry** from **Wolverine Worldwide** for **\$130 mn**
- **New Era Cap** acquired sports lifestyle brand **'47** to create a combined company with **~\$2 bn** revenue

Key Trends Shaping Consumer Packaged Goods Market M&A

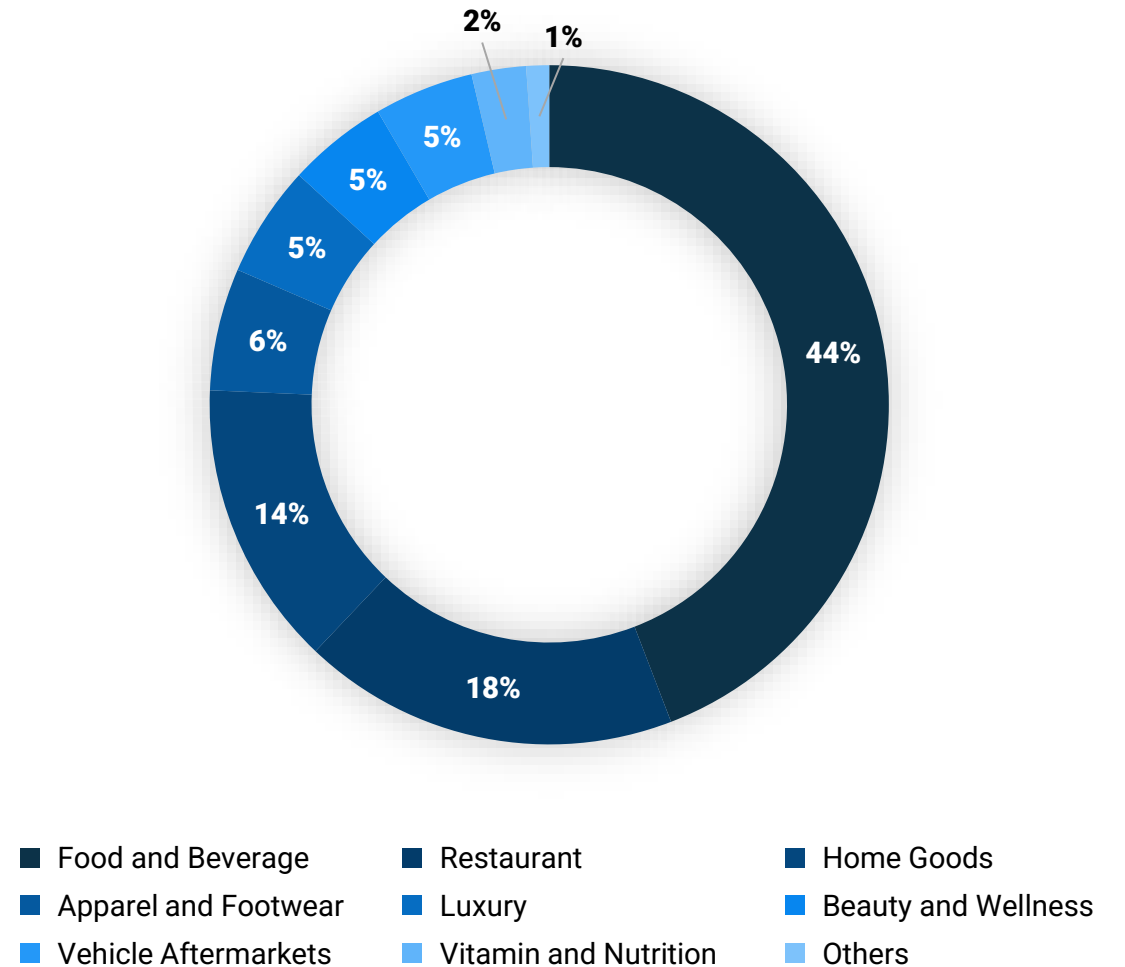
- ✓ **Large CPG companies look for acquisitions of niche brands catering to specific preferences (health, clean beauty, etc.)**
- ✓ **M&A increasingly driven by ESG considerations**
- ✓ **The everpresent importance of e-commerce is shaping M&A. Companies might acquire brands with a strong digital presence or those with expertise in data analytics, allowing them to gain valuable consumer insights**
- ✓ **Companies are divesting brands that no longer align with their core focus, freeing up resources for strategic acquisitions or growth investments**

Consumer M&A Summary

M&A Deals



M&A Deal Breakup



Trading Multiples of Listed Companies

Trading Statistics of Key Consumer Subsectors

US\$ Mn, Unless Otherwise Stated; Calendarized to December Fiscal Year End

Company	Market Cap Aug-24	Enterprise Value	Operating Statistics					Valuation Statistics	
			Revenue		Revenue Growth	Gross Profit Margin	EBITDA Margin	EV/Revenue	EV/EBITDA
			FY 2023A	FY 2024E	2023A-24E	FY 2024E	FY 2024E	FY 2024E	FY 2024E
A) Apparel and Footwear									
adidas AG (XTRA:ADS)	\$41,862	\$47,033	\$23,410	\$25,208	7.7%	50.0%	10%	1.9x	18.3x
Deckers Outdoor Corporation (NYSE:DECK)	\$22,622	\$21,446	\$3,627	\$4,216	16.2%	54.7%	22%	5.1x	23.3x
Lululemon Athletica Inc. (NasdaqGS:LULU)	\$29,841	\$29,342	\$8,111	\$9,612	18.5%	58.3%	27%	3.1x	11.5x
NIKE, Inc. (NYSE:NKE)	\$111,462	\$111,863	\$51,217	\$51,652	0.8%	44.8%	14%	2.2x	15.3x
On Holding AG (NYSE:ONON)	\$13,679	\$13,309	\$2,300	\$2,952	28.3%	60.0%	17%	4.5x	27.0x
Mean					14.3%	53.6%	18%	3.3x	19.1x
Median					16.2%	54.7%	17%	3.1x	18.3x
B) Beauty and Wellness									
Kenvue Inc. (NYSE:KVUE)	\$40,257	\$47,849	\$15,444	\$15,684	1.6%	59.3%	24%	3.1x	12.9x
L'Oréal S.A. (ENXTPA:OR)	\$223,702	\$230,763	\$44,993	\$48,122	7.0%	74.2%	24%	4.8x	20.3x
The Estée Lauder Companies Inc. (NYSE:EL)	\$31,966	\$38,945	\$15,910	\$15,570	-2.1%	71.6%	15%	2.5x	17.2x
Ulta Beauty, Inc. (NasdaqGS:ULTA)	\$15,373	\$16,741	\$10,209	\$11,174	9.5%	39.0%	17%	1.5x	8.9x
Unilever PLC (LSE:ULVR)	\$150,458	\$180,730	\$65,120	\$66,630	2.3%	43.2%	20%	2.7x	13.3x
Mean					3.7%	57.5%	20%	2.9x	14.5x
Median					2.3%	59.3%	20%	2.7x	13.3x
C) E-Commerce									
Amazon.com, Inc. (NasdaqGS:AMZN)	\$1,752,130	\$1,820,880	\$574,785	\$635,704	10.6%	48.7%	21%	2.9x	13.4x
eBay Inc. (NasdaqGS:EBAY)	\$27,638	\$30,649	\$10,112	\$10,309	1.9%	72.2%	31%	3.0x	9.5x
Etsy, Inc. (NasdaqGS:ETSY)	\$6,308	\$7,697	\$2,748	\$2,816	2.4%	71.6%	27%	2.7x	10.0x
Shopify Inc. (NYSE:SHOP)	\$89,424	\$85,540	\$7,060	\$8,634	22.3%	51.0%	16%	9.9x	62.9x
Uber Technologies, Inc. (NYSE:UBER)	\$143,998	\$147,289	\$37,281	\$43,352	16.3%	39.9%	15%	3.4x	22.9x
Mean					10.7%	56.7%	22%	4.4x	23.7x
Median					10.6%	51.0%	21%	3.0x	13.4x

Source : Capital IQ and Press Releases

Trading Multiples of Listed Companies (cont'd)

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			FY 2023A	FY 2024E	2023A-24E	FY 2024E	FY 2024E	FY 2024E	FY 2024E
D) Food and Beverage									
Anheuser-Busch InBev SA/NV (ENXTBR:ABI)	\$119,487	\$202,424	\$59,380	\$61,033	2.8%	55.6%	35%	3.3x	9.5x
Nestlé SA (SWINESN)	\$270,031	\$339,663	\$108,050	\$107,747	-0.3%	46.4%	21%	3.2x	14.9x
PepsiCo, Inc. (NasdaqGS:PEP)	\$236,790	\$275,183	\$91,471	\$93,938	2.7%	54.8%	19%	2.9x	15.4x
The Coca-Cola Company (NYSE:KO)	\$296,002	\$323,623	\$45,754	\$46,083	0.7%	61.1%	33%	7.0x	21.4x
The Kraft Heinz Company (NasdaqGS:KHC)	\$42,644	\$61,814	\$26,640	\$26,346	-1.1%	34.6%	25%	2.3x	9.6x
Mean					1.0%	47.9%	27%	3.7x	14.2x
Median					0.7%	50.6%	25%	3.2x	14.9x
E) Home Goods									
Newell Brands, Inc. (NasdaqGS:NWL)	\$3,049	\$8,361	\$7,810	\$7,644	-2.1%	32.2%	13%	1.1x	8.5x
RH (NYSE:RH)	\$4,642	\$8,228	\$3,591	\$3,068	-14.5%	46.3%	18%	2.7x	14.5x
The TJX Companies, Inc. (NYSE:TJX)	\$125,108	\$132,691	\$49,936	\$53,999	8.1%	29.7%	12%	2.5x	19.8x
Wayfair Inc. (NYSE:W)	\$4,876	\$7,602	\$12,003	\$11,837	-1.4%	30.3%	4%	0.6x	14.8x
Williams-Sonoma, Inc. (NYSEWSM)	\$18,134	\$18,221	\$8,674	\$7,698	-11.3%	42.1%	19%	2.4x	12.3x
Mean					-4.2%	36.1%	13%	1.9x	14.0x
Median					-2.1%	32.2%	13%	2.4x	14.5x
F) Household Products									
Colgate-Palmolive Company (NYSE:CL)	\$83,400	\$91,100	\$19,457	\$20,196	3.8%	60.4%	25%	4.5x	18.2x
Kimberly-Clark Corporation (NYSE:KMB)	\$47,260	\$54,232	\$20,431	\$20,279	-0.7%	36.5%	20%	2.7x	13.5x
Reckitt Benckiser Group plc (LSE:RKT)	\$37,214	\$47,345	\$18,654	\$18,202	-2.4%	60.5%	26%	2.6x	9.8x
The Clorox Company (NYSE:CLX)	\$17,716	\$20,615	\$7,389	\$7,156	-3.2%	42.1%	17%	2.9x	16.5x
The Procter & Gamble Company (NYSE:PG)	\$401,460	\$426,773	\$82,006	\$84,305	2.8%	51.2%	27%	5.1x	18.5x
Mean					0.1%	50.1%	23%	3.6x	15.3x
Median					-0.7%	51.2%	25%	2.9x	16.5x

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G) Luxury Goods									
Compagnie Financiere Richemont SA (SWX:CFR)	\$90,216	\$86,847	\$22,645	\$23,963	5.8%	68.1%	31%	3.6x	11.8x
Hermes International SCA	\$230,678	\$222,735	\$14,670	\$16,416	11.9%	70.9%	46%	13.6x	29.8x
Kering SA (ENXTPA:KER)	\$34,092	\$51,876	\$21,377	\$19,772	-7.5%	74.4%	27%	2.6x	9.8x
LVMH Moet Hennessy (ENXTPA:MC)	\$347,111	\$381,448	\$94,125	\$95,684	1.7%	68.5%	32%	4.0x	12.5x
Moncler S.p.A. (BIT:MONC)	\$15,492	\$15,469	\$3,260	\$3,462	6.2%	77.8%	40%	4.5x	11.1x
Mean					3.6%	71.9%	35%	5.7x	15.0x
Median					5.8%	70.9%	32%	4.0x	11.8x
H) Outdoor Recreation & Enthusiasts									
Acushnet Holdings Corp. (NYSE:GOLF)	\$4,165	\$4,963	\$2,382	\$2,463	3.4%	53.2%	16%	2.0x	12.5x
Amer Spors, Inc. (NYSE:AS)	\$5,795	\$7,864	\$4,368	\$5,016	14.8%	53.9%	15%	1.6x	10.6x
DICK'S Sporting Goods, Inc. (NYSE:DKS)	\$16,879	\$19,536	\$12,368	\$12,899	4.3%	34.8%	13%	1.5x	11.5x
Vista Outdoor Inc. (NYSE:VSTO)	\$2,258	\$2,950	\$3,080	\$2,758	-10.5%	31.0%	16%	1.1x	6.6x
YETI Holdings, Inc. (NYSE:YETI)	\$3,469	\$3,433	\$1,659	\$1,833	10.5%	58.5%	19%	1.9x	9.8x
Mean					4.5%	46.3%	16%	1.6x	10.2x
Median					4.3%	53.2%	16%	1.6x	10.6x
I) Pet and Animal Care									
Chewy, Inc. (NYSE:CHWY)	\$10,381	\$9,762	\$10,119	\$11,092	9.6%	28.3%	3%	0.9x	28.6x
Freshpet, Inc. (NasdaqG M:FRPT)	\$6,212	\$6,384	\$767	\$968	26.2%	44.9%	15%	6.6x	44.8x
Petco Heath and Wellness Company, Inc.(NasdaqGS:WOOF)	\$636	\$3,522	\$6,036	\$6,215	3.0%	37.9%	6%	0.6x	8.8x
The J.M. Smucker Company (NYSE:SJM)	\$12,608	\$21,105	\$8,529	\$8,219	-3.6%	36.8%	22%	2.6x	11.5x
Tractor Supply Company (TSCO)	\$28,369	\$33,101	\$14,713	\$15,314	4.1%	36.2%	13%	2.2x	16.5x
Mean					7.9%	36.8%	12%	2.6x	22.0x
Median					4.1%	36.8%	13%	2.2x	16.5x

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J) Restaurants									
Chipotle Mexican Grill, Inc. (NYSE:CMG)	\$76,074	\$78,863	\$9,872	\$11,339	14.9%	26.6%	20%	7.0x	35.2x
Darden Restaurants, Inc. (NYSE:DRI)	\$17,009	\$23,599	\$10,488	\$11,407	8.8%	20.6%	16%	2.1x	13.1x
McDonald's Corporation (NYSE:MCD)	\$192,183	\$243,448	\$25,494	\$26,099	2.4%	15.2%	54%	9.3x	17.3x
Starbuck's Corporation (NasdaqGS:SBUX)	\$85,092	\$107,036	\$35,976	\$36,536	1.6%	69.3%	20%	2.9x	14.7x
Yum! Brands, Inc. (NYSE:YUM)	\$38,461	\$49,953	\$7,076	\$7,627	7.8%	16.7%	36%	6.5x	18.4x
Mean					7.1%	29.7%	29%	5.6x	19.7x
Median					7.8%	20.6%	20%	6.5x	17.3x
K) Retail									
Costco Wholesale Corporation (NasdaqGS:COST)	\$379,020	\$376,818	\$242,290	\$255,042	5.3%	10.9%	4%	1.5x	33.0x
Dillard's, Inc. (NYSE:DDS)	\$6,314	\$5,712	\$6,996	\$6,824	-2.5%	41.2%	16%	0.8x	5.3x
Dollar Tree, Inc. (NasdaqGS:DLTR)	\$20,430	\$30,161	\$28,332	\$30,613	8.1%	30.5%	9%	1.0x	11.3x
Target Corporation (NYSE:TGT)	\$62,687	\$79,064	\$109,120	\$107,182	-1.8%	26.3%	8%	0.7x	9.8x
Walmart Inc. (NYSE:WMT)	\$546,559	\$610,689	\$611,289	\$642,456	5.1%	23.8%	6%	1.0x	16.0x
Mean					2.8%	26.5%	9%	1.0x	15.1x
Median					5.1%	26.3%	8%	1.0x	11.3x
L) Travel, Leisure & Hospitality									
Airbnb, Inc. (NasdaqGS:ABNB)	\$72,779	\$63,802	\$9,917	\$11,031	11.2%	82.4%	36%	5.8x	16.3x
Booking Holdings Inc. (NasdaqGS:BKNG)	\$115,426	\$116,113	\$21,365	\$22,988	7.6%	99.8%	34%	5.1x	14.9x
Hilton Worldwide Holdings Inc. (NYSE:HLT)	\$50,843	\$61,108	\$4,408	\$11,238	154.9%	76.2%	30%	5.4x	18.0x
Marriott International, Inc. (NasdaqGS:MAR)	\$61,364	\$74,983	\$6,300	\$25,132	298.9%	26.9%	20%	3.0x	15.0x
Royal Caribbean Cruises Ltd. (NYSE:RCL)	\$40,093	\$61,648	\$13,900	\$16,503	18.7%	79.2%	35%	3.7x	10.5x
Mean					98.3%	72.9%	31%	4.6x	14.9x
Median					18.7%	79.2%	34%	5.1x	15.0x

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			FY 2023A	FY 2024E	2023A-24E	FY 2024E	FY 2024E	FY 2024E	FY 2024E
M) Vehicle Aftermarket									
Advance Auto Parts, Inc. (NYSE:AAP)	\$3,589	\$7,627	\$11,288	\$11,294	0.1%	42.0%	6%	0.7x	11.4x
AutoZone, Inc. (NYSE:AZO)	\$53,303	\$65,516	\$17,457	\$18,533	6.2%	53.3%	24%	3.5x	14.9x
Genuine Parts Company (NYSE:GPC)	\$19,112	\$23,771	\$23,091	\$23,533	1.9%	36.4%	9%	1.0x	10.8x
LKQ Corporation (NasdaqGS:LKQ)	\$10,293	\$15,745	\$13,866	\$14,630	5.5%	39.6%	12%	1.1x	8.7x
O'Reilly Automotive, Inc. (NasdaqGS:ORLY)	\$65,222	\$72,726	\$15,812	\$16,776	6.1%	51.2%	23%	4.3x	19.2x
Mean					3.9%	44.5%	15%	2.1x	13.0x
Median					5.5%	42.0%	12%	1.1x	11.4x
N) Vitamins, Supplements & Nutrition									
BellRing Brands, Inc. (NYSE:BRBR)	\$7,048	\$7,814	\$1,667	\$1,981	18.8%	34.7%	22%	3.8x	18.0x
General Mills, Inc. (NYSE:GIS)	\$38,579	\$51,728	\$20,094	\$19,997	-0.5%	34.6%	21%	2.6x	12.5x
Glanbia plc (ISE:GL9)	\$5,117	\$5,471	\$5,425	\$3,873	-28.6%	25.5%	14%	1.4x	10.3x
Jamieson Wellness Inc. (TSX:JWEL)	\$954	\$1,295	\$492	\$539	9.6%	37.0%	19%	2.4x	12.7x
Kerry Group plc (ISE:KRZ)	\$16,083	\$18,110	\$8,763	\$8,703	-0.7%	45.0%	16%	2.1x	13.1x
Mean					-0.3%	35.4%	18%	2.5x	13.3x
Median					-0.5%	34.7%	19%	2.4x	12.7x

Source: Capital IQ and Press Releases

Please reach out to discuss the Consumer Sector in more detail



Scott Collins

Managing Director

SCollins@threesixtyseven.com

direct: (847) 313-9398

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