

CONSUMER & RETAIL

Q4 2023 MARKET UPDATE

The Undeniable Value of Brand

In this quarter's industry update, we will explore the impact of brand on valuation—and how companies can make a mark.

Brand matters. It has the power to drive awareness, impact perceptions of quality, and draw meaningful associations—attributes collectively defined as brand equity and contribute to or detract from a company's overall value.

Here we will:

- Review the consumer categories where a brand has the biggest impact,
- Discuss ways strategics and sponsors can quantify brand value, and
- Explore a brand's contribution to a company's exit value.

When Brand Matters Most

Brands can elevate a commodity and validate the cost of a luxury item. As such, the categories that benefit most from brand equity rely heavily on consumer perceptions, emotions, and trust. Examples include:

Consumer Electronics Brands like Apple and Sony are synonymous with innovation, quality, and reliability.	Luxury Goods Dior and Rolex are examples of brand exclusivity, prestige, and superior craftsmanship.	Fashion & Apparel From Gucci to Zara, fashion brands telegraph style, status, and identity.
Automobiles Toyota and Tesla are branded to align with different performance, safety, and lifestyle tastes.	Cosmetics & Beauty Products From Aveeno to MAC, beauty brands run the gamut from natural benefits to artful expression.	Food & Beverage Ubiquitous, storied brands like Coca-Cola and Newman's Own inspire life-long loyalty.

Historically, branding has played a limited role for products such as ingredients, but even that trend is turning. Food, cosmetic, and pharmaceutical industries increasingly feature ingredients to meet consumers' preferences for transparency, quality, conscientious sourcing, and uniqueness. The value of branding the basics is evidenced by the recent spate of salad dressing and sauce acquisitions, from Rao'sⁱ to Marie's Dressingsⁱⁱ to, most recently, Truffⁱⁱⁱ purchased by Kim Kardashian's SKKY Partners. Talk about a galactic brand!

Benchmarking Brand Value

Strategics and sponsors looking to quantify brand value can begin with:

Primary Research	Secondary Research	Digital Depth	Financial Contribution
Conduct customer surveys and studies to measure customer perceptions, loyalty, and associations with the brand. This qualitative data can be converted into quantitative metrics.	Leverage third-party models to assess brand value based on brand strength, royalty rates, and forecasted future earnings. Compare against competitors to understand the brand's relative market strength and positioning.	Determine the brand's strength in the digital space , including social media presence, online mentions, and customer engagement.	Compare financial performance , like average sales revenue, profit margins, and market share by category, and determine the delta between generic and branded products. Assess the feasibility of brand licensing and associated royalty rates .

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Rick Wartzman, the former head of the KH Moon Center at the Drucker Institute, has studied the relationship between consumers' spending power and manufacturers' pricing power. He concludes that a company with a strong correlation between customer satisfaction and net profit margins^{iv} is involved in a virtuous cycle, likely reinvesting in product and service innovation in pursuit of secured and expanded market share. Prioritizing these actions builds brand equity and enables organizations to charge a premium and endure inflationary markets.^v

In short, a strong brand is both an input and an output of organizational investment.

The Benefits of Brand at Exit

For top global firms, brand equity is estimated to contribute 40% to the company's market capitalization.^{vi} A McKinsey & Company study supports the importance of this intangible asset by revealing that 40 of the world's strongest brands yielded almost twice the total return as an investment in the MSCI World index over 20 years ending in 2019.^{vii}

Because strong brand equity can justify higher prices, stoke future revenue generation, strengthen customer loyalty, and secure a competitive advantage, companies with prized brands are attractive acquisition targets. For companies considering an eventual exit, there are five ways they can invest in their brand today for a higher exit value tomorrow:

- **(Re)Define a clear brand identity:** What does your company do best? How does it stand apart from the competition? How does it connect to customers' needs and values? Triangulating the answers to these questions will help clarify your brand identity.
- **Cultivate consistency across touchpoints:** Look and sound the same across every earned, paid, and owned media channel so that you are unmistakably recognizable.
- **Build intellectual property:** Trademarks, patents, or proprietary technologies can enhance the perceived value of your brand and enable licensing and royalty opportunities.
- **Forge strategic partnerships, alliances, and ambassador networks:** Amplify brand values through the company you keep—but choose wisely.
- **Track progress:** Prove your organization's value with ongoing brand and financial performance modeling and data capture.











While intangible, your brand is an asset that requires ongoing investment and should be considered as part of your capital expenditure outlay in 2024. On the following page, our **Notable Q4 M&A Transactions** offer examples of how a bolder brand supports a stronger sale value.

Endnotes

- i. [Campbell to Acquire Sovos Brands, Leader in High-Growth Premium Italian Sauces](#). Campbell's Soup Company. (2023, August 7).
- ii. [Brynwood Partners Agrees to Acquire the Marie's Brand and Dean's Dip Business from Ventura Foods, LLC](#). PR Newswire. (2023, July 30).
- iii. [SKKY Partners Announces Investment in Premium Sauce and Condiments Brand TRUFF](#). Business Wire. (2023, November 21).
- iv. [Net Profit Margin is a financial ratio used to calculate the percentage of profit a company produces from its total revenue](#). Defined by corporatefinanceinstitute.com.
- v. [Why Consumers Are Willing to Pay More for Some Brands](#). WSJ Podcast. (2022, June 10).
- vi. [Why Brand Counts](#). Siegel+Gale Blog. (2020, March).
- vii. [The future of brand strategy: it's time to 'go electric.'](#) McKinsey & Company. (2020, May 27)

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NOTABLE Q4 M&A TRANSACTIONS

ACQUIRER	TARGET	DESCRIPTION	ENTERPRISE VALUE (\$MM)	EV/ REVENUE	EV/ EBITDA
		Melissa & Doug manufactures and sells toys.	\$950	-	10.5x
		La Colombe Torrefaction produces packaged coffee and operates coffee shops.	\$900	-	-
		Jelly Belly Candy Company, Inc. produces and sells jellybeans, chocolates, and candies.	-	-	-
		Bazooka manufactures and offers kid's sugar confectionery, candies, and bubble gum brands.	-	-	-
		Sauce Ventures produces TRUFF-branded sauces and condiments.	-	-	-

FEATURED ONGOING G2 PROJECTS

Consumer Goods

PROJECT ACADEMY

Capital Markets

About the Mandate:

G2 is currently serving as exclusive financial advisor in connection with a capital markets raise transaction for a school uniform company.

Consumer Goods

PROJECT ROUGHNECK

Sell-Side

About the Mandate:

G2 is currently serving as the exclusive sell-side advisor to a leading consumer products company producing branded and white label household products.

Produce, Meat & Dairy Distributor

PROJECT NATIVE

Buy-Side

About the Mandate:

G2 is currently serving as the exclusive buy-side advisor to a distributor of fresh produce, meats, and dairy products.

Seafood Distributor

PROJECT YELLOWTAIL

Buy-Side

About the Mandate:

G2 is currently serving as the exclusive buy-side advisor to a seafood distributor.

Fitness Franchisee

PROJECT FIT

Restructuring

About the Mandate:

G2 is serving as Chief Restructuring Officer for a large fitness franchise. The scope of the mandate includes liquidity management and negotiating a broader restructuring transaction.

KEY C&R TRADING STATISTICS

Sector	Number of Companies	Median Enterprise Value (\$MM)	LTM ¹			
			Median Revenue Growth	Median EBITDA Growth	Median EV / Revenue	Median EV / EBITDA
Multi-Unit Consumer	22	\$4,515	1.6%	2.9%	2.7x	15.7x
Food & Beverage	26	\$23,001	0.6%	3.0%	1.8x	13.6x
Consumer Goods	26	\$5,197	0.0%	0.7%	1.4x	11.4x

1) LTM December 31, 2023
Source: S&P Capital IQ

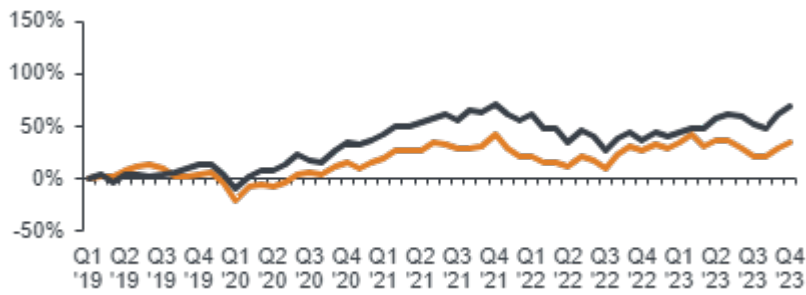
SELECT Q4 2023 M&A TRANSACTIONS

DATE	ACQUIRER	TARGET	DESCRIPTION	ENTERPRISE VALUE	REVENUE	EBITDA
Dec-2023	Apollo Global Management, Inc.	The Restaurant Group plc	The Restaurant Group operates restaurants and pubs in the United Kingdom, including Wagamama and Barburrito.	\$1,322	1.2x	7.4x
Dec-2023	Chobani, Inc.	La Colombe Torrefaction, INC.	La Colombe Torrefaction produces packaged coffee and operates coffee shops.	\$900	-	-
Dec-2023	Trive Capital Management LLC	Ten Entertainment Group plc	Ten Entertainment Group and its subsidiaries operate tenpin bowling centers in the United Kingdom.	\$610	3.8x	9.4x
Dec-2023	AURELIUS Equity Opportunities SE & Co. KGaA	The Body Shop International Limited	The Body Shop manufactures and sells beauty products.	\$258	-	-
Dec-2023	Getir US, Inc.	Fresh Direct, LLC	Fresh Direct operates as an online fresh food grocer, selling groceries, ingredients, and food online.	-	-	-
Dec-2023	Post Holdings, Inc.	All Assets of Perfection Pet Foods, LLC	Perfection Pet Foods produces dry pet food.	\$235	-	-
Dec-2023	Foodtastic, Inc.	Quesada Franchising of Canada Corp.	Quesada Franchising operates restaurants in Canada.	-	-	-
Dec-2023	Antelope	My Perfect Pet, Inc.	My Perfect Pet produces all-natural human-grade dog food.	-	-	-
Nov-2023	Mars, Incorporated	Hotel Chocolat Group plc	Hotel Chocolat Group plc manufactures and sells chocolates and cocoa-related products under the Hotel Chocolat brand name in the United Kingdom, rest of Europe, Saint Lucia, the United States, and Japan.	\$686	2.7x	25.7x
Nov-2023	Wonder Group, Inc.	Blue Apron Holdings, Inc.	Blue Apron Holdings, Inc. operates a direct-to-consumer platform that delivers original recipes with fresh and seasonal ingredients.	\$112	0.3x	NM
Nov-2023	Central Garden & Pet Company	TDBBS, LLC	TDBBS, LLC, doing business as Best Bully Sticks, Inc., manufactures, distributes, and sells dog treats and chews.	\$60	-	-
Nov-2023	EagleTree Capital, LP	Summit Hill Foods	Summit Hill Foods produces and sells baking mixes.	-	-	-
Nov-2023	SKKY Partners, LP	Sauce Ventures, LLC.	Sauce Ventures produces TRUFF-branded sauces and condiments.	-	-	-
Nov-2023	SK Capital Partners, LP	J&K Ingredients, Inc.	J&K Ingredients, Inc. manufactures bakery ingredients for the baking industry throughout the world.	-	-	-
Nov-2023	General Atlantic Service Company, L.P.	Joe & The Juice A/S	Joe & The Juice A/S owns and operates juice and coffee bars.	-	-	-
Nov-2023	Sunny Sky Products, LLC	Bevolution Group	Bevolution Group, through its subsidiaries, produces shelf-stable, frozen beverage products, & cocktail mixes.	-	-	-
Nov-2023	Flynn Restaurant Group LP	37 Planet Fitness Gym Locations of Alder Partners LLC.	Planet Fitness and its subsidiaries franchise and operate 2,500+ fitness centers under the Planet Fitness brand.	-	-	-
Oct-2023	Spin Master Us Holdings, Inc.	Melissa & Doug, LLC	Melissa & Doug manufactures and sells toys.	\$950	-	10.5x
Oct-2023	Foodtastic Inc.	Noodlebox Franchising Ltd.	Noodlebox Franchising Ltd. operates as a quick service restaurant that provides Southeast Asian food.	-	-	-
Oct-2023	Nexus Capital Management LP	Dollar Shave Club, Inc.	Dollar Shave Club, Inc. manufactures and sells men's shaving products.	-	-	-
Oct-2023	Ferrara Candy Company via CTH Invest	Jelly Belly Candy Company, Inc.	Jelly Belly Candy Company, Inc. produces and sells jellybeans, chocolates, and candies.	-	-	-
Oct-2023	Nature's Touch Frozen Foods, LLC	Certain assets of Sunrise Growers	Sunrise Growers comprises frozen fruits and fruit product production business.	-	-	-
Oct-2023	Wind Point Advisors, LLC	Assisi Pet Care Ltd	Assisi Pet Care provides pet care and grooming services.	-	-	-
Oct-2023	Apax Partners LLP	Bazooka Candy Brands International Limited	Bazooka manufactures and offers kid's sugar confectionery, candies, and bubble gum brands.	-	-	-

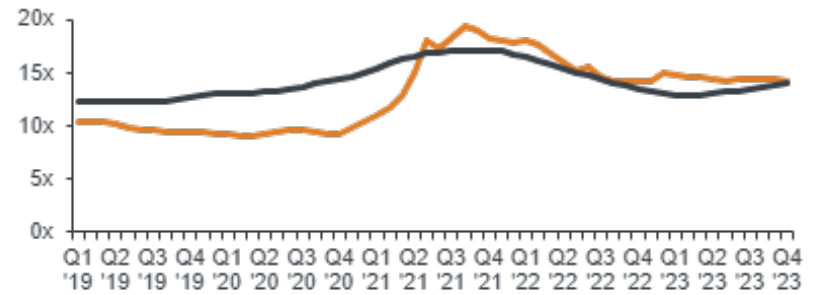
Source: S&P Capital IQ

MARKET INDICATORS

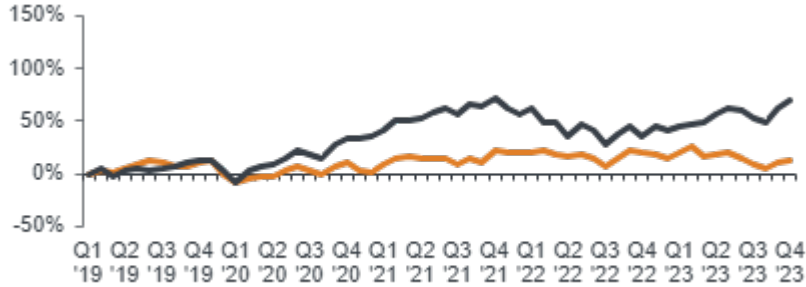
Multi-Unit Consumer Market Cap



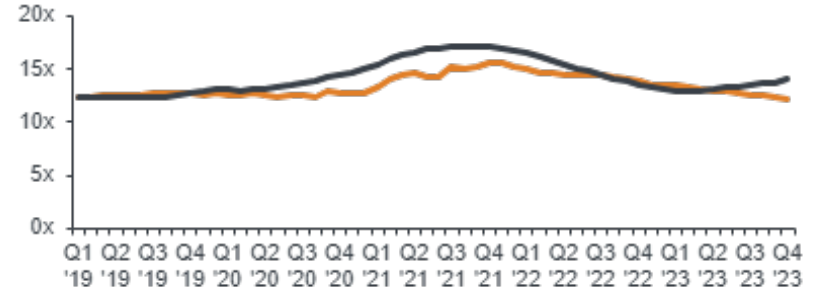
Multi-Unit Consumer EV / EBITDA



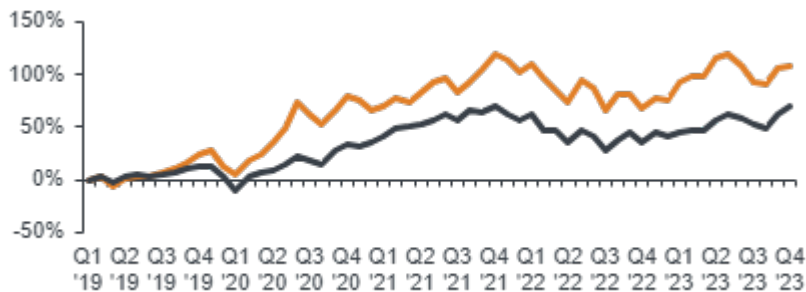
Food & Beverage Market Cap



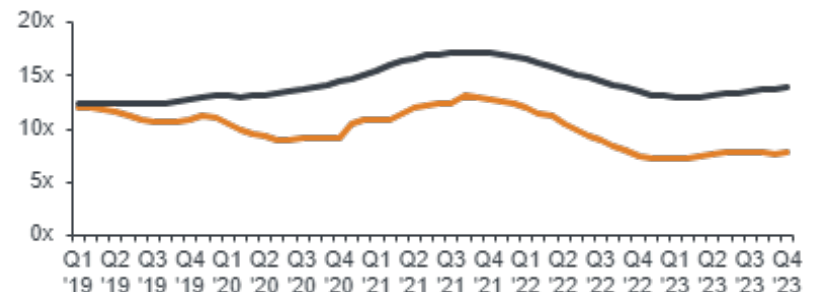
Food & Beverage EV / EBITDA



Consumer Goods Market Cap



Consumer Goods EV / EBITDA



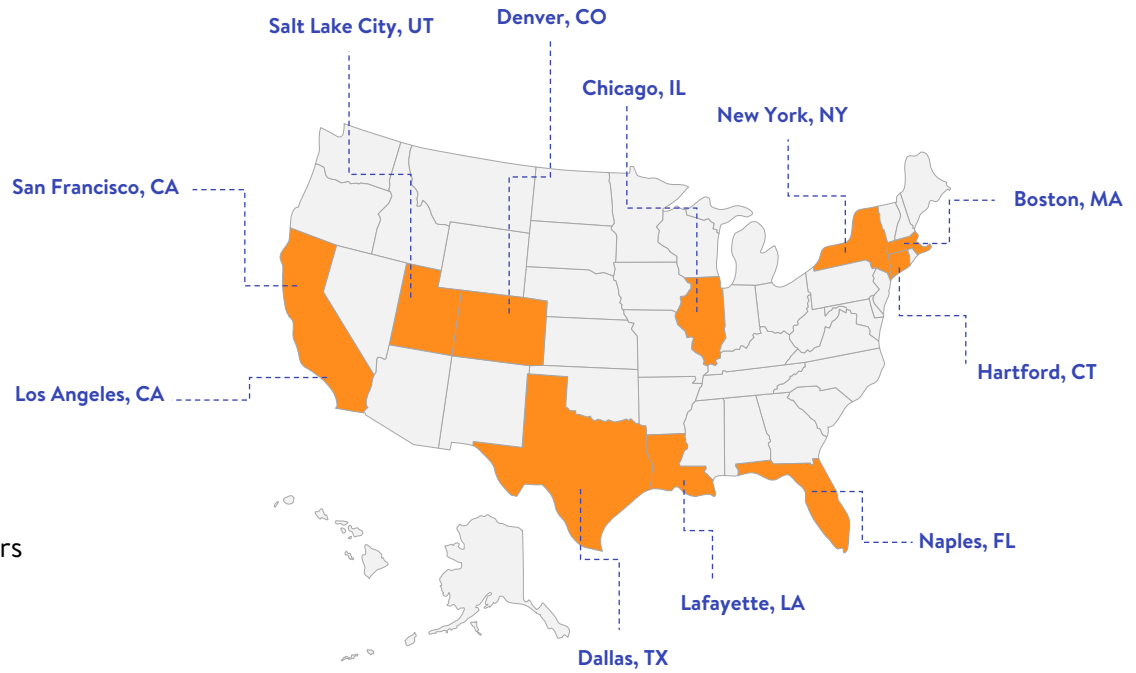
— C&R Sector — S&P 500

Source: S&P Capital IQ as of trading on December 31, 2023

G2 FIRM OVERVIEW

Overview:

- 500+ mandates in 12 years
- \$5B+ total executed transaction value
- Extensive industry experience
- Robust strategic and sponsor relationships
- Active touchpoints with logical sellers and buyers



A Multi-faceted Platform:

Focused on crafting bespoke operational and financial advisory solutions for our corporate and investor clients. G2 works with clients across a range of situations.



Sector Expertise:



Consumer & Retail

C&R Focus Sectors:

- Multi-Unit Consumer
- Food & Beverage
- Consumer Goods



Transportation & Logistics

T&L Focus Sectors:

- Freight Forwarding
- Trucking / Final Mile
- Warehousing / Distribution
- Third Party Logistics (3PL)
- e-Commerce Fulfillment



Industrials & Manufacturing

I&M Focus Sectors:

- Building Products / Construction
- Metals / Materials
- Container / Packaging
- Niche Manufacturing
- Distribution



Technology & Business Services

TBS Focus Sectors:

- Tech-enabled Services
- BPO
- Managed Services
- Internet & Digital Media
- Business Services

Connect With Our Team:



Heidi Piché, Managing Director
hpiche@g2cap.com
 617.823.9398



Jenn Faulk, Vice President
jfaulk@g2cap.com
 508.654.2346



Matt Konkle, President
mkonkle@g2cap.com
 857.310.5554



Reed Upson, Managing Director, Capital Markets
rupson@g2cap.com
 415.755.8851

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