

CONSUMER & RETAIL

Q1 2024 MARKET UPDATE

The Youth Enrichment Explosion

In this quarter's industry update, we will explore the recent strides and staying power of the youth enrichment category.

The popularity of youth enrichment is likely more than a moment—it's a movement. Here, we will explore soaring consumer spending within the sector, the enticing value proposition it presents to private equity investors, and the critical need for continual reinvestment from both parents and providers.

Enrichments May Be Expensive...

Taekwondo. Coding. Silkscreen printing. Robotics team. Mandolin lessons. Culinary camp. The youth enrichment category encompasses a wide range of activities, from athletic to artistic to academic. While these programs offer the side benefit of after-school childcare, the real opportunities are building skills and resumes. However, accessing specialized staff, buying the required equipment, and investing in associated travel comes at a cost to parents.

A 2023 Lending Tree study showed that 71% of surveyed parents had at least one child involved in enrichment activities, costing an average of \$731 per child annually, though the upper end of annual per-child spending could be over \$10,000.ⁱ

“We want to be near where families live and convenient for weekly routines. That said, it's not an insignificant investment to build a Big Blue Swim School facility and operationalize our top-quality experience, so our market must have disposable income to support the delivery of a premium and consistent service.”

– Duane LeVine, Principal,
L5 Capital Partners

...But Many Parents Believe They Are Essential

This billion-dollar market shows no signs of slowing, as it is perpetuated by the twin goals of modern parenting:

1. Exploring and supporting children's interests, and
2. Curating a differentiated college application.

With standardized test scores carrying less weight in the admissions process, parents and applicants are being advised to use activities to stand out, creating an arms race of enrichments.ⁱⁱ The market opportunity and the consumer appetite—aligning with the services-over-products trendⁱⁱⁱ—haven't gone unnoticed by the dealmaking community.

Recent Investments Highlight the Category's Importance

“Parents are spending on services that will improve their children's lives and support their development. But first, they need to find the right activity, and each child is different, so exposing kids to a range of activities and seeing what sticks is how parents get started.”

– Duane LeVine, Principal, L5 Capital Partners

CONSUMER & RETAIL

Q1 2024 MARKET UPDATE

Franchise aggregator and accelerator Unleashed Brands delivers experiences supporting childhood and adolescent learning, playing, and growing with concepts like Snapology, The Little Gym, and Premier Martial Arts, respectively.

Roark Capital Group has also committed to the space, launching its Youth Enrichment Brands platform in 2021. It is now anchored by four award-winning brands: i9 Sports leagues, US Sports Camps, Streamline Brands swim classes, and School of Rock.

L5 Capital Partners, a growth equity firm focused on fitness, kids, family services, and wellness, is also invested in youth enrichment. Portfolio companies include Big Blue Swim School and KidStrong. While both concepts are fitness-oriented, their curriculums emphasize developing children's confidence, resilience, and self-worth, not to mention interpersonal skills—which many kids are still rebuilding post-COVID.

KidStrong calls this the “whole child approach,” elevating the experience from simply gym class to something much bigger. Laura Mueller, Senior Associate at L5, says, “The primary purpose of KidStrong is to build stronger, more confident kids. But we are also teaching parents throughout the class: highlighting certain exercises and showing the connection between developmental milestones. That emphasis on family engagement and education is an important component of the concept and brand.” And it's working, with 110 locations to-date and ongoing interest from both consumers and franchisees.

Youth Enrichment Continues to be a Good Bet for Private Equity

“Consumer spending in the youth enrichment category becomes a recurring household budget commitment that people are willing to make because they see it as an investment in the development and wellbeing of their kids.”

– Duane LeVine, Principal, L5 Capital Partners

Demand is not the only driver of youth enrichment's rapid growth. The business model underscoring the sector is catching investors' attention thanks to,

- **Potential for consolidation:** Through thoughtful acquisition in this highly fragmented space, investors can achieve economies of scale, operational efficiencies, and profitability.
- **Recurring revenue models:** Membership- and subscription-based programs offer recurring revenue streams and deliver stable, predictable cash flows.
- **Tech-enablement:** Adding gamified elements, like Big Blue's Lesson Buddy, to track students' progress motivates children, helps parents stay organized, and keeps families coming back. From reporting to retention, tech-enablement can support several dimensions of concept success.
- **Attractive margins:** Exclusive extracurricular programs can command premium pricing and lead to attractive returns on investment. Plus, low-overhead services, like specialized tutoring, can result in high margins.

CONSUMER & RETAIL

Q1 2024 MARKET UPDATE

However, to remain a sought-after service in an increasingly competitive marketplace, youth enrichment providers must commit to ongoing investment in infrastructure, technology, trained staff, and high-impact marketing. Successful operators will seek out supportive investing and lending partners who understand the consumer opportunity and the need to lead the flight to quality.

“The challenge of entering the youth enrichment space is keeping pace with the sector’s demands. Beyond delivering a valuable, high-quality, consistent service from visit to visit and location to location, you need to train staff and optimize operations to always appear fresh in the face of a fast-growing market.”

– Duane LeVine, Principal, L5 Capital Partners

Endnotes

- i. [What parents spend on kids’ extracurriculars](#). LendingTree. (2023, May 15).
- ii. [One thing parents won’t cut from budgets: Extracurricular activities](#). Wall Street Journal. (2023, August 22).
- iii. [Tailwinds favor consumer spending on services](#). Deloitte Insights. (2023, May 30).

G2 Q1 2024 CAPITAL MARKETS SPOTLIGHT



Reed Upson
Managing Director
Capital Markets
Denver, CO

Critical Capability:

Reed Upson is the Managing Director of Capital Markets at G2 Capital Advisors. He works closely with management teams of both private- and sponsor-backed companies to analyze their capital needs, determine available options, secure the optimal facility, and map the surest path to closing. Reed has executed a range of capital markets mandates—including asset-based loans, first lien, second lien, unitranche, mezzanine, and preferred equity structures—across various industries.

On Consumer & Retail (C&R) projects, Reed knows that staying competitive in this dynamic category requires continual investment in and refinement of the customer experience—as exemplified by this quarter’s youth enrichment feature. To support C&R stakeholders, Reed works with G2’s industry bankers to apply a sector-specific understanding of market forces and financial requirements. In the process, Reed and his team identify receptive lenders and leverage relationships to unlock a lower cost of capital, increase operational flexibility, and provide access to a range of debt and equity sources.

Background:

Before joining G2, Reed was the Head of Capital Markets at the San Francisco-based debt advisory firm Business Capital (BizCap). For nearly a decade, he played a central role in growing the firm, managing and developing client relationships, underwriting credit transactions, and collaboratively executing commercial financing and strategic advisory mandates. Throughout his career, Reed has led the execution of over \$1.5B in commercial transactions.

Prior to joining BizCap, he worked in the commercial finance and commercial banking at New Resource Bank (now Amalgamated Bank) in San Francisco.

FEATURED ONGOING G2 PROJECTS

Consumer Goods

**PROJECT
CRAZY**

Financial Advisor

About the Mandate:

G2 is currently serving as exclusive financial advisor to a financial sponsor that is acquiring a toy business.

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	\$4,399	1.9%	2.8%	2.8x	14.8x
Food & Beverage	26	\$24,799	0.1%	1.8%	1.9x	14.0x
Consumer Goods	26	\$5,051	0.3%	-0.4%	1.3x	12.0x

1) LTM March 31, 2024
Source: S&P Capital IQ

SELECT Q1 2024 M&A TRANSACTIONS

DATE	ACQUIRER	TARGET	DESCRIPTION	ENTERPRISE VALUE	REVENUE	EBITDA
Jan-2024	Platinum Equity, LLC	WhiteWave Services, Inc./Wallaby Yogurt Company, Inc.	WhiteWave Services, Inc./Wallaby Yogurt Company, Inc. represents the combined operation of WhiteWave Services, Inc. and Wallaby Yogurt Company, Inc. in their sale to Platinum Equity, LLC. Wallaby Yogurt Company, Inc. produces and supplies organic yogurts.	-	-	-
Jan-2024	Sycamore Partners Management, L.P.	Chico's FAS, Inc.	Chico's FAS, Inc. operates as an omnichannel specialty retailer of women's private branded casual-to-dressy clothing, intimates, and complementary accessories in the United States, Puerto Rico, Virgin Islands; and franchise locations in Mexico and domestic airports.	\$1,390	0.7x	3.8x
Jan-2024	Altamont Capital Management, LP	Mini Melts Usa Inc.	Mini Melts Usa Inc. produces ice creams.	-	-	-
Jan-2024	Next Level Burger Company, Inc.	The Veggie Grill, Inc.	The Veggie Grill, Inc. owns and operates a chain of vegetarian restaurants.	-	-	-
Jan-2024	Tata Consumer Products Limited	Organic India Private Limited	Organic India Private Limited cultivates, collects, processes, manufactures, and markets organic products for supporting sustainable farming, wild crafting, and village/tribal agricultural communities in India.	\$229	5.9x	-
Jan-2024	Restaurant Brands International Inc.	Carrols Restaurant Group, Inc.	Carrols Restaurant Group, Inc., through its subsidiaries, operates restaurants in the United States.	\$1,748	0.9x	6.5x
Jan-2024	MPearlRock LP	Green Grass Foods Inc.	Green Grass Foods Inc., doing business as nutpods, produces dairy-free coffee creamers.	-	-	-
Jan-2024	TZP Group	TruBlue LLC	TruBlue LLC, doing business as Head Rush Technologies, manufactures equipment for the climbing and adventure industries.	-	-	-
Jan-2024	L Catterton Partners	PetHero, Inc.	PetHero, Inc., doing business as Sploot, offers veterinary care services.	-	-	-
Jan-2024	H.I.G. Capital, LLC	Patriot Pickle, Inc.	Patriot Pickle, Inc. engages in manufacturing pickles.	-	-	-
Jan-2024	Trek One Capital	Alter Eco Americas Inc.	Alter Eco Americas Inc. produces, imports, and distributes organic chocolate.	-	-	-
Jan-2024	Targeted PetCare	Pet Brands, Inc.	Pet Brands, Inc. develops and manufactures pet accessories.	-	-	-
Jan-2024	Fengate Capital Management Ltd.; Weathervane Investments	Saco Foods Holdings, LLC	Saco Foods Holdings, LLC was founded in 2016 and is based in Middleton, Wisconsin.	-	-	-
Jan-2024	TekBrands, LLC	Arrow Companies, LLC	Arrow Companies, LLC manufactures and sells sewing furniture, including sewing cabinets, sewing chairs, sewing inserts, storage cabinets, and sewing tables.	-	-	-
Jan-2024	Archer-Daniels-Midland Company	Revela Foods, LLC	Revela Foods, LLC manufactures and produces packaged food and products.	\$656	-	-
Jan-2024	Craveworthy Brands	Dirty Dough LLC	Dirty Dough LLC produces and sells cookies.	-	-	-
Jan-2024	Suave Brands Company LLC	ChapStick Brand of Haleon plc	ChapStick Brand of Haleon plc comprises a lip balm brand.	\$510	3.6x	-
Jan-2024	RIP-IT Sports, Inc.	Tachikara USA, Inc.	Tachikara USA, Inc. manufactures and sells volleyballs and volleyball equipment.	-	-	-
Jan-2024	Pet Resort Hospitality Group, Inc.	Mandytoddc; Olde Towne Pet Resort; Meadowlake Pet Resort; Playtime Pet Resorts; Five Hounds	Targets offer comprehensive pet care services, including boarding, grooming, daycare, and training.	-	-	-
Jan-2024	PANOS brands, LLC	Tessemæ's LLC	Tessemæ's LLC produces salad dressings and sauces.	\$5	-	-

Source: S&P Capital IQ

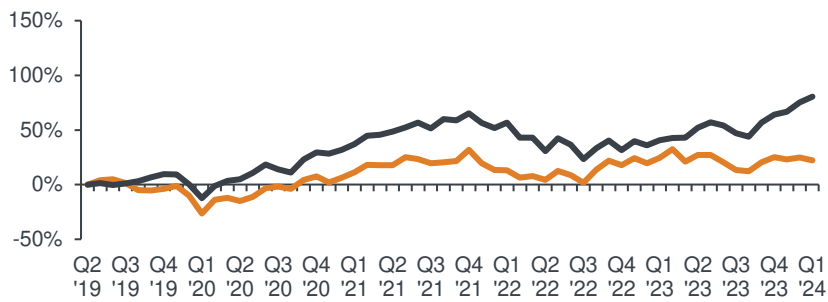
SELECT Q1 2024 M&A TRANSACTIONS

DATE	ACQUIRER	TARGET	DESCRIPTION	ENTERPRISE VALUE	REVENUE	EBITDA
Feb-2024	Tata Consumer Products Limited	Capital Foods Private Limited	Capital Foods Private Limited produces food products and food ingredients for various ethnic cuisines, such as Chinese, Thai, Italian, Indian, and European.	\$616	7.2x	-
Feb-2024	This Propelled Brands, Inc.	Camp Bow Wow Franchising Inc.	Camp Bow Wow Franchising, Inc. provides in-home pet care services to pet parents in North America.	-	-	-
Feb-2024	Bansk Group LLC	No Man's Land Foods, LLC	No Man's Land Foods, LLC engages in the production of meat snacks focused on beef products.	-	-	-
Feb-2024	Bain Capital, LP	Accolade Wines Australia Limited	Accolade Wines Australia Limited produces and sells wines.	-	-	-
Feb-2024	Inspire Brands, Inc.	VROMO Limited	VROMO Limited develops and offers delivery management software for restaurant brands.	-	-	-
Feb-2024	Blackstone Growth Advisors L.L.C.	7 Brew Company, LLC	7 Brew Company, LLC operates drive-thru coffee outlets in Northwest Arkansas.	-	-	-
Feb-2024	Uncommon Brands LP	Fuego Tortilla Grill	Fuego Tortilla Grill owns and operates a chain of restaurants.	-	-	-
Feb-2024	YETI Holdings, Inc.	Butter Pat Industries, LLC	Butter Pat Industries, LLC designs and manufactures iron cookware.	-	-	-
Feb-2024	YETI Holdings, Inc.	Mystery Ranch Ltd.	Mystery Ranch Ltd. is an apparel, accessories and luxury goods company.	-	-	-
Feb-2024	Guess?, Inc.; WHP Global, LLC	Rag & Bone Holdings, LLC	Rag & Bone Holdings, LLC designs and manufactures apparel, shoes, and accessories for men and women.	-	-	-
Feb-2024	Unleashed Brands Group	Sylvan Learning, LLC	Sylvan Learning, LLC operates as an education company that provides personal learning for K-12 students.	-	-	-
Feb-2024	Walmart Inc.	VIZIO Holding Corp.	VIZIO Holding Corp., through its subsidiaries, provides smart televisions, sound bars, and accessories in the United States.	\$2,144	1.3x	56.3x
Feb-2024	Bridgepoint Group plc; Bridgepoint Europe VII	RoC Opco LLC	RoC Opco LLC engages in manufacturing skincare products.	-	-	-
Feb-2024	Mayfair Capital Partners	Baseline Fitness, LLC	Baseline Fitness, LLC operates fitness centers.	-	-	-
Mar-2024	Stride Consumer Partners LLC	Serenity Kids, Inc.	Serenity Kids, Inc. manufactures and sells baby food products such as beef, bacon, chicken, and salmon.	-	-	-
Mar-2024	PAI Partners; PAI Mid-Market Fund SCSp.	BeautyNova Group	Beautynova Group through its subsidiaries engages in manufacturing of beauty, and haircare products.	-	-	-
Mar-2024	NewSpring Capital, LLC; NewSpring Franchise; Newspring Franchise Capital II, L.P.	Shake Smart, Inc.	Shake Smart, Inc. produces and supplies nutrition-based food products.	-	-	-
Mar-2024	The Riverside Company	The Lash Lounge Franchise, LLC	The Lash Lounge Franchise, LLC owns and operates a salon.	-	-	-
Mar-2024	Peak Rock Capital LLC	California Custom Fruits & Flavors, Inc.	California Custom Fruits & Flavors, Inc. develops, produces, and supplies fruit and flavor ingredients for the dairy, bakery, beverage, and foodservice industries in Canada, Mexico, Asia, and Central America.	-	-	-

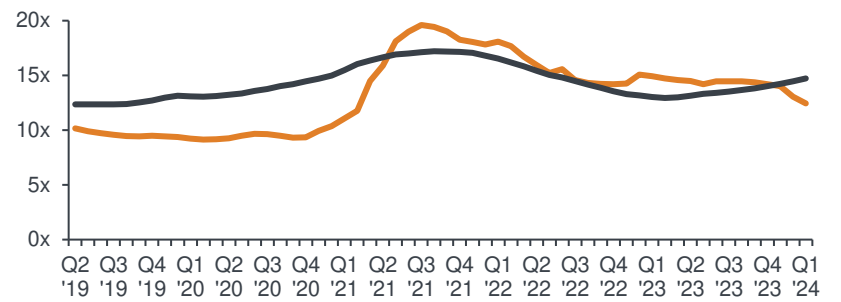
Source: S&P Capital IQ

MARKET INDICATORS

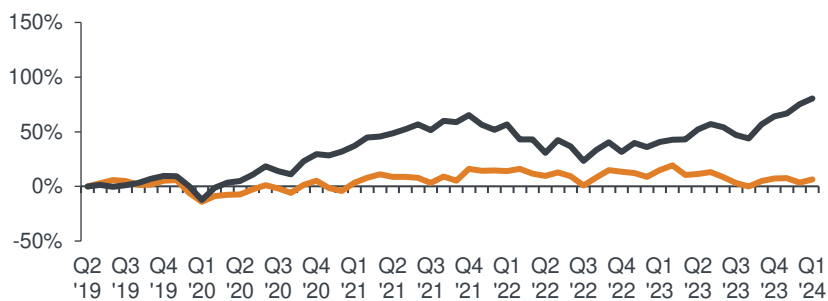
Multi-Unit Consumer Market Cap



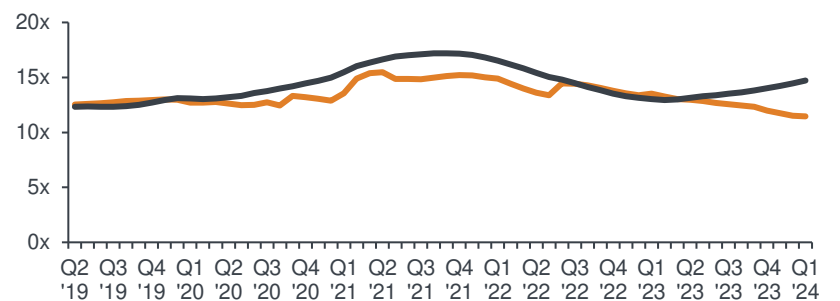
Multi-Unit Consumer EV / EBITDA



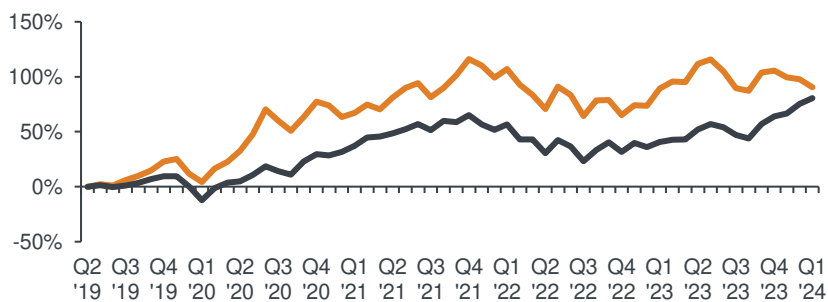
Food & Beverage Market Cap



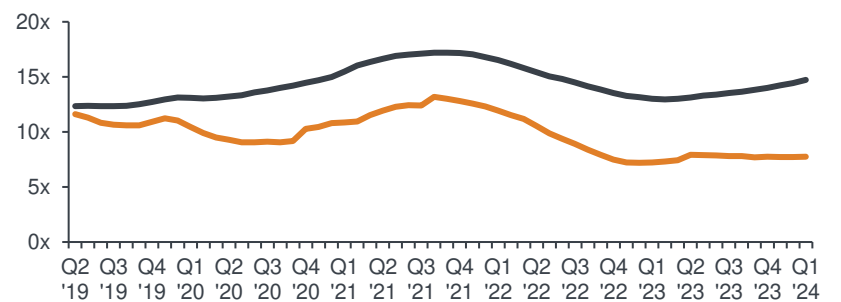
Food & Beverage EV / EBITDA



Consumer Goods Market Cap



Consumer Goods EV / EBITDA



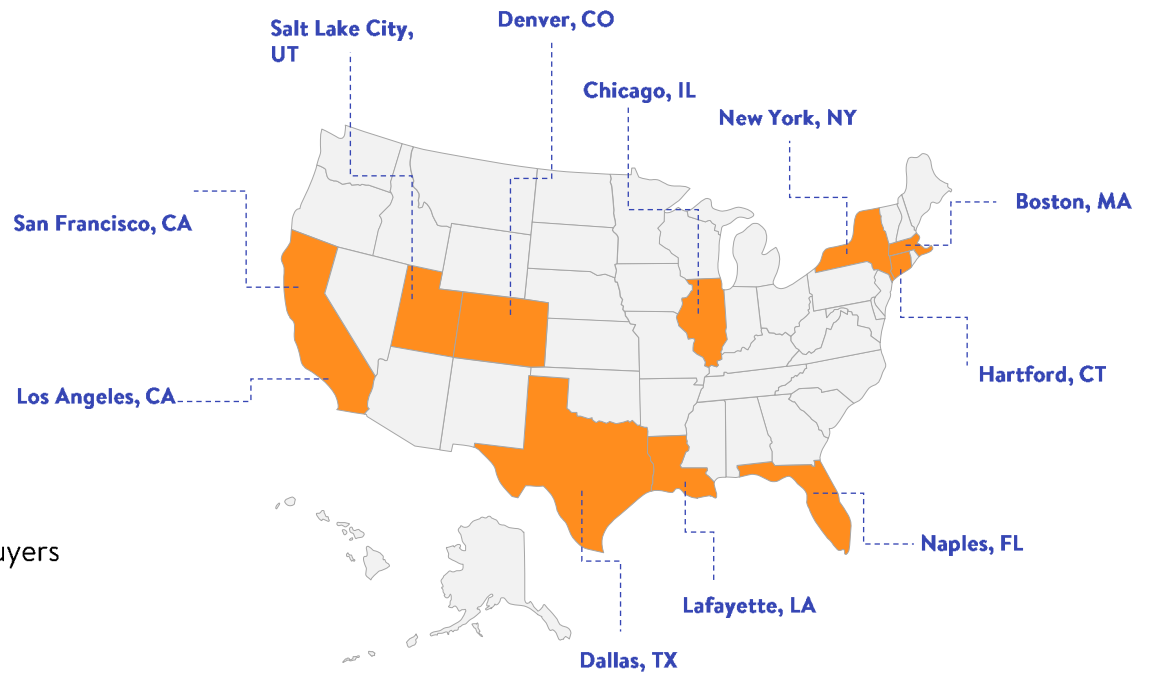
— C&R Sector — S&P 500

Source: S&P Capital IQ as of trading on March 31, 2024

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:



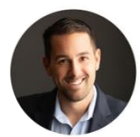
Heidi Piché, Managing Director
hpiche@g2cap.com
 617.823.9398



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