



# New year could see C&R M&A tailwinds

M&A trends in  
consumer and retail

2023

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# Heading back to the bargaining table

The most aggressive credit tightening since the 1980s did not create a recession in 2023. We believe that dynamic could set 2024 up as a year when the deal market makes a comeback.

The acceleration of GDP growth in 3Q’23 to 4.9 percent dovetailed with the rapid deceleration of inflation in the final months of 2023, and that is keeping the Fed at bay for now. KPMG economists see the Fed’s next move as an interest rate cut by mid-2024, with a total of four cuts during the calendar year. While this could get corporates and private equity back at the bargaining table, we do not see a return to the pre-COVID-19 interest environment, but rather a Fed funds rate closer to 3 percent.

Deal value for the year fell to \$105.4 billion, a decline of 12 percent compared with the year before. Similarly, deal volume dropped from 2,621 transactions in 2022 to 2,080 deals in 2023, a decline of 21 percent.

Tighter credit markets and higher borrowing costs versus recent history are making it tougher for private equity to secure financing for its deals. PE is more focused on turning around distressed assets and expansion opportunities (into new markets and customer segments) through reverse mergers, divestitures, and minority investment deals.

Corporates are seeking deals that will provide long-term value and growth, recession resistance, and faster business transformation through acquisitions and joint ventures (JVs). Enabling growth in core business is the largest driver (48 percent) of recent deals made.

We expect to see a ramp-up in mergers and acquisitions (M&A) activity as we progress through 2024. With general economic market conditions stabilizing and interest rates set up to decline, the M&A market should have some ability to re-engage.



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### Key statistics

**-21%**

decrease in total C&R deal volume from 2022 to 2023 (2,621 to 2,080)

**-12%**

decrease in total C&R deal value from 2022 to 2023 (\$119.3 billion to \$105.4 billion)

**20%**

PE share of C&R deals in 2023. PE buyers accounted for 26.2 percent of total value.

### Top strategic deals

Acquirer	Target	Value (billions)
Bunge Limited	Viterra Limited	\$18.0
Tapestry, Inc.	Capri Holdings Limited	\$8.5
Berkshire Hathaway Inc.	Pilot Travel Centers LLC	\$8.2
The J. M. Smucker Company	Hostess Brands, Inc.	\$5.6
Tempur Sealy International, Inc.	Mattress Firm Group Inc.	\$4.0

### Top PE deals

Acquirer	Target	Value (billions)
Roark Capital Group	Subway	\$9.6
Redwood Holdings	Newly Weds Foods	\$4.0
B. Riley Financial, Irradiant Partners	Franchise Group	\$2.6
Blackstone (Sachin Bavishi)	Rover Group	\$2.3
Advent International	Zimmermann Wear	\$1.2

Deal data has been sourced from Capital IQ, Pitchbook, and KPMG analysis and majorly excludes asset purchases/minority purchases. The values and volumes data cited are for US deals announced between 1/1/2023 and 12/31/2023. Deal values are only presented based on publicly available deal data and are not exhaustive. Previously published statistics may be restated to incorporate new data and/or any changes.

## By the numbers



Consumer & Retail

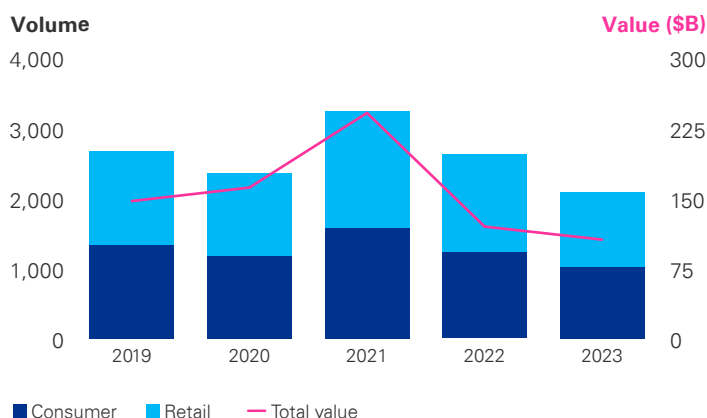
# Uncertainty drives retrenchment in M&A

In 2023, M&A closed on a muted note with consumer and retail (C&R) sector deals trailing 2022 levels, for a second year of double-digit declines. With 2,080 deals valued at \$105.4 billion announced through 2023, C&R sector deal volume decreased 20.6 percent from the 2,621 deals announced in 2022, while C&R sector deal value dropped 11.7 percent from \$119.3 billion in 2022.

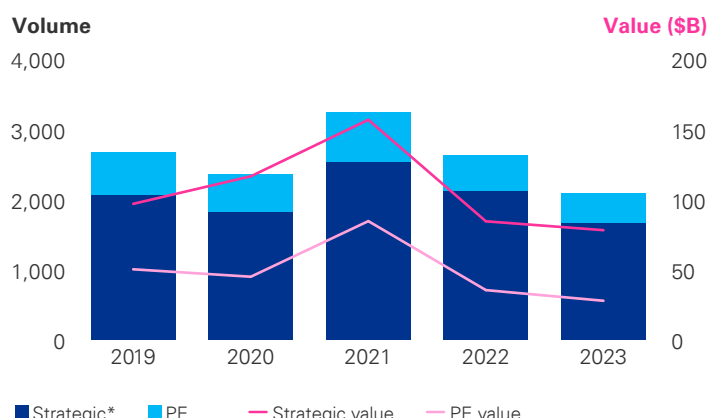
Retail deals outnumbered consumer deals with 1,061 announced transactions compared with 1,019 consumer deals.

The 1,661 strategic deals valued at \$77.8 billion were 21.6 percent below the number of strategic deals in 2022; the value of strategic deals fell 7.5 percent in 2023. Private equity deals fell as well in 2023, with the number of PE deals declining to 419 from 503 transactions the year before, a drop of 16.7 percent. PE deal value also fell from \$35.2 billion in 2022 to \$27.6 billion in 2023, a fall of 21.6 percent.

## U.S. C&R deal activity by subsector



## C&R deal activity by type



\*Includes SPAC deal activity

## Top C&R deals in 2023

Acquirer	Target	Rationale	Value (billions)
Bunge Limited	Viterra Limited	Strengthen Bunge's grain and oilseed processing businesses and expand its Australian presence	\$18.0
Roark Capital Group	Subway	Leverage Roark's franchising and restaurant expertise while executing growth strategy	\$9.6
Tapestry, Inc.	Capri Holdings Limited	Expand market reach (Asia especially), access wider resources, and increase DTC businesses	\$8.5
Berkshire Hathaway Inc.	Pilot Travel Centers LLC	Expand footprint in EV (electric vehicles) sector	\$8.2

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## By the numbers



Consumer

## Consumer M&A trends

High interest rates and expectations for a 2023 recession that did not materialize stalled M&A activity in the consumer sector again in 2023, to the lowest levels during the prior 5 years. Food, beverage, and tobacco accounted for 479 deals—down from 563 in 2022, a decline of 14.9 percent, however, value was flat at \$26.9 billion. Personal, home care, and nonfood and beverage consumer packaged goods companies announced 40 fewer deals in 2023, totaling 317 deals, while deal value declined 1.2 percent to \$15.6 billion (from \$15.8 billion). Consumer durable deal announcements declined 26.2 percent to 223 total deals from 302 deals in 2022; deal value dropped 77.5 percent to \$3.9 billion from \$17.2 billion.

### 2023 highlights

**1,019** deals

**-16.6%**

deals

decrease  
YoY

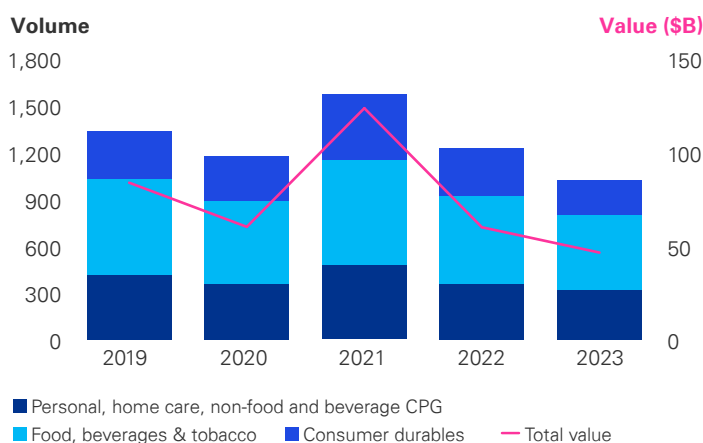
**\$46.4**

billion  
deal value

**-22.6%**

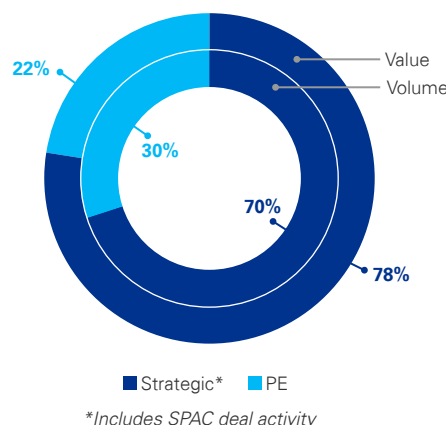
decrease  
YoY

### Consumer deal activity by subsector



### 2023 consumer PE/strategic mix

Outer ring represents value. Inner ring represents volume



### Top consumer deals 2023

Acquirer	Target	Rationale	Value (billions)
Tapestry, Inc.	Capri Holdings Limited	To expand market reach, gain access to wider resources, and increase DTC businesses	\$8.5
The J. M. Smucker Company	Hostess Brands, Inc.	To leverage Hostess' convenience store distribution and expand its portfolio	\$5.6
Redwood Holdings	Newly Weds Foods	To benefit from strong growth potential of Newly Weds Foods	\$4.0
Altria Group, Inc.	NJOY Holdings, Inc.	To contribute to their "Moving Beyond" initiative and help smokers transition to a smoke-free future	\$2.8
Campbell Soup Company	Sovos Brands, Inc.	To diversify and enhance its meals & beverages division	\$2.7

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## By the numbers



Retail

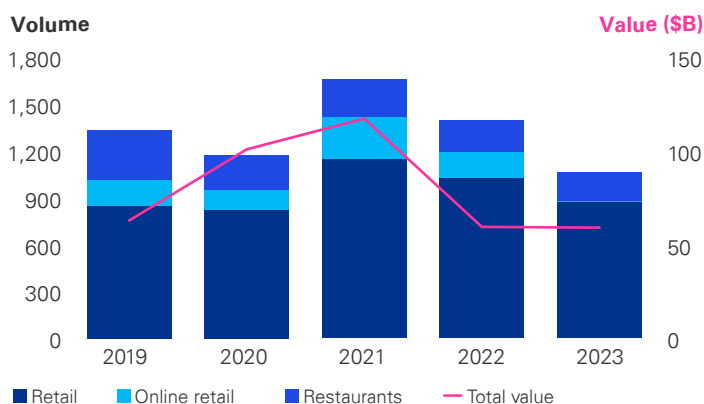
## Retail M&A trends

During 2023, the retail sector worked to reduce inventories and achieve better balance to meet the demands of a more value focused consumer. Total retail M&A transactions declined 24.2 percent to 1,061, the lowest level since 2018, with all subindustries declining. The online-only retail space saw the most dramatic reduction in announced transactions, at a total of nine, down from 172 in the previous year; announced restaurant transactions of 181 in 2023 compare with 204 in 2022, down 11.3 percent.

### 2023 highlights

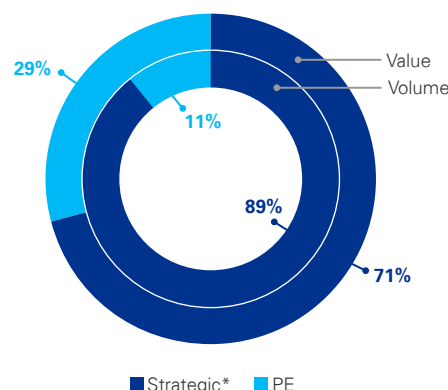
**1,061** deals **-24.2%** decrease YoY  
**\$59.1** billion deal value **-0.7%** decrease YoY

### Retail deal activity by subsector



### 2023 retail PE/strategic mix

Outer ring represents value. Inner ring represents volume.



\*Includes SPAC deal activity

### Top retail deals 2023

Acquirer	Target	Rationale	Value (billions)
Bunge Limited	Viterra Limited	To strengthen Bunge's grain and oilseed processing businesses and also expand its presence in Australia	\$18.0
Roark Capital Group	Subway	To leverage the expertise of the PE firm in franchising and restaurant business models	\$9.6
Berkshire Hathaway Inc.	Pilot Travel Centers LLC	To expand its footprint in the EV sector	\$8.2
Tempur Sealy International, Inc.	Mattress Firm Group Inc.	To strengthen Tempur Sealy's product development, manufacturing and vertically integrated retail services	\$4.0
B. Riley Financial, Irradiant partners	Franchise Group	To help generate value for Franchise's public stockholders	\$2.6

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## By the numbers



PE

## Dry powder continues to accumulate

With an estimated \$2.59 trillion in global PE capital available at 2023 year's end<sup>1</sup> and economic uncertainty stabilizing, 2024 is positioned to see a return to M&A activity, according to KPMG partners. The Fed appears finished with rate hikes, and while the timing of possible rate reductions is unknown, there are a number of datapoints signaling that inflation has been addressed and the next move by the Fed is to lower rates.

Total PE deal value in 2023 declined yet again to \$27.6 billion, and is at its lowest level since 2018. In 2023, C&R PE activity peaked in Q3'23 at \$15.8 billion, representing 101 deals.

PE firms announced 113 deals in retail, down from 130 transactions in 2022, while PE deals in consumer companies declined from 373 in 2022 to 306 in 2023. A bright note was the 18 percent lift year over year in PE retail deal value, to \$17.2 billion, from \$14.6 billion in 2022. Consumer PE deal value was

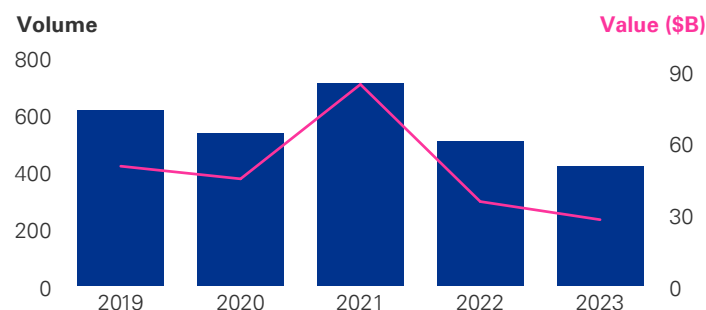
halved again in 2023, dropping to \$10.4 billion from \$20.6 billion in 2022.

The top PE deal in the C&R space was Roark Capital Group's announced acquisition of Subway for \$9.6 billion during 3Q'23. That transaction is positioned to drive Subway's international expansion while benefiting from Roark's franchise and operational expertise. Family office Redwood Holdings' 4Q'23 \$4.0 billion acquisition of food ingredient company Newly Weds Foods, ranks as the second largest transaction during the year.

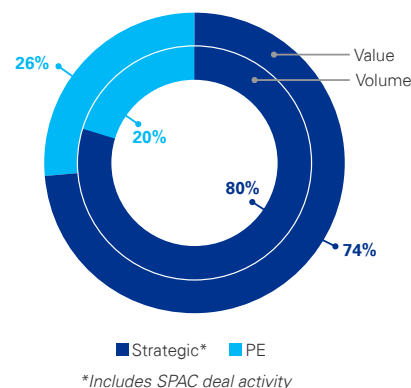
### 2023 highlights



### PE deal volume and value



### 2023 PE/strategic mix



### Top PE C&R deals 2023

Acquirer	Target	Rationale	Value (billions)
Roark Capital Group	Subway	To leverage the expertise of the PE firm in franchising and restaurant business models while continuing to execute a strategy for sales growth	\$9.6
Redwood Holdings	Newly Weds Foods	To benefit from strong growth potential of Newly Weds Foods, while simultaneously offering their financial resources and expertise to the company	\$4.0
B. Riley Financial, Irradiant Partners	Franchise Group	To help generate value for Franchise's public stockholders	\$2.6
Blackstone (Sachin Bavishi)	Rover Group	To enhance the online marketplace, expand globally, and increase investment opportunities	\$2.3
Advent International	Zimmermann Wear	To accelerate international expansion, strengthen online presence, and grow product categories and accessories	\$1.2

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<sup>1</sup> "Private equity firms face pressure as dry powder hits record \$2.59 trillion," spglobal.com, December 13, 2023



# Seamless commerce, the next retail frontier

While an omnichannel experience has been a long time coming, COVID-19 forced retailers to adapt and meet customers where they are with seamless digital experiences. The retail transformation of the last three years has been just short of miraculous, surfacing several emerging trends:

- That certain categories drive e-commerce growth along with a younger cohort
- The online shopper is critical across retail channels
- Physical retail—the store—sits at the center of e-commerce
- Customer-centric economics reflecting customer lifetime value (CLV) move from a key performance indicator (KPI) to a driver of organizational transformation.

Online growth for most retail categories spiked during the pandemic. However, grocery and home improvement have sustained growth postpandemic, while other categories, such as auto supply and clothing and accessories, have stabilized at or slightly above pre-pandemic levels. During the pandemic, a comparable percentage of all generations increased their share of spending on e-commerce, but online spending per card increased twice as fast for millennials as it did for older generations. Moving forward, younger generations (including Gen Z) are twice as likely as baby boomers to dedicate a greater share of their spend to online shopping over the next three years. These younger shoppers with strong digital tendencies will drive the continued adoption of online shopping and e-commerce growth.

This rapid digital acceleration over the last three years has modernized retail customer journeys and elevated expectations for speed, convenience, and satisfaction. Despite the uniqueness of every customer journey, they share some common factors: consumers expect seamless, consistent, convenient, and personalized experiences across all retail touchpoints. KPMG research reveals that convenience tops the list and can be the

deciding factor in where and how consumers choose to shop and the delivery/fulfillment methods they use.

Consumers who buy online have become more critical to retailers since the start of the pandemic in a variety of ways. For example, a greater share of brick-and-mortar sales come from individuals who shop online; individuals who shop online and in-store spend more overall; and consumers who prefer to shop online have larger basket sizes across channels.

The convenience of digital shopping is undeniable, while the ability to touch, feel, try, and test merchandise, and the immediate gratification of receiving a product, highlight the relevancy and attractiveness of stores. Convenience and experience are complementary. Our data shows that nearly a quarter (24 percent) of consumers value the social and emotional experience of in-store shopping. According to National Retail Federation (NRF) data, brick-and-mortar stores remain consumers' primary point of purchase, accounting for approximately 70 percent of total retail sales. The store has become the center of e-commerce, reducing customer acquisition costs, providing first-line customer service, and reducing distribution center and logistics costs while enabling third-party fulfillment partnerships and serving as a fulfillment node and return depot.

Several retailers are implementing organizational changes and incorporating capabilities to better reflect the integrated way consumers now shop. Leading retailers have adopted horizontal organizational structures to break down operational silos across channels and facilitate better collaboration and coordination between functions. It is critical that retailers stay in step with consumer expectations, and these changes are designed to provide a holistic approach to making better decisions to optimize the customer experience.



In turn, leading retailers are realizing the benefits of rethinking their performance metrics and incentives to better align with customer-centric journeys. CLV enables organizations to track their investments in customer experience, gaining data insight on customer behaviors and which touchpoints are most profitable, while improving customer acquisition strategies and programs to enhance customer loyalty. By balancing the short-term focus on store-level profit and loss with a longer-term view emphasizing channel-agnostic CLV, these companies are enhancing and strengthening their relationships with customers.

For more on this topic, read the KPMG report, "[Seizing the seamless opportunity](#)."



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## Outlook

# Expect a dealmaking bounce

Coupled with large amounts of resting dry powder, M&A activity is likely to witness an upward trajectory once the Fed funds rate is reduced (which KPMG projects to occur in May 2024), and macroeconomic conditions continue to stabilize. The macro environment is likely to be a critical factor, and if the Federal Reserve manages to thread the needle and achieve a soft landing, it will likely enhance exit prospects and LP sentiment toward private equity during the first half of 2024.

Consumers, businesses, and investors have been and continue to navigate high levels of uncertainty; post pandemic, economic, and political uncertainty remain. These uncertainties are a tax on the US economy and drive indecision and delay by all constituents in their decisions about the future. KPMG projects GDP growth to slow to a 1.6 percent year-over-year pace by the final quarter of 2024 from the 2.4 percent growth estimate for 2023.

“The descent on interest rates is expected to be much slower than the ascent. The Fed now has much more latitude to cut rates than it did in the past. The era of free money has come to an end, barring another major financial crisis.”<sup>2</sup>

—Diane Swonk, Chief Economist,  
KPMG LLP

While disinflation is occurring in some product categories, and inflation appears to have stabilized, much of the drag from monetary tightening is still ahead of us, from credit card and vehicle loan delinquencies to

commercial and residential real estate and corporate debt resets in 2024.

The endurance and resiliency of the US consumer will provide a tailwind for C&R businesses. We enter 2024 with the latest (December 2023) reading of The University of Michigan's consumer sentiment at 69.7,<sup>3</sup> its highest level in five months as the outlook for inflation improves.

Exits along with M&A activity slowed in 2023, and US PE investments exited in 2023 saw an increase in the median holding period, to 6.4 years, the highest since 2015. This indicates that PE firms are holding assets longer to wait for improved market conditions. Private valuations/multiples are correlated

to public market valuations, and the stock market gains in 2023 could be a precursor to higher multiples in the private sector in 2024 within the backdrop of a more stable interest rate environment. This could unwind the pent-up exits and bring in new cashflows into the fundraising cycle, feeding dry powder.

## Key considerations as we look ahead

In pursuing M&A in an economic downturn, C&R dealmakers should consider the following:

### 1 Technology investments

Companies will require innovative technology to stay competitive, offer personalized experiences, and improve supply chain efficiency and sustainability.

### 2 Key alliances

Strategic partnerships and acquisitions will be used to compete with other large players and disruptors in the industry.

### 3 Sustainability-focused M&A

Consumers will continue to demand sustainable products and corporate practices. Thus, companies may seek M&A opportunities to strengthen their sustainability efforts, accessing greener supply chains, and reducing their carbon footprint.



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<sup>2</sup> “KPMG Global Economic Outlook,” KPMG.com, December 2023

<sup>3</sup> Survey of Consumers University of Michigan, [sca.isr.umich.edu](https://sca.isr.umich.edu)



## How we can help you

KPMG helps its clients overcome deal obstacles by taking a truly integrated approach to delivering value and leveraging its depth in the C&R industry, data-supported and tools-led insights, and full M&A capabilities across the deal lifecycle.

With a C&R specialization, our teams bring both transactional and operational experience, delivering rapid results and value creation.

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