M&A trends in consumer and retail

Q1 2025 M&A trends report

C&R M&A activity slows in Q1’25, but key trends drive deals

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Deals aimed at expanding portfolios and managing distressed assets

First quarter of 2025 (Q1'25) merger and acquisition (M&A) activity within the US consumer and retail (C&R) sector[1] unfolded amid a complex economic backdrop. Economic growth slipped into negative territory in the first quarter primarily due to an influx of imports ahead of expected price increases; this increased the trade deficit and dragged GDP lower. Increasing macroeconomic and financial market volatility were mainstays throughout the first quarter.

Many deals that were close to being signed are on hold or pushed out due to market turbulence; however, some companies moved ahead with strategic acquisitions to expand their product portfolios. Notably, this includes deals in the health and wellness and "better for you" (BFY) categories, including Pepsi's acquisition of Poppi and Celsius Holdings' acquisition of Alani Nutrition. Firms targeted acquisitions for brands and businesses meeting the heightened demand for BFY products.

Although digital transformation wasn't a primary driver of M&A activity, it remains central to the broader operational strategy of many management teams, as companies seek to integrate digital and AI tools to drive operational efficiency, glean actionable insights, and refine omnichannel and customer experience capabilities—all with a focus on enhancing profitable growth.

This report examines M&A activity during Q1'25. We also present an outlook that explores how recent issues and developments could impact where C&R deals may move in the second quarter and throughout the rest of the year.

> "Optimism at the start of 2025 quickly turned to uncertainty amid economic concerns. The April 2nd tariff announcement and subsequent revisions have caused sustained uncertainty, making opportunistic M&A more challenging, but not yet halting highly strategic deals."
>
> —Frank Petraglia
>
> *Partner, Deal Advisory & Strategy, C&R Leader*

[1] This report focuses on deals in which one or both parties are based in the United States.

Transactions in FS during Q1'25 reflected the sector's efforts to adapt to a rapidly changing environment, capitalize on emerging opportunities, and enhance technological capabilities. The banking industry continued to demonstrate a focus on expansion of market presence, digital capabilities, enhancements in technological infrastructure, and customer experience. One notable example is Rocket Companies' $9.4 billion all-stock acquisition of Mr. Cooper Group,[2] a combined company servicing over $2.1 trillion in loan volume and nearly 10 million clients. This deal is a potential game-changer, driven by the need to enhance technological capabilities, improve customer experience, and achieve significant cost and revenue synergies. This transaction also has the potential to push some smaller players out of the market due to high costs.[3]

Similarly, LPL Financial's $2.7 billion acquisition of Commonwealth Financial Network underscores its focus on execution, technology, talent, and trust to drive sustainable growth in wealth management. This move positions LPL to expand its presence in the high-net-worth segment—a market they had been building organically—and enhances its competitive edge against private banks and wire houses while also potentially helping to increase its market share.

The insurance sector focused on expanding insurance capabilities, driving digital transformation, and acquiring brokerages to improve efficiency and competitiveness. In capital markets, M&A activity aimed to enhance private market capabilities, diversify offerings, and expand geographical reach.

While the quarter did see notable growth-focused transactions, it also signaled increasing market volatility reminiscent of the early stages of the Great Financial Crisis in 2007. Unlike the past, today's scenario is marked by a significant lack of clarity, prompting organizations to explore various strategic options.

The resulting declines in financial markets coupled with the dramatic rise in economic insecurity have challenged management teams in proceeding with large-scale M&A. Moreover, the decline in stock prices limited the capital available for M&A, making it difficult for public companies to execute large deals. Additionally, the lack of clarity around the scope, permanence, and long-term impact of tariffs further complicates strategic planning and decision-making.

It's unclear whether these trends will continue and if—or when—the intensity and frequency of shifts in economic indicators driven by executive orders and tariffs will increase, subside, or cease. However, the heightened level of anxiety, the increased unpredictability of the market, the potential for further economic downturns, and the uncertainty surrounding trade policies underscores the importance for leaders to embrace agile decision-making and continuousscenarioplanning.

Q1 2025 highlights

Both deal volume and value declined.

458
deals

-1%
decrease in number of deals QoQ

$12.5 billion
deal value (in $US bn)

-27%
decrease in deal value QoQ

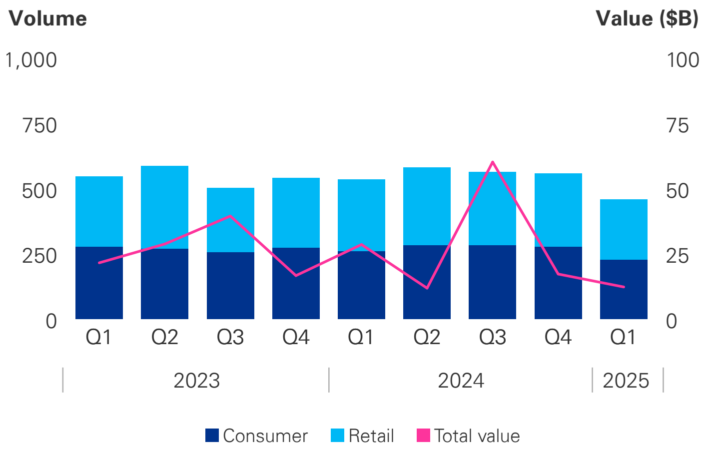
[2] "Mr. Cooper, America's Largest Servicer, Joins Rocket, the Nation's Largest Lender," Mr. Cooper Group, March 31, 2025
[3] Brad Finkelstein, "What the Rocket-Mr. Cooper deal means for mortgage lenders," American Banker, March 31, 2025

A drop in both deal volume and value

In Q1’25, the C&R sector recorded 458 M&A deals, representing an 18 percent decrease from the previous quarter and a 14 percent decrease year-over-year (YoY).

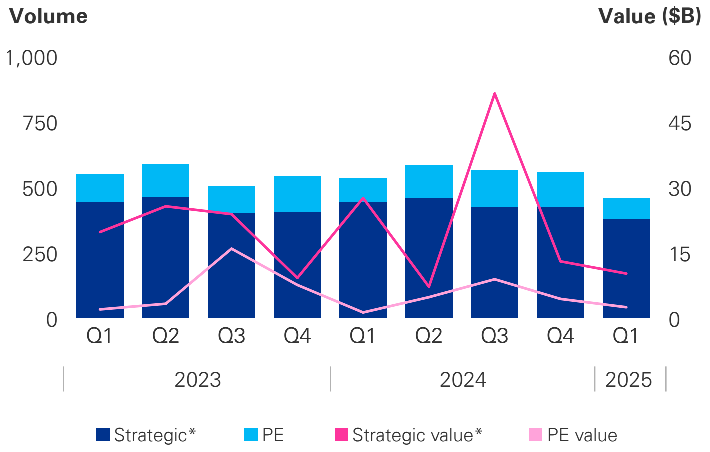
Deal value for this quarter amounted to $12.5 billion, reflecting a 27 percent decrease from the previous quarter and a 56 percent decrease YoY.

Consumer & retail deal activity by sector*



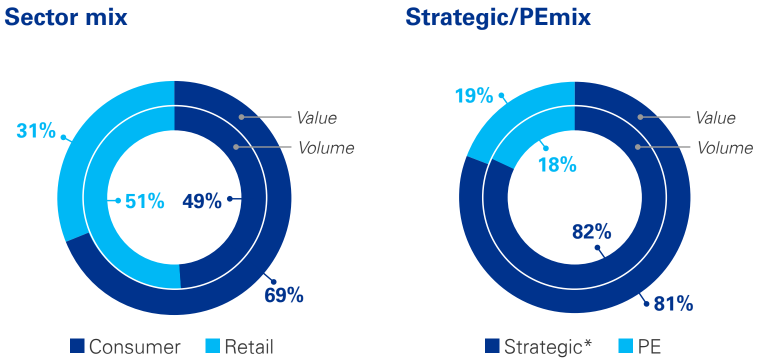
*Q3’24 was an outlier as a result of the $35.9 billion acquisition of Kellanova by Mars Inc.

Consumer & retail deal activity by type



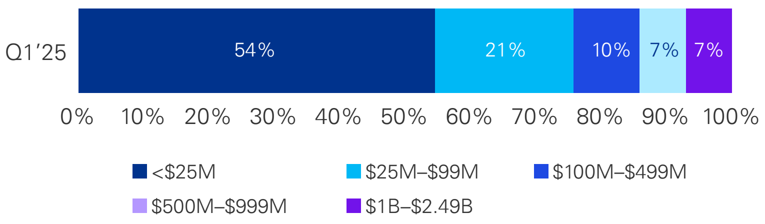
*Data also contains figures for SPAC deals.

Consumer and retail - Q1’25



Values may not add to 100% due to rounding.
*Data also contains figures for SPAC deals.

Consumer and retail deal size mix - Q1’25



Note: Deals with disclosed values only. Values may not add to 100% due to rounding.

Sector-specific data

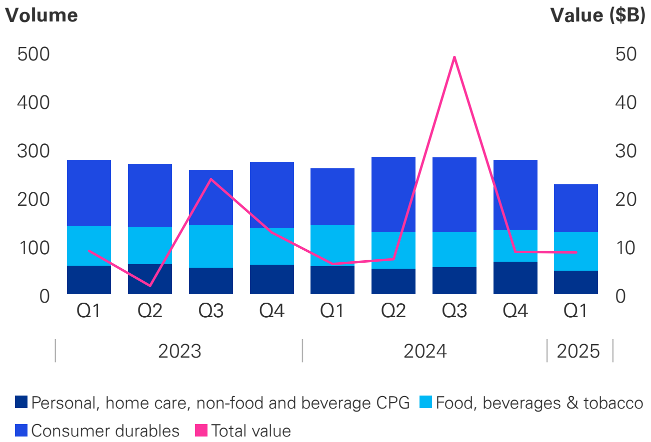
Consumer

The consumer subsector saw a significant decline in deal volume, with 226 deals in Q1’25, an 18 percent decrease from the previous quarter and a 13 percent decrease YoY.

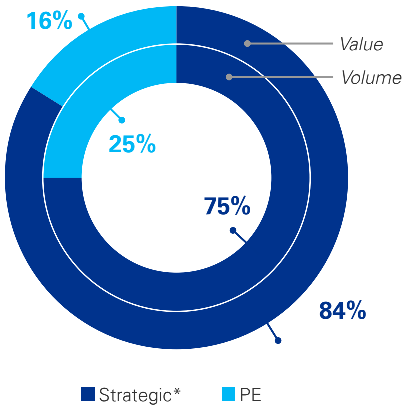
Total deal value for the consumer subsector was $8.6 billion, roughly the same as the previous quarter but up 39 percent YoY.

Key drivers for M&A activity in consumer included product portfolio expansion, and consolidating industry positions to increase production capacity and market share.

Consumer deals by subsector



Consumer strategic/PE mix Q1’25



*Values may not add to 100% due to rounding.
**Data also contains figures for SPAC deals

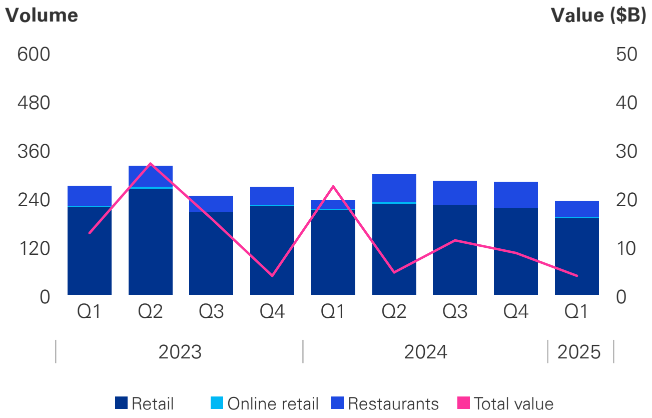
Retail

The retail subsector saw a decline in deal volume, with 232 deals in Q1’25, a 17 percent decrease from the previous quarter and a 16 percent decrease YoY.

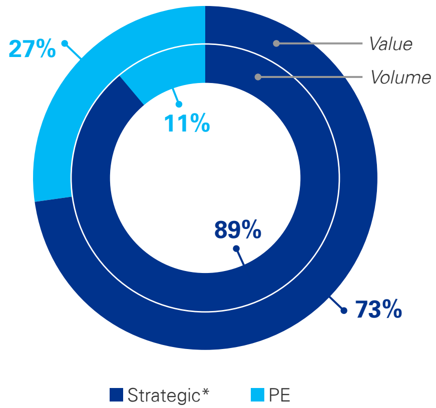
Total deal value was $3.9 billion, reflecting a 53 percent decrease from the previous quarter and an 83 percent decrease YoY.

Key drivers for M&A activity in retail included enhancing market presence and operational scale, unlocking value through strategic restructuring and operational improvements, and diversifying product offerings to enter new customer segments.

Retail deals by subsector



Retail strategic/PE mix Q1’25



*Values may not add to 100% due to rounding.
**Data also contains figures for SPAC deals

Top deals

	Value (billions)
Acquirer: **PepsiCo, Inc.** Target: **Poppi**	$2.0
Acquirer: **Celsius Holdings, Inc.** Target: **Alani Nutrition, LLC**	$1.8
Acquirer: **Asbury Automotive Group, LLC** Target: **The Herb Chambers Companies**	$1.3
Acquirer: **Global Eggs** Target: **Hillandale Farms**	$1.1
Acquirer: **Brigade Capital Management, Macellum Capital Management** Target: **Family Dollar (business segment of Dollar Tree Inc.)**	$1.0
Acquirer: **Kontoor Brands, Inc.** Target: **Helly Hansen**	$0.9

Deal data has been sourced from Capital IQ and Pitchbook, and then further refined and analyzed by KPMG LLP. The cited values and volumes cover inbound, domestic, and outbound US deals announced during the timeframe, including both majority and minority stakes. Deal values are based on publicly available data and are not exhaustive. Previously published statistics may be revised to incorporate new data or changes.

Advancing in turbulent times

Corporate deals that address long-term strategic goals will likely move forward with less sensitivity to the broader external factors at play. Economic pressures could drive industry consolidation, with lower echelon performers becoming natural takeover targets for larger competitors with healthy balance sheets seeking to consolidate, gain market strength, or improve operational efficiencies. Likewise, consumer staples could become appealing targets for opportunistic buyers in a down economy, a trend we've seen in other periods of economic weakness. Additionally, joint ventures are a creative transaction structure that can be attractive to buyers (and sellers) and help bridge valuation gaps, allowing sellers to demonstrate their conviction in the business's future while providing buyers with an attractive investment opportunity. And, if history is any guide, during recessions public market initial public offerings tend to favor C&R companies.

Meanwhile, distressed or soon-to-be distressed assets could become more attractive to private equity (PE) firms. Tariffs could disproportionately affect subsectors such as apparel, footwear, and luggage, pushing them into distress. To diversify risks or lock in returns, PE firms could turn to more structured investments, including taking minority shares with attractive conversions rights. This strategy may be particularly relevant in a volatile market, where the focus may be on internal portfolio company management and leveraging operating partners to enhance performance. The PE firms with greater focus on value creation during the hold period could find unique opportunities to capitalize upon.

In a competing scenario, intense market uncertainty and consumer trepidation could continue to restrain consumer spending and, ultimately, M&A activity. Although retail sales increased 1.4 percent in March, it appears to reflect a pretariff buying spree for autos and other goods. According to KPMG LLP's latest Consumer Pulse survey, 70 percent of respondents expect a recession to occur in the next year; 50 percent expect to purchase less overall due to tariffs. Moreover, the University of Michigan consumer sentiment dropped by 11 percent in April, marking the second-lowest reading since records began in 1952.

Companies across the board will need to focus on performance improvement, working capital efficiency, and optimized cash management strategies to weather the storm. Executives who remain agile and proactive, focusing on strategic objectives and resilient business models, will capitalize on the opportunities that will still arise in 2025.

Consumer

"Health is wealth" – The focus on health and wellness will continue to drive strategic M&A deals, with companies seeking to expand their portfolios to cater to the growing demand among high-earning consumers for BFY products.

Retail

Pressure on retailers to enhance profitability and absorb tariff shocks could push retailers to divest noncore assets. Creative transaction structures will help get deals over the finish line.

Key considerations as we look ahead

C&R dealmakers thinking about M&A in the current environment should consider the following:

01

Macroeconomic indicators:

Signs of increased stability, transparency, and predictability in the macroeconomic environment will need to return to provide an attractive landscape for M&A. Conversely, slower economic growth could spark a wave of distress-induced consolidation.

02

Consumer bifurcation:

The consumer situation is complex. On one hand, we expect consumer consumers to move to lower cost alternatives as prices rise and the buying power of middle- and working-class consumers diminishes. On the other hand, the highest-earning households (top 10 percent) control 50 percent of spending.* Their strong earning power will continue to drive BFY and wellness trends. Higher income consumers could put a floor under inflation.

03

Creative approaches to dealmaking:

Finding ways to mitigate risk and secure returns puts many more potential deals in play. Companies that can demonstrate resilience and focus on long-term strategic goals are likely to find opportunities. Joint ventures and creative transaction structures will play a crucial role in navigating the challenging market conditions.

04

Monitor tariff developments:

New trade proposals and regulatory shifts may impact margins. Build flexibility into deal structures and supply chain planning.

05

Act with discipline, not delay:

The market favors fewer but transformative deals. PE and strategic buyers should move decisively where strategic advantage and exit paths are clear.

* "The U.S. Economy Depends More Than Ever on Rich People," The Wall Street Journal, February 23, 2025

How KPMG can help

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.

Our team

Experience wins the deal.

Each member of our deal team brings extensive industry experience and functional depth, working together to help you win the right deals, divest successfully and create long-term value.

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