



Grant Thornton

RETAIL DEALTRACKER 2024

HARNESSING THE TECHNOLOGICAL EVOLUTION

It was a mixed year for the retail sector in 2023, as Australia's economy underwent major shifts. These challenges included a 4.1% annual inflation rate, rising interest rates and the increasing cost of living affecting the entire economy. Despite economic uncertainty, consumer discretionary spending showed unexpected growth.

ACCC Coles and Woolworths

As consumers face higher living costs, they closely monitor their expenses – in particular prices in the consumer staple sector. Coles and Woolworths have faced scrutiny from Government bodies and the ACCC regarding pricing practices, pressured by consumers and farmers groups.

AI and technology

The rise of tech-enabled businesses in retail is attracting acquisition interest due to their transformative impact. Technologies like generative AI and warehouse robotics are reshaping the industry by enhancing consumer connections and efficiency. This is exemplified by beauty retailer MECCA, with its AI-driven 'Miss MECCA' chatbot resulting in a 75% decrease in chat abandonment rates by efficiently handling customer inquiries.

The integration of technology into essential goods retailers could revolutionise the industry, offering real-time discounts on products nearing expiry, leading to cost savings and reduced waste in fresh food.

Key M&A sectors

In the M&A landscape, deal volumes fell by 32% in the 18 months to December 2023. Despite this, the Pharmacy, Beauty and Apparel sectors stood out with high transaction values. Overseas buyers, recognising the global appeal of these luxury brands, paid record values that Australian capital markets would unlikely match. Australia drew attention on the global stage, with a majority of buyers from the Asia Pacific region, the USA and Canada. Despite lower deal volumes, Australia remains attractive to investors, reporting \$5.9b in reported domestic deals and \$7.4b in reported cross-border deals.

Private Equity investment

There has been consistent but cautious interest in retail and consumer markets from Private Equity investors, driven by notable acquisitions like Aesop and Zimmermann. Historically, the Private Equity sector had high-profile retail investment success stories like JB Hi Fi, Rebel Sports and Petbarn. These diverse companies share a common theme – offering products tied to important lifestyle aspects such as sport, cars, family, and pets – making them appealing for discretionary spending of customers.

Competitive retail

In the dynamic retail sector, staying competitive requires a focus on key factors like product innovation, pricing strategies, people management, strategic location, and leveraging technology. This approach positions retailers to successfully sell the right product or service to the right customer, at the right time, and at the right price.

Retail Dealtracker: 18 months to 31 December 2023

To help you best navigate this retail evolution, we are excited to introduce the first edition of our Retail Dealtracker report – a collaborative effort between our Corporate Finance and Management Consulting teams. This report provides current global retail insights and a journey through the Australian retail M&A market in the 18 months to 31 December 2023.

For support tailored to your organisation, our teams are well equipped to support you from strategies to negotiations, integration, and executing business transactions. We go beyond being your advisors; we strive to be your strategic partners at every stage of your retail journey.



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This report examines M&A (Mergers & Acquisitions) and equity market activity in the Retail & Consumer Products sector between 1 July 2022 – 31 December 2023. The data in this report was compiled from several sources including the Australian Bureau of Statistics (ABS), S&P Capital IQ, the Australian Securities Exchange, Mergermarket, IBISWorld, company announcements and other publicly available information. We consider this consolidated multi-source analysis – supplemented with our own proprietary sources – to provide a comprehensive insight into recent deal activity.

The current retail climate

4.1%

CPI

Australia's CPI increased by 4.1% in the 12 months up to December 2023, prompting adjustments in pricing strategies, supply chain optimisation, and cost management while evaluating customer spending patterns.

3.8%

WPI

Labour costs in Australia have steadily risen, primarily driven by wage increases, reduced subsidies like JobKeeper, and labour force shortages. Weak productivity growth has also been observed in the retail workforce.

4.35%

CASH RATE

The cash rate has increased to 4.35%, a significant jump from its 0.1% rate in April 2022.

3.2%

CONSUMER SAVINGS RATE

The savings ratio decreased from 3.8% in the prior comparable quarter (Q4 2022) to 3.2% in Q4 2023. This decline, coupled with cost-of-living pressures and high interest rates, led to more cautious consumer spending.

3.4%

RETAIL SALES GROWTH CY23

Australian retail experienced below-trend sales growth of 3.4% in 2023. Inflated prices resulted in lower transaction volumes as consumers prioritised purchasing essential items over discretionary ones. Consumers opted for lower-priced options across various categories, particularly in groceries and alcoholic beverages.

2.5%

RETAIL SALES GROWTH EXPECTATIONS CY24

Despite a challenging year ahead, with a forecast growth rate of 2.5% for 2024, consumer spending is expected to pick up in the second half of the year. This shift may be influenced by a move away from retail spending toward travel-related expenses.



Retail margins

Among the listed retail companies in the subsectors of Home and Hardware, Food and Beverage, and Department (Online & Stores), the reported EBIT margins exhibit diverse levels of performance. These variations are primarily influenced by scale, product offerings, and market position.

Notably, Nick Scali and Lovisa Holdings stand out for achieving outstanding results. Their success can be attributed to their ability to provide competitive and relevant products tailored to their specific customer segments.

Reported EBIT Margins	FY19(a)	FY20(a)	FY21(a)	FY22(a)	FY23(a)	FY24(e)	FY25(e)	FY26(e)
Home & Hardware								
Bunnings	12.3%	13.0%	13.6%	13.1%	12.6%	12.5%	12.4%	12.6%
Harvey Norman*	21.0%	31.3%	40.5%	36.7%	28.5%	14.4%	15.0%	15.4%
Beacon Lighting	10.1%	12.0%	20.6%	20.8%	17.4%	15.6%	15.4%	16.1%
Nick Scali	21.8%	21.6%	32.8%	26.8%	29.9%	28.4%	27.6%	27.4%
Adairs	12.5%	14.6%	21.4%	12.6%	10.6%	8.9%	10.4%	11.6%
Food and Beverage								
Coles	3.8%	4.7%	4.9%	4.8%	4.6%	4.2%	4.5%	4.9%
Woolworths	3.9%	3.8%	5.1%	4.4%	4.7%	4.8%	4.9%	5.1%
Treasury Wine Estates	24.0%	18.5%	18.3%	20.3%	20.0%	24.1%	26.1%	27.0%
Department (Online & Stores)								
Myer	2.3%	3.2%	7.5%	7.3%	7.1%	5.5%	5.5%	5.4%
Kogan	5.5%	8.2%	1.4%	(5.3%)	(7.4%)	4.6%	5.5%	6.2%
Kmart	9.0%	7.9%	10.3%	7.1%	8.8%	10.5%	10.1%	10.1%
Target	0.7%	1.3%	4.8%	4.7%	4.8%	4.5%	4.2%	4.3%
Catch Group	N/A	N/A	(8.7%)	(17.3%)	(45.5%)	(22.5%)	(8.3%)	(6.3%)
Officeworks	7.2%	7.5%	7.3%	6.0%	6.3%	6.2%	6.3%	6.3%
Super Retail Group	7.8%	7.5%	13.6%	11.1%	11.2%	10.3%	10.0%	10.1%
Lovisa Holdings	21.1%	8.1%	10.7%	17.6%	17.9%	18.0%	19.0%	19.7%
Michael Hill	3.9%	0.4%	9.8%	11.5%	8.8%	6.6%	7.6%	8.2%
The Reject Shop	(0.2%)	1.2%	2.4%	2.2%	2.0%	2.8%	2.3%	2.5%
Baby Bunting	6.5%	6.6%	5.5%	7.0%	4.6%	4.5%	5.8%	6.6%
Universal Store	13.0%	15.8%	20.7%	15.7%	15.4%	14.6%	15.3%	15.8%
Cettire**	4.0%	7.4%	(0.1%)	(13.2%)	4.7%	5.1%	5.4%	5.6%
Shaver Shop	6.1%	8.6%	12.3%	11.6%	11.5%	10.7%	10.8%	10.8%

*Includes property revaluation which inflates the EBIT performance

**It is unclear whether AASB-16 was applied.

Challenges facing retailers

Over the past 18 months, the retail industry has undergone significant challenges and transformations, prompting businesses to adapt and innovate. Key trends highlight a period of constant change, often referred to as a 'permacrisis'.

Global economic shifts

Global economic challenges, triggered by a shift from declining interest rates to intense inflationary pressure, have resonated throughout the retail value chain. Rising costs in shipping, logistics, input costs, rents and wages place businesses under significant margin pressure, requiring cost optimisation strategies.

ABS data highlights the cost-of-living crisis, with tracked living cost indices rising between 4.0% and 6.9% in the 12 months to 31 December 2023. Labour shortages and employee turnover have increased due to previous COVID-19-related closed borders, low consumer confidence, and limited growth and development opportunities due to the pandemic.

Geopolitical tensions and natural disasters, further disrupting supply chains and operations, add a layer of complexity.

New and transformational technology

The retail industry is increasingly adopting Artificial Intelligence (AI), generative AI and technologies across the value chain to drive growth and efficiency. Examples include warehouse robotics, AI-driven merchandise planning, computer vision to combat retail crime, and voice-powered tech for associates and customers.

Finding the right balance for competitiveness, risk management, and compliance is crucial among rapidly evolving technological advancements. Retailers must prioritise data security and privacy, navigate emerging regulation, and manage increasing competition from non-traditional retailers and startups. Cultural and organisational change from new technology, including addressing skills gaps and technological unemployment, also present challenges.

Generational shifts

The consumer landscape is evolving, compelling retailers to diversify offerings beyond spending. ABS data shows rising parental age and delays in reaching traditional societal milestones. Baby Boomers drive demand for travel, leisure and health-related spending. Gen X embraces omnichannel, personalisation, loyalty, and convenience solutions. Millennials push eco-friendly and ethical consumption, while Gen Z demands frictionless shopping.

According to the Commonwealth Bank, economic challenges have hit young Australians the hardest, with a Prior Comparable Period (PCP) 6.2% year-on-year decline in 25 to 29-year-olds' discretionary spending. Those under 35 spent 8.4% less on discretionary apparel in 2023, reflecting the decline in retail consumption. Non-discretionary retail spending is however expected to rise moving forwards due to population growth, expected to peak in about 7 years. Gen Z contributes 36% of Australia's retail spending, expected to reach 48% by 2030 according to AfterPay.

Reframed shopper relationships

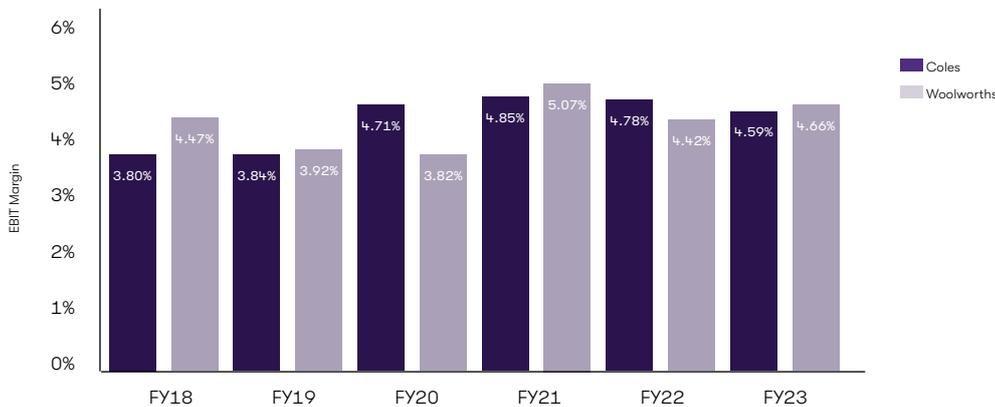
Shopper relationships with retailers have fluctuated in recent years, impacting consumer engagements. Omnichannel and e-commerce surged during the pandemic, yet experiential shopping continues to be highly valued.

Modern customers seek seamless shopping experiences across channels, prompting retailers to optimise their operating model and therefore meet shoppers wherever they are.

Consumer staple retailers: Woolworths and Coles

Against the backdrop of economic challenges and heightened public scrutiny on major retailers in the consumer staples sector, price monitoring has been front of mind for Australia's leading supermarket chains, Coles and Woolworths.

Pricing practices and possible regulatory changes are currently under review, leading to a closer examination of their profit margins.



Analysis of Coles and Woolworths' EBIT margins reveals a consistent range of 4% to 5%, with a slight uptick noted from FY22. Despite conservative margins of 4.6% and 4.7% respectively for FY23, reducing prices by 5% would result in losses, creating challenges for shareholder support and impacting the employment of approximately 340,000 Australians.

The Australian supermarket sector, mirroring broader trends across the economy, faces inflationary hurdles, primarily due to rising supplier costs and freight charges. While fruit and vegetable prices exceeded CPI over the past decade, they saw a 6.4% drop in the last year, partially due to favourable growing conditions. However, producer prices for these items have not matched retail price inflation, indicating potential margin expansions within the supply chain. Red meat inflation has consistently surpassed cattle-yard prices over the past four years, although both experienced a decline in the last 12 months, resulting in red meat price reductions in the first quarter of 2024.

The increase in the cost-of-living pressures on consumers has seen the Australian supermarket sector face heightened scrutiny, prompting two ongoing inquiries into pricing practices. The Australian Council of Trade Unions (ACTU) is conducting an inquiry into price gouging and unfair pricing practices, while a Senate inquiry into the cost of living is also underway. If these inquiries confirm allegations, potential actions may include changes to merger laws, reinforcement of laws on unfair practices, granting price-monitoring powers to the Australian Competition and Consumer Commission (ACCC), mandating the voluntary food and grocery code of practice, and introducing penalties for code breaches.

These inquiries add pressure on supermarkets to reduce their already slim margins. While intended to safeguard consumers, they may create further challenges for supermarkets, who invest significant capital and carry significant overheads, like payroll and land taxes, and contribute to supporting a large portion of the Australian workforce.

Consumer discretionary deal trends

Retail M&A activity has been subdued due to economic conditions during the 18 months to 31 December 2023. In this time, we have seen unprecedented deal values being paid for Australian assets, while on the other hand, some Australian assets have been purchased at substantial discounts compared to previous prices.

The following deals highlight this disparity:

Record deal value

1



L'Oréal S.A. (ENXTPA:OR) acquires Aesop Retail Pty Ltd from Natura & Co.

Transaction value: \$3.7b

EV/EBITDA multiple: 20x

- Aesop, an Australian luxury brand, spans 400+ global points of sale.
- Its AUD \$3.7b acquisition is Australia's largest luxury brand transaction in this reporting period.
- Focused on sustainable skincare, Aesop's emphasis on premium, plant-based, eco-friendly ingredients propels the local enterprise to a luxury status.
- Sales soared from USD \$28m in 2012 to USD \$537m in 2022, driven by organic expansion and a commitment to social and environmental values.
- Joining L'Oréal's Luxe division, Aesop gains visibility and targets expansion in the Chinese market and travel retail. The brand also aims to gain Millennial and Gen Z appeal in the L'Oréal portfolio.

2



Advent International acquires Zimmermann from Style Capital

Transaction value: \$1.7b

EV/EBITDA multiple: 14x

- Zimmermann, a high-end women's clothing brand founded in 1991, has expanded globally with 52 stores across Australia, USA, and Europe.
- Advent obtained a 70% interest stake in Zimmermann from Italian firm Style Capital for \$1.7 billion, marking the highest valuation among Australian fashion brands.
- Initially known for swimwear, Zimmermann's focus on premium materials and distinctive designs led to a consistent annual growth rate of 30% in the past five years. In 2023, its estimated revenue reached AUD \$260m, with profit margins between 25% and 30%.
- **This level of performance is comparable to high performing/ high growth technology companies. It exceeds the "Rule of 40" benchmark.**
- Advent International plans to expand Zimmermann into the Chinese and Middle Eastern markets, aiming to double its current footprint, while the founding sisters continue to lead the brand.

Deals transacting at substantial discounts compared to previous prices

1



1. Anchorage Capital Partners acquires David Jones acquisition from Woolworths Holdings Limited (South Africa)

Transaction value: \$100m

Previous transaction value: \$2.1b (2014)

- In 2014, Woolworth Holdings acquired David Jones for \$2.1b. Anchorage Capital Partners later purchased David Jones' operating business in March 2023 for \$100m, excluding its flagship Bourke Street Melbourne store.
- Anchorage Capital Partners aims to leverage David Jones' reputation and privileged market position as an omnichannel curator of world-class brands.

2



2. Zoe Foster Blake and co-founder Paul Bates repurchase stake in Go-To Skincare from BWX Group

Previous transaction value: \$89m (2021)

- Zoe Foster Blake and co-founder Paul Bates bought back a 50.1% stake in Go-To Skincare at a significant discount, which was previously sold to BWX Group.
- Despite BWX's financial difficulties and entry into receivership in April 2023, Go-To Skincare maintained regular operations during the sale process.

3



3. Kayla Itsines and Tobi Pearce buy back Sweat fitness app from US based iFIT Health & Fitness

Transaction value: Undisclosed

Previous transaction value: US\$150m (2021)

- Kayla Itsines and Toby Pearce recently bought back the Sweat app at a significantly reduced price compared to its acquisition by iFIT. Although the exact amount remains undisclosed, Sweat, known for its virtual workouts and fitness programs, reported an annual revenue of \$100m and 450,000 paid subscribers during its 2021 sale process, when it was acquired by iFIT.
- Revenue dropped to \$71m in the 11 months leading up to 31 May 2022 due to reduced customer demand and increased competition in the digital fitness market. This heavily discounted Sweat deal aligns with a trend of reassessing overvalued deals in the online retail space during COVID-19.

The retail landscape and outlook for 2024

Sales growth	Below trend sales growth is expected in 2024, with mixed outcomes expected across the various sub-sectors. Retail price inflation is set to increase, driven by higher raw material and offshore costs.
Gross margins	Gross margins will improve, offsetting rising costs with many retailers holding less stock because of aggressive discounting to offload excessive stock levels.
Profitability	Retail profitability will be challenged by continued cost growth, with labour and rental costs remaining at the forefront of increases.

Looking forward, **four key disruptors** are set to shape retail as we know it today:



Navigating the new consumer landscape

As the consumer landscape evolves, businesses must adapt to remain relevant. Understanding demographic changes and technological advancements is crucial to effectively engage consumers and deliver value. This includes delivering a personalised client experience based on a strong knowledge of your customers.



Tech driven retail revolution

In the next 5 years, technology, especially AI, will revolutionise retail by enhancing personalised and immersive shopping experiences, and streamlining operations across the value chain. Generative AI is already transforming product design, automating content generation, marketing, and optimising inventory management, supply chain, merchandising and store operations. The extent of AI's potential and governance remains uncertain.

Businesses are actively digitising, focusing on data analytics and big data, contactless payments, robotics, automation, and marketing strategies including Last Yard's real-time, data-integrated advertisements to target consumers with minimal effort and maximum consumer impact. This ongoing digitisation wave is reshaping the retail landscape.



Conscious retailing

Retailers face growing consumer demand for sustainability and ethical practices from businesses. Conscious consumers, especially Millennials and Gen Z, carefully choose brands aligning with environmental responsibility, circular consumption models and a positive impact on the environment. This shift in generational values requires retailers to embrace eco-friendly practices to align with evolving consumer preferences.



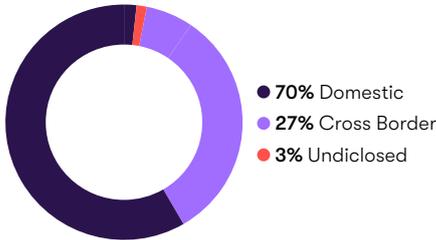
A workforce adapting to uncertainty

As consumer expectations evolve and technology advances, retailers must be adaptable and innovative to survive, with crucial support for their workforce. Projections indicate that within the next 5 years, one in four team members could be an AI-driven bot, reshaping work dynamics across all levels – from store assistant to CEOs.

Engaging and equipping a diverse workforce with the required skills and adaptability will differentiate successful retailers in this changing landscape.



Retail deal summary

Retail deal volumes	<p>-32%</p> 	<p>Consistent with global M&A trends, the Retail industry experienced a reduction in deal volumes from 339 deals in the PCP to 231 deals in the 18 months to 31 December 2023.</p>
Retail sector activity	 	<p>Pharmaceuticals and Beauty accounted for the highest deal value of \$6.5b, driven by major deals including L’Oreal’s acquisition of Aesop for \$3.7b and Kiring Health Science’s acquisition of Blackmores for \$1.9b.</p> <p>The Food sector accounted for the highest deal volume, with 78 deals. This includes PAG’s sizeable acquisitions of Patties Foods (\$350m) and Vesco Foods (\$200m).</p>
Largest retail deal	\$3.7b	<p>L’Oreal’s acquisition of Aesop for \$3.7b is recorded as the largest deal in the review period and represents their largest acquisition to date, surpassing their acquisition of YSL Beauté in 2008 for US\$1.7b.</p>
Cross border – inbound activity		<p>Domestic buyers have greatly outnumbered the buyers from cross border by deal volume.</p>  <ul style="list-style-type: none"> ● 70% Domestic ● 27% Cross Border ● 3% Undisclosed
Retail buyer trends		<p>The Asia Pacific region, which includes Australia, has accounted for 75% by deal volume.</p>
Trading multiples		<p>From 2022, the Consumer Staples sector has seen an increase from 10.8x to 11.3x in the last 12 months, whereas the Discretionary Sector has decreased from 10.2x to 9.8x.</p>
Retail IPO activity		<p>Only 1 retail listing was reported during the period, Light & Wonder Inc. (gaming).</p>

Retail deal volumes and sector analysis

Consumer staples and consumer discretionary witnessed 140 and 91 deals respectively, totalling 231 deals in the 18-month period ending 31 December 2023. This reflects a 32% decline compared to the 339 deals in the preceding 18 months to 31 December 2021.

The surge in the cash rate, rising from 0.1% in April 2022 to 4.35%, has contributed to this decrease. Increased inflationary pressures have led consumers to shift their purchases away from retailers, affecting their ability to move stock and profit margins. Reduced profitability and tougher trading conditions have made them less appealing to potential buyers, resulting in a decline in deal volume during this period.

Category	Total Value (\$m)	Count
Pharmacy and Beauty	6,471	27
Apparel	2,106	3
Food	1,635	78
Automotive	1,222	22
Pet Care	701	6
Department (Online & Stores)	697	39
Other	414	46
Home and Hardware	105	10
Total	13,350	231



Pharmacy and Beauty

With a disclosed total deal value of \$6.5b, the Pharmacy and Beauty segment was the top performer in the Retail sector. Despite only 27 deals in this category, the total transaction value was driven by two large acquisitions – L'Oréal's \$3.7b purchase of Aesop in August 2023, marking the largest beauty acquisition in Australia, and Kiring Health Science Australia's \$1.9b acquisition of Blackmores in August 2023.



Apparel

Apparel ranked as the second-largest sector with three deals totalling \$2.1b. A significant transaction was Advent International's acquisition of Zimmermann for \$1.7b, marking a landmark moment in the Australian Apparel industry. This acquisition underscores Zimmermann's global brand recognition and growth potential.



Food

The Food sector attracted the highest deals volume, with 78 deals totalling \$1.6b. Key acquisitions include PAG Capital for \$350m purchase of Patties Food, a frozen food manufacturer, and Adamantem Capital's acquisition of Retail Zoo (owner of Boost, Salsas, Betty's Burgers and CIBO Express) for \$350m.



Automotive

The Automotive sector saw 22 deals with a total disclosed transaction value of \$1.2b. Apollo Tourism and Leisure, specialising in RV sales, was acquired by Tourism Holdings for \$344m.



Pet Care

Six deals were reported in the Pet Care sector, totalling \$701m, with the most significant being Woolworths' acquisition of PETStock, an Australian pet product and services retailer, for \$586m.



Department (Online & Stores)

The Department (Online & Stores) sector saw 39 deals totalling \$697m. The largest deal was Woolworths' acquisition of Mydeal.com.au Limited, an online retail marketplace, for \$219m. Another notable transaction was Anchorage Capital Partners' acquisition of David Jones for \$100m in March 2023.



Other

Miscellaneous retail deals have been grouped into this category, including iSelect Limited's acquisition by Innovation Holdings for \$71m and Helloworld Travel's acquisition of Express Travel Group for \$70m.



Home and Hardware

With the lowest deal size, the Home and Hardware sector reported 10 deals at a total disclosed value of \$105m. The top two disclosed deals were Johns Lyng Group's acquisition of Smoke Alarms Australia for \$61m and the Lindsay Australia's acquisition of WB Hunter for \$35m.

Top 10 consumer staples deals

1

Acquirer: Kirin Health Science Australia Pty Ltd

Target: Blackmores Limited (ASX:BLK)

Transaction Value A\$ (m): 1,915

Date: 10 August 2023

EV/EBITDA: 22.96x

Kirin Health Science Australia Pty Ltd entered into a scheme implementation deed to acquire Blackmores Limited (ASX:BLK) from AustralianSuper Pty Ltd and others for \$1.9b on 27 April 2023.

According to the transaction details, Kirin Holdings Company Limited paid \$95 per share to the shareholders of Blackmores Limited as consideration. The transaction completed on 10 August 2023.

2

Acquirer: Woolworths Group Limited (ASX:WOW)

Target: PETstock

Transaction Value A\$ (m): 586

Date: 15 December 2022

EV/EBITDA: 11x

On 15 December 2022, Woolworths Group Limited (ASX: WOW) entered into an agreement to acquire 55% stake of PETstock Pty Ltd, the local pet supplies retailer, from Auctus Investment Group Limited (ASX: AVC) and others for approximately \$586m.

3

Acquirer: Kao Corporation; Kao USA Inc; Kao Australia Pty Ltd

Target: Bondi Sands Australia Pty Ltd (100% Stake)

Transaction Value A\$ (m): 450

Date: 1 November 2023

EV/EBITDA: Undisclosed

Japan-based manufacturer of household and chemical products Kao Corp, along with its subsidiaries Kao USA Inc and Kao Australia Pty Ltd, acquired Bondi Sands Australia Pty Ltd. The Australia-based manufacturer of skin care products was acquired for \$450m. The transaction was completed on 1 November 2023.

4

Acquirer: PAG

Target: Patties Foods Limited (100% Stake)

Transaction Value A\$ (m): 350

Date: 9 January 2023

EV/EBITDA: Undisclosed

PAG, the Hong Kong (China) based alternative investment firm acquired Patties Foods Pty Ltd, the Australia based manufacturer, supplier and marketer of frozen bakery, savory and dessert products from Pacific Equity Partners Pty Ltd, the Australia-based private equity firm. The consideration was AUD \$350m and was completed on 9 January 2023.

5

Acquirer: Optimus Group Company Limited (TSE:9268)

Target: Autopact Pty Ltd

Transaction Value A\$ (m): 271

Date: 24 November 2023

EV/EBITDA: Undisclosed

Optimus Group Company Limited (TSE:9268) announced their proposal to acquire 91.7% stake in Autopact Pty Ltd from Archer Capital Pty Ltd and others on 25 September 2023.

The transaction value was \$271m and closed on 24 November 2023.

6 **Acquirer:** PAG
Target: Vesco Foods Pty Ltd (100% Stake)
Transaction Value A\$ (m): 200
Date: 5 January 2023
EV/EBITDA: Undisclosed

On 15 September 2022, PAG announced their proposal to acquire Vesco Foods Pty Ltd, an Australia-based manufacturer of frozen food, from Catalyst Investment Managers Pty Ltd.

The consideration was \$200m and was completed on 5 January 2023.

7 **Acquirer:** Bidvest Group Limited
Target: BIC Australia Pty Ltd (100% Stake)
Transaction Value A\$ (m): 160
Date: 7 July 2022
EV/EBITDA: 8.8x

Bidvest Group Ltd has acquired BIC Australia Pty Ltd, the Australia-based plastic product manufacturer from Starmaid Housewares Pty Ltd for \$160m.

Bidvest is a South Africa-based industrial conglomerate focused on automotive, commercial products, electrical, financial services, freight, office and print services.

The deal was completed on 7 July 2022.

8 **Acquirer:** Swift Holdings Investments Pty Ltd
Target: Gulliver Australia Holdings Pty Ltd (100% Stake); IDOM Automotive Group Pty Ltd (100% Stake)
Transaction Value A\$ (m): 150
Date: 7 July 2022
EV/EBITDA: Undisclosed

Swift Holdings Investments Pty Ltd, the Australia-based investment business, announced the proposal to acquire IDOM Automotive Group Pty Ltd, a local administration and management of the Australian operating companies from IDOM Inc on 14 April 2022.

The transaction was closed on 7 July 2022 for \$150m.

9 **Acquirer:** Vimian Group AB
Target: Viking Blues Pty Ltd (100% Stake)
Transaction Value A\$ (m): 93.8
Date: 8 March 2023
EV/EBITDA: 14.4x

Vimian Group AB, a Sweden-based animal health services provider, has acquired Viking Blues Pty Ltd, an Australia-based pet drugs supplier. The consideration was \$93.82m, 84% of this being paid through an issue of ordinary shares.

The transaction was completed on 8 March 2023.

10 **Acquirer:** Nuveen Global Equity Income Fund
Target: Macadamia Enterprises Pty Ltd (100% Stake)
Transaction Value A\$ (m): 71
Date: 8 December 2022
EV/EBITDA: Undisclosed

On 8 December 2022, Nuveen LLC, the United States-based investment management company, acquired Macadamia Enterprises Pty Ltd, an Australia-based producer of macadamia nuts. The consideration was \$71m.

Nuveen manages \$15b of agricultural investments, which includes a portfolio of \$2b in Australia's farmland.

Top 10 consumer discretionary deals

1

Acquirer: L'Oréal S.A. (ENXTPA:OR)
Target: Aesop Retail Pty Ltd
Transaction Value A\$ (m): 3,700
Date: 30 August 2023
EV/EBITDA: 20.0x

L'Oréal S.A. (ENXTPA:OR) entered into an agreement to acquire Aesop Retail Pty Ltd from Natura Cosméticos S.A. for a transaction value of \$3.7b on 30 August 2023.

2

Acquirer: Advent International
Target: Zimmermann Wear Pty Ltd
Transaction Value A\$ (m): 1,716
Date: 7 October 2023
EV/EBITDA: 14.0x

On 7 October 2023, Advent International Corp has agreed to acquire majority stake in Zimmermann Wear Pty Ltd, the Australia-based designer and manufacturer of women's apparel, from Style Capital SGR. The transaction was valued at approx. \$1.7b, making it the highest valuation of an Australian fashion brand.

3

Acquirer: BB Retail Capital Pty Ltd.
Target: Best & Less Group Holdings Ltd
Transaction Value A\$ (m): 390
Date: 17 July 2023
EV/EBITDA: 4.19x

BB Retail Capital Pty Ltd and Ray Itaoui made a non-indicative proposal to acquire the remaining 83.55% stake in Best & Less Group Holdings Ltd (ASX:BST) from Allegro Fund III, managed by Allegro Funds Pty Ltd and Bignor Family Pty Limited. The deal was completed on 17 July 2023.

4

Acquirer: Adamantem Capital
Target: Retail Zoo Pty Ltd
Transaction Value A\$ (m): 350
Date: 6 February 2023
EV/EBITDA: Undisclosed

Adamantem Capital acquired 70% stake in Retail Zoo Pty Ltd from Bain Capital Private Equity LP for \$350m on 6 February 2023.

Retail Zoo is a leading Australian multi-brand food retail operator with a portfolio that includes Boost Juice and Betty's Burgers.

5

Acquirer: Tourism Holdings Limited (NZSE:THL)
Target: Apollo Tourism and Leisure Limited
Transaction Value A\$ (m): 344
Date: 30 November 2023
EV/EBITDA: 14.4x

Tourism Holdings Limited acquired Apollo Tourism and Leisure Limited, the Australia-based recreational vehicle (RV) manufacturer for \$344m.

Tourism Holdings Limited is a New Zealand based RV manufacturer with global operations.

The deal was completed on 30 November 2023.

6 **Acquirer:** Metric Capital Partners LLP; Skip Capital
Target: Zambrero Fresh Mex Grill
Transaction Value A\$ (m): 250
Date: 22 February 2023
EV/EBITDA: Undisclosed

On 15 December 2022, Zambrero Fresh Mex Grill, the local Mexican food retail chain, publicised it was due to raise \$250m from Skip Capital Pty Ltd, an investment company, and Metric Capital Partners, a private equity fund manager.

The acquisition was completed on 22 February 2023.

7 **Acquirer:** Woolworths Group Limited (ASX:WOW)
Target: MyDeal.com.au Limited
Transaction Value A\$ (m): 219
Date: 23 September 2022
EV/EBITDA: Undisclosed

On 20 May 2022, Woolworths Group Limited (ASX:WOW) announced their proposal to acquire a controlling interest of 80.2% stake in MyDeal.com.au Limited (ASX:MYD) for approx. \$219m under a Scheme Implementation Agreement (SIA). Under the SIA, \$1.05 per share will be paid in cash.

After shareholder approval, the deal was completed on 23 September 2022.

8 **Acquirer:** Twin Ridge Capital Acquisition Corp
Target: Carbon Revolution Ltd
Transaction Value A\$ (m): 206
Date: 11 March 2023
EV/EBITDA: Undisclosed

Twin Ridge Capital Acquisition Corp, the United States-based blank check company (BCC) acquired Carbon Revolution Ltd, the Australia based manufacturer of carbon fibre wheels for \$206m.

Per the terms, Twin Ridge Capital will issue 1 share for every 10.5 share of Carbon Revolution Ltd. In doing so, Twin Ridge will issue approx. 19.7 million new shares.

9 **Acquirer:** Australian Pharmaceuticals Industries Ltd
Target: SILK Laser Australia Ltd
Transaction Value A\$ (m): 205
Date: 16 November 2023
EV/EBITDA: Undisclosed

Wesfarmers Ltd, through its subsidiary Australian Pharmaceutical Industries Pty Ltd, acquired SILK Laser Australia Ltd, a laser skin treatment and cosmetic injections business, by way of scheme of arrangement at \$3.35 cash per share.

The total deal value was \$205m and completed in November 2023.

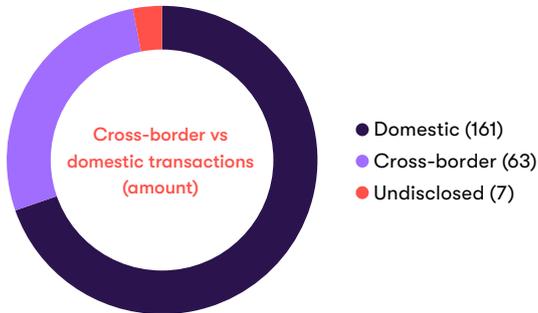
10 **Acquirer:** Anchorage Capital Partners Pty Ltd
Target: David Jones Limited
Transaction Value A\$ (m): 100
Date: 27 March 2023
EV/EBITDA: Undisclosed

Anchorage Capital Partners acquired David Jones Limited, the Australia-based department stores chain, for \$100m.

David Jones has 43 stores in Australia and New Zealand and employs approx. 6,200 people.

The \$100m deal was completed on 27 March 2023.

Cross-border activity



In the current Retail Dealtracker period, Australia's robust economy and consumer spending have propelled domestic deals, reaching a total of \$5.9b from 161 transactions. Cross-border deals, totalling \$7.4b from 63 transactions, show Australia's global appeal. Total deals amount to \$13.4b.

Despite economic challenges, Australian consumers' resilience positively impacted the number of deals. These trends are influenced by economic factors such as interest rates and inflation, which the Reserve Bank of Australia expects to fall in the second half of 2024.

Overall deal volumes have decreased for both domestic and cross-border buyers, reflecting prevailing economic conditions and uncertainty. Nevertheless, Australia remains a favoured destination for international investors, given its comparatively robust economic conditions during a global retail downturn.

Notable cross-border acquisitions



Acquirer: L'Oréal S.A. (ENXTPA:OR)
Target: Aesop Retail Pty Ltd
Transaction value A\$ (m): 3700
Date: 30 August 2023
EV/EBITDA: 20.0x



Acquirer: Advent International
Target: Zimmermann Wear Pty Ltd
Transaction value A\$ (m): 1,716
Date: 8 August 2023
EV/EBITDA: 14.0x



Acquirer: PAG
Target: Patties Foods Limited (100% Stake)
Transaction value A\$ (m): 350
Date: 9 January 2023
EV/EBITDA: N/A



Acquirer: Tourism Holdings Limited (NZSE:THL)
Target: Apollo Tourism & Leisure Ltd
Transaction value A\$ (m): 344
Date: 30 November 2022
EV/EBITDA: 14.38x



Acquirer: Optimus Group Company Limited (TSE:9268)
Target: Autopact Pty Ltd
Transaction value A\$ (m): 271
Date: 24 November 2023
EV/EBITDA: N/A



The buyers



- Asia Pacific
- USA and Canada
- Europe
- Other

Category	Asia Pacific	USA and Canada	Europe	Other	All Deals
Food	62	9	3	4	78
Pet Care	4	1	1	0	6
Other	30	12	4	0	46
Department (Online & Stores)	28	4	5	2	39
Apparel	2	1	0	0	3
Pharmacy and Beauty	23	1	3	0	27
Automotive	15	2	5	0	22
Home and Hardware	8	0	2	0	10
Total	172	30	23	6	231

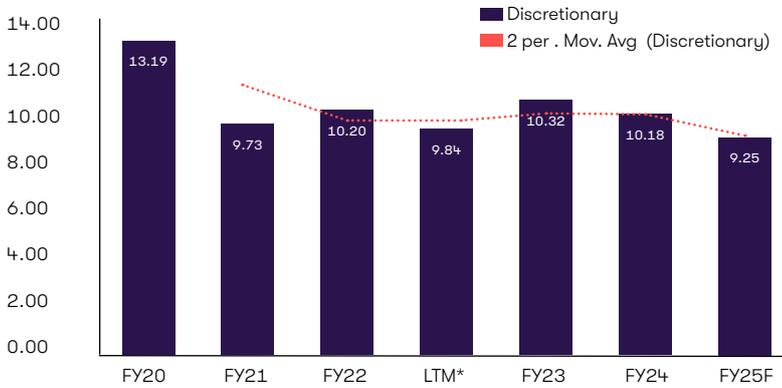
Over the past 18 months ending 31 December 2023, Australian businesses have continued to attract considerable interest from globally managed funds and businesses. The Asia Pacific region, including Australia, has been a dominant force, representing 75% of buyers by deal flow. This region has been particularly active in acquiring companies associated with the food sector.

In comparison, the USA and Canada, the second-largest region, accounted for 13% of all buyers. Asia Pacific stands out with a substantial acquisition count of 172 companies, exceeding the 30 companies obtained by the USA and Canada in the Retail industry. Key acquisitions in the Asia Pacific region include David Jones, Blackmores, Best and Less, and Retail Zoo.

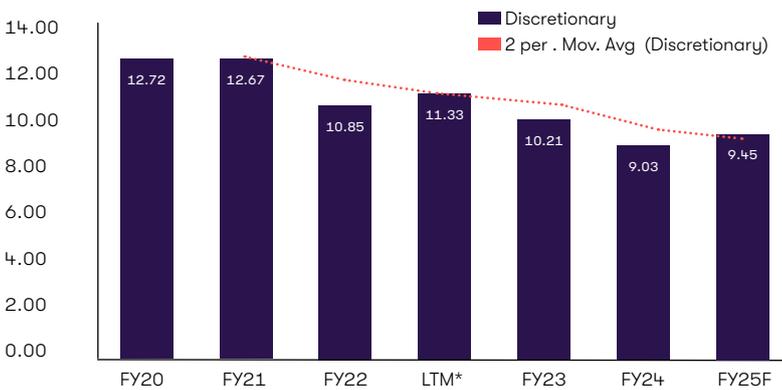
The buyer location labelled as 'Other' includes 1 from Africa, 3 from different regions, and 2 from unknown locations.

Trading multiples

Median EBITDA Multiple: Consumer Discretionary



Median EBITDA Multiple: Consumer Staples



*LTM represents the last 12 months to 31 December 2023.

We note that multiples presented above are only for disclosed deals. 2025 figures are forecasts from Capital IQ data.

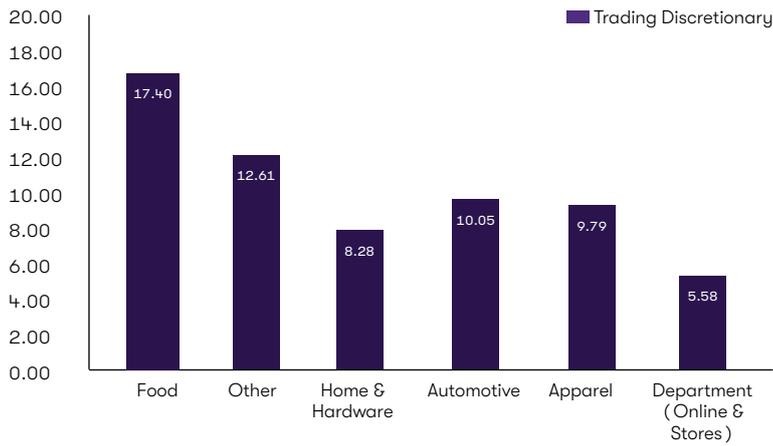
EBITDA typically serves to measure earnings for valuation purposes, reflecting the financial performance of a business before considering its funding structure. Using a multiple of EBITDA provides an enterprise value (EV) of the business, representing the businesses value before deducting net debt. The EBITDA trading multiple serves as a proxy for free cash flow and indicates the company's performance. A higher trading multiple shows robust earnings and effective trading.

In the Consumer Discretionary and Consumer Staple sectors, the median trading multiples in the 12 months to 31 December 2023 were 9.8x and 11.3x respectively. The below analysis involves subdividing these sectors for a detailed examination.





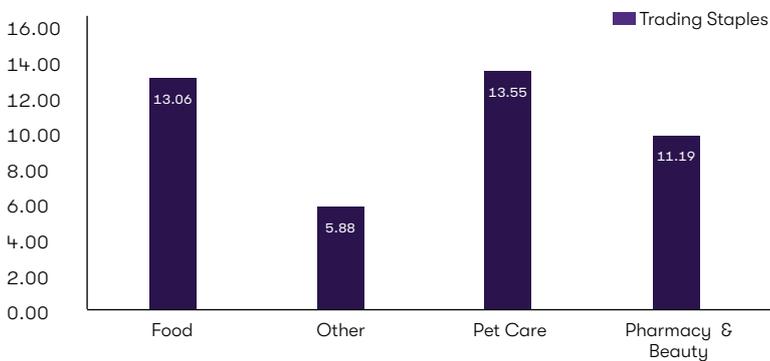
Trading Discretionary Multiple by Sector



In Consumer Dictionary sector, Food companies had the highest median trading multiple of 17.40x. Food is the second highest in the Consumer staples sector at 13.06x.

Certain food items fall into both the Discretionary and Staples categories. This is because some food companies operate in the discretionary space, such as Domino's Pizza, while others serve as staple food providers, like Coles.

Trading Staples Multiple by Sector



In the Consumer Staples sector, Pet Care emerged as the top-performing subdivision, with a trading multiple of 13.55x. This figure is however based on a single company.

IPO activity

IPO activity has been subdued in the 18 months to 31 December 2023 due to current market conditions. During this period, 69 companies listed on the ASX, with only one retail listing reported.

- Light & Wonder Inc, listed under the Consumer Discretionary Sector, are a cross-platform global games company focused on creating online, mobile and casino games with a market capitalisation of c. \$2b.

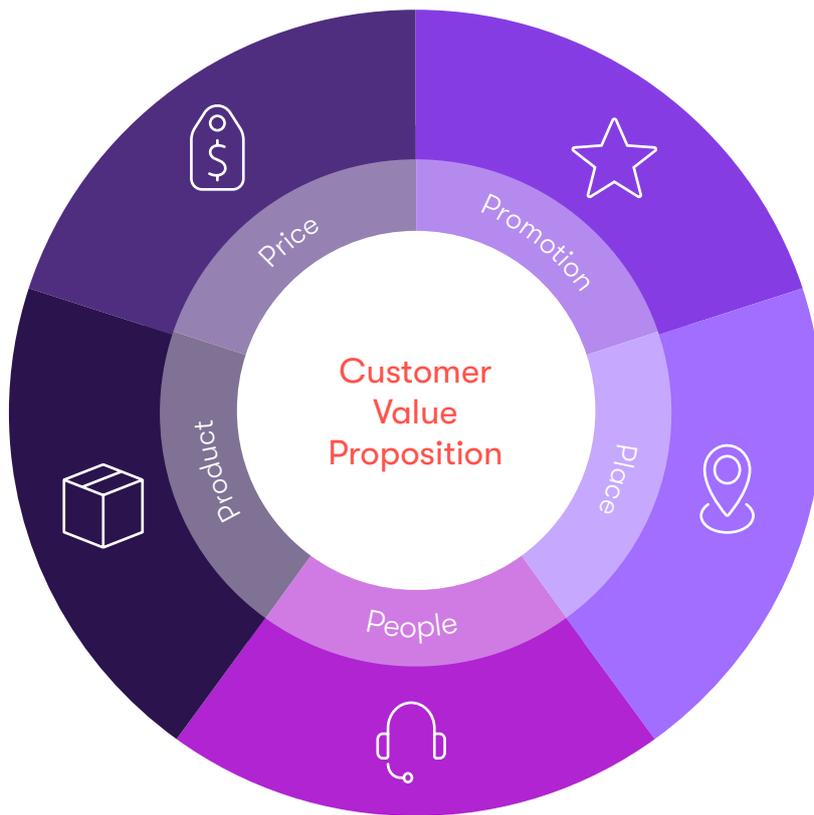
In the prior 18 months (1 January 2021 to 30 June 2022), the retail sector witnessed 11 IPOs out of a total of 255, marking a period of increased IPO activity as delayed entrants made their way into market following the COVID-19 pandemic. Significant entrants during this period included the Endeavour Group with a market capitalisation of c. \$10b, which oversees retail outlets under the Dan Murphy's and BWS brands, and The Lottery Corporation with a market capitalisation of over \$11b.

What makes a ‘good retailer’?

When considering a merger, acquisition, or a deal of any kind, understanding what defines a successful retailer is crucial.

Good retailers are distinguished by their solid customer value proposition (CVP) that is propagated throughout the business. Key decisions are made towards that CVP across five retail fundamentals – the 5 P’s – and all supporting functions. The CVP is constantly evolving with the customers and markets that the business operates within. Good retailers must be dynamic in their management and response to the following factors.

The retail mix





Product

The intersection of products and services with consumers lies at the very core of retail. Successful retailers are planned and purposeful in offering the right product assortments and ensuring availability, to get them into customers' hands effectively.



Price

Pricing strategy plays a crucial role in performance. Effective pricing requires a balance between profitability, customer satisfaction and value perception, product lifecycle, competitors, and market dynamics. Successful retailers regularly monitor and adapt their prices to stay competitive and grow market share.



Promotion

Effective promotion is essential to bring attention to a retailer's products and services. Successful communication results in increased traffic and sales growth, brand awareness and differentiation, higher customer engagement and loyalty, and valuable insights into customer patterns and responses.



Place

It is crucial for retailers to recognise and adapt to customer preferences by offering them the best places to engage with and shop for their products, and to enjoy great customer experiences while doing so.



People

A well-trained and motivated workforce contributes to exceptional customer service, drive sales, and creates a positive shopping experience. Retailers with a strong people strategy invest in their employees through training, development, and recognition programs, leading to higher satisfaction, retention, and productivity.

In addition to the above, it is important to have strong and agile support functions across the retail value chain, including adaptable supply chains, unified data systems, and robust governance to support smooth retail execution.

Adaptable management is key to navigate the changing retail landscape. Successful retailers consistently optimise their operations, staying aligned with customer preferences to improve performance and customer satisfaction.



Capabilities

Financial Advisory

Regardless of where you sit in a transaction, it's important to effectively manage costs and maximise returns.

We work with clients through all stages of a transaction or investment and present solutions that add tangible value. We take a long-term view by identifying opportunities including investments that reflect your strategic ambitions, as well as potential drawbacks like corporate governance issues. That means we tailor our approach to your business, its goals and the focus areas in which you operate or plan to invest.

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Where are you playing to win and grow, now and into the future? What – and, importantly, who – do you need to get there?

Our team works with you to devise and implement the right strategy to deliver sustainable growth. We make it our business to deeply understand your business and industry and take a hands-on and practical approach to the design and delivery of all advice. Above all, we are committed to delivering the outcome, working with you to ensure your success wherever in the world you operate.

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People globally

68,000+

People nationally

1,500+

Partners nationally

176

Global revenue (USD)

\$7.2b

National revenue (AUD)

\$339m

Offices nationwide

6

Offices globally

750+

Markets

145+

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