



Cavendish

**QUARTERLY
CONSUMER NOTE
A M&A PERSPECTIVE**

Review of Q4 2024

Sub-Sector in Focus:
Apparel & Accessories

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Welcome to the Cavendish Quarterly Consumer Note, where we give an M&A perspective on a number of key themes impacting operators and investors across the Consumer sector.

In each of these publications, we take a more detailed look at a particular sub-sector; this quarter we look at Apparel & Accessories.

This publication focuses on some of the challenges that Apparel & Accessories retailers have faced over the course of the year, what we can look forward to in 2025, and our view on the outlook for this sub-sector from an M&A perspective.

We hope you find this interesting and if you have any questions, or you would like to discuss anything in this document, please contact me or any member of the Cavendish team (contact details on the back page).

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HENRY WELLS
HEAD OF CONSUMER



01) Consumer Sector: Key Themes

Strong holiday season sales, driven by robust Black Friday spending and consistent December trading, provided a welcome boost to retailers' fourth quarter revenue performance

CONSUMER MACRO BACKDROP

Consumer Confidence¹

Consumer confidence, as measured by GfK has significantly increased over the past two years, recovering from historic lows of -49 in September 2022.

Consumer confidence in 2024 experienced notable fluctuations. December closed out 2024 with an overall negative score; however, it was a one-point increase compared to the overall 2024 average of -18 and higher than the lows of -21 seen throughout the year. This upward momentum reflects an encouraging trend as we move into 2025.

Inflation & Interest Rates²

The Golden Quarter saw a minor increase in inflation compared to Q3, albeit, overall inflation did ease over the course of the year from 4.0% (in January) to 2.6% in December; marginally above the Bank of England's 2.0% inflation target.

This improvement offered relief to apparel & accessories retailers, as reduced inflation contributed to stabilised production costs and pricing. Additionally, the Bank of England's interest rate cut of 0.25 percentage points to 4.75%, fostered a more conducive environment for consumer credit use, driving increased demand for apparel and accessories during the festive season.

Consumer spend³

As 2024 closed, consumers remained cautious; however, in the wake of Black Friday, gift shopping and seasonal discounts spurred growth of 1.6% at general retailers. In the UK, Black Friday saw a 9.5% increase in transaction volume compared to the same time last year, as well as achieving the highest average transaction value (ATV) on record at £46.57⁵

Footfall across Retail Parks and Shopping Centres during Black Friday unsurprisingly saw a 6.7% surge compared to the previous year; however, growth in online shopping spend outpaced in-person sales, recording a 7.2% increase from 2023 and soaring past £1bn in sales, for the biggest online shopping day of the year⁵

Source: 1 - NIQ Consumer Confidence Barometer; 2 - Bank of England; 3 - Barclaycard; 4 - Business of Fashion; 5 - Airtime

FIGURE 1
GfK CONSUMER CONFIDENCE INDEX

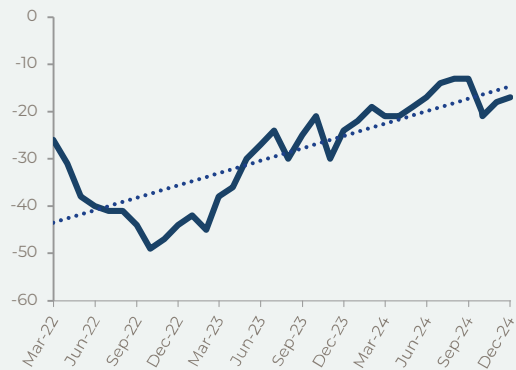


FIGURE 2
INTEREST RATES & INFLATION

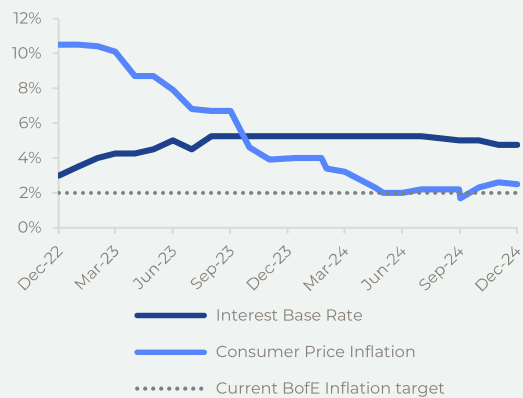
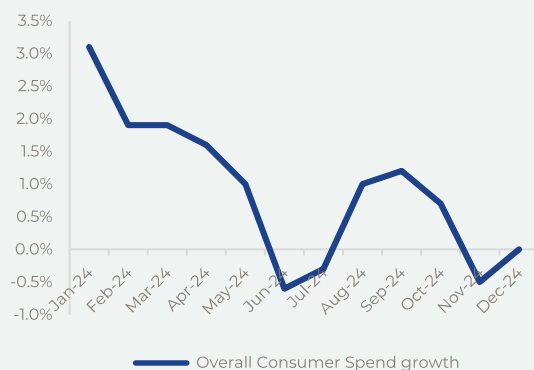


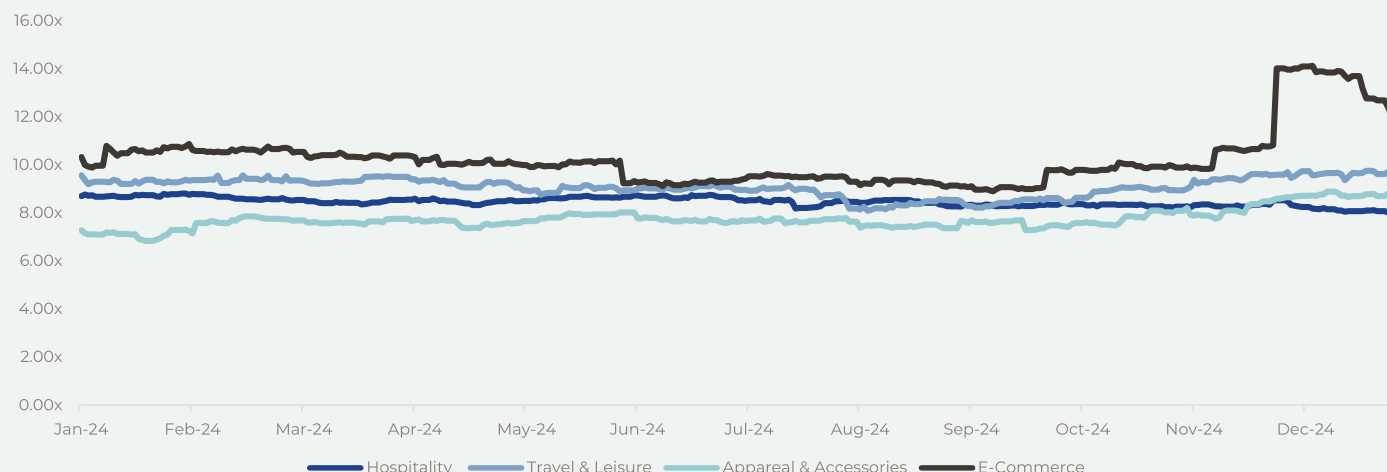
FIGURE 3
BARCLAYS CONSUMER SPEND DATA



01) Consumer Sector: Key Themes

Q4 has seen a continuation of the improvement in EV/EBITDA multiples across a variety of consumer sub-sectors, including Apparel & Accessories

FIGURE 4
UK LISTED VALUATIONS (EV/NTM EBITDA)



Hospitality: Loungers plc, The Brighton Pier Group plc, The Revel Collective Plc, Domino's Pizza Group plc, Marston's plc, Mitchells & Butlers plc, Fuller, Smith & Turner plc, Young & Co's Brewery plc, Shepherd Neame Limited
Travel & Leisure: Saga plc, Norwegian Cruise Line Holdings Ltd, Royal Caribbean Cruises Ltd, Carnival Corporation & plc, Tripadvisor, Inc, Booking Holdings Inc, Expedia Group Inc, eDreams ODIGEO S.A., On the Beach Group plc, Hostelworld Group plc
Apparel & Accessories: Frasers Group plc, Burberry Group plc, Dr. Martens plc, N Brown Group plc, NEXT plc, Superdry plc, ASOS plc, boohoo group plc
E-Commerce: AO World plc, Marks Electrical Group plc, Moonpig Group plc, THG plc, CMO Group plc¹

Note: Since the previous Quarterly Note musicMagpie has been removed due to its delisting in Dec-24
¹ – CMO Group Plc - NTM EBITDA projections dropped by over 55% on 29-Nov, increasing the EV/NTM EBITDA multiple by over 2x

HOSPITALITY	TRAVEL & LEISURE	APPAREL & ACCESSORIES	E-COMMERCE
<p>Multiples within the Hospitality cohort have remained consistent throughout the last quarter</p> <p>There remains a valuation premium for freehold estates compared with their leasehold counterparts</p> <p>The Budget's extension of Business Rates Relief and a cut in the alcohol duty on a pint, is welcome news for the sector. However, rising wages (especially minimum wage) food, energy, and insurance costs significantly impacted margins</p>	<p>The Travel & Leisure cohort continues to perform strongly, with multiples pushing up towards 10x</p> <p>Travel spend continues to demonstrate robust growth, with a year-on-year increase of 4.7%¹ in December. This reflects the ongoing trend of consumers prioritising travel spend which has, based on early indications, continued into the new year peaks with many reporting strong or record bookings.</p> <p>There continues to be good M&A volume in the sector following strong trading in 2023 and 2024, and the overhang that covid generated</p>	<p>Multiples within the Apparel & Accessories cohort has surpassed Hospitality over the last quarter, pushing the average multiple in Q4 to over 8.2x (7.6x in Q3)</p> <p>There was an increase across various sub-sectors within the apparel & accessories cohort, with luxury brand Burberry, seeing the greatest increase in multiple, imploring on its previous 5-year low back in September 2024, reflecting an improvement in consumer confidence</p> <p>M&A activity throughout 2024 was slow, but that impasse appears to be ending due to global macroeconomic changes, with a flurry of recently announced Apparel & Accessories deals</p>	<p>E-Commerce multiples continue to rise, averaging over 11x in Q4 of 2024</p> <p>E-Commerce is exposed to many of the same factors as the apparel & accessories cohort, however, it continues to be more resilient due to its lighter and more flexible cost base, which is largely the driver in the valuation differential between these two sub-sectors</p> <p>Many traditional retailers are responding to this through further integrating E-Commerce into their omni-channel strategies and investing in technologies such as AI-driven personalised shopping experiences, and mobile-optimised solutions</p>

02) Sub-Sector in Focus: Apparel & Accessories

Despite a modest boost in December, the apparel & accessories sub-sector struggled to capitalise on the Golden Quarter, as weak consumer confidence, and cautious spending habits overshadowed peak trading periods

The Golden Quarter

- With Black Friday falling as late as it did in November combined with it landing on pay day for many, it became a key element of the holiday shopping season for consumers. The combination of these shopping occasions, gave welcome sales growth for retailers in December.
- Retailers started discounting early (and deeper) in anticipation ahead of the main Black Friday event and over two-fifths¹ of consumers delayed purchases to take advantage of deals on items which they had already planned to buy.
- Consumers thought deals were better than last year and as a result, spent more than they had intended to on apparel & accessories, as well as other categories. Barclaycard reported a 9.5%² increase in UK retail transactions compared to the prior year.

Online vs in-store

- Retail parks and shopping centres saw the biggest surge of customers over the Black Friday weekend, with footfall increasing 6.7% compared to the previous year³ with 44% of UK customers making in-store purchases⁴. Apparel & Accessories being among the top spend categories, gave brick-and-mortar retailers a much-needed Black Friday boost.
- With that being said, online still showed the biggest gains in December, with fashion among the most popular categories⁵. Checkout.com, a global digital payments platform, reported peak sales between 9am – 10am on Black Friday itself⁶, demonstrating customers were keen to snap up a bargain.

Demographics

- Black Friday participation varied widely by age group, with three-quarters of boomers saying they did not purchase anything, while two-thirds of Gen Z were purchasing across various categories during the shopping periods⁷.



02) Sub-Sector in Focus: Apparel & Accessories

Looking forward to 2025 there are a number of key trends coming to light

Fashion market growth

- The UK is the third largest apparel & accessories market worldwide and is expected to stabilise in 2025 and is projected single-digit growth¹, with leather goods & jewellery projected to lead the growth in this category. Fashion executives expect volume, rather than price to drive this growth in 2025.²

Refurb, repurpose, recycle

- Macroeconomic pressures and rising prices have driven consumers to adopt cost conscious behaviours, which is driving growth in segments with strong value for money perception, particularly the re-sale market.
- It is expected that second-hand sales will account for 10% of the global apparel market in 2025, with further growth expected at a CAGR of 12% to 2028.³
- As brands struggle to tackle their environmental footprints and acknowledge the potential opportunity, some are developing their own re-sale capabilities, including fashion retailers such as Shein and Sandro.

Silver spenders

- Fashion brands that have typically targeted younger generations may struggle in 2025, as the macroeconomic backdrop continues to financially stretch younger shoppers.
- The 'Silver spender' generation (aged 50+) is disproportionately wealthier and tend to spend more on fashion, so will be a prime demographic for many retailers in order to achieve the much needed growth in 2025.
- The overwhelming focus for the Silver generation in 2025 is around functionality, comfort and durability; however, this cohort continues to defy age-related stereotypes, with half of women in their 50s saying they are now more style-conscious than when they were in their 20s⁴.

Cost pressures

- Apparel retailers continue to be stress tested as they battle the £7bn of increased costs outlined in the 2025 Autumn budget, including: higher NI, National Living Wage and new packaging levies. The British Chambers of Commerce found that 55% of retailers will increase prices in Q1 of 2025, to covering these costs, which will impact sales volume across the industry⁵.

Marketplaces disrupted

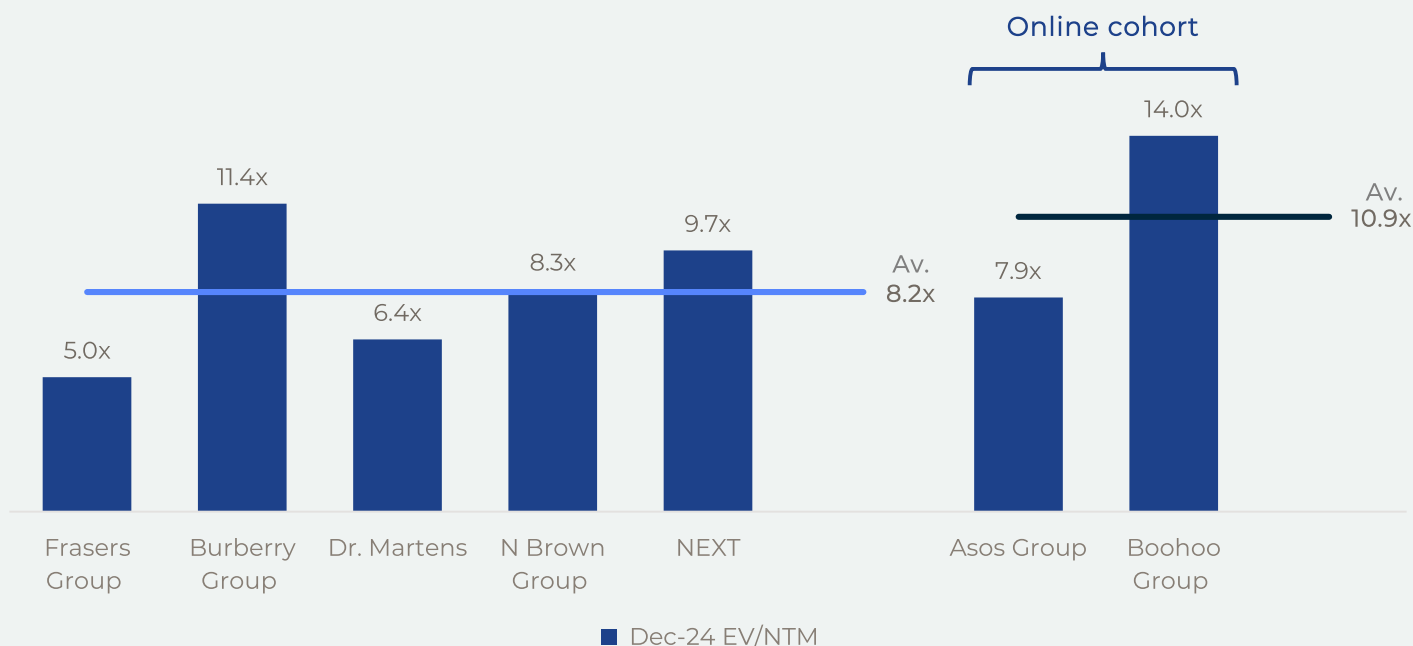
- Online marketplaces (non-luxury) faced challenges in 2024 with share prices falling as much as 98% since Covid-19, and are expected to see further disruption this year⁶



02) Sub-sector in focus: Apparel & Accessories

2024 public market valuations increased over the Golden Quarter, with the deadlock on M&A completions being broken in late 2024, with more to come in 2025

UK LISTED VALUATIONS (EV/NTM EBITDA)



As at: 31-Dec-24

CAVENDISH INSIGHTS

- The apparel & accessories market was adversely impacted throughout 2024 as consumer confidence was hit by macroeconomic factors, resulting in a large cohort of consumers being financially stretched.
- This impacted top-line growth as well as profitability for many retailers, meaning many M&A transactions were put on hold and those that did happen were predominantly distressed transactions, such as Farfetch, Matches Fashion and Ted Baker.
- Approaching the year-end and the first few weeks of 2025, the deadlock on M&A deals seemed to have been broken, with brands such as Golden Goose, True Religion, Kapital, Represent, Laura Ashley and Christian Lacroix completing transactions.
- The increase in the number of deals closing in the market is in-part due to the cutting of interest rates across major markets such as UK and the US, reducing the cost of raising debt for M&A transactions, unlocking deals for both strategic and financial buyers.
- The positive market sentiment is expected to drive a significant rise in apparel & accessories M&A over 2025. This will be fuelled by both scale-driven acquisitions and consolidation efforts, as larger players seek to enhance their portfolios with recognised brands.

Cavendish

03) Cavendish has significant deal experience and strong relationships within the Apparel & Accessories sector

**ORLEBAR
BROWN**

R A D L E Y
L O N D O N

LVMH
MOËT HENNESSY • LOUIS VUITTON


NEW & LINGWOOD
Flourishing Since 1865


CHANEL

EMP 


MY
1st years

LIBERTY.

HURR

FIGRELLI

**COTSWOLD
COLLECTIONS**

SERAPHINE

Ro&Zo

MODALU
ENGLAND

SEALSKINZ

CHARLES & KEITH

Etam
PARIS

Phase Eight

03) About Cavendish

A full-service investment bank and trusted advisor to ambitious growth companies and their investors

Cavendish is a UK champion for ambitious growth and investment companies. The Group is trusted by public and private companies, operating across industry sectors, to deliver an expert service in equity capital markets, M&A, debt advisory and growth capital. Cavendish has offices in London, Manchester and Edinburgh, and has a global reach through its membership of Oaklins.

Cavendish is uniquely placed to advise on the various tracks for growth, investment, IPO and exit options.

Investment Banking

Corporate Finance
Capital Markets
M&A Advisory
Debt Advisory

195
Investment banking professionals

£4bn
Transactions advised on in 2024

90+
Deals completed in 2024

Equities

Institutional Sales
Research
Trading

179
Listed clients

19
Research analysts covering c160 stocks

1000+
Reports distributed to institutional clients with **c100K** downloads

Alternative Financing

Private Equity
VC Funding
Private Growth Capital

250+
Relationships with Global Private Equity and VC funds

70%
Of deals transacted with Private Equity

£115m+
Of debt financing raised in the past 9 months

Cross-border M&A

International reach through our membership of Oaklins

40
Countries represented in across the globe

15
Vertical markets with deep industry expertise

385
Deals closed worth **US\$27bn** In 2024 across the group

03) About Cavendish

A wealth of experience across the Consumer sector

Apparel & Accessories



ORLEBAR BROWN

has been acquired by

CHANEL

M&A SELL-SIDE
Consumer

Ro&Zo

on its investment from

Pembroke

M&A SELL-SIDE
Consumer

RADLEY
LONDON

has been acquired by

Freshstream

M&A SELL-SIDE
Consumer

SEROPHINE

Takeover offer by

MAYFAIR
EQUITY PARTNERS

RULE 3 ADVISER
Consumer

Beauty & Personal Care



BigGreen smile

received investment from

Future Business Partnership

M&A SELL-SIDE
Consumer

Margaret Dabbs
LONDON

sale of minority holding to

bestworld

M&A SELL-SIDE
Consumer

NATIVE

has been acquired by

P&G

M&A SELL-SIDE
Consumer

John Bell & Croyden

has been acquired by

BESTWAY

M&A SELL-SIDE
Consumer

Travel & Leisure



Guinivers sports travel
EVENTS INTERNATIONAL
VIP HOSPITALITY

has been acquired by

KEITH PROWSE

M&A SELL-SIDE
Consumer

distantjourneys

has been acquired by

mobeus
EQUITY PARTNERS

M&A BUY-SIDE
Consumer

Virgin
EXPERIENCE
DAYS

has been acquired by

EQUISTONE

M&A BUY-SIDE
Consumer

inside
travel
group

has been acquired by

PIPER
PRIVATE EQUITY
COOL JAPAN
FUND

M&A BUY-SIDE
Consumer

Hospitality



PEACH
MEXICAN LIFE GROUP

has been acquired by

REVOLUTION
BARS GROUP

M&A SELL-SIDE
Consumer

Dirty martini
RESTAURANT & BAR

has been acquired by

NIGHTCAP

M&A SELL-SIDE
Consumer

BARBURRITO
MEXICAN EATERY

has been acquired by

The Restaurant
Group plc

M&A SELL-SIDE
Consumer

THE Revel
COLLECTIVE

Nominated Adviser and Broker

NOMAD AND BROKER
Consumer

Consumer Goods & Services



VENUS

has been acquired by

TESCO
BOOKER

M&A SELL-SIDE
Consumer

Pure Crema
fion

has been acquired by

epiris

M&A SELL-SIDE
Consumer

PIMLICO
PLUMBERS

has been acquired by

neighborly

M&A SELL-SIDE
Consumer

doff

has been acquired by

Pelsis

M&A SELL-SIDE
Consumer

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