



**20
23**

ACTIVITY REPORT



NEXTGEN CONSUMER

In 2023, numerous consumer businesses faced persistent challenges, despite showing positive signs of recovery. Raw materials, transport and marketing costs cooled off towards the end of the year, along with the stabilisation in interest rates.

Many companies adapted their operations to thrive in a demanding environment, prompting a gradual return of investors who sought to inject capital and generate healthy returns, particularly into businesses with solid track-records and growth potential.

In 2024, we anticipate a shift in the stance of debt providers who have avoided the entire consumer industry in recent years, but could now be willing to reallocate capital to consumer-facing enterprises that demonstrate resilience and sustainable profitability levels.

Bryan Garnier’s NextGen Consumer practice remains focused on specific subsectors that are both sizeable and growing.

10+

transactions including
2 IPOs since 2020

€1.2bn+

average transaction
value, including private
and public capital raises

50

NextGen consumer
stocks covered by
BG IRIS

Subsectors

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UNLEASHING THE POWER OF RECOMMERCE

The second-hand market for consumer discretionary items has seen a surge in popularity, particularly across Europe and the US, driven by the emergence of online and omnichannel platforms, which have accelerated the adoption of new purchasing habits by end-consumers. Boosted by the current decline in purchasing power, these platforms offer a wider range of affordable goods and an often more frictionless shopping experience than traditional thrift shops. They also enable consumers to shop more sustainably, while their demand is further driven by the continuous increase in consumer goods prices.

McKinsey expects the global market for refurbished, resold and rented goods to grow at approximately 10–15% annually, reaching EUR200bn by 2030. While dominant B2C marketplaces are emerging in each subvertical, several players have yet to find an attractive business model in this growing, highly fragmented and regional market, bound for consolidation.

While trade buyers have dominated M&A activity, a notable surge in interest has come from venture capital and private equity investors, particularly for pure marketplace

business models, as well as fully vertically-integrated businesses that could serve as a platform investment for further market consolidation.

Over the past six years, more than 100 brand owners and retailers have entered partnerships with Recommerce businesses, with over EUR3.8bn in funds raised by operators in the Recommerce sector since 2018. Listed businesses in the circular economy have nevertheless struggled to convince public markets of their rapidly transforming operating models to perform in these changing market

conditions. This development could provide an attractive opportunity to take some undervalued players to the private market and conclude the transformation without the watchful eyes of public investors.

Bryan Garnier boasts a robust Recommerce track record, leading operations through financing activities, such as the EUR50m Series C for Recommerce Group, the European leader in premium second-hand IT devices and the EUR18m Series C for the German circular economy pioneer, asgoodasnew.

OUTLOOK FOR 2024

The global Recommerce market is experiencing significant growth, with a 27% year-on-year increase in the number of sellers and a notable trend of 85% of shoppers engaging in the purchase or sale of second-hand items, with 27% of them venturing into this market for the first time in 2022.

This growing and fragmented sector is likely to remain active in the near to medium term due to several factors: a group of Recommerce platforms has reached critical scale and may thus be ready for a new investor or to raise capital to fund their growth aspirations. Large discretionary consumer goods companies are still in the experimentation space with second-hand channels through small partnerships.

The next wave of adoption is likely to imply the acquisition of assets to get a foot in the door. Smaller Recommerce players have carved out a strong local presence but may not yet possess viable business models. These operators could be targeted by larger competitors aiming to expand their geographic footprint.

THE VISIONARY HORIZON: GROWTH AND CONSOLIDATION IN **THE OPTICAL RETAIL LANDSCAPE**

In the coming years, the Optical retail sector will mainly be driven by favourable demographic trends such as an aging population and an increasing proportion requiring corrective vision, coupled with evolving consumer megatrends like heightened fashion consciousness and a growing preference for premium products. Embracing technological changes, such as digitalisation and telehealth, further aligns our strategy with industry developments.

The high level of market fragmentation is expected to drive continued consolidation. Major industry players such as Fielmann and nexeye, alongside private equity and venture capital firms, are drawn to these trends, supported by high profits and slow online penetration, contributing to optimistic future valuation multiples.

In the public capital market, activity has slowed in recent years following a dynamic 2021 marked by notable IPOs, including Synsam in Stockholm, Mister Spex in Frankfurt, KITS Eyecare in Toronto and Warby Parker in New York. The M&A market followed the same path. Major players such as EssilorLuxottica engaged in strategic moves such as the acquisition of GrandVision and other bolt-on acquisitions. Fielmann expanded its presence

through the acquisition of optical chains in Spain and North America.

Despite a sluggish market, acquisitions of single-site targets increased during and after the pandemic. This surge was driven by factors such as unsustainable cost bases, subscale operations and a lack of bargaining power with suppliers.

These trends underscore the ongoing transformation and dynamics in the optical and eyewear market, positioning us strategically to navigate emerging opportunities in the coming years.

Bryan Garnier actively supports leading players as well as fast-growing and disruptive brands that are pivotal contributors to the ongoing consolidation of the Optical market. Our research platform, BG IRIS, has published over 500 reports in the sector, strengthening our position as industry experts. Our investment banking team continues to build a track record within the space, following landmark transactions, such as Mr Spex's EUR326m initial public offering.

OUTLOOK FOR 2024

We anticipate a rebound in M&A and private placement activities in Optical Retail. Privately-owned businesses with critical size built through acquisitions and integrations are attracting attention from larger consolidators or financial sponsors. Increased investor activity is expected as older vintage optical retail assets like Marcolin (owned by PAI Partners since 2012) or Vision Group (owned by Arcadia SGR since 2014) approach the end of their investment tenure. We also expect partnerships between direct-to-consumer vertical brands (DNVBs) and offline or omnichannel players to boost competitiveness and widen their customer base.

The value of the European Optical retail market is forecast at EUR50bn by 2028, marking a substantial increase from EUR34bn in 2023, with a compound annual growth rate of 6.6%. Between 2018 and 2023, there have been nearly 400 transactions in Europe and the US, with approximately 150 European targets that received capital from financial sponsors.



CULTIVATING ORGANIC GROWTH IN THE HEALTH AND WELLNESS FOOD & BEVERAGES SECTOR

National market leaders and global blue-chip companies consistently seek to fill gaps in their offerings, leveraging their scale and distribution power. Simultaneously, financial sponsors who have invested in the sector continue to seek attractive investment opportunities, reinforcing confidence in the outlook for this space.

The size of the global Health and Wellness F&B market is approximately USD1tn in 2023 and is expected to grow to around USD1.6tn by 2028. The boundaries between health and food have become increasingly blurred and demand for better-for-you products has surged with the global pandemic. This heightened interest is evident from both international strategic and financial sponsors.

Consumers are not only seeking healthy food alternatives but also functionalities, meaning F&B products providing additional health benefits such as better sleep, faster recovery and stronger immunity. Even historically unhealthy product categories like desserts or ice cream are being reinvented with new product developments offering healthier (yet still indulgent) choices. While 2020 and 2021 saw increased market activity involving VMS e-commerce companies focusing on

basic commodity type supplements (e.g., vitamin D pills), acquirers and investors have shifted attention towards more complex and differentiated better-for-you products.

Following robust M&A activity and numerous high-profile IPOs and SPACs between 2021 and 2022, deal activity in 2023 experienced a slight reduction with some notable exceptions such as Mars' acquisition of Kevin's Natural Food, Unilever's acquisition of Yasso, Nestle's acquisition of YFood and Premier Food's purchase of Fuel10k.

In terms of capital raises, the reluctance to raise down rounds and the 'above-zero' interest rate environment have resulted in some businesses like Meatless Farms facing financial difficulties. This shift has prompted investors to redirect their focus from high-growth businesses to those with a proven track record of profitability and demonstrated resilience, a trend observed in other sectors as well.

Bryan Garnier possesses strong Food & Beverages (F&B) expertise, demonstrated by its involvement in advising Prolupin, a plant-based dairy alternative company, on its capital raise with Capricorn and NovAx and Agronutris or Protix, insect-based ingredients companies on their equity fundraisings.

OUTLOOK FOR 2024

With input and commodity prices returning to more reasonable levels post-peak in 2022 and a resurgence of well-performing businesses post-pandemic, strategic and financial investors are showing increased interest in targets to enhance competitiveness and yield healthy returns.

Out of nearly 100 European transactions in this sub-sector with financial sponsors over the last six years, a significant portion may re-enter the market soon, as many have demonstrated strong performances and are approaching the end of the investment period in their owners' portfolios.

With global blue-chip players amassing substantial resources and financial sponsors having a record capital deployment of over USD2tn, we expect heightened capital raising and M&A activity, particularly in fast-growing niches such as organic and snacking F&B products - two of the most active niches in recent years.



BLURRING BOUNDARIES BETWEEN PERSONAL CARE & CONSUMER HEALTHCARE

Bryan Garnier's NextGen Consumer and Healthcare practices collaborate in the consumer healthcare companies (CHC) segment, advising industry-shaping businesses such as Boiron on their EUR875m tender offer. During and following the pandemic, consumers began to take more supplements to remain healthy, leading the Consumer Healthcare market to surge with mainstream F&B and health and personal care (HPC) companies looking to acquire CHC companies. With return to the office policies, cosmetics and fragrance makers also witnessed a bump in sales and steadier repurchase rates again.

Biotech beauty is another focus area for our teams in the Consumer Healthcare space, where boundaries between healthcare and other end-consumer applications are becoming increasingly blurred. A growing number of companies develop new, lab-grown or lab-created ingredients that prevent and reduce different health issues such as atopy, eczema or acne. Several international market leaders such as Givaudan, Chanel and Coty have already begun to invest heavily in this niche given the high degree of product customisation and personalisation, which command a price premium.

The Derma-Cosmetics subcategory has also

seen a surge in popularity as consumers increasingly turn to effective products, recommended by medical professionals, that target specific skin, body, or hair conditions. We expect strong demand for these products to continue across the world as growing consumer skincare savviness drives adoption.

Several high-profile spin-offs took place in 2022-2023, such as Haleon and Kenvue whereas the number of IPOs was limited.

Larger companies and global blue-chips were mostly active in the M&A market, with examples including the acquisitions by Nestle of Bountiful Company and by L'Oreal of Lactobio, respectively. Early-stage funding rounds and capital raise volumes were significantly higher over the past two years given the fairly large number of emerging and differentiated HPC companies that offer consumers improved versions of existing products marketed in unique ways. Examples include True Botanicals, a natural skincare provider and Vyrao, a provider of fragrances with neuroscience-backed formulations.

Financial sponsors remain active in this sector, as some of the listed players have embarked on portfolio clean-ups and are divesting non-core assets, such as IFF's sale of the flavour specialty

ingredients business to PE firm Exponent Private Equity in February 2023.

Consumer Healthcare is one of the largest and most resilient consumer sectors, valued at

approximately USD650bn, experiencing a 40% increase on a weighted market cap basis since 1st January 2018, with a total of 165 transactions involving financial sponsors in Europe and the United States from 2018 to 2023.

OUTLOOK FOR 2024

We expect similar developments in Consumer Healthcare as in the Health and Wellness F&B sector, with strong participation from both trade and financial sponsors. Their focus will most likely be to back established platform businesses and up-and-coming disruptors in segments with high entry barriers such as Biotech beauty.

Growing demand for customised products and stable consumer spending patterns form an attractive investment opportunity.

More large-scale M&A transactions are also expected as a growing number of pharma companies may spin off some of their divisions to refocus on the value created by their legacy pharma activities which are more margin accretive (e.g. Sanofi).

We anticipate further consolidation of market participants, from digitally native vertical brands to retail channel focused players, to tackle a broader range of assets. Some of the large HPC groups may continue to play a key role as consolidators.

Ingredients companies may look to increase their portfolio of products via acquisitions rather than embarking on greenfield projects to minimise time to market.

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CASE STUDY

LEADING TYRE COMPANY DÄCKSKIFTARNA AND BYTHJUL, EMPOWERED BY MOBIVIA

Bryan, Garnier & Co acted as the Sole Financial Advisor to the shareholders of Däckskiftarna in its merger with Bythjul, a portfolio company of French investment group Mobivia. The completed merger positions the new group as a leading omnichannel company in the Swedish tyre and rim market. Bythjul, previously acquired by Mobivia from Nordic private equity firm Verdane Capital in 2014, has long been a prominent player in the sector with sales of approximately SEK500m (EUR43.9m) in 2022.

Däckskiftarna, recognised for its omnichannel franchise chain and seasonal pop-up stations

in large supermarket parking lots, reported sales of around SEK300m in 2022 across its 70+ stations in Sweden. The collaboration signifies a strategic move for Bythjul, complementing its online business with a physical presence, thus enhancing customer service with services like a tyre hotel and a comprehensive service network.

By leveraging the extensive international expertise of Mobivia in urban mobility and harnessing the collective capabilities of its 23,000 employees and franchised entrepreneurs, the new group aspires to play a pivotal role in shaping the future of mobility.

NEXTGEN CONSUMER
SELECTED TRANSACTIONS

<div>Goldman Sachs</div> <div>Block Trades in</div> <div>MISTER SPEX</div> <div>BÖRSE FRANKFURT</div> <div>€ 8 800 000</div> <div>October 2023 Sole Global Coordinator & Sole Bookrunner</div>	<div>claranova</div> <div>Public Offering</div> <div>EURONEXT</div> <div>€ 18 500 000</div> <div>July 2023 Sole Global Coordinator & Sole Bookrunner</div>	<div>Däckskiftarna</div> <div>Merger with</div> <div>BYTHJUL</div> <div>A portfolio company of</div> <div>Mobivia</div> <div>Undisclosed</div> <div>February 2023 Financial Advisor to Däckskiftarna</div>	<div>Acquired by</div> <div>amscan</div> <div>Undisclosed</div> <div>September 2022 Sole Financial Advisor to the Sellers</div>
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