



TRENDS IMPACTING CONSUMER AND RETAIL M&A

2026 Annual Outlook



About Our Team

Before we dive in, we are excited to highlight several leadership appointments and promotions within our Consumer Retail Group (CRG). David Shiffman has been appointed Head of Investment Banking at Solomon Partners and will continue to serve as Co-Head of CRG alongside Jeff Derman, who has been promoted to Co-Head of CRG. We are also pleased to announce the promotions of Peter Diamond and Brandon Yoshimura to Managing Director.

In his expanded role, David will continue to develop and scale the firm's investment banking platform while serving as a trusted advisor across retail, consumer, and consumer services. Jeff, with his deep transaction experience and sector expertise across retail, consumer products, consumer services, and technology, will build on his long-standing leadership within CRG as we further strengthen our advisory franchise.

With a decade of advisory experience each, Peter has advised high-growth and founder-led companies across the food & beverage and consumer durables sectors, while Brandon has built a strong track record advising emerging and disruptive retail brands, particularly across e-commerce and digitally native channels.

These promotions reflect the depth of talent, sector expertise, and leadership that continue to drive the growth of our Consumer Retail practice and the firm more broadly.

Introduction

The turn of the calendar provides the opportunity to reflect on the year that was in the consumer retail sector and consider where we are headed in 2026. Once again, unpredictability is a central theme affecting consumer and retail businesses — as has been the case throughout the post-pandemic period. When we published our 2025 letter, we specifically highlighted the uncertainty surrounding the incoming US presidential administration's policies. However, few predicted the depth and speed of the changes, many of which are likely to have a profound impact on consumer and retail companies for years to come.

Of course, the most significant policy change was the imposition of sweeping import tariffs launched on “Liberation Day” in April. We wrote extensively on the sector impact toward the end of 2025 ([Solomon Partners - Retailers Navigating Tariff Uncertainty](#)). As of this publication, it is still unknown whether the US Supreme Court will allow the tariffs to stand. While a cottage industry has sprung up to speculate on the economics of the potential unwinding of those tariffs, global trade tensions are likely to remain the norm for years to come, and retail leaders will need to remain nimble when it comes to

managing sourcing — a challenge they navigated with remarkable agility during the disruptions of 2025.

From an M&A perspective, the sweeping policy announcement on “Liberation Day” initially had a chilling effect on retail M&A, but once seasoned leadership teams better understood how they and their merger targets could adapt and mitigate, strategic activity heated up in earnest as parties contemplated how to use M&A to build durable competitive advantage in the literal “new world order.”

Conversely, the considerably less-intense regulatory environment under the new administration helped support the use of M&A among strategic acquirers looking to build scale and extract synergies. US M&A volumes increased 52% year-over-year to \$2.5 trillion in 2025 ⁽¹⁾, driven by large, blockbuster deals including 3G Capital's \$9.4 billion take private of Skechers, Gildan's \$4.4 billion acquisition of Hanesbrands, Ferrero's \$3.1 billion acquisition of WK Kellogg Co, and Dick's Sporting Goods' \$2.5 billion acquisition of Foot Locker, making 2025 the strongest year for dealmaking since 2021.

1. Dealogic; announced US M&A transactions involving US targets. Data as of January 2, 2026.

Looking forward to the year ahead, we anticipate dealmakers will remain active. Many consumer and retail leaders are increasingly emboldened by the belief that scale is critical for ensuring long-term success. Scale affords stronger leverage with vendors, greater relevance with consumers, access to a lower cost of capital, and a better ability to withstand the next “black swan” event that will undoubtedly arise. As such, we expect to see more consolidation.

One complicating factor for dealmakers as we enter the new year is the health of the US consumer. American consumers defied expectations over the back half of 2025 by continuing to spend, with 2025 retail holiday sales increasing 4% year-over-year ⁽²⁾ despite consumer confidence softening, down nearly 30% versus December 2024 ⁽³⁾. However, much of the spending was financed by personal balance sheets, as many consumers depleted their savings. The average personal savings rate fell to 4.8%, compared with 5.7% the year prior ⁽⁴⁾, and credit card balances reached a new record high of \$1.2 trillion ⁽⁵⁾. But while consumers continued to spend, it was clear that, for all but the wealthiest of consumers,

value — defined not as the lowest price but by quality received relative to cost — is a top priority, and spending is increasingly focused on “needs” vs. “wants.” As a result, discounters such as Walmart and TJX continue to see share growth, with middle-income consumers, in particular, “trading down.” Moving up the supply chain, it is those vendors who have aligned themselves with the growing value channel that are also seeing the knock-on benefit of having their products in the right places at the right time. Given uncertainty around affordability and the stretched consumer, we expect 2026 to see a continuation of these value-driven trends. Dealmakers will be focused on investing in retailers and brands that are well-positioned to capture consumer dollars.

Notwithstanding the uncertainty that remains, we do anticipate 2026 will, on a relative basis, feel like a respite from the unpredictability that dominated the first half of the past year. That relative sense of stability, combined with an improving interest rate environment, should be constructive for dealmaking, which, we believe, will be dominated by the four key themes we examine in this year’s report.

2. Visa (December 2025).

3. Surveys of Consumers, University of Michigan (December 2025).

4. Reflects the average personal savings rate from January – September, per the Federal Reserve Bank of St. Louis.

5. As of the end of Q3 2025, per the Federal Reserve Bank of New York.

SECTION I

Big Getting Bigger

In 2025, scale continued to shape competitive advantage across the consumer and retail sector, with larger platforms demonstrating greater operational flexibility, cost leverage, and an enhanced ability to navigate volatility relative to smaller competitors. This year, we again reviewed trends across a basket of more than 200 publicly traded retailers spanning the past two decades, examining how market capitalization and revenue have increasingly concentrated among the largest platforms.

Two years ago, Costco overtook Home Depot as the third-largest retailer by market capitalization behind Amazon and Walmart. Together, Amazon, Walmart, and Costco now account for approximately 66% of the total market capitalization of the top 100 public retailers, compared with just 25% two decades ago, underscoring the degree to which value creation has concentrated among a small number of scaled platforms.

While the bar for entry into the top 100 largest public retailers by market capitalization remains relatively modest, at \$577 million, the reality is that scale is difficult to achieve but essential to maintain a competitive

edge. Among the top 100 public retailers, 90 now exceed \$1 billion in market capitalization — representing a threshold that marks a turning point where a retailer unlocks advantages that differentiate the largest players from the rest of the sector.

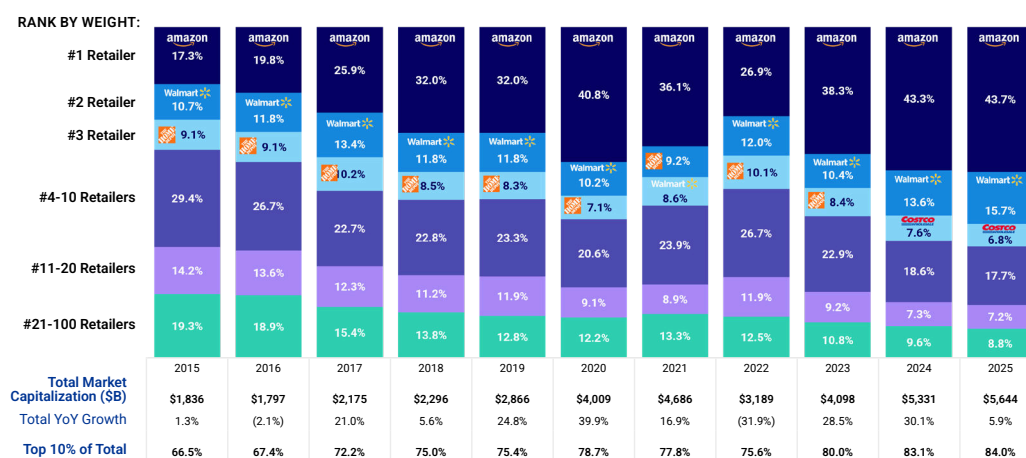
Above \$1 billion in market capitalization, companies enjoy a lower cost of capital, greater supplier leverage, and the ability to invest in technology, logistics, and customer experiences at a scale smaller competitors cannot match. Importantly, size becomes a magnet for talent. Billion-dollar platforms can recruit and retain top performers across every operational function, from senior leadership shaping strategy to store-level associates delivering customer experience and back-office teams driving efficiency. Large retailers oftentimes offer sector-leading opportunities for career advancement, benefits, and resources, creating a positive feedback cycle, with talent fueling innovation and operational excellence, enabling continued growth.

As investor dollars chase scaled sector leaders, the escalation in their market capitalizations has been dramatic. In 2005, to rank among the top 10 largest public retailers, a company

needed a market capitalization of approximately \$20 billion; by 2025, that threshold has quadrupled to roughly \$80 billion. In 2005, the third-largest retailer by market capitalization was eBay, at approximately \$60 billion — a level that would not even place a company within the current top 10. Today, eBay ranks 16th, with a market capitalization of approximately \$40 billion. The combined market capitalization of the top 10 largest public retailers grew at a 15% CAGR from \$1.2 trillion to \$4.7 trillion over the last decade, signaling a valuation premium for scale, as investors reward retailers with the operational and strategic advantages of that scale.

Over this period, consumer habits and shopping preferences have fundamentally shifted. Where department stores and broadline retailers once dominated retail, today's landscape is led by digitally enabled mass merchants. Amazon sits at the center of that shift, with a market capitalization of approximately \$2.5 trillion, illustrating how platform scale and customer reach have redefined category leadership ⁽⁶⁾. By the end of 2025, Amazon alone represented 44% of the total market capitalization of the top 100 retailers, surpassing the combined scale of the top three retailers from 2015. Of course, Amazon benefits from also having its high-margin Amazon Web Service offering and a rapidly expanding advertising business, all of which support its attractiveness to a broad base of investors, even as its retail growth moderates.

Total Market Capitalization of Top 100 Public Retailers ⁽⁷⁾⁽⁸⁾



6. There are several scaled private retailers that are not included in the analysis of retail consolidation due to a lack of comparable publicly available information.
7. Represents a basket of 232 publicly traded retailers primarily based on active and historical holdings of the SPDR S&P Retail ETF (XRT) from 2006 to 2025. The XRT is designed to track the performance of consumer discretionary retailers. Solomon has made adjustments to this index to exclude travel agencies and other businesses that are not primarily in the retail business; additions include consumer staple retailers, hardline retailers, direct-to-consumer/digitally native companies with a retail presence, and apparel/footwear companies with a retail presence not included in the XRT. Financial data from Capital IQ as of December 31, 2025.
8. Represents market capitalization, as of December 31, from 2015 to 2025.

Collectively, these three retailers have continued to take share, growing from approximately 42% of the combined revenue of the top 100 retailers five years ago to 49% today. Importantly, that concentration accelerated meaningfully in 2025, with the top three gaining approximately 300 basis points of revenue share year-over-year – the largest single-year increase observed over the past two decades. To put that in context, while the overall pie shrank last year, those top three’s collective slices of the pie grew by over \$80 billion.

RANK BY WEIGHT:											
#1 Retailer	Walmart🏆	Walmart🏆	Walmart🏆	Walmart🏆	Walmart🏆	Walmart🏆	Walmart🏆	Walmart🏆	Walmart🏆	Walmart🏆	Walmart🏆
	24.9%	24.2%	24.1%	23.3%	22.9%	22.1%	19.8%	20.1%	20.8%	21.0%	22.0%
#2 Retailer	Costco🏆	amazon	amazon	amazon	amazon	amazon	amazon	amazon	amazon	amazon	amazon
	6.0%	6.2%	7.7%	9.4%	10.7%	13.4%	14.1%	14.3%	15.5%	16.3%	17.8%
#3 Retailer	Costco🏆	Costco	Costco	Costco	Costco	Costco	Costco	Costco	Costco	Costco	Costco
	5.8%	6.0%	6.4%	6.6%	6.8%	6.8%	7.0%	7.6%	7.9%	8.0%	8.8%
#4-10 Retailers											
	28.0%	29.1%	29.3%	28.9%	28.2%	28.9%	27.6%	27.3%	26.8%	26.3%	24.4%
#11-20 Retailers											
	12.4%	12.1%	11.6%	11.4%	11.4%	11.0%	11.6%	11.3%	10.9%	10.6%	9.8%
#21-100 Retailers											
	22.8%	22.5%	20.8%	20.5%	19.9%	17.8%	19.8%	19.5%	18.1%	17.8%	17.2%
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Total Revenue (\$B)	\$1,933	\$2,005	\$2,073	\$2,209	\$2,287	\$2,534	\$2,890	\$3,043	\$3,119	\$3,244	\$3,196
Total YoY Growth	1.5%	3.7%	3.4%	6.6%	3.5%	10.8%	14.1%	5.3%	2.5%	4.0%	(1.5%)
Top 10% of Total	64.8%	65.4%	67.6%	68.1%	68.7%	71.2%	68.6%	69.2%	70.9%	71.6%	73.0%

9. Amazon revenue figures exclude revenue from Amazon Web Services ("AWS"), which accounted for approximately 18% of total revenue over the last 12 months.

10. Represents calendar year revenue from 2015 to 2025.

11. Numerator (2025).

simply, for the past three years, more than one in every five US grocery dollars was spent at Walmart, underscoring the power of scale in essential categories and its role in driving competitive advantage.

With a market capitalization increase of 22% year-over-year in 2025, over three times the 6% total growth of the top 100 public retailers and outpacing the S&P 500's growth of 16%, Walmart's operational success was driven by a surge in digital and alternative profit streams. Walmart has reported over 20% e-commerce sales growth across all segments for seven consecutive quarters ⁽¹²⁾. Membership income also continued to rise at a double-digit rate, with Walmart+ and Sam's Club both seeing strong growth in member counts, renewal rates, and member penetration. Advertising and marketplace revenue also continued to see robust growth, further diversifying Walmart's profit streams.

The pursuit of scale is also reflected in a surge in billion-dollar strategic transactions. Several large strategics re-entered the M&A market after years of limited activity, pursuing acquisitions to diversify product portfolios and build integrated supply chain ecosystems, with notable

examples including Lowe's \$8.8 billion acquisition of Foundation Building Materials and The Home Depot's \$5.5 billion acquisition of GMS. Category consolidation also played a key role in driving increased sector activity, as retailers looked to capture additional market share and defend their competitive position, a theme illustrated by Gildan's \$4.4 billion acquisition of Hanesbrands. Access to new customers and differentiated retail concepts was another driver of activity, as illustrated by Dick's Sporting Goods' \$2.5 billion acquisition of Foot Locker. These transactions highlight how, even against a backdrop of macroeconomic uncertainty, retailers sought to scale as quickly as possible to compete more effectively with the leading mass-market digital platforms.

Today, the benefits of scale extend beyond operational efficiency, shaping capital markets access and market perception. The relentless pursuit of scale has created a self-reinforcing cycle: As the largest retailers grow, they unlock even greater advantages, widening the gap between retail giants and smaller competitors and accelerating consolidation as retailers face mounting pressure to scale up or risk being left behind.

12. As of November 20, 2025.

SECTION II

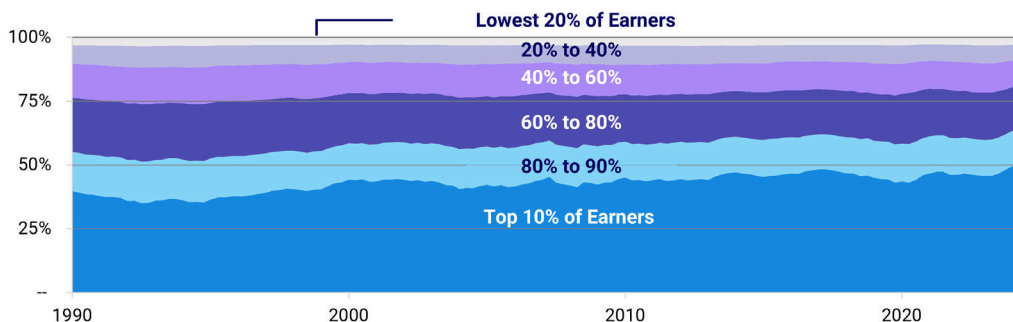
Consumer Sentiment Shifting Toward Value

After several years of cost-of-living increases and broader macro volatility, consumers at almost all income levels are seeking to maximize the value of their dollars. While lower-income households continue to feel the greatest pressure, value-seeking has broadened meaningfully across income levels, with even affluent consumers becoming more intentional about where and how they spend. Importantly, value, as defined by consumers, is increasingly about perceived quality relative to dollars paid rather than absolute price point.

More frequently, middle- and upper-income consumers are “trading-down” — that is, seeking similar replacement products at lower prices — and are increasingly motivated by promotions. For higher-income consumers in particular, this behavior can be looked at as spending optimization — prioritizing perceived product quality and utility for each dollar deployed over traditional brand or channel loyalty. As a result, retailers and brands that deliver compelling value propositions are capturing disproportionate shares of consumer attention and spend. This contributed to notable share shifts in 2025 to club and mass retailers, rising private-label penetration, and growth of value-led and “masstige” brands.

From a macro perspective, however, not all behavior changes are created equal. This shift is particularly impactful given the top 10% of earners in the US account for roughly half of total consumer spending, and that concentration continues to rise ⁽¹³⁾. The fact that those earners may be taking a portion of their business from luxury department stores to a direct-to-consumer, mass, or club alternative is a meaningful contributor to the market share shifts noted above.

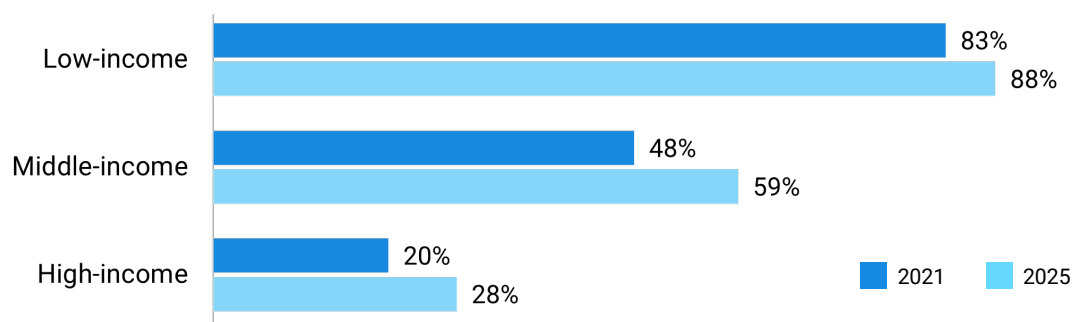
Share of US Spending by Income Group ⁽¹³⁾



13. Moody's Analytics (2025).

Discount retailers have been a primary beneficiary of these changes in consumer behavior. While the percentage of low-income households shopping at discount retailers increased from 83% in 2021 to 88% in 2025, middle-income participation rose 11 percentage points from 48% to 59%, and high-income participation increased from 20% to 28% ⁽¹⁴⁾. Over this time, these discounters have seen combined total sales rise 23%, or 5% at an annualized rate, as the customer demographic base has expanded ⁽¹⁵⁾. Notably, most new customers at Dollar Tree now come from households earning over \$100,000, demonstrating that even deep-discount shopping is no longer solely a function of financial stress but increasingly a deliberate choice among more affluent consumers ⁽¹⁶⁾. This trend is not limited to dollar formats, with mass retailers such as Walmart also citing increased engagement from higher-income consumers seeking greater value.

Share of Customers Shopping at Discount Retailers by Income Level ⁽¹⁴⁾



Club warehouses have also emerged as a particularly compelling outlet for consumers seeking value, with shoppers willing to pay membership fees upfront in exchange for consistent access to perceived high-quality products at what they believe to be better-value pricing. For many consumers, particularly higher-income households, club shopping represents a deliberate effort to “economize” — purchasing in bulk to improve per-unit economics and overall value. Despite raising membership fees in late 2024, Costco grew its global cardholder base by 5.1% year-over-year to 146 million while maintaining a 92% renewal rate, underscoring the strength of its value proposition and customer loyalty ⁽¹⁷⁾.

14. CBS News (September 2025). Low-income defined as below \$56,500; middle income defined as \$56,501 to \$169,750; high-income defined as \$169,751 and above. Discount retail defined as Aldi, Dollar General, Dollar Tree, Five Below, Family Dollar, Lidl, Ollie's, pOpshelf, and Walmart.

15. Reflects total revenue growth of Dollar General, Dollar Tree, Five Below, Ollie's, and Walmart from 2021 to 2025.

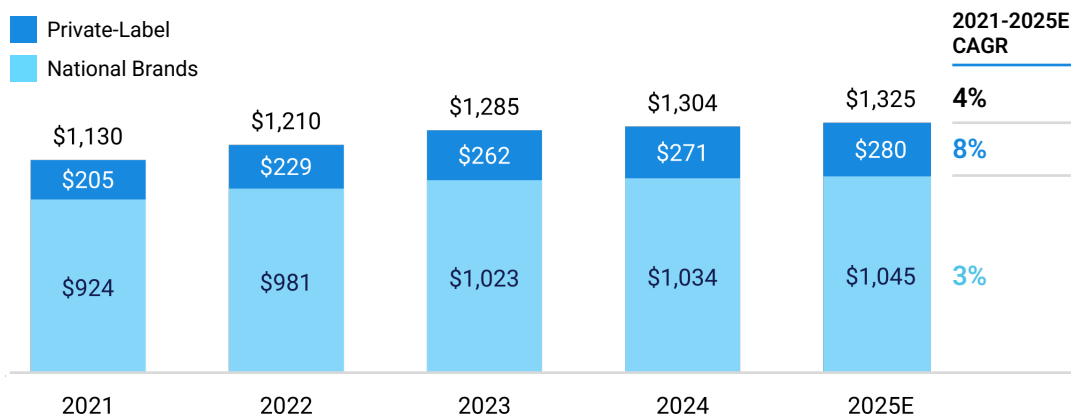
16. Dollar Tree Q3 FY2025 Earnings Call (December 2025).

17. Costco Q1 FY2026 Earnings Call (December 2025).

As more affluent customers are becoming more intentional and seeking value, it is important to note that they are not always looking for the lowest prices. We have witnessed the rapid rise of “masstige” direct-to-consumer brands that deliver high perceived value without compromising quality. Quince is one brand that exemplifies this shift, having raised \$200 million at a \$4.5 billion valuation in its most recent funding round by offering high-quality products at factory-direct prices that undercut traditional retail without sacrificing quality. Similarly, Dossier’s success with premium fragrances at accessible price points reinforces that, for many shoppers, value means maximizing quality per dollar, not simply minimizing spend.

National Brands vs. Private-Label Sales Growth ⁽¹⁸⁾

(\$ in billions)



On the consumer products side, private-label brands have been very clear beneficiaries of consumers’ drive for value. Private-label brand growth has continued to outpace that of nationally branded alternatives, benefiting not only from their price advantage, but also broadly improving quality perception. On average, branded consumer products are priced 19% higher than private-label alternatives, a premium that value-focused consumers are becoming less willing to pay ⁽¹⁹⁾. From 2021 to 2025, private-label sales grew 36%, to approximately \$280 billion (an ~8% CAGR), significantly outpacing national brands, which grew just 3% annually ⁽¹⁸⁾. Food retailer Aldi focuses on private-label merchandising and is now among the fastest growing banners in the industry. Within the club channel, this dynamic is also more pronounced, with Costco’s Kirkland Signature accounting for roughly one-third of total company sales while growing faster than the overall business. In fact, the Kirkland brand is believed to have more than 10 separate billion-dollar product lines, as some consumers even consider the house brand a status symbol of good taste and fiscal responsibility.

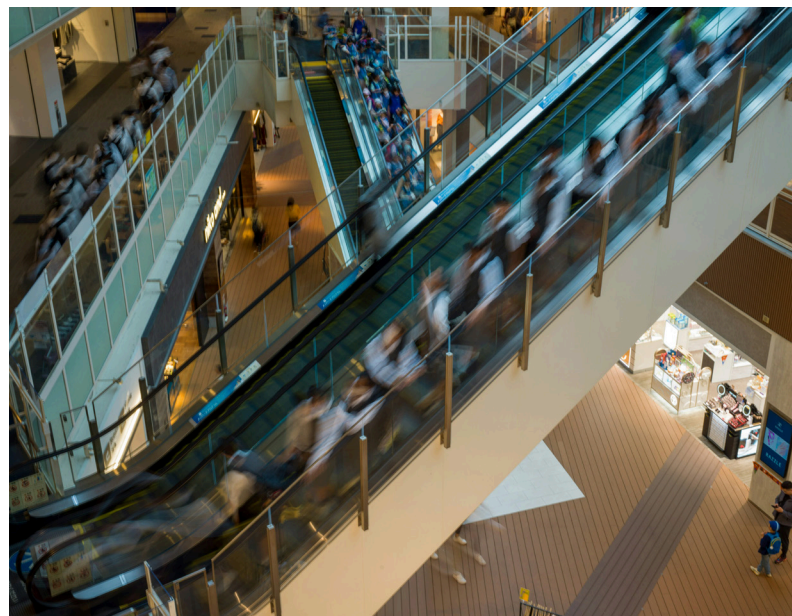
18. Private-Label Manufacturers Association. 2025E national brands growth based on January – November 2025 growth rate of 1.1%.

19. Nielsen (April 2025).

In response to consumer migration toward club and value-oriented channels, mass retailers and branded manufacturers are increasingly adapting product formats and pricing strategies to better align with economizing behavior. To stem share loss to club, mass retailers are expanding the use of larger, economy-sized packaging and multipack configurations that mirror the value proposition consumers associate with bulk purchasing, while preserving convenience and accessibility. Multipacks have become a meaningful driver of sales, and within salty snacks alone, now represent approximately 16% of category revenue, or nearly \$7 billion annually ⁽²⁰⁾. This evolution in price-pack architecture allows brands to deliver greater perceived value without relying solely on price discounting, particularly in center store and shelf-stable categories. Brands that align with these trends are experiencing outsized growth and have become more attractive to strategic acquirers; for example, better-for-you snack brand LesserEvil was acquired by Hershey this past year for over \$750 million ⁽²¹⁾.

Given expectations that consumers across demographic groups will continue to prioritize value in 2026 and beyond, we anticipate a wave of M&A activity will follow the

aforementioned trends. We are seeing strategic and private equity investors focused on putting money to work around those core growth themes, whether that is by buying private-label manufacturers (such as Investindustrial's \$2.9 billion acquisition of TreeHouse Foods), supporting direct-to-consumer brands that optimize the quality vs. price mix (such as TSG Consumer Partners' acquisition of Phlur as it approached ~\$150 million in 2025 sales), or buying brands that have their fortunes closely tied to the growthiest retailers in club and mass (such as PepsiCo's \$1.95 billion acquisition of Poppi). Together, these trends point to an active deal environment where capital will increasingly flow to brands and channels with enduring, value-driven consumer appeal.



20. The Hershey Company (June 2025).

21. The Wall Street Journal (April 2025).

SECTION III

Brand-Retailer Codependence Determines Success

Given omnichannel consumer shopping and the concentration of sales within a few select scaled retailers, success for brands is increasingly dependent on a combination of direct-to-consumer and wholesale sales within a few core accounts. Particularly for emerging brands, securing distribution within a scaled retailer can meaningfully transform the P&L, almost overnight, by providing access to thousands of doors and millions of households. For retailers, brand and category assortment has become among the most important levers for driving traffic, differentiation, and category momentum. The interdependence of brands and retailers reflects the current reality: Brand success relies on placement in the right channels, while retailer success depends on curating relevant, engaging brands that bring consumers through the door.

Placement in scaled retailers can drive a step change in brand visibility, sales, and relevance. Walmart and Target together represent over \$800 billion of retail sales, while Amazon accounts for approximately \$570

billion ⁽⁹⁾. In home improvement, Home Depot and Lowe's represent \$250 billion of retail sales; in beauty, Sephora and Ulta represent roughly \$30 billion ⁽²²⁾. Access to these channels is increasingly binary: Brands are either present where consumers shop most frequently or are missing out on large portions of the demand pool.

Next-generation brands play a central role in today's retail ecosystem, driving category growth and incremental traffic. Following Rhode's \$1 billion acquisition by e.l.f. Beauty, the brand made its retail debut in partnership with Sephora — the largest North American brand rollout in Sephora's history — and generated \$10 million in sales in two days, accounting for 35% of Sephora's sales on launch day, with 40% of spend redirected from competitors (including Ulta, Target and direct-to-consumer e-commerce) ⁽²³⁾.

Other notable moves and partnerships included Rare Beauty's expansion beyond Sephora exclusivity with a high-profile Ulta launch; baby brand Lalo's debut in 750 Target stores as part of a baby aisle

22. Reflects €16 billion in Sephora revenue, disclosed by management in the April 2025 LVMH annual general meeting.

23. Glossy (October 2025).

revamp; and frozen peanut-butter-and-jelly sandwich brand Jams' rollout to 3,000 Walmart stores and 950 Target locations — all of which underscore an important trend: Digitally native brands are leveraging retail partnerships to validate demand, amplify cultural relevance, and unlock new growth without sacrificing brand identity.

Retailers that understand how consumers perceive value within their specific category and then align their brand assortment are better positioned to capture traffic and wallet share. Value, as defined by consumers, is increasingly about perceived quality relative to dollars paid rather than absolute price point. This dynamic is evident across the spectrum, from premium grocery concepts (e.g., Erewhon) that command high price points through differentiated experiences to accessible luxury brands that offer compelling products at more attractive price levels (e.g., Italic, MCoBeauty). Brands that

ensure they are present where their customers shop, and retailers that curate assortments aligned with evolving consumer preferences, are best positioned to succeed in an environment where scale, distribution access, and brand relevance matter more than ever.

There is no single distribution strategy that works for every brand. Different consumer segments have distinct expectations around where and how they discover, evaluate, and purchase products; but across categories, we are seeing a growing pattern of brand–retailer codependence. Successful brands increasingly view distribution strategy as a core component of brand building, rather than a simple sales decision, ensuring that each channel reinforces positioning without undermining it. For retailers, standout brands increase customer traffic, drive velocity, and lift category demand, making brand assortment curation a critical lever for relevance and competitiveness.



SECTION IV

Portfolio Optimization and Modernization
















As consumer demand concentrates into fewer channels and organic volume growth remains pressured, strategic acquirers across the consumer and retail sector are managing business line portfolios with greater discipline. While scale continues to matter, building solely for the sake of scale — without clear long-term strategic and operational alignment — has proven insufficient in an environment defined by slower category growth, evolving consumer preferences, and heightened investor scrutiny. As a result, management teams are increasingly prioritizing focus, agility, and category leadership over breadth, driving an acceleration in portfolio optimization activity across the sector.

Large consumer companies are reassessing portfolios built through years of consolidation and reevaluating assets that lack a clear strategic role, durable competitive advantage, or a compelling long-term growth profile. The recently announced separation at Kraft Heinz reflects a broader acknowledgment that complexity created through scale-driven consolidation can inhibit speed and innovation. After years of pursuing efficiency through size, Kraft Heinz's overly broad and rigid portfolio relative to more focused peers prompted a decision to split into two streamlined businesses aligned to distinct growth and operating priorities. Kellanova and WK Kellogg Co previously split to increase focus and unlock value; in the last couple years, each entity has been acquired by multinational strategics. A similar logic underpins Keurig Dr Pepper's announced separation following its acquisition of JDE Peet's, reflecting recognition that the complexity created through large-scale combinations can constrain operational focus and agility.

At the same time, M&A remains active in pockets of secular growth where consumer demand is enduring and category tailwinds remain intact. Strategics are selectively deploying capital toward modern, on-trend brands that resonate with Millennials and Gen Z and align with long-term shifts toward better-for-you, functional, and protein-led products. PepsiCo's \$1.95 billion acquisition of Poppi provides a scaled entry into the fast-growing functional beverage category through a brand that combines health attributes, strong flavor profiles, and meaningful consumer engagement. In a similar vein, Celsius Holdings' \$1.8 billion acquisition of Alani Nutrition expands Celsius' presence in performance nutrition, leveraging

Alani's strong brand affinity, influencer-driven marketing engine, and loyal Gen Z and Millennial consumer base. Together, these transactions reflect a broader effort by strategics to offset low organic growth by acquiring brands that deliver authenticity, differentiated positioning, and multichannel relevance.

Portfolio Reshaping Transactions

	Acquisitions						Divestitures			
 THE HERSHEY COMPANY	 2017	 2018	 2019	 2021	 2021	 2025	 2018	 2018	 2020	 2021
	 2017	 2020	 2020	 2021	 2022	 2023	Select Confectionary Assets 2018	Ice Cream Portfolio ⁽²⁵⁾ (Froneri JV) 2019	Potential VMS ⁽²⁶⁾ Divestitures 2025	
	 2016	 2018	 2019	 2024	 2024	 2025	 2021	Agreement with Elliott ⁽²⁷⁾ Investment Management to cut 20% of US product offering 2025		
	 2017	 2018	 2018	 2020	 2018	 2018	 2019	 2021	 2024	 2025

Importantly, the portfolio actions illustrated above reflect a multiyear pattern that has been building across the sector and is expected to continue throughout this year and beyond. Across large consumer strategics, divestitures of slower-growth or non-core assets have occurred alongside targeted acquisitions that fill a portfolio void in advantaged categories, underscoring a sustained shift in capital allocation priorities rather than a temporary response to near-term pressure. With category volumes flat or down in many segments, equity valuations under pressure, and leverage elevated across portions of the sector, management teams are likely to continue actively pruning portfolios while selectively deploying capital into modern brands and categories aligned with evolving consumer demand. For example, protein bars and meat snacks remain the fastest growing categories in food, and we expect more consolidation activity in 2026, including among scaled platform operators seeking to participate in that growth.

24. Acquired majority stake.

25. Sold US ice cream business to Froneri, a 50:50 joint venture previously established between Nestlé and PAI Partners in 2016.

26. Strategic review of mainstream and value brands within Vitamins, Minerals and Supplements ("VMS") segment announced in July 2025.

27. Elliott Investment Management initiated discussions with PepsiCo after disclosing a \$4 billion stake in September 2025. Agreement announced December 2025, with PepsiCo announcing multiple commitments to streamlining the business, including cutting 20% of its US product offering, reducing expenses, and lowering prices for select products.

28. Includes the Red Kap, VF Solutions, Bulwark, Workrite, Walls, Terra, Kodiak, Work Authority, and Horace Small brands.

Divestitures across apparel and luxury retail further underscore the importance of strategic fit between brand needs and platform capabilities. VF Corporation's \$1.5 billion sale of Supreme to EssilorLuxottica and Capri Holdings' \$1.4 billion sale of Versace to Prada illustrate how even iconic brands can become strategic mismatches when their creative intensity, capital requirements, and design cycle fall outside a parent company's strategic or financial objectives, or current management's core operating competencies. Similarly, Tapestry's \$120 million divestiture of Stuart Weitzman to Caleres reflects a more focused industry mindset, as multi-brand groups increasingly divest labels that do not align with their core strategic, operational or financial objectives to acquirors for whom there is a clearer fit and greater opportunity.

Collectively, these transactions reflect intentional responses to a structurally more challenging growth environment. It is no longer optional to reshape portfolios to align with the evolving preferences of modern-day consumers. Companies that actively simplify portfolios, double down on advantaged categories, and align capital allocation with where consumers are going — rather than where they have been — are best positioned to drive sustainable growth and long-term value creation.

Conclusion

As we look to the year ahead, following a 2025 defined by volatility, shifting policy dynamics, and rapid changes in consumer behavior, the strategic rationale for M&A continues to strengthen, with scale, value alignment, and channel relevance emerging as the clearest drivers of durable advantage. At the same time, we are closely watching how artificial intelligence — an area of growing focus across the sector — is beginning to reshape retail operations and consumer shopping habits in meaningful ways. With dealmaking set to accelerate, retailers and consumer brands that proactively reshape portfolios, deepen alignment with value-oriented consumers, and position themselves within the channels that matter most will be best positioned to capture growth. We expect both strategic and sponsor activity to increase as market conditions normalize and buyers gain conviction, offering an opportunity to build competitive advantage and long-term value.

As always, our Consumer Retail team stands ready to support you in navigating this evolving environment and pursuing opportunities that can enhance your strategic and financial position. We wish you a productive and prosperous 2026.

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