



Consumer Sector in Flux – Insights on Tariffs, Inflation, Influencer Brands and the 2025 M&A Outlook

Q&A with Consumer Investment Banking Experts, Tosh Dhanalal and Peter Mangan

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WHAT IS KEEPING CONSUMER-FOCUSED PRIVATE EQUITY (PE) INVESTORS UP AT NIGHT

Tariffs enacted by the Trump Administration in recent months have introduced material uncertainty for companies across the consumer sector, from durables to nondiscretionary consumer goods. Many consumer businesses work with global suppliers and tariffs are introducing new costs on shipments coming into the US. In the near term, management teams have paused major strategic decisions while they assess supply chain and profit and loss statement (P&L) impacts. As the market waits to see which tariffs will remain in place for the long term, companies are beginning to take action on price adjustments for certain products to manage margins.

Beyond tariffs, consumers have faced persistent inflation brought on by the higher-for-longer interest rate environment in recent years, causing adjustment in spending habits. In addition, with an uncertain macroeconomic and job environment, consumers are spending more cautiously. For consumer-focused PE, it means increased focus on nondiscretionary categories that maintain steady performance during challenging economic environments.

HOW ARE CONSUMER BUSINESSES DRIVING GROWTH

We have seen a notable shift in how consumer companies are leveraging social media and influencer marketing. While influencer endorsements have long been a marketing lever, we are now seeing companies launch brands driven by influencers themselves. From drink flavors to beauty products, new brands tied directly to influencer personas are disrupting well-established players that have dominated shelf space at retailers for decades.

While influencer brand strategy has been a major growth driver for emerging brands recently, from a mergers and acquisitions (M&A) perspective, it does raise potential questions for new investors or acquirers. Companies need to be conscious of additional scrutiny around perceived quality, product claims and ingredient profiles. As brands tied to influencers scale and look at monetization options, key person risk is a central focus for any potential suitor. For example, if a company launches a new brand tied to a specific influencer, and that influencer's reputation is tarnished, the brand can suffer overnight. Buyers will require companies to have strong strategies around managing these risks before they move forward with an investment or acquisition.

WHAT DO YOU EXPECT FROM THE CONSUMER M&A MARKET IN THE COMING MONTHS

Both strategic buyers and PE investors are adopting a more disciplined approach as they navigate geopolitical uncertainty, tariff impacts and a more discerning consumer on the back of persistent inflation. However, for targets that fill the white space in a portfolio and have underlying tailwinds that persist through uncertainty, we can expect buyers to act. Though the 2025 M&A wave has been slower than previously expected, PE investors are sitting on a trove of dry powder that must be deployed.

We also continue to hear investors express concerns over skyrocketing valuations for service-based targets, indicating that strong, product-based businesses may currently hold more relative value — if investors are willing to bear some risk due to uncertain macroeconomic and consumer environment.

continued on next page

WHAT ARE YOU MOST EXCITED TO DELIVER TO CLIENTS AS A PART OF THE PORTAGE POINT PLATFORM

Portage Point is uniquely positioned to support clients across the entire business and investment lifecycle, fostering long-term relationships and a deep understanding of an organization's operations and strategic objectives. This insight enables the development of bespoke strategies that are tailored to specific goals at every stage of the journey. Unlike traditional investment banks, Portage Point focuses on delivering the right financial and operational solutions rather than simply steering a client toward a transaction.

We are excited to offer the flexibility that aligns with client needs by leveraging our broad range of expertise across the consumer sector, our extensive network of leading consumer brands and the deep, cross-functional experience of the Portage Point team – including former operators, investors, lenders and seasoned investment bankers – to drive meaningful outcomes for clients.



Tosh Dhanalal *Managing Director and Head of Consumer Investment Banking*

Tosh Dhanalal is a Managing Director and Head of Consumer Investment Banking at Portage Point Partners based in the Los Angeles office. With more than 23 years of investment banking experience, Tosh brings deep consumer brands and retail sector expertise across investment banking advisory services including sell-side and buy-side mergers and acquisitions and equity and debt capital raises.



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