

Cavendish

QUARTERLY
CONSUMER NOTE
AN M&A PERSPECTIVE



Sub-Sector in Focus: Restaurants

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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 Restaurants.

This publication focuses on some of the challenges that Restaurants have faced in the past few years, what we can look forward to in the rest of 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

Continued consumer confidence in discretionary spending points towards a positive 2025 for the sector, with the second half of the year likely to see a more positive uptick

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. This trend continued in Q1 2025, with an initial drop in January, followed by small increases. The quarter closed out at a score of -19, a couple of points below where it had ended in 2024, and only one point below the overall 2024 average of -18

Inflation & Interest Rates^{2,3}

An initial increase in inflation to 3.0% in January raised fears that it might be on the rise again. However inflation cooled in February and March, ending the quarter flat at 2.6%, marginally above the level it ended the previous year, and still above the Bank of England's 2.0% inflation target

In February, the Bank of England halved its 2025 GDP growth estimate from 1.5% to 0.75%, commenting that the second half of the year would be stronger than a notably weaker first half. This was announced alongside a further cut in the BoE's interest rate of 0.25 percentage points to 4.5%, though a half-point cut had been tabled by some Monetary Policy Committee members. A further two rate cuts are expected in 2025, with there being c.40% chance of a third

Consumer spend⁴

As the first quarter of the year ended, consumer spending on non-essential items remained resilient in both February and March. Despite this, essential spending saw a small decrease of -2.9%, in March in anticipation of further rises to household bills

Spending on Travel and Hospitality & Leisure showed strong year-on-year growth across the quarter at c.5% and c.3% respectively in each month. Conversely, the retail subsector trended downwards, ending the quarter with a 0.2% YoY contraction in March, despite seeing 1.2% YoY growth in January

Trump Tariffs³

On April 2, President Trump announced a "reciprocal tariff" strategy, introducing sweeping tariffs on several countries, including the UK, sparking an international trade war and sending the global economy into crisis. Following a partial roll-back, the UK sealed the first deal with the US on 8 May, securing cuts on certain tariffs, but with a 10% levy on most goods still intact.

Source: 1 - NIQ Consumer Confidence Barometer; 2 - Bank of England; 3 - Financial Times; 4 - Barclaycard

FIGURE 1
GfK CONSUMER CONFIDENCE INDEX

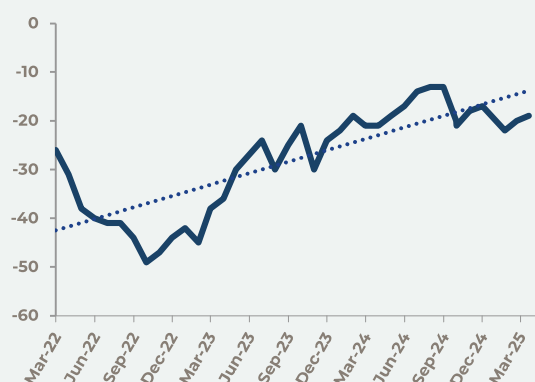


FIGURE 2
INTEREST RATES & INFLATION

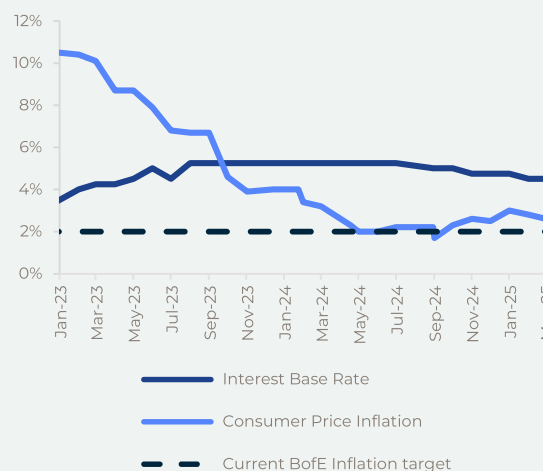
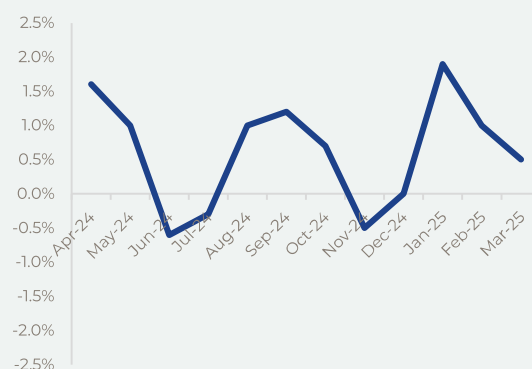


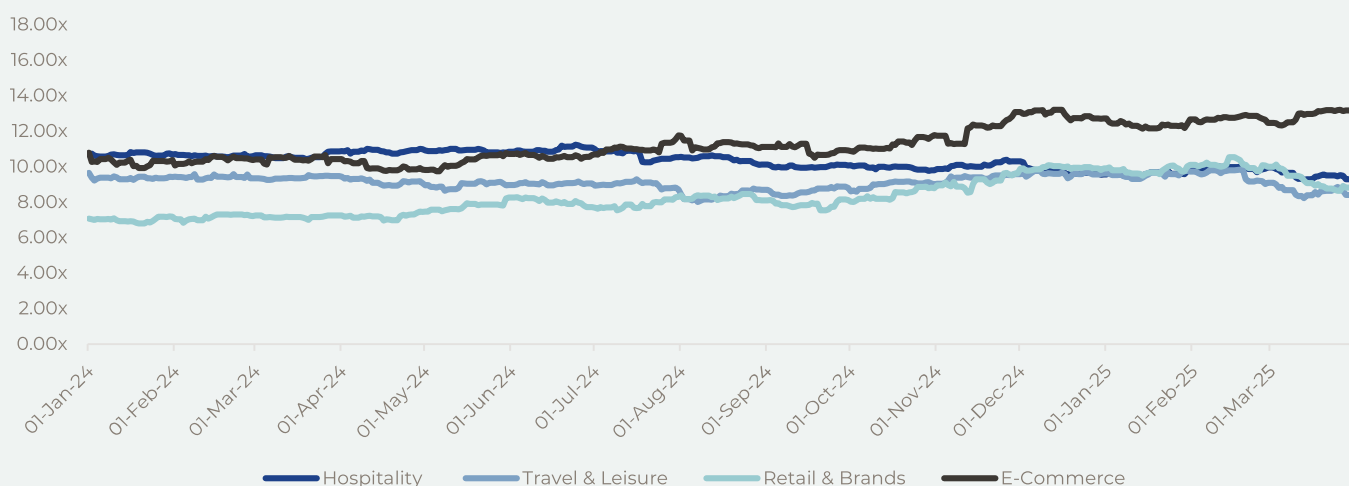
FIGURE 3
BARCLAYS CONSUMER SPEND DATA



01) Consumer Sector: Key Themes

Whilst the Hospitality and E-Commerce sectors remained broadly flat across Q1, EV/EBITDA multiples across other consumer sub-sectors saw a slight dip

FIGURE 4
UK LISTED VALUATIONS (EV/NTM EBITDA)



Hospitality: 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
Retail & Brands: Frasers Group plc, Burberry Group plc, Dr. Martens plc, N Brown Group plc, NEXT plc, Superdry plc
E-Commerce: AO World plc, Marks Electrical Group plc, Moonpig Group plc, Science in Sport PLC, THG plc, Asos Plc, Boohoo Group plc

HOSPITALITY

Multiples within the Hospitality cohort have remained largely flat throughout the first quarter of the year

There remains a valuation premium for freehold estates compared with their leasehold counterparts

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 continue to significantly impact margins

TRAVEL & LEISURE

The Travel & Leisure cohort lost some of the gains it made in the last quarter of 2024

Travel spend continues to demonstrate robust growth, with a year-on-year increase of 5.7%¹ in February. This reflects the ongoing trend of consumers prioritising travel spend which has been reflected in strong reported bookings in the new year peaks. Albeit a cohort of customers are still looking for "deals", so the lates market remains significant and next quarter's results will be important

There continues to be good M&A volume in the sector following strong trading in 2023 and 2024, and the overhang that covid generated

RETAIL & BRANDS

Multiples within the Retail & Brands cohort fell back below Hospitality over the last quarter, but remain much improved from around 6x in early 2024

While there was growth in some retail sub-sectors, others have experienced a slowdown, with consumers remaining cautious and selective on spending, particularly around non-essential purchases

This caution is influenced by ongoing cost-of-living concerns, uncertainty around wage growth and "sticker shock" from previous inflationary periods

Managing these concerns whilst focusing on cost control and customer engagement will be key in 2025

E-COMMERCE

E-Commerce multiples were broadly unchanged across the quarter, with a gradual increase from 2024

Whilst E-Commerce is exposed to many of the same factors as the Retail & Brands cohort, 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

The ongoing shift of consumers toward online shopping, which has led to declining footfall in physical stores, is accelerating investment in omnichannel strategies – particularly in strengthening e-commerce capabilities to meet ever-changing customer expectations and safeguard revenue

02) Sub-Sector in Focus: Restaurants

Several challenges continue to face the restaurant sub-sector, as impending cost pressures from the Autumn Budget take effect and consumer spending habits tend towards more value-driven options

Autumn Budget

- The restaurant sector has experienced a significant direct impact in response to the forthcoming changes to National Insurance Contributions and the National Living Wage, as outlined in the 2024 Autumn Budget, which are expected to place additional pressure on operating costs
- Compounding these challenges is the ongoing issue of broader cost inflation which has placed further pressure on consumer spending
- However, the full impact of the Autumn Budget is yet to be felt. The increased pressure from these changes as we move into Q2 will be somewhat offset by boosted demand as we head towards the summer period, with the true effects of the Budget likely to become more apparent in the latter part of the year
- As a result of the Budget, consumers are likely to have more cash in their pockets, however current lack in consumer confidence (as highlighted on page 1 of this report) has meant that this is yet to translate into increased spending

Muted M&A Market

- Several sale processes were either paused or not initiated in the wake of the Autumn Budget due to market uncertainty
- Many corporates shifted their focus inward – prioritising operational stability, implementing cost-savings measures and preparing their businesses for when market conditions become more favourable for a transaction
- However, over the last few months, there has been no clear window to bring many of these businesses to market
- Nonetheless, there has been some M&A activity within the restaurant sector, most notably:
 - True Capital's majority acquisition of German Doner Kebab
 - Sixth Street's acquisition of Wingstop UK
 - QSRP's strategic investment in Chopstix
 - Lion Capital's new investment into Gordon Ramsay Restaurants
 - Toridoll Holding's buyout of Marugame Udon Europe
- Across these transactions, there are some key themes that emerge. We cover these in more detail overleaf.



02) Sub-Sector in Focus: Restaurants

“On-The-Go” Growing Strongly

- The transactions highlighted on the previous page reflect a clear and accelerating trend towards the “on-the-go” sector and Quick Service Restaurants (QSRs). These have experienced strong growth in recent years and remain highly attractive to investors
- This momentum has continued into 2025, with UK “on-the-go” sales growing over 20% year-on-year in each of the first three months of the year⁽¹⁾
- The trend is driven by increasingly value-conscious consumer behaviour, with many turning to QSRs for affordable, everyday dining options. When consumers are deciding to spend more, it tends to be on more premium venues that offer a clear sense of occasion

Preference for Lean Operating Models

- A recurring theme across recent transactions is a strong investor preference for lean and flexible operating models
- Many of the businesses involved operate under a franchise model, reducing the direct burden of operational costs and enabling rapid scalability
- While the franchise approach presents challenges (e.g. maintaining consistent brand standards), it has proven advantageous in the current economic climate, offering insulation from labour cost pressures
- This underscores a widening gap between the leaner, scalable QSR model and the more labour-intensive casual dining format, which continues to face operational headwinds

International Exposure Supports Risk Diversification

- Recent transactions highlight strong investor interest in restaurant businesses with international operations, as geographic diversification becomes increasingly important in mitigating exposure to the UK’s volatile consumer environment
- Companies with an established overseas presence, or even nascent operations with a clearly scalable concept, are viewed as more attractive investment opportunities, offering potential for international expansion and in doing so further reducing reliance on the UK hospitality market

Casual Dining Losing Ground to Pubs

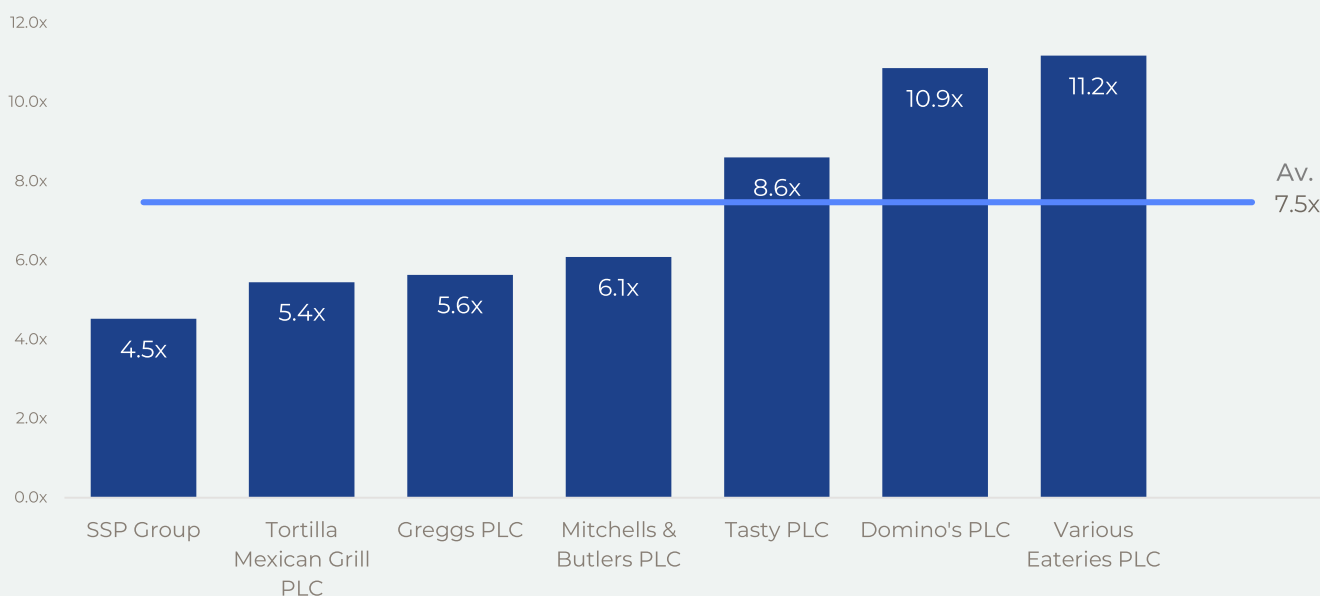
- The more flexible and diverse “wet-led” model of pubs has enabled them to increasingly challenge and outperform casual dining restaurants over the last few years
- This is exacerbated during the summer period when outdoor beer gardens draw customers away from traditional indoor dining settings
- Recent trading highlights this trend with March 2025 data showing like-for-like sales in pubs, buoyed by the sunny weather, rising 3.6% year-on-year, while restaurants saw a 5.7% decline over the same period
- Meanwhile, QSRs continue to be viewed as a separate category, competing less directly with either format and benefiting from distinct demand dynamics



02) Sub-sector in focus: Restaurants

Public market valuations in the restaurant sector fell across the first quarter of the year, in anticipation of a tough 2025

UK LISTED VALUATIONS (EV/NTM EBITDA)



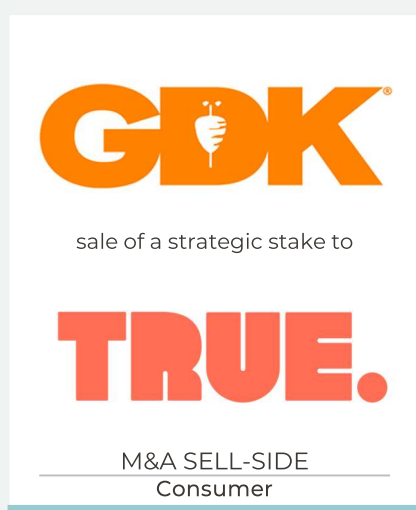
As at: 31-03-2025

CAVENDISH INSIGHTS

- The challenging economic environment alongside the cost pressures stemming from the Autumn Budget, are expected to continue to weigh on restaurants across the sector
- The full impact of the Autumn budget has yet to be felt. While the summer period will provide temporary support through increased demand, the real impacts, including any potential improvement to consumer confidence, are likely to become more apparent in the second half of the year
- Restaurant concepts with a lean operating model, international operations, clear value proposition or strong occasion-led appeal are expected to remain resilient. However, not all operators will be able to adapt their business models effectively and this could lead to a rise in restructuring activity
- M&A activity continues, with further opportunities likely to emerge over the course of the year, particularly in two key areas:
 - High-quality international franchise models that offer strong long-term growth potential but are currently undervalued due to short-term softness in consumer sentiment
 - Distressed or underperforming assets facing severe financial challenges

03) Cavendish has significant deal experience and strong relationships within the Restaurants sector

Cavendish is delighted to have advised Hero Brands, the owner of GDK (German Donner Kebab), on the sale of a strategic stake to True



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We have built an incredible team at GDK focused on delivering for our partners, franchisees and guests, and we are looking forward to the next phase of the GDK journey with True.

On behalf of all of us at Hero Brands, I would like to thank the Cavendish team very much for all of their hard work - their wise advice, their transaction execution skills and their approach to getting the job done was fantastic.

We look forward to working with Cavendish again, as Hero Brands continues to develop and grow its other great brands.”

ATHIF SARWAR
EXECUTIVE CHAIR, HERO BRANDS

BARBURRITO
MÉXICAN EATERY



BYRON



BRASSERIE
BLANC

Café & Tê

Carluccio's



CÔTE
BRASSERIE

WALKABOUT

COMPTOIR
LIBANAIS

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

200+

Investment banking professionals

£4bn

Transactions advised on in 2024

101+

Deals completed in the past 12-months

Equities

Institutional Sales
Research
Trading

170

Listed clients

18

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 year

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

B
BESTWAY

M&A SELL-SIDE
Consumer

Travel & Leisure



Gullivers 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

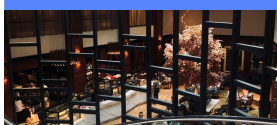
inside travel group

has been acquired by

PIPER **COOL JAPAN FUND**
PRIVATE EQUITY

M&A BUY-SIDE
Consumer

Hospitality



GDK

sale of a strategic stake to

TRUE.

M&A SELL-SIDE
Consumer

PEACH
LONDON LUX HOTELS

has been acquired by

REVOLUTION BARS GROUP

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 Cremation

has been acquired by

epiris

M&A SELL-SIDE
Consumer

PIMLICO PLUMBERS

has been acquired by

neighborly

M&A SELL-SIDE
Consumer

doff
SINCE 1984

has been acquired by

Pelsis

M&A SELL-SIDE
Consumer

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