Grant Thornton

RETAIL
DEALTRACKER
2026

WHAT CREATES VALUE IN RETAIL BUSINESSES

E-BOOK BY Inside Retail

E-book 1 established that the 2025 Australian retail M&A market was characterised by selectivity rather than decline. This e-book examines the characteristics that are helping businesses create value in this environment – from customer differentiation and margin discipline to operating capability and technology maturity. While these characteristics can influence investment outcomes, they are ultimately the foundations that support stronger, more resilient retail businesses.

WHAT CREATES VALUE IN AUSTRALIAN RETAIL

Grant Thornton Australia's 2026 Retail Dealtracker data points to five characteristics that are increasingly associated with stronger-performing retail businesses. These are not primarily acquisition criteria. They are characteristics that can help businesses perform consistently under pressure. Where these capabilities are well developed, they can also contribute to stronger market positioning, competitive advantage, scalability and strategic options over time.

The five characteristics are: brand strength and pricing power; earnings quality and margin discipline; vertical integration and procurement control; supply chain resilience; and embedded technology in the operating model. This e-book examines each in turn, using 2025 transactions and listed retailer performance data to explore how these capabilities contribute to long-term value creation.

The contrast in the data is insightful. While three digital pure-play retailers faced challenges after losses, international acquirers paid 9.8x EV/EBITDA for an Australian brand with a 25% EBITDA margin and 75% of revenue from direct-to-consumer. The difference highlights the importance of the underlying business model – including for customer loyalty, differentiation and the ability to translate capability into sustainable earnings.

What separates businesses that are becoming more resilient and competitive from those struggling to maintain performance?

The businesses that tend to stand out are those that have built a clear reason for customers to choose them and have the operating capabilities to deliver consistently. The common thread is that these businesses are building advantages that are difficult to replicate. The underlying value is often less about the transaction itself and more about the strength of the business model behind it.

Tam Goldin, Partner – Financial Advisory, Grant Thornton Australia

THE FIVE DRIVERS SHAPING STRONGER RETAIL BUSINESSES

Investors and operators have placed greater emphasis on margin durability, cash generation and execution certainty, raising the bar for propositions centred on growth alone. Across the analysed transactions and broader market observations, five business characteristics appear consistently. While these characteristics can influence investment outcomes, they are also the foundations that support resilience, competitiveness, scalability and long-term value creation. The sections that follow examine each in turn.

1	**Brand strength and pricing power**	The evidence suggests that businesses chosen by customers based on preference, rather than proximity or price, tend to be better positioned to generate more stable earnings and are less reliant on promotional activity to sustain volume.
2	**Earnings quality and margin discipline**	Strong earnings quality comes from having a reported earnings base that can be understood with confidence, without significant adjustment for unsustainable promotional intensity, cyclical conditions, or management decisions unlikely to be repeatable over time.
3	**Vertical integration and procurement control**	Businesses that control their supply margins appear to offer greater cost predictability and reduced dependence on third-party pricing decisions, both of which can support earnings visibility and reduce execution risk.
4	**Supply chain resilience**	The data points to a preference for businesses with supplier relationships and distribution capabilities that are structural rather than transactional, helping them respond to cost and logistics disruptions with less impact on performance.
5	**Technology embedded in the operating model**	The distinction is often between technology that strengthens customer relationships and improves operational decision-making, and technology that sits alongside the business model as a cost rather than being embedded within it as a capability. The sections on brand strength and the technology question examine this distinction in detail.

What separates businesses that are becoming more resilient and competitive from those struggling to maintain performance?

The biggest differentiator is often execution. Many retailers understand their customers and strategy, but the businesses pulling ahead are those with the operational capability to respond faster and adapt more effectively. That might mean better use of data, stronger supplier partnerships, more efficient processes or clearer decision-making. In a rapidly changing environment, resilience comes less from having the perfect plan and more from having the capability and agility to execute consistently and adjust when conditions change.

Kirsten Ridgway, Partner – Management Consulting, Grant Thornton Australia

BRAND STRENGTH AND PRICING POWER: CREATING DIFFERENTIATION CUSTOMERS VALUE

E-book 1 noted that Thule paid 9.8x EV/EBITDA for Quad Lock. The transaction raises a broader question: What characteristics allow some businesses to create stronger customer relationships, maintain pricing power and build sustainable value?

Grant Thornton Australia's 2026 Retail Dealtracker highlights brand differentiation as an increasingly important driver of business value, with pricing power, ecosystem strength and strong customer loyalty contributing to stronger customer relationships and more resilient earnings. These capabilities influence how effectively retailers can compete, retain customers and sustain performance over time.

Pricing power can be reflected in a business's ability to maintain or grow margins without increasing promotional activity. For Quad Lock, this is evidenced by a 25% EBITDA margin sustained across about 100 countries, with 75% of revenue generated direct-to-consumer. Customers are not choosing Quad Lock because it is the cheapest option. They are choosing it because it is the preferred option in its niche. That distinction appears to be reflected in the 9.8x multiple.

Businesses with strong customer relationships tend to generate more durable earnings because customers return by choice rather than by default. For Quad Lock, this is reflected in a direct-to-consumer model, representing 75% of revenue. Customers are actively seeking the product – not responding to a promotion or defaulting to the most convenient option. The contrast with digital retail platforms is instructive: in some digital retail platforms, customer relationships were more dependent on convenience, price or promotional activity. Where differentiation and switching costs are limited, maintaining customer engagement and sustainable customer acquisition economics can become more challenging.

Recent challenges experienced by several digital retail platforms, such as Catch and MyDeal, have recently experienced challenges that illustrate how difficult it can be to sustain growth where customer relationships are primarily transactional. Where customer relationships are built on genuine preference and competitive differentiation rather than price or convenience, earnings tend to be more predictable and less dependent on ongoing promotional investment to sustain volume.

Laurent Bakery, acquired by Bridor for $650 million, shows a similar pattern in a different category. Premium bakery, operating across retail, wholesale, and foodservice, is a category that is difficult to replicate and hard to build from scratch. That scarcity of position is a likely contributor to the value attributed to the business.

9.8x

EV/EBITDA paid by Thule for Quad Lock. The transaction illustrates how characteristics such as brand differentiation, pricing power, customer loyalty, and embedded operating capabilities can contribute to a stronger value proposition.

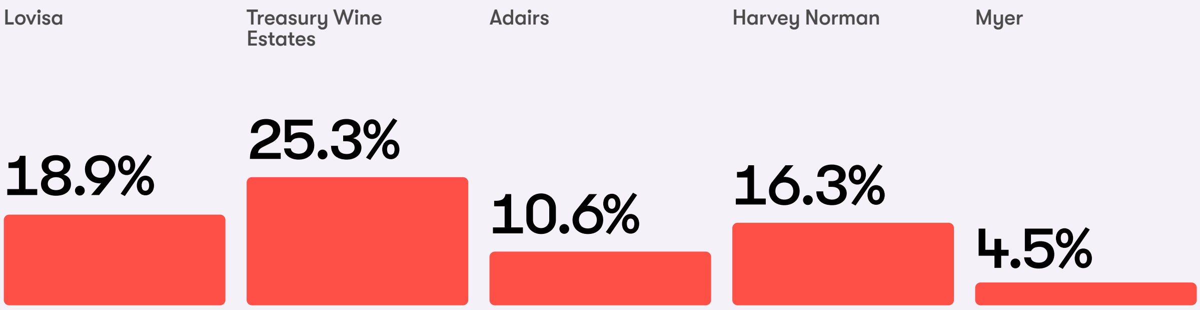
Source: Grant Thornton Australia Retail Dealtracker 2026; Thule Group announcement, November 2024

EARNINGS QUALITY AND MARGIN DISCIPLINE: THE FOUNDATIONS OF RESILIENT PERFORMANCE

Strong financial performance is not simply about revenue growth, it is about the ability to consistently translate sales into sustainable earnings. Earnings quality and margin discipline reflect the strength of a retailer's operating model, including pricing strategy, cost management, promotional effectiveness, and the ability to respond to changing market conditions without sacrificing profitability.

The FY25 EBIT margin data across listed Australian retailers illustrates the divergence. Lovisa delivered 18.9% in FY25, forecast to reach 20.3% by FY28. Treasury Wine Estates recovered to 25.3% after a difficult FY24. At the other end, Adairs compressed to 10.6%, Harvey Norman fell to 16.3%, and Myer held at 4.5%. The difference is not simply sector. Harvey Norman and Nick Scali operate in the same category with different outcomes, highlighting how factors such as pricing discipline, cost structure and operating model effectiveness can influence performance.

Australian retailers FY25 EBIT margin data



Gross margin pressure in FY25 was driven more by sustained discounting than by operating cost inflation. Retailers that competed for volume through promotional intensity saw their earnings compress without a corresponding reduction in fixed costs. Discounting remained elevated into early FY26, suggesting that price, rather than margin expansion, is still driving volume recovery. The broader implication is that sustained discounting can place pressure on profitability and may indicate underlying challenges in maintaining earnings without ongoing promotional support.

Shrinkage emerged as a specific and material headwind in FY25, particularly in Victorian store networks. Elevated loss rates increased stock shrinkage and security costs for retailers with large-format or CBD-adjacent footprints. Shrinkage is increasingly being viewed as a broader operational challenge that can affect profitability, inventory management and overall business performance if not effectively addressed.

The practical implication is businesses that can sustain margins through disciplined pricing, effective management and strong cost control are typically better positioned to maintain performance through changing market conditions. While these characteristics can support valuation outcomes, their primary value lies in building stronger and more resilient businesses.

VERTICAL INTEGRATION AND SUPPLY CHAIN CONTROL: BUILDING RESILIENCE AND COMPETITIVE ADVANTAGE

The Chemist Warehouse and Woolworths transactions, both referenced in E-book 1, illustrate the strategic role that vertical integration and supply chain capability can play at scale. The deeper question for most retailers is not whether to replicate those models, but whether their own business has procurement relationships, supplier agreements, or distribution capabilities that strengthen efficiency, resilience, scalability and competitive positioning.

Vertical integration can create value through two mechanisms. The first is greater control over margin: by managing more elements of the supply chain, businesses can improve visibility over costs and where value is created. The second is greater visibility and control: businesses that have stronger oversight of their inputs and supply networks may be better positioned to manage cost pressures, respond to disruptions and maintain performance over time.

Grant Thornton's 2026 Retail Dealtracker highlights the growing importance of supply chain and distribution capabilities as retailers look to strengthen operational control, improve efficiency and build resilience. Capabilities such as integrated distribution networks, established supplier relationships, and scalable operating processes can take significant time and investment to develop. When built effectively, however, they can support growth without adding disproportionate complexity or cost. These characteristics can support a more durable competitive advantage and contribute to stronger business performance over time.

For mid-market retailers, the key question is whether the business has built a structural cost advantage through supplier relationships or distribution capability that is measurable and contributing to stronger performance. If these capabilities exist but are not yet fully realised, the opportunity is to ensure these capabilities are embedded, measurable and aligned to the broader business strategy.

What capabilities are increasingly important for retailers looking to scale successfully in a more challenging environment?

Scaling requires more than growing sales. It requires a business model that can handle greater complexity while maintaining customer experience, operational control and profitability. We are seeing increased interest in businesses where the foundations for scale are already visible: concepts that can be replicated across locations, strong customer engagement models and operating structures that allow growth without simply adding cost.

We've recently seen interesting examples emerging outside traditional retail models as well, such as scalable food concepts like Yo My Goodness and El Jannah, as well as the Blue Hippo Laundromats that are providing a service to time-poor shoppers in the growth corridors of Australia. While these businesses operate in different categories, they highlight a broader theme: Businesses with a customer proposition, a repeatable operating model and ability to scale can create meaningful long-term value.

Peter Thornely, Partner – Financial Advisory, Grant Thornton Australia

THE TECHNOLOGY QUESTION: BUILDING CAPABILITY, NOT COMPLEXITY

Technology and AI are creating value in retail, not where they have been adopted as stand-alone investments, but where they are embedded in the operating model to strengthen what the business already does well. The relevant question for retailers is not simply how much to invest in technology, but whether technology is strengthening customer relationships, accelerating operational decisions, and making cost structures more efficient.

1	Customer understanding	Retailers that use data to deepen their understanding of customer behaviour, preferences, and lifetime value are better positioned to make informed decisions across ranging, pricing, and experiences that improve retention and reduce acquisition costs.
2	Operational decision-making	Technology that improves demand forecasting, inventory management, and supply chain visibility reduces costs incurred from holding excess stock and the earnings risk of stockouts.
3	Channel integration	Businesses where digital and physical channels are genuinely integrated, sharing customer data, inventory, and fulfilment capability, tend to generate a more seamless customer experience and a more efficient cost structure than those where digital operates as a separate business unit.

The evidence points to three areas where technology is most consistently translating into business value.

Quad Lock illustrates what this looks like when technology is embedded into the operating model. It direct-to-consumer channel – representing 75% of revenue – enables the business to maintain a direct relationship with consumers, capture data insights, and make decisions closer to customer demand.

Supported by digital marketing capability and a scalable operating model, the business has expanded its global presence across approximately 100 countries while maintaining strong financial performance, including a reported 25% EBITDA margin.

The 2025 closures of Catch, MyDeal, and Cashrewards illustrate the challenges businesses can face when technological capability is not fully aligned with a sustainable customer proposition or operating model. Catch accumulated $302 million in negative EBITDA. MyDeal required Woolworths to make significant investment and was ultimately wound down after the business was unable to establish a sustainable operating model. Cashrewards remained loss-making before its closure in September 2025, highlighting the importance of sustainable customer acquisition models and clear pathways to scale. In each case, the examples highlight that technology investment alone does not create sustainable advantage. The value is realised when technology is supported by a clear customer proposition, strong operating model and the capabilities required to translate investment into improved customer outcomes, operational efficiency and better decision-making.

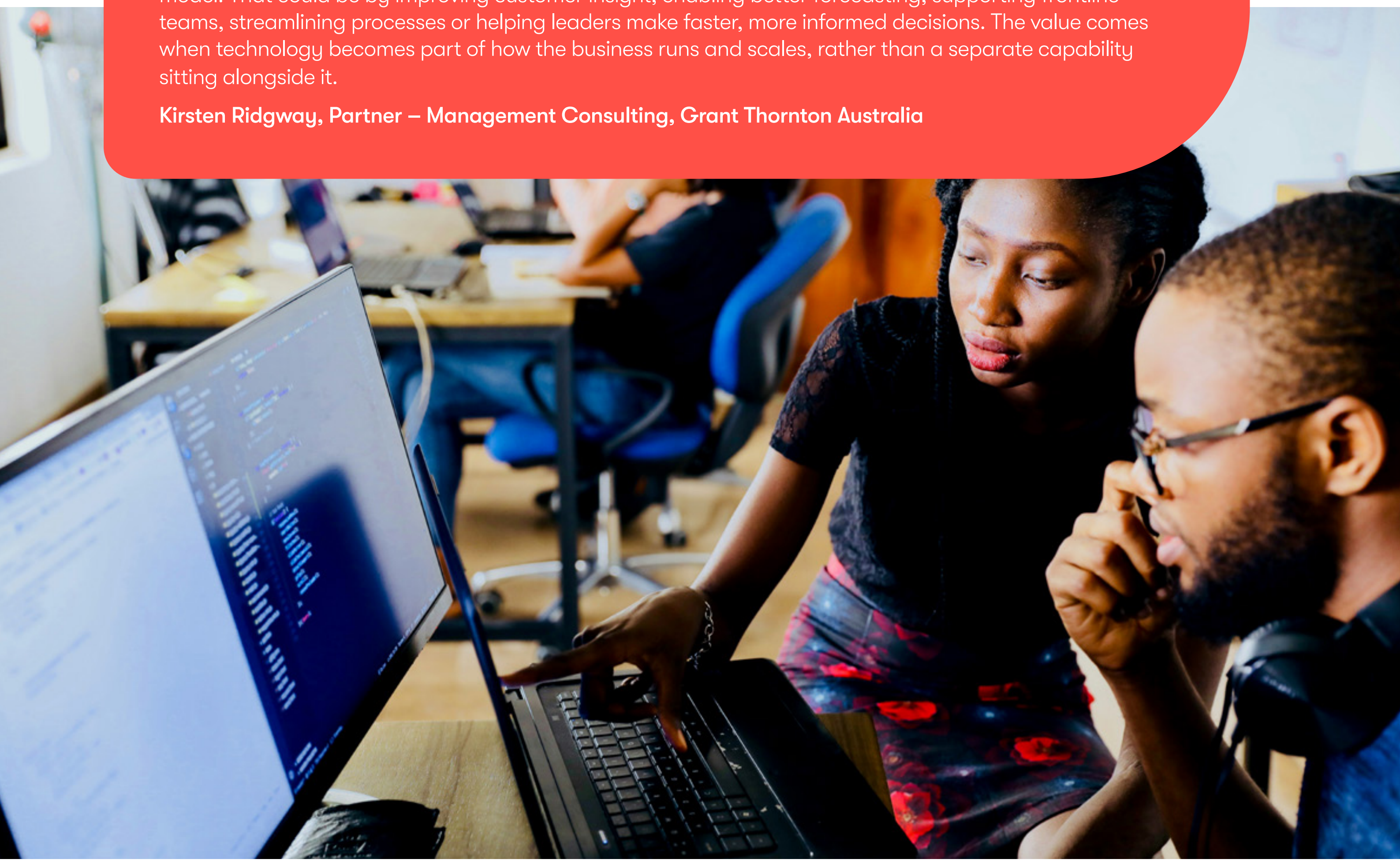
The evidence draws a distinction between technology that is embedded in the customer proposition and operating model, and technology that sits alongside the business as a cost. The former can compound over time by strengthening customer relationships, productivity and decision-making. The latter risks becoming complexity without creating sustainable business value.

How should retailers think about technology and AI as strategic business capabilities rather than simply investments or transaction considerations?

Technology and AI are most valuable when they are embedded in how the business operates, rather than being treated as standalone functions or investments. The retailers creating the most value are using technology to improve how decisions are made, how work gets done, and how they serve customers across the organisation.

The question is not whether a retailer has AI or technology, but whether it is strengthening the operating model. That could be by improving customer insight, enabling better forecasting, supporting frontline teams, streamlining processes or helping leaders make faster, more informed decisions. The value comes when technology becomes part of how the business runs and scales, rather than a separate capability sitting alongside it.

Kirsten Ridgway, Partner – Management Consulting, Grant Thornton Australia



A FRAMEWORK FOR BUILDING LONG-TERM RETAIL VALUE

The five characteristics examined in this e-book are not a transaction checklist. They are the foundations of a stronger retail business, and the evidence suggests businesses that build them consistently tend to create more options for themselves over time, whether that means continuing to grow, attracting investment, pursuing strategic partnerships, or eventually considering a sale.

The pattern emerging from the 2025 data is that these five capabilities tend to reinforce one another. A business with genuine brand strength tends to generate stronger earnings quality because its customers are less price-sensitive and less dependent on promotional activity to be retained. Strong earnings quality, in turn, supports the investment capacity to build supply chain control and operational integration. Technology embedded in the operating model makes all of these capabilities more visible, more measurable, and more defensible to any audience, investors, partners, leadership teams, or boards.

The sequence in which a business builds these capabilities matters as much as the decision to build them. Earnings quality tends to be the most immediate priority: without a defensible and predictable earnings base, investment in brand, technology, or supply chain capabilities is harder to sustain and justify. Once earnings quality is established, the question shifts to differentiation: what gives this business a reason for customers to choose it that does not depend on price? From there, the opportunity lies in capability depth, building the operational and technological infrastructure that protects the margin and makes the business harder to replicate.

Quad Lock and Laurent Bakery both reflect this progression. Neither business is optimised for a transaction outcome. Both grew with strong customer relationships, defensible earnings, and operational capabilities that were difficult to replicate. The transactions that followed were a consequence of that foundation, not the objective.

E-book 3 in this series, “The Readiness Playbook”, examines how retailers can build and strengthen each of these five capabilities in practice. The question it answers is a practical one: regardless of where a business is today, what are the most important areas to focus on over the next 12 to 24 months to improve performance, resilience, and long-term value?

If a retail leader wanted to increase the long-term value of their business, where would you suggest they focus first?

I’d start with the customer. The businesses that create the most sustainable value are those with a clear understanding of whom they serve, what makes them relevant, and why customers choose them over alternatives. When retailers build genuine differentiation and consistently deliver on their customer promise, they create stronger loyalty, more resilient revenue, and greater strategic options over time. The capabilities that support this – whether technology, supply chain, data or people – are important, but they are most valuable when they strengthen the customer proposition.

Kirsten Ridgway, Partner – Management Consulting, Grant Thornton Australia

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SOURCE NOTES
Data sources and references

The primary data source for all transaction values, EBITDA multiples, and company-level margin data is the Grant Thornton Australia Retail Dealtracker 2026, which draws on S&P Capital IQ, Mergermarket, IBISWorld, ASX announcements, and company disclosures. Thule/Quad Lock transaction details and financial metrics (9.8x EV/EBITDA, 25% EBITDA margin, 75% direct-to-consumer, approximately 100 countries) draw on the Thule Group acquisition announcement, Nasdaq Stockholm, November 2024. Catch.com.au, MyDeal, and Cashrewards loss figures are sourced from the Dealtracker. EV/EBITDA multiples for Dollarama/The Reject Shop are on a pre-AASB 16 basis (8.9x); the Dealtracker published 3.3x on a post-AASB 16 basis. EV/EBITDA for Chemist Warehouse/Sigma Healthcare is on a pre-AASB 16 basis (51.9x). Both pre-AASB 16 figures were provided by Grant Thornton Corporate Finance and do not appear in the published Retail Dealtracker that was made available.
Partner perspectives reflect views shared by Tam Goldin, Kirsten Ridgway, and Peter Thornely, Partners at Grant Thornton Australia, in response to questions issued in July 2026. These perspectives represent professional judgement informed by advisory experience and are not derived from the Retail Dealtracker dataset.

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