



Retail Dealtracker 2026

# Selectivity, scale and strategic advantage



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## About the data

This report examines M&A and equity market activity in the Retail & Consumer Products sector up to 31 December 2025. The data in this report was compiled from several sources including the Australian Bureau of Statistics (ABS), S&P Capital IQ, the Australian Securities Exchange, Mergermarket, IBISWorld, company announcements and other publicly available information. We consider this consolidated multi-source analysis, alongside our own proprietary sources, to provide a comprehensive insight into recent deal activity.

Please note that the data sources used in this iteration have changed from previous years. As a result, the historical data presented here may differ from that in prior reports.

# Executive summary

Recent retail Mergers & Acquisitions (M&A) activity reflects a market that is increasingly selective with capital allocated to fewer, more strategic transactions. While operating conditions have stabilised since the volatility of 2022–23, deal activity continues to be shaped by sustained cost pressures, cautious consumer behaviour and geopolitical uncertainty. This has resulted in outcomes that are increasingly determined by asset quality, operational resilience and earnings visibility rather than overall transaction volume.

Deal volumes have eased from 201 transactions in 2023 to 139 in 2025, with value concentrated in a small number of large-scale transactions. Chemist Warehouse's \$28.6b reverse takeover of Sigma Healthcare dominated sector-level value and reinforced investor appetite for scaled, category-defining groups. Other key transactions include Myer's \$877m acquisition of the Just Group, Amart's \$545m acquisition of Freedom Furniture, and Woolworths' acquisition of the remaining 35% stake in PFD Food Services for \$400m. Across Apparel, Home & Hardware and Food, these transactions highlight continued capital deployment but with greater discipline and a clearer focus on scale and operational leverage.

The broader market has moved to a period of ongoing adjustment rather than cyclical recovery. Elevated interest rates, fuel price volatility and broader input cost pressures continue to influence underwriting and value expectations. Buyers are prioritising margin durability, cash generation and execution certainty, resulting in a higher bar for propositions centred around growth. At the same time, sustained promotional intensity weighs on discretionary margins, while Food and Pharmacy have shown comparatively stronger stability and therefore attract greater buyer interest.

In response, deal strategy is becoming more targeted. Consolidation and vertical integration are increasingly evident across Food, Pharmacy, and Home & Hardware, with transactions such as Sigma Healthcare/Chemist Warehouse and Woolworths/PFD Food Services illustrating a focus on scale, procurement efficiency and supply chain control. Alongside this, capability-led acquisitions across supply chain and distribution are gaining traction as buyers seek operational control and cost advantages.

Selective international investment in scaled Australian brands, such as Laurent Bakery and Annex Products, continues to highlight inbound interest in established consumer businesses with strong domestic positions. In contrast, standalone digital platforms are attracting less interest following recent closures such as Catch.com.au and MyDeal, reinforcing a shift towards technology embedded within operating and physical infrastructure.

Collectively, these conditions are reinforcing a more disciplined retail M&A environment, where capital is being allocated toward businesses that combine scale, defensible market position and predictable earnings conversion. For retailers and investors, this reinforces the importance of clear strategic positioning, operational capability and clarity of value proposition in determining both transaction outcomes and valuation.

This report highlights the latest trends across global and Australian retail markets, covering deal activity over the 18 months to 31 December 2025. It examines how these shifts are influencing where capital is deployed, how assets are being valued and how deal structures are adapting in response to changing market conditions. If you are considering how these dynamics apply to your business – whether in the context of acquisition, divestment or broader strategy – please reach out.

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Get in touch

# The retail climate

The macroeconomic indicators reflect Australia's retail environment, which is shaped by moderating inflation, resilient but selective consumer spending and a persistently cautious monetary backdrop.



## 3.8% CPI

Australia's CPI increased by 3.8% in the 12 months to 31 December 2025 (ABS), driven primarily by housing, food and discretionary services. While inflation has eased from earlier peaks, elevated input costs continue to require careful pricing strategies and margin management, particularly in consumer-facing sectors.

## 3.4% WPI

Labour costs rose by 3.4% over the same period, continuing to lag behind price inflation. This sustained cost pressure, without a corresponding improvement in real consumer purchasing power, reinforces the need for operational efficiency. Concerns around the Fair Work Commission's minimum wages outcome are expected to place further pressure on labour costs without a commensurate increase in productivity.

## 3.6% cash rate

The Reserve Bank of Australia (RBA) held the cash rate at 3.6% in December 2025, maintaining a restrictive policy stance amid persistent inflation concerns. Retailers must balance cost management with customer retention as borrowing costs and financing conditions remain elevated.

## 6.9% consumer savings rate

Household savings increased from 5.5% in Q4 2024 to 6.9% in Q4 2025 (ABS), indicating a continued preference for cautious spending behaviour. In response, many retailers are adapting offerings to reflect value-conscious purchasing patterns.

## 5.8% retail sales growth

Retail sales growth remained resilient, supported by strong household income growth and easing inflation. The December 2025 quarter marked the peak of the retail cycle, with retail spending rising by around 5.8% year-on-year, above the long-term trend of around 4.9%, driven by strong income growth and non-food spending. For the full year, retail sales growth is estimated at around 3.3%, reflecting a solid but moderating trajectory relative to post pandemic highs.

### Retail sales growth expectations

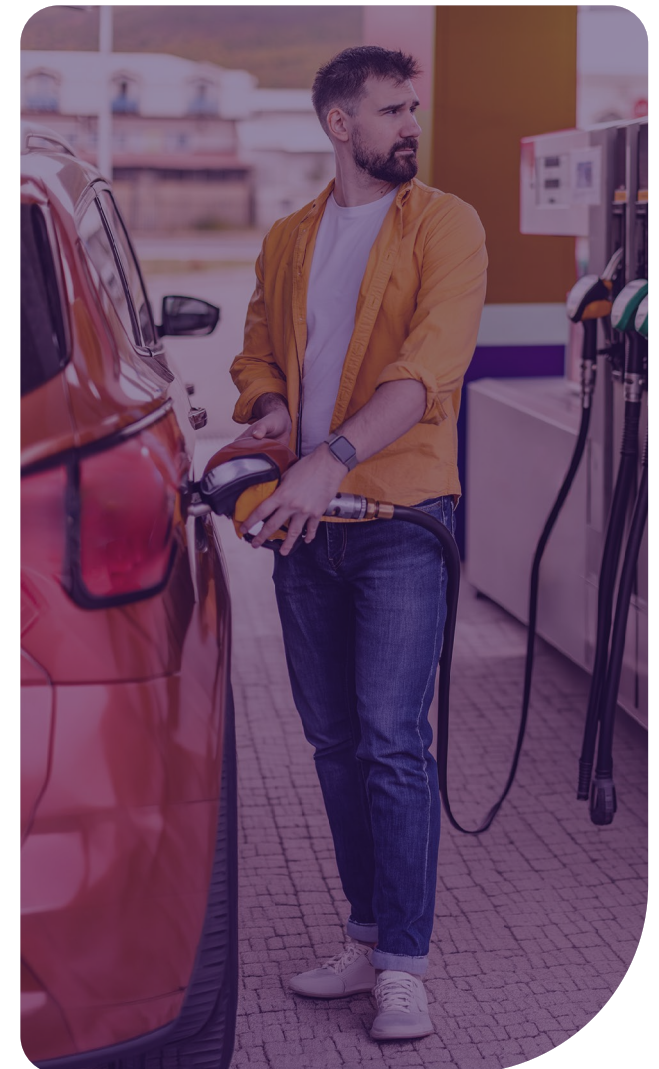
Australian retail has entered FY26 from a strong base, but sales momentum is expected to slow as consumers face a more challenging macroeconomic environment. Markets are pricing in four 25 Basis Points (bps) interest rate hikes during 2026, with around 50 bps of tightening by December 2026, which is forecast to have a 1.0% to 1.4% negative impact on retail sales over time as households adjust spending. Unlike prior cycles where the RBA tightened policy in response to strong retail demand, the anticipated rate hikes are being driven by external geopolitical shocks, adding to uncertainty. Near-term headwinds include rising petrol prices and interest rates, although both typically impact spending with a lag.

### Increasing regulation

The Australian retail climate is also being shaped by heightened regulatory and compliance pressure. Woolworths' acquisition of a controlling stake in Petstock acted as a catalyst for increased regulatory scrutiny after the Australian Competition and Consumer Commission's (ACCC) review uncovered a pattern of non-notified, serial acquisitions within the sector. This reinforced concerns about limitations in Australia's voluntary merger regime and directly informed the ACCC's push for stronger, mandatory merger notification laws.

Moreover, the ACCC's focus on supermarket pricing and promotions is raising governance expectations while expanding ESG-related legal obligations, which are increasing sustainability disclosure requirements, supply chain transparency, and labour standards. At the same time, many retailers are also managing ongoing payroll remediation programs, which remain a material operational and reputational risk. Collectively, these factors are embedding compliance and transparency as core operational requirements rather than discrete challenges.

Together, these macro conditions point to a more selective retail M&A environment where pricing discipline and cost control are increasingly critical in shaping strategic outcomes and consolidation dynamics across the retail sector.



## Retail margins

Retail EBIT margins moderated through FY25 as cost pressures and a highly promotional trading environment weighed on profitability. While margins for many listed retailers remain above long-term averages, FY25 results highlighted a clear split between operators with scale, sourcing advantages and disciplined cost control, and those more exposed to weaker discretionary demand and inventory overhangs.

Gross margin pressure was more widespread than operating cost inflation driven by sustained discounting as retailers competed for value-conscious consumers and worked through excess inventory. The impact was most visible in apparel, department stores and selected discretionary categories.

Discounting remained elevated into early FY26. This suggests volume recovery is still being driven by price rather than margin expansion. Promotional activity has supported top-line stability but continues to limit earnings leverage even as sales recover.

In contrast, food and everyday essentials remained more resilient. Supermarkets and pharmacy retailers benefited from scale efficiencies and improved sourcing outcomes, supporting more stable and defensible margin profiles.

Shrinkage and theft also emerged as a growing margin headwind in FY25. This was most pronounced in Victorian store networks where elevated loss rates increased stock shrinkage and security costs. Retailers with large-format or CBD-adjacent footprints in Melbourne appeared particularly affected, compounding gross margin pressure from discounting. In response, targeted enforcement initiatives have been introduced, including Victoria Police's Operation Pulse and similar retail crime programs in other states. Early indications suggest improved store safety and reduced loss rates although the impact is expected to be gradual rather than immediate.

## Reported EBIT margins

	FY21(a)	FY22(a)	FY23(a)	FY24(a)	FY25(a)	FY26(e)	FY27(e)	FY28(e)
<b>Home &amp; Hardware</b>								
Harvey Norman Holdings Limited	40.5%	36.7%	28.5%	23.6%	16.3%	16.9%	17.2%	17.0%
Beacon Lighting Group Limited	20.6%	20.8%	17.4%	15.8%	15.9%	16.5%	17.0%	15.6%
Nick Scali Limited	32.8%	26.8%	29.9%	27.2%	20.1%	22.1%	22.8%	22.2%
Adairs Limited	21.4%	12.6%	10.6%	10.1%	10.6%	11.3%	11.7%	11.3%
<b>Food</b>								
Coles Group Limited	4.6%	4.5%	4.2%	4.5%	4.7%	5.2%	5.3%	5.4%
Woolworths Group Limited	5.0%	4.3%	4.2%	4.1%	4.1%	4.4%	4.7%	4.8%
Treasury Wine Estates Limited	18.3%	20.3%	19.7%	10.3%	25.3%	27.2%	28.3%	28.2%
Guzman y Gomez Limited	n/a	5.4%	1.5%	-1.1%	5.6%	8.4%	11.8%	14.8%
<b>Department (Online &amp; Stores)</b>								
Wesfarmers Limited	10.6%	9.0%	8.5%	8.7%	9.1%	9.6%	10.1%	10.6%
Myer Holdings Limited	7.5%	7.3%	7.1%	6.1%	4.5%	5.5%	6.0%	6.0%
Kogan.com Limited	1.4%	-5.3%	-7.4%	4.4%	5.8%	6.9%	7.0%	7.6%
Super Retail Group Limited	13.6%	11.1%	11.1%	10.0%	9.4%	9.7%	9.8%	9.8%
Lovisa Holdings Limited	10.7%	17.6%	17.9%	18.7%	18.9%	19.7%	20.0%	20.3%
Michael Hill International Limited	9.8%	11.5%	9.0%	2.1%	4.6%	6.0%	7.9%	8.7%
JB Hi-Fi Limited	8.4%	8.6%	8.0%	6.6%	6.3%	6.2%	5.8%	6.8%
Baby Bunting Group Limited	5.5%	7.0%	5.2%	3.4%	5.0%	6.1%	7.0%	n/a
Universal Store Holdings Limited	20.7%	15.7%	15.4%	16.3%	16.3%	17.4%	17.5%	17.1%
Cettire Limited	-0.1%	-13.2%	4.7%	2.0%	2.0%	2.4%	2.5%	3.6%
Shaver Shop Group Limited	12.3%	11.6%	11.5%	10.0%	10.1%	10.2%	10.9%	n/a
<b>Pharmacy &amp; Beauty</b>								
Sigma Healthcare Limited	-2.9%	19.2%	13.9%	16.8%	8.7%	10.5%	11.4%	n/a

From a retail M&A perspective, these margin dynamics are reinforcing the premium placed on scale, operational discipline, and defensive category exposure. Businesses with resilient gross margins, efficient cost structures and strong sourcing capabilities remain best positioned to sustain earnings through the cycle. Conversely, margin-constrained discretionary retailers face increased pressure to pursue strategic combinations, divest non-core assets or seek balance sheet support as pricing-led growth limits earnings recovery.

## Retail pressures shaping M&A

Australian retailers are navigating a challenging environment where growth has been largely price-driven rather than volume-driven reflecting selective consumer spending and persistent input cost pressures. In this context, operational efficiency, pricing discipline and strategic positioning have become critical with investors and acquirers increasingly focused on sectors and businesses able to sustain profitability despite these pressures.



### Inflationary pressure

Over FY19 to FY25, retail spending remained above historical averages, largely supported by elevated price inflation. The strongest growth was recorded in recreational goods, pharmacy and cafés and restaurants. Household income growth reached 7% in the March and June quarters of 2025 supporting consumption despite ongoing cost of living pressures.

However, operating conditions remain challenging. Retailers continue to face high interest rates, transport and labour costs, theft rates and ongoing geopolitical and supply chain uncertainty. These pressures are reinforcing the role of M&A as a tool to increase network density, purchasing power and shared service, particularly where cost efficiency is a key driver of performance.



### Sustained discounting

Inflation has eased from its peak of 7.8% in December 2022 to around 2.1% by mid-2025. Despite this, consumers remain highly value conscious. Retailers continue to rely heavily on promotions. A higher share of sales is now transacted on a discount with promotional events driving short-term volume spikes.

This supports revenue but continues to erode margins with growth increasingly reliant on discounting rather than full-price sales. For example, Super Retail Group's Rebel Sport delivered 3.8% sales growth, but gross margins declined by 40 bps due to elevated promotional activity.



### Brand strength

Customer spending remains selective rather than weak. Consumers continue to prioritise differentiated brands, higher quality products and experience-led retail while trading down in lower-priority categories. This behaviour is supported by relatively strong household balance sheets with average savings of \$147,000 providing many consumers with the ability to absorb cost increases.

As a result, brand differentiation is becoming increasingly important in investment decisions. Thule's acquisition of Annex Products Pty Ltd (Quad Lock) highlights this trend. The deal reflects growing demand for brands with pricing power, ecosystem strength and strong customer loyalty.



### Fuel prices and discretionary spend disruption

Rising petrol prices are expected to continue to weigh on consumer sentiment with higher fuel costs typically impacting discretionary categories more than essentials. Takeaway food, furniture, apparel and online retail are most exposed while supermarkets and pharmacy tend to remain more resilient.

At the same time, sustained cost pressures and weaker consumer behaviour can accelerate structural changes in parts of discretionary retail. This has contributed to several high profile restructures and exits, including Ally Fashion, Booktopia Group and Mosaic Brands. These outcomes reflect not only elevated operating costs but also business models struggling to adapt to slower demand conditions. In response, many retailers are reassessing their value proposition and cost base and increasing their use of equity investment, partnerships or M&A to strengthen balance sheet strength and reposition operations.



### Moderating consumer buffers

Household savings remain supportive but are gradually normalising with the savings rate sitting at 6.9% at December 2025. Online channels continue to account for a significant share of incremental sales, reflecting shifts in consumer behaviour and store network efficiency. Overseas travel spending is also expected to moderate with higher airfares encouraging substitution toward domestic holidays.

Despite these headwinds, consumer fundamentals remain stable, supported by wage growth, low unemployment and still healthy savings levels. As a result, retail sales growth is forecast to remain resilient through FY26 and FY27. Australia's stable retail environment continues to attract offshore investment interest, including Associated British Foods' acquisition of the Artisanal Group, Dollarama's takeover of The Reject Shop and Bridor's acquisition of Laurent Bakery.



# Deal activity overview

Retail M&A activity through 2025 reflects a market that has moderated in pace but not in intent. Deal volumes have eased yet capital continues to be deployed selectively with buyers concentrated on deals where resilience, scale and operational controls are clear. As a result, outcomes are becoming more uneven, driven by asset quality rather than overall activity levels.

The composition of deal activity reinforces this shift. Essential, high-frequency categories such as Food continue to anchor deal flow while discretionary segments show greater variability in both volume and value. Headline deal values are also being shaped by a small number of outsized transactions, which can distort sector-level trends and mask slower underlying activity.

At the same time, geopolitical uncertainty is contributing to volatility in input costs, logistics and global supply chains, reinforcing buyers' emphasis on earnings visibility and downside protection. Buyers are placing greater emphasis on resilience, scale and operational control, widening the gap between assets with strong strategic positioning and those exposed to cyclical pressure.

The following dashboard for 2025 shows how these dynamics are translating into deal activity across key retail segments.



## Apparel

**Deal volume:** 7

**Total deal value:** \$1.3b

**YoY change:** Volume ↓ 46%  
Value ↑ 456%

- Activity was heavily concentrated, with overall value driven by a small number of outsized transactions despite lower deal volumes.
- Myer's \$877m acquisition of the Just Group was the primary driver of segment value.



## Automotive

**Deal volume:** 16

**Total deal value:** \$265m

**YoY change:** Volume ↑ 7%  
Value ↑ 17%

- Activity remained stable, reflecting steady acquisition appetite across smaller platforms and dealership groups.
- Transactions continued to be driven by niche and incremental rather than large-scale consolidation.



## Department (online & store)

**Deal volume:** 7

**Total deal value:** \$1.1b

**YoY change:** Volume ↑ 40%  
Value ↓ 9%

- Increased transactions activity was offset by a shift toward mid-market deal sizes.
- Dollarama International's \$490m acquisition of The Reject Shop accounted for almost half of the deal value.



## Food

**Deal volume:** 60

**Total deal value:** \$1.8b

**YoY change:** Volume ↓ 6%  
Value ↓ 56%

- Food remained the most active segment though total value declined as the prior period included fewer large-scale transactions.
- Activity was underpinned by several sizeable deals, including Laurent Bakery (\$650m), Pernod Ricard SA's wine businesses (\$500m) and PFD Food Services (\$400m).



## Home & Hardware

**Deal volume:** 18

**Total deal value:** \$1.1b

**YoY change:** Volume ↓ 10%  
Value ↓ 80%

- Value declined significantly, reflecting the absence of a prior year large-scale transaction rather than a structural drop in activity.
- The \$4.5b acquisition of CSR Limited<sup>1</sup>, in the prior period materially inflated the comparative base.



## Pet Industry

**Deal volume:** 5

**Total deal value:** \$578m

**YoY change:** Volume ↓ 29%  
Value ↓ 58%

- Activity softened across both volume and value with deal flow remaining concentrated in a single major transaction.
- Colgate Palmolive's acquisition of Prime100 (\$471m) accounted for the majority of segment deal value.



## Pharmacy & Beauty

**Deal volume:** 5

**Total deal value:** \$28.6b

**YoY change:** Volume ↓ 71%  
Value ↑ 3,723%

- Activity was distorted by a single large transaction, masking otherwise subdued deal flow.
- Chemist Warehouse's reverse takeover of Sigma Healthcare Ltd for \$28.6b dominated segment value.



## Other

**Deal volume:** 21

**Total deal value:** \$84m

**YoY change:** Volume ↑ 75%  
Value ↓ 95%

- Activity increased in volume terms but remained small in scale with limited capital deployment across transactions.
- Deals were generally opportunistic in nature, including Helloworld Travel's acquisition of Mobile Travel Holdings (\$36m).

1. Although not a pure-play retail business, CSR Limited falls within the dataset as screening was based on Consumer Discretionary and Consumer Staples classifications which captured a broad range of consumer-exposed businesses including some with predominantly B2B operations.

# Deal drivers

Retail dynamics shape what acquirers are willing to purchase in the current market. Rather than pursuing discretionary growth, buyers are increasingly focused on assets that strengthen control over the retail value chain, protect margins and support long-term operational resilience. Over this reporting period, five key deal themes have emerged:

## 1 Cost-led consolidation

Buyers are pursuing scale to improve purchasing power, logistics density and fixed-cost leverage in a sustained margin pressure environment. This is most evident where store networks or category specialists combine to build national scale or where overlapping geographic presence enables the rationalisation of corporate overheads, distribution and support functions. These transactions prioritise earnings resilience and cost efficiency over near-term growth, as evidenced by the acquisitions of Freedom Furniture by Amart and the Just Group by Myer.

## 2 Margin capture via vertical integration

Acquirers are seeking to internalise profit pools by moving upstream into manufacturing or wholesale or downstream into owned retail and direct-to-consumer channels. The objective is to protect gross margin, improve control over availability and quality, and shorten speed-to-market. This is particularly evident in grocery, primary producers and pharmacy, where margin leakage and supply-chain volatility remain most pronounced.

## 3 Market or geographic expansion

These transactions involve the acquisition of established Australian businesses to access new markets, categories or customer segments. Rather than transforming the target's operating model, acquirers are backing proven local companies with existing scale, brand recognition and market positioning. The investment case is typically centred on market entry, portfolio diversification or long-term growth participation, with operational change occurring incrementally, if at all.

## 4 Infrastructure and capability acquisition

Buyers are targeting logistics, fulfilment and production assets that materially strengthen operating capability and scalability. This includes distribution networks, production facilities and ecosystem or IP-led platforms. M&A is increasingly being used to accelerate capability build-out rather than organic development. For example, the SPC Global merger with Original Juice Co. and Nature One Dairy enables greater use of existing production capacity, closer proximity to supply sources and improved distribution efficiency.

## 5 Capital-led value creation

Some transactions are driven by financial sponsors targeting durable cashflows, defensible market positions or clear value-creation levers rather than immediate operating synergies. This includes high-quality platforms where investment is designed for long-term compounding and distressed or underperforming assets where recapitalisation, balance-sheet repair or operational reset can unlock value. The acquisition of Fresh Produce Group of Australia by Macquarie Asset Management is a key example that highlights the growing role of private capital in retail M&A.

## Retail deal volumes: sector analysis

Retail deal volumes have remained broadly stable in terms of sector split from 2023 to 2025, though total activity has moderated. The distribution of transactions continues to be led by Food, which accounts for 43% of all deals in 2025, reflecting sustained investor interest in essential and high-volume categories.

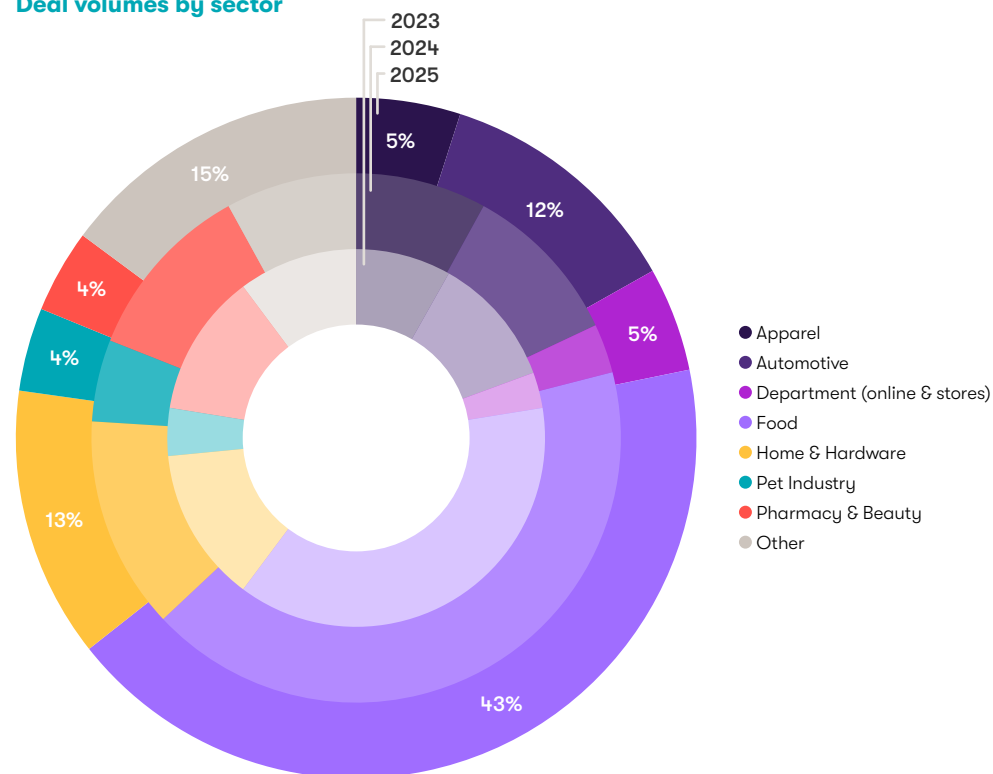
This concentration reflects the sector's defensive demand characteristics, improving margin visibility and portfolio repositioning by listed Food groups. Recent 2025 results from major ASX-listed companies reinforced this resilience, encouraging both strategic and financial buyers to pursue consolidation, bolt-on acquisitions and platform builds.

Outside Food, deal activity is more fragmented. Home & Hardware (13%), Department (11%) and Other (15%) collectively account for around 40% of deal volumes, reflecting a mix of niche positioning, omnichannel strategies or turnaround opportunities rather than pure scale.

Apparel accounted for a relatively subdued share of overall transactions, with volumes decreasing in over recent periods. This reflects fewer but more meaningful transactions when they do occur. In contrast, Automotive represented a more material share of total activity, with deal flow broadly sustained across the period. The Pet Industry and Pharmacy & Beauty maintain selective activity, but overall transaction volumes remain limited outside of occasional larger, category-defining deals.

The overall decline in deal volume in 2025 is partly linked to the completion of several larger acquisitions in prior periods, particularly within Pharmacy & Beauty and Home & Hardware. It also reflects broader strategic caution among retailers with timing influenced by lingering effects of COVID-19 on consumer demand and strategic timing decisions by retailers.

Deal volumes by sector



	2023		2024		2025	
	Deal volume	%	Deal volume	%	Deal volume	%
Apparel	17	8%	13	8%	7	5%
Automotive	23	11%	15	10%	26	12%
Department (online & stores)	7	3%	5	3%	7	5%
Food	74	37%	64	42%	60	43%
Home & Hardware	27	13%	20	13%	18	13%
Pet Industry	8	4%	7	5%	5	4%
Pharmacy & Beauty	25	12%	17	11%	5	4%
Other	20	10%	12	8%	21	15%
<b>Total</b>	<b>201</b>	<b>100%</b>	<b>153</b>	<b>100%</b>	<b>139</b>	<b>100%</b>

## Retail deal values: sector analysis

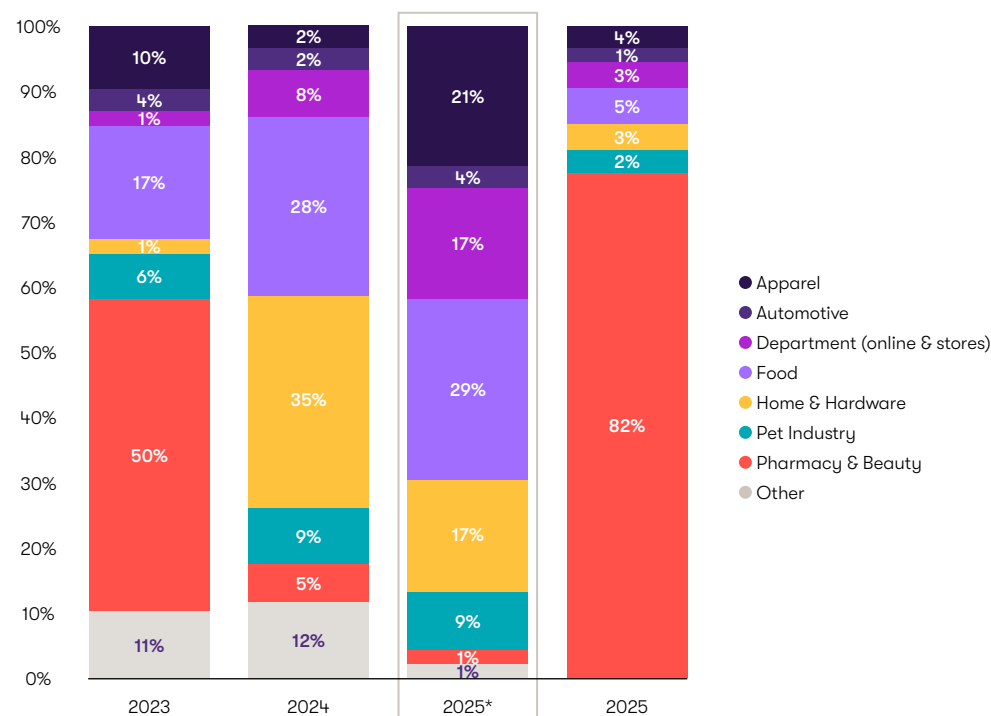
Pharmacy & Beauty accounted for the largest share of retail deal values for 2025. However, this outcome was almost entirely driven by a single, outsized transaction and does not reflect structural sector strength. The reverse takeover of Sigma Healthcare by Chemist Warehouse (\$28.6b) in February 2025 materially skews the segment's share, masking the underlying value distribution across retail.

When this transaction is excluded (shown as 2025\* in the chart), the distribution of deal values align more closely with sector volumes. Food emerges as a clear leader across both volume and value (29%), followed by Home & Hardware (17%) and Department (17%), highlighting where investor activity is most consistently occurring.

This adjusted view shows a more balanced market than headlines figures suggest. While Pharmacy & Beauty appears dominant on a reported basis, underlying deal value is more evenly distributed, with Food continuing to anchor both volume and value through a steady flow of transactions, supported by ongoing consolidation and portfolio activity across key consumer categories.



## Deal values by sector



\*Excludes the reverse takeover of Sigma Healthcare by Chemist Warehouse

	2023		2024		2025*	
	Total value (\$m)	%	Total value (\$m)	%	Total value (\$m)	%
Apparel	2,080	10%	234	2%	1,300	21%
Automotive	799	4%	248	2%	265	4%
Department (online & stores)	134	1%	1,221	8%	1,106	17%
Food	3,381	17%	4,189	28%	1,835	29%
Home & Hardware	208	1%	5,304	35%	1,074	17%
Pet Industry	1,303	6%	1,379	9%	578	9%
Pharmacy & Beauty	10,214	50%	750	5%	82	1%
Other	2,297	11%	1,732	12%	84	1%
<b>Total</b>	<b>20,416</b>	<b>100%</b>	<b>15,056</b>	<b>100%</b>	<b>6,325</b>	<b>100%</b>

\*Excludes the reverse takeover of Sigma Healthcare by Chemist Warehouse

A woman with curly hair, wearing a white lab coat over a light blue button-down shirt, is looking down at something in her hands. She is in a pharmacy, with shelves of medicine boxes visible in the background. The lighting is soft and focused on her.

## SPOTLIGHT:

### Pharmacy & Beauty consolidation resets sector expectations

The reverse takeover of Sigma Healthcare by Chemist Warehouse represents one of the most significant retail transactions in recent Australian history and has materially reshaped the Pharmacy & Beauty landscape. The deal brings together a major wholesale and distribution platform with Australia's leading pharmacy network, reinforcing the strategic value of scale and vertical integration in a margin constrained environment.

At its core, the deal highlights a clear shift toward consolidation and control across procurement, logistics and pricing, with buyers prioritising assets that offer margin protection, supply chain resilience and earnings defensibility. The structure of the transaction also illustrates the growing increasing intersection between private capital and public markets with a reverse takeover enabling access to public market liquidity while retaining private control. This offers a potential pathway for other large private retail platforms seeking scale without a traditional IPO.

Regulatory approval, subject to behavioural undertakings, signals a degree of tolerance for further consolidation in the pharmacy sector where competitive access and franchisee flexibility are maintained. At the same time, ongoing pressure within franchise-based pharmacy models highlight a performance gap between scaled platforms and smaller operators facing cost and structural headwinds.



Scale, vertical integration and capital certainty are becoming defining requirements in Pharmacy & Beauty. Accordingly, future M&A activity is likely to concentrate around platforms that can deliver procurement, margin and structural advantages rather than standalone retail growth.

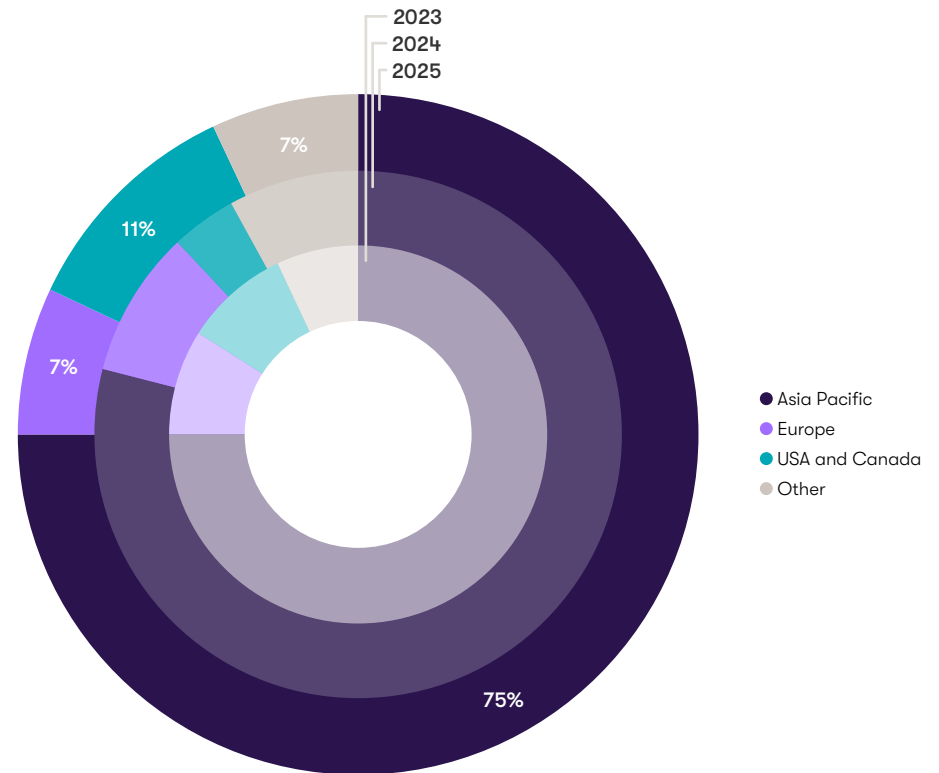
## Retail deal volumes: buyer location analysis

Retail deal volumes have declined from 201 in 2023 to 139 in 2025. Despite this slowdown, the geographic composition of buyers has remained largely unchanged. Asia Pacific continues to dominate cross-border and domestic buyer activity, accounting for roughly three-quarters of all transactions, while European participation has grown modestly from 4% to 11% despite lower absolute volumes.

This consistency in buyer mix indicates that the moderation in activity is driven by prevailing market conditions rather than a shift in investor sentiment or geographic focus. Asia Pacific remains the core source of capital, reinforcing its position as the primary investor base in Australian retail assets.



## Retail buyers by location



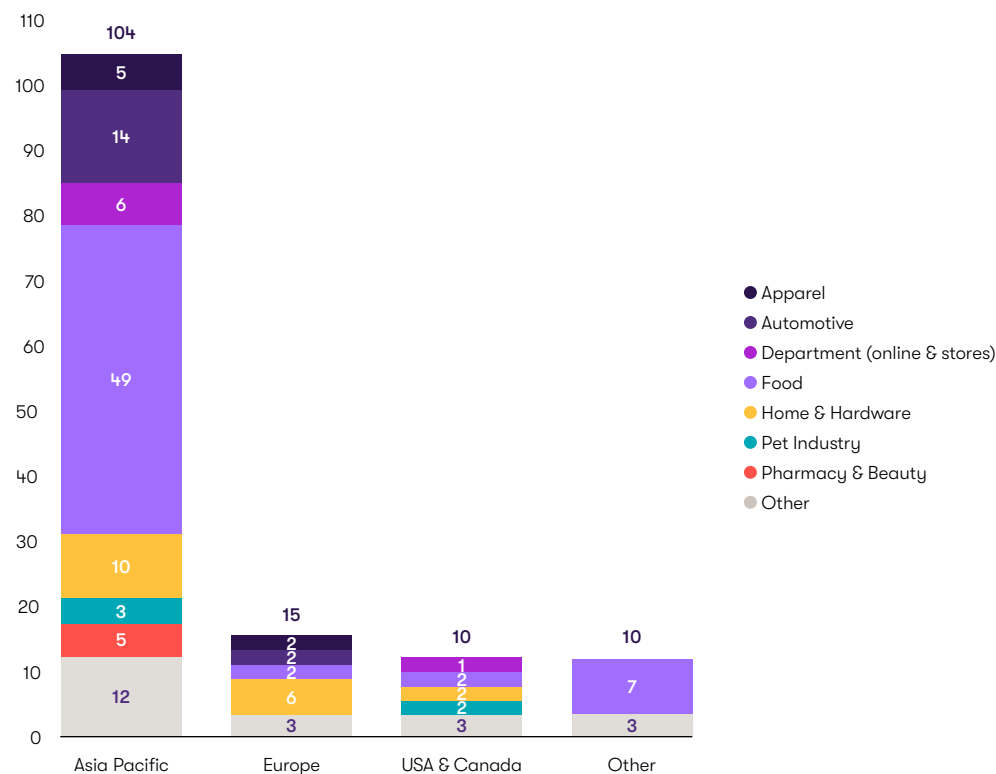
## Retail deal volumes: sector and buyer location region

	All deals	Asia Pacific	Europe	USA and Canada	Other
Apparel	7	5	2	-	-
Automotive	16	14	2	-	-
Department (online & stores)	7	6	-	1	-
Food	60	49	2	2	7
Home & Hardware	18	10	6	2	-
Pet Industry	5	3	-	2	-
Pharmacy & Beauty	5	5	-	-	-
Other	21	12	3	3	3
<b>Total</b>	<b>139</b>	<b>104</b>	<b>15</b>	<b>10</b>	<b>10</b>

Asia Pacific buyers continue to dominate Australian retail M&A activity, accounting for 75% of all deals. This reflects both structural advantages and clear sector preferences shaping where capital is deployed:

- **Regional advantage and market access:** Geographic proximity, cultural familiarity and established trade relationships continue to position Australia as a natural market for regional expansion and cross-border investment.
- **Concentration in Food:** 47% of Asia Pacific buyers targeted the Food sector, reflecting strong demand for high-quality, reliable supply chains and essential goods with stable returns.
- **Stable market and growth positioning:** Australia's relatively stable economy and retail sector continue to attract capital from Asia Pacific with recent acquisitions reflecting ongoing use of the market for growth, brand expansion and access to premium assets.

## Buyers of Australian retail (sub-sector split in the current period)



Offshore participation from Europe (15 deals) and the USA and Canada (10 deals) remains modest, with activity focused primarily on Home and Hardware and Food. Food stands out as the only sub-sector attracting consistent interest across all buyer regions while Department and Apparel remain largely domestically driven, reinforcing that international capital is channelled towards categories offering scale, differentiation or clearer growth pathways.

## SPOTLIGHT:

### Blue Hippo reflects private equity interest in specialty retail

Blue Hippo Laundry operates self-service laundromats across Melbourne's growth corridors, typically located within shopping centres beside major supermarket anchors such as Coles, Woolworths and Aldi. This positioning integrates the service within routine shopping behaviour, supporting efficiency and consistent customer usage.

The business has attracted mid-market private equity investment, underpinned by a rollout-led expansion model and strong margins. Its performance aligns with investor interest in speciality retail concepts that combine convenience, repeat usage and stable demand.

More broadly, the transaction sits within a pattern of capital being deployed into service-based formats that can scale nationally through site expansion rather than relying on discretionary spend.



Investor interest continues to extend beyond traditional retail into adjacent service models, particularly where growth is driven by rollout, utilisation and demand.

## Segments experiencing reduced M&A activity

Within the top 10 deals, several categories were notably underrepresented, pointing to areas where investors see limited near-term value or higher integration risk. Technology retail businesses were particularly absent, reflecting growing caution around both profitability and longer-term sustainability.



### Standalone technology companies

Recent underperformance in technology acquisitions has made acquirers more cautious to pursue technology-focused businesses. Earlier expectations that online marketplaces and software-enabled models would deliver strong, defensible customer relationships have not consistently held. Customer loyalty in digital retail has proven fluid with limited switching costs and low long-term stickiness undermining confidence in these models as standalone investments.



### Lessons from prior acquisitions

A number of high-profile transactions have reinforced this shift:

- **Catch.com.au:** Acquired by Westfarmers for \$230m in 2019, the platform reported consecutive losses between 2022 and 2025 totalling \$302m in negative EBITDA. Operations ceased in early 2025 with some fulfilment capability retained within Kmart Group.
- **MyDeal:** Purchased by Woolworths for \$243m in 2022, the business incurred significant losses before being shut down in 2025 alongside an additional \$100m from redundancies and remaining external equity interest.
- **Cashrewards:** Bought by ANZ Bank in 2022 for approximately \$100m, the organisation remained loss-making and ceased operations in September 2025 as part of firmwide cost cutting initiatives and restructuring.

These outcomes have tempered buyer appetite for pure-play technology assets.



### Why these models struggled

Many of the underlying capabilities such as online marketplaces, loyalty programs, personalisation tools and fulfilment features have become widely adopted across the sector. As they standardise, these features offer less differentiation and can be replicated relatively quickly. This has reduced the willingness of buyers to pay premium prices for these technology assets in isolation.



### Shift toward physical capability

This reassessment has been reinforced by the entry and rapid scaling of global players such as Amazon, which have invested heavily in fulfilment networks, distribution centres and customer acquisition across Australia, materially eroding the competitive position of smaller, standalone online marketplaces.

As a result, buyers are increasingly focused on transactions where technology is embedded within broader operating models, enhancing tangible infrastructure and long-term operating capability. In some cases, this shift is also supported by valuation expectations resetting to reflect shorter asset lives.



### Renewed focus on tangible advantage

In contrast, assets such as distribution centres, production facilities, established supplier networks and scaled customer relationships remain harder to replicate and more capital-intensive to build. These characteristics support more durable competitive advantage and are being valued more highly in the current retail M&A environment, reinforcing the shift toward asset-backed, productivity-driven dealmaking.

# Sector deep-dive: Consumer Staples

## Top 5 Consumer Staples deals

1



<b>Target:</b>	Laurent Bakery Pty Ltd
<b>Target industry:</b>	Food
<b>Target country:</b>	Australia
<b>Acquirer:</b>	Holding Le Duff; Bridor SAS
<b>Acquirer country:</b>	France
<b>Rationale:</b>	Market or geographic expansion
<b>Deal value (A\$):</b>	\$650m
<b>Closed date:</b>	12/03/2025

Bridor (via Holding Le Duff) acquired a stake in Laurent Bakery, expanding its presence in Australian premium bakery manufacturing. The business spans retail, wholesale and foodservice channels with established positioning in the premium segment. The transaction fits within a broader pattern of international interest in branded Australian food assets.

2



<b>Target:</b>	Pernod Ricard SA (Australia, New Zealand, and Spain wine businesses)
<b>Target industry:</b>	Food
<b>Target country:</b>	Australia
<b>Acquirer:</b>	Vinarchy Australia Ltd
<b>Acquirer country:</b>	Australia
<b>Rationale:</b>	Consolidation
<b>Deal value (A\$):</b>	\$500m
<b>Closed date:</b>	30/04/2025

Vinarchy Australia acquired Pernod Ricard's wine operations across Australia, New Zealand and Spain, increasing scale across premium and commercial wine categories. The assets form part of a broader portfolio rationalisation by Pernod Ricard with a focus on core spirits brands. The transaction contributes to ongoing consolidation across the wine sector.

### 3



<b>Target:</b>	PFD Food Services Pty Ltd
<b>Target industry:</b>	Food
<b>Target country:</b>	Australia
<b>Acquirer:</b>	Woolworths Group Ltd
<b>Acquirer country:</b>	Australia
<b>Rationale:</b>	Vertical integration
<b>Deal value (A\$):</b>	\$400m
<b>Closed date:</b>	28/08/2024

Woolworths acquired the remaining 35% stake in PFD Food Services, increasing its exposure to hospitality, catering and institutional foodservice. The business strengthens its position across a broader food supply chain and logistics network. It builds on Woolworths' initial 65% equity investment in 2020.

### 4



<b>Target:</b>	The Original Juice Co. Ltd
<b>Target industry:</b>	Food
<b>Target country:</b>	Australia
<b>Acquirer:</b>	SPC Global Holdings Ltd
<b>Acquirer country:</b>	Australia
<b>Rationale:</b>	Capability
<b>Deal value (A\$):</b>	\$238.9m
<b>Closed date:</b>	12/12/2024

SPC Global merged with The Original Juice Co. (via a reverse takeover), alongside Nature One Dairy, expanding its presence in juice manufacturing. The business operates across chilled and shelf-stable categories, complementing existing branded and private-label production. It adds further scale to SPC's food manufacturing portfolio.

### 5

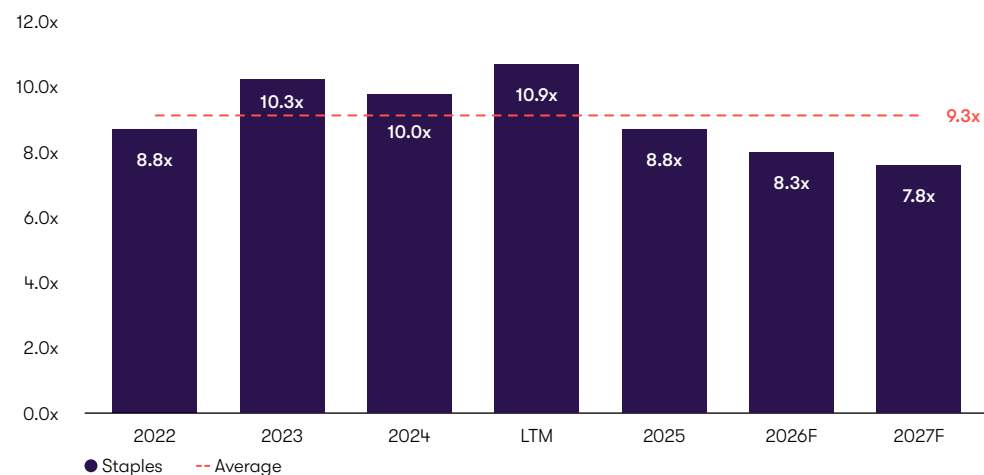


<b>Target:</b>	Fresh Produce Group of Australia Pty Ltd
<b>Target industry:</b>	Food
<b>Target country:</b>	Australia
<b>Acquirer:</b>	Macquarie Asset Management Pty Limited
<b>Acquirer country:</b>	Australia
<b>Rationale:</b>	Capital-led value creation
<b>Deal value (A\$):</b>	\$175m
<b>Closed date:</b>	03/12/2024

Macquarie Asset Management acquired Fresh Produce Group of Australia, adding exposure to sourcing, processing and distribution of fresh produce. The business operates across integrated food supply chain activities, including aggregation and cold-chain logistics, aligning with increasing investor interest in agriculture supply chain and food logistics assets.

## Staples buyers & trading multiples

### Median EBITDA trading multiple: Consumer Staples



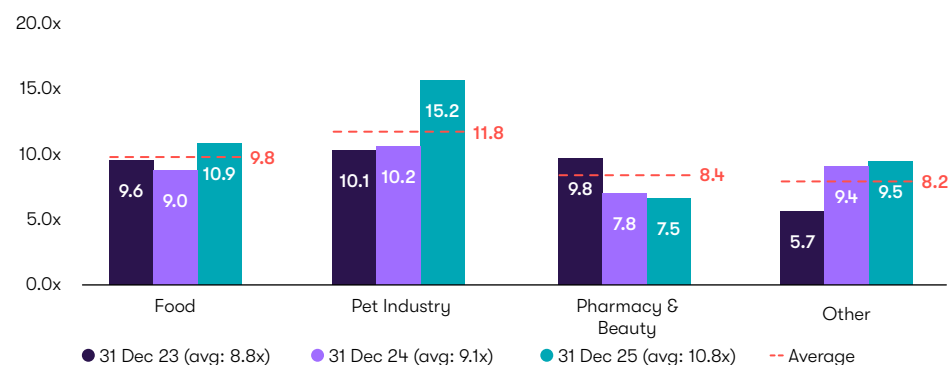
LTM refers to the last twelve months period.

Consumer Staples trading multiples have exhibited a clear peak and normalisation pattern over 2022 to 2025. Multiples expanded from 8.8x in 2022 to 10.3x in 2023 before levelling at 10.0x in 2024, reflecting higher multiples aligned with heightened investor preference for Staples businesses during periods of inflationary pressures, interest rate volatility and weaker discretionary sentiment.

From 2024 to 2025, median trading multiples compressed back to 8.8x as inflationary pressures eased. Overall the trading multiple data illustrates the defensive premium afforded to Consumer Staples, particularly during periods of heightened economic and interest rate uncertainty.

*For context: EBITDA is used as a measure of earnings for valuation purposes, reflecting the financial performance before considering its funding structure. Using a multiple of EBITDA provides an enterprise value (EV) of the business, representing the businesses value before deducting net debt. EBITDA trading multiples serve as a proxy for free cash flow and indicates the company's performance, with higher multiples typically reflecting robust earnings and effective trading. The trading multiples shown above are based on the listed share price, which represents a marketable minority interest value.*

### Median trading Staples multiples by sector



Within the Consumer Staples sector, EBITDA trading multiples have become increasingly dispersed over 2023 to 2025.

Food sector multiples edged up from around 9.6x in 2023 to 10.9x in 2025, supported by the scale and earnings resilience of Woolworths Group and Coles Group, despite ongoing margin pressure from price investment, labour inflation and heightened regulatory scrutiny.

Pet Industry recorded the most pronounced increase, rising from 10.1x in 2023 to approximately 15.2x by 2025. However, this movement is not broad-based and is largely driven by a single trading company, Ridley Corporation Limited, following its expansion into fertilisers via the Incitec Pivot Fertilisers acquisition. In contrast, Pharmacy & Beauty multiples softened to around 7.5x in 2025.

The spread in outcomes is therefore being driven less by sector classification and more by scale advantages, earnings composition and company-specific events.

# Sector deep-dive: Consumer Discretionary

## Top 5 Consumer Discretionary deals

# 1



<b>Target:</b>	Sigma Healthcare Ltd
<b>Target industry:</b>	Pharmacy & Beauty
<b>Target country:</b>	Australia
<b>Acquirer:</b>	CW Group Holdings Ltd (Australia)
<b>Acquirer country:</b>	Australia
<b>Rationale:</b>	Vertical integration
<b>Deal value (A\$):</b>	\$28.6bn
<b>Closed date:</b>	04/02/2025
<b>EV/EBITDA:</b>	68.0x

The reverse takeover of Sigma Healthcare by CW Group Holdings (Chemist Warehouse) is one of the largest transactions in Australian retail and pharmacy history. The deal was structured as a reverse listing, combining Sigma's wholesale and logistics capabilities with Chemist Warehouse's retail footprint to form a scaled Pharmacy & Beauty platform. It materially increases scale, buying power and vertical integration across the combined group.

# 2



<b>Target:</b>	Just Group Ltd
<b>Target industry:</b>	Apparel
<b>Target country:</b>	Australia
<b>Acquirer:</b>	Myer Holdings Ltd
<b>Acquirer country:</b>	Australia
<b>Rationale:</b>	Scale & consolidation
<b>Deal value (A\$):</b>	\$877m
<b>Closed date:</b>	26/01/2025

Myer Holdings acquired the Just Group businesses from Premier Investments, adding apparel brands including Just Jeans, Jay Jays, Portmans and Dotti to its portfolio. The transaction combines department store reach with established apparel brands across Australia. It reflects ongoing consolidation in Apparel, supported by scale benefits and portfolio simplification.

# 3



<b>Target:</b>	Freedom Furniture Australia Pty Ltd
<b>Target industry:</b>	Home & Hardware
<b>Target country:</b>	Australia
<b>Acquirer:</b>	Amart Furniture Pty Ltd
<b>Acquirer country:</b>	Australia
<b>Rationale:</b>	Scale & consolidation
<b>Deal value (A\$):</b>	\$545m
<b>Closed date:</b>	16/06/2025

Amart Furniture acquired Freedom Furniture, expanding its national store network and customer reach in the mid-market furniture segment. The deal creates opportunities to rationalise sourcing, logistics and back-office functions across a larger platform. It sits within a fragmented Home & Hardware market where scale-led consolidation continues across established operators.

# 4



<b>Target:</b>	Annex Products Pty Ltd
<b>Target industry:</b>	Home & Hardware
<b>Target country:</b>	Australia
<b>Acquirer:</b>	Thule Group AB
<b>Acquirer country:</b>	Sweden
<b>Rationale:</b>	Market or geographic expansion
<b>Deal value (A\$):</b>	\$509m
<b>Closed date:</b>	04/12/2024
<b>EV/EBITDA:</b>	9.8x

Thule Group acquired Annex Products, owner of the Quad Lock brand, expanding its presence in mobile phone accessories for outdoor and mobility use. The deal strengthens Thule's platform in the Australian and Asia Pacific markets and supports further regional growth. It also reflects continued inbound interest in Australian lifestyle and accessories businesses with export potential.

# 5

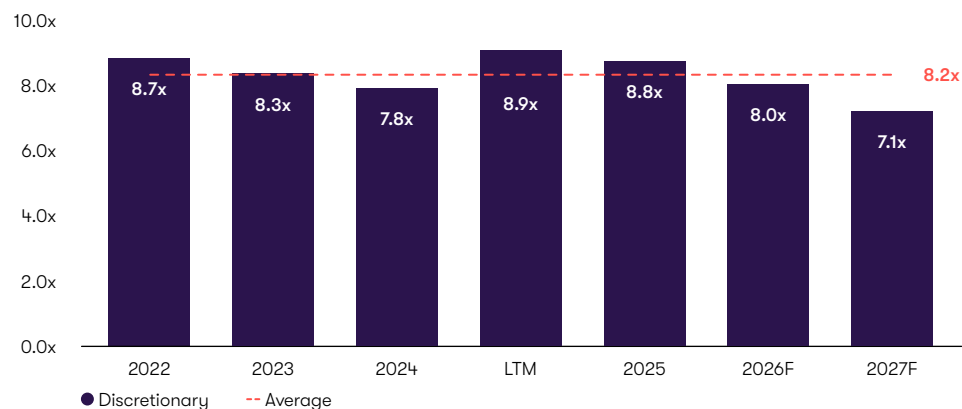


<b>Target:</b>	The Reject Shop Limited
<b>Target industry:</b>	Department (Online & Stores)
<b>Target country:</b>	Australia
<b>Acquirer:</b>	Dollarama International Inc.
<b>Acquirer country:</b>	Canada
<b>Rationale:</b>	Scale & consolidation
<b>Deal value (A\$):</b>	\$490m
<b>Closed date:</b>	21/07/2025
<b>EV/EBITDA:</b>	3.3x

Dollarama International acquired The Reject Shop, a national discount retail network in Australia. The transaction provides an established platform for expansion beyond North America and was completed at a significant premium to the share price, alongside a low EV/EBITDA multiple reflecting earnings pressure. The deal highlights buyer willingness to pursue scale and market entry opportunities in value retail despite subdued trading conditions.

## Discretionary buyers & trading multiples

### Median EBITDA trading multiple: Consumer Discretionary



The trading multiples in the chart above are based on the listed share price, which represents a marketable minority interest value.

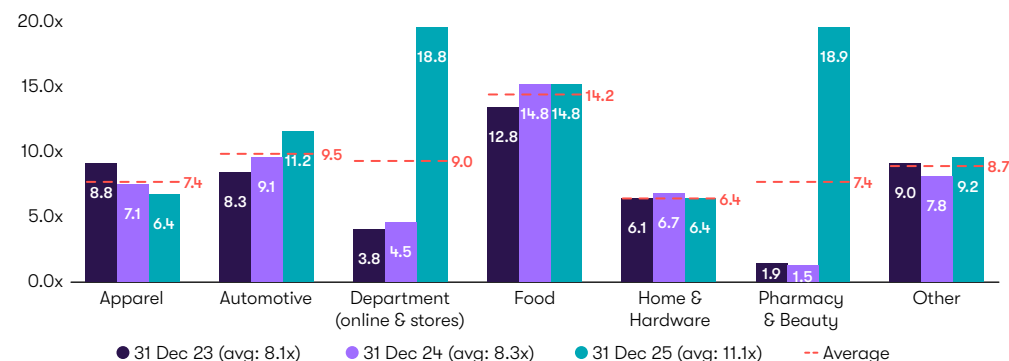
Consumer Discretionary EBITDA trading multiples moved through a clear cycle between 2022 and 2025, reflecting shifting risk appetite rather than a sustained re-rating of the sector.

Multiples eased from 8.7x in 2022 to 8.3x in 2023 before lowering to 7.8x in 2024 as higher interest rates and weaker consumer sentiment weighed on earnings confidence and risk appetite. In 2025, the median multiple rebounded to 8.8x as buyers and markets increasingly concentrate on businesses with scale, differentiated brands and defensible margin.



Overall, the market remains polarised with valuation support concentrated in subsectors demonstrating earnings resilience and defensive characteristics while apparel-exposed categories remain structurally discounted.

### Median trading Discretionary multiples by sector



Consumer Discretionary trading multiples varied across subsectors driven more by specific transactions and a small number of large-scale transactions, rather than by a consistent sector trend.

- **Apparel** compressed from 8.8x in 2023 to 6.4x in 2025, reflecting subdued consumer demand, heightened promotional intensity and earnings downgrades among listed retailers.
- **Automotive** multiples increased to 11.2x, supported by resilient earnings from listed participants such as ARB Corporation where export growth offset softer domestic vehicle demand and aftermarket trading remained stable.
- **Department** exhibited the most pronounced uplift with multiples expanding sharply to 18.8x, largely driven by Myer Group following its acquisition of the Just Group, despite ongoing margin pressure and non-cash impairment charges.
- **Discretionary Food** exhibited consistent trading multiples across 2024 and 2025, rising from 12.8x in 2023 to 14.8x.
- **Home & Hardware** remained relatively stable at 6.4x despite improving earnings across wholesale and exposed operators such as Metcash as hardware conditions stabilised in the second half of 2024.
- **Pharmacy & Beauty** rose to 18.9x, primarily reflecting Sigma Healthcare Limited's trading multiple following the reverse acquisition by Chemist Warehouse.

# IPO activity

IPO activity has increased modestly over the past two years with ASX data indicating 67 new listings reported in 2024 and 92 in 2025. Despite this broader uptick, retail listings remain limited with only three relevant listings observed across the period.

Company	ASX code	Sector	Offer date	Market cap (A\$m)	IPO price (A\$)	Notes
Guzman y Gomez Limited	GYG	Consumer discretionary – Food	19/06/2024	335.1	22.00	Established food service brand
Merino & Co. Limited	MNC	Consumer discretionary – Apparel	28/10/2024	6.35	0.20	Design, manufacturing and sale of wool products in Australia and internationally
Carma Limited	CMA	Consumer discretionary – Automotive	3/11/2025	100.0	2.70	Digital platform for buying and selling used cars in Australia

While this shows that capital markets stay open to retail listings, activity has been focused on a small number of businesses with clearly defined models and identifiable growth pathways. Broader participation from traditional retailers remains limited.

Looking ahead, the pipeline of retail IPOs is expected to remain subdued, reflecting ongoing macroeconomic uncertainty, cost pressures and cautious investor sentiment. This environment is encouraging many businesses to consider alternative funding pathways, including private equity, strategic investment or trade-led transactions rather than public listing.

Notwithstanding, selective opportunities continue to emerge. In early 2026, body piercing and jewellery retailer SkinKandy began preparations for a potential ASX IPO, targeting a capital raise of approximately \$150m. The proposed transaction underscores investor appetite for differentiated, scalable retail platforms with strong brand positioning and clear expansion strategies even as broader retail IPO activity remains constrained.

## SPOTLIGHT:

### Guzman y Gomez tests investor appetite for growth retail

Guzman y Gomez's (GYG) ASX listing in June 2024 demonstrates that investor appetite for growth retail remains but is increasingly conditional on execution and demonstrable earnings delivery rather than narrative alone. The IPO raised approximately \$335 million and delivered a strong initial market response, reflecting investor willingness to back differentiated growth platforms even in a more cautious retail market.

At listing, GYG operated more than 200 restaurants across Australia and offshore markets, supported by a proven format spanning dine in, drive through and digital ordering. IPO proceeds were primarily directed toward accelerating domestic expansion with optionality for longer term international expansion. From a sector perspective, the transaction reinforced the relative resilience of food-led retail QSR formats where brand strength, convenience and perceived value continue to support demand even in a value-conscious environment.

Post listing performance, however, has highlighted the limits of investor tolerance for growth valuations. Despite continued network expansion and strong topline momentum, share price underperformance has softened as results have not fully met expectations embedded at IPO.

Recent developments further underline this dynamic. In May 2026, GYG announced its exit from the US market, closing all Chicago-area stores. The decision was broadly welcomed as it removed an underperforming and capital-intensive growth leg and refocused the business on its higher-return Australian core. At the same time, the abrupt closures has led to a class action lawsuit in the US from former employees alleging insufficient notice, introducing an element of operational and reputational risk. While the strategic pivot highlights a more disciplined approach to capital allocation, the mixed market response reinforces that investors are rewarding clarity and execution certainty but remain sensitive to missteps and headline risk in growth strategies.



Growth retail remains investable, but future IPOs will require clearer evidence of execution discipline, margin progression and earnings durability to perform strongly beyond listing.

#### GYG historical share price



# Global market perspectives

Retail M&A trends across major global markets broadly mirror those observed in Australia with capital increasingly directed toward consolidation, capability-led acquisitions and defensive, cash-generative assets.

Across India, China and the UK, our Grant Thornton global teams observe that deal activity is being shaped less by cyclical growth and more by structural repositioning as investors respond to evolving consumer behaviour, margin pressure and changing retail formats.



**While markets differ in maturity and composition, a consistent theme is emerging: capital is concentrating in essential categories, scaled platforms and businesses with clear operational leverage.**



## United Kingdom

Retail deal activity in the UK has shown clear signs of recovery from prior lows with deal volumes rising through 2024 and 2025 though overall transaction values remained subdued. Activity was primarily driven by mid-market transactions and strategic trade buyers, reflecting cautious investor sentiment, pragmatic pricing and a continued focus on downside protection.

Improving consumer sentiment and expectations of easing interest rates have supported a more stable transaction environment into 2025. However, the sector remained exposed to ongoing cost pressures, including higher labour costs driven by higher National Insurance and the National Minimum Wage settings.

Against this backdrop, activity has been concentrated in defensive segments such as Grocery, Convenience, Pet care, Health & Beauty, while Discretionary categories, particularly Apparel, continues to experience consolidation through divestments, rescue transactions and portfolio rationalisation. Private equity participation remains selective with capital deployment focused on operational resilience, turnaround opportunities and earnings stability.

**Doug R Bentley, Partner, Grant Thornton UK LLP**



## India

India's retail deal landscape has shown strength and growth over 2024 and 2025 driven by FMCG and food processing acquisitions and supported by strong demographic fundamentals, rising disposable incomes and continued formalisation of retail channels. Activity continues to be driven by domestic consolidation with strategic buyers using M&A to scale brands, deepen distribution and respond to premiumisation across consumer categories.

Alongside this, inbound capital remains focused on platforms with global relevance, established brand equity and scalable operating models. This reinforces India's position as an attractive consumer market where deals activity is increasingly used as a tool for market expansion and capability building rather than standalone financial investment.

**Naveen Malpani, Partner and Retail & eCommerce Industry Leader**  
**Mohit Mathur, Director**  
**Grant Thornton Bharat**



## China

In China, the retail transaction landscape continues to evolve through steady progress and structural optimisation, supported by resilient consumer spending and the ongoing expansion of omnichannel retail models. Total retail sales of consumer goods exceeded 50 trillion RMB for the first time with retail sales of goods rising 3.8% and catering revenue increasing 3.2%, reflecting a steady recovery in domestic consumption.

Deal activity increasingly shifted towards strategic control and in-depth industrial consolidation with capital focused on cash flow stability, brand equity, and omnichannel empowerment. This is also occurring against a policy backdrop aimed at expanding domestic demand and boost consumption, reinforcing support for continued structural development of the consumer market. Overall, this reflects a transition toward longer-term positioning with ongoing consolidation across both online and offline retail channels.

**Jian Yong Wu, Partner, Grant Thornton Zhitong**



# M&A outlook and implications for retailers

The retail M&A environment is expected to normalise following a cyclical peak in late 2025. While population growth, wage growth and relatively stable employment provide a supportive base, retail demand is likely to remain value-conscious and increasingly selective through 2026 and 2027. Higher interest rates and elevated fuel prices are expected to flow through with a lag, contributing to a more subdued but stable trading environment.

In this context, M&A activity is becoming more targeted with capital concentrating on businesses that demonstrate scale, earnings resilience and clear strategic relevance. Transaction activity is less about broad recovery and more about positioning for structural advantage.



### Normalising demand conditions

Retailers should plan for sustained normalisation rather than a cyclical rebound. While underlying demand remains supported by structural population growth, consumers are expected to remain highly selective across discretionary categories. This is reinforcing more conservative underwriting with buyers prioritising cash generation, downside protection and execution certainty over growth optionality.



### Persistent margin pressure

Gross margins are expected to remain structurally under pressure due to ongoing promotional intensity and elevated input costs across labour, rent, logistics and energy. As a result, performance dispersion is widening between scaled, disciplined operators and smaller or more volatile peers. Retailers will need to place greater emphasis on pricing discipline, value proposition clarity and portfolio optimisation to protect earnings quality.



### Selective profitability recovery

Profitability improvement is expected to be uneven and more difficult to achieve in a lower-growth environment. Operating leverage will be harder to unlock, increasing the importance of cost discipline, automation and capital allocation decisions. Businesses with scale advantages, strong brands and resilient cash flows are best positioned to sustain earnings, while sub-scale operators face greater pressure to restructure or consolidate.



### Implications for M&A activity

These conditions are reinforcing a more disciplined M&A environment. Deal activity is expected to remain concentrated in consolidation, capability enhancement, vertical integration and selective market entry. Buyers are prioritising margin protection, operational resilience and control over supply chains, logistics and production assets.

Technology is increasingly treated as an embedded capability rather than a standalone acquisition driver with emphasis shifting toward integration within core operating models where it directly supports productivity and margin outcomes. As a result, capital is concentrating on core retail and consumer assets with stable demand profiles, proven cash generation and lower integration risk.



### What does this mean?

As retail M&A continues to normalise, capital deployment is increasingly defined by selectivity and structural positioning rather than growth ambition alone. Businesses that proactively align operating models and strategic positioning to this environment will be best placed to transact successfully – whether as acquirers, partners or sellers.

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## Financial Advisory

Regardless of where you sit in a transaction, it’s important to effectively manage costs and maximise returns. Against a backdrop of an everchanging economic environment and the fastmoving pace and complexities of a transaction, this is often easier said than done. Our financial advisory team works with clients through all stages of a transaction or investment and presents solutions that add tangible value. We take a longterm view by identifying opportunities including investments that reflect your strategic ambitions, as well as potential drawbacks like corporate governance issues. You are at the core of what we do. That means we tailor our approach to your business, its goals and the focus areas in which you operate or plan to invest.

## Management Consulting

Our Management Consulting team supports retail leaders by applying proven retail and consumer supply chain resilience principles through an industry specific lens. This includes end-to-end diagnostics to identify structural vulnerabilities across planning, sourcing, processing and logistics; scenario-led analysis to quantify time to survive, time to recover and economic exposure; and prioritised roadmaps that balance continuity, optionality and return on investment. The focus is not on creating additional complexity but on strengthening decision making, visibility and operating discipline so supply chains remain resilient under sustained volatility and pressure.

## Industry expertise

Our Retail & Consumer Products industry team understands the opportunities and issues your business faces. We advise at all stages of the retail lifecycle – from production through to processing, packaging, distribution, export and beyond – and understand the pressures of running your business and the steps to reaching your strategic goals. We can help position your business to capitalise on the latest industry trends and innovations and provide expert advice on exports, international trade, mergers and acquisitions, supply chain management, financing, tax, audit, and more. By working with Grant Thornton, our clients gain access to global expertise and relationships throughout the world.

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