Carter Morse & Goodrich
Investment Bankers Since 1987

Consumer Sector Quarterly Update

Industry Insights & Market Data

RECENT CMG EVENTS

- CMG Opens Long Island Office, expanding to serve business owners across all CMG verticals on Long Island.
- CMG attended ABC Kids Expo in Las Vegas in May 2026
- CMG Celebrated its one-year Anniversary of opening its Providence RI Office

CONSUMER Q2 '26 HIGHLIGHTS

- Consumer Market Overview
- Consumer Products News
- Leadership Spotlight: Glen Miles
- Consumer M&A Transaction Highlights
- Public Markets and Subsector Performance
- U.S. Key Economic Indicators

Consumer Market Overview

In Q2 2026, consumer behavior and consumer feelings diverged sharply, actual spending stayed resilient even as confidence surveys kept flashing warning signs.

Spending Was Up Modestly

Real consumer spending rose 0.3% and nominal personal spending climbed 0.7% month-over-month in May, accelerating from a downwardly revised 0.4% gain in April and beating expectations. Retail trade sales were up 1.0% in May and 7.5% year-over-year, with online retailers up 12.2% from a year earlier.

Sentiment Remains Depressed

The Conference Board's Consumer Confidence Index rose 0.6 points to 91.2 in June, the lowest June reading in over a decade. The Present Situation Index fell 3.0 points to 116.4, while the Expectations Index rose 3.0 points to 74.4.

(Continued)

Peter Costa
PCosta@CarterMorse.com

(203) 203-0056

Consumer Market Overview

An Expectations Index reading of **80 or below** has historically signaled a recession within the next year, and it has been below 80 since February 2025. The share of consumers saying jobs are “hard to get” rose to 22.5%, a five-and-a-half-year high.

The “K-Shaped” Consumer Still Dominates

Higher-income households keep pulling further ahead, with tax-cut benefits skewed toward the top of the income distribution, while reduced SNAP and Medicaid funding weighs on lower-income households, where McKinsey’s Q2 ConsumerWise research finds intentions to cut back on discretionary spending most pronounced.

Debt Is Climbing

Total household debt rose 3.3% year-over-year in Q1 2026, below the long-term average of 4.3%, bringing balances to $18.8 trillion, while credit card balances rose 5.9% YoY, a level that could pressure some households if it continues.

The Bottom Line

Q2 2026 was a quarter where the data said “resilient” and the surveys said “worried”, a gap Deloitte, McKinsey, and Atlas all flagged. Some analysts see strength approaching a “midyear peak,” with tax-refund timing and promotions masking softer demand into late 2026.

Consumer Products News

Pet Products

Pet products carried Q1 resilience into Q2, though strength was increasingly offset by rising cost pressure and a widening “K economy” divide. Chewy posted net sales of $3.4 billion, up 7.7% YoY, with gross margin up 50 bps to 30.1%; guidance of $3.30–$3.33 billion (6–7% YoY) points to modest deceleration.

Cost pressure intensified: petflation hit 4.3% YoY in March, the steepest jump since 2023, with vet services still the cumulative inflation leader at 55.5% above 2019 levels, before May brought a rare 0.1% dip in total pet prices.

Premiumization kept building, frozen pet food is growing at a 12–18% CAGR vs. 3–5% for the broader market, while private label gained defensively, with Target and Walmart launching frozen cooked pet food lines.

M&A picked up: Chewy closed its $175 million SmartPak acquisition and agreed to buy vet platform Modern Animal for $400 million just after quarter-end. Bifurcation persisted, with discount channels gaining share as affluent owners supported fresh, functional, and health-monitoring categories.

Consumer Products News

Infant & Juvenile Products

The category's Q1 story, steady premium demand colliding with structural cost and demographic headwinds, sharpened in Q2, with tariff policy overtaking birth-rate decline as the dominant near-term pressure. The U.S. fertility rate fell to 53 births per 1,000 women in Q1 2026, meaning fewer than 900,000 babies were born nationally in the quarter.

Tariffs became the defining story of the quarter. The effective tariff rate on many Chinese goods settled near 30%, still the highest of any country, as Section 301, Section 232, and a 15% global tariff (imposed after the Supreme Court struck down IEEPA-based tariffs in February 2026) reshuffled the stack. With ~97% of strollers and 87% of car seats sold in the U.S. made in China, tariffs remain the biggest swing factor for gear pricing and availability heading into H2.

Price pass-through plateaued rather than spiking. The steep 2025 hikes (Babylist reported prices up 17% on average across 3,000+ products, with some strollers and car seats jumping 30–40%) have largely worked through the market, leaving a new, permanently higher price floor.

Q2 didn't bring resolution: fertility continues eroding the category's volume base, tariff policy remains unsettled into year-end, and premiumization offsetting unit declines carried through largely unchanged.

Sporting Goods

Sporting goods rode an unusual tailwind in Q2: the FIFA World Cup, hosted by the U.S., Mexico, and Canada, gave the category a demand catalyst strong enough to partly offset tariff and bifurcation pressures. Nike's performance sports sales, with soccer, running, training, rose ~5% for the three months ended May, while Adidas forecast roughly €500 million ($571 million) of World Cup product across H1. USMNT jersey demand ran high enough that Nike sold out of most adult sizes in both home and away kits.

The category's underlying softness didn't reverse: Consumer Edge data showed sporting goods spending down 9% year-over-year in the three months ended January 2026, as higher-income shoppers drove premium categories like skiing and golf while middle-income consumers pulled back.

Tariffs kept squeezing margins. Nike's footwear revenue grew 6% currency-neutral, but gross margin contracted 340–350 bps, primarily on higher tariffs; FDRA members' tariff bill roughly doubled from $3 billion in 2024 to $6.2 billion in 2025.

Retail consolidation kept gaining share: Dick's Sporting Goods posted a 62.7% YoY revenue surge, with its Foot Locker acquisition already contributing to growth. Expect the World Cup tailwind to fade after the July 19 final, leaving bifurcation and cost pressure as the dominant Q3 themes.

Consumer Products News

Apparel & Accessories

The category's defining story this quarter was fragmentation — brand-led winners pulled further ahead while mid-market players cut guidance, against the highest apparel tariffs in decades. The average tariff on U.S. apparel imports hit 35.1% in December 2025, up from 14.7% in January 2025, with modeling suggesting roughly 38% higher apparel and 40% higher shoe prices in the short run.

Earnings diverged sharply: Gap and American Eagle cut outlooks in late May, AEO fell as much as 19%, while Abercrombie & Fitch and Bath & Body Works beat expectations that same week, underscoring softer spending from lower-income shoppers even as higher-income consumers stayed selective.

American Eagle itself is a case study in the split: record quarterly revenue of $1.2 billion (+10% YoY) was driven entirely by Aerie (+34% to $481 million, comps +25%), while the core AE brand declined 2%. Gross margin still expanded 860 bps to 38.2%.

Companies are managing tariffs through pricing restraint and sourcing diversification, Victoria's Secret absorbed ~$100 million and Tapestry ~$160 million (230 bps of margin) while avoiding sharp price hikes. Expect bifurcation, not the tariff rate itself, to be the durable story through 2026.

Household Goods & Furnishings

In Q2 2026, the household goods category remained defined by a frozen housing market and tariff policy reshaping category economics. Home Depot and Lowe's both cited the mortgage lock-in effect in issuing conservative fiscal 2026 guidance, with existing home sales at multi-decade lows, though the 30-year rate's dip to 5.98% in late February offered an early recovery signal.

Both retailers leaned harder into the professional/contractor segment as the offset, reaffirming guidance and describing demand as stable rather than strong.

Furniture tariffs got a reprieve at an elevated baseline, increases to 50% (cabinets) and 30% (upholstery) were delayed until at least 2027, keeping rates at 25%. Appliances face a 50% steel-content tariff, with Whirlpool estimating retail prices could rise $50–70 as a result.

Consumer behavior shifted toward necessity: "broken/failure replacement" purchases rose to 36.6% of home-improvement spending (OpenBrand) while discretionary motivations softened, leaving the category's H2 fate tethered to mortgage rates rather than anything happening in stores.

Leadership Spotlight: Glen Miles – Fractional CFO, Summit CFO Services

We spoke with **Glen Miles, Fractional CFO with Summit CFO Services**, about partnering with owners to drive clarity, strategy, and accountability.

CMG: Describe your background and the unique offering of Summit CFO Services

GM: I grew up in a family business, so I understood owners before I understood finance. The finance came later: asset management and my CFA early on, then business school, middle market consulting, and M&A advisory.

Summit is really where those two worlds meet. We work with founders and families, sitting in the CFO seat on a fractional basis, and we're driving three things: clarity in the numbers, strategic direction on where the business is headed, and executive accountability to get there. We don't do one-off projects. We partner with owners for the long haul, and honestly the engagement usually ends one of two ways: they grow into a full-time CFO, or we help them through a sale. Both are wins.

CMG: How do you decide which KPIs actually matter, and how do you get buy-in from the team to track them?

GM: Here's my test: if this number moved tomorrow, would you do anything differently? If not, it's probably not a KPI. Most businesses only need five to seven. A couple should always be operational drivers, things like on-time delivery, units per labor hour, backlog. Those drive the financials rather than report them after the fact.

Buy-in is simpler than people think. Build the scorecard with the team instead of handing it to them and put one name on each number. People show up differently for a metric they own.

CMG: Describe a time when your financial modeling changed a major business decision

GM: We had a direct-to-consumer brand growing fast, and they wanted to pour more money into marketing. Before signing off, we built out the unit economics: for an order, what does it cost to win the customer, make the product, and get it to their door, and what's left over? The answer was almost nothing. The flagship product barely broke even on every sale, so growth was just scaling a problem.

So instead of spending more, ownership repriced, reworked packaging and bundles, and reduced internal fulfillment and shipping costs. Six months later, the same marketing dollar was worth three times as much. We always tell clients we don't have a crystal ball. But when a model shows where we want the business to be, it guides the decisions we need to make right now and surfaces the problems standing in the way.

CMG: How do you work with founders/CEOs who aren't financially sophisticated?

GM: Honestly, they're plenty sophisticated. They know their business better than any spreadsheet ever will. My job is translation.

That means leading with the decision, not the statement. Not "gross margin compressed 300 basis points" but "if we don't fix pricing on this line, you can't afford the hire you want to make this fall." Same numbers, but now the owner can act on them.

We also pride ourselves on getting to know the operation just as much as the financials. You can't connect a margin problem to a hiring decision unless you understand how the work gets done. And once the forecast proves reliable, owners stop managing from the bank balance. That changes everything.

CMG: What are the keys to ensuring that your clients are ready for an exit?

GM: For me, a successful exit starts with a compelling narrative about where the business goes from here, supported by proof. The story is what draws a buyer in. The proof is what they pay for.

And proof means clean financials, revenue that doesn't depend on one or two customers, a business that runs without the owner in the middle of everything, and a forecast built on drivers a buyer can test. All of that takes time, so we start early whether a sale is on the horizon or not. The good news? It's the same work that makes the business more profitable and easier to run today.

Select Consumer M&A Transactions

Date	Acquirer	Target	Target Description
Pet Products			
May-26	chewy	Modern Animal	Tech-enabled veterinary clinic platform ($125M+ run-rate revenue).
May-26	TSC Tractor Supply Co	vip·petcare	Largest US mobile veterinary care provider (~2,700 retail clinic locations).
May-26	THULE Sweden	curli	Swiss dog harness and gear brand (~$8.2M revenue).
Sporting Goods			
May-26	MasterCraft	Marine Products Corporation	Manufacturer of recreational and sport-fishing powerboats (Chaparral, Robalo).
May-26	Better Guards	NEXTILES	Materials science and wearable sports technology company.
Apparel & Accessories			
Jun-26	CHANEL	Charvet	Heritage Parisian luxury shirtmaker; family-business succession sale.
Jun-26	SanMar Color Image Apparel	BELLA+CANVAS	Premium LA-based blank apparel manufacturer for the printwear/decorated apparel market.
May-26	G-III | WHP Global	MARC JACOBS	American fashion label spanning handbags, eyewear, footwear, and fragrance.
Apr-26	Deer Stags	J.S.S.I. A Footwear Company	~100-year-old men's and boys' footwear brand.
Home Furnishings & Household Goods			
Mar-26	Bed Bath & Beyond	The Container Store	Storage and organization specialty retailer.
Mar-26	Bed Bath & Beyond	F9 Brands Inc.	Owner of Cabinets To Go, Lumber Liquidators, and Gracious Home, flooring, cabinetry, and home goods.
Feb-26	Bed Bath & Beyond	The Brand House Collective	Home décor and seasonal merchandise retailer.
Apr-26	Somnigroup	Leggett & Platt	Diversified manufacturer of bedding components, automotive seating, furniture components, and flooring underlayment.

Select Public Company Data

Pet Products, Infant & Juvenile, Sporting Goods, Diversified Apparel

	Market Information		*LTM Financials*		*Operating Metrics*		*TEV to LTM*	
Company	**$ / Share**	**TEV**	**Revenue**	**EBITDA**	**Growth**	**EBITDA%**	**Revenue**	**EBITDA**
Pet Care								
Central Garden & Pet Company	NA	3,255	$3,163	$362	1.4%	11.4%	1.0x	9.0x
Chewy, Inc.	19.65	8,048	$12,843	$399	6.1%	3.1%	0.6x	20.2x
Elanco Animal Health Incorporated	$24.61	$16,163	$4,893	$970	9.1%	19.8%	3.3x	16.7x
Freshpet, Inc.	$59.12	$3,018	$1,136	$186	8.9%	16.3%	2.7x	16.3x
Petco Health and Wellness Company, Inc.	$2.72	$3,395	$5,965	$327	-1.9%	5.5%	0.6x	10.4x
Zoetis Inc.	$71.86	$37,439	$9,531	$4,074	1.8%	42.7%	3.9x	9.2x
Mean	**$35.59**	**$11,886**	**$6,255**	**$1,053**	**4.2%**	**16.5%**	**2.0x**	**13.6x**
Median	**$24.61**	**$5,722**	**$5,429**	**$380**	**4.0%**	**13.9%**	**1.8x**	**13.3x**
Infant & Juvenile								
Carter's, Inc.	41.16	2,240	$2,950	$202	4.1%	6.8%	0.8x	11.1x
Crown Crafts, Inc.	2.84	54	$82	$3	-4.9%	3.6%	0.7x	18.3x
Hasbro, Inc.	$82.59	$14,230	$4,814	$1,270	13.3%	26.4%	3.0x	11.2x
JAKKS Pacific, Inc.	$23.28	$254	$564	$23	-17.6%	4.1%	0.4x	11.0x
Mattel, Inc.	$13.88	$5,843	$5,383	$711	0.9%	13.2%	1.1x	8.2x
Newell Brands Inc.	$6.14	$8,102	$7,187	$799	-2.8%	11.1%	1.1x	10.1x
Mean	**$28.32**	**$5,120**	**$3,497**	**$501**	**-1.2%**	**10.9%**	**1.2x**	**11.7x**
Median	**$18.58**	**$4,041**	**$3,882**	**$456**	**-1.0%**	**9.0%**	**0.9x**	**11.0x**
Sporting Goods								
adidas AG	204.96	42,129	$29,113	$2,847	1.2%	9.8%	1.4x	14.8x
DICK'S Sporting Goods, Inc.	226.81	27,091	$19,205	$2,217	41.2%	11.5%	1.4x	12.2x
lululemon athletica inc.	$114.18	$13,587	$11,204	$2,566	4.2%	22.9%	1.2x	5.3x
NIKE, Inc.	$41.05	$62,796	$46,398	$4,536	0.2%	9.8%	1.4x	13.8x
On Holding AG	$35.42	$11,127	$3,889	$583	13.8%	15.0%	2.9x	19.1x
Mean	**$124.48**	**$31,346**	**$21,962**	**$2,550**	**12.1%**	**13.8%**	**1.7x**	**13.0x**
Median	**$114.18**	**$27,091**	**$19,205**	**$2,566**	**4.2%**	**11.5%**	**1.4x**	**13.8x**
Diversfied Apparel								
a.k.a. Brands Holding Corp.	10.71	319	$604	$10	1.0%	1.6%	0.5x	32.1x
Abercrombie & Fitch Co.	90.01	4,686	$5,283	$826	5.1%	15.6%	0.9x	5.7x
American Eagle Outfitters, Inc.	17.20	4,653	$5,653	$644	7.2%	11.4%	0.8x	7.2x
Gildan Activewear Inc.	51.49	14,203	$4,074	$945	21.9%	23.2%	3.5x	15.0x
Kontoor Brands, Inc.	83.34	5,825	$3,343	$597	36.4%	17.9%	1.7x	9.8x
Levi Strauss & Co.	$24.83	$11,055	$6,614	$974	7.3%	14.7%	1.7x	11.4x
The Gap, Inc.	$18.68	$9,805	$15,400	$1,791	1.6%	11.6%	0.6x	5.5x
Urban Outfitters, Inc.	$70.86	$6,647	$6,317	$756	11.2%	12.0%	1.1x	8.8x
Mean	**$45.89**	**$7,149**	**$5,911**	**$818**	**11.5%**	**13.5%**	**1.4x**	**11.9x**
Median	**$38.16**	**$6,236**	**$5,468**	**$791**	**7.2%**	**13.3%**	**1.0x**	**9.3x**

All data as of 06/30/26, $ in millions, TEV - Total Enterprise Value; LTM - Last Twelve Months

Source: Capital IQ

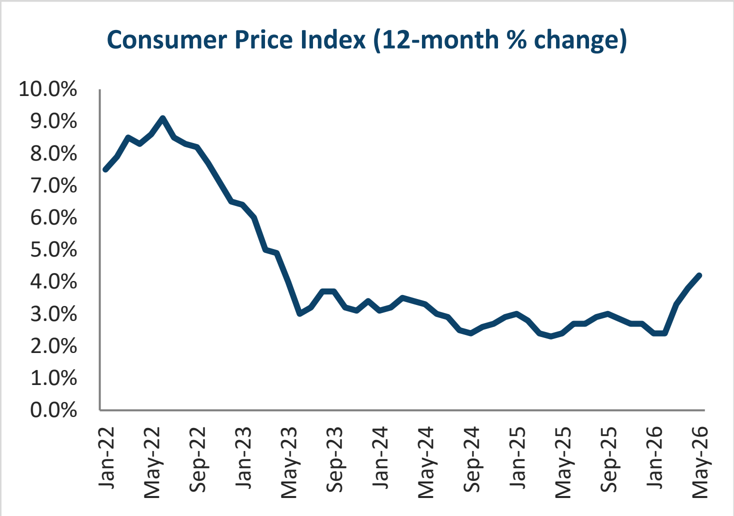
Select Public Company Data
Accessories, Home Furnishings and Household Goods

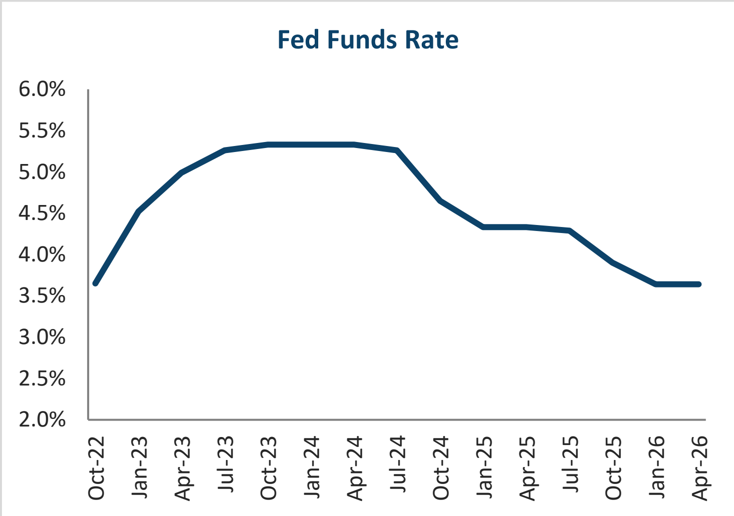
	Market Information		*LTM Financials*		*Operating Metrics*		*TEV to LTM*	
Company	**$ / Share**	**TEV**	**Revenue**	**EBITDA**	**Growth**	**EBITDA%**	**Revenue**	**EBITDA**
Accessories								
Burberry Group plc	$14.09	$6,186	$3,216	$361	-3.7%	11.2%	1.9x	17.1x
Capri Holdings Limited	$18.57	$3,428	$3,474	$199	-20.9%	5.7%	1.0x	17.2x
EssilorLuxottica Société anonyme	$187.42	$99,253	$33,452	$6,540	4.6%	19.6%	3.0x	15.2x
Movado Group, Inc.	$39.31	$482	$682	$46	4.8%	6.7%	0.7x	10.6x
Pandora A/S	$114.70	$10,552	$4,985	$1,306	-2.6%	26.2%	2.1x	8.1x
Tapestry, Inc.	$146.38	$32,430	$7,851	$1,970	12.0%	25.1%	4.1x	16.5x
The Swatch Group AG	$244.55	$11,318	$7,920	$649	-0.8%	8.2%	1.4x	17.4x
Vera Bradley, Inc.	$3.89	$163	$274	-$7	-9.5%	-2.6%	0.6x	nmf
Mean	**$96.11**	**$20,477**	**$7,732**	**$1,383**	**-2.0%**	**12.5%**	**1.9x**	**14.6x**
Median	**$77.01**	**$8,369**	**$4,229**	**$505**	**-1.7%**	**9.7%**	**1.7x**	**16.5x**
Home Furnishings								
Ethan Allen Interiors Inc.	22.34	583	$593	$61	-3.5%	10.3%	1.0x	9.5x
RH	164.73	7,079	$3,426	$490	4.8%	14.3%	2.1x	14.4x
Somnigroup International Inc.	$78.40	$22,922	$7,673	$1,269	28.0%	16.5%	3.0x	18.1x
The TJX Companies, Inc.	$151.50	$175,963	$61,584	$8,835	8.1%	14.3%	2.9x	19.9x
Williams-Sonoma, Inc.	$233.10	$28,289	$7,882	$1,650	1.3%	20.9%	3.6x	17.1x
Mean	**$130.01**	**$46,967**	**$16,232**	**$2,461**	**7.7%**	**15.3%**	**2.5x**	**15.8x**
Median	**$151.50**	**$22,922**	**$7,673**	**$1,269**	**4.8%**	**14.3%**	**2.9x**	**17.1x**
Household Goods								
Colgate-Palmolive Company	91.68	80,256	$20,795	$4,921	4.0%	23.7%	3.9x	16.3x
Kimberly-Clark Corporation	109.77	43,119	$16,556	$3,351	-16.0%	20.2%	2.6x	12.9x
The Procter & Gamble Company	$146.64	$367,171	$86,717	$25,042	2.9%	28.9%	4.2x	14.7x
Unilever PLC	$60.12	$158,640	$59,297	$12,738	-15.5%	21.5%	2.7x	12.5x
Mean	**$102.05**	**$162,297**	**$45,841**	**$11,513**	**-6.2%**	**23.6%**	**3.3x**	**14.1x**
Median	**$100.73**	**$119,448**	**$40,046**	**$8,830**	**-6.3%**	**22.6%**	**3.3x**	**13.8x**
Mean - All	**$77.18**	**$32,471**	**$12,904**	**$2,334**	**4.0%**	**14.6%**	**1.9x**	**13.4x**
Median - All	**$59.12**	**$10,179**	**$5,809**	**$812**	**3.4%**	**13.8%**	**1.4x**	**12.9x**

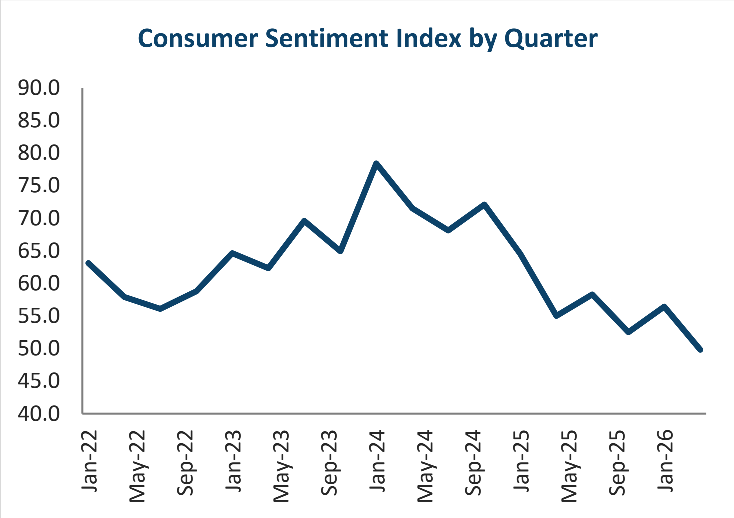
All data as of 06/30/26, $ in millions, TEV - Total Enterprise Value; LTM - Last Twelve Months

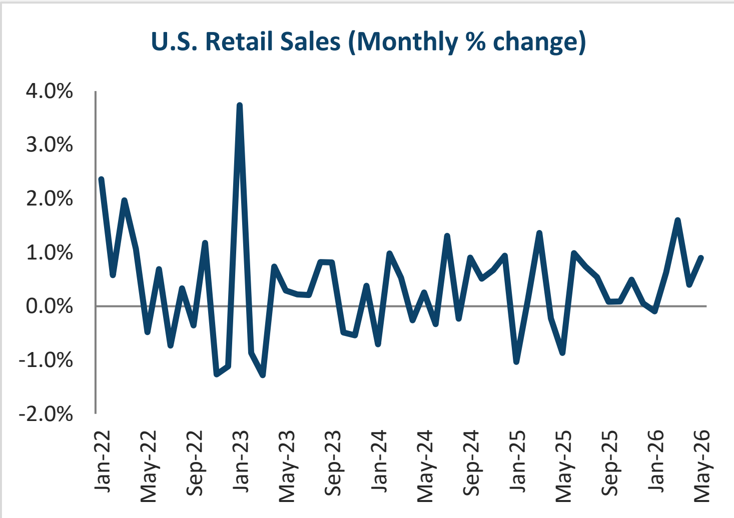
Source: Capital IQ

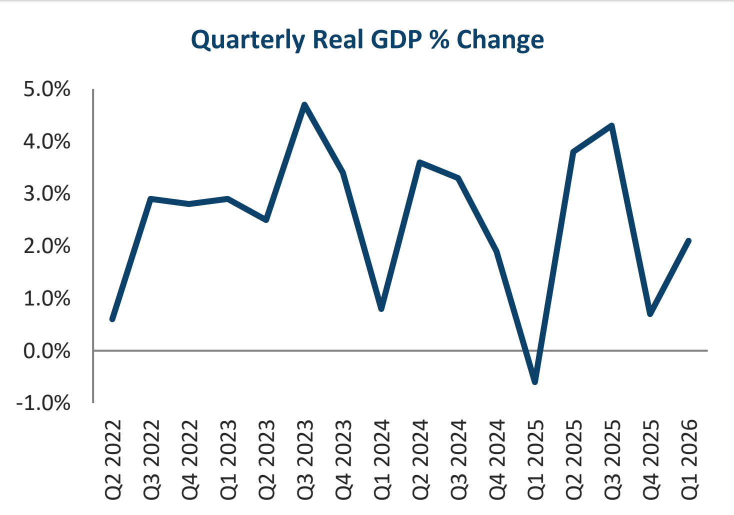
Key Economic Indicators

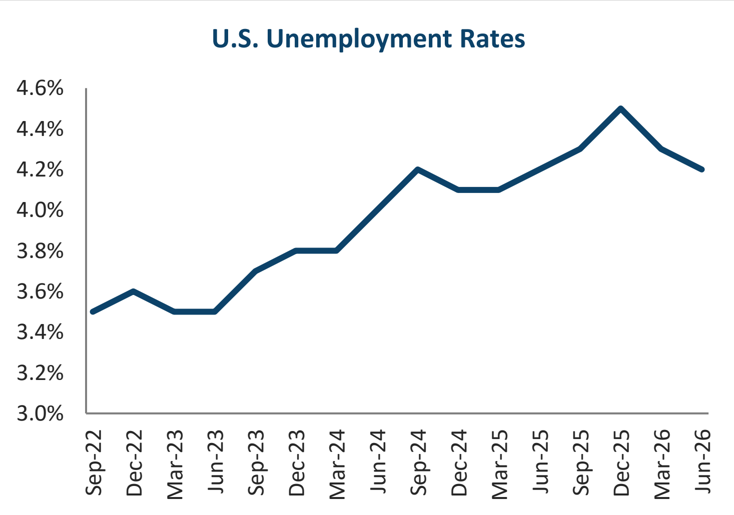












Sources: U.S. Bureau of Labor Statistics, Federal Reserve Economic Data, US Census Bureau and Trading Economics

Carter Morse & Goodrich
Investment Bankers — Since 1987

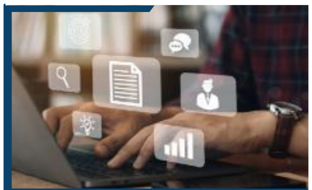
M&A Expertise For Founders & Families

Founded in 1987, Carter Morse & Goodrich is a boutique M&A advisory firm that specializes in representing founder-led and family-held businesses that are leaders in niche markets. We fully understand and appreciate the unique dynamics of these companies and the importance of owner legacies, which as enabled us to become a trusted advisor to hundreds of founders and families.

CMG Industry Groups

Manufacturing

- Aerospace & Defense
- Tools & Equipment
- Diversified Industrial
- Niche Manufacturing



Services

- Diversified Services
- Facilities & Residential
- Industrial Services
- Distribution & Logistics

HVAC

- Manufacturing
- Distribution
- HVAC Services
- Building Automation

Consumer

- Pet Products
- Infant & Juvenile Products
- Sporting Goods
- Apparel & Accessories
- Household Goods

Food & Beverage

- Food
- Alcoholic Beverages
- Non-Alcoholic Beverages

1987
Founded

$5 Billion
Aggregate Transaction Values

450+
Client Engagements

1 Objective
Successful Client Outcomes

Select Consumer Transactions

summer* — *has been acquired by* — kids2

Knockaround* — *has been acquired by* — KIDD & COMPANY

LENOX* — *has been acquired by* — ONEIDA, *a portfolio company of* CENTRE LANE PARTNERS

Hudson Valley Creamery* — *has been acquired by* — TRIBALLAT FROMAGES & DESSERTS

WITHit DESIGNED FOR YOU. BUILT FOR LIFE.* — *raised capital from* — E. GLUCK CORPORATION

**A CMG principal was the exclusive financial advisor to the client.*

Peter Costa
Managing Director
Head of Consumer Products
(203) 203-0056
pcosta@cartermorse.com

The Tide Mill Building
99 Harbor Road
Southport, CT 06890

Joseph Brown House
50 S. Main Street
Providence, RI 02903

The Franklin
1051 Franklin Avenue
Garden City, NY 11530