" THE ONLY CONSTANT IN LIFE IS CHANGE."
-HERACLITUS

"THE CERTAINTY OF UNCERTAINTY"
M&A MARKET FORCED TO PIVOT MID-YEAR

BLUE SKYS TO GRAY

November 4, 2025

On the heels of a sluggish 2024, M&A market participants struck a bullish tone coming into 2025. Their cautious optimism was backed by a reasonable set of assumptions and observations. The convincing election win by President Trump was viewed as a pro-business mandate by the American people. The new administration promoted an agenda that would liberate businesses by rolling back regulations, lowering anti-trust hurdles, promoting financial innovation and engaging in fiscal stimulus. Coupled with this was a Federal Reserve that was leaning more dovish, by design or otherwise. After the prior administration's aggressive anti-trust stance and the hawkish Federal Reserve, the incoming administration's policies changed the M&A markets' outlook. By early 2025 deal makers and their clients were ramping up for a busy year.

This optimism was well placed, as M&A got off to a great start. The health and wellness space witnessed a number of landmark transactions in the early days of this year. Celsius Holdings acquired Alani Nutrition for $1.8 billion. This deal was announced in February and closed in April, solidifying Celsius as a powerhouse in the energy category. In March PepsiCo purchased prebiotic soda brand Poppi for nearly $2 billion; a high-water mark transaction in gut-health. In the food space, Flowers Foods closed its acquisition of Simple Mills for $850 million improving its position in clean-label snacking and gluten-free products. This early and welcomed momentum would not last and, as we all know, it was hit with a powerful headwind in early-April.

UNCERTAINTY SPIKES

"Liberation Day" on April 2, 2025, was anything but for the M&A market. The breadth, scope and depth of the administrations' tariffs affected nearly every country in the world. It is difficult to identify any products that were not directly and/or indirectly impacted by the tariffs. Supply chains of all shapes and sizes were called into doubt. The immediate uncertainty from a financial perspective was determining what parties were going to absorb the costs and how much. Who was going to take the hit to gross margins and profit margins? The financial markets immediately had a negative reaction with steep drops in global equity prices and upheaval in bond markets.

"LIBERATION DAY" SEND M&A FOR A LOOP

DEALS STALE MID-YEAR

This had a chilling effect on the M&A markets. Financial models were called into question as management teams scrambled to assess the potential impact.

From a practical perspective M&A processes are heavily influenced by the target company's historical financial performance and to a greater extent its future prospects. The future performance is memorialized in a "Proforma" financial model that forecasts the next three to five years. This financial model is built on certain assumptions, most of which are based on the Company's current business. These assumptions include revenue growth rates, gross margin improvements, operating expenses and capital expenditure. Investors then assess their level of conviction in the management team's ability to achieve the forecast and how reasonable the assumptions are. This is a key driver in determining the valuation of the target business and the subsequent deal terms. In the best of times this is always a delicate dance between the management team working to build credibility and the investors ensuring they have thoroughly vetted assumptions, analyzed risks and are doing proper due diligence. The "Liberation Day" tariffs significantly changed these assumptions and risks

In response M&A deal teams had to make an immediate pivot to revisit the assumptions of the business case for the transaction from both the buyer and sellers' perspectives. In the health and wellness space often times buyers purchase companies with an eye toward improving the growth and profitability of the target business under the new owners' operating model and infrastructure. This can include new market opportunities, increased scale and better operating leverage. The tariffs impacted both buyer and seller. For many deals that were "in market" at the time, these deals came to a halt. For processes that were well underway this situation delayed closing and at worst killed deals.

QUICK TO ADAPT

While the tariff saga played out in near real time, businesses and M&A participants quickly adapted to this new reality. Over the course of weeks and months the rhetoric and tariff rates were dialed back from their initial shocking levels. As progress was made, companies were able to assess the impact and determine mitigation steps. For those in the health and wellness industry that were less reliant on exports from China, India and other high tariff countries, this situation was a net positive relative to direct competitors with more exposure. As this silver lining emerged and some clarity was given by the administration, deal activity began to return with one major change. Supply chain risk, country by country tariff exposure, and line-item mitigation steps became due diligence priority number one. This workstream was not a one and done, it was (and still is) a continuous live process to adapt to the ever-changing landscape and real time information flow. For deals with material exposure this process continued up and through closing.

A SILVER LINING FOR SOME

SUPPLY CHAIN BECOMES DILIGENCE PRIORITY #1

The pickup in deal activity over the last few months includes some major transactions, all of which overcame the organized chaos of the tariff situation, interest rate uncertainty and rising geopolitical risks. In July, Post Holdings purchased 8th Avenue Food for $880Million. Over in the UK, Zydus Wellness scooped up VMS e-commerce platform Comfort Click for ~$320M in late August. Keurig Dr Pepper made major headlines with its planned $18B acquisition and subsequent restructuring of Peet's coffee. On the surface this is an amazing deal given the potential impact of tariffs on coffee prices. In late October, a significant transaction in the VMS health care practitioner sector was completed. Designs for Health, a leader in the practitioner lead supplement space, announced a minority investment from the founder/family led focused investment firm BDT & MSD. And just announced is a take private transaction with Blackstone bidding for women's health and testing company Hologic. Proving that creative deal making and on-the-ball management teams can overcome significant obstacles.

Coil the Spring – *be prepared*

If COVID taught us anything it's that the world can change very quickly. Successful management teams, investors and deal makers have learned how to "work the problem" by finding solutions and creative ways to address challenges, get around hurdles and achieve objectives. While not every business can have outstanding profitability to fall back on, every business can have the information necessary to make sound business decisions. This includes outstanding financial and business reporting, stress tested margin analysis, concentration risk assessments across all key elements and plans to address any weaknesses and risk points. Often the largest obstacles in an M&A transaction is assessing the various business risks and properly handicapping them. In the absence of accurate and fit for purpose data, buyers and investors will assume the worst. Luckily in 2025, the M&A market was able to absorb the tariff shock driven by proven deal makers and industry leading companies with exceptional management teams.

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