



**BAIRD**

Global Investment  
Banking

# Household Products Sector Trends & Sentiment

**PE Survey Results**

Summer 2023

# Sponsor Key Insights and Trends

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## 1 HOUSEHOLD PRODUCT BUSINESSES OFFER INVESTORS ATTRACTIVE INVESTMENT CRITERIA

- Investors place emphasis on Household Products businesses with opportunity for M&A / consolidation, large addressable markets and consumable products
- Stable, more mature businesses and recession resilient business models are also valued characteristics

## 2 DIVERSE INTEREST ACROSS HOUSEHOLD PRODUCTS CATEGORIES

- Investors expressed high interest in the Pet Products (non-food) and Lawn & Garden sectors
- Retail Cleaning Solutions and Commercial Cleaning Solutions both were ranked highly as areas of interest
- Additionally, Outdoor Equipment, Craft & Hobby and Baby / Juvenile were attractive categories

*Vast majority of investors responded that they would consider an investment in Household Products at this time*

**81%**

of investors said 'Natural' or 'Clean' labeling of cleaning products (eco-friendly) is somewhat or very important to their investment decision

## Sponsor Key Insights and Trends (Cont.)

### 3 INVESTORS OPEN TO AMAZON CONCENTRATION AND VALUE BRANDS WITH DIRECT-TO-CONSUMER PRESENCE

**86%** | of respondents said they would entertain an investment in a Household Products business with 30%+ Amazon customer concentration

**75%** | of respondents said it is somewhat or very important for branded Household Products to have a direct-to-consumer presence

### 4 BROAD INTEREST FOR BRANDS, PRIVATE LABEL AND LICENSED PRODUCTS

**67%** | of respondents said brands are somewhat or very important to their investment thesis

**89%** | of respondents said they may or are very likely to look at a portfolio of Household Products that have a significant percentage of private label

**82%** | of respondents said they may or are very likely to look at a portfolio of Household Products that are largely licensed

# Sponsor Key Insights and Trends (Cont.)

## 5 INFLATION AND INVENTORY LEVELS STILL MAJOR CONCERN FOR INVESTORS

**85%** | of investors are still concerned about the impact of inflation on consumer demand in 2023 and beyond

**85%** | of investors responded that they are concerned about major retailers (e.g., Walmart, Target, Amazon) changing their ordering patterns and holding less inventory in 2023

## 6 AREAS OF INTEREST TO LEARN MORE FROM RESPONDENTS

- Chinese sourcing, re-shoring/nearshoring
- Movement to private labeling from WMT, TGT, AMZN and others
- Trends of POS data versus 2022
- Return to work and work-from-home trends

# Lender Key Insights and Trends

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- 1 Lenders indicated a greater interest in stable, recession resilient businesses than their peers in private equity**
- 2 Broad Household Product sector interest from lenders, with interest in Commercial Cleaning and Pet Product sectors ranking highest**
- 3 Lenders open to investments with significant portion of revenue derived from private label or licensed products**
- 4 Concern still exists among lenders around the impact of inflation on consumer demand and major retailers changing their ordering patterns and holding less inventory in 2023 and beyond**
- 5 Significant Amazon concentration not a major concern for lenders, however, most respondents consider having a DTC presence as somewhat or very important**
- 6 Nearly all lenders indicated that 'natural' or 'clean' labeling of cleaning products is somewhat or very important to their investment decision**

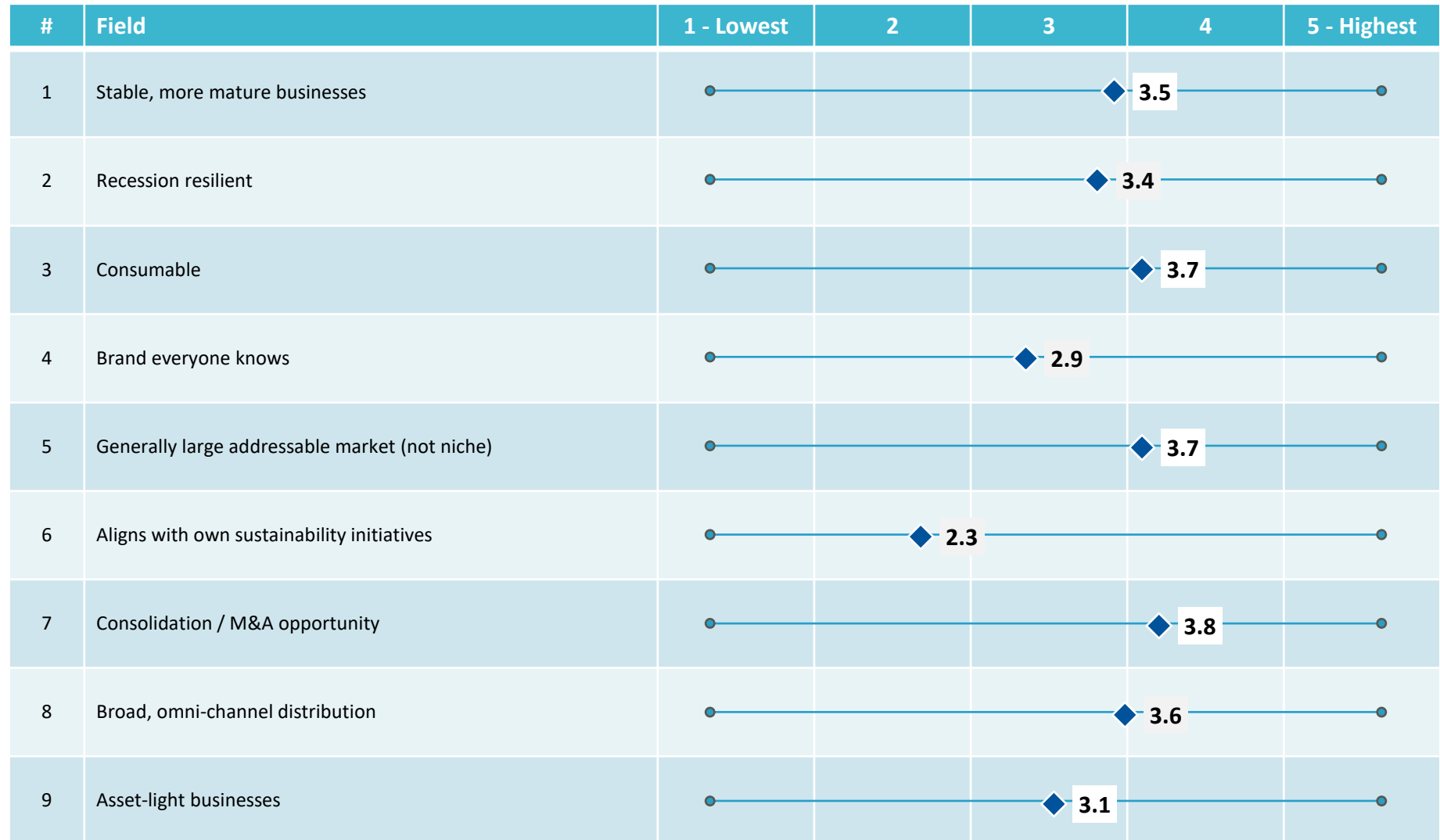
*Lenders open to Household Product investments across a broad range of business, channel and brand strategies*

# Survey Results



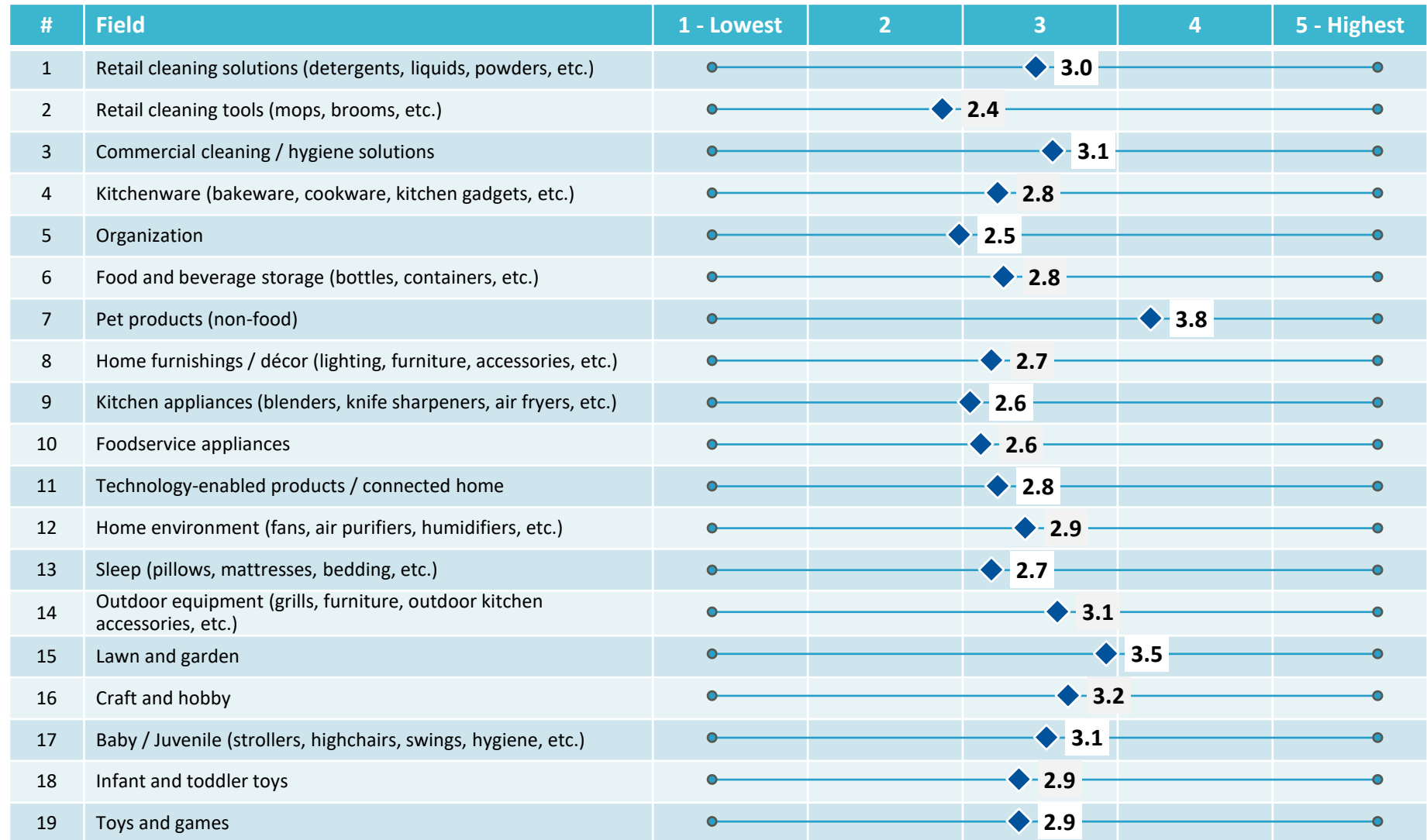
# What characteristics do you like most about Household Products businesses?

◆: Average response

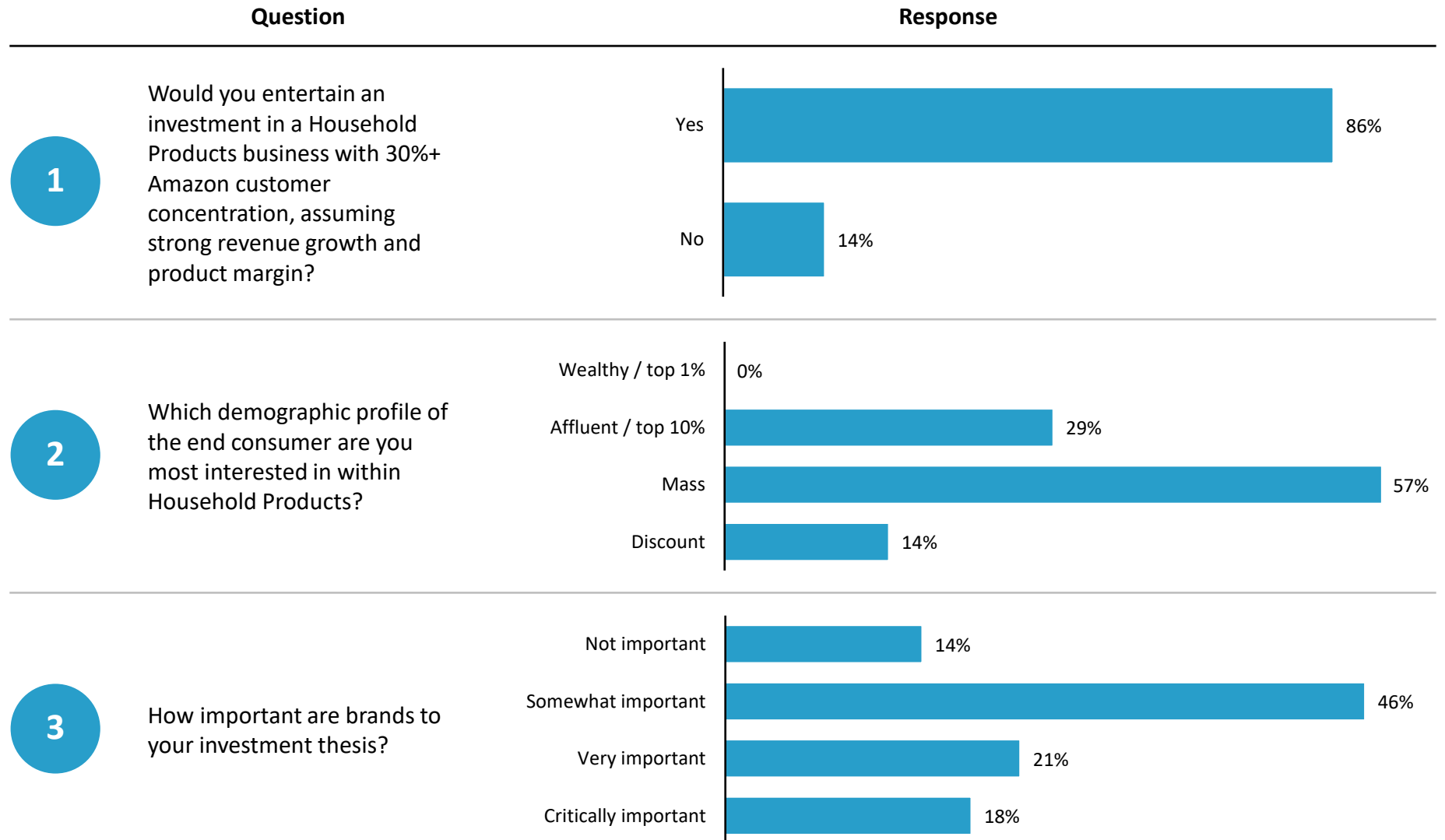


◆: Average response

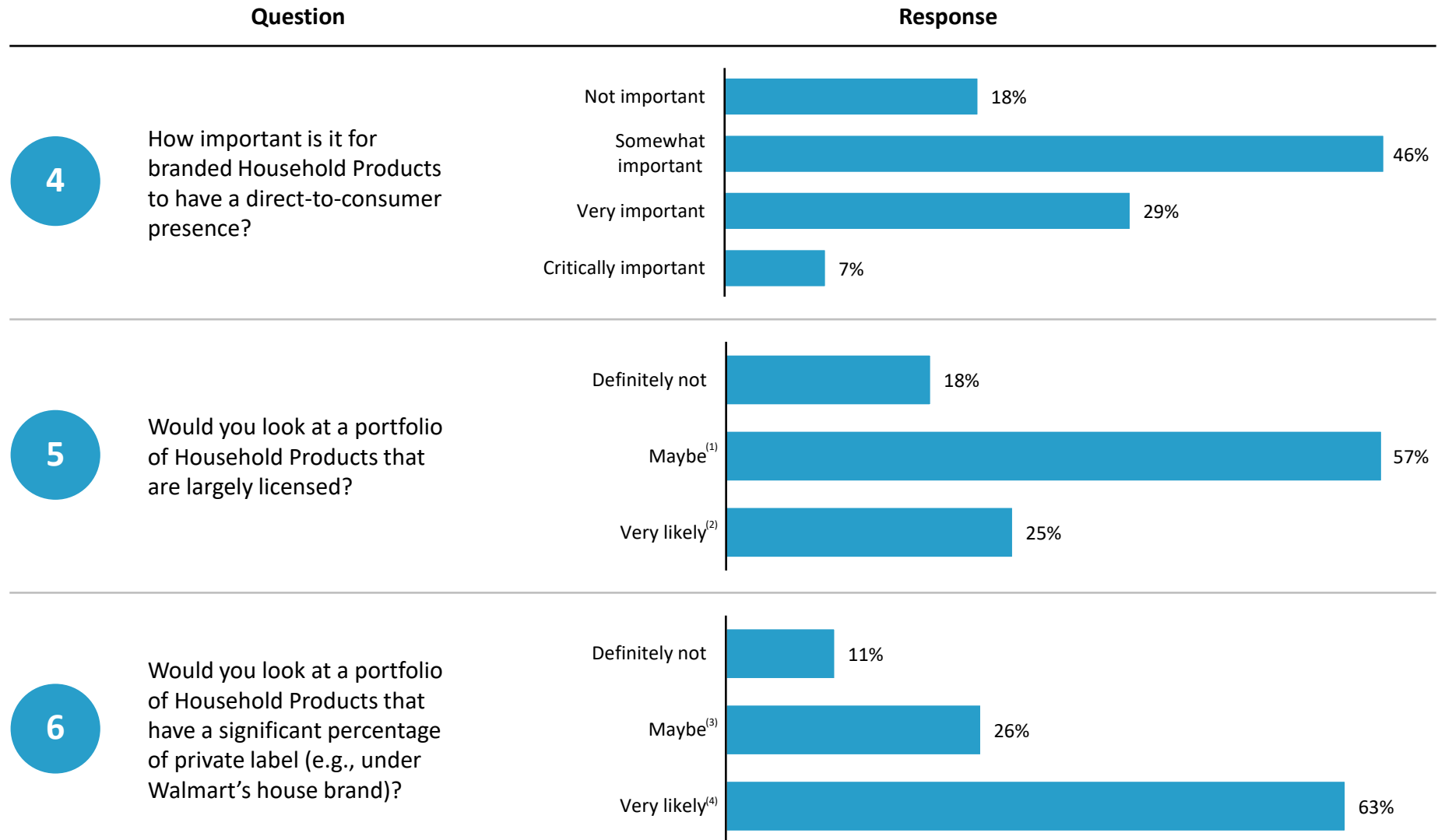
## What sectors within Household Products are most attractive to you?



## Survey Results (Cont.)



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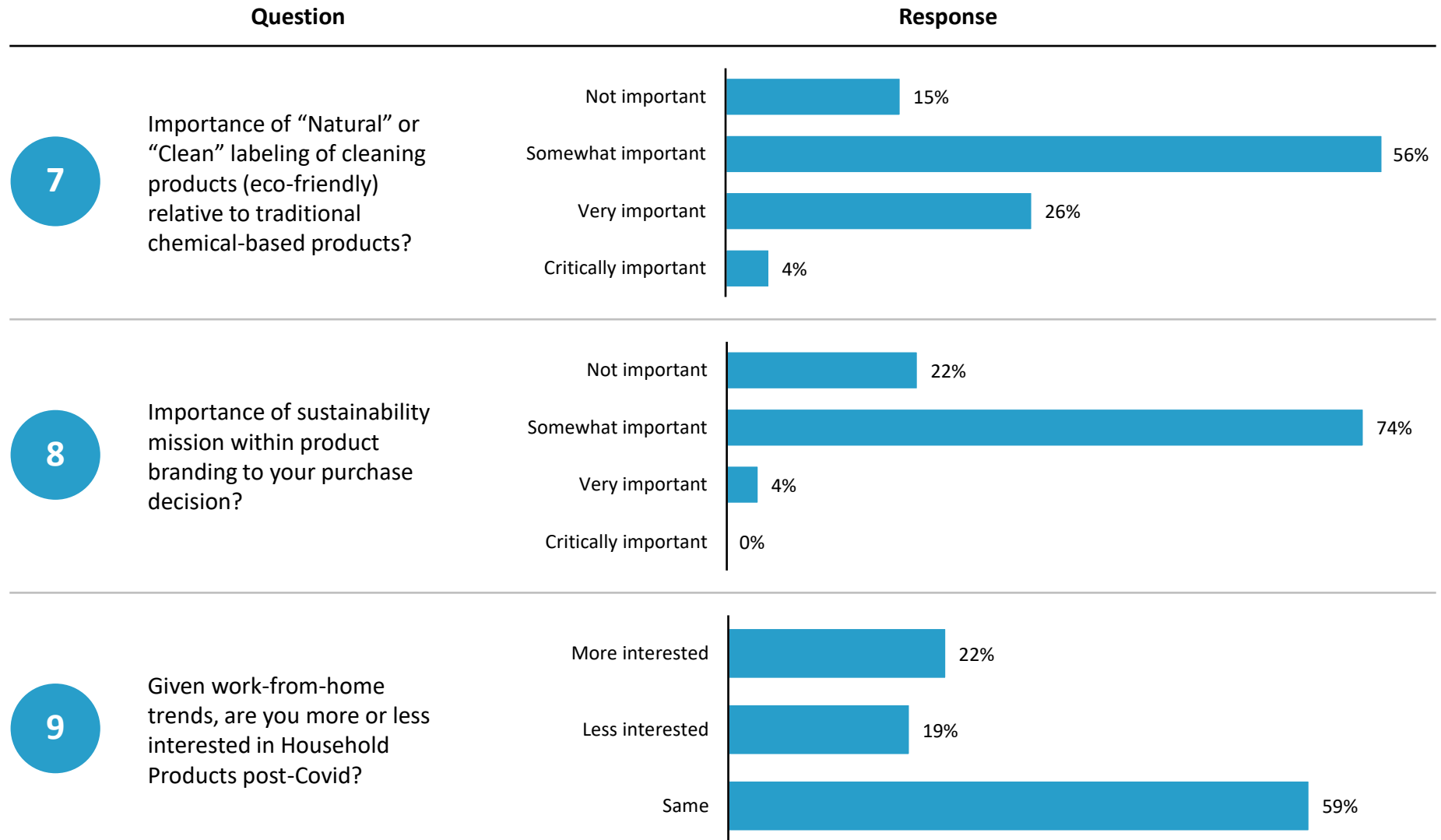
1) Maybe, but it depends if there were any relevant competitive brands in the category / distribution channels.

2) Very likely, as long as it partnered with well-known brands (and was relevant for the category).

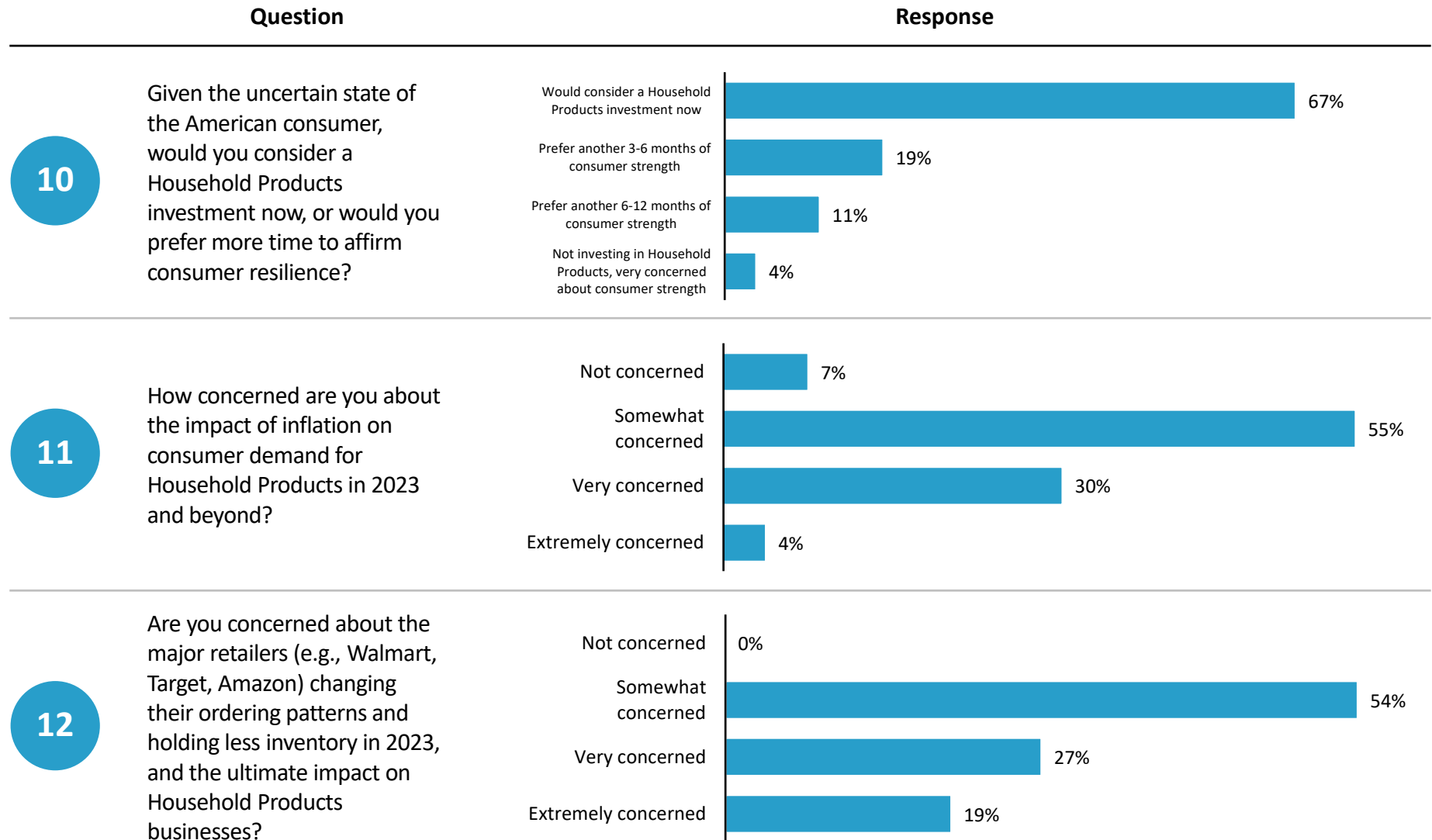
3) Maybe, as long as it was not the primary go-to-market strategy (and was more to gain greater shelf space / importance to retailer).

4) Very likely, as long as it was part of a more comprehensive strategy.

## Survey Results (Cont.)



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