



2022 eCommerce Spotlight Report



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CALI


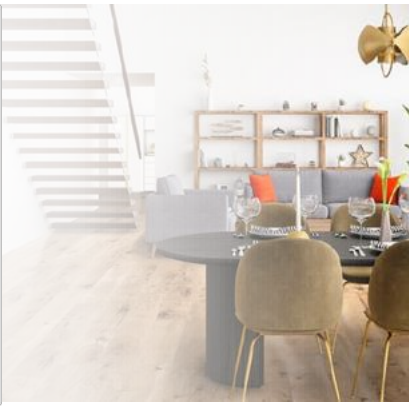
A PORTFOLIO COMPANY OF

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STEAMIST

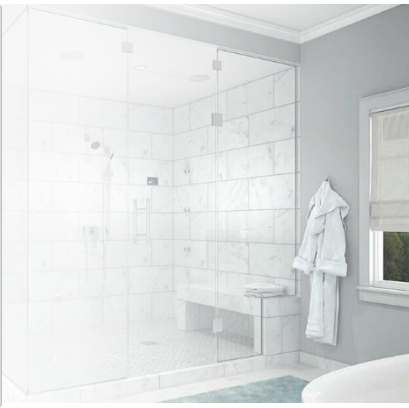
A PORTFOLIO COMPANY OF

R-A-F
INDUSTRIES
INC.

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eCommerce: Thrusting Retail into the Future

As Jeff Bezos goes, so goes eCommerce.

Maybe it is no coincidence then, that Bezos literally launched himself through the stratosphere and into space in the summer of 2021. As anybody following the digital consumer ecosystem will attest, trends in the evolution of consumer behavior, technology and business practices – which already favored eCommerce – have accelerated in dramatic fashion as a result of the global Pandemic.

Our recent experience confirms this trend. Per the age-old maxim, “luck is when preparation meets opportunity.” We’ve had a front row seat over the last two years, observing our digitally native, omnichannel and “digitally transforming” clients reap substantial rewards in the form of rapidly accelerating eCommerce revenue. In almost all cases, these companies had been investing methodically in their online capabilities in the years preceding the pandemic. We expect the operators that pulled ahead in the digital race to continue to gain ground in the years ahead – primarily at the expense of legacy players yet to execute substantively on their own digital strategies.

However...new momentum breeds new issues. Exhibit A: Apple’s gigantic shot across the bow via its 2021 iOS update. We’ll dig into that one in a bit – but the synopsis is that we believe this to be Apple’s first strike in a long war to stake a claim on some of Facebook’s and Google’s spectacularly profitable online advertising market share. Despite the fact that these uncertainties are likely to create some bumps along the road, we believe that they also enhance the opportunity for businesses that evolve and execute nimbly.

In this eCommerce Spotlight Report, we will cover the following topics as we analyze the implied opportunities and associated risks in the evolving retail sector – and how, as a result, entrepreneurs, operators, strategic acquirers, and investors can capitalize and capture value. Importantly, we will explore how the Pandemic has propelled eCommerce onto the fast-track – and identify the trends and technologies that are likely to continue to shape eCommerce (and commerce more broadly) over the next several years:

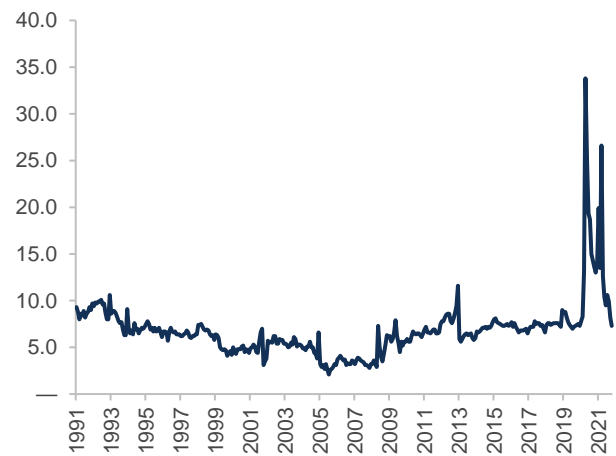
- 1. The Post-Pandemic Consumer**
- 2. What’s a COVID-Bump?**
- 3. State of Large Market eCommerce Today**
- 4. What We Learned from Black Friday / Cyber Monday**
- 5. Trends in DTC / eCommerce M&A and Investment Activity**
- 6. The Future of the Advertising Market (and its Impact on eCommerce)**
- 7. B2B (and “Direct-to-Pro”) eCommerce**



The Post-Pandemic Consumer

The pandemic upended many pre-existing consumer behaviors and accelerated others. As we all experienced, the onset of lockdowns induced mass panic as consumers hoarded essentials and hit the brakes on discretionary spending. As the Pandemic proved persistent, consumers reevaluated their spending habits and priorities. **Unprecedented fiscal stimulus, paired with fewer social gatherings and reduced travel/dining spend, resulted in a personal savings rate of over 30% - the highest since measurement began back in the 1960s.** According to the Federal Reserve Bank of New York, consumers accumulated nearly \$1.6 Trillion in excess liquidity they otherwise would not have been able to save pre-Pandemic. As vaccines became universally available and leisure travel has rebounded, **the savings rate has begun to normalize – however, consumers remain cautious – and do not appear interested in depleting their overflowing piggy banks any time soon.**

U.S. Personal Savings Rate



Source: St. Louis Fed; Personal Savings Rate Data

Rise of the Digital Boomer

More than ever, consumers flocked to digital media and communication platforms to engage with friends and family. **While it was no surprise that digitally native Gen Z and Millennials were highly active on digital platforms, the less intuitive consumer shift happened within the Boomer (and to a lesser extent, older Gen X) cohorts.** These consumers did not grow up with the Internet but were forced to adopt technology during the Pandemic.



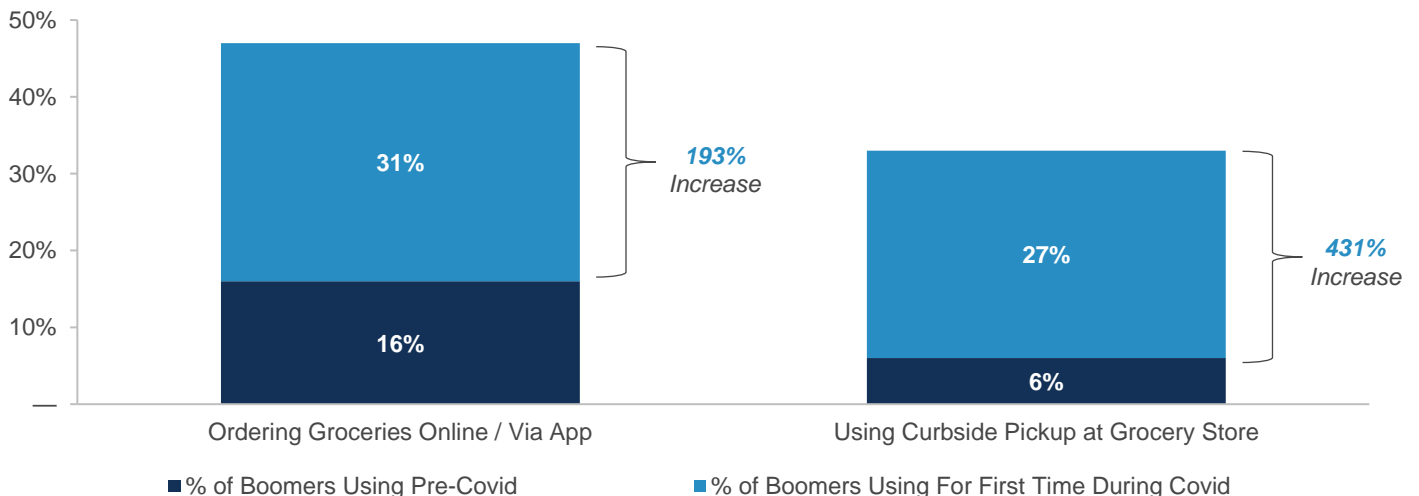
88%

Of Boomers say they will continue to use digital technology to make life easier post-pandemic

A Mobyquity report on the rise of digital adoption among Boomers evidences a step change in technology usage for grocery delivery and curbside service (illustrated below) – **which we believe is indicative of other online habits as well.** This new display of technological savvy presents an unexpected opportunity for businesses to reach these older consumers through digital channels. **Having captured these cohorts for the first time, it is now incumbent on brands and marketers to retain them.**

Source: Mobyquity Survey: "Boomers Increasingly Adopted Tech During Pandemic"

Baby Boomer Adoption of Digital Technology



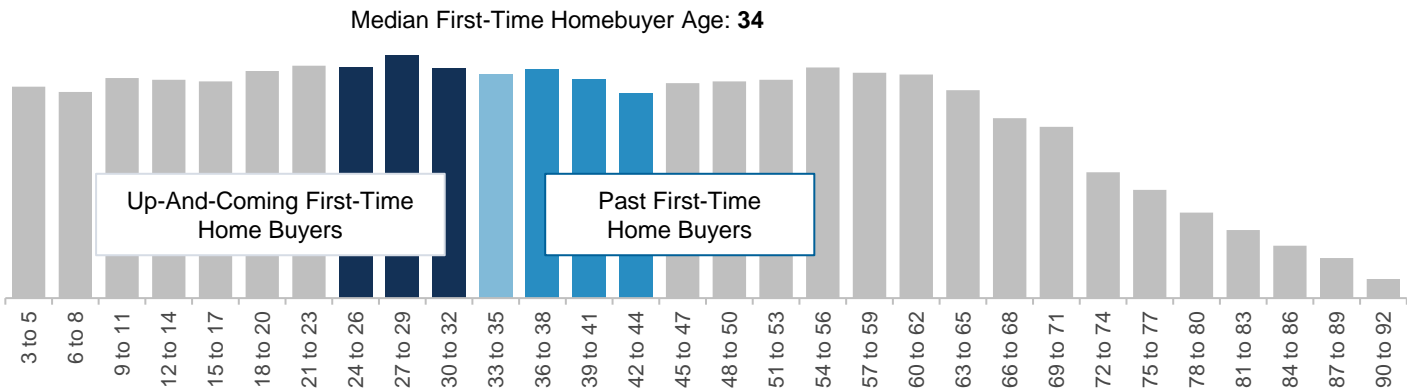
Source: Mobyquity Survey: "Boomers Increasingly Adopted Tech During Pandemic"



The At-Home Economy

With more time at home, record low interest rates and rising home prices, a growing number of consumers are migrating from urban centers to suburban areas (with Sunbelt states a key beneficiary of this trend). Widespread adoption of remote work introduced greater flexibility to choose home location and a heightened preference for homes with larger footprints and remote workspace. **Demand for entry level housing has never been higher, driven by a collision of millennial household formation and boomers trading down for retirement.**

Millennial Housing Trends: Entering Peak Home Buying Years



Source: U.S. Census Bureau; Population Demographic Data

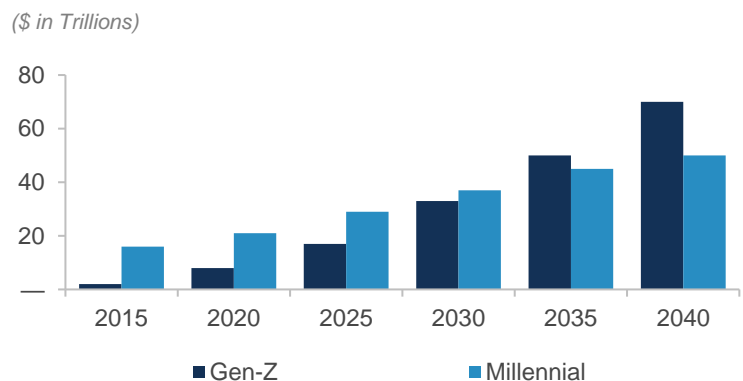
As the largest generational cohort of the US economy, we believe Millennial driven “mega-trends” will continue to shape the housing market (and, as such, will be a critical driver for sales – and digital transformation – in the décor and renovation markets) over the next decade. Millennials comprised the largest share of homebuyers in 2020; and with home ownership levels of only 43%, compared to 67% and 77% for Gen X and Boomers, there is plenty of running room for Millennial home purchasing activity. **Growth in home ownership among digitally native generations is fueling substantial and growing eCommerce demand for indoor and outdoor home décor and furnishings, renovation-oriented products, lawn and garden care and more.**

Growing Power of Digitally Native Generations

As the Pandemic has been influencing consumer behavior, several other independent dynamics are also impacting the consumer sector, including macro demographic trends and heightened consumer focus on ESG (Environmental, Social and Governance). These further contribute to some of the Millennial-driven “mega-trends” discussed above, as the Millennial cohort enters its peak consumption years and Gen Z begins to flex its own economic muscle. **An interesting outgrowth of this is the “B Corp.” – a certification held by over 4,000 businesses (including companies like Allbirds and Bombas) – affirming a commitment to consider the impact of their decisions on workers, customers, suppliers, community and the environment. The B Corp designation is often highly influential to customers as they direct their own purchasing. According to McKinsey, the digitally native Millennial and Gen Z cohorts wield over \$350 billion in combined spending power in**

the US alone, and Gen Z represents approximately 40% of global consumers ⁽¹⁾. **Euromonitor estimates that Gen Z income will eclipse Millennial income by the early 2030s**, increasing 140% over the next five years ⁽²⁾. While we often joke about our collective need to understand TikTok, the ability to effectively communicate with and market to Gen Z will be an important differentiator for DTC brands in the coming years.

Generational Income



Source: St. Louis Fed; Generational and Age Household Wealth Trends



57%

% Of Gen-Z Consumers Report Wanting Environmentally Sustainable Products

Source: A.T. Kearney; Future Consumer Report

(1) McKinsey; McKinsey on Consumer and Retail; (2) Euromonitor; Generation Z: The Next Wave of Consumers



What's a COVID Bump?

As the US economy continues to battle variants of COVID, consumer behavior and spending patterns continue to evolve and adjust. One common element across nearly every sell-side process we've run over the last 18 months; we and our clients have spent enormous time analyzing and answering questions regarding sustainable revenue and margin trends (i.e. is there a COVID bump?).

In our collective experience, the realities around the COVID bump are highly nuanced – much more so than the standard “people were home, they spent more on comfort items, renovation, hobbies” response. Broadly speaking, many of our clients' COVID bump experiences fell into one or more of the following buckets.

Companies taking market share – As online activity spiked in mid-2020, consumers were introduced and reintroduced to new DTC brands and services. While not all these new customers were retained, many were – representing a permanent shift of market share from an offline brand to an online alternative. Further, based on the substantial “spike” influx of online eyeballs, eCommerce brands well equipped to service these new customers (via tech backbone, inventory availability, customer service staffing, etc.) gained substantial ground from both their offline peers and less sophisticated online competitors.



Companies developing LTV – Lifetime value-driven DTC businesses are unique animals. These businesses build value over time by developing robust cohorts of repeat customers. We articulate this as “stacking layers of sediment.” For instance, if a business generally converts 50% of new customer acquisitions to recurring relationships – a one time influx of new customer acquisitions (i.e. 2020) will pay long term dividends as the lifetime value of returning customers continues to accumulate. We observed a number of LTV driven businesses taking advantage of this dynamic – investing heavily in acquiring future market share – further compounded by lower customer acquisition costs driven by temporarily depressed online advertising rates in 2020.



“ We're confident we benefited from higher overall participation [in 2021] as one-third of all consumers said they increased participation this spring. ”

Jim Hagedorn
CEO, Scotts Miracle Gro

Sustained behavioral shifts – In certain hobby, enthusiast and home-oriented categories – consumer behavior is undergoing what we believe is a sustained shift, at least partially driven by increased work-from-home dynamics creating “found time” for what had been a generation of commuters. For instance, an August 2020 Lawn and Garden Survey showed that nearly 90% of consumers who participated in gardening in 2020 acknowledged plans to maintain or increase their gardening activity in 2021 and beyond ⁽¹⁾. Likewise, the DTC auto aftermarket continues to be hot – illustrated by recent investments in Rough Country (TSG), Enthusiast Auto Holdings and Z1 Motorsports (Cortec Group) and T-Sportsline (Kian Capital). Similarly, we are firm believers that the Millennial Mega Trends, in combination with shortages in the housing market, will continue to drive long term tailwinds in any categories related to décor and renovation.

COVID impacted customer acquisition cost – While 2020 saw a temporary decline in advertising costs, this reversed in 2021. According to Revealbot, the CPM (cost-per-thousand-impressions) to advertise on Facebook and Instagram, respectively, between March 2021-August 2021 grew by 17.9% and 16.5%, in comparison to the prior year period ⁽²⁾. In essence, all but the most efficient advertisers were forced to grapple with increased marketing costs as big advertisers found their way back into the market after pulling back in the uncertainty of the Pandemic. This was further compounded by “measurement noise” driven by Apple's release of iOS 14.5 and its impact on advertisers' ability to track, measure and attribute activity driven by Facebook across platforms.

COVID impacted promotional cadence – While most of the COVID bump conversation has centered around sustainability of revenue, certain dynamics during 2020 and into 2021 impacted company margins. For instance, the influx of eyeballs in mid 2020 enabled some DTC businesses to offer fewer discounts or promotions than they may have in a typical year (in a circle of life story, many brick-and-mortar retailers are now experiencing similar dynamics). While some businesses will be able to maintain a less frequent promotional cadence, as a result of enhanced market share and brand awareness, others will inevitably return to historical norms.

(1) Garden Research August 2020 Garden Survey; (2) Revealbot Instagram Advertising Costs by CPM

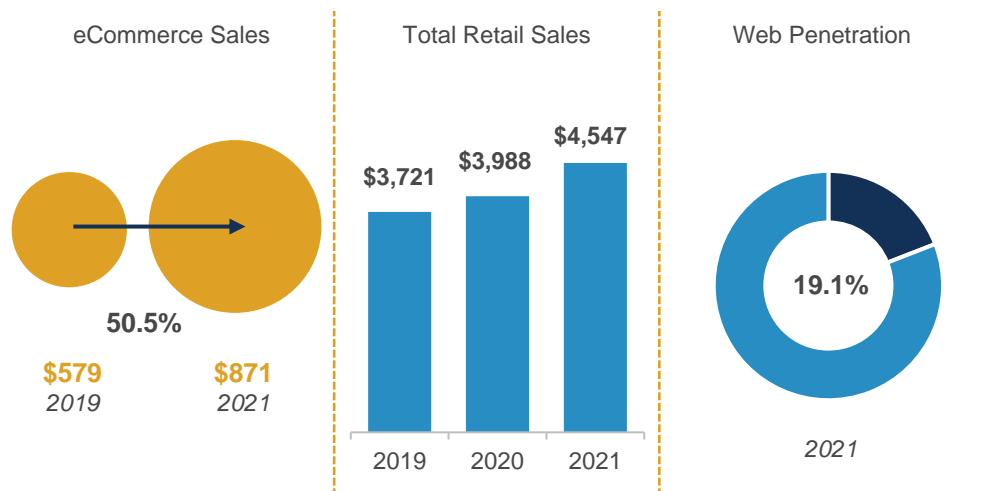


State of Large Market eCommerce Today

Pre-Covid, there was no denying the structural shift toward eCommerce. Online retail sales had been growing at a rate more than triple that of overall retail sales. In 2020, eCommerce penetration, excluding gas and auto sales, jumped to 20% compared to 15.2% the prior year⁽¹⁾.

The Pandemic has accelerated underlying trends in eCommerce adoption. A recent PwC consumer insights survey⁽²⁾ noted that 68% of consumers said COVID-19 was elevating their digital purchasing expectations.

U.S. Retail Landscape (\$ in Billions)



Source: DigitalCommerce360: Online Sales

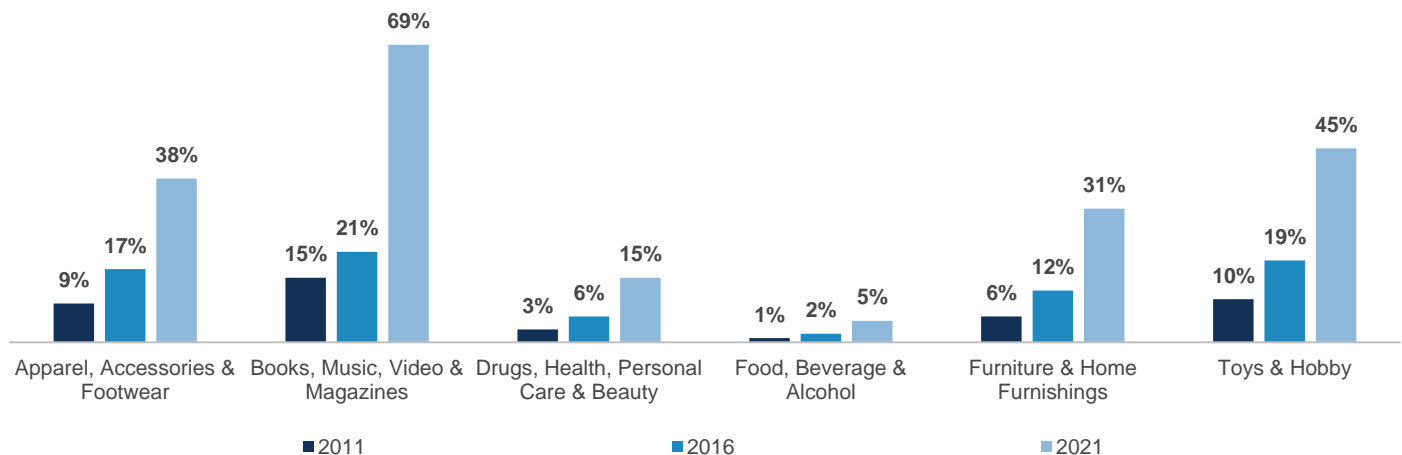
“ Our eCommerce and omnichannel penetration continue to rise, accelerating trends by two to three years in some cases. We’re convinced that most of the behavior change will persist beyond the pandemic and that our combination of strong stores and emerging digital capabilities will be a winning formula. ”

Doug McMillon
CEO, Walmart

eCommerce Penetration is Not One-Size-Fits-All!

While overall online sales have grown rapidly since 2011 across market segments, absolute eCommerce penetration still varies widely. Penetration in segments subject to meaningful regulatory and delivery/logistics constraints (e.g. food, beverage & alcohol) remains relatively low. On the other end of the spectrum, nearly 70% of music and video content is purchased online. Both Apparel and Furnishings – two categories that fall somewhere in the middle – have grown from <10% penetration to >30% penetration since 2011. As a result, it’s no surprise that these segments have attracted substantial investment and M&A activity, particularly as penetration accelerated during the Pandemic.

U.S. Retail eCommerce Sales by Product Category: % of Total Retail Sales



Source: eMarketer: US eCommerce by Category 2021

(1) eMarketer: US eCommerce by Category 2020; (2) PwC Consumer Insights Pulse Survey



Not an Amazon-Takes-All Game

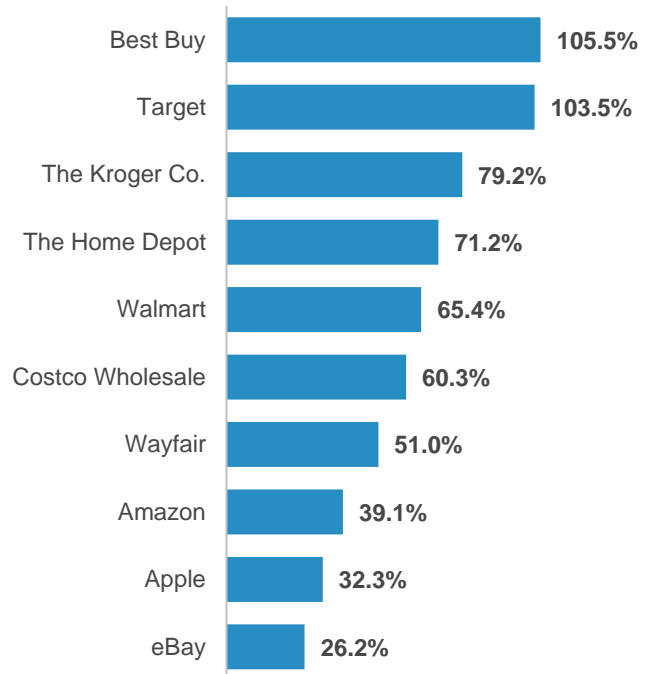
Amazon has been a dominant force in eCommerce for the better part of two decades and has accounted for the largest share of eCommerce growth each year. **That trend continued in 2020 and 2021, with Amazon generating nearly a third of US eCommerce sales.** Amazon’s still formidable overall share is seeing steady encroachment. In 2021, Amazon’s share of growth was down notably at 41% vs. 47% in 2019 ⁽¹⁾. As the pandemic forced consumers to adopt online shopping alternatives, retailers that have most aggressively invested in digital capabilities gained ground. **Walmart** surpassed **Apple** and **eBay** to become #2 in eCommerce sales. And, while many criticize Walmart’s 2016 acquisition of **Jet.com** and subsequent discontinuation of the site in 2020 (followed by Mark Lore’s exit), **the infusion of Jet.com’s DNA unquestionably accelerated Walmart’s eCommerce capabilities substantially.**

U.S. Web Sales Leaders

Retailer	% Of eCommerce Sales		
	2019	2020	YTD Oct 2021
Amazon	47.0%	39.1%	41.4%
Walmart	4.6%	5.8%	6.6%
eBay	6.1%	4.9%	4.2%
Apple	3.8%	3.5%	4.0%
The Home Depot	1.7%	2.1%	2.2%
Target	-	1.7%	2.0%
Best Buy	1.3%	2.0%	1.8%
Costco	1.3%	1.4%	1.6%
Kroger	-	1.4%	1.4%
Wayfair	1.3%	1.5%	1.3%

Source: Statista: Market Share of Leading Retail eCommerce Companies

Top-10 U.S. Companies by 2020 Retail eCommerce Sales Growth



Source: eMarketer Annual 3Q Forecast

Target, which we view as a leading omnichannel innovator, generated an astounding 103.5% growth in eCommerce sales in 2020, breaking into the top 10 eCommerce revenue list for the first time. As **Brian Cornell**, Target’s CEO, said on a recent earnings call, “The team’s ability to react in 2020 was years in the making.”

The retail giant, with nearly 2,000 stores throughout the US, began a rapid acceleration of its digital investments five years ago. Target was **aggressive about merchandizing digitally native brands in its stores** and prioritized omnichannel investments, such as click and collect, delivery and smaller store formats.

Ultimately, the company hit its previously stated **2025** goal of \$10 billion in digital sales **in 2020**, partially driven by 235% year-over-year growth in the company’s same day pick up and delivery sales.

Although Amazon remains a formidable eCommerce competitor, 2020 and 2021 further evidence that eCommerce is far from a winner-takes-all market.

“ **The team’s ability to react in 2020 was years in the making** ”

*Brian Cornell
CEO, Target*

(1) eMarketer: Amazon Will Corner the US Retail eCommerce Market



What We Learned from Black Friday / Cyber Monday (“BFCM”)

As previously discussed, the last two years were strange ones for many eCommerce businesses. Due to rapid, material shifts in demand and supply throughout the early stages of the Pandemic, companies couldn’t easily “comp” their 2020 **or** 2021 sales on a seasonal basis against prior years. As a result, it was only following the 2021 holiday shopping season that many businesses began to gain a clearer sense of normalized demand trends relative to pre-Pandemic levels.

Deciphering a Surface Level Downturn in Online Sales

According to the Wall Street Journal, online retail sales for the 2021 Thanksgiving holiday weekend failed to surpass the prior year sales for the first time in memory – despite overall retail sales (including offline) rising 14% in comparison to 2020 and 5.8% compared to 2019. This has been attributed to a combination of both fewer discounts, less in-stock inventory and higher offline sales than the prior year. Consumers impacted by 18 months of cabin fever were excited to return to stores (mall foot traffic grew 83%), and overall online sales remained relatively flat.

Who and What Bucked the Trend?

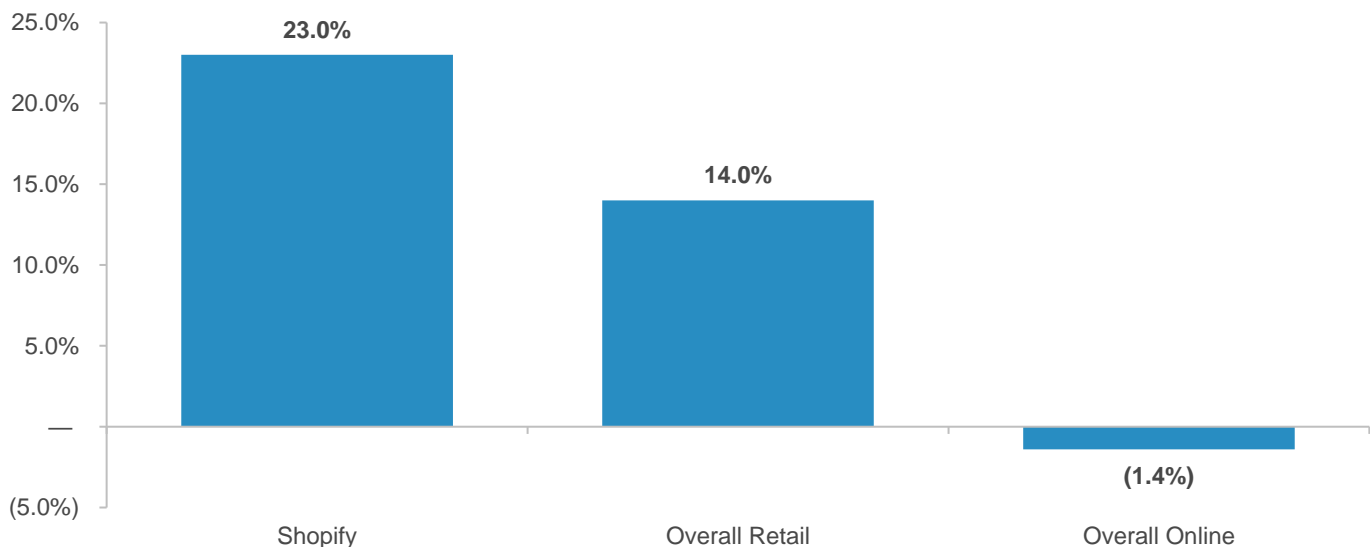
While these headline numbers may have caused heartburn – the reality is more nuanced. **First, the Shopify ecosystem materially bucked the overall trend** – with businesses supported by Shopify generating \$6.3 billion throughout BFCM globally, representing 23% growth over the prior year. Our anecdotal observations confirm this. Ultimately, we believe that companies with the right combination of brand recognition and inventory (a tall task given ubiquitous supply chain challenges) performed well – driving growth above 2020 high-water marks. Consumers filled “online inventory gaps” by shopping in stores – where they were guaranteed to leave with **something** to put under the tree.

“ From in-store retailers, to online, and even viral TikTok must-haves, Black Friday sales show that independent businesses are having a massive impact on global commerce. Consumer support of independent brands is at an all-time high. ”

*Harley Finkelstein
CEO, Shopify*

As supply chains normalize, we believe that the macro trends discussed herein will result in a return to growth for online retail, overall. Further, we believe that businesses which managed to stock up on inventory in 2021 are differentiating themselves in the marketplace and will continue gaining share.

2021 BFCM Sales Growth Compared to Prior Year



Source: Shopify: Black Friday Cyber Monday 2021: Data on \$6.3 Billion in Sales

Source: The Wall Street Journal Cyber Monday Sales Flat; Shopify: Black Friday Cyber Monday 2021: Data on \$6.3 Billion in Sales



Trends in DTC / eCommerce M&A and Investment Activity

Less than a decade ago, with relatively few exceptions, venture capital was the primary source of funding for DTC and eCommerce-driven businesses. This created a gap in the market for businesses seeking shareholder liquidity (rather than simply growth funding). It has been interesting to observe as a variety of investor genres seek to fill this gap – ranging from traditional private equity with newly developed eCommerce-specific capabilities, to strategic buyers, and specifically formed “aggregators”.

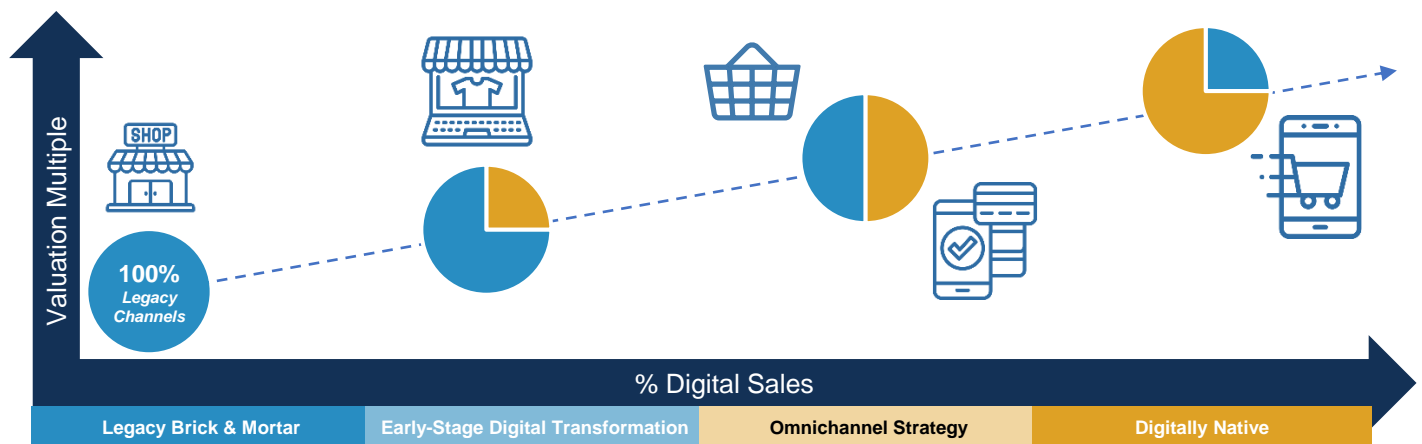
Private Equity Joins the Party

As the eCommerce category has begun to mature, many traditional private equity groups have invested the resources to develop in-house benches of experienced eCommerce professionals – ranging from **data scientists and marketing experts to professionals with sourcing and eCommerce logistics expertise**. This expertise provides firms the ability to develop conviction in their ability to impact the trajectory of investments in what are frequently digitally native businesses. **We believe that the proliferation of firms with true expertise in these functions is resulting in more competition among investors, and thereby helping to drive increasing valuations in the category.**

The Importance of Navigating Digital Transformation

It is increasingly important that even investors without a dedicated eCommerce focus understand how to operate in the category. **Beyond digitally native businesses, there are a growing number of consumer, building products and B2B businesses that find themselves (or their industries) in the midst of digital transformation.** For those owned by founders or private equity – and currently selling primarily through legacy channels and with intent to exit in the foreseeable future (i.e. many) – **it is critical to invest in an actionable eCommerce strategy.**

For some, that may mean beginning to generate some percentage of sales via third party marketplaces (e.g. Amazon, Wayfair or Ferguson.com), investing in development of their own “direct-to” sites (targeting consumers and/or trade professionals) or developing some form of online-driven lead generation. **For these businesses to exit at attractive valuations in the coming years, it will be important to tell a credible and actionable story to the market around the evolution of this transformation.** For those who are able to move beyond “proof of concept” on this front, the opportunity for multiple expansion (and thereby value creation) is enormous. Along these lines, we believe private equity firms that develop a proven playbook for accelerating digital transformation have the opportunity to achieve outsized returns on their investments over the next few years.



Strategic Buyer M&A and Investment Activity

Much of the prognostication in TM Capital’s 2019 eCommerce Spotlight Report have proven prescient. M&A for strategic buyers continues to serve as both offense to...and defense against disruption. “Disruptive talent” continues to prove difficult to recruit – primarily because many who truly possess “hypergrowth eCommerce abilities” are applying that talent toward building their own businesses. There are a number of examples illustrated on page 13. For instance, **Walmart’s** acquisition of **Zeekit** enhances the retail giant’s digital shopping experience, while **Levi’s** acquisition of fast-growing, digitally native activewear brand **Beyond Yoga** marks the classic American brand’s attempt to tap into the DTC channel.

The Aggregators

In addition to traditional strategic buyers acquiring eCommerce oriented businesses, a few new categories of strategic buyers have come onto the scene. For instance, cohorts of buyers focused on high volumes of often smaller acquisitions have formed, including those mining the Amazon ecosystem (e.g. **Thrasio**) as well as the Shopify ecosystem (e.g. **Openstore**). This set of acquirors targets controlling stakes (typically 100%) in founder owned businesses – and leverages their platforms and processes to drive operational efficiencies.

Thrasio has raised over \$3 billion since its founding and acquired more than 200 Amazon sellers, with **Advent International** and **Silver Lake** as its largest shareholders.



Likewise, **Openstore’s** recent venture capital raise valued the business at \$750 million, and the company has set its sights on acquiring one new Shopify-based business per day ⁽¹⁾. Our experience suggests that, while many of these buyers may provide speed and certainty to sellers seeking a full exit, they may not represent the path to maximizing value in a transaction.

The Coming Race to Develop (and Exit) Multi-Brand DTC Platforms

Notwithstanding the aggregator platforms profiled above, to date, there have not been many traditional private equity platforms targeting multi-brand DTC roll-ups. That said, **we continue to hear chatter in the market from a number of firms speculating about the benefits of doing so – and believe that the market is in the early innings of a sea shift in this direction.** Unquestionably, some of this momentum is being driven by a few recent notable “wins.” For example, **Summit Partners** formed and took public **AKA Brands (NYSE:AKA)**, a multi-brand apparel platform – and, not long thereafter, **Solo Brands (NYSE:DTC)**. The **Solo Brands** public offering came after Summit acquired a majority stake in **Solo Stoves** from **Bertram Capital** and then quickly bolted on additional DTC brands, **Chubbies Shorts**, **Oru Kayak** and **ISLE**.




















Ultimately, the logic underpinning these platform formations appears sound. Catalog retailers (the original DTC...) recognized the benefits of scale in customer acquisition decades ago – and have since largely consolidated, sharing customer data among sister brands in the name of building a data-driven marketing edge. As a result, it is no surprise to see that there is a more modern wave of DTC consolidation trending in a similar direction. Additionally, after seeing how AKA Brands and Solo Brands debuted in the public markets (well into the double digits on EBITDA multiples), **we fully expect to see other PE firms aggressively embrace the strategy with an eye toward near term public market exits. In turn, this should continue to drive downstream eCommerce M&A activity in the private markets.**

(1) Forbes: “OpenStore Raises \$75 Million To Acquire More Shopify Sellers, Reaches \$750 Million Valuation In Eight Months”



Select Recent PE eCommerce Oriented Acquisitions and Investments

 Indicates TM Capital Transaction

<p>JANUARY 2022</p>  <p>ACQUIRED</p>  <p>DTC retailer of grass-fed and finished beef products</p>	<p>JANUARY 2022</p>  <p>ACQUIRED</p> <p>JAANUU</p> <p>DTC designer and manufacturer of medical apparel</p>	<p>JANUARY 2022</p>  <p>ACQUIRED</p>  <p>Direct-to-job-site distributor of premium deck products</p>	<p>DECEMBER 2021</p>  <p>ACQUIRED</p>  <p>Online, DTC provider of sleep apnea equipment</p>	<p>DECEMBER 2021</p>  <p>COMPLETED A GROWTH EQUITY INVESTMENT IN</p>  <p>Online women's lifestyle brand / clothing & accessories retailer</p>
<p>NOVEMBER 2021</p>  <p>ACQUIRED</p>  <p>Manufacturer and retailer of pet lifestyle accessories</p>	<p>NOVEMBER 2021</p>  <p>ACQUIRED</p>  <p>Multi-brand online platform of home improvement products</p>	<p>NOVEMBER 2021</p>  <p>ACQUIRED</p>  <p>DTC mattress and bedding products company</p>	<p>NOVEMBER 2021</p>  <p>RECAPITALIZED</p>  <p>Leader in the in-pool seating & accessories category</p>	<p>OCTOBER 2021</p>  <p>ACQUIRED</p>  <p>Innovative DTC online retailer of bedding and home goods</p>
<p>SEPTEMBER 2021</p>  <p>ACQUIRED</p>  <p>Online DTC retailer of quick-growing trees and shrubs</p>	<p>SEPTEMBER 2021</p>  <p>ACQUIRED</p>  <p>Leading eCommerce provider of area rugs and home décor</p>	<p>AUGUST 2021</p>  <p>ACQUIRED</p>  <p>Digitally-native retailer of bedding & memory foam pillows</p>	<p>AUGUST 2021</p>  <p>ACQUIRED</p>  <p>Innovative online retailer of contact lenses</p>	<p>AUGUST 2021</p>  <p>ACQUIRED</p>  <p>Leading vehicle protection products manufacturer</p>
<p>AUGUST 2021</p>  <p>ACQUIRED</p>  <p>Premium men's underwear with comfort technology</p>	<p>AUGUST 2021</p>  <p>RECAPITALIZED</p>  <p>Leading online seller of oversized blankets</p>	<p>JULY 2021</p>  <p>ACQUIRED</p>  <p>Provider of DTC windows and related products</p>	<p>JUNE 2021</p>  <p>ACQUIRED</p>  <p>Designer and installer of ironwork home products</p>	<p>MAY 2021</p>  <p>ACQUIRED</p>  <p>High-end, 31-store retail chain with a strong online presence</p>
<p>MAY 2021</p>  <p>ACQUIRED</p>  <p>Brand of pest repellent and bedding encasement products</p>	<p>APRIL 2021</p>  <p>RECAPITALIZED</p>  <p>Online retailer of classic mustang parts and accessories</p>	<p>APRIL 2021</p>  <p>ACQUIRED</p>  <p>Provider of premium portable grills and outdoor products</p>	<p>JANUARY 2021</p>  <p>ACQUIRED</p>  <p>Sports content & service provider to the equine industry</p>	<p>JANUARY 2021</p>  <p>Norwest Equity Partners</p> <p>ACQUIRED</p>  <p>Manufacturer and retailer of pellet grills</p>
<p>JANUARY 2021</p>  <p>ACQUIRED</p> <p>SMITH & VANDIVER</p> <p>Natural bath, body and skincare manufacturer</p>	<p>DECEMBER 2020</p>  <p>ACQUIRED</p> <p>ROSS + SIMONS</p> <p>DTC jewelry brand known for stackable bracelets</p>	<p>OCTOBER 2020</p>  <p>ACQUIRED</p> <p>SHOES.COM</p> <p>Online shoe retailer</p>	<p>SEPTEMBER 2020</p>  <p>ACQUIRED</p>  <p>Online seller of designer party supplies and lifestyle collections</p>	<p>AUGUST 2020</p>  <p>ACQUIRED</p>  <p>E-retailer of grills, smokers and outdoor kitchen components</p>



Select Recent Strategic eCommerce Oriented Acquisitions and Investments

 Indicates TM Capital Transaction

JANUARY 2022




ACQUIRED




Doctor-developed DTC probiotic skincare brand

JANUARY 2022




ACQUIRED




DTC online retailer of customizable fresh pet food

JANUARY 2022



ACQUIRED



Digitally native temporary tattoo brand

DECEMBER 2021



INVESTED IN



Eco-friendly DTC footwear brand with cult-favorite flats

DECEMBER 2021



ACQUIRED



Data-driven e-retailer of branded office products

DECEMBER 2021



ACQUIRED



Pro-grade, vegan, and science-focused skincare brand

NOVEMBER 2021



ACQUIRED



Personal care & beauty subscription box

NOVEMBER 2021



ACQUIRED



Leading personal care and home goods brand

NOVEMBER 2021



ACQUIRED



Premium DTC women's shaving / personal care brand

NOVEMBER 2021



ACQUIRED



Premium outdoor furniture brand

NOVEMBER 2021



ACQUIRED



Online retailer of Tesla aftermarket accessories

OCTOBER 2021



ACQUIRED



Affordable men's DTC streetwear brand

OCTOBER 2021



ACQUIRED



22-store destination retail jewelry chain

SEPTEMBER 2021



ACQUIRED



Shorts-focused retro-styled menswear brand

AUGUST 2021




ACQUIRED




Leading brand of upscale steam showers & shower accessories

AUGUST 2021



ACQUIRED



Size-inclusive women's activewear brand

JULY 2021



ACQUIRED



Leading provider of personalized planners, journals & stickers

JUNE 2021



ACQUIRED



Organic, plant-rich baby food meal delivery company

JUNE 2021




ACQUIRED



Omnichannel flooring and building products company

MAY 2021



ACQUIRED



Virtual fitting room technology platform

APRIL 2021




ACQUIRED




Monthly designer jewelry subscription box

FEBRUARY 2021



RECAPITALIZED



DTC retailer of performance parts for Nissan / Infiniti vehicles

FEBRUARY 2021



ACQUIRED



Provider and installer of durable windows and shower systems

FEBRUARY 2021




ACQUIRED



Iconic British apparel retailer

JANUARY 2021




ACQUIRED




New-York based online grocer

OCTOBER 2020



ACQUIRED



Fresh prepared meal subscription service

AUGUST 2020




ACQUIRED




Online personalized gifts retailer

JANUARY 2021



ACQUIRED



Feminine hygiene products

DECEMBER 2020



ACQUIRED



Subscription pet treats box with products for heavy chewers

NOVEMBER 2020



ACQUIRED

SELECT ASSETS OF



Peer-to-peer food and drink delivery service



The Future of the Advertising Market (and its Impact on eCommerce)

Marketing Technology: Data Availability (or lack thereof) and Evolving Technologies

In sales and marketing, **big data** is one of the key advantages eCommerce holds over traditional retail and is much more than a “buzzword”. Harnessing big data enables companies to better target the right audiences. For the most forward-thinking consumer companies, data-driven marketing has become a key differentiator.

“**Our key differentiator in this competitive landscape is that we’re a marketing and data company, and we know how to acquire customers in a very cost-efficient way**”

Gil Efrati
CMO, Resident Home

Proper harnessing of data facilitates better targeting of current and prospective customers with promotions, product recommendations and service. It paves the way for enticing consumers with products they perhaps did not even know they wanted, with customers spending an estimated 48% more when their shopping experience is personalized, per Janrain ⁽¹⁾.

Apple’s Shot Across the Bow

Over the last decade, many DTC companies built their businesses on the strength and rapid evolution of Facebook’s consumer data engine and advertising attribution technology. **In May 2021, Apple threw those businesses into overnight disarray with the release of iOS 14.5.** While we’ll spare our readers the technical explanation, the short story is that as iPhone users received the system update, they were provided with a prompt to opt-in to data sharing across apps and platforms. With the bulk of users choosing NOT to opt-in, Facebook’s ability to provide **valuable attribution data to advertisers declined materially.** For the less technically inclined, just know that weaker attribution generally results in higher customer acquisition cost.

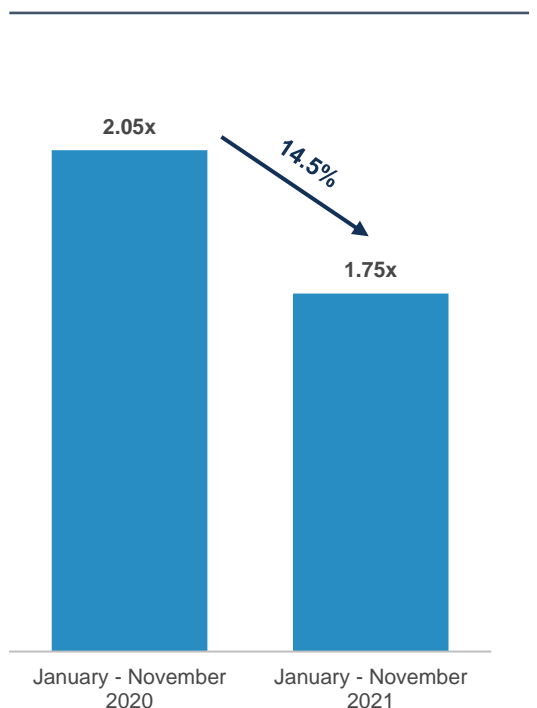
The slightly longer explanation, as expertly articulated by Common Thread Collective⁽²⁾ (a respected digital agency and eCommerce thought leader): Facebook’s proprietary tracking tool, “Pixel,” previously had the ability to tie users’ in-app ad views to off-app activity (such as site visits, shopping cart adds, purchases and more), ultimately enabling sophisticated advertisers to granularly segment their audiences and efficiently target their advertising. Post iOS 14.5 launch, for users who have not opted in, advertisers lose the vast bulk of this data – and instead of tying ad views to the previously rich set of nuanced activities – can now only tie these ad views to a direct purchase.

Imperfect Solutions and The Impact on Advertisers

Facebook has responded to Apple’s privacy changes by making several adjustments to its own reporting to advertisers – attempting to use its own access to data and illustrative modeling to provide attribution estimates. However, Facebook’s workaround continues to prove challenging up to this point, in comparison to the previously perfected data link.

The impact of “Apple’s shot” is real – and goes above and beyond the impact of prior Facebook or Google algorithm shifts. For instance, reported Facebook return on advertising spend (ROAS) declined to 1.75 in the period of January through November 2021 from 2.05 in the prior year period (an approximately 14.5% decline). While this decline in ROAS may have been driven by factors beyond the iOS roll out (for instance, more expensive advertising compared to peak Pandemic), the impact magnified beginning in June 2021 – with the gap between the two years widening materially following the iOS 14.5 rollout.

Facebook ROAS



The ROAS gap widened materially post iOS 14.5 rollout

Source: Common Thread Collective: Facebook Ads, iOS 14 Changes & Ecommerce Data

(1) Janrain, Online Personal Experience Study; (2) Common Thread Collective Blog: Facebook Ads, iOS 14 Changes & Ecommerce Data



The Ad Platform Shake Up

We believe that the stunning **decreases in ad efficiency will prove at least somewhat transitory over time.**

Ultimately, companies will only advertise on Facebook (or through other mediums) if they are achieving appropriate returns on their investment. And, until companies figure out which forms of advertising are profitable, they will experiment. Ultimately, the market for clicks on Facebook is like any other – and if advertising efficiency decreases for a large enough swath of advertisers – then the cost will come down accordingly and other mediums will become more cost effective. For instance, the iOS 14.5 rollout drove many advertisers to accelerate their experimentation with other platforms such as TikTok and Snapchat –

and is motivating increasing adoption of influencer marketing. As the market, in response to demand, develops better attribution and measurement tools, these platforms are likely to capture a larger portion of ad spend. The other side of the equation is that these dynamics are likely to drive eCommerce businesses to focus in on non-advertising oriented operating fundamentals to help drive profitability (and/or open up increased advertising allocations in their budgets). Ultimately, the market will find an equilibrium.

Apple's End Game

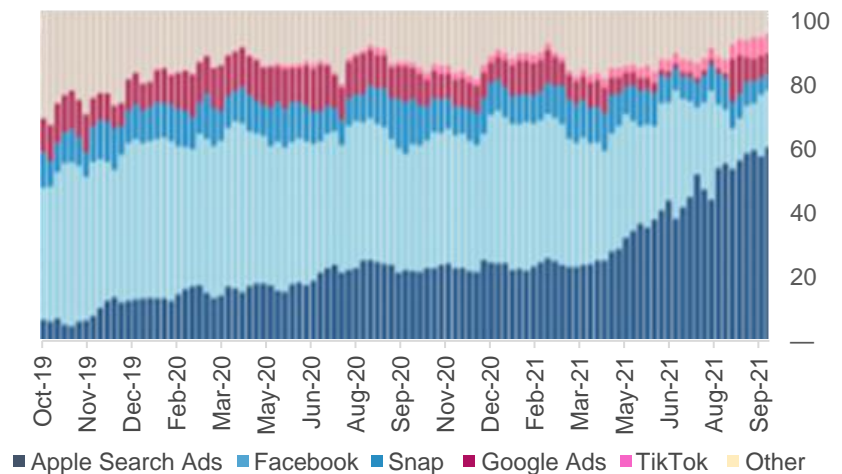
It will be interesting to observe as Apple's end goal in all of this evolves. While positioned to the market as an altruistic focus on consumer privacy, we believe **it is more likely to be Apple's first step in a plan to capture a portion of the valuable advertising market for itself.** We would not be surprised to see Apple evolve into a major player in online advertising in the coming years – utilizing a “walled garden” approach to consumer data, positioned to iPhone users as more trustworthy than Facebook or Google. In fact, since introducing its privacy changes, **Apple's advertising business** (which today offers only sponsored slots in its App Store) **has more than tripled its market share** in this advertising arena.

How Should eCommerce Businesses Adapt?

The ultimate win for an eCommerce business would be to eliminate reliance on the “online advertising gods” by developing its own first party data sources. **Many brands are striving to build content and community-driven customer acquisition engines.** For example, this approach has helped enthusiast-driven eCommerce businesses (where members gather online / offline and have a genuine affinity for a company's products) achieve attractive market valuations. Ostensibly, enthusiasm drives community and content, which drives commerce, thereby materially reducing the need for “paid” advertising. Web Smith (co-founder of Mizzen & Main and a respected eCommerce thought leader) has championed this concept, dubbing it “Linear Commerce.” Brands that embrace robust content development engines as a core competency will build highly engaged audiences that can be more efficiently converted to sales – ultimately translating to low customer acquisition cost and higher lifetime value (the holy grail of eCommerce). The Linear Commerce hypothesis is that this trend will drive elements of convergence between eCommerce and media organizations in the coming years, whose first party data may be leveraged to target their audiences.

While completely eliminating reliance on Facebook and Google is likely an unrealistic goal for the vast majority of eCommerce businesses, **finding ways to reduce this reliance can be highly valuable.** Examples include providing customers with more valuable content through effective email marketing, collecting proprietary demographic data on customers – and implementing tools that enable personalization of the shopping experience. Additionally, it is increasingly important for business leaders to be nimble, abreast of the latest advertising, data capture and attribution trends...and always learning. Currently, that likely means considering implementing a reliable set of third-party attribution tools – eliminating or reducing reliance on the native tools provided by Facebook and Google.

Advertising Source Driving Share of Total App Store Installs



Source: Financial Times: How Apple's iOS 14.5 update is shaking up the app economy



B2B / Direct to Pro

Direct-to-Pro eCommerce Gains Share

The B2B eCommerce paradigm continues to shift rapidly – driven, in particular, by the **increasing digital literacy evidenced by trade professionals (“pros”) throughout the commercial world**. We attribute this to a rising pro cohort (including Millennials) for which smart phones and eCommerce have become second nature at home. As is true throughout the consumer landscape, as digitally native generations grow more influential in their fields, these pros are apt to demand similar conveniences in the workplace. **Over the last several years this shift has accelerated**, as even long-tenured pros previously resistant to adopting technology have been forced to embrace digital channels in other aspects of their lives.

As a result, although often lower profile than many high flying DTC businesses, B2B eCommerce opportunities are quite promising. **Broadly, the North American market for B2B eCommerce is approximately \$1,494 billion, nearly twice as large as the B2C eCommerce market.**

Table Stakes in Home Improvement

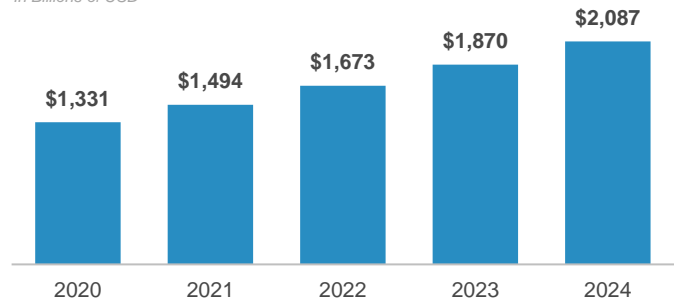
Ferguson’s 2017 acquisition of TM Capital client **Supply.com** was a “**canary in the coal mine**”, signaling that **direct-to-pro was the way of the future**. At the time, part of Ferguson’s rationale for the acquisition was to disrupt itself – rather than awaiting disruption by others. Today, the most successful home renovation products companies must have digital capabilities to serve both B2C and B2B customers, thereby beginning to circumvent (or supplement) traditional two-step distribution. A few good examples include TM Capital clients, **Cali Brands** (acquired by **Victoria plc**) and **Steamist** (acquired by **Masco Corporation**). Additionally, private equity firms are increasingly targeting the B2B market. Notable recent investments include **DecksDirect** (**Harbour Group**), **Renovation Brands** (**Comvest** and **Digital Fuel**) and **Fireclay Tile** (**Provenance**).

Successful B2B eCommerce businesses are bringing together a combination of strong brand, attractive assortment and white glove customer service comparable to that provided by terrestrial suppliers. More specifically – factors like 100% overnight or two-day availability with flexible or direct to job site delivery, efficient custom estimates, and creative customer engagement models are driving accelerated adoption. Not limited to building products, these dynamics are emerging throughout the B2B world.

The best direct-to-pro eCommerce operators are effective in acquiring highly valuable pro customers (who often generate customer lifetime value many multiples that of a typical consumer) through a combination of (i) digital-first lead generation, and (ii) highly competent, technically oriented inside sales and customer service efforts. Best-in-class direct-to-pro eCommerce businesses effectively gather data throughout the marketing funnel, linking together online and offline customer interactions. Ultimately, the goal is to reduce purchasing friction, enhance loyalty and drive repeat business. While some of the businesses noted above have established a clear head start (as many of their competitors have not yet invested in substantial digital capabilities) we believe that a B2B capability set is likely to become table-stakes in the coming years. **Investors who develop a strong playbook to drive digital transition in the B2B universe stand to reap substantial rewards.**

U.S. B2B eCommerce Trends

In Billions of USD



Source: Insider Intelligence: eCommerce Statistics: Industry Benchmarks & Growth

Select B2B eCommerce Companies

SUPPLY.com

CALI[™]
BAMBOO & MORE

STEAMIST®

RENOVATION
BRANDS

“**Millennials are highly engaged with The Home Depot. Our B2B Website is seeing record volumes and engagement**”

Ted Decker
Incoming CEO, The Home Depot



Conclusion

Ultimately, we expect the pandemic-induced supply and demand imbalances will normalize, and many businesses will emerge with rosters of new customer relationships and more flexible supply chains. Rapidly evolving technology and consumer preferences will continue to be driving forces – especially as digitally native generations grow in purchasing power and influence. We expect the DTC/eCommerce M&A landscape will also continue to evolve as investors take note of the opportunity to aggregate digital brands and help digitally transforming operators keep pace. All of these forces combine to create opportunities (and risks) for operators competing for consumers' and pros' wallets. We believe that fortune will continue to favor the prepared – those companies willing to invest in, test and continually evolve digital capabilities to meet customers where, when and how they want to shop.



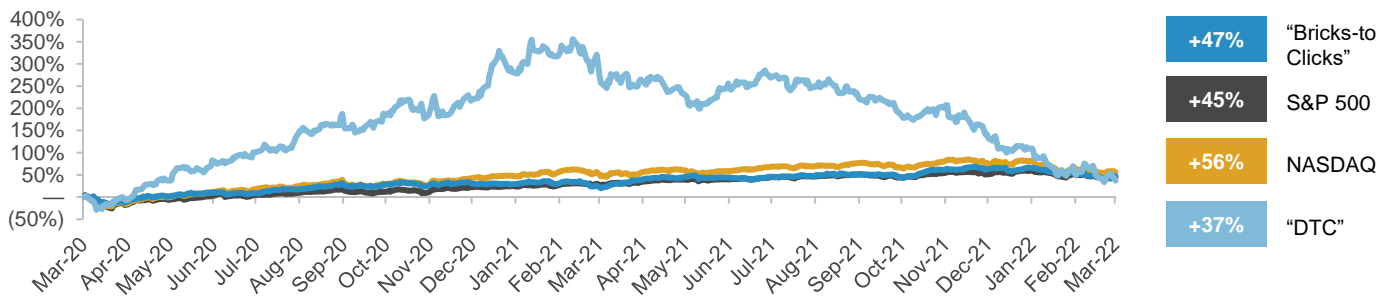
TM Capital “DTC” Index Composition



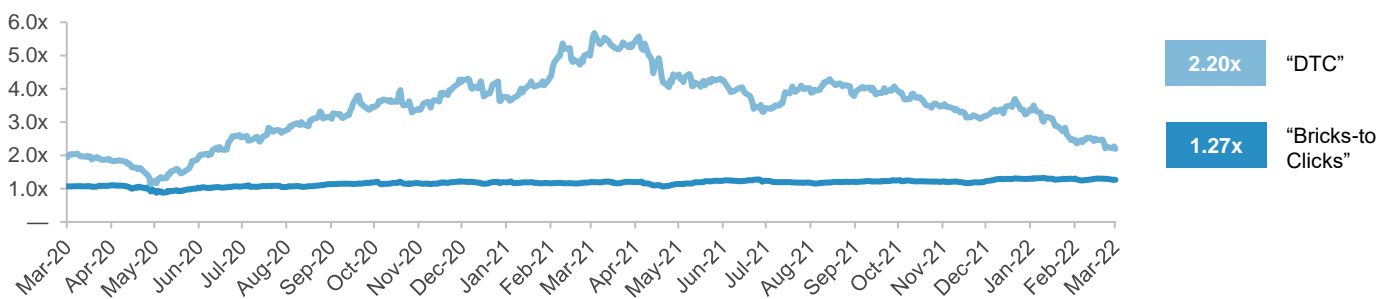
TM Capital “Bricks-to-Clicks” Index Composition



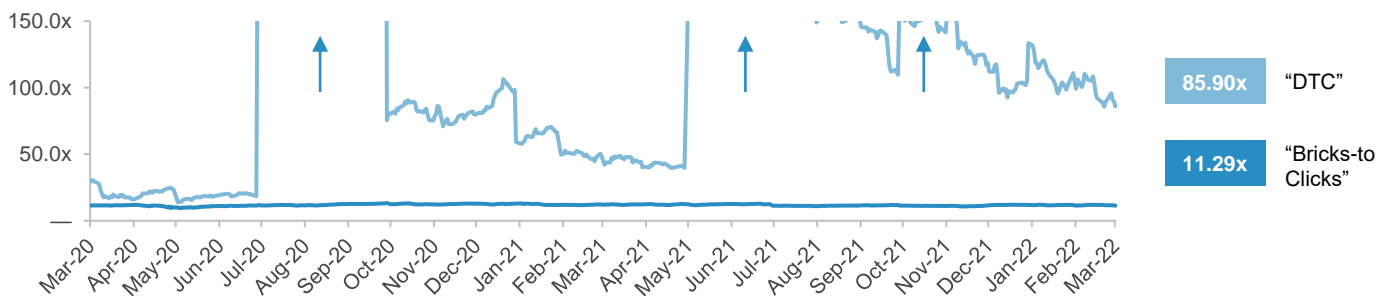
TM Capital Indices – Historical Stock Price (As of 03/03/2022)



TM Capital Indices – Historical Enterprise Value to Revenue (As of 03/03/2022)



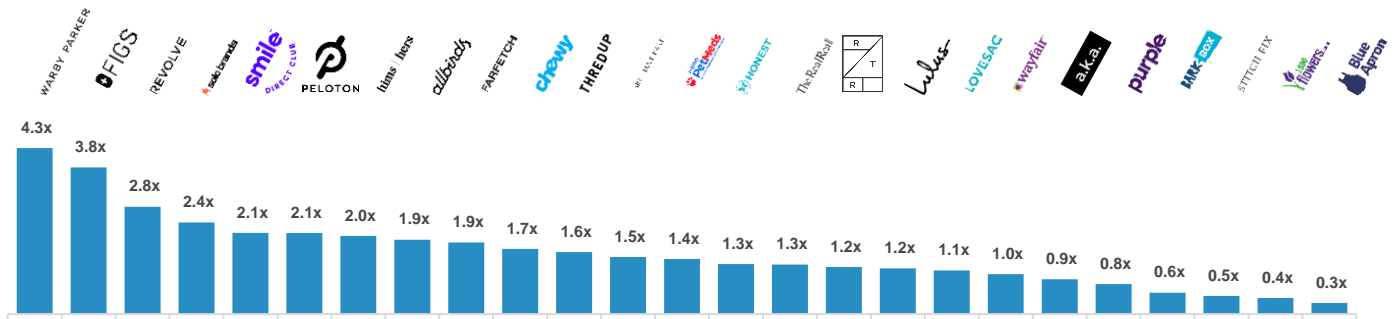
TM Capital Indices – Historical Enterprise Value to EBITDA ⁽¹⁾ (As of 03/03/2022)



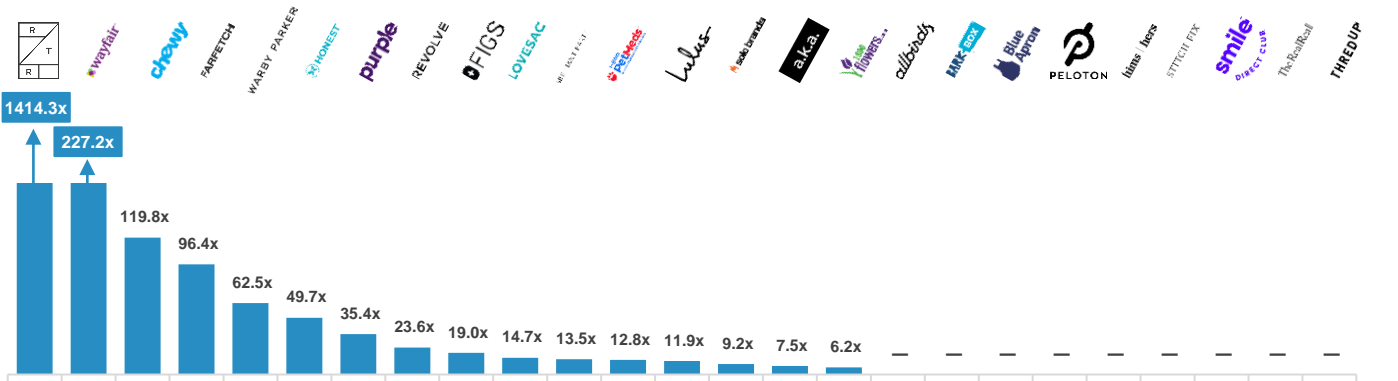
(1) Excludes negative EV / EBITDA Values



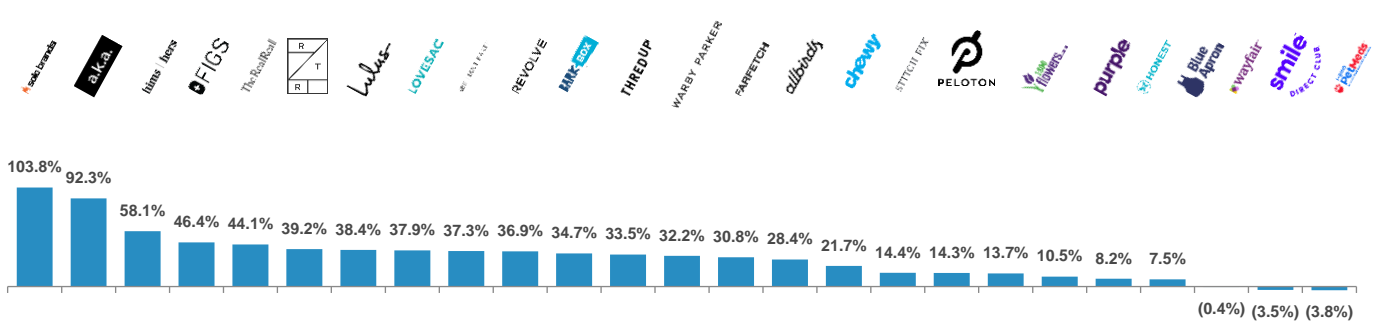
Enterprise Value to 2022 (CY+1) Revenue Multiples for Online-First Guideline Companies



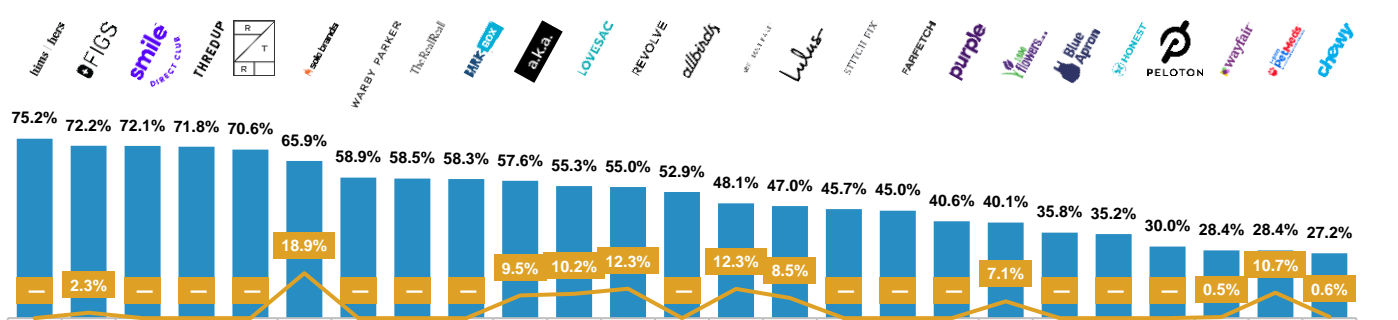
Enterprise Value to 2022 (CY+1) EBITDA Multiples for Online-First Guideline Companies



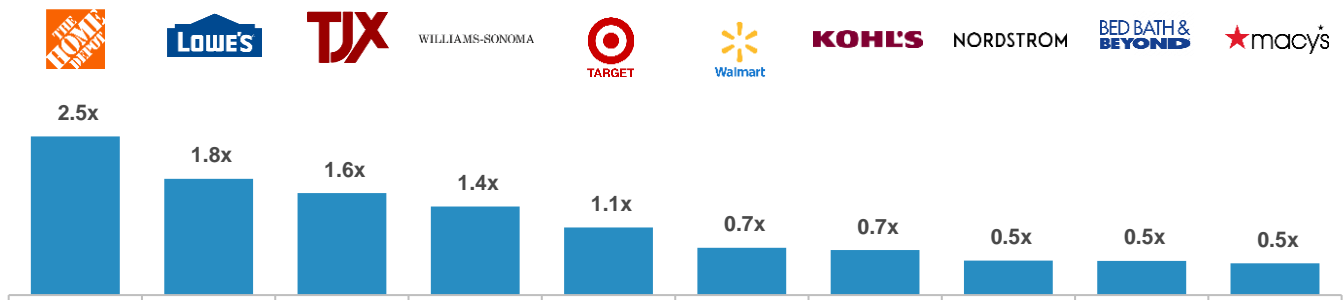
Two-Year Revenue Growth Rate for Online-First Guideline Companies (2020 – 2022E)



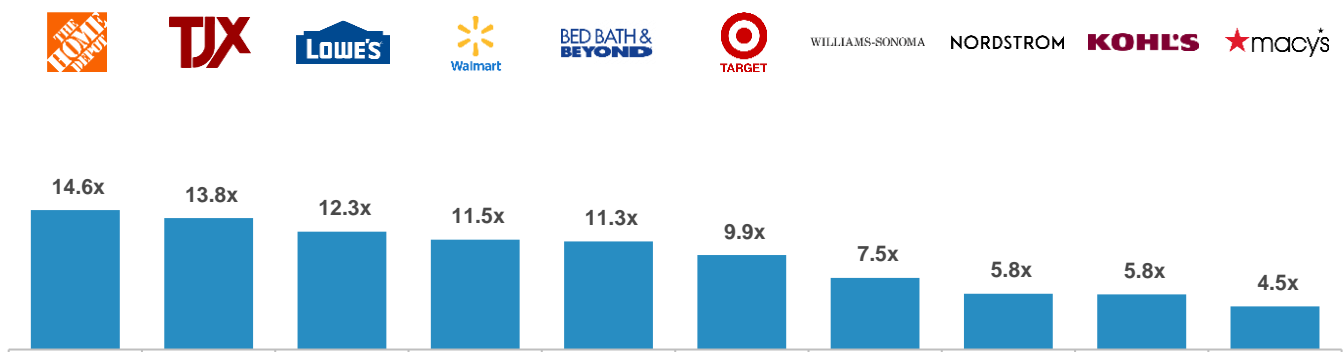
LTM Gross Margin and EBITDA Margin for Online-First Guideline Companies (As of 03/03/2022)



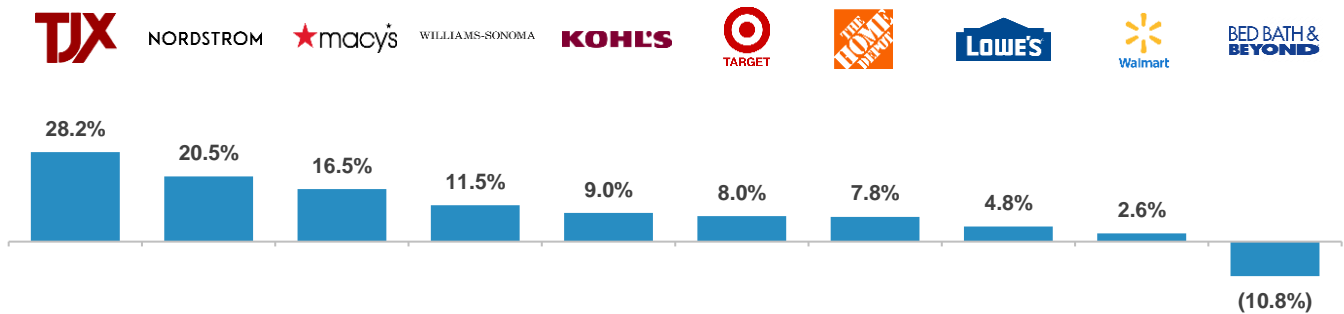
Enterprise Value to 2022 (CY+1) Revenue Multiples for Bricks-to-Clicks Guideline Companies



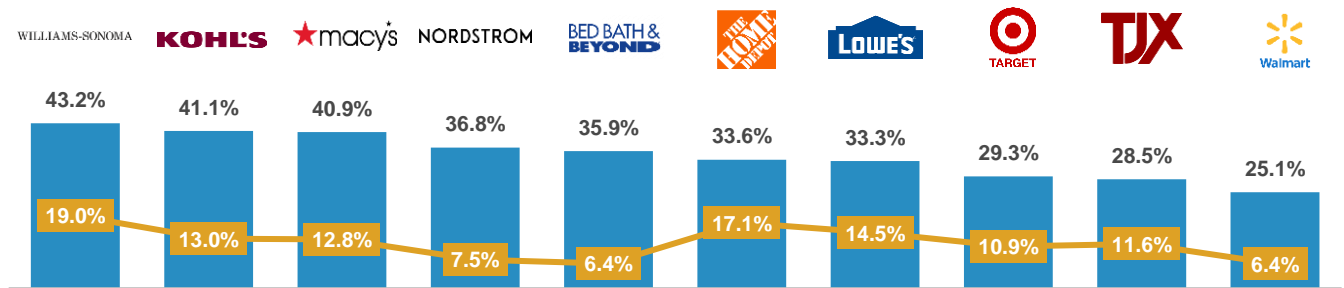
Enterprise Value to 2022 (CY+1) for Bricks-to-Clicks Guideline Companies



Two-Year Revenue Growth Rate for Bricks-to-Clicks Guideline Companies (2020 – 2022E)



LTM Gross Margin and EBITDA Margin for Bricks-to-Clicks Guideline Companies (As of 03/03/2022)



About TM Capital

Founded in 1989, TM Capital is the client-first investment banking team advising industry leading companies across North America and around the world. In everything we do, our professionals share a relentless commitment to engineering extraordinary outcomes with an unmatched standard of client care. Over the last three decades, we have completed more than 350 transactions with a combined value in excess of \$25 billion. With offices in Atlanta, Boston and New York, our mission critical capabilities include: complex mergers and acquisitions; debt and equity financings; minority and majority recapitalizations; restructurings; and board advisory services. TM Capital is also a founding member firm of Oaklins, the world's most experienced mid-market M&A advisor with 700 M&A professionals in 60 offices operating in the major financial centers around the world. For more information, please visit www.tmcapital.com.

To learn more about TM Capital and discuss our work with leading companies in the sector, please contact any of our team members below:

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“From our first meeting onward, we’ve been impressed with the TM Capital team’s nuanced appreciation for, and their ability to articulate, what we think are the uniquely disruptive opportunities (as well as the challenges) ahead for our “hyper-growth” eCommerce platform. The TM Capital team guided Nectar to an extraordinary outcome. TM helped craft a compelling thesis centered on our best-in-class performance marketing platform – and tapped their impressive roster of “first-call” consumer/retail relationships on Nectar’s behalf. What began as a straight-forward process ultimately evolved into a hybrid strategic and institutional equity partnership. That combination is enabling us to continue our steep ascent, and TM continues to be a valuable and highly attentive partner to Nectar. We are already talking expansively with TM about what comes next.”



Ran Reske,
Co-Founder, Resident Home

“Our relationship began several years ago, at a time when our pro eCommerce strategy was in formation. Throughout our years of collaboration, TM leveraged their deep building products distribution and eCommerce expertise, along with their senior level industry relationships to help us envision what they call “the art of the possible.” When the time came to complete a transaction, they thoughtfully positioned our business to resonate with strategic buyers, built a fantastic set of marketing materials and then led us through a very efficient process that culminated in an incredible outcome. My team is excited to take our business to the next level with our new partner, and we could not have gotten here without the help of the entire TM team.”



Marcus Morgan,
Co-Founder & CEO, Supply.com

I go into every engagement with a hint of cynicism — that there’s no way they can deliver on all that has been promised. TM Capital is a rare breed. From the beginning, TM has exceeded all of my expectations. Going forward, I will be a champion for TM Capital whenever I can.”



BIG BLANKET

Bryan Simpson,
Founder & CEO, Big Blanket

“To realize our vision for CPAP.com, we sought an advisor with deep insight into both the healthcare markets we serve and the DTC e-commerce engine driving our success. As a founder-owned business, we also needed our advisor to be sensitive to our goals for the CPAP.com team. TM Capital delivered on all fronts, with the ideal combination of sector expertise, valuable relationships, and senior partner focus required to engineer an outstanding outcome. We’re excited to begin our next chapter with a world-class partner in Cathay Capital.”



Johnny and Carolyn Goodman,
CEO & CFO, CPAP.com

We hired TM Capital to work with us on the sale of Cali Brands - a disruptive, rapidly-growing, online-first/omnichannel provider of branded flooring products - based on our prior experience as a buyer with TM’s effective process management and the combination of their deep understanding of the flooring market and their proven success positioning direct-to-consumer businesses. Our experience with the entire TM team, from top to bottom, was exceptional, and they delivered on their promise of senior-led, white-glove attention from the beginning to the end of the process. We and the Cali team could not be more pleased with the outcome.”



Ben Schnakenberg
Former Chairman, Cali



TM Capital's Specialized eCommerce Data Excavation Process

TM Capital has built a specialized practice advising best-in-class DTC and eCommerce businesses. In doing so, we've developed substantial expertise in analyzing the ever-growing raw datasets of these businesses to unearth a wide array of nuanced insights that underly a Company's value drivers, strengths and challenges.

Unearthing these trends (both positive and negative) and going deep with our clients to understand these drivers enables us to construct the right narrative early on – and use it to impact the market's perception on value – rather than waiting for a buyer team to unearth and form their own conclusions later.

By “going deep” into the data, we regularly unearth insights that our clients can use to enhance their own businesses – often in small ways; sometimes in very substantial ways. We hear regularly from our clients that they wish they had been able to act on these new insights in the years leading up to a transaction.

Our Data Excavation team is expert in utilizing Tableau to analyze large data sets, often comprising millions of rows, thousands of SKUs and hundreds of thousands of customers. No two excavation processes are exactly alike – our analysis is iterative and often encompasses dozens or even hundreds of data cuts. We excavate customer retention trends and cohort analyses, lifetime values, new customer acquisition and social media engagement – slicing and dicing based on customer segments, demographics, product assortments, customer acquisition methods and more.

This is a uniquely proactive approach to sell side marketing. Generally, this type of analysis is undertaken post exclusivity by a buyer's eCommerce consulting firm. The insights we glean drive value in a process and co-opt what may otherwise be a due diligence risk.

We enlist our Excavation team to analyze data sets for both clients and prospective clients. This often provides companies with a previously unattainable level of insight into their businesses – providing action items to help them maximize value well in advance of embarking on a sale transaction or capital raise process.

“We were in the midst of overhauling our data analytics structure when we engaged TM Capital. TM's team worked closely with our analytics team to “excavate” our data. This detailed and highly iterative process was invaluable in positioning the business for sale – as well as helping us determine the right metrics for ongoing internal benchmarking. TM are gurus of all things LTV and their capabilities were above and beyond our expectations.”

cpap.com

Johnny Goodman
CEO, CPAP.com

“At Z1, we tracked an inordinate amount of data in our homegrown ERP system, but never had the bandwidth or manpower to analyze and fully harness its power. TM took the keys and uncovered a number of significant insights into the behavior of customer cohorts. These insights helped to quantify a lot of what we “felt in our gut” the Z1 brand meant to our enthusiast customer base – and gave us the confidence to pull certain levers to further accelerate our growth.”



Russell Floyd
President & CEO, Z1 Motorsports

“The TM Capital team provided critical assistance in unearthing an array of key insights around customer segmentation – including the true value of our emerging cohort of “trade professional” customers – that proved invaluable as we marketed the business”



Ben Schnakenberg
Former Chairman, Cali

Key Focus Areas

These data driven insights enable us to maximize value for our clients in the market by excavating and highlighting trends that evidence the Company's strengths and mitigating the impact of any trends that may be headline concerns



Customer Retention



Cohort Analyses



Customer Lifetime Value



New Customer Acquisition



Social Media Engagement



SEO Positioning

Three Decades of Groundbreaking Transactions



BIG BLANKET CO

HAS COMPLETED A RECAPITALIZATION WITH




The undersigned served as financial advisor to Larger Than Average, LLC (d/b/a Big Blanket Co) in connection with this transaction.




HAS COMPLETED A RECAPITALIZATION WITH




The undersigned served as financial advisor to U.S. Expedters, Inc. (d/b/a CPAP.com) in connection with this transaction.





HAS BEEN ACQUIRED BY




A PORTFOLIO COMPANY OF




The undersigned served as exclusive financial advisor to Michel Design Works Ltd. in connection with this transaction.



HAS BEEN RECAPITALIZED BY




The undersigned served as financial advisor to Brewster Home Fashions LLC and Fine Decor Wallcoverings Ltd in connection with this transaction.




HAS BEEN ACQUIRED BY




The undersigned served as financial advisor to Shoe Station, Inc. in connection with this transaction.




A PORTFOLIO COMPANY OF



HAS BEEN ACQUIRED BY



The undersigned served as financial advisor to Steamist, Inc. in connection with this transaction.



A PORTFOLIO COMPANY OF



HAS BEEN ACQUIRED BY



The undersigned served as exclusive financial advisor to Cali Bamboo Holdings, Inc. in connection with this transaction.



HAS COMPLETED A SERIES OF STRATEGIC FINANCING TRANSACTIONS

The undersigned served as financial advisor to Resident Home, Inc. in connection with these transactions.



HAS BEEN RECAPITALIZED BY



AND ITS PORTFOLIO COMPANY




The undersigned served as financial advisor to Z1 Motorsports Inc. in connection with this transaction.




HAS COMPLETED A RECAPITALIZATION WITH




The undersigned served as financial advisor Mud Pie, LLC in connection with this transaction.



HAS COMPLETED A RECAPITALIZATION WITH




The undersigned served as financial advisor to Tate Bake Shop, Inc. in connection with this transaction.




HAS BEEN ACQUIRED BY




The undersigned served as financial advisor to Supply.com in connection with this transaction.



HAS BEEN ACQUIRED BY



The undersigned served as financial advisor to Superior Cake Products, Inc. in connection with this transaction.




HAS SOLD THE EXCLUSIVE RIGHT TO OPERATE

Starbucks Puerto Rico

TO

Baristas Del Caribe, LLC
an affiliate of
Empresas Fonalledas Inc.

The undersigned served as financial advisor to Starbucks Corporation in connection with this transaction.



HAS BEEN ACQUIRED BY



A PORTFOLIO COMPANY OF



The undersigned served as financial advisor to Uncle Wally's in connection with this transaction.



THE MAKERS OF



HAS BEEN ACQUIRED BY



The undersigned served as financial advisor to B. Fleet Company, Inc. in connection with this transaction.

