

Home Textiles Today

M&A expert: Many textiles suppliers one phone call away from disaster

MMG Advisors sees strategic opportunities on the buy and sell sides



[Jennifer Marks](#)//Editor in Chief • December 21, 2021



New York – Merger and acquisition activity in the home space is being driven by the race to scale up and manage risk, according to [Andy Postal](#), managing partner of [MMG Advisors](#).

He sees two significant vulnerabilities for suppliers that in the home textiles sector doing \$150 million to \$350 million in annual wholesale volume.

First, the broader trend among major retailers is to further compress their supply chains and boost their factory-direct sourcing. Suppliers that have 50% or 60% of their business tied to two or three retailers are particularly at risk here.

“Everybody is just one phone call away from disaster,” said Postal, whose company represents buy-side and sell-side clients in the apparel, footwear, accessories, home textiles, watch and jewelry sectors.

Second, big retailers are looking for volume suppliers who can bring more to the table. Strategic financial buyers eyeing vendor-side opportunities are scouting companies that will add to scale to existing operations. “I’m probably looking for a niche business that I can tuck in to give me product diversification and customer differentiation,” he explained.

Qualities that make vendor companies a good potential buy include:

- Internal technologies such as traceability and transferable performance technologies;
- The ability to conduct and service digital commerce;
- A strong management team whose principals will stick with the business for at least two or three years after the acquisition;
- Automation;
- Good licenses, so long as they are transferable to new ownership.

From an M&A perspective, small suppliers are not going to have a sustainable long-term business unless very niche, Postal said.

“If you’re not playing with the big retailers, then you’re not really in the business,” he added. “You’ve got to get from \$250 million to \$750 million. That’s not going to happen organically by getting another program from Walmart.”