AMAZON FBA REPORT

STATE OF THE AMAZON M&A MARKET HEADING INTO 2025

Prepared by

The FBA Guys.com

Market Background

Before 2020, Amazon FBA businesses were considered risky acquisition targets, netting average multiples between 2.5 and 3.5, depending on their size, complexity, and growth.

That all changed when aggregators like Thrasio, Perch, SellerX, and Razor Group started raising billions of dollars in capital to acquire Amazon businesses with a simple thesis: they could acquire multiple brands and scale them through operational efficiencies and economies of scale to achieve rapid growth and, ultimately, enormous exits.

The surge of money into the market was staggering, and it created a feeding frenzy for Amazon businesses. According to best estimates, aggregators raised:

- $1 billion in 2020
- $12 billion in 2021
- $16 billion in 2022

The problem? Most aggregators were much better at acquiring brands than scaling them and achieving the operational efficiencies they hoped for. By 2023, the market had constricted, with only $4 billion of new money raised. In 2024, the aggregator market is all but dead, with Thrasio filing for bankruptcy and other aggregators selling off their brands for pennies on the dollar.

The Aftermath

The surge of 2020–2022 created a rapid expansion of multiples. Over that time, the average mean multiple was:

- 3.97 in 2021
- 4.13 in 2022

This set seller expectations at an all-time high. But an important point here is that aside from increased competition, these multiples were buoyed in large part by deal structures that employed earnouts, stability payments, and holdbacks.

Given the financial performance of the aggregators post-acquisition, many businesses failed to reach projected performance, meaning the realized multiples were actually much lower than anticipated. How much lower? It is hard to guess, but there have been dozens of documented cases of missed earnouts, or worse, failure to pay earnouts due to lack of liquidity.

So where does that leave us? The year 2024 featured a bit of a scorched-earth landscape, between the fall of the aggregators and the rise of inflation and soaring interest rates. Our M&A partners report a number of general trends in the market:

- The average number of offers per deal has decreased.
- Multiples have further constricted.
- Due diligence periods have increased.
- The number of deals falling out of LOIs (letters of intent) has increased.

Will 2025 be any better?

Is there data we can look at from the trailing 12 months that might suggest where the market will go in 2025?

Let’s dive in.

What Do Multiples Say About the Market?

Percentage change from 2023 to 2024

Looking at about 150 closed deals with partner organizations in 2023 and 2024, some numbers jump out. For example, the average mean multiple is way up (see details below). When dealing with sample sizes this small there can be some variance, but this is certainly suggestive.

Mean Avg Multiple (without inventory)

+57.85% ↑

Excludes inventory impact

Mean Avg Multiple (with inventory)

+50.32% ↑

Includes inventory impact

Even more intriguing is that those numbers seem to be accelerating. Let's break the last 10 months in half and see if the trend is still true:

Mean Avg Multiple (without inventory)

+61.9% ↑

Excludes inventory impact

Mean Avg Multiple (with inventory)

+54.1% ↑

Includes inventory impact

Multiple expansion is a good thing, but if you're paying attention to the market, something seems off. Looking at the numbers alone doesn't paint a complete picture—something funny is going on.

Take, for example, the number of offers per deal. Over the past year, offers are indeed up, but only at a 22.2% increase. This feels closer to the gradual warming we're seeing.

But then we look at accepted LOIs per deal, and that number is actually down a stunning 26.5%. These numbers seem to contradict each other.
So, what's happening?

A bifurcation of the market

When looking more closely at the Amazon market, the biggest conclusion we can make is that like no other time in recent memory, the market is rewarding solid, growing brands while at the same time punishing declining or unstable businesses.

Multiples are definitely up—because growing businesses are getting multiple offers (and tending to close)—while declining businesses are getting either very poor offers with lots of seller financing (more on that in a bit) or they are getting no offers at all.

Let's take a closer look at some of the factors at play here:

Market Demand

Demand for growing or stable businesses has been pent up due to the lack of access to capital, and it has been dying to be released. The recent interest rate reductions have begun to release that demand. Demand usually also slows in election years, so with voting behind us things start to look more "normal."

Increased Urgency for Sellers

Just as there has been increased demand from buyers, sellers with growing businesses have been scaling with fewer options to exit and have become increasingly open to new deal structures that place more of the risk on them for the short-term ability to be free and clear of the business. Many sellers also look toward the second half of the year to ramp up conversations about exiting so they can capture the value of end-of-year sales.

Strategic Planning

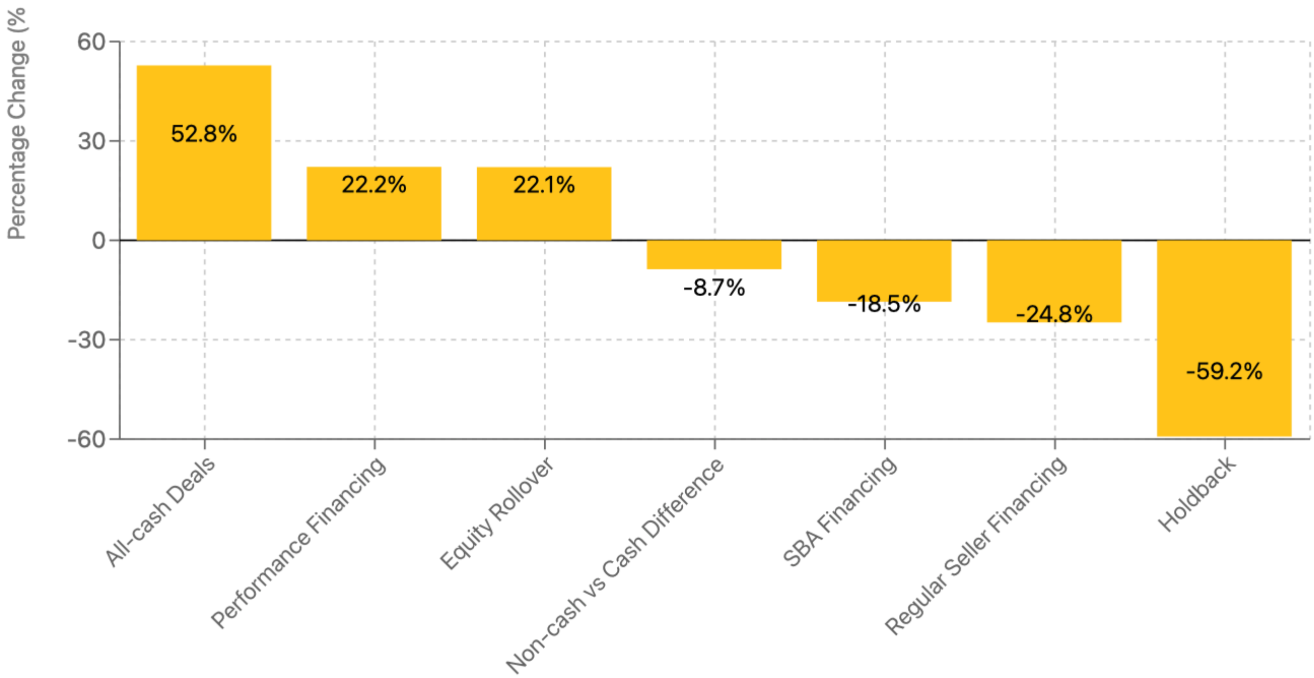
On both the buying and selling sides, people have been waiting for the right timing. During the second half of the year, it seems the trade-offs for buying and selling growing businesses have become more attractive, but the risk profile of declining businesses leaves too large a gap between expectations and available capital. In order to get deals across the finish line, buyers have either had to be very strategic about what they acquire, or both sides needed to expand the scope of deal structures to make a transaction more palatable.

Let’s take a look at how deal structures have changed over the past year.

Change in Deal Structures

The deal structures used by our partner firms working with sellers and buyers are suggestive of how each views the risk/reward proposition of the market and mitigates risk to create better opportunities and terms.

Deal Type Changes (2023-2024)



The numbers suggest there are more all-cash deals happening with a reduction in seller-financed deals. This would support the idea that growing businesses are selling better than declining ones. It should also serve as a warning to buyers that LOIs utilizing deal structures that are too heavy on seller financing will almost certainly be rejected.

Interestingly, even with increased deal flow, SBA loans and other traditional financing options have been used less often. There are a few potential reasons for this:

- Interest rates remain high.
- SBA buyers are having to show more competency to qualify for financing.
- Deals using traditional financing are taking longer to close.

Some further notes here

Shift Toward All-Cash Transactions

The increase in all-cash deals suggests stronger buyer confidence and liquidity in the market. Buyers may prefer all-cash deals to expedite transactions, reflecting a more aggressive approach to acquisitions.

Increased Use of Performance Financing

The rise in performance financing suggests that buyers are willing to tie portions of the purchase price to future performance metrics. This trend could reflect caution among buyers, allowing them to mitigate risks associated with potential underperformance. This increase could also be because multiples are lower, so buyers and sellers turn to structures that can increase the size of the acquisition pie but only if the business performs well.

Stable Equity Rollover Structure

The increase in equity rollover transactions indicates a willingness among buyers and sellers to keep interests aligned post-sale.

Reduction in SBA Financing

The decline in the percentage of deals with SBA financing (they're down by around 18.5%) could signal either a tightening of lending conditions or a shift in buyer preferences. This trend might limit access to financing for some buyers, affecting overall market activity.

- If a business is in decline, the risk for lenders might be too great to take on.
- Buyers might not qualify for an SBA loan (for a number of reasons).
- Buyers might not want to go the SBA route due to the higher interest rates, which might not make the finances work in the buyer's favor.
- Sellers might not be getting SBA pre-qualified because the lenders see their businesses as a risk.
- SBA deals are slow. In this market, buyers are choosing other financial structures to close the deal faster.

More Offers, Fewer LOIs

Avg. Offers per Deal

+22.2% ↑

Avg. Signed LOIs per Deal

-26.5% ↓

What's going on?

The divergence between increased offers and decreased signed LOIs reveals a nuanced shift in the Amazon business acquisition landscape. On the surface, the 22.2% increase in average offers per deal suggests robust buyer interest. However, the simultaneous 26.5% decline in signed LOIs indicates a more complex market dynamic.

Increased Competition

The 22.2% increase in average offers per deal suggests that there is a nuanced shift. Since there are fewer deals that have increasing trends; this could explain the increase in competition for those deals. This in turn shows that buyers are sticking to their acquisition criteria, even if it means paying over asking. For sellers, this is a positive sign as more competition typically leads to better terms and valuations.

More-Selective Deal-Making

The 26.5% decrease in signed LOIs per deal, combined with increased offers, suggests:

- Buyers are more selective in which deals they fully commit to.
- Higher due diligence standards.
- Possibly more complex negotiation processes.
- Complex or alternative financing structures being needed, especially for businesses in decline, in order to close the deal
- Fewer good businesses for sale.

For Sellers

- If your business is growing, there will be higher demand from buyers for your business.
- There is a need for thorough preparation to pass heightened due diligence.
- If your business is in decline, consider making it stable or show growth before listing.
- Be open to the different offers you might receive given the current market (ex all cash, performance financing, equity rollover).

For Buyers

- There is a need to move quickly and present strong offers due to increased competition.
- Be prepared to be creative with the sort of deal structures you're offering (all cash, performance financing, equity rollover).
- It is important to stand out among multiple bidders either by offering more than the asking price or closing faster than competing offers.
- It's also a good idea to think about other factors that influence your chances to win the deal:
  - Understand the ins and outs of the business
  - Asking good questions to show your interest to the seller
  - Give the seller confidence that operations are going to remain stable during the transition period.

Sellers don't like financing deals themselves. Buyers are offering more alternative types of financing. SBA not accepting as many financing partners. Offers using SBA financing have to come at a lower price to have a cushion for the loan repayments.

Deal Offers

2024 Market Shift

Above Asking
+93.5%
Dramatic surge in premium deals

Below Asking
-47.6%
Sharp decline in discount deals

At Asking
+22.3%
Steady increase in target price deals

Total Volume
-18.2%
Overall market activity

Less and more at the same time?

Shift in Pricing Power

The proportion of above-asking-price deals has nearly doubled (93.5% increase). The market has shifted strongly in sellers' favor. With fewer attractive businesses for sale, there’s been a higher concentration of bidders on the good businesses for sale, causing bidding wars.

Market Efficiency

There has been a sharp decline in below-asking-price deals (from 42.42% to 22.22%), suggesting either more accurate initial pricing or stronger negotiating positions for sellers. Buyers are more willing to meet or exceed asking prices to snatch up businesses on the market that have a positive trend.

Market Dynamics

While total volume decreased (–18.2%), the quality of deals improved for sellers. The market is showing signs of being a strong seller's market for the businesses that are growing. Higher competition among buyers leads to premium pricing.

That doesn’t mean these are risk free offers. There’s still some risk involved with the purchase of these businesses, especially if they are 100% Amazon only (platform risk).

If you’re a seller with a growing businesses, what do you do?

- Prepare your financials and get your ducks in a row. It’s looking like Q1-Q2 of 2025 would be an optimal time to list.
- There are strong indications that the market will continue to thaw as more capital becomes available to buyers with pent-up demand.
- You have a strong negotiating position in the current warming market. The signs are showing positive trends for growing businesses, with some deals closing above asking. Consider alternative deal structures to get everyone a bigger piece of the pie. Good businesses always transact.

If you’re a seller with a declining businesses, what do you do?

- Turn around your business to be stable or growing before listing it for sale.
- If you’re unable to turn your business around, be prepared for potentially lower than asking offers on your business.

If you’re a buyer, what are some tips?

- Be prepared to either offer more cash at closing, be creative with your deal structure or come in above the asking price to be competitive and win the deal.
- It’s critical to have financing prearranged to be credible and move fast.
- You should expect strong competition with other buyers on businesses that have solid financial trends.
- Come in with your best offer early.
- If you have a skill that can be used to turnaround a declining business, now is a good time to look at those types of businesses. Those businesses aren’t receiving a ton of offers, so you might get lucky and pick something up below asking.

What else is at play? The longer an LOI drags on, the higher the chances of the deal falling apart. Declining businesses aren’t receiving many offers. If a business is growing or stable, it gets more and better offers, many above asking price.

Going into 2025

So what can we expect going into the new year?

- 2020–2022 saw aggregator-driven market expansion with $29 billion raised
- 2024 witnessed a market contraction, with Thrasio's bankruptcy and aggregators selling brands at steep discounts
- The emerging trend for 2025: market bifurcation favoring growing, stable businesses, with no end in sight.

Market dynamics highlights

Above Asking Price
+93.5%
Dramatic surge in premium deals

Offers per Deal
+22.2%
Increased buyer interest

Deal Volume
-18.2%
Overall market activity

Signed LOIs
-26.5%
Decreased conversion rate

Critical observations from our data

Based on the emerging trends and market dynamics, here's what to expect moving forward.

- Growing businesses are attracting multiple offers and premium pricing.
- Declining businesses face significant market challenges.
- Buyers are becoming more selective with heightened due diligence.
- There is a shift toward all-cash transactions and performance-based financing.

The Amazon FBA market stands at a critical inflection point. The once-frenzied aggregator landscape has transformed into a strategic, discerning marketplace. Success now hinges not on volume but on fundamental business health and growth potential.

For sellers with robust, growing businesses, the current market presents a unique window of opportunity that are likely to continue to grow into 2025. Conversely, declining businesses face increasing market pressures. Be prepared to put in some work to get the business to a stable or growing place if you want to attract buyers.

For buyers, this means being prepared to move decisively, having cash in hand, and being ready to offer more than the asking price for good businesses. However, it seems deals for declining businesses are still there to be had, but you will have to shoulder a lot of the risk as a buyer.

See you next time,
The FBA Guys
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