Cutting Horse

Investment Thesis

The Golden Age of Consumer

Why AI makes software easier to copy and physical consumer businesses more valuable

November 2026 · Boston · New York

The Argument

Six shifts are converging, and each one moves value toward physical consumer businesses

52%

Software was over-funded

Share of US VC dollars, 2025, vs 2.8% for consumer

19.8x → 4.7x

AI is repricing the moat

Median SaaS revenue multiple, 2021 to now

~$4T

Capital has to move

Private capital waiting to be invested

67.6%

Consumer endures

Consumer spending's share of US GDP

7–16 pts

AI is a tailwind

Estimated EBITDA margin uplift for consumer companies

9.2x

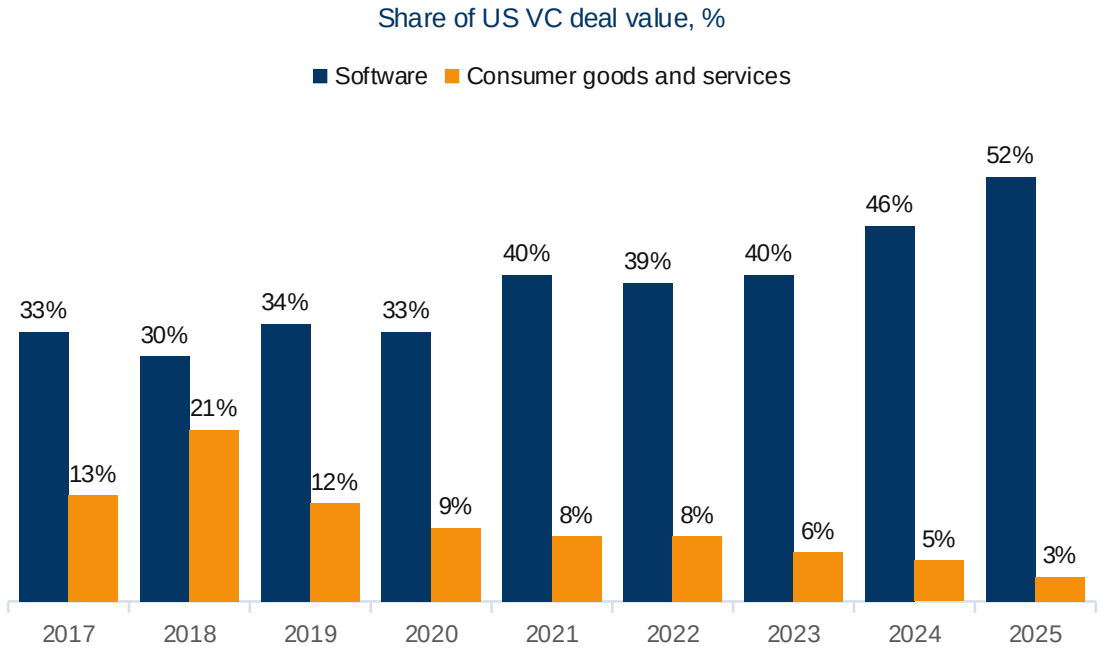
The entry point is private

Consumer M&A EBITDA multiple, 2025, a 10-year low

As of November 19, 2026. Sources: NVCA 2026 Yearbook; Clouded Judgement; PitchBook; BEA via FRED; McKinsey; Capstone Partners. Detail on the pages that follow.

Venture Capital Allocation

In 2025 software took 52% of US venture dollars, while consumer goods and services took 2.8%



18.7x

Software dollars per consumer dollar

2025, up from 1.5x in 2018

$8.9B

US consumer VC, 2025

Down 72% from $31.6B in 2021

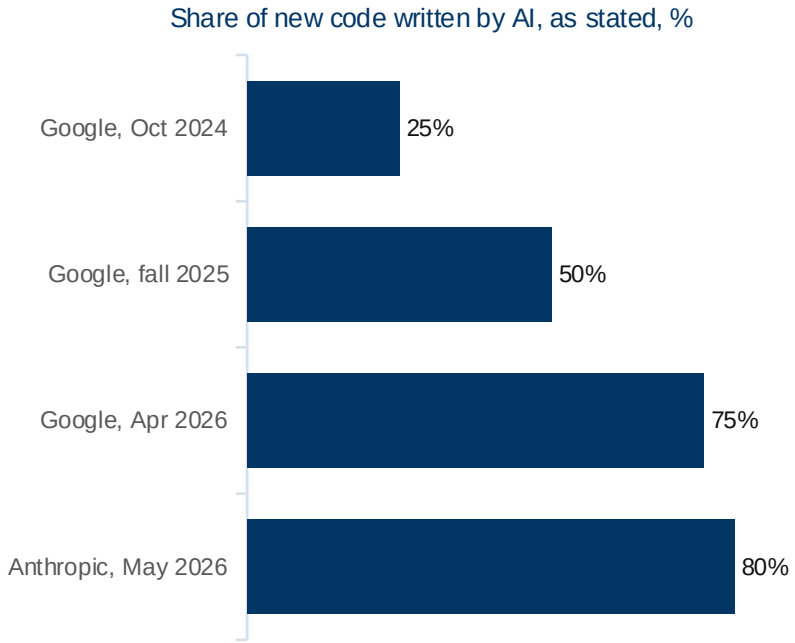
11%

Consumer share of VC deal count

2024: starved of dollars, not deals

As of December 31, 2025. Source: NVCA 2025 and 2026 Yearbooks (PitchBook data). Shares derived from sector totals; software includes AI model companies.

Most new code at leading companies is now written by AI, and software multiples have fallen 76%



19.8x → 4.7x

Median SaaS revenue multiple

February 2021 peak to November 2026

35%

Teams that replaced a SaaS tool

With software they built themselves

$234B

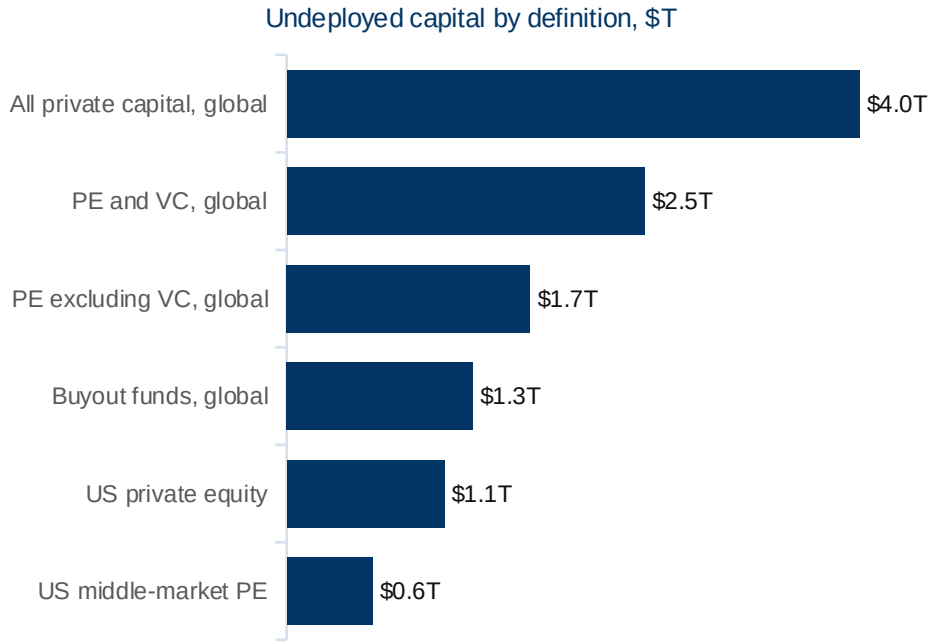
Software spend at risk

From agentic AI by 2030 (Gartner)

As of November 13, 2026. Sources: Alphabet executive statements (2024–2026); Anthropic (June 2026); Clouded Judgement weekly medians; Retool 2026 Build vs Buy Report (vendor survey, n=817); Gartner via CIO Dive (July 1, 2026). Company figures as stated by each company.

Dry Powder

Nearly $4 trillion of private capital is waiting to be invested, and buyout is already rotating



30% → 13%

IT share of US buyout value

2021–25 average vs 2026 through May

+96%

Consumer products buyout value

Global, 2025 vs 2024; retail +197%

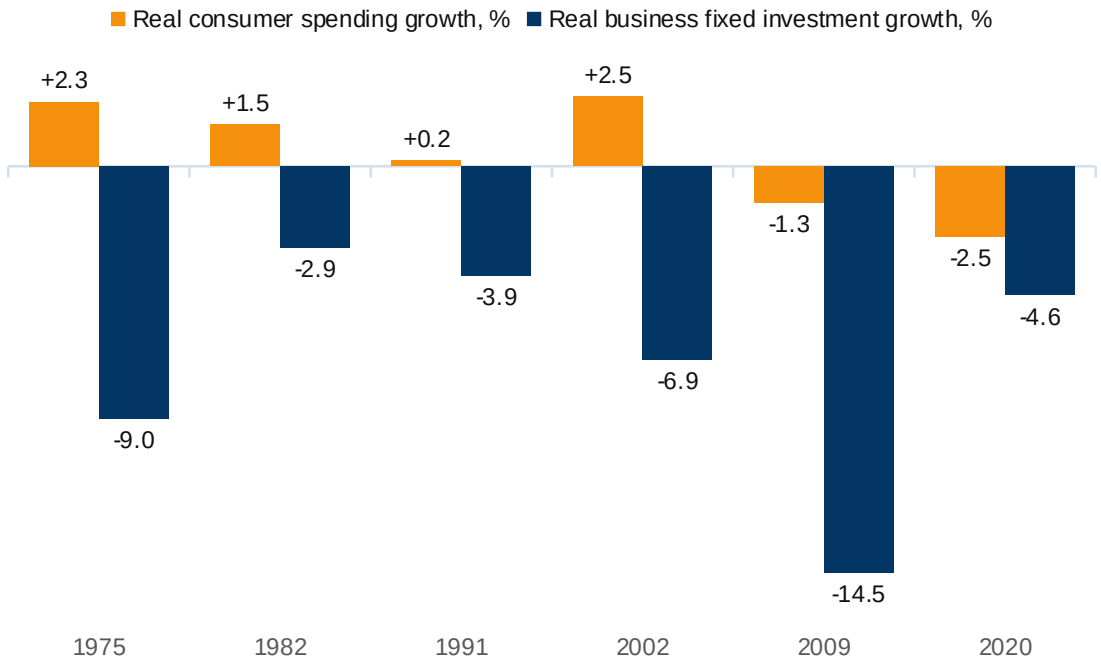
~$10T

To deploy by 2030

Dry powder plus new funds at 2025's pace (CH arithmetic)

As of December 31, 2025 unless noted. Sources: PitchBook; S&P Global / Preqin; Bain Global PE Report 2026 (Dealogic data); PitchBook 2026 US PE Outlook Midyear Update. Definitions overlap; do not sum.

In every recession since 1975, consumer spending held up far better than business investment



67.6%

Of US GDP is consumer spending

2025; $20.9T a year

1.9 vs 5.8

Volatility of annual real growth

Consumer vs business investment, 1962–2025

−2.3% vs −16.6%

Peak-to-trough, financial crisis

Consumer vs business investment

Data through 2025. Source: BEA via FRED (series DPCERL1A225NBEA, A008RL1A225NBEA, PCECC96, PNFIC1, DPCERE1A156NBEA), annual real growth; Cutting Horse calculations. COVID (2020) was the exception for the peak-to-trough comparison.

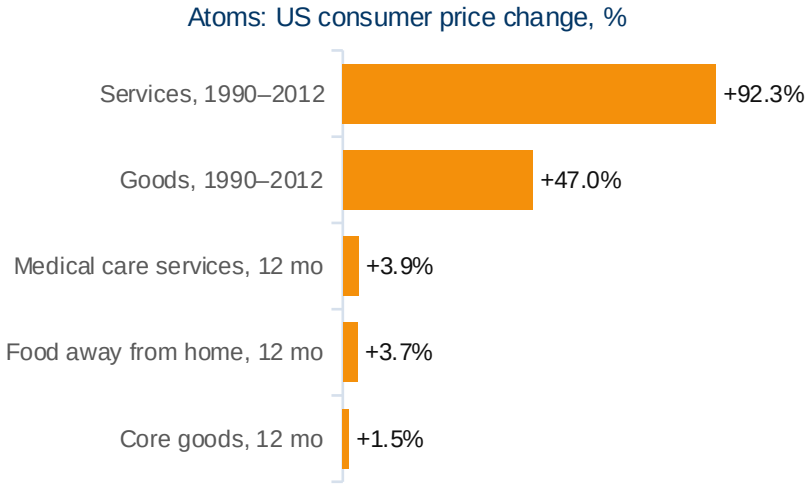
The price of digital output is collapsing, while in-person services keep their pricing power

Bits

280x

Cheaper in two years

Price per million tokens for GPT-3.5-level AI fell from $20.00 (November 2022) to $0.07 (October 2024). Software output follows the same curve.

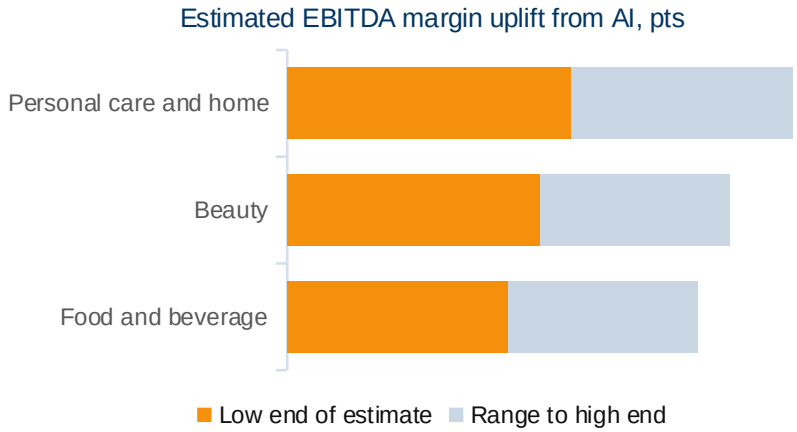


You cannot prompt a dog chew, a frozen pasta or a vet visit into existence. Labor-intensive services keep rising in relative price (Baumol's cost disease). 12-month figures to September 2025.

Sources: Stanford HAI AI Index 2025 (price per million tokens, GPT-3.5-level AI); BLS Monthly Labor Review (2014), CPI-U December to December; BLS CPI release (October 24, 2025).

AI as a Margin Lever

For consumer companies AI is a tailwind, worth up to 7 to 16 points of EBITDA margin



9–16 pts Personal care and home
8–14 pts Beauty
7–13 pts Food and beverage

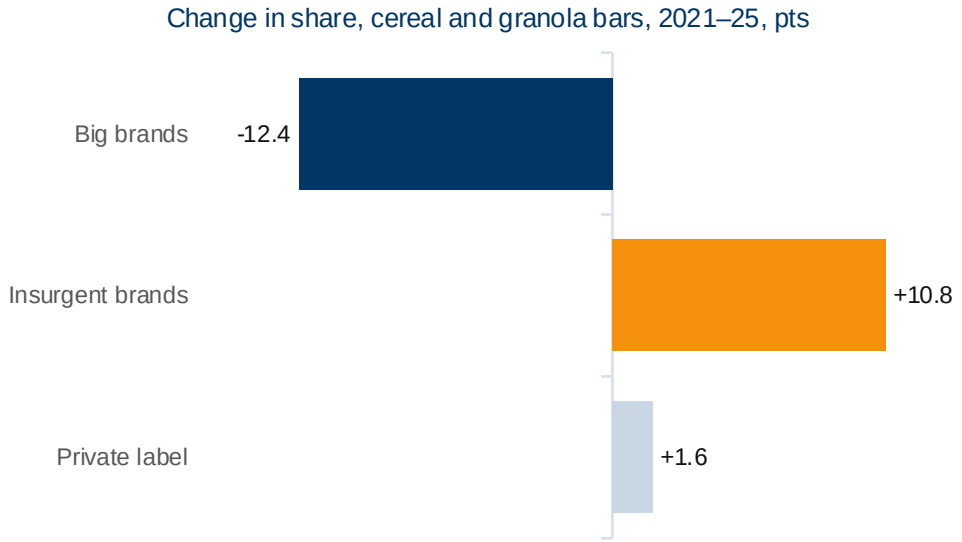
~$2.0M
Specialist back office, 2015
About 18 hires for a $10M brand

~$283K
The same work, 2026
2 people plus AI tools (~$59K of tools)

20% → 3%
Of a $10M brand's revenue
Illustrative; about 7x cheaper

Sources: McKinsey, "Fortune or fiction?" (2024); BLS median wages (May 2025) × 1.43 for benefits; Clio 2025 legal rates; Intercom, Retell and Anthropic list prices (November 2026). Back-office figures are illustrative Cutting Horse arithmetic; 2015 excludes a CX manager, controller and agencies.

On a zero-sum shelf, big brands lose share mostly to premium insurgents, and only partly to private label



Zero sum: the 12.4 points big brands lost went to insurgents (10.8) and private label (1.6). Big CPG outsources innovation to founders and buys it once it is proven.

~36%

Of FMCG growth captured by insurgents

2025, on under 2% share (Bain)

–0.6%

Big CPG volume since 2021

Growth has come from price

~1.5%

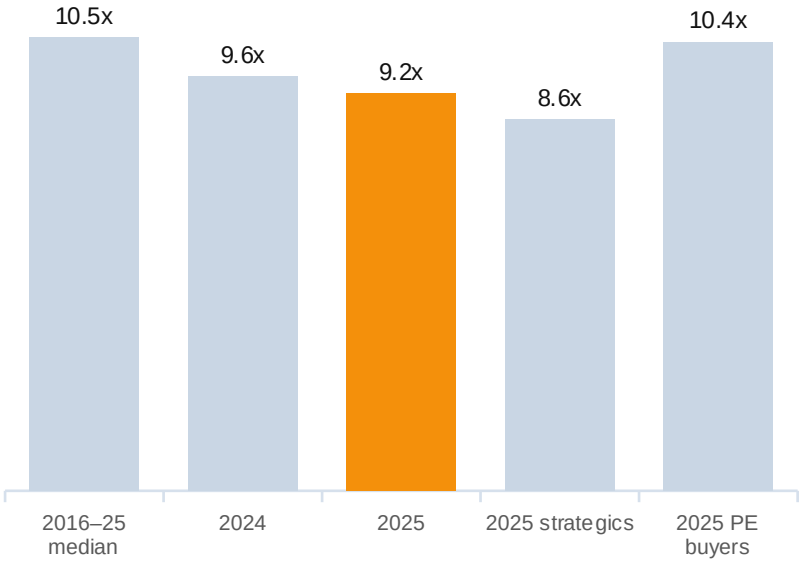
Of sales Big CPG spends on R&D

BCG, June 2026

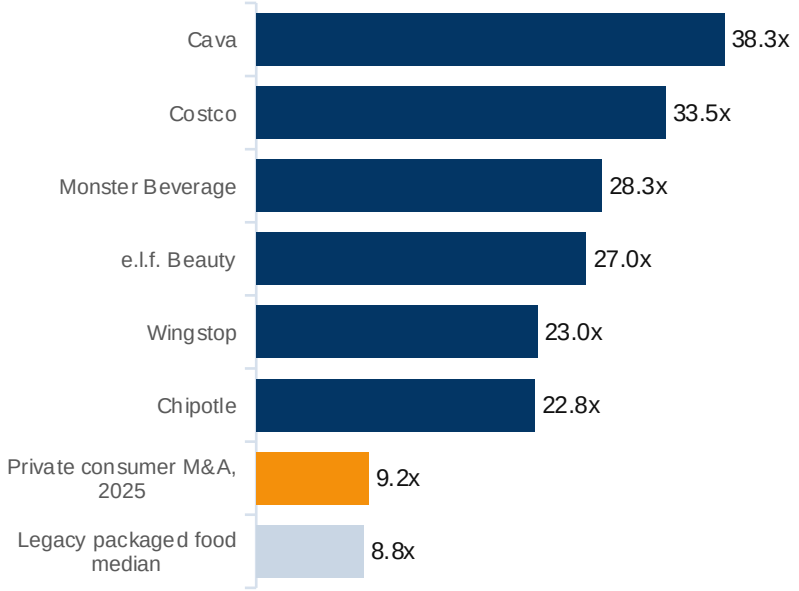
Sources: Bain, 2026 US Insurgent Brands (cereal and granola bars, 2021–25; insurgent share of FMCG growth); BCG (June 11, 2026); company reports via trade press.

Private consumer deals price at a ten-year low, while public markets pay about 3x as much for durable growth

Private consumer M&A, median EV / EBITDA



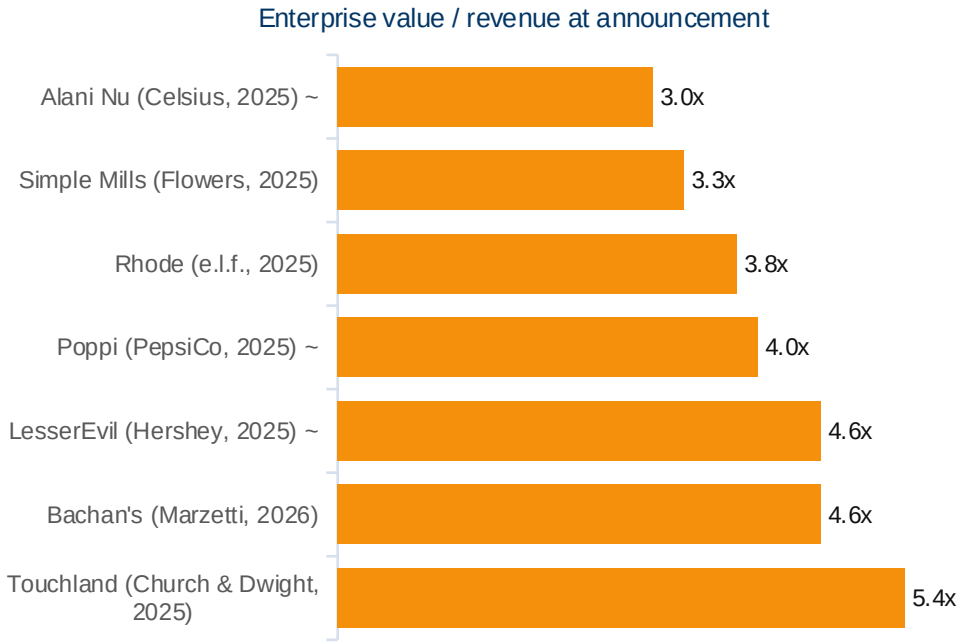
Public scarcity: trailing EV / EBITDA



As of November 19, 2026. Sources: Capstone Partners Annual Consumer M&A Report (April 27, 2026); stockanalysis.com (trailing twelve months; public median is Cutting Horse arithmetic). Private figures are control-deal multiples, so the public premium is understated.

Strategic Exits

Strategic buyers are paying 3 to 5 times revenue for insurgent brands that prove themselves



67.7%

Of branded food and beverage deals

Better-for-you, protein or functional, 2026

+66%

Strategic exits, 2025

Global buyout exits to corporates (Bain)

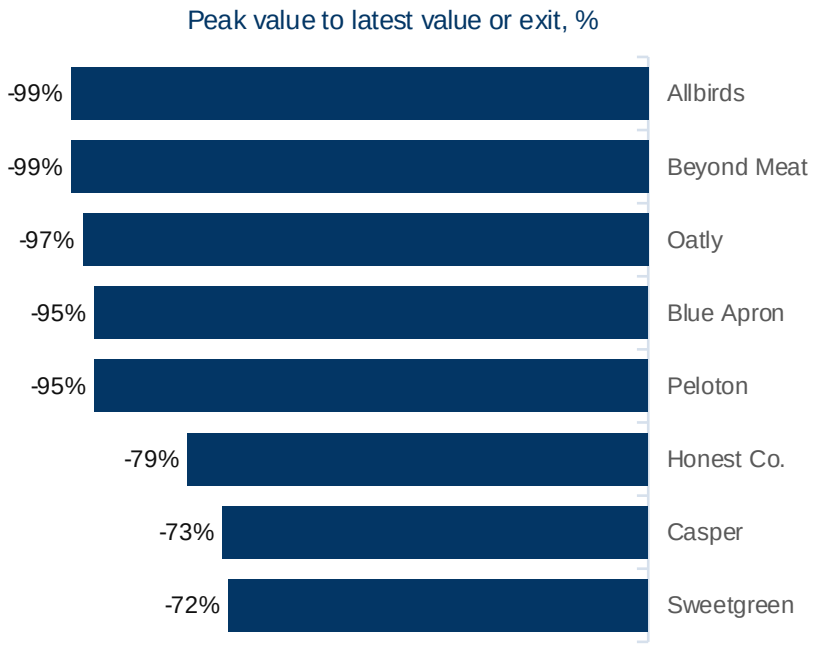
8.6x

Median strategic EV / EBITDA

2025; growth brands command a premium

Announcement years 2025–2026. Sources: company press releases and SEC filings; Axios, FT and WSJ via trade press; Capstone Partners. Upfront consideration; multiples marked ~ use reported prices or estimated revenue (Cutting Horse arithmetic). Most deals carry earnouts.

Consumer did not fail in 2021. Venture priced brands like software, and nearly all of that value is gone



	2015–21 venture model	Rational consumer model
Entry price	15–24x revenue, priced off software comps	Priced backward from where the business will trade
Growth	Triple-digit growth bought with paid social	Steady growth across retail, wholesale and online
Profit	"Later"	A path to positive EBITDA; cash flow is the scorecard
Exit	IPO at peak multiples, then a 70–99% decline	Mid-market PE as the base case; a strategic as the upside

Market values August–November 2026. Sources: CNBC; company filings; stockanalysis.com. Peak is the highest public or private value; declines are Cutting Horse arithmetic. Public company data only; these are not Cutting Horse investments.

Software's golden age was built on scarce code. Consumer's will be built on things that cannot be copied: products people use, places people visit and brands people trust.

Cutting Horse invests early in growing, profitable consumer brands at rational prices.

Cutting Horse

Contact: info@cuttinghorse.com · Learn more: www.cuttinghorse.com

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