KPMG

M&A trends in industrial manufacturing

Q1 2025 M&A trends report

From significant activity to significant uncertainty

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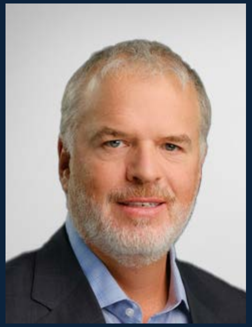
Strategic acquisitions lead the way in Q1'25

The industrial manufacturing (IM) sector is navigating through a complex web of economic, geopolitical, and technological factors, shaping the deal-making environment. The first quarter of 2025 (Q1'25) was a period of significant activity and transformation within the IM sector. Overall, deal volume dropped by just over 20 percent, on a QoQ basis. However, that drop was balanced out by a 5.2 percent increase in deal value, on a QoQ basis, with BlackRock's announced $22.8 billion acquisition of Panama Ports topping the list of deals.

This report examines merger and acquisition (M&A) activity during the first quarter of 2025 across these subsectors: aerospace and defense (A&D); automotive; transportation, distribution, and logistics (TDL); and buildings and construction. We end with an outlook examining how issues and developments, including the Trump administration's tariffs, could impact where IM deals could move in the second quarter and throughout the rest of the year.

In Q1'25, we observed an ongoing focus on separations of noncore assets and consolidations to gain economies of scale benefits. The automotive industry has seen deals that are propulsion agnostic, accounting for a resurgence of hybrid vehicles, driven by consumer preferences and supply chain challenges. A&D continues to leverage advanced technologies like AI for predictive maintenance, while the buildings and construction sector is increasingly adopting digital tools to enhance efficiency and safety. The TDL subsector is grappling with internal resistance to transformation, yet strategic acquisitions are paving the way for enhanced operational capabilities.

> "While there was robust deal activity in the first quarter of 2025, issues around tariffs and trade are significantly clouding the future of M&A in the industrial manufacturing sector."
>
> —Todd Dubner
>
> *Principal, Advisory – Performance Transformation, KPMG LLP*



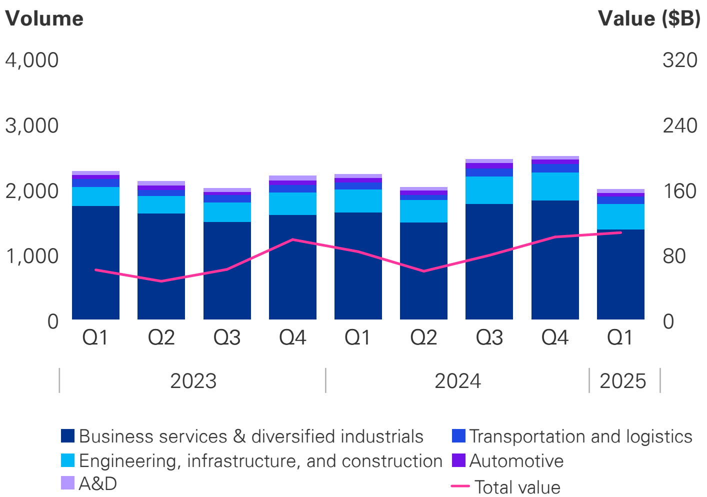
Q1 2025 highlights

- **1,995** deals
- **-20.1%** decrease in number of deals QoQ
- **$106.1** deal value (in $US bn)
- **5.2%** increase in deal value QoQ

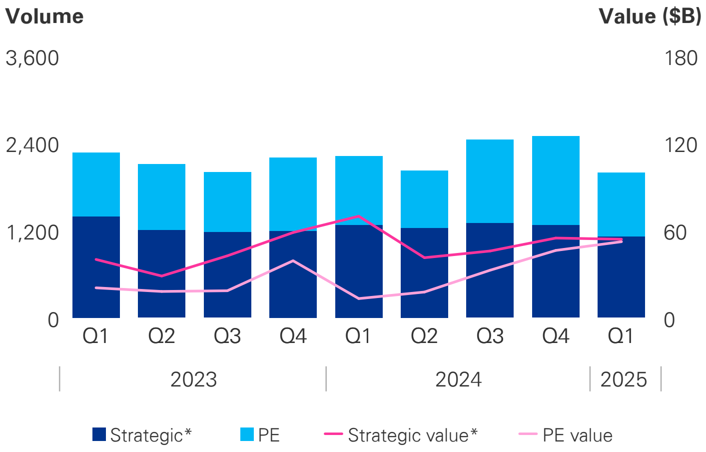
Mixed results

The IM sector experienced a mixed quarter in terms of deal volume and value. The total deal volume for Q1’25 stood at 1,995, a 20.1 percent decline from Q4’24 and a 10.1 percent decrease year-over-year (YoY). However, the total deal value increased by 5.2 percent quarter-over-quarter (QoQ) to $106.1 billion, reflecting a 28.1 percent YoY growth.

Industrial manufacturing deal activity by subsector

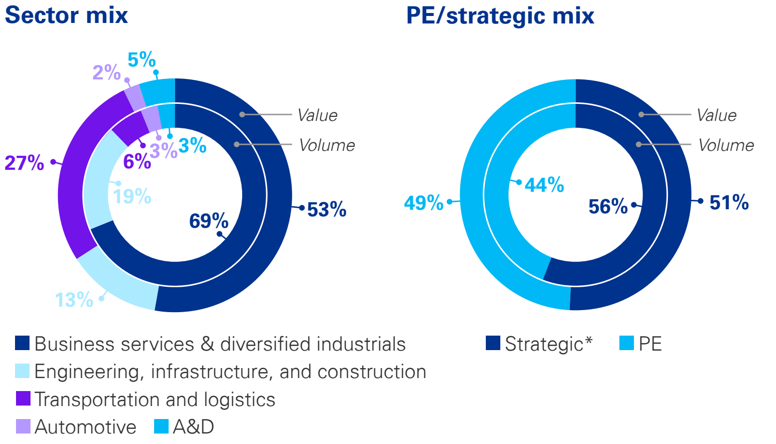


Industrial manufacturing deal volume and value



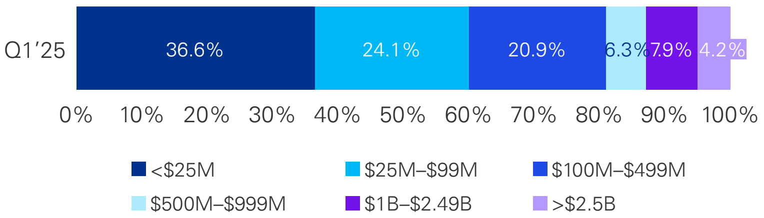
*Data also contains figures for SPAC deals.

Industrial manufacturing - Q1’25



Values may not add to 100% due to rounding.
*Data also contains figures for SPAC deals.

Industrial manufacturing deal size mix - Q1’25



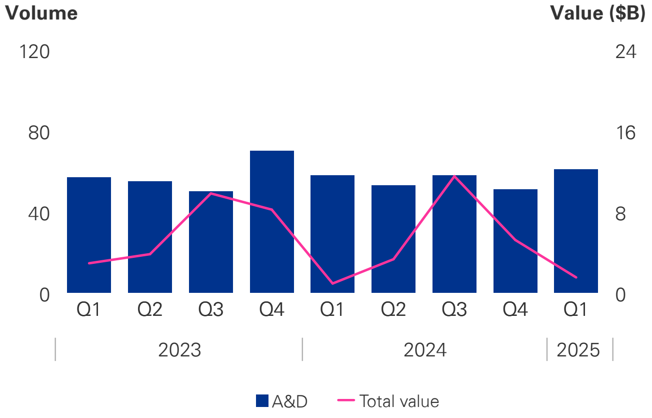
Note: Deals with disclosed values only. Values may not add to 100% due to rounding.

Deal activity by subsector

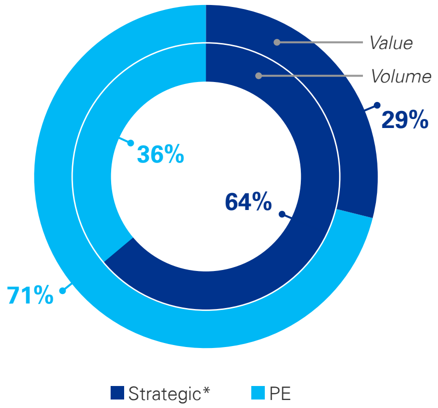
A&D

This subsector saw a 19.6 percent increase in deal volume QoQ, with a total of 61 deals in Q1'25. That increase in deal volume can be attributed to the sector's focus on AI and automation. Deal value, however, declined by 16.6 percent QoQ to $5.1 billion. The subsector continues to be driven by technological advancements, particularly in AI and predictive maintenance. The industrial production index and capacity utilization data for this subsector indicate robust production levels, supporting the strategic investments in advanced technologies.

A&D deals by subsector



A&D strategic/PE mix Q1'25

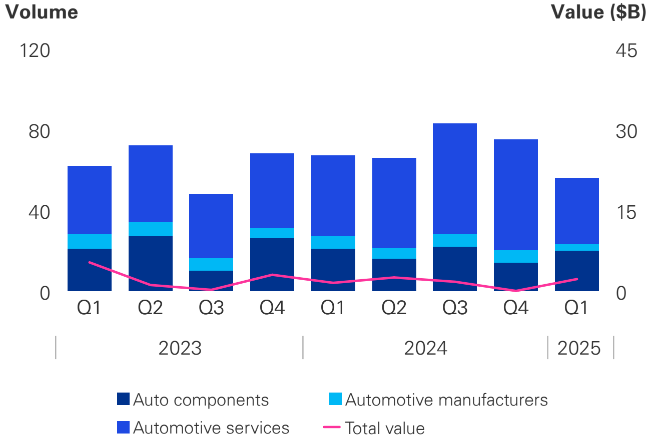


Values may not add to 100% due to rounding.
*Data also contains figures for SPAC deals.

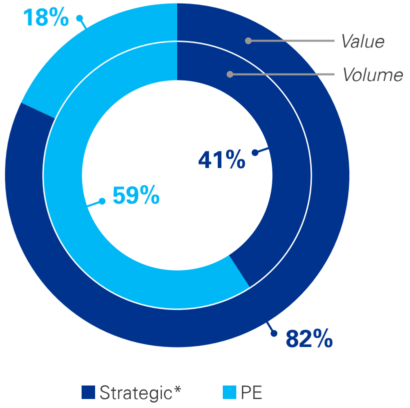
Automotive

This subsector experienced a 25.3 percent decline in deal volume QoQ, with 56 deals in Q1'25. Despite this, deal value surged to $2.2 billion, reflecting a 45.0 percent YoY increase. This anomaly was primarily driven by one large deal: American Axle & Manufacturing Holdings' $1.44 billion announced acquisition of Dowlais Group. Overall, the resurgence of hybrid vehicles and the need for supply chain resilience are key drivers. The US battery electric vehicle monthly sales data and the "Big Three" automakers' US market share and inventory metrics highlight the growing consumer demand and industry focus on sustainable transportation.

Automotive deals by subsector



Automotive strategic/PE mix Q1'25

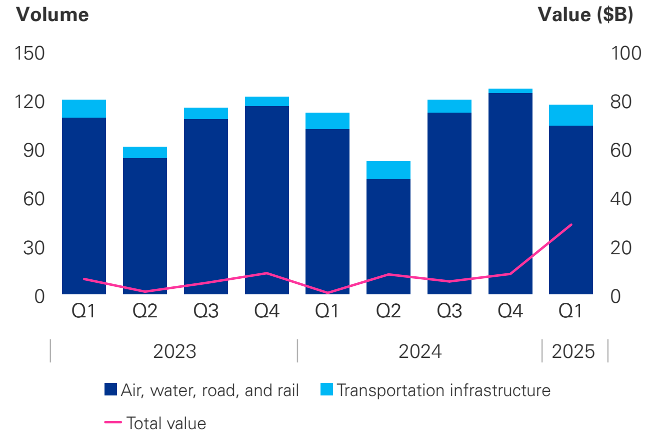


Values may not add to 100% due to rounding.
*Data also contains figures for SPAC deals.

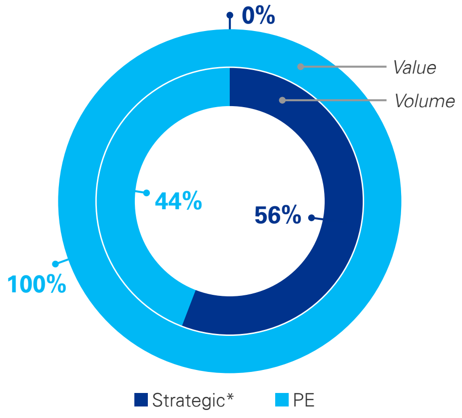
TDL

This subsector saw a 7.9 percent decline in deal volume QoQ, with 117 deals in Q1'25. However, deal value skyrocketed 244.8 percent QoQ to $28.6 billion, driven by strategic acquisitions aimed at enhancing operational capabilities. The Freight Transportation Services Index and Cass Freight Index indicate a robust freight market, which is essential for the sector's growth. And the transportation and warehousing employment data suggest a growing workforce, which is necessary to support the sector's expansion and transformation efforts.

Transportation and logistics deals by subsector



TDL strategic/PE mix Q1'25

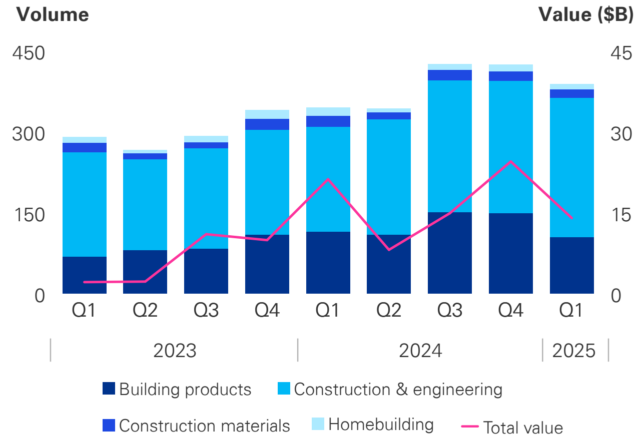


Values may not add to 100% due to rounding.
*Data also contains figures for SPAC deals.

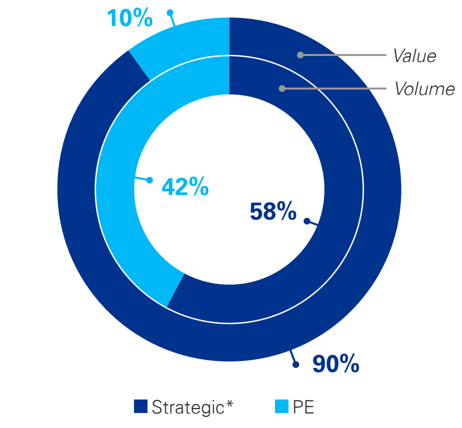
Building and construction

Volume in this subsector decreased by 8.5 percent QoQ to 389 deals, while deal value dropped 42.8 percent QoQ to $14.0 billion in Q1'25. The subsector is increasingly leveraging digital tools for efficiency and safety. It should be noted that several of the biggest deals in the quarter were building products related, which means more scrutiny needs to be given to the outlook for commercial and residential buildings in the US that is creating this activity.

Buildings & construction deals by subsector



Buildings & construction strategic/ PE mix Q1'25



Values may not add to 100% due to rounding.
*Data also contains figures for SPAC deals.

Top deals

	Value (billions)
Acquirer: **BlackRock (NYSE: BLK)(Laurence Fink), Global Infrastructure Partners, Terminal Investment** Target: **Panama Ports**	$22.8
Acquirer: **QXO, Inc. (NYSE:QXO)** Target: **Beacon Roofing Supply, Inc. (NasdaqGS:BECN)**	$11.0
Acquirer: **James Hardie Industries plc (ASX:JHX)** Target: **The AZEK Company Inc. (NYSE:AZEK)**	$8.8
Acquirer: **Blackstone (NYS: BX)(Heidi Boyd)** Target: **Safe Harbor Marinas**	$5.7
Acquirer: **Apollo Global Management (NYSE: APO), BC Partners(Paolo Notarnicola)** Target: **GFL Environmental (Environmental Services Unit)**	$5.6
Acquirer: **Herc Holdings, Inc. (NYSE:HRI)** Target: **H&E Equipment Services, Inc. (NasdaqGS:HEES)**	$3.8

Deal data has been sourced from Capital IQ and Pitchbook, and then further refined and analyzed by KPMG LLP. The cited values and volumes cover inbound, domestic, and outbound US deals announced during the timeframe, including both majority and minority stakes. Deal values are based on publicly available data and are not exhaustive. Previously published statistics may be revised to incorporate new data or changes. The values and volumes data cited are for US deals announced between January 1, 2025 and March 31, 2025.

Preparing for clarity

When the first quarter of 2025 ended, we believed the IM sector was poised for continued M&A activity, driven by technological advancements, supply-chain resilience, and strategic growth initiatives. That assessment changed dramatically with the scale of the planned and/or implemented tariffs by the Trump administration. Those tariffs could be particularly impactful to businesses within the IM sector because of their susceptibility to supply chain disruptions, increased costs, and retaliatory measures.

For quite a number of our clients, major strategic decisions are moving more slowly as trade and supply chain uncertainty persists. That said, we believe major deals that are currently underway will continue to progress. On the flip side, prospective dealmaking has significantly slowed. During this period of uncertainty, we see our more acquisitive clients lining up their deal pipeline. By doing that, when the market becomes calmer and more forecastable, these companies will be able to rapidly resume their M&A activity. We believe that guidance is consistent across auto, conglomerates, and A&D.

A&D

We anticipate heightened M&A activity in this subsector, spurred by technological advancements and strategic growth initiatives. Companies are expected to invest in AI and automation technologies to improve operational efficiency and competitiveness. Moreover, the sector stands to benefit from increased defense spending due to geopolitical tensions, which is driving further investment and consolidation. And while there is ample evidence of value being generated in AI and cyber, recent transactions, including both the Berkshire Partners/Warburg Pincus acquisition of Triumph Group and Bain Capital's acquisition of Jamco, are traditional aerospace suppliers being taken private.

Automotive

We see increased M&A activity in this space, largely due to the emphasis on hybrid and EV technologies. Companies are seeking to acquire innovative technologies and digital capabilities to remain competitive and enhance their market position. Additionally, the sector is undergoing capacity rationalization and restructuring efforts by both original equipment manufacturers and suppliers. That said, many of the deals that are occurring, including American Axle & Manufacturing Holdings' $1.44 billion announced acquisition of Dowlais Group, are long-term auto suppliers combining to drive growth and economies of scale. Tariffs on the automotive industry will drive prices higher and disrupt supply chains.

Preparing for clarity (cont.)

TDL

We believe the subsector will pursue investments in digital tools and technologies to address internal resistance to transformation. These moves will be designed to boost supply-chain resilience and operational efficiency. If market stability and investor confidence improve, then we predict increased M&A activity in the space.

Buildings and construction

The subsector will continue to adopt digital tools for better efficiency and safety. Some M&A activity will be driven by the need to update equipment and infrastructure, and the push for environmental sustainability and energy efficiency. Investment is also focused on renewable energy generation and infrastructure projects. We find it interesting that there is significant deal activity around building materials and building material distribution, including James Hardie's $8.75 billion deal to buy the Azek Company, but the forces driving that surge are unclear and require more scrutiny. Price hikes and volatility are likely due to curbs to immigration stunting labor force availability, and tariffs raising input prices.

Key considerations as we look ahead

Industrial manufacturing industry dealmakers thinking about M&A in the current environment should consider the following:

01

Refresh your pipeline:

Serial acquirers are scanning the market for targets right now. That means companies need to be ready to act when the market stabilizes.

02

Reassess your portfolio:

We are seeing a portfolio shift occurring, especially in auto and A&D, which means businesses need to start separating anything they anticipate selling. That includes separating operationally those businesses that you intend to sell to make the process easier.

03

Prepare your team:

The deal market has been somewhat depressed of late, which means chances are high that at least some of your team has turned over during that time. Make sure to prepare your team to function as a unit in terms of training, communications, and alignment around M&A vision and M&A strategy. Your employees need to understand what is expected of them.

04

Overcome internal resistance:

Companies should continually address challenges of internal resistance to transformation, particularly in the TDL sector. Providing strategies to help manage and overcome this resistance can facilitate smoother transitions and successful transformations.

How KPMG can help

KPMG helps its clients overcome deal obstacles by taking a truly integrated approach to delivering value and leveraging its depth in the IM industry, data-supported and tools-led insights, and full M&A capabilities across the deal lifecycle.

With an IM specialization, our teams bring both transactional and operational experience, delivering rapid results and value creation.

Our team

Experience wins the deal.

Each member of our deal team brings extensive industry experience and functional depth, working together to help you win the right deals, divest successfully, and create long-term value.

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