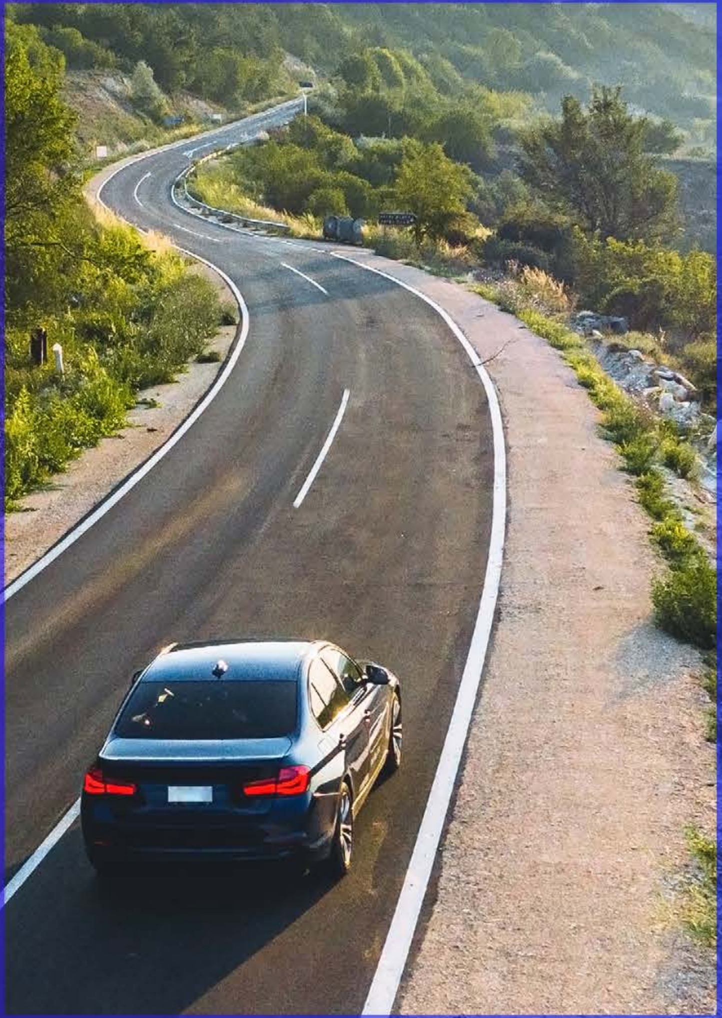
Navigating amid uncertainty

M&A trends in industrial manufacturing



2024

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Introduction

Sizing up the future at the dawn of a new era

Industrial manufacturing (IM) M&A remained largely steady through Q4'24. Value rose about 7 percent in Q4, from $78.4 billion to $83.5 billion, as deal volume dipped 11.6 percent compared to Q3'24. Overall, Q4 wrapped up a good year for IM—deal volume rose by 3.1 percent to 8,853 from 8,585 deals in 2023, while deal value rose by 14.3 percent to $303.7 billion from $265.8 billion in 2023.

The largest strategic deal of the quarter was Quikrete Holdings' acquisition of Summit Materials, Inc. The $11.5 billion deal combines Summit's aggregates, cement, and ready-mix concrete businesses with Quikrete's concrete and cement-based products. The second-biggest deal was Amcor's $8.4 billion purchase of Berry Global Group Inc., aiming to create a combined conglomerate specializing in consumer and healthcare packaging.

Strategic deal value outweighed private equity again in Q4, $54.3 billion to $29.2 billion, besting $45.8 billion against $32.6 billion in Q3. Volume shifts followed a similar path. In Q4'24 there were 1,206 strategic deals and 957 PE deals compared with 1,297 strategic deals and 1,151 PE deals in Q3'24. A total of 8.8 percent of all IM deals were valued at $1 billion or more, up 7.4 percent from 2023.

Q4 results were mixed at the sectoral level. The dollar value of automotive deals fell to $26 million in Q4, down from $1.7 billion in Q3, as the number of deals fell to 60 in Q4, down from 83 in Q3. Transportation and logistics (T&L) rose to $8.2 billion in Q4 from $5.2 billion in Q3. In aerospace and defense (A&D), deal value fell to $6.1 billion in Q4 from $12.6 billion in Q3, and deal volume fell to 48 from 58.

T&L ended the year with year-on-year (YoY) value up 8.6 percent, to $22.1 billion from $20.4 billion. A&D deals fell 8.1 percent year on year to $23.4 billion from $25.5 billion. Automotive had the most dramatic year, with value falling 39.9 percent YoY to $5.7 billion from $9.5 billion in 2023.

Looking ahead, we expect more consolidation among automotive OEMs. This consolidation is driven not only by the anticipated shift toward electric vehicles (EVs) but also by the downstream implications of this shift, including overcapacity and the need to derisk portfolios. We also expect to see consolidation among automotive component manufacturers and distributors as part of this larger shift. At the same time, we anticipate more strategic acquisitions in the ground transportation sector as geopolitical winds push manufacturers back to the domestic market. In the defense sector, geopolitical tensions will likely drive bigger defense budgets and more M&A activity as companies and PE look to expand and invest in emerging technologies (notably AI, cybersecurity, and space) and respond to government policies favoring domestic production and innovation (notably in defense tech and dual-use technologies). Private equity will be drawn into subsectors where it sees a growth opportunity.

> "Strategic auto suppliers and OEMS with strong balance sheets may look for opportunities in M&A to diversify portfolios across volume uncertainty with ICE, hybrid and EV and mitigate overcapacity through footprint rightsizing and localization."

Joe Dineen
Principal,
Deal Advisory & Strategy

The data

Rolling along—mostly

Eighteen deals over $1 billion closed in Q4, divided almost evenly between strategic deals (10) and private equity (8). The number marked a decline from the 22 deals of $1 billion or more in Q3, in which strategic deals had the upper hand over PE, by 14 to 8.

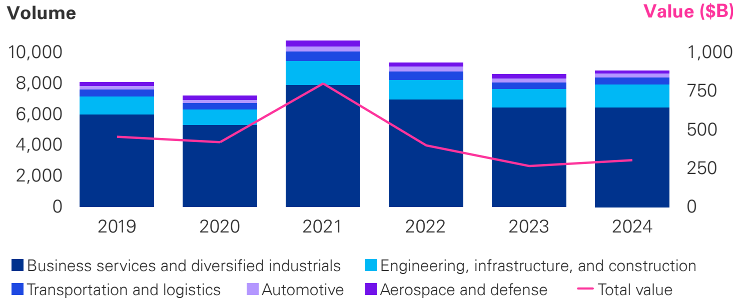
2024 highlights

8,853 deals ▲ **3.1%** increase YoY

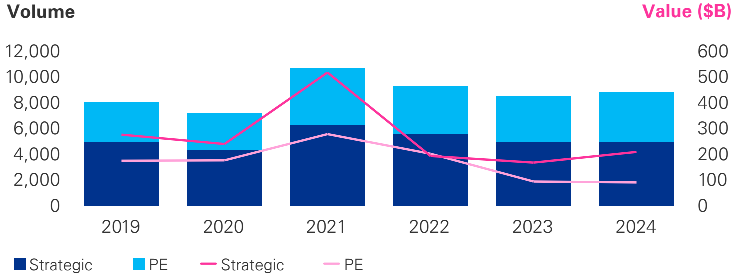
$303.7 billion deal value ▲ **14.3%** increase YoY

Although IM deals fell in volume in Q4, possibly due to economic and election year uncertainties, buyers remain keenly interested in deals that would enable them to acquire new technologies, enhance customer experience, and diversify portfolios.

IM deal activity by sector



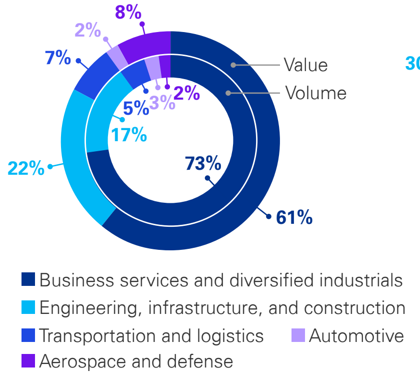
IM deal activity by type



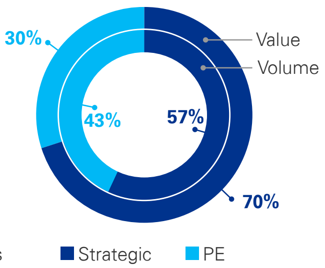
2024 deal mix

Outer ring represents value. Inner ring represents volume.

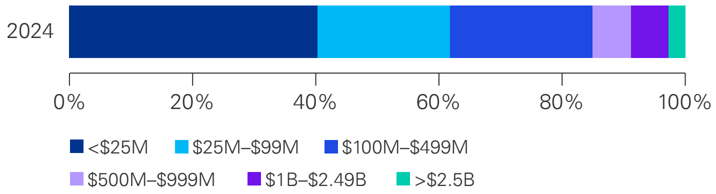
Sector mix



PE/strategic mix



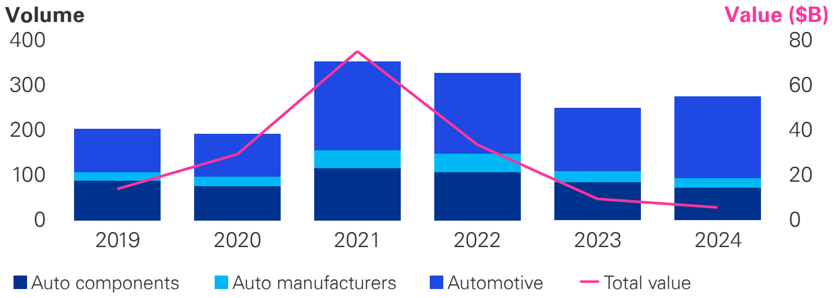
2024 deal size mix (volume)



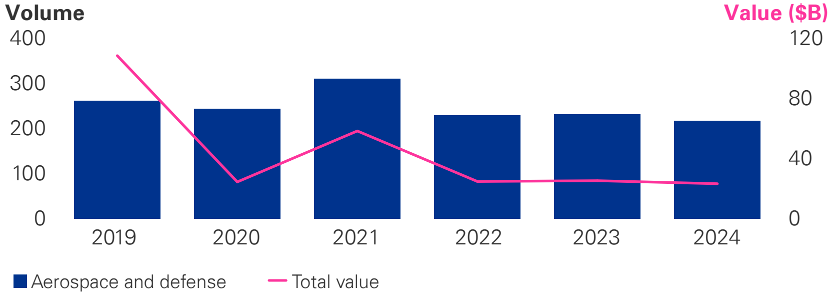
Deal data has been sourced from Capital IQ, Pitchbook, and KPMG analysis. The values and volumes data cited are for US deals announced between January 1, 2024 and December 31, 2024. Deal values are only presented based on publicly available deal data and are not exhaustive. Previously published statistics may be restated to incorporate new data and/or any change.

Deal activity by subsector

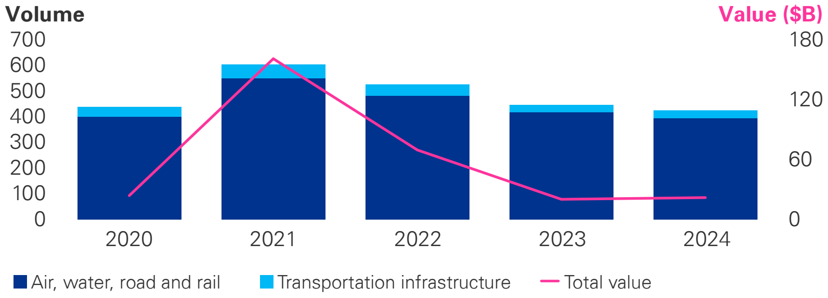
Automotive



Aerospace & Defense



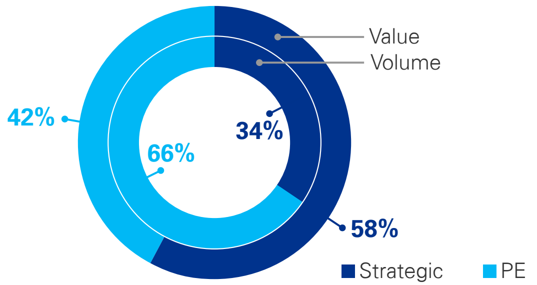
Transportation & Logistics



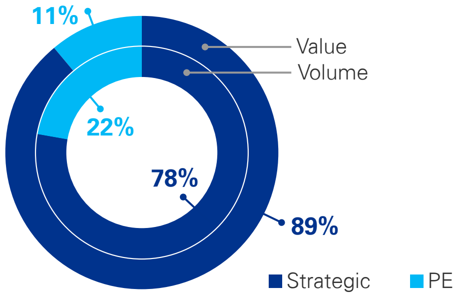
2024 PE/strategic mix

Outer ring represents value. Inner ring represents volume.

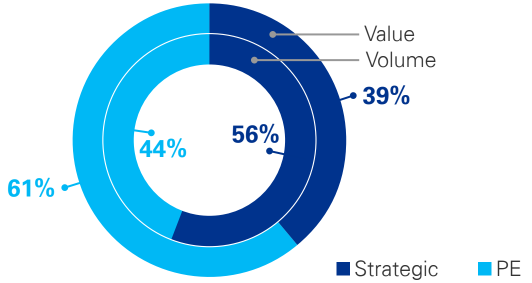
Automotive



Aerospace & Defense



Transportation & Logistics



Top deals

	Value (billions)
Acquirer: **Quikrete Holdings, Inc.** Target: **Summit Materials, Inc.**	$11.5
Acquirer: **Amcor plc** Target: **Berry Global Group. Inc**	$8.4
Acquirer: **Novolex Holdings LLC** Target: **Pactiv Evergreen Inc.**	$6.7
Acquirer: **AeroVironment, Inc.** Target: **BlueHalo LLC**	$4.1
Acquirer: **Apollo Global Management** Target: **Barnes Group**	$3.6

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Outlook

Eyes on the prize

Despite the potential for natural, geopolitical, and military disruptions, 2025 could still be a good year for M&A. KPMG now forecasts no additional rate cuts by the Fed this year, although the market expects 1–2 rate cuts by year end.

If interest rates remain stable and tariffs are not used as bluntly as threatened, buyers may focus more on strategic drivers such as the realignment of the automotive sector toward EVs, the Department of Defense's push for domestic sourcing, and the interest of global logistics players in the US domestic market. Additionally, consolidation and rationalizing footprint/capacity, particularly in the automotive sector, could be significant drivers, especially in a Trump-era context where policy may influence these trends.

Key considerations as we look ahead

Our list of potential disruptors mirrors those from Q4'24:

1. **Tariffs**
Trump's tariff programs could be disruptive, but some investors are now betting on more noise than action, or short-lived action at most.

2. **Supply chain kinks**
Between the possibility of a trade war, collateral damage from real wars, and extreme weather, the possibility of logistical disruptions should be considered an ongoing and elevated risk.

3. **Interest rates**
Despite Fed rate cuts, yields have risen. KPMG Economics is forecasting no more rate cuts in 2025. Something to watch is the deviation between the direction of the Fed policy rate and government bond yields. Factors including less demand for government bonds, higher anticipated prices, and the return of risk premiums have led Treasury yields to rise while the Fed funds rate falls.

Deal pace will stay strong despite uncertainty

Automotive

We expect continued consolidation among legacy auto OEMs and suppliers in response to a contraction in some markets for geopolitical reasons, rising Chinese exports in others, and the need for massive investments in new vehicle architectures. The auto parts supply chain will continue to realign itself to meet the needs of an increasingly multipolar automotive industry, to incorporate modern technologies, secure new talent, and to consolidate underperforming electronic vehicle-related investments.

Aerospace and defense

A&D companies will keep pursuing strategic deals, especially in growth sectors such as autonomous- and AI-enabled systems, cybersecurity, and space. We anticipate primes will continue to divest non-core assets and use M&A to address persistent supply chain issues, including responding to government policies favoring domestic production and innovation. Finally, we expect to see private equity interest in A&D to continue to grow, expanding in areas of defense tech, dual-use technologies, and beyond.

Transportation and logistics

The ground transportation subsector is actively engaging in strategic acquisitions as companies aim to strengthen their operational capabilities and broaden their service offerings. President Trump's America First agenda is expected to drive reshoring of production and discourage imports, which may help domestic logistics services but hurt international ports, air, and freight forwarders.

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How we can help you

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.

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