



M&A trends in industrial manufacturing

Q2 2025 M&A trends report

Deals with direction: Industrial manufacturing's strategic surge

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Strategic urgency meets cautious optimism

Despite geopolitical tremors and tariff headwinds, dealmakers in industrial manufacturing leaned into strategic imperatives in the second quarter of 2025 (Q2'25). And even in this highly uncertain market, deal momentum was stronger than anticipated, and we expect that positive trend to continue. The quarter was marked by bold moves in electrification, defense tech, and logistics digitization, even as the overall deal volume saw a significant decrease and deal value experienced a short-term decline. This report explores how leaders are navigating complexity with precision and purpose.

The second quarter of 2025 unfolded under the shadow of trade policy uncertainty and inflationary pressures, yet the industrial manufacturing sector demonstrated resilience. While total deal volume declined 11.4 percent quarter over quarter (QoQ), deal value remained robust at US\$78.1 bn, down 28.8 percent QoQ but up 32.8 percent YoY.¹ Strategic acquirers drove the bulk of activity, accounting for 62.1 percent of deal value, with notable transactions in defense, electrification, and logistics. Private equity (PE) activity cooled, and remained cautious, with deal value dropping 46.5 percent QoQ, reflecting a more selective investment posture.

Sector-specific dynamics shaped the quarter's narrative. Aerospace and defense (A&D) saw a 20 percent decline in volume but continued its pivot toward quantum communications and surveillance tech. Automotive mergers and acquisitions

(M&A) rebounded in value, up 114.5 percent QoQ, driven by electrification and hybrid strategies. Transportation and logistics (TLD) surged in value, up 143.2 percent YoY, as firms doubled up on automation and artificial intelligence (AI). Buildings and construction (EIC) cooled, with deal value down 43.6 percent QoQ, though strategic platform-building continued.

Notably, the quarter saw a rise in smart manufacturing and automation-driven deals, as companies sought to modernize legacy infrastructure and improve operational efficiency.¹

Additionally, industrial M&A volume showed resilience, with certain subsectors—particularly logistics and electrification—driving higher valuations and strategic interest.²

In one significant development, Flowserve and Chart Industries announced an all-stock merger of equals in June 2025, aiming to create a leading player in industrial process technologies. However, Chart Industries terminated the agreement on July 29, sparking speculation across the sector about potential new suitors and strategic shifts ahead.

“In an era marked by geopolitical shifts and economic uncertainties, the industrial sector’s agility in navigating through strategic pivots is nothing short of remarkable. Our latest analysis highlights a clear trend: forward-thinking leaders are not just weathering the storm—they’re redefining the landscape through decisive action and innovative strategies.”

—Todd Dubner

Principal, Advisory – Performance Transformation, KPMG LLP



¹ Mike Waltrip, “The Top 11 Manufacturing Trends for 2025,” Advanced Technology Services, October 2025.

² Trevor Hulett, Ryan Hartman, and Dax Kugelman, “Industrials M&A Update Q2 2025,” R.L. Hulett & Company, July 2025.

Q2 2025 highlights

Both deal volume and value declined.

2,043
deals

↓ **-11.4%**
decrease in number
of deals QoQ

\$78.1
deal value (in \$US bn)

↓ **-28.8%**
decrease in deal
value QoQ



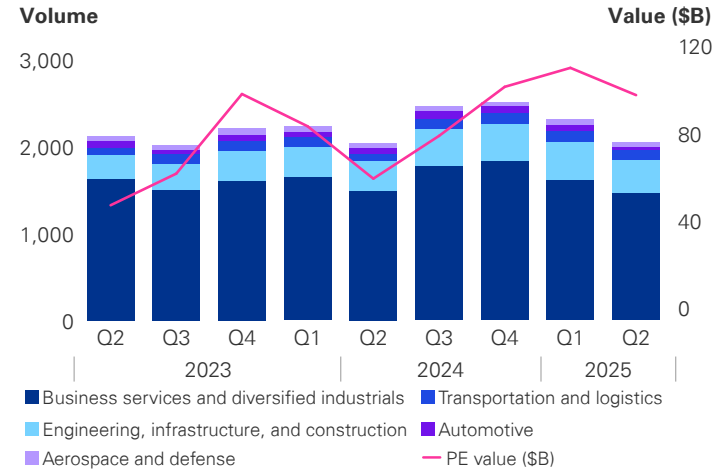
Volume down, value holds firm

Deal volume declined across most subsectors (QoQ), but strategic acquirers and targeted investments kept deal value buoyant. A&D and automotive showed divergent trends in terms of value (QoQ basis), while TLD posted standout gains (YoY), specifically in deal value.

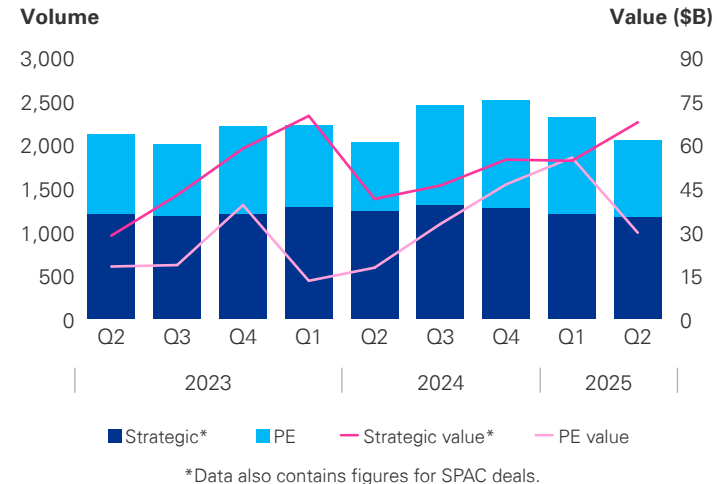
In Q2'25, the industrial manufacturing sector recorded 2,043 deals, down 11.4 percent from the previous quarter and nearly flat YoY with a modest 1 percent increase. Despite the volume dip, the deal value reached US\$78.1 billion, a 28.8 percent decline QoQ but a strong 32.8 percent increase YoY, signaling a shift toward larger, more strategic transactions.³

Strategic deals accounted for 57 percent of volume and 62.1 percent of value, with a 10.7 percent decrease in value QoQ. PE deals saw a 21 percent drop in volume QoQ and a 46.5 percent decline in value QoQ, reflecting a more cautious investment stance amid macroeconomic uncertainty.³

Industrial manufacturing deal volume and value

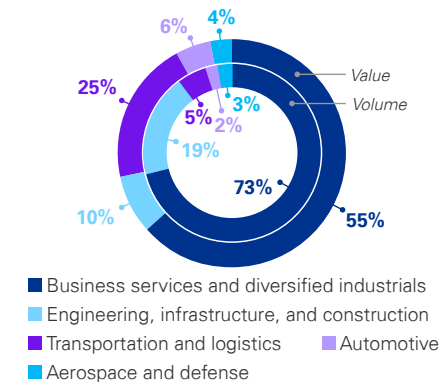


Industrial manufacturing strategic/PE deal volume and value

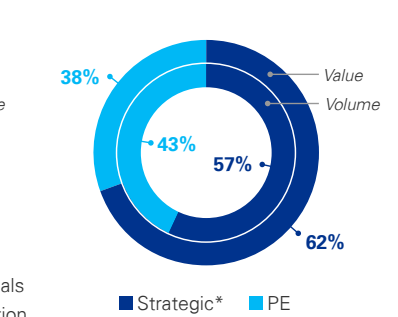


Industrial manufacturing - Q2'25

Sector mix

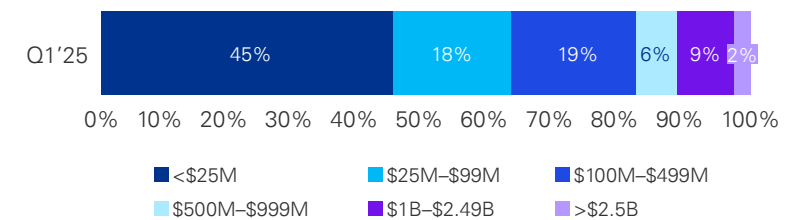


PE/strategic mix



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

Industrial manufacturing deal size mix - Q2'25



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

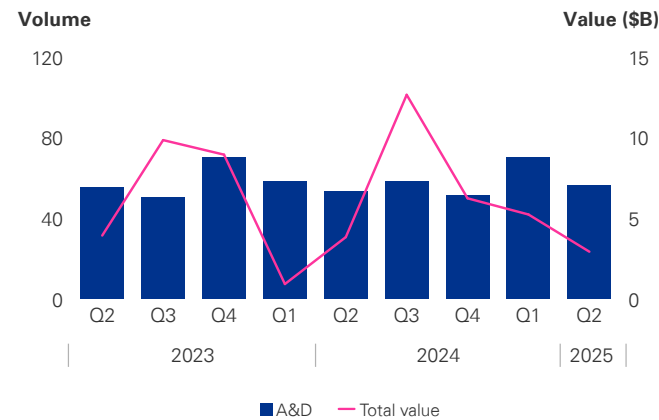
³ Mike Waltrip, "The Top 11 Manufacturing Trends for 2025," Advanced Technology Services, October 2025.

Sector Data

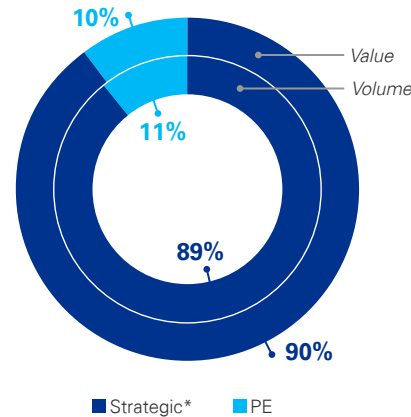
A&D

Deal volume fell 20 percent QoQ to 56 deals, though YoY volume rose 5.7 percent. Deal value dropped sharply by 44.6 percent QoQ to US\$2.9 billion and was down 24.4 percent YoY, indicating a pause in large-scale defense transactions despite continued interest in surveillance and quantum technologies.

Aerospace and defense deals by subsector



Aerospace and defense strategic/PE mix Q2'25

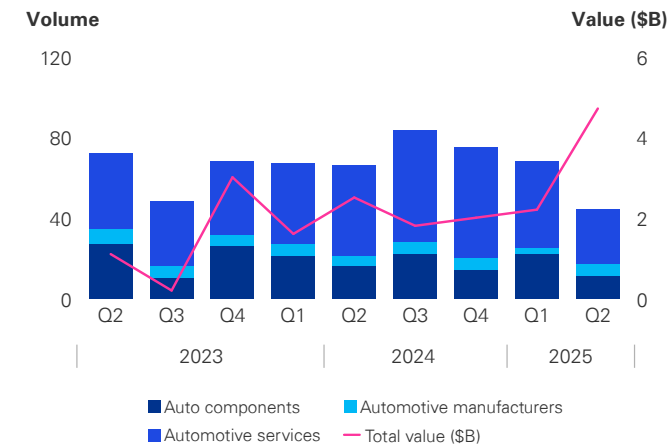


Values may not add to 100% due to rounding.
*Data also contains figures for SPAC deals.

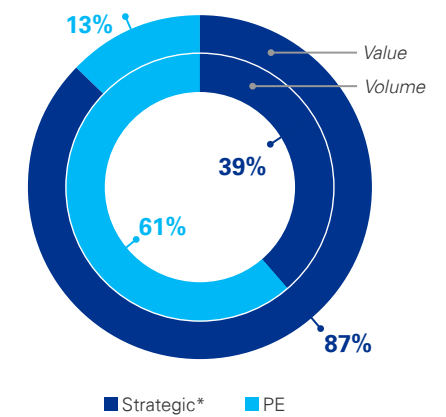
Automotive

Volume declined 35.3 percent QoQ and 33.3 percent YoY, totaling just 44 deals. However, deal value surged 114.5 percent QoQ and 86.7 percent YoY to US\$4.7 billion, driven by electrification-focused acquisitions and hybrid vehicle strategies.

Automotive deals by subsector



Automotive strategic/PE mix Q2'25



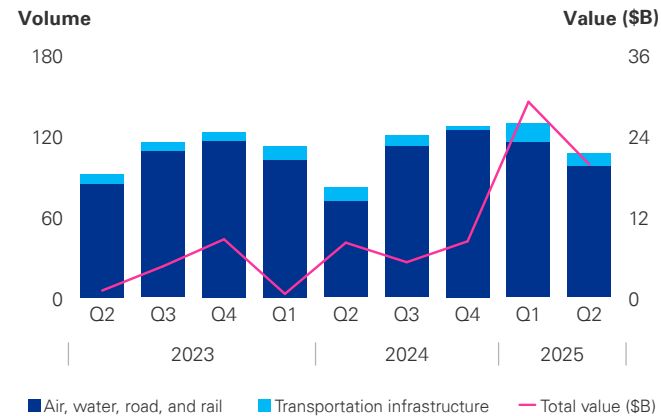
Values may not add to 100% due to rounding.
*Data also contains figures for SPAC deals.

Sector Data

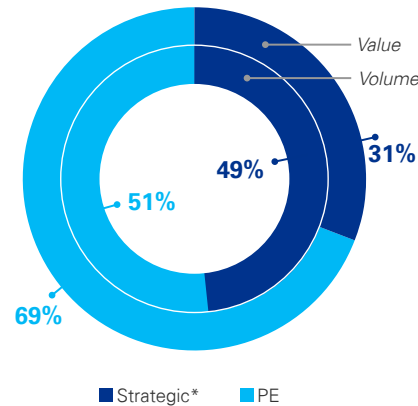
TLD

Volume dropped 17.1 percent QoQ but rose 30.5 percent YoY to 107 deals. Deal value reached US\$19.7 billion, down 32.0 percent QoQ but up 143.2 percent YoY, reflecting strategic investments in autonomous logistics and digital platforms.

Transportation and logistics deals by subsector



Transportation and logistics strategic/PE mix Q2'25

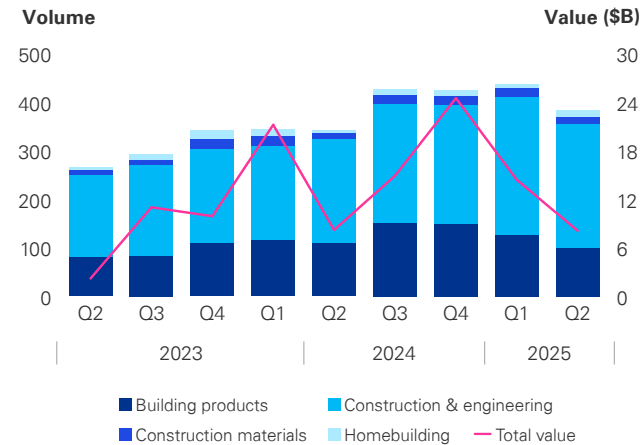


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*Data also contains figures for SPAC deals.

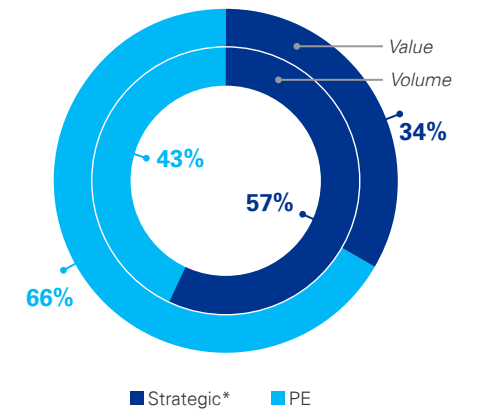
EIC

Volume fell 12.6 percent QoQ but increased 11.7 percent YoY to 383 deals. Deal value declined 43.6 percent QoQ and was nearly flat YoY, with a 1.3 percent dip, totaling US\$8.1 billion. The sector saw continued platform-building in HVAC, plumbing, and trenchless technologies.

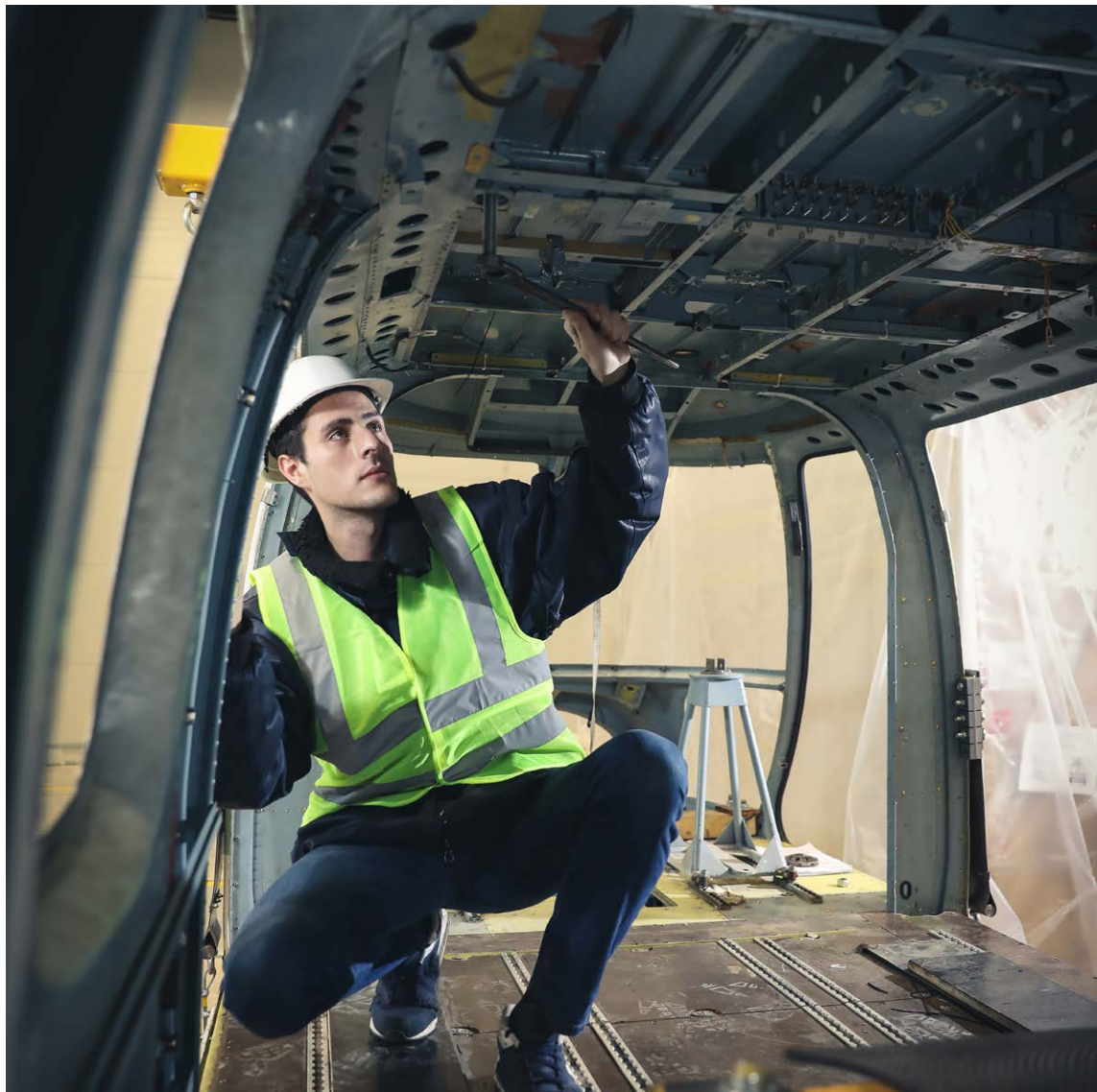
Buildings and construction deals by subsector



Buildings and construction strategic/PE mix Q2'25



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



Top deals

Acquirer:

Thoma Bravo

Target:

Digital aviation solutions business of Boeing

Value (billions)

\$10.6

Acquirer:

SRS Distribution Inc.

Target:

GMS Inc. (NYSE: GMS)

Value (billions)

\$5.5

Acquirer:

**GATX Corporation (NYSE: GATX);
Brookfield Infrastructure Partners L.P. (NYSE: BIP)**

Target:

Rail assets of Wells Fargo & Company

Value (billions)

\$4.4

Acquirer:

Allison Transmission Holdings, Inc. (NYSE: ALSN)

Target:

Off-highway business of Dana Incorporated

Value (billions)

\$2.7

Acquirer:

Ares Acquisition Corporation II (NYSE: AACT)

Target:

Kodiak Robotics, Inc.

Value (billions)

\$2.5

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.

Positioning for a digital-industrial future

The second half of 2025 will test the mettle of industrial dealmakers. With heightened tariffs looming and supply chains recalibrating, strategic clarity and digital readiness will be paramount.

As we look ahead to the third quarter of 2025 (Q3'25), the M&A outlook remains cautiously optimistic. Strategic acquirers are expected to continue targeting niche capabilities in electrification, AI, and secure communications. PE firms, while more selective, are likely to re-enter the fray as valuations stabilize and dry powder seeks deployment.⁴



A&D: Quantum leap in secure space tech

A&D will remain active, with defense budgets rising and demand for autonomous and quantum-enabled systems accelerating. We believe traditional munitions demand is more of a short-term issue, and that in the long term the focus will be on shifting to drone production and autonomous systems, possibly including acquisitions of drone start-ups by large defense players. Expect continued consolidation and divestitures of noncore assets, particularly in response to government policies favoring domestic innovation and secure communications.⁵



Automotive: Hybrid revival reshapes deal logic

Automotive M&A will be shaped by hybrid resurgence and electric vehicle (EV) policy uncertainty. Companies will pursue footprint rationalization and technology acquisitions to hedge against regulatory volatility and shifting consumer preferences.⁶ We also see a number of tier-one suppliers that are actively planning their inorganic growth strategies.



TLD: Autonomy drives logistics M&A surge

TLD will see intensified investment in automation, AI, and predictive analytics. Strategic buyers will seek to build end-to-end platforms that enhance resilience and service delivery, especially in healthcare logistics and autonomous freight.⁷ We are seeing a trend toward businesses in this space buying and selling based on margin and growth.



EIC: Digital platforms rise amid labor crunch

EIC may experience a rebound in Q3'25, driven by infrastructure funding and digital adoption. Labor shortages and sustainability mandates will continue to influence deal strategy, with acquirers focusing on scalable, multidisciplinary platforms.⁸ We believe that PE firms could target fragmented engineering and facility services markets, driven by succession planning among boomer-owned businesses and risk diversification from tech. We also understand that the expected construction of more data centers could drive the roll-up potential of upstream businesses, including building products and engineering.

⁴John Ratliff, "2025 Manufacturing M&A Outlook: Will Private Equity Drive Industry Deals?" Slayton Search Partners, April 2025.

⁵"Outlook 2025: Aerospace, Defense & Government Services," Harris Williams, April 2025.

⁶"Automotive Industry Insights—Summer 2025," Kroll, June 19, 2025.

⁷"Outlook 2025: Transportation & Logistics," Harris Williams, April 2025.

⁸"Construction M&A USA 2025: Key Trends and Market Outlook," Windsor Drake, June 2, 2025.

Key considerations as we look ahead

01

Rev up the engine:

Automotive players must prepare for hybrid and EV convergence. Rationalize capacity, secure supply chains, and align with evolving policy landscapes.⁹

04

Secure the signal:

A&D firms should prioritize acquisitions that enhance secure communications and surveillance capabilities, especially in space-based platforms.¹⁰

02

Do your diligence:

Tariff volatility and geopolitical risk demand deeper diligence. Assess exposure to trade disruptions and regulatory shifts before committing capital.¹¹

05

Build for resilience:

Construction and engineering firms must invest in trenchless tech and multidisciplinary platforms to meet urban infrastructure demands and labor constraints.¹²

03

Integrate and coordinate:

In TLD, integration of digital tools and automation must be coordinated across functions to unlock full value.¹³

06

Deploy the dry powder:

PE firms are re-entering the industrial M&A arena with renewed vigor, driven by record dry powder, easing financing conditions, and favorable regulatory signals. Dealmakers should anticipate increased competition for high-quality assets, particularly in automation, electrification, and digital transformation plays.^{14,15,16}

⁹ "Automotive Industry Insights–Summer 2025," Kroll, June 19, 2025.

¹⁰ "Outlook 2025: Aerospace, Defense & Government Services," Harris Williams, April 2025.

¹¹ John Ratliff, "2025 Manufacturing M&A Outlook: Will Private Equity Drive Industry Deals?" Slayton Search Partners, April 2025.

¹² "Construction M&A USA 2025: Key Trends and Market Outlook," Windsor Drake, June 2, 2025.

¹³ "Outlook 2025: Transportation & Logistics," Harris Williams, April 2025.

¹⁴ Trevor Hulett, Ryan Hartman, and Dax Kugelman, "Industrials M&A Update Q2 2025," R.L. Hulett & Company, July 2025.

¹⁵ John Ratliff, "2025 Manufacturing M&A Outlook: Will Private Equity Drive Industry Deals?" Slayton Search Partners, April 2025.

¹⁶ "The State of M&A: A Look at 2024 and the Year Ahead," Katz, Sapper & Miller (KSM), January 16, 2025.



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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