



M&A trends in industrial manufacturing

Q3 2025 M&A trends report

Power plays: Mega deals steal the spotlight

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A quarter of bold recalibration

Despite macro tremors, Q3'25 saw US industrial manufacturing (IM) recalibrate with precision—driven by strategic clarity, digital ambition, and a renewed appetite for scale.¹

The third quarter of 2025 marked a pivotal moment for IM M&A. Dealmakers leaned into complexity with conviction, navigating geopolitical uncertainty, tariff volatility, and shifting regulatory landscapes.¹ While overall deal volume declined 10.8 percent quarter-over-quarter (QoQ), total deal value surged 168.8 percent QoQ to \$249.9 billion, signaling a decisive pivot toward larger, more transformative transactions.

Strategic acquirers dominated the quarter, accounting for 69 percent of deal value, with private equity (PE) firms selectively reentering the fray as valuations stabilized and dry powder was deployed.¹ The sector's resilience was evident across subsegments—including aerospace's leap into space tech and unmanned systems, automotive's supply chain localization and strengthening of advanced manufacturing capabilities, and traction toward consolidation in infrastructure construction.

The quarter's standout deals—including Union Pacific's \$85 billion merger with Norfolk Southern and Baker Hughes' \$13.6 billion buyout of Chart Industries—underscore the strategic urgency driving consolidation, innovation, and platform-building across the industrial landscape. It should be noted that the sheer size of the Union Pacific deal is a statistical anomaly, so

we have presented some data charts with and without that deal to give a better perspective on performance in the third quarter.

As we look ahead, dealmakers must balance bold ambition with disciplined execution. The convergence of AI, sustainability, and

geopolitical recalibration is reshaping industrial logic, and those who move decisively will define the next era of value creation.

“Today's industrial M&A landscape has both successful foxes (expanding their company capabilities and reach) and hedgehogs (focusing on the core). The renewed volume shows the converging value expectations as sellers grow accustomed to our growth and interest rate environment and buyers gain more confidence in the forecastability of revenue and profit. Sellers are being rewarded for focusing transactions and buyers are finding the market for good assets to be highly competed. If our clients' confidence is a leading indicator, I would expect strong growth in M&A volume in the near-term.”



—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 Kugelmann, “Industrials M&A Update Q2 2025,” R.L. Hulett & Company, July 2025.

Q3 2025 highlights

1,951

deals

↓ -10.9%

decrease in number of deals QoQ

\$217.4 billion

deal value (including the Union Pacific/Norfolk Southern deal)

↑ 133.9%

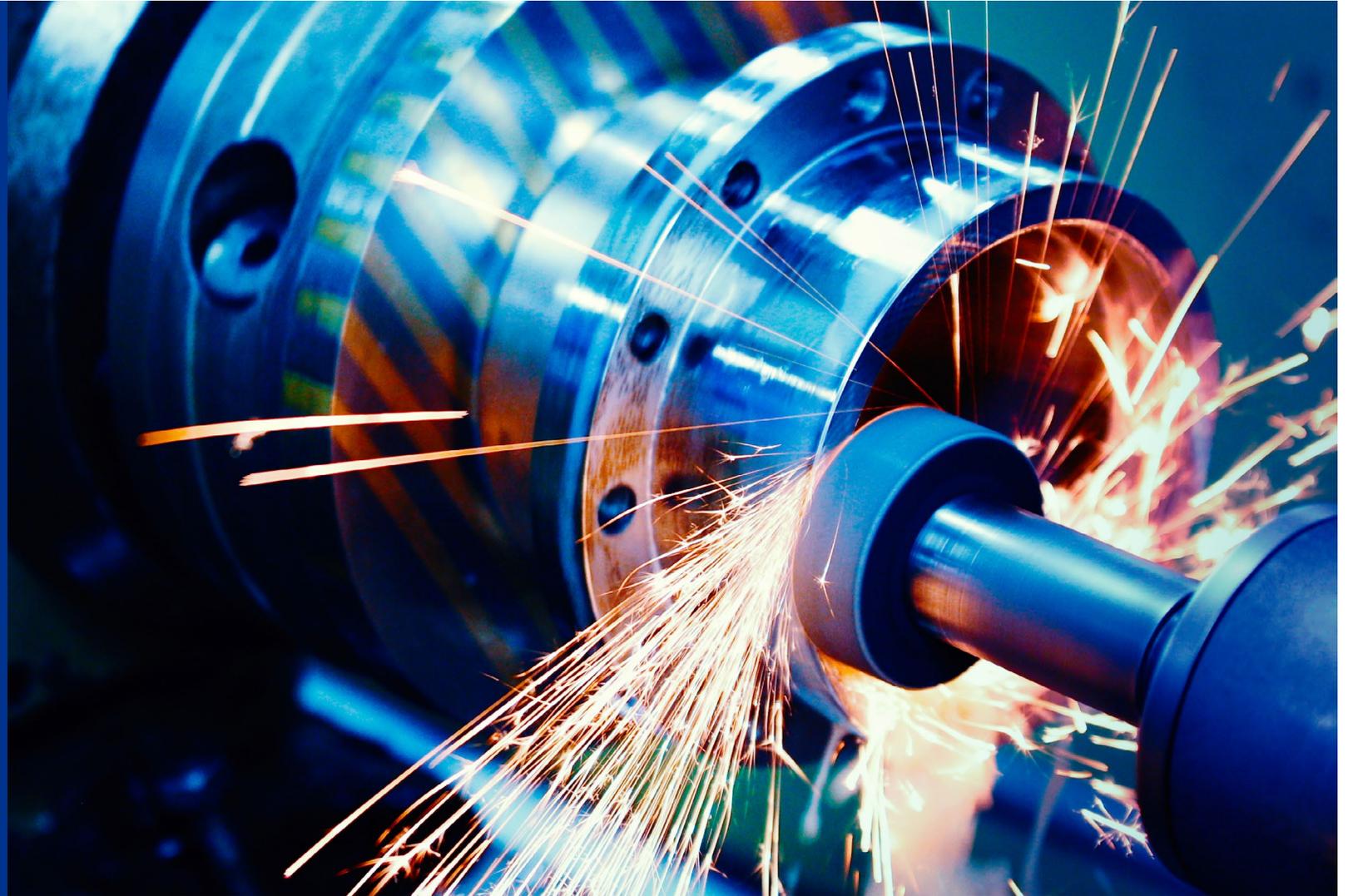
increase in deal value QoQ (including the Union Pacific/Norfolk Southern deal)

\$132.4 billion

deal value (without the Union Pacific/Norfolk Southern deal)

↑ 42.4%

increase in deal value QoQ (without the Union Pacific/Norfolk Southern deal)



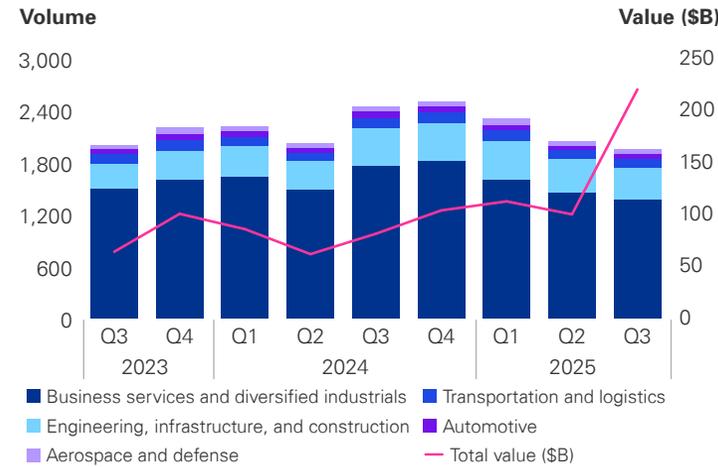
Big deals, fewer bets, sharper focus

Deal volume dipped, but value soared—driven by megadeals, strategic clarity, and sector-specific tailwinds.

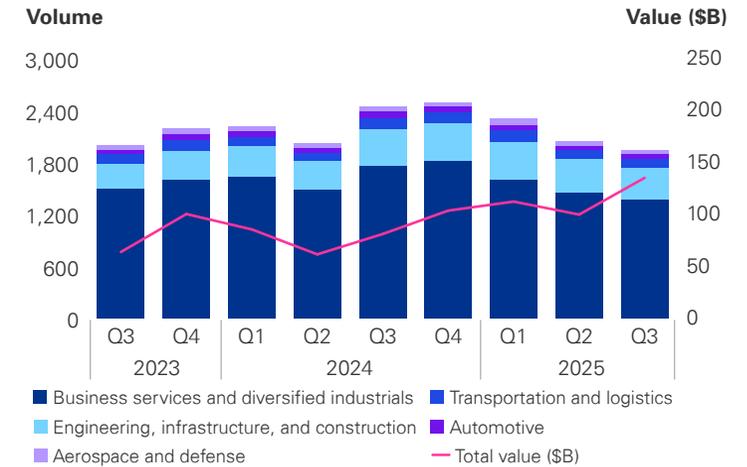
The third quarter of 2025 recorded 1,951 deals, down 10.9 percent QoQ, but total deal value surged to \$217.4 billion, up 133.9 percent QoQ. That said, even when the \$85 billion Union Pacific/Norfolk Southern deal is subtracted from that total, QoQ deal value still rose a robust 42.4 percent. Strategic deals accounted for 51.0 percent of volume and 69 percent of value, with a 3.7 percent drop in volume QoQ and a 211.9 percent increase in value QoQ. In the PE space, deals saw a 17.4 percent drop in volume QoQ and a 50.2 percent incline in value QoQ. This divergence reflects a market pivot toward fewer, higher-value transactions, with strategic buyers and PE firms targeting scalable platforms and future-proof capabilities.¹

Transportation, logistics, and distribution (TLD) saw the largest value surge, driven by megadeals and strategic consolidation. In the automotive subsector, deal value contracted sharply, reflecting a pause after a flurry of electrification-driven activity in prior quarters.

Industrial manufacturing deal volume and value
(Includes the Union Pacific/Norfolk Southern deal)



Industrial manufacturing deal volume and value
(Without the Union Pacific/Norfolk Southern deal)



Industrial manufacturing strategic/PE deal volume and value
(Includes the Union Pacific/Norfolk Southern deal)



Industrial manufacturing strategic/PE deal volume and value
(Without the Union Pacific/Norfolk Southern deal)

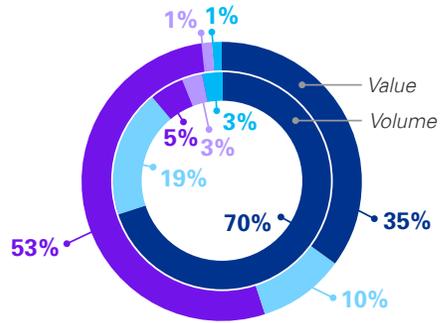


*Data also contains figures for SPAC deals.

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¹ Manufacturing M&A USA 2025: Key Trends and Market Outlook; Windsor Drake Insights, May 28, 2025.

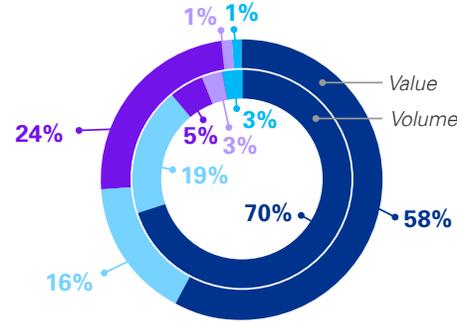
Industrial manufacturing sector mix Q3'25
(Includes the Union Pacific/Norfolk Southern deal)



- Business services and diversified industrials
- Transportation and logistics
- Engineering, infrastructure, and construction
- Automotive
- Aerospace and defense

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

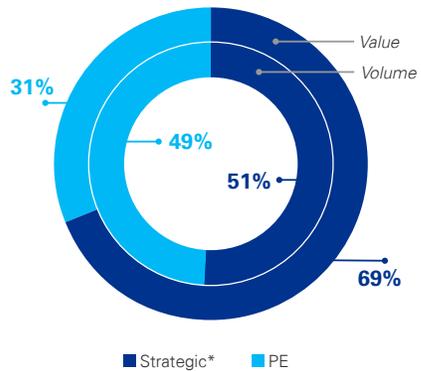
Industrial manufacturing sector mix Q3'25
(Without the Union Pacific/Norfolk Southern deal)



- Business services and diversified industrials
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- Engineering, infrastructure, and construction
- Automotive
- Aerospace and defense

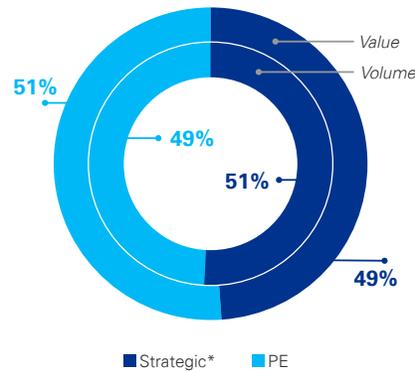
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Industrial manufacturing strategic/PE mix Q3'25
(Includes the Union Pacific/Norfolk Southern deal)



Values may not add to 100% due to rounding.
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Industrial manufacturing strategic/PE mix Q3'25
(Without the Union Pacific/Norfolk Southern deal)



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*Data also contains figures for SPAC deals.

Industrial manufacturing deal size mix - Q3'25
(Includes the Union Pacific/Norfolk Southern deal)



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



Sector Data

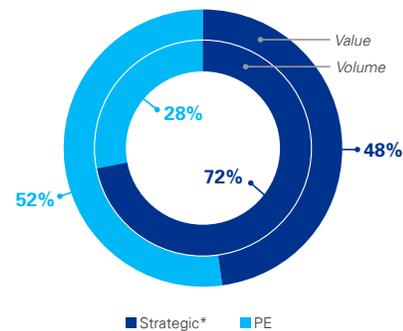
A&D

Deal volume dropped 1.7 percent QoQ and YoY with 57 deals, and deal value also declined by 66.2 percent QoQ to \$1.0 billion and 92.0 percent YoY, indicating a decline in large-scale defense transactions. Companies are executing strategies to streamline operations and concentrate on higher-growth mission-critical areas such as space, cybersecurity, defense tech, and high-priority national security mission sets that are aligned with shifting government priorities. Rather than broad-based expansion, firms are pursuing selective acquisitions to gain access to emerging technologies such as AI, hypersonics, quantum computing, and autonomous systems. In advanced mobility, Joby Aviation’s acquisition of Blade’s passenger business, which exemplified the quarter’s push for platform-building and accelerated market entry, provided immediate market access and infrastructure for its planned eVTOL (electric vertical takeoff and landing) services in key urban corridors.

Aerospace and defense deals by subsector



Aerospace and defense strategic/PE mix Q3'25

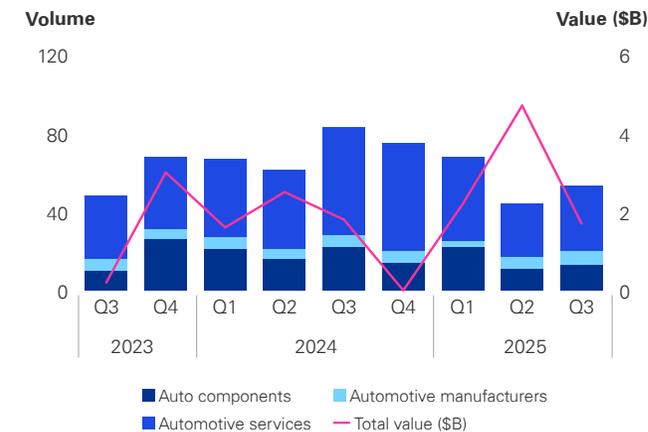


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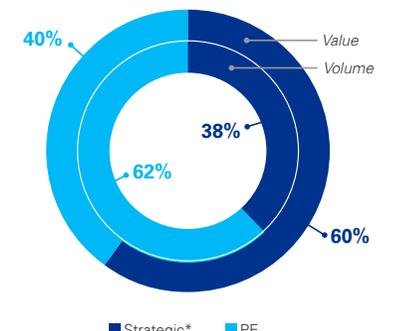
Automotive

While the automotive sector registered a 1.9 percent QoQ increase in deal volumes, the number of deals in the subsector remained 36.1 percent lower YoY. Despite a modest volume uptick, deal value fell sharply by 64.4 percent QoQ and 7.8 percent YoY as original equipment manufacturers (OEMs) recalibrated amid electric vehicle (EV) tax credit sunsets and tariff pressures.

Automotive deals by subsector



Automotive strategic/PE mix Q3'25

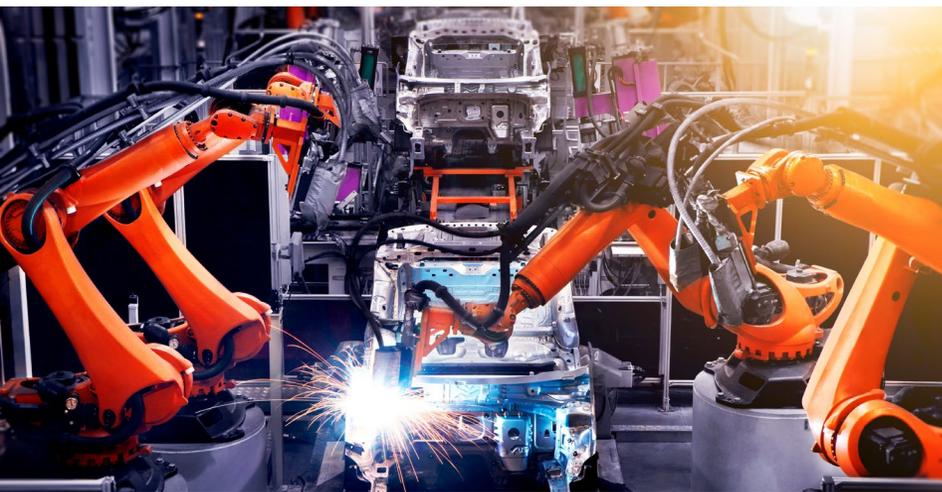


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Sector Data

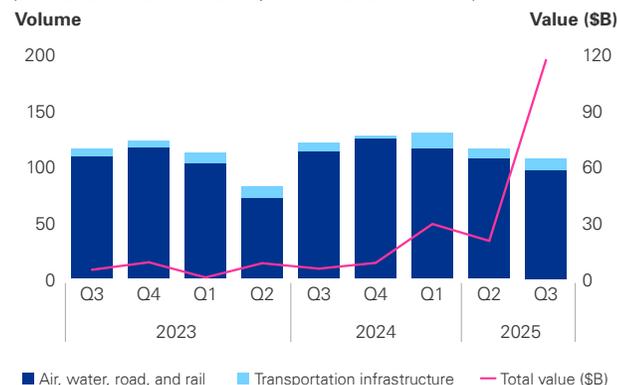
TLD

Volume dropped by 7.8 percent QoQ and 11.7 percent YoY to 106 deals. Meanwhile, deal value surged to US\$116.3 billion, marking a 463.2 percent QoQ and 2137.0 percent YoY increase. This significant rise was primarily driven by Union Pacific's US\$85 billion merger with Norfolk Southern, and it was fueled by the rapid expansion of tech-enabled, coast-to-coast logistics platforms. We should note that the Union Pacific/Norfolk Southern deal has the potential to reshape US infrastructure. It could create a true single transcontinental railroad, which could take friction out of shipping for everyone who uses rail lines. That means this deal has the potential to make US transportation infrastructure more effective and efficient.



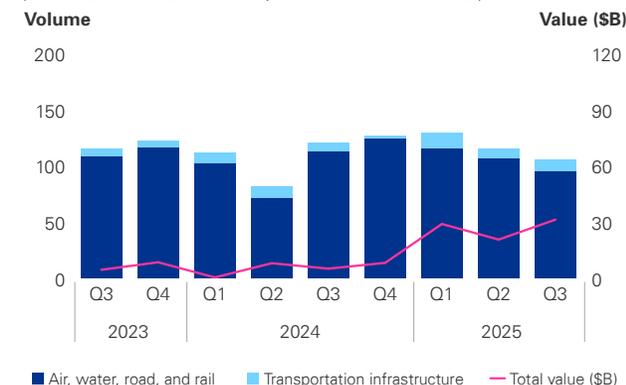
Transportation and logistics deals by subsector

(Includes the Union Pacific/Norfolk Southern deal)



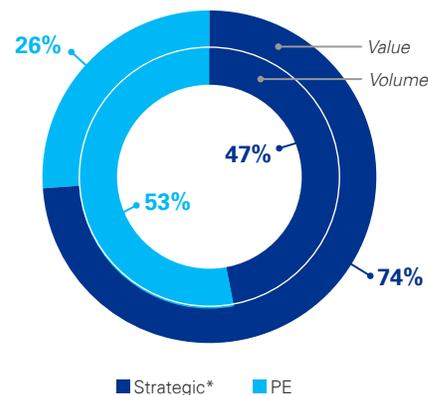
Transportation and logistics deals by subsector

(Without the Union Pacific/Norfolk Southern deal)



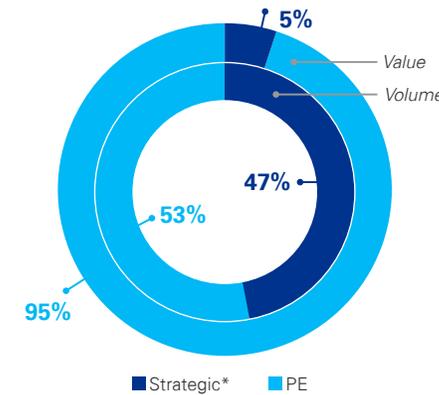
Transportation and logistics strategic/PE mix Q3'25

(Includes the Union Pacific/Norfolk Southern deal)



Transportation and logistics strategic/PE mix Q3'25

(Without the Union Pacific/Norfolk Southern deal)

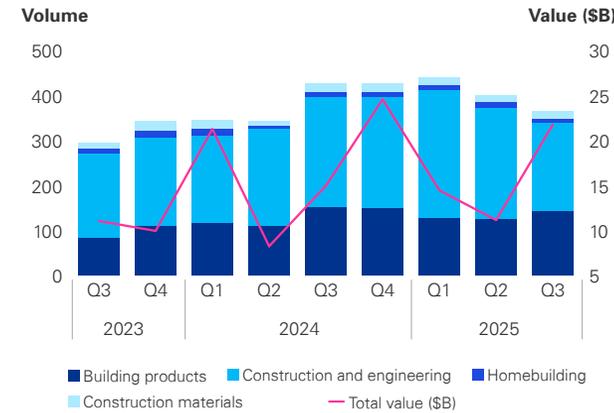


Sector Data

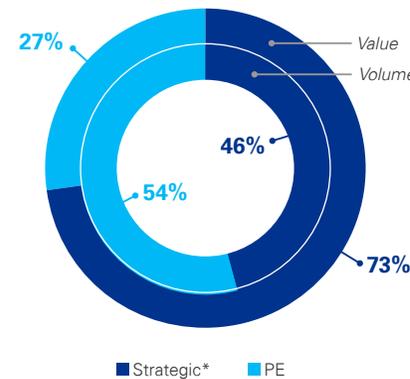
EIC

Deal volume fell by 9.3 percent QoQ and 14.8 percent YoY to 363 deals. In contrast, deal value surged by 95.7 percent QoQ and 46.5 percent YoY, totaling US\$21.7 billion. This rise was driven by robust investment in AI-powered data center construction, renewable energy infrastructure, and accelerated consolidation in residential construction. Eaton’s acquisition of Resilient Power Systems, Inc. strengthens its position in high-growth data center and EV infrastructure markets. Commercial Metals Company’s \$1.84 billion acquisition of Foley Products and Concrete Pipe & Precast established a new top three precast platform in the US, highlighting the quarter’s push toward scale and infrastructure specialization. Greif’s recent activity exemplifies the sector’s pivot toward portfolio optimization. In Q3’25, Greif announced the divestiture of its Soterra timberlands for \$462 million and completed the \$1.8 billion sale of its Containerboard Business, sharpening its focus on core industrial packaging. These moves reflect a broader trend of asset specialization and capital redeployment within EIC, as firms exit noncore segments to drive margin expansion and long-term value. Finally, Caterpillar’s acquisition of RPMGlobal Holdings Limited strategically expands the company’s software and recurring revenue capabilities within EIC, enabling Caterpillar to monetize asset management and autonomy solutions across construction, transport, and other adjacent sectors. This move also highlights the sector’s shift toward integrated technology and service-based growth.

Buildings and construction deals by subsector



Buildings and construction strategic/PE mix Q3’25



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





Top deals

Acquirer:
Union Pacific Corporation
Target:
Norfolk Southern Corporation

Value (billions)
\$85.0

Acquirer:
Apollo Asset Management, Brookfield Asset Management, Citigroup, SMBC Aviation Capital, Sumitomo, The Goldman Sachs Group
Target:
Air Lease

Value (billions)
\$28.2

Acquirer:
Baker Hughes Company
Target:
Chart Industries, Inc.

Value (billions)
\$13.6

Acquirer:
Lowe's Companies, Inc.
Target:
Foundation Building Materials, Inc.

Value (billions)
\$8.8

Acquirer:
Ares Acquisition Corporation II (NYSE: AACT)
Target:
Sandstorm Gold Ltd (TSX:SSL)

Value (billions)
\$3.5

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.

Tech, tariffs, and transformation

PE is back, strategic buyers are scaling, and sector-specific tailwinds are reshaping deal logic across industrial manufacturing. As we move into Q4'25, the M&A outlook for industrial manufacturing is decisively optimistic. The sector is being propelled by easing US policies, better-than-expected macroeconomic conditions, and a surge in strategic interest across mid-market firms with scalable technologies. PE firms are actively reengaging, particularly in segments such as logistics and construction.^{1 2}



A&D: Unmanned skies; maintenance, repair, and overhaul (MRO); and satellites

Elevated global defense budgets and geopolitical tensions are driving demand for unmanned and counter aircraft systems, AI-enabled maintenance, and space-based platforms. Expect continued consolidation in aftermarket MRO following years of under-investment in depots, spares, and readiness, particularly in the naval and defense end-markets.³



Automotive: Strategic resilience amid disruption

Automotive M&A is now driven by more than just EV tax credit changes—slowing battery electric vehicle demand, overcapacity, and supply chain challenges are pushing OEMs to use deals for onshoring and new capabilities. The focus is shifting from pure growth to profitability and long-term sustainability, with electrification and autonomy still central themes.^{4 5}



EIC: AI builds the backbone

Strategic pivots toward AI-driven infrastructure, data center engineering, and renewable energy buildouts are accelerating. Smaller, faster transactions are favored, especially in residential construction, where consolidation of specialty trades is creating scalable, self-performing models.^{6 2}



TLD: Coast-to-coast consolidation amid labor crunch

Despite geopolitical disruptions, buyers are targeting temperature-controlled, tech-enabled logistics operators. Cross-border and e-commerce capabilities are driving consolidation, with deals like the Union Pacific/Norfolk Southern merger reshaping freight and fulfillment networks.⁷

Key considerations as we look ahead

01

Double down on mid-market tech:

PE firms should prioritize scalable mid-market platforms in logistics and construction. These assets offer recurring revenue, operational resilience, and strategic optionality in volatile markets.^{2,7}

03

Reshore and automate:

Automotive OEMs and suppliers should accelerate nearshoring and automation investments. With EV incentives phasing out, strategic acquisitions in advanced manufacturing and supply chain control will be critical for resilience.⁴

02

Modernize with modularity:

In residential construction, modular housing and prefabrication are reshaping delivery models. Strategic buyers should target specialty trades to build integrated, self-performing platforms with regional depth.²

04

Double down on mid-market tech:

PE firms should prioritize scalable mid-market platforms in logistics and construction. These assets offer recurring revenue, operational resilience, and strategic optionality in volatile markets.^{2,7}

¹ "Manufacturing M&A USA 2025: Key Trends and Market Outlook," Windsor Drake Insights, May 28, 2025.

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

³ "Emerging trends in aerospace and defense 2025," KPMG International, July 10, 2025.

⁴ Markkus Rovito, "Driving the future: 10 automotive industry trends and predictions," Autodesk (Design & Make with Autodesk), August 13, 2024.

⁵ "Trends in the electric car industry – Global EV Outlook 2025 – Analysis," International Energy Agency (IEA).

⁶ "Engineering, Environmental, & Infrastructure: M&A Industry Update," KPMG, Summer 2025.

⁷ "Transportation & Logistics Industry and Deal Update, Q3 2025," Bridgepoint Investment Banking, 2025



How KPMG can help

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

With an ENRC 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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