M&A trends in industrial manufacturing

Q2 2026

Selective capital, strategic control, and larger bets: Industrial manufacturing M&A in Q2'26

Issue date: August 14, 2026

kpmg.com

Strategic control drives dealmaking

Industrial manufacturing (IM) mergers and acquisitions (M&A) in the second quarter of 2026 (Q2’26) was defined more by selectivity than softness. Total transaction volume fell, but capital was deployed decisively in large deals and toward assets that strengthened control of inputs, manufacturing capacity, customer channels, and differentiated industrial capabilities.

The headline numbers tell only a part of the story. Total deal volume declined 20.9 percent quarter over quarter (QoQ) and 16.2 percent year over year (YoY), while deal value fell 60.4 percent QoQ but rose 145.7 percent YoY. That is not a market moving in one direction. It is a market separating conviction from activity. The broad base of smaller transactions thinned out, but large deals—particularly transactions more than $500 million—remained active where the asset addressed a board-level problem of supply-chain resilience, infrastructure exposure, defense readiness, power and grid demand, manufacturing footprint, or portfolio simplification. The quarter’s message was not that buyers stopped paying up; it was that they paid up only where control, capability, and speed to value were clear.

Across US IM deals, vertical integration and capability-led acquisitions gained momentum as buyers targeted suppliers, component technologies, and production assets to reduce supply-chain risk and capture more value across the chain.[1] In aerospace and defense (A&D), buyers shifted toward vertically integrated resilience, targeting critical inputs and mission-critical subsystems.[2] In engineering, infrastructure, and construction (EIC), leaders acquired upstream resources and production assets to secure inputs, improve cost visibility, and strengthen supply-chain resilience.[1] Automotive suppliers pursued

> “Industrial manufacturing dealmakers are still writing large checks for the right assets. The difference in today’s market is that every premium paid for control or capability raises the bar for execution and speed to value.”
>
> —Todd Dubner
>
> *Principal, Advisory—Performance Transformation, KPMG LLP*

[1] Tyler Scott, “Manufacturing M&A Activity & Trends Entering Q2 2026,” Richmond Group USA, April 1, 2026
[2] Meghan M. Welch, “Key Aerospace and Defense M&A Trends in 2026,” Brown Gibbons Lang & Company, June 4, 2026

consolidation to build broader, more diversified component platforms that expand original equipment manufacturer and aftermarket reach while unlocking scale and portfolio synergies.[3,4] Within transportation, logistics, and distribution (TLD) industry consolidation gained momentum amid elevated freight rates, inflationary pressures, ample dry powder, owner succession challenges, change driven by artificial intelligence (AI), and regulatory developments.[5]

Strategic buyers still dominated value, accounting for 83.4 percent of deal value. The implication is clear that strategics are paying for assets they cannot afford to wait on, while sponsors are becoming more selective about where operating improvement can offset financing costs, execution risk, and exit uncertainty.

Q2 2026 highlights

1,017
deals

-20.9%
decrease in number of deals QoQ

$136.1
deal value (in $US billions)

-60.4%
decrease in deal value QoQ

Q2 2026 vs Q2 2025

1,017
deals

-16.2%
decrease in number of deals YoY

$136.1
deal value (in $US billions)

145.7%
increase in deal value YoY

[3] "Dana Incorporated Announces Agreement to Combine with Eaton's Mobility Business, Strengthens Dana's Position as a Leading Global Powertrain Systems Provider," Dana Incorporated, June 11, 2026
[4] "Patrick Industries and LCI Industries to Combine in All-Stock Merger, Creating a Premier Platform Serving Global Outdoor Enthusiast, Housing and Other Markets," Patrick Industries, June 30, 2026
[5] Neil Abt, "M&A activity in transport sector expected to accelerate," Trucknews.com, July 5, 2026[X] Source text here if needed

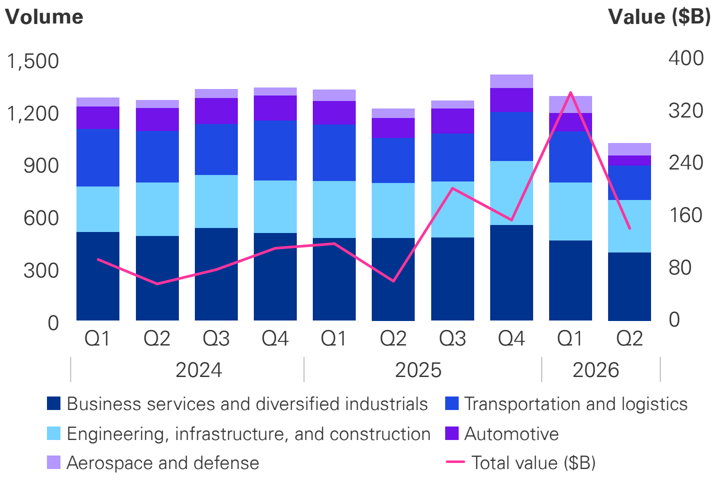
Fewer deals, larger checks

The quarter’s data tells a clear story of fewer transactions, higher selectivity, and continuing strategic dominance. The market did not reward breadth; it rewarded assets that could change a buyer’s position in a constrained industrial value chain.

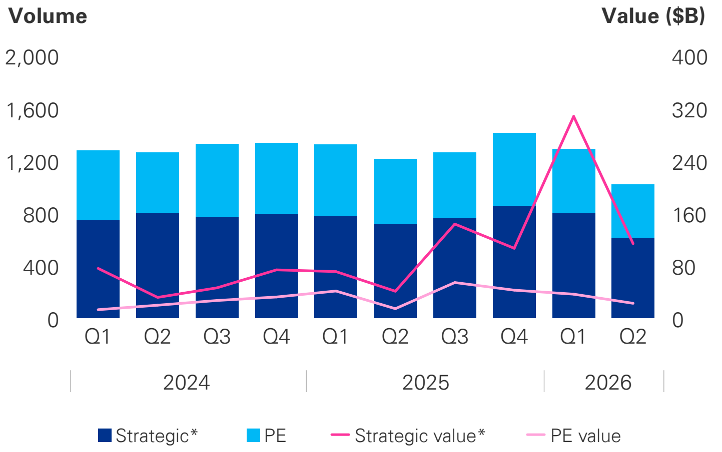
Strategic buyers remained at the center of the dealmaking environment in Q2’26, accounting for 59.9 percent of deal volume and 83.4 percent of disclosed deal value. Even though the quarter observed some high-value strategic deals such as QXo Inc. acquiring TopBuild for $17.0 billion and Martin Marietta Materials, Inc. acquiring Lhoist North America for $13.5 billion, strategic deal value declined 63.0 percent QoQ. This underscored that strategics were not buying more frequently but were pursuing some larger, higher-conviction transactions when assets provided control of capacity, critical inputs, technology, or market access.

Private equity (PE) remained active but more disciplined, representing 40.1 percent volume and 16.6 percent of value in Q2’26. Sponsor-backed deal volume fell 16.4 percent QoQ, while deal value decreased 38.2 percent QoQ. The sponsor playbook in the quarter remained focused on durable industrial niches, platform add-ons, and assets where operating improvement could be underwritten without relying on rapid multiple expansion.

Industrial manufacturing deal activity by subsector



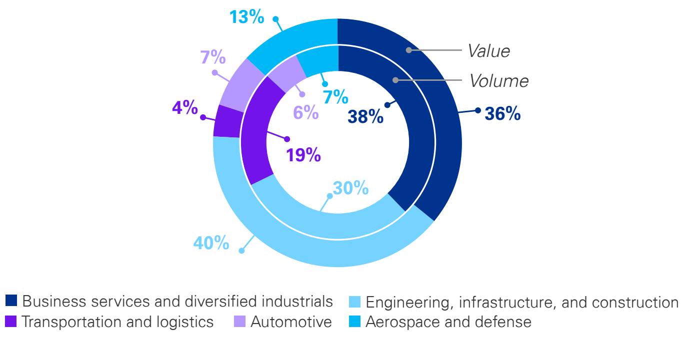
Industrial manufacturing total deal size mix, Q2’26



*Data also contains figures for SPAC deals.

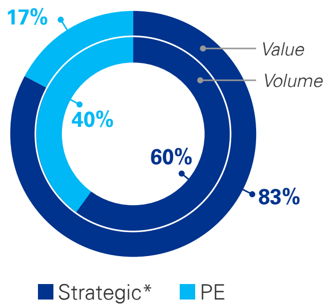
Industrial manufacturing - Q2'26

Sector mix



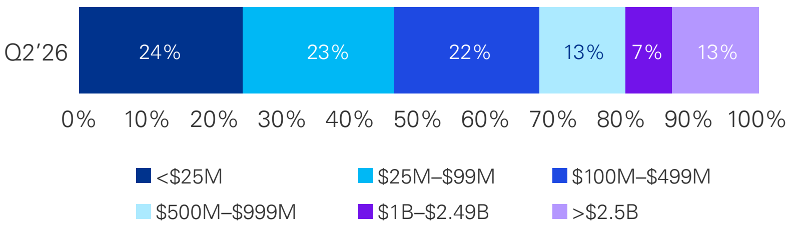
Values may not add to 100% due to rounding.
*Data also contains figures for SPAC deals.

PE/strategic mix



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

Industrial manufacturing deal size mix - Q2'26



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

Sector Data

A&D: Capability matters more than category

A&D experienced a pullback in Q2'26 as deal activity cooled from the first quarter of 2026's (Q1'26) unusually strong levels. Q2'26 deal value was down 93.1 percent QoQ. Deal volume declined 25.5 percent QoQ but increased 32.7 percent YoY, indicating continued strategic activity despite a normalization in value following Q1'26's outsized transactions.

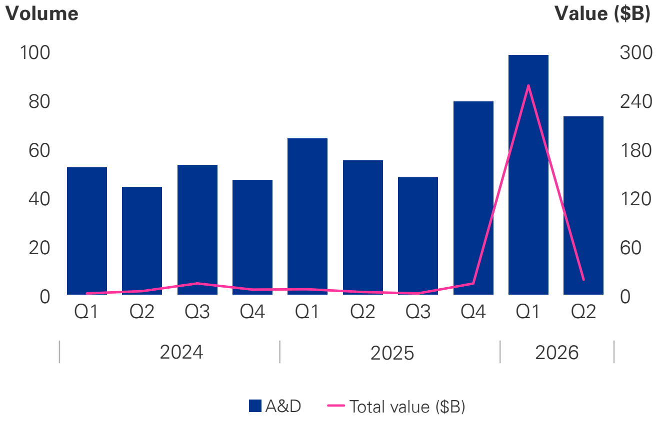
Parker Hannifin's agreement to acquire Circor Aerospace for $2.5 billion and Mach Industries' acquisition of Exquadrum are examples of buyers moving toward flight-critical, propulsion, energetics, and subsystem capabilities.[6 7]

Implication: Higher value with lower quarterly volume suggests buyers are paying for mission-critical capabilities that help secure critical inputs, reduce dependence on constrained third-party suppliers, and internalize production capacity. The transactions reflect a broader shift toward vertical integration and greater control over critical areas of the defense supply chain.[2 8]

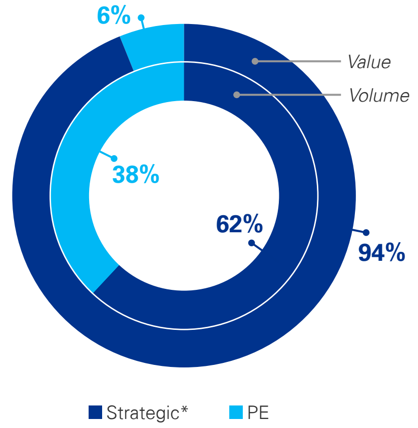
Decision lens for dealmakers:

- **KPMG lens (90–180 days):** Buyers should separate true mission-critical capability from assets that only have defense end-market exposure.
- **Recurring execution risk:** Overestimating program pull-through before validating customer permissions, export controls, facility clearances, and engineering capacity.
- **Practical move:** Conduct diligence on program-level revenue exposure, security classifications, customer concentration, and supplier dependencies before underwriting multiple expansion.

A&D deal by quarter



A&D strategic/PE mix - Q2'26



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

[6] "Parker to Acquire CIRCOR's Commercial and Defense Aerospace Business," Parker Hannifin press release, May 21, 2026
[7] Connie Loizos, "Mach Industries just spent $50M to solve a major defense tech problem," Tech Crunch, May 19, 2026
[2] Meghan M. Welch, "Key Aerospace and Defense M&A Trends in 2026," Brown Gibbons Lang & Company, June 4, 2026
[8] Jason Bass, Tim Webb, et al., "Outlook 2026: Industrials," Harris Williams, 2025

Automotive: Selective platforms replace pure-play automotive exposure

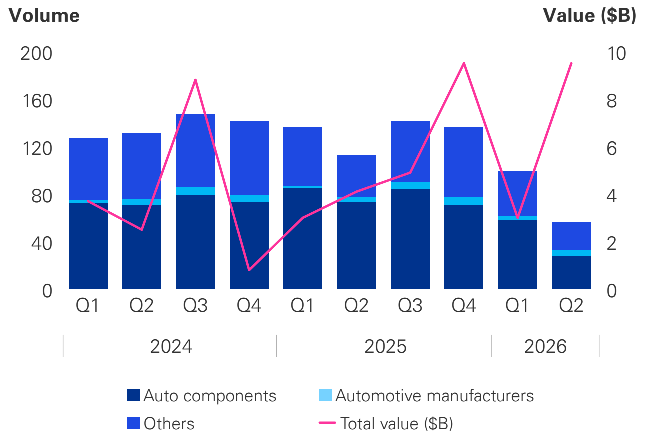
Automotive remained the most selective among the major IM subsectors in Q2'26. Deal volume was down 46.2 percent QoQ, while deal value surged 215.6 percent QoQ, indicating that capital was increasingly concentrated in a smaller number of larger transactions. Notable deals, including Dana's planned combination with Eaton's Mobility Business and Patrick Industries' all-stock merger with LCI Industries, highlight how acquirers are using M&A to build broader component platforms and expand exposure to technologies that can serve both automotive and adjacent growth markets.[3 4] While strategic buyers accounted for most disclosed deal value, PE firms remained active in smaller and often undisclosed-value transactions, particularly in fragmented segments such as aftermarket products and services, suggesting continued sponsor interest in consolidation opportunities across the automotive ecosystem.

Implication: The market is no longer rewarding automotive exposure alone. Buyers are placing greater value on component, thermal-management, power-management, and battery-related capabilities that can be leveraged across higher-growth end markets, including data centers, grid infrastructure, and energy storage. This is a broader industrial adjacency in which products designed for one use case can become strategically relevant in another. Scale remains important, but cross-market applicability is becoming a more important driver of valuation.

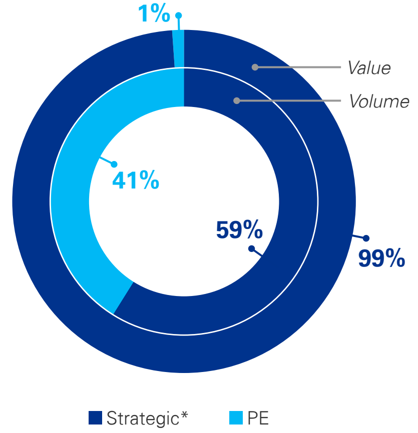
Decision lens for dealmakers:

- **KPMG lens (90–180 days):** Distinguish acquisitions that expand exposure to transferable technologies and growth markets from transactions driven primarily by traditional automotive consolidation.
- **Recurring execution risk:** Underwriting adjacency growth without validating whether automotive capabilities can realistically translate into new end markets; failure to renew USMCA puts investments with supply chains stretching into Mexico and Canada at risk of not qualifying for tariff exemptions in the future.
- **Practical move:** Build diligence around end-market diversification, technology portability, customer demand visibility, and the sustainability of growth outside core automotive markets.

Automotive deals by subsector



Automotive strategic/PE mix - Q2'26



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

[3] "Dana Incorporated Announces Agreement to Combine with Eaton's Mobility Business, Strengthens Dana's Position as a Leading Global Powertrain Systems Provider," Dana Incorporated, June 11, 2026
[4] "Patrick Industries and LCI Industries to Combine in All-Stock Merger, Creating a Premier Platform Serving Global Outdoor Enthusiast, Housing and Other Markets," Patrick Industries, June 30, 2026

EIC: Materials control becomes strategic

EIC's quarter was characterized by larger checks rather than more deals. Value growth was driven by larger deal sizes as capital concentrated in a stable pool of transactions, with deal value rising 259.4 percent QoQ while volume fell modestly by 9.6 percent QoQ in Q2'26.

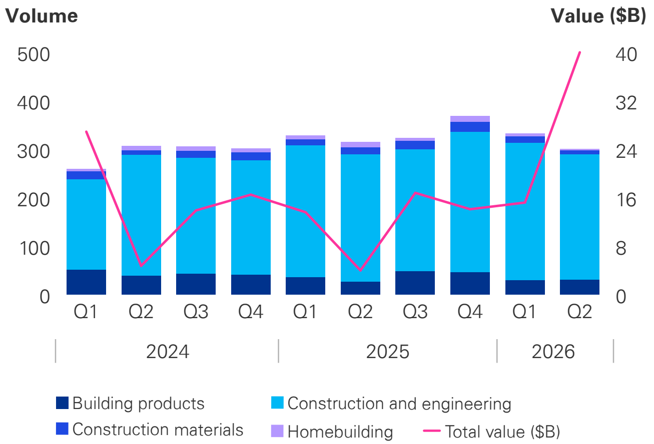
Martin Marietta's announced acquisition of Lhoist North America for $13.5 billion and CRH's acquisition of Arcosa for $8.5 billion illustrate that buyers are paying for upstream reserves, production assets, distribution terminals, and geographic density rather than simple scale. TopBuild's $17.0 billion acquisition by QXO further reinforces the broadening investment thesis across EIC, highlighting buyer interest not only in materials control but also in distribution reach, contractor channels, and exposure to infrastructure, repair-and-remodel, and data-center-related demand.[9, 10] The entrance of large, well-capitalized consolidators into building products and materials can also change the pace of deal activity, creating urgency in categories that remain fragmented.

Implication: Upstream asset ownership is increasingly becoming a competitive advantage. Control of aggregates, limestone reserves, terminals, and distribution infrastructure is emerging as a tool for protecting margins and improving project execution certainty.

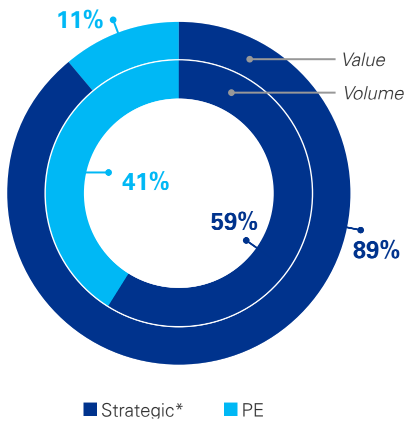
Decision lens for dealmakers:

- **KPMG lens (90–180 days):** Acquirers should prioritize assets that improve geographic density and input control in demand corridors tied to infrastructure, data centers, energy, and repair and remodel. Buyers should also evaluate whether targets provide advisory, engineering, or technology-enabled capabilities that can improve execution and productivity in labor-constrained environments.
- **Recurring execution risk:** Underestimating labor availability, cost inflation, permitting hurdles, tariffs for inputs, and local political opposition that can delay projects or compress margins, particularly in fixed-price construction environments.
- **Practical move:** Diligence reserve viability, permitting risk, logistics bottlenecks, labor availability, cost inflation exposure, branch-level margin variance, and opportunities to deploy technology, automation, enterprise resource planning modernization, or AI-enabled processes that can improve project delivery and workforce productivity.

EIC deals by subsector



EIC strategic/PE mix - Q2'26



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

[9] "Martin Marietta to Combine with Lhoist North America in $13.5 Billion Transaction," Martin Marietta press release, June 29, 2026
[10] "CRH to Acquire Arcosa; Leading U.S. Provider of Aggregates and Critical Infrastructure Products for $8.5B," CRH press release, June 22, 2026

TLD: Volume is not the prize

TLD M&A remained under pressure in Q2'26, resulting in weak performance across both deal volume and value, which declined to 33.0 percent and 88.0 percent QoQ, respectively. The slowdown reflects the pressure faced by companies amid persistent macroeconomic uncertainty, tariff-related trade disruptions, and greater buyer discipline. While overall activity remained subdued, the buyers still participating were increasingly strategic and well-capitalized, directing capital toward businesses with differentiated capabilities, technology, or network advantages rather than pursuing volume-driven acquisitions.

Buyers used M&A to build integrated logistics platforms and expand geographic reach, including GroundLinx's acquisition of Global Net Logistics and DHL Supply Chain's acquisition of Vital Group companies.[11 12]

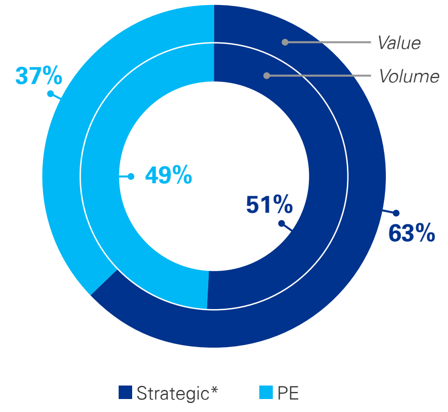
Implication: The decline in activity does not necessarily indicate weakening strategic interest. Instead, buyers are becoming more selective, prioritizing network density, specialized logistics capabilities, and supply-chain control over simple scale expansion.[13]

Decision lens for dealmakers:

- **KPMG lens (90–180 days):** Dealmakers should avoid buying volume for its own sake.
- **Recurring execution risk:** The failure of network integration due to duplicate terminals, incompatible transportation management systems, inconsistent service standards, and customer attrition.
- **Practical move:** Evaluate whether the target adds route density, proprietary customers, specialized capability, or operating control that cannot be replicated organically.

TLD deals by subsector

TLD strategic/PE mix - Q2'26



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

[11] "GroundLinx Logistics USA Inc. acquires Global Net Logistics LLC," GroundLinx Logistics USA Inc. press release, April 1, 2026
[12] "DHL Supply Chain Acquires Vital Group Companies to Expand Transport-Led Logistics and Support Customer Growth in South Africa," DHL press release, April 22, 2026
[13] Mikael Olesen, et al., "Logistics M&A Monthly Recap: Global Acquisitions May 2026," Logisyn Advisors, Inc., 2026

Top deals

Acquirer:
QXO, Inc.
Target:
TopBuild Corp.

Value (billions)
17.00

Acquirer:
Martin Marietta Materials, Inc.
Target:
Lhoist North America, Inc.

Value (billions)
$13.50

Acquirer:
CRH Americas, Inc.
Target:
Arcosa, Inc.

Value (billions)
$8.50

Acquirer:
Bain Capital
Target:
Everllence

Value (billions)
$8.4

Acquirer:
Rocket Lab Corporation
Target:
Iridium Communications Inc.

Value (billions)
$8.00

Q2'26 data has been updated as of June 30, 2026. 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.

Control assets keep commanding premiums

The second half of 2026 for IM should favor buyers that can move with discipline, not buyers that simply want to be active. The quarter's data argues against a broad rebound narrative. Volume declined across every major subsector on a QoQ basis, and total value fell sharply from Q1'26. But YoY value growth remains strong, and several subsectors showed large increases despite thinner deal counts. The market's message is that conviction has not disappeared; it has narrowed. The industrials sector is expected to attract strong investor interest through 2026 and beyond, driven by long-term trends such as onshoring, nearshoring, electrification, infrastructure investment, digital transformation, technology adoption, and sustainability.[8] Across the space, both PE investors and strategic buyers will continue to focus on companies demonstrating recurring demand, differentiated offerings serving high-growth end markets, and defensible market positioning.[8] For the third quarter of 2026, strategic buyers are likely to remain the most credible bidders for larger assets. They can still justify premium valuations when the transaction protects supply, secures proprietary capability, expands manufacturing footprint near demand, or strengthens customer access. PE should remain active, but with a more targeted posture: fragmented industrial services, specialty manufacturing, A&D component suppliers, logistics platforms with scarce capabilities, and carve-outs where operational discipline can create value without relying on a quick exit multiple expansion.

A&D: Buy the bottleneck, not the budget

Demand visibility helps, but the acquisition premium belongs to constrained capabilities that shorten production cycles, protect mission readiness, or secure scarce qualified supply.

Automotive: Know-how finds new end markets

The next wave should favor suppliers whose thermal-management, power, battery, and electrification capabilities can serve data centers, grid infrastructure, and energy-storage markets, where growth and valuation premiums increasingly exceed those of traditional automotive businesses.

EIC: Materials control becomes margin control

Aggregates, lime, limestone, terminals, and density assets should remain attractive where they improve cost visibility and reduce project-delivery risk. Additional interest is likely to focus on engineering, advisory, technology-enabled, and infrastructure-service capabilities that can help owners address labor constraints, improve productivity, and support growing data-center and energy infrastructure investment.

TLD: The rebound will be capability-ledtrol

Freight recovery alone will not lift all assets; premiums should concentrate in cross-border, specialized, dense, and technology-enabled operators.

[8] Jason Bass, Tim Webb, et al., "Outlook 2026: Industrials," Harris Williams, 2025

Key considerations as we look ahead

01

Prepare before the market opens:

In this next quarter's market, the best assets will not wait for slow diligence. Buyers should prepare for rapid, focused diligence as windows will remain short. Additionally, extend preparation for regulatory, synergy, integration, financing, and customer-consent work before exclusivity.

02

Buy control, not just scale:

Scale is valuable only when it improves purchasing, routing, capacity utilization, pricing, or customer access. In EIC and transportation, geography alone is not a thesis; density and operating control are.

03

Underwrite the operating model:

Vertical integration is back in favor, but it fails when buyers underestimate working capital, permitting, labor, production planning, and systems integration. A quarry, terminal, supplier, or logistics node creates value only when it is run as part of an integrated network.

04

Treat carve-outs as a discipline:

Diversified industrials will continue to create divestiture opportunities, but clean exits require early separation planning. Buyers should place diligence on stranded costs, transition services, data separation, procurement leakage, and management depth before prices harden.

05

Test AI with economics, not adjectives:

AI is relevant where it changes forecasting, maintenance, visibility, production yield, routing, pricing, or labor productivity. If the target cannot show where AI affects the income statement or operating cadence, then do not pay for it as a premium capability.

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.

Todd Dubner
US Deal Advisory & Strategy Leader, Industrial Manufacturing, KPMG US

Kristine Coogan
Principal, Advisory, Strategy, KPMG US

Scott Heery
Partner, Advisory, Financial Due Diligence, KPMG US

Andrew Kersse
Partner, Advisory, KPMG US

Joseph Dineen
Advisory Principal, Accounting Advisory Services, KPMG US

Bala Lakshman
Principal, Advisory, Strategy - PDT, KPMG US

Brydon R Ferguson
Partner, Advisory, Financial Due Diligence, KPMG US

Mark Mangano
Advisory Managing Director, Industrial Manufacturing, Performance Transformation, KPMG US

Sean K Moran
Principal, Advisory, Industrial Manufacturing, Performance Transformation, KPMG US

With special thanks to: Anjelica Armendariz, Ankita Baweja, Astha Chopra, Mannat Gupta, Rajdeep Lamba, Kathleen Nichols, Aashita Sabharwal, Sandeep Sinha, John Thomas and Lara Volpe.

Some or all of the services described herein may not be permissible for KPMG audit clients and their affiliates or related entities.

Please visit us: | **kpmg.com** | **Subscribe**