



M&A trends in industrial manufacturing

Q1 2026

Value over volume:
Industrial M&A's Q1 '26 pivot

Issue date: May 6, 2026

[kpmg.com](https://www.kpmg.com)

Selective deals, outsized impact

During the first quarter of 2026 (Q1'26), industrial manufacturers struck fewer deals; however, those deals were far more impactful. The quarter opened with lower deal volumes yet record-high values, as companies doubled down on strategic, capability-driven acquisitions while capitalizing on a favorable dealmaking climate. Merger and acquisition (M&A) activity was defined by precision plays for technology, supply-chain control, and scale. Those dynamics signal a market favoring quality over quantity—a trend that demands both bold vision and disciplined execution by dealmakers.

Strategic acquirers and private equity (PE) sponsors alike entered the new year with substantial capital to deploy, buoyed by an innovation supercycle in areas like artificial intelligence (AI) and electrification. Yet, rather than a broad-based surge in dealmaking, the quarter reflected fewer but significantly larger transactions. Those fewer, larger deals pushed deal value to a record high—an outcome driven disproportionately by a single, transformative transaction.^{1,2} The \$250 billion SpaceX-xAI merger alone reshaped the quarter's headline numbers, masking a more restrained but still strategic M&A environment beneath the surface.

At the same time, dealmaking unfolded against an unusually volatile economic backdrop. In the short term, KPMG US Economics expects a period of mild stagflation in the US, with growth slowing and inflation reaccelerating—driven primarily

by energy prices, tariffs on goods, still sticky services inflation, and downstream supply disruptions tied to geopolitical conflict. However, the number of large, high-conviction deals continue to grow. These deals tend to be driven by terminal value assumptions, what is best for the company in the long term, and are accepting volatility in the near horizon. Taking the long view in a more constructive regulatory environment cleared the way for large, complex transactions.

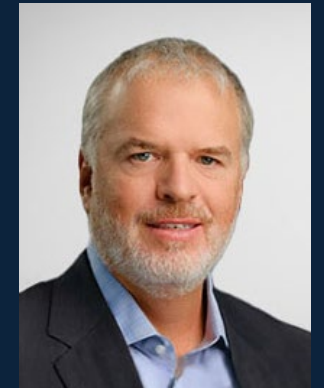
In summary, the year began with a combination of large, high-impact transactions and a more selective approach to overall deal activity. The quarter's largest transactions suggest

that leading industrial manufacturing (IM) companies remain willing to pursue significant acquisitions to support long-term strategic objectives. At the same time, lower deal volumes and a focus on targeted capability acquisitions reflect a more disciplined M&A environment, where emphasis is placed on deal quality rather than quantity. As 2026 unfolds, IM executives and investors will need to operate in a market defined by fewer transactions, larger commitments, and heightened expectations, requiring clear strategic alignment and thorough execution.

“In Q1'26, industrial manufacturing dealmakers showed they're willing to swing big—but only when the strategic rationale is clear and the terminal value upside outweighs the near-term earning volatility.”

—Todd Dubner

Principal, Advisory – Performance Transformation, KPMG LLP



¹ “5 Forces Driving M&A in 2026,” Morgan Stanley Insights, January 22, 2026.

² Tyler Scott, “2026 U.S. Manufacturing M&A: The Deals, Trends, and What Comes Next,” The Richmond Group USA, January 20, 2026.

Q1 2026 highlights

1,078

deals

↓ -23.5%

decrease in number of deals QoQ

\$334.7

deal value
(in \$US billions)

↑ 124.7%

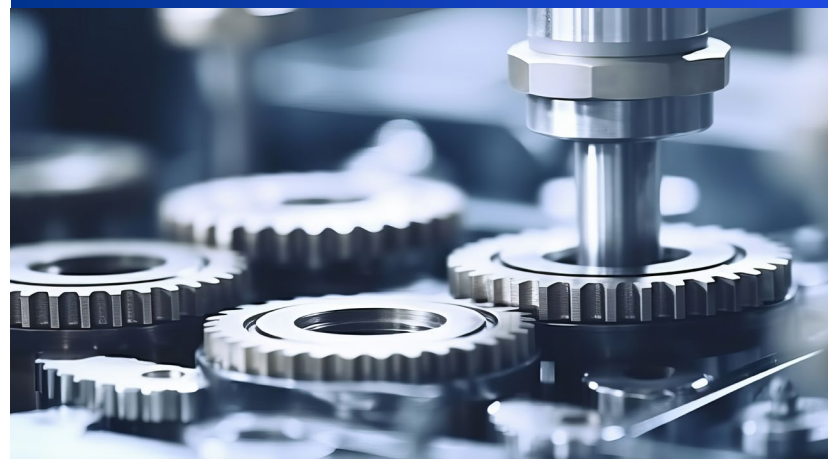
increase in deal value QoQ

Big bets drive big percentages

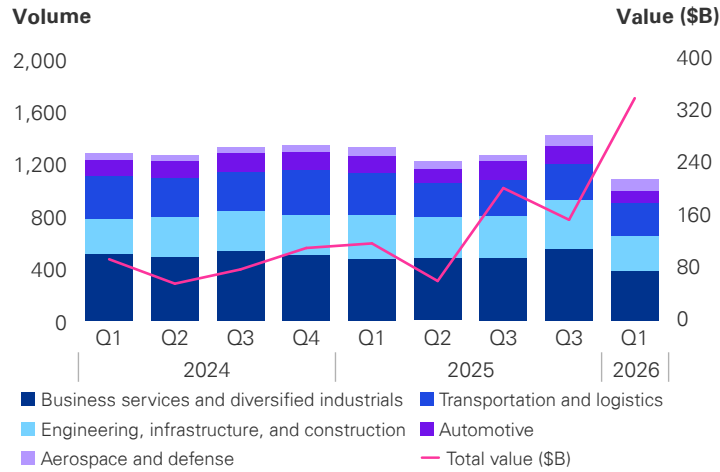
US IM M&A activity in Q1'26 showed a clear shift toward larger transactions. While overall deal volume declined, total deal value increased sharply, driven by a small number of sizeable acquisitions. TLD and aerospace and defense (A&D) accounted for most of the value growth, whereas automotive deal activity softened. Strategic buyers increased their participation, while PE investors remained more selective. PE hold periods are lengthening, with selective asset sales and increased scrutiny on continuation vehicles. Mid-market fundraising remains choppy, and more assets may come to market as funds seek liquidity. This dynamic highlights a shift toward a smaller number of higher-value transactions, as strategic buyers and PE investors concentrate on platform assets and long-term capability buildouts.

Overall, Q1'26 reflected a shift in deal composition relative to the fourth quarter of 2025 (Q4'25), with an increase in value driven by a few mega transactions, alongside reduced activity in terms of deal count. That was consistent with a market shaped by financing conditions and policy sensitivity. Importantly, the quarter's aggregate value was heavily influenced by the SpaceX-xAI merger. Excluding that transaction, overall deal value growth would have been far more modest—reinforcing the view that Q1'26 was defined less by broad-based exuberance and more by selective, conviction-driven bets.

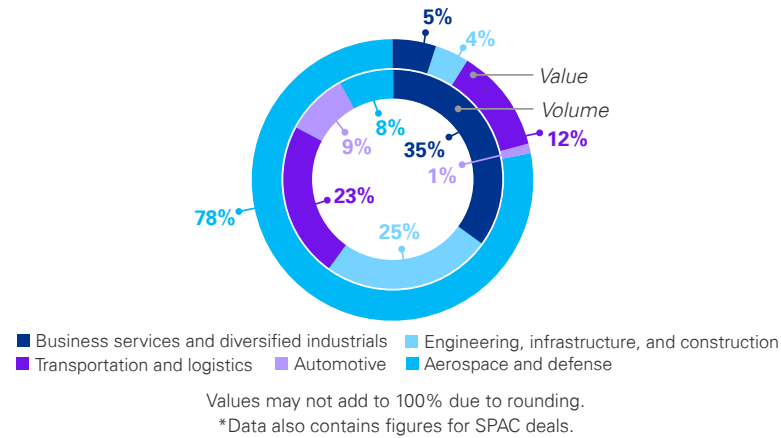
While SpaceX is classified within A&D for M&A reporting purposes, the strategic logic and valuation underpinning the SpaceX-xAI transaction extend well beyond traditional A&D dynamics. A growing share of SpaceX's enterprise value is tied to Starlink's global communications platform, where recurring subscription revenues, spectrum assets, and network scale drive economics more traditionally associated with the technology, media, and telecommunications sector. In that context, launch vehicles and satellite manufacturing increasingly function as enabling infrastructure for a telecommunications- and data-driven business model. This hybrid industrial/technology profile helps explain both the transaction's unprecedented scale and its outsized impact on aggregate IM deal values in Q1'26—highlighting the blurring boundary between industrial capability build-outs and digital platform strategies.



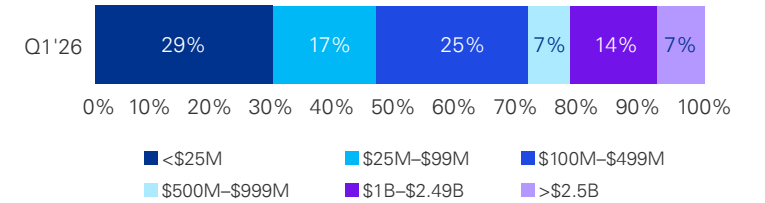
Industrial manufacturing deal volume and value



Industrial manufacturing sector mix Q1'26

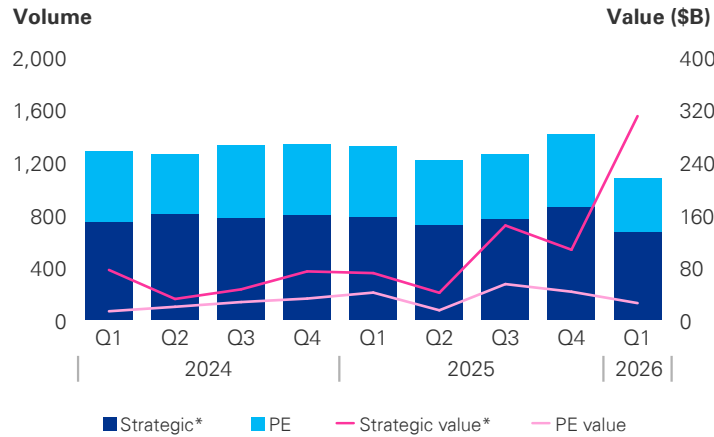


Industrial manufacturing deal size mix - Q1'26



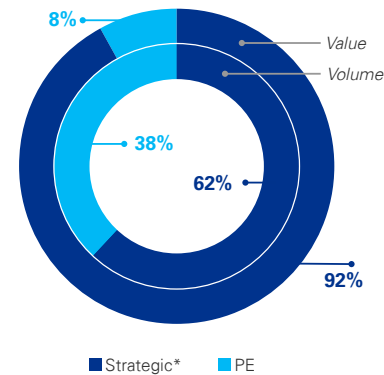
Note: Deals with disclosed values only. Values may not add to 100% due to rounding.

Industrial manufacturing strategic/PE deal volume and value



*Data also contains figures for SPAC deals

Industrial manufacturing strategic/PE mix Q1'26



Subsector data

A&D: Mega deals in vertical integration

A&D deal activity reinforced a clear pattern: buyers are pursuing a narrow set of assets that offer differentiated technology, proprietary content, and greater control over strategic capability areas. While headline value was skewed by SpaceX’s acquisition of xAI, the broader market sent the same message through TransDigm’s \$2.2 billion acquisition of Jet Parts Engineering, VSE’s \$2.03 billion acquisition of Precision Aviation Group, and AeroVironment’s acquisition of ESAero to deepen manufacturing and propulsion-related capabilities. Capital deployment also extended beyond announced M&A, with Advent committing up to \$1 billion to next-generation defense technology and moving quickly into Shield AI and Saronic, underscoring growing sponsor conviction around defense innovation and industrial resilience. Together, these moves highlight rising investor preference for assets that enhance technological differentiation, supply-chain control, and production depth, an emphasis that becomes even more pronounced in missile and propulsion manufacturing.^{3,4,5}

Q1’26 transaction activity reinforced the growing imperative to expand US missile and propulsion manufacturing capacity. AE Industrial Partners’ agreement to acquire a controlling interest in L3Harris’s Space Propulsion and Power Systems business highlighted strong PE appetite for scaled propulsion assets, while the US government’s \$1 billion investment in L3Harris’s missile solutions business made equally clear where Washington is directing industrial base support. That same theme continued in March, as X-Bow moved to acquire Evolution Space to expand solid rocket motor output, and York Space Systems acquired Orbion to deepen propulsion vertical integration and supply-chain control. The takeaway across A&D M&A is clear: Government demand signals are shaping investment priorities, and private capital is responding by backing propulsion, energetics, and adjacent manufacturing assets that can expand throughput, resilience, and readiness.^{6,7}

Implication: Well-timed acquisitions can lock in long-cycle revenue, but missteps risk delays and value erosion.

Decision lens for dealmakers:

- **KPMG lens (90–180 days):** Buyers are continuing to consolidate aftermarket platforms, focusing on proprietary repair capabilities, distribution scale, and MRO integration to capture recurring revenue from aging fleets and extended service cycles.
- **Recurring execution risk:** Overestimating cross-platform monetization without aligning rights windows and technology stacks
- **Practical move:** Stress-test IP amortization assumptions under slower subscription growth.

³ Loren Grush, Edward Ludlow, and Liana Baker, “Elon Musk’s SpaceX Said to Combine With xAI Ahead of Mega IPO,” Bloomberg News, February 2, 2026.

⁴ “TransDigm Announces Acquisition of Jet Parts Engineering and Victor Sierra Aviation Holdings,” PR Newswire, January 16, 2026.

⁵ “VSE Corporation Agrees to Acquire Precision Aviation Group in Transformational Aviation Aftermarket Transaction,” VSE Corporation Investor Relations, January 29, 2026.

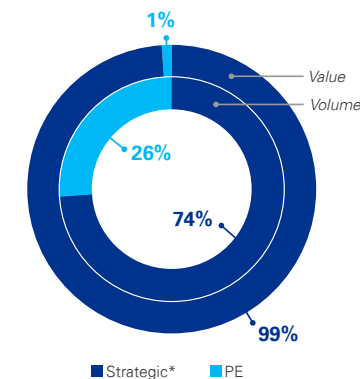
⁶ Aishwarya Jain and Megavarshini G. Somasundaram, “L3Harris sells 60% stake in space propulsion business for \$845 million,” Reuters, January 5, 2026.

⁷ Akash Sriram, “Space Sector Eyes Further Investment Growth in 2026 After Record Year,” U.S. News & World Report, January 19, 2026. “5 Forces Driving M&A in 2026,” Morgan Stanley Insights, January 22, 2026.

A&D deals by quarter



A&D/PE mix Q1’26



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

Automotive: Expanding service platform

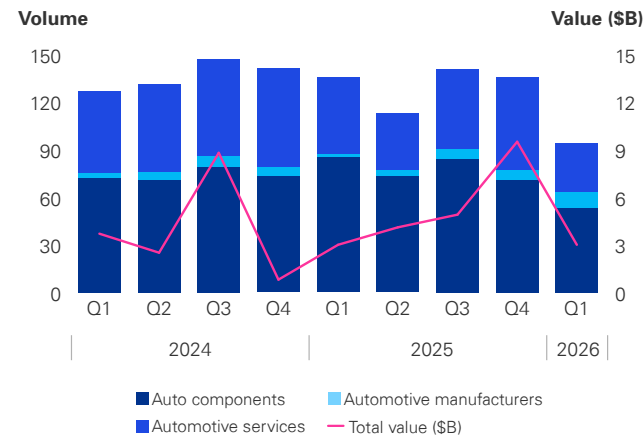
Q1'26 punished ambiguity. Both volume and value declined quarter over quarter (QoQ), showing less dealmaking in the automotive subsector. Notably, automotive retail and service platform rollups accelerated—for example, Jeff Wyler Automotive acquired a regional dealership group, and Monomoy Capital Partners agreed to buy Jiffy Lube from Shell to scale up a nationwide car maintenance network. These moves are aimed at capturing stable service revenues and regional marketshare.⁸ Volumes and values were down, but service and aftermarket rollups accelerated, reflecting a focus on resilience and margin stability.

Implication: Consolidation can drive margin stability, but value depends on disciplined integration and customer retention.

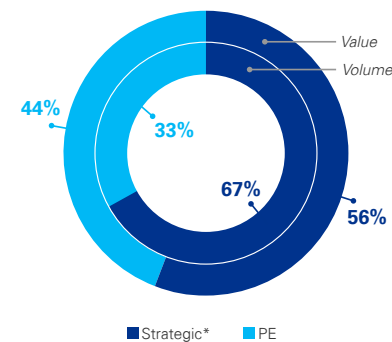
Decision lens for dealmakers:

- **KPMG lens (90–180 days):** Buyers are continuing to scale retail and service platforms, prioritizing regional density, brand alignment, and integrated service models to stabilize earnings and expand consumer access.
- **Recurring execution risk:** Multilocation integration challenges can dilute brand equity and delay service model standardization.
- **Practical move:** Focus on geographic density, operational alignment, and postclose retention of local leadership teams.

Automotive deals by subsector



Automotive strategic/PE mix Q1'26



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



⁸ "Monomoy Capital Partners Signs Definitive Agreement to Acquire Jiffy Lube from Shell," Business Wire, March 9, 2026.

Engineering, infrastructure, and construction: Residential value-chain consolidation

M&A remained active in Q1'26, though both deal count and value fell from the previous quarter's pace. Vertical integration was a key theme: Companies used M&A to acquire adjacent pieces of the residential construction value chain, aiming to secure materials supply and control project execution. For instance, industrial distributor QXO, Inc. agreed to acquire Kodiak Building Partners (a building products distributor) for \$2.3 billion, to expand its reach in high-growth US housing markets and gain control over materials distribution for homebuilders. Likewise, Japan's Sumitomo Forestry Co. moved to purchase US homebuilder Tri Pointe Homes in a \$4.5 billion transaction, locking in home construction capacity amid chronic housing shortages. Those moves reflect a broader strategy in the construction and industrial materials space: integrate and consolidate where it improves cost control and supply reliability.^{9 10} Persistent energy-driven inflation and supply constraints are raising the cost of construction inputs, making control over distribution, materials, and execution increasingly central to protecting margins in a slower-growth environment.

Much of the current deal flow is also tied to the broader built environment—especially commercial, infrastructure, data center buildouts, power and utilities, and industrial service platforms. PE buyers are targeting durable services and engineering capabilities that support these mega projects, with diligence focused on backlog quality and pipeline growth. Labor shortages—especially in skilled trades—continue to impact execution and margin, with immigration issues amplifying the challenge.

Implication: Vertical integration can unlock margin leverage, but success hinges on local execution and supply coordination.

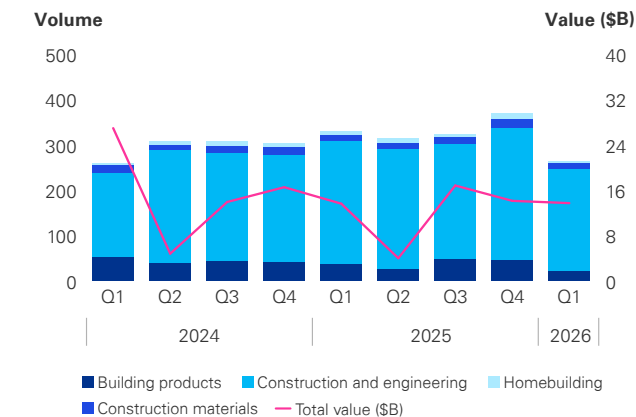
Decision lens for dealmakers:

- **KPMG lens (90–180 days):** Strategic acquirers are deepening control across housing inputs and delivery, targeting distributors, processors, and builders. This will allow them to secure supply, improve pricing discipline, and reduce execution risk.
- **Recurring execution risk:** Local-market fragmentation limits scalability and complicates procurement, logistics, and workforce integration.
- **Practical move:** Target distributors and builders with regional strength and scalable operations in high-growth housing corridors.
- **Target "AI-durable" services:** Focus on skilled trades and hard services that are resilient to near-term disruption and increasingly favored by PE buyers.

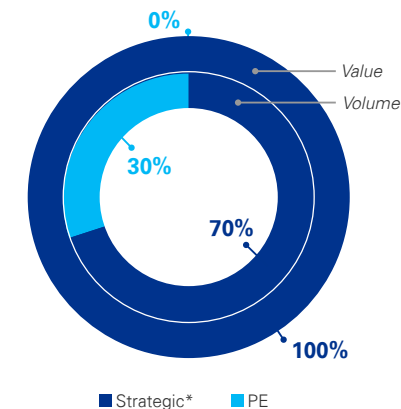
⁹ "Construction Market Report | Issue 1 | 2026," The Weitz Company, January 26, 2026.

¹⁰ Joe Checkler, "QXO to Buy Kodiak Building Partners for \$2.25 Billion," QXO Investor Relations, February 11, 2026.

EIC deals by subsector



EIC strategic/PE mix Q1'26



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

TLD: Network density drives deals

The TLD segment continued to produce headline-grabbing deals, even as overall activity cooled from late 2025's peaks. In Q1'26, TLD M&A was driven by two main plays: network scale consolidation and tech-enabled platform building. On the scale front, companies targeted high-barrier, asset-based operations where greater route density and capacity bring cost synergies and durable competitive advantage through structurally lower costs and higher network defensibility. For example, a consortium led by Advent International and FedEx announced a \$9.3 billion agreement to take InPost S.A. (a European parcel-locker network) private, aiming to accelerate its global expansion and integrate its dense last-mile infrastructure with FedEx's delivery ecosystem.^{11 12} Rising diesel prices and broader transportation cost inflation are amplifying the value of dense logistics networks, where scale offers a structural advantage in absorbing higher per-mile operating costs.

Implication: Platform scale offers durable advantage, but fragmented systems and under-integration can stall value realization.

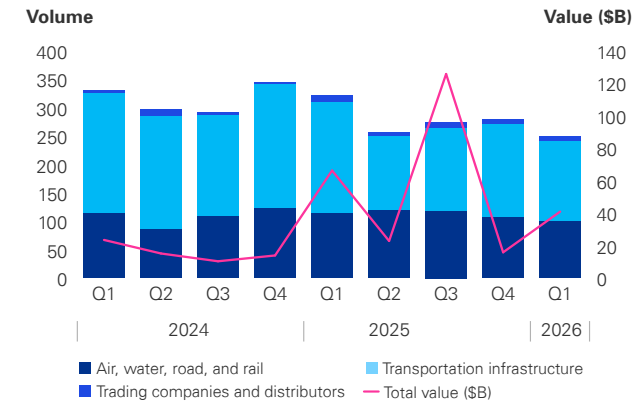
Decision lens for dealmakers:

- **KPMG lens (90–180 days):** Buyers are scaling contract logistics and parcel infrastructure platforms, focusing on dense networks, embedded operations, and tech integration to enhance utilization and earnings visibility.
- **Recurring execution risk:** Tech integration and network harmonization remain critical to unlocking route density and service efficiency.
- **Practical move:** Prioritize embedded logistics platforms with automation capabilities and long-term customer contracts.

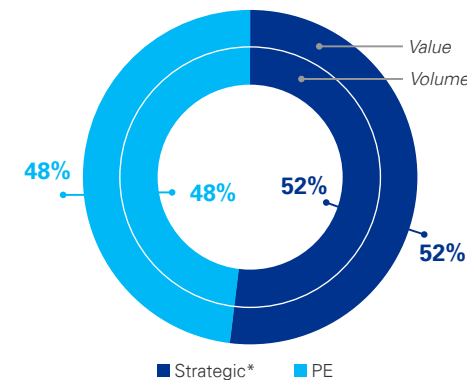
¹¹ "MergersandAcquisitions.net Releases Comprehensive Transportation & Logistics M&A Report Highlighting Consolidation and Private Equity Momentum," Financial Content, March 30, 2026.

¹² Ryan Gould, "Thoma Bravo's Latest Software Deal Is a Bet on the Real Economy," Bloomberg, March 3, 2026.

TLD deals by subsector



TLD strategic/PE mix – Q1'26



Values may not add to 100% due to rounding.

*Data also contains figures for SPAC deals.





Top deals for 2026

Acquirer:
Space Exploration Technologies Corp.
 Target:
X.AI LLC

Value (billions)
\$250.0

Acquirer:
A&R Investments, Advent International, FedEx, PPF Group
 Target:
InPost S.A.

Value (billions)
\$9.3

Acquirer:
Mitsubishi Corporation
 Target:
Aethon III LLC/Aethon United LP

Value (billions)
\$7.5

Acquirer:
Auctane, Inc. (a portfolio company of Thoma Bravo)
 Target:
WWEX Group

Value (billions)
\$5.0

Acquirer:
Sumitomo Forestry Co., Ltd
 Target:
Tri Pointe Homes, Inc.

Value (billions)
\$4.5

Q1'26 data has been updated as of 31st Mar 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. Previously published statistics may not be directly comparable to this version, as historical data has been restated to reflect updated industry reclassifications.

Selective appetite, strategic urgency

IM dealmaking entered Q1'26 with resilience—but not without strain. While capital remains available and manufacturing activity has stayed expansionary, KPMG Economics expects inflation to rise in the near term, driven by energy prices, tariffs, and cascading downstream effects across goods, transportation, and industrial inputs. Growth is forecast to slow modestly, with downside risk increasing if geopolitical disruption persists or financing conditions tighten further.

Deal activity continues to favor a limited number of higher-value transactions focused on areas such as AI, supply-chain resilience, and energy transition, while broader macroeconomic risks, including geopolitical uncertainty, are reinforcing careful deal execution. Looking ahead, each subsector is expected to follow distinct paths, shaped by specific operational needs and strategic priorities, ranging from defense-related technology acquisitions to increased investment in logistics automation.

During the rest of 2026, we expect M&A to remain active but selective. Deal sentiment has improved in certain areas, though decision-making remains measured rather than aggressive. While recent transactions demonstrate that companies can execute complex, large-scale deals, management teams continue to weigh ongoing risks, including elevated input costs, geopolitical uncertainty, and uneven economic growth, when evaluating new opportunities.



A&D: Unmanned skies and secure space

Expect continued activity where buyers can convert program visibility into platform advantage—mission-critical systems, defense electronics, avionics, propulsion, and aftermarket services.



Automotive: Strategic resilience amid disruption

Expect continued consolidating retail and service platforms, with buyers scaling regional networks to capture recurring revenue, enhance customer access, and stabilize margins amid market volatility. Elevated fuel costs and sharply higher transportation expenses—estimated by KPMG Economics to be up 13 percent to 18 percent per mile for trucking since the start of the conflict in the Middle East—are further pressuring margins, accelerating the shift toward service, repair, and aftermarket models with more predictable demand.



Engineering, infrastructure, and construction: Scaling the value chain

Look for deals that expand integrated platforms—for example, building-product manufacturers buying service providers to offer end-to-end solutions. Leading indicators like the Dodge Momentum Index and Architectural Billings Index show planning activity is strongest in data center, power, utilities, and higher education—not traditional manufacturing.



TLD: Tech and scale reshape logistics

Expect strategic buyers and large sponsors to compete for profitable 3PLs, freight brokerages, and e-commerce fulfillment platforms, aiming to build out integrated logistics ecosystems.

Key considerations as we look ahead

01**Scale smartly:**

Focus on platform consolidation where scale drives margin stability—especially in retail, logistics, and construction—but avoid overextension without integration readiness.

03**Secure downstream control:**

In construction and steel, prioritize acquisitions that deepen control over distribution and processing to mitigate supply volatility and improve pricing leverage.

05**Build for aftermarket resilience:**

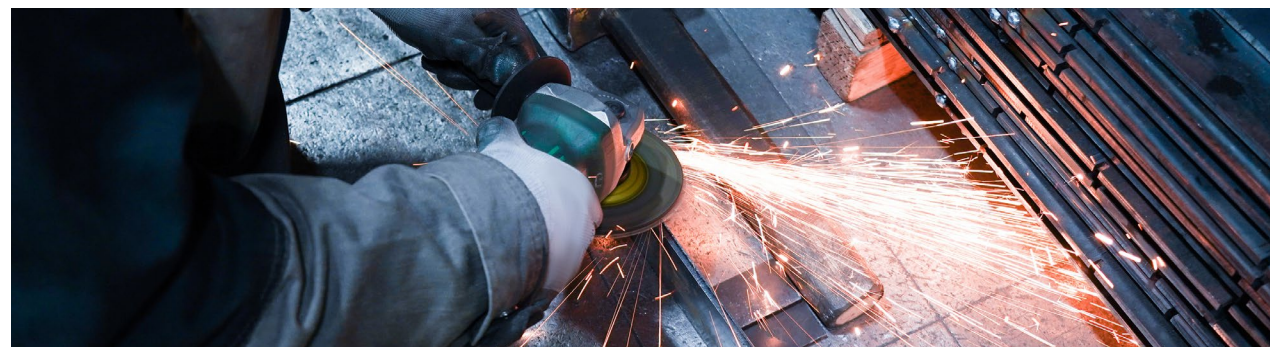
In aerospace, target MRO and parts distribution platforms to capture long-cycle, high-margin revenue streams amid aging fleets and delivery delays.

02**Time tech bets:**

In space and defense, pursue AI-enabled platforms and propulsion capabilities, but structure deals to manage execution risk and regulatory scrutiny.

04**Focus on supply chain control and vertical integration:**

Near-shoring remains a wait-and-see story, with activity concentrated on these strategies rather than a surge in new manufacturing facilities.





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*

With special thanks to:

Anjelica Armendariz, Ankita Baweja, Astha Chopra, Kunal Chugh, Mridani Krishna, Mannat Gupta, Kathleen Nichols, Ayush Seth, and Mukul Sharma.

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](https://www.kpmg.com)



Subscribe

The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act upon such information without appropriate professional advice after a thorough examination of the particular situation.

© 2026 KPMG LLP, a Delaware limited liability partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

The KPMG name and logo are trademarks used under license by the independent member firms of the KPMG global organization. DASD-2026-20155