



M&A trends in industrial manufacturing

Q4 2025 M&A trends report

Bold recalibration: Value over volume

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A deceptively strong finish

Despite tariff concerns and persistent geopolitical tension, industrial manufacturing (IM) M&A in 2025 delivered a credible close: comparatively fewer deals, bigger checks, and deliberate portfolio moves. The fourth quarter capped a year defined by megadeals in logistics, grid-electrification plays, and defense-tech capabilities, even as financing and policy uncertainty kept some sponsors sidelined.¹ Importantly, the LTM count of deals above \$500 million expanded sharply, underscoring how not just value but the number of large-cap transactions accelerated to levels not seen in several years.

Q4'25 was a study in disciplined ambition. Total deal value of \$156.0 billion was down 27.2 percent quarter-over-quarter (QoQ) but up meaningfully versus Q4'24, confirming the year's pivot toward larger, more thesis-driven transactions. Total volume fell to 1,949 deals, as acquirers prioritized quality, scale, and cash-flow resilience over broad roll-ups. Strategic buyers dominated value, continuing the trend observed through Q3'25, when megadeals (most notably Union Pacific's \$85 billion merger with Norfolk Southern) reshaped the narrative around logistics and infrastructure platforms—even after adjusting for that outlier.²

Overall, Q4 wrapped up a decent year for dealmaking in IM—deal volume declined 3.4 percent year-over-year (YoY) to 8,528 deals from 8,831 in 2024, while deal value rose 90.0 percent YoY to \$563.6 billion from \$296.7 billion in 2024. Macro context remained complicated. Election-year tariff rhetoric and war-related supply chain risk injected volatility into diligence and valuation models, yet the steadier interest-rate backdrop cushioned financing costs enough to let well-capitalized buyers transact. Subsector dynamics diverged: diversified industrials and business services leaned into electrification, thermal management, and filtration scale-ups; aerospace and defense (A&D) turned to tech-integrated platforms, satellites, and high-power electronics; engineering, infrastructure, and construction (EIC) cooled after a datacenter-heavy Q3'25; transportation, logistics, and distribution (TLD) normalized post-rail megadeal peaks; and automotive activity concentrated in EV supply-chain control and software-defined services.

As 2026 begins, we expect acquirers to concentrate on scale assets that support energy transition and digital operational visibility, while using carve-outs in A&D and EIC to sharpen

strategic focus. Buyers will likely preserve flexibility in tariff-sensitive sectors through earn-outs and other contingent mechanisms, even as they accelerate diligence around supply-chain localization and AI-enabled service models.

Q4 2025 highlights

Both deal volume and value declined.

1,949
deals

 **-14.2%**
decrease in number
of deals QoQ

\$156.0
deal value
(in \$US billions)

 **-27.2%**
increase in deal
value QoQ

¹ Cole Rosengren, "Industrial M&A ramps up as tariffs settle in, interest rates drop and funds are flush," Manufacturing Dive, November 12, 2025.

² "Union Pacific and Norfolk Southern to Create America's First Transcontinental Railroad," Union Pacific, July 29, 2025.

“My enthusiasm about the market is signaled in the rapid growth of \$500M+ deals being executed in North America. The market is back! With both buyers and sellers engaging. Our clients are contemplating transformative deals on both the buy and sell side with the ongoing consolidation in some spaces (e.g., auto supply) and focusing in others (e.g., diversified industrials).”



—Todd Dubner

Principal, Advisory—Performance Transformation, KPMG LLP

2025 highlights

8,528
deals

↓ -3.4%
decrease in number of deals YoY

\$563.6
deal value
(in \$US billions)

↑ 90.0%
increase in deal value YoY



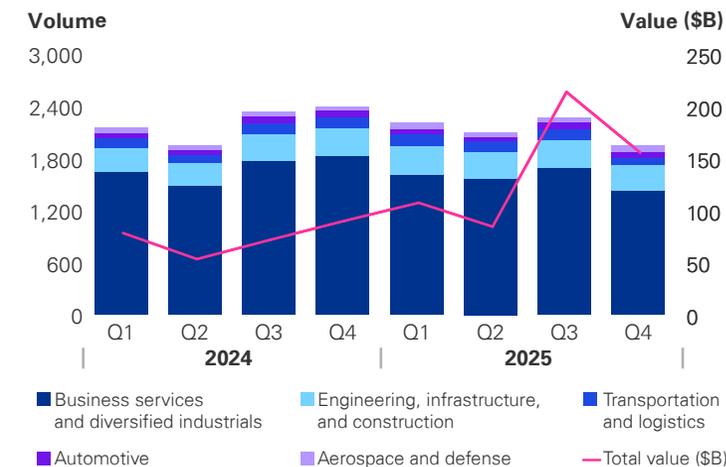
Overall IM sector: All numbers point to concentration

Q4'25 IM deal volume fell double digits QoQ, while values declined sequentially but rose YoY. Strategic value outperformed private equity (PE); diversified industrials and business services drove dollar totals; TLD normalized after Q3's rail megadeal spike; and A&D value rebounded sharply from Q3'25 on tech-led deals.

The fourth quarter of 2025 recorded 1,949 deals, down 14.2 percent QoQ, while total deal value reached \$156.0 billion, down 27.2 percent QoQ but up 90.0 percent YoY (2024 versus 2025). Strategic deals accounted for 57.0 percent of volume and 73.6 percent of value, with a 4.1 percent drop in volume QoQ and a 22.0 percent decrease in value. At the same time, PE deals saw a 24.7 percent drop in volume and a 38.8 percent decline 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.

All in all, 2025 marked a notable shift in deal mix compared to 2024. While total deal volume declined 3.4 percent YoY, overall deal value expanded sharply, rising 90.0 percent YoY. This steep change in value was driven by a higher share of >\$1 billion transactions, notably in diversified industrials (electrification, filtration, process optimization) and business services (route density, technical services), offset by a lighter small-deal cadence—consistent with a financing and policy-sensitive environment.

Industrial manufacturing deal activity by subsector

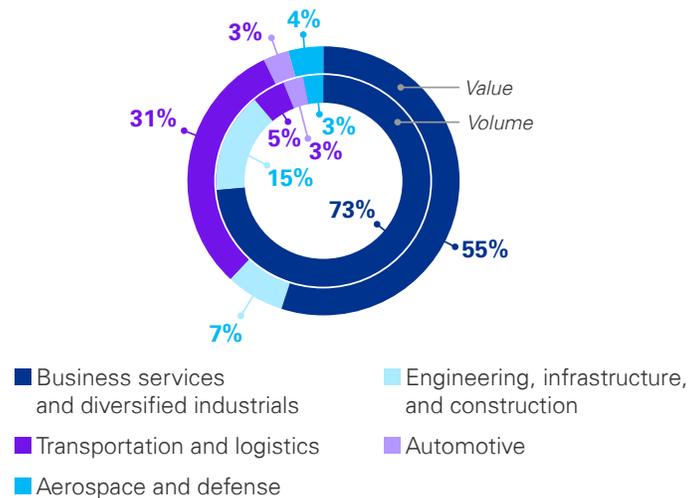


Industrial manufacturing strategic/PE deal volume and value

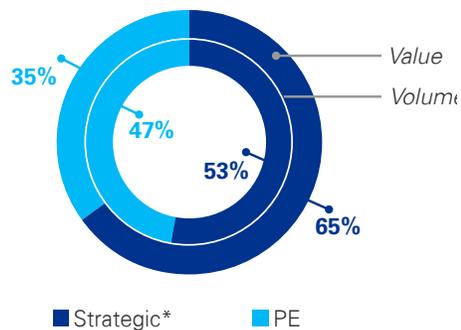


*Data also contains figures for SPAC deals.

Industrial manufacturing sector mix 2025



Industrial manufacturing strategic/PE mix 2025



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

Industrial manufacturing deal size mix – 2025



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



Sector Data

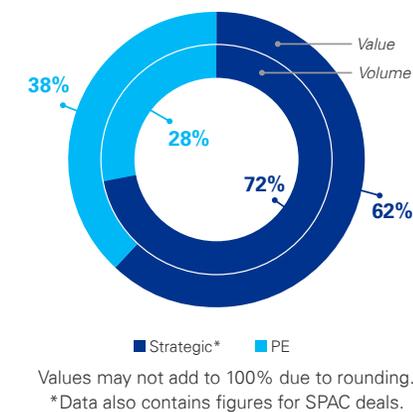
A&D: Space, sensors, and strategic superiority

In A&D, volume spiked 16.7 percent QoQ (77 versus 66) and value increased 1,147.2 percent QoQ (\$12.5 billion versus \$1.0 billion). Value decreased by 7.5 percent YoY (\$21.7 billion versus \$23.4 billion). This rebound reflects tech-integrated platforms (space-based sensing, high-power electronics) and mission-critical components and was reinforced by adjacent commercial-aerospace consolidation, including the \$28.2 billion take-private of Air Lease led by Sumitomo Corporation and SMBC Aviation Capital. Implication: Pricing power for AI/autonomy/satellite assets; primes and integrators continue selective buys; and additive manufacturing shifts to production scale.^{3, 4, 5}

A&D deals by quarter



A&D strategic/PE mix 2025



³ "U.S. Space Force and SpaceX Partner to Develop 480-Satellite MILNET Constellation," SatNews, December 29, 2025.

⁴ Victoria Sokolova, "New Technology Trends in Aerospace and Defense Industry [2026]," Epicflow, 2026.

⁵ Mikayla Easley, "Space Force sets sights on major overhaul of how it buys capabilities," DefenseScoop, October 8, 2025.

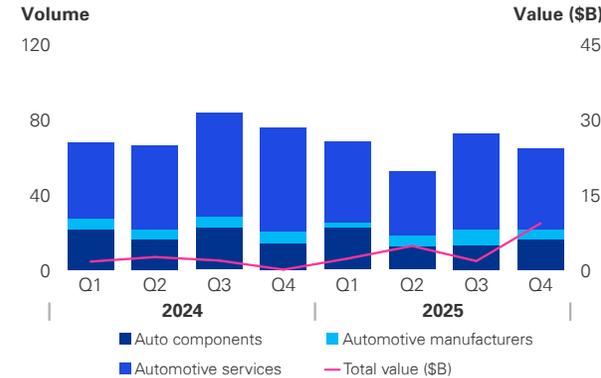
⁶ "The top 10 automotive trends in the U.S. for 2026," Market-Xcel, October 2025.

⁷ Markkus Rovito, "Driving the future: 10 automotive industry trends and predictions," Autodesk, August 13, 2024.

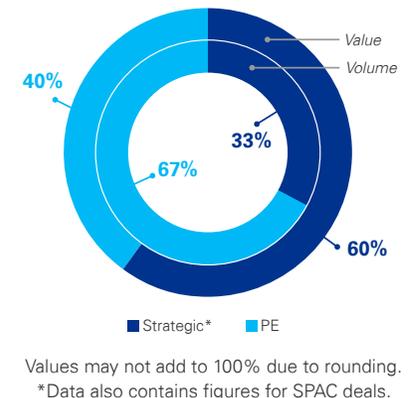
Automotive: Value over volume

Volume declined 11.1 percent QoQ (64 versus 72) and 12.0 percent YoY (256 versus 291). In contrast, deal value surged 452.8 percent QoQ (\$9.2 billion versus \$1.7 billion) and rose 210.4 percent YoY, increasing from \$5.7 billion in 2024 to \$17.7 billion in 2025. This outsized value growth reflects intensified investment in supply chain control for electronics and EVs (including batteries and next-generation SiC/GaN power electronics), along with a heightened focus on tech-enabled aftermarket services (such as ADAS calibration, predictive maintenance, and AI-driven diagnostics).^{6, 7} Notably, the largest corporate-backed strategic transaction of the year was the Honda-LG sale-leaseback, a capital-preserving structure that underscored OEMs' need to secure critical battery capacity while freeing up balance-sheet flexibility. At the same time, OEMs such as the Detroit Big 3 began redirecting excess EV-battery capacity into power storage applications (for homes, grid, and data centers)—a capital-efficient pivot toward rising industrial and AI-driven power-storage adjacencies.

Automotive deals by subsector



Automotive strategic/PE mix 2025

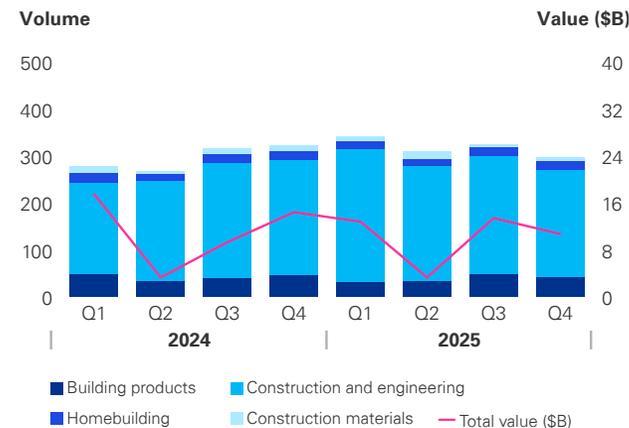


Sector Data

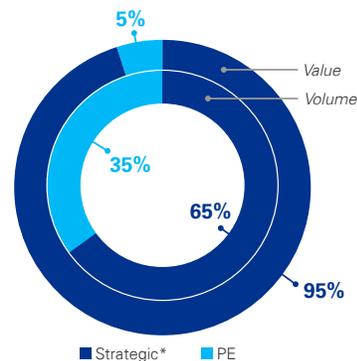
EIC: AI, Infrastructure, and the datacenter demand curve

Volume was down 7.1 percent QoQ (301 versus 324), and value was down 20.1 percent QoQ (\$10.7 billion versus \$13.4 billion). YoY, volume was up 7.8 percent (1,274 versus 1,182), and value was down 9.4 percent (\$40.3 billion vs. \$44.4 billion). After Q3's spike in datacenter and energy-transition activity, dealmaking settled into a more selective cadence, with buyers favoring platforms offering integrated power, cooling, and grid-modernization capabilities.

EIC deals by subsector



EIC strategic/PE mix 2025

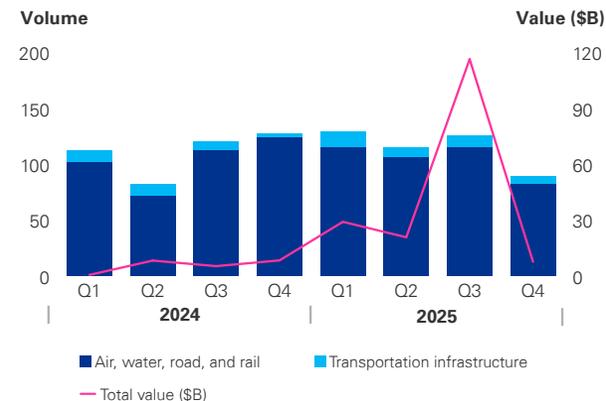


Values may not add to 100% due to rounding.
*Data also contains figures for SPAC deals.

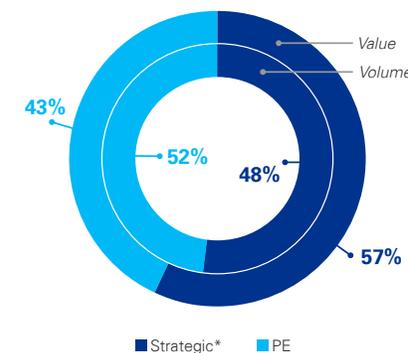
TLD: Beyond the megadeal: Logistics reinvents its core

Volume was down 28.8 percent QoQ (89 versus 125), and value was down 93.5 percent QoQ (\$7.6 billion versus \$116.3 billion). YoY, volume was up 3.9 percent (458 versus 441), and value was up by 683.6 percent to \$173.5 billion in 2025 from \$22.1 billion in 2024. This YoY surge was largely shaped by the landmark \$85 billion Union Pacific/Norfolk Southern merger. Beyond this normalization following Q3's rail megadeal, tech-enabled 3PLs, automation, and temperature-controlled networks continue to attract strong midmarket interest.²

TLD deals by subsector



TLD strategic/PE mix 2025



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

²“Union Pacific and Norfolk Southern to Create America’s First Transcontinental Railroad,” Union Pacific, July 29, 2025.

Top deals

<p>Acquirer: Union Pacific Corporation</p> <p>Target: Norfolk Southern Corporation</p>	<p>Value (US\$bn)</p> <p>\$85.0</p>
<p>Acquirer: Apollo Asset Management, Brookfield Asset Management, Citigroup, SMBC Aviation Capital, Sumitomo, The Goldman Sachs Group</p> <p>Target: Air Lease</p>	<p>Value (US\$bn)</p> <p>\$28.2</p>
<p>Acquirer: BlackRock, Global Infrastructure Partners, Terminal Investment</p> <p>Target: Panama Ports</p>	<p>Value (US\$bn)</p> <p>\$22.8</p>
<p>Acquirer: Baker Hughes Company</p> <p>Target: Chart Industries, Inc</p>	<p>Value (US\$bn)</p> <p>\$13.6</p>
<p>Acquirer: QXO, Inc.</p> <p>Target: Beacon Roofing Supply, Inc.</p>	<p>Value (US\$bn)</p> <p>\$11.0</p>

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.



Cautious optimism; selective aggression

The IM sector closed 2025 with a distinctly mixed profile: overall deal volume contracted meaningfully YoY, while deal value expanded sharply, underscoring investors' preference for scale assets and mission-critical capabilities throughout the year.

Q4'25 reinforced a bifurcated market: strategics remain active and thesis-led; PE is disciplined but present. We expect a steadier Q1'26 backdrop—rate stability, moderated tariff deployment—supporting mid-market platforms in logistics and construction, plus continued scale-chasing in electrification and defense tech.

As we enter Q1'26, the tone is constructive. With the Q3'25 value spike absorbed and Q4'25 normalizing, bid/ask spreads continue to converge in quality assets. Strategics will likely keep leading with portfolio realignment—exiting heavy-carbon adjacencies while doubling down on grid, thermal, and filtration. We expect sponsors to accelerate take-privates and carve-outs in data-center infrastructure, industrial services with contracted revenue, and automotive-tech aftermarket, where digitization and visibility materially uplift margins. In A&D, elevated budgets and the operationalization of AI/autonomy should sustain activity

in space, unmanned systems, and high-power electronics, while aftermarket MRO consolidates to address chronic depot underinvestment. Logistics will focus on tech-enabled 3PL platforms, robotics-driven warehousing, and cold-chain resiliency; asset-light models will remain in favor. Finally, easing financing conditions—if sustained—should unlock deferred processes and recapitalizations.



A&D – Satellites over solder

Expect selective acquisitions in space-based sensing, secure comms, and autonomy; primes continue portfolio sharpening; MRO consolidation picks.



Automotive – Software wraps the supply chain

Hybrid resilience and SDV roadmaps underpin deals in ADAS services, predictive maintenance, and power electronics; OEMs localize critical components.



EIC – AI builds the backbone

Datacenter and energy-transition workstreams sustain demand for integrated power/cooling platforms; roll-ups in specialty trades remain attractive.



TLD – After the megadeal hangover

Focus shifts to tech-enabled mid-market 3PLs and automation; cross-border gateway assets remain strategic but policy-sensitive.



Diversified industrials – Electrify and simplify

Transformer, filtration, and controls portfolios continue consolidating; expect further divestitures of non-core assets to fund energy-transition adjacency.

Key considerations as we look ahead

Move decisively, de-risk intelligently

01

Rev up the engine:

Prioritize platforms with electrification adjacency (transformers, thermal, filtration) and contracted revenue. Use structured consideration (earn-outs, CVRs) to bridge valuation under tariff scenarios and to protect against policy whiplash.

04

Secure the signal:

A&D acquirers should prioritize deals that add resilient space-based sensing, secure comms, and high-power electronics. Expect premium pricing; mitigate with joint ventures and capability swaps to accelerate mission-readiness.

02

Do your diligence:

Deepen diligence around supply-chain localization, semiconductor/power-electronics dependencies, and AI/automation ROI. Stress-test throughput and labor assumptions in datacenter, logistics, and automotive aftermarket models.

05

Time your capital:

Sponsors should lean into take-privates/carve-outs where public-market dislocations persist. Strategics should use divestitures to fund grid/thermal scale-ups while trimming heavy-carbon tail. Monitor financing terms and covenant headroom in Q1'26 processes.

03

Integrate and coordinate:

In tech-enabled logistics and EIC roll-ups, value creation sits in systems integration: unify routing, capacity, and thermal/power stacks; standardize operating KPIs and field-service playbooks to lock in synergies.





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 tools-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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