2025 M&A Study: A Travelers Special Report

Today's M&A trends – what manufacturing risk teams need to know

An introduction from Brian Gerritsen

AVP, Manufacturing Segment Leader

As a leading insurer of manufacturing businesses, Travelers foresees ongoing U.S. growth fueled by advanced technology and government investments. Market expansion can have implications to operations and risk management, which is why we look to qualitative and quantitative data to better understand the trends. What are the regional differences? What's motivating the buyers? How does due diligence and integration work get managed with the day job?

To answer these questions and more, we partnered with PitchBook to analyze over $200 billion in recent manufacturing M&A activity and surveyed 150+ manufacturing risk professionals to glean insights into their frontline experiences before, during and after the deal. The study illuminates the differences between strategic buyers and private equity firms. We offer our thoughts on risk management implications relative to recent case studies and practical suggestions that risk professionals can use to mitigate economic losses.

Our findings confirm that manufacturing remains a growth sector, yet modern dealmakers must continue to be vigilant to find and manage exposures. Areas of focus include:

- **Cultural integration and workforce:** Managing employee retention, reporting structure changes and safety culture alignment.
- **Cyber:** Evaluating advanced technologies and new vendors to mitigate risks.
- **Geography:** Carefully reviewing new locations for weather or business continuity risks.
- **Product liability:** Reviewing and updating product design, fabrication and warning practices.
- **Supply chain and trade:** Vetting new suppliers, distribution partners and contractual arrangements.

In today's complex environment, comprehensive risk management strategies are essential for successful manufacturing M&A transactions. It is our hope that these insights better prepare you and your teams for an effective and fruitful expansion. We remain optimistic about the future of manufacturing and are committed to providing insights that could help protect your business.

Executive Summary

Manufacturing mergers and acquisitions (M&As) are poised for growth in both volume and value.

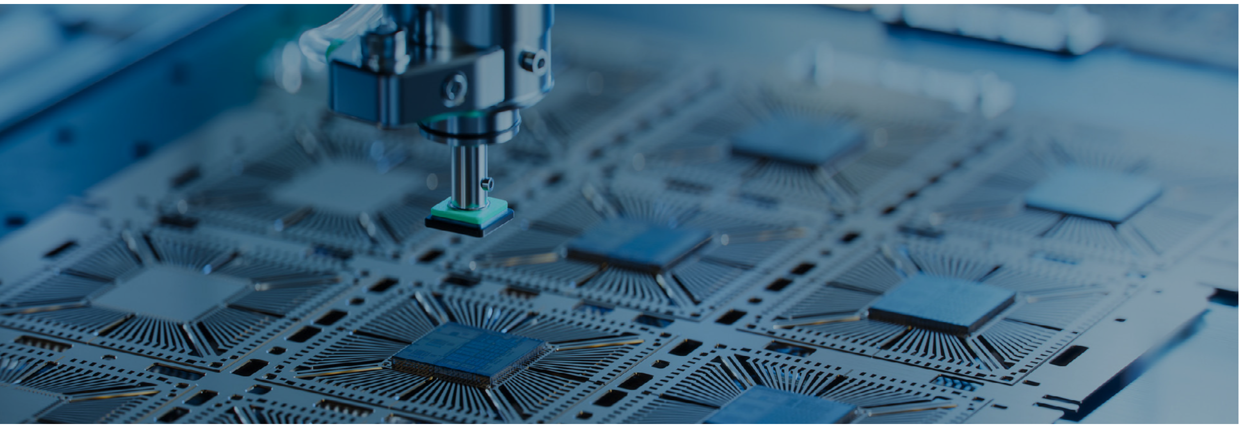
Two categories of M&A transactions:

Strategic deals involve acquisitions by competitors or complementary companies aiming for long-term integration.

Private equity buyouts are driven by investment firms that acquire majority stakes with the goal of offloading at a profit.

- **Manufacturing is a key economic focus.** As U.S. reshoring efforts drive policy shifts and broader dealmaking rises, more manufacturers may enter M&A talks in 2025.
- **Manufacturing M&As slowed slightly in 2024.** Yet they still surpassed $200 billion across 1,667 transactions – just under the 2019-2023 average – despite short-term risks tied to operational complexity and market uncertainty.
- **Manufacturing M&As are growing larger regardless of risks.** In 2024, the median transaction value rose 70% year over year for the first time in five years, with transactions under $100 million making up less than half of total manufacturing M&As. This shift signals a push for scale and tech gains, even in the face of integration and regulatory risks.
- **Emerging technologies are transforming manufacturing.** Private sector investment in supply chain technologies highlights the evolving role of technology in manufacturing and distribution.
- **M&As impact risk management practices.** As a result of M&A activity, the vast majority of companies surveyed changed their risk management practices. Changes included adding new technology or safety measures, engaging with new suppliers, updating physical safety practices, changing insurance coverages and more.

Source: PitchBook Data, Inc.



Trend Analysis

All eyes are on manufacturing as U.S. trade policy undergoes a tide change.

Manufacturing remains central to global trade and M&A activity. In 2025, U.S. policies that are focused on onshoring, levies and trade uncertainty have been elevating costs. Significant public sector investments have been made to bolster U.S. production of semiconductors. Additional efforts are being made to revitalize domestic manufacturing, including the easing of certain regulatory restrictions and the extension of tax cuts previously set to expire this year.

Easing regulations set by organizations, including the Environmental Protection Agency and the Occupational Safety and Health Administration, for example, may boost M&A activity by reducing compliance costs. However, competition, labor constraints and inflation still pose challenges for manufacturers looking to expand.

Certain economic indicators are shaping manufacturing's outlook:

- Housing starts gained momentum in the first month of 2025, but high mortgage rates continue to weigh on the housing market.[1]
- Residential construction fuels demand for building materials, appliances and furnishings but is not the only driver.
- Construction of manufacturing facilities has surged since 2022, influenced by demand for high-tech computer and electronic products.[2]

Additional factors reflect industrial demand and supply chain efficiency:

- Trucking saw a decline in shipments and spending by the end of 2024 due in part to lower output from manufacturers across all sectors.[3]
- Public-private partnerships are expanding, and infrastructure spending rose by over two-thirds between 2013 and 2023.[4] Private sector involvement in manufacturing suggests that private sector growth may continue, especially as government budgets come under scrutiny.

1 "United States Housing Starts," Trading Economics, January 17, 2025.

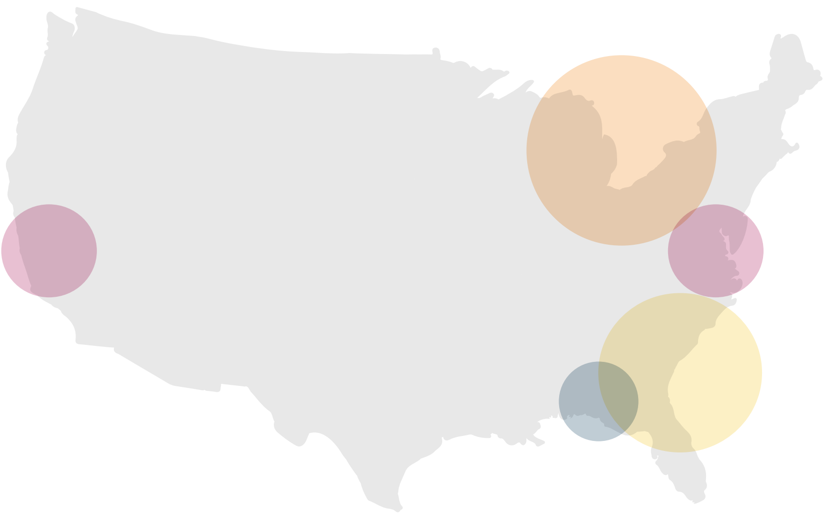
2 "Unpacking the Boom in U.S. Construction of Manufacturing Facilities," The U.S. Department of the Treasury, Eric Van Nostrand, Tara Sinclair, and Samarth Gupta, June 27, 2023.

3 "U.S. Bank Freight Payment Index: Truck Freight Market Continues to Contract," U.S. Bank, February 4, 2025.

4 "Freight Transportation & the Economy," Bureau of Transportation Statistics, September 2024.

Regional manufacturing hubs drive more M&A activity

Manufacturing M&A trends vary across the U.S., influenced by policy, supply chain infrastructure and trade agreements.



The Great Lakes and the Industrial Heartland remain key hubs, with the Great Lakes alone driving over 22% of the nation's M&A activity in the past five years.[5] The region's history of automotive production, combined with a notable presence of chemical and electronics manufacturing, fuels M&A interest. Its industrial focus is supported by population growth[6] as well as policies, including specialized tax-advantaged zones for businesses[7] and large investments into maritime infrastructure.[8]

The Mid-Atlantic and West Coast ranked second and third in M&A volume in 2024.[5]

The South saw the only annual growth at over 11%.[5] Automotive and aerospace account for some of this momentum.

Alabama's steel and aluminum production, along with the "Golden Triangle" between northeastern Texas, Louisiana and Mississippi, continues to attract high-tech manufacturers.

5 PitchBook Data, Inc.

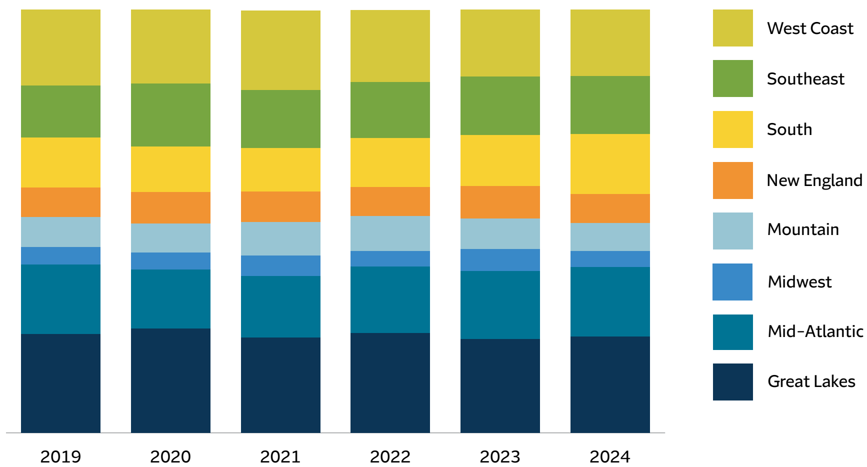
6 "Resident Population in the Great Lakes BEA Region," Federal Reserve Bank of St. Louis, U.S. Census Bureau, December 23, 2024.

7 Specialized tax-advantaged zones for businesses.

8 "Billions Committed in Historic Decade of Investment Aimed at Growing the Economy, Creating Jobs, and Enhancing Shipping on the Great Lakes St. Lawrence Seaway System," U.S. Department of Transportation, December 13, 2023.

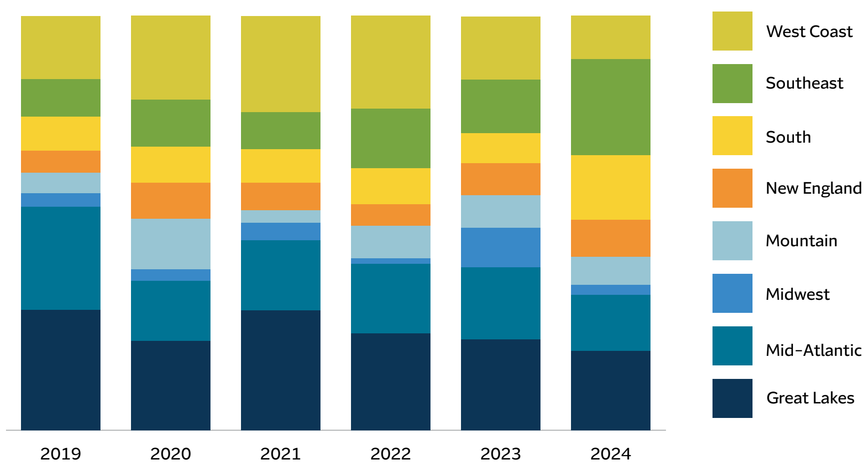
Higher M&A activity signals a strong base of target companies and strategic reasons for larger players to acquire local firms, including tax incentives and supplier proximity. As larger firms enter, competition rises, along with opportunities for talent and economic stimulus.

Share of U.S. manufacturing M&A deal count by region



Source: PitchBook Data, Inc. as of 12/31/2024

Share of U.S. manufacturing M&A deal value by region



Source: PitchBook Data, Inc. as of 12/31/2024

Risk management considerations:

- When merging with or acquiring companies in different geographies, consider factors that could complicate risk management. For example: Are there different weather concerns that might impact insurance availability, insurance costs and/or terms and conditions? If there is a fire or a disruption, what does business continuity planning look like for the geography? Does the new facility have backup suppliers on call or spare parts for repairs?

- Additionally, evaluate the labor environment. Does the acquired company have very tenured employees that may be retiring, and what does the local workforce supply look like? Lastly, consider supply chain challenges. Are there raw materials within the geography or companies available that can ship goods to the territory?

Consumer manufacturing was the only sector to see growth in deal count.

Consumer goods manufacturing drives the majority of M&As

Within the consumer sector, producers of personal products and food and beverages have attracted numerous multibillion-dollar acquisitions over the past five years. In fact, consumer manufacturing was the only sector to see growth in 2024.

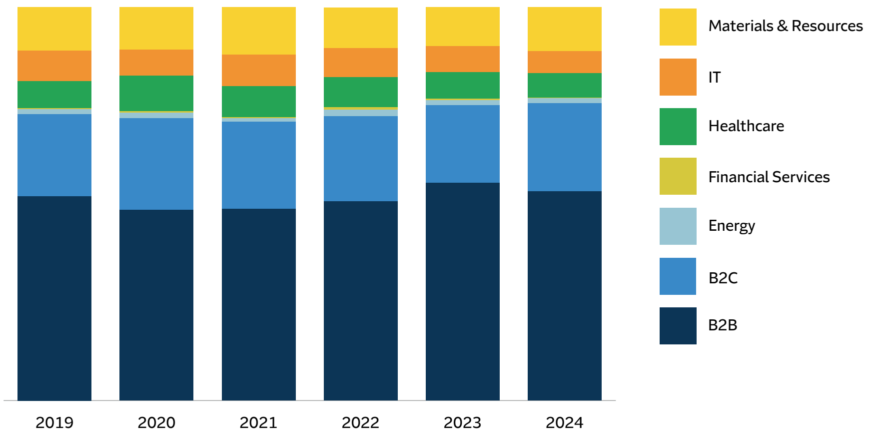
Risk management considerations:

If you're buying a consumer goods company, you need to consider how the external environment has changed. Litigation funding and advertising are making consumer goods companies targets for plaintiffs attorneys. Consider how you can manage the impact that product liability exposures can have on your portfolio, including:

- Review how your design decisions meet applicable safety standards and how they compare to competitors.
- Identify critical quality control records that should be maintained beyond the expected life of your products.
- Determine if your warning labels, manuals and how-to videos adhere to best practices for alerting product users.
- Evaluate warranty issues, complaints or social media postings to drive product improvements.
- Review supply chain vulnerabilities for quality assurance and business continuity planning.

Source: PitchBook Data, Inc.

Share of U.S. manufacturing M&A deal count by sector



Source: PitchBook Data, Inc. as of 12/31/2024

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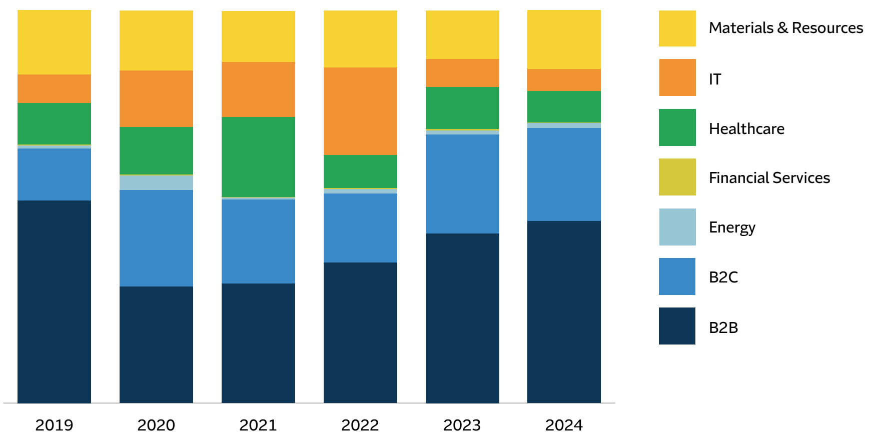


Source: PitchBook Data, Inc. as of 12/31/2024

Sector Definitions:

- **B2B** includes but is not limited to manufacturers of building products, machinery and commercial transportation.
- **B2C** includes but is not limited to manufacturers of apparel and accessories, consumer durables and nondurables.
- **Energy** includes but is not limited to manufacturers of energy equipment, energy refining, energy storage and utilities.
- **Financial Services** includes but is not limited to manufacturers of electronic smart cards and holding companies intended for acquisitions that have a manufacturing subsidiary.
- **Healthcare** includes but is not limited to manufacturers of healthcare devices and supplies, healthcare technology systems, and pharmaceuticals and biotechnology.
- **IT** includes but is not limited to manufacturers of communications and networking equipment, computer hardware and semiconductors.
- **Materials & Resources** includes but is not limited to manufacturers of chemicals and gases, construction products, containers and packaging, and textiles.

New technologies seek to improve traditional manufacturing processes

New technologies such as advanced robotics, virtual reality and advances in 3D printing are revolutionizing manufacturing by boosting efficiency and reducing costs. This modernization is fueling M&A activity as companies seek tech assets for scale, competitive advantage and growth.

Supply chain technology – logistics software, freight and warehousing solutions, and more – is changing how domestic and global supply chains are managed. With onshoring and trade uncertainties continuing, U.S. manufacturers are reshuffling supply chains. This enhances the value proposition for supply chain tech providers as they help address newly exposed vulnerabilities.

Risk management considerations:

- As companies seek to acquire companies with new technologies, additional challenges about technology integration such as workplace safety, valuation of equipment and business continuity planning can arise. This increases the potential for cyber risks as well.
- Or, if you're broadening your supply chain, consider what your vetting process looks like for new or alternate suppliers for raw materials/component parts or even for trucking and shipping companies. Are you putting those companies through the same rigor for financial stability, quality controls and logistics as you are for your existing suppliers? Because manufacturers may be relaxing their standards due to lingering supply chain pressure from the pandemic and recent trade tensions, maintaining diligence for supply chain vetting is critical.

Private equity (PE) firms shift strategies for certain sectors

Despite fewer PE deals in manufacturing, add-on acquisitions – in which firms expand existing portfolio companies – still dominate, reinforcing the roll-up strategy as a key consolidation tool. In 2024, PE firms represented the lowest share of all M&A activity in the past five years at over 44%, facing pressure from inflationary challenges and high lending costs. Following this cooling-off period, economic clarity and tempered valuations could revive momentum for PE firms.

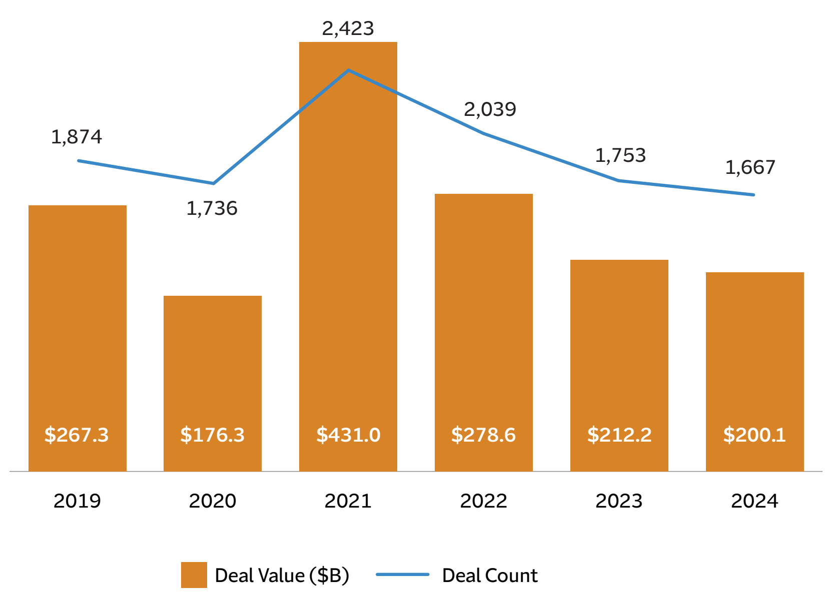
Strategic deals account for the majority of overall manufacturing M&As. Motivations for strategic deals – assets, talent, growth and financials – have heightened lately as inflation and global trade outlooks face uncertainty. Remaining PE firms continue to play a significant role in the space, targeting companies with growth potential and areas for operational improvements.

Amid high costs and rising competition, some sectors attract more PE interest than others:

- Products with consistent demand, like food and medical equipment, offer predictable cash flows and resiliency in economic downturns.
- Other products, including electrical components, have growth potential alongside the industries they serve and can unlock scale through PE networks.

Across all industries, PE holding periods for buyout-acquired companies increased sharply for two years before normalizing. Similarly, holding periods for manufacturing companies rose to a record high in 2023 and then dropped a bit in 2024. As PE firms rethink their manufacturing strategies and exit markets begin to open up, some holdings have been offloaded faster, but timelines remain historically elevated.

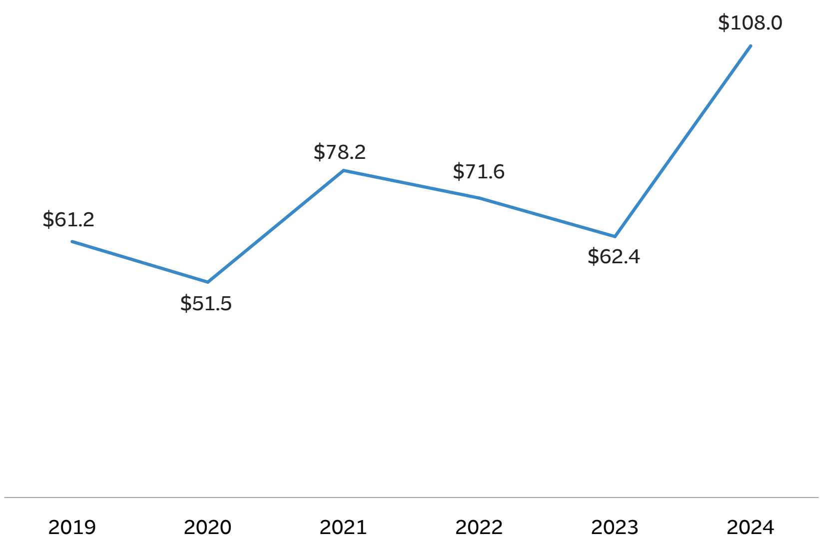
U.S. manufacturing M&A deal activity*



*Uses extrapolated deal sizes

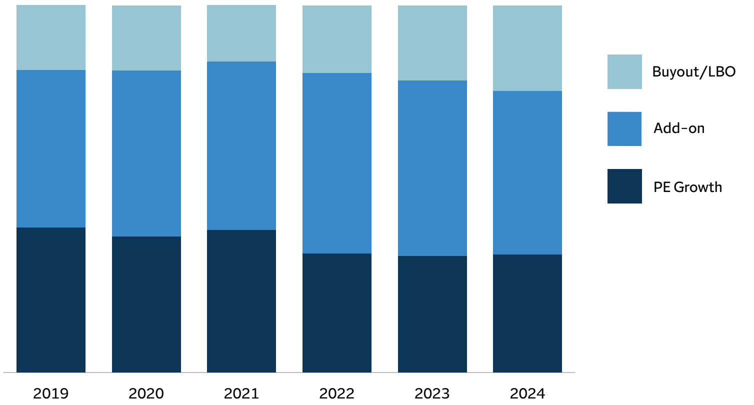
Source: PitchBook Data, Inc.

Median U.S. manufacturing M&A deal value ($ million)



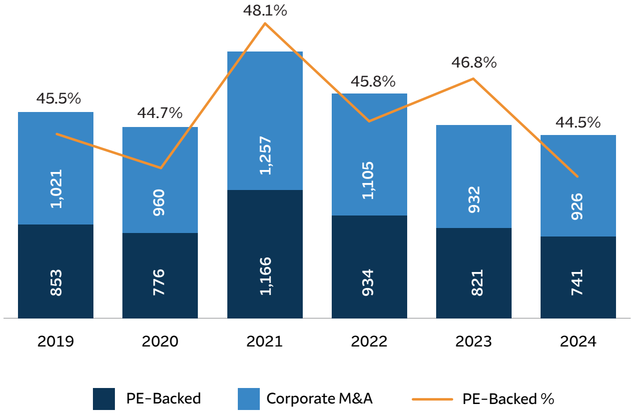
Source: PitchBook Data, Inc. as of 12/31/2024

Share of U.S. manufacturing PE deal count by type



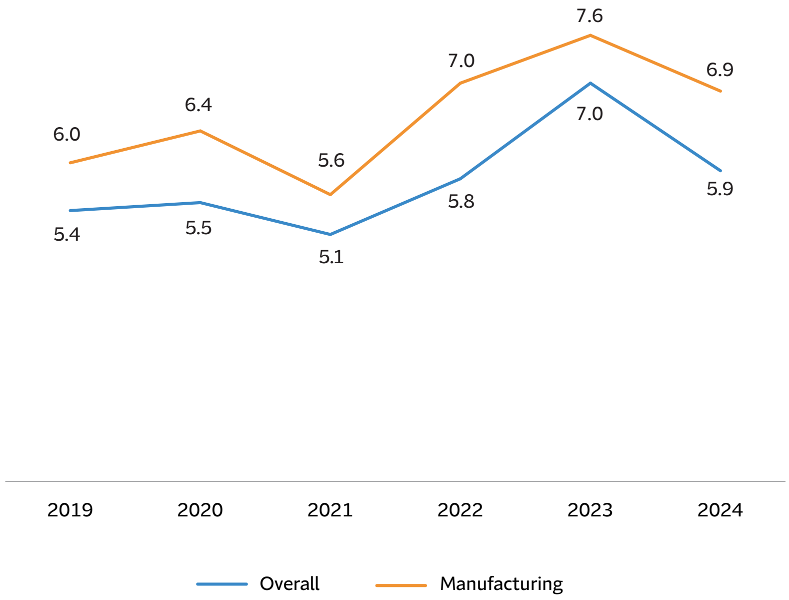
Source: PitchBook Data, Inc. as of 12/31/2024

U.S. manufacturing M&A deal count by acquirer type



Source: PitchBook Data, Inc. as of 12/31/2024

Median PE manufacturing holding time (years)



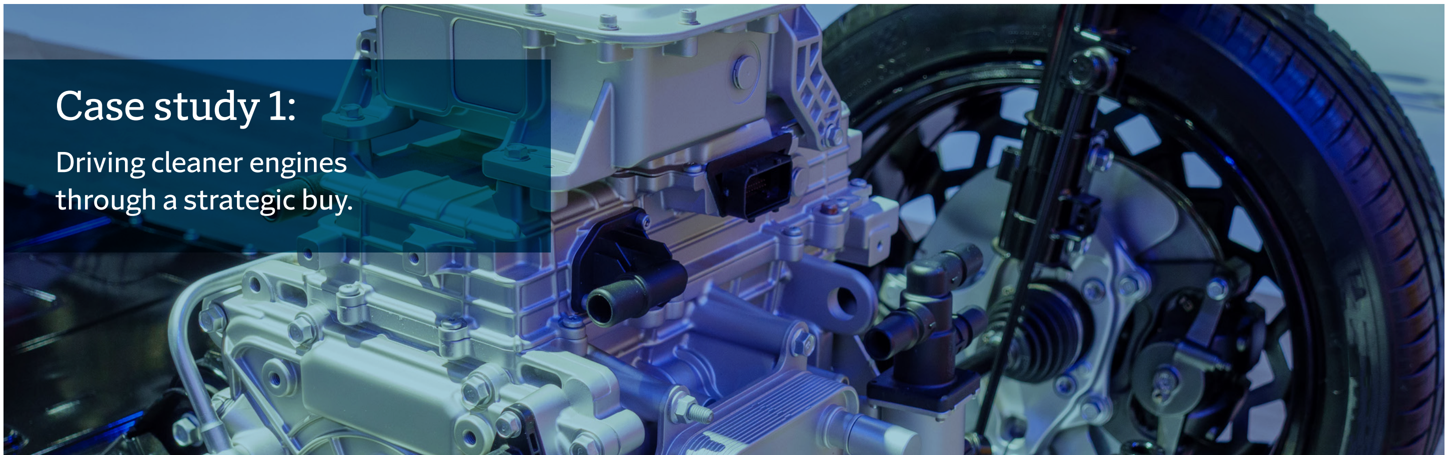
Source: PitchBook Data, Inc. as of 12/31/2024

> Manufacturing is the largest segment in our PE-backed portfolio. Our data shows manufacturers are optimizing operations, investing in equipment and talent, and reporting increased sales and payroll projections for the second half of the year. These trends signal a focus on growth, though extended investment hold periods highlight the need for proactive risk management to protect assets and support long-term value creation.

Charlie Tice
Private Equity National Practice Lead & Regional Vice President, Commercial Accounts Group

Case Studies

As industries navigate shifting market dynamics, intellectual property risks and supply chain challenges, M&As continue to shape the manufacturing landscape – driving consolidation, market expansion and financial restructuring.



Case study 1:

Driving cleaner engines through a strategic buy.

Primary motivator: Growth

Background: A Connecticut-based manufacturer of engine braking, cylinder deactivation and start/stop technologies for commercial vehicles. An Indiana-based global provider of power solutions and engine technologies was looking to expand its capabilities in engine braking systems and enhance its emissions reduction strategies as part of its long-term growth plan.

Deal synopsis: In 2022, the power solutions provider acquired the engine braking manufacturer for $325 million in an all-cash transaction. The acquisition brought key technologies in-house, supporting the company's efforts to meet stringent environmental regulations and optimize performance across its engine business.

Key takeaways:

- The use of all-cash transactions reflects financial considerations, including interest rates, borrowing costs and capital allocation.
- Vertical integration is particularly valuable in sectors where system efficiency and emissions compliance are essential for competitiveness.
- Acquisitions in the engine technology space are often driven by the need to meet regulatory demands and accelerate sustainable innovation.

Recommendations:

- Business continuity planning – consider alternative supply chains, even with vertical integration, and plan for worst-case scenarios.
- Equipment Breakdown and Business Interruption coverage for acquired entities.
- Inland and Ocean Marine coverages for materials/products being transported between entities.
- Cyber hygiene and Cyber insurance for the technology/data integration between the companies.

Case study 2:

Private equity carve-out unlocks growth in building products.

Primary motivators: Financials and growth

Background: A large Michigan-based manufacturer of home improvement and building products had shifted its corporate strategy over the past several years to focus on higher-margin home improvement and plumbing product lines. A private equity firm with a track record in industrial sector investments saw an opportunity to carve out and grow the building products company under new ownership.

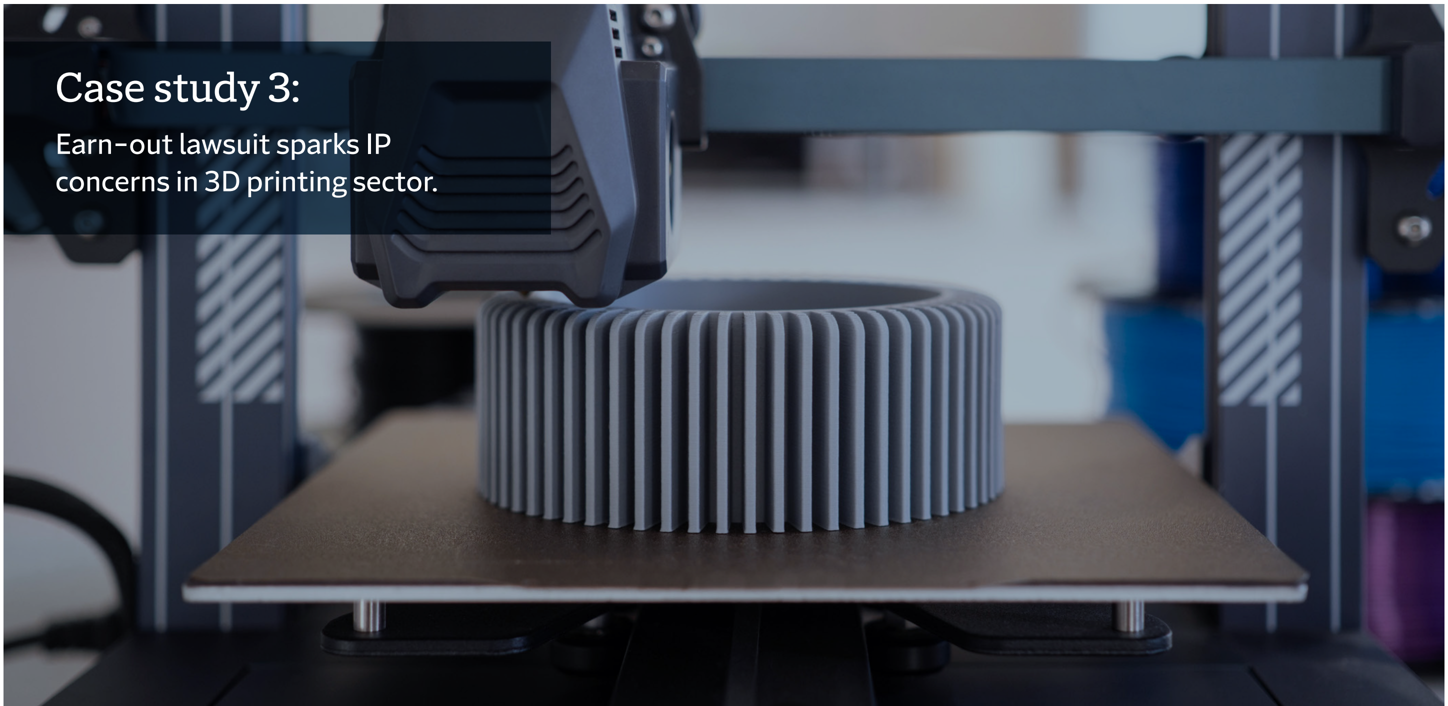
Deal synopsis: In 2020, a private equity-backed company acquired the cabinetry division of the home improvement manufacturer in a leveraged buyout. The deal allowed the parent company to divest a noncore segment while giving the private equity firm an opportunity to reposition the business as a stand-alone, growth-focused platform. Under new ownership, the company concentrated on operational improvements, enhanced customer service and greater manufacturing efficiency.

Key takeaways:

- Corporate carve-outs can create opportunities for focused growth and margin expansion under PE stewardship, which often prioritizes lean operations and strategic reinvestment.
- Brand integration is essential in design-driven industries, where customer perception and heritage influence market positioning. Acquiring companies may rebrand to reference an acquiree with established brand recognition.
- Wood supply chain management is critical as fluctuating raw material costs and sustainability concerns influence pricing, production efficiency and environmental compliance.

Recommendations:

- Consider the total cost of stand-alone insurance – pulling a single entity out of a larger corporate insurance program could introduce some complexities (less buying power, less favorable terms, higher deductibles, higher costs).
- Workers compensation/employee safety – with new ownership/leadership and new financial goals, it's critical to keep employees safe (especially during transition periods); the organization may be moving from a loss-sensitive program under the former parent – which could have included tailored services – to a guaranteed-cost program as a stand-alone business.
- Supply chain risk management – apply heightened scrutiny if looking at alternative suppliers to optimize costs.
- Inland and Ocean Marine coverages for materials/products being transported between entities.
- Cyber hygiene and Cyber insurance for the technology/data disintegration from former parent.



Case study 3:

Earn-out lawsuit sparks IP concerns in 3D printing sector.

Primary motivator: Assets

Background: A manufacturer of commercial-grade products made through 3D printing. The company employed 37 people and was based in San Francisco.

Deal synopsis: In 2020, a manufacturer of 3D printers acquired the products manufacturer for nearly $100 million, leveraging its polymer technology to expand in consumer goods and medical tools. However, in 2023, the acquired company sued the 3D printer manufacturer over withheld earn-out payments. The 3D printer manufacturer has faced multiple copyright infringement lawsuits in recent years. The ongoing legal battles could impact intellectual property rights for the entire 3D printing space.

Key takeaways:

- Copyright lawsuits and consolidation are key trends as 3D printing evolves.
- Both strategic buyers and PE firms may use roll-ups to buy up several smaller competitors and consolidate under one umbrella.
- Earnouts can impact M&A dynamics long after closing.

Recommendations:

- Directors & Officers coverage for management decisions (IP exclusions, however, generally apply in these policies).
- Intellectual Property Insurance through specialty markets.
- E&O Insurance for the new entity – covers product failures that result in economic loss.

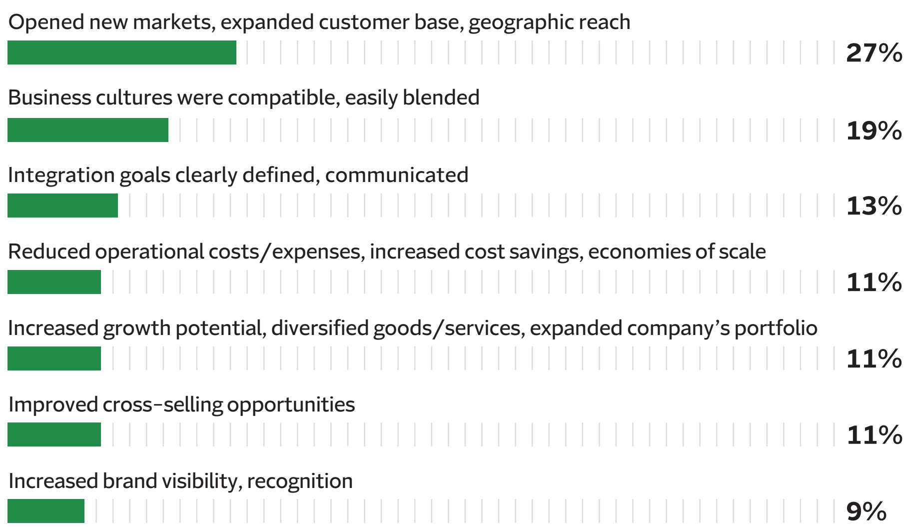
From deal to reality: An on-the-ground perspective

To learn more about some of the impacts M&As can have on a manufacturing company, we surveyed over 150 manufacturing executives with risk-related responsibilities who have undergone a merger or acquisition in the past five years.

Despite challenges, 92% of manufacturing risk management professionals report that the overall impact of M&As has been positive. Expansion to new markets and reaching new customers topped the reasons.

Manufacturing sector: Biggest successes of the M&A

(Aggregated volunteered responses)

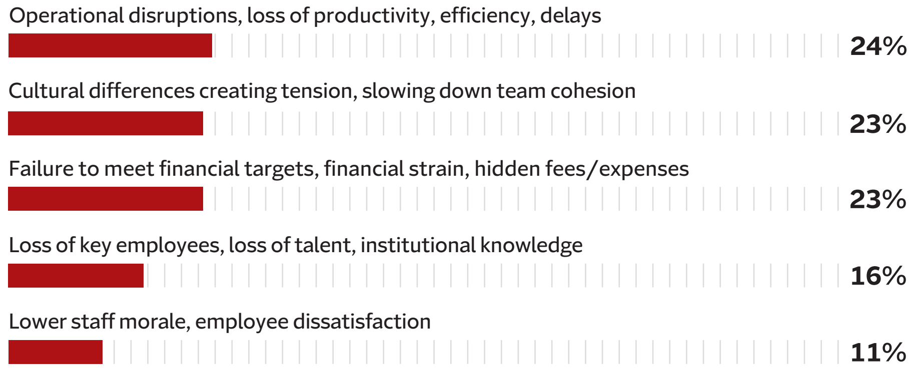


Source: Travelers M&A Study, 2025

Risk realities of manufacturing M&As

M&As in manufacturing promise strategic growth, but they also carry risks. In our survey, cultural and operational disruptions ranked as top future concerns, ahead of financial challenges and loss of talent.

Manufacturing sector: Biggest future risks of the M&A
(Aggregated volunteered responses)



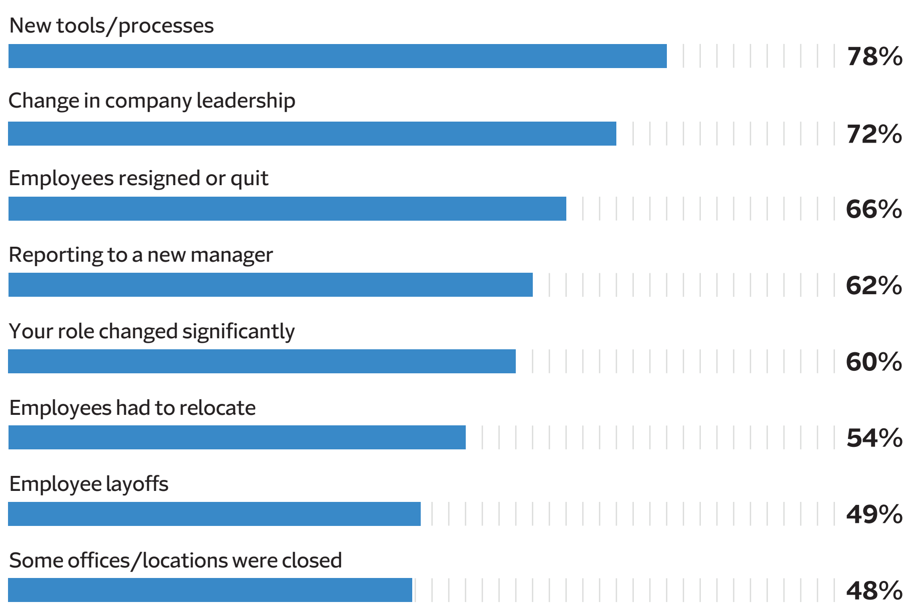
Source: Travelers M&A Study, 2025

Impact on workforce

Additionally, M&A activity in the manufacturing sector did not happen without notable changes and disruptions. The majority of companies implemented new tools or processes to support the transition and many experienced changes in leadership.

The workforce was also affected, with over half of respondents indicating that employees either resigned, underwent major role changes or had to relocate.

Manufacturing sector: % occurred as a result of the M&A



Source: Travelers M&A Study, 2025

Impact on risk management

Nearly all manufacturing companies changed risk management practices following a merger or acquisition (97%).

Top risk management/insurance changes

Source: Travelers M&A Study, 2025

Source: Travelers M&A Study, 2025

Manufacturing Sector: In Their Own Words

Lesson learned from mergers:

“

Hidden costs, such as legal fees, consulting fees and integration expenses.

– Controller, 250–499 employees

“

If anticipating synergies or cost savings don’t occur, the merged entity could face financial strain.

– CFO, 500–999 employees

“

Differences in values, work styles and communication norms can lead to conflict, reduced morale and higher turnover.

– Risk Manager, 250–499 employees

Lesson learned from acquisitions:

“

Supply chain integration difficulties and possible production or raw material delays.

– CEO, 250–499 employees

“

A loss of institutional expertise.

– Risk Manager, 250–499 employees

“

Struggles in merging systems, cultures and operations can cause inefficiencies and employee dissatisfaction.

– Risk Manager, 250–499 employees

Conclusion and a Look Ahead

The manufacturing sector remains central to the evolving economic landscape, influenced by shifting trade policies, technology and M&A trends. Despite a slight slowdown in 2024 M&A volume, manufacturing still saw meaningful activity, consolidation and strategic repositioning. Larger deals have become the norm, underscoring scale and valuations as competitive advantages.

Manufacturers face ongoing risks, including supply chain disruptions, trade uncertainties, labor shortages and rising costs. While reshoring and domestic production may boost long-term resilience, it introduces short-term risks like higher operational expenses and productivity losses. The rise of 3D printing and AI automation presents both opportunities and risks as well. Though integration remains complex, companies must invest in these innovations or risk obsolescence.

Looking ahead, M&A transactions in this climate will likely offer both risk mitigation and exposure. Strategic acquisitions can enhance resilience but also pose challenges, including cultural integration issues, regulatory scrutiny and financial burdens in an already high-interest-rate environment. As PE's role grows, expect a heightened focus on value creation through operational improvements rather than market conditions alone.

Despite near-term uncertainties, M&As remain a powerful tool for companies seeking to strengthen market position and drive innovation.

Companies that prioritize strategic fit, technological integration and supply chain adaptability can differentiate themselves in an increasingly competitive landscape.

To learn more, click here for an interactive digital experience that dives deeper into our M&A study.

About PitchBook

PitchBook is the leading resource for comprehensive data, research and insights spanning the global capital markets. The unprecedented depths of our offerings are brought to life through the PitchBook Platform, a dynamic suite of products designed to help you win.

PitchBook Methodology

Geography for M&A transactions is based on where the acquired/selling company is headquartered. Acquirers/buyers may hail from any region.

For more details, visit https://pitchbook.com/news/pitchbook-report-methodologies.

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