

# Acceleration in Global Industrials M&A in 2024

Lincoln's Industrials Group closed **97 transactions** globally in 2024, a **20% increase** from 2023. Our Industrials platform continues to drive transformative outcomes across all industry sectors, helping clients innovate, expand, and capture new opportunities.

Our Industrials team shares their thoughts on 2024 and what they see ahead for their sectors in 2025.

## Aerospace & Defense

Aerospace and Defense (A&D) M&A continued to accelerate in 2024, with tailwinds across many sub-sectors. Boeing delivered 348 aircraft in 2024, marking a significant decline of approximately one-third compared to the previous year's figures. This drop in deliveries came amid challenges including production disruptions from a labor strike by machinists in autumn and fallout from an incident involving a door panel that detached during flight earlier in the year. While commercial aircraft deliveries remained slow, ridership continued to increase driving high demand for aftermarket products and services. Growing global defense budgets, driven by current and potential conflicts, maintained their focus on technology, modernization and restocking. Looking ahead to 2025, we expect continued momentum in M&A activity given these end market trends and as macro factors become more certain than those when entering 2024.

## Automotive & Mobility

2024 proved transformative for the automotive and mobility sector, marked by accelerating electrification and digitalization trends. The continued growth of electric vehicles has fundamentally reshaped the supplier landscape, with companies specializing in battery technology, advanced driver-assistance system integration, and connected vehicle systems gaining significant market share and strategic importance. A notable shift emerged

in Asian markets toward plug-in hybrid vehicles, prompting manufacturers to balance their investments across traditional, hybrid, and pure electric platforms. The rapid pace of technological change has begun to impact private equity portfolios, necessitating a critical revaluation of legacy investments in traditional automotive technologies.

Looking ahead to 2025, we anticipate the automotive technology sector's transformation to intensify across three critical dimensions: regional evolution, technology advancement, and regulatory compliance. The market continues to polarize between East and West, with China's projected capture of 25-34% of global vehicle sales revenue by 2040 driving strategic positioning decisions. The supplier landscape will further consolidate around electrification and digitalization capabilities, as battery-electric vehicles and electrical/electronic systems are expected to represent the majority of global component revenue pools by 2030. The uncertainty created by accelerated technology adoption and potential trade policies is fostering increased buyer caution, compelling sellers to adopt more flexible approaches to valuation, particularly for assets heavily exposed to traditional automotive technologies. Additionally, ongoing trade policies and potential new regulations surrounding EV components and batteries are likely to accelerate supply chain regionalization, creating opportunities for strategic M&A as companies seek to secure market access and mitigate trade-related risks.

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## Building Products

The US building products sector faced headwinds in 2024 as the Federal Reserve delayed anticipated rate cuts, leading to subdued construction activity across both residential and nonresidential segments. While builder confidence showed some improvement from 2023, it remained in contraction territory. The European market faced similar challenges, though the recent drop in interest rate has led a material improvement in the important repair and remodel market. High inflation dampened repair and remodel activity as homeowners postponed major projects. However, the sector saw increased M&A activity late in the year following Fed rate cut announcements, with Lincoln International outperforming the market and completing a record 11 transactions (seven M&A deals and four financings). Despite challenges, underlying fundamentals remain positive, particularly the persistent housing shortage and aging housing stock, setting the stage for potential recovery as affordability improves and mortgage rates eventually decline.

Looking ahead, several fundamental factors suggest potential for recovery. The persistent shortage of single-family housing remains a key driver for future construction activity, particularly as affordability concerns begin to ease. The aging U.S. housing stock continues to present attractive long-term opportunities in the repair and remodel segment, which will stand as a key support to the European market in 2025. In the nonresidential sector, construction activity is expected to strengthen across most verticals as private sector activity normalizes. The Fed's rate

cutting cycle, while delayed, is anticipated to eventually lead to lower mortgage rates, which could catalyze increased M&A activity in the residential building products segment as organic growth accelerates.

## Chemicals

Chemicals companies saw the destocking "phenomenon" wind down in 2024, as well as a reversion to a more normalized price level throughout many key inputs that helped to drive increased activity as 2024 wore on. This stabilization led to the resolution of several longer-term processes coming to a resolution buyer and seller expectations finally aligned. The year also witnessed renewed interest in the North American Oil & Gas space, marketing a significant shift in market dynamics.

The Chemicals sector is poised to benefit from a re-focusing on onshoring and nearshoring activities, providing for a further cost benefit against growing production in China. The U.S. Shale Revolution has helped to ensure an advantaged position for petroleum derivatives that positions the U.S. for long-term structural advantages over Europe and even Asia for this important feedstock. The Chemicals industry will also benefit from an increasing focus, and willing to pay, for more eco-friendly solutions, driving further growth and investment in bio-based chemical alternatives. As a shifting geopolitical landscape comes into firmer focus in 2025, following a period of relative uncertainty for much of 2024, the U.S. chemicals industry stands to largely benefit.

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## Energy Power and Infrastructure (EP&I)

Global deal activity in the EP&I market saw tremendous growth in 2024 and is experiencing continued strong activity in 2025. Lincoln completed over 19 deals in the segment and has a large and growing number of mandates currently under engagement. Corporates in the space are performing at record levels and being rewarded for that performance through their trading multiples, which is further emboldening them to aggressively pursue acquisitions. Financial investors are raising energy transition, clean energy and climate funds to capitalize on the growth in the sector.

Notable mega trends in EP&I are driving growth in the companies serving the space, as well as M&A activity across the landscape, include:

**Electrification of everything** – from the transition to clean energy development to electric vehicles, electricity consumption is at record levels

**Soaring data center demand** – the proliferation of cloud computing, artificial intelligence (AI) and the Internet of Things (IoT), among others has created a supply / demand imbalance

**Generation mix shift** – move from traditional fossil fuels to renewables and alternate hydrocarbon fuel sources

**Decentralization** – Distributed energy resources to reduce dependence on centralized power structure and enhance security (i.e., microgrid, energy storage)

**Aging infrastructure** – most of the grid infrastructure was installed over 50 years ago

**Grid hardening** – product enhancements, technology development and system improvement (e.g., underground) to limit disruption / enhance grid resiliency; the cost of failure is extremely high

**Natural disasters** – the increase in frequency and severity of natural disasters is posing a great and great threat to electric grids

**Decarbonization and ESG considerations** – EP&I companies are under increasing pressure to reduce carbon emissions and meet ambitious net-zero goals

In the rapidly evolving EP&I ecosystem, our deep team of industry experts covers the entire landscape. Our unique perspective enables us to capitalize on the powerful megatrends driving growth across the industry.

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## Engineered Components & Industrials Technology

M&A activity increased significantly in the engineered components and industrials technology sector during 2024. The sectors were defined by strategic pivots toward technology adoption, supply chain resilience and market consolidation. Many industrials manufacturing sub-sectors, such as automation and material handling, data centers and tools, remain fragmented. Consolidation will be a recurring theme as companies pursue scale, expansion and portfolio optimization. Additionally, supply chain pressures and regulatory considerations remain important factors, while aging infrastructure created opportunities for equipment replacement and maintenance. The U.S. presidential election outcome helped provide sector stability and improved investor confidence heading into 2025.

Looking ahead to 2025, the M&A landscape is expected to strengthen, driven by several key factors. The resolution of the US presidential election has provided greater market certainty, potentially paving the way for larger megadeals. Companies are likely to accelerate M&A activity in strategic areas including robotics, automation equipment, sensors, and monitoring devices, driven by the need to achieve manufacturing efficiencies and offset margin compression.

Key factors that will shape 2025 include:

- The new administration's approach to tariffs and their impact on manufacturing investment
- Federal Reserve's stance on interest rate reductions
- Evolution of the regulatory landscape, particularly regarding antitrust and environmental considerations
- Government investment patterns in energy transition and infrastructure

Companies positioned to act quickly on quality assets aligned with their strategic needs are expected to drive shareholder value, while those divesting non-core assets will benefit from strategic capital redeployment opportunities.

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## Packaging

The packaging sector experienced subdued M&A in 2024 due to lingering effects of continued destocking trends, economic uncertainty, regulatory changes in recent years and hesitation surrounding the U.S. presidential election. Despite the overall slowdown, the industry experienced significant consolidation through major deals, most notably the \$21 billion merger of WestRock and Smurfit Kappa to form Smurfit WestRock, the world's largest paper packaging company. The year also saw two more cross-Atlantic merger announcements between International Paper and DS Smith as well as Berry Global and Amcor, signaling a trend toward consolidation among industry giants while potentially creating opportunities for smaller firms to capture market share from underserved customers. Looking ahead to 2025, the packaging M&A market is expected to rebound as market conditions stabilize in Europe and the US. The implementation of new trade policies under President Trump, including potential increased tariffs on imports, could create opportunities for domestic manufacturers. While these policies may drive interest in U.S.-based packaging firms with strong domestic production capabilities, they could also introduce uncertainty for sustainability-focused investors.

### Looking Forward

Lincoln's Industrials group remains as strong as ever, providing deep industry insights, real buyer relationship, and investing in the depth and breadth of our coverage. We look forward to another strong year.

Ready to discuss the opportunities ahead for you?

Connect with a senior professional at [connect@lincolnternational.com](mailto:connect@lincolnternational.com)