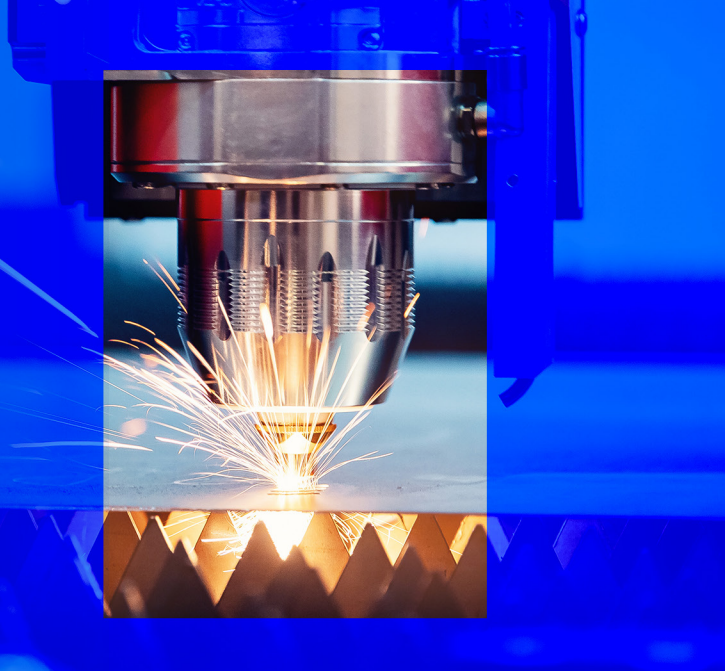




Precision in Motion: Strategic M&A Trends in US Metal Fabrication



The US metal fabrication and assembly industry—encompassing sheet metal fabrication, robotic welding, laser cutting, slitting, shearing, coating, and related value-added processes—is experiencing a surge in mergers and acquisitions (M&A). This trend is fueled by a combination of strong market tailwinds, strategic consolidation opportunities, and active interest from both strategic buyers and private equity investors. This document provides an overview of the secular growth tailwinds behind this trend, the factors driving both investor interest and caution, and the differences in strategic vs. private equity motivations.

Metal Fabrication by the Numbers

Market Size (US Fabrication)

\$34.2B

Estimated annual revenue of the US sheet metal fabrication market (2025)

Active Companies

3,800+

Sheet metal fabrication firms in the US (NAICS 332322), reflecting a highly fragmented industry

Privately Held Share

Vast Majority

Nearly all US metal fabrication businesses are privately owned, with even top players mostly private



Source for Market Size Data: Sheet Metal Fabrication Market Report 2025 published by Kentley Insights

Source for Active Companies data: NAICSlist.com

Source for Private Held Share data: Fabricators & Manufacturers Association (FMA)

Market Tailwinds Driving Growth in US Metal Fabrication

Multiple secular growth drivers are propelling the US metal fabrication and assembly industry, creating a favorable backdrop for M&A activity:

Infrastructure & Construction Boom

Domestic infrastructure investment has surged, spurred by government spending and economic growth, leading to strong demand for structural and architectural metal products in non-residential construction projects. For example, data center build-outs, warehouse/logistics facilities, and public infrastructure (bridges, transportation, grid upgrades) are all driving increased orders for fabricated metal components in the US

Aerospace & Defense Upswing

Rising defense budgets and a revival in commercial aerospace are benefiting US precision metal manufacturers. Geopolitical tensions and heightened national security concerns are driving up demand for advanced military equipment and aircraft. Metal fabrication firms with special certifications or advanced capabilities for aerospace & defense (e.g. high-precision machining of exotic alloys, tight-tolerance fabrication for defense systems) are seeing robust growth and garnering premium valuations.

Reshoring & Supply Chain Localization

Global supply chain disruptions and trade policy shifts are also tailwinds for US metal fabrication. US tariffs on imported steel/aluminum (e.g. Section 232) and geopolitical uncertainties have encouraged manufacturers to source components domestically or from North American partners. This reshoring trend, along with the pursuit of supply-chain resilience after recent global shocks, has strengthened domestic order books for US metal processors and fabricators.

Automotive & EV Transition

The US automotive sector, traditionally a major consumer of fabricated metal parts, is undergoing a transformation with the shift to electric vehicles. Automakers are sourcing more lightweight, precision-fabricated components (for EV chassis, batteries, and motors), creating new opportunities for metal fabricators that can meet these technical requirements. In 2024, despite overall automotive production being cyclical, EV sales showed resilience, providing a growth avenue for suppliers of specialized metal parts for EVs. At the same time, demand for high-strength forged and stamped parts remains steady for traditional vehicles, especially as safety and performance standards rise.

High-Tech and Data Center Demand

The digital economy's expansion has an indirect but significant effect on metal fabrication demand. The rapid build-out of data centers (fueled by cloud computing, AI, and big data) requires vast amounts of server racks, enclosures, cooling systems, and structural supports, many of which rely on custom sheet metal fabrication and precision assembly. Similarly, sectors like medical devices, warehouse automation, and renewable energy (e.g. solar and wind equipment) require complex, high-margin metal components – from brackets and enclosures to frames and piping – often produced by specialized fabrication shops.

Bottom line: Accelerating end-market growth (in infrastructure, EV/auto, A&D, data centers, etc.) combined with favorable policies are creating a strong growth environment for US metal fabrication. These tailwinds are a major catalyst for increased M&A activity, as both industry players and financial sponsors seek to capitalize on the sector's upward trajectory.

Why the Sector Is Attractive for M&A and Consolidation

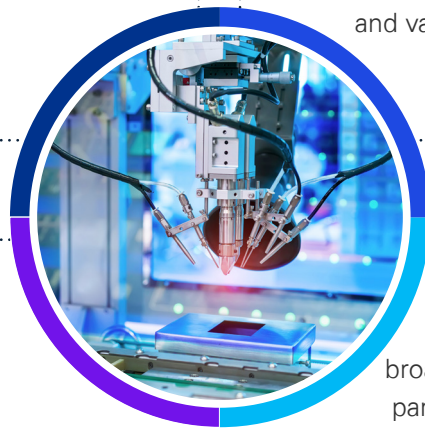
Several fundamental characteristics make value-added metal fabrication and assembly an attractive segment for consolidation:

High Fragmentation = Consolidation Opportunity

With thousands of metal fabrication businesses across the US (many of them small or midsize and privately owned), the sector remains highly fragmented. Both strategic buyers and private equity firms see an opportunity to roll up smaller competitors or suppliers into larger, more integrated entities that can leverage economies of scale.

High-Margin Niches and Specialized Capabilities

Value-added and technologically advanced segments of metal fabrication command premium investor interest. Not all metal fabricators are created equal – those serving high-tech, less commoditized end markets (like aerospace, defense, medical devices, semiconductor equipment, or data center infrastructure) typically enjoy higher profit margins and valuations than those making simple, low-margin commodity parts.



Operational Improvements and Synergies

The nature of metal fabrication allows significant performance improvement through professional management and investment – a fact not lost on investors. Many target companies are entrepreneur-led shops that could see margin expansion by implementing lean manufacturing, automation, and modern ERP systems. Acquirers (particularly private equity-backed platforms) often specialize in bringing capital and operational expertise to streamline these businesses, standardize processes, and improve profitability.

Robust Underlying Demand Across Diverse Markets

Metal fabrication is a backbone of the broader industrial economy, supplying critical parts to a diversified set of industries – from construction and infrastructure to energy, transportation, consumer goods, tech and beyond. This provides a baseline of steady demand. Even in economic downturns, certain sub-sectors (like defense or maintenance/repair services) remain stable, providing resilience.

In summary, scale, diversification, and technology define the M&A rationale in metal fabrication. An acquirer – whether a strategic industry player or a financial sponsor – can unlock value by assembling a larger, more capable company that capitalizes on the sector’s growth while mitigating the risks of being small or niche.

Potential Investor Concerns & Red Flags

While the metal fabrication sector offers valuable opportunities, savvy investors conduct thorough due diligence to identify and mitigate certain risk factors. Key concerns include:

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Product Commoditization & Low Differentiation

Fabricators whose output is undifferentiated or “commodity-like” (basic metal parts with many suppliers) tend to have lower profit margins and face intense competition. Without proprietary products, unique processes, or design/engineering capabilities, these companies often compete primarily on price – a red flag for investors seeking robust margins.

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Cyclical & End-Market Exposure

Over-reliance on highly cyclical industries can make a metal fab business’s performance volatile. The classic example is heavy exposure to automotive production, which tends to rise and fall with economic cycles (and is itself navigating a shift to EVs). Fabricators deeply tied to oil & gas or general industrial commodities face similar boom/bust demand patterns.

03

Raw Material Price Volatility

Metal fabricators are inherently exposed to swings in steel, aluminum, and other metal prices. Rapid increases in steel/aluminum costs can compress profit margins (if not passed along to customers on a timely basis), while sharp price drops can lead to inventory write-downs on stocked material.

04

Capital Intensity & Technology Requirements

Modern metal fabrication increasingly demands investment in advanced machinery and software – from CNC machining centers and robotics to ERP systems and automation for efficiency. For smaller companies, the high cost of these upgrades can be prohibitive, potentially leaving them at a competitive disadvantage.

05

Labor and Operational Systems

Metal fabrication is a hands-on, skilled trade, and a shortage of qualified labor (e.g., experienced welders and machinists) can be a bottleneck. Investors may view a chronic labor shortfall or high employee turnover as risks to meeting growth projections.



In conducting due diligence, both strategic and PE buyers pay close attention to these factors. The most attractive acquisition targets are those that balance strong growth and high margins with diversification and good controls – e.g., a fabricator serving a mix of stable and high-growth end markets, with modern automation, solid supply agreements, and clean financials.

Investor Perspectives: Strategic vs. Private Equity Buyers

Both strategic and private equity (PE) buyers are actively pursuing acquisitions in the US vfp space, but their motivations and approaches can differ:



Strategic Buyers

Existing companies in metal fabrication, manufacturing, or adjacent industrial sectors pursue M&A to complement their corporate strategy. Their goals often include:

Product & Capability Expansion

Acquiring a company to add new technical capabilities or product lines. For example, a large manufacturer might buy a specialist in laser cutting or precision machining to broaden its offerings. Strategics also acquire fabricators serving particular high-growth end markets to gain established customer relationships in those sectors.

Vertical Integration & Supply Chain Control

Some strategics pursue vertical M&A, buying key suppliers or downstream fabricators to secure their supply chain and capture more value-added steps internally. For example, large steel producers and metal distributors have acquired fabricators to integrate metal processing and fabrication services, ensuring demand for their steel while offering more value to end customers.

Private Equity

PE firms have been active in the metal fabrication sector, attracted by the possibility of assembling fragmented companies into larger, more valuable platforms. Key aspects of their approach include:

“Buy-and-Build” Strategies

Private equity investors typically seek a foundational platform company in a fragmented industry, then pursue add-on acquisitions of smaller shops. The platform is used to consolidate market share and capabilities, achieving rapid growth and profitability improvements. Many PE firms are executing similar roll-up strategies in metal fabrication, targeting companies with \$5–\$15 million EBITDA as initial platforms and then scaling them up.

Operational Upgrades & Professionalization

PE buyers are drawn to the improvement potential in owner-operated metal fabrication businesses. By injecting capital for new equipment (automation, advanced machinery) and implementing professional management practices, they aim to boost efficiency and margins. For instance, high-performing fabricators with strong automation and technology adoption have fetched premium valuations even in a softer market, reflecting buyer confidence in their margins and growth prospects.

Strategic Buyers

Geographic and Scale Expansion

Strategics use M&A to grow into new geographies or regions to better serve national customers. By expanding regionally and increasing capacity, strategics can serve larger contracts and benefit from greater scale. Scale, in turn, often yields purchasing power (e.g., buying steel in bulk more cheaply) and improved utilization of equipment and facilities.

Financial Synergies

Strategic buyers may realize immediate cost synergies by combining operations and revenue synergies by cross-selling to each other's customers. These synergies enable strategics to justify paying a premium for the right target. In recent years, strategic buyers have accounted for the majority of M&A value in the industrial manufacturing space, often outbidding financial sponsors on prized assets.

Private Equity

Focus on Exit Strategy

Unlike strategics (who may hold acquisitions indefinitely for strategic fit), PE firms typically plan to exit their investments in ~3–7 years. Many PE-owned fabrication platforms eventually exit by selling to larger strategics or to another PE fund (secondary buyouts), once the business has achieved greater scale and stability.

Selective Targeting of Sectors

Private equity investors often seek fabricators with exposure to recession-resistant or high-growth sectors, ensuring a stable revenue base. Niche manufacturers serving medical, aerospace/defense, electronics, or other high-growth markets are particularly desirable due to their strong margins and growth potential.

Outlook: Continued Consolidation with a Global Context

Looking ahead, the M&A outlook for the US metal fabrication sector remains positive. A cooling of the market in 2023–2024 (due to rising interest rates and economic uncertainty) gave way to renewed confidence by late 2025, with buyers refocusing on quality targets that offer scale, profitability, and alignment with high-growth trends.

Global factors will continue to influence US metal fabricators in several ways:

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Trade Policy & Tariffs

US trade policies (such as expanded tariffs on imported metal products) bolster domestic producers by reducing import competition. However, they can also raise input costs for fabricators and complicate supply chains (especially when domestic mills are at capacity). A more stable tariff environment in coming years would provide certainty and could spark additional cross-border M&A as international players seek access to the protected US market.

02

Geopolitical Climate

International conflicts and tensions have dual effects – they drive defense spending and aerospace demand, but also disrupt global supply chains and energy costs, which may impact production costs and sourcing strategies. US fabricators with diversified sourcing and strong domestic supply networks are better positioned to navigate such volatility, another reason they appeal to buyers looking for resilient supply chains.

03

International Investment and Competition

Global players are not ignoring the US market's potential. Foreign strategics have been actively acquiring US metal fabrication assets to gain a foothold in the large North American manufacturing base. Simultaneously, US companies and PE firms are eyeing overseas acquisitions when strategic.

In summary, the US value-added metal fabrication and assembly sector is witnessing a confluence of favorable trends: robust end-market growth, strong interest from consolidators, and supportive domestic policies – all of which underpin active M&A. Strategic industrial buyers prize these acquisitions to broaden offerings, capture synergies, and strengthen supply chains, while private equity investors are executing roll-ups to create scaled platforms that can command premium valuations. The sector’s attractiveness is especially pronounced for companies serving high-growth, technologically advanced markets (data centers, aerospace/defense, medical, renewables) where specialized capabilities drive higher margins and multiples.



Our Experience

Our team’s broad experience within the metals industry enables us to provide valuable guidance in the planning and execution of M&A processes, as well as structuring optimal transaction terms. We have a demonstrated track record of success in this niche market and are confident in our ability to help you capitalize on the opportunities presented by this dynamic sector. Please contact us to discuss your specific objectives and explore potential M&A opportunities.

Our Metals Industry Investment Banking Team



Ford Phillips

Managing Director

T: 312-665-1537

frphillips@kpmg.com



David Lake

Vice President

T: 312-665-2715

davidlake@kpmg.com



Tim Broomham

Vice President

T: 312-665-1662

timothybroomham@kpmg.com



Shahzeb Khan

Associate

T: 312-665-4721

shahzebkhani@kpmg.com

Please visit us:



kpmg.com

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