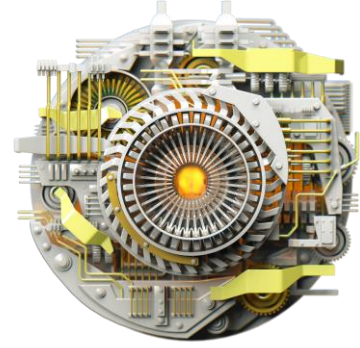


## M&A Industrial Products, Construction & Aerospace

### Italian M&A deals in the sector and key trends shaping the industry

M&A Operations  
July 2025



## Introduction

**Global expected growth** in 2025 has been downgraded to **2.8%**, down from the IMF's January forecast of 3.3%, as US tariff escalations and retaliations weigh on trade and investment. Advanced economies are now expected to expand by **1.4%**, constrained by persistent tariff-induced bottlenecks, while emerging markets are forecast at **3.7%**, led by a modest rebound in China (4.0%) and stabilising commodity prices.

In the **European Union**, growth is projected at 1.1% in FY25. This marks a significant downgrade compared to previous estimates, reflecting the lagged impact of U.S. tariffs on export-oriented manufacturing. Despite these challenges, EU growth is expected to rise to 1.5% in 2026, supported by continued consumption growth – driven by strong labour market and nominal wages recovering the purchasing power lost to surging inflation - and a rebound of investment.

**Italy's** economy grew 0.3% in Q1 2025 vs the previous three months, driven by investments and a rebound in net exports that offset stagnating services. Despite this uptick, the government trimmed its full-year growth forecast to 0.6%, amid elevated economic uncertainty and escalating geopolitical tensions. Inflation in 1H2025 averaged 2.0%, supported by easing energy costs, whereas public debt remained elevated at 137% of GDP, constraining fiscal flexibility.

## Italy M&A update

**Industrial Products, Construction & Aerospace** deal volume showed a significant drop in 1H2025 compared to recent semesters (-34% vs 1H2024). The pull-back mirrors softer global M&A activity characterized by cautious approaches through the uncertainties of the market. Industrial Products segment led Italian IPC&A M&A volume with 60% of transactions, followed by Engineering & Construction (31%).

## Financial vs Corporate buyer

**Corporate acquirers** drove 56 transactions in 1H2025, 67% of total deal activity (the highest share since H1 2023) as the absolute number of deals remained stable versus the previous half-year. This underscores the continued strategic engagement of corporate buyers, who maintained momentum despite persistent macroeconomic headwinds. **Financial investors** completed 27 transactions (33% of the total) – 16 PE and 11 PE-backed deals – the weakest performance in nearly four years, attributable to low market confidence and uncertainty over target companies' performance, as well as expectations of positive effects of expansive monetary policies on liquidity and fundraising costs. Despite maintaining interest in "buy-and-build" strategies aimed at generating synergies, the reduction in deals reflects a more selective investment approach, where capital deployment is increasingly selective and focused on high-certainty value creation. Financial investors' cautious approach is also reflected in smaller deal sizes, with a growing share of transactions in 5-30€m range and a marked decline in deals above 100€m.

Figure 1 – Deals Volume by segment

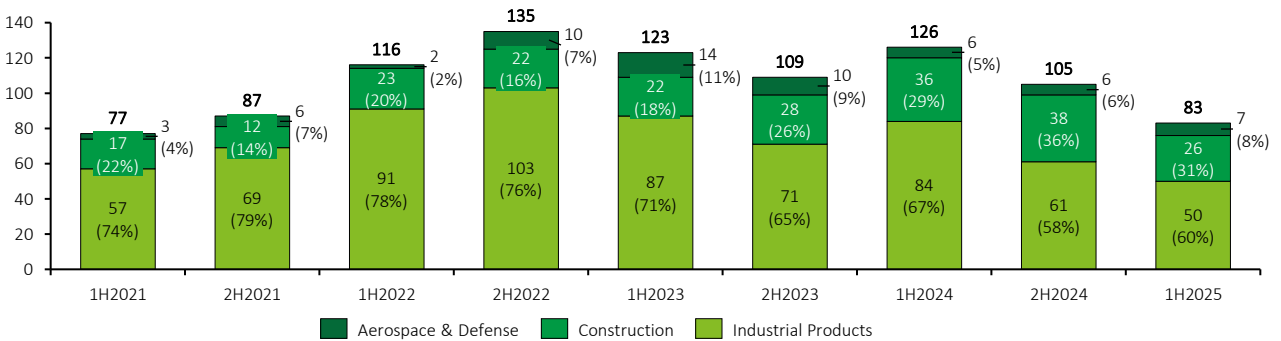
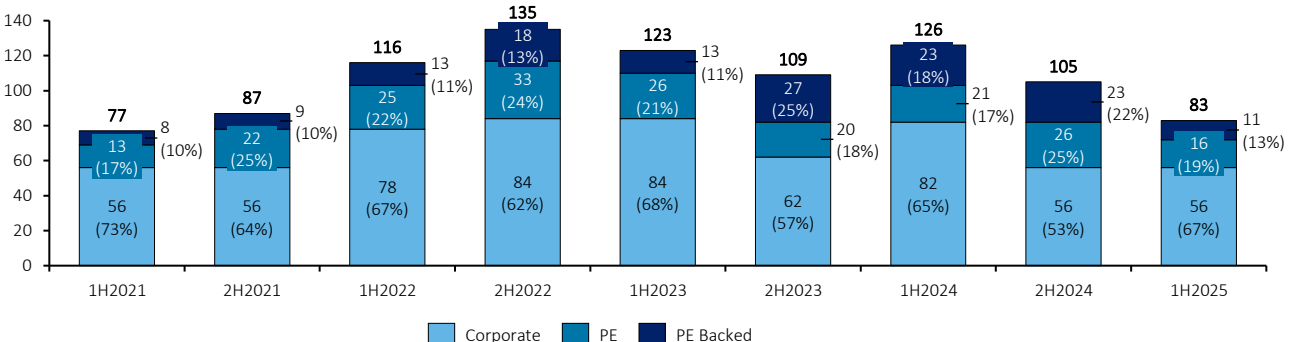


Figure 2 – Deals Volume by type of acquirer



## Domestic vs International

In 1H2025 cross-border transactions accounted for 30% of total deals—down from 35% in 2H2024 and the lowest share since 1H2023—reflecting a cautious stance from international investors amid geopolitical tensions, ongoing trade policy uncertainty, and limited visibility on global demand. In contrast, domestic acquirers drove 70% of deals activity. The complex environment reinforces the shift toward “local-for-local” strategies, with growing emphasis on regional synergies, supply chain resilience, and operational control, particularly in industrial sectors where stability and integration are key to value creation.

## Majority vs Minority

Acquisitions involving over 50% of the targets’ share capital accounted for 86% of transactions in the first semester of 2025 (vs 77% in 1H 2024 and 83% in 2H2024), highlighting a clear path towards a renewed preference for full-control deals that enable rapid post-merger integration and decisive governance. Minority stakes fell to 14% of deal volume, down from 17% in 2H2024, reflecting a diminished appetite for shared-risk investment structures; nonetheless, selective minority investments continue to serve as vehicles for accessing niche technologies and specialized industry expertise.

Figure 3 – Deals Volume by buyer nationality

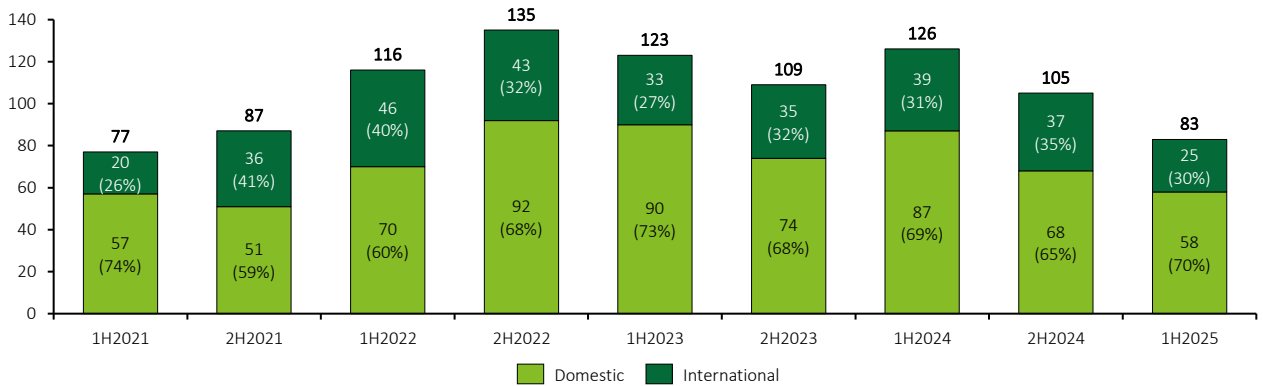
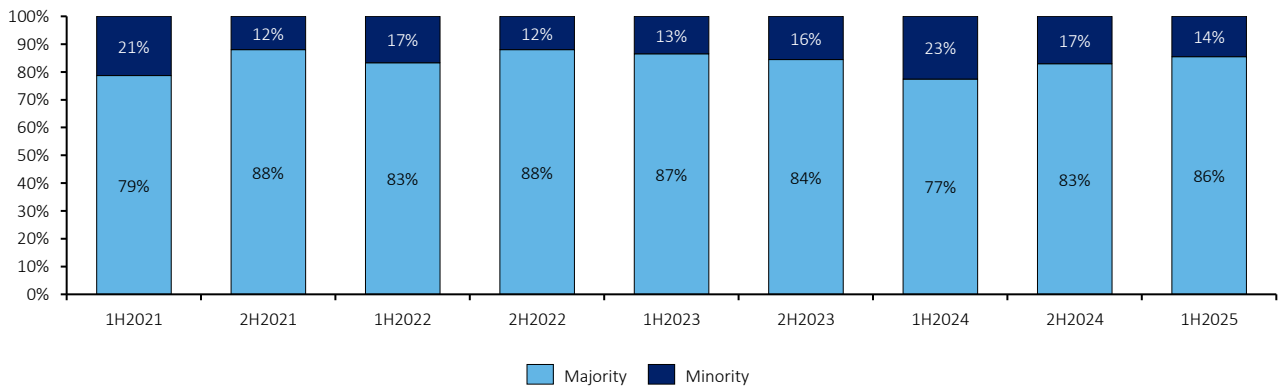


Figure 4 – Deals Volume by stake acquired



## Market trends

<div style="background-color: #008080; color: white; padding: 10px; border: 1px solid white; display: flex; align-items: center;"> <div> <p><b>Technological Advancement</b></p> </div> </div>	»»	<p>Reflecting ongoing market dynamics, acquirers are increasingly targeting companies leveraging AI, robotics, and data analytics tools. These technologies drive workflow efficiency, resilience, and digital transformation, key priorities for investors seeking tech-enabled value creation</p>
<div style="background-color: #008080; color: white; padding: 10px; border: 1px solid white; display: flex; align-items: center;"> <div> <p><b>Circular Economy &amp; Sustainable Operations</b></p> </div> </div>	»»	<p>Investors are focusing on companies with closed-loop business models—recycling, remanufacturing and energy-efficient process technologies—to meet rising ESG mandates, reduce resource intensity and capture value from waste-to-value streams</p>
<div style="background-color: #008080; color: white; padding: 10px; border: 1px solid white; display: flex; align-items: center;"> <div> <p><b>Rising Defence Budgets</b></p> </div> </div>	»»	<p>Increasing government spending on defence and embedded supply-chain fragility are expected to drive M&amp;A activity within the Aerospace and Defence segment, as industry players pursue strategic acquisitions to secure critical technologies, expand production capabilities, and streamline fragmented supplier networks</p>

## Industrial Products

In 1H2025, the Industrial Products segment logged 50 transactions, on track for an annualized run-rate of ~100 deals versus 145 in full-year 2024—a projected -31% decline YoY. “Cutting Tools & Machine Tool Accessories” led with 8 deals (16% of the cluster), well above 2024 levels, while “Packaging Machinery”, “Refrigeration & Heating Equipment” and “Refuse Systems” contributed 4 deals each, consistent with previous years segment relevance. Among the 4 main clusters, financial investors and PE-backed acquirers accounted for half of the total deal volume.

Among the most significant transactions within the IP sector, the private equity firm Three Hills completed a €105m investment in Mech-I-Tronic, a global provider of custom mechatronic solutions. Another relevant deal involved Nextalia SGR, which agreed to acquire a majority stake in Westrafo, a specialist in power transformers for industrial and energy applications.

## Construction

The Engineering & Construction sector saw a total of 26 transactions during the first semester of 2025, notably below the previous periods (36 and 38 deals in 1H2024 and 2H2024 respectively). Consistent with previous years, “Engineering Services” represented the most active segment with 31% of deals, as the ongoing implementation of Italy’s National Recovery and Resilience Plan (PNRR) continue to drive demand for technical expertise and project delivery capabilities across construction initiatives. “Water, sewer, pipeline & utility line construction” captured 20% of the segment deals, exclusively led by financial investors and PE-backed companies, suggesting a path towards consolidation in the segment.

A noteworthy deal in the Engineering & Construction space saw Saipem and Subsea7 announce their merger, creating a leading European player in offshore engineering and construction, with a combined enterprise value of approximately €6.1 billion.

## Aerospace & Defense

The Aerospace & Defense segment recorded 7 transactions in 1H2025, broadly in line with the 2024 trend (6 deals in each half-year). The market remains highly fragmented, with “Ship Building & Repairing” being the only cluster to register more than one transaction (2 deals). Given the small average size of companies in the cluster, M&A activity in A&D segment is anticipated to show strong momentum in the coming months, driven by the need for consolidation to effectively support the scale of upcoming government defense investments.

Among the most significant transactions in the A&D sector, Baykar announced the acquisition of both Piaggio Aero Industries and Piaggio Aerospace, reinforcing its capabilities across aircraft manufacturing and unmanned aerial systems.

## Pricing

Macroeconomic uncertainty, geopolitical tensions, and company-specific idiosyncratic factors led to variable valuations. Among the transactions where deal terms were disclosed, the average EV/EBITDA multiple in 1H2025 stood at ~6.8x, aligned to previous periods.

## 2H 2025 Outlook

M&A activity is expected to remain strong in 2H 2025, supported by decreasing interest rates and continued government investment in infrastructure and defence. Following a 15% decline in global deal volumes to 11,486 in 2024, the return of an easing rate cycle (alongside renewed focus on digital transformation and ESG targets) should revive deal pipelines. Companies will keep pursuing M&A to gain advanced capabilities in AI, robotics and cloud, while enhancing sustainability and social impact.

Beyond the core clusters, specialized subsectors are drawing growing M&A interest. In A&D, rising defence budgets and digital innovation drive deals in components and avionics. Industrial manufacturing sees momentum in automation and sensors through smart factory and IoT adoption, while HVAC investments are increasing, driven by demand for advanced cooling solutions in data centers and industrial applications (especially liquid cooling technologies essential for managing the intense heat generated by AI and high-performance computing infrastructure). Packaging focuses on sustainable, smart solutions linked to e-commerce and circular economy trends. In Construction, public funding like Italy’s PNRR fuels deals in smart infrastructure and green materials, supporting digitalization and sustainable building.

## Why work with us?

The breadth of our experience and knowledge means that we are trusted partners both inside and outside the deal space. Our support spans from the development of an inorganic growth strategy to the fulfilment of the deal’s full potential, across all the phases of the deal lifecycle.

We help our clients to maximize the value out of the due diligence phase and ensure a flawless Day 1 readiness, as well as unlock deal value through a smooth integration and identification of key transformation initiatives engaging the organization to drive growth, avoid business disruption, boost revenues and optimize costs.

We understand time is of the essence and there is a need to operate at pace. Our solutions are pragmatic and practical, laser-focused on the biggest value for your organization and on the most painful challenges you are facing.

## Contact Us

Please reach out to our experts to find out more about how we can help your business to implement strategic initiatives to enhance value creation



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