

The State of the Machine Shop Market in Southern CA

The Merger & Acquisition Market — 2025 Recap and the Outlook for 2026 and Beyond

Southern California remains one of the most important precision manufacturing hubs in the United States, with a dense concentration of machine shops serving aerospace, defense, medical, and high-spec industrial markets.

As we move through 2026, the industry is being shaped by three converging forces: strong end-market demand, constrained capacity, and a generational transition in ownership.



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2025 in Review: Demand Strength Exposes Capacity Limits

2025 was defined by sustained demand across aerospace and defense, alongside a continued recovery in commercial aviation and strong aftermarket activity.

What Shops Experienced

- Elevated backlogs and steady order flow
- Increased selectivity toward higher-margin work
- Greater visibility tied to long-term aerospace and defense programs
- Persistent labor shortages and throughput constraints

The Core Challenge

For many shops, demand was not the issue – capacity was. Businesses operating at or near full utilization were often unable to fully capitalize on available opportunities.

⚠ Shops running at maximum capacity left significant revenue on the table in 2025 – not from lack of orders, but from lack of capacity to fulfill them.



Aerospace & Defense: Carrying Momentum Into 2026

That momentum has carried directly into 2026. Aerospace and defense remain the primary growth engines, supported by rising aircraft production rates, sustained global defense spending, and continued strength in maintenance, repair, and overhaul (MRO) activity.

- ✔ ***This is not a short-term spike. The sector is widely expected to remain in a multi-year growth cycle, creating ongoing demand for precision machining.***

However, capturing that demand will increasingly require deliberate investment across three critical areas:



Advanced Equipment & Automation

Investment in next-generation CNC and automated systems to expand throughput



Skilled Labor Expansion

Recruiting, training, and retaining the machinists needed to meet growing demand



Scalable Systems & Infrastructure

Operational frameworks capable of supporting sustained growth and program complexity



Ownership Transition: A Defining Dynamic

At the same time, a significant portion of machine shop owners are approaching retirement, creating a natural inflection point across the industry. Many of these owners run highly profitable, well-established businesses.

The Growing Disconnect

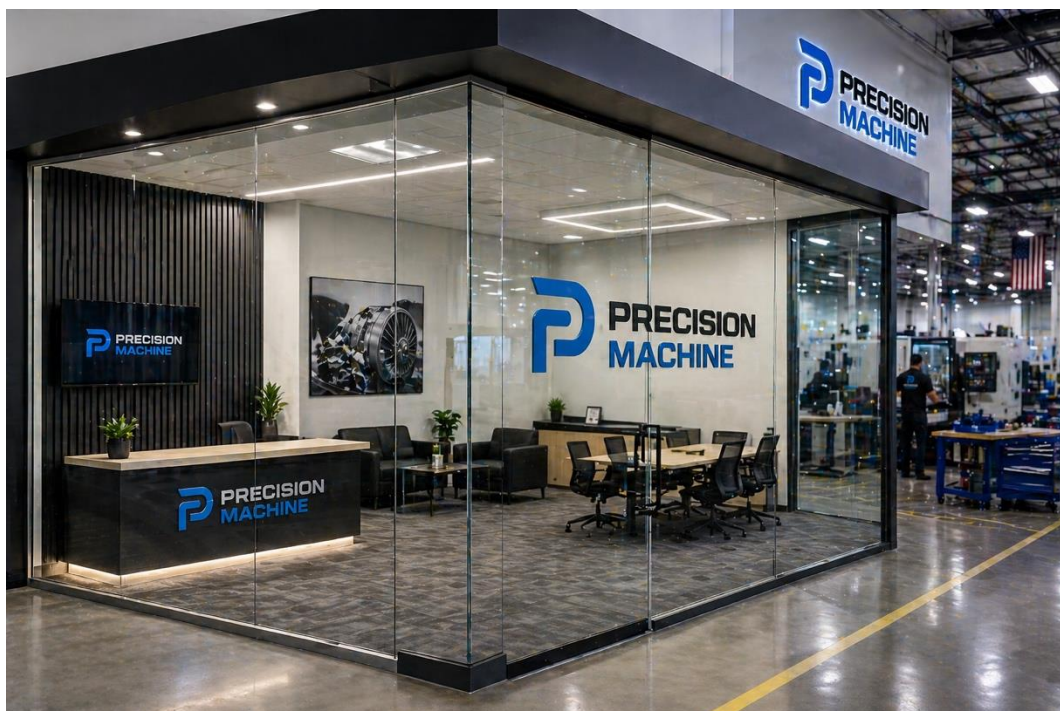
Given their stage of ownership, many are often less inclined to deploy substantial new capital into expansion and technology upgrade initiatives. This creates a widening gap between two realities:

Strong Current Performance

Profitable operations, loyal customer bases, and established reputations built over decades

Future Capital Requirements

The investment in equipment, automation, and infrastructure required to fully capture future growth and remain relevant over time



M&A Activity: Aligning Capital with Opportunity

This dynamic is fueling M&A activity across Southern California. Well-capitalized buyers – ranging from larger strategic operators to private equity-backed platforms – are actively seeking to acquire or partner with machine shops that offer strong fundamentals and meaningful growth potential.

❗ Many buyers are not merely maintaining the status quo, they are building via investments, scale, marketing and growth.



Capital Investment

Funding for new machinery, automation, and facility upgrades that owners may be reluctant to deploy



Sales & Marketing

Enhanced capabilities to pursue new programs, customers, and market segments



Broader Customer Relationships

Access to larger OEM and prime contractor networks that independent shops may struggle to reach



Operational Efficiencies

Shared infrastructure, best practices, and systems that reduce cost and improve scalability



A Compelling Liquidity Opportunity for Owners

*For current owners, the convergence of these factors has created a compelling window. 2025's strong operating performance has carried into 2026, while buyer demand remains high and the supply of quality acquisition targets remains limited – supporting **attractive valuation levels**, particularly for shops with aerospace and defense exposure, strong reputations, and established customer bases.*

Equally important, many of today's transactions are increasingly structured as transitions rather than immediate exits and retirements. Many buyers seek to retain owners for a defined period – typically one to three years and often longer – to ensure continuity, preserve relationships, and support future growth.

□ Achieve Liquidity

Realize significant value at favorable valuations in today's active market

□ Reduce Personal Risk

Eliminate day-to-day operational burden and personal balance sheet exposure

□ Participate in Upside

Retain equity or earn-out participation in the business's continued growth

□ Defined Timeline

Transition out of the business on a structured, predictable schedule



Timing Matters: The Risk of Standing Still

While the outlook for the industry remains strong, the benefits of that growth will not be evenly distributed. Capturing the next phase of opportunity in aerospace and defense will increasingly require ongoing investment in equipment, automation, workforce, and business development.

The Near-Term Illusion

In the near term, strong demand can mask this dynamic. For owners nearing retirement, the decision to reinvest is not always straightforward — many are understandably cautious about committing additional capital or taking on execution risk at this stage. Over time, however, the gap can widen. Businesses that do not continue to invest may begin to experience:

Slower growth relative to peers

Increased competitive pressure from better-capitalized shops

Greater customer concentration risk as key programs evolve

Reduced strategic appeal to buyers seeking scalable platforms

What Drives Valuation Today

Valuation is increasingly tied not just to current earnings, but to future growth potential and sustainability.

Today's market reflects a favorable alignment of:

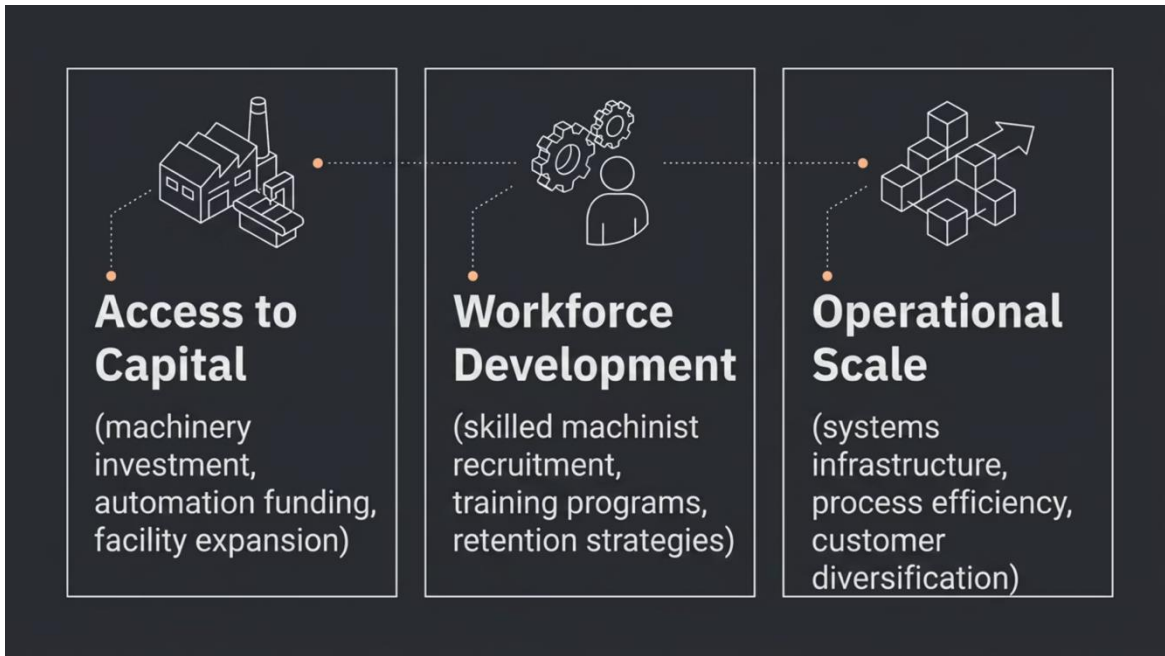
- *Strong operating performance*
- *Active and well-capitalized buyers*
- *Limited supply of quality businesses*

That alignment is what is supporting current valuation levels — and it may not persist indefinitely as the industry evolves.

⚠ As the industry evolves, the window may narrow — particularly for businesses not positioned to participate fully in the next phase of growth.

2026 and Beyond: Growth Will Favor the Well-Positioned

Looking ahead, the outlook remains strong — but execution will matter more than ever. Demand from aerospace and defense is expected to remain robust. However, the ability to capitalize on that demand will depend on access to capital, workforce development, and operational scale.



As a result, the industry is likely to see continued consolidation, with larger and better-capitalized organizations gaining share — making the current moment a pivotal decision point for independent shop owners across Southern California.



Bottom Line

*The Southern California machine shop sector is entering a period where **market opportunity and ownership transition are intersecting in a meaningful way.***

For many owners, the question is no longer whether demand exists – it clearly does. The more strategic question is:

Who is best positioned to invest in and capture the next phase of growth?

For those evaluating their long-term plans, today's market presents an opportunity to realize significant value while positioning the business for continued success under the right partner.

Strong Demand

Aerospace & defense programs provide multi-year revenue visibility

Active Buyers

Well-capitalized acquirers competing for quality Southern CA shops

Limited Supply

Few high-quality acquisition targets available in the current market

Favorable Valuations

The convergence of these forces is supporting attractive pricing today



Considering a Sale: Preparing Maximizes Valuations

For machine shop owners contemplating a near-term sale, valuations are largely determined by readiness rather than timing. Businesses that achieve stronger outcomes tend to present clear financial performance, well documented operations, and a defined competitive position, allowing buyers to evaluate the opportunity efficiently and with confidence.



Uncertainty is one of the primary drivers of value erosion. Incomplete financial normalization, unclear capacity utilization, customer concentration risk, or heavy reliance on the owner increase perceived risk and are reflected directly in valuation and deal structure. Reducing this ambiguity through disciplined preparation improves buyer confidence and increases the likelihood of a favorable exit outcome.

For a more detailed discussion of how owners can achieve this level of preparation and maximize value at exit, see our blog, “Why Choose PacificBX,” on our website

✓ ***A confidential conversation costs nothing and can provide meaningful clarity on the value you've built – and the paths available to you.***

[Request a Confidential Discussion](#)

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"In my follow-up discussions with those sellers who choose to remain active post-sale, there is a consensus that eliminating the responsibilities of actually running a business have made the day-to-day work far more appealing. Much less stress – some have indicated that they have returned to focusing on the hands-on operations of machining that they always enjoyed most about the work."