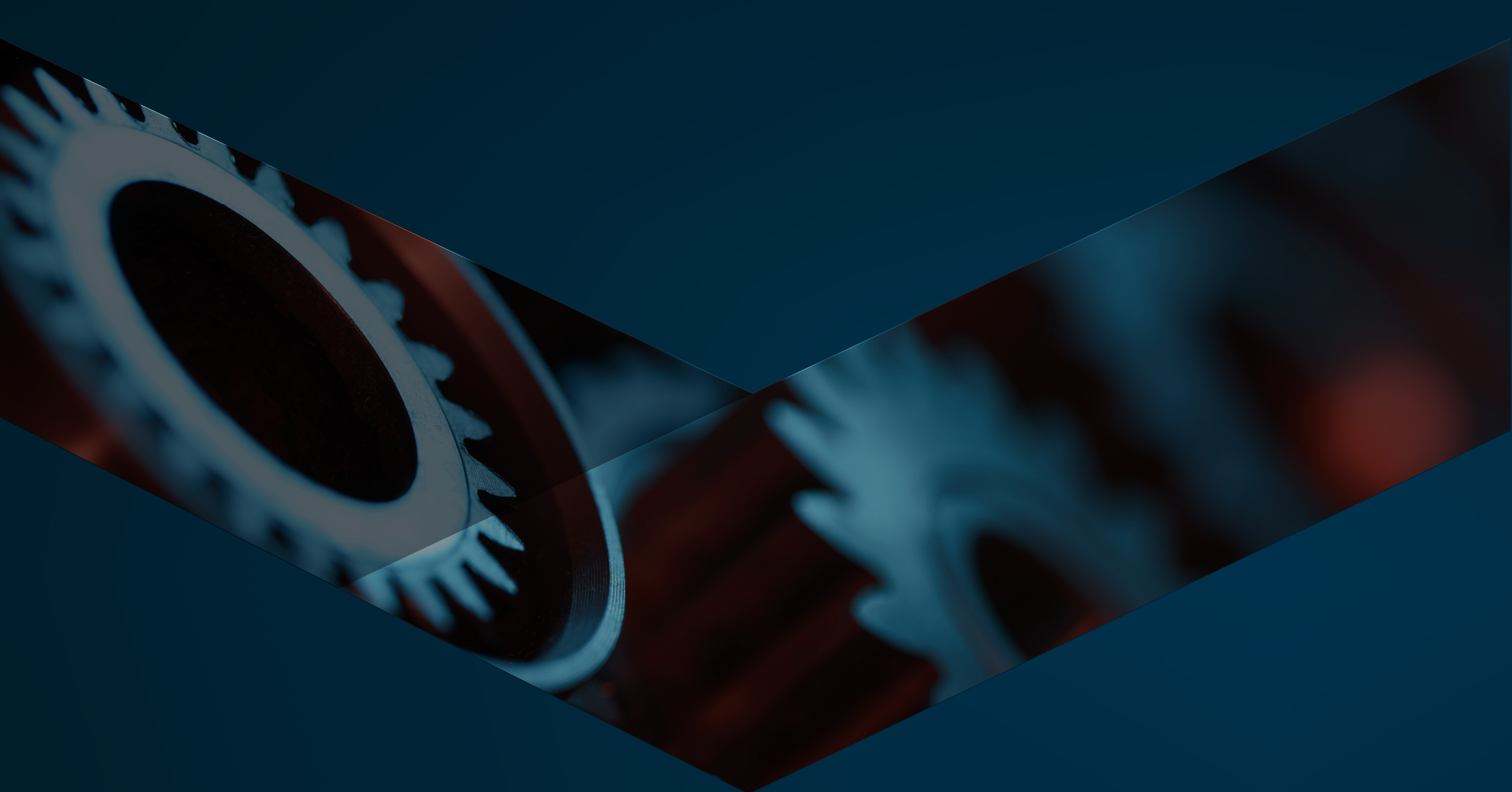




FRP
Sector series

The
Manufacturing
Agenda

Foundations of *confidence*

01

This is an interactive report, use the buttons below to navigate directly to the relevant sections.

Foundations
of confidence

Navigating risk
& uncertainty

Decisions
under pressure

The funding
divide

Preparing for
the next cycle

Converting
ambition into
action

Welcome Resilience. *Redefined.*

The Manufacturing Agenda shows a sector actively redefining resilience throughout the year. Manufacturers have continued to adapt to a landscape shaped by low economic growth, cost pressures and geopolitical uncertainty, while also responding to the growing influence of automation and AI.

These pressures have helped to accelerate a shift in how resilience is understood. Businesses are moving away from a narrow focus on financial strength and towards a broader emphasis on operational capability, regulatory readiness and leadership alignment.

The second half of 2025 brought some encouraging signs, including a gradual easing in input cost pressures. The publication of the government's Industrial Strategy has also provided manufacturers with more clarity on future investment priorities and identified advanced manufacturing as an area of significant potential. These developments form an important part of the wider context in which manufacturers' sentiment has evolved this year.

Confidence has softened from the exceptional levels recorded in 2023, when more than nine in 10 (92%) manufacturers said they were confident in their ability to trade through the next 12 months, reflecting the more turbulent operating environment, yet most businesses (69%) still remain optimistic about the year ahead. And while the funding environment has tightened, the majority of manufacturers have continued to navigate these conditions effectively.

That optimism reflects the way the sector has approached 2025. Throughout 2025, most manufacturers have acted early, made difficult decisions when needed and continued investing in long-term stability and growth.

Our research also highlights an important divergence in perspective. Boards have concentrated on sustainability requirements, supply chain reliability, exposure to tariff and trade-related risks and the wider regulatory environment, while lenders place greater weight on working capital discipline, operational performance and the depth of management teams.

Understanding how these viewpoints come together has become central to effective execution.

FRP stands at that intersection. Our work across Restructuring Advisory, Corporate Finance, Debt Advisory, Financial Advisory and Forensic Services gives us a broad perspective on how decisions are made, how risks are assessed and how value can be protected and created in a more demanding environment. This enables us to help boards, investors and other stakeholders convert insight into action with greater confidence.

The Manufacturing Agenda draws on the views of more than a thousand senior decision makers within the manufacturing sector and over one hundred lenders and investors. Their insight sets out the conditions manufacturers have faced this year and the areas that will matter most in 2026: capability, resilience and execution.

We trust these findings will prove valuable and we welcome conversations with businesses and stakeholders interested in exploring these themes further as they shape their plans for the year ahead.

Navigating risk *and* uncertainty

02

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New risk landscape

The research underpinning this report is designed to provide a clear view of the issues that most influenced boardroom decision making this year. By examining both management and lender perspectives, it highlights the factors shaping strategy and performance across the sector.

We are sharing these insights to help UK manufacturers and their stakeholders understand where attention is being focused and to support them as they adapt for the future and plan for growth. It is part of our ongoing commitment to a sector that plays a critical role in the UK economy.

To begin, we look back at the issues that have topped management agendas over the past year.

Competing priorities

When manufacturers were asked which topics had triggered board-level debate or urgent action over the past 12 months, no single factor dominated. Instead, a broad mix of external and operational challenges competed for management time and attention.

01

Sustainability & regulation

Sustainability and regulatory requirements were the most cited trigger (26%), with new ESG obligations driving board action. This reflects evolving reporting rules, including incoming Sustainability Reporting Standards, and operational responses across energy use, efficiency, and supply chain management.

02

Short-term finance

However, while it seems that external risks and volatilities are dominating board discussions, immediate working capital or cashflow crises surprisingly ranked bottom of the list, suggesting that many boards were focused on managing structural risks and longer term planning rather than responding to short-term financial events.

03

Geopolitics & supply chain

Geopolitical and trade issues (25%), tariffs, sanctions, and export restrictions, dominated, underscoring the UK's reliance on the US as its top export market. Supply chain disruption (24%), including lead time delays, supplier failures and transport issues, also featured prominently. These pressures have contributed to a shift towards reshoring and nearshoring.

04

Financial pressures

Financial pressures were another source of debate. Squeezed margins or unplanned cost spikes were flashpoints for 24% of decision makers, while 22% cited the sudden drop or loss of key customers or orders.

What prompts lender intervention?

Lenders and investors reported a different emphasis. When we asked them what would prompt intervention in a manufacturing business within their portfolio, cost, cashflow and working capital pressure was top of their list (44%) – factors that can often be symptoms of longer-term underlying issues. They also identified a series of early warning indicators that frequently signal emerging stress.

High staff turnover or absenteeism was the most referenced behavioural indicator (36%), with ESG or regulatory compliance concerns (32%) and negative shifts in customer or supplier feedback (i.e. a deterioration in the manufacturer's key client relationships) (31%) also being monitored. Declining order volumes/pipeline activity (29%) and margin erosion or rising input costs (25%) rounded out the top signals that lenders and investors use to assess risk in real time.

44%

Said cost, cashflow and working-capital pressure was top of their list when asked what would prompt intervention.

36%

High staff turnover or absenteeism was the most referenced behavioural indicator.

Different perspectives. Shared challenges.

Our findings highlight a clear contrast between the issues occupying boardrooms and the indicators lenders use to track performance.

By prioritising structural risks over financial risks, manufacturing boards are grappling with more complex challenges as they work to build businesses with enduring value. Lenders and investors, meanwhile, tend to prioritise liquidity and capital preservation, in a bid to underpin short-term resilience.

As a result, understanding how these perspectives align has become increasingly important. Many manufacturers are navigating a complex mix of structural pressures and operational risks, and this divergence in focus can create gaps in communication or expectations.

Advisers, like FRP, that understand both sides of this landscape can help bridge these viewpoints, ensuring that board decisions are grounded in a clear understanding of lender priorities and that stakeholders remain aligned as conditions evolve.

Triggers for board-level debate or urgent action

New regulatory, ESG or environmental requirements	26%
Geopolitical or trade change (e.g. tariffs etc.)	25%
Supply chain disruption (e.g. lead time delays etc.)	24%
Margin squeeze or unplanned cost spike (e.g. labour)	24%
Major digital or automation project failure or delay	22%
Sudden drop or loss of key orders/customers	22%
Loss of key leadership or specialist skills	21%
Lender/investor intervention or covenant breach	21%
Working capital or cashflow crisis	20%

Triggers for lender and investor intervention

Cost, cashflow and working capital pressure	44%
Investment, automation and digital execution	41%
People, skills and leadership resilience	37%
Demand, margin and supply chain volatility	35%
Sustainability and ESG transition	32%

**Respondents were asked to select up to three.*

Expert voices

CEO outlook



Richard Bradley
CEO at SST Group
[Connect on LinkedIn](#)

Background

SST Group is a £22m turnover engineering group headquartered in the North East, formed around Dyer Engineering and the recently acquired Q-Laser. Dyer specialises in machining and fabrication, while Q-Laser focuses on cutting metal. Together they are building a regional group, capable of bringing the fragmented world of metal engineering back under one roof, with a long-term ambition to create the UK's engineering hub of excellence based in the NE.

For Richard Bradley, CEO, the core challenges always come back to people, machinery and facilities, underpinned by the ability to generate enough profit and / or access cash to keep investing in all three. Subcontract manufacturing, he argues, is one of the toughest corners of industry; each machine is a major investment, facilities need constant improvement, skilled people are difficult to find and retain – and the business must reinvest to stay competitive in a crowded market.

Volatility and operating conditions

On the demand side, SST is in a relatively buoyant phase. The group has a strong presence in defence and renewables, both of which are seeing strong investment. Geopolitical instability and the push for remote and low-carbon power generation are driving demand for the kind of complex metal components SST produces.

Supply chain conditions, by contrast, have stabilised after a turbulent period. Three years ago, the war in Ukraine disrupted mild steel availability, however, steel supply has largely normalised and is no longer a live constraint.

At a UK level, regulatory changes are a more direct pressure point. Increases in national insurance and the National Minimum Wage negatively impacted SST's profitability in a single year. Government policy on tax, labour and regulation is a material driver of cash and investment headroom.

Funding, cashflow and financial resilience

Cash remains a live issue, despite strong demand, due to the working capital requirements of the business. On funding, there is a sharp distinction between asset-backed finance and other lending options. For machinery and equipment, hire purchase and asset finance work well at sensible rates a few percentage points over base. For working capital or growth without collateral, mainstream bank debt is, in Richard's view, of very limited availability.

This pushes mid-market manufacturers towards private equity, venture capital and specialist funds, where the cost of capital is higher and return expectations more aggressive.

Richard sees a clear funding gap between secured bank debt and expensive PE or VC money. He argues there is a missed opportunity for pension funds or public investors to fill that gap with longer-term, regionally focused capital.

SST raised £1.625m of equity to fund the Q-Laser acquisition, trading dilution for strategic progress. Richard is pragmatic about the balance between equity and debt, but he is clear that limited access to reasonably priced growth finance slows the group's acquisition ambitions.

Skills, capability and leadership

Skills and talent are a critical constraint. SST employs welders, fabricators, machinists, painters and a wide range of support roles across health and safety, logistics, quality, commercial and finance. Richard sees a shrinking pool of skilled trades, particularly welders, driven by decades of under-investment in vocational training. High day rates on major defence projects exacerbate the problem by drawing skilled people out of SMEs into short-term, highly paid contracts that smaller businesses cannot match.

SST has chosen to tackle this challenge directly. The group has run its own apprenticeship scheme for around 15 years and recently revamped it with a local college partner. It now operates an in-college academy focused initially on welding, with machining to follow, and is designed to create a pipeline of well-trained tradespeople for the wider region, not just SST. The apprenticeship levy has been used constructively to fund this investment in people. Looking ahead, Richard sees the importance of pairing experienced tradespeople with younger recruits over time, so knowledge is transferred before retirement.

Automation, digital and technology execution

SST's digital focus is centred on improving information quality and decision making. Dyer Engineering set out more than a decade ago to understand profitability at a part level but only achieved full visibility in 2021, after reconfiguring and fully utilising its existing ERP and Microsoft tools.

This capability to interrogate each part's history, cost, price and margin transformed operational decision making and enabled a step-change in profitability. The business now uses a suite of Power BI and SharePoint dashboards to provide real-time visibility of performance, quality and safety across the shop floor.

Richard sees this data-led approach as a meaningful advantage for an SME in metal fabrication and a capability that can be transferred into future acquisitions, many of which have underused ERP systems and limited ability to convert data into actionable insight.

On physical automation, SST is further back but moving. Machining has long been automated; more recently the group has introduced robot welding and cobot welding (welding carried out using robots designed to work safely alongside a human operator). Given Dyer's product profile mix, not all work lends itself to robotics. Richard sees a future where robot welding handles repeatable, high-volume welds while highly skilled welders focus on complex, specialist structures.

"With a long-term, high-quality contract behind us, we could commit to full automation: banks of robot and cobot welders, an automated paint line - all under one roof in a consolidated site. Without that level of certainty, it becomes almost impossible to secure the kind of long-term funding needed for innovation at scale."

Sustainability, ESG and long-term resilience

ESG requirements from customers have clearly increased, SST's work to date has put it in a position where ESG is not a barrier in major tenders. The group has created its own ESG framework aligned to UN Sustainable Development Goals, measures its carbon footprint and has initiatives underway to reduce it.

"At its core, ESG is about sustainability. If you look after your people, manage your environmental impact and run a resilient business model, longevity is the true benchmark."

The year ahead

Richard expects growth to dominate board discussions over the next year. The group sees strong opportunities in its markets, but progress depends on access to the right facilities and the funding to support them. Both organic expansion and further acquisitions remain central to the plan, bringing the balance between equity and debt back into focus. The challenge is securing long-term capital that supports sustainable development rather than short-term financial pressures.

"People will always be the constant. For us, our name SST - Smarter, Stronger, Together - is more than a name. It's the way we want to run the business: put people first, stay financially responsible and build a culture where people enjoy coming to work and take pride in what they deliver."

In summary, SST Group sits squarely inside the Manufacturing Agenda: navigating buoyant but geopolitically driven demand, managing structural funding and skills gaps, using digital to sharpen performance, and looking for ways to scale responsibly while remaining rooted in the North East.



Decisions under *pressure*

03

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Decisive boards, *diverse outcomes*

Manufacturers are operating in a climate of disruption, where boards must act quickly to safeguard resilience. Our research highlights three key triggers for urgent intervention: new regulatory and ESG requirements, geopolitical and trade developments, and persistent supply chain disruption.

30%



Chose to exit all of part of their business

Boards faced rising demands from regulators and stakeholders on sustainability, compliance, and environmental performance. Three in 10 manufacturers (30%) chose to exit all or part of their business, reflecting a belief that a new owner could be better placed to support the next phase of growth, or the opportunity to close business streams with low margins or low growth potential in favour of areas with better performance prospects.

29%



Undertook a cost reduction review

Global trade tensions, shifting tariffs, and political uncertainty created significant challenges for manufacturers. 29% completed a cost reduction review, which can be an effective tactic to enhance margins, free up working capital and improve operational flexibility. Steps like this have helped businesses adapt quickly to external shocks and maintain competitiveness.

28%



Appointed advisers, pursued leadership changes or completed M&A

Persistent issues – lead time volatility, supplier failures, and transport challenges – dominated boardroom discussions. 28% appointed advisers, pursued leadership changes, or completed M&A to gain specialist skills, resources, or scale. Nearly eight in 10 board members (79%) said their latest reactive decision improved trading prospects.

Strategic investment and *long-term* planning

Running a manufacturing business is not solely about responding to external events. Boards also make strategic decisions intended to build long-term resilience and support sustainable growth. So, what does our research tell us about the proactive decisions that manufacturers are making?

When asked about the major decisions taken in the past year, the most common response was investment in growth, with 29% of businesses committing capital to new plant, technology or R&D. This type of decision making and investment is fundamental to improving productivity, efficiency and competitiveness, and the survey results suggest that the impact has been significant. Just over a quarter of respondents (26%) described the effect of their investment as transformational, while a further 43% said it had delivered a material improvement in performance or operations.

Other strategic decisions were focused on strengthening resilience. These included restructuring or cost-reduction programmes (28%), refinancing or recapitalisation (24%) and leadership or succession changes (23%). Many boards also pursued M&A opportunities, both on the sell side (21%) and the buy side (14%), reflecting continued movement in ownership structures and a desire to enhance current, or secure complementary, capabilities.

And boards are nothing if not ambitious; 29% said their decision making was transformational in scale, with a significant shift in business model or direction, and 40% said their decisions were designed to have a material impact on performance or operations.

Despite this ambition, outcomes have been mixed. Only 28% of respondents said their strategic decisions fully delivered the intended results. A similar proportion reported partial success, while 26% said their decisions did not deliver. For 18%, it was too early to judge.

Growth and investment



29%
Invested in plant, technology or R&D



26%
Said investment was transformational



43%
Reported material improvement

Resilience measures



28%
Restructured or reduced costs



24%
Refinanced or recapitalised



23%
Made leadership or succession changes



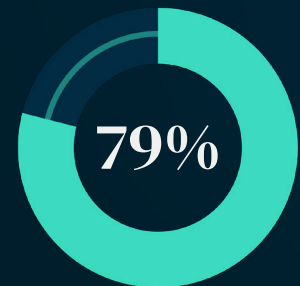
The value of specialist support

These findings highlight a clear contrast between the issues occupying boardrooms and the indicators lenders use to track performance.

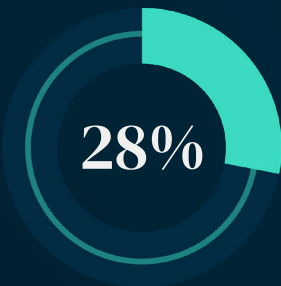
By prioritising structural risks over financial risks, manufacturing boards are grappling with more complex challenges as they work to build businesses with enduring value. Lenders and investors, meanwhile, tend to prioritise liquidity and capital preservation, in a bid to underpin short-term resilience.

As a result, understanding how these perspectives align has become increasingly important. Many manufacturers are navigating a complex mix of structural pressures and operational risks, and this divergence in focus can create gaps in communication or expectations.

Advisers who understand both sides of this landscape can help bridge these viewpoints, ensuring that board decisions are grounded in a clear understanding of lender priorities and that stakeholders remain aligned as conditions evolve.



Success of reactive decisions

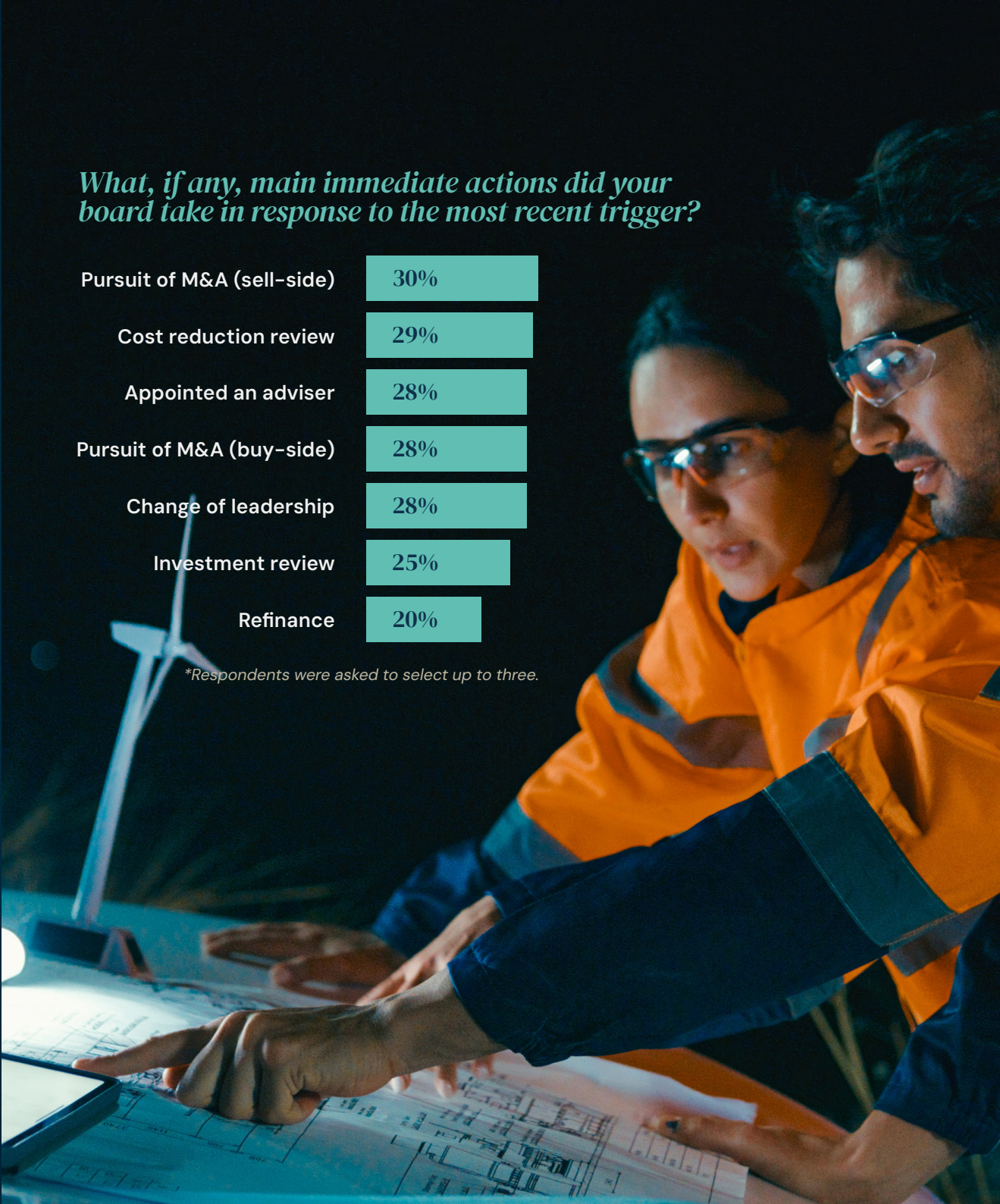


Success of major strategic decisions

What, if any, main immediate actions did your board take in response to the most recent trigger?

Pursuit of M&A (sell-side)	30%
Cost reduction review	29%
Appointed an adviser	28%
Pursuit of M&A (buy-side)	28%
Change of leadership	28%
Investment review	25%
Refinance	20%

**Respondents were asked to select up to three.*



Expert voices

Partner outlook



Matt Whitchurch
Financial Advisory
Partner at FRP
Connect on LinkedIn

Our work in Financial Advisory is about helping clients make informed decisions – advising boards on how to preserve and restore value, and helping lenders assess whether to extend debt facilities.

What stands out from our experience is how directly successful value creation depends on getting the operational and financial fundamentals right. The big picture and the day-to-day detail are inseparable.

Forecasting fundamentals

Part of this comes down to having the right processes and models. Every manufacturer should have a 13-week rolling cashflow forecast, and ideally a long-term fully integrated P&L, balance sheet and cashflow forecast.

These sound straightforward, but they're frequently missing – often for entirely understandable reasons. SME manufacturers are juggling multiple demands with limited resources.

Investing in financial processes may not have been possible, or simply wasn't the priority at the time.

Time and again, though, I've seen that these capabilities must move up the priority list if long-term value creation and resilience is the goal.

Beyond providing clearer visibility of operational health, these forecasts are a critical communication tool. They help bridge the gap between board and lender perspectives. By investing in metrics and tracking, firms learn lenders' language and strengthen their ability to present realistic, backable growth – which is what lenders are looking for when making lending decisions.

This matters even more now than it used to. Where manufacturers might once have built lender confidence through more basic approaches, having good operational data is now non-negotiable. Where these capabilities aren't in place, bringing in expert advice can provide immediate benefits.

Providing perspective

From the other side, we often find opportunity by helping boards assess the long-term consequences of short-term decisions. A clear example is putting capex plans into perspective.

In volatile operating conditions and under acute cost pressures, some manufacturers are delaying major planned capital expenditure – whether in plant, facilities or people.

The decision to suspend investment is often driven by immediate priorities: preserving cash, protecting margins, managing working capital.

But too narrow a focus can itself be damaging. While capex delays might save money now, they can erode competitive edge or mean missing future growth opportunities because the capability that the capex was supposed to deliver never came through.

This risk is particularly high if major capex decisions are repeatedly pushed out. Small shifts can build up to put manufacturers far behind.

Some of the most valuable conversations I have are with manufacturing boards in this position, where we assess what the real cost of capex trade-offs might be and explore alternatives that keep firms on the path to maximising long-term value while addressing immediate pressures.

Ultimately, this all comes back to making sure different viewpoints – big picture and small; long-term and short-term; lender and board – remain aligned as operating conditions continue to evolve.

The funding *divide*

04

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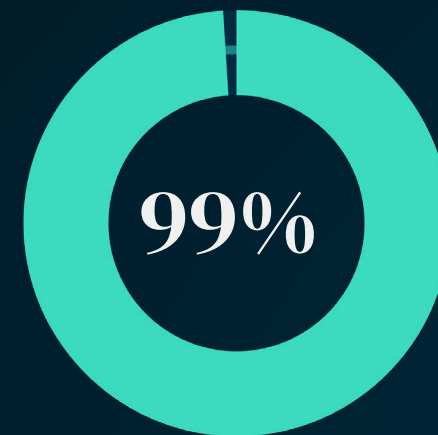
Converting
ambition into
action

Funding friction; lender perspectives and board implications

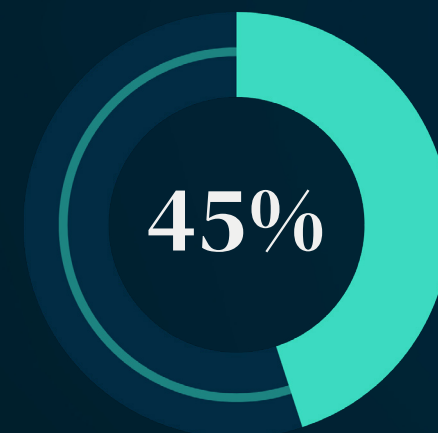
Although the UK has worked hard to create a supportive ecosystem for manufacturers, with a multitude of grants, funds, tax breaks and support schemes available, it's well recognised that access to funding remains one of the most consistent challenges facing UK manufacturers.

It's an issue that the government has moved to address in its Industrial Strategy, which includes £4.3bn in funding, including up to £2.8bn in R&D programmes to spur innovation, automation, digitisation and commercialisation.

However, almost every manufacturer we surveyed (99%) reported difficulties accessing funding over the past 12 months. For just over a quarter (26%), these constraints had a significant impact on operations or growth. A further 45% described noticeable challenges in securing new lending or refinancing options, while 28% experienced some tightening in availability, but manageable within existing facilities.



Of manufacturing decision makers reported difficulties accessing funding over the past 12 months



A further 45% described notable challenges in securing new lending or refinancing.

Understanding the *barriers*

The reasons behind these challenges reflect a mix of internal performance factors and wider market conditions. Three in 10 manufacturers attributed their funding difficulties to lenders tightening credit appetite in the sector, and there's no doubt that some lenders believe manufacturers – particularly SMEs – can present a higher perceived risk.

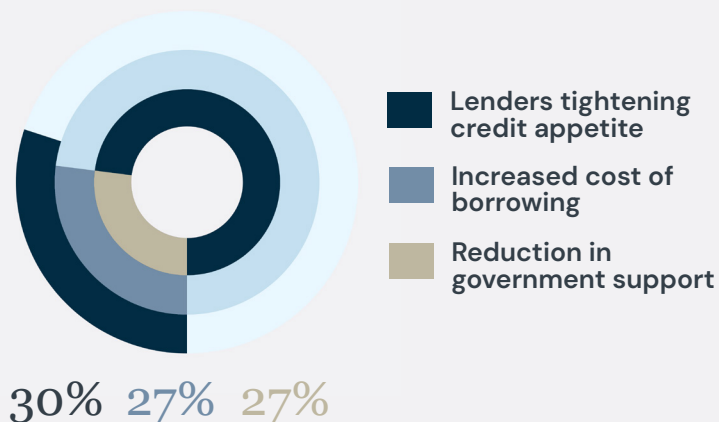
Traditional lenders can have more rigid lending criteria that rely on a strong trading history or high levels of collateral, which can mean manufacturers face demands for guarantees, or are simply told 'no',

More than a quarter of manufacturers (27%) flagged the increased cost of borrowing (interest rates, fees, covenants), despite the Bank of England cutting interest rates three times during 2025, while the same proportion said that government support had been reduced.

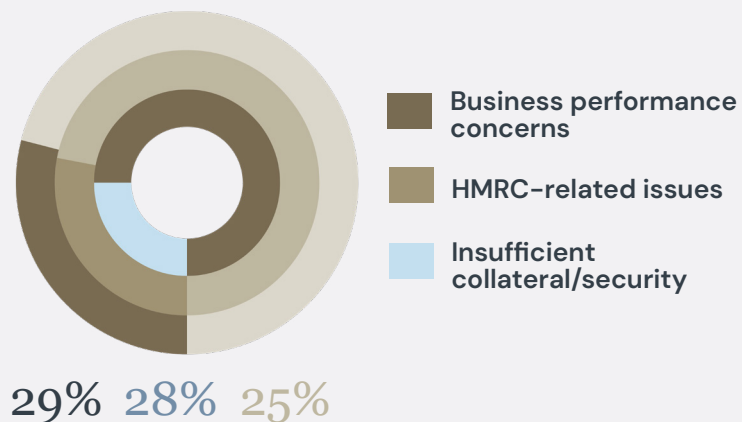
But manufacturers were also clear that many had internal issues that were hampering their ability to access funding, chiefly business performance concerns (e.g. profitability, cashflow volatility) (29%), issues relating to HMRC (e.g. tax arrears, time-to-pay arrangements, or delays in tax credit payments) (28%) and insufficient collateral or security available (25%).

After several years of sustained volatility, many manufacturers have experienced pressure on margins, cashflow and balance sheet strength, which continues to influence funding availability.

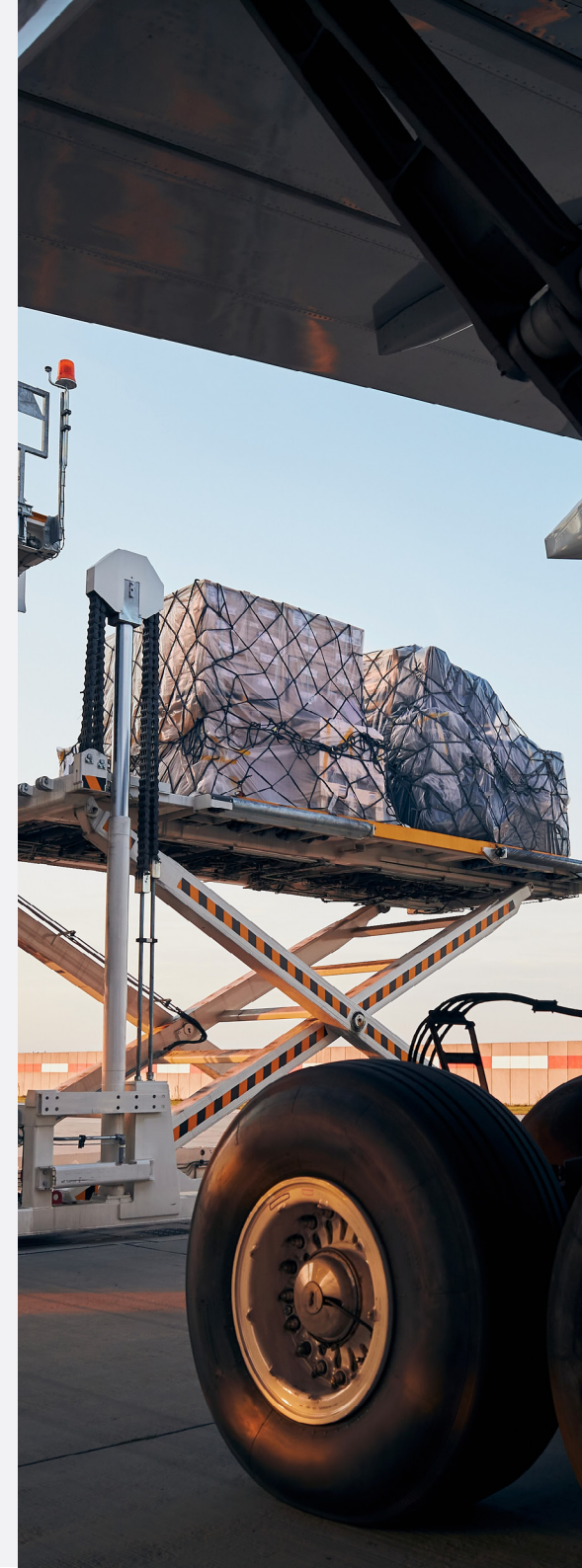
External market conditions



Internal performance factors



**Respondents were asked to select up to three.*



Changing lender *appetite*

And, while our survey of investors and lenders found a majority were still committed to supporting the sector, to a greater or lesser extent, it also found a significant minority had growing concerns.

Just over a fifth (22%) of investors and lenders said they were actively looking to increase exposure to manufacturing in the next 12 months, with a similar proportion (21%) planning to lend or invest selectively based on subsector. However, 19% intended to reduce their exposure and 18% expected to exit manufacturing entirely.

For many, the decision is shaped less by individual company performance and more by broader sector considerations. It means access to funding is unlikely to materially improve during 2026.

While lenders remain willing to support strong management teams with clear plans and robust financials, access to capital will continue to depend on the ability of businesses to demonstrate working-capital discipline, resilience and credible execution capability.

22%

Said they were actively looking to increase exposure to manufacturing in the next 12 months.

19%

However, 19% intended to reduce their exposure and 18% expected to exit manufacturing entirely.



Implications for boards

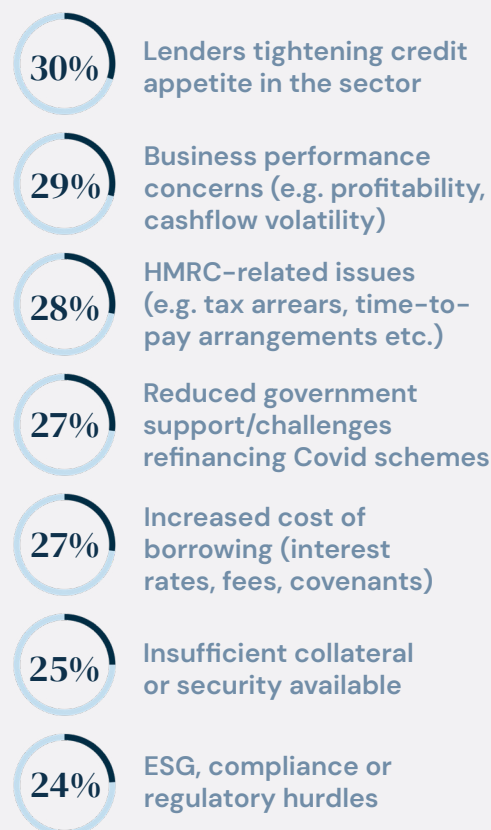
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As a result, understanding how these perspectives align has become increasingly important. Many manufacturers are navigating a complex mix of structural pressures and operational risks, and this divergence in focus can create gaps in communication or expectations.

Advisers who understand both sides of this landscape can help bridge these viewpoints, ensuring that board decisions are grounded in a clear understanding of lender priorities and that stakeholders remain aligned as conditions evolve.

What are the main reasons your business has faced challenges in accessing funding?



What are lenders'/investors' main barriers to deploying new capital into manufacturing businesses?



**Respondents were asked to select up to three.*

Expert voices

Partner outlook



Alex Hilton-Baird
Debt Advisory Partner at FRP
& CEO, Hilton-Baird Group
[Connect on LinkedIn](#)

The events triggering board-level debate or urgent action share a common theme: prioritise cash flow and working capital availability, and it becomes easier to respond when challenges arise.

The difficulty is that sustaining cash flow can itself be a challenge when access to finance issues are so prevalent.

A shifting lending landscape

The tightening of credit reported by our sample has its roots in the 2008 financial crisis and a polarisation of lending in the years since.

Against the backdrop of more rigorous capital adequacy requirements, traditional high street lenders have adopted a more stringent lending model which focuses on affordability and treating customers fairly.

But, at the same time, the lending ecosystem has become more diverse.

Where five major banks once dominated, today specialist challenger and independent banks have grown significantly in number, product range and market share.

In our view, this has created a borrower's market, giving viable businesses more options than ever before, from lenders that still have real appetite to engage with, and support, the manufacturing sector.

Using balance sheet strength

The key word is 'viable'. In the current market, it is imperative businesses demonstrate to lenders and investors that they are financially and operationally robust, backed by a proven leadership team and realistic projections – whether seeking funding for growth or to overcome financial difficulty. If they can, and any financial challenges can be quantified and explained, traditional debt finance will still be readily available to them.

For manufacturers, however, the most effective funding often isn't traditional sources, but through leveraging the value of the assets on their balance sheet: receivables, plant and machinery, inventory or property.

Asset based lending (ABL) has long been a practical way to sustain working capital access to meet cash flow challenges and fund investment.

According to the latest UK Finance data, ABL is the fastest growing part of the invoice finance and ABL sector. Client numbers have increased by 64% in the four years since December 2020, and the amount of funding advanced has grown by 78% to £5.9bn.

The value of ABL for manufacturing firms is reflected in the fact that almost one in four invoice finance and ABL clients are manufacturing businesses, and that appetite to support manufacturers among asset-based lenders remains particularly strong.

Generally speaking, it's often well-priced debt, and lenders can deliver very tailored financing packages to meet manufacturers' specific needs.

Improving prospects

To maximise the chances of securing funding – ABL or otherwise – manufacturers should prioritise strong financial reporting so they're in a position to tell that compelling story that my colleague Matt Whitchurch wrote about earlier in this same report.

While the manufacturing decisionmakers we spoke to report that internal factors such as business performance concerns, HMRC-related issues or insufficient collateral have impacted their ability to raise, the truth is that none of these factors alone means funding is unattainable.

The key is to work with a trusted adviser who can work with all parties to identify and structure appropriate facilities – delivering tangible, flexible and well-priced solutions that will support the business now and in the coming years.

Preparing for the *next* cycle

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Looking ahead

As manufacturers look towards 2026, the past year provides important context for the opportunities and risks ahead. While conditions remain challenging, confidence across the sector is still relatively strong. While it has softened from the unusually high levels seen in 2023, reflecting the more turbulent operating environment now, almost seven in 10 respondents (69%) still feel confident about the outlook for their business over the next 12 months, with only a small minority feeling unconfident (12%).

This confidence reflects the resilience the sector has shown through a prolonged period of disruption. Manufacturers have continued to respond to shifting demand, cost volatility and geopolitical uncertainty, while also laying foundations for future growth. Lenders and investors have generally maintained a supportive stance, recognising the long-term potential and importance of the sector even as they adopt a more selective approach to capital deployment.

However, confidence alone will not guarantee successful outcomes.

Our research highlights that manufacturers do not always have the in-house capacity or experience required to deliver complex programmes of change, and strategic decisions taken this year have not always delivered as intended. This places a greater premium on clear governance and access to specialist insight.



Almost seven in 10 respondents (69%) still feel positive about the year ahead, with only a small minority feeling unconfident (12%).

An uptick in activity?

Boards anticipate a busy period ahead. Almost equal proportions expect to undertake buy-side M&A (30%) and sell-side M&A (29%) in the next 12 months. This could indicate an increase in deal activity as businesses revisit growth plans that were placed on hold during more volatile market conditions.

Alongside M&A, boardroom leaders expect to focus on fundamental operational and financial issues. Cashflow and working-capital pressure, cited by 29% of respondents, remains a key area of attention. Skills and talent also feature prominently (29%), reflecting ongoing competition for capability and the need to build leadership resilience. New geopolitical risks (28%) were also expected to prompt board-level action, mirroring the uncertainty seen throughout 2025.

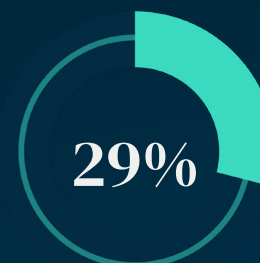
Lenders and investors shared many of the same concerns. When asked what would prompt them to intervene in a portfolio company over the next 12 months, respondents pointed first to cost, cashflow and working-capital pressure (44%). Investment in automation and digital capability followed closely (41%), as did people, skills and leadership resilience (37%). Demand, margin and supply chain volatility (35%) and sustainability and ESG transition topics (32%) also remained high on the list.

These shared priorities indicate that, while boards and lenders may view risks through different lenses, there is significant overlap in the issues they expect to shape the year ahead.

M&A activity (boards)



Expect to undertake buy-side M&A

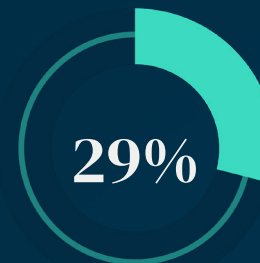


Expect to undertake sell-side M&A

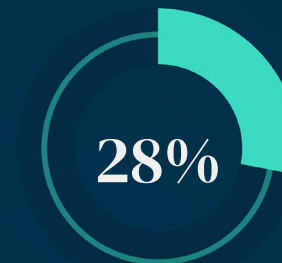
Board priorities



Are focused on cashflow and working-capital

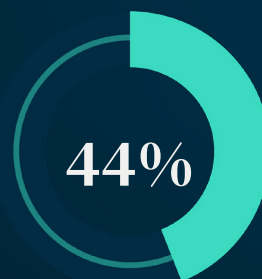


Are focused on skills and talent

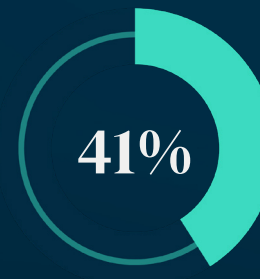


Expect geopolitical risks to prompt board action

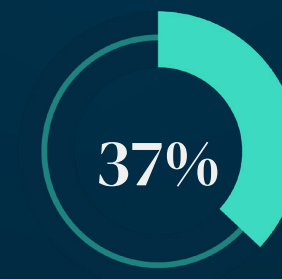
Lender & investor triggers



Said cost, cashflow and working capital pressures would trigger intervention



Flagged automation and digital capability investment as a key intervention trigger



Stated people, skills, and leadership resilience would be a trigger

Taking the initiative

While some boards may prefer to maintain independence in their decision making, many lenders are prepared to take a proactive role when they identify issues that could affect near-term or long-term performance. Investors bring experience, oversight and access to networks that can help guide companies through periods of change. This alignment of intentions can be positive.

Boards also recognise the need to invest in the capabilities required for sustained performance. When asked about areas requiring greater investment in 2026, respondents highlighted skills and talent (40%), succession planning (40%) and sustainability, ESG compliance or decarbonisation (40%). Supply chain resilience (39%), new regulatory risks (39%), new geopolitical issues (39%) and digital or automation investment (38%) followed closely. M&A activity and working capital also featured prominently.

These priorities reflect a sector that understands where risks sit, where long-term value will be created and what gaps need addressing to ensure effective execution. As businesses enter the next planning cycle, strengthening capability, improving data and ensuring organisational readiness will be central to delivering successful outcomes.

Issues requiring increased investment in the next 12 months



People & leadership

40% | Skills & talent
40% | Succession planning



Environment & sustainability

40% | Sustainability, ESG, decarbonisation debt
39% | New regulatory risk
39% | New geopolitical risk



Operational resilience

39% | Supply chain resilience
37% | Cashflow or working capital pressure
38% | Digital/automation



M&A activity

38% | M&A (sell-side)
37% | M&A (buy-side)



Expert voices

Executive outlook



Chris Thompson
Non Executive Chairman,
Express Engineering

Background

Express Engineering is a specialist in the design, precision manufacture, assembly and testing of subsea equipment – supplying actuator assemblies, connection systems and tooling for the global offshore energy sector. They also serve defence and power-generation markets. After more than 50 years in operation, the business has continued to expand its capability and international footprint. Almost all output is exported to major offshore regions such as the Gulf of Mexico, Brazil and Malaysia.

Growth has been a consistent focus at board level. The company has strengthened its leadership team, broadened its reach into key markets and focused heavily on service and delivery. Conversations in the boardroom centre on competitiveness, productivity and keeping pace with customer activity across the world.

Market conditions and competitive pressure

Demand in subsea energy is visible and well analysed, which helps the board anticipate shifts in activity. Express Engineering tracks global project pipelines closely to stay aligned with where customers are investing.

Competition, however, is intensifying. Overseas manufacturers, particularly from China, are becoming more active in the subsea supply chain. This has increased pricing pressure and accelerated the board's focus on internal efficiency, supply chain integration and utilisation. Maintaining cost competitiveness while preserving quality is a constant area of attention.

Cash, funding and financial resilience

While many manufacturers are facing tighter credit conditions, Express Engineering has not experienced the same level of constraint. The business maintains stable facilities, performs consistently and retains strong lender relationships.

Chris notes that the biggest financial pressures recently have not come from lenders but from policy. Changes to employer costs in 2025 have added weight to budgets and required careful planning. The board continues to monitor the policy landscape and build flexibility into its plans.

Looking ahead, the team sees opportunities in selective vertical integration and acquisitions within the supply chain, particularly where strengthening capability would improve resilience and customer service.

Skills, talent and leadership

Skills remain a core strategic concern. The business employs a large number of highly skilled machinists, welders and engineers, and the labour market for these capabilities remains tight. Attraction and retention therefore feature prominently in board discussions.

Express Engineering has a strong apprenticeship programme and invests time in developing people over the long term. Many apprentices have stayed with the business for years and progressed into senior roles, supporting continuity and succession. Engagement with local schools and colleges helps widen the talent pipeline, but Chris is clear that the industry continues to face an ageing workforce and fewer young entrants into engineering.

Automation, digital and operational improvement

Automation of physical manufacturing is more complex for Express Engineering due to the bespoke and low-volume nature of its work. CNC capability is well established, but full automation is only suitable for specific product types.

The greater focus is on digital integration and process efficiency. A fully integrated ERP system underpins procurement, customer management and production control, and the organisation is moving towards paperless workflows to drive quality and consistency. Board discussions increasingly centre on integration across systems, data accuracy and how digital tools can improve decision making.

“Digitisation is no longer optional. In a global market, you have to use data to drive efficiency and free skilled people to focus on higher-value work.”

Sustainability and wider responsibilities

ESG expectations from customers and stakeholders have increased, but the immediate pressure has softened compared with several years ago. Express Engineering continues to maintain the policies, reporting and cultural practices required by its customers while taking a pragmatic view of what drives genuine long-term improvement.

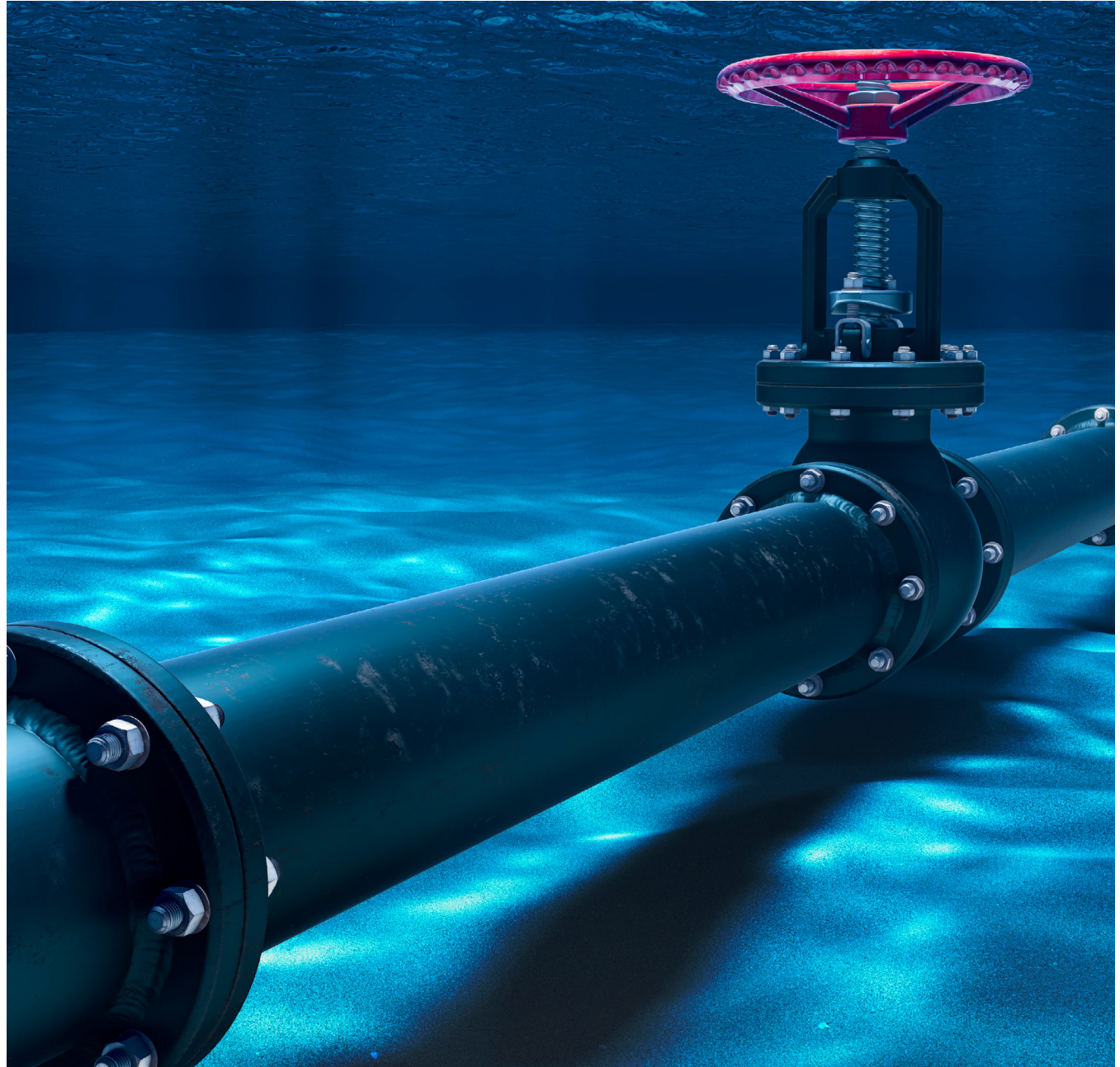
“I also place real value on the wider aspects of ESG. Focusing on welfare, community engagement and personal development that genuinely enriches the employee experience and strengthens our culture.”

The year ahead

Express Engineering has recently delivered one of its strongest periods of performance and sees continued stability in its markets. Global volatility has eased; customer investment pipelines look clearer and domestic competition has reduced. The business is therefore entering the next year with confidence.

The refreshed leadership team, the prospect of further consolidation opportunities and a more stable demand environment underpin the board's outlook.

“Growth will remain our central focus, backed by disciplined investment, a sharp eye on competitiveness and close tracking of conditions in our key regions.”



Converting ambition *into action*

06

This is an interactive report, use the buttons below to navigate directly to the relevant sections.

Foundations
of confidence

Navigating risk
& uncertainty

Decisions
under pressure

The funding
divide

Preparing for
the next cycle

Converting
ambition into
action

Conclusion

The manufacturing sector has continued to operate in a demanding environment, shaped by a mix of domestic and global pressures. Throughout this period, manufacturers have shown resilience, adaptability and a willingness to take decisive action when required.

Recent policy developments, including the refreshed Industrial Strategy and commitments to Full Expensing and the Annual Investment Allowance, have provided greater clarity for long-term investment. This is a welcome development for a sector that has experienced a prolonged period of uncertainty.

A consistent theme throughout the findings is the growing importance of execution. Manufacturers are continuing to navigate regulatory change, supply chain complexity and evolving expectations around sustainability, while also preparing for the opportunities presented by digital transformation. At the same time, boards recognise the need to strengthen leadership, improve operational resilience and ensure they have the right skills in place to deliver on their plans.

Resilience, therefore, is being redefined. It is no longer measured solely by financial strength, but by a combination of operational readiness, regulatory alignment and the capacity to adapt at pace. This evolution will shape the manufacturing agenda for 2026 and influence the decisions that determine long-term success.

With our deep sector understanding and strong track-record, FRP is well placed to support manufacturers, lenders, investors and other stakeholders through this period.

Our teams across Restructuring, Corporate Finance, Debt Advisory, Financial Advisory and Forensic Services provide clarity, challenge and practical solutions. Whether navigating change, planning for growth, improving cash flow or performance, or strengthening organisational capability, we help businesses convert ambition into action.

We would like to thank everyone who contributed to this year's report and hope the findings prove valuable. If you would like to discuss how The Manufacturing Agenda relates to your organisation's goals, we would welcome a conversation.

Key contacts



Allan Kelly

Partner
Restructuring Advisory
Newcastle

+44 (0)7921 921 400
allan.kelly@frpadvisory.com



Raj Mittal

Partner
Restructuring Advisory
Birmingham

+44 (0)7908 963 065
raj.mittal@frpadvisory.com



FRP Advisory Trading Limited

110 Cannon Street,
London EC4N 6EU

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November 2025

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