

Current Plant & Machinery Trends That Are Driving Value

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In my role as Senior Director within Hilco's Plant & Machinery division, I've found that the value of assets depends on a complex mix of factors. Each element plays a part, from utilisation and power consumption to age, government policy shifts, and evolving environmental targets. Market dynamics, such as demand, supply, lead times, and saleability at home and abroad, also have a significant impact.

Through Hilco's recent experiences of Engineering, Automotive & Steel industry sectors the above factors play a major role in determining tailored concise valuations for our clients.

Having managed various large projects for Clients on behalf of Hilco, I have seen the following factors facing the valuation team:

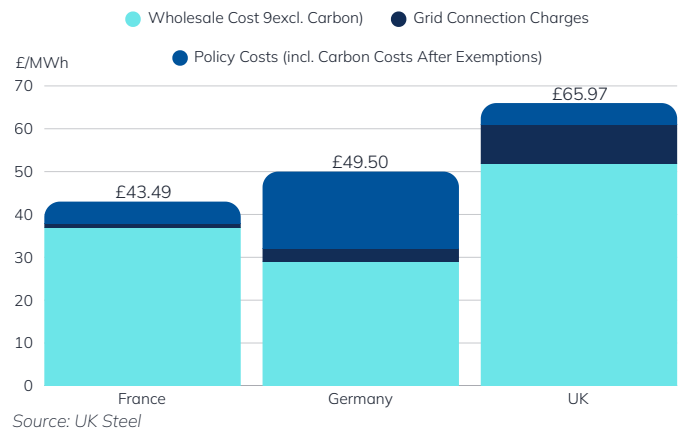
Steel Production

The average price faced by UK steelmakers for 2024/25 is £66 per MWh compared to the French price of £43/MWh and the German £50/MWh. That's a price gap of up to £22/MWh, meaning we pay £37-50 million more for our electricity this year than our European competitors.

Steel production is incredibly electro-intensive, and power charges are one of the largest barriers to sustainable steelmaking in the UK. With proposed steel industry switches to electric arc furnaces, it is expected the sector's electricity consumption will roughly double.

UK steel producers pay up to 50% more than competitors in France and Germany, adding £37 million to UK steel electricity costs. The price disparity is predominantly driven by higher UK wholesale costs and partly greater network charges.

Figure 1: Electricity prices for steel producers in France, Germany, and the UK (2024/25)



Automotive

Consolidation of contracts to provide aftermarket spares to Tier 1 Automotive suppliers of ICE vehicle parts meaning a number of plants were either underutilised or over utilised.

Older production plants which are energy inefficient were causing higher unit prices for production in a competitive marketplace.

Food & Beverage

UK Factories which heat, chill or cool as part of their production processes are seeing huge overhead utility price rises compared to their European Competitors. This was particularly prevalent in larger food processing factories recently visited.

Engineering

Larger Factories both in the UK and Europe are investing in automation and robotic handling to limit employee levels to counter increases in wage levels and Employer National Insurance Contributions long term.



Raw material costs combined with increase site energy overheads resulting in a number of plants either being left Dormant or running at a loss in this sector and in the Energy from waste and steel sectors.

A number of Chinese assets are now entering the European marketplace. The quality has improved significantly driving down European equivalent prices albeit with essential support spares packages due to lack of localised maintenance support.

Machine tools, injection moulding and food and beverage machines have recently been appraised on sites that have originated from China. Whilst their economic lifting policy is currently not as long as their European versions, the initial outlay savings in capital expenditure pays dividends in a market with long lead times and expensive raw material pricing when the initial machine is a fraction of the cost.

Energy & Power

Recent appraisals within the MBA Team, have included assets appraised which are alternative energy solutions including hydrogen generators, electrolysers, biomass boilers and energy from waste plants. Each of these have their complexity around scalability, price points, feedstock issues, unit prices, plant, farm and land ownership and the associated running and build costs all factored into our valuations.

Glass Manufacture

From Hilco's recent experience in this sector, we have seen volatility in the prices of key raw materials such as silica, soda, and lime as well as disruption to timely deliveries across their supply chains.

This sector is highly energy-intensive, and as such, has been heavily impacted by the sharp rise in energy costs in addition, to the increase in labour and transportation expenses, which have further driven up overall production costs.

Tariffs

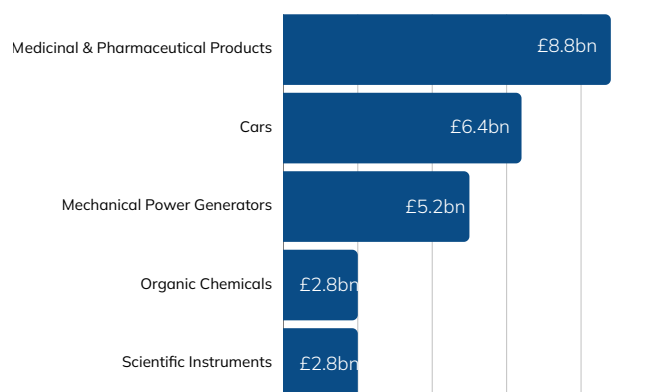
Due to the U.S tariffs imposed on certain UK goods, UK exporters face either absorbing these costs or passing them on to their customers which risks reducing demand.

UK Manufacturers are at a disadvantage versus goods from countries not subject to the same tariff levels or U.S buyers may prefer tariff free alternatives.

There is additionally, a supply chain disruption around uncertainty with how trading partners react and delays due to alternative supplier's or trade routes. Hilco Valuation Services has seen this with manufacturers who have an urgent requirement for critical machine spares.

The U.S is one of the UK's largest exporters for steel. With non-competitive energy costs plus the 25% tariff imposed, this potentially prices some UK producers out of the market and causes margin erosion. The UK already faces high energy costs, rising material costs and weak domestic demand so this sector is very volatile.

Figure 2: Top Five UK Goods Exports to the US
Total Annual Value, 2023



Source: ONS

Advising on the Value of Assets in Times of Change

Should you require any valuation assistance for your machinery and business assets, our team would be delighted to offer our expertise. Over the years, we have gained extensive experience in delivering valuations that are not only reliable and concise but also tailored to meet the specific needs of each client.

Whether you are seeking clarity on the current worth of your machinery, need support with asset-based lending, or require valuations for compliance or strategic decision making, our team is committed to providing a service that combines technical accuracy with practical insight.

By drawing on both industry knowledge and proven methodologies, we help you approach business decisions with greater confidence and clarity. Get in touch today!

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