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Brexit. Taking the next step.
A Practical approach

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Following the enactment of Article 50, we look at the implications of Brexit for businesses in Ireland.

Does your business:

- Export to the UK?
- Import from the UK?
- Have operations in the UK?
- Operate in a sector that consumers can purchase directly from the UK?
- Operate in a highly regulated sector?
- Employ UK citizens in Ireland?
- Employ Irish or other EU citizens in the UK?
- Plan to have operations in the UK in the future or do more business with the UK?
- Plan to diversify into new markets outside the UK?

If any of the above apply to your business, then Brexit is likely to have an impact on your business and this may create both opportunities and challenges. What should businesses do?

Establish a Brexit Taskforce

Deloitte carried out a survey of clients in Q4 2016. c50% of respondents said that they had established some form of Brexit taskforce and a further 25% were thinking about it.

- If not already done so, activate a 'Brexit taskforce' – identify the key personnel who will be involved in responding to Brexit developments;
- Identify specific areas that may be materially affected and require further investigation;
- Communicate an initial message to all stakeholders – shareholders will want to see a plan, customers will want guarantees and employees will want reassurance;

- Prepare and take action where key opportunities are clear or immediate risks need mitigation; and
- Plan and monitor for triggers in the unfolding situation, and execute if appropriate.

In summary, businesses should proactively engage in scenario planning to assess the possible impacts of Brexit. Action plans should be drawn up for both the short and medium term. The time to take such action is now.

We have identified the following cross sector and industry areas of impact:



Movement of people

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Restrictions to market access

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Cost of market access

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Market opportunities

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Scenario planning



What should firms be considering in their scenario planning?



What is our exposure to the UK market, and how must our market development strategy evolve to balance the Brexit Scenarios (eg M&A, Diversification, Supplier Base)?



Which elements of our business model (suppliers, locations, manufacturing, market development, etc.) would require 30 months or greater to transform or adjust to a post Brexit scenario?



How can we “future proof” investment decisions to maximise the return and effectiveness across the Brexit scenarios?



Where will opportunities be presented in this period of uncertainty, either through competitive action, value available (e.g. acquisition) or partnerships that might be formed?



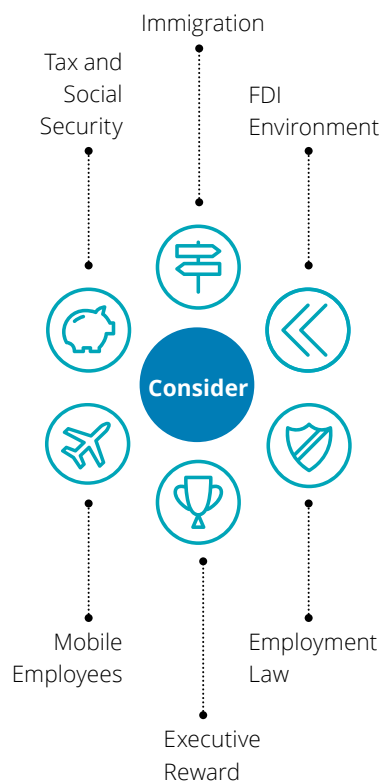
How will the potential disruptions impact our business strategy and operations?

Movement of people

The impact of Brexit will lead to Irish businesses considering their current business model and assessing the opportunities to expand in both existing and new markets. In doing so companies need to be mindful of global mobility and immigration issues notwithstanding the fact that historically they may not have traditional assignment policies and structures in place.

Irish businesses need to assess their current and post-Brexit arrangements in relation to:

- Managing payroll compliance in respect of UK Business travellers;
- Overseas employees gaining experience in Ireland, including UK employees;
- Social security arrangements under current EU regulations; and
- BEPS from an employee global mobility perspective.



Restrictions to market access and cost of market access

Business model review

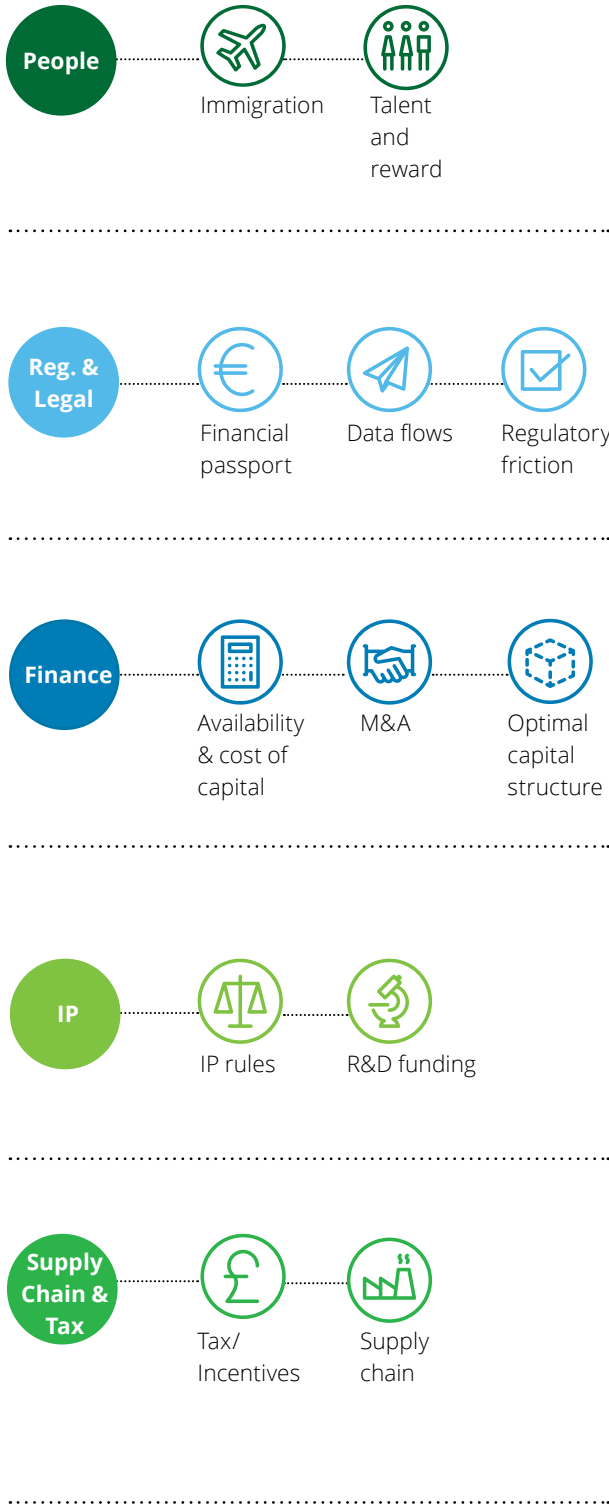
Given the uncertainty created by Brexit we would recommend that businesses examine their strategy and the related business model to assess what changes and adaptations are necessary to navigate the coming years.

A review should be carried out to assess:

- the potential cost of the products and services if duties and tariffs are added in a post Brexit environment
- the potential to sell into new markets, sell more product in the domestic market or sell more product in other overseas markets
- price elasticity – would UK customers absorb a price increase or substitute with a cheaper good?
- the possibility of products or services innovation to differentiate from UK competitors
- supply chain optimisation post Brexit

If you are selling product into the U.K. / Northern Ireland, the ‘time to market’ could be impacted by physical border controls. Producers of perishable goods in particular should analyse their distribution channels to assess possible impacts and potential alterations required.

Potential business disruptions



Currency hedging £ / €

Businesses should invest time now in reviewing hedging strategies and identifying what level of exchange rate could potentially put their business at risk. This will drive what action needs to be taken to mitigate any risks associated with potential future adverse currency movements.

In order to develop an appropriate hedging strategy, businesses need to make an assessment of the operations of the company:

- What are the business cycles?
- Are there separate business margins?
- Does the business have sight of the upcoming exposures?
- How much rate certainty does the business require?
- What is the company's risk appetite?
- Have all natural hedges been identified?

VAT and Customs Duty

Businesses will need to take account of the possible VAT and Customs Duty implications of Brexit.

VAT

As part of the strategic assessment businesses should consider the following:

- Will your business incur VAT on purchases from the UK? If so how will that additional VAT be funded?
- Will your business have to charge UK VAT on sales to customers in the UK or will the customer incur UK VAT on importation of your goods or services into the UK?

Customs Duty

When assessing the impact on your supply chain, the following should be considered:

- How much duty is going to be charged on imported goods?
- Have you classified goods for both import and export? The duty percentage is affected by the classification code so it is essential to get this correct.

Regulatory environment

Irish businesses need to constantly keep their compliance with Regulations under review.

Data Protection

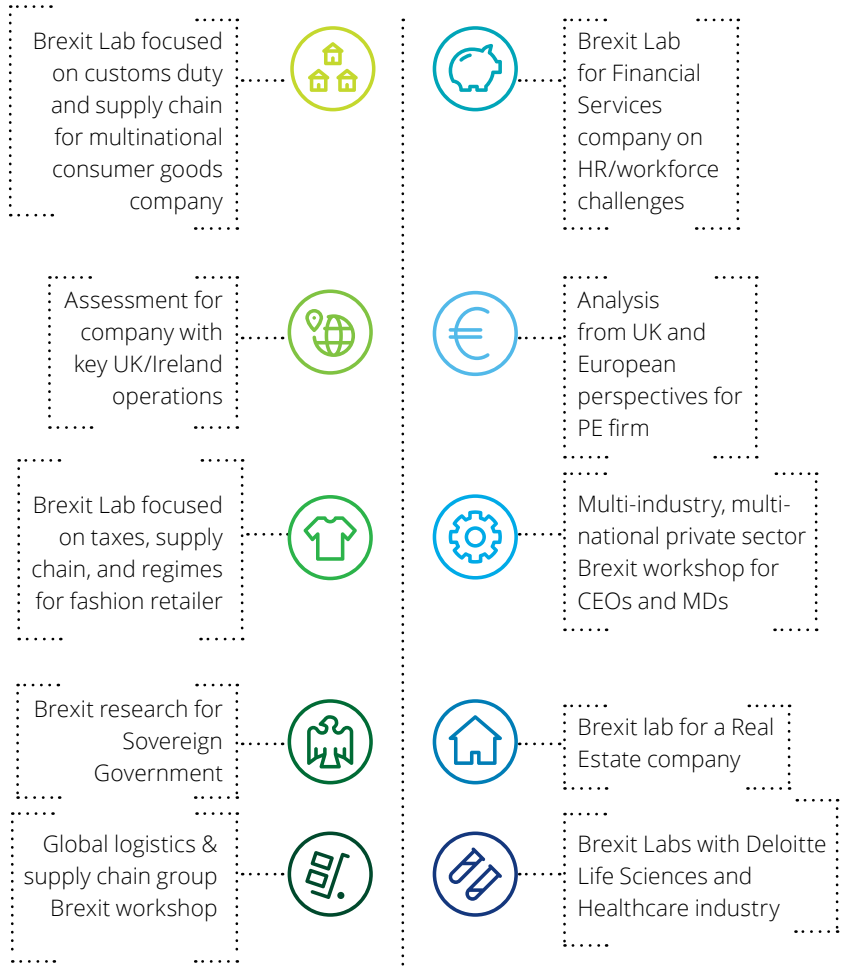
Businesses need to act now to prepare for upcoming changes to regulations, including the European General Data Protection Regulation 2016/679/EU (GDPR), which will apply from 25 May 2018.

As part of this preparation, businesses should review and assess how they transfer data to and from the UK and consider what impact Brexit will have on data transfers between the EU and the UK.

Market opportunities

Businesses should review their strategy and business plans and maximise any potential opportunities that arise. This may include reviewing Mergers and Acquisitions, and the identification of new customers and new markets.

Some of our Brexit work to date



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David is a corporate finance partner. He leads the Brexit, crisis management and forensic teams in Ireland. He contributed to a task force advising the Lord Mayor of Dublin on the possible impacts of Brexit on Dublin.

David is a member of the Brexit subcommittee of the British Irish Chamber of Commerce. He has spoken at a number of conferences on Brexit in both Ireland and Northern Ireland. He spoke at The Irish Times Brexit summit, a British Irish Chamber of Commerce Brexit conference, the National Manufacturing Conference and a Department of Agriculture conference on the impact of Brexit on the Fishing industry.

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