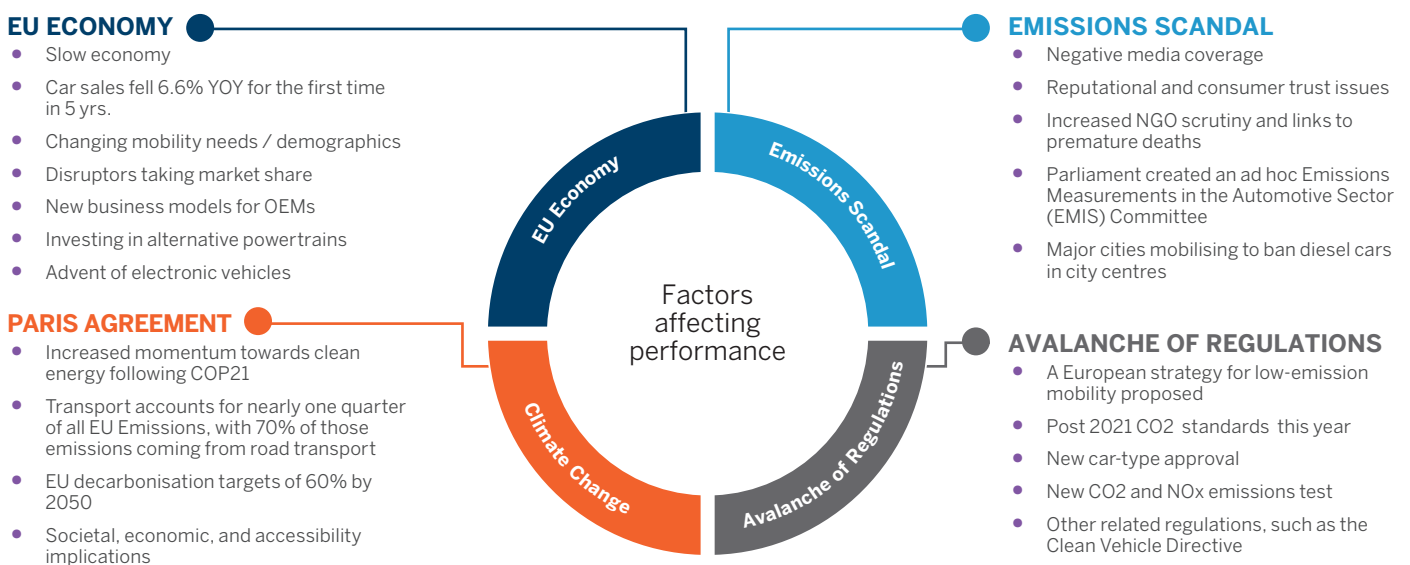


Impacts of Brexit on the Auto Industry

FTI Consulting is an independent global business advisory firm dedicated to helping organisations manage change, mitigate risk and resolve disputes.

With dedicated teams in key political and commercial capitals, FTI Consulting is well placed to help you navigate your Brexit challenges and manage commercial risk.

The Auto industry has already been facing multiple issues impacting performance



Brexit further adds to the complexity and may have long reaching impacts on both ease to do business and profitability

Economy

- Brexit could have severe consequences for economy in general
- A slowing economy may impact demand directly but also impact government spending and investment into new assembly plants; companies may need to restructure or relocate
- Uncertainty increases risk across all business and future investment
- Opportunities around new technology (e.g. electric vehicles, hydrogen vehicles)

Finance/Tax

- Slow growth increases need for cost management
- Companies may need to revise market forecasts
- Barriers, such as a potential 10% import tariff on cars sold to the EU, could impact cost and profitability
- 2016 saw more than half of UK's exported cars went to the EU

Supply Chain

- Restrictions on movement of goods will impact provider/supplier relationships, can bring production to a halt
- A "hard-Brexit" will effect local content rules, which enable free trade with some markets (less than half of the parts used in a car are produced in the UK)
- Opportunity to restore auto parts resulting in lower lead times, potentially negating some supply chain issues

Access to labour

- Access to a skilled international workforce and a focus on developing the next generation of home-grown talent are critical to ensure continuity of business
- Without freedom of movement, auto workers may find work in other EU nations resulting in the UK industry missing out on new skills and techniques from EU
- Companies will have to work with HR to plan for work permits and visas

Legal/Compliance

- With changes to the UK's access to the Single Market, contracts may have to be restructured
- Compliance responsibilities may change
- Foreign franchises operating in the UK may have to revise legal agreements

Exchange rate

- Since the Brexit vote pound sterling has fallen by 20% resulting in a higher cost of materials imported from EU
- Currency volatility changes assumptions about profitability and cash flow therefore making many imported components more expensive
- Potential for further bids from UK based manufacturers due to sterling depreciation

Brexit checklist: **What should you be thinking about?**

- ✔ Obtain political and regulatory insight and intelligence to create clarity
- ✔ Address any potential commercial and operational requirements
- ✔ Ensure you have the right financial and investment strategies in place
- ✔ Monitor and influence legislative programmes to protect commercial interests
- ✔ Consider any corporate restructure, valuation or business modelling needs
- ✔ Mitigate any tax risks
- ✔ Undertake market analysis and economic scenario modelling to inform your business decisions
- ✔ Understand the implications for your governance, trade and investor protection rules
- ✔ Engage all your internal and external stakeholders effectively across all platforms

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About FTI Consulting

FTI Consulting is an independent global business advisory firm dedicated to helping organisations manage change, mitigate risk and resolve disputes: financial, legal, operational, political & regulatory, reputational and transactional. FTI Consulting professionals, located in all major business centres throughout the world, work closely with clients to anticipate, illuminate and overcome complex business challenges and opportunities.

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