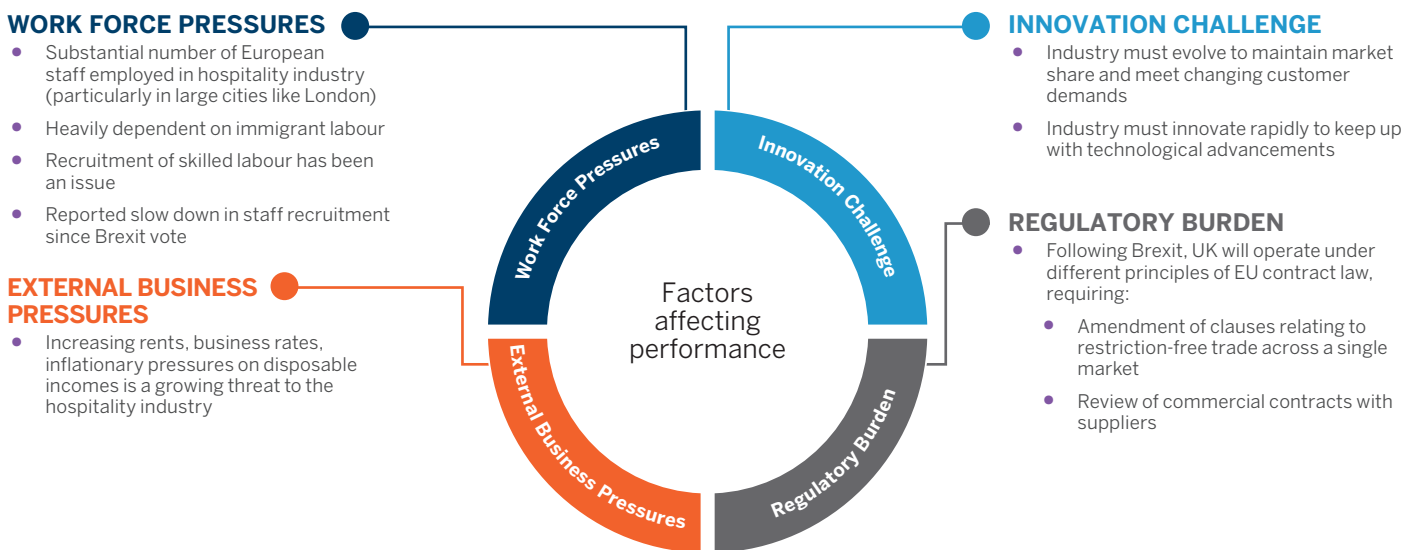


Impacts of Brexit on the Hospitality Industry

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 Hospitality industry covers a broad range of businesses that straddle the service and tourism industries, including hotels, restaurants, travel and events



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

Economy

- Following Brexit vote, economic growth for hotels and restaurants up 1% in Q1 and up by 2% in Q2 (Office for National Statistics)
- Long term outlook for UK less clear, requiring hospitality sector to plan for numerous macroeconomic scenarios

Finance/Tax

- According to British Hospitality Association, UK's industry could benefit if government lowered tourism VAT rate to 5%
- Reduction would entice foreign travellers to visit the UK, contributing to industry growth

Direct impact

- Uncertainty may dampen consumer confidence and affect domestic demand for hospitality industry
- London's businesses in the sector employ between 25.7% and 38% of EU nationals - Brexit could have significant implications
- Britain may be perceived as unwelcoming to EU27 visitors, negatively impacting demand

Access to labour

- Brexit could create additional administrative burdens for immigration compliance (e.g. additional work permits) resulting in costlier, more complicated and time consuming processes
- EU workers could be incentivised to seek work in EU27
- Lack of availability of workers may lead to poorer hospitality services

Legal/Compliance

- Changes to UK's access to Single Market, may mean contracts have to be restructured
- Changes to compliance responsibilities
- Foreign franchises operating in UK may have to revise legal agreements
- Changes to terms in employee contracts may be required to reflect changes in law in different jurisdictions

Exchange rate

- Sterling already fallen by 20%. Currency volatility affects profitability and cash flow assumptions
- Significant drop in sterling would make the UK an attractive retail destination for Eurozone and global tourists
- But will also make importing goods and services more costly (e.g. food & drink)
- Increase in food and drink prices due to sterling depreciation will have knock on effects on hospitality industry

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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