

Assessing the impact of Brexit on your technology, media and telecommunications business

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The people of the UK have made a decision to leave the EU. What happens next and the implications for businesses operating in the UK or EU markets are unclear.

The UK will first have to negotiate its exit terms with the EU's remaining 27 member states, which might take until 2018/2019. Separately, the UK will want to negotiate its future trading relationship with the EU. The EU will likely also undergo significant change in the coming months and years.

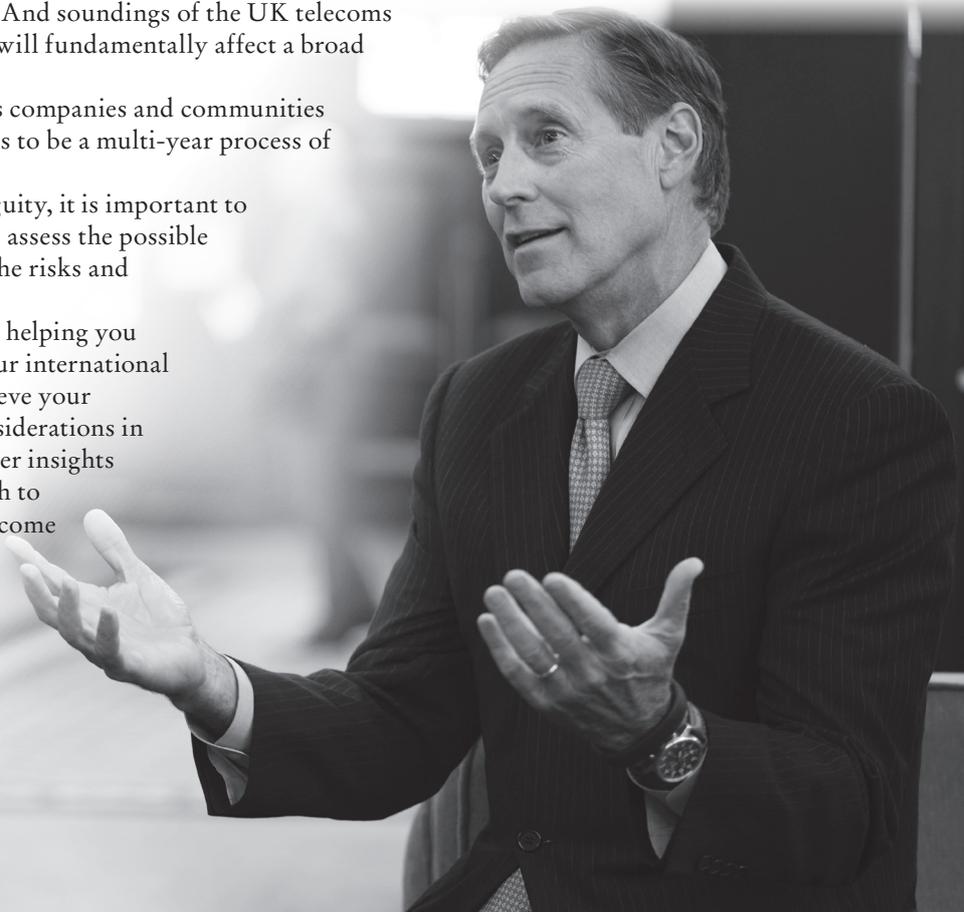
The result was a disappointing one for the technology, media and telecoms (TMT) industry. Surveys show that three-quarters of the UK technology community favoured staying in the EU. And soundings of the UK telecoms sector reveal a general belief that Brexit will fundamentally affect a broad spectrum of business and society.

Uncertainty will be the watchword as companies and communities around the world monitor what promises to be a multi-year process of separation.

But in the face of volatility and ambiguity, it is important to stay calm, review contingency plans and assess the possible implications for your organisation and the risks and opportunities this creates.

At Grant Thornton we see our role as helping you navigate and shape this environment. Our international advisers are well placed to help you achieve your ambitions and we have set out some considerations in this viewpoint. We will be sharing further insights over the coming months as the UK's path to exit from the EU and its implications become clearer.

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Assessing the impact

The UK is a key location for the TMT sector, thanks to its links with Europe, developed capital markets and progressive business environment. While it is too soon to know how Brexit will disrupt these elements, a number of issues are coming to the fore:

Navigating regulation

The regulatory picture for creative and technology businesses in the UK is already complex and Brexit will have no immediate impact upon it. Without British influence, however, future EU regulation could become more interventionist. And there will undoubtedly be uncertainty for business as new rules are negotiated.

Specific issues to watch out for include:

Privacy: The EU is trying to unify the privacy laws of its member states, and this will no longer include the UK. Where the two sets of rules vary, an already complex landscape will become more challenging.

Data protection: Post-Brexit, the UK may no longer be covered by the protocols governing the free flow of data within EU countries. This raises questions over certification of data control systems, data ownership, interoperability, data residency and cross-border flows - especially as technology as-a-service companies with UK based support centres have EU clients. It may also affect the development of data trends such as the Internet of Things and big data.

Ofcom: Brexit may enable UK regulator Ofcom to take a firmer position on issues such as broadband roll-out and the carve-out of Openreach from BT.

Roaming: UK travellers in Europe, and vice versa, may no longer be covered by pan-European roaming rules. They could face higher roaming charges.

Broadcasting: UK-based broadcasters may no longer be able to transmit into the EU without obtaining additional licences or complying with additional regulation. This may affect large converged operators.

Greater fragmentation of markets: Brexit may mark the end of the EU's promised 'digital single market'. The UK was a proponent, but will probably now impose its own regulations.

Access to talent

Access to talent is already a top growth concern for TMT chief executives and, given that the talent pool in the UK is increasingly pan-European, Brexit may exacerbate the problem.

Access to capital

Brexit uncertainty has halted many short-term TMT investment decisions, but the impact on mid and long-term investments is unclear. They may also be affected, especially by concerns over the UK's ability to access the European market. Equally, post-Brexit depreciation of sterling may make potential investments in UK assets look better value for money.

Location

Overseas technology companies may, over time, rethink using the UK as a European base thanks to uncertainties over access to the single market and its talent pool. This could boost Ireland as a major location for regional support and operating centres. Local technology communities in Germany, France, and Sweden could also benefit.

Commercial and intellectual property law

Post-Brexit, London no longer looks set to be one of the three seats of the new EU Unified Patent Court. And more generally, watch out for contractual issues relating to court jurisdiction and Force Majeure, both highlighted by lawyers as areas of uncertainty.

Tax

Finally, the Brexit vote offers a chance to re-shape UK tax laws, particularly those relating to VAT and elements of international taxation. However, any changes will be subject to the eventual negotiated exit settlement and with one eye on the OECD's Base Erosion and Profit Shifting initiative.

Considerations

To keep moving forward in the post-Brexit environment, companies must anticipate the changes it will bring and adapt to meet them. In looking at the threats and opportunities the Brexit poses for your business, and in planning how you can create and protect value, you should consider:

People and talent

Short term:

- Assess how many of your UK employees are of EU or non-EU origin
- Consider what to communicate to them and what reassurance you can give
- Assess the impact of exchange rate fluctuation on global talent.

Medium term:

- Review employment contracts and take steps to protect your non-UK talent working in your UK operations
- Assess the impact on any outsourcing or teams in other EU jurisdictions.

Long term:

- Consider your current location. Where is the best place to operate from?
- Plan for the long-term impact on talent recruitment, development and pensions.

Strategic ambitions

Short term:

- Consider what to communicate to stakeholders
- Review your existing strategy and immediate impacts.

Medium term:

- Review M&A transactions and due diligence
- Identify transitional market and customer opportunities.

Long term:

- Identify new markets and commercial opportunities
- Assess the opportunities for organic growth, joint ventures and acquisitions.

Finance growth

Short term:

- Consider what to communicate to investors
- Assess the impact on any immediate refinancing.

Medium term:

- Review the impact on sources of capital
- Assess the opportunities and risks around re-financing.

Long term

- Assess the funding requirements for future strategy
- Identify future capital markets and investors.

Master risk

Short term:

- Consider which customers or suppliers might be affected by short-term volatility
- Review the risks and opportunities across the organisation.

Medium term:

- Assess the impact on business risks including issues such as working capital management and financial reporting
- Legal:
 - Assess the impact on existing legal contracts and mandates, and cross border data management and residency
 - Identify what documentation will need to be changed.

Long term:

- Assess the long-term plans for business risks including tax structure and pension structures
- Review your strategies for mitigating fraud, bribery and corruption risks.

Optimise operations

Short term

- Consider what to communicate to customers and suppliers
- Identify your current and future exposure to interest rate and foreign currency exchange rate fluctuation.

Medium term:

- Assess the impact on processes and control
- Future regulatory compliance
 - Identify which regulations critically impact your business
 - Consider the likely timescale for any change in these business-critical regulations.

Long term:

- Review your operational effectiveness and efficiency including back office and manufacturing/cost base
- Identify opportunities for developing supply chain value in different trading relationships.

Contact us

As you face a more uncertain environment we can help you work through the implications and support you to develop the best action plans for your business.

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