



## **Brexit Implications**

### **Axis positioning statement – 27/10/20**

As the date of the UK's final transition from the European Union draws ever closer we take this opportunity to update Clients and other Stakeholders on the impact Brexit might have on our business and the services we offer.

In common with everyone else we are currently awaiting the outcome of the extended trade talks, it is not unusual for last minute agreements on EU matters.

Our update is based on the likelihood of a WTO type arrangement which is the least favourable outcome, therefore requiring the greatest amount of planning.

We believe the greatest potential impact to our business will be via the supply chain mainly in terms of the availability of labour and materials, much of both have been reliant on the current membership of the European Union.

### **Materials**

Whilst many of the materials we use are imported we are not solely dependent on a European supply chain.

We are in ongoing dialogue with all our major material suppliers to ensure certainty of supply of materials including ensuring alternate non European Union supplies as necessary.

Currently our discussions indicate that material supply should not be greatly affected, of potentially greater concern is the current Covid 19 situation which has generally been well managed by material suppliers allied to ongoing price hikes from many manufacturers whose raw material prices have been badly affected by the fall in value of sterling since the referendum vote in 2016 together with potential tariffs on certain materials.

In short price over availability is our biggest concern currently.

## Labour

Depending on which reports one reads European labour makes up from 30% to 50% of construction workers in London and the South East.

The percentage in the other geographical areas we are active in such as the Midlands and North West is lower at we believe around 10-20%.

Clearly with the end of free movement of labour this will have a major effect on numbers, costs and skill sets of available talent.

Axis is a hugely diverse company with employees from thirty two ethnic backgrounds who speak twenty three languages in addition to English.

It has been apparent since the referendum in June 2016 which was followed by a fall in sterling's value against the Euro that the attraction of London with its high cost of living has been waning.

The lockdown imposed to deal with the pandemic earlier this year resulted in many young single people who were unable to work returning to their homelands.

Anecdotally a good deal of our supply chain partners have told us that less people are willing to come and settle in the UK whilst others have returned home.

We do however have a great many people from Europe who have settled in the UK made it home for themselves and their families who will remain here.

In terms of pure labour supply we do not foresee this being a major problem in the one year short term timeframe particularly if there is a recession post pandemic as construction is usually a victim of economic downturn with labour supply being more available.

We do envisage the situation worsening in the medium term of up to three years if we do not have a sensible Immigration Policy particularly for skilled people.

At Axis 10% of our workforce are either Apprentices or Trainees which is a huge commitment but we are very much believers in growing our own workforce, others will hopefully now follow suit.

Whilst we are confident of fulfilling all current contracts particularly in the short term the reduced supply of available labour is clearly going to have a knock on effect with labour rates and increased costs.

We are trying to mitigate this by offering longer more secure work streams to Sub-contractors, paying them regularly and ahead of normal trading terms, working with them to help them grow.

We are of course acutely aware that London in particular is a highly transient labour market so everyone will need to be agile and responsive in terms of the overall effect on our business. We believe the greatest impact will be on our ability to grow our turnover and activities further particularly in London and the South East.

Having discussed the matter extensively at Board level we have taken the decision to fully focus on servicing our existing clients a good deal of whom we have worked with over many years.

We will work hard on a collaborative agenda with like minded Clients on delivery of work streams, efficiency, best use of available resource at a cost that is manageable for all.

We will sacrifice growth in order to ensure we can fully service all existing Clients until the Brexit situation has passed into history and the position becomes much clearer plus a good deal easier to predict.

If you require any further clarification please do not hesitate to contact any member of our Board of Directors whose details appear below.

Yours faithfully

**John Hayes**

Chief Executive

**John Hayes**

Chairman & CEO

john.hayes@axiseurope.com

**Tim Hayes**

MD Maintenance Division

tim.hayes@axiseurope.com

**Rickardo Santana**

CFO & Company Secretary

rickardo.santana@axiseurope.com

**Joe Ibrahim**

MD Projects Division

joe.ibrahim@axiseurope.com

07831 485294

## An update from Travis Perkins accompanies this statement for information purposes

### **BREXIT POSITION AUGUST 2020**

As a Group, we are scaling up our contingency plans to prepare for the end of the Brexit transition period on 31st December 2020.

We are preparing our business for the following scenarios:

- The EU transition period is completed by the end of 2020 with a deal agreed
- The UK defaults to World Trade Organization terms from 1st January 2021 if a deal cannot be agreed with the EU
- The transition period is extended

Our contingency plans consider stock levels, pricing and contingency of supply, and in addition to our overarching Group approach, each business within the Group has its own specific plan. These have been developed in close partnership with suppliers to ensure they dovetail with suppliers' own plans, and take into consideration each of our businesses' unique characteristics, including seasonality, product mix and sourcing availability.

We are well placed when it comes to minimising disruption given our extensive reach and strong supply chain, which enables us to have a sophisticated sourcing strategy in place. We also have a robust balance sheet, which allows us to invest in stock and supply capability and anticipate and manage most risks.

Most importantly, we continue our work to prepare for any potential impacts by working closely and collaboratively with colleagues, customers and suppliers, so we can navigate the uncertainties that may lie ahead.

We are also actively engaging with the UK Government through our membership of the Builders Merchants Federation, British Retail Consortium and Construction Leadership Council to achieve greater certainty for our industry in the following three key areas:

- Standards and regulations, so we ensure availability of quality products and materials
- Border arrangements, so we can maintain supply of materials
- Availability of labour, so we avoid shortages and keep supply chains and construction sites operational

The constructive working relationships we and industry peers developed with the UK Government during the pandemic means we are optimistic that we can secure these reassurances which are critical to reestablish momentum post COVID-19 and realising the full potential of the construction industry as an economic engine for growth.