

Business Resilience – COVID and Brexit Preparations

21 September 2020

apetito UK developed a robust resilience plan for a potential no-deal Brexit in 2019 and these principles were extended to mitigate the challenges of the Coronavirus crisis. We are now implementing our plan for EU Exit on 31 December 2020 and the potential impact of any Coronavirus second wave.

The Brexit transition period is due to end on 31 December 2020 and apetito is ensuring that it is fully prepared. In the event of a negotiated free trade agreement, we do not anticipate any significant impact on our business. However, we are also implementing a detailed plan in the event that we leave without an agreement or that any such agreement is limited.

We are very conscious of the sensitivity of our customer base – hospitals, care homes, meals on wheels, nurseries, schools and older people in their homes – so we have committed substantial funds and resources to risk mitigation. We believe we have addressed the risks as far as possible, endeavouring to support our customers whatever the circumstances.

Contingency Plan

apetito are proud supporters of the British and Irish food and farming industry and we have substantially increased our level of domestic procurement in recent years. However, Brexit has major implications for the entire UK food industry as the food chain is significantly dependent on EU supply. In addition, we could face further supply chain pressures in the event of a Coronavirus 2nd wave. We are increasing stocks of both raw materials and finished goods and we start from a very strong position, having built finished goods stock cover to protect our customers during COVID-19. We are:

- Investing c. £5m of working capital in additional stock
- Increasing all high-risk raw materials stock cover to a minimum of 6 weeks
- Increasing finished goods stock cover to an average of 6 weeks, with up to 12 weeks for certain faster moving lines

Costs

Due to the high level of uncertainty it is possible that the entire food industry could see changes in costs arising from market conditions. Potential impacts include:

- Import tariffs
- Changes in exchange rates
- Border delays/restrictions
- Supply Chain challenges in both raw materials and movement of labour

It is difficult to predict the impact on food raw material costs at present. Regardless of whether a material is UK sourced or imported, market prices could change if there is a shift in supply and demand.



In addition, even for food products subjected to tariffs, some items may have import free tariff quotas. This means that actual price impacts are unpredictable, and we will have to respond accordingly. Please note that we're not predicting a particular outcome – simply acknowledging the possibility.

Our Team

We employ a substantial number of EU nationals in our team. Naturally, we want to retain these valued team members and to date we have not experienced any higher turnover in this respect.

Around 70% of our staff who are EU nationals now have “settled” or “pre-settled” status. The remainder have applications in process. We are confident that we will retain the vast majority of our team. It is worth noting that the high quality of our employment offer (such as our “Real Living Wage Employer” status), has helped us to achieve a far lower staff turnover than is typical in the food industry.

We will continue to monitor the situation closely and adjust our plans accordingly, providing regular updates to this statement, including progress of the contingency plan, as we move closer to 31 December 2020



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