

# Chairman's Statement

## RESULTS

I am pleased to report to you that Farmer Business Developments plc ("the Group") performed strongly in 2019 recording a group profit before interest, tax and revaluations of €13.03m up €4.23m from €8.80m in the prior year.

In addition, we entered into a contract to dispose of development land in Berlin held through our subsidiary company Bulberry for €88m. This land sale completed in January 2020, phased payments were provided for in the contract and Bulberry received €62.8m as the first instalment. Out of the proceeds, Bulberry distributed a total of €27.3m to the Group, €5.5m in 2019 and €21.8m in January 2020. This left the Group in a relatively strong position when impacted by the Covid-19 crisis in mid-March, which I will return to later.



To assist shareholders in understanding our 2019 results, we have produced a Divisional Summary Statement below, which separates the results for the Group, and we explain the main elements before commenting on our main investments in more detail later.

<b>Divisional Summary Statement</b>	<b>2019</b>	<b>2018</b>
	<b>€000s</b>	<b>€000s</b>
FBD Hotels & Resorts EBITDA	<b>13,699</b>	12,627
Bulberry Properties EBITDA	<b>4,499</b>	(513)
Farmer Business Developments Investment EBITDA	<b>(572)</b>	5
Integration Costs (Heritage Hotel)	<b>(765)</b>	-
Depreciation	<b>(3,835)</b>	(3,323)
<b>Profit Before Interest, Tax and Revaluations</b>	<b>13,026</b>	8,796
Dividend income	<b>4,466</b>	2,243
Interest Income	<b>1,016</b>	240
Interest Expense	<b>(2,428)</b>	(2,647)
<b>Profit before taxation</b>	<b>16,080</b>	8,632

The Summary Statement shows another successful year for FBD Hotels & Resorts, recording a profit of €13.7m, an increase of €1.1m or 8.5% versus 2018. Our 100% subsidiary also completed the integration of The Heritage Hotel in Killenard, Co Laois into our hotels business.

The Berlin vehicle, Bulberry Properties, recorded a profit of €4.5m after completing an €8m land sale in 2019. On the investment side, there was a €0.6m net mark-down recorded in 2019.

Dividend income for 2019 increased to €4.5m from €2.2m in 2018, as a result of FBD Holdings plc increasing their dividend to 50c per share (2018: 24c per share).

Interest income of €1m mainly relates to the FBD Holdings Loan Note 5% coupon reflecting a full year coupon, in the prior year there was only 3 months of the coupon. The interest expense has fallen by circa €0.2m to €2.4m.

This leaves our Group profit before taxation at a healthy €16.1m for 2019, up 86% on 2018 profit before tax of €8.6m. On our Balance Sheet, the value attributable to the shareholders was €219m at the end of 2019, up €9m for the year.

This €9m uplift was after returning €8.4m (16c per share) to shareholders during 2019 by way of dividends.

### FBD HOLDINGS PLC

FBD Holdings plc continued to produce strong financial results in 2019, with a €112m profit before tax (2018: €50m). The results benefitted from no weather events of note resulting in the lowest weather claims for years, together with positive prior years' reserve releases, as claims experience from prior years continued to show improvements relative to provisioning.

The strategy of FBD Insurance includes a strong focus on its core farm and SME customers and direct customer relationships, while maintaining underwriting discipline in a highly competitive market. The successful implementation of this strategy has enabled FBD Holdings plc to maintain a very healthy solvency capital position at 192%. The challenge is to build on this performance and grow the business in a measured way which continues to deliver for shareholders.

2019 saw an increase in the FBD Holdings plc share price from €8.24 to €8.70 per share at 31 December 2019, resulting in a €3.9m increase in the book value of our 24.5% stake to €76.8m. The €20m 10-year Loan Note at 5% coupon added during 2018 brings our total investment in FBD Holdings plc to €96.8m or 44% of our shareholder funds. Income from FBD Holdings plc during 2019 included €4.4m ordinary and preference share dividend income and €1m bond income, giving total income of €5.4m or a 5.8% return on our opening investment of €92.9m. Our policy is to maintain our stake in FBD Holdings plc as a long-term investment.

### FBD INSURANCE DISCOUNT

I take this opportunity to remind our farming shareholders, who hold or acquire at least 10,000 ordinary shares in our Company, that their investment is recognised and rewarded through a discount of 10% on their insurance premiums with FBD Insurance and also through this Company's annual dividends. FBD Insurance has a proven track record of delivering a superior product and service to its core farming customers.

### REVIEW OF INVESTMENTS

#### A) FBD HOTELS & RESORTS ("FBDH&R")

FBDH&R is our single largest subsidiary representing €97m or 44% of our shareholders' funds. The trading performance of both the leisure and property divisions of FBDH&R was very strong in 2019. EBITDA (earnings before interest, tax, integration costs, depreciation and amortisation) was 8.5% ahead of last year at €13.7m, versus €12.6m in 2018, representing an excellent profit margin of 19%. Overall leisure revenue was up 17% on the previous year at €63.7m.

On the property side, FBDH&R sold 37 built units in La Cala in 2019 in property developments with Taylor Wimpey. In the four years to the end of 2019, 215 units have been sold at La Cala for a gross sales value of €80.2m, with FBDH&R's share being €18.2m. At year end, there were 377 units either built or under construction in the developments with Taylor Wimpey, accounting for 57% of units contracted with them. Total land deal contracts with Taylor Wimpey are for 656 units for an estimated gross sales value of €230m with circa €44m due to FBDH&R over the life of the land deals and guarantees built in.

During 2019, we purchased the 98 bedroom Heritage Hotel & Spa for €8.6m and we have made additional investment of €1.8m in the resort inclusive of integration costs. The hotel has performed well in its first year and is trading in line with our expectations. Sunset Beach Club again performed excellently in the year with a profit margin of 30%. Castleknock Hotel EBITDA was up 12% which was an excellent performance in tough market conditions in Dublin. Faithlegg continued to make good progress and recorded a profit of €1.4m which represents a profit of €17,000 per room.

## Chairman's Statement *continued*

The positive performance of FBDH&R enabled it to repay €2m to this Company in 2019.

### B) BULBERRY PROPERTIES LIMITED (BERLIN)

Our investment in development lands at Schönefeld on the edge of the city of Berlin and close to the capital's new Willy Brandt Airport remains our third largest interest.

2019 was a very successful year for our investment. We received €5.5m from Bulberry's sale of a development plot for €8m and Bulberry entered a contract for the disposal of 220,890 sqm of land for €88m, the first phase of which completed in January 2020. At 31 December 2019, we carried our investment in this subsidiary at €24.3m, which represents 11% of our shareholders' funds. The retained proceeds from the land sales in 2019 and further payments in 2020 have put Bulberry in a strong cash position.

Bulberry still has circa 33,000 sqm of land and there is strong interest in this plot by developers for residential, office/commercial and logistical purposes. Developer interest is now driven as much by growth pressures in the Berlin-Brandenburg metropolitan region as by the airport opening which is scheduled for 31 October 2020.

### C) OTHER INVESTMENTS

Our remaining Balance Sheet consists of a portfolio of smaller investments and cash, totalling €13m less net debt funding of €12m. These investments include international equities and private equity funds, together with an Irish venture capital fund.

The liquidation process completed in 2019 for the Swiss company which owned our interest in a shopping centre in Geneva and we received a final distribution net of tax of €4m, in addition to the €4.4m already received in prior years. This has resulted in a realised gain on this investment of €1.1m in the year under review.

### DIVIDEND

The business environment has changed radically during 2020 due to Covid-19. The Directors have carefully weighed up the current situation of the Group and attempted to assess the prospects and cash

requirements for our business going forward. We have noted the decision of FBD Holdings plc not to proceed at this time with its previously proposed dividend of 100c per share. There are many uncertainties due to Covid-19 and we must factor in the risk of a 'second wave' of the virus in Ireland or Spain and the risk of prolonged disruption to the hospitality sector. Our responsibility is to put the interests of the Group first and ensure that we have all necessary resources at our disposal to bring our business successfully through this crisis in the long-term interests of our shareholders. Therefore, the decision of your Board is not to propose a dividend payment on the ordinary shares or preference shares at this AGM.

### SHARE DEALING SERVICE

The private grey market in the Company's shares operated by Davy Select has continued to facilitate a steady volume of trading, with a total of 814,341 shares traded in 2019 (2018: 491,138 shares) at an average price of 98 cents per share (2018: 90 cents). Davy Select are available to assist shareholders with their queries and may be contacted at 01-6149000 or [davysselect@davy.ie](mailto:davysselect@davy.ie).

The Company remains open to new farmer shareholders and your Board's policy is to continue to maintain our character as a farmers' company.

### SHARE REGISTRARS

Link Registrars Limited manage share dividend payments, and the registration and certification of share transfers arising from the settlement of estates and private transactions. They may be contacted at 01-5530050 or [enquiries@linkgroup.ie](mailto:enquiries@linkgroup.ie).

### COMPANY WEBSITE

Our Company website is at [www.FarmerBusinessDevelopments.ie](http://www.FarmerBusinessDevelopments.ie). The website provides ready access to useful investor information, company announcements and details of how to transfer shares, as well as the share trade volumes and prices on our private grey market operated by Davy Select.

## COVID-19

While 2020 trading had commenced positively for our main operating business, FBDH&R, Covid-19 is having a major impact on our business with all resorts in Ireland and Spain closed in mid-March in line with government regulations. Given the extraordinary situation, we took a number of decisive actions to reduce operating cash outflows at the outset.

- All discretionary property and leisure spend was eliminated, and all overheads minimised.
- We placed a substantial number of staff on temporary lay-off.
- All non-committed capital expenditure was cancelled.

Our Spanish resorts reopened in early June and our Irish hotels in late June. The situation is evolving and at this point it is not possible to predict the full extent of the impact of the market disruption and the consequences for our revenues. FBDH&R had a strong balance sheet and cash balances at year end and had significant headroom on its banking facilities. The Group engaged early with its bankers, Allied Irish Bank plc, and as a result of amendments to its financing facilities, FBDH&R was in compliance with its bank covenants at 30 June and expects to be in compliance at 31 December 2020, with post 2020 revised covenants to be agreed. FBDH&R remains conservatively leveraged, has strong cash balances and with all resorts now reopened has the capacity to manage the business through this unprecedented environment and withstand a prolonged decrease in its business in 2020 and 2021.

Covid-19 has also had a negative impact on investments worldwide, stock markets around the world suffered historic losses in the spring amid a massive sell-off tied to the coronavirus. Several indices saw their biggest quarterly drops since 1987 and although there has been a recovery supported by global stimulus measures, the recovery is uneven and the global economy faces major uncertainties. There will be a negative impact in the short term at least on our investment valuations. However, the Group has no immediate need or intention to cash in any of its current investments and is well-positioned to see out the current reduction in asset values.

## CONCLUSION

Our Company made steady progress during 2019. FBD Holdings plc delivered a strong set of results and further strengthened its solvency position. FBDH&R reported excellent results and with Taylor Wimpey has a growing pipeline of property units to meet demand. Our patience in Berlin is being rewarded. We are in unprecedented times due to the severe economic shock triggered by the Covid-19 pandemic. However, this is a robust Company with a strong balance sheet and significant liquidity when it entered the Covid-19 crisis. In view of the major uncertainty associated with the crisis, it behoves the Group to preserve cash where at all possible. Our top priority remains the health and wellbeing of our people, customers and partners, and taking the right steps to protect our business, so that we can look forward to rewarding our shareholders with superior returns.

Thank you for your support.

### **Padraig Walshe**

Chairman

14 July 2020