

# Chairman's Statement

## RESULTS

I am pleased to report to you that Farmer Business Developments plc ("the Group") performed strongly in 2020 recording a group profit before tax of €50.69m up from €16.08m in the prior year.

The Group's results for 2020 greatly benefitted from the recognition of the disposal of €97.72m of development land in Berlin held by our subsidiary, Bulberry Properties, with the final phased payment of €20m received in January 2021. In 2020, Bulberry distributed €21.76m to this Company, repaid €14m to minority shareholders and repaid external debt of €16.57m. The Berlin land sale left the Group with a strong balance sheet at year end 2020.



To assist shareholders in understanding our 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>2020</b>	<b>2019</b>
	<b>€000s</b>	<b>€000s</b>
FBD Hotels & Resorts EBITDA	<b>(1,633)</b>	13,699
Bulberry Properties EBITDA	<b>56,383</b>	4,499
Farmer Business Developments Investment EBITDA	<b>1,725</b>	(572)
Integration Costs (Heritage Hotel)	-	(765)
Depreciation	<b>(3,985)</b>	(3,835)
<b>Profit Before Interest, Tax and Impairments</b>	<b>52,490</b>	13,026
Impairment of hotel assets	<b>(1,054)</b>	-
Dividend income	-	4,466
Interest Income	<b>1,017</b>	1,016
Interest Expense	<b>(1,762)</b>	(2,428)
<b>Profit before taxation</b>	<b>50,691</b>	16,080
<b>Shareholders' funds attributable to the owners</b>	<b>227,923</b>	218,992

The Summary Statement shows the impact of Covid-19 on FBD Hotels & Resorts, which recorded a loss of €1.63m, compared to a profit of €13.70m in 2019.

The Berlin vehicle, Bulberry Properties, in which we have a 61% stake recorded a profit of €56.38m after completing €97.72m of land sales in 2020.

On the investment side, there was a €1.73m net mark-up recorded in 2020.

Our dividend income for 2020 was nil (€4.47m in 2019) reflecting the decision of FBD Holdings plc not to proceed with its previously proposed dividend of 100c per share.

Interest income of €1m mainly relates to the FBD Holdings Loan Note 5% coupon. The interest expense has fallen by €0.67m to €1.76m reflecting the lower debt levels in the Group.

This leaves our Group profit before taxation at a healthy €50.69m for 2020, up 215% on 2019 profit before tax of €16.08m.

Our Balance Sheet shows the value attributable to the shareholders was €227.92m at the end of 2020, up €8.93m or 4% for the year.

## FBD HOLDINGS PLC

FBD Holdings plc produced a solid set of results for 2020, reporting a profit of €4.8m after providing €65m towards Covid-19 business interruption claims.

The underlying dynamics of the business remain strong with a solvency capital ratio of 197% providing a substantial capital buffer. Ordinary shareholders' funds at 31 December 2020 grew by 3% to €384m, with the net asset value per share increasing from €10.68 to €10.95 at the end of 2020.

On the stock market, the FBD Holdings plc share price closed the year at €7.50 per share, down from €8.70 on the previous year, resulting in a €10.24m drop in the book value of our 24.3% stake to €67m. Our €20m 10-year Loan Note at 5% coupon added during 2018 brings our total investment in FBD Holdings plc to €87m or 38% of our shareholder funds.

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 impact of the Covid-19 pandemic is continuing into 2021 and it is still unknown when full economic activity will return. The challenge for FBD Holdings plc is to maintain its strong performance and grow the business as the economy recovers in a measured way which delivers for its shareholders, including this Company. 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 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 general insurance premiums with FBD Insurance. FBD 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")

The onset of Covid-19 in March 2020 has delivered the biggest challenge in the history of the global hospitality industry. It has resulted in widespread industry shutdowns over extended periods and all

our locations have been severely impacted. FBDH&R has experienced the most challenging trading year in its history, with our Irish hotels closed for 25 weeks in 2020 and Spain virtually closed for 42 weeks from March 2020.

Overall Leisure Revenue fell by €39m or 62% in 2020 to €24m. Our Spanish resorts were hit harder than our Irish hotels as visitor numbers to Spain collapsed from 84 million people in 2019 to 19 million people in 2020 – a reduction of 77%.

Our property development activity with Taylor Wimpey in La Cala resort had a positive year in the circumstances with 32 built units sold and 46 units handed over for €4.1m to us. This property cash has been vital to reduce the cash deficits from our Leisure operations. Overall, FBDH&R's EBITDA for 2020 showed a loss of €1.63m versus a profit of €13.70m in 2019.

Liquidity has been the number one priority for FBDH&R, and it entered 2020 with strong cash reserves and a conservatively leveraged balance sheet from a record 2019. We enhanced our liquidity by deferring capital repayments on bank borrowings, adding new bank facilities, reducing costs where possible to a minimum and availing of all Government supports open to us. FBDH&R has not required any new direct support from the Group, which is indicative of its good quality assets, strong balance sheet and historical profitable trading performance with €15.75m in cash/liquidity at year end 2020.

As I write, the extremely challenging pandemic trading environment continues and it is impossible to give a definite outlook for 2021. Our Irish Hotels will re-open in June and while Spain may also reopen for the Summer, we don't expect significant visitor numbers there until the Autumn. The longer term outlook is that we don't expect to see a return to 2019 trading levels until 2024/25.

In the meantime, cash/liquidity continues to be the focus, as well as maintaining our assets and protecting and supporting our people. Unfortunately, the vast majority of our staff were laid off when the pandemic struck and it is our hope to bring back these people as soon as possible once our facilities re-open and trading starts to improve.

# Chairman's Statement *continued*

## 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.

In January 2020, Bulberry completed the sale of 220,890 sqm of land for €88m with the final payment of €20m under this deal received in January 2021. Last year also saw the sale of a smaller plot for €9.6m, which closed in April 2020. Bulberry's still retains a plot of circa 33,000 sqm, which continues to attract strong interest from developers for residential, office/commercial and logistical purposes. The directors plan to optimise the value of this plot for shareholders by holding this land until the market settles following the Covid-19 disruption. The Willy Brandt airport opened on 31 October 2020 and is now fully operational.

At 31 December 2020, the Group carried its investment in Bulberry at €26m, which represents 11% of shareholders' funds.

## C) OTHER INVESTMENTS

Our remaining Balance Sheet consists of a portfolio of smaller investments totalling €16m, net cash balances of €6m and other net assets of €2m. The investments include international equities, private companies and private equity funds, together with an Irish venture capital fund. In 2020, we divested of €4.6m of investments materialising a gain of €2.31m on the 2019 year-end valuations, and purchased new investments to the value of €6m.

## DIVIDEND

Your Directors gave long and sustained consideration to the possibility of proposing a dividend payment to you. Our conclusion is not to propose a dividend in the current circumstances. Our reasoning is as follows:

- Although Covid-19 appears at the time of this report to be coming under control to some degree there is still major uncertainty concerning the next year or so.

- Although our Group result is great and is over three times the 2019 result, all of the profit arises in our subsidiary company Bulberry Properties of which we own 61% and the associated cash will not be distributed until as late as 2023.
- Without the Bulberry profit contribution, your Group sustained a loss of €5.7m in 2020. This was totally due to Covid-19 and arose in FBDH&R where there was a profitability turnaround of €15.3m. This cash shortfall had to be underpinned by the Group and is not over yet. Also Group indebtedness stood at some €57.3m at Balance Sheet date.
- No PLCs have tended to pay a dividend and, although we are not quoted, we are a public interest company.

Your Directors therefore have for the year 2020 results decided on a cautionary and uncertainty basis not to propose a dividend. Your Directors will keep the matter under constant review with the intention of returning to a constructive dividend policy as soon as is practicable.

## SHARE DEALING SERVICE

The private grey market in the Company's shares operated by Davy Select has continued to facilitate trading, with a total of 194,317 shares traded in 2020 (2019: 814,341 shares) at an average price of 90 cents per share (2019: 98 cents). Davy Select are available to assist shareholders with their queries and they may be contacted at 01-6149000 or [davyselect@davy.ie](mailto:davyselect@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 at [www.FarmerBusinessDevelopments.ie](http://www.FarmerBusinessDevelopments.ie) has been improved and relaunched. 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.

## CONCLUSION

Our Company has performed well in the exceptional circumstances arising from the Covid-19 pandemic during 2020. Our confidence and patience in Berlin is now showing handsome returns. FBD Holdings plc has exhibited strong underlying profitability and is well-positioned for economic recovery. FBDH&R continues to manage its liquidity well, has required no financial support from this Company and is poised to maximise business opportunities as hospitality recovers.

While our Company has a strong balance sheet and significant liquidity, the pandemic has created unprecedented uncertainties and our responsibility is to continue to preserve cash until we see a return to a more sustainable business environment. Our top priority remains the health and wellbeing of all our people, our customers, partners and staff, and protecting our business, so that our shareholders can once again enjoy superior returns.

Thank you for your support.

**Padraig Walshe**

Chairman

13 May 2021