Sector Developments

2020 Insights / Outlook 2021

Bank of Ireland

Classification: Green

Foreword –
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Welcome to our latest Sectors Insight and Outlook publication. I hope that you, your families and customers are safe and well in these challenging times and facing 2021 with renewed hope and optimism.

There is no doubt that the year 2020 was game-changing – it is the year which fundamentally changed how Irish consumers and SMEs live and do businesses. The pandemic and Brexit combined left many businesses faced with new challenges and in an unprecedented state of uncertainty. But they are responding and adapting - we anticipate changes in business trade and investment activity, a significant focus on digital transformation and an increased focus from our business customers on sustainability.

In this edition of our Insights and Outlook, we reflect on the latest developments, head-winds and opportunities across seven pivotal sectors; Agriculture, Food & Drink, Hospitality, Long-term care, Motor, Retail Convenience and Technology.

If you would like further information or to engage directly with one of our Sectors team, please feel free to contact me at June_M_Butler@boi.com. The contact details for all of the individual sector heads are also outlined within the individual sector documents contained herein.

Wishing you and your business every success for 2021 and into the future.

June Butler

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Agriculture

Summary: Despite the agri sector operating in the shadow of a no -deal Brexit and a global pandemic, agri commodities and farm incomes were maintained in 2020 demonstrating the sectors resilience.

Agriculture: 2020 Review

Summary

- **Continued growth:** Despite operating in a global pandemic and the loss of the global food service market, Irish agrifood exports were down marginally (-2%), while dairy production increased by 4%, demonstrating the resilience of the sector.
- **Stable commodity prices:** Milk and beef prices remained relatively stable during the year while grain prices were slightly higher.
- **Increased average farm incomes:** As a result of favourable weather and lower feed, fertiliser and energy costs coupled with stable farm-gate prices, average farm incomes increased during the year.
- **Continued investment:** While COVID-19 did result in the postponement of some investments across farms in early summer, activity picked up later in the year. The main driver of investment continues to be dairy development and land purchase. Bank of Ireland continues to actively engage and support farmers with investment plans.

Sector Developments – 2020 Key Numbers

Food & Drink exports (Bord Bia)
down 2% to €13bn vs. 2019

Average Farm incomes (National Farm Survey)
up 6%

Milk production (CSO)
up 4% to 8bn litres

Support payments (Teagasc)
up 1% from additional COVID-19 support

Fertiliser prices (Teagasc)
down 10% on 2019 level

Milk Price (CSO)
no change at 34.4c per litre (incl. VAT)

Key Trends in the Sector:

Little direct COVID-19 impact:

- The sector came into this crisis in a strong state. Food supply and farming was deemed an essential service which saw food supply chains kept open ensuring the business of farming continued.
- As a result, the sector was not impacted directly by COVID-19, there was no uptake in overdraft utilisation rates and there was minimal demand from farmers for payment break requests.

Commodity price drops were limited

- The worst fears of a short-term impact on dairy and beef commodity markets did not materialise. The market remained surprisingly robust and buoyed by strong consumer demand, China's insatiable appetite for imports, along with weaker meat and dairy supply across Europe. Additional Government support programmes in the US boosted global demand while extra Irish Government supports alleviated weaker beef prices.
- The COVID-19 driven reduction in oil and energy prices brought reduced fuel, energy, fertiliser and feed costs to farmers. As a result, the impact on farm cashflows and incomes was limited.

Limited Land sales

- There was reduced activity in the land market during the year due to the postponement of land auctions in H1, along with vendors holding off putting land on the market. However, activity picked up significantly in the autumn. Indications are that average land prices remained stable in 2020 with some parcels where competition was strong seeing significant price increases.

Reduced Farm development

- As limited building material or labour were available for three months in early summer (when traditionally building work takes place on farm) this reduced farm development activity and resulted in routine building maintenance and investment and expansion investment being postponed.

Weak beef sentiment

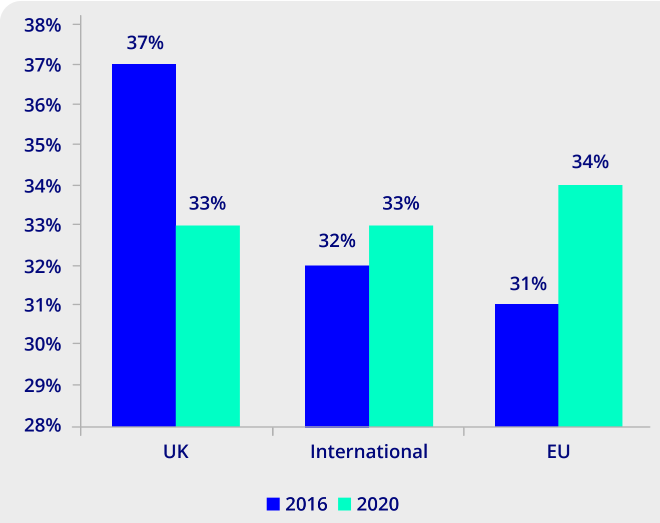
- Despite the drop in cattle throughput at marts and the loss of the food service market, prime beef prices increased marginally to €3.62/kg average over 2020 as supplies of prime cattle tightened. However, there was weaker sentiment amongst beef farmers driven by weak prices, Brexit and COVID-19 uncertainty.

Continued strong growth in dairy

- There continued to be strong appetite for expansion amongst dairy farmers to include new entrants, dairy conversions and funding additional units for existing farmers. Milk price was equivalent to 2019 at 34c per litre (CSO). Milk production continued to grow and was up 4% to just over 8bn litres in 2020. (CSO)

Brexit and market diversification

The success of the diversification strategy of the Irish food and drink industry can be seen in export figures for 2020 and in how they have shifted since the Brexit referendum in 2016 (Bord Bia). In 2016, the value of food and drink exports was €1.8bn less than it was in 2020 and has grown as a direct result of dairy quota removal in 2015.



Source: Bord Bia

2021 Agri Sector Outlook

2021 Key numbers

4.3%
Projected rise in food prices (IMF) in 2021

3%
Domestic milk supply growth in 2021

75%
Self-sufficiency of UK beef market in 2021

31-32c/L
Average base milk price in 2021 incl. VAT

€3.65-€3.85/kg
Average beef price in 2021

€1.55-€1.60/kg
Average pig price in 2021

Robust outlook:
- The sector continues to prove its resilience especially to wider economic shocks. Overall, the long term outlook remains positive due to continued population growth and our ability to produce high quality premium products that are globally competitive.
- COVID-19: While weather will remain a significant driver of farm incomes, the increased costs and complexity of Irish exports to the UK along with the speed at which COVID-19 restrictions are lifted and a vaccine rolled out will all be critical to commodity price developments during the year.
- Brexit: The UK will remain the largest single destination for Irish food and drink exports in 2021 and beyond thanks to its geographical proximity, shared language, tastes and culture and its need to import one third of its food needs.
- The sector remains lowly geared and has been deleveraging over the last decade.

Investment activity:
- Due to the postponement of activity and investment in 2020 there is likely to be pent up demand for 2021.
- Increased land transactions are likely this year provided restrictions are lifted in time for the busy summer auction market along with innovative methods of holding land sales auctions.
- With the risk of a potential hard Brexit gone, it is expected that sentiment and appetite for investment will increase across all farm sectors.
- The expansion and investment on existing dairy farms looks set to be sustained along with continued conversion of land to dairy farming.
- Increased environmental and climate regulations will see an increased requirement for investment in areas such as slurry storage, animal housing and low emission slurry equipment.

Dairy
- Dairy continues to be the main driver of growth in the sector. Production volumes are expected to increase 3% in 2021 due to increased cow numbers and yields.
- Indications are of stable milk price outlook for the medium term as evidenced by a number of fixed milk price schemes offered to farmers by processors at base price levels of between 31c-33c. The outlook for 2021 is that milk prices will average 32c/l (Incl. VAT) as global supply and demand are expected to be in balance in 2021.
- Demand is currently buoyed by Government aid programs (particularly in the US) and as these unwind, the economic impact of COVID-19 may weigh on dairy demand.
- Some certainty has emerged following the new EU-UK trade deal, but uncertainty remains in the areas of supply chain, export administration and product displacement risk as the UK seeks to become more self-sufficient.
- Nonetheless, 2021 offers the prospect of strong, continued growth – albeit at lower levels than seen in the last few years. Processors have COVID-19 contingency plans in place to ensure continuity of processing over peak in 2021.

Beef
- As a result of the favourable outcome in EU UK trade negotiations, it is anticipated that beef demand should strengthen somewhat as the year progresses.
- Cattle prices will be influenced to a large degree by the demand for Irish beef in the UK and the extent that foodservice across Europe opens up to drive demand.
- There was an element of stock building in the UK prior to year-end and this could dampen demand in the early part of 2021.
- The non-tariff costs (estimated at 10c-12c/kg) associated with Brexit may limit the extent of the increase in prices.
- Meat factories have upgraded their processes and procedures around COVID-19 to reduce the likelihood of further outbreaks.

CAP
- Payments to farmers totalled almost €1.8 billion including Basic Farm Payment, Rural Development and Forestry Payments in 2020. The reform of the Common Agricultural Policy (CAP) is entering its final stages that will set out EU payments to farmers from 2023 to 2027.
- The current CAP has been extended from the end of 2020 to the end of 2022. This gives farmer's certainty as direct payments will continue at the same level to at least 2023.
- Under the proposed CAP, 20-30% of farmer's direct payments look likely to be set aside for eco-schemes. There will be continued convergence with the aim to have every farmer getting a minimum of 75% of the national average payment- up from 60% at present. Direct payments look set to be capped at €100,000. The overall CAP framework is expected to be signed off in the first half of 2021.

Pigs

- Feed prices are expected to rise on the back of increasing grain and protein prices which will likely impact margins.
- Irish pig price is forecast to be back from 173c/kg in 2020 to a more moderate 1.58c/kg this year which will see the Irish pig sector experience more moderate profit margins in 2021.
- The level of China's import of pigmeat from the EU will have an important influence on the Irish pig price. It is widely expected that China may struggle to get back to pre ASF (African Swine Fever) production levels over the short to medium term.
- Supply is expected to tighten across the EU following the discovery of ASF in wild boars in Germany late last year. As a result, it was banned from supplying China and German pig producer prices have fallen.
- Irish pigmeat production is expected to stabilise for 2021 reflecting a more cautious approach from producers as the European region continues to be impacted by COVID-19 and African Swine Fever (ASF) related events.

Tillage

- Global grain prices continue to strengthen and are up significantly on this time last year. The drivers of the current rally include high demand, including from China and worries about supplies. However, political interventions, particularly from large grain exporting countries such as Russia and the Ukraine are adding to the worry. If other countries follow Russia and implement measures (higher export taxes) to curb exports, global grain prices are likely to continue at an elevated level into the year.
- Whilst current sentiment looks to be fairly bullish, weather and growing conditions in key grain exporting regions will become critical in deciding the evolution of grain prices.
- Fertiliser prices are strengthening on the back of the positive grain markets.
- A new €10m scheme that will see farmers paid €250/ha for straw incorporation this year is expected to be rolled out later in the year. This would take out 15% of the straw harvest which should bolster straw prices in the coming years.
- Winter cereal areas for harvest 2021 are estimated to be similar to harvest 2019. Crops have generally been planted in good conditions and there are relatively few establishment problems reported.
- Malting barley price for harvest 2021 has been recently offered at €200/t green. This provides a further indication of strength to feed grains.

Bank of Ireland

- In Bank of Ireland, we recognise that we have an opportunity to support our customers and to enable Irish farmers and rural communities to thrive.
- Our stability, proven track record and investment in people with agricultural expertise, provide us with a strong platform to meet the funding requirements of Irish farmers and agri-businesses.
- We understand the farming cycle, agri commodity price volatility and the regular need to invest to maintain growth and profitability in this dynamic sector. We have a strong appetite to support progressive, innovative and efficient farmers.

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Eoin joined Bank of Ireland in 2020 as Head of Agri, from the Irish Farmers Journal, where he served as Agribusiness Editor upon joining the paper in 2014 and served as Deputy Editor from 2017 until his departure. He also has extensive experience in Irish and international Agri business, including 5 years as Managing Director of Target Fertilisers. Eoin holds a Masters in Agricultural Science from UCD along with MBA from Smurfit School of Business.

Sources: Teagasc, CSO, Department of Agriculture (DAFM), Bord Bia, Euromonitor, European Commission, IBEQ, MATIF, LIFFE, IMF, World Bank, FAO.

Food & Drink

2020 Insights

Despite the challenges of COVID-19 and Brexit, the Irish Food & Drink sector remained resilient through 2020. Looking to 2021 while the spectre of a no-deal Brexit has passed, significant non-tariff barriers are now a feature of trade with our largest trading partner. Industry focus will remain on diversifying into new markets, while adapting to both the opportunities and challenges associated with Brexit disruption.

Summary

The industry entered 2020 in a strong position, with significant export growth and broadening horizons as new markets opened in Asia. COVID-19 began to affect exports to China from February and proceeded to affect exports to the UK and Continental Europe from the end of March. While sales into the retail channel increased, foodservice dependent companies and sectors were badly hit. As an essential industry, food processors remained open during even the strictest lockdowns and they were at the forefront of adapting business models to the new physical distancing protocols. Despite these challenges exports declined a modest 2% compared to 2019, demonstrating the resilience of the sector. From a sectoral perspective, Dairy continued to be the standout performer. Growth in Pig and Sheep meat export, compensated for a more difficult year for Beef in the meat sector. However the drinks sector faced particular challenges, largely driven by a fall in US whiskey exports.

Key Sector Trends in 2020

Change from Foodservice to Retail

The primary effect of COVID-19 on the sector was to switch consumer demand from Foodservice channels into Retail. Bord Bia figures to the end of November 2020 indicated a 48% decline in the value of food and drink purchases by the Foodservice sector domestically. As food and drink supply chains have become increasingly more complex and specialised, it was difficult for foodservice oriented suppliers to change their product to fit retail. For many, this challenged their overall business performance. Others managed to innovate and open new routes to market via their own website or by cooperating with new partners. However, even within the growing retail channel, impulse and grab and go categories were abandoned in favour of long life take home staples. As a result of these new customer buying patterns, supermarkets reduced their range significantly with artisan producers in particular impacted by the reduced range.

Market Volatility

The rapid change of demand from foodservice to retail and the ripple effect as COVID-19 moved from China to the West caused significant market volatility. This resulted in a decline in most commodity prices - creating issues for primary producers and processors, but giving some relief to secondary processors. Commodity prices increased as supply tightened towards the back end of year with the World Bank Food Price Index up by 3%.

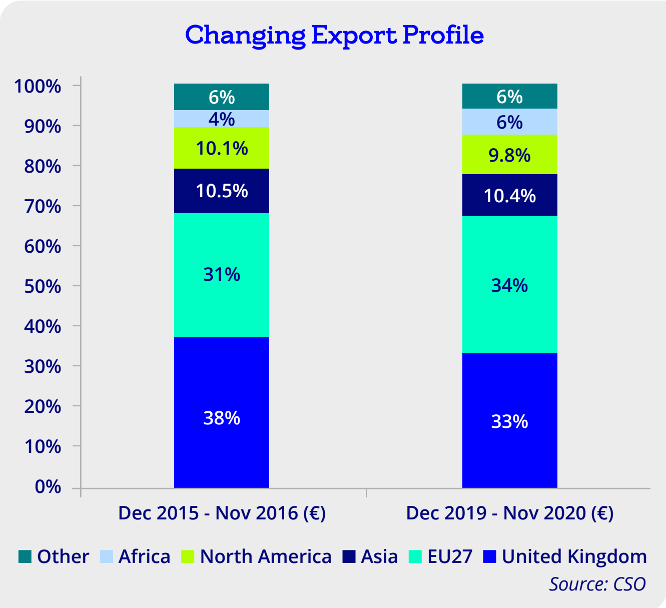
Operational and Supply Chain Complexity

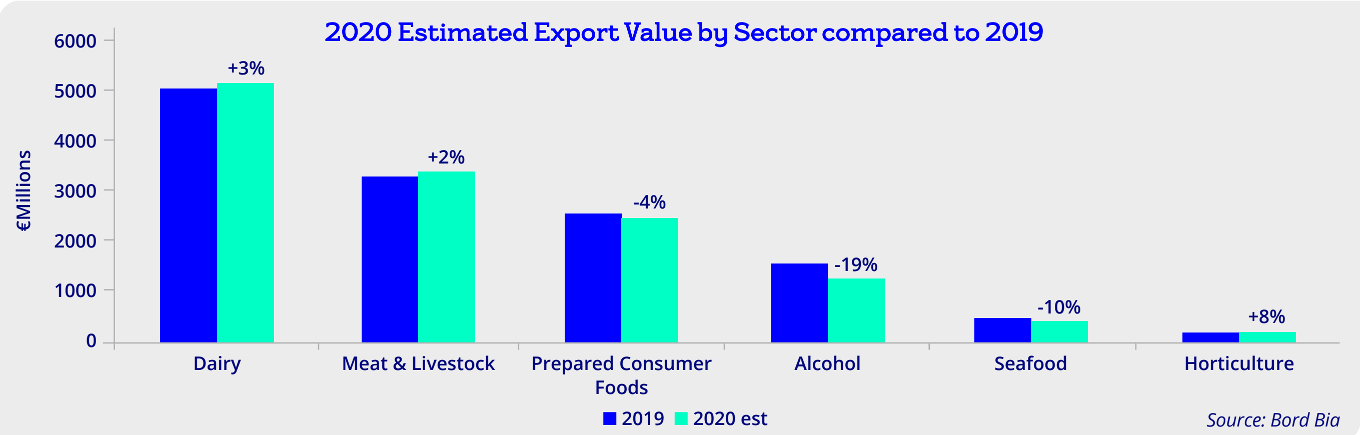
From a logistical and operational perspective 2020 was particularly challenging. The changing consumer demand patterns due to lockdown resulted in rapidly shifting production forecasts. Furthermore existing processes had to be adapted to ensure the safety of employees from COVID-19 infection. Inward and outward supply chains became more costly and subject to delays. The effects of COVID-19 were exacerbated by the need of both producers and retailers to stockpile in advance of the Brexit deadline. Producers adapted to this complex environment by simplifying ranges, delaying new product development and carrying increased inventory. Significant efforts were made in building resilience into inward supply chains through analysing the roster of ingredients suppliers and to this end preparations made for Brexit and rapid reaction to the effects of COVID-19 were largely complementary.

Changing Export Profile

The UK remains our single biggest export market at 33%, however exports to Non EU/UK markets are becoming more important. For example, exports to Africa reached €883m in 2020, rapid growth since 2016.

Exports to the USA were significantly impacted by the decline in Irish whiskey sales due to the lockdown.





Key Sector Activity

Brexit and COVID-19 had a dampening effect on sector investment activity with 54% of respondents to Bord Bia's 2020 Readiness Radar survey claiming that Brexit had a negative effect on their investment plans in 2020.

Development of warehousing space was a key feature of sector activity. In some cases this was related to the growing need for whiskey maturation facilities. However, the majority related to the in housing of storage. Progressive companies identified cost savings and operational improvements facilitated by development of their own warehouse space, particularly given growing pressure on warehouse space in the country as a whole.

Food and Drink companies also invested to open up new market segments, both geographically and at product level. This was a particular feature of the dairy industry which sought to take advantage of the growing global demand for dairy along with mitigating the effects of Brexit.

Outlook 2021

Summary

While COVID-19 related market disruption is likely to continue, the outlook for 2021 is broadly positive as the threat of a no deal Brexit has been removed and the industry can move forward with greater confidence.

Recovery in Food Service and continued COVID-19 turbulence

The recovery in foodservice demand is critical to improvement in industry margins. Bord Bia forecasts an increase in Foodservice demand for food and drink of between 16-41% in 2021 in Ireland. Much depends on the rollout of the vaccine and the ability of governments to lift restrictions. 2021 is unlikely to recover to 2019 levels so food companies will need to continue to focus on retail and direct to consumer options. At a global level, we are unlikely to see the full control of COVID-19 in 2021 and so rolling lockdowns may be a feature of international trade in the short to medium term. This may lead to ongoing disruption, therefore, food organisations will continue to build resilience into their operating models.

Adapting to the reality of Brexit

The new Trade Cooperation Agreement signed between the UK and EU following the UK departure from the EU is the single biggest change to trading conditions on this island since we joined the EU. And like all significant disrupters it brings both problems and opportunities. This especially applies to trade in Food and Drink where the supply chains between the two countries have been intrinsically linked for decades. In terms of food and drink, the UK accounts for 33% of our exports and we account for 17% of theirs. The majority of our food and drink exports to the UK will be tariff free which will give confidence to companies with a significant UK business. While non –tariff barriers will be challenging, many of our exporters are already familiar with these procedures via their Asian or US trade experience. Producers here are more likely to be affected by supply of goods from the UK, which in many cases due to their composition may be affected by rules of origin and encounter tarrifs. We are likely to see additional migration of the supply chain to focus on imports directly from the continent. The increase in direct freight links to the continent has been welcomed by the industry due to concerns with delays on the landbridge, although it is likely to make freight to the continent more expensive than before Brexit. It will take time to assess how attractive the landbridge will remain to Irish exporters and importers, as post Brexit systems bed down and transit times become more predictable. On an annual basis the UK exports circa £10bn of food and drink to the EU outside of Ireland and this business will be the focus for aggressive competition by Irish producers, particularly in the areas of short shelf life food, where non-tariff trade barriers will be more significant.

Market Diversification

While the UK and Europe will continue to be our main trading blocks, the key challenge for 2021 will be to grow business in the rapidly growing markets of Asia and Africa. The potential resumption of in person trade shows later in 2021 should help companies open up business with new customers in these markets. China is likely to be a key focus for the pig meat sector; with a significant upside on Beef sales should it reopen for Irish processors.

Online Growth

2020 proved that there was significant consumer demand for online food and drink deliveries - from existing operators in the grocery sector, from tech focused companies such as Amazon and from niche direct to consumer operators. This is set to continue for 2021 and opens new channels and competitors for food and drink companies.

Sustainability

COVID-19 exposed some of the vulnerability in global supply chains. There was a significant move by consumers towards buying local in 2020 and this "gastro nationalism" is set to continue in 2021. Food and drink companies will continue to innovate around sustainability in order to gain a competitive advantage. This will include full audit of the supply chain to ensure resource use is optimised responsibly and a greater focus on the full waste cycle including both food and non-food waste.

Funding Activity - What we expect to see

We expect to see an increase in activity on the back of the clarity provided by the Trade and Cooperation Agreement between the EU and UK, as companies begin to have more confidence in their UK income streams. To mitigate Brexit related difficulties, the government has secured an additional €1bn in EU funding and has already announced measures such as a €100M fund administered by Enterprise Ireland to support innovation in the dairy and meat industries. This will spur new investments in these sectors.

As UK distribution hubs encounter issues with distribution onto the Irish market, we expect to see additional links created with continental producers and customers, leading to a continued need for domestic warehouse space, driving a need for commercial property related loans.

COVID-19 also highlighted some of the problems with longer supply chains; Ireland has a particularly poor balance of trade in fruit and vegetables. There is government help available to address this issue, which should drive investment in the emerging area of hydroponic/vertical growing systems. Issues related to COVID-19 social distancing will also increase the focus on automation, particularly in meat plants.

The focus on sustainability is likely to drive continued capital investment around renewable energy and waste reuse.

As businesses review their post COVID-19 models, we expect an increasing level of consolidation via mergers and acquisitions as the industry adjusts to new demand and cost profiles.

Bank of Ireland

Bank of Ireland is committed to supporting Ireland's largest indigenous Industry. This is amply demonstrated by our ongoing support of the Blas Na hEireann food quality awards and our deep sectoral knowledge. COVID-19 has highlighted the necessity for companies to have an in market, long term, stable, finance partner that can offer timely support, dedicated relationship managers and an understanding of the cyclical nature of the various sub sectors.

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Roisin joined Bank of Ireland in 2019 as Head of the Food & Drink Sector, in order to support the Bank's business in this strong, indigenous industry. She brings an in depth understanding of the Food & Drink sector to the role due to her wealth of experience in both Ireland and the UK across a number of companies and product categories. She has held a number of senior commercial positions in both indigenous and multinational consumer goods companies including PepsiCo, Valeo Foods, Carbery, Boyne Valley and Robert Roberts Ltd. Her knowledge base spans end to end product development, from procurement and new product development, to branding, marketing and sales achievement. Her most recent role was in the Sports Nutrition Industry. Roisin holds an undergraduate Law Degree from UCC, an MBA from Warwick Business School and Post Graduate qualifications in Digital Business and Digital Marketing.

Sources:
Bord Bia, CSO, World Bank Data, UK Food & Drink Federation

Hospitality

Insights

The hospitality sector in Ireland had strong expectations for 2020 attributable to record numbers of overseas visitors achieved for the last five years, supported by an ever increasing air capacity as well historically low unemployment levels fuelling domestic demand. However, the first Irish case of COVID-19 reported on the 29th February turned things upside down. Businesses across the hospitality and wider tourism industry have been among the worst hit by the COVID-19 pandemic as the close social interactions essential for good service delivery are considered high risk and have been heavily restricted. Hotel trade is currently limited to the provision of service for essential workers, whilst bars and restaurants are only allowed to operate take-away and delivery services. Restrictions (Level 5), are in place to March 5th 2021 at which stage they may be revised downwards.

Over the last 10 months the government has launched and reviewed a number of business supports that have been welcomed by the sector, including the Employment Wage Subsidy Scheme (EWSS), the Covid Restrictions Support Scheme (CRSS),a moratorium in property rates, the temporary reduction of the hospitality VAT, VAT warehousing at 0% by Revenue as well as a number of grants. Despite the various supports many businesses remain under severed cash-flow pressure. Fáilte Ireland estimates tourism revenue decreased by €6bn in 2020.

Key Trends

- Around 17% of the population in Ireland is expected to be vaccinated by the end of March; however this figure is far smaller than what might be needed to allow bars and restaurants to resume trade. Many operators believe normal trade might not resume until closer to the summer. *John Brennan recently commented to the Irish Times that he does not expect he'll be able to open the Park Hotel in Kenmare before the 1st of June.*
- Strong focus on domestic demand which supported trade during 2020. Fáilte Ireland expects that part of the almost €8bn spent by Irish residents on overseas travel during 2019 could be spent on domestic trips while international travel remains disrupted. Air and sea arrival numbers into Ireland for 2020 were 77% down on last year **(Table 1)** at the end of November 2020 according to CSO data.

Table 1 – Air and Sea Travel Statistics Ireland Nov 2020

Direction	January-November			
	2019	2020	Change	
Arrivals (m)	18.77	4.30	-14	-77.1%
Departures (m)	18.82	4.27	-15	-77.3%

Source: CSO, Air and Sea Travel Statistics Ireland Nov 2020

- The various measures implemented to control the pandemic during the year negatively impacted on unemployment during 2020, seasonally adjusted unemployment increased by 3.5% last year. The slight drop could erode the strength of the domestic tourism market as it will likely impact discretionary spend.
- The hotel and restaurant sectors have been most likely to avail of the Temporary Wage Subsidy Scheme (TWSS) and Tax Warehousing facilities as reported by the Department of Finance SME Credit Demand Survey. The report also stated that just under one in ten (9%) of hotels and restaurant businesses also availed of Strategic Banking Corporation of Ireland (SBCI) products as businesses do not want the burden of additional debt at this point in time.
- A substantial drop in hotel occupancy associated with the various stages of restricted trade was reported from March 2020 to December 2020 across the world and ROI was no exception; the sustained decline also impacted on room rates particularly in Dublin. Average RevPAR for ROI was around 60% down on 2019 totals. **(Table 2)**
- Regional/suburban recovery for the sector has generally outpaced that of major city centres including Dublin where footfall has dropped dramatically. Businesses in larger urban centres have a higher dependency on corporate business and international visitors, both of which underperformed last year.

Table 2

Accomodation KPIs 2019 vs 2020	Dec YTD						Var 19 - 20 %
	Occ %		AHR €		RevPAR €		
Location	2019	2020	2019	2020	2019	2020	
Dublin All (STR)	82.2	30.5	142.1	102.9	116.8	31.4	-73%
Dublin city centre (STR)	83.5	25.8	167.2	127.1	139.6	32.8	-77%
Galway (Trending)	76.7	42.4	111.1	97.3	85.3	41.3	-52%
Cork (Trending)	79.8	35.3	112.6	97.1	89.8	34.2	-62%
Cork (STR)	78.7	40.7	113.8	103.5	89.6	42.2	-53%
Limerick (Trending)	74.7	36.6	112.6	97.1	84.1	35.5	-58%
Kilkenny (STR)	74.3	37.7	116.1	120.2	86.3	45.3	-48%
Regional (Trending)	77.6	40.6	99.9	82.8	77.5	33.6	-57%

Source: STR ©Costar Realty Information & Trending.ie

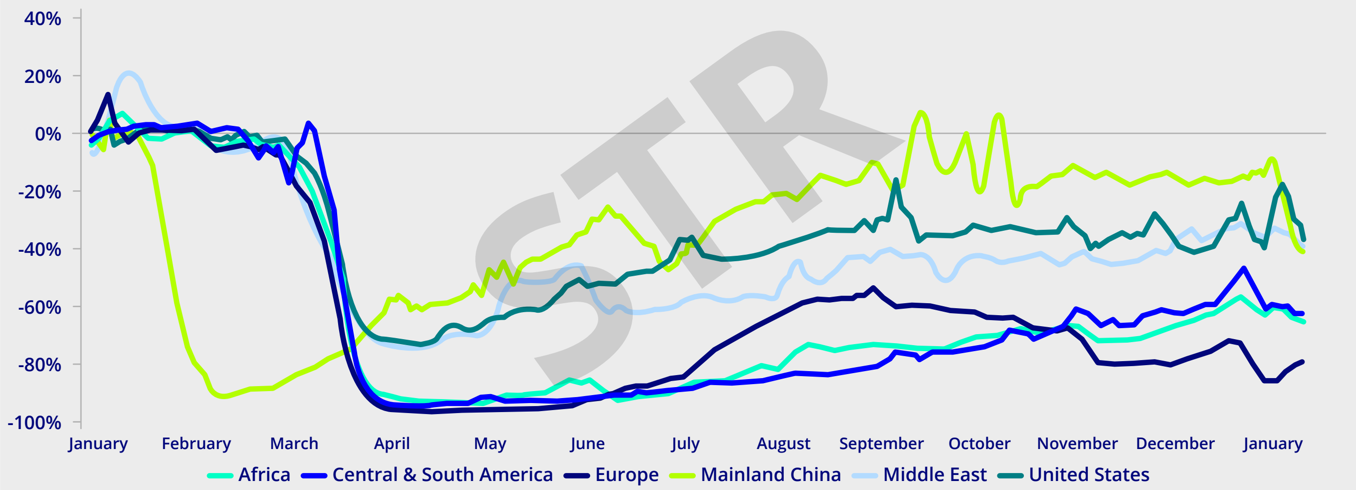
- Internationally, hotels located in countries with high levels of domestic demand like China and the US have recovered faster. Average Chinese hotel occupancy on a Total Room Inventory basis (accounting for closed hotels) is reported as 10% down on last year for the first week of 2021. **(Table 3)**

Table 5 – Alcohol consumption Ireland, period of January to September, 2019 vs 2020

Product	Variance
Beer	-15%
Spirits	-1%
Wine	13%
Cider	-10%

Source: Revenue.ie, Quarterly alcohol breakdown Q3 (29/10/20)

Table 3 - Rolling 7 days Total Room Inventory Occupancy Change January 1st 2020 to January 10th 2021



Source: STR, 2021©Costar Realty Information

- Restrictions on large gatherings severely impacted on wedding and event venues which are currently only allowed to host a max of 6 people for weddings down from 25 last December. Catering for such small events is not economically feasible for most venues due to fixed overhead costs.
- The provision of food services contracted by an estimated 47% on average during 2020 as per Bord Bia's 2020 Irish Foodservice consumer insights report. Full Service Restaurants and Hotels (56% decline on 2019) and Pubs (64% down on 2019) were among the worst affected whilst fast food/limited services reported a softer decline (33%). **(Table 4)**. Many foodservice providers had to rationalise their menus last year as they sought to protect their profit margins.

Table 4 – Ireland's Foodservice Market trend

Ireland's Foodservice Market	2016	2017	2018	2019	2020	2020 vs 2019
Limited Service Restaurant	2624	2715	2856	2995	2005	-33%
Hotels and Accommodation	1344	1353	1386	1531	675	-56%
Pubs	1274	1343	1445	1415	510	-64%
Full Service Restaurants	913	943	994	1039	458	-56%
Coffee Shops and Cafés	397	424	456	482	323	-33%
Other Commercial	276	291	311	330	101	-69%
Institutional	712	717	738	763	441	-42%
Total	**€7.5bn**	**€7.8bn**	**€8.2bn**	**€8.55bn**	**€4.5bn**	**-47%**

Source: Bord Bia, 2020 Irish Foodservice consumer insights report

- Decline in alcohol consumption. The reported consumption of beer, spirits and cider products showed a sizeable decline to the end of September 2020; however wine sales bucked the trend reporting a 10% increase on 2019. **(Table 5)**. On its 2021 Outlook Lisney/Morrissey recently reported overall pub sales for 2020 were 75% down for the year; it is worth noting that wet pubs in Dublin have been unable to trade since 15/03/20.

- Sizeable investment in premises across the sector as operators adopted enhanced health and safety guidelines and reacted to changing consumer trends.

Technology:

- Restaurants/Bars: investment to facilitate ordering and collection and strengthening of online capabilities and customer loyalty programs.
- Hotels: Room access technology, enhanced online guest experience (check in/out), loyalty programs.

Premises:

- New seating area/public area layouts, sanitation stations, new food displays, Plexiglas barriers and outside seating areas.
- Significant investment was also made by businesses on staff training and PPE in line with Fáilte Ireland's Safety Charter.

Transaction activity and development

- Hotel market transaction activity took a tumble in 2020 with only ten transactions completed in Ireland in 2020 according to CBRE. Key transactions for the year included the Investment sale of the Clayton Charlemont for €65m and the K Club for €60m. Although there is little market evidence, valuation agencies agree hotel values on average declined by around 10% to 30% during 2020. From a total of 18.3k rooms under planning in Ireland and 5.8k under construction only 500 rooms entered the market in 2020 as a large number of projects have been delayed/deferred to the coming year. The anticipated drop in asset prices could potentially impact the short term feasibility of some developments.

- Licensed trade market transaction activity in Ireland also slowed down during 2020, although average prices increased from €3.25m to €3.8m driven by development potential according to John Ryan of Bagnall Doyle MacMahon. Key transactions included The Storehouse in Dublin 2 for a reported €16m and the Magic Carpet in Dublin 18 for an estimated €9m. Supply may potentially shrink in the coming months according to industry bodies due to the prolonged inability to trade experienced by some of their members.

Outlook

The hospitality industry has always been cyclical with a number of factors disrupting performance over time, whether a worldwide economic recession as we had in 2008, terrorist attacks which disrupted trade for some locations in 2019, or the pandemic that has wreaked havoc over the last 10 months. Over the last ten years we had seen overseas visitor numbers grow and the market mix evolve leading to widespread hotel refurbishments and upgrades across the country, during that time 4 star registration numbers had increased by nearly 100 properties. The changing tourism and wider hospitality environment leads businesses to look for new customers, new markets or new distribution channels that might help them to increase turnover, improve margins or at times replace business that might have been lost or is no longer available. The sector has adjusted before and will continue to adapt into the future as soon as operators can ascertain what changes in consumer behaviour are here to stay and which ones will fade away with the pandemic.

Headwinds

- Hotels, Bars and Restaurants have expressed concerns about retention of key staff as the sector has become less attractive to those looking for secure jobs.
- Overseas and corporate demand are unlikely to resume to meaningful levels until the vaccine rollout is deemed successful.
- Restrictions on large gatherings which might remain in place until Q4 this year could seriously impact the profitable meetings and events market as well as sporting and entertainment events which are vital source of business for the hospitality sector.
- Quarantines, requirement of negative test results before travel, temporary travel bans (like GB travel ban that was in place from December 20th to January 6th) as well as reduced air capacity are likely to impact appetite for inbound overseas travel in the medium term.
- Uncertainty associated with the threat of further/extended restrictions makes forecasting for the year ahead a very difficult exercise. Whilst trade forecasting remains ambiguous, it is crucial for businesses to scrutinise "essential" outflows during the winter months to ensure adequate capital resources are available that would allow them to resume trade when restrictions are lifted; weak cash flow balances could slow down the recovery of some properties.

Looking ahead

- Regional markets are expected to continue to outperform capital cities. The higher dependency on overseas tourism and corporate travel could slow down recovery in Dublin city.
- Tourism Ireland has stated that some key markets including Great Britain and mainland Europe could recover sooner while long-haul markets might not come back until 2022. The Tourism Recovery Taskforce (ROI), Aviation Recovery Taskforce (ROI) and Tourism Recovery Steer group (NI) have all delivered comprehensive plans with recommendations that could help to speed up the recovery process. Recovery plans will focus on sustainable development of a profitable long-term industry.
- Industry bodies and the Tourism recovery taskforce have requested government supports (EWSS and CRSS) to be extended past the original March deadline if trade restrictions are maintained.
- The drop in hospitality VAT from 13.5% to 9% in the Oct 2020 budget should support the recovery once restrictions are eased.
- Changing consumer trends are likely to present new opportunities and challenges to well-established businesses and may open the door to new entrants and disruptors.
- Cancellation policies, voucher expiry dates and some terms and conditions are some of the things that could worry customers and might have to be reviewed by businesses in order to regain customer's trust.
- Strong pent up demand and customer's willingness to travel were evidenced by strong voucher sales reported by a number of hotels last December as well Fáilte Ireland's latest consumer sentiment and behaviour report released Nov 2020. **(Table 6).** The so called "Revenge travel" could ultimately accelerate the recovery process.

Table 6

Irish consumers willingness to travel	Sep	Nov
Intend to take a short break in Ireland **in the next 12 months**	**72%**	**67%**
Intend to take a short break in Ireland **in the next 6 months**	**58%**	**51%**
Intend to take a short break in Ireland **in the next 3 months**	**42%**	**32%**

Source: Fáilte Ireland consumer sentiment and behaviour report Nov 12th 2020

Bank of Ireland

- At Bank of Ireland we have been dealing with the ups and downs of the Irish economy for over 235 years providing a wide range of financial supports. We are now working to support customers throughout the extended lockdown and into the normalisation of trade in the near future.

Sources:
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Cushman & Wakefield Research.

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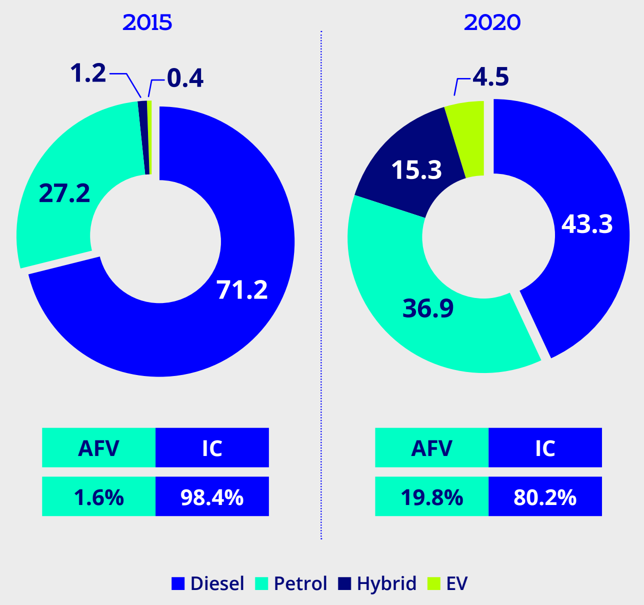
Motor

Pre-COVID Environment

The new car market peaked in 2016 at 146,600 units following strong growth from a low base. Demand for new cars in Ireland has been in decline since 2017 as the industry felt the impact of Brexit. By the end of 2019, new car sales declined ca. 20% to 117,100 units from peak sales in 2016. Due to a weakened sterling, used passenger car imports from the UK market surged in the same period. Prior to the Brexit referendum in 2016, used car imports averaged ca. 50,000 units per annum and increased each following year, reaching record levels in 2019 at ca. 114,000 units. This dampened new car demand in Ireland as used car values were impacted by cheaper imports from the UK. The effect of this increased Irish consumers cost to change when purchasing a new car. During the same period, consumer confusion began to rise concerning which engine type to choose in their next new car. This follows considerable EU-wide media reporting on hybrid and electric vehicles and the future of petrol and diesel engines. There has been a shift toward increased consumer uptake of hybrid and electric vehicles (EV's) in recent years. In 2020, the Hybrid/EV combined share of new car sales has risen to c. 20% compared to 1.6% in 2015.

Engine Share of New Car Sales: Ireland

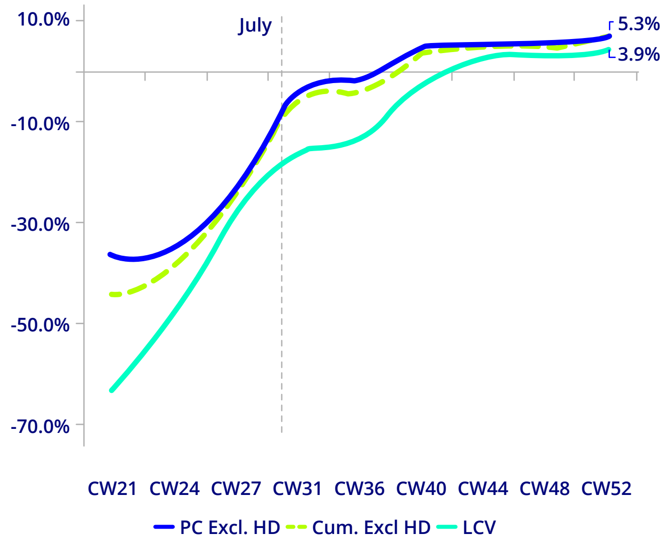


AFV = Alternative Fuel Vehicles; IC = Internal Combustion Engines

Strong Underlying Demand

Overall, in 2020, new passenger car sales declined by 24.6%, light commercial vehicle sales declined by 14.2% and used imports declined by 29.8% due to the impact of COVID-19. These headline figures hide the underlying trend in the recovery of vehicle sales since restarting the economy on May 18th 2020, following the first lockdown. In the period since restart to the end of 2020, new passenger car sales increased c. 5% year on year (excluding hire drive registrations) and light commercial vehicles increased c. 4%. Hire Drive sales collapsed by c. 85% in 2020 and are excluded in in the following chart to highlight underlying consumer demand. Motor dealers reported strong demand for used cars throughout the same period, and largely experienced stable gross profit margins. This trend is mirrored in the UK and across Europe as consumers sought alternatives to public transport and used additional savings made during the period to put toward a new car. The brisk trade of both new and used vehicles since restart is encouraging for the sector outlook in 2021.

Vehicle Sales Since Restart[1] (excl. HD[2])



PC = Passenger Cars; LCV = Light Commercial Vehicles
[1] Restart: 18th May; [2] HD: Hire Drive

Budget 2021

The sector anticipated changes to motor taxation in Budget 2021 due to the full introduction of the Worldwide Harmonised Light Vehicle Test Procedure (WLTP) across all EU countries in 2021. WLTP is a new laboratory test to define carbon emissions (C02) for motor vehicles and involves more "real world" testing. WLTP produces higher C02 emission results with the effect of higher retail prices for consumers without government intervention. The EU recommended that WLTP is introduced in each market in a revenue neutral manner. With the arrival of COVID in 2020, and subsequent steep decline in new car sales, the sector lobbied strongly for a reduction in Vehicle Registration Tax (VRT) to stimulate new vehicle sales. Budget 2021 brought with it an extraordinary, and welcomed, €18bn spending package to support the Irish economy. The strong lobby from the motor sector was, however, unsuccessful and the Irish Government made extensive changes to VRT bands and electric vehicle (EV)/ Hybrid reliefs. These changes result in retail price increases for newly registered vehicles in the State from January 2021.

A temporary reduction in VAT (from 23% to 21%) will exist in January and February and this will partially offset price increases resulting from Budget 2021. A greater number of vehicle sales may be forced into the first two months (usually c. 40% of annual sales), but this will be dependent on developing COVID restrictions. European restrictions have the potential to impact vehicle production and supply. It is also possible these new taxation measures will change buyer behaviour in 2021 and beyond. These measures could, for example, result in lower SUV sales volumes (as they generally attract higher C02) and/ or greater volumes of Hybrids/EV's (which attract lower or zero C02). Hybrid/EV's will be in demand across all EU countries as new C02 targets for vehicle manufacturers take effect in 2021 and supply could be constrained. Ironically, early indications are such that taxation measures introduced in the Budget will favour many diesel cars as they typically produce lower levels of C02 than petrol cars, particularly with premium franchises and generally with SUV's.

Electrically Chargeable Vehicles

Sales of electrically chargeable vehicles (ECV = EV + PHEV[1]) across the EU ticked up in 2020 as demonstrated in the table below, depicting ECV share of total vehicle sales. In 2021, consumer incentives offered by countries such as France and Germany are likely to accelerate the demand for EV's in those countries and this may create supply shortages in the EU. This might impact supply for Ireland to some degree but is more likely to impact supply of left-hand drive markets.

	FY 2019		Q1-Q3 2020	
Engine Type	**EU**	**ROI**	**EU**	**ROI**
BEV (battery only)	**1.9%**	**2.9%**	**4.1%**	**4.3%**
	(v 1.0% PY)	(v 1.0% PY)	(v 1.0% PY)	(v 1.0% PY)
[1]PHEV (plug-in chargeable)	**1.1%**	**1.2%**	**4.0%**	**2.8%**
	(v 1.0% PY)	(v. 0.6% PY)	(v. 0.9% PY)	(v. 1.1% PY)
Total ECV (total electrically chargeable) Engine Type	**3.0%**	**4.1%**	**8.1%**	**7.1%**
	(v. 2.0%PY)	(v. 1.6% PY)	(v 2.6% PY)	(v 3.7% PY)

EV technology is expensive to produce and will remain high in the mid-term according to the European Automotive Manufacturers Association (ACEA). The implication is that electric vehicles are likely to remain outside the means of many consumers and will require continued government subsidies to incentivise sales. Current projections by the ACEA in Europe forecast the Total Cost of Ownership (TCO) of an EV could reach parity with the internal combustion engine by 2025 (TCO takes account of initial investment cost, fuel costs, servicing etc. for the full life of the vehicle). The implication here is that EV's will remain expensive in the mid-term but the cost of running a vehicle with internal combustion engines is likely to rise due to EU regulation, government taxation measures and the rising cost of fossil fuels. Nonetheless, many EU governments have "hitched their wagons" to electric vehicles as a solution to reducing carbon emissions so their growth in Europe is inevitable over the mid to long term.

Climate Action Plan

Transport accounted for c.20% of Ireland's Greenhouse Gas (GHG) emissions, measuring 12.0MtC02eq in 2017, according to the governments Climate Action Plan. The 2019 Climate Action Plan (CAP) is targeting a reduction of c.40% in GHG emissions to 7-8MtC02eq. by 2030. Taxation changes announced in Budget 2021 provided a clear signal to the sector of government intentions to reduce GHG emissions from transport in Ireland. The government has also committed to gradually increasing carbon tax to €100 per tonne by 2030 (increasing from €26.50 in 2020 to €33.50 in 2021) with the intention of making fossil fuels more expensive. Furthermore, in October 2020, the Irish government published a new climate action bill committing Ireland to net-zero carbon emissions by 2050.

Current data from the Department of Transport (December 2019) depicts a national fleet ca. 2.2m passenger cars in Ireland comprising c. 8,500 EV's (+500 e-vans). Adding 2020 EV sales brings the national fleet to c. 12,500 EV's (+1200 e-vans) accounting for just c. 0.6% of total passenger vehicles on the road. The CAP proposes a target of 840,000 passenger ECV's in the fleet by 2030 (840k ECV = 550k BEV + 290k PHEV). This is widely seen as unachievable by the sector as it would require over 80,000 new ECV's to be registered each year to 2030. Put another way, c. 60% of annual new car sales would need to be ECV's for the next ten years to achieve this goal. The Irish government has provided clear signals of intent in both the 2019 CAP and Budget 2021 with regard to reducing carbon emissions.

Forming part of the European Green Deal, the EU will implement strict C02 emission targets over the next ten years that encourage/force manufacturers to produce greater numbers of low emission vehicles. To put this in perspective, motor manufacturers must meet a new C02 target of 95g/km per vehicle sold in 2021 (v 122.4g/km[2] sold in 2019). Ireland compared favourably at c. 114g/km in 2019 and in 2020, emissions here fell further by c. 7% to 106.2g/km. *[2]Provisional figure from EEA.*

Regulation (EU) 2019/631 sets out new CO2 emission targets for the years 2025 and 2030, with 2021 as the revised baseline. Emission targets for newly registered cars must reduce 15% from 2025 and reduce 37.5% from 2030 (from 2021 levels). To achieve these targets, a blended mix of Hybrid and EV vehicles will exist alongside traditional internal combustion engines produced with lower emissions. Due to the high cost of production of fully electric vehicles, and subsequent higher retail prices for consumers, we are likely to see a greater number of Hybrid and Plug-In Hybrid (PHEV) models coming to market in the years ahead.

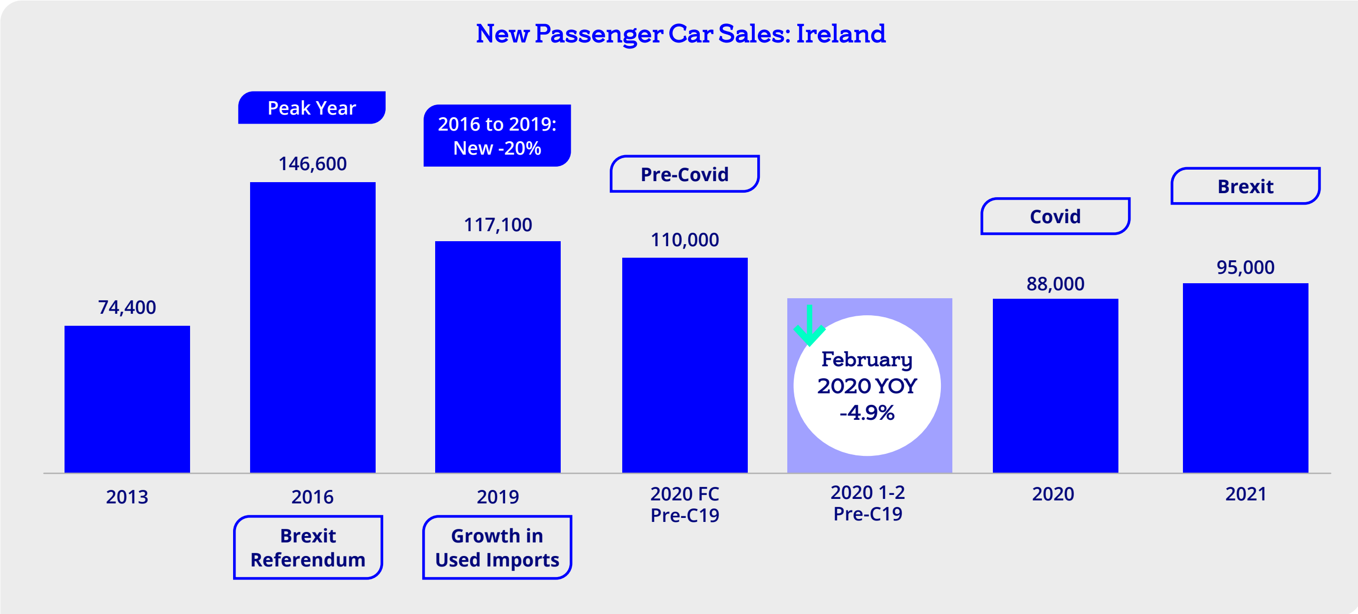
Brexit

After more than four years, we finally have a deal. Non-tariff related delays may exist as part of life after Brexit. Supply chains will be impacted with delays/increased costs and it will take a number of months before the full impact is known. Welcoming the deal, the ACEA (European Automobile Manufacturers Association) said it can only make a full assessment of the deal when all technical details are publically available. As the UK is now considered a third country, the process of importing vehicles from the UK to Ireland from 1st January 2021 has changed. This is likely to reduce the inflow of privately imported vehicles by consumers in Ireland. A potential decline in used imports would be supportive to the recovery of new car sales in Ireland.

Outlook

Despite pessimism that has pervaded our lives due to COVID, there is positive news on the horizon. If we were told just a few months ago that vaccine roll out would commence, that a Brexit trade agreement would be reached and that Biden would take over from Trump as US President, and all by January, we would have taken it with both hands. The sector is not without its challenges and the mid-term horizon is difficult to predict. The European Green Deal along with our national Climate Action Plan poses threats to the sector in the mid-term. Plans to reduce carbon emissions in the transport sector have been in place for many years, and the motor sector has reacted through planning increased volumes of Hybrid and EV's. Consumers are confused due to the uncertainty caused by these measures. The reality is that the internal combustion engine (ICE; petrol, diesel) will exist alongside increasing volumes of Hybrid and EV's over the mid to long term. ICE engines will not disappear overnight as there are c. 2.2million passenger cars licenced on the road in Ireland. The mix will change gradually over time.

The potential for further lockdowns due to COVID-19 will remain as a threat in 2021. The sector could, however, continue to experience a COVID-related bounce due to commuters choosing to avoid public transport and purchasing cars and a potential reversal of non-ownership among younger consumers. For those fortunate enough to maintain their employment and income, savings levels have increased. The sector may experience a benefit from those seeking to upgrade their vehicles.



Underlying demand for retail sales of new (and used) cars have been stable and robust since restart on May 18th 2020, and this trend is expected to continue into 2021. Restrictions on international travel due to COVID-19 dampens the overall market potential as the hire drive sales channel typically accounts for c. 17k cars p.a. or 15% of the market (down 85% in 2020). The sector expects new passenger car sales to be in the region of 95,000 units in 2021. This compares to a new car market of 117k in 2019 (and 147k in the peak year of 2016). The current base case is that new car sales return to 2019 levels by 2022, however, that it dependent on how quickly COVID-19 is resolved. Roll out of the vaccine at pace is critically important so that stability can return to businesses as fast as possible.

It should be noted that the sector is not just about new vehicle sales. Franchised motor dealers benefit from multiple income channels including used cars and aftersales channels (service and parts). Aftersales channels attract strong margins and can account for c. 40% of total income contribution. Many motor retailers focus on developing profitability in their workshops as this gives protection against volatility in new car sales. A key industry KPI is the Absorption ratio where the benchmark is 80%. A ratio of 80% indicates that direct profit produced from aftersales will absorb 80% of administrative overheads, thus providing comfort to a dealer during times of instability.

Finance Opportunities

We expect that trends existing pre-COVID will carry into 2021. Consolidation of single operators into larger dealer groups is likely to continue and may accelerate. We also note an increased take up in SBCI working capital loan facilities in recent months. Refinance opportunities will present themselves from time to time and we welcome the opportunity to discuss these needs with both current and new customers.

Supporting our Customers

Bank of Ireland Finance (BIF) supports 13 motor franchises representing c. 41% of annual new car sales and we remain committed to our customers. Bank of Ireland and the Irish Motor Sector is open for business.

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Stephen joined Bank of Ireland in 2018 and brings over 20 years Motor Sector experience developed in both Retail and National Distributor positions. He comes to us direct from industry having previously been employed as General Manager for a multi-franchised retail motor group for 7 years.

He opened a new retail operation in 2011 in a very challenging economic environment and was responsible for building both Sales (new and used) and Aftersales (Service and Parts) functions of the business. In addition to a first class honours BA in Business Studies (Hons) from Griffith College Dublin, Stephen holds a Certificate in Transport Engineering from Dublin Institute of Technology.

Sources: SIMI, ACEA, EEA, Dept of Transport, IRL Gov.ie

Nursing Homes

Nursing Home Sector 2020

Summary
On Saturday 29 February 2020, the first confirmed case of coronavirus in the Republic of Ireland was reported. By 11 March 2020, the World Health Organization had declared COVID-19 a pandemic and noted its alarming levels of spread and severity. The pandemic illustrated the vulnerability of our health system and its supply chain as it bore the full brunt of COVID-19 and responded quickly to "flatten the curve" and save lives.

In Ireland, there was both a heavy toll on lives but also a significant impact on healthcare businesses. The State response to the pandemic has led to a numbers of expert and government reviews with recommendations about the care delivery in the long term care sector. Increased operational support to nursing homes was provided through twenty-three Health Service Executive (HSE) COVID-19 Response Teams which included, deployment of HSE staff, temporary accommodation for nursing home staff, access to and advice from Infection Prevention and Control (IPC) Teams and Personal Protective Equipment (PPE) was provided, free of charge, to nursing homes along with access to HSE training and ongoing regular education programmes. Additional funding of c. €4m was provided to increase IPC and Occupational Health capacity and for immediate minor capital requirements across both acute and community services.

In addition, the government has launched and reviewed a number of COVID-19 business supports that have been welcomed by the sector, including the Employment Wage Subsidy Scheme (EWSS), Temporary Assistance Payment Scheme for nursing homes (TAPS), COVID-19 Restrictions Support Scheme (CRSS), a moratorium in property rates, the VAT warehousing at 0% by Revenue as well as a number of grants. Despite the various supports some healthcare businesses remain under cash-flow pressure as a result of increased costs and reduced occupancy in nursing homes and reduced demand for homecare services.

Nursing Home Supply

- Long-term residential care is provided by the private / not for profit (NFP) and public sector in 572 (↓ from 585 in 2020) nursing homes with 32,067 registered beds, a net increase of 98 beds since January 2020.
- New homes registered in 2020 include:

Name	Registered Provider	Location	Beds
Beaumont Lodge Residential Home	Bartra Opco (Beaumont NH) Ltd	Dublin	32
Lexington House	GN Lexington Property Ltd	Dublin	92
Sonas Nursing Home Carrick-on-Suir	Sonas Asset Holdings Limited	Tipperary	53
Willow Brooke Care Centre	Thistlemill Limited	Kerry	73
SignaCare Waterford	Signacare Waterford Ltd	Waterford	64
Northwood Residential Home	Bartra Opco (Northwood NH) Limited	Dublin	118

- We continue to see consolidation in the market with 52% of the private homes now in groups of two or more; this is up from 36% in 2020.
- The pressures of the pandemic has led to a number of independent owner-operators exiting the sector and this change is reflected in the changes of the ownership structure with c.30% of private nursing homes now owned by Irish and international investors and funds.

Nursing Homes:

- Nursing homes certainly felt the COVID-19 headwinds, as initially the focus was preparing the acute hospitals for the projected first surge of COVID-19 with limited attention given to the nursing home sector. Concerns about the spread of COVID-19 to older and vulnerable residents led to nursing homes putting visiting restrictions in place. By 16 March, there had been two outbreaks of COVID-19 identified in nursing homes; by 11 May this rapidly rose to 371 outbreaks /clusters of COVID-19 in the country's nursing homes.
- From a care perspective, 2020 was a very challenging year for residents in nursing homes and the people who cared for them. COVID-19, both symptomatic and asymptomatic, spread rapidly to residents and carers, in advance of the introduction of a national screening programme. Despite the valiant effort of operators and their staff in caring for residents while experiencing significant staff absenteeism and shortages of PPE, the level of mortality for residents was high with over 950 residents dying during the first wave. While research from the Health Information and Quality Authority (HIQA) found that some of these residents were already close to their end of life or their cause of death may have been due to other factors, the toll of the pandemic on residents who survived COVID-19, families of those who died and the operators and care staff should not be underestimated.
- Following the rapid spread of COVID-19 to residents in nursing homes and the high mortality rate, attention soon turned to the State and sector response to the pandemic. This resulted in a number of key reviews and reports with recommendations that may change the provision of long-term care going forward. Reports include:
  - Special Committee on COVID-19 Response Final Report[1]. The Committee reported that it was unable to get satisfactory answers as to why 985 residents of nursing homes died after they contracted COVID-19. This amounts to 56% of all deaths in the State from COVID-19, which is totally disproportionate for a group comprising of 0.65% of the population who were unique in terms of frailty and vulnerability. The report, published in October 2020, made 11 recommendations, including the establishment of a public inquiry to investigate and report on all circumstances relating to each individual death from COVID-19 in nursing homes.
  - COVID-19 Nursing Home Expert Panel Report[2]: Following the publication of this report, the Minister for Health established an inter-agency Oversight Team to oversee the implementation of the 86 recommendations of the report within 18 months of its publication. The recommendations include, inter alia, current regulations need to be modernised and enhanced with additional powers given to the HIQA; increased frequency of HIQA on-site inspections in nursing homes; mandatory reporting to HIQA of key operational data by each nursing home provider including data on staff numbers and grades, qualifications and occupancy levels and the development of a quality indicators and outcomes/ resident safety model for nursing homes, requiring each nursing home to publish regular reports and to provide copies to HIQA.

- From a business perspective, nursing home operators reported increases in costs including overtime, retention initiatives and extra hours for carers and nursing staff to provide 1-1 care for residents in isolation as well as costs for additional cleaning hours for deep cleans to reduce COVID-19 spread and initially the purchase of PPE.
- Many operators report reduced occupancy directly as an impact of COVID-19 but also a result of introducing changes to manage and prevent the spread of the virus. This included reducing occupancy in twin rooms to singles, using bedrooms as PPE donning facilities, introducing isolation units and staff shortages.
- The Government has provided additional funding to support all residents in private and NFP nursing homes during the pandemic through a Temporary Assistance Scheme (DOH, 2020). This scheme was established as a temporary support mechanism to contribute a capped amount towards costs associated with COVID-19 in nursing homes and has been extended to June 2021. There are two component parts of the Scheme which are integrated: a support payment per month based on the number of residents and an enhanced assistance in the event of a nursing home actively managing an outbreak.

Transaction Activity

Despite the many challenges of COVID-19 the continued Irish and international fund and investor interest in the nursing home sector led to a busy transaction market in 2020. These market changes have resulted in a shift from the traditional owner-operator model in Ireland to the more European PropCo/OpCo model with the transactions seeing the exit of a number of long-time independent owner operators. Transactions reported in 2020 include:

1. **CareChoice:** CareChoice group's purchase of Dublin's only fully private nursing home, Newtownpark House, a 59-bed facility together with 12 retirement bungalows on a 3-acre site in Blackrock, Dublin and Beaumont Care, a 73-bed facility in Cork. The CareChoice Group, backed by French group Infravia Capital Partners now owns 12 nursing homes with 1184 long-term residential care beds in Dublin, Cork and Meath.
2. **Immac:** German healthcare investor and owner of the Beechfield Group, Immac, acquired a further two nursing homes St Gabriel's nursing home in Raheny, Dublin, and Beechpark nursing home in Kildare. The Beechfield Care Group now operates 314 beds across 5 homes.
3. **Pierval Santé:** The nursing home portfolio of French real estate investment company, Pierval Santé, which is managed by Euryale Asset Management, has grown to over 1700 beds. It is reported to have acquired College View Nursing Home, a 70- bed home in Cavan town which will be operated by Grace Healthcare who also operate 5 other homes with 423 beds in Dublin and Monaghan acquired in 2019 by Pierval Santé. Pierval Santé also acquired Innis Ree, a 58- bed nursing home in Lanesboro, Roscommon and Ashborough Lodge Nursing Home with 58 beds in Milltown, Co Kerry. These homes will be operated by Sonas who now operate 591 beds across 12 homes with 8 of these homes (387 beds) and one further home with 90 beds under construction owned by Pierval Santé. The investment company also own 4 homes with 330 beds operated by Brookhaven Healthcare.
4. **Emera:** The French, private equity-backed, care group Emera is reported to have taken a majority stake in nursing homes operator Virtue Group. Emera, which has more than 6,500 nursing-home beds across seven countries, will acquire 70% of the operator. The Virtue Group operates 4 homes with 464 beds which are owned by the French real estate fund Pierval Santé
5. **Blackbee Healthcare Fund:** In 2020, Irish Blackbee Healthcare Fund received approval from the Central Bank of Ireland for their healthcare fund which aims to raise €250m to invest in the acquisition and development of homes. Aperee, the operational arm of Blackbee, took over the management of seven nursing homes operated by the Ditchley Group and the acquisition of Havenwood Retirement Village, a 64-bed nursing home in Ballygunnar, Waterford. Aperee will now operate 552 beds across 10 homes. Blackbee now has c. 680 beds in their portfolio with plans to commence building of a 100 bed home on the site of the former Church of Ireland Rectory in Glanmire, Cork.
6. **DomusVi:** Spanish investor group DomusVi, who have more than 400 nursing homes in Europe and South America, were confirmed as the purchasers of the Trinity Care Group of seven homes and 491 beds (plus 1 home under construction in Ashtown). Belgian Healthcare REIT, Confinimmo immediately acquired the seven homes.
7. **JWP Enterprise Fund:** A number of nursing homes have been purchased under the immigrant investor programme with a reported €185m invested to date. JWP Enterprise Fund reported the acquisition of the Arbour Care Group's five nursing homes with 253 beds. JWP now owns 7 nursing homes with a total of 350 beds.
8. **Arthopoda Limited:** a newly created acquisition company indirectly owned and controlled by Orpea S.A. acquired a 50% stake and joint control of Brindley Healthcare Limited. Brindley Healthcare operates 10 residential care homes with 582 beds. Orpea is a leading European operator focused on the provision of residential care with nursing homes in over 22 countries also acquired the TLC nursing home group of five homes operating 674 beds for a reported €150m. The latest acquisition will give them a portfolio of 1256 beds.
9. **Cardinal Ireland:** The proposed acquisition by Cardinal Ireland Partners Fund SCSp (the "CIP Fund"), through Reguilon Unlimited Company, of a majority shareholding and sole control of operator Mowlam Healthcare Group, has been notified to the Competition and Consumer Protection Commission. In 2019, it was reported that AXA Investment Managers - Real Assets acquired a portfolio of ten nursing homes with 600 beds from Mowlam, which Mowlam Healthcare continue to operate. The Mowlam group now operates c.1600 beds across 27 homes.

Nursing Home Sector Outlook 2021

Summary
While the commencement of the roll out of the vaccination programme is welcome, the vulnerability of the healthcare system remains very much to the fore as the number the COVID-19 cases continue to rise including 150 open outbreaks in nursing homes[3] and our acute hospital system at full capacity services.

Interest in the nursing home sector from overseas operators and investors remains strong with the number of existing operators wishing to exit the sector rising.

In the long term, we are all living healthier and longer. By 2036, our over 80 population will increase from 170k in 2020 to 343k with the ESRI projecting a 39% increase in demand for residential long term care alongside a 70% increase in demand for homecare services. In the main, health is a non- cyclical sector and is less sensitive to economic growth and recessions. The favourable demographics and the level of regulation in the nursing home sector will result in continued growth and investment in the sector. However, in a post COVID-19 world, it is likely that there will be changes to the models of care for older people and the regulatory approach.

COVID-19: At the time of writing (22 Jan 2021) nursing homes continue to experience challenges with 150 outbreaks of COVID-19 in nursing homes, with 44 new outbreaks reported in Week 2 /2021. The European Centre for Disease Prevention and Control (ECDC) reported that "the probability of COVID-19 introduction into a long-term care facility depends on the level of COVID-19 circulation in the community, with a higher risk associated with higher incidence rates in the community."

The Report of the Expert Panel on Nursing Homes: The inter-agency Oversight Team to oversee the implementation of the 86 recommendations has published its first interim report.

Regulation: HIQA estimates that 49% of the 572 nursing homes currently registered as Designated Centres for Older People will be due to renew their registration between July 2020 and June 2021. Since July 2020, 97 nursing homes have been registered, 4 of these were new openings. HIQA have recently received approval and funding to appoint additional inspectors.

- The current model of regulation of nursing homes, in place since 2009, is built on the premise of the registration of a designated centre and not on the model or type of service provided. HIQA (2017) have previously proposed a service-based model of registration supported by a suite of regulations specific to each model of care. In line with recommendations from the Expert Panel report, the Department of Health has established a Bilateral Project Group with HIQA to examine the regulatory framework underpinning the operation of nursing[4].

Introduction of a regulated Homecare Scheme: The Department of Health is in the process of developing a new statutory scheme for the financing and regulation of home-support services which will be underpinned by a reformed model of service delivery. However, the Minister of State for Older People announced that, while work on developing the necessary regulatory framework, assessment processes and IT structures were initiated; the scheme for homecare has been delayed until 2022.

Headwinds

Premises: Operators may be required to reconfigure homes and/or build extensions to meet regulatory requirements and best practice guidelines for infection prevention and control. This may include self-contained units and single ensuite bedrooms to facilitate isolation which may result in reduced bed numbers and accelerate the deregistration of some homes, particularly homes where occupancy levels have dropped considerably, costs have risen and significant investment will be required to reconfigure and future proof the home to meet regulations – this may impact >40% of current homes.

Financial: The Minister announced a further extension of Temporary Assistance Payment Scheme (Further Extended Scheme) to support Nursing Homes up to 30th June 2021. The Scheme which consists of a Standard Assistance Payment and an Outbreak Assistance Payment contributes to additional allowable costs arising from COVID-19 incurred during the period of October 2020 to June 2021. Costs in the sector will continue to increase, in particular staff costs as a result of the introduction of the "living wage" and mandatory pension costs. In addition, operators report increased costs associated with social activities and catering to ensure distancing. Regulatory requirements will also result in increased costs.

EBITDA: Given the increased costs and lower occupancy it is projected that homes may experience a 2-4% drop in EBITDA margin in the absence of any change of reimbursement model. This will depend, inter alia, on home type, bed numbers, configuration, Fair Deal rate, bed supply and of course the successful roll out of the vaccine.

Looking ahead

- Projected population increases are greatest for older ages with the population aged 80 and over set to increase from 170k in 2020 to 343k in 2036, an increase of 102%. This will have a profound impact on the demand for healthcare services with the Health Service Capacity Review (2018) projecting a 70% increase in the demand for home care and a 33% increase in demand for residential long- term care, by 2031 (ESRI, 2018).
- The costs associated with regulation, infection control and the proposed nursing metrics and quality indicators and outcomes/resident safety model to be developed for nursing homes, requiring each nursing home to publish regular reports will be an additional burden for smaller independent owner operators. In the absence of a co-operative type model where single operators can contribute centrally to build capacity and capability in areas there may be a further consolidation or home closures.
- Continued fund and investor interest in the nursing home sector will lead to another busy transaction market in 2021, with the exit of independent owner operators.
- In 2020, operators delayed extensions and reconfigurations to focus on caring for residents. In 2021, we expect to see operators seeking finance for extensions and reconfigurations of existing homes to meet both demand and regulatory standards. Already we are seeing operators proposing extensions with "own door" access and smaller self-contained units in community settings. This trend is likely to continue.

Bank of Ireland

Bank of Ireland understands the challenges faced by the nursing home sector as a consequence of the COVID-19 outbreak. Over the last 9 months we have supported our nursing home customers through payment breaks and facilities so they could focus on providing care. We are a strong supporter of the sector and in particular those care models where there is an alignment of interest from resident to borrower. We will continue to work closely with our customers and communities to enable them to thrive in the coming year as they adapt to the "Next Normal".

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Hilary joined Bank of Ireland as Head of Health in 2014 and has supported healthcare providers to grow and scale their businesses.

She held previous roles as Head of Healthcare Regulation in HIQA, Principal Consultant at PA Consulting, Patient Safety Advisor at World Health Organization and Head of Healthcare Business in Allianz Ireland. Her extensive senior clinical and business experience gives her a unique understanding of clinical, regulatory and financial aspects of healthcare. Hilary originally qualified as a nurse and holds an MBA from UCD, post graduate qualifications in Risk Management, Corporate Governance, Regulatory Crime and Business and Executive Coaching.

[1] *https://data.oireachtas.ie/ie/oireachtas/committee/dail/33/special_committee_on_covid_19_response/reports/2020/2020-10-09_final-report-of-the-special-committee-on-covid-19-response-sccr004_en.pdf Accessed 02 October 2020*

[2] *https://data.oireachtas.ie/ie/oireachtas/committee/dail/33/special_committee_on_covid_19_response/reports/2020/2020-10-09_final-report-of-the-special-committee-on-covid-19-response-sccr004_en.pdf Accessed 02 October 20*

[3] *https://www.hpsc.ie/a-z/respiratory/coronavirus/novelcoronavirus/surveillance/covid-19outbreaksclustersinireland/COVID-19%20Weekly%20Outbreak%20Report_Week022021_v1.0_18012021_WebVersion.pdf Accessed 22 January 2021*

[4] *https://www.gov.ie/en/publication/c7f5b-covid-19-nursing-homes-expert-panel-report-implementation-oversight-team/ Accessed 24 January 2021*

Sources
Central Statistics Office, Competition and Consumer Protection Commission, Department of Health, Economic and Social Research Centre, Health Information and Quality Authority, Health Protection and Surveillance Centre, Health Service Executive (HSE), National Public Health Emergency Team, Organisation for Economic Co-operation and Development, Programme for Government, World Health Organization.

Retail Convenience

Grocery & Convenience sector demonstrated unflinching commitment to customers and communities during unprecedented trading conditions in 2020.

Retail Convenience: 2020 Review

Summary

- **Unprecedented Growth:** Exceptional growth delivered by grocery retailers linked to COVID-19 related demand. Shopping behaviour and frequency patterns favoured larger operators in the Irish market.
- **Customer Goodwill:** Sector response to the pandemic; supporting communities and vulnerable in society has generated goodwill and trust towards retailers and their staff.
- **Investment:** Store revamp and purchase activity was particularly strong in H2 2020 and this trend is expected to continue in 2021. Bank of Ireland continues to actively engage and support grocery retailers with investment plans.

2020 Key Trends

- Strong growth in take-home grocery sales linked to COVID-19 customer requirements and behaviour. Growth of 17% delivered in December 2020 per Kantar Grocery market share index.
- Supervalu, Dunnes and Tesco continued to compete strongly for the no. 1 spot in grocery market share; Supervalu benefiting from its extensive community focused store network and online capability and Dunnes delivering a strong performance in the Dublin region. Aldi and Lidl continue to maintain a strong foothold in the Irish market.
- COVID-19 has driven a large divergence in performance amongst convenience focused operators. Neighbourhood stores (Centra & Eurospar) have reported a strong performance whereas many city/town centre and forecourt stores have seen a significant deterioration in footfall linked to increased working from home practices etc.
- The Irish consumer now expects a frictionless/accessible shopping experience linked to health and safety and progressive retailers are continuing to invest in omni-channel strategies and technology (click & collect/on-line loyalty clubs) to drive improved engagement opposite their customers and employees. The provenance/origin of products continues to inform/guide shopping trends and behaviour.

2020 Key Numbers

17%

Grocery sales increase in December 2020 per Kantar Grocery market share index.

46%

Increase in online grocery sales v December 2019 per Kantar Grocery market share index.

100

Milestone anniversary celebrated by Maxol Group in 2020.

€400m+

Valuation of BWG Group's equity per Spar South Africa's annual report *(Irish Times 19/11/20).*

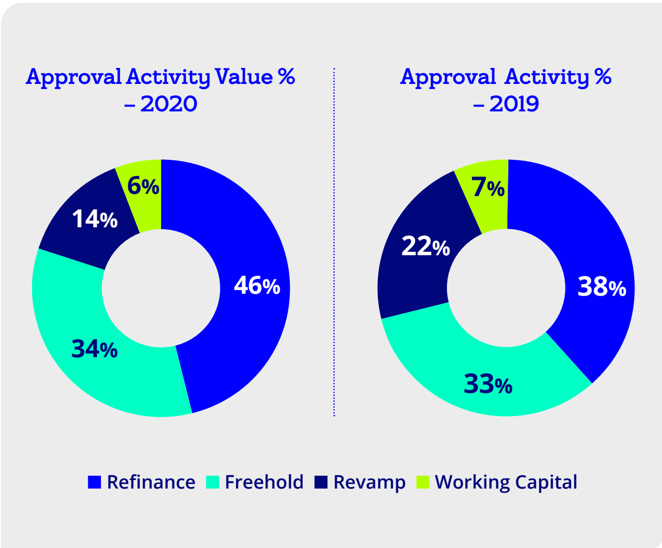
€718m

Sales price agreed for Bidco to purchase Applegreen *(Various media 22/12/20).*

Key Activity in the Sector in 2020

- Despite exceptional demand, the overall grocery supply chain proved robust; a testament to the contingency plans in place by Irish grocery operators/wholesalers.
- Shopping patterns have reverted to the "Big weekly grocery shop". This has led to a negative impact on gross margin percentage as less impulse/more considered shopping behaviour emerges.
- Retailers are continuing to implement pragmatic succession planning structures to ensure that appropriate long-term value is delivered from their business. COVID-19 has been a catalyst for some retailers investigating future options.
- A strong pipeline of store revamps and purchase activity was generated in H2 2020. Progressive retailers continue to recognise that in-store investment is necessary to maintain customer engagement and loyalty.

Approval Activity Value % (per internal Bank of Ireland data)



Sector Developments: Investment and Consolidation

- Tesco have continued their contraction strategy by selling their operations in Thailand, Malaysia and Poland in recent months. Cork man, Ken Murphy took over as Tesco Global CEO in H2 2020.
- Supervalu, Lidl, Aldi and Dunnes all outlined plans for new store openings in 2021 across all regions with a noteworthy focus on satellite towns of Dublin, Cork and Galway.
- A number of key transactions occurred in the forecourt sector; DCC purchasing Tesco's forecourt outlets, Greenergy purchasing Amber Oil and Bidco taking Applegreen private. Further consolidation in this sub-sector is expected in 2021 *(Shelflife/Irish times/Sunday times).*
- Consumers continue to have a key focus on food provenance and healthy options. This demand is being met by expansion/investment from Fresh the Good Food Market and Nolan's of Clontarf amongst others. Musgrave have signed an exclusivity agreement with The Happy Pear for the island of Ireland and BWG have launched a healthy-eating guide in conjunction with the FAI.

A renewed focus on store investment and consolidation within the sector. Margin preservation key linked to change in consumer behaviour.

Retail Convenience 2021 Outlook

2021 Key Numbers

24

Number of stores within the Dunnes stores network providing an online service in collaboration with Buymie. *(Irish Times 05/10/20).*

£6.8bn

The amount paid by EG Group to acquire a majority ownership in Asda in the UK. *(The Grocer – October 20).*

1,200

The reduction in carbon emission tonnes which Tesco aims to deliver from its partnership with Green Generation. *(Shelflife June 20).*

€28m

The daily contactless spend in Ireland in October 2020 per the Banking and Payments Federation *(BPFI 05/12/20).*

2021 Retail Convenience Sector Outlook

- **Robust Outlook:** Overall a resilient sector to economic shocks; Level of COVID-19 linked restrictions will be key for footfall re-instatement in high convenience and forecourt stores.
- **Funding Activity:** Strong active pipeline of store purchase and revamp proposals– retailers recognise that customer experience/excellent standards will be key to attract and retain market share.
- **Investment/Consolidation:** Increased investment in partnership agreements and further consolidation of the market (especially forecourt sub-sector) expected in 2021.

Market

- Significant revamp programme rolled out in 2021 nationwide by leading grocery operators as the ever more discerning consumer seeks excellence in store standards. Activity levels in 2020 were impacted by COVID-19 linked restrictions and volumes completed in 2021 will be subject to levels/length of restrictions in the coming months.
- Detailed analysis pre and post revamp will be an imperative to ensure that maximum return on investment is delivered via sales mix improvement, margin growth and cost saving.
- Increased consolidation expected in the market with larger independent grocery/convenience operators expanding their store network thus creating multi-store groups operating under the Supervalu, Centra and Spar banners in particular.
- The long-term model adopted by high convenience and Forecourt retailers will be examined – can they effectively pivot towards grocery top-up and/or a hub for people working from home through increased delivery capability?
- Corporate social responsibility linked to sustainable and environmentally friendly in-store activities will be a key area of focus for all retailers – energy efficient equipment, elimination of single-use plastic, improved recycling facilities and reduction of food waste. This will enable an improved cost base whilst meeting consumer expectations in respect of ethical trading.
- Development of a frictionless, reliable and efficient online service to meet increased demand for a digital offering will rank high on investment priorities for the sector. Retailers will examine the benefits of 3rd party partnerships, "dark-stores/fulfillment centres" and improved click and collect offerings to meet the nascent growth in this channel.
- All retail businesses will need to focus strongly on margin preservation in 2021 linked to functional/more considered shopping behaviour.

Funding Activity

- Revamp activity to continue linked to a proactive revamp strategy from progressive retailers nationwide (subject to no further COVID-19 linked restrictions)
- Store sale activity primarily linked to succession planning will continue to develop in 2021. Leasehold retailers will continue to see opportunities to purchase the freehold interest of their stores.
- Refinance activity projected in the sector in 2021 linked to exiting banks and loan book purchasers seeking to deleverage.

Bank of Ireland

- In Bank of Ireland, we recognise that we have a unique opportunity to support our customers and to enable Irish businesses and the communities we jointly serve to thrive.
- Our proven financial capabilities, combined with comprehensive sector expertise, provide us with a strong platform to meet the funding requirements of Irish retailers.
- We understand the investment cycle, including the need for regular expenditure to maintain growth and profitability in this dynamic sector, and we have a strong appetite to support progressive, innovative retailers in the further development of their businesses in 2021.

Owen Clifford

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Owen Clifford is Head of Retail Convenience within Bank of Ireland since 2015. Owen is responsible for the continuing development of the Bank's growth strategy in this key area and has actively supported leading retailers and stakeholders in the sector to grow and develop their business in a sustainable manner.

Owen has brought extensive industry knowledge and experience to this role, having worked in the retail sector with Musgrave Retail Partners Ireland where his role involved supporting independent retailers to maximise their profitability and to develop long-term, sustainable business models. During this time Owen built up a significant knowledge base, and a network of connections with expertise, in the areas of Finance, Operations and Legal/Regulatory requirements specific to the Retail Convenience sector.

Owen holds a first class honours degree in Law and Accounting from the University of Limerick and is a Fellow of the Institute of Chartered Accountants Ireland and an Associate of the Irish Taxation Institute.

Team Technology, Media and Telecoms (TMT)

As the world grappled with the pandemic and moving to a working from home model; business decisions relating to mapping digital strategies that would normally take several years, were now taking weeks.

TMT 2020 Review:

Summary

Technology: the utility of technology solutions were more apparent in the last year as businesses grappled with maintaining operations. We are now more immersed in technology than we have ever been, some examples include the banking sector where physical channels were migrated to online; doctor visits were now undertaken over video calls; virtual self-service (virtual assistants, chatbots dynamic FAQs etc) became more ubiquitous and retail adopted contactless delivery models.

Media: We saw significant growth across ecommerce platforms, as the pandemic highlighted the importance of digital channels. Barriers to entry fell; businesses incrementally adopted 'off-the-shelf' technologies to respond to the challenges presented in what was for many, their first venture into the digital world. From an entertainment perspective as people stayed indoors, there was record numbers of subscribers for both Netflix and Disney by the end of 2020.

Telecoms: while the traditional voice model had been in decline for some time, the pandemic provided an unexpected, yet short-lived period of growth during the early stages of the pandemic, as customers sought to reconnect with their families and loved ones. We are increasingly dependent on internet connections and the importance of the telecoms network was never more evident than in the last year, supporting the mass migration to working from home, zoom calls and the streaming of content.

Key Trends:

Cloud technologies: the agility, flexibility and power of cloud technologies became obvious as businesses sought to continue business as usual in an uncertain environment. It has not only enabled work from anywhere but has opened enormous opportunities for companies to access data and insights that can help spot unseen trends; manage businesses more efficiently or support innovation and new product development.

Managed Services Providers (MSPs): there has been significant consolidation activity across the sector over the last 12 months as businesses boost their service offering through acquisition or grow new business by acquiring a competitor's customer base. This sector is likely to grow further as the pandemic has driven the acceleration of digital transformation across every sector driving demand for services.

Telecoms: like managed services there is ongoing consolidation taking place across the sector as businesses seek to achieve critical mass. Internet Service Providers (ISPs) and infrastructure providers are jockeying for position to get a share of the growing 5G and National Broadband Plan roll out.

Security: COVID-19 related attacks grew exponentially over the last year as rogue elements capitalised on the uncertain situation; creating fake websites and embedded email links purporting to originate from authentic sources, that exploited people's concerns about the pandemic. Businesses need to be alert to potential attacks, ensure devices are secure and robust endpoint solutions are in place.

Sector Developments – Key Numbers in 2020:

$27.7bn

Salesforce acquires Slack, to support work from anywhere.

€692m

Value of Film, TV and Animation sector to economy.

€3bn

(Estimated) cost of roll out of National Broadband Plan.

€17m

Dogpatch Labs wins contract to operate NDRC.

No1

Everseen takes top spot in 2020 Deloitte Technology Fast 50 awards.

Key Activity in the Sector:

Downside impact on some subsectors: some subsectors were disproportionately impacted, particularly those providing solutions across the travel, hospitality and aviation technology sectors. In some cases, where possible, companies have sought to repurpose their technology with a view to opening new markets/opportunities. However, as lockdowns continue it will take quite some time for these sectors to recover.

Impact on sales: the world's trade events were mostly postponed which had a detrimental impact on customer's ability to generate new business. The focus instead, shifted to protecting existing customers through activating customer success teams. These teams were tasked with helping customers with payment plans or finding opportunities to cross sell/upsell and expand their footprint among existing customers.

Digital of everything: we are now more immersed in technology than at any time in our history. Consumer behaviour has changed, by having to adapt to restrictions and lockdowns. This is now fuelling how we consume products and services; at a time and place of our choosing, on any device and delivered anywhere; enabling a seamless customer experience.

Lending Activity

- Bank of Ireland lending drawdowns to the sector grew significantly, continuing the trend of recent years, across SaaS, Telecoms and Managed Services.
- Noticeable uplift in applications funding acquisitions in the MSP space as businesses sought to broaden their service offering, such as acquiring capability in security or cloud technology.
- Digital adoption across every sector provided unexpected opportunities for service providers and led to an increase in applications as customers sought to invest in their businesses to capitalise on these opportunities.

Sector Developments

M&A and Investment

Decawave, the Dublin-based chipmaker was acquired by Qorvo in a deal that was estimated to be worth about $400m (€363m).

Amdocs, the American multi-national acquired Irish technology company Openet for $180m.

Asavie, the Dublin-based IoT solutions provider was acquired by Nasdaq-listed Akamai. Details of the transaction were not disclosed.

Fundraising

Data from the Irish Venture Capital Association showed funding for the first nine months of 2020 rose 39pc to €785.7m, up from €566.3m in the same period in 2019. This follows a record Q2 for VC funding in Ireland, which saw an increase of 58pc compared to the second quarter of 2019.

LearnUpon, the Dublin-based EdTech company raised $56m (€47.6m) in a Series A funding round with a minority investment from US-headquartered Summit Partners.

Workhuman, the Dublin-based HR technology firm, has become the latest Irish tech firm to achieve 'unicorn', status following a $100 million investment, valuing the business at $1.2 billion.

Keelvar, the Cork-based strategic sourcing software company, raised $18 million in Series A funding led by Elephant and Mosaic Ventures with participation from Paua Ventures.

TMT 2021 Outlook

Key numbers

2021 TMT Sector Outlook

Technology: we are living in an increasingly virtual world and while there is great hope that we will eventually return to 'normal'; the digital adaption in recent months that has accelerated will continue this year and beyond; inevitably this will lead to further demand for various technology services and solutions.

Media: we will see continued disruption/consolidation across the various content channels (print, TV, online etc.). Personalised and premium content is now demanded by consumers, supported by advanced customer analytics providing relevant, contextual insights. As many traditional brands journey to digital, technology will play a vital role as customer avatars (profile), search engine optimisation and social media marketing form part of a suite of solutions to drive improved customer experience, connections and monetisation of content.

Telecoms: the industry demonstrated both its resilience and its importance in maintaining communications and supporting consumers and businesses during the crisis. Entertainment and mobile are now seen as a utility, insofar as their subscription to Disney+ or Netflix or mobile connectivity, like water or electricity and therefore a non-discretionary expense. These services are dependent upon telecoms infrastructure. To this end, it is likely we may see more vertical integration activity in the sector as cloud vendors seek to acquire telecoms capabilities.

Market

The lines are becoming increasingly blurred, as technology becomes embedded across every industry sector; reinforcing the notion that nowadays "every company is a technology company". Below are samples of how technology may impact various sectors over the coming year.

- **TMT:** Gartner suggest the three keys strategic themes to drive growth are **people centricity** (focus on providing digitised processes to various stakeholder groups – employees, customers, suppliers and the wider community), **location independence** (cloud-enabled, work from anywhere, operations capability) and resilient delivery (using sophisticated technologies and having systems to enable a business to adapt and overcome volatility).
- **Manufacturing:** we are likely to see machine learning, robotics, artificial intelligence (AI), computer vision and edge computing featuring more prominently Industry 4.0 accelerating.
- **Retail:** the surge in online will continue, with mobile commerce continuing to expand with people-centric, contactless shopping tools, such as QR codes, becoming more mainstream.
- **Motor:** we are likely to see further evolution in how vehicles are sold as well as further advancements in the overall driving experience. Virtual Reality (VR) is likely to become more commonplace to enable customisation of vehicles at purchase, leading to an enhanced customer experience.
- **Healthcare:** telehealth will expand and accelerate further with video calls playing a central role. Similarly, AI and machine learning will become more widely used to help identify trends and sequences in medical data, that humans cannot, that could support early diagnosis of illness/disease creating a more proactive approach to health management.
- **Hospitality:** while contactless payments have been around for some time; a hands-free approach could well result in hotel chains providing customers with Near Field Communication (NFC) and QR (Quick Response) code solutions; enabling customers to engage seamlessly through their smartphones.
- **Food and Drink:** Internet of Things (IoT) is expected to be a cornerstone of traceability for the food and drink industry into the future. It helps companies to manage food safety, improve traceability, cut waste and reduce costs from end-to-end through the deployment of sensors and data capture at every stage of the process.

- **Agriculture:** robotic milking is already commonplace in the sector and has paved the way for increased adoption of precision agriculture, using big data, drones and atmospheric environmental tools to provide data on everything from soil moisture content, weather patterns and livestock movements. Deployment of farm management software is also increasing at pace.

Funding Activity

- Acceleration of digital adoption will continue, with solutions providers investing in their businesses to adequately resource their operations to capitalise on opportunities.
- Further consolidation is expected in the MSP space, as scale and breadth of solutions are demanded by customers.
- The Telecoms sector is expected to grow this year with the National Broadband Plan creating opportunities for various ISP and telecoms infrastructure providers requiring facilities for growth and expansion.

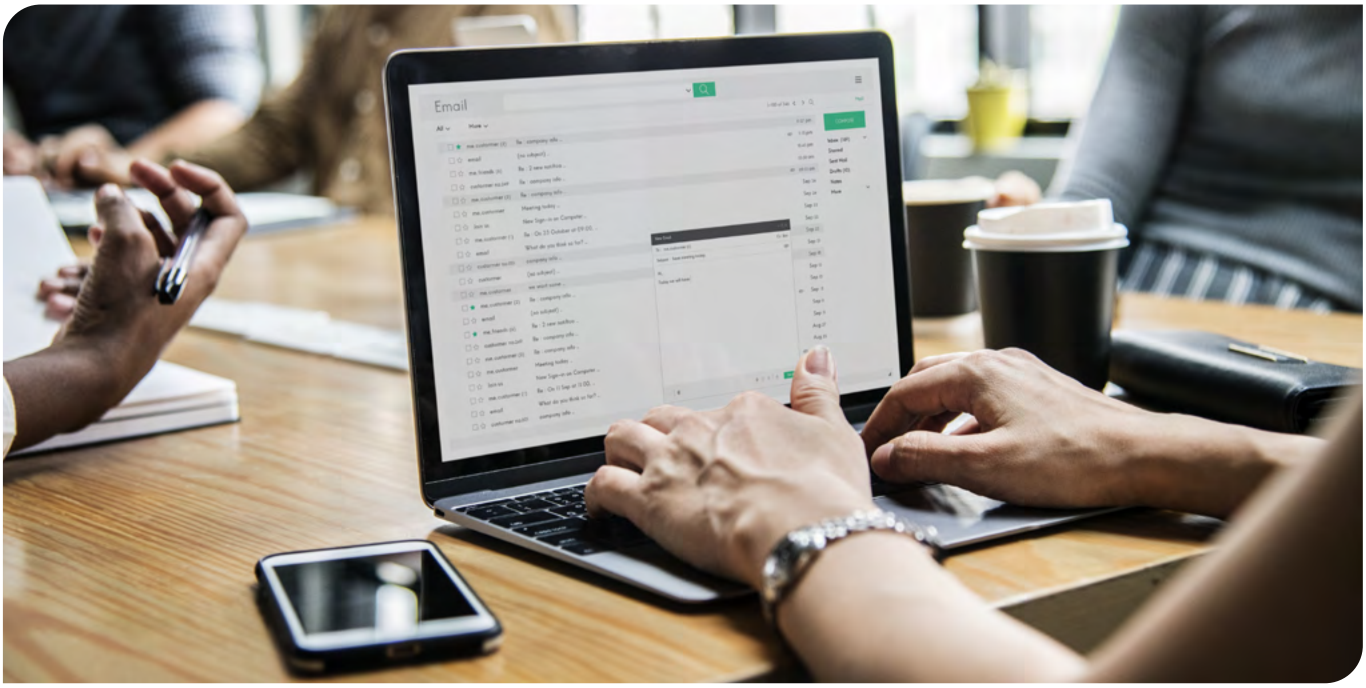
Bank of Ireland

At Bank of Ireland, we recognise that we have an opportunity to support our customers and helping to enable Irish businesses and the communities we jointly serve to thrive.

Our proven financial capabilities, combined with comprehensive sector expertise, provide us with a strong platform to meet the funding requirements of Irish Technology, Media and Telecoms companies.

We are delighted to continue to provide various facilities to some of Ireland's best-known TMT brands. But we won't stop there; it is our ambition to grow further and by having a designated Technology team we can deliver on our agenda to be the Bank of Choice for Ireland's Indigenous Technology Sector, with the experience, the knowledge and most of all an understanding, of your business.

Talk to our Technology Team today, to see how we can help you grow your business.



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Paul has over 20 years' experience in delivering transformational and innovative business opportunities. He has worked with leading technology-driven companies and institutions including TSSG (Waterford Institute of Technology) and the Adapt Centre (formerly CNGL), Trinity College Dublin, where he led technology commercialisation activities across both the indigenous and multi-national technology sectors. He has also worked closely with spin-outs and mentored new and established technology companies.

Paul managed the Consumer Technology portfolio for IDA Ireland (based in Boston), across New England and Eastern Canada territory; working with some of the world's biggest technology brands. Paul also completed a posting in the Middle East, based in Bahrain, assessing multi-million euro investment projects in the region. More recently he led business development for Eishtec across the North American market. A native of Waterford, Paul holds a Masters of Business (Hons) Internationalization from Waterford Institute of Technology.

Sources: Phocuswire, Gartner, Fortune, Techrepublic, Revfine, Chainstorage, Forbes, Silicon Republic, Deloitte, WSJ, PWC, Techcrunch.com, Walt Disney Company, Screen Ireland, Irish Times, RTE.

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