Sector Developments & Insights

December 2020

Bank of Ireland

Classification: Green

Contents

Introduction from June Butler – Head of Sectors – Bank of Ireland

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Welcome to the December issue of our Sector Developments and Insights update. Since our last briefing, we have seen strong activity from Bank of Ireland SME customers; with our allocation under the SBCI Future Growth Loan Scheme fully subscribed in late November. We have also seen a steady increase in enquiries in respect of the COVID-19 Credit Guarantee Scheme with increased engagement expected in Q1 2021. With positive news over the last few weeks in relation to a COVID-19 vaccine, and an improved economic outlook, we are optimistic as we enter into 2021. We will continue to engage proactively with our customers and their advisors as they address the impact of COVID-19 and Brexit and look to respond to growth opportunities in their sectors in 2021.

Supporting our Customers

We continue to organise topical and informative events for our customers. In November we hosted two key note events:

- **Government scheme webinar** – outlining the variations and requirements across different schemes from a customer perspective.
- **Hospitality webinar** – focusing on the challenges and opportunities facing the wider Irish hospitality sector as we move into 2021.

We are cognisant of the importance of an online presence for Irish SME's to meet customer expectations and sustain their business into 2021 and beyond. We also recognise that this can be a daunting move for some businesses. To proactively support Irish SME's in this regard, Bank of Ireland has collaborated with Shopify, Pointy and the e-Commerce Association of Ireland to provide practical advice and guidance on the move to online selling. These tips can be found **here**.

If you would like further information on any of the above, please contact any member of the sectors team.

THANK YOU

On behalf of all of the Bank of Ireland Sectors Team, I would like to take this opportunity to thank you for your support and engagement during 2020 and to wish you all a peaceful and safe Christmas and every success for 2021.

Government Schemes Update

Government Schemes Update
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Bank of Ireland continues to be a strong supporter of Government Schemes, with the following key SME funding support schemes in place:

SBCI Brexit Working Capital Loan Scheme / COVID-19 Capital Loan Scheme

With Brexit re-emerging to challenge businesses and economic activity generally, enquiries and interest in the scheme has begun to re-emerge. Specific to the Covid-19 aspect of the scheme, 70% of the loans to date have been for amounts up to €100k.

COVID-19 Credit Guarantee Scheme:

Following muted initial demand and application flows, there has been some pick up in flows/enquiries emerging in recent weeks. The majority of applications to date have been confined to working capital purposes. Bank of Ireland has been advised that this scheme is scheduled to be extended to 30th June 2021.

SBCI Future Growth Loan Scheme

BOI has seen a solid flow of enquiries/activity since we reopened this scheme in August 2020, and given we had reached our allocation threshold, ceased accepting new applications from 13th November 2020. An average deal size of €185k (SME €247k / Agri €127k) confirms that the scheme was particularly attractive to our Small Business & Agriculture borrowers.

Retail

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Grocery/Convenience Stores

Grocery retailers continue to deliver a strong performance with the latest Kantar data outlining that Dunnes now has the largest market share with 22.2%. This data reflects the shopping patterns within the twelve weeks to 1st November 2020. Dunnes sales performance was particularly strong in Dublin where shoppers had been living under increased restrictions since mid-September and spent an additional c€40m at the retailer during the period *(Kantar 17/11/20)*.

South African stock exchange listed The Spar Group ("TSG") will assume full control in January 2021 of BWG when it acquires the final 10% of the business that it doesn't currently own. BWG has a network of c1,400 stores including Spar, Mace, Londis, XL as well as a foodservice division supplying the catering industry and UK retail group Appleby Westward. TSG first invested in BWG in 2014 when it paid c€55m for an 80% stake of the business. In the interim, BWG has grown revenues by c33% to c€1.5bn per annum and the business is now valued at c€500m *(Irish Times 19/11/20)*.

Strong investment continues in the sector. The family owned Pettitt group have invested c€4m in the fit-out of a new flagship Supervalu store in Bray, Co Wicklow. This new store will expand their network to seven stores and will create 80 new jobs in Wicklow when it opens in early 2021. In Bank of Ireland we have a strong pipeline of funding activity for store purchase and revamp proposals. We have provided funding in excess of €70m to family owned grocery/convenience businesses in 2020 to date and remain committed to supporting the sector.

Other Retail Businesses

The latest Retail Index from the Central Statistics office (CSO) highlights the diversity of the Irish retail sector. Sales volumes (excluding motor sales) were up 9% in October 2020 when compared with October 2019 *(CSO Retail Index 27/11/20)*. This was driven by exceptional physical store sales performances in the Grocery, Electrical, Furniture and Homeware subsectors (amongst others). Sales in the Fashion, Newsagent and Department Store sub-categories showed a marked decline when compared with October 2019. Shopping patterns and sub-sector performance will continue to be analysed closely to ascertain more lasting sub-sector trends emerging in a post COVID-19 environment.

COVID-19 has accelerated the evolution towards omni-channel retailing and consumers now expect a complementary blend of digital and physical platforms from their preferred retailers. If retailers want to maintain customer engagement they need to strongly consider providing a digital offering that is complementary to their existing offering. Less is more from a range perspective and meeting customer expectations in respect of delivery and quality/provenance of product are imperative. There is unprecedented goodwill in the market towards Irish retailers and products at present – Irish consumers want to support Irish retailers to sustain Irish jobs and communities.

To support Irish SME's, Bank of Ireland has collaborated with Shopify, Pointy and the E-commerce association of Ireland to provide practical advice and guidance on the move to online selling. These tips can be found **here**.

Agriculture

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Brexit

All eyes are focussed on whether the EU and the UK can agree a deal before January 1st, when the transition period officially ends. A no-deal scenario would be challenging for the Agri sector in Ireland. A new report by Teagasc outlines that under a no-deal Brexit, the average family farm income in 2021 could decrease by 18% - a drop of €690m across the whole sector. This assumes there will be no additional support for the sector. Beef farmers would see the largest reduction where average income could drop by as much as 40%, while dairy farm income could drop by 13%. Teagasc are predicting that a no deal scenario could see milk price reduce by 7% (2c) as a direct result of tariffs on cheddar from Ireland to the UK.

Land sales

There has been a flurry of activity in land sales over recent months. This is mainly as a result of the first lockdown where auctions were not possible. It is likely that limited supply along with continued increased demand is helping to drive prices. In some areas agricultural land is making in the region of €18,000-€25,000 per acre. It appears the majority of interest is from farmers and especially those bidding on adjoining land. Interestingly, there is renewed interest from non-farmers as they look at land again as an investment option given the current economic climate.

Dairy

In the last number of weeks there have been a number of fixed milk price schemes offered to farmers by co-ops running all the way out to December 2023 in some instances. Farmers can commit anything up to 15% of their annual supply at base prices of between 31c/l to 33c/l (including VAT) depending on which processor they supply.

These prices are solid and indicate a stable market in the next 2-3 years. In practice these schemes are for relatively small volumes and with Brexit around the corner, there still needs to be some caution around price volatility in the near term albeit that longer term markets are stable.

Beef

Beef prices continue to rise with quotes of €3.80/kg and above as supplies of prime cattle tighten. The supply of cattle has been falling for a number of months now and it is likely that there is also some stock building in preparation for a no-deal Brexit as factories push beef into the UK in advance of January 1st to avoid any potential trade tariffs.

Tillage

Most winter crops have gone into the ground in good condition and are looking healthy as we turn into the New Year, thanks to the relatively dry autumn. Grain prices remain strong as a result of dry weather in wheat growing regions of the US and South America, impacting supply. Dried wheat is trading around €220/t with barley €30/t under this which is a larger gap than normal and is mainly driven by the impact of COVID on malting barley demand.

Food & Drink

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Stock Management

The focus of food & drink manufacturers continues to be around stock management, particularly in light of the potential disruption of Brexit, the change in demand patterns due to COVID-19 restrictions and the normal seasonal spike for Christmas, overlaid with the changed shopping patterns related to COVID-19. In addition, many retailers are planning to buy stock in early for January promotions in order to pre-empt any Brexit related disruption. As a result, many retailers have postponed plans for new product development and have been focusing on core existing lines.

COVID-19

Manufacturing concentration continues to remain on staff health and safety, particularly in light of the second wave of infections. This continues to add cost to production. In the UK, mass rapid testing has been trialled at a number of food plants and there are plans for an industry wide rollout in December[1]. In addition, the UK Meat Processing Association has called for meat plants, to be prioritised for potential vaccine rollout[2], due to the cold room conditions, along with other factors, that have made them significant infections sites. In the US, Tyson Foods has been hit with a wrongful death suit relating to the death of an employee from COVID-19 and allegations of failures in health and safety and COVID-19 protection[3]. China's Market Regulator[4] has also raised concerns about the cold chain and its potential for the spread of COVID-19. Sweeping tests have been conducted on food imports and in supermarkets and wholesale to detect the presence of the virus. The Chinese Government has stated that all imported cold chain food must be tested for COVID-19; this potentially adds additional cost, complexity and delays for exporters into the growing Chinese market. From an Irish perspective, it has depressed costs for frozen seafood exports[5].

Foodservice Recovery

The news of the potential vaccine has been heartening to those supplying the foodservice sector. However, recovery to 2019 levels will not happen in 2021, according to a Bord Bia foodservice report released recently[6]. Their most optimistic forecast would still see a decline of 26% on 2019 values in 2021. A key concern for food suppliers as the sector returns to growth will be around the strength of the supply chains. A recent survey from the UK highlighted that UK wholesalers had shed 8% of their workforce and suggested that 40% of wholesalers were at risk of insolvency in the next three months[7].

Brexit

Food & Drink producers continue to hope for a trade deal in order to lessen the effects of Brexit come January. However, stocks once again are being built in order to avoid problems in early January. The level of readiness of UK ports and systems continues to cause concern[8]. However, the news of a new direct ferry service to the north of France is good news for producers wishing to avoid the land-bridge to the continent[9].

Food Drink Ireland (IBEC) published a new economic analysis relating to the Brexit effects on the sector and called for additional support regardless of whether there is a deal or not, due to potential disruption to the 37% of our food & drink exports that go to the UK[10]. It calls for funds to the value of 5% of the value of exports to be made available to the sector from the EU's Brexit Adjustment Reserve.

An illustration of the potential disruption is the fact that current EU health certificates for raw prepared meats, such as sausages, do not allow for the product to be chilled. It must instead be frozen[11]. This is to be replicated on the UK side. This potentially could disrupt trade without a will to resolve it, which would probably be lacking if negotiations fall down. It does not however affect the majority of Irish meat exports to the UK which are prime cuts, rather than prepared.

Ireland's fishing industry continues to watch the discussion on access to the UK waters carefully. This week, the EU offered to return 15-18% of UK waters to the UK[12]. The UK's latest position was insisting on retaining 60%. While politically sensitive, fishing is not economically significant in the deal and a species specific deal could allow both sides to claim victory, if the other Brexit related sticking points, the level playing field and governance, are agreed.

[1] https://www.thegrocer.co.uk/people/covid-test-and-trace-boss-mike-coupe-announces-mass-testing-trial-for-food-industry/650682.article
[2] https://www.foodnavigator.com/Article/2020/11/25/Meat-sector-calls-for-coronavirus-vaccine-priority
[3] https://www.reuters.com/companies/TSN.N
[4] https://www.reuters.com/breakingviews
[5] http://www.kfo.ie/assets/kfo-news-october--20-no.79_for-website.pdf
[6] https://www.bordbia.ie/industry/news/press-releases/irish-foodservice-market-down-4-billion/
[7] https://www.thegrocer.co.uk/hiring-and-firing/almost-5000-wholesale-staff-have-lost-their-jobs-to-coronavirus-survey-reveals/650745.article
[8] https://www.bbc.com/news/uk-wales-politics-55149388
[9] https://www.irishtimes.com/news/ireland/irish-news/businesses-can-show-dunkirk-spirit-by-taking-new-direct-ferry-to-france-1.4420716
[10] https://www.ibec.ie/connect-and-learn/media/2020/11/11/food-drink-ireland-publishes-new-economic-analysis-brexit-report
[11] https://www.rte.ie/news/2020/1123/1180052-connelly-brexit-latest/
[12] https://www.theguardian.com/politics/2020/dec/03/brexit-deal-can-be-struck-in-next-few-days-says-irish

Healthcare

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Increased optimism with the news of the COVID-19 vaccine. Interest in the nursing home sector from overseas operators and investors remains strong despite lower occupancy and increased COVID-19 related costs. A number of pharmacies report decreasing turnovers due to the second lockdown.

Nursing Homes

COVID-19: Ireland now has the lowest 14-day incidence of COVID-19 in the EU according to the latest European Centre for Disease Prevention and Control (ECDC) figures. However, nursing homes continue to experience challenges with 35 open outbreaks in nursing homes with 908 cases of COVID-19 linked to these clusters of infection recorded in the week ending 3rd December. The 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 Health Protection Surveillance Centre (HPSC) published new COVID-19 Guidance on visits to Long Term Residential Care Facilities[13] to support nursing home operators to plan visits to residents in line with the Government's Living with COVID strategy.

Occupancy: Operators are reporting continued reduced occupancy levels particularly in homes with twin rooms or those homes that experienced a COVID-19 outbreak. A number of operators have begun to plan for internal reconfiguration to reduce multi-occupancy and twin rooms that will facilitate the future provision of safe care to residents and meet infection prevention and control standards.

Consolidation: Continued fund and investor interest in the nursing home sector led to a busy transaction market in November. 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 longtime independent owner operators. Transactions reported in various media outlets/ trade publications in November include:

- 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. The Carechoice Group, backed by French group Infravia Capital Partners now owns 11 nursing homes with c.1,100 long-term residential care beds in Dublin, Cork and Meath.
- Operator Grace Healthcare Ireland, backed by the French real estate fund Pierval Santé, which is managed by Euryale Asset Management, is reported to have purchased College View Nursing Home, a 70- bed home in Cavan town. Grace Healthcare already operates 5 homes with 423 beds in Dublin and Monaghan.
- Operator Sonas, backed by the French real estate fund Pierval Santé which is managed by Euryale Asset Management, is reported to have acquired Innis Ree, a 58- bed nursing home in Lanesboro, Roscommon and Ashborough Lodge Nursing Home with 58 beds in Milltown, Co Kerry. Sonas will now operate 591 beds across 12 homes with a further home with 57 beds due to open in Carrick-on-Suir.
- Aperee, the operational arm of the Blackbee Healthcare Fund, announced the acquisition of Havenwood Retirement Village, a 64-bed nursing home in Ballygunnar, Waterford. Aperee will now operate 563 beds across 10 homes.
- 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 1,268 beds across 21 homes. The group has also applied for planning permission to develop a new 150-bed nursing home on a site at Ballyogan in South Dublin.
- 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.

[13] https://www.gov.ie/en/press-release/0fd01-minister-for-mental-health-and-older-people-welcomes-the-publication-of-new-visitation-guidance-for-nursing-homes/

Pharmacies

The recent Level 5 restrictions further impacted community pharmacies with a retail focus on beauty and personal care which will lead to reduced turnover. The latest Retail Index from the Central Statistics Office (CSO) highlights that the volume of retail sales decreased by 0.7% in October 2020, when compared to September 2020 on a seasonally adjusted basis. The monthly volume of sales in Pharmaceuticals, Medical & Cosmetic Articles fell by 7.6% *(CSO Retail Index 27/11/20)*. Innovative pharmacists continue to increase their on-line presence.

The Competition and Consumer Protection Commission approved Uniphar's acquisition of the Hickey's Pharmacy Group. The acquisition will add 36 community pharmacies to Uniphar's existing network, increasing its retail pharmacies to 335 (c.18% of the Irish retail pharmacy market).

A COVID-19 PCR testing service has commenced in pharmacies with the announcement that Boots Ireland will offer testing in a number of stores. The testing is aimed at customers without symptoms and will facilitate passengers to end their period of restricted movement on receipt of a negative/not detected PCR test taken a minimum of five days after arrival in Ireland.

Other Healthcare

Private hospitals continue to invest and expand with the Mater Private Group announcing the opening of two in-day hospitals in Dublin at Cherrywood and Northern Cross and the Beacon Hospital applying for planning permission to develop a day clinic for medical consultant, diagnostics and day surgery procedures in Limerick.

Hospitality

Hospitality
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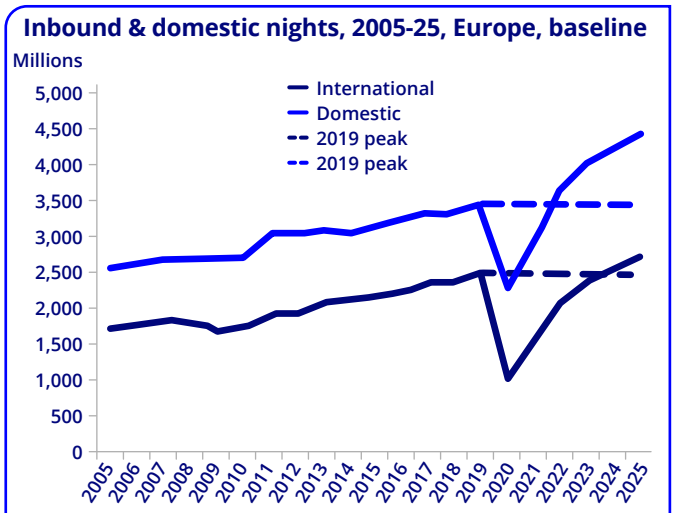
Over the last few months we have seen infection rates and associated trade/travel restrictions go up and down in countries across the globe having a serious impact on the hospitality and tourism sector. The approval of a number of COVID-19 vaccines last month is anticipated to permanently flatten the curve and ultimately allow businesses to begin their recovery.

Businesses in the Hospitality sector are constantly adapting their products and services to deal with ongoing changes in consumer demand. The search for new customers, new markets or new distribution channels generally happens over long periods of time as the business focuses on what is working to deliver a strong brand and loyal clientele. While some business models like fast food found it less cumbersome to adapt to COVID-19 disruption, some models like fine dining had to work harder and some had no option but to remain closed. As trade restrictions are lifted, operators will be able to resume operations; however those businesses reliant on the corporate market or overseas visitors might have to cast a wider net to remain viable as their "regular" clientele slowly makes a comeback.

Demand

The domestic leisure market will be the focal strategy for most businesses in the coming year whilst other key markets make a slow recovery. 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.

Europe, Domestic vs International Demand



Source: Fáilte Ireland (Data from European Tourism Trends & Prospects – Quarterly Report – Q3 / 2020 produced by Oxford Economics)

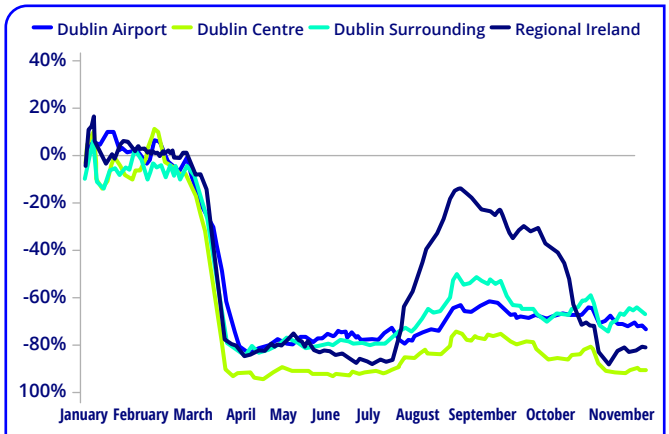
Supply

Hotels; From a total of 18.3k rooms under planning in Ireland and 5.8k under construction, industry bodies have outlined that only 500 rooms are projected to enter 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.

Bars and Restaurants; 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; Wet pubs in Dublin have been unable to trade for over 8 months.

Accommodation sector

- The benefit of the lifting of restrictions will take a little longer to fully benefit hotels and guesthouses due to the prevailing ban on inter-country travel which is to be temporary lifted from December 18th to January 6th.
- Event venues are still limited to groups of maximum 25 people which are generally not profitable under normal pricing structures.
- Regional destinations in Ireland reported a much faster surge in demand than Dublin during the summer months as domestic demand for Dublin tends to be "event" driven (sport matches, festivals, theatre, etc).



Source: STR. 2020 © CoStar Realty Information, Inc

Bars and Restaurants

The move to level 3 on December 4th has seen the opening of Bars and Restaurants for meals inside which was banned under level 5; the reopening however is limited to premises preparing meals on site closing the loophole which allowed wet bars to service customers who consumed food from nearby premises.

Technology, Media and Telecoms (TMT)

Technology, Media and Telecoms (TMT)
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Recent market activity:

As we bring this year to a close, we continue to see an increase in lending activity across the various subsectors with strong momentum that we believe will continue in 2021. Digital transformation is stimulating this activity and the need for businesses to continue to adapt will require further investment. Companies across all sectors continue to acquire new technologies and solutions to support their journey to online or to simply introduce contactless solutions. The migration to digital continues apace and will serve as the stimulus for further growth across the various subsectors in the months ahead.

Increase in Venture capital funding in Q3:

Despite the challenges brought about by the pandemic, venture capital funding into Irish SMEs increased by 41% to €192.8m[14] in the third quarter of 2020 compared to €136.4m last year, that's according to the Irish Venture Capital Association VenturePulse survey published recently. This growth comes on the back of a record second quarter this year when funding increased by 58% to €363.8m. Comparing the first nine months funding rose by 39% to €785.7m from €566.3m on the same period last year. Software accounted for 30% or €58.9m in the third quarter followed by life sciences (16%); fintech (15%); agtech (10%); environmental (7%) and other (22%).

Technology Company of the Year 2020.

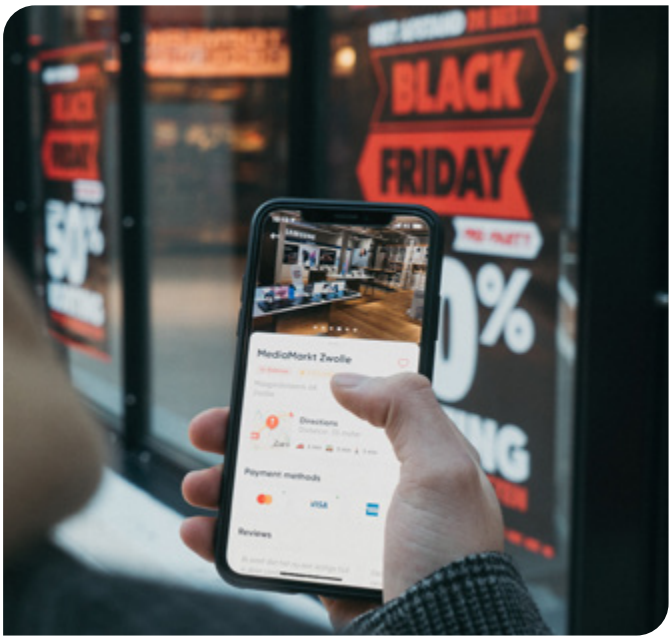
Fenergo was recently named Technology Ireland Company of the Year at the annual Technology Ireland Awards that took place virtually this year. Fenergo provides digital transformation, customer journey and client lifecycle management (CLM) solutions; completely focused for financial services. Its solutions help institutions to efficiently manage the end-to-end regulatory on-boarding and entity data management processes.

Other award winners at the event were Swift Comply, FINEOS, City Swift, TEKEnable, VMware, AWS, Microsoft and NearForm's COVID-19 Tracker App.

Black Friday and Cyber Monday shatter online spending records:

The annual Thanksgiving weekend in the United States has in recent years become a major shopping festival, both on and offline. What started out as an American tradition has now become global with businesses in Ireland also getting in on the act over recent days, with many offering discounts on various purchases to stimulate activity and try and make up for lost time due to the country being in lockdown over recent weeks.

At the time of writing it appears 2020 will be a year of record in more ways than one with Statista reporting data from Adobe Digital Insights[15] showing total e-commerce sales over the entire Thanksgiving weekend in the US amounted to $34.4 billion; shattering online shopping records. Cyber Monday accounted for $10.8 billion of the entire amount. That makes this year's Cyber Monday the biggest online shopping day in U.S. history.



Salesforce adds collaboration tool to its armoury:

Salesforce, recognised as a pioneer in cloud technology has acquired Slack (a workplace, instant messaging system) for $27.7bn. This acquisition now enables Salesforce to offer their customers a unified platform for businesses to connect with their employees to compete with Microsoft Teams. Various commentators see this move by Salesforce to further facilitate digital-enabled, work from anywhere customers.

[14] https://www.ivca.ie/venture-capital-funding-increases-41-to-e193m-in-third-quarter-despite-covid-19-impact/
[14] https://www.statista.com/chart/7045/thanksgiving-weekend-e-commerce-sales/?utm_source=Statista+Global&utm_campaign=64315263f6-All_InfographTicker_daily_COM_PM_KW49_2020_Mo_COPY&utm_medium=email&utm_term=0_afecd219f5-64315263f6-306516549

Motor Sector

Motor Sector
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In the month of November, new passenger car (PC) sales increased 20.1% (to 914 units), Light Commercial Vehicle (LCV) sales decreased 3.2% (to 830 units) and used imports declined 13.6% (to 8,647 units).

PC Registrations YTD

In the first 11 months, the market declined 24.9% (to 87,728 units). Volkswagen holds the #1 position with 12.1% market share, followed by Toyota with 11.4% in #2, Hyundai with 9.2% in #3, Skoda with 8.4% in #4 and Ford with 7.7% in #5.

LCV Registrations YTD

In the first 11 months, the market declined 14.8% (to 21,431 units). Ford holds the #1 position with 23.6% market share, followed by Volkswagen with 15.0% in #2, Renault with 13.1% in #3, Peugeot with 9.6% in #4 and Citroen with 8.3% in #5.

Used Imports

Registrations of used imports declined 35.4% (to 67,151 units) in the first 11 months of 2020.

Passenger Car Sales	Light Commercial Vehicles	Used Imported Cars
Nov 2020 YTD -24.9%	Nov 2020 YTD -14.8%	Nov 2020 YTD -35.4%

Provincial Developments

November 2020 YTD

National Position

New (N) -25.0% YTD
Used Imports (UI) -35.4% YTD

Dublin

N -34.9% YTD
UI -29.1% YTD

Rest of Leinster

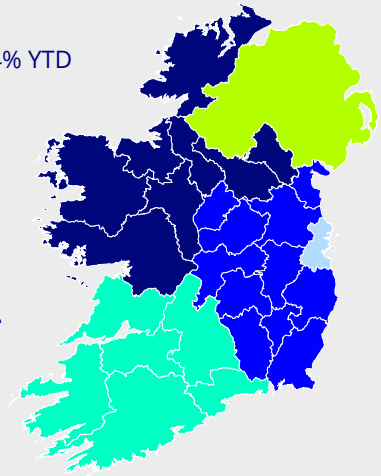
N -15.4% YTD
UI -38.2% YTD

Connacht/Ulster*

N -13.1% YTD
UI -37.7% YTD

Munster

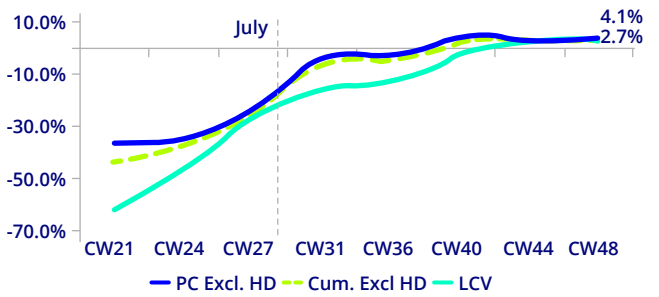
N -20.0% YTD
UI -38.7% YTD



*Ulster Border counties

Data Source: Society of Irish Motor Industry (SIMI). European Automotive
Manufacturers Association (ACEA). Data as at 30/11/2020

Cumulative Sales Since Restart[15] (excl. HD[16])



In the 28 weeks since restart on May 18th, new passenger car sales excluding hire drive registrations increased 4.1% year on year. Hire Drive sales collapsed by c. 85% in the first 11 months and are excluded to highlight consumer demand. Motor dealers also continue to report strong demand for used cars. This underlying retail demand is encouraging for new vehicles sales volumes next year.

Engine Trends

Diesel engines remain the most popular choice with Irish consumers in the first 11 months of 2020, representing 43.2% of all new cars sold. In the EU, the comparative figure is 28.9% (Q1-Q3 2020). Back in Ireland, petrol was the next popular choice at 37.0%, followed by Hybrid at 15.3% (12.5% Hybrid / 2.8% Plug-in Hybrid) and fully electric cars at 4.5%.

In an effort to meet strict EU emissions targets in 2021 (and over the next 10 years), vehicle manufacturers are producing more versions and greater volumes of Hybrid/Plug-in Hybrid and fully electric vehicles (EV's). Automotive manufacturers require time to scale EV's and launch them to market. The technology is expensive to produce and will remain high in the mid-term for EV's according to the European Automotive Manufacturers Association (ACEA). Nonetheless, EV demand across Europe is expected to rise next year.

2021 Market

New taxation measures introduced in Budget 2021 will take effect from 1st January 2021 in Ireland. The intention of these measures is to encourage the purchase of new vehicles with low carbon emissions. Targets set at EU level, however, are already driving manufacturer and consumer behaviours to produce and buy vehicles with low emissions.

Although the price of EV's remain high when compared to cars with internal combustion engines, sales volumes are likely to grow further next year. With full year availability of new volume entrants this year, some in the sector are forecasting EV sales in Ireland to double next year. Vehicles with internal combustion engines (diesel, petrol, and hybrid) will still account for c. 90% of demand and the lion's share of the market.

Overall, signals from the sector regarding demand next year are cautiously optimistic noting that we still have to face the fallout from Brexit and potential additional restrictions due to COVID-19.

[15] **Restart:** May 18th 2020
[16] **HD:** Hire Drive
Note: **PC = Passenger Cars and LCV = Light Commercial Vehicles**