

Stock Market Review



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Plaza's third phase of expansion during its 17-year history

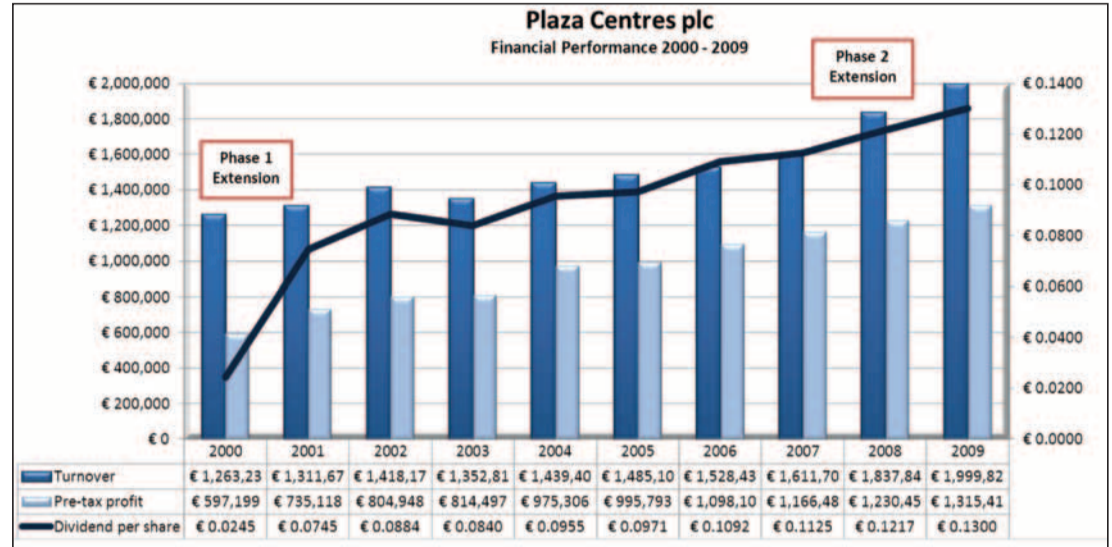
In the second interview with senior executives of companies whose shares or bonds are listed on the Malta Stock Exchange I met up with Lionel Lapira, CEO of Plaza Centres plc. Mr Lapira quickly starts the interview by talking about the origins of the company in 1957 and the decision to close down the Plaza Cinema in the 1980s to develop the site into Malta's first managed shopping and office leasing centre. The Plaza Commercial Centre opened its doors in December 1993 and the CEO proudly looks back at the reputation that the company has earned during the past 17 years for hosting the "best names under one roof".

Mr Lapira explains Plaza's vision as one where the company aims "to continue to be the best shopping, business and leisure destination in Malta". The CEO explained that Plaza strives to achieve this "through the constant adaptation towards the dynamic market we operate in, as well as seeking to meet our customers changing needs, wants and expectations". During the past 17 years, Plaza may seem to have been threatened by the several new entrants into the market in various parts of Malta and Gozo. Mr Lapira noted that currently "there are 19 shopping centres of various formats with, at least, another six to open in the medium to long term".

However, some may claim that the biggest competition has only come on stream over the past year with the opening of The Point in the nearby Sliema peninsula. Mr Lapira does not fully endorse this statement and points out that "competition has not increased simply because a new shopping destination has opened" but because the "industry has experienced rapid growth during the past 20 years with consumers becoming more brand demanding, refined and service conscious".

Plaza's CEO also makes reference to future competing destinations by claiming that "saturation point will inevitably be reached when one considers the size of our country, population and tourist influx". Moreover, Mr Lapira claims that internet shopping is another real threat to the retail industry which sometimes may go unnoticed. Statistics indicate that over 70 per cent of local internet users engage in regular online shopping which is also naturally impacting the business dynamics of local retail operators.

Although some may think that managing a shopping centre may not be a tall order, the changes



undertaken by Plaza in its short but successful history and the financial performance achieved give utmost credit to the company's management team over the years. The company is one of the few among those listed on the Malta Stock Exchange to have increased dividends to shareholders annually reflecting the strong consistent growth in profitability.

Few investors may realise that during the nine-year period from the company's stockmarket listing in 2000, turnover increased by 58 per cent to €2 million and pre-tax profits grew by 120 per cent from €597,199 in 2000 to €1.3 million in 2009. Likewise dividends to shareholders grew by 75 per cent from €0.0745 per share in 2001 to €0.13 per share in respect of the 2009 financial year – surely placing Plaza as a "dependable" company offering a sustainable dividend. The growth in the profitability was boosted by the company's strategy to acquire properties adjacent to the original complex and join the areas so as to achieve economies of scale.

During the past 17 years, Plaza embarked on three extensions and increased its rentable area by 4,000 sqm to a total of 11,700 sqm once the third phase is completed in the coming weeks. The first extension to the complex was finalised shortly after the IPO in May 2000 with a larger extension on Tower Road in 2008 when 1,200 sqm was added. The positive effect on the company's bottom line was very evident following the second extension in 2008 and the CEO is confident that the company's shareholders will equally benefit from the current extension on Bisazza Lane due for completion at the end of next month.

The total rentable area of Plaza is set to increase by a further 1,600

sqm and Mr Lapira is happy to note that the "leasing of the new extension is moving according to expectations". At the time of the last public announcement by the company in November 2010, the company had indicated that 70 per cent of the new area had already been leased out.

The March 2011 extension on Bisazza Lane will also enable Plaza to cater for the changing needs of retail operators. Initially, retailers requested smaller shops but with the increased presence of global branded outlets, a demand for larger shop floor area is clearly evident.

Returning to the increasingly competitive environment, the CEO proudly stated that "the Plaza Shopping Centre maintained a constant flow of visitors for the past 17 years. Needless to say, there have always been cyclical fluctuations for various reasons including political, fiscal, economic, social, market and environmental factors which had an impact on visitors to any location".

Mr Lapira also quoted independent surveys conducted during 2010 indicating that there was a shift in spending patterns across Malta to the Sliema commercial area and its peninsula. The attractiveness of Sliema as a shopping and leisure destination has clearly been enhanced by the investment undertaken in the two shopping centres and surrounding high-street shops over the years but also due to the embellishment works in the area.

In this respect Plaza's CEO mentions the current embellishment of Bisazza Street by the Ministry for Resources and Rural Affairs. Although this refurbishment programme has long been overdue and involved many years of discussions between the Sliema Business

Community and the respective government ministries, Mr Lapira conveyed due credit and appreciation to Minister George Pullicino "for his vision and untiring efforts to embellish Sliema". The latest Bisazza Street embellishment is part of the semi-pedestrianisation plans for this busy street and comes on the back of the recent uplifts given to Tower Road, High Street, St. Anne Square and the new gardens in Qui-si-Sana.

Although Plaza's financial performance has improved markedly over the years, its share price has lagged behind with occasional erratic moves. Some may claim that this equity is similar to a bond with high payments to shareholders in the form of annual dividends in April of each year. However Plaza has consistently managed to increase dividends to shareholders over the years and this is an important element in an era of higher inflationary expectations.

With fewer opportunities to continue expanding the current rentable area, Plaza's CEO explains that the company has been on the regular look-out for other growth opportunities both locally as well as internationally over the years in its aim to provide increasing returns to shareholders.

"Our growth may not necessarily mean organic growth. Our objective is not limited to construction and development but may also take other formats (possibly management contracts) which the company feels will assist it to achieve its long-term strategy to increase its shareholders' returns". Although financial analysts may have been disappointed that the company has not yet taken the plunge to achieve its next level of growth, the CEO is confident that "when the right opportunity arises, the company will embark on such a challenge".

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