

Stock Market Review



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Midi's commercial operations to enhance future revenue streams

During the financial year to December 31, 2010, Midi plc experienced the commencement of a more meaningful revenue contribution from its retail and commercial operations. Until 2009, Midi's overall revenue figure was solely based on the timing of the conclusion of deeds of sales of apartments. However, with the launch of The Point shopping mall in March 2010, Midi has now started to benefit from a more stable and recurring revenue generation from its operational asset base.

This added revenue stream is mainly from the rental income generated through leases of the various outlets within The Point (which is managed by Midi's fully-owned subsidiary Tigné Mall Ltd). However, this is supplemented by the other commercial elements which also started to provide a contribution during 2010, namely: (i) the car park situated beneath the shopping complex, (ii) the two foreshore restaurants overlooking the Valletta bastions and (iii) a few of the other commercial outlets on Pjazza Tigné. Moreover, Midi also generates yearly income from the lease of the marina situated on Manoel Island.

During a recent meeting with the financial community convened following the publication of the 2010 Annual Report, Midi's financial controller and company secretary Luke Coppini indicated that from total revenue of €25.9 million generated during 2010, commercial rentals generated €3.1 million. This represents a sharp increase over the previous year as a result of the commencement of rental income from The Point for a nine month period as from the launch of the shopping complex in March 2010. This revenue figure should therefore grow further in 2011 on a full-year's contribution from The Point.

The Point is Malta's largest shopping complex with total rentable area of 14,000 sqm. It may be somewhat surprising that despite the current economic environment, the complex is almost fully occupied with presently only one vacant outlet. During last week's meeting, Midi's CEO Ben Muscat explained that discussions are also taking place with potential



The remaining phases of Tigné Point

tenants for the last remaining outlet within The Point. Meanwhile, Mr Muscat also confirmed that seven out of the 10 retail and catering outlets on Pjazza Tigné have also been leased out and most of these should be operational during the course of 2011. The commencement of operations by the other commercial outlets on Pjazza Tigné will also help to increase Midi's overall revenue generation for 2011 and future years.

The encouraging occupancy levels achieved both within The Point and the other commercial elements on Pjazza Tigné reflect Sliema's increasing popularity as a destination for retail, leisure and entertainment activities. Statistics indicate an increased footfall in Sliema. On the other hand, there seems to be a reduction in the number of shoppers visiting Valletta and other destinations. The presence of two large commercial malls (The Plaza and The Point) within a short distance of each other has contributed to this increased visitor flow towards the Sliema area.

This was also helped by other largish branded stores establishing their flagship presence within walking distance from these large complexes. Moreover, the recent embellishment of St Anne Square and Qui-si-Sana together with the

imminent pedestrianisation of Bisazza Street should also help position Sliema as the preferred shopping destination.

Although Midi's business model entails the retention of an operational asset base to generate healthy yearly revenue streams, the immediate objective towards the completion of the total project is centred around the construction and sale of further residential properties, both on Tigné Point as well as on Manoel Island.

Midi's CEO confirmed that in the coming months the main objective is to hand over the majority of the T10 apartments to their owners and the finalisation of the 22 apartments overlooking the Pjazza Tigné.

Subsequently, further construction activities at Tigné Point would entail the construction of two residential blocks referred to as T17, the construction of office facilities (T14) and further retail and commercial outlets in T15.

The plan for Tigné Point also includes a high-rise tower known as T20. Midi's CEO confirmed that discussions are currently taking place with the Malta Environmental and Planning Authority on the full development permits for Tigné Point. In the meantime, Midi proceeded with substantial work on the basement levels of the Tigné North structures with a view to

accelerate the pace of construction once full development permits are granted.

Midi is also working with Mepa on an updated master plan for Manoel Island following the initial plan submitted in 1999. Midi's chairman Albert Mizzi indicated that the substantial work needed to transform Manoel Island into a low-rise marina village should command premium prices once it is launched.

The Manoel Island development is also intended to contain further commercial operations including retail and catering outlets, a casino as well as a marina protected by a breakwater with provision for a substantial number of super berths.

Until the completion of the project and the sale of all the properties (both on Tigné Point and also eventually on Manoel Island), Midi's annual financial performance will remain volatile and very much conditioned by the timing and signing of final contracts of sales of apartments. However, the revenue generation from the long-term assets is an important element for the group's stakeholders, and a consistent yearly revenue stream will help the company to fulfill its promise at the time of the recent IPO to ensure the payment of regular and adequate dividends to shareholders.



The revenue generation from the long-term assets is an important element for the group's stakeholders



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