

## Stock Market Review

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# Another year of growth for Plaza Centres plc

Property revalued 10% higher to €25.5 million

The 2008 full-year results of Plaza Centres plc which were published on March 10 show that the company's after-tax profit grew by 7.2 per cent during the year to €0.78 million. This is the fifth successive year of record results for the company. Ever since the company's listing on the Malta Stock Exchange, Plaza's directors distributed a very large percentage of profits to shareholders by way of an annual dividend. This high dividend payout was maintained for 2008 and on March 10 the company also recommended the payment of a gross dividend of €0.1217 per share (net dividend of €0.0791 per share), representing an increase of 8.2 per cent over last year's distribution and a payout ratio of 95 per cent. Dividends to shareholders have increased by over 58 per cent since 2001 from a net dividend of €0.0499 to €0.0791 per share. The 2008 dividend will be paid following approval at the company's annual general meeting scheduled to be held on April 22. Based on a current share price of €1.72 per share, the gross dividend yield is of 7.1 per cent per annum.

The key highlights of the 2008 results are:

Turnover up 14 per cent to €1.8 million;

EBITDA of €1.6 million (+14.2 per cent);

Pre-tax profit up 5.5 per cent to €1.2 million;

Revaluation of property by 10 per cent to €25.5 million;

Shareholders' funds rise to €20.1 million giving a net asset value per share of €2.135.

The total revenue generated by Plaza Centres during the 12 months ended December 31, 2008 increased by 14 per cent to €1.8 million. This rise is mainly attributable to the income generated from the lease of the new shops and offices following the extension on Tower Road. This new wing was finalised at the end of the first quarter and the new leases commenced in April 2008. Moreover, the company maintained a high level of occupancy during 2008 with an average rate of 96.8 per cent compared to 98.3 per cent in the previous year.

On the cost side, the company's operating expenses made up of marketing, maintenance and



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administrative costs increased by 12.9 per cent to €0.25 million. Despite the increased cost base, Plaza's cost to income ratio improved to 30.3 per cent as the rise in revenue offset the higher expenses.

As a result, Plaza recorded a 14.2 per cent increase in earnings before interest, tax, depreciation and amortisation (EBITDA) to €1.6 million. After accounting for a depreciation charge of €0.3 million (2007: €0.28 million), Plaza's operating profit of €1.3 million represents a 15.1 per cent rise over the previous year.

For the first time in five years the company incurred net interest payable of €0.05 million as Plaza increased its borrowings to finance the new extension. In fact, the condensed cash flow statement shows a negative cash balance of €0.25 million compared to a positive figure of €0.6

million at the end of 2007. Apart from the new extension, part of the cash was also used to acquire further property in Bisazza Lane. In this regard, the directors again re-iterated that the company is still awaiting the necessary permits from the Malta Environment and Planning Authority to proceed with the next extension, which is set to increase the rentable area by 1,600 sqm.

In the March 10 announcement, Plaza also reported that as at the end of 2008 the company's land and buildings were revalued on the basis of independent professional advice which considered the company's projected future earnings from the complex based on current rental contracts. The value of non-current assets increased from €23.2 million to €25.5 million.

This revaluation also positively impacted shareholders' funds,

which increased by 5.8 per cent to €20.1 million. Based on the total issued share capital of the company, the net asset value is of €2.135. The share price is therefore trading at a 19 per cent discount to the net asset value per share.

Moreover, Plaza's directors reported that they are continuing to look at new opportunities for expansion on the local market. Presumably this could either be in the form of a shareholding in a new development or alternatively by simply taking over the management of a similar complex.

The new wing on Tower Road was launched at the start of the second quarter of 2008 and, should the occupancy level remain at present high levels, one should expect a further increase in revenues during 2009 as the company takes account of a full 12-month period on the increased rentable area

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