
Financial Analysis Summary

26 June 2020

Issuer

Best Deal Properties Holding p.l.c. (C 88974)

Guarantor

Best Deal Developments Limited (C 89191)



MZ INVESTMENT SERVICES



MZ INVESTMENT SERVICES

The Directors
Best Deal Properties Holding p.l.c.
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Paola, PLA 9045,
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26 June 2020

Dear Sirs

Financial Analysis Summary

In accordance with your instructions, and in line with the requirements of the Listing Authority Policies, we have compiled the Financial Analysis Summary (the “**Analysis**”) set out on the following pages and which is being forwarded to you together with this letter.

The purpose of the financial analysis is that of summarising key financial data appertaining to Best Deal Properties Holding p.l.c. (the “**Issuer**” or “**Company**” or “**BDP Group**” or “**Group**”) and Best Deal Developments Limited (the “**Guarantor**”). The data is derived from various sources or is based on our own computations as follows:

- (a) Financial information for the year ended 31 December 2018 reflects the aggregation of full year results of all subsidiary companies and the financial results of the Issuer for the period 23 October 2018 (being date of incorporation) to 31 December 2018.
- (b) Historical financial data for the period 23 October 2018 to 31 December 2019 has been extracted from the audited consolidated financial statements of the Issuer.
- (c) The projected consolidated financial data relating to the Issuer for the year ending 31 December 2020 has been provided by management.
- (d) Our commentary on the results of BDP Group and on its financial position is based on the explanations provided by management.



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- (e) The ratios quoted in the Analysis have been computed by us applying the definitions set out in Part 4 of the Analysis.
- (f) Relevant financial data in respect of the companies included in Part 3 has been extracted from public sources such as websites of the companies concerned, financial statements filed with the Registrar of Companies or websites providing financial data.

The Analysis is meant to assist investors in the Issuer's securities and potential investors by summarising the more important financial data of BDP Group. The Analysis does not contain all data that is relevant to investors or potential investors. The Analysis does not constitute an endorsement by our firm of any securities of the Issuer and should not be interpreted as a recommendation to invest in any of the Issuer's securities. We shall not accept any liability for any loss or damage arising out of the use of the Analysis. As with all investments, potential investors are encouraged to seek independent professional financial advice before investing in the Issuer's securities.

Yours faithfully,

Evan Mohnani

Senior Financial Advisor

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PART 1 – INFORMATION ABOUT THE BDP GROUP

1. HISTORY AND PRINCIPAL ACTIVITIES OF BDP GROUP

The founding shareholders of Best Deal Properties Holdings and all of its subsidiaries ('BDP Group' or the 'Group') comprise Christopher Attard, Erskine Vella, John Buttigieg and Pierre Bartolo, and their partnership commenced in 2016 through the incorporation of Elite Developments Limited, with the principal scope of acquiring the sites over which two residential apartment blocks - Crystal Court and Blue Moon Court, were developed. These two developments, both situated in Marsascala, have since been finalised. In 2018, a second company – PJCE Properties Limited – was established by the same founding shareholders, to acquire and develop Garnet Court in Mqabba.

For the purpose of a re-organisation of BDP Group, the Company was established on 23 October 2018, as a public limited liability company registered under the Companies Act, and each existing shareholder subscribed to 15,000 fully paid up ordinary shares of €1 each (being €60,000 in aggregate). On 13 November 2018, the Company became the parent company of Elite Developments Limited and PJCE Properties Limited through a share-for-share exchange.

Furthermore, through two assignments of debt agreements both dated 31 October 2018, shareholders' loans amounting to €2.5 million (in aggregate) were transferred from Elite Developments Limited and PJCE Properties Limited to the Company. The said shareholders' loans have no fixed redemption date, do not carry any right to any interest and are ranked as subordinated debt.

In December 2018, BDP Group raised €16 million through the issue of secured debt securities for the purposes of acquiring the sites and developing the following three projects:

- (i) **Zabbar Development** - the construction, development and finishing over the site known as Il-Wilga tal-Imniegel, measuring approximately 4,149m², of 24 maisonettes, 81 apartments and 22 penthouses, spread over nine blocks and 198 underlying garages;
- (ii) **Mellieha Development** - the construction, development and finishing over the site known as Tal-Hawlija, Ta' Masrija and Tas-Salib, measuring in aggregate approximately 1,249m², of 3 maisonettes, 39 apartments and 7 overlying penthouses, as well as 50 underlying garages;
- (iii) **Pembroke Development** – the construction, development and finishing over the corner site situated at 102 and 103 in Triq Mediterran c/w Triq Gabriele Henin, Pembroke, having a footprint measuring approximately 380m², of 2 maisonettes, 4 three-bedroomed apartments, 2 penthouses and 6 underlying garages.

On 30 October 2019, the Group raised further equity from a new investor – C Developments Limited, which acquired 20% of the Company through an offer for subscription of 625,000 new ordinary shares of a nominal value of €0.10 each at a share issue price of €1.60, in terms of a Company Admission Document dated 21 August 2019. The new ordinary shares, together with the 2,500,000 existing ordinary shares of the Company were admitted to Prospects MTF.



Moreover, C Developments Limited advanced to the Company an amount of €1,200,000 to further assist BDP Group with ongoing working capital requirements.

With regards to marketing and sales, each project is promoted through the Best Deal Properties brand, which is operated by Best Deal Properties Limited, a company external to the BDP Group and owned by Christopher Attard. In terms of a services agreement dated 1 November 2018, between Best Deal Properties Limited (the service provider) and the Guarantor, the former company shall charge an aggregate fixed fee of €60,000 for the provision of marketing services (including services rendered by the sales team and advertising expenses) in relation to the Zabbar, Mellieha and Pembroke Developments. Furthermore, an administration fee of €1,500 for each unit (excluding garages) forming part of the Zabbar, Mellieha and Pembroke developments shall be due by the Guarantor to Best Deal Properties Limited for support services in connection with the Group's business operations.

2. DIRECTORS AND MANAGEMENT STRUCTURE

2.1 DIRECTORS OF THE ISSUER

The Company's governance principally lies in its Board of Directors, responsible for the general governance of the Company and to set its strategic aims, for its proper administration and management and for the general supervision of its affairs. Its responsibilities include the oversight of the Company's internal control procedures and financial performance, and the review of the Company's business risks, thus ensuring such risks are adequately identified, evaluated, managed and minimised. The Board members of the Company as at the date of this report are included hereunder:

Christopher Attard	Executive Director
Pierre Bartolo	Executive Director
Robert Buttigieg	Executive Director
Erskine Vella	Executive Director
David Basile	Executive Director
James Bullock	Non-Executive Director
Mario P. Galea	Independent Non-Executive Director
Maria Carmela k/a Marlene Seychell	Independent Non-Executive Director



2.2 DIRECTORS OF THE GUARANTOR

A board of four directors (listed below) is entrusted with the Guarantor's day-to-day management and is responsible for the execution of the Guarantor's investments and the funding thereof and awarding of project contracts for the development of the Guarantor's properties.

Christopher Attard	Director
Pierre Bartolo	Director
Robert Buttigieg	Director
Erskine Vella	Director

2.3 EMPLOYEES AND MANAGEMENT STRUCTURE

The Issuer and Guarantor have no employees and are managed directly by their respective board of directors. In managing each project, the directors of the Guarantor are supported by a number of external consultants who are appointed as required.

3. ORGANISATIONAL STRUCTURE

The diagram hereunder illustrates the organisational structure of the BDP Group.



The principal object of the Issuer is that of a holding company and to promote, including through subsidiaries, the acquisition and development of real estate properties. As such, the Issuer is mainly dependent on the business prospects of its operating subsidiaries.



The Issuer, through Elite Developments Limited, was involved in the construction and development of two residential projects - Crystal Court and Blue Moon Court, both of which are located in Marsascala. These projects have been completed and are described in section 4 below.

At present, PJCE Properties Limited is engaged in the development of Garnet Court, Mqabba, whilst the Guarantor is developing the Zabbar Development and Mellieha Development. In addition, the Guarantor has in hand the necessary Planning Authority permits to develop another project in Pembroke. As at the date of this report, construction works on this project have yet to commence. The afore-stated projects are further described in section 5 below.

4. COMPLETED PROJECTS

4.1 CRYSTAL COURT - MARSASCALA

Elite Developments Ltd embarked on developing Crystal Court in June 2016, when it acquired the land situated at Triq Salvu Buhagiar c/w Triq il-Gemmugha c/w Triq il-Qrempuc, Marsascala, which area is located on the outskirts of Marsascala overlooking The Family Park.

Construction and development of the above-mentioned property is complete and includes two blocks comprising, 5 maisonettes at ground floor, 7 two-bedroomed apartments, 11 three-bedroomed apartments, 2 three-bedroomed penthouses and 30 underlying garages. The total cost (including land acquisition) of Crystal Court amounted to *circa* €3.7 million. The expenditure was financed principally through €1.5 million of the Group's own funds and a bank loan of €1.9 million.

All units at Crystal Court are vertically connected by a common staircase and a lift which extends from the penthouse down to the lower basement level. Units are finished with the installation of all electrical, plumbing and drainage systems and connected to the main network. Internally, the aforesaid units are completed to high specifications with gypsum plastering, ceramic floor tiles and skirting, internal apertures and bathrooms, a heating stove and a solar water heater. All the units and garages were sold in FY2018, except for 1 garage which was sold in FY2019 for €36,000.

4.2 BLUE MOON COURT - MARSASCALA

In 2017, Elite Developments Limited acquired a second property situated in Triq il-Grigal c/w Triq is-Sajjieda, Marsascala, and initiated construction of two blocks consisting of 5 maisonettes at ground floor level, 15 three-bedroomed apartments, 3 penthouses and 19 underlying garages. The total cost, including acquisition of the *circa* 950m² site and completion of the project, is estimated at €5.5 million, which has been financed through a bank loan of €3.1 million and the remaining balance from own funds.

The maisonettes comprise an open-plan kitchen/dining/living overlooking the front garden, four of which are designed as three-bedroomed dwellings, whilst the fifth unit has two bedrooms. The apartments and penthouses were constructed as 3-bedroomed units with an open-plan kitchen/dining/living area adjacent to a front terrace. The front terrace of each of the 3 penthouses will be somewhat larger to include a pool. All units have been completed in a finished state including



air conditioning units for the open plan space and bedrooms, lifts connecting the garages up to penthouse level, installation of tempered glass railing in the front terrace, and insulated façade. Aggregate revenue receivable from this project is expected to amount to €7.4 million. The development is fully completed and close to being fully sold.

Originally, the execution of all Blue Moon contracts was due by December 2019, however due to reasons beyond the BDP Group's control, the signing of these contracts extended into 2020. Whilst some buyers adhered to the respective contract dates, other buyers decided to postpone the signing of the sales contract due to the quarantine and/or social distancing measures introduced by the Maltese health authorities in March 2020.

5. WORKS IN PROGRESS

5.1 GARNET COURT - MQABBA

In March 2018, PJCE Properties Limited acquired the legal title of two portions of land for the amount of €1.8 million, measuring *circa* 978m² and situated in Triq il-Familja Brancati, Mqabba. On 30 October 2018, the company purchased another plot of land of *circa* 200m², which is adjacent to the aforementioned property, for the amount of €162,000. The plots are located on the boundary of development in Mqabba and facing a green area.

The issuance of the Planning Authority permit in December 2017 was based on the first acquired portions of land and as such, a revised Planning Authority application had to be submitted to encompass the second land acquisition, which was purchased mainly to improve the layout of proposed units. The revised development plans were approved by the Planning Authority on 21 November 2018. The project is expected to achieve practical completion by Q2 2021, being a delay of 9 months from prior expectations.

The development shall comprise 2 maisonettes at ground floor level, 23 three-bedroomed and three-bedroomed apartments and 3 penthouses and 33 underlying garages. Similar to the Crystal and Blue Moon Courts, all units will be sold finished in a complete state, including all common areas. The project will be spread over three blocks, each with separate entrances and served with passenger lifts connecting the residential units to the underlying garage levels. The projected cost to develop Garnet Court is *circa* €3.6 million, being €0.5 million higher than initially estimated.

Notwithstanding that development on the said project is ongoing, most of the residential units and garages are already committed through preliminary agreements. PJCE Properties Limited is expected to generate revenues from sales of units in Garnet Court of *circa* €7.5 million.



5.2 ZABBAR DEVELOPMENT

The site measures *circa* 4,149m² and is situated in Triq Ta' Lanza c/w New Street in Triq il-Kahwiela c/w Triq il-Kahwiela, Zabbar and positioned on three roads.

A full development permit is in place for the construction of nine blocks consisting of 24 maisonettes, 81 apartments (spread on three floors) and 22 penthouses and 198 underlying garages. Four of the aforementioned nine blocks will enjoy open country views from the front terraces as they face a green area.

Development of the project commenced in January 2019 and is being spread over a number of phases. Works on the underground garage levels and construction of 5 out of 9 blocks are currently in shell form. Development works are expected to be completed in a finished state by Q3 2023.

The total cost of development is projected to amount to *circa* €15.0 million and is being financed from Bond Issue proceeds, cash flows generated from unit sales of other projects of the Group and cash flows from sales of units generated from the initial phases of this project. Upon the sale of the units to be built across the nine blocks, aggregate revenue from the Zabbar Development is estimated at €34.3 million.

5.3 MELLIEHA DEVELOPMENT

The plot of land measuring *circa* 1,249m² is located in Triq Ta' Masrija and New Street off Triq il-Mithna L-Qadima, Mellieha, with full development permit in hand. The proposed project will be split in three blocks and will have 2 levels of garages (50 garages) and 3 maisonettes at ground floor level, 39 apartments spread over 5 floor levels and 7 penthouses. The units will comprise a mix of one-bedroomed, two-bedroomed and three-bedroomed apartments and panoramic views will be visible from the sixth and seventh levels.

Development of the project is planned to be completed by Q4 2023 (previously, completion was scheduled for Q3 2021) at an aggregate cost of *circa* €5.9 million (prior estimate was of €5.1 million). Such expenditure will principally be financed from Bond Issue proceeds, revenue generated from the Mellieha Development and other sources of funds of the BDP Group. Sale of units from the Mellieha development are expected to generate *circa* €14.5 million in total revenue.



5.4 PEMBROKE DEVELOPMENT

The property comprises a corner plot of land with unobstructed sea and country views situated in Triq il-Mediterran c/w Triq Gabriele Henin, Pembroke, which presently includes a terraced house. The acquisition cost (excluding deposits already settled) of *circa* €1.6 million was funded out of Bond Issue proceeds as to €1.1 million and the balance of €0.5 million was settled in kind, through the assignment of a penthouse at Blue Moon Court. It was agreed by both parties that until completion of the aforementioned penthouse, the vendors shall be permitted to continue to reside in the Pembroke property.

The project is covered by a full development permit to construct 6 garages, 2 maisonettes, 4 three-bedroomed apartments and 2 three-bedroomed duplex penthouses.

Target date for commencement of development is Q1 2021 and completion of works is scheduled for Q2 2022 (previously, completion was scheduled for Q3 2020) at an estimated cost of *circa* €1.3 million. Upon completion and sale of all units comprising the Pembroke Development, the BDP Group expects aggregate revenues to amount to *circa* €5.1 million.

6. OUTLOOK

The COVID-19 pandemic is significantly impacting most sectors forming the Maltese economy, and the property development sector is no exception. Various measures taken by public health authorities, aimed at mitigating the spread of the virus, have hampered the rate at which property sales are concluded. In particular, social distancing measures have made it more difficult for the BDP Group to enter into promise of sale agreements with prospective buyers.

None of the promise of sale agreements in hand have been cancelled to date nor did the BDP Group receive any request for such cancellation. Despite the pandemic, the Directors are cautiously optimistic that demand from first-time buyers, which is the BDP Group's predominant market, will continue to be relatively healthy. Given the property locations, unit layouts and proposed level of finishes, the BDP Group's ongoing projects should be a competitive offering for prospective buyers wishing to acquire a residential property.

All developments of the BDP Group are marketed under the Best Deal Properties brand and thus have exposure on the brand's website - www.bestdealmalta.com and benefit from other media coverage. The Directors have acquired considerable knowledge in developing and marketing similar projects and accordingly, are confident that the actual outcome of the projects in the course of development will at least be in line with expectations.

Due to the onset of the COVID-19 pandemic, the Board has decided to temporarily slow down ongoing works on the Mellieha development and postpone commencement of construction works on the Pembroke development. This provisional adjustment in timeframes should provide the Board sufficient time to better assess and quantify the impact of the pandemic on the Group's operations and financial position.



7. SECURITY AND THE RESERVE ACCOUNT

7.1 SECURITY

The Company agreed to grant to the Security Trustee, for the benefit and in the interest of Bondholders, a first ranking general hypothec for the amount of €16 million and interests thereon over all its assets present and future. Furthermore, the Guarantor agreed to jointly and severally guarantee the punctual performance by the Company of the Bond obligations by entering into the Guarantee. The Guarantor has agreed to further support the joint and several guarantee under the Guarantee as follows:

- by virtue of a first ranking general hypothec for the amount of €16 million and interests thereon over all its assets present and future;
- by virtue of a first ranking special hypothec for the amount of €16 million and interests thereon over the land on which each of the Pembroke Development, Mellieha Development and Zabbar Development is to be developed together with all and any constructions to be developed thereon;
- by virtue of the special privilege in accordance with the provisions of article 2010(c) of the Civil Code (Chapter 16 of the laws of Malta) for the amounts of: (a) *circa* €0.9 million (or such other amount according to law) over the site in Pembroke over which the Pembroke Development shall be constructed; (b) *circa* €3.2 million (or such other amount according to law) over the site in Mellieha over which the Mellieha Development shall be constructed; and (c) *circa* €7.6 million (or such other amount according to law) over the site in Zabbar over which the Zabbar Development shall be constructed.

The Security Trustee has retained the amount of €2.8 million out of Bond Issue net proceeds to be disbursed to contractors undertaking works on the Mellieha Development (amounting to €0.8 million) and Zabbar Development (amounting to €2.0 million). A contract for the preservation of the special privilege, in relation to the above-mentioned amounts, was entered into between the Guarantor and the Security Trustee in accordance with the provisions of article 2010(b) of the Civil Code (Chapter 16 of the laws of Malta).

In order to further protect the Security Interests of the Security Trustee for the benefit of Bondholders and to preserve their ranking over the assets of the Company and Guarantor, each principal contractor shall irrevocably renounce to its right to register a special privilege in terms of article 2010(b) of the Civil Code (Chapter 16 of the laws of Malta). In addition, each contractor shall covenant that it shall only be allowed to subcontract to other subcontractors on condition that a similar waiver of rights is documented.

Furthermore, the Guarantor shall take out an insurance policy in relation to the hypothecated property and pledge such policy in favour of the Security Trustee.



7.2 RELEASING SECURITY AND THE RESERVE ACCOUNT

All sales of residential units and garage spaces forming part of the Hypothecated Property (listed in section 7.1 above) are expected to be executed on the basis that units are sold free and unencumbered, and accordingly released of all hypothecary rights and privileges encumbering those units. For this purpose, the Security Trustee is authorised and empowered, pursuant to the Trust Deed, to release individual units of the Hypothecated Property from the Security Interest encumbering such unit/s upon receipt by it from the Company or Guarantor or from a prospective purchaser of a fixed portion of the purchase price of each residential unit, as described below.

The Security Trustee, Issuer and Guarantor have agreed on a list of projected prices for each residential unit (the “**Projected Sales Price**”) and then established a fixed allocation of the Projected Sales Price from each residential unit in each project forming part of the Hypothecated Property, based on a percentage allocation of the Projected Sales Price. The Trustee shall only be bound to release the Security Interests registered in its favour over a particular residential unit against receipt by it of the agreed fixed amount that is attributed to that unit in the Trust Deed. This is intended to ensure that the security created for the interest of Bondholders is only reduced against a cash payment made by the Issuer to the credit of the Reserve Account to be held by the Security Trustee for the benefit of Bondholders.

The proceeds from the sale of a residential unit can be classified as follows: (a) the deposit paid by a buyer on account of the purchase consideration which shall not exceed 10% of the gross sale price of that residential unit (the “**Payment on Account**”); and (b) the outstanding balance of the purchase consideration, after deducting commissions payable by the Guarantor (and VAT on commissions) and provisional tax on the full sales price (the “**Net Balance of Price**”).

Pursuant to the Trust Deed, allocations of sales proceeds shall be made as provided hereunder:

- i. all Payments on Account shall be allocated to the Guarantor for application in meeting the overall development costs of the Zabbar, Mellieha and Pembroke developments;
- ii. the amounts of €159,250, €88,000 and €82,000 out of the Net Balance of Price in relation to the Pembroke Development, Mellieha Development and Zabbar Development respectively shall be allocated to the Security Trustee for the benefit of the Reserve Account; and
- iii. the remaining balance of the Net Balance of Price shall be allocated to the Guarantor and shall be applied to meet the overall development costs of the Zabbar, Mellieha and Pembroke developments;

In the absence of unforeseen circumstances and subject to there being no material adverse changes in circumstances, the Directors are of the view that the portion of Projected Sales Price of residential units in the Hypothecated Property allocated to the Security Trustee from available cash flows that will be credited to the Reserve Account will be sufficient to cover the redemption of the Secured Bonds on the Redemption Date.



It is the intention of the Issuer and Security Trustee to apply part of the funds standing to the credit of the Reserve Account to re-purchase Bonds in the market, thus reducing the total value of Bonds outstanding prior to the Redemption Date. The funds standing to the credit of the Reserve Account which are not utilised to re-purchase Bonds in the market shall be invested in line with the investment parameters set out in the Trust Deed and which are summarised hereinafter. Interest or other income from such investments will accrue to the credit of the Reserve Account.

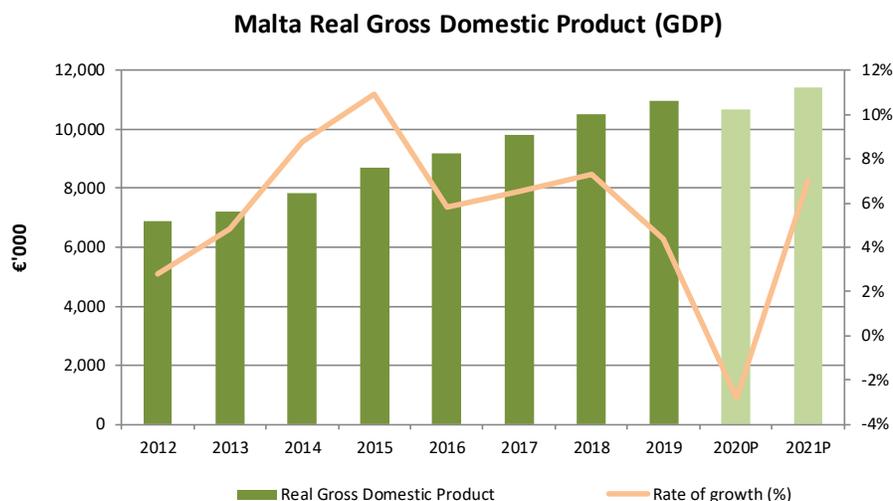
During the term of the Bonds, the Security Trustee shall be empowered to manage the Reserve Account and invest the amounts standing to the credit of the Reserve Account in its discretion, subject to, *inter alia*, the following restrictions:

- i. Any amount out of the Reserve Account may be held on deposit with a Bank licensed as a credit institution in Malta or any Member State of the European Union, provided that not more than 50 per cent of any amount standing to the credit of the Reserve Account, from time to time, shall be deposited with the same institution if the amount of the deposit exceeds the sum of €8 million; and/or
- ii. Any amount out of the Reserve Account may be invested in debt securities, with a credit rating of BBB- or above, issued by or guaranteed by the Government of Malta or other member state of the European Union or the EEA; and/or
- iii. Amounts not exceeding €5 million (in aggregate) may be invested in debt securities admitted to listing and trading on a Regulated market in the European Union, provided that not more than €1 million may be exposed to one or more debt securities issued by the same issuer; and provided that such investment will not expose the Reserve Account to any currency exchange risk.



8. TREND INFORMATION AND BUSINESS STRATEGY

8.1 MALTA ECONOMIC UPDATE¹



*Note: Projected real GDP data for 2020 and 2021 are based on IMF estimates (IMF World Economic Outlook, April 2020)
Source: National Statistics Office Malta*

The domestic economy continued to register a healthy rate of economic expansion in 2019, notwithstanding the more challenging environment globally and in the euro area. Although real GDP² growth moderated to 4.4% from 7.3% in 2018, it remained above its long-term average of around 4.0%. The expansion was driven by domestic demand, particularly government consumption and gross fixed capital formation. Private consumption had a positive impact, although it increased at a slower pace following the very strong outturn in 2018. Meanwhile, the contribution of net exports turned negative, as imports outpaced exports. Nominal gross value added (GVA)³ data show that the expansion continued to be largely supported by services, although the manufacturing and construction sectors also expanded.

In the near term, GDP will be affected significantly, mainly on account of the negative effects of COVID-19 on confidence, disruptions in global supply chains and lower demand in a number of services sectors, most notably those related to tourism. However, growth should recover from 2021. At this juncture, projections of economic activity, both for Malta and globally, critically hinge on the duration of the pandemic, as well as the size of the local and global fiscal response.

¹ Fifty-second Annual Report and Statement of Accounts 2019 – Central Bank of Malta, 2020 (pages 13, 14 and 50).

² Gross Domestic Product (GDP) is an estimate of the value of goods and services produced in the economy over a period of time.

³ Gross Value Added (GVA) is the value of output less the value of intermediate consumption; it is a measure of the contribution to GDP made by an individual producer, industry or sector.



The International Monetary Fund (IMF) has in their latest projections⁴ estimated that the global economy will contract sharply by -3% in 2020, much worse than during the 2008-09 financial crisis. In its baseline scenario, which assumes that the pandemic fades in the second half of 2020 and containment efforts can be gradually unwound, the global economy is projected to grow by 5.8% in 2021 as economic activity normalises, helped by policy support. On the same basis, Malta's real GDP is projected to decline by 2.8% in 2020, but is expected to rebound by 7% in 2021. Such outcome may vary significantly as economic performance is dependent on factors that interact in ways that are hard to predict, including *inter alia* the pathway of the pandemic, the intensity and efficacy of containment efforts, the extent of supply disruptions, shifts in spending patterns, behavioural changes (such as people avoiding shopping malls and public transportation) and confidence effects.

8.2 PROPERTY MARKET & CONSTRUCTION SECTOR

During the last five years (Q4 2014 to Q4 2019), property prices increased by 56%, primarily on account of a strong economy and a robust labour market. Further analysis of the chart⁵ below shows that the 12-month upward trend in prices (in percentage terms) increased at an accelerating rate from Q2 2013 up to Q2 2018, after having gone through a volatile period between FY2008 to FY2012 as a result of the global financial crisis and its aftermath. In the subsequent 6 quarters - Q3 2018 to Q4 2019 - property prices continued to increase albeit at a slower pace.

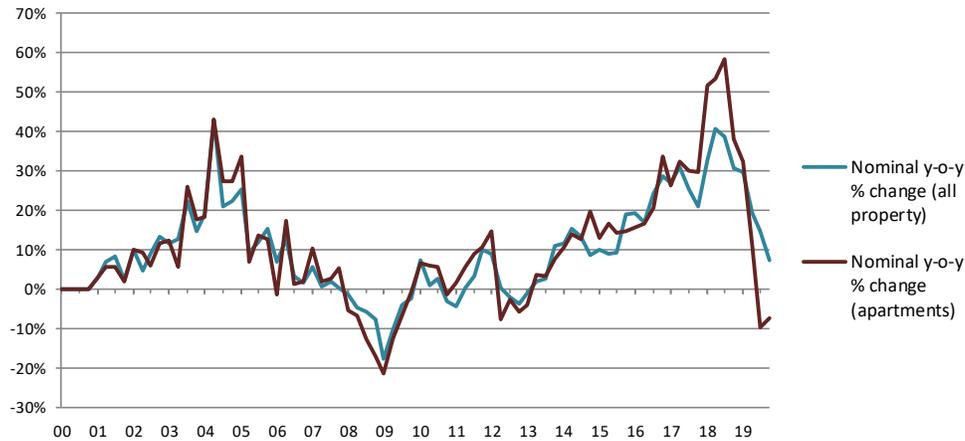
The nominal year-on-year change in apartment prices broadly tracked the aggregate property price movements over the periods under review, except for the periods Q1 2018 to Q4 2019, wherein the yearly increase in prices of apartments between Q1 2018 and Q3 2018 was higher when compared to the broader property market, but declined comparably faster in the subsequent periods (Q4 2018 to Q4 2019). Moreover, in Q3 2019, apartment prices registered a decrease of 10% when compared to Q3 2018 and declined by a further 7% in the subsequent quarter on a comparable basis.

⁴ World Economic Outlook, Chapter 1 The Great Lockdown – International Monetary Fund, May 2020.

⁵ <https://www.centralbankmalta.org/real-economy-indicators> (property prices index based on advertised prices (base 2000 = 100)).



CHART I: Change in Property Prices

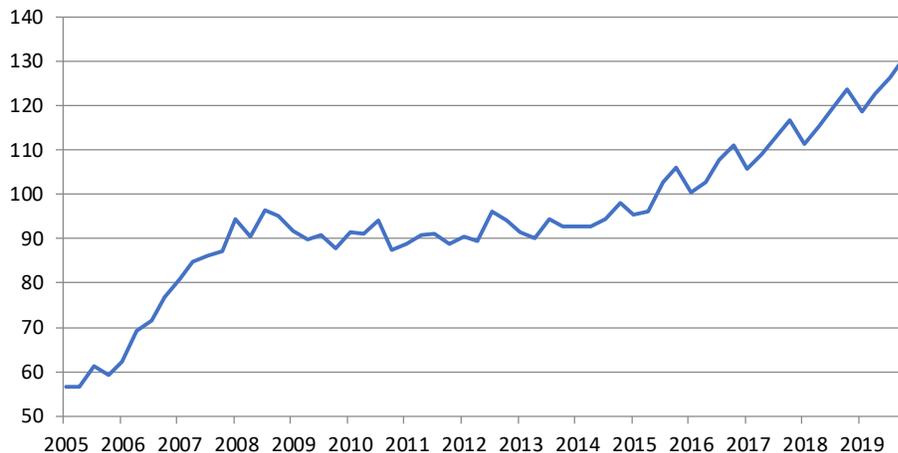


Source: Central Bank of Malta

The above data mainly provides trend information as advertised property prices may not accurately reflect the prices at which sales actually take place.

Eurostat’s House Price Index for Malta⁶ – which captures price changes of all residential properties purchased by households (including flats, detached houses, terraced houses, etc) - also indicates that residential property prices increased. The latest data available refers to Q4 2019 and shows that said prices increased by 5.6% compared with the same quarter of 2018, and over a 5-year period (Q4 2014 to Q4 2019), prices increased by 34% (vide Chart II below).

CHART II: Malta House Price Index



Source: Eurostat

⁶ <https://ec.europa.eu/eurostat/tgm/download.do?tab=table&plugin=1&language=en&pcode=tipsho40> (the data is expressed as quarterly index (2015 = 100)).



Prior to the pandemic crisis, residential property prices were supported by numerous factors, including the low-interest rate environment that makes property more attractive as an investment, as well as the Government's schemes for first-time and second-time buyers. Demand for residential property was also driven by favourable labour market conditions, strong growth in tourism (particularly in private accommodation), disposable income and an increase in foreign workers. The Individual Investor Programme also contributed, although property acquisitions under this Programme account for a limited proportion of all property transactions.⁷

On 8 June 2020, the Government announced a plan to regenerate the economy following the impact of COVID-19 on the country. Measures relating to immovable property include a reduction in taxation from 8% to 5% on sales of property, whilst stamp duty levied on the acquisition of property will be charged at 1.5%. These reductions will apply to properties with values below €400,000 and the contracts of sale must be concluded by March 2021.

In 2019, the number of permits issued for the construction of residential dwellings declined following five consecutive years of substantial growth. Permits issued in 2019 remained high from a historical perspective, standing at 12,485 compared to 12,885 in 2018 (see Chart III below). This was entirely due to a lower number of permits issued for the construction of apartments, which were down by 4.3%. Notwithstanding recent developments, apartments still accounted for 85.9% of total residential permits issued in 2019. On the other hand, permits issued for maisonettes and terraced houses rose during the year under review and accounted for 9.8% and 3.2%, respectively of all residential permits issued during the year. Permits issued for other dwellings also increased over the year, reaching a three-year high. However, these continued to account for a very small proportion of all residential permits issued.

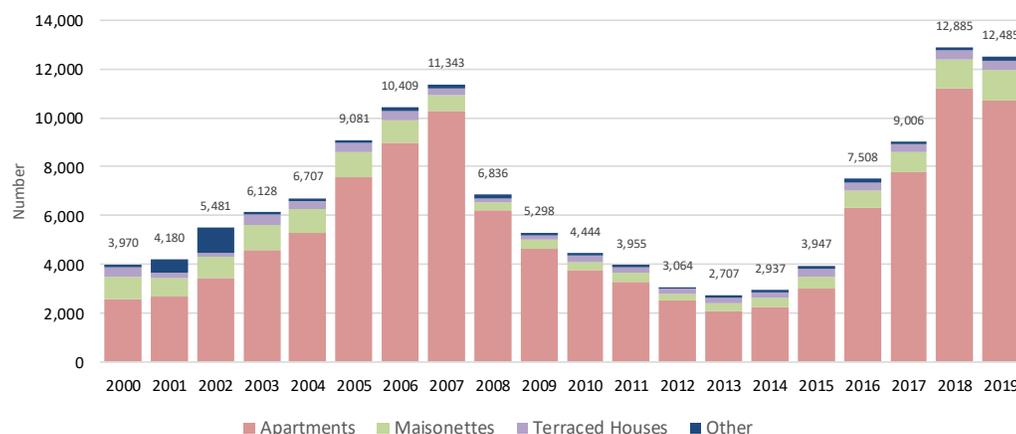
Construction investment increased by 12.6% in nominal terms, following an increase of 3.9% in 2018. This acceleration was driven by non-dwelling investment, which rose by 21.6%, after declining by 10.2% in 2018. By contrast, annual growth in residential investment moderated to 4.6%, from 20.8% previously. GVA in the construction sector increased at a faster pace during 2019. It rose by 13.9% following an increase of 7.9% in the preceding year.⁸

⁷ Central Bank of Malta Quarterly Review 2020:1 (page 43).

⁸ Fifty-second Annual Report and Statement of Accounts 2019 – Central Bank of Malta, 2020 (pages 50 and 55).



CHART III: Development Permits for Dwellings



8.3 STRATEGY

The BDP Group's long-term strategy is to focus on acquiring suitable sites for the development of residential units.

In FY2019, the Board of Directors decided to re-align the phasing of development and sales strategy of residential units currently in the course of development. Prior to such alterations, the Zabbar and Pembroke projects were due to be developed first, followed by the Mellieha project. However, works on the Zabbar development have since been accelerated and are expected to be completed by Q3 2023. As at the date of this report, 2 units from the Zabbar project have been sold, while 28 units are subject to promise of sale agreements.

Works on the Mellieha development have commenced and are expected to be completed by Q4 2023. The Pembroke development has been pushed back with construction works commencing in Q1 2021 and should be concluded by Q1 2022. This re-scheduling of projects has been done so as to ensure that the BDP Group will have sufficient liquidity to meet its payment obligations as and when they fall due. The revised timeframe per project is provided hereunder:

Best Deal Properties Holding plc Project Management Plan

	Commencement of development	Development complete	Finalisation of all unit sales
Crystal Court	Pre-2018	Q3-2018	Q3-2018
Blue Moon Court	Q2-2018	Q1-2020	Q4-2020
Garnet Court	Q3-2018	Q2-2021	Q2-2021
Zabbar Development	Q1-2019	Q3-2023	Q3-2024
Mellieha Development	Q1-2019	Q4-2023	Q3-2024
Pembroke Development	Q1-2021	Q2-2022	Q2-2023



To further improve its cash inflows, the BDP Group has introduced two performance obligations on buyers as opposed to receiving one payment on final delivery of residential units. Accordingly, each residential unit will be transferred to the respective buyer in shell form once construction is completed. This will enable the BDP Group to receive the majority of sale proceeds at an earlier stage rather than when the unit is in a finished state. The second performance payment covers finishing works of the unit, which shall be undertaken by the BDP Group on behalf of the buyer at a pre-determined price.

The Board remains vigilant and will take such measures as it deems appropriate from time to time to address evolving circumstances as they occur.



PART 2 – BDP GROUP PERFORMANCE REVIEW

9. FINANCIAL HIGHLIGHTS

The projected financial statements relate to events in the future and are based on assumptions which BDP Group believes to be reasonable. Consequently, the actual outcome may be adversely affected by unforeseen situations and the variation between forecast and actual results may be material.

The Issuer was registered and incorporated on 23 October 2018. Accordingly, historical financial information for the year ended 31 December 2018 reflects an aggregation of the results of all subsidiary companies, whilst the financial position as at 31 December 2018 is extracted from the unaudited consolidated financial statements of BDP Group.

Audited financial results for 2019 cover a fourteen-month period, from 23 October 2018 (being the date of incorporation of the Issuer) to 31 December 2019. The projected financial information for FY2020 reflects the consolidation of BDP Group projections for the year ending 31 December 2020.

The COVID-19 pandemic is affecting business on a national and worldwide level, and consequently is also adversely impacting BDP Group's business. Accordingly, the anticipated impact of the pandemic on the BDP Group has been reflected in the forecast financial results for the year ending 31 December 2020.

Best Deal Properties Holding plc			
Condensed Consolidated Income Statement			
for the years ending 31 December			
	FY2018	FP2019	FY2020
	Jan18 - Dec18	Oct18 - Dec19	Jan20 - Dec20
	Aggregation	Audited	Projection
	€'000	€'000	€'000
Revenue	4,289	883	12,764
Cost of sales	(3,350)	(764)	(9,501)
Administrative expenses	(140)	(620)	(690)
EBITDA	800	(501)	2,573
Depreciation and amortisation	(0)	(73)	(67)
Net finance costs	(6)	(28)	(155)
Gain on bargain purchase	515	515	-
Profit/(loss) before tax	1,309	(87)	2,351
Taxation	(329)	(38)	(1,099)
Profit/(loss) for the year	980	(125)	1,251



Best Deal Properties Holding plc			
Earnings before interest, taxation, depreciation & amortisation (EBITDA)			
for the years ending 31 December			
	FY2018	FP2019	FY2020
	Jan18 - Dec18	Oct18 - Dec19	Jan20 - Dec20
	Aggregation	Audited	Projection
	€'000	€'000	€'000
<i>EBITDA has been calculated as follows:</i>			
Operating profit/(loss)	800	(574)	2,506
<i>Adjustment:</i>			
Depreciation and amortisation	-	73	67
EBITDA	800	(501)	2,573

Key Accounting Ratios			
	FY2018	FP2019	FY2020
	Jan18 - Dec18	Oct18 - Dec19	Jan20 - Dec20
	Aggregation	Audited	Projection
Operating profit margin (EBITDA/revenue)	19%	n/a	20%
Net profit margin (Profit after tax/revenue)	23%	n/a	10%
Earnings per share (€) (Profit after tax/number of shares)	0.39	n/a	0.40
Return on equity (Profit after tax/shareholders' equity)	32%	n/a	27%
Return on capital employed (EBITDA/total assets less current liabilities)	4%	n/a	10%
Return on assets (Profit after tax/total assets)	4%	n/a	4%
<i>Source: MZ Investment Services Limited</i>			

In FY2018 and FP2019, the business activities of the BDP Group primarily involved the development of the two projects in Marsascala – Crystal Court and Blue Moon Court, as well as construction works on Garnet Court in Mqabba. Development also commenced in FP2019 on the Mellieha and Zabbar projects.

Crystal Court is fully complete and all units were sold in FY2018. Development works on Blue Moon Court have also been concluded, but not all of the sales contracts have been executed as at the date of this report. It was originally intended for all sales contracts to be signed by Q4 2019, however, delays outside the BDP Group's control coupled with the social distancing measures imposed by the public



health authorities have caused the planned conclusion of sales of all units within Blue Moon Court to be postponed to Q3 2020.

BDP Group's accounting policies dictate that revenue is recognised on completion of the development and delivery of respective residential unit/s and upon signing of contracts of sale – meaning that revenue recognised in the income statement FP2019 pertains to the sales of units in the Crystal development, where the said units have been fully transferred to third parties. Deposits paid in FP2019 by third parties in relation to Blue Moon units have not been recognised as revenue for the year as these units have yet to be transferred to their rightful owners. Such delays adversely impacted EBITDA in FP2019, as contributions from the sales of the remaining Crystal Court units were not sufficient to cover administrative expenses.

In terms of the BDP Group's accounting policies, borrowing costs that are directly attributable to the acquisition, construction and finishing of the development for resale are included in inventories and work in progress. As such, net finance costs in the income statement were not material during the reviewed period.

In November 2018, the BDP Group recognised a one-off gain on bargain purchase upon the acquisition of Elite Developments Limited (€0.5 million), since the net asset value of the company was higher than the purchase consideration. This transaction was recorded in both FY2018 and FP2019 due to the overlap of items accounted for during the period 23 October 2018 to 31 December 2018. Overall, the Group generated a net profit of €980,000 in FY2018 but incurred a loss amounting to €125,000 in FP2019.

In **FY2020**, BDP Group is projecting to generate revenue of €12.8 million, principally from the sale of units in Blue Moon Court (€7.4 million), Garnet Court (€0.2 million) and the Zabbar development (€5.2 million). Net profit to be generated during FY2020 is expected to amount to €1.2 million, which will be retained to further strengthen the BDP Group's capital base.

For the projected year, BDP Group expects to achieve an operating profit margin and net profit margin of 20% and 10% respectively, whilst a return on capital employed of 10% has been forecasted.



Best Deal Properties Holding plc			
Condensed Consolidated Statement of Financial Position			
as at 31 December			
	2018	2019	2020
	Unaudited	Audited	Projection
	€'000	€'000	€'000
ASSETS			
Non-current assets			
Property, plant and equipment	1	1	1
Goodwill	40	43	43
Deferred tax asset	-	21	21
Sinking fund reserve	-	-	1,886
	<u>41</u>	<u>65</u>	<u>1,951</u>
Current assets			
Inventories	19,669	26,432	24,788
Trade and other receivables	164	156	43
Cash and cash equivalents	3,559	801	1,846
	<u>23,392</u>	<u>27,389</u>	<u>26,678</u>
Total assets	<u>23,433</u>	<u>27,454</u>	<u>28,629</u>
EQUITY			
Capital and reserves			
Called up share capital	250	313	313
Share premium	-	938	938
Shareholders' loans	2,325	2,324	2,324
Retained earnings/(accumulated losses)	531	(209)	1,042
	<u>3,106</u>	<u>3,366</u>	<u>4,617</u>
LIABILITIES			
Non-current liabilities			
Secured bonds	15,605	15,671	15,738
Borrowings	1,100	2,548	6,162
	<u>16,705</u>	<u>18,219</u>	<u>21,900</u>
Current liabilities			
Borrowings	2,222	3,050	1,167
Trade and other payables	-	1,068	33
Other creditors: deposits	1,400	1,749	884
Current income tax liabilities	-	2	28
	<u>3,622</u>	<u>5,869</u>	<u>2,112</u>
	<u>20,327</u>	<u>24,088</u>	<u>24,012</u>
Total equity and liabilities	<u>23,433</u>	<u>27,454</u>	<u>28,629</u>



Key Accounting Ratios

	FY2018 Jan18 - Dec18 Aggregation	FP2019 Oct18 - Dec19 Audited	FY2020 Jan20 - Dec20 Projection
Gearing ratio <i>(Total net debt/net debt and shareholders' equity)</i>	83%	86%	81%
Net debt to EBITDA (years) <i>(Net debt/EBITDA)</i>	19.21	n/a	7.51
Net assets per share (€) <i>(Net asset value/number of shares)</i>	1.24	1.08	1.48
Liquidity ratio (times) <i>(Current assets/current liabilities)</i>	6.46	4.67	12.63

Source: MZ Investment Services Limited

As at **31 December 2019**, total assets amounted to €27.5 million (FY2018: €23.4 million), an increase of €4.1 million over the previous year. The principal movement was in the BDP Group's inventory (being costs incurred in the development of residential property) which increased by €6.8 million, mainly due to the completion of Blue Moon Court and further progress registered in the Zabbar and Mellieha developments, as well as Garnet Court. On the other hand, the value of cash and cash equivalents in hand decreased from €3.6 million to €0.8 million, on account of delays in finalising the contracts relating to units at Blue Moon Court, thereby resulting in more cash held up in inventory.

In FP2019, the BDP Group raised further equity (*circa* €1 million) from a new corporate investor – C Development Limited, which acquired a 20% shareholding in the Issuer. Additional funding during the year came in the form of a shareholder's loan of €1.2 million from C Developments Limited, and further drawdowns of €1.0 million from existing bank loan facilities. Payables due to third-party contractors at year end for works carried out on various developments amounted to €1.1 million, while deposits received from promise of sale agreements as at 31 December 2019 amounted to €1.7 million (FY2018: €1.4 million).

As at **31 December 2020**, the BDP Group's statement of financial position is projected to comprise total assets of €28.6 million, primarily made up of inventory (being work-in-progress on projects) and cash balances. The composition of total assets is expected to remain broadly unchanged in FY2020, except that the Group is projected to commence building the sinking fund reserve for the redemption of the secured bonds with an initial contribution of *circa* €1.9 million. The sinking fund reserve is expected to be funded from the transfer of €82,000 per unit from the projected sale of 23 residential units in the Zabbar development.

Total equity is projected to increase as a result of the anticipated profit for the year of €1.3 million. Aggregate liabilities are projected to amount to €24.0 million, mainly comprising secured bonds of €15.7 million (FY2019: €15.7 million) and bank and related party borrowings of €7.3 million (FY2019:



€5.6 million). The remaining balance includes deposits received on promise of sale agreements and other payables.

The gearing ratio of the BDP Group is expected to decrease from 86% in FP2019 to 81% in FY2020, whilst net debt to EBITDA, which is an alternative measure to assess leverage, is projected at 7.51 years in FY2020. The liquidity ratio of the BDP Group in FY2020 is estimated at 12.63 times. The relatively high liquidity ratio emanates from the fact that the majority of the BDP Group's funding facilities are repayable after more than one year.

Best Deal Properties Holding plc			
Condensed Consolidated Cash Flow Statement			
for the years ending 31 December			
	FY2018	FP2019	FY2020
	Jan18 - Dec18	Oct18 - Dec19	Jan20 - Dec20
	Aggregation	Audited	Projection
	€'000	€'000	€'000
Net cash from operating activities	(18,099)	(24,001)	1,529
Net cash from investing activities	249	(2)	(13)
Net cash from financing activities	21,409	24,788	(455)
Net movement in cash and cash equivalents	3,559	785	1,061
Cash and cash equivalents at beginning of year	-	-	785
Cash and cash equivalents at end of year	3,559	785	1,846

Net cash outflow from operating activities in FY2018 and FP2019 amounted to €18.1 million and €24.0 million respectively, primarily on account of an increase in stock of property for eventual disposal. Business operations were financed from issue of ordinary shares, net proceeds from bond issue, and related party and bank borrowings. In FY2018 and FP2019, net cash from financing activities amounted to €21.4 million and €24.8 million respectively.

In FY2020, net movement in cash and cash equivalents is projected to amount to €€1.1 million. Net cash from operating activities is expected to amount to €1.5 million, which factors in an EBITDA of €2.6 million and the balance being working capital changes. Net cash outflow from financing activities is forecasted to amount to *circa* €0.5 million, comprising primarily the transfer of €1.9 million to the sinking fund reserve and net drawdowns from bank facilities amounting to €1.4 million.



10. VARIANCE ANALYSIS

10.1 FY2018 VARIANCE ANALYSIS

The variance analysis of the income statement for FY2018 compares actual with forecast BDP Group performance for the stated period. As the Issuer was incorporated in October 2018, the first set of audited financial statements covers the period 23 October 2018 to 31 December 2019. Consequently, actual figures for FY2018 reflect an aggregation of the audited financial statements of Elite Developments Limited and PJCE Properties Limited, management accounts of Best Deal Developments Limited for FY2018 and management accounts of the Issuer for the period 23 October 2018 to 31 December 2018.

Best Deal Properties Holding plc Condensed Consolidated Income Statement for the year ending 31 December			
	FY2018 Jan18 - Dec18 Aggregation €'000	FY2018 Jan18 - Dec18 Forecast €'000	Variance €'000
Revenue	4,289	4,741	(452)
Cost of sales	(3,350)	(3,758)	409
Administrative expenses	(140)	(105)	(35)
EBITDA	800	878	(78)
Net finance costs	(6)	(1)	(5)
Amortisation	-	(9)	9
Gain on bargain purchase	515	-	515
Profit before tax	1,309	868	441
Taxation	(329)	(334)	5
Profit for the year	980	533	447

Forecast BDP Group performance for FY2018 proved to be slightly more aggressive than actual results for the year. The BDP Group generated revenues of *circa* €4.3 million, €0.5 million lower than expected. However, as a result of the lower level of revenue recorded in FY2018 compared to projections, cost of sales was also lower. The overall impact was a variance of €78,000 in EBITDA.

Actual profit for the year was higher than forecast by €447,000, mainly due to the impact of €515,000 gain on bargain purchase which was not reflected in the forecast figures.



Best Deal Properties Holding plc			
Condensed Consolidated Statement of Financial Position			
as at 31 December 2018			
	Unaudited	Forecast	Variance
	€'000	€'000	€'000
ASSETS			
Non-current assets			
Property, plant and equipment	1	1	-
Goodwill	40	-	40
	<u>41</u>	<u>1</u>	<u>40</u>
Current assets			
Inventories	19,669	21,148	(1,479)
Trade and other receivables	164	384	(220)
Cash and cash equivalents	3,559	4,454	(895)
	<u>23,393</u>	<u>25,986</u>	<u>(2,593)</u>
Total assets	<u>23,434</u>	<u>25,987</u>	<u>(2,553)</u>
EQUITY			
Capital and reserves			
Called up share capital	250	250	-
Shareholders' loans	2,325	2,675	(350)
Retained earnings	531	507	24
	<u>3,106</u>	<u>3,432</u>	<u>(326)</u>
LIABILITIES			
Non-current liabilities			
Secured bonds	15,605	15,689	(84)
Borrowings	1,100	5,100	(4,000)
	<u>16,705</u>	<u>20,789</u>	<u>(4,084)</u>
Current liabilities			
Borrowings	2,222	-	2,222
Trade and other payables	-	664	(664)
Other creditors: deposits	1,400	1,102	298
	<u>3,623</u>	<u>1,766</u>	<u>1,857</u>
	<u>20,328</u>	<u>22,555</u>	<u>(2,227)</u>
Total equity and liabilities	<u>23,434</u>	<u>25,987</u>	<u>(2,553)</u>

The BDP Group's statement of financial position as at 31 December 2018 was forecast to comprise total assets of €26.0 million, primarily made up of inventory (being works-in-progress on projects) and cash balances. Unaudited actual results as at 31 December 2018 indicate that BDP Group assets stood at €23.4 million, with the majority of the value being derived from works-in-progress amounting to €19.7 million – almost €1.5 million less than what was forecasted for FY2018. The BDP Group had €3.6 million in cash and cash equivalents as at financial year end, resulting in an adverse variance of €0.9 million when compared to projected figures. This variance was due to slower progress on development of the Blue Moon and Garnet Courts in FY2018 compared to projected figures.

Since less development was undertaken in FY2018 compared to projected development, the BDP Group required less funding from bank facilities. As a result, as at 31 December 2018, the BDP Group's bank borrowings stood at €3.3 million – significantly lower than the forecast bank borrowings of €5.1 million.



10.2 FP2019 VARIANCE ANALYSIS

The below analysis is based on two sets of financial information – the audited set covering the period 23 October 2018 to 31 December 2019, and the projected financial statements for the financial period 1 January 2019 to 31 December 2019. As the Company was incorporated on 23 October 2018, one must take into consideration the fact that while the latter covers the entirety of a financial year, the former covers a period of fourteen months.

Best Deal Properties Holding plc Condensed Consolidated Income Statement for the year ending 31 December			
	FP2019 Oct18 - Dec19 Audited €'000	FY2019 Jan19 - Dec19 Projection €'000	Variance €'000
Revenue	883	7,043	(6,160)
Cost of sales	(764)	(5,014)	4,250
Administrative expenses	(693)	(624)	(69)
EBITDA	(574)	1,405	(1,979)
Net finance costs	(28)	(14)	(14)
Gain on bargain purchase	515	-	515
Profit/(loss) before tax	(87)	1,391	(1,478)
Taxation	(38)	(530)	492
Profit/(loss) for the year	(125)	861	(986)

The loss before tax for FY2019 of €87,000 represents an adverse material variance of *circa* €1.5 million from the 2019 projections that were published in the Financial Analysis Summary dated 3 December 2018. The projections were based on the expectation that all the sales contracts of the Blue Moon Court would have been concluded in the last quarter of 2019. However, due to delays beyond the BDP Group's control, the Blue Moon development was completed in the first quarter of 2020. The Company has preliminary agreements in hand for all units of the Blue Moon Court and these are all expected to be concluded in 2020.

In accordance with the Company's revenue recognition accounting policy, a sale can only be recorded once the contract is signed and the asset is transferred to the buyer. This delay was the main reason behind the €6.2 million revenue variance between actual results and projected figures for the financial year ended 31 December 2019. After considering the corresponding decrease in cost of sales, the Group registered an operating loss of €0.6 million compared to a projected operating profit of €1.4 million.



Best Deal Properties Holding plc			
Condensed Consolidated Statement of Financial Position			
as at 31 December 2019			
	Audited	Projection	Variance
	€'000	€'000	€'000
ASSETS			
Non-current assets			
Property, plant and equipment	1	1	-
Goodwill	43	-	43
Deferred tax asset	21	-	21
	<u>65</u>	<u>1</u>	<u>64</u>
Current assets			
Inventories	26,432	24,424	2,008
Trade and other receivables	156	321	(165)
Cash and cash equivalents	801	2,211	(1,410)
	<u>27,389</u>	<u>26,956</u>	<u>433</u>
Total assets	<u>27,454</u>	<u>26,957</u>	<u>497</u>
EQUITY			
Capital and reserves			
Called up share capital	313	250	63
Share premium	938	-	938
Shareholders' loans	2,324	2,675	(351)
Retained earnings/(Accumulated losses)	(209)	1,368	(1,577)
	<u>3,366</u>	<u>4,293</u>	<u>(927)</u>
LIABILITIES			
Non-current liabilities			
Secured bonds	15,671	15,742	(71)
Borrowings	2,548	3,355	(807)
	<u>18,219</u>	<u>19,097</u>	<u>(878)</u>
Current liabilities			
Borrowings	3,050	-	3,050
Trade and other payables	1,068	625	443
Other creditors: deposits	1,749	2,942	(1,193)
Current tax liabilities	2	-	2
	<u>5,869</u>	<u>3,567</u>	<u>2,302</u>
	<u>24,088</u>	<u>22,664</u>	<u>1,424</u>
Total equity and liabilities	<u>27,454</u>	<u>26,957</u>	<u>497</u>

The Group's largest asset base is its inventory, that is, the properties held for development and sale. A positive variance of €2.0 million reflects the change in Board strategy to focus on the Zabbar and Mellieha Developments, made possible due to a cash injection through a fresh issue of shares and a shareholder's loan from C Developments Limited. The majority of the value of these works-in-progress relate to the Zabbar Development, followed by Blue Moon Court and the Mellieha Development. The effect of the favourable inventory variance is reflected in an adverse variance in cash and cash equivalents, as audited figures show that more cash was required to sustain working capital requirements.



In terms of equity, audited figures reflect the BDP Group's admission to Prospects MTF – whereby 62,500 shares were issued at a premium. These shares were fully acquired by C Developments Limited in exchange for a 20% stake in the BDP Group. Accumulated losses in the audited financial statements have been discussed earlier in this report and reflect a delay in sales of Blue Moon Court units in FY2019, with the Board now expecting these units to be sold during FY2020.

Audited figures show a higher combined level of borrowings when compared to projections. Upon their entry into the BDP Group, C Developments Limited advanced to the BDP Group the amount of €1.2 million in the form of an unsecured shareholder's loan to further assist the BDP Group with ongoing working capital requirements.



PART 3 - COMPARABLES

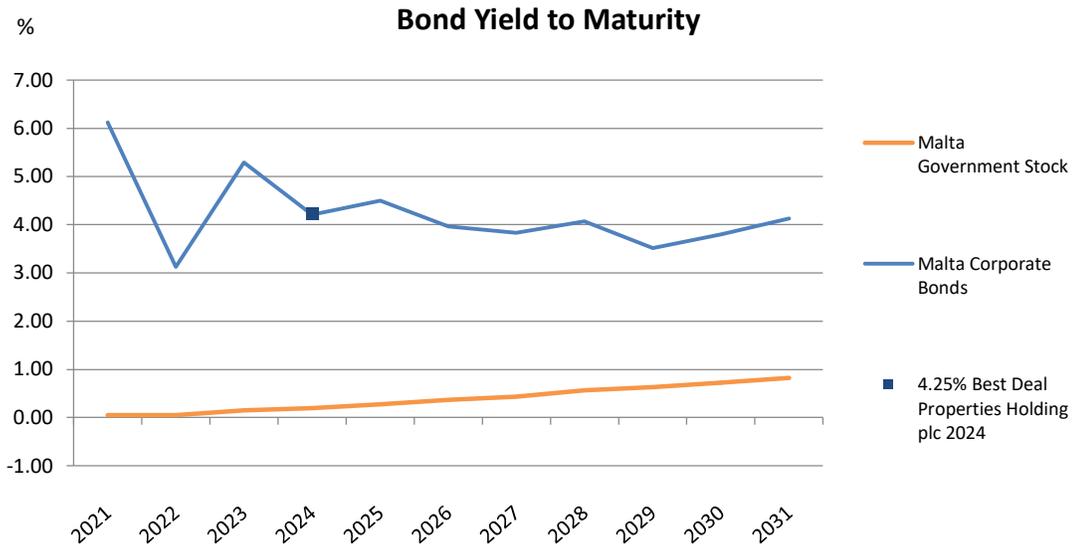
The table below compares the Issuer and its bond issue to other debt issuers listed on the Malta Stock Exchange and their respective debt securities. The list includes issuers (excluding financial institutions) that have listed bonds. Although there are significant variances between the activities of the Issuer and other issuers (including different industries, principal markets, competition, capital requirements etc), and material differences between the risks associated with BDP Group's business and that of other issuers, the comparative analysis provides an indication of the financial performance and strength of BDP Group.

Comparative Analysis	Nominal Value (€)	Yield to Maturity (%)	Interest Cover (times)	Total Assets (€'000)	Net Asset Value (€'000)	Gearing Ratio (%)
5.80% International Hotel Investments plc 2021	20,000,000	6.12	3.27	1,617,853	877,620	36.63
3.65% GAP Group plc Secured € 2022	36,736,000	3.13	4.45	55,237	9,869	71.82
6.00% Pendergardens Developments plc Secured € 2022 Series	26,921,200	4.38	3.75	81,524	28,343	37.45
4.25% GAP Group plc Secured € 2023	19,443,000	3.85	4.45	55,237	9,869	71.82
5.30% United Finance Plc Unsecured € Bonds 2023	8,500,000	5.29	0.76	27,159	6,916	62.72
5.80% International Hotel Investments plc 2023	10,000,000	6.15	3.27	1,617,853	877,620	36.63
6.00% AX Investments Plc € 2024	40,000,000	5.09	5.55	342,395	226,115	19.63
6.00% International Hotel Investments plc € 2024	35,000,000	5.42	3.27	1,617,853	877,620	36.63
5.30% Mariner Finance plc Unsecured € 2024	35,000,000	4.21	4.81	95,310	47,100	48.85
5.00% Hal Mann Vella Group plc Secured € 2024	30,000,000	4.24	2.67	117,625	45,146	53.77
5.10% 1923 Investments plc Unsecured € 2024	36,000,000	5.54	3.30	137,275	45,063	30.57
4.25% Best Deal Properties Holding plc Secured € 2024	16,000,000	4.24	-	27,455	3,366	85.88
5.75% International Hotel Investments plc Unsecured € 2025	45,000,000	5.75	3.27	1,617,853	877,620	36.63
5.10% GPM Holdings plc Unsecured € 2025	13,000,000	5.13	4.03	4,066	18,883	-
4.50% Hili Properties plc Unsecured € 2025	37,000,000	4.50	1.65	150,478	57,635	57.73
4.35% Hudson Malta plc Unsecured € 2026	12,000,000	3.96	13.74	28,166	6,135	60.96
4.25% Corinthia Finance plc Unsecured € 2026	40,000,000	4.25	2.74	1,784,681	908,883	40.11
4.00% International Hotel Investments plc Secured € 2026	55,000,000	4.00	3.27	1,617,853	877,620	36.63
3.75% Premier Capital plc Unsecured € 2026	65,000,000	3.57	8.99	273,233	57,082	60.43
4.00% International Hotel Investments plc Unsecured € 2026	60,000,000	4.01	3.27	1,617,853	877,620	36.63
3.25% AX Group plc Unsec Bds 2026 Series I	15,000,000	3.25	5.55	341,785	227,069	19.11
4.35% SD Finance plc Unsecured € 2027	65,000,000	4.35	8.48	316,563	132,582	31.98
4.00% Eden Finance plc Unsecured € 2027	40,000,000	3.83	6.42	199,265	113,124	26.87
4.00% Stivala Group Finance plc Secured € 2027	45,000,000	4.00	4.92	225,284	123,107	38.32
3.85% Hili Finance Company plc Unsecured € 2028	40,000,000	4.07	3.44	455,113	86,390	73.98
3.65% Stivala Group Finance plc Secured € 2029	15,000,000	3.52	4.92	225,284	123,107	38.32
3.80% Hili Finance Company plc Unsecured € 2029	80,000,000	4.20	3.44	455,113	86,390	73.98
3.75% AX Group plc Unsec Bds 2029 Series II	10,000,000	3.61	5.55	341,785	227,069	19.11

01-Jun-20

Source: Malta Stock Exchange, Audited Accounts of Listed Companies, MZ Investment Services Ltd





Source: Malta Stock Exchange, Central Bank of Malta, MZ Investment Services Ltd

1 June 2020

To date, there are no corporate bonds which have a redemption date beyond 2031.

The Malta Government Stock yield curve has been included as it is the benchmark risk-free rate for Malta. The BDP Group's bonds are trading at a yield of 4.24%, which is 3 percentage points higher when compared to other corporate bonds maturing in the same year. The premium over FY2024 Malta Government Stock is 404 basis points.

Due to the global economic fallout from the coronavirus outbreak, the difference between corporate bond yields and benchmark Malta Government Stock yields has widened across the entire yield curve. This unprecedented event has brought about an economic slowdown, which will likely adversely affect operational results of a number of companies.



PART 4 - EXPLANATORY DEFINITIONS

Income Statement	
Revenue	Total revenue generated by the Issuer from its business activities during the financial year.
Cost of sales	Operating expenses include the cost of construction and other related expenses.
EBITDA	EBITDA is an abbreviation for earnings before interest, tax, depreciation and amortisation. EBITDA can be used to analyse and compare profitability between companies and industries because it eliminates the effects of financing and accounting decisions.
Profit after tax	Profit after tax is the profit made by the Issuer during the financial year both from its operating as well as non-operating activities.
Profitability Ratios	
Operating profit margin	Operating profit margin is operating income or EBITDA as a percentage of total revenue.
Net profit margin	Net profit margin is profit after tax achieved during the financial year expressed as a percentage of total revenue.
Efficiency Ratios	
Return on equity	Return on equity (ROE) measures the rate of return on the shareholders' equity of the owners of issued share capital, computed by dividing profit after tax by shareholders' equity.
Return on capital employed	Return on capital employed (ROCE) indicates the efficiency and profitability of a company's capital investments, estimated by dividing operating profit by capital employed.
Return on assets	Return on assets (ROA) is computed by dividing profit after tax by total assets.
Equity Ratios	
Earnings per share	Earnings per share (EPS) is the amount of earnings per outstanding share of a company's share capital. It is computed by dividing net income available to equity shareholders by total shares outstanding as at balance sheet date.



Cash Flow Statement	
Cash flow from operating activities	Cash generated from the principal revenue-producing activities of the Group.
Cash flow from investing activities	Cash generated from activities dealing with the acquisition and disposal of long-term assets and other investments of the Issuer.
Cash flow from financing activities	Cash generated from the activities that result in change in share capital and borrowings of the Issuer.
Balance Sheet	
Non-current assets	Non-current asset are the Issuer's long-term investments, which full value will not be realised within the accounting year. Non-current assets are capitalised rather than expensed, meaning that the Issuer amortises the cost of the asset over the number of years for which the asset will be in use, instead of allocating the entire cost to the accounting year in which the asset was acquired. Such assets include property, plant & equipment and sinking fund reserve.
Current assets	Current assets are all assets of the Issuer, which are realisable within one year from the balance sheet date. Such amounts include development stock (inventories), accounts receivable, cash and bank balances.
Current liabilities	All liabilities payable by the Issuer within a period of one year from the balance sheet date, and include accounts payable and short-term debt, including current portion of bank loans.
Non-current liabilities	The Issuer's long-term financial obligations that are not due within the present accounting year. The Issuer's non-current liabilities include long-term borrowings and debt securities.
Total equity	Total equity includes share capital, reserves & other equity components, and retained earnings.
Financial Strength Ratios	
Liquidity ratio	The liquidity ratio (also known as current ratio) is a financial ratio that measures whether or not a company has enough resources to pay its debts over the next 12 months. It compares a company's current assets to its current liabilities.
Net debt to EBITDA	The net debt to EBITDA ratio is a measurement of leverage, calculated as a company's interest bearing liabilities minus cash or cash equivalents, divided



	by its EBITDA. This ratio shows how many years it would take for a company to pay back its debt if net debt and EBITDA are held constant.
Gearing ratio	The gearing ratio indicates the relative proportion of shareholders' equity and debt used to finance a company's assets, and is calculated by dividing a company's net debt by net debt plus shareholders' equity.

