



FACT SHEET
€25 million 5.25% Qawra Palace plc Secured Bonds 2033

KEY DETAILS

Issuer:	Qawra Palace plc	Listing:	Official List, Malta Stock Exchange
Amount Offered:	€25 million	Coupon:	5.25%
Offer Price:	100% (par value of €100)	Interest Payment Frequency:	Annually on 27 February (with the first interest payment date being 27 February 2024)
Status:	Secured	Maturity Date:	27 February 2033
Offer Period:	9 January 2023 to 3 February 2023 at 17:00 (or earlier as may be determined by the Issuer)	Minimum Subscription Amount:	€2,000 (nominal) and in multiples of €100 thereafter

ABOUT QAWRA PALACE PLC

Qawra Palace plc ("Qawra Palace") is the owner of the Qawra Palace Hotel property with all its immovable amenities, including facilities underlying the Qawra Coast Road which link the main complex of the hotel to those on the foreshore. The property covers an area of around 8,200 square metres and is held via an emphyteutical concession expiring in 2128. In its current state, the property was valued in November 2022 at €60.7 million. Qawra Palace is a non-trading company and finance vehicle. In fact, Qawra Palace leases the property to a related company, **Mallard Co. Ltd** ("Mallard") which in turn operates the hotel. Furthermore, Qawra Palace is raising finance both for itself and its sister company, Mallard.

Through a lease and operating agreement, Qawra Palace will charge an annual rent to Mallard of €2.4 million as from 1 April 2023, subject to an annual increment of 2%. Furthermore, Qawra Palace also acts as a finance vehicle for Mallard and charges an interest rate on amounts lent. Qawra Palace and Mallard are both owned by the Vella family through three holding companies. The Vella family has been involved in the management of the Qawra Palace Hotel since it opened in 1985 and have also been involved in the establishment and management of various other businesses within the hospitality, leisure, and real estate sectors.

The **Qawra Palace Hotel** was originally geared towards the UK tourist market which generated over 70% of its business over the years. Management holds a good relationship with a wide network of tour operators that are the main driver for its occupancy levels. Indeed, hotel occupancy typically generates over 60% of revenue, while other income is generated from its food and beverage outlets and ancillary services.

Since 2019, the Qawra Palace Hotel has been undergoing a major upgrade and extension which is expected to be completed by April 2023 for a total investment of €40.6 million. The hotel extension included an additional 57 rooms on the overlying airspace of the hotel, which have been built and finished, and a further 121 rooms which have been built on an adjacent plot owned by Qawra Palace and are currently in shell form. As such, the room stock will increase to a total of 572 rooms. To complete the ongoing hotel refurbishment, Mallard is estimated to require:

- €6.0 million to finish and furnish the newly built rooms;
- €11.8 million for additional ancillary facilities;
- €6.8 million to refurbish the original hotel property including façade upgrade, refurbishment of an existing restaurant and guestrooms, new restaurant, gym, spa, and parking facilities.

Following the completion of the planned investment, the total property value is estimated to amount to €91.9 million. Management intends to re-position the hotel with the top performing 4-star hotels in the north of Malta by shifting its business strategy to cater for the luxury all-inclusive sector, which is expected to attract a new niche of travellers and build a group of brand loyal clientele.



USE OF PROCEEDS

The net proceeds from the bond issue, estimated at €24.6 million after issuance costs, will be used by Qawra Palace for the following purposes, in the amounts and order of priority set out below:

- €16.4 million for the repayment of an outstanding BOV loan of Qawra Palace plc.
- €6.7 million will be on-lent to Mallard to part-finance the extension and refurbishment of the Qawra Palace Hotel.
- €1.5 million for general corporate funding purposes.

PLAN OF DISTRIBUTION

The bonds will be made available for subscription to all categories of investors through an Intermediaries' Offer. The bond issue is conditional on a minimum subscription of €20 million.

RANKING OF THE BONDS

The bonds will constitute the general, direct, and unconditional, obligations of the Issuer and shall at all times rank *pari passu*, without any priority or preference among themselves. The bonds will rank after any prior ranking indebtedness of the Issuer and is secured via a second-ranking special hypothec over the Qawra Palace property valued at its current state in November 2022 at €60.7 million, with the first-ranking special hypothec over the property of €19.1 million being granted to Bank of Valletta plc. Furthermore, third party security interests may be registered which will rank in priority to the bonds. The bonds would also rank after any future debts which may be secured by a cause of preference such as a privilege and/or a hypothec.

RISK FACTORS

Qawra Palace plc is subject to a number of risks pertaining to the nature of its business. Prospective investors are urged to read the 'Risk Factors' found in Section 1 of the Prospectus dated 20 December 2022.

Prospective investors must also note that since the financial forecasts and the assumptions on which they are based relate to the future, they may be affected by unforeseen events. As such, the variation between forecasts, projections and actual results may be material.

APPLICATION PROCEDURE

Prospective investors wishing to participate at the Intermediaries' Offer are kindly asked to complete **our 'Application Form'** which must be returned to us by Friday 3 February 2023 at 17:00 hours together with a duly completed and signed 'Assessment & Confirmation Form'. **Such applications must be for a minimum of €2,000 (nominal) and in multiples of €100 (nominal) thereafter.**

All applications must be accompanied by the appropriate payment, either by cheque in EUR payable to 'Rizzo, Farrugia & Co (Stockbrokers) Ltd – Clients a/c' or credited into either one of our EUR denominated Clients' Accounts as detailed below:

	HSBC Bank Malta plc	Bank of Valletta plc
EUR A/C No	006 050041 004	400 135 62906
IBAN	MT46 MMEB 4406 0000 0000 0605 0041 004	MT18 VALL 2201 3000 0000 400 135 62906
SWIFT CODE	MMEB MTMT	VALL MTMT

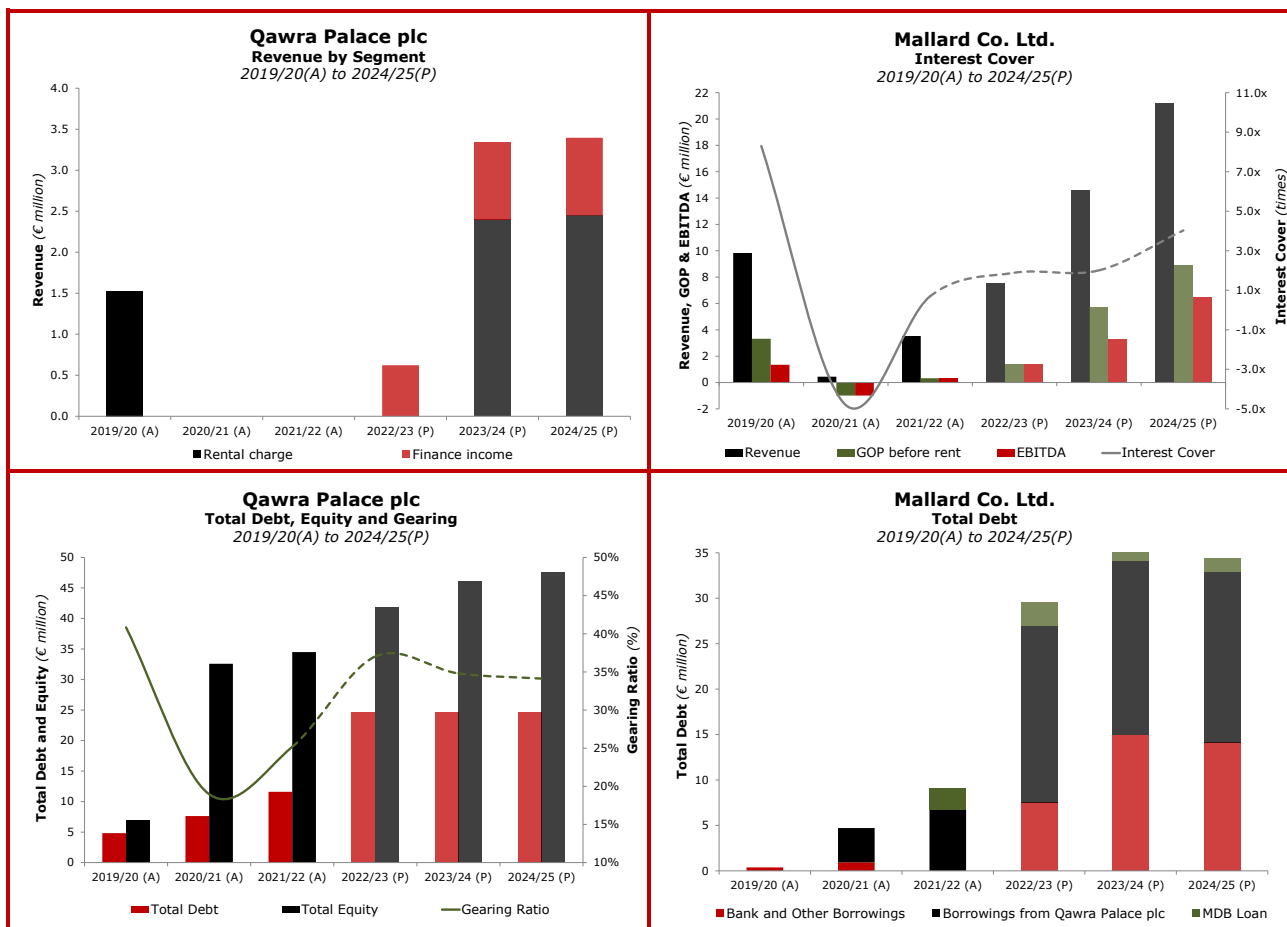
KEY FINANCIAL HIGHLIGHTS & METRICS – QAWRA PALACE PLC

Financial Year Ended 31 March	2020 Actual	2021 Actual	2022 Actual	2023 Projection	2024 Projection	2025 Projection	
Rental Charge [€000]	1,525	0	0	0	2,400	2,448	
Finance Income [€000]	0	0	0	622	949	948	
Revenue [€000]	1,525	0	0	622	3,349	3,396	
Net Operating Expenses [€000]	(3)	(2)	(7)	(41)	(63)	(64)	
EBITDA [€000]	1,522	(2)	(7)	581	3,286	3,332	
Depreciation and Amortisation [€000]	(98)	(98)	0	0	0	0	
Fair Value Movements on Investment Property [€000]	0	29,934	2,497	8,456	3,194	0	
Impairment Provision [€000]	0	(49)	(326)	0	0	0	
EBIT [€000]	1,424	29,785	2,164	9,037	6,480	3,332	
Net Finance Costs [€000]	0	(1)	(8)	(827)	(1,290)	(1,290)	
Profit Before Tax [€000]	1,424	29,784	2,156	8,210	5,190	2,042	
Tax [€000]	(427)	(4,210)	(250)	(846)	(864)	(558)	
Net Profit [€000]	997	25,574	1,906	7,364	4,326	1,484	
Debt Securities [€000]	0	0	0	24,613	24,653	24,693	
Bank and Other Borrowings [€000]	4,837	7,626	11,605	0	0	0	
Total Debt [€000]	4,837	7,626	11,605	24,613	24,653	24,693	
Cash and Cash Equivalents [€000]	0	1	0	282	1,948	3,839	
Net Debt [€000]	4,837	7,625	11,605	24,331	22,705	20,854	
Total Assets [€000]	12,259	44,818	50,936	72,368	76,944	78,414	
Total Liabilities [€000]	5,249	12,234	16,446	30,514	30,764	30,749	
Total Equity [€000]	7,010	32,584	34,490	41,854	46,180	47,665	
Return on Average Assets [%]	(Net Profit / Average Assets)	8.13	89.6	3.98	11.9	5.79	1.91
Return on Average Equity [%]	(Net Profit / Average Equity)	14.2	129.2	5.68	19.3	9.83	3.16
Interest Cover [times]	(EBITDA / Net Finance Costs)	N.A.	(2.00)	(0.88)	0.70	2.55	2.58
Net Debt to EBITDA [times]	(Net Debt / EBITDA)	3.18	N.A.	N.A.	41.9	6.91	6.26
Net Debt to Equity [times]	(Net Debt / Total Equity)	0.69	0.23	0.34	0.58	0.49	0.44
Net Debt to Invested Capital [times]	(Net Debt / Net Debt + Equity)	40.8	19.0	25.2	36.8	33.0	30.4
Gearing Ratio [%]	(Total Debt / [Total Debt + Equity])	40.8	19.0	25.2	37.0	34.8	34.1
Debt to Asset Ratio [times]	(Total Debt / Total Assets)	0.39	0.17	0.23	0.34	0.32	0.31
Leverage Ratio [times]	(Total Assets / Total Equity)	1.75	1.38	1.48	1.73	1.67	1.65



KEY FINANCIAL HIGHLIGHTS & METRICS – MALLARD CO. LTD

Financial Year Ended 31 March	2020 Actual	2021 Actual	2022 Actual	2023 Projection	2024 Projection	2025 Projection	
Revenue [€000]	9,831	441	3,528	7,534	14,574	21,178	
Cost of Sales [€000]	(2,091)	(236)	(873)	(1,548)	(2,915)	(4,235)	
Gross Profit [€000]	7,740	205	2,655	5,986	11,659	16,943	
Operating Costs [€000]	(4,415)	(1,190)	(2,329)	(4,568)	(5,922)	(8,029)	
Gross Operating Profit Before Rent [€000]	3,325	(985)	326	1,418	5,737	8,914	
Rent to Qawra Palace plc [€000]	(1,525)	0	0	0	(2,400)	(2,448)	
Impairment Provision [€000]	(456)	0	0	0	0	0	
EBITDA [€000]	1,344	(985)	326	1,418	3,337	6,466	
Depreciation and Amortisation [€000]	(692)	(844)	(843)	(1,583)	(2,707)	(2,651)	
EBIT [€000]	652	(1,829)	(517)	(165)	630	3,815	
Net Finance Costs [€000]	(162)	(205)	(468)	(751)	(1,661)	(1,604)	
Profit/Loss Before Tax [€000]	490	(2,034)	(985)	(916)	(1,031)	2,211	
Tax [€000]	(95)	0	0	0	0	(93)	
Net Profit/Loss [€000]	395	(2,034)	(985)	(916)	(1,031)	2,118	
<i>Borrowings from Qawra Palace plc [€000]</i>	<i>0</i>	<i>3,770</i>	<i>6,719</i>	<i>19,414</i>	<i>19,130</i>	<i>18,708</i>	
<i>MDB Loan [€000]</i>	<i>0</i>	<i>0</i>	<i>2,350</i>	<i>2,603</i>	<i>2,059</i>	<i>1,494</i>	
<i>Bank and Other Borrowings [€000]</i>	<i>380</i>	<i>945</i>	<i>0</i>	<i>7,500</i>	<i>14,936</i>	<i>14,157</i>	
Total Debt [€000]	380	4,715	9,069	29,517	36,125	34,359	
Cash and Cash Equivalents [€000]	145	165	509	721	416	2,159	
Net Debt [€000]	235	4,550	8,560	28,796	35,709	32,200	
Total Assets [€000]	10,330	11,598	15,041	33,573	38,150	37,503	
Total Liabilities [€000]	1,837	5,162	9,605	30,053	36,661	34,895	
Total Equity [€000]	8,493	6,436	5,436	3,520	1,489	2,608	
Gross Profit Margin [%]	(Gross Profit / Revenue)	78.7	46.5	75.3	79.5	80.0	80.0
EBITDA Margin [%]	(EBITDA / Revenue)	13.7	N.A.	9.24	18.8	22.9	30.5
EBIT Margin [%]	(EBIT / Revenue)	6.63	N.A.	N.A.	N.A.	4.32	18.0
Net Profit Margin [%]	(Net Profit / Revenue)	4.02	N.A.	N.A.	N.A.	N.A.	10.0
Return on Average Assets [%]	(Net Profit / Average Assets)	3.82	N.A.	N.A.	N.A.	N.A.	5.60
Return on Average Equity [%]	(Net Profit / Average Equity)	4.65	N.A.	N.A.	N.A.	N.A.	103.4
Interest Cover [times]	(EBITDA / Net Finance Costs)	8.30	(4.80)	0.70	1.89	2.01	4.03
Net Debt to EBITDA [times]	(Net Debt / EBITDA)	0.17	(4.62)	26.3	20.3	10.7	4.98
Net Debt to Equity [times]	(Net Debt / Total Equity)	0.03	0.71	1.57	8.18	24.0	12.4
Net Debt to Invested Capital [times]	(Net Debt / Net Debt + Equity)	2.69	41.4	61.2	89.1	96.0	92.5
Gearing Ratio [%]	(Total Debt / [Total Debt + Equity])	4.28	42.3	62.5	89.3	96.0	92.9
Debt to Asset Ratio [times]	(Total Debt / Total Assets)	0.04	0.41	0.60	0.88	0.95	0.92
Leverage Ratio [times]	(Total Assets / Total Equity)	1.22	1.80	2.77	9.54	25.6	14.4



Disclaimer

This Fact Sheet was prepared by Jonathan Falzon, Research Analyst at Rizzo, Farrugia & Co. (Stockbrokers) Ltd ("Rizzo Farrugia") and reviewed by Christopher Mallia, Corporate Advisory Executive and Edward Rizzo, a Director at Rizzo Farrugia which is a member of the Malta Stock Exchange and licensed to conduct Investment Services business by the Malta Financial Services Authority.

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