

# FINANCIAL ANALYSIS SUMMARY 2023



**premier  
capital**  
everyone makes  
it possible.

Premier Capital p.l.c.

19 June 2023

Prepared by Calamatta Cuschieri

Investment Services Ltd

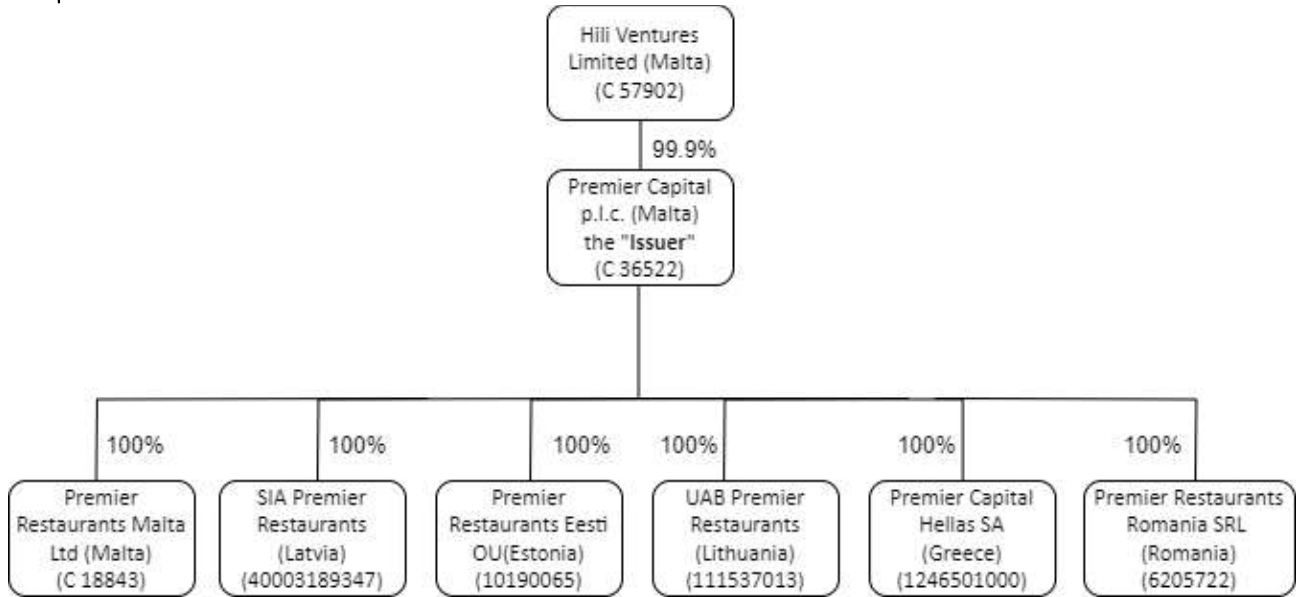
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## Part 1 - Information about the Group

### 1.1 Issuer's Key Activities and Structure

The Group's summarised structure is as follows:



Premier Capital p.l.c. (the "Issuer") was incorporated on 30 June 2005 as a private limited liability company and subsequently (on 26 February 2010) converted into a public limited liability company. The Issuer has an authorised share capital of €40,000,000 divided into 400,000 ordinary shares of €100 each. The issued share capital is of €33,674,700 divided into 336,747 ordinary shares, each 100% paid up. The Issuer is owned by Hili Ventures Ltd, except for one ordinary share which is held by Carmelo *sive* Melo Hili.

The Issuer is a holding company and as such has no trading or operating activities of its own. The Issuer's operating and financial performance is therefore directly related to the operating and financial performance of its subsidiary companies. Specifically, the Issuer and its subsidiaries (the "Group") are engaged in the operations of McDonald's stores in Estonia, Greece, Latvia, Lithuania, Malta and Romania.

In 2022, in an effort to simplify the reporting structure, the Group decided to merge various subsidiaries. Thus, (i) on 16 May 2022, Premier Arcades Limited was merged into Premier Restaurants Malta Limited; (ii) on 30 September 2022, Premier Capital SRL was merged into Premier Restaurants Romania SRL; (iii) on 5 December 2022, Premier Capital B.V. was merged into the Issuer; and (iv) on 5 January 2023, Arcades Limited was merged into Premier Restaurants Malta Limited.

In 2022, the Group continued to grow its portfolio, increasing the total number of stores to 174, compared to 166 in 2021. Of these stores, 96 are located in Romania, 41 in the Baltics, 28 in Greece, and nine in Malta.

Moving forward, the Group is planning to continue its store expansion in all its markets in the short- to medium-term and aims to open an average of 12 stores per annum for the next five years. The Group also remains committed to investing in improved customer experience, upgraded technology and the development of its people, as key enablers and drivers of the business.

### 1.2 Directors and Key Employees

#### Board of Directors – Issuer

As at the date of this Analysis, the directors of the Issuer are:

Name	Office designation
Mr. Carmelo <i>sive</i> Melo Hili	Chairman and Non-Executive Director
Mr. Victor Tedesco	Executive Director
Mr. Valentin-Alexandru Truta	Non-Executive Director
Mr. Dorian Desira	Non-Executive Director
Mr. Massimiliano Eugenio Lupica	Independent, Non-Executive Director
Ms. Karen Pace	Non-Executive Director
Ms. Claudine Cassar	Independent, Non-Executive Director

The senior management team of the Group consists of:

Name	Office designation
Mr. Victor Tedesco	Chief Executive Officer
Mr. Geoffrey Camilleri	Chief Financial Officer
Mr. Peter Hili	Chief Operating Officer & Managing Director, Premier Restaurants Malta
Mr. Hector Naudi	Director of Supply Chain and Quality
Mr. Spiros Karadimas	Director of Development
Mr. Andrew Farrugia	Director of IT
Mr. David Vella	Director of Human Resources
Mr. Vladimir Janevski	Managing Director, Premier Restaurants Estonia, Latvia and Lithuania
Ms. Simona Mancinelli	Managing Director, Premier Capital Hellas
Mr. Paul Dragan	Managing Director, Premier Restaurants Romania
Mr. Petre Tintoi	General Manager, Premier Restaurants Malta

The business address of all of the directors is the registered office of the Issuer. Mr. Adrian Mercieca was appointed company secretary of the Issuer on 1 July 2022, taking over from Mr. Geoffrey Camilleri.

The Board is responsible for the overall long-term direction of the Issuer and oversees the systems of control and financial reporting as well as external communications of the Issuer.

As at December 2022, the Issuer had a total of 15 employees and, in aggregate, the Group currently has approximately 10,043 employees, with an average ratio of 51:49 between full-time employees and part-time employees.

### 1.3 Major Assets owned by the Group

The Group's major assets are comprised of the following:

- **Goodwill and intangible assets pertained to acquired assets**

Intangible assets other than goodwill mainly relate to licence agreements and support services licences between the Group and McDonald's Corporation. Goodwill relates to the acquisition of Maltese and Romanian operations in 1995 and 2016 respectively. Intangible assets and goodwill as at December 2022 amounted to €5.8m and €24.9m respectively.

- **PPE and leased premises**

The Group owns some of the store buildings used in its operations, together with restaurant equipment and leasehold improvements. Leased premises refer to the right of use assets under IFRS16, which the Group adopted in 2019. As per 2022 results, property, plant and equipment ("PPE") and right of use assets represent approximately 79.7% of the Group's total non-current assets. PPE stood at €124.8m as at December 2022, with the majority being composed of land and buildings mainly in Romania.

In terms of leased assets, as at December 2022, the Group had 162 stores under lease agreements from a total of 174, with the other 12 stores (11 in Romania and one in Latvia) being owned by the Group's respective regional subsidiary. Out of the 162 leased stores, 151 stores are leased from third parties while the other 11 are leased from subsidiaries of Hili Properties p.l.c.

Right of use assets (€'000s)	
	Dec-22
Buildings	118,892
Motor Vehicles	805
<b>Total</b>	<b>119,697</b>

Lease liabilities (€'000s)	Within 1 year	Within 2-5 years	After 5 years	Total
Lease payments	14,515	62,415	96,873	<b>173,803</b>
Finance charges	(4,915)	(12,017)	(29,521)	<b>(46,453)</b>
Net present value	9,600	50,398	67,351	<b>127,350</b>

As can be noted from the above data, most of the lease contracts are due to expire after five years.

## 1.4 Operational Developments

### 1.4.1 Strategy

#### a) Expand penetration within existing and new geographical territories

The Group's principal objective is to focus on the expansion of the McDonald's store network within existing and new markets. The Group's management team believes there is significant market potential to continue developing the McDonald's concept in Malta, the Baltics, Romania, Greece and, possibly, other territories (subject to franchisor's approval and granting of the associated licences).

#### b) Continue to improve revenue and profitability

During the past three financial years (FY20 – FY22), the Group has consistently expanded the number of its McDonald's stores, including McCafé, and remodelled and upgraded the ambience and technology of a number of its existing stores.

#### c) Commitment to customer satisfaction

The Group is committed to providing efficient and attentive customer service and consistent food quality. The Group plans to invest in new technologies and service platforms, provide ongoing training for its personnel, improve the quality of store ambience, maintain high health and safety standards and improve the quality of store furnishings.

### 1.4.2 Store development

The ability to select attractive locations and develop new stores is important in ensuring its continued growth. Accordingly, the Group undergoes a detailed and comprehensive process to:

#### a) Determine key development markets

The targeted markets go through a thorough analysis to ensure their attractiveness in terms of both possible expansion and new investment. By focusing on further penetration of its existing markets, the Group is able to increase brand awareness and improve operating and marketing efficiencies.

#### b) Select and approve new locations

Geographical positioning is crucial, with the Group devoting substantial effort to evaluating each potential site.

#### c) Design, construct and manage stores

Upon securing a site, the Group engages an architect to prepare the design of the store based on a master design prepared in accordance with established brand standards, to support the process of obtaining appropriate permits, and to oversee the construction process.

### 1.4.3 Capital expenditure analysis and recent store movement

The Group has increased its footprint by 18 stores in the last three years (FY20 to FY22); 13 in Romania, two in Greece and three in the Baltics. Over the last three financial years, the Group has invested a total of €31.1m in new stores and spent €6.4m on the remodelling of old stores. The Group has also spent a total of approximately €24.4m on capital expenditure relating to the maintenance of existing stores from FY20 to FY22.

Routine maintenance and remodelling capital expenditure averaged €84k per store over the review period, and represents an average of 2.7% of sales. On average, a new store costs approximately €1.5m, depending on the size, location and nature of the store.

The Group opened 9 new stores during 2022; 4 in Romania, 1 in Lithuania, 1 in Estonia and 3 in Greece. During the same year, the Group also closed 1 store in Lithuania. A further 7 existing stores were upgraded to accommodate McDonald's newest service and digital platforms, allowing for the roll out of table service and self-ordering kiosks. By the end of 2022, a total of 163 stores had deployed McDelivery.

Going forward, the Group's store count is projected to increase by 12 in 2023, bringing the total number to 186, with a planned total capital expenditure of €43.9m .

Capex (€'000s)	2020A	2021A	2022A	2023F
<b>Romania</b>	6,523	12,002	16,001	25,219
<b>Greece</b>	3,782	4,775	6,925	9,298
<b>Others</b>	3,803	2,993	7,389	9,358
<b>Total</b>	<b>14,108</b>	<b>19,770</b>	<b>30,315</b>	<b>43,875</b>

Store movement	2020A	2021A	2022A	2023F	Total
<b>New stores</b>	5	8	9	12	34
<b>Closed stores</b>	2	1	1	0	4

## 1.5 Macroeconomic operating environment

### 1.5.1 War in Ukraine

While the Group has no direct interest vested in Ukraine, it is monitoring the effects of the war on its operations due to sharp increases in food, operating and development costs. However, it is challenging to quantify the effects this will have on the Group's results.

### 1.5.2 Assumptions undertaken in projections utilised for the purpose of this document

Business activity is projected to increase when compared to 2022 with the compounded effect of new store openings. The Group faces uncertainty in macro-economic conditions and the effect on inflation and rising interest rates.

Nevertheless, the Group's projections continue to show stable performance and it remains vigilant in monitoring restrictions on the conduct of business with sanctioned entities and individuals.

## 1.6 Related Party Securities

Premier Capital p.l.c. is a subsidiary of Hili Ventures. Within the same group, 1923 Investments p.l.c., Hili Properties p.l.c., Hili Finance Company p.l.c. and Harvest Technology p.l.c. have the following listed securities. The below table also includes Premier Capital p.l.c.'s current outstanding securities.

Security	ISIN	Amount
3.75% Premier Capital plc Unsecured € 2026	MT0000511213	€65,000,000
5.1% 1923 Investments plc Unsecured € 2024	MT0000841206	€36,000,000
Harvest Technology p.l.c. Ord €0.50	MT0002370105	22,780,636 Shares
4% Hili Finance Company plc Unsecured € 2027	MT0001891226	€50,000,000
3.85% Hili Finance Company plc Unsecured € 2028	MT0001891200	€40,000,000
3.8% Hili Finance Company plc Unsecured € 2029	MT0001891218	€80,000,000
4.5% Hili Properties plc Unsecured € 2025	MT0000941204	€37,000,000
Hili Properties p.l.c. Ord €0.20	MT0000940107	400,892,700 Shares

## Part 2 - Historical Performance and Forecasts

The financial information below is extracted from the audited consolidated financial statements of the Issuer for the financial years ended 31 December 2020, 2021 and 2022. The projected financial information for the year ending 31 December 2023 has been provided by the management.

The projected financial information relates to events in the future and is based on assumptions which the 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.

### 2.1 Issuer's Statement of Comprehensive Income

Income Statement	2020A	2021A	2022A	2023F
	€'000s	€'000s	€'000s	€'000s
<b>Revenue</b>	318,955	405,408	533,605	643,131
Net operating expenses	(267,419)	(336,454)	(455,983)	(552,171)
<b>EBITDA</b>	<b>51,536</b>	<b>68,954</b>	<b>77,622</b>	<b>90,960</b>
Depreciation and amortisation	(25,557)	(24,551)	(26,241)	(31,629)
<b>EBIT</b>	<b>25,979</b>	<b>44,403</b>	<b>51,381</b>	<b>59,331</b>
Net finance costs	(6,975)	(5,894)	(6,901)	(8,090)
<b>Profit before tax</b>	<b>19,004</b>	<b>38,509</b>	<b>44,480</b>	<b>51,241</b>
Income tax	(1,346)	(4,206)	(3,693)	(9,286)
<b>Profit after tax</b>	<b>17,658</b>	<b>34,303</b>	<b>40,787</b>	<b>41,955</b>
<b>Other comprehensive income</b>				
Gain on revaluation of tangible assets	-	-	10,811	-
Movement in fair value of financial assets	(25)	(5)	(371)	98
Exchange differences - foreign operations	(862)	(742)	(163)	49
	<b>(887)</b>	<b>(747)</b>	<b>10,277</b>	<b>147</b>
<b>Total Comprehensive income</b>	<b>16,771</b>	<b>33,556</b>	<b>51,064</b>	<b>42,102</b>

Ratio Analysis	2020A	2021A	2022A	2023F
<b>Profitability</b>				
Growth in Revenue (YoY Revenue Growth)	-6.5%	27.1%	31.6%	20.5%
EBITDA Margin (EBITDA / Revenue)	16.2%	17.0%	14.5%	14.1%
Operating (EBIT) Margin (EBIT / Revenue)	8.1%	11.0%	9.6%	9.2%
Net Margin (Profit for the year / Revenue)	5.5%	8.5%	7.6%	6.5%
Return on Common Equity (Net Income / Average Equity)	32.1%	56.4%	48.1%	39.1%
Return on Assets (Net Income / Average Assets)	6.4%	11.5%	11.9%	11.1%

Segment Information	FY20A	FY21A	FY22A	FY23F	CAGR FY20-22	CAGR FY20-23
<b>Estonia</b>						
Revenue (€'000)	23,950	26,476	31,870	42,135	15.36%	20.72%
Profit (loss) before tax (€'000)	2,199	3,156	2,602	4,055	8.78%	22.63%
Total number of stores	10	10	11	11		
Average revenue per store (€'000)	2,395	2,648	2,897	3,830	9.99%	16.94%
Growth in average revenue per store	-2.2%	10.5%	9.4%	32.2%		
Pre-tax profit margin	9%	12%	8%	10%		
<b>Greece</b>						
Revenue (€'000)	37,507	51,883	81,498	116,262	47.41%	45.81%
Profit (loss) before tax (€'000)	(320)	3,124	3,615	6,263	>100%	>100%
Total number of stores	24	25	28	32		
Average revenue per store (€'000)	1,563	2,075	2,911	3,633	36.47%	32.47%
Growth in average revenue per store	-0.3%	32.8%	40.3%	24.8%		
Pre-tax profit margin	-1%	6%	4%	5%		
<b>Latvia</b>						
Revenue (€'000)	26,372	28,669	37,440	44,648	19.15%	19.18%
Profit (loss) before tax (€'000)	2,122	2,669	3,530	5,298	28.98%	35.66%
Total number of stores	13	13	13	14		
Average revenue per store (€'000)	2,029	2,205	2,880	3,434	19.15%	19.18%
Growth in average revenue per store	1.0%	8.7%	30.6%	19.3%		
Pre-tax profit margin	8%	9%	9%	12%		
<b>Lithuania</b>						
Revenue (€'000)	30,269	40,482	51,502	63,558	30.44%	28.05%
Profit (loss) before tax (€'000)	2,313	4,691	6,410	10,663	66.47%	66.43%
Total number of stores	16	17	17	17		
Average revenue per store (€'000)	1,892	2,381	3,030	3,739	26.55%	25.49%
Growth in average revenue per store	-3.1%	25.9%	27.2%	23.4%		
Pre-tax profit margin	8%	12%	12%	17%		
<b>Malta</b>						
Revenue (€'000)	22,227	26,418	34,465	40,170	24.52%	21.81%
Profit (loss) before tax (€'000)	1,305	2,032	2,360	2,642	34.48%	26.50%
Total number of stores	9	9	9	10		
Average revenue per store (€'000)	2,470	2,935	3,829	4,017	24.52%	17.60%
Growth in average revenue per store	-15.7%	18.9%	30.5%	4.9%		
Pre-tax profit margin	6%	8%	7%	7%		
<b>Romania</b>						
Revenue (€'000)	178,630	231,481	296,830	336,358	28.91%	23.49%
Profit (loss) before tax (€'000)	18,322	29,701	35,203	31,951	38.61%	20.37%
Total number of stores	87	92	96	102		
Average revenue per store (€'000)	2,053	2,516	3,092	3,330	22.72%	17.49%
Growth in average revenue per store	-12.3%	22.5%	22.9%	7.7%		
Pre-tax profit margin	10%	13%	12%	9%		
<b>Total</b>						
Revenue (€'000)	318,955	405,409	533,605	643,131	29.34%	26.33%
Profit (loss) before tax (€'000) <sup>1</sup>	25,941	45,373	53,720	60,872	43.90%	32.89%
Total number of stores	159	166	174	186		
Average revenue per store (€'000)	2,006	2,442	3,067	3,495	23.64%	20.33%
Growth in average revenue per store	-8.3%	21.7%	25.6%	14.0%		
Total revenue growth	-6.5%	27.1%	31.6%	20.5%		
Pre-tax profit margin	8.1%	11.2%	10.1%	9.5%		

<sup>1</sup>The profit figure as reported excludes results of the Issuer.



As can be noted from the above financial data, the Group's revenue increased by 67.3% from FY20 to FY22. This growth was driven by both an increase in revenue per store and a net increase in the number of stores which went from 156 stores in the beginning of FY20 to 174 as at the end of FY22.

Notwithstanding the turbulent year in 2022 due to various macroeconomic factors, the Group registered a healthy revenue improvement of 31.6% during FY22, reaching €533.6m (FY21: €405.4m).

All operating markets within the Group experienced a significant improvement in FY22. Similar to the previous year, the region reporting the highest improvement during the year was Greece, which registered a relative increase of 57.1%. Meanwhile, Romania, Malta, Latvia and Lithuania all

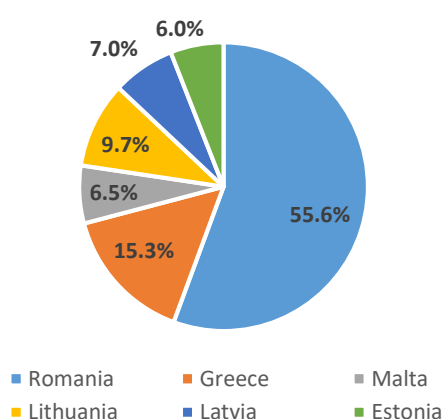
reported an increase in revenue in the region of 30%. Estonia lagged slightly but still posted strong revenue growth of 20.4%

In line with previous years, the largest contributor towards the Group's revenue is Romania, representing €296.8m (55.6%) of the Group's total revenue as at December 2022.

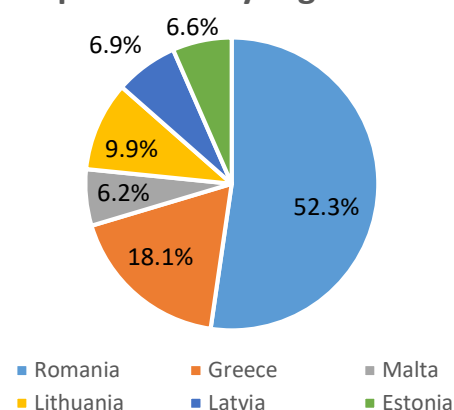
FY23 projections are based on the actual performance for the first quarter of the year, which notwithstanding the current uncertain macroeconomic environment, continues to reflect a stable performance. In view of this, the Group anticipates that it will generate €643.1m in revenues during FY23 (FY22: €533.6m), meaning an overall increase of 20.5% over the prior year.

Sales by region (€'000s)	2020A	2021A	2022A	2023F
Romania	178,630	231,481	296,830	336,358
Greece	37,507	51,883	81,498	116,262
Malta	22,227	26,417	34,465	40,170
Lithuania	30,269	40,482	51,502	63,558
Latvia	26,372	28,669	37,440	44,648
Estonia	23,950	26,476	31,870	42,135
<b>Total revenue</b>	<b>318,955</b>	<b>405,408</b>	<b>533,605</b>	<b>643,131</b>
Total number of stores	159	166	174	186
<b>Sales per store</b>	<b>2,006</b>	<b>2,442</b>	<b>3,067</b>	<b>3,458</b>

Group revenue by region: FY22



Group revenue by region: FY23F



Meanwhile, the Group's EBITDA has also improved over the review period. This was not only because of the aforementioned store openings but also due to organic growth and normalisation of guest count previously impacted by COVID-19 restrictions. These factors led to an

improved EBITDA of €77.6m in FY22 from €69.0m in FY21. Operating expenses however outpaced the increase in revenue, which led to an EBITDA margin of 14.5% (FY21: 17.0%). Operating expenses represent costs directly related to the business activity of each store, apart from raw

materials. They mainly include staff costs, advertising, utilities and other administrative expenses.

Operating expenses are expected to increase to €522.2m in FY23 in line with the forecasted increase in revenue. This increase in costs is also in line with the Group's continuous investments in quality of services and ordinary inflationary pressures.

The Group's finance costs are made up mostly of interest on bank borrowings, interest on bonds, and interest expense for leasing arrangements. In line with previous expectations, net finance costs increased to €6.9m during FY22 mainly due to higher interest expense on leasing arrangements and lower investment income. Net finance costs are expected to

increase further and reach €8.1m during FY23, predominantly due to new bank borrowings to part finance the capital expenditure.

The Group reported a net profit after tax figure of €40.8m during FY22 (FY21: €34.3m). In terms of forward-looking expectations, after accounting for a further anticipated improvement in revenue in FY23, the Group is projecting a net profit figure of €42m.

### 2.1.1 Variance Analysis

Statement of Comprehensive Income	Dec-22	Dec-22	Variance
	Forecast	Audited	
	€'000s	€'000s	€'000s
Revenue	502,765	533,605	30,840
Net operating expenses	(429,688)	(455,983)	(26,295)
<b>EBITDA</b>	<b>73,077</b>	<b>77,622</b>	<b>4,545</b>
Depreciation and amortisation	(26,916)	(26,241)	675
<b>EBIT</b>	<b>46,161</b>	<b>51,381</b>	<b>5,220</b>
Net finance costs	(6,880)	(6,901)	(21)
<b>Profit before tax</b>	<b>39,281</b>	<b>44,480</b>	<b>5,199</b>
Income tax	(3,854)	(3,693)	161
<b>Profit after tax</b>	<b>35,427</b>	<b>40,787</b>	<b>5,360</b>

Actual revenue for FY22 was higher than anticipated by €30.8m. This positive variance was mainly due to the fact that forecasts were compiled at a time of great uncertainty. During this time, the Group continued to deliver products through all distribution channels while continuing to closely monitor the situation. This allowed the Group to take effective and efficient decisions in an unpredictable environment. All markets contributed to different extents to the betterment in results.

Actual overall operating expenditure was €26.3m higher than projected, in line with the increase in revenue experienced throughout the year. As a result, the Group reported an improved EBITDA figure.

Depreciation, net finance costs and income tax were all in line with projections which led to a reported profit after tax of €40.8m during FY22, an increase of €5.4m over previous expectations.

## 2.2 Issuer's Statement of Financial Position

Statement of Financial Position	2020A	2021A	2022A	2023F
	€'000s	€'000s	€'000s	€'000s
<b>Assets</b>				
<b>Non-current assets</b>				
Goodwill and other intangibles	32,815	31,753	30,694	30,130
Property, plant and equipment	93,883	98,757	124,758	146,274
Right-of-use assets	87,887	105,720	119,697	120,285
Financial assets	1,055	153	371	372
Financial assets at fair value through other comprehensive income	-	1,050	15,673	15,797
Loans and receivables	11,000	11,346	11,346	18,346
Deferred tax asset	1,286	1,464	1,778	2,247
Prepayments	1,842	2,285	2,304	2,297
<b>Total non-current assets</b>	<b>229,768</b>	<b>252,528</b>	<b>306,621</b>	<b>335,748</b>
<b>Current assets</b>				
Inventory	6,064	7,374	9,709	10,956
Trade and other receivables	6,349	7,682	9,501	7,731
Other current assets	7,836	21,713	232	3,471
Cash and cash equivalents	28,742	28,377	43,974	31,252
<b>Total current assets</b>	<b>48,991</b>	<b>65,146</b>	<b>63,416</b>	<b>53,410</b>
<b>Total assets</b>	<b>278,759</b>	<b>317,674</b>	<b>370,037</b>	<b>389,158</b>
<b>Equity</b>				
Equity and reserves	53,003	68,710	100,773	113,875
<b>Total equity</b>	<b>53,003</b>	<b>68,710</b>	<b>100,773</b>	<b>113,875</b>
<b>Liabilities</b>				
<b>Non-current liabilities</b>				
Borrowings and bonds	88,263	84,042	75,421	87,194
Lease liabilities	83,940	103,210	117,750	121,287
Other non-current liabilities	1,997	1,595	1,105	1,200
<b>Total non-current liabilities</b>	<b>174,200</b>	<b>188,847</b>	<b>194,276</b>	<b>209,681</b>
<b>Current liabilities</b>				
Borrowings	8,801	5,589	3,357	4,630
Lease liabilities	8,246	8,663	9,601	12,341
Other current liabilities	34,509	45,865	62,030	48,631
<b>Total current liabilities</b>	<b>51,556</b>	<b>60,117</b>	<b>74,988</b>	<b>65,602</b>
<b>Total liabilities</b>	<b>225,756</b>	<b>248,964</b>	<b>269,264</b>	<b>275,283</b>
<b>Total equity and liabilities</b>	<b>278,759</b>	<b>317,674</b>	<b>370,037</b>	<b>389,158</b>

Ratio Analysis	2020F	2021A	2022A	2023F
<b>Financial Strength</b>				
Gearing 1 (Net Debt / Net Debt and Total Equity)	75.2%	71.6%	61.7%	63.0%
Gearing 2 (Total Liabilities / Total Assets)	81.0%	78.4%	72.8%	70.7%
Gearing 2 (Net Debt / Total Equity)	302.8%	252.0%	160.9%	170.5%
Net Debt / EBITDA	3.1x	2.5x	2.1x	2.1x
Current Ratio (Current Assets / Current Liabilities)	1.0x	1.1x	0.8x	0.8x
Quick Ratio (Current Assets - Inventory / Current Liabilities)	0.8x	1.0x	0.7x	0.6x
Interest Coverage level 1 (EBITDA / Cash interest paid)	6.9x	9.1x	9.6x	10.0x
Interest Coverage level 2 (EBITDA / Finance costs)	7.4x	11.7x	11.2x	11.2x

The Group's assets are mainly composed of goodwill and other intangibles, property, plant and equipment, and right-of-use assets, collectively representing 89.7% of the Group's total non-current assets as at December 2022.

Goodwill and intangible assets amounted to €30.7m as at FY22 (FY21: €31.8m), in line with the projections set out in the previous Analysis. These are expected to remain at this level during FY23.

The Group's PPE mainly consists of land and buildings, improvements to premises, and restaurant equipment. PPE during FY22 amounted to €124.8m, signifying a 26.3% increase when compared to FY21, mainly because of the opening of new stores that occurred during the year and revaluations of property undertaken in line with Group's policy. Total PPE is expected to increase further to €146.3m

during FY23, again mainly due to the opening of new stores and other investments.

The Group also saw a large increase in its financial assets at fair value through other comprehensive income. These were mainly due to investments in a foreign instrument portfolio.

As noted in the table below, the Group's net working capital is analysed in terms of debtors and creditors who are directly associated with the everyday operations of the business. The management explained that product sales are mostly on a cash basis, whilst inventory levels are relatively low due to the perishable nature of the product. In comparison, the Group enjoys favourable credit terms from most suppliers. Net trade working capital remained negative throughout the historical period from FY20 to FY22.

More importantly, the Group retains cash reserves in excess of its negative working capital position.

Trade working capital (€'000s)	FY20	FY21	FY22	2023F
Inventories	6,064	7,374	9,709	10,956
Trade debtors	572	829	3,613	3,284
Trade creditors	-14,874	-19,212	-24,378	-17,760
<b>Net working capital</b>	<b>-8,238</b>	<b>-11,009</b>	<b>-11,056</b>	<b>-3,520</b>

Trade and other receivables mainly consist of trade receivables, royalties, rent prepayments, and other receivables not relating to day-to-day operations, along with a small portion of interest income receivable from related parties.

Trade and other receivables during FY22 increased to €9.5m, which was €1.1m higher than what was projected. This was mainly due to other operational matters across markets. Trade and other receivables are expected to decline to €7.7m during FY23.

Meanwhile, the sharp drop in other current assets during FY22 relates to temporary loans given to Hili Ventures Limited, which were repaid in the first quarter of FY23.

The Group's equity and reserves increased to €100.8m during FY22, attributable to the improved financial performance recorded by the Group throughout the year. In line with the Group's FY23 financial performance, which is expected to be positive, total equity is expected to increase to €113.9m.

Moving to the Group's debt analysis, total financial debt increased to €206.1m during FY22 (FY21: €201.5m). Meanwhile, the Group's total bank loans and overdrafts decreased to €14.1m in FY22 (FY21: €25.1m), with the management attributing this to higher portions of debt being repaid on a yearly basis. In terms of lease liabilities, the relative increases occurring during the year mainly relate to additional lease commitments concerning new store openings.

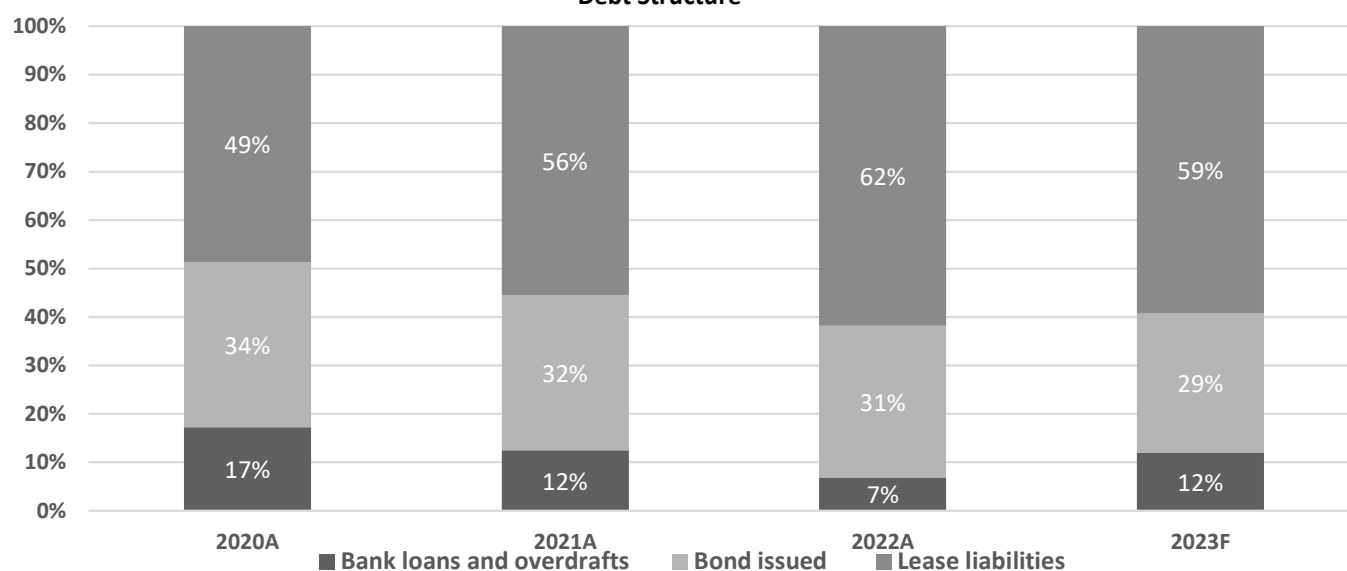
In terms of forward-looking expectations, total financial debt is projected to be higher at €225.5m. Bank loans and overdrafts are expected to increase to €27.1m whilst lease

liabilities are forecasted to grow to €133.6m in line with more store openings.

Trade and other payables mainly relate to trade payables and capital expenditure creditors. These also include corporate tax, national insurance (NI), value added tax (VAT), McDonald's related expenses, distribution centre suppliers, and other payables.

Apart from corporate tax payable, credit terms usually range between 14 to 30 days. Trade payables in FY23 are set to decrease by €6.6m to €17.8m as a result of regular working capital management.

Debt Structure



### 2.3 Issuer's Statement of Cash Flows

Cash Flows Statement	2020A	2021A	2022A	2023F
	€'000s	€'000s	€'000s	€'000s
<b>Cash flows from operating activities</b>	49,802	76,718	88,645	76,459
Interest paid	(7,485)	(7,569)	(8,059)	(9,055)
Income tax paid	(3,583)	(3,714)	(3,124)	(9,472)
<b>Net cash flows generated from operating activities</b>	<b>38,734</b>	<b>65,435</b>	<b>77,462</b>	<b>57,932</b>
<b>Net cash flows generated from/(used in) investing activities</b>	<b>(35,672)</b>	<b>(32,582)</b>	<b>(23,539)</b>	<b>(47,032)</b>
<b>Net cash flows generated from / (used in) financing activities</b>	<b>(7,570)</b>	<b>(33,391)</b>	<b>(38,237)</b>	<b>(23,737)</b>
<b>Movement in cash and cash equivalents</b>	<b>(4,508)</b>	<b>(538)</b>	<b>15,686</b>	<b>(12,837)</b>
Cash and cash equivalents at start of year	32,497	28,341	28,376	43,973
Foreign exchange adjustment	352	573	(89)	116
<b>Cash and cash equivalents at end of year</b>	<b>28,341</b>	<b>28,376</b>	<b>43,973</b>	<b>31,252</b>

Ratio Analysis	2020F	2021A	2022A	2023F
<b>Cash Flow</b>				
Free Cash Flow (Net cash from operations + Interest - Capex)	€32,111	€53,234	€55,192	€23,112

In view of the positive financial performance registered by the Group during FY22, cash flows from operations improved to €77.5m from €65.4m in the prior year. The Group's operations are expected to continue on their strong growth path with EBITDA expected to increase by 17.2% to €91.0m in FY23. However due to higher tax outflows coming from a change in tax regimes in Romania as from FY23 and working capital cut off considerations, cash flow from operating activities are projected to reach €57.9m in FY23.

Cash flows from investing activities mainly reflects the capital expenditure incurred in relation to new stores and maintenance and remodelling of existing stores along with purchase of licences and computer software.

In view of the continued investment towards the opening of new stores, cash flows used in investing activities during FY22 amounted to €23.5m, which is net of inflows of €20.8m

received back from the parent company Hili Ventures Ltd as repayment of temporary loan granted in 2021.

As per guidance provided by the management, the table in section 1.4.3 reflects the historic and projected capital expenditure analysis of the Group. In line with the heavy capital expenditure forecasted by the management, cash flows used in investing activities are expected to increase to €47m in FY23.

Cash flow from financing activities relate to payments and proceeds from bank loans, payment of dividends and the unwinding of lease liabilities as per IFRS16. In FY22, cash flows used in financing activities amounted to €38.2m, mainly due to higher repayment of bank borrowings and lease liabilities compared to FY21. The Group also paid out a dividend of €18m in FY22. This is expected to increase to €23.7m during FY23.

## Part 3 - Key Market and Competitor Data

### 3.1 Economic Update

The Issuer is a holding company registered in Malta with a number of operating subsidiaries. Its income is derived from management fees, interest and dividends from its subsidiaries. Therefore, though the Issuer is subject to general market and economic risks tied to the Maltese economy, the impact from general economic conditions experiencing a downturn in Malta would be expected to have an insignificant effect on the ability of the Issuer to meet its obligations under the Bonds.

The highest exposure of the Group lies in the general economic conditions in Romania, the Baltics and Greece, particularly in the former two territories which account for nearly 80% of its operating capacity.

Current market and macro-economic conditions have led to increased inflation in all the markets. Eurostat data shows that Estonia, Lithuania and Latvia ranked first in the inflation metric in Europe with 15.6%, 15.2% and 17.2% respectively in March 2023. Romania's inflation rate stood at 12.2%, Greece's at 5.4% and Malta's at 7.1%. The Romania

Leu held a steady trajectory against the Euro in 2023 but remains subject to potential speculative shifts.

In May, the ECB increased interest rates on main refinancing operations by 25 basis points reaching 3.75% in line with its mission to correct inflationary pressure. It also revised its GDP growth expectations for Q2 2023 upwards to 0.6% but simultaneously revised growth expectations for 2024 and 2025 downwards to 1.2% and 1.6% respectively. General market conditions and the monetary policies that will be applied by the various governments remain uncertain, volatile, and very difficult to predict.

### 3.2 Comparative Analysis

The table below compares the securities of the Issuer to other debt instruments listed on the Malta Stock Exchange. We believe there is no directly comparable company related to the Issuer and, as such, we included a variety of securities with different maturities. One must note that, given the material differences in profiles and industries, the risks associated with the Issuer's business and that of other issuers are different.

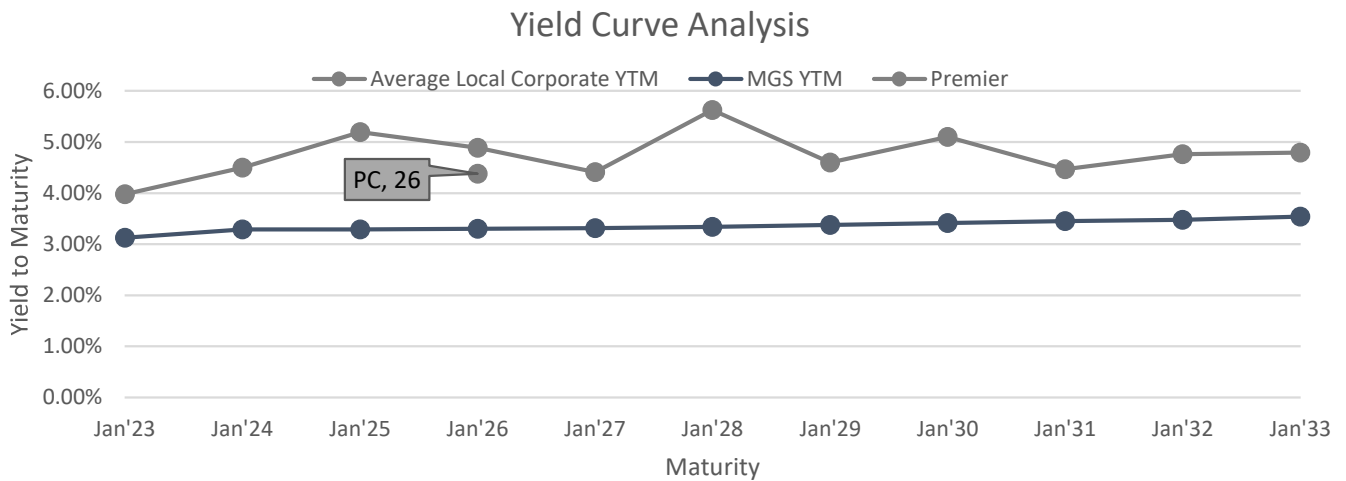
Security	Nom Value	Yield to Maturity	Interest coverage (EBITDA)	Total Assets	Total Equity	Total Liabilities / Total Assets	Net Debt / Net Debt and Total Equity	Net Debt / EBITDA	Current Ratio	Return on Common Equity	Net Margin	Revenue Growth (YoY)
	€000's	(%)	(times)	(€'millions)	(€'millions)	(%)	(%)	(times)	(times)	(%)	(%)	(%)
5.75% International Hotel Investments plc Unsecured € 2025	45,000	5.46%	0.7x	1,662.0	817.9	50.8%	36.2%	10.7x	0.8x	-0.3%	-1.0%	84.3%
5.1% 6PM Holdings plc Unsecured € 2025	13,000	5.59%	(.4)x	0.0	(20.1)	-111905.6%	36.0%	26.7x	(.0)x	6.6%	0.0%	0.0%
4.5% Hili Properties plc Unsecured € 2025	37,000	4.90%	2.0x	256.4	124.9	51.3%	46.3%	12.5x	0.7x	5.1%	48.8%	48.6%
5.25% Central Business Centres plc Unsecured € 2025 S2T1	2,985	4.83%	1.3x	58.2	23.8	59.1%	55.3%	18.6x	0.7x	0.8%	10.0%	19.9%
4.5% MedservRegis plc Unsecured € 2026	21,982	6.46%	2.2x	151.7	60.4	60.2%	47.0%	6.1x	2.1x	0.9%	0.8%	123.7%
5.75% MedservRegis plc Unsecured USD 2026	9,148	7.88%	2.2x	151.7	60.4	60.2%	47.0%	6.1x	2.1x	0.9%	0.8%	123.7%
4.35% Hudson Malta plc Unsecured € 2026	12,000	4.73%	8.5x	63.8	12.8	80.0%	71.7%	6.6x	1.4x	1.6%	0.4%	27.4%
4.25% CPHCL Finance plc Unsecured € 2026	40,000	3.87%	1.6x	1,807.8	875.4	51.6%	41.2%	13.8x	0.8x	-0.4%	-1.3%	85.6%
5.9% Together Gaming Solutions plc Unsec Call Bds €2024-2026	14,762	6.25%	0.3x	28.9	11.6	60.0%	-0.8%	(.4)x	7.8x	-22.5%	-143.0%	-46.1%
4% MIDI plc Secured € 2026	50,000	4.00%	(.4)x	231.9	101.3	56.3%	41.9%	(67.7)x	3.0x	-2.2%	-66.6%	-63.7%
4% International Hotel Investments plc Secured € 2026	55,000	4.34%	0.7x	1,662.0	817.9	50.8%	36.2%	10.7x	0.8x	-0.3%	-1.0%	84.3%
3.9% Plaza Centres plc Unsecured € 2026	5,680	4.06%	6.1x	36.8	26.6	27.7%	13.3%	2.1x	1.8x	2.7%	25.1%	12.4%
5% Dizz Finance plc Unsecured € 2026	8,000	5.02%	1.0x	84.6	12.4	85.4%	79.9%	13.9x	0.9x	-21.4%	-8.9%	13.6%
4.8% Mediterranean Maritime Hub Finance plc Unsecured € 2026	15,000	4.80%	0.9x	37.3	2.3	93.9%	89.6%	14.1x	0.8x	-69.2%	-10.4%	22.4%
3.75% Premier Capital plc Unsecured € 2026	65,000	4.38%	22.5x	370.0	100.8	72.8%	61.7%	2.1x	0.8x	48.1%	7.6%	31.6%
4% International Hotel Investments plc Unsecured € 2026	60,000	4.16%	0.7x	1,662.0	817.9	50.8%	36.2%	10.7x	0.8x	-0.3%	-1.0%	84.3%
3.25% AX Group plc Unsec Bds 2026 Series I	15,000	3.55%	2.6x	422.8	248.2	41.3%	30.0%	12.0x	1.1x	-0.1%	-0.7%	8.1%
3.75% Mercury Projects Finance plc Secured € 2027	11,500	4.06%	2.6x	179.4	37.2	79.3%	37.5%	3.5x	3.0x	24.1%	22.9%	666.2%
4% Eden Finance plc Unsecured € 2027	40,000	4.37%	4.8x	217.9	135.4	37.9%	25.3%	4.8x	0.8x	1.0%	3.5%	47.3%
4.4% Central Business Centres plc Unsecured € 2027 S1/17 T1	6,000	4.95%	1.3x	58.2	23.8	59.1%	55.3%	18.6x	0.7x	0.8%	10.0%	19.9%
4.5% Grand Harbour Marina plc Unsecured € 2027	15,000	4.37%	1.6x	28.7	4.4	84.5%	79.3%	10.6x	2.2x	47.3%	39.9%	7.6%
4% Stivala Group Finance plc Secured € 2027	45,000	4.25%	7.7x	396.6	249.3	37.1%	29.0%	5.6x	0.7x	10.8%	93.7%	91.5%
3.75% Virtu Finance plc Unsecured € 2027	25,000	4.50%	(1.8)x	198.7	80.3	59.6%	44.2%	(12.2)x	0.7x	-7.9%	-24.2%	0.0%
3.75% Bortex Group Finance plc Unsecured € 2027	12,750	4.50%	4.2x	67.8	34.5	49.1%	40.6%	4.9x	3.5x	5.7%	8.0%	21.3%
	*Average	4.82%										

Source: Latest available audited financial statements

Last closing price as at 02/06/2023

\*Average figures do not capture the financial analysis of the Issuer





Source: Malta Stock Exchange, Central Bank of Malta and Calamatta Cuschieri Estimates

The above graph illustrates the average yearly yield of all local issuers as well as the corresponding yield of MGSs (Y-axis) vs the maturity of both Issuers and MGSs (X-axis), in their respective maturity bucket, to which the spread premiums can be noted. The graph also illustrates the yield of the Issuer's securities on a stand-alone basis.

As at 2 June 2023, the average spread over the Malta Government Stock (MGS) for corporates with maturity range of 2 to 4 years (2023-2027) was 152 basis points. The current 2026 Premier Capital bond is trading at a YTM of 4.38%, translating into a spread of 108 basis points over the corresponding MGS. This means that this bond is trading at a discount of 44 basis in comparison to the market.

## Part 4 - Glossary and Definitions

<i>Income Statement</i>	
<b>Revenue</b>	Total revenue generated by the Group from its principal business activities during the financial year.
<b>Costs</b>	Costs are expenses incurred by the Group in the production of its revenue.
<b>EBITDA</b>	EBITDA is an abbreviation for earnings before interest, tax, depreciation and amortisation. It reflects the Group's earnings purely from operations.
<b>EBIT (Operating Profit)</b>	EBIT is an abbreviation for earnings before interest and tax.
<b>Depreciation and Amortisation</b>	An accounting charge to compensate for the decrease in the monetary value of an asset over time and the eventual cost to replace the asset once fully depreciated.
<b>Net Finance Costs</b>	The interest accrued on debt obligations less any interest earned on cash bank balances and from intra-group companies on any loan advances.
<b>Profit After Taxation</b>	The profit made by the Group during the financial year net of any income taxes incurred.

<i>Profitability Ratios</i>	
<b>Growth in Revenue (YoY)</b>	This represents the growth in revenue when compared with previous financial year.
<b>Gross Profit Margin</b>	Gross profit as a percentage of total revenue.
<b>EBITDA Margin</b>	EBITDA as a percentage of total revenue.
<b>Operating (EBIT) Margin</b>	Operating margin is the EBIT as a percentage of total revenue.
<b>Net Margin</b>	Net income expressed as a percentage of total revenue.
<b>Return on Common Equity</b>	Return on common equity (ROE) measures the rate of return on the shareholders' equity of the owners of issued share capital, computed by dividing the net income by the average common equity (average equity of two years financial performance).
<b>Return on Assets</b>	Return on assets (ROA) is computed by dividing net income by average total assets (average assets of two years financial performance).

<i>Cash Flow Statement</i>	
<b>Cash Flow from Operating Activities (CFO)</b>	Cash generated from the principal revenue producing activities of the Group/Company less any interest incurred on debt.
<b>Cash Flow from Investing Activities</b>	Cash generated from the activities dealing with the acquisition and disposal of long-term assets and other investments of the Group.
<b>Cash Flow from Financing Activities</b>	Cash generated from the activities that result in change in share capital and borrowings of the Group.
<b>Capex</b>	Represents the capital expenditure incurred by the Group in a financial year.
<b>Free Cash Flows (FCF)</b>	The amount of cash the Group has after it has met its financial obligations. It is calculated by taking Cash Flow from Operating Activities less the Capex of the same financial year.

<i>Balance Sheet</i>	
<b>Total Assets</b>	What the Group owns which can be further classified into Non-Current Assets and Current Assets.
<b>Non-Current Assets</b>	Assets, full value of which will not be realised within the forthcoming accounting year
<b>Current Assets</b>	Assets which are realisable within one year from the statement of financial position date.
<b>Inventory</b>	Inventory is the term for the goods available for sale and raw materials used to produce goods available for sale.
<b>Cash and Cash Equivalents</b>	Cash and cash equivalents are Group assets that are either cash or can be converted into cash immediately.

<b>Total Equity</b>	Total Equity is calculated as total assets less liabilities, representing the capital owned by the shareholders, retained earnings, and any reserves.
<b>Total Liabilities</b>	What the Group owes which can be further classified into Non-Current Liabilities and Current Liabilities.
<b>Non-Current Liabilities</b>	Obligations which are due after more than one financial year.
<b>Current Liabilities</b>	Obligations which are due within one financial year.
<b>Total Debt</b>	All interest-bearing debt obligations inclusive of long and short-term debt.
<b>Net Debt</b>	Total debt of a Group less any cash and cash equivalents.

#### *Financial Strength Ratios*

<b>Current Ratio</b>	The Current ratio (also known as the Liquidity 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 current assets to current liabilities.
<b>Quick Ratio (Acid Test Ratio)</b>	The quick ratio measures a Group's ability to meet its short-term obligations with its most liquid assets. It compares current assets (less inventory) to current liabilities.
<b>Interest Coverage Ratio</b>	The interest coverage ratio is calculated by dividing EBITDA of one period by cash interest paid of the same period.
<b>Gearing Ratio</b>	The gearing ratio indicates the relative proportion of shareholders' equity and debt used to finance total assets.
<b>Gearing Ratio Level 1</b>	Is calculated by dividing Net Debt by Total Equity.
<b>Gearing Ratio Level 2</b>	Is calculated by dividing Total Liabilities by Total Assets.
<b>Gearing Ratio Level 3</b>	Is calculated by dividing Net Debt by Total Equity.
<b>Net Debt / EBITDA</b>	The Net Debt / EBITDA ratio measures the ability of the Group to refinance its debt by looking at the EBITDA.

#### *Other Definitions*

<b>Yield to Maturity (YTM)</b>	YTM is the rate of return expected on a bond which is held till maturity. It is essentially the internal rate of return on a bond and it equates the present value of bond future cash flows to its current market price.
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