

FINANCIAL ANALYSIS SUMMARY 2023



SP Finance p.l.c.

28 June 2023

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Investment Services Limited

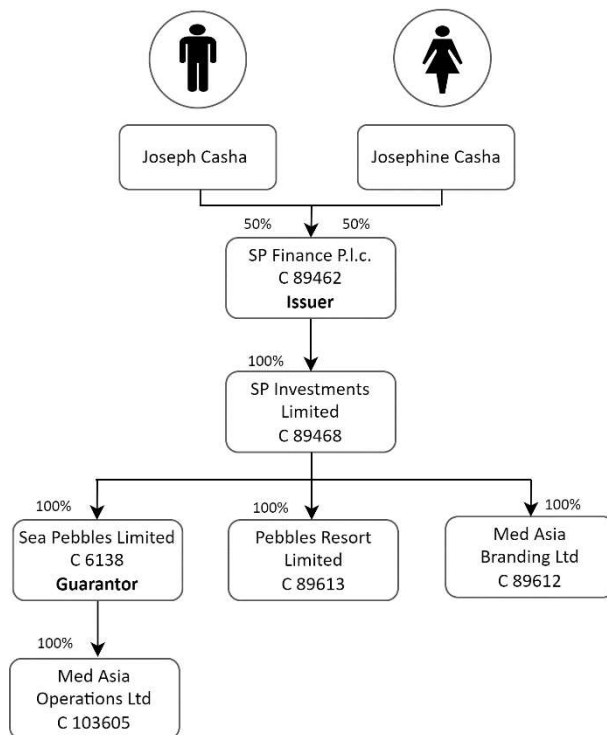
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Part 1 Information about the Group

1.1 Issuer, Guarantor and Group’s Subsidiaries Key Activities and Structure

The Group structure is as follows:



The “Group” of companies consists of; SP Finance p.l.c. (the “Issuer”), SP Investments Limited acting as a “Holding” company, and its subsidiaries; Sea Pebbles Limited (“the Guarantor”), Pebbles Resort Limited and Med Asia Branding Ltd (previously Pebbles St Julians Limited). In February 2023, Sea Pebbles Limited acquired 100% of the shares in Med Asia Operations Ltd (C 103605), a company that has not yet commenced trading.

Following the bond issue in 2019, the Issuer transferred the bond proceeds to the Group subsidiaries through an equity injection. €12m were invested into SP Investments Limited through the allotment of 12m €1 redeemable preference shares. In turn, SP Investments Limited invested €3.75m, €3m and €0.6m in Sea Pebbles Limited, Pebbles Resort Limited and Med Asia Branding Ltd respectively through the allotment of 3.75m, 3m and 0.6m €1 ordinary shares.

The Issuer was incorporated on 19 November 2018 as a private limited liability company, registered in terms of the Companies Act with company registration number C 89462, and subsequently changed its status to a public company with effect from 23 January 2019. The Issuer, which was set

up and established to act as the parent company of the Group and as a finance vehicle, has an authorised and issued share capital of €250,000 divided into 250,000 ordinary shares of €1 each, all fully paid up. The ultimate beneficial owners are Mr Joseph Casha and Ms Josephine Casha, who both hold 125,000 ordinary shares each.

SP Investments Limited, a fully owned subsidiary of the Issuer, is a private limited liability company incorporated and registered in Malta on 19 November 2018, with company registration number C 89468. SP Investments Limited has an authorised and issued share capital of €12,010,000 divided into 10,000 ordinary shares of €1 each and 12,000,000 redeemable preference shares of €1 each, all fully paid up. SP Investments Limited carries out the activity of a holding company within the Group.

The Guarantor was incorporated on 15 November 1982 as a private limited liability company, registered in terms of the Companies Act with company registration number C 6138. Pursuant to a reorganisation concluded on 10 December 2018, the Guarantor, through the Holding company, is a wholly owned subsidiary of the Issuer. On 30 December

2022, the Guarantor converted €2,500,000 worth of its share capital into a loan due to SP Investments Limited reducing its issued share capital to €1,715,875 divided into 1,715,875 ordinary shares of €1 each, all fully paid up. The Guarantor's authorised share capital remains €4,215,875. The principal objective of the Guarantor is to carry out all or any of the business of hotel-keepers, hotel managers or operators, and to manage and operate one or more hotels and guest houses.

Pebbles Resort Limited (C 89613) and Med Asia Branding Ltd (C 89612) were both incorporated on 28 November 2018 and are wholly owned by the Issuer through the Holding company. Pebbles Resort Limited was set up to operate a hotel, Pebbles Resort situated in St. Paul's Bay, which is held under a 5-year lease, commencing in May 2019 and extendable by a further two 5-year terms. The company has informed the landlord that it will be availing of the second 5-year term commencing on 1 May 2024.

Pebbles St Julians Limited (now Med Asia Branding Ltd) was incorporated to construct and manage a hotel overlying Ryan's Pub ("Pebbles St Julians Hotel"), which was held under a 20-year lease. However, as the permit for Pebbles St Julian's Hotel was granted for a 10-room, instead of an 18-room hotel, management decided not to proceed with this investment. Accordingly, Pebbles St Julians Limited had not carried out any operations and was considered as dormant until March 2023. In March 2023, Pebbles St Julians Limited had its name changed to Med Asia Branding Ltd and also acquired certain intellectual property relating to the catering operations which were acquired by its sister company Med Asia Operations Ltd following the acquisition made by the Guarantor as described in more detail in section 1.5.1.

1.2 Directors and Key Employees

Board of Directors – Issuer

As at the date of this Analysis, the board of the Issuer is made up of the following persons:

Name	Designation
Joseph Casha	Executive Director
Josephine Casha	Executive Director
Alex Perici-Calascione	Independent non-executive Director
Mark Grech	Independent non-executive Director
Reuben Debono	Independent non-executive Director

The business address of all of the directors is the registered office of the Issuer. The company secretary of the Issuer is Dr Andrea Micallef.

Board of Directors – Guarantor

As at the date of this analysis, the board of the Guarantor is constituted by the following persons:

Name	Designation
Joseph Casha	Executive Director
Josephine Casha	Executive Director

The business address of all of the directors is the registered office of the Issuer. The company secretary of the Guarantor is Ms Josephine Casha.

The board of directors of the Issuer currently consists of two executive directors, who are entrusted with the Issuer's day-to-day management, and three non-executive directors, all of whom are independent of the Issuer. The main functions of the non-executive directors are to monitor the operations of the executive directors and their performance, as well as to review any proposals tabled by the executive directors. This practice goes in accordance with the generally accepted principles of sound corporate governance, where at least one of the directors shall be a person independent of a group of companies.

The Issuer does not have any employees of its own (excluding directors), and thus is dependent on the resources within the Group entities. Meanwhile, the Group entities had 50 employees as at 2022 (excluding directors).

1.3 Major Assets owned by the Group

The Issuer's assets consist of the investments in its subsidiaries together with the loans granted to the said subsidiaries, given that it is essentially a special purpose vehicle set up to act as a holding and financing company. All major assets owned by the Group's subsidiary companies are set out below.

1.3.1 Guarantor

The Group, through the Guarantor owns and operates Pebbles Boutique Aparthotel situated at No. 88/89, The Strand, Sliema, and the neighbouring corner building situated at No. 90, The Strand, Sliema. Both properties are freehold and consist of two 9-storey blocks. The said properties overly the commercial outlet TexMex Bar & Grill, which is leased out to a third party, and the popular restaurant MEDASIA Fusion Lounge which was previously

leased to and operated by a related company outside the Group, and as from 1 April 2023 is leased to and operated by the subsidiary Med Asia Operations Ltd.

From these two properties, the Guarantor operates a 54-room apart-hotel along the Gzira/Sliema promenade. These two buildings include apartments and garages, all of which are operated by the Guarantor.

The Guarantor also owns two apartments and the relative airspace overlying the block at No. 90, The Strand Sliema, and an adjoining guesthouse in Sliema whereby management further confirmed that the total value of the aforementioned two apartments and airspace as well as the adjoining guesthouse in Sliema, is of €4.4m.

As part of its growth strategy, and also following the conclusion of the revised permits, the Guarantor's intention was initially to construct and extend the Pebbles Boutique Aparthotel bringing the total number of standard rooms to 303, whilst also comprising 4 two-bedroom apartments and a four-bedroom penthouse. After a careful analysis of current and anticipated tourism market trends, and with a view to maximise the returns from the project, the Guarantor is currently re-evaluating the above proposal and is exploring various possible alternatives which would enable it to meet the foreseen tourism market demands for the forthcoming years.

Operational Performance - Pebbles Boutique Aparthotel

The following table sets out the highlights of Pebbles Boutique Aparthotel's operating performance for the years indicated therein:

Pebbles Boutique ApartHotel	2020A	2021A	2022A	2023F
	€000s	€000s	€000s	€000s
Revenue	344	722	1,252	1,388
Gross operating profit	(12)	242	471	490
Gross operating profit margin	-3.5%	33.5%	37.6%	35.3%
Occupancy level	35.8%	65.7%	80.0%	82.1%
Average daily rate (€)	50.6	55.7	79.5	85.8
Revenue per available room (Rev/PAR) (€)	6.6	13.4	23.2	25.7
Gross operating profit per available room (GOP/PAR)	-0.2	4.5	8.7	9.1

The occupancy of the Pebbles Boutique ApartHotel increased to 80.0% in FY22 and is expected to increase further to 82.1% in FY23. This was coupled with an increase in the average daily rate in FY22 to €79.5 from €55.7 in FY21. In FY23, management is expecting the average daily rate to increase to €85.8. These led to corresponding increases in both revenue per available room and gross operating profit per available room, which reached €23.2 and €8.7 respectively. Further analysis on the Guarantor's operational performance can be found in section 2.1.

1.3.2 Pebbles Resort Limited

Pebbles Resort Limited operates Pebbles Resort, which is held under a 5-year lease. The lease commenced in May 2019 and can be extended by a further two 5-year terms. The company has recently taken the option to avail of the second 5-year term commencing in May 2024.

As part of its lease commitments, the Group carried out a comprehensive upgrade of the hotel. As explained in previous analyses, refurbishment works are now complete, with the company only making minor investments of €91k into this property. This investment is in line with the expected recurrent capital expenditure for a hotel of this size.

Operational Performance - Pebbles Resort Limited

The following table sets out the highlights of the hotel's operating performance since 2020:

Pebbles Resort	2020A	2021A	2022A	2023F
	€000s	€000s	€000s	€000s
Revenue	836	1,303	2,374	3,217
Gross operating profit	7	182	736	1,136
Gross operating profit margin	0.8%	14.0%	31.0%	35.3%
Occupancy level	17.41%	25.8%	41.5%	55.0%
Average daily rate (€)	57.2	62.3	74.7	76.3
Revenue per available room (Rev/PAR) (€)	3.6	5.9	11.3	15.3
Gross operating profit per available room (GOP/PAR)	0.0	0.8	3.5	5.4

Revenue generated by this hotel in FY22 exceeded FY21 levels by €1.1m but was short of the projections set out by management in the previous Analysis by €0.6m. More specifically, the hotels revenue increased by 84.6% to €2.4m (FY21: €1.3m), with this translating into a gross operating

profit of €0.7m. Occupancy levels in FY22 improved to around 41.5%, while average daily rates continued increasing to €74.7 in FY22 (FY20: €62.3). Moving into FY23 the hotel is expected to exceed FY22 levels across the board. Revenue is expected to increase by 33.3% to €3.2m with gross operating profit increasing to €1.1m meaning a gross operating margin of 35.3%. Average occupancy levels are also expected to increase throughout FY23 and reach 55.0%. Similarly, average daily rates are projected to continue increasing in FY23 and reach €76.3 whilst revenue per available room and gross operating profit per available room are expected to reach €15.3 and €5.4 respectively.

1.4 Operational Developments

1.4.1 Assets owned by the Guarantor

The Guarantor owns a 54-room hotel situated on the Sliema/Gzira seafront, in addition to the adjacent building and the two underlying commercial properties, which are currently leased out accordingly as explained in section 1.3.1. To note that, the two apartments and the relative airspace overlaying the block at No. 90, The Strand Sliema, also form part of the hotel operation whilst the guesthouse was intended to be rented out to third parties until the hotel expansion project is undertaken. As at the time of this Analysis, the Guesthouse is still vacant and is not expected to be utilised due to its current state until the Sliema redevelopment project is initiated. Management also noted that no rent concessions were made in 2023.

1.4.2 Assets owned by Pebbles Resort Limited

In addition to what has been communicated in the previous Analysis, the process to upgrade the hotel rating to 4-star with the Malta Tourism Authority (MTA) has started. All the

documents needed for the upgrade have been submitted. Management indicated that the application is still pending at MTA due to administrative delays over which the Group did not have any control. The MTA has recently carried out an inspection of the hotel and the application to upgrade the hotel's rating to 4-star is currently at the evaluation stage.

1.5 Subsequent events after the reporting period

1.5.1 Acquisition of Subsidiary

As mentioned in section 1.1, in February 2023, Sea Pebbles Limited acquired 100% of the shares in Med Asia Operations Ltd, a company that has not yet commenced trading. With effect from 1 April 2023, the Guarantor, through its subsidiary Med Asia Operations Ltd, acquired the catering operations previously carried out by related companies outside the Group. These being namely, MedAsia Fusion Lounge, MedAsia Playa and Noodle Box all of which are situated in Sliema, MedAsia Golden Sands in Golden Bay, and all the bar and restaurant venues located in the Pebbles Resort in St. Paul's Bay, Malta. Since this acquisition occurred in 2023, these assets will be visible in the 2023 projections in section 2 but not in the 2022 actuals of the Guarantor.

1.5.2 Med Asia Branding Ltd

As mentioned in section 1.1, in March 2023, Pebbles St Julians Limited changed its name to Med Asia Branding Ltd and acquired certain intellectual property relating to the catering operations which were acquired by its sister company Med Asia Operations Ltd. Similar to the acquisition mentioned in section 1.5.1 above, since this development occurred in 2023, the intangible assets related to the intellectual property will be visible on the 2023 projections in section 2 but not in the 2022 actuals of the Group.

Part 2 Historical Performance and Forecast

The financial information in sections 2.1 to 2.3 is extracted from the audited financial statements of the Guarantor for the financial years ended 31 December 2020, 2021 and 2022. The financial information in section 2.4 to 2.6 is extracted from the audited financial statements of Group 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 Group's management. This 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 Guarantor' Statement of Comprehensive Income

Statement of Comprehensive Income for the year ended 31 December	2020A	2021A	2022A	2023F
	€000s	€000s	€000s	€000s
Revenue	345	722	1,252	1,388
Cost of sales	(357)	(480)	(781)	(898)
Gross profit	(12)	242	471	490
Administrative expenses (excl. depreciation)	(85)	(98)	(87)	(118)
Other operating income	48	33	58	58
EBITDA	(49)	177	442	430
Depreciation	(180)	(177)	(166)	(165)
EBIT	(229)	-	276	265
Profit on sale of property	-	-	153	-
Investment income	-	-	-	410
Finance costs	(129)	(321)	(325)	(429)
Profit / (loss) before tax	(358)	(321)	104	246
Income tax	81	104	2	(86)
Profit / (loss) after tax	(277)	(217)	106	160

Ratio Analysis	2020A	2021A	2022A	2023F
Growth in Revenue (YoY Revenue Growth)	-76.3%	109.3%	73.4%	10.9%
Gross Profit Margin (Gross Profit / Revenue)	-3.5%	33.5%	37.6%	35.3%
EBITDA Margin (EBITDA / Revenue)	-14.2%	24.5%	35.3%	31.0%
Net Margin (Profit for the year / Revenue)	-80.3%	-30.1%	8.5%	11.5%

The Guarantor generates revenue from room rentals of the Pebbles Boutique Aparthotel in Sliema. As per latest FY22 results, the Guarantor generated *circa* €1.3m in revenue, representing an increase of 73.4% when compared to FY21.

The FY22 revenue is significantly better than FY21 revenue and is in line with the projections made in last year's analysis. The Guarantor is projecting an increase in revenue of 10.9% in FY23 with revenue expected to amount to €1.4m during the year.

Cost of sales mainly represent booking fees paid to the third party online booking portals like "booking.com", and the day-to-day operating costs such as salaries and wages, water and electricity expenses, and repairs and maintenance

expenses. The FY22 results illustrate an increase in cost of sales of 62.7%, which is mainly attributable to the aforementioned increase in revenue. Cost of sales during FY23 are expected to increase to €0.9m.

Administrative expenses decreased by 11.2% during FY22 and amounted to €87k, which was above what was forecast in the previous year. These relate to fixed costs that are not affected by changes in revenue, such as management fees from the Holding company, professional, audit and accounting fees, insurance and licences, and permits fees. The Guarantor's administrative expenses are expected to increase to €118k during FY22.

Other income represents rental income generated by the Guarantor from its properties at ground floor level that are rented out to two restaurants namely, TexMex and MedAsia which amounted to €58k in FY22. The Guarantor's Gross Profit Margin and EBITDA margin increased to 37.6% and to 35.3% respectively during FY22. These results were better than those forecast for the year mainly due to the better than expected business conditions in 2022.

The Guarantor's depreciation charge for FY23 is anticipated to remain at the same level of the previous year (€0.2m). The Guarantor's finance costs are expected to increase to €0.4m in FY23. Profit before tax in FY22 came in at *circa* €0.1. Furthermore, the tax expense of €2k in FY22 was made up of €8k tax payable on sale of immovable property, and a negative charge related to deferred tax of €10k. The Guarantor expects to generate a profit before tax of €246k in FY23 with a corresponding income tax charge of €86k.

2.2 Guarantor' Statement of Financial Position

Statement of Financial Position as at 31 December	2020A	2021A	2022A	2023F
	€000s	€000s	€000s	€000s
Assets				
Non-current assets				
Property, plant and equipment	22,150	22,147	22,001	21,870
Investment property	6,004	6,004	6,004	6,004
Right-of-use-assets	20	17	14	10
Investment in associate / subsidiary	632	-	-	395
Total non-current assets	28,806	28,168	28,019	28,279
Current assets				
Trade and other receivables	88	199	348	421
Other financial assets at amortised cost	265	645	500	149
Cash and cash equivalents	69	15	68	131
Total current assets	422	859	916	701
Total assets	29,228	29,027	28,935	28,980
Equity and liabilities				
Capital and reserves				
Share capital	4,216	4,216	1,716	2,111
Revaluation reserve	14,800	14,800	14,800	14,800
Other reserves	3,888	2,837	2,838	2,838
Retained earnings	206	(11)	96	256
Total equity	23,110	21,842	19,450	20,005
Non-current liabilities				
Long-term borrowings	2,824	3,959	6,441	6,278
Deferred taxation	2,413	2,309	2,148	2,234
Lease liabilities	17	14	10	6
Total non-current liabilities	5,254	6,282	8,599	8,518
Current liabilities				
Short-term borrowings	509	508	445	163
Trade and other payables	179	231	322	281
Current tax payable	173	160	115	9
Lease liabilities	3	4	4	4
Total current liabilities	864	903	886	457
Total liabilities	6,118	7,185	9,485	8,975
Total equity and liabilities	29,228	29,027	28,935	28,980

Non-current assets, which mainly comprise property, plant and equipment and investment property, account for 96.8% of the Guarantor's total assets during FY22. Of note, the majority of the Guarantor's property, plant and equipment is composed of land and buildings. The Guarantor's non-current assets are anticipated to remain relatively unchanged and are expected to amount to €28.3m during FY23.

Current assets only consisted of 3.2% of the Guarantor's total assets. Apart from cash and cash equivalents, current assets are also composed of trade and other receivables and other financial assets. Trade and other receivables mainly relate to trade receivables and unamortised bond issue costs which during FY22 increased to *circa* €0.4m. Moreover, other financial assets reflect amounts due by a commonly controlled entity outside the Group and amounted to €0.5m

in FY22. Forecasts for FY23 show that total current assets are expected to decrease to €0.7m.

Total equity decreased to €19.5m during FY22 compared to the €21.9m forecast last year. This difference came mainly from a reduction in share capital of €2.5m. The profit experienced during the year, which ultimately impacted the Guarantor's retained earnings had a small positive affect on equity. Total equity is projected to amount to €20.0m during FY23.

Non-current liabilities, which is comprised of long-term borrowings, deferred taxation and lease liabilities, account for 90.7% of the Guarantor's total liabilities as at FY22. Long-

term borrowings increased to €6.4m from €4.0m due to further loans from the Holding company. This was the main reason for the increase in non-current assets to 8.6m (FY21: €6.3m). Non-current liabilities during FY23 are expected to remain at similar levels.

In addition, current liabilities as per FY22 results represented 9.3% of the Guarantor's total liabilities. Current liabilities are composed of trade and other payables, current tax liabilities, short-term borrowings and lease liabilities. Total liabilities are expected to drop to €9.0m in FY23 (FY22: €9.5m).

2.3 Guarantor' Statement of Cash Flows

Statement of Cash Flows for the year ended 31 December	2020A	2021A	2022A	2023F
	€000s	€000s	€000s	€000s
Cash flows from operating activities				
EBITDA	(49)	177	442	430
Recharge of surrendered losses from group companies	-	-	(151)	-
Interest and tax paid	(182)	(334)	(376)	(535)
Change in trade and other receivables	308	141	(5)	87
Change in trade and other payables	(151)	(226)	175	-
Dividend income	-	-	-	410
Profit on disposal of property, plant and equipment	-	-	(29)	-
Net cash flows generated from / (used in) operating activities	(74)	(242)	56	392
Cash flows from investing activities				
Capital expenditure	(321)	(171)	(16)	(30)
Proceeds from the sale of property, plant and equipment	-	-	182	-
Other investing activities	-	-	-	(395)
Net cash flows generated from / (used in) investing activities	(321)	(171)	166	(425)
Cash flows from financing activities				
Movement in related party loan	-	-	2,500	-
Movement in bank loan	287	302	(180)	(158)
Movement in other borrowings	(3)	(4)	(4)	(4)
Issue of / (reduction in) share capital	-	-	(2,500)	395
Dividend paid	(408)	-	-	-
Net cash flows generated from / (used in) financing activities	(124)	298	(184)	233
Movement in cash and cash equivalents	(519)	(115)	38	200
Cash and cash equivalents at start of year	527	8	(107)	(69)
Cash and cash equivalents at end of year	8	(107)	(69)	131

The Guarantor registered an improvement in EBITDA during the year. This helped the Guarantor report a net cash inflow from operating activities of *circa* €56k. The Guarantor is anticipating a net cash generated from operating activities of €0.4m during FY23. As previously anticipated, the Guarantor had minimal investing activities during FY22 with total net cash flows from investing activities amounting to €0.2m. In FY23, management is expecting cash outflows from investing activities to be at €0.4m. The €2.5m inflow

from the related party loan netted out the reduction in the Guarantor's share capital whilst negative movement in the Guarantor's bank borrowings resulted in the Guarantor reporting a net cash outflow from financing activities of €0.2m in FY22. These results are slightly lower than the projections made in last year's Analysis. Net cash flow generated from financing activities is projected to amount to €0.2m in FY23.

2.4 Group's Income Statement

Statement of Comprehensive Income for the year ended 31 December	2020A	2021A	2022A	2023F
	€000s	€000s	€000s	€000s
Revenue	1,181	2,025	3,626	10,717
Cost of sales	(1,195)	(1,629)	(2,469)	(5,225)
Gross profit	(14)	396	1,157	5,492
Administrative expenses (excl. depreciation)	(164)	(162)	(276)	(2,674)
Other operating income	283	176	145	195
EBITDA	105	410	1,026	3,013
Depreciation	(1,538)	(1,466)	(1,470)	(1,507)
EBIT	(1,433)	(1,056)	(444)	1,506
Profit of sale of property, plant & equipment	-	-	182	-
Finance costs	(853)	(857)	(859)	(868)
Modification gain on financial liabilities	178	11	-	-
Impairment of non-financial instruments	-	-	(1,500)	-
Profit / (loss) before tax	(2,108)	(1,902)	(2,621)	638
Tax credit / (expense)	650	631	70	(223)
Profit / (loss) after tax	(1,458)	(1,271)	(2,551)	415

Ratio Analysis	2020A	2021A	2022A	2023F
<i>Profitability</i>				
Growth in Revenue (YoY Revenue Growth)	-58.5%	71.5%	79.1%	195.6%
EBITDA Margin (EBITDA / Revenue)	8.9%	20.2%	28.3%	28.1%
Operating (EBIT) Margin (EBIT / Revenue)	-121.3%	-52.1%	-12.2%	14.1%
Net Margin (Profit for the year / Revenue)	-123.5%	-62.8%	-70.4%	3.9%
Return on Common Equity (Net Income / Average Equity)	-8.1%	-7.6%	-17.4%	2.5%
Return on Assets (Net Income / Average Assets)	-3.6%	-3.2%	-6.6%	1.0%

Revenue is predominantly generated through its two hotel operations, namely Pebbles Boutique Aparthotel and Pebbles Resort. Specifically, during FY22, the Group reported €3.6m in revenues, illustrating a significant increase of 79.1% over the prior year. Consolidated revenues have also significantly surpassed pre pandemic levels.

Additionally, in view of the catering business acquired by the subsidiary Med Asia Operations Ltd, as detailed in section 1.5.1, the Group is anticipating to generate *circa* €10.7m in revenues during FY23, illustrating an overall improvement of 195.6% over FY22.

Cost of sales and administrative expenses collectively amounted to €2.8m during FY22 (FY21: €1.8m) and primarily include direct costs, wages and salaries, directors' remuneration, utility expenses and repairs and maintenance costs. As in the case of the Guarantor, the increase in cost of goods sold and administrative expenses experienced by the Group during FY22 is predominantly related to above-mentioned increase in revenue.

The Group's cost of sales are expected to increase to €5.2m during FY23. This is in line with the higher level of revenue anticipated for FY23.

Other operating income generated during FY22 amounted to *circa* €145k (FY21: €176k). This decline is mainly due to a one-off Covid-19 related concession on the rent payable on the Pebbles Resort hotel of €56k in 2021 which was not repeated in 2022. The Group is expecting other income to increase slightly to €195k in FY23.

Upon taking the above factors into consideration, the Group reported an EBITDA figure of €1.0m for FY22. In view of the anticipated improvement in revenue, the Group is projecting EBITDA to improve to €3.0m during FY23.

Depreciation remained stable in FY22 at €1.5m and is expected to remain at these levels in FY23. Finance costs also remained relatively unchanged in FY22 and amounted to *circa* €0.9m. In FY22, the Group also registered a large impairment on non-financial assets of €1.5m, which was not forecasted.

In view of the above, the Group reported a loss before tax of €2.6m. This resulted in the Group benefiting from a tax credit amounting to *circa* €0.1m during the year leading to a loss after tax of €2.5m. The Group is projecting a profit after tax of €0.4m in FY23.

2.4.1 Group's Variance Analysis

Statement of Comprehensive Income for the year ended 31 December	2022F	2022A	Variance
	€'000s	€'000s	€'000s
Revenue	4,313	3,626	(687)
Cost of sales	(2,386)	(2,469)	(83)
Gross profit	1,927	1,157	(770)
Administrative expenses (excl. depreciation)	(149)	(276)	(127)
Other operating income	198	145	(53)
EBITDA	1,976	1,026	(950)
Depreciation	(1,453)	(1,470)	(17)
EBIT	523	(444)	(967)
Profit on sale of property, plant & equipment	-	182	182
Finance costs	(850)	(859)	(9)
Impairment of non-financial instruments	-	(1,500)	(1,500)
Profit / (loss) before tax	(327)	(2,621)	(2,294)
Tax credit / (expense)	84	70	(14)
Profit / (loss) after tax	(243)	(2,551)	(2,308)

As mentioned above, one of the main sources of revenue for the Group is the Pebbles Resort in St Paul's Bay, which operates as a music hotel in the summer months. Revenue in FY22 was €0.7m below what was forecast. There were a number of reasons for this, the first being that certain music event's organisers were hesitant to promote events at the hotel in its first year of operation as a music hotel.

The second reason was the COVID-19 staffing issues, which caused serious disruptions in UK airports and led to limited availability of seats on the UK – Malta route in summer 2022 resulting in expensive flight tickets. Moreover, several music events were cancelled due to this unavailability / high cost of flights from UK to Malta.

The final and most significant reason is that Pollen Music Group, which was meant to hold two, week-long events in summer, went into administration in August 2022 resulting in the cancellation of these events. This alone accounted for approximately one-third of the shortfall in revenue compared to projections.

Cost of sales were slightly higher than what was projected. This was due to higher agent commissions, higher repair costs, higher meal costs and higher event registration costs. Administrative costs were also higher than forecasts mainly due to higher than expected credit losses on trade receivables (none were forecast), higher legal and professional fees, and higher licences and permit fees. All this led to a negative EBIT of €0.5m compared to the EBIT of €0.5m expected.

The Group also registered a profit on sale of property, plant and equipment of €0.2m, which was not in last year's forecasts. The final distortion came from an impairment of non-financial instruments, which was also not accounted for in forecasts. The right-of-use asset ("ROU asset") and an amount of €4.6m classified within property, plant and equipment held by the Group was assessed for impairment. The fair value of the Group's assets were assessed by using a discounted cash flow ("DCF") analysis. The resultant DCF valuation did not exceed the carrying value of the ROU asset and the carrying value of the plant and equipment held in the balance sheet as at 31 December 2022, and therefore, an impairment of €847k in ROU asset and €653k in PPE was accounted for in these financial statements.

After accounting for a tax credit received (as was forecast in the previous analysis), the Group reported a loss after tax of €2.5m, compared to the forecast loss after tax of €0.2m.

2.5 Group's Balance Sheet

Statement of Financial Position as at 31 December	2020A	2021A	2022A	2023F
	€000s	€000s	€000s	€000s
Assets				
Non-current assets				
Property, plant and equipment	28,016	27,372	25,976	26,560
Right-of-use assets	4,650	4,091	2,686	2,261
Investment property	6,004	6,004	6,004	6,004
Goodwill	-	-	-	3,360
Intellectual property	-	-	-	1,785
Other financial assets at amortised cost	632	-	-	-
Deferred tax asset	457	1,088	1,166	1,304
Total non-current assets	39,759	38,555	35,832	41,274
Current assets				
Inventory	-	-	-	200
Trade and other receivables	460	979	872	726
Current income tax asset	201	89	-	-
Cash and cash equivalents	116	334	88	181
Total current assets	777	1,402	960	1,107
Total assets	40,536	39,957	36,792	42,381
Equity and liabilities				
Capital and reserves				
Share capital	250	250	250	6,430
Share premium	17,750	17,750	17,750	17,750
Revaluation reserve	14,800	14,800	14,800	14,800
Fair value gain reserve	2,938	2,938	2,938	2,938
Other reserve	(17,532)	(17,532)	(17,532)	(17,532)
Retained earnings	(956)	(2,227)	(4,780)	(4,365)
Total equity	17,250	15,979	13,426	20,021
Non-current liabilities				
Borrowings	14,012	13,834	12,980	12,236
Lease liability long term	4,948	4,691	4,419	4,025
Deferred tax liability	2,262	2,262	2,262	2,262
Total non-current liabilities	21,222	20,787	19,661	18,523
Current liabilities				
Trade and other payables	856	1,202	1,772	2,412
Current income tax liability	173	160	116	370
Borrowings	793	1,572	1,545	783
Lease liability	242	257	272	272
Total current liabilities	2,064	3,191	3,705	3,837
Total liabilities	23,286	23,978	23,366	22,360
Total equity and liabilities	40,536	39,957	36,792	42,381

Ratio Analysis	2020A	2021A	2022A	2023F
<i>Financial Strength</i>				
Gearing 1 (Net Debt / Net Debt and Total Equity)	53.5%	55.6%	58.8%	46.1%
Gearing 2 (Total Liabilities / Total Assets)	57.4%	60.0%	63.5%	52.8%
Gearing 3 (Net Debt / Total Equity)	115.2%	125.3%	142.5%	85.6%
Net Debt / EBITDA	189.3x	48.8x	18.6x	5.7x
Current Ratio (Current Assets / Current Liabilities)	0.4	0.4	0.3	0.3
Net Debt / Net cash from operations	-18.0	232.8	17.5	6.8
Interest Coverage level 1 (EBITDA / Cash interest paid)	0.1	0.5	1.2	3.6
Interest Coverage level 2 (EBITDA / finance costs)	0.1	0.5	1.2	3.5

Non-current assets, which comprise of property, plant and equipment, investment property, ROU assets, and deferred tax assets accounted for 97.4% of the Group total assets for FY22. The decline in ROU assets during the year is mainly attributable to an impairment carried out on these assets. The Group's non-current assets are anticipated to amount to €41.3m during FY23.

In addition, the Group's current assets consisted of 2.6% of total assets during FY22. These were made up of cash and cash equivalents and trade and other receivables. The primary reason as to why the FY22 trade and other receivables is higher when compared to previous expectations is an amount due by a commonly controlled entity, which was higher than forecast by €0.5m. Current assets are projected to amount to €1.1m during FY23 which is more or less in line with FY22.

Non-current liabilities, which are mainly composed of long-term borrowings, long-term lease liabilities and deferred tax

liabilities, account for 84.1% of the Group's total liabilities. The decrease in longer-term borrowings during FY22 is mainly attributable to lower bank borrowings and lower third-party borrowings. Non-current liabilities during FY23 are expected to amount to €18.5m.

Current liabilities comprise trade and other payables, current income tax liability, short-term borrowings and short-term lease liabilities. Trade and other payables increased by €0.6m in FY22 and reached €1.8m. The Group's current liabilities are expected to amount slightly higher at €3.8m during FY23.

In terms of equity and reserves, the Group's retained earnings dropped to -€4.8m (FY21: -€2.2m), which resulted in total equity being lower than the FY21 reported figure. Total equity is expected to increase to €20.0m in FY23 in line with a forecasted increase in share capital to fund the acquisitions outlined in section 1.5.

2.6 Group's Cash Flow Statement

Cash Flow Statement for the year ended 31 December	2020A	2021A	2022A	2023F
	€000s	€000s	€000s	€000s
<u>Cash flows from operating activities</u>				
EBITDA	105	410	1,026	3,013
Interest paid	(822)	(826)	(828)	(836)
Tax paid/refunded	(53)	99	37	(107)
Provision for doubtful debts	7	(11)	41	-
Rental concession	(133)	(56)	-	-
Change in inventory	-	-	-	(200)
Change in trade and other receivables	382	127	248	133
Change in trade and other payables	(593)	343	571	519
Net cash flows generated from / (used in) operating activities	(1,107)	86	1,095	2,522
<u>Cash flows from investing activities</u>				
Investment capital expenditure	(852)	(262)	(169)	(6,810)
Net cash flows generated from / (used in) investing activities	(852)	(262)	(169)	(6,810)
<u>Cash flows from financing activities</u>				
Movement in bank loans	1,579	584	(494)	(622)
Issue of share capital	-	-	-	6,180
Third party borrowings	(233)	(278)	(367)	(500)
Lease liability payments	(95)	(187)	(257)	(395)
Net cash flows generated from / (used in) financing activities	1,251	119	(1,118)	4,663
Movement in cash and cash equivalents	(708)	(57)	(192)	375
Cash and cash equivalents at start of year	623	(85)	(142)	(334)
Cash and cash equivalents at end of year	(85)	(142)	(334)	41

Ratio Analysis	2020A	2021A	2022A	2023F
	€000s	€000s	€000s	€000s
<i>Cash Flow</i>				
Free Cash Flow to the firm (Net cash from operations + interest - Capex)	(1,137)	650	1,754	(3,452)

The Group reported a higher EBITDA during the year, which ultimately resulted in a net cash flow generated from operating activities of *circa* €1.1m, albeit this being lower than what was forecast in the previous analysis. This improvement in operating cash flows is also attributable to favourable movements in working capital. In line with the anticipated EBITDA improvement during FY23, the Group is projecting net cash flows generated from operating activities to amount to €2.5m.

As in the case of the Guarantor, minimal investing activities were recorded during FY22. The €0.2m outflow was related to continued refurbishment of Pebbles Resort Hotel. Net cash flows used in investing activities are expected to

amount to €6.8m during FY23. These mainly relate to €3.4m for goodwill, €1.8m of intellectual property and €1.5m on property, all three related to the acquisition of the catering business.

The Group reported a net cash flow used in financing activities of €1.1m during FY22, reflecting a substantial decrease when compared with that reported in FY21. This outflow is due to repayments of bank loans of €0.5m repayments to third parties of €0.4m and lease liability payments of €0.3m. Net cash flows used in financing activities are expected to amount to €4.7m in FY23 mainly due to an increase in share capital of €6.2m.

Part 3 Key Market and Competitor Data

3.1 General Market Conditions

The Issuer is subject to general market and economic risks that may have a significant impact on its current and future property developments and their timely completion within budget. These include factors such as the health of the local property market, inflation and fluctuations in interest rates, exchange rates, property prices and rental rates. In the event that general economic conditions and property market conditions experience a downturn, which is not contemplated in the Issuer's planning during development, this shall have an adverse impact on the financial condition of the Issuer and may therefore affect the ability of the Issuer to meet its obligations under the Bonds.

3.2 Economic Update¹

The Bank's Business Conditions Index (BCI) indicates that in April, annual growth in business activity increased, rising further above its long-term average, estimated since January 2000. The European Commission confidence surveys show that sentiment in Malta increased compared to March, and stood above its long-term average, estimated since November 2002. In month-on-month terms, sentiment increased across all sectors, bar the services sector, with the strongest increase recorded in the construction sector.

Additional survey information shows that price expectations stood firmly above their year-ago level in the construction sector, and to a lesser extent, among services firms. By contrast, price expectations in industry, the retail sector and among consumers, stood considerably lower. The European Commission's Economic Uncertainty Indicator (EUI) for Malta increased when compared with March, though it was still lower than last year's April level. Uncertainty increased mostly in industry. In March, industrial production and retail trade grew at a slower rate compared to February. The unemployment rate stood at 2.9% in March, marginally lower than the rate of 3.0% registered in the previous month, and that registered in March 2022.

Commercial building and residential permits decreased in March relative to their year-ago level. In month-on-month terms, commercial permits increased while residential permits declined. In April, the number of promise-of-sale agreements rose on a year-on-year basis, while the number of final deeds of sales fell. Meanwhile, both the number of

promise-of-sale agreements and the number of final deeds of sale fell on a month-on-month terms. The annual inflation rate based on the Harmonised Index of Consumer Prices (HICP) stood at 6.4% in April, down from 7.1% in the previous month.

Inflation based on the Retail Price Index (RPI) decreased to 5.8% from 7.0% in March. Maltese residents' deposits expanded at an annual rate of 1.6% in March, following an increase of 3.6% in the previous month, while annual growth in credit to Maltese residents moderated to 5.4%, from 6.4% a month earlier. In March, the Consolidated Fund recorded a lower deficit compared to a year earlier, as higher government revenue outweighed a smaller rise in government expenditure.

3.3 Economic Predictions²

According to the Bank's latest forecasts, Malta's gross domestic product (GDP) growth is projected to slow down from around 7.0% in 2022, to 4.0% in 2023, and to ease slightly further to 3.8%, and 3.7%, in 2024 and 2025, respectively. When compared to the previous projections, the Bank's latest forecast for headline GDP is revised upwards throughout the projection horizon. Indeed, GDP growth was revised up by 0.3 percentage points in 2023, and by 0.2 percentage points in 2024 and 2025.

In 2023, net exports are expected to be the main contributor to GDP growth. This reflects the expected sharp slowdown in imports (goods imports specifically are set to contract after being boosted by strong investment in the aviation sector in 2022), as well as robust growth in exports. Meanwhile, domestic demand is expected to lower growth, as the base effect from the extraordinary investment in 2022 should offset positive contributions from government and private consumption. From 2024, domestic demand is expected to be the main driver of growth, as private consumption growth is expected to remain relatively robust despite relatively high inflation. Net exports are also projected to contribute positively in 2024 and 2025, due to robust services exports.

Employment growth is set to moderate to 3.6% in 2023 from 6.0% in 2022, which partly reflects the envisaged normalisation in economic activity towards potential growth. In the following two years, employment is set to expand by 2.7% and 2.4%, respectively. In view of relatively

¹ Central Bank of Malta – Economic Update 5/2023

² Central Bank of Malta – Economic Projections 2023 – 2025

high inflation, as well as tight labour market conditions, nominal wage growth is projected to be relatively strong from a historical perspective. Compensation per employee is thus set to grow by 5.5% in 2023, 4.9% in 2024 and 3.9% in 2025, outpacing consumer price inflation during the later period of the projection horizon.

Annual inflation based on the Harmonised Index of Consumer Prices (HICP) is projected to moderate to 5.3% in 2023, as international supply bottlenecks are expected to ease further. However, lingering indirect effects from recent increases in input costs are set to keep inflation high from a historical perspective. The fall in inflation in 2023 reflects a broad-based decrease across all sub-components of HICP, except for energy inflation, as energy prices are expected to remain unchanged in view of government support measures. Services is envisaged to be the main contributor to HICP inflation, but food and non-energy industrial goods (NEIG) are also projected to contribute to annual HICP inflation in 2023.

The general government deficit is set to decline to 4.9% of GDP in 2023, from 5.8% in 2022. It is then set to continue declining over the rest of the forecast horizon, reaching 3.4% of GDP by 2025. This improvement is driven by a declining share of expenditure in GDP, mainly due to the profile of inflation-mitigation measures. The general government debt ratio is set to increase throughout the forecast horizon, and to reach 55.3% by 2025. This is driven by the expected level of primary deficits, which partly offset the debt-decreasing impact of the interest-growth differential.

On balance, risks to economic activity are tilted to the downside for 2023 and 2024 and are more balanced thereafter. The main downside risks relate to the possibility of stronger than envisaged weakness in the international economic environment, which could lead to lower exports. Foreign demand may also be weaker than expected if monetary policy in advanced economies tightens more forcibly than assumed in this projection round. GDP data for the first quarter of the year also implies some downside risks to domestic demand. On the other hand, private consumption could surprise on the upside if wage growth is higher than expected, particularly in the outer years of the projection horizon.

Risks to inflation are to the upside for the entire projection horizon. Indeed, inflation could be more persistent than assumed in the baseline projections and could continue to

be affected by indirect effects from past increases in commodity prices. Moreover, second round effects from higher wages and profit margins could also prolong high inflation. Conversely, further monetary tightening and lower foreign demand could ease inflationary pressures in the medium-term.

On the fiscal side, risks are on the downside (deficit-increasing) particularly in 2023. These mainly reflect the likelihood of additional support measures towards Air Malta. Deficit-decreasing risks in the outer years of the forecast horizon mainly relate to fiscal consolidation pressures as the general escape clause in the Stability and Growth Pact is deactivated at the end of 2023.

3.4 Tourism

The tourism sector in Malta has been on a consistent upward trend since 2010, rising especially in the later years from 2017. The Maltese tourism industry has, in recent years, been renowned for its unabated growth, with each passing year yielding new record highs of inbound tourists visiting the island. Indeed, the tourism industry is considered to be a crucial pillar of the local economy as it is estimated to account for 30% of Malta's GDP.

Unfortunately, the tourism sector both locally and internationally has been severely impacted by the outbreak of the COVID-19 pandemic, bringing the previous positive trend to a halt. 2020 probably was the cycle bottom and some recovery in tourism figures was noticeable in 2021. On a global scale, tourism experienced a 4% upturn in 2021, (415 million versus 400 million a year earlier). However, international tourist arrivals (overnight visitors) were still 72% below the pre-pandemic year of 2019 in Q4 2021.

Locally, as early as March 2020, Malta started to introduce several confinement measures, with the eventual suspension of all passenger flights. Malta international airport was then reopened in July 2020 and demand for travel started picking up. However, as the pandemic progressed and newer waves and variants appeared, restriction measures were temporarily reintroduced, having an inevitable negative impact on tourism in Malta.

The unprecedented impact of the pandemic on the local tourism industry and the subsequent rebound is demonstrated through the data presented below. During 2021 local inbound tourists increased from 659k to 968k, representing a 46.9% increase YoY. Similarly, the industry

experienced an increase in tourist guest nights from 5,227k in 2020 to 8,390k in 2021, which is a 60.5% increase YoY. In a similar fashion, total tourist expenditure increased by 91.4% in 2021 when compared with 2020.

In 2022, tourism continued its revival in Malta, in line with the improvement of the tourism situation in Europe however the figures still lag 2019 figures. Statistics clearly illustrate that the number of inbound tourists already increased by 136.3% vs. 2021. Similarly, tourist guest nights increased by 97.9% until December 2022 when compared to full-year 2021. Total expenditure increased by 131.1% on the same basis. The above trends are also summarised in the following table, illustrating the number of tourist arrivals over the last four years:

Category ³	2019	2020	2021	2022	2021 vs. 2022
Inbound tourists*	2,753	659	968	2,287	136.3%
Tourist guest nights*	19,339	5,227	8,390	16,600	97.9%
Avg. length /stay	7.0	7.9	8.7	7.3	-16.1%
Tourist expenditure**	2,221	455	871	2,013	131.1%
Tourist exp. per capita (€)	807	691	899	880	-2.1%

*in thousands

**in € millions

Tourist arrivals for 2022 albeit strong were still only 83% of the pre-pandemic year while the average length of stay during 2022 was marginally higher than that registered in 2019. Average daily spend by tourists reached €120.54, which above the level of spend registered in 2019, the same year that Malta registered a record in inbound tourism.

³ National Statistics Office, Malta

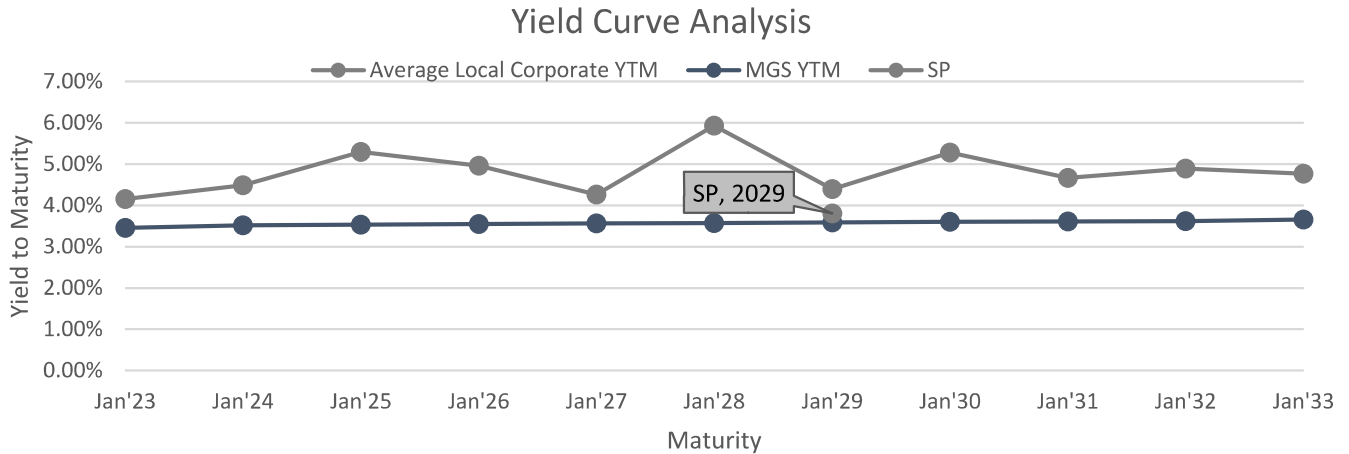
The purpose of the table below compares the proposed debt issuance of the Group to other debt instruments with similar duration. One must note that given the material differences in profiles and industries, the risks associated with the Group's business and that of other issuers is therefore different.

Security	Nom Value €000's	Yield to Maturity (%)	Interest coverage (EBITDA)	Total Assets (€ millions)	Total Equity (€ millions)	Total Liabilities / Total Assets (%)	Net Debt / Net Debt and Total Equity (%)	Net Debt / EBITDA (times)	Current Ratio (times)	Return on Common Equity (%)	Net Margin (%)	Revenue Growth (YoY) (%)
4% Exalco Finance plc Secured € 2028	15,000	4.22%	5.8x	80.6	53.9	33.1%	22.4%	3.9x	2.1x	20.8%	200.2%	3.1%
4.85% Melite Finance plc Secured € 2028	9,250	8.67%	1.6x	20.4	(1.1)	105.2%	105.4%	10.9x	0.5x	78.5%	-33.8%	N/A
4.15% Phoenicia Finance Company plc Unsecured € 2023-2028	25,000	5.44%	2.3x	128.2	46.8	63.5%	59.3%	15.1x	0.3x	0.6%	1.8%	N/A
4.5% Endo Finance plc Unsecured € 2029	13,500	4.80%	7.4x	48.5	18.2	62.4%	25.6%	0.9x	3.4x	22.6%	27.8%	14.8%
4% SP Finance plc Secured € 2029*	12,000	3.80%	1.4x	36.8	13.4	63.5%	58.8%	15.9x	0.3x	-19.0%	-70.4%	71.5%
3.65% Stivala Group Finance plc Secured € 2029	15,000	4.03%	7.7x	396.6	249.3	37.1%	29.0%	5.6x	0.7x	10.8%	93.7%	91.5%
3.75% AX Group plc Unsec Bds 2029 Series II	10,000	4.01%	2.6x	422.8	248.2	41.3%	30.0%	12.0x	1.1x	-0.1%	-0.7%	8.1%
4.25% IZI Finance plc Unsecured € 2029	30,000	4.25%	2.5x	283.8	85.9	69.7%	18.8%	7.2x	0.3x	0.0%	-0.2%	N/A
5% MedservRegis plc Secured € 2029	13,000	4.81%	2.2x	151.7	60.4	60.2%	47.0%	6.1x	2.1x	0.9%	0.8%	123.7%
4% Cablenet Communication Systems plc Unsecured € 2030	40,000	4.77%	6.8x	110.4	3.1	66.0%	95.1%	3.5x	2.5x	-90.8%	-8.2%	19.4%
6.25% GPH Malta Finance plc Unsecured € 2030	18,144	5.78%	0.2x	811.9	50.4	93.8%	90.8%	71.2x	1.2x	-88.4%	-110.5%	N/A
Average		5.08%**										

Last price as at 23/06/2023

* The financial analysis of SP Finance reflects the financial position of the Guarantor for the year ended 31st December 2022.

** Average figures do not capture the financial analysis of the Group



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 plots the entire MGS yield curve, thus taking into consideration the yield of comparable issuers. The graph illustrates on a stand-alone basis, the yield of comparable

issuers having a maturity between 5-7 years respectively (Peers YTM).

As at 23 June 2023, the average spread over the Malta Government Stocks (MGS) for corporates with maturity range of 5-7 years was 149 basis points. The 4% SP Finance plc 2029 is currently trading at a YTM of 3.8%, meaning a spread of 21 basis points over the equivalent MGS. This means that this bond is trading at a discount of 128 basis points in comparison to the market.

Part 4 Glossary and Definitions

Income Statement	
Revenue	Total revenue generated by the Group/Company from its principal business activities during the financial year.
Costs	Costs are expenses incurred by the Group/Company in the production of its revenue.
EBITDA	EBITDA is an abbreviation for earnings before interest, tax, depreciation and amortisation. It reflects the Group's/Company's earnings purely from operations.
Operating Profit (EBIT)	EBIT is an abbreviation for earnings before interest and tax.
Depreciation and Amortisation	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.
Net Finance Costs	The interest accrued on debt obligations less any interest earned on cash bank balances and from intra-group companies on any loan advances.
Net Income	The profit made by the Group/Company during the financial year net of any income taxes incurred.
Profitability Ratios	
Growth in Revenue (YoY)	This represents the growth in revenue when compared with previous financial year.
Gross Profit Margin	Gross profit as a percentage of total revenue.
EBITDA Margin	EBITDA as a percentage of total revenue.
Operating (EBIT) Margin	Operating margin is the EBIT as a percentage of total revenue.
Net Margin	Net income expressed as a percentage of total revenue.
Return on Common Equity	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).
Return on Assets	Return on assets (ROA) is computed by dividing net income by average total assets (average assets of two years financial performance).
Cash Flow Statement	
Cash Flow from Operating Activities (CFO)	Cash generated from the principal revenue producing activities of the Group/Company less any interest incurred on debt.
Cash Flow from Investing Activities	Cash generated from the activities dealing with the acquisition and disposal of long-term assets and other investments of the Group/Company.
Cash Flow from Financing Activities	Cash generated from the activities that result in change in share capital and borrowings of the Group/Company.
Capex	Represents the capital expenditure incurred by the Group/Company in a financial year.
Free Cash Flows (FCF)	The amount of cash the Group/Company 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.
Balance Sheet	
Total Assets	What the Group/Company owns which can be further classified into Non-Current Assets and Current Assets.
Non-Current Assets	Assets, full value of which will not be realised within the forthcoming accounting year
Current Assets	Assets which are realisable within one year from the statement of financial position date.
Inventory	Inventory is the term for the goods available for sale and raw materials used to produce goods available for sale.
Cash and Cash Equivalents	Cash and cash equivalents are Group/Company assets that are either cash or can be converted into cash immediately.
Total Equity	Total Equity is calculated as total assets less liabilities, representing the capital owned by the shareholders, retained earnings, and any reserves.
Total Liabilities	What the Group/Company owes which can be further classified into Non-Current Liabilities and Current Liabilities.
Non-Current Liabilities	Obligations which are due after more than one financial year.
Total Debt	All interest-bearing debt obligations inclusive of long and short-term debt.
Net Debt	Total debt of a Group/Company less any cash and cash equivalents.
Current Liabilities	Obligations which are due within one financial year.

Financial Strength Ratios

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

Other Definitions

Yield to Maturity (YTM)	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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Calamatta Cuschieri

Calamatta Cuschieri Investment Services Limited

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