FINANCIAL ANALYSIS SUMMARY 2023

DINO FINO

Dino Fino Finance p.l.c.

30 June 2023

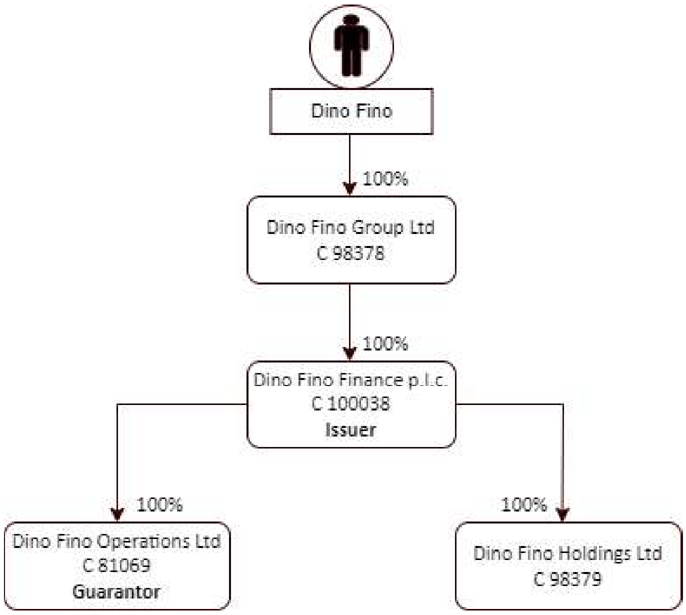
Prepared by Calamatta Cuschieri Investment Services Limited

Table of Contents

Part 1 - Information about the Group

1.1 Issuer and Group's Subsidiaries Key Activities and Structure

The Group structure is as follows:



Dino Fino Finance p.l.c. (the "Issuer" or "DFF") is a public limited liability company incorporated in Malta on 23 August 2021, bearing company registration number C 100038.

The Issuer was incorporated for the purpose of raising capital for the "**Group**", which is made up of the Issuer, Dino Fino Operations Limited (the "**Guarantor**" or "**DFO**") and Dino Fino Holdings Ltd ("**DFH**"). The Issuer is wholly-owned by Dino Fino Group Ltd (the "**Parent**" or "**DFG**"), while the Guarantor and DFH are its direct subsidiaries.

The Issuer's authorised share capital is of €5,000,000, divided into 4,999,999 Ordinary A Shares of €1 each and 1 Ordinary B Share of €1 each. The Issuer's issued share capital is of €3,620,000 divided into 3,619,999 Ordinary A Shares of €1 per share and 1 Ordinary B Share, all fully paid up.

The Guarantor is a private limited liability company incorporated in Malta on 13 June 2017, bearing company registration number C 81069. The Guarantor acts as the Group's operating company whilst paying rent, interest and dividend to the Issuer and royalties to DFH.

The Guarantor's authorised share capital is €650,000, divided into 650,000 ordinary shares of €1 each. The Guarantor's issued share capital is €100,100 of €1 each. The ordinary shares are the only authorised and issued class of shares in the Issuer. The Guarantor's sole shareholder is the Issuer.

Dino Fino Holdings Ltd is a private limited liability company incorporated in Malta on 8 March 2021, bearing company registration number C 98379. It is the IP ("**Investment Property**") asset owner and operator, including conducting ongoing marketing endeavours as to protect and grow the value of the DINO FINO Brand (the "**Brand**").

1.2 Directors and Key Employees

Board of Directors - Issuer

As at this Analysis, the board of directors of the Issuer is constituted by the following persons:

Name	Office Designation
Mr Benjamin Muscat	Independent Non-Executive Director and Chairman
Mr Dino Fino	Executive Director
Mr Giuseppe Muscat	Executive Director
Dr Austin Gauci Maistre	Non-Executive Director
Ms Alexia Farrugia	Independent Non-Executive Director

Dr Austin Gauci Maistre is the company secretary of the Issuer.

The board of the Issuer is composed of five (5) directors who are responsible for the overall direction and management of the Issuer. Two (2) executive directors are entrusted with the Issuer's day-to-day management whereas three non-executive directors, the majority of whom are independent of the Issuer, are to provide the Issuer with direction and strategy, monitoring and supervision of its performance, while ensuring that controls and risk management systems are adequately in place.

Board of Directors – Guarantor

As at the date of this Analysis, the Guarantor's board is constituted by the following person:

Name	Office Designation
Mr Dino Fino	Executive Director

Mr Dino Fino is the company secretary of the Guarantor.

1.3 Major Assets owned by the Group

The Group's main assets are predominantly the Brand and Investment Property which reflect the value attributable to the DINO FINO Brand and the Birkirkara showroom which has been purchased and is now fully owned by the Group.

1.4. Operational developments

1.4.1 Group restructuring

The Guarantor was set up by Mr Dino Fino and his 50% business partner at the time, Mr Abdulmajid Al Sadi. DFO is engaged in retail operations of home and office furniture and furnishings to domestic and commercial clients.

In September 2020, Mr Fino bought Mr Al Sadi's share in DFO, which in turn is now 100% owned and controlled by Mr Fino. This buy-out was part financed through a bridge loan that was refinanced through the bond issue.

The current Group was created through a restructuring exercise carried out by Mr Fino to:

i. Bring the Investment Property and associated brand licence agreement into the group structure; and
ii. Consolidate his holdings under a new finance vehicle in anticipation of the proposed purchase of the showroom and the bond issue of 2021.

1.4.2 Home Furniture Division

The Group procures from suppliers, sells and delivers a vast range of kitchens and home furniture and decorations. Products include kitchens, dining room furniture, living room furniture, bedroom furniture, lighting fixtures, carpets, wooden flooring, internal and external apertures, wallpaper, fabrics, blinds, decorations, accessories, outdoor furniture including pergolas, bathrooms furniture, fixtures and floor tiles.

The Group has no manufacturing operations at the moment and so currently sources all its products from third parties. All products are imported from suppliers based principally in Italy and Germany. The Group only works with suppliers that can generally guarantee a reliable supply chain, exclusivity of brands and quality after-sales customer support. Through these suppliers, the Group represents a large collection of brands including Aran World which incorporates Aran Cucine, Rastelli Cucine, Ciao Cucine, Newform Ufficio and Aran Notte together with other high profile suppliers including LAGO, Arketipo, Adriani & Rossi, Quadrifoglio Group, Siloma, Marinelli Home, Samoa, Cattelan Italia, SCAB Design, Tonin Casa, KYMO, Skema, Varaschin, EMU, Pointhouse, Instabilelab, Foster, Cerdisa, Acrotexture, Orme Design, Edil Green, Arclinea, Res Italia, Idea Group, Caesar, Giulini, Azzurra, Cora, Moss Treno and Prandina. The Group is continuously looking to establish relationships with new suppliers in order to diversify its supply base and product offering, also enabling it to introduce new product ranges as consumer trends change.

Additionally, the Group has recently expanded its custom design service by integrating it into the contract division. With this strategic move, the Group is now professionally promoting and selling custom-made furniture through the contract division, further enhancing its ability to meet the unique design requirements and specifications of its clientele. This integrated approach has been well-received and is steadily gaining popularity among clients who seek tailored solutions for their furniture needs.

Furthermore, the Group has secured a land for industrial space through Malta Enterprise for the establishment of a local factory to manufacture bespoke furniture. Negotiations are currently underway to finalise the necessary arrangements for the factory. The company is dedicated to ensuring a seamless production process and aims to launch the factory and its line of custom furniture during 2023. This expansion will not only enhance the Group ability to meet the growing demand for custom-made furniture but also contribute to the local economy through job creation and manufacturing capabilities.

1.4.3 Contract Division

In addition to its existing services, the Group has launched a comprehensive contract division, offering a wide range of products and solutions. This division now includes bespoke design, curation, supply, delivery, installation, and project management for various commercial installations. The Group provides tailored contract furniture solutions for the hospitality industry, including hotels, restaurants, and cafes. Moreover, the company has expanded its offerings to encompass other commercial projects, such as offices, retail stores, bathrooms, and outdoor furniture. However, while the Group had plans to supply and install pools for residential and commercial purposes, the launch of this specific service has been temporarily postponed.

1.4.4 HOLA Collection (previously Dino Fino Outlet) online shop

The Group has rebranded its online shop from Dino Fino Outlet to HOLA Collection. Despite the rebranding effort, the activity on the online platform is still not at the desired levels. However, the Group remains committed to investing in this aspect of its business to enhance the user experience, improve product visualisation, implement search engine optimisation, and address other critical factors. These investments are aimed at ensuring that HOLA Collection becomes a scalable and effective online solution for both the Group and its clients. The Group believes that with continuous improvements, the proportion of online sales will grow in relation to its overall sales, ultimately strengthening its online presence and expanding its customer base.

1.4.5 Property acquisition and extension

The Group has successfully completed the acquisition of the Birkirkara showroom for €5.25m, which includes stamp duty. The proceeds from the bond offering were utilised as originally planned, in line with the Prospectus of the Issuer dated 30 September 2021. The Birkirkara showroom is expected to serve as a valuable asset in further enhancing the Group's capabilities and providing an enhanced experience for its clients.

1.4.5 Ciao Cucine

The Group has introduced a new Italian kitchen brand, known as Ciao Cucine into the Maltese market, operating from a well-known and established showroom location. Ciao Cucine has been carefully chosen to target the medium to low segment of the market, attracting the clients who find that Dino Fino kitchens are out of their budget, bridging the gap and ensuring that Dino Fino Operations Limited has access to all demographics and budgets.

1.5 Conflict in Ukraine and its impact on the Group's operational and financial performance

The ongoing Russia-Ukraine conflict has had far-reaching implications, including a significant impact on inflation. The geopolitical tensions and disruptions to trade have disrupted supply chains and increased production costs, leading to a rise in prices for various goods and services. This inflationary pressure has had a direct impact on businesses, including Dino Fino. As inflation eroded purchasing power, consumers tended to be more cautious with their spending, prioritising essential items over discretionary purchases such as home décor and furniture. Consequently, Dino Fino has experienced a reduction in spending as customers tightened their budgets and adjusted their consumption patterns in response to the economic uncertainty caused by the conflict. The Group continues to monitor the situation and will assess any additional impact as they arise.

Part 2 - Historical Performance and Forecasts

The Group's historical financial information for the year ended 31 December 2022, in addition to the financial forecast for the year ending 31 December 2023, are set out below in sections 2.1 to 2.3 of this Analysis. Historical information is based on audited consolidated financial statements of the Issuer, while the forecast data for FY23 has been provided by management.

In analysing the financial commentary, one needs to factor in that FY22 spans an 16 month-period when compared to the standard 12-month period on which FY23 projections are built.

2.1 Group's Statement of Comprehensive Income

Statement of Comprehensive Income for the year ended 31 December	FY22A	FY23F
	16 months	12 months
	€'000s	**€'000s**
Revenue	5,402	5,715
Cost of sales	(4,025)	(3,006)
Gross profit	**1,377**	**2,709**
Direct costs	(1,087)	(978)
Contribution	**290**	**1,731**
Other income	292	24
Overheads	(1,438)	(1,193)
EBITDA	**(856)**	**562**
Depreciation and amortisation	(384)	(328)
EBIT	**(1,240)**	**234**
Finance costs	(460)	(393)
Profit / (loss) before tax	**(1,700)**	**(159)**
Income tax charge	522	(11)
Profit / (loss) after tax	**(1,178)**	**(170)**

Ratio Analysis	FY22A	FY23F
Profitability		
Growth in Revenue (YoY Revenue Growth)	35.1%	5.8%
Gross Profit Margin (Gross Profit/ Revenue)	25.5%	47.4%
Contribution Margin (Contribution/ Revenue)	5.4%	30.3%
EBITDA Margin (EBITDA / Revenue)	-15.8%	9.8%
Operating (EBIT) Margin (EBIT / Revenue)	-23.0%	4.1%
Net Margin (Profit for the year / Revenue)	-21.8%	-3.0%
Return on Common Equity (Net Income / Average Equity)	-32.9%	-5.1%
Return on Assets (Net Income / Average Assets)	-7.6%	-1.1%

The Group operates with two primary revenue streams, being retail sales and contract sales. Retail sales constitute the main source of revenue for the Group and are primarily derived from customer sales at the Group's showrooms. These sales are generated from individual retail customers who purchase furniture and other home décor items. Contract sales represent sales are derived from larger-scale projects where the Group is contracted to furnish establishments such as hotels and office blocks. Contract sales involve furnishing and providing customised solutions for these commercial projects.

In addition to retail and contract sales, the Group also recognises work in progress revenue. This revenue represents the income earned from contracted projects that are partially completed. As projects progress, revenue is recognised for the work completed up to a specific point in time, reflecting the percentage of completion of these projects.

Revenue generated during FY22 amounted to €5.4m and is projected to reach €5.7m in FY23. Cost of goods sold mainly includes direct material cost incurred by the Group in the course of business. These amounted to €4.0 in FY22. Most of the cost of sales relate to retail purchases over the year as well as the opening stock balance for the year. Freight costs only contributed €0.3m (8.3%) of the total cost of sales.

We note a material movement in the Group's operating margins. Gross profit margin is projected to increase to 47.4% in FY23 when compared to 25.5% in FY22. Management explained that the projected increase in margins is a result of a number of factors including a change in sales prices to reflect inflationary pressures on cost. This change was only made late in 2022, thus negatively affecting gross profit margin inFY22 but positively affecting FY23 gross profit margin. The Group also reports a material increased efficiency in work methodology in FY23 which has materially affected margins in FY23 when compared to FY22.

Direct costs are predominantly composed of direct wages and subcontracting fees related to delivery and installation services and other consumables used in the course of business of the Group. In FY22, DFO incurred direct costs totalling €1.1m. Among these costs, subcontracting fees (including installation costs) amounted to €143k, representing approximately 13% of the total direct costs. Direct wages, including national insurance and maternity fund, accounted for €645k, making up around 60% of the total direct costs. Warehousing fees were also a significant factor, contributing €119k, accounting for around 11% of the total direct costs. Direct costs in FY23 are forecasted to be in the region of €1.0m.

The Group reports other income of €292k in FY22 which mainly relates to gains made following the write off of right-of-use balances in the statement of financial position as a result of the Group acquiring the showroom which was previously held under lease and accounted for under IFRS 16 (Leases). Given that this was a one off item, no such income is projected for FY2023.

The primary component of overheads are the wages payable to back-office and warehouse staff. Other components of overheads include advertising and promotion expenses. Total overheads are projected to amount lower, at €1.2m, during FY23.

The Group reported an EBITDA of negative €0.9m, with this projected to turn positive in FY23 at €0.6m in FY23.

The Guarantor’s depreciation and amortisation charge relates to the Group’s property, plant and equipment, intangible assets, and the right-of-use asset associated with the leased showroom in accordance with IFRS 16. Depreciation and amortisation charge amounted to €0.4m in FY22.

Finance costs represent interest paid on bank and shareholder loans, as well as the interest expense from the outstanding debt securities of the Issuer. These costs amounted to €0.5m in FY22.

As the Group incurred losses before tax, they were able to utilise their previous tax credits, partially offsetting the loss before tax of €1.7m by €0.5m. The other side of accounting entries resulted in the recognition of a deferred tax asset, representing the potential offset against future taxable income. This deferred tax asset reflects the Group’s expectation of utilising the available tax benefits in the future, thus reducing their overall tax liability.

Following the tax credit of €0.5m, the Group reported €1.2m of loss after tax in FY22. Loss after tax is projected to decrease to €0.2m in FY23.

2.2 Group’s Statement of Financial Position

Statement of Financial Position as at 31 December	FY22A	FY23F
	€'000s	€'000s
Assets		
Non-current assets		
Property, plant and equipment	541	441
Investment property	5,190	5,084
Goodwill	3,031	3,031
Deferred tax asset	791	791
Receivables	450	450
Intangible asset	1,853	1,773
Total non-current assets	**11,857**	**11,570**
Current assets		
Inventories	579	663
Trade and other receivables	3,559	2,385
Cash balance	536	(89)
Total current assets	**4,674**	**2,960**
Total assets	**16,531**	**14,530**
Equity		
Share capital	3,620	3,620
Shareholder’s loan: Dino Fino Group	980	945
Retained earnings	(1,178)	(1,178)
Loss for the period	-	(199)
Total equity	**3,422**	**3,188**
Non-current liabilities		
Debt securities in issue	7,595	7,614
Other third-party debt	319	212
Total non-current liabilities	**7,914**	**7,826**
Current liabilities		
Borrowings	117	117
Trade and other payables	2,825	1,254
Prepaid income	1,212	1,103
Tax and VAT payable	1,041	1,042
Total current liabilities	**5,195**	**3,516**
Total liabilities	**13,109**	**11,342**
Total equity and liabilities	**16,531**	**14,530**

Ratio Analysis	FY22A	FY23F
Financial Strength		
Gearing 1 (Net Debt / Net Debt and Total Equity)	68.3%	71.3%
Gearing 2 (Total Liabilities / Total Assets)	79.3%	78.1%
Gearing 3 (Net Debt / Total Equity)	215.6%	248.2%
Net Debt / EBITDA	(8.6)x	14.1x
Current Ratio (Current Assets / Current Liabilities)	0.9x	0.8x
Quick Ratio (Current Assets - Inventory / Current Liabilities)	0.8x	0.7x
Interest Coverage level 1 (EBITDA / Cash interest paid)	(1.9)x	1.2x
Interest Coverage level 2 (EBITDA / finance costs)	(1.9)x	1.4x

In FY22, the Group's total assets amounted to €16.5m. They mainly comprised investment property recorded at €5.2m, trade and other receivables at €3.6m, and goodwill recorded at €3m, representing 31.4%, 21.5% and 18.3% of total assets, respectively.

As per the financial statements of the Group, the investment property that is located in Dino Fino Home is used as security in favour of holders of the Issuer's outstanding debt securities until such time that these are repaid in accordance with the Prospectus of the Issuer dated 30 October 2021.

The Group's property, plant and equipment ("PPE") is recorded at cost less accumulated depreciation. The different assets under this category have different useful lives as presented in the financial statements. The PPE was carried at €0.5m in FY22. It is mainly composed of furniture and fittings of €218k and electrical and plumbing of €132k.

The balance sheet of Dino Fino shows a goodwill amount of €3m that arose from the Issuer acquiring Dino Fino Operations and Dino Fino Holdings for a non-cash consideration of €4.7m. The acquisition took place on 23 August 2021, with Dino Fino Group Ltd transferring 100% of the shares to the Issuer for a non-cash consideration. The acquired subsidiaries had various assets such as intangible assets, PPE, right-of-use assets, deferred tax assets, inventories, trade and other receivables, and cash and cash equivalents.

After calculating the net assets acquired, it was determined that there was a net liabilities position of €271k for DFO and net assets of €2.0m for DFH, resulting in total net assets acquired of €1.7m. The difference between the fair value of net assets acquired and the consideration paid represents the goodwill i.e. totalling €3.0m.

Goodwill arises when the consideration paid for an acquisition exceeds the fair value of identifiable net assets. It represents the value of intangible assets, such as brand reputation, customer relationships, and intellectual property that are not separately recognised on the balance sheet.

Deferred tax assets, recorded at €0.8m, represent potential future tax benefits that can be utilised to offset against taxable income in future periods. These assets typically arise when the taxable income is expected to be lower in the future due to deductible temporary differences or unused tax losses. The €0.8m in the deferred tax asset indicates that Dino Fino has recognised additional potential tax benefits that can be utilised in the future, potentially reducing their tax expenses.

As for current assets, the balances of the Group primarily consist of inventory (€0.6m), trade and other receivables (€3.6m), and cash and cash equivalents (€0.5m). The inventory mainly consists of items listed for sale at the Birkirkara premises, as well as stock held in the warehouse. Trade and other receivables are composed of prepayments and accrued income (€2.7m), financial assets (€0.8m), and trade receivables (€0.8m). Additionally, the Group holds €0.5m in cash and cash equivalents. In FY23, total assets are projected to decrease slightly to €14.5m mainly due to lower trade and other receivables, mainly due to improved controls on receivables resulting in a projected decrease in receivables from €3.6m in FY22 to €2.4 in FY23.

The shareholder's equity of the Group is reported at €3.4m, consisting of different components. The issued share capital is €3.6m, representing the capital contributed by the shareholders. Additionally, there is an unsecured, interest-free shareholder loan of €1m, which indicates funds provided by a shareholder to the Group. The loss for the period amounted to €1.2m, which has resulted in a decrease in the overall shareholder's equity. Total equity in FY23 is projected to decrease to €3.2m. This drop of €0.2m is equivalent to the loss, which the Issuer is projecting to register in FY23.

The non-current liabilities of the Group included the outstanding debt securities of the Issuer, net of bond costs, which amounted to €7.6m. These debt securities represent long-term debt obligations that are due in 2033. Additionally, there were other non-current bank borrowings totalling €0.3m, which indicate additional long-term borrowing arrangements with banks. Non-current liabilities are forecasted to remain more or less in line with FY22 figures, at €7.8m.

The current liabilities of the Group amounted to €5.2m and were primarily composed of trade and other payables, totalling €5.1m. Within the trade and other payables were financial liabilities amounting to €2.8m, which include deferred income of €1.2m, and statutory liabilities of €1m. The deferred income represents deposits received for ordered furniture that has not yet been delivered. The remaining amount in trade and other payables mainly relates to trade payables of €2.8m. Current liabilities in FY23 are projected to decrease to €3.5m mainly as a result of lower trade and other payables. Gearing for the Group in FY22 stood at 68.3% with this projected to increase to 71.3% mainly due to the Group's forecasted lower equity base.

2.3 Group's Statement of Cash Flows

Statement of Cash Flows for the year ended 31 December	FY22A	FY23F
	16 months	12 months
	€'000s	**€'000s**
Net cash flows generated from / (used in) operating activities	(1,228)	(420)
Net cash flows generated from / (used in) investing activities	(10,397)	(62)
Net cash flows generated from / (used in) financing activities	12,161	(143)
Movement in cash and cash equivalents	**536**	**(625)**
Cash and cash equivalents at start of year	-	536
Cash and cash equivalents at end of year	**536**	**(89)**

Ratio Analysis	FY22A	FY23F
Cash Flow	**€'000s**	**€'000s**
Free Cash Flow (Net cash from operations + Interest - Capex)	(11,165)	(22)

In FY22, the Group had a cash outflow of €1.7m from operating activities before considering working capital changes. The working capital movements primarily reflected an increase in receivables (€3.6m) and payables (€4.2m) during the year. Additionally, there was also an increase in inventories amounting to €0.6m. Overall, the cash outflow from operating activities amounted to €1.2m for FY22.

Net cash used in investing activities mainly represents purchases of investment property, intangible assets and property, plant and equipment. They amounted to €5.3m, and €5.1m respectively, totalling €10.4m.

In FY22, the Group reported net cash inflows of €12.2m from financing activities. The primary sources of cash inflows included net proceeds from the bond issue (€7.8m), issuance of share capital (€3.6m), capital contribution (€1m), and proceeds from a bank loan (€0.4m). These inflows were partially offset by payments to related parties (€0.5m) and payments related to the issuance of the Issuer's outstanding debt securities (€0.2m). Overall, the positive cash inflows reflect the Group's successful capital raising efforts and strengthening its financial position, while the offsetting outflows signify the fulfilment of obligations and associated costs. All this led to a closing cash balance of €0.5m in FY22.

In FY23, the Group is projecting outflows from all three cash flow activities. Net cash used in operating activities is forecasted to be €0.4m, net cash used in investing activities is projected to be €0.1m whilst net cash used in financing activities is projected to be €0.1m. These results are projected to result in a negative ending cash balance of €89k in FY23.

Management reports that the €88k negative cash balance projected at end FY23 will be covered by bank facilities which are being negotiated. The shareholder is fully committed to make capital injections as necessary to finance the Group's continued growth.

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 Malta Economic Update[1]

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 Outlook[2]

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

[1] Central Bank of Malta – Economic Update 05/2023

[2] Central Bank of Malta – Outlook for the Maltese Economy 2023 - 2023

two years, employment is set to expand by 2.7% and 2.4%, respectively.

In view of relatively 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.

The furniture retail industry

The furniture retail industry is predominantly composed of companies operating in the production, retailing and selling of furniture for residential and commercial purposes. Operators in this industry typically sell household, outdoor and office supplies and equipment, such as living room, dining room and bedroom furniture, as well as upholstered furniture. Usually, desks and home office goods such as lamps, recliners, rugs and outdoor furniture make up the rest of sales generated by companies operating within this industry. Furniture retailers also offer products such as mattresses, blinds, awnings and antique-reproduced furniture.

More generally, industry retailers operate from large stores and showrooms enabling them to showcase their product range. The majority of furniture retailers provide extensive selections of furniture for consumers to choose from, but some stores focus on one specialty area of furniture. The business of operating a furniture retail store inevitably encompasses merchandising, sales management, inventory management, and credit financing when applicable.

Demand within the furniture retail industry predominantly exists for bedroom, living room, and dining room furniture, closely followed by upholstered furniture. Undoubtedly, this demand is primarily driven by new home sales, the need to replace old furniture, as well as new business formations and employment growth in the case of office furniture.

The local furniture retail industry witnessed a healthy level of growth over recent years, with this being mainly aligned to the growth in the local property market. Unsurprisingly, the increase in the number of property transactions over the past years has contributed towards an elevated level of revenue for furniture retailers.

Specifically, the supply of office and commercial space in Malta has increased considerably over the last couple of years. Of note, there are several traditional business areas in Malta. For instance, Sliema attracts many international brands and companies. Likewise, Valletta, being Malta's capital city, is considered as the hub for law firms and many long-established family businesses.

Other traditional commercial areas include the likes of St. Julian's, which is popular for its sea-view offices, and Floriana, which attracts businesses that want to be located in the vicinity of Valletta. In furtherance, there are also top-quality commercial developments within in the proximity of the airport and in other residential areas such as Naxxar, Mosta, Mellieha and in parts of the south of Malta.

Moving to the level of existing competition within the industry, competition mainly exists between furniture stores and outlets, mass merchandisers, and department stores. Smaller furniture stores concentrate on offering unique furniture products that appeal to specific consumers. Imperatively, profitability in the furniture retailing industry is reliant upon the effectiveness of marketing and merchandising strategies adopted by the respective operating companies.

In conclusion, the local furniture retail industry is highly competitive and fragmented by a number of furniture retailers ranging from household names, franchises, manufacturers, and low-budget imports as well as new entrants to the market such as online retailers, and homeware and department stores. In order to successfully compete against the vast array of competition, one must be able to offer a differentiated product, on the basis of the range and quality of product offering, cost competitiveness, customer care, brand quality and recognition.

3.4. Comparative Analysis

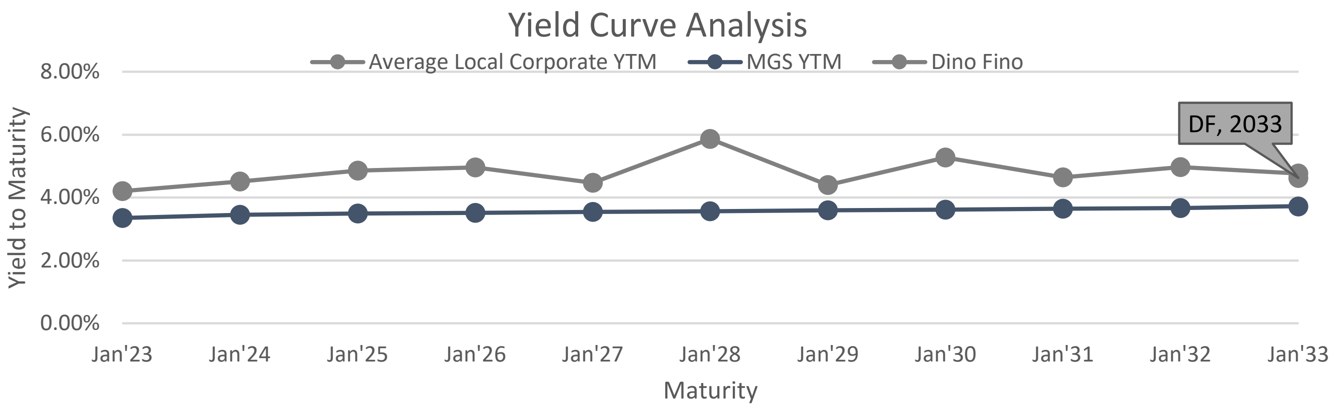
The purpose of the table below compares the proposed debt issuance of the Group to other debt instruments. Additionally, we believe that there is no direct comparable company related to the Issuer and as such we included a variety of Issuers with different maturities.

More importantly, we have included different issuers with similar maturity to the Issuer. 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) (times)	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) (%)
3.75% Mercury Projects Finance plc Secured € 2027	11,500	4.18%	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	4.87%	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 (xd)	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	4.76%	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	3.93%	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%
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	3.81%	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	3.65%	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	3.75%	2.6x	422.8	248.2	41.3%	30.0%	12.0x	1.1x	-0.1%	-0.7%	8.1%
4.25% Mercury Projects Finance plc Secured € 2031	11,000	4.56%	2.6x	179.4	37.2	79.3%	37.5%	3.5x	3.0x	24.1%	22.9%	666.2%
3.9% Browns Pharma Holdings plc Unsec Call € 2027-2031	13,000	4.27%	5.2x	73.0	26.9	62.0%	43.0%	3.6x	1.1x	109.3%	6.4%	126.7%
3.65% Mizzi Organisation Finance plc Unsecured € 2028-2031	45,000	4.60%	3.6x	288.7	90.2	68.8%	54.3%	8.6x	0.8x	5.8%	4.4%	0.0%
3.65% IHI plc Unsecured € 2031	80,000	4.54%	0.7x	1,662.0	817.9	50.8%	36.2%	10.7x	0.8x	-0.3%	-1.0%	84.3%
3.5% AX Real Estate plc Unsecured € 2032	40,000	4.22%	2.6x	422.8	248.2	41.3%	30.0%	12.0x	1.1x	-0.1%	-0.7%	8.1%
4.55% St Anthony Co plc Secured € 2032	15,500	4.55%	0.4x	66.2	21.1	68.2%	62.4%	67.5x	0.7x	-6.4%	-19.2%	N/A
4.85% JD Capital plc Secured € 2032 S1 T1	14,000	4.95%	1.7x	57.5	16.8	70.8%	57.5%	18.5x	1.7x	1.3%	1.8%	N/A
5% Mariner Finance plc Unsecured € 2032	36,930	4.73%	4.8x	128.3	62.3	51.4%	49.9%	5.9x	2.6x	9.9%	29.3%	32.3%
5% Von der Heyden Group Finance plc Unsecured € 2032	35,000	5.27%	0.6x	142.0	41.1	71.1%	65.4%	38.4x	2.1x	-2.7%	-7.2%	32.3%
4% Central Business Centres plc Unsecured € 2027-2033	21,000	4.52%	1.3x	58.2	23.8	59.1%	55.3%	18.6x	0.7x	0.8%	10.0%	19.9%
4.75% Dino Fino Finance plc Secured € 2033	7,800	4.93%	(2.0)x	16.5	3.4	79.3%	68.6%	(8.1)x	0.9x	-34.4%	-21.8%	N/A
	*Average	4.47%										

Source: Latest available audited financial statements

Last closing price as at 26/06/2023
*Average figures do not capture the financial analysis of the Issuer



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 illustrates on a stand-alone basis, the yield of the 4.75% Dino Fino Finance plc bond.

As at 26 June 2023, the average spread over the Malta Government Stocks (MGS) for comparable issuers with maturity range of 4-10 years was 372 basis points. The current 4.75% Dino Fino Finance plc 2033 bond is trading at a YTM of 4.62%, translating into a spread of 90 basis points over the corresponding MGS. This means that this bond is trading at a discount of 13 basis in comparison to the market.

Part 4 - Glossary and Definitions

Income Statement	
Revenue	Total revenue generated by the Group/Issuer from its principal business activities during the financial year.
Costs	Costs are expenses incurred by the Group/Issuer in the production of its revenue.
EBITDA	EBITDA is an abbreviation for earnings before interest, tax, depreciation and amortisation. It reflects the Group's/Issuer'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/Issuer 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/ Issuer 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/Issuer.
Cash Flow from Financing Activities	Cash generated from the activities that result in change in share capital and borrowings of the Group/Issuer.
Capex	Represents the capital expenditure incurred by the Group/Issuer in a financial year.
Free Cash Flows (FCF)	The amount of cash the Group/Issuer 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/ Issuer owns which can de 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/Issuer 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/ Issuer owes which can de 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/Issuer 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/Issuer'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.
Net Debt / EBITDA	The Net Debt / EBITDA ratio measures the ability of the Group/Issuer 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.

Calamatta Cuschieri Investment Services Limited

Ewropa Business Centre, Triq Dun Karm, Birkirkara, BKR 9034, Malta
www.cc.com.mt
Calamatta Cuschieri Investment Services Limited is a founding member of the Malta Stock Exchange
and is licenced to conduct investment services by the Malta Financial Services Authority