
FINANCIAL ANALYSIS SUMMARY

19 APRIL 2024

ISSUER

AX REAL ESTATE P.L.C.

(C 92104)

Prepared by:



MZ INVESTMENTS



MZ INVESTMENTS

M.Z. Investment Services Limited

63, MZ House, St Rita Street, Rabat RBT 1523, Malta

E info@mzinvestments.com W mzinvestments.com

The Directors
AX Real Estate p.l.c.
AX Group, AX Business Centre
Triq id-Difiza Ċivili
Mosta MST 1741
Malta

19 April 2024

Dear Board Members,

Financial Analysis Summary

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

The purpose of this Analysis is that of summarising key financial data appertaining to AX Real Estate p.l.c. (the “**Issuer**”, “**Group**”, or “**AX Real Estate**”). The data is derived from various sources or is based on our own computations as follows:

- (a) Historic information for the most recent three financial years ended 31 October 2021, 31 October 2022, and 31 October 2023 has been extracted from the respective audited consolidated annual financial statements.
- (b) The forecast and projected financial information for the years ending 31 October 2024 and 31 October 2025 has been provided by the Issuer.
- (c) Our commentary on the financial performance, cash flows, and financial position of AX Real Estate is based on explanations provided by the Group.
- (d) The ratios quoted in this Analysis have been computed by us applying the definitions set out in Part 4 – Explanatory Definitions of this report.
- (e) Relevant financial data in respect of the companies included in Part 3 – Comparative Analysis of this report has been extracted from public sources such as websites of the companies concerned, financial statements filed with the Registrar of Companies, as well as other sources providing financial data.

M.Z. Investment Services Limited is a private limited liability company licensed to conduct investment services business by the Malta Financial Services Authority under the Investment Services Act. Member of the Malta Stock Exchange. Enrolled Tied Insurance Intermediary under the Insurance Intermediaries Act, 2006 for MAPFRE MSV Life p.l.c.

Company Registration Number: C 23936 | VAT Number: MT 1529 8424



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E info@mzinvestments.com W mzinvestments.com

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

Yours faithfully,

Evan Mohnani

Head Corporate Broking

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PART 1 – INFORMATION ABOUT AX REAL ESTATE

1. KEY ACTIVITIES

AX Real Estate is a subsidiary of AX Group p.l.c. (“**AX Group**”) and acts as the holding company of AX Group’s real estate division. During FY2021, AX Group completed a reorganisation exercise of its corporate structure with the aim of consolidating its property letting activities into one, newly formed, real estate division, the holding entity of which is AX Real Estate.

The Issuer was registered on 6 June 2019 as a private limited liability company and was subsequently converted into a public limited liability company on 23 November 2021. As a holding company, AX Real Estate is dependent on the financial performance and position of its subsidiaries. The Issuer is involved in the letting of properties to AX Group and to a lesser extent, to independent third parties. A description and analysis of the operational activities and performance of AX Group is included in the most recent Analysis which is available on AX Group’s website at <https://axinvestor-relations.mt/>.

In February 2022, AX Group listed AX Real Estate p.l.c. on the Malta Stock Exchange, with just over 25% of the ordinary ‘A’ shares being taken up by the general public. Through this transaction, an amount of €13.6 million was raised. In conjunction with the share issue, AX Real Estate also issued €40 million unsecured bonds redeemable in 2032. The general public subscribed to €18.35 million of the bonds whilst the remaining €21.65 million were allocated to AX Group through the part conversion of an existing intra-group loan with AX Real Estate. The balance of the Issuer’s bonds held by AX Group has been reduced to €16.19 million (nominal) as at 15 April 2024. It is the intention of AX Group to further dispose of such bonds held by it at the opportune time to ascertain sufficient liquidity for future projects.

2. DIRECTORS AND SENIOR MANAGEMENT

2.1 BOARD OF DIRECTORS

AX Real Estate is managed by a Board of Directors consisting of seven individuals who are entrusted with the overall direction, administration, and management of the Group:

Angelo Xuereb	Non-Executive Chairman
Denise Xuereb	Executive Director and Chief Executive Officer
Michael Warrington	Non-Executive Director
Christopher Paris	Non-Executive Director
Christian Farrugia	Independent Non-Executive Director
Joseph Lupi	Independent Non-Executive Director
Stephen Paris	Independent Non-Executive Director



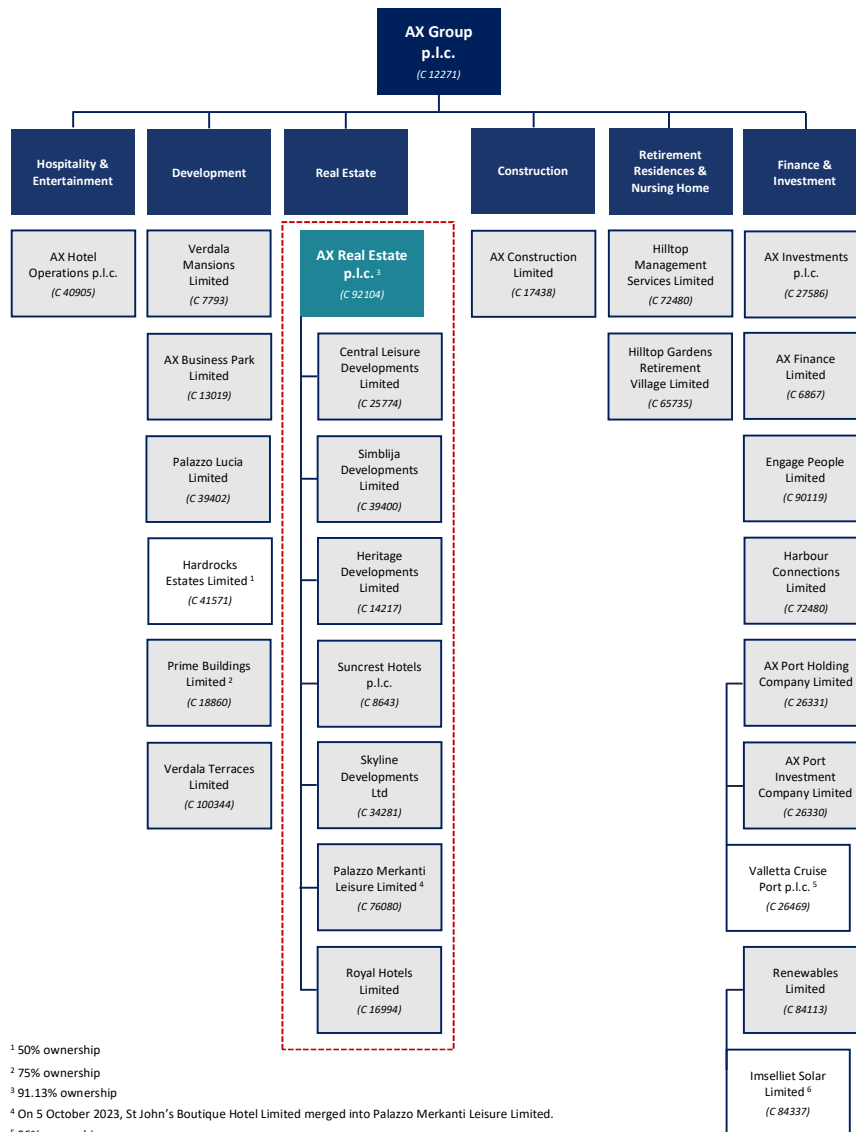
2.2 SENIOR MANAGEMENT

The Group’s Executive Director and CEO is entrusted with the day-to-day management of the Issuer, and is supported by several consultants, key personnel, and other officers of AX Group. The executive team is composed of the following individuals:

Denise Xuereb Executive Director and Chief Executive Officer
 Joseph Borg Chief Financial Officer

3. ORGANISATIONAL STRUCTURE

The diagram below illustrates the organisational structure of AX Real Estate within AX Group.



¹ 50% ownership

² 75% ownership

³ 91.13% ownership

⁴ On 5 October 2023, St John’s Boutique Hotel Limited merged into Palazzo Merkanti Leisure Limited.

⁵ 36% ownership

⁶ 33.3% ownership



4. MAJOR ASSETS

The table below provides a more detailed analysis of the Group's investment property portfolio which was valued at €293.23 million as at 31 October 2023 compared to €232.55 million and €260.26 million as at the end of FY2021 and FY2022 respectively. The Group's most valuable properties are the Qawra Hotels and the Sliema Hotels which together represented nearly 70% of AX Real Estate's investment property portfolio.

AX Real Estate p.l.c. Investment Property As at 31 October	2021 €'000	2022 €'000	2023 €'000
Qawra Hotels (AX ODYCY, AX Sunny Coast Resort & Spa, Luzzu Complex, and Chaplin's Pub Diner)	74,910	100,000	130,300
Sliema Hotels (AX The Palace Hotel and AX The Victoria Hotel)	72,753	73,100	73,860
Hilltop Gardens Retirement Village & Simblija Care Home, Naxxar	36,860	37,130	37,290
Valletta Hotels (AX The Saint John and Rosselli AX Privilege)	16,010	14,460	14,670
Targa Gap Complex, Mosta	11,830	12,250	13,800
Verdala Wellness Hotel, Rabat	8,630	10,380	10,190
	220,993	247,320	280,110
<i>Other:</i>			
Hardrocks Business Park (9 warehouses and an office block), Naxxar	6,950	7,600	7,675
Office space at Falcon House, Sliema	4,320	5,050	5,160
Blackstead Garage, Naxxar	285	285	285
	11,555	12,935	13,120
Total	232,548	260,255	293,230
<i>Type of property:</i>			
Commercial	224,318	251,685	283,740
Residential	8,230	8,570	9,490
	232,548	260,255	293,230

4.1 QAWRA HOTELS

AX ODYCY (formally, Seashells Resort at Suncrest) is a four-star hotel located on the Qawra seafront featuring 599 rooms designed in a contemporary style. The hotel suspended its operations in Q4 2021 for the purpose of pursuing a major investment comprising the addition of four floors which increased the total number of rooms by a further 147 rooms. Furthermore, the extensive renovation included a substantial upgrade and extension of the hotel's public areas, as well as the creation of new pools, (including a small family waterpark) restaurants, bars, and other facilities at the hotel.

AX ODYCY had a soft opening in late May 2023 (in time to host participants and delegates for the 2023 Games of the Small States of Europe), thus only contributing *circa* five months to the Group's financial results in FY2023. During the summer, the hotel operated at a reduced capacity as work on certain areas of the hotel and lido were still in progress. Despite these challenges, AX ODYCY managed to exceed the budgeted rooms revenue in September and October 2023. Furthermore, in terms of customer reviews, the hotel received outstanding feedback on several industry-leading booking sites.



The hotel's amenities comprise various food and beverage outlets, from exquisite dining and laid-back seaside restaurants to family-friendly options and a convenient grab-and-go concept. AX ODYCY also has a panoramic lido and entertainment area overlying extensive car park facilities spanning the entire length of the property.

The **AX Sunny Coast Resort & Spa** ("AX Sunny Coast") is a 92-room four-star aparthotel that offers self-catering apartments with resort facilities on the Qawra coast. It occupies a gross floor area measuring approximately 6,000 sqm and operated in the vacation ownership market between 1983 and 2021. AX Sunny Coast features a restaurant, indoor and outdoor pools, spa and leisure facilities, and a fitness centre. Furthermore, the adjacent lido consists of a number of restaurants leased out to independent third parties, an indoor swimming pool, a spa, an outdoor pool, and other sports facilities which are leased to independent third parties.

The **Luzzu Complex** occupies a gross floor area of *circa* 2,250 sqm and comprises a seaside restaurant (Luzzu Restaurant), a beach club (Luzzu Lido), and a conference centre which accommodates up to 300 delegates in theatre style and 450 guests in standing receptions.

TERMS OF INTRA-GROUP LEASE AGREEMENT

The Qawra Hotels, except for Chaplin's Pub Diner and the outlets that are sub-leased to independent third parties as indicated above, are leased by Suncrest Hotels p.l.c. to AX Hotel Operations p.l.c. The lease agreement is subject to the following terms:

- (i) The lease is for 20 years and four months, effective from 1 July 2021 (save for the lease term of the agreement relating to AX ODYCY) with a right of first refusal granted in favour of AX Hotel Operations p.l.c. over any new lease to be entered into by the Suncrest Hotels p.l.c. upon the expiration of the term. The lease term of the agreement relating to AX ODYCY commenced in May 2023.
- (ii) A minimum fixed base rent plus a variable rent component.
- (iii) The obligation for ordinary and extraordinary repairs and maintenance rests with AX Hotel Operations p.l.c. while the costs for new developments or extraordinary repairs which are structural in nature are the responsibility of Suncrest Hotels p.l.c.
- (iv) AX Hotel Operations p.l.c. may only sub-lease outlets and facilities within the Qawra Hotels to independent third parties once it obtains consent from Suncrest Hotels p.l.c.

The overall cost for the redevelopment and refurbishment of AX ODYCY exceeded the initial budget by *circa* €20 million. The material variance resulted due to elaborative changes to the hotel's designs and specifications, as well as inflationary pressures. As a result, the total cost of the project amounted to approximately €70 million, of which €10.6 million were funded by AX Hotel Operations p.l.c.



Given the above, the lease agreement between Suncrest Hotels p.l.c. and AX Hotel Operations p.l.c. in respect of AX ODYCY was re-negotiated, resulting in an uplift in the variable rent component which, in turn, is anticipated to lead to improved rental rates in the future.

THE QAWRA PROJECT

It is the Group's intention to continue investing in its Qawra Hotels in the years ahead. In this regard, AX Real Estate has a master plan in place for the execution in stages of new projects over a number of years, with a view of making the best use of its properties whilst minimising any potential disruptions to the newly refurbished and extended AX ODYCY.

These plans envision two additional phases, one which will see the redevelopment of the lido areas of the Luzzu Complex and AX Sunny Coast, and another phase which will focus on the demolition and rebuilding of AX Sunny Coast. AX Real Estate already has the necessary full development permit to pursue the latter project. On the other hand, the Group has so far only obtained an outline development permit for the redevelopment of the lido areas of the Luzzu Complex and AX Sunny Coast and is currently in the process of also obtaining a full development permit.

The AX Sunny Coast project will comprise the demolition of the existing building and the construction of a 161-unit aparthotel with new food, beverage, and leisure facilities. Moreover, it is envisaged that the hotel's underground car park, the lidos at AX Sunny Coast and Luzzu Complex, as well as the surrounding commercial outlets will eventually be linked to the properties that form part of AX ODYCY.

There are presently no firm timelines for the commencement of the next phases of the Qawra Project, although it is expected that works will commence in the foreseeable future subject to the Group obtaining the necessary funding and having the required resources to pursue works.

LEGAL AND ARBITRATION PROCEEDINGS

The Commissioner of Lands had instituted claims against AX Group for damages for the alleged illegal occupation of land forming part of the lidos of AX ODYCY and AX Sunny Coast, which claims were contested by AX Group.

Parliament endorsed the declassification of the foreshore last year. Additionally, a concession agreement, granting the Group legal ownership of the land for 65 years, along with a settlement agreement for prior land usage, has recently gained approval. These agreements are anticipated to be signed soon. AX Group has committed to settle the compensation for the prior utilisation of the land.

4.2 SLIEMA HOTELS

AX The Palace is a luxurious 144-room five-star city hotel located in a prime location in Sliema that has a strong appeal to business travellers owing to its extensive conference and events facilities. The hotel, which opened its doors for business in 2007, marked AX Group's first investment in the five-star hotel segment. The Palace offers a wide range of facilities to its guests, including five restaurants, an outdoor



infinity pool on the rooftop terrace, a generous sized freshwater indoor pool, a steam and sauna room, as well as spa, health and fitness centre. The hotel has an underground car park common with AX The Victoria Hotel.

AX The Victoria Hotel is a 142-room Victorian-style hotel located in the heart of Sliema next to AX The Palace. The hotel, which is marketed as a classical five-star experience in a four-star accommodation, opened for business in 1997 and was last refurbished in 2018. It features elegant rooms, outdoor and indoor pools, a steam and sauna room, spa facilities, a health and fitness centre, as well as multi-purpose conference halls. It also houses the Copperfield's Restaurant and the Penny Black bar. The hotel has an underground car park accessible from the entrance to the AX The Palace car park and can accommodate up to 108 cars.

The proximity between AX The Palace and AX The Victoria Hotel allows both hotels to centralise their management function and share many of the fixed cost elements to maximise efficiencies and returns.

TERMS OF INTRA-GROUP LEASE AGREEMENT

The Sliema Hotels are leased by Central Leisure Developments Limited to AX Hotel Operations p.l.c. The latter sub-leases the spa, gym, and a shop to independent third parties. The lease agreement is subject to the following terms:

- (i) The lease is for 20 years and four months, effective from 1 July 2021, with a right of first refusal in favour of AX Hotel Operations p.l.c. over any new lease to be entered into by Central Leisure Developments Limited upon the expiration of the term.
- (ii) A minimum fixed base rent plus a variable rent component.
- (iii) The obligation for ordinary and extraordinary repairs and maintenance rests with AX Hotel Operations p.l.c. while the costs for new developments or extraordinary repairs which are structural in nature rest with Central Leisure Developments Limited.
- (iv) AX Hotel Operations p.l.c. may only sub-lease outlets and facilities within the Sliema Hotels to independent third parties once it obtains consent from Central Leisure Developments Limited.

4.3 VALLETTA HOTELS

Palazzo Merkanti Leisure Limited is the owner of **AX The Saint John** – a 19-room boutique hotel located in Merchants Street, Valletta. Once a former merchant's residence and shop, AX The Saint John was refashioned into a modern hospitable setting while preserving the building's rich historical fabric. Each of the 19 rooms exude an urban industrial feel with exposed brick and natural materials, combining on-trend style with luxury and modern in-room technology. The boutique hotel features two private meeting rooms accommodating 16 persons in-theatre style, or eight individuals in a board room set up, which are ideal for the frequent business traveller who needs to make use of desk space in an



office-like setting. AX The Saint John is also home to the catering establishment Cheeky Monkey Gastropub.

Palazzo Merkanti Leisure Limited holds the **Rosselli AX Privilege** under the title of temporary emphyteusis. The 25-room five-star boutique hotel opened for business in May 2019 and is one of the most prestigious old palazzos in Valletta. The Rosselli AX Privilege is housed in a luxurious property displaying a fusion of traditional and contemporary design complemented by an advanced suite of technology services for guests. Apart from a three-level restaurant with varied cuisine genres – namely Under Grain, Grain, and Over Grain which offer patrons refined culinary experiences – the boutique hotel has a rooftop terrace and a swimming pool. Additionally, hotel butler service is available at providing a tailor-made experience for guests staying at the hotel.

TERMS OF INTRA-GROUP LEASE AGREEMENT

The Valletta Hotels are leased by Palazzo Merkanti Leisure Limited to AX Hotel Operations p.l.c. The lease agreements are subject to the following terms:

- (i) The lease is for 20 years and four months, effective from 1 July 2021, with a right of first refusal in favour of AX Hotel Operations p.l.c. over any new lease to be entered into by Palazzo Merkanti Leisure Limited upon the expiration of the term.
- (ii) A minimum fixed base rent plus a variable rent component.
- (iii) The obligation for ordinary and extraordinary repairs and maintenance rests with AX Hotel Operations p.l.c. while the costs for new developments or extraordinary repairs which are structural in nature are the responsibility of Palazzo Merkanti Leisure Limited.
- (iv) AX Hotel Operations p.l.c. may only sub-lease outlets and facilities within the Valletta Hotels to independent third parties once it obtains consent from Palazzo Merkanti Leisure Limited.

4.4 VERDALA WELLNESS HOTEL

Royal Hotels Limited and Heritage Developments Limited own the land over which the 46-room five-star all-suite **Verdala Wellness Hotel** is being constructed. The hotel will also include the 19 luxury apartments known as Virtù Heights which are currently being reconfigured and luxuriously renovated, as well as an additional 23 serviced/self-catering units, all surrounded by around 2,350 sqm of open spaces and public piazzas. An important aspect of the Verdala Wellness Hotel will be its 1,800 sqm state-of-the-art spa that will offer tailor-made packages, wellness programmes, and retreats that drive long-term positive change. The hotel is expected to be inaugurated in 2025 and will target a new niche market in luxury wellness hospitality in Malta apart from continue diversifying the Group's hotel products to cater towards new and untapped segments.

Primarily as a result of high inflation, the increase in professional fees and development costs, as well as the high-end product and service offering targeting discerning wellness travellers, the total



expenditure for the Verdala Wellness Hotel is now expected to be around €19 million compared to the earlier projection of circa €11.5 million.

TERMS OF INTRA-GROUP LEASE AGREEMENT

The Verdala Wellness Hotel is leased by Royal Hotels Limited and Heritage Developments Limited (the “Lessors”) to AX Hotel Operations p.l.c. The lease agreements are subject to the following terms:

- (i) The lease is for 20 years, effective from not later than 1 November 2024, with a right of first refusal granted in favour of AX Hotel Operations p.l.c. over any new lease to be entered into by the Lessors upon the expiration of the term.¹
- (ii) A minimum fixed base rent plus a variable rent component.
- (iii) The obligation for ordinary and extraordinary repairs and maintenance rests with AX Hotel Operations p.l.c. while the costs for new developments or extraordinary repairs which are structural in nature rest with the Lessors.
- (iv) AX Hotel Operations p.l.c. may only sub-lease outlets and facilities within the Verdala Wellness Hotel to independent third parties once it obtains the Lessors’ consent.

4.5 HILLTOP COMPLEX

Simblija Developments Limited owns the Hilltop Gardens Retirement Village and the Simblija Care Home (the “**Hilltop Complex**”). **Hilltop Gardens Retirement Village** is the first luxury retirement village developed in Malta, consisting of private residences in the form of one or two-bedroom self-catering apartments and penthouses, finished to high standards, surrounded by landscaped gardens. The complex also includes a spa, hair salon, swimming pool, restaurant, crafts centre, indoor and outdoor kids play areas, library, common room and hall, chapel, and underground parking. A reception desk and 24-hour security personnel complement the residences. Residents may also request certain additional services which are provided at an extra cost, including cleaning, repairs and maintenance of apartments, as well as the preparation and delivery of meals.

The setup of the residences allows residents to live independently within a secure community knowing that care is at hand should the need arise. The Hilltop Gardens Retirement Village welcomed its first residents in January 2016 and by August 2018, all 133 apartments in the village had been occupied on leases for definite periods ranging from one month to 50 years by individuals who at the time of taking up residence must be over 55 years of age.

In view of the continued strong demand, AX Real Estate is aiming to vertically extend the Hilltop Gardens Retirement Village by an additional two floors (comprising 50 residential units) across the entire building. The Group has to date obtained the necessary development permit to add one floor.

¹ Given that the Verdala Wellness Hotel is now expected to be inaugurated in 2025, the lessors and AX Hotel Operations p.l.c. are currently in discussions with a view of revising certain terms of the lease agreement.



The **Simblija Care Home** is a 155-bed care home providing nursing care to the more dependent elderly residents. It also operates the Revive Physiotherapy Centre which has its own fully equipped state-of-the-art hydrotherapy pool, dedicated services and amenities for short term respite care, convalescence and post-operative recovery, as well as a specialised dementia ward offering specialist support and assistive technology specifically selected and installed for residents with dementia.

TERMS OF INTRA-GROUP LEASE AGREEMENT

Simblija Developments Limited leases the Hilltop Complex for the long term to Hilltop Management Services Limited which, in turn, sub-leases most of the areas within the complex to Hilltop Gardens Retirement Village Limited. Hilltop Management Services Limited also leases certain outlets within the Hilltop Gardens Retirement Village to independent third parties.

The lease agreement entered into by and between Simblija Developments Limited and Hilltop Management Services Limited is subject to the following terms:

- (i) The lease is for 20 years and four months, effective from 1 July 2021, with a right of first refusal granted in favour of Hilltop Management Services Limited over any new lease to be entered into by Simblija Developments Limited upon the expiration of the term.
- (ii) A fixed rent with annual increments.
- (iii) The obligation for ordinary repairs and maintenance rests with Hilltop Management Services Limited while the costs for new developments or extraordinary repairs rest with Simblija Developments Limited.
- (iv) The right to sub-lease apartments within the Hilltop Gardens Retirement Village to residents who satisfy the residential criteria.
- (v) Hilltop Management Services Limited may only sub-lease outlets and facilities to independent third parties once it obtains consent from Simblija Developments Limited.

4.6 TARGA GAP COMPLEX

Skyline Developments Ltd owns the **Targa Gap Complex** located in Mosta. The complex includes a mix of residential units spread across two blocks (Clover and Springfield), office space, and garages. Most of the residential units forming part of Clover block were sold whilst two units were retained by Skyline Developments Ltd for lease to independent third parties. On the other hand, the residential units forming Springfield block were all retained by Skyline Development Ltd and are currently leased to independent third parties.

Targa Gap Complex also includes the AX Business Centre which houses the head office of AX Group, as well as two separate offices at ground floor level both of which are currently leased to independent third parties. The complex has a photovoltaic plant installed on its roof and has four floors of parking in the underground. A number of garages were sold to the owners of the residential units.



TERMS OF INTRA-GROUP LEASE AGREEMENT

The lease agreement by and between Skyline Developments Ltd and AX Group p.l.c. is subject to the following terms:

- (i) The lease is for 20 years and four months, effective from 1 July 2021, with a right of first refusal granted in favour of AX Group p.l.c. over any new lease to be entered into by Skyline Developments Ltd upon the expiration of the term.
- (ii) A fixed rent with annual increments.
- (iii) The obligation for ordinary repairs and maintenance rests with AX Group p.l.c. while the costs for new developments or extraordinary repairs rests with Skyline Developments Ltd.

4.7 PROPERTIES AT THE HARDROCKS BUSINESS PARK

The Group owns nine warehouses and an office block at the **Hardrocks Business Park** located in Burmarrad. Six of the warehouses are leased to independent third parties for a period between four to fifteen years. Two warehouses and the office block, together with the underlying basement areas, are leased to AX Construction Limited for 20 years and serve as the operating base of AX Construction Limited. Another warehouse (with an underlying basement) and an ancillary area forming part of the Hardrocks Business Park is partly leased to AX Group p.l.c. and partly to AX Construction Limited. An independent third party leases the roof of the warehouses.

4.8 OFFICE SPACE AT FALCON HOUSE SLIEMA

The office space at Falcon House in Sliema consists of an area of *circa* 1,180 sqm spread over two levels which is entirely leased to independent third parties. The development of office space was completed in October 2021.

4.9 BLACKSTEAD GARAGE

The property consists of a stand-alone industrial garage and is complimented by a loading bay. The total site area is *circa* 257 sqm and is leased to an independent third party.



5. REVENUE ANALYSIS

The table below provides an analysis of the Group's historical (FY2021 to FY2023), forecasted (FY2024), and projected (FY2025) revenues appertaining to its property categories:

AX Real Estate p.l.c. Revenue Analysis for the financial year 31 October	2021 Actual €'000	2022 Actual €'000	2023 Actual €'000	2024 Forecast €'000	2025 Projection €'000
Hotel properties	399	5,115	8,490	12,489	13,991
Hilltop Complex	72	1,650	1,689	1,725	1,751
Targa Gap Complex	35	590	648	659	661
Other properties	292	801	876	917	757
Total rental income	798	8,156	11,703	15,790	17,160
Proceeds from sale of property	-	754	51	97	100
Total revenue	798	8,910	11,754	15,887	17,260
Rental income by tenant:					
AX Group companies	587	7,311	10,729	14,757	16,290
Independent third parties	211	845	974	1,033	870
Total rental income	798	8,156	11,703	15,790	17,160

Total revenue increased to €0.80 million in **FY2021** compared to €0.24 million in the previous financial year. During FY2021, 73.56% of revenues (or €0.59 million) emanated from lease agreements with related parties whilst the remaining portion representing 26.44% of revenues (or €0.21 million) emanated from independent third parties. The Group's reorganisation was mainly conducted during Q4 2021 and as such, revenue for FY2021 included the income of the Issuer for the full year as well as the marginal revenue generated by its subsidiaries acquired in October 2021.

In **FY2022**, AX Real Estate generated €8.91 million in revenues, comprising €8.16 million in rental income from the lease of its investment properties and €0.75 million from the sale of property representing the remaining residential units forming part of Targa Gap Complex, Mosta.

The sharpest upsurge in revenue in FY2022 was driven by the income from the lease of the Group's hotel properties which amounted to €5.12 million compared to just €0.40 million in FY2021. Likewise, AX Real Estate also registered material increases in rental income from the lease of all its other properties as this amounted to €3.04 million compared to €0.40 million in FY2021. Overall, nearly 90% (or €7.31 million) of the Group's rental income in FY2022 derived from related parties. On the other hand, €0.85 million was generated through lease agreements with independent third parties. The year-on-year increase in income from third-party tenants was the result of the new office development at Falcon House in Sliema as well as the lease of the remaining offices at AX Business Centre in Mosta.

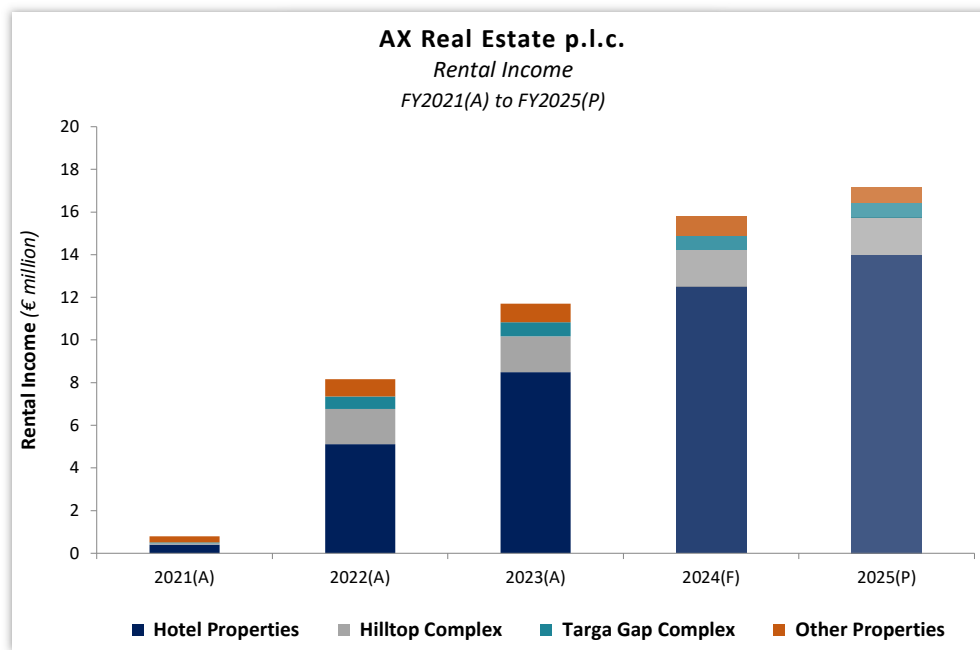
In **FY2023**, total revenue increased by 31.92% to €11.75 million largely reflecting the growth registered by the Group's hotel properties (+€3.38 million to €8.49 million) amid the *circa* five-month contribution



from the lease of AX ODYCY as well as the significant post-pandemic rebound in business. Indeed, the Sliema and Valletta Hotels surpassed their projected revenue and operating profits, and as a result, AX Real Estate received a higher level of rent based on the variable component when compared to FY2022.

During FY2023, the Issuer generated €0.05 million from the sale of a garage within Targa Gap Complex. Overall, 91.68% (or €10.73 million) of the Group’s revenues were generated from related companies whilst the remaining 8.32% (or €0.97 million) derived from independent third parties.

Total revenues are now expected to surge by 35.16% to €15.89 million in **FY2024**, followed by a further increase of 8.64% to €17.26 million in **FY2025**. The updated projections are lower than the previously estimated figures of €17.89 million and €19.02 million in FY2024 and FY2025 respectively², principally reflecting the delay in the completion of the Verdala Wellness Hotel as well as the lower level of variable rent receivable in view of a reduction in expected profitability of the Group’s hotels amid a considerable increase in operating costs especially employee remuneration. Nonetheless, the growth trajectory of the Group is expected to remain sound and will be supported by the twelve-month contribution of AX ODYCY in FY2024, and the new income to be generated from the lease of Verdala Wellness Hotel which is now expected to be inaugurated in 2025.



² As provided in the Financial Analysis Summary dated 28 April 2023 (“2023 FAS”).



6. SECURITIES IN ISSUE

6.1 INFORMATION RELATING TO THE ISSUER'S EQUITY

The authorised share capital of AX Real Estate is €500 million divided into 2 billion ordinary 'A' shares and 2 billion ordinary 'B' shares of a nominal value of €0.125 each. The issued share capital is €34.29 million divided into 97,193,600 ordinary 'A' shares (representing 35.43% of the issued share capital) which are listed on the Malta Stock Exchange, and 177,143,100 ordinary 'B' shares (representing 64.57% of the issued share capital) which are not listed on an exchange and are entirely owned by AX Group. Of the ordinary 'A' shares, 72,856,900 shares are owned by AX Group whilst the remaining 24,336,700 shares (or 25.04% of the total number of ordinary 'A' shares) are considered as free float.

AX Real Estate p.l.c. Key Market Data for the financial year 31 October		2023 Actual	2024 Forecast	2025 Projection
Total number of ordinary 'A' shares in issue ('000)		97,194	97,194	97,194
Total number of ordinary 'B' shares in issue ('000)		177,143	177,143	177,143
Total number of shares in issue ('000)	[A]	274,337	274,337	274,337
Share price as at 15 April 2024 (€)	[B]	0.490	0.490	0.490
Market capitalisation (€'000)	[A multiplied by B]	134,425	134,425	134,425
Total equity (€'000)	[C]	135,585	135,401	136,085
Adjusted equity (€'000)	[C plus deferred tax liabilities]	161,238	161,054	161,738
Net debt (€'000)	[D]	131,844	148,204	158,648
Enterprise value (€'000)	[A multiplied by B] + [D]	266,269	282,629	293,073
EBITDA (€'000)	[E]	10,596	14,786	16,138
Net profit (€'000)	[F]	410	6,674	7,542
Earnings per share (€)	[F divided by A]	0.0015	0.0243	0.0275
Net asset value per share (€)	[C divided by A]	0.4942	0.4936	0.4961
Adjusted net asset value per share (€)	[C plus deferred tax liabilities] divided by [A]	0.5877	0.5871	0.5896
Price-to-earnings ratio (times)	[A multiplied by B] divided by [F]	327.87	20.14	17.82
Enterprise value-to-EBITDA (times)	[(A multiplied by B) + [D]] divided by [E]	25.13	19.11	18.16
Price-to-net asset value (times)	[A multiplied by B] divided by [C]	0.99	0.99	0.99
Price-to-adjusted net asset value (times)	[A multiplied by B] divided by [C plus deferred tax liabilities]	0.83	0.83	0.83
Total amount of net dividends (€'000)	[G]	6,880	7,439	7,439
Net dividends attributable to the general public (€'000)		610	660	660
Net dividend per share (€)	[G] divided by [A]	0.0251	0.0271	0.0271
Dividend cover (times)	[F] divided by [G]	0.06	0.90	1.01
Dividend payout ratio (%)	[G] divided by [F]	1,678.05	111.46	98.63
Net dividend yield based on share price as at 15 April 2024 (%)	[G] divided by [A multiplied by B]	5.12	5.53	5.53
Net dividend yield based on IPO share price of €0.60 per share (%)	[G] divided by IPO share price	4.18	4.52	4.52

As per the Registration Document dated 6 December 2021, it is the Group's intention to pay out the majority of its distributable profits earned during the year, provided that a minimum balance of €1 million in cash is retained within the Group at any given time.

The extent of any dividend distribution will depend upon, amongst other factors, the profit for the year, the Directors' view on the prevailing market outlook, financial projections and forecasts, any debt servicing and repayment requirements, financial covenants and other restrictions related to the Group's credit arrangements, the Issuer's cash flows, working capital requirements, capital investment commitments, other investment opportunities, and regulatory or statutory requirements.



For the 2023 financial year, AX Real Estate paid a net interim dividend of €0.0125 per share on 31 July 2023 covering the six-month period from November 2022 to April 2023 (i.e., H1 FY2023), and a gross interim dividend of €0.0148 per share³ on 31 January 2024 covering the six-month period from May 2023 to October 2023 (i.e., H2 FY2023). As a result, the total net dividend for FY2023 was €0.02508 per share which translates into a yield of 5.12% on the share price of €0.49 as at 15 April 2024, and a yield of 4.18% on the Initial Public Offering (“IPO”) price of €0.60 per share.

AX Real Estate is expecting to declare total net dividends of €7.44 million (equivalent to €0.0271 per share) for both the current financial year ending 31 October 2024 and for FY2025 – representing an increase of 8.13% over the net dividend of €6.88 million paid for the 2023 financial year. These would translate into a payout ratio of 111.46% and 98.63% for FY2024 for FY2025 respectively. Besides, when considered to the share price of €0.49 as at 15 April 2024, this level of dividend of €0.0271 per share for FY2024 and FY2025 would translate into a net yield of 5.53%. Furthermore, when considered to the IPO price of €0.60 per share, the projected dividends for FY2024 and FY2025 would translate into a net yield of 4.52%.

6.2 INFORMATION RELATING TO AX GROUP’S BONDS

The table below provides a list of the debt securities issued by the Issuer’s parent company – AX Group p.l.c. – which are also listed and traded on the Regulated Main Market (Official List) of the Malta Stock Exchange:

Security ISIN	Security	Symbol Code	Amount Outstanding	Market Price*
MT0002361203	3.25% AX Group p.l.c. unsecured bonds 2026 Series I	AX26A	€ 15,000,000	99.00%
MT0002361211	3.75% AX Group p.l.c. unsecured bonds 2029 Series II	AX29A	€ 10,000,000	100.00%
MT0002361229	5.85% AX Group p.l.c. unsecured bonds 2033	AX33A	€ 40,000,000	104.02%
			€ 65,000,000	

* As at 15 April 2024.

³ Subject to a tax rate of 15% where applicable.



7. ECONOMIC UPDATE⁴

Following the strong rebound in economic activity in 2021 and 2022 that resulted in Malta's gross domestic product ("GDP") to expand by 12.6% (euro area [EA]: 5.9%) and 8.2% (EA: 3.4%) respectively in real terms, the European Commission ("EC"), in its most recent update issued in February 2024, upgraded the estimated growth of the Maltese economy in 2023 to 6.1% (EA: 0.5%) from the previous forecast of 4.0% (EA: 0.6%). Furthermore, the EC raised the projected growth for 2024 and 2025 to 4.6% (EA: 0.8%) and 4.3% (EA: 1.5%) respectively from the prior estimates of an increase in GDP of 4.0% in 2024 (EA: 1.2%) and 4.2% in 2025 (EA: 1.6%).

In this regard, the EC noted that its more favourable view of the Maltese economy is due to the robust underlying dynamics of private consumption and net exports, and the continued robust performance of the tourism sector. Furthermore, following a weaker construction activity in 2023, investment growth is expected to pick-up in 2024 and 2025.

Despite the more positive assessment of the rate of growth of the Maltese economy, the EC lowered the inflation estimate for 2023 to 5.6% (EA: 5.4%) from the previous forecast of 5.7% (EA: 5.6%). In 2022, Malta's inflation rate stood at 6.1% (EA: 8.4%) compared to 0.8% in 2020 (EA: 0.3%) and 0.70% in 2021 (EA: 2.6%). Similarly, the EC is now expecting inflation in Malta to converge earlier to the European Central Bank target of 2.0% as it reduced the forecast and projected inflation for 2024 and 2025 to 2.9% (EA: 2.7%) and 2.7% (EA: 2.2%) respectively from the previous estimates of 3.3% in 2024 (EA: 3.2%) and 3.1% in 2025 (EA: 2.2%).

Meanwhile, in its more detailed update issued in November 2023, the EC had explained that Malta's labour market remained robust as employment increased by 6.2% in 2022 and continued to grow very strongly in 2023. The positive trend in the demand for labour across all sectors of the economy, particularly in the tourism sector and administrative services, led the unemployment rate to fall to 2.9% in 2022 (EA: 6.8%) from 4.4% in 2020 (EA: 8.0%) and 3.4% in 2021 (EA: 7.7%). Moreover, the EC expects Malta's unemployment rate to trend marginally lower and stabilise at 2.7% which is much lower than the corresponding rate of 6.4% in 2025 for the euro area.

Regarding Malta's fiscal position, after climbing to 9.6% of GDP in 2020 (EA: 7.1%), Malta's government deficit eased to 7.5% (EA: 5.2%) and 5.7% (EA: 3.6%) in 2021 and 2022 respectively. In 2023, the government's deficit is estimated to have fallen further to 5.1% of GDP (EA: 3.2%) amid a reduction of the cost of the measures aimed at mitigating the impact of high energy prices (accounting for 1.6% of GDP compared to 2.3% in 2022) and a slower growth in the compensation of employees and social benefits than the rate of growth in nominal GDP.

Despite the higher debt servicing costs, in 2024 the government's deficit is expected to drop to 4.6% (EA: 2.8%) amid the phasing out of the costs supporting the operations of Air Malta. Furthermore, social benefits and intermediate consumption expenditures are anticipated to grow at a slower pace

⁴ Sources: European Commission, *European Economic Forecast Autumn 2023*, 15 November 2023.
European Commission, *European Economic Forecast Winter 2024 (Interim)*, 15 February 2024.



than nominal GDP. On the other hand, the net budgetary cost of energy-related measures is projected to increase to 2.0% of GDP.

In 2025, the reduction of the government deficit to 4.1% of GDP (EA: 2.7%) is projected to be driven by the decline in the cost of energy related measures as percentage of GDP (1.0%), intermediate consumption expenditure, as well as slower growth in the costs associated with social benefits. Overall, however, the government debt-to-GDP ratio is anticipated to reach 57.2% in 2025 (EA: 89.5%) which would be 5 percentage points higher than the level of 52.2% in 2020 (EA: 99.1%).

Key Economic Indicators ^{1 2}	2020 Actual	2021 Actual	2022 Actual	2023 Forecast	2024 Forecast	2025 Projection
Malta						
Real GDP growth (% year-on-year) ²	(8.10)	12.60	8.20	6.10	4.60	4.30
Real GDP growth per capita (% year-on-year) ¹	(10.10)	11.70	4.50	1.30	1.80	1.90
Inflation (% year-on-year) ^{2 3}	0.80	0.70	6.10	5.70	3.30	3.10
Unemployment (%) ¹	4.40	3.40	2.90	2.70	2.70	2.70
Primary balance (% of GDP) ¹	(8.30)	(6.40)	(4.80)	(4.00)	(3.30)	(2.70)
General balance (% of GDP) ¹	(9.60)	(7.50)	(5.70)	(5.10)	(4.60)	(4.10)
Gross public debt (% of GDP) ¹	52.20	54.00	52.30	53.30	55.80	57.20
Current account balance (% of GDP) ¹	2.50	5.70	0.60	4.20	5.70	5.90
Euro area (20)						
Real GDP growth (% year-on-year) ²	(6.10)	5.90	3.40	0.50	0.80	1.50
Real GDP growth per capita (% year-on-year) ¹	(6.20)	5.90	3.00	0.10	0.90	1.30
Inflation (% year-on-year) ^{2 3}	0.30	2.60	8.40	5.60	3.20	2.20
Unemployment (%) ¹	8.00	7.70	6.80	6.60	6.60	6.40
Primary balance (% of GDP) ¹	(5.50)	(3.80)	(1.90)	(1.50)	(1.00)	(0.70)
General balance (% of GDP) ¹	(7.10)	(5.20)	(3.60)	(3.20)	(2.80)	(2.70)
Gross public debt (% of GDP) ¹	99.10	96.50	92.50	90.40	89.70	89.50
Current account balance (% of GDP) ¹	2.30	3.60	1.00	2.50	2.60	2.70
EU						
Real GDP growth (% year-on-year) ²	(5.60)	6.00	3.40	0.50	0.90	1.70
Real GDP growth per capita (% year-on-year) ¹	(5.70)	6.10	3.30	-	1.10	1.60
Inflation (% year-on-year) ^{2 3}	0.70	2.90	9.20	6.50	3.50	2.40
Unemployment (%) ¹	7.20	7.10	6.20	6.00	6.00	5.90
Primary balance (% of GDP) ¹	(5.30)	(3.40)	(1.70)	(1.50)	(1.00)	(0.70)
General balance (% of GDP) ¹	(6.70)	(4.70)	(3.30)	(3.20)	(2.80)	(2.70)
Gross public debt (% of GDP) ¹	91.70	88.90	84.80	83.10	82.70	82.50
Current account balance (% of GDP) ¹	2.40	3.30	0.90	2.50	2.50	2.50

¹ Source: European Commission, 'European Economic Forecast Autumn 2023, 15 November 2023.

² Source: European Commission, 'European Economic Forecast Winter 2024 (Interim)', 15 February 2024.

³ Harmonised Indices of Consumer Prices ("HICP")



PART 2 – PERFORMANCE REVIEW

8. FINANCIAL INFORMATION

The historic information is extracted from the audited consolidated annual financial statements of AX Real Estate for the financial years ended 31 October 2021, 31 October 2022, and 31 October 2023. The forecasts for FY2024 and the projections for FY2025 have been provided by the Group. The reorganisation of AX Group was mainly conducted during Q4 2021 and, as a result, the information relating to the financial performance of AX Real Estate in FY2021 includes the full-year performance of the Issuer and its subsidiaries which were acquired in October 2021.

The forecasts and projections are based on future events and assumptions which AX Real Estate believes to be reasonable. Accordingly, the actual outcome may be adversely affected by unforeseen situations and the variation between forecasts and projections with actual results may be material.

The estimates presented in this Analysis assume that the carrying values of the Group's investment properties will not be revalued upwards or impaired, and therefore no adjustments have been made to possible uplifts or impairments in the value of assets which can materially affect the values in the consolidated Income Statement and the consolidated Statement of Financial Position.

AX Real Estate p.l.c. Income Statement for the financial year 31 October	2021 Actual €'000	2022 Actual €'000	2023 Actual €'000	2024 Forecast €'000	2025 Projection €'000
Revenue	798	8,910	11,754	15,887	17,260
Net operating expenses	(88)	(1,362)	(1,158)	(1,101)	(1,122)
EBITDA	710	7,548	10,596	14,786	16,138
Investment property revaluation	(23,720)	2,787	(1,818)	-	-
Operating profit / (loss)	(23,010)	10,335	8,778	14,786	16,138
Other income	-	-	1,000	-	-
Net finance costs	(63)	(3,274)	(5,201)	(6,189)	(6,498)
Profit / (loss) before tax	(23,073)	7,061	4,577	8,597	9,640
Taxation	1,914	(3,464)	(4,167)	(1,923)	(2,140)
Profit / (loss) for the year	(21,159)	3,597	410	6,674	7,500
Total comprehensive income / (expense)	(21,159)	3,597	410	6,674	7,500



AX Real Estate p.l.c. Key Financial Ratios	FY2021 Actual	FY2022 Actual	FY2023 Actual	FY2024 Forecast	FY2025 Projection
EBITDA margin (%) <i>(EBITDA / revenue)</i>	88.97	84.71	90.15	93.07	93.50
Operating profit margin (%) <i>(Operating profit / revenue)</i>	n/a	115.99	74.68	93.07	93.50
Net profit margin (%) <i>(Profit after tax / revenue)</i>	n/a	40.37	3.49	42.01	43.45
Return on equity (%) <i>(Profit after tax / average equity)</i>	(51.37)	3.26	0.30	4.94	5.56
Return on assets (%) <i>(Profit after tax / average assets)</i>	(17.29)	1.37	0.14	2.14	2.33
Return on invested capital (%) <i>(Operating profit / average equity and net debt)</i>	(21.04)	4.49	3.42	5.37	5.58
Interest cover (times) <i>(EBITDA / net finance costs)</i>	11.27	2.31	2.04	2.39	2.48

INCOME STATEMENT

Section 5 – Revenue Analysis – of this report provides an overview of the Group’s revenues generated during the most recent three financial years up to 31 October 2023 (i.e., FY2021 to FY2023), as well as the revenues that are expected to be achieved during the current financial year (FY2024) and FY2025.

AX Real Estate achieved an EBITDA of €0.71 million in **FY2021** which translated into a margin of just under 89%. Nonetheless, the Group’s financial performance was dented by a material impairment in the fair value of its investment properties of €23.72 million, which filtered into a loss for the year of €21.16 million. The adverse movement in the value of investment property took place following the new lease agreements entered into by the Group, since the value of its properties are now established through the discounting of rental income over a specific period to present value. Such decrease in the fair value of investment property is fully reversed in AX Group’s consolidated financial statements.

In **FY2022**, AX Real Estate recorded a net profit of €3.60 million which translated into a return on equity of 3.26% and a return on assets of 1.37%. EBITDA amounted to €7.55 million, translating into a healthy margin of 84.71%. Meanwhile, net finance costs increased materially to €3.27 million (FY2021: €0.06 million), but the Group still achieved a healthy interest cover of 2.31 times compared to 11.27 times in FY2021.

In **FY2023**, the Issuer registered a marked decline in net profit to just €0.41 million. Despite the strong increase in EBITDA to €10.60 million (+40.38%) which also resulted in an improvement in the relative margin to 90.15%, the Group’s financial performance was dented by a negative movement of €1.82 million in the fair value of investment property (FY2022: uplift of €2.79 million). Furthermore, AX Real Estate incurred higher net finance costs (+€1.93 million to €5.20 million) and tax charges (+€0.70 million to €4.17 million). On the other hand, the Issuer posted an extraordinary income of €1 million

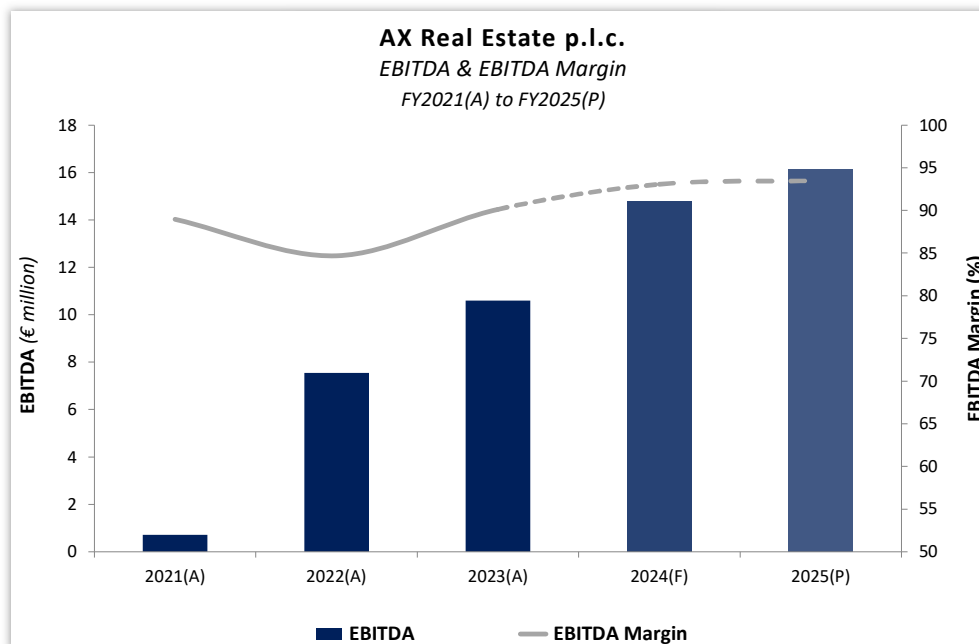


which related to the waiver of a portion of an amount owed to AX Group for additions to investment property.

Given the sharper percentage increase in net finance costs to the growth in EBITDA, the interest cover eased to 2.04 times. Similarly, the Group’s return on equity and return on assets trended lower to 0.30% and 0.14% respectively.

In view of the downward revision in the targeted revenues for **FY2024** and **FY2025**, AX Real Estate is now projecting an EBITDA of €14.79 million for FY2024 (2023 FAS: €16.82 million), which would still represent a year-on-year increase of almost 40%, followed by a further increase of 9.14% in FY2025 to €16.14 million (2023 FAS: €17.91 million). After accounting for net finance costs and tax charges, the Group is projecting a net profit of €6.67 million (2023 FAS: €7.93 million) and €7.50 million (2023 FAS: €8.86 million) in FY2024 and FY2025 respectively.

Despite the downward revision in income from the lease of its hotel properties, AX Real Estate is still projecting to have an interest cover of well above 2 times in FY2024 (2.39 times) and FY2025 (2.48 times), notwithstanding the anticipated increase in net finance costs to €6.19 million and €6.50 million in FY2024 and FY2025 respectively amid a higher level of debt taken on for the redevelopment and refurbishment of AX ODYCY. Furthermore, the EBITDA margin is expected to remain consistently above the 90% mark at around the 93% level, whilst the returns on equity, assets, and invested capital are all projected to register year-on-year improvements in FY2024 and FY2025.



AX Real Estate p.l.c. Statement of Cash Flows for the financial year 31 October					
	2021	2022	2023	2024	2025
	Actual	Actual	Actual	Forecast	Projection
	€'000	€'000	€'000	€'000	€'000
Net cash from operating activities	207	6,058	6,233	7,799	9,792
Net cash used in investing activities	(236)	(31,646)	(26,713)	(14,719)	(10,037)
Free cash flow	(29)	(25,588)	(20,480)	(6,920)	(245)
Net cash from / (used in) financing activities	49	36,648	16,125	885	(396)
Net movement in cash and cash equivalents	20	11,060	(4,355)	(6,035)	(641)
Cash and cash equivalents at beginning of year	-	1,001	12,061	7,706	1,671
Upon formation of Group	981	-	-	-	-
Cash and cash equivalents at end of year	1,001	12,061	7,706	1,671	1,030

STATEMENT OF CASH FLOWS

Cash generated from operating activities increased substantially in **FY2022** to €6.06 million compared to just €0.21 million in the previous financial year. Cash flows before changes in working capital amounted to €7.56 million but during the year, the Issuer recorded a significant adverse movement in trade and other receivables amounting to €3.72 million.

Net cash used in investing activities amounted to €31.65 million (FY2021: €0.24 million), primarily on account of the capital expenditure relating to the Qawra Project and the Verdala Wellness Hotel. Conversely, during the year the Group raised €36.65 million in cash from financing activities reflecting the issuance of new shares (€13.17 million) and bonds (€17.80 million), and an increase of €12.85 million in bank borrowings. In FY2022, AX Real Estate also paid €3.43 million in dividends, and reduced the amount of shareholder loan by €3.74 million.

Cash generated from operations increased by 2.89% year-on-year in **FY2023** to €6.23 million. Cash flows before changes in working capital amounted to €11.58 million but during the year, the Issuer's cash flows were negatively impacted by an adverse movement of €1.02 million in working capital, and by higher payments of net interest (€3.10 million) and tax (€1.23 million).

Net cash used in investing activities amounted to €26.71 million as AX Real Estate completed the multi-million project related to the refurbishment and extension of AX ODYCY and continued with the construction of the Verdala Wellness Hotel. In terms of financing activities, during FY2023 the Group took on additional bank borrowings (+€22.08 million), received €0.91 million as shareholder loan, and paid €6.86 million in dividends. Overall, the Group's cash balances contracted by €4.35 million year-on-year to €7.71 million compared to €12.06 million as at the end of FY2022.

The Group's projected cash flows for **FY2024** and **FY2025** are characterised by improving levels of net operating cash flows to €7.80 million in FY2024 and €9.79 million in FY2025, a marked reduction in the amount of net cash used in investing activities (€14.72 million in FY2024 and €10.04 million in FY2025) reflecting the completion of the Qawra project in FY2023 and the expected inauguration of the Verdala



Wellness Hotel in 2025, as well as a significant drop in the amount of net cash to be generated from financing activities. Overall, the Group is estimating ending the 2024 and 2025 financial years with cash balances of €1.67 million and €1.03 million respectively.

AX Real Estate p.l.c.					
Statement of Financial Position					
as at 31 October					
	2021	2022	2023	2024	2025
	Actual	Actual	Actual	Forecast	Projection
	€'000	€'000	€'000	€'000	€'000
ASSETS					
Non-current assets					
Intangible assets	2	2	2	1	1
Investment property	232,548	260,255	293,230	307,877	318,514
	232,550	260,257	293,232	307,878	318,515
Current assets					
Inventories	911	438	421	393	363
Trade and other receivables	3,766	14,107	6,783	7,068	7,113
Cash at bank and in hand	1,001	12,061	7,706	1,671	1,030
	5,678	26,606	14,910	9,132	8,506
Total assets	238,228	286,863	308,142	317,010	327,021
EQUITY					
Ordinary 'A' shares	50	12,149	12,149	12,149	12,149
Ordinary 'B' shares	-	22,143	22,143	22,143	22,143
Revaluation reserve	38,502	40,408	38,809	38,809	38,809
Share premium	-	41,374	41,374	41,374	41,374
Other reserves	331	331	331	331	331
Retained earnings	39,815	25,628	20,779	20,015	20,077
	78,698	142,033	135,585	134,821	134,883
LIABILITIES					
Non-current liabilities					
Bonds	-	39,501	39,556	39,612	39,667
Bank borrowings	8,462	21,944	41,873	43,206	39,180
Amounts due to AX Group companies	120,821	45,438	48,403	54,703	66,703
Trade & other payables	625	355	88	-	-
Deferred tax liabilities	20,036	22,638	25,653	25,653	25,653
	149,944	129,876	155,573	163,174	171,203
Current liabilities					
Bank borrowings	2,751	2,119	4,267	4,957	4,025
Amounts due to AX Group companies	5,339	6,404	5,451	7,977	11,327
Trade & other payables	1,496	5,878	6,788	4,853	4,003
Current tax liabilities	-	553	478	1,228	1,580
	9,586	14,954	16,984	19,015	20,935
Total liabilities	159,530	144,830	172,557	182,189	192,138
Total equity and liabilities	238,228	286,863	308,142	317,010	327,021
<i>Total debt</i>	<i>137,373</i>	<i>115,406</i>	<i>139,550</i>	<i>150,455</i>	<i>160,902</i>
<i>Net debt</i>	<i>136,372</i>	<i>103,345</i>	<i>131,844</i>	<i>148,784</i>	<i>159,872</i>
<i>Invested capital (total equity plus net debt)</i>	<i>215,070</i>	<i>245,378</i>	<i>267,429</i>	<i>283,605</i>	<i>294,755</i>



AX Real Estate p.l.c. Key Financial Ratios	FY2021 Actual	FY2022 Actual	FY2023 Actual	FY2024 Forecast	FY2025 Projection
Net debt-to-EBITDA (<i>times</i>) (<i>Net debt / EBITDA</i>)	192.07	13.69	12.44	10.06	9.91
Net debt-to-equity (<i>times</i>) (<i>Net debt / total equity</i>)	1.73	0.73	0.97	1.10	1.19
Net gearing (%) (<i>Net debt / net debt and total equity</i>)	63.41	42.12	49.30	52.46	54.24
Debt-to-assets (<i>times</i>) (<i>Total debt / total assets</i>)	0.58	0.40	0.45	0.47	0.49
Leverage (<i>times</i>) (<i>Total assets / total equity</i>)	3.03	2.02	2.27	2.35	2.42
Current ratio (<i>times</i>) (<i>Current assets / current liabilities</i>)	0.59	1.78	0.88	0.48	0.41

STATEMENT OF FINANCIAL POSITION

Total assets amounted to €286.86 million as at **31 October 2022** compared to €238.23 million as at the end of FY2021. These principally comprised the Group's investment property portfolio valued at €260.26 million (31 October 2021: €232.55 million), trade and other receivables amounting to €14.11 million (31 October 2021: €3.77 million), and cash balances of €12.06 million (31 October 2021: €1 million). The year-on-year increase in the value of investment property primarily reflected the investment in AX ODYCY (+€25.09 million to €100 million).

Despite the substantial increase in total assets, total liabilities contracted by 9.21% to €144.83 million (31 October 2021: €159.53 million) whilst total equity expanded significantly to €142.03 million (31 October 2021: €78.70 million) following the IPO and the capitalisation of amounts due to AX Group. Furthermore, notwithstanding the issuance of the new bonds and the increase in bank borrowings, total debt and net debt trended lower to €115.41 million (31 October 2021: €137.37 million) and €103.35 million (31 October 2021: €136.37 million) respectively due to the marked reduction in other financial liabilities⁵ to €51.84 million compared to €126.16 million as at 31 October 2021. As a result, the Group's principal credit metrics strengthened in FY2022, reflecting an improved credit risk profile.

During **FY2023**, total assets expanded by 7.42% (or +€21.28 million) to €308.14 million. The growth was due to the further increase in the value of investment property to €293.23 million mostly reflecting the investment in AX ODYCY. On the other hand, the Group's cash balances dropped by €4.36 million to €7.71 million whilst trade and other receivables decreased by €7.32 million to €6.78 million mainly on account of the reduction in amounts owed by related parties including advance supplies and rent.

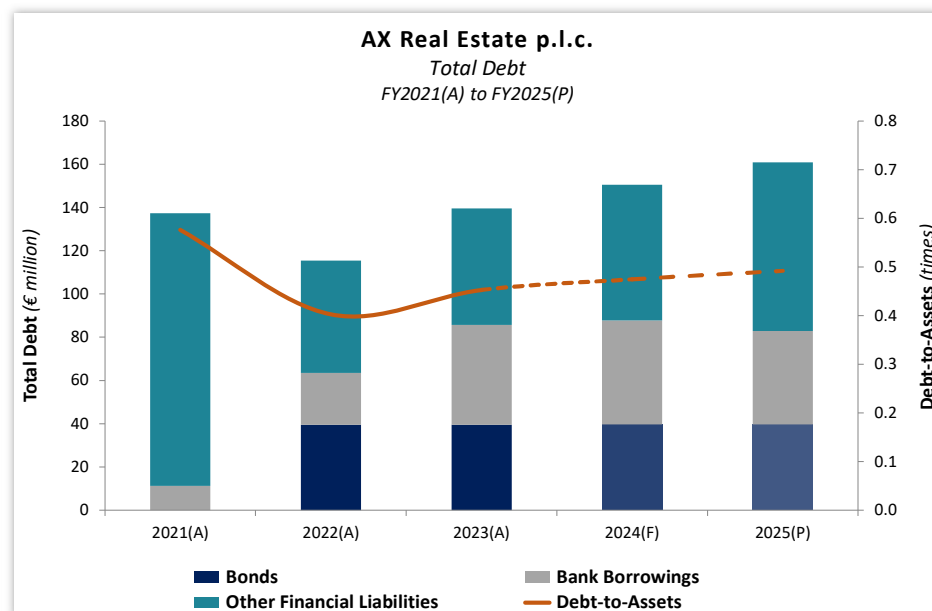
⁵ Other financial liabilities comprise amounts owed to AX Group p.l.c. and other related parties. Only a small portion of such financial liabilities is interest free and have no fixed date of repayment. The remaining amount is repayable on 31 December 2034 whilst the payment of the interest due is deferred until 31 December 2032.



Total liabilities increased by 19.14% to €172.56 million mostly due to the higher level of debt which stood at €139.55 million as at 31 October 2023. During the year, AX Real Estate took on €22.08 million in additional bank borrowings whilst other financial liabilities only increased by €2.01 million to €53.85 million. Coupled with the 4.54% contraction in the Group’s equity base to €135.59 million (largely reflecting the reduction in retained earnings), the Issuer’s principal credit metrics deteriorated year-on-year. The net debt-to-equity and leverage ratios increased to 0.97 times and 2.27 times respectively from 0.73 times and 2.02 times as at the end of FY2022. Likewise, the net gearing ratio trended higher to 49.30% (31 October 2022: 42.12%) whilst the debt-to-assets ratio stood at 0.45 times as at 31 October 2023 compared to 0.40 times as at the end of FY2022.

AX Real Estate is projecting its asset base to expand by an average of circa 3% per annum in **FY2024** (to €317.01 million) and **FY2025** (to €327.02 million) mostly due to the higher level of investment property. Similarly, total liabilities are also expected to increase, by 5.58% to €182.19 million in FY2024 and by 5.46% to €192.14 million in FY2025, largely reflecting the further rise in debt to €160.90 million by the end of FY2025 sustaining the Group’s investments in AX ODYCY and the Verdala Wellness Hotel. Concurrently, the Group’s current ratio is expected to weaken further to 0.41 times by 31 October 2025 (from 0.88 times as at the end of FY2023) as during the projected period, amounts due to AX Group are expected to increase on an annual basis on account of the deferral of loan interest payable.

As the Group’s equity base is anticipated to remain virtually unchanged throughout the projected period, most of the Issuer’s credit metrics are expected to deteriorate in FY2024 and FY2025. Indeed, the net debt-to-equity ratio and the net gearing ratio are estimated to reach 1.19 times and 54.24% respectively by 31 October 2025. Similarly, the debt-to-assets and leverage ratios are projected to edge higher to 0.49 times and 2.42 times respectively by the end of FY2025. On the other hand, the net debt-to-EBITDA multiple is expected to continue strengthening and decline to 9.91 times in FY2025 (from 12.44 times in FY2023) reflecting the anticipated growth in the EBITDA generation of the Group.



9. VARIANCE ANALYSIS

The following is an analysis of the major variances between the forecast financial information for the year ended 31 October 2023 included in the Analysis dated 28 April 2023, and the audited consolidated annual financial statements for the year ended 31 October 2023.

AX Real Estate p.l.c. Income Statement for the financial year 31 October	2023 Actual €'000	2023 Forecast €'000
Revenue	11,754	11,604
Net operating expenses	(1,158)	(946)
EBITDA	10,596	10,658
Investment property revaluation	(1,818)	-
Operating profit	8,778	10,658
Other income	1,000	-
Net finance costs	(5,201)	(5,177)
Profit before tax	4,577	5,481
Taxation	(4,167)	(1,130)
Profit for the year	410	4,351
Total comprehensive income	410	4,351

The Group reported a much lower net profit figure than previously estimated (-€3.94 million) as during the 2023 financial year, AX Real Estate recorded a €1.82 million charge in relation to the value of its investment property (which was not included in the forecast) and incurred a much higher tax charge (+€3.04 million). These were partly offset by an extraordinary waiver of €1 million representing an amount owed to AX Group following advances made by AX Group to AX Real Estate supporting the Issuer's multi-million investment programme.



AX Real Estate p.l.c. Statement of Cash Flows for the financial year 31 October	2023 Actual €'000	2023 Forecast €'000
Net cash from operating activities	6,233	7,522
Net cash used in investing activities	<u>(26,713)</u>	<u>(27,883)</u>
Free cash flow	(20,480)	(20,361)
Net cash from financing activities	<u>16,125</u>	<u>27,794</u>
Net movement in cash and cash equivalents	(4,355)	7,433
Cash and cash equivalents at beginning of year	<u>12,061</u>	<u>12,061</u>
Cash and cash equivalents at end of year	<u>7,706</u>	<u>19,494</u>

The Group ended the 2023 financial year with a much lower cash balance of €7.71 million compared to the forecasted figure of €19.49 million. This was mostly due to the significantly lower amount of net cash generated from financing activities which amounted to €16.13 million compared to the forecasted figure of €27.79 million.

Meanwhile, the material variances between the actual and forecast Statement of Financial Position as at 31 October 2023 were as follows:

- (1) Total assets amounted to €308.14 million compared to the estimated figure of €318.05 million. The negative variance of €9.91 million (or 3.12%) related to the lower level of cash balances (as described above) which was partly offset by the higher value of investment property (+€0.92 million) and trade and other receivables (+€0.98 million).
- (2) The Group's equity position stood at €135.59 million as at 31 October 2023 compared to the forecasted figure of €139.50 million. The negative variance of €3.91 million (or -2.80%) was due to the lower amount of revaluation reserve (-€1.60 million) and retained earnings (-€2.31 million).
- (3) AX Real Estate had total liabilities of €172.56 million as at the end of FY2023 compared to the estimated figure of €178.56 million. The negative variance of almost €6 million (or -3.36%) was driven by the lower level of debt as at year end (€139.55 million compared to the estimated figure of €149.93 million) which was partly offset by the higher levels of tax liabilities (+€2.36 million) and trade and other payables (+€2.02 million).



AX Real Estate p.l.c. Statement of Financial Position as at 31 October	2023 Actual €'000	2023 Forecast €'000	
ASSETS			
Non-current assets			
Intangible assets	2	2	
Investment property	293,230	292,310	
	293,232	292,312	
Current assets			
Inventories	421	438	
Trade and other receivables	6,783	5,806	
Cash at bank and in hand	7,706	19,494	
	14,910	25,738	
Total assets	308,142	318,050	(1)
EQUITY			
Ordinary 'A' shares	12,149	12,149	
Ordinary 'B' shares	22,143	22,143	
Revaluation reserve	38,809	40,408	
Share premium	41,374	41,374	
Other reserves	331	331	
Retained earnings	20,779	23,090	
	135,585	139,495	(2)
LIABILITIES			
Non-current liabilities			
Bonds	39,556	39,551	
Bank borrowings	41,873	45,013	
Amounts due to AX Group companies	48,403	49,242	
Trade & other payables	88	-	
Deferred tax liabilities	25,653	22,638	
	155,573	156,444	
Current liabilities			
Bank borrowings	4,267	16,125	
Amounts due to AX Group companies	5,451	-	
Trade & other payables	6,788	4,856	
Current tax liabilities	478	1,130	
	16,984	22,111	
Total liabilities	172,557	178,555	(3)
Total equity and liabilities	308,142	318,050	
<i>Total debt</i>	139,550	149,931	
<i>Net debt</i>	131,844	130,437	
<i>Invested capital (total equity plus net debt)</i>	267,429	269,932	



PART 3 – COMPARATIVE ANALYSIS

The table below provides a comparison between the Group and its bonds with other debt issuers listed on the Malta Stock Exchange and their respective debt securities. Although there are significant variances between the activities of the Group and other issuers (including different industries, principal markets, competition, capital requirements etc.), and material differences between the risks associated with the Group's business and that of other issuers, the comparative analysis serves as an indication of the financial strength and creditworthiness of the Group.

Comparative Analysis*	Amount Issued (€'000)	Yield-to-Maturity / Worst (%)	Interest Cover (times)	Net Debt-to-EBITDA (times)	Net Gearing (%)	Debt-to-Assets (times)
5.00% Hal Mann Vella Group p.l.c. Secured 2024	30,000	3.09	2.21	9.47	51.49	0.43
5.10% 1923 Investments p.l.c. Unsecured 2024	36,000	6.59	4.81	2.94	47.79	0.40
4.25% Best Deal Properties Holding p.l.c. Secured & Guaranteed 2024	6,106	2.65	13.29	4.71	63.61	0.65
5.75% International Hotel Investments p.l.c. Unsecured 2025	45,000	5.74	1.87	11.42	41.92	0.40
5.10% 6PM Holdings p.l.c. Unsecured 2025**	13,000	6.74	16.04	0.65	17.79	0.20
4.50% Hili Properties p.l.c. Unsecured & Guaranteed 2025	37,000	4.48	1.80	12.53	45.87	0.46
4.35% Hudson Malta p.l.c. Unsecured & Guaranteed 2026	12,000	4.67	6.11	4.89	71.67	0.57
4.25% CPHCL Finance p.l.c. Unsecured & Guaranteed 2026	40,000	4.17	1.66	12.42	42.45	0.40
4.00% International Hotel Investments p.l.c. Secured 2026	55,000	4.46	1.87	11.42	41.92	0.40
5.00% Dizz Finance p.l.c. Unsecured & Guaranteed 2026	8,000	4.99	1.91	10.70	79.93	0.59
3.75% Premier Capital p.l.c. Unsecured 2026	65,000	4.16	11.25	2.09	61.67	0.56
4.00% International Hotel Investments p.l.c. Unsecured 2026	60,000	4.40	1.87	11.42	41.92	0.40
3.25% AX Group p.l.c. Unsecured 2026	15,000	3.64	1.24	21.28	39.42	0.36
3.90% Gap Group p.l.c. Secured & Guaranteed 2024-2026	20,700	3.89	33.21	4.85	56.20	0.69
4.00% Hili Finance Company p.l.c. Unsecured & Guaranteed 2027	50,000	4.02	4.64	4.84	69.79	0.63
4.35% SD Finance p.l.c. Unsecured & Guaranteed 2027	65,000	3.99	4.68	1.74	22.08	0.26
4.00% Eden Finance p.l.c. Unsecured & Guaranteed 2027	40,000	4.54	4.24	5.37	25.33	0.23
5.25% Mediterranean Investments Holding p.l.c. Unsecured & Guaranteed 2027	30,000	4.59	3.79	3.30	22.75	0.21
4.00% Stivala Group Finance p.l.c. Secured & Guaranteed 2027	45,000	3.99	5.61	4.81	28.97	0.26
4.75% Best Deal Properties Holding p.l.c. Secured & Guaranteed 2025-2027	15,000	4.74	13.29	4.71	63.61	0.65
4.75% Gap Group p.l.c. Secured & Guaranteed 2025-2027	23,000	4.74	33.21	4.85	56.20	0.69
3.85% Hili Finance Company p.l.c. Unsecured & Guaranteed 2028	40,000	3.85	4.64	4.84	69.79	0.63
5.85% Mediterranean Investments Holding p.l.c. Unsecured & Guaranteed 2028	20,000	5.18	3.79	3.30	22.75	0.21
5.75% PLAN Group p.l.c. Secured & Guaranteed 2028	12,000	4.54	6.50	12.28	56.64	0.55
3.65% Stivala Group Finance p.l.c. Secured & Guaranteed 2029	15,000	3.77	5.61	4.81	28.97	0.26
3.80% Hili Finance Company p.l.c. Unsecured & Guaranteed 2029	80,000	4.66	4.64	4.84	69.79	0.63
3.75% AX Group p.l.c. Unsecured 2029	10,000	3.75	1.24	21.28	39.42	0.36
6.25% GPH Malta Finance p.l.c. Unsecured & Guaranteed 2030	18,144	5.54	1.73	7.63	93.89	0.75
3.65% International Hotel Investments p.l.c. Unsecured 2031	80,000	4.93	1.87	11.42	41.92	0.40
3.50% AX Real Estate p.l.c. Unsecured 2032	40,000	5.08	2.04	12.44	49.30	0.45
5.00% Mariner Finance p.l.c. Unsecured 2032	36,930	4.57	4.72	5.95	49.91	0.49
5.85% AX Group p.l.c. Unsecured 2033	40,000	5.30	1.24	21.28	39.42	0.36
6.00% International Hotel Investments p.l.c. Unsecured 2033	60,000	5.32	1.87	11.42	41.92	0.40
4.50% The Ona p.l.c. Secured & Guaranteed 2028-2034	16,000	4.57	44.17	9.76	64.11	0.59
5.50% Juel Group p.l.c. Secured & Guaranteed 2035	32,000	5.14	3.35	11.26	55.24	0.51

*As at 15 April 2024

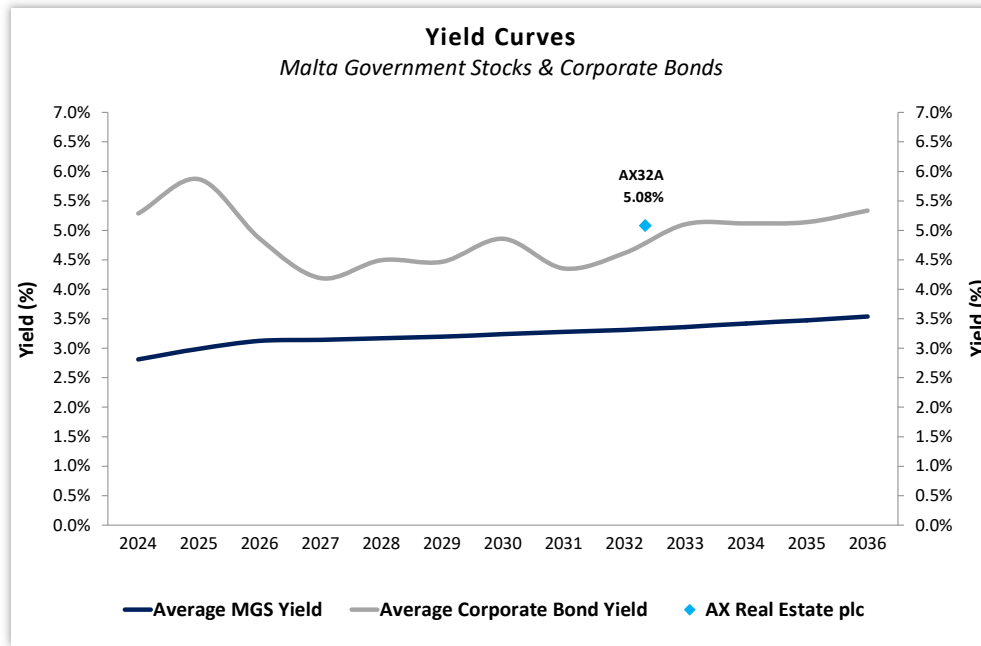
** The financial ratios pertain to Idox p.l.c..

Sources: Malta Stock Exchange

M.Z. Investment Services Limited

Most recent audited annual financial statements except for PLAN Group p.l.c. (FY2023 - forecast) and Juel Group p.l.c. (FY2024 - forecast).





The closing market price as at 15 April 2024 for the **3.50% AX Real Estate p.l.c. unsecured bonds 2032** (AX32A) was 90.00%. This translated into a yield-to-maturity (“YTM”) of 5.08% which was 47 basis points above the average YTM of 4.62% of other local corporate bonds maturing in the same year. The premium over the corresponding average Malta Government Stock yield of equivalent maturity stood at 177 basis points.



PART 4 – EXPLANATORY DEFINITIONS

Income Statement

<i>Revenue</i>	Total income generated from business activities.
<i>EBITDA</i>	Earnings before interest, tax, depreciation, and amortisation. It is a metric used for gauging operating performance excluding the impact of capital structure. EBITDA is usually interpreted as a loose proxy for operating cash flows.
<i>Adjusted operating profit / (loss)</i>	Profit (or loss) from core operations, excluding movements in the fair value of investment property, share of results of associates and joint ventures, net finance costs, and taxation.
<i>Operating profit / (loss)</i>	Profit (or loss) from operating activities, including movements in the fair value of investment property but excluding the share of results of associates and joint ventures, net finance costs, and taxation.
<i>Share of results of associates and joint ventures</i>	Share of profit (or loss) from entities in which the company does not have a majority shareholding.
<i>Profit / (loss) after tax</i>	Net profit (or loss) registered from all business activities.

Profitability Ratios

<i>EBITDA margin</i>	EBITDA as a percentage of revenue.
<i>Operating profit margin</i>	Operating profit (or loss) as a percentage of total revenue.
<i>Net profit margin</i>	Profit (or loss) after tax as a percentage of total revenue.
<i>Return on equity</i>	Measures the rate of return on net assets and is computed by dividing the net profit (or loss) for the year by average equity.
<i>Return on assets</i>	Measures the rate of return on assets and is computed by dividing the net profit (or loss) for the year by average assets.
<i>Return on invested capital</i>	Measures the rate of return from operations and is computed by dividing operating profit (or loss) for the year by the average amount of equity and net debt.

Statement of Cash Flows

<i>Net cash from / (used in) operating activities</i>	The amount of cash generated (or consumed) from the normal conduct of business.
<i>Net cash from / (used in) investing activities</i>	The amount of cash generated (or consumed) from activities related to the acquisition, disposal, and/or development of long-term assets and other investments.
<i>Net cash from / (used in) financing activities</i>	The amount of cash generated (or consumed) that have an impact on the capital structure, and thus result in changes to share capital and borrowings.
<i>Free cash flow</i>	Represents the amount of cash generated (or consumed) from operating activities after considering any amounts of capital expenditure.



Statement of Financial Position

<i>Non-current assets</i>	These represent long-term investments which full value will not be realised within the next twelve months. Such assets, which typically include property, plant, equipment, and investment property, are capitalised rather than expensed, meaning that the amortisation of the cost of the asset takes place over the number of years for which the asset will be in use. This is done instead of allocating the entire cost to the accounting year in which the asset was acquired.
<i>Current assets</i>	All assets which could be realisable within a twelve-month period from the date of the Statement of Financial Position. Such amounts may include development stock, accounts receivable, cash and bank balances.
<i>Non-current liabilities</i>	These represent long-term financial obligations which are not due within the next twelve months, and typically include long-term borrowings and debt securities.
<i>Current liabilities</i>	Liabilities which fall due within the next twelve months from the date of the Statement of Financial Position, and typically include accounts payable and short-term debt.
<i>Total equity</i>	Represents the residual value of the business (assets minus liabilities) and typically includes the share capital, reserves, as well as retained earnings.

Financial Strength / Credit Ratios

<i>Interest cover</i>	Measures the extent of how many times a company can sustain its net finance costs from EBITDA.
<i>Net debt-to-EBITDA</i>	Measures how many years it will take a company to pay off its net interest-bearing liabilities (including lease liabilities) from EBITDA, assuming that net debt and EBITDA are held constant.
<i>Net debt-to-equity</i>	Shows the proportion of net debt (including lease liabilities) to the amount of equity.
<i>Net gearing</i>	Shows the proportion of equity and net debt used to finance a company's business and is calculated by dividing net debt by the level of invested capital.
<i>Debt-to-assets</i>	Shows the degree to which a company's assets are funded by debt and is calculated by dividing all interest-bearing liabilities (including lease liabilities) by total assets.
<i>Leverage</i>	Shows how many times a company is using its equity to finance its assets.
<i>Current ratio</i>	Measures the extent of how much a company can sustain its short-term liabilities from its short-term assets.

