

AX
GROUP

FACT SHEET
€40 million 5.85% AX Group plc
Unsecured Bonds 2033

KEY DETAILS

Issuer:	AX Group plc	Listing:	Official List, Malta Stock Exchange
Amount Offered:	€40 million	Coupon:	5.85%
Offer Price:	100% (<i>par value of €100</i>)	Interest Payment Date:	Annually on 7 November (<i>with the first interest payment date being 7 November 2024</i>)
Status:	Unsecured	Maturity Date:	7 November 2033
Offer Period (<i>Existing Bond Holders & Preferred Applicants</i>):	5 to 23 October 2023	Minimum Subscription Amount	€1,000 (<i>nominal</i>) and in multiples of €100 thereafter

ABOUT AX GROUP PLC

AX Group plc ("AX" or "the Group") is one of the largest enterprises in Malta with business interests across five key sectors as follows:

- The **Construction** division performs a wide range of civil engineering works, turnkey assignments, project management, as well as restoration work. While the profit contribution to the Group is minimal, on the other hand this division is still considered as a key operational unit due to the various in-house projects assigned to it.
- The **Development** division is principally involved in the acquisition of investment properties which are either held for the long-term or else redeveloped and sold.
- The **Care** division involves the operation of the Simblija Care Home ("Simblija") and the Hilltop Gardens Retirement Village ("Hilltop"). Simblija is a 155-bed nursing home for persons requiring long-term medical care. Residents at the nursing home are charged a daily room rate apart from other fees for any additional services required. Meanwhile, the Hilltop complex comprises 133 self-catering residential units (one or two bedroom) that enable residents to live independently within a secure community offering a wide range of services. The units are leased for periods ranging between 1 year and 50 years. Additionally, the Group generates income from the sale of consumables, maintenance fees, as well as the provision of ancillary services.
- The **Real Estate** portfolio is the core asset base of the Group with a book value of over €360 million as at 31 October 2022. As part of an organisational restructuring, a portfolio of properties valued at over €230 million were transferred to AX Real Estate plc ("AXRE"). In February 2022, the Ordinary "A" Shares of AXRE were admitted to the Official List of the Malta Stock Exchange following an IPO process that resulted in an equity raise of €13.6 million. AX owns 91.1% of AXRE when including the unlisted Ordinary "B" Shares.
- The **Hospitality** sector is the main cash generating unit of the Group. In total, AX owns and manages seven hotels as detailed in the Table below:

Hotel	Location	Room Inventory	Type of Hotel
AX Odycey	Qawra	599	4-star Hotel
AX Sunny Coast Resort & Spa	Qawra	92	4-star Aparthotel
AX The Palace	Sliema	144	5-star Hotel
AX The Victoria Hotel	Sliema	142	4-star Hotel
Rosselli AX Privilege	Valletta	25	5-star Boutique Hotel
AX The Saint John	Valletta	19	Boutique Hotel
Verdala Hotel	Rabat	40*	5-star Boutique hotel

*Under construction.



USE OF PROCEEDS

The net proceeds from the bond issue, estimated at €39.3 million after issuance costs, will be used by the Group for the redemption and cancellation of the 6.0% AX Investments plc unsecured bonds redeemable on 6 March 2024, by way of maturing bond transfer and redemption of any remaining bonds in issue.

RANKING OF THE BONDS

The bonds will constitute the general, direct, unsecured, and unconditional obligations of the Issuer and will, at all times, rank pari passu, without any priority or preference among themselves and with other unsecured debt of the Issuer, present and future, if any.

This means that any secured or privileged debts of the Issuer will rank at all times ahead of the obligations of the Issuer under the bonds, as a result of which bondholders may not be able to recover in full or in part their investment in the bonds in the case of insolvency or an equivalent situation, whether in full or in part.

Furthermore, subject to a negative pledge clause found in the Prospectus dated 26 September 2023, third-party security interests may be registered which will rank in priority to the Bonds against the assets of the Issuer, as the case may be, for so long as such security interests remain in effect, which registration may further impede the ability of bondholders to recover their investment upon enforcement of such security interests, whether in full or in part.

RISK FACTORS

The Issuer is subject to a number of risks pertaining to the nature of its businesses. Prospective investors are urged to read the 'Risk Factors' found in the Prospectus dated 26 September 2023. Prospective investors must also note that since the financial forecasts and the assumptions on which they are based relate to the future, they may be affected by unforeseen events. As such, the variation between forecasts, projections and actual results may be material.

PLAN OF DISTRIBUTION

The bonds will be allocated according to the following order of preference:

1. Bondholders of the €40 million 6% AX Investments plc 2024 as at close of trading on 19 September 2023 up to the extent of their holding in the Exchangeable bonds. Investors will be compensated for the interest rate differential between the 6% Exchangeable bonds and the new 5.85% applicable from 7 November 2023 until 5 March 2024.
2. The remaining amounts not subscribed for by holders of exchangeable bonds will be offered to preferred applicants. Preferred applicants include holders of Exchangeable bonds in excess of their previous holding, employees and directors of any company forming part of the AX Group, and holders of other AX Group securities listed on the Malta Stock Exchange.
3. If any bonds remain unallocated the company shall offer them to authorised intermediaries through an Intermediaries Offer.

APPLICATION PROCEDURE

Holders of the exchangeable bonds (6% AX Investments plc 2024) are kindly asked to complete the Application Form 'A' sent to them directly by AX Group.

Holders of other AX Group securities (including AX Real Estate plc bondholders and shareholders) who wish to subscribe for any bonds are kindly asked to complete the Application Form 'B' sent to them directly by AX Group.

The forms should be returned by Thursday 23 October at 12:00 hours (noon) together with our 'Assessment & Confirmation Form'. **Applications must be for a minimum of €1,000 (nominal) and in multiples of €100 (nominal) thereafter. Any maturing bondholders with a holding of less than €1,000 (nominal) are required to pay a cash top up at least to the minimum amount.**

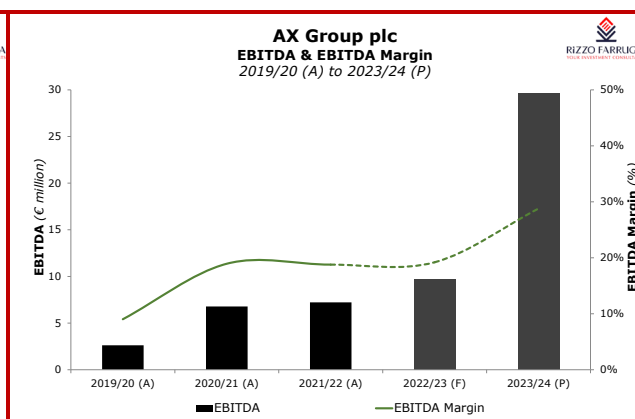
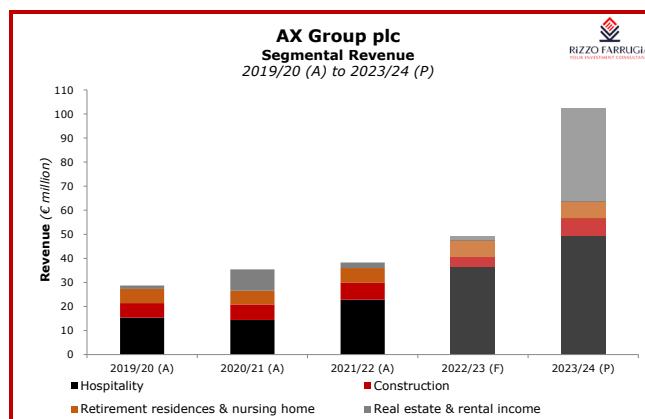
Application forms must be accompanied by the appropriate payment where applicable, either by cheque in EUR payable to 'Rizzo, Farrugia & Co (Stockbrokers) Ltd – Clients a/c' or credited into either one of our EUR denominated Clients' Accounts as detailed below:

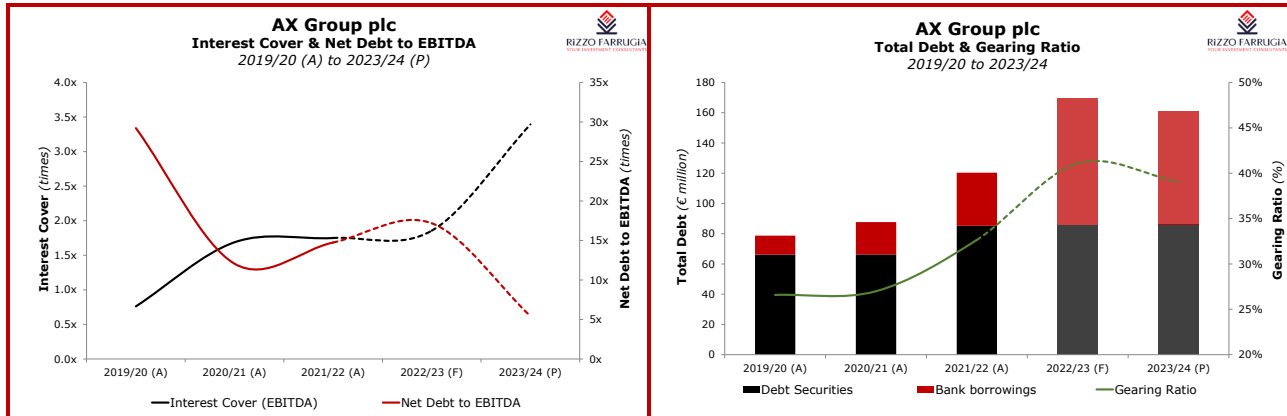
	HSBC Bank Malta plc	Bank of Valletta plc
EUR A/C No	006 050041 004	400 135 62906
IBAN	MT46 MMEB 4406 0000 0000 0605 0041 004	MT18 VALL 2201 3000 0000 400 135 62906
SWIFT CODE	MMEB MTMT	VALL MTMT



KEY FINANCIAL HIGHLIGHTS & METRICS

FINANCIAL YEAR ENDING 31 OCTOBER:	2020 (A)	2021 (A)	2022 (A)	2023 (F)	2024 (P)
Revenue [€000]	29,056	35,806	38,443	50,695	102,933
Net Operating Costs [€000]	(26,436)	(29,026)	(31,223)	(40,959)	(73,293)
EBITDA [€000]	2,620	6,780	7,220	9,736	29,640
Depreciation [€000]	(7,087)	(6,815)	(6,916)	(7,352)	(7,576)
Changes in Value of Investment Property [€000]	0	4,965	1,669	0	0
Operating Profit/(Loss) [€000]	(4,467)	4,930	1,974	2,384	22,064
Share of results of associates [€000]	(321)	541	849	(127)	892
Net Finance Costs [€000]	(3,442)	(4,016)	(4,125)	(5,246)	(8,737)
Profit/(Loss) before Tax [€000]	(8,230)	1,455	(1,303)	(2,989)	14,219
Net Profit/(Loss) [€000]	(7,890)	1,928	(250)	(3,330)	9,658
Net Cash from/(used in) Operating Activities [€000]	(588)	2,959	(4,489)	6,166	39,478
Net Cash used in Investing Activities [€000]	(20,653)	(6,725)	(32,363)	(65,769)	(32,544)
Free Cash Flow [€000]	(21,241)	(3,765)	(36,852)	(59,603)	6,934
Net Cash from/(used) in Financing Activities [€000]	19,500	7,644	42,719	52,475	(11,033)
Debt Securities [€000]	12,568	21,413	35,102	83,731	74,843
Bank Borrowings [€000]	66,177	66,273	85,222	85,919	86,087
Total Debt [€000]	78,745	87,686	120,324	169,650	160,930
Cash & Cash Equivalents [€000]	2,187	5,912	13,881	2,451	0
Net Debt [€000]	74,692	79,457	106,443	167,199	160,930
Total Assets [€000]	348,657	374,099	422,759	466,240	467,489
Total Liabilities [€000]	131,209	136,957	174,537	223,058	216,147
Total Equity [€000]	217,449	237,143	248,223	243,181	251,342
Working Capital Ratio [times] (Current Assets / Current Liabilities)	0.76x	0.91x			
EBITDA Margin [%] (EBITDA / Revenue)	9.0	18.9	18.8	19.2	28.8
Operating Profit Margin [%] (Operating Profit / Revenue)	-15.4	13.8	5.1	4.7	21.4
Net Profit Margin [%] (Net Profit / Revenue)	-27.2	5.4	-0.7	-6.6	9.4
Return on Equity [%] (Net Profit / Average Equity)	-3.5	0.8	-0.1	-1.4	3.9
Return on Assets [%] (Net Profit / Average Assets)	-2.3	0.5	-0.1	-0.7	2.1
Interest Cover [times] (EBITDA / Net Finance Costs)	0.76x	1.69	1.75	1.86	3.39
Net Debt to EBITDA [times] (Net Debt / EBITDA)	29.2	12.1	14.7	17.2	5.4
Net Debt to Equity [times] (Net Debt / Total Equity)	0.35	0.34	0.43	0.69	0.64
Gearing Ratio [%] (Total Debt / [Total Debt + Equity])	26.7	27.0	32.6	41.1	39.0
Net Debt to Invested Capital [%] (Net Debt / Net Debt + Equity)	26.0	25.6	30.0	40.7	39.0
Debt to Asset Ratio [times] (Total Debt / Total Assets)	0.23	0.23	0.28	0.36	0.34
Leverage Ratio [times] (Total Assets / Total Equity)	1.60	1.58	1.70	1.92	1.86





Disclaimer

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

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