



REAL ESTATE

FACT SHEET
OFFER OF NEW ORDINARY 'A' SHARES
&
ISSUE OF €40 MILLION 3.50% UNSECURED BONDS 2032

KEY DETAILS

Company:	AX Real Estate ("AX Real Estate" or the "Group")	Listing:	Official List, Malta Stock Exchange
Total Amount of Existing Ordinary Shares:	250,000,000	Amount of New Ordinary 'A' Shares on Offer:	Up to 50,000,000 (including Over-Allotment Option of 16,666,667 shares)
Share Offer Price:	€0.60 per share ^{*1}	Minimum Share Subscription Amount:	5,000 shares ^{*2} (equivalent to €3,000 – and in multiples of 100 shares thereafter)
Amount of Bonds on Offer:	€40 million	Bond Issue Price:	100% (par value of €100)
Bond Coupon Rate:	3.50%	Bond Interest Payment Date:	Annually on 28 January (with the first interest payment date being 28 January 2023)
Status of the Bonds:	Unsecured	Complexity of the Bonds:	No
Minimum Bond Subscription Amount:	€2,000 (nominal – and in multiples of €100 [nominal] thereafter)	Bond Redemption Date:	28 January 2032
Offer Period:	10 January to 21 January 2022 ^{*3}	Expected Listing Date:	4 February 2022

^{*1} Prospective investors participating in the equity IPO for an amount of 200,000 ordinary 'A' shares or more will benefit from a discount of 10% on the offer price (i.e. participation at €0.54 per ordinary 'A' share instead of the offer price of €0.60 per ordinary 'A' share).

^{*2} The minimum threshold does not apply in the case where an applicant subscribes for an amount of at least €250,000 (nominal) in bonds.

^{*3} Or earlier at the discretion of the Group.

Rizzo, Farrugia & Co. (Stockbrokers) Ltd is acting as Joint Sponsor to AX Real Estate plc.

ABOUT AX REAL ESTATE

AX Real Estate owns a diversified portfolio of properties located in Malta which are mainly leased for the long term to the Group's parent company – namely AX Group plc. The properties have a total value of just over €230 million and comprise hotels and adjoining leisure/catering facilities and serviced apartments (valued at €170.9 million and representing 74% of the total value of the Group's property portfolio); a healthcare and retirement complex (valued at €36.9 million and representing 16% of the total value of the Group's property portfolio); residential and commercial units as well as office space (valued at €16.4 million and representing 7% of the total value of the Group's property portfolio); and industrial property that comprise nine warehouses and an adjoining office block (valued at €6.95 million and representing 3% of the total value of the Group's property portfolio). The lease agreements typically include a minimum pre-set base rent, and in the case of the hotel properties, a variable component which is dependent on revenue targets capped at a fixed percentage of the hotels' gross operating profit.

OWNERSHIP STRUCTURE

The share capital of AX Real Estate is divided into two classes of shares: (i) ordinary 'A' shares that will be listed on the Regulated Main Market of the Malta Stock Exchange; and (ii) ordinary 'B' shares which will not be listed and tradeable on the MSE. Both classes of shares entitle holders the same level of rights except that ordinary 'B' shareholders do not have any voting rights during any general meeting save in instances in respect of resolutions which either: (i) have the effect of reducing the capital of the Group; (ii) for the winding up of the Group; and/or (iii) directly affect the rights and privileges of ordinary 'B' shareholders.

To-date, AX Real Estate is directly and indirectly wholly owned by AX Group plc. The new shareholding structure of the Group post-IPO is expected to be as follows when assuming the following three scenarios:

SCENARIO I – MINIMUM OF €12 MILLION IS RAISED THROUGH THE IPO¹:

	No. of ordinary 'A' Shares	% of ordinary 'A' Shares	No. of ordinary 'B' Shares	% of ordinary 'B' Shares	Total No. of Ordinary Shares	% of Total Issued Share Capital
AX Group plc²	60,000,000	75.00%	190,000,000	100.00%	250,000,000	92.59%
General public	20,000,000 ³	25.00%	-	-	20,000,000	7.41%
Total	80,000,000	100.00%	190,000,000	100.00%	270,000,000	100.00%

¹ If the Share Offer is under-subscribed, subject to the Group receiving a minimum of €12 million in subscriptions for ordinary 'A' shares, AX Real Estate will convert (on a 1:1 basis) such number of ordinary 'A' shares currently held by AX Group plc into ordinary 'B' shares as may be necessary so that the total amount of ordinary 'A' shares held by AX Group will be equivalent to 75% of the total number of ordinary 'A' shares.

² Directly and indirectly through AX Finance Limited.

³ Assuming all subscriptions are made at the share offer price of €0.60 per share.



SCENARIO 2 – 33,333,333 ORDINARY 'A' SHARES ARE ALLOTTED:

	No. of ordinary 'A' Shares	% of ordinary 'A' Shares	No. of ordinary 'B' Shares	% of ordinary 'B' Shares	Total No. of Ordinary Shares	% of Total Issued Share Capital
AX Group plc ²	100,000,000	75.00%	150,000,000	100.00%	250,000,000	88.24%
General public	33,333,333	25.00%	-	-	33,333,333	11.76%
Total	133,333,333	100.00%	150,000,000	100.00%	283,333,333	100.00%

SCENARIO 3 – 50,000,000 ORDINARY 'A' SHARES ARE ALLOTTED AFTER OVER-ALLOTMENT OPTION IS EXERCISED⁴:

	No. of ordinary 'A' Shares	% of ordinary 'A' Shares	No. of ordinary 'B' Shares	% of ordinary 'B' Shares	Total No. of Ordinary Shares	% of Total Issued Share Capital
AX Group plc ²	150,000,001	75.00%	100,000,000	100.00%	250,000,001	83.33%
General public	50,000,000	25.00%	-	-	50,000,000	16.67%
Total	200,000,001	100.00%	100,000,000	100.00%	300,000,001	100.00%

Meanwhile, subject to a number of conditions as detailed in Section 5.2 – 'Lock-In Arrangements' of the Securities Note, AX Group plc has entered into a 'Lock-In Agreement' for a period of twenty-four months from the date when the shares of AX Real Estate are admitted to listing.

REASON FOR THE OFFERS & USE OF PROCEEDS

AX Real Estate believes that the IPO will aid its future growth ambitions and enhance its profile as a listed company that is distinct from its parent company. In fact, the net proceeds from the issuance of up to 50 million new ordinary 'A' shares and €40 million bonds (estimated at approximately €68.5 million in the case of the exercise of the Over-Allotment Option⁵), are earmarked towards funding part of the Group's strategic investment and development plans as follows:

- (i) €25.6 million for the extension of the Seashells Resort at Suncrest. The latter is part of the 'Qawra Phase 1' project which will also include the redevelopment of an adjacent lido following the issuance of the necessary development permit. The full cost of the 'Qawra Phase 1' project is expected to reach circa €52 million.
- (ii) €14.4 million for general corporate funding purposes which may include the redevelopment of the lido at the Seashells Resort at Suncrest.
- (iii) €10 million for the development of the Verdala Hotel and the refurbishment of the adjacent Verdala Hotel Annex. The full development cost of this project is expected to amount to €11.5 million.
- (iv) Up to €8.7 million (or €18.5 million in the case of the exercise of the Over-Allotment Option) for the repayment in part of a loan with AX Group plc.

In the case where the Group receives less than €12 million in subscriptions for ordinary 'A' shares, no allotment of new shares is made and all proceeds from the bond issue will be applied to part-finance the 'Qawra Phase 1' project.

PLAN OF DISTRIBUTION

The ordinary 'A' shares and the bonds are available for subscription by: (i) Preferred Applicants – namely, bondholders of AX Group plc and AX Investments plc as at close of trading on 15 December 2021, as well as AX Group employees; and (ii) the general public.

DIVIDEND POLICY

AX Real Estate aims to distribute the majority of its yearly distributable profits provided that it maintains a minimum cash reserve of €1 million. Dividends may be distributed by way of cash payments and/or through the issue of bonus shares. Moreover, it is expected that yearly dividends are split into two, with 50% to be distributed as an interim dividend in July (for the six-month period between November and April) whilst the remaining 50% as a final dividend to be paid in January (for the six-month period between May and October).

Moreover, AX Real Estate is guaranteeing a minimum net dividend yield of 4% in the financial years ending 31 October 2022 and 2023. Thereafter, following the completion of the Qawra and Verdala projects, the Group is forecasting a sustainable and strong dividend distribution at yields above 4% which would however be dependent on, amongst other factors, the Group's profit, debt servicing and repayment requirements, cash flows, working capital requirements and investment commitments, as well as the prevailing market outlook.

The table below illustrates the forecasted dividend potential assuming that 33,333,333 ordinary 'A' shares are allotted:

FINANCIAL YEAR ENDING 31 OCTOBER:	2022(F)	2023(P)	2024(P)	2025(P)
Net Interim Dividend per Share – Payable in July	€0.0122	€0.0125	€0.0140	€0.0152
Net Final Dividend per Share – Payable in January	€0.0122	€0.0125	€0.0140	€0.0152
Total Net Dividend per Share	€0.0245	€0.0250	€0.0281	€0.0304
Payout Ratio	308.1%	125.7%	82.9%	85.0%
Dividend Yield – Based on share offer price of €0.60 per share	4.08%	4.16%	4.68%	5.07%

RANKING OF THE BONDS

The bonds constitute the general, direct, unconditional and unsecured obligations of AX Real Estate and will at all times rank *pari passu*, without any priority or preference among themselves and without priority or preference to all present and future unsecured obligations of the Group. This means that any secured or privileged debts will rank at all times ahead of the obligations of AX Real Estate under the bonds. Furthermore, third-party security interests may be registered which will rank in priority to the bonds against the assets of the Group, as the case may be, for so long as such security interests remain in effect.

⁴ In the case where the Over-Allotment Option is exercised, AX Real Estate will convert such number of ordinary 'B' shares into ordinary 'A' shares as is necessary to ensure that for every 1 ordinary 'A' share subscribed for as part of the over-allotment, 3 ordinary 'B' shares (held by AX Group plc) will be converted to 3 ordinary 'A' shares for allocation to AX Group.
⁵ Excluding any discounts to the share offer price of €0.60 per share.



RISK FACTORS

The value of investments may increase as well as decrease and past performance is not an indication of future performance. AX Real Estate is subject to a number of risks pertaining to the nature of its business. Prospective investors are urged to read the 'Risk Factors' found in the Prospectus dated 6 December 2021. These are listed in Section 2 of the Registration Document and in Section 2 of the Combined Securities Note. Copies of the Prospectus are available by email upon request or from our website at <http://rizzofarrugia.com>.

Prospective investors must also note that since the profit 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 and actual results may be material.

APPLICATION PROCEDURE

Prospective investors are kindly asked to complete the 'Application Form' which is provided by AX Real Estate and which must be returned to us by **Friday 21 January 2022 at 14:00 hours** together with a duly completed and signed 'Assessment & Confirmation Form'. Moreover, prospective investors must observe the following terms as set out by the Group:

- (i) Bond issue applications unaccompanied by equity applications will **only** be considered if the bond application is for a minimum of €250,000 (nominal).
- (ii) The minimum subscription amount for ordinary 'A' shares is 5,000 shares (equivalent to €3,000). However, this minimum threshold does not apply in the case where an applicant also subscribes for an amount of €250,000 (nominal) in bonds.
- (iii) The minimum subscription amount for the bonds is €2,000 (nominal). However, prospective investors applying for a combination of ordinary 'A' shares and bonds will be guaranteed a minimum allocation of €6,000 (nominal).

All application forms must be accompanied by the appropriate payment, 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

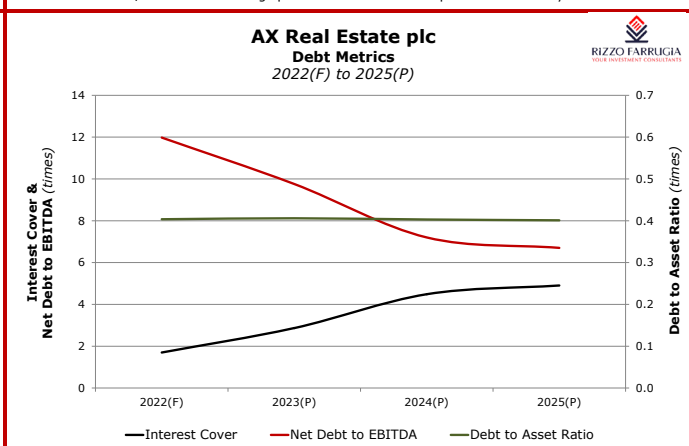
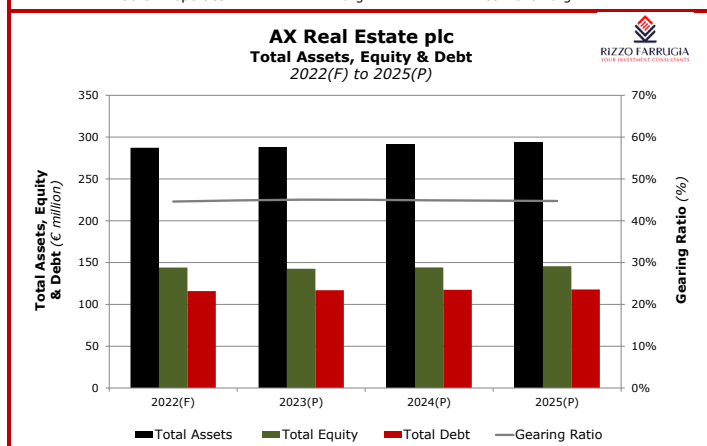
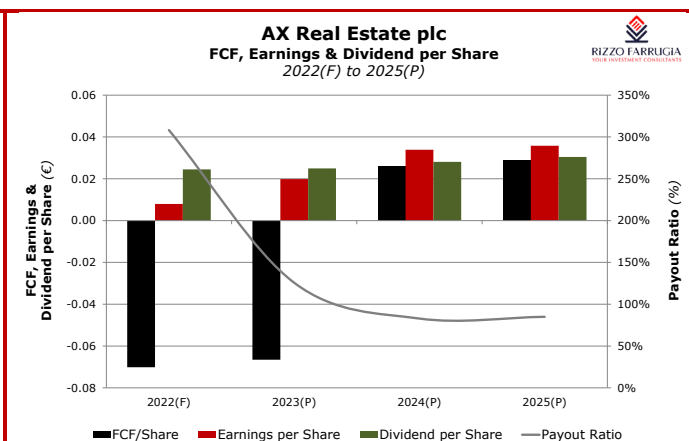
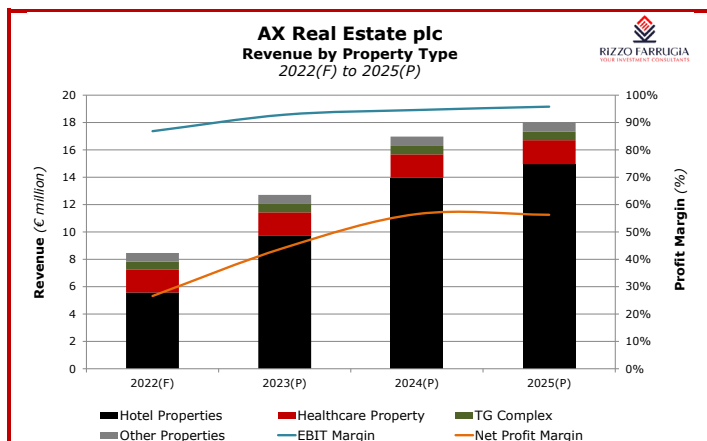
FINANCIAL YEAR ENDING 31 OCTOBER:	2022(F)	2023(P)	2024(P)	2025(P)
Revenue – Hotel Properties [€000]	5,583	9,754	13,956	14,954
Revenue – Care Home & Retirement Village [€000]	1,650	1,683	1,717	1,751
Revenue – TG Complex [€000]	605	609	613	617
Revenue – Other Properties [€000]	623	664	681	700
Revenue [€000]	8,461	12,710	16,967	18,022
Operating Costs [€000]	(968)	(862)	(876)	(713)
EBITDA [€000]	7,493	11,848	16,091	17,309
Depreciation & Amortisation Charges [€000]	(148)	(48)	(48)	(48)
Operating Profit ("EBIT") [€000]	7,345	11,800	16,043	17,261
Net Finance Costs [€000]	(4,417)	(4,131)	(3,587)	(3,530)
Proceeds from Sale of Property [€000]	610	455	455	-
Profit before Tax [€000]	3,538	8,124	12,911	13,731
Net Profit [€000]	2,251	5,628	9,595	10,144
Net Cash from Operating Activities [€000]	4,154	6,009	9,572	10,204
Net Cash used in Investing Activities [€000]	(24,017)	(24,866)	(2,247)	(1,976)
Free Cash Flow [€000]	(19,863)	(18,857)	7,325	8,228
Investment Properties [€000]	256,994	281,860	284,107	286,082
Cash [€000]	26,169	1,314	1,520	1,808
Total Assets [€000]	287,289	288,129	291,424	293,899
Bonds [€000]	40,000	40,000	40,000	40,000
Bank Borrowings [€000]	8,693	7,269	5,803	4,289
Amounts due to Related Parties [€000]	67,237	69,668	71,610	73,552
Total Debt [€000]	115,930	116,937	117,413	117,841
Net Debt [€000]	89,761	115,623	115,893	116,033
Deferred Tax Liabilities [€000]	20,597	20,597	20,597	20,597
Total Equity [€000]	144,107	142,660	144,141	145,663
Net Asset Value ("NAV") per Share [€]	0.5086	0.5035	0.5087	0.5141
Adjusted NAV per Share [€]	0.5813	0.5762	0.5814	0.5868
Price to NAV [times]	1.18	1.19	1.18	1.17
Price to Adjusted NAV [times]	1.03	1.04	1.03	1.02
Free Cash Flow per Share [€]	(0.0701)	(0.0666)	(0.0259)	(0.0290)
Earnings per Share ("EPS") [€]	0.0079	0.0199	0.0339	0.0358
Price to Earnings Ratio [times]	75.5	30.2	17.7	16.8
Net Dividend per Share [€]	0.0245	0.0250	0.0281	0.0304
Payout Ratio [%]	308.1	125.7	82.9	85.0
Dividend Yield [%]	4.08	4.16	4.68	5.07
EBITDA Margin [%]	88.6	93.2	94.8	96.0
Operating Profit Margin [%]	86.8	92.8	94.6	95.8
Net Profit Margin [%]	26.6	44.3	56.6	56.3
Return on Invested Capital [%]	3.14	4.57	6.17	6.60
Return on Equity [%]	1.64	3.93	6.69	7.00
Return on Assets [%]	0.83	1.96	3.31	3.47

*1 Calculated on a total of 283,333,333 ordinary shares made up of 133,333,333 ordinary 'A' shares and 150,000,000 ordinary 'B' shares.



KEY FINANCIAL HIGHLIGHTS & METRICS (CONTINUED)

FINANCIAL YEAR ENDING 31 OCTOBER:		2022(F)	2023(P)	2024(P)	2025(P)
Interest Cover [times]	(EBITDA / Net Finance Costs)	1.70	2.87	4.49	4.90
Net Debt to EBITDA [times]	(Net Debt / EBITDA)	12.0	9.76	7.20	6.70
Net Debt to Equity [times]	(Net Debt / Equity)	0.62	0.81	0.80	0.80
Net Debt to Invested Capital [%]	(Net Debt / [Net Debt + Equity])	38.4	44.8	44.6	44.3
Gearing Ratio [%]	(Total Debt / [Total Debt + Equity])	44.6	45.0	44.9	44.7
Debt to Asset Ratio [times]	(Total Debt / Total Assets)	0.40	0.41	0.40	0.40
Leverage Ratio [times]	(Total Assets / Total Equity)	1.99	2.02	2.02	2.02



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