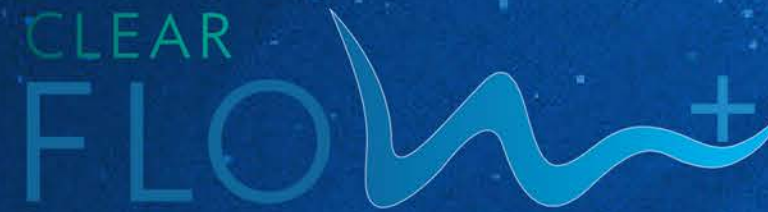


# Investor Presentation

July 2023



GUARANTEED BY



Sponsor, Manager & Registrar



Accredited External  
Reviewer



Legal Counsel





# Overview

## MISSION

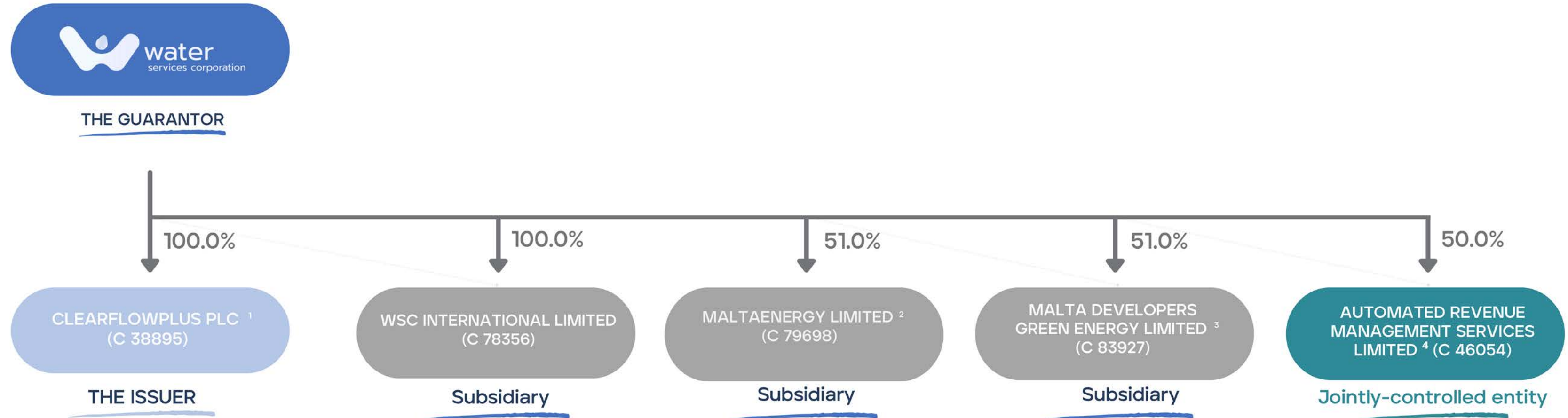
The Group's mission is to "embrace innovation, pursue education and invest in retaining an edge on expertise in the field to become recognised and respected leaders in the community we serve, through demonstrated knowledge, integrity and the quality of our actions."

## VISION

The Group's vision to "manage Malta's water resources in an efficient, effective and reliable manner that respects the environment."



# Organisational structure



## Notes

1. ClearFlowPlus Limited's revenue is derived from consultancy services and supplies in connection with reverse osmosis plants, related after-sales services, desalination, sewage treatment facilities, laboratory analysis, information technology services and sale of parts
2. Remaining 49.0% shares are held by General Retailers and Traders Union
3. Remaining 49.0% shares are held by Malta Developers Association (VO/0477)
4. Joint venture with Enemalta p.l.c. (C 65836)

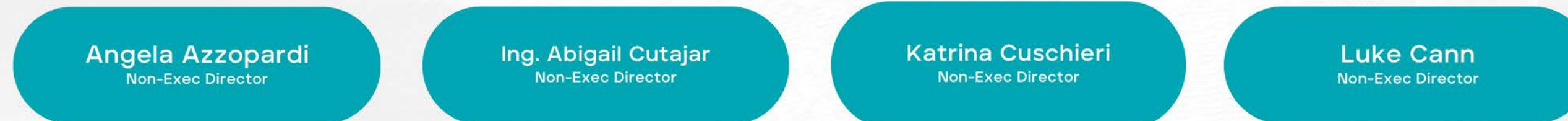
# Issuer Organisation Structure



## BOARD OF DIRECTORS



## AUDIT COMMITTEE MEMBERS

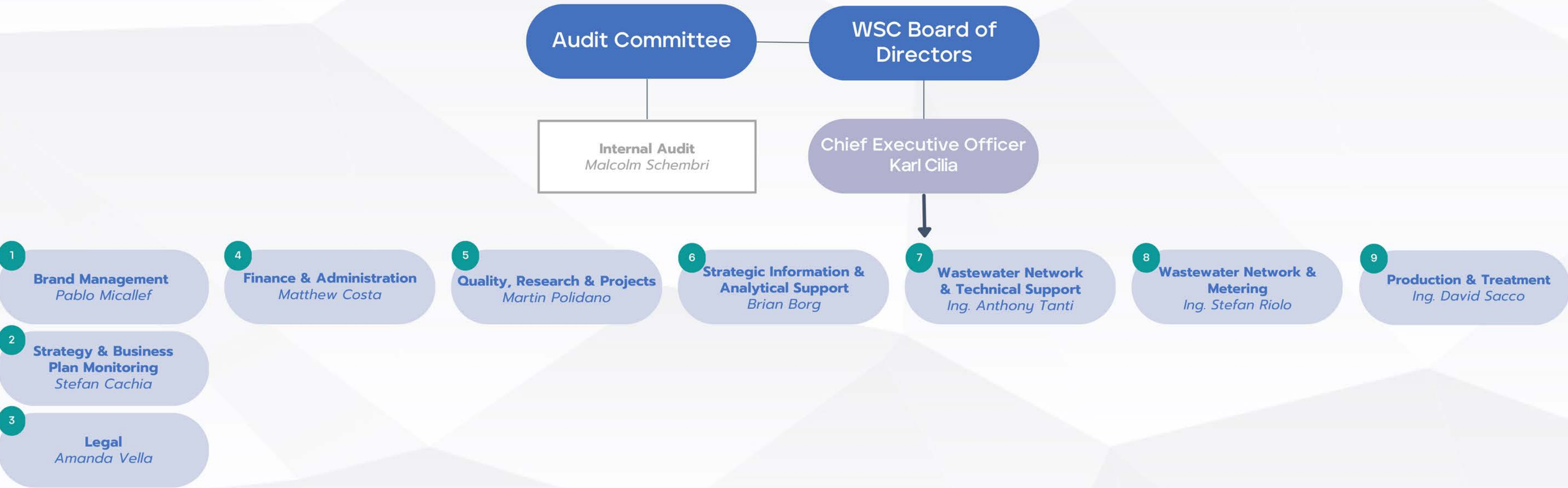


## SUSTAINABILITY COMMITTEE MEMBERS





# Management structure





**OPERATIONS**

**STRATEGY**

**FINANCIAL HIGHLIGHTS**

**USE OF PROCEEDS**


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# Services offered by the Corporation

Water Services Corporation ("WSC") was founded on 20 January 1992 by means of the Act of Parliament No. XXIII of 1991 and was established by virtue of the Water Services Corporation Act, Chapter 355 of the Laws of Malta. The principal activities of WSC are:




**Water production and distribution**

to act as the sole and exclusive entity to acquire, produce, distribute and sell water for domestic, industrial and commercial use



**Wastewater collection and treatment**

to treat and dispose or re-use sewage and wastewater








**Renewable energy generation**

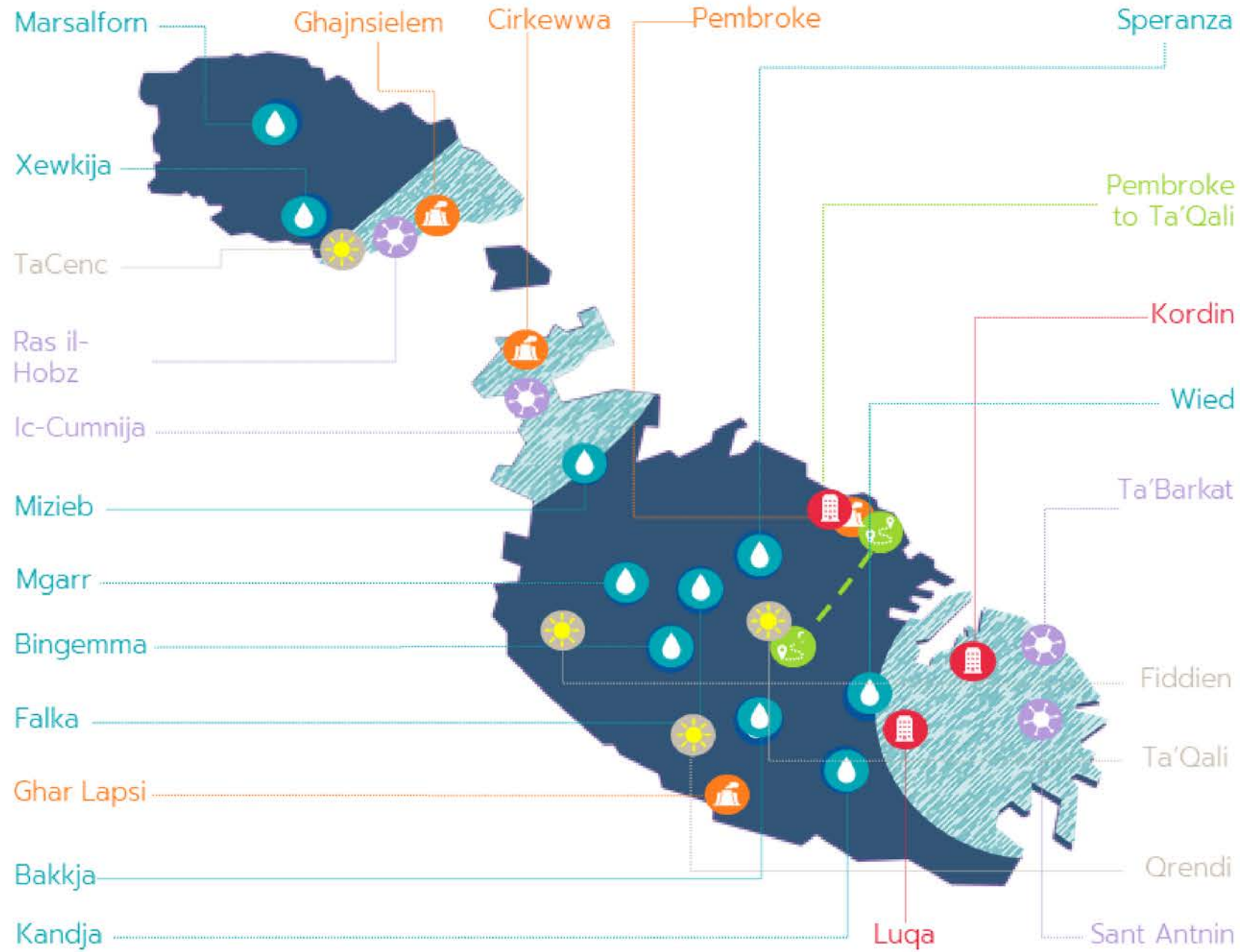
to further reduce the energy costs related to the production of polished water using renewable energy sources



# Map of plants and premises

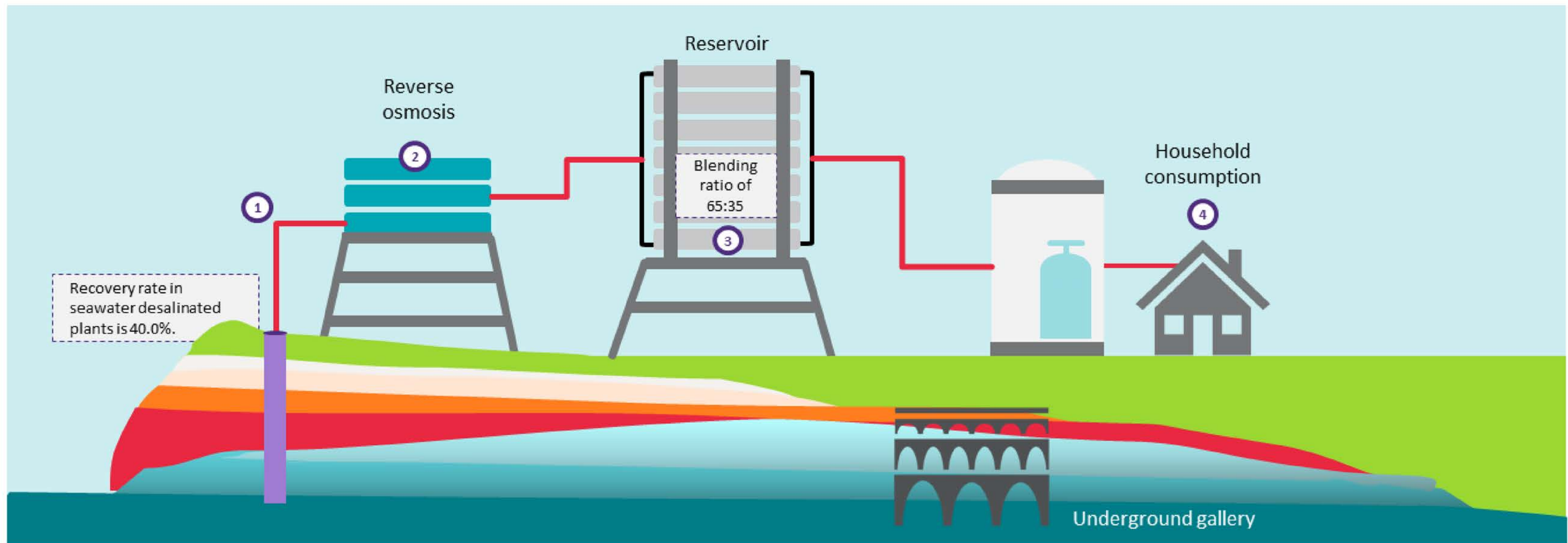
## Legend

-  Water pumping station (ground water)
-  Sewage treatment plant
-  Corporate premises
-  Reverse osmosis plant
-  Tunnel
-  Solar panels
-  'New Water' region





# Water production and distribution process

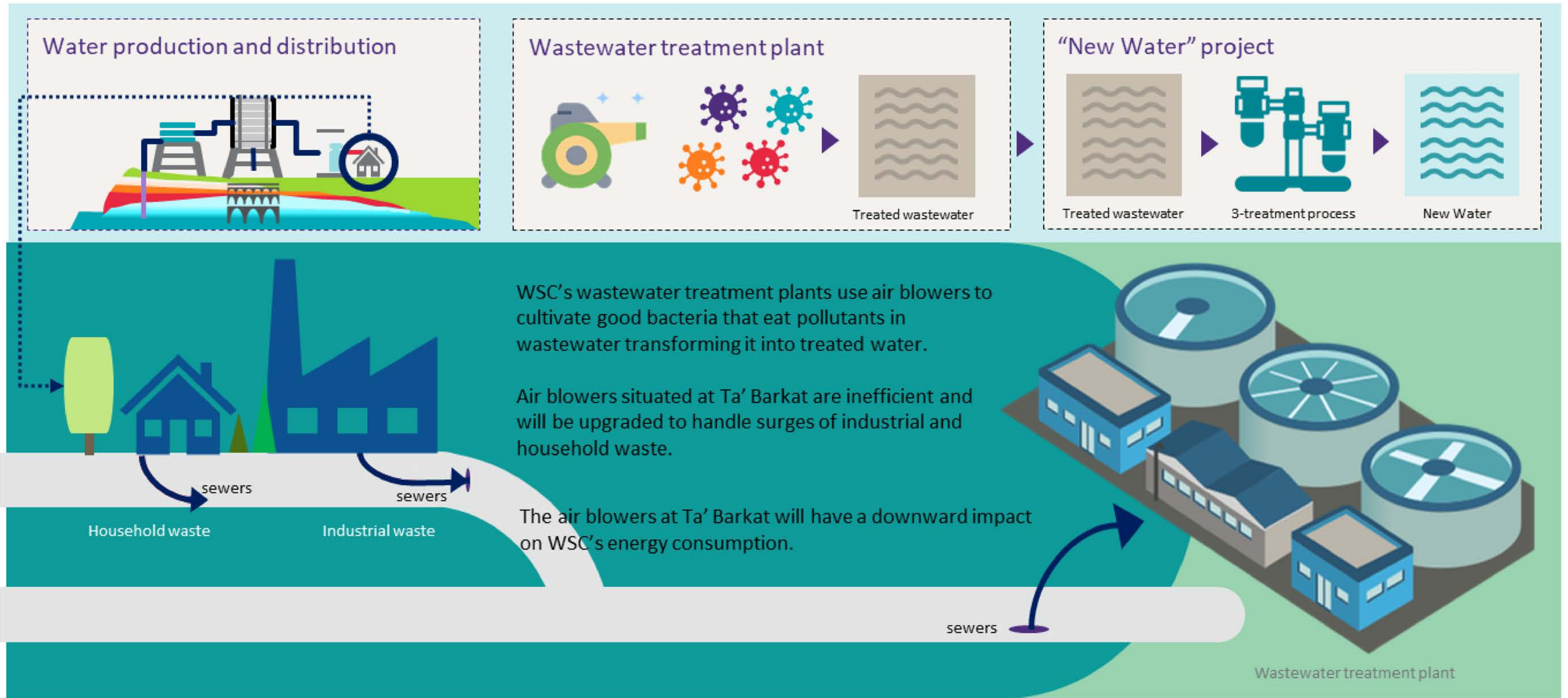


- ① Seawater is abstracted from shoreline boreholes, filtered and processed through RO membranes
- ② Salt is removed by reverse osmosis.

- ③ Blending occurs: Until FY2021, the blending ratio was 40%:60% (i.e. 40% extracted from sea water: 60% extracted from groundwater). As from FY2022 the blending ratio improved to 65:35
- ④ Only 65% of water production is currently being billed; 35% is non-revenue water. This includes real losses and apparent losses.

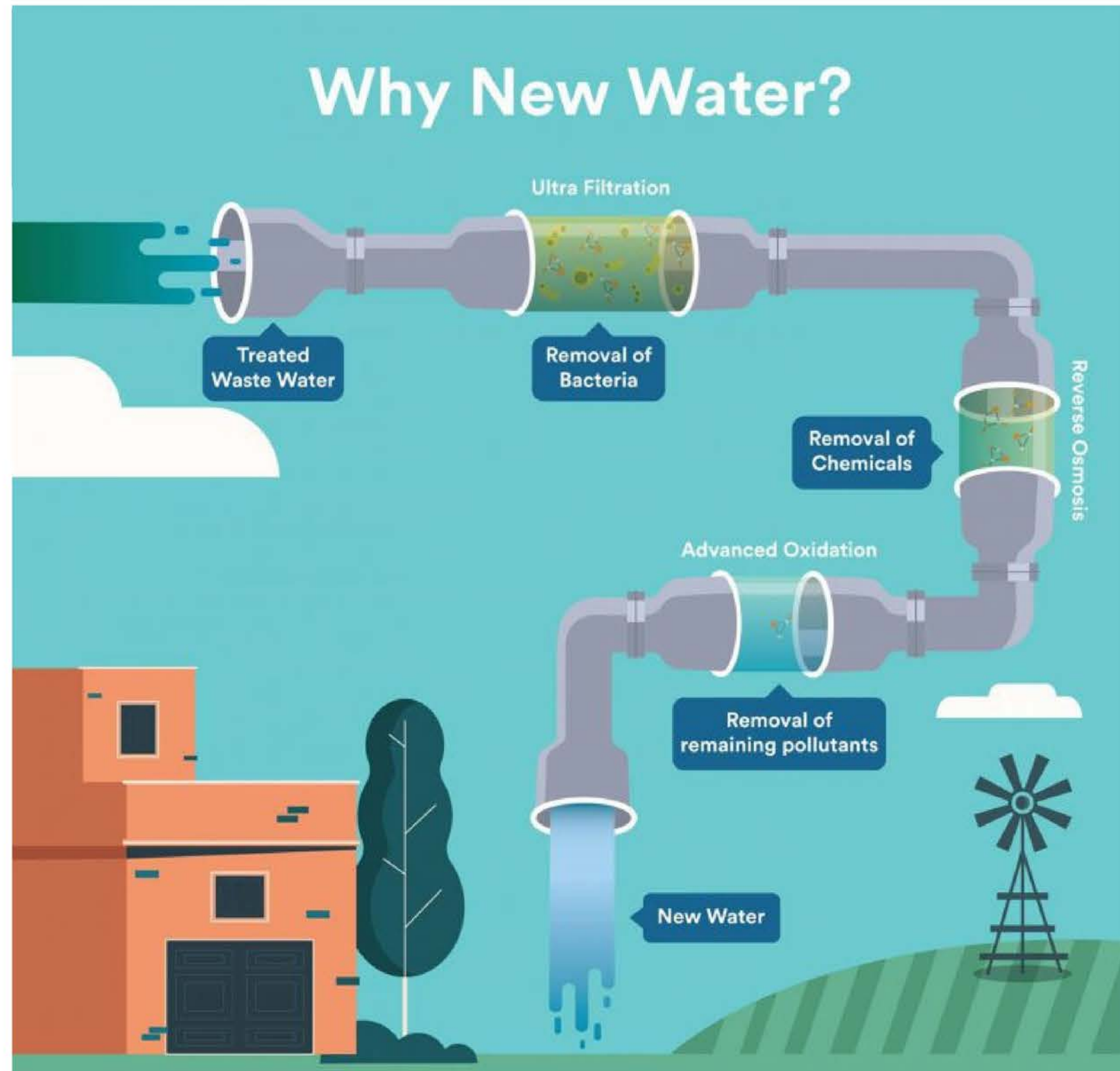


# Treating wastewater with a focus on Ta' Barkat



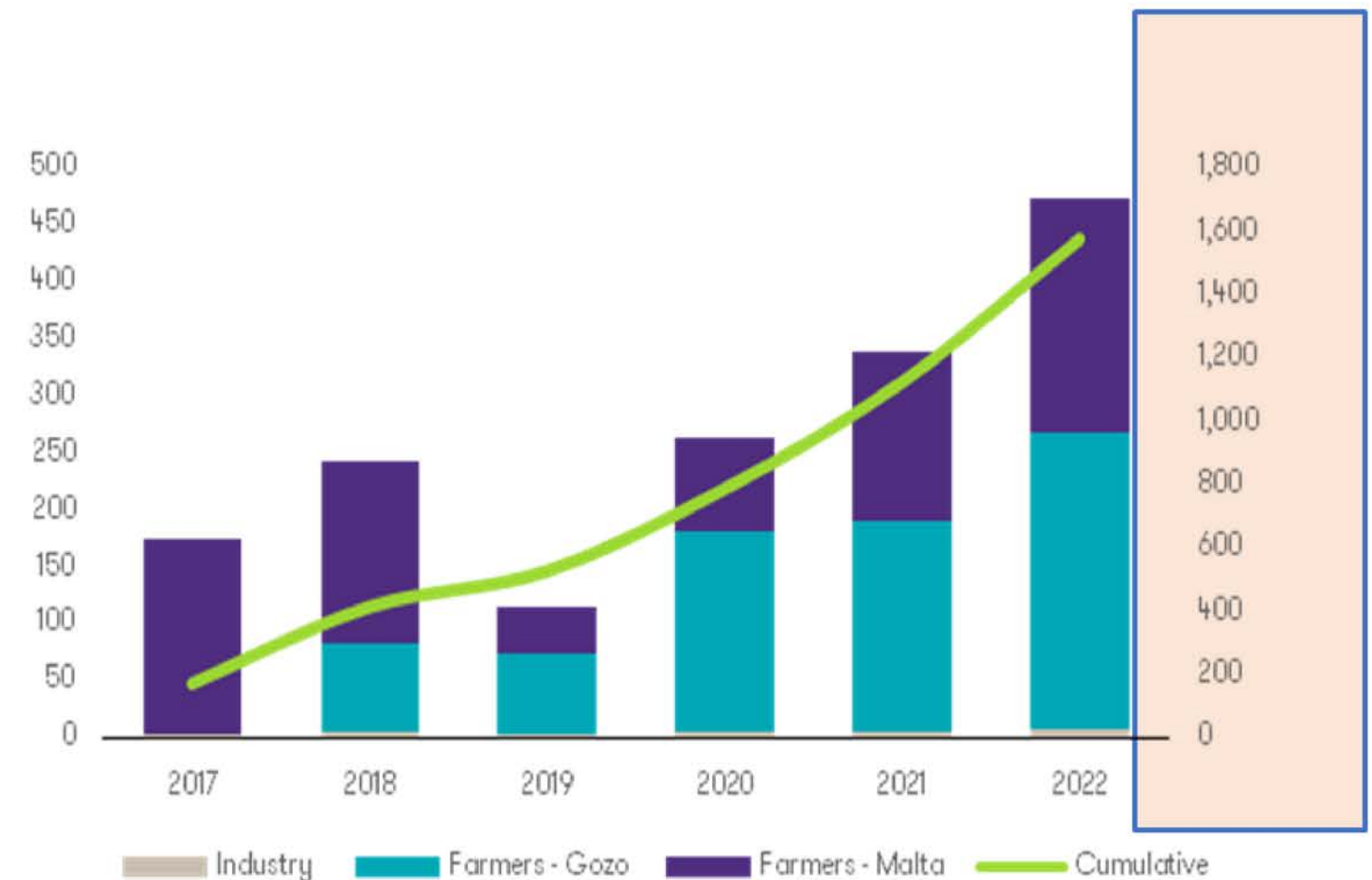


# New Water project



“New Water” is highly polished reclaimed water which can be used for agriculture, industry, landscaping and other applications in lieu of groundwater.

New Water customers (2017-2022)





# Renewable energy generation

## Existing panels in place

2018

Fiddien reservoir – WSC’s first photovoltaic (PV) farm, with a power rating of 1MWp, generating 1.6 million kWh/year.

2021

Qrendi and Ta’Cenc reservoir – WSC launched PV farms at Qrendi with a capacity of 658 kWp and Ta’Cenc reservoirs with a total capacity of 1,287 kWp.

2022

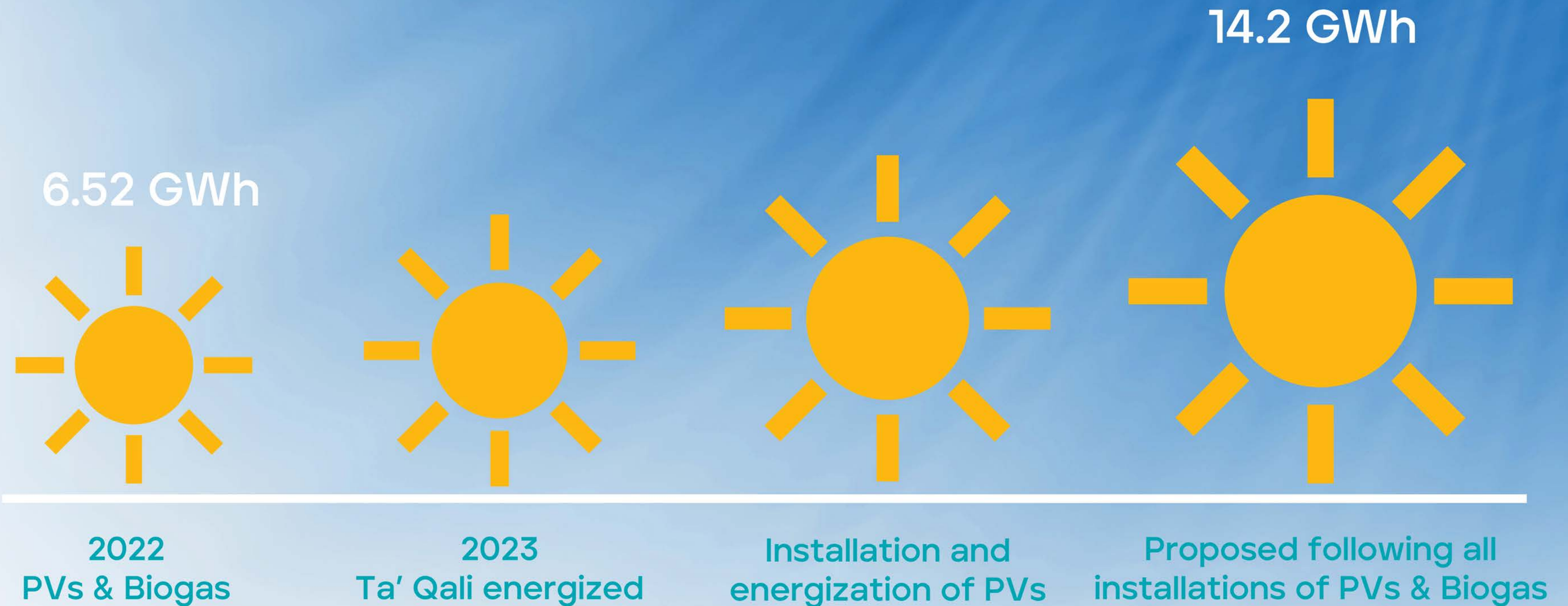
Ta’ Qali Reservoir works commenced on the second half of 2022. A 1MWp PV plant was installed, generating 1.6MWh per year.

2023/  
4

- Naxxar Reservoir (427 kWp)
- Barkat treatment plant (256 kWp)
- Bulebel New Warehouse (228 kWp)
- Cirkewwa Reverse Osmosis plant (214 kWp)
- Luqa Reservoir (470 kWp)
- Luqa HO and lab offices (249 kWp)
- Pembroke RO plant (470 kWp)
- Lapsi RO roofs (413 kWp)



# Mitigating the electricity bill: PV generation





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# In pursuit of quality



using spatially-dispersed and automatically-controlled abstraction

- 1 less water will be abstracted from each borehole
- 2 worn out boreholes are given time to replenish



- 1 lower chloride levels in water blend
- 2 lower chlorine levels in water blend including optimised disinfection techniques

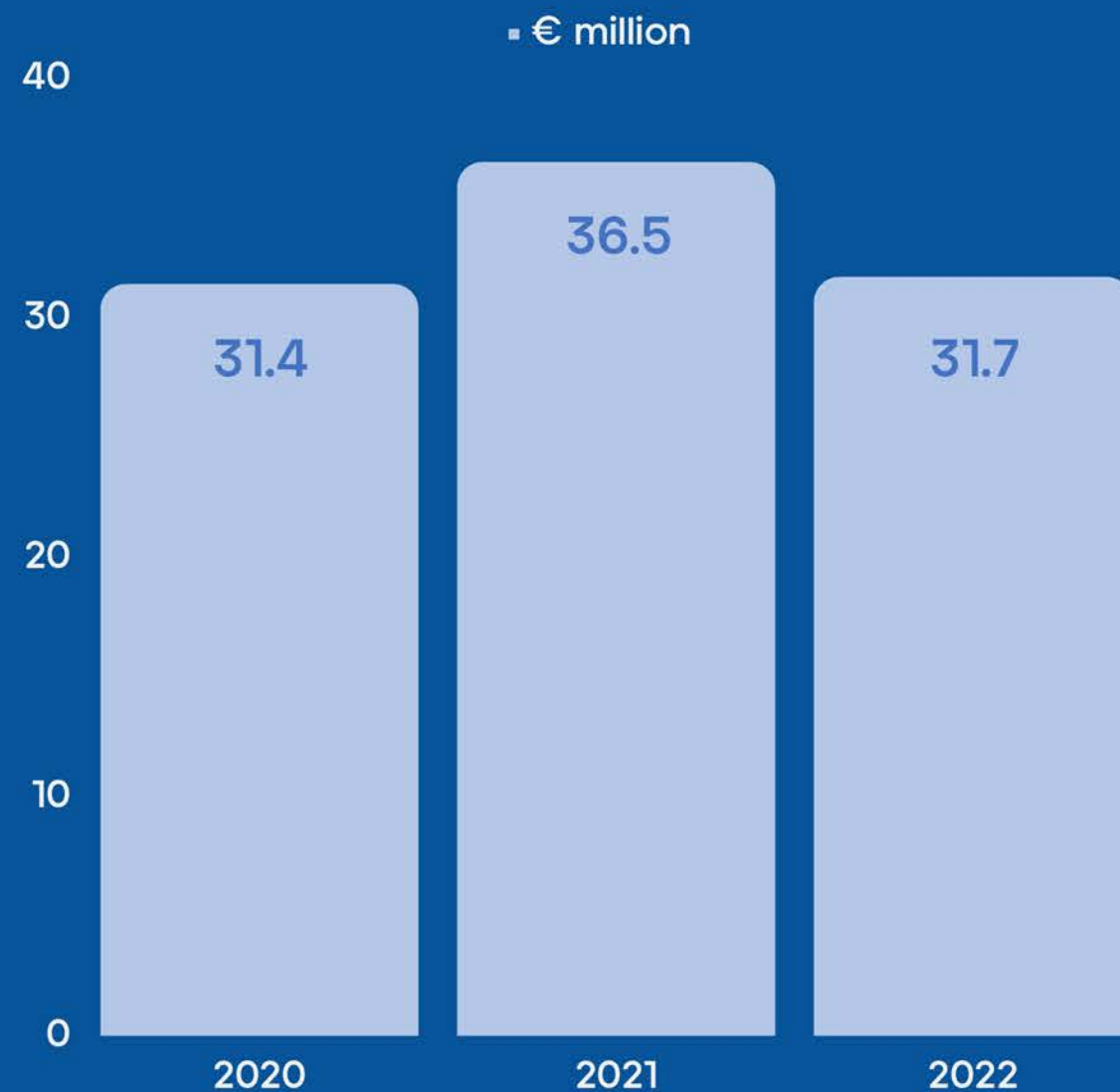


reducing from thirteen quality zones to three:

- 1 Ta'Qali
- 2 Gozo
- 3 Qrendi



# Capital commitment: historic and projected



Over the next 10 years, WSC is committed to spend €319 million for capital expenditures (The National Water Investment Plan), of which €100 million will be EU-funded.



# Non-revenue water targets and strategy

## NRW targets



2017



2022

## NRW strategy



The infrastructure Leakage Index (ILI), which measures Real Losses, is already between 1.7 to 1.8 and is therefore very good when compared to the industry standard of 4.0 and 5.0



WSC's strategy onwards is to focus on achieving the acceptable level on the Apparent Loss Index (ALI), which measures Apparent Losses.



WSC has developed an algorithm to manage billing inefficiencies and part of the proceeds will be used to continue developing this algorithm to mitigate Apparent Losses.



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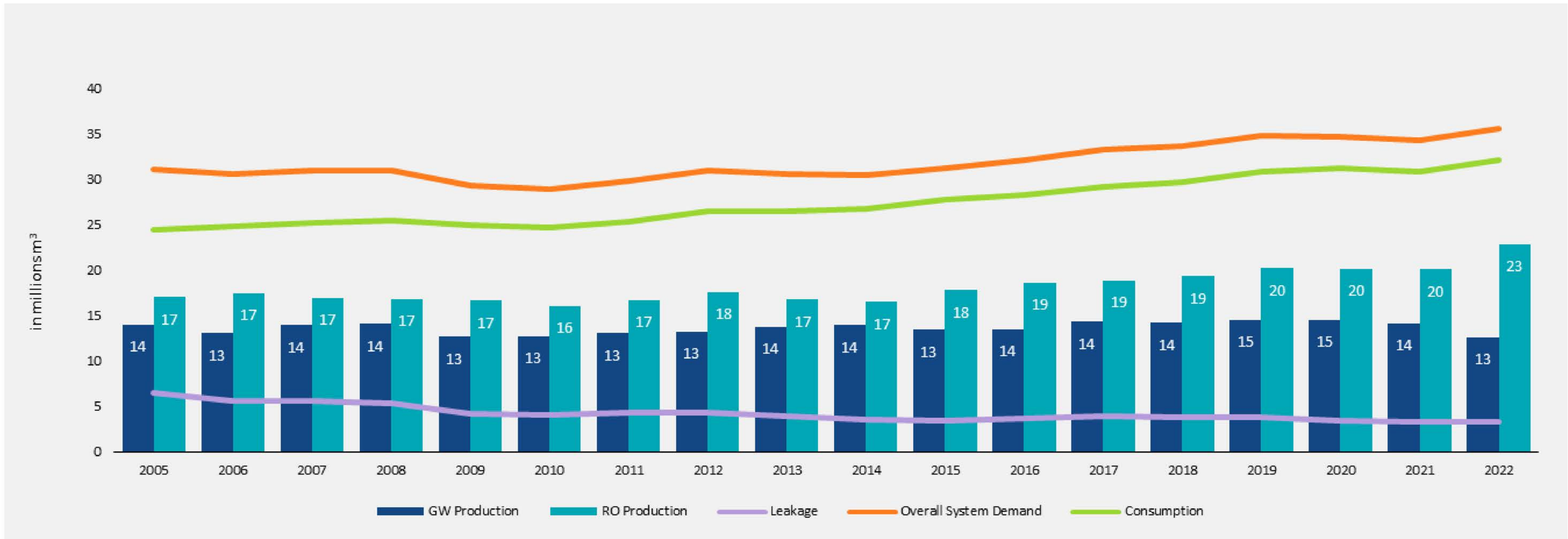
USE OF PROCEEDS





# Historical water demand

Malta water demand

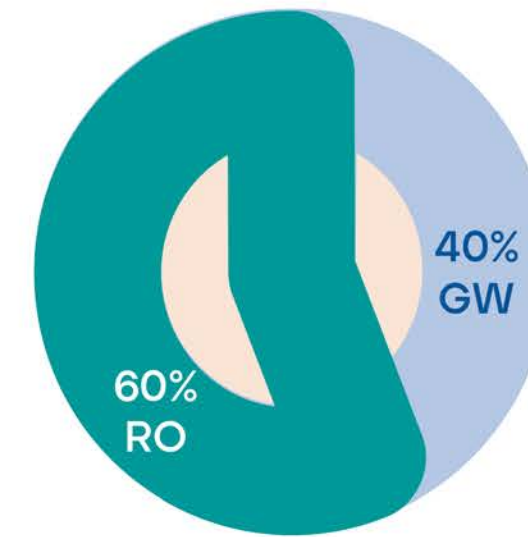
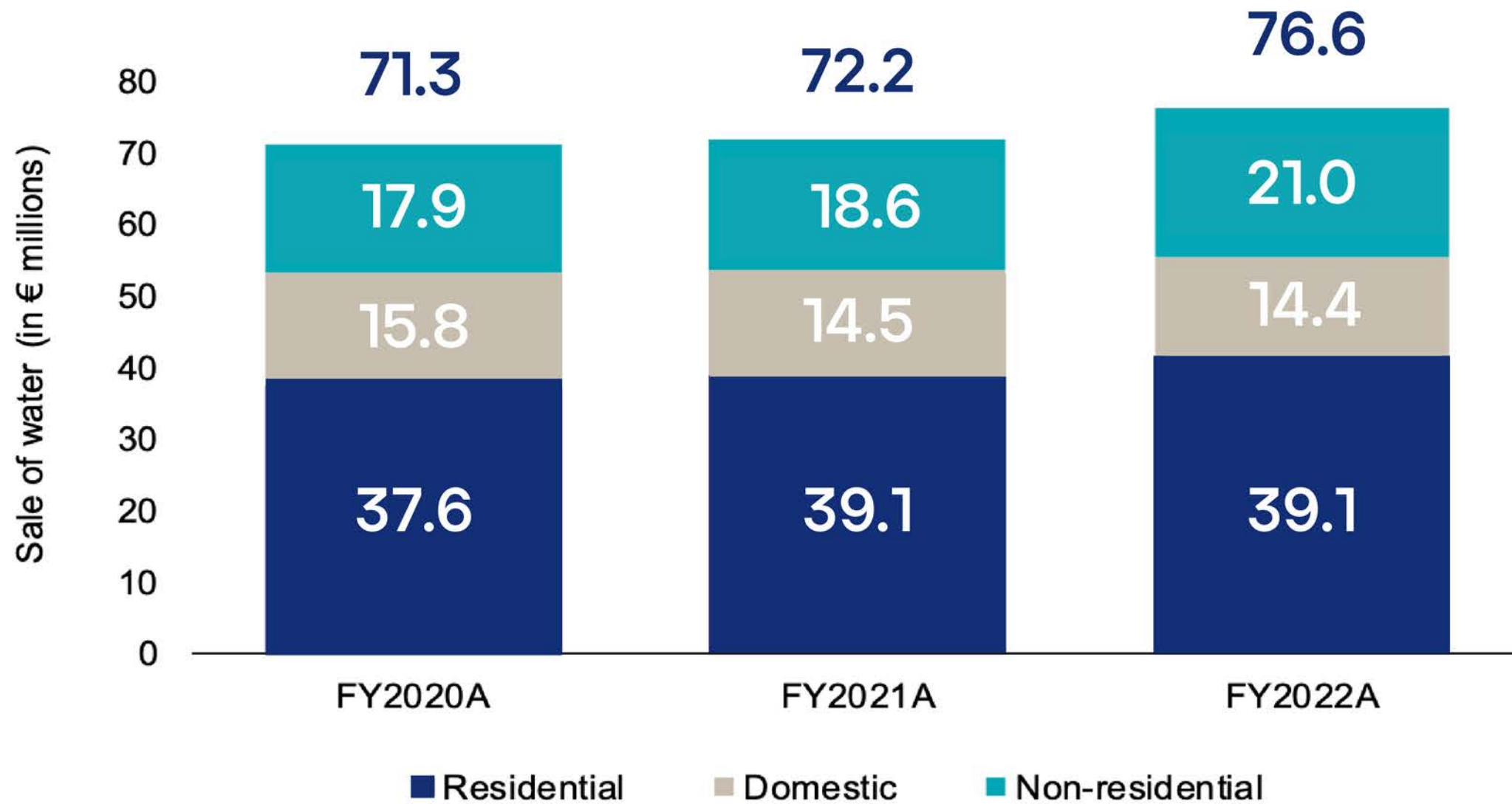


Source: Management information

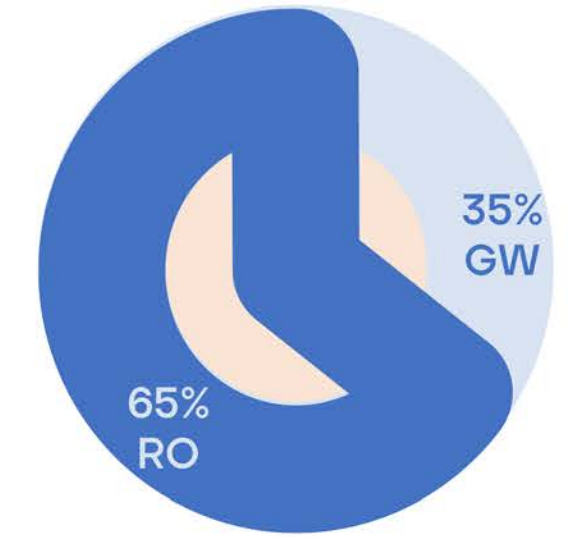


# Historical Breakdown of Revenue

Sale of water analysed by consumer type



Blending ratio until 2021



Blending ratio 2022 onwards



# Other Revenue Components

## Ancillary services

**€4.1 million**

Total ancillary services, related and other revenues in FY2022.

## Government subsidies

Government subsidies represent contributions by the Government towards subsidising the cost of providing wastewater and new water system to the consumer

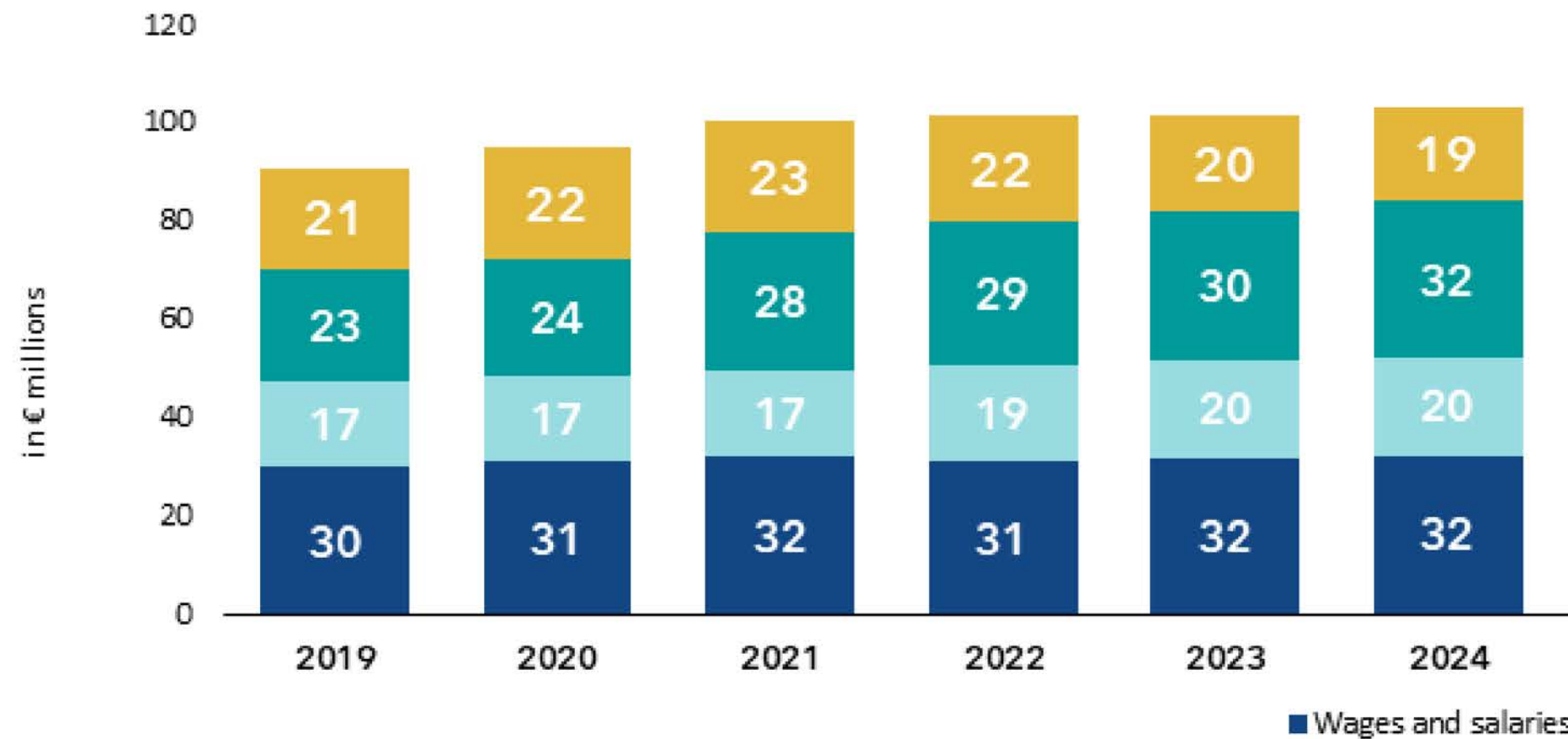
## Deferred income

Deferred income pertains to refunds from the Government and the EU commission for assets bought with Government money and Commission money.



# Key Operating and Administrative Costs

Operating and administrative cost over the projected period



## Wages and salaries



1,030 employees translating into 1.9 million productive hours as at the end of FY2022

## Electricity



Electricity increase in FY2022, following increase in blending ratio.

## Other recurrent costs



Includes operating costs, repairs, maintenance, amortization of bond issue costs (from FY2023 onwards), and other expenses.

## Depreciation



€22.1 million in FY2022.



# Key Indicators

	2020	2021	2022	2023	2024
<b>REVENUE ('000)</b>	106,192	108,178	114,830	114,322	116,116
<b>EBITDA ('000)</b>	33,680	30,413	33,875	31,428	30,959
<b>PROFIT AFTER TAX ('000)</b>	10,882	7,375	11,522	11,055	8,650
<b>EBITDA MARGIN %</b>	44.3	39	41.2	37.6	36.9
<b>TOTAL ASSETS ('000)</b>	441,350	450,529	453,907	478,084	492,447
<b>TOTAL EQUITY ('000)</b>	127,320	134,140	145,233	156,288	164,938
<b>NET CASH ('000)</b>	23,125	15,226	1,551	12,664	12,215
<b>NET GEARING (TIMES)</b>	24.1%	24.5%	24.5%	23.9%	21.4%
<b>NET DEBT / EBITDA</b>	1.2X	1.4X	1.4X	1.6X	1.4X



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# Details on the proposed bond



**€25m**

**Green bond**



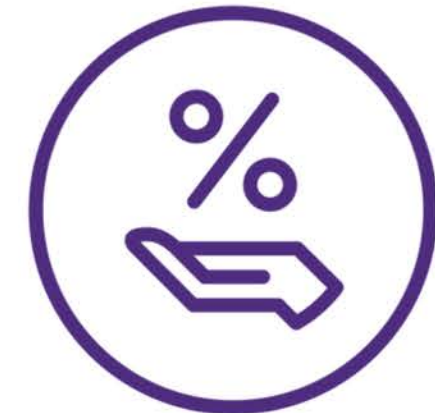
**10yrs**

**Bond term**



**2023**

**Issue date**



**4.25%**

**Bond interest**



# Use of proceeds: Breakdown of funds

€25 million

€1.7 million Investment in a new reverse osmosis (RO) plant in Hondoq: financing or refinancing depending on timing

€6 million Investment in solar farms: new financing

€2.0 million Investment in wastewater treatment aeration (blowers project): new financing

€7.9 million Investment in reducing non-revenue water and improving billing efficiencies: new financing

€7.4 million Investment in water network infrastructure: new financing



# Use of proceeds: Aims of the green bond

These improvements can contribute to a more sustainable and resilient water and wastewater infrastructure for Malta, benefiting both the environment and the community.



## IMPROVED WATER SECURITY

Investment in water and wastewater generation facilities and infrastructure can help ensure a reliable water supply for Malta's residents and businesses.



## ENHANCED WATER QUALITY

Upgrades to the water and wastewater infrastructure, including the implementation of reverse osmosis plants and blowers for wastewater treatment, can lead to improvements in water quality and reduced environmental impact.



## INCREASED RENEWABLE ENERGY GENERATION

Solar farms can help Malta transition to a more sustainable energy mix, reducing its reliance on imported fossil fuels and lowering greenhouse gas emissions.



## REDUCED NON-REVENUE WATER

Efforts to improve operational efficiencies and non-revenue water can improve the financial sustainability of the water sector and reduce the environmental impact associated with wasted water.



## CONTRIBUTIONS TO THE SDGS:

The projects can help Malta achieve several of the Sustainable Development Goals, including SDG 6 (Clean Water and Sanitation), SDG 7 (Affordable and Clean Energy), SDG 9 (Industry, Innovation and Infrastructure), SDG 11 (Sustainable Cities and Communities), SDG 12 (Responsible Consumption and Production), and SDG 13 (Climate Action).



# Key Risks

- Risks relative to changes in laws and regulations and new industry standards and practices
  - The water industry and the Group's businesses are subject to extensive and increasingly stringent environmental protection, public health and safety and other relevant legal and regulatory obligations and controls, and the Guarantor and the other companies within the Group as a whole must comply with all applicable laws, regulations and regulatory standards, both at national level and also at EU level, which are applicable to their respective business and operations. These relate inter alia to drinking water quality, water table contamination, water discharges, wastewater treatment, treatment of sludge and waste in general, long-term monitoring of landfills, air emissions quality, compliance of equipment and chemical products, and greenhouse gas emissions, data privacy and information protection.
- Risks relating to price controls
  - In terms of the Water Services Corporation Act (Cap. 355 of the Laws of Malta), the prices to be charged by the Guarantor for any service or facility provided by it under the Act shall be in accordance with such tariffs as may, from time to time, be prescribed by the Guarantor following the written approval by the Regulator for Energy and Water Services set up under the Regulator for Energy and Water Services Act (Cap. 545 of the Laws of Malta).
  - There is therefore no assurance that future price controls and price reductions will permit the generation of sufficient revenues to enable the Guarantor to carry out its functions, to carry out its business profitably, to meet planned capital expenditure for maintenance and innovation of plant, equipment, infrastructure, systems and technology, for meeting all its operational and other expenses and for meeting all its obligations and liabilities, including the full and timely payment of amounts due in respect of the Bonds.
- Risks relating to price increases of energy and other commodities
  - The Group's, and in particular the Guarantor's, activities relating to production, treatment and distribution of water, both potable water and wastewater, use energy and commodities, including chemicals to varying degrees, and thus such activities are exposed to any fluctuations in their prices. This risk is increased further due to the fact that reverse osmosis desalinated water, which is substantially more energy intensive than groundwater abstraction, is being used at a higher ration in water blending to achieve the desired levels of water quality. The Guarantor has been and continues to be active in addressing and mitigating these risks by investing in new infrastructure and by upgrading its existing infrastructure to make it more energy efficient.





# Thank you Questions