# FINANCIAL ANALYSIS SUMMARY

22 June 2023

ISSUER

## DIZZ FINANCE P.L.C.

(C 71189)

GUARANTOR

## DIZZ GROUP OF COMPANIES LIMITED

(C 64435)

*Prepared by:*

MZ INVESTMENTS

The Board of Directors
Dizz Finance p.l.c.
Dizz Buildings
Triq il-Harruba
Santa Venera
Malta

22 June 2023

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 ("**Analysis**") set out in 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 Dizz Finance p.l.c. (the "**Issuer**" or "**Company**") and Dizz Group of Companies Limited (the "**Guarantor**" or "**Dizz Group**" or "**Group**"). The data is derived from various sources or is based on our own computations as follows:

(a) Historical financial data for the most recent three financial years ended 31 December 2020, 31 December 2021, and 31 December 2022 has been extracted from the audited financial statements of the Issuer and the audited consolidated financial statements of the Guarantor.

(b) The forecast information of the Issuer and Guarantor for the current financial year ending 31 December 2023 has been provided by the Group.

(c) Our commentary on the financial performance, cash flows, and financial position of the Issuer and the Guarantor is based on the 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.

This Analysis is meant to assist investors in the Company's securities and potential investors by summarising the more important financial data of the Dizz Group. This Analysis does not contain all data that is relevant to investors or potential investors. Moreover, this Analysis does not constitute an endorsement by our firm of any securities of the Company and should not be interpreted as a recommendation to invest or not invest in any of the Company'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 Company's securities.

Yours faithfully,

**Evan Mohnani**
Head Corporate Finance Services

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# PART 1 – INFORMATION ABOUT THE ISSUER AND GUARANTOR

## 1. KEY ACTIVITIES

### 1.1 THE ISSUER

Dizz Finance p.l.c. (the "**Issuer**" or "**Company**") was established on 24 June 2015 and is a wholly owned subsidiary of Dizz Group of Companies Limited (the "**Guarantor**", "**Group**" or "**Dizz Group**").

The Issuer acts as a finance company and is principally involved in raising funds and lending same to Dizz Group companies. Furthermore, the Issuer owns and manages a portfolio of properties in Malta either for use by the Dizz Group or for rental to third parties. The Issuer's property portfolio includes both residential properties mainly situated in upmarket localities and retail properties.

### 1.2 THE GUARANTOR

The Guarantor was incorporated as a private limited liability company on 28 March 2014 and is the holding company of the Group. The Dizz Group is principally involved in the sale of fashion-related items and food & beverages in Malta and operates the following key brands: Max & Co, Elisabetta Franchi, Liu Jo, Boggi, Guess, Paul & Shark, Harmont & Blaine, Terranova, Calliope, KIKO, Nespresso, Caffe' Pascucci, Salad Box and TheCorner.com.

The Group acquired Dizz Franchises Limited (C 72974) from its ultimate beneficial owners with effect on 1 July 2022. Pursuant to the said transaction, the Guarantor operates the KIKO brand through 3 stores and 2 stands in Malta.

The weekly average number of employees directly engaged with the companies forming part of the Dizz Group during FY2022 amounted to 234 persons (FY2021: 208).

The Group is also involved in acquiring and/or leasing property and sub-leasing such property to companies within the Group or to third parties.

Dizz Group has three subsidiaries whose primary objective is to raise finance for the Group, namely the Issuer, D Shopping Malls Finance p.l.c. and D Foods Finance p.l.c. The Issuer issued €8 million 5% Unsecured Bonds on 28 September 2016, repayable at par on 7 October 2026, whilst D Shopping Malls Finance p.l.c. issued €7.5 million 5.35% Unsecured Bonds on 1 October 2018 on Prospects MTF, repayable at par on 28 October 2028. D Foods Finance p.l.c. issued €3 million 3% Secured Convertible Notes 2030 on 3 August 2020. The secured notes form part of a €10 million notes programme in terms of a base prospectus dated 21 July 2020 and are listed on the Institutional Financial Securities Market (IFSM).

During 2023, the Group repurchased and cancelled €624,900 5.35% D Shopping Malls Finance p.l.c. Unsecured Bonds 2028.

# 2. DIRECTORS AND KEY EMPLOYEES

## 2.1 DIRECTORS AND COMPANY SECRETARY OF THE ISSUER

The Issuer is managed by a Board consisting of six directors entrusted with the overall direction and management of the Company.

| | |
|---|---|
| Diane Izzo | Chairperson and Executive Director |
| Karl Izzo | Executive Director |
| Edwin Pisani | Executive Director |
| Nigel Scerri | Independent Non-Executive Director |
| Kevin Deguara | Independent Non-Executive Director |
| Joseph C. Schembri | Independent Non-Executive Director |
| Kenneth Abela | Company Secretary |

The Executive Directors of the Issuer are entrusted with the company's day-to-day management and are also directors of other companies within the Group. The Executive Directors are supported in this role by several consultants and benefit from the know-how gained by members and officers of the Dizz Group.

## 2.2 DIRECTORS OF THE GUARANTOR

The Guarantor is managed by a Board of Directors entrusted with its overall direction and management, and is composed as follows:

| | |
|---|---|
| Diane Izzo | Group Chairperson and CEO |
| Karl Izzo | Executive Director |

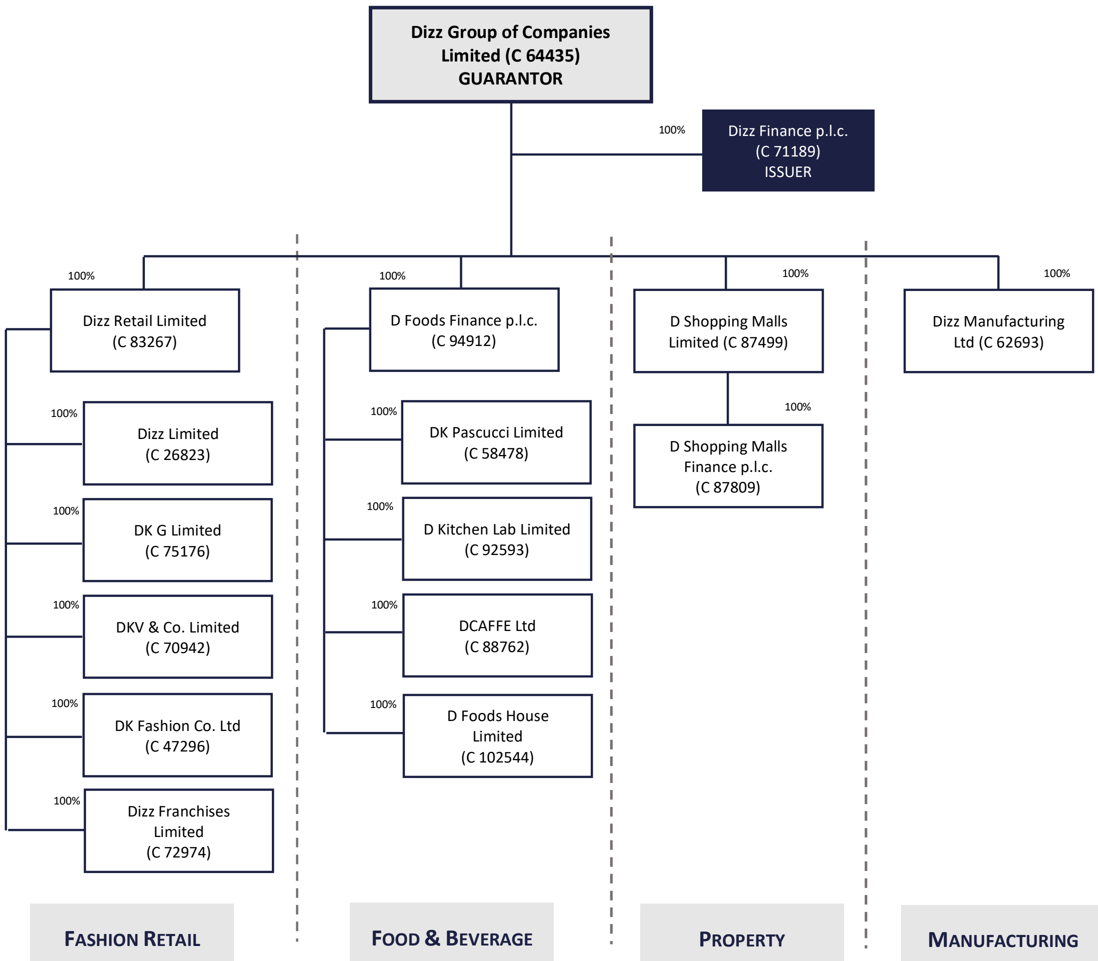
## 2.3 SENIOR MANAGEMENT

In the day-to-day operations of the Group, the Executive Directors are supported by the senior management team composed of the following individuals:

| | |
|---|---|
| Kenneth Abela | Group Chief Financial Officer |
| Denise Bonello | Chief Operations Manager |
| Edwin Pisani | General Manager |
| Philip George Galea | Marketing and Development Manager |

## 3. ORGANISATIONAL STRUCTURE

The issued share capital of Dizz Group amounts to €8,934,562 and is composed of 8,934,562 ordinary shares of a nominal value of €1 per share, fully paid up (FY2021: €7,719,192). The shares are owned equally by Diane Izzo and Karl Izzo. The diagram hereunder illustrates the latest organisational structure of the Group:




The Group acquired Dizz Franchises Limited (C 72974) from its ultimate beneficial owners with effect on 1 July 2022. The said company is the franchise license holder of the KIKO Brand and presently operates 3 stores and 2 stands in Malta (Valletta, D Mall Sliema, PAMA Mosta [stand], Center Parc Qormi [stand] and Bay Street Complex St Julians). The consideration for the said acquisition amounted to €3.0 million and was settled by way of an issue of shares by the Guarantor to the ultimate beneficial owners as to €1.25 million and the balance of €1.75 million was offset against trade receivables.

DK G Limited is currently owned by the Guarantor. The process has commenced to transfer DK G Limited from the Guarantor to Dizz Retail Limited. In this regard, the above organigram reflects the position after the said transfer is finalised.

## 4. MAJOR ASSETS OWNED BY THE GROUP

The Dizz Group is the owner of a number of properties which are included in the consolidated statement of financial position under the headings: 'property, plant & equipment' and 'investment property'. The following is a list of major assets owned by the Dizz Group.

| **Dizz Group of Companies Limited**<br>**Group Assets** | **Ownership** | **Lessee** | **FY2020** | **FY2021** | **FY2022** |
|---|---|---|---|---|---|
| | | | **€'000** | **€'000** | **€'000** |
| Store in Carob Street, St Venera | Issuer | Dizz Group companies | 254 | 254 | **255** |
| Terranova Outlet, Kap. Mifsud Str., St Venera | Issuer | Dizz Group companies | 650 | 650 | **650** |
| Head Office in Carob Street, St Venera | Issuer | Dizz Group companies | 275 | 275 | **275** |
| Apartment Compass Rose, Pieta | Issuer | Third parties | 231 | 231 | **231** |
| Apt 2, Church Street, St Julians | Issuer | Third parties | 450 | 450 | **450** |
| Apt in Savoy Gardens, Gzira | Issuer | Third parties | 260 | 260 | **260** |
| Apt in Corner View, Swieqi | Issuer | Third parties | 400 | | |
| Aquarius', maisonette & garage in Swieqi | Issuer | Third parties | 375 | 375 | **375** |
| Apt 3, Platinum Mansions, Triq Nazju Ellul, Msida | Issuer | Third parties | | | **281** |
| Caffe Pascucci, Gzira Road, Gzira | Issuer | Dizz Group companies | 890 | 890 | **890** |
| Apartment Portomaso, St Julians | Issuer | Third parties | | 396 | |
| Apt 13, Waterside Apts, Ix-Xatt ta' Qui Si Sana | D Shopping Malls Ltd | Third parties | 1,304 | 1,304 | **1,304** |
| Laguna Apartment, Portomaso, St Julians | D Shopping Malls Ltd | Third parties | 2,200 | 2,200 | |
| Apt 6, Byron Court, Ix-Xatt ta' Qui Si Sana | D Shopping Malls Ltd | Third parties | 946 | 946 | **946** |
| The Hub-Land, Mriehel (under development) | Dizz Manufacturing Ltd | n/a | 5,586 | 6,272 | **16,142** |
| | | | **13,821** | **14,503** | **22,059** |

*Source: Consolidated audited financial statements of Dizz Group of Companies Limited.*

In the last financial year (FY2022):

- the Issuer disposed of an apartment situated in Portomaso, St Julians for the amount of €0.53 million and acquired an apartment in Msida for the consideration of €0.28 million;
- D Shopping Malls Ltd sold the Laguna Apartment in Portomaso, St Julians for the consideration of €2.3 million; and
- the carrying value of The Hub-Land, Mriehel was revalued by €9.9 million.

## 5. OVERVIEW OF FASHION RETAIL STORES AND FOOD & BEVERAGE OUTLETS

The Group presently operates, through a number of franchises, the following fashion retail stores and food & beverage outlets.

**FASHION RETAIL STORES**

| | Company | Brand | Location | Owned/Leased | Status - FY2021 | Status - FY2022 |
|---|---|---|---|---|---|---|
| 1 | DK Fashion Co. Limited | Liu Jo | Valletta | Leased | Open | Open |
| 2 | DK Fashion Co. Limited | Liu Jo | Tigne Point, Sliema | Leased | Open | Open |
| 3 | DK Fashion Co. Limited | Liu Jo | Centerparc, Qormi | Leased | Open *(end of 2021)* | Open |
| 4 | DK Fashion Co. Limited | Boggi | D Mall, Sliema | Leased | Open | Open |
| 5 | DK Fashion Co. Limited | Max & Co | D Mall, Sliema | Leased | Open | Open |
| 6 | DK Fashion Co. Limited | TheCorner.com | St Julians | Leased | Open | Open |
| 7 | Dizz Limited | Terranova | Bay Street Complex | Leased | Open | Open |
| 8 | Dizz Limited | Terranova | Tigne Point, Sliema | Leased | Open | Open |
| 9 | Dizz Limited | Terranova | Iklin | Leased | Open | Open |
| 10 | Dizz Limited | Terranova | Centerparc, Qormi | Leased | Open | Open |
| 11 | Dizz Limited | Terranova | Fgura | Leased | Open | Open |
| 12 | Dizz Limited | Calliope | D Mall, Sliema | Leased | Open *(end of 2021)* | Open |
| 13 | Dizz Limited | Calliope | Bay Street Complex | Leased | Open | Open |
| 14 | Dizz Limited | Calliope | Centerparc, Qormi | Leased | - | Open |
| 15 | DK G Limited | Guess | Tigne Point, Sliema | Leased | Open | Open |
| 16 | DK G Limited | Guess | Bay Street Complex | Leased | Open | Open |
| 17 | DK G Limited | Guess | Centerparc, Qormi | Leased | Open | Open |
| 18 | DK G Limited | Guess Kids | Tigne Point, Sliema | Leased | Open | Open |
| 19 | DK G Limited | Guess | Valletta | Leased | Open | Open |
| 20 | DKV & Co. Limited | Paul & Shark | D Mall, Sliema | Leased | Open | Open |
| 21 | DKV & Co. Limited | Harmont & Blaine | Bay Street Complex | Leased | Open *(July 2021)* | Open |
| 22 | DKV & Co. Limited | Harmont & Blaine | Tigne Point, Sliema | Leased | Open | Open |
| 23 | DKV & Co. Limited | Elisabetta Franchi | Sliema | Leased | Open | Open |
| 24 | Various | D Outlet | St Venera | Owned by Issuer | Open | Open |
| 25 | Dizz Franchises Limited | KIKO | Valletta | Leased | - | Open |
| 26 | Dizz Franchises Limited | KIKO | PAMA, Mosta | Leased | - | Open |
| 27 | Dizz Franchises Limited | KIKO | D Mall, Sliema | Leased | - | Open |
| 28 | Dizz Franchises Limited | KIKO | Bay Street Complex | Leased | - | Open |
| 29 | Dizz Franchises Limited | KIKO | Centerparc, Qormi | Leased | - | Open |

**FOOD & BEVERAGE OUTLETS**

| | Company | Brand | Location | Owned/Leased | Status - FY2021 | Status - FY2022 |
|---|---|---|---|---|---|---|
| 1 | DK Pascucci Limited | Caffé Pascucci | St Venera | Leased | Open | Open |
| 2 | DK Pascucci Limited | Caffé Pascucci | Paceville | Leased | Open | Open |
| 3 | DK Pascucci Limited | Caffé Pascucci | Bay Street Complex | Leased | Open | Open |
| 4 | DK Pascucci Limited | Caffé Pascucci | Centerparc, Qormi | Leased | Open | Open |
| 5 | DK Pascucci Limited | Caffé Pascucci | D Mall, Sliema | Leased | Open | Open |
| 6 | DK Pascucci Limited | Caffé Pascucci | Gzira | Owned by Issuer | Open | Open |
| 7 | DK Pascucci Limited | Salad Box | D Mall, Sliema | Leased | Open | Open |
| 8 | DCAFFE Ltd | Nespresso | Gozo | Leased | - | Open |
| 9 | DCAFFE Ltd | Nespresso | D Mall, Sliema | Leased | Open | Open |
| 10 | DCAFFE Ltd | Nespresso | Mriehel | Leased | Open | Open |
| 11 | DCAFFE Ltd | Nespresso | PAMA, Mosta | Leased | Open | Open |
| 12 | DCAFFE Ltd | Nespresso | Centerparc, Qormi | Leased | Open | Open |

## 6. KEY FINANCIAL INFORMATION – THE GROUP

The Group is principally involved in fashion retail, food and beverage and property. A divisional analysis of the Group's business is provided below:

| Dizz Group Divisional Analysis | FY2020 Actual | FY2021 Actual | FY2022 Actual | FY2023 Forecast |
|---|---|---|---|---|
| **Turnover (€'000)** | **13,534** | **18,894** | **21,408** | **25,930** |
| Fashion retail | 9,989 | 14,114 | 15,776 | 20,245 |
| Food & beverage | 2,924 | 4,063 | 4,871 | 5,135 |
| Rental income | 621 | 717 | 761 | 550 |
| *Fashion retail* | *73.81%* | *74.70%* | *73.69%* | *78.08%* |
| *Food & beverage* | *21.60%* | *21.50%* | *22.75%* | *19.80%* |
| *Rental income* | *4.59%* | *3.79%* | *3.56%* | *2.12%* |
| **Gross Operating Profit (€'000)** | **4,673** | **8,406** | **9,982** | **13,652** |
| **Gross Operating Profit Margin (%)** | **34.53%** | **44.49%** | **46.62%** | **52.65%** |

*Source: Management information.*

Revenue generated by the Group in FY2022 amounted to €21.4 million, an increase of €2.5 million (+13%) compared to the prior year (FY2021: €18.9 million). In the initial months of the year, business was still recovering from the pandemic. In addition, inflationary pressures and the local general election had an adverse impact on the Group's performance. The situation in the second half of the year was considerably better and partly mitigated the slow start to the year.

As can be observed in the above table, revenue in FY2022 from fashion retail improved by 12% year-on-year to €15.8 million, mainly on account of the outlets opened at the end of 2021 and the inclusion of the KIKO stores and stands in the second half of the year.

Revenue generated from the food & beverage division increased by 20% from €4.1 million in FY2021 to €4.9 million in FY2022 mainly on account of the ongoing economic recovery post-pandemic.

Rental income in FY2022 amounted to €0.76 million compared to €0.72 million in the prior year. In the last financial year, *circa* 78% of rental income was derived from leases of retail space at Center Parc and D Mall.

Gross operating profit generated by the Group in FY2022 amounted to €9.98 million, an increase of €1.57 million (+19%) from the previous financial year. The increase in operating profit is reflective of the Group's strategy to improve profitability and the acquisition of KIKO stores/stands. As a result, the Group's gross operating profit margin has also improved from 44% in FY2021 to 47% in FY2022.

Revenue in the projected year **FY2023** is expected to amount to €25.93 million, an increase of €4.52 million (+21%) from FY2022. The fashion retail segment of the Group is expected to deliver €4.47 million (or 78%) of said increase, while €0.26 million (or 24%) is expected from the food & beverage segment. The year-on-year increase of 28% in fashion retail is reflective of the Group's expectation of an upturn in retail business generally, the addition of four new stores and a full year operation of the KIKO brand. Also, actions taken by management in the prior two years to re-brand non-performing stores should further improve turnover.

Rental income is projected to decrease from €761,000 in FY2022 to €550,000 in FY2023 following the sale of properties.

In the forecast year, the Group expects to increase its gross operating profit margin by 6 percentage points to 53% (FY2022: 47%). As such, the gross operating profit for FY2023 is estimated to amount to €13.65 million compared to €9.98 million in the previous year (+€3.67 million or +37% year-on-year).

## 7. THE HUB

The Group is presently in the final stages of developing a site having a footprint of *circa* 1,245m$^2$ with frontage on Triq L-Industrija, Mriehel (referred to as the "Hub" or the "Hub Project"). The Hub Project will consist of five floors of commercial and office space and two basement levels of underground parking. Development works are expected to be completed in 2023.

On completion, the Group intends to lease or sell a major part of the premises to third parties.

## 8. D MALL

D Shopping Malls Limited has leased from Sliema Wanderers Football Club an area measuring 2,861m$^2$ situated in the Sliema Wanderers Sports Complex, Tigne Complex, Sliema for the purposes of developing and subleasing D Malls, a commercial centre. In FY2021, the company entered into an addendum with its lessor, whereby higher prepayments will become payable between FY2021 and FY2024 in exchange for a 50% reduction in annual rent as from FY2025. In addition, the lease term has been extended for a further period of 15 years.

The property is being leased for a 15-year period as from date of official opening, of which the first 7 years are *di fermo*, whilst the remaining 8 years are *di rispetto* at the option of the lessee. The lease period can be extended further for three consecutive 15-year periods at the exclusive discretion of the lessee. The project was inaugurated on 21 November 2020 and is currently fully leased, except for space on level -1 which is used by the Group as storage.

## 9. CENTER PARC

On 1 September 2017, Dizz Limited and Center Parc Holdings Limited, entered into an agreement to lease *circa* 2,581m$^2$ of commercial space situated at third level (ground floor) of Center Parc Retail Hub, Triq it-Tigrija, Qormi, Malta. The property is leased for a period of 15 years of which the first 4 years are *di fermo*, whilst the remaining 11 years are *di rispetto* at the option of the lessee, subject to a six-month notification period. If the lessee fails to inform the lessor twelve months prior to the expiration of the *di fermo* period, the lease is automatically extended for the next 11 years. Dizz Limited assigned the lease agreement to D Shopping Malls Limited.

The property was leased in shell form, with all other works and improvements carried out by the lessee and completed in October 2019. D Shopping Malls Limited has sub-leased 1,486m$^2$ (equivalent to 50% of the total retail space within Center Parc) to Dizz Limited to operate a Terranova outlet as well as a Calliope outlet situated opposite the main entrance of the shopping mall. In addition, four outlets have been sub-leased to related parties, while three other outlets have been sub-leased to third parties (9 outlets in aggregate).

## 10. MARKET OVERVIEW

### 10.1 ECONOMIC UPDATE[1]

The Maltese economy grew strongly by 6.9% in 2022, driven by domestic demand and export of services, benefiting from the further recovery in tourism. Growth is forecast to moderate to 3.9% in 2023, as high inflation affects household disposable incomes and consumption. GDP[2] growth is then set to reach 4.1% in 2024, supported by continuing net migration flows. Sizeable government measures helped to keep energy prices unchanged in Malta. They are expected to remain in place also in 2023 and 2024. As a result, the general government deficit stood at 5.8% in 2022, among the highest in the EU. It is expected to gradually decrease in 2023 and 2024. In consequence of robust GDP growth, public debt is forecast to remain below 60% of GDP.

Supported by strong growth in private consumption and investment, real GDP growth reached 6.9% in 2022. Growth also benefited from the strong performance of the services sectors in general. Tourism in 2022 rebounded quickly and above earlier expectations, both in terms of total number of visitors and tourism expenditures. The growth impact of a marked jump in gross fixed capital formation, related to a large one-off equipment purchase operation, was compensated by a strong increase in imports, resulting in a negative contribution of net exports.

In 2023, real GDP is forecast to grow at a slower pace, by 3.9%, as high inflation limits private consumption and the positive impulse from tourism, following the post-pandemic re-opening, moderates. In 2024, real GDP growth is expected to pick up to 4.1%.

Malta maintains a high pace of employment growth. Employment increased by an impressive 6.0% in 2022. Demand for labour increased across various sectors of the economy, both public and private, and was especially strong in tourism and administrative services. The labour force is set to continue growing at a robust pace in 2023 and 2024 in line with population growth as the country continued to

[1] Economic Forecast – Spring 2023 (European Commission Institutional Paper 200 May '23).

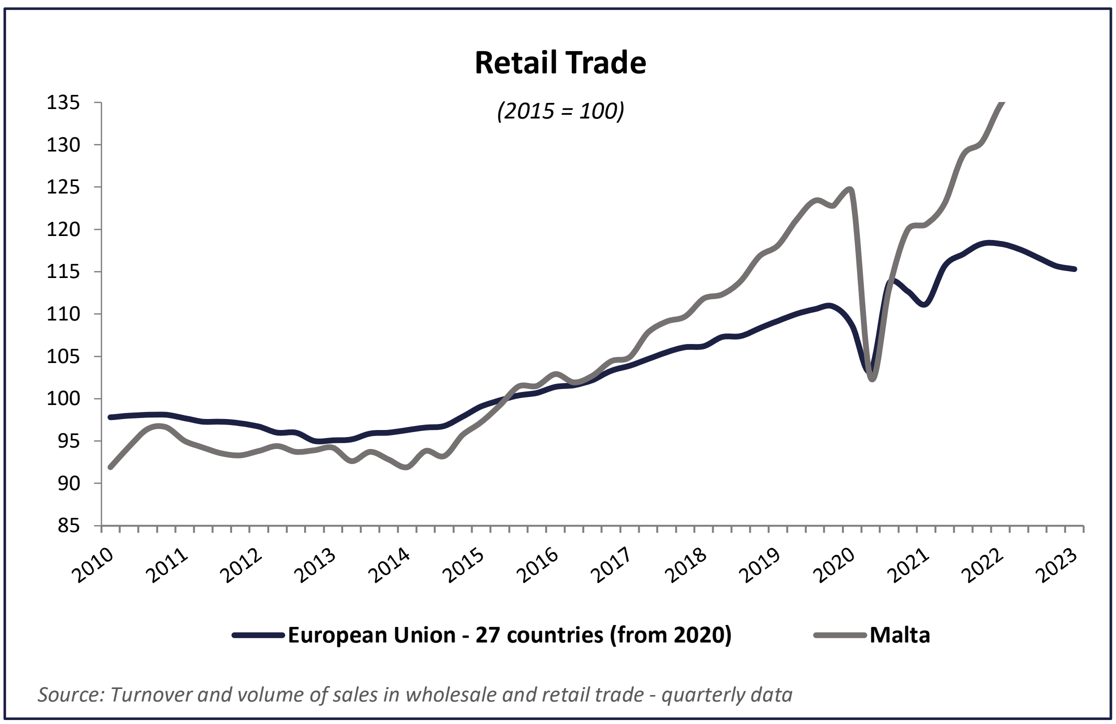
[2] Gross Domestic Product (GDP) is an estimate of the value of goods and services produced in the economy over a period of time.

attract foreign workers. Labour and skills shortages are expected to remain the main limiting factors for the Maltese economy over the forecast horizon. Malta's unemployment rate fell to 2.9% in 2022 and is expected to remain around this level in 2023 and 2024.

HICP[3] inflation in 2022 reached 6.1%, even though the energy prices were fixed at 2020 levels by government intervention. The Maltese authorities further confirmed their commitment to limiting energy inflation in 2023 and 2024. Nonetheless, inflation in 2023 is expected to stay high at 5.4%, pushed by increasing prices for imported goods (especially food), tourism services and housing maintenance services. In 2024, inflation is projected to slow to 2.8% as price growth in Malta's main trade partners moderates.

## 10.2 RETAIL TRADE SECTOR

The chart below provides an indication of the trend in performance of the overall retail sector in Malta as compared to the European Union (2015 being the base year = 100).




According to the EU trend line above, retail trade was marginally in decline between 2010 and 2013 but increased at a constant rate of growth thereafter, up to Q2 2020. Pursuant to the COVID-19 outbreak in March 2020, retail activity declined 7.6 percentage points in Q2 2020 compared to Q4 2019 but fully recovered by Q3 2020. Between Q3 2020 and Q1 2023, retail activity in the EU increased by only 1.7 percentage points and the trend line is indicating a decline in the growth rate.

[3] The Harmonised Indices of Consumer Prices (HICP) measure the changes over time in the prices of consumer goods and services acquired by households.

Retail activity in Malta has broadly tracked the EU average, except for the outperformance registered in 2018 and 2019. Various factors have contributed to this strong performance, including: (i) the robust overall growth of the Maltese economy and a strong labour market which has outpaced the EU average; and (ii) the increase in population of the expat community in Malta.

In Q2 2020, the fashion retail sector in Malta decreased by 20.3 percentage points from Q4 2019 as a result of the pandemic. Due to the imposition of a lockdown by Government, all non-essential retail outlets were closed during March 2020 till end of April 2020 and re-opened for business on 4 May 2020. The fashion retail sector in Malta recovered to some extent from Q3 2020 to Q2 2021, but short of the level achieved in Q4 2019.

As observed in the above chart, between Q1 2022 and Q1 2023, the fashion retail sector in Malta grew by 6 percentage points compared to a decline of 3 percentage points registered by the EU.

# PART 2 – GROUP PERFORMANCE REVIEW

## 11. FINANCIAL INFORMATION – THE ISSUER

The following financial information is extracted from the audited financial statements of Dizz Finance p.l.c. (the "**Issuer**") for the three years ended 31 December 2020 to 31 December 2022. The financial information for the year ending 31 December 2023 has been provided by Group management.

**The projected financial statements detailed below relate to events in the future and are based on assumptions which the Group believes to be reasonable. Consequently, the actual outcome may be adversely affected by unforeseen situations and the variation between forecast and actual results may be material.**

| **Dizz Finance p.l.c.**<br>**Income Statement**<br>**for the financial year 31 December** | **2020**<br>**Actual**<br>**€'000** | **2021**<br>**Actual**<br>**€'000** | **2022**<br>**Actual**<br>**€'000** | **2023**<br>**Forecast**<br>**€'000** |
|---|---|---|---|---|
| Rental income | 171 | 207 | 239 | 185 |
| Finance income | 664 | 659 | 666 | 666 |
| Finance costs | (430) | (433) | (430) | (430) |
| **Gross profit** | **405** | **433** | **476** | **421** |
| Profit on disposal of investment property and PPE | 93 | 32 | 92 | 149 |
| Other income | - | 20 | 21 | - |
| Adminstrative expenses | (137) | (121) | (175) | (178) |
| Fair value movement on property | 853 | (32) | - | - |
| Depreciation | (48) | (10) | (9) | (9) |
| **Profit before tax** | **1,166** | **322** | **405** | **383** |
| Taxation | 145 | (212) | (81) | (102) |
| **Profit for the year** | **1,311** | **110** | **324** | **281** |

The Issuer is a fully owned subsidiary of the Guarantor and is principally engaged to act as a finance and property holding company. Most of the Issuer's revenue is generated from interest receivable on funds on-lent to Group companies. Accordingly, the Issuer's operating performance and future prospects are dependent on the Guarantor and other Group entities.

During FY2022, rental income generated by the Issuer amounted to €239,000 compared to €207,000 in FY2021 (+15%). The properties owned by the Issuer, of which the majority are leased to Group companies and third parties, are listed in section 4 of this report. Rental income for FY2023 is projected to decrease from €239,000 in FY2022 to €185,000.

Net interest income reflects the net difference between interest receivable from advances to Group companies and interest payable on bonds in issue. In FY2022, net interest income amounted to €236,000 which is broadly unchanged from the prior year. In FY2023, net interest receivable is expected to remain unchanged at €236,000.

During FY2022, the Issuer disposed of a property in Portomaso, St Julians and registered a gain of €92,000 on the carrying value, which comprises uplifts recorded in prior years of *circa* €1.0 million.

During H1 FY2023, the Group disposed of two apartments located in Pieta and Msida and generated a gain on disposal amounting to €149,000.

Net profit in FY2022 amounted to €324,000 compared to €110,000 a year earlier. In FY2020, net profit was favourably impacted by the recognition of gains amounting to €853,000 on the fair value of properties owned by the Issuer. In the projected year (FY2023), net profit is projected to amount to €281,000.

| Dizz Finance p.l.c.<br>Statement of Financial Position<br>as at 31 December | 2020<br>Actual<br>€'000 | 2021<br>Actual<br>€'000 | 2022<br>Actual<br>€'000 | 2023<br>Forecast<br>€'000 |
|---|---|---|---|---|
| **ASSETS** | | | | |
| **Non-current assets** | | | | |
| Property, plant & equipment | 243 | 66 | 57 | 48 |
| Investment property | 3,786 | 3,983 | 3,868 | 3,377 |
| Loans owed by related companies | 6,163 | 6,159 | 6,159 | 6,159 |
| Loans owed by third parties | 81 | 69 | 50 | 50 |
| Deposits on property | 70 | - | - | - |
| Deferred tax asset | 243 | 64 | - | - |
| | **10,586** | **10,341** | **10,135** | **9,634** |
| **Current assets** | | | | |
| Trade and other receivables | 5,872 | 5,595 | 6,459 | 6,459 |
| Cash and cash equivalents | - | - | - | 684 |
| | **5,872** | **5,595** | **6,459** | **7,143** |
| **Total assets** | **16,458** | **15,936** | **16,594** | **16,777** |
| **EQUITY** | | | | |
| Share capital | 1,910 | 1,910 | 1,910 | 1,910 |
| Retained earnings | 3,151 | 3,261 | 3,585 | 3,867 |
| | **5,061** | **5,171** | **5,495** | **5,777** |
| **LIABILITIES** | | | | |
| **Non-current liabilities** | | | | |
| Debt securities - 5% Bonds 2026 | 7,860 | 7,887 | 7,913 | 7,939 |
| Deferred tax liabilities | 271 | 286 | 280 | 280 |
| | **8,131** | **8,173** | **8,193** | **8,219** |
| **Current liabilities** | | | | |
| Bank balance overdrawn | 5 | 35 | 8 | - |
| Amounts due to related party | 725 | - | - | - |
| Trade & other payables | 2,340 | 2,384 | 2,711 | 2,711 |
| Current tax liabilities | 196 | 173 | 186 | 70 |
| | **3,266** | **2,592** | **2,906** | **2,781** |
| **Total liabilities** | **11,397** | **10,765** | **11,099** | **11,000** |
| **Total equity and liabilities** | **16,458** | **15,936** | **16,594** | **16,777** |

The assets of the Issuer principally include investment property (listed in section 4 of this report) having a carrying value as at 31 December 2022 of €3.87 million (FY2021: €3.98 million), loans owed by related companies amounting to €6.16 million (FY2021: €6.16 million), and trade and other receivables of €6.46 million (FY2021: €5.60 million) which mainly comprise amounts due from Group companies.

In 2022, the Issuer sold an apartment in Portomaso, St Julians for €530,000 and acquired an apartment in Msida for the consideration of €280,400. In H1 2023, the Issuer disposed on two apartments in Pieta and Msida having a carrying value of €491,000 (in aggregate). Accordingly, the aggregate value of investment property as at year end is estimated to amount to €3.38 million (FY2022: €3.87 million).

The liabilities of the Issuer mainly include debt securities listed on the Official List of the Malta Stock Exchange of €8.0 million net of issue costs (FY2021: €7.89 million) and amounts due to Group companies amounting to €2.3 million which are included in "trade and other payables" (FY2021: €2.2 million). No material movements in liabilities have been projected for FY2023 compared to FY2022.

| **Dizz Finance p.l.c.<br>Cash Flow Statement<br>for the financial year 31 December** | **2020<br>Actual<br>€'000** | **2021<br>Actual<br>€'000** | **2022<br>Actual<br>€'000** | **2023<br>Forecast<br>€'000** |
|---|---|---|---|---|
| Net cash from / (used in) operating activities | 333 | 626 | 952 | 415 |
| Net cash from / (used in) investing activities | 101 | 8 | 207 | 677 |
| Net cash from / (used in) financing activities | (413) | (665) | (1,132) | (400) |
| **Net movement in cash and cash equivalents** | **21** | **(31)** | **27** | **692** |
| Cash and cash equivalents at beginning of year | (26) | (5) | (35) | (8) |
| **Cash and cash equivalents at end of year** | **(5)** | **(35)** | **(8)** | **684** |

Net cash from operating activities amounted to €952,000 in FY2022 compared to €626,000 in the prior year. It is estimated that net operating cash inflows in FY2023 will amount to €415,000.

During FY2022, the Issuer disposed of an apartment in Portomaso, St Julians for €530,000 and acquired an apartment in Msida for €280,400. In addition, net cash positive movement in property, plant and equipment amounted to €17,255. Overall, net cash from investing activities amounted to €206,855 (FY2021: net cash inflows of €8,287). In the projected financial year (FY2023), the Issuer expects to generate €677,000 from investing activities, mainly reflecting the sale of two apartments which was concluded during H1 2023.

Cash flows from financing activities primarily include movements in amounts due/from related parties and bond interest payable. In the last financial year, net cash outflows amounted to €1.13 million, compared to €0.67 million in FY2021, and principally comprised net payments to group companies of €0.75 million and bond interest of €0.40 million. It is assumed that financing activities in FY2023 will represent bond interest payable amounting to €0.4 million.

## 12. FINANCIAL INFORMATION – THE GROUP

The historical financial information included hereinafter is extracted from the audited consolidated financial statements of the Guarantor for the three financial years ended 31 December 2020 to 31 December 2022. The financial information for the year ending 31 December 2023 has been provided by management.

**The projected financial statements detailed below relate to events in the future and are based on assumptions which the Group believes to be reasonable. Consequently, the actual outcome may be adversely affected by unforeseen situations and the variation between forecast and actual results may be material.**

| **Dizz Group of Companies Limited**<br>**Consolidated Income Statement**<br>**for the financial year 31 December** | **2020**<br>**Actual**<br>**€'000** | **2021**<br>**Actual**<br>**€'000** | **2022**<br>**Actual**<br>**€'000** | **2023**<br>**Forecast**<br>**€'000** |
|---|---|---|---|---|
| Revenue | 13,534 | 18,894 | 21,415 | 25,930 |
| Cost of sales | (8,861) | (10,488) | (11,434) | (12,278) |
| **Gross operating profit** | **4,673** | **8,406** | **9,982** | **13,652** |
| Administration expenses | (8,035) | (6,561) | (7,884) | (7,615) |
| Marketing expenses | (385) | (781) | (749) | (100) |
| Management fees and other income / (costs) | 3,278 | 3,188 | 3,261 | (36) |
| **EBITDA** | **(469)** | **4,252** | **4,609** | **5,901** |
| Depreciation and amortisation | (4,222) | (3,819) | (3,872) | (4,664) |
| **Operating profit / (loss)** | **(4,691)** | **433** | **738** | **1,237** |
| Gain / (loss) on disposal of PPE and investment property | 94 | 32 | 1,120 | 455 |
| Changes in fair value of investment property | 1,169 | (32) | (979) | - |
| Net finance costs | (1,868) | (2,364) | (2,418) | (2,899) |
| **Loss before tax** | **(5,296)** | **(1,931)** | **(1,539)** | **(1,207)** |
| Taxation | 995 | (75) | (298) | 419 |
| **Loss after tax** | **(4,301)** | **(2,006)** | **(1,837)** | **(788)** |
| **Other comprehensive income** | | | | |
| Gains on property revaluation | 1,034 | - | 8,247 | - |
| Taxation | (60) | - | - | - |
| | **974** | **-** | **8,247** | **-** |
| **Total comprehensive income / (loss)** | **(3,327)** | **(2,006)** | **6,410** | **(788)** |

| Key Financial Ratios | FY2020 Actual | FY2021 Actual | FY2022 Actual | FY2023 Forecast |
|---|---|---|---|---|
| EBITDA margin (%)<br>*(EBITDA / revenue)* | (3.47) | 22.50 | 21.52 | 22.76 |
| Operating profit margin (%)<br>*(Operating profit / revenue)* | (34.66) | 2.29 | 3.44 | 4.77 |
| Net profit margin (%)<br>*(Profit after tax / revenue)* | (31.78) | (10.62) | (8.58) | (3.04) |
| Return on equity (%)<br>*(Profit after tax / average equity)* | (67.04) | (34.79) | (21.42) | (6.57) |
| Return on assets (%)<br>*(Profit after tax / average assets)* | (7.41) | (3.01) | (2.34) | (0.89) |
| Return on invested capital (%)<br>*(Operating profit / average equity and net debt)* | (10.38) | 0.86 | 1.27 | 1.85 |
| Interest cover (times)<br>*(EBITDA / net finance costs)* | (0.25) | 1.80 | 1.91 | 2.04 |

During the initial two months of **FY2020**, the Group's operational performance was in line with Board expectations. Thereafter, revenues were impacted following the Authorities' decision to close non-essential retail outlets, restaurants and cafeterias, and to halt all inbound commercial flights. Retail fashion operations were completely shut down during April 2020, while food & beverage operations were restricted to take-away and delivery services in April and May 2020. Despite re-opening in May 2020 with a reduced number of fashion retail outlets, operating activities were subdued for the remaining part of the financial year.

The year-on-year decrease of 21% in retail fashion revenue was partially offset by additional food & beverage revenue generated following the acquisition of the Pastrocchio, Salad Box and Nespresso brands and the opening of new Caffe Pascucci outlets during the year and an increase in rental income receivable from third parties. As such, the decrease in FY2020 revenue was of €0.9 million (-6%) on a comparable basis and amounted to €13.5 million. Notwithstanding the limited decline in revenue, gross operating profit decreased substantially from €6.1 million in FY2019 to €4.7 million (-23%).

Administration expenses increased by €4.0 million to €8.0 million in FY2020 on account of an impairment of aged inventory and inclusion of expenses related to the food companies. Management fees and other income amounted to €3.3 million in FY2020 (FY2019: €1.3 million) and comprised amounts receivable of €2.2 million relating to Covid-19 rent discounts and wage supplements (FY2019: €0.4 million) and premium received from new third party tenants of outlets at D Mall and Center Parc of €0.3 million (FY2019: nil). The balance of €0.8 million mainly represented management fees receivable (FY2019: €0.8 million). In FY2020, the Group reported a negative EBITDA of €0.5 million.

On account of the inclusion of the food & beverage operations, depreciation and amortisation increased year-on-year by €867,000 while net finance costs increased year-on-year by €148,000.

During FY2020, the Group increased the fair value of properties by €2.2 million (FY2019: €3.1 million) which were accounted for as to €1.2 million before profit after tax and €1.0 million in comprehensive income.

Overall, the Group registered total comprehensive loss of €3.3 million compared to a comprehensive income of €1.2 million in FY2019.

In **FY2021**, the Group reported an increase in revenue amounting to €5.4 million (+40%) from €13.5 million in FY2020 to €18.9 million on account of a limited recovery in the retail and food & beverage segments which took place mainly in the second half of said financial year. The increase in operational activities is also partly due to the full-year contribution of the Pastrocchio, Salad Box and Nespresso brands, the full-year contribution of the outlets operated by the Group in D Mall and the re-opening of the refurbished outlets in BayStreet.

Administrative and marketing expenses were lower on a comparable basis by €1.1 million and amounted to €7.3 million. The year-on-year decrease was mainly due to a cost savings exercise undertaken by the Group. Management fees and other income amounted to €3.2 million in FY2021 (FY2020: €3.3 million) which included COVID-19 related supplements of €1.0 million.

EBITDA in FY2021 amounted to €4.3 million compared to a negative EBITDA of €0.5 million in FY2020. As a result, the Group achieved an EBITDA margin of 23% in the last financial year compared to -3% in FY2020.

Depreciation and amortisation decreased year-on-year by €0.4 million, while net finance costs increased year-on-year by €0.5 million. Both movements are primarily in consequence of the revised lease agreement relating to commercial space at D Mall. The lease term has been extended by a further 15 years and as such, the increase in the number of years to expiration has resulted in a lower annual amortisation charge on the right-of-use asset. As part of the same deal, the parties have agreed to increase the lease obligations yearly until FY2024 for a 50% reduction in rent thereafter. This increase between FY2021 and FY2024 is reflected in an increase in finance costs charged to the income statement.

Interest cover for the reviewed year was 1.80 times compared to -0.25 times in FY2020.

Overall, the Group reported total comprehensive loss of €2.0 million in FY2021 compared to €3.3 million (expense) in FY2020. In view of the loss incurred by the Group, the results of accounting ratios such as net profit margin, return on equity and return on assets are negative.

Revenue in **FY2022** amounted to €21.42 million, an increase of €2.53 million (+13%) from FY2021. As explained in section 6 of this report, the fashion retail and food & beverage segments of the Group performed better compared to the prior year as the economy continued to recover from the pandemic. In addition, the outlets opened at the end of 2021, such as Calliope at D Mall, operated for the first full year and the inclusion of 5 KIKO stores/stands as of 1 July 2022 also contributed to the growth in revenue. On the other hand, inflationary pressures and the local general election had an adverse impact on the Group's performance.

In consequence of the increase in revenue, the Group's gross operating profit increased by €1.57 million from €8.41 million in FY2021 to €9.98 million in FY2022. Management fees and other income amounted to €3.3 million in FY2022 (FY2021: €3.2 million).

After accounting for administration, marketing expenses and other income, the Group's EBITDA amounted to €4.61 million compared to €4.25 million in the prior year. The interest cover improved marginally from 1.80 times in FY2021 to 1.91 times in FY2022.

Depreciation & amortisation and net finance costs did vary materially on a comparable basis.

During the reviewed financial year, the Group sold two apartments in St Julians and registered a gain of €141,000 (being the aggregate of 'gain on disposal of PPE and investment property' and 'changes in fair value of investment property'.

Despite the positive EBITDA, the Group incurred a loss before tax of €1.54 million compared to a loss of €1.93 million reported in the previous year.

The development of The Hub is near completion and as such, the Group recognised a net uplift in the carrying value of the said property of €8.25 million.

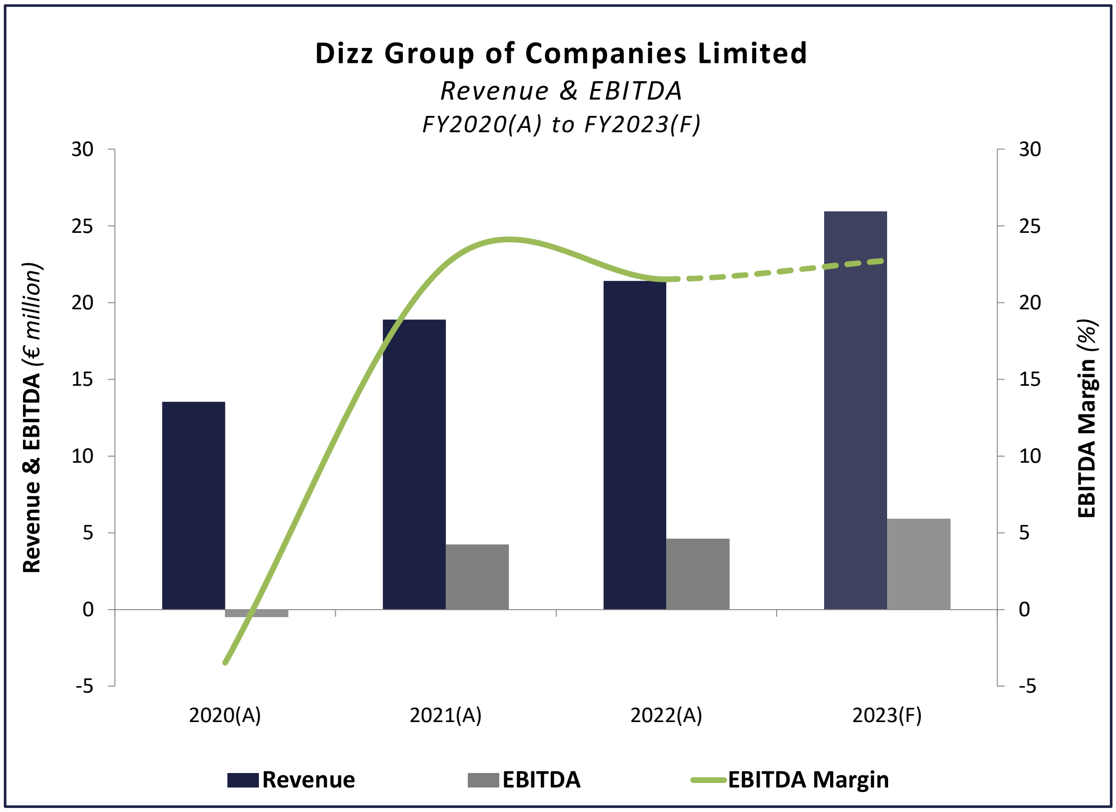
Following the above, the Group reported a total comprehensive income of €6.41 million compared to a total comprehensive loss of €2.01 million in the prior year.

In **FY2023**, the Group is projecting revenue to amount to €25.93 million, an increase of €4.51 million (+21%) from the prior year. As explained in section 6, the Group is expecting an improvement in turnover, particularly from its fashion retail outlets, which is reflective of the positive outlook of the economy. In Q4 2023, the Group plans to open four new fashion retail outlets and two food & beverage outlets.

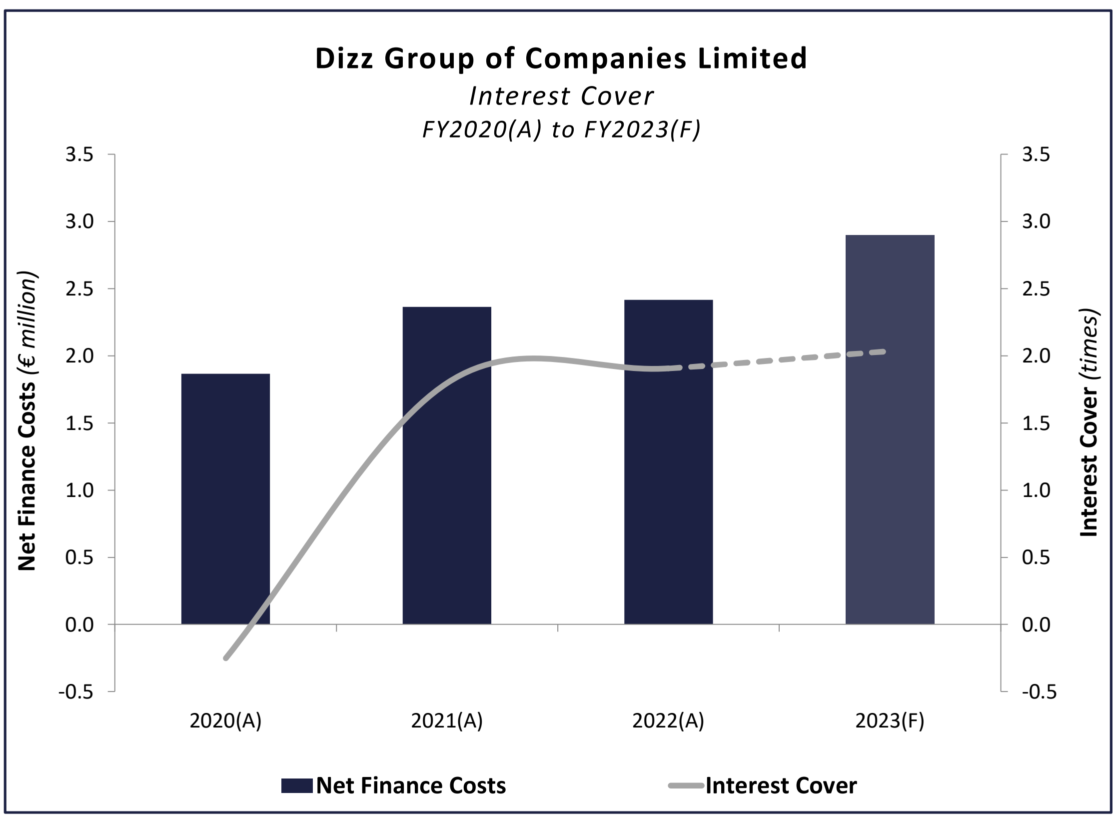
Administrative and marketing expenses are expected to decrease year-on-year by a significant €0.91 million to €7.72 million, on account of a cost savings exercise being undertaken by the Group. In consequence, EBITDA in FY2023 is estimated to amount to €5.94 million compared to €4.61 million in FY2022 and thereby increase the EBITDA margin to 22.76% from 21.52% in the previous year. Interest cover will also improve from 1.91 times a year earlier to 2.04 times.

It is anticipated that the Group will sell a number of properties for an aggregate consideration of €3.2 million and thereby register a gain on disposal of property amounting to €0.46 million. As at the date of this report, the Group has sold two apartments for the consideration of €0.64 million.

Overall, the Group expects to report total comprehensive loss of €0.79 million in FY2023 compared to total comprehensive income of €6.41 million in FY2022. As explained above, the FY2022 financials included a property revaluation gain of €8.25 million.



Dizz Group of Companies Limited
Revenue & EBITDA
FY2020(A) to FY2023(F)
Revenue & EBITDA (€ million)
EBITDA Margin (%)
30
25
20
15
10
5
0
-5
2020(A)
2021(A)
2022(A)
2023(F)
Revenue
EBITDA
EBITDA Margin

Dizz Group of Companies Limited
Interest Cover
FY2020(A) to FY2023(F)
Net Finance Costs (€ million)
Interest Cover (times)
3.5
3.0
2.5
2.0
1.5
1.0
0.5
0.0
-0.5
2020(A)
2021(A)
2022(A)
2023(F)
Net Finance Costs
Interest Cover

| Dizz Group of Companies Limited<br>Statement of Financial Position<br>As at 31 December | 2020<br>Actual<br>€'000 | 2021<br>Actual<br>€'000 | 2022<br>Actual<br>€'000 | 2023<br>Forecast<br>€'000 |
|---|---|---|---|---|
| **ASSETS** | | | | |
| **Non-current assets** | | | | |
| Property, plant & equipment | 17,080 | 17,808 | 28,683 | 27,158 |
| Investment property | 6,166 | 6,162 | 3,847 | 1,106 |
| Right of use assets | 19,301 | 27,142 | 26,326 | 38,202 |
| Intangible assets | 5,227 | 5,155 | 7,778 | 7,706 |
| Deferred tax assets & other non-current assets | 2,305 | 2,187 | 2,545 | 2,996 |
| | **50,079** | **58,454** | **69,179** | **77,168** |
| **Current assets** | | | | |
| Inventories | 3,887 | 4,023 | 3,939 | 3,532 |
| Trade & other receivables | 6,429 | 9,426 | 11,252 | 10,800 |
| Cash and cash equivalents | 902 | 209 | 269 | 43 |
| | **11,218** | **13,658** | **15,460** | **14,375** |
| **Total assets** | **61,297** | **72,112** | **84,639** | **91,543** |
| **EQUITY** | | | | |
| Share capital | 7,719 | 7,719 | 8,935 | 8,935 |
| Other reserves | 4,204 | 4,204 | 12,451 | 12,451 |
| Retained earnings | (5,154) | (7,160) | (8,997) | (9,786) |
| | **6,769** | **4,763** | **12,388** | **11,600** |
| **LIABILITIES** | | | | |
| **Non-current liabilities** | | | | |
| 5% unsecured bonds 2026 (listed on the Regulated Market) | 7,860 | 7,887 | 7,913 | 7,916 |
| 5.35% unsecured bonds 2028 (listed on Prospects MTF) | 7,435 | 7,444 | 7,452 | 6,825 |
| Secured convertible notes (listed on IFSM) | 2,950 | 2,948 | 2,955 | 2,955 |
| Bank borrowings | 2,225 | 1,808 | 1,919 | 240 |
| Lease liabilities | 16,529 | 23,965 | 23,201 | 33,573 |
| Trade & other payables | 4,179 | 3,758 | 9,373 | 9,373 |
| Deferred tax liabilities | 821 | 842 | 1,996 | 1,816 |
| | **41,999** | **48,652** | **54,808** | **62,698** |
| **Current liabilities** | | | | |
| Bank overdraft | 1,683 | 3,183 | 3,637 | 3,144 |
| Bank borrowings | 194 | 439 | 433 | 1,602 |
| Lease liabilities | 1,352 | 2,342 | 2,090 | 3,931 |
| Trade & other payables | 8,585 | 12,146 | 10,694 | 8,568 |
| Current tax liabilities | 715 | 587 | 590 | - |
| | **12,529** | **18,697** | **17,443** | **17,245** |
| **Total liabilities** | **54,528** | **67,349** | **72,251** | **79,943** |
| **Total equity and liabilities** | **61,297** | **72,112** | **84,639** | **91,543** |
| *Total debt* | *40,228* | *50,016* | *49,599* | *60,186* |
| *Net debt* | *39,326* | *49,807* | *49,329* | *60,143* |
| *Invested capital (total equity plus net debt)* | *46,095* | *54,570* | *61,718* | *71,743* |

| Key Accounting Ratios | FY2020 Actual | FY2021 Actual | FY2022 Actual | FY2023 Forecast |
|---|---|---|---|---|
| Net debt-to-EBITDA (times)<br>*(Net debt / EBITDA)* | (83.85) | 11.71 | 10.70 | 10.19 |
| Net debt-to-equity (times)<br>*(Net debt / total equity)* | 5.81 | 10.46 | 3.98 | 5.18 |
| Net gearing (%)<br>*(Net debt / net debt and total equity)* | 85.32 | 91.27 | 79.93 | 83.83 |
| Debt-to-asset (times)<br>*(Total debt / total assets)* | 0.66 | 0.69 | 0.59 | 0.66 |
| Leverage (times)<br>*(Total assets / total equity)* | 9.06 | 15.14 | 6.83 | 7.89 |
| Current ratio (times)<br>*(Current assets / current liabilities)* | 0.90 | 0.73 | 0.89 | 0.83 |

The Group's total assets as at 31 December **2022** amounted to €84.6 million, a year-on-year increase of €12.5 million (FY2021: €72.1 million). On a comparable basis, property plant and equipment increased by €10.9 million, principally on account of the ongoing development and the uplift in carrying value of The Hub and refitting of stores. Investment property decreased by €2.3 million following the sale of two apartments in St Julians and the acquisition of one apartment in Msida.

During the year, the Group acquired Dizz Franchises Ltd and thereby accounted for €2.65 million as goodwill (intangible assets). Trade & other receivables increased year-on-year by €1.8 million, primarily on account of an increase in amounts due from related companies and other receivables.

Total liabilities increased by €4.9 million, mainly reflective of an increase in balances due to privileged creditors (trade & other payables).

Equity increased year-on-year by €7.6 million on account of the increase in revaluation reserve relating to the uplift in value of The Hub and the issue of new shares to the ultimate beneficial owners following the acquisition of Dizz Franchises Limited.

As a result of the increase in equity, the gearing ratio of the Group decreased from 91% in FY2021 to 81%. Notwithstanding, the Group requires a significant and consistent improvement in profitability or a fresh injection of cash as equity, or both, so as to alleviate the high level of debt and creditor balances. In this regard, the Group is actively considering ways of how to increase its capital base to address the situation. The liquidity ratio improved from 0.73 times in FY2021 to 0.89 times in FY2022.

As at 31 December **2023**, the Group's total assets are expected to amount to €91.5 million compared to €84.6 million in FY2022 (+€6.9 million). The principal year-on-year changes are described below:

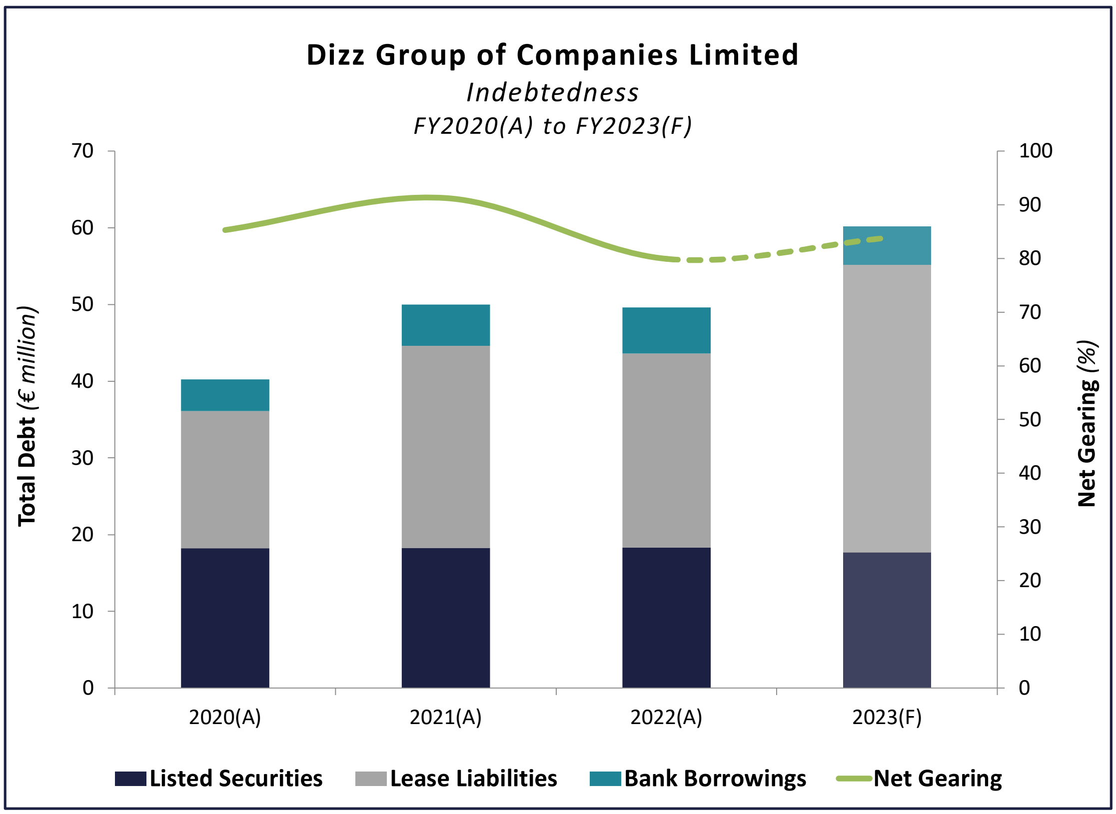
- Property, plant & equipment is expected to decrease by €1.53 million and will mainly comprise capital expenditure relating to The Hub and refitting of stores less annual depreciation.

- Investment property is projected to decrease year-on-year by €2.74 million on account of the sale of two apartments which have already been concluded and other property disposals not yet identified.

- Due to six new openings projected for FY2023, the right-of-use assets are expected to increase by 45% or €11.9 million, from €26.3 million in FY2022 to €38.2 million.

Total liabilities are projected to amount to €79.9 million, an increase of €7.6 million from the prior year (FY2022: €72.3 million). During the year, total debt is expected to increase by €10.59 million on account of an increase of €12.2 million in lease liabilities (reflective of the increase in right-of-use assets explained above), which will be partly offset by a reduction of €0.63 million in 5.35% unsecured bonds 2028 and €1.00 million in bank borrowings. With respect to trade & other payables, the Group is aiming to reduce outstanding balances by €2.13 million to €8.57 million.

Due to the projected increase in lease liabilities, the gearing ratio of the Group is expected to increase from 80% in FY2022 to 84% in FY2023. From a net debt-to-EBITDA perspective, the leverage position is expected to improve marginally from 10.70 times in FY2022 to 10.19 times in FY2023.



| Dizz Group of Companies Limited<br>Cash Flow Statement<br>for the financial year 31 December | 2020<br>Actual<br>€'000 | 2021<br>Actual<br>€'000 | 2022<br>Actual<br>€'000 | 2023<br>Forecast<br>€'000 |
|---|---|---|---|---|
| Net cash from / (used in) operating activities | 1,070 | 5,497 | 7,088 | 7,036 |
| Net cash from / (used in) investing activities | (2,415) | (2,211) | (497) | 1,847 |
| Net cash from / (used in) financing activities | 2,325 | (5,480) | (6,996) | (8,616) |
| **Net movement in cash and cash equivalents** | **980** | **(2,194)** | **(405)** | **267** |
| Cash and cash equivalents at beginning of year | (1,772) | (781) | (2,974) | (3,368) |
| Adj. for cash balances of subsidiaries acquired by the Group | 11 | - | 11 | - |
| **Cash and cash equivalents at end of year** | **(781)** | **(2,974)** | **(3,368)** | **(3,101)** |

Net cash flows from operating activities principally reflect movements of cash flows from the Group's operations. In FY2022, net cash from operating activities amounted to €7.1 million compared to €5.5 million in FY2021. The positive movement is mainly on account of favourable working capital changes. In FY2023, due to an increase in projected EBITDA, net cash inflows from operating activities are expected to €7.0 million.

Net cash used in investing activities reflects the acquisition and disposal of investment property and property, plant & equipment, and capital expenditure on the Group's outlets and property development works. During FY2022, the Group utilised €2.9 million for the refurbishment of outlets and development works in relation to The Hub (FY2021: €2.2 million). Cash inflows during the year amounted to €2.4 million and related to net proceeds from sale and acquisition of investment property.

In FY2023, the Group is projected to generate a net balance of €1.8 million from investing activities. Cash outflows for the purposes of completing The Hub and refitting of stores is expected to amount to €1.2 million. In terms of cash inflows, the Group is projecting to generate €3.0 million from the sale of investment property.

Net cash used in financing activities in FY2022 amounted to €7.0 million and comprised advances to related parties (€2.6 million), interest payments (€1.1 million), payment of finance leases (€2.9 million) and repayment of bank loans of €0.4 million.

In FY2023, lease obligations are projected to amount to €4.2 million and interest payments are expected to amount to €1.1 million. Furthermore, the Group expects to effect repayment of bank borrowings and creditor balances of €3.3 million. Overall, net cash outflows relating to financing activities is expected to amount to €8.6 million.

## 13. VARIANCE ANALYSIS

The following financial information relates to the variance analysis between the forecasted financial information of the Group for the year ended 31 December 2022 included in the prior year's Financial Analysis Summary dated 28 June 2022 and the audited consolidated financial statements of the Group for the year ended 31 December 2022.

| **Dizz Group of Companies Limited<br>Consolidated Income Statement<br>for the financial year ended 31 December 2022** | **Actual<br>€'000** | **Forecast<br>€'000** | **Variance<br>€'000** |
|---|---|---|---|
| Revenue | 21,415 | 22,961 | (1,546) |
| Cost of sales | (11,434) | (11,484) | 50 |
| **Gross operating profit** | **9,982** | **11,477** | **(1,495)** |
| Administration expenses | (7,884) | (7,208) | (676) |
| Marketing expenses | (749) | (264) | (485) |
| Management fees and other income/(costs) | 3,402 | - | 3,402 |
| **EBITDA** | **4,750** | **4,005** | **745** |
| Depreciation and amortisation | (3,872) | (3,895) | 23 |
| **Operating profit / (loss)** | **879** | **110** | **769** |
| Net finance costs | (2,418) | (2,683) | 265 |
| **Loss before tax** | **(1,539)** | **(2,573)** | **1,034** |
| Taxation | (298) | 830 | (1,128) |
| **Loss after tax** | **(1,837)** | **(1,743)** | **(94)** |
| **Other comprehensive income** | | | |
| Gains on property revaluation | 8,247 | 6,151 | 2,096 |
| Taxation | - | (492) | 492 |
| | **8,247** | **5,659** | **2,588** |
| **Total comprehensive income** | **6,410** | **3,916** | **2,494** |

Revenue generated by the Group in FY2022 was lower than projected by €1.55 million. In addition, other operating expenses were higher by €1.16 million.

Management fees and other income of €3.40 million was not reflected in the forecasted figures, and therefore mitigated the above-mentioned adverse variances in EBITDA and taxation.

In other comprehensive income, the uplift in carrying value of property was higher than expected by €2.59 million. As such, total comprehensive income was higher than projected by €2.49 million.

| **Dizz Group of Companies Limited**<br>**Cash Flow Statement**<br>**for the financial year ended 31 December 2022** | **Actual**<br>**€'000** | **Forecast**<br>**€'000** | **Variance**<br>**€'000** |
|---|---|---|---|
| Net cash from / (used in) operating activities | 7,088 | 5,349 | 1,739 |
| Net cash from / (used in) investing activities | (497) | (1,366) | 869 |
| Net cash from / (used in) financing activities | (6,996) | (4,578) | (2,418) |
| **Net movement in cash and cash equivalents** | **(405)** | **(595)** | **190** |
| Cash and cash equivalents at beginning of year | (2,974) | (2,974) | - |
| Adj. for cash balances of subsidiaries acquired by the Group | 11 | 21 | (10) |
| **Cash and cash equivalents at end of year** | **(3,368)** | **(3,548)** | **180** |

Actual net movement in cash and cash equivalents was almost in line with projections (positive variance of €190,000).

Net operating cashflow was higher by €1.74 million mainly on account of favourable working capital movements.

Net cash used in investing activities was lower than expected by €0.87 million. This positive difference mainly arose from lower amounts utilised for the refitting of stores. Furthermore, the sale of an apartment for €0.47 million was not anticipated when the projections were prepared.

An adverse variance of €2.4 million was recorded in financing activities, principally on account of higher than projected advances to related parties.

| Dizz Group of Companies Limited<br>Statement of Financial Position<br>As at 31 December 2022 | Actual<br>€'000 | Forecast<br>€'000 | Variance<br>€'000 | |
|---|---|---|---|---|
| **ASSETS** | | | | |
| **Non-current assets** | | | | |
| Property, plant & equipment | 28,683 | 25,920 | 2,763 | *(1)* |
| Investment property | 3,847 | 4,312 | (465) | *(2)* |
| Right of use assets | 26,326 | 24,846 | 1,480 | |
| Intangible assets | 7,778 | 7,997 | (219) | |
| Deferred tax assets & other non-current assets | 2,545 | 3,123 | (578) | |
| | **69,179** | **66,198** | **2,981** | |
| **Current assets** | | | | |
| Inventories | 3,939 | 4,694 | (755) | |
| Trade & other receivables | 11,252 | 9,099 | 2,153 | *(3)* |
| Cash and cash equivalents | 269 | 230 | 39 | |
| | **15,460** | **14,023** | **1,437** | |
| **Total assets** | **84,639** | **80,221** | **4,418** | |
| **EQUITY** | | | | |
| Share capital | 8,935 | 8,969 | (34) | |
| Other reserves | 12,451 | 9,862 | 2,589 | *(1)* |
| Retained earnings | (8,997) | (8,903) | (94) | |
| | **12,388** | **9,928** | **2,460** | |
| **LIABILITIES** | | | | |
| **Non-current liabilities** | | | | |
| 5% unsecured bonds 2026 (listed on the Regulated Market) | 7,913 | 7,887 | 26 | |
| 5.35% unsecured bonds 2028 (listed on Prospects MTF) | 7,452 | 7,444 | 8 | |
| Secured convertible notes (listed on IFSM) | 2,955 | 2,948 | 7 | |
| Bank borrowings | 1,919 | 1,209 | 710 | |
| Lease liabilities | 23,201 | 21,782 | 1,419 | |
| Trade & other payables | 9,373 | 4,538 | 4,835 | |
| Deferred tax liabilities | 1,996 | 1,158 | 838 | |
| | **54,808** | **46,966** | **7,842** | |
| **Current liabilities** | | | | |
| Bank overdraft | 3,637 | 3,778 | (141) | |
| Bank borrowings | 433 | 599 | (166) | |
| Lease liabilities | 2,090 | 3,086 | (996) | |
| Trade & other payables | 10,694 | 15,277 | (4,583) | |
| Current tax liabilities | 590 | 587 | 3 | |
| | **17,443** | **23,327** | **(5,884)** | |
| **Total liabilities** | **72,251** | **70,293** | **1,958** | |
| | | | - | |
| **Total equity and liabilities** | **84,639** | **80,221** | **4,418** | |
| *Total debt* | *49,599* | *48,733* | *866* | |
| *Net debt* | *49,329* | *48,503* | *826* | |
| *Invested capital (total equity plus net debt)* | *61,718* | *58,431* | *3,287* | |

The material variances between the actual and forecast statement of financial position are as follows:

(1) Principally refers to the higher than projected uplift in value of The Hub.
(2) The sale of an apartment in Portomaso, St Julians was not reflected in the projections.
(3) Trade & other receivables were higher than projected on account of an increase in amounts due from related parties and other receivables.

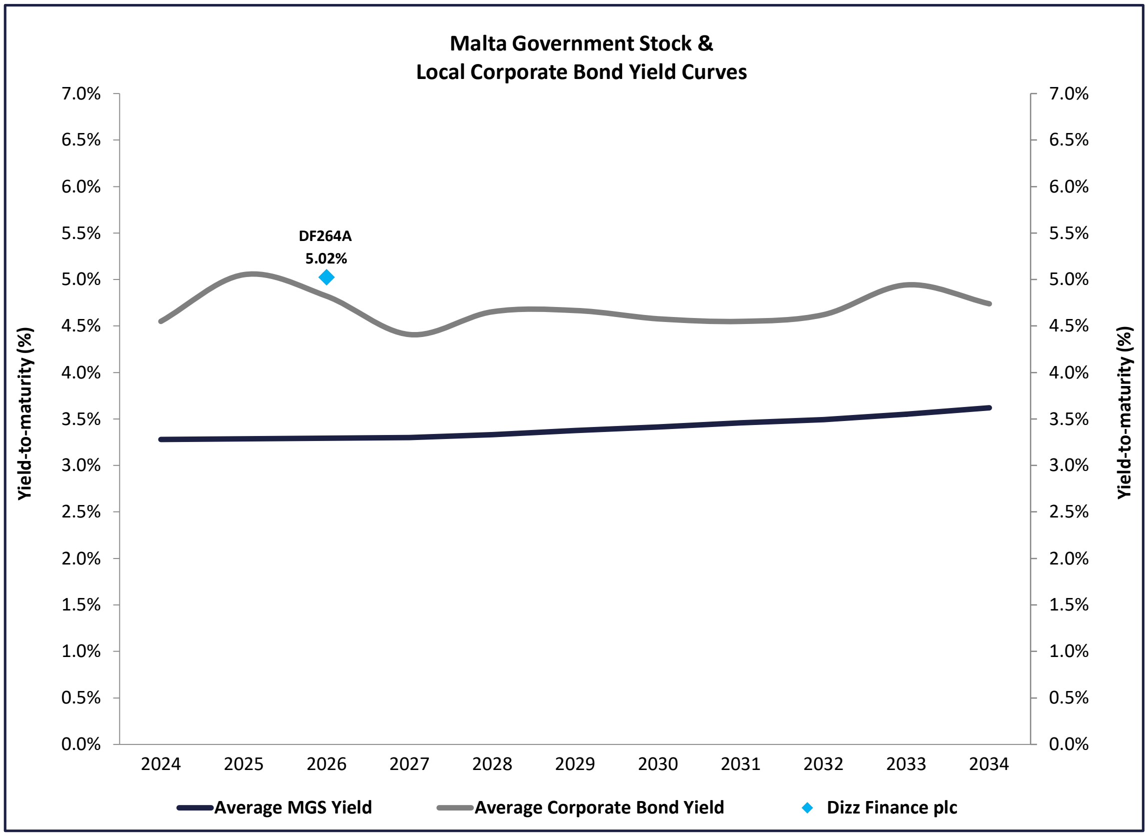
# PART 3 – COMPARATIVE ANALYSIS

The table below provides a comparison between the Group and the Issuer's 2016 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 performance and strength of the Group.

| Comparative Analysis* | Amount Issued | Yield-to-Maturity | Interest Cover | Net Debt-to-EBITDA | Net Gearing | Debt-to-Assets |
|---|---|---|---|---|---|---|
| | *(€'000)* | *(%)* | *(times)* | *(times)* | *(%)* | *(times)* |
| 6.00% AX Investments plc Unsecured & Guaranteed 2024 | 40,000 | 5.92 | 1.75 | 14.74 | 30.01 | 0.28 |
| 6.00% International Hotel Investments plc Unsecured 2024 | 35,000 | 4.89 | 1.87 | 11.42 | 41.92 | 0.40 |
| 5.30% Mariner Finance plc Unsecured 2024 | 17,684 | 4.34 | 4.72 | 5.95 | 49.91 | 0.49 |
| 5.00% Hal Mann Vella Group plc Secured 2024 | 30,000 | 4.98 | 2.42 | 9.45 | 51.80 | 0.44 |
| 5.10% 1923 Investments plc Unsecured 2024 | 36,000 | 5.08 | 4.81 | 2.94 | 47.79 | 0.40 |
| 4.25% Best Deal Properties Holding plc Secured & Guaranteed 2024 | 6,465 | 2.55 | 13.29 | 4.71 | 63.61 | 0.65 |
| 5.75% International Hotel Investments plc Unsecured 2025 | 45,000 | 5.46 | 1.87 | 11.42 | 41.92 | 0.40 |
| 5.10% 6PM Holdings plc Unsecured 2025 | 13,000 | 5.09 | 10.95 | 0.38 | 11.16 | 0.17 |
| 4.50% Hili Properties plc Unsecured & Guaranteed 2025 | 37,000 | 4.90 | 1.80 | 12.53 | 45.87 | 0.46 |
| 3.70% Gap Group plc Secured & Guaranteed 2023/2025 | 16,618 | 4.97 | 33.21 | 4.85 | 56.20 | 0.69 |
| 4.35% Hudson Malta plc Unsecured & Guaranteed 2026 | 12,000 | 4.54 | 6.11 | 4.89 | 71.67 | 0.57 |
| 4.25% CPHCL Finance plc Unsecured & Guaranteed 2026 | 40,000 | 4.63 | 1.66 | 12.42 | 42.46 | 0.40 |
| 4.00% International Hotel Investments plc Secured 2026 | 55,000 | 3.66 | 1.87 | 11.42 | 41.92 | 0.40 |
| 5.00% Dizz Finance plc Unsecured & Guaranteed 2026 | 8,000 | 5.02 | 1.91 | 10.70 | 79.93 | 0.59 |
| 3.75% Premier Capital plc Unsecured 2026 | 65,000 | 4.38 | 11.25 | 2.09 | 61.67 | 0.56 |
| 4.00% International Hotel Investments plc Unsecured 2026 | 60,000 | 4.15 | 1.87 | 11.42 | 41.92 | 0.40 |
| 3.25% AX Group plc Unsecured 2026 | 15,000 | 3.55 | 1.75 | 14.74 | 30.01 | 0.28 |
| 3.90% Gap Group plc Secured & Guaranteed 2024/2026 | 21,000 | 4.05 | 33.21 | 4.85 | 56.20 | 0.69 |
| 4.00% Hili Finance Company plc Unsecured & Guaranteed 2027 | 50,000 | 4.29 | 4.64 | 4.84 | 69.79 | 0.63 |
| 4.35% SD Finance plc Unsecured & Guaranteed 2027 | 65,000 | 4.35 | 4.60 | 2.66 | 27.22 | 0.27 |
| 4.00% Eden Finance plc Unsecured & Guaranteed 2027 | 40,000 | 4.42 | 4.24 | 5.37 | 25.33 | 0.23 |
| 5.25% Mediterranean Investments Holding plc Unsecured & Guaranteed 2027 | 30,000 | 4.73 | 3.79 | 3.30 | 22.75 | 0.21 |
| 4.00% Stivala Group Finance plc Secured & Guaranteed 2027 | 45,000 | 4.25 | 4.84 | 5.58 | 28.97 | 0.26 |
| 4.75% Best Deal Properties Holding Plc Secured & Guaranteed 2025/2027 | 15,000 | 4.62 | 13.29 | 4.71 | 63.61 | 0.65 |
| 4.75% Gap Group plc Secured & Guaranteed 2025/2027 | 23,000 | 4.62 | 33.21 | 4.85 | 56.20 | 0.69 |
| 3.85% Hili Finance Company plc Unsecured & Guaranteed 2028 | 40,000 | 4.40 | 4.64 | 4.84 | 69.79 | 0.63 |
| 3.65% Stivala Group Finance plc Secured & Guaranteed 2029 | 15,000 | 4.50 | 4.84 | 5.58 | 28.97 | 0.26 |
| 3.80% Hili Finance Company plc Unsecured & Guaranteed 2029 | 80,000 | 5.96 | 4.64 | 4.84 | 69.79 | 0.63 |
| 3.75% AX Group plc Unsecured 2029 | 10,000 | 4.11 | 1.75 | 14.74 | 30.01 | 0.28 |
| 6.25% GPH Malta Finance plc Unsecured & Guaranteed 2030 | 18,144 | 5.79 | 1.56 | 11.27 | 94.67 | 0.83 |
| 3.65% International Hotel Investments plc Unsecured 2031 | 80,000 | 4.81 | 1.87 | 11.42 | 41.92 | 0.40 |
| 3.50% AX Real Estate plc Unsecured 2032 | 40,000 | 4.56 | 2.31 | 13.83 | 42.36 | 0.41 |
| 5.00% Mariner Finance plc Unsecured 2032 | 36,930 | 4.73 | 4.72 | 5.95 | 49.91 | 0.49 |
| 4.50% The Ona plc Secured & Guaranteed 2028/2034 | 16,000 | 4.74 | 32.26 | 9.77 | 64.11 | 0.59 |

***As at 31 May 2023***

***Sources: Malta Stock Exchange***
***M.Z. Investment Services Limited***
***Most recent audited annual financial statements except for GPH Malta Finance plc (FY2022/2023 - forecast)***




At present, there are no local corporate bonds which have a redemption date beyond 2034. The Malta Government Stock yield curve has been included as it is widely considered as the benchmark 'risk-free' rate for Malta.

The 5.00% Dizz Finance plc unsecured bonds 2026 are currently trading at a yield-to-maturity ("YTM") of 5.02% which is 20 basis points higher than the average YTM of other local corporate bonds maturing in the same year. The premium over the corresponding Malta Government Stock yield of equivalent maturity is 173 basis points.

# PART 4 – EXPLANATORY DEFINITIONS

| Income Statement | |
|---|---|
| *Revenue* | Total income generated from business activities. |
| *EBITDA* | Earnings before interest, taxes, depreciation, and amortisation. It is a metric used for gauging a company's operating performance, excluding the impact of its capital structure, and is usually interpreted as a loose proxy for operating cash flow generation. |
| *Operating profit / (loss)* | Profit or loss from operating activities including movements in the fair value of investment property but excluding the share of results of associated undertakings, net finance costs, and taxation. |
| *Profit / (loss) after tax* | Net profit or loss recorded from all business activities. |

| Profitability Ratios | |
|---|---|
| *EBITDA margin* | EBITDA as a percentage of revenue. |
| *Operating profit margin* | Operating profit or loss as a percentage of total revenue. |
| *Net profit margin* | Profit or loss after tax as a percentage of total revenue. |
| *Return on equity* | Measures the rate of return on the company's net assets and is computed by dividing the net profit or loss by average equity. |
| *Return on assets* | Measures the rate of return on the company's assets and is computed by dividing the net profit or loss by average assets. |
| *Return on invested capital* | Measures the rate of return from core operations and is computed by dividing operating profit or loss by the average amount of equity and net debt. |

| Cash Flow Statement | |
|---|---|
| *Net cash flow from / (used in) operating activities* | The amount of cash generated (or consumed) from the normal conduct of business. |
| *Cash flow from / (used in) investing activities* | The amount of cash generated (or consumed) from activities related to the acquisition, disposal, and/or development of long-term assets and other investments. |
| *Cash flow from / (used in) financing activities* | The amount of cash generated (or consumed) that have an impact on the company's capital structure and thus result in changes to share capital and borrowings. |

| Statement of Financial Position | |
|---|---|
| *Non-current assets* | 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 a company amortises the cost of the asset over the number of years for which the asset will be in use instead of allocating the entire cost to the accounting year in which the asset was acquired. |
| *Current assets* | All assets which could be realisable within a twelve-month period from the balance sheet date. Such amounts may include development stock, accounts receivable, cash and bank balances. |
| *Non-current liabilities* | These represent long-term financial obligations which are not due within the next twelve months, and typically include long-term borrowings and debt securities. |
| *Current liabilities* | Liabilities which fall due within the next twelve months from the balance sheet date, and typically include accounts payable and short-term debt. |
| *Total equity* | 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 | |
|---|---|
| *Interest cover* | Measures the extent of how many times a company can pay its net finance costs from EBITDA. |
| *Net debt-to-EBITDA* | Measures how many years it will take a company to pay off its net interest-bearing liabilities (including lease liabilities) from its EBITDA generation capabilities, assuming that net debt and EBITDA are held constant. |
| *Net debt-to-equity* | Shows the proportion of net debt (including lease liabilities) to the amount of equity. |
| *Net gearing* | Shows the proportion of equity and net debt used to finance a company's business and is calculated by dividing a company's net debt by net debt plus equity. |
| *Debt-to-asset* | Shows the degree to which a company's assets are funded by debt and is calculated by dividing all interest-bearing liabilities by total assets. |
| *Leverage* | Shows how much equity a company is using to finance its assets. |
| *Current ratio* | Measures whether or not a company has enough resources to pay its short-term liabilities from its short-term assets. |