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# Financial Analysis Summary

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31 August 2020

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Issuer

**Eden Finance p.l.c.**

Guarantor

**Eden Leisure Group Limited**



MZ INVESTMENT SERVICES



## MZ INVESTMENT SERVICES

The Directors  
Eden Finance p.l.c.  
Eden Place  
St George's Bay  
St Julians STJ 3310  
Malta

31 August 2020

Dear Sirs

### **Financial Analysis Summary**

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

The purpose of the financial analysis is that of summarising key financial data appertaining to Eden Finance p.l.c. (the "**Issuer**") and Eden Leisure Group Limited (the "**Guarantor**" or "**Eden 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 three years ended 31 December 2017 to 31 December 2019 has been extracted from the audited financial statements of the Issuer and from the audited consolidated financial statements of the Guarantor for the three years in question.
- (b) The forecast data for the year ending 31 December 2020 has been provided by management.
- (c) Our commentary on the results of the Eden Group and on its financial position is based on the explanations provided by management.
- (d) The ratios quoted in the Analysis have been computed by us applying the definitions set out in Part 5 of the Analysis.



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- (e) Relevant financial data in respect of the companies included in Part 4 has been extracted from public sources such as websites of the companies concerned, financial statements filed with the Registrar of Companies or websites providing financial data.

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

Yours faithfully,

**Evan Mohnani**  
Senior Financial Advisor

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## PART 1 – INFORMATION ABOUT THE EDEN GROUP

### 1. KEY ACTIVITIES OF THE ISSUER

The principal activity of Eden Finance p.l.c. (the “**Issuer**” or “**Company**”) is to carry on the business of a finance and investment company within the Eden Group. The Issuer is not engaged in any trading activities but is involved in raising debt and advancing same to members of the Eden Group as and when the demands of this business or the demands of a particular project so require. Accordingly, the Issuer is economically dependent on the operations, performance and prospects of the Eden Group.

### 2. DIRECTORS OF THE ISSUER

The Issuer is managed by a Board comprising seven directors who are entrusted with its overall direction and management. The Board members of the Issuer as at the date of this report are included hereunder:

#### Board of Directors

Ian De Cesare	Chairman and Non-Executive Director
Kevin De Cesare	Chief Executive Officer and Executive Director
Simon De Cesare	Executive Director and Company Secretary
David Vella	Executive Director
Andrea Gera de Petri Testaferrata	Non-Executive Director
Paul Mercieca	Independent Non-Executive Director
Victor Spiteri	Independent Non-Executive Director

### 3. KEY ACTIVITIES OF THE GUARANTOR

Eden Leisure Group Limited (the “**Guarantor**” or “**Eden Group**” or “**Group**”) is the parent holding company of the Eden Group and is principally engaged, through subsidiary companies and/or associated entities, in the ownership of a varied portfolio of business entities within the hospitality and entertainment industries in Malta (including a cinema complex, bowling alley, health & fitness club, radio station, a conference & events centre and a car park), the ownership of the InterContinental Malta & Holiday Inn Express Malta (which are operated by the InterContinental Hotels Group) and the management of timeshare apartments (which are owned by the Group and leased out to a third party operator on a long-term lease).

Furthermore, the Guarantor holds a number of properties directly in its own name which are leased out to third parties. The Guarantor also leases commercial space to a related party for the operation of a casino.



#### 4. DIRECTORS OF THE GUARANTOR AND SENIOR MANAGEMENT

The Guarantor is managed by a Board comprising four directors who are entrusted with its overall direction and management, including the establishment of strategies for future development. The Board members of the Guarantor as at the date of this report are included hereunder:

##### Board of Directors

Ian De Cesare	Chairman and Non-Executive Director
Kevin De Cesare	Managing Director
Paul Mercieca	Independent Non-Executive Director
Victor Spiteri	Independent Non-Executive Director

##### Senior Management

The day-to-day management of the Eden Group is entrusted to Kevin De Cesare, the Managing Director of the Group, and the Senior Management Team. Some of the more important functions carried out by this team include, *inter alia*, the consideration of new business opportunities, the execution of existing and new projects, and the procurement of funding thereof. The members of the Senior Management Team are included hereunder:

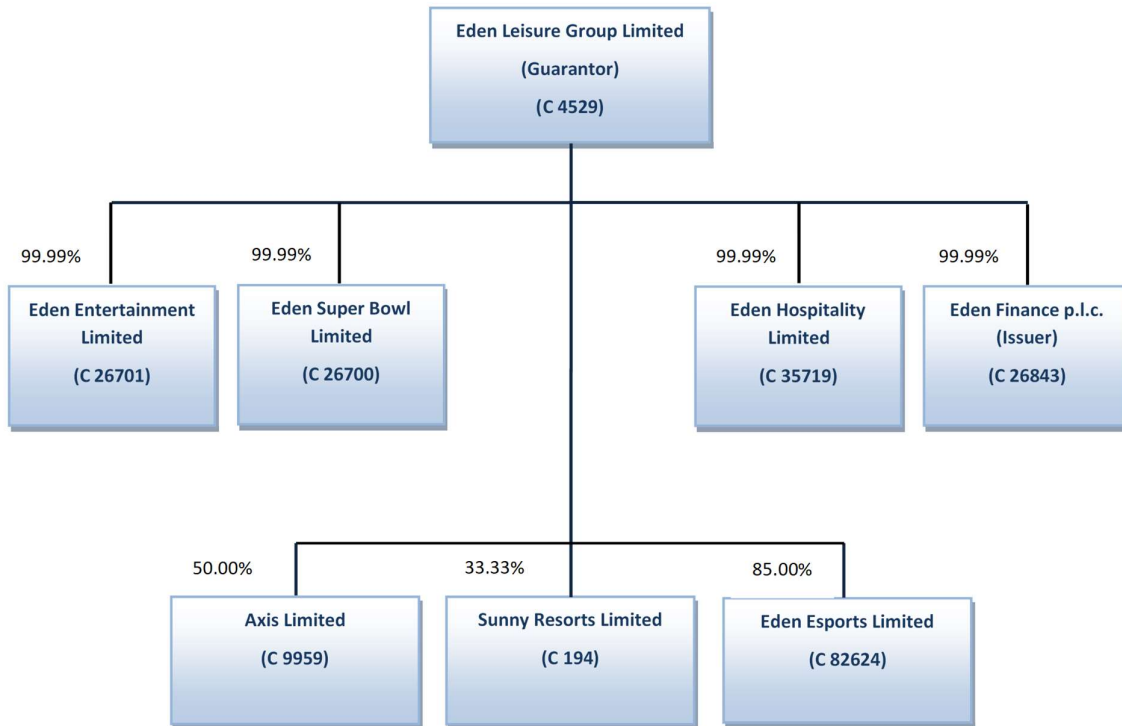
Kevin De Cesare	Managing Director
Simon De Cesare	Chief Executive Officer
David Vella	Chief Financial Officer
Kate De Cesare	Director of Operations
Kevin Jnr De Cesare	General Manager

The weekly average number of employees engaged by the Eden Group during FY2019 amounted to 582 persons (FY2018: 573).



## 5. EDEN GROUP ORGANISATIONAL STRUCTURE

The diagram hereunder illustrates the shareholding structure relative to the Eden Group. The Eden Group's businesses are described in more detail in Part 2 below.



The Guarantor held a 25% shareholding in CLL Limited amounting to €25,000. The investment was fully impaired in FY2018 and the company was liquidated in 2019.

### Eden Entertainment Limited

EEL was established in Malta on 14 July 2000 as a private limited liability company and is principally engaged in the operation of the Eden Cinemas, Eden Car Park, Bay Radio and Cynergi Health & Fitness Club. In Q4 2017, EEL took over the operation of the Eden Superbowl from Eden Super Bowl Limited.

### Eden Super Bowl Limited

ESL was established in Malta on 14 July 2000 as a private limited liability company. ESL is a non-trading company and is the property owner of the Eden SuperBowl.



**Eden Hospitality Limited**

EHL was established in Malta on 22 February 2005 as a private limited liability company and is principally engaged in the operation of the InterContinental Malta, Holiday Inn Express Malta (operations commenced in September 2017) and the InterContinental Arena & Conference Centre. The company also manages 46 self-catering apartments, which are leased to a third party timeshare operator.

**Axis Limited**

The Eden Group has a 50% shareholding in Axis Limited, a company set up in Malta on 27 September 1988 as a private limited liability company. Axis Limited leases from a third party a property formerly occupied by the Axis discotheque in Paceville. In recent years, the property was developed into 11 commercial outlets which are leased to third parties. The 50% share of results of this company is included in the consolidated financial statements of the Guarantor under the heading “share of results in associated undertakings”.

**Sunny Resorts Limited**

Sunny Resorts Limited, a 33.33% owned associated company of the Guarantor is a non-trading company and holds one immovable property in St Julians.

**Eden Esports Limited**

Eden Esports Limited was established on 20 September 2017 and is principally engaged in providing electronic sports, both online and offline, through the organisation and promotion of events, leagues and tournament for local and international players. It is also engaged in the promotion of electronic sports on various media channels and the creation and running of programmes and marketing events to increase the popularity of electronic sports in Malta and abroad. On 17 June 2020, the Guarantor increased its shareholding in Eden Esports Limited from 70% to 85%





## 6. MAJOR ASSETS OWNED BY THE GROUP

<b>Eden Leisure Group Limited</b>			
<b>Major Assets</b>			
<b>as at 31 December</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>
	<b>€'000</b>	<b>€'000</b>	<b>€'000</b>
Property, plant and equipment	147,530	154,843	153,464
Investment property	12,200	17,200	17,200
Amounts receivable emanating from sale of intellectual property	-	-	6,557
	<b><u>159,730</u></b>	<b><u>172,043</u></b>	<b><u>177,221</u></b>

Source: Consolidated audited financial statements of Eden Leisure Group Limited.

Property, plant and equipment primarily comprises land, buildings, furniture, fittings and equipment used in the Group's hospitality and entertainment operations including the InterContinental Malta, the InterContinental Arena & Conference Centre, the Holiday Inn Express Malta, the Eden Cinemas, the Eden SuperBowl, Cynergi Health & Fitness Club, Bay Radio and Eden Car Park.

Investment property includes the Eden Business Centre located in Elia Zammit Street, St Julians and another property which is currently leased out to a related company. During FY2018, the aforementioned properties were revalued by €5 million, bringing the aggregate balance as at 31 December 2018 to €17.2 million (FY2019: €17.2 million).

With effect from 1 January 2019, the Group divested itself from the intellectual property and rights associated with the brands 'Cynergi' and 'Bay', to a newly formed company EIP Limited, which is a commonly controlled entity, for a value of €8.6 million. The amount receivable as at 31 December 2019 amounted to €6.6 million.



## PART 2 – OPERATIONAL DEVELOPMENT

The Group's hospitality and entertainment operations have been dramatically impacted by the unprecedented COVID-19 pandemic, particularly following the closure of all the Group's hotels and entertainment & leisure establishments in March 2020. Although the Group's hotels have reopened for business, confirmed bookings are at very low levels and are expected to remain so for the rest of 2020. Similarly, the entertainment & leisure establishments are presently operational, but at low capacity due to a large reduction of tourists and in order to fully adhere to safety guidelines. The situation is very fluid and the actual impact on the performance of each of the Group's hotels and entertainment & leisure establishments is highly dependent on the severity and duration of the pandemic.

### 7. INTERCONTINENTAL MALTA

#### Introduction

The Group owns the 481-room 5-star InterContinental Malta located in St Julians, Malta. The hotel is operated by InterContinental Hotels Group under a management contract till 2034. The hotel offers a wide range of facilities to its guests, including accommodation, food and beverage offerings, a spa, health and fitness centre and extensive conference facilities.

In 2018, the Group initiated a renovation programme comprising the refurbishment of 427 rooms and bathrooms as well as the corridors at a cost of *circa* €4.0 million. The said works are expected to be completed by the end of FY2021.



## Operational Performance

The following table sets out the highlights of the hotel's operating performance for the years indicated therein:

<b>InterContinental Malta</b>	<b>FY2017</b>	<b>FY2018</b>	<b>FY2019</b>
	<b>Actual</b>	<b>Actual</b>	<b>Actual</b>
Turnover (€'000)	26,759	27,318	29,241
Gross operating profit before mgt fees (€'000)	7,802	7,771	9,808
Gross operating profit margin (%)	29	28	34
Occupancy level (%)	64	64	67
Average room rate (€)	158	160	159
Revenue per available room (RevPAR) (€)	(a) 152	156	167
<b>Benchmark performance</b>			
Occupancy level (%)	76	74	73
Average room rate (€)	159	170	169
Revenue per available room (RevPAR) (€)	(b) 184	189	186
<b>Revenue Generating Index (RGI)</b>	(a)/(b) 0.83	0.82	0.90

Source: Management information.

In FY2017, the Hotel increased y-o-y revenue by €4.2 million (+19%) and gross operating profit increased by 42% (from €5.5 million in FY2016 to €7.8 million in FY2017), mainly on account of the recently completed extension done to the property and ongoing refurbishment works. Also, the Hotel continued to benefit from the positive trend in tourism in Malta.

Results for FY2018 reflected mostly a consolidation of FY2017's good performance, as revenue improved by 2% to €27.3 million while gross operating profit was broadly unchanged on a comparable basis at €7.8 million.

Inbound tourism continued to increase in 2019, and while Q1 and Q2 were slightly disappointing, the results for the second half of the year improved significantly, especially with regard to conference and incentive business which was exceptionally strong between September and November 2019. Overall, revenue for the year increased by €1.9 million (+7%) and amounted to €29.2 million, while gross operating profit grew by €2.0 million (+26%) to €9.8 million. In FY2018, management embarked on a cost engineering exercise to streamline operational costs. The resultant cost savings were reflected in the afore-mentioned increase in gross operating profit.

The COVID-19 pandemic will adversely impact the operational performance of the Hotel for FY2020. January was a positive month, but the Hotel started to receive booking cancellations in February until



the Hotel was closed on 31 March 2020. Although the Hotel reopened in June 2020, management is projecting minimal operational activity for the remainder of the financial year.

In comparison to its competitive set, the InterContinental Malta's performance indicators were below the benchmark in each of the financial years FY2017 to FY2019, although an improvement in RGI has been noted for FY2019 (which increased from 0.82 in FY2018 to 0.90 in FY2019). The underperformance is principally due to: (i) the larger room capacity of the Hotel compared to its competitors; and (ii) the inland location of the Hotel which presents a competitive disadvantage, given that most 5-star hotels are seafront properties.

## 8. HOLIDAY INN EXPRESS MALTA

### Introduction

The 118-room 3-star Holiday Inn Express is operated by the InterContinental Hotels Group under a 15-year management contract. The new hotel commenced operations in September 2017.

The Holiday Inn Express, which forms part of the InterContinental Hotels Group hotel portfolio, is a limited amenity high quality hotel with an emphasis on the business traveller. The concept focuses on a standardisation of design and highlights comfort in sleep, shower facilities, WIFI and a hot quality breakfast.

### Operational Performance

The following table sets out the highlights of the hotel's operating performance for the last 4 months of FY2017 and subsequent two financial years (FY2018 and FY2019):

<b>Holiday Inn Express Malta</b>	<b>FY2017 Actual</b>	<b>FY2018 Actual</b>	<b>FY2019 Actual</b>
Turnover (€'000)	577	3,001	3,257
Gross operating profit before mgt fees (€'000)	121	1,611	1,782
Gross operating profit margin (%)	21	54	55
Occupancy level (%)	39	73	80
Average room rate (€)	104	94	90
Revenue per available room (RevPAR) (€)	(a) 41	70	76
<b>Benchmark performance</b>			
Occupancy level (%)	n/a	74	80
Average room rate (€)	n/a	66	68
Revenue per available room (RevPAR) (€)	(b) n/a	64	71
<b>Revenue Generating Index (RGI)</b>	(a)/(b)	1.09	1.07

Source: Management information.



The Holiday Inn Express commenced operations in September 2017. Management has positioned the hotel as a superior 3-star property, and has taken advantage of synergies (both on a commercial and operational level) with the adjacent InterContinental Malta. In its first 4 months of operation, the Holiday Inn Express managed to achieve revenues of €0.6 million, which was higher than originally expected.

In its first full year of operation (**FY2018**), the Hotel performed in line with management's expectations and generated revenues of €3.0 million and a gross operating profit of €1.6 million. The Hotel proved very popular with thmiddle age group visitors and achieved an occupancy level of 73% in FY2018, with an average room rate of €94 and RevPAR of €70.

In **FY2019**, revenue generated by the Hotel amounted to €3.3 million, an increase of €256,000 over the previous year, while gross operating profit improved by €171,000 (y-o-y) to €1.8 million. The Hotel achieved a gross operating profit margin of 55% compared to 54% in FY2018.

When compared to its competitive set (other 3-star hotels), the Holiday Inn Express performed very well in terms of average room rate and RevPAR, which amounted to €90 and €76, respectively, compared to the benchmarks of €68, and €71, respectively. The better performance is likely due to the fact that the hotel is marketed as a superior 3-star hotel and is located in a prime area. In terms of occupancy, the Holiday Inn Express matched its competitors in FY2019 at 80%.

The COVID-19 crisis is having a very negative effect on the hospitality sector and accordingly, management expects the operational performance of the Hotel for FY2020 to be at a very low level.

## 9. HOSPITALITY SECTOR ANALYSIS

### 9.1 ECONOMIC UPDATE<sup>1</sup>

After annual real GDP growth of 7.3% in 2018 and 4.4% in 2019, Malta's economy had already started to show signs of cooling before the COVID-19 outbreak. Domestic demand has been the main growth driver, underpinned by robust private consumption and investment. Economic sentiment had eased in recent months, but remained strong with steady confidence in industry and construction. Although exports have been losing steam, tourism still contributed significantly to GDP growth.

Malta's economy is being severely affected by the COVID-19 pandemic this year. GDP is expected to contract by around 5.75% but should rebound by 6.0% in 2021. The lockdown and closure of non-essential businesses since 26 March 2020 is weighing on private consumption and service exports, with limited room for expenditure on recreation or food services. However, the initial tightness in the labour market and households' high saving rate may cushion the crisis' impact on consumption. Some large-scale investment projects in health and infrastructure are continuing, while other plans have been postponed.

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<sup>1</sup> European Economic Forecast – Spring 2020 (European Commission Institutional Paper 125 May'20).



The external sector is set to contribute negatively this year, reflecting a weaker external environment, elevated global uncertainty and a substantial decline in tourism revenues. A fall in domestic demand is expected to drag imports down at a slower pace than exports in 2020, before imports growth outpaces exports' in 2021. The current account surplus, which peaked in 2017, is projected to gradually narrow over the forecast horizon, but to remain high. An easing in general restrictions is expected to re-stimulate domestic demand in 2021, though it is set to remain below its 2019 level.

As a small open economy, Malta's economic outlook is highly sensitive to global uncertainties and the growth performance of its trading partners. Their economic development in the wake of the COVID-19 pandemic may weigh on Malta's exports and pace of recovery more strongly than assumed in this forecast.

The fast pace of economic growth in Malta led to a record-low unemployment rate of 3.5% in 2019, but in the wake of the COVID-19 crisis, the temporary closure of tourism-related activities is set to have a harsh impact on employment. Despite the financial aid made available to employees and the government's measures to cushion the impact on corporates, the unemployment rate is projected to increase to around 6% in 2020 before decreasing again in 2021 to 4.5%.

In 2019, the government surplus declined to 0.5% of GDP from 1.9% a year earlier. The outcome fell short of the government's plans to assure a balanced budget when discounting for the proceeds of the Individual Investor Programme (citizenship scheme), mainly due to lower-than-budgeted VAT receipts. The favourable economic environment translated into strong growth in income taxes and social contributions. Nevertheless, outlays on intermediate consumption, wages and capital outpaced positive revenue developments.

In 2020, the general government balance is projected to swing into a large deficit of around 6.75% of GDP. Revenue from indirect taxes is set to decline as household consumption falls. Direct tax revenues are projected to record a slight positive growth given the assumed wage growth and profits recorded by companies in the previous year. The main drag on the fiscal balance will come from the financial packages adopted to combat the economic impact of COVID-19. Wage supplements, additional spending on healthcare and social benefits, and interest rate subsidies are expected to cost around 4% of GDP. Moreover, the social measures announced in the 2020 budget, which was prepared under a more favourable economic scenario, are expected to be implemented.

Assuming no changes in policies, which implies that the pandemic-related measures would be discontinued after a few months and healthcare spending would decline to pre-2020 levels, the general government balance should improve strongly, but remain in a deficit of around 2.5% of GDP.

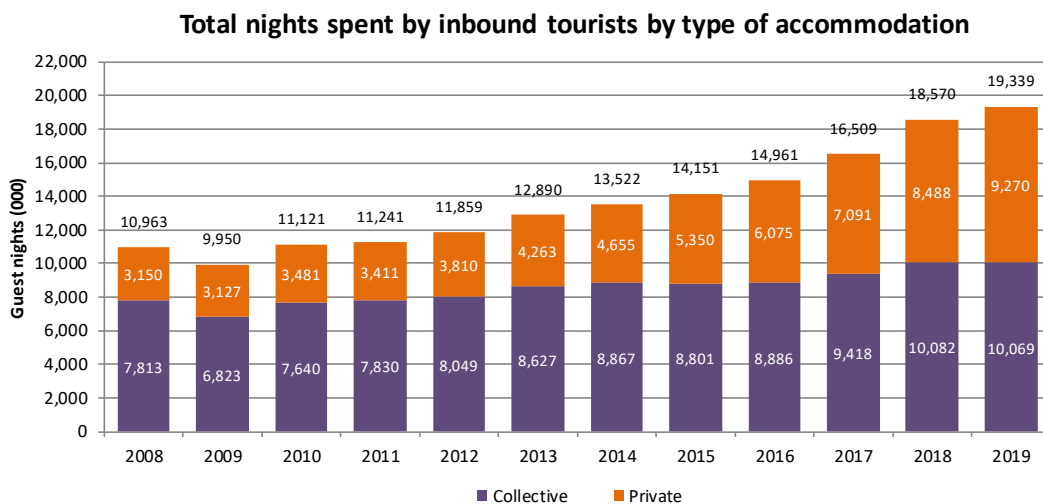
After declining steadily since 2011, the government debt-to-GDP ratio is forecast to surge to about 51% in 2020 and remain around this level in 2021, driven by adverse developments in the deficit.



## 9.2 TOURISM MARKET<sup>2</sup>

The tourism sector continued to expand in 2019, although the expansion moderated following an extended period of very high growth. Inbound tourist trips in 2019 reached nearly 2.8 million (+5.9% y-o-y) after increasing by 14.3% in 2018. The United Kingdom and Italy remained Malta's most important source markets, accounting for 23.6% and 14.3% of total visitors respectively.

Total nights spent by inbound tourists went up by 4.1%, surpassing 19.3 million nights. As shown in chart below, this was largely driven by an increase in nights stayed in rented accommodation other than collective accommodation (a y-o-y increase of 9.2% from 8.5 million guest nights in 2018 to 9.3 million in 2019).

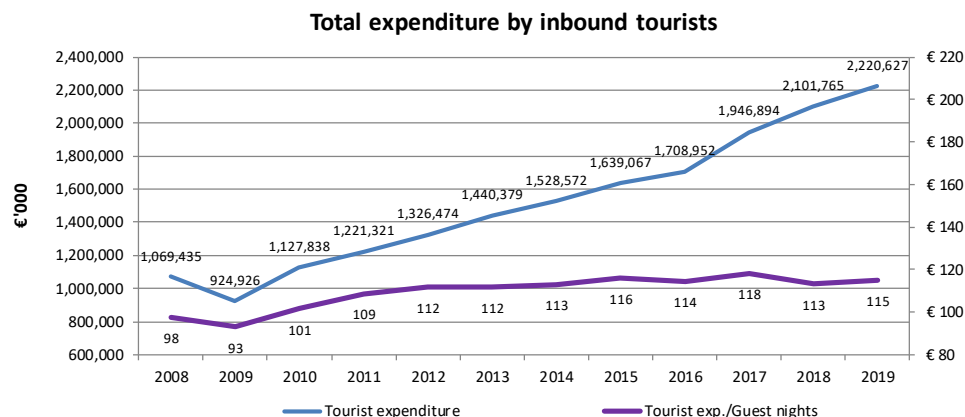


Source: National Statistics Office Malta

Total tourism expenditure amounted to €2.2 billion in 2019, a 5.7% increase over that recorded for 2018, while tourist expenditure per guest night increased by €2 from €113 in 2018 to €115 in 2019 (*vide* chart hereunder).

<sup>2</sup> [https://nso.gov.mt/en/News\\_Releases/View\\_by\\_Unit/Unit\\_C3/Tourism\\_Statistics/Documents/2020/News2020\\_017.pdf](https://nso.gov.mt/en/News_Releases/View_by_Unit/Unit_C3/Tourism_Statistics/Documents/2020/News2020_017.pdf);  
[https://nso.gov.mt/en/News\\_Releases/View\\_by\\_Unit/Unit\\_C3/Tourism\\_Statistics/Documents/2020/News2020\\_032.pdf](https://nso.gov.mt/en/News_Releases/View_by_Unit/Unit_C3/Tourism_Statistics/Documents/2020/News2020_032.pdf);  
 Fifty-second Annual Report and Statement of Accounts 2019 – Central Bank of Malta, 2020 (pages 72 to 74).





Source: National Statistics Office Malta

Total guests in collective accommodation establishments<sup>3</sup> during 2019 surpassed 2.0 million, an increase of 2.0% over the same period in 2018. Within the collective accommodation establishments, the 5-star and 3-star hotels lost 17,878 guests (-4.3%) and 27,665 guests (-5.3%) respectively, whilst the 4-star hotels gained 48,695 guests (+5.6%) in 2019 compared to a year earlier.

Room rates and occupancy levels of the 5-star hotel category remained more or less on par with 2018 and showed a marginal decrease in REVPAR (revenue per available room) of 1.3%. GOPAR (gross operating profit per available room) for 2019 decreased by 4% (y-o-y).

With regard to the 4-star hotel category, occupancy and room rates decreased, albeit marginally, by 0.9% and 0.8% respectively. Non-accommodation income increased by 4.5%, and overall, REVPAR levelled off at €96.70. Profitability of the 4-star sector decreased by 5.1% in 2019.

The 3-star sector in 2019 reported an increase in occupancy from 74% to 80%, whilst room rates increased by 1.7%. This trend resulted in a REVPAR improvement of 14.3%, while GOPAR increased by 13.6% (y-o-y).<sup>4</sup>

For the year 2020, the pandemic will undoubtedly have a negative impact on hotel bookings and related services. However, the situation is still very fluid and the full extent of the disruption to the hospitality industry in Malta is yet to be determined and assessed.

Apart from issues arising from COVID-19, the hospitality industry in Malta was already experiencing bed overcapacity emanating from significant growth in non-collective accommodation and, to a lesser extent, hotel properties. This situation of oversupply may get worse in the short to medium term as ongoing hospitality development projects are completed. Further competition is also expected from other countries, particularly in the southern Mediterranean region.

<sup>3</sup> Collective accommodation establishments comprise hotels, apart-hotels, guest houses, hostels and tourist villages.

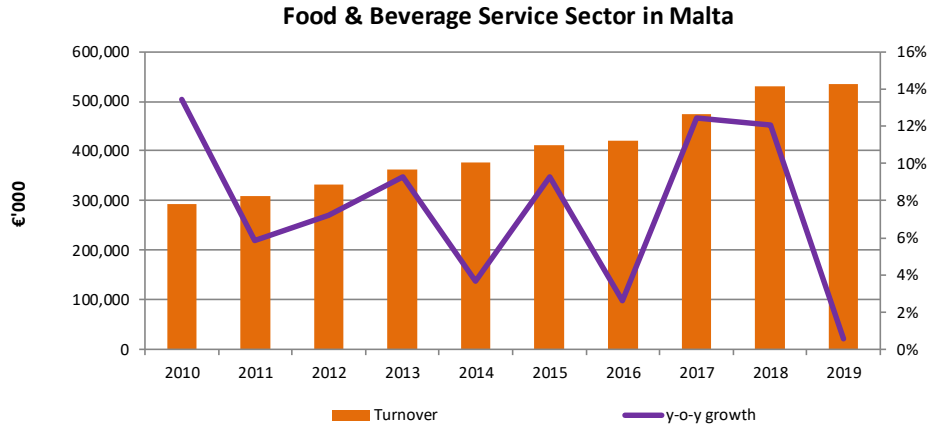
<sup>4</sup> The BOV MHRA Survey Q4 2019 and Year to Date.





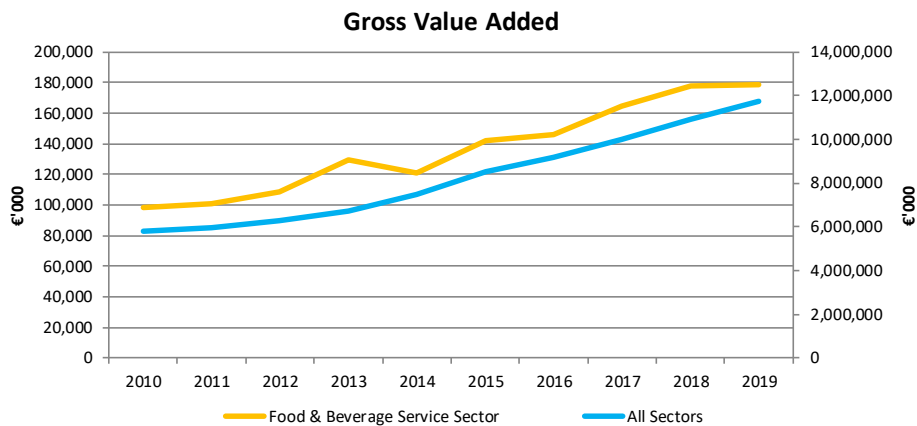
### 9.3 FOOD & BEVERAGE SERVICE SECTOR

The food & beverage service sector comprises restaurants & mobile food service activities and beverage serving activities. In 2019, total income from this sector in Malta amounted to €534.4 million, an increase of 0.6% over the previous year (2018: €531.2 million).



As shown in the above chart, over a 10-year period (2010 – 2019), market output has progressively increased year-on-year. During the last 3 years, the sector registered year-on-year increases of 12.4% and 12.1% in 2017 and 2018 respectively, but slowed to 0.6% in 2019 when compared to the prior year. Since 2010, the food & beverage service sector grew at a compound annual growth rate of 6.9%.

The chart hereunder shows that the gross value added generated by the food & beverage service sector in Malta has grown on a year-to-year basis from €98.2 million in 2010 to €178.5 million in 2019. The chart also highlights the sector's correlation to Malta's economic performance. Over the reported period, the food & beverage service sector represented 1.7% of gross value added generated by the whole economy.



The COVID-19 pandemic has directed the Maltese authorities to impose various measures, including the temporary suspension of international travel and closure of hotels, restaurants, bars and other outlets, which will have a material impact on the food & beverage service sector. Although the travel ban is set to be lifted as from 1 July 2020, significant headwinds are likely to persist for a period of time. Accordingly, it is still not possible to assess with a certain degree of accuracy the full extent of the adverse impact on this sector.

## **10. ENTERTAINMENT & LEISURE**

### **10.1 EDEN CINEMAS**

The Group is the largest operator of multiplex cinemas in Malta (based on number of screens) with 13 fully digitised screens, situated in St Julians. Eden Cinemas generate operating revenue principally from theatre operations, including box office receipts, food and beverages, and on-screen and off-screen advertising. Apart from showing the latest blockbusters as well as art-house movies, the Eden Cinemas also screens cultural productions; including operas and ballets broadcast live from the world's most renowned theatres; art exhibitions and Shakespearean productions from the Globe Theatre.

In FY2019, Eden Cinemas reported a further improvement in performance when compared to the prior year. One contributing factor was the closure of one of the other main cinema complexes in Malta which has since opened in 2020, albeit on a smaller scale.

### **10.2 BAY RADIO**

The Group has been operating 89.7 Bay since 1991. The radio station broadcasts 24 hours a day in Maltese and English, and offers the latest selection of music. Bay Radio derives the substantial majority of its revenue from the sale of advertising, but also generates income from the production of adverts.

Radio popularity is regularly surveyed by the independent Malta Broadcasting Authority. In the most recent survey, Bay Radio retained the number one spot as the most popular station with 20.41% of all radio listeners, followed by the next two radio stations with 19.80% and 12.50% respectively. Bay Radio is popular with all those under the age of 50, whereas the second placed radio station attracts more listeners over the age of 50. FY2019 was a very good year for Bay Radio as it registered a 23% improvement in profitability.

Management's strategy is to continue to be innovative and to recruit and train quality presenters in order to increase its edge over competition, and in turn grow its listener base and advertising revenue. Furthermore, the station's affiliation with the most popular music events and activities on the island as well as maintaining close ties with local musicians, coupled with professional and relevant content and on-air competitions are the key success factors of 89.7 Bay.



### 10.3 CYNERGI HEALTH & FITNESS CLUB

The Club is one of the largest health and fitness venues in Malta and has approximately 2,200 members. Apart from generating revenue from memberships, the Club also derives income from studio and squash court rentals, and from the sale of nutritional and beverage products. In FY2019, Cynergi registered continued growth in its membership base on the previous year.

Cynergi Health & Fitness Club offers over 100 cardio vascular machines, a comprehensive weights area, 2 squash courts, an aerobics room, a crèche facility as well as an indoor pool equipped with steam bath and sauna. The Spa facilities are leased to a third party international company and include an authentic Turkish Hamam. The Club is accessed from the InterContinental Malta, the Eden Car Park and directly from the street.

### 10.4 EDEN SUPERBOWL

The Eden SuperBowl operates the only tenpin bowling alley in Malta. It comprises 20 lanes and is popular with families, youngsters, language schools and corporate groups.

The Malta Ten Pin Bowling Association (MTBA) operates solely at the Eden SuperBowl and organises three national leagues and *circa* 15 tournaments annually. The Eden SuperBowl also hosts 2 international annual tournaments (the Malta Open and the Seniors Open) which attract over 100 participants (mainly foreign nationals) per tournament.

In FY2019, the Eden SuperBowl grew with significant improvements in revenue and gross operating profit.

### 10.5 EDEN ESPORTS

Pursuant to the establishment of Eden Esports Limited in 2017, the Group has been active in growing this new business operation within the local and international esports market. The company is involved in setting up bespoke esports events, activities and content for the esports and video gaming community. Its portfolio includes the Champions Cup, Supernova CS:GO Malta, the Hotshot Series and the Malta Esports Forum.

In FY2019, the Esports Centre at the Eden SuperBowl attracted thousands of players to its terminals, and larger local events at the Arena, such as the Nova, drew hundreds of participants for the event. Throughout the year, management continued attracting top teams to Malta to stay at its hotels for Bootcamps. Other international activities were developed throughout the year. In December 2019, the company organised the Champions Cup where 8 top teams competed for a prize fund of \$360,000. A total of 33.5 million unique viewers followed this event which was broadcast in 10 different languages. Whilst this new business venture is growing year-on-year, the company is yet to generate a profit for the Eden Group.



## 10.6 MARKET ANALYSIS AND TRENDS

### Cinema Establishments

In 2019, there were six cinema establishments operating in Malta and Gozo, with a total of 28 screens and a seating capacity of 5,762. Of these six cinemas, two were situated in Gozo.<sup>5</sup>

In total, 409 film titles were exhibited in 2019, while the total screenings amounted to 29,184, with an average of 71 screenings per film. Last year, cinemas registered a total of 748,568 admissions. Maltese productions had 13,942 admissions with a total gross box office of €99,000 in 650 screenings. On the other hand, foreign productions had 734,626 admissions with a total gross box office of €4.95 million in 28,534 screenings.

The majority of cinemagoers, 91.2 per cent, watched films originating from the United States. On their part, Maltese productions attracted 1.9 per cent of the total number of admissions.

Admissions to 3D movies accounted for 18 per cent of the total. 705 film shows were projected in 2019, of which 82.7 per cent or 583 film shows were first-time releases. Last year, 238 fiction films were screened in cinemas across Malta and Gozo. Films falling under this category attracted 72.0 per cent of total admissions. On their part, animation films amounted to 47 and attracted 26.4 per cent of total admissions.

In 2019, the most popular movies were 'The Lion King', 'Aladdin' and 'Joker'. 'The Lion King' attracted 10.4 per cent of the total admissions, 'Aladdin' attracted 7.2 per cent of the total admissions and 'Joker' attracted 5.5 per cent of the total admissions.

### Radio Stations

Bay Radio operates in a market which comprises 16 national stations and a number of community stations and as such faces significant competition for both listeners and advertisers. While Bay Radio broadcasts to all categories of audience, the focus is on the youth market, an area that the station has dominated for numerous years. As indicated in the table hereunder, the Station has been consistently voted most popular station by reach in each of the periods surveyed.

#### RADIO AUDIENCE ASSESSMENT

	Population size	Radio audience reach	Radio audience reach/ population	Bay Radio listeners	Second placed radio listeners	Third placed radio listeners
<b>Feb-18</b>	416,685	212,000	50.88%	22.31%	17.75%	10.13%
<b>Mar-19</b>	432,844	242,500	56.02%	23.83%	15.81%	12.64%
<b>Mar-20</b>	451,358	216,000	47.86%	20.41%	19.80%	12.50%

Source: Malta Broadcasting Authority

<sup>5</sup> [https://nso.gov.mt/en/News\\_Releases/Documents/2020/06/News2020\\_095.pdf](https://nso.gov.mt/en/News_Releases/Documents/2020/06/News2020_095.pdf)



The March 2020 assessment is the third lowest level of radio audiences reached since the collection of data by the Broadcasting Authority. Furthermore, the decrease in radio audience of -11% from the previous assessment (216,000 in March 2020 compared to 242,500 in March 2019) is the sharpest decline on record. However, more radio stations were followed especially those on the DAB+ platform.

There is clear evidence that radio listening patterns changed in March 2020 due to the sudden shutdown caused by COVID-19. In previous assessments, audiences rose sharply between 07:00 and 08:00; falling between 08:30 and 09:00; only to reach the highest peak at 10:00. In the latest assessment, the highest peak was reached at 09:00 and was sustained till 11:30. Similar to television, there was a rise in the number of hours listeners spent following their favourite radio station. It is expected that once the pandemic subsides, radio listening will revert back to pre COVID-19 listening patterns.

### COVID-19

In March 2020, the Maltese Government imposed unprecedented measures in efforts to contain and control the spread of the COVID-19 outbreak. Measures included the imposition of quarantine, self-isolation and travel restrictions, the closure of schools and other academic/learning and care institutions, as well as ordering the complete shutdown of bars, restaurants, clubs, gyms and non-essential shops. As such, Eden Cinemas, Cynergi and Eden SuperBowl were shut down on 18 March 2020 and remained closed until 4 June 2020. Although Bay Radio continued operating during this period, advertising revenues declined significantly as companies were forced to cease trading activities and thereby curtail costs.

Despite reopening, the entertainment & leisure sector of the Group faces significant challenges due to the various restrictions and safety measures put in place within its establishments to curb the spread of the virus, as well as a sharp decline of visitors to the island during the airport/port closure period and the subsequent soft reopening with greatly reduced flights. The Group is also confronted with the high level of uncertainty as to when such restrictive measures can be lifted and thereby allow operations to significantly return to normality.



## 10.6 OPERATIONAL PERFORMANCE

The following table sets out the highlights of operating performance relating to the entertainment & leisure segment for the years indicated therein:

Entertainment & Leisure	FY2017 Actual	FY2018 Actual	FY2019 Actual	CAGR FY17-19
Turnover (€'000)	7,107	8,322	9,800	17.4%
Gross profit (€'000)	2,796	3,760	3,541	12.5%
Gross profit margin (%)	39%	45%	36%	

*CAGR - Compound annual growth rate.*

Source: Management information.

During the three financial years under review (FY2017 – FY2019), revenue increased from €7.1 million in FY2017 to €9.8 million in FY2019, an increase of €2.7 million (+37.9%, CAGR of +17.4%). Gross profit in FY2017 amounted to €2.8 million, which increased to €3.5 million FY2019. In terms of gross profit margin, it is to be noted that the highest margin was registered in FY2018 at 45%. In FY2019, all segments within entertainment & leisure reported an increase in revenue, but gross profit was higher only at Eden Cinemas and Eden SuperBowl. Gross profit registered at Cynergi and Bay Radio decreased from the prior year due to the royalty payable following the divestment of the Group from the intellectual property and rights associated with the brands 'Cynergi' and '89.7 Bay'. Excluding this payable, both Cynergi and 89.7 Bay also registered increases in gross profit.

## 11. OTHER GROUP OPERATIONS

### InterContinental Arena & Conference Centre

The InterContinental Arena & Conference Centre (IACC) is a 3,000m<sup>2</sup> facility mainly used by the InterContinental Malta as a venue for meetings, conferences and events including live shows. In 2015, the IACC was selected as the CHOGM press centre and was also used for the EU Summit for Migration in November 2015.

### Diamond Suites

Diamond Suites is an apartment block of 46 self-catering units, which block is located adjacent to the InterContinental Malta and leased to Diamond Resorts International. In addition to the said lease, in 2005, a management contract was entered into with Diamond Resorts International for the provision of housekeeping, security and maintenance service to the 46 self-catering apartments. In April 2014, the afore-mentioned management contract was renegotiated and extended for a further 5 year period, expiring in 2018. This same contract was renegotiated and extended for a further 1 year period. Management is in negotiation with Diamond Resorts International for the extension of this management contract.



## Property Leases

The Group owns and leases the following properties:

- (i) **Property on St Augustine Street** – The Group leases on a long term basis a property measuring *circa* 66m<sup>2</sup> which is operated as a Vodafone Malta outlet.
- (ii) **Eden Business Centre** – This property is situated in Elia Zammit Street, St Julians and comprises a total office space of 784m<sup>2</sup> on two levels with access to the Eden Car Park. The Eden Business Centre is leased to a third party.
- (iii) **Casino Malta** – A related party of the Group leases 3,000m<sup>2</sup> of space, situated under the InterContinental Malta, for the operation of Casino Malta. The lease contract is for a 10-year period as from December 2015.
- (iv) **Office space on Elia Zammit Street** – A related party of the Group leases on a long term basis a property which comprises office space measuring *circa* 67m<sup>2</sup> which is being used as the Casino Malta offices.

## Eden Car Park

The Eden Car Park is a multi-storey car park that spans the footprint of the InterContinental Malta and has a maximum capacity of 310 vehicles. Activity in the area, particularly from the commercial and tourism sectors, has been increasing constantly over the years and has in turn ensured a high utilisation rate of the car park. As such, the Eden Car Park is an important contributor to the Group's financial results. Moreover, the Eden Car Park is of significance to the business entities of the Eden Group, as it provides parking facilities to their respective customers.



## 12. BUSINESS DEVELOPMENT STRATEGY

During the first half of 2020, the Group reacted swiftly to the COVID-19 pandemic and implemented a broad range of health and safety measures while ensuring the continued viability of the Group. Accordingly, the Group has acted on the following:

- Health and safety measures were adopted as directed by the Authorities.
- Management has reviewed all operational costs and applied for payroll assistance through the Government's wage subsidy scheme.
- Obtained a €4 million bank loan through the Malta Development Bank Guarantee Facility.

Beyond the COVID-19 crisis, the Group's is looking at longer term strategic investments to add to its portfolio of successful businesses while improving its market presence in the local leisure and hospitality sectors where it offers quality entertainment, events and products focusing on the youth market and to pioneer innovative products with a focus on the customer experience. Through significant investment in its hotel room product and the cinemas the Group is expecting to improve its offering resulting in higher profitability once the market stabilises post COVID. As such, management will continue to build on the Group's core strengths as follows:

- continue to cross market and cross promote each business unit;
- develop and consolidate the Bay and Eden brands;
- diversifying, identify, invest in and develop new opportunities in the leisure and hospitality sectors;
- maintain high quality standards in its' offerings;
- drive top line growth; and
- maintain and improve operational efficiencies.

Any new investments will be considered in light of the current reduced liquidity due to COVID-19, as well as delivering a strategy based on the repayment of the bond come 2027.





## PART 3 – PERFORMANCE REVIEW

### 13. FINANCIAL INFORMATION RELATING TO EDEN FINANCE PLC

The financial information provided hereunder is extracted from the audited financial statements of Eden Finance p.l.c. for each of the years ended 31 December 2017 to 31 December 2019. The forecasted financial information for the year ending 31 December 2020 has been provided by management of the Company.

**The projected financial information relates to events in the future and is based on assumptions which the Issuer 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.**

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#### Eden Finance p.l.c.

##### Statement of Comprehensive Income

for the year ended 31 December

	2017	2018	2019	2020
	Audited	Audited	Audited	Forecast
	€'000	€'000	€'000	€'000
Finance income	1,518	1,680	1,680	1,680
Finance costs	(1,442)	(1,600)	(1,600)	(1,600)
<b>Gross profit</b>	<b>76</b>	<b>80</b>	<b>80</b>	<b>80</b>
Administrative expenses	(67)	(61)	(68)	(63)
<b>Profit before tax</b>	<b>9</b>	<b>19</b>	<b>12</b>	<b>17</b>
Taxation	(3)	(7)	(4)	(6)
<b>Total comprehensive income</b>	<b>6</b>	<b>12</b>	<b>8</b>	<b>11</b>

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#### Eden Finance p.l.c.

##### Cash flow Statement

for the year ended 31 December

	2017	2018	2019	2020
	Audited	Audited	Audited	Forecast
	€'000	€'000	€'000	€'000
Net cash from operating activities	(44)	(99)	(108)	(69)
Net cash from investing activities	(24,498)	1,680	2,520	860
Net cash from financing activities	24,574	(1,600)	(1,600)	(1,600)
<b>Net movement in cash and cash equivalents</b>	<b>32</b>	<b>(19)</b>	<b>812</b>	<b>(809)</b>
Cash and cash equivalents at beginning of year	2	34	15	827
<b>Cash and cash equivalents at end of year</b>	<b>34</b>	<b>15</b>	<b>827</b>	<b>18</b>

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<b>Eden Finance p.l.c.</b>				
<b>Statement of Financial Position</b>				
<b>as at 31 December</b>				
	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>
	<b>Audited</b>	<b>Audited</b>	<b>Audited</b>	<b>Forecast</b>
	<b>€'000</b>	<b>€'000</b>	<b>€'000</b>	<b>€'000</b>
<b>ASSETS</b>				
<b>Non-current assets</b>				
Loans owed by parent company	40,000	40,000	40,000	40,000
Redeemable preference shares	1,165	1,165	1,165	1,165
Deferred tax asset	3	-	-	-
	<b>41,168</b>	<b>41,165</b>	<b>41,165</b>	<b>41,165</b>
<b>Current assets</b>				
Financial assets at amortised cost	1,682	1,735	913	1,813
Cash and cash equivalents	34	15	827	18
	<b>1,716</b>	<b>1,750</b>	<b>1,740</b>	<b>1,831</b>
<b>Total assets</b>	<b>42,884</b>	<b>42,915</b>	<b>42,905</b>	<b>42,996</b>
<b>EQUITY</b>				
<b>Equity and reserves</b>	<b>1,605</b>	<b>1,618</b>	<b>1,625</b>	<b>1,637</b>
<b>LIABILITIES</b>				
<b>Non-current liabilities</b>				
Debt securities	40,000	40,000	40,000	40,000
<b>Current liabilities</b>				
Trade and other payables	1,279	1,297	1,280	1,359
	<b>41,279</b>	<b>41,297</b>	<b>41,280</b>	<b>41,359</b>
<b>Total equity and liabilities</b>	<b>42,884</b>	<b>42,915</b>	<b>42,905</b>	<b>42,996</b>

The Issuer is a fully owned subsidiary of the Guarantor and is principally engaged to act as a finance company for the Eden Group. The Company has outstanding €40 million in 4% unsecured bonds 2027 which funds were on-lent on issue to the Guarantor. Apart from the loan owed by the Guarantor, non-current assets comprise €1.17 million in redeemable preference shares of Eden Entertainment Limited.

In FY2019, interest receivable (finance income) amounted to €1.68 million, while interest payable on the bonds (finance costs) amounted to €1.60 million. Overall, total comprehensive income amounted to €8,000 (FY2018: €12,000).

No material movements in the income statement and, or statement of financial position have been projected for FY2020 compared to FY2019.



## 14. FINANCIAL INFORMATION RELATING TO EDEN LEISURE GROUP LIMITED

The financial information provided hereunder is extracted from the audited consolidated financial statements of Eden Leisure Group Limited (the “**Guarantor**” or “**Group**”) for each of the years ended 31 December 2017 to 31 December 2019. The forecasted financial information for the year ending 31 December 2020 has been provided by management of the Group.

**The projected financial information relates to events in the future and is based on assumptions which the Guarantor 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.**

The spread of COVID-19 in Europe in Q1 2020 severely impacted all economies worldwide. In many countries, including Malta, businesses have been forced to cease or limit operations for long or indefinite periods of time. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing and closures of non-essential services triggered significant disruptions to businesses worldwide, resulting in an economic slowdown. Global stock markets have also experienced great volatility and significant weakening. Governments and central banks have responded with monetary and fiscal interventions to stabilise economic conditions. As a result, the Group’s operations this year have been significantly impacted.

Since February 2020, the Group’s management has been actively working on processes and procedures to mitigate against closure, particularly with regard to payroll, where a number of measures including a reduced working week and the using up of annual leave were enacted. Furthermore, the Group’s operational expenses are being reduced by the wage subsidy scheme introduced by Government.

During this period, management utilised its staffing resources to carry out previously planned improvements in the Group’s properties and projects that were difficult to undertake while the hotels were operational. The Directors are aiming to reduce non-essential costs to a bare minimum while at the same time, as much as it is seen to be prudent, to complete the upgrading of the Group’s properties. Over the first six months of the year an unprecedented amount of refurbishment work was carried out in the hotel bringing the refurbishment project close to an end. The remaining hard refurbishment of the bathrooms is expected to be completed by Q1 2021.

Since all business units are back in operation all staff have been returned to working conditions albeit with a safety first approach.

The true extent of the effects of the crisis will be based on the actual time of the disruption. Despite the gradual re-opening of the Group’s business activities in June/July 2020, the Directors expect that tourism will remain hard hit for a long period of time. Accordingly, it is not possible to reliably estimate the duration and severity of these consequences, and predictions, financial or otherwise, remain highly subjective.



<b>Eden Leisure Group Limited</b>				
<b>Consolidated Statement of Comprehensive Income</b>				
<b>for the year ended 31 December</b>				
	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>
	<b>Restated</b>	<b>Audited</b>	<b>Audited</b>	<b>Forecast</b>
	<b>€'000</b>	<b>€'000</b>	<b>€'000</b>	<b>€'000</b>
Revenue	36,326	41,041	45,003	14,343
Net operating expenses	(25,887)	(28,970)	(31,427)	(15,233)
<b>EBITDA</b>	<b>10,439</b>	<b>12,071</b>	<b>13,576</b>	<b>(890)</b>
Depreciation and amortisation	(3,929)	(4,182)	(4,538)	(3,991)
Other net non-operating income	107	4,882	8,529	-
Net finance costs	(2,340)	(2,125)	(2,115)	(1,882)
<b>Profit/(loss) before tax</b>	<b>4,277</b>	<b>10,646</b>	<b>15,452</b>	<b>(6,763)</b>
Taxation	(259)	(2,109)	(2,795)	2,367
<b>Profit/(loss) after tax</b>	<b>4,018</b>	<b>8,537</b>	<b>12,657</b>	<b>(4,396)</b>
<b>Other comprehensive income</b>				
Revaluation surplus, net of deferred tax	-	7,163	-	-
<b>Total comprehensive income/(expense)</b>	<b>4,018</b>	<b>15,700</b>	<b>12,657</b>	<b>(4,396)</b>

<b>Eden Leisure Group Limited</b>				
<b>Earnings before interest, taxation, depreciation &amp; amortisation (EBITDA)</b>				
<b>for the year ended 31 December</b>				
	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>
	<b>Restated</b>	<b>Audited</b>	<b>Audited</b>	<b>Forecast</b>
	<b>€'000</b>	<b>€'000</b>	<b>€'000</b>	<b>€'000</b>
<i>EBITDA has been calculated as follows:</i>				
Operating profit/(loss)	6,490	12,758	17,567	(4,881)
<i>Adjustments:</i>				
Depreciation and amortisation	3,929	4,182	4,538	3,991
Fair value gains on investment property		(5,000)		
Loss on sale of fixed assets	20	131	71	
Profit on sale of intellectual property			(8,600)	
<b>EBITDA</b>	<b>10,439</b>	<b>12,071</b>	<b>13,576</b>	<b>(890)</b>



Key Accounting Ratios	FY2017 Restated	FY2018 Actual	FY2019 Actual	FY2020 Forecast
EBITDA margin (EBITDA/revenue)	29%	29%	30%	n/a
Interest cover (times) (EBITDA/net finance cost)	4.46	5.68	6.42	n/a
Net profit margin (Profit after tax/revenue)	11%	21%	28%	n/a
Earnings per share (€) (Profit after tax/number of shares)	167.40	355.71	527.38	n/a
Return on equity (Profit after tax/shareholders' equity)	4%	8%	11%	n/a
Return on capital employed (EBITDA/total assets less current liabilities)	7%	7%	7%	n/a
Return on assets (Profit after tax/total assets)	2%	5%	6%	n/a

Source: MZ Investment Services Ltd

Revenue in **2017** amounted to €36.3 million, an increase of €5.0 million (+16%) when compared to the prior year (FY2016: €31.3 million). The hospitality segment of the Group contributed to the major part of this growth, whereby revenue increased by €4.8 million (+21%) from €23.2 million in FY2016 to €28.0 million in FY2017. The InterContinental Malta continued to perform positively, principally due to a favourable trend in tourism in Malta. The remaining balance of revenue was derived from the entertainment & other related operations and amounted to €8.3 million, an increase of €0.2 million (+2%) over FY2016. The said increase was due to positive growth registered across all business segments included in the entertainment & other related operations.

During FY2017, the Group's EBITDA increased by €2.1 million (+25%) from €8.4 million in FY2016 to €10.4 million. Overall, profit after tax in FY2017 amounted to €4.0 million, a year-on-year increase of €0.7 million (FY2016: €3.3 million), mainly due to the increase in EBITDA which was partly set off by the tax charge during FY2017 of €0.3 million compared to a tax credit of €0.6 million in FY2016. In FY2017, the Group did not revalue its property and as such, total comprehensive income amounted to €4.0 million (FY2016: €17.8 million).



During **FY2018**, revenue amounted to €41.0 million, an increase of €4.7 million (+13%) when compared to the prior year (FY2017: €36.3 million). The hospitality segment of the Group contributed to the major part of this growth, whereby revenue increased by €3.0 million (+11%) from €28.0 million in FY2017 to €31.0 million in FY2018. The InterContinental Malta and Holiday Inn Express continued to perform positively, principally due to a favourable trend in tourism in Malta. The remaining balance of revenue was generated from the entertainment & other related operations and amounted to €10.0 million, an increase of €1.7 million (+21%) over FY2017. The said increase was due to positive growth registered across all business segments included in the entertainment & other related operations.

In FY2018, the Group's EBITDA increased by €1.6 million (+16%) from €10.4 million in FY2017 to €12.1 million, mainly as a result of the Holiday Inn Express hotel being operational for a full year. Overall, profit after tax in FY2018 amounted to €8.5 million, a year-on-year increase of €4.5 million (FY2017: €4.0 million), principally on account of an uplift of €5.0 million in relation to investment property. Property, plant and equipment was revalued in other comprehensive income in FY2018 by €7.2 million (FY2017: nil), and thus total comprehensive income for FY2018 amounted to €15.7 million (FY2017: €4.0 million).

Revenue in **FY2019** increased from €41.0 million in FY2018 to €45.0 million (+10%), on account of an increase of €2.4 million in hospitality (+8%) and €1.6 million in entertainment & other operations (+15%). Tourism continued to increase in FY2019 and September to November were particularly strong month for conference and incentive business. As to the entertainment segment, the 15% y-o-y growth mainly reflected the positive trend of the economy and the increase in disposable income generally.

EBITDA for the year under review amounted to €13.6 million, a y-o-y increase of €1.5 million (+12%) despite a first-time charge of €1.08 million in royalty fees for the use of the intellectual property of *89.7 Bay* and *Cynergi* (as further explained hereunder).

During FY2019, the Group sold the intellectual property and rights associated with the '*89.7 bay*' and the '*Cynergi*' brands to a related company EIP Ltd, for a total consideration of €8.6 million, which is accounted for as other net non-operating income. No material movements were noted when compared to the prior year in depreciation & amortisation, net finance costs and taxation. Overall, total comprehensive income amounted to €12.7 million, a decrease of €3.0 million over the comparative year. In FY2018, comprehensive income was positively impacted by an uplift of €7.2 million in fair value of property, plant and equipment.

**Key accounting ratios:** The positive results of the Group in FY2019 compared to FY2018 are reflected in various key performance indicators as follows: EBITDA margin improved by 1 percentage point to 30%, while net profit margin increased from 21% in FY2018 to 28%. Interest cover also improved from 5.68 times to 6.42 times. Other accounting ratios such as return on equity and return on assets all showed the same positive trend.



**FY2020** was expected to be another year of growth in both hospitality and entertainment sectors. However, the onset of COVID-19 has had a very negative effect on business the world over. January was a positive month for both sectors, however by February, the hotels started to see significant cancellations in confirmed business. March was the negative turning point for all the Group's business operations as Government announced the complete shutdown of restaurants, gyms and other entertainment and leisure outlets, and the closure of the Malta International Airport.

Revenue in FY2020 is projected to amount to €14.3 million, a decrease of €30.7 million (-68%) from the prior year (FY2019: €45.0 million), of which *circa* 53% is expected to be generated from the hotels whilst the remaining balance from the entertainment & leisure segment and other operations. The Group is projected to incur a loss after tax of €4.4 million compared to a profit of €12.7 million in FY2019. The loss for the year takes into account the decline in business activities, and the cost cutting exercise undertaken by management as well as Government's support through the wage subsidy scheme until September 2020.

**The estimates for the forward year as presented in this document assume that the carrying values of Group properties will remain constant in FY2020, and therefore no adjustment has been made as to possible impairment or uplift of assets that may be booked and which may materially affect the consolidated statement of comprehensive income and statement of financial position.**

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**Eden Leisure Group Limited**  
**Consolidated Statement of Cash Flows**  
**for the year ended 31 December**

	2017	2018	2019	2020
	Restated	Audited	Audited	Forecast
	€'000	€'000	€'000	€'000
Net cash from operating activities	8,525	10,100	12,326	(5,211)
Net cash from investing activities	(5,632)	(2,997)	(5,257)	(1,500)
Net cash from financing activities	4,382	(5,753)	(5,425)	1,189
<b>Net movement in cash and cash equivalents</b>	<b>7,275</b>	<b>1,350</b>	<b>1,644</b>	<b>(5,522)</b>
Cash and cash equivalents at beginning of year	(3,098)	4,177	5,527	7,171
<b>Cash and cash equivalents at end of year</b>	<b>4,177</b>	<b>5,527</b>	<b>7,171</b>	<b>1,649</b>

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The consolidated cash flow statement shows that in FY2019, the Group generated cash inflows from operating activities of €12.3 million compared to €10.1 million in FY2018. There were no material movements in working capital to impact operating cashflows. In FY2020, net cash outflows from operating activities is expected to amount to €5.2 million compared to cash inflows of €12.3 million in FY2019, reflecting the projected decline in the Group's business due to the COVID-19 outbreak.

Net cash outflows from investing activities amounted to €5.3 million in FY2019 (FY2018: €3.0 million), and mainly comprised the acquisition of fixed assets of €3.1 million (FY2018: €2.8 million) and the transfer of €2.0 million (FY2018: nil) to a fixed term deposit account held with a local bank. It is



estimated that during FY2020, the Group's capital expenditure (comprising refurbishments and other improvements to Group properties) will amount to €1.5 million.

Net cash outflows from financing activities amounted to €5.4 million in FY2019 (FY2018: €5.8 million), reflecting the payment of dividends amounting to €3.1 million (FY2018: €3.5 million) and repayment of bank borrowings of €2.3 million (FY2018: €2.3 million). In FY2020, net cash inflows from financing activities are expected to amount to €1.2 million, comprising the drawdown of a €4 million bank loan which was approved through the Malta Development Bank Guarantee Facility, and repayments of borrowings totalling €2.8 million.





<b>Eden Leisure Group Limited</b>				
<b>Consolidated Statement of Financial Position</b>				
<b>as at 31 December</b>				
	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>
	<b>Restated</b>	<b>Audited</b>	<b>Audited</b>	<b>Forecast</b>
	<b>€'000</b>	<b>€'000</b>	<b>€'000</b>	<b>€'000</b>
<b>ASSETS</b>				
<b>Non-current assets</b>				
Intangible assets	5	2	-	-
Property, plant and equipment	147,530	154,843	153,464	150,973
Right-of-use assets	-	-	1,747	1,598
Investment property	12,200	17,200	17,200	17,200
Investment in associated undertakings	719	719	718	717
Trade and other receivables	798	721	7,213	6,150
	<b>161,252</b>	<b>173,485</b>	<b>180,342</b>	<b>176,638</b>
<b>Current assets</b>				
Inventory	2,105	2,196	2,235	1,986
Trade and other receivables	3,133	3,846	5,584	3,573
Loans and receivables	430	150	-	-
Financial assets	-	513	856	856
Fixed deposits	-	-	2,000	2,000
Cash and cash equivalents	4,177	5,527	8,248	1,649
	<b>9,845</b>	<b>12,232</b>	<b>18,923</b>	<b>10,064</b>
<b>Total assets</b>	<b>171,097</b>	<b>185,717</b>	<b>199,265</b>	<b>186,702</b>
<b>EQUITY</b>				
<b>Equity and reserves</b>	<b>91,322</b>	<b>103,511</b>	<b>113,124</b>	<b>108,728</b>
<b>LIABILITIES</b>				
<b>Non-current liabilities</b>				
Borrowings and bonds	53,298	51,567	48,784	51,004
Lease liabilities	-	-	1,730	1,675
Other non-current liabilities	12,210	15,359	17,653	15,686
	<b>65,508</b>	<b>66,926</b>	<b>68,167</b>	<b>68,365</b>
<b>Current liabilities</b>				
Bank overdrafts	-	-	1,077	-
Borrowings	2,757	2,275	2,811	1,827
Lease liabilities	-	-	111	55
Other current liabilities	11,510	13,005	13,975	7,727
	<b>14,267</b>	<b>15,280</b>	<b>17,974</b>	<b>9,609</b>
	<b>79,775</b>	<b>82,206</b>	<b>86,141</b>	<b>77,974</b>
<b>Total equity and liabilities</b>	<b>171,097</b>	<b>185,717</b>	<b>199,265</b>	<b>186,702</b>



Key Accounting Ratios	FY2017 Restated	FY2018 Actual	FY2019 Actual	FY2020 Forecast
Gearing ratio <i>(Net debt/net debt and shareholders' equity)</i>	36%	32%	28%	32%
Net debt to EBITDA (years) <i>(Net debt/EBITDA)</i>	4.97	4.00	3.26	n/a
Net assets per share (€) <i>(Net asset value/number of shares)</i>	3.81	4.31	4.71	4.53
Liquidity ratio (times) <i>(Current assets/current liabilities)</i>	0.69	0.80	1.05	1.05

Source: MZ Investment Services Ltd

Total assets of the Eden Group as at 31 December 2019 amounted to €199.3 million (FY2018: €185.7 million), and principally comprise the assets described in section 6 of this report. Moreover, in FY2019, the Group divested itself from the intellectual property and rights associated with the brands 'Cynergi' and '89.7 Bay' to EIP Limited for a value of €8.6 million. At the same time, EIP Limited licenced the brands to Eden Entertainment Limited for the sole and exclusive use of the brands. As at 31 December 2019, the balance due from EIP Limited amounted to €7.2 million (in non-current assets). Cash balances almost doubled in FY2019, from €5.5 million in FY2018 to €10.2 million.

Total liabilities amounted to €86.1 million in FY2019 compared to €82.2 million in the prior year. The stated amount includes bank and other borrowings of €13.0 million and outstanding bonds amounting to €39.7 million.

In FY2020, the principal movements comprise a decrease in cash and cash equivalents of €6.6 million, from €10.2 million in FY2019 to €3.6 million, while bonds and borrowings are expected to remain broadly unchanged at €52.8 million.

The gearing ratio of the Group decreased on a y-o-y basis, from 32% in FY2018 to 28%, following the positive movements in cash balances and material increase in shareholders' funds. An alternative to assessing leverage is the net debt to EBITDA ratio, which improved from 4.00 years in FY2018 to 3.26 years, due to the increase in EBITDA in 2019 and a decrease in net debt. The Group's leverage for the forecast year is expected to increase by 4 percentage points to 32%.



## 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 2019 included in the prior year's Financial Analysis Summary dated 27 June 2019 and the audited consolidated financial statements of the Group for the year ended 31 December 2019.

<b>Eden Leisure Group Limited</b>			
<b>Consolidated Statement of Comprehensive Income</b>			
<b>for the year ended 31 December 2019</b>			
	<b>Actual</b>	<b>Forecast</b>	<b>Variance</b>
	<b>€'000</b>	<b>€'000</b>	<b>€'000</b>
Revenue	45,003	43,844	1,159
Net operating expenses	(31,427)	(29,970)	(1,457)
<b>EBITDA</b>	<b>13,576</b>	<b>13,874</b>	<b>(298)</b>
Depreciation and amortisation	(4,538)	(4,240)	(298)
Other net non-operating income	8,529	8,600	(71)
Net finance costs	(2,115)	(2,000)	(115)
<b>Profit before tax</b>	<b>15,452</b>	<b>16,234</b>	<b>(782)</b>
Taxation	(2,795)	(2,950)	155
<b>Profit after tax</b>	<b>12,657</b>	<b>13,284</b>	<b>(627)</b>
<b>Other comprehensive income</b>			
Revaluation surplus, net of deferred tax	-	-	-
<b>Total comprehensive income</b>	<b>12,657</b>	<b>13,284</b>	<b>(627)</b>

As presented in the above table, profit after tax was lower than expected by €0.6 million, on account of an underperformance at EBITDA level of €0.3 million and a net adverse movement of €0.3 million in items below EBITDA (primarily depreciation & amortisation and net finance costs) and taxation.



<b>Eden Leisure Group Limited</b>			
<b>Consolidated Statement of Financial Position</b>			
<b>as at 31 December 2019</b>			
	<b>Actual</b>	<b>Forecast</b>	<b>Variance</b>
	<b>€'000</b>	<b>€'000</b>	<b>€'000</b>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets	-	-	-
Property, plant and equipment	153,464	153,603	(139)
Right-of-use assets	1,747	-	1,747
Investment property	17,200	17,200	-
Investment in associated undertakings	718	718	-
Trade and other receivables	7,213	6,699	514
	<b>180,342</b>	<b>178,220</b>	<b>2,122</b>
<b>Current assets</b>			
Inventory	2,235	2,250	(15)
Trade and other receivables	5,584	5,962	(378)
Loans and receivables	-	-	-
Financial instruments	856	1,000	(144)
Cash and cash equivalents	10,248	8,782	1,466
	<b>18,923</b>	<b>17,994</b>	<b>929</b>
<b>Total assets</b>	<b>199,265</b>	<b>196,214</b>	<b>3,051</b>
<b>EQUITY</b>			
<b>Equity and reserves</b>	<b>113,124</b>	<b>113,745</b>	<b>(621)</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings and bonds	48,784	48,714	70
Lease liabilities	1,730	-	1,730
Other non-current liabilities	17,653	17,117	536
	<b>68,167</b>	<b>65,831</b>	<b>2,336</b>
<b>Current liabilities</b>			
Bank overdrafts	1,077	-	1,077
Borrowings	2,811	2,850	(39)
Lease liabilities	111	-	111
Other current liabilities	13,975	13,788	187
	<b>17,974</b>	<b>16,638</b>	<b>1,336</b>
	<b>86,141</b>	<b>82,469</b>	<b>3,672</b>
<b>Total equity and liabilities</b>	<b>199,265</b>	<b>196,214</b>	<b>3,051</b>



Total assets were higher than forecast by €3.1 million, primarily due to the inclusion of right-of-use assets of €1.7 million not reflected in the projections and higher than expected cash balances amounting to €1.5 million.

The variance of €3.7 million in total liabilities mainly resulted from the inclusion of lease liabilities amounting to €1.8 million and higher than expected bank overdraft balance of €1.1 million.

<b>Eden Leisure Group Limited</b>			
<b>Consolidated Statement of Cash Flows</b>			
<b>for the year ended 31 December 2019</b>			
	<b>Actual</b>	<b>Forecast</b>	<b>Variance</b>
	<b>€'000</b>	<b>€'000</b>	<b>€'000</b>
Net cash from operating activities	12,326	11,967	359
Net cash from investing activities	(5,257)	(3,337)	(1,920)
Net cash from financing activities	(5,425)	(5,375)	(50)
<b>Net movement in cash and cash equivalents</b>	<b>1,644</b>	<b>3,255</b>	<b>(1,611)</b>
Cash and cash equivalents at beginning of year	5,527	5,527	-
<b>Cash and cash equivalents at end of year</b>	<b>7,171</b>	<b>8,782</b>	<b>(1,611)</b>

Net movement in cash balances amounted to €1.6 million compared to a forecast amount of €3.2 million. The adverse movement emanated from net cash outflow from investing activities of €1.9 million, partly offset by net cash inflows from operating activities amounting to €0.3 million.

The variance in net cash from investing activities mainly comprised the transfer of €2.0 million to fixed-term deposits.



## PART 4 - COMPARABLES

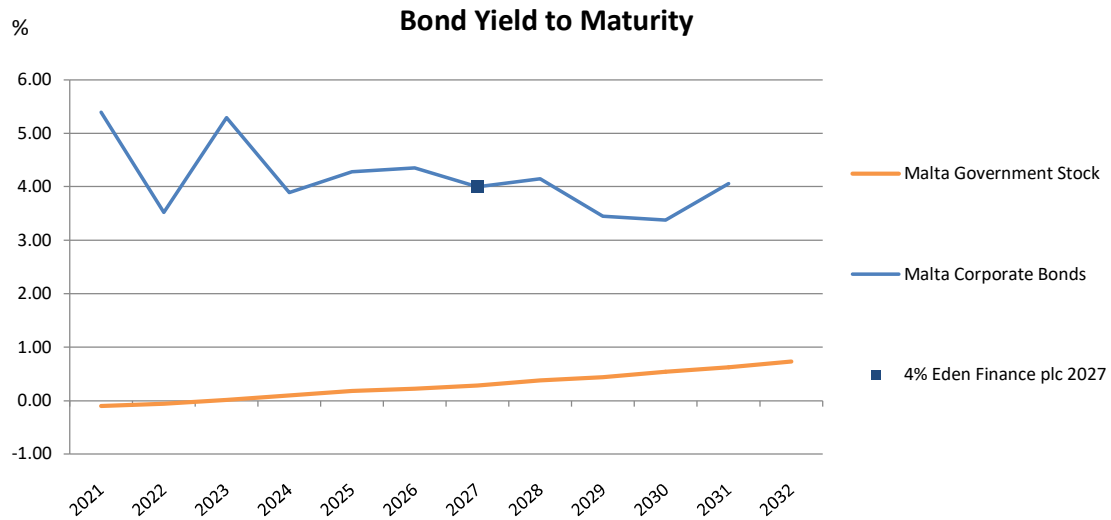
The table below compares the Eden Group and the proposed bond issue to other debt issuers listed on the Malta Stock Exchange and their respective debt securities. Although there are significant variances between the activities of the Eden Group and other issuers (including different industries, principal 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 provides an indication of the financial performance and strength of the Group.

Comparative Analysis	Nominal Value (€)	Yield to Maturity (%)	Interest Cover (times)	Total Assets (€'000)	Net Asset Value (€'000)	Gearing Ratio (%)
5.80% International Hotel Investments plc 2021	20,000,000	5.39	3.01	1,687,198	897,147	37.31
3.65% GAP Group plc Secured € 2022	36,736,700	3.52	2.22	87,886	11,155	77.98
6.00% Pendergardens Developments plc Secured € 2022 Series	26,781,200	3.36	3.75	81,524	28,343	37.45
4.25% GAP Group plc Secured € 2023	19,394,000	3.87	2.22	87,886	11,155	77.98
5.30% United Finance Plc Unsecured € Bonds 2023	8,500,000	5.29	0.76	27,159	6,916	62.72
5.80% International Hotel Investments plc 2023	10,000,000	5.11	3.01	1,687,198	897,147	37.31
6.00% AX Investments Plc € 2024	40,000,000	4.45	5.55	342,395	226,115	19.63
6.00% International Hotel Investments plc € 2024	35,000,000	5.36	3.01	1,687,198	897,147	37.31
5.30% Mariner Finance plc Unsecured € 2024	35,000,000	3.89	4.81	95,310	47,100	48.85
5.00% Hal Mann Vella Group plc Secured € 2024	30,000,000	3.46	2.67	117,625	45,146	53.77
5.10% 1923 Investments plc Unsecured € 2024	36,000,000	5.11	3.30	137,275	45,063	48.20
4.25% Best Deal Properties Holding plc Secured € 2024	16,000,000	3.49	-	27,455	3,366	85.88
5.75% International Hotel Investments plc Unsecured € 2025	45,000,000	5.50	3.01	1,687,198	897,147	37.31
5.10% GPM Holdings plc Unsecured € 2025	13,000,000	5.10	4.03	4,066	18,883	-
4.50% Hili Properties plc Unsecured € 2025	37,000,000	4.28	1.65	150,478	57,635	56.47
4.35% Hudson Malta plc Unsecured € 2026	12,000,000	4.35	6.47	48,019	6,405	81.08
4.25% Corinthia Finance plc Unsecured € 2026	40,000,000	4.43	2.74	1,784,681	908,883	40.11
4.00% International Hotel Investments plc Secured € 2026	55,000,000	3.88	3.01	1,687,198	897,147	37.31
3.75% Premier Capital plc Unsecured € 2026	65,000,000	3.47	8.99	273,233	57,082	60.43
4.00% International Hotel Investments plc Unsecured € 2026	60,000,000	3.73	3.01	1,687,198	897,147	37.31
3.25% AX Group plc Unsec Bds 2026 Series I	15,000,000	3.25	5.55	341,785	227,069	19.11
4.35% SD Finance plc Unsecured € 2027	65,000,000	4.35	8.48	316,563	132,582	31.98
<b>4.00% Eden Finance plc Unsecured € 2027</b>	<b>40,000,000</b>	<b>4.00</b>	<b>6.42</b>	<b>199,265</b>	<b>113,124</b>	<b>28.12</b>
4.00% Stivala Group Finance plc Secured € 2027	45,000,000	3.76	4.92	225,284	123,107	38.32
3.85% Hili Finance Company plc Unsecured € 2028	40,000,000	4.15	3.87	628,916	110,128	77.11
3.65% Stivala Group Finance plc Secured € 2029	15,000,000	3.45	4.92	225,284	123,107	38.32
3.80% Hili Finance Company plc Unsecured € 2029	80,000,000	4.07	3.87	628,916	110,128	77.11
3.75% AX Group plc Unsec Bds 2029 Series II	10,000,000	3.68	5.55	341,785	227,069	19.11

03-Aug-20

Source: Malta Stock Exchange, Audited Accounts of Listed Companies, MZ Investment Services Ltd





Source: Malta Stock Exchange, Central Bank of Malta, MZ Investment Services Ltd

3 August 2020

To date, there are no corporate bonds which have a redemption date beyond 2032. The Malta Government Stock yield curve has also been included since it is the benchmark risk-free rate for Malta.

The Eden bonds are trading at a yield of 4.00%, which is in line with other corporate bonds maturing in the same year. The premium over FY2027 Malta Government Stock is 372 basis points.

Due to the global economic fallout from the coronavirus outbreak, the difference between corporate bond yields and benchmark Malta Government Stock yields has widened across the entire yield curve. This unprecedented event has brought about an economic slowdown, which will likely adversely affect operational results of a number of companies.



## PART 5 - EXPLANATORY DEFINITIONS AND REFERENCES

<b>Income Statement</b>	
Revenue	Total revenue generated by the Group from its business activities during the financial year, including hospitality and entertainment, rental income and other revenue streams.
Operating expenses	Operating expenses include all direct (food, beverages, consumables, labour expenses, etc) and indirect (including general and administration expenses) operating costs.
EBITDA	EBITDA is an abbreviation for earnings before interest, tax, depreciation and amortisation. EBITDA can be used to analyse and compare profitability between companies and industries because it eliminates the effects of financing and accounting decisions.
Profit after tax	Profit after tax is the profit made by the Group during the financial year both from its operating as well as non-operating activities.
<b>Key Performance Indicators</b>	
Occupancy level	Occupancy level is the percentage of available rooms that were sold during a given period of time. It is calculated by dividing the number of rooms sold by total number of rooms available.
Average room rate	Average room rate is calculated by dividing hotel rooms that were sold during a given period of time. It is calculated by dividing the number of rooms sold by total number of rooms available.
Revenue per available room (RevPAR)	RevPAR is calculated by multiplying a hotel's total revenue by total room nights available. A hotel uses this indicator as a performance measure with other hotels in the same category or market.
Revenue generating index (RGI)	A revenue generating index measures a hotel's fair market share of its segment's (competitive set, market, etc) revenue per occupied room. If a hotel is capturing its fair market share, the index will be 1; if capturing less than its fair market share, a hotel's index will be less than 1; and if capturing more than its fair market share, a hotel's index will be greater than 1.
<b>Profitability Ratios</b>	
EBITDA margin	EBITDA margin is operating income or EBITDA as a percentage of total revenue.





Net profit margin	Net profit margin is profit after tax achieved during the financial year expressed as a percentage of total revenue.
<b>Efficiency Ratios</b>	
Return on equity	Return on equity (ROE) measures the rate of return on the shareholders' equity of the owners of issued share capital, computed by dividing profit after tax by shareholders' equity.
Return on capital employed	Return on capital employed (ROCE) indicates the efficiency and profitability of a company's capital investments, estimated by dividing operating profit by capital employed.
Return on assets	Return on assets (ROA) is computed by dividing profit after tax by total assets.
<b>Equity Ratios</b>	
Earnings per share	Earnings per share (EPS) is the amount of earnings per outstanding share of a company's share capital. It is computed by dividing net income available to equity shareholders by total shares outstanding as at balance sheet date.
<b>Cash Flow Statement</b>	
Cash flow from operating activities	Cash generated from the principal revenue-producing activities (room revenue, food & beverage, hotel services, etc) of the Group.
Cash flow from investing activities	Cash generated from activities dealing with the acquisition and disposal of long-term assets and other investments of the Group.
Cash flow from financing activities	Cash generated from the activities that result in change in share capital and borrowings of the Group.
<b>Balance Sheet</b>	
Non-current assets	Non-current asset are the Group's long-term investments, which full value will not be realised within the accounting year. Non-current assets are capitalised rather than expensed, meaning that the Group 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	Current assets are all assets of the Group, which are realisable within one year from the balance sheet date. Such amounts include accounts receivable, inventory (food, beverages, consumables, etc), cash and bank balances.



Current liabilities	All liabilities payable by the Group within a period of one year from the balance sheet date, and include accounts payable and short-term debt, including current portion of bank loans.
Non-current liabilities	The Group's long-term financial obligations that are not due within the present accounting year. The Group's non-current liabilities include long-term borrowings and bonds.
Total equity	Total equity includes share capital, reserves & other equity components, retained earnings and minority interest.
<b>Financial Strength Ratios</b>	
Liquidity ratio	The liquidity ratio (also known as current ratio) is a financial ratio that measures whether or not a company has enough resources to pay its debts over the next 12 months. It compares a company's current assets to its current liabilities.
Interest cover	The interest coverage ratio is calculated by dividing a company's operating profit of one period by the company's interest expense of the same period.
Net debt to EBITDA	The net debt to EBITDA is a measurement of leverage, calculated as a company's interest bearing liabilities minus cash or cash equivalents, divided by its EBITDA. This ratio shows how many years it would take for a company to pay back its debt if net debt and EBITDA are held constant.
Gearing ratio	The gearing ratio indicates the relative proportion of shareholders' equity and debt used to finance a company's assets, and is calculated by dividing a company's net debt by net debt plus shareholders' equity.

