



FACT SHEET

€21 million 3.90% Gap Group plc Secured Bonds 2024/26

Guaranteed by Gap QM Limited and Gap Qawra Limited

KEY DETAILS

Issuer:	Gap Group plc	Listing:	Official List, Malta Stock Exchange
Amount Offered:	€21 million	Coupon:	3.90%
Offer Price*:	100% (par value of €100)	Interest Payment Date:	Annually on 30 December (with the first interest payment date being 30 December 2022)
Status:	Secured & Guaranteed	Complex:	Yes (Callable)
Maturity Date:	30 December 2026	Early Redemption Dates:	Any date falling between 30 December 2024 and 29 December 2026 (subject to the Issuer giving not less than 30 days' notice)
Closure of Offer Period:	5 January 2022 at 12:00 hrs (noon)	Minimum Subscription Amount:	€2,000 (nominal) and in multiples of €100 thereafter

*Holders of the existing 4.25% Gap Group plc 2023 Secured Bonds will benefit from a premium of 1.25% on the nominal value of the bonds (i.e. €1.25 for every €100 nominal) when exchanging their current investment with the new bonds.

NOTICE

The bonds are **COMPLEX** instruments in view of their callability feature. Accordingly, they are only appropriate and/or suitable for investors who have the knowledge and experience to understand the risks that are specifically related to this type of financial instrument.

ABOUT GAP GROUP PLC

Gap Group plc ("the Group") was incorporated in June 2016 and is involved in the property industry as it acquires land for developing residential units earmarked for re-sale. Over the years, it successfully completed and sold four projects located in Lija, Gharghur, Zebbug and Qawra. More recently, the Group also completed other projects located in Mellieha, Marsascala, Birkirkara and San Pawl tat-Targa. Most of the residential units within these developments are either sold or subject to a Promise of Sale agreement. Meanwhile, finishing works related to the Luqa project (which so far has been the largest development ever undertaken by the Group and is over 90% sold) are expected to be completed by the end of 2021.

Following the successful completion of these various projects, the Group is now embarking on three new projects located in Mosta and Qawra ('Qawra II' and 'Qawra III'). These are expected to be completed in 2023/2024 and will entail the construction of a total of 220 residential units for an investment of more than €40 million.

Project	Cost of Project	Target Completion Date	Total No. of residential units	No. of Units Sold / Subject to Promise of Sale Agreement	% of Units Sold / Subject to Promise of Sale Agreement
Mellieha	Completed	April 2020	159	157	98.7%
Birkirkara	€2.60m	Completed	14	8	57.1%
Marsascala	€13.9m	Completed	63	29	46.0%
San Pawl Tat-Targa	€2.30m	Completed	9	1	11.1%
Luqa	€17.5m ^{*1}	Q4 2021	268	247	92.2%
Mosta	€19.2m	Q1 2023	94	Nil	Nil
Qawra II	€12.2m	Q1 2023	80	Nil	Nil
Qawra III	€11.8m ^{*2}	Q1 2024	46	Nil	Nil

*1 Excluding cost of land.

*2 Including the cost for the portion of land that will retained for future development or resale.

USE OF PROCEEDS

The net proceeds from the bond issue, estimated at €20.6 million after issuance costs, will be used by the Group for the following purposes, in the amounts and order of priority set out below:

- €8 million for the acquisition of 'Qawra Site III'.
- €11.6 million for the development and completion of the 'Qawra II' and Mosta projects.
- €1 million for the partial financing of the development costs of the 'Qawra III' project.



RANKING OF THE BONDS

The bonds will constitute the general, direct, unconditional, and secured obligations of Gap Group plc and will, at all times, rank *pari passu*, without any priority or preference among themselves. In addition, the bonds are guaranteed by Gap QM Limited ("GQM") and Gap Qawra Limited ("GQL") on a joint and several basis. Both GQM and GQL are wholly-owned subsidiaries of the Group. GQM will pursue the 'Qawra II' and Mosta projects whilst GQL will be developing the 'Qawra III' project. The guarantee provided by GQM is however subordinated to the rights of the holders of the existing 3.7% Gap Group plc 2023/25 secured bonds. In this respect, the Security Trustee in relation to the new bonds will not enforce its claims until the earlier of: (i) the redemption of the 3.7% Gap Group plc 2023/25 secured bonds; and (ii) the payment of the full amount outstanding of the 3.7% Gap Group plc 2023/25 secured bonds of €21 million.

The bonds will also be secured as follows:

Collateral provided by Gap Group plc:

- (i) Third-ranking general hypothec over all its assets (present and future) for the full nominal value of the bonds and interest thereon.
- (ii) Second-ranking pledge on insurance policy for the full nominal value of the bonds and interest thereon.

Collateral provided by GQM:

- (i) Second-ranking general hypothec over all its assets (present and future) for the full nominal value of the bonds and interest thereon.
- (ii) Second-ranking special hypothec over the Mosta and 'Qawra II' projects for the full nominal value of the bonds.

Collateral provided by GQL:

- (i) First-ranking general hypothec over all its assets (present and future) for the full nominal value of the bonds and interest thereon.
- (ii) First-ranking special hypothec over the 'Qawra III' project for the full nominal value of the bonds and interest thereon.
- (iii) First-ranking special privilege over the 'Qawra III' project for an amount of €8 million.

RISK FACTORS

Gap Group plc is subject to a number of risks pertaining to the nature of its business. Prospective investors are urged to read the 'Risk Factors' found in the Prospectus dated 6 December 2021. These are listed in Section 2 of the Registration Document and in Section 2 of the Securities Note. Prospective investors must also note that since the financial forecasts and the assumptions on which they are based relate to the future, they may be affected by unforeseen events. As such, the variation between forecasts, projections and actual results may be material.

PLAN OF DISTRIBUTION

Gap Group plc will allocate the bonds on the basis of the following policy and order of priority:

- (i) €19.2 million are reserved for subscriptions from holders of the existing 4.25% Gap Group plc 2023 secured bonds through an exchange offer at €101.25 for every 100% (nominal). The difference of €1.25 per existing bond shall be settled in cash within 30 days of the allocation.
- (ii) €1.75 million plus any remaining amounts unsubscribed for by holders of the existing 4.25% Gap Group plc 2023 secured bonds are reserved for subscriptions by Authorised Financial Intermediaries through Placement Agreements.

APPLICATION PROCEDURE

Holders of the existing 4.25% Gap Group plc 2023 secured bonds are kindly asked to complete the Application Form provided by Gap Group plc which must be returned to us by Wednesday 5 January 2022 at 12:00 hours (noon) together with a duly completed and signed 'Assessment & Confirmation Form'. **Applications must be for a minimum of €2,000 (nominal) and in multiples of €100 (nominal) thereafter.**

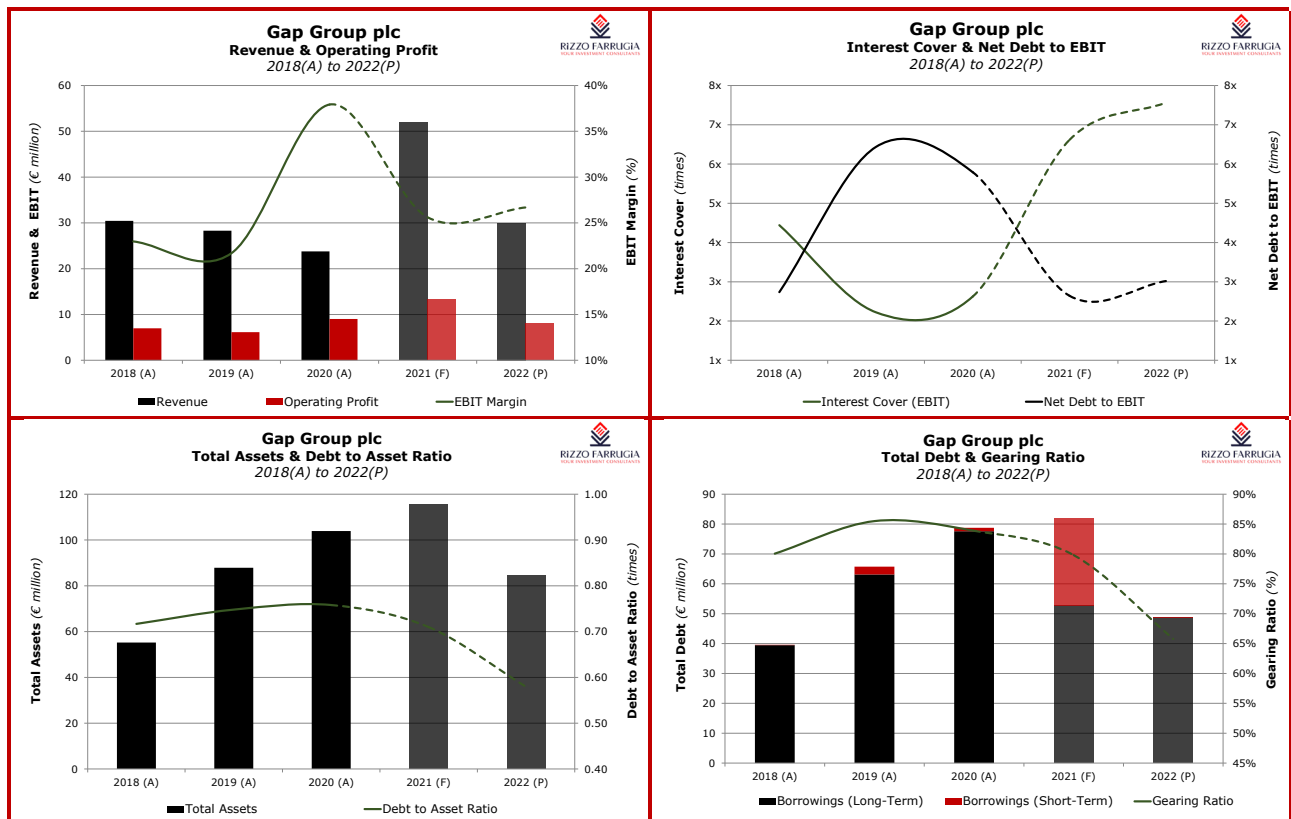
Existing bondholders may elect to apply for additional amounts (cash top-ups). Such applications must be accompanied by the appropriate payment (where applicable), either by cheque in EUR payable to 'Rizzo, Farrugia & Co (Stockbrokers) Ltd – Clients a/c' or credited into either one of our EUR denominated Clients' Accounts as detailed below:

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



KEY FINANCIAL HIGHLIGHTS & METRICS

	2018 (A)	2019 (A)	2020 (A)	2021 (F)	2022 (P)
Revenue [€000]	30,444	28,287	23,786	51,918	30,017
Cost of Sales [€000]	(21,747)	(21,500)	(13,600)	(36,720)	(21,164)
Administrative expenses [€000]	(1,701)	(1,650)	(1,167)	(1,898)	(840)
Operating Profit (EBIT) [€000]	6,996	6,137	9,019	13,300	8,013
Net Finance Costs [€000]	(1,575)	(2,764)	(3,435)	(2,010)	(1,059)
Profit before Tax [€000]	5,421	3,373	5,584	11,290	6,954
Net Profit [€000]	2,981	1,128	4,102	7,992	4,553
Total Debt [€000]	39,597	65,742	78,759	82,114	48,894
Cash & Cash Equivalents [€000]	624	7,698	2,060	15,766	20,843
Sinking Fund [€000]	17,682	12,522	18,381	24,595	3,849
Investments [€000]	2,145	6,012	6,097	6,597	0
Net Debt [€000]	19,146	39,510	52,221	35,156	24,202
Total Assets [€000]	55,237	87,886	103,895	115,663	84,378
Total Liabilities [€000]	45,368	76,731	88,761	94,884	58,943
Total Equity [€000]	9,869	11,155	15,134	20,779	25,435
Working Capital Ratio [times] (Current Assets/Current Liabilities)	6.4x	5.3x	7.3x	6.9x	7.2x
EBIT Margin [%] (EBIT / Revenue)	23.0	21.7	37.9	25.6	26.7
Net Profit Margin [%] (Net Profit / Revenue)	9.8	4.0	17.2	15.4	15.2
Return on Equity [%] (Net Profit / Average Equity)	36.0	10.7	31.2	44.5	19.7
Return on Assets [%] (Net Profit / Average Assets)	5.3	1.6	4.3	7.3	4.6
Interest Cover [times] (EBIT / Net Finance Costs)	4.4x	2.2x	2.6x	6.6x	7.6x
Net Debt to EBIT [times] (Net Debt / EBIT)	2.7x	6.4x	5.8x	2.6x	3.0x
Net Debt to Equity [times] (Net Debt / Total Equity)	1.9x	3.5x	3.5x	1.7x	1.0x
Net Debt to Invested Capital [%] (Net Debt / Net Debt + Equity)	66.0	78.0	77.5	62.9	48.8
Stock of Property to Net Debt [times]	1.2x	1.2x	1.2x	1.5x	1.8x
Gearing Ratio [%] (Total Debt / [Total Debt + Equity])	80.0	85.5	83.9	79.8	65.8
Debt to Asset Ratio [times] (Total Debt / Total Assets)	0.72x	0.75x	0.76x	0.71x	0.58x
Leverage Ratio [times] (Total Assets / Total Equity)	5.6x	7.9x	6.9x	5.6x	3.3x





Disclaimer

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

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Additional information can be made available upon request from Rizzo, Farrugia & Co. (Stockbrokers) Ltd., Airways House, Fourth Floor, High Street, Sliema SLM 1551, Malta. Telephone: +356 2258 3000; Email: info@rizzofarrugia.com; Website: www.rizzofarrugia.com