

Financial Analysis Summary

Hili Finance Company p.l.c.

3 June 2024

**Prepared by Calamatta Cuschieri
Investment Services Limited**

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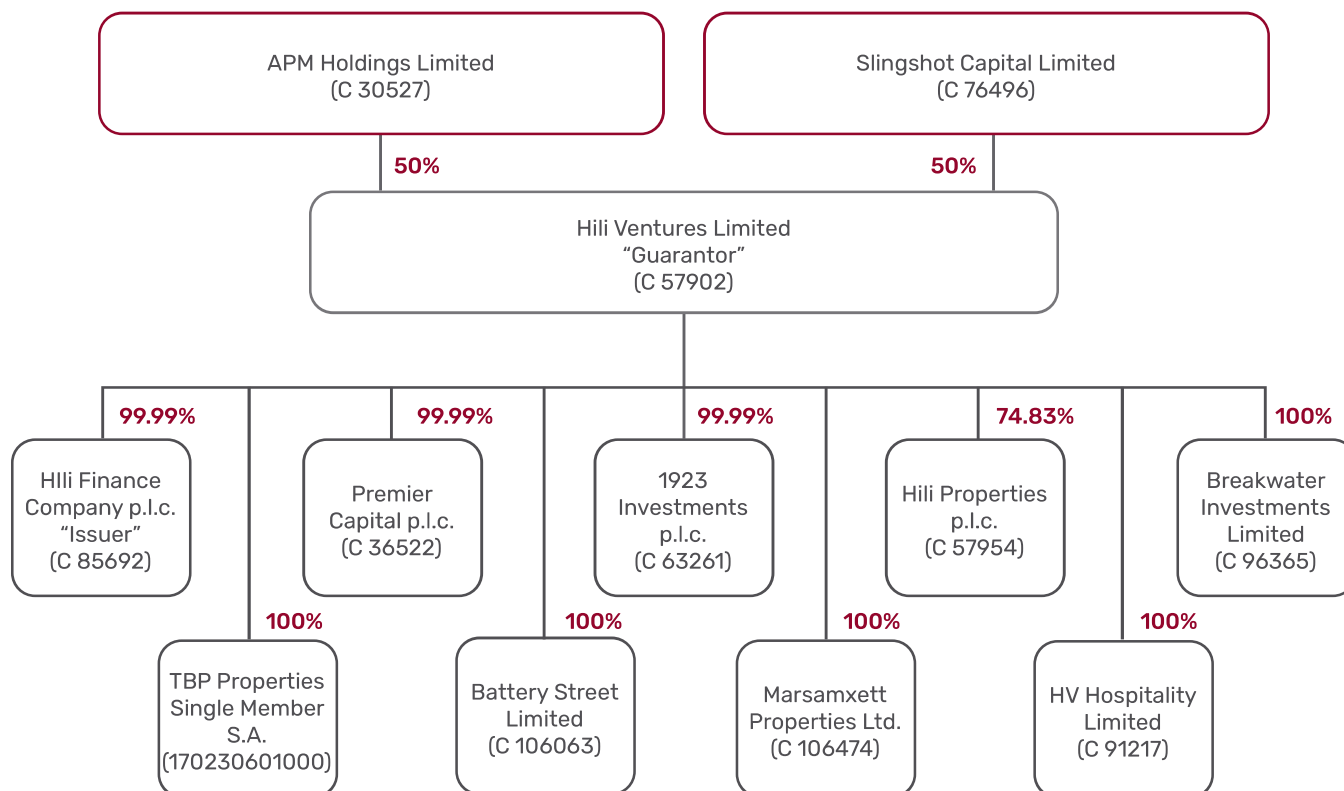
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1 INFORMATION ABOUT THE ISSUER

Hili Finance Company p.l.c. has applied for a bond issue of €80,000,000 5% unsecured bonds 2029 (the “**Bond Issue**”) pursuant to a prospectus dated 3 June 2024. This Financial Analysis Summary has been prepared in line with the MFSA Listing Policies.

1.1 KEY ACTIVITIES AND STRUCTURE

The Group structure is as follows:



Hili Finance Company p.l.c. (the “**Issuer**”) was incorporated on 6 April 2018 to provide financial resources to Hili Ventures Limited (the “**Guarantor**” and its subsidiaries (collectively, the “**Group**”).

The Issuer has an authorised and issued share capital of €2,000,000 divided into 2,000,000 ordinary shares, fully paid up. The Guarantor is the controlling shareholder of the Issuer with the exception of one ordinary share which is held by APM Holdings Limited. The principal objective of the Issuer is to act as the finance company for Hili Ventures Limited and its subsidiaries. This means that the Issuer acquires, holds and manages assets and other financial interests for the Guarantor.

The Guarantor, which was incorporated on 17 October 2012, is the parent company of a number of entities having operations in various industries in Malta and overseas, predominantly in the EU. The Guarantor has an authorised share capital of €95,000,000 divided into 16,000,000 ordinary shares and 79,000,000 redeemable preference shares of €1 each.

The issued share capital of the Guarantor is €69,400,000 divided into 1,000,000 ordinary shares and 68,400,000 redeemable preference shares of €1 each, which are subscribed to and allotted as fully paid up shares as follows:

Shareholders

APM Holdings Limited	500,000 Ordinary Shares 68,400,000 Redeemable Preference Shares
Slingshot Capital Limited	500,000 Ordinary Shares

Hili Ventures Limited is currently the Guarantor for three bond issues on the Official List of the Malta Stock Exchange, namely 4.0% Hili Finance Company p.l.c. 2027, 3.85% Hili Finance Company p.l.c. 2028 and 3.8% Hili Finance Company p.l.c. 2029. After the Bond Issue, Hili Ventures will also be the Guarantor of the 5% Hili Finance Company 2029 bonds. An overview of the Guarantor’s operating subsidiaries is set out below:

- **Premier Capital p.l.c. (“Premier Capital”)**: is engaged, through its subsidiaries, in the operations of McDonald’s restaurants in Estonia, Greece, Latvia, Lithuania, Malta and Romania.
- **1923 Investments p.l.c. (“1923 Investments”)**: acts as an investment arm and currently draws together the technology businesses, which are primarily engaged in retail and technology solutions, operating in Malta, Hungary and Poland.

- **Hili Properties p.l.c. (“Hili Properties”)**: is the parent company of the property division of the Guarantor, which owns and manages commercial real estate and industrial land and properties in Malta, Latvia, Lithuania, Estonia and Romania.
- **Breakwater Investments Limited (“Breakwater”) (previously HV Marine Limited)**: is the engineering, oil and gas and logistics group, engaged in providing logistics services, ship-to-ship transfer services and LNG terminal management, the provision of specialised engineering services and container leasing.
- **HV Hospitality Limited (“HV Hospitality”)**: aims to establish a presence in the European hospitality market. The company owns the concession agreement for the hotel and bungalows in Comino which are awaiting planning permission.
- **TBP Properties Single Member S.A. (“TBP”)**: is engaged in the development of a purpose-built Distribution Center in Greece, which will be completed in 2024 to support the operations of Premier Capital Hellas in Greece.
- **Marsamxett Properties Ltd. (“MPL”)**: was incorporated in 2023 to act as a holding vehicle of shares in entities listed on the local stock market. It currently holds shares in Tigne Mall plc.
- **Battery Street Limited (“BSL”)**: entered into a lease agreement for a property in Valletta which is currently in the design stage of its redevelopment.

1.2 DIRECTORS AND KEY EMPLOYEES

Board of Directors - Issuer

As at the date of this Analysis, the directors of the Issuer are:

Name	Office Designation
Mr Geoffrey Camilleri	Chairman and Non-Executive Director
Mr Dorian Desira	Executive Director
Mr Keith Busuttil	Non-Executive Director
Ms Jacqueline Camilleri	Independent Non-Executive Director
Mr Mario Vella	Independent Non-Executive Director

The business address of all the directors of the Issuer is the registered office of the Issuer.

Mr. Adrian Mercieca is the company secretary of the Issuer.

The Board is responsible for the overall long-term direction of the Issuer and oversees the systems of control and financial reporting as well as the external communication of the Issuer.

The Board meets regularly, with a minimum of four times annually, and is currently composed of five members, two of whom are independent of the Issuer.

Board of Directors – Guarantor

As at the date of this Analysis, the directors of the Guarantor are:

Name	Office Designation
Mr. Archibald Anderson Bethel CBE	Chairman and Independent Non-Executive Director
Mr Carmelo <i>sive</i> Melo Hili	Chief Executive Officer
Dr Annabel Hili	Executive Director
Mr Jesmond Mizzi	Independent Non-Executive Director and Chairman of the audit committee

The Guarantor’s management team is composed as follows:

Name	Office Designation
Mr Carmelo <i>sive</i> Melo Hili	Chief Executive Officer
Mr Dorian Desira	Chief Financial Officer
Mr Valentin Truta	General Counsel
Dr Annabel Hili	Chief Operating Officer

The business address of all the directors of the Guarantor is the registered office of the Guarantor.

Mr. Adrian Mercieca is the company secretary of the Guarantor.

As in the case of the Issuer, the Board of the Guarantor is responsible for the overall long-term direction of the Guarantor and is involved in overseeing its systems of control and financial reporting. Board meetings are attended by the Chief Financial Officer of the Guarantor to support the Guarantor’s oversight of its financial operations.

As at the date of this Analysis, apart from two independent directors, the Issuer does not have any employees of its own. The Guarantor currently has approximately 43 employees. The Group currently has approximately 12,000 employees, with an average ratio of 95:5 between operational employees and administrative employees.

1.3 MAJOR ASSETS OWNED BY THE GROUP

The Issuer acts as a financing company solely for the needs of the Guarantor and its assets are intended to consist primarily of loans issued to the Guarantor and its subsidiaries.

The Group’s major assets are composed of:

- Property, plant and equipment;
- Right-of-use-assets;
- Goodwill and other intangible assets;
- Investment property; and
- Other non-current assets.

These assets collectively represent circa 79.1% of total assets (FY22: 80.2%) amounting to €815.7m during FY23 (FY22: €708.9m). The other non-current assets mainly relate to a portfolio of stocks and bonds worth around €48.0m (FY22: €29.2m).

1.4 OPERATIONAL DEVELOPMENTS

1.4.1 Strategy

The Guarantor's business strategy focuses on two principal elements, as set out below:

- **Strategic Direction:** the oversight and evaluation undertaken by the Board of Directors of each of the Guarantor's subsidiaries, with the intention of achieving the Guarantor's strategic objectives. The Guarantor monitors and supports its subsidiaries by, *inter alia*:
 - i. Overseeing the financial and operational performance of the companies within the Group to effectively ensure that set goals and organic growth strategies are achieved and are aligned to the strategic goals of the Guarantor; and
 - ii. Appointing strong members to the subsidiary boards of directors to support executive management at each level, in their development and implementation of strategic goals and objectives.
- **Acquisition Strategy:** the acquisition of businesses that are expected to produce positive earnings and cash flow with high growth potential.

1.4.2 Business Overview and Latest Operational Developments

The Group operates 5 key segments across multiple jurisdictions and industries, with the largest drivers being the restaurant operations and retail segments which contributed 92.4% of total revenue in FY23.

1.4.2.1 Restaurant Operations

Apart from new store openings, the Group continued to invest heavily in its restaurants, with a total of €33.6m invested in new stores and the refurbishment of existing ones.

1.4.2.2 Retail

On 31 March 2023, iSpot Poland Sp.Z.o.o. ("iSpot") acquired 100% of the shares in Cortland Sp. Z.o.o. ("Cortland"). The retail business in Poland now consists of iSpot and Cortland, which were the 1st and 2nd largest Apple Premium Reseller businesses in Poland. The strong performance of brick-and-mortar stores in Poland has led to further growth plans of this channel by iSpot's management.

On 25 January 2024, 1923 Investments sold 100% of the shares owned in E-Lifecycle Holdings GmbH.

Through a joint venture, the Group also owns 50% of an Apple retail business in Hungary.

1.4.2.3 Technology

Harvest Technology p.l.c. ("Harvest") offers a variety of IT solutions such as automation, security and payment services to business clients in a diverse range of sectors such as banking, healthcare, law enforcement, gaming and hospitality. Through Harvest, the Group operates a number of subsidiaries including ApcoPay Limited ("ApcoPay"), PTL Limited ("PTL") and Apco Limited ("APCO").

One of the key milestones at ApcoPay in 2023 was the completion of the payment orchestration platform, Synthesis. The new cloud-enabled platform was launched in September 2023 and offers significant additional features for global merchants and scalability for future growth.

1.4.2.4 Engineering, shipping, logistics and oil and gas

This segment is composed of Breakwater and its subsidiaries, which operate in engineering, shipping & logistics and oil & gas operations across different countries.

Entities falling within this segment include:

- **Motherwell Bridge Industries Limited:** a Malta based provider of customised engineering and fabrication services.
- **Techniplus S.A.:** engaged in providing specialised engineering services related to port handling equipment and crane assembly in Morocco.
- **Carmelo Caruana Company Limited:** principally focused on agency and ship-to-ship operation services.
- **STS Marine Solutions (UK) Limited:** a world leading ship-to-ship ("STS") service provider with more than 30 years' experience in crude oil, refined petroleum, LPG and LNG transfers.
- **Allcom Sp.Z.o.o.:** provides freight forwarding and warehousing services in order to support its customers across diverse sectors in Poland.
- **Professional Courier Services Limited:** provides logistics and transport services.
- **Cobalt Leasing Limited:** engages in the leasing of containers to shipping lines.
- **Hili Logistics Limited ("HLL"):** through its subsidiaries operates a logistics and STS support services business in Malta, Poland and the UK. 1923 Investments concluded a share transfer with its sister company, Breakwater, for the sale of its entire shareholding in HLL. The share purchase agreement became effective on 28th April 2023.

1.4.2.5 Real Estate

Hili Properties manages commercial real estate across Malta, the Baltics and Romania. The portfolio includes quick service restaurants, office buildings, retail complexes and an industrial plant.

Following substantial acquisitions closed in FY22, including SIA SC Stirnu, the Benghajsa land and the MIRO offices, the Hili Properties team focused its efforts on revenue optimisation. These efforts led to a record performance for FY23 with €15.7m generated in revenue.

The real estate segment also includes HV Hospitality, TBP and MPL which recently took its shareholding in Tigne Mall p.l.c. to 39.3%.

1.5 €80,000,000 5% BOND ISSUE

Use of proceeds of the 5% Hili Finance Company 2029 bond will be as follows:

- i. An amount of €1.3m shall be used as bond issuance costs;
- ii. An amount of up to €36.0m shall be made available limitedly for the exchange and cancellation of the 1923 Investments p.l.c. €36,000,000 5.1% bonds 2024;
- iii. In the event that there is a balance of proceeds not utilised for (ii) above, an amount of up to €56.0m shall be applied to re-finance capital investments made by the Group that were partly financed

through bank loans, amongst which is the acquisition of 100% of the equity in Cortland Sp. z.o.o. in March 2023 for a consideration of €42.2m and the acquisition of Tigné Mall p.l.c. in October 2023 for €18.3m including commissions; and,

iv. Any residual bond proceeds not utilised for (ii) and (iii) above will be used for general corporate funding.

1.6 DEVELOPMENTS IN UKRAINE AND THE MIDDLE EAST

Management is continuously monitoring developments in Ukraine and the Middle East. While the Group has no direct interest vested in the country, it is monitoring the effects of the situation on its operations in neighbouring countries Romania, the Baltics and Poland. Inflationary pressures and heightened utility costs are presently being experienced by certain operations within the Group.

The Group's forecasts continue to show stable performance despite the uncertainty of the current state of affairs on its operations and it remains vigilant in monitoring restrictions on the conduct of business with sanctioned entities and individuals.

1.7 ASSUMPTIONS UNDERTAKEN IN FORECASTS UTILISED FOR THE PURPOSE OF THIS DOCUMENT

Business activity is projected to improve when compared to 2023 despite the potential impact of the aforementioned global events, particularly in terms of sustained inflationary pressures. These projections take into account the positive actual performance of the first few months of 2024. Additionally, they incorporate the new business ventures entered into by the Issuer and its subsidiaries in 2023.

1.8 RELATED PARTY SECURITIES

The below table shows current outstanding securities of the Issuer and related parties.

Security name	ISIN	Amount Listed
4.5% Hili Properties p.l.c. Unsecured 2025	MT0000941204	€37,000,000
5.1% 1923 Investments p.l.c. Unsecured 2024	MT0000841206	€36,000,000
3.75% Premier Capital p.l.c. Unsecured € 2026	MT0000511213	€65,000,000
3.85% Hili Finance Company p.l.c. Unsecured 2028	MT0001891200	€40,000,000
3.8% Hili Finance Company p.l.c. Unsecured 2029	MT0001891218	€80,000,000
4% Hili Finance Company p.l.c. Unsecured 2027	MT0001891226	€50,000,000
Harvest Technology p.l.c. Ord €0.50	MT0002370105	22,780,636 Shares
Hili Properties p.l.c. Ord €0.20	MT0000940107	400,892,700 Shares

2 HISTORICAL PERFORMANCE AND FORECASTS

The financial information in sections 2.1 to 2.3 is extracted from the audited financial statements of the Issuer for the financial years that ended 31 December 2021, 2022 and 2023. The financial information in sections 2.4 to 2.6 is extracted from the audited consolidated financial statements of the Guarantor for the financial years ended 31 December 2021, 2022 and 2023.

The projected financial information for the years ending 31 December 2024 and 2025 has been provided by the Guarantor's management. This financial information relates to events in the future and is based on assumptions that 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.

2.1 ISSUER'S STATEMENT OF COMPREHENSIVE INCOME

Hili Finance Company p.l.c. Statement of Comprehensive Income for the year ended 31 December

	2021A	2022A	2023A	2024F	2025P
	€'000s	€'000s	€'000s	€'000s	€'000s
Finance income	5,509	7,346	7,758	9,937	12,137
Finance costs	(4,674)	(6,360)	(6,715)	(8,746)	(10,769)
Net finance income	835	986	1,043	1,191	1,368
Administrative expenses	(49)	(44)	(51)	(46)	(47)
Profit before tax	786	942	992	1,145	1,321
Taxation	(289)	(342)	(362)	(413)	(475)
Total profit and other comprehensive income	497	600	630	732	846

Ratio Analysis

Profitability

	2021A	2022A	2023A	2024F	2025P
Gross Margin (Net finance income / Finance income)	15.2%	13.4%	13.4%	12.0%	11.3%
Net Margin (Profit for the year / Finance income)	9.0%	8.2%	8.1%	7.4%	7.0%

The Issuer was set up as a finance company, therefore, its revenue consists of interest income generated on the funds advanced to group companies.

In the audited financial statements for 2023, the Issuer reported finance income of €7.8m, a €0.4m increase over 2022. Finance costs also increased slightly to €6.7m and this led to a gross margin of 13.4%.

Administrative expenses, which mainly comprise audit fees and directors' fees, amounted to €51k, while total comprehensive income increased to €630k, reflecting the aforementioned increase in finance income.

In 2024, due to the Bond Issue, the Issuer is forecasting both finance income and finance costs to increase. In 2025 these are expected to increase further to €12.1m and €10.8m respectively as the full year accounting for the Bond Issue takes place.

2.2 ISSUER'S STATEMENT OF FINANCIAL POSITION

Hili Finance Company p.l.c. Statement of Financial Position for the year ended 31 December

	2021A	2022A	2023A	2024F	2025P
	€'000s	€'000s	€'000s	€'000s	€'000s
Assets					
Non-current assets					
Loans owed by parent company	122,411	172,411	172,411	251,931	251,931
Total non-current assets	122,411	172,411	172,411	251,931	251,931
Current assets					
Trade and other receivables	2,565	4,504	4,612	6,898	7,385
Other receivables	84	49	49	67	67
Cash and cash equivalents	126	409	69	499	236
Total current assets	2,775	4,962	4,730	7,465	7,689
Total assets	125,186	177,373	177,141	259,396	259,620
Equity					
Share capital	2,000	2,000	2,000	2,000	2,000
Retained earnings	1,282	1,882	1,663	1,915	2,211
Total equity	3,282	3,882	3,663	3,915	4,211
Liabilities					
Non-current liabilities					
Debt securities	120,000	170,000	170,000	250,000	250,000
Total non-current liabilities	120,000	170,000	170,000	250,000	250,000
Current liabilities					
Trade and other payables	1,760	3,431	3,405	5,409	5,409
Current tax liabilities	143	60	73	72	-
Total current liabilities	1,903	3,491	3,478	5,481	5,409
Total liabilities	121,903	173,491	173,478	255,481	255,409
Total equity and liabilities	125,186	177,373	177,141	259,396	259,620

The Issuer's assets as at 31 December 2023 comprised interest-bearing securities loaned to the Guarantor, while liabilities predominately reflected the issued bond securities of €40m, €80m and €50m offered to the public in 2018, 2019 and 2022 respectively. In 2024 the Issuer's

assets and liabilities are forecasted to increase by €80m as the Issuer loans the proceeds from the Bond Issue to the Guarantor. No material changes are envisaged for 2025.

2.3 ISSUER'S STATEMENT OF CASH FLOWS

Hili Finance Company p.l.c. Statement of Cash Flows for the year ended 31 December

	2021A	2022A	2023A	2024F	2025P
	€'000s	€'000s	€'000s	€'000s	€'000s
Operating profit before working capital movement	786	942	992	1,145	1,321
<i>Adjustments for:</i>					
Interest income	(5,509)	(7,346)	(7,758)	(9,937)	(12,137)
Interest expenses on debt securities issued	4,580	6,235	6,583	8,580	10,580
Opening loss before working capital movement	(143)	(169)	(183)	(212)	(236)
Movement in working capital	(41)	47	3	(14)	-
Income tax paid	(384)	(425)	(349)	(414)	(547)
Net cash flows used in operating activities	(568)	(547)	(529)	(640)	(783)
Net cash flows generated from/(used in) investing activities	5,270	(44,600)	7,650	(72,350)	11,650
Net cash flows (used in)/generated from financing activities	(4,579)	45,430	(7,461)	73,420	(11,130)
Movement in cash and cash equivalents	123	283	(340)	430	(263)
Cash and cash equivalents at start of year	3	126	409	69	499
Cash and cash equivalents at end of year	126	409	69	499	236

Given that the purpose of the Issuer is to act as a financing vehicle for the Guarantor, it is appropriate to examine cash flows from investing and financing activities.

The 2023 results reflect no major inflows or outflows apart from the normal business operations of a finance company. The 2024 results,

however, reflect the issuance of the €80,000,000 5% unsecured 2029 bonds as part of financing activities, as well as the loan advancement to the Guarantor by the Issuer in investing activities. In 2025, no major inflows or outflows are expected.

2.4 GUARANTOR'S CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Hili Ventures Limited Consolidated Statement of Comprehensive Income for the year ended 31 December	2021A	2022A	2023A	2024F	2025P
	€'000s	€'000s	€'000s	€'000s	€'000s
Revenue	589,593	782,648	987,171	1,135,309	1,243,772
Net operating expenses	(504,495)	(682,386)	(862,118)	(992,677)	(1,083,158)
EBITDA	85,098	100,262	125,053	142,632	160,614
Depreciation and amortisation	(29,933)	(32,462)	(43,769)	(47,557)	(55,478)
EBIT	55,165	67,800	81,284	95,075	105,136
Net investment income/(loss)	3,518	4,947	3,118	(146)	119
Finance costs	(18,793)	(22,971)	(30,084)	(30,224)	(29,249)
Profit before tax	39,890	49,776	54,318	64,705	76,006
Taxation	(7,464)	(6,503)	(14,032)	(18,849)	(18,188)
Profit for the year	32,426	43,273	40,286	45,856	57,818
Other comprehensive income					
Movement on available-for-sale investments	(7)	(467)	1,265	-	-
Exchange differences - foreign operations	925	599	3,652	-	-
Other comprehensive income	-	-	92	-	-
Gain on revaluation of assets	486	12,965	3,282	1,001	1,109
Total other comprehensive income	1,404	13,097	8,291	1,001	1,109
Total comprehensive income	33,830	56,370	48,577	46,857	58,927

Ratio Analysis	2021A	2022A	2023A	2024F	2025P
Profitability					
Growth in Revenue (YoY Revenue Growth)	22.0%	32.7%	26.1%	15.0%	9.6%
EBITDA Margin (EBITDA / Revenue)	14.4%	12.8%	12.7%	12.6%	12.9%
Operating (EBIT) Margin (EBIT / Revenue)	9.4%	8.7%	8.2%	7.8%	7.9%
Net Margin (Profit for the year / Revenue)	5.5%	5.5%	4.1%	4.0%	4.6%
Return on Common Equity (Net Income / Average Equity)	24.8%	23.7%	17.8%	18.3%	20.7%
Return on Assets (Net Income / Average Assets)	4.8%	5.3%	4.2%	4.4%	5.5%
Return on capital employed (EBITDA/ Total Assets - Current Liabilities)	14.0%	13.5%	15.6%	17.7%	19.9%

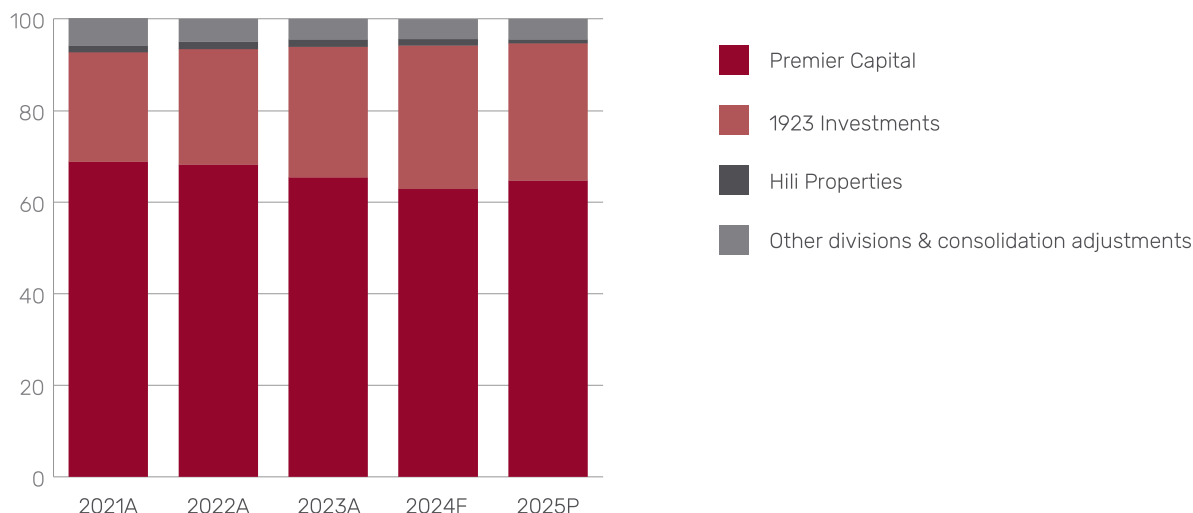
The Guarantor's consolidated revenue amounted to €987.2m during 2023, representing an overall increase of 26.1% when compared to the prior year (FY22: €782.7m). The management noted that this improvement is mainly the result of organic growth, the acquisition of Cortland, and new stores opened at Premier Capital and 1923 Investments. As further illustrated through the revenue segmentation table below, all business pillars contributed to a healthy increase in revenue.

All business pillars of the Guarantor are expected to perform positively in the current financial year, with total revenues projected to surpass €1.1b during 2024 and reach €1.2b in 2025, reflecting an overall increase of 15.0% and 9.6% respectively. The revenue improvement in 2023 takes into account the contribution of the new business ventures entered into by the respective subsidiaries, namely, 1923 Investment (+42.6%), Premier Capital (+21.0%) and Hili Properties (+28.1%).

Hili Ventures Limited Revenue breakdown by entity

	2021A ¹	2022A ¹	2023A ¹	2024F	2025P
	€'000s	€'000s	€'000s	€'000s	€'000s
Premier Capital	405,408	533,605	645,565	714,647	804,372
1923 Investments	141,144	197,548	281,765	355,642	372,952
Hili Properties	8,241	12,249	15,687	15,722	9,994
Other divisions & consolidation adjustments	34,800	39,246	44,154	49,298	56,454
Total	589,593	782,648	987,171	1,135,309	1,243,772

Guarantor's Revenue Segmental Analysis



The Guarantor's consolidated net operating expenses amounted to €862.1m during 2023, reflecting an overall increase of 26.5% over the prior year. On the back of increased revenues, EBITDA increased to €125.1m during 2023 (FY22: €100.2m), resulting in an EBITDA margin of 12.7% (FY22: 12.8%).

The forecasted improvement across all subsidiaries from continuing operations is projected to result in an EBITDA of €142.6m in 2024 and €160.6m in 2025.

The depreciation and amortisation charge amounted to €43.8m during 2023, mainly because of new store openings at Premier Capital and the acquisition of Cortland by iSpot. This is projected to increase to €47.6m in 2024 and €55.5m in 2025, primarily due to further capital expenditure expected to be undertaken in the next 2 years, by the respective subsidiary companies.

Net finance costs stood at €30.1m in 2023 and mainly reflect interest incurred on the bonds issued by companies within the Group, in addition to finance costs on bank borrowings and finance lease liabilities (IFRS 16). Finance costs are projected to remain relatively stable, at €30.2m during 2024, and decrease slightly to €29.2m in 2025.

In view of the developments noted above, profit before tax amounted to €54.3m in 2023 and is expected to amount to €64.7m and €76.0m in 2024 and 2025 respectively. Moreover, total comprehensive income came in at €48.6m in 2023, due to a €3.7m favourable movement in exchange rates from foreign operations and a €3.3m gain on the revaluation of assets.

The financial performance of the Guarantor resulted in a net margin of 4.1% (FY22: 5.5%), Return on Common Equity of 17.8% (FY22: 23.7%) and Return on Assets of 4.2% (FY22: 5.3%).

¹ Part of the 1923 Investments revenue for 2021, 2022 and 2023 was reclassified to "Other divisions & consolidation adjustments" in line with the sale of HLL to a sister company.

2.4.1 Variance Analysis

Hili Ventures Limited Consolidated Statement of Comprehensive Income for the year ended 31 December

	Dec-23 Forecast €'000s	Dec-23 Audited €'000s	Variance
Revenue	1,011,027	987,171	(23,856)
Net operating expenses	(891,283)	(862,118)	29,165
EBITDA	119,744	125,053	5,309
Depreciation and amortisation	(46,025)	(43,769)	2,256
EBIT	73,718	81,284	7,566
Net investment income	866	3,118	2,252
Net finance costs	(20,028)	(30,084)	(10,056)
Profit before tax	54,556	54,318	(238)
Taxation	(12,312)	(14,032)	(1,720)
Profit for the year	42,244	40,286	(1,958)
Other comprehensive income			
Movement on available-for-sale investments	-	1,265	1,265
Exchange differences - foreign operations	163	3,652	3,489
Other comprehensive income	-	92	92
Gain on revaluation of assets	911	3,282	2,371
Total other comprehensive income	1,073	8,291	7,217
Total comprehensive income	43,317	48,577	5,258

The main variance concerning the lower revenue came from iSpot which reported revenue of €17.3m which is below what was forecasted in last year's Analysis. Conversely, this negative variance in revenue led to a positive variance in net operating expenses and resulted in an EBITDA which was €5.3m above what was forecasted. On the other hand, depreciation and amortisation was €2.3m higher than forecasted, mainly due to iSpot's acquisition of Cortland.

The positive variance in net investment income stems from the gain on disposal of Hili Logistics at 1923 Investments. Net finance costs were also higher than first forecasted due to a higher utilisation of bank

funds along with higher than expected interest rates. The previously mentioned factors and a higher deferred tax charge at 1923 resulted in an annual profit that was €2.0m below the forecast. Lastly, positive movements in available for sale investments, exchange differences and revaluation of assets led to a positive variance in total comprehensive income of €5.3m.

2.5 GUARANTOR'S CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Hili Ventures Limited Consolidated Statement of Financial Position for the year ended 31 December

	2021A	2022A	2023A	2024F	2025P
	€'000s	€'000s	€'000s	€'000s	€'000s
Assets					
Non-current assets					
Goodwill and other intangibles	106,860	106,196	154,082	153,348	152,839
Property, plant and equipment	229,845	260,339	284,587	319,817	395,747
Investment property	83,321	189,753	183,533	115,113	115,994
Right-of-use assets	102,037	116,942	139,695	144,969	143,422
Other non-current assets	43,272	35,620	53,793	57,843	37,249
Loans and receivables	23,210	31,757	31,565	31,054	30,533
Trade and other receivables	2,426	4,368	4,671	4,454	5,367
Restricted cash	1,804	1,972	1,217	1,377	957
Deferred tax assets	-	5,299	4,472	6,992	8,024
Total non-current assets	592,775	752,246	857,615	834,967	890,132
Current assets					
Inventory	20,105	30,103	34,721	34,141	37,033
Trade and other receivables	29,628	31,363	47,463	63,043	54,117
Other assets	7,822	6,993	18,195	70,740	10,178
Cash and cash equivalents	77,339	69,753	72,855	48,600	63,473
Total current assets	134,894	138,212	173,234	216,524	164,801
Total assets	727,669	890,458	1,030,849	1,051,491	1,054,933
Equity					
Equity and reserves	154,632	210,277	242,900	258,609	300,603
Total equity	154,632	210,277	242,900	258,609	300,603
Liabilities					
Non-current liabilities					
Debt securities in issue	255,760	305,593	270,227	313,773	249,269
Trade and payables	1,145	3,144	5,155	1,405	1,251
Other financial liabilities	-	-	10	3,170	4,217
Bank loans	91,182	100,816	137,386	80,210	92,417
Lease liabilities	97,091	111,858	132,510	139,704	150,397
Deferred tax liabilities	8,709	9,109	10,988	8,972	7,923
Total non-current liabilities	453,887	530,520	556,276	547,234	505,474
Current liabilities					
Trade and other payables	88,490	107,533	135,671	131,509	130,275
Contract liabilities	-	-	1,846	806	396
Other financial liabilities	-	-	-	912	441
Bank loans and overdrafts	17,298	27,203	40,258	47,552	24,562
Lease liabilities	10,479	11,932	13,670	15,391	14,228
Current tax liability	2,883	2,993	4,308	12,539	14,040
Debt securities in issue	-	-	35,920	36,939	64,914
Total current liabilities	119,150	149,661	231,673	245,648	248,856
Total liabilities	573,037	680,181	787,949	792,882	754,330
Total equity and liabilities	727,669	890,458	1,030,849	1,051,491	1,054,933

Ratio Analysis

Financial Strength

	2021A	2022A	2023A	2024F	2025P
Gearing 1 (Net Debt / Net Debt and Total Equity)	71.8%	69.9%	68.2%	67.9%	60.9%
Gearing 2 (Total Liabilities / Total Assets)	78.7%	76.4%	76.4%	75.4%	71.5%
Net Debt / EBITDA	4.6x	4.8x	4.2x	3.8x	2.9x
Current Ratio (Current Assets / Current Liabilities)	1.1x	0.9x	0.7x	0.9x	0.7x
Quick Ratio (Current Assets - Inventory / Current Liabilities)	1.0x	0.7x	0.6x	0.7x	0.5x
Interest Coverage 1 (EBITDA / Cash interest paid)	5.7x	5.6x	5.5x	6.1x	7.1x
Interest Coverage 1 (EBITDA / Finance Costs)	4.5x	4.4x	5.1x	5.9x	7.1x

As at 31 December 2023, total non-current assets amounted to €857.6m (FY22: €752.3m), and principally comprise:

- goodwill and intangible assets at €154.1m,
- property, plant and equipment at €284.6m,
- investment property at €183.5m and
- right-of-use assets amounting to €139.7m.

The increase in property, plant and equipment and lease liabilities during 2023 primarily relates to the opening of new locations at both Premier Capital and 1923 Investments, along with the Cortland acquisition by iSpot.

Total non-current assets in 2024 are forecasted to decrease to €835.0m before increasing to €890.1m in 2025.

Additionally, current assets, which mainly comprise inventory, trade and other receivables, as well as cash and cash equivalents, amounted to €173.2m during 2023 (FY22: €138.2m). This increase was mainly driven by higher trade and other receivables in line with the higher revenue as well as a €11.2m increase in other assets resulting from an investment property of €7.0m being classed as held for sale at Hili Properties level.

In 2024 cash and cash equivalents are forecasted to decrease to €48.6m before increasing to €63.5m in 2025. Total assets are projected to reach €1.0b in 2024 and €1.1b in 2025.

Total equity increased to €242.9m during 2023, mainly due to the profit generated for the year, which translated into higher retained earnings. Total equity is projected to increase to €258.6m during 2024 and €300.6m in 2025, mainly due to the positive financial performance projected throughout the year.

Total financial debt, which is primarily composed of debt securities, bank loans and overdrafts, and lease liabilities, increased to €630.0m during 2023, mainly due to increased bank borrowings and leases. The Guarantor's total debt is projected to increase slightly to €633.6m in 2024 before decreasing to €595.8m in 2025 as the Group repays a portion of its bank loans.

In view of the higher total equity, the Group's 2024 Gearing 1 ratio is expected to decrease to 67.9%. Meanwhile, total liabilities/total assets is expected to come in at 75.4% during 2024. These are both expected to decrease further to 60.9% and 71.5% in 2025 as the Group's equity base increases and the Group's financial debt decreases.

As a result of the above, total liabilities are projected to amount to €792.9m during 2024, compared to €788.0m in 2023 and to decrease to €754.3m in 2025.

2.5.1 Variance Analysis

Hili Ventures Limited Consolidated Statement of Financial Position for the year ended 31 December

	Dec-23 Forecast €'000s	Dec-23 Audited €'000s	Variance
Assets			
Non-current assets			
Goodwill and other intangibles	149,958	154,082	4,124
Property, plant and equipment	293,186	284,587	(8,600)
Investment property	161,169	183,533	22,364
Right-of-use assets	117,919	139,695	21,776
Other non-current assets	31,500	53,793	22,292
Loans and receivables	31,189	31,565	376
Trade and other receivables	9,403	9,143	(260)
Restricted cash	301	1,217	916
Total non-current assets	794,625	857,615	62,989
Current assets			
Inventory	43,010	34,721	(8,289)
Trade and other receivables	38,040	47,463	9,423
Other assets	9,916	18,195	8,279
Cash and cash equivalents	57,886	72,855	14,969
Total current assets	148,852	173,234	24,382
Total assets	943,477	1,030,849	87,371
Equity			
Equity and reserves	244,031	242,900	(1,131)
Total equity	244,031	242,900	(1,131)
Liabilities			
Non-current liabilities			
Debt securities in issue	306,147	270,227	(35,920)
Trade and payables	2,479	5,155	2,677
Other financial liabilities	-	10	10
Bank loans	129,230	137,386	8,156
Lease liabilities	116,695	132,510	15,815
Deferred tax liabilities	8,247	10,988	2,741
Total non-current liabilities	562,798	556,276	(6,521)
Current liabilities			
Trade and other payables	96,209	137,517	41,308
Bank loans and overdrafts	15,658	40,258	24,600
Lease liabilities	13,031	13,670	639
Current tax liability	11,750	4,308	(7,442)
Debt securities in issue	-	35,920	35,920
Total current liabilities	136,648	231,673	95,025
Total liabilities	699,446	787,949	88,504
Total equity and liabilities	943,477	1,030,849	87,373

The main positive variances in the Group's non-current assets when compared to the forecasts outlined in last year's Analysis come from investment property (+€22.4m), right-of-use assets (+€21.8m) and other non-current assets (+€22.3m). These were due to the sale of an investment property which did not materialise, more right-of-use assets following the acquisition of Cortland and higher investments in the financial assets portfolio. The main negative variance, on the other hand, comes from property, plant and equipment which was €8.6m lower, mainly due to planned investments which did not materialise.

When it comes to current assets, inventory was €8.3m lower, mainly due to lower inventory at iSpot level, whilst other assets were €8.3m higher due to an investment property being classified as held for sale and trade and other receivables were €9.4m higher due to timing factors in various divisions. On the other hand, equity was more or less in line with the forecasts. The main variance in non-current liabilities comes from a

reclassification of debt securities in issue to current liabilities as a portion of the Group's bonds nears maturity. Bank loans were €8.2m higher, mainly at Hili Properties level as the sale of an investment property did not materialise as a result of which the loan on that property was not paid off.

Lease liabilities were also higher at Premier Capital level due to timing considerations of creditors, particularly for new stores and remodelling happening in the last month of the year. In current liabilities, trade and other payables were also €41.3m higher due to a timing difference at Premier Capital level. Bank loans and overdrafts were also higher than originally forecasted, mainly due to the utilisation of credit lines to finance capital investments.

2.6 GUARANTOR'S CONSOLIDATED STATEMENT OF CASH FLOWS

Hili Ventures Limited Consolidated Statement of Cash Flows for the year ended 31 December

	2021A	2022A	2023A	2024F	2025P
	€'000s	€'000s	€'000s	€'000s	€'000s
Net cash flows from continuing operations	96,695	104,019	133,112	197,188	212,598
Interest paid	(14,899)	(18,060)	(22,735)	(23,319)	(22,551)
Income tax paid	(8,975)	(8,010)	(14,761)	(30,246)	(28,802)
Tax refund	510	630	1,574	2,675	1,951
Net cash flows generated from operating activities	73,331	78,579	97,190	146,298	163,197
Net cash flows generated from/(used in) investing activities	(54,070)	(92,006)	(107,967)	(126,426)	(61,478)
Net cash flows generated from/(used in) financing activities	14,246	1,706	8,664	(40,452)	(83,867)
Movement in cash and cash equivalents	33,507	(11,721)	(2,113)	(20,580)	17,852
Cash and cash equivalents at start of year	41,889	75,943	64,148	62,135	41,555
Effects of movements in exchange	547	(74)	100	-	-
Cash and cash equivalents at end of year	75,943	64,148	62,135	41,555	59,406

Ratio Analysis

Cash Flow

	2021A	2022A	2023A	2024F	2025P
Free Cash Flow (Net cash from operations + Interest - Capex)	€50,410	€59,412	€72,240	€89,097	€73,788

Net cash flows from operations during 2023 came in at €97.2m, an increase of €18.6m when compared to 2022. While this increase takes a number of working capital movements into account, this improvement is predominantly attributable to the positive financial performance registered by the Guarantor during 2023.

Interest paid increased to €22.7m, reflecting the interest paid on all outstanding bonds and bank loans. Tax paid increased significantly to €14.8m in 2023, with tax refunds coming in at €1.6m for the year.

Current and new operations has the Guarantor projecting an improvement in net cash flows from operating activities to €146.3m in 2024 and €163.2m in 2025.

Additionally, cash flows used in investing activities increased to €108.0m as the Guarantor invested heavily in property, plant and equipment amounting to €47.7m (FY22: €36.1m). Net cash used in investing

activities is projected to amount to €126.4m in 2024 and €61.5m in 2025, with the continued expansion plans of the Group.

Net cash flows from financing activities in 2023 stood at €8.7m which was the net effect of:

- increased bank loans of €45.0m,
- dividends paid out of €15.0m and
- lease payments of €29.6m.

Cash flows used in financing activities are projected to amount to €40.5m in 2024 and €83.9m in 2025. The differences between the ending cash balance from the cash flow statement and the cash balance on the balance sheet relate to bank overdraft facilities and restricted cash.

2.6.1 Variance Analysis

Hili Ventures Limited Consolidated Statement of Cash Flows for the year ended 31 December	Dec-23	Dec-23	Variance
	Forecast	Audited	
	€'000s	€'000s	
Net cash flows from continuing operations	125,563	133,112	7,549
Interest paid	(20,021)	(22,735)	(2,714)
Income tax paid	(24,632)	(14,761)	9,871
Tax refund	1,168	1,574	406
Net cash flows generated from operating activities	82,078	97,190	15,112
Net cash flows generated from/(used in) investing activities	(74,228)	(107,967)	(33,739)
Net cash flows generated from/(used in) financing activities	(20,353)	8,664	29,017
Movement in cash and cash equivalents	(12,503)	(2,113)	10,390
Cash and cash equivalents at start of year	64,148	64,148	-
Effects of movements in exchange	-	100	100
Cash and cash equivalents at end of year	51,645	62,135	10,490

The main reason for the higher net cash flows generated from operating activities was due to the better than expected performance of the Group for the year along with the lower income tax paid. When it comes to investing activities, the Group used €33.7m more than originally forecasted due to the sale of a subsidiary of €30.0m and other investment property of €3.7m not materialising.

Lastly, with respect to financing activities, the Group managed to generate €29.0m more than forecasted due to an expected loan repayment of €20.0m not occurring as a result of the aforementioned sale of a subsidiary not going through as expected.

3 KEY MARKET AND COMPETITOR DATA

3.1 EUROPEAN ECONOMIC UPDATE²

The EU economy staged a comeback at the start of the year, following a prolonged period of stagnation. Though the growth rate of 0.3% estimated for the first quarter of 2024 is still below the estimated potential, it exceeded expectations. Activity in the euro area expanded at the same pace, marking the end of the mild recession experienced in the second half of last year. Meanwhile, inflation across the EU cooled further in the first quarter.

This Spring Forecast projects gross domestic product (GDP) growth in 2024 at 1.0% in the EU and 0.8% in the euro area. This is a slight uptick from the Winter 2024 interim forecast for the EU, but remained unchanged for the euro area. EU GDP growth is forecasted to improve to 1.6% in 2025, a downward revision of 0.1 percentage points (“pps.”) from winter. In the euro area, GDP growth in 2025 is projected to be slightly lower, at 1.4% - also marginally revised down. Importantly, almost all Member States are expected to return to growth in 2024. With economic expansion in the southern rim of the EU still outpacing growth in north and western Europe, economic convergence within the EU is set to progress further.

Economic activity broadly stagnated in 2023 and private consumption only grew by 0.4%. Despite robust employment and wage growth, labour incomes barely outpaced inflation. Moreover, households put aside a larger share of their disposable incomes than in 2022, as high interest

rates kept the opportunity cost of consumption elevated, while high uncertainty, the erosion of the real value of wealth by inflation and the fall in real estate prices sustained precautionary savings. Investment grew by 1.5% in 2023, largely driven by a sizeable carry-over from 2022.

Especially towards the end of the year, weakness in investment was widespread across Member States and asset types, with a pronounced downsizing of the interest-rate-sensitive construction sector. External demand did not provide much support either, weighed down by a sharp slowdown in global merchandise trade. Still, with domestic demand stagnating, imports contracted more than exports. Meanwhile, Harmonised Index of Consumer Prices (“HICP”) inflation has continued declining. From a peak of 10.6% in October 2022, inflation in the euro area is estimated to have reached 2.4% in April 2024. Inflation in the EU followed a similar path, with the March reading coming in at 2.6%. A rapid fall in retail energy prices throughout 2023 was the main driver of the inflation decline, but underlying inflationary pressures started easing too in the second half of 2023, amidst the weak growth momentum.

Expectations for imminent and decisive rate cuts across the world have been pared back in recent weeks, as underlying inflationary pressures – especially in the US – have proved more persistent than previously expected. In the euro area, where the European Central Bank last hiked its policy interest rates in September 2023, markets now expect a more gradual pace of policy rate cuts than in winter. Euribor-3 months futures suggest that euro area short-term nominal interest rates will decrease from 4% to 3.2% by the end of the year and to 2.6% by the end of 2025.

²European Economic Forecast – Spring 2024

3.2 MALTA ECONOMIC UPDATE³

According to the Central Bank of Malta's (the "Bank") latest forecasts, Malta's GDP is expected to grow by 4.4% in 2024. Growth is then expected to edge down to 3.6% in 2025, and to 3.3% by 2026. This implies an upward revision in 2024, when compared to the Bank's previous projections, while for 2025 and 2026 the outlook is unchanged. The upward revision is mainly on account of positive revisions in private consumption and net exports in the latest national accounts data release.

While in 2023, growth is expected to have been primarily driven by net exports, domestic demand is envisaged to be the main driver of growth in 2024. Private consumption growth continues at a brisk pace and private investment is expected to recover slowly. Net exports are also projected to contribute positively, driven mainly by services exports. Growth in 2025 and 2026 is also expected to be led by domestic demand.

Employment growth is set to moderate in the projection horizon, while wages are expected to pick-up in 2024, in view of high inflation in the recent past and a tight labour market.

Annual inflation based on the HICP is projected to ease, from 5.6% in 2023 to 2.9% in 2024, before reaching 1.9% by 2026. It is thus foreseen to remain above the Eurosystem price stability objective this year due to lingering indirect effects through the response of wages to recent increases in input costs and profit margins. However, compared to previous projections, inflation has been revised down by 0.1 pps. throughout the forecast period, in line with recent data outturns.

The general government deficit-to-GDP ratio is set to decline throughout the projection horizon. Notwithstanding this, the general government debt-to-GDP ratio is set to increase, and to reach 54.3% by 2026. When compared with the previous projection round, the projected deficit and debt ratios were both revised downwards.

On balance, risks to economic activity are tilted to the downside in 2024, as the ongoing geopolitical tensions could weigh on trade. In particular, disruptions to shipping around the Suez Canal could give rise to some supply bottlenecks or longer waiting times, apart from possible higher costs. Risks are more balanced in the following years.

Risks to inflation are also balanced. Upside risks relate mainly to ongoing geopolitical tensions, especially disruptions to trade in the Red Sea, as well as the potential impact of Fit-for-55 measures and extreme weather events. On the other hand, downside risks relate to a stronger pass-through from monetary tightening to domestic financial and real economic conditions, as well as the impact from the Government's measure to curb prices of selected food products in the short term.

On the fiscal side, risks are tilted to the downside from 2024 (deficit-increasing). These mainly reflect the possibility of higher-than-expected

outlays on energy support measures in the event that commodity prices are higher than envisaged. They also reflect the likelihood of additional expenditure on pensions and public sector wages. These risks are partly offset by the likelihood of a pick-up in the pace of fiscal consolidation in the outer years of the forecast horizon.

3.3 COMPARATIVE ANALYSIS

The purpose of the following table compares the proposed debt issuance of the Group to other debt instruments. For consistency purposes we opted to maintain the same peers as per last year's Analysis. More importantly, we have included different issuers with similar maturity to the Issuer. One must note that given the material differences in profiles and industries, the risks associated with the Group's business and that of other issuers is therefore different.

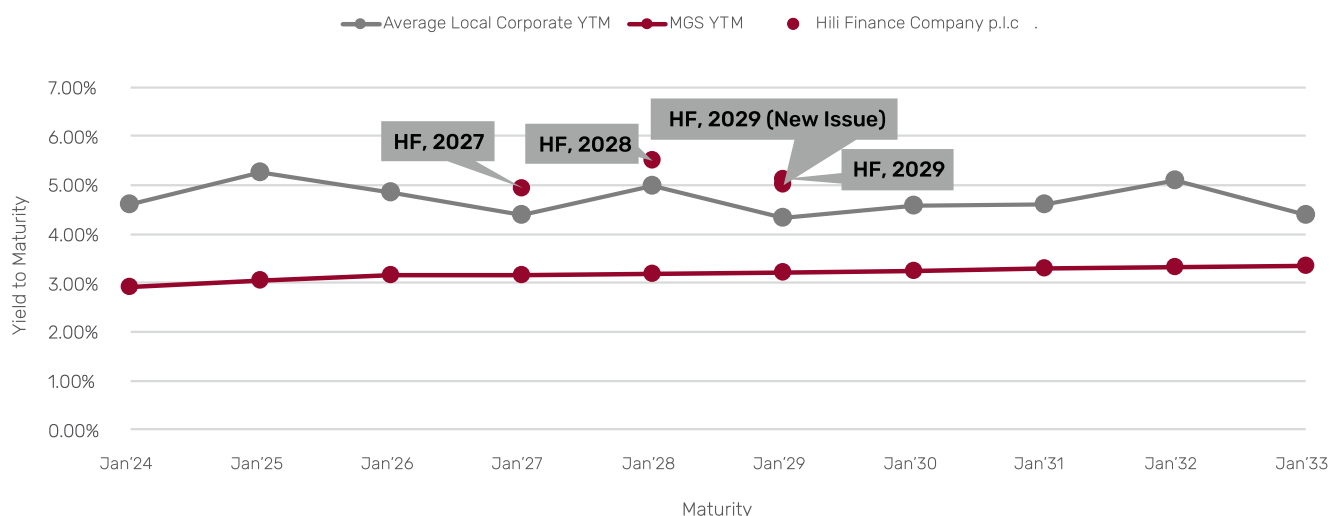
³ Central Bank of Malta – Central Bank's Forecast 2023-2026

Security	Nom Value	Yield to Maturity	Interest coverage (EBITDA)	Total Assets	Total Equity	Total Liabilities / Total Assets	Net Debt / Net Debt and Total Equity	Net Debt / EBITDA	Current Ratio	Return on Common Equity	Net Margin	Revenue Growth (YoY)
	€000's	(%)	(times)	[(€)mln]	[(€)mln]	(%)	(%)	(times)	(times)	(%)	(%)	(%)
5% Tumas Investments plc Unsecured € 2024	25,000	4.93%	7.2x	240.7	146.9	39.0%	22.5%	2.1x	1.8x	6.6%	18.1%	20.0%
5.75% International Hotel Investments plc Unsecured € 2025 (xd)	45,000	3.65%	1.7x	1,768.3	836.3	52.7%	42.1%	9.5x	1.0x	-1.4%	-3.9%	20.8%
4.5% Hili Properties plc Unsecured € 2025	37,000	5.96%	1.8x	255.6	127.1	50.3%	46.2%	9.0x	1.4x	5.1%	39.5%	32.8%
5.25% Central Business Centres plc Unsecured € 2025 S2 T1	2,985	5.25%	1.1x	65.7	23.8	63.7%	59.2%	24.9x	0.7x	0.2%	2.2%	-1.8%
5.9% Together Gaming Solutions plc Unsec Call Bds €2024-2026	14,762	6.39%	N/A	24.4	8.6	64.9%	38.2%	-1,119.3x	16.2x	-29.8%	-163.1%	-10.4%
4% MIDI plc Secured € 2026	50,000	4.39%	-0.5x	236.3	74.7	68.4%	40.8%	-46.9x	3.2x	-1.7%	-37.3%	19.2%
4% International Hotel Investments plc Secured € 2026	55,000	3.99%	1.7x	1,768.3	836.3	52.7%	42.1%	9.5x	1.0x	-1.4%	-3.9%	20.8%
4% International Hotel Investments plc Unsecured € 2026	60,000	4.41%	1.7x	1,768.3	836.3	52.7%	42.1%	9.5x	1.0x	-1.4%	-3.9%	20.8%
3.75% Mercury Projects Finance plc Secured € 2027	11,500	3.94%	0.6x	269.6	78.8	70.8%	66.4%	48.2x	1.5x	9.9%	23.1%	-34.4%
4.4% Central Business Centres plc Unsecured € 2027 S1/17 T1	6,000	5.10%	1.1x	65.7	23.8	63.7%	59.2%	24.9x	0.7x	0.2%	2.2%	-1.8%
3.75% Tumas Investments plc Unsecured € 2027	25,000	4.37%	7.2x	240.7	146.9	39.0%	22.5%	2.1x	1.8x	6.6%	18.1%	20.0%
4% Hili Finance Company plc Unsecured € 2027	50,000	4.92%	5.5x	1,030.8	242.9	76.4%	69.6%	4.4x	0.7x	17.8%	4.1%	26.1%
3.85% Hili Finance Company plc Unsecured € 2028	40,000	5.49%	5.5x	1,030.8	242.9	76.4%	69.6%	4.4x	0.7x	17.8%	4.1%	26.1%
4% Exalco Finance plc Secured € 2028	15,000	4.13%	4.4x	77.8	52.9	32.1%	21.1%	3.9x	0.7x	4.0%	40.9%	3.5%
4% SP Finance plc Secured € 2029	12,000	4.23%	2.2x	43.3	17.9	58.6%	51.2%	9.3x	0.5x	-0.7%	-1.3%	71.5%
3.8% Hili Finance Company plc Unsecured € 2029	80,000	5.12%	5.5x	1,030.8	242.9	76.4%	69.6%	4.4x	0.7x	17.8%	4.1%	26.1%
4.25% Mercury Projects Finance plc Secured € 2031	11,000	4.25%	0.6x	269.6	78.8	70.8%	66.4%	48.2x	1.5x	9.9%	23.1%	-34.4%
3.65% IHI plc Unsecured € 2031	80,000	4.81%	1.7x	1,768.3	836.3	52.7%	42.1%	9.5x	1.0x	-1.4%	-3.9%	20.8%
5% Hili Finance Company Unsecured 2029	80,000	5.00%	5.5x	1,030.8	242.9	76.4%	69.6%	4.4x	0.7x	17.8%	4.1%	26.1%

Source: Latest available audited financial statements

Last closing price as at 16/05/2024

Yield Curve Analysis



The above graph illustrates the average yearly yield of all local issuers as well as the corresponding yield of MGSs (Y-axis) vs the maturity of both Issuers and MGSs (X-axis), in their respective maturity bucket, to which the spread premiums can be noted. The graph illustrates on a stand-alone basis, the yield of the yield of Hili Finance Company p.l.c. bonds.

As at 16 May 2024, the average spread over the Malta Government Stock (MGS) for corporates with a maturity between 2 and 4 years was 143 basis points. The 4% Hili Finance Company p.l.c. Unsecured 2027 is currently trading at a YTM of 4.59%, translating into a spread of 175 basis points over the corresponding MGSs. This means that this bond is trading at a premium of 32 basis point in comparison to the market.

As at 16 May 2024, the average spread over the Malta Government Stock (MGS) for corporates with a maturity between 3 and 4 years was 121 basis points. The 3.85% Hili Finance Company p.l.c. Unsecured 2028 is currently trading at a YTM of 5.49%, translating into a spread of 230 basis points over the corresponding MGSs. This means that this bond is trading at a premium of 109 basis points in comparison to the market.

As at 16 May 2024, the average spread over the Malta Government Stock (MGS) for corporates with a maturity between 4 and 7 years was 111 basis points. The 3.8% Hili Finance Company p.l.c. Unsecured 2029 is currently trading at a YTM of 5.12%, translating into a spread of 191 basis points

over the corresponding MGSs. This means that this bond is trading at a premium of 80 basis points in comparison to the market.

As at 16 May 2024, the average spread over the Malta Government Stock (MGS) for corporates with a maturity between 4 and 7 years was 111 basis points. The proposed Hili Finance Company 2029 bond is being priced with a 5% coupon issued at par, meaning a spread of 178 basis points over the equivalent MGS, and therefore at a premium to the average on the market of 67 basis points.

It is pertinent to note that the above analysis is based on a maturity-matching basis and that the Issuer's industry is significantly different to the corporates identified and as such its risks also differ to that of other issuers

4 GLOSSARY AND DEFINITIONS

Income Statement

Revenue	Total revenue generated by the Group/Issuer from its principal business activities during the financial year.
Costs	Costs are expenses incurred by the Group/Issuer in the production of its revenue.
EBITDA	EBITDA is an abbreviation for earnings before interest, tax, depreciation and amortisation. It reflects the Group's/Issuer's earnings purely from operations.
Operating Profit (EBIT)	EBIT is an abbreviation for earnings before interest and tax.
Depreciation and Amortisation	An accounting charge to compensate for the decrease in the monetary value of an asset over time and the eventual cost to replace the asset once fully depreciated.
Net Finance Costs	The interest accrued on debt obligations less any interest earned on cash bank balances and from intra-group companies on any loan advances.
Net Income	The profit made by the Group/Issuer during the financial year net of any income taxes incurred.

Profitability Ratios

Growth in Revenue (YoY)	This represents the growth in revenue when compared with the previous financial year.
Gross Margin	Gross profit as a percentage of total revenue.
EBITDA Margin	EBITDA as a percentage of total revenue.
Operating (EBIT) Margin	Operating margin is the EBIT as a percentage of total revenue.
Net Margin	Net income expressed as a percentage of total revenue.
Return on Common Equity	Return on common equity (ROE) measures the rate of return on the shareholders' equity of the owners of issued share capital, computed by dividing the net income by the average common equity (average equity of two years financial performance).
Return on Assets	Return on assets (ROA) is computed by dividing net income by average total assets (average assets of two years financial performance).
Return on Capital Employed	Return on capital employed (ROCE) measures the relative profitability of a Issuer after taking into account the amount of capital used during a relative financial performance.

Cash Flow Statement

Cash Flow from Operating Activities (CFO)	Cash generated from the principal revenue producing activities of the Group/Issuer less any interest incurred on debt.
Cash Flow from Investing Activities	Cash generated from the activities dealing with the acquisition and disposal of long-term assets and other investments of the Group/Issuer.
Cash Flow from Financing Activities	Cash generated from the activities that result in changes in share capital and borrowings of the Group/Issuer.
Capex	Represents the capital expenditure incurred by the Group/Issuer in a financial year.
Free Cash Flows (FCF)	The amount of cash the Group/Issuer has after it has met its financial obligations. It is calculated by taking Cash Flow from Operating Activities less the Capex of the same financial year.

Balance Sheet

Total Assets	What the Group/Issuer owns which can be further classified into Non-Current Assets and Current Assets.
Non-Current Assets	Assets, the full value of which will not be realised within the forthcoming accounting year
Current Assets	Assets which are realisable within one year from the statement of financial position date.
Inventory	Inventory is the term for the goods available for sale and raw materials used to produce goods available for sale.
Cash and Cash Equivalents	Cash and cash equivalents are Group/Issuer assets that are either cash or can be converted into cash immediately.
Total Equity	Total Equity is calculated as total assets less liabilities, representing the capital owned by the shareholders, retained earnings and any reserves.
Total Liabilities	What the Group/Issuer owes which can be further classified into Non-Current Liabilities and Current Liabilities.
Non-Current Liabilities	Obligations which are due after more than one financial year.
Total Debt	All interest-bearing debt obligations inclusive of long and short-term debt.
Net Debt	Total debt of a Group/Issuer less any cash and cash equivalents.
Current Liabilities	Obligations which are due within one financial year.

Financial Strength Ratios

Current Ratio	The Current ratio (also known as the Liquidity 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 current assets to current liabilities.
Quick Ratio (Acid Test Ratio)	The quick ratio measures a group's/company's ability to meet its short-term obligations with its most liquid assets. It compares current assets (less inventory) to current liabilities.
Interest Coverage Ratio	The interest coverage ratio is calculated by dividing EBITDA of one period by cash interest paid of the same period.
Gearing Ratio	The gearing ratio indicates the relative proportion of shareholders' equity and debt used to finance total assets.
Gearing Ratio Level 1	Is calculated by dividing Net Debt by Net Debt and Total Equity.
Gearing Ratio Level 2	Is calculated by dividing Total Liabilities by Total Assets.
Net Debt / EBITDA	The Net Debt / EBITDA ratio measures the ability of the Group/Issuer to refinance its debt by looking at the EBITDA.

Other Definitions

Yield to Maturity (YTM)	YTM is the rate of return expected on a bond which is held till maturity. It is essentially the internal rate of return on a bond and it equates the present value of bond future cash flows to its current market price.
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