



HILI PROPERTIES PLC – FACT SHEET ISSUANCE OF NEW SHARES

KEY DETAILS

Company:	Hili Properties plc ("Hili Properties" or the "Group")	Listing:	Official List, Malta Stock Exchange
Total Amount of Existing Ordinary Shares:	300,000,000	Total Amount of New Ordinary Shares on Offer:	185,185,185
Offer Price:	€0.27 per share	Market Capitalisation:	€131 million*
Minimum Subscription Amount:	4,000 ordinary shares (equivalent to €1,080) and in multiples of 100 ordinary shares thereafter	Offer Period:	4 November 2021 to 26 November 2021 (or earlier in the case of oversubscription)
Expected Listing Date:	15 December 2021	Expected Commencement of Trading Date:	16 December 2021

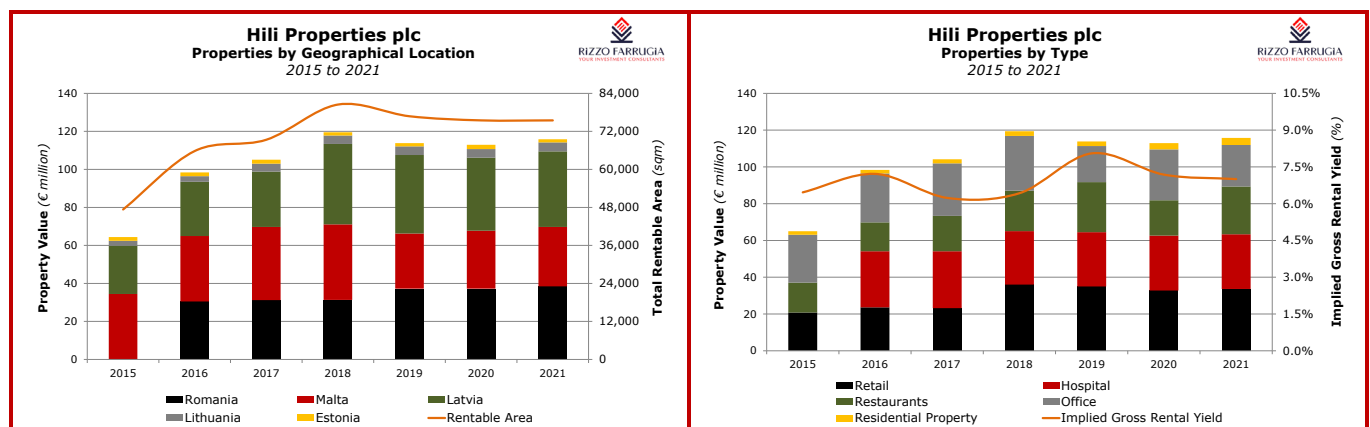
* Calculated on a total of 485,485,485 shares, reflecting the assumption of a full take-up of the share offer.

NOTICE

A copy of our investment research report containing our analysis and opinion on this equity initial public offering will be made available through our fee-based Research Portal. Should you be interested in subscribing to our Research Portal, kindly send us an email on researchportal@rizzofarrugia.com to obtain a copy of the Subscription Agreement containing our [Terms of Use](#).

ABOUT HILI PROPERTIES

Hili Properties owns and manages commercial real estate for long-term lease in the Baltics (namely Estonia, Latvia and Lithuania – representing 40% of the total value of the Group's property portfolio), Romania (33%), and Malta (27%). The 23 properties currently held by the Group have a total value of just over €115 million with circa 75,500 sqm of leasable area, and are virtually fully occupied with a weighted average lease term ("WALT") of nearly 9 years. The diversification of the Group's property portfolio is not limited to its geographical aspect, but also extends to the type of property. In fact, Hili Properties currently owns six grocery-anchored shopping centres (representing 29% of the total value of the Group's portfolio), one property that mainly serves as a hospital (26%), twelve McDonald's restaurants (22%), two office buildings (20%), as well as one residential property which is earmarked for resale (3%). The five largest assets accounting for 64% of the total value of the portfolio are the property housing the healthcare operator in Romania valued at €29.8 million, the office and warehousing complex in Malta (the '1923 Building') valued at €16.9 million, one of the grocery-anchored shopping centres in Latvia valued at €10.9 million, the McDonald's restaurant and offices in Sliema valued at €8.2 million, and another grocery-anchored shopping centre in Latvia valued at €7.7 million.



The Group pursues investments at favourable valuations that generate strong rental yields of around 6% to 7% per annum and which are also supported by long-term cash flow generation that grows in line with contractually binding adjustments. In addition, Hili Properties applies an active management approach to its property portfolio by crystallising capital gains accumulated over the years through the disposal of assets that may have limited upside potential in terms of valuation and/or rental income, and instead seeks to acquire other properties that offer better prospects.

In carrying out its investment decisions, the Group adopts a selective approach to select properties with the characteristics that are aligned with its strategic objectives namely, shopping retail malls, restaurants, and high street retail outlets that are located in city centres and/or suburban areas; commercial real estate including warehousing, industrial and distribution facilities; office buildings situated in sought-after prime locations with high-quality anchor tenants; as well as other properties that offer active asset management opportunities through repositioning and/or rental extension/optimisation.



OWNERSHIP STRUCTURE

To-date, Hili Properties is entirely owned by Hili Ventures Limited which is one of the largest conglomerates in Malta having a number of different businesses predominantly operating within various parts of Europe. In fact, apart from its investment in Hili Properties, Hili Ventures is involved in: (i) the operations of multiple McDonald's restaurants in the Baltics, Greece, Malta and Romania; (ii) the technology segment principally through the sale of Apple Inc. products in Poland and Hungary, as well as in the e-commerce space; (iii) the logistics and warehousing/distribution sector; (iv) engineering services related to port handling equipment and crane assembly in Malta and Morocco; and (v) the hospitality segment which is still in its infancy. Following the issuance of all the new shares on offer, Hili Ventures will hold 61.8% of the issued share capital of Hili Properties.

PLAN OF DISTRIBUTION

An amount of up to 18,518,518 shares has been reserved for allocation to Hili Ventures Group employees at a 10% discount to the issue price (equivalent to a price of €0.243). The remaining balance of 166,666,667 shares will be available for subscription at the issue price of €0.27 per share by:

- (i) Authorised Financial Intermediaries entering into a Placement Agreement with Hili Properties.
- (ii) Hili Ventures Group securities holders (namely 1923 Investments plc, Harvest Technology plc, Hili Finance Company plc, Hili Properties plc, and Premier Capital plc) as at 22 October 2021.
- (iii) Hili Ventures Group employees for any amounts that remain unsatisfied in terms of the employee offering.
- (iv) The general public.

In determining the allocation policy for 'Preferred Applicants' (i.e. Hili Ventures Group securities holders and Hili Ventures Group employees) and the general public, Hili Properties will seek to give preference to 'Preferred Applicants' whilst also ensuring that there will be a sufficiently dispersed shareholder base to facilitate an active secondary market in the shares.

LOCK-IN ARRANGEMENT

Hili Ventures Limited has undertaken that for a period of 24 months from the date that the shares are admitted to listing on the Official List of the MSE it will not transfer, sell, assign or otherwise dispose of its shareholding in the company.

USE OF PROCEEDS FROM THE IPO

The net proceeds from the new shares, which are expected to be in the region of €49 million if fully subscribed, will be utilised to finance new property acquisitions that have a high level of tenancy located in Malta, the Baltics, Romania, and other developed countries such as Poland amongst others. It is anticipated that €30 million will be utilised in terms of an acquisition of property in 2022, whilst the remaining €19 million will be utilised to partially finance another property acquisition in 2023.

UPCOMING INVESTMENTS

Hili Properties is in advanced discussions to acquire properties in Poland and Lithuania as follows:

Commercial Property located in Warsaw, Poland

Hili Properties has been selected to enter into exclusive discussions for the acquisition of a strategically positioned property that hosts an international strong 'Do-it-Yourself' ("DIY") retail operator. This property has been earmarked as the first property investment of Hili Properties in Poland to support its expansion strategy to more EU countries that present stable economic growth and potential. The highlights of this property are:

- ✓ Strategic location on one of the main exit arteries of Warsaw having close vicinity to residential areas and excellent access both by car and public transportation.
- ✓ Long lease duration of 9 years with additional extension options.
- ✓ Strong tenant which is a leader in its industry.
- ✓ Newly reconstructed property.

Industrial Property located in Lithuania

Following an international tender process, Hili Properties has been selected and is in advanced discussions for the acquisition of a newly built industrial property in Lithuania. The highlights of this property are:

- ✓ Strategic location.
- ✓ Excellent access to key cargo routes.
- ✓ Strong international tenant.
- ✓ Indissoluble 20-year lease agreement with a single tenant 100% occupancy.
- ✓ Newly built property.
- ✓ Value add/expansion potential.

DIVIDEND POLICY

Hili Properties aims to distribute an annual net dividend of €0.0108 per share, representing a return of 4% on the issue price of €0.27 per share. Notwithstanding this, the company will evaluate its financial position and performance from time to time and consider whether, in the light of the prevailing economic conditions at the time, it could declare and pay out an interim dividend.

The first dividend payment following the completion of the IPO is expected to take place in 2023 – i.e. after the approval of the financial statements for the period ending 31 December 2022.

The extent of any dividend distribution will depend upon, amongst other factors, the profits available for distribution for the year, the Directors' view on the prevailing market outlook, any debt servicing and repayment requirements including financial covenants and other restrictive covenants, the company's cash flows, working capital requirements, investment opportunities, and capital expenditure requirements.



RISK FACTORS

The value of investments may increase as well as decrease and past performance is not an indication of future performance. Hili Properties is subject to a number of risks pertaining to the nature of its businesses. Prospective investors are urged to read the 'Risk Factors' found in the Prospectus dated 25 October 2021. These are listed in Section 1 of the Registration Document and in Section 1 of the Securities Note. Copies of the Prospectus are available by email upon request or from our website at <http://rizzofarrugia.com>.

Prospective investors must also note that since the profit 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 and actual results may be material.

APPLICATION PROCEDURE

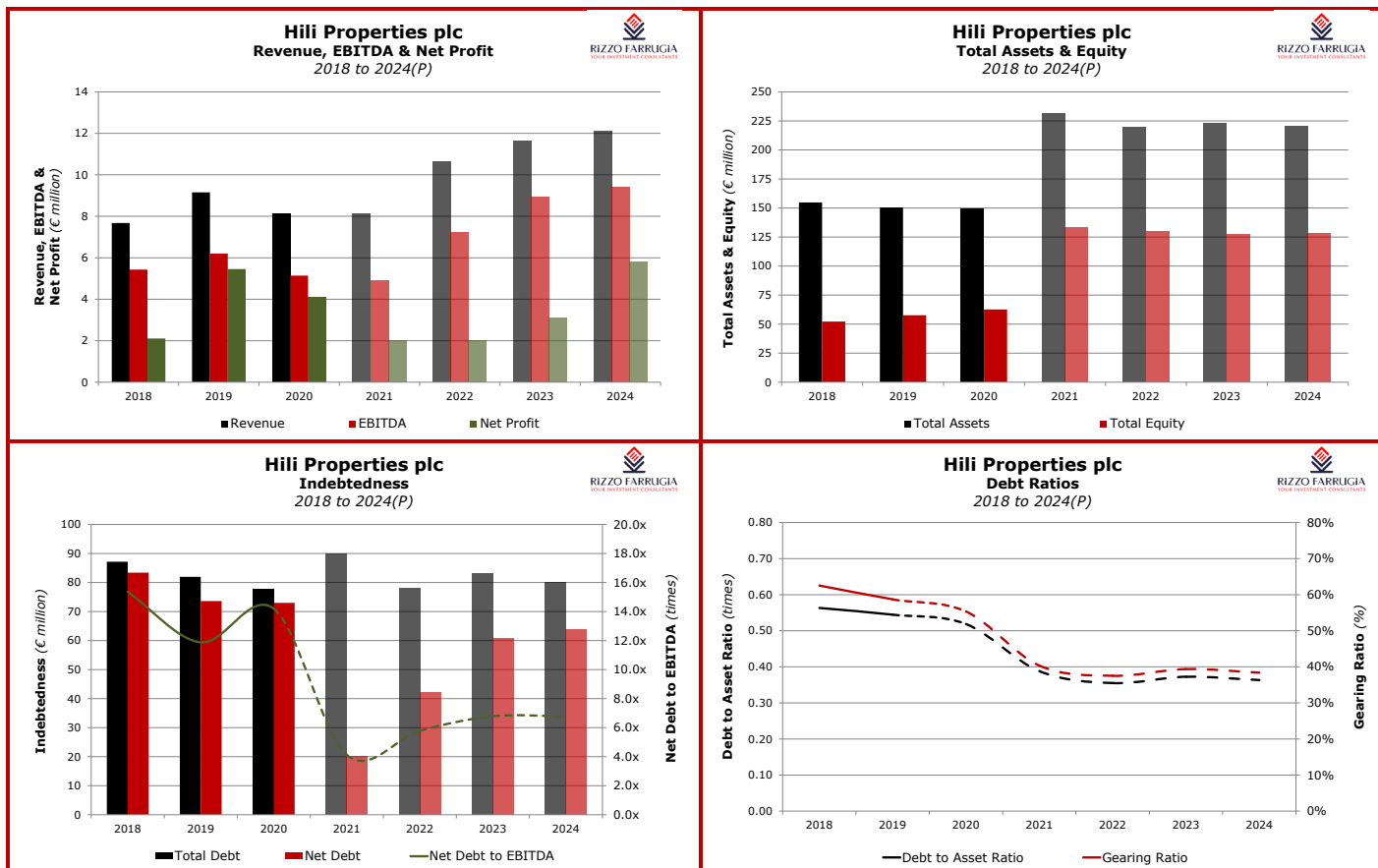
Prospective investors are kindly asked to complete the 'Application Form' which is provided by Hili Properties. Applications must be returned to us by Friday 26 November at 12:00 hours (noon) together with a duly completed and signed 'Assessment & Confirmation Form'. **Applications must be for a minimum of 4,000 shares (equivalent to €1,080) and in multiples of 100 shares thereafter. All application forms must be accompanied by the appropriate payment, 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)	2023(P)	2024(P)
Revenue [€000]	7,679	9,153	8,113	8,110	10,649	11,639	12,122
Operating Costs [€000]	(2,250)	(3,954)	(2,972)	(3,211)	(3,396)	(2,685)	(2,724)
EBITDA [€000]	5,429	6,199	5,140	4,899	7,253	8,954	9,398
Depreciation & Amortisation Charges [€000]	(113)	(150)	(159)	(55)	(56)	(58)	(57)
Operating Profit [€000]	5,316	6,049	4,981	4,844	7,197	8,896	9,341
Net Investment Income/(Loss) [€000]	724	3,942	3,575	1,435	347	(26)	1,262
Net Finance Costs [€000]	(3,496)	(3,758)	(3,344)	(3,490)	(3,374)	(3,604)	(3,196)
Profit before Tax [€000]	2,544	6,233	5,212	2,789	4,170	5,266	7,407
Tax Charge [€000]	(434)	(779)	(1,116)	(773)	(2,164)	(2,170)	(1,599)
Net Profit [€000]	2,110	5,454	4,096	2,016	2,006	3,096	5,808
Earnings per Share* ¹ [€]				0.0042	0.0041	0.0064	0.0120
Dividend per Share* ¹ [€]				0.0108	0.0108	0.0108	0.0108
Dividend Cover [times]				0.38	0.38	0.59	1.11
Total Assets [€000]	154,742	150,478	149,639	231,881	219,648	222,776	220,217
Total Debt [€000]	87,145	81,940	77,625	90,000	78,000	83,000	80,000
Net Debt [€000]	83,397	73,608	72,984	20,185	42,028	60,762	63,786
Total Equity [€000]	52,242	57,635	62,675	133,137	129,903	127,759	128,327
Net Asset Value per Share* ¹ [€]				0.2744	0.2677	0.2633	0.2645
Net Cash from Operating Activities [€000]	2,119	206	323	1,708	4,711	3,773	4,730
Net Cash (used in)/from Investing Activities [€000]	(9,529)	8,053	4,588	(15,032)	(24,065)	(27,193)	(2,210)
Free Cash Flow [€000]	(7,410)	8,259	4,911	(13,324)	(19,354)	(23,420)	2,520
Net Cash Generated from Financing Activities [€000]	9,469	(4,003)	(8,988)	80,081	(14,489)	(314)	(8,543)
Cash Balances [€000]	2,917	7,141	3,058	69,815	35,972	22,238	16,214
EBITDA Margin [%]	70.7	67.7	63.4	60.4	68.1	76.9	77.5
Operating Profit Margin [%]	69.2	66.1	61.4	59.7	67.6	76.4	77.1
Pre-Tax Profit Margin [%]	33.1	68.1	64.2	34.4	39.2	45.2	61.1
Net Profit Margin [%]	27.5	59.6	50.5	24.9	18.8	26.6	47.9
Return on Equity [%]	4.66	9.93	6.81	2.06	1.53	2.40	4.54
Return on Assets [%]	1.45	3.57	2.73	1.06	0.89	1.40	2.62
Interest Cover [times]	1.55	1.65	1.54	1.40	2.15	2.48	2.94
Net Debt to EBITDA [times]	15.4	11.9	14.2	4.12	5.79	6.79	6.79
Net Debt to Equity [times]	1.60	1.28	1.16	0.15	0.32	0.48	0.50
Gearing Ratio [%]	62.5	58.7	55.3	40.3	37.5	39.4	38.4
Debt to Asset Ratio [times]	0.56	0.54	0.52	0.39	0.36	0.37	0.36
Leverage Ratio [times]	2.96	2.61	2.39	1.74	1.69	1.74	1.72

*¹ Calculated on a total of 485,485,485 shares, reflecting the assumption of a full take-up of the share offer.



Disclaimer

This document was prepared by Josef Cutajar, Head of Research at Rizzo, Farrugia & Co (Stockbrokers) Ltd ("Rizzo Farrugia") and reviewed by Edward Rizzo, Director, at Rizzo Farrugia which is a member of the Malta Stock Exchange and licensed to undertake investment services in Malta by the Malta Financial Services Authority under the Investment Services Act, Cap. 370 of the Laws of Malta.

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