
Financial Analysis Summary

30 June 2022

Issuer

Hudson Malta p.l.c.
(C 83425)

Guarantor

**Hudson Malta Sales Ltd (formerly Time International
(Sport) Limited) (C 32438)**



MZ INVESTMENT SERVICES



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Hudson Malta p.l.c.
Hudson House
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Malta

30 June 2022

Dear Board Members,

Hudson Malta p.l.c. Financial Analysis Summary

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

The purpose of the financial analysis is that of summarising key financial data appertaining to Hudson Holdings Limited (the "**Hudson Group**" or "**HHL**"), Hudson Malta p.l.c. (the "**Company**", "**Issuer**" or "**Malta Group**"), and Hudson Malta Sales Ltd (formerly Time International (Sport) Limited) (the "**Guarantor**"). The data is derived from various sources or is based on our own computations as follows:

- (a) Historical financial data for the years ended 31 December 2019 to 31 December 2021 has been extracted from the audited consolidated financial statements of HHL; and the audited consolidated financial statements of the Issuer for the years ended 31 December 2019 to 31 December 2021.
- (b) The forecast data of the Malta Group for the year ending 31 December 2022 has been provided by management of the Company.
- (c) Our commentary on the results of the Hudson Group, Malta Group and on their respective financial position is based on the explanations provided by the Company.
- (d) The ratios quoted in the Financial Analysis Summary have been computed by us applying the definitions set out in Part 4 of the Analysis.



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- (e) Relevant financial data in respect of the companies included in Part 3 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 Company's securities and potential investors by summarising the more important financial data of the Hudson Group and Malta 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 Company and should not be interpreted as a recommendation to invest in any of the Company'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 professional advice before investing in the Company's securities.

Yours faithfully,

Evan Mohnani
Senior Financial Advisor

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PART 1 – INFORMATION ABOUT THE HUDSON GROUP AND THE MALTA GROUP

1. THE HUDSON GROUP

1.1 AN OVERVIEW

The Hudson Group is an international retailer and distributor primarily involved in the sport and fashion wear sectors in Southern Europe and Africa. Central operations are based in Malta which includes the logistics and supply chain, human resources, financial reporting, business support, strategy and the Group's leadership team.

Some of the key brands presently managed by the Hudson Group are NIKE, Converse, Intersport, Kiabi, Mango, Calvin Klein, Armani Exchange, New Look, Tommy Hilfiger, Ted Baker, Alcott and River Island, most of which are subject to franchise or distribution agreements which have been in effect for a significant number of years and which, to date, have been renewed by the respective franchisors – the indication is that such pattern will carry on in the foreseeable future.

In terms of an agreement dated 5 March 2018 between Hudson Holdings Limited (“HHL”) and the Issuer, all business activity carried out in Malta relating to sports and fashion business where Hudson Group acts as franchisee or operator, shall be performed exclusively through the Issuer or Hudson Malta Sales Ltd.

On 30 December 2021, HHL completed the acquisition of Trilogy Limited, a premium fashion retail company operating in Malta with brands such as Calvin Klein, Armani Exchange, Mango, Tommy Hilfiger and Tommy Jeans, as further explained hereinafter.

HHL acquired Trilogy Limited (C 42528) in exchange for new shares issued by HHL, equivalent to 15% of the total issued share capital, and a contingent consideration based on the targeted equity value of HHL for the five years subsequent to effective acquisition date. As at the date of acquisition, the value of the 15% equity stake in HHL was determined to be fair valued at €6,000,000, whilst management has determined that the fair value of the contingent consideration as at date of acquisition is € Nil. In any case, the maximum contingent consideration payment is €1,650,000.

Subsequent to the above-mentioned acquisition, HHL transferred its equity stake in Trilogy Limited to the Issuer for a consideration of €6,000,000 which has to date been settled by way of an issue of new shares to HHL. The legal effective date of the transfer of shares of Trilogy Limited from HHL to the Issuer was 31 December 2021, with the allotment of shares by the Issuer taking place in April 2022.

Notwithstanding the above, management had already started integrating the operations of Trilogy Limited into the Malta Group during 2021, and as such, it was concluded that effective management and control of Trilogy Limited was taken over by HHL and consequently by the Issuer on 1 July 2021. In this regard, management considers that the effective acquisition date is 1 July 2021.



1.1.1 Local Operations

Malta Group is the leading retailer (brick-and-mortar and online) and distributor of fashion and sportswear products in Malta. In the sports sector, it represents numerous sport brands such as NIKE, Converse, Timberland, Crocs, Eastpak, and Intersport as well as its own franchise concepts - Urban Jungle and Urban Bratz – of which the former is also present in Italy and Africa.

In fashion retail, Malta Group operates Tommy Hilfiger, Mango, Calvin Klein, New Look, River Island, Ted Baker, Alcott, Kiabi, Armani Exchange and Missguided. The latter brand – Missguided – is a UK-based fashion retailer which is presently experiencing financial difficulties. Malta Group operates 1 store under this brand name and already has a mitigation plan in place to minimise any possible impact on this store's operations.

1.1.2 International Operations

Hudson Group has a direct retail presence in Southern European and African countries as well as distribution contracts some of which cover more than 30 territories.

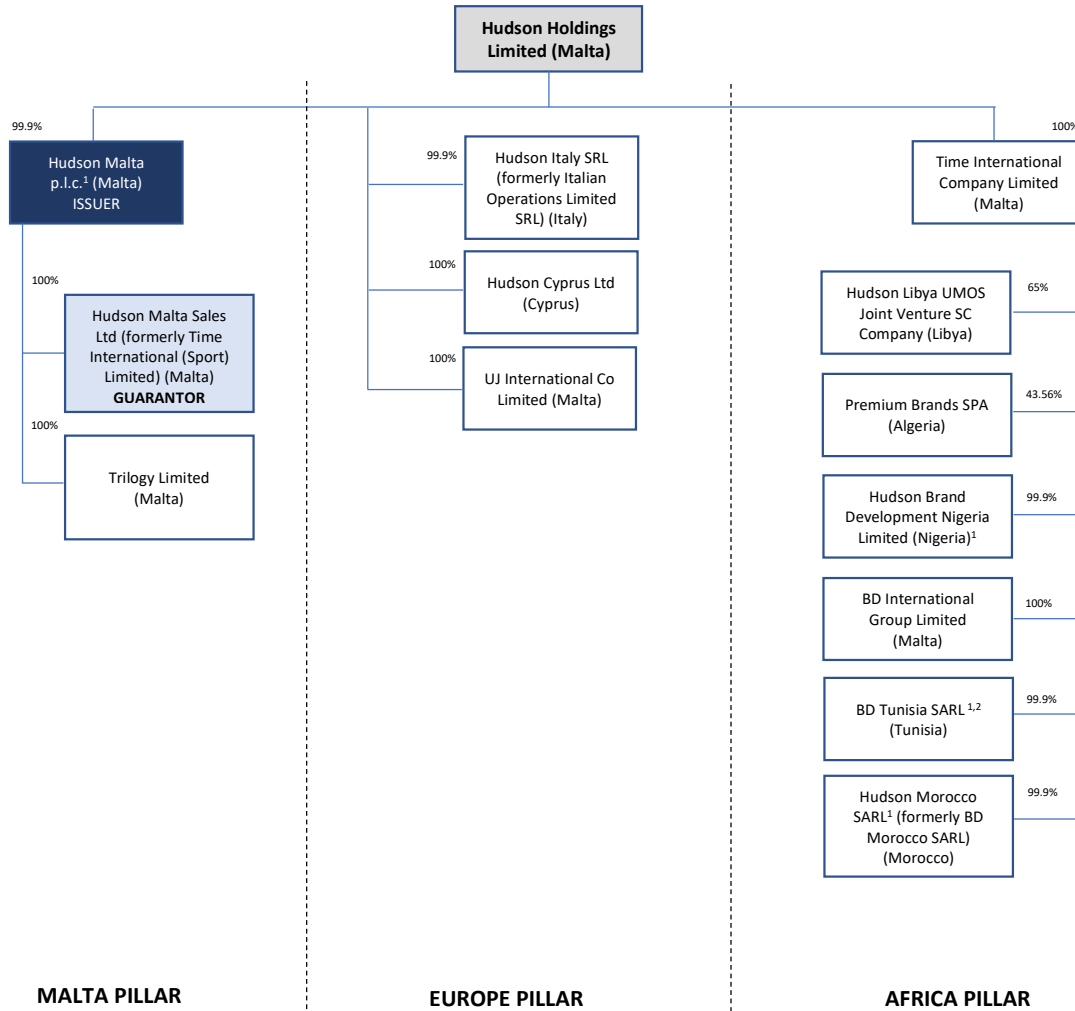
Urban Jungle and Blackbox are present online (www.urbanjunglestore.com & www.blackboxstore.com) and the former has retail presence in Southern Europe and Africa while the latter has retail presence only in Italy.

In Africa, Hudson Group has retail operations in Algeria and Morocco, and intends to open stores in Nigeria by end of 2022. The Group distributes NIKE products in more than 20 countries in Africa. These are served from Hudson Group's logistic hub in Malta and through in country offices. Hudson Group also undertakes the distribution of other brands, mainly in the sportswear sector (such as Converse and Colombia) for parts of Africa, with a current focus on the North African and Sub-Saharan countries. In 2021, the Group launched its first retail operation in Cyprus by opening a Kiabi store.



1.2 ORGANISATIONAL STRUCTURE

The diagram hereunder illustrates the organisational structure of the Hudson Group as at the date of the report.



¹ The remaining 0.01% shareholding in Hudson Brand Development Nigeria Limited is held by Hudson Holdings Limited, while the remaining 0.01% shareholding in each of Hudson Malta p.l.c., BD Tunisia SARL and Hudson Morocco SARL is held by Time International Company Limited.

² BD Tunisia SARL is in liquidation.

With effect from 14 March 2021, Hudson Malta Sales Ltd (formerly Time International (Sport) Limited) (“HMSL”) completed the merger by acquisition of Hudson International Company Limited (“HICL”). In virtue of the said merger by acquisition, HMSL, as the acquiring company, succeeded to all the assets, rights, liabilities and obligations of HICL, which, in turn, ceased to exist and has been struck off.



1.3 DIRECTORS

1.3.1 Directors of the Issuer

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

George Amato	Executive Director
Alfred Borg	Executive Director
Christopher Muscat	Executive Director
Victor Spiteri	Independent Non-Executive Director
Kevin Valenzia	Independent Non-Executive Director
Brian Zarb Adami	Independent Non-Executive Director

1.3.2 Directors of the Guarantor

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

Alfred Borg	Executive Director
Felice Ilacqua	Executive Director
Christopher Muscat	Executive Director
Ritianne Grech	Executive Director

1.4 EXECUTIVE MANAGEMENT TEAM

The executive committee (EXCO) is responsible and empowered to manage the Hudson Group's operations. The EXCO is a decision-making entity set up to implement the Hudson Group's Board strategic business plans and policies consistent with the organisation's vision, values and behaviours in order to meet the Hudson Group's business objectives and targets.

The EXCO advises the Hudson Group's Board on decision and business matters such as strategy, policy and investment risk and is composed of the following individuals: Alfred Borg, Christopher Muscat, George Amato, Jonathan Briffa, Indrek Heinmets, Kalani Weerasinghe, Nicolas Vidal, Roy Wentzel and Joseph Borg. The EXCO also includes a non-executive member and to this date this role is being filled by Kevin Valenzia. Other members of the Senior Management (listed in section 1.5 below) are invited to contribute as required.



1.5 SENIOR MANAGEMENT

In the day-to-day operations of the Hudson Group, the EXCO is supported by the senior management team composed of the following individuals:

Alfred Borg	Chairman
Christopher Muscat	Chief Executive Officer
Zoe Walters	Chief People Officer
George Amato	Supply Chain Director
Jonathan Briffa	Finance Director
Kalani Weerasinghe	Human Resources Director
Peter Gauci	IT Manager
Roy Wentzel	Head of Digital
Sylvia Knappe	Product and Planning Director
Nicolas Vidal	General Manager Africa
Kyriacos Zindilis	Country Manager – Cyprus
Luca Moscatti	Country Manager – Italy
Ritianne Grech	Country Manager – Malta
Kieran Murphy	Country Manager – Nigeria
Felice Ilaqua	Brand Director – Other Sports Brands
Gianluca Salute	Brand Director – UJ & Blackbox
Indrek Heinmets	Brand Director – Nike
Joseph Borg	Brand Director – Fashion



2. THE MALTA GROUP

2.1 KEY ACTIVITIES OF THE ISSUER

The Issuer was established on 10 November 2017 as the parent company of the Malta operations of the Hudson Group and is effectively owned by HHL (the ultimate parent of the Hudson Group). The principal object of the Issuer is to purchase or otherwise acquire, under any title whatsoever, to hold and manage, by any title, movable and immovable property or other assets, including but not limited to securities and other financial interests. The issue of bonds falls within the objects of the Issuer.

The Issuer is primarily engaged to further expand the Malta Group's retail operations in Malta of branded fashion and sportswear, and part-finance the Group's retail expansion overseas. The operational activities of the Malta Group are conducted by the Guarantor - Hudson Malta Sales Ltd (formerly Time International (Sport) Limited) ("HMSL") and Trilogy Limited. Accordingly, the Issuer is mainly dependent on the business prospects of HMSL.

2.2 KEY ACTIVITIES OF THE GUARANTOR

HMSL is principally involved in the importation, distribution and retailing of branded fashion wear and sportswear in Malta. The company operates retail stores in Malta and Gozo. The complete list of stores is provided in section 2.3 below.

The flagship sports brand operated by HMSL is NIKE, the largest brand of athletic footwear and apparel globally. In addition, HMSL operates and franchises two multi-brand franchise concepts, namely Intersport and Urban Jungle, and sells NIKE product to the Urban Jungle stores operating in Italy.

The most significant fashion wear brands operated by HMSL include Kiabi, Tommy Hilfiger, Mango, Calvin Klein, Armani Exchange, New Look, Ted Baker and River Island.



2.3 OVERVIEW OF LEASED STORES AND THIRD PARTY OPERATED STORES

A description of stores in operation as at 31 December 2021 is provided in the following table:

	Name of Store	Location	Status - FY2020	Status - FY2021
1	Alcott	Qormi	Open	Open
2	KIABI	Qormi	Open	Open
3	KIABI	Burmarrad	Open	Open
4	KIABI	The Point, Sliema	Open	Open
5	Missguided	Bay Street Complex	Open	Open
6	New Look	Fgura	Open	Open
7	River Island	The Point, Sliema	Open	Open
8	River Island Accessories	Qormi	Open	Open
9	Ted Baker	The Point, Sliema	Open	Open
10	Intersport	Qormi	Open	Open
11	Intersport	Burmarrad	Open	Open
12	Intersport	Fgura	Open	Open
13	Intersport	Sliema	Open	Open
14	Intersport	Pjazzetta, Sliema	Open	Open
15	Intersport	Paceville	Open	Open
16	NIKE	The Point, Sliema	Open	Open
17	Crocs	Sliema	Open	Open
18	Urban Jungle	The Point, Sliema	Open	Open
19	Urban Jungle	PAMA, Mosta	Open	Open
20	Urban Jungle	Paceville	Open	Open
21	Urban Bratz	Bay Street Complex	Open	Open
22	Mango	The Point, Sliema		Open
23	Mango	PAMA, Mosta		Open
24	Mango Accessories	PAMA, Mosta		Open
25	Armani Exchange	The Point, Sliema		Open
26	Armani Exchange	Bay Street Complex		Open
27	Calvin Klein	The Point, Sliema		Open
28	Tommy Jeans	The Point, Sliema		Open
29	Tommy Hilfiger F&A	The Point, Sliema		Open
30	Tommy Hilfiger	Bay Street Complex		Open
FRANCHISED STORES				
1	Intersport	Valletta	Open	Open
2	Intersport	Gozo	Open	Open
3	Timberland	Sliema	Open	Open
4	Tommy Hilfiger	Valletta		Open
5	Tommy Hilfiger	Arkadia, Gozo		Open

Pursuant to the acquisition of Trilogy Limited (C 42528) in FY2021, the Malta Group added 11 fashion retail stores to its portfolio of outlets and expanded its list of brands to include Calvin Klein, Armani Exchange, Mango, Tommy Hilfiger and Tommy Jeans.



3. MARKET OVERVIEW

3.1 ECONOMIC UPDATE¹

The economy of Malta is expected to continue expanding, by 4.2% in 2022 and by 4.0% in 2023 while withstanding the impact of the increase in commodity prices and Russian invasion of Ukraine. The main factors supporting growth are the robust domestic demand and growth in exports of services, contributed by strong recovery in tourism. The general government balance is projected to remain in deficit, however decreasing in 2022 and 2023, following winding-down of pandemic related policy support on the background of economic growth.

The pressure from the COVID-19 pandemic related restrictions subsided in 2021, creating conditions for a very strong economic recovery of 9.4%, thanks to improved business and consumer sentiment, faster than expected rebound of international tourism and a strong growth in investment and services exports.

In 2022, impacted by disruptions related to the Russian invasion of Ukraine, real GDP² growth is forecast to reach 4.2%, which is substantially less than expected in winter, although Malta has very low direct exposure to trade with Russia and Ukraine. Growth in 2022 is set to be driven by domestic consumption, investment, and a small positive contribution from net exports. Export of tourism services is expected to continue gaining ground on the back of easing pandemic-restrictions. Robust government expenditure, in particular via public investment, will continue to support the economy. In 2023, growth is forecast to decrease to a still strong 4.0%, reflecting a general slowdown in performance among trading partners.

With both exports and imports growing, the current account balance is expected to remain positive. The limited downside risks deriving from the June 2021 decision of the Financial Action Task Force (the international standard-setting body on anti-money laundering/countering the financing of terrorism) to include Malta in the list of jurisdictions under increased monitoring have further receded following the FATF initial determination, in February 2022, that Malta has substantially completed its action plan. On 17 June 2022, the Financial Action Task Force ("FATF") officially announced the removal of Malta from its list of Jurisdictions under Increased Monitoring, informally known as the 'grey list'.

Malta was able to cushion the impact of the pandemic on the labour market thanks to fiscal support. Employment is estimated to have grown by 1.6% in 2021, while the wage support measures remained in place. Employment is expected to continue to increase over the forecast horizon. This positive development in the labour market is congruent with labour shortages being reported by local operators. Malta's unemployment rate, at 3.5% in 2021, is set to remain broadly stable in 2022 and 2023.

¹ Economic Forecast – Spring 2022 (European Commission Institutional Paper 173 May '22).

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



HICP³ inflation remained low in 2021 at 0.7%, thanks to energy prices being kept low by government intervention and hedging contracts for gas. Going forward, while Malta's economy is highly energy-intensive, the share of household expenditures on energy is low compared to other Member States and the authorities have expressed a commitment to continue to limit energy prices growth. The higher inflation in the first quarter of 2022 shows that the pressure from increasing international energy and commodity prices is starting to affect Malta via transport costs and imported goods. As a result, inflation is set to rise to 4.5% in 2022. As these factors are expected to persist into 2023, inflation is expected to remain elevated at 2.6%.

The government deficit is estimated to have decreased to 8.0% of GDP in 2021. This still high deficit level is mainly explained by public expenditure related to pandemic-related measures which were maintained in 2021, including the wage support scheme, the utility and rent subsidies for businesses, and healthcare-related expenditures. Pandemic-related economic support measures are expected to be phased out in 2022 and 2023, while several measures in response to the high energy prices were recently introduced.

The tax revenues resumed growth in 2021 and are expected to continue to increase in 2022 and 2023, following the positive economic growth dynamics. The revenues from social contributions also increased in 2021 and are expected to continue increasing over the forecast horizon, supported by the good performance of the labour market.

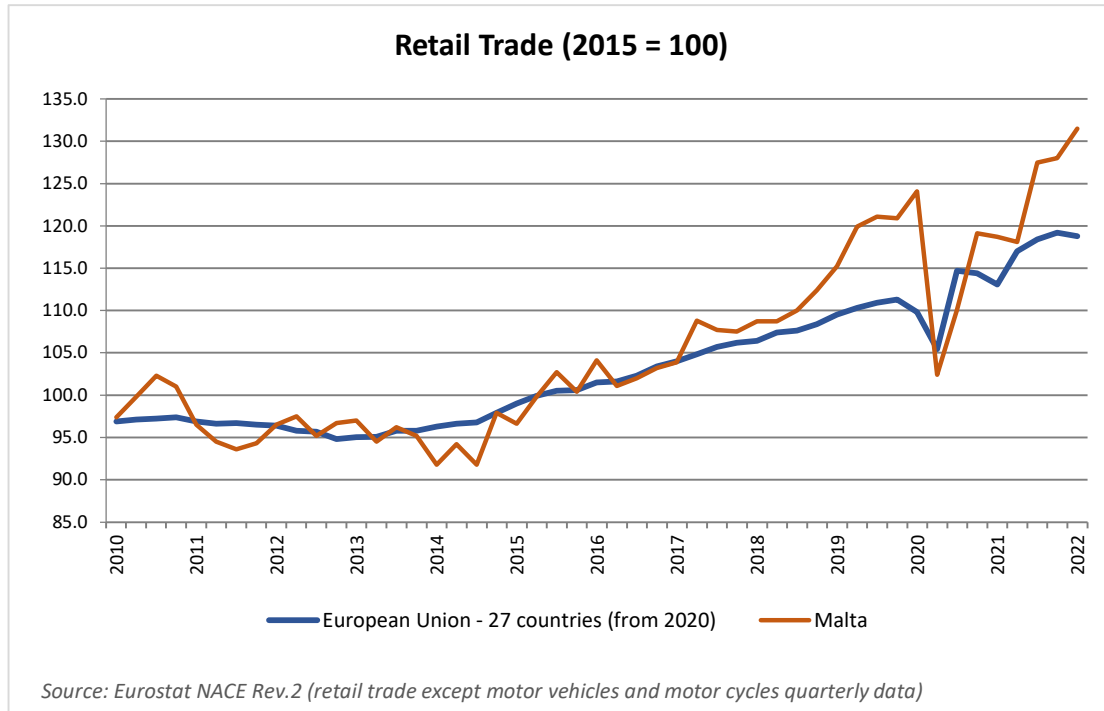
The deficit is projected to decrease to 5.6% of GDP in 2022 and further to 4.6% in 2023. The government debt-to-GDP ratio is projected to increase marginally to 58.5% in 2022 and reach 59.5% in 2023 as the negative primary balance is only partially compensated by the nominal GDP growth.

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



3.2 RETAIL TRADE SECTOR

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



According to the EU trend line above, retail trade was marginally in decline between 2010 and 2013 but increased at a constant rate of growth thereafter, up to Q2 2020. Pursuant to the COVID-19 outbreak in March 2020, retail activity declined 5.9 percentage points in Q2 2020 compared to Q4 2019 but fully recovered by Q4 2020.

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

In Q2 2020, the fashion retail sector in Malta decreased by 18.5 percentage points from Q4 2019 as a result of the pandemic. Due to the imposition of a lockdown by Government, all non-essential retail outlets were closed during March 2020 till end of April 2020 and re-opened for business on 4 May 2020. The fashion retail sector in Malta recovered to some extent in Q3 2020 and Q4 2020, but short of the level achieved in Q4 2019.

As observed in the above chart, between Q1 2021 and Q1 2022, the fashion retail sector in Malta grew by 12.8 percentage points, being significantly better than the EU average growth of 5.7 percentage points for the same period.



PART 2 – PERFORMANCE REVIEW

4. FINANCIAL INFORMATION – HUDSON GROUP

As an entity external to the Issuer and the Malta Group, HHL is not bound by the continuing obligations of the Capital Markets Rules. However, the board of directors of HHL has resolved to publish on an annual basis HHL's audited consolidated financial statements, by not later than two months after the publication of the Issuer's audited financial statements, through a company announcement. The following financial information is extracted from the consolidated audited financial statements of Hudson Holdings Limited ("Hudson Group" or "HHL") for the three years ended 31 December 2019 to 31 December 2021.

Hudson Holdings Limited			
Consolidated Statement of Comprehensive Income			
for the year ended 31 December			
	2019	2020	2021
	€'000	€'000	€'000
	Actual	Actual	Actual
Revenue	113,216	84,755	120,596
<i>Retail</i>	44,246	33,005	51,771
<i>Wholesale</i>	68,970	51,750	68,825
Cost of sales	(82,178)	(62,449)	(85,988)
Gross profit	31,038	22,306	34,608
Net operating costs	(19,356)	(14,130)	(19,427)
EBITDA¹	11,682	8,176	15,181
Depreciation & amortisation	(6,414)	(6,519)	(7,442)
Operating profit	5,268	1,657	7,739
Share of profit/(loss) in associate	472	(202)	(29)
Net finance costs	(2,063)	(2,230)	(2,248)
Profit (loss) before tax	3,677	(775)	5,462
Taxation	(1,980)	1	(1,836)
Profit (loss) for the year	1,697	(774)	3,626
Other comprehensive income			
Currency translation differences	442	(103)	152
Fair value movements equity investments, net of deferred tax	(976)	(321)	-
	(534)	(424)	152
Total comprehensive income (expense)	1,163	(1,198)	3,778

¹ EBITDA - Earnings before Interest, Tax, Depreciation and Amortisation.



Hudson Holdings Limited			
Key Accounting Ratios	FY2019	FY2020	FY2021
	Actual	Actual	Actual
Gross profit margin <i>(Gross profit/revenue)</i>	27%	26%	29%
Operating profit margin <i>(EBITDA/revenue)</i>	10%	10%	13%
Interest cover (times) <i>(EBITDA/net finance cost)</i>	5.66	3.67	6.75
Net profit margin <i>(Profit after tax/revenue)</i>	1%	-1%	3%
Earnings per share (€) <i>(Profit after tax/number of shares)</i>	46.45	-21.18	84.36
Return on equity <i>(Profit after tax/shareholders' equity)</i>	17%	-9%	21%
Return on capital employed <i>(EBITDA/total assets less current liabilities)</i>	25%	18%	24%
Return on assets <i>(Profit after tax/total assets)</i>	2%	-1%	3%

Source: MZ Investment Services Ltd

FY2020 was an unprecedented year for the Hudson Group with the impact of COVID-19 negatively impacting revenue generation across its retail and wholesale business, with periods of enforced store closures, lower traffic when open and supply chain issues. Consequently, the Hudson Group curtailed its physical retail expansion, and delayed planned retail openings when possible, with the result that physical retail store openings were limited to 3, whilst closing 4 retail stores including the store in Spain. In the meantime, the Hudson Group expanded its online presence by opening a new online store. At the end of 2020, the Hudson Group operated 46 stores in 4 countries and 3 e-commerce sites.

The average number of persons employed during the year amounted to 451 (FY2019: 590 employees).

In view of the above, revenue generated by the Hudson Group in FY2020 decreased by 25% (y-o-y) to €84.8 million (FY2019: €113.2 million). Revenue from retail was lower by €11.2 million or -25.4% (y-o-y) to €33.0 million (FY2019: €44.2 million), while wholesale revenue decreased by €17.2 million or -25.0% (y-o-y) to €51.8 million (FY2019: €69.0 million).

As a result, gross profit decreased by 28% to €22.3 million (FY2019: €31.0 million) which impacted the gross profit margin by 1 percentage point (26% vs 27% in FY2019).



Due to their fixed nature, depreciation & amortisation and net finance costs were mainly unchanged from a year earlier at €6.5 million and €2.2 million respectively. An adverse movement of €0.7 million was registered in share of results of associate, from €0.5 million profit in FY2019 to a loss of €0.2 million in FY2020. Overall, the Hudson Group reported a loss for the year of €0.8 million, compared to a profit of €1.7 million in FY2019, and reported total comprehensive expense amounting to €1.2 million, compared to total comprehensive income of €1.2 million in FY2019.

During **FY2021**, the Hudson Group recovered strongly from the downturn reported in 2020, with both turnover and profitability reaching record levels, in part due to the acquisition of Trilogy Limited and inclusion of the results thereof for the period 1 July 2021 to 31 December 2021. In the year under review, the Group recommenced its retail expansion program and added the territory of Cyprus to its operations. At year end, the Hudson Group operated 56 stores (2020: 46 stores) in 5 countries (2020: 4 countries), distributed product to over 25 countries and operated 3 e-commerce sites.

Revenue generated by the Hudson Group in FY2021 amounted to €120.6 million, an increase of €35.8 million (+42%) over the prior year. Further analysis shows that revenue from retail increased by €18.8 million or 57% (y-o-y) to €51.8 million (FY2020: €33.0 million), while wholesale revenue increased by €17.1 million or 33% (y-o-y) to €68.8 million and thereby matched the revenue generated pre-pandemic (FY2019).

In view of the above-mentioned increase in business activity, gross profit was higher in 2021 by 55% to €34.6 million (FY2020: €22.3 million) and the gross profit margin improved by three percentage points to 29%. The Hudson Group reported a substantial increase in EBITDA of €7.0 million (+86%), from €8.2 million in FY2020 to €15.2 million. Due to higher EBITDA and stable net finance costs, the interest cover of the Hudson Group increased substantially from 3.67 times in FY2020 to 6.75 times in FY2021.

Depreciation & amortisation was higher when compared to the prior year by €0.9 million mainly on account of the addition of Trilogy Limited.

The Hudson Group registered a profit before tax of €5.5 million compared to a loss before tax of €0.8 million in the previous year. Overall, HHL reported total comprehensive income of €3.8 million in FY2021 compared to an adverse result of €1.2 million in FY2020.



Hudson Holdings Limited			
Consolidated Cash Flow Statement			
for the year ended 31 December			
	2019	2020	2021
	€'000	€'000	€'000
	Actual	Actual	Actual
Net cash from operating activities	15,942	6,963	10,088
Net cash from investing activities	(6,584)	(2,566)	(8,090)
Net cash from financing activities	(6,199)	1,028	3,864
Net movement in cash and cash equivalents	3,159	5,425	5,862
Cash and cash equivalents at beginning of year	8,608	11,767	17,192
Cash and cash equivalents at end of year	11,767	17,192	23,054

In FY2020, net cash from operating activities decreased by 56% from the prior year to €7.0 million, mainly due to the impact of the pandemic on the Hudson Group's operations. Although operating profit in FY2021 was substantially higher compared to the prior year, adverse movements in working capital absorbed a portion of said y-o-y increase. Net cash inflows from operating activities in 2021 was higher by €3.1 million from the previous year.

Net cash used in investing activities amounted to €2.6 million in FY2020 and was principally utilised for the development of the distribution centre, and to a lesser extent for the purposes of improvements to premises, refitting and other capital expenditure in relation to the Group's stores (FY2019: €6.6 million).

During 2021, the Hudson Group used €8.1 million for investing activities which mainly comprised the purchase of intangible assets amounting to €1.7 million (representing computer software and other assets) and purchases of property, plant and equipment of €4.9 million mainly on account of the ongoing expansion of the Hudson Group's business. Furthermore, a loan to related parties of €1.5 million was effected during the year.

Net cash inflows from financing activities in FY2020 amounted to €1.0 million (FY2019: outflow of €6.2 million). During the year, the Hudson Group increased net borrowings by €4.2 million (FY2019: net repayments of €1.3 million) and settled lease payments of €3.2 million compared to €4.1 million in the prior year.

In 2021, net proceeds from drawdowns of borrowings amounted to €8.7 million. The afore-mentioned cash inflow was partly offset by lease payments of €4.1 million and dividend payments amounting to €0.8 million, thus resulting in net cash inflows of €3.8 million (FY2020: €1.0 million).



Hudson Holdings Limited			
Consolidated Statement of Financial Position			
as at 31 December	2019	2020	2021
	€'000	€'000	€'000
	Actual	Actual	Actual
ASSETS			
Non-current assets			
Intangible assets	1,263	1,915	7,110
Property, plant & equipment	10,840	10,096	13,287
Right-of-use assets	26,751	23,632	30,619
Investment in associates	763	533	530
Equity investments	321	-	-
Receivables	166	164	1,683
Deferred tax assets	844	860	1,309
	<u>40,948</u>	<u>37,200</u>	<u>54,538</u>
Current assets			
Inventories	15,039	14,138	19,226
Trade and other receivables	17,689	13,703	18,651
Other current assets	33	167	-
Cash and cash equivalents	12,192	17,686	23,446
	<u>44,953</u>	<u>45,694</u>	<u>61,323</u>
Total assets	<u>85,901</u>	<u>82,894</u>	<u>115,861</u>
EQUITY			
Capital and reserves			
Share capital	85	85	100
Reserves	2,498	2,073	8,209
Retained earnings	7,372	6,596	9,422
Non-controlling interest	(167)	(163)	(163)
	<u>9,788</u>	<u>8,591</u>	<u>17,568</u>
LIABILITIES			
Non-current liabilities			
Borrowings	12,263	16,189	17,393
Lease liabilities	23,715	20,589	27,406
Other non-current liabilities	55	45	241
	<u>36,033</u>	<u>36,823</u>	<u>45,040</u>
Current liabilities			
Bank overdrafts	425	494	392
Borrowings	6,752	7,022	14,567
Lease liabilities	2,982	3,475	3,417
Trade and other payables	27,386	25,408	32,658
Other current liabilities	2,535	1,081	2,219
	<u>40,080</u>	<u>37,480</u>	<u>53,253</u>
	<u>76,113</u>	<u>74,303</u>	<u>98,293</u>
Total equity and liabilities	<u>85,901</u>	<u>82,894</u>	<u>115,861</u>



Hudson Holdings Limited			
Key Accounting Ratios	FY2019	FY2020	FY2021
	Actual	Actual	Actual
Gearing ratio <i>(Total net debt/net debt and shareholders' equity)</i>	78%	78%	69%
Gearing ratio 2 (times) <i>(Total net debt/shareholders' equity)</i>	3.47	3.50	2.26
Net debt to EBITDA (years) <i>(Net debt/EBITDA)</i>	2.91	3.68	2.62
Net assets per share (€) <i>(Net asset value/number of shares)</i>	267.90	235.14	408.71
Liquidity ratio (times) <i>(Current assets/current liabilities)</i>	1.12	1.22	1.15
Quick ratio (times) <i>(Current assets less inventories/current liabilities)</i>	0.75	0.84	0.79

Source: MZ Investment Services Ltd

The Group's total assets as at 31 December 2021 amounted to €115.9 million, an increase of €33.0 million on a comparable basis (FY2020: €82.9 million). The principal movement include the following:

- (i) The inclusion of Trilogy Limited in Hudson Group resulted in an increase in assets of €12.6 million.
- (ii) Pursuant to the recovery in operational activities, inventories and receivables increased y-o-y by €7.9 million (which excludes *circa* €2.1 million relating to the business of Trilogy Limited).
- (iii) Cash and cash equivalents increased by €5.7 million as further described in the review of the cash flow statement above.
- (iv) The remaining balance is on account of further investments in property, plant & equipment and intangible assets directly related to the expansion of the Hudson Group's business.

On 30 December 2021, Hudson Holdings Limited legally acquired Trilogy Limited in exchange for 15% of shares in Hudson Holdings Limited and a contingent consideration based on the targeted equity value of Hudson Holdings Limited for the five years subsequent to effective acquisition date. As at the date of acquisition, the value of the 15% equity stake in Hudson Holdings Limited was determined to be fair valued at €6,000,000, whilst management has determined that the fair value of the contingent consideration as at date of acquisition is €Nil. In any case, the maximum contingent consideration payment is €1,650,000. As such, share capital and share premium increased from €0.96 million in FY2020 to €6.96 million in FY2021.

Total liabilities in FY2021 amounted to €98.3 million compared to €74.3 million in FY2020 (+€24.0 million), mainly on account of the inclusion of Trilogy Limited's liabilities amounting to €6.6 million, increase in borrowings of €8.6 million, and the balance being an increase in trade and other payables due to the increase in business activities.



The gearing ratio of the Hudson Group in FY2021 improved from 78% in FY2020 to 69% on account of an increase in equity of €9.0 million which more than compensated for the €2.9 million y-o-y increase in net borrowings.

The liquidity ratio weakened in FY2021 to 1.15 times (FY2020: 1.22 times), but comparable to the pre-pandemic level of 1.12 times (FY2019).

5. FINANCIAL INFORMATION – MALTA GROUP

The financial information for the years ended 31 December 2019, 31 December 2020 and 31 December 2021 is extracted from the respective audited consolidated financial statements of Hudson Malta p.l.c. The financial information for the forecast year ending 31 December 2022 has been provided by management.

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

Hudson Malta p.l.c.				
Statement of Comprehensive Income				
for the year ended 31 December				
	2019	2020	2021	2022
	Actual	Actual	Actual	Forecast
	€'000	€'000	€'000	€'000
Revenue	42,815	30,129	43,075	56,819
<i>Retail</i>	30,469	21,707	32,542	42,020
<i>Wholesale and other income</i>	12,346	8,422	10,533	14,799
Cost of sales	(29,549)	(21,092)	(28,976)	(36,793)
Gross profit	13,266	9,037	14,099	20,026
Net operating costs	(8,775)	(4,491)	(7,609)	(12,753)
Net impairment losses on financial and contract assets	9	(1,577)	16	-
EBITDA	4,500	2,969	6,506	7,273
Depreciation & amortisation	(2,984)	(3,282)	(3,775)	(4,538)
Operating profit (loss)	1,516	(313)	2,731	2,735
Finance income	593	446	400	428
Finance costs	(1,289)	(1,387)	(1,443)	(1,502)
Profit (loss) before tax	820	(1,254)	1,688	1,661
Taxation	(301)	371	(652)	(581)
Profit (loss) for the year	519	(883)	1,036	1,080
Total comprehensive income (expense)	519	(883)	1,036	1,080



Hudson Malta p.l.c.				
Key Accounting Ratios	FY2019	FY2020	FY2021	FY2022
	Actual	Actual	Actual	Forecast
Gross profit margin <i>(Gross profit/revenue)</i>	31%	30%	33%	35%
Operating profit margin <i>(EBITDA/revenue)</i>	11%	10%	15%	13%
Interest cover (times) <i>(EBITDA/finance cost)</i>	3.49	2.14	4.51	4.84
Net profit margin <i>(Profit after tax/revenue)</i>	1%	-3%	2%	2%
Earnings per share (€) <i>(Profit after tax/number of shares)</i>	0.03	-0.05	0.05	0.05
Return on equity <i>(Profit after tax/shareholders' equity)</i>	8%	-16%	8%	8%
Return on capital employed <i>(EBITDA/total assets less current liabilities)</i>	13%	9%	15%	17%
Return on assets <i>(Profit after tax/total assets)</i>	1%	-2%	2%	2%

Source: MZ Investment Services Ltd

The principal business activities of the Malta Group include the operation of retail stores in Malta, the online portal - hudsonstore.com and distribution of NIKE products to Urban Jungle Italy and a number of third-party stores in Malta.

Revenue in **FY2019** increased marginally by €0.4 million (+0.9%) and amounted to €42.8 million (FP2018: €42.4 million). Further analysis shows that retail sales increased by €0.8 million (+3%, y-o-y) to €30.5 million, while wholesale & other income declined by €0.4 million (-3%, y-o-y) to €12.3 million. Gross profit in FY2019 amounted to €13.3 million compared to €13.1 million in the prior year, while gross profit margin was unchanged at 31%.

EBITDA increased from €2.8 million in FP2018 to €4.5 million (+59%, €1.7 million), primarily due to the impact of IFRS 16. As such, operating profit margin improved in FY2019 from 7% in the prior year to 11%. On the other hand, the adoption of IFRS 16 has increased net finance costs with the consequence of a decline in interest cover ratio to 6.47 times in FY2019 from 13.74 times in FP2018.

The Malta Group adopted IFRS 16 on 1 January 2019 using the Standard's modified retrospective approach with transition date taken as the lease commencement date. Under this approach, the right-of-use asset equals the lease liability on transition date, and no equity adjustment will be recognised on initial application of IFRS 16. Comparative information is not restated. Accordingly, as of FY2019,



the Malta Group has recognised a right-of-use asset and a lease liability in the statement of financial position for the lease of premises currently treated as operating leases. With regard to the impact in the consolidated income statement, the nature of the relevant expense has changed from being an operating lease expense to depreciation and interest expense.

The income statement reflects the following amounts relating to leases:

	€
Depreciation charge of right-of-use assets	2,124,864
Interest expense (including in finance costs)	657,075
Expense relating to variable lease payments not included in lease liabilities (included in administrative expenses)	195,195

	2,977,134
	=====

The impact on profit before tax for FY2019 had IFRS 16 not been adopted, would have resulted in a favourable movement of €0.5 million. Accordingly, the Malta Group reported a decrease of €0.6 million in total comprehensive income, from €1.2 million in FP2018 to €0.5 million in FY2019.

During the initial two months of **FY2020**, the Malta Group's operational performance was in line with Board expectations. Thereafter, revenues were impacted following the Authorities' decision to close *inter alia* non-essential retail outlets until the end of April 2020.

Revenue in FY2020 decreased by €12.7 million (-26% y-o-y) to €30.1 million on account of the complete shutdown of the retail sector during April 2020 and the curtailment of operations in fashion retail between June and December 2020.

Cost of sales was lower by 29% compared to the previous year, thereby resulting in a decrease of €4.2 million (-32% y-o-y) in gross profit, from €13.3 million in FY2019 to €9.0 million. Careful management of inventory and sales ensured that the Malta Group retained broadly the same gross profit margin percentage as 2019.

The net impairment losses on financial and contract assets of €1.6 million include €1.4 million of amounts written off or provided for relating to amounts due from fellow subsidiaries following Hudson Group's decision to close its Spanish operations due to the impact that COVID-19 had on these operations.

Strong cost reduction measures taken by management, support from the Hudson Group (including additional support in view of the Spanish closure impact in the form of reduced management charges), rent abatement by landlords and support from Government through wage subsidies resulted in a significant reduction in net operating costs by €4.3 million from €8.8 million in FY2019 to €4.5 million.



After accounting for depreciation & amortisation and net finance costs of €3.3 million and €0.9 million respectively, the Malta Group reported a loss before tax of €1.3 million compared to a profit before tax of €0.8 million in FY2019. Overall, total comprehensive expense amounted to €0.9 million (FY2019: income of €0.5 million).

In **FY2021**, the Malta Group's retail operations improved significantly from the prior year on account of the gradual re-opening of the economy particularly in the second half of the year. Furthermore, the results for FY2021 includes the operational performance of the newly acquired Trilogy Limited for the six-month period 1 July 2021 to 31 December 2021.

In this regard, the Malta Group reported an increase in revenue of €12.9 million (+43%), from €30.1 million in FY2020 to €43.1 million in FY2021, which was primarily generated from the Malta Group's retail operations. The wholesale business also performed positively and registered a y-o-y increase of €2.1 million (+25%) to €10.5 million (FY2020: €8.4 million).

The afore-mentioned increase in revenue was also reflected at EBITDA level which amounted to €6.5 million, an increase of €3.5 million from the previous year (FY2020: €3.0 million). During the year, the Malta Group received COVID-19 related wage supplements from Government amounting to €1.05 million (FY2020: €0.99 million) and obtained lease concessions from lessors of €0.33 million (FY2020: €0.47 million). In 2021, the Malta Group reported an operating profit margin of 15% compared to 10% in FY2020. Furthermore, the Malta Group's interest cover improved from 2.14 times in FY2020 to 4.51 times in FY2021.

Depreciation & amortisation increased due to the inclusion of the Trilogy stores whilst net finance costs were relatively unchanged in FY2021 compared to a year earlier. Overall, the Malta Group converted a total comprehensive expense of €0.88 million in FY2020 to a total comprehensive income of €1.0 million in FY2021 (resulting in a positive variance of €1.9 million).

Revenue in the projected year **FY2022** is expected to amount to €56.8 million, an increase of €13.7 million (+32%) from FY2021. This is based on the assumption that the economy will continue to recover and that no restrictions would be required due to any COVID-19 variants that would otherwise interrupt the Malta Group's business operations. Furthermore, part of the said y-o-y increase reflects the revenue expected to be generated by Trilogy Limited for a full year compared to a six-month period in FY2021.

Despite the forecast increase of 32% (y-o-y) in revenue, EBITDA is expected to increase by only €0.77 million or +12% to €7.3 million (FY2021: €6.5 million), mainly on account of the termination of the COVID-19 wage supplements and lease reductions which amounted to €1.38 million in the prior year. In consequence, the operating profit margin is expected to decrease by 2 percentage points to 13%. On the other hand, the interest cover is projected to improve further from 4.51 times in FY2021 to 4.84 times in FY2022.

In FY2022, the Malta Group is projected to report a net profit after tax of €1.1 million which is broadly equal to the net profit registered in FY2021.



Hudson Malta p.l.c.				
Statement of Financial Position				
as at 31 December				
	2019	2020	2021	2022
	Actual	Actual	Actual	Forecast
	€'000	€'000	€'000	€'000
ASSETS				
Non-current assets				
Intangible assets	1,204	1,202	4,390	4,390
Property, plant & equipment	3,810	3,486	4,674	5,410
Right-of-use assets	18,591	16,422	20,826	19,738
Other non-current assets	750	1,035	954	954
Loan to related undertakings	6,914	6,914	6,214	6,214
	<u>31,269</u>	<u>29,059</u>	<u>37,058</u>	<u>36,706</u>
Current assets				
Inventories	3,900	3,494	5,447	6,408
Trade and other receivables	9,855	6,719	8,937	10,366
Cash and cash equivalents	2,995	4,111	7,509	8,864
	<u>16,750</u>	<u>14,324</u>	<u>21,893</u>	<u>25,638</u>
Total assets	<u>48,019</u>	<u>43,383</u>	<u>58,951</u>	<u>62,344</u>
EQUITY				
Capital and reserves				
Share capital and reserves	16,450	16,450	22,450	22,450
Other reserves	(15,995)	(15,995)	(15,995)	(15,995)
Retained earnings	5,950	5,067	6,102	7,763
	<u>6,405</u>	<u>5,522</u>	<u>12,557</u>	<u>14,218</u>
LIABILITIES				
Non-current liabilities				
Borrowings and bonds	11,821	11,971	13,440	12,960
Lease liabilities	16,988	15,087	18,102	16,628
	<u>28,809</u>	<u>27,058</u>	<u>31,542</u>	<u>29,588</u>
Current liabilities				
Bank overdrafts	276	43	342	342
Borrowings	-	29	369	711
Lease liabilities	1,352	1,478	2,555	3,109
Trade and other payables	11,081	9,238	10,995	13,784
Other current liabilities	96	15	591	592
	<u>12,805</u>	<u>10,803</u>	<u>14,852</u>	<u>18,538</u>
	<u>41,614</u>	<u>37,861</u>	<u>46,394</u>	<u>48,126</u>
Total equity and liabilities	<u>48,019</u>	<u>43,383</u>	<u>58,951</u>	<u>62,344</u>



Hudson Malta p.l.c.				
Key Accounting Ratios	FY2019	FY2020	FY2021	FY2022
	Actual	Actual	Actual	Forecast
Gearing ratio <i>(Total net debt/net debt and shareholders' equity)</i>	81%	82%	68%	64%
Gearing ratio 2 (times) <i>(Total net debt/shareholders' equity)</i>	4.28	4.44	2.17	1.75
Net debt to EBITDA (years) <i>(Net debt/EBITDA)</i>	6.10	8.25	4.20	3.42
Net assets per share (€) <i>(Net asset value/number of shares)</i>	0.39	0.34	0.56	0.63
Liquidity ratio (times) <i>(Current assets/current liabilities)</i>	1.31	1.33	1.47	1.38
Quick ratio (times) <i>(Current assets less inventories/current liabilities)</i>	1.00	1.00	1.11	1.04

Source: MZ Investment Services Ltd

As at 31 December 2021, the Malta Group's total assets amounted to €58.95 million compared to €43.38 million in FY2020. The y-o-y changes mainly relate to the assets of Trilogy Limited which have been consolidated to form part of the Malta Group.

The cash balances as at year end includes the amount of €1.8 million which was drawn down from the MDB loan facility.

Total liabilities amounted to €46.4 million, an increase of €8.5 million from the prior year (FY2020: €37.9 million). The said increase principally related to the new MDB loan referred to above and the liabilities of Trilogy Limited which have been consolidated with the liabilities of the Malta Group.

In consequence of the €6 million increase in equity of the Malta Group, its gearing ratio has strengthened from 82% in FY2020 to 68% in FY2021.

The liquidity ratio improved in FY2021 from 1.33 times in FY2020 to 1.47 times mainly on account of higher cash balances at year end compared to FY2020.

No material movements in the statement of financial position have been projected for FY2022 compared to FY2021.



Hudson Malta p.l.c.				
Cash Flow Statement				
for the year ended 31 December				
	2019	2020	2021	2022
	Actual	Actual	Actual	Forecast
	€'000	€'000	€'000	€'000
Net cash from operating activities	5,277	3,626	4,624	6,940
Net cash from investing activities	(2,277)	(865)	(420)	(2,122)
Net cash from financing activities	(2,435)	(1,412)	(1,105)	(3,463)
Net movement in cash and cash equivalents	565	1,349	3,099	1,355
Cash and cash equivalents at beginning of year	2,154	2,719	4,068	7,167
Cash and cash equivalents at end of year	2,719	4,068	7,167	8,522

In **FY2019**, net cash from operating activities increased from a deficiency of €451,000 in FP2018 to a surplus of €5.3 million, mainly due to the reclassification of lease payments from operating activities to financing activities in terms of IFRS 16, and favourable movements in working capital. Net cash flows used in investing activities in FY2019 amounted to €2.3 million, which was utilised for the purposes of refitting the Malta Group's outlets. Net cash outflows from financing activities in FY2019 amounted to €2.4 million and comprised lease payments of €2.2 million and dividends paid amounting to €250,000.

In **FY2020**, the Malta Group reported a positive net movement in cash balances of €1.3 million, mainly on account of net cash inflows from operating activities of €3.6 million compared to €5.3 million in the prior year.

In terms of investing activities, the Malta Group utilised €0.9 million for capital expenditure relating to refitting of stores, which is a reduction of €1.4 million compared to the previous year. Net cash from financing activities amounted to €1.4 million which mainly comprised payments of lease obligations.

The Malta Group registered a net movement in cash and cash equivalents of €3.1 million in **FY2021** compared to €1.3 million generated in FY2020. Net cash inflows from operating activities increased from €3.6 million in FY2020 to €4.6 million as a result of the y-o-y increase in cash operating profit which was partly offset by adverse movement in working capital changes.

Cash used in investing activities amounted to €0.4 million in FY2021 compared to €0.9 million a year earlier. During the last financial year, the Malta Group opted to preserve cash balances and therefore kept expenditure of a capital nature to a minimum.

In FY2021, the Malta Group utilised a net balance of €1.1 million for financing activities (FY2020: cash outflow of €1.4 million). This amount included lease payments of €2.9 million and a net drawdown from bank borrowings of €1.8 million. The new bank loan facility was granted by the Malta Development Bank under the COVID-19 Guarantee Scheme.



During the projected year **FY2022**, net movement in cash and cash equivalents is estimated to amount to €1.4 million.

The Malta Group is expected to generate €6.9 million from operating activities compared to €4.6 million in FY2021 (+50%) on account of a full year's operations of Trilogy Limited and a further improvement in business activities generally.

Net cash used in investing activities is projected to amount to €2.1 million (FY2021: €0.4 million), which is directly related to expenditure on new and existing stores as well as other payments to acquire property, plant & equipment.

Cash outflows of a financing nature are expected to amount to €3.5 million (FY2021: €1.1 million) and comprise €2.9 million for payments of lease obligations and €0.6 million being repayments of bank borrowings.

6. VARIANCE ANALYSIS – MALTA GROUP

The following financial information relates to the variance analysis between the forecasted financial information of the Malta Group for the year ended 31 December 2021 included in the prior year's Financial Analysis Summary dated 28 June 2021 and the audited consolidated financial statements of the Group for the year ended 31 December 2021.

Hudson Malta p.l.c.			
Statement of Comprehensive Income			
for the year ended 31 December 2021			
	Actual	Forecast	Variance
	€'000	€'000	€'000
Revenue	43,075	37,544	5,531
<i>Retail</i>	<i>32,542</i>	<i>27,156</i>	<i>5,386</i>
<i>Wholesale and other income</i>	<i>10,533</i>	<i>10,388</i>	<i>145</i>
Cost of sales	(28,976)	(25,478)	(3,498)
Gross profit	14,099	12,066	2,033
Net operating costs	(7,609)	(8,211)	602
Net impairment losses on financial and contract assets	16	-	16
EBITDA	6,506	3,855	2,651
Depreciation & amortisation	(3,775)	(3,286)	(489)
Operating profit	2,731	569	2,162
Finance income	400	428	(28)
Finance costs	(1,443)	(1,255)	(188)
Profit (loss) before tax	1,688	(258)	1,946
Taxation	(652)	-	(652)
Profit (loss) for the year	1,036	(258)	1,294
Total comprehensive income (expense)	1,036	(258)	1,294



As presented in the above table, revenue generated by the Group in FY2021 was materially higher than originally forecasted by €5.5 million mainly on account of the business operations of Trilogy Limited which were not reflected in the projections.

Since the acquisition of Trilogy Limited was not factored into the projections as well as higher than expected benefits received during the year through wage supplements and lease reductions, net profit for the year was underestimated by €1.3 million.

Hudson Malta p.l.c.			
Cash Flow Statement			
for the year ended 31 December 2021			
	Actual	Forecast	Variance
	€'000	€'000	€'000
Net cash from operating activities	4,624	2,566	2,058
Net cash from investing activities	(420)	(749)	329
Net cash from financing activities	(1,105)	(1,083)	(22)
Net movement in cash and cash equivalents	3,099	734	2,365
Cash and cash equivalents at beginning of year	4,068	4,068	-
Cash and cash equivalents at end of year	7,167	4,802	2,365

Actual net movement in cash and cash equivalents was higher than projected by €2.4 million which mainly emanated from the positive variance in cashflows from operating activities. As explained above, the forecast financials do not reflect the operations of Trilogy Limited which had a positive effect on operating cashflows. Additionally, the operating profits generated by the Malta Group (excluding Trilogy) were better than projected.

In investing activities, the Malta Group expected to utilise €0.7 million for capital expenditure purposes but in fact only used €0.4 million during FY2021.

The variance in net cash used in financing activities was not material.



Hudson Malta p.l.c.			
Statement of Financial Position			
as at 31 December 2021			
	Actual	Forecast	Variance
	€'000	€'000	€'000
ASSETS			
Non-current assets			
Intangible assets	4,390	1,202	3,188
Property, plant & equipment	4,674	3,293	1,381
Right-of-use assets	20,826	13,417	7,409
Other non-current assets	954	1,035	(81)
Loan to related undertakings	6,214	6,914	(700)
	<u>37,058</u>	<u>25,861</u>	<u>11,197</u>
Current assets			
Inventories	5,447	4,220	1,227
Trade and other receivables	8,937	8,287	650
Amounts due from related undertakings	-	-	-
Cash and cash equivalents	7,509	4,802	2,707
	<u>21,893</u>	<u>17,309</u>	<u>4,584</u>
Total assets	<u>58,951</u>	<u>43,170</u>	<u>15,781</u>
EQUITY			
Capital and reserves			
Share capital and reserves	22,450	16,450	6,000
Other reserves	(15,995)	(15,995)	-
Retained earnings	6,102	4,808	1,294
	<u>12,557</u>	<u>5,263</u>	<u>7,294</u>
LIABILITIES			
Non-current liabilities			
Borrowings and bonds	13,440	13,701	(261)
Lease liabilities	18,102	12,083	6,019
	<u>31,542</u>	<u>25,784</u>	<u>5,758</u>
Current liabilities			
Bank overdrafts	342	-	342
Borrowings	369	72	297
Lease liabilities	2,555	1,671	884
Trade and other payables	10,995	10,380	615
Other current liabilities	591	-	591
	<u>14,852</u>	<u>12,123</u>	<u>2,729</u>
	<u>46,394</u>	<u>37,907</u>	<u>8,487</u>
Total equity and liabilities	<u>58,951</u>	<u>43,170</u>	<u>15,781</u>

The variances in the statement of financial position mainly reflect the consolidation of Trilogi Limited in the Malta Group.



Share capital and reserves have increased by €6 million on account of the additional capital allocated to Hudson Holdings Limited in settlement for the acquisition of Trilogy Limited. Retained earnings are higher than expected by €1.3 million in consequence of the higher than expected profits declared by the Malta Group in FY2021, which also positively impacted the cash position of the Malta Group.

PART 3 - COMPARABLES

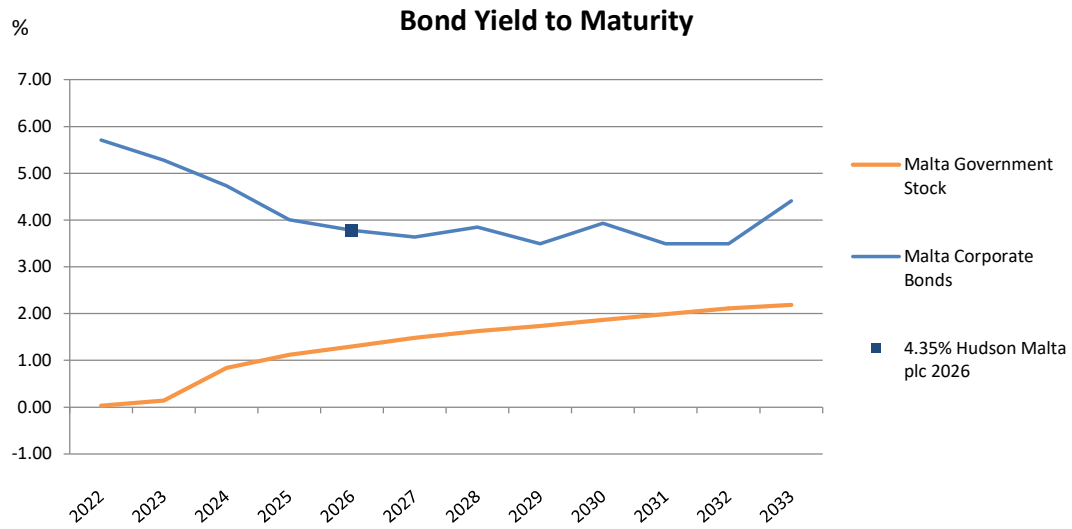
The table below compares the Malta Group and the Issuer's bond issue to other debt issuers listed on the Official List of the Malta Stock Exchange and their respective debt securities. Although there are significant variances between the activities of the Malta Group and other issuers (including different industries, principal markets, competition, capital requirements etc.), and material differences between the risks associated with the Malta Group's business and that of other issuers, the comparative analysis provides an indication of the financial performance and strength of the Malta Group.

Comparative Analysis	Nominal Value (€)	Yield to Maturity (%)	Interest Cover (times)	Total Assets (€'000)	Net Asset Value (€'000)	Gearing Ratio (%)
6.00% Pendergardens Developments plc Secured € 2022 Series	19,756,700	5.71	1.79	60,578	29,491	36.39
4.25% GAP Group plc Secured € 2023	8,349,900	5.28	14.81	112,173	21,575	60.31
5.30% United Finance Plc Unsecured € Bonds 2023	8,500,000	5.28	0.67	37,298	6,677	75.91
5.80% International Hotel Investments plc 2023	10,000,000	4.68	1.06	1,695,229	838,216	40.59
5.5% Mediterranean Investments Holding plc € 2023	20,000,000	5.48	2.01	310,941	188,651	27.06
6.00% AX Investments Plc € 2024	40,000,000	4.18	1.69	374,099	237,143	25.10
6.00% International Hotel Investments plc € 2024	35,000,000	4.84	1.06	1,695,229	838,216	40.59
5.30% Mariner Finance plc Unsecured € 2024	35,000,000	4.73	3.30	102,348	52,929	46.65
5.00% Hal Mann Vella Group plc Secured € 2024	30,000,000	3.68	2.60	123,752	48,512	53.05
5.10% 1923 Investments plc Unsecured € 2024	36,000,000	4.23	4.58	149,687	52,831	49.89
4.25% Best Deal Properties Holding plc Secured € 2024	9,183,200	4.20	-	24,561	6,893	62.61
3.70% GAP Group plc Secured € 2023-2025 Series 1	21,000,000	3.54	14.81	112,173	21,575	60.31
5.75% International Hotel Investments plc Unsecured € 2025	45,000,000	5.15	1.06	1,695,229	838,216	40.59
5.10% GPM Holdings plc Unsecured € 2025	13,000,000	5.09	52.47	162,889	74,159	14.82
4.50% Hili Properties plc Unsecured € 2025	37,000,000	4.01	1.41	208,696	110,881	32.31
4.35% Hudson Malta plc Unsecured € 2026	12,000,000	3.78	4.51	58,951	12,557	68.49
4.25% Corinthia Finance plc Unsecured € 2026	40,000,000	4.25	0.51	1,717,057	828,470	42.64
4.00% International Hotel Investments plc Secured € 2026	55,000,000	3.86	1.06	1,695,229	838,216	40.59
5.00% Dizz Finance plc Unsecured € 2026	8,000,000	5.12	0.45	72,112	4,763	91.27
3.75% Premier Capital plc Unsecured € 2026	65,000,000	3.38	11.70	317,675	60,118	74.24
4.00% International Hotel Investments plc Unsecured € 2026	60,000,000	3.99	1.06	1,695,229	838,216	40.59
3.25% AX Group plc Unsec Bds 2026 Series I	15,000,000	3.01	1.69	374,099	237,143	25.10
3.90% GAP Group plc Secured € 2024-2026	21,000,000	3.54	14.81	112,173	21,575	60.31
4.35% SD Finance plc Unsecured € 2027	65,000,000	4.23	0.88	328,464	131,504	30.32
4.00% Eden Finance plc Unsecured € 2027	40,000,000	3.64	3.63	193,529	109,284	28.55
4.00% Stivala Group Finance plc Secured € 2027	45,000,000	3.79	3.25	362,955	235,392	26.66
3.85% Hili Finance Company plc Unsecured € 2028	40,000,000	3.85	3.44	624,222	106,811	78.42
3.65% Stivala Group Finance plc Secured € 2029	15,000,000	3.49	3.25	362,955	235,392	26.66
3.80% Hili Finance Company plc Unsecured € 2029	80,000,000	3.89	3.44	624,222	106,811	78.42
3.75% AX Group plc Unsec Bds 2029 Series II	10,000,000	3.52	1.69	374,099	237,143	25.10
3.65% International Hotel Investments plc Unsecured € 2031	80,000,000	3.72	1.06	1,695,229	838,216	40.59
3.50% AX Real Estate plc Unsec Bds 2032	40,000,000	3.50	-	238,228	78,698	63.41

31-May-22

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

31 May 2022

To date, there are no corporate bonds which have a redemption date beyond 2033. The Malta Government Stock yield curve has been included as it is the benchmark risk-free rate for Malta.

The bonds are trading at a yield of 3.78%, which is in line with other corporate bonds maturing in the same year. The premium over FY2026 Malta Government Stock is 248 basis points.



PART 4 - EXPLANATORY DEFINITIONS

Income Statement	
Revenue	Total revenue generated by the Group from its business activities during the financial year, including retail and distribution of branded fashion and sportswear.
Cost of sales	Cost of sales includes inventory, labour expenses and all other direct expenses.
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.
EBIT	EBIT is an abbreviation for earnings before interest and tax. EBIT is a measure of a firm's profit that includes all expenses except interest and income tax expenses. It is the difference between operating revenues and operating expenses.
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.
Profitability Ratios	
Operating profit margin	Operating profit 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.
Efficiency Ratios	
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.



Equity Ratios	
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.
Cash Flow Statement	
Cash flow from operating activities	Cash generated from the principal revenue-producing activities 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.
Balance Sheet	
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 allocates 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 purchased. Such assets include intangible assets; property, plant & equipment; and loans receivable.
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, and 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.
Net debt	Borrowings before unamortised issue costs less cash and cash equivalents.
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, bonds and deferred taxation.
Total equity	Total equity includes share capital, reserves & other equity components, retained earnings and minority interest.



Financial Strength Ratios	
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.
Quick ratio	The quick ratio is an indicator of a company's short-term liquidity position and measures a company's ability to meet its short-term obligations with its most liquid assets.
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.
Interest cover	The interest coverage ratio is calculated by dividing a company's EBITDA of one period by the company's interest expense of the same period.
Net assets per share	Is calculated by dividing the total net asset value of the company by the number of shares outstanding.
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. Alternatively, the gearing ratio can be calculated by dividing a company's net debt by shareholders' equity.

