

This Securities Note is issued in accordance with the provisions of Chapter 4 of the Listing Rules issued by the Listing Authority and in accordance with the provisions of Regulation (EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Directive 2003/71/EC.

# BROWNS PHARMA

## HOLDINGS PLC

# SECURITIES NOTE

DATED 10 June 2021

In respect of an issue of

**€13,000,000 3.9% Unsecured Callable Bonds 2027-2031**

having a nominal value of €100 per Bond issued at par (the 'Bonds')

ISIN: MT0002521202

## BROWN'S PHARMA HOLDINGS PLC

*a public limited liability company registered and incorporated in terms of the Companies Act with company registration number C 95118 and having its registered office at Brown's Pharmacies, Triq l-Industrija, Qormi, Malta*

Sponsor, Manager & Registrar

Legal Counsel



THIS SECURITIES NOTE HAS BEEN APPROVED BY THE LISTING AUTHORITY, AS COMPETENT AUTHORITY UNDER REGULATION (EU) 2017/1129. THE LISTING AUTHORITY ONLY APPROVES THIS PROSPECTUS AS MEETING THE STANDARD OF COMPLETENESS, COMPREHENSIBILITY AND CONSISTENCY IMPOSED BY REGULATION (EU) 2017/1129 AND SUCH APPROVAL SHOULD NOT BE CONSIDERED AS AN ENDORSEMENT OF THE ISSUER OR THE QUALITY OF THE SECURITIES THAT ARE THE SUBJECT OF THIS SECURITIES NOTE. PROSPECTIVE INVESTORS SHOULD MAKE THEIR OWN ASSESSMENT AS TO THE SUITABILITY OF INVESTING IN THE SECURITIES.

THE LISTING AUTHORITY HAS AUTHORISED THE ADMISSIBILITY OF THESE BONDS AS A LISTED FINANCIAL INSTRUMENT. THIS MEANS THAT THE SAID INSTRUMENT IS IN COMPLIANCE WITH THE REQUIREMENTS AND CONDITIONS SET OUT IN THE LISTING RULES. IN PROVIDING THIS AUTHORISATION, THE LISTING AUTHORITY DOES NOT GIVE ANY CERTIFICATION REGARDING THE POTENTIAL RISKS IN INVESTING IN THE SAID INSTRUMENT AND SUCH AUTHORISATION SHOULD NOT BE DEEMED OR BE CONSTRUED AS A REPRESENTATION OR WARRANTY AS TO THE SAFETY OF INVESTING IN SUCH INSTRUMENT.

THE LISTING AUTHORITY ACCEPTS NO RESPONSIBILITY FOR THE CONTENTS OF THE PROSPECTUS, MAKES NO REPRESENTATIONS AS TO ITS ACCURACY OR COMPLETENESS AND EXPRESSLY DISCLAIMS ANY LIABILITY WHATSOEVER FOR ANY LOSS WHATSOEVER ARISING FROM OR IN RELIANCE UPON THE WHOLE OR ANY PART OF THE CONTENTS OF THE PROSPECTUS INCLUDING ANY LOSSES INCURRED BY INVESTING IN THESE BONDS.

A PROSPECTIVE INVESTOR SHOULD ALWAYS SEEK INDEPENDENT FINANCIAL ADVICE BEFORE DECIDING TO INVEST IN ANY LISTED FINANCIAL INSTRUMENT. A PROSPECTIVE INVESTOR SHOULD BE AWARE OF THE POTENTIAL RISKS IN INVESTING IN THE BONDS OF AN ISSUER AND SHOULD MAKE THE DECISION TO INVEST ONLY AFTER CAREFUL CONSIDERATION AND CONSULTATION WITH HIS OR HER OWN INDEPENDENT FINANCIAL ADVISER.

APPROVED BY THE DIRECTORS

Mr Alexander Fenech in his capacity as Director of the Company  
and for and on behalf of: Mr Benjamin Muscat, Ing Joseph Caruana, Dr Mark Grech,  
Mr Paul Camilleri, Mr Jean-Pierre Miceli and Mr Robert Spiteri

## **IMPORTANT INFORMATION**

THIS SECURITIES NOTE CONSTITUTES PART OF A PROSPECTUS AND CONTAINS INFORMATION IN RELATION TO BROWN'S PHARMA HOLDING PLC IN ITS CAPACITY AS ISSUER. THIS DOCUMENT INCLUDES INFORMATION GIVEN IN COMPLIANCE WITH: (A) THE COMPANIES ACT, (CHAPTER 386 OF THE LAWS OF MALTA) AND REGULATION (EU) 2017/1129 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL OF 14 JUNE 2017 ON THE PROSPECTUS TO BE PUBLISHED WHEN SECURITIES ARE OFFERED TO THE PUBLIC OR ADMITTED TO TRADING ON A REGULATED MARKET, AND REPEALING DIRECTIVE 2003/71/EC (THE 'REGULATION'); AND (B) THE RULES AND REGULATIONS APPLICABLE TO THE ADMISSION OF SECURITIES ON THE OFFICIAL LIST OF THE MSE. NO BROKER, DEALER, SALESMAN OR OTHER PERSON HAS BEEN AUTHORISED BY THE ISSUER OR ITS DIRECTORS TO ISSUE ANY ADVERTISEMENT OR TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS IN CONNECTION WITH THE SALE OF BONDS OF THE ISSUER OTHER THAN THOSE CONTAINED IN THE PROSPECTUS AND IN THE DOCUMENTS REFERRED TO HEREIN, AND IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATIONS MUST NOT BE RELIED UPON AS HAVING BEEN AUTHROSIED BY THE ISSUER, ITS DIRECTORS, OR ADVISERS.

**THE LISTING AUTHORITY ACCEPTS NO RESPONSIBILITY FOR THE CONTENTS OF THE PROSPECTUS, MAKES NO REPRESENTATIONS AS TO ITS ACCURACY OR COMPLETENESS AND EXPRESSLY DISCLAIMS ANY LIABILITY WHATSOEVER FOR ANY LOSS HOWEVER ARISING FROM OR IN RELIANCE UPON THE WHOLE OR ANY PART OF THE CONTENTS OF THE PROSPECTUS.**

IT IS THE RESPONSIBILITY OF ANY PERSON IN POSSESSION OF THIS DOCUMENT AND ANY PERSON WISHING TO APPLY FOR ANY BONDS ISSUED BY THE ISSUER TO INFORM THEMSELVES OF, AND TO OBSERVE AND COMPLY WITH, ALL APPLICABLE LAWS AND REGULATIONS OF ANY RELEVANT JURISDICTION. PROSPECTIVE INVESTORS FOR ANY BONDS THAT MAY BE ISSUED BY THE ISSUER SHOULD INFORM THEMSELVES AS TO THE LEGAL REQUIREMENTS OF APPLYING FOR ANY SUCH BONDS AND ANY APPLICABLE EXCHANGE CONTROL REQUIREMENTS AND TAXES IN THE COUNTRIES OF THEIR NATIONALITY, RESIDENCE OR DOMICILE. A COPY OF THIS DOCUMENT HAS BEEN SUBMITTED TO THE LISTING AUTHORITY AND THE MSE, AND HAS BEEN DULY FILED WITH THE MALTA BUSINESS REGISTRY. APPLICATION HAS BEEN MADE TO THE MSE, FOR THE BONDS TO BE ADMITTED TO THE OFFICIAL LIST OF THE MSE. A PROSPECTIVE INVESTOR SHOULD BE AWARE OF THE POTENTIAL RISKS IN INVESTING IN THE ISSUER AND SHOULD MAKE THE DECISION TO INVEST ONLY AFTER CAREFUL CONSIDERATION AND CONSULTATION WITH HIS OR HER OWN INDEPENDENT FINANCIAL ADVISER.

THIS DOCUMENT AND ALL AGREEMENTS, ACCEPTANCES AND CONTRACTS RESULTING THEREFROM SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF MALTA, AND ANY PERSON ACQUIRING ANY BONDS PURSUANT TO THE PROSPECTUS SHALL SUBMIT TO THE JURISDICTION OF THE MALTESE COURTS, WITHOUT LIMITING IN ANY MANNER THE RIGHT OF THE ISSUER TO BRING ANY ACTION, SUIT OR PROCEEDING, IN ANY OTHER COMPETENT JURISDICTION, ARISING OUT OF OR IN CONNECTION WITH ANY PURCHASE OF BONDS, OR AGREEMENT, ACCEPTANCE OR CONTRACT RESULTING HEREFROM OR THE PROSPECTUS AS A WHOLE.

**STATEMENTS MADE IN THIS DOCUMENT ARE, EXCEPT WHERE OTHERWISE STATED, BASED ON THE LAW AND PRACTICE CURRENTLY IN FORCE IN MALTA AND ARE SUBJECT TO CHANGES THERETO.**

**THIS PROSPECTUS IS VALID FOR A PERIOD OF TWELVE MONTHS FROM THE DATE HEREOF. FOLLOWING THE LAPSE OF THIS VALIDITY PERIOD, THE COMPANY IS NOT OBLIGED TO SUPPLEMENT THE PROSPECTUS IN THE EVENT OF SIGNIFICANT NEW FACTORS, MATERIAL MISTAKES OR MATERIAL INACCURACIES.**

**IN THE CASE OF OFFERS MADE BY AN AUTHORISED FINANCIAL INTERMEDIARY, THE AUTHORISED FINANCIAL INTERMEDIARY WILL PROVIDE INFORMATION TO INVESTORS ON THE TERMS AND CONDITIONS OF THE OFFER AT THE TIME THE OFFER IS MADE.**

ALL THE ADVISERS TO THE ISSUER HAVE ACTED AND ARE ACTING EXCLUSIVELY FOR THE ISSUER IN RELATION TO THIS PUBLIC OFFER AND PROSPECTUS AND HAVE NO CONTRACTUAL, FIDUCIARY OR OTHER OBLIGATION OR RESPONSIBILITY TOWARDS ANY OTHER PERSON. NONE OF THE ADVISERS ACCEPT ANY RESPONSIBILITY TO ANY INVESTOR OR ANY OTHER PERSON WHOMSOEVER IN RELATION TO THE CONTENTS OF, ANY INFORMATION CONTAINED IN AND THE TRANSACTIONS PROPOSED IN THE PROSPECTUS, ITS COMPLETENESS OR ACCURACY OR ANY OTHER STATEMENT MADE IN CONNECTION THEREWITH. THE CONTENTS OF THE ISSUER'S WEBSITE OR ANY WEBSITE DIRECTLY OR INDIRECTLY LINKED TO THE ISSUER'S WEBSITE DO NOT FORM PART OF THIS DOCUMENT. ACCORDINGLY, NO RELIANCE OUGHT TO BE MADE BY ANY INVESTOR ON ANY INFORMATION OR OTHER DATA CONTAINED IN SUCH WEBSITES AS THE BASIS FOR A DECISION TO INVEST IN THE BONDS. THE DIRECTORS OF THE ISSUER CONFIRM THAT WHERE INFORMATION INCLUDED IN THIS PROSPECTUS HAS BEEN SOURCED FROM A THIRD PARTY, SUCH INFORMATION HAS BEEN ACCURATELY REPRODUCED, AND AS FAR AS THE DIRECTORS OF THE ISSUER ARE AWARE AND ARE ABLE TO ASCERTAIN FROM INFORMATION PUBLISHED BY THAT THIRD PARTY, NO FACTS HAVE BEEN OMITTED WHICH WOULD RENDER THE REPRODUCED INFORMATION INACCURATE OR MISLEADING.

**THE VALUE OF INVESTMENTS CAN GO UP OR DOWN AND PAST PERFORMANCE IS NOT NECESSARILY INDICATIVE OF FUTURE PERFORMANCE. PROSPECTIVE INVESTORS SHOULD CAREFULLY CONSIDER ALL THE INFORMATION CONTAINED IN THE PROSPECTUS AS A WHOLE AND SHOULD CONSULT THEIR OWN INDEPENDENT FINANCIAL AND OTHER PROFESSIONAL ADVISERS.**

**AUTHORISED FINANCIAL INTERMEDIARIES MAKING USE OF THE PROSPECTUS HAVE TO STATE ON THEIR WEBSITE THAT THEY ARE USING THE PROSPECTUS IN ACCORDANCE WITH THE CONSENT AND THE CONDITIONS ATTACHED THERETO.**

## TABLE OF CONTENTS

<b>IMPORTANT INFORMATION</b>	<b>2</b>
<b>DEFINITIONS</b>	<b>4</b>
<b>1 PERSONS RESPONSIBLE</b>	<b>6</b>
1.1 Consent for use of the Prospectus and authorisation statement	6
<b>2 RISK FACTORS</b>	<b>7</b>
2.1 Forward-looking statements	8
2.2 Suitability of investment	8
2.3 Risks relating to the Bonds	9
<b>3 ESSENTIAL INFORMATION</b>	<b>10</b>
3.1 Interest of natural and legal persons involved in the Bond Issue	10
3.2 Reasons for the offer and use of proceeds	10
<b>4 INFORMATION CONCERNING THE SECURITIES TO BE OFFERED TO THE PUBLIC AND ADMITTED TO TRADING</b>	<b>11</b>
4.1 General	11
4.2 Registration, form, denomination and title	12
4.3 Ranking of the Bonds	12
4.4 Rights attaching to the Bonds	12
4.5 Interest	13
4.6 Trust Deed	13
4.7 Yield	14
4.8 Redemption	14
4.9 Purchase and cancellation	15
4.10 Payments	15
4.11 Events of default	15
4.12 Transferability of the Bonds	16
4.13 Further issues	16
4.14 Resolutions and meetings of Bondholders	16
4.15 Bonds held jointly	17
4.16 Bonds held subject to usufruct	17
4.17 Authorisations and approvals	17
4.18 Representations and warranties	17
4.19 Notices	18
4.20 Governing law and jurisdiction	18
<b>5 TAXATION</b>	<b>18</b>
<b>6 TERMS AND CONDITIONS OF THE BOND ISSUE</b>	<b>20</b>
6.1 Expected timetable	20
6.2 Terms and Conditions of Application	20
6.3 Pricing	24
6.4 Plan of distribution and allotment	24
6.5 Allocation policy	24
6.6 Admission to trading	25
<b>7 ADDITIONAL INFORMATION</b>	<b>25</b>
<b>ANNEX I – AUTHORISED FINANCIAL INTERMEDIARIES</b>	<b>26</b>
<b>ANNEX II – SPECIMEN APPLICATION FORM</b>	<b>27</b>
<b>ANNEX III – FINANCIAL ANALYSIS SUMMARY</b>	<b>29</b>

## DEFINITIONS

In this Securities Note, the following words and expressions shall bear the following meaning whenever such words and expressions are used in their capitalised form, except where the context otherwise requires. Capitalised words and expressions earlier defined within the Registration Document shall carry the same meaning assigned to them therein:

<b>Applicant/s</b>	a person or persons whose name or names (in the case of joint applicants) appear in the registration details of an Application Form;
<b>Application/s</b>	an application to subscribe for Bonds made by an Applicant on an Application Form and submitted to the Authorised Financial Intermediary;
<b>Appropriateness Test</b>	shall have the meaning set out in section 6.2.21 of this Securities Note;
<b>Authorised Financial Intermediaries</b>	the licensed stockbrokers and financial intermediaries listed in Annex I of this Securities Note;
<b>Business Day</b>	any day (other than Saturday, Sunday or any public holiday in Malta) in which commercial banks in Malta are open;
<b>CSD</b>	the Central Securities Depository of the Malta Stock Exchange having its address at Garrison Chapel, Castille Place, Valletta VLT 1063;
<b>CSD Register</b>	the register of Bondholders kept by the CSD;
<b>Early Redemption Date</b>	any date falling between 10 July 2027 and 8 July 2031, at the sole option of the Issuer, on which the Issuer shall be entitled to prepay all or part of the principal amount of Bonds and all interests accrued up to the date of prepayment, by giving not less than thirty (30) days' notice to the Bondholders and the term " <b>Early Redemption</b> " shall be construed accordingly;
<b>Interest</b>	the rate of 3.9% payable yearly on each Interest Payment Date with respect to all outstanding Bonds until the Redemption Date;
<b>Interest Payment Date</b>	means 9 July of each year between and including each of the years 2022 and the year 2031, unless previously repaid, redeemed or cancelled in terms of this Prospectus, provided that if any such day is not a Business Day such Interest Payment Date will be carried over to the next following day that is a Business Day;
<b>Issue Date</b>	expected on 15 July 2021;
<b>Issue Price</b>	the Nominal Value of the Bonds;
<b>Minimum Total Subscription Amount</b>	the minimum subscription amount for the Bond Issue which the Issuer has set at €7,000,000;
<b>Nominal Value</b>	€100 per Bond;
<b>Offer</b>	the aggregate amount of Bonds subject of this offer;
<b>Offer Period</b>	the period between 08:30 hours CET on 23 June 2021 and 12:00 hours CET on 8 July 2021 (or such earlier date as may be determined by the Issuer) during which the Bonds are available for subscription;

<b>Partial Conditional Early Redemption Date</b>	any date falling between 15 July 2021 and 9 July 2027, at the sole option of the Issuer, on which the Issuer shall be entitled to prepay up to 30% of the principal amount of Bonds and all interests accrued up to the date of prepayment, by giving no less than ten (10) nor more than sixty (60) days' notice to the Bondholders, subject to the condition that the Issuer makes an equity offering to the public, and the term " <b>Partial Conditional Early Redemption</b> " shall be construed accordingly;
<b>Suitability Test</b>	shall have the meaning set out in section 6.2.21 of this Securities Note; and
<b>Terms and Conditions</b>	the terms and conditions of issue of the Bonds as set out in section 6 of this Securities Note.

Unless it appears otherwise from the context:

- a. Words and expressions and capitalised terms used in this Securities Note shall, except where the context otherwise requires and except where otherwise defined herein, bear the same meaning as the meaning given to such words, expressions and capitalised terms given to such words, expressions and capitalised terms as indicated in the Registration Document forming part of the Prospectus;
- b. Words importing the singular shall include the plural and *vice-versa*;
- c. Words importing the masculine gender shall include the feminine gender and *vice-versa*;
- d. The word "may" shall be construed as permissive and the word "shall" shall be construed as imperative;
- e. Any reference to a person includes natural persons, firms, partnerships, companies, corporations, associations, organizations, governments, states, foundations or trusts;
- f. Any reference to a person includes that person's legal personal representatives, successors and assigns;
- g. Any phrase introduced by the terms "including", "include", "in particular" or any similar expression is illustrative only and does not limit the sense of the words preceding those terms; and
- h. Any reference to a law, legislative act, and/or other legislation shall mean that particular law, legislative act and/or legislation as in force at the time of issue of the Prospectus.

## **1 PERSONS RESPONSIBLE**

Each and all of the Directors of the Issuer whose names appear in section 8.1 of the Registration Document, accept responsibility for the information contained in this Securities Note. The Issuer has given its consent for drawing up this Prospectus and to its use also with respect to the subsequent resale or final placement of the Bonds by any Authorised Financial Intermediaries.

To the best of the knowledge and belief of the Directors, who have taken all reasonable care to ensure that such is the case, the information contained in this Securities Note is in accordance with the facts and does not omit anything likely to affect the import of such information. The Directors accept responsibility accordingly.

All representations and other statements made in the Prospectus are made by the Issuer, and the Directors take sole responsibility for all such statements and representations. The Sponsor, Manager & Registrar and the Issuer's respective advisers have advised and assisted the Issuer in the preparation of this document, but none make any representation or statement, unless otherwise expressly stated in the Prospectus, and each of them disclaims any responsibility for any representations and other statements made in the Prospectus.

### **1.1 Consent for use of the Prospectus and authorisation statement**

#### **1.1.1 Consent required in connection with use of the Prospectus during the Offer Period by Authorised Financial Intermediaries**

For the purposes of any subscription for Bonds by Authorised Financial Intermediaries during the Offer Period in terms of this Securities Note and any subsequent resale, placement or other offering of Bonds by Authorised Financial Intermediaries in circumstances where there is no exemption from the requirement to publish a prospectus under the Regulation, the Issuer consents to the use of the Prospectus (and accepts responsibility for the information contained herein in accordance with the terms hereof) with respect to any such subsequent resale, placement or other offering of Bonds, provided this is limited only:

- i. in respect of Bonds subscribed for through Authorised Financial Intermediaries during the Offer Period;
- ii. to any resale, placement or other offering of Bonds subscribed for as aforesaid, taking place in Malta; and
- iii. to any resale, placement or other offering of Bonds subscribed for as aforesaid, taking place within the period of sixty (60) days from the date of the Prospectus.

There are no other conditions attached to the consent given by the Issuer hereby which are relevant for the use of the Prospectus.

All information on the Terms and Conditions of the Bonds which is offered to any prospective Investor by Authorised Financial Intermediaries is to be provided by such Authorised Financial Intermediaries to the prospective Investor subscribing to any Bonds. Any interested investor has the right to request that Authorised Financial Intermediaries provide the investor with all and any information on the Prospectus, including the Terms and Conditions of the Bonds.

None of the Issuer, the Sponsor, Manager & Registrar or any of their respective advisers accept any responsibility for any of the actions of any Authorised Financial Intermediary, including their compliance with applicable conduct of business rules or other local regulatory requirements or other securities law requirements in relation to a resale, placement or other offering of Bonds.

Other than as set out above, neither the Issuer nor the Sponsor, Manager & Registrar have authorised (nor do they authorise or consent to the use of the Prospectus in connection with) the making of any public offer of the Bonds by any person in any circumstances. Any such unauthorised offers are not made on behalf of the Issuer or the Sponsor, Manager & Registrar and neither the Issuer nor the Sponsor, Manager & Registrar have any responsibility or liability for the actions of any person making such offers.

Prospective Investors should enquire whether an intermediary is considered to be an Authorised Financial Intermediary in terms of the Prospectus. If the prospective Investor is in doubt as to whether it can rely on the Prospectus and/or who is responsible for its contents, the investor should obtain legal advice in that regard.

No person has been authorised to give any information or to make any representation not contained in or inconsistent with the Prospectus. If given or made, such information and/or representation must not be relied upon as having been authorised by the Issuer or the Sponsor, Manager & Registrar. The Issuer does not accept responsibility for any information not contained in the Prospectus.

In the event of a resale, placement or other offering of Bonds by an Authorised Financial Intermediary, said Authorised Financial Intermediary shall be responsible to provide information to prospective Investors on the terms and conditions of the resale, placement or other offering at the time such is made. Provided that the Bonds are deemed to be complex instruments, they may not be distributed to retail clients before at least an Appropriateness Test has been carried out. Particularly, to the extent that an Authorised Financial Intermediary provides investment advice in respect of a purchase of the Bonds by an Applicant, such Authorised Financial Intermediary shall also be required to conduct a Suitability Test in respect of that Applicant and, based on the results of such test, be satisfied that an investment in the Bonds may be considered suitable for the Applicant.

**Any resale, placement or offering of Bonds to an investor by an Authorised Financial Intermediary will be made in accordance with any terms and other arrangements in place between such Authorised Financial Intermediary and such investor, including price, allocations and settlement arrangements. Where such information is not contained in the Prospectus, it will be the responsibility of the relative Authorised Financial Intermediary at the time of such resale, placement or other offering to provide the prospective Investor with that information and neither the Issuer nor the Sponsor, Manager & Registrar have any responsibility or liability for such information.**

Any Authorised Financial Intermediary using the Prospectus in connection with a resale, placement or other offering of Bonds subsequent to the Bond Issue shall, limitedly for the period of sixty (60) days from the date of the Prospectus, publish on its website a notice to the effect that it is using the Prospectus for such resale or placement in accordance with the consent of the Issuer and the conditions attached hereto. The consent provided herein shall no longer apply following the lapse of such period.

**Any new information with respect to Authorised Financial Intermediaries unknown at the time of the approval of this Securities Note will be made available through a company announcement, which will also be made available on the Issuer's website: [www.browns.pharmacy](http://www.browns.pharmacy)**

### **1.1.2 Statement of authorisation**

This Securities Note has been approved by the Listing Authority as the competent authority under the Regulation. The Listing Authority only approves this Securities Note as meeting the standards of completeness, comprehensibility and consistency imposed by the Regulation. Such approval should not be considered an endorsement of the quality of the securities that are subject of this Securities Note. Investors should make their own assessment as to the suitability of investing in the Bonds.

## **2 RISK FACTORS**

**THE VALUE OF INVESTMENTS CAN GO UP OR DOWN AND PAST PERFORMANCE IS NOT NECESSARILY INDICATIVE OF FUTURE PERFORMANCE.**

**THE NOMINAL VALUE OF THE BONDS WILL BE REPAYABLE IN FULL UPON MATURITY ON THE REDEMPTION DATE UNLESS THE BONDS ARE PREVIOUSLY REDEEMED, PURCHASED OR CANCELLED..**

**AN INVESTMENT IN THE BONDS INVOLVES CERTAIN RISKS, INCLUDING THOSE DESCRIBED BELOW. PROSPECTIVE INVESTORS SHOULD CAREFULLY CONSIDER, WITH THEIR OWN INDEPENDENT FINANCIAL AND OTHER PROFESSIONAL ADVISERS, THE FOLLOWING RISK FACTORS AND OTHER INVESTMENT CONSIDERATIONS AS WELL AS ALL THE OTHER INFORMATION CONTAINED IN THE PROSPECTUS BEFORE DECIDING TO MAKE AN INVESTMENT IN THE BONDS. THE SEQUENCE IN WHICH THE RISKS BELOW ARE LISTED, OTHER THAN THE FIRST RISK FACTOR PRESENTED IN EACH CATEGORY, IS NOT INTENDED TO BE INDICATIVE OF ANY ORDER OF PRIORITY OR OF THE EXTENT OF THEIR CONSEQUENCE.**

**NEITHER THIS SECURITIES NOTE NOR ANY OTHER PARTS OF THE PROSPECTUS OR ANY OTHER INFORMATION SUPPLIED IN CONNECTION WITH THE BONDS; (A) IS INTENDED TO PROVIDE THE BASIS OF ANY CREDIT OR OTHER EVALUATION, (B) NOR SHOULD BE CONSIDERED AS A RECOMMENDATION BY THE ISSUER OR THE SPONSOR, MANAGER & REGISTRAR OR AUTHORISED FINANCIAL INTERMEDIARIES THAT ANY RECIPIENT OF THIS SECURITIES NOTE OR ANY OTHER PART OF THE PROSPECTUS OR ANY OTHER INFORMATION SUPPLIED IN CONNECTION WITH THE PROSPECTUS OR ANY BONDS, SHOULD PURCHASE ANY BONDS.**

**ACCORDINGLY, PROSPECTIVE INVESTORS SHOULD MAKE THEIR OWN INDEPENDENT EVALUATION OF ALL RISK FACTORS AND SHOULD CONSIDER ALL OTHER SECTIONS IN THIS DOCUMENT.**

## 2.1 Forward-looking statements

This Prospectus contains statements that are, or may be deemed to be, “forward-looking statements”. These forward-looking statements can be identified by the use of forward-looking terminology, including the terms “believes”, “estimates”, “anticipates”, “expects”, “intends”, “may”, “will” or “should” or, in each case, their negative or other variations or comparable terminology. These forward-looking statements relate to matters that are not historical facts. They appear in a number of places throughout this Prospectus and include statements regarding the intentions, beliefs or current expectations of the Issuer and its Directors concerning, amongst other things, the Issuer’s and the Group’s strategies and business plans, results of operations, financial condition, liquidity and prospects of the Issuer and the markets in which it operates.

By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. Forward-looking statements are not a guarantee of future performance and should therefore not be construed as such. The actual results of operations, financial condition, liquidity and the strategic development of the Issuer and the Group may differ materially from the forward-looking statements contained in this Prospectus. In addition, even if the results of operations, financial condition and liquidity of the Issuer and/or the Group are consistent with the forward-looking statements contained in this Prospectus, those results or developments may not be indicative of results or developments in subsequent periods. Important factors that may cause these differences include:

- (i) Continued, sustained or worsening global economic conditions and particularly economic weakness in the areas in which the Issuer and/or the Group operates;
- (ii) Increased competition; and
- (iii) Increased regulation.

Potential Investors are advised to read this Prospectus in its entirety and, in particular, this section titled “Risk Factors” for a further discussion of the factors that could affect the Issuer’s and/or the Group’s future performance. In view of these risks, uncertainties and assumptions, the events described in the forward-looking statements in this Prospectus may not occur. All forward-looking statements contained in this Prospectus are made only as at the date hereof. The Issuer and its Directors expressly disclaim any obligations to update or revise any forward-looking statement contained herein to reflect any change in expectations with regard thereto or any change in events, conditions or circumstances on which any statement is based.

## 2.2 Suitability of investment

An investment in the Issuer and the Bonds may not be suitable for all recipients of this Document and prospective Investors are urged to consult an independent investment adviser licensed under the Investment Services Act (Chapter 370 of the Laws of Malta) as to the suitability or otherwise of an investment in the Bonds before making an investment decision. In particular, such advice should be sought with a view to ascertaining that:

- a) each prospective Investor has sufficient knowledge and experience to make a meaningful evaluation of the Bonds, the merits and risks of investing in the Bonds and the information contained or incorporated by reference in this Document or any applicable supplement;
- b) each prospective Investor has sufficient financial resources and liquidity to bear all the risks of an investment in the Bonds, including where the currency for principal or interest payments is different from the prospective Investor’s currency;
- c) each prospective Investor understands thoroughly the terms of the Bonds and is familiar with the behaviour of any relevant indices and financial markets;
- d) each prospective Investor is able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect his/her/its investment and his/her/its ability to bear the applicable risks; and
- e) the investment in the bonds is in line with the investment objectives of the prospective Investor.



## 2.3 Risks relating to the Bonds

An investment in the Bond includes certain risks including, but not limited to, the following:

a. **Risks related to the nature of the securities**

The Issuer is entitled to issue bonds bearing a fixed rate of interest. Investment in such fixed rate bonds involves the risk that subsequent changes in market interest rates may adversely affect the market value of the said bonds. Investors should also be aware that the price of bonds moves adversely to changes in interest rates.

Should the Issuer wish to amend any of the Terms and Conditions of Issue of the Bonds, it shall call a meeting of Bondholders in accordance with the provisions of section 4.13 of this Securities Note. These provisions permit defined majorities to bind all Bondholders including Bondholders who did not attend and vote at the relevant meeting and Bondholders who voted in a manner contrary to the majority.

**Complex financial instrument and suitability risk**

The Bonds are complex financial instruments and may not be suitable for all recipients of the Prospectus. Prospective Investors are urged to consult an independent investment adviser licensed under the Investment Services Act as to the suitability or otherwise of an investment in the Bonds before making an investment decision. In the event that the prospective Investor does not seek independent financial advice and/or does not read and fully understand the provisions of the Prospectus, there is a risk that such investor may acquire an investment which is not suitable for his or her risk profile.

**Bonds are redeemable at the option of the Issuer**

Any or all of the Bonds may be redeemed by the Issuer on any Early Redemption Date on at least thirty (30) Business Day's prior written notice to the relevant Bondholders.

Moreover, subject to the condition that the Issuer makes an equity offering to the public, up to 30% of the aggregate principal amounts of Bonds issued may be redeemed by the Issuer upon no less than 10 nor more than 60 days' notice to the relevant Bondholders (the 'Partial Conditional Early Redemption').

Once the Bonds are redeemed, the relevant Bondholders will no longer be entitled to any interest or other rights in relation to those Bonds. If Bonds are redeemed prior to the Redemption Date, a Bondholder would not receive the same return on investment that it would have received if they were redeemed on the Redemption Date. In addition, Bondholders may not be able to re-invest the proceeds from an early redemption at yields that would have been received had they not been redeemed. This optional redemption feature may also have a negative impact on the market value of the Bonds.

b. **Risks related to the underlying**

The Bonds shall at all times rank *pari passu* without any priority or preference among themselves and, save for such exceptions as may be provided by applicable law, they shall rank without priority or preference over all unsecured indebtedness of the Issuer, if any.

c. **Risks related to the offer to the public and/or admission of the securities to trading on a regulated market**

(i) **No assurance of an active secondary market**

The existence of an orderly and liquid market for the Bonds depends on a number of factors, including but not limited to the presence of willing buyers and sellers of the Issuer's Bonds at any given time and the general economic conditions in the market in which the Bonds are traded. Such factors are dependent upon the individual decisions of investors and the general economic conditions of the market, over which the Issuer has no control. Accordingly, there can be no assurance that an active secondary market for the Bonds will develop, or, if it develops, that it will continue. Accordingly, there can be no assurance that an investor will be able to sell or otherwise trade in the Bonds at or above the Bond Issue Price at all.

**(ii) Interest rate risk**

Investment in the Bonds involves the risk that subsequent changes in market interest rates may adversely affect the value of the Bonds.

**(iii) Exchange rate risk**

An investor in the Bonds will bear the risk of any fluctuations in exchange rates between the currency of denomination of the Bonds (€) and the investor's currency of reference, if different.

**(iv) Effect of future change in shareholding**

No prediction can be made about the effect which any future public offerings of the Issuer's securities, or any takeover or merger activity involving the Issuer, will have on the market price of the Bonds prevailing from time to time.

**(v) Ongoing compliance requirement of the Issuer**

Even after the Bonds are admitted to trading on the MSE, the Issuer is required to remain in compliance with certain requirements relating, *inter alia*, to the free transferability, clearance and settlement of the Bonds in order to remain a listed company in good standing. Moreover, the Listing Authority has the authority to suspend trading of the Bonds if, *inter alia*, it comes to believe that such a suspension is required for the protection of investors or the integrity or reputation of the market. The Listing Authority may discontinue the trading of the Bonds on the MSE. Any such trading suspension or discontinuance described above could have a material adverse effect on the liquidity and value of the Bonds.

**(vi) No independent credit rating of the Bonds has been sought**

The Issuer has not sought, nor does it intend to seek, the credit rating of an independent rating agency and there has been no assessment by any independent rating agency of the Bonds.

### **3 ESSENTIAL INFORMATION**

#### **3.1 Interest of natural and legal persons involved in the Bond Issue**

Without prejudice to the potential conflicts of interest of Directors disclosed in section 8.2 of the Registration Document, and save for the subscription for Bonds by the Authorised Financial Intermediaries (which include the Sponsor, Manager & Registrar), and any fees payable in connection with the Bond Issue to the Sponsor, Manager & Registrar, so far as the Issuer is aware, no person involved in the Bond Issue has an interest material to the Bond Issue.

#### **3.2 Reasons for the offer and use of proceeds**

The net proceeds from the Bond Issue, are expected to amount to approximately €12,700,000. The proceeds will be utilised as follows:

- (a) Circa €500,000 for the acquisition of one additional pharmacy licence which management is already in advanced discussion thereon;
- (b) Circa €1,400,000 for capital expenditure purposes in order to (i) renovate the pharmacies that have already been acquired and rebrand same under the 'Brown's' brand; and (ii) invest in additional health services equipment such as laser hair removal machinery;

- (c) *Circa* €4,000,000 for acquisitions of additional pharmacy licences, to refurbish and equip pharmacies and to invest in or fund other capital projects of the Group, provided that:
  - i. future acquisitions of additional pharmacy licences shall not exceed €3,000,000; and
  - ii. refurbishment of pharmacies shall not exceed €1,000,000;
- (d) *Circa* €5,500,000 to refinance existing debt with BNF Bank plc, which loans consist of advances to finance the acquisition of new pharmacy licences and the refurbishing of the respective properties; and
- (e) *Circa* €1,300,000 for general corporate funding purposes.

Bond Issue expenses for a total of *circa* €300,000 will consist of:

- a) Placement fees of €130,000; and
- b) Professional, MSE, regulatory and other ancillary fees of *circa* €170,000.

The amount of €4,000,000 earmarked for the purposes indicated in (c) above shall be held by the Trustee and will be drawn down against the presentation of agreements, requests for payment and/or invoices, in accordance with the provisions of the Trust Deed. In terms of the Prospectus and the Trust Deed, the Trustee shall not release any of the said Bond Issue proceeds (after receiving same from the Registrar), except for purposes indicated in (c) above.

## **4 INFORMATION CONCERNING THE SECURITIES TO BE OFFERED TO THE PUBLIC AND ADMITTED TO TRADING**

The Bonds shall be issued on the terms and conditions set out in this Securities Note. By subscribing to or otherwise acquiring the Bonds, the Bondholders are deemed to have knowledge of all the Terms and Conditions of the Bonds herein described and to accept and be bound by the said Terms and Conditions.

### **4.1 General**

Each Bond forms part of a duly authorised issue of 3.9% Unsecured Callable Bonds 2027-2031 of a nominal value of €100 per Bond issued by the Issuer at par up to the principal amount of €13,000,000 (except as otherwise provided under section 4.12 hereunder). The Issue Date of the Bonds is expected to be 15 July 2021. The Bonds are created under Maltese law and are subject to the terms and conditions as outlined in the Prospectus.

- a) The currency of the Bonds is Euro (€).
- b) Subject to admission to listing of the Bonds to the Official List of the MSE, the Bonds are expected to be assigned ISIN: MT0002521202.
- c) Unless previously purchased and cancelled, or redeemed in the case of an Early Redemption or Partial Conditional Early Redemption, the Bonds shall be redeemable at par on the respective Redemption Date.
- d) The issue of the Bonds is made in accordance with the requirements of the Listing Rules, the Act, and the Regulation.
- e) The Bond Issue is not underwritten.
- f) There are no special rights attached to the Bonds other than the right of the Bondholders to the payment of capital and interest and in accordance with the ranking specified in section 4.4 hereunder.

In the event that the Bond Issue is not fully subscribed and provided that the amount received from the Bonds is not less than €7,000,000, the Issuer will proceed with the listing of the amounts of Bonds subscribed for, and shall apply the net proceeds received in the manner set out above *pari passu*. Any residual amounts required by the Issuer for the purposes of the use specified in this section which shall not have been raised through the Bond Issue shall be financed from the Group's general cash flow and/or bank financing. In the event that the proceeds received on closure of the Offer Period amounts to below €7,000,000, no allotment of the Bonds shall be made, the subscription of Bonds shall be deemed not to have been accepted by the Issuer and all money received from Applicants shall be refunded accordingly.

#### 4.2 Registration, form, denomination and title

Certificates will not be delivered to Bondholders in respect of the Bonds. The entitlement to Bonds will be represented in uncertificated form by the appropriate entry in the electronic register maintained on behalf of the Issuer by the CSD. There will be entered in such electronic register the names, addresses, identity card numbers (in the case of natural persons), registration numbers (in the case of companies) and MSE account numbers of the Bondholders and particulars of the Bonds held by them respectively, and the Bondholders shall have, at all reasonable times during business hours, access to the register of bondholders held at the CSD for the purpose of inspecting information held on their respective account. The CSD will issue, upon a request by a Bondholder, a statement of holdings to such Bondholder evidencing his/her/its entitlement to Bonds held in the register kept by the CSD. Upon submission of an Application Form, Bondholders who opt to subscribe for the online e-portfolio account with the CSD, by marking the appropriate box on the Application Form, will be registered by the CSD for the online e-portfolio facility and will receive by mail at their registered address a handle code to activate the new e-portfolio login. The Bondholder's statement of holdings evidencing entitlement to Bonds held in the register kept by the CSD and registration advices evidencing movements in such register will be available through the said e-portfolio facility on <https://eportfolio.borzamalta.com.mt/>. Further detail on the e-portfolio is found on the aforementioned website.

The Bonds will be issued in fully registered form, without interest coupons, in denominations of any integral multiples €100, provided that on subscription the Bonds will be issued for a minimum of €2,000 per individual Bondholder. Authorised Financial Intermediaries subscribing to the Bonds through nominee accounts for and on behalf of clients shall apply the minimum subscription amount of €2,000 to each underlying client.

Any person in whose name a Bond is registered may (to the fullest extent permitted by applicable law) be deemed and treated at all times, by all persons (including the Issuer) and for all purposes (including the making of any payments), as the absolute owner of such Bond. Title to the Bonds may be transferred as provided below in section 4.11 hereunder.

#### 4.3 Ranking of the Bonds

The Bonds, as and when issued and allotted, shall constitute the general, direct, unconditional and unsecured obligations of the Issuer to the Bondholders and shall at all times, rank *pari passu*, without any priority or preference among themselves and with other outstanding and unsecured debt of the Issuer, present and future.

#### 4.4 Rights attaching to the Bonds

This Securities Note in its entirety contains the terms and conditions of issue of the Bonds, which constitute the terms and conditions of the contract between the Issuer and a Bondholder. A Bondholder shall have such rights as are, pursuant to this Securities Note, attached to the Bonds, including:

- (a) the repayment of capital;
- (b) the payment of interest;
- (c) the right to attend, participate in and vote at meetings of Bondholders in accordance with the Terms and Conditions of the Bond Issue; and
- (d) enjoy all such other rights attached to the Bonds emanating from the Prospectus.

## 4.5 Interest

Each Bond shall bear interest on its outstanding principal amount at a rate of 3.9% per annum from (and including) 9 July annually in arrears on each respective Interest Payment Date. The first interest payment for the Bonds will be effected on 9 July 2022. Any Interest Payment Date which falls on a day other than a Business Day will be carried over to the next following day that is a Business Day. When interest is required to be calculated for any period of less than a full year, it shall be calculated on the basis of a three hundred and sixty (360) day year consisting of twelve (12) months of thirty (30) days each, and in the case of an incomplete month, the number of days elapsed.

## 4.6 Trust Deed

The following does not purport to constitute an exhaustive summary of the Trust Deed. This section 4.6 is simply intended to give an overview of the more salient provisions of the Trust Deed. For more information on the provisions of the Trust Deed, please refer to the Trust Deed which is available for inspection as indicated in section 14 of the Registration Document.

Terms in this section 4.6 have the meaning assigned to them in the Trust Deed.

### 4.6.1 General Provisions

This trust is to be treated as constituted in the context of a commercial transaction in terms and for the purposes of the Trusts and Trustees Act (Chapter 331 of the Laws of Malta).

### 4.6.2 Safeguards for the Applicants

#### 4.6.2.1 Transfer of net proceeds of the Bonds

Following the Bond Issue, the amount of *circa* €4,000,000 earmarked for the purposes indicated in (c) of section 3.2 of this Securities Note shall be held by the Trustee and will be drawn down against the presentation of agreements, requests for payment and/or invoices, in accordance with the provisions of the Trust Deed. In terms of the Prospectus and the Trust Deed, the Trustee shall not release any of the said Bond Issue proceeds (after receiving same from the Registrar), except for payments related to the purposes indicated therein.

In accordance with the Trust Deed, in the event that any of the disbursements contemplated above are not disbursed by the end of the term of the Bonds, the Trustee shall cease to hold the balance of the Bond Issue proceeds on escrow and shall surrender and refund the same to the Issuer at the expiration of the said term of the Bonds, when the outstanding Bonds are due for redemption, so that the aforementioned Bond Issue proceeds are utilised for effecting the appropriate redemption in accordance with this Prospectus.

### 4.6.3 Resignation and Removal of Trustee

The Trustee may resign as trustee by giving not less than three (3) months' notice in writing to the Issuer. The Issuer may remove the Trustee by giving at least one (1) month's notice.

In the event of the Trustee giving notice of its resignation or being removed, the Issuer undertakes to procure a new trustee to be appointed (the 'Successor Trustee'). The retirement or removal of the Trustee shall not become effective until such time as a Successor Trustee is appointed and any unallocated funds held on escrow by the Trustee are transferred to the Successor Trustee. Upon appointment of the Successor Trustee, references contained in the Trust Deed and this Prospectus to the Trustee shall be deemed to refer to the Successor Trustee.

The terms and conditions of the Trust Deed shall, upon subscription or purchase of any Bonds, be binding on such subscriber or purchaser as a beneficiary under the trust as if the Bondholder had been a party to the Trust Deed and as if the Trust Deed contained covenants on the part of each Bondholder to observe and be bound by all the provisions thereof, and the Trustee is authorised and required to do the things required of it by the Trust Deed.

#### 4.7 Yield

The gross yield calculated on the basis of the Interest, the Issue Price and the Nominal Value of the Bonds is 3.9%. The table below illustrates the gross yield at the different Early Redemption Dates:

Year	Redemption Price	Yield
2027	101.950%	3.53%
2028	100.975%	3.69%
2029 and thereafter	100.000%	3.90%

#### 4.8 Redemption

Unless previously redeemed in accordance with the terms of this section (or purchased and cancelled), the Bonds shall be redeemed at their Nominal Value on the Redemption Date.

The Issuer reserves the right to redeem any or all of the Bonds on any Early Redemption Date on giving not less than thirty (30) Business Day's prior written notice to the Bondholders specifying the date on which such redemption shall be effected. Each Bond may be redeemed only in whole and not in part and any partial redemption of the Bonds held by a Bondholder shall be made only in multiples of €100. Any redemption of the Bonds prior to the Redemption Date shall take place by payment of all principal together with interest accrued and unpaid on the Bonds being so redeemed until the relevant Early Redemption Date. The notice of redemption shall be effective only on actual receipt by the relevant Bondholder, shall be irrevocable and shall oblige the Issuer to make, and the Bondholder to accept, such redemption on the date specified in the notice.

Any partial redemption of Bonds by the Issuer shall be effected by means of a redemption of Bonds held by each Bondholder on a pro rata basis.

At any time prior to 2027, the Issuer may on any one or more occasions elect to initiate a Partial Conditional Early Redemption by redeeming up to 30% of the aggregate principal amount of the Bonds issued, upon not less than 10 nor more than 60 days' notice to Bondholders, at a redemption price equal to 103.9% of the principal amount of the Bonds redeemed, plus accrued and unpaid interest and additional amounts, if any, to (but not including) the date of redemption. The partial redemption prior to 2027 is subject to the condition that the Issuer makes an equity offering to the public and that at least 70% of the aggregate principal amount of the Bonds remains outstanding immediately after the occurrence of such redemption.

On or after 2027, the Issuer may on and any time redeem all of the Bonds as follows;

Year	Redemption Price
2027	101.950%
2028	100.975%
2029 and thereafter	100.000%

## 4.9 Purchase and cancellation

To the extent allowed by law, the Issuer may at any time purchase Bonds in the open market or otherwise and at any price. All Bonds purchased by or on behalf of the Issuer will be cancelled and may not be re-issued or re-sold. Any Bonds so surrendered for cancellation may not be re-issued or re-sold and the obligations of the Issuer in respect of any such Bonds shall be discharged.

## 4.10 Payments

Payment of the principal amount of Bonds will be made in Euro (€). The Issuer will effect payments to the person in whose name the Bonds are registered, with interest accrued up to the Redemption Date. Payments shall be made by means of direct credit transfer into such bank account as the Bondholder designates in the Application Form and/or such other bank account as the Bondholder may designate from time to time, provided such bank account is denominated in Euro and held with any licensed bank in Malta. Such payment shall be made within seven (7) days of the Redemption Date. The Issuer shall not be responsible for any charges, loss or delay in transmission. Upon payment of the Redemption Value, the Bonds shall be redeemed and the appropriate entry made in the electronic register of the Bonds at the CSD.

In the case of Bonds held subject to usufruct, payment of the principal amount will be made against the joint instructions of all bare owners and usufructuaries. Before effecting payment, the Issuer and/or the CSD shall be entitled to request any legal documents deemed necessary concerning the entitlement of the bare owner/s and the usufructuary/ies to payment of the Bonds. Payment of interest on a Bond will be made to the person in whose name such Bond is registered at the close of business fifteen (15) days prior to the Interest Payment Date, by means of a direct credit transfer into such bank account as the Bondholder may designate, from time to time, which is denominated in Euro and held with any licensed bank in Malta. Such payment shall be effected within seven (7) days of the Interest Payment Date.

The Issuer shall not be responsible for any charges, loss or delay in transmission. All payments with respect to the Bonds are subject in all cases to any pledge (duly constituted) of the Bonds and to any applicable fiscal or other laws and regulations. In particular, but without limitation, all payments of principal and interest by or on behalf of the Issuer in respect of the Bonds shall be made net of any amount which the Issuer is or may become compelled by law to deduct or withhold for or on account of any present or future taxes, duties, assessments or other government charges of whatsoever nature imposed, levied, collected, withheld or assessed by or within the Republic of Malta or any authority thereof or therein or of any other applicable jurisdiction having power to tax.

No commissions or expenses shall be charged by the Issuer to Bondholders in respect of such payments.

In terms of article 2156 of the Civil Code (Cap. 16 of the Laws of Malta), the right of Bondholders to bring claims for payment of interest and repayment of the principal on the Bonds is barred by the lapse of five (5) years.

## 4.11 Events of default

4.11.1 The Bondholders, holding not less than seventy-five percent (75%) of the outstanding Bonds, may give notice to the Issuer that the Bonds are, and shall accordingly immediately become, due and payable at their Nominal Value together with interest accrued on the occurrence of any of the following events (each an 'Event of Default') and without the need of any authorisation and/or confirmation from a competent court in the event that:

- a) The Issuer fails to pay any interest on any Bond when due and such failure shall continue for sixty (60) days after written notice thereof shall have been given to the Issuer by the Bondholders; or
- b) The Issuer fails to repay any principal on any Bond when due and such failure shall continue for sixty (60) days after written notice thereof shall have been given to the Issuer by the Bondholders; or
- c) The Issuer fails to perform or observe any material covenant, material condition or material provision contained in this Securities Note or the Prospectus (other than any obligation for the payment of principal and interest in respect of the Bonds) and such failure is incapable of remedy or is not remedied within forty-five (45) days after notice of such default shall have been given to the Issuer; or
- d) The Issuer is deemed unable or admits its inability to pay its debts as they fall due within the meaning of Article 214(5) of the Act; or
- e) The Issuer stops or suspends payments (whether of principal or interest) with respect to the Bonds or announces an intention to do so or ceases or threatens to cease to carry on its business or a substantial part of its business; or

- f) The Issuer is adjudicated or found bankrupt or insolvent, or an order is made by any competent court, or a resolution is passed by the Issuer or any other action is taken for the dissolution, liquidation, or winding up of the Issuer.

4.11.2 Any notice, including any notice declaring the Bonds due shall be made by means of a written declaration delivered by hand or registered mail to the registered office of the Issuer.

4.11.3 At any time after notice has been given to the Issuer by the Bondholders that the Bonds shall have become immediately due and payable in accordance with section 4.10.1 above, the Bondholders may, in their sole discretion, institute such proceeds as they may think fit against the Issuer to enforce repayment of the principal together with accrued but unpaid interest.

#### **4.12 Transferability of the Bonds**

The Bonds are freely transferable and, once admitted to the Official List of the MSE, shall be transferable only in whole (i.e. in multiples of €100) in accordance with the rules and regulations of the MSE applicable from time to time. The minimum subscription amount of €2,000 for the Bonds shall only apply during the Offer Period. As such, no minimum holding requirement shall be applicable once the Bonds are admitted to listing on the Official List of the MSE and commence trading thereafter, subject to trading in multiples of €100.

Any person becoming entitled to a Bond in consequence of the death or bankruptcy or winding up of a Bondholder may, upon such evidence being produced as may from time to time properly be required by the Issuer or the CSD, elect either to be registered himself/herself as holder of the Bond or to have some person nominated by him/her registered as the transferee thereof. If the person so becoming entitled shall elect to be registered himself/herself, he/she shall deliver or send to the CSD a notice in writing signed by him/her stating that he/she so elects. If he/she shall elect to have another person registered, he/she shall testify his/her election by transferring the Bond or procuring the transfer of the Bond in favour of that person.

All transfers and transmissions are subject in all cases to any pledge (duly constituted) of the Bonds and to any applicable laws and regulations.

The cost and expenses of effecting any registration of transfer or transmission, except for the expenses of delivery by any means other than regular mail (if any) and except, if the Issuer shall so require, the payment of a sum sufficient to cover any tax, duty or other governmental charge or insurance charges that may be imposed in relation thereto, will be borne by the Issuer.

The Issuer will not register the transfer or transmission of Bonds for a period of fifteen (15) days preceding the due date for any payment of interest on the Bonds or the due date for redemption.

#### **4.13 Further issues**

The Issuer may, from time to time, without the consent of the Bondholders, create and issue further debentures, debenture stock, bonds, loan notes, or any other debt securities, either having the same terms and conditions as any outstanding debt securities or upon such terms as the Issuer may determine at the time of their issue.

#### **4.14 Resolutions and meetings of Bondholders**

The Issuer may from time to time call meetings of Bondholders for the purpose of consultation with Bondholders or for the purpose of obtaining the consent of Bondholders on matters which in terms of the Prospectus require the approval of a Bondholders' meeting and to effect any change to the applicable Terms and Conditions of the Bonds. A meeting of the Bondholders may be also convened on the requisition of a Bondholder or Bondholders holding in aggregate, at the date of the deposit of the requisition, not less than seventy-five percent (75%) in aggregate Nominal Value of Bonds then outstanding, which requisition shall state the objects of the meeting and shall be signed by the requisitioning Bondholder/s and deposited at the registered office of the Issuer. The Issuer must then proceed duly to convene a meeting of Bondholders within twenty-one (21) days from the date of the deposit of the requisition that complies with the requirements of this section. A meeting of Bondholders shall be called by the Board by giving all Bondholders listed in the CSD Register as at a date being not more than thirty (30) days preceding the date scheduled for the meeting, not less than fourteen (14) days' notice in writing. Such notice shall set out the time, place and date set for the meeting and the matters to be discussed or decided thereat, including, if applicable, sufficient information on any amendment of the Terms and Conditions (as set out in this Prospectus) that is proposed to be voted upon at the meeting and seeking the approval of the Bondholders. Following a meeting of Bondholders held in accordance with the provisions contained hereunder, the Issuer shall, acting in accordance with the resolution/s taken at the meeting, communicate to the Bondholders whether the necessary consent to the proposal made by the Issuer has been granted or withheld. Subject to having obtained the necessary approval by the Bondholders in accordance with



the provisions of this section at a meeting called for that purpose as aforesaid, any such decision shall subsequently be given effect to by the Issuer. The amendment or waiver of any of the Terms and Conditions may only be made with the approval of Bondholders at a meeting called and held for that purpose in accordance with the terms hereof. A meeting of Bondholders shall only validly and properly proceed to business if there is a quorum present at the commencement of the meeting. For this purpose, one (1) or more Bondholders present, in person or by proxy, representing not less than seventy-five percent (75%) in Nominal Value of the Bonds then outstanding, shall constitute a quorum. If a quorum is not present within thirty (30) minutes from the time scheduled for the commencement of the meeting as indicated on the notice convening same, the meeting shall stand adjourned to a place, date and time as shall be communicated by the Board to the Bondholders present at that meeting. The Issuer shall within two (2) days from the date of the original meeting notify all Bondholders in writing of the date, time and place where the adjourned meeting is to be held. An adjourned meeting shall be held not earlier than seven (7) days, and not later than fifteen (15) days, following the original meeting. At an adjourned meeting: the number of Bondholders present, in person or by proxy, shall constitute a quorum; and only the matters specified in the notice calling the original meeting shall be placed on the agenda of, and shall be discussed at, the adjourned meeting. Any person who in accordance with the Memorandum and Articles is to chair the annual general meetings of shareholders shall also chair meetings of Bondholders. Once a quorum is declared present by the chairman of the meeting, the meeting may then proceed to business and address the matters set out in the notice convening the meeting. In the event of decisions being required at the meeting, the directors or their representative shall present to the Bondholders the reasons why it is deemed necessary or desirable and appropriate that a particular decision is taken. The meeting shall allow reasonable and adequate time to Bondholders to present their views to the Issuer and the other Bondholders present at the meeting. The meeting shall then put the matter as proposed by the Issuer to a vote of the Bondholders present at the time at which the vote is being taken, and any Bondholders taken into account for the purpose of constituting a quorum who are no longer present for the taking of the vote shall not be taken into account for the purpose of such vote.

The voting process shall be managed by the Company Secretary of the Issuer.

The proposals placed before a meeting of Bondholders shall only be considered approved if at least seventy-five percent (75%) in Nominal Value of the outstanding Bonds held by the Bondholders present at the meeting at the time when the vote is being taken, in person or by proxy, shall have voted in favour of the proposal. Save for the above, the rules generally applicable to proceedings at general meetings of shareholders of the Issuer shall *mutatis mutandis* apply to meetings of Bondholders.

#### **4.15 Bonds held jointly**

In respect of a Bond held jointly by several persons (including husband and wife), the joint holders shall nominate one of their number as their representative and his/her name will be entered in the register with such designation. The person whose name shall be inserted in the field entitled "Applicant" on the Application Form, or first named in the register of Bondholders shall for all intents and purposes be deemed to be such nominated person by all the joint holders of the relevant Bond/s. Such person shall, for all intents and purposes, be deemed to be the registered holder of the Bond/s so held.

#### **4.16 Bonds held subject to usufruct**

In respect of a Bond held subject to usufruct, the name of the bare owner and the usufructuary shall be entered in the register. Without prejudice to what is provided in section 4.9 of this Securities Note regarding payment of principal, the usufructuary shall, for all intents and purposes, be deemed *vis-à-vis* the Issuer to be the holder of the Bond so held and shall have the right to receive interest on the Bond and to vote at meetings of the Bondholders but shall not, during the continuance of the Bond, have the right to dispose of the Bond so held without the consent of the bare owner.

#### **4.17 Authorisations and approvals**

The Board of Directors of the Issuer authorised the Bond Issue pursuant to a Board of Directors' resolution passed on 9 April 2021

#### **4.18 Representations and warranties**

The Issuer represents and warrants to the Bondholders, who shall be entitled to rely on such representations and warranties, that:

- (a) it is duly incorporated and validly existing under the laws of Malta and has the power to carry on its business as it is now being conducted and to hold its property and other assets under legal title; and

- (b) it has the power to execute, deliver and perform its obligations under the Prospectus and that all necessary corporate, shareholder and other actions have been duly taken to authorise the execution, delivery and performance of the same, and further that no limitation on its power to borrow or guarantee shall be exceeded as a result of the Bond Issue.

The Prospectus contains all relevant material information with respect to the Issuer and all information contained in the Prospectus is in every material respect true and accurate and not misleading, and there are no other facts in relation to the Issuer, its businesses and financial position, the omission of which would, in the context of the issue of the Bonds, make any statement in the Prospectus misleading or inaccurate in any material respect.

#### 4.19 Notices

Notices will be mailed to Bondholders at their registered addresses and shall be deemed to have been served at the expiration of twenty-four (24) hours after the letter containing the notice is posted, and in proving such service it shall be sufficient to prove that a prepaid letter containing such notice was properly addressed to such Bondholder at his registered address and posted.

#### 4.20 Governing law and jurisdiction

The Bonds, all the rights and obligations of the Bondholders and the Issuer, and any non-contractual matters arising out of or in connection therewith, shall be governed by and construed in accordance with Maltese law. Any dispute, legal action, suit or proceedings against the Issuer arising out of or in connection with the Bonds and/or the Prospectus and/or any non-contractual matters arising out of or in connection therewith shall be brought exclusively before the Maltese courts. The Issuer and each Bondholder therefore irrevocably submits to the exclusive jurisdiction of the Courts of Malta to hear and determine any dispute, action, suit or proceedings as aforesaid.

## 5 TAXATION

**INVESTORS AND PROSPECTIVE INVESTORS ARE URGED TO SEEK PROFESSIONAL ADVICE AS REGARDS BOTH MALTESE AND ANY FOREIGN TAX LEGISLATION WHICH MAY BE APPLICABLE TO THEM IN RESPECT OF THE BONDS, INCLUDING THEIR ACQUISITION, HOLDING AND TRANSFER AS WELL AS ON ANY INCOME DERIVED THEREFROM OR ON ANY GAINS DERIVED ON THE TRANSFER OF SUCH BONDS. THE FOLLOWING IS A SUMMARY OF THE ANTICIPATED TAX TREATMENT APPLICABLE TO BONDHOLDERS IN SO FAR AS TAXATION IN MALTA IS CONCERNED. THIS INFORMATION DOES NOT CONSTITUTE LEGAL OR TAX ADVICE AND DOES NOT PURPORT TO BE EXHAUSTIVE. THE INFORMATION BELOW IS BASED ON AN INTERPRETATION OF TAX LAW AND PRACTICE RELATIVE TO THE APPLICABLE LEGISLATION, AS KNOWN TO THE ISSUER AT THE DATE OF THE PROSPECTUS, IN RESPECT OF A SUBJECT ON WHICH NO OFFICIAL GUIDELINES EXIST. INVESTORS ARE REMINDED THAT TAX LAW AND PRACTICE AND THEIR INTERPRETATION AS WELL AS THE LEVELS OF TAX ON THE SUBJECT MATTER REFERRED TO IN THE PRECEDING PARAGRAPH, MAY CHANGE FROM TIME TO TIME. THIS INFORMATION IS BEING GIVEN SOLELY FOR THE GENERAL INFORMATION OF INVESTORS. THE PRECISE IMPLICATIONS FOR INVESTORS WILL DEPEND, AMONG OTHER THINGS, ON THEIR PARTICULAR CIRCUMSTANCES AND ON THE CLASSIFICATION OF THE BONDS FROM A MALTESE TAX PERSPECTIVE, AND PROFESSIONAL ADVICE IN THIS RESPECT SHOULD BE SOUGHT ACCORDINGLY.**

#### Malta tax on interest

Since interest is payable in respect of a Bond which is the subject of a public issue, unless the Issuer is instructed by a Bondholder to receive the interest gross of any withholding tax, or if the Bondholder does not fall within the definition of "recipient" in terms of Article 41(c) of the Income Tax Act (Cap. 123 of the Laws of Malta), interest shall be paid to such Bondholder net of a final withholding tax, currently at the rate of 15% (10% in the case of certain types of collective investment schemes) of the gross amount of the interest, pursuant to Article 33 of the Income Tax Act (Cap. 123 of the Laws of Malta).

Bondholders who do not fall within the definition of a "recipient" do not qualify for the said rate and should seek advice on the taxation of such income as special rules may apply. This withholding tax is considered as a final tax and a Maltese resident individual Bondholder is not obliged to declare the interest so received in his income tax return (to the extent that the interest is paid net of tax). No person shall be charged to further tax in respect of such income.

The Issuer will render an account to the Maltese Commissioner for Revenue of all amounts so deducted but will not specify the identity of the recipient. In the case of a valid election made by an eligible Bondholder resident in Malta to receive the interest due without the deduction of final tax, interest will be paid gross and such person will be obliged to declare the interest so received in his income tax return and be subject to tax at the standard rates applicable to such Bondholder at that time. Additionally, in this latter case the Issuer will advise the Maltese Commissioner for Revenue on an annual basis in respect of all interest paid gross and of the identity of all such recipients unless the beneficiary is a non-resident of Malta. Any such election made by a resident Bondholder at the time of subscription may be subsequently changed by giving notice in writing to the Issuer. Such election or revocation will be effective within the time limit set out in the Income Tax Act.

In terms of article 12(1)(c)(i) of the Income Tax Act, Bondholders who are not resident in Malta satisfying the applicable conditions set out in the Income Tax Act are not taxable in Malta on the interest received and will receive interest gross, subject to the requisite declaration/evidence being provided to the Issuer in terms of law.

### **Exchange of information**

In terms of applicable Maltese legislation, the Issuer and/or its agent are required to collect and forward certain information (including, but not limited to, information regarding payments made to certain Bondholders) to the Commissioner for Revenue. The Commissioner for Revenue will or may, in turn, automatically or on request, forward the information to other relevant tax authorities subject to certain conditions.

### **Maltese tax on capital gains on transfer of the Bonds**

On the assumption that the Bonds would not fall within the definition of “securities” in terms of article 5(1)(b) of the Income Tax Act, that is, “shares and stocks and such like instrument that participate in any way in the profits of the company and whose return is not limited to a fixed rate of return”, to the extent that the Bonds are held as capital assets by the Bondholder, no income tax on capital gains is chargeable in respect of transfer of the Bonds.

### **Duty on documents and transfers**

In terms of the Duty on Documents and Transfers Act (Cap. 364 of the Laws of Malta), duty is chargeable inter alia on the transfer or transmission causa mortis of marketable securities. A marketable security is defined in the said legislation as “a holding of share capital in any company and any document representing the same”. Consequently, the Bonds should not be treated as constituting marketable securities within the meaning of the legislation and therefore, the transfer/transmission thereof should not be chargeable to duty.

Furthermore, even if the Bonds are considered marketable securities for the purposes of the Duty on Documents and Transfers Act, in terms of article 50 of the Financial Markets Act (Cap. 345 of the Laws of Malta) since the Bonds constitute financial instruments of a quoted company (as defined in such Act), redemptions and transfers of the Bonds should, in any case, be exempt from duty.

**INVESTORS AND PROSPECTIVE INVESTORS ARE URGED TO SEEK PROFESSIONAL ADVICE AS REGARDS BOTH MALTESE AND ANY FOREIGN TAX LEGISLATION APPLICABLE TO THE ACQUISITION, HOLDING AND DISPOSAL OF BONDS AS WELL AS INTEREST PAYMENTS MADE BY THE ISSUER. THE ABOVE IS A SUMMARY OF THE ANTICIPATED TAX TREATMENT APPLICABLE TO THE BONDS AND TO BONDHOLDERS. THIS INFORMATION, WHICH DOES NOT CONSTITUTE LEGAL OR TAX ADVICE, REFERS ONLY TO BONDHOLDERS WHO DO NOT DEAL IN SECURITIES IN THE COURSE OF THEIR NORMAL TRADING ACTIVITY.**

## 6 TERMS AND CONDITIONS OF THE BOND ISSUE

### 6.1 Expected timetable

1. Application Forms available to general public	18 June 2021
2. Offer Period (may close earlier as determined by the Issuer)*	23 June 2021 - 8 July 2021
3. Commencement of interest on the Bonds	9 July 2021
4. Announcement of basis of acceptance	13 July 2021
5. Refunds of unallocated monies (if any)	13 July 2021
6. Dispatch of allotment letters	13 July 2021
7. Listing of Bonds on the MSE	15 July 2021
8. Commencement of trading on the MSE	16 July 2021

\*The Issuer reserves the right to close the Offer Period before 8 July 2021 in the event of over-subscription, in which case the remaining events set out in 3-8 above will be brought forward and will take place in the same chronological order as set out above.

### 6.2 Terms and Conditions of Application

- 6.2.1 Applicants may subscribe for the Bonds by completing the Application Form, specimen of which can be found in Annex II to this Securities Note. Such Application Form may be submitted to any Authorised Financial Intermediary by latest 12:00 hours on 8 July 2021 or such earlier date as may be determined by the Issuer in case of over-subscription.
- 6.2.2 The Offer shall be deemed to have closed upon the earlier occurrence of either the Offer being fully-subscribed to at any point in time during the Offer Period; or upon closing of the Offer Period where the Issuer would have received subscriptions equivalent to at least the Minimum Total Subscription Amount.
- 6.2.3 The issue and allotment of the Bonds is conditional upon the Bonds being admitted to the Official List of the MSE. In the event that this does not occur within fifteen (15) Business Days from the closing of the Offer Period, any Application monies received by the Issuer will be returned without interest by direct credit into the Applicant's bank account indicated by the Applicant on the relative Application Form. The Issuer shall not be responsible for any charges, loss or delay in transmission to the extent that the said Issuer has acted diligently and with the expected reasonable due standard of care.
- 6.2.4 It is the responsibility of investors wishing to apply for the Bonds to inform themselves as to the legal requirements of so applying, including any requirements relating to external transaction requirements in Malta and any exchange control in the countries of their nationality, residence or domicile.
- 6.2.5 The contract created by the Issuer's acceptance of an Application filed by a prospective Bondholder shall be subject to all the terms and conditions set out in this Securities Note and the Memorandum and Articles of the Issuer.
- 6.2.6 Any person, whether natural or legal, shall be eligible to submit an Application and any one (1) person, whether directly or indirectly, should not submit more than one (1) Application Form. If an Application Form is signed on behalf of another party or on behalf of a corporation or corporate entity or association of persons, the person signing will be deemed to have duly bound his principal, or the relative corporation, corporate entity, or association of persons, and will be deemed also to have given the confirmations, warranties and undertakings contained in these Terms and Conditions on their behalf. Such representative is requested to submit the relative power of attorney/ resolution or a copy thereof duly certified by a lawyer or notary public if so required by the Issuer and/or the Registrar, but it shall not be the duty or responsibility of the Registrar or Issuer to ascertain that such representative is duly authorised to appear on the Application Form and bind the Applicant. In the case of joint Applications, reference to the Applicant in these Terms and Conditions is a reference to each of the joint Applicants, and liability therefor is joint and several.

Applications in the name of a corporation or corporate entity or association of persons, need to include a valid Legal Entity Identifier ("LEI") in the space provided on the Application Form. Failure to include a valid LEI code, will result in the Application being cancelled by the Issuer acting through the Registrar and subscription monies will be returned to the Applicant in accordance with section 6.2.16 below.

In respect of a Bond held subject to usufruct, the name of the bare owner and the usufructuary shall be entered in the register. The usufructuary shall, for all intents and purposes, be deemed *vis-à-vis* the Issuer to be the holder of the Bond/s so held and shall have the right to receive interest on the Bond/s and to vote at meetings of the Bondholders but shall not, during the continuance of the Bond/s, have the right to dispose of the Bond/s so held without the consent of the bare owner, and shall not be entitled to the repayment of principal on the Bond (which shall be due to the bare owner).

- 6.2.7 Applications in the name and for the benefit of minors shall be allowed provided that the Applicant already holds an account with the MSE. Any Bonds allocated pursuant to such an Application Form shall be registered in the name of the minor as Bondholder, with interest and redemption monies payable to the parents/legal guardian/assigning the application form until such time as the minor attains the age of eighteen (18) years, following which all interest and redemption monies shall be paid directly to the registered holder, provided that the Issuer has been duly notified in writing of the fact that the minor has attained the age of eighteen (18) years.
- 6.2.8 The Bonds have not been and will not be registered under the Securities Act of 1933 of the United States of America and, accordingly, may not be offered or sold within the United States or to or for the account or benefit of a U.S. person (as such term is defined in Regulation S under the Securities Act of 1933 of the United States of America, as amended).
- 6.2.9 No person receiving a copy of the Prospectus or an Application Form in any territory other than Malta may treat the same as constituting an invitation or offer to such person nor should such person in any event use such Application Form, unless, in the relevant territory, such an invitation or offer could lawfully be made to such person or such Application Form could lawfully be used without contravention of any registration or other legal requirements.
- 6.2.10 It is the responsibility of any person outside Malta, wishing to make any Application, to satisfy himself/herself/itself as to full observance of the laws of any relevant territory in connection therewith, including obtaining any requisite governmental or other consent, observing any other formality required to be observed in such territory and paying any issue, transfer or other taxes required to be paid in such territory.
- 6.2.11 Subject to all other terms and conditions set out in the Prospectus, the Issuer reserves the right to reject, in whole or in part, or to scale down, any Application, including multiple or suspected multiple applications, and to present any cheques and/or drafts for payment upon receipt. The right is also reserved to refuse any Application which in the opinion of the Issuer is not properly completed in all respects in accordance with the instructions, and/or the Prospectus, and/or is not accompanied by the required documents. Only original Application Forms will be accepted, and photocopies/facsimile copies will not be accepted. In the case of joint Applications, reference to the Applicant is a reference to each Applicant, and liability therefor is joint and several.
- 6.2.12 The Issuer has not sought assessment of the Bonds by any independent credit rating agency.
- 6.2.13 The Bonds will be issued in multiples of €100. The minimum amount of Bonds that can be subscribed for by each Applicant is €2,000.
- 6.2.14 Subject to all other terms and conditions set out in the Prospectus, the Issuer reserves the right to revoke the issue at any time before the closing of the Offer Period. The circumstances in which such revocation might occur are expected to be exceptional, for example where a significant change in market conditions occurs.
- 6.2.15 The Offer Period shall close immediately upon attaining full subscription or on the last day of the Offer Period, whichever is the earlier. Within five (5) Business Days from closing of the Offer Period, the Issuer shall announce the results of the Bond Issue and shall determine and announce the basis of acceptance of Applications and the allocation policy to be adopted through a company announcement.
- 6.2.16 In the event that an Applicant has not been allocated any Bonds or has been allocated a number of Bonds which is less than the number applied for, the Applicant shall receive a full refund or, as the case may be, the balance of the price of the Bonds applied for but not allocated, without interest, by credit transfer to such account indicated in the Application Form, at the Applicant's sole risk within ten (10) Business Days from closing of the Offer Period. The Issuer shall not be responsible for any charges, loss or delay in transmission. Completed Application Forms are to be lodged with any of the Authorised Financial Intermediaries.
- 6.2.17 All Application Forms must be accompanied by the full price of the Bonds applied for in Euro. Payment may be made either in cash or by cheque payable to the respective Authorised Financial Intermediary. In the event that cheques accompanying Application Forms are not honoured on their first presentation, the respective Authorised Financial Intermediary or the Issuer acting through the Registrar reserve the right to invalidate the relative Application.

- 6.2.18 For the purposes of the Prevention of Money Laundering and Funding of Terrorism Regulations (Legal Notice 180 of 2008), as amended from time to time, all appointed Authorised Financial Intermediaries are under a duty to communicate, upon request, all information about clients as is mentioned in Articles 1.2(d) and 2.4 of the “Members’ Code of Conduct” appended as Appendix 3.6 to Chapter 3 of the Malta Stock Exchange Bye-Laws, irrespective of whether the said appointed Authorised Financial Intermediaries are Malta Stock Exchange members or not. Such information shall be held and controlled by the Malta Stock Exchange in terms of the GDPR and the Data Protection Act (Chapter 586 of the Laws of Malta) for the purposes and within the terms of the Malta Stock Exchange Data Protection Policy as published from time to time.
- 6.2.19 Authorised Financial Intermediaries may use this Prospectus in Malta.
- 6.2.20 In the event that an Applicant fails to submit full information and/or documentation required with respect to an Application, the Applicant shall receive a full refund without interest, by credit transfer to such account indicated in the Application Form at any time before the Bonds are admitted to listing on the Official List of the MSE. The Issuer shall not be responsible for any charges, loss or delay arising in connection with such credit transfer.
- 6.2.21 It shall be incumbent on the respective Authorised Financial Intermediary to ascertain that all other applicable regulatory requirements relating to subscription of Bonds by an Applicant are complied with, including without limitation the obligation to comply with all applicable requirements set out in Regulation (EU) No 600/2014 of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Regulation (EU) No 648/2012 (“MiFIR”) as well as applicable MFSA Rules for investment services providers. Provided that the Bonds are deemed to be complex instruments, they may not be distributed to retail clients before at least an Appropriateness Test has been carried out. Particularly, to the extent that an Authorised Financial Intermediary provides investment advice in respect of a purchase of the Bonds by an Applicant, such Authorised Financial Intermediary shall also be required to conduct a Suitability Test in respect of that Applicant and, based on the results of such test, be satisfied that an investment in the Bonds may be considered suitable for the Applicant.

For the purpose of this Securities Note, the term “Appropriateness Test” means the test conducted by any Authorised Financial Intermediary, when providing an investment service (other than investment advice or portfolio management) in relation to the subscription for and the trading of the Bonds, for the purpose of such Authorised Financial Intermediary determining (after collecting the necessary information) whether the investment service or the Bonds are appropriate for the prospective Applicant or prospective transferee. In carrying out this assessment, the Authorised Financial Intermediary shall ask the Applicant or the prospective transferee to provide information regarding the Applicant or transferee’s knowledge and experience so as to determine that the Applicant or transferee has the necessary experience and knowledge in order to understand the risks involved in relation to the Bonds or investment service offered or demanded, in accordance with the Conduct of Business Rulebook issued by the MFSA. In the event that the Authorised Financial Intermediary considers, on the basis of the test conducted, that the transfer of Bonds is not appropriate for the Applicant or prospective transferee, the Authorised Financial Intermediary shall reject the prospective Applicant’s request to subscribe for or acquire Bonds, irrespective of whether the Applicant or transferee is warned that the investment in the Bonds is not appropriate for the Applicant or transferee.

For the purpose of this Securities Note, the term “Suitability Test” means the process through which an Authorised Financial Intermediary providing investment advice or portfolio management services in relation to the subscription for and trading of Bonds obtains such information from the Applicant or prospective transferee as is necessary to enable the Authorised Financial Intermediary to recommend to or, in the case of portfolio management, to effect for, the Applicant or prospective transferee, the investment service and trading in Bonds that are considered suitable for him/her, in accordance with the Conduct of Business Rulebook issued by the MFSA.

- 6.2.22 By completing and delivering an Application Form, the Applicant:
- i. agrees and acknowledges to have had the opportunity to read the Prospectus and to be deemed to have had notice of all information and representations concerning the Issuer and the issue of the Bonds contained therein;
  - ii. warrants that the information submitted by the Applicant in the Application Form is true and correct in all respects. All Applications need to include a valid MSE account number in the name of the Applicant/s. Failure to include an MSE account number will result in the Application being cancelled by the Issuer acting through the Registrar and subscription monies will be returned to the Applicant in accordance with 6.2.16 above. In the event of a discrepancy between the personal details (including name and surname and the Applicant’s address) appearing on the Application Form and those held by the MSE in relation to the MSE account number indicated on the Application Form, the details held by the MSE shall be deemed to be the correct details of the Applicant;

- iii. authorises the Registrar and the Directors of the Issuer to include his/her/its name or, in the case of joint Applications the first named Applicant, in the register of debentures of the Issuer in respect of the Bonds allocated to such Applicant and further authorises the Issuer and the MSE to process the personal data that the Applicant provides in the Application Form, for all purposes necessary and subsequent to the Bond Issue applied for, in accordance with the Data Protection Act (Chapter 586 of the Laws of Malta). The Applicant has the right to request access to and rectification of the personal data relating to him/her/it as processed by the Issuer and/or the MSE. Any such requests must be made in writing and sent to the Issuer at the address indicated in the Prospectus. The requests must further be signed by the Applicant to whom the personal data relates;
- iv. confirms that in making such Application no reliance was placed on any information or representation in relation to the Issuer or the issue of the Bonds other than what is contained in the Prospectus and, accordingly, agree/s that no person responsible solely or jointly for the Prospectus or any part thereof will have any liability for any such other information or representation;
- v. agrees that the registration advice and other documents and any monies returnable to the Applicant may be retained pending clearance of his/her/its remittance and any verification of identity as required by the Prevention of Money Laundering Act (Chapter 373 of the Laws of Malta) and regulations made thereunder, and that such monies will not bear interest;
- vi. agrees to provide the Registrar and/or the Issuer (as the case may be) with any information which it/they may request in connection with the Application;
- vii. warrants, in connection with the Application, to have observed all applicable laws, obtained any requisite governmental or other consents, complied with all requisite formalities and paid any issue, transfer or other taxes due in connection with his/her/its Application in any territory, and that the Applicant has not taken any action which will or may result in the Issuer or the Registrar acting in breach of the regulatory or legal requirements of any territory in connection with the issue of the Bonds or his/her/its Application;
- viii. warrants that all applicable exchange control or other such regulations (including those relating to external transactions) have been duly and fully complied with;
- ix. represents that the Applicant is not a U.S. person (as such term is defined in Regulation S under the Securities Act of 1933 of the United States of America, as amended) and that he/she/it is not accepting the invitation set out in the Prospectus from within the United States of America, its territories or its possessions, or any area subject to its jurisdiction (the "United States") or on behalf or for the account of anyone within the United States or anyone who is a U.S. person;
- x. agrees that all documents in connection with the issue of the Bonds and any returned monies, including refunds of all unapplied Application monies, will be sent at the Applicant's own risk and may be sent, in the case of documents, by post at the address (or, in the case of joint Applications, the address of the first named Applicant) as set out in the Application Form and in the case of monies by direct credit, into the Applicant's bank account as indicated by the Applicant on the Application Form;
- xi. renounces to any rights the Applicant may have to set off any amounts the Applicant may at any time owe the Issuer against any amount due under the terms of these Bonds;
- xii. irrevocably offers to purchase the number of Bonds specified in his/her/its Application Form (or any smaller number for which the Application is accepted by the Issuer) at the Bond Issue Price subject to the Prospectus, the terms and conditions thereof, and the Memorandum and Articles of the Issuer;
- xiii. warrants that his/her/its remittance will be honoured on first presentation and agrees that if such remittance is not so honoured he/she/it will not be entitled to receive a registration advice, or be registered in the register of debentures or enjoy or receive any rights in respect of such Bonds unless and until payment in cleared funds for such Bonds is received and accepted by the Issuer and/or the Registrar (which acceptance shall be made in the absolute discretion of the Issuer and/or the Registrar and may be on the basis that the Issuer and/or the Registrar is indemnified against all costs, damages, losses, expenses and liabilities arising out of or in connection with the failure of such remittance to be honoured on first presentation) and that, at any time prior to unconditional acceptance by the Issuer and/or the Registrar of such late payment in respect of such Bonds, the Issuer and/or the Registrar may (without prejudice to other rights) treat the agreement to allocate such Bonds as void and may allocate such Bonds to some other person, in which case the Applicant will not be entitled to any refund or payment in respect of such Bonds (other than return of such late payment);

- xiv. agrees that all Applications, acceptances of Applications and contracts resulting therefrom will be governed by, and construed in accordance with, Maltese Law and that he/she/it submits to the exclusive jurisdiction of the Maltese courts and agrees that nothing shall limit the right of the Issuer to bring any action, suit or proceeding arising out of or in connection with any such Applications, acceptances of Applications and contracts in any other manner permitted by law in any court of competent jurisdiction;
- xv. warrants that if he/she signs the Application Form on behalf of another party or on behalf of a corporation or corporate entity or association of persons, he/she has due authority to do so and such person, corporation, corporate entity or association of persons will also be bound accordingly, and will be deemed also to have given the confirmations, warranties and undertakings contained in these Terms and Conditions;
- xvi. warrants that he/she is not under the age of eighteen (18) years or if he/she is lodging an Application in the name and for the benefit of a minor, warrants that he/she is the parent/s or legal guardian/s of the minor;
- xvii. confirms that in the case of a joint Application submitted in joint names, the first named Applicant shall be deemed the holder of the Bonds; and agrees that, in all cases, any refund of unallocated Application monies will be sent to the Applicant by direct credit into the Applicant's bank account as indicated by the Applicant on the Application Form. No interest shall be due on refunds. The Issuer shall not be responsible for any changes, loss or delay in transmission.

### **6.3 Pricing**

The Bonds are being issued at par, that is, at €100 per Bond with the full amount payable upon subscription.

### **6.4 Plan of Distribution and Allotment**

The Offer is open for subscription to all categories of investors.

Subscriptions shall be made through any of the Authorised Financial Intermediaries, subject to a minimum subscription amount of €2,000 in nominal value of Bonds and in multiples of €100 thereafter (the minimum subscription amount shall also apply in the case of subscriptions by Authorised Financial Intermediaries on account of their underlying customers, for each underlying application and in multiples of €100 thereafter).

It is expected that an allotment letter will be issued by the Issuer to Applicants within five (5) Business Days of the announcement of the allocation policy. The registration advice and other documents and any monies returnable to Applicants may be retained pending clearance of the remittance and any verification of identity as required by the Prevention of Money Laundering Act (Cap. 373 of the Laws of Malta), and regulations made thereunder. Such monies will not bear interest while retained as aforesaid.

Dealings in the Bonds shall not commence prior to the Bonds being admitted to the Official List of the Malta Stock Exchange.

### **6.5 Allocation Policy**

The Issuer shall allocate the Bonds in accordance with an allocation policy *pari passu* without any priority or preference amongst Applicants.

The Issuer shall announce the result of the Bond Issue by latest 13 July 2021. This date may however vary in accordance with the terms of section 6.1 above ("Expected Timetable").



## **6.6 Admission to Trading**

The Listing Authority has authorised the Bonds as admissible to Listing pursuant to the Listing Rules by virtue of a letter dated 10 June 2021.

Application has been made to the Malta Stock Exchange for the Bonds being issued pursuant to the Prospectus to be listed and traded on its Official List.

The Bonds are expected to be admitted to the Malta Stock Exchange with effect from 15 July 2021 and trading is expected to commence on 16 July 2021, however these dates may vary in accordance with the terms of section 6.1 above ("Expected Timetable").

## **7 ADDITIONAL INFORMATION**

The Financial Analysis Summary dated 10 June 2021 has been included in Annex III of this Securities Note in the form and context in which it appears with the authorisation of Calamatta Cuschieri Investment Services Limited of Ewropa Business Centre, Triq Dun Karm, Birkirkara BKR 9034, Malta, which has given, and has not withdrawn, its consent to the inclusion of said report herein. Calamatta Cuschieri Investment Services Limited does not have any beneficial interest in the Issuer. The Issuer confirms that the Financial Analysis Summary has been accurately reproduced in the Prospectus and that there are no facts of which the Issuer is aware that have been omitted and which would render the reproduced information inaccurate or misleading.

## ANNEX I - AUTHORISED FINANCIAL INTERMEDIARIES

Name	Address	Telephone
Calamatta Cuschieri Investment Services Ltd	Ewropa Business Centre, Triq Dun Karm, Birkirkara BKR 9034	+356 2568 8688
FINCO Treasury Management Ltd	The Bastions Office No. 2, Emvin Cremona Street, Floriana FRN 1289	+356 2122 0002
Michael Grech Financial Investment Services Limited	The Brokerage, Level O A, St Marta Street, Victoria VCT 2550, Gozo	+356 2155 4492



## NOTES ON HOW TO COMPLETE THIS APPLICATION FORM AND OTHER INFORMATION

*The following notes are to be read in conjunction with the Prospectus dated 10 June 2021 regulating the Bond Issue*

1. This Application is governed by the Terms and Conditions of Application contained in section 6 of the Securities Note dated 10 June 2021 forming part of the Prospectus. Capitalised terms not defined herein shall, unless the context otherwise requires, have the meaning ascribed to them in the Prospectus.
2. The Application Form is to be completed in BLOCK LETTERS. Applicants who are non-residents in Malta for tax purposes, must indicate their passport number in Panel B and complete Panel G. The relative box in Panel A must also be marked appropriately.
3. Applicants are to insert full personal details in Panel B. In the case of an Application by more than one person (including husband and wife) full details of all individuals must be given in Panels B and C but the person whose name appears in Panel B shall, for all intents and purposes, be deemed to be the registered holder of the Bonds (vide note 6 below). Applications by more than two persons are to use the Addendum to the Application Form.

Upon submission of an Application Form, Bondholders who opt to have an online e-portfolio facility (by marking the relative box in Panel B), will receive by mail at their registered address a handle code to activate the new e-portfolio login. Registration for the e-Portfolio facility requires a mobile number to be provided on the Application Form. The Bondholder's statement of holdings evidencing entitlement to Bonds held in the register kept by the CSD and registration advices evidencing movements in such register will be available through the said e-portfolio facility on <https://eportfolio.borzamalta.com.mt/>. Further detail on the e-portfolio may be found on <https://eportfolio.borzamalta.com.mt/help>.

4. Applications in the name and for the benefit of minors shall be allowed provided that the applicant already holds an account on the MSE. Any Bonds allocated pursuant to such an Application shall be registered in the name of the minor as Bondholder, with interest and redemption proceeds payable to the parents or legal guardian/s signing the Application Form until such time as the minor attains the age of eighteen (18) years, following which all interest and redemption proceeds shall be payable directly to the registered holder, provided that the Issuer has been duly notified in writing of the fact that the minor has attained the age of eighteen (18) years. Panel D must be inserted with full details of the parents/legal guardians.
5. In the case of a body corporate, the name of the entity exactly as registered and the registration number are to be inserted in Panel B. A valid Legal Entity Identifier ("LEI") needs to be inserted in Panel B. **Failure to include a valid LEI code, will result in the Application being cancelled by the Registrar.** Applications must be signed by duly authorised representatives indicating the capacity in which they are signing.
6. **APPLICANTS ARE TO INSERT AN MSE ACCOUNT NUMBER IN THE SPACE PROVIDED IN PANEL B, AND FAILURE TO DO SO WILL RESULT IN REJECTION OF THE APPLICATION FORM. APPLICANTS ARE TO NOTE THAT ANY SECURITIES ALLOTTED TO THEM WILL BE RECORDED BY THE MALTA STOCK EXCHANGE IN THE MSE ACCOUNT QUOTED ON THIS APPLICATION FORM EVEN IF THE DETAILS OF SUCH MSE ACCOUNT NUMBER, AS HELD BY THE CSD OF THE MALTA STOCK EXCHANGE, DIFFER FROM ANY OR ALL OF THE DETAILS APPEARING OVERLEAF. A SEPARATE REQUEST BY THE APPLICANT TO CHANGE THESE DETAILS AS RECORDED AT THE MSE, WILL HAVE TO BE AFFECTED.**
7. Where a decision to invest is taken by a third party authorised to transact on behalf of the Applicant (a "decision maker") such as an individual that holds a power of attorney to trade on the Applicant's account or applications under a discretionary account, details of the decision maker need to be included in Panel D.
8. Applications must be for a minimum subscription of €2,000 and thereafter in multiples of €100 and must be accompanied by the relevant subscription amount in Euro.
9. Only Applicants who hold a valid official Maltese Identity Card or companies registered in Malta will be treated as resident in Malta. In such a case the Applicant may elect to have final withholding tax, currently 15%, deducted from interest payments in which case such interest need not be declared in the Applicant's income tax return. The Applicant may elect to receive the interest gross (i.e. without deduction of final withholding tax), but will be obliged to declare interest so received in the tax return. The Issuer will render an account to the Maltese Commissioner for Revenue of all interest paid, all amounts of tax deducted by the payor in respect of the interest paid and of the identity of all such recipients. Interest received by non-resident Applicants is not taxable in Malta and non-residents will receive interest gross. Authorised entities applying in the name of a prescribed fund (having indicated their status in the appropriate box in Panel A) will have final withholding tax (currently 10%), deducted from interest payments.

In terms of section 5 of the Securities Note, unless the Issuer is otherwise instructed by a Bondholder, or if the Bondholder does not fall within the definition of "recipient" in terms of article 41(c) of the Income Tax Act (Cap. 123 of the laws of Malta), interest shall be paid to such person net of final withholding tax, (currently 15%) of the gross amount of interest, pursuant to article 33 of the Income Tax Act (Cap. 123 of the laws of Malta).

10. Non-residents of Malta should note that payment of interest to individuals and certain residual entities residing in another EU Member State is reported on an annual basis to the Director General Inland Revenue, Malta, who will in turn exchange the information with the competent tax authority of the Member State where the recipient of interest is resident. This exchange of information takes place in terms of the Council Directive 2014/107/EU, of 9 December 2014 amending Directive 2011/16/EU as regards mandatory automatic exchange of information in the field of taxation.

The contents of Notes 9 and 10 above do not constitute tax advice by the Issuer and Applicants are to consult their own independent tax advisers in case of doubt.

11. Interest and redemption proceeds will be credited to the account indicated in Panel H or as otherwise amended by the Bondholder/s during the term of the Bond.
12. The Offer Period will open at 08:30 hours on 23 June 2021 and will close at 12:00 hours on 8 July 2021, or earlier in case of over-subscription. Completed Application Forms are to be delivered to any Authorised Financial Intermediary listed in Annex I of the Securities Note during regular office hours. Remittances by post are made at the risk of the Applicant and the Company disclaims all responsibility for any such remittances not being received by the date of closing of the subscription lists. If any Application is not accepted after the closure of the subscription lists or is accepted for fewer Bonds than those applied for, the monies equivalent to the number of Bonds not being accepted will be returned by direct credit into the IBAN specified in Panel H.
13. By completing and delivering an Application Form you (as the Applicant(s)) acknowledge that:
  - a. the Issuer or its duly appointed agents including the CSD and the Registrar, may process the personal data that you provide in the Application Form in accordance with the Data Protection Act (Cap. 586 of the laws of Malta) and the General Data Protection Regulation (GDPR)(EU) 2016/679 as amended from time to time;
  - b. the Issuer may process such personal data for all purposes necessary for and related to the Bonds applied for; and
  - c. you, as the Applicant, have the right to request access to and rectification of the personal data relating to you, as processed by the Issuer.

Any such requests must be made in writing and addressed to the Issuer. The request must be signed by yourself as the Applicant to whom the personal data relates.

**The value of investments can go up or down and past performance is not necessarily indicative of future performance. The nominal value of the Bonds on offer will be repayable in full upon redemption. An investor should consult an independent financial adviser, licensed under the Investment Services Act (Cap. 370 of the laws of Malta), for advice.**

# FINANCIAL ANALYSIS SUMMARY

DATED 10 June 2021

## BROWN'S PHARMA HOLDINGS PLC

*a public limited liability company registered and incorporated in terms of the Companies Act  
with company registration number C 95118 and having its registered office at  
Brown's Pharmacies, Triq l-Industrija, Qormi, Malta*



**Calamatta Cuschieri**  
YOUR PARTNER IN FINANCIAL SERVICES

The Directors  
Brown's Pharma Holdings plc  
Brown's Pharmacies  
Triq L-Industrija  
Qormi  
Malta

10 June 2021

Dear Sirs,

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

The purpose of the financial analysis is that of summarising key financial data appertaining to Brown's Pharma Holdings plc (the "Issuer") as explained in part 1 of the Analysis. The data is derived from various sources or is based on our own computations as follows:

- (a) Historical financial data for the three years ended 31 December 2017, 2018 and 2019 has been extracted from the audited financial statements of the Brown's Pharma Limited for the three years in question.
- (b) Historical financial data for the year ended 31 December 2020 has been extracted from the audited financial statements of Brown's Pharma Holdings plc.
- (c) The forecast data for the financial year ending 2021 and 2022 has been provided by management.
- (d) Our commentary on the Issuer's results and financial position is based on the explanations set out by the Issuer in the Prospectus and Listing Authority Policies.
- (e) The ratios quoted in the Financial Analysis Summary have been computed by us applying the definitions set out in Part 4 of the Analysis.
- (f) The principal relevant market players listed in part 3 of the document have been identified by management. Relevant financial data in respect of competitors has been extracted from public sources such as the web sites of the companies concerned or financial statements filed with the Registrar of Companies or websites providing financial data.

The Analysis is meant to assist potential Investors by summarising the more important financial data set out in the Prospectus. The Analysis does not contain all data that is relevant to potential Investors and is meant to complement, and not replace, the contents of the full Prospectus. The Analysis does not constitute an endorsement by our firm of the proposed bond issue and should not be interpreted as a recommendation to invest in the Bonds. We shall not accept any liability for any loss or damage arising out of the use of the Analysis and no representation or warranty is provided in respect of the reliability of the information contained in the Prospectus. Potential Investors are encouraged to seek professional advice before investing in the bonds.

Yours sincerely,



Nick Calamatta  
Director

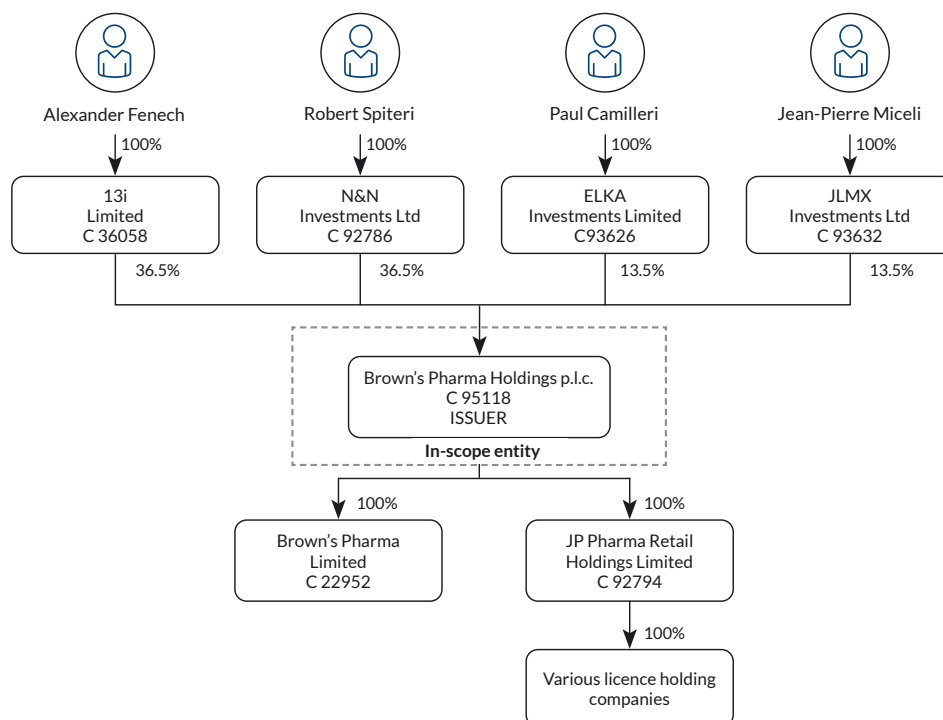
## TABLE OF CONTENTS

<b>Part 1 -</b>	<b>Information about the Group</b>	<b>32</b>
1.1	Issuer and Group's Subsidiaries Key Activities and Structure	32
1.2	Major Assets owned by the Group	33
1.3	Directors and Key Employees	34
1.4	Operational Developments	34
1.4.1	Acquisition of JP Pharmacies	34
1.4.2	Proposed bond issue and projected capital expenditure	35
1.5	COVID-19 impact on the Group's operational and financial performance	35
<b>Part 2 -</b>	<b>Historical Performance and Forecasts</b>	<b>37</b>
2.1	BPL's Audited Consolidated Statement of Comprehensive Income	37
2.2	BPL's Audited Consolidated Statement of Financial Position	41
2.3	BPL's Audited Consolidated Statement of Cash Flows	43
2.4	Issuer's Audited Consolidated Historical FY20 Statement of Comprehensive Income	44
2.5	Issuer's Audited Consolidated Historical FY20 Statement of Financial Position	45
2.6	Issuer's Audited Consolidated Historical FY20 Statement of Cash Flows	46
2.7	Issuer's Projected Consolidated Statement of Comprehensive Income	47
2.8	Issuer's Projected Consolidated Statement of Financial Position	49
2.9	Issuer's Projected Consolidated Statement of Cash Flow	51
<b>Part 3 -</b>	<b>Key Market and Competitor Data</b>	<b>52</b>
3.1	General Market Conditions	52
3.2	Comparative Analysis	55
<b>Part 4 -</b>	<b>Glossary and Definitions</b>	<b>57</b>

## PART 1 – INFORMATION ABOUT THE GROUP

### 1.1 Issuer and Group’s Subsidiaries Key Activities and Structure

The Group structure is as follows:



The “**Group**” of companies or the “**Brown’s Group**”, consists of the “**Issuer**”, Brown’s Pharma Holdings p.l.c., acting as the “**Holding**” company of the Group and its fellow subsidiaries being: Brown’s Pharma Limited, JP Pharma Retail Holdings and Various Licence Holding Co’s. The principal activity of the “**Brown’s Group**” is to operate the Brown’s retail pharmacy network in Malta. The ultimate beneficial owners of the Issuer are Robert Spiteri who owns 36.5% of the Group through N&N Investments Ltd, Alexander Fenech who also owns 36.5% of the Group through 13i Limited, together with Paul Camilleri and Jean P. Miceli who both own 13.5% of the Group each through ELKA Investments Limited and JLMX Investments Ltd, respectively.

The “**Issuer**”, Brown’s Pharma Holdings plc (“**BPHP**”) was incorporated on 5 March 2020 to act as the holding company of the “**Brown’s Group**” following the transaction with JP Pharma. Further details concerning the acquisition of JP Pharma Retail Holdings Limited by the “**Brown’s Group**”, may be found in section 1.4 of the Analysis. More specifically, BPHP is the Issuer of the proposed bond and has no trading or operating activities of its own. The Issuer has an authorised and issued share capital of €20,086,186 divided into 14,662,916 ordinary A shares of €1 each, and 5,423,270 ordinary B shares of €1 each, all fully paid up. Moreover, 13i Limited and N&N Investments Ltd hold, equally among them, 14,662,916 ordinary A shares of €1 each, all of which are fully paid up. Additionally, ELKA Investments Limited and JLMX Investments Limited hold, equally among them, 5,423,270 ordinary B shares of €1 each, all of which are also fully paid up.

Brown’s Pharma Limited (“**BPL**”) was incorporated on 20 May 1998. Additionally, BPL is the operating company of the Group, and is responsible for all operational aspects of the individual pharmacies and the head office. Furthermore, all employees within the “**Brown’s Group**” are employed by BPL. Brown’s Pharma Limited has an authorised share capital of €465,874.60 divided into 200,000 ordinary shares of €2.329373 each, fully paid up. The issued share capital of BPL is of €400,232.87 divided into 171,820 ordinary shares of €2.329373 each, all fully paid up.

JP Pharma Retail Holdings Limited (“**JPRHL**”) was originally incorporated on 5 August 2019 to take ownership of JP Pharma licences. Following the acquisition of JP Pharma Retail Holdings Limited by the “**Brown’s Group**”, JPRHL is now the licence holding company of the “**Brown’s Group**”. As clearly explained above, further detail concerning such transaction may be found in section 1.4 of the Analysis. JPRHL has an authorised and issued share capital of €1,200 divided into 1,200 ordinary shares of €1 each, all fully paid. In furtherance, in connection to Various Licence Holdings Co’s, due to regulatory requirements, each individual pharmacy licence must be held by a separately identified legal entity. Accordingly, each licence owned by the Group is held through a separate company all of which are subsidiaries of JPRHL. Further detail concerning the pharmacy licences held by the “**Brown’s Group**” are discussed in section 1.2 of the Analysis.



## 1.2 Major Assets owned by the Group

As identified in the section above, the main assets of the Group are the pharmacy licences owned through the individual licence holding companies held under JPRHL. More importantly, as per the Medicines Act, Chapter 458 of the Laws of Malta Article 3, pharmacy licences are issued by the Superintendent of Public Health.

Additionally, management indicated that the number of pharmacy licences available are limited depending on the population of a locality. Once all pharmacy licence within the threshold are issued to operators, the authority cannot issue new licences unless the threshold is increased. Therefore, the limited supply of licences has driven a market in the trade of pharmacy licences which can be sold/acquired from third parties on the open market (subject to the approval of the authority).

At present, the Brown's Group holds licences to a pharmacy network of twenty-one pharmacies spanning thirteen different localities in Malta all of which are currently operational. Nineteen of these pharmacy licences are owned by the Group, while the other two are operated under management agreements with third parties retaining ownership of the pharmacy licence. Moreover, the Mosta 1 (Grognet) pharmacy licence was acquired in May 2020, and commenced operations towards the end of July 2020.

More recently, the Group has also paid an advance deposit for the acquisition of Qormi 2 pharmacy licences in February 2017, but the acquisition has not yet been finalised and the pharmacy is thus not yet operational. Management further discussed that they have not yet determined when this pharmacy will be commencing operations, and as such this specific pharmacy has not yet started to generate income to the Group. No income from this pharmacy has been assumed in management's projections. In December 2018, the Group also terminated its management agreement for its Pharmacy in Gudja.

Out of the eighteen pharmacy licences, five of these licences were acquired through the JP transaction. More specifically, the table presented below demonstrates a detailed analysis of the Group's pharmacy network.

Licence Holding Company	Locality	Licence	Type of Lease
Brown's Pharmacy Fleur-De-Lys Ltd.	Fleur-De-Lys	Owned by the Group	Related party leases
Brown's Pharmacy Hamrun Ltd.	Hamrun	Owned by the Group	Related party leases
Brown's Pharmacy Kalkara Ltd.	Kalkara	Owned by the Group	Related party leases
Brown's Pharmacy M1 Ltd.	Mellieha	Owned by the Group	Related party leases
Brown's Pharmacy M2 Ltd.	Mellieha Village	Owned by the Group	Related party leases
Brown's Pharmacy Paola Ltd.	Paola	Owned by the Group	Related party leases
Brown's Pharmacy Pieta Ltd.	Pieta	Owned by the Group	Related party leases
Brown's Pharmacy Qormi Ltd.	Qormi 1	Owned by the Group	Related party leases
Brown's Pharmacy Rahal Gdid Ltd.	Rahal Gdid	Owned by the Group	Related party leases
Brown's Pharmacy Sliema Ltd.	Sliema	Owned by the Group	Third party leases
Brown's Pharmacy Zebbug Ltd.	Zebbug	Owned by the Group	Related party leases
JP Pharma San Gwann Ltd	San Gwann 2	Owned by the Group	Related party leases
JP Pharma Iklin Ltd	Iklin	Owned by the Group	Related party leases
JP Pharma Naxxar Ltd	Naxxar	Owned by the Group	Related party leases
JP Pharma B'kara Ltd	Birkirkara	Owned by the Group	Related party leases
JP Pharma St Julians Ltd	St Julians	Owned by the Group	Third party leases
Brown's Grognet Pharmacy Ltd	Mosta 1	Owned by the Group	Third party leases
Brown's Medical Plaza Ltd	San Gwann	Owned by the Group	Third party leases
Brown's SM Ltd	Attard	Owned by the Group	Third party leases
St Louis Pharmacy	Mosta 2	Managed	Related party leases
Brown's Chemist	Naxxar	Managed	Third party leases
Brown's San Bastjan Pharmacy	Qormi 2	Advanced Deposit	Related party leases

The Group leases, at arms-length basis, the majority of the properties used as its head office as well as those from which the pharmacies are operated from related parties outside the Group with a minority of such properties being leased from third parties.

### 1.3 Directors and Key Employees

#### Board of Directors - Issuer

As at the date of the prospectus, the board of directors of the Issuer is constituted by the following persons:

Name	Office Designation
Benjamin Muscat	Chairman and independent non-executive Director
Joseph Caruana	Independent non-executive director
Mark Grech	Independent non-executive director
Alexander Fenech	Executive director
Paul Camilleri	Non-executive director
Jean-Pierre Miceli	Non-executive director
Robert Spiteri	Non-executive director

The business address of all of the directors is the registered office of the Issuer. Refer to section 8 of the Registration Document for the *curriculum vitae* of the Issuer's directors. Dr Jean C. Farrugia is the company secretary of the Issuer.

Alexander Fenech is the only executive director. Paul Camilleri, Jean-Pierre Miceli and Robert Spiteri are non-executive directors. The other three directors, Joseph Caruana, Mark Grech and Benjamin Muscat who is also the chairman of the Brown's Group, serve on the Board of the Issuer in an independent non-executive capacity. As at the date of this Analysis, while the Issuer has no employees of its own, the Brown's Group currently has 150 employees.

### 1.4 Operational Developments

The operation was set up in 1998 by Robert Spiteri and Alexander Fenech, with its first pharmacy opening in Qormi. In 2004, the Group set up a head office function to support the expanding network of pharmacies. This allowed Brown's to leverage on economies of scale through centralised administration, purchases, finance and recruitment.

As of 1 January 2020, Paul Camilleri and Jean-Pierre Miceli merged their five pharmacy operation to the Brown's Group in exchange for a 27% shareholding in the combined operations. In addition, the Group acquired a further 2 pharmacies after the merger and, as a result, Brown's retail pharmacy network has grown to 21 operational pharmacies all situated in Malta, with another not yet in operations. Further detail concerning the acquisition of JP Pharma Retail Holdings Limited by the Brown's Group, is discussed in further detail throughout section 1.4.2 of the Analysis.

Moreover, through its network of pharmacies, the Brown's Group sells both over the counter and prescription pharmaceuticals as well as complementary cosmetics products. The pharmacies also provide health related services such as health checks, food intolerance tests and allergy tests amongst others. Brown's also offers cosmetic services, which include aesthetics, laser hair removal, and teeth whitening services.

#### 1.4.1 Acquisition of JP Pharmacies

In 2019, the shareholders of BPL and the JP pharmacies agreed to merge their operations commencing from 1 January 2020. Through such transaction, the operation of the JP Pharmacies, was transferred to BPL and operated by the Brown's Group management team.

Furthermore, the Issuer was set up in March 2020 reflecting the agreed shareholding split for the Brown's Group, as clearly presented in the Group structure chart in section 1.1 the Analysis. The Issuer finalised the acquisition of BPL and JPRHL on 28 October 2020, which balance was settled through the issue of new shares by the Issuer to the shareholders in their same ownership proportion.

While the Issuer acquired the shares in BPL post 1 January 2020, the merged operations were operated through BPL from 1 January 2020. It is therefore imperative to note that the 2020 results of BPL reflect the performance of the merged operations. Subsequent to the transfer of their shares to the Issuer, the previous shareholders of both BPL and JPRHL capitalised the outstanding payable resulting from the share transfers.

Management also noted that both BPL and JPRHL have agreed not to issue any dividends between 1 January 2020 and the share transfer date (28 October 2020). Through such decision, all economic benefits of the combined operations accruing throughout this timeframe, will accrue to the new shareholding structure.

As part of the transaction with Brown's, Paul and Jean-Pierre contributed their shares in JPRHL, which owns the JP pharmacy licences, to the Issuer in exchange for their 27% shareholding in the Group. Following the exchange, the individual Brown's pharmacy licences previously held by BPL, were transferred to JPRHL such that all the pharmacy licences of the Group are now owned through JPRHL.

As per discussions with management, the Brown's Group is committed to maintaining and improving its position as the leading Pharmacy network in Malta. More specifically, the Group intends to continue acquiring pharmacy licences to expand its network in localities it does not yet have a presence in. Through further expansion, the Group will leverage its head office function to extract further margin improvements through economies of scale. Further detail concerning the Brown's Group growth strategy and vision may be found in section 1.4.2 below.

#### 1.4.2 Proposed bond issue and projected capital expenditure

The net proceeds from the Bond Issue, are expected to amount to approximately €12,700,000. Said proceeds will be utilised for the development of the project as follows:

- (a) Circa €500,000 for the acquisition of one additional pharmacy licence which management is already in advanced discussion thereon;
- (b) Circa €1,400,000 for capital expenditure purposes in order to (i) renovate the pharmacies that have already been acquired and rebrand same under the 'Brown's' brand; and (ii) invest in additional health services equipment such as laser hair removal machinery;
- (c) Circa €4,000,000 for acquisitions of additional pharmacy licences, to refurbish and equip pharmacies and to invest in or fund other capital projects of the Group, provided that:
  - i. future acquisitions of additional pharmacy licences shall not exceed €3,000,000; and
  - ii. refurbishment of pharmacies shall not exceed €1,000,000;
- (d) Circa €5,500,000 to refinance existing debt with BNF Bank plc, which loans consist of advances to finance the acquisition of new pharmacy licences and the refurbishing of the respective properties; and
- (e) Circa €1,300,000 for general corporate funding purposes.

#### 1.5 COVID-19 impact on the Group's operational and financial performance

The pandemic has caused country wide disruption to business and economic activity and Brown's is not an exception. Many governments have implemented travel restrictions and quarantine measures that required entities to limit or suspend business operations. Whilst no disruptions were experienced in terms of the Brown's Group operations by way of the essential nature of the pharmacy business, there have been certain operational restrictions which have hampered the Group's growth plans and the provision of certain product lines such as the provision of health and beauty services.

One can safely state that there were no material repercussions on the financial results of the business given that the need for medical products and medicine remains unchanged in times of a pandemic and indeed results in the boost of demand on certain product lines associated with efforts to combatting the pandemic. Management explained that there was only a non-material variance to budgets and that the FY20 performance as illustrated in other sections of the Prospectus and FAS remained very strong.

Management confirmed that notwithstanding the COVID-19 pandemic, the Group's business model remained extremely strong and in furtherance, management further explained that following the COVID-19 outbreak, the Group continued to report strong profitability and sufficient liquidity. Management explained that the business was under continuous and thorough analysis/evaluation by the board and the management team such as to be able to proactively react to developments related to the pandemic. Management confirmed that the Group did not seek to obtain any form of additional bank financing.

In terms of operational matters, Brown's have worked closely with the Health Authorities, Chamber of Pharmacists and other relevant offices, to ensure continuous monitoring of the developments with regards to COVID-19. Brown's main goal remains to maintain its commitment to ensure the health and wellbeing of the community.

Brown's has issued a public announcement as the Group feels that given that the pharmacies touch the lives of 150 employees and more than 70,000 customers in stores monthly, it is important to let customers, team members and partners know how Brown's is responding in real-time. The Group has taken a number of precautionary measures while ensuring educational information reached all interested parties. As a business Brown's is constantly updating its policies in line with the latest recommendations issued by the relevant authorities. With the situation continually evolving there is a tremendous need for information, education and resources. In view of this, the Group has taken the following operational steps at specific periods ever since the outbreak of the virus:

- Maximum hygiene and safety in the pharmacies
- Ceasing any Health and Beauty Services offered at Brown's
- Ceasing the clinics for any Health Practitioners, except General Practitioners
- Waiting time in clinics is being restricted – patients are required to wait in their car and are called one by one
- Perspex glass is installed at the door, to ensure that clients wait outside, and only enter to visit the General Practitioner
- Services, EPOS machines, perspex and waiting areas are cleaned after every client
- Clean ventilation is ensured by keeping the doors open and the air conditioning system switched off
- A travel ban is issued for all employees and their family members
- Ensuring that employees who have travelled are quarantined for 14 days
- Ensuring that employees who are showing flu-like symptoms are sent home
- Health kit for each employee inclusive of necessary vitamins, alcohol wipes, disinfectant gel and face masks
- Handling cash – employees either wear gloves or ensure to sanitize their hands accordingly
- Information and education are important to limit dissemination of the virus; therefore ensuring all employees and customers are kept updated all the time
- Product hygiene in prohibiting returns of any products

Concluding remarks Brown's has, to date, emerged relatively unscathed from the effects of the pandemic. The nature of its operation together with strong decisive action taken by the ownership and management has ensured that the business has remained resilient to the effects of the pandemic. In furtherance, as also highlighted above, the directors have compiled cash flow projections primarily based on the expected revenues and are confident that these are adequate to support the Group in the foreseeable future.

## PART 2 – HISTORICAL PERFORMANCE AND FORECASTS

The historical financial statements detailed in sections 2.1 to section 2.3 outline the consolidated financial results of BPL for the period FY17-FY19. It is important to note that these historic financial results are limited to Brown's operation prior the acquisition of the five JP pharmacies.

In sections 2.4 to 2.6, we report on the consolidated audited financials of the Issuer in 2020, which illustrate the operation of the Group after the acquisition of the five JP pharmacies.

The projected financial information for the years ending 31 December 2021 and 2022 has been provided by Group management and are set out in section from 2.7 to 2.9.

### 2.1 BPL's Audited Consolidated Statement of Comprehensive Income

Statement of Comprehensive Income	FY17	FY18	FY19
	€'000s	€'000s	€'000s
Revenue	9,899	11,078	12,088
Cost of sales	(5,813)	(6,283)	(6,713)
<b>Gross profit</b>	<b>4,086</b>	<b>4,795</b>	<b>5,375</b>
Direct pharmacy costs	(1,738)	(1,913)	(2,094)
<b>Contribution</b>	<b>2,348</b>	<b>2,882</b>	<b>3,281</b>
Head office costs	(1,200)	(1,378)	(1,647)
Contribution from other trading activities	140	118	331
Other income	116	145	145
<b>EBITDA</b>	<b>1,404</b>	<b>1,767</b>	<b>2,110</b>
Depreciation and amortisation	(182)	(179)	(230)
<b>EBIT</b>	<b>1,222</b>	<b>1,588</b>	<b>1,880</b>
Finance costs	(120)	(93)	(77)
<b>Profit before tax</b>	<b>1,102</b>	<b>1,495</b>	<b>1,803</b>
Income tax charge	(397)	(501)	(652)
<b>Net income</b>	<b>705</b>	<b>994</b>	<b>1,151</b>
Other comprehensive income	3,836	5,160	-
<b>Total comprehensive income</b>	<b>4,541</b>	<b>6,154</b>	<b>1,151</b>

Ratio Analysis	FY17	FY18	FY19
<b>Profitability</b>			
Growth in Revenue (YoY Revenue Growth)	N/A	11.9%	9.1%
Gross Profit Margin (Gross Profit/ Revenue)	41.3%	43.3%	44.5%
Contribution Margin (Contribution/ Revenue)	23.7%	26.0%	27.1%
EBITDA Margin (EBITDA / Revenue)	14.2%	16.0%	17.5%
Operating (EBIT) Margin (EBIT / Revenue)	12.3%	14.3%	15.6%
Net Margin (Profit for the year / Revenue)	7.1%	9.0%	9.5%
Return on Common Equity (Net Income / Average Equity)	6.7%	7.4%	7.7%
Return on Assets (Net Income / Average Assets)	3.6%	4%	3.8%

As could be noted from the below revenue analysis table, Brown's revenue is mainly composed of three main segments, primarily the retail segment, the services revenue stream and the Pharmacy of Your Choice (POYC) business line.

Brown's primary source of revenue is composed of retail revenue which reflects the sale of pharmaceuticals and cosmetics through the Group's retail pharmacy network. It is important to note that growth in this revenue stream over the three financial periods presented above, has primarily been driven by the addition of new pharmacies to the Brown's network as well as an improved product mix to improve cross-selling. As at FY19, this business segment comprised 87.9% of Brown's total revenue.

Moreover, the services revenue stream reflects revenue generated from additional services offered through the Brown's pharmacy network such as health tests, food intolerance tests and allergy tests. Notably, the growth achieved in this business line over the review period has predominantly been initiated through a concerted effort undertaken by management to broaden the Group's sources of revenue through complementary product and service offerings.

Upon direction provided by management, the intention of the Brown's Group moving forward is to continue developing this business unit through the roll-out of these services across a wider distribution of its network pharmacies. As at FY19, this revenue stream consisted of 7.6% of total revenue.

Brown's third revenue stream reflects fee income generated from the "Pharmacy of Your Choice" government initiative. Through such initiative, Brown's distributes government pharmaceuticals through its network of pharmacies and receives a fee from the government for such service. As at FY19, this business line comprised of 4.5% of Brown's total revenue. Overall, Brown's revenue increased by *circa* 22.1% over the review period, from €9.9m in FY17 to €12.1m in FY19.

Revenue Analysis (€'000s)	FY17	FY18	FY19
Revenue - Retail	9,098	9,896	10,624
Revenue - Services	302	669	914
Revenue - POYC	499	513	550
<b>Total revenue</b>	<b>9,899</b>	<b>11,078</b>	<b>12,088</b>
Total number of pharmacies	13	13	13
Average retail revenue per pharmacy	700	761	817
Average services revenue per pharmacy	23	51	70
Average POYC revenue per pharmacy	21	10	8
% Growth - Retail	N/A	8.8%	7.4%
% Growth - Services	N/A	121.5%	36.6%
% Growth- POYC	N/A	2.8%	7.2%
<b>% Growth - Total revenue</b>	<b>N/A</b>	<b>11.9%</b>	<b>9.1%</b>

Additionally, BPL's gross profit reflects revenue net of direct material costs. Management further reported that mainly due to the limited direct material costs attributed to the services revenue stream, gross profit margins reported on this segment are higher than those reported on retail revenue.

Furthermore, it is important to note that between FY17-FY20, Brown's gross profit margin increased by 3.2 percentage points from 41.3% in FY17 to 44.5% in FY20. This improvement was mainly driven by improved purchasing terms from suppliers due to economies of scale (i.e. volume discounts) and growth in the higher margin health services division.

Moreover, BPL's direct pharmacy costs relate to overhead costs which are directly attributable to the individual pharmacy operations and are primarily composed of staff salaries and rent due on the Brown's retail pharmacy network. A detailed breakdown of all direct pharmacy costs incurred by Brown's between FY17 - FY19 may be found in the table presented below. In view of the increase in revenue discussed above, BPL's directed pharmacy costs increased by 20.5% over the review period, from €1.7m in FY17 to €2.1m in FY19.

It is also important to highlight, that direct pharmacy cost as a percentage of revenue has remained fairly stable throughout the review period, however cost of sales as a percentage of revenue have decreased gradually throughout the period, thus resulting in an improved pharmacy contribution margin across all three financial periods.

Direct pharmacy costs analysis (€'000s)	FY17	FY18	FY19
Staff salaries	1,158	1,217	1,386
Pharmacy rent	348	450	402
Laser clinic expenses	16	42	72
Bank charges	55	68	61
Pharmacy cost	44	27	46
Water and electricity	37	29	30
Repairs and maintenance	18	15	23
Other direct pharmacy costs	62	66	75
<b>Total direct pharmacy costs</b>	<b>1,738</b>	<b>1,914</b>	<b>2,095</b>
Staff salaries % of Revenue	11.7%	11.0%	11.5%
Pharmacy rent % of Revenue	3.5%	4.1%	3.3%
Laser clinic expenses % of Revenue	0.2%	0.4%	0.6%
Bank charges % of Revenue	0.6%	0.6%	0.5%
Pharmacy cost % of Revenue	0.4%	0.2%	0.4%
Water and electricity % of Revenue	0.4%	0.3%	0.2%
Repairs and maintenance % of Revenue	0.2%	0.1%	0.2%
Other direct pharmacy costs % of Revenue	0.6%	0.6%	0.6%
<b>Total direct pharmacy costs % of Revenue</b>	<b>17.6%</b>	<b>17.3%</b>	<b>17.3%</b>

Contrarily, Brown's head office costs relate to administrative costs incurred by the Group which are not directly related to individual stores within the Brown's network. These mainly include costs relating to the Group's finance department, marketing expenditure, central management and centralised stores.

As opposed to direct pharmacy costs, head office costs are semi-variable in nature. While these are not expected to grow proportionately with revenue growth, certain administrative functions need to be increased as the network expands. In addition, the Group's head office costs increased by 19.6% during FY19, reflecting the higher head office costs incurred by BPL to expand the Group's storage and distribution function throughout the period. A detailed breakdown of such head office costs may be found in the table presented below.

Head office costs analysis (€'000s)	FY17	FY18	FY19
Staff salaries	418	490	521
Branding costs	132	147	201
Sponsors	36	121	180
Directors remuneration	185	178	175
Professional fees	41	19	88
NI & PAYE	68	71	79
Insurance	48	57	61
Other head office costs	286	306	343
Unreconciled differences	(14)	(11)	-
<b>Total head office costs</b>	<b>1,200</b>	<b>1,378</b>	<b>1,648</b>

BPL's EBITDA grew by 50.3% between FY17 and FY19, which growth was primarily driven by a larger pharmacy network, improved gross profit margins and in particular through economies of scale realised by leveraging the group's head office structure. Moreover, BPL's EBITDA margin as per FY19 results stood at 17.5%.

The depreciation and amortisation charge incurred by BPL relates to the Group's property, plant and equipment and intangible assets. Moreover, the Group's finance costs are composed of interest expense due on bank loans and a €100k third party loan. During FY19, BPL's finance costs declined to *circa* €0.08m, in line with the settling-off of several bank loans. Additionally, the Group is taxed at 35% on its chargeable income.

As a result of the above, BPL reported a net profit figure of €1.2m during FY19. On the other hand, BPL's other comprehensive income reported for FY17 and FY18 relates to the revaluation of intangible assets for the respective periods, net of the movement in deferred tax.



## 2.2 BPL's Audited Consolidated Statement of Financial Position

Statement of Financial Position	FY17	FY18	FY19
	€'000s	€'000s	€'000s
<b>Assets</b>			
<b>Non-current assets</b>			
Intangible assets	15,124	23,067	23,070
Goodwill	3	3	3
Property, plant and equipment	1,136	1,148	1,151
<b>Total non-current assets</b>	<b>16,263</b>	<b>24,218</b>	<b>24,224</b>
<b>Current assets</b>			
Inventories	1,301	1,187	1,884
Trade and other receivables	822	3,136	3,652
Amounts due from related parties	1,008	1,323	49
Cash in hand and at bank	330	320	185
<b>Total current assets</b>	<b>3,461</b>	<b>5,966</b>	<b>5,770</b>
<b>Total assets</b>	<b>19,724</b>	<b>30,184</b>	<b>29,994</b>
<b>Equity</b>			
Share capital	400	400	400
Retained earnings	2,090	2,693	(42)
Revaluation reserve	7,970	13,130	13,130
Non-controlling interests	9	13	15
<b>Total equity</b>	<b>10,469</b>	<b>16,236</b>	<b>13,503</b>
Bank overdraft and loans	2,897	1,392	1,410
Other loans	100	100	108
<b>Total debt</b>	<b>2,997</b>	<b>1,492</b>	<b>1,518</b>
Deferred taxation	4,268	7,046	7,046
Trade and other payables	1,741	4,888	5,531
Amounts due to related parties	124	315	2,140
Current taxation	125	207	256
<b>Total current liabilities</b>	<b>6,258</b>	<b>12,456</b>	<b>14,973</b>
<b>Total liabilities</b>	<b>9,255</b>	<b>13,948</b>	<b>16,491</b>
<b>Total equity and liabilities</b>	<b>19,724</b>	<b>30,184</b>	<b>29,994</b>

Ratio Analysis	FY17	FY18	FY19
<b>Financial Strength</b>			
Gearing 1 (Net Debt / (Net Debt and Total Equity))	20.3%	6.7%	9.0%
Gearing 2 (Total Liabilities / Total Assets)	46.9%	46.2%	55.0%
Gearing 3 (Net Debt / Total Equity)	25.5%	7.2%	9.9%
Net Debt / EBITDA	1.9x	0.7x	0.6x
Current Ratio (Current Assets / Current Liabilities)	0.6x	0.5x	0.4x
Quick Ratio (Current Assets - (Inventory / Current Liabilities))	0.3x	0.4x	0.3x
Interest Coverage level 1 (EBITDA / Cash interest paid)	11.7x	19.0x	27.4x
Interest Coverage level 2 (EBITDA / Finance Costs)	11.7x	19.0x	27.4x

Total assets as of FY19 mainly comprised of intangible assets which accounted for 76.9% of BPL's total assets. Intangible assets mainly reflects the market value of the pharmacy licences owned by BPL and its subsidiaries. The movement in intangible asset balance over the review period includes both the actual cost incurred in acquiring new pharmacy licences as well as a revaluation of pharmacy licences.

Additionally, BPL's property, plant and equipment include improvements to leased properties, computer equipment, furniture and fittings, shop equipment, electrical installations and motor vehicles. Management further reported that these assets are all used in the day-to-day operations of the Group.

Furthermore, current assets in FY19 comprised 19.2% of BPL's total assets. Generally speaking, the Group's inventory balance represents stock which is directly related to the retail pharmacy stores. This stock is located both in shop premises and at the Group's head office warehouse facility. As per FY19 results, BPL acquired the inventory from the previous operators of the JP pharmacies, thus driving the increase in inventory balance for the period.

The revaluation reserve and deferred taxation balance was recognised following the revaluation of the pharmacy licences. Management reported that deferred tax is calculated at 35% of the unrealised capital gain and is not expected to materialise unless the Group elects to dispose of its pharmacy licences.

As per FY19 results, BPL's total debt amounted to *circa* €1.5m and primarily consisted of a bank overdraft and bank loans. Upon discussion held with the Group's executive management, this debt was undertaken by BPL to finance new pharmacy acquisitions.

Net working capital analysis	FY17	FY18	FY19
Inventory	1,301	1,187	1,884
Receivables	822	3,136	3,652
Trade payables	(1,741)	(4,888)	(5,531)
<b>Net working capital investment</b>	<b>382</b>	<b>(565)</b>	<b>5</b>
Average inventory per pharmacy	100	91	99
Inventory turnover - Pharmacies (COGS/ Average Inventory)	5.80	6.59	5.74

The above table outlines the net working capital investment of the Group between FY17 and FY19.

It is important to note that BPL's inventory turnover calculated as at December 2019 is artificially low as the closing inventory balance at year end includes the inventories of JP which were acquired on 31 December 2019, while cost of good sales for FY19 are only based on the Brown's operations.

## 2.3 BPL's Audited Consolidated Statement of Cash Flows

Statement of Cash Flow	FY17	FY18	FY19
	€'000s	€'000s	€'000s
EBITDA	1,404	1,766	2,111
Movement in inventories	(207)	114	(697)
Movement in trade and other receivables	25	(2,512)	484
Movement in trade and other payables	136	3,145	647
<b>Cash generated from operations</b>	<b>1,358</b>	<b>2,513</b>	<b>2,545</b>
Interest paid	(120)	(93)	(77)
Tax paid	(388)	(430)	(602)
Tax refund	-	10	-
<b>Net cash flows generated from operating activities</b>	<b>850</b>	<b>2,000</b>	<b>1,866</b>
Purchase of PPE	(325)	(190)	(233)
Purchase of website costs	-	(2)	(3)
Transaction costs upon purchase of pharmacy licences	-	(4)	-
<b>Net cash used in investing activities</b>	<b>(325)</b>	<b>(196)</b>	<b>(236)</b>
Movements in short and long-term borrowings	(276)	(177)	(227)
(Decrease)/ Increase in shareholders' loan	(259)	74	(1,790)
Dividend paid	(383)	(386)	-
<b>Net cash used in financing activities</b>	<b>(918)</b>	<b>(489)</b>	<b>(2,017)</b>
<b>Movement in cash and cash equivalents</b>	<b>(393)</b>	<b>1,315</b>	<b>(387)</b>
Cash and cash equivalents at start of year	(723)	(1,116)	199
<b>Cash and cash equivalents at end of year</b>	<b>(1,116)</b>	<b>199</b>	<b>(188)</b>

Ratio Analysis	FY17	FY18	FY19
<b>Cash Flow</b>			
Free Cash Flow (Net cash from operations + cash interest paid - Capex)	€645	€1,901	€1,707

In view of a higher tax charge incurred during FY19, BPL's net cash flow generated from operating activities tapered down to *circa* €1.9m (FY18: €2m). Moreover, BPL's investing activities primarily reflect additional capital expenditure incurred by the Group to finance new pharmacy acquisitions, in addition to other general investments across BPL's pharmacy network. Additionally, BPL's financing activities amounted to *circa* negative €2m during FY19.

## 2.4 Issuer's Audited Consolidated Historical FY20 Statement of Comprehensive Income

Income Statement	FY20
	€'000s
Revenue	24,603
Cost of sales	(17,345)
<b>Gross profit</b>	<b>7,258</b>
Direct pharmacy costs	(2,417)
<b>Contribution</b>	<b>4,841</b>
Head office costs	(1,738)
Contribution from other trading activities	75
<b>EBITDA</b>	<b>3,178</b>
Depreciation and amortisation	(689)
<b>EBIT</b>	<b>2,489</b>
Finance costs	(498)
<b>Profit before tax</b>	<b>1,991</b>
Income tax charge	(753)
<b>Net income</b>	<b>1,238</b>
Other comprehensive income	(1,537)
<b>Total comprehensive income</b>	<b>(299)</b>

Ratio Analysis	FY20
<b>Profitability</b>	
Growth in Revenue (YoY Revenue Growth)	103.5%
Gross Profit Margin (Gross Profit/ Revenue)	29.5%
Contribution Margin (Contribution/ Revenue)	19.7%
EBITDA Margin (EBITDA / Revenue)	12.9%
Operating (EBIT) Margin (EBIT / Revenue)	10.1%
Net Margin (Profit for the year / Revenue)	5.0%
Return on Common Equity (Net Income / Average Equity)	7.6%
Return on Assets (Net Income / Average Assets)	3.3%

As clearly explained in the introduction of this section of the Analysis, the Issuer's FY20 historical financial statements, are not directly comparable to BPL's results presented from section 2.1 to section 2.3.

More specifically, the FY20 consolidated results reflect a larger operation of the Issuer as it includes the addition of the five JP pharmacies discussed in prior section of the Analysis. As from 2020, the Group adopted IFRS 16 – Leases, whilst in 2019, the effect of this standard was only disclosed in the consolidated financials of Brown's Pharma Limited but not accounted for. Moreover, up to 2019, the value of oncology pharmaceuticals being made available to Malta Community Chest Fund beneficiaries were not recognised in turnover by way of the fact that up to 2019 Browns did not register or recognise any profit on these sales. As from 2020, Browns started to recognise a minimal profit margin to reflect its efforts in procuring these pharmaceuticals and consequentially these sales started being recognised and disclosed with turnover. This has brought about a change in disclosure with oncology sales being recognised as revenue as from 2020. Total value of oncology sales in 2020 was €8.3 million whilst in 2019 total value of oncology medicines made available to Malta Community Chest Fund was €13.2 million.

Furthermore, the reported gross profit margin of 30% on this level of turnover, provides a strong base to finance the various operational expenses, which were explained in detail in section 2.1 of the Analysis. In addition, the Brown's Group reported an operating profit (EBIT) of *circa* €2.5m during FY20.

Management further noted that unlike the prior years, the FY20 results also include the implementation of IFRS16. As a result, one may note that when compared to FY19, the results presented above, reflect an increase in terms of the Group's depreciation and amortisation charge.

Additionally, after accounting for finance costs of *circa* €0.5m, which also includes interest expenses in accordance with the aforementioned adoption of IFRS16 (finance leases), the Brown's Group reported a profit before tax of *circa* €2m during FY20.

## 2.5 Issuer's Audited Consolidated Historical FY20 Statement of Financial Position

Statement of Financial Position		FY20
		€'000s
<b>Assets</b>		
<b>Non-current assets</b>		
Intangible assets		29,200
Goodwill		2,153
Property, plant and equipment		1,432
Right-of-use assets		7,342
<b>Total non-current assets</b>		<b>40,127</b>
<b>Current assets</b>		
Inventories		2,062
Trade and other receivables		3,142
Cash in hand and at bank		571
<b>Total current assets</b>		<b>5,775</b>
<b>Total assets</b>		<b>45,902</b>
<b>Equity</b>		
Share capital		20,086
Retained earnings		297
Revaluation reserve		(1,537)
Non-controlling interests		21
<b>Total equity</b>		<b>18,867</b>
Bank overdraft and loans		
Other loans		2,138
Bond		7,600
<b>Total debt</b>		<b>9,738</b>
Deferred taxation		8,576
Trade and other payables		8,206
Current taxation		515
<b>Total current liabilities</b>		<b>17,297</b>
<b>Total liabilities</b>		<b>27,035</b>
<b>Total equity and liabilities</b>		<b>45,902</b>

Ratio Analysis		FY20
<b>Financial Strength</b>		
Gearing 1 (Net Debt / (Net Debt and Total Equity))		32.7%
Gearing 2 (Total Liabilities / Total Assets)		37.7%
Gearing 3 (Net Debt / Total Equity)		48.6%
Net Debt / EBITDA		2.9x
Current Ratio (Current Assets / Current Liabilities)		0.3x
Quick Ratio ((Current Assets - Inventory) / Current Liabilities)		0.2x
Interest Coverage level 1 (EBITDA / Cash interest paid)		31.2x
Interest Coverage level 2 (EBITDA / finance costs)		6.4x

In addition to the detailed assessment of the Group's balance sheet presented in section 2.2 of the Analysis, the FY20 results reflect an increase of *circa* €6.1m in intangible assets which is attributable to the inclusion of the new pharmacy licences following the acquisition of the five JP pharmacies.

In accordance with the adoption of IFRS 16, the Group reported right-of-use assets amounting to €7.3m and corresponding lease liabilities of €7.6m. In furtherance, the Group reported a strong equity base of €18.9m for FY20.

## 2.6 Issuer's Audited Consolidated Historical FY20 Statement of Cash Flows

Statement of Cash Flow	FY20
	<b>€'000s</b>
EBITDA	3,157
Movement in inventories	(177)
Movement in trade and other receivables	558
Movement in trade and other payables	(494)
<b>Cash generated from operations</b>	<b>3,044</b>
Interest paid	(102)
Tax paid	(510)
<b>Net cash flows generated from operating activities</b>	<b>2,432</b>
Purchase of PPE	(506)
Purchase of intangible assets	(1,652)
Goodwill upon acquisition and issue of share capital	(2,149)
Intangible assets upon issue of share capital	(17,935)
Principal payments of lease liabilities	(654)
<b>Net cash used in investing activities</b>	<b>(22,896)</b>
Movements in short and long-term borrowings	994
(Decrease)/ Increase in shareholders' loan	(3)
Issue of share capital	20,086
Non-controlling interest	21
Purchase of website costs	(87)
<b>Net cash used in investing activities</b>	<b>21,011</b>
<b>Net movement of assets and liabilities taken over upon merger</b>	<b>23</b>
<b>Movement in cash and cash equivalents</b>	<b>571</b>
<b>Cash and cash equivalents at end of year</b>	<b>571</b>

Ratio Analysis	FY20
<b>Cash Flow</b>	
Free Cash Flow (Net cash from operations + Interest - Capex)	€376

In line with the Group's positive financial performance achieved throughout the period, the Group reported an improved net cash flow generated from operating activities of €2.4m during FY20 (FY19: €1.9m). After accounting for the various investing and financing activities associated with the establishment of the new Group, Brown's reported a net cash balance of approximately €0.6 m as at the end of the year.

## 2.7 Issuer's Projected Consolidated Statement of Comprehensive Income

Income Statement	2021F	2022P
	€'000s	€'000s
Revenue	26,965	27,412
Cost of sales	(17,294)	(17,073)
<b>Gross profit</b>	<b>9,671</b>	<b>10,339</b>
Direct pharmacy costs	(2,956)	(2,964)
<b>Contribution</b>	<b>6,715</b>	<b>7,375</b>
Head office costs	(1,629)	(1,664)
<b>EBITDA</b>	<b>5,086</b>	<b>5,711</b>
Depreciation and amortisation	(717)	(713)
<b>EBIT</b>	<b>4,369</b>	<b>4,998</b>
Finance costs	(889)	(874)
Amortisation of bond issue costs	(26)	(26)
<b>Profit before tax</b>	<b>3,454</b>	<b>4,098</b>
Income tax charge	(1,209)	(1,434)
<b>Net income</b>	<b>2,245</b>	<b>2,664</b>
Other comprehensive income	-	-
<b>Total comprehensive income</b>	<b>2,245</b>	<b>2,664</b>

Ratio Analysis	2021F	2022P
<b>Profitability</b>		
Gross Profit Margin (Gross Profit / Revenue)	35.9%	37.7%
Contribution Margin (Contribution / Revenue)	24.9%	26.9%
EBITDA Margin (EBITDA / Revenue)	18.9%	20.8%
Operating (EBIT) Margin (EBIT / Revenue)	16.2%	18.2%
Net Margin (Profit for the year / Revenue)	8.3%	9.7%
Return on Common Equity (Net Income / Average Equity)	11.7%	13.4%
Return on Assets (Net Income / Average Assets)	4.5%	5.0%

As explained in section 2.4 of the Analysis, from FY20 onwards, revenue and cost of sales relating to MCCF will be reported in the Group's overall revenue and cost of sales instead of listed as a separate line item. As a result, the revenue and cost of goods sold projections presented above also incorporate MCCF.

As per guidance provided by management, the Group anticipates to generate approximately *circa* € 27.0m and €27.4m in revenues during FY21 and FY22, respectively. These projected revenue figures demonstrate an overall year-on-year revenue growth of 9.6% and 1.7% respectively. Management further reported that such growth is mainly driven by the addition of the five JP pharmacies discussed in prior section of the Analysis, the opening of Mosta Grognet pharmacy in FY20 and the opening of three new pharmacies following the acquisition of the three pharmacy licences identified earlier in section 1.4.2 of the Analysis. Moreover, the Group expects sales per pharmacy to amount to *circa* €1.2m during FY21 and FY22.

Projected Revenue Analysis	2021F	2022P
Growth in Revenue (YoY Revenue Growth)	9.6%	1.7%
Number of pharmacies	22	22
Average revenue per pharmacy (€'000s)	1,226	1,246

As outlined in prior sections of this report, management indicated that the addition of pharmacy stores to the Group's existing pharmacy network, has driven a material increase in volumes purchased from suppliers as well as larger delivery orders being made. As a result, this has allowed management to negotiate improved pricing terms with its suppliers. As noted in the financial data presented above, when compared to the FY20 historical results, such favourable credit terms are expected to result into an improved gross profit margin across the Group's projected period.

Additionally, projected direct pharmacy costs which are primarily composed of store wages and salaries and store rent, have been assumed to remain fairly consistent, when expressed as a proportion of revenue. Subsequently, as direct pharmacy costs are expected to remain constant, the improvement in gross profit is thus expected to yield into an improved pharmacy contribution.

The Brown's Group head office costs are projected to grow at a stable 2.0% annual growth rate throughout the projected period. Management further indicated that the current head office structure is capable of supporting the larger 22 outlet pharmacy network and therefore an inflationary growth rate would be appropriate.

Moving forward, the Group's EBITDA margin is projected to improve to 18.9% in FY21, representing an overall improvement of 6% over the EBITDA margin reported in FY20 (12.9%). More specifically, in view of the economies of scale expected to be gained by leveraging Brown's head office structure, the Group anticipates EBITDA margin to further improve to 20.8%.

From FY21 onwards, interest expense reflects the interest charge on the proposed bond issue assuming a 3.9% coupon, as well as the implementation of IFRS16. The bond is assumed to be issued in the beginning of FY21, thereby the interest cost for FY21 reflects a full year interest on the proposed €13m bond. Additionally, the €260k bond issue costs are projected to be amortised over the ten-year term of the bond.

In view of the above considerations, the Group is expected to report a net profit figure of €2.2m during FY21. Net profit is further expected to increase over the projected period to €2.7m in FY22.



## 2.8 Issuer's Projected Consolidated Statement of Financial Position

Statement of Financial Position	2021F	2022P
	€'000s	€'000s
<b>Assets</b>		
<b>Non-current assets</b>		
Intangible assets	33,443	33,443
Property, plant and equipment	1,991	1,964
Right-of-use of assets	6,923	6,505
Goodwill	2,154	2,154
<b>Total non-current assets</b>	<b>44,511</b>	<b>44,066</b>
<b>Current assets</b>		
Inventories	2,211	2,116
Trade and other receivables	1,482	1,333
Advance payments of rent	2,186	1,640
Amounts due from related parties	49	49
Cash in hand and at bank	2,465	4,006
<b>Total current assets</b>	<b>8,393</b>	<b>9,144</b>
<b>Total assets</b>	<b>52,904</b>	<b>53,210</b>
<b>Equity</b>		
Share capital	20,048	20,048
Retained earnings	1,026	1,825
Revaluation reserve	(1,537)	(1,537)
Non-controlling interests	14	14
<b>Total equity</b>	<b>19,551</b>	<b>20,350</b>
Bond	12,766	12,792
<b>Total debt</b>	<b>12,766</b>	<b>12,792</b>
Deferred taxation	8,592	8,592
Right-of-use liability	7,328	7,041
Trade and other payables	4,264	4,210
Current taxation	403	225
<b>Other liabilities</b>	<b>20,587</b>	<b>20,068</b>
<b>Total liabilities</b>	<b>33,353</b>	<b>32,860</b>
<b>Total equity and liabilities</b>	<b>52,904</b>	<b>53,210</b>

Ratio Analysis	2021F	2022P
<b>Financial Strength</b>		
Gearing 1 (Net Debt / Net Debt and Total Equity)	34.5%	30.2%
Gearing 2 (Total Liabilities / Total Assets)	63.0%	61.8%
Gearing 3 (Net Debt / Total Equity)	52.7%	43.2%
Net Debt / EBITDA	2.0x	1.5x
Current Ratio (Current Assets / Current Liabilities)	0.4x	0.5x
Quick Ratio (Current Assets - Inventory / Current Liabilities)	0.3x	0.4x
Interest Coverage level 1 (EBITDA / Cash interest paid)	10.0x	11.3x
Interest Coverage level 2 (EBITDA / finance costs)	5.7x	6.5x

As noted in section 2.2 of the Analysis, intangible assets reflect the value attributed to the pharmacy licences. Moving forward, this has been projected based on the balance as at December 2020 and adjusted to reflect the new pharmacy licence acquisitions. While the Group has a policy to revalue licences every two years, management explained that no revaluations have been assumed throughout the projected period. As previously reported, intangible assets are anticipated to remain an integral part of the Group's total assets, whereby in FY22, these are expected to amount to *circa* 63% of Brown's total assets.

As per FY21 projections, the Group's inventory figure for the period is projected based on a 75-day inventory turnover period, yielding an inventory position similar to that of the previous year. Management indicated that the Group's existing centralised distribution centre is expected to result into further inventory efficiency at the JP pharmacies. Total inventory for FY21 is expected to amount to €2.2m and is expected to taper down to €2.1m in FY22.

The projected trade and other receivables, which is expected to amount to €1.5m in FY21 is projected on the basis of a 90-day credit period. In line with the Group's intention to utilise part of the proceeds arising from this proposed bond issue to prepay five-years rent in advance against a discount on future rent, for FY21, the Group is projecting an advance payment of rent amounting to €2.2m.

Moreover, the Group's total equity is expected to amount to €19.6m in FY21 and is further projected to increase to €20.4m in FY22. More specifically, the movement in retained earnings is equivalent to annual net income, net of projected dividend payments amounting to 70% of net income.

As indicated in the FY21 projections, all outstanding bank loans and the other loan are expected to be settled once the proceeds arising from the proposed bond issue kick in.

In view of the fact that no revaluations in the pharmacy licences has been assumed, and no change in taxation is envisaged, deferred taxation is assumed to remain constant throughout the projected period. Additionally, the Group's projected trade and other payables comprise both pharmacy and other payables specifically related to the MCCF operation. Management explained that whereas pharmacy payables are projected on the basis of a 90-day credit period, MCCF payables are projected on a back to back basis with MCCF receivables reflecting the day-to-day practice adopted by the group on this operation.

Moreover, the amounts due to related parties, which primarily represent a balance due to two shareholders of the Group linked to the JP transaction, is projected to be paid in the beginning of FY21 from the proceeds of the proposed bond issue .

## 2.9 Issuer's Projected Consolidated Statement of Cash Flow

Statement of Cash Flow	2021F	2022P
	€'000s	€'000s
EBITDA	5,086	5,711
Movement in inventories	(347)	94
Movement in trade and other receivables	635	148
Movement in trade and other payables	(4)	(54)
Non-cash rent	(2,186)	547
	3,184	6,446
Interest paid	(507)	(507)
Tax paid	(961)	(1,612)
<b>Net cash flows generated from operating activities</b>	<b>1,716</b>	<b>4,327</b>
Acquisition of tangible assets	(885)	(268)
Acquisition of intangible assets	(3,200)	-
Lease payments	(654)	(654)
<b>Net cash used in investing activities</b>	<b>(4,739)</b>	<b>(922)</b>
Movements in existing debt	(3,111)	-
Bond drawdown/ (repayment)	12,740	-
Movement in shareholder loans	(3,040)	-
Dividends paid	(1,571)	(1,864)
<b>Net cash generated / (used in) financing activities</b>	<b>5,018</b>	<b>(1,864)</b>
<b>Movement in cash and cash equivalents</b>	<b>1,995</b>	<b>1,541</b>
<b>Cash and cash equivalents at start of year</b>	<b>470</b>	<b>2,465</b>

Ratio Analysis	2021F	2022P
<b>Cash Flow</b>		
Free Cash Flow (Net cash from operations + Interest - Capex)	€(1,862)	€4,566

After accounting for changes in working capital, non-cash rent during FY21 reflects the advance payment of rent, net of non-cash rental expense included in the income statement. From FY22 onwards, the non-cash rental expense is included in the respective period. Moreover, interest paid listed under operating activities takes into account annual interest due on the bond. Upon taking these into consideration, in addition to the anticipated tax paid during the respective periods, the Group's net cash flows generated from operating activities are expected to amount to €1.7m and €4.3m in FY21 and FY22 respectively.

Furthermore, acquisition of tangible assets reflects the expected investment in the shop fixtures and fittings, as well as other equipment required in the health services division. The higher expenditure in FY21 reflects the expenditure required to re-fit the JP and new acquired pharmacies.

Similarly, the acquisition of intangible assets reflects the acquisition cost of the three identified pharmacy licenses as per proposed bond issue. Management further noted that while it is their intention to continue acquiring pharmacies to add to their network, these projections do not assume any further acquisitions as these have not yet been identified.

Additionally, the Group's projected investing activities are mainly composed of the proposed drawdown, the consequent repayment of existing debt and movement in shareholder loans. Brown's investing activities is also composed of dividends paid. Management further explained that the Group is assuming a dividend policy whereby the Group distributes 70% of reported net earnings. This being said, management also clarified that the actual dividend distribution would depend on actual cash headroom as well as the Group's capital commitments.

## PART 3 – KEY MARKET AND COMPETITOR DATA

### 3.1 General Market Conditions

The Issuer is subject to general market and economic risks that may have a significant impact on its current and future property developments and their timely completion within budget. These include factors such as the health of the local property market, inflation and fluctuations in interest rates, exchange rates, property prices and rental rates. In the event that general economic conditions and property market conditions experience a downturn, which is not contemplated in the Issuer's planning during development, this shall have an adverse impact on the financial condition of the Issuer and may therefore affect the ability of the Issuer to meet its obligations under the Bonds.

#### Economic Update<sup>1</sup>

In April, business conditions improved significantly with respect to the previous month. However, economic activity levels remained low, reflecting the weak economic conditions triggered by COVID-19. European Commission data show that economic sentiment rose significantly in April and reached the highest level recorded since January 2018. It also stood above its long-term average for the first time since the onset of the pandemic. In April, confidence turned positive in industry, the construction and services sectors as well as among consumers. However, sentiment declined significantly – and remained negative – in the retail sector.

In March, industrial production and the volume of retail trade contracted at a slower pace in annual terms. The number of registered unemployed fell compared with February, while the unemployment rate edged down from a month earlier. The annual inflation rate based on the Harmonised Index of Consumer Prices (HICP) remained unchanged at 0.1% in March, while inflation based on the Retail Price Index (RPI) rose to 0.4%. Maltese residents' deposits expanded at an annual rate of 7.0% in March, following an increase of 8.0% in the previous month, while annual growth in credit to Maltese residents rose to 11.8%, from 11.1% a month earlier. In March, the deficit on the cash-based Consolidated Fund widened when compared with a year earlier, mainly as a result of higher expenditure which continued to be affected by COVID-19 related support to the private sector.

#### Economic Projections<sup>2</sup>

As a result of the pandemic, the Central Bank of Malta (the Bank) expects that after an estimated contraction of 8.2% in 2020, Malta's Gross Domestic Product (GDP), will grow by 5.0% in 2021, by 5.5% in 2022, and by 4.7% in 2023. In comparison to the projections published in December 2020, GDP growth is being revised downwards for 2020 and 2021 due to the impact of stringent containment measures that spilled further into 2021. However, GDP growth is being revised upwards for 2022 and 2023, with GDP in 2023 expected to be at a similar level to that projected in December 2020. The Bank thus maintains its expectation that 2019 GDP levels are to be recouped towards the end of 2022, conditional on the successful rollout of a vaccine in 2021.

Declining net exports were the main contributor to the contraction in GDP in 2020, reflecting a sharp drop in foreign demand, restrictions on travel-related activities, and disruptions to the global supply chain. However, domestic demand is also estimated to have contributed negatively, as the various containment measures curtailed various activities during the year, especially during the second quarter, and elevated levels of uncertainty which adversely impacted private consumption and investment. Contractions in these two expenditure components were only partially mitigated by increased government consumption. Domestic demand is expected to be the main driver of the projected recovery in subsequent years.

Despite the sharp contraction in 2020, the labour market has shown remarkable resilience. Unemployment initially rose during the first wave of COVID-19, but has since declined, as fiscal measures have been very supportive of employment. Employment growth is estimated to have remained positive in 2020, though moderating compared to 2019. It is then projected to pick up gradually in the following years, reaching 2.7% in 2023. These projections constitute an upward revision from the previous exercise, reflecting stronger than expected outcomes in 2020.

Annual inflation based on the Harmonised Index of Consumer Prices is set to edge up to 0.9% in 2021, from 0.8% in 2020, reflecting faster growth in services prices. Furthermore, non-energy industrial goods (NEIG) inflation is set to turn positive. Overall HICP inflation is set to edge up to 1.7% by 2023, reflecting a pickup in economic activity, which is expected to lift prices of services and NEIG further.

Public finances deteriorated sharply in 2020 due to the decline in economic activity and the introduction of COVID-19 related fiscal support. The Bank is now projecting that the general government will record a deficit of 9.5% of GDP in 2020. The deficit is expected to persist throughout 2021, although it is anticipated to narrow to 6.6%. As economic activity improves and the need for COVID-related support gradually fades, the deficit is set to narrow further to 3.9% of GDP by 2023. Consequently, the government debt-to-GDP ratio is projected to rise from 42.4% in 2019 to 60.3% by 2023.

<sup>1</sup> Central Bank of Malta - Economic Update 5/2021

<sup>2</sup> Central Bank of Malta - Economic Projections 2020 - 2023 (2021:1)

Given the prevailing uncertainty, the Bank has also published a more severe scenario in which it considers the effects of some restrictive health protocols being maintained beyond 2021, in the event that the pace of vaccination is slower than currently projected and new infectious strains become harder to control. In such a scenario, the 2019 level of GDP would be reached only in 2023. Additionally, the government deficit would deteriorate more sharply in 2021, reaching 10.0% of GDP, before narrowing to 5.6% in 2022 and 2023, while the government debt-to-GDP ratio would rise to 68.2% by then.

## The Pharmaceutical Retail Industry

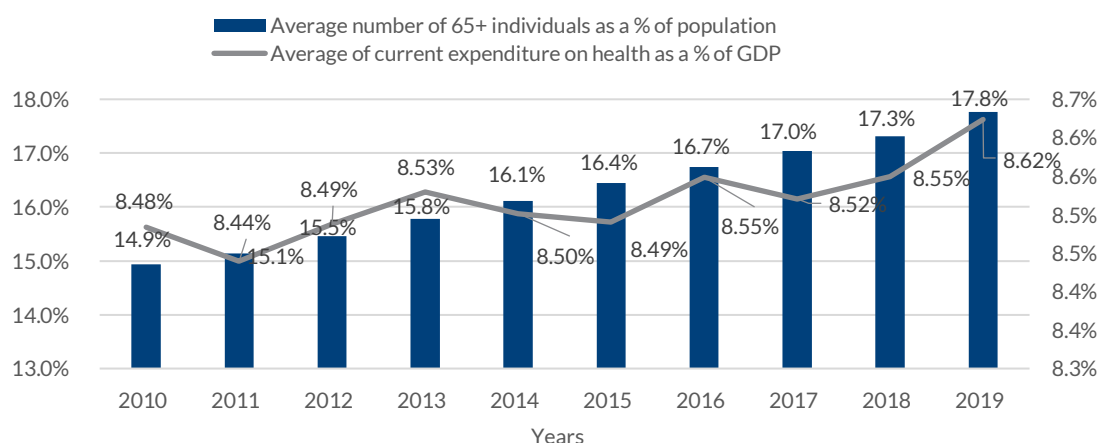
The pharmaceutical retail industry is composed of pharmacy stores which are engaged in the retailing of prescription and non-prescription medicines, drugs<sup>3</sup> and pharmaceuticals. More specifically, pharmacy stores are also involved in the retailing of “front-end” merchandise such as health products that include vitamins and supplements, cosmetics, toiletries, greeting cards, and non-perishable food products to walk-in customers.

As a starting point, pharmacy store sales are predominantly driven by the number of prescriptions which they fill, as prescriptions are the initial cause of customer traffic. In furtherance, the remaining revenue is generated from the sale of “front-end” items. In an attempt to boost revenue volumes, pharmaceutical retail stores have nowadays expanded the selection of such items, consequently increasing the receptive revenue levels.

Traditionally, pharmacy stores have viewed older patients as their main customer base. However, through the sale of such commercialised items, in addition to the introduction of number of cosmetic services, pharmacy retail stores have nowadays also expanded their customer base to younger individuals. From a competition point of view, large pharmaceutical retail companies which are already established in the market, typically have access to an extensive consumer base. Smaller companies however, strive to achieve effective and creative advertising strategies to garner more consumer traffic, and also focus on operating out of convenient locations.

In addition to the need for medical prescriptions and the introduction of new advances/ innovations in medical care, the demand for pharmaceutical retail stores within a specific country, is also greatly dependent upon the growth in the number of older persons, otherwise known as an ageing population.

In recent years, virtually every country in the world has experienced growth in the number of older persons in their population. As could be noted through the below graphical presentation, the average number of individuals who are 65 years or older as a percentage of total population concerning “Organisation for Economic Cooperation and Development (OECD)” countries, increased from 14.9% in 2010 to 17.8% in 2019. More specifically, throughout 2010-2019, these countries experienced an increase of *circa* 15.7% in relation to the number of individuals who are 65 years or older.



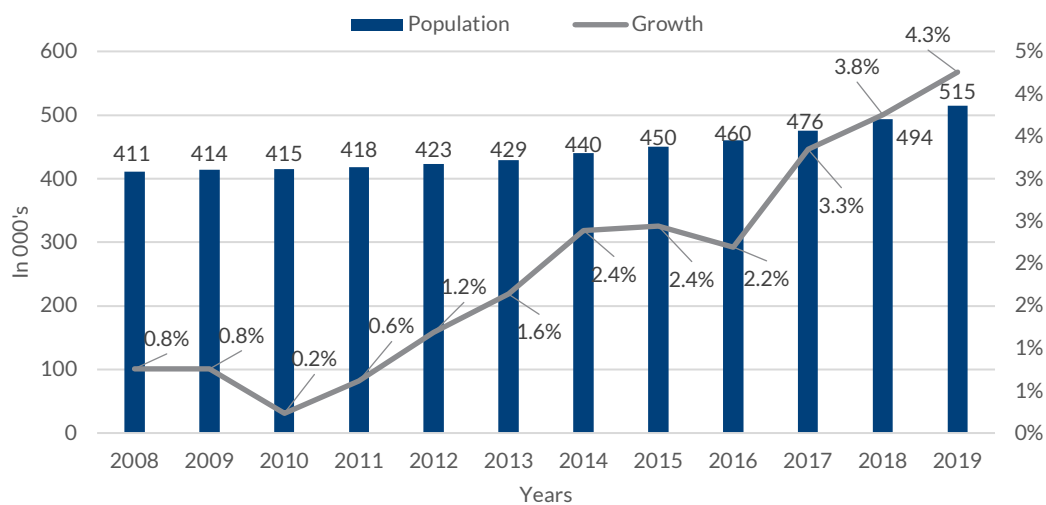
<sup>3</sup> Including both generic and brand name prescription and non-prescription medicines and drugs

This data further illustrates that as the number of persons aged 65 years or over increased over time, OECD countries have also witnessed a consequent increase in health expenditure as a percentage of GDP. This therefore implies that the demand for pharmaceutical retail stores has strengthened throughout this period.

#### Local Pharmaceutical Retail Industry<sup>4</sup>

Locally, demographic statistics also show that the population in Malta is ageing considerably. As at December 2019, the population aged 65 years or over amounted to 18.5% (95,050) of the total population of 514,564, illustrating an increase of 3.7% from the 14.8% recorded in 2009.

The population increase in 2019 was mainly driven by a net migration of 20,343 persons, with the remaining 662 persons representing the natural increase between births and deaths. Life expectancy has also increased throughout the years, with the average life expectancy for those born in 2019 standing at 83 years, an increase of 2.6 years when compared to 10 years ago.



On the same note, according to the '2019 Ageing Report' prepared by the European Commission and the Economic Policy Committee, the EU-28's median age is projected to increase by 3.8 years during the next three decades, to reach 46.9 years by 2050. This pattern will be repeated in each of the EU Member States, with the median age of the population projected to rise by 8 years or more in Malta, Poland, Slovakia and Cyprus.

As life expectancy at birth increases globally (including Malta), remarkable advancements in healthcare services and medical research, have greatly contributed towards an overall improvement in longevity. Based on this, in combination to the anticipated increase in the number of individuals aged 65 or over, this study illustrates that as things stand, the demand for pharmaceutical retail stores is expected to continue strengthening moving forward.

Additionally, the number of local pharmacy licences available are limited depending on the population of a locality. Data specifically related to the number of pharmacy licences issued in Malta over a specific timeframe is limited. However, according to data provided by the 'Malta Medicine Authority', there are currently over two hundred licensed retail community pharmacies in Malta.

In view of the above, once all pharmacy licences within the threshold are issued to operators, the authority cannot issue new licences unless the threshold is increased. In view of this, the limited supply of licences has driven a market in the trade of pharmacy licences which can be sold / acquired from third parties on the open market. More specifically, it is important to note that the trade of pharmacy licences, in addition to approval of new licences are subject to the approval of the Superintendent of Public Health.

Such policy has naturally driven up the price to acquire a pharmacy licence, which has increased the barriers to entry and hence reduced completion for existing operators. Additionally, the limited availability of pharmacy licences in Malta will continue to channel the increase in the demand for pharmaceutical needs to existent operators.

<sup>4</sup> National Statistics Office: World Population Day statistics

### 3.2 Comparative Analysis

The purpose of the table below compares the proposed debt issuance of the Group to other debt instruments with similar term to maturity. 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.

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)	(€millions)	(€millions)	(%)	(%)	(times)	(times)	(%)	(%)	(%)
3.75% Mercury Projects Finance plc Secured € 2027	11,500	3.19%	0.4x	62.2	(.6)	101.0%	101.9%	82.9x	1.0x	236.9%	-15.9%	125.6%
4.35% SD Finance plc Unsecured € 2027	65,000	4.06%	6.8x	324.4	137.6	57.6%	43.3%	4.1x	1.4x	9.0%	20.5%	5.7%
4% Eden Finance plc Unsecured € 2027	40,000	3.08%	6.6x	199.3	113.1	43.2%	29.0%	3.4x	1.1x	11.7%	28.1%	9.7%
4.4% Central Business Centres plc Unsecured € 2027 S1/17 T1	6,000	4.03%	1.9x	29.5	16.6	44.0%	41.4%	13.2x	0.5x	3.0%	45.6%	205.0%
3.75% Tumas Investments plc Unsecured € 2027	25,000	3.39%	9.1x	244.6	131.5	46.2%	16.5%	1.0x	2.2x	8.6%	20.6%	-52.6%
4.5% Grand Harbour Marina plc Unsecured € 2027	15,000	3.87%	2.5x	28.5	3.5	87.6%	82.6%	9.8x	1.7x	6.5%	5.4%	-12.9%
3.5% Simonds Farsons Cisk plc Unsecured € 2027	20,000	2.49%	16.7x	187.9	116.2	38.2%	25.9%	1.8x	1.6x	10.6%	11.5%	3.7%
4% Stivala Group Finance plc Secured € 2027	45,000	3.25%	4.0x	225.3	123.1	45.4%	40.6%	7.4x	0.7x	5.0%	26.0%	19.5%
3.75% Virtu Finance plc Unsecured € 2027	25,000	3.24%	6.0x	202.1	82.1	59.4%	50.7%	3.9x	1.0x	14.9%	29.6%	31.0%
3.75% Bortex Group Finance plc Unsecured € 2027	12,750	3.07%	2.6x	60.3	27.9	53.7%	43.3%	9.1x	2.1x	2.0%	2.7%	13.9%
3.85% Hili Finance Company plc Unsecured € 2028 (xd)	40,000	3.85%	4.1x	628.9	110.1	82.5%	77.1%	5.7x	1.2x	23.0%	4.6%	14.8%
4% Exalco Finance plc Secured € 2028	15,000	3.76%	3.9x	68.2	39.7	41.7%	32.0%	5.7x	1.0x	5.0%	44.7%	13.9%
4.5% Endo Finance plc € Unsecured Bonds 2029	13,500	4.65%	3.4x	31.5	10.5	66.8%	57.9%	6.4x	0.9x	21.6%	40.6%	n/a
4% SP Finance plc Secured EUR Bonds 2029	12,000	3.64%	6.4x	20.9	16.0	23.6%	15.0%	2.7x	0.5x	2.5%	28.0%	6.9%
3.75% TUM Finance plc Secured € 2029	20,000	3.19%	2.1x	60.1	32.1	46.6%	53.0%	11.1x	4.5x	41.9%	773.6%	n/a
3.65% Stivala Group Finance plc Secured € 2029 (xd)	15,000	3.23%	4.0x	225.3	123.1	45.4%	40.6%	7.4x	0.7x	5.0%	26.0%	19.5%
3.8% Hili Finance Company plc Unsecured € 2029	80,000	3.81%	4.1x	628.9	110.1	82.5%	77.1%	5.7x	1.2x	23.0%	4.6%	14.8%
3.75% AX Group plc Unsec Bds 2029 Series II	10,000	3.34%	5.5x	342.4	226.1	34.0%	18.9%	3.2x	0.9x	2.2%	9.4%	-8.1%
4.25% Mercury Projects Finance plc Secured € 2031	11,000	3.88%	0.4x	62.2	(.6)	101.0%	101.9%	82.9x	1.0x	236.9%	-15.9%	125.6%
3.9% Brown's Pharma Holdings plc Unsec Call Bds €2027-2031 **	13,000	3.90%	6.4x	45.9	18.9	37.6%	32.7%	2.9x	0.3x	8.1%	5.3%	103.5%
Average***		3.53%										

Source: Latest available audited and consolidated financial statements

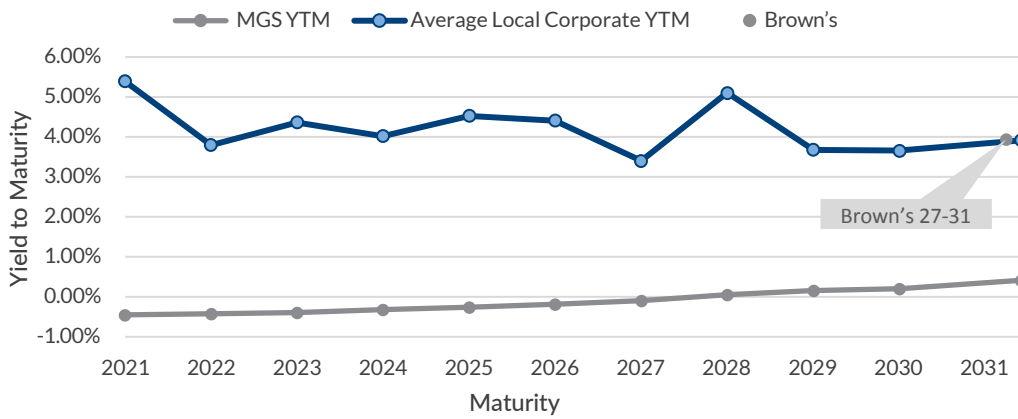
Although the above comparative analysis table specifically refers to the respective Issuers, it is important to clarify that financial figures and metrics pertaining to such issuers captures the consolidated operation of the respective Group. More specifically, the presented financial data relates to either the Holding Company, Guarantor or the Issuer depending on the respective group structure of each issuer.

\* Last price as at 10/03/2021

\*\* Average figures do not capture the yield on the proposed debt issuance of the Group

\*\*\* The financial analysis of Brown's Pharma Holdings plc reflects the audited financial position of the Group for the year ended 31st December 2020.

### Yield Curve Analysis



Source: Malta Stock Exchange, Central Bank of Malta and Calamatta Cuschieri estimates

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 3.9 % Brown's Pharma Holdings plc bond.

As at 9 April 2021, the average spread over the Malta Government Stocks (MGS) for comparable issuers with maturity range of 6-10 years was 348 basis points. The proposed 3.9% Brown's Pharma Holdings plc 2027-2031 bond is being priced with a 3.9% coupon issued at par, meaning a spread of 347 basis points over the equivalent MGS, and therefore at a marginal discount to the average on the market. 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.



## PART 4 – GLOSSARY AND DEFINITIONS

<b>Income Statement</b>	
Revenue	Total revenue generated by the Group/Company from its principal business activities during the financial year.
Costs	Costs are expenses incurred by the Group/Company in the production of its revenue.
EBITDA	EBITDA is an abbreviation for earnings before interest, tax, depreciation and amortisation. It reflects the Group's/Company'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/Company during the financial year net of any income taxes incurred.
<b>Profitability Ratios</b>	
Growth in Revenue (YoY)	This represents the growth in revenue when compared with previous financial year.
Gross Profit 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).
<b>Cash Flow Statement</b>	
Cash Flow from Operating Activities (CFO)	Cash generated from the principal revenue producing activities of the Group/Company 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/Company.
Cash Flow from Financing Activities	Cash generated from the activities that result in change in share capital and borrowings of the Group/Company.
Capex	Represents the capital expenditure incurred by the Group/Company in a financial year.
Free Cash Flows (FCF)	The amount of cash the Group/Company has after it has met its financial obligations. It is calculated by taking Cash Flow from Operating Activities, adding back cash interest paid, less the Capex of the same financial year.
<b>Balance Sheet</b>	
Total Assets	What the Group/Company owns which can be further classified into Non-Current Assets and Current Assets.
Non-Current Assets	Assets, 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/Company 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/Company 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/Company less any cash and cash equivalents.
Current Liabilities	Obligations which are due within one financial year.
<b>Financial Strength Ratios</b>	
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.
Gearing Ratio Level 3	Is calculated by dividing Net Debt by Total Equity.
Net Debt / EBITDA	The Net Debt / EBITDA ratio measures the ability of the Group/Company to refinance its debt by looking at the EBITDA.
<b>Other Definitions</b>	
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.