

---

# Financial Analysis Summary

---

27 May 2021

---

Issuer

**Best Deal Properties Holding p.l.c. (C 88974)**

Guarantor

**Best Deal Developments Limited (C 89191)**



MZ INVESTMENT SERVICES



## MZ INVESTMENT SERVICES

The Directors  
Best Deal Properties Holding p.l.c.  
63 J.L. Buildings, Office 5,  
Luqa Road,  
Paola, PLA 9045,  
Malta

27 May 2021

Dear Sirs

### **Financial Analysis Summary**

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 in the following pages and which is being forwarded to you together with this letter.

The purpose of the financial analysis is that of summarising key financial data appertaining to Best Deal Properties Holding p.l.c. (the “**Issuer**” or “**Company**” or “**BDP Group**” or “**Group**”) and Best Deal Developments Limited (the “**Guarantor**”). The data is derived from various sources or is based on our own computations as follows:

- (a) Financial information for the year ended 31 December 2018 reflects the aggregation of full year results of all subsidiary companies and the financial results of the Issuer for the period 23 October 2018 (being date of incorporation) to 31 December 2018.
- (b) Historical financial data for the period 23 October 2018 to 31 December 2019 and for the year ended 31 December 2020 has been extracted from the audited consolidated financial statements of the Issuer.
- (c) The projected consolidated financial data relating to the Issuer for the year ending 31 December 2021 has been provided by management.
- (d) Our commentary on the results of BDP Group and on its financial position is based on the explanations provided by management.



## MZ INVESTMENT SERVICES

- (e) The ratios quoted in the Analysis have been computed by us applying the definitions set out in Part 4 of the Analysis.
- (f) Relevant financial data in respect of the companies included in Part 3 has been extracted from public sources such as websites of the companies concerned, financial statements filed with the Registrar of Companies or websites providing financial data.

The Analysis is meant to assist investors in the Issuer's securities and potential investors by summarising the more important financial data of BDP Group. The Analysis does not contain all data that is relevant to investors or potential investors. The Analysis does not constitute an endorsement by our firm of any securities of the Issuer and should not be interpreted as a recommendation to invest in any of the Issuer's securities. We shall not accept any liability for any loss or damage arising out of the use of the Analysis. As with all investments, potential investors are encouraged to seek independent professional financial advice before investing in the Issuer's securities.

Yours faithfully,

**Evan Mohnani**

Senior Financial Advisor

**MZ Investment Services Ltd**

63, St Rita Street,  
Rabat RBT 1523,  
Malta  
Tel: 2145 3739

# TABLE OF CONTENTS

<b>PART 1 – INFORMATION ABOUT THE BDP GROUP .....</b>	<b>2</b>
<b>1. History and Principal Activities of BDP Group .....</b>	<b>2</b>
<b>2. Directors and Management Structure .....</b>	<b>3</b>
2.1 Directors of the Issuer .....	3
2.2 Directors of the Guarantor .....	3
2.3 Employees and Management Structure .....	3
<b>3. Organisational Structure.....</b>	<b>4</b>
<b>4. Completed Projects .....</b>	<b>4</b>
4.1 Crystal Court - Marsascala .....	4
4.2 Blue Moon Court - Marsascala .....	5
4.3 Garnet Court - Mqabba.....	5
<b>5. Works in Progress.....</b>	<b>5</b>
5.1 Zabbar Development .....	5
5.2 Mellieha Development .....	6
5.3 Pembroke Development.....	6
<b>6. Outlook.....</b>	<b>7</b>
<b>7. Security and the Reserve Account .....</b>	<b>7</b>
7.1 Security .....	7
7.2 Releasing Security and the Reserve Account.....	8
<b>8. Trend Information and Business Strategy .....</b>	<b>10</b>
8.1 Malta Economic Update .....	10
8.2 Property Market .....	11
8.3 Strategy.....	14
<b>PART 2 – BDP GROUP PERFORMANCE REVIEW .....</b>	<b>16</b>
<b>9. Financial Highlights .....</b>	<b>16</b>
<b>10. Variance Analysis .....</b>	<b>22</b>
<b>PART 3 - COMPARABLES .....</b>	<b>25</b>
<b>PART 4 - EXPLANATORY DEFINITIONS.....</b>	<b>27</b>



## PART 1 – INFORMATION ABOUT THE BDP GROUP

### 1. HISTORY AND PRINCIPAL ACTIVITIES OF BDP GROUP

The founding shareholders of Best Deal Properties Holdings and all of its subsidiaries ('**BDP Group**' or the '**Group**') comprise Christopher Attard, Erskine Vella, John Buttigieg and Pierre Bartolo, and their partnership commenced in 2016 with the acquisition of two sites in Marsascala and the development thereon of two residential apartment blocks - Crystal Court and Blue Moon Court. In 2018, a site in Mqabba was acquired for the development of Garnet Court.

For the purpose of a re-organisation of BDP Group, the Company was established on 23 October 2018 as the Group's holding parent company, and each existing shareholder subscribed to 15,000 fully paid up ordinary shares of €1 each (being €60,000 in aggregate).

In December 2018, BDP Group raised €16 million through the issue of secured debt securities for the purposes of acquiring the sites and developing the following three projects:

- (i) **Zabbar Development** - the construction, development and finishing over the site known as Il-Wilga tal-Imniegel, measuring approximately 4,149m<sup>2</sup>, of 24 maisonettes, 81 apartments and 22 penthouses, spread over nine blocks and 198 underlying garages;
- (ii) **Mellieha Development** - the construction, development and finishing over the site known as Tal-Hawlija, Ta' Masrija and Tas-Salib, measuring in aggregate approximately 1,249m<sup>2</sup>, of 3 maisonettes, 39 apartments and 7 overlying penthouses, as well as 50 underlying garages;
- (iii) **Pembroke Development** – the construction, development and finishing over the corner site situated at 102 and 103 in Triq Mediterran c/w Triq Gabriele Henin, Pembroke, having a footprint measuring approximately 380m<sup>2</sup>, of 2 maisonettes, 4 three-bedroomed apartments, 2 penthouses and 6 underlying garages.

On 30 October 2019, the Group raised further equity from a new investor – C Developments Limited, which acquired 20% of the Company through an offer for subscription of 625,000 new ordinary shares of a nominal value of €0.10 each at a share issue price of €1.60, in terms of a Company Admission Document dated 21 August 2019. The new ordinary shares, together with the 2,500,000 existing ordinary shares of the Company were admitted to Prospects MTF.

Moreover, C Developments Limited advanced to the Company an amount of €1,200,000 to further assist BDP Group with ongoing working capital requirements.

Each project undertaken by the Group post-Bond Issue is promoted through the Best Deal Properties brand, which is operated by Best Deal Properties Limited, a company external to the BDP Group and equally owned by Christopher Attard and Erskine Vella. In terms of a services agreement dated 1 November 2018, between Best Deal Properties Limited (the "**Service Provider**") and Best Deal Developments Limited (the "**Guarantor**"), the Service Provider shall charge an aggregate fixed fee of €60,000 for the provision of marketing services (including services rendered by the sales team and



advertising expenses) in relation to the Zabbar, Mellieha and Pembroke Developments. Furthermore, an administration fee of €1,500 for each unit (excluding garages) forming part of the Zabbar, Mellieha and Pembroke developments shall be due by the Guarantor to Best Deal Properties Limited for support services in connection with the Group's business operations.

## 2. DIRECTORS AND MANAGEMENT STRUCTURE

### 2.1 DIRECTORS OF THE ISSUER

The Company's governance principally lies in its Board of Directors, responsible for the general governance of the Company and to set its strategic aims, for its proper administration and management and for the general supervision of its affairs. Its responsibilities include the oversight of the Company's internal control procedures and financial performance, and the review of the Company's business risks, thus ensuring such risks are adequately identified, evaluated, managed and minimised. The Board members of the Company as at the date of this report are included hereunder:

Christopher Attard	Executive Director
Pierre Bartolo	Executive Director
Robert Buttigieg	Executive Director
Erskine Vella	Executive Director
David Basile	Executive Director
James Bullock	Non-Executive Director
Mario P. Galea	Independent Non-Executive Director
Maria Carmela k/a Marlene Seychell	Independent Non-Executive Director

### 2.2 DIRECTORS OF THE GUARANTOR

A board of four directors (listed below) is entrusted with the Guarantor's day-to-day management and is responsible for the execution of the Guarantor's investments and the funding thereof and awarding of project contracts for the development of the Guarantor's properties.

Christopher Attard	Director
Pierre Bartolo	Director
Robert Buttigieg	Director
Erskine Vella	Director

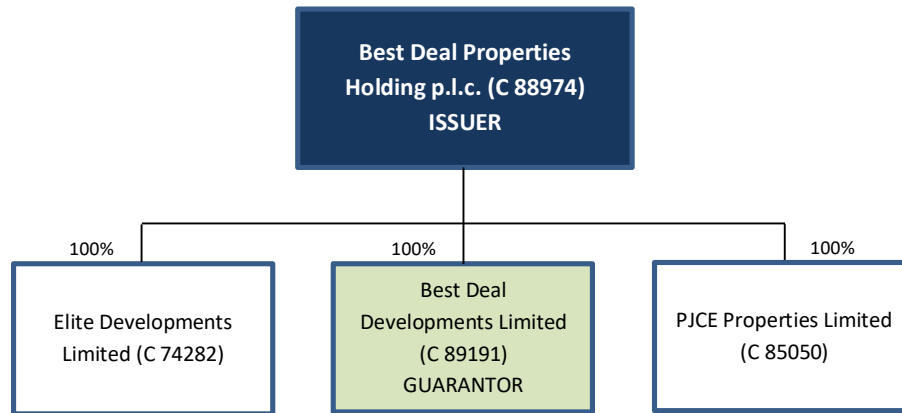
### 2.3 EMPLOYEES AND MANAGEMENT STRUCTURE

The Issuer and Guarantor have no employees and are managed directly by their respective board of directors. In managing each project, the directors of the Guarantor are supported by a number of external consultants who are appointed as required.



### 3. ORGANISATIONAL STRUCTURE

The diagram hereunder illustrates the organisational structure of the BDP Group.



The principal object of the Issuer is that of a holding company and to promote, including through subsidiaries, the acquisition and development of real estate properties. As such, the Issuer is mainly dependent on the business prospects of its operating subsidiaries.

Elite Developments Limited was involved in the construction and development of two residential projects - Crystal Court and Blue Moon Court, both of which are located in Marsascala. PJCE Properties Limited was involved in the construction and development of Garnet Court situated in Mqabba. These projects have been completed and are described in section 4 below.

At present, the Guarantor is developing the Zabbar Development, Mellieha Development and Pembroke Development. The afore-stated projects are further described in section 5 below.

## 4. COMPLETED PROJECTS

### 4.1 CRYSTAL COURT - MARSASCALA

Elite Developments Ltd embarked on developing Crystal Court in June 2016, when it acquired the land situated at Triq Salvu Buhagiar c/w Triq il-Gemmugha c/w Triq il-Qrempuc, Marsascala, which area is located on the outskirts of Marsascala overlooking The Family Park.

Construction and development of the above-mentioned property is complete and includes two blocks comprising 5 maisonettes at ground floor, 7 two-bedroomed apartments, 11 three-bedroomed apartments, 2 three-bedroomed penthouses and 30 underlying garages. The total cost (including land acquisition) of Crystal Court amounted to *circa* €3.7 million. The expenditure was financed principally through €1.5 million of the Group's own funds and a bank loan of €1.9 million. All the units and garages were sold in FY2018 and FY2019, except for 1 garage which was sold in FY2020.



## 4.2 BLUE MOON COURT - MARSASCALA

In 2017, Elite Developments Limited acquired a second property situated in Triq il-Grigal c/w Triq is-Sajjieda, Marsascala, and initiated construction of two blocks consisting of 5 maisonettes at ground floor level, 15 three-bedroomed apartments, 3 penthouses and 19 underlying garages. The total cost, including acquisition of the *circa* 950m<sup>2</sup> site and completion of the project, amounted to €5.5 million, which was financed through a bank loan of €3.1 million and the remaining balance from own funds.

All the units and garages were sold in FY2020 for the aggregate amount of €6.8 million, except for 1 residential unit and 1 garage which are subject to a promise of sale agreement. The sale contract for the last remaining properties is expected to be signed during 2021.

## 4.3 GARNET COURT - MQABBA

In March 2018, PJCE Properties Limited acquired the legal title of two portions of land for the amount of €1.8 million, measuring *circa* 978m<sup>2</sup> and situated in Triq il-Familja Brancati, Mqabba. On 30 October 2018, the company purchased another plot of land of *circa* 200m<sup>2</sup>, which is adjacent to the aforementioned property, for the amount of €162,000. The plots are located on the boundary of development in Mqabba and facing a green area.

The issuance of the Planning Authority permit in December 2017 was based on the first acquired portions of land and as such, a revised Planning Authority application had to be submitted to encompass the second land acquisition, which was purchased mainly to improve the layout of proposed units. The revised development plans were approved by the Planning Authority on 21 November 2018.

As at the date of this report, development works relating to Garnet Court are complete. The said project comprises 2 maisonettes at ground floor level, 23 three-bedroomed apartments, 3 penthouses and 33 underlying garages. All residential units and garages are committed through preliminary agreements and the sale contracts are expected to be signed during FY2021 and FY2022. PJCE Properties Limited is expected to generate revenue from sales of units in Garnet Court of *circa* €7.4 million.

## 5. WORKS IN PROGRESS

### 5.1 ZABBAR DEVELOPMENT

The site measures *circa* 4,149m<sup>2</sup> and is situated in Triq Ta' Lanza c/w New Street in Triq il-Kahwiela c/w Triq il-Kahwiela, Zabbar and positioned on three roads.

A full development permit is in place for the construction of nine blocks consisting of 24 maisonettes, 81 apartments (spread on three floors) and 22 penthouses and 198 underlying garages. Four of the aforementioned nine blocks will enjoy open country views from the front terraces as they face a green area.





Development of the project commenced in January 2019 and is being spread over a number of phases. Works on the underground garage levels and construction of 5 out of 9 blocks are currently in shell form. Development of the remaining 4 blocks has commenced and is scheduled to be completed by Q4 2021. The entire project is expected to be completed in a finished state by Q4 2022.

The total cost of development is projected to amount to *circa* €14.8 million and is being financed from Bond Issue proceeds, cash flows generated from unit sales of other projects of the Group and cash flows from sales of units generated from the initial phases of this project.

In terms of sales, 30 residential units and 31 garages have already been sold, while 49 residential units and 66 garages are subject to promise of sale agreements. It is expected that aggregate revenue from the Zabbar Development during FY2021 shall amount to *circa* €9.0 million.

## 5.2 MELLIEHA DEVELOPMENT

The plot of land measuring *circa* 1,249m<sup>2</sup> is located in Triq Ta' Masrija and New Street off Triq il-Mithna L-Qadima, Mellieha, with full development permit in hand. The proposed project is split in three blocks and will have 2 levels of garages (50 garages) and 3 maisonettes at ground floor level, 39 apartments spread over 5 floor levels and 7 penthouses. On completion, the units will comprise a mix of one-bedroomed, two-bedroomed and three-bedroomed apartments and panoramic views will be visible from the sixth and seventh levels.

Development of the project has commenced and is planned to be completed by Q4 2023 at an aggregate cost of *circa* €6.1 million. Such expenditure is principally being financed from Bond Issue proceeds, revenue generated from the Mellieha Development and other sources of funds of the BDP Group. Sale of units from the Mellieha development are expected to generate *circa* €14.3 million in total revenue. As at the date of this report, 7 residential units from the first block are subject to promise of sale agreements.

## 5.3 PEMBROKE DEVELOPMENT

The property comprises a corner plot of land with unobstructed sea and country views situated in Triq il-Mediterran c/w Triq Gabriele Henin, Pembroke. The acquisition cost (excluding deposits already settled) of *circa* €1.6 million was funded out of Bond Issue proceeds as to €1.1 million and the balance of €0.5 million was settled in kind, through the assignment of a penthouse at Blue Moon Court.

Development works are underway for the construction of 6 garages, 2 maisonettes, 4 three-bedroomed apartments and 2 three-bedroomed duplex penthouses.

The development in Pembroke commenced in Q4 2020 and completion of works is scheduled for Q2 2022 at an estimated cost of *circa* €1.3 million. The Group has sold 1 maisonette and the 4 apartments are subject to promise of sale agreements. The 2 penthouses have not been placed on the market so far. The BDP Group expects to generate aggregate revenues of *circa* €4.8 million from the Pembroke project.



## 6. OUTLOOK

The COVID-19 pandemic is significantly impacting most sectors forming the Maltese economy, and the property development sector is no exception. Various measures taken by public health authorities, aimed at mitigating the spread of the virus, have hampered the rate at which property sales are concluded. In particular, social distancing measures have made it more difficult for the BDP Group to enter into promise of sale agreements with prospective buyers.

None of the promise of sale agreements in hand have been cancelled to date nor did the BDP Group receive any request for such cancellation. Despite the pandemic, the Directors are cautiously optimistic that demand from first-time buyers, which is the BDP Group's predominant market, will continue to be relatively healthy. Given the property locations, unit layouts and proposed level of finishes, the BDP Group's ongoing projects should be a competitive offering for prospective buyers wishing to acquire a residential property. Furthermore, Government has provided support to the local property market through the enactment of various measures, including a reduction in taxation on sales of property and lower stamp duty on acquisition.

All developments of the BDP Group are marketed under the Best Deal Properties brand and thus have exposure on the brand's website - [www.bestdealmalta.com](http://www.bestdealmalta.com) and benefit from other media coverage. The Directors have acquired considerable knowledge in developing and marketing similar projects and accordingly, are confident that the actual outcome of the projects in the course of development will at least be in line with expectations.

## 7. SECURITY AND THE RESERVE ACCOUNT

### 7.1 SECURITY

At the time of issuance of the Bonds, the Company had granted to the Security Trustee, for the benefit and in the interest of Bondholders, a first ranking general hypothec over all its assets present and future.

Furthermore, the Guarantor agreed to jointly and severally guarantee the punctual performance by the Company of the Bond obligations by entering into the Guarantee. The Guarantor has agreed to further support the joint and several guarantee under the Guarantee by virtue of, *inter alia*, a first ranking general hypothec over all its assets present and future; a first ranking special hypothec over the land on which each of the Pembroke Development, Mellieha Development and Zabbar Development is to be developed together with all and any constructions to be developed thereon; and a contract for the preservation of the special privilege in accordance with the provisions of article 2010(c) of the Civil Code (Chapter 16 of the laws of Malta).

In order to further protect the Security Interests of the Security Trustee for the benefit of Bondholders and to preserve their ranking over the assets of the Company and Guarantor, each principal contractor shall irrevocably renounce to its right to register a special privilege in terms of article 2010(b) of the Civil Code (Chapter 16 of the laws of Malta). In addition, each contractor shall covenant that it shall



only be allowed to subcontract to other subcontractors on condition that a similar waiver of rights is documented.

Furthermore, the Guarantor shall take out an insurance policy in relation to the hypothecated property and pledge such policy in favour of the Security Trustee.

## 7.2 RELEASING SECURITY AND THE RESERVE ACCOUNT

All sales of residential units and garage spaces forming part of the Hypothecated Property (listed in section 7.1 above) are expected to be executed on the basis that units are sold free and unencumbered, and accordingly released of all hypothecary rights and privileges encumbering those units. For this purpose, the Security Trustee is authorised and empowered, pursuant to the Trust Deed, to release individual units of the Hypothecated Property from the Security Interest encumbering such unit/s upon receipt by it from the Company or Guarantor or from a prospective purchaser of a fixed portion of the purchase price of each residential unit, as described below.

The Security Trustee, Issuer and Guarantor have agreed on a list of projected prices for each residential unit (the “**Projected Sales Price**”) and then established a fixed allocation of the Projected Sales Price from each residential unit in each project forming part of the Hypothecated Property, based on a percentage allocation of the Projected Sales Price. The Trustee shall only be bound to release the Security Interests registered in its favour over a particular residential unit against receipt by it of the agreed fixed amount that is attributed to that unit in the Trust Deed. This is intended to ensure that the security created for the interest of Bondholders is only reduced against a cash payment made by the Issuer to the credit of the Reserve Account to be held by the Security Trustee for the benefit of Bondholders.

The proceeds from the sale of a residential unit can be classified as follows: (a) the deposit paid by a buyer on account of the purchase consideration which shall not exceed 10% of the gross sale price of that residential unit (the “**Payment on Account**”); and (b) the outstanding balance of the purchase consideration, after deducting commissions payable by the Guarantor (and VAT on commissions) and provisional tax on the full sales price (the “**Net Balance of Price**”).

Pursuant to the Trust Deed, allocations of sales proceeds shall be made as provided hereunder:

- i. all Payments on Account shall be allocated to the Guarantor for application in meeting the overall development costs of the Zabbar, Mellieha and Pembroke developments;
- ii. the amounts of €159,250, €88,000 and €82,000 out of the Net Balance of Price in relation to the Pembroke Development, Mellieha Development and Zabbar Development respectively shall be allocated to the Security Trustee for the benefit of the Reserve Account; and
- iii. the remaining balance of the Net Balance of Price shall be allocated to the Guarantor and shall be applied to meet the overall development costs of the Zabbar, Mellieha and Pembroke developments;



In the absence of unforeseen circumstances and subject to there being no material adverse changes in circumstances, the Directors are of the view that the portion of Projected Sales Price of residential units in the Hypothecated Property allocated to the Security Trustee from available cash flows that will be credited to the Reserve Account will be sufficient to cover the redemption of the Secured Bonds on the Redemption Date.

It is the intention of the Issuer and Security Trustee to apply part of the funds standing to the credit of the Reserve Account to re-purchase Bonds in the market, thus reducing the total value of Bonds outstanding prior to the Redemption Date. As at 9 April 2021, funds held in the Reserve Account were utilised to re-purchase for cancellation the amount of €1,006,000 in nominal value of Bonds.

The funds standing to the credit of the Reserve Account which are not utilised to re-purchase Bonds in the market shall be invested in line with the investment parameters set out in the Trust Deed and which are summarised hereinafter. Interest or other income from such investments will accrue to the credit of the Reserve Account.

During the term of the Bonds, the Security Trustee shall be empowered to manage the Reserve Account and invest the amounts standing to the credit of the Reserve Account in its discretion, subject to, *inter alia*, the following restrictions:

- i. Any amount out of the Reserve Account may be held on deposit with a Bank licensed as a credit institution in Malta or any Member State of the European Union, provided that not more than 50 per cent of any amount standing to the credit of the Reserve Account, from time to time, shall be deposited with the same institution if the amount of the deposit exceeds the sum of €8 million; and/or
- ii. Any amount out of the Reserve Account may be invested in debt securities, with a credit rating of BBB- or above, issued by or guaranteed by the Government of Malta or other member state of the European Union or the EEA; and/or
- iii. Amounts not exceeding €5 million (in aggregate) may be invested in debt securities admitted to listing and trading on a Regulated market in the European Union, provided that not more than €1 million may be exposed to one or more debt securities issued by the same issuer; and provided that such investment will not expose the Reserve Account to any currency exchange risk.



## 8. TREND INFORMATION AND BUSINESS STRATEGY

### 8.1 MALTA ECONOMIC UPDATE<sup>1</sup>

*Malta's economy should see a robust recovery in 2021 and 2022, provided that the tourism sector opens up safely. The recovery is expected to be driven by a rebound in tourism-related services exports, household consumption and investment. Given the supportive fiscal policy stance, the general government deficit is set to widen further in 2021 before improving in 2022 on the back of an accelerating recovery and a winding-down of fiscal support measures.*

The COVID-19 pandemic has decimated tourism proceeds and made a deep dent in consumption. Malta's GDP<sup>2</sup> fell significantly in 2020 with services exports and household consumption contracting sharply under the pressure of the pandemic and related safety measures. On the contrary, financial services and gaming sector exports continued to perform robustly. Although the pandemic has clearly depressed economic activity in Malta, the government's sizeable stimulus package has managed to partially offset some of the impact. Wage supplement schemes and other business support measures appear to have cushioned the drop in consumption.

Consumption and investment are expected to pick up as the recovery takes hold, helped by high levels of accumulated savings. The faster-than-expected rollout of vaccinations in Malta, the high rate of vaccination in the UK, and a gradual easing of restrictions in the EU, should put the tourism sector back on the path to recovery in the second half of 2021 and re-invigorate domestic demand. In 2021, real GDP growth is expected to reach 4.6%, mainly driven by domestic consumption and net exports, as inbound tourism and global trade recover. Robust government expenditure is likely to continue supporting the economy, including via public investment. With both exports and imports recovering, the current account deficit is still expected to widen this year before starting to decrease in 2022.

Supported strongly by policy measures, headcount employment actually increased in 2020 especially in the public sector, professional services, and construction, while there was only a limited increase in Malta's unemployment rate, to 4.3% from 3.6% in 2019. As employment is expected to continue growing at a slow pace, the decrease in unemployment is expected to be gradual.

Harmonised Index of Consumer Prices (HICP)<sup>3</sup> inflation averaged 0.8% in 2020, contained mainly by lower energy and services inflation against a backdrop of contracting demand. In 2021, inflation is expected to rise to 1.2% as domestic demand and tourism services recover. In line with a stronger economic recovery in 2022, inflation is set to increase further to 1.5%.

The government deficit increased to over 10% of GDP in 2020. The major increase in expenditure related to pandemic-mitigating measures was the main reason behind the deteriorating fiscal balance. These measures included a wage support scheme, a voucher scheme to support the hospitality and

---

<sup>1</sup> Economic Forecast – Spring 2021 (European Commission Institutional Paper 149 May '21).

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

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



retail sectors, utility and rent subsidies for businesses, and healthcare-related outlays, which overall amounted to somewhat less than 6.5% of GDP in 2020. On the revenue side, the steep fall in household and tourist consumption led to a drop in indirect tax revenue. Corporate tax revenues plunged, reflecting the worsened profitability of companies. Sustained by government measures and the relatively good performance of the labour market, revenue from social contributions actually increased.

In 2021, the government deficit is projected to increase further to 11.8% of GDP reflecting ongoing supportive fiscal policy. Growing private consumption and a gradual revival of tourism are expected to support the government's intake from indirect taxes. Revenue from income taxes is projected to grow in line with modest wage growth and the stabilised operating environment for businesses. Proceeds from the investor citizenship scheme are expected to stabilise at last year's level. The measures to sustain the recovery including the extended wage supplement scheme, a new round of the voucher scheme, and newly introduced measures to restore the tourism sector, are expected to continue in 2021. As the economy accelerates and economic support measures wear off, the deficit is forecast to decline in 2022 to around 5.5% of GDP.

The government debt-to-GDP ratio surged to 54.3% in 2020 following the deterioration of the fiscal position. Reflecting ongoing high primary deficits, the debt ratio is set to increase further and reach 65.5% in 2022.

## 8.2 PROPERTY MARKET

During the last five years (Q4 2015 to Q4 2020), property prices increased by 49%, primarily on account of a strong economy and a robust labour market. Further analysis of the chart<sup>4</sup> below shows that the 12-month upward trend in prices (in percentage terms) increased at an accelerating rate from Q2 2013 up to Q2 2018, after having gone through a volatile period between FY2008 to FY2012 as a result of the global financial crisis and its aftermath. In the subsequent 6 quarters - Q3 2018 to Q4 2019 - property prices continued to increase albeit at a slower pace. Property prices in Q2 2020 registered a decline of 2.6% over the comparative period a year earlier as a consequence of the COVID-19 outbreak which brought the whole economy to an abrupt halt. Notwithstanding the subdued economic activity in Q3 and Q4 2020, property prices in each of the said quarterly periods were higher compared to the prior year by 3.3% and 5.0% respectively.

The nominal year-on-year change in apartment prices broadly tracked the aggregate property price movements over the periods under review, except for the periods Q1 2018 to Q4 2019, wherein the yearly increase in prices of apartments between Q1 2018 and Q3 2018 was higher when compared to the broader property market but declined comparably faster in the subsequent periods (Q4 2018 to Q4 2019). Moreover, in Q3 2019, apartment prices registered a decrease of 3.2% compared to Q3 2018 and declined by a further 2.4% in the subsequent quarter on a comparable basis. In Q1 and Q2 2020,

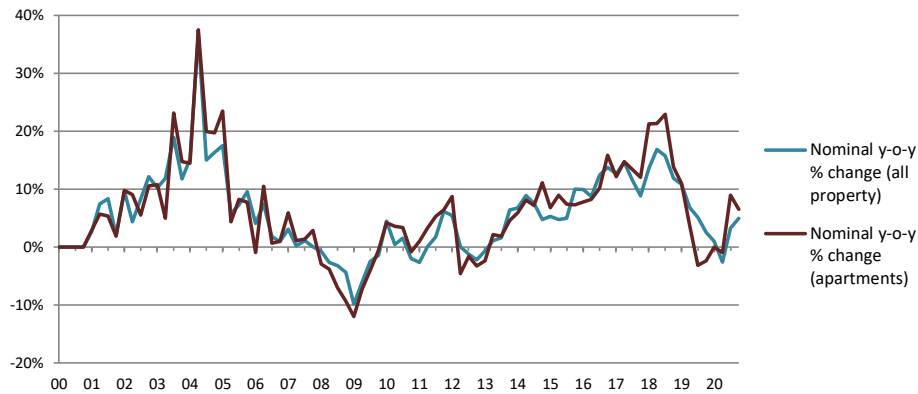
---

<sup>4</sup> <https://www.centralbankmalta.org/real-economy-indicators> (property prices index based on advertised prices (base 2000 = 100)).



prices of apartments were broadly unchanged, but were higher by 9.0% and 6.5% in Q3 and Q4 2020 respectively (on a yearly basis).

**CHART I: Change in Property Prices**

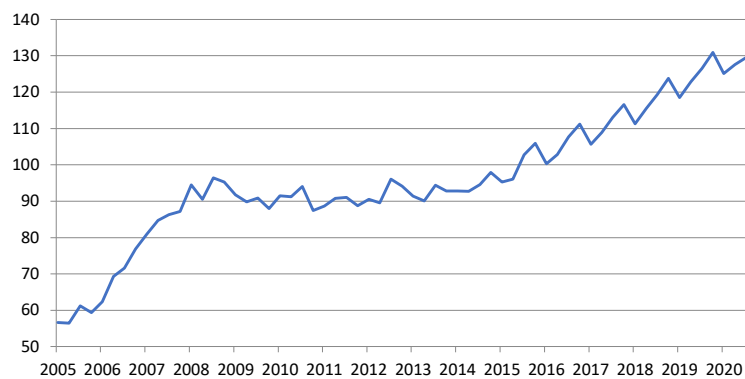


Source: Central Bank of Malta

The above data mainly provides trend information as advertised property prices may not accurately reflect the prices at which sales actually take place.

Eurostat's House Price Index for Malta<sup>5</sup> – which captures price changes of all residential properties purchased by households (including flats, detached houses, terraced houses, etc) - also indicates that residential property prices increased. The latest data available refers to Q3 2020 and shows that said prices increased by 2.4% compared with the same quarter of 2019, and over a 5-year period (Q3 2015 to Q3 2020), prices increased by 26% (vide Chart II below).

**CHART II: Malta House Price Index**



Source: Eurostat

Prior to the pandemic crisis, residential property prices were supported by numerous factors, including the low-interest rate environment that makes property more attractive as an investment, as well as

<sup>5</sup> <https://ec.europa.eu/eurostat/tgm/download.do?tab=table&plugin=1&language=en&pcode=tipsho40> (the data is expressed as quarterly index (2015 = 100)).



the Government's schemes for first-time and second-time buyers. Demand for residential property was also driven by favourable labour market conditions, strong growth in tourism (particularly in private accommodation), disposable income and an increase in foreign workers. The Individual Investor Programme also contributed, although property acquisitions under this Programme account for a limited proportion of all property transactions.<sup>6</sup>

On 8 June 2020, the Government of Malta announced a plan to regenerate the economy following the impact of COVID-19 on the country. Measures relating to immovable property include a reduction in taxation from 8% to 5% on sales of property, whilst stamp duty levied on the acquisition of property will be charged at 1.5% for the first €400,000. These reductions apply to preliminary agreements entered into until the end of July 2021, provided the final transfer is made by 31 January 2022. Also, Budget 2021 extended or introduced more favourable terms on a number of existing schemes supporting the property market.

In 2020, the number of final deeds of sale relating to residential property amounted to 11,045 compared to 14,013 deeds in 2019. The value of deeds completed in 2020 amounted to €2,086.6 million, a decrease of 23% when compared to the prior year (2019: €2,699.7 million).

In the first quarter of 2021, 3,213 final deeds of sale were registered, an annual increase of 8.7% (Q1 2020: 2,956 deeds). The value of deeds registered during this period rose by 15.2% over the same quarter of the previous year and amounted to €649.7 million. In Q1 2021, the number of promise of sale agreements reached 3,980. This represents an annual increase of 56.9%.<sup>7</sup>

The number of permits issued for the construction of residential dwellings declined in 2019 following five consecutive years of substantial growth but remained high from a historical perspective (standing at 12,485 units compared to 12,885 units in 2018) (see Chart III below). This was entirely due to a lower number of permits issued for the construction of apartments, which were down by 4.3% (in terms of residential units).

The COVID-19 pandemic could have contributed to the decline in permits issued in 2020 of 37% compared to the prior year, from 12,485 units in 2019 to 7,837 units. Apartments accounted for 85.9% of total residential permits issued during the year (2019: 85.9%), while maisonettes and terraced houses accounted for 9.3% (2019: 9.8%) and 3.8% (2019: 3.2%) respectively.

---

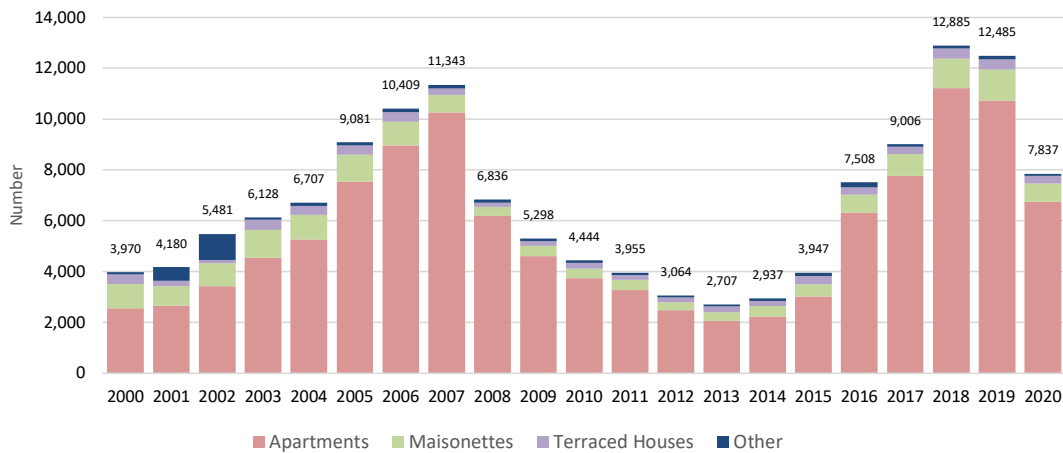
<sup>6</sup> Central Bank of Malta Quarterly Review 2020:1 (page 43).

<sup>7</sup> [https://nso.gov.mt/en/News\\_Releases/Documents/2021/04/News2021\\_069.pdf](https://nso.gov.mt/en/News_Releases/Documents/2021/04/News2021_069.pdf)





CHART III: Development Permits for Dwellings (number of units)



Although the construction industry was not part of the containment measures taken by Government to stem the spread of COVID-19, this sector was impacted indirectly as market sentiment changed from an optimistic outlook to a more cautious one. More clarity on the impact of this pandemic on the economy will be required before investors can regain confidence to pursue sizable development opportunities.

### 8.3 STRATEGY

The BDP Group's long-term strategy is to focus on acquiring suitable sites for the development of residential units.

In FY2019, the Board of Directors decided to re-align the phasing of development and sales strategy of residential units currently in the course of development. Prior to such alterations, the Zabbar and Pembroke projects were due to be developed first, followed by the Mellieha project. However, works on the Zabbar development were accelerated and are expected to be completed by Q4 2022.

This re-scheduling of projects has been done so as to ensure that the BDP Group will have sufficient liquidity to meet its payment obligations as and when they fall due.



The present timeframe per project is provided hereunder:

---

<b>Best Deal Properties Holding plc Project Management Plan</b>	<b>Commencement of development</b>	<b>Development in shell form</b>	<b>Development complete</b>	<b>Finalisation of all unit sales</b>
Garnet Court	Q3-2018	-	Q2-2021	Q4-2021
Zabbar Development	Q1-2019	Q4 2021	Q4-2022	Q4-2023
Mellieha Development	Q1-2019	Q4 2021	Q4-2023	Q3-2024
Pembroke Development	Q4 2020	Q4 2021	Q2-2022	Q2-2023

---

To further improve its cash inflows, the BDP Group has introduced two performance obligations on buyers as opposed to receiving one payment on final delivery of residential units. Accordingly, each residential unit will be transferred to the respective buyer in shell form once construction is completed. This will enable the BDP Group to receive the majority of sale proceeds at an earlier stage rather than when the unit is in a finished state. The second performance payment covers finishing works of the unit, which shall be undertaken by the BDP Group on behalf of the buyer at a pre-determined price.

The Board remains vigilant and will take such measures as it deems appropriate from time to time to address evolving circumstances as they occur.



## PART 2 – BDP GROUP PERFORMANCE REVIEW

### 9. FINANCIAL HIGHLIGHTS

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

The Issuer was registered and incorporated on 23 October 2018. Accordingly, historical financial information for the year ended 31 December 2018 reflects an aggregation of the results of all subsidiary companies, whilst the financial position as at 31 December 2018 is extracted from the unaudited consolidated financial statements of BDP Group.

Audited financial results for 2019 cover a fourteen-month period, from 23 October 2018 (being the date of incorporation of the Issuer) to 31 December 2019, while audited financial results for 2020 relate to the financial year ended 31 December 2020. The projected financial information for FY2021 reflects the consolidation of BDP Group projections for the year ending 31 December 2021.

<b>Best Deal Properties Holding plc</b>				
<b>Condensed Consolidated Income Statement</b>				
<b>for the years ending 31 December</b>				
	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
	<b>12 months</b>	<b>14 months</b>	<b>12 months</b>	<b>12 months</b>
	<b>Aggregation</b>	<b>Audited</b>	<b>Audited</b>	<b>Projection</b>
	<b>€'000</b>	<b>€'000</b>	<b>€'000</b>	<b>€'000</b>
Revenue	4,289	883	10,952	18,881
Cost of sales	(3,350)	(764)	(8,760)	(14,095)
Administrative expenses	(140)	(620)	(712)	(704)
<b>EBITDA</b>	<b>800</b>	<b>(501)</b>	<b>1,480</b>	<b>4,082</b>
Depreciation and amortisation	-	(73)	(67)	(67)
Finance income	-	-	4	-
Finance costs	(6)	(28)	(104)	(222)
Gain on bargain purchase	515	515	-	-
<b>Profit/(loss) before tax</b>	<b>1,309</b>	<b>(87)</b>	<b>1,313</b>	<b>3,793</b>
Taxation	(329)	(38)	(551)	(960)
<b>Profit/(loss) for the year</b>	<b>980</b>	<b>(125)</b>	<b>762</b>	<b>2,833</b>



<b>Best Deal Properties Holding plc</b>				
<b>Earnings before interest, taxation, depreciation &amp; amortisation (EBITDA)</b>				
<b>for the years ending 31 December</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
	<b>12 months</b>	<b>14 months</b>	<b>12 months</b>	<b>12 months</b>
	<b>Aggregation</b>	<b>Audited</b>	<b>Audited</b>	<b>Projection</b>
	<b>€'000</b>	<b>€'000</b>	<b>€'000</b>	<b>€'000</b>
<i>EBITDA has been calculated as follows:</i>				
Operating profit/(loss)	800	(574)	1,413	4,015
<i>Adjustment:</i>				
Depreciation and amortisation	-	73	67	67
<b>EBITDA</b>	<b>800</b>	<b>(501)</b>	<b>1,480</b>	<b>4,082</b>

<b>Key Accounting Ratios</b>				
	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
	<b>12 months</b>	<b>14 months</b>	<b>12 months</b>	<b>12 months</b>
	<b>Aggregation</b>	<b>Audited</b>	<b>Audited</b>	<b>Projection</b>
Operating profit margin (EBITDA/revenue)	19%	-57%	14%	22%
Net profit margin (Profit after tax/revenue)	23%	-14%	7%	15%
Earnings per share (€) (Profit after tax/number of shares)	0.39	-0.04	0.24	0.91
Return on equity (Profit after tax/shareholders' equity)	32%	-4%	18%	41%
Return on capital employed (EBITDA/total assets less current liabilities)	4%	-2%	7%	19%
Return on assets (Profit after tax/total assets)	4%	0%	3%	12%

Source: MZ Investment Services Limited

In **FY2018** and **FP2019**, the business activities of the BDP Group primarily involved the development of the two projects in Marsascala – Crystal Court and Blue Moon Court, as well as construction works on Garnet Court in Mqabba. Development also commenced in FY2019 on the Mellieha and Zabbar projects.

Crystal Court was completed in FY2018 and the majority of units were sold between FY2018 and FY2019. Development works on Blue Moon Court were concluded in FY2018 and fully sold by FY2019 (except for 1 unit and 1 garage which was sold in FY2021), however, delays outside the BDP Group's control coupled with the social distancing measures imposed by the public health authorities caused the planned conclusion of sales of all units within Blue Moon Court to be postponed to Q3 2020.

BDP Group's accounting policies dictate that revenue is recognised on completion of the development and delivery of respective residential unit/s and upon signing of contracts of sale – meaning that revenue recognised in the income statement FY2019 pertains to the sales of units in the Crystal



development, where the said units have been fully transferred to third parties. Revenue in relation to Blue Moon units was recognised in FY2020 on the transfer of such units to their rightful owners. The above-mentioned delays adversely impacted EBITDA in FY2019, as contributions from the sales of the remaining Crystal Court units were not sufficient to cover administrative expenses.

In terms of the BDP Group's accounting policies, borrowing costs that are directly attributable to the acquisition, construction and finishing of the development for resale are included in inventories and work in progress. As such, net finance costs in the income statement were not material during the reviewed period.

In November 2018, the BDP Group recognised a one-off gain on bargain purchase upon the acquisition of Elite Developments Limited (€0.5 million), since the net asset value of the company was higher than the purchase consideration. This transaction was recorded in both FY2018 and FY2019 due to the overlap of items accounted for during the period 23 October 2018 to 31 December 2018. Overall, the Group generated a net profit after tax of €980,000 in FY2018 but incurred a loss amounting to €125,000 in FY2019.

In **FY2020**, BDP Group generated revenue of €11.0 million, principally from the sale of units in Blue Moon Court (€6.8 million) and the Zabbar development (€4.0 million). EBITDA margin in FY2020 was at 13.5% and EBITDA amounted to €1.5 million. Overall, the Group reported a net profit after tax of €0.8 million and thereby registered a net profit margin of 7%.

In **FY2021**, BDP Group is projecting to generate revenue of €18.9 million from the sale of units located in five different projects (Blue Moon Court, Garnet Court, Pembroke Development, Mellieha Development and Zabbar Development) but principally from the Zabbar Development. The Group holds promise of sale agreements for the vast majority of the sales being projected. As such, net profit after tax is expected to increase from €762,000 in FY2020 to €2.8 million.

For the projected year, BDP Group expects to achieve an operating profit margin and net profit margin of 22% and 15% respectively, whilst a return on capital employed of 19% has been forecasted.



<b>Best Deal Properties Holding plc</b>				
<b>Condensed Consolidated Statement of Financial Position</b>				
<b>as at 31 December</b>				
	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
	<b>Unaudited</b>	<b>Audited</b>	<b>Audited</b>	<b>Projection</b>
	<b>€'000</b>	<b>€'000</b>	<b>€'000</b>	<b>€'000</b>
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant and equipment	1	1	1	1
Goodwill	40	43	43	43
Deferred tax asset	-	21	111	117
Sinking fund reserve	-	-	875	3,323
	<u>41</u>	<u>65</u>	<u>1,030</u>	<u>3,484</u>
<b>Current assets</b>				
Inventories	19,669	26,432	25,682	18,652
Trade and other receivables	164	156	279	268
Cash and cash equivalents	3,559	801	462	1,123
	<u>23,392</u>	<u>27,389</u>	<u>26,423</u>	<u>20,043</u>
<b>Total assets</b>	<b><u>23,433</u></b>	<b><u>27,454</u></b>	<b><u>27,453</u></b>	<b><u>23,527</u></b>
<b>EQUITY</b>				
<b>Capital and reserves</b>				
Called up share capital	250	313	313	313
Share premium	-	938	938	938
Shareholders' loans	2,325	2,324	2,324	2,324
Retained earnings/(accumulated losses)	531	(209)	553	3,386
	<u>3,106</u>	<u>3,366</u>	<u>4,128</u>	<u>6,961</u>
<b>LIABILITIES</b>				
<b>Non-current liabilities</b>				
Secured bonds	15,605	15,671	15,022	13,588
Borrowings	1,100	2,548	1,200	1,200
	<u>16,705</u>	<u>18,219</u>	<u>16,222</u>	<u>14,788</u>
<b>Current liabilities</b>				
Borrowings	2,222	3,050	3,574	780
Trade and other payables	-	1,068	1,925	49
Other creditors: deposits	1,400	1,749	1,584	142
Current income tax liabilities	-	2	20	807
	<u>3,622</u>	<u>5,869</u>	<u>7,103</u>	<u>1,778</u>
	<u>20,327</u>	<u>24,088</u>	<u>23,325</u>	<u>16,566</u>
<b>Total equity and liabilities</b>	<b><u>23,433</u></b>	<b><u>27,454</u></b>	<b><u>27,453</u></b>	<b><u>23,527</u></b>



Key Accounting Ratios	2018	2019	2020	2021
	12 months Aggregation	14 months Audited	12 months Audited	12 months Projection
Gearing ratio <i>(Total net debt/net debt and shareholders' equity)</i>	83%	86%	82%	62%
Gearing ratio 2 (times) <i>(Net debt/shareholders' equity)</i>	4.95	6.08	4.47	1.60
Net debt to EBITDA (years) <i>(Net debt/EBITDA)</i>	19.21	n/a	12.47	2.72
Net assets per share (€) <i>(Net asset value/number of shares)</i>	1.24	1.08	1.32	2.23
Liquidity ratio (times) <i>(Current assets/current liabilities)</i>	6.46	4.67	3.72	11.27

Source: MZ Investment Services Limited

As at **31 December 2019**, total assets amounted to €27.5 million (FY2018: €23.4 million), an increase of €4.1 million over the previous year. The principal movement was in the BDP Group's inventory (being costs incurred in the development of residential property) which increased by €6.8 million, mainly due to the completion of Blue Moon Court and further progress registered in the Zabbar and Mellieha developments, as well as Garnet Court. On the other hand, the value of cash and cash equivalents in hand decreased from €3.6 million to €0.8 million, on account of delays in finalising the contracts relating to units at Blue Moon Court, thereby resulting in more cash held up in inventory.

In FY2019, the BDP Group raised further equity (*circa* €1 million) from a new corporate investor – C Development Limited, which acquired a 20% shareholding in the Issuer. Additional funding during the year came in the form of a shareholder's loan of €1.2 million from C Developments Limited, and further drawdowns of €1.0 million from existing bank loan facilities. Payables due to third-party contractors at year end for works carried out on various developments amounted to €1.1 million, while deposits received from promise of sale agreements as at 31 December 2019 amounted to €1.7 million (FY2018: €1.4 million).

As at **31 December 2020**, the BDP Group's statement of financial position comprised total assets of €27.5 million, primarily made up of inventory (being work-in-progress on projects) and cash balances (including sinking fund reserve). The composition of total assets has remained broadly unchanged in FY2020 compared to the prior year, other than the transfer of €0.9 million (FP2019: nil) to the sinking fund reserve.

Total equity increased by €0.8 million on account of the net profit registered during the year. Aggregate liabilities amounted to €23.3 million, mainly comprising secured bonds of €15.0 million (FY2019: €15.7 million) and bank and related party borrowings of €4.8 million (FY2019: €5.6 million). The remaining balance includes deposits received on promise of sale agreements and other payables.



Bank borrowings of €3.4 million will be repaid in FY2021 from sales proceeds of the Mqabba project (€2.0 million) and the Zabbar project (€1.4 million).

The gearing ratio of the BDP Group decreased from 86% in FP2019 to 82% in FY2020, whilst net debt to EBITDA, which is an alternative measure to assess leverage, was at 12.47 years in FY2020. The liquidity ratio of the BDP Group in FY2020 was at 3.72 times in FY2020 compared to 4.67 times in the prior year. The relatively high liquidity ratio emanates from the fact that the majority of the BDP Group's funding facilities are repayable after more than one year.

The Group is expecting profitability in **FY2021** to improve materially which will increase capital and reserves by 69% from €4.1 million in FY2020 to €7.0 million. Furthermore, the projected revenues of €18.9 million will enable the Group to transfer €3.3 million to the sinking fund reserve by year end and reduce outstanding bonds by a further €1.4 million to €13.6 million. Also, current liabilities are projected to decrease from €7.1 million registered in the prior year to €1.8 million.

Inventories are expected to decrease from €25.7 million in FY2020 to €18.9 million as a result of conversion of stock of units to actual sales. Cash balances as at 31 December 2021 are projected to amount to €1.1 million (FY2020: €462,000).

<b>Best Deal Properties Holding plc</b>				
<b>Condensed Consolidated Cash Flow Statement</b>				
<b>for the years ending 31 December</b>				
	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
	<b>12 months</b>	<b>14 months</b>	<b>12 months</b>	<b>12 months</b>
	<b>Aggregation</b>	<b>Audited</b>	<b>Audited</b>	<b>Projection</b>
	<b>€'000</b>	<b>€'000</b>	<b>€'000</b>	<b>€'000</b>
Net cash from operating activities	(18,099)	(24,001)	2,178	7,403
Net cash from investing activities	249	(2)	(875)	(2,510)
Net cash from financing activities	21,409	24,788	(1,650)	(4,232)
<b>Net movement in cash and cash equivalents</b>	<b>3,559</b>	<b>785</b>	<b>(347)</b>	<b>661</b>
Cash and cash equivalents at beginning of year	-	-	785	438
<b>Cash and cash equivalents at end of year</b>	<b>3,559</b>	<b>785</b>	<b>438</b>	<b>1,099</b>

Net cash outflow from operating activities in FY2018 and FY2019 amounted to €18.1 million and €24.0 million respectively, primarily on account of an increase in stock of property for eventual disposal. Business operations were financed from issue of ordinary shares, net proceeds from bond issue, and related party and bank borrowings. In FY2018 and FY2019, net cash from financing activities amounted to €21.4 million and €24.8 million respectively.

In FY2020, net movement in cash and cash equivalents amounted to an adverse balance of €0.3 million. Cash generated from operating activities amounted to €2.2 million, of which €1.3 million related to working capital movements. Net cash outflows from investing activities represented transfers to the sinking fund reserve. Net cash used in financing activities amounted to €1.6 million and mainly related to net repayments of bank borrowings.





In FY2021, net movement in cash and cash equivalents is projected to amount to €661,000. Net cash from operating activities is expected to amount to €7.4 million compared to €2.2 million in the previous year. Net cash used in investing activities of €2.5 million principally relate to net release of amounts from the sinking fund reserve.

Net cash outflow from financing activities is forecasted to amount to *circa* €4.2 million and reflects net repayments of bank loans amounting to €2.7 million and the repurchase of €1.5 million of Secured Bonds from the capital market.

## 10. VARIANCE ANALYSIS

The below analysis is based on two sets of financial information – the audited set covering the financial year ended 31 December 2020 and the FY2020 projected financial statements which were included in the financial analysis summary dated 26 June 2020.

<b>Best Deal Properties Holding plc</b>			
<b>Condensed Consolidated Income Statement</b>			
<b>for the years ending 31 December 2020</b>			
	<b>Actual</b>	<b>Projection</b>	<b>Variance</b>
	<b>€'000</b>	<b>€'000</b>	<b>€'000</b>
Revenue	10,952	12,764	(1,812)
Cost of sales	(8,760)	(9,501)	741
Administrative expenses	(712)	(690)	(22)
<b>EBITDA</b>	<b>1,480</b>	<b>2,573</b>	<b>(1,093)</b>
Depreciation and amortisation	(67)	(67)	0
Finance income	4	-	4
Finance costs	(104)	(155)	51
Gain on bargain purchase	-	-	-
<b>Profit before tax</b>	<b>1,313</b>	<b>2,351</b>	<b>(1,038)</b>
Taxation	(551)	(1,099)	548
<b>Profit for the year</b>	<b>762</b>	<b>1,251</b>	<b>(489)</b>

The above variance analysis shows that actual revenue and profit before tax were lower than projected by €1.8 million and €1.0 million respectively. The projections were based on the expectation that the sales contracts relative to the Blue Moon project, Garnet Court and the Zabbar project would have progressed further by the reporting date. The delays in the execution of the final deeds of sale were mainly the result of social distancing and other COVID-19 related public health measures.



<b>Best Deal Properties Holding plc</b>			
<b>Condensed Consolidated Statement of Financial Position</b>			
<b>as at 31 December 2020</b>			
	<b>Actual</b>	<b>Projection</b>	<b>Variance</b>
	<b>€'000</b>	<b>€'000</b>	<b>€'000</b>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	1	1	-
Goodwill	43	43	-
Deferred tax asset	111	21	90
Sinking fund reserve	875	1,886	(1,011)
	<u>1,030</u>	<u>1,951</u>	<u>(921)</u>
<b>Current assets</b>			
Inventories	25,682	24,788	894
Trade and other receivables	279	43	236
Cash and cash equivalents	462	1,846	(1,384)
	<u>26,423</u>	<u>26,678</u>	<u>(255)</u>
<b>Total assets</b>	<b><u>27,453</u></b>	<b><u>28,629</u></b>	<b><u>(1,176)</u></b>
<b>EQUITY</b>			
<b>Capital and reserves</b>			
Called up share capital	313	313	-
Share premium	938	938	-
Shareholders' loans	2,324	2,324	-
Retained earnings/(accumulated losses)	553	1,042	(489)
	<u>4,128</u>	<u>4,617</u>	<u>(489)</u>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Secured bonds	15,022	15,738	(716)
Borrowings	1,200	6,162	(4,962)
	<u>16,222</u>	<u>21,900</u>	<u>(5,678)</u>
<b>Current liabilities</b>			
Borrowings	3,574	1,167	2,407
Trade and other payables	1,925	33	1,892
Other creditors: deposits	1,584	884	701
Current income tax liabilities	20	28	(8)
	<u>7,103</u>	<u>2,112</u>	<u>4,991</u>
	<b><u>23,325</u></b>	<b><u>24,012</u></b>	<b><u>(687)</u></b>
<b>Total equity and liabilities</b>	<b><u>27,453</u></b>	<b><u>28,629</u></b>	<b><u>(1,176)</u></b>

The variance analysis shows that the Group was able to re-purchase €0.7 million more in nominal value of Bonds than projected. As a consequence, actual balance in the sinking fund reserve was lower than projected by €1.0 million.



Due to delays in the execution of final deeds of sale, deposits received from promise of sale agreements accumulated more than projected by €0.7 million, while inventories increased more than expected by €0.9 million.

<b>Best Deal Properties Holding plc</b>			
<b>Condensed Consolidated Cash Flow Statement</b>			
<b>for the years ending 31 December 2020</b>			
	<b>Actual</b>	<b>Projection</b>	<b>Variance</b>
	<b>€'000</b>	<b>€'000</b>	<b>€'000</b>
Net cash from operating activities	2,178	1,529	649
Net cash from investing activities	(875)	(13)	(862)
Net cash from financing activities	(1,650)	(455)	(1,195)
<b>Net movement in cash and cash equivalents</b>	<b>(347)</b>	<b>1,061</b>	<b>(1,408)</b>
Cash and cash equivalents at beginning of year	785	785	-
<b>Cash and cash equivalents at end of year</b>	<b>438</b>	<b>1,846</b>	<b>(1,408)</b>

Actual net movement in cash and cash equivalents was lower than projected by €1.4 million. Net operating cashflow was higher than expected by €0.6 million, mainly on account of favourable working capital movements.

The variance in net cash from investing activities was adverse by €0.9 million due to the transfers to the sinking fund reserve. As to financing activities, net repayment of borrowings was higher than projected by €1.2 million.



## PART 3 - COMPARABLES

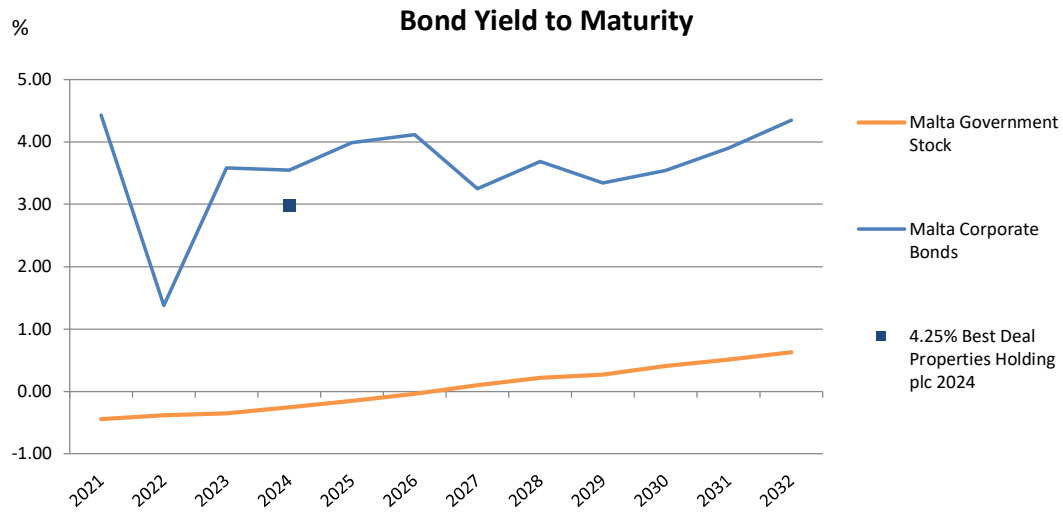
The table below compares the Issuer and its bond issue to other debt issuers listed on the Malta Stock Exchange and their respective debt securities. The list includes issuers (excluding financial institutions) that have listed bonds. Although there are significant variances between the activities of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

Comparative Analysis	Nominal Value (€)	Yield to Maturity (%)	Interest Cover (times)	Total Assets (€'000)	Net Asset Value (€'000)	Gearing Ratio (%)
5.80% International Hotel Investments plc 2021	20,000,000	4.43	- 0.61	1,544,099	773,176	41.87
3.65% GAP Group plc Secured € 2022	30,049,800	1.38	2.24	103,895	15,134	73.44
6.00% Pendergardens Developments plc Secured € 2022 Series	21,845,300	3.63	1.79	60,578	29,491	36.39
4.25% GAP Group plc Secured € 2023	19,247,300	2.50	2.24	103,895	15,134	73.44
5.30% United Finance Plc Unsecured € Bonds 2023	8,500,000	3.58	1.44	36,921	8,038	70.88
5.80% International Hotel Investments plc 2023	10,000,000	4.50	- 0.61	1,544,099	773,176	41.87
6.00% AX Investments Plc € 2024	40,000,000	4.08	0.76	348,657	217,449	25.57
6.00% International Hotel Investments plc € 2024	35,000,000	4.37	- 0.61	1,544,099	773,176	41.87
5.30% Mariner Finance plc Unsecured € 2024	35,000,000	3.55	3.66	100,350	50,297	48.12
5.00% Hal Mann Vella Group plc Secured € 2024	30,000,000	3.45	2.04	122,396	47,319	52.86
5.10% 1923 Investments plc Unsecured € 2024	36,000,000	4.59	3.09	135,492	45,574	27.66
<b>4.25% Best Deal Properties Holding plc Secured € 2024</b>	<b>14,776,400</b>	<b>2.98</b>	<b>-</b>	<b>27,453</b>	<b>4,128</b>	<b>81.72</b>
3.7% GAP Group plc Secured € 2023-2025 Series 1	21,000,000	2.76	2.24	103,895	15,134	73.44
5.75% International Hotel Investments plc Unsecured € 2025	45,000,000	4.91	- 0.61	1,544,099	773,176	41.87
5.10% GPM Holdings plc Unsecured € 2025	13,000,000	4.62	7.33	160,836	54,602	29.84
4.50% Hili Properties plc Unsecured € 2025	37,000,000	3.99	1.46	149,639	62,675	54.94
4.35% Hudson Malta plc Unsecured € 2026	12,000,000	4.12	3.16	43,383	5,522	81.61
4.25% Corinthia Finance plc Unsecured € 2026	40,000,000	3.90	- 0.51	1,717,057	828,470	42.64
4.00% International Hotel Investments plc Secured € 2026	55,000,000	3.57	- 0.61	1,544,099	773,176	41.87
3.75% Premier Capital plc Unsecured € 2026	65,000,000	3.10	7.39	278,759	53,003	75.22
4.00% International Hotel Investments plc Unsecured € 2026	60,000,000	3.60	- 0.61	1,544,099	773,176	41.87
3.25% AX Group plc Unsec Bds 2026 Series I	15,000,000	2.66	0.76	348,657	217,449	25.57
4.35% SD Finance plc Unsecured € 2027	65,000,000	3.97	6.86	324,427	137,612	28.31
4.00% Eden Finance plc Unsecured € 2027	40,000,000	3.25	- 0.50	190,466	108,369	31.32
4.00% Stivala Group Finance plc Secured € 2027	45,000,000	3.38	2.30	354,069	231,437	26.54
3.85% Hili Finance Company plc Unsecured € 2028	40,000,000	3.69	3.87	628,916	110,128	77.11
3.65% Stivala Group Finance plc Secured € 2029	15,000,000	3.34	2.30	354,069	231,437	26.54
3.80% Hili Finance Company plc Unsecured € 2029	80,000,000	3.73	3.87	628,916	110,128	77.11
3.75% AX Group plc Unsec Bds 2029 Series II	10,000,000	3.34	0.76	348,657	217,449	25.57

11-May-21

Source: Malta Stock Exchange, Audited Accounts of Listed Companies, MZ Investment Services Ltd





Source: Malta Stock Exchange, Central Bank of Malta, MZ Investment Services Ltd

11 May 2021

To date, there are no corporate bonds which have a redemption date beyond 2032. The Malta Government Stock yield curve has been included as it is the benchmark risk-free rate for Malta.

The BDP Group’s bonds are trading at a yield of 2.86%, which is 126 percentage points lower when compared to other corporate bonds maturing in the same year. The premium over FY2024 Malta Government Stock is 290 basis points.



## PART 4 - EXPLANATORY DEFINITIONS

Income Statement	
Revenue	Total revenue generated by the Issuer from its business activities during the financial year.
Cost of sales	Operating expenses include the cost of construction and other related expenses.
EBITDA	EBITDA is an abbreviation for earnings before interest, tax, depreciation and amortisation. EBITDA can be used to analyse and compare profitability between companies and industries because it eliminates the effects of financing and accounting decisions.
Profit after tax	Profit after tax is the profit made by the Issuer during the financial year both from its operating as well as non-operating activities.
Profitability Ratios	
Operating profit margin	Operating profit margin is operating income or EBITDA as a percentage of total revenue.
Net profit margin	Net profit margin is profit after tax achieved during the financial year expressed as a percentage of total revenue.
Efficiency Ratios	
Return on equity	Return on equity (ROE) measures the rate of return on the shareholders' equity of the owners of issued share capital, computed by dividing profit after tax by shareholders' equity.
Return on capital employed	Return on capital employed (ROCE) indicates the efficiency and profitability of a company's capital investments, estimated by dividing operating profit by capital employed.
Return on assets	Return on assets (ROA) is computed by dividing profit after tax by total assets.
Equity Ratios	
Earnings per share	Earnings per share (EPS) is the amount of earnings per outstanding share of a company's share capital. It is computed by dividing net income available to equity shareholders by total shares outstanding as at balance sheet date.



### Cash Flow Statement

Cash flow from operating activities	Cash generated from the principal revenue-producing activities of the Group.
Cash flow from investing activities	Cash generated from activities dealing with the acquisition and disposal of long-term assets and other investments of the Issuer.
Cash flow from financing activities	Cash generated from the activities that result in change in share capital and borrowings of the Issuer.

### Balance Sheet

Non-current assets	Non-current asset are the Issuer's long-term investments, which full value will not be realised within the accounting year. Non-current assets are capitalised rather than expensed, meaning that the Issuer amortises the cost of the asset over the number of years for which the asset will be in use, instead of allocating the entire cost to the accounting year in which the asset was acquired. Such assets include property, plant & equipment and sinking fund reserve.
Current assets	Current assets are all assets of the Issuer, which are realisable within one year from the balance sheet date. Such amounts include development stock (inventories), accounts receivable, cash and bank balances.
Current liabilities	All liabilities payable by the Issuer within a period of one year from the balance sheet date, and include accounts payable and short-term debt, including current portion of bank loans.
Non-current liabilities	The Issuer's long-term financial obligations that are not due within the present accounting year. The Issuer's non-current liabilities include long-term borrowings and debt securities.
Total equity	Total equity includes share capital, reserves & other equity components, and retained earnings.

### Financial Strength Ratios

Liquidity ratio	The liquidity ratio (also known as current ratio) is a financial ratio that measures whether or not a company has enough resources to pay its debts over the next 12 months. It compares a company's current assets to its current liabilities.
Net debt to EBITDA	The net debt to EBITDA ratio is a measurement of leverage, calculated as a company's interest bearing liabilities minus cash or cash equivalents, divided



	by its EBITDA. This ratio shows how many years it would take for a company to pay back its debt if net debt and EBITDA are held constant.
Gearing ratio	The gearing ratio indicates the relative proportion of shareholders' equity and debt used to finance a company's assets, and is calculated by dividing a company's net debt by net debt plus shareholders' equity. Alternatively, the gearing ratio can be calculated by dividing a company's net debt by shareholders' equity.

