FINANCIAL ANALYSIS SUMMARY

Hili Properties p.l.c.

25th June 2021

The Directors
Nineteen Twenty Three,
Valletta Road,
Marsa, MRS3000,
Malta

25th 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 Hili Properties p.l.c. (the "**Issuer**") as well as Harbour (APM) Investments Limited and Hili Estates Ltd (the "**Guarantors**") 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 2018, 2019 and 2020 has been extracted from the audited financial statements of the Issuer for the three years in question.

(b) The forecast data for the financial year ending 2021 has been provided by management.

(c) Our commentary on the Issuer's results and financial position is based on the explanations provided by management

(d) The ratios quoted in the Financial Analysis Summary have been computed by us applying the definitions set out in Part 4 of the Analysis.

(e) 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 of the 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 professional advice before investing in the Issuer's securities.

Yours sincerely,

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Nick Calamatta
Director

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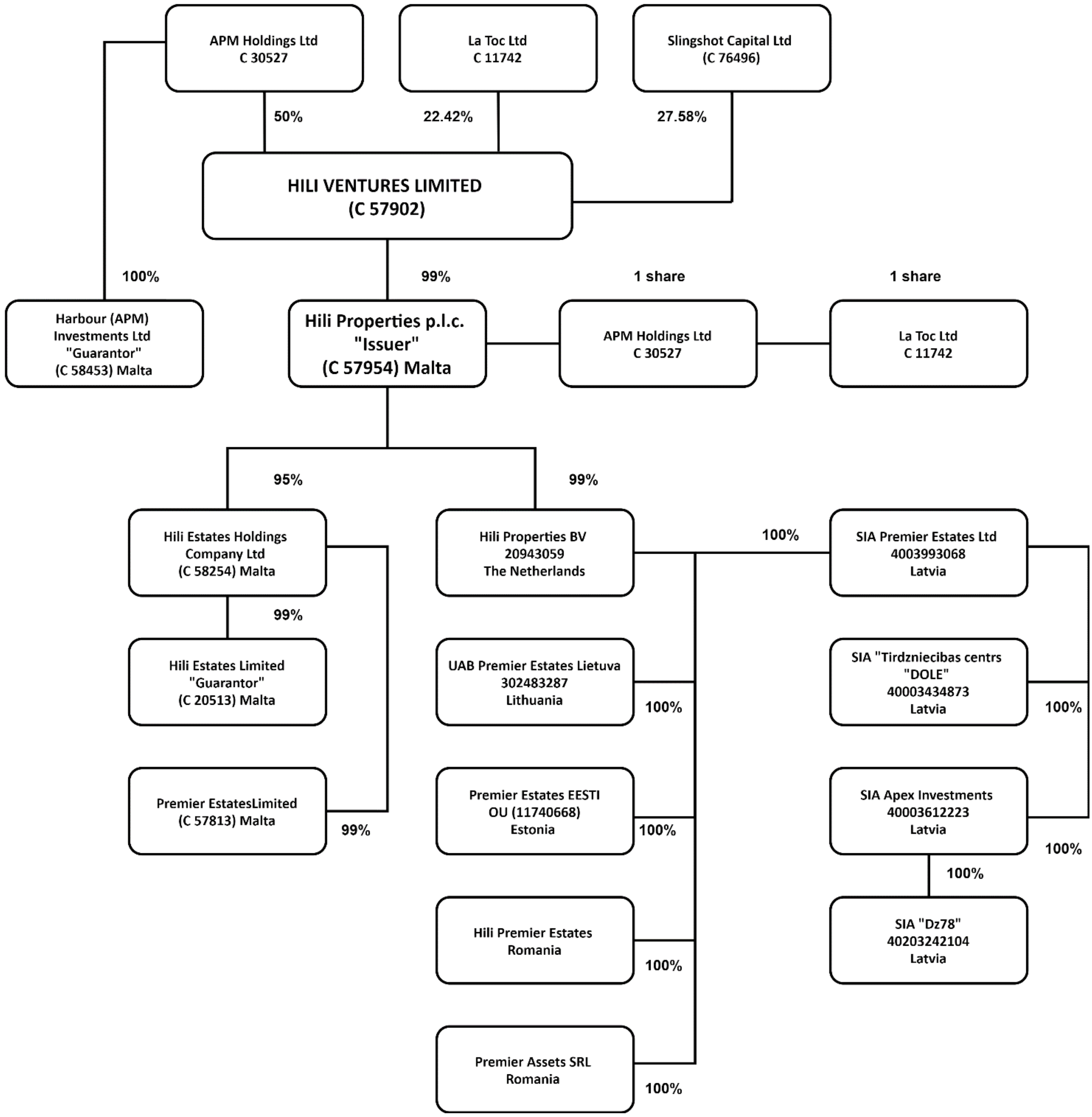
# Part 1 - Information about the Group

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

The Group structure is as follows:




Hili Properties p.l.c. (the **"Issuer"** or **"Group"**) was incorporated on 23 October 2012 as a holding company and forms part of the Hili Ventures Group. The Issuer has an authorised share capital of €60,000,000 divided into 60,000,000 ordinary shares of €1 each. The issued share capital is of €41,592,000 divided into 41,952,000 ordinary shares fully paid up. The Issuer is, except for 2 ordinary shares which are held by APM Holdings Ltd and La Toc Ltd, a subsidiary of Hili Ventures Limited, and is the parent company of the property division of the Hili Ventures Group. The principal objective of the Issuer is to purchase or otherwise acquire, under any title whatsoever, to hold and manage, by any title, movable and immovable property or other assets, both locally and overseas.

Harbour (APM) Investments Limited (**"HIL"**) was incorporated on 4 December 2012 as a private limited liability company and is a fully-owned subsidiary of APM Holdings Limited. The main objective of HIL is to purchase or otherwise acquire, under any title whatsoever, to hold and manage, by any title, movable and immovable property or other assets, both locally and overseas.

HIL owns a property consisting of a parcel of land measuring *circa* 92,000m$^2$ in Benghajsa, Malta. On 25 August 2015, the Issuer entered into a promise of share purchase agreement whereby it undertook to accept, purchase and acquire, 100% shareholding in HIL for a total consideration of €25m. In 2015, a 50% deposit (€12.5m) was paid. In 2017, €12m of the renaming balance was settled, of which €5m was settled in cash and €7m was settled pursuant to an assignment of debt to Hili Ventures Limited and subsequently capitalised in the share capital of the Issuer. Both the Issuer and the vendor have the unilateral and unconditional right to rescind the agreement, in which case the deposit already paid of €24.5m becomes repayable on the demand by the Issuer. As at FY20, the agreement was expected to be executed by 2022.

Hili Estates Limited ("**HEL**") was incorporated on 30 August 1996 as a private limited liability company and forms part of the Hili Properties Group. HEL is principally involved in holding movable and immovable property and currently owns and manages one property; Nineteen-twenty three building situated in Marsa, Malta, comprising of 5,635m$^2$ of office space and warehousing facilities. As at May 2021, management confirmed that this property is currently fully leased to companies forming part of the Hili Ventures Group and other related parties.

HIL and HEL serve as "**Guarantors**" for the Issuer's bond currently listed on the Official List of the Malta Stock Exchange, i.e. €37,000,000 4.5% Hili Properties plc 2025. This is explained further in section 1.7 of the Analysis.

In July 2020, the Group acquired the remaining shareholding (10%) in Premier Assets Romania SRL for a consideration of €0.2m. Moreover, in November 2020, the Group disposed of its 100% interest in Tukuma projekts Ltd for a total consideration of *circa* €1.8m. Further details concerning these developments is found in section 1.4 of this Analysis.

## 1.2 Directors and Key Employees

**Board of Directors - Issuer**

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

| Name | Office Designation |
|---|---|
| Mr Pier Luca Demajo | Chairman and Independent Non-Executive Director |
| Mr Georgios Kakouras | Executive Director |
| Mr Peter Hili | Non-Executive Director |
| Mr Eddy Vermeir | Non-Executive Director |
| Mr David Aquilina | Independent Non-Executive Director |
| Dr Laragh Cassar | Independent Non-Executive Director |

The senior management team of the Group consists of:

| Name | Office designation |
|---|---|
| Mr Georgios Kakouras | Chief Executive Officer |
| Ms Daniela Pavia | Chief Financial Officer |

The business address of all the directors is the registered office of the Issuer. Dr Melanie Miceli Demajo is the company secretary of the Issuer.

The board is composed of Mr Pier Luca Demajo acting as chairman, Mr Georgios Kakouras acting as executive director, and four non-executive directors; Mr Peter Hili, Mr Eddy Vermeir, Mr David Aquilina and Dr Laragh Cassar. The board is responsible for the overall long-term direction of the Group, in particular in being actively involved in overseeing the systems of control and financial reporting and that the Group communicates effectively with the market.

The board meets regularly, with a minimum of four times annually, and is currently composed of six members, three of which are independent of the Issuer. As at the date of this Analysis, Mr Pier Luca Demajo, Mr David Aquilina and Dr Laragh Cassar are independent non-executive directors of the Issuer.

Mr Richard Abdilla Castillo and Mr Geoffrey Camilleri resigned in Q3 2020 and Q1 2021. Mr Pier Luca Demajo and Mr Eddy Vermeir were appointed in their seats in Q4 2020 and Q1 2021 respectively. The board meetings are attended by the Chief Financial Officer of the Group in order for the board to have direct access of the financial operation of the Group.

As at the date of this Analysis, the Issuer has a total of 3 employees and, in aggregate, the Group currently has approximately 12 employees, with an average ratio of 92:8 between operational employees and administrational employees.

**Board of Directors – Guarantors**
As at the date of this Analysis, the board of directors of the Guarantors is constituted by the following persons:

***Harbour (APM) Investments Limited***

| Name | Office designation |
|---|---|
| Mr Carmelo *sive* Melo Hili | Director |

***Hili Estates Limited***

| Name | Office designation |
|---|---|
| Dr Annabel Hili | Director |
| Mr Georgios Kakouras | Director |

## 1.3 Major Assets owned by the Group

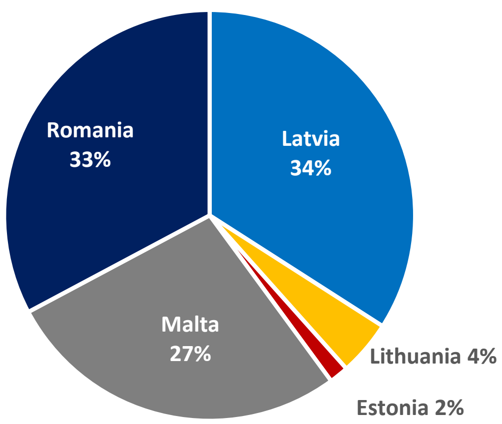
The Group's major assets are comprised of the following:

- **Real Estate Portfolio**

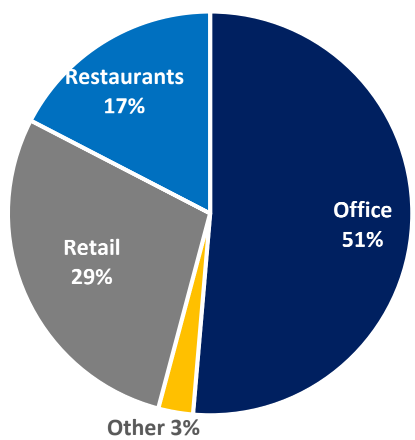
The Group owns 24[1] properties as at the date of this Analysis, as presented in the table below. These are valued at *circa* €113m. In view of the fact that these properties are held by the Group for long-term rental yields or for capital appreciation (or both), these are classified as investment property in the Group's statement of financial position. The Group's property portfolio comprises of an aggregate rental space of 82,498m$^2$, which generates an annualised rental income of *circa* €8m. The contracted gross rental yield is estimated at 6.8%.

The Group's occupancy level as at this date of this Analysis is 95% with a weighted average unexpired lease term (WALT) of 9.3 years. As noted through the graphical charts presented below, the Group's property portfolio is diversified across a number of asset types and geographical regions.

**FY20 Geographical Analysis of Investment Property Value**




**FY20 Investment Property by Category of Asset**




[1] Apart from the above-mentioned 24 properties, the below table also includes one property which was sold during 2020

| Name of Property | Location | Description | Main Tenant | Rentable Area ($m^2$) | Valuation as at 31.12.2020 (€'000) | Occupancy rate (%) as at 31.12.20 | WALT (in years) | Ownership |
|---|---|---|---|---|---|---|---|---|
| Imanta Restaurant | Riga, Latvia | McDonald's restaurant (with drive thru) | McDonald's | 2,709 | 2,200 | 100 | 11.8 | Freehold |
| Vienibas Restaurant | Riga, Latvia | McDonald's restaurant (with drive thru) | McDonald's | 3,497 | 2,200 | 100 | 12.3 | Freehold |
| Ulmana Restaurant | Riga, Latvia | McDonald's restaurant (with drive thru) | McDonald's | 2,000 | 1,700 | 100 | 15.4 | Freehold |
| Dainava Restaurant | Kaunas, Lithuania | McDonald's restaurant (with drive thru) | McDonald's | 3,021 | 2,200 | 100 | 11.0 | Freehold |
| Svajone Restaurant | Vilnius, Lithuania | McDonald's restaurant (in a building complex) | McDonald's | 580 | 2,660 | 100 | 11.3 | Land is leased, building is freehold |
| Parnu Restaurant | Parnu, Estonia | McDonald's restaurant (with drive thru) | McDonald's | 1,803 | 1,700 | 100 | 10.5 | Freehold |
| M DIY Retails Centre | Tukums, Latvia | Retail | Kesko Senukai | 3,370 | - | 100 | 2.3 | Freehold |
| Supermarket and Retail Centre | Nicgales Street 2, Riga, Latvia | Retail | Rimi Latvia | 2,890 | 6,500 | 100 | 4.3 | Freehold |
| Supermarket and Retail Centre | Augusta Dombrovska Street 23, Riga, Latvia | Retail | Rimi Latvia | 4,365 | 5,400 | 97 | 3.0 | Freehold |
| Supermarket and Retail Centre | Vienibas Ave. 95, Riga, Latvia | Retail | Rimi Latvia | 1,343 | 1,424 | 94 | 3.7 | Freehold |
| Supermarket and Retail Centre | Kremienu Street 4A, Riga, Latvia | Retail | Rimi Latvia | 953 | 911 | 100.0 | 5.5 | Land 700$m^2$ is leased, building is freehold |
| Shopping Centre | Dzelzavas Street 78, Riga, Latvia | Retail | Rimi Latvia | 3,448 | 6,600 | 100 | 8.3 | Freehold |
| Vecmīlgrāvja 3. līnija | Riga, Latvia | Land | N/A | N/A | 19 | N/A | N/A | Freehold |
| Maskavas Street 357 | Riga, Latvia | Retail | Rimi Latvia & Eliza K | 8,039 | 11,054 | 98.0 | 3.1 | Land 734$m^2$ is leased, other land and building is freehold |
| Maskavas Street 357 | Riga, Latvia | Land | N/A | N/A | 145 | N/A | N/A | Freehold |
| Nineteen-twenty three building | Marsa, Malta | Office space/ Warehousing facilities | Hili Ventures | 5,535 | 16,900 | 100 | 9.65 | Freehold |
| Transport House | Floriana, Malta | Office space | Ministry of Energy | 900 | 2,500 | 100 | 8.88 | Freehold |
| Villa Marika | Madliena, Malta | Private residence | | N/A | 2,950 | N/A | N/A | Freehold |
| McDonald's Sliema | Sliema, Malta | Restaurant and office space | McDonald's | 1,518 | 8,200 | 100 | 11.7 | Freehold |
| Selgros Restaurant | Bucharest, Romania | McDonald's restaurant (with drive thru) | McDonald's | 1,499 | 2,238 | 100 | 19.8 | Freehold |
| Bragadiru Restaurant | Bucharest, Romania | McDonald's restaurant (with drive thru) | McDonald's | 2,700 | 1,947 | 100 | 20.0 | Freehold |
| Albu | Bucharest, Romania | McDonald's restaurant (with drive thru) | McDonald's | 1,185 | 1,292 | 100 | 20.0 | Freehold |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Santu Mare | Bucharest, Romania | McDonald's restaurant (with drive thru) | McDonald's | 1,346 | 1,337 | 100 | 20.0 | Freehold |
| Art Business Centre 7 | Bucharest, Romania | Hospital and Office space | Delta Health Care and Delta Health Trade | 24,065 | 29,910 | 100 | 11.5 | Freehold |
| Brasov-Coresi Mc Donalds DT | 5 Turnului Street, Distric Brasov, City Brasov | Minute of commissioning on 26th of February, Opening on 30th of March | Premier Restaurants Romania | 2,070 | 856 | N/A | 20.0 | Freehold |
| **Total** | | | | **75,466** | **112,934** | **95%** | **9.3** | |

An overview of each property is set out below:

### (i) McDonald's Imanta, Riga, Latvia

The Imanta property consists of a plot of land and a building constructed thereon. The site is located in Kurzemes Prospekts 3, Imanta, a residential neighbourhood of Riga inhabited by approximately 44,000 residents.

### (ii) McDonald's Vienibas, Riga, Latvia

The Vienibas property consists of a plot of land and a building constructed thereon. The site is located at 115A Vienibas Avenue, which is situated outside the centre of Riga and on one of the busiest exit streets (A8/E77), and is around 7km away from the centre and old town of Riga.

### (iii) McDonald's Ulmana, Riga, Latvia

The Ulmana property consists of a plot of land and a building constructed thereon. The site is located at 88, Karla Ulmana Street, which is situated outside the centre of Riga and on one of the busiest exit streets (A10/E22), and is around 7 km away from the centre and old town of Riga.

### (iv) Mc Donald's Dainava, Kaunas, Lithuania

The Dainava property consists of a plot of land, a building structure constructed thereon, and an ancillary building that operates as a car park. The site is located in Pramones Ave. 8B, Kaunas, which is in the vicinity of three shopping centres, a petrol station, and a fast food restaurant.

### (v) Mc Donald's Svajone, Vilnius, Lithuania

The Svajone property consists of a property located within a larger building complex with the intended use of providing catering services. The building is constructed on a state-owned land plot and is located at 15, Gedimino Avenue, a favourable and prestigious location in the centre of Vilnius in V. Kurika's square.

### (vi) Mc Donald's Parnu, Estonia

The Parnu property consists of a plot of land and a building constructed thereon. The property is located at 74, Tallinna Maante, Parnu, an area outside the city centre next to a two-lane road at the entrance to Parnu from Tallinn.

### (vii) Wholesale & retail trade building, Nicgales Street, Riga, Latvia

The property is constructed on a 16,785$m^2$ plot. The property is located in a zone of the largest district of the Riga called Purvciems, on the east bank of the Paugava River and by approximately 60,000 residents. The property is currently used as a retail and shopping centre.

### (viii) Supermarket and Retail Centre, Augusta Dombrovska Street, Riga, Latvia

The property is constructed on an 8,368m2 plot. The property is located in a part of Riga known as Vecmīlgravīs in the northern part of the city, near the mouth of the Daugava River. The property is currently used as a retail and shopping centre with 33 tenants and enjoys significant footfall.

### (ix) Supermarket and Retail Centre, Vienibas Street, Riga, Latvia

The property is constructed on a 6,670m$^2$ plot. The property is located in Atgāzene in the south of Riga, on the west bank of the Daugava River.

### (x) Supermarket and Retail Centre, Kreimeņu Street, Riga, Latvia

The property is constructed on a 3,733m$^2$ plot and land plot leased 422m$^2$. The property is located in Vecmīlgrāvis, a town in the North of Riga near the mouth of the Daugava River.

### (xi) Shopping Centre, Dzelzavas Street, Riga, Latvia

The footprint of the property measures 8,062m$^2$ and is located in Purvciems, in the west of Riga on the east bank of the Daugava River. During FY2018, the property was demolished and re-development works commenced to construct a shopping centre at an estimated cost of circa €4.3 million.

### (xii) Dole, Retail Centre, Maskavas Street 357, Riga, Latvia

The property is a four-storey building having 8,000m2 of gross intended leasable area and is occupied by more than 60 tenants. Dole is situated in the Kengarags neighbourhood, one of Riga's southern suburbs with an extensive catchment area and by approximately 50,000 residents.

### (xiii) Nineteen Twenty Three, Valletta Road, Luqa, Malta

The property, built on a plot area of 2,585m$^2$, is developed mainly as an office block with part of the premises at ground and intermediate levels used as a warehouse/storage area. The building is sited at the periphery of the industrial park in Luqa/Marsa. The property is 100% leased out, predominantly to a number of subsidiary companies forming part of the Hili Ventures Group.

### (xiv) Transport House, Triq San Frangisk, Floriana, Malta

The property is located in a central area in Floriana and comprises of a three-storey building, a receded penthouse, and two interconnected apartments on the first and second floors, all for use as office space.

### (xv) Villa Marika, High Ridge, Madliena

The property consists of a fully-detached bungalow located in a prime location in High Ridge, Madliena with a superficial area of circa 1,250m$^2$.

### (xvi) McDonald's Restaurant and overlying office, Sliema, Malta

The property in Sliema is leased as a McDonald's outlet at ground and mezzanine levels, and the first floor is completed as office space and rented out to a third party. The premises form part of a development block overlooking two streets, namely The Strand, Sliema at the waterfront and Sqaq il- Fawwara, Sliema at the back of the property.

### (xvii) Selgros Restaurant, Bucharest, Romania

The McDonald's Berceni Selgros restaurant commenced operations on 21 November 2018. It is a drive-thru restaurant located in a busy area in the 4$^{th}$ district of Bucharest.

### (xviii) Bragadiru, Bucharest, Romania

The McDonald's Bragadiru restaurant is a drive-thru restaurant located on a busy road in a town called Bragadiru, which is 10km from Bucharest. The restaurant initiated operations on 31 December 2018.

### (xix) Alba lulia Restaurant, Alba, Romania

The McDonald's Alba lulia restaurant commenced operations on 21 December 2019. It is a drive-thru restaurant located near the city center of Alba lulia, in the premises of Kaufland parking area, in the central part of the country, in Alba County.

**(xx) Satu Mare Restaurant, Satu Mare, Romania**

The McDonald's Satu Mare restaurant commenced operations on 30 December 2019. It is a drive-thru restaurant located near the city center of Satu Mare in the northern part of the country, in Satu Mare County.

**(xxii) Brasov-Coresi Restaurant, Turnului, Romania**

The McDonald's Coresi Brasov restaurant commenced operations on 31 March 2021. It is a drive-thru restaurant near the city center of Brasov, in the center part of the country, in Coresi District, in Brasov County.

**(xxi) ART Business Centre, Bucharest, Romania**

The property is located in the affluent Nordului neighbourhood in northern Bucharest. The nine-storey property has a footprint of 3,400m$^2$ and comprises of circa 24,000m$^2$ of gross leasable area, (circa 5,000m$^2$) of which is storage space. The three underground floors accommodate 407 parking spaces. The property is fully leased out and its anchor tenant is Ponderas Academic Hospital which was recently taken over by the Regina Maria Private Healthcare Network, Romania's largest private health care network.

- **Harbour (APM) Investments Limited**

As further explained in section 1.1 of this Analysis, HIL owns land in Benghajsa, Malta, valued at €25.5m. The property, which measures *circa* 92,000m$^2$, comprises a number of sites at Benghajsa and is flanked by the Freeport and its service road to the Northeast, by Hal Far Road to the Northwest, by the new LPG depot & Fort Benghajsa to the South and by agricultural fields, Benghajsa Village and Hal Far Industrial Estate beyond to the South. The sites are mainly composed of undeveloped agricultural fields. Further detail on the operational developments concerning this property may be found in section 1.4.2 of this Analysis.

## 1.4 Operational Developments

### 1.4.1 Strategy

The principal objective of the Issuer is to act as the property holding vehicle of the Hili Ventures Group. In this respect, the Issuer's ultimate business goal is to continue managing the existing properties presented above, and to acquire and dispose of properties as necessary with the aim of meeting the needs of its business operations. The rents chargeable by the Issuer to the Hili Ventures Group companies are based on commercial rental rates and respective lease agreements and are entered into on an arms-length basis.

In terms of the Issuer's strategic expansion strategy, it aims to build a property portfolio consisting primarily of attractively-located, institutional and high quality, income-producing investment properties to deliver income and capital growth through active asset management.

The Issuer believes that its Board of Directors, in addition to the support of external advisors and property experts, has the sufficient and appropriate knowledge and competence to capitalise on the opportunities presented by both the current and forward-looking market conditions.

Based on its long standing experience within the industry, the intention of the Issuer is to source its investment opportunities mainly through the Board of Directors' extensive network of relationships, which includes the corporate and private landlords, brokers, domestic banks and others. The Board of Directors expects to create both sustainable income and strong capital returns for the Group.

The investment decisions carried out by the Board of Directors in relation to investment property acquisitions are primarily based on a number of property characteristics which are deemed to be aligned to the aforementioned strategic goals of the Group. A number of these characteristics are as set out below:

- Retail properties in city centres and certain suburban areas including shopping retail malls and high street retail outlets;
- Office properties situated in sought-after prime locations with a high potential of attracting interest from tenants;
- Commercial real estate properties, including warehousing, industrial and distribution facilities; and

- Other type of buildings or properties which are deemed by the Board of Directors to result into an attractive investor return.

It is crucial to point out that, in carrying out investment decisions, the Board of Directors concentrate on assets priced at significant discounts to fair value or assets with active asset management opportunities, for example through repositioning, rental extension or rental optimisation, and keep monitoring the market with regards to development opportunities in the context of the whole portfolio as the Company's primary focus is on cash flow and active asset management.

Where appropriate, the intention of the Board of Directors is to implement improvements to the Group's property portfolio through proactive asset management techniques which include:

- Renegotiating or surrendering leases;
- Improving lease terms duration and tenant profile;
- Carrying out structural improvements to the building when and where considered appropriate;
- Improving layouts and space efficiency of specific assets;
- Ensuring an appropriate mix and well-structured tenant mix within certain properties;
- Maintaining dialogue with tenants to assess their requirements;
- Taking advantage of planning opportunities where appropriate; and
- Repositioning and upgrading assets.

Upon implementing the aforementioned business strategy, the Issuer might possibly utilise prudent levels of leverage in order to enhance equity returns over the long-term. Management noted that the indicative aggregate borrowing as a percentage of gross asset value of the Group is expected not to exceed 70%. Nevertheless, the Group may possibly modify the leverage policy from time to time in light of then current economic conditions, the relative costs of debt and equity capital, the fair value of the Group's assets, growth and acquisition opportunities or other factors it deems appropriate.

In view of the Group's current property portfolio available for rent which presently reflects an overall average occupancy rate of 95%, the Board of Directors aims to maintain the same high level of occupancy rates for future investment properties.

### 1.4.2 Harbour (APM) Investments Limited

In addition to the overview of the Bengħajsa land described in section 1.1 above, management noted that two sites have been approved for the development of a solar farm as per Planning Authority permit PA10665/17. The proposed solar farm covers a larger area of land partly owned by two other third parties. This land is being leased to a third party to develop and operate a solar farm.

- **Planning Considerations and Site Potential**

The sites at Bengħajsa are predominantly located within a 'Reserve Site' area in accordance to the respective Marsaxlokk Bay Local Plan. The strategy for this zone is outlined in the respective local plan issued in 1995, receated below:

*"The area between Ħal Far and the Freeport was designated as a Primary Development Area in the sixties for possible eventual industrial use. The Structure Plan confirms the designation subject however to Policy IND1 which delays the use of this land until needs arise which cannot be accommodated elsewhere. On available evidence, it is unlikely that the area will be required for such purpose within the ten-year period of the Local Plan. It is therefore proposed that the current status of the area is retained and is also to be referred to as a Reserved Area."*

Recent research stipulates that over the past 25 years, more specifically since the date of issuance of the aforementioned plan, the footprint of the Freeport has generally been developed to its full capacity with respect to its key activities that comprise the container terminal, the oil terminal and the ancillary warehousing facilities.

The location of the Bengħajsa sites that fall within this 'Reserve Site', particularly those contiguous to the Freeport, form a natural extension of the Freeport area as envisaged by both the Structure 'Local Plans'. It was also noted that apart from the more recent solar farm permit noted above, an LPG terminal has already been developed within the said 'Reserved Area' duly covered by Malta Environment & Planning Authority ("MEPA") permit PA 867/09.

In view of the above considerations, it is therefore apparent that, while currently schemed as a 'Reserve Site', the areas concerned offer significant medium to long-term commercial and investment opportunities for the Group.

### 1.4.3 Property Disposals

In November 2020, the Group disposed of its shareholding in SIA Tukuma Projekts for a total consideration of *circa* €1.8m. The said company owns a property known as M DIY Retails Centre, located in Tukums in Latvia.

### 1.4.4 Properties held for sale

As at 31 December 2020, property held for sale amounted to *circa* €7.7m and included the following retail centres: (i) Augusta Dombrovska Street 23, Riga, Latvia, (ii) Vienibas Ave. 95, Riga, Latvia and (iii) Kremienu Street 4A, Riga, Latvia.

### 1.4.5 Acquisitions

In September 2020, the Group acquired a plot of land measuring 2,070m$^2$ located in Romania for a consideration of €0.636m. In view of the fact that this property is currently used as a McDonald's restaurant, this property has been classified as investment property and the value of the property was uplifted to €1.5 following construction carried out on the property between FY20 and FY21. Construction works carried out on this property was concluded at the end of March 2021 and the restaurant started operating from 30$^{th}$ March 2021 onwards.

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

Following the outbreak of the COVID-19 pandemic, the directors are monitoring the situation to safeguard the interests of the Group and its stakeholders. Notwithstanding the implications brought about by the pandemic, the Group's operations have not been materially impacted during the year, with the results being relatively in line with the projections set out in the 2020 Financial Analysis Summary.

The directors have continued to actively monitor all pandemic-related developments taking place both locally and internationally in order to assess the impact that the pandemic might have on the profitability, liquidity and going concern of the Group.

Although these events have had a significant impact on the economy during 2020 and although a number of tenants may be in difficult financial circumstances, there has not been any significant impact on the recoverability of its receivables from its customers.

In view of the Group's robust business model, the Group has not experienced any significant adverse impact on its income. Tenants have successfully managed to honour their commitments during 2020, with management reporting that only non-material discounts were granted throughout the year. In view of this, the Group is cautiously optimistic about the current financial year.

#### Liquidity Measures

Management explained that the Group's capital and liquidity position remained strong and sustainable as revenue during the year was collected in full (apart from the above-mentioned temporary non-material discounts). All legal obligations were honoured in full, including its yearly interest payments. Management noted that, in view of the pandemic related developments last year, the 2021 liquidity projections are more valuable to assess the potential impact that the pandemic might possibly have on the profitability and liquidity of the Group. These projections indicate that the Group has a robust level of cash generation at its disposal to honour all of the Group's commitments.

#### Costs Containment Measures

As part of a cost mitigation procedure undertaken by the Group throughout the pandemic, management teams across the Group's operating regions were invited to revise their respective market operating cost, with this ultimately resulting into additional operational efficiencies across the Group in general.

### Assumptions undertaken in projections utilised for the purpose of this document

The 2021 projections were based on the contractual rental agreements that the Group currently has in place with its tenants, specifically in relation to the properties discussed in section 1.4 above. Management explained that these projections were based on the actual 2020 financial performance of the Group and on the Group's knowledge and understanding of the potential implications brought about by the pandemic which might possibly arise in the remaining months of the current financial year.

### Concluding remarks

2020 is considered to be the most challenging for the Group in terms of pandemic related risks. Nevertheless, the Group expects the situation to improve in the current financial year. The Group has proven to be resilient and successful in the navigating both the tenants' and the Group's requirements. Management has compiled cash flow projections primarily based on the expected revenues and receipts from their tenants, and are confident that these are adequate to support the Group in the foreseeable future. Management confirmed that the Issuer has sufficient resources at its disposal to honour its existing bond interest payment obligations.

## 1.6 Related Party Debt Securities

Hili Properties p.l.c. is a member of the Hili Ventures Group. Within the same group, 1923 Investments p.l.c., Premier Capital p.l.c. and Hili Finance p.l.c. (all sister companies of Hili Properties p.l.c.) have the following outstanding debt securities. The below table also includes Hili Properties p.l.c.'s current outstanding bond.

| Security ISIN | Security name | Amount Listed | Currency |
|---|---|---|---|
| MT0000941204 | 4.5% Hili Properties plc 2025 | 37,000,000 | EUR |
| MT0000841206 | 5.1% 1923 Investments plc Unsecured € 2024 | 36,000,000 | EUR |
| MT0000511213 | 3.75% Premier Capital plc Unsecured € 2026 | 65,000,000 | EUR |
| MT0001891200 | 3.85% Hili Finance Company plc 2028 | 40,000,000 | EUR |
| MT0001891218 | 3.8% Hili Finance Company plc 2029 | 80,000,000 | EUR |

## 1.7 Bond Guarantee

As per the prospectus dated 18 September 2015 published by the Issuer for its 2015 bond issue, the Issuer's bond amounting to €37m is jointly and severally guaranteed by HIL and HEL. The Guarantors undertook that, as long as the bond remains outstanding, the Guarantors shall collectively ensure that their aggregate net asset value will amount to not less that €37m at each financial reporting date. As at 31 December 2020, the aggregate net assets of both Guarantors together amounted to €40.1m (2019: €38.6M) and, therefore, covers the bonds in issue.

# Part 2 - Historical Performance and Forecasts

The financial information below (section 2.1 to 2.3) is extracted from the audited consolidated financial statements of Hili Properties plc for the financial years ended 31 December 2018, 2019 and 2020. The projected financial information for the year ending 31 December 2021 has been provided by the Group's management.

The said projected financial information relate to events in the future and are based on assumptions which the 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.

## 2.1 Issuer's Consolidated Statement of Comprehensive Income

| **Hili Properties p.l.c.**<br>**Statement of Comprehensive Income**<br>**For the year ended 31 December** | **2018A** | **2019A** | **2020A** | **2021F** |
|---|---|---|---|---|
| | **€'000s** | **€'000s** | **€'000s** | **€'000s** |
| Revenue | 7,679[2] | 9,153[2] | 8,112 | 8,051 |
| Net operating expenses | (2,250) | (2,954) | (2,973) | (3,230) |
| **EBITDA** | **5,429** | **6,199** | **5,139** | **4,821** |
| Depreciation and amortisation | (113) | (150) | (158) | (60) |
| **EBIT** | **5,316** | **6,049** | **4,981** | **4,761** |
| Net investment income | 724 | 3,942 | 3,575 | 1,005 |
| Net finance costs | (3,496) | (3,758) | (3,344) | (3,502) |
| **Profit before tax** | **2,544** | **6,233** | **5,212** | **2,264** |
| Income tax | (434) | (779) | (1,116) | (779) |
| **Profit after tax** | **2,110** | **5,454** | **4,096** | **1,485** |
| | | | | |
| **Other comprehensive income** | | | | |
| Exchange differences - foreign operations | (27) | - | (5) | (33) |
| **Total Comprehensive income** | **2,083** | **5,454** | **4,091** | **1,452** |

| **EBITDA Derivation** | **2018A** | **2019A** | **2020A** | **2021F** |
|---|---|---|---|---|
| | **€'000s** | **€'000s** | **€'000s** | **€'000s** |
| **EBITDA has been calculated as follows:** | | | | |
| Operating profit (EBIT) | 5,316 | 6,049 | 4,982 | 4,761 |
| *Adjustments:* | | | | |
| Depreciation and amortisation | 113 | 150 | 158 | 60 |
| **EBITDA** | **5,429** | **6,199** | **5,140** | **4,821** |

| **Ratio Analysis[3]** | **2018A** | **2019A** | **2020A** | **2021F** |
|---|---|---|---|---|
| ***Profitability*** | | | | |
| Growth in Revenue (YoY Revenue Growth) | 21.2% | 19.2% | -11.4% | -0.7% |
| EBITDA Margin (EBITDA / Revenue) | 70.7% | 67.7% | 63.4% | 59.9% |
| Operating (EBIT) Margin (EBIT / Revenue) | 69.2% | 66.1% | 61.4% | 59.1% |
| Net Margin (Profit for the year / Revenue) | 27.5% | 59.6% | 50.5% | 18.4% |
| Return on Common Equity (Net Income / Average Equity) | 4.7% | 9.9% | 6.8% | 2.3% |
| Return on Assets (Net Income / Average Assets) | 1.5% | 3.6% | 2.7% | 1.0% |

[2] Historic revenue figures do not agree with those reported in the 2020 Financial Analysis Summary (FAS) due to the reclassification of other operating income from net operating expenses to total revenue.

[3] Ratio Analysis may not agree to prior FASs due to a change in the calculation methodology (refer to section 4 of this Analysis) and also due to the above-mentioned reclassification

As could be noted from the above financial data, the Group's total revenue during FY20 declined by 11.4% or €1m to €8.1m (FY19:€9.2m). Management attributes the decline in revenue due to the assets generating income sold in 2019 which were not replaced in FY20, mainly through the disposal of Hili Properties Swatar property. In addition, during the year, the Group also disposed of another asset towards the end of the year, which also was not replaced. Discounts have been provided to some tenants over the course of 2020, which also contributed to a marginal decline in revenues for FY20 over the preceding year.

In view of the property acquisitions and disposals expected to take place during 2021, the Group is anticipating total rental income to remain relatively unchanged and amount to €8.1m during FY21.

Notwithstanding the above-mentioned decline in revenue, the Group's net operating expenditure during FY20 amounted to *circa* €3m, with management reporting that this marginal increase in operating expenditure is mainly attributable to higher professional fees incurred by the Group during the year (FY20).

The Group reported an EBIDTA of €5.1m in FY20 (FY19: €6.2m). EBITDA during FY21 is projected to decline to around €4.8m. This is attributable to the timing between asset disposal and acquisitions, and also due to the marginal increase in costs attributable to routine maintenance.

Net investment income amounted to €3.6m during FY20 and mainly relates to net increases in fair value gains on the properties located in Malta, Romania and the Baltics Countries. This is expected to amount to around €1m during FY21 and primarily relates to an uplift in fair value of a property in Latvia, following the issuance of an extension permit post to the year end.

As the loss on derivative financial instruments incurred during FY19 was of a non-recurring nature, the Group incurred a lower level of finance costs during FY20 amounting to €3.3m. These are expected to amount to €3.5m in FY21.

Tax incurred by the Group during FY20 amounted to €1.1m, a substantial portion of which relate to the aforementioned positive movement in investment property. The Group is anticipating to incur €0.8m in taxation costs for FY21.

The Group reported a profit after tax of €4.1m during FY20 (FY19: €5.5m). This has been projected at €1.5m for FY21, on account of the above-mentioned decline in EBITDA as well as lower amounts of fair value uplifts expected to take place in FY21.

### 2.1.1 Variance Analysis

| **Hili Properties p.l.c.<br>Statement of Comprehensive Income<br>For the year ended 31 December 2020** | **FY20<br>Forecast** | **FY20<br>Audited** | **Variance** |
|---|---|---|---|
| | **€'000s** | **€'000s** | **€'000s** |
| Revenue | 8,019 | 8,112 | 93 |
| Net operating expenses | (3,063) | (2,973) | 90 |
| **EBITDA** | **4,956** | **5,139** | **183** |
| Depreciation and amortisation | (186) | (158) | 28 |
| **EBIT** | **4,770** | **4,981** | **211** |
| Net investment income | 1,539 | 3,575 | 2,036 |
| Net finance costs | (3,378) | (3,344) | 34 |
| **Profit before tax** | **2,931** | **5,212** | **2,281** |
| Income tax | (602) | (1,116) | (514) |
| **Profit after tax** | **2,329** | **4,096** | **1,767** |
| | | | |
| **Other comprehensive income** | | | |
| Exchange differences - foreign operations | - | (5) | (5) |
| **Total Comprehensive income** | **2,329** | **4,091** | **1,762** |

In view of the minor positive variances recorded by the Group in terms of revenue generation and net operating expenditure during FY20, the Group registered an overall improvement in EBITDA of €0.2m over previous projections.

The net investment income reported in the Group's audited results amounted to €3.6m, whereas the comparable amount reported in the 2020 Financial Analysis Summary was €1.5m. Following an independent evaluation of the Group's entire property portfolio, the difference of €1.8m mainly relates to higher net fair value gains on properties located in Malta, Romania and the Baltics, which values were re-assessed after the previous projections were completed. Consequently, the Group's income tax varied proportionally.

In conclusion, actual total comprehensive income amounted to €4.1m, implying an overall improvement of €1.8m over previous expectations.

## 2.2 Issuer's Consolidated Statement of Financial Position

| Hili Properties p.l.c.<br>Statement of Financial Position<br>For the year ended 31 December | 2018A | 2019A | 2020A | 2021F |
|---|---|---|---|---|
| | €'000s | €'000s | €'000s | €'000s |
| **Assets** | | | | |
| **Non-current assets** | | | | |
| Goodwill and other intangibles | 17 | 16 | 16 | 45 |
| Property, plant and equipment | 316 | 194 | 80 | 58 |
| Investment properties | 113,016 | 109,904 | 105,199 | 123,775 |
| Property held for sale | 6,478 | 3,774 | 7,735 | - |
| Other financial assets | 26,800 | 24,500 | 24,500 | 24,500 |
| Loans and receivables | 1,226 | 1,232 | 5,231 | 4,831 |
| Other non-current assets | 1,286 | 1,635 | 2,151 | 2,521 |
| **Total non-current assets** | **149,139** | **141,255** | **144,912** | **155,731** |
| | | | | |
| **Current assets** | | | | |
| Loans and other receivables | 291 | 140 | 53 | 73 |
| Other assets | 2,395 | 1,942 | 1,616 | 1,270 |
| Cash and cash equivalents | 2,917 | 7,141 | 3,058 | 181 |
| **Total current assets** | **5,603** | **9,223** | **4,727** | **1,524** |
| | | | | |
| **Total assets** | **154,742** | **150,478** | **149,639** | **157,254** |
| | | | | |
| **Equity** | | | | |
| Called up share capital | 40,400 | 40,400 | 41,592 | 41,592 |
| Other reserves | 597 | 638 | 633 | 440 |
| Retained earnings | 10,937 | 16,083 | 20,055 | 21,491 |
| Non-controlling interests | 308 | 514 | 395 | 444 |
| **Total equity** | **52,242** | **57,635** | **62,675** | **63,968** |
| | | | | |
| **Liabilities** | | | | |
| **Non-current liabilities** | | | | |
| Borrowings and bonds | 83,659 | 78,423 | 72,188 | 81,970 |
| Other financial liabilities | 2,518 | 3,778 | 2,235 | 2,024 |
| Deferred tax & other non-current liabilities | 3,497 | 2,536 | 3,271 | 3,356 |
| **Total non-current liabilities** | **89,674** | **84,737** | **77,694** | **87,350** |
| | | | | |
| **Current liabilities** | | | | |
| Bank loans | 3,487 | 3,487 | 5,285 | 3,485 |
| Other financial liabilities | 4,205 | 552 | 11 | 65 |
| Other current liabilities | 5,134 | 4,067 | 3,974 | 2,387 |
| **Total current liabilities** | **12,826** | **8,106** | **9,270** | **5,937** |
| | | | | |
| **Total liabilities** | **102,500** | **92,843** | **86,964** | **93,287** |
| | | | | |
| **Total equity and liabilities** | **154,742** | **150,478** | **149,639** | **157,254** |

| Ratio Analysis[4] | 2018A | 2019A | 2020A | 2021F |
|---|---|---|---|---|
| ***Financial Strength*** | | | | |
| Gearing 1 (Net Debt / Net Debt and Total Equity) | 63.3% | 57.7% | 54.9% | 57.7% |
| Gearing 2 (Total Liabilities / Total Assets) | 66.2% | 61.7% | 58.1% | 59.3% |
| Gearing 2 (Net Debt / Total Equity) | 172.6% | 133.7% | 121.7% | 135.6% |
| Net Debt / EBITDA | 16.6x | 12.7x | 14.9x | 18.1x |
| Current Ratio (Current Assets / Current Liabilities) | 0.4x | 1.1x | 0.5x | 0.3x |
| Interest Coverage level 1 (EBITDA / Cash interest paid) | 1.6x | 1.8x | 1.4x | 1.4x |
| Interest Coverage level 2 (EBITDA / Finance costs) | 1.6x | 1.6x | 1.5x | 1.4x |

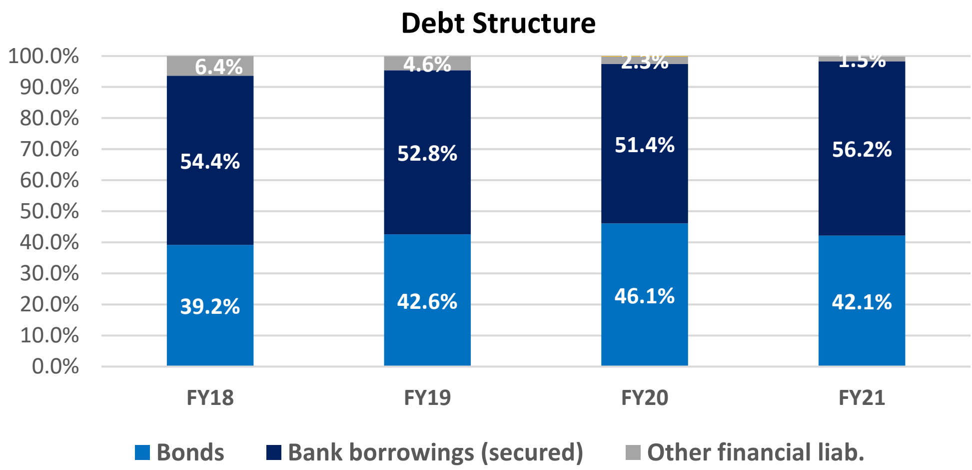
As per FY20 results, the Group's total assets amounted to €149.6m (FY19: 150.5m) and primarily consisted of investment properties and property held for sale, which on aggregate amounted to *circa* 75.5% of total assets. These are discussed in further detail in section 1.3 and sub-section 1.4.4 of this Analysis. While investment property is expected to increase to €123.8m during FY21, mainly as a result of additional investment carried out on the Group's properties in general, all properties held for sale as at December 2020 are expected to be sold during FY21.

The Group's total non-current assets are also composed of other financial assets and loans and other receivables which as at FY20 amounted to €24.5m and €5.2m respectively. The increase in loans and other receivables in FY20 is attributable to cash advanced to related parties within the Group. The loans and receivables are expected to amount to €4.8m during FY21, mainly on account of a partial repayment of the above-mentioned inter-company loan. The Group's non-current assets are expected to increase to €155.7m during FY21, mainly as a result of the aforementioned expected increase in investment property.

Moreover, the Group's non-current assets amounted to €4.7m during FY20 and mainly consist of other assets and cash and cash equivalents. Following the disposal of Hili Properties Swatar in FY19, the Group utilised part the said proceeds to settle its short-term outstanding bank loans and other financial liabilities. Cash and cash equivalents are expected to further decline to €0.2m during FY21 mainly on account of the property acquisitions expected to be carried out during the year. Overall, the Group is anticipating total assets to amount to €157.3m during FY21.

In line with previous expectations, the Group's share capital increased by *circa* €1.2m during FY20 to €41.6m, primarily through capitalisation of a loan advanced from the ultimate parent company of the Group. Total equity is expected to amount to *circa* €64m during FY21.

Other than equity, the Group is financed through bank loans and bonds which, as at FY20, amounted to €77.4m (FY19: €81.9). The Group's bank borrowings are secured by general hypothecs, pledges and guarantees provided by Group companies. The bonds constitute unsecured obligations of the Company, and rank equally without priority or preference with all other present and future unsecured and unsubordinated obligations of the Company. Moving into FY21, the Group's total borrowings and bonds listed under non-current assets are expected to increase to *circa* €82m, mainly due to the above-mentioned anticipated property acquisitions. Total liabilities during FY21 are projected to increase to €93.3m.




[4] Ratio Analysis may not agree to prior FASs, due to a change in the calculation methodology or rounding differences (refer to section 4 of this Analysis)

### 2.2.1 Variance Analysis

| Hili Properties p.l.c.<br>Statement of Financial Position<br>For the year ended 31 December | Dec-20<br>Forecast | Dec-20<br>Audited | Variance |
|---|---|---|---|
| | €'000s | €'000s | €'000s |
| **Assets** | | | |
| **Non-current assets** | | | |
| Goodwill and other intangibles | 16 | 16 | - |
| Property, plant and equipment | 214 | 80 | (134) |
| Investment properties | 112,553 | 105,199 | (7,354) |
| Property held for sale | - | 7,735 | 7,735 |
| Other financial assets | 24,500 | 24,500 | - |
| Loans and receivables | 5,352 | 5,231 | ( 121) |
| Other non-current assets | 1,883 | 2,151 | 268 |
| **Total non-current assets** | **144,518** | **144,912** | **394** |
| | | | |
| **Current assets** | | | |
| Loans and other receivables | 322 | 53 | (269) |
| Other assets | 1,256 | 1,616 | 360 |
| Cash and cash equivalents | 2,837 | 3,058 | 221 |
| **Total current assets** | **4,415** | **4,727** | **312** |
| | | | |
| **Total assets** | **148,933** | **149,639** | **706** |
| | | | |
| **Equity** | | | |
| Called up share capital | 41,592 | 41,592 | - |
| Other reserves | 744 | 633 | (111) |
| Retained earnings | 18,612 | 20,055 | 1,443 |
| Non-controlling interests | 250 | 395 | 145 |
| **Total equity** | **61,198** | **62,675** | **1,477** |
| | | | |
| **Liabilities** | | | |
| **Non-current liabilities** | | | |
| Borrowings and bonds | 74,429 | 72,188 | (2,241) |
| Other financial liabilities | 2,087 | 2,235 | 148 |
| Deferred tax & other non-current liabilities | 3,305 | 3,271 | (34) |
| **Total non-current liabilities** | **79,821** | **77,694** | **(2,127)** |
| | | | |
| **Current liabilities** | | | |
| Bank loans | 4,383 | 5,285 | 902 |
| Other financial liabilities | 548 | 11 | (537) |
| Other current liabilities | 2,983 | 3,974 | 991 |
| **Total current liabilities** | **7,914** | **9,270** | **1,356** |
| | | | |
| **Total liabilities** | **87,735** | **86,964** | **(771)** |
| | | | |
| **Total equity and liabilities** | **148,933** | **149,639** | **706** |

The main variances arising within the Group's total equity during FY20 relate to an actual increase in retained earnings of €1.4m, which is attributable to a higher than expected fair value gain on investment property registered by the Group during the year. The drop in borrowings and bonds under non-current liabilities is attributable to the Group repaying a larger portion of its debt in comparison to previous expectations.

## 2.3 Issuer's Consolidated Statement of Cash Flows

| Hili Properties p.l.c.<br>Cash Flows Statement<br>For the year ended 31 December | 2018A | 2019A | 2020A | 2021F |
|---|---|---|---|---|
| | **€'000s** | **€'000s** | **€'000s** | **€'000s** |
| Cash flows from operating activities | 5,901 | 4,724 | 4,529 | 5,021 |
| Interest paid | (3,447) | (3,458) | (3,340)[5] | (3,390) |
| Income tax paid | (334) | (1,061) | (520) | (621) |
| **Net cash flows generated from operating activities** | **2,120** | **205** | **669** | **1,010** |
| **Net cash flows generated from / (used in) investing activities** | **(9,529)** | **8,053** | **4,588** | **(10,818)** |
| **Net cash flows generated from / (used in) financing activities** | **9,469** | **(4,003)** | **(9,334)[5]** | **6,931** |
| **Movement in cash and cash equivalents** | **2,060** | **4,255** | **(4,077)** | **(2,878)** |
| Cash and cash equivalents at start of year | 853 | 2,886 | 7,141 | 3,059 |
| Foreign exchange adjustment | (27) | - | (5) | - |
| **Cash and cash equivalents at end of year** | **2,886** | **7,141** | **3,059** | **181** |

| Ratio Analysis | 2018A | 2019A | 2020A | 2021F |
|---|---|---|---|---|
| ***Cash Flow*** | | | | |
| Free Cash Flow (Net cash from operations + Interest - Capex) | €(69) | €(11) | €2,905 | €3,597 |

The issuer incurred a lower tax charge during FY20 amounting to *circa* €0.5m. This in addition to favourable movement in working capital resulted into an improved net cash generated from operating activities amounting to €0.7m.

With respect to investing activities, net cash inflows in FY20 amounted to €4.6m and mainly include proceeds of €5.8m received from sale of investment property and subsidiary company, less capital expenditure amounting to €1.1m. Moving forward, net cash used in investing activities is expected to amount to *circa* €10.8m, mainly on account of the planned acquisitions to be undertaken in FY21.

Net cash used in financing activities amounted to €9m during FY20 (FY19: €4m). As noted in prior sections of this Analysis, during the year under review, the Group repaid €4.6m in bank loans, while amounts transferred to related parties and restricted cash amounted to €4.5m. In addition, total net cash flow generated from financing activities is expected to amount higher at €6.9m during FY21. Management noted that this is mainly attributable to the planned bank financing to be received, in line with the acquisitions planned for 2021.

### 2.3.1 Variance Analysis

| Hili Properties p.l.c.<br>Statement of Cash Flows<br>For the year ended 31 December | Dec-20<br>Forecast | Dec-20<br>Audited | Variance |
|---|---|---|---|
| | **€'000s** | **€'000s** | **€'000s** |
| Cash flows from operating activities | 4,474 | 4,529 | 4,529 |
| Interest paid | (601) | (3,340)[5] | (3,686) |
| Income tax paid | (3,217) | (520) | (520) |
| **Net cash flows generated from operating activities** | **656** | **669** | **(333)** |
| **Net cash flows generated from investing activities** | **2,209** | **4,588** | **2,379** |
| **Net cash flows generated used in financing activities** | **(7,169)** | **(9,334)[5]** | **(1,819)** |
| **Movement in cash and cash equivalents** | **(4,304)** | **(4,077)** | **227** |
| Cash and cash equivalents at start of year | 7,141 | 7,141 | - |
| Foreign exchange adjustment | - | (5) | (5) |
| **Cash and cash equivalents at end of year** | **2,837** | **3,059** | **222** |

[5] Management noted that FY20 interest paid includes *circa* €0.3m which relates to bank charges incurred on the sale of a property. As a result, these were re-classified from operating activities to financing activities.

Actual net movement in cash and cash equivalents was higher by €0.2m when compared to previous. Net operating cash flow was lower by €0.3m, mainly as a result of lower expenses incurred in FY20 as compared to the forecasted amounts.

The main variance in relation to investing activities of €2.4m relates to the fact the sale of Tukuma property was not factored in previous projections. Following aforementioned sale, the Group subsequently settled a bullet loan repayment on the Tukuma property during FY20 amounting to *circa* €1.4m. As a result, the main variance in terms of the Group's financing activities is specifically related to this bullet loan repayment not being factored in previous projections.

## 2.4 Harbour (APM) Investments Ltd

The following financial information is extracted from the audited financial statements of HIL for the financial years ended 31 December 2018 to 2020. The projected financial information for the year ending 31 December 2021 has been provided by Group management.

| Income Statement | 2018A | 2019A | 2020A | 2021F |
|---|---|---|---|---|
| | €'000s | €'000s | €'000s | €'000s |
| Rental Income | - | - | - | 23 |
| Administrative expenses | (7) | (8) | (18) | (11) |
| Finance and other income | - | 86 | 86 | 57 |
| Net finance costs | 34 | (44) | (29) | (2) |
| **Profit before tax** | **27** | **34** | **39** | **67** |
| Taxation | (12) | (14) | (20) | (23) |
| **Profit after tax** | **15** | **20** | **19** | **44** |

| Statement of Financial Position | 2018A | 2019A | 2020A | 2021F |
|---|---|---|---|---|
| | €'000s | €'000s | €'000s | €'000s |
| **Assets** | | | | |
| **Non-current assets** | | | | |
| Investment property | 25,007 | 25,507 | 25,507 | 25,507 |
| Loans and other receivables | 1,721 | 1,722 | 1,722 | 722 |
| **Total non-current assets** | **26,728** | **27,229** | **27,229** | **26,229** |
| **Current assets** | | | | |
| Loans and other receivables | 323 | 405 | 491 | 548 |
| Other receivables | - | - | 6 | - |
| Cash and cash equivalents | 1 | 2 | 1 | 1 |
| **Total current assets** | **324** | **407** | **498** | **549** |
| **Total assets** | **27,052** | **27,636** | **27,727** | **26,778** |
| **Equity** | | | | |
| Equity and reserves | 23,005 | 23,485 | 23,504 | 23,548 |
| **Total equity** | **23,005** | **23,485** | **23,504** | **23,548** |
| **Liabilities** | | | | |
| **Non-current liabilities** | | | | |
| Bank borrowings and other financial liabilities | 1,039 | 289 | 289 | 289 |
| Deferred tax liabilities | 2,000 | 2,040 | 2,040 | 2,040 |
| **Total non-current liabilities** | **3,039** | **2,329** | **2,329** | **2,329** |
| **Current liabilities** | | | | |
| Other payables | 762 | 1,072 | 1,659 | 901 |
| Bank loans | 246 | 750 | 235 | - |
| **Total current liabilities** | **1,008** | **1,822** | **1,894** | **901** |
| **Total liabilities** | **4,047** | **4,151** | **4,223** | **3,230** |
| **Total equity and liabilities** | **27,052** | **27,636** | **27,727** | **26,778** |

| Cash Flows Statement | 2018A | 2019A | 2020A | 2021F |
|---|---|---|---|---|
| | €'000s | €'000s | €'000s | €'000s |
| **Net cash flows generated from / (used in) operating activities** | **15** | **(63)** | **(69)** | **5** |
| **Net cash flows generated from investing activities** | **-** | **-** | **-** | **1,000** |
| **Net cash flows generated from / (used in) financing activities** | **(15)** | **64** | **68** | **(1,004)** |
| **Movement in cash and cash equivalents** | **-** | **1** | **(1)** | **1** |
| Cash and cash equivalents at start of year | 1 | 1 | 2 | 2 |
| **Cash and cash equivalents at end of year** | **1** | **2** | **2** | **3** |

| Ratio Analysis | 2018A | 2019A | 2020A | 2021F |
|---|---|---|---|---|
| ***Financial Strength*** | | | | |
| Gearing 1 (Net Debt / Net Debt and Total Equity) | 5.3% | 4.2% | 2.2% | 1.2% |
| Gearing 2 (Total Liabilities / Total Assets) | 15.0% | 15.0% | 15.2% | 12.1% |

As noted in section 1 of the Analysis, HIL owns land at Bengħajsa, Malta which, as at 31 December 2020, was valued at €25.5m. An agreement has been signed where the Issuer is to acquire HIL by FY22. The FY21 results incorporate minimal rental income concerning a portion of the land which is currently being leased out to a third party. No other significant activities occurred during FY20 and no material movements are forecasted for FY21.

## 2.5 Hili Estates Limited

The projected financial statements detailed below relate to events in the future and are based on assumptions which the 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 following financial information is extracted from the audited financial statements of HEL for the financial years ended 31 December 2018 to 2020. The projected financial information for the year ending 31 December 2021 has been provided by Group management.

| Income Statement | 2018A | 2019A | 2020A | 2021F |
|---|---|---|---|---|
| | €'000s | €'000s | €'000s | €'000s |
| Revenue | 940 | 994 | 1,001 | 1,035 |
| Net operating expenses | 66 | (58) | (75) | (96) |
| **EBITDA** | **1,006** | **936** | **926** | **939** |
| Depreciation and amortisation | (95) | (95) | (95) | - |
| **EBIT** | **911** | **841** | **831** | **939** |
| Net investment income | 215 | (13) | 1,066 | - |
| Net finance costs | 70 | 69 | 91 | 30 |
| **Profit before tax** | **1,196** | **897** | **1,988** | **969** |
| Income tax | (258) | (290) | (413) | (265) |
| **Profit after tax** | **938** | **607** | **1,575** | **704** |

| Statement of Financial Position | 2018A | 2019A | 2020A | 2021F |
|---|---|---|---|---|
| | €'000s | €'000s | €'000s | €'000s |
| **Assets** | | | | |
| **Non-current assets** | | | | |
| Investment properties | 15,650 | 15,731 | 16,900 | 16,900 |
| Property, plant and equipment | 190 | 95 | - | |
| Right of use of assets | - | 30 | 1 | |
| Loans and other receivables | 2,520 | 3,070 | 3,070 | 5,528 |
| **Total non-current assets** | **18,360** | **18,926** | **19,971** | **22,428** |
| **Current assets** | | | | |
| Loans and other receivables | 1,163 | 3,713 | 4,245 | 5,951 |
| Cash and cash equivalents | 108 | 240 | 119 | 34 |
| **Total current assets** | **1,271** | **3,953** | **4,364** | **5,985** |
| **Total assets** | **19,631** | **22,879** | **24,335** | **28,412** |
| **Equity** | | | | |
| Equity and reserves | 14,468 | 15,075 | 16,650 | 17,348 |
| **Total equity** | **14,468** | **15,075** | **16,650** | **17,348** |
| **Liabilities** | | | | |
| **Non-current liabilities** | | | | |
| Bank Borrowings and loans | 1,464 | 3,834 | 3,373 | 7,027 |
| Deferred tax & other non-current liabilities | 1,252 | 1,260 | 1,352 | 1,352 |
| **Total non-current liabilities** | **2,716** | **5,094** | **4,725** | **8,379** |
| **Current liabilities** | | | | |
| Bank overdraft and loans | 195 | 452 | 462 | 234 |
| Other financial liabilities | 1,865 | 1,716 | 1,838 | 2,017 |
| Other payables | 387 | 542 | 660 | 434 |
| **Total current liabilities** | **2,447** | **2,710** | **2,960** | **2,685** |
| **Total liabilities** | **5,163** | **7,804** | **7,685** | **11,064** |
| **Total equity and liabilities** | **19,631** | **22,879** | **24,335** | **28,412** |

| Cash Flows Statement | 2018A | 2019A | 2020A | 2021F |
|---|---|---|---|---|
| | €'000s | €'000s | €'000s | €'000s |
| Cash flows from operating activities | (124) | 1,198 | 466 | 1,134 |
| Interest paid | (194) | (164) | (167) | (268) |
| Income tax paid | (111) | (216) | (323) | (200) |
| **Net cash flows generated from / (used in) operating activities** | **(429)** | **818** | **(24)** | **666** |
| **Net cash flows generated from / (used in) investing activities** | **4,718** | **(3,084)** | **520** | **(239)** |
| **Net cash flows generated from / (used in) financing activities** | **(4,296)** | **2,398** | **(617)** | **(512)** |
| **Movement in cash and cash equivalents** | **(7)** | **132** | **(121)** | **(85)** |
| Cash and cash equivalents at start of year | 115 | 108 | 240 | 119 |
| **Cash and cash equivalents at end of year** | **108** | **240** | **119** | **34** |

| Ratio Analysis | 2018A | 2019A | 2020A | 2021F |
|---|---|---|---|---|
| ***Financial Strength*** | | | | |
| Gearing 1 (Net Debt / Net Debt and Total Equity) | 9.7% | 21.2% | 18.2% | 29.7% |
| Gearing 2 (Total Liabilities / Total Assets) | 26.3% | 34.1% | 31.6% | 38.9% |

During the year under review, HEL was principally engaged in the management of the Nineteen-twenty three building in Marsa, Malta.

Rental income generated in FY20 amounted to €1m, an increase of 0.7% when compared to the prior year. Notwithstanding the elevated level of operating expenditure incurred by HEL during FY20, the Company reported an improved profit after tax of €1.6m (FY19: €0.6m). This improvement is mainly attributable to a fair value uplift of €1.1m. While no movement in fair value of investment property is projected to take place in FY21, HIL's net income is expected to amount to €0.7m.

Total bank borrowings and loans during FY21 are planned to increase by €4m. HEL is planned to borrow additional funds in order for the Group to be able to finance its planned acquisitions during the course of FY21.

# Part 3 - Key Market and Competitor Data

## 3.1 General Market Conditions

### European Economic Update[6]

After the historic drop in activity recorded in the first part of 2020 and the rebound in the summer, the EU economy faced another setback in late 2020 as the resurgence of the pandemic prompted a new round of containment measures. With output falling again in the last quarter of 2020 and the first of 2021, by a cumulative 0.9%, the EU was pushed back into recession.

However, considering the stringency of the restrictions, the decline in activity was far milder than the downturn in the first half of 2020. Better adaptation of firms and households to the constraints of the pandemic environment, stronger support from global growth and trade, and continued strong policy support helped economic agents cope with the economic challenges.

Economic developments in 2021 and 2022 will be largely determined by how successfully vaccination programmes will tame the pandemic and how quickly governments will lift restrictions. For the EU, the forecast assumes that following a marginal easing of restrictions in the course of the second quarter, progress in vaccinations will enable a more marked easing of restrictions in the second half of the year. In 2022, COVID-19 will remain a public health concern, despite the high share of the population being vaccinated (including refreshed protection when needed, for example due to new variants). It is therefore assumed that some limited containment measures will be in place as needed.

All in all, the EU economy is forecast to grow by 4.2% in 2021 and to strengthen to around 4.4% in 2022 (4.3% and 4.4%, respectively, in the euro area). A stronger-than-previously expected rebound in global activity and trade, help to explain the brighter outlook for all countries compared to previous expectations. However, differences across countries in the pace of the recovery from the crisis remain substantial.

The risks surrounding the GDP forecast are high and will remain so as long as the pandemic hangs over the economy. On the epidemiological front, developments concerning the pandemic and the efficiency and effectiveness of vaccination programmes could turn out better or worse than assumed in the central scenario of this forecast. On the economic side, this forecast may underestimate the propensity of households to spend, or, on the opposite, consumers' desire to maintain high levels of precautionary savings. The impact of alternative paths for the evolution of household savings is assessed in the model-based analysis presented in this publication. Another risk to the outlook is the timing of policy support withdrawal, which if premature could jeopardise the recovery. On the downside, the impact of corporate distress on the labour market and the financial sector could prove worse than anticipated.

On the upside, stronger than projected global growth, particularly in the US, could have a more positive impact on the European economy than expected. Stronger US growth, however, risks pushing up US sovereign bond yields, which could interact with the materialisation of idiosyncratic risks (stemming from e.g. the slow vaccination rollout) in highly indebted emerging market economies with high foreign currency debts, causing disorderly adjustments in financial markets. Inflation in EU could turn out higher if the rebound in the European and global economies is stronger than expected, or if current supply constraints turn out more persistent. Overall, the risks surrounding the outlook are broadly balanced.

### Malta Economic Update[7]

In May, business conditions were positive, reflecting the fact that most macroeconomic variables are improving from the very low levels observed in 2020. It is important to take the latter factor into consideration when considering year-on-year growth rates. European Commission data show that sentiment was positive across all sectors – bar the retail

[6] European Economic Forecast – Spring 2021
[7] CBM – Economic Update 6/2021

sector, which stood marginally negative. Overall economic sentiment edged down in May, but remained above its long-term average.

In April, annual growth in industrial production turned positive after five consecutive negative readings. The volume of retail trade rebounded strongly in annual terms. The number of registered unemployed fell compared with March, while the unemployment rate remained unchanged. The annual inflation rate based on the Harmonised Index of Consumer Prices (HICP) remained unchanged at 0.1% in April, while inflation based on the Retail Price Index (RPI) accelerated to 0.9%. Maltese residents' deposits expanded at an annual rate of 7.4% in April, following an increase of 7.0% in the previous month, while annual growth in credit to Maltese residents decelerated to 9.4%, from 11.6% a month earlier. In April, the deficit on the cash-based Consolidated Fund narrowed considerably when compared with a year earlier, reflecting a strong increase in government revenue, coupled with a decline in government expenditure.

- **Latvian Real Estate Retail Market[8]**

2020 was a year of challenges and changes in the retail space segment. With the spread of the COVID-19 pandemic, national restrictions on trade and services have hit restaurants and cafes, hotels, sports clubs, beauty salons and virtually all non-food stores particularly hard.

But despite the changes brought about by the pandemic, the retail segment has been active in terms of newly opened retail space in 2020. Almost 100,000 sqm of retail space was added to the market in 2020 in Riga. At the end of 2020, Riga had 830,900 sqm of total leasable space in shopping centres or 1.27sqm of shopping area per capita (counting those over 5,000 sqm of gross leasable area **"GLA"** with over 10 tenants).

The largest shopping centre, Sāga, was opened in Q4 2020. Located in the Riga region on Biķeru Street, it comprises 57,000 sqm of shopping area, developed by Lithuanian developer VPH.

Expansion of the one of largest existing shopping centres, Origo, finished in Q1 2020. The centre's total area has increased from 35,500 sqm to 81,800 sqm, with a total of 35,700 sqm allocated for retail space, with 11,100 sqm occupied by A class offices and retail premises in the Origo One business centre.

In Q2 2020, the Aleja shopping centre was opened, located on Vienibas Street in Riga with a total area of 12,000 sqm, with its largest tenant Rimi. Moreover, in Q3 2020, the first stage of Via Jurmala Outlet Village with an area of 13,500 sqm was opened.

Restrictions on the spread of the virus affected the largest Latvian retail chains less than other retailers. The major retail chains Rimi and Maxima have continued their expansion throughout Latvia. Rimi still has 4 concepts (Rimi Hyper, Rimi Super, Rimi Mini and Rimi Express) and at the end of 2020 there were 131 stores in Latvia (3 new stores were opened during 2020). At the end of 2020, Maxima had 175 in Latvia (7 new stores opened in 2020).

As in the case of many other countries across the globe, the pandemic has introduced changes to the retail segment, where some companies have not withstood the imposed changes and closed their stores, but many of them were able to adapt and find suitable solutions, which were mostly related to the development of online sales. The vacancy rate of shopping centres in Riga increased from 3.2% in 2019 to 7.5% in 2020.

With the increasing size of shopping centres and the changing habits of shoppers in recent years, it has already been observed that many traders and service providers prefer to locate their sales or service outlets directly in shopping centres. 2020 was no exception to the development of this trend. With the spread of the virus and the development of e-commerce, this trend was observed even more intensively, as a result of which many outlets in individual stores not located in shopping centres remained empty, throughout the year. This trend is expected to continue during 2021 and beyond.

[8] Real Estate Market Report 2021 (Ober-Haus, Sorainen)

- **Romanian Real Estate Investment Market**[9]

Romania's total investment volume in 2020 amounted to €588.5m, a value which is almost half of the one registered in the record year 2019 but one which is also similar to the one registered in 2015. Capitalizing on the momentum gained in 2019, 68% of the total investment volume was transacted during the first six months of 2020.

Nonetheless, the second half of the year witnessed the largest transaction of 2020, comprising a single property and also marking the entrance on the Romanian investment market of a new Chinese investor. Fosun acquired Floreasca Park office building in Bucharest for €101.5m, which considering the overall circumstances reconfirmed the attractiveness of the Bucharest office investment market.

Only 6% of the total investment volume was distributed towards regional cities, while Bucharest attracted the overwhelming majority. Investors seemed to be more focused on the capital city in 2020 as demand became strongly polarised. Unlike the previous year, where the regional cities managed to attract 35% of the invested capital, in 2020 investors tried to remain on the safe side and focused mainly on the capital city.

The health crisis instituted form Q1-2020 caught the retail market on an upward trend benefiting from the yearly private consumption growth. Even though there were retail developers that considered to postpone the delivery of their ongoing projects, some of them kept the initial construction schedule. More specifically, retailers that embraced digitalisation softened their losses during 2020 while others put on hold their business.

As at December 2020, approx. 459,000 sq m were under construction and expected to be added to the modern retail stock by the end of 2022. Almost half of the pipeline, respectively 45%, is estimated to be delivered by the end of 2021, marking a new threshold achieved by the Romania modern retail stock.

With the real estate market slowly adjusting after the COVID-19 impact and trying to identify the new directions to follow, forecasts for 2021 are cautiously positive as a major office deal was already sealed and a number of large transactions are at the negotiation table. Investors are also keen on acquiring industrial properties and also in this sector several transactions are in various stages. Finally, also within the retail sector, especially in relation certain sub segments which are deemed more defensive, continue to attract interest while some transactions are expected to also possibly materialise in 2021 and beyond.

- **Maltese Real Estate Investment Market**

Data specifically related to commercial property in Malta is limited, thus making it more challenging to identify the exact state of this sector. Nevertheless, it is evident that Malta has over recent years completely evolved and has attracted a numerous amount of foreign companies related to sectors within the financial services, gaming and IT related fields. It is therefore apparent that the demand for good commercial property has drastically increased, whereby Malta's property sector has been dominated by a situation of demand seemingly exceeding supply. The latter has resulted into the majority of high quality commercial developments being fully let.

However, in accordance to the economic turmoil caused by the COVID-19 outbreak, leases in Europe, Malta included experienced a higher level of volatility. Many businesses were forced to shut down throughout 2020 and 2021 and employees have been laid off or have had to suffer pay-cuts. The pandemic had overnight caused havoc in commercial as well as in residential leases. Retail outlets, whose revenues have ground to halt overnight as clearly explained within prior sections of the Analysis, are generally still bound to pay their rents, and without the government intervention would have resulted in a major crisis. The situation is no different in the housing sector (including both longer and shorter term lets); landlords have suddenly found themselves with vacant properties, especially properties targeted at tourism related short-let properties and others are attempting to evict defaulting tenants.

[9] Romania Real Estate Market Outlook 2021 (CBRE Research)

At a general level, according to the Djar[10] issued by EY Malta, the report concludes that the local real estate market has been fairly resilient to the turmoil created by pandemic. Most property listings have maintained their prices leading to low recorded average price changes. Asking prices appear to have generally remained stable and not suffered a major drop-downs. Positive average price changes remain in Gozo, although at a somewhat reduced rate. The number of online listings on the market registered a notable drop in 2020Q2, possibly reflecting a propensity in certain segments to withdraw properties from the market rather than negotiating at a reduced sale price. Volumes returned to previous levels over subsequent quarters, during which market supporting measures were provided by Government.

Furthermore, according to a leading Real Estate broker11, the pandemic automatically put a lot of people's business plans on hold. The movement in the office segment of the market, caused a reorganisation of their business with some relocating, others downsizing and others taking the opportunity to re-organise the way they work, before business becomes busy again and they won't have time to focus on these things.

According to the broker some may opt to retain an element of home-working. However, most businesses will eventually want to return to their normal operations as there is nothing that works as well as an office environment. On the other hand, as far as the local retail sector is concerned, the current COVID-19 pandemic, has undoubtedly had a negative impact on Malta's retail sector. In accordance to the restrictions implemented by the Government of Malta, all retail outlets were forced to close their doors for the end of March until the beginning of May 2020, and similarly again from March until early May 2021. Whether retail shops will be forced to shut down again remains an uncertainty, however Malta's extremely advanced vaccination program augers well that an extended period of shutdown can be avoided going forward, as virus cases remain manageable. As the current climate remains relatively fluid and uncertain, the full impact that the COVID-19 pandemic has had on the local retail industry, is still not completely known. Undoubtedly, the lower level of tourism numbers compared to the benchmark year 2019 will have a negative effect on the overall industry, and it will take time until full potential will be realised. The outlook for the industry has turned positive though, as the high level, and increasing numbers of vaccinated people originating from typically European countries that visit Malta will create greater confidence; cemented by newly introduced measures like a vaccine passport.

[10] Djar EY report February 2021
[11] https://franksalt.com.mt/news/covid-19-effect-on-property-market

## 3.2 Comparative Analysis

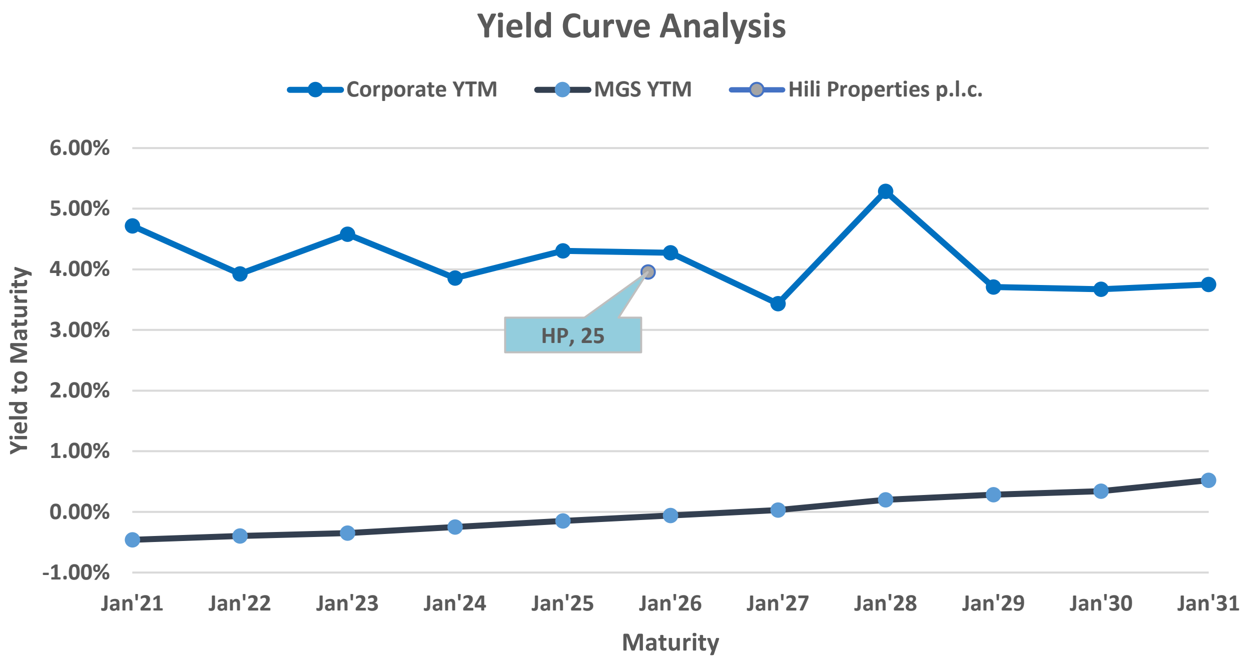
The purpose of the table below compares the proposed debt issuance of the Group to other debt instruments. For consistency purposes we opted to maintain the same peers as per last year's Financial Analysis Summary. More importantly, we have included different issuers with similar maturity to the Issuer.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

| 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) | (%) | (%) | (%) |
| 5.8% International Hotel Investments plc 2021 | 20,000 | 4.14% | (.2)x | 1,544.1 | 773.2 | 49.9% | 42.1% | (149.9)x | 0.9x | -9.1% | -82.3% | -65.7% |
| 3.65% GAP Group plc Secured € 2022 | 29,812 | 1.08% | 2.2x | 103.9 | 15.1 | 85.4% | 81.1% | 7.2x | 7.2x | 31.2% | 17.2% | -15.9% |
| 6% Pendergardens Developments plc Secured € 2022 Series II | 21,845 | 3.42% | 1.6x | 60.6 | 29.5 | 51.3% | 36.4% | 5.2x | 2.2x | 0.0x | 0.0x | (.4)x |
| 4.25% GAP Group plc Secured € 2023 | 19,247 | 2.62% | 2.2x | 103.9 | 15.1 | 85.4% | 81.1% | 7.2x | 7.2x | 31.2% | 17.2% | -15.9% |
| 5.8% International Hotel Investments plc 2023 | 10,000 | 4.44% | (.2)x | 1,544.1 | 773.2 | 49.9% | 42.1% | (149.9)x | 0.9x | -9.1% | -82.3% | -65.7% |
| 6% AX Investments Plc € 2024 | 40,000 | 4.74% | 0.8x | 348.7 | 217.4 | 37.6% | 25.5% | 28.3x | 0.8x | -3.5% | -27.5% | -44.7% |
| 6% International Hotel Investments plc € 2024 | 35,000 | 4.13% | (.2)x | 1,544.1 | 773.2 | 49.9% | 42.1% | (149.9)x | 0.9x | -9.1% | -82.3% | -65.7% |
| 5.3% Mariner Finance plc Unsecured € 2024 (xd) | 35,000 | 2.03% | 3.6x | 100.4 | 50.3 | 49.9% | 48.1% | 5.8x | 0.6x | 6.6% | 20.2% | -4.7% |
| 5% Hal Mann Vella Group plc Secured € 2024 | 30,000 | 4.18% | 2.4x | 122.4 | 47.3 | 61.3% | 52.9% | 10.8x | 1.2x | 3.1% | 6.1% | 4.8% |
| 5.1% 1923 Investments plc Unsecured € 2024 | 36,000 | 4.30% | 4.8x | 135.5 | 45.6 | 66.4% | 52.1% | 3.8x | 1.2x | 7.5% | 2.3% | 11.0% |
| 4.25% Best Deal Properties Holding plc Secured € 2024 | 14,776 | 3.02% | 14.7x | 27.5 | 4.1 | 85.0% | 82.4% | 13.1x | 3.7x | 20.3% | 7.0% | 1140.2% |
| 5.75% International Hotel Investments plc Unsecured € 2025 | 45,000 | 4.32% | (.2)x | 1,544.1 | 773.2 | 49.9% | 42.1% | (149.9)x | 0.9x | -9.1% | -82.3% | -65.7% |
| 5.1% 6PM Holdings plc Unsecured € 2025 | 13,000 | 4.55% | (.7)x | 0.5 | (19.3) | -5156.2% | 38.8% | 12.2x | (.1)x | 0.6% | -3.1% | -48.3% |
| 4.5% Hili Properties plc Unsecured € 2025 | 37,000 | 3.96% | 1.5x | 149.6 | 62.7 | 58.1% | 54.9% | 14.9x | 0.5x | 6.8% | 50.5% | 11.4% |
| 4.35% Hudson Malta plc Unsecured € 2026 | 12,000 | 4.18% | 4.9x | 43.4 | 5.5 | 87.3% | 81.6% | 8.3x | 1.3x | -14.8% | -2.9% | -29.6% |
| 4.25% Corinthia Finance plc Unsecured € 2026 | 40,000 | 3.74% | 2.7x | 1,784.7 | 908.9 | 49.1% | 40.3% | 8.7x | 1.0x | 2.2% | 6.5% | 3.9% |
| 4% International Hotel Investments plc Secured € 2026 | 55,000 | 3.56% | (.2)x | 1,544.1 | 773.2 | 49.9% | 42.1% | (149.9)x | 0.9x | -9.1% | -82.3% | -65.7% |
| 3.75% Premier Capital plc Unsecured € 2026 | 65,000 | 3.14% | 6.8x | 278.8 | 53.0 | 81.0% | 75.2% | 3.1x | 1.0x | 32.1% | 5.5% | -6.5% |
| 4% International Hotel Investments plc Unsecured € 2026 | 60,000 | 3.64% | (.2)x | 1,544.1 | 773.2 | 49.9% | 42.1% | (149.9)x | 0.9x | -9.1% | -82.3% | -65.7% |
| 3.25% AX Group plc Unsec Bds 2026 Series I | 15,000 | 2.27% | 0.8x | 348.7 | 217.4 | 37.6% | 25.5% | 28.3x | 0.8x | -3.5% | -27.5% | -44.7% |
| 4.35% SD Finance plc Unsecured € 2027 | 65,000 | 3.96% | 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 | 3.94% | (.5)x | 190.5 | 108.5 | 43.1% | 31.8% | (51.4)x | 0.9x | -4.3% | -39.2% | -73.1% |
| 4% Stivala Group Finance plc Secured € 2027 | 45,000 | 3.20% | 2.6x | 354.1 | 231.4 | 34.6% | 26.5% | 11.5x | 5.0x | 11.7% | 229.8% | -46.9% |
| 3.85% Hili Finance Company plc Unsecured € 2028 | 40,000 | 3.53% | 4.2x | 624.2 | 106.8 | 82.9% | 78.5% | 5.8x | 1.0x | 14.1% | 3.2% | -1.5% |
| 3.65% Stivala Group Finance plc Secured € 2029 | 15,000 | 3.35% | 2.6x | 354.1 | 231.4 | 34.6% | 26.5% | 11.5x | 5.0x | 11.7% | 229.8% | -46.9% |
| 3.8% Hili Finance Company plc Unsecured € 2029 | 80,000 | 3.87% | 4.2x | 624.2 | 106.8 | 82.9% | 78.5% | 5.8x | 1.0x | 14.1% | 3.2% | -1.5% |
| 3.75% AX Group plc Unsec Bds 2029 Series II | 10,000 | 2.94% | 0.8x | 348.7 | 217.4 | 37.6% | 25.5% | 28.3x | 0.8x | -3.5% | -27.5% | -44.7% |
| Average** | | **3.55%** | | | | | | | | | | |

*Source: Latest available audited financial statements*

*** Last closing price as at 18/06/2021**

****Average figures do not capture the financial analysis of the Issuer**




***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 also illustrates on a stand-alone basis, the yield of Hili Properties plc bond.

As at 18 June 2020, the average spread over the Malta Government Stock (MGS) for corporates with maturity range of 3 to 6 years (2024-2027) was 357 basis points. The current Hili Properties bond is trading at a YTM of 3.96%, translating into a spread of 381 basis points over the corresponding MGS. This means that this bond is trading at a premium of 24 basis points in comparison to the market.

# Part 4 - Glossary and Definitions

| | |
|---|---|
| **Income Statement** | |
| Revenue | Total revenue generated by the Group/Company from its principal business activities during the financial year. |
| 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 Income (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. |
| **Profitability Ratios** | |
| 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 the average total assets (average assets of two years financial performance). |
| **Cash Flow Statement** | |
| Cash Flow from Operating Activities (CFO) | Cash generated from the principal revenue producing activities of the Group/Company. |
| 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) | Free cash flow (FCF) represents the cash a Group/Company generates after accounting for cash outflows to support operations and maintain its capital assets. It is calculated by taking Cash Flow from Operating Activities (before the payment of interest) less the Capex of the same financial year. |
| **Balance Sheet** | |
| 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. |
| 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. |
| **Financial Strength Ratios** | |
| Current Ratio | The Current ratio (also known as the Liquidity Ratio) is a financial ratio that measures whether or not a company has enough resources to pay its debts over the next 12 months. It compares current assets to current liabilities. |

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| 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<br><br>Interest Coverage Level 1<br>Interest Coverage Level 2 | The interest coverage ratio measures how many times a Group/Company can cover its current interest payment with its available earnings.<br><br>Is calculated by dividing EBITDA by Cash Interest Paid.<br>Is calculated by dividing EBITDA by Finance Costs. |
| Gearing Ratio<br><br>Gearing Ratio Level 1<br>Gearing Ratio Level 2<br>Gearing Ratio Level 3 | The gearing ratio indicates the relative proportion of shareholders' equity and debt used to finance total assets.<br><br>Is calculated by dividing Net Debt by Net Debt and Total Equity.<br>Is calculated by dividing Total Liabilities by Total Assets.<br>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. |
| **Other Definitions** | |
| Yield to Maturity (YTM) | YTM is the rate of return expected on a bond which is held till maturity. It is essentially the internal rate of return on a bond and it equates the present value of bond future cash flows to its current market price. |