premier capital
everyone makes it possible.

# Company Announcement

**The following is a Company Announcement issued by Premier Capital p.l.c. (the "Company") in terms of the Listing Rules.**

**QUOTE**

The Board of Directors wishes to inform the general public that the 2021 Financial Analysis Summary of the Company has been approved.

A copy of the Financial Analysis Summary is attached herewith and is also available on the Company's website: https://premiercapital.com.mt/financial-statements/

**UNQUOTE**

**BY ORDER OF THE BOARD**

Geoffrey Camilleri
Company Secretary

28th June 2021

**Premier Capital p.l.c**

Nineteen Twenty Three, Valletta Road,
Marsa MRS 3000 Malta,
www.premiercapital.com.mt
Company Reg No C 36522

BALTICS | GREECE | MALTA | ROMANIA

**FINANCIAL ANALYSIS SUMMARY**
**Premier Capital p.l.c.**
**28 June 2021**

The Directors
Premier Capital p.l.c.
Nineteen Twenty Three,
Valletta Road,
Marsa, MRS3000,
Malta

28th 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 Premier Capital p.l.c. (the "**Issuer**") as explained in part 1 of the Analysis. The data is derived from various sources or is based on our own computations as follows:

(a) Historical financial data for the three years ended 31 December 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 investors in the Issuer's securities and 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,

Nick Calamatta
Director

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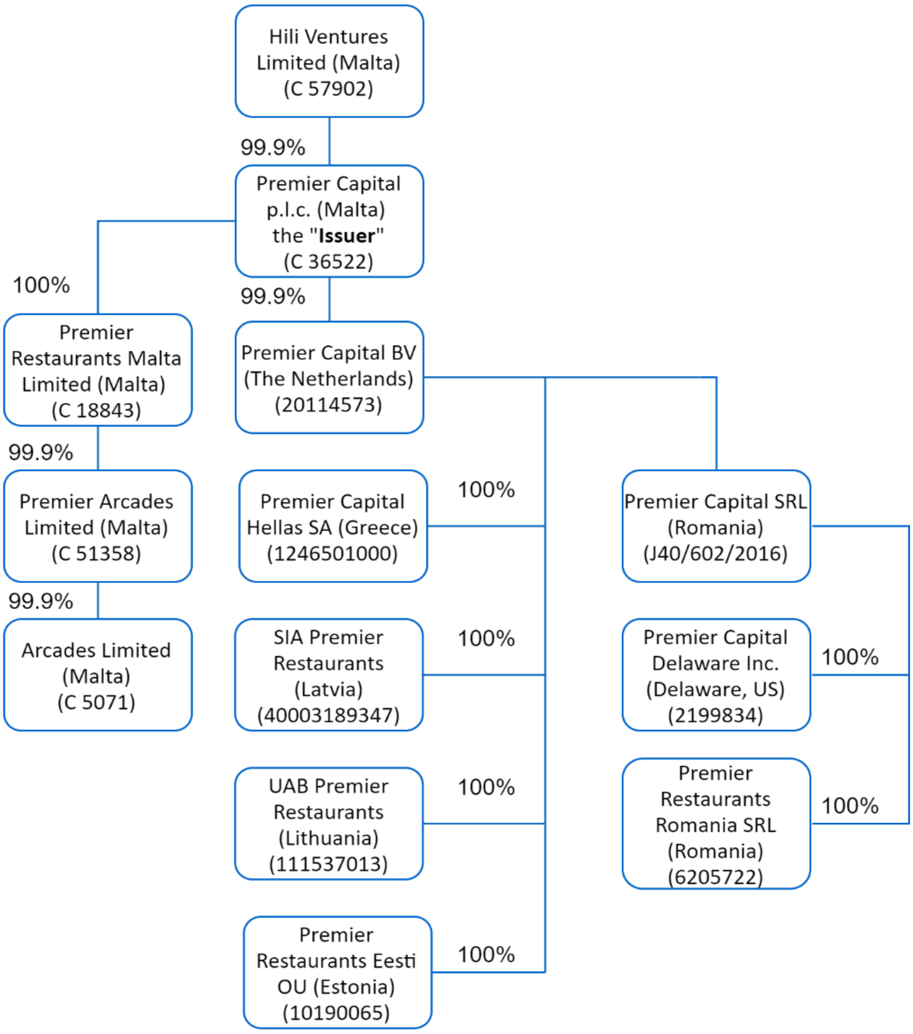
# Part 1 - Information about the Group

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

The Group structure is as follows:




Premier Capital p.l.c. (the "**Issuer**" or "**Group**") was incorporated on 30 June 2005 as a private limited liability company, subsequently (on 26 February 2010) converted into a public limited liability company. The Issuer has an authorised share capital of€ 40,000,000 divided into 400,000 ordinary shares of €100 each. The issued share capital is of €33,674,700 divided into 336,747 ordinary shares 100% paid up. The Issuer is, except for 1 ordinary share which is held by Carmelo *sive* Melo Hili, a subsidiary of Hili Ventures Limited. The Issuer is a holding company, having no trading or operating activities of its own. Accordingly, the operating and financial performance of the Group is directly related to the financial and operating performance of the Issuer's subsidiary companies. The Group is engaged in the operations of McDonald's restaurants in Estonia, Greece, Latvia, Lithuania, Malta and Romania.

The McDonald's franchise for Malta was awarded to the group company Premier Restaurants Malta Limited (formerly First Foods Franchise Limited) in 1995, pursuant to the terms of an operating license agreement entered into with, *inter alia*, McDonald's Corporation.

In 2007, the Premier Group was awarded the McDonald's franchise in respect of each of Estonia, Latvia and Lithuania (the "**Baltic countries**"), pursuant to which it was charged with the responsibility of developing the brand in those territories by: taking over from the McDonald's Corporation the operation of the then existing 19 McDonald's restaurants in the Baltic countries (7 restaurants in Estonia and 6 restaurants in each of Latvia and Lithuania); and by acquiring the right, and taking on the responsibility, to open new restaurants in the Baltic countries. The majority of these restaurants are located in the Baltic countries' respective capital cities; Tallinn, Riga and Vilnius.

In 2011, Premier Capital p.l.c. was awarded the developmental licence for McDonald's in Greece, taking over 19 restaurants. Subsequently, on 22 January 2016, the Group acquired 90% shareholding in Premier Capital SRL, an SPV company purposely set up to acquire Premier Capital Delaware Inc. (formerly, McDonald's Systems of Romania Inc.), a non-trading holding company registered in Delaware US, and Premier Restaurants Romania SRL (formerly, McDonald's Romania SRL) ("**McD Romania**") which operates the McDonald's restaurants in Romania. McD Romania is headquartered in Bucharest and, as at date of acquisition, operated 67 restaurants across the country.

In 2016, the Group opened the 23rd restaurant in Greece, a seasonal restaurant located in the island of Santorini, 1 restaurant in Bugibba Malta, following its relocation to a prime area, and there were 2 new openings and 1 closure in Romania. The Group also remodelled 3 existing restaurants in Romania and remodelled 2 restaurants in the Baltics Countries.

In 2017, the Group opened 7 new restaurants; 1 in Greece, 2 in Lithuania, and 4 in Romania. The Group also remodelled 5 of the existing restaurants in Romania.

As at 2018, the Group continued to grow its portfolio, increasing the total number of restaurants to 146 compared to 140 in the prior year. During 2018, 10 new restaurants were opened, 8 of which were inaugurated in Romania and 1 restaurant each in Greece and Lithuania. Conversely, a total of 4 restaurants were closed (2 in Greece and 2 in Romania). In the reviewed period, the Group remodelled 2 restaurants in the Baltic Countries and 1 in Romania.

In 2019, the Group opened 10 new restaurants; 6 in Romania, 2 in Greece, 1 in Lithuania and 1 in Latvia, bringing the store count up to 156 as at December 2019.

In 2020, despite the Group implemented a strategy to curtail capital commitments and preserve liquidity in view of the pandemic, the Issuer still maintained a commitment towards its investment strategy. During the year under review, the Group increased its footprint by 3 restaurants, bringing the store count up to 159 as at December 2020. The Group also invested towards rendering its 90% owned investment in Romania a wholly-owned subsidiary in mid-2020. Further details concerning this transaction is discussed in further detail in section 1.4 of this Analysis.

Premier Capital Delware Inc. was an intermediate holding company which was part of the setup of the original acquisition way back in 2017. Under the Group's structure, this had no particular purpose and the liquidation process was triggered and now concluded in 2021.

Moving forward, the Group plans to invest over €20m in its restaurant footprint during the course of 2021. 57% of this is earmarked for new restaurants opening, with the rest targeted to restaurant capital expenditure and digital upgrade. The largest extent of investment is targeted at Romania and Greece with 58% and 22% respectively. Investment in the Baltic Countries and Malta will account to the residual 15% and 5% respectively. All of the investment strategy is planned to be funded without any additional leverage.

## 1.2 Major Assets owned by the Group

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

- **Goodwill and intangible assets pertaining to the acquired businesses**

Intangible assets other than goodwill mainly relate to licence agreements and support services licences between the Group and McDonald's corporation. Goodwill relates to the acquisition of Maltese and Romanian operations in 1995 and 2016 respectively. Intangible assets and goodwill as at December 2020 amounted to €7.7m and €25.1m respectively.

- **Improvements to leased premises, restaurant equipment and other operational plant and equipment**

The Group owns some of the restaurant buildings used in its operations, together with restaurant equipment and leasehold improvements. Leased premises refer to the right of used assets under IFRS16, which the Group adopted in 2019. As per 2020 results, property, plant and equipment ("PPE") and right of use assets represent *approximately* 79% of the Group's total assets.

PPE stood at €93.9m as at December 2020, with the majority being composed of Land and buildings namely in Romania.

In terms of leased assets, as at December 2020, the Group had 147 stores under lease agreements from a total of 159, with12 stores (11 in Romania and 1 in Latvia) being owned by the Group's respective regional subsidiary. Out of the total 147 stores, 137 stores are leased from third parties while the other 10 are leased from Hili Properties p.l.c.

| Right of use assets (€'000s) | |
|---|---|
| | **Dec-20** |
| Buildings | 87,549 |
| Motor Vehicles | 337 |
| **Total** | **87,886** |

| Lease liabilities (€'000s) | Within 1 year | Within 2-5 years | After 5 years | Total |
|---|---|---|---|---|
| Lease payments | 11,723 | 39,929 | 74,613 | **126,265** |
| Finance charges | (3,477) | (11,338) | (19,264) | **(34,079)** |
| **Net present value** | **8,246** | **28,591** | **55,349** | **92,186** |

As could be noted, most of the lease contracts are due to expire after 5 years. Two restaurants in Greece were closed in 2020. Management explained that the Group does not intend to renew these leases.

## 1.3 Directors and Key Employees

**Board of Directors - Issuer**

As at this Analysis, the Board of Directors of the Issuer is constituted by the following persons:

| Name | Office designation |
|---|---|
| Mr Carmelo *sive* Melo Hili | Chairman and Developmental Licensee |
| Mr Victor Tedesco | Executive Director |
| Mr Valentin-Alexandru Truta | Non-executive Director |
| Mr Dorian Desira | Non-executive Director |
| Mr Massimiliano Eugenio Lupica | Independent, non-executive Director |
| Ms Karen Pace | Independent, non-executive Director |

The senior management team of the Group consists of:

| Name | Office designation |
|---|---|
| Mr Geoffrey Camilleri | Chief Financial Officer |
| Mr Tomasz Nawrocki | Chief Operations Officer |
| Mr Hector Naudi | Director of Supply Chain and Quality |
| Mr Spiros Karadimas | Director of Development |
| Ms Joanna Ripard | Director of Communications |
| Mr Conrad Aquilina | Director of IT |
| Mr David Vella | Director of Human Resources |
| Mr Vladimir Janevski | Managing Director, Premier Restaurants Estonia, Latvia and Lithuania |
| Ms Simona Mancinelli | Managing Director, Premier Capital Hellas |
| Mr Peter Hili | Managing Director, Premier Restaurants Malta |
| Mr Paul Dragan | Managing Director, Premier Restaurants Romania |

The business address of all of the directors is the registered office of the Issuer. Mr Geoffrey Camilleri is the company secretary of the Issuer.

The Board is responsible for the overall long-term direction of the Issuer and, oversee the systems of control and financial reporting as well as external communication of the Issuer.

As at December 2020, the Issuer has a total of 12 employees and, in aggregate, the Premier Group currently has approximately 8,726 employees[1], with an average ratio of 55:45 between full-time employees and part-time employees.

## 1.4 Operational Developments

### 1.4.1 Strategy

#### a) Expand penetration within existing and new geographical territories

The Group's principal objective is to focus on the expansion of the McDonald's restaurant network within existing and new markets, given the belief of the Group's management that there is significant market potential to continue developing the McDonald's concept in Malta, the Baltic countries, Romania and Greece and, possibly, other territories (subject to franchisor's approval and granting of the associated licences).

#### b) Continue to improve revenue and profitability

During the past three financial years (FY18 – FY20), the Group has consistently expanded the number of its McDonald's restaurants and McCafe's, and remodelled and upgraded the ambience and technology of a number of its existing restaurants.

#### c) Commitment to customer satisfaction

The Group is committed to provide an efficient and attentive customer service and consistent food quality. The Group plans to do so by investing in new technologies and service platforms, providing ongoing training for its personnel, improving the quality of store ambience, maintaining high health and safety standards, improving the quality of store furnishings and others.

### 1.4.2 Restaurant development

The ability to select attractive locations and develop new restaurants is important in ensuring its continued growth. Accordingly, the Premier Group undergoes a detailed and comprehensive process to:

#### a) Determine key development markets

The targeted markets go through a thorough analysis to ensure their attractiveness both in terms of possible expansion and new investment. The Group believes that by focusing on further penetration of its existing markets, it is able to increase brand awareness and improve operating and marketing efficiencies.

#### b) Select and approve new locations

Geographical positioning is a very important aspect, with the Group devoting substantial effort to evaluating each potential site.

#### c) Design, construct and manage restaurants

Upon securing a site, the Issuer engages an approved architect to prepare the design of the restaurant based on a master design prepared in accordance with established brand standards to support the process of obtaining appropriate permits, and to oversee the construction process.

### 1.4.3 Capital expenditure analysis and recent store movement

Capital expenditure relating to new restaurants depends on the i) size of the restaurants, ii) whether the set-up is permanent or short-term such as Greece, where certain restaurants are seasonal, and iii) geographical positioning.

[1] The number of the Group's employees used in the 2020 Financial Analysis Summary was erroneously inputted

The Group has increased its footprint by 19 new restaurants in the last three years (FY18 to FY20); 15 in Romania, 3 in Lithuania, and 1 in Latvia. Over the last three financial years, the Group has invested a total of €30.8m on new stores and spent €3.9m on the remodelling of old stores. The Group has also spent a total of approximately €19.8m on capital expenditure relating to the maintenance of existing stores from FY18 to FY20.

Routine maintenance and remodelling capex averaged €52.1k per store over the review period, and represents an average of 2.5% of sales. On average, a new store costs *approximately* €1.1m, depending on the size, location and nature of the store.

The Group opened five new restaurants during FY20; 3 in Romania, 1 in Lithuania and 1 in Greece. During the same year, the Group also closed two stores in Greece. A further 14 existing restaurants were upgraded to accommodate McDonald's newest service and digital platforms, allowing for the roll out of table service and self-ordering kiosks. By the end of 2020, a total of 145 restaurants had deployed McDelivery. In order to maintain focus on its long-term vision, the Group also secured full ownership of the Romanian business after acquiring the 10% stake held by a single shareholder. Management noted that in addition to internally generated funds, the Group funded the aforementioned capital expenditure through additional bank financing. As identified in section 2.3 of this Analysis, in FY20, the Group applied for and secured bank funding whereby draw down from bank facilities amounted to €19.8m.

In terms of projected capital and store movement going forward, the Group's store count is projected to increase by 8 in FY21, bringing the total number to 167, with a planned total capex of €20.7m expected to be incurred on these stores in the same year with a capital expenditure per new store projected to average €1.5m.

| Capex (€'000s) | Dec-18 | Dec-19 | Dec-20 | Dec-21 |
|---|---|---|---|---|
| Romania | 11,392 | 12,150 | 6,523 | 11,925 |
| Greece | 3,522 | 5,006 | 3,782 | 4,620 |
| Others | 5,223 | 4,829 | 3,803 | 4,118 |
| | 20,137 | 21,985 | 14,108 | 20,663 |
| Consolidation adjustment | 354 | (1,748) | - | - |
| **Total** | **20,491** | **20,237** | **14,108** | **20,663** |

| Store movement | Dec-18 | Dec-19 | Dec-20 | Dec-21 | Total |
|---|---|---|---|---|---|
| New stores | 10 | 12 | 5[2] | 8 | **35** |
| Closed stores | 4 | 2 | 2 | - | **8** |

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

Despite the challenging conditions brought about by the pandemic, the Group's operating companies successfully navigated the restrictive measures brought about by the unprecedented scenario. Indeed, restaurants continued to serve customers mainly through McDrive and McDelivery, and lobby take-out as dine-in service was restrictive across most of the Group's footprint.

Malta reported the highest impact with an overall decrease of 15.7% in terms of revenues compared to 2019. Other markets registered single digit declines: Romania and Greece of 8%, and Estonia 2.2%. On a positive note, Lithuania and Latvia registered an improvement in revenue streams of 3.3% and 1% respectively. As can be noted, countries dependent on tourism inbounds were the most impacted.

Although the outlook for 2021 remains dependent on the pandemic, the severity of the impact is expected to be lower than that of 2020. The high immunisation levels in key markets, namely Malta, in addition to the initiatives taken by Governments in assisting heavily hit sectors, such as the tourism sector, should aid well in achieving normalisation in the near future, with the Group benefitting accordingly.

[2] A total of five new stores were opened during 2020, with three stores in Romania, one in Lithuania and one in Greece

**Liquidity Measures**

Management is still very attentive to liquidity perseveration and evaluates opportunities for cost optimization on an ongoing basis. Considering restrictions are still selectively in place across the Group's operating markets, periodical budgets and projections were and will be retained on a monthly basis to ensure that forecasts reflect as accurately as possible the fluctuating parameters within which the Group kept operating. In order to further preserve liquidity, the Group maintained its decision to reduce its capital expenditure plans to only committed and necessary expenditure, with non-essential expenditure put on hold until the pandemic situation edges closer to normality.

Moreover, acting as a cushion, the Group applied for and secured additional bank funding. This, along with internally generated cash, has enabled the Group to fund its capital expenditure plans during 2020.

**Costs Containment Measures**

In addition to what was reported in the 2020 Financial Analysis Summary, stringent cost containment measures and budgetary reviews remained in place. Management reported that there were no COVID-19 related job losses throughout 2020, as the Group endeavoured to preserve its staff complement by tapping wage support programmes put in place by national authorities.

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

Most recent trends were analysed and referred to when formulating the revised projections for FY21. The first months of 2021 still kicked off in an uncertain environment. That said, actual performance for the first quarter of 2021 was in line with the budgeted figures set out at the end of 2020. While remaining vigilant, management is cautiously optimistic for the performance in 2021.

Overall, capital expenditure (capex) spending will revert back to the 2019 levels and apart from extending the footprint of restaurants, all countries will, to different extents, keep investing on the 3Ds (Delivery, Drive-thru and Digital) to enhance efficiency and effectiveness of their offering. In relative terms, the market which plans biggest resumption of business is Greece, with a 34% increase over 2020, as tourism kicks-in Romania's relative increase of 26% is obviously amplified by the magnitude of the market. Malta and Baltics both have a 14% increase in revenue in relative terms estimated from the effect of the release of various restrictive measures.

The directors are confident that the Group has adequate liquidity to support its operations in the foreseeable future, and thus it has the capacity to honour both its existing financing obligations.

## 1.6 Related Party Debt Securities

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

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

## 1.7 Related Party Debt Securities

At FATF plenary held between 21 June and 25 June it was decided that Malta should be put under increased monitoring. The financial projections in this Analysis do not take into consideration any effect that this might potentially have on the operations of the Guarantor.

# Part 2 - Historical Performance and Forecasts

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 financial information below is extracted from the audited consolidated financial statements of the Issuer 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.

## 2.1 Issuer's Statement of Comprehensive Income

| Premier Capital p.l.c.<br>Statement of Comprehensive<br>For the year ended 31 December | 2018A | 2019A | 2020A | 2021F |
|---|---|---|---|---|
| | **€'000s** | **€'000s** | **€'000s** | **€'000s** |
| Revenue | 293,650 | 341,281 | 318,955 | 392,874 |
| Net operating expenses | (255,222) | (285,065) | (267,419) | (328,627) |
| **EBITDA** | **38,428** | **56,216** | **51,536** | **64,247** |
| Depreciation and amortisation | (12,387) | (21,959) | (25,557) | (25,151) |
| **EBIT** | **26,041** | **34,257** | **25,979** | **39,096** |
| Net finance costs | (3,043) | (6,254) | (6,975) | (6,869) |
| **Profit before tax** | **22,998** | **28,003** | **19,004** | **32,227** |
| Income tax | (5,117) | (2,299) | (1,346) | (3,437) |
| **Profit after tax** | **17,881** | **25,704** | **17,658** | **28,790** |
| | | | | |
| **Other comprehensive income** | | | | |
| Gain on revaluation of tangible assets | - | 6,008 | - | - |
| Movement in fair value of financial assets | (39) | (37) | (25) | 8 |
| Exchange differences - foreign operations | (29) | (1,087) | (862) | (474) |
| | **(68)** | **4,884** | **(887)** | **(466)** |
| **Total Comprehensive income** | **17,813** | **30,588** | **16,771** | **28,324** |

| Ratio Analysis[3] | 2018A | 2019A | 2020A | 2021P |
|---|---|---|---|---|
| ***Profitability*** | | | | |
| Growth in Revenue (YoY Revenue Growth) | 11.5% | 16.2% | -6.5% | 23.2% |
| EBITDA Margin (EBITDA / Revenue) | 13.1% | 16.5% | 16.2% | 16.4% |
| Operating (EBIT) Margin (EBIT / Revenue) | 8.9% | 10.0% | 8.1% | 10.0% |
| Net Margin (Profit for the year / Revenue) | 6.1% | 7.5% | 5.5% | 7.3% |
| Return on Common Equity (Net Income / Average Equity) | 37.1% | 48.6% | 32.1% | 48.3% |
| Return on Assets (Net Income / Average Assets) | 10.5% | 11.4% | 6.4% | 10.2% |

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

| Segment Information | FY18A | FY19A | FY20A | FY21F | CAGR FY18-FY20 | CAGR FY18-FY21 |
|---|---|---|---|---|---|---|
| **Estonia** | | | | | | |
| Revenue (€'000) | 22,629 | 24,492 | 23,950 | 26,269 | 2.9% | 5.1% |
| Profit (loss) before tax (€'000) | 2,709 | 2,821 | 2,199 | 3,074 | -9.9% | 4.3% |
| Average number of restaurants | 10 | 10 | 10 | 10 | | |
| Average revenue per restaurant (€'000) | 2,263 | 2,449 | 2,395 | 2,627 | 2.9% | 5.1% |
| Growth in average revenue per restaurant | 9.1% | 8.2% | -2.2% | 9.7% | | |
| Pre-tax profit margin | 12% | 12% | 9% | 12% | | |
| **Greece** | | | | | | |
| Revenue (€'000) | 33,042 | 40,773 | 37,507 | 50,298 | 6.5% | 15.0% |
| Profit (loss) before tax (€'000) | 492 | 1,434 | (320) | 2,655 | | 75.4% |
| Average number of restaurants | 23 | 25 | 24 | 26 | | |
| Average revenue per restaurant (€'000) | 1,437 | 1,568 | 1,563 | 1,935 | 4.3% | 10.4% |
| Growth in average revenue per restaurant | 18.8% | 9.2% | -0.3% | 23.8% | | |
| Pre-tax profit margin | 1% | 4% | -1% | 5% | | |
| **Latvia** | | | | | | |
| Revenue (€'000) | 23,281 | 26,122 | 26,372 | 28,770 | 6.4% | 7.3% |
| Profit (loss) before tax (€'000) | 1,955 | 2,559 | 2,122 | 3,018 | 4.2% | 15.6% |
| Average number of restaurants | 12 | 13 | 13 | 13 | | |
| Average revenue per restaurant (€'000) | 1,940 | 2,009 | 2,029 | 2,213 | 2.3% | 4.5% |
| Growth in average revenue per restaurant | 8.9% | 3.6% | 1.0% | 9.1% | | |
| Pre-tax profit margin | 8% | 10% | 8% | 10% | | |
| **Lithuania** | | | | | | |
| Revenue (€'000) | 26,617 | 29,300 | 30,269 | 37,128 | 6.6% | 11.7% |
| Profit (loss) before tax (€'000) | 2,046 | 1,954 | 2,313 | 2,758 | 6.3% | 10.5% |
| Average number of restaurants | 14 | 15 | 16 | 17 | | |
| Average revenue per restaurant (€'000) | 1,901 | 1,953 | 1,892 | 2,184 | -0.2% | 4.7% |
| Growth in average revenue per restaurant | 10.5% | 2.7% | -3.1% | 15.4% | | |
| Pre-tax profit margin | 8% | 7% | 8% | 7% | | |
| **Malta** | | | | | | |
| Revenue (€'000) | 24,504 | 26,357 | 22,227 | 25,262 | -4.8% | 1.0% |
| Profit (loss) before tax (€'000) | 1,422 | 1,703 | 1,305 | 1,247 | -4.2% | -4.3% |
| Average number of restaurants | 9 | 9 | 9 | 9 | | |
| Average revenue per restaurant (€'000) | 2,723 | 2,929 | 2,470 | 2,807 | -4.8% | 1.0% |
| Growth in average revenue per restaurant | 7.5% | 7.6% | -15.7% | 13.7% | | |
| Pre-tax profit margin | 6% | 6% | 6% | 5% | | |
| **Romania** | | | | | | |
| Revenue (€'000) | 163,577 | 194,237 | 178,630 | 225,147 | 4.5% | 11.2% |
| Profit (loss) before tax (€'000) | 20,250 | 24,671 | 18,322 | 26,599 | -4.9% | 9.5% |
| Average number of restaurants | 78 | 84 | 87 | 92 | | |
| Average revenue per restaurant (€'000) | 2,097 | 2,340 | 2,053 | 2,447 | -1.1% | 5.3% |
| Growth in average revenue per restaurant | 2.6% | 11.6% | -12.3% | 19.2% | | |
| Pre-tax profit margin | 12% | 13% | 10% | 12% | | |
| **Total** | | | | | | |
| Revenue (€'000) | 293,650 | 341,281 | 318,955 | 392,874 | 4.2% | 10.2% |
| Profit (loss) before tax (€'000)[1] | 28,874 | 35,142 | 25,941 | 39,351 | -5.2% | 10.9% |
| Average number of restaurants | 146 | 156 | 159 | 167 | | |
| Average revenue per restaurant (€'000) | 2,011 | 2,188 | 2,006 | 2,353 | -0.1% | 5.4% |
| Growth in average revenue per restaurant | 6.9% | 8.8% | -8.3% | 17.3% | | |
| Total revenue growth | 11.5% | 16.2% | -6.5% | 23.2% | | |
| Pre-tax profit margin | 9.8% | 10.3% | 8.1% | 10.0% | | |

[1]*The profit figure as reported excludes results of the holding company*

As could be noted from the above financial data, the Group's revenue increased by 8.6% from FY18 to FY20. This growth was predominantly driven by both an increase in revenue per store together with a net increase in the number of stores which from 140 stores in the beginning of FY18 increased to 159 as at year end FY20. During these financial years (FY18-FY20), the Group has added 27 new stores and closed 8 stores.

As expected, the Group's FY20 performance was impacted by the COVID-19 pandemic, with the Group registering an overall decline in revenue of 6.5% from €341.3m in FY19, to €319m as per FY20 results. As could be noted from the 'revenue by region' table below, the business disruption caused by the pandemic adversely effected the Group across its main operating markets. During the year under review, the Group's footprint by 3 restaurants, bringing the store count up to 159 as at December 2020.

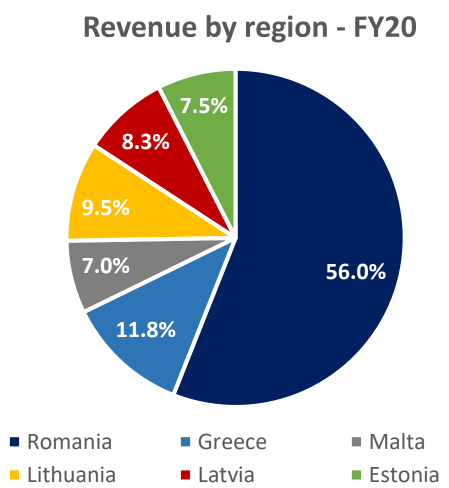
The implications brought about by the pandemic on the Group also resulted into a decline in average revenue per restaurant generated during the period. Consequently, revenue per store has declined by 8.3% or €0.2m from €2.2m in FY19, to €2m in FY20.

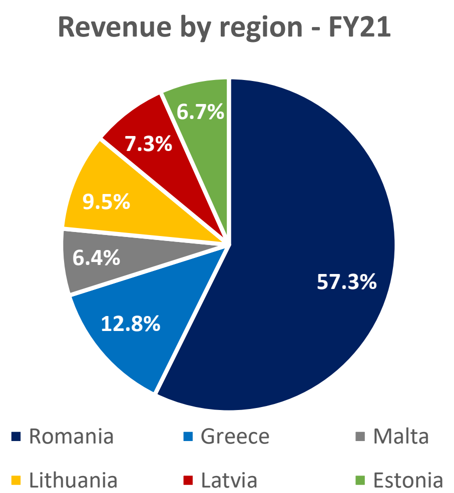
In line with previous years, the largest contributor towards the Group's revenue is Romania, representing 56% of the Group's total revenue as at December 2020. Although three additional stores were opened in Romania during the year, in view of the sustained restrictions and the disruptions caused by the pandemic, revenue specifically generated from Romania dropped by 8% during FY20 to €178.6m (FY19: €194.2m). Nonetheless, it is important to note that the Group is significantly still reliant on Romania's operating performance.

As noted in section 1.3 of the Analysis, those countries which are heavily dependent on the tourism sector, namely Malta and Greece, were the most impacted by the pandemic, with both operations registering a drop in revenue of 15.7% and 8% respectively during FY20. As dine-in service continued to be suspended during the year, Estonia, which is one of the lowest contributors towards the Group's revenue, also registered a drop in revenue of 2.2%.

However, notwithstanding the pandemic related climate which has hindered the Group's financial performance through extended restriction measures, Lithuania and Latvia registered an improvement in revenue of 3.3% and 1% respectively. Management further reported that this improvement is primarily attributable to the fact that the Baltic territories were the least affected by the COVID-19 restrictions.

| Sales by region (€'000s) | 2018A | 2019A | 2020A | 2021F7 |
|---|---|---|---|---|
| Romania | 163,577 | 194,237 | 178,630 | 225,147 |
| Greece | 33,042 | 40,772 | 37,507 | 50,298 |
| Malta | 24,504 | 26,357 | 22,227 | 25,262 |
| Lithuania | 26,617 | 29,300 | 30,269 | 37,128 |
| Latvia | 23,281 | 26,122 | 26,372 | 28,770 |
| Estonia | 22,629 | 24,493 | 23,950 | 26,269 |
| **Total revenue** | **293,650** | **341,281** | **318,955** | **392,874** |
| Total number of stores | 146 | 156 | 159 | 167 |
| Sales per store | **2,011** | **2,188** | **2,006** | **2,353** |



As per guidance provided by management, the FY21 projections utilised for the purpose of this document were based on the actual performance for the first four months of the year, which was relatively close to the expectations set out at the end of 2020. These projections were also based on an anticipated improved macro-economic outlook and an expected betterment in consumer confidence. In view of this, the Group anticipates to generate €392.9m in revenues during FY21 (FY21: €319m), illustrating a 26% increase over the prior year.

As could be noted from the above presented data, the Group's footprint is expected to increase by 8 stores during the year, with 5 new stores in Romania, 2 in Greece, and 1 in Lithuania. While no store closures are expected to occur in the current financial year, revenue per store is expected to recover quickly from €2m in FY20 to €2.4m in FY21.

Romania is expected to remain as the largest contributor towards the Group's revenue during the year, representing 57.3% of total revenue. Throughout the forecasted period, Greece is expected to remain the second largest contributor towards the Group's revenue at 12.8%. Revenue moving forward pertaining to the Balti Countries and Malta cluster is also anticipated to improve during FY21 and stabilise at an inflationary growth rate thereon.

| Gross Profit Analysis | 2018A | 2019A | 2020A | 2021F |
|---|---|---|---|---|
| **Gross Profit (€'000s)** | | | | |
| Romania | 38,466 | 48,334 | 39,439 | 51,873 |
| Greece | 5,724 | 7,991 | 5,817 | 9,945 |
| Others | 19,806 | 22,951 | 20,628 | 23,502 |
| **Total gross profit** | **63,996** | **79,276** | **65,884** | **85,320** |
| **Gross Profit Margin (%)** | | | | |
| Romania | 23.5% | 24.9% | 22.1% | 23.0% |
| Greece | 17.3% | 19.6% | 15.5% | 19.8% |
| Others | 20.4% | 21.6% | 20.1% | 20.0% |
| **Total** | **21.8%** | **23.2%** | **20.7%** | **21.7%** |

As per above table, the Group's gross profit has improved over the review period, mainly as a result of the new restaurants openings. The Group's gross profit margin has improved from 21.8% in FY18 to 23.2% in FY19, before declining lower to 20.7% throughout the pandemic. The largest increase in margins as demonstrated above, was registered in Greece mainly, as a result reductions in value added tax (VAT) which allowed minor price increases, along with buoyant tourism results which led to a greater portion of sales originating from seasonal tourism focused stores which charge higher prices.

During 2019, the VAT rate on food in Greece has been reduced from 24% to 13%, whilst in Romania the VAT rate on food consumed in restaurants (hence, not applicable for take-outs) has been reduced from 9% to 5%. This has enabled the Group to lower menu prices to some extent, though a portion of the VAT reductions has been retained, which resulted in an increase in profitability margins as shown above.

As noted above, in view of the pandemic related challenges, the Group's gross profit declined from €79.3m in FY19 to €65.9m in FY20. Management reported that this decline is also attributable to additional packaging costs associated with the increased home deliveries, together with slight shifts towards lower margin products. Consequently, the Group's gross margin deteriorated from 23.2% in FY19 to 20.7% in FY20. The largest decline in margins as demonstrated above, was registered in Greece mainly as a result of the fact that the cost of delivery in Greece, eroded the margin considerably mainly due to additional costs incurred by the Group on protective wear and hygiene.

Moving forward, gross profit margins are expected to recover to FY18 levels by the end of FY21. The additional sales projected from the opening of new stores is anticipated to result in a gradual increase in the Group's gross profit margin, from 20.7% in FY20 to 21.7% in FY21. It is important to note that the significant fixed elements within distribution centre costs will contribute to economies of scale and gross profit margin improvements.

Operating expenditure represents costs directly related to the business activity of each store, apart from raw materials. It mainly includes staff costs, advertising, utilities and other administrative expenses.

Average crew and management labour costs during FY18-19 were impacted by the opening of new stores. Further labour costs were incurred as the Group hired a customer experience leader throughout this period as part of

McDonald's Corporation's strategy to increase the overall customer experience. Moreover, the franchise agreements for each region stipulates a minimum advertising cost obligation as a percentage of sales.

In line with the drop in revenue experienced throughout the pandemic, the Group experienced a parallel decline in its total net operating expenditure, with these dropping from €285.1m in FY19 to €267.4m in FY20. Management noted that the Group implemented several cost mitigation procedures throughout the pandemic which were specifically aimed at controlling overheads while simultaneously optimising margins.

Operating expenditure is expected to increase to €328.6m in FY21, reflecting the overall increase in revenue which is expected to be generated by the Group throughout the year. This increase is also in line to the Group's continuous investments in quality of services and ordinary inflationary pressures.

The Issuer's finance costs are mostly composed of interest on bank borrowings, interest on bonds, and interest expense for leasing arrangements. The latter relates to the Group's leased assets for FY20 increased to €3.6m due the opening of new stores (FY19: €3.3m), thus being the main reason for the uplift in net finance costs during FY20 (€7m). These are expected to marginally taper down to €6.9m in FY21.

Upon taking the above factors into consideration, the Issuer reported a net profit after tax figure of €17.7m during FY20 (FY19: €25.7m). In terms of projections, after accounting for the anticipated improvement in revenue for FY21, the Issuer is anticipating to report a net profit figure of €28.8m.

### 2.1.1 Variance Analysis

| Premier Capital p.l.c.<br>Statement of Comprehensive<br>For the year ended 31 December | Dec-20<br>Forecast | Dec-20<br>Audited | Variance |
|---|---|---|---|
| | **€'000s** | **€'000s** | **€'000s** |
| Revenue | 325,638 | 318,955 | (6,683) |
| Net operating expenses | (279,151) | (267,419) | 11,732 |
| **EBITDA** | **46,487** | **51,536** | **5,049** |
| Depreciation and amortisation | (23,568) | (25,557) | (1,989) |
| **EBIT** | **22,919** | **25,979** | **3,060** |
| Net finance costs | (7,267) | (6,975) | 292 |
| **Profit before tax** | **15,652** | **19,004** | **3,352** |
| Income tax | (2,511) | (1,346) | 1,165 |
| **Profit after tax** | **13,141** | **17,658** | **4,517** |

As per discussions with management, actual revenue for FY20 was lower than previously anticipated by €6.8m. This decline in revenue is mainly attributable to the constantly changing restrictions imposed by national authorities to contain the virus spread. Management further noted that given the fluidity of the situation, preparing the 2020 projections was not straight forward last year, namely as the Group had no concrete visibility regarding the additional and extended retraction measures which were eventually implemented in the second half FY20.

Actual overall operating expenditure was €11.7m lower than previously anticipated. Part of the decline in operating expenditure is directly proportional to the aforementioned drop in revenue, while the rest came from management's drive to keep looking at ways to control overheads and optimise margins. As a result, the Group reported an improved EBITDA figure than previously anticipated by *approximately* €5m.

The depreciation charge for FY20 was €2m higher than previously expected, with management attributing this increase to a re-alignment of depreciation policy with the useful life of the Group assets.

Upon taking the above factors into consideration, the Group reported a profit before tax of €19m during FY20, representing an increase of €3.4m over previous expectations.

Management reported that the income tax variance is principally attributable to previous tax assumptions becoming more accurate in the year-end tax computation including the elements of overheads treated as allowable as compared to the previously adopted assumptions, and also following impact on dividend escalation. This resulted in a positive tax variance amounting to €1.2m. As a result, the Group reported a profit after tax of €17.7m, signifying an increase of €4.5m over previous expectations.

## 2.2 Issuer's Statement of Financial Position

| Premier Capital 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 | 34,983 | 33,785 | 32,815 | 31,693 |
| Property, plant and equipment | 83,739 | 96,091 | 93,883 | 99,129 |
| Right-of-use assets | - | 88,301 | 87,887 | 85,474 |
| Financial assets | 856 | 820 | 1,055 | 1,062 |
| Loans and receivables | 9,817 | 531 | 11,000 | 14,500 |
| Deferred tax asset | 603 | 868 | 1,286 | 1,772 |
| Prepayments | 2,350 | 2,162 | 1,842 | 1,871 |
| **Total non-current assets** | **132,348** | **222,558** | **229,768** | **235,500** |
| **Current assets** | | | | |
| Inventory | 5,192 | 5,212 | 6,064 | 6,538 |
| Trade and other receivables | 5,131 | 5,234 | 6,349 | 7,350 |
| Other current assets | 3,208 | 7,730 | 7,836 | 3,206 |
| Cash and cash equivalents | 33,572 | 32,498 | 28,742 | 31,123 |
| **Total current assets** | **47,103** | **50,674** | **48,991** | **48,217** |
| **Total assets** | **179,451** | **273,232** | **278,759** | **283,718** |
| **Equity** | | | | |
| Equity and reserves | 48,701 | 57,082 | 53,003 | 66,330 |
| **Total equity** | **48,701** | **57,082** | **53,003** | **66,330** |
| **Liabilities** | | | | |
| **Non-current liabilities** | | | | |
| Borrowings and bonds | 83,753 | 77,643 | 88,263 | 82,813 |
| Lease liabilities | - | 82,863 | 83,940 | 82,737 |
| Other non-current liabilities | 2,372 | 2,200 | 1,997 | 2,721 |
| **Total non-current liabilities** | **86,125** | **162,706** | **174,200** | **168,271** |
| **Current liabilities** | | | | |
| Borrowings | 6,051 | 5,929 | 8,801 | 5,455 |
| Lease liabilities | - | 7,800 | 8,246 | 7,787 |
| Other current liabilities | 38,574 | 39,715 | 34,509 | 35,875 |
| **Total current liabilities** | **44,625** | **53,444** | **51,556** | **49,117** |
| **Total liabilities** | **130,750** | **216,150** | **225,756** | **217,388** |
| **Total equity and liabilities** | **179,451** | **273,232** | **278,759** | **283,718** |

| Ratio Analysis[4] | 2018A | 2019A | 2020A | 2021F |
|---|---|---|---|---|
| ***Financial Strength*** | | | | |
| Gearing 1 (Net Debt / Net Debt and Total Equity) | 53.6% | 71.3% | 75.2% | 69.0% |
| Gearing 2 (Total Liabilities / Total Assets) | 72.9% | 79.1% | 81.0% | 76.6% |
| Gearing 2 (Net Debt / Total Equity) | 115.5% | 248.3% | 302.8% | 222.6% |
| Net Debt / EBITDA | 1.5x | 2.5x | 3.1x | 2.3x |
| Current Ratio (Current Assets / Current Liabilities) | 1.1x | 0.9x | 1.0x | 1.0x |
| Quick Ratio (Current Assets - Inventory / Current Liabilities) | 0.9x | 0.9x | 0.8x | 0.8x |
| Interest Coverage level 1 (EBITDA / Cash interest paid) | 10.4x | 8.0x | 6.9x | 8.5x |
| Interest Coverage level 2 (EBITDA / Finance costs) | 12.6x | 9.0x | 7.4x | 9.4x |

The Group's assets are mainly composed of goodwill and other intangibles, property plant and equipment, and right of use assets, collectively representing 77% of the Group's total assets as at December 2020.

Intangible assets amounted to €7.7m as at FY20. These are mainly divided between support service licences and rights and franchise agreements. Support service licences relate to support agreements between the Group and the McDonald's Corporation which were acquired as part of the Group's acquisition of the Baltic Countries operations in 2007. These licences are of a long-term nature and are amortised over the life of the franchise agreement.

Moreover, rights and franchise agreements represent the franchise agreements signed with the McDonald's Corporation which allows the Group to operate the McDonald's brand in all markets. Generally, the franchise agreements are for a period of 20 years and includes the use of the McDonald's systems in the Group's restaurants. Franchise agreements are amortised over the term of the relative agreements.

Goodwill as at December 2020 amounted to €25.1m, out of which €14.6m relates to acquisitions of Premier Restaurants Malta Ltd and €2m relates to Premier Arcades Ltd. Goodwill related to the Romania acquisition as at the end of period stood at €8.5m. Additionally, movements in goodwill relate to foreign exchange differences. No impairments were reported in the review period. Goodwill and intangible assets are expected to collectively marginally decline to €31.7m during FY21.

The Group's property, plant and equipment (PPE) during FY20 mainly consisted of land and buildings, improvements to premises, and restaurant equipment. PPE during FY20 amounted to €93.9m, signifying a 2.3% decline when compared to 2019. Management reported that, as investment was curbed along FY20, the depreciation charge for the year outweighed the net capital expenditure additions, thus resulting into an overall consequent drop in PPE. While total PPE is expected to increase to €99.1m during FY21, mainly due to the opening of new stores and other investments, total average net book value (NBV) per store is anticipated to amount to *approximately* €592k in FY21 (FY20: €603k).

As noted in the below table, the Group's net working capital is analysed in terms of debtors and creditors who are directly associated with the everyday operations of the business. Management explained that the product sales are mostly on a cash basis, whilst inventory levels are relatively low due to the perishable nature of the product. In comparison, the Group enjoys credit terms from most suppliers. Net working capital remained negative throughout the historical period from FY18 to FY20. More importantly, the Group retains cash reserves in excess of its negative working capital position.

| Trade working capital (€'000s) | 2018A | 2019A | 2020A |
|---|---|---|---|
| Inventories | 5,192 | 5,212 | 6,064 |
| Trade debtors | 588 | 444 | 572 |
| Trade creditors | (14,684) | (15,373) | (14,874) |
| **Net working capital** | **(8,904)** | **(9,717)** | **(8,238)** |

Trade and other receivables mainly consist of trade receivables, royalties, prepayments relating to rent, and other receivables not relating to day-to-day operations, along with a small portion of interest income receivable from related parties. In line with previous projections, trade and other receivables during FY20 increased to €6.3m, mainly due to other operational matters across markets. These are expected to increase further to €7.4m during FY21.

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

The Issuer's equity and reserves declined lower to €53m as at FY20 from €57.1m during FY19. Minority interest of €4.7m has been eliminated as a result of the anticipated buyout of the minority shareholder, with the difference being accounted for as a negative €9m charge to other reserves. Post-FY21, total equity is expected to grow as a result of conservative dividend pay-out assumptions and a preference to reinvest profits. As such, total equity is anticipated to amount to €66.3m during FY21, mainly due to the expected improved financial performance throughout the year.

In terms of the Group's debt analysis, as at December 2020, the Group had two outstanding bank loans, one at Premier Restaurants Romania SRL and one at SIA Premier Restaurants Latvia. During 2020, in view of the minority interest acquisition made by the Group during the year, an additional drawdown from the facility at Romania was made for an amount of €15.2m. The loan is secured by a pledge over the entity's immovable and movable property.

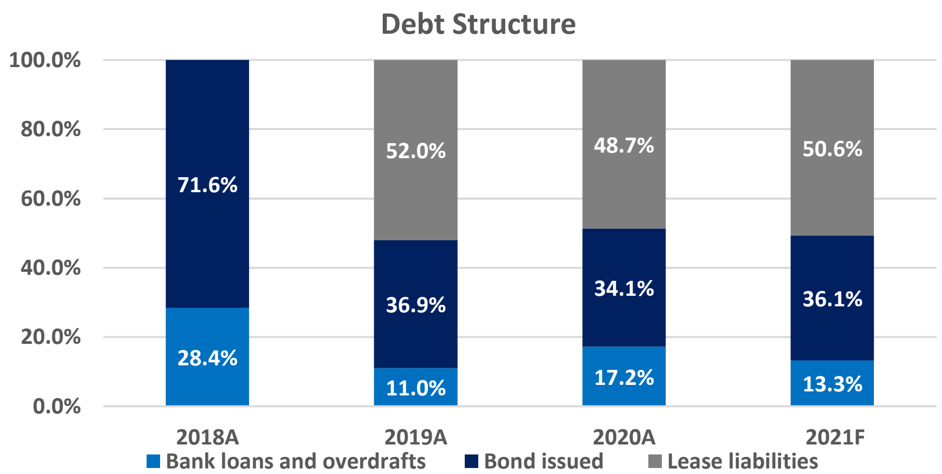
In 2018, the Latvian subsidiary secured a loan facility amounting to €10m. This loan is secured by a pledge over the subsidiaries' immovable and movable properties.

During 2020, the Group availed itself from the COVID-19 Lending Initiatives put into place by the Greek State. In this respect, the Group has been granted two bond loan facilities for the financing of working capital requirements. As at December 2020, the balance of these loan facilities amounted to €2m. Management noted that 80% of both facilities are guaranteed by the Greek State.

Another facility was granted to Premier Capital in Greece with a balance of €1.4m as at December 2020. Also included under the Group's bank borrowings is an unutilised overdraft facility of €1m undertaken by Premier Restaurants Malta Limited. The interest cost on this facility is 2.5 basis points over bank base rate of 2.35%.

Moreover, during FY16, the Group issued an unsecured €65m bond at a coupon rate of 3.75%, redeemable at par in 2026. All of the Group's outstanding loans, overdraft facilities and bonds are demonstrated in the debt analysis table below.

| Debt analysis (€'000s) | 2018A | 2019A | 2020A | 2021F |
|---|---|---|---|---|
| Bank loans and overdrafts | 25,545 | 19,220 | 32,618 | 23,728 |
| Bond issued | 64,258 | 64,352 | 64,446 | 64,539 |
| | **89,803** | **83,572** | **97,064** | **88,267** |
| Lease liabilities | - | 90,663 | 92,186 | 90,525 |
| **Total** | **89,803** | **174,235** | **189,250** | **178,792** |
| Cash | (33,572) | (32,498) | (28,742) | (31,123) |
| **Total** | **56,231** | **141,737** | **160,508** | **147,669** |




As indicated in the above table, total financial debt significantly increased from €89.8m in FY18 to €189.3m as per FY20 results. The underlying reason for this increase is the inclusion of lease liabilities under total financial debt, which is in line with the adoption of IFRS16. The Group's total financial debt excluding lease liabilities is projected to decline by 9.1% from €97.1m in FY19 to €88.3m in FY21 as a result of normal debt servicing and principal repayments.

Furthermore, trade and other payables mainly relate to trade payables and capital expenditure creditors. These also include corporate tax, national insurance (NI), value added tax (VAT), McDonald's related expenses, distribution centre suppliers and other payables. Apart from corporate tax payable, credit terms usually range between 14 to 30 days. Trade payables in FY21 are set to reduce by €3.9m as a result of regular working capital management.

## 2.3 Issuer's Statement of Cash Flows

| **Premier Capital p.l.c.<br>Statement of Cash Flow<br>For the year ended 31 December** | **2018A** | **2019A** | **2020A** | **2021F** |
|---|---|---|---|---|
| | **€'000s** | **€'000s** | **€'000s** | **€'000s** |
| Cash flows from operating activities | 45,120 | 57,985 | 49,802 | 63,967 |
| Interest paid | (3,707) | (7,041)[5] | (7,485)[5] | (7,529)[5] |
| Income tax paid | (3,732) | (5,124) | (3,583) | (4,514) |
| **Net cash flows generated from operating activities** | **37,681** | **45,820** | **38,734** | **51,924** |
| **Net cash flows used in investing activities** | **(23,756)** | **(18,893)** | **(35,672)** | **(24,821)** |
| **Net cash flows used in financing activities** | **(1,662)** | **(28,727)** | **(7,570)** | **(24,721)** |
| **Movement in cash and cash equivalents** | **12,263** | **(1,800)** | **(4,508)** | **2,382** |
| Cash and cash equivalents at start of year | 21,222 | 33,571 | 32,497 | 28,341 |
| Foreign exchange adjustment | 86 | 726 | 352 | - |
| **Cash and cash equivalents at end of year** | **33,571** | **32,497** | **28,341** | **30,723** |

| **Ratio Analysis** | **2018A** | **2019A** | **2020A** | **2021F** |
|---|---|---|---|---|
| ***Cash Flow*** | | | | |
| Free Cash Flow[6] (Net cash from operations + Interest - Capex) | €4,438 | €20,375 | €14,385 | €15,207 |

The Group's cash flows from operations increased from €37.7m in FY18 to €45.8m in FY19 as a result of the improved operating results and the fairly marginal movement in working capital. Cash flow from operations in FY19 also increased due to the reclassification of the repayment of the principal portion of lease liabilities. In view of the ramifications brought about by COVID-19, cash flows from operations tapered lower to €38.7m in FY20, however these are expected to recover back to €51.9m in FY21.

Cash flows from investing activity mainly reflects the capex incurred on new stores and maintenance and remodelling of existing stores along with purchase of licences and computer software. In view of the Group's acquisition of minority interest in Romania during 2020, cash flows used in investing activities in FY20 increased to €35.7m. As per guidance provided by management, below is a table reflecting the historic and projected capital expenditure analysis of the Group. Although the Group still plans to invest in the opening of the new stores during FY21, as per below data, cash flows used in investing activities are expected to amount lower at €24.8m.

| **Capex (€'000s)** | **2018A** | **2019A** | **2020A** | **2021F** |
|---|---|---|---|---|
| Romania | 11,392 | 12,150 | 6,523[7] | 11,925 |
| Greece | 3,522 | 5,006 | 3,782 | 4,620 |
| Others | 5,223 | 4,829 | 3,803 | 4,118 |
| | 20,137 | 21,985 | 14,108 | 20,663 |
| Consolidation adjustment | 354 | (1,748) | - | - |
| **Total** | **20,491** | **20,237** | **14,108** | **20,663** |

[5] In the above analysis interest on lease liabilities for FY19-FY21 has been shown under cash flow from operations. To note that IFRS conventions allow the inclusion of financing interest either under cash flows from operating activities (as per above) or under cash-flows from financing activities.

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

[7] This does not reflect the minority interest transaction occurring during the year.

Cash flow from financing activities relate to payments and proceeds from bank loans, payment of dividends and the unwinding of lease liabilities as per IFRS16. In FY20, cash flows used in financing activities amounted to €7.6m, mainly due to additional drawdowns from bank facilities amounting to a total of €19.8m. This is expected to reverse in FY21, where management projects to utilise €24.7m in financing activities.

# Part 3 - Key Market and Competitor Data

## 3.1 General Market Conditions

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

### European Economic Update[8]

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.

[8] European Economic Forecast – Spring 2021

## Malta Economic Update[9]

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

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

[9] Central Bank of Malta – Economic Update 5/2021

## 3.2 Comparative Analysis

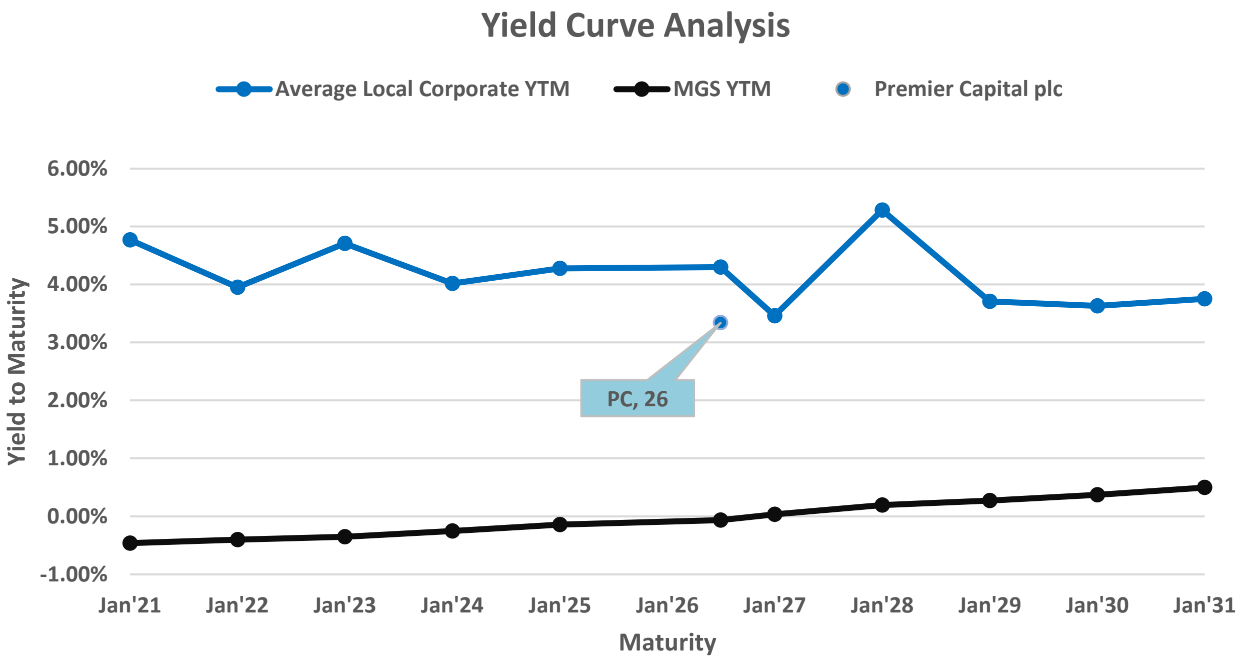
The purpose of the table below compares the proposed debt issuance of the Group to other debt instruments. For consistency purposes we opted to maintain the same peers as per last year's Financial Analysis Summary. Additionally, we believe that there is no direct comparable company related to the Issuer and as such we included a variety of Issuers with different maturities. 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) | Last Closing Price * |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | €000's | (%) | (times) | (€'millions) | (€'millions) | (%) | (%) | (times) | (times) | (%) | (%) | (%) | |
| 3.65% GAP Group plc Secured € 2022 | 29,812 | 2.66% | 2.2x | 103.9 | 15.1 | 85.4% | 81.1% | 7.2x | 7.2x | 31.2% | 17.2% | -15.9% | 101.00 |
| 6% Pendergardens Developments plc Secured € 2022 Series II | 21,845 | 4.76% | 1.6x | 60.6 | 29.5 | 51.3% | 36.4% | 5.2x | 2.2x | 0.0x | 0.0x | (.4)x | 102.75 |
| 6% AX Investments Plc € 2024 | 40,000 | 5.13% | 0.8x | 348.7 | 217.4 | 37.6% | 25.5% | 28.3x | 0.8x | -3.5% | -27.5% | -44.7% | 103.11 |
| 5.3% Mariner Finance plc Unsecured € 2024 | 35,000 | 2.94% | 3.6x | 100.4 | 50.3 | 49.9% | 48.1% | 5.8x | 0.6x | 6.6% | 20.2% | -4.7% | 109.50 |
| 5% Hal Mann Vella Group plc Secured € 2024 | 30,000 | 4.39% | 2.4x | 122.4 | 47.3 | 61.3% | 52.9% | 10.8x | 1.2x | 3.1% | 6.1% | 4.8% | 103.00 |
| 5.1% 1923 Investments plc Unsecured € 2024 | 36,000 | 4.50% | 4.8x | 135.5 | 45.6 | 66.4% | 52.1% | 3.8x | 1.2x | 7.5% | 2.3% | 11.0% | 102.50 |
| 4.25% Best Deal Properties Holding plc Secured € 2024 | 14,776 | 3.33% | 14.7x | 27.5 | 4.1 | 85.0% | 82.4% | 13.1x | 3.7x | 20.3% | 7.0% | 1140.2% | 104.00 |
| 5.1% 6PM Holdings plc Unsecured € 2025 | 13,000 | 4.67% | (.7)x | 0.5 | (19.3) | -5156.2% | 38.8% | 12.2x | (.1)x | 0.6% | -3.1% | -48.3% | 102.00 |
| 4.5% Hili Properties plc Unsecured € 2025 | 37,000 | 4.07% | 1.6x | 149.6 | 62.7 | 58.1% | 54.9% | 14.6x | 0.5x | 6.8% | 52.9% | -11.5% | 102.50 |
| 4.35% Hudson Malta plc Unsecured € 2026 | 12,000 | 4.22% | 4.9x | 43.4 | 5.5 | 87.3% | 81.6% | 8.3x | 1.3x | -14.8% | -2.9% | -29.6% | 101.00 |
| 4% MIDI plc Secured € 2026 | 50,000 | 3.47% | (.5)x | 227.6 | 101.8 | 55.3% | 37.8% | (64.5)x | 2.9x | -2.1% | -75.1% | -89.8% | 102.00 |
| 3.75% Premier Capital plc Unsecured € 2026 | 65,000 | 3.25% | 6.8x | 278.8 | 53.0 | 81.0% | 75.2% | 3.1x | 1.0x | 32.1% | 5.5% | -6.5% | 102.00 |
| 4% International Hotel Investments plc Unsecured € 2026 | 60,000 | 3.70% | (.2)x | 1,544.1 | 773.2 | 49.9% | 42.1% | (149.9)x | 0.9x | -9.1% | -82.3% | -65.7% | 101.50 |
| 4.35% SD Finance plc Unsecured € 2027 | 65,000 | 4.02% | 6.8x | 324.4 | 137.6 | 57.6% | 43.3% | 4.1x | 1.4x | 9.0% | 20.5% | 5.7% | 100.50 |
| 4% Eden Finance plc Unsecured € 2027 | 40,000 | 3.95% | (.5)x | 190.5 | 108.5 | 43.1% | 31.8% | (51.4)x | 0.9x | -4.3% | -39.2% | -73.1% | 102.99 |
| 4% Stivala Group Finance plc Secured € 2027 | 45,000 | 3.32% | 2.6x | 354.1 | 231.4 | 34.6% | 26.5% | 11.5x | 5.0x | 11.7% | 229.8% | -46.9% | 104.50 |
| 3.85% Hili Finance Company plc Unsecured € 2028 | 40,000 | 3.57% | 4.2x | 624.2 | 106.8 | 82.9% | 78.5% | 5.8x | 1.0x | 14.1% | 3.2% | -1.5% | 102.00 |
| 4% Cablenet Communication Systems plc Unsecured € 2030 | 40,000 | 3.56% | 0.8x | 91.8 | 13.1 | 85.7% | 69.2% | 1.8x | 1.1x | -21.7% | -6.1% | 17.9% | 103.00 |
| ****Average** | | **3.90%** | | | | | | | | | | | |

*Source: Latest available audited financial statements*

* Last closing price as at 09/06/2021

**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 the Issuer's securities.

As at 9 June 2021, the average spread over the Malta Government Stock (MGS) for corporates with maturity range of 3 to 8 years (2024-2028) was 359 basis points. The current 2026 Premier Capital bond is trading at a YTM of 3.34%, translating into a spread of 328 basis points over the corresponding MGS. This means that this bond is trading at a discount of 32 basis 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. |

| | |
|---|---|
| Quick Ratio (Acid Test Ratio) | The quick ratio measures a Group's/Company's ability to meet its short-term obligations with its most liquid assets. It compares current assets (less inventory) to current liabilities. |
| Interest Coverage Ratio | The interest coverage ratio measures how many times a Group/Company can cover its current interest payment with its available earnings. |
| Interest Coverage Level 1 | Is calculated by dividing EBITDA by Cash Interest Paid. |
| Interest Coverage Level 2 | Is calculated by dividing EBITDA by Finance Costs. |
| Gearing Ratio | The gearing ratio indicates the relative proportion of shareholders' equity and debt used to finance total assets. |
| Gearing Ratio Level 1 | Is calculated by dividing Net Debt by Net Debt and Total Equity. |
| Gearing Ratio Level 2 | Is calculated by dividing Total Liabilities by Total Assets. |
| Gearing Ratio Level 3 | Is calculated by dividing Net Debt by Total Equity. |
| Net Debt / EBITDA | The Net Debt / EBITDA ratio measures the ability of the Group/Company to refinance its debt by looking at the EBITDA. |
| **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. |