

# **SP FINANCE p.l.c**

**No. 89, The Strand,  
Sliema,  
Malta.**

***Co. Registration No. C-89462***

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Ref: SPF - 29/2021

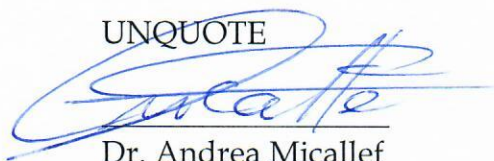
## **COMPANY ANNOUNCEMENT**

The following is a Company Announcement issued by SP Finance p.l.c. a company registered under the laws of Malta with company registration number C-89462 (the "Company") pursuant to Listing Rules issued by the Listing Authority.

### QUOTE

The Board of Directors of the Company has approved The Financial Analysis Summary for 2021. This is available and can be accessed on the Company's website <https://pebbleshotelmalta.com/investor-relations/>. A copy of the Financial Analysis Summary is also attached herewith.

### UNQUOTE



Dr. Andrea Micallef  
Company Secretary  
30<sup>th</sup> June 2021

# sp|finance

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**FINANCIAL ANALYSIS SUMMARY**  
**SP Finance p.l.c.**  
**30 June 2020**



The Directors  
SP Finance p.l.c.,  
89, The Strand,  
Sliema, Malta

30 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 SP Finance p.l.c. (C 89462) (the “**Issuer**”), and Sea Pebbles Limited (C 6138) (the “**Guarantor**”) and related companies within the group 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 and Guarantor for the three years in question.
- (b) The forecast data for the current financial year 2021 has been provided by management.
- (c) Our commentary on the Issuer and Guarantor’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,



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Nick Calamatta  
Director

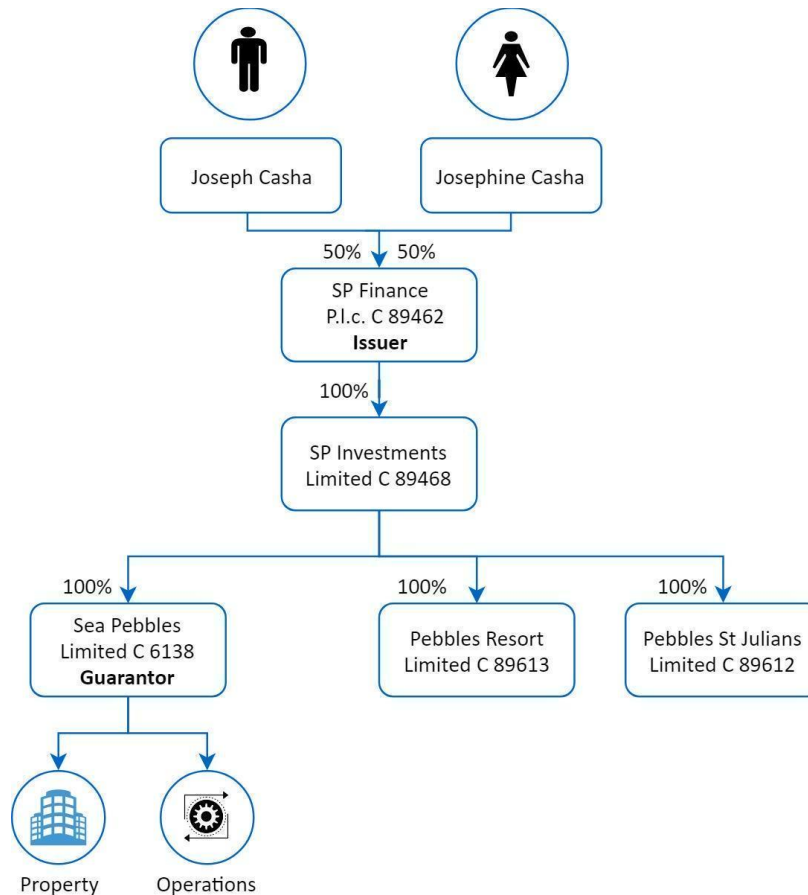
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## Part 1 - Information about the Group

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

The Group structure is as follows:



The “**Group**” of companies consists of; the Issuer, SP Investments Limited acting as a “**Holding**” company, and its subsidiaries; the Guarantor, Pebbles Resort Limited, and Pebbles St. Julian’s Limited. The objective of the Group is the operating of hotels, in addition to acquiring and financing immovable property.

Following the bond issue in 2019, the Issuer transferred the bond proceeds to the Group subsidiaries through an equity injection. €12m were invested into SP Investments Limited through the allotment of 12m €1 redeemable preference shares. In turn, SP Investments Limited invested €3.75m, €3m and €0.6m in Sea Pebbles Limited, Pebbles Resort Limited and Pebbles St Julians Limited respectively through the allotment of 3.75m, 3m and 0.6m €1 ordinary shares.

The Issuer, SP Finance p.l.c., was incorporated on 19 November 2018 as a private limited liability company, registered in terms of the Companies Act with company registration number C 89462, and subsequently changed its status to a public company with effect from 23 January 2019. The Issuer, which was set up and established to act as the parent company of the Group and as a finance vehicle, has an authorised and issued share capital of €250,000 divided into 250,000 ordinary shares of €1 each, all fully paid up. The ultimate beneficial owners are Mr Joseph Casha and Ms Josephine Casha, who both hold 125,000 ordinary shares each.

SP Investments Limited, a fully owned subsidiary of the Issuer, is a private limited liability company incorporated and registered in Malta on 19 November 2018, with company registration number C 89468. SP Investments Limited has an authorised and issued share capital of €12,010,000 divided into 10,000 ordinary shares of €1 each, and 12,000,000 redeemable preference shares of €1 each, all fully paid up. SP Investments Limited carries out the activity of a holding company within the Group.

The Guarantor, Sea Pebbles Limited, was incorporated on 15 November 1982 as a private limited liability company, registered in terms of the Companies Act with company registration number C 6138. Pursuant to a reorganisation concluded on 10 December 2018, the Guarantor, through the Holding company, is a wholly owned subsidiary of the Issuer. The authorised and issued share capital of the Guarantor, is €4,215,875 divided into 4,215,875 ordinary shares of €1 each, all fully paid up. The principal objective of the Guarantor is to carry out all or any of the business of hotel-keepers, hotel managers or operators, and to manage and operate one or more hotels and guest houses.

Pebbles Resort Limited (C 89613) and Pebbles St Julians Limited (C 89612) were both incorporated on 28 November 2018 and are wholly owned by the Issuer through the Holding company. Pebbles Resort Limited was set up to operate a hotel, Pebbles Resort (“formerly San Pawl Hotel”) situated in St. Paul’s Bay, which is held under a 15-years lease commencing from the second quarter of 2019.

Pebbles St Julians Limited was incorporated to construct and manage a hotel overlying Ryan’s Pub (“Pebbles St Julians Hotel”), which was held under a 20-year lease. However, the permits for Pebbles St Julian’s Hotel was granted for a 10-room, instead of an 18-room hotel. Management confirmed that the Group had undertaken a feasibility study to verify whether such investment was still considered as being viable. Moreover, since the commercial feasibility of operating the St Julian’s hotel with 10 rooms was considered to be compromised, the board of directors decided not to proceed with this particular investment. As a result, given that this development was subject to requisite permits being issued, the board decided not to proceed with this investment. Management explained that the Group terminated the respective 20-year lease concerning this specific property in St Julian’s. Accordingly, Pebbles St Julian’s Limited has not carried out any operations and is currently considered as dormant. Further detail concerning such development may be found in section 1.3 and section 1.4 of the Analysis.

## 1.2 Directors and Key Employees

### Board of Directors – Issuer

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

Name	Office Designation
Mr Joseph Casha	Executive Director
Ms Josephine Casha	Executive Director
Dr Alex Perici Calascione	Independent non-executive Director
Mr Mark Grech	Independent non-executive Director
Dr Reuben Debono	Independent non-executive Director

The business address of all of the directors is the registered office of the Issuer. The company secretary of the Issuer is Dr Andrea Micallef.

### Board of Directors – Guarantor

As at the date of this Analysis, the Guarantor are constituted by the following persons:

Name	Office Designation
Joseph Casha	Executive Director
Josephine Casha	Executive Director

The business address of all of the directors is the registered office of the Issuer. The company secretary of the Guarantor is Ms Josephine Casha.

A board of five directors are responsible for the overall direction and management of the Issuer. The board currently consists of two executive directors, who are entrusted with the Issuer’s day-to-day management, and three non-executive directors, all of whom are independent of the Issuer. The main functions of the non-executive directors are to monitor the operations of the executive directors and their performance, as well as to review any proposals tabled by the executive directors. This practice goes in accordance with the generally accepted principles of sound corporate governance, where at least one of the directors shall be a person independent of a group of companies.

The Issuer does not have any employees of its own, and thus is dependent on the resources within the Group entities.

The Guarantor has its own board of directors, which is responsible for the management, and direction of the Guarantor. The same two executive directors of the Issuer govern the Guarantor.

### 1.3 Major Assets owned by the Group

The Issuer’s assets consist of the investments in its subsidiaries together with the loans granted to the said subsidiaries, given that it is essentially a special purpose vehicle set up to act as a holding and financing company. All major assets owned by the Group’s subsidiary companies are set out below.

#### 1.3.1 Guarantor

The Group, through the Guarantor owns and operates Pebbles Boutique Aparthotel situated at No. 88/89, The Strand, Sliema, and the neighbouring corner building situated at No. 90, The Strand, Sliema, and having another entrance from Saint Agatha Street, Sliema, both properties being freehold and consisting of two 9-storey blocks. The said properties overly the commercial outlet TexMex Bar & Grill, which is leased out to a third party, and the popular restaurant MEDASIA Fusion Lounge, which is leased out to a related operating company.

From these two properties, the Guarantor operates a 52-room apart-hotel along the Gzira/Sliema promenade. These two buildings include catering establishments, apartments and garages, all of which are operated by the Guarantor.

The Guarantor had entered into a promise of sale agreement to acquire two apartments and the relative airspace overlying the block at No. 90, The Strand Sliema, and an adjoining guesthouse in Sliema for a total amount of €5m. Management confirmed that the contract concerning these apartments, more specifically apartment 7 and penthouse 8 (including airspace) overlying the block at No. 90, The Strand, Sliema, was signed during May 2019, for a total value including duty and notarial expenses of €2.2m.

The contract relating to the adjoining guesthouse in Sliema was signed during November 2019 for a total value, including duty and notarial expenses of €2.2m. Therefore the total value of the two apartments and airspace overlying the block at No. 90, The Strand, Sliema and the adjoining guesthouse in Sliema, was €4.4m. These were financed through the bond issue proceeds. The difference from the previous projected cost (€0.6m) was utilised to finance the upgrade implemented at Pebbles Resort, as described in further detail within this section below.

As part of its growth strategy, the Group intends to eventually construct and extend the Pebbles Boutique Aparthotel by adding a further 150 rooms (bringing the total number of rooms up to 202), with construction previously planned to take place during 2021 and 2022. Management recently confirmed that the relevant permits are in hand, but the company has submitted revised plans with the Planning Authority which upon completion would see the hotel with a total number of 303 standard rooms<sup>1</sup>, 4 two-bedroom apartments and a four-bedroom penthouse.

These revised permits are still subject to Planning Authority approval. Due to the significant uncertainties regarding the speed of recovery of the local tourism industry, management is constantly monitoring the situation and definite timelines concerning this development will be drawn up once there are clearer indications that the tourism industry has started to recover from the effects of the pandemic. As things stand, the intention of the Group is to carry out the project starting from late 2023 and early 2024. This timeframe may change depending on the fluidity of the pandemic situation in general. The expected cost of this development lies within the region of €10m.

Management confirmed that, as at May 2021, the above-mentioned properties continued to operate normally in line with the recently implemented health authorities' policies, restrictions and recent closures. Further details concerning the operational developments of such properties vis-à-vis the pandemic may be found in section 1.4 of this Analysis.

### **1.3.2 Pebbles Resort Limited**

Pebbles Resort Limited operates Pebbles Resort, which is held under a 5-year lease that can be extended by a further two 5-year terms. Given the considerable investment already made, as at May 2021 management reiterated their intention to extend the lease for the second and third terms starting from May 2019.

As part of its lease commitments, the Group had to carry out a comprehensive upgrade of the hotel with an initial cost estimated at €3m. Management confirmed that the refurbishment relating to this hotel was mostly completed during 2019 and the total cost amounted to €4.4m. Management further explained that higher expenditure was incurred for unexpected additional structural, plumbing, electrical works, and also to construct an additional floor which provides facilities for all-inclusive tourists and for conference facilities. It is important to note that the aforementioned refurbishment was financed through the bond proceeds specifically planned for this investment (€3m) and through the unutilised proceeds concerning the acquisition of the two apartments and guesthouse and also through the unutilised proceeds relating to the St Julians development as further described in the sub-section below.

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<sup>1</sup> New plans were submitted during 2020, which is why there are more rooms than what was reported in the 2020 Financial Analysis Summary



In addition to the above, during 2020, this subsidiary continued the hotel refurbishment with an additional investment of *circa* €0.5m. This investment primarily consisted of improvements to premises, the purchasing of furniture and soft furnishings, electrical and plumbing installation, and additional equipment bought throughout the year. As further noted in section 1.5 of this Analysis, this investment was funded through additional bank financing obtained by the Group during the year.

### **1.3.3 Pebbles St Julians Limited**

The original intention of Pebbles St Julians Limited was to construct the Pebbles St Julians Hotel and subsequently operate it.

However, as set out in the 2020 Financial Analysis Summary, permits for Pebbles St Julians was granted for a 10-room, instead of an 18-room hotel. A revised feasibility study indicated that operating a 10-room hotel would not be feasible, and the reduced room capacity would ultimately impact the planned outlet with the originally-proposed development, thus putting the bond proceeds at risk.

Since the commercial feasibility of operating the Pebbles St Julian's hotel with 10 rooms was considered to be compromised, the board of directors decided not to proceed with this particular investment. In view of the promising and positive development at Pebbles Resort, the board decided to redirect the relative funds towards the completion of Pebbles Resort development works, in furtherance being the principal aim of the bond issue.

In view of this, there are no assets within this subsidiary, and this company has not carried out any operations and is currently considered as dormant.

## **1.4 Operational Developments**

### **1.4.1 Operational Developments on the Assets owned by the Guarantor**

The Guarantor owns a 52-room hotel situated on the Sliema/Gzira seafront, in addition to the adjacent building and the two underlying commercial properties, which are currently leased out accordingly as explained in the above section.

Although the Pebbles Boutique Aparthotel remained open throughout 2020, the COVID-19 travel restrictions imposed by global health authorities resulted in the number of guests occupying the hotel being very low, especially between March and June 2020. In view of this, and also as an act of good will, the Guarantor offered free accommodation during this period to staff and to health care workers. Moving into 2021, management reported that hotel occupancy remained low mainly as the fluidity of the global pandemic situation persisted.

While apartment 7 and penthouse 8 form part of the hotel operation, the initial plan concerning the guesthouse was to be rented out to third parties until the hotel expansion project is undertaken. While the guesthouse was actually rented out to third parties in early 2020, following the COVID-19 outbreak in Malta, the tenant dropped out of the lease contract and no rental income was earned during the year. To date, the guesthouse is still vacant and management indicated that it is unlikely that this will be leased out during 2021 until tourism picks up again. Further detail regarding the historical and projected financial performance of Pebbles Boutique Aparthotel may be found in sub-section 1.4.3 of this Analysis.

As all restaurants were forced to temporarily close down between April and June 2020, no rent was collected by the Group concerning its two commercial outlets (TexMex Bar & Grill, and MEDASIA Fusion Lounge), with rent resuming back in July 2020. Management noted that no rent concession was given to these two respective tenants during the second period of restaurant closure, i.e. between March and May 2021.

#### **1.4.2 Operational Developments on the Assets owned by Pebbles Resort Limited**

San Pawl Hotel, which previously was a 3-star 234-room hotel situated in St. Paul's Bay, was re-branded as Pebbles Resort. On 30 August 2018, the Group has entered into a lease agreement through Pebbles Resort Limited for the management of the hotel operations with the hotel's owners for three consecutive terms of 5 years each commencing from the second quarter of 2019.

While the intention of the Group is to extend the lease for the second five-year term and possibly for the third five-year term starting from May 2019, sub-section 1.3.2 of this Analysis also sets out in detail the comprehensive upgrade implemented to the premises, which ultimately forms part of its lease commitment.

Following the aforesaid redevelopment and upgrade, the Pebbles Resort is now operating as a 3-star hotel located in the heart of Saint Paul's Bay, offering elegant, modern and luxurious accommodation. All of the hotel's rooms are fitted with flat screen TV's, showing satellite channels, tea and coffee facilities, private bathrooms with hairdryer, air conditioning, electronic door lock, daily cleaning service, and either a balcony or a terrace overlooking the outside pool, or with a city view.

Pebbles Resort also offers its patrons four restaurants, all serving different specialities from around the world, besides the two bars situated on the premises. Guests also have access to a seasonal outdoor pool, as well as an indoor pool with a hot bath, garden, fitness centre, and hair and nail salon. Management confirmed that the Group also constructed an additional floor which provides facilities for all-inclusive tourists and for conference facilities. During the year under review, additional investments were carried out to the premises at a total cost of approximately €0.5m.

In view of the implications brought about by the pandemic, the Group decided to close down this hotel from late March to June 2020. Management noted that, although this subsidiary had already paid rent in advance up until April 2020, Pebbles Resort negotiated a rent-free period between May and June 2020. Following the opening of the Malta international Airport, the Pebbles Resort resumed hotel operations in July 2020, with a re-negotiated 33.3% discount on its rent until May 2021.

Pebbles Resort Limited rents out the restaurant outlets within the hotel to a related company outside the Group. In view of the pandemic related challenges, the said company opted to waive rent for these restaurants for April to June 2020. Moreover, for the period July to October 2020, a 33% discount was given on rent payable to the company, with rent resuming back to normal as from November 2020. Management noted that, during the second period of restaurant closure (between March and May 2021), no concession on rent payable was given to the tenants occupying the restaurants.

In addition to what has been communicated in the 2020 Financial Analysis Summary, the process to upgrade hotel rating to 4-star has started with the Malta Tourism Authority (MTA), with such process is expected to be finalised by end of 2021.

### 1.4.3 Pebbles Boutique Aparthotel

The Pebbles Boutique Aparthotel is a freehold property consisting of a 9-storey block from which the Guarantor operates a 2-star, 52-room apart-hotel situated along the Gzira/Sliema promenade. The said property overlies the commercial outlets TexMex Bar & Grill and Medasia Fusion Lounge.

#### Operational Performance

The following table sets out the highlights of Pebbles Boutique Aparthotel's operating performance for the years indicated therein:

Pebbles Boutique Aparthotel	Dec-18	Dec-19	Dec-20	F2021
	€000s	€000s	€000s	€000s
Revenue	1,548	1,453	344	324
Gross operating profit	937	805	(12)	-10
Gross operating profit margin	60.5%	55.4%	-3.5%	-3.1%
Occupancy level	90.8%	86.5%	35.8%	42.0%
Average daily rate (€)	89.8	88.5	50.6	40.6
Revenue per available room (Rev/PAR) (€)	29.8	27.9	6.6	6.2
Gross operating profit per available room (GOP/PAR)	18.0	15.5	-	-
			0.2	0.2
<b>Benchmark performance<sup>2</sup></b>				
Occupancy level	74.0%	79.8%	Refer to the below analysis	
Average daily rate (ADR) (€)	66.5	67.6		
Gross operating profit margin	64.9%	62.7%		
Gross operating profit per available room (GOP/PAR)	15.0	14.20		
<b>Rooms</b>	52	52	52	52

June-December 2020: Occupancy and ADR of Pebbles Boutique Aparthotel vs 4-star hotels in Malta

Month	Occupancy				ADR			
	4-star Benchmark -2019	4-star Benchmark -2020	Pebbles Boutique Aparthotel 2019	Pebbles Boutique Aparthotel 2020	4-star Benchmark -2019	4-star Benchmark -2020	Pebbles Boutique Aparthotel 2019	Pebbles Boutique Aparthotel 2020
Jun-20	92.0%	4.0%	94.0%	19.0%	95	31	102	51
Jul-20	91.0%	29.0%	93.0%	37.0%	119	98	111	62
Aug-20	93.0%	51.0%	93.0%	40.0%	129	99	118	80
Sep-20	91.0%	37.0%	94.0%	25.0%	105	81	108	63
Oct-20	88.0%	31.0%	92.0%	27.0%	85	57	83	53
Nov-20	84%	16%	77%	41.0%	45	33	60	36
Dec-20	57%	10%	50%	36.0%	44	32	72	31
<b>Average</b>	<b>85.1%</b>	<b>25.4%</b>	<b>84.7%</b>	<b>32.1%</b>	<b>88.86</b>	<b>61.57</b>	<b>93.43</b>	<b>53.71</b>

Source: Management and Deloitte performance survey

<sup>2</sup> Data concerning benchmark performance was obtained from: MHRA Hotel Survey by Deloitte performance survey. It is also important to highlight that such benchmark performance data pertains 4-star hotels. Management preferred to utilise such data due to the location of the hotel on the Sliema seafront, the superior quality of the rooms, and the availability of self-catering facilities in all the rooms. Management re-confirmed that the Company is able to charge for accommodation at a 4-star level, so for comparability the 4-star benchmark was used.

As expected, the Pebbles Boutique Aparthotel's 2020 financial performance was significantly impacted by the COVID-19 pandemic, with revenue declining by €1.1m or 76.3% to €0.3m. Nevertheless, the hotel still managed to exceed the projections reflected in the 2020 Financial Analysis Summary, namely in terms of revenue generation, cost preservation, and profitability.

Management noted that the hotel achieved better occupancy during 2020 when compared to previous projections (35.8% vs 23%), resulting in an improved average revenue per available room throughout the year (6.6 vs 6). Additionally, as per direction provided by management, the hotel operated at increased efficiency during the year, with this resulting into lower costs incurred per room night in comparison with previous expectations.

Moving into 2021, management noted that hotel occupancy between January and May 2021 averaged 46%, with an average daily rate of around €33. Moreover, based on the continued positive vaccination roll-out programme locally, occupancy and daily rates are expected to improve with effect from June 2021. Bookings for the months of June and July already reached nearly a 50% occupancy level, with an average daily rate of €65.

However, in view of the persistent uncertainty surrounding the pandemic, revenue derived from Pebbles Boutique Aparthotel is expected to decline lower to €324k during 2021. Further detail concerning the assumptions adopted by the Group in formulating the 2021 projections may be found in section 1.5 of this Analysis.

#### 1.4.4 Pebbles Resort

San Pawl Hotel, which was re-branded as Pebbles Resort during 2019, is a 3-star 234-room hotel situated in St. Paul's Bay. The hotel opened its doors for guests in Q3 2019, albeit not all the rooms being available due to the ongoing refurbishing works. The available hotel rooms increased gradually during the 2019, with all the rooms becoming available by Q1 2020. For this reason, management was not able to provide data relating to occupancy, revenue per available room, and GOPAR for Pebbles Resort Limited for 2019.

#### Operational Performance

The following table sets out the highlights of the hotel's operating performance since its commencement of operations in 2019:

<b>Pebbles Resort</b>	<b>Dec-18<sup>3</sup></b>	<b>Dec-19</b>	<b>Dec-20</b>	<b>F2021</b>
	<b>€000s</b>	<b>€000s</b>	<b>€000s</b>	<b>€000s</b>
Revenue	n/a	1,395	836	963
Gross operating profit	n/a	221	7	47
Gross operating profit margin	n/a	15.8%	0.8%	4.9%
Occupancy level	n/a	n/a	17.4%	20.0%
Average daily rate (€)	n/a	n/a	57.2	57.4
Revenue per available room (Rev/PAR) (€)	n/a	n/a	3.6	4.2
Gross operating profit per available room (GOP/PAR)	n/a	n/a	n/a	0.2
Rooms	n/a	n/a	230	230

<sup>3</sup> Given that the Group did not operate the hotel during 2018, operational performance data for this period is not available

Average occupancy during 2020 concerning the Pebbles Resort operation was of 17.4%, with an ADR of circa €57. In view of the severe implications brought about by the pandemic, hotel occupancy during FY20 was lower than previously anticipated, thus resulting into an overall weaker financial performance when compared to previous expectations.

Management recently confirmed that moving into 2021, occupancy between January and early March 2021 was 11.3%, with an ADR of €52. As the pandemic-related challenges persisted, the Group decided to close down this hotel operation from late March to June 2021. Nevertheless, the Group is optimistic to achieve an improved financial performance during FY21, with an expected overall hotel occupancy at a 20% level.

## **1.5 COVID-19 Update**

The COVID-19 pandemic that impacted the world in 2020 and continues to impact it to this day, had severe repercussions on global economies. The tourism industry was particularly badly hit due to travel restrictions imposed by governments on the advice of health authorities. Even in the absence of government-imposed restrictions, travellers were nonetheless reluctant to travel during uncertain times and constantly changing travel restrictions, which ultimately resulted in a 75% decrease in the number of tourists visiting Malta in 2020 on a comparative basis.

As a Group, revenue is almost exclusively generated through its two hotel operations. In view of this, its financial performance was inevitably impacted by the COVID-19 pandemic and will continue to be impacted until the pandemic subsides, and the travel industry returns to its pre pandemic levels.

### **Assessment of COVID-19 situation, potential impact on the Group, reasonable assumptions to financial forecasts and necessary disclosures.**

Given that the negative consequences brought about by the COVID-19 pandemic on the Issuer are not yet fully known, management explained that the Group has evaluated the current situation closely and prepared a set of financial projections to assess the impact that the pandemic might have on the Group's overall financial performance. As a result, the Group preferred to utilise a prudent approach in terms of projections utilised for the purpose of this document.

As a result, management further explained that such projections are based on bookings in hand as of May 2021. Given that numerous countries are still experiencing outbreaks of COVID-19 infections, the Issuer has taken a very prudent estimate of tourist arrivals for the coming months.

It is worth highlighting, however, that as at the date of this Analysis, Malta has been added to the United Kingdom's green travel list. This is seen as a positive due to the fact that, on a historical basis, the strongest market in terms of the local tourism industry has been the United Kingdom.

Although it is hoped that the current vaccination drive in Malta and throughout Europe will help to keep any future waves of COVID-19 infections under control, the Issuer is also aware that new variants of concern may arise, which may be resistant to currently available vaccines and which may give rise to future waves. Therefore, the underlying assumption remains that the hotels will remain open for the remainder of the year, with the airport remaining open, albeit with limited number of travellers,

since there are still significant doubts surrounding the tourism industry for the coming months. As a basis for preparation of the projections for 2021, the Issuer used the 2020 tourist arrival figures. As in 2020, the Group is also targeting local tourism, to mitigate in part for the loss in income from tourists.

The Group's forecasts for FY21 capture the actual trading results for the 4-month period (1 January to 30 April 2021) and the financial projections for the remaining 8-month period (1 May to 31 December 2021).

### **Liquidity management**

Management explained that, during 2020, the Group's operating companies, namely Sea Pebbles Limited and Pebbles Resort Limited, have obtained bank loans to cover working capital requirements and shortfall in cash flow resulting from the adverse business conditions following the COVID-19 outbreak in Malta and overseas. These loans, which total to *circa* €2.2m, have been granted by a local bank under the terms of the COVID-19 guarantee scheme supported by the Malta Development Bank.

More specifically, this is made up of two separate facilities as follows:

- i. *Sea Pebbles Limited* - €589k, repayable within 3 years from date of initial drawdown, with a moratorium on capital and interest repayments of 18 months, at the rate of 2.85%, on which the company will benefit from an interest rate subsidy of 2.5% during the first two years.
- ii. *Pebbles Resort Limited* - €1.574m, repayable within 5 years from date of initial drawdown, with a moratorium on capital and interest repayments of 18 months, at the rate of 3.1%, on which the company will benefit from an interest rate subsidy of 2.5% during the first two years.

### **Cost mitigation**

The Group welcomed measures introduced by the Government of Malta to support wages of its staff as a positive assistance to reduce the largest expense, payroll, without which mass redundancies would have been inevitable.

In addition to the COVID-19 wage supplements, the Group also benefitted from electricity rebates. Management reported that this has enabled the Group to retain its key staff members. In terms of the St. Paul's Bay hotel operation, the company operated with only one section of the hotel during 2020 in order to keep running costs to a minimum. All other cost mitigation procedures adopted by the Group during the year have been explained in detail in section 1.4 of this Analysis.

Moreover, the Issuer and its subsidiaries are trying to keep operating expenditure at a minimum, while still providing the expected level of service and retaining key staff that will be necessary for the hotels to operate successfully once trading returns to more normal levels.

**Concluding remarks**

Following this assessment, the directors concluded that, although COVID-19 will continue impacting the Group in the current financial year, the Group has adequate resources to continue in operational existence for the foreseeable future. Management has also confirmed that the Issuer has the sufficient resources at its disposal to honour its existing bond interest payment obligations.

**1.6 Impact of increased monitor imposed by the Financial Action Task Force (FATF)**

At FATF plenary held between 21 June and 25 June 2021, it was decided that Malta should be put under increased monitoring. The financial projections in this document do not take into consideration any effect that this might have on operations. It is not immediately clear what effect, if any, this development will have on the operations and prospects of the Company. The Company will monitor and assess developments to be in the best position to take any action necessary to mitigate and counter any negative effects arising as a result of the FATF decision.

## Part 2 – Historical Performance and Forecasts

The financial information in sections 2.1 to 2.3 is extracted from the audited financial statements of the Guarantor for the financial years ended 31 December 2018, 2019 and 2020. The financial information in section 2.4 to 2.7 is extracted from the audited financial statements of Group 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. This financial information relates 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 Guarantor' Statement of Comprehensive Income

The Guarantor, Sea Pebbles Limited, carries out all or any of the business of hotel-keepers, hotel managers or operators, and to manage and operate one or more hotels and guest houses. The audited historical performance for the period ended 31 December 2018 to 31 December 2020, together with the financial forecast for the period ended 31 December 2021, are presented below.

Statement of Comprehensive Income	Dec-18 Audited €000s	Dec-19 Audited €000s	Dec-20 Audited €000s	Dec-21 Forecast €000s
Revenue	1,548	1,453	345	324
Cost of sales	(611)	(648)	(357)	(334)
<b>Gross profit</b>	<b>937</b>	<b>805</b>	<b>(12)</b>	<b>(10)</b>
Administrative expenses (excl. Depreciation)	(44)	(255)	(85)	(77)
Other operating income	62	69	48	56
<b>EBITDA</b>	<b>955</b>	<b>619</b>	<b>(49)</b>	<b>(31)</b>
Depreciation	(185)	(181)	(180)	(175)
<b>EBIT</b>	<b>770</b>	<b>438</b>	<b>(229)</b>	<b>(206)</b>
Profit on sale of property	358	(14)	-	-
Fair value gain on investment property	324	-	-	-
Finance costs	(130)	(119)	(129)	(130)
<b>Profit before tax</b>	<b>1,322</b>	<b>305</b>	<b>(358)</b>	<b>(336)</b>
Income tax	(270)	(142)	81	73
<b>Profit after tax</b>	<b>1,052</b>	<b>163</b>	<b>(277)</b>	<b>(263)</b>
Other comprehensive income				
Revaluation of property	3,349	-	-	-
<b>Total comprehensive income</b>	<b>4,401</b>	<b>163</b>	<b>(277)</b>	<b>(263)</b>

Ratio Analysis	Dec-18	Dec-19	Dec-20	Dec-21
Growth in Revenue (YoY Revenue Growth)	12.8%	-6.1%	-76.3%	-6.1%
Gross Profit Margin (Gross Profit / Revenue)	60.5%	55.4%	-3.5%	-3.1%
EBITDA Margin (EBITDA / Revenue)	61.7%	42.6%	-14.2%	-9.6%
Net Margin (Profit for the year / Revenue)	68.0%	11.2%	-80.3%	-81.2%

The Guarantor generates revenue from room rentals generated from the Pebbles Boutique Aparthotel in Sliema. As per latest FY20 results, the Guarantor generated *circa* €0.3m in revenue, representing a decrease of 76.3% when compared to FY19.



The significant decrease in revenue is solely attributable to the travel restrictions imposed by the global health authorities due to the COVID-19 pandemic which resulted into a significant drop in the number of tourists visiting Malta during the year. In view of the fact that the implications brought about by the pandemic on the tourism industry in general are expected to persist throughout the remaining months of 2021, the Guarantor is projecting a further decline in revenue of 6.1% with revenue expected to amount to €0.3m during the year.

A detailed assessment of the assumptions adopted in formulating the FY21 projections as well as the expected occupancy relating to Pebbles Boutique Aparthotel for 2021, are clearly set out in section 1.4.3 and 1.5 of this Analysis.

Cost of sales mainly represent booking fees paid to the third party online booking portals like “booking.com”, and the day-to-day operating costs such as salaries and wages, water and electricity expenses, and repairs and maintenance expenses. The FY20 results illustrate a drop in cost of sales of 44.9% which is mainly attributable to the aforementioned decline in revenue, as well as the cost mitigation procedures implemented by the Guarantor during the period. Cost of sales during FY21 are expected to decline lower to €0.3m.

As expected, administrative expenses declined by 66.7% during FY20 and amounted to €85k. These relate to fixed costs that are not affected by changes in revenue, such as management fees from the parent company, professional, audit and accounting fees, insurance and licences and permits fees. In view of the Group’s overall vision to keep operating expenditure at a minimum, the Guarantor’s administrative expenses are expected to decline lower to €77k during FY21.

Other income represents rental income generated by the Guarantor from its properties at ground floor level that are rented out to two restaurants namely, TexMex and MedAsia. As per management, rental income declined to €48k during FY20 due to a period of closure of restaurants, during which rental income was waived. This is expected to increase to €56k during FY21 as no rent concession was given by the Guarantor to these two tenants during the second period of restaurant closure during 2021.

As a result of the above, both the Guarantor’s gross profit margin and EBITDA margin declined to negative 3.5% and to negative 14.2% respectively during FY20. In view of the pandemic related challenges, these are expected to remain in negative territory during FY21.

The Guarantor’s depreciation charge for FY21 is anticipated to remain at the same level of the previous year (€0.2m). Likewise, the Guarantor’s finance costs are expected to remain unchanged at *circa* €0.1m for FY21. Given that the Guarantor generated a loss before tax of *circa* €0.4m in FY20, the Guarantor generated *circa* €0.1m in tax income. This is expected to remain at this level during FY21.

## 2.2 Guarantor' Statement of Financial Position

Statement of Financial Position	Dec-18 Audited	Dec-19 Audited	Dec-20 Audited	Dec-21 Forecast
	€000s	€000s	€000s	€000s
<b>Assets</b>				
<b>Non-current assets</b>				
Property, plant and equipment	19,905	22,035	22,150	21,994
Investment property	3,811	5,974	6,004	6,004
Right-of-use-assets	-	24	20	17
Other financial assets at amortised cost	-	-	632	367
	<b>23,716</b>	<b>28,033</b>	<b>28,806</b>	<b>28,382</b>
<b>Current assets</b>				
Trade and other receivables	1,051	1,189	88	78
Other financial assets at amortised cost	-	-	265	265
Cash and cash equivalents	9	527	69	118
	<b>1,060</b>	<b>1,716</b>	<b>422</b>	<b>461</b>
<b>Total assets</b>	<b>24,776</b>	<b>29,749</b>	<b>29,228</b>	<b>28,843</b>
<b>Equity and liabilities</b>				
<b>Capital and reserves</b>				
Share capital	466	4,216	4,216	4,216
Revaluation reserve	14,800	14,800	14,800	14,800
Other reserves	2,938	3,992	3,888	3,780
Retained earnings	890	787	206	51
<b>Total equity</b>	<b>19,094</b>	<b>23,795</b>	<b>23,110</b>	<b>22,847</b>
<b>Non-current liabilities</b>				
Long-term borrowings	-	2,535 <sup>4</sup>	2,824	3,078
Deferred taxation	2,441	2,494	2,413	2,340
Lease liabilities	-	21 <sup>3</sup>	17	15
	<b>2,441</b>	<b>5,050</b>	<b>5,254</b>	<b>5,433</b>
<b>Current liabilities</b>				
Short-term borrowings	2,754	337	509	299
Trade and other payables	88	341	179	112
Current tax payable	399	226	173	149
Lease liabilities	-	-	3	3
	<b>3,241</b>	<b>904</b>	<b>864</b>	<b>563</b>
<b>Total liabilities</b>	<b>5,682</b>	<b>5,954</b>	<b>6,118</b>	<b>5,996</b>
<b>Total equity and liabilities</b>	<b>24,776</b>	<b>29,749</b>	<b>29,228</b>	<b>28,843</b>

Non-current assets, which mainly comprise property, plant and equipment and investment property, account for 96.3% of the Guarantor's total assets during FY20. Of note, the majority of the Guarantor's property, plant and equipment is composed of land and buildings. The Guarantor's non-current assets are anticipated to remain relatively unchanged and are expected to amount to €28m during FY21.

Current assets only consisted of 1.4% of the Guarantor's total assets. Apart from cash and cash equivalents, current assets are also composed of trade and other receivables and other financial assets. Trade and other receivables mainly relate to trade receivables and unamortised bond issue

<sup>4</sup> Changed from the 2020 Financial Analysis Summary due to reclassification of long-term borrowings and lease liabilities.

costs which during FY20 declined to *circa* €0.1m. Moreover, other financial assets reflect amounts due by a commonly controlled entity outside the Group which is expected to repay €0.3m of its balance in FY21 and an equal amount in FY22.

Total equity tapered down to €23.1m during FY20 mainly as a result of the loss experienced during the year, which ultimately impacted the Guarantor's retained earnings. Total equity is projected to amount to €22.8m during FY21.

Non-current liabilities, which is comprised of long-term borrowings, deferred taxation and lease liabilities, account for 85.9% of the Guarantor's total liabilities as at FY20. It is key to note that the company's long-term borrowings are predominantly composed of a loan from the Guarantor's parent company. This loan is unsecured, interest-free and repayable upon demand. Non-current liabilities during FY21 are expected to increase by 3.4% to €5.4m during FY21.

In addition, current liabilities as per FY20 results, represented 14.1% of the Guarantor's total liabilities. Current liabilities comprise trade and other payables, current tax liability and short-term borrowings. Total liabilities are expected to remain fairly stable in FY21 at €6m (FY20: €6.1m).

### 2.3 Guarantor' Statement of Cash Flows

Statement of Cash Flows	Dec-18 Audited €000s	Dec-19 Audited €000s	Dec-20 Audited €000s	Dec-21 Forecast €000s
<b>Cash flows from operating activities</b>				
EBITDA	955	619	(49)	(31)
Recharge of surrendered losses from group companies	-	(89)	-	-
Interest and Tax paid	(145)	(289)	(182)	(145)
Change in trade and other receivables	(713)	(70)	308	4
Change in trade and other payables	363	76	(151)	(2)
<b>Net cash flows generated from/ (used in) operating activities</b>	<b>460</b>	<b>247</b>	<b>(74)</b>	<b>(174)</b>
<b>Cash flows from investing activities</b>				
Capex	(268)	(5,188)	(321)	(16)
Proceeds from the sale of property, plant and equipment	580	700	-	-
<b>Net cash flows generated from/(used in) investing activities</b>	<b>312</b>	<b>(4,488)</b>	<b>(321)</b>	<b>(16)</b>
<b>Cash flows from financing activities</b>				
Movement in related party loan	-	3,690	-	-
Movement in bank loan	(280)	(2,162)	287	302
Movement in other borrowings	-	(3)	(3)	(2)
Issue of share capital	-	3,650	-	-
Dividend paid	(600)	(334)	(408)	-
<b>Net cash flows generated from/ (used in) financing activities</b>	<b>(880)</b>	<b>4,841</b>	<b>(124)</b>	<b>300</b>
<b>Movement in cash and cash equivalents</b>	<b>(108)</b>	<b>600</b>	<b>(519)</b>	<b>110</b>
Cash and cash equivalents at start of year	35	(73)	527	8
<b>Cash and cash equivalents at end of year</b>	<b>(73)</b>	<b>527</b>	<b>8<sup>5</sup></b>	<b>118</b>

<sup>5</sup> The difference from this reported end of cash balance in relation cash and cash equivalents reported in the statement of financial position as at FY20 relates to a bank overdraft of the Guarantor amounting to €61k

In view of the pandemic-related challenges, which ultimately led to an overall decline in EBITDA during FY20, the Guarantor reported a net cash outflow from operating activities of *circa* €0.1m. As the implications brought about by the pandemic are expected to persist during the current year, the Guarantor is anticipating a net cash used in operating activities of €0.2m during FY21.

As previously anticipated, the Guarantor had minimal investing activities during FY20 with total net cash flows used in investing activities amounting to €0.3m. In view of the Group's decision to maintain only essential and necessary capex during the pandemic, minimal investing activities are projected for FY21.

Following movement in the Guarantor's bank borrowings and dividend payments, the Guarantor reported a net cash flow used in financing activities of €0.1m in FY20. This is expected to amount to €0.3m during FY21.

## 2.4 Group's Income Statement

Income Statement	Dec-18 Audited	Dec-19 Audited	Dec-20 Audited	Dec-21 Forecast
	€000s	€000s	€000s	€000s
Revenue	1,548	2,849	1,181	1,286
Cost of sales	(611)	(1,918)	(1,195)	(1,283)
<b>Gross profit</b>	<b>937</b>	<b>931</b>	<b>(14)</b>	<b>3</b>
Administrative expenses (excl. Depreciation)	(44)	(202)	(164)	(127)
Other operating income	62	106	283	321
Third party loan waiver	-	-	-	-
<b>EBITDA</b>	<b>955</b>	<b>835</b>	<b>105</b>	<b>197</b>
Depreciation	(185)	(789)	(1,538)	(1,454)
<b>EBIT</b>	<b>770</b>	<b>46</b>	<b>(1,433)</b>	<b>(1,257)</b>
Fair value gain on investment property	324	-	-	-
Profit/ (Loss) on sale of property, plant & equipment	358	(14)	-	-
Finance costs	(130)	(607)	(853)	(851)
Modification gain on financial liabilities	-	-	178	89
<b>Profit before tax</b>	<b>1,322</b>	<b>(575)</b>	<b>(2,108)</b>	<b>(2,019)</b>
Tax credit / (expense)	(270)	188	650	698
<b>Profit after tax</b>	<b>1,052</b>	<b>(387)</b>	<b>(1,458)</b>	<b>(1,321)</b>

Ratio Analysis <sup>6</sup>	Dec-18 Audited	Dec-19 Audited	Dec-20 Audited	Dec-21 Forecast
<b>Profitability</b>				
Growth in Revenue (YoY Revenue Growth)	12.8%	84.0%	-58.5%	8.9%
Gross Profit Margin (Gross Profit/ Revenue)	60.5%	32.7%	-1.2%	0.2%
EBITDA Margin (EBITDA / Revenue)	61.7%	29.3%	8.9%	15.3%
Operating (EBIT) Margin (EBIT / Revenue)	49.7%	1.6%	-121.3%	-97.7%
Net Margin (Profit for the year / Revenue)	68.0%	-13.6%	-123.5%	-102.7%
Return on Common Equity (Net Income / Average Equity)	6.0%	-2.0%	-8.1%	-8.0%
Return on Assets (Net Income / Average Assets)	4.2%	-1.2%	-3.6%	-3.3%

During FY20, the Group reported €1.2m in revenues, illustrating a significant decrease of 58.5% over FY19. As revenue is predominantly generated through its two hotel operations, namely Pebbles Boutique Aparthotel and Pebbles Resort, the financial performance of the Group was inevitably

<sup>6</sup> Ratio analysis may not agree to prior FASs, due to a change in the calculation methodology or rounding of figures

impacted by the pandemic and is expected to continue to be impacted until the pandemic subsides, and the travel industry returns to its pre-pandemic levels.

Moving forward, close monitoring is imperative, namely in relation to specific pandemic-related events. The possible roll-out vaccine disruptions, and possibly the unprecedented new COVID-19 variants, might continue to condition the economic recovery path, and ultimately hinder the tourism industry's outlook.

Although recent developments, namely the successful vaccine roll-out programme and the improved testing procedures in Malta possibly illustrate positive signs of a return to normality, management opted to utilise a prudent approach in formulating the FY21 projections. In addition, based on the challenges faced during FY20, the Group factored in all possible pandemic-related headwinds that might continue hindering the Group's financial performance during the year.

Upon taking the above-mentioned factors into consideration, the Group is anticipating to generate *circa* €1.3m in revenues during FY21, illustrating an overall improvement of 8.9% over 2020. A detailed overview concerning the assumptions adopted in formulating the 2021 assumptions as well as the anticipated occupancy relating to the Group's two operating hotels, is clearly set out in section 1.4 and section 1.5 of this Analysis.

As per direction provided by management, cost of sales and administrative expenses need to be analysed together, as previous forecasts included several items of expenditure under administrative expenses which were classified as cost of sales in the Group's results as from FY19. These collectively amounted to €1.35m during FY20 (FY19: €2.1m) and primarily include direct costs, wages and salaries, directors' remuneration, utility expenses, and repairs and maintenance costs.

As in the case of the Guarantor, the drop in cost of goods sold and administrative expenses experienced by the Group during FY20 is predominantly related to above-mentioned decline in revenue and cost mitigation procedures implemented by the Group during the year, which are still ongoing.

As noted in prior sections of this Analysis, Pebbles Resort closed down its operations from March to June 2020, while Pebbles Boutique Aparthotel operated at very low occupancy levels, thus contributing towards this sharp decline in operating expenditure. To note that the Group benefitted from rental repayment waivers from a third party in relation to the Pebbles Resort property.

The Group's operating expenditure is expected to increase to €1.4m during FY21. This is deemed to be in line with the higher level of revenue anticipated to be generated by the Group during the same year.

Other operating income generated during FY20 amounted to *circa* €238k (FY19: €106k). This improvement mainly relates to a full year of rental income generated from two retail outlets, and also from restaurants and a bar situated within Pebbles Resort Hotel that are currently being rented out to a related party. The Group is expecting other income to increase to €321k.

Upon taking the above factors into consideration, the Group reported an EBITDA figure of €0.1m for FY20. Management anticipates EBITDA to improve to €0.2m during FY21.

The increase in depreciation charge incurred by the Group during FY20 is attributable to the fact that a whole year of depreciation was charged at Pebbles Resort Limited. Total depreciation charge is expected to remain at the €1.5m level during FY21.

Higher finance costs amounting to *circa* €0.9m were incurred by the Group during the period. These are expected remain relatively unchanged in FY21.

In view of the implications brought about by the pandemic, the Group reported a loss before tax of €2.1m, resulting in the Group benefiting from a tax credit amounting to *circa* €0.7m during the year. Loss after tax is projected to amount lower at €1.3m during FY21.

## 2.5 Group's Variance Analysis

Statement of Comprehensive Income	Dec-20 Forecast	Dec-20 Audited	Variance
	€'000s	€'000s	€'000s
Revenue	1,212	1,181	(31)
Cost of sales	(1,233)	(1,195)	38
<b>Gross profit</b>	<b>(21)</b>	<b>(14)</b>	<b>7</b>
Administrative expenses (excl. Depreciation)	(176)	(164)	12
Other operating income	128	283	155
Third party loan waiver	144	-	(144)
<b>EBITDA</b>	<b>75</b>	<b>105</b>	<b>30</b>
Depreciation	(1,426)	(1,538)	(112)
<b>EBIT</b>	<b>(1,351)</b>	<b>(1,433)</b>	<b>(82)</b>
Fair value gain on investment property	-	-	-
(Loss)/ Profit on sale of property, plant & equipment	-	-	-
Finance costs	(807)	(853)	(46)
Modification gain on financial liabilities	-	178	178
<b>Profit before tax</b>	<b>(2,158)</b>	<b>(2,108)</b>	<b>50</b>
Tax credit / (expense)	770	650	(120)
<b>Profit after tax</b>	<b>(1,388)</b>	<b>(1,458)</b>	<b>(70)</b>

Actual revenue and cost of sales for FY20 were relatively in line with previous projections. Given that the decline in cost of sales surpassed the drop in revenue, the Group reported an improved gross profit when compared to expectations.

The marginal variance in administrative expenses is attributable to the reclassification of bond issue expenses from administrative expenses to finance costs. Management reported that, when compared to previous expectations, the Group incurred higher level of management expenses and insurance/accountancy related fees during FY20.

The other operating income variance includes rent concession of €133k, which were declared as income under the revised rules of *IFRS16 - Leases* for COVID-19 related rent concessions. The other difference is made up of higher income from rental of restaurants for the period July to December 2020, as several restaurants which were expected to be closed throughout 2020 were reopened.

The main difference in depreciation variance relates to higher property, plant and equipment additions when compared to previous expectations, which in turn resulted in a higher depreciation charge for the year.

As explained above, the finance costs variance relates to a reclassification of bond issue expenses from administrative expenses to finance costs. The remaining difference relates to a higher lease finance charges incurred during the year when compared to previous expectations.

The modification gain on financial liabilities relates to a waiver of third party loan repayment.

## 2.6 Group's Balance Sheet

Balance Sheet	Dec-18 Audited	Dec-19 Audited	Dec-20 Audited	Dec-21 Forecast
	€000s	€000s	€000s	€000s
<b>Assets</b>				
<b>Non-current assets</b>				
Property, plant and equipment	19,905	28,092	28,016	27,158
Right-of-use assets	-	5,162	4,650	4,091
Investment property	3,811	5,974	6,004	6,004
Other financial assets at amortised cost	1,009	1,082	632	367
Deferred tax asset	-	-	457	1,075
<b>Total non-current assets</b>	<b>24,725</b>	<b>40,310</b>	<b>39,759</b>	<b>38,695</b>
<b>Current assets</b>				
Trade and other receivables	43	398	460	367
Current income tax asset	-	112	201	89
Cash and cash equivalents	12	624	116	140
<b>Total current assets</b>	<b>55</b>	<b>1,134</b>	<b>777</b>	<b>596</b>
<b>Total assets</b>	<b>24,780</b>	<b>41,444</b>	<b>40,536</b>	<b>39,291</b>
<b>Equity and liabilities</b>				
<b>Capital and reserves</b>				
Share capital	250	250	250	250
Share premium	17,750	17,750	17,750	17,750
Revaluation reserve	14,800	14,800	14,800	14,800
Fair value gain reserve	2,938	2,938	2,938	2,938
Other reserve	(17,532)	(17,532)	(17,532)	(17,532)
Retained earnings	890	503	(956)	(2,277)
<b>Total equity</b>	<b>19,096</b>	<b>18,709</b>	<b>17,250</b>	<b>15,929</b>
<b>Non-current liabilities</b>				
Borrowings	-	13,005	14,012	13,949
Lease liability long term	-	5,072	4,948	4,714
Deferred tax liability	2,441	2,365	2,262	2,180
<b>Total non-current liabilities</b>	<b>2,441</b>	<b>20,442</b>	<b>21,222</b>	<b>20,843</b>
<b>Current liabilities</b>				
Trade and other payables	88	1,448	856	682
Current income tax liability	399	226	173	149
Borrowings	2,754	400	793	1,446
Lease liability	-	219	242	242
<b>Total current liabilities</b>	<b>3,241</b>	<b>2,293</b>	<b>2,064</b>	<b>2,519</b>
<b>Total liabilities</b>	<b>5,682</b>	<b>22,735</b>	<b>23,286</b>	<b>23,362</b>
<b>Total equity and liabilities</b>	<b>24,778</b>	<b>41,444</b>	<b>40,536</b>	<b>39,291</b>

Ratio Analysis <sup>7</sup>	Dec-18 Audited	Dec-19 Audited	Dec-20 Audited	Dec-21 Forecast
<b>Financial Strength</b>				
Gearing 1 (Net Debt / Net Debt and Total Equity)	12.6%	49.1%	53.5%	55.9%
Gearing 2 (Total Liabilities / Total Assets)	22.9%	54.9%	57.4%	59.5%
Gearing 3 (Net Debt / Total Equity)	14.4%	96.6%	115.2%	126.9%
Net Debt / EBITDA	2.9x	21.6x	189.3x	102.6x
Current Ratio (Current Assets / Current Liabilities)	n/a	0.5x	0.4x	0.2x
Interest Coverage level 1 (EBITDA / Cash interest paid)	7.3x	3.1x	0.1x	0.2x
Interest Coverage level 2 (EBITDA / finance costs)	7.3x	1.4x	0.1x	0.2x

Non-current assets, which mostly comprise of property, plant and equipment, investment property and right-of-use-assets, account for 95.4% of the Group total assets for FY20. Non-current assets are also composed of other financial assets amortised at cost and deferred tax assets. The inclusion of deferred tax assets under non-current assets in FY20 is mainly attributable to deferred taxes recognised in connection to tax losses incurred by the Group subsidiaries. Although the FY20 results are relatively in line with previous expectations, the decline in other financial assets during the year, is attributable to a reclassification adjustment to current assets, mainly as this payment is expected to be settled during FY21. The Group's non-current assets are anticipated to amount to €38.7m during FY21.

In addition, the Group's current assets only consisted of 1.9% of total assets during FY20. Apart from cash and cash equivalents, current assets also includes trade and other receivables and current income tax assets. The primary reason as to why the FY20 trade and other receivables is higher when compared to previous expectations is mainly as a result of the aforementioned reclassification. Current assets are projected to amount to €0.6m during FY21.

Non-current liabilities, which are mainly composed of long-term borrowings, long-term lease liabilities and deferred tax liabilities, account for 91.1% of the Group's total liabilities. As further explained in section 1.5 of this Analysis, the increase in total borrowings during FY20 is mainly attributable to the bank loans obtained by the Group during the pandemic. Non-current liabilities during FY21 are expected to amount to €20.8m.

Current liabilities comprise of trade and other payables, current income tax liability, short-term borrowings and short-term lease liabilities. While the FY20 results are in line with previous expectations, the Group's current liabilities are expected to amount higher at €2.5m during FY21, mainly as a result of the expected complete drawdown of the Group's existing bank loan facility.

Meanwhile, total equity is expected to decline to €15.9m as a result of the loss expected to be incurred by the Group during FY21.

<sup>7</sup> Ratio analysis may not agree to prior FASs, due to a change in the calculation methodology or rounding of figures



## 2.7 Group's Statement of Cash Flows

Cash Flows	Dec-18 Audited	Dec-19 Audited	Dec-20 Audited	Dec-21 Forecast
	€000s	€000s	€000s	€000s
<b>Cash flows from operating activities</b>				
EBITDA	955	835	105	197
Interest paid	(130)	(266)	(822)	(819)
Tax paid/refunded	(15)	(173)	(53)	88
Provision for doubtful debts	-	7	7	-
Rental concession	-	-	(133)	(133)
Change in trade and other receivables	(712)	(436)	382	307
Change in trade and other payables	363	1,040	(593)	(124)
<b>Net cash flows generated from/ (used in) operating activities</b>	<b>461</b>	<b>1,007</b>	<b>(1,107)</b>	<b>(484)</b>
<b>Cash flows from investing activities</b>				
Investment Capex	(268)	(11,579)	(852)	(38)
Proceeds from sale of property, plant and equipment	580	700	-	-
Net dividends received	-	-	-	-
Investment in preference shares of subsidiary	-	-	-	-
<b>Net cash flows generated from/(used in) investing activities</b>	<b>312</b>	<b>(10,879)</b>	<b>(852)</b>	<b>(38)</b>
<b>Cash flows from financing activities</b>				
Movement in bank loans	(280)	(2,162)	1,579	584
Dividends paid	(600)	-	-	-
Cash issue of shares	1	-	-	-
Third party borrowings	-	1,700	(233)	(178)
Bond proceeds	-	12,000	-	-
Bond issue costs	-	(316)	-	-
Lease liability payments	-	(146)	(95)	(100)
Movement in directors' balances	-	(510)	-	-
<b>Net cash flows generated from/(used in) financing activities</b>	<b>(879)</b>	<b>10,566</b>	<b>1,251</b>	<b>306</b>
<b>Movement in cash and cash equivalents</b>	<b>(106)</b>	<b>694</b>	<b>(708)</b>	<b>(216)</b>
Cash and cash equivalents at start of year	35	(71)	623	(85)
<b>Cash and cash equivalents at end of year</b>	<b>(71)</b>	<b>623</b>	<b>(85)</b>	<b>(301)</b>

Ratio Analysis <sup>8</sup>	Dec-18 Audited	Dec-19 Audited	Dec-20 Audited	Dec-21 Forecast
<b>Cash Flow</b>				
Free Cash Flow to the firm (Net cash from operations + interest - Capex)	€323	€(10,306)	€(1,137)	€297

In view of the pandemic-related challenges experienced during FY20, the Group reported a lower EBITDA during the year, which ultimately resulted in a net cash flow used in operating activities of *circa* €1m. In line with the anticipated EBITDA improvement during FY21, as well as favourable movement in working capital, the Group is projecting net cash flows used in operating activities to amount to €0.5m.

As in the case of the Guarantor, in view of the Group's decision to maintain only essential and necessary capex during the pandemic, minimal investing activities were recorded during FY20.

<sup>8</sup> Ratio analysis may not agree to prior FASs, due to a change in the calculation methodology or rounding of figures

Nevertheless, these amounted higher when compared to previous expectations, mainly due to the continued refurbishment of Pebbles Resort Hotel. Net cash flows used in investing activities are expected to amount to €38k during FY21.

The Group reported a net cash flow generated from investing activities of €1.3m. These mainly comprise movement in bank loans of *circa* €1.6m, which were taken by the Group to combat the implications brought about by the pandemic and third party borrowings and lease liability payments. These are expected to amount lower to €0.3m during FY21.

## Part 3 – Key Market and Competitor Data

### 3.1 General Market Conditions<sup>9</sup>

In May 2021, business conditions were generally 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 sector, which stood marginally negative. Overall economic sentiment edged down in May, but remained above its long-term average.

In April 2021, 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.

### 3.2 Economic Projections<sup>10</sup>

The pandemic situation has evolved considerably during 2021. Following a sharp increase in active cases during the first two months of the year, a number of containment measures were re-introduced in March and April, such as school closures and the shutdown of non-essential shops and services. These measures were then gradually eased following a subsequent decline in active cases.

At the same time, the pace of vaccination has been remarkable, with more than 70% of the adult population receiving at least one jab of the vaccine, which was better than envisaged in February. Indeed, while herd immunity was initially expected to be attained towards the end of summer, this was achieved a month ahead of its start. In addition, fiscal support to the private sector was extended.

Hence, the Central Bank of Malta (CBM) estimates that the downward impact on activity emanating from higher stringency during the first half of 2021 will be compensated by the enhanced fiscal response and the impact on confidence of the rapid pace of vaccination.

The level of gross domestic product (GDP) in 2021 is expected to recover somewhat from last year's contraction but is to remain below the 2019 level. It is expected to then reach and exceed 2019 levels in 2022. Containment measures and uncertainty are expected to have negatively affected the supply-side of the economy. In particular, the Maltese economy attracted a smaller net inflow of foreign workers in 2020, average hours worked dropped, investment was postponed and capacity utilisation declined. As a result, potential output growth is estimated to have slowed down from 6.2% in 2019 to 0.9% in 2020.

Potential output growth is expected to pick up to 1.9% in 2021, reflecting an improvement in capacity utilisation, as well as a recovery in investment. It is projected to increase further in 2022 and 2023,

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<sup>9</sup> Central Bank of Malta – Economic Update: Issue 6/2021

<sup>10</sup> Central Bank of Malta – Economic Projections 2020-2023 – 2021:2

mainly reflecting a recovery in productivity and a return of net migration flows more similar to those seen in the pre-pandemic period. Despite the projected recovery in GDP, the economy is expected to continue operating below its potential. Indeed, while the output gap is expected to narrow over the projection horizon, it remains negative throughout, partly reflecting the expectation that the tourism sector will continue to operate below capacity for an extended period.

GDP is set to grow by 4.9% in 2021, 5.4% in 2022, and 4.7% in 2023. These estimates are mainly attributed to a weaker first half due to higher containment measures, which the CBM expects to be broadly offset by a stronger second half due to the very strong pace of vaccination, as well as the enhanced fiscal response.

Due to the pandemic-related challenges, private sector firms' investment plans were mostly postponed last year. As uncertainty begins to recede and the economy begins to recover in 2021, investment is expected to bounce back. Furthermore, the EU Budget as well as Next Generation EU (NGEU) funds will provide a substantial boost to government investment during the next three years.

Exports are set to recover somewhat this year from the sharp decline in 2020, but levels will remain relatively low due to the partial recovery in foreign demand and tourism. The recovery in exports is expected to continue in 2022 and 2023, as travel disruptions ease and travellers respond favourably to the high vaccination rate in Malta, although travel exports are not expected to reach 2019 levels until the end of the projection horizon.

With regards to imports, these are set to increase in 2021, reflecting higher domestic demand as well as positive developments in goods exports. Imports are then set to grow further over the rest of the projection horizon, reflecting the expected recovery in final demand.

The unemployment rate is projected to decline marginally to 4.2% this year, from 4.3% last year. It is then expected to remain stable throughout the rest of the projection horizon.

In terms of consumer prices, annual inflation based on the Harmonised Index of Consumer Prices (HICP) is projected to decelerate in 2021, largely reflecting technical factors, mostly related to the computation of the index. In particular, households' consumption basket changed considerably in 2020 as a result of the pandemic, which brought about a large change in the weights of certain subcomponents of the index in 2021.

In 2021, HICP inflation is projected to stand at 0.3%, down from 0.8% in 2020. Thereafter, inflation is expected to pick up, reaching 1.3% in 2022 and 1.6% in 2023.

## ▪ **Tourism**<sup>11</sup>

The Maltese tourism industry has been progressively growing in recent years, benefiting from a surge in tourism with records broken year-on-year. Indeed, the tourism industry is considered to be an important contributor to the Maltese economy as, directly and indirectly, it is estimated to account for 29%<sup>12</sup> of Malta's GDP and 33,180 jobs, or 14.9% of total employment in 2018<sup>13</sup>.

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<sup>11</sup> Inbound Tourism December 2019 and March 2020 (NSO) and European Tourism – Trends & Prospects Q1/2020

<sup>12</sup> National Tourism Policy 2015-2020

<sup>13</sup> OCED Tourism Trends and Policies 2020

This trend is summarised in the below table, illustrating the number of tourist arrivals over the last three years:

	2018	2019	2020	Change 2020/19
<b>Inbound tourists</b>	2,598,690	2,753,239	658,567	-76.1%
<b>Tourist guest nights</b>	18,569,716	19,338,860	5,227,229	-73.0%
<b>Average length of stay</b>	7.1	7.0	7.9	12.9%
<b>Tourist expenditure (€'000s)</b>	2,101,765	2,220,627	455,108	-79.5%
<b>Tourist expenditure per capita (€)</b>	809	807	691	-14.4%

Unfortunately, the tourism sector both locally and internationally, has been severely impacted by the outbreak of the COVID-19 pandemic. As from early March 2020, Malta started to introduce several confinement measures, with the eventual suspension of all passenger flights as from 21 March 2020. Malta international airport was reopened on 1 July and demand for travel started picking up, however this was short-lived, as after the summer of 2020 several EU countries started to battle the second wave of COVID-19 cases, which resulted in the reintroduction of several confinement measures. The unprecedented impact of the pandemic on the local tourism industry is demonstrated by the data above, where during 2020 local inbound tourists fell by 76.1%. Similarly, the industry experienced a decrease of 73.0% in tourist guest nights, with total tourist expenditure plummeting by 79.5% when compared with 2019.

At a European level, international tourist arrivals to Europe dropped 70% in 2020 over 2019. The pandemic now holds a 58% share of international tourist arrivals worldwide, with Asia Pacific remaining closed to tourism. In early 2021, travel restrictions have been tightened further and lockdowns re-introduced across Europe as destinations suffer a third wave of infections.

For the time being, there is no concrete end in sight of the COVID-19 pandemic as cases rise worldwide and multiple variants of the virus emerge. Nevertheless, the roll-out of vaccines, despite distribution challenges, has provided some grounds for optimism for 2021 projections and, together with improved testing regimes, is expected to stimulate consumer confidence and hasten the easing of movement restrictions. Notwithstanding the positive developments from the vaccine front, a return to typical inter-national travel demand patterns will be gradual and apparent towards the second half of 2021, with 2019 levels are expected to possibly be fully reached by 2023. In view of this, HVS14 report predicts that the European hotel sector is expected to re-establish its RevPAR 2019 performance by 2024.

<sup>14</sup> HVS: The Impact of COVID-19 on the European Hotel Sector

### 3.3 Comparative Analysis

The purpose of the table below is to compare the bond of the Group to other debt instruments. 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.

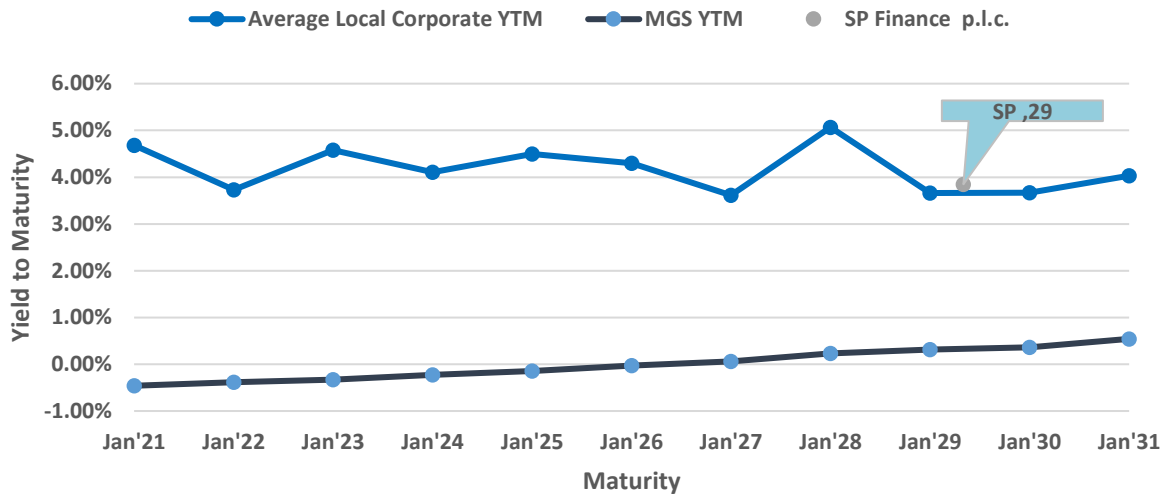
Security	Nom Value	Yield to Maturity	Interest coverage (EBITDA)	Total Assets	Total Equity	Total Liabilities / Total Assets	Net Debt / Net Debt and Total Equity	Net Debt / EBITDA	Current Ratio	Return on Common Equity	Net Margin	Revenue Growth (YoY)	Last Closing Price *
	€000's	(%)	(times)	(€'millions)	(€'millions)	(%)	(%)	(times)	(times)	(%)	(%)	(%)	
5.8% International Hotel Investments plc 2021	20,000	5.63%	(.2)x	1,544.1	773.2	49.9%	42.1%	(149.9)x	0.9x	-9.1%	-82.3%	-65.7%	100.00
5.8% International Hotel Investments plc 2023	10,000	5.10%	(.2)x	1,544.1	773.2	49.9%	42.1%	(149.9)x	0.9x	-9.1%	-82.3%	-65.7%	101.50
6% AX Investments Plc € 2024	40,000	4.34%	0.8x	348.7	217.4	37.6%	25.5%	28.3x	0.8x	-3.5%	-27.5%	-44.7%	104.10
4.4% Von der Heyden Group Finance plc Unsecured € 2024	25,000	4.35%	1.1x	135.0	41.0	69.6%	58.0%	27.2x	2.1x	-4.1%	-7.4%	-9.2%	100.10
6% International Hotel Investments plc € 2024	35,000	5.23%	(.2)x	1,544.1	773.2	49.9%	42.1%	(149.9)x	0.9x	-9.1%	-82.3%	-65.7%	102.00
5.75% International Hotel Investments plc Unsecured € 2025	45,000	4.95%	(.2)x	1,544.1	773.2	49.9%	42.1%	(149.9)x	0.9x	-9.1%	-82.3%	-65.7%	102.75
4.5% Hili Properties plc Unsecured € 2025	37,000	3.85%	1.6x	149.6	62.7	58.1%	54.9%	14.6x	0.5x	6.8%	52.9%	-11.5%	102.50
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%	102.00
4% International Hotel Investments plc Unsecured € 2026	60,000	3.67%	(.2)x	1,544.1	773.2	49.9%	42.1%	(149.9)x	0.9x	-9.1%	-82.3%	-65.7%	101.60
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%	105.00
3.75% Mercury Projects Finance plc Secured € 2027	11,500	3.55%	34.1x	69.4	24.3	65.0%	57.1%	1.1x	0.9x	210.3%	125.6%	119.2%	101.00
4.35% SD Finance plc Unsecured € 2027	65,000	4.05%	6.8x	324.4	137.6	57.6%	43.3%	4.1x	1.4x	9.0%	20.5%	5.7%	101.50
3.75% Tumas Investments plc Unsecured € 2027 (xd)	25,000	3.36%	7.2x	229.6	137.5	40.1%	17.6%	1.6x	4.5x	8.3%	32.6%	-42.5%	102.10
4% Stivala Group Finance plc Secured € 2027	45,000	3.55%	2.6x	354.1	231.4	34.6%	26.5%	11.5x	5.0x	11.7%	229.8%	-46.9%	102.50
3.85% Hili Finance Company plc Unsecured € 2028	40,000	3.85%	4.1x	628.9	110.1	82.5%	77.1%	5.7x	1.2x	20.5%	4.6%	0.0%	100.01
4% SP Finance plc Secured EUR Bonds 2029	12,000	3.85%	0.2x	40.5	17.3	57.4%	53.5%	189.3x	0.4x	-8.1%	-123.5%	-58.5%	101.00
3.65% Stivala Group Finance plc Secured € 2029	15,000	3.51%	2.6x	354.1	231.4	34.6%	26.5%	11.5x	5.0x	11.7%	229.8%	-46.9%	101.00
3.8% Hili Finance Company plc Unsecured € 2029	80,000	3.65%	4.1x	628.9	110.1	82.5%	77.1%	5.7x	1.2x	20.5%	4.6%	0.0%	101.00
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%	106.00
4.25% Mercury Projects Finance plc Secured € 2031	11,000	4.03%	34.1x	69.4	24.3	65.0%	57.1%	1.1x	0.9x	210.3%	125.6%	119.2%	101.71
**Average		3.97%											

\* Last price as at 25/06/2021

\*\* Average figures do not capture the financial analysis of the Group

Source: Latest Available Audited Financial Statements and

### Yield Curve Analysis



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

The above graph illustrates the average yearly yield of all local issuers as well as the corresponding yield of MGSs (Y-axis) vs the maturity of both Issuers and MGSs (X-axis), in their respective maturity bucket, to which the spread premiums can be noted.

The graph plots the entire MGS yield curve, thus taking into consideration the yield of comparable issuers. The graph illustrates on a stand-alone basis, the yield of comparable issuers having a maturity between 6-11 years respectively (Peers YTM).

As at 26<sup>th</sup> June 2021, the average spread over the Malta Government Stocks (MGS) for corporates with maturity range of 6-11 years was 339 basis points. The 4% SP Finance plc 2029 is currently trading at a YTM of 3.85%, meaning a spread of 353 basis points over the equivalent MGS. This means that this bond is trading at a premium of 14 basis points in comparison to the market.

## Part 4 - Glossary and Definitions

<b>Income Statement</b>	
Revenue	Total revenue generated by the Group/Company from its principal business activities during the financial year.
Costs	Costs are expenses incurred by the Group/Company in the production of its revenue.
EBITDA	EBITDA is an abbreviation for earnings before interest, tax, depreciation and amortisation. It reflects the Group's/Company's earnings purely from operations.
Operating Profit (EBIT)	EBIT is an abbreviation for earnings before interest and tax.
Depreciation and Amortisation	An accounting charge to compensate for the decrease in the monetary value of an asset over time and the eventual cost to replace the asset once fully depreciated.
Net Finance Costs	The interest accrued on debt obligations less any interest earned on cash bank balances and from intra-group companies on any loan advances.
Net Income	The profit made by the Group/Company during the financial year net of any income taxes incurred.
<b>Profitability Ratios</b>	
Growth in Revenue (YoY)	This represents the growth in revenue when compared with previous financial year.
Gross Profit Margin	Gross profit as a percentage of total revenue.
EBITDA Margin	EBITDA as a percentage of total revenue.
Operating (EBIT) Margin	Operating margin is the EBIT as a percentage of total revenue.
Net Margin	Net income expressed as a percentage of total revenue.
Return on Common Equity	Return on common equity (ROE) measures the rate of return on the shareholders' equity of the owners of issued share capital, computed by dividing the net income by the average common equity (average equity of two years financial performance).
Return on Assets	Return on assets (ROA) is computed by dividing net income by the average total assets (average assets of two years financial performance).
<b>Cash Flow Statement</b>	
Cash Flow from Operating Activities (CFO)	Cash generated from the principal revenue producing activities of the Group/Company less any interest incurred on debt.
Cash Flow from Investing Activities	Cash generated from the activities dealing with the acquisition and disposal of long-term assets and other investments of the Group/Company.
Cash Flow from Financing Activities	Cash generated from the activities that result in change in share capital and borrowings of the Group/Company.
Capex	Represents the capital expenditure incurred by the Group/Company in a financial year.
Free Cash Flows (FCF)	The amount of cash the Group/Company has after it has met its financial obligations. It is calculated by taking Cash Flow from Operating Activities less the Capex of the same financial year.
<b>Balance Sheet</b>	
Total Assets	What the Group/Company owns which can be further classified into Non-Current Assets and Current Assets.
Non-Current Assets	Assets, full value of which will not be realised within the forthcoming accounting year
Current Assets	Assets which are realisable within one year from the statement of financial position date.
Inventory	Inventory is the term for the goods available for sale and raw materials used to produce goods available for sale.



Cash and Cash Equivalents	Cash and cash equivalents are Group/Company assets that are either cash or can be converted into cash immediately.
Total Equity	Total Equity is calculated as total assets less liabilities, representing the capital owned by the shareholders, retained earnings, and any reserves.
Total Liabilities	What the Group/Company owes which can be further classified into Non-Current Liabilities and Current Liabilities.
Non-Current Liabilities	Obligations which are due after more than one financial year.
Total Debt	All interest bearing debt obligations inclusive of long and short-term debt.
Net Debt	Total debt of a Group/Company less any cash and cash equivalents.
Current Liabilities	Obligations which are due within one financial year.
<b>Financial Strength Ratios</b>	
Current Ratio	The Current ratio (also known as the Liquidity Ratio) is a financial ratio that measures whether or not a company has enough resources to pay its debts over the next 12 months. It compares current assets to current liabilities.
Quick Ratio (Acid Test Ratio)	The quick ratio measures a Group's/Company's ability to meet its short-term obligations with its most liquid assets. It compares current assets (less inventory) to current liabilities.
Interest Coverage Ratio	The interest coverage ratio is calculated by dividing EBITDA of one period by cash interest paid of the same period.
Gearing Ratio	The gearing ratio indicates the relative proportion of shareholders' equity and debt used to finance total assets.
Gearing Ratio Level 1	Is calculated by dividing Net Debt by Net Debt and Total Equity.
Gearing Ratio Level 2	Is calculated by dividing Total Liabilities by Total Assets.
Net Debt / EBITDA	The Net Debt / EBITDA ratio measures the ability of the Group/Company to refinance its debt by looking at the EBITDA.
<b>Other Definitions</b>	
Yield to Maturity (YTM)	YTM is the rate of return expected on a bond which is held till maturity. It is essentially the internal rate of return on a bond and it equates the present value of bond future cash flows to its current market price.
Occupancy Level	The occupancy level is expressed as a percentage and indicates the number of rooms occupied to the total number of available rooms in a given time period.
Average Daily Rate (ADR)	Average Daily Rate (ADR) is a performance metric used in the hotel industry and it represents the average rental income per paid occupied room in a given time period.
Revenue per Available Room (Rev/PAR)	Revenue per available room (RevPAR) is a performance metric used in the hotel industry. It is calculated by multiplying a hotel's average daily room rate (ADR) by its occupancy rate or by dividing a hotel's total room revenue by the total number of available rooms in the period being measured.