# Financial Analysis Summary

24 June 2022

Issuer

## Eden Finance p.l.c.

Guarantor

## Eden Leisure Group Limited

MZ INVESTMENT SERVICES

MZ INVESTMENT SERVICES

The Directors
Eden Finance p.l.c.
Eden Place
St George's Bay
St Julians STJ 3310
Malta

24 June 2022

Dear Board Members,

**Financial Analysis Summary**

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

The purpose of the financial analysis is that of summarising key financial data appertaining to Eden Finance p.l.c. (the "**Issuer**") and Eden Leisure Group Limited (the "**Guarantor**" or "**Eden Group**" or "**Group**"). 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 2019 to 31 December 2021 has been extracted from the audited financial statements of the Issuer and from the audited consolidated financial statements of the Guarantor for the three years in question.

(b) The forecast data for the year ending 31 December 2022 has been provided by management.

(c) Our commentary on the results of the Eden Group and on its financial position is based on the explanations provided by management.

(d) The ratios quoted in the Analysis have been computed by us applying the definitions set out in Part 5 of the Analysis.

(e) Relevant financial data in respect of the companies included in Part 4 has been extracted from public sources such as websites of the companies concerned, financial statements filed with the Registrar of Companies or websites providing financial data.

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

Yours faithfully,

**Evan Mohnani**
Senior Financial Advisor

**MZ Investment Services Ltd**
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Tel: 2145 3739

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# PART 1 – INFORMATION ABOUT THE EDEN GROUP

## 1. KEY ACTIVITIES OF THE ISSUER

The principal activity of Eden Finance p.l.c. (the "**Issuer**" or "**Company**") is to carry on the business of a finance and investment company within the Eden Group. The Issuer is not engaged in any trading activities but is involved in raising debt and advancing same to members of the Eden Group as and when the demands of this business or the demands of a particular project so require. Accordingly, the Issuer is economically dependent on the operations, performance and prospects of the Eden Group.

## 2. DIRECTORS OF THE ISSUER

The Issuer is managed by a Board comprising seven directors who are entrusted with its overall direction and management. The Board members of the Issuer as at the date of this report are included hereunder:

**Board of Directors**

| | |
|---|---|
| Ian De Cesare | Chairman and Non-Executive Director |
| Kevin De Cesare | Chief Executive Officer and Executive Director |
| Simon De Cesare | Executive Director |
| David Vella | Executive Director |
| Andrea Gera de Petri Testaferrata | Non-Executive Director |
| Paul Mercieca | Independent Non-Executive Director |
| Victor Spiteri | Independent Non-Executive Director |

## 3. KEY ACTIVITIES OF THE GUARANTOR

Eden Leisure Group Limited (the "**Guarantor**" or "**Eden Group**" or "**Group**") is the parent holding company of the Eden Group and is principally engaged, through subsidiary companies and/or associated entities, in the ownership of a varied portfolio of business entities within the hospitality and entertainment industries in Malta (including a cinema complex, bowling alley, health & fitness club, radio station, a conference & events centre and a car park), the ownership of the InterContinental Malta & Holiday Inn Express Malta (which are operated by the InterContinental Hotels Group) and the management of timeshare apartments (which are owned by the Group and leased out to a third party operator on a long-term lease). The Group also operates an Esports division which focuses on Esports activities locally as well as the organisation of international online and offline tournaments.

Furthermore, the Guarantor holds a number of properties directly in its own name which are leased out to third parties. The Guarantor also leases commercial space to a related party for the operation of a casino.

## 4. DIRECTORS OF THE GUARANTOR AND SENIOR MANAGEMENT

The Guarantor is managed by a Board comprising four directors who are entrusted with its overall direction and management, including the establishment of strategies for future development. The Board members of the Guarantor as at the date of this report are included hereunder:

**Board of Directors**

| | |
|---|---|
| Ian De Cesare | Chairman and Non-Executive Director |
| Kevin De Cesare | Non-Executive Director |
| Paul Mercieca | Independent Non-Executive Director |
| Victor Spiteri | Independent Non-Executive Director |

**Strategic Board**

During 2021, the Guarantor set up an ad hoc committee to oversee projects and investment appraisals for the Group. The committee is chaired by board member, Kevin De Cesare, with Simon De Cesare and David Vella representing the Group's management team. The committee is further supported by Raphael Aloisio as an independent advisor.

**Senior Management**

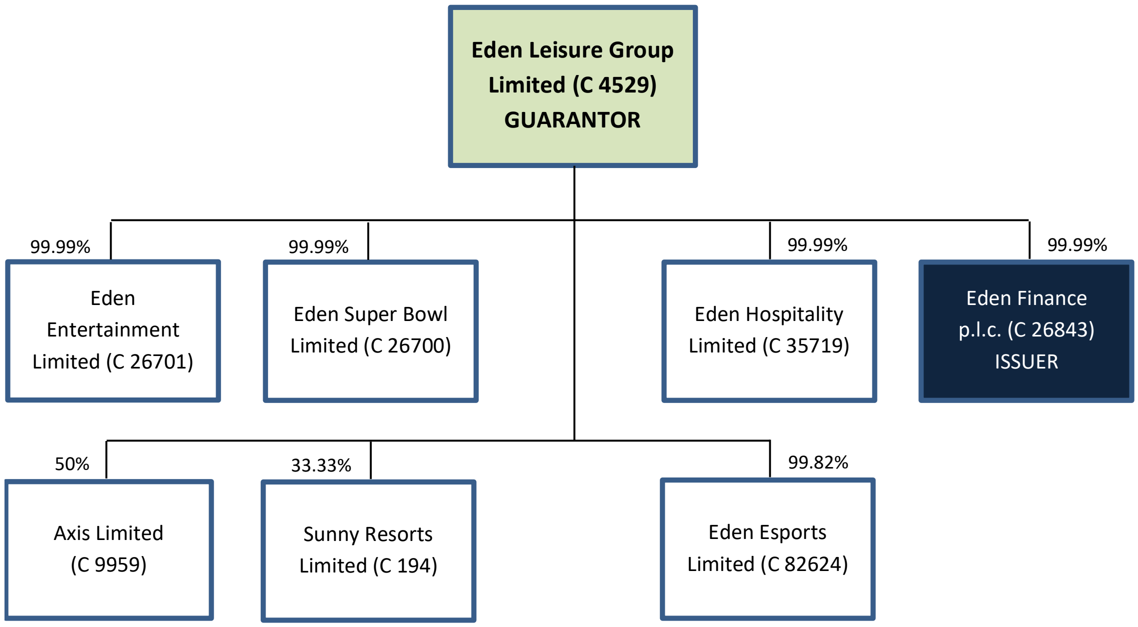
The day-to-day management of the Eden Group is entrusted to Simon De Cesare, the Chief Executive Officer of the Group, and the Senior Management Team. Some of the more important functions carried out by this team include, *inter alia*, the consideration of new business opportunities, the execution of existing and new projects, and the procurement of funding thereof. The members of the Senior Management Team are included hereunder:

| | |
|---|---|
| Simon De Cesare | Chief Executive Officer |
| David Vella | Chief Financial Officer |
| Kate De Cesare | Director of Operations |
| Kevin Jnr De Cesare | General Manager |

The weekly average number of employees engaged by the Eden Group during FY2021 amounted to 391 persons (FY2020: 331 persons).

## 5. EDEN GROUP ORGANISATIONAL STRUCTURE

The diagram hereunder illustrates the shareholding structure relative to the Eden Group. The Eden Group's businesses are described in more detail in Part 2 below.




**Eden Entertainment Limited ("EEL")**

EEL was established in Malta on 14 July 2000 as a private limited liability company and is principally engaged in the operation of the Eden Cinemas, Eden Superbowl, Eden Car Park, Bay Radio and Cynergi Health & Fitness Club.

**Eden Super Bowl Limited ("ESL")**

ESL was established in Malta on 14 July 2000 as a private limited liability company. ESL is a non-trading company and is the property owner of the Eden SuperBowl.

**Eden Hospitality Limited ("EHL")**

EHL was established in Malta on 22 February 2005 as a private limited liability company and is principally engaged in the operation of the InterContinental Malta, Holiday Inn Express Malta and the InterContinental Arena & Conference Centre. The company also manages 46 self-catering apartments, which are leased to a third party timeshare operator.

**Axis Limited**

The Eden Group has a 50% shareholding in Axis Limited, a company set up in Malta on 27 September 1988 as a private limited liability company. Axis Limited leases from a third party a property situated in Paceville which comprises 11 commercial outlets all leased to third parties. The company is currently in the process of terminating its lease with the landlord and thereafter will be placed into liquidation.

**Sunny Resorts Limited**

Sunny Resorts Limited, a 33.33% owned associated company of the Guarantor is a non-trading company and holds one immovable property in St Julians.

**Eden Esports Limited**

Eden Esports Limited was established on 20 September 2017 and is principally engaged in providing electronic sports, both online and offline, through the organisation and promotion of events, leagues and tournament for local and international players. It is also engaged in the promotion of electronic sports on various media channels and the creation and running of programmes and marketing events to increase the popularity of electronic sports in Malta and abroad. In April 2021, the Guarantor's shareholding in the company increased to 99.82% (FY2020: 85%) following an equity injection of €100,000.

## 6. MAJOR ASSETS OWNED BY THE GROUP

| Eden Leisure Group Limited<br>Major Assets<br>as at 31 December | 2019<br>€'000 | 2020<br>€'000 | 2021<br>€'000 |
|---|---|---|---|
| Property, plant and equipment | 153,464 | 151,850 | 148,971 |
| Investment property | 17,200 | 16,750 | 16,750 |
| Amounts receivable emanating from sale of intellectual property | 6,557 | 6,656 | 5,586 |
| | **177,221** | **175,256** | **171,307** |

Source: Consolidated audited financial statements of Eden Leisure Group Limited.

Property, plant and equipment primarily comprises land, buildings, furniture, fittings and equipment used in the Group's hospitality and entertainment operations including the InterContinental Malta, the InterContinental Arena & Conference Centre, the Holiday Inn Express Malta, the Eden Cinemas, the Eden SuperBowl, Cynergi Health & Fitness Club, Bay Radio and Eden Car Park.

In FY2021, the Group completed the renovation of its room product at the InterContinential Malta, which has been ongoing for the past 3 years with the completion of the remaining bathrooms in 2021. In addition to the room's product, the Group undertook the embellishment of the common areas, particularly the lobby of the hotel which was substantially upgraded.

The Group has now completed most of the customer facing investments for the time being and is now focusing more on the technical backbone of the facility, with investments aimed at and upgrading of the mechanical & electrical (M&E) facilities.

Construction has begun on a new restaurant in St George's Bay, on top of an existing restaurant owned by the Group. Lubelli will be a high end authentic, wood fire, Neapolitan pizzeria and is expected to open in the coming days.

Investment property includes the Eden Business Centre located in Elia Zammit Street, St Julians and another property which is currently leased out to a related company. As at 31 December 2021, the carrying value on investment property amounted to €16.75 million (FY2020: €16.75 million).

With effect from 1 January 2019, the Group divested itself from the intellectual property and rights associated with the brands 'Cynergi' and 'Bay', to a newly formed company EIP Limited, which is a commonly controlled entity, for a value of €8.6 million. The amount receivable as at 31 December 2021 amounted to €5.59 million (FY2020: €6.66 million).

## 7. MIXED-USE DEVELOPMENT

In January 2022, the Group obtained Planning Authority permits for the redevelopment of the Cinema 16 block and the construction of 3 floors overlying the Eden SuperBowl. The total site area measures approximately 2,700m$^2$.

This mixed-use development shall comprise a 168-room hotel, office space, a commercial complex and a family entertainment centre. A long-term agreement has been signed with InterContinental Hotels Group to manage the proposed hotel as a 4-star Holiday Inn. It is expected that the Eden SuperBowl will continue to operate in its current location until it is relocated onto the first floor where a state-of-the-art family entertainment centre will be opened.

Development works commenced in Q1 2022 and should take between 24 and 36 months to complete at a cost of *circa* €32 million. The initial phase of the project is being financed through own funds, while various options are being considered by the Group for the remaining funds required in 2023 and 2024.

The demolition of the cinema block to make way for the above-mentioned project resulted in the loss of 6 screens. Some 20 years ago, while the InterContinental Malta was being developed, the Group had also built two shell cinemas which were never finished. Now, these 2 cinemas will be completed to incorporate 2 large screens with around 250 seats in each theatre. These theatres will include the newest in laser production technology that is both green in efficiency and provides the best visual quality. The said theatres will be completed in Q3 2022.

# PART 2 – OPERATIONAL DEVELOPMENT

The rapid vaccination programme in Q1 2021 led to a gradual easing of a number of restrictions impacting the Group's hospitality and entertainment operations. As a consequence, the Group's hotels, cinemas, gyms, bowling and restaurants experienced a steady increase in operational performance particularly during the summer months.

## 8. KEY FINANCIAL INFORMATION

| **Eden Group - Divisional Analysis** | **FY2019 Actual** | **FY2020 Actual** | **FY2021 Actual** | **FY2022 Forecast** |
|---|---|---|---|---|
| **Turnover (€'000)** | **45,003** | **12,087** | **22,560** | **35,483** |
| Hospitality | 33,392 | 6,628 | 15,851 | 26,276 |
| Entertainment & leisure | 11,611 | 5,459 | 6,709 | 9,207 |
| **Segment profit (loss) post royalty fee (€'000)** | **12,531** | **(1,768)** | **6,168** | **10,381** |
| Hospitality | 11,532 | (1,826) | 5,387 | 9,289 |
| Entertainment & leisure (post royalty fee) | 999 | 58 | 781 | 1,092 |
| Entertainment & leisure (pre royalty fee) | 2,075 | 776 | 1,558 | 2,120 |
| **Segment profit margin (%)** | **28%** | **-15%** | **27%** | **29%** |
| Hospitality | 35% | -28% | 34% | 35% |
| Entertainment & leisure (post royalty fee) | 9% | 1% | 12% | 12% |
| Entertainment & leisure (pre royalty fee) | 18% | 14% | 23% | 23% |

Source: Consolidated audited financial statements of Eden Leisure Group Limited.

### 8.1 HOSPITALITY OPERATIONS

The hospitality segment of the Group comprises the operations of the InterContinental, Holiday Inn Express and Diamond Suites.

The InterContinental Malta is a 481-room 5-star hotel located in St Julians, Malta. The hotel is operated by InterContinental Hotels Group under a management contract which expires in 2034. The hotel offers a wide range of facilities to its guests, including accommodation, food and beverage offerings, a spa, health and fitness centre and extensive conference facilities.

The 118-room 3-star Holiday Inn Express commenced operations in September 2017 and is operated by the InterContinental Hotels Group under a 15-year management contract. The Holiday Inn Express, which forms part of the InterContinental Hotels Group hotel portfolio, is a limited amenity high quality hotel with an emphasis on the business traveller. The concept focuses on a standardisation of design and highlights comfort in sleep, shower facilities, WIFI and a hot quality breakfast.

The Group took advantage of the subdued economic conditions to complete a €2.3 million renovation programme of the rooms and bathrooms at the InterContinental Malta. Such investment continued into 2022 with the embellishment of the common areas and the hotel's lobby.

In September 2021, the Group employed a new seasoned General Manager, who initiated a rebuild of the senior management team in anticipation of the revival of the tourism industry with particular focus on the Group's hotel offerings and its corporate business.

Diamond Suites is an apartment block of 46 self-catering units, which block is located adjacent to the InterContinental Malta and leased to Diamond Resorts International. In addition, housekeeping, security and maintenance services are provided to Diamond Resorts International for the upkeep of the afore-mentioned apartments.

**PERFORMANCE REVIEW - HOSPITALITY**

As can be observed from the above financial table, performance in FY2020 and FY2021 was significantly impacted by the COVID-19 pandemic. In FY2020, revenue from hospitality amounted to €6.6 million, equivalent to 20% of FY2019's reported revenue. The poor performance reflected the complete economic shutdown in the said financial year, the closure of the airport and eventual forced closure of the Group's hotels in March 2020.

Revenue in FY2021 more than doubled y-o-y to €15.9 million on account of the gradual re-opening of the economy following the quick rollout of the vaccine programme in Malta in the first quarter of the year. Despite the y-o-y improvement, it still represented 47% of revenue achieved in FY2019 as restrictive measures remained in place for the whole year.

The Group expects a significant improvement in FY2022, as health concerns and travel restrictions abate. The emergence of more COVID-19 variants will still hover around the travel industry, but hotel bookings are showing signs that vacation and corporate travel are making a steady return. Accordingly, revenue from hospitality in FY2022 is projected to increase by 66% or €10.4 million, from €15.9 million in FY2021 to €26.3 million, though still 21% below pre-pandemic level (FY2019).

In terms of profitability, the Group sustained a loss of €1.8 million in FY2020 in consequence of the pandemic compared to a profit of €11.5 million in FY2019. In the last financial year (FY2021), the Group registered a segment profit of €5.4 million and a profit margin of 34%.

The hospitality segment is expecting a positive year ahead despite a slow first quarter. Bookings of events that were previously postponed due to the pandemic are being rebooked and the leisure market is looking strong subject to availability of flights. The Group is therefore projecting to achieve a profit margin of 38% in FY2022 (4 percentage points on a comparable basis) and thereby expects to register a segment profit of €9.9 million.

## 8.2 ENTERTAINMENT & LEISURE OPERATIONS

The entertainment & leisure segment of the Group comprises the operations of the Eden Cinemas, Bay Radio, Cynergi Health & Fitness Club, Eden SuperBowl and Eden Esports.

**EDEN CINEMAS**

The Group is the largest operator of multiplex cinemas in Malta. Eden Cinemas are situated in St Julians and generate operating revenue principally from theatre operations, including box office receipts, food and beverages, and on-screen and off-screen advertising. Apart from showing the latest blockbusters as well as art-house movies, the Eden Cinemas also screens cultural productions; including operas and ballets broadcast live from the world's most renowned theatres; art exhibitions and Shakespearean productions from the Globe Theatre.

**BAY RADIO**

The Group has been operating 89.7 Bay since 1991. The radio station broadcasts 24 hours a day in Maltese and English and offers the latest selection of music. Bay Radio derives the substantial majority of its revenue from the sale of advertising, but also generates income from the production of adverts.

Radio popularity is regularly surveyed by the independent Malta Broadcasting Authority. In the most recent survey[1], Bay Radio retained the number one spot as the most popular station with 17.7% of all radio listeners, followed by the next two radio stations with 15.6% and 12.5% respectively. Bay Radio is popular with all those aged 12 – 40 years, whereas the second placed radio station attracts more listeners over the age of 41.

**CYNERGI HEALTH & FITNESS CLUB**

The Club is one of the largest health and fitness venues in Malta. Apart from generating revenue from memberships, the Club also derives income from studio and squash court rentals, and from the sale of nutritional and beverage products.

Cynergi Health & Fitness Club offers over 100 cardio vascular machines, a comprehensive weights area, 2 squash courts, an aerobics room, a crèche facility as well as an indoor pool equipped with steam bath and sauna. The Spa facilities are leased to a third party international company and include an authentic Turkish Hamam. The Club is accessed from the InterContinental Malta, the Eden Car Park and directly from the street.

[1] Broadcasting Authority – Audience Survey November 2021 – Research Findings Report (page 50).

**EDEN SUPERBOWL**

The Eden SuperBowl operates the only tenpin bowling alley in Malta. It comprises 20 lanes and is popular with families, youngsters, language schools and corporate groups.

The Malta Ten Pin Bowling Association (MTBA) operates solely at the Eden SuperBowl and organises three national leagues and *circa* 15 tournaments annually. The Eden SuperBowl also hosts 2 international annual tournaments (the Malta Open and the Seniors Open) which attract over 100 participants (mainly foreign nationals) per tournament.

**EDEN ESPORTS**

The Eden Esports continued to establish itself in the international tournament organiser field particular for the game CS-GO. In 2020 and 2021 it was forced to move all activities online through the creation of two significantly successful European Development Championship (EDC) and the tournament Malta Vibes Knockout Series. Both these tournaments were geared towards tier two teams which exploited a gap in the market to provide innovative products.

EDC included the Malta National League which provided international experience to local teams and the tournament was broadcast rights were sold and translated into 14 different territories and languages.

**PERFORMANCE REVIEW – ENTERTAINMENT & LEISURE**

Similar to the hospitality segment, the entertainment & leisure segment of the Group was adversely impacted by the pandemic during the last two financial years. Revenue generated by the entertainment & leisure segment in FY2021 amounted to €6.7 million, an increase of €1.3 million (+23%) from FY2020, but 42% below FY2019 (€11.6 million). In terms of profitability, the segment registered a profit of €0.78 million in the last financial year compared to €58,000 in FY2020 and €1.0 million in FY2019.

The Eden Cinemas were temporarily closed between 18 March 2020 and 4 June 2020 following stay-at-home orders and restrictions on large public gatherings instituted by the Maltese Government to control the COVID-19 pandemic. Notwithstanding re-opening in June 2020, ticket sales were significantly lower than normal levels due to the imposition of reduced capacities, physical distancing requirements and other safety measures. Moreover, due to the closure of cinemas worldwide, movie studios delayed the release of most films or releases were made on alternate streaming platforms, which further exacerbated the operational performance of the Eden Cinemas. As such, revenue generated by Eden Cinemas in 2020 was equivalent to only 22% of revenue achieved in FY2019.

The situation in FY2021 was substantially better compared to FY2020, though revenue was still 60% below pre-pandemic level (FY2019) primarily due to the retention of restricted capacity during the whole year.

The Group is cautiously optimistic for FY2022 taking into consideration the expected film releases planned for the year which should lure back moviegoers and thereby generate higher ticket sales and ancillary revenue. Notwithstanding, the forecast revenue is still 30% below FY2019's revenue.

Bay Radio was the only business of the Group that remained operational in FY2020, though the COVID-19 pandemic adversely impacted the businesses of local entities that Bay Radio relies upon for advertising revenues. As such, despite the fact that Bay Radio continued operating in FY2020, advertising revenue declined significantly as companies were forced to cease trading activities and curtail costs, including their respective marketing expenditure programmes.

In FY2021, Bay Radio registered a gradual increase in advertising revenue as entities looked to revive their respective businesses with the re-opening of the economy. As such, Bay Radio's revenue for FY2021 reached 73% of that achieved in FY2019 compared to 67% in FY2020. Bay Radio is expected to see a strong rebound trajectory as local businesses need to promote their products on Malta's number one radio station.

The operations of Cynergi Health & Fitness Club were disrupted in the last two financial years on account of the forced closure of gyms in Q2 2020 and again in March 2021 with adverse repercussions on its financial results. In both financial years, the Club's revenue was down *circa* 33% compared to FY2019. It is clear however that, bar any further closures imposed by Authorities, Cynergi's members are more than willing to renew their memberships and continue to frequent the gym.

Accordingly, Cynergi is expected to continue to grow its member base and other revenue streams, which have already surpassed 2019 levels. Improved cleaning processes will be retained as good practice and efficiencies enacted during the pandemic should continue to yield positive results into the future.

Similar to the other entertainment & leisure businesses of the Group, the operations of the Eden SuperBowl were adversely impacted by the complete shutdown imposed on non-essential outlets by Government in March 2020. Despite re-opening, the Eden SuperBowl experienced significant challenges due to the various restrictions and safety measures put in place to curb the spread of the virus, as well as the sharp decline in tourism. In FY2021, the Eden SuperBowl performed much better from the prior year, as revenue increased from 46% in FY2020 to 69% in FY2021 of revenue achieved in FY2019.

Notwithstanding the business disruptions caused by the mixed-use development described in section 7 of this report, the Group is projecting FY2022's revenue to improve further from the prior year as operations continue to return to normality. In particular, business activities should increase on account of the expected recovery in tourism and the recommencement of bowling leagues and other tournaments.

The operation of Eden Esports is still in its initial stages, and therefore is still insignificant in terms of contribution to the Group's overall revenue and profitability. Notwithstanding, the Group has high expectations for significant growth in the years to come. During the pandemic, the Group focused on various online tournaments which proved successful. Accordingly, the Group intends to continue hosting online tournaments which shall be complemented by the resumption of physical events. The conflict in Ukraine is expected to adversely affect the esports industry as the Russian market was one of the main markets for the sale of media and data rights.

Overall, the entertainment & leisure segment is projected to increase revenue in FY2022 by €2.5 million (+37%) from €6.7 million in FY2021 to €9.2 million in FY2022. In consequence, segment profit is expected to increase from €0.78 million in FY2021 to €1.1 million in FY2022 (+40%).

## 9. OTHER GROUP OPERATIONS

### InterContinental Arena & Conference Centre

The InterContinental Arena & Conference Centre (IACC) is a 3,000m$^2$ facility mainly used by the InterContinental Malta as a venue for meetings, conferences and events including live shows.

### Property Leases

The Group owns and leases the following properties:

(i) **Property on St Augustine Street** – The Group leases on a long-term basis a property measuring *circa* 66m$^2$ which is operated as an EPIC outlet.

(ii) **Eden Business Centre** – This property is situated in Elia Zammit Street, St Julians and comprises a total office space of 784m$^2$ on two levels with access to the Eden Car Park. The Eden Business Centre is leased to a third party.

(iii) **Casino Malta** – A related party of the Group leases 3,000m$^2$ of space, situated under the InterContinental Malta, for the operation of Casino Malta. The lease contract is for a 10-year period as from December 2015.

(iv) **Office space on Elia Zammit Street** – A related party of the Group leases on a long term basis a property which comprises office space measuring *circa* 67m$^2$ which is being used as the Casino Malta offices.

### Eden Car Park

The Eden Car Park is a multi-storey car park that spans the footprint of the InterContinental Malta and has a maximum capacity of 310 vehicles. Activity in the area, particularly from the commercial and tourism sectors, has been increasing constantly over the years and has in turn ensured a high utilisation rate of the car park. As such, the Eden Car Park is an important contributor to the Group's financial results. Moreover, the Eden Car Park is of significance to the business entities of the Eden Group, as it provides parking facilities to their respective customers. Undoubtedly, the decline in business activities of the Eden Group and in the area since the pandemic outbreak in Q1 2020 has adversely impacted the operating results of the Eden Car Park.

# 10. MARKET OVERVIEW

## 10.1 ECONOMIC UPDATE[2]

The economy of Malta is set to continue expanding, by 4.2% in 2022 and by 4.0% in 2023 while withstanding the impact of the increase in by commodity prices and Russian invasion of Ukraine. The main factors supporting growth are the robust domestic demand and growth in exports of services, contributed by strong recovery in tourism. The general government balance is projected to remain in deficit, however decreasing in 2022 and 2023, following winding-down of pandemic related policy support on the background of economic growth.

The pressure from the COVID-19 pandemic related restrictions subsided in 2021, creating conditions for a very strong economic recovery of 9.4%, thanks to improved business and consumer sentiment, faster than expected rebound of international tourism and a strong growth in investment and services exports.

In 2022, affected by disruptions related to the Russian invasion of Ukraine, real GDP growth is forecast to reach 4.2%, which is substantially less than expected in winter, although Malta has very low direct exposure to trade with Russia and Ukraine. Growth in 2022 is set to be driven by domestic consumption, investment, and a small positive contribution from net exports. Export of tourism services is expected to continue gaining ground on the back of easing pandemic-restrictions. Robust government expenditure, in particular via public investment, will continue to support the economy. In 2023, growth is forecast to decrease to a still strong 4.0%, reflecting a general slowdown in performance among trading partners.

With both exports and imports growing, the current account balance is expected to remain positive. The limited downside risks deriving from the June 2021 decision of the Financial Action Task Force (the international standard-setting body on anti-money laundering/countering the financing of terrorism) to include Malta in the list of jurisdictions under increased monitoring have further receded following the FATF initial determination, in February 2022, that Malta has substantially completed its action plan. On 17 June 2022, the Financial Action Task Force (“FATF”) officially announced the removal of Malta from its list of Jurisdictions under Increased Monitoring, informally known as the 'grey list'.

Malta was able to cushion the impact of the pandemic on the labour market thanks to fiscal support. Employment is estimated to have grown by 1.6% in 2021, while the wage support measures remained in place. Employment is expected to continue to increase over the forecast horizon. This positive development in the labour market is congruent with labour shortages being reported by firms. Malta’s unemployment rate, at 3.5% in 2021, is set to remain broadly stable in 2022 and 2023.

[2] Economic Forecast – Spring 2022 (European Commission Institutional Paper 173 May ’22).

HICP[3] inflation remained low in 2021 at 0.7%, thanks to energy prices being kept low by government intervention and hedging contracts for gas. Going forward, while Malta's economy is highly energy-intensive, the share of household expenditures on energy is low compared to other Member States and the authorities have expressed a commitment to continue to limit energy prices growth. The higher inflation in the first quarter of 2022 shows that the pressure from increasing international energy and commodity prices is starting to affect Malta via transport costs and imported goods. As a result, inflation is set to rise to 4.5% in 2022. As these factors are expected to persist into 2023, inflation is expected to remain elevated at 2.6%.

The government deficit is estimated to have decreased to 8.0% of GDP in 2021. This still high deficit level is mainly explained by public expenditure related to pandemic-related measures which were maintained in 2021, including the wage support scheme, the utility and rent subsidies for businesses, and healthcare-related expenditures. Pandemic-related economic support measures are expected to be phased out in 2022 and 2023, while several measures in response to the high energy prices were recently introduced.

The tax revenues resumed growth in 2021 and are expected to continue to increase in 2022 and 2023, following the positive economic growth dynamics. The revenues from social contributions also increased in 2021 and are expected to continue increasing over the forecast horizon, supported by the good performance of the labour market.

The deficit is projected to decrease to 5.6% of GDP in 2022 and further to 4.6% in 2023. The government debt-to-GDP ratio is projected to increase marginally to 58.5% in 2022 and reach 59.5% in 2023 as the negative primary balance is only partially compensated by the nominal GDP growth.

## 10.2 HOSPITALITY[4]

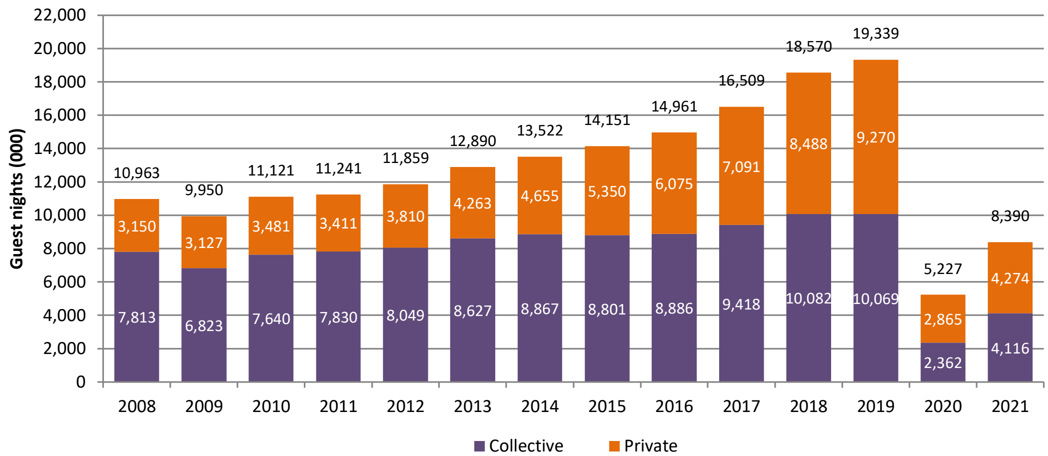
Although COVID-19 related travel restrictions remained in place, 2021 registered a marked improvement in the number of inbound tourists, nights stayed and tourist expenditure in Malta relative to those recorded in the corresponding period of 2020. Nonetheless, activity indicators for the sector generally remain well below 2019 levels.

In 2021, the number of inbound tourists increased by 47% over 2020, reaching 968,136 (2019: 2.8 million inbound tourists). In absolute terms, tourists visiting Malta for leisure purposes accounted for most of the year-on-year increase in arrivals although the number of visitors with business and other motives also increased. Meanwhile, the total number of guest nights that tourists spent in Malta during 2021 increased to around 8.4 million, from 5.2 million a year earlier (+62%) (2019: 19.3 million guest nights). Guest nights at collective accommodation made up 51% of the aggregate (2020: 55%), while rented accommodation (other than collective accommodation) held a 49% share (2020: 45%).

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

[4] National Statistics Office Malta – News Release 019/2022 and 033/2022

**Total nights spent by inbound tourists by type of accommodation**

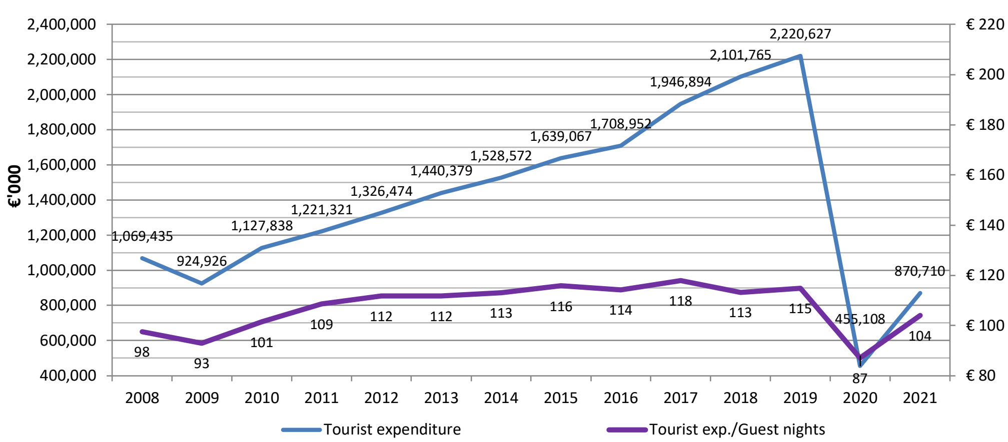



*Source: National Statistics Office Malta*

The total occupancy rate in collective accommodation establishments in 2021 increased to 33.1% from 25.4% in 2020 (2019: 65.7%). The 5-star category reported the largest increase – of 11.3 percentage points – followed by a rise of 8.8 percentage points in the 3-star category. Meanwhile, the smallest increase – of 1.2 percentage points – was recorded in the 2-star category.

Tourist expenditure in Malta almost doubled in 2021 to €870.7 million relative to the prior year. The increase relative to 2020 was driven by higher other expenditure (being expenditure other than package and non-package expenditure) and non-package expenditure (comprising air/sea fares and accommodation), although spending on package holidays also increased significantly. Following this increase, tourist expenditure in Malta was 61% below its level two years earlier.

**Total expenditure by inbound tourists**




*Source: National Statistics Office Malta*

Expenditure per capita increased to €899 from €691 in 2020, while average length of stay also increased from 7.9 nights in 2020 to 8.7 nights in 2021.

# PART 3 – PERFORMANCE REVIEW

## 11. FINANCIAL INFORMATION RELATING TO EDEN FINANCE PLC

The financial information provided hereunder is extracted from the audited financial statements of Eden Finance p.l.c. for each of the years ended 31 December 2019 to 31 December 2021. The forecasted financial information for the year ending 31 December 2022 has been provided by management of the Company.

**The projected financial information relates to events in the future and is based on assumptions which the Issuer 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.**

| **Eden Finance p.l.c.<br>Statement of Comprehensive Income<br>for the year ended 31 December** | **2019<br>Audited<br>€'000** | **2020<br>Audited<br>€'000** | **2021<br>Audited<br>€'000** | **2022<br>Forecast<br>€'000** |
|---|---|---|---|---|
| Finance income | 1,680 | 1,680 | 1,680 | 1,680 |
| Finance costs | (1,600) | (1,600) | (1,600) | (1,600) |
| **Gross profit** | **80** | **80** | **80** | **80** |
| Other income | - | 116 | - | - |
| Administrative expenses | (68) | (72) | (79) | (71) |
| **Profit before tax** | **12** | **124** | **1** | **9** |
| Taxation | (4) | (43) | - | (3) |
| **Total comprehensive income** | **8** | **81** | **1** | **6** |

| **Eden Finance p.l.c.<br>Cash flow Statement<br>for the year ended 31 December** | **2019<br>Audited<br>€'000** | **2020<br>Audited<br>€'000** | **2021<br>Audited<br>€'000** | **2022<br>Forecast<br>€'000** |
|---|---|---|---|---|
| Net cash from operating activities | (108) | (76) | 543 | (74) |
| Net cash from investing activities | 2,520 | 1,680 | 1,680 | 1,057 |
| Net cash from financing activities | (1,600) | (1,600) | (1,600) | (1,600) |
| **Net movement in cash and cash equivalents** | **812** | **4** | **623** | **(617)** |
| Cash and cash equivalents at beginning of year | 15 | 827 | 831 | 1,454 |
| **Cash and cash equivalents at end of year** | **827** | **831** | **1,454** | **837** |

| **Eden Finance p.l.c.**<br>**Statement of Financial Position**<br>**as at 31 December** | **2019**<br>**Audited**<br>**€'000** | **2020**<br>**Audited**<br>**€'000** | **2021**<br>**Audited**<br>**€'000** | **2022**<br>**Forecast**<br>**€'000** |
|---|---|---|---|---|
| **ASSETS** | | | | |
| **Non-current assets** | | | | |
| Loans owed by parent company | 40,000 | 40,000 | 40,000 | 40,000 |
| Redeemable preference shares | 1,165 | 1,165 | 1,165 | 1,165 |
| | **41,165** | **41,165** | **41,165** | **41,165** |
| **Current assets** | | | | |
| Financial assets at amortised cost | 913 | 881 | 305 | 961 |
| Cash and cash equivalents | 827 | 831 | 1,454 | 837 |
| | **1,740** | **1,712** | **1,759** | **1,798** |
| **Total assets** | **42,905** | **42,877** | **42,924** | **42,963** |
| **EQUITY** | | | | |
| **Equity and reserves** | **1,625** | **1,706** | **1,707** | **1,712** |
| **LIABILITIES** | | | | |
| **Non-current liabilities** | | | | |
| Debt securities | 40,000 | 40,000 | 40,000 | 40,000 |
| **Current liabilities** | | | | |
| Trade and other payables | 1,280 | 1,171 | 1,217 | 1,251 |
| | **41,280** | **41,171** | **41,217** | **41,251** |
| **Total equity and liabilities** | **42,905** | **42,877** | **42,924** | **42,963** |

The Issuer is a fully owned subsidiary of the Guarantor and is principally engaged to act as a finance company for the Eden Group. The Company has outstanding €40 million in 4% unsecured bonds 2027 which funds were on-lent on issue to the Guarantor. Apart from the loan owed by the Guarantor, non-current assets comprise €1.17 million in redeemable preference shares of Eden Entertainment Limited.

In FY2021, interest receivable (finance income) amounted to €1.68 million, while interest payable on the bonds (finance costs) amounted to €1.60 million. Overall, total comprehensive income amounted to €1,000 (FY2020: €81,000).

No material movements in the income statement and, or statement of financial position have been projected for FY2022 compared to FY2021.

## 12. FINANCIAL INFORMATION RELATING TO EDEN LEISURE GROUP LIMITED

The financial information provided hereunder is extracted from the audited consolidated financial statements of Eden Leisure Group Limited (the "**Guarantor**" or "**Group**") for each of the years ended 31 December 2019 to 31 December 2021. The forecasted financial information for the year ending 31 December 2022 has been provided by management of the Group.

**The projected financial information relates to events in the future and is based on assumptions which the Guarantor 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.**

| **Eden Leisure Group Limited<br>Consolidated Statement of Comprehensive Income<br>for the year ended 31 December** | **2019<br>Actual<br>€'000** | **2020<br>Actual<br>€'000** | **2021<br>Actual<br>€'000** | **2022<br>Forecast<br>€'000** |
|---|---|---|---|---|
| Revenue | 45,003 | 12,087 | 22,560 | 35,483 |
| Net operating expenses | (31,498) | (12,669) | (15,210) | (23,912) |
| **EBITDA** | **13,505** | **(582)** | **7,350** | **11,571** |
| Depreciation and amortisation | (4,538) | (4,366) | (4,294) | (4,237) |
| Fair value movement on investment property | - | (450) | - | - |
| Other net non-operating income (costs) | 8,600 | (171) | (55) | (35) |
| Finance costs | (2,115) | (2,057) | (2,026) | (1,983) |
| **Profit/(loss) before tax** | **15,452** | **(7,626)** | **975** | **5,316** |
| Taxation | (2,795) | 2,884 | 1 | (1,861) |
| **Profit/(loss) after tax** | **12,657** | **(4,742)** | **976** | **3,455** |
| | | | | |
| **Other comprehensive income** | | | | |
| Other comprehensive items | 6 | (13) | (61) | - |
| **Total comprehensive income/(expense)** | **12,663** | **(4,755)** | **915** | **3,455** |

| Eden Leisure Group Limited<br>Earnings before interest, taxation, depreciation & amortisation (EBITDA)<br>for the year ended 31 December | 2019<br>Actual<br>€'000 | 2020<br>Actual<br>€'000 | 2021<br>Actual<br>€'000 | 2022<br>Forecast<br>€'000 |
|---|---|---|---|---|
| ***EBITDA has been calculated as follows:*** | | | | |
| Operating profit/(loss) | 17,567 | (5,398) | 3,056 | 7,334 |
| *Adjustments:* | | | | |
| Depreciation and amortisation | 4,538 | 4,366 | 4,294 | 4,237 |
| Fair value movement on investment property | | 450 | | |
| Profit on sale of intellectual property | (8,600) | | | |
| **EBITDA** | **13,505** | **(582)** | **7,350** | **11,571** |

| Key Accounting Ratios | FY2019<br>Actual | FY2020<br>Actual | FY2021<br>Actual | FY2022<br>Forecast |
|---|---|---|---|---|
| EBITDA margin<br>*(EBITDA/revenue)* | 30% | -5% | 33% | 33% |
| Interest cover (times)<br>*(EBITDA/finance cost)* | 6.39 | -0.28 | 3.63 | 5.84 |
| Net profit margin<br>*(Profit after tax/revenue)* | 28% | -39% | 4% | 10% |
| Earnings per share (€)<br>*(Profit after tax/number of shares)* | 527.38 | -197.58 | 40.67 | 143.96 |
| Return on equity<br>*(Profit after tax/shareholders' equity)* | 11% | -4% | 1% | 3% |
| Return on capital employed<br>*(EBITDA/total assets less current liabilities)* | 7% | 0% | 4% | 7% |
| Return on assets<br>*(Profit after tax/total assets)* | 6% | -2% | 1% | 2% |

*Source: MZ Investment Services Ltd*

Revenue in **FY2019** increased from €41.0 million in FY2018 to €45.0 million (+10%), on account of an increase of €2.4 million in hospitality (+8%) and €1.6 million in entertainment & other operations (+15%). Tourism continued to increase in FY2019 and between September to November was particularly strong for conference and incentive business. As to the entertainment segment, the 15% y-o-y growth mainly reflected the positive trend of the economy and the increase in disposable income generally.

EBITDA for the year under review amounted to €13.5 million, a y-o-y increase of €1.6 million (+13%) despite a first-time charge of €1.08 million in royalty fees for the use of the intellectual property of *89.7 Bay* and *Cynergi* (as further explained hereunder).

During FY2019, the Group sold the intellectual property and rights associated with the *'89.7 bay'* and the *'Cynergi'* brands to a related company EIP Ltd, for a total consideration of €8.6 million, which is accounted for as other net non-operating income.

No material movements were noted when compared to the prior year in depreciation & amortisation, net finance costs and taxation. Overall, total comprehensive income amounted to €12.7 million, a decrease of €3.0 million over the comparative year. In FY2018, comprehensive income was positively impacted by an uplift of €7.2 million in fair value of property, plant and equipment.

The positive results of the Group in FY2019 compared to FY2018 are reflected in various key performance indicators as follows: EBITDA margin improved by 1 percentage point to 30%, while net profit margin increased from 21% in FY2018 to 28%. Interest cover ratio also improved from 5.62 times to 6.39 times. Other accounting ratios such as return on equity and return on assets all showed the same positive trend.

Operational performance in **FY2020** was adversely impacted by the pandemic. January was a positive month for both sectors, however by February, the hotels started to see significant cancellations in confirmed business. March was the negative turning point for all the Group's business operations as Government announced the complete shutdown of restaurants, gyms and other entertainment and leisure outlets, and the closure of the Malta International Airport. Despite re-opening in June, the level of operational activities was minimal for the remainder of the financial year.

As such, revenue in FY2020 amounted to €12.1 million, a decrease of €32.9 million (-73%) from the prior year (FY2019: €45.0 million), of which 54% was generated from the hotels whilst the remaining balance from the entertainment & leisure segment and other operations. The reduction in revenue adversely impacted EBITDA which decreased from €13.5 million in FY2019 to a loss of €0.6 million. Below EBITDA, depreciation & amortisation and finance costs were unchanged from the prior year, but the Group recognised an impairment of €450,000 on investment property (FY2019: nil). The loss after tax amounted to €4.8 million compared to a profit of €12.7 million in FY2019.

Revenue in **FY2021** increased by €10.5 million, from €12.1 million in FY2020 to €22.6 million on account of the gradual re-opening of the hospitality and leisure sectors particularly in the second half of the year. Albeit, the improvement in revenue still represented 50% of gross income generated in FY2019.

The above-mentioned increase in revenue reversed an EBITDA loss of €0.6 million registered in FY2020 to a positive EBITDA amounting to €7.4 million. The Group achieved an operating profit margin of 33% in FY2021, three percentage points higher than pre-pandemic level of 30% (FY2019). The interest cover in the reviewed year was at 3.63 times (FY2019: 6.39 times).

After accounting for depreciation and amortisation of €4.3 million (FY2020: €4.4 million) and finance costs of €2.0 million (FY2020: €2.1 million), the Group registered a profit before tax amounting to €1.0 million compared to a loss in the prior year of €7.6 million. Overall, total comprehensive income amounted to €0.9 million, a substantial improvement from the €4.8 million comprehensive expense reported in FY2020.

**The estimates for the forward year as presented in this document assume that the carrying values of Group properties will remain constant in FY2022, and therefore no adjustment has been made as to possible impairment or uplift of assets that may be booked and which may materially affect the consolidated statement of comprehensive income and statement of financial position.**

In the forecast year **FY2022**, the Group expects to generate €35.5 million in revenue, an increase of €12.9 million (+57%) when compared to FY2021. As explained in section 8 of this report, the hospitality and leisure segments of the Group are expected to perform better compared to the prior year as the economy continues to recover from the pandemic.

In consequence of the expected increase in revenue, the Group's EBITDA is projected to increase by €4.2 million from €7.4 million in FY2021 to €11.5 million. The EBITDA margin is expected to remain unchanged at 33%, though it is observed that in FY2021 the Group benefited from €3.5 million of government grants related to the COVID-19 wage subsidiary programme. Such subsides were terminated in the initial part of FY2022. The interest cover is expected to improve from 3.63 times in FY2021 to 5.84 times in FY2022.

Depreciation & amortisation and net finance costs are not expected to vary materially on a comparable basis.

Overall, the Group is projected to report a total comprehensive income of €3.5 million compared to €0.9 million in the prior year.

| Eden Leisure Group Limited<br>Consolidated Statement of Financial Position<br>as at 31 December | 2019<br>Actual<br>€'000 | 2020<br>Actual<br>€'000 | 2021<br>Actual<br>€'000 | 2022<br>Forecast<br>€'000 |
|---|---|---|---|---|
| **ASSETS** | | | | |
| **Non-current assets** | | | | |
| Property, plant and equipment | 153,464 | 151,850 | 148,971 | 146,734 |
| Right-of-use assets | 1,747 | 1,745 | 1,491 | 1,210 |
| Assets under development | - | - | - | 5,500 |
| Investment property | 17,200 | 16,750 | 16,750 | 16,750 |
| Investment in associated undertakings | 718 | 718 | 717 | 716 |
| Trade and other receivables | 7,213 | 7,033 | 5,978 | 4,949 |
| Deferred tax asset | - | 1,602 | 1,665 | 1,665 |
| | **180,342** | **179,698** | **175,572** | **177,524** |
| **Current assets** | | | | |
| Inventory | 2,235 | 2,198 | 2,077 | 2,052 |
| Trade and other receivables | 5,584 | 3,309 | 4,952 | 5,820 |
| Financial assets | 856 | 843 | 1,151 | 1,151 |
| Fixed deposits | 2,000 | 1,250 | - | - |
| Cash and cash equivalents | 8,248 | 3,590 | 9,777 | 5,680 |
| | **18,923** | **11,190** | **17,957** | **14,703** |
| **Total assets** | **199,265** | **190,888** | **193,529** | **192,227** |
| **EQUITY** | | | | |
| Share capital | 60,000 | 60,000 | 60,000 | 60,000 |
| Revaluation reserve | 33,565 | 33,552 | 33,491 | 33,552 |
| Fair value gain reserve | 4,990 | 4,540 | 4,540 | 4,540 |
| Retained earnings | 14,759 | 10,375 | 11,254 | 11,747 |
| Non-controlling interest | (190) | (98) | (1) | - |
| **Equity and reserves** | **113,124** | **108,369** | **109,284** | **109,839** |
| **LIABILITIES** | | | | |
| **Non-current liabilities** | | | | |
| Borrowings and bonds | 48,784 | 51,324 | 48,643 | 45,481 |
| Lease liabilities | 1,730 | 1,627 | 1,563 | 1,635 |
| Other non-current liabilities | 17,653 | 16,591 | 17,034 | 17,034 |
| | **68,167** | **69,542** | **67,240** | **64,150** |
| **Current liabilities** | | | | |
| Bank overdrafts | 1,077 | - | - | - |
| Borrowings | 2,811 | 1,057 | 3,209 | 3,209 |
| Lease liabilities | 111 | 252 | 37 | 252 |
| Other current liabilities | 13,975 | 11,668 | 13,759 | 14,777 |
| | **17,974** | **12,977** | **17,005** | **18,238** |
| | **86,141** | **82,519** | **84,245** | **82,388** |
| **Total equity and liabilities** | **199,265** | **190,888** | **193,529** | **192,227** |

| Key Accounting Ratios | FY2019 Actual | FY2020 Actual | FY2021 Actual | FY2022 Forecast |
|---|---|---|---|---|
| Gearing ratio<br>*(Net debt/net debt and shareholders' equity)* | 28% | 31% | 29% | 29% |
| Gearing ratio 2 (times)<br>*(Net debt/shareholders' equity)* | 0.39 | 0.46 | 0.40 | 0.41 |
| Net debt to EBITDA (years)<br>*(Net debt/EBITDA)* | 3.28 | -84.91 | 5.94 | 3.88 |
| Net assets per share (€)<br>*(Net asset value/number of shares)* | 4.71 | 4.52 | 4.55 | 4.58 |
| Liquidity ratio (times)<br>*(Current assets/current liabilities)* | 1.05 | 0.86 | 1.06 | 0.81 |

*Source: MZ Investment Services Ltd*

Total assets of the Eden Group as at 31 December 2021 amounted to €193.5 million (FY2020: €190.9 million), and principally comprise the assets described in section 6 of this report. Liquid financial assets and cash balances as at year end amounted to €10.9 million compared to €5.7 million in the previous year.

In FY2022, the Group will be involved in the development of the mixed-use project and by year end it is expected that the costs incurred on the project will amount to €5.5 million. In addition, payments to acquire property, plant & equipment is projected to amount to €2.0 million. In part consequence, cash balances are estimated to decrease by €4.1 million, from €9.8 million in FY2021 to €5.7 million in FY2022.

Total liabilities amounted to €84.2 million in FY2021 compared to €82.1 million in the prior year. The stated amount includes bank and other borrowings of €12.2 million and outstanding bonds amounting to €39.7 million (in aggregate €51.9 million; FY2020: €52.4 million). In FY2022, it is projected that bank borrowings will be reduced by €3.2 million.

The gearing ratio of the Group decreased on a y-o-y basis, from 31% in FY2020 to 29% in FY2021, on account of the improvement in operating cash flows and reduction of bank borrowings. For the forecast year, the Group's leverage is expected to remain unchanged at 29%.

The liquidity ratio strengthened from 0.86 times in FY2020 to 1.06 times in FY2021. As at 31 December 2022, the liquidity ratio is expected to fall back to 0.81 times mainly due to the expected reduction in cash balances on account of the ongoing mixed-use development project.

| **Eden Leisure Group Limited**<br>**Consolidated Statement of Cash Flows**<br>**for the year ended 31 December** | **2019**<br>**Actual**<br>**€'000** | **2020**<br>**Actual**<br>**€'000** | **2021**<br>**Actual**<br>**€'000** | **2022**<br>**Forecast**<br>**€'000** |
|---|---|---|---|---|
| Net cash from operating activities | 12,326 | (2,481) | 7,212 | 9,812 |
| Net cash from investing activities | (5,257) | (1,710) | (265) | (7,500) |
| Net cash from financing activities | (5,425) | 610 | (760) | (6,409) |
| **Net movement in cash and cash equivalents** | **1,644** | **(3,581)** | **6,187** | **(4,097)** |
| Cash and cash equivalents at beginning of year | 5,527 | 7,171 | 3,590 | 9,777 |
| **Cash and cash equivalents at end of year** | **7,171** | **3,590** | **9,777** | **5,680** |

The consolidated cash flow statement shows that in FY2019, the Group generated cash inflows from operating activities of €12.3 million compared to €10.1 million in FY2018. There were no material movements in working capital to impact operating cashflows. In FY2020, net cash used in operating activities amounted to €2.5 million compared to cash inflows of €12.3 million in FY2019, reflecting the decline in the Group's business due to the COVID-19 outbreak.

In 2021, operations across the Group's businesses were significantly higher compared to 2020, and this is reflected in higher net cash inflows from operating activities which amounted to €7.2 million (FY2020: outflows of €2.5 million). In the forecast year (FY2022), cash inflows from operating activities are projected to increase by €2.6 million to €9.8 million on account of the expected improvement in business activities.

Net cash outflows from investing activities amounted to €5.3 million in FY2019 (FY2018: €3.0 million), and mainly comprised the acquisition of fixed assets of €3.1 million (FY2018: €2.8 million) and the transfer of €2.0 million (FY2018: nil) to a fixed term deposit account held with a local bank. During FY2020, the Group's capital expenditure (comprising refurbishments and other improvements to Group properties) amounted to €2.5 million, while the fixed term deposit was reduced by €750,000.

Capital expenditure in FY2021 was reduced to 50% of FY2020's expenditure which amounted to €1.2 million. Such payments to acquire tangible fixed assets were funded from a fixed term deposit of €1.25 million. In addition, investing activities comprised payments amounting to €300,000 (FY2020: nil) to acquire financial assets.

In FY2022, the Group is projecting to utilise €7.5 million for capital expenditure, of which, €5.5 million is earmarked for the purposes of developing the mixed-use project described in section 7 of this report while the remaining balance shall be applied to fund the ongoing works at the InterContinental Malta, completion of the Lubelli restaurant and other general expenditure.

Net cash outflows from financing activities amounted to €5.4 million in FY2019 (FY2018: €5.8 million), reflecting the payment of dividends amounting to €3.1 million (FY2018: €3.5 million) and repayment of bank borrowings of €2.3 million (FY2018: €2.3 million). In FY2020, net cash inflows from financing activities amounted to €610,000, and comprised net drawdowns of €1.8 million from bank borrowings and the repayment of €1.0 million of third party borrowings.

Net cash used in financing activities amounted to €0.8 million in FY2021 and included net repayments of bank and third party borrowings of €0.7 million and payment of lease obligations of €0.1 million.

In FY2022, net cash outflows of a financing nature is projected to amount to €6.4 million on account of net repayment of bank borrowings amounting to €3.2 million and distribution of dividends of €3.2 million.

## VARIANCE ANALYSIS

The following financial information relates to the variance analysis between the forecasted financial information of the Group for the year ended 31 December 2021 included in the prior year's Financial Analysis Summary dated 25 June 2021 and the audited consolidated financial statements of the Group for the year ended 31 December 2021.

| **Eden Leisure Group Limited<br>Consolidated Statement of Comprehensive Income<br>for the year ended 31 December 2021** | **Actual<br>€'000** | **Forecast<br>€'000** | **Variance<br>€'000** |
|---|---|---|---|
| Revenue | 22,560 | 21,837 | 723 |
| Net operating expenses | (15,210) | (17,126) | 1,916 |
| **EBITDA** | **7,350** | **4,711** | **2,639** |
| Depreciation and amortisation | (4,294) | (4,011) | (283) |
| Other net non-operating income (costs) | (55) | (35) | (20) |
| Finance costs | (2,026) | (2,001) | (25) |
| **Profit/(loss) before tax** | **975** | **(1,336)** | **2,311** |
| Taxation | 1 | 468 | (467) |
| **Profit/(loss) after tax** | **976** | **(868)** | **1,844** |
| **Other comprehensive income** | | | |
| Other comprehensive items | (61) | - | (61) |
| **Total comprehensive income/(expense)** | **915** | **(868)** | **1,783** |

As presented in the above table, the Group converted a projected loss of €0.9 million to a profit after tax amounting to €1.0 million. The positive variance of €1.8 million mainly emanated from higher than expected revenue of €0.7 million and savings of €1.9 million from net operating expenses on account of internal cost efficiencies as well as higher than projected government grants related to the wage subsidiary programme.

The projected tax credit of €468,000 was eliminated in view of the better than expected performance by the Group.

| **Eden Leisure Group Limited**<br>**Consolidated Statement of Cash Flows**<br>**for the year ended 31 December 2021** | **Actual**<br>**€'000** | **Forecast**<br>**€'000** | **Variance**<br>**€'000** |
|---|---|---|---|
| Net cash from operating activities | 7,212 | 4,039 | 3,173 |
| Net cash from investing activities | (265) | (1,200) | 935 |
| Net cash from financing activities | (760) | 593 | (1,353) |
| **Net movement in cash and cash equivalents** | **6,187** | **3,432** | **2,755** |
| Cash and cash equivalents at beginning of year | 3,590 | 3,590 | - |
| **Cash and cash equivalents at end of year** | **9,777** | **7,022** | **2,755** |

Net movement in cash balances was better than expected by €2.8 million.

The positive movement emanated from higher than projected net cash generated from operating activities amounting to €3.2 million, which was partly offset by an aggregate adverse variance of €0.4 million from investing and financing activities principally on account of the purchase of financial assets amounting to €0.3 million which was not anticipated when the projections were compiled.

**Eden Leisure Group Limited**
**Consolidated Statement of Financial Position**
**as at 31 December 2021**

| | Actual €'000 | Forecast €'000 | Variance €'000 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 148,971 | 149,039 | (68) |
| Right-of-use assets | 1,491 | 1,464 | 27 |
| Investment property | 16,750 | 16,750 | - |
| Investment in associated undertakings | 717 | 717 | - |
| Trade and other receivables | 5,978 | 6,056 | (78) |
| Deferred tax asset | 1,665 | 1,603 | 62 |
| | **175,572** | **175,629** | **(57)** |
| **Current assets** | | | |
| Inventory | 2,077 | 2,236 | (159) |
| Trade and other receivables | 4,952 | 4,582 | 370 |
| Other financial assets | 69 | - | 69 |
| Financial assets | 1,082 | 843 | 239 |
| Cash and cash equivalents | 9,777 | 7,022 | 2,755 |
| | **17,957** | **14,683** | **3,274** |
| **Total assets** | **193,529** | **190,312** | **3,217** |
| **EQUITY** | | | |
| Share capital | 60,000 | 60,000 | - |
| Revaluation reserve | 33,491 | 33,552 | (61) |
| Fair value gain reserve | 4,540 | 4,441 | 99 |
| Retained earnings | 11,254 | 9,507 | 1,747 |
| Non-controlling interest | (1) | - | (1) |
| **Equity and reserves** | **109,284** | **107,500** | **1,784** |
| **LIABILITIES** | | | |
| **Non-current liabilities** | | | |
| Borrowings and bonds | 48,643 | 48,195 | 448 |
| Lease liabilities | 1,563 | 1,375 | 188 |
| Other non-current liabilities | 17,034 | 16,464 | 570 |
| | **67,240** | **66,034** | **1,206** |
| **Current liabilities** | | | |
| Borrowings | 3,209 | 3,176 | 33 |
| Lease liabilities | 37 | 252 | (215) |
| Other current liabilities | 13,759 | 13,350 | 409 |
| | **17,005** | **16,778** | **227** |
| | **84,245** | **82,812** | **1,433** |
| **Total equity and liabilities** | **193,529** | **190,312** | **3,217** |

Total assets were higher than forecast by €3.2 million mainly on account of higher than expected cash balances €2.8 million in view of the improved operating performance of the Group compared to the projected financial information.

Retained earnings were better than expected by €1.7 million which result is reflected in a positive variance in equity and reserves.

Total liabilities were higher than projected by €1.4 million, principally due to higher bank borrowings amounting to €0.5 million and higher trade and other payables (current and non-current) amounting to €1.0 million.

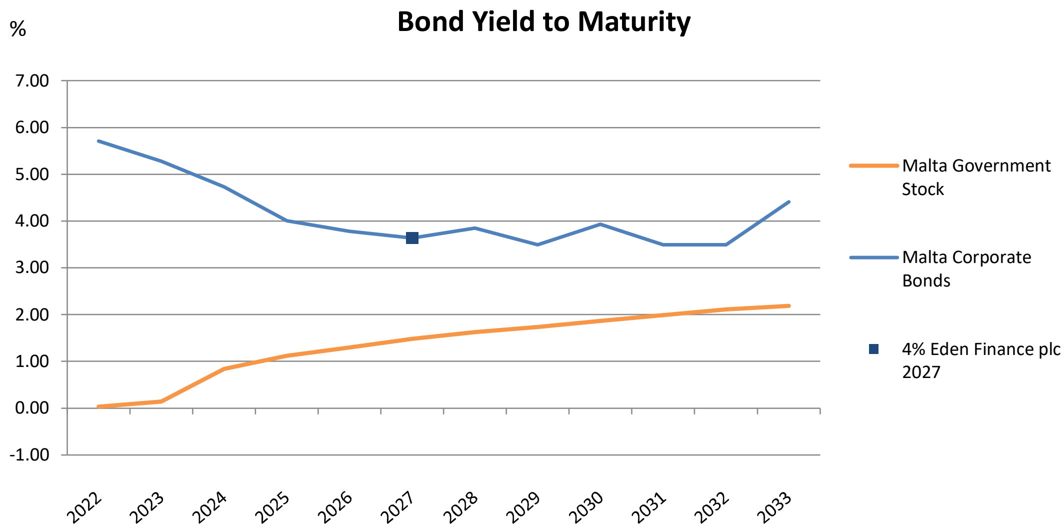
# PART 4 - COMPARABLES

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

| **Comparative Analysis** | **Nominal Value** (€) | **Yield to Maturity** (%) | **Interest Cover** (times) | **Total Assets** (€'000) | **Net Asset Value** (€'000) | **Gearing Ratio** (%) |
|---|---|---|---|---|---|---|
| 6.00% Pendergardens Developments plc Secured € 2022 Series | 19,756,700 | 5.71 | 1.79 | 60,578 | 29,491 | 36.39 |
| 4.25% GAP Group plc Secured € 2023 | 8,349,900 | 5.28 | 14.81 | 112,173 | 21,575 | 60.31 |
| 5.30% United Finance Plc Unsecured € Bonds 2023 | 8,500,000 | 5.28 | 0.67 | 37,298 | 6,677 | 75.91 |
| 5.80% International Hotel Investments plc 2023 | 10,000,000 | 4.68 | 1.06 | 1,695,229 | 838,216 | 40.59 |
| 5.5% Mediterranean Investments Holding plc € 2023 | 20,000,000 | 5.48 | 2.01 | 310,941 | 188,651 | 27.06 |
| 6.00% AX Investments Plc € 2024 | 40,000,000 | 4.18 | 1.69 | 374,099 | 237,143 | 25.10 |
| 6.00% International Hotel Investments plc € 2024 | 35,000,000 | 4.84 | 1.06 | 1,695,229 | 838,216 | 40.59 |
| 5.30% Mariner Finance plc Unsecured € 2024 | 35,000,000 | 4.73 | 3.30 | 102,348 | 52,929 | 46.65 |
| 5.00% Hal Mann Vella Group plc Secured € 2024 | 30,000,000 | 3.68 | 2.60 | 123,752 | 48,512 | 53.05 |
| 5.10% 1923 Investments plc Unsecured € 2024 | 36,000,000 | 4.23 | 4.58 | 149,687 | 52,831 | 49.89 |
| 4.25% Best Deal Properties Holding plc Secured € 2024 | 9,183,200 | 4.20 | - | 24,561 | 6,893 | 62.61 |
| 3.70% GAP Group plc Secured € 2023-2025 Series 1 | 21,000,000 | 3.54 | 14.81 | 112,173 | 21,575 | 60.31 |
| 5.75% International Hotel Investments plc Unsecured € 2025 | 45,000,000 | 5.15 | 1.06 | 1,695,229 | 838,216 | 40.59 |
| 5.10% 6PM Holdings plc Unsecured € 2025 | 13,000,000 | 5.09 | 52.47 | 162,889 | 74,159 | 14.82 |
| 4.50% Hili Properties plc Unsecured € 2025 | 37,000,000 | 4.01 | 1.41 | 208,696 | 110,881 | 32.31 |
| 4.35% Hudson Malta plc Unsecured € 2026 | 12,000,000 | 3.78 | 4.51 | 58,951 | 12,557 | 68.49 |
| 4.25% Corinthia Finance plc Unsecured € 2026 | 40,000,000 | 4.25 | - 0.51 | 1,717,057 | 828,470 | 42.64 |
| 4.00% International Hotel Investments plc Secured € 2026 | 55,000,000 | 3.86 | 1.06 | 1,695,229 | 838,216 | 40.59 |
| 5.00% Dizz Finance plc Unsecured € 2026 | 8,000,000 | 5.12 | 0.45 | 72,112 | 4,763 | 91.27 |
| 3.75% Premier Capital plc Unsecured € 2026 | 65,000,000 | 3.38 | 11.70 | 317,675 | 60,118 | 74.24 |
| 4.00% International Hotel Investments plc Unsecured € 2026 | 60,000,000 | 3.99 | 1.06 | 1,695,229 | 838,216 | 40.59 |
| 3.25% AX Group plc Unsec Bds 2026 Series I | 15,000,000 | 3.01 | 1.69 | 374,099 | 237,143 | 25.10 |
| 3.90% GAP Group plc Secured € 2024-2026 | 21,000,000 | 3.54 | 14.81 | 112,173 | 21,575 | 60.31 |
| 4.35% SD Finance plc Unsecured € 2027 | 65,000,000 | 4.23 | 0.88 | 328,464 | 131,504 | 30.32 |
| **4.00% Eden Finance plc Unsecured € 2027** | **40,000,000** | **3.64** | **3.63** | **193,529** | **109,284** | **28.55** |
| 4.00% Stivala Group Finance plc Secured € 2027 | 45,000,000 | 3.79 | 3.25 | 362,955 | 235,392 | 26.66 |
| 3.85% Hili Finance Company plc Unsecured € 2028 | 40,000,000 | 3.85 | 3.44 | 624,222 | 106,811 | 78.42 |
| 3.65% Stivala Group Finance plc Secured € 2029 | 15,000,000 | 3.49 | 3.25 | 362,955 | 235,392 | 26.66 |
| 3.80% Hili Finance Company plc Unsecured € 2029 | 80,000,000 | 3.89 | 3.44 | 624,222 | 106,811 | 78.42 |
| 3.75% AX Group plc Unsec Bds 2029 Series II | 10,000,000 | 3.52 | 1.69 | 374,099 | 237,143 | 25.10 |
| 3.65% International Hotel Investments plc Unsecured € 2031 | 80,000,000 | 3.72 | 1.06 | 1,695,229 | 838,216 | 40.59 |
| 3.50% AX Real Estate plc Unsec Bds 2032 | 40,000,000 | 3.50 | - | 238,228 | 78,698 | 63.41 |

*31-May-22*

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




Source: Malta Stock Exchange, Central Bank of Malta, MZ Investment Services Ltd 31 May 2022

To date, there are no corporate bonds which have a redemption date beyond 2033. The Malta Government Stock yield curve has also been included since it is the benchmark risk-free rate for Malta.

The Eden bonds are trading at a yield of 3.64%, which is in line with other corporate bonds maturing in the same year. The premium over FY2027 Malta Government Stock is 214 basis points.

# PART 5 - EXPLANATORY DEFINITIONS AND REFERENCES

| | |
|---|---|
| **Income Statement** | |
| Revenue | Total revenue generated by the Group from its business activities during the financial year, including hospitality and entertainment, rental income and other revenue streams. |
| Operating expenses | Operating expenses include all direct (food, beverages, consumables, labour expenses, etc) and indirect (including general and administration expenses) operating costs. |
| EBITDA | EBITDA is an abbreviation for earnings before interest, tax, depreciation and amortisation. EBITDA can be used to analyse and compare profitability between companies and industries because it eliminates the effects of financing and accounting decisions. |
| Profit after tax | Profit after tax is the profit made by the Group during the financial year both from its operating as well as non-operating activities. |
| **Key Performance Indicators** | |
| Occupancy level | Occupancy level is the percentage of available rooms that were sold during a given period of time. It is calculated by dividing the number of rooms sold by total number of rooms available. |
| Average room rate | Average room rate is calculated by dividing hotel rooms that were sold during a given period of time. It is calculated by dividing the number of rooms sold by total number of rooms available. |
| Revenue per available room (RevPAR) | RevPAR is calculated by multiplying a hotel's total revenue by total room nights available. A hotel uses this indicator as a performance measure with other hotels in the same category or market. |
| Revenue generating index (RGI) | A revenue generating index measures a hotel's fair market share of its segment's (competitive set, market, etc) revenue per occupied room. If a hotel is capturing its fair market share, the index will be 1; if capturing less than its fair market share, a hotel's index will be less than 1; and if capturing more than its fair market share, a hotel's index will be greater than 1. |
| **Profitability Ratios** | |
| EBITDA margin | EBITDA margin is operating income or EBITDA as a percentage of total revenue. |

| | |
|---|---|
| Net profit margin | Net profit margin is profit after tax achieved during the financial year expressed as a percentage of total revenue. |
| **Efficiency Ratios** | |
| Return on equity | Return on equity (ROE) measures the rate of return on the shareholders' equity of the owners of issued share capital, computed by dividing profit after tax by shareholders' equity. |
| Return on capital employed | Return on capital employed (ROCE) indicates the efficiency and profitability of a company's capital investments, estimated by dividing operating profit by capital employed. |
| Return on assets | Return on assets (ROA) is computed by dividing profit after tax by total assets. |
| **Equity Ratios** | |
| Earnings per share | Earnings per share (EPS) is the amount of earnings per outstanding share of a company's share capital. It is computed by dividing net income available to equity shareholders by total shares outstanding as at balance sheet date. |
| **Cash Flow Statement** | |
| Cash flow from operating activities | Cash generated from the principal revenue-producing activities (room revenue, food & beverage, hotel services, etc) of the Group. |
| Cash flow from investing activities | Cash generated from activities dealing with the acquisition and disposal of long-term assets and other investments of the Group. |
| Cash flow from financing activities | Cash generated from the activities that result in change in share capital and borrowings of the Group. |
| **Balance Sheet** | |
| Non-current assets | Non-current asset are the Group's long-term investments, which full value will not be realised within the accounting year. Non-current assets are capitalised rather than expensed, meaning that the Group amortises the cost of the asset over the number of years for which the asset will be in use, instead of allocating the entire cost to the accounting year in which the asset was acquired. |
| Current assets | Current assets are all assets of the Group, which are realisable within one year from the balance sheet date. Such amounts include accounts receivable, inventory (food, beverages, consumables, etc), cash and bank balances. |

| | |
|---|---|
| Current liabilities | All liabilities payable by the Group within a period of one year from the balance sheet date, and include accounts payable and short-term debt, including current portion of bank loans. |
| Non-current liabilities | The Group's long-term financial obligations that are not due within the present accounting year. The Group's non-current liabilities include long-term borrowings and bonds. |
| Total equity | Total equity includes share capital, reserves & other equity components, retained earnings and minority interest. |
| **Financial Strength Ratios** | |
| Liquidity ratio | The liquidity ratio (also known as current ratio) is a financial ratio that measures whether or not a company has enough resources to pay its debts over the next 12 months. It compares a company's current assets to its current liabilities. |
| Interest cover | The interest coverage ratio is calculated by dividing a company's operating profit of one period by the company's interest expense of the same period. |
| Net assets per share | Is calculated by dividing the total net asset value of the company by the number of shares outstanding. |
| Net debt to EBITDA | The net debt to EBITDA is a measurement of leverage, calculated as a company's interest bearing liabilities minus cash or cash equivalents, divided by its EBITDA. This ratio shows how many years it would take for a company to pay back its debt if net debt and EBITDA are held constant. |
| Gearing ratio | The gearing ratio indicates the relative proportion of shareholders' equity and debt used to finance a company's assets, and is calculated by dividing a company's net debt by net debt plus shareholders' equity. Alternatively, the gearing ratio can be calculated by dividing a company's net debt by shareholders' equity. |