Calamatta Cuschieri

The Directors
Central Business Centres p.l.c.
Cortis Buildings,
Mdina Road,
Żebbuġ, ZBG 4211,
Malta

Re: Financial Analysis Summary – 2023

2 June 2023

Dear Sirs,

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 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 Central Business Centres p.l.c. (the "**Company**" of "**Issuer**") as explained in part 1 of the Analysis. The data is derived from various sources, including the most recent prospectus dated 24 September 2021 published by the Issuer (the "**Prospectus**"), or is based on our own computations as follows:

(a) Historical financial data for the three years ended 31 December 2020, 2021 and 2022 has been extracted from the audited financial statements of the Issuer for the three years in question.

(b) The forecast data for the current financial year 2023 has been provided by management.

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

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

(e) The principal relevant market players listed in Part 3 of the document have been identified by management. Relevant financial data in respect of competitors has been extracted from public sources such as the web sites of the companies concerned or financial statements filed with the Registrar of Companies or websites providing financial data.

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

Yours sincerely,

Patrick Mangion
Head of Capital Markets

FINANCIAL ANALYSIS SUMMARY 2023

Central Business Centres p.l.c.

2 June 2023

Prepared by Calamatta Cuschieri Investment Services Limited

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Part 1 - Information about the Company

1.1 Issuer's Key Activities and Structure

Central Business Centres p.l.c. ("**CBC**" or "**Issuer**") was set-up in 2014. Upon incorporation, CBC's total issued share capital of 250,000 ordinary shares was equally held by 6 shareholders. In January 2019, CBC underwent a succession planning exercise whereby the previous shareholders transferred the bare ownership of their equity holding in the company to their descendants by way of donation, whilst retaining the usufruct and voting rights thereon. With the present shareholding structure, no individual shareholder has a holding of more than 10% in CBC.

The principal activity of the Issuer is to hold property for investment purposes and generate returns from this property through rental agreements. The Issuer's aim is to develop the "Central Business Centre" brand by emulating the success of the business centre in Żebbuġ, Malta, which has been generating a steady flow of rental returns since its opening in 2011, followed by the commencement of operations of the Gudja business centres, St. Julian's business centres and, more recently, the Valletta business centres.

1.2 Directors and Key Employees

Board of Directors - Issuer

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

Name	Office Designation
Mr Joseph Cortis	Executive Director, Chairman
Dr Petramay Attard Cortis	Non-Executive Director
Ms Crystielle Farrugia Cortis	Non-Executive Director
Mr Alfred Sladden	Non-Executive Director
Ms Adriana Cutajar	Non-Executive Director
Mr Joseph M Formosa	Non-Executive Director

The business address of all of the directors is the registered office of the Issuer.

The executive director of the Issuer, on the strength of his respective knowledge and experience in the applicable business interests of the Issuer to which he contributes directly, occupies the senior management and key executive position across the Cortis Group.

As at 31 December 2022, the Issuer had no employees (FY21: 0). Management confirmed that CBC subcontracts all of its administration, repair and maintenance works.

1.3 Major Assets owned by the Company

1.3.1 Central Business Centres, Żebbuġ ("CBC Żebbuġ")

The properties in Żebbuġ, Malta, comprise of 1,509m^2 of office space, 28 car spaces, and yet to be built, 6,220 m^2 of commercial space and 241 car spaces.

On 19 October 2017, CBC entered into a Promise of Sale Agreement (POS) (Emphyteutical Grant for a period of 34 years) with LIDL Malta for the development of a supermarket, including ancillary facilities such as warehouse facilities, utility spaces, parking spaces and loading/unloading ramp and bay on the said site, which forms part of the Żebbuġ properties.

As part of this agreement, LIDL Malta also agreed to undertake the development of an underground level and other area for the eventual use of the Cortis Group.

Based on management information, as at the date of this Analysis, the Żebbuġ properties were fully occupied with tenants and full occupancy is anticipated throughout 2023.

1.3.2 Central Business Centres, Gudja ("CBC Gudja")

The centre in Gudja, Malta, comprises of 1,365 m^2 of office space and commercial space, and 19 car spaces for rental purposes.

This property is currently occupied by 7 tenants in total, with a 90% occupancy rate. Full occupancy is projected by end of 2023.

1.3.3 Central Business Centres, St Julian's ("CBC St Julian's")

The St. Julian's business centre, including Villa Fieres (the "**Villa**"), as explained in section 1.4.2 below, comprises of 1,360m^2 of office space, 6 outlets, 14 car spaces, and a restaurant with a footprint of 1,100m^2.

While this business centre is at present 67% occupied with tenants, management is projecting to have a higher occupancy rate during 2023. In terms of the Villa, the restaurant is currently being restored. Works are currently being carried out under the Superintendent of Cultural Heritage, with full development expected to be completed by Q3 2023 as noted below.

1.3.4 Central Business Centres, Valletta ("CBC Valletta")

The Issuer purchased a property in Valletta in 2021 by means of the 2033 Bonds, as defined in sections 1.4.1 and 1.4.4 below. The property has a net rentable area of 2,335m^2.

This property was 28% occupied by 8 tenants during 2022 and, following a good response from tenants, management is now anticipating a 57% occupancy rate by the end of 2023.

1.4 Operational Developments

1.4.1 Historical Background

As noted above, CBC was incorporated in June 2014, and to date, CBC acquired the following properties in: (a) Żebbuġ; (b) Gudja; (c) St Julian's; and (d) Valletta.

CBC has three bonds in issue, latest one being the bond listed on 10 November 2021. This was a €21 million bond, redeemable at par and bearing interest of 4% *per annum* (the "**2033 Bonds**"), proceeds of which were used to purchase CBC Valletta and repay previous maturing bonds.

1.4.2 Villa Fieres

Villa Fieres has permits for commercial and/or residential use and is earmarked for rental to third parties to be used as a high-end restaurant. Permit (i) to allow for outdoor seating areas, (ii) construction of a unit with level access to Ix-Xatt ta' Spinola (ii) construction of two levels of storage and kitchen facilities and (iii) construction of a lightweight staircase structure and panoramic lift was granted on 10 November 2020. Some delays were experienced during the restoration process of Villa Fieres, with management attributing said delays to the requirement of having clearance from the relevant authorities at every stage. As explained in section 1.3.3 above, the restoration process on Villa Fieres is currently ongoing, and due to several delays experienced during this phase, this is now projected to be completed during Q3 2023.

1.4.3 Commercial Site, Żebbuġ

As explained in section 1.3.1 above, CBC owns commercial land in Żebbuġ which is now subject to a POS with LIDL for the development of a supermarket and other related facilities and spaces. In August 2021, CBC was granted the necessary permit to build the aforementioned LIDL supermarket, whereby management confirmed that, following certain delays by the relevant Government authorities, development works will commence in Q3 2023.

1.4.4 CBC Valletta Acquisition

As explained in section 1.4.1 above, the Issuer acquired CBC Valletta for a total consideration of €17.5m.

Following the said acquisition, CBC is at present operating this property in accordance with its previous occupational use, that of a shopping complex.

In line with the use of proceeds of the 2033 Bonds, management confirmed its intentions to implement significant refurbishment to this property and embark on a re-branding exercise. These processes are currently in discussion.

1.5 Listed Debt Securities of the Issuer

Central Business Centres p.l.c. has the following outstanding debt securities:

Debt Security	ISIN	€m
5.25% Central Business Centres plc Unsecured € 2025 S2T1	MT0000881210	3
4.40% Central Business Centres plc Unsecured € 2027 S1/17 T1	MT0000881228	6
4% Central Business Centres plc Unsecured Bonds 2027-2033	MT0000881236	21

Part 2 - Historical Performance and Forecasts

The Issuer's historical financial information for the three years ending 31 December 2020, 2021 and 2022, as set out in the audited financial statements of the Issuer may be found in section 2.1 to 2.3 of this Analysis. These sections also include the projected performance of the Issuer for the period ending 31 December 2023. The projected financial statements detailed below relate to events in the future and are based on assumptions which the Company believes to be reasonable. Consequently, the actual outcome may be adversely affected by unforeseen situations and the variation between forecast and actual results may be material.

2.1 Issuer's Statement of Comprehensive Income

Income Statement for the year ended 31 December	2020A	2021A	2022A	2023F
	€000s	€000s	€000s	€000s
Revenue	1,252	1,491	1,787	1,880
Operating expenses	(114)	(151)	(206)	(194)
EBITDA	**1,138**	**1,340**	**1,581**	**1,686**
Depreciation	(23)	(26)	(42)	(53)
EBIT	1,115	1,314	1,539	1,632
Other income	3	-	-	25
Fair value movement relating to investment property	4,843	4,701	-	-
Finance costs	(629)	(714)	(1,262)	(1,262)
Profit / (loss) before taxation	**5,332**	**5,301**	**277**	**395**
Taxation	(1,668)	(1,907)	(99)	(138)
Profit / (loss) after taxation	**3,664**	**3,394**	**178**	**257**

Ratio Analysis[1]	2020A	2021A	2022A	2023F
Profitability				
Growth in Revenue (YoY Revenue Growth)	15.3%	19.1%	19.9%	5.2%
EBITDA Margin (EBITDA / Revenue)	90.9%	89.9%	88.5%	89.7%
Operating (EBIT) Margin (EBIT/Revenue)	89.1%	88.1%	86.1%	86.8%
Net Margin (Profit for the year / Revenue)	292.7%	227.6%	10.0%	13.7%
Return on Common Equity (Net Income / Average Equity)	19.9%	15.5%	0.8%	1.1%
Return on Assets (Net Income / Average Assets)	11.40%	7.31%	0.31%	0.44%
Interest Coverage (EBITDA / Cash interest paid)	1.9x	2.0x	1.3x	1.3x

Revenue Segmental Analysis	2020A	2021A	2022A	2023F
	€'000s	€'000s	€'000s	€'000s
CBC Żebbuġ	652	655	639	585
CBC Gudja	101	129	137	117
CBC St. Julian's	499	667	699	763
CBC Valletta	-	40	312	415
Other income	3	-	1	4
Total Revenue	**1,255**	**1,491**	**1,788**	**1,884**
% Composition - CBC Żebbuġ	52.1%	43.9%	35.8%	31.1%
% Composition - CBC Gudja	8.1%	8.7%	7.7%	6.2%
% Composition - CBC St. Julian's	39.9%	44.7%	39.1%	40.6%
% Composition - CBC Valletta	0.0%	2.7%	17.5%	22.1%
% Composition - Other income	0.2%	0.0%	0.1%	0.2%
% Growth - CBC Żebbuġ	-6.5%	0.5%	-2.4%	-8.5%
% Growth - CBC Gudja	-10.6%	27.7%	6.1%	-14.2%
% Growth - CBC St. Julian's	80.8%	33.7%	4.7%	9.2%
% Growth - CBC Valletta	N/A	N/A	680.3%	33.0%
% Growth - Other income	N/A	-100.0%	N/A	438.4%
% Growth - Total Revenue	**15.5%**	**18.9%**	**19.9%**	**5.4%**

[1] Ratio Analysis may not agree to prior FASs, due to a change in the calculation methodology or due to rounding differences variance.

Revenue is derived from rental income and maintenance fees charged to tenants occupying premises in CBC's rental properties.

During FY22, rental income increased by 20% to *circa* €1.8m primarily due to the yearly increases included in the tenants' respective contracts. Revenue generated during FY22 includes continued rental income generated from CBC Żebbuġ, CBC Gudja, CBC St. Julian's, and CBC Valletta.

The largest contributors towards CBC's revenue during FY22 were CBC St. Julian's (39%) and CBC Żebbuġ (36%), on aggregate amounting to *circa* 75% of FY22 total revenue.

Moving forward, the Issuer is projecting total revenue to increase by *circa* 5.4% during FY23, primarily reflecting the standard increase in rates.

On the expenditure front, CBC's operating expenses are primarily composed of administration and management fees, professional fees, and insurance. During FY22, operating expenses (exclusive of depreciation) increased by 36% to €206k, with this being predominantly in line with the aforementioned increase in revenue and COVID related expenses. Operating expenses are projected to remain relatively stable during FY23.

After taking the above into consideration, the Issuer's EBITDA during FY23 is expected to increase to €1.7m, showing a slightly lower EBITDA Margin of 88.5%.

In FY21, property valuations were carried out by a third party to reflect the current property market, resulting in a fair value movement of *circa* €4.7m. There were no such movements in FY22.

Finance costs primarily comprise of interest on the bonds in issue, with these increasing to €1.3m during FY22, mainly reflecting the first full year's interest on the recently issued 2033 Bonds. The same finance costs are projected for FY23.

Tax charge for the year was substantially lower than that incurred during FY21 since there were no property valuations carried out during the year. This is projected to be slightly higher in FY23 due to the higher projected EBITDA.

Profit after taxation was lower than that achieved in FY21, with the aforementioned property valuations being the main reason. The Issuer closed the year with €178k in profit after tax, with this value forecast to be slightly higher in FY23 in line with the said projected increase in EBITDA.

2.1.1 Variance Analysis

Statement of Comprehensive Income	Dec-2022F	Dec-2022A	Variance
	€'000s	€'000s	€'000s
Revenue	1,788	1,787	(1)
Operating Expenses	(167)	(206)	(39)
EBITDA	**1,621**	**1,581**	**(40)**
Depreciation	(26)	(42)	(16)
EBIT	**1,595**	**1,539**	**(56)**
Other income	4	-	(4)
Finance costs	(1,301)	(1,300)	1
Finance costs capitalised	20	39	19
Profit before taxation	**318**	**278**	**(40)**
Taxation	(268)	(99)	169
Profit after taxation	**50**	**179**	**129**

The Issuer reported a revenue in line with what it projected during FY22. Operating expenses were slightly higher due to some COVID-related expenditure, resulting in a slightly lower EBITDA.

Other noticeable variances include a slightly higher depreciation charge following higher capital expenditure (explained in section 2.3 below) and a lower tax charge following a change in tax regime from 15% on net rental income to 35% on profit. In turn, this resulted in a higher profit after taxation.

2.2 Issuer's Statement of Financial Position

Statement of Financial Position as at 31 December	2020A	2021A	2022A	2023F
	€000s	€000s	€000s	€000s
Assets				
Non-current assets				
Investment property	34,000	56,713	57,292	57,442
Property, plant and equipment	180	178	302	359
Total non-current assets	**34,180**	**56,891**	**57,594**	**57,800**
Current assets				
Trade and other receivables	210	214	290	290
Financial assets at fair value through profit or loss	-	-	81	-
Cash and cash equivalents	360	1,053	196	288
Total current assets	**570**	**1,267**	**567**	**578**
Total assets	**34,750**	**58,158**	**58,161**	**58,379**
Equity and liabilities				
Capital and reserves				
Share capital	250	250	250	250
Capital reserve	16,100	16,100	16,100	16,100
Revaluation reserve	4,954	9,186	-	-
Retained earnings/losses	(1,089)	(1,925)	7,439	7,696
Total equity	**20,215**	**23,611**	**23,789**	**24,046**
Non-current Liabilities				
Borrowings	8,879	29,587	29,612	29,653
Deferred tax liabilities	2,239	3,923	3,923	3,923
Total non-current liabilities	**11,118**	**33,510**	**33,535**	**33,576**
Current liabilities				
Borrowings	2,982	-	-	-
Trade and other payables	319	877	756	756
Current tax liability	116	160	81	-
Total current liabilities	**3,417**	**1,037**	**837**	**756**
Total liabilities	**14,535**	**34,547**	**34,372**	**34,332**
Total equity and liabilities	**34,750**	**58,158**	**58,161**	**58,379**

Ratio Analysis[2]	2020A	2021A	2022A	2023F
Financial Strength				
Gearing 1 (Net Debt / Net Debt and Total Equity)	36.3%	54.7%	55.3%	55.0%
Gearing 2 (Total Liabilities / Total Assets)	41.8%	59.4%	59.1%	58.8%
Gearing 3 (Net Debt / Total Equity)	42.1%	120.9%	123.7%	122.1%
Net Debt / EBITDA	7.5x	21.3x	18.6x	17.4x
Current Ratio (Current Assets / Current Liabilities)	0.2x	1.2x	0.7x	0.8x
Interest Coverage level 1 (EBITDA / cash interest paid)	1.9x	2.0x	1.3x	1.3x
Interest Coverage level 2 (EBITDA / finance costs)	1.8x	1.9x	1.3x	1.3x

The Issuer's non-current assets amounted to *circa* €57.6m in FY22 (FY21: €56.9m), principally made up of investment property and property, plant and equipment.

CBC's main asset is its portfolio of investment property, which, as at FY22, amounted to €57.3m and represented 98.5% of total assets. Investment property increased substantially in FY21 following the inclusion of CBC Valletta

[2] Ratio Analysis may not agree to prior FASs, due to a change in the calculation methodology or due to rounding differences variance.

as part of the Issuer's property portfolio as well as property re-valuations carried out during FY21.

The Issuer's investment property is, at present, composed of four separately identifiable units, namely CBC Żebbuġ, CBC Gudja, CBC St. Julian's, and CBC Valletta, as explained in section 1.3 of this Analysis.

Property plant and equipment ("**PPE**") include the plant and machinery installed in CBC's properties. Management explained that CBC finishes the façade and common areas (and related amenities such as lifts) of the buildings but does not provide any finishes to the office areas, which are finished and furnished by the tenants themselves. PPE for FY22 was reported at €302k, which was higher than that projected due to further investments required for the works done on Villa Fieres.

Trade and other receivables during FY22 increased slightly from the previous reporting year (FY22: €290 vs FY21: €214k). These are expected to remain at this level in FY23.

Cash and cash equivalents for FY22 was less than that projected, primarily due to higher capital expenditure during the year (explained in section 2.4 below) as well as a slight increase in trade receivables and a slight decrease in trade payables.

Moving to equity, the entire €16.1m listed as capital reserve relates to three subordinated loans with related parties, which, under IAS 32, would be classified as equity.

Management explained that there was a reclassification between the revaluation reserve and retained earnings/losses, hence the differences in both vis-à-vis those previously projected.

On the liabilities side, deferred tax liabilities relate to the temporary differences arising from the revaluation of the investment properties. These are expected to remain at a total of €3.9m throughout FY23.

Borrowings listed under non-current liabilities during FY22 amounted to €29.6m and mainly relate to CBC's bonds currently in issue. These were in line with those projected, and are expected to remain stable in FY23.

Borrowings under current liabilities remained nil and are expected to remain as such during FY23. Trade and other payables have decreased slightly from FY21 to FY22, with management attributing this to the repayment of debts.

The below table summarises CBC's bonds currently in issue:

	Issue date	Amount €m	Coupon	Term
Bonds 2025	Dec-17	3	5.25%	10 years
Bonds 2027	Jun-17	6	4.40%	10 years
Bonds 2033	Nov-21	21	4.00%	12 years

2.3 Issuer's Statement of Cash Flows

Cash Flow Statement for the year ended 31 December	2020A	2021A	2022A	2023F
	€000s	€000s	€000s	€000s
Cash flows from operating activities				
EBITDA	1,138	1,303	1,581	1,686
Adjustments for:				
Movement in trade and other receivables	(119)	(4)	(76)	-
Movement in trade payables and accruals	34	558	(121)	(41)
Movement in financial instruments	-	-	(81)	81
	1,053	**1,857**	**1,303**	**1,726**
Interest paid	(594)	(674)	(1,262)	(1,262)
Tax paid	(189)	(179)	(180)	(138)
Net cash flows generated from / (used in) operating activities	**270**	**1,004**	**(139)**	**325**
Cash flows from investing activities				
Acquisition and development costs of investment property	(35)	(17,973)	(538)	(150)
Acquisition of property plant and equipment	(7)	(25)	(165)	(110)
Net cash flows generated from / (used in) investing activities	**(42)**	**(17,998)**	**(703)**	**(260)**
Cash flows from financing activities				
Repayment of existing bonds	-	(3,000)	(15)	-
Drawdown - 2033 Bonds	-	20,687	-	-
Return on short-term investments	-	-	-	25
Net cash flows generated from / (used in) financing activities	**-**	**17,687**	**(15)**	**25**
Movement in cash and cash equivalents	**228**	**693**	**(857)**	**90**
Cash and cash equivalents at start of year	132	360	1,053	196
Cash and cash equivalents at end of year	**360**	**1,053**	**196**	**286**

Ratio Analysis[3]	2020A	2021A	2022A	2023F
Cash Flow	**€000s**	**€000s**	**€000s**	**€000s**
Free Cash Flow (Net cash from operations + Interest - Capex)	€822	€(16,320)	€420	€1,327

Cash flows from operating activities throughout the year were lower than previously projected, following slightly lower-than-projected EBITDA, an outflow relating to short-term investments (maturing in FY23), and higher-than-projected outflows in trade payables.

Cash outflows from investing activities were higher than those projected following more investments made for the refurbishing of CBC Valletta and Villa Fieres. Management previously projected an outflow of €0.3m specifically for the refurbishment on CBC Valletta, which has been combined with the outflows for investment property and PPE.

CBC is forecasting an outflow from investing activities of €0.3m for FY23 relating to further investments in Villa Fieres and CBC Valletta.

In terms of cash flows in FY23, management is anticipating a total cash inflow of €0.1m - an increase of €0.9m from FY22. This is mainly due to a higher projected EBITDA (higher occupancy rates), less investment required for the completion of Villa Fieres and CBC Valletta, and the maturity of and interest from short term investments.

[3] Ratio Analysis may not agree to prior FASs, due to a change in the calculation methodology or due to rounding differences variance.

Part 3 - Key Market and Competitor Data

3.1 General Market Conditions

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

3.1.1 Malta Economic Update[4]

The Bank's Business Conditions Index (BCI) indicates that in March, annual growth in business activity stood above its long-term average, estimated since January 2000. The European Commission confidence surveys show that sentiment in Malta increased compared to February, and stood above its long-term average, estimated since November 2002. In month-on-month terms, sentiment increased in the retail and services sectors and in industry but declined in the construction sector and among consumers.

Additional survey information shows that price expectations stood firmly above their year-ago level in the construction sector, and to a lesser extent, among services firms. By contrast, price expectations among retailers and consumers as well as in industry stood lower. In March, the European Commission's Economic Uncertainty Indicator (EUI) for Malta increased when compared with February, indicating higher uncertainty. Uncertainty increased mostly in the construction sector.

In February, industrial production grew at a faster rate compared to January. By contrast, retail trade increased at a slower pace in annual terms. The unemployment rate stood at 3.0% in February, unchanged from the rate registered in the previous month, and marginally lower than that registered in February 2022. Commercial building and residential permits decreased in February relative to their year-ago level but exceeded those issued in January. In March, the number of promise-of-sale agreements rose on a year-on-year basis, while the number of final deeds of sales fell.

The annual inflation rate based on the Harmonised Index of Consumer Prices (HICP) stood at 7.1% in March, up from 7.0% in the previous month. On the other hand, inflation based on the Retail Price Index (RPI) decreased to 7.0%, from 7.1% in February. Maltese residents' deposits expanded at an annual rate of 3.6% in February, following an increase of 3.9% in the previous month, while annual growth in credit to Maltese residents moderated to 6.4% from 7.3% a month earlier. In February, the Consolidated Fund swung to a surplus from a deficit a year earlier, as government revenue surged while government expenditure declined slightly

3.1.2 The commercial property market

The strong economic growth sustained by the Maltese economy in recent years has contributed to a rise in the employment rate and the influx of foreign workers within the Maltese workforce. This has contributed to an increase in the demand for rental of office and commercial space in Malta. To address such growing demand, the supply of office and commercial space in Malta has considerably increased over the last couple of years. Of note, there are several traditional business areas in Malta. For instance, Sliema attracts many international brands and companies. Likewise, Valletta, being Malta's capital city, is considered as the hub for law firms and many long-established family businesses.

Other traditional commercial areas include the likes of St. Julian's, which is popular for its sea-view offices, and Floriana, which attracts businesses that want to be located in the vicinity of Valletta. In furtherance, there are also top-quality commercial developments within in the proximity of the airport and in other residential areas such as Naxxar, Mosta, Mellieha and in parts of the south of Malta. The variety of commercial and office space in Malta cater for every type of business, from start-ups to established global organisations. In this regard, numerous business centres have recently been developed, with new centres in the pipeline.

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

[4] Central Bank of Malta – Economic Update 4/2023

excessing supply. The latter has resulted into the majority of high-quality commercial developments being fully let.

In line with latest statistical data issued by Eurostat[5], the index reflecting office building permits within the European Union, indicated business levels similar to 2021 throughout 2022, which were still well above the depressed levels experienced in 2020. In Q1 2022 the index increased slightly to 135.7 from 134.9 in the previous quarter. The index then increased further to 138.8 in Q2 before dropping to 126.4 and 124.9 levels in Q3 and Q4 respectively.

3.1.3 The retail sector

In March, sentiment in the retail sector turned positive and stood above its long-term average of -0.4. It increased to 23.7, up from -0.5 a month earlier. In contrast to the previous month, expectations of business activity over the next three months turned positive in March. At the same time, the assessment of sales in recent months also improved significantly. The share of retailers assessing their stock levels to be above normal also decreased sharply compared with February.

Consumer confidence also fell below its long-term average of -10.2 in March. It stood at -10.9, down from -6.8 a month earlier. This development mainly reflects a more negative assessment of the general economic situation over the next 12 months as well as consumers' assessment of their own financial situation over the last 12 months.

From a macroeconomic perspective, despite a year of economic uncertainty, retail appears to be on an upward trajectory in the early months of 2023, with innovation in digital technology and sustainability as the main exciting prospects in the face of the disruption brought about by the pandemic and more recently, Russia's invasion of Ukraine. Unfortunately, churn is expected to remain in the short to medium term, so anticipating consumer needs has never been more imperative and critical in the retail industry. Those retailers who have lately adjusted their business model and are able to address consumers' needs at any time irrespective of their geographical location, are the ones that continue to win additional market share within the industry.

[5] https://appsso.eurostat.ec.europa.eu/nui/submitViewTableAction.do

3.1 Comparative Analysis

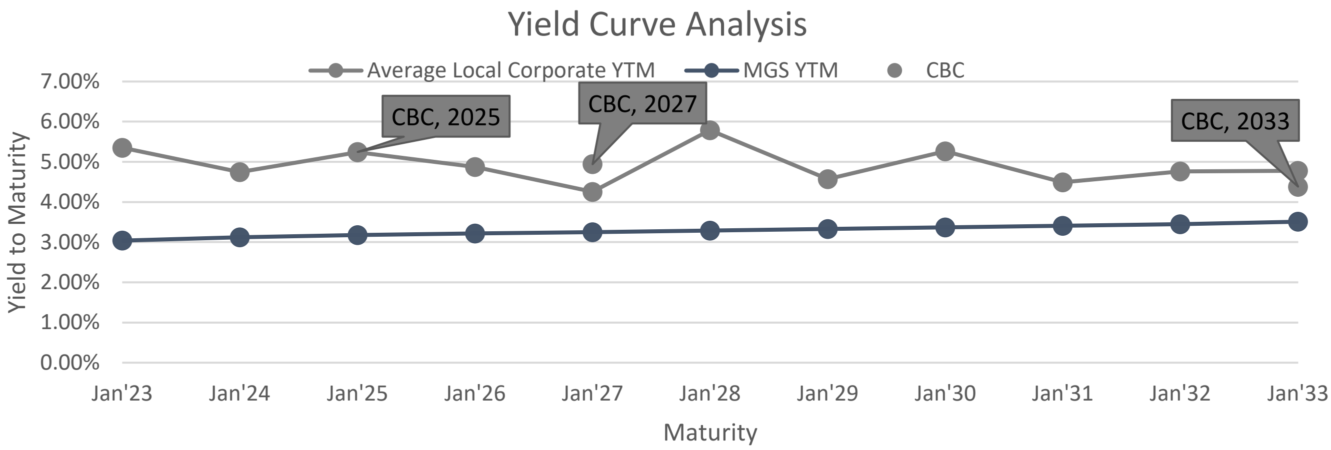
The purpose of the table below compares the debt issuance of the Issuer to other debt instruments. We have included different securities with a similar maturity as the debt securities of the Issuer. One must note that, given the material differences in profiles and industries, the risks associated with the Issuer's business and that of other issuers is therefore different.

Comparative Analysis												
Security	Nom Value €000's	Yield to Maturity (%)	Interest coverage (EBITDA) (times)	Total Assets (€'millions)	Total Equity (€'millions)	Total Liabilities / Total Assets (%)	Net Debt / Net Debt and Total Equity (%)	Net Debt / EBITDA (times)	Current Ratio (times)	Return on Common Equity (%)	Net Margin (%)	Revenue Growth (YoY) (%)
6% International Hotel Investments plc € 2024 (xd)	35,000	4.95%	0.7x	1,662.0	817.9	50.8%	36.2%	10.7x	0.8x	-0.3%	-1.0%	84.3%
5.75% International Hotel Investments plc Unsecured € 2025	45,000	5.26%	0.7x	1,662.0	817.9	50.8%	36.2%	10.7x	0.8x	-0.3%	-1.0%	84.3%
4.5% Hili Properties plc Unsecured € 2025	37,000	5.37%	2.0x	256.4	124.9	51.3%	46.3%	12.5x	0.7x	5.1%	48.8%	48.6%
5.25% Central Business Centres plc Unsecured € 2025 S2T1	2,985	5.25%	1.3x	58.2	23.8	59.1%	55.3%	18.6x	0.7x	0.8%	10.0%	19.9%
4% International Hotel Investments plc Secured € 2026	55,000	3.74%	0.7x	1,662.0	817.9	50.8%	36.2%	10.7x	0.8x	-0.3%	-1.0%	84.3%
3.9% Plaza Centres plc Unsecured € 2026	5,680	4.06%	6.1x	36.8	26.6	27.7%	13.3%	2.1x	1.8x	2.7%	25.1%	12.4%
4% International Hotel Investments plc Unsecured € 2026	60,000	4.22%	0.7x	1,662.0	817.9	50.8%	36.2%	10.7x	0.8x	-0.3%	-1.0%	84.3%
3.25% AX Group plc Unsec Bds 2026 Series I	15,000	3.40%	2.6x	422.8	248.2	41.3%	30.0%	12.0x	1.1x	-0.1%	-0.7%	8.1%
3.75% Mercury Projects Finance plc Secured € 2027	11,500	3.75%	2.6x	179.4	37.2	79.3%	37.5%	3.5x	3.0x	24.1%	22.9%	666.2%
4% Eden Finance plc Unsecured € 2027	40,000	4.56%	4.8x	217.9	135.4	37.9%	25.3%	4.8x	0.8x	1.0%	3.5%	47.3%
4.4% Central Business Centres plc Unsecured € 2027 S1/17 T1	6,000	4.94%	1.3x	58.2	23.8	59.1%	55.3%	18.6x	0.7x	0.8%	10.0%	19.9%
3.75% Bortex Group Finance plc Unsecured € 2027	12,750	4.43%	4.2x	67.8	34.5	49.1%	40.6%	4.9x	3.5x	5.7%	8.0%	21.3%
4.85% JD Capital plc Secured € 2032 S1 T1	14,000	4.86%	1.7x	57.5	16.8	70.8%	57.5%	18.5x	1.7x	1.3%	1.8%	N/A
5% Von der Heyden Group Finance plc Unsecured € 2032	35,000	5.00%	0.6x	142.0	41.1	71.1%	65.4%	38.4x	2.1x	-2.7%	-7.2%	32.3%
4% Central Business Centres plc Unsecured € 2027-2033	21,000	4.38%	1.3x	58.2	23.8	59.1%	55.3%	18.6x	0.7x	0.8%	10.0%	19.9%
4.75% Dino Fino Finance plc Secured € 2033	7,800	4.75%	(2.0)x	16.5	3.4	79.3%	68.6%	(8.1)x	0.9x	-34.4%	-21.8%	N/A

Source: Latest available audited financial statements

* Last closing price as at 12/05/2023

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



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 illustrates on a stand-alone basis, the issuer's existing yields of its outstanding bonds.

As at 12 May 2023, the average spread over the Malta Government Stocks (MGS) for corporates with maturity range of 1-3 years was 124 basis points. The 5.25% Central Business Centres 2025 is currently trading at a YTM of 525 basis points, meaning a spread of 207 basis points over the equivalent MGS. This means that this bond is trading at a premium of 83 basis points in comparison to the market.

As at 12 May 2023, the average spread over the Malta Government Stocks (MGS) for corporates with maturity range of 3-4 years was 79 basis points. The 4.4% Central Business Centres 2027 is currently trading at a YTM of 494 basis points, meaning a spread of 169 basis points over the equivalent MGS. This means that this bond is trading at a premium of 90 basis points in comparison to the market.

As at 12 May 2023, the average spread over the Malta Government Stocks (MGS) for comparable issuers with maturity range of 9-10 years was 140 basis points. The 4% Central Business Centres plc 2033 is currently trading at a YTM of 438 basis points, meaning a spread of 87 basis points over the equivalent MGS. This means that this bond is trading at a discount of 53 basis points in comparison to the market.

Part 4 - Glossary and Definitions

Income Statement	
Revenue	Total revenue generated by the Group/Company from its principal business activities during the financial year.
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.
EBIT (Operating Profit)	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.
Profit After Taxation	The profit made by the Group/Company during the financial year net of any income taxes incurred.

Profitability Ratios	
Growth in Revenue (YoY)	This represents the growth in revenue when compared with previous financial year.
Gross Profit Margin	Gross profit as a percentage of total revenue.
EBITDA Margin	EBITDA as a percentage of total revenue.
Operating (EBIT) Margin	Operating margin is the EBIT as a percentage of total revenue.
Net Margin	Net income expressed as a percentage of total revenue.
Return on Common Equity	Return on common equity (ROE) measures the rate of return on the shareholders' equity of the owners of issued share capital, computed by dividing the net income by the average common equity (average equity of two years financial performance).
Return on Assets	Return on assets (ROA) is computed by dividing net income by average total assets (average assets of two years financial performance).

Cash Flow Statement	
Cash Flow from Operating Activities (CFO)	Cash generated from the principal revenue producing activities of the Group/Company 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.

Balance Sheet	
Total Assets	What the Group/Company owns which can de 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 de further classified into Non-Current Liabilities and Current Liabilities.
Non-Current Liabilities	Obligations which are due after more than one financial year.
Current Liabilities	Obligations which are due within 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.

Financial Strength Ratios	
Current Ratio	The Current ratio (also known as the Liquidity Ratio) is a financial ratio that measures whether or not a company has enough resources to pay its debts over the next 12 months. It compares current assets to current liabilities.
Quick Ratio (Acid Test Ratio)	The quick ratio measures a Group's/Company's ability to meet its short-term obligations with its most liquid assets. It compares current assets (less inventory) to current liabilities.
Interest Coverage Ratio	The interest coverage ratio 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.
Gearing Ratio Level 3	Is calculated by dividing Net Debt by Total Equity.
Net Debt / EBITDA	The Net Debt / EBITDA ratio measures the ability of the Group/Company to refinance its debt by looking at the EBITDA.

Other Definitions	
Yield to Maturity (YTM)	YTM is the rate of return expected on a bond which is held till maturity. It is essentially the internal rate of return on a bond and it equates the present value of bond future cash flows to its current market price.

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