HOMES | HOTELS | OFFICES | RETAIL

CF ESTATES FINANCE p.l.c.

CF Business Centre, Level 1, Triq Gort, Paceville, San Giljan, STJ 9023, Malta
Co. Reg. No. C102839

COMPANY ANNOUNCEMENT

Publication of Financial Analysis Summary

It is being announced that the updated report containing the Financial Analysis Summary of the Company dated 17th June 2024, has been approved for publication and is attached herewith. It is also available for viewing on the Company's website: https://cf.com.mt/

By order of the Board

Joseph Saliba

Company Secretary

17th June 2024

Calamatta Cuschieri

The Directors
CF Estates Finance p.l.c.
CF Business Centre,
Level 1, Triq Gort, Paceville,
San Giljan, STJ 9023,
Malta

17 June 2024

Re: Financial Analysis Summary – 2024

Dear Board Members,

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 CF Estates Finance p.l.c. (the "**Issuer**") and CF Estates Ltd. (the "**Guarantor**"), being the parent company of the group as explained in part 1 of the Analysis. The data is derived from various sources, including the prospectus dated 28 November 2022 (the "**Prospectus**"), or is based on our own computations as follows:

(a) Historical financial data for the year ended 31 December 2021 has been extracted from the Issuer's pro-forma consolidated financial statements, and the historical financial data for the years ended 31 December 2022 and 31 December 2023 has been extracted from the audited financial statements of the Issuer for the two years in question.

(b) The forecast data for the financial year ending 31 December 2024 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 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 2024

DEVELOPMENT | HOTELS | OFFICES | RETAIL

17 June 2024

Prepared by Calamatta Cuschieri Investment Services Limited

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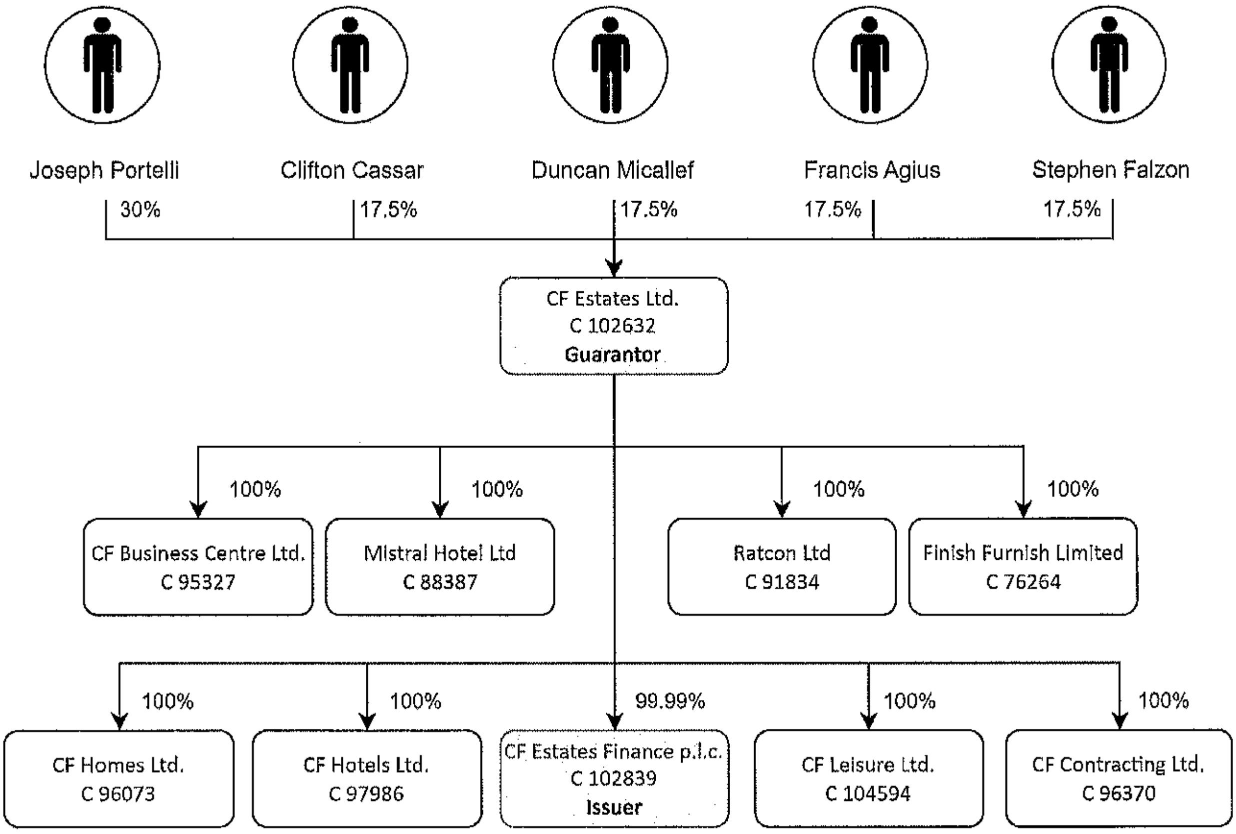
Part 1 - Information about the Group

1.1. Issuer's Key Activities and Structure

The Group structure is as follows:



CF Estates Finance p.l.c. (the **"Issuer"**) was incorporated on 26 July 2022 with company registration number C 102839. As at the date of this Analysis, the Issuer has an authorised share capital of €250,000 divided into 250,000 ordinary shares of €1 each and an issued share capital of €250,000 divided into 250,000 ordinary shares of €1 each, all fully paid up. The Issuer is, except for one ordinary B share that is held by Mr Joseph Portelli, a fully owned subsidiary company of CF Estates Ltd.

CF Estates Ltd. was incorporated on 30 June 2022 with company registration number C 102632. It was incorporated to act as both the holding and parent company of the CF Group (the **"Group"**). The Group is owned directly by Joseph Portelli, Francis Agius, Stephen Falzon, Duncan Micallef and Clifton Cassar (the **"Shareholders"**). The Group operates, through its subsidiaries, a range of businesses including hotels, a business centre, residential developments, other commercial outlets and a tile, bathroom and furniture outlet.

Prior to a group restructuring exercise, the Shareholders operated through different companies. Stephen Falzon, Duncan Micallef and Francis Agius developed residential projects through **"SDF Limited"**, a company incorporated on 6 February 2013 with company registration number C 59236. Along with Joseph Portelli, they also developed residential projects through 7 Dwarfs Ltd, a company incorporated on 19 February 2020 with company registration number C 94667. **"Finish Furnish Limited"**, which operates the Casafini showroom in Balzan, was incorporated on 4 July 2016 with company registration number C 76264, was founded by Stephen Falzon, Duncan Micallef, Francis Agius and Joseph Portelli through FMG Global Holdings Ltd (C 57894).

Joseph Portelli, Duncan Micallef and Clifton Cassar also developed residential projects through JDC Projects Limited (C 88087) and JDC Contracting Limited (C 92792), which were incorporated on 3 September 2018 and 5 August 2019, respectively. They also acquired and developed three hotels and a business centre (the **"CF Business Centre"**). The aforementioned three hotels are the Mistral Hotel (through

"**Mistral Hotel Ltd**"), the Scirocco Hotel and Levante Hotel (through "**Ratcon Ltd**"). The business centre is owned through "**CF Business Centre Ltd.**" (previously Haven Centre Limited).

In 2020, the Shareholders began discussions on merging their aforementioned businesses to create synergies which would facilitate further growth in their future operations. The companies involved in the merger were CF Business Centre Ltd, Mistral Hotel Ltd, Ratcon Ltd and Finish Furnish Limited. The Shareholders agreed that any developments which were still in progress would be completed by the corresponding entities, following which all new developments would be done through "**CF Homes Ltd.**" (previously CF Developers Ltd.) and "**CF Contracting Ltd.**", both incorporated in 2020. The Shareholders had proposed incorporating a new holding company to be owned 30% by Joseph Portelli and 17.5% each by Francis Agius, Duncan Micallef, Stephen Falzon and Clifton Cassar. This resulted in the incorporation of CF Estates Ltd. in June 2022.

Management explained that, in most cases, the acquisition of the land and construction of the development up to shell form is carried out by CF Homes Ltd. whilst CF Contracting Ltd. is appointed to finish the common areas and apertures. CF Contracting Ltd. may also be appointed to finish and furnish the apartments if requested by the client. Furthermore, "**CF Hotels Ltd**" was incorporated on 26 January 2021 with company registration number C 97986 and is a direct subsidiary of the Guarantor.

During 2023, CF Leisure Ltd. was incorporated with the objective of operating the entertainment arena within the Mercury Towers project. This entertainment arena, known as Planet Play started operating on 15 February 2024.

1.2. Directors and Key Employees

Board of Directors - Issuer

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

Name	Office Designation
Mr Joseph Portelli	Chairman and Executive Director
Mr Francis Agius	Executive Director
Mr Stephen Muscat	Independent Non-executive Director
Mr Mario Vella	Independent Non-executive Director
Mr Peter Portelli	Independent Non-executive Director

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

Dr Joseph Saliba is the company secretary of the Issuer.
The board of the Issuer is composed of five directors who are entrusted with its overall direction and management. The executive directors are entrusted with the decision-making and the day-to-day management of the Issuer, whereas the non-executive directors, all three of whom are independent of the Issuer, monitor the executive activity of the Issuer and contribute to the development of its corporate strategy, by providing objective and impartial scrutiny.

Board of Directors - Guarantor

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

Name	Office Designation
Mr Joseph Portelli	Chairman and Executive Director
Mr Francis Agius	Executive Director
Mr Clifton Cassar	Executive Director
Mr Stephen Falzon	Executive Director
Mr Duncan Micallef	Executive Director

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

Dr Nicole Ann Demicoli is the company secretary of the Guarantor.

The board of the Guarantor is composed of five directors who are entrusted with its overall direction and day-to-day management.

1.3. Major Assets owned by the Group

1.3.1. Hotels

The hotels owned by the Group are the Mistral Hotel, the Scirocco Hotel, and the Levante Hotel, all of which are three-star hotels in St. Julian's, Malta (collectively, the "**Hotels**"). As at end of FY2023, only the Mistral Hotel was operational. The Scirocco Hotel commenced operations in March 2024, whilst the Levante Hotel is scheduled to open at the end of June 2024. Since the hotels are operated by the Group and managed by Meliá, they are classified as property, plant and equipment. As at 31 December 2023, the total asset value of the hotels was €15.5m. This value was taken following the opening of Mistral Hotel in 19 June 2023 only, and will be revised during FY2024 following the planned opening of the Levante Hotel.

1.3.2. CF Business Centre

The CF Business Centre has been the head office of the Group since the first half of 2022.

This property is a luxurious and spacious work environment that includes a restaurant, offices, a store and other commercial outlets. As at the date of this Analysis, level 1 and part of level 2 of the CF Business Centre house the Group's head office. The rest of the centre is fully rented out.

The CF Business Centre is partly accounted for as property, plant and equipment, as it uses one floor of the building as the Group's head office, and part as investment property.

Following a revaluation on 22 November 2022, the fair value of the CF Business Centre increased from €11.6m to €13.7m.

1.3.3. Casafini Showroom

Casafini, operated through Finish Furnish Limited, is a tile, bathroom and furniture outlet that offers a wide range of products to related and third parties, through its showroom located in Balzan (**"Casafini"**). As the showroom is leased from third parties, the building improvements, furniture and fixtures, office and IT equipment, and motor vehicles owned by Finish Furnish Limited for the Casafini showroom are classified as property, plant and equipment, whilst the stock of retail goods in hand as at year-end is accounted for as inventory.

1.3.4. Residential Units

The inventory of the Group as at year-end also consists of work-in-progress in relation to the development of residential units, undertaken by CF Homes Ltd. As at 31 December 2023, inventory relating to property development totalled €28.3m and included *inter alia* the cost of land, permits, professional fees and construction costs in relation to ongoing projects.

1.4. Operational Developments

1.4.1. Residential Units

As at the date of this Analysis, CF Homes Ltd. has permits to develop 14 projects. A description of some of the more material project follows.

1.4.1.1. Mayfair

On 17 May 2022, CF Developers Ltd. (now CF Homes Ltd.) acquired the land known as "Ta Dardu" in Triq Lorenzo Manche, Attard, for a consideration of €5.3m. On 16 November 2021, a full development permit was approved to excavate 44 basement garages and construct 43 residential units from the ground floor upwards including penthouses. Works for this property were completed by FY2024 for a total cost (including cost of land) *circa* €10.1m.

1.4.1.2. Park Lane

On 3 August 2022, CF Developers Ltd. entered into a promise of sale agreement to acquire "Dolphin Centre" in Triq il-Wied, Hal Balzan corner with Triq il-Kbira with an approximate floor area of 3,997m^2. The property was acquired for a consideration of €9.5m, of which €2.1m would be delivered through a barter of units from this project in shell form. The development was originally planned to include 8 1-bed apartments, 24 2-bed apartments and 56 3-bed apartments, whilst also allowing for offices, a bank and a restaurant. Works, which were previously expected to be completed during FY2024, are currently on hold and undergoing a redesigning project.

1.4.1.3. Artemis and Hestia

Artemis and Hestia are two developments making up a) a site of approximately 1,670m^2 under preliminary agreement for a consideration of €5.0m plus a barter of 4 garages, an apartment, and a penthouse within the site; and b) a site comprising approximately 400m^2 under preliminary agreement for a consideration of €0.9m of which was paid in cash and part through an exchange in property from Excel Investments Limited (C 81721). These two properties will be connected to each other and will in practice be developed and sold as one composite development and are expected to be completed by FY2024. This site includes 67 residential units and 60 garages.

1.4.1.4. Macael

CF Developers Ltd. entered into a promise of sale agreement with various vendors to acquire 5 houses in Paola for a consideration of €1.5m plus a barter for 6 units and 5 garages from the said development. On 15 December 2021, the planning authority granted CF Developers Ltd. a permit to demolish the existing property and construct 18 garages and 45 apartments, including penthouses with a jacuzzi or pool. The development is over a site of approximately 1,155m^2 and will include 2 1-bed apartments, 17 2-bed apartments and 26 3-bed apartments. The development was completed in Q2 2024.

1.4.1.5. Vermont Court

CF Developers Ltd. acquired a number of properties in Pieta for a total of €2.4m. A permit was granted by the Planning Authority for the excavation of basement garages a retail shop and maisonettes at the ground floor plus 6 overlying floors of apartments. The development will include 42 2-bedroom units, 9 garages and one outlet over a site with a superficial area of around 435m^2. Works are expected to be completed during FY2024 and the total development cost, including the cost of land is expected to be around €3.9m.

1.4.1.6. Sunrise Corner

CF Developers Ltd. also acquired a house on Triq Olaf Gollcher corner with Triq it-Torri, Birkirkara from third parties for €0.6m. This included a developable area of 105m^2. The permit granted on this development allowed for the excavation of the plot and construction of a garage, office and 8 apartments including 2 duplexes and a pool. The apartments will be split into 1 1-bed apartment and 7 2-bed apartments. Sunrise was completed in shell form in January 2023. This site includes 8 residential units, 1 office and 1 garage.

1.4.2. Other Commercial Activities

During the first quarter of 2023, CF Leisure Ltd. was set up to operate the entertainment arena within Mercury Towers. Planet Play opened to the public on 15 February 2024.

Part 2 - Historical Performance and Forecasts

The Groups audited financials for the year ended 31 December 2022 covers 6 months, while the audited financials for the year ending 31 December 2023 cover 12 months. The projected financial information for the year ending 31 December 2024 has been provided by the Group's management. This financial information relates to events in the future and are based on assumptions which the Group believes to be reasonable. Consequently, the actual outcome may be adversely affected by unforeseen situations and the variation between forecast and actual results may be material.

2.1. Group's Statement of Comprehensive Income

Group's Statement of Comprehensive Income for the year ended 31 December	2022A	2023A	2024F
	(6 months)	(12 months)	(12 months)
	€000s	**€000s**	**€000s**
Revenue	3,567	23,058	51,522
Cost of sales	(2,454)	(15,928)	(37,518)
Gross profit	**1,113**	**7,130**	**14,004**
Administrative expenditure	(558)	(4,011)	(4,078)
Fair value gains	2,072	-	-
Other expenses	-	(38)	-
Other income	7	75	-
EBITDA	**2,634**	**3,156**	**9,926**
Depreciation and amortisation	(1,427)	(555)	(657)
EBIT	**1,207**	**2,601**	**9,269**
Finance cost	(478)	(1,990)	(2,137)
Finance income	-	174	-
Profit / (loss) before tax	**729**	**785**	**7,132**
Current tax charge	(659)	(1,186)	(3,132)
Profit / (loss) for the year	**70**	**(401)**	**4,000**

Ratio Analysis	2022A	2023A	2024F
Profitability			
Growth in Revenue (YoY Revenue Growth)	N/A	N/A	123.45%
Gross Profit Margin (Gross Profit/ Revenue)	31.20%	30.92%	27.18%
EBITDA Margin (EBITDA / Revenue)	73.82%	13.69%	19.27%
Operating (EBIT) Margin (EBIT / Revenue)	33.81%	11.28%	17.99%
Net Margin (Profit for the year / Revenue)	1.96%	-1.74%	7.76%
Return on Common Equity (Net Income / Average Equity)	0.98%	-5.20%	41.99%
Return on Assets (Net Income / Average Assets)	0.16%	-0.56%	4.92%
Return on capital employed (EBITDA/ Total Assets - Current Liabilities)	7.27%	5.22%	20.45%
EBITDA Growth	N/A	N/A	214.51%

The Group generates revenue from the sale of properties, leasing of office spaces, hotel operations, finishings and construction, the operation of an entertainment arena (being part of the "**Mercury Project**"), and sale of furniture and movables under the Casafini brand.

The total revenue increased significantly in FY2023 when compared to the previous year due to the fact that the Group accounted for a first full year (since the Guarantor was incorporated during FY2022, as per sub-section 1.1. of this Analysis) and, more importantly, because of the execution of a larger number of deeds of sale following the completion of the sites developed by CF Homes Ltd. Such deeds are expected to be even higher in FY2024 (see sub-section 2.2. below).

In FY2024, revenue is expected to increase over FY2023, mostly due to the completion of further property development projects together with the opening of all the Hotels (as per sub-section 1.3.1. of this Analysis). It is important to note that €42.7m out of €51.5m revenue forecasted in FY2024 is made up of property development sales, 98.5% of which are already on a promise of sale agreement.

The cost of sales is mainly attributable to costs directly associated with the Group's property development operations, such as site acquisitions, raw material, and labour. During FY2023, these increased in line with the increase in revenue and amounted to €15.4m.

Revenue exceeded cost of sales by €7.1m.This translates in a gross profit margin of 31.2% in FY2022 and 30.9% in FY2023. In FY2022, property development sales made up 30.6% of total revenues whilst in FY2023, these made up 75.0% of total revenues.

The increase in administrative expenses in FY2023 when compared to FY2022 is due to the incorporation of CF Leisure Ltd, the expansion of operations which resulted in higher labour costs, and the full year of operation in FY2023 when compared to 6 months in FY2022.

A notable item in the statement of comprehensive income of the Group for FY2022 is the income reported following an upward revaluation of the CF Business Centre (*circa* €2.1m), as per sub-section 1.3.2. of this Analysis.

Depreciation and amortisation for the year was substantially lower than that incurred in FY2022 as a result of the expiration of a number of leases in FY2023 which were being accounted as right-of-use assets under IFRS 16 – Leases. The expiration of said leases resulted in a lesser overall amortisation charge from FY2023 onwards. Going forward, management expects this to increase slightly following the opening of Planet Play, as per sub-section 1.4.2. of this Analysis.

Finance costs increased to €2.0m in FY2023 mainly due to bond interest taken for new investments and higher borrowings for expansion projects.

The profit before tax during FY2023 was €56k higher than the previous year, however following the €1.2m tax charge, the Group reported a net loss for the year of €401k.

2.1.1 Group's Variance Analysis

Group's Statement of Comprehensive Income for the year ended 31 December	2023F	2023A	Variance
	€000s	€000s	€000s
Revenue	26,816	23,058	(3,758)
Cost of sales	(17,467)	(15,928)	1,539
Gross profit	**9,349**	**7,130**	**(2,219)**
Administrative expenditure	(3,259)	(4,011)	(752)
Fair value gains	-	-	-
Other expenses	-	(38)	(38)
Other income	-	75	75
EBITDA	**6,090**	**3,156**	**(2,934)**
Depreciation and amortisation	(231)	(555)	(324)
EBIT	**5,859**	**2,601**	**(3,258)**
Finance cost	(773)	(1,990)	(1,217)
Finance income	-	174	174
Profit / (loss) before tax	**5,086**	**785**	**(4,301)**
Current tax charge	(1,527)	(1,186)	341
Profit / (loss) for the year	**3,559**	**(401)**	**(3,960)**

Revenue in FY2023 was €3.8m lower than projected. The Group experienced delays in the opening of all hotels, significantly reducing the revenue generated in FY2023 against what was originally expected, with only the Mistral Hotel opening during FY2023 (specifically 19 June 2023). As mentioned in sub-section 1.3.1. of this Analysis, the Scirocco Hotel was opened in March 2024 and the Levante Hotel is scheduled to open end of June 2024.

Another contributing factor for the lower-than-expected revenue was the lower sales of Finish Furnish Ltd., due to a deferral of underlying projects to FY2024.. As a result of this, cost of sales was also lower than previously projected. The Group is in the process of diversifying their operations in this regard. The diversification into new operations, such as CF Leisure Ltd., and an increase in the number of property development projects required additional administrative resources mainly contributed to the variance of €0.8m.

Finance costs were projected to amount to €0.8m in FY2023.This resulted to be €1.2m higher, mainly due to unforeseen bank charges, and interest which was initially projected to be capitalised but was reclassified to the income statement.

2.2 Group's Statement of Financial Position

Group Statement of Financial Position as at 31 December	2022A	2023A	2024F
	€000s	€000s	€000s
Assets			
Non-current assets			
Investment property	13,689	13,689	13,689
Intangible assets	6	5	5
Property, plant and equipment	15,356	24,770	21,202
Right-of-use asset	644	782	-
Deferred tax assets	842	1,022	1,271
Total non-current assets	**30,537**	**40,268**	**36,167**
Current assets			
Inventory	24,090	30,025	39,850
Trade and other receivables	6,127	8,470	4,924
Cash and cash equivalents	520	2,330	514
Total current assets	**30,737**	**40,825**	**45,288**
Total assets	**61,274**	**81,093**	**81,455**
Equity			
Share capital	6,308	6,308	6,308
Revaluation reserve	1,540	1,540	1,540
Retained earnings	70	(331)	3,685
Total equity	**7,918**	**7,517**	**11,533**
Liabilities			
Non-current liabilities			
Lease liabilities	437	601	-
Borrowings	24,528	48,808	33,468
Long-term deposits	116	208	221
Deferred tax liability	3,194	3,313	3,313
Total non-current liabilities	**28,275**	**52,930**	**37,002**
Current liabilities			
Lease liabilities	215	214	-
Borrowings	8,170	4,313	19,286
Trade and other payables	16,696	16,119	13,633
Total current liabilities	**25,081**	**20,646**	**32,919**
Total liabilities	**53,356**	**73,576**	**69,921**
Total equity and liabilities	**61,274**	**81,093**	**81,454**

Ratio Analysis	2022A	2023A	2024F
Financial Strength			
Gearing 1 (Net Debt / Net Debt and Total Equity)	80.57%	87.29%	81.92%
Gearing 2 (Total Liabilities / Total Assets)	87.08%	90.73%	85.84%
Gearing 3 (Net Debt / Total Equity)	414.62%	686.52%	452.96%
Net Debt / EBITDA	12.47x	16.35x	5.26x
Current Ratio (Current Assets / Current Liabilities)	1.23x	1.98x	1.38x
Quick Ratio (Current Assets - Inventory / Current Liabilities)	0.27x	0.52x	0.17x
Interest Coverage 1 (EBITDA / Cash interest paid)	6.21x	67.15x	4.64x
Interest Coverage 1 (EBITDA / Finance Costs)	5.52x	1.59x	4.64x

The Groups assets in FY2023 resulted to be 50% non-current and 50% current assets.

The non-current assets during the year are mainly composed of property, plant and equipment ("**PPE**") amounting to €24.8m (being the Hotels under development) and investment property with a fair value of €13.7m at the end the year (being the CF Business Centre). This fair value was determined based on a valuation performed by an independent architect, as per sub-section 1.3.2. of this Analysis. Other contributors to non-current assets were intangible assets, right-of-use assets, and deferred tax assets.

PPE is projected to decrease by €3.0m by the end of FY2024 as a result of a reclassification of a property, previously earmarked for a hotel, that is now to be developed and sold. Therefore, in FY2024, this will be transferred at cost to inventory until it is further developed and eventually sold.

Inventory is projected to increase by €9.8 million during the course of 2024, in line with the Group's forecast expansion of operations.

The Group's equity base has increased in line with the profits generated during the year with the share capital and revaluation reserve remaining unchanged.

With the gradual progression towards normalisation of the Group's operations, management expects to see a lowering in the Group's debt to EBITDA multiples to 5.3x by the end of 2024.

Trade and other receivables, and trade and other payables, fluctuate in the normal course of business.

As previously mentioned, the Group experienced delays in completing the projected property development projects, deferring profits resulting from the said projects to FY2024 and FY2025. These delays had negatively impacted most gearing ratios in FY2023, since retained earnings in equity was lower than projected. Gearing ratios are expected to improve in FY2024 when these profits are expected to be realised.

2.3 Group's Statement of Cash Flows

Group's Statement of Cash Flows for the year ended 31 December	2022A	2023A	2024F
	(6 months)	(12 months)	
	€000s	€000s	€000s
Cash flows from operating activities			
Profit before tax	729	785	7,132
Adjustments for:			
Depreciation and amortisation	1,428	555	657
Interest expense on bank borrowings	383	-	645
Interest expense on lease arrangements	33	27	13
Interest expense on bank overdrafts	9	20	
Interest expense on bonds	-	1,545	1,479
Increase in fair value of investment property	(2,071)	-	-
Increase in fair value of property, plant and equipment	(5,996)	-	-
Consolidation adjustments	1,916	-	-
Movement in working capital:			
Movement in inventories	(24,090)	(5,936)	(9,825)
Movement in trade and other receivables	(6,127)	(2,343)	3,554
Movement in trade and other payables	16,696	(2,122)	(2,494)
Cash flow from operations	**(17,090)**	**(7,469)**	**(1,162)**
Taxation paid	(66)	(1,246)	(3,381)
Net cash flows generated from / (used in) operating activities	**(17,156)**	**(8,715)**	**(2,220)**
Cash flows from investing activities			
Payments to acquire property, plant and equipment	(10,051)	(9,713)	3,023
Payments to acquire investment property	(11,617)	-	-
Payments to acquire intangible asset	(6)	-	-
Net cash flows generated from / (used in) investing activities	**(21,674)**	**(9,713)**	**3,023**
Cash flows from financing activities			-
Proceeds on issuance of shares upon incorporation	6,308	-	(367)
Net proceeds from bank borrowings	32,698	20,423	(645)
Interest paid on bank borrowings	(391)	(20)	(1,479)
Interest paid on finance lease	(33)	(27)	(13)
Movement in lease liabilities	652	(230)	(129)
Long-term deposits received from customers	116	92	13
Net cash flows generated from / (used in) financing activities	**39,350**	**20,238**	**(2,620)**
Movement in cash and cash equivalents	**520**	**1,810**	**(1,817)**
Cash and cash equivalents at start of year	-	520	2,330
Cash and cash equivalents at end of year	**520**	**2,330**	**513**

Ratio Analysis	2022A	2023A	2024F
Cash Flow			
Free Cash Flow (Net cash from operations + Interest - Capex)	€(27,207)	€(18,428)	€803

After adjusting the profit before tax with non-cash items and movements in working capital, the Group used €8.7m in operating activities during FY2023. The increase in sales projected for FY 2024 will reduce the cash used in operating activities down to €2.2 million.

During FY2023, the Group used €9.7m to acquire property, plant and equipment which wholly make up the investing activities during the year. The investing activities of FY 2024 relate to the asset that was reclassified from PPE to inventory.

The projected movements in cash used for financing activities show that after two years during which the company raised significant amount of cash, it is projecting to start repaying parts of said indebtedness in FY2024.After two years of significant ramp ups in inventory, the Group projects to strike a stronger balance between sales and investment in inventory to see its Free cash flow turning positive for the first time in the period under review.

Part 3 - Key Market and Competitor Data

3.1 General Market Conditions

At the time of publication of this Analysis, management considers that generally, it shall be subject to the normal business risks associated with the industries in which the companies are involved and operate and, barring unforeseen circumstances, does not anticipate any trends, uncertainties, demands, commitments or events outside the ordinary course of business that could be deemed likely to have a material effect on the upcoming prospects of the companies and their respective businesses, at least with respect to the financial year 2021. However, investors are strongly advised to carefully read the risk factors disclosed in the Prospectus.

3.2 Economic Update[1]

The Bank's Business Conditions Index (BCI) indicates that in April 2024, annual growth in business activity declined marginally, and remained slightly below its historical average, estimated since January 2000. The European Commission confidence surveys show that sentiment in Malta decreased in April, and remained below its long-term average, estimated since November 2002. The latest deterioration was mostly driven by developments in industry, construction and among consumers.

Additional data show that in month-on-month terms, price expectations increased among consumers, and to a lesser extent in the retail and services sectors, but decreased significantly in the construction sector and, to a lesser extent in industry. In April, the European Commission's Economic Uncertainty Indicator (EUI) for Malta decreased compared with March, indicating lower uncertainty. Uncertainty declined in all sectors except construction.

In March, both industrial production and retail trade contracted on a year-on-year basis. The unemployment rate remained unchanged at 3.2% in March but stood below that of 3.4% in March 2023. Commercial and residential building permits in March were lower than a month earlier. Commercial permits were also lower when compared with a year ago, but residential permits were higher. In April, the number of residential promise-of-sale agreements rose on a year earlier, as did the number of final deeds of sale. The annual inflation rate based on the Harmonised Index of Consumer Prices (HICP) stood at 2.4% in April, down from 2.7% in the previous month.

Following this decline, HICP inflation in Malta was in line with the euro area average. HICP excluding energy and food in Malta, remained below the euro area average. Inflation based on the Retail Price Index (RPI) decreased to 1.6%, down from 1.9% in March. During the 12 months to March, Maltese residents' deposits increased, mostly due to higher balances belonging to households and non-financial corporations (NFCs). By contrast, deposits held by financial intermediaries decreased. The annual rate of change moderated compared to February. By contrast, growth in credit to Maltese residents increased at a slightly faster rate compared with a month ago. In March, the Consolidated Fund recorded a lower deficit compared to a year earlier. This reflects a decline in expenditure coupled with an increase in revenue.

3.3 Economic Outlook[2]

According to the Bank's latest forecasts, Malta's gross domestic product (GDP) is expected to grow by 4.3% in 2024. Growth is then projected to ease to 3.5% in both 2025 and 2026. This implies a marginally downward revision in 2024 and 2025, when compared to the Bank's previous projections, while for 2026 the outlook is revised upwards. In 2023, growth was primarily driven by net exports, while domestic demand is envisaged to be the main driver of growth in 2024. Private consumption growth continues at a brisk pace, and private investment, is expected to gradually recover.

Net exports are also projected to contribute positively, driven mainly by services exports. Growth in 2025 and 2026 is expected to continue to be led by domestic demand. Employment growth is set to moderate, albeit from high rates, in the projection horizon, while the average wage is expected to grow at a faster rate in 2024, partly in response to the pronounced inflation in the recent past and a tight labour market. Annual inflation based on the Harmonised Index of Consumer Prices is projected to drop significantly, from 5.6% in 2023 to 2.4% in 2024, before reaching 1.9% by 2026. Compared to previous projections, inflation has been revised down by 0.5 percentage point in 2024, largely reflecting the unexpected rapid drop experienced in the initial months of the year.

[1] Central Bank of Malta – Economic update – 5/2024
[2] Central Bank of Malta – Economic projections 2024-2026

The general government deficit-to-GDP ratio is set to decline to 4.1% in 2024, and to narrow further over the rest of the forecast horizon, to stand at 3.1% by 2026. The general government debt-to-GDP ratio is set to increase throughout the forecast horizon, reaching 54.3% by 2026. When compared with the previous projection round, the projected deficit ratio is higher, while the debt ratio is broadly unchanged. Risks to activity are broadly balanced over the projection horizon. Downside risks largely emanate from possibly adverse trade effects related to ongoing geopolitical tensions. On the other hand, the labour market could exhibit even stronger dynamics than envisaged in this projection round, both in terms of employment and wages.

This could then result in stronger private consumption growth. Risks to inflation are balanced over the project horizon. Upside risks to inflation could stem from extreme weather events and effects of geopolitical developments. Other upside risks to headline inflation include the potential impact of measures to combat climate change. Furthermore, wage pressures could be stronger than envisaged in the baseline. On the downside, imported inflation could fall more rapidly than expected, while services inflation could normalise more quickly than envisaged in this projection round.

On the fiscal side, risks are tilted to the downside (deficit-increasing). These mainly reflect the likelihood of slippages in current expenditure, including higher-than-expected outlays on energy support measures if commodity prices are higher than envisaged. They also reflect the likelihood of additional increases in pensions and public sector wages in the outer years of the forecast horizon. Should these risks materialise, they are set to be partly offset by the likelihood of additional fiscal consolidation efforts to comply with the EU's fiscal rules.

3.4 Residential Property Development[3]

The property market in Malta has experienced steady periods of growth. Whilst significant growth has resulted over the past decade, the property market in Malta has steadily increased over the past forty years at a compound annual growth rate ('CAGR') of c. 6%. Recently however, the property market exceeded the CAGR of 6%, because the demand for residential property is increasing at higher rate than the supply of houses being built on the Maltese Islands.

Promises of sales for property in Malta increased by 9% in 2023, according to records kept by the Malta Development Association. In a statement, the MDA said that the number of promises of sale had grown to 16,636 by the end of last year. The total value of these agreements reached €4.6 billion, they added.

This represented an increase of 3%, up from €4.2 billion in 2022 and brings the figure closer to the €4.8 billion registered in 2021. According to data kept by the National Statistics Office, 12,164 promise-of-sale agreements were registered in 2022. Although records for the entirety of last year have not been finalised, it registered 12,166 promise-of-sale agreements up until November 2023.

The MDA compiles its own statistics separately and does not provide information about its methodology.

3.5 Tourism

Comparison between the data of 2022 and 2023 provides valuable insights into the trajectory of the local tourism industry over the span of a single year, reflecting the pace and direction of recovery following the disruptions caused by the pandemic.

Inbound tourist arrivals experienced a notable surge from 2,287k in 2022 to 2,976k in 2023, marking an impressive increase of 30.1%. This significant uptick underscores the industry's robust recovery momentum and highlights the successful implementation of strategic initiatives aimed at rejuvenating tourism demand and stimulating visitor traffic.

Correspondingly, the metric of tourist guest nights witnessed a substantial growth, escalating from 16,600k in 2022 to 20,424k in 2023, reflecting a noteworthy increase of 21.9%. This surge in guest nights not only indicates a resurgence in tourist engagement but also underscores the sustained interest and participation in the local tourism offerings, contributing to the overall vibrancy of the sector. However, amidst the recovery, there was a notable decline in the average length of stay, dropping from 7.3 days in 2022 to 6.8 days in 2023, representing a significant decrease of 6.8%. This decline may raise concerns regarding visitor engagement and expenditure patterns, necessitating a deeper examination into the underlying factors driving this trend and potential strategies to address it.

[3] Malta Development Association - https://mda.com.mt/

On the economic front, tourist expenditure exhibited a remarkable increase from €2,013m in 2022 to €2,671m in 2023, depicting a substantial surge of 32.7%. This surge in spending reflects the revitalization of tourism-related economic activities and underscores the sector's pivotal role in driving economic growth and employment.

Furthermore, the metric of tourist expenditure per capita demonstrated a modest increase, rising from €880 in 2022 to €898 in 2023, representing a marginal increment of 2.0%. While this increase reflects improved spending capacity and propensity among tourists, further analysis is required to discern the underlying factors influencing spending behaviour and patterns. The trends are also summarised in the following table, illustrating the number of tourist arrivals over the last four years:

Category[4]	2020	2021	2022	2023	2022 vs. 2023
Inbound tourists*	659	968	2,287	2,976	30.1%
Tourist guest nights*	5,227	8,390	16,600	20,424	21.9%
Avg. length /stay	7.9	8.7	7.3	6.8	(6.8)%
Tourist expenditure**	455	871	2,013	2,671	32.7%
Tourist exp. per capita (€)	691	899	880	898	2.0%

*in thousands
**in € millions

[5]Inbound tourists for the first four months of 2024 amounted to 888,118, an increase of 25.1% over the same period in 2023. Total nights spent by inbound tourists went up by 12.7%, almost reaching 5.1 million nights.

Total tourist expenditure was estimated at €646.8m, 26.2% higher than that recorded for the same period in 2023. Total expenditure per capita increased to €728 from €722 for the same period in 2023.

The number of tourists visiting Gozo and Comino, including both same-day and overnight visitors, totaled 431,367, or 48.6% of total tourists.

4 National Statistics Office, Malta - Tourism

5 National Statistics Office, Malta NR 103/2024

3.6 Comparative Analysis

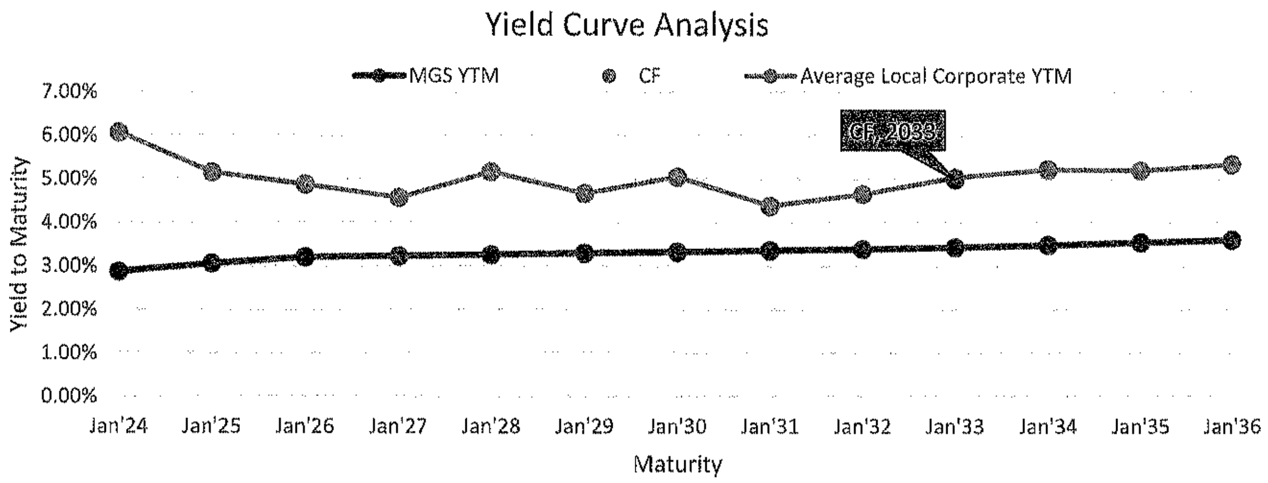
The purpose of the table below compares the proposed debt issuance of the Issuer to other debt instruments. Additionally, we believe that there is no direct comparable company related to the Issuer and as such, we included a variety of Issuers with different maturities.

Security	Nom Value	Yield to Maturity	Interest coverage (EBITDA)	Total Assets	Total Equity	Total Liabilities / Total Assets	Net Debt / Net Debt and Total Equity	Net Debt / EBITDA	Current Ratio	Return on Common Equity	Net Margin	Revenue Growth (YoY)
	€000's	(%)	(times)	(€'millions)	(€'millions)	(%)	(%)	(times)	(times)	(%)	(%)	(%)
4% Eden Finance plc Unsecured € 2027	40,000	4.38%	5.7x	223.3	136.7	38.8%	27.1%	4.3x	0.2x	2.8%	8.4%	36.6%
4% Stivala Group Finance plc Secured € 2027	45,000	4.32%	27.0x	469.7	328.5	30.1%	22.9%	1.5x	1.2x	21.0%	208.5%	14.5%
4% SP Finance plc Secured € 2029	12,000	4.45%	2.2x	43.3	17.9	58.6%	51.2%	9.3x	0.5x	-0.7%	-1.3%	0.0%
3.65% Stivala Group Finance plc Secured € 2029	15,000	3.82%	27.0x	469.7	328.5	30.1%	22.9%	1.5x	1.2x	21.0%	208.5%	14.5%
3.75% AX Group plc Unsec Bds 2029 Series II	10,000	3.75%	1.8x	474.0	243.5	48.6%	39.4%	20.9x	0.9x	-1.6%	-7.7%	30.3%
4.25% Mercury Projects Finance plc Secured € 2031	11,000	4.25%	0.6x	269.6	78.8	70.8%	66.4%	48.2x	1.5x	9.9%	23.1%	-34.4%
3.65% Mizzi Organisation Finance plc Unsecured € 2028-2031	45,000	4.21%	1.8x	312.4	87.8	71.9%	58.4%	14.9x	0.8x	-1.9%	-1.1%	30.5%
3.65% IHI plc Unsecured € 2031	80,000	4.78%	1.7x	1,768.3	836.3	52.7%	42.1%	9.5x	1.0x	-1.4%	-3.9%	20.8%
5% Von der Heyden Group Finance plc Unsecured € 2032	35,000	5.00%	1.2x	155.9	32.7	79.0%	76.3%	22.9x	0.5x	-8.2%	-18.0%	9.6%
4.3% Mercury Project Finance plc Secured € 2032	50,000	4.30%	0.6x	269.6	78.8	70.8%	66.4%	48.2x	1.5x	9.9%	23.1%	-34.4%
5% CF Estates Finance plc Secured € 2028-2033	30,000	5.00%	1.59x	81.1	7.5	90.7%	87.3%	16.4x	2.0x	-5.2%	-1.7%	N/A
6% International Hotel Investments plc 2033	60,000	5.65%	1.7x	1,768.3	836.3	52.7%	42.1%	9.5x	1.0x	-1.4%	-3.9%	20.8%
5.75% Phoenicia Finance Company plc Unsec Bonds 2028-2033	50,000	5.54%	2.6x	0.1	0.0	63.3%	59.0%	11.9x	0.3x	0.7%	1.6%	29.9%
	Average*	4.70%										

Source: Latest available audited financial statements

Last price as at 06/06/2024

*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 yield on the Issuer's proposed bonds.

As at 6 June 2024, the average spread over the Malta Government Stocks (MGS) for comparable issuers with a maturity range of 3-9 years was 139 basis points. The CF Estates Finance p.l.c bond is currently trading at a YTM of 500 basis points which implies a spread of 156 basis points over the equivalent MGS, and therefore at a premium to the average on the market of 18 basis points.

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.
Operating Profit (EBIT)	EBIT is an abbreviation for earnings before interest and tax.
Depreciation and Amortisation	An accounting charge to compensate for the decrease in the monetary value of an asset over time and the eventual cost to replace the asset once fully depreciated.
Net Finance Costs	The interest accrued on debt obligations less any interest earned on cash bank balances and from intra-group companies on any loan advances.
Net Income	The profit made by the Group/Company during the financial year net of any income taxes incurred.

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 be further classified into Non-Current Assets and Current Assets.
Non-Current Assets	Assets, full value of which will not be realised within the forthcoming accounting year
Current Assets	Assets which are realisable within one year from the statement of financial position date.
Inventory	Inventory is the term for the goods available for sale and raw materials used to produce goods available for sale.
Cash and Cash Equivalents	Cash and cash equivalents are Group/Company assets that are either cash or can be converted into cash immediately.
Total Equity	Total Equity is calculated as total assets less liabilities, representing the capital owned by the shareholders, retained earnings, and any reserves.
Total Liabilities	What the Group/Company owes which can be further classified into Non-Current Liabilities and Current Liabilities.

Non-Current Liabilities	Obligations which are due after more than one financial year.
Total Debt	All interest-bearing debt obligations inclusive of long and short-term debt.
Net Debt	Total debt of a Group/Company less any cash and cash equivalents.
Current Liabilities	Obligations which are due within one financial year.

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.

Calamatta Cuschieri

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