Calamatta Cuschieri

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

14 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 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 2021, 2022 and 2023 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 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 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 Company. 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

Central Business Centres p.l.c.

14 June 2024

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 on 20 June 2014. Upon incorporation, CBC's total issued share capital of 250,000 ordinary shares. In January 2019, CBC underwent a succession planning exercise. At present, 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.

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, supported by the board members' experience and knowledge, and 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 of Central Business Centres p.l.c.

As at 31 December 2023, the Issuer had no employees (FY22: 0). Management confirmed that CBC subcontracts all of its administration, repairs, maintenance and any other works required.

1.3 Major Assets owned by the Company

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

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

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 2024.

CBC Żebbug is currently undergoing works, as explained in section 1.4.1 hereunder.

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

The centre in Gudja, Malta, comprises of 1,365m^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 100% occupancy rate following a larger space uptake by an existing tenant. Occupancy is anticipated to remain at 100% during 2024.

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

The St. Julian's business centre, including Villa Fieres (the "**Villa**"), as explained in section 1.4.3 below, comprises 1,360m^2 of office space, 6 outlets, 14 car spaces, and a restaurant with a footprint of 1,100m^2. Finishing touches on CBC St Julian's are currently being carried out, as explained in section 1.4.3 hereunder.

While CBC St Julian's is, at present, 76% occupied with tenants, management is projecting to have a higher occupancy rate during 2024.

CBC St Julian's (specifically, the Villa) is currently undergoing final restoration works, as explained in section 1.4.3 hereunder.

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

The Issuer purchased a property in Valletta in 2021 through part of a €21.0m bond, redeemable at par and bearing interest of 4% per annum. The property has a net rentable area of 2,335m^2.

This property was 28% occupied by 8 tenants during 2023 and, following a good response from tenants, management is now anticipating a 57% occupancy rate by the end of 2024.CBC Valletta is currently undergoing works, as explained in section 1.4.2 hereunder.

1.4 Operational Developments

1.4.1 CBC Żebbuġ

Pursuant to a Promise of Sale Agreement dated 19 October 2017, CBC executed a Deed of Emphyteusis with LIDL Immobiliare Malta Limited ("**LIDL Malta**") on 21 December 2023, granting the latter the divided portion of land in Żebbug, Malta, to be used as a supermarket, by title of temporary emphyteusis.

As part of the Deed of Emphyteusis, LIDL Malta also agreed to undertake the development of an underground level and another area for the eventual use of Central Business Centres p.l.c.

Management confirmed that, following certain delays by the relevant Government authorities, development works commenced in Q1 2024.

1.4.2 CBC Valletta Acquisition

The Issuer acquired CBC Valletta following a bond issue as explained in section 1.3.4 above.

Following the said acquisition, CBC is at present operating this property in accordance with its previous occupational use, that of a shopping complex on Level -1 and Level 0.

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

1.4.3 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.

Restoration works on the Villa were being carried out under the Superintendent of Cultural Heritage, with the development being practically complete by Q4 2023.

Some delays were experienced during the restoration process of the Villa, with management attributing said delays to the requirement of having clearance from the relevant authorities at every stage. The restoration process on Villa Fieres is completed, with only a few final finishes remaining.

1.4.4 CBC Mrieħel

CBC has entered into a promise of sale agreement for the purchase of a property in Birkirkara, Malta, with the intention of adding CBC Mrieħel to its asset base. This Issuer has published a Company Announcement to this effect on 26 March 2024.

1.5 Listed Debt Securities of the Issuer

CBC 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
4.00% 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 2021, 2022 and 2023, 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 forecast performance of the Issuer for the period ending 31 December 2024. 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 Income Statement

Income Statement for the year ended 31 December	2021A	2022A	2023A	2024F
	€000s	€000s	€000s	€000s
Revenue	1,491	1,787	1,755	2,237
Operating expenses	(151)	(206)	(362)	(162)
EBITDA	**1,340**	**1,581**	**1,393**	**2,075**
Depreciation	(26)	(42)	(57)	(72)
EBIT	**1,314**	**1,539**	**1,336**	**2,003**
Other income	3	-	-	-
Finance income	-	1	20	25
Fair value movement relating to investment property	4,701	-	-	-
Finance costs	(714)	(1,262)	(1,282)	(1,342)
Profit / (loss) before taxation	**5,301**	**277**	**54**	**686**
Taxation	(1,907)	(99)	(15)	(240)
Profit / (loss) after taxation	**3,394**	**178**	**39**	**446**

Ratio Analysis	2021A	2022A	2023A	2024F
Profitability				
Growth in Revenue (YoY Revenue Growth)	19.1%	19.9%	-1.8%	27.5%
EBITDA Margin (EBITDA / Revenue)	89.9%	88.5%	79.4%	92.8%
Operating (EBIT) Margin (EBIT/Revenue)	88.1%	86.1%	76.1%	89.3%
Net Margin (Profit for the year / Revenue)	227.6%	10.0%	2.2%	19.8%
Return on Common Equity (Net Income / Average Equity)	15.5%	0.8%	0.2%	1.8%
Return on Assets (Net Income / Average Assets)	7.31%	0.31%	0.06%	0.66%
Interest Coverage (EBITDA / Cash interest paid)	2.0x	1.3x	1.1x	1.6x

Revenue Segmental Analysis	2021A	2022A	2023A	2024F
	€000s	€000s	€000s	€000s
CBC Żebbuġ	655	639	473	663
CBC Gudja	129	137	145	134
CBC St. Julian's	667	699	868	890
CBC Valletta	40	312	280	445
CBC Mrieħel	-	-	-	106
Other income	-	1	17	25
Total revenue	**1,491**	**1,788**	**1,783**	**2,262**

% Composition - CBC Żebbuġ	43.9%	35.8%	26.5%	37.2%
% Composition - CBC Gudja	8.7%	7.7%	8.2%	7.5%
% Composition - CBC St. Julian's	44.7%	39.1%	48.7%	49.9%
% Composition - CBC Valletta	2.7%	17.5%	15.7%	24.9%
% Composition - CBC Mrieħel	-	-	0.0%	6.0%
% Composition - Other income	0.0%	0.1%	1.0%	1.4%

% Growth - CBC Żebbuġ	0.5%	-2.4%	-26.0%	40.2%
% Growth - CBC Gudja	27.7%	6.1%	6.3%	-8.1%
% Growth - CBC St. Julian's	33.7%	4.7%	24.3%	2.5%
% Growth - CBC Valletta	N/A	680.3%	-10.4%	59.0%
% Growth - CBC Mrieħel	N/A	N/A	N/A	N/A
% Growth - Other income	-100.0%	N/A	2188.0%	47.1%
% Growth - Total revenue	**18.9%**	**19.9%**	**-0.3%**	**26.9%**

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

During FY23, rental income remained more or less in line with that of FY22. The decrease in revenue from CBC Żebbug due to an allowance granted to an existing tenant was offset by an increase in revenue from CBC St. Julian's and CBC Valletta following a projected increase in the occupancy rates.

The largest contributors towards CBC's revenue during FY23 were CBC St. Julian's (49%) and CBC Żebbuġ (27%), on aggregate amounting to *circa* 76% of FY23 total revenue, the latter of which was affected slightly due to the unforeseen allowance as mentioned above.

Moving forward, the Issuer is projecting total revenue to increase significantly, by *circa* 28%, during FY24, primarily reflecting the standard increase in rates (excluding the one-off allowance of 2023) and the projected rental income to be generated from CBC Mrieħel (see section 1.4.4 of this Analysis).

On the expenditure front, CBC's operating expenses are primarily composed of administration and management fees, professional fees, and insurance. During FY23, operating expenses (exclusive of depreciation) increased by 76% to €206k, with this being predominantly in line with the aforementioned increase in revenue and expenses incurred for the signing of the agreement of CBC Żebbug (see section 1.4.1 of this Analysis). Operating expenses are projected to remain relatively stable during FY24.

After taking the above into consideration, the Issuer's EBITDA during FY24 is expected to increase to €2.1m, showing a greater EBITDA Margin of 92.8%.

Finance costs primarily comprise of interest on the bonds in issue, with these remaining stable at €1.3m during FY23.

Tax charge for the year was substantially lower than that incurred during FY23 for the reason explained previously. This is projected to be higher in FY24 due to the higher projected EBITDA.

Profit after taxation was lower than that achieved in FY22, with the aforementioned CBC Żebbug allowance being the main reason. The Issuer closed the year with €39k in profit after tax, with this value forecast to be higher in FY24 in line with the said projected increase in EBITDA.

2.1.1 Variance Analysis

Income Statement	2023F	2023A	Variance
	€000s	€000s	€000s
Revenue	1,880	1,755	(125)
Operating expenses	(194)	(362)	(169)
EBITDA	**1,686**	**1,393**	**(293)**
Depreciation	(53)	(57)	(4)
EBIT	**1,633**	**1,336**	**(297)**
Other income	25	-	(25)
Finance income	-	20	20
Finance costs	(1,262)	(1,302)	(40)
Profit before taxation	**396**	**(54)**	**(342)**
Taxation	(138)	(15)	123
Profit after taxation	**258**	**39**	**(219)**

The Issuer reported a revenue lower than was projected, as was explained in part 1 above. Operating expenses were slightly higher due to some COVID-related expenditure, resulting in a slightly lower EBITDA.

The other noticeable differences were the reclassification of the previously forecast other income as finance income and the taxation paid at the end of the year, which is due to the lower-than-expected revenue and higher-than-expected operating expenses, as explained.

2.2 Issuer's Statement of Financial Position

Statement of Financial Position as at 31 December	2021A	2022A	2023A	2024F
	€000s	€000s	€000s	€000s
Assets				
Non-current assets				
Investment property	56,713	57,292	64,409	69,134
Property, plant and equipment	178	302	387	466
Total non-current assets	**56,891**	**57,594**	**64,796**	**69,600**
Current assets				
Trade and other receivables	214	290	403	109
Financial assets at fair value through profit or loss	-	81	81	231
Cash and cash equivalents	1,053	196	372	630
Total current assets	**1,267**	**567**	**856**	**970**
Total assets	**58,158**	**58,161**	**65,652**	**70,570**
Equity and liabilities				
Equity				
Share capital	250	250	250	250
Capital reserve	16,100	16,100	16,100	16,100
Revaluation reserve	9,186	-	-	-
Retained earnings / (losses)	(1,925)	7,439	7,475	7,966
Total equity	**23,611**	**23,789**	**23,825**	**24,316**
Non-current liabilities				
Borrowings	29,587	29,612	29,648	34,691
Lease liabilities	-	-	5,087	5,314
Deferred tax liabilities	3,923	3,923	5,804	5,797
Total non-current liabilities	**33,510**	**33,535**	**40,539**	**45,803**
Current liabilities				
Lease liabilities	-	-	267	-
Trade and other payables	877	756	1,020	451
Current tax liability	160	81	1	-
Total current liabilities	**1,037**	**837**	**1,288**	**451**
Total liabilities	**34,547**	**34,372**	**41,827**	**46,254**
Total equity and liabilities	**58,158**	**58,161**	**65,652**	**70,570**

Ratio Analysis	2021A	2022A	2023A	2024F
Financial Strength				
Gearing 1 (Net Debt / Net Debt and Total Equity)	19.1%	19.9%	-1.8%	27.5%
Gearing 2 (Total Liabilities / Total Assets)	89.9%	88.5%	79.4%	92.8%
Gearing 3 (Net Debt / Total Equity)	88.1%	86.1%	76.1%	89.3%
Net Debt / EBITDA	227.6%	10.0%	2.2%	19.8%
Current Ratio (Current Assets / Current Liabilities)	15.5%	0.8%	0.2%	1.8%
Interest Coverage level 1 (EBITDA / cash interest paid)	7.31%	0.31%	0.06%	0.65%
Interest Coverage level 2 (EBITDA / finance costs)	2.0x	1.3x	1.1x	1.6x

The Issuer’s non-current assets amounted to *circa* €64.3m in FY23 (FY22: €57.3m), principally made up of investment property, right of use property, and property, plant and equipment.

CBC’s main asset is its portfolio of investment property, which, as at FY23, amounted to €64.4m and represented approximately 98% of total assets. Investment property increased in FY23 following the addition of the portion of land acquired on temporary emphyteusis from the Government. It is expected to increase further in FY24 following the addition of CBC Mrieħel to the portfolio.

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**”) includes 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. In some instances, to secure a lease, the company engaged subcontractors to carry out the finishes on behalf of the prospective tenants. PPE for FY23 was reported at €387k, which was slightly higher than that projected due to finishing works done to attract new tenants.

Trade and other receivables during FY23 increased from the previous year (FY23: €403 vs FY22: €290k). Management attributed this increase to expenses incurred during the entering of the CBC Żebbug contract as per section 1.4.1 of this Analysis. These are expected to decrease substantially by end of FY24, to approximately €109k, as the Issuer does not envisage any extraordinary expenses during the year.

Moving to equity, the entire €16.1m listed as capital reserve relates to subordinated loans entered into with related parties to partly finance the acquisition of Central Business Centre Żebbug, the Central Business Centre Gudja and the Central Business Centre St. Julian's for total of €16,100,000. These subordinated loans, apart from an amount of €250,000, have been waived.

On the liabilities side, deferred tax liabilities relate to the temporary differences arising from the right of use of the investment properties. These have increased by approximately €1.9m in FY23.

CBC reported *circa* €5.0m in lease liabilities in FY23 in line with the land acquired on temporary emphyteusis during the year. These are expected to remain stable for FY24.

Long-term borrowings during FY23 amounted to €29.6m and mainly relate to CBC’s bonds currently in issue. These were in line with those projected, but are expected to increase in FY24 since management forecasting further financing during the year.

Trade and other payables have increased by approximately €0.26m from FY22 to FY23, with management attributing this to deferred income related to the fact that the signing of the LIDL contract was done in December 2023. The company also reported a one-off lease liability at the end of FY23 for the same reason.

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

Statement of Cash Flows for the year ended 31 December	2021A	2022A	2023A	2024F
	€000s	€000s	€000s	€000s
Cash flows from operating activities				
EBITDA	1,303	1,581	1,393	2,075
Movement in working capital:				
Movement in trade and other receivables	(4)	(76)	(88)	294
Movement in trade payables and accruals	558	(121)	279	(569)
Movement in financial instruments	-	(81)	-	150
Cash flows from operations	**1,857**	**1,303**	**1,584**	**1,950**
Interest paid	(674)	(1,262)	(1,260)	(1,299)
Tax paid	(179)	(180)	(108)	(268)
Net cash generated from / (used in) operating activities	**1,004**	**(139)**	**216**	**383**
Cash flows from investing activities				
Acquisition and development costs of investment property	(17,973)	(538)	(390)	(2,625)
Refund on duty paid on the purchase of investment property	-	-	398	-
Payments on finance lease	-	-	(40)	-
Acquisition of property, plant and equipment	(25)	(165)	-	-
Net cash generated from / (used in) investing activities	**(17,998)**	**(703)**	**(32)**	**(2,625)**
Cash flows from financing activities				
Repayment of existing bonds	(3,000)	(15)	(5)	-
Drawdown - loan	-	-	-	2,500
Dividends paid	-	-	(3)	-
Net cash generated from / (used in) financing activities	**17,687**	**(15)**	**(8)**	**2,500**
Net movement in cash and cash equivalents	**693**	**(857)**	**176**	**258**
Cash and cash equivalents at start of year	360	1,053	196	372
Cash and cash equivalents at end of year	**1,053**	**196**	**372**	**630**

Ratio Analysis	2021A	2022A	2023A	2024F
Cash Flow	€000s	€000s	€000s	€000s
Free Cash Flow (Net cash from operations + Interest - Capex)	(16,320)	420	1,444	(943)

Cash flows from operating activities throughout the year were lower than previously projected, albeit higher than FY2022. This was due to the fact that the revenue increased (as was planned) but a one-time allowance for a tenant was granted, as explained in section 2.1 of this Analysis, which resulted in a slightly lower EBITDA than previously projected. The Issuer is expecting EBITDA to be higher by the end of FY2024, resulting in higher projected cash flows from operating activities.

Cash outflows from investing activities were more or less in line with what was projected. The Issuer is expecting these to amount to approximately €2.6m during FY2024 as management expects cash outflows for the development costs of CBC Mrieħel.

The Issuer had no major financing transactions during FY2023 but is projecting a take-up of a €2.5m loan during FY2024 to finance the acquisition and upgrade of CBC Mrieħel.

There being no major investing or financing activities during FY2023, the Issuer reported a positive cash flow movement of €176k. The anticipated higher EBITDA from the investment in CBC Mrieħel is expected to have a positive effect on cash flow, with management expecting end of year cash movement to be around €258k.

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[1]

The Bank's Business Conditions Index (BCI) indicates that in March 2024, annual growth in business activity was unchanged from the previous month, remaining slightly below its historical average, estimated since January 2000.

The European Commission confidence surveys show that sentiment in Malta increased in March, but remained below its long-term average, estimated since November 2002. Sentiment mostly improved in industry.

Additional data show that in month-on-month terms, price expectations increased in the construction sector, and to a lesser extent in industry and among consumers but decreased in the retail and services sectors.

In March, the European Commission's Economic Uncertainty Indicator (EUI) for Malta increased compared with February, indicating higher uncertainty. Uncertainty increased mostly in the services sector.

In January, industrial production contracted on a year-on-year basis, while retail trade rose marginally on a year earlier. The unemployment rate increased to 3.2% in February from 3.1% in January but stood below that of 3.5% in February 2023.

Commercial and residential building permits in February were higher than a month earlier and were also higher when compared with a year ago. In March, the number of residential promise of sale agreements rose on a year earlier, but the number of final deeds of sale declined.

[1]Central Bank of Malta – Economic Update 4/2024

The annual inflation rate based on the Harmonised Index of Consumer Prices (HICP) stood at 2.7% in March, down from 3.0% in the previous month. HICP excluding energy and food in Malta, remained below the euro area average. Inflation based on the Retail Price Index (RPI) decreased to 1.9%, the lowest rate since July 2021, following a drop in several subcomponents.

3.1.2 The commercial property market[2]

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.

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.

Although the supply for commercial property has increased in the recent years, rental demand is still greater than supply as can be seen in the increase in average asking rental rates for office space which increased to €213/sqm in 2023, up from €183/sqm in 2022. The largest increase in rental rates came from the central region which saw growth of 31.9%. Further analysis shows that the highest proportion of office space can be found in the Northern Harbour region (52% of all listings), followed by the Central region (31%).

[2]https://kpmg.com/mt/en/home/insights/2023/10/construction-industry-and-property-market-report-2023.html

When it comes to commercial property sales there was only a marginal increase in the asking price when compared to 2022 with this increasing by just 2%, with Central region properties increasing by 9.7%.

The ECB policy decisions to combat inflation have seen the key policy interest rate stand at a record high with the ECB charging banks 4.5% per annum on main refinancing operations. To date, these interest rate hikes have not been reflected in the local market. Should interest rates locally rise, the path that both rent and sale prices in the commercial property market would take depends on multiple factors and so is unclear.

On one hand as the general price level of goods and service rises, property values may appreciate accordingly as investors turn to property as a hedge for inflation. The development of new commercial properties may also slow down as financing becomes costlier, potentially limiting the supply of available space and therefore increasing the price of already available property. On the other hand persistently sticky inflation could dampen economic activity and lead to suppressed demand levels and put downward pressure on both rental and sales prices.

3.1.3 The retail sectors [3]

In March, sentiment in industry averaged -11.0, up from -37.9 in February, thus remaining below its long-term average of -4.1.

Consumer confidence stood more negative in the month under review. It averaged -7.4, down from -4.4 in February, and thus remaining above its long-term average of -10.2. The more negative sentiment in March mostly reflected a deterioration in consumers' expectations of the general economic situation. Furthermore, their expectations of the financial situation over the next 12 months turned negative, and their assessment of their financial situation over the past 12 months became more negative. Expectation of major purchases were also negative, but less than in February.

The sentiment indicator for the services sector dipped further below its long-term average of 19.5, though it remained positive.9 Sentiment averaged 6.9, compared with 12.8 a month earlier, reflecting a deterioration across all three components of this index, but in particular in the respondents' expectations of demand over the next three months. Confidence in the retail sector decreased but remained above its long-term average of 0.5.10 It stood at 7.9, down from 14.7 in the previous month.

The recent fall in sentiment was largely driven by a significant decline in participants' expectations of business activity over the next three months. These developments offset a slight improvement in the respondents' assessment of sales over the past three months. At the same time, fewer retailers assessed their stocks of finished goods to be above normal levels.

The average asking price for retail properties increased to €243/sqm in 2023 up from €229/sqm in 2022. The largest increase in rental rates was observed in the North Harbour region which saw prices for retail space rise by 28.8% in 2023 with rates in the Gran Harbour region falling 23.3% to €245/sqm in 2023.

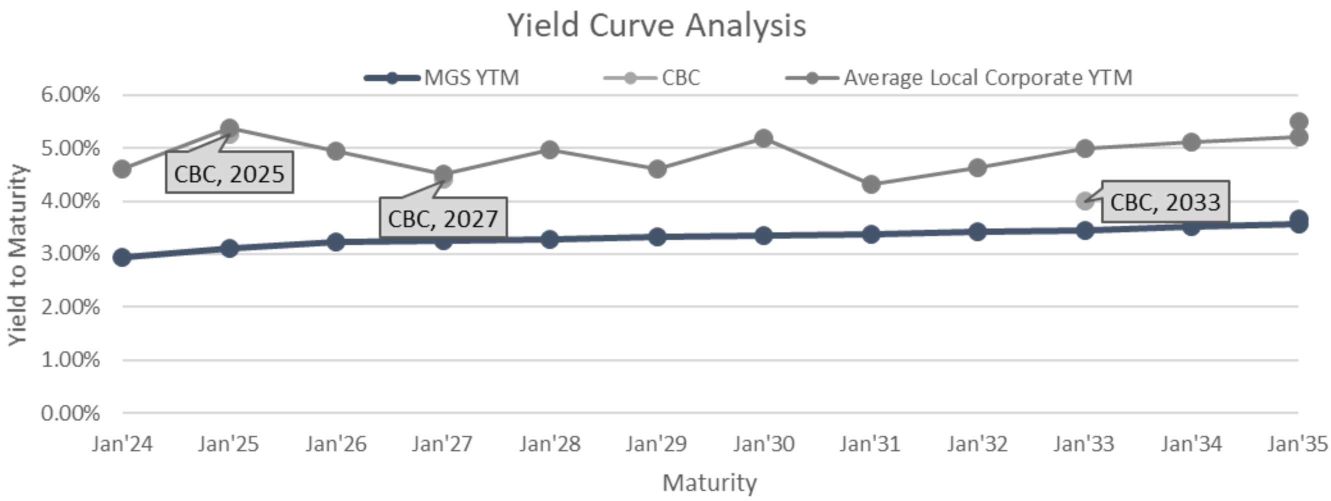
[3] Central Bank of Malta – Economic Update 4/2024

3.2 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.

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
	€000's	(%)	(times)	(€'millions)	(€'millions)	(%)	(%)	(times)	(times)	(%)
5.75% International Hotel Investments plc Unsecured € 2025	45,000	4.93%	1.7x	1,768.3	836.3	52.7%	42.1%	9.5x	1.0x	-1.4%
4.5% Hili Properties plc Unsecured € 2025	37,000	4.48%	1.8x	255.6	127.1	50.3%	46.2%	9.0x	1.4x	5.1%
5.25% Central Business Centres plc Unsecured € 2025 S2T1	2,974	5.25%	1.1x	65.7	23.8	63.7%	59.2%	24.9x	0.7x	0.2%
4% International Hotel Investments plc Secured € 2026	55,000	3.99%	1.7x	1,768.3	836.3	52.7%	42.1%	9.5x	1.0x	-1.4%
4% International Hotel Investments plc Unsecured € 2026	60,000	5.37%	1.7x	1,768.3	836.3	52.7%	42.1%	9.5x	1.0x	-1.4%
3.25% AX Group plc Unsec Bds 2026 Series I	15,000	3.66%	1.8x	474.0	243.5	48.6%	39.4%	20.9x	0.9x	-1.6%
3.75% Mercury Projects Finance plc Secured € 2027	11,500	3.80%	0.6x	269.6	78.8	70.8%	66.4%	48.2x	1.5x	9.9%
4% Eden Finance plc Unsecured € 2027	40,000	4.04%	5.7x	223.3	136.7	38.8%	27.1%	4.3x	0.2x	2.8%
4.4% Central Business Centres plc Unsecured € 2027 S1/17 T1	6,000	4.40%	1.1x	65.7	23.8	63.7%	59.2%	24.9x	0.7x	0.2%
3.75% Bortex Group Finance plc Unsecured € 2027	12,750	5.67%	4.2x	80.7	41.8	48.2%	39.8%	5.0x	2.8x	6.3%
4.5% Endo Finance plc Unsecured € 2029	13,500	5.77%	9.6x	63.5	18.7	70.5%	53.4%	1.5x	2.3x	-8.8%
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%
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%
3.65% IHI plc Unsecured € 2031	80,000	4.44%	1.7x	1,768.3	836.3	52.7%	42.1%	9.5x	1.0x	-1.4%
3.5% AX Real Estate plc Unsecured € 2032	40,000	4.68%	1.8x	474.0	243.5	48.6%	39.4%	20.9x	0.9x	-1.6%
4.85% JD Capital plc Secured € 2032 S1 T1	14,000	4.92%	1.7x	76.3	20.3	73.3%	63.1%	16.9x	2.1x	0.1%
5% Von der Heyden Group Finance plc Unsecured € 2032	35,000	4.98%	1.2x	155.9	32.7	79.0%	76.3%	22.9x	0.5x	-8.9%
4.3% Mercury Project Finance plc Secured € 2032	50,000	4.15%	0.6x	269.6	78.8	70.8%	66.4%	48.2x	1.5x	9.9%
4% Central Business Centres plc Unsecured € 2027-2033	21,000	4.39%	1.1x	65.7	23.8	63.7%	59.2%	24.9x	0.7x	0.2%
5.85% AX Group plc Unsecured € 2033	40,000	5.19%	1.8x	474.0	243.5	48.6%	39.4%	20.9x	0.9x	-1.6%
6% JD Capital plc Secured Bonds 2033 S2 T1	11,000	5.43%	1.7x	76.3	20.3	73.3%	63.1%	16.9x	2.1x	0.1%
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%
4.75% Dino Fino Finance plc Secured € 2033	7,800	4.68%	(1.3)x	15.5	2.3	85.3%	78.2%	(15.2)x	0.7x	-50.5%

Source: Latest available audited financial statements
* Last closing price as at 21/05/2024
**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 issuer's existing yields of its outstanding bonds.

As at 21 May 2024, the average spread over the Malta Government Stocks (MGS) for corporates with maturity range of 1-3 years was 128 basis points. The 5.25% Central Business Centres 2025 is currently trading at a YTM of 525 basis points, meaning a spread of 214 basis points over the equivalent MGS. This means that this bond is trading at a premium of 86 basis points in comparison to the market.

As at 21 May 2024, the average spread over the Malta Government Stocks (MGS) for corporates with maturity range of 3-5 years was 122 basis points. The 4.4% Central Business Centres 2027 is currently trading at a YTM of 440 basis points, meaning a spread of 114 basis points over the equivalent MGS. This means that this bond is trading at a discount of 8 basis points in comparison to the market.

As at 21 May 2024, the average spread over the Malta Government Stocks (MGS) for comparable issuers with maturity range of 7-10 years was 153 basis points. The 4% Central Business Centres plc 2033 is currently trading at a YTM of 439 basis points, meaning a spread of 94 basis points over the equivalent MGS. This means that this bond is trading at a discount of 59 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).

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.

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.

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

Calamatta Cuschieri Investment Services Limited

Ewropa Business Centre, Triq Dun Karm, Birkirkara BKR 9034, Malta
www.cc.com.mt