Calamatta Cuschieri

The Directors
ClearFlowPlus p.l.c
Water Services Corporation
Triq Hal-Qormi
Luqa, LQA 9043
Malta

Re: Financial Analysis Summary – 2024

24 June 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 ClearFlowPlus p.l.c. (the "**Issuer**") and Water Services Corporation (the "**Guarantor**"), where the latter is the parent company of the "**Group**". The data is derived from various sources or is based on our own computations as follows:

a) Historical financial data for the three years ending 31 December 2021, 2022 and 2023 has been extracted from the audited financial statements of the Issuer and the Guarantor.

b) The forecast data for the financial years ending 31 December 2024 has been provided by management.

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

d) The ratios quoted in the Analysis 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.

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

Yours sincerely,

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Patrick Mangion
Head of Capital Markets

FINANCIAL ANALYSIS SUMMARY 2024

ClearFlowPlus p.l.c

24 June 2024

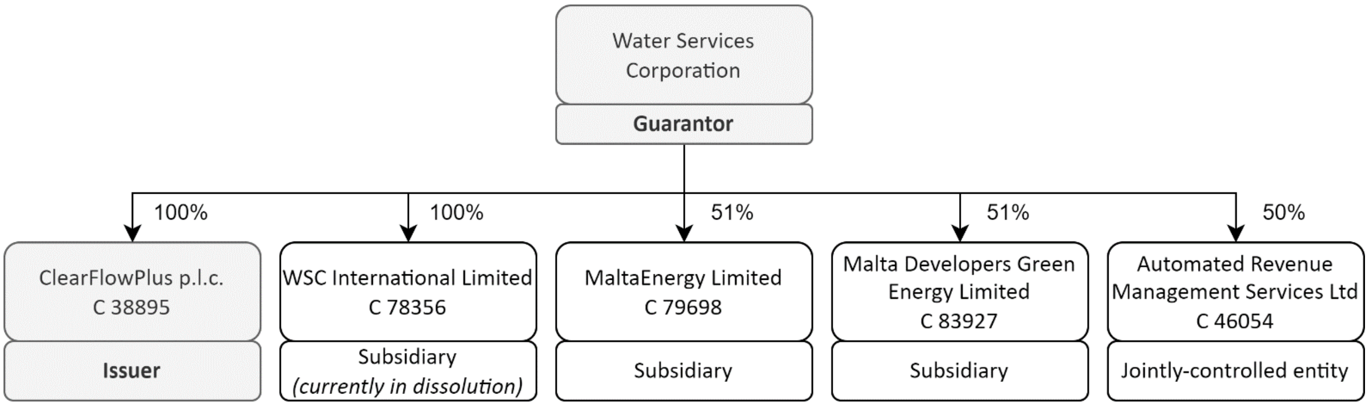
Prepared by Calamatta Cuschieri Investment Services Limited

Table of Contents

Part 1 - Information about the Group

1.1 Group's key activities and Group structure

The Group's complete organisation chart is set out below:



ClearFlowPlus p.l.c. ("**CFP**" or the "**Issuer**") was incorporated on 9 June 2006 as a private limited liability company with company registration number C 38895, under the name Desalination Services Marketing Ltd. In 2018, it changed its name to ClearFlowPlus Limited. On 19 July 2023, the Issuer was converted to a public limited company in anticipation of the bond issue. As at the date of this Analysis, the Issuer has an authorised and issued share capital of €250,002 made up of 107,326 ordinary shares of €2.329373 each all fully paid up. The Issuer is a fully owned subsidiary of Water Services Corporation except for one share, which is held by Malta Government Investments Limited (C 10175).

The Issuer's main activities are the provision of technical consultancy services related to the distribution, conservation, and treatment of water. The Issuer also offers consultancy services and supplies in connection with reverse osmosis plants, wastewater treatment facilities, laboratory analysis, and information technology. The Issuer markets and provides its consultancy services both locally and abroad.

Notwithstanding the Issuer's initial intention to restrict its activities to those of a finance company and transferring its operations to another subsidiary, CFP's strategic direction evolved to embrace a dual role, continuing its legacy as a premier provider in its field, while expanding its horizons to become a financing vehicle for the group.

Water Services Corporation (the" **Guarantor**" or "**WSC**" or the "**Group**") was founded on 20 January 1992 by Act of Parliament No. XXIII of 1991, to take over the responsibilities of the former Water Works Department. This strategic move meant that, rather than remaining the responsibility of a government department, water had become the responsibility of a dedicated corporation established by statute with a certain level of autonomy and increased accountability. The Guarantor employs around 1,100 persons and is responsible for managing potable water and wastewater services in the Maltese islands. Its principal activities are:

- Water production and distribution - to acquire, produce, distribute and sell water for domestic, industrial and commercial use;
- Wastewater collection and treatment - to treat and dispose or re-use wastewater; and
- Renewable energy generation - to further reduce the energy costs related to its operations using renewable energy sources.

WSC International Limited ("WSCI")

WSCI was incorporated on 9 December 2016 with registration number C 78356 and is currently in the process of dissolution.

MaltaEnergy Limited ("MEL")

MEL was incorporated on 4 May 2017 with registration number C 79698. MEL leases the Qrendi and Ta' Cenc reservoirs from the Guarantor. It was set up as a joint venture vehicle between the Guarantor and the General Retailers and Traders Union.

Malta Developers Green Energy Ltd ("MDGE")

MDGE was incorporated on 21 March 2018 with registration number C 83927. MDGE leases the solar panels which are installed on the property of the Guarantor. The company was set up as a joint venture vehicle between the Guarantor and the Malta Developers Association.

Automated Revenue Management Services Ltd ("ARMS")

ARMS was incorporated on 19 January 2009 with registration number C 46054. This private limited liability company was set up as a joint venture between WSC and Enemalta plc. The scope of this agreement was to carry out meter to cash functions for both entities. ARMS must transfer all revenues collected to the respective party within 24 hours of receipt.

1.2 Directors and Employees

Board of Directors - Issuer

The Board of Directors of the Issuer is composed of the following persons:

Name	Designation
Dr Vince Micallef	Chairman and non-executive Director
Mr Karl Cilia	Vice-Chairman and executive Director
Mr Matthew Costa	Executive Director
Ing David Sacco	Executive Director
Ms Angela Azzopardi	Independent non-executive Director
Mr Luke Cann	Independent non-executive Director
Ing Abigail Cutajar	Independent non-executive Director
Ms Katrina Cuschieri	Independent non-executive Director

Mr Karl Cilia, Mr Matthew Costa and Ing David Sacco are executive Directors and occupy senior executive positions within the Group, namely CEO of the Guarantor, CFO of the Guarantor and Production & Treatment Chief Officer of the Guarantor, respectively. The other five Directors, Dr Vince Micallef, Ms Angela Azzopardi, Mr Luke Cann, Ing Abigail Cutajar and Ms Katrina Cuschieri serve on the Board of the Issuer in a non-executive capacity. Ms Angela Azzopardi, Mr Luke Cann, Ing Abigail Cutajar and Ms Katrina Cuschieri are considered as independent directors since they are free of any significant business, family or other relationship with the Issuer, its controlling shareholders or the management of either, that could create a conflict of interest such as to impair their judgement.

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

Board of Directors - Guarantor

The Board of Directors of the Guarantor consists of the following persons:

Name	Designation
Mr Joseph Vella	Chairman
Mr Louis Gatt	Deputy Chairman
Dr Vince Micallef	Member
Ing Raymond Azzopardi	Member
Mr Ethelbert Schembri	Member
Ms Sylvana Mifsud	Member
Ms Marion Parnis	Member
Ms Mirana Agius Silvio	Member
Dr Juanita Agius Galea	Member

The business address of the directors of the Guarantor is the Head Office of the Guarantor, namely Water Services Corporation, Triq Hal Qormi, Luqa LQA 9043, Malta.

1.3 Major Assets owned by the Group

The Group's largest asset as at year end of FY23 was related to property, plant and equipment ("**PPE**") and amounted to €381.7m. PPE principally comprises assets related to water infrastructure (€138.3m), wastewater infrastructure (€97.5m), land and buildings (€44.4m), and assets under construction (€87.4m). Water and wastewater infrastructure include:

- four reverse osmosis plants in Pembroke, Ċirkewwa, Għar Lapsi and Hondoq ir-Rummien;
- 24 reservoirs and various pumping stations;
- four wastewater treatment plants in Sant' Antin Marsascala, Ras il-Hobz in Gozo, Ic-Cumnija, limits of Mellieha and Ta' Barkat Xghajra; and
- a network of over 2,200 kilometres of pipes and a tunnel between Pembroke and Ta' Qali.

Assets under construction represent water and wastewater infrastructure assets which are still in the course of construction. During the year, assets which are no longer in the course of construction are reclassified to other components of PPE.

1.4 Operational Developments

In 2023, CFP continued to solidify its operations, aligning them with the core value of sustainability. In line with the new business plan launched, 20 new drinking water dispensers were installed during the year under review, bringing the total number of installations up to 327.

Moreover, these dispensers are continually serviced by a third-party contractor to ensure the best possible service. These dispensers have so far serviced 30,135 litres, thereby eliminating 60,270 bottles of single-use plastic. During the year under review, CFP operations saw the construction of the new reverse osmosis builds, which will be fully completed and commissioned in the hospitality industry during 2024.

As at 31 December 2023, the Group had utilised €1.68m of the €1.7m available for the investment in a new reverse osmosis plant representing 98.9% of the available funds attributable to this project. The main benefits of this new reverse osmosis plant include a reduction in energy consumption, improved taste and quality of water, increased reliability of water supply, reduction in reliance on bottled water and greater water self-sufficiency.

1.5 Correction of prior period errors

1.5.1 Correction of prior period errors for the Issuer

During the year under review, adjustments were made for errors identified in the prior period, where retained earnings, trade and other payables, trade and other receivables and current tax liabilities were materially misstated in the Issuer’s statement of financial position as at 31 December 2022 as a result of cut-off issues identified. Additionally, revenue, cost of sales and tax expense were materially misstated in the Issuer’s statement of comprehensive income for the year ended 31 December 2022. The necessary adjustments were made in accordance with the relevant standards by restating each of the affected line items for FY22.

1.5.2 Correction of prior period errors for the Consolidated Group

Management noted that the right of use asset, trade and other receivables, revenue reserve, lease liability, current tax liability and trade and other payables in the Consolidated Group’s Statement of Financial Position; and turnover, operating and administrative expenses, finance costs and tax expense in the Consolidated Group’s Statement of Comprehensive Income for the year ended 31 December 2022 were not being measured and classified in accordance with the relevant accounting standards. This resulted from the incorrect use of IFRS 16 - Leases on the hire of motor vehicles by the Corporation, and cut-off issues identified in the subsidiary’s accounts as mentioned in section 1.5.1 above. These only impacted 2022 and earlier years have not been affected. The necessary adjustments were made in accordance with the relevant standards by restating each of the affected line items for FY22.

Part 2 - Historical Performance and Forecasts

The financial information in sections 2.1 to 2.6 is extracted from the audited financial statements of the Issuer and the Guarantor for the financial years ended 31 December 2021, 2022 and 2023.

The projected financial information for the year ending 31 December 2024 has been provided by management. This financial information relates to events in the future and are based on assumptions which the Issuer believes to be reasonable. Consequently, the actual outcome may be adversely affected by unforeseen situations and the variation between forecast and actual results may be material.

As per section 1.5.1 and 1.5.2, FY22 figures were restated following certain prior period corrections.

2.1 Issuer's Income Statement

Statement of Comprehensive Income for the year ended 31 December	2021A	2022A (R)	2023A	2024P
	€000s	€000s	€000s	€000s
Revenue	1,313	2,097	1,983	2,023
Cost of sales	(753)	(1,055)	(980)	(999)
Gross profit	**560**	**1,042**	**1,003**	**1,024**
Administrative expenses	(168)	(163)	(417)	(439)
Other expenses	(10)	-	-	-
Other income	17	1	1	-
EBITDA	399	880	587	584
Amortisation of bond issue costs	-	-	-	(49)
Depreciation	(1)	(3)	(8)	-
EBIT	**398**	**877**	**579**	**536**
Finance income	54	239	800	1164
Finance costs	-	-	(434)	(1,063)
Profit before tax	**452**	**1,116**	**945**	**637**
Tax expense	(174)	(404)	(323)	(223)
Profit for the year	**278**	**712**	**622**	**414**

Ratio Analysis	2021A	2022A (R)	2023A	2024P
Profitability				
Growth in Revenue (YoY Revenue Growth)	31.30%	59.71%	-5.44%	2.02%
Gross Profit Margin (Gross Profit / Revenue)	42.7%	49.7%	50.6%	50.6%
EBITDA Margin (EBITDA / Revenue)	30.4%	42.0%	29.6%	28.9%
Operating (EBIT) Margin (EBIT / Revenue)	30.3%	41.8%	29.2%	26.5%
Net Margin (Profit for the year / Revenue)	21.2%	34.0%	31.4%	20.5%
Return on Common Equity (Net Income / Average Equity)	25.1%	44.4%	27.3%	14.8%
Return on Assets (Net Income / Average Assets)	7.2%	16.8%	3.8%	1.4%

In 2023 revenue remained relatively stable at €2.0m (2022: €2.1m). The biggest contributor was waste management services, representing 31% of the Issuer's revenue in FY23 (FY22: 39%). This is followed by after-sales service (31%), IT services (11%), sale of reverse osmosis (8%), sale of parts (3%), lab services (1%) and other sales (7%).

The cost of sales primarily consist of direct costs related to services provided by the Issuer. Cost of sales also remained stable in FY23 at €1.0m and is projected to remain at this level in FY24.

Gross profit for the Issuer amounted to €1.0m in FY23 (FY22: €1.0m) with a corresponding gross profit margin of 50.6% (FY22: 49.7%). Going forward, gross profit and gross profit margin are expected to remain at similar levels in FY24. In the provision of its services and carrying out of its operations, the Issuer relies substantially on the resources available to WSC. These resources vary from infrastructure to expertise developed by WSC and its employees.

In line with this, the Issuer pays a yearly management fee to the Guarantor. This management fee has both a fixed portion (reviewed every 3 years) and a variable portion which covers the variable costs that come with each service provided for the Issuer. The fixed fee is the main component of administrative cost, whilst the variable fee is included as part of cost of sales. Other administrative costs include audit fees, professional fees, bank charges, movements in allowance for Expected Credit Losses ("**ECL**") and other administrative expenses. Administrative expenses increased to €0.4m in FY23 mainly due to increased management fees of €243k (FY22: €63k).

This led to an EBITDA of €587k in FY23, down from €880k in FY22. EBITDA is expected to remain at this level in FY24, with a corresponding EBITDA margin of 28.9%. Depreciation in FY23 was minimal, amounting to €8k. Going forward, the Issuer will start to account for yearly amortisation of bond issue costs, with this forecasted to amount to €49k in FY24.

In FY23, finance income totalled €800k and consisted of rental income (€215k), interest on the loan advanced to related companies (€472k) and interest income from a term deposit of €113k. In FY24, finance income is projected to increase further to €1.2m. Finance costs on the other hand amounted to €434k in FY23 and is expected to amount to €1.1m in FY24. This mainly represents the interest payments to bondholders.

Profit before tax in FY23 came in at €945km (FY22: €1.1m) and is forecasted to drop to €637k in FY24. In FY23 tax payments amounted to €323k whilst in FY24 tax payments are projected to decrease to €223k. Net profit margins are expected to come in at 20.5% in FY24 (FY23: 31.4%) with return on common equity and return on assets expected to be at 14.8% (FY23: 27.3%) and 1.4% (FY23: 3.8%).

2.2 Issuer's Statement of Financial Position

Statement of Financial Position as at 31 December	2021A	2022A (R)	2023A	2024P
	€000s	€000s	€000s	€000s
Assets				
Non-current assets				
Property, plant and equipment	15	24	75	-
Finance lease receivable	685	823	794	-
Loan receivable	337	422	2,008	17,512
Total non-current assets	**1,037**	**1,269**	**2,877**	**17,512**
Current assets				
Inventories	554	533	535	546
Finance lease receivable	28	39	48	-
Loan receivable	12	64	42	-
Trade and other receivables	811	862	1,089	456
Cash and cash equivalents	2,359	932	24,106	10,636
Total current assets	**3,764**	**2,430**	**25,820**	**11,638**
Total assets	**4,801**	**3,699**	**28,697**	**29,150**
Equity and liabilities				
Capital and reserves				
Share capital	5	5	250	250
Retained earnings	1,242	1,954	2,350	2,763
Total equity	**1,247**	**1,959**	**2,600**	**3,013**
Non-current liabilities				
Interest bearing borrowings	-	-	24,529	24,578
Trade and other payables	246	264	235	-
Total non-current liabilities	**246**	**264**	**24,764**	**24,578**
Current liabilities				
Trade and other payables	2,931	1,238	1,203	1,336
Current tax liabilities	377	238	130	223
Total current liabilities	3,308	1,476	1,333	1,559
Total liabilities	**3,554**	**1,740**	**26,097**	**26,137**
Total equity and liabilities	**4,801**	**3,699**	**28,697**	**29,150**

Ratio Analysis	2021A	2022A (R)	2023P	2024P
Financial Strength				
Gearing 1 (Net Debt / Net Debt and Total Equity)	N/A	N/A	14.0%	82.2%
Gearing 2 (Total Liabilities / Total Assets)	74.03%	47.04%	90.94%	89.66%
Gearing 3 (Net Debt / Total Equity)	N/A	N/A	16.3%	462.8%
Net Debt / EBITDA	N/A	N/A	0.72x	23.86x
Current Ratio (Current Assets / Current Liabilities)	1.14x	1.65x	19.37x	7.47x
Quick Ratio (Current Assets - Inventory / Current Liabilities)	0.97x	1.29x	18.97x	7.12x
Interest Coverage level (EBITDA / Finance costs)	N/A	N/A	1.35	0.55

The Issuer's total assets stood at €28.7m as at 31 December 2023. Non-current assets made up 10.0% of total assets and consisted primarily of finance lease receivables of €0.8m and loan receivables of €2.0m. Current assets on the other hand consisted mainly of inventories of €0.5m, trade and other receivables of €1.1m and cash and cash equivalents of €24.1m. Total assets increased by 675.8% over FY22 levels mainly due to the increased cash and cash equivalents attributed to the bond issue.

The finance lease receivables represent finance leasing agreements which the Issuer entered into as a lessor, with various public schools around Malta for certain water dispensers as from FY21. The loan receivable balance is represented by three loans advanced to two of the Issuer's sister companies and its parent company. The pre-existing two loans are unsecured, bear interest of 4.5% per annum, and are to be repaid in full, including the agreed interest, by 2028 and 2029 respectively. The increase in loans receivable in FY23 of €1.6m is due to a third loan financed from the proceeds of the bond issue and advanced to the parent company to be used in a number of eligible green projects. The loan is unsecured, bears interest at 4.75% per annum and is to be paid in full, including the agreed interest, by the year 2033.

Inventories include the cost of raw materials and consumables and are reported as net of any provisions for obsolete stock. Trade and other receivables increased slightly from €0.9m in FY22 to €1.1m in FY23.

Total equity amounted to €2.6m in FY23 and was made up mostly of retained earnings along with an increase in share capital to €250k. In FY24 total equity is forecasted to increase to €3.0m due to an increase in retained earnings in line with the expected positive.

When it comes to liabilities, as at FY23, the larger portion (94.9%) came in the form of non-current liabilities. In FY23, total liabilities increased by €24.4m over FY22 and came in at €26.1m. This increase is principally due to the bond issue.

Going forward, the Issuer is forecasting its liabilities to remain fairly constant at €26.1m. The Issuer's gearing is expected to be in the region of 82.2% in FY24 (FY23: 14.0%) mainly due to the deployment of cash into projects which increased net debt. The Issuers current ratio remained above 1.0x in all three historical periods and is expected to be 7.5x in FY24.

2.3 Issuer's Statement of Cash Flows

Statement of Cash Flows for the year ended 31 December	2021A	2022A (R)	2023A	2024P
	€000s	€000s	€000s	€000s
Cash flows from operating activities				
EBITDA	399	880	587	584
Adjustments	1	29	(26)	-
Cash generated from operations	**400**	**909**	**561**	**584**
Changes in working capital	353	(1,733)	(285)	568
Cash flow from operations	**753**	**(824)**	**276**	**1,152**
Finance income	54	239	800	1,164
Finance costs	-	-	(416)	(1,063)
Tax paid	(55)	(544)	(415)	(129)
Net cash generated from / (used in) operating activities	**752**	**(1,129)**	**244**	**1,124**
Cash flows used in investing activities				
Disposal/(Purchase) of property, plant and equipment	(16)	(11)	(59)	75
Movements in long-term loan receivables	-	-	-	422
Movements in long-term finance lease receivable	-	(148)	40	794
Loan provided to related party	(350)	-	(21)	-
Net cash flows generated from / (used in) investing activities	**(366)**	**(159)**	**(39)**	**1,291**
Cash flow used in financing activities				
Loan advanced to related company	-	(150)	(1,681)	(15,886)
Repayment of loan from related party	1	12	119	-
Bond proceeds	-	-	25,000	-
Bond issue costs	-	-	(488)	-
Increase in paid up share capital	-	-	19	-
Net cash flows generated from / (used in) financing activities	**1**	**(138)**	**22,969**	**(15,886)**
Cash and cash equivalents at start of year	1,971	2,358	932	24,106
Movement in cash and cash equivalent	**387**	**(1,426)**	**23,174**	**(13,470)**
Cash and cash equivalents at end of year	**2,358**	**932**	**24,106**	**10,636**

Ratio Analysis	2021A	2022A (R)	2023P	2024P
Cash Flow	€000s	€000s	€000s	€000s
Free Cash Flow (Net cash from operations + Interest - Capex)	€736	€(1,140)	€602	€2,262

Cash flows generated from operations are driven by the Issuer's operations. In FY23, the positive performance along with the finance income received led to a net cash inflow from operations of €244k. In FY22, cash used in operations amounted to €1.1m primarily due to negative movement in working capital stemming mainly from a reduction in trade and other payables, most of which is in relation to the repayments of amounts due to WSC. Going forward, the Issuer expects inflows from operating activities of €1.1m in FY24, again due to positive performance generated and finance income expected to be received.

Investing activities were minimal in the historical periods under review and this was also the case for FY23 with the Issuer using €39k in investing activities. In FY24 this is forecasted to increase mainly due to €422k to be received from long-term receivables and €794k to be received from finance lease receivables leading to an inflow from investing activities of €1.3m.

Cash flows from financing activities in FY23 amounted to €23.0m (FY22: - €0.1m). This was the net effect of the bond proceeds of €25.0m and an outflow of €1.7m relating to a loan advanced to a related company. In FY24, the Issuer is forecasting financing activities to result in an outflow of €15.9m mainly from further loans advanced to related party companies.

These movements resulted in a net positive movement in cash and cash equivalents of €23.2m in FY23, which led to a closing cash, and cash equivalents balance of €24.1m. In FY24 cash and cash equivalents are projected to amount to €10.6m.

2.4 Guarantor's Income Statement

Statement of Comprehensive Income for the year ended 31 December	2021A	2022A (R)	2023A	2024P
	€000s	€000s	€000s	€000s
Revenue	77,921	82,097	91,460	94,143
Government subsidies	30,257	32,530	32,984	34,374
Operating and administrative expenses	(78,354)	(81,753)	(85,112)	(90,782)
Cost of service pensions due to Government	589	1,290	49	-
EBITDA	**30,413**	**34,164**	**39,381**	**37,735**
Depreciation	(22,763)	(22,355)	(20,824)	(21,550)
EBIT	**7,650**	**11,809**	**18,557**	**16,186**
Share of results of jointly-controlled entity	76	64	80	-
Finance income	1,520	1,615	1,532	1,184
Finance costs	(1,724)	(1,590)	(2,368)	(2,262)
Profit before taxation	**7,522**	**11,898**	**17,801**	**15,108**
Tax expense	(147)	(404)	(324)	-
Profit for the year	**7,375**	**11,494**	**17,477**	**15,108**
Other comprehensive loss				
Re measurements of post-employment benefit obligations	(556)	(429)	(371)	-
Total comprehensive income for the year	**6,819**	**11,065**	**17,106**	**15,108**

Ratio Analysis	2021A	2022A (R)	2023A	2024P
Profitability				
Growth in Revenue (YoY Revenue Growth)	2.5%	11.4%	11.1%	2.9%
EBITDA Margin (EBITDA / Revenue)	39.0%	41.6%	43.1%	40.1%
Operating (EBIT) Margin (EBIT / Revenue)	9.8%	14.4%	20.3%	17.2%
Net Margin (Profit for the year / Revenue)	8.8%	13.5%	18.7%	16.0%
Return on Common Equity (Net Income / Average Equity)	5.1%	7.6%	10.5%	8.5%
Return on Assets (Net Income / Average Assets)	1.5%	2.4%	3.0%	2.7%

The Group's main source of revenue is derived from the acquisition, production, distribution and sale of water for domestic, industrial and commercial use. Revenue is also derived from the treatment and disposal or re-use of sewage and also includes ancillary fees related to new portable water services, temporary meters and recharges of salaries and wages of individuals seconded to the Government.

Total revenue in FY23 amounted to €91.5m, an 11.1% increase over FY22 levels. This increase in revenue is mainly due to the continued drive to improve billing efficiencies through the smart metering replacement programme, together with increases in consumption. Of the €91.5m in revenue, €83.2m relates to the sale of water whilst the remaining €8.3m relates to ancillary services, and other income. Revenue is forecasted to increase slightly in FY24 and reach €94.1m.

Although WSC charges consumers for the sale of water, it does not charge consumers for wastewater treatment or usage of new water.

Government subsidies cover recurrent expenditure and deferred government grants. In order to produce and distribute water, as well as collect and treat wastewater, WSC incurs significant capital expenditure annually. Whilst part of this capital expenditure is incurred directly by WSC, the Group is eligible for grants from the Government and EU-funded schemes which cover qualified expenditure. The Group's treatment and re-use of wastewater is fully subsidised by the Government under deferred government grants. Together these amounted to €33.0m in FY23.

Total operating and administrative costs amounted to €85.1m in FY23, an increase of €3.3m from the €81.8m in FY22. This increase relates to two main factors. Firstly, the Group's continued investment in its human resources and talent retainment which resulted in an increase in salaries, and secondly, higher repairs and maintenance fees which increased by €4.5m over FY22.

Other material expenses included in this bucket are electricity costs which decreased year on year albeit a strategic decision to improve its blending ratio (the increase in use of electricity because of this decision will be mitigated through the renewable energy generated from the installation of solar farms from the bond proceeds which are expected to be installed and commissioned by early 2025).

Operational costs associated with the maintenance and upkeep of sewage treatment plants saw an escalation, primarily driven by higher sludge disposal gate fees. Supply chain disruptions also contributed due to an increase in raw material prices and led to waste disposal fees of €2.5m (2022: €1.5m). Furthermore, a surge in emergency interventions and sub-contracted jobs which were essential to core activities, along with the implementation of a new billing system, pushed the cost of the repairs and maintenance up to €15.1m (2022: €9 8m).

This led to an EBITDA of €39.4m in FY23, with this forecasted to decrease slightly to €37.7m in FY24 due to expected higher operating and administrative expenses.

Depreciation in FY23 was lower than what was reported for FY22 mainly due to lower depreciation in waste water infrastructure and related assets. Following finance income of €1.5m and finance costs of €2.4m (primarily due to upward pressure on interest rates), the Group generated a profit before tax of €17.8m which was €5.9m higher than FY22. In FY24 this is expected to amount to €15.1m. Tax charges in FY23 amounted to 324k and led to a profit for the year of €17.5m. In FY24 management is expecting a total comprehensive income for the year of €15.1m (FY23: €17.1m). The Group's net margin came in at 18.7% in FY23 (FY22: 13.5%).

2.4.1 Variance Analysis

Income Statement for the year ended 31 December	2023P	2023A	Variance
Revenue	83,563	91,460	7,897
Government subsidies	30,759	32,984	2,225
Operating and administrative expenses	(82,894)	(85,112)	(2,218)
Cost of service pensions due to Government	-	49	49
EBITDA	**31,428**	**39,381**	**7,953**
Depreciation	(19,545)	(20,824)	(1,279)
EBIT	**11,883**	**18,557**	**6,674**
Share of results of jointly-controlled entity	-	80	80
Finance income	1,285	1,532	247
Finance costs	(2,112)	(2,368)	(256)
Profit before taxation	**11,056**	**17,801**	**6,745**
Tax expense	-	(324)	(324)
Profit for the year	**11,056**	**17,477**	**6,421**
Other comprehensive loss			
Re-measurements of post-employment benefit obligations	-	(371)	(371)
Total comprehensive income for the year	**11,056**	**17,106**	**6,050**

The main variances in the Groups income statement come from higher revenue and government subsidies, along with higher operating and administrative expenses and increased depreciation charges. The €7.8m higher revenue is mainly due to an increase in the sale of water coupled with increased billing efficiency. The Group also managed to increase its revenue stream from farm waste which contributed to €2.5m of the variance in revenue. The higher government subsidies can be attributed to certain capital government grants for which the release to the profit or loss was not budgeted. The €2.2m increase in operating and administrative expenses is in line with the higher revenue generated. When it comes to the higher depreciation charge, this can be explained by the RO Hondoq Plant and two major trenches which were capitalised at the end of FY22 and which were not included in last year's forecasts.

2.5 Guarantor's Statement of Financial Position

Statement of Financial Position as at 31 December	2021A	2022A (R)	2023A	2024P
	€000s	€000s	€000s	€000s
Assets				
Non-current assets				
Property, plant and equipment	351,003	365,679	381,715	395,019
Finance lease receivables	685	823	794	-
Investments in subsidiaries	7	1	1	1
Investments in jointly-controlled entity	823	887	967	967
Loan receivable	337	422	327	217
Right of use asset	-	2,011	3,970	3,193
Trade and other receivables	24,145	21,887	20,564	18,578
Total non-current assets	**377,000**	**391,710**	**408,338**	**417,975**
Current assets				
Inventories	23,978	24,321	23,514	27,338
Finance lease receivables	28	39	48	-
Loan receivable	12	64	42	47
Trade and other receivables	34,285	38,286	46,497	54,349
Cash and cash equivalents	15,226	1,550	90,949	50,494
Total current assets	**73,529**	**64,260**	**161,050**	**132,228**
Total assets	**450,529**	**455,970**	**569,388**	**550,203**
Equity and Liabilities				
Capital and reserves				
Government contribution	73,142	73,142	73,142	73,142
Revenue reserve	65,812	77,304	94,553	109,660
Pension contributions reserve	(4,819)	(5,248)	(5,619)	(5,619)
Other reserve	-	-	227	227
Non-controlling interest	4	5	7	7
Total equity	**134,140**	**145,204**	**162,310**	**177,418**
Non-current liabilities				
Bond	-	-	24,529	24,578
Bank borrowings	50,822	34,237	29,613	12,325
Other borrowings	3,206	3,008	2,806	2,556
Deferred government grants	190,641	195,382	244,355	250,693
Provision for other liabilities and charges	9,726	8,102	6,449	14,646
Lease liability	-	1,493	2,197	1,728
Trade and other payables	246	264	235	-
Total non-current liabilities	**254,641**	**242,486**	**310,184**	**306,526**
Current liabilities				
Trade and other payables	45,926	46,485	75,307	47,146
Bank borrowings	4,548	11,256	6,255	4,245

Other borrowings	196	198	202	250
Deferred government grants	10,957	9,596	13,210	13,034
Lease liability	-	543	1,827	1,584
Current tax liabilities	122	202	93	-
Total current liabilities	**61,749**	**68,280**	**96,894**	**66,259**
Total liabilities	**316,390**	**310,766**	**407,078**	**372,785**
Total equity & liabilities	**450,530**	**455,970**	**569,388**	**550,203**

Ratio Analysis	**2021A**	**2022A (R)**	**2023A**	**2024P**
Financial Strength				
Gearing 1 (Net Debt / Net Debt and Total Equity)	24.51%	25.30%	-16.95%	-1.85%
Gearing 2 (Total Liabilities / Total Assets)	70.2%	68.2%	71.5%	67.8%
Gearing 3 (Net Debt / Total Equity)	32.5%	33.9%	-14.5%	-1.8%
Net Debt / EBITDA	1.4x	1.4x	(0.6)x	(0.1)x
Current Ratio (Current Assets / Current Liabilities)	1.2x	0.9x	1.7x	2.0x
Quick Ratio (Current Assets - Inventory / Current Liabilities)	0.8x	0.6x	1.4x	1.6x
Interest Coverage level (EBITDA / Finance costs)	17.6x	21.5x	16.6x	16.7x

In FY23, total assets stood at €569.4m (FY22: €456.0m). The Group's major assets consist of PPE of €381.7m (FY22: €365.7m), inventories of €23.5m (FY22: €24.3m) and trade and other receivables of €67.1m (FY22: €60.2m). Inventories mainly include mains, pipes and spare parts whilst the Group's trade and other receivables primarily relate to trade receivables, accrued income and amounts due from Government. Going forward the Group is forecasting total assets to reach €550.2m by end of FY24.

The Group's equity totalled €162.3m in FY23 (FY22: €145.2m) and was made up of Government contributions of €73.1m, representing permanently converted debenture stock, retained earnings of €94.6m and pension contributions reserve of €5.6m which represents the movement in re-measurements of post-employment benefit obligations due to actuarial assumptions. In FY24, the Group is forecasting total equity to reach €177.4m following a projected increase in revenue reserves, with the other constituents of equity remaining relatively stable.

Non-current liabilities totalled €310.2m in FY23 (FY22: €242.5m) and mainly consisted of deferred Government grants, the bond issue, bank borrowings, and provision for other liabilities and charges. Other borrowings relate to a Government loan, which is interest free and repayable at €250k per annum. Non-current liabilities are projected to reach €306.5m in FY24.

Current liabilities totalled €96.9m in FY23 (FY22: €68.3m). These primarily relate to trade and other payables, bank borrowings, and deferred Government grants.

Trade payables mainly comprise amounts due to suppliers in particular Enemalta on provision of electricity services to WSC whilst accruals represent invoices not yet received by end of reporting period. Within accruals, WSC accrues for electricity not yet billed by Enemalta as at reporting date.

Interest bearing bank borrowings in FY23 totalled €35.9m and comprised of: (1) a bank overdraft of €1.6m repayable on demand, (2) bank loans of €34.2m split between current and non-current liabilities.

In FY24 the Guarantors current liabilities are projected to decline to €66.3m due to projected lower trade and other payables.

The Group's gearing stood at -17.0% in FY23 due to its cash position being greater than its net debt, and is forecasted to increase to -1.9% in FY24 as the Group deploys some of its cash and cash equivalents.

In FY23, the Group was exposed to a number of claims by third parties, including legal proceedings, arising in the ordinary course of its activities. It is not anticipated that any material liabilities will arise from the Group's exposure to these contingencies other than those that have been provided for amounting to €12.2m in FY23 and is split between current and non-current liabilities, the current portion making up part of trade and other payables.

The Group's working capital was positive during the period under review, with inventories and trade and other receivables exceeding trade and other payables. The Group's net working capital by the end of FY23 was positive by €15.1m.

Historically, apart from FY22, the Guarantor has always managed to keep its current ratio above 1.0x. Management forecasts its current ratio to remain above 1.0x in FY24. Interest coverage ratios are also very healthy, remaining above 10x in the historical period and is projected to remain at this level in FY24.

2.6 Guarantor's Statement of Cash Flows

Statement of Cash Flows for the year ended 31 December	2021A	2022A (R)	2023A	2024P
	€000s	€000s	€000s	€000s
Cash flows from operating activities				
EBITDA	30,413	34,164	39,381	37,735
Share of results of jointly-controlled entity	-	64	80	-
Adjustment (unwinding of Government grant)	-	-	-	(12,888)
Movement in provision for ECL	-	117	(842)	405
Movement in provision for other liabilities and charges	-	(1,177)	(1,247)	-
Movement in post-employment benefits obligations	-	(429)	(371)	931
Movement in lease obligations Impairment of investment	-	(295)	(548)	-
Impairment of investment	-	6	-	-
Working capital changes	2,607	(2,069)	23,148	(30,277)
Cash generated from operations	**33,020**	**30,381**	**59,601**	**(4,094)**
Finance income	1,520	1,615	1,532	1,184
Finance costs	(1,724)	(1,590)	(2,368)	(2,262)
Interest paid	-	110	127	-
Tax paid	(55)	(324)	(433)	(93)
Net cash generated from / (used in) operating activities	**32,761**	**30,192**	**58,459**	**(5,265)**
Cash flows used in investing activities				
Disposal/(acquisition) of property, plant and equipment	(36,485)	(36,774)	(36,553)	(34,805)
Movements in investment in subsidiaries & joint-venture	-	(64)	(80)	-
Write-off of property, plant and equipment	-	9	212	-
Acquisition of right of use assets	-	(2,276)	(2,460)	777
Additions to finance lease receivables	-	(181)	(21)	-
Repayments from lessees	-	32	40	-
Loan advanced to related party	-	(150)	-	-
Net cash flows used in investing activities	**(36,485)**	**(39,404)**	**(38,862)**	**(34,028)**
Cash flow used in financing activities				
Net cash movement in bank and other borrowings	(4,705)	(16,803)	(4,835)	(19,501)
Bond issue proceeds	-	-	25,000	-
Movements in lease liabilities	-	2,276	2,460	(712)
Bond issue cost	-	-	(488)	-
Loans advanced to related parties	-	12	117	-
Grants received	530	3,380	52,587	19,050
Net cash flows generated from / (used in) financing activities	**(4,175)**	**(11,135)**	**74,841**	**(1,162)**
Cash and cash equivalents as at 1 January	**23,125**	**15,226**	**(5,121)**	**89,317**
Net (decrease)/increase in cash	(7,899)	(20,347)	94,438	(40,455)
Cash and cash equivalents as at 31 December	**15,226**	**(5,121)**	**89,317**	**48,862**

Ratio Analysis	2021A	2022A (R)	2023A	2024P
Cash Flow	€000s	€000s	€000s	€000s
Free Cash Flow (Net cash from operations + Interest - Capex)	€(4,348)	€(1,020)	€5,196	€5,192

In FY23 the Group's EBITDA increased by €5.2m over FY22. Positive movements in working capital helped to lead to a higher cash generated from operations. The positive working capital movements came mainly from a €28.8m increase in trade and other payables. Because of this, net cash from operating activities stood at €58.5m, up by €28.3m from FY22. In FY24, net cash used in operating activities is projected to amount to €5.3m mainly due to projected negative movements in working capital and a €12.9m adjustment related to the unwinding of a Government grant.

Capital expenditure of €36.6m in FY23 was the main reason for a net cash outflow from investing activities of €38.8m. This is more or less in line with the outflow in FY22. Capex investments were financed partly through cash generated from operating activities as well bank loans and grants received.

Cash inflow from financing activities amounted to €74.8m in FY23 mainly due to the bond proceeds and higher grants received in FY23. No dividends were declared or distributed during the period under review.

In FY23, the Group's ending cash balance stood at €89.3m, up from a negative balance of €5.1m in FY22. In FY24 the Groups ending cash balance is expected to decrease to €48.9m to the unwinding of a government grant and continued heavy capital expenditure.

Part 3 - Key Market and Competitor Data

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 2023. However, investors are strongly advised to carefully read the risk factors disclosed in the Prospectus.

3.1. 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.

3.2. 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.

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.

[1] Central Bank of Malta – Economic update – 05/2024

[2] Central Bank of Malta – Economic projections – 2024 - 2026

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.

3.3. Demand for Water[3]

The demand for water is driven by a multitude of factors. These factors include population growth, economic development, agriculture, climate patterns, industrial demands, lifestyle choices, water management, and conservation efforts. Global freshwater use has increased by a factor of six over the past 100 years and continues to grow at a rate of roughly 1% per year since the 1980s. Much of this growth can be attributed to a combination of the aforementioned factors. Unfortunately, the overall increase in the demand for water is putting a strain on available supplies.

The population of the Maltese islands has seen a continued increased, registering an increase of around 20% over the last decade. This recent change has occurred due to an expanding economy which has resulted in an increase in the foreign workforce. This provides added challenges from a water management perspective, not just due to the actual increase in population numbers but also due to the different water use practices.

External factors such as climate change also need to be considered when assessing the development of the national water demand. Climate change is expected to result in a reduced rainfall depth as well as a change in the rainfall patterns favoring more high intensity rain events, two factors which are expected to result in a reduction in the mean annual recharge to groundwater. Furthermore, increased temperatures will be expected to result in increased water demands whilst also entailing increased natural losses from evapotranspiration. Overall, climate change is expected to result in exacerbating the current water scarcity conditions prevailing in the Maltese Islands which compounds the need for increased efficiency when handling wastewater within our local water supply.

Over the last decade, the residential sector in Malta has been the primary consumer of water, making up 69% to 71% of the total water usage. The service sector, which includes hotels, restaurants, and shops, is the second-largest consumer, accounting for an average of 21% of total water consumption over the last 12 years, peaking at 24% right before the pandemic.

According to the European Environment Agency (EEA)[4], In Europe, annual renewable freshwater resources are relatively abundant, amounting to a long-term average 4,560 m3 per person. However, climatic variations cause considerable differences across Europe, ranging from 120 m3 per person per year in Malta, to 70,000m^3 per person per year in Norway.

3.4. Comparative Analysis

The purpose of the table below compares the Bond issued by the Issuer to other debt instruments. One must note that given the material differences in profiles and industries, the risks associated with the Group's business and that of other issuers is therefore different.

[3]https://era.org.mt/wp-content/uploads/2023/09/3rd-River-Basin-Management-Plan-MALTA-Chapter-1-Introduction-Final.pdf

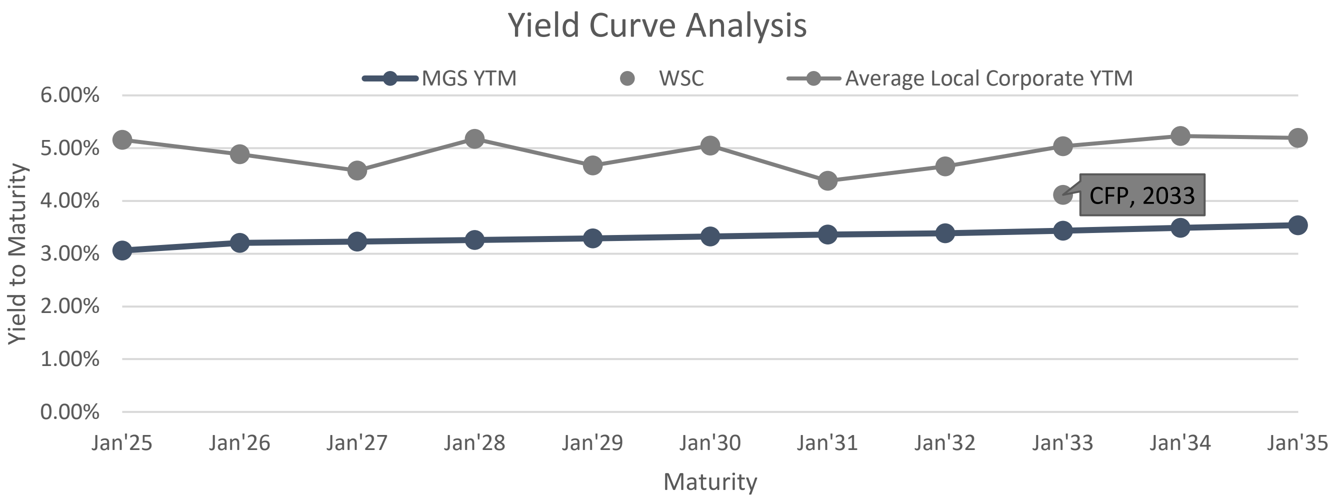
[4]https://water.europa.eu/freshwater/europe-freshwater/freshwater-themes/water-resources-europe

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% Cablenet Communication Systems plc Unsecured € 2030	40,000	4.37%	7.4x	120.6	(.4)	100.3%	100.6%	3.0x	0.3x	-167.0%	-3.1%	16.2%
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%
4.65% Smartcare Finance plc Secured € 2031	13,000	4.65%	0.4x	45.6	11.1	75.6%	69.8%	56.6x	2.3x	-11.0%	-19.6%	20.9%
3.5% GO plc Unsecured € 2031 (xd)	60,000	4.00%	10.7x	458.1	99.4	78.3%	63.0%	1.9x	0.9x	15.6%	6.6%	9.9%
3.9% Browns Pharma Holdings plc Unsec Call € 2027-2031	13,000	4.40%	4.5x	78.0	27.9	64.2%	44.4%	4.2x	1.2x	5.6%	4.1%	16.4%
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%
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%	-7.7%	30.3%
4.5% G3 Finance plc Secured € 2032	12,500	4.58%	(3.0)x	44.9	21.6	51.9%	37.9%	5.9x	0.7x	6.8%	12.1%	13.7%
4% Malta Properties Company Plc Sec € 2032 S1/22 T1	25,000	4.45%	(2.3)x	99.1	56.4	43.1%	33.1%	8.1x	2.6x	3.7%	41.1%	22.8%
4.65% Smartcare Finance plc Secured € 2032	7,500	4.65%	0.4x	45.6	11.1	75.6%	69.8%	56.6x	2.3x	-11.0%	-19.6%	20.9%
4.85% JD Capital plc Secured € 2032 S1 T1	14,000	4.77%	1.7x	76.3	20.3	73.3%	63.1%	16.9x	2.1x	0.1%	0.2%	9.6%
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
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%	2.2%	-1.8%
5.25% Bonnici Bros Properties plc Unsecured € 2033 S1 T1	12,000	4.96%	2.2x	37.6	17.1	54.7%	15.9%	3.0x	0.7x	0.0%	0.1%	19.0%
5.85% AX Group plc Unsecured € 2033	40,000	5.29%	1.8x	474.0	243.5	48.6%	39.4%	20.9x	0.9x	-1.6%	-7.7%	30.3%
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%	0.2%	9.6%
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%
4.75% Dino Fino Finance plc Secured € 2033	7,800	4.52%	(1.3)x	15.5	2.3	85.3%	78.2%	(15.2)x	0.7x	-50.5%	-34.4%	-38.2%
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%
4.25% ClearflowPlus plc Unsecured € Bonds 2033	25,000	4.12%	47.1x	569.4	162.3	71.5%	-19.5%	(.7)x	1.7x	10.8%	19.1%	11.1%
	Average	4.72%										

Source: Latest Available Audited Financial Statements

Last price as at 06/06/2024

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



Source: Central Bank of Malta and Malta Stock Exchange (MSE)

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 of the ClearFlowPlus plc bond.

As at 6 June 2024, the average spread over the Malta Government Stocks (MGS) for issuers with a maturity range of 6-9 years (2030 – 2033) was 133 basis points. The ClearFlowPlus plc bond is currently trading at a YTM of 412 basis points, meaning a spread of 68 basis points over the equivalent MGS, and therefore at a discount to the average on the market of 64 basis points. It is pertinent to note that both the Issuers' maturity and industry are significantly different to the corporates identified and as such its risks also differ to that of other issuers.

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 finance costs 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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