smartcare
FINANCE PLC

Smartcare Finance P L C
326, Mdina Road, Qormi, Malta
Co. Reg. No. C 90123
The "**Company**"

COMPANY ANNOUNCEMENT

The following is a company announcement issued by the Company pursuant to the Capital Markets Rules issued by the Malta Financial Services Authority.

Publication of Financial Analysis Summary

QUOTE

The Company announces that, the Financial Analysis Summary for 2024 is now available, and can be accessed from the Company's website: https://smartcaremalta.com/smartcare-finance-plc/

UNQUOTE

Dr Katia Cachia
Company Secretary

24 June 2024

The Directors
Smartcare Finance p.l.c.
326, Mdina Road,
Qormi
Malta

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 Smartcare Finance p.l.c. (the "**Issuer**"), and the joint "**Guarantors**" Smartcare Pinto Ltd and Smartcare Holdings Ltd, where the latter acts as the parent company of the companies forming part of (the "**Group**") as explained in part 1 of the Analysis. The data is derived from various sources or is based on our own computations as follows:

a) Historical financial data for the years ended 31 December 2021, 2022 and 2023 have been extracted from the audited financial statements of the Issuer and the Guarantors.

b) The forecast data for the financial year 2024 has been provided by management.

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

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

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

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

Yours sincerely,

Patrick Mangion
Head of Capital Markets

FINANCIAL ANALYSIS SUMMARY 2024

smartcare

FINANCE PLC

24 June 2024

Prepared by Calamatta Cuschieri Investment **Services Limited**

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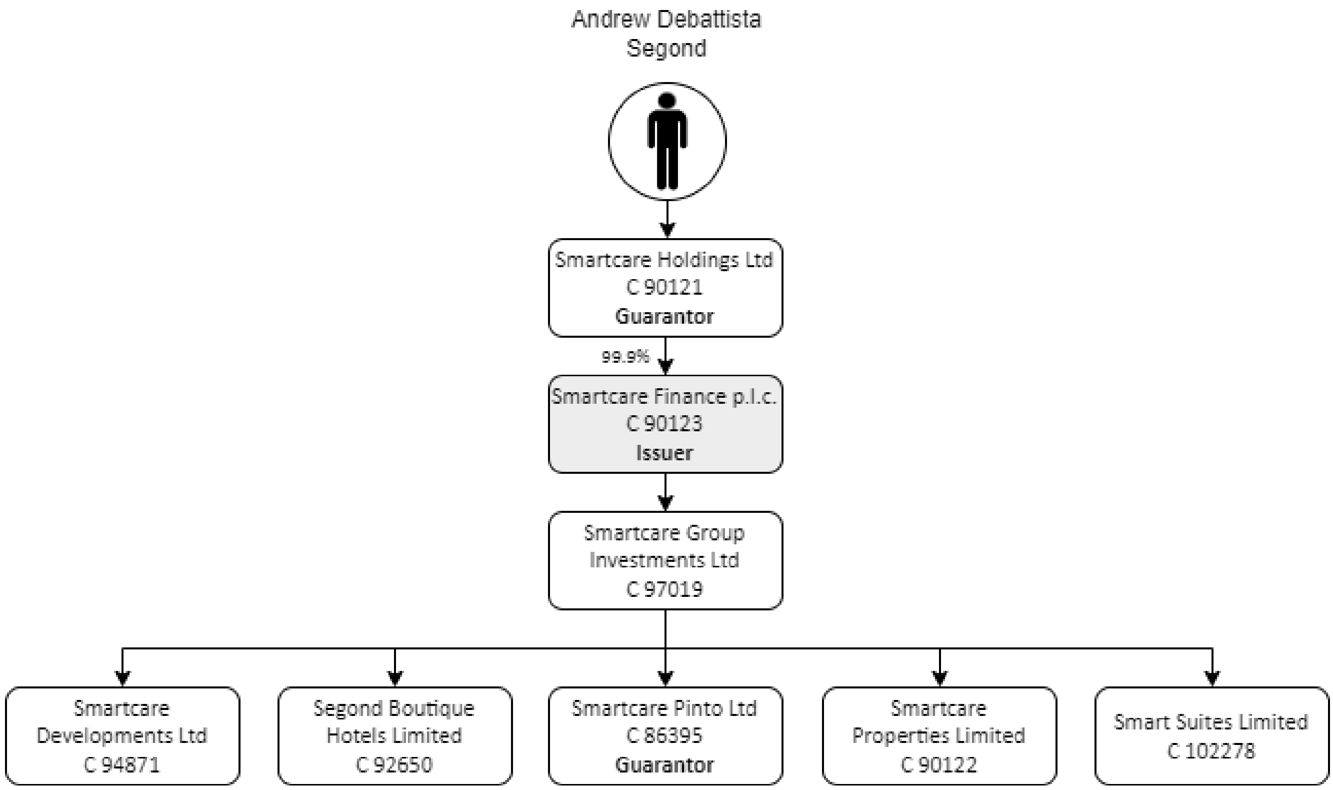
Part 1 Information about the Group

1.1 Group's Key Activities and Structure

The Group structure is as follows:



**Unless indicated otherwise, 100% ownership is assumed*

The "**Group**" of companies consists of Smartcare Finance p.l.c., the Issuer of the bonds, Smartcare Holdings Ltd ("**SHL**"), and Smartcare Pinto Ltd ("**SPL**") both being the **Guarantors**, with Smartcare Holdings Ltd also being the holding company of the Group, as well as Smartcare Group Investments Ltd ("**SGIL**"), Smartcare Developments Ltd ("**SDL**"), Segond Boutique Hotels Limited ("**SBH**"), Smartcare Properties Limited ("**SP**"), and Smart Suites Ltd ("**SSL**").

The principal activity of the Group is the management and operation of a private healthcare residence and a hotel, in addition to the development of residential and commercial real estate.

Smartcare Finance p.l.c., having company registration number C 90123, is a public limited liability company registered in Malta on 7 January 2019. The Issuer is, except for one ordinary share directly held by Andrew Debattista Segond, a wholly owned subsidiary of SHL. As at the date of the Analysis, the Issuer, which was set up and established to act as a finance vehicle, has an authorised and issued share capital of €250,000 made up of 250,000 ordinary shares of €1 each, all fully paid up.

Smartcare Holdings Ltd, a private limited liability company with company registration number C 90121, incorporated on 7 January 2019 and acts as the holding company of the Group. As of the date of the Analysis, SHL has an authorised and issued share capital of €2,374,526 made up of 2,374,526 ordinary shares of €1 each, fully paid up. The ultimate beneficial owner of the Group is Mr. Andrew Debattista Segond, who has 100% ownership of SHL.

Smartcare Pinto Ltd is a fully owned subsidiary of SGIL, which is in turn fully owned by Smartcare Finance p.l.c., and eventually fully owned by SHL. SPL, company registration number C 86395, is a private limited liability company registered in Malta on 21 May 2018. As at the date of the Analysis, SPL has an authorised and issued share capital of €1,200 made up of 1,200 ordinary shares of €1 each, all fully paid up. SPL is principally involved in the owning, managing, and operating of a private healthcare residence, including the provision of all equipment, facilities, and caregiving in connection with and ancillary to the running of the residence. It owns and operates a care home, "**Dar Pinto**", situated in Qormi.

Smartcare Group Investments Ltd, with company registration number C 97019 is a private limited liability company registered in Malta on 23 October 2020. SGIL acts as a holding company of the five wholly owned operating subsidiaries SPL, SDL, SBH, SP and SSL.

Smartcare Developments Ltd with company registration number C 94871 is a private limited liability company registered in Malta on 13 February 2020. SDL was incorporated to own, develop and/or manage real estate properties owned by the Group. For clarity, Smarthomes Developments Limited is also owned by Mr Andrew Debattista Segond, however, is not considered as part of the bond group.

Segond Boutique Hotels Limited, with company registration number C 92650, is a private limited liability company registered in Malta on 22 July 2019. SBH was set up to acquire land in Xagħra, Gozo, and develop it into a 51-room boutique hotel (the "**Boutique Hotel**").

Smartcare Properties Limited, with company registration number C 90122, is a private limited liability company registered in Malta on 7 January 2019. SP was incorporated to own, develop and manage other real estate properties owned by the Group.

Smart Suites Limited C 102278 is a private limited liability company registered in Malta on 12 May 2022. SS acquired a 65-year temporary emphyteusis agreement on a house located in Tower Road, Sliema on 26th August 2022 with the intention to develop it into a hotel.

1.2 Directors and Key Employees

Board of Directors - Issuer
As of the date of the Analysis, the Issuer is constituted by the following persons:

Name	Office Designation
Mr Andrew Debattista Segond	Executive Director
Mr William Wait	Executive Director and Chairman
Mr Arthur Gauci	Independent, Non-Executive Director
Mr Sandro Grech	Independent, Non-Executive Director
Dr Ian Joseph Stafrace	Independent, Non-Executive Director

Dr Katia Cachia is the company secretary of the Issuer.

The Issuer is currently managed by a board of five directors who are responsible for the overall direction and management of the Issuer. The board currently consists of two executive directors, who are entrusted with the Issuer's day-to-day management, and three non-executive directors, all of whom are independent of the Issuer, whose main functions are to monitor the operations of the executive directors and their performance, as well as to review any proposals tabled by the executive directors.

This practice goes in accordance with the generally accepted principles of sound corporate governance, where at least one of the directors shall be a person independent of a group of companies. The Issuer does not have any employees of its own, and thus is dependent on the resources within the Group entities.

Board of Directors – Guarantors
As of the date of the Analysis, the board of both Smartcare Holdings Ltd and Smartcare Pinto Ltd is constituted by the following person:

Name	Office Designation
Mr Andrew Debattista Segond	Executive Director

The business address of the sole director is the registered office of the Issuer. Mr Andrew Debattista Segond is the company secretary of both of the Guarantors. As of the date of this Analysis, the Group has a total of 91 employees.

1.3 Major Assets owned by the Group

The Issuer does not have any substantial assets other than the investments it holds in its subsidiaries since it is essentially a special purpose vehicle set up to act as a financing company. The material assets are owned by other companies of the Group, hence in the following section, we will focus on the assets owned by the Group.

Dar Pinto, Qormi
Dar Pinto, situated in Qormi, Malta, is a long-term care facility for the elderly owned and operated by a group through its operating company, SPL. The care home is established under a private-public partnership agreement with the Government of Malta, wherein all beds are sold to the government for a fixed period of five years, with the possibility of renewal. Currently, the main customer of Dar Pinto is the Government of Malta but there are also a few short-term private residents, constituting less than 0.1% of the customer base.

The care home is housed within a six-storey property located between two parallel streets in Qormi, spanning from Triq Guze' Duca to Triq l-Imdina. It initially operated 178 beds, and an extension project has been undertaken to further increase the number of beds by 47. This extension project, which was completed in the 2023, involved the acquisition of adjacent apartments and subsequent development.

Dar Pinto provides a range of amenities and facilities to meet the diverse needs of its residents, offering accommodation, care, and support services tailored to the needs of the elderly population, including those with low, medium, and high dependency levels. The facility aims to ensure the well-being and comfort of its residents while promoting active ageing and community engagement, playing a vital role in addressing the demand for elderly care services in Malta.

Segond Boutique Hotel, Xagħra – Gozo
The Group owns land in Xagħra, Gozo, on which it developed a 51-room boutique hotel which commenced operations in January 2022. The Boutique Hotel's facilities include 2 reception areas, a bar area, a restaurant and bar which doubles up as a breakfast room, a seating area, a luggage room, and a roof-top pool. The hotel has 14 large suites with private pools and 37 double rooms. Management has recently finalised an agreement with a team of service providers who will adopt a novel approach to marketing and selling the hotel's rooms.

Residential Apartments
Smartcare Properties Limited oversees the management of the Group's residential properties. The Group owned two apartments within a block named "Eddie's Flats" in Gzira, with a combined value of €0.5m. Smartcare Developments Ltd successfully completed a part exchange transaction involving an apartment in Eddie's Flats for another property in Msida. The property transfer contracts have been executed, and the transaction has materialised as planned by management.

SP is also still involved in several new development projects, including residential unit conversions in Birżebbugia and Sliema, and townhouse constructions in Pieta' and Żejtun. Further details regarding these projects can be found in section 1.4 below.

Ħamrun Project
Following the bond issue, on 16 December 2021 the Group, through SDL, acquired a block of buildings forming part of the Roxy Home Furnishings complex situated in Saint Joseph High Road, Ħamrun with intentions of redeveloping it into a mixed-use complex consisting of residences, retail outlets, offices and garages. Further details regarding this project are found below in section 1.4 below.

Xagħra Project
On 9 November 2020, the Group acquired, through SDL, a 1,142sqm plot of land in Xagħra, Gozo, referred to as Ta' Germinda' or 'Ta' Karaviza'. The intention is to develop this site into a residential block for resale, accessible from Triq ta' Karkar in Xagħra. Further details regarding this project are found below in section 1.4 below.

1.4 Operational Developments

Dar Pinto
A second extension project to Dar Pinto had been proposed, aiming to add an additional 28 beds to Dar Pinto's capacity for roughly €2.5m. This project was planned to commence in July 2023, however, as at the publication of this Analysis, works on this extension have not yet commenced as the board and management decided to stabilise operations and not to have the home in construction mode, such that the care facility retains full occupancy. Management has indicated that the second extention is expected to commence in 2025 and be completed within the same year.

The Group's agreement with the Government of Malta came to an end on 31 May 2024. Management has explained that negotiations for new agreements of existing contracts are to be been concluded and signed, which would define the terms of service provision and financial arrangements between Dar Pinto and the Government.

Ħamrun Project
Smarthomes Developments Limited entered into a contract of works agreement with Santa Katerina Construction Limited to demolish parts of the existing properties and construct the site for a fixed price of €1.2m. As per management, Smarthomes Developments Limited transferred the rights acquired from Santa Katerina Construction Limited to Smartcare Developments Ltd. SDL also entered into two promise of sale agreements with Santa Katerina Construction Limited for the sale of a divided share of the Ħamrun property and the development thereof.

As at the publication of this Analysis, Smartcare Developments Ltd has sold eleven apartments, has eight under promise of sale, and two available for sale. Additionally, SDL has sold nine penthouses and has four marionettes available for sale. It has also sold two parking spaces and fourteen garages, with two additional garages available for sale. In Block A, four apartments and four penthouses have been sold. In Block B, one apartment has been sold, with eight under promise of sale and two available for sale. Furthermore, Smartcare Developments Ltd has sold three penthouses and currently has two marionettes available for sale in Block B. In Block C, the company has sold six apartments and two penthouses, with two marionettes available for sale.

Currently €1.4m worth of contracts have been completed with an additional €1.1m units under promise of sale. As mentioned in the previous financial analysis summary dated 26 June 2023, SPL had an outstanding debt of €0.7m to Neriku Limited for catering services. To settle this debt, a barter agreement was established and fulfilled, stipulating that once the balance reached €0.9m, the Group would offset the remaining amount with specific properties, namely the St. Helena flats held by SP and four finished apartments along with four garages on the Ħamrun property.

Works on the development commenced in 2021, and the estimated completion timeline for the Ħamrun Project remains on track for 2025. The aim is that the re-developed building will include 4 penthouses, 4 maisonettes, 21 apartments on the upper floors, and 5 commercial units, both retail Class 4B and office Class 4A units on the ground floor level, and 16 garages as well as 2 parking spaces on the underground level, with the residential part of the development offering a mix of 1 bedroom, 2 bedroom, and penthouse units.

Xagħra Project
The development of the residential property will offer a mix of 1, 2, and 3 bedroom and penthouse units which will be available in three different blocks. The whole project will have 24 residential units, along with 8 underlying garages and 3 parking spaces.

The development plan includes three blocks with 10, 9, and 5 residential units planned. In the previous analysis, Mr. Peter Paul Said had entered into a promise of sale agreement to purchase the block including of 9 apartments for €550k, which has been finalised. During 2023, Smartcare Developments Ltd sold three garages, seven apartments and the aforementioned one block amounting to €1.6m. Cumulatively, since 2022 a total of €1.8m worth of contracts have been completed. The remaining units and plot with an estimated value of €1.3m, are currently under promise of sale agreements.

As at the date of this Analysis, the project is still ongoing, with the completion of the remaining block initially scheduled for December 2023 being delayed to December 2024 due to a change in building contractors.

Residential Apartments

Birżebbugia Development Project
In 2022, Smartcare Properties Ltd embarked on the Birżebbugia Development Project. The company acquired the *utile dominium temporanium* for the remaining period of 150 years, which had started on 19 June 1918. This acquisition includes two penthouses, their respective roof, and overlying airspace situated on the fourth-floor level of the residential complex formerly known as 'Block A' and 'Block B,' now referred to as 'Bush' and 'Gorbachev,' respectively. The intention is to demolish the penthouses and construct nine residential units in their place. Delays in this project occurred due to the financial insolvency of the original building contractor. Nonetheless, this project is currently in its final stages of completion, with the aim of concluding by the end of 2024.

Pieta' Development Project
In 2022, Smartcare Properties Ltd initiated the Pieta' Development Project. The company acquired a Farmhouse named 'Ir-Razzett ta' Gauci,' situated at the corner of Triq id-Duluri and Triq Santa Monica in Pieta'. This property includes the surrounding gardens, structures, overlying roofs, and underlying terrain, occupying a superficial area of approximately 770m^2. The objective of the project is to demolish the existing farmhouse and construct five townhouses on the site.

Currently, the project is idle in the pre-excavation phase, with an estimated completion date set for December 2025. However, due to the management's decision to prioritise other ongoing projects and adjust pricing according to current market conditions, the Pieta' Development Project has been temporarily shelved.

Żejtun Development Project
In 2022, Smartcare Properties Ltd initiated the Żejtun Development Project. The company acquired a former factory known as "Winner Mineral Water". This project aims to demolish and regenerate 1,000sqm of this abandoned factory, aligning with the company's environmental policies. By replacing the hazards and eyesores of the abandoned factory within the Urban Conservation Area, the project contributes to revitalising its surroundings. The new residences will replace the fully developed abandoned concrete area with two aesthetically pleasing townhouses and underground parking garages while retaining approximately 50% of the land as an outdoor space or garden area.

The Żejtun Development Project is currently in the pre-excavation phase with the construction to commence by the end of June 2024. Management estimates this to be completed by 2025 rather than 2024, for the same reasons provided for the delay of the Pieta' Development Project.

Tower Road Project
Smart Suites Ltd acquired a 65-year temporary emphyteusis agreement on a house located in Tower Road, Sliema on 26 August 2022. The Group intends to develop the newly acquired property owned by the company into a hotel with 12 standard rooms, 1 suite, and 1 penthouse. The Group will be utilising €1.3m of the net proceeds of the €7.5m 4.65% Secured Bonds 2032 for financing the development and finishing of this hotel. This project is currently in its demolishing phase with a completion period of 2025 rather than July 2024, for the same reasons provided for the delay of the Pieta' Development Project.

Msida Project
The Msida Project entails the development of a portion of land, situated in Triq il-Wied in Msida, into a guesthouse establishment. The planned facilities include a mix of a small shop, office, reception area, food preparation space, storage area, and 11 guest rooms, each of which are to be equipped with a private bathroom. The property is currently undergoing construction and is under a promise of sale agreement with operations expected to commence by December 2025.

Sliema Project
The Issuer is planning to develop seven units within an apartment complex located in Sliema, situated within walking distance to Qui-Si-Sana seafront promenade on Hughes Hallet Street, offering a side sea view from the front terrace.

The seven units will consist of six 3-bedroom apartments and one 2-bedroom penthouse, all of which have been designed with internal bathrooms and doors. The layout of each unit includes a spacious open-plan kitchen, dining, and living area leading to a large front terrace, 3 or 2 bedrooms, a main bathroom, and a rear terrace.

This project is currently in the advanced stages of construction and all units are under the promise of sale agreements, with completion and delivery anticipated by the end of 2024.

1.5 Current Bond Issues

Security	ISIN	€
4.65% Smartcare Finance plc Secured € 2031	MT0002251214	13.0m
4.65% Smartcare Finance plc Secured € 2032	MT0002251222	7.5m

1.6 Russia-Ukraine conflict

The directors of the Group assessed that the Group's operation was impacted by the increase in materials costs as a result of the conflict between Russia and Ukraine. This phenomenon is in line with what businesses are experiencing on a European scale in the construction industry. Nevertheless, they will continue to monitor the situation as events continue to evolve.

Part 2 Historical Performance and Forecasts

The Issuer was incorporated on 7 January 2019. Furthermore, the Issuer itself is essentially a special purpose vehicle set up to act as a financing company solely for the needs of the Group, and, as such, its assets are intended to consist primarily of the investments it holds in its subsidiaries. The Issuer's audited historical financial performance for the year ended 31 December 2021 to 31 December 2023, together with the projections for the year 2024, are set out in sub-sections 2.1 to 2.3.

For the purpose of this document, the focus is a review of the consolidated performance of the Group as captured by Smartcare Holdings Ltd, captures the financial performance of Smartcare Pinto Ltd (being the second Guarantor) as well as the other subsidiaries of the Group, namely: Smartcare Developments Ltd, Segond Boutique Hotels Ltd, Smartcare Properties Ltd and Smart Suites Ltd. The years ended 31 December 2021, 2022, and 2023 as well as the Group's projections for the year ending 31 December 2024, as set out in sections 2.4 to 2.6, capture the performance of the whole Group (as per current Group structure shown in section 1.1). The Group's forecasts are based on management projections.

2.1 Issuer's Income Statement

Income Statement for the year ended 31 December	2021A	2022A	2023A	2024F
	€000s	€000s	€000s	€000s
Preference dividend	359	1,170	1,192	1,169
Interest income	298	-	-	-
Total finance income	**657**	**1,170**	**1,192**	**1,169**
Finance costs	(528)	(842)	(1,052)	(1,048)
Net finance income	**129**	**328**	**140**	**121**
Administrative expenses	(70)	(146)	(105)	(91)
Credit impairment loss	(11)	-	-	-
Profit / (loss) before tax	**48**	**182**	**35**	**30**
Income tax	(45)	-	-	-
Profit / (loss) after tax	**3**	**182**	**35**	**30**

Ratio Analysis	2021A	2022A	2023A	2024F
Gross Margin (Net finance income / Finance income)	19.6%	28.0%	11.7%	10.3%
Net Margin (Profit for the year / Finance income)	0.5%	15.6%	2.9%	2.6%

The Issuer's principal activity is to act as a finance and investment company for the Group. The primary revenue sources are the dividend income it receives from SGIL which amounted to €1.2m during FY23 and also includes a minor €72k management fee income. The preference dividend is expected to be €23k lower in FY24 because no management fees are expected to be charged to its subsidiary.

The expenses incurred by the issuer are predominantly attributed to finance costs. Elevated interest on debt securities and higher amortisation of bond issue costs contributed to an increase in finance costs throughout the fiscal year. Consequently, this resulted in a diminished net finance income, yielding a gross margin of 11.7% compared to the 28.0% recorded in FY22.

Administrative expenses decreased slightly to €105k and no credit impairment loss was accounted for. This is not subject to change drastically in FY24 with an expected further decrease of €14k.

A stable revenue stream with improved efficiency in administrative operations is offset by the significant increase in finance costs which has substantially reduced the net profit to €35k, which is €147k lower than what was generated in FY22. This is also indicated through the 2.9% net margin which is lower than the 15.6% recorded in FY22.

The Issuer does not expect any material changes in the income statement for FY24 with minor variances anticipated and a slight decrease of €5k in net profit.

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 in subsidiary	13,001	20,101	20,101	20,101
Loans receivable	-	2,789	3,012	3,012
Total non-current assets	**13,001**	**22,890**	**23,113**	**23,114**
Current assets				
Trade and other receivables	1,737	16	281	281
Current tax asset	73	256	307	307
Cash and cash equivalents	1	65	1	58
Total current assets	**1,811**	**337**	**589**	**646**
Total assets	**14,812**	**23,227**	**23,702**	**23,760**
Equity and liabilities				
Share capital	250	250	250	250
Retained earnings	21	203	237	267
Total equity	**271**	**453**	**487**	**517**
Non-current liabilities				
Debt securities in issue	12,424	19,666	19,764	19,860
Loans payable	-	2,479	2,587	2,587
Total non-current liabilities	**12,424**	**22,145**	**22,351**	**22,447**
Current liabilities				
Trade and other payables	2,117	630	864	796
Total current liabilities	**2,117**	**630**	**864**	**796**
Total liabilities	**14,541**	**22,775**	**23,215**	**23,242**
Total equity & liabilities	**14,812**	**23,227**	**23,702**	**23,760**

The Issuer's total assets are made up of mostly investment in subsidiary of €20.1m and the non-current loan receivable €3.0m. The investment in subsidiary represents the company's 100% ownership of 20,101,200 shares at €1 each in SGIL. On the other hand, the non-current loan receivable increased by €223k due to increased amounts loaned to the Group.

Current assets make up just 2% of the Issuer's total assets. The increase in FY23 is due to higher trade and other receivables, in relation to the amount due from the subsidiary and current tax asset, offset by the lower cash balance in the year.

The Issuer's equity remained fairly unchanged. The only movement was related to the increase in retained earnings, corresponding to the Issuer's profit in FY23.

The Issuer has two bond issues totaling €20.5m, with an annual interest rate of 4.65%, redeemable in 2031 and 2032. These bonds net of issue costs make up the majority of the Issuer's total liabilities.

The remainder of the liabilities are the non-current loans payable which consist of internal group financing such as loans from group companies and the parent, current trade and other payables consisting of trade payables, amounts due to group companies, and accruals.

The Issuer does not expect any material changes in the balance sheet for FY24.

2.3 Issuer's Statement of Cash Flows

Cash Flows Statement for the year ended 31 December	2021A	2022A	2023A	2024F
	€000s	€000s	€000s	€000s
Operating Activities				
Cash flows from operations	481	78	(115)	1,010
Taxation paid	(26)	(45)	-	-
Interest paid	(205)	(765)	(953)	(953)
Net cash generated from/ (used in) operating activities	**250**	**(732)**	**(1,068)**	**57**
Investing Activities				
Repayment of the loan receivable from related parties	4,800	-	-	-
Investment in subsidiary	(13,000)	(7,100)	-	-
Interest received	298	-	-	-
Repayment / (issuance) of loan receivable to related parties	-	(1,875)	896	-
Net cash generated from/ (used in) investing activities	**(7,902)**	**(8,975)**	**896**	**-**
Financing Activities				
Advances from related parties	-	2,479	-	-
Proceeds from the issue of debt securities	13,000	7,500	-	-
Redemption of bonds	(5,000)	-	-	-
Bond issue costs	(348)	(209)	108	-
Net cash flows generated from / (used in) financing activities	**7,652**	**9,770**	**108**	-
Net movement in cash and cash equivalents	**-**	**63**	**(63)**	**57**
Cash and cash equivalents at the beginning of the year	1	1	64	**1**
Cash and cash equivalents at the end of the year	**1**	**64**	**1**	**58**

Net cash used in operating activities amounted to €1.1m during the year mainly due to higher interest paid in accordance with the debt securities in issue. The net cash generated from investing activities was primarily the issuance of the loan's receivable to other group companies. The sole item in financing activities for FY23 relates to the bond issue costs of €108k.

The Issuer had a negative cash movement of €63k and ended the year with a positive cash balance of €1k in line with the Issuer's business operations being that of a financing company.

No investing and financing activities are anticipated during FY24 with a positive cash movement of €57k being cash generated from operating activities.

2.4 Group's Income Statement

Income Statement for the year ended 31 December	2021A	2022A	2023A	2024F
	€000s	€000s	€000s	€000s
Revenue	2,819	5,477	6,621	12,304
Cost of sales	(1,434)	(3,067)	(4,608)	(7,746)
Gross profit	**1,385**	**2,410**	**2,013**	**4,558**
Other income	6	33	16	-
Administrative expenses	(707)	(1,374)	(1,575)	(1,575)
EBITDA	**684**	**1,069**	**454**	**2,983**
Depreciation and amortisation	(300)	(552)	(498)	(421)
EBIT	**384**	**517**	**(44)**	**2,562**
Finance costs	(554)	(952)	(1,119)	(1,177)
Impairment of financial assets	(16)	(10)	-	-
Profit / (loss) before tax	**(186)**	**(445)**	**(1,163)**	**1,384**
Taxation	(93)	(110)	(132)	(475)
Profit / (loss) after tax	**(279)**	**(556)**	**(1,295)**	**909**

Ratio Analysis	2021A	2022A	2023A	2024F
Profitability				
Growth in Revenue (YoY Revenue Growth)	8.8%	94.3%	20.9%	85.8%
Gross Profit Margin (Gross Profit / Revenue)	49.1%	44.0%	30.4%	37.0%
EBITDA Margin (EBITDA / Revenue)	24.3%	19.5%	6.9%	24.2%
Operating (EBIT) Margin (EBIT / Revenue)	13.6%	9.4%	(0.7)%	20.8%
Net Margin (Profit for the year / Revenue)	(9.9)%	(10.2)%	(19.6)%	7.4%
Return on Common Equity (Net Income / Total Equity)	(2.4)%	(4.9)%	(11.4)%	8.0%
Return on Assets (Net Income / Total Assets)	(1.0)%	(1.5)%	(2.9)%	2.0%

Total revenue for the Group increased by 21.0%, reaching €6.6m. This growth was primarily driven by contributions from the Dar Pinto in Qormi, the Segond Hotel in Xagħra, and property sales, all of which saw increases during FY23. Dar Pinto was the main revenue contributor, generating €3.5m and experiencing a 26.4% growth over FY22. Revenue from property sales and the Segond Hotel amounted to €2.2m and €870k, with growth rates of 8.6% and 36.4%, respectively.

As mentioned in section 1.3 Dar Pinto underwent an expansion program during 2023. The expansion is now complete and therefore management anticipates a strong improvement in the Group's results. The Boutique Hotel is now in its second year of full operations and, according to management, is already showing an increase in bookings compared to the same months in FY23.

Revenue is projected to increase by 85.8% in FY24, reaching €12.3m. This substantial growth is expected to stem from the sale of properties in Birżebbuġa, Xagħra, Sliema, and Marsaxlokk, along with an anticipated increase in occupancy rates at Dar Pinto. Conversely, management expects lower revenue to be generated from the Segond Hotel following the closure of the restaurant.

The cost of sales, which includes property development costs, salaries of nurses and carers, food and beverage expenses, medical expenses, and consumables, increased to €4.6m in FY23. This is expected to further increase to €7.7m in FY24, primarily due to the higher revenue and associated activity levels. The rise in cost of sales is reflective of the increased operational scale and services provided by the Group.

Gross profit decreased to €2.0m, with a gross profit margin of 30.4%, compared to €2.4m and 43.9% in FY22. However, the higher revenue and associated cost of sales in FY24 are expected to result in a gross profit of €4.6m, with a projected gross profit margin of 37.0%.

Other income decreased to €16k while the administrative expenses increased by €201k. These changes are relatively stable and consistent with the previous year's figures and are not expected to differ drastically in FY24.

Finance costs increased to €1.1m, mainly due to higher interest on bonds and the amortization of bond issue costs. This was partially offset by a decrease in interest on bank borrowings and lease interest expenses. Finance costs are expected to increase slightly by €58k in FY24, in line with existing loan and bond terms.

The €1.3m loss generated during the year was mainly attributable to the delay in finalizing two major projects by SmartCare Development Ltd and SmartCare Properties Ltd which are expected to render a profit of €780k. These projects are expected to be finalised in FY24.

2.4.1 Group's Variance Analysis

Income Statement for the year ended 31 December	2023F	2023A	Variance
	€000s	€000s	€000s
Revenue	8,923	6,621	2,302
Cost of sales	(4,943)	(4,608)	(335)
Gross profit	**3,980**	**2,013**	**1,967**
Other income	-	16	(16)
Administrative expenses	(1,320)	(1,575)	255
EBITDA	**2,659**	**454**	**2,206**
Depreciation and amortisation	(575)	(498)	(77)
EBIT	**2,084**	**(44)**	**2,129**
Finance costs	(1,087)	(1,119)	32
Impairment of financial assets	-	-	-
Profit / (loss) before tax	**998**	**(1,163)**	**2,161**
Taxation	(735)	(132)	(603)
Profit / (loss) after tax	**263**	**(1,295)**	**1,558**

Revenue generated by the Group overall was lower due to the development properties generating €2.1m less than what was expected. Delays caused by subcontractors and suppliers in completing projects in Xagħra Gozo and Birżebbugia contributed to this discrepancy. Additionally, in accordance with SHL's revenue recognition policy, sales are only recognized upon contract signing and asset transfer.

The cost of sales amounted to €4.6m, which is €335k lower than anticipated, stemming from reduced project completion costs. The combined effect of this along with a €255k higher administrative costs resulted in an EBITDA of €454k which is €2.2m lower than what was anticipated by management.

Overall the Group generated a loss of €1.3m, which is €1.5m less than the €263k profit forecasted in the previous analysis, mainly attributed to the lower revenue as a result of the aforementioned project delays.

2.5 Group'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				
Property, plant and equipment	20,986	25,749	25,496	25,488
Intangible assets	324	321	317	311
Loans receivable	-	4,336	4,906	4,512
Total non-current assets	**21,310**	**30,406**	**30,719**	**30,310**
Current assets				
Inventories	4,514	5,622	8,136	8,651
Trade and other receivables	6,505	4,593	5,394	3,345
Cash and cash equivalents	143	2,470	1,088	4,185
Other assets	133	232	257	8
Total current assets	**11,295**	**12,917**	**14,875**	**16,189**
Total assets	**32,605**	**43,323**	**45,594**	**46,500**
Equity and liabilities				
Capital and reserves				
Share capital	2,375	2,375	2,375	2,375
Retained earnings	(757)	(1,286)	(2,582)	(1,596)
Revaluation reserve	11,501	11,325	11,325	11,325
Total equity	**13,119**	**12,413**	**11,118**	**12,103**
Non-current liabilities				
Debt securities in issue	12,424	19,666	19,764	19,860
Long-term borrowings	1,178	2,550	3,919	3,400
Deferred tax liabilities	1,100	1,292	1,283	1,283
Payables	100	464	283	283
Loans payable	-	52	1,047	942
Finance lease liability	-	1,684	1,749	1,855
Total non-current liabilities	**14,802**	**25,708**	**28,045**	**27,623**
Current liabilities				
Trade and other payables	4,048	4,935	6,110	3,559
Tax payable	117	-	-	-
Short-term borrowings	519	200	251	3,182
Finance lease liability	-	67	69	33
Total current liabilities	**4,684**	**5,202**	**6,430**	**6,774**
Total liabilities	**19,486**	**30,910**	**34,475**	**34,397**
Total equity and liabilities	**32,605**	**43,323**	**45,593**	**46,500**

Ratio Analysis	2021A	2022A	2023A	2024F
Financial Strength				
Gearing 1 (Net Debt / Net Debt and Total Equity)	53.5%	63.1%	68.5%	66.0%
Gearing 2 (Total Liabilities / Total Assets)	59.8%	71.3%	75.6%	74.0%
Gearing 3 (Net Debt / Total Equity)	114.9%	171.1%	217.0%	194.5%
Net Debt / EBITDA	22.0x	19.9x	54.3x	7.9x
Current Ratio (Current Assets / Current Liabilities)	2.4x	2.5x	2.3x	2.4x
Interest Coverage level 1 (EBITDA / Cash interest paid)	1.2x	1.4x	0.4x	2.9x
Interest Coverage level 2 (EBITDA / finance costs)	1.2x	1.1x	0.4x	2.5x

The Group's total assets are primarily composed of 67% non-current assets, with property, plant, and equipment being the largest contributor valued at €25.5m. Management projects that this will increase slightly due to ongoing construction, particularly related to the Tower Road project mentioned in section 1.4 of the analysis. The increase is minor due to it being offset by the depreciation charge. The €4.9m non-current loans receivable make up 11% of assets and are expected to decrease slightly with expectations of being settled over a 10-year period. Intangible assets decreased slightly to €317k in FY23 and represent less than 1% of the total assets. They are expected to decrease by a further €6k in FY24 due to amortization.

The current assets make up the remaining 33% of the total assets and are mainly represented by €8.1m inventories which consist of properties held for resale by the Group which are expected to increase by €700k due to the construction works of properties under development. Another major contributor to the current assets is the €5.4m trade and other receivables. This is expected to decrease to €3.4m due to prepayments related to contracts of works which will be eventually realised upon completion of the works on the aforementioned properties.

The Group's equity mainly captures the share capital, the revaluation reserve, and the accumulated losses. The equity base decreased in line with the accumulated losses made during the year, leaving the share capital and revaluation reserve unchanged. In FY24, however, retained earnings are forecasted to increase thereby increasing the equity base.

The total liabilities are made up of 81% non-current liabilities with the largest portion being the bond issued, amounting to €19.8m. Bank loans of €3.9m which are represented as long-term also contribute to the non-current liabilities. These bank loans are secured by general and special hypothecs over the assets of Segond Boutique Hotels Limited, Smartcare Pinto Ltd and Smartcare Developments Ltd. The current interest rates vary between 4.65% and 5.5% *per annum*.

Loans payable make up 3% of the non-current liabilities and have experienced a €1.0m increase during the year under review with projections to be repaid over 10 years. The non-current payables decreased by €181k in FY23. Finance liabilities of €1.7m are associated with a lease agreement relating to the Tower Road project and are expected to move in line with IFRS16.

The current liabilities make up 19% of the total liabilities, of which 18% are trade and other payables. This increased by €1.2m in FY23 is mainly reflecting an increase in amounts due from other companies under common control and other payables and are expected to decrease due to deferred income from deposits, accruals and payables related to the development of properties which are expected to be realised upon completion of works and sale in 2024.

The short-term borrowings increased by €51k during FY23 and are expected to increase to €3.2m in FY24. This is because management is projecting an increase in the total borrowings which is mainly attributable to the additional drawdown of loans in relation to the development of properties under **SC** Development and SC Properties. This drawdown is partially set off against repayments following the completion and sale of properties.

The gearing level increased to 68.5% and is expected to decrease to 66.0% in FY24. Additionally, in FY23 the current assets cover the current liabilities by 2.3x indicating that the Group has a favorable short-term liquidity position, which is expected to be maintained in FY24.

The interest coverage ratio has decreased to 0.4x in FY23, however, this is expected to increase above 2.0x in FY24 indicating that the Group will be in a better position to cover its interest obligations.

2.6 Group's Statement of Cash Flows

Income Statement for the year ended 31 December	2021A	2022A	2023A	2024F
	€000s	€000s	€000s	€000s
Operating Activities				
Cash flows from operations	(3,006)	607	(1,708)	2,204
Income tax paid	(37)	(164)	(141)	(605)
Interest paid	(554)	(765)	(1,020)	(1,012)
Net cash flows generated from / (used in) operating activities	**(3,597)**	**(322)**	**(2,869)**	**587**
Investing Activities				
Goodwill at acquisition	(10)	(3)	-	-
Acquisition of property, plant, and equipment	(2,169)	(3,454)	(176)	(406)
Proceeds from disposal of property, plant and equipment	-	3	-	-
Net cash flows generated from / (used in) investing activities	**(2,179)**	**(3,454)**	**(176)**	**(406)**
Financing Activities				
Movement in bank loans	(2,043)	1,285	1,619	2,449
Debt securities issue	7,652	7,165	-	-
Loans granted to related parties	-	(2,102)	(751)	-
Loan proceeds from related parties	-	52	995	467
Finance lease interest charges	-	22	-	-
Net cash flows generated from / (used in) financing activities	**5,609**	**6,421**	**1,863**	**2,917**
Movement in cash and cash equivalents	**(167)**	**2,645**	**(1,182)**	**3,097**
Cash and cash equivalents at the start of the year	(209)	(376)	2,269	1,087
Cash and cash equivalents at end of the year	**(376)**	**2,269**	**1,087**	**4,184**

Ratio Analysis	2021A	2022A	2023A	2024F
	€000s	€000s	€000s	€000s
Free Cash Flow (Net cash from operations + Interest - Capex)	(864)	3,900	(1,673)	2,006

The cash from operations is the net effect of a loss before tax of €1.2m, non-cash item adjustments of around €1.6m and a €2.2m negative movement from working capital. Non-cash items mainly comprised of interest expenses of €1.0m and depreciation of €0.5m. Following the €141k tax paid and the €1.0m cash interest payments the cash flow used in operating activities for the Group amounted to a €2.9m in FY23. Management expects to generate €587k cash from operating activities in FY24 due to higher cash flows from operations after adjusting for non-cash items, tax and interest paid.

The cash used in investing activities in FY23 was solely made up of €176k acquisitions of property, plant and equipment relating to Tower Road and Dar Pinto. The investing activities anticipated in FY24 represent a further €405k expected to be used on Tower Road and Dar Pinto.

Cash from financing activities decreased by €4.6m in FY23. Increased bank loans made up 87% of the net cash generated from financing activities. The Group also received €1.0m from related parties. These were offset through an outflow of €751k representing loans granted to related parties. The Group is expecting to generate €2.9m from financing activities mainly due to further expected movement in bank loans along with €467k in loan proceeds from related parties.

The Group experienced a net cash outflow of €1.2m throughout the year resulting in a lower cash position of €1.1m. This is not expected to be the case in FY24 with a positive cash movement of €3.1m, ending the year with a projected €4.2m cash balance.

Part 3 Key Market and Competitor Data

At the time of publication of this Analysis, the Group considers that overall business should be normal with the industries in which the Group companies are involved and operate and, bar unforeseen circumstances, management does not anticipate any divergence in trends outside the ordinary course of business that could be deemed likely to have a material effect on the upcoming prospects of Group companies and their respective businesses. Nonetheless, inevitably risks surrounding the business model are still possible and to this end, 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. This could then result in stronger private consumption growth.

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

[2] Central Bank of Malta – Outlook for the Maltese Economy 2024 - 2026

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 Care home industry[3]

Between 2012 and 2022, Malta experienced a substantial population increase of 28.6%, rising from 421,464 to 542,051 residents. This growth was predominantly driven by a significant rise in the foreign population, which increased five-fold from 23,365 to 137,376. In contrast, the Maltese population saw a modest increase of 1.7%, from 398,099 to 404,675.

The median age remained constant at 39 years over the decade. However, the age distribution shifted, with the proportion of residents aged 65 and over increasing from 17.1% to 18.6%, while the share of children aged 14 or under declined from 14.6% to 12.7%. Additionally, there was a reversal in the gender ratio, with males constituting 52.5% of the population in 2022, up from 49.8% in 2012.

The population density in Malta increased from 1,337 residents per km² in 2012 to 1,721 residents per km² in 2022. The Northern Harbour district was the most densely populated, with 7,019 residents per km², whereas Gozo and Comino was the least densely populated district, with 585 residents per km². Tas-Sliema became the most densely populated locality, with a density of 16,287 residents per km² in 2022.

According to the ‘2024 Ageing Report’ [4] the EU population is projected to decline from 449 million in 2022 to 432 million by 2070, reflecting a 4% decrease. During this period, the demographic landscape will shift significantly due to varying fertility, mortality, and migration rates. The median age is expected to increase by four years, rising from 44.4 years in 2022 to 48.8 years in 2070. This ageing trend will result in a higher proportion of older individuals, with those aged 65 and above increasing from 21% to 30% of the population. The old-age dependency ratio, indicating the number of people aged 65 or over per working-age individual, is anticipated to rise substantially, highlighting the growing economic burden on the working population.

Country-level projections reveal heterogeneous trends: 13 Member States and Norway are expected to see population growth, while 14 Member States will experience declines, with Latvia, Lithuania, Greece, Bulgaria, Croatia, and Romania facing the steepest reductions. Conversely, Malta, Luxembourg, Sweden, and Ireland are projected to have significant population increases, primarily in the initial part of the period.

The population of major EU countries such as Germany, France, Italy, Spain, and Poland will undergo slight changes, with Germany maintaining its status as the most populous state, followed by France. Italy and Poland will see declines, while Germany, France, and Spain will experience limited growth. These demographic shifts underscore the increasing dependency ratios and the resultant socio-economic challenges for the EU in the coming decades

Similarly, according to the ‘2021 Ageing Report’ prepared by the European Commission and the Economic Policy Committee, the EU-27’s median age is projected to increase by 5 years to reach 47.3 years for men and 50.3 years for women by 2070. This phenomenon is projected to be universal across all EU Member States, including Malta.

3.4 Hospitality and property development industries

The tourism sector in Malta

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

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

Correspondingly, the metric of tourist guest nights witnessed a substantial growth, escalating from 16,600k in 2022 to 20,424k in 2023, reflecting a noteworthy increase of 21.9%. This surge in guest nights not only indicates a resurgence in tourist engagement but also underscores the sustained interest and participation in the local tourism offerings, contributing to the overall vibrancy of the sector.

However, amidst the recovery, there was a notable decline in the average length of stay, dropping from 7.3 days in 2022

[3] National Statistics Office: 015/2024

[4] European Commission – 2024 Ageing Report 257

to 6.8 days in 2023, representing a significant decrease of 6.8%. This decline may raise concerns regarding visitor engagement and expenditure patterns, necessitating a deeper examination into the underlying factors driving this trend and potential strategies to address it.

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

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

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

*in thousands
**in € millions

January – April 2024[6]

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

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

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

The construction sector in Malta

In April, the European Commission's Economic Sentiment Indicator (ESI) for Malta decreased to 96.1, from 96.9 in March. Sentiment thus remained below its long-term average of around 100.0, estimated since November 2002. However, it stood above the euro area average of 95.6. In month-on-month terms, sentiment deteriorated in the construction sector – although remaining in positive territory – and to a lesser extent among consumers and in industry.

By contrast, sentiment turned more positive among retailers and in the services sector. Demeaned data – which account for the variation in weights assigned to each sector in the overall index – show that the decrease in the overall sentiment in April was largely driven by developments in industry and in the construction sector. Sentiment in industry, and to a lesser extent the services sector, explain why the ESI stood below its long-term average in April.

In April, the sentiment indicator for the construction sector decreased to 3.2, from 29.1 in March, thus remaining well above its long-term average of -7.7. Contrary to March, employment expectations decreased significantly – though remaining positive. Additionally, fewer respondents assessed their overall order books to be above normal levels.

Consumer confidence stood more negative in the month under review. It averaged -9.2, down from -7.5 in March, but remained above its long-term average of -10.2. The more negative sentiment in April reflected a deterioration across all sub-components of the indicator. Sentiment in industry averaged -12.2, down from -11.0 in March, thus remaining below its long-term average of -4.2. On balance, the net share of respondents assessing their stocks of finished products to be above normal levels increased.

This was partly offset by an improvement in production expectations for the months ahead. At the same time, less firms assessed their order book levels to be below normal levels. The confidence indicator for the retail sector increased to 9.8, from 8.0 in the previous month. It thus remained well above its long-term average of 0.5. The recent rise in sentiment was largely driven by an increase in participants' expectations of business activity over the next three months. These developments offset a deterioration in the respondents' assessment of sales over the past three months and of stock levels.

Malta Development Association[7]

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

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

5 National Statistics Office, Malta - Tourism

6 National Statistics Office, Malta NR 103/2024

7 mda.com.mt

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

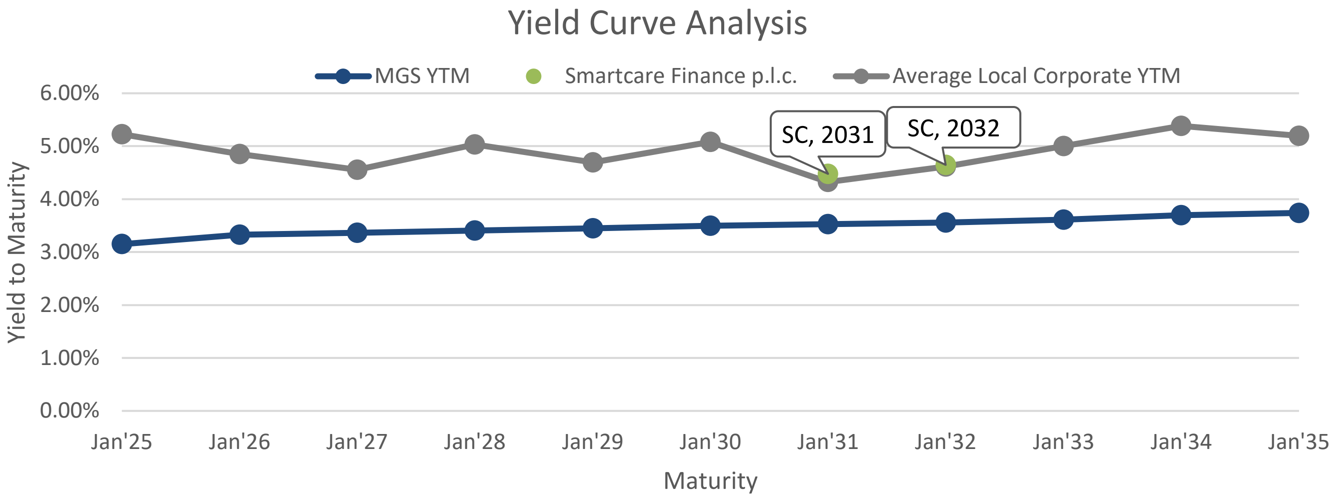
3.5 Comparative Analysis

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:

Smartcare Finance p.l.c.
FINANCIAL ANALYSIS SUMMARY 2024

Security	Nom Value €000's	Yield to Maturity (%)	Interest coverage (EBITDA) (times)	Total Assets (€'millions)	Total Equity (€'millions)	Total Liabilities / Total Assets (%)	Net Debt / Net Debt and Total Equity (%)	Net Debt / EBITDA (times)	Current Ratio (times)	Return on Common Equity (%)	Net Margin (%)	Revenue Growth (YoY) (%)
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	4.48%	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	60,000	4.16%	10.7x	458.1	99.4	78.3%	63.0%	1.9x	0.9x	15.6%	6.6%	9.9%
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	4.44%	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	4.52%	1.8x	474.0	243.5	48.6%	39.4%	20.9x	0.9x	-1.6%	-7.7%	30.3%
4.55% St Anthony Co plc Secured € 2032	15,500	4.31%	1.2x	65.8	20.5	68.9%	63.6%	13.9x	0.7x	-3.1%	-5.8%	54.1%
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% Mariner Finance plc Unsecured € 2032	36,930	4.78%	4.8x	129.6	62.1	52.1%	50.1%	5.9x	0.8x	9.0%	28.2%	1.7%
5% Von der Heyden Group Finance plc Unsecured € 2032	35,000	4.92%	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	4.22%	0.6x	269.6	78.8	70.8%	66.4%	48.2x	1.5x	9.9%	23.1%	-34.4%
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%
6% Pharmacare Finance plc Unsecured € 2033	17,000	5.46%	0.8x	43.1	13.1	69.7%	59.9%	(16.8)x	2.2x	-25.8%	-46.5%	-5.4%
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	5.30%	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	5.31%	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	4.81%	(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	5.27%	2.6x	0.1	0.0	63.3%	59.0%	11.9x	0.3x	0.7%	1.6%	29.9%

Source: Latest available audited financial statements
Last price as at 31/05/2024
**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 of 31 May 2024, the average spread over the Malta Government Stocks (MGS) for corporates with a maturity range of 6-8 (2030-2032) years was 92 basis points. The 4.65% Smartcare Finance PLC Bonds 2031 are currently trading at a YTM of 448 basis points, meaning a spread of 95 basis points over the equivalent MGS. This means that this bond is trading at a premium of 4 basis points in comparison to the market.

As of 31 May 2024, the average spread over the Malta Government Stocks (MGS) for corporates with a maturity range of 7-9 (2031-2033) years was 115 basis points. The 4.65% Smartcare Finance PLC Bonds 2032 are currently trading at a YTM of 465 basis points, meaning a spread of 115 basis points over the equivalent MGS. This means that this bond is trading at a discount of 7 basis points in comparison to the market.

Part 4 Glossary and Definitions

Income Statement	
Revenue	Total revenue generated by the Group/Company from its principal business activities during the financial year.
Costs	Costs are expenses incurred by the Group/Company in the production of its revenue.
EBITDA	EBITDA is an abbreviation for earnings before interest, tax, depreciation and amortisation. It reflects the Group's/Company's earnings purely from operations.
EBIT (Operating Profit)	EBIT is an abbreviation for earnings before interest and tax.
Depreciation and Amortisation	An accounting charge to compensate for the decrease in the monetary value of an asset over time and the eventual cost to replace the asset once fully depreciated.
Net Finance Costs	The interest accrued on debt obligations less any interest earned on cash bank balances and from intra-group companies on any loan advances.
Profit After Taxation	The profit made by the Group/Company during the financial year net of any income taxes incurred.

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

Cash Flow Statement	
Cash Flow from Operating Activities (CFO)	Cash generated from the principal revenue producing activities of the Group/Company less any interest incurred on debt.
Cash Flow from Investing Activities	Cash generated from the activities dealing with the acquisition and disposal of long-term assets and other investments of the Group/Company.
Cash Flow from Financing Activities	Cash generated from the activities that result in change in share capital and borrowings of the Group/Company.
Capex	Represents the capital expenditure incurred by the Group/Company in a financial year.
Free Cash Flows (FCF)	The amount of cash the Group/Company has after it has met its financial obligations. It is calculated by taking Cash Flow from Operating Activities less the Capex of the same financial year.

Balance Sheet	
Total Assets	What the Group/Company owns which can de further classified into Non-Current Assets and Current Assets.
Non-Current Assets	Assets, full value of which will not be realised within the forthcoming accounting year
Current Assets	Assets which are realisable within one year from the statement of financial position date.
Inventory	Inventory is the term for the goods available for sale and raw materials used to produce goods available for sale.

Cash and Cash Equivalents	Cash and cash equivalents are Group/Company assets that are either cash or can be converted into cash immediately.
Total Equity	Total Equity is calculated as total assets less liabilities, representing the capital owned by the shareholders, retained earnings, and any reserves.
Total Liabilities	What the Group/Company owes which can de further classified into Non-Current Liabilities and Current Liabilities.
Non-Current Liabilities	Obligations which are due after more than one financial year.
Current Liabilities	Obligations which are due within one financial year.
Total Debt	All interest-bearing debt obligations inclusive of long and short-term debt.
Net Debt	Total debt of a Group/Company less any cash and cash equivalents.

Financial Strength Ratios	
Current Ratio	The Current ratio (also known as the Liquidity Ratio) is a financial ratio that measures whether or not a company has enough resources to pay its debts over the next 12 months. It compares current assets to current liabilities.
Quick Ratio (Acid Test Ratio)	The quick ratio measures a Group's/Company's ability to meet its short-term obligations with its most liquid assets. It compares current assets (less inventory) to current liabilities.
Interest Coverage Ratio	The interest coverage ratio is calculated by dividing EBITDA of one period by cash interest paid of the same period.
Gearing Ratio	The gearing ratio indicates the relative proportion of shareholders' equity and debt used to finance total assets.
Gearing Ratio Level 1	Is calculated by dividing Net Debt by Net Debt and Total Equity.
Gearing Ratio Level 2	Is calculated by dividing Total Liabilities by Total Assets.
Gearing Ratio Level 3	Is calculated by dividing Net Debt by Total Equity.
Net Debt / EBITDA	The Net Debt / EBITDA ratio measures the ability of the Group/Company to refinance its debt by looking at the EBITDA.

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

Calamatta Cuschieri

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