



FINANCIAL ANALYSIS SUMMARY

26 JUNE 2024

ISSUER

STIVALA GROUP FINANCE P.L.C.

Prepared by:



MZ INVESTMENTS



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The Directors
Stivala Group Finance p.l.c.
143, The Strand
Gzira
GZR 1026

26 June 2024

Dear Board Members,

Financial Analysis Summary

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 in 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 Stivala Group Finance p.l.c. (the “**Group**” or the “**Issuer**” or the “**Company**”). The data is derived from various sources or is based on our own computations as follows:

- (a) Historical financial data for the financial years ended 31 December 2021, 31 December 2022 and 31 December 2023 has been extracted from the audited consolidated financial statements of the Company.
- (b) The forecast has been extracted from the projected financial information of the Group for the year ending 31 December 2024, which comprises actual results for the period 1 January 2024 to 30 April 2024 and the management forecast for the period 1 May 2024 to 31 December 2024.
- (c) Our commentary on the results of the Group and on its financial position is based on the explanations provided by the Company.
- (d) The ratios quoted in this Analysis have been computed by applying the definitions set out in Part 4 – Explanatory Definitions of this report.
- (e) Relevant financial data in respect of the companies included in Part 3 – Comparative Analysis of this Analysis has been extracted from public sources such as websites of the companies concerned, financial statements filed with the Malta Business Registry, as well as other sources providing financial information.



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The Analysis is meant to assist investors in the Company'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 Company and should not be interpreted as a recommendation to invest in any of the Company'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 Company's securities.

Yours faithfully,

Evan Mohnani

Head Corporate Broking

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PART 1 – INFORMATION ABOUT THE GROUP

1. KEY ACTIVITIES

1.1 THE COMPANY

The Issuer was set up as the holding company and finance arm of the Group on 21 August 2017 and is the principal vehicle for further expansion of the Group's hospitality business and mixed-use developments. The ultimate beneficial owners of the Issuer are Martin John Stivala, Ivan Stivala and Michael Stivala, together with their direct descendants and families, in equal proportions.

1.2 THE GUARANTOR

Carmelo Stivala Group Limited (the “**Guarantor**”) acts as the Group’s property holding company and owns almost all of the Group’s immovable property, which property is subsequently leased to and operated by the subsidiaries of the Stivala Group (“**Subsidiaries**”). The Guarantor is fully owned by the Issuer.

2. DIRECTORS AND KEY EMPLOYEES

2.1 THE COMPANY

The Company is managed by a Board consisting of six directors entrusted with its overall direction and management.

Ivan Stivala	Executive Chairman
Michael Stivala	Executive Director and CEO
Martin John Stivala	Executive Director
Francis Gouder	Independent Non-executive Director
Ann Marie Agius	Independent Non-executive Director
Jean Paul Debono	Independent Non-executive Director

The executive directors are entrusted with the Company’s day-to-day management and are also directors or officers of other companies within the Group.



2.2 THE GUARANTOR

The Guarantor is managed by a Board of Directors entrusted with its overall direction and management, and is composed as follows:

Michael Stivala	Executive Director
Martin John Stivala	Executive Director
Ivan Stivala	Executive Director

2.3 MANAGEMENT TEAM AND GROUP EMPLOYEES

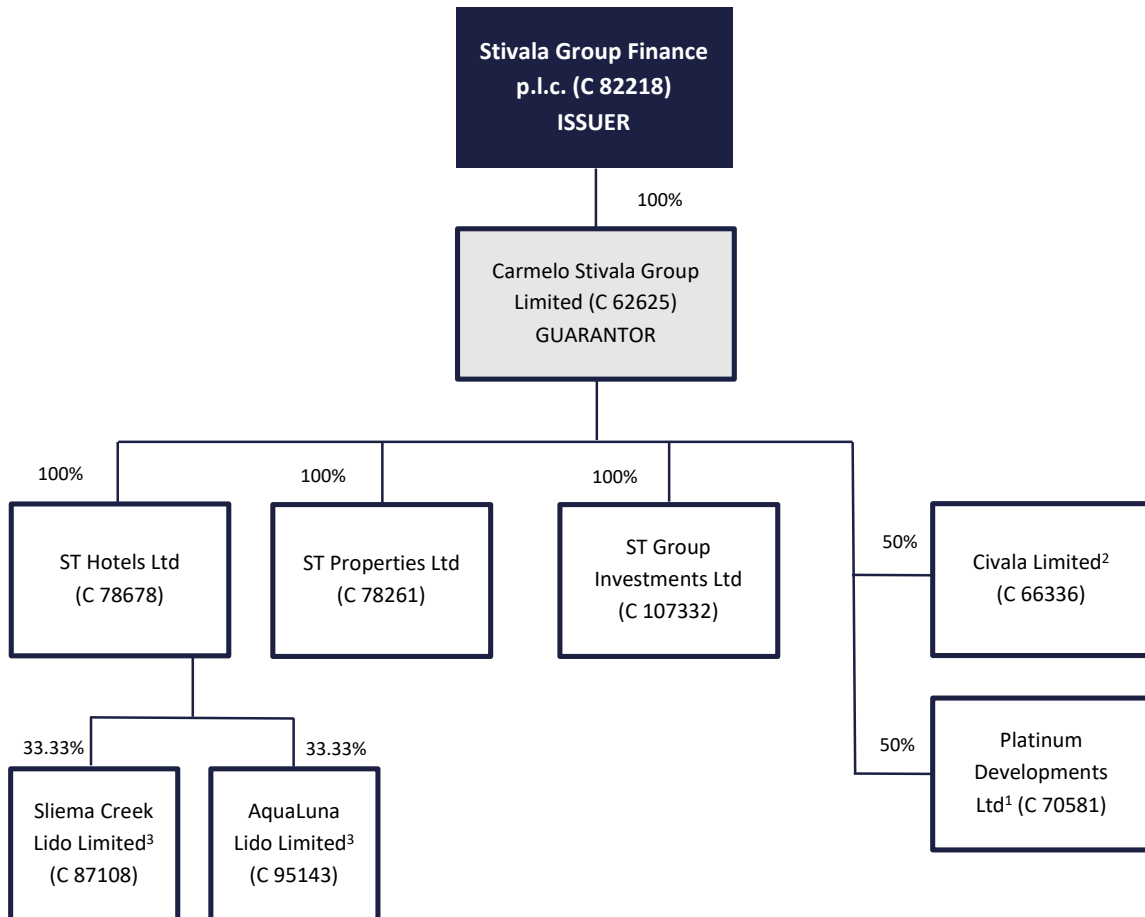
The key members of the Group's management team, apart from the executive directors, are Kevin Bonnici (Group Financial Controller), Rebecca Stivala (Group Accounts Manager), James Davis (General Manager – Hotels) and Tristan Stivala (General Manager – Property Leasing).

The Issuer does not have any employees of its own. As at 31 December 2023, the Group employed 30 staff members in management and administration (2022: 29 employees) and 218 staff members in operational activities (2022: 210 employees).



3. ORGANISATIONAL STRUCTURE

The organisational structure of the Group as at the date of this report is illustrated in the diagram below:



¹ The remaining 50% of Platinum Developments Limited is held by Bastille Malta Trustees Limited as trustee.

² The remaining 50% of Civala Limited is held by John Cilia (262857M).

³ The remaining 66.67% of each of Sliema Creek Lido Limited is held by The Waterfront Hotel Limited (C 22209), Marketing and Consultancy Limited (C 8171), and Kennedy Nova Ltd (C57729). The remaining 66.67% of each of AquaLuna Lido Limited is held by The Waterfront Hotel Limited (C 22209), Marketing and Consultancy Limited (C 8171) and Kennedy Nova Ltd (C57729).

Carmelo Stivala Group Ltd is the guarantor of the bonds issued by the Issuer. It is the property holding company of the Group and is also the direct holding company of the operational entities within the Stivala Group.

ST Properties Ltd is principally involved in the business of sub-leasing, on a long-term basis, the commercial and residential properties owned by the Guarantor (“**ST Properties**”).

ST Hotels Ltd is primarily engaged in the operation and management of the Guarantor’s hotels, hostels and short let apartments (“**ST Hotels**”).



ST Group Investments Ltd was incorporated on 28 December 2023 to own and manage the intellectual and intangible property of the Group. During the financial year 2023, a valuation exercise of the hotel business of the Group was undertaken by an independent valuer to establish the value of the brand name “ST”. Accordingly, the amount of €36.5 million has been recognised as an intangible asset in the statement of financial position of ST Group Investments Ltd.

The Group also has four associate companies as follows: (i) Platinum Developments Ltd (C 70581) - owns and leases three residential units and one office on the Sliema Seafront; (ii) Civala Limited (C 66336) – has a long term lease on a 900m² plot of land earmarked for the future development of a five-storey car park and overlying office space; and (iii) Sliema Creek Lido Limited (C 87108) and AquaLuna Lido Limited (C 95143) – both involved in the management of a lido opposite the Bayview Hotel in Gzira.

4. BUSINESS OVERVIEW OF THE GROUP

4.1 PRINCIPAL ACTIVITIES

The Issuer was established on 21 August 2017 as the holding company and finance arm of the Group. The Company’s main business is the acquisition of real estate for long term investment purposes, principally in the Gzira, Msida University Heights, Sliema, St Julian’s and Ta’ Xbiex areas. Once acquired, the Group is engaged in the development or re-development of those properties and their conversion into residential and commercial properties. The majority of real estate is retained by the Group to generate rental revenues, both from short letting and tourist accommodation as well as from long-term residential, office and retail lets.

The Group has the following main areas of activity:

- **Ownership of real estate** – comprises the identification of sites or real estate that can be developed for subsequent operation, either as part of its hospitality operations or for residential or commercial letting. The Group directly undertakes the development of projects, thus allowing greater control by the Group over costs and timelines of its property developments.
- **Hospitality operations** – the Group operates properties intended for hospitality purposes consisting of hotels, hostels, or apartments for short term accommodation.
- **Long-term letting operations** – comprises the letting over the longer term of commercial properties and residential properties owned by the Group.
- **Development of real estate for resale** – comprises the acquisition of land and properties to be developed into commercial and, or residential properties for resale purposes.

Group revenue and earnings are derived primarily from the operation of owned hotels, hostels and short let apartments through ST Hotels Ltd. The balance of revenue is generated by ST Properties Ltd and comprises rental income from commercial and long let residential properties.



4.2 OWNERSHIP OF REAL ESTATE

The Group owns its immovable properties primarily through the Guarantor, which are managed and operated by the two principal operating subsidiaries of the Group – ST Hotels Ltd and ST Properties Ltd.

The real estate portfolio of the Group is included in the statement of financial position under the headings “Property, plant and equipment” and “Investment property”. As at 31 December 2023, the carrying value of real estate amounted to €381.8 million (FY2022: €354.3 million).

The fair value of the Group’s investment properties as at 31 December 2023 is based on a valuation carried out by an independent architect as at 31 October 2023 for properties pledged to secure borrowings, and on a valuation carried out by an independent architect as at 31 December 2023 for all remaining properties. This has resulted in the reporting of an uplift in fair value of investment property, net of deferred tax, of €14.1 million (2022: €8.4 million) in the statement of profit or loss.

Furthermore, the carrying value of property, plant & equipment has been revised upwards by €9.2 million (2022: €4.4 million), net of deferred tax, and recognised in other comprehensive income.

A brief description of Group properties in the course of development or held for future development is provided below:

ST TOWER, TA’ XBIEX

This development comprises a 23-storey commercial property located in the Ta’ Xbiex area. The property is practically in a complete state and consists of five parking levels, offices, cafeteria/restaurant at reception area and a top floor restaurant with 360-panoramic views and an outdoor green space. It is being finished to high standards which shall also include energy efficient and environment friendly measures. Total development cost to complete the ST Tower is expected to amount to *circa* €12 million and is being partly financed through a bank loan and Group’s own funds.

NOVOTEL HOTEL, GZIRA (*redevelopment of the ‘Blubay Suites & Apartments’*)

In Q4 2022, the Group initiated works on the redevelopment of the 54-room Blubay Block and surrounding properties located in Ponsomby Street, Gzira, in accordance with Planning Authority permit numbers PA5032/20 and PA4632/23. Construction and finishing works are expected to continue for a period of *circa* 30 months at a cost of approximately €16 million. The plan is to develop an 11-floor property having 295 rooms, along with underground parking and ancillary facilities such as conference rooms, an indoor pool and fitness area, as well as a pool and deck area at roof level. Furthermore, the Group has entered into a franchise agreement for the purposes of operating the proposed 4-star hotel under the “Novotel” brand name. This project is scheduled for completion in Q1 2025 and it is the intention of the Group to move its head office to this new property.



MOVENPICK HOTEL, SLIEMA *(redevelopment of the Sliema Hotel)*

The Group is planning to demolish the 70-room Sliema Hotel and develop a 165-room 5-star hotel at an estimated cost of €10.5 million (PA 3614/18). Furthermore, the Group has entered into a franchise agreement to operate the said hotel under the “Movenpick” brand name. Closure of the Sliema Hotel is expected in Q3 2024.

MONTANA HOTEL, GZIRA

The Group has a Planning permit for the development of a 265-room hostel on part of the subject site (PA 5538/19). No date has been set for commencement of this project.

PROPOSED HOME FOR THE ELDERLY, GZIRA

This property consists of a block of apartments and various small houses having an aggregate site area of *circa* 632m². The Group plans to redevelop the site into a home for the elderly having 244 beds in accordance with PA6204/17. No date has been established for commencement of this project.

PARISIO HOTEL, GZIRA

Planning approval was obtained for the development of a 136-room hotel (PA 5962/21) located in Sliema. The project shall include 3 levels of basement parking including a gym, a spa, a games room, a store and an indoor pool at basement level.

BAYVIEW HOTEL, GZIRA

There are also plans for the extension and redevelopment of the Bayview Hotel and surrounding properties which will include an additional 4 floors bringing the hotel to a total of 546-rooms (PA 8321/18).

CHARLIE’S GUESTHOUSE, MSIDA

The Group also has plans to demolish the existing block situated in Msida and construct a showroom at elevated ground floor level with overlying offices at levels 1 to 6 together with basement parking spaces (PA 2591/20). The expected date of commencement has not been established.

PROPERTY HELD-FOR-SALE¹

As at 31 December 2023, property held-for-sale amounted to €2.9 million (2022: €2.5 million) and related to a 25% share of a site in Handaq measuring 15,700 sqm which is earmarked for commercial use.

¹ Classified as current asset in the statement of financial position.



In FY2023, the Group was principally involved in selling the remaining 32 residential units forming part of a development project in Sqaq Dun Andrea, Msida, known as 'Msida Park Residences'. By year end, the development was completely sold.

4.3 HOSPITALITY OPERATIONS

Hospitality operations are performed by ST Hotels Ltd. The financial information about ST Hotels Ltd is included in the audited financial statements of the said company for the financial years ended 31 December 2021, 31 December 2022 and 31 December 2023.

During the year, the total number of rooms in operation increased by 127 rooms to 687 rooms with the addition in June 2023 of the newly developed 86-room ST Alavits Hotel, Gzira, and in October 2023, 41 sea-view high-end apartments (known as Valletta Views Apartments) which previously formed part of BluBay apartments.

Set out below is the statement of total comprehensive income extracted from the audited financial statements of ST Hotels Ltd for the financial years indicated hereunder:

ST Hotels Ltd			
Statement of Total Comprehensive Income			
for the financial year 31 December			
	2021	2022	2023
	Actual	Actual	Actual
	€'000	€'000	€'000
Revenue	8,642	15,007	18,178
Cost of sales	(3,390)	(5,501)	(6,559)
Royalty charge	-	-	(8,180)
Gross profit	5,252	9,506	3,439
Other net operating costs	(1,354)	(1,875)	(2,927)
EBITDA	3,898	7,631	512
Depreciation & amortisation	(5,917)	(4,779)	(5,047)
Operating profit (loss)	(2,019)	2,852	(4,535)
Dividend income	-	202	223
Net finance costs	(2,327)	(2,818)	(3,169)
Profit/(loss) before tax	(4,346)	236	(7,481)
Taxation	2,432	823	892
Profit/(loss) for the year	(1,914)	1,059	(6,589)
Total comprehensive income (expense)	(1,914)	1,059	(6,589)
Gross profit margin (%) (Gross profit/revenue)	60.77	63.34	18.92
Net profit margin (%) (Profit after tax/revenue)	(22.15)	7.06	(36.25)



In **FY2022**, revenue generated by ST Hotels increased y-o-y by €6.4 million (+74%) to €15.0 million on account of the continued recovery post COVID-19 pandemic. Such revenue reflects an increase of 4.6% compared to FY2019. Moreover, the gross profit margin increased by 2 percentage points from 61% in FY2021 to 63%.

Total EBITDA in FY2022 amounted to €7.6 million, an increase of €3.7 million (+96%) from the prior year and +19% when compared to FY2019. Overall, the Company converted a loss of €1.9 million in FY2021 to a profit amounting to €1.1 million.

During **FY2023**, the operational performance of ST Hotels continued to improve from the prior year. Furthermore, ST Hotels benefited from the addition of ST Alavits Hotel in June 2023. As such, revenue from hotel operations amounted to €16.1 million, an increase of €2.8 million (+21%) from FY2022. ST Hotels generated an additional €2.1 million of revenue from rentals (FY2022: €1.7 million).

Notwithstanding the higher y-o-y revenue, gross profit for the year decreased from €9.5 million in FY2022 to €3.4 million. As from FY2023, ST Hotels is being charged a royalty fee for the use of the brand name “ST” and in the last financial year, such charge amounted to €8.2 million. The proprietor of the brand name is ST Group Investments Ltd, a sister company.

In consequence, ST Hotels reported a loss for the year of €6.6 million compared to a profit of €1.1 million a year earlier.

4.4 PROPERTY RENTALS

Long lets of residential and commercial Group properties to third parties are administered by ST Properties Ltd. Such leases typically involve rental periods exceeding six months. Commercial properties principally comprise 20 properties leased out as restaurants, educational institutions, retail outlets and office space.

Financial information about ST Properties Ltd is included in the audited financial statements of the said company for the financial years ended 31 December 2021, 31 December 2022 and 31 December 2023.

Set out below is the statement of total comprehensive income extracted from the above-mentioned audited financial statements for the financial years indicated hereunder:



ST Properties Ltd			
Statement of Total Comprehensive Income			
for the financial year 31 December			
	2021	2022	2023
	Actual	Actual	Actual
	€'000	€'000	€'000
<i>Commercial</i>	4,426	5,749	5,845
<i>Residential</i>	1,798	1,857	1,784
Revenue	6,224	7,606	7,629
Cost of sales	(625)	(813)	(847)
Gross profit	5,599	6,793	6,782
Other net operating income	610	819	834
Profit before tax	6,209	7,612	7,616
Taxation	(923)	(1,144)	(2,137)
Profit for the year	5,286	6,468	5,479
Total comprehensive income	5,286	6,468	5,479
Gross profit margin <i>(Gross profit/revenue)</i>	89.96	89.31	88.90
Net profit margin <i>(Profit after tax/revenue)</i>	84.93	85.04	71.82

In **FY2022**, the Company reported a year-on-year increase of €1.4 million (+22%), from €6.2 million in FY2021 to €7.6 million. The aforesaid growth was primarily driven by an increase in commercial revenue which grew y-o-y by 30%. Overall, the Company reported a profit of €6.5 million in FY2022 compared to €5.3 million a year earlier and held constant the net profit margin at 85%.

During **FY2023**, revenue generated by ST Properties amounted to €7.6 million, which was in line with previous year's results (FY2022: €7.6 million). However, due to a higher tax charge (+€1.0 million, y-o-y), profit for the year amounted to €5.5 million compared to €6.5 million in the prior year.



5. ECONOMIC AND SECTOR ANALYSIS

5.1 ECONOMIC UPDATE²

The Maltese economy continues to grow robustly driven by strong exports and domestic demand. Tourism flows bounced back to well above pre-pandemic levels and the strong inflow of workers is boosting domestic demand. After reaching 5.60% GDP growth in 2023, the Maltese economy is expected to achieve a growth rate of 4.60% in 2024 and 4.30% in 2025. The government deficit stood at 4.90% of GDP in 2023, and it is expected to only gradually decrease in 2024 and 2025. Thanks to robust nominal GDP growth, the public debt-to-GDP ratio is forecast to increase only slightly despite the still high primary deficit.

In 2023, real GDP growth reached 5.60%, 1.6 percentage points higher than projected in autumn. Both private consumption and exports came much stronger than expected, resulting from significantly higher immigration and tourism flows. Besides exceptionally strong immigration, Malta's economy continues to benefit from a low pass-through of monetary policy to retail interest rates and from government measures that have kept energy prices stable at 2020 levels.

Tourism reached pre-pandemic levels in 2023. The number of tourist arrivals increased by more than 26% in the first two months of 2024, although tourism expenditure grew at a slightly slower pace. Strong growth is also forecast in exports of electronics and entertainment, professional and financial services.

Construction investment is expected to stabilise and recover moderately after a sharp fall in 2023, growing at 2.50% in 2024 and 3.90% in 2025. The increase of private consumption and activity in the service sector is expected to lead to higher imports of goods and services. Overall, the forecast for GDP growth was revised upward to 4.60% in 2024 and 4.30% in 2025.

With employment growth at 6.50% in 2023, Malta's labour market exceeded expectations. Employment growth is set to remain strong at 40% also in 2024 and 2025 as the country continues to attract foreign workers. Labour and skills shortages are still mentioned as the main limiting factors for the Maltese economy.

The unemployment rate was revised upwards from 2.90% to 3.50% in 2022 due to an updated demographic survey. In 2023, the unemployment rate fell to 3.10% and it is expected to drop marginally to 3% and 2.90% in 2024 and 2025. Nominal wages were, however, still growing at relatively weak rates in 2023 as employment expanded in the low wage sectors, resulting in negative real wage growth per head.

HICP inflation in 2023 reached 5.60% despite the government intervention to keep energy prices at 2020 levels. The Maltese authorities confirmed their commitment to limiting energy inflation in 2024 and 2025. Inflation in Malta slowed down in the first quarter of 2024 mainly due to lower services

² Economic Forecast – Spring 2024 (European Commission 15 May '24).



inflation. Headline inflation is forecast at 2.80% in 2024 and 2.30% in 2025, with food prices set to remain the fastest growing component.

In 2023, the debt-to-GDP ratio fell by 1.2 percentage points to 50.40% due to strong nominal growth and despite the high primary deficit. A positive stock-flow adjustment related to the equity injection in the national airline is expected to drive the increase of the public debt to 52% of GDP in 2024. For 2025, a smaller primary deficit and a favourable interest growth differential will lead to a smaller increase of public debt to 52.60% of GDP.

Key Economic Indicators ¹	2021	2022	2023	2024	2025
	Actual	Actual	Forecast	Forecast	Projection
Malta					
Real GDP growth (% year-on-year)	12.50	8.10	5.60	4.60	4.30
Real GDP growth per capita (% year-on-year)	11.90	5.30	2.40	1.90	1.70
Inflation (% year-on-year) ²	0.70	6.10	5.60	2.80	2.30
Unemployment (%)	3.80	3.50	3.10	3.00	2.90
Primary balance (% of GDP)	(6.50)	(4.60)	(3.80)	(3.10)	(2.60)
General balance (% of GDP)	(7.60)	(5.50)	(4.90)	(4.30)	(3.90)
Gross public debt (% of GDP)	53.90	51.60	50.40	52.00	52.60
Current account balance (% of GDP)	5.70	0.60	4.20	3.40	3.60
Euro area (20)					
Real GDP growth (% year-on-year)	5.90	3.40	0.40	0.80	1.40
Real GDP growth per capita (% year-on-year)	5.90	2.90	(0.20)	0.50	1.10
Inflation (% year-on-year) ²	2.60	8.40	5.40	2.50	2.10
Unemployment (%)	7.80	6.80	6.60	6.60	6.50
Primary balance (% of GDP)	(3.80)	(2.00)	(1.90)	(1.10)	(0.90)
General balance (% of GDP)	(5.20)	(3.70)	(3.60)	(3.00)	(2.80)
Gross public debt (% of GDP)	96.60	92.40	90.00	90.00	90.40
Current account balance (% of GDP)	3.70	1.00	2.90	3.20	3.20
EU					
Real GDP growth (% year-on-year)	6.00	3.50	0.40	1.00	1.60
Real GDP growth per capita (% year-on-year)	6.10	3.30	0.00	0.80	1.50
Inflation (% year-on-year) ²	2.90	9.20	6.40	2.70	2.20
Unemployment (%)	7.10	6.20	6.10	6.10	6.00
Primary balance (% of GDP)	(3.40)	(1.80)	(1.80)	(1.20)	(0.90)
General balance (% of GDP)	(4.70)	(3.40)	(3.50)	(3.00)	(2.90)
Gross public debt (% of GDP)	89.00	84.80	82.90	82.90	83.40
Current account balance (% of GDP)	3.30	0.90	2.90	3.10	3.10

¹ Source: European Commission, 'European Economic Forecast Spring 2024, 15 May 2024.

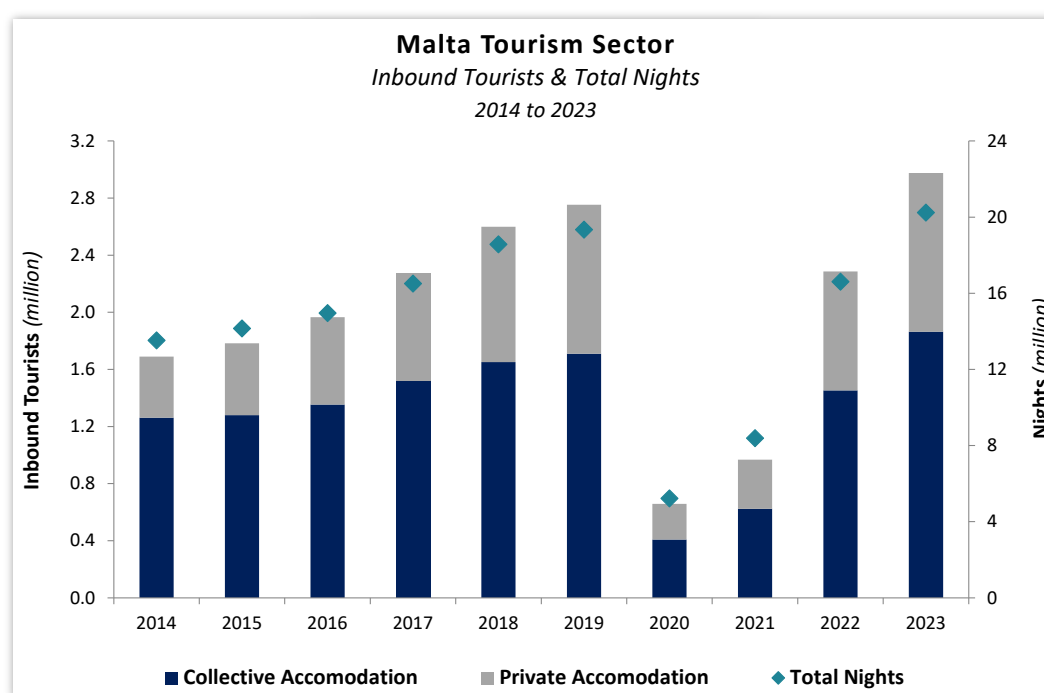
² Harmonised Indices of Consumer Prices ("HICP")



5.2 HOSPITALITY³

Total inbound tourists to Malta amounted to just over 3 million in 2023 (2022: 2.33 million)⁴, thus exceeding the previous high of 2.77 million recorded in 2019 by 8.33%. Overall, inbound tourists spent a total of 20.24 million nights (2019: 19.34 million), or 6.80 nights per inbound tourist (2019: 7.02 nights per inbound tourist), the majority of which (17.12 million) were spent in rented accommodation which comprises collective accommodation (10.57 million nights)⁵ and other rented accommodation (6.55 million nights).⁶ On the other hand, inbound tourists only spent 3.12 million nights at non-rented accommodation.⁷ Accordingly, inbound tourists spent a total of 10.57 million nights at collective accommodation (or 52.20% of the total nights spent) whilst the remaining portion (9.68 million nights – or 47.80%) were spent at private accommodation.

The total expenditure by inbound tourists in 2023 amounted to €2.67 billion which was 20.30% higher than the previous all-time high of €2.22 billion recorded in 2019. This also translated into an spend of €132 per inbound tourist per night which was 14.78% higher than the expenditure of €115 per inbound tourist per night registered in 2019. When adjusted for inflation, the expenditure per inbound tourist per night in 2023 stood at €125 compared to €113 in 2019.



³ National Statistics Office, available at: <https://nso.gov.mt/tourism/>.

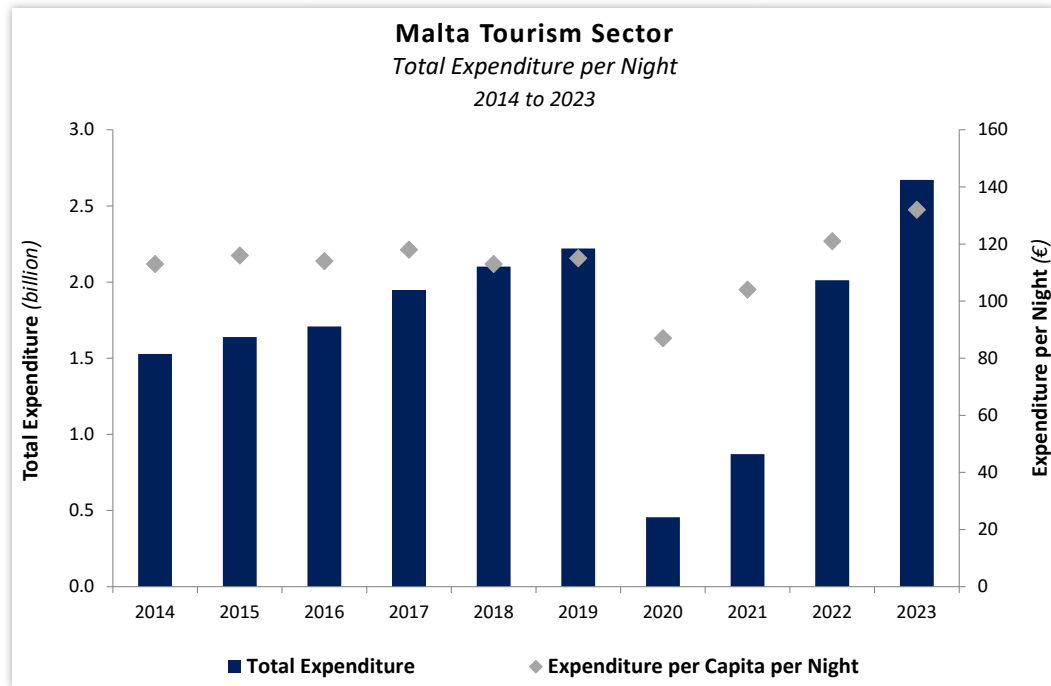
⁴ Including overnight cruise passenger which in 2023 amounted to 27,153 visitors (2022: 43,723 visitors).

⁵ Collective accommodation comprises hotels, guesthouses, hostels, tourist villages, holiday complexes, bed & breakfast, and campsites.

⁶ Other rented accommodation comprises holiday furnished premises (farmhouses, flats, and villas), host families, marinas, convents, rented yachts, and student dormitories.

⁷ Non-rented accommodation typically comprises private residences (owned dwellings, caravans, and, or yachts), stays with friends or relatives, and other private accommodation such as timeshare.





Almost 68% (or 2.02 million) of inbound tourists in 2023 came from EU countries, of which 80.58% represented markets within the euro area, the largest of which were Italy (0.55 million inbound tourists who spent circa €107 per capita per night), followed by France (0.29 million inbound tourists / €127 per capita per night), and Germany (0.22 million inbound tourists / €133 per capita per night). Outside of the euro area, the largest markets were the United Kingdom (0.54 million inbound tourists / €148 per capita per night), followed by Poland (0.17 million inbound tourists / €120 per capita per night), and Sweden (0.11 million inbound tourists / €120 per capita per night).

The bulk of inbound tourists visiting Malta in 2023 were for leisure purposes (2.71 million) who opted not to take a packaged holiday (2.23 million). Similarly, the large majority (2.31 million – or 77.47%) were first-time tourists whilst the number and percentage of repeat tourists trended lower when compared to 2019. In fact, 0.67 million were repeat tourists in 2023, representing 22.53% of the inbound tourists, compared to a total of 0.70 million in 2019 who represented 25.32% of the inbound tourists who visited Malta that year.

In terms of the demographic profile of inbound tourists in 2023, 0.66 million (or 22.14%) were below 25 years, 1.16 million (or 38.97%) were aged between 25 years and 44 years, 0.89 million (or 29.79%) were aged between 45 years and 64 years, whilst the remaining portion amounting to 0.27 million (or 9.10%) were over 64 years. All age brackets contracted slightly as a proportion of inbound tourists in 2023 when compared to 2019, except for the youngest tourists aged below 25 years as this section gained 2.36 percentage points relative to 2019.



5.3 PROPERTY⁸

DEVELOPMENT PERMITS FOR DWELLINGS

Data provided by the Central Bank of Malta (“CBM”) and the National Statistics Office (“NSO”) shows that in 2023, the total number of permits for the construction of new dwellings increased by 24.78% to 1,586 permits (2022: 1,271 permits). However, the total number of approved new residential units declined by 15.49% year-on-year to 8,112 units, mostly comprising apartments which totalled 7,026 units (2022: 8,280 apartments) representing 86.61% of the total number of approved new units in 2023. The sharpest year-on-year percentage decline in the number of approved residential units was for the construction of new maisonettes (-21.76% to 712 units), followed by apartments (-15.14%), and terraced houses (-12.31% to 292 units). On the other hand, other type of dwellings including villas, bungalows, and farmhouses increased by 7.89% to 82 units.

The highest ever number of approved new residential units in a single year took place in 2018 as 2,363 permits were issued for the construction of a total of 12,885 residential units. Between 2019 and 2021, the total number of approved new residential units trended lower each year, reaching a five-year low of 7,578 units in 2021 before rebounding strongly by 26.67% to 9,599 new units in 2022.



PROPERTY PRICES & TRANSACTIONS

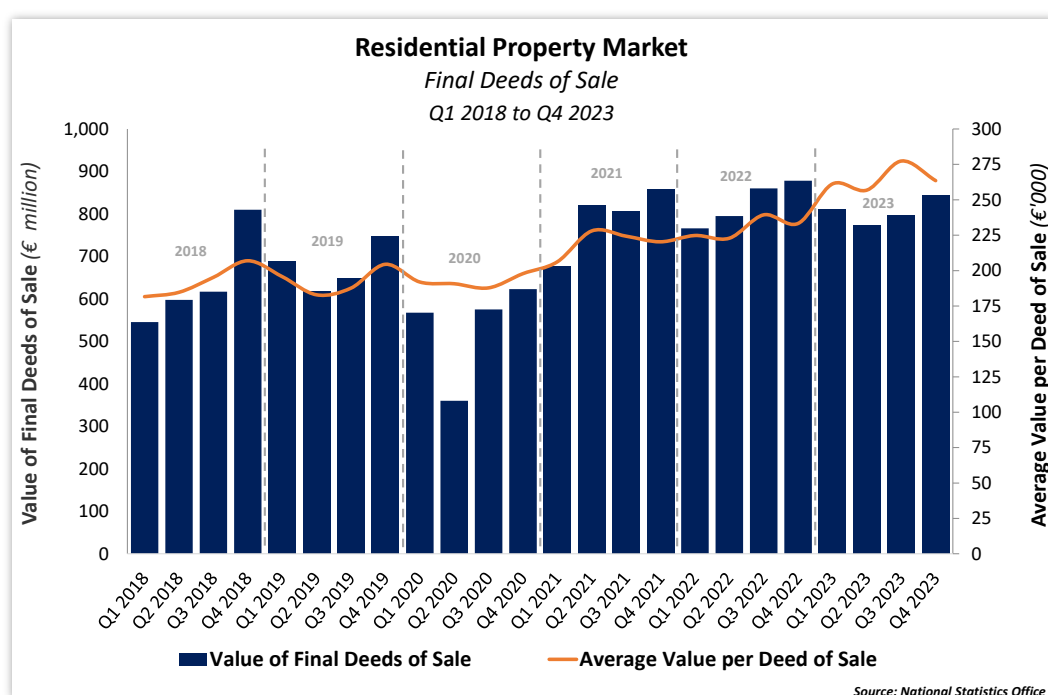
In nominal terms, the **CBM Property Prices Index** – which is based on the advertised sale prices of apartments, maisonettes, terraced houses, and other types of dwellings – reached an all-time high of

⁸ Central Bank of Bank and National Statistics Office online portals at <https://www.centralbankmalta.org/real-economy-indicators> and <https://nso.gov.mt/property> respectively.



172.01 points in 2023, representing a significant increase of 8.28% over the prior year (158.86 points). The sharpest year-on-year percentage increase took place in the prices of ‘other property’ comprising town houses, houses of character and villas, which saw their advertised prices increase by an aggregate 10.57% in 2023. The advertised prices of apartments and maisonettes also increased markedly in 2023 by 9.80% and 9.20% respectively, whilst the advertised prices of terraced houses contracted by a minimal 0.17%. In real terms, the CBM Property Prices Index increased by 8.86% in 2023 (the strongest uplift since 2018), thus erasing to prior year’s decline of 2.45% to reach an inflation-adjusted record reading of 162.95 points.

The **NSO Property Price Index** – which is based on actual transactions involving apartments, maisonettes, and terraced houses – reached an all-time high of 151.08 points as at the end of Q2 2023 – representing a year-on-year increase of 4.46% in nominal terms. During 2023, a total of 12,178 final deeds of sale were registered compared to 14,368 deeds in 2021 and 14,331 deeds in 2022. However, the total value of final deeds of sale dropped by only 2.35% in 2023 to €3.22 billion (or €3.05 billion in real terms) compared to the record of just under €3.30 billion (or €3.11 billion in real terms) registered in 2022. Furthermore, the average value per deed of sale reached an all-time high of €0.26 million (or €0.25 million in real terms) compared to €0.22 million in 2021 and €0.23 million in 2022.



Market data relating to commercial property in Malta (which includes industrial, logistics, warehousing, retail, hospitality and a predominant portion in the office asset class) is not available and thus makes it more difficult to gauge the health of this sector. The Group’s commercial property portfolio principally comprises office space and commercial outlets located in the areas of Gzira, Sliema and St Julians. In the last financial year, the Group registered high occupancy rates across its portfolio and demand for its properties remains positive.



PART 2 – PERFORMANCE REVIEW

6. FINANCIAL INFORMATION

The financial information relating to the Group is extracted from the audited consolidated financial statements of the Issuer for the years ended 31 December 2021, 31 December 2022 and 31 December 2023.

The projected consolidated financial information for FY2024 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.

Stivala Group Finance p.l.c.				
Consolidated Statement of Total Comprehensive Income				
for the financial year 31 December				
	2021	2022	2023	2024
	Actual	Actual	Actual	Forecast
	€'000	€'000	€'000	€'000
Revenue	15,065	28,843	33,015	31,172
Cost of sales	(3,713)	(6,138)	(7,205)	(8,091)
Gross profit	11,352	22,705	25,810	23,081
Net operating costs	(903)	(1,574)	(2,370)	(2,260)
EBITDA	10,449	21,131	23,440	20,821
Depreciation & amortisation	(3,708)	(4,002)	(1,766)	(4,238)
Profit on recognition of intangible asset	-	-	36,500	-
Decrease in provision for expected credit losses (ECL)	-	-	4,462	(1,887)
Provision for expected credit losses (ECL)	(7,920)	(2,917)	(1,036)	191
Operating profit (loss)	(1,179)	14,212	61,600	14,887
Gain on disposal of subsidiaries	-	7,302	-	-
Dividends receivable	-	202	223	238
Movement in revaluation of property	29,968	9,119	15,351	-
Share in profit (loss) of associates	(48)	(34)	7	8
Loss on distribution to shareholder	(21,131)	-	-	-
Net finance costs	(3,215)	(3,766)	(4,137)	(4,683)
Profit before tax	4,395	27,035	73,044	10,450
Taxation	7,992	(728)	(4,215)	(727)
Profit for the year	12,387	26,307	68,829	9,723
Other comprehensive income:				
Movement in revaluation of property, net of tax	30,355	4,382	9,249	-
Total comprehensive income	42,742	30,689	78,078	9,723



Key Financial Ratios	FY2021 Actual	FY2022 Actual	FY2023 Actual	FY2024 Forecast
EBITDA margin (%) <i>(EBITDA / revenue)</i>	69.36	73.26	71.00	66.79
Operating profit margin (%) <i>(Operating profit / revenue)</i>	(7.83)	49.27	186.58	47.76
Net profit margin (%) <i>(Profit after tax / revenue)</i>	82.22	91.21	208.48	31.19
Return on equity (%) <i>(Profit after tax / average equity)</i>	5.31	10.86	23.83	3.31
Return on assets (%) <i>(Profit after tax / average assets)</i>	3.46	6.93	15.89	2.20
Return on invested capital (%) <i>(Operating profit / average equity and net debt)</i>	(0.37)	4.05	14.45	3.33
Interest cover (<i>times</i>) <i>(EBITDA / net finance costs)</i>	3.25	5.61	5.67	4.45

STATEMENT OF TOTAL COMPREHENSIVE INCOME

The operating results presented hereinabove primarily reflect the performance of the Group's operating subsidiaries - ST Hotels Ltd and ST Properties Ltd - which are described in further detail in sections 4.3 and 4.4 of this report.

Revenue in **FY2022** increased by €13.7 million (+91%) y-o-y to €28.8 million (FY2021: €15.1 million). The Group's hospitality segment performed better compared to the prior year as the economy continued to recover from the pandemic. This segment generated 46% of total revenue (FY2021: 43%). Rental income increased by €1.0 million from €8.4 million in FY2021 to €9.4 million (+12%). Aggregate revenue also includes an amount of €6.2 million generated from sales of residential units (FY2021: €0.2 million).

In consequence, EBITDA more than doubled to €21.1 million (FY2021: €10.4 million). The Group's EBITDA margin improved by 4 percentage points on a comparable basis to 73%. In addition, the Group's interest cover strengthened from 3.25 times in FY2021 to 5.61 times in FY2022.

The financial statements under review were impacted by one-off items which had a net positive effect of €13.5 million on the Group's profit before tax. Such items include: (i) gains of €7.3 million on disposal of subsidiaries (Stivala Operators Limited and Stivala Properties Ltd); (ii) gains on revaluation of property amounting to €9.1 million; and (iii) provision for expected credit losses of €2.9 million.

As a result, the Group reported an increase in profit after tax of €13.9 million to €26.3 million (FY2021: €12.4 million). In other comprehensive income, the Group reflected an uplift in the carrying value of



property, plant and equipment of €4.4 million. Overall, the Group registered a total comprehensive income of €30.7 million compared to €42.7 million in FY2021.

Revenue in **FY2023** amounted to €33.0 million, an increase of €4.2 million (+15%) from the prior year. The majority of this increase in revenue is a reflection of an improvement in performance from all operational sectors of the Group (hospitality, commercial leasing and residential rental sectors). In addition, the Group generated €7.2 million from the sale of property (residential units and garages) compared to €6.2 million in FY2022 (+€1.0 million).

As a result, the Group's EBITDA increased y-o-y by €2.3 million (+11%) and registered an EBITDA margin of 71.0% (FY2022: 73.3%). Interest cover strengthened from 5.6 times (in FY2022) to 5.7 times.

During the year, the Group undertook a valuation exercise of its brand "ST" and recognised the amount to €36.5 million in the income statement. The income approach was used to determine this value, more specifically the discounted cash flows using the multi-period excess earnings method ("MPEEM"). The value derived from the MPEEM was validated to assess its reasonableness by computing the brand value using another approach: the relief from royalty method, the value of which has been estimated at €37.1 million.

The MPEEM is based on the principle that the value of the subject asset is equal to the present value of incremental cash flows of the business unit, after deducting contributory assets charges to compensate for the use of all other identifiable assets which also contribute to the generation of cash flows. On the other hand, the relief from royalty method is based on the principle that the ownership of all the intangible assets relieves the owner of the need to pay a royalty to another party in exchange for the rights to use the asset. The value of the intangible asset is equal to the present value of the cost savings realised by the owner of the intangible asset as a result of not having to pay a stream of royalty payments to another party.

The valuation was prepared by reference to industry standards and best practices, such as:

- the Private Equity Valuation Guidelines issued by the International Private Equity and Venture Capital Valuation Board,
- the International Valuation Standards published by the International Valuation Standards Council, the independent global standard setter for the valuation profession.

In FY2023, the fair value of investment properties increased by €15.4 million (FY2022: +€9.1 million), while the provision for expected credit losses was reduced by €4.5 million (FY2022: nil).

In comprehensive income, the Group recognised an uplift in property values, net of deferred tax, of €9.2 million (FY2022: €4.4 million). Overall, total comprehensive income for the year amounted to €78.1 million compared to €30.7 million in the prior year.



The estimates for the projected financial year as presented in this document assume that the carrying values of hotel and investment properties will not be revalued upwards or impaired, and therefore no adjustment has been made as to possible uplifts or impairments in value of assets which can materially affect the consolidated income statement and the statement of financial position.

In **FY2024**, the Group is projected to generate revenue amounting to €31.2 million, a decrease of €1.8 million (-6%) when compared to FY2023. The y-o-y projected decline is due to the anticipated decrease in sales of residential units (€7.2 million in FY2023 compared to €0.9 million in FY2024). Excluding property sales, revenue is expected to increase y-o-y by €4.5 million (+17%).

As a result, the Group's EBITDA is expected to decrease y-o-y by €2.6 million (-10%) to €20.8 million and register an EBITDA margin of 66.8% (FY2023: 71.0%). Interest cover is expected to weaken from 5.67 times (FY2023) to 4.45 times.

In the forecast financial year, the Group estimates total comprehensive income to amount to €9.7 million compared to €78.1 million in the prior year. It should be noted that in FY2023, total comprehensive income comprised profit on recognition of intangible asset of €36.5 million and movement in revaluation of property of €24.6 million.

Stivala Group Finance p.l.c.				
Consolidated Statement of Cash Flows				
for the financial year 31 December				
	2021	2022	2023	2024
	Actual	Actual	Actual	Forecast
	€'000	€'000	€'000	€'000
Net cash from (used in) operating activities	12,020	18,716	64,680	2,034
Net cash from (used in) investing activities	(8,789)	(18,272)	(56,483)	(13,278)
Net cash from (used in) financing activities	(3,181)	989	(10,416)	13,796
Net movement in cash and cash equivalents	50	1,433	(2,219)	2,552
Expected credit loss (ECL) on cash in banks	(4)	(3)	-	4
Cash and cash equivalents at beginning of year	(1,386)	(1,340)	90	(2,129)
Cash and cash equivalents at end of year	(1,340)	90	(2,129)	427

STATEMENT OF CASH FLOWS

In FY2023, the Group generated €64.7 million in net cash from operating activities. Excluding the recognition of the intangible asset of €36.5 million, net cash inflows amounted to €28.2 million or +€9.5 million compared to prior year (FY2022: €18.7 million). In the forecast year (FY2024), the Group expects to generate net cash inflows of €2.0 million from operating activities, mainly on account of adverse working capital movements.



Net cash used in investing activities amounted to €56.5 million in FY2023 (FY2022: €18.3 million) and mainly comprised the acquisition of intangible asset of €36.5 million and property acquisitions and development of €19.6 million (FY2022: €17.8 million). In FY2024, expenditure relating to the various projects of the Group, new property acquisitions and payments to acquire property, plant and equipment is expected to amount to €10.9 million (in aggregate), while advances to related parties is forecasted to amount to €2.4 million.

Net cash outflows relating to financing activities amounted to €10.4 million in FY2023 compared to inflows of €1.0 million in FY2022. During the year, net repayments to bank loans and related parties amounted to €1.3 million (FY2022: advances of €1.6 million). In FY2023, the Group paid €12.0 million to shareholders (FY2022: nil). In the forecast year, net cash inflows from financing activities are projected to amount to €13.8 million and mainly comprises net drawdowns from bank borrowings.



Stivala Group Finance p.l.c.				
Consolidated Statement of Financial Position				
as at 31 December				
	2021	2022	2023	2024
	Actual	Actual	Actual	Forecast
	€'000	€'000	€'000	€'000
ASSETS				
Non-current assets				
Intangible assets	6	5	36,510	36,508
Right-of-use asset	607	382	204	209
Investment property	178,713	200,374	213,444	215,586
Property, plant & equipment	152,491	158,600	180,630	187,811
Investment in associates	308	274	280	280
Deferred taxation	10,574	12,692	10,240	13,970
	<u>342,699</u>	<u>372,327</u>	<u>441,308</u>	<u>454,364</u>
Current assets				
Inventory, trade and other receivables	9,873	11,866	11,609	9,713
Property held-for-sale	2,179	2,452	2,920	2,651
Other financial assets	8,004	8,320	13,095	18,116
Cash and cash equivalents	200	1,588	730	1,945
	<u>20,256</u>	<u>24,226</u>	<u>28,354</u>	<u>32,425</u>
Total assets	<u>362,955</u>	<u>396,553</u>	<u>469,662</u>	<u>486,789</u>
EQUITY				
Capital and reserves				
Share capital	255	255	255	255
Revaluation and other reserves	229,843	237,789	261,161	261,161
Retained earnings	5,294	11,211	67,112	75,974
	<u>235,392</u>	<u>249,255</u>	<u>328,528</u>	<u>337,390</u>
LIABILITIES				
Non-current liabilities				
Long-term borrowings & debt securities	80,290	85,479	86,935	101,710
Lease liabilities	395	225	172	101
Other non-current liabilities	25,514	28,603	30,410	28,860
	<u>106,199</u>	<u>114,307</u>	<u>117,517</u>	<u>130,671</u>
Current liabilities				
Bank overdraft	1,540	1,498	2,859	1,518
Borrowings	3,329	15,867	8,452	8,836
Lease liabilities	233	170	53	30
Trade and other payables	12,807	12,808	10,799	7,374
Other current liabilities	3,455	2,648	1,454	970
	<u>21,364</u>	<u>32,991</u>	<u>23,617</u>	<u>18,728</u>
	<u>127,563</u>	<u>147,298</u>	<u>141,134</u>	<u>149,399</u>
Total equity and liabilities	<u>362,955</u>	<u>396,553</u>	<u>469,662</u>	<u>486,789</u>
<i>Total debt</i>	<i>85,787</i>	<i>103,239</i>	<i>98,471</i>	<i>112,195</i>
<i>Net debt</i>	<i>85,587</i>	<i>101,651</i>	<i>97,741</i>	<i>110,250</i>
<i>Invested capital (total equity plus net debt)</i>	<i>320,979</i>	<i>350,906</i>	<i>426,269</i>	<i>447,640</i>



Key Financial Ratios	FY2021 Actual	FY2022 Actual	FY2023 Actual	FY2024 Forecast
Net debt-to-EBITDA (<i>times</i>) (<i>Net debt / EBITDA</i>)	8.19	4.81	4.17	5.30
Net debt-to-equity (<i>times</i>) (<i>Net debt / total equity</i>)	0.36	0.41	0.30	0.33
Net gearing (%) (<i>Net debt / net debt and total equity</i>)	26.66	28.97	22.93	24.63
Debt-to-asset (<i>times</i>) (<i>Total debt / total assets</i>)	0.24	0.26	0.21	0.23
Leverage (<i>times</i>) (<i>Total assets / total equity</i>)	1.54	1.59	1.43	1.44
Current ratio (<i>times</i>) (<i>Current assets / current liabilities</i>)	0.95	0.73	1.20	1.73

STATEMENT OF FINANCIAL POSITION

In the consolidated statement of financial position, the Group's total assets as at 31 December 2023 amounted to €469.7 million (2022: €396.6 million), predominantly composed of investment property and property, plant & equipment. The y-o-y increase of €73.1 million mainly included the recognition of intangible asset of €36.5 million, net additions to investment property and property, plant & equipment (+€11.3 million) and increases in fair value of property (+€22.6 million).

Non-current liabilities as at 31 December 2023 amounted to €117.5 million (2022: €114.3 million), comprising debt securities of €59.8 million (2022: €59.7 million), bank loans of €27.1 million (2022: €25.7 million) and other non-current liabilities (primarily deferred taxation) of €30.4 million (2022: €28.6 million).

Current liabilities amounted to €23.6 million (2022: €33.0 million) and include trade and other payable, current portion of bank, other borrowings and lease liabilities, overdraft facilities and other liabilities. The y-o-y decrease of €9.4 million primarily emanated from a decrease in borrowings. During the year, the Group paid a dividend of €12 million which was declared in the prior year but retained as short-term borrowings at nil interest and repayable on demand.

The gearing ratio of the Group decreased y-o-y by 6.1 percentage points to 22.9%. An alternative to assessing leverage is the net debt to EBITDA ratio, which weakened from 4.8 times in 2022 to 4.2 times in 2023.

Total assets as at 31 December **2024** are expected to amount to €486.8 million, an increase of €17.1 million from the comparable period. It is anticipated that planned capital expenditure for the forecast year will add €7.2 million (net of depreciation charge) to property, plant and equipment, while other financial assets are expected to increase by €5.0 million.



Total liabilities are projected to increase by €8.3 million mainly on account of a net increase in bank borrowings of €13.8 million and a decrease in non-current liabilities (comprising deferred taxation) and trade & other payables of €1.5 million and €3.4 million respectively.

The net gearing ratio of the Group is anticipated to increase by 2 percentage points from 23% in FY2023 to 25% in FY2024, while the net debt to EBITDA is projected to weaken from 4.17 times in 2023 to 5.30 times in 2024.

7. VARIANCE ANALYSIS

The following financial information relates to the variance analysis between the projected financial information for the year ended 31 December 2023 included in the prior year's Financial Analysis Summary dated 26 June 2023 and the audited consolidated financial statements for the year ended 31 December 2023.

Stivala Group Finance p.l.c.				
Consolidated Statement of Total Comprehensive Income				
for the financial year ended 31 December 2023				
	Actual	Projection	Variance	
	€'000	€'000	€'000	
Revenue	33,015	37,203	(4,188)	
Cost of sales	(7,205)	(8,543)	1,338	
Gross profit	25,810	28,660	(2,850)	
Net operating costs	(2,370)	(1,594)	(776)	
EBITDA	23,440	27,066	(3,626)	
Depreciation & amortisation	(1,766)	(4,253)	2,487	
Profit on recognition of intangible asset	36,500	-	36,500	(1)
Decrease in provision for expected credit losses (ECL)	4,462	-	4,462	(2)
Provision for expected credit losses (ECL)	(1,036)	191	(1,227)	(2)
Operating profit	61,600	23,004	38,596	
Dividends receivable	223	64	159	
Movement in revaluation of property	15,351	-	15,351	(3)
Share in profit (loss) of associates	7	(35)	42	
Net finance costs	(4,137)	(3,800)	(337)	
Profit before tax	73,044	19,233	53,811	
Taxation	(4,215)	(1,542)	(2,673)	
Profit for the year	68,829	17,691	51,138	
Other comprehensive income:				
Movement in revaluation of property, net of tax	9,249	-	9,249	(3)
Total comprehensive income	78,078	17,691	60,387	



In 2023, the Group's revenue was lower than projected by €4.2 million, mainly on account of lower property sales when compared to projections. This adverse variance was also reflected at EBITDA level (-€3.6 million).

The following variances were not anticipated at the time of preparation of the projections:

- (1) Recognition of intangible asset amounting to €36.5 million;
- (2) Net decrease in provision for expected credit losses (ECL) of €3.2 million;
- (3) Uplifts in the carrying values of property of €24.6 million.

Stivala Group Finance p.l.c.			
Consolidated Statement of Cash Flows			
for the financial year ended 31 December 2023			
	Actual	Projection	Variance
	€'000	€'000	€'000
Net cash from operating activities	64,680	24,666	40,014
Net cash from investing activities	(56,483)	(13,590)	(42,893)
Net cash from financing activities	(10,416)	(11,023)	607
Net movement in cash and cash equivalents	(2,219)	53	(2,272)
Expected credit loss (ECL) on cash in banks	-	4	(4)
Cash and cash equivalents at beginning of year	90	90	-
Cash and cash equivalents at end of year	(2,129)	147	(2,276)

Actual net movement in cash and cash equivalents was lower than projected by €2.3 million. The positive variance of €40.0 million in operating activities and the adverse variance of €42.9 million in investing activities mainly reflect the recognition of the intangible asset amounting to €36.5 million. Otherwise, net cash inflows from operating activities were higher than expected by €3.5 million, which amount was fully absorbed by additional expenditure of a capital nature (investing activities) amounting to €6.4 million.



Stivala Group Finance p.l.c.				
Consolidated Statement of Financial Position				
as at 31 December 2023				
	Actual	Projection	Variance	
	€'000	€'000	€'000	
ASSETS				
Non-current assets				
Intangible assets	36,510	4	36,506	(1)
Right-of-use asset	204	108	96	
Investment property	213,444	201,624	11,820	(2)
Property, plant & equipment	180,630	168,910	11,720	(2)
Investment in associates	280	1	279	
Deferred taxation	10,240	10,582	(342)	
	<u>441,308</u>	<u>381,229</u>	<u>60,079</u>	
Current assets				
Inventory, trade and other receivables	11,609	835	10,774	(3)
Property held-for-sale	2,920	-	2,920	
Other financial assets	13,095	14,538	(1,443)	
Cash and cash equivalents	730	1,735	(1,005)	
	<u>28,354</u>	<u>17,108</u>	<u>11,246</u>	
Total assets	<u>469,662</u>	<u>398,337</u>	<u>71,325</u>	
EQUITY				
Capital and reserves				
Share capital	255	255	-	
Revaluation and other reserves	261,161	237,789	23,372	(2)
Retained earnings	67,112	31,826	35,286	
	<u>328,528</u>	<u>269,870</u>	<u>58,658</u>	
LIABILITIES				
Non-current liabilities				
Long-term borrowings & debt securities	86,935	87,662	(727)	
Lease liabilities	172	298	(126)	
Other non-current liabilities	30,410	14,881	15,529	(4)
	<u>117,517</u>	<u>102,841</u>	<u>14,676</u>	
Current liabilities				
Bank overdraft	2,859	1,588	1,271	
Borrowings	8,452	6,869	1,583	
Lease liabilities	53	1,142	(1,089)	
Trade and other payables	10,799	14,637	(3,838)	
Other current liabilities	1,454	1,390	64	
	<u>23,617</u>	<u>25,626</u>	<u>(2,009)</u>	
	<u>141,134</u>	<u>128,467</u>	<u>12,667</u>	
Total equity and liabilities	<u>469,662</u>	<u>398,337</u>	<u>71,325</u>	



The material variances between the actual and projected statement of financial position are as follows:

- (1) The recognition of the Group’s brand “ST” as an intangible asset was not anticipated when the forecast was compiled.
- (2) Uplifts in the carrying values of investment property and property, plant and equipment were not anticipated at the time of preparation of the projections. Furthermore, the Group capital expenditure was higher than expected.
- (3) Amounts owed by directors, UBOs and other advances were expected to be received during the year, but in fact remained outstanding as at 31 December 2023.
- (4) The higher non-current liabilities mainly reflect deferred tax on fair value gains on property.



PART 3 – COMPARATIVE ANALYSIS

The Table below provides a comparison between the Group and its bonds with other debt issuers and their respective debt securities listed on the Regulated Main Market (Official List) of the Malta Stock Exchange. Although there are significant variances between the activities of the Group and those of other debt issuers (including different industries, principal markets, competition, capital requirements etc.), and material differences between the risks associated with the Group's business/es and those of other debt issuers, the comparative analysis illustrated in the Table below serves as an indication of the relative financial strength and creditworthiness of the Group.

Comparative Analysis*	Amount Issued (€'000)	Yield-to-Maturity / Worst (%)	Interest Cover (times)	Net Debt-to-EBITDA (times)	Net Gearing (%)	Debt-to-Assets (times)
5.00% Hal Mann Vella Group p.l.c. Secured 2024	30,000	3.81	2.21	9.47	51.49	0.43
4.25% Best Deal Properties Holding p.l.c. Secured & Guaranteed 2024	1,267	4.17	57.57	9.38	69.21	0.64
5.75% International Hotel Investments p.l.c. Unsecured 2025	45,000	5.75	1.61	10.49	43.07	0.41
5.10% GPM Holdings p.l.c. Unsecured 2025**	13,000	6.86	16.04	0.65	17.79	0.20
4.50% Hili Properties p.l.c. Unsecured & Guaranteed 2025	37,000	4.11	1.80	8.70	46.06	0.45
4.35% Hudson Malta p.l.c. Unsecured & Guaranteed 2026	12,000	4.63	5.64	6.37	77.20	0.60
4.25% CPCL Finance p.l.c. Unsecured & Guaranteed 2026	40,000	4.25	1.45	11.49	43.52	0.41
4.00% International Hotel Investments p.l.c. Secured 2026	55,000	3.99	1.61	10.49	43.07	0.41
5.00% Dizz Finance p.l.c. Unsecured & Guaranteed 2026	8,000	4.99	2.27	8.24	80.39	0.57
3.75% Premier Capital p.l.c. Unsecured 2026	65,000	4.38	10.89	2.16	65.14	0.57
4.00% International Hotel Investments p.l.c. Unsecured 2026	60,000	5.34	1.61	10.49	43.07	0.41
3.25% AX Group p.l.c. Unsecured 2026	15,000	3.33	1.24	21.28	39.42	0.36
3.90% Gap Group p.l.c. Secured & Guaranteed 2024-2026	16,702	3.89	n/a	3.15	52.66	0.56
4.00% Hili Finance Company p.l.c. Unsecured & Guaranteed 2027	50,000	3.62	4.60	4.44	69.59	0.61
4.35% SD Finance p.l.c. Unsecured & Guaranteed 2027	65,000	4.26	4.68	1.74	22.08	0.26
4.00% Eden Finance p.l.c. Unsecured & Guaranteed 2027	40,000	4.04	5.43	4.21	26.73	0.24
5.25% Mediterranean Investments Holding p.l.c. Unsecured & Guaranteed 2027	30,000	5.24	5.42	2.67	20.40	0.19
4.00% Stivala Group Finance p.l.c. Secured & Guaranteed 2027	45,000	3.99	5.67	4.17	22.93	0.21
4.75% Best Deal Properties Holding p.l.c. Secured & Guaranteed 2025-2027	15,000	5.06	57.57	9.38	69.21	0.64
4.75% Gap Group p.l.c. Secured & Guaranteed 2025-2027	23,000	4.74	n/a	3.15	52.66	0.56
3.85% Hili Finance Company p.l.c. Unsecured & Guaranteed 2028	40,000	4.27	4.60	4.44	69.59	0.61
5.85% Mediterranean Investments Holding p.l.c. Unsecured & Guaranteed 2028	20,000	5.19	5.42	2.67	20.40	0.19
5.75% Plan Group p.l.c. Secured & Guaranteed 2028	12,000	4.62	7.37	9.26	54.58	0.48
3.65% Stivala Group Finance p.l.c. Secured & Guaranteed 2029	15,000	3.78	5.67	4.17	22.93	0.21
3.80% Hili Finance Company p.l.c. Unsecured & Guaranteed 2029	80,000	4.87	4.60	4.44	69.59	0.61
3.75% AX Group p.l.c. Unsecured 2029	10,000	3.75	1.24	21.28	39.42	0.36
5.25% Best Deal Properties Holding p.l.c. Secured & Guaranteed 2024	15,000	4.98	57.57	9.38	69.21	0.64
6.25% GPH Malta Finance p.l.c. Unsecured & Guaranteed 2030	18,144	6.24	1.73	7.63	94.01	0.75
3.65% International Hotel Investments p.l.c. Unsecured 2031	80,000	4.69	1.61	10.49	43.07	0.41
3.50% AX Real Estate p.l.c. Unsecured 2032	40,000	5.10	2.04	12.44	49.30	0.45
5.00% Mariner Finance p.l.c. Unsecured 2032	36,930	4.85	4.89	6.08	50.77	0.50
5.85% AX Group p.l.c. Unsecured 2033	40,000	5.19	1.24	21.28	39.42	0.36
6.00% International Hotel Investments p.l.c. Unsecured 2033	60,000	5.34	1.61	10.49	43.07	0.41
4.50% The Ona p.l.c. Secured & Guaranteed 2028-2034	16,000	4.63	3.09	16.34	74.89	0.65
5.50% Juel Group p.l.c. Secured & Guaranteed 2035	32,000	5.20	3.35	11.26	55.24	0.51

*As at 15 May 2024

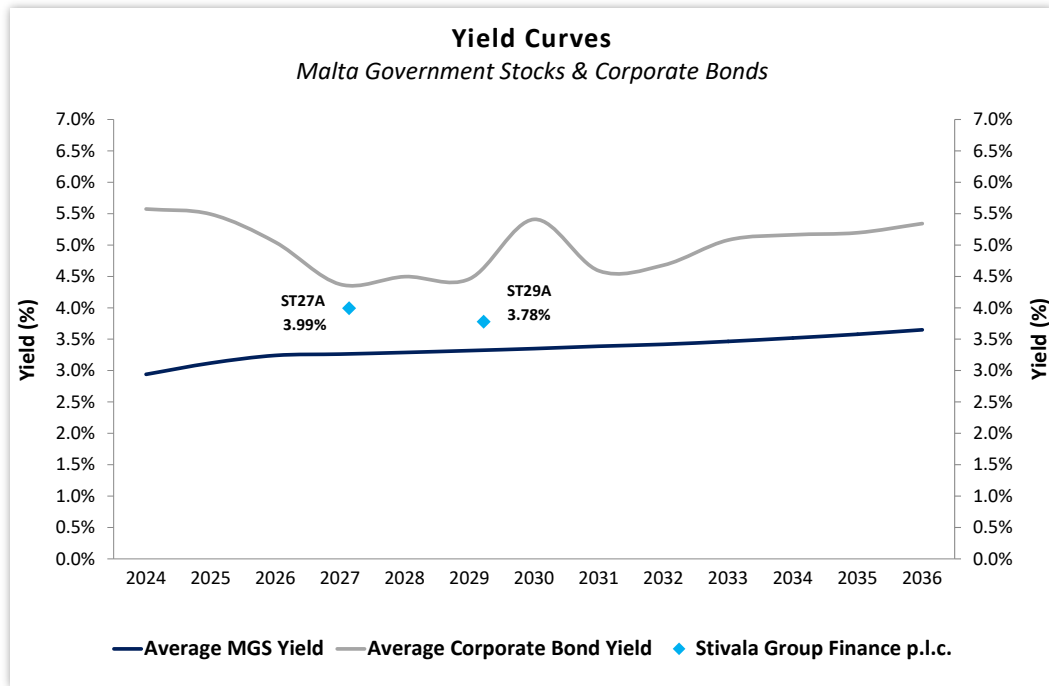
** The financial ratios pertain to Idox p.l.c..

Sources: Malta Stock Exchange

M.Z. Investment Services Limited

Most recent audited annual financial statements except for Juel Group p.l.c. (FY2024 forecast, as included in the Financial Analysis Summary dated 6 June 2023).





The closing market price as at 15 May 2024 for the **4.00% Stivala Group Finance p.l.c. secured and guaranteed bonds 2027 (ST27A)** was 100.00%. This translated into a yield-to-maturity (“YTM”) of 3.99% which was 39 basis points below the average YTM of 4.38% of other local corporate bonds maturing in the same year. The premium over the corresponding average Malta Government Stock (“MGS”) yield of equivalent maturity stood at 73 basis points.

The closing market price as at 15 May 2024 for the **3.65% Stivala Group Finance p.l.c. secured and guaranteed bonds 2029 (ST29A)** was 99.39%. This translated into a YTM of 3.78% which was 68 basis points below the average YTM of 4.46% of other local corporate bonds maturing in the same year. The premium over the corresponding average MGS yield of equivalent maturity stood at 46 basis points.



PART 4 – EXPLANATORY DEFINITIONS

Income Statement

<i>Revenue</i>	Total income generated from business activities.
<i>EBITDA</i>	Earnings before interest, tax, depreciation, and amortisation. It is a metric used for gauging operating performance excluding the impact of capital structure. EBITDA is usually interpreted as a loose proxy for operating cash flows.
<i>Adjusted operating profit / (loss)</i>	Profit (or loss) from core operations, excluding movements in the fair value of investment property, share of results of associates and joint ventures, net finance costs, and taxation.
<i>Operating profit / (loss)</i>	Profit (or loss) from operating activities, including movements in the fair value of investment property but excluding the share of results of associates and joint ventures, net finance costs, and taxation.
<i>Share of results of associates and joint ventures</i>	Share of profit (or loss) from entities in which the company does not have a majority shareholding.
<i>Profit / (loss) after tax</i>	Net profit (or loss) registered from all business activities.

Profitability Ratios

<i>EBITDA margin</i>	EBITDA as a percentage of revenue.
<i>Operating profit margin</i>	Operating profit (or loss) as a percentage of total revenue.
<i>Net profit margin</i>	Profit (or loss) after tax as a percentage of total revenue.
<i>Return on equity</i>	Measures the rate of return on net assets and is computed by dividing the net profit (or loss) for the year by average equity.
<i>Return on assets</i>	Measures the rate of return on assets and is computed by dividing the net profit (or loss) for the year by average assets.
<i>Return on invested capital</i>	Measures the rate of return from operations and is computed by dividing operating profit (or loss) for the year by the average amount of equity and net debt.

Statement of Cash Flows

<i>Net cash from / (used in) operating activities</i>	The amount of cash generated (or consumed) from the normal conduct of business.
<i>Net cash from / (used in) investing activities</i>	The amount of cash generated (or consumed) from activities related to the acquisition, disposal, and/or development of long-term assets and other investments.
<i>Net cash from / (used in) financing activities</i>	The amount of cash generated (or consumed) that have an impact on the capital structure, and thus result in changes to share capital and borrowings.
<i>Free cash flow</i>	Represents the amount of cash generated (or consumed) from operating activities after considering any amounts of capital expenditure.



Statement of Financial Position

<i>Non-current assets</i>	These represent long-term investments which full value will not be realised within the next twelve months. Such assets, which typically include property, plant, equipment, and investment property, are capitalised rather than expensed, meaning that the amortisation of the cost of the asset takes place over the number of years for which the asset will be in use. This is done instead of allocating the entire cost to the accounting year in which the asset was acquired.
<i>Current assets</i>	All assets which could be realisable within a twelve-month period from the date of the Statement of Financial Position. Such amounts may include development stock, accounts receivable, cash and bank balances.
<i>Non-current liabilities</i>	These represent long-term financial obligations which are not due within the next twelve months, and typically include long-term borrowings and debt securities.
<i>Current liabilities</i>	Liabilities which fall due within the next twelve months from the date of the Statement of Financial Position, and typically include accounts payable and short-term debt.
<i>Total equity</i>	Represents the residual value of the business (assets minus liabilities) and typically includes the share capital, reserves, as well as retained earnings.

Financial Strength / Credit Ratios

<i>Interest cover</i>	Measures the extent of how many times a company can sustain its net finance costs from EBITDA.
<i>Net debt-to-EBITDA</i>	Measures how many years it will take a company to pay off its net interest-bearing liabilities (including lease liabilities) from EBITDA, assuming that net debt and EBITDA are held constant.
<i>Net debt-to-equity</i>	Shows the proportion of net debt (including lease liabilities) to the amount of equity.
<i>Net gearing</i>	Shows the proportion of equity and net debt used to finance a company's business and is calculated by dividing net debt by the level of invested capital.
<i>Debt-to-assets</i>	Shows the degree to which a company's assets are funded by debt and is calculated by dividing all interest-bearing liabilities (including lease liabilities) by total assets.
<i>Leverage</i>	Shows how many times a company is using its equity to finance its assets.
<i>Current ratio</i>	Measures the extent of how much a company can sustain its short-term liabilities from its short-term assets.

