ANNEX III – FINANCIAL ANALYSIS SUMMARY

The Directors
JD Capital p.l.c.
HHF303, Industrial Estate,
Hal Far, Birzebbugia,
BBG3000,
Malta

3 October 2022

RE: FINANCIAL ANALYSIS SUMMARY – 2022

Dear Sirs,

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 JD Capital p.l.c. (the “**Issuer**”) 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 three years ended 31 December 2019, 2020 and 2021 has been extracted from the audited financial statements of the Issuer for the three years in question.

(b) The forecast data for the financial years ending 2022 and 2023 has been provided by management.

(c) Our commentary on the Issuer’s results and financial position is based on the explanations set out by the Issuer in the Prospectus and on the MFSA Listing Policies.

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

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

The Analysis is meant to assist potential investors by summarising the more important financial data set out in the Prospectus. The Analysis does not contain all data that is relevant to potential investors and is meant to complement, and not replace, the contents of the full Prospectus. The Analysis does not constitute an endorsement by our firm of the proposed bond issue and should not be interpreted as a recommendation to invest in the Issuer’s securities. We shall not accept any liability for any loss or damage arising out of the use of the Analysis and no representation or warranty is provided in respect of the reliability of the information contained in the Prospectus. 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 2022

3 October 2022

Prepared by Calamatta Cuschieri Investment Services Ltd

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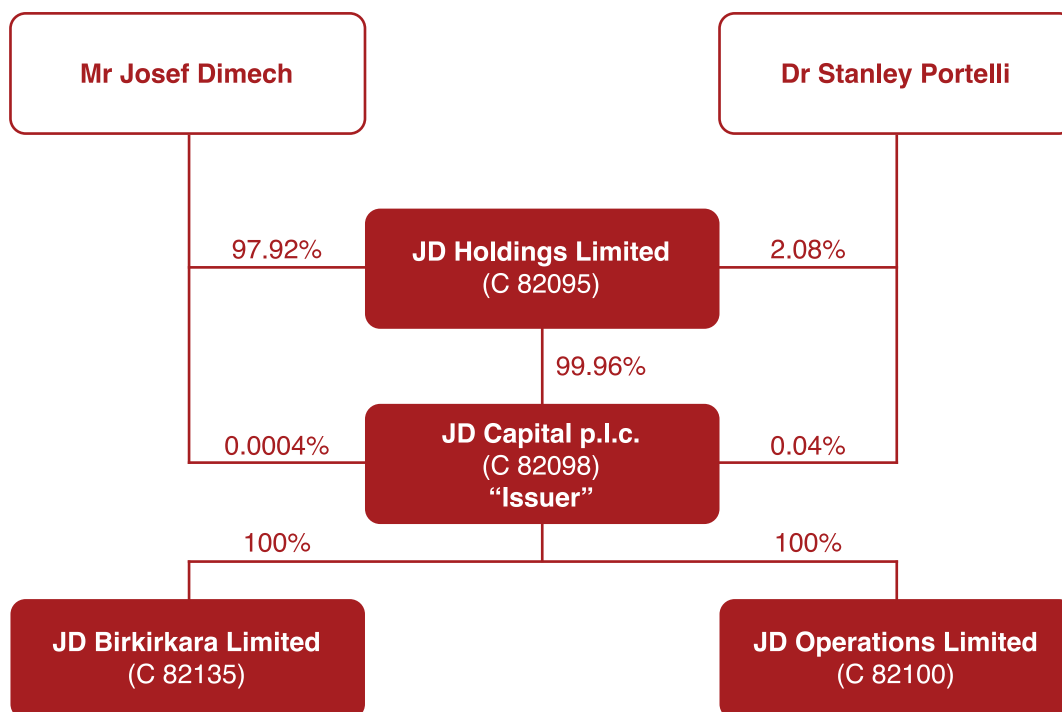
Part 1 - Information about the Group

JD Capital p.l.c. (the "**Issuer**") has applied for a bond issue in respect of €14m 4.85% 2032 bonds under a Secured Bonds Issuance Programme as defined in the prospectus dated 3 October 2022 issued by the Issuer (the "**Prospectus**").

This Financial Analysis Summary has been prepared in line with the MFSA Listing Policies.

1.1. ISSUER'S KEY ACTIVITIES AND STRUCTURE

The Group structure is as follows:



The Issuer was incorporated on 9 August 2017 and has, at the date of this Analysis, an authorised and issued share capital of €7,546,700 divided into 7,543,621 Ordinary Shares of and 3,079 Ordinary A shares of €1 each, all fully paid up. The Issuer along with its two subsidiaries constitute the "Group". The Issuer acts as both the holding company and financing arm to its subsidiaries. JD Capital p.l.c. is, except for 3,079 ordinary A shares held by Dr Stanley Portelli (**"SP"**) and 31 ordinary shares held by Mr Josef Dimech (**"JD"**), a fully owned subsidiary company of JD Holdings Limited.

JD Holdings Limited (**"JDH"**) was incorporated on 9 August 2017. The authorised share capital of JDH consists of 10,000 ordinary shares made up of 9,900 ordinary shares and 100 ordinary A shares, all of nominal value of €1. As at the date of this Analysis, the issued share capital of JDH was of €4,800, made up of 4,700 ordinary shares held by JD and 100 ordinary A shares held by SP.

JD, through his shareholding in JDH, is the majority shareholder of the Group. JD is also an executive director and the CEO of the Group. JD has over 30 years' experience in the business of aluminium and stainless steel works. JD set up JSDimech Limited (**"JSD"**) in 2004, which was controlled by himself as an individual and which went from strength to strength reaching revenue of €10.8m in 2016. In 2018, JD founded the Group and transferred all operations from JSD to the Group.

JD Birkirkara Limited (**"JDB"**) and JD Operations Limited (**"JDO"**) are subsidiaries of the Issuer. JDB was incorporated on 11 August 2017 and has an authorised and issued share capital of 200,000 shares with nominal value of €1 per share, which are fully paid up and owned by the Issuer. JDB's principal activity is to act as a property investment company.

JDO was incorporated on 9 August 2017 and has an authorised and issued share capital of 3,501,200 shares with a nominal value of €1 each, which are fully paid up and owned by the Issuer. JDO's principal activity is to manufacture, assemble and install aluminium, steel, wrought iron, large-scale glass formats and stainless steel works.

The Group operates in mainly two lines of business, these being the manufacturing business line and the property development business line. The manufacturing business line includes the production and installation of wrought iron, apertures, steel railings, curtain walling, structural glazing, steel structures, composite cladding, large glass and different door systems. On the other hand, the property development line includes the development of the site of Birkirkara for commercial use.

As mentioned previously, in 2018, JD commenced a restructuring process whereby the operations of the manufacturing and property development business line, which were previously carried out by JSD, were transferred to the Group for a total consideration of €11.9m. The key terms of the transfer included the site in Hal Far, plant and equipment and intellectual property with a combined value of €11.9m to be transferred to JDO whilst the site in Birkirkara which was valued at €4m to be transferred to JDB. These major assets are discussed further in section 1.3.

As per the company admission document dated 16 May 2018 issued by the Issuer, the Issuer issued €5m unsecured bonds maturing in 2028 (**"2018 Prospects MTF Bonds"**). These bonds trade on the Prospects MTF List of the Malta Stock Exchange. Out of this issue, €3.85m was used to partially settle the amount of €11.9m mentioned previously in respect of the transfer of assets from JSD to the Group whilst the remaining €1.05m was to be used for existing and increased working capital and trade finance requirements. The issue costs for this issue was of *circa* €0.1m.

1.2. DIRECTORS AND KEY EMPLOYEES

Board of Directors - Issuer

As of the date of this Analysis, the following persons constitute the board of directors of the Issuer:

Name	
Mr Josef Dimech	Executive Director and Group CEO
Mr Jonathan Pace	Executive Director
Dr Stanley Portelli	Independent Non-executive Director
Mr Stephen Muscat	Chairman and Independent Non-executive Director
Dr Jesmond Manicaro	Independent Non-executive Director

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

Dr Jesmond Manicaro is the company secretary of the Issuer.

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

1.3. MAJOR ASSETS OWNED BY THE GROUP

1.3.1. Hal Far Factory (the "Factory")

On 6 March 2018, INDIS Malta Ltd (**"INDIS"**) granted JDO a temporary emphyteusis contract for a period of 65 years relating to a site in the Hal far Industrial Estate. The site has a footprint of 16,245m^2 consisting of a manufacturing plant of 5,308m^2 and adjoining land of 10,937m^2.

The Factory includes a stainless steel and aluminium manufacturing area, a steel section manufacturing area, an alucabond section, a spray-painting block, a glass section, and an administration block. The Factory was last valued at €17m. The Group negotiated with INDIS to allow JDO to use the site as collateral for the Bonds and use the site for additional activities unrelated to JDO's core business.

1.3.2. Birkirkara site

The site in Birkirkara is situated in Triq Dun Karm, corner with Triq Kanonku Karm Pirotta, with a total area of 1,437m^2. This site was originally purchased by JSD on 12 May 2015. It was then transferred to JDB on 8 March 2018 for €4m. JD Birkirkara Limited submitted a development permit application for the development of the Birkirkara Site into a commercial office block, comprised of circa 4,000 m^2 of office space over six overlying floors, together with 128-car spaces over five underlying floors, for a total built up space of 10,000 m^2.

The Group submitted a development request (PA/04895/16) on 23 June 2016 to remove the existing columns stubs and excavate the Birkirkara Site a depth of 18 metres. This application was followed by another development request (PA/04369/19) for six-car park levels, a store and six floors of Class A offices. To this end, JD Birkirkara Limited obtained development permits relative to both above applications on 31 August, 2022. On 15 July 2022, the land was revalued to €4.5m by iAS Limited.

1.4. OPERATIONAL DEVELOPMENTS

1.4.1. Hal Far site

The re-development of the Hal Far site will be split into two phases. It is envisaged that the footprint of the Factory will increase from 5,308m^2 to 27,011m^2. This increase in land area will consist of an office block which will be suspended over a three-storey high steel truss of 1,722m^2, an industrial area of 19,812m^2, a loading and storage area of 3,427m^2, and a common area of 2,050m^2. The Factory extension is expected to be constructed using steel framing manufactured by JDO itself.

Management noted that part of the Factory will be rented out to third parties. Phase 1 constitutes the construction of the Factory extension and offices whilst phase 2 relates to the construction of the rentable area which is expected to generate substantial revenue for the Group. As such, phase 2 will come into play with the second tranche of the Bond issue and will not be expanded upon in this Analysis. Phase 1 of the re-development is expected to be concluded in H2 2023.

Use of proceeds

The net proceeds of the Bonds, which are expected to amount within the region of €13.6 million, are earmarked by the Issuer for the following purposes:

- *Circa* €5.0m reserved for allocation to bondholders of the 2018 Prospects MTF Bonds;
- *Circa* €5.0m for financing phase 1 of the redevelopment of the Factory;
- *Circa* €3.6m to be kept for general corporate funding purposes.

Bond issue costs are estimated at €400k and consist of selling commission fees, professional fees, exchange regulatory and ancillary fees.

1.5. COVID-19 IMPACT ON THE GROUP'S OPERATIONAL AND FINANCIAL PERFORMANCE

The Issuer and the Group's business, operations, and financial performance remain susceptible to the risk relating to the uncertainty surrounding the constantly changing circumstances within which it finds itself operating as a result of COVID-19, as well as the risks of the effects of the corresponding restrictive or prohibitive measures that have been, and may in the future, be introduced a result thereof or in connection therewith.

Such risks may also impact the Group indirectly as a result of their effect on the Group's clients, whose ability to effect payment for services rendered by the Group may be impacted by the effects of the pandemic.

Management has also continued to focus on managing the impact and hazards of the pandemic giving particular attention to the rise in raw material prices due to the global increase in transportation costs, which has led to a slight decrease in profit margin on certain projects.

Part 2 - Historical Performance and Forecasts

The financial information below is extracted from the audited consolidated financial statements of the Issuer for the financial years ended 31 December 2019, 2020 and 2021. Group management has provided the projected financial information for the year ending 31 December 2022 and 2023.

The projected financial information relates to events in the future and are based on assumptions which the Group believes to be reasonable. Consequently, the actual outcome may be adversely affected by unforeseen situations and the variation between forecast and actual results may be material.

2.1. ISSUER'S STATEMENT OF COMPREHENSIVE INCOME

Issuer's Statement of Comprehensive Income for the year ended 31 December	2019A	2020A	2021A	2022P	2023P
	€'000s	**€'000s**	**€'000s**	**€'000s**	**€'000s**
Administrative expenditure	(30)	(50)	(61)	(54)	(55)
EBITDA	**(30)**	**(50)**	**(61)**	**(54)**	**(55)**
Depreciation and amortisation	(10)	(10)	(11)	(48)	(48)
EBIT	**(40)**	**(60)**	**(72)**	**(102)**	**(103)**
Finance cost	(250)	(250)	(250)	(400)	(883)
Finance income	313	1,130	318	505	1,116
Impairment of financial assets	(15)	-	-	-	-
Profit/(loss) before tax	**8**	**820**	**(4)**	**3**	**130**
Taxation charge	-	(284)	(66)	(1)	(46)
Profit/(loss) after tax	**8**	**536**	**(70)**	**2**	**84**

Ratio Analysis	2019A	2020A	2021A	2022P	2023P
Profitability					
Gross Profit Margin (Net Finance costs / Finance income)	20.1%	77.9%	21.4%	20.8%	20.9%
Net Margin (Profit after tax / Finance income)	2.6%	47.4%	-22.0%	0.4%	7.5%

As mentioned in section 1.1 of the Analysis, the Issuer acts as both the holding and financing arm of the Group and as such has no operations itself. It is because of this that the Issuer has no revenue or cost of sales in the above financial statements. The increase in administrative expenses in FY20 comes mainly from higher professional fees whilst the increase in FY21 comes from increased directors' fees. As expected, amortisation of bond issue costs remained steady at around €10k. Finance costs represent the interest payable to the bondholders and remained stable at €250k throughout the years. Moving into forecasts for FY22 and FY23, as expected, finance costs, finance income and the corresponding bond amortisation costs all increased due to the Bonds issue.

Finance income, is made up of interest receivable from related parties and dividend income. In FY19 and FY21 finance income remained relatively stable whilst in FY20 there was added dividend income of €0.8m received from JDC which boosted income to €1.1m for the year. The Issuer posted consistently positive Gross Profit Margin which means that it is comfortably satisfying its debt obligation. In FY19 there was a one off impairment on financial assets, which did not feature in the following years. Profit before tax was €8k, €0.8m and (€4k) in FY19, FY20 and FY21 respectively. The higher profit before tax in FY20 led to higher income tax of €0.3m and a profit after tax of €0.5m. Profit after tax in FY19 and FY21 was €8k and (€0.1m) respectively. In FY22 and FY23 on the other hand, profit after tax is expected to be €2k and €0.1m respectively.

2.2. ISSUER'S STATEMENT OF FINANCIAL POSITION

Issuers Statement of Financial Position as at 31 December	2019A	2020A	2021A	2022P	2023P
	€'000s	€'000s	€'000s	€'000s	€'000s
Assets					
Non-current assets					
Financial assets at amortised cost	4,885	4,885	4,885	13,500	24,500
Investment in subsidiaries	7,502	7,502	7,502	7,502	7,502
Total non-current assets	**12,387**	**12,387**	**12,387**	**21,002**	**32,002**
Current assets					
Financial assets at amortised cost	45	53	56	41	41
Trade and other receivables	201	201	202	202	201
Cash and cash equivalents	1	-	-	51	228
Total current assets	**247**	**254**	**258**	**294**	**470**
Total assets	**12,634**	**12,641**	**12,645**	**21,296**	**32,472**
Equity					
Share capital	245	245	7,547	7,547	7,547
Other equity	7,302	7,302	-	-	-
Retained earnings	10	19	(51)	(49)	35
Total equity	**7,557**	**7,566**	**7,496**	**7,498**	**7,582**
Liabilities					
Non-current liabilities					
Borrowings	4,896	4,906	4,917	13,565	24,612
Total non-current liabilities	**4,896**	**4,906**	**4,917**	**13,565**	**24,612**
Current liabilities					
Borrowings	13	3	3	-	-
Current tax liabilities	-	-	48	49	94
Trade and other payables	168	166	181	184	184
Total current liabilities	**181**	**169**	**232**	**233**	**278**
Total liabilities	**5,077**	**5,075**	**5,149**	**13,798**	**24,890**
Total equity and liabilities	**12,634**	**12,641**	**12,645**	**21,296**	**32,472**

"Financial assets" and "investments in subsidiaries" made up 100% of non-current assets from FY19 to FY21 and remained stable throughout the years at €12.4m. Financial assets at amortised costs refers to a loan made to a subsidiary at an interest of 6.5% per annum and is repayable by no later than 30 September 2027 whilst investments in subsidiaries consist of a holding of €4.0m in JD Birkirkara limited and a €3.5m investment in JD operations totaling €7.5m.

When it comes to current assets throughout the three historical years, there was a slight increase in "financial assets at amortised cost" which represent minimal amounts owed to the Issuer by the subsidiaries and the ultimate parent, which were interest free and payable on demand. Total assets amounted to around €12.6m from FY19 to FY21. Total assets are expected to increase significantly in FY22 and FY23 mainly due to increased financial assets at amortised cost related to the Bonds issue.

Although total equity remained stable from FY19 to FY21 at around €7.5m, in FY21 amounts owed to the

parent company which were part of other equity were converted into shares and going forward will make up part of the Issuers share capital. Total equity is expected to remain stable in FY22 and FY23. The borrowings that make up non-current liabilities relate to the €5m bond issue in the Prospects MTF whilst current liabilities were minimal leading to total equity and liabilities of 12.6m throughout the 3 years. In FY22 and FY23, non-current liabilities are expected to increase significantly due to the Bonds issue pushing total equity and liabilities to €21.3m in FY22 and €32.5m in FY23.

2.3. ISSUER'S STATEMENT OF CASH FLOWS

Issuers Statement of Cash Flows for the year ended 31 December	2019A	2020A	2021A	2022P	2023P
	€'000s	**€'000s**	**€'000s**	**€'000s**	**€'000s**
Cash flows from operating activities					
Profit before tax	**8**	**820**	**(4)**	**3**	**130**
Adjustments for:					
Finance costs	250	250	250	400	883
Depreciation					
Impairment on financial assets	15	-	-	-	-
Amortisation of bond issue costs	10	10	11	48	48
Loss on disposal of motor vehicles	-	-	-	-	-
Finance and dividend income	(313)	(318)	(318)	(505)	(1,116)
	(30)	**762**	**(61)**	**(54)**	**(55)**
Movement in working capital					
Movement in trade and other receivables	-	-	(1)	-	-
Movement in trade and other payables	3	(2)	15	4	-
Cash flow from operations	**(27)**	**760**	**(47)**	**(50)**	**(55)**
Taxation paid	-	(284)	(19)	-	(1)
Interest received	-	252	319	101	1,116
Net cash flows generated from/(used in) operating activities	**(27)**	**728**	**253**	**51**	**1,060**
Cash flows from investing activities					
Movement in amounts due from subsidiary and related parties	145	59	(3)	(8,600)	(11,000)
Net cash flows generated from/(used in) investing activities	**145**	**59**	**(3)**	**(8,600)**	**(11,000)**
Cash flows from financing activities					
Net proceeds from bonds issue	-	-	-	9,000	11,000
Interest paid	(250)	(250)	(250)	(400)	(883)
Movement in amounts due to subsidiary	13	(10)	-	-	-
Dividends paid	-	(527)	-	-	-
Net cash flows generated from/(used in) financing activities	**(237)**	**(787)**	**(250)**	**8,600**	**10,117**
Movement in cash and cash equivalents	**(119)**	**-**	**-**	**51**	**177**
Cash and cash equivalents at start of year	119	-	-	-	51
Cash and cash equivalents at end of year	**-**	**-**	**-**	**51**	**228**

Cash flows from operations were highest in FY20 at €0.8m mainly due to the higher profit before tax for that year. Interest received in FY21 was the main driver that led to positive cash flows from operations of €0.3m in FY21. The only item included in cash flows from investing activities were movements in amounts due from subsidiary and related parties, which were highest in FY19 at €0.1m and lowest in FY21 at (€3k). The biggest movement in cash flows from financing activities came in FY20 from dividends paid of €0.5m. These cash flow movements together led to a (€0.1m) movement in FY19 and negligible movements in both FY20 and FY21. Moving into FY22 and FY23, cash flow from operations are expected to be positive at €0.1m and €1.1m respectively mainly due to increased finance income from the Bonds issue. The "movements in amounts due from subsidiary and related parties" which is part of cash flows from investing activities and "net proceeds from bonds issue" which is part of financing activities are expected to net due to the flow of funds of the Bond issue down to the group's subsidiaries. This means that in FY22 net cash used in investing activities is expected to amount to €8.6m whilst inflow from financing activities is expected to also to be around €8.6m. On the other hand, in FY23, cash used in investing activities is expected to amount to €11.0m whilst inflow from financing activities is expected to also to be around €10.1m.

2.4. GROUP'S STATEMENT OF COMPREHENSIVE INCOME

Group's Statement of Comprehensive Income for the year ended 31 December	2019A	2020A	2021A	2022P	2023P
	€'000s	**€'000s**	**€'000s**	**€'000s**	**€'000s**
Revenue	11,329	15,145	16,268	14,614	12,958
Cost of sales	(7,572)	(12,105)	(13,637)	(11,913)	(9,576)
Gross profit	**3,757**	**3,040**	**2,631**	**2,701**	**3,382**
Selling and distribution	(156)	(111)	(151)	(151)	(154)
Administrative expenditure	(1,583)	(741)	(776)	(838)	(853)
Other income	23	5	294	-	-
EBITDA	**2,041**	**2,193**	**1,998**	**1,712**	**2,375**
Depreciation and amortisation	(703)	(798)	(842)	(997)	(820)
EBIT	**1,338**	**1,395**	**1,156**	**715**	**1,555**
Finance cost	(476)	(525)	(584)	(796)	(1,257)
Finance income	61	241	206	74	78
Other losses	-	(90)	(12)	-	-
Impairment of financial assets	(56)	(200)	(297)	-	-
Profit/loss before tax	**867**	**821**	**469**	**(7)**	**376**
Taxation charge	(392)	(412)	(309)	(33)	(649)
Profit/loss after tax	**475**	**409**	**160**	**(40)**	**(273)**

Ratio Analysis	2019A	2020A	2021A	2022P	2023P
Profitability					
Growth in Revenue (YoY Revenue Growth)	-1.7%	33.7%	7.4%	-10.2%	-11.3%
Gross Profit Margin (Gross Profit/ Revenue)	33.2%	20.1%	16.2%	18.5%	26.1%
EBITDA Margin (EBITDA / Revenue)	18.0%	14.5%	12.3%	11.7%	18.3%
Operating (EBIT) Margin (EBIT / Revenue)	11.8%	9.2%	7.1%	4.9%	12.0%
Net Margin (Profit after tax / Revenue)	4.2%	2.7%	1.0%	-0.3%	-2.1%
Return on Common Equity (Net Income / Average Equity)	5.5%	4.7%	1.9%	-0.2%	-1.5%
Return on Assets (Net Income / Average Assets)	1.60%	1.3%	0.8%	-0.1%	-0.5%
Return on capital employed (EBITDA/ Total Assets - Current Liabilities)	10.3%	8.7%	6.0%	4.3%	4.4%
EBITDA Growth	19.6%	7.4%	-8.9%	-14.3%	38.7%

During FY19 the Group carried out 330 contracts of which 87% were successfully completed by year-end. Manufacturing sales for FY19 resulted in a net revenue of €11.3m. During FY20 the Group carried out 313 contracts, six of which included projects above €0.5m. These six projects made up 71% of the Group's total revenue in 2020. Revenue in FY20 came in at €15.2m for the year.

During FY21, the Group also continued working on the outstanding projects from FY20 and commenced works on another two major projects. In FY21, the Group carried out 241 contracts with revenue totalling €16.3m for FY21.

The Group assumes that revenue from Manufacturing during FY22 will remain at the same level as in FY21. Since the Group envisages carrying out part of the re-development of the Factory in-house, any construction works carried out in the Factory will be excluded from manufacturing revenue and will be capitalised. As a result, revenue during FY22 and FY23 is expected to decrease by a total of Euro 5 million when compared to FY21 as the Group continues to develop the Hal Far and Birkirkara projects. This can be seen in the expected drop in Growth in Revenue forecasted for FY22 and FY23.

One can note a significant decrease in gross profit margin which dips from 33.2% in FY19 to 20.1% and 16.2% in FY20 and FY21 respectively. Margins are expected to recover to 18.5% and 26.1% in FY22 and FY23 respectively. The main reason for this is that the Group worked on a significant project in the period FY20-FY22 for which the Group expects to generate a total of 13.5m in revenue. In this 3 year period the margin on this project was lower than what the Group generally charges for smaller projects and this has negatively affected the overall margins of the Group.

Selling and distributive expenses remained relatively stable throughout the three historical years at around €0.1m. The most noticeable change in administrative expenses came from a reclassification of staff welfare costs during FY20 to wages and salaries in other direct costs that make up COS. Salaries in general were also lower by 8% in FY20.

Administrative expenses in FY21 remained fairly stable. Other income for the Group was minimal and pertains to sales of scrap materials in FY19, wage supplements in FY20 and mainly management fees in FY21. The Group's Return on Capital Employed shows that the Group is efficiently managing its capital albeit this efficiency decreasing consistently throughout the 5 year period. Depreciation and amortisation increased slightly throughout the 3 years from €0.7m in FY19 to €0.8m in FY21. This resulted in an EBIT of €1.3m in FY19, €1.4m in FY20 and €1.2m in FY21. The lower revenue in FY22 was the main reason for the lower EBIT the Group expects to register this year whilst for FY23 the Group is envisaging lower COS to make up for the loss of revenue and EBIT to be higher than previous years.

Finance costs increased minimally from FY19 to FY21 due to increased interest payments on bank borrowings, lease liabilities and late payments. Interest on bonds payable remained stable throughout. Finance costs are expected to rise significantly in FY22 and FY23 due to the premium that will be paid to the prospects MTF bondholders for calling the bond early, but mainly as a result of the interest that will be paid on the Bonds. Finance income, on the other hand, increased in FY20 but then fell marginally in FY21 due to fluctuating interest on loans receivable and is expected to continue falling in FY22 and FY23. Other losses relate solely to losses arising from disposals of vehicles by the Group.

Impairments on financial assets increased from €0.1m in FY19 to €0.2m in FY20 and continued increasing to €0.3m in FY21. These movements led to profit before income tax of €0.9m, €0.8m and €0.5m in FY19, FY20 and FY21 respectively. Taxation remained relatively stable throughout the years at around €0.4m and led to profit after tax of €0.5m in FY19, €0.4m in FY20 and €0.2m in FY21. These figures correspond to net margins of 4.2%, 2.7% and 1% respectively. Loss for the year in FY22 and FY23 is expected to amount to (€0.1m) and (€0.3m) respectively resulting in corresponding net margins of (0.3%) and (2.1%).

2.5. GROUP'S STATEMENT OF FINANCIAL POSITION

Group's Statement of Financial Position as at 31 December	2019A	2020A	2021A	2022P	2023P
	€'000s	€'000s	€'000s	€'000s	€'000s
Assets					
Non-current assets					
Property, plant and equipment	15,413	15,039	23,627	28,857	37,660
Investment property	4,518	4,522	4,523	-	-
Intangible assets	225	225	224	224	224
Financial assets at amortised cost	6,988	5,925	1,619	4,236	4,314
Trade and other receivables	-	-	1,085	1,646	1,646
Deferred tax asset	-	5	-	-	-
Total non-current assets	**27,144**	**25,716**	**31,078**	**34,963**	**43,844**
Current assets					
Financial assets at amortised cost	811	1,789	3,151	45	45
Inventory	2,102	1,375	1,529	1,529	1,529
Contract assets	-	1,984	4,514	4,515	2,514
Trade and other receivables	838	2,385	6,647	7,816	4,830
Cash and cash equivalents	15	11	361	5,631	11,692
Total current assets	3,766	7,544	16,202	19,536	20,610
Total assets	**30,910**	**33,260**	**47,280**	**54,499**	**64,454**
Equity					
Share capital	245	245	7,547	7,547	7,547
Other equity	7,302	7,302	-	-	-
Revaluation reserve	-	-	7,857	7,857	11,336
Retained earnings	1,142	1,024	1,183	1,128	856
Total equity	**8,689**	**8,571**	**16,587**	**16,532**	**19,739**
Liabilities					
Non-current liabilities					
Borrowings	6,470	8,167	7,398	13,564	24,612
Lease liabilities	3,562	3,528	3,492	3,456	3,413
Trade and other payables	788	3,810	3,899	2,721	1,739
Deferred tax liabilities	360	360	1,593	1,593	2,115
Non-current tax liabilities	-	661	508	2,335	1,779
Total non-current liabilities	**11,180**	**16,526**	**16,890**	**23,669**	**33,658**
Current liabilities					
Borrowings	1,378	2,018	3,602	4,864	4,134
Lease liabilities	32	34	36	36	36
Contract liabilities	2,168	696	2,212	2,212	2,212
Current tax liabilities	801	556	1,080	2,389	1,610
Trade and other payables	6,662	4,859	6,873	4,797	3,065
Total current liabilities	**11,041**	**8,163**	**13,803**	**14,298**	**11,057**
Total liabilities	**22,221**	**24,689**	**30,693**	**37,967**	**44,715**
Total equity and liabilities	**30,910**	**33,260**	**47,280**	**54,499**	**64,454**

Ratio Analysis	2019A	2020A	2021A	2022P	2023P
Financial Strength					
Gearing 1 (Net Debt / Net Debt and Total Equity)	56.8%	61.6%	46.1%	49.6%	50.9%
Gearing 2 (Total Liabilities / Total Assets)	71.9%	74.2%	64.9%	69.7%	69.4%
Gearing 3 (Net Debt / Total Equity)	131.51%	160.26%	85.41%	98.53%	103.87%
Net Debt / EBITDA	5.6x	6.3x	7.1x	9.5x	8.6x
Current Ratio (Current Assets / Current Liabilities)	0.3x	0.9x	1.2x	1.4x	1.9x
Quick Ratio (Current Assets - Inventory / Current Liabilities)	0.2x	0.8x	1.1x	1.3x	1.7x
Interest Coverage 1 (EBITDA / Cash interest paid)	6.2x	4.2x	4.9x	2.8x	2.2x
Interest Coverage 1 (EBITDA / Finance Costs)	4.3x	4.2x	3.4x	2.2x	1.9x

In FY19 non-current assets made up 87.8% of total assets of which 56.8% were property, plant and equipment ("PPE"). In FY19 there was a 43% increase in PPE due to the Group's adoption of IFRS 16 which also brought about a right of use asset mainly from the site in Hal Far of 2.6m. FY19 also saw significant construction works of €0.9m. During this year, plant and machinery dropped 11% mainly due to depreciation charge of €0.2m.

In FY20 construction works in the factory amounted to €0.3m, which included an extension to the factory and the construction of a boardroom. The Group also added a mobile crane of €0.1m in FY20. In FY21 PPE made up 50% of the Group's total assets. A revaluation of the site in Hal Far saw the value of the factory increase by 63% to €17m. Other significant items that make up the Group's non-current assets include Investment Property and Financial Assets at amortised cost. In FY22 and FY23 PPE is expected to increase substantially to €28.9m and €37.7m as a result of the development of the Hal far and Birkirkara properties.

The investment property refers to the site in Birkirkara. This site was valued at around €4.5m on 15 January 2018 by iAS Limited and remained relatively stable throughout the years. Financial assets at amortised cost relate to amounts owed to the Group by the ultimate parent and related parties, which fluctuate throughout the years as payments, are made back to the Group. Total non-current assets increased from €27.1m in FY19 to 31.1m in FY21 mainly due to the increase in PPE. Trade and other receivables increased rapidly over the three historical years and relate to trade receivables from the manufacturing business. This increase is in line with the growth in manufacturing sales.

The average collection period in FY21 deteriorated from 30 days to 125 days and was mainly due to the delays in recovering balances due from three new projects entered into in FY21 totalling €5.0m, however, the Group still believes that the provisions of €0.3m are enough to cover any future losses. Inventory levels remained relatively stable throughout the years and comprise mainly of raw and work in progress materials used in the manufacturing business line. In FY20 and FY21 the Group also recognised contract assets on its books which refer to amounts which were recognised as revenue during the year but which still require fulfilment of its performance obligations before they can be considered as a receivable balance. Total current assets increased from €3.8m in FY19 to €7.6m to FY20 and increased further to €16.2m in FY21. Total assets on the other hand stood at €30.9m, €33.3m and €47.3m on FY19, FY20 and FY21 respectively. Total assets for FY22 and FY23 are expected to increase significantly following the investment to be made as a result of the Bond issue. The three gearing ratios show an improving situation for the Group until FY21, with a slight increase forecasted for FY22 and FY23.

On 4 May 2021, the Group capitalised its portion of other equity into issued share capital. FY21 also saw a revaluation of €7.9m on the Hal Far Factory, which pushed total equity up to €16.6m from €8.6m in FY20. In FY23, the Group also expects to revalue the site in Birkirkara with a valuation of €5.5. In FY22, total equity is expected to remain stable whilst in FY23 the revaluation reserve is expected to increase by €3.4m and push total equity to €19.7m.

As at FY21 borrowings comprised of the Prospects MTF bond, a bank loan of €2.6m which was obtained to finance the general working capital of the group, a bank loan of €2.2m obtained to help finance the HUGO project and a bank overdraft facility which the Group occasionally makes use of. These borrowings are split

between current and non-current liabilities depending on their term/maturity. Borrowings are expected to increase substantially due to the Bonds issue.

Deferred tax liabilities increased significantly in FY21 mainly due to the revaluation mentioned previously. Lease liabilities remained stable throughout the 3 years. On the other hand, trade payables, which relate to outstanding balances payable to third parties from the manufacturing business line increased in FY20 and remained at these levels in FY21 in line with the influx of business.

Total current liabilities remained relatively stable in the three historical years going from €11.0m in FY19 to €8.1m in FY20 and increasing to €13.8m in FY21. The biggest contributor to current liabilities were trade and other payables making up around 50% in each of the three years. The Group's current ratio remained below 2.0x between FY19 and FY21 and is expected to remain below 2.0x in FY22 and FY23 which means the Group's liquidity situation is a comfortable one. Total liabilities for the three years came in at €22.2m, €24.7m and 30.7m in FY19, FY20 and FY21 respectively.

In FY22 and FY23, borrowings are expected to increase significantly due to the Bonds issue and so, total non-current liabilities are expected to be €23.7m and €33.7m respectively. On the other hand, current liabilities are expected to remain relatively stable with movements coming mainly from lower trade and other payables and higher borrowings.

As explained in other parts of the FAS, the Group will concentrate on the developments of the Hal Far and Birkirkara projects in the immediate future at the cost of third party revenue growth. Whilst management anticipate that this will have a limited negative affect on EBITDA result, interest cover will decrease due to increased interest cost as a result of the new Bond issue, from 4.3 in FY19 to 1.9 in FY23.

2.6. GROUP'S STATEMENT OF CASH FLOWS

Group's Statement of Cash Flows for the year ended 31 December	2019A	2020A	2021A	2022P	2023P
	€'000s	€'000s	€'000s	€'000s	€'000s
Cash flows from operating activities					
Profit before tax	**867**	**821**	**468**	**(7)**	**376**
Adjustments for:					
Finance costs	476	525	584	212	1,084
Depreciation	693	788	832	949	772
Revaluation of investment property	-	-	-	-	-
Impairment on financial assets	56	200	297	-	-
Amortisation of bond issue costs	10	10	11	48	48
Loss on disposal of motor vehicles	-	90	12	-	-
Finance and dividend income	(60)	(241)	(206)	454	(267)
	2,042	**2,193**	**1,998**	**1,656**	**2,013**
Movement in working capital					
Movement in inventories	(2,102)	727	(154)	-	-
Movement in trade and other receivables	(909)	(3,609)	(7,131)	(1,243)	4,909
Movement in trade and other payables	(203)	(252)	3,619	(118)	(3,526)
Cash flow from operations	**(1,172)**	**(941)**	**(1,668)**	**295**	**3,396**
Interest paid	(78)	(65)	-	-	-
Taxation paid	-	(1)	(60)	(538)	(425)
Net cash flows generated from/(used in) operating activities	**(1,250)**	**(1,007)**	**(1,728)**	**(243)**	**2,971**

Cash flows from investing activities					
Acquisition of property, plant and equipment	(1,086)	(537)	(217)	(1,656)	(6,095)
Intangible assets	-	-	(1)	-	-
Movement in amounts due from related company	40	-	-	-	-
Investment property	(18)	(4)	-	-	-
Receipt from disposal of motor vehicles	-	23	2	-	-
Interest received	-	241	-	-	-
Movement in amounts due from subsidiary and related parties	-	(313)	(591)	-	-
Receipts from loan	-	286	2,349	-	-
Net cash flows generated from/(used in) investing activities	**(1,064)**	**(304)**	**1,542**	**(1,656)**	**(6,095)**
Cash flows from financing activities					
Net proceeds from bonds issue	-	-	-	9,000	11,000
Interest paid	(250)	(463)	(407)	(621)	(1,084)
Movement in amounts due to subsidiary	43	309	(104)	-	-
Interest paid on lease liabilities	-	-	(177)	-	-
Payment on finance leases	(144)	(33)	(34)	-	-
Advance/(repayment of banks loan	-	(2,313)	(1,680)	(710)	(731)
Net proceeds from borrowings	2,349	4,783	2,438	-	-
Dividends paid	-	(527)	-	-	-
Net cash flows generated from/(used in) financing activities	**1,998**	**1,756**	**36**	**7,669**	**9,185**
Movement in cash and cash equivalents	**(316)**	**445**	**(150)**	**5,770**	**6,061**
Cash and cash equivalents at start of year	(118)	(434)	11	(139)	5,631
Cash and cash equivalents at end of year	**(434)**	**11**	**(139)**	**5,631**	**11,692**

Ratio Analysis	2019A	2020A	2021A	2022P	2023P
	€'000s	**€'000s**	**€'000s**	**€'000s**	**€'000s**
Cash Flow					
Free Cash Flow (Net cash from operations + Interest - Capex)	(2,198)	(1,394)	(1,884)	(1,361)	(2,699)

Using the direct method, profit before tax remained relatively stable over the years between €0.9m in FY19 and €0.6m in FY21. All non-cash adjustments also remained relatively steady throughout the three years. The biggest non-cash contributors were depreciation followed by finance costs. When it comes to movements in working capital, the largest changes came from movements in trade and other receivables/payables.

This reflects the increase in trade receivables in the corresponding periods seen in the statement of financial position. Similarly, the sharp increase in movements in trade payables for FY21 reflects the higher trade payables in the statement of financial position, which has a positive effect on cash flows since the Group is making full use of its payment period terms. The positive movement seen in movement of inventories shows the Groups increased efficiency in managing inventories and increased finished goods.

In FY20 and FY21, the Group took a number of steps to strengthen its liquidity including renegotiation of debtor terms and the better use of the facilities provided by a local bank to cover any delays in the collectability of the trade receivables. These measures are expected to pay off immediately as net cash flows from operations are

expected to be marginally negative in FY22 and to be substantially positive in FY23. Having said this, Free Cash Flow is expected to continue being negative in FY22 and FY23 which means that the Group needs to continue its efforts in bettering its net cash from operations.

When it comes to cash flows from investing activities, in FY19 we can see a large investment in PPE. This was mainly related to additions made in the Factory to increase its production facilities in relation to the Quad project. Another significant item part of investing activities are receipts from loans in FY21, which related mainly to cash injections. Cash flows from investing activities turned positive in FY21 at €1.5m whilst in FY20 and FY19 this figure stood at (€0.3m) and (€1.1m) respectively which narrates an improving story in this regard. In FY22 and FY23, the Group expects to invest heavily in PPE which will increase cash outflows from investing activities substantially to (€1.7m) and (€6.1m) respectively.

Finally, when looking at cash flows from financing activities it is clear that additional financing facilities were obtained by the Group in FY20 and FY21 as mentioned previously. In FY20, the Group received €4.8m in short term borrowings and also made repayments in regard to its bank loan of €2.3m. The Group also paid out dividends of €0.5m, which were eventually re-injected within the Group.

Alternatively, in FY21 €2.4m was received in the form of short-term borrowings whilst €1.7m was paid back to banks. Interest paid remained at a relatively constant level throughout the three years. Cash flows from financing activities stood at €2.0m, €1.8m and €36k in FY19, FY20 and FY21 respectively. Main inflows from financing activities in FY22 and FY23 are expected to relate to the new bond issue.

Part 3 – Key Market and Competitor Data

3.1. GENERAL MARKET CONDITIONS

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

3.2. ECONOMIC UPDATE[1]

The Bank's Business Conditions Index indicates that annual growth in business activity is at its long-term average estimated since January 2000. The European Commission survey shows that in July, economic sentiment in Malta edged down from a month earlier, but stood at its long-term average, which is estimated since November 2002. When compared with June, sentiment deteriorated in all sectors covered by the survey, except in the retail sector.

Additional survey information shows that price expectations eased in the services sector and among consumers but rose in the remaining sectors. The largest increase was recorded in the construction sector. In July, the European Commission's Economic Uncertainty Indicator (EUI) for Malta decreased when compared with June. Lower uncertainty was notably driven by developments in services and industry. In June, industrial production contracted in annual terms, though at a smaller rate compared with a month earlier.

The volume of retail trade rose at a slower pace. The unemployment rate stood at 3.0% in June, marginally lower from a month earlier and the lowest rate on record. Commercial permits fell in June relative to their year-ago level, but residential permits rose. In July, both the number of promise-of-sale agreements and final deeds of sale fell on a year-on year basis. The annual inflation rate based on the Harmonised Index of Consumer Prices (HICP) stood at 6.8% in July, up from 6.1% in the previous month.

Inflation based on the Retail Price Index (RPI) edged up to 6.8% in July, from 6.2% a month earlier. Maltese residents' deposits expanded at an annual rate of 9.8% in June, following an increase of 11.1% in the previous month, while annual growth in credit to Maltese residents stood at 7.0%, marginally above the rate of 6.8%

1 Central Bank of Malta – Economic Update 8/2022

recorded a month earlier. In June 2022 the deficit on the Consolidated Fund narrowed substantially when compared with a year earlier as government revenue rose while government expenditure declined

3.3. ECONOMIC OUTLOOK[2]

The Central Bank of Malta expects Malta's gross domestic product (GDP) to grow by 5.2% in 2022, 4.5% in 2023 and 3.7% in 2024. Compared to the previous projections, the Bank's latest forecast represents downward revisions of 0.2% in 2022, 0.4% in 2023, and of 0.1% in 2024. The downward revisions reflect the strong pick-up in inflationary pressures as well as a further deterioration in the international economic environment due to the recent cuts in gas supplies to European countries. Net exports are expected to be the main driver of growth in 2022, reflecting the correction in import-intensive investment outlays from the exceptionally high levels reached in 2021.

The contribution of domestic demand is expected to be positive but significantly lower compared to that of 2021, as growth in activity normalises following the strong rebound last year. In the following years, domestic demand is expected to lead the expansion in economic activity, especially from private consumption. The contribution of net exports is projected to ease over the projection horizon, reflecting the gradual normalisation of tourism exports and decelerating growth in foreign demand more generally. Employment growth in 2022 is expected to reach 3.5% from 2.8% in 2021. It is set to moderate to just above 2% by 2024.

The unemployment rate is projected to decline to 3.1% this year, from 3.5% last year and it is expected to hover within this range over the outlook period. In view of the expected increase in inflation this year, wage growth is projected to be relatively strong. Nevertheless, nominal wage growth is projected to remain below that of inflation due to some lag in the transmission from prices to wages. In the following years, wage pressures are expected to moderate as the labour market becomes less tight. Annual inflation based on the Harmonised Index of Consumer Prices is projected to pick-up sharply in 2022 and remain high also in 2023. Indeed, it is envisaged to accelerate to 5.9% in 2022, from 0.7% in 2021. The sharp pick-up in inflation reflects a broad-based increase across all sub-components of HICP except for energy inflation.

Import price pressures are expected to moderate somewhat by the beginning of next year, although these are envisaged to remain high by historical standards. Hence, HICP inflation is expected to moderate to 3.8% by 2023, driven by lower contributions from all subcomponents except for energy inflation. Inflation is set to ease further in 2024 to 2.1%. The general government deficit is projected to recede to 5.6% of GDP in 2022, from 7.9% in 2021. It is expected to narrow further to 4.0% in 2023 and to 3.2% in 2024. This profile is driven by the unwinding of COVID-19 support measures in 2022, which offset outlays on price mitigation measures. The latter are set to remain in place but assumed to diminish over the projection horizon.

The general government debt-to-GDP ratio is projected to stand at 58.8% of GDP in 2024. On balance, risks to economic activity are tilted to the downside, especially for 2023 though uncertainty even during 2022 remains high. The main downside risks relate to the evolution of energy supply from Russia to Europe. This could lead to severe shortages of energy supplies going into the winter, which could in turn adversely affect production abroad and amplify supply bottlenecks. Foreign demand could also be weaker than expected if monetary policy in advanced economies continues to tighten more forcibly than assumed in this projection round.

These downside risks are mitigated somewhat by domestic fiscal policy which is cushioning partly the impact of imported inflation. In addition, the savings ratio could fall faster than is being assumed in this projection, while upward surprises in tourism could further boost net exports and GDP growth. Risks to inflation are on the upside during the entire projection horizon. Indeed, further escalation in cuts in gas supplies could trigger a stronger than envisaged rise in commodity prices, which would put further upward pressures on the prices of imported goods and freight costs.

In addition, the EU policy to sharply reduce dependence on Russian fossil fuels could also lead to stronger than expected increases in import costs, particularly in the short-run. The risk of second-round effects from wages and mark-ups grows if high inflation persists for longer. On the fiscal side, risks mainly relate to a larger deficit in 2022 and 2023. These mostly reflect the likelihood of additional Government support to mitigate rising commodity prices and the likelihood of state aid to the national airline.

2 Central Bank of Malta – Economic Projections 2022 – 2024 (08/2022)

3.4. CONSTRUCTION OF COMMERCIAL PROPERTY IN MALTA

The strong economic growth sustained by the Maltese economy in recent years has contributed to a rise in the employment rate and the influx of foreign workers within the Maltese workforce. This has contributed to an increase in the demand for rental of office and commercial space in Malta. To address such growing demand, the supply of office and commercial space in Malta has considerably increased over the last couple of years. Of note, there are several traditional business areas in Malta. For instance, Sliema attracts many international brands and companies. Likewise, Valletta, being Malta's capital city, is considered as the hub for law firms and many long-established family businesses.

Other traditional commercial areas include the likes of St. Julian's, which is popular for its sea-view offices, and Floriana, which attracts businesses that want to be located in the vicinity of Valletta. In furtherance, there are also top-quality commercial developments in the proximity of the airport and in other residential areas such as Naxxar, Mosta, Mellieha and in parts of the south of Malta. The variety of commercial and office space in Malta cater for every type of business, from start-ups to established global organisations. In this regard, numerous business centres have recently been developed, with new centres in the pipeline. These include SkyParks, The Quad, Trident Park, The Centre and Aragon House Business Centre.

Data specifically related to commercial property in Malta is limited, thus making it more challenging to identify the exact state of this sector. Nevertheless, it is evident that Malta has, over recent years, completely evolved and has attracted a numerous amount of foreign companies related to sectors within the financial services, gaming and IT. It is therefore apparent that the demand for good commercial property has drastically increased, whereby Malta's property sector has been dominated by a situation of demand seemingly excessing supply. The latter has resulted into the majority of high-quality commercial developments being fully let.

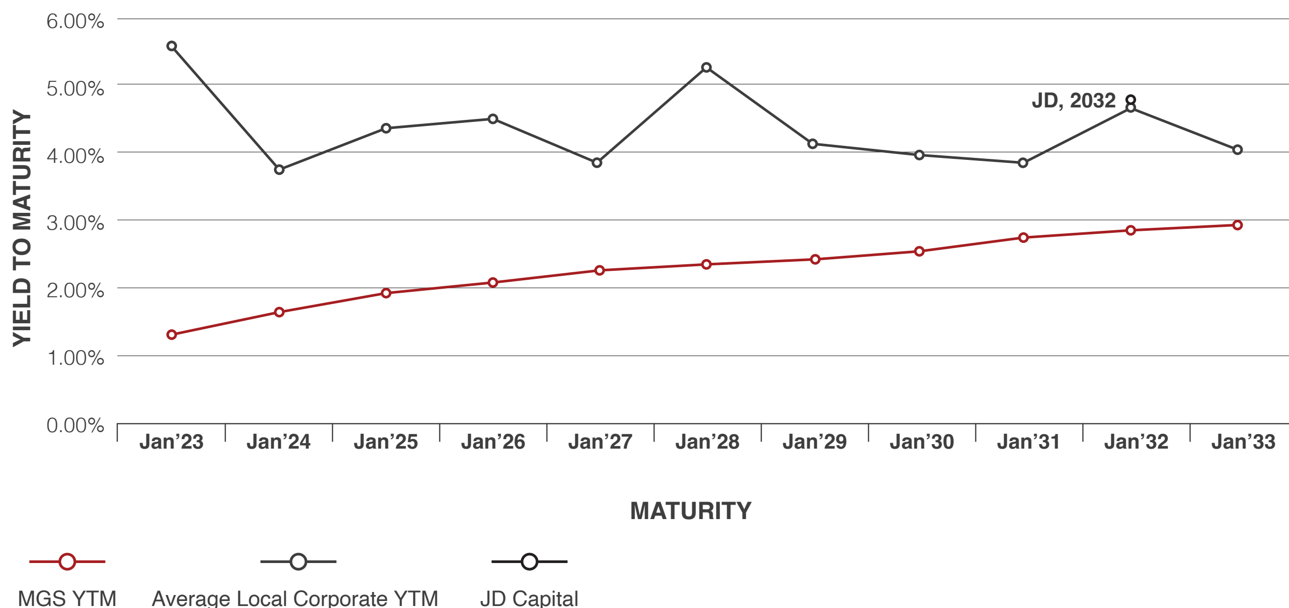
In line with latest statistical data issued by Eurostat[3], the index reflecting office building permits within the European Union, indicated a marked increase throughout 2021, further strengthening the argument that a recovery was underway following the depressed levels in 2020. In Q1 2021 the index seemed to have bottomed at 106.7 from 138.2 in the previous quarter. Following this drop, the index showed consistent quarterly increases for Q2, Q3 and Q4 of 114.5, 128.8 and 135.9 respectively. In Q1 of 2022 however we saw a sharp drop to 116.3 in this index.

3 https://appsso.eurostat.ec.europa.eu/nui/submitViewTableAction.do

Security	Nom Value	Yield to Maturity	Interest coverage (EBITDA)	Total Assets	Total Equity	Total Liabilities / Total Assets	Net Debt / Net Debt and Total Equity	Net Debt / EBIT-DA	Current Ratio	Return on Common Equity	Net Margin	Revenue Growth (YoY)
	€000's	(%)	(times)	(€' millions)	(€' millions)	(%)	(%)	(times)	(times)	(%)	(%)	(%)
4.25% Mercury Projects Finance plc Secured € 2031	11,000	4.12%	0.3x	113.0	34.6	69.4%	47.4%	99.5x	1.8x	-19.6%	-117.0%	-75.1%
4% Cablenet Communication Systems plc Unsecured € 2030	40,000	3.85%	7.4x	88.3	8.4	90.5%	82.6%	2.6x	0.5x	-42.5%	-8.5%	13.9%
4.65% Smartcare Finance plc Secured € 2031	13,000	4.09%	1.2x	32.6	13.1	59.8%	51.6%	20.9x	2.4x	-2.1%	-9.9%	8.8%
3.5% GO plc Unsecured € Bonds 2031	60,000	3.45%	27.6x	368.6	109.9	70.2%	52.6%	1.7x	1.0x	8.8%	5.4%	4.6%
3.9% Browns Pharma Holdings plc Unsec Call € Bonds 2027-2031	13,000	3.70%	6.5x	67.3	26.9	60.0%	40.9%	3.7x	1.1x	9.3%	6.8%	26.7%
3.65% Mizzi Organisation Finance plc € Unsecured 2028-2031	45,000	3.40%	3.7x	274.3	82.2	70.0%	54.7%	7.9x	0.9x	6.4%	4.8%	0.0%
4.25% Central Business Centres plc Unsecured € 2033	21,000	4.25%	2.0x	58.2	23.6	59.4%	54.7%	21.3x	1.2x	15.5%	227.7%	19.1%
4.3% Mercury Project Finance plc Secured € 2032	50,000	4.11%	0.3x	113.0	34.6	69.4%	47.4%	99.5x	1.8x	-19.6%	-117.0%	-75.1%
4.85% JD Capital plc Secured € 2032		4.85%	4.9x	47.3	16.6	64.9%	46.1%	7.1x	1.2x	1.9%	1.0%	7.4%
	Average:	3.87%										

Source: Latest available audited financial statements
*Average figures do not capture the financial analysis of the Issuer

YIELD CURVE ANALYSIS



The above graph illustrates the average yearly yield of all local issuers as well as the corresponding yield of MGSs (Y-axis) vs the maturity of both Issuers and MGSs (X-axis), in their respective maturity bucket, to which the spread premiums can be noted. The graph illustrates on a stand-alone basis, the yield on the Issuer's proposed bonds.

As at 26 August 2022, the average spread over the Malta Government Stocks (MGS) for corporates with maturity range of 9-11 years was 117 basis points. Meanwhile, the new proposed 4.85% JD Capital plc bond is expected to be issued at a spread of 190 basis points over the equivalent MGSs.

Moreover as at 26 August 2022 the Bond would be trading at a premium of 73 basis points in comparison to the market of comparable corporate bonds. It is pertinent to note that the above analysis is based on a maturity-matching basis and that the Issuer's industry is significantly different to the corporates identified and as such its risks also differ to that of other issuers.

Part 4 - Glossary and Definitions

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

Profitability Ratios	
Growth in Revenue (YoY)	This represents the growth in revenue when compared with previous financial year.
Gross Profit Margin	Gross profit as a percentage of total revenue.
EBITDA Margin	EBITDA as a percentage of total revenue.
Operating (EBIT) Margin	Operating margin is the EBIT as a percentage of total revenue.
Net Margin	Net income expressed as a percentage of total revenue.
Return on Common Equity	Return on common equity (ROE) measures the rate of return on the shareholders' equity of the owners of issued share capital, computed by dividing the net income by the average common equity (average equity of two years financial performance).
Return on Assets	Return on assets (ROA) is computed by dividing net income by average total assets (average assets of two years financial performance).
Return on Capital Employed	Return on capital employed (ROCE) measures the relative profitability of a company after taking into account the amount of capital used during a relative 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.
Total Debt	All interest-bearing debt obligations inclusive of long and short-term debt.
Net Debt	Total debt of a Group/Company less any cash and cash equivalents.
Current Liabilities	Obligations which are due within one financial year.

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

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