5th September 2019

Calamatta Cuschieri
INVESTMENT ADVISORS & STOCKBROKERS

Malta Properties Company p.l.c. (MPC)

Malta Properties

Executive Summary:

We have reviewed our model and maintain our Hold recommendation on Malta Properties Company plc. After updating our expectations and reflecting the FY 2019 interim results we increased our 12-month price target from €0.60 to €0.66.

The increase in our price target is attributable to MPC's effort to carry out its operations in a more efficient manner, which has consequently led to a decline in administrative expenses being incurred by the Group.

MPC is in a transition phase, whereby it is currently disposing of a number of its existing properties, which are subject to promise of sale agreements, thereby reducing rental income concerning these properties going forward, and subsequently investing the proceeds from these sales into development projects. These collectively amount to an interim loss of annual rental income of 56% based on 2019 LTM revenue.

Following, MPC's spin-off from GO, the Group's strategy has been to reduce significantly its dependence on GO and adopt a multi-tenant strategy. Although this will possess its own challenges, such strategy will help to diversify the Group's client base and increase its returns. MPC could also potentially obtain better rates from interested third parties.

Excluding the properties which have been recently developed (The Bastions Office Complex - Floriana), those which are in the course of construction (Zejtun Exchange), those which are embarked for development going forward (Marsa Spencer Hill Exchange and Birkirkara Exchange) and those which are for sale (St George's Exchange and St Paul's Bay Old Exchange), the Group still owns seven properties which remain underdeveloped across several locations across Malta, including Rabat, Mosta, Victoria (Gozo), Birkirkara, Marsa, Sliema and St Paul's Bay. Of note, if MPC had to consider developing these properties, such developments might substantially increase the Group's profitability potential, both from an income and valuation perspective.

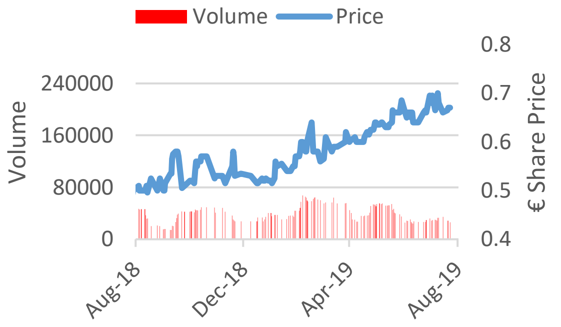
Although MPC distributed their first dividend in 2018, there are still low prospects of an increased dividend distribution in the short term given the high capital expenditure requirements to fund future projects. Although we like the business model of the Group, we believe the current market price fully reflects the rental income to be generated from the Group's projects which are expected to be completed within two or three years, and therefore, at this stage, we rate these shares a Hold.

Stock Rating — Hold
Price target (1Yr) — €0.66

Country	Malta
Industry	Real Estate (management and development)
Ticker	MPC
Price (as at 30/08/2019)	€0.665
Price Target (1 Year)	€0.66
Upside / downside to PT	-0.76%
Market Cap	€67.4million
Shares Outstanding	101.3million
Free Float	40%
Net Dividend Yield	1.5%
Current P/E*	57.1x[1]
Forward P/E**	50.4x

*Based on the results as at 30th June
** CC estimates

1 year Range: Price Movement and Volume Movement (20 day moving average)	Exchange: Malta Stock Exchange ("MSE") Lowest Price: €0.48 Highest Price: €0.70



Source: Bloomberg

Market Research

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[1] Current P/E excludes the gain on disposal of property and the adjustment arising on fair valuation of investment property as per 2019 LTM results.

Company Overview:

Malta Properties Company ("MPC" or the "Group") is a leading developer and administrator of premium commercial properties.

Established in 2011, MPC was initially a fully owned subsidiary of GO p.l.c. (GO), and tasked with managing the latter's commercial premises. MPC was spun off from GO in 2015, in order to further focus on the management and development on properties.

While retaining GO as an anchor tenant at various sites, MPC is now also undertaking three major developments in Zejtun, Marsa and Birkirkara.

Company Update:

- *Dividends*

The Board has resolved to determine the extent of any dividend distribution for 2019 on the basis of the full year results. Accordingly, no dividends have been declared upon the issue of the results for the six-month period ended 30th June 2019.

- *St. George's Exchange*

During 2019, GO exited St. George's Exchange and has released the said property to MPC for its future sale plans. In this regard, MPC will not generate any rental income from this site moving forward.

Upcoming projects:

<u>Zejtun Exchange</u>

The Zejtun exchange property, measuring circa 10,240 sqm is set within the Bulebel Industrial Estate, where a new data centre is being developed. Developments at this site are at advanced stages and it is expected that GO and its subsidiary BMIT Limited should take over the new data centre by the end of 2019. This project is expected to cost approximately €8.5 million.

<u>Marsa Spenser Hill Exchange</u>

There are two phases to this project, the first being a new telephone exchange which has been completed in 2017 and is currently occupied by GO. The next phase will entail the demolition of an existing office building to be replaced by a business centre, retail and office space and a penthouse office floor. Excluding car parking facilities, the proposed project will have a net rentable area of approximately 7,500 sqm and is expected to cost in the region of €16.5 million. Development works are expected to commence in 2020 whereby management envisage the whole development to be completed by 2024.

<u>Birkirkara Exchange</u>

This exchange currently hosts a retail outlet, offices and technical areas in connection with telecommunications infrastructure of the GO Group. The Group intends to reduce significantly the space rented to GO and rent the rest of it to third parties as retail and office spaces.

The first phase of this project comprises a telephone exchange which has been completed and handed over to GO in January 2019. Management expect GO to vacate the rest of the property by the end of 2021. In this regard, the planning process is in initial stages and it is uncertain as to how much such development is expected to cost.

Naxxar Exchange

The Group is still in the process of drafting the business plan relating to the development of the Naxxar Exchange. This property is currently occupied by GO and have contractual agreement terms until 2021. Management confirmed that development on this site is expected for 2021 and that additional information in terms of this project will be issued later on throughout this year.

Table 1: MPC's recent developments and projects pipeline

Property	Expected Completion Date	Expected CAPEX
The Bastions Office Complex	Completed Q4 2017	Undisclosed
Zejtun Exchange	Q4 2019	€8.5 million
Marsa Spenser Hill Exchange	Q2 2024	€16.5 million
Birkirkara Exchange	Undisclosed	Undisclosed
Naxxar Exchange	Undisclosed	Undisclosed

Source: Financial Statements and Company Announcements

Property disposals:

Table2: MPC's properties disposals

Property	Date of final deed of sale	Consideration (€)
Sliema Old Exchange	6th August 2018	5,000,000
St. Paul's Old Exchange	to be executed by end of 2019	3,750,000
St. George's Exchange	to be executed by August of 2021	13,750,000

Source: Financial Statements and Company Announcements

SWOT Analysis

Strengths

- ✓ Steady rental inflows backed by long-term lease agreements, mainly with its anchor tenant GO
- ✓ Further to the spin-off from GO, the Group now benefits from an executive management more focused to implement the Group's strategy
- ✓ The property market in Malta has experienced strong growth over recent years, and has proven to be a resilient market
- ✓ The Group is successful in identifying appropriate sites for development and in applying its know-how of the property industry to develop those sites
- ✓ The initiation of operations of The Bastions office complex in Floriana enhanced the Group's revenues and strengthened MPC's position within the real estate industry in Malta
- ✓ The Group has been able to achieve better results in terms of costs through the implementation of cost-control and efficient measures
- ✓ A constant track record of keeping in line with their schedule of completion in terms of thier property developments

Weaknesses

- ✗ No business and geographical diversification. MPC is highly dependent on the real estate industry in Malta
- ✗ The majority of the Group's properties are not located in prime locations
- ✗ The Group's projects require a significant cash outflow in the short-medium term, whilst it is expected to be profitable in the longer term
- ✗ Although the Group paid their first dividend in 2018, there are still low prospects for an increase in dividend distribution in the short term given the high capital expenditure requirements to fund future projects
- ✗ Low liquidity relating to the Company's stock
- ✗ A high degree of construction risk and execution risk given the nature of the Group's projects

Opportunities

- ✓ The redevelopment of Zejtun, Marsa, Birkirkara and Naxxar sites are expected to generate higher rental income levels and benefit from the growing Real Estate sector in Malta
- ✓ The potential development of other properties in which the Group currently owns
- ✓ The potential acquisition of SmartCity Malta could significantly boost the profitability potential of the Group
- ✓ The Group has embarked on a strategy to move from a single tenant to a multi-tenant environment, which will eventually help to diversify the Group's client base and increase its returns

Threats

- ✗ A potential downturn in the Real Estate industry in Malta. This may possibly lead to a depreciation of the Group's assets
- ✗ A fall in the occupancy rates due to increasing competition
- ✗ Increase in finance costs, should additional financing be required
- ✗ Additional shareholders' capital might be required to finance the development of future projects
- ✗ Possible dilution from a potential rights issue

Investment Stance

We have reviewed our model and maintain our Hold recommendation on Malta Properties Company plc. After updating our expectations and reflecting the FY 2019 interim results we increased our 12-month price target from €0.60 to €0.66.

The increase in our price target is attributable to MPC's effort to carry out its operations in a more efficient manner, which has consequently led to a decline in administrative expenses being incurred by the Group.

Following MPC's spin-off from GO, the Group's business strategy has been to reduce significantly its dependence on GO, develop the rest of the properties and rent them out to third parties as retail and office spaces at market rates. This multi-tenant strategy, although will bring its own challenges, will help to diversify the Group's client base and increase its returns. MPC could potentially obtain better rates from interested third parties.

MPC is in a transition phase, whereby it is currently disposing of a number of its existing properties, which are subject to promise of sale agreements, thereby reducing rental income concerning these properties going forward, and subsequently investing the proceeds from these sales into development projects. These collectively amount to an interim loss of annual rental income of 56% based on 2019 LTM revenue, with the subsequent developments of the new projects expected in line with Table 1.

MPC's net profit and EPS in previous years have benefited from positive fair value gains on investment property. In fact, 68.8% of the Group's LTM 2019 profit before tax relates to investment property fair value gains. No property fair value movements were modelled via the income statement. If the property market in Malta would continue to do well and the new developments will result into higher levels of rental income, these will eventually increase our price target.

All properties were included in our valuation and we believe that the shares have the potential to trade at higher levels once some of MPC's developments get closer towards completion, within approximately three to four years (2024). Given that we expect the Group to start receiving rental income from the Marsa Spencer Hill Exchange and Birkirkara Exchange in 2024 and 2027 respectively, we implemented a discounted cash flow spreadsheet modelling approach within our valuation until 2033, in order to reflect the expected income to be generated from these developments.

We have attached a 75% occupancy level in terms of the Marsa Spencer Hill Exchange. Given that the Group is anticipated to start generating rental income from this property in 2024 (within approx. 4 years), our occupancy assumption takes into account the possible uncertainty derived from a potential downturn in the real estate industry in Malta.

Excluding the properties which have been recently developed (The Bastions Office Complex - Floriana), those which are in the course of construction (Zejtun Exchange), those which are embarked for development going forward (Marsa Spencer Hill Exchange and Birkirkara Exchange) and those which are for sale (St George's Exchange and St Paul's Bay Old Exchange), the Group still owns seven properties which remain underdeveloped across several locations across Malta, including Rabat, Mosta, Victoria (Gozo), Birkirkara, Marsa, Sliema and St Paul's Bay. Of note, if MPC had to consider developing these properties, such developments might substantially increase the Group's profitability potential.

Although MPC distributed their first dividend in 2018, there are still low prospects of an increased dividend distribution in the short term given the high capital expenditure requirements to fund future projects. Furthermore, additional shareholders' capital might be required to finance the development of future projects.

In 2018 MPC announced that it had entered negotiations with SmartCity Dubai to purchase its majority shareholding in SmartCity Malta. If successfully completed, this transaction would significantly transform MPC's profitability potential and would take the Group to a completely different level.

Although we like the business model of the Group, we believe the current market price fully reflects the rental income to be generated from the Group's projects which are expected to be completed within two or three years, and therefore, at this stage, we rate these shares a Hold. We are not factoring potential projects such as Smart City and the developments of the Naxxar Exchange in our valuation.

Valuation

Our one-year price target is €0.66. The price target is calculated using the Free Cash Flow to the Firm (FCFF) model and a discount rate (WACC) of 7.6%.[2] The applied WACC reflects MPC's high exposure to the Maltese property market. We applied a 3% terminal value growth rate.

In an attempt to fully reflect the income expected to be generated from the Marsa and Birkirkara properties following the respective developments, we implemented a spreadsheet modelling approach within our valuation until 2033[3].

For the years ending 31 December	FY 2017	FY 2018	LTM2019	FY2019P	FY2020P	FY2021P
	€	€	€	€	€	€
Rental Income	3,098,942	3,297,616	3,386,673	3,312,903	4,206,493	3,950,331
Other Income	314	13,830	18,653	-	-	-
Total revenue	**3,099,256**	**3,311,446**	**3,405,326**	**3,312,903**	**4,206,493**	**3,950,331**
Administrative Expenses (excl. dep)	(1,297,306)	(1,023,907)	(890,169)	(761,968)	(967,493)	(908,576)
EBITDA	**1,801,950**	**2,287,539**	**2,515,157**	**2,550,936**	**3,238,999**	**3,041,755**
Depreciation & Amortisation	(11,718)	(13,214)	(13,194)	(13,963)	(40,029)	(41,184)
EBIT	**1,790,232**	**2,274,325**	**2,501,963**	**2,536,972**	**3,198,970**	**3,000,571**
Finance Income	-	-	-	-	-	-
Finance Costs	(637,021)	(632,706)	(565,438)	(480,520)	(719,104)	(625,193)
Gain on disposal of property	-	2,140,000	2,140,000	-	-	-
Movement in fair value of investment property	4,973,911	8,997,603	8,997,603	-	-	-
Profit Before Tax	**6,127,122**	**12,779,222**	**13,074,128**	**2,056,452**	**2,479,866**	**2,375,378**
Income tax expense	(1,454,167)	(2,200,707)	(2,237,786)	(719,758)	(867,953)	(831,382)
Profit Available to Ordinary Equity holders	**4,672,955**	**10,578,515**	**10,836,342**	**1,336,694**	**1,611,913**	**1,543,995**
Normalised Earnings Per Share[4]	*0.0056*	*0.0091*	*0.0116*	*0.0132*	*0.0245*	*0.0234*

Source: Audited Financial Statements / CC Estimates

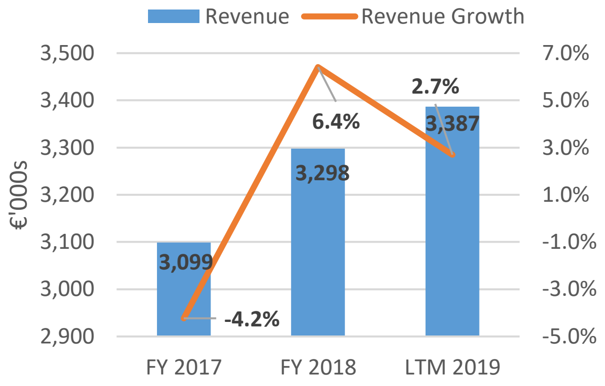
[2] The discount rate was calculated using a weighted average cost of capital (WACC), and the inputs were considered to be comparably lower than the average for the risk profile of the company.
[3] Although our valuation reflects a period until 2033, we only reported projections until 2021.
[4] Normalised earnings per share exclude gain on disposal of property and movement in fair value of investment property.

Investment Thesis Variables

- **Revenue**

Current Revenue

The Group's revenue is principally derived from operating lease rental income attributable to the Group's investment property. The 2019 LTM revenue figures demonstrate a further increase in revenue of 2.7% to €3.4 million. This increase has been primarily been initiated through the commencement of operations of the Birkirkara exchange, whereby GO entered the premises in January 2019.



Source: Audited Financial Statements

During 2019, GO exited St. George's Exchange and has released the said property to MPC for its future sale plans. Given that the Group did not provide us with exact date as to when the property was evacuated, rental income concerning this site was removed from our valuation from Q3 2019 onwards. As a result, we expect revenue to amount to €3.3 million in 2019.

Subject to the promise of sale agreement and the proposed developments relating to St. Paul's Exchange (2020), Marsa Spencer Hill Exchange (2021) and Birkirkara Exchange (2022), current rental income concerning these properties were removed from our valuation from 2020 and 2022 respectively. In line with inflation and a yearly rental increase included in the tenants' contracts, we expect current rental income to increase at an average rate of 3% per annum throughout the forecasted period.

Zejtun Exchange

Developments at this site are at advanced stages and it is expected that GO and its subsidiary BMIT Limited should take over the new data centre by the end of 2019. Upon completion, this site will comprise 5 blocks as demonstrated in the table below. We have assumed that the Zejtun data centre will be rented out at an average annual rate of €170/sqm. The rental rate assumption is based on the recent financial projections issued by GO in preparation for the BMIT public offering.

We have assumed that MPC will not generate any revenue from block C and E as these relate to a gatehouse building and an existing warehouse which is currently occupied by GO and thus already included in MPC's current revenue. Moreover, we are forecasting a further growth of 3% per annum from 2020 onwards, relating to revenue generated from the Zejtun Exchange.

Table 4: Zejtun Exchange development breakdown

Blocks	Area (sqm)	Rate per sqm (€)
Block A/B	3,500	170
Block C	9,00	-
Block D	3,000	170
Block E	3,300	-

Source: Zejtun Exchange Construction Management Plan and CC Estimates

Marsa Spencer Hill Exchange

A telephone exchange relating to the Marsa property has been completed in 2017 and is currently occupied by GO, thus already included in MPC's current revenue stream.

The next phase will entail the demolition of an existing office building to be replaced by retail and office spaces, a penthouse office floor and underground parking facilities as illustrated in table 5.

Given that the second phase of the Marsa exchange project is expected to be completed by 2024, we have assumed that the office space, retail outlets and car parking spaces, will be rented out at an average annual rate of €210/sqm, €230/sqm and €700 per car parking space respectively. The rental rate assumptions take into account inflation until the project's completion date and are based on similar real estate developments across several locations in Malta.

We have applied a further growth rate of 3% per annum from 2024 onwards, relating to revenue generated from the second phase of the Marsa Spencer Hill Exchange.

Table 5: Marsa Spencer Hill Exchange phase ii development breakdown

Use of property	Area (sqm)	Rate per sqm (€)
Office Space and penthouse office floor	6,000	210
Retail Outlets	1,500	230
Underground Parking Facilities	300 (parking spaces)	700

Source: CC Estimates

Birkirkara Exchange

The first phase of this project comprises a telephone exchange, which has been completed and handed over to GO in January 2019. We expect that this new exchange will also be rented out at €170/sqm and also expect revenue generated from this exchange to grow at 3% annually.

With regards the second phase of this project, the Group intends to redevelop this property into retail, office spaces and underground parking facilities which will be eventually rented out to third parties.

Although the planning process is still at an initial stage, management confirmed that the second phase of this project is expected to be similar to the Marsa Spencer Hill exchange development, albeit on a small footprint. Upon completion, we expect the rest of the property to be allocated in terms of office space, retail outlets and underground parking facilities as illustrated in table 6.

Given the lack of information concerning this project, we have assumed that developments will commence in 2023 and be will be finalised by the end of 2026. We have also assumed that the office space, retail outlets and car parking spaces, will be rented out at an average annual rate of €220/sqm, €245/sqm and €740 per car parking space. These rental rate assumptions also factor in for inflation and are based on similar real estate developments across several locations in Malta.

We are forecasting a further growth of 3% per annum from 2027 onwards, relating to revenue generated from the second phase of the Birkirkara Exchange.

Table 6: Birkirkara Exchange phase ii development breakdown

Use of property	Area (sqm)	Rate per sqm (€)
Office Space	4,680	220
Retail Outlets	9,00	245
Underground Parking Facilities	234 (parking spaces)	740

Source: CC Estimates

Table 7: MPC's revenue segmental analysis

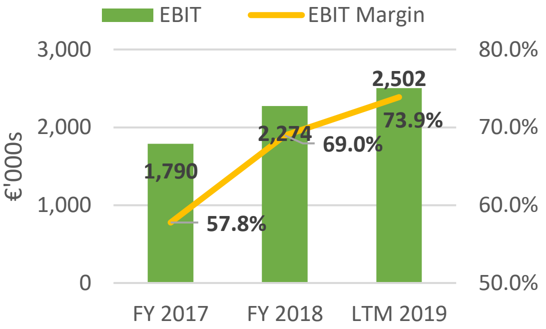
Revenue - €	FY2017	FY2018	FY2019F	FY2020F	FY2021F
Revenue:					
Rental Income	3,098,942	3,297,616	3,204,853	2,970,798	2,677,566
Other Income	314	13,830	-	-	-
Zejtun Exchange	-	-	-	1,114,286	1,147,714
Birkirkara Telephone Exchange	-	-	108,050	121,409	125,051
Birkirkara Exchange phase ii	-	-	-	-	-
Marsa Spencer Hill Exchange	-	-	-	-	-
Total Revenue	**3,099,256**	**3,311,446**	**3,312,903**	**4,206,493**	**3,950,331**
Rental Income % Growth	-4.2%	6.4%	-3.0%	2.3%	-9.9%
Other Income % Growth	-93.7%	4304.5%	0%	0%	0%
Birkirkara Exchange % Growth	0%	0%	100%	3.0%	3.0%
Zejtun Exchange % Growth	0%	0%	0%	100%	3.0%
Total - % Growth	**-4.4%**	**6.9%**	**0.04%**	**27.0%**	**-14.4%**

Source: Financial Statements / CC Estimates

- **Other Income –** We did not include any other income in our valuation due to the non-recurring nature of this item.

- **EBIT –** The drop in administrative expenses (-13.1%) followed by the increase in revenue (2.7%), led to an increase in EBIT margin from 69% in 2018 to 73.9% as per 2019 LTM results.

  Due to higher levels of revenue forecasted to be generated by the Group, together with the anticipated decline in administrative expenses to be incurred going forward, we expect EBIT margin to improve to 76.6% in 2019.



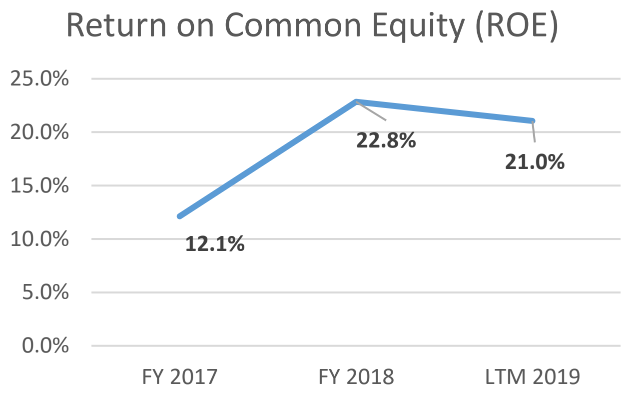
Source: Financial Statements

- **Administrative Expenses –** The 2019 LTM results demonstrate a decline in administrative expenses of 13.1% to €0.9 million. Administrative costs have continued to drop during the six-month period as at 30th June 2019, in line with the Group's effort to carry out its operations in a more efficient manner. Going forward, we expect a marginal increase in administrative expenses reflecting the increase in revenue in which MPC is expected to generate from 2020 onwards.

- **Depreciation** – Property that is held by the Group for long-term rental yields or for capital appreciation or both, is classified as investment property and is measured at fair value. Subsequently, low levels of depreciation are forecasted. Given that interest on the bank facility drawdowns relating to the Zejtun project have been capitalised in prior years, we have factored in a consequent depreciation charge on such interest payments from 2020 onwards, in line with expected completion date of the project.

- **Finance Costs –** Interest payments on the bank facility drawdowns concerning the Zejtun project have been capitalised, leading towards a drop in finance costs of 10.6% to €0.6 million as per 2019 LTM results. In line with our expectations that the remaining balance of the Zejtun exchange bank facility (€5.4 million) will be withdrawn in full during 2019, we expect finance costs to reach €0.5 million in 2019 due to the further capitalisation of interest payments. We expect finance costs to reach normal levels thereafter (2020). However, given that the MPC is anticipated to repay large portions of its existing loan on a yearly basis, lower levels of finance costs are forecasted from 2020 onwards.

- **Net Profit and Earnings per Share** – LTM 2019 net profit marginally increased to €10.8 million in comparison to €10.6 million registered in 2018. This translates to an EPS of €0.11 compared with an EPS of €0.10 in 2018. It is key to note that both figures comprise the inclusion of a positive fair value gain on the Group's investment property. Excluding such gain on investment property, the EPS in 2018 and LTM 2019 will decrease to €0.001 and €0.011 respectively. In line with the Group's current developments, we expect net profit excluding any positive fair value movements to increase on a yearly basis from €1.3 million or €0.013/ share in 2019 to €1.5 million or €0.015/ share in 2021. As highlighted below, the main reason why the net profit and EPS are forecasted to be lower than in previous years, is due to our assumption that there will be no fair value movement in our valuation. As demonstrated in the chart above, return on common equity has increased from 12.1% in 2017 to 21.0% as per LTM 2019 results due to a year-on-year increase in fair value gain on the Group's investment property.



Source: Financial Statements

- **Taxation –** A corporate tax rate of 35% on the Group's gross rental income is applied in our valuation.

- **Fair Value Movements -** We assumed that there will be no fair value movements in our valuation.

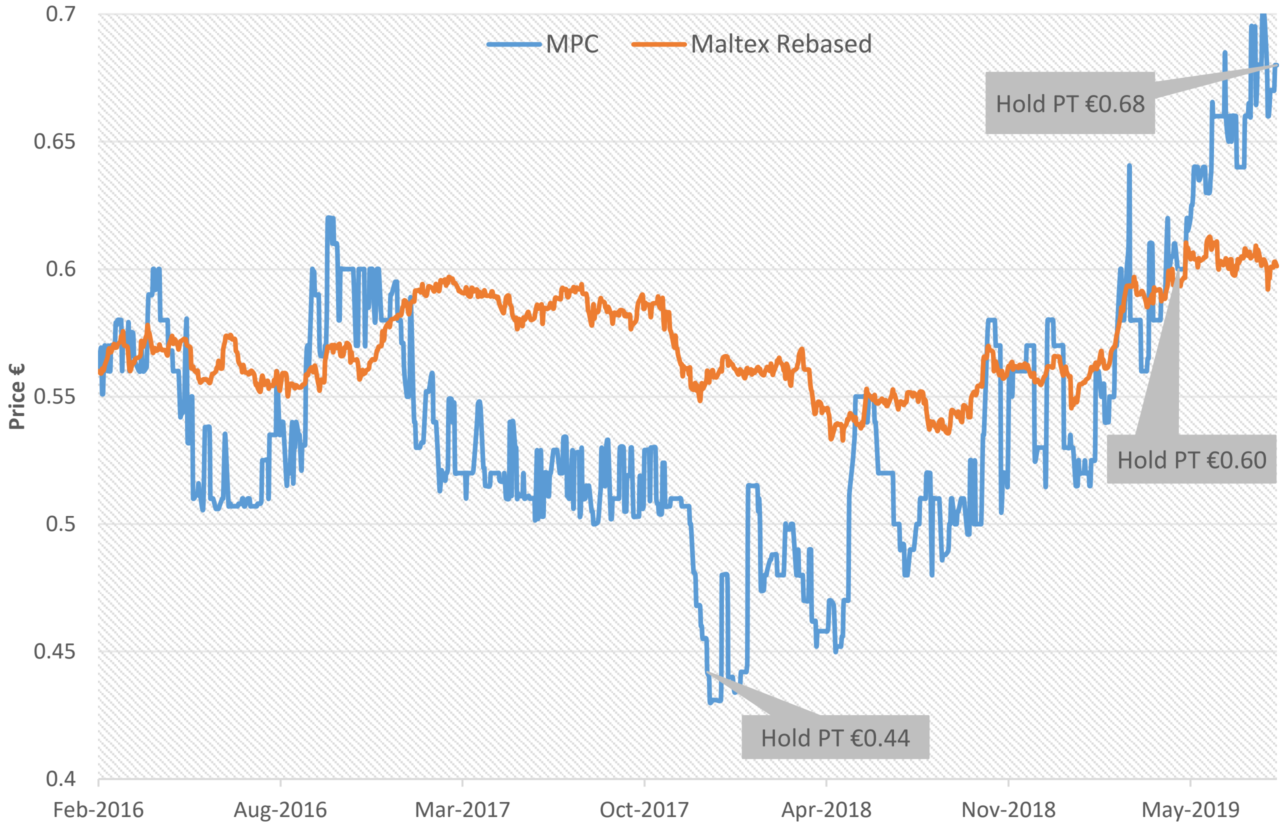
Key Financial Indicators

For the years ending 31st December	2017 €	2018 €	LTM 2019 €
Income Statement			
Revenue	3,098,942	3,297,616	3,386,673
Growth in Revenue (YoY)	-4.2%	6.4%	2.7%
EBITDA	1,801,950	2,287,539	2,515,157
EBITDA Margin (EBITDA / Revenue)	58.1%	69.4%	74.3%
Operating Income (EBIT)	1,790,232	2,274,325	2,501,963
Operating (EBIT) Margin (EBIT / Revenue)	57.8%	69.0%	73.9%
Net Income	4,672,955	10,578,515	10,836,342
Net Margin (Net Income / Revenue)	150.8%	320.8%	320.0%
Earnings per Share (EPS)	0.046	0.104	0.107
Growth in EPS (YoY)	82.8%	126.4%	2.4%
Balance Sheet			
Cash and Cash Equivalents	954,771	4,874,104	3,752,831
Current Assets	7,916,419	9,137,556	7,736,754
Non-Current Assets	59,615,379	73,388,036	74,333,502
Total Assets	67,531,798	82,525,592	82,070,256
Current Liabilities	2,767,902	3,829,644	2,780,512
Non-Current Liabilities	23,776,273	27,083,704	27,918,234
Total Liabilities	26,544,175	30,913,348	30,698,746
Total Financial Debt	17,017,258	19,089,084	19,996,487
Total Equity	40,987,623	51,612,244	51,371,510
Net Debt	16,062,487	14,214,980	16,243,656
Shares Outstanding	101,310,488	101,310,488	101,310,488
Cash flow			
Cash Flow from Operating Activities (CFO)	2,314,316	(342,134)	(1,887,487)
Capex	(3,753,313)	(4,185,359)	(1,827,628)
Free Cash Flow (FCF)	(1,438,997)	(4,527,493)	(3,715,115)
Cash Flow from Investing Activities	(3,753,313)	2,189,641	4,037,272
Cash Flow from Financing Activities	1,017,258	2,071,826	1,016,121
Ratios			
Profitability			
Return on Common Equity (Net Income / Common Equity)	11.4%	22.8%	21.0%
Return on Assets (Net Income / Total Assets)	6.9%	12.8%	13.2%
Solvency			
Gearing Ratio Level 1 (Net Debt / Total Equity)	39.2%	27.5%	31.6%
Gearing Ratio Level 2 (Total Liabilities / Total Assets)	39.3%	37.5%	37.4%
Net Debt / EBITDA	8.9x	6.2x	6.5x
Current Ratio (Current Assets / Current Liabilities)	2.9x	2.4x	2.8x
Interest Coverage Ratio (EBITDA)	2.8x	3.6x	4.4x
Cash from Operations / EBIT	(1.3)x	0.2x	0.8x

Source: Audited Financial Statements

Historical 1 Year Price Target

Reference	Date	Price	Price Target	Analyst	Recommendation
MPC	12.12.2017	€0.44	€0.445	Simon Psaila & Elisabetta Guadiano	Hold
MPC	14.05.2019	€0.60	€0.60	Simon Psaila & Andrew Fenech	Hold
MPC	05.09.2019	€0.665	€0.66	Simon Psaila & Andrew Fenech	Hold



Source: Bloomberg

Glossary and Definitions

Income Statement	
Revenue	Total revenue generated by the Company/Company from its principal business activities during the financial year.
EBITDA	EBITDA is an abbreviation for earnings before interest, tax, depreciation and amortisation. It reflects the Company'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 Company/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.
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 total assets.
Earnings per Share (EPS)	Earnings per share (EPS) is the amount of earnings per outstanding share of a Group's/Company's share capital. It is computed by dividing net income by total shares outstanding as at statement of financial position date.
Growth in EPS (YoY)	This represents the growth in Earnings per Share (EPS) when compared with previous financial year.
Dividends Ratios	
Net Dividends	Net dividends represent the net amount of dividends in respect of a Group's/Company's fiscal year.
Dividend per Share	Dividend per Share is the amount of dividends per outstanding share of a Group's/Company's share capital. It is computed by dividing net dividends by total shares outstanding as at statement of financial position date.
Growth in Dividends (YoY)	This represents the growth in dividends when compared with previous financial year.
Sustainable Growth Rate in Dividends	This ratio indicates the sustainable growth rate of dividends given the profitability of the Company/Company and the respective level of dividends distribution.
Dividends Yield as at year-end	This ratio indicates how much a Group/Company pays out in dividends each fiscal year relative to its share price. It is computed by the dividing the Dividend per Share by the share price as at year-end.
Cash Flow Statement	
Cash Flow from Operating Activities (CFO)	Cash generated from the principal revenue producing activities of the Company/Company.
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 Company/Company.
Cash Flow from Financing Activities	Cash generated from the activities that result in change in share capital and borrowings of the Company/Company.
Capex	Represents the capital expenditure incurred by the Company/Company in a financial year.
Free Cash Flows (FCF)	The amount of cash the Company/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 Company/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 Company/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 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.
Shares Outstanding	Outstanding shares refer to the Company/Company stock currently held by all its shareholders.
Financial Strength Ratios	
Current Ratio	The Current ratio (also known as the Liquidity Ratio) is a financial ratio that measures whether or not a company has enough resources to pay its debts over the next 12 months. It compares current assets to current liabilities.
Quick Ratio (Acid Test Ratio)	The quick ratio measures a Group's/Company's ability to meet its short-term obligations with its most liquid assets. It compares current assets (less inventory) to current liabilities.
Interest Coverage Ratio	The interest coverage ratio is calculated by dividing EBITDA of one period by cash interest paid of the same period.
Gearing Ratio Gearing Ratio Level 1 Gearing Ratio Level 2	The gearing ratio indicates the relative proportion of shareholders' equity and debt used to finance total assets. Is calculated by dividing Net Debt by Total Equity. Is calculated by dividing Total Liabilities by Total Assets.
Net Debt / EBITDA	The Net Debt / EBITDA ratio measures the ability of the Company/Company to refinance its debt by looking at the EBITDA.
Cash from Operations / EBIT	This ratio measures the ability of the Company/Company to convert its earnings into cash.

Explanation of Equity Research Ratings

Buy: Based on a current 12- month view of total share-holder return (TSR = percentage change in share price from current price to projected target price plus projected dividend yield), we recommend that investors buy the stock.

Sell: Based on a current 12-month view of total shareholder return, we recommend that investors sell the stock.

Hold: We take a neutral view on the stock 12-months out and, based on this time horizon, we do not recommend either a Buy or Sell. Current shareholders should consider buying on dips and selling on peaks.

Newly issued research recommendations and target prices supersede previously published research.

Disclaimer