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

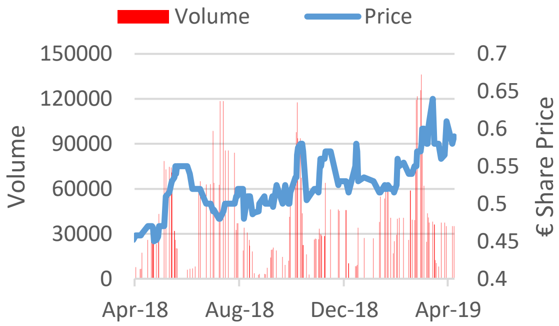
Malta Properties

Stock Rating Hold
Price target (1Yr) €0.60

Country	Malta
Industry	Real Estate (management and development)
Ticker	MPC
Price (as at 13/05/2019)	€0.60
Price Target (1 Year)	€0.60
Upside / downside to PT	Nil
Market Cap	€60.8million
Shares Outstanding	101.3million
Free Float	40%
Net Dividend Yield	1.65%
Current P/E	65.9x[1]
Forward P/E*	53.1x

* CC estimates

1 year Range: Price and Volume Movement (20 day moving average)	Exchange: MSE Lowest Price: €0.45 Highest Price: €0.64



Source: Bloomberg

Executive Summary:

We are maintaining our Hold stance on Malta Properties Company p.l.c. with a 12-month price target of €0.60. After revisiting the inputs to our valuation model, we increased our price target from €0.445 to €0.60. The increase in price target is mainly due to the disposal of existing properties and the addition of new revenue streams from additional properties added to MPC's portfolio. Our Hold recommendation is based on:

• The Group's rental income streams are secured through long-term rental agreements primarily with anchor tenant GO.

• Despite the growth potential associated with MPC's current developments, we believe that the current stock price already reflects these growth opportunities and the related risks.

• Subject to the promise of sale agreements relating to St. George's Exchange and St. Paul's Old Exchange, together with the proposed developments, current rental income concerning these properties were removed from our valuation, thus reducing the overall revenue and net income generated by the Group in the short term.

• We implemented a spreadsheet modelling approach within our valuation until 2033 in order to reflect the income generated from the Marsa Spenser Hill Exchange and the Birkirkara Exchange projects which are expected to be completed by the end of 2024 and 2026 respectively.

• Although MPC distributed their first ever dividend in 2018, there are still low prospects of an increase in dividend distribution in the short term given the high capital expenditure requirements to fund future projects.

• MPC's net profit and EPS in previous years have benefited from positive fair value gains on investment property. In fact, 70% of the Group's profit before tax in 2018 relates to investment property fair value gains. No property fair value movements were modelled via the income statement, thus further lowering MPC's projected net income going forward, albeit this is captured in part by the capitalisation rate of the Group's cash flows.

Company Overview:

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

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 at 31 December 2018.

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 – In 2018, the Board declared the payment of a final net dividend of €1,013,015 or €0.01 per share. (2017: Nil).

Recent developments and projects pipeline:

The Bastions Office Complex

MPC's Floriana property has been redeveloped into The Bastions office complex whereby the space available for leasing has been fully leased out to third parties in 2018.

Zejtun Exchange

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.

Marsa Spenser Hill Exchange

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 approximately €16.5 million. The planning process for this site in Marsa is currently underway and all developments are expected to be completed by 2024.

Birkirkara Exchange

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 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 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

Weaknesses

- × No business and geographical diversification. The Company is highly dependent on the real estate industry in Malta
- × The majority of the Company's properties are not located in prime locations
- × 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

Opportunities

- ✓ The redevelopment of Zejtun, Marsa and Birkirkara sites are expected to generate higher rental income levels and benefit from the growing Real Estate sector in Malta
- ✓ The potential acquisition of SmartCity Malta could significantly boost the profitability potential of the Group

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

Investment Stance

We are maintaining our Hold stance on Malta Properties Company p.l.c. with a 12-month price target of €0.60. After revisiting the inputs to our valuation model, we increased our price target from €0.445 to €0.60. The increase in price target is mainly due to the disposal of existing properties and the addition of new revenue streams from additional properties added to MPC's portfolio

Another reason for the increase in our price target relates to the fact that the Group's rental income streams are secured through long-term rental agreements primarily with anchor tenant GO. However, despite the growth potential associated with the redevelopment of the Zejtun Exchange, Birkirkara Exchange and the Marsa Spencer Hill Exchange, we believe that the current stock price already reflects these growth opportunities and the related risks.

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 the sales into development projects. These collectively amount to an interim loss of annual rental income of 63.3% based on revenue generated in 2018, with the subsequent developments of the new projects expected in line with Table 1.

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 two to three years. 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 spreadsheet modelling approach within our valuation until 2033, in order to reflect the expected income to be generated from these developments.

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.

MPC's net profit and EPS in previous years have benefited from positive fair value gains on investment property. In fact, 70% of the Group's profit before tax in 2018 relates to investment property fair value gains. No property fair value movements were modelled via the income statement, thus further lowering MPC's projected net income going forward, albeit this is captured in part by the capitalisation rate of the Group's cash flows.

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.

Valuation

Our one year price target is €0.60. The price target is calculated using the Free Cash Flow to the Firm (FCFF) model and a discount rate of 7.6%.[2] The applied discount rate reflects the high exposure of MPC to the Maltese property market. We applied a 3% terminal value growth rate.

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.

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].

€'s unless otherwise indicated	FY 2017	FY 2018	FY2019F	FY2020P	FY2021P
Rental Income	3,098,942	3,297,616	3,504,594	4,403,934	3,770,314
Other Income	314	13,830	-	-	-
Total revenue	**3,099,256**	**3,311,446**	**3,504,594**	**4,403,934**	**3,770,314**
Administrative Expenses (less depreciation)	(1,297,306)	(1,023,907)	(1,051,378)	(1,100,984)	(942,579)
EBITDA	**1,801,950**	**2,287,539**	**2,453,216**	**3,302,951**	**2,827,736**
Depreciation & Amortisation	(11,718)	(13,214)	(13,963)	(15,029)	(16,184)
EBIT	**1,790,232**	**2,274,325**	**2,439,253**	**3,287,922**	**2,811,551**
Finance Income	-	-	-	-	-
Finance Costs	(637,021)	(632,706)	(677,501)	(628,386)	(579,271)
Gain on disposal of property	-	2,140,000	-	-	-
Adjustment arising on fair valuation of property	4,973,911	8,997,603	-	-	-
Profit Before Tax	**6,127,122**	**12,779,222**	**1,761,751**	**2,659,535**	**2,232,281**
Income tax expense	(1,454,167)	(2,200,707)	(616,613)	(930,837)	(781,298)
Profit Available to Ordinary Equity holders	**4,672,955**	**10,578,515**	**1,145,138**	**1,728,698**	**1,450,982**
Normalised Earnings Per Share	*0.0056*	*0.0016*	*0.0174*	*0.0263*	*0.0220*

Source: 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.

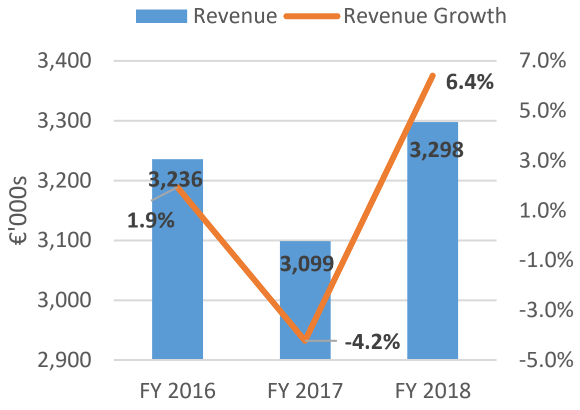
[3] Although our valuation reflects a period until 2033, we only reported projections until 2021.

Investment Thesis Variables

- **Revenue**

Current Revenue

The Company's revenue is principally derived from operating lease rental income attributable to the Company's investment property. The Group's latest financial results (31st December 2018) demonstrate a growth in revenue of 6.4% from €3.1 million in 2017 to €3.3 million in 2018. This increase has been primarily initiated through the commencement of operations of The Bastions office complex in Floriana.



Source: Financial Statements

Subject to the promise of sale agreements and the proposed developments relating to St. Paul's Exchange (2020), St. George's Exchange (2021), 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

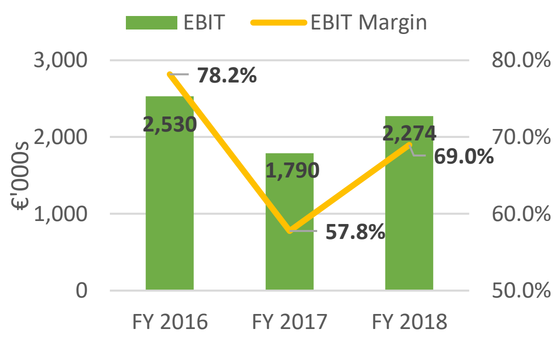
Revenue - €	2017	2018	2019	2020	2021
Revenue:					
Rental Income	3,098,942	3,297,616	3,396,544	3,168,240	2,497,549
Other Income	314	13,830	-	-	-
Zejtun Exchange	-	-	-	1,114,286	1,147,714
Birkirkara Telephone Exchange	-	-	108,050	121,409	125,051
Birkirkara Exchange phase ii	-	-	-	-	-
Marsa Spencer Hill Exchange	-	-	-	-	-
Total Revenue	**3,099,256**	**3,311,446**	**3,504,594**	**4,403,934**	**3,770,314**
Rental Income % Growth	-4.2%	6.4%	3.0%	3.0%	3.0%
Other Income % Growth	-93.7%	4304.5%	0%	0%	0%
Birkirkara Exchange % Growth	0%	0%	0%	3.0%	3.0%
Zejtun Exchange % Growth	0%	0%	0%	3.0%	3.0%
Total - % Growth	**-4.4%**	**6.9%**	**5.8%**	**25.7%**	**-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 (-21.1%) followed by the increase in revenue (6.0%), led to an increase in EBIT margin from 57.8% in 2017 to 69% in 2018.

  Due to higher levels of revenue forecasted to be generated by the Group, we expect EBIT margin to improve to 69.6% in 2019 and eventually reach 74.6% in 2021.



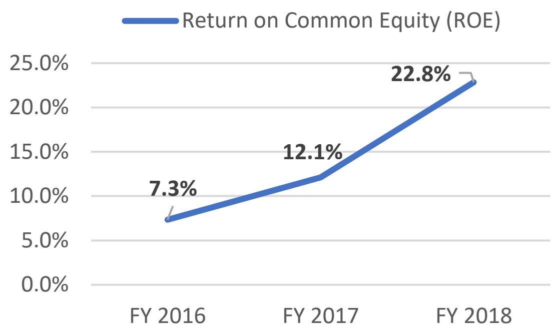
Source: Financial Statements

- **Administrative Expenses –** In 2018 administrative expenses decreased by 21.1% from €1.3 million in 2017 to €1 million in 2018. Unlike in the previous financial year, wages incurred in 2018 relating to the Group's ongoing developments have been capitalised. The drop in administrative expenses has also been initiated through a drop in due diligence expenses. Going forward, we expect a marginal increase in administrative expenses reflecting the increase in revenue in which the Company is expected to generate.

- **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.

- **Finance Costs –** Finance costs incurred in 2018 marginally declined by 0.7%. Following the undertaking of an additional €8.5 million increase in bank facilities to finance the development of the Zejtun exchange, we expect finance costs to increase by 7.1% to €0.7 million in 2019. Given that the Company is expected 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** – Net profit increased from €4.7 million in 2017 to €10.6 million in 2018. This translates to an EPS of €0.104 in comparison to €0.046 in 2017. It is key to note that the net profit and EPS in both 2017 and 2018 have been inflated through the inclusion of a positive fair value gain on the Group's investment property. Excluding such gain on investment property, the EPS in 2017 and 2018 will decrease to €0.006 and €0.009 respectively. Given the Company's current developments, we expect net profit excluding any fair value movements to increase on a yearly basis from €1.1 million or €0.011 /share in 2019 to €1.5 million or €0.014 /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 7.3% in 2016 to 22.8% in 2018 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.

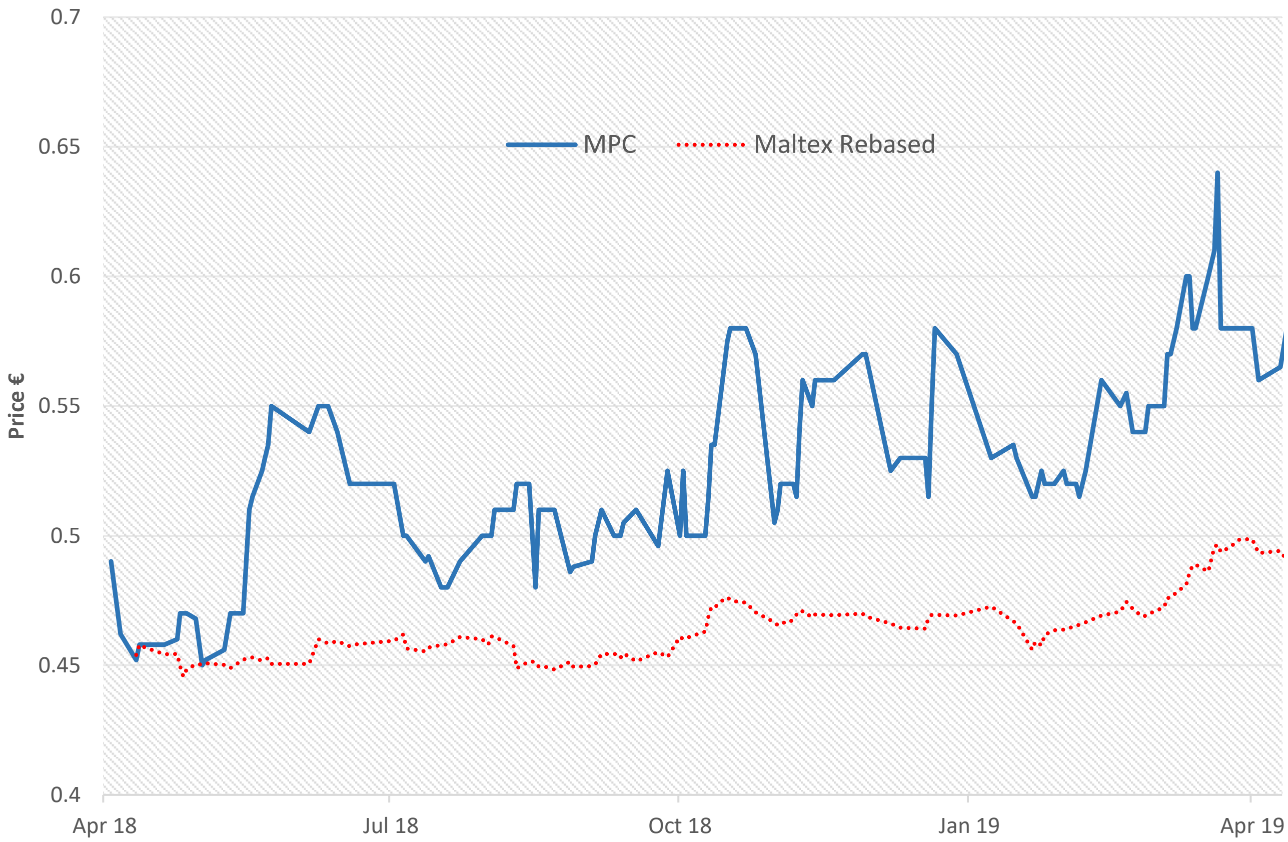
Key Financial Indicators

€'s unless otherwise indicated	Dec 2016	Dec 2017	Dec 2018
Income Statement			
Revenue	3,235,816	3,098,942	3,297,616
Growth in Revenue (YoY)	1.9%	-4.2%	6.4%
EBITDA	2,536,724	1,801,950	2,287,539
EBITDA Margin (EBITDA / Revenue)	78.4%	58.1%	69.4%
Operating Income (EBIT)	2,529,563	1,790,232	2,274,325.00
Operating (EBIT) Margin (EBIT / Revenue)	78.2%	57.8%	69.0%
Net Income	2,556,911	4,672,955	10,578,515.0
Net Margin (Net Income / Revenue)	79.0%	150.8%	320.8%
Earnings per Share (EPS)	0.025	0.046	0.104
Growth in EPS (YoY)	37.2%	82.8%	126.4%
Balance Sheet			
Cash and Cash Equivalents	1,376,510	954,771	4,874,104
Current Assets	8,128,451	7,916,419	9,137,556
Non-Current Assets	50,602,370	59,615,379	73,388,036
Total Assets	58,730,821	67,531,798	82,525,592
Current Liabilities	912,750	2,767,902	3,829,644
Non-Current Liabilities	21,726,891	23,776,273	27,083,704
Total Liabilities	22,639,641	26,544,175	30,913,348
Total Financial Debt	16,000,000	17,017,258	19,089,084
Total Equity	36,091,180	40,987,623	51,612,244
Net Debt	14,623,490	16,062,487	14,214,980
Shares Outstanding	101,310,488	101,310,488	101,310,488
Cash flow			
Cash Flow from Operating Activities (CFO)	972,378	2,314,316	(342,134)
Capex	(1,198,507)	(3,753,313)	(4,185,359)
Free Cash Flow (FCF)	(226,129)	(1,438,997)	(4,527,493)
Cash Flow from Investing Activities	(1,198,507)	(3,753,313)	2,189,641
Cash Flow from Financing Activities	-	1,017,258	2,071,826
Ratios			
Profitability			
Return on Common Equity (Net Income / Common Equity)	7.1%	12.1%	22.8%
Return on Assets (Net Income / Total Assets)	4.4%	6.9%	12.8%
Solvency			
Gearing Ratio Level 1 (Net Debt / Total Equity)	40.5%	39.2%	27.5%
Gearing Ratio Level 2 (Total Liabilities / Total Assets)	38.5%	39.3%	37.5%
Net Debt / EBITDA	5.8x	8.9x	6.2x
Current Ratio (Current Assets / Current Liabilities)	8.9x	2.9x	2.4x
Interest Coverage Ratio (EBITDA)	3.3x	2.8x	3.6x
Cash from Operations / EBIT	0.4x	1.3x	(0.2)x

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



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