

MLT: A case of immunity?

As the far-reaching impact of COVID-19 is felt across several industries, such as travel, hospitality and restaurants, the implications of this pandemic have also presented several challenges to the local real estate industry. However, pursuant within MLT's low risk tenants, which amongst others include the Government of Malta, it is crucial for investors to point out that MLT is not expected to face the same wavelength of challenges confronted by other local property companies. Nonetheless, this uncertainty has undoubtedly been reflected in the recent local equity market sell-off, with MLT's share price plummeting down to a low point of €0.77 over the past couple of weeks.

Property prices in Malta are likely to drop as a result of the COVID-19 crisis but it is still too early to predict the exact impact on the real estate market. The truth is that the pandemic outbreak is merely the catalyst for an overdue correction, with the supply of office, commercial and residential space in Malta considerably increasing over the last couple of years.

In line with MLT's low risk and stable current revenue streams which are backed by both the long term nature of the current rent agreements, together with the profile of the respective tenants, it is crucial to identify however, that we do not expect the Company to be materially impacted from the pandemic crisis. The Company's tenants currently comprise of Malta International Airport (MIA), Valletta Cruise p.l.c. (VCP) and the Government of Malta (GoM).

Apart from the fact that MLT's cash flows from rental income are regular and predictable, these are expected to increase once the affordable housing project is completed. As per latest results, the Company announced that construction works on the housing project has progressed, whereby the excavation of all property sites has been substantially completed during FY19. Additionally, MLT expects to start receiving rental income from the housing project during FY23, reflecting an extension of circa one year from previous announcements.

In furtherance, despite the fact that the COVID-19 pandemic had no meaningful impact on the local construction industry, MLT's major and only threat stems from any potential delays in the development of the new residential properties. Otherwise, we are of the opinion that the ongoing pandemic will not have a significant impact on the Company's operations.

MLT also possess a positive track record of obtaining debt to finance their projects at very favourable interest rates, thus significantly lowering their overall cost of capital. Moreover, in line with MLT's low risk business model, stable revenue streams and the increased dividend yield to 3.4%, we deem the current price levels as attractive. We also believe that those investors who have capitalised on the recent dip in MLT's share price will be further rewarded in the longer term.

FY19 financial results: Constant signs of improvement

As per latest results, MLT registered a marginal increase in revenue of circa 1% over FY18. Furthermore, the results include a positive movement in fair value of the MIA and VCP properties, collectively amounting to €34.7m.

Company update:

Despite the COVID-19 situation, the Board decided to proceed with the final net dividend payment of €2.7m or €0.0185/share. Total dividend for FY19 amounts to €4m or €0.027/share (FY19: €3.4m or €0.023/share).

	FY17	FY18	FY19	CAGR/AVG
Revenue (€m)	7.5	8.0	8.1	3.9%
Adj. Net profit ¹ (€m)	4.8	4.6	5.2	4.1%
Adj. EPS ¹ (€)	0.032	0.031	0.035	4.1%
DPS (€)	0.028	0.023	0.027	-1.1%
Adj. Dividend pay-out ¹	85.9%	72.8%	77.6%	78.8%

¹ Normalised net profit, EPS and dividend pay-out ratio exclude fair value movements on investment property

Country	Malta
Industry	Real Estate
Ticker	MLT
Price (as at 23/04/2020)	€0.81
Market Cap	€120m
Ranking on the MSE	11 th largest market cap
Shares Outstanding	148.1m
Free Float	20.3%

Net Dividend Yield*	3.3%
Current P/E*	23.2x

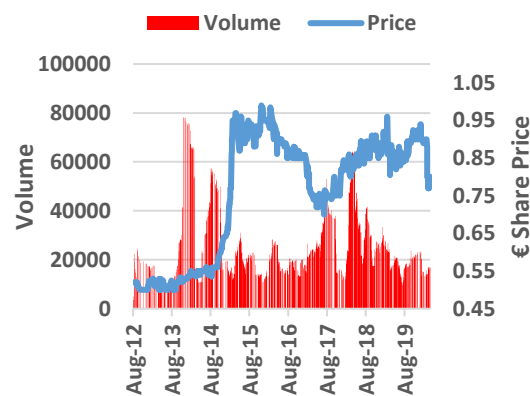
*based on FY19 results

Company Overview:

MLT is engaged in the acquisition, development and management of immovable properties in Malta. The Company currently owns the sites of MIA and VCP as well as a temporary emphyteusis over the Parliament Building and Open-Air Theatre in Valletta. MLT is currently in the process of developing a number of residential units, otherwise known as the Affordable Housing Project.

Exchange	Malta Stock Exchange (MSE)
5-year range	€0.70 - €0.99

Price and Volume Movement (20 day moving average)



Source: Bloomberg

Market Research



Andrew Fenech
 Research Analyst
 +356 25 688 133
andrewfenech@cc.com.mt



Rowen Bonello
 Research Analyst
 +356 25 688 305
rowenbonello@cc.com.mt

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