Executive Summary

The diversified property portfolio of IHI was key in enabling it to grow its EBITDA year-on-year and this was achieved despite the Libyan Civil War break out. Evidently, the pandemic has significantly impacted IHI, however this was mitigated by the immediate cost control actions taken by the Group.

Following discussions with senior management, we were assured that during FY20 the Group was able to renegotiate financing facilities and also secure new loans on beneficial terms. Additionally, we believe that the recently developed COVID-19 vaccine will aid in the recovery of the general economy and the demand for tourism, which strengthens the argument that the Group should fully recover by FY23.

In view of this, we believe that IHI should generate sufficient liquidity to meet all of its near term financial obligations and therefore, we are issuing a **Neutral** credit opinion on the Issuer.

IHI's securities: When compared to peers, the majority of IHI's bonds are trading at a higher yield. Even though this spread might be partially justified due to the relatively higher leverage of the Group, we believe that based on our neutral opinion and the favourable recovery prospects in the tourism industry, selective issues of IHI do provide investors with an attractive return in comparison to peers.

Therefore, in line with the underlying assumption of a full recovery by FY23, we are issuing a **Buy** recommendation on IH23, IH24 and IH25, whereas we recommend a **Hold** on IH26A and IH26B. Additionally, given that currently there is no clear indication how the Group will refinance IH21, we believe a **Hold** recommendation on this security is justified.

Business Overview

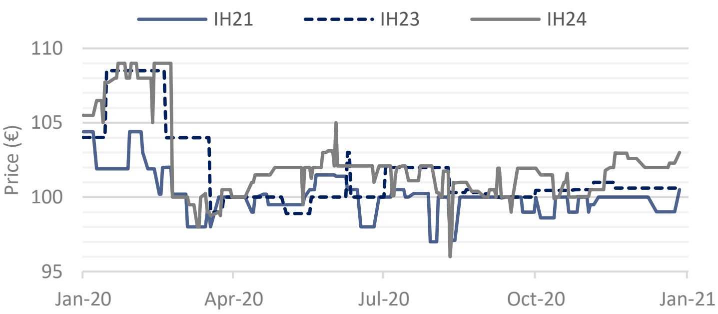
The principal activities of International Hotel Investments plc ("IHI" or the "Group") are the ownership, development and operation of hotels, the management of real estate properties and the provision of catering services. The Group currently owns 13 hotels and also manages 8 third-party hotels.

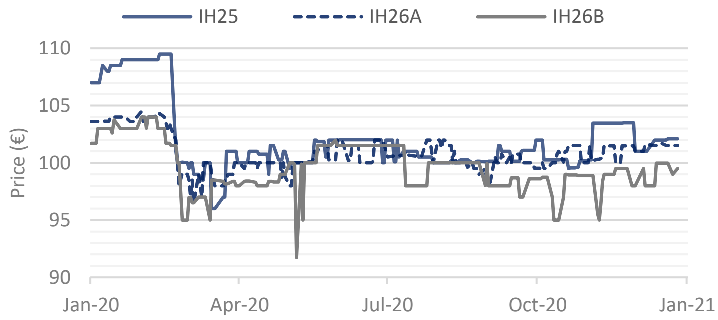
Credit Opinion	**Neutral**		
Country	Malta		
Sector	Hospitality, Real Estate and Catering		

Name	**5.8% IHI 2021**	**5.8% IHI 2023**	**6% IHI 2024**
Security	Unsecured	Unsecured	Unsecured
Nominal	€20mln	€10mln	€35mln
Ticker	IH21	IH23	IH24
Price (21.01.21)	€100.50	€100.60	€103.10
Recommendation	**Hold**	**Buy**	**Buy**
Yield to Maturity	5.2%	5.6%	5.0%

Name	**5.75% IHI 2025**	**4% IHI 2026**	**4% IHI 2026**
Security	Unsecured	Secured	Unsecured
Nominal	€45mln	€55mln	€60mln
Ticker	IH25	IH26A	IH26B
Price (21.01.21)	€102.20	€101.70	€99.98
Recommendation	**Buy**	**Hold**	**Hold**
Yield to Maturity	5.2%	3.7%	4.0%

1-Year Price Movement





Source: Malta Stock Exchange

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Debt securities issued by the Group

The Group currently has six bonds in issue, five of which are unsecured and one is secured. The most recent bond issue was in 2019, which was a 7-year €20m 4% unsecured bond.

Group's developments

In 2020, the Group took the strategic decision to wind down the Costa Spain operation, and focus its efforts on Costa in Malta. The Group has also decided to liquidate the Azure Group (IHI owned 50% of this group), which for the past 17 years carried out the sales function of the timeshare operation at the Golden Sands Resort.

Trading update: COVID-19 and outlook

The ramifications brought about by the pandemic has significantly impacted the hospitality sector and inevitably the Group's operations have been dramatically affected by COVID-19. In line with the directives issued by various governments and health authorities, IHI closed all of its hotels in March 2020.

Although the majority of the Group's hotels re-opened for business in July/August, the situation remained very fluid. In fact management's predictions for FY20 assume that occupancies in most of its businesses will not exceed 20%. As a consequence, revenue in FY20 is forecasted to fall by circa 65% when compared to FY19. Despite this drastic fall in revenue, the impact on the Group's profitability margins was mitigated by the immediate cost cutting measures implemented by IHI.

Management reported that the Group halted all capital expenditure, except for committed projects which commenced prior to the outbreak. Additionally, IHI terminated all casual labour and fixed term contracts, introduced various pay cuts and redundancies. In fact, the Group reported that the headcount as at September 2020 stood at 2,851 a reduction of circa 37% from the headcount in February 2020 (4,539). IHI also benefitted from various government subsidies implemented worldwide to safeguard jobs and economies. Furthermore, the Group was able to defer financing costs with banks and renegotiate repayment programs.

Following discussions with management, it was confirmed that the Group managed to secure new financing under the local MDB scheme and is also in advanced negotiations to obtain further financing facilities. Additionally, management confirmed that the Group renegotiated and deferred most of the debt falling due in FY20 and FY21, to the extent that IHI is forecasting €19.1m net proceeds from bank loans in FY20.

In mid-2020, the Group announced that in FY21 IHI is projecting to reach 50% of the revenue achieved in FY19. Furthermore, following the positive vaccine news that augurs well with an increase in economic activity, it is expected that tourism recovers at steeper rate than previously anticipated recovery. Assuming that approved vaccines are effective against potential new variants of the COVID-19 virus, we are optimistic that the Group achieves its recovery target and possibly exceed it.

Upon discussion with senior management, a positive trait resulting from the outbreak is that a number of efficiencies and payroll savings adopted during the pandemic will be maintained post COVID-19, thus improving the Group's long-term profitability margins.

Additionally, management confirmed that the Group is well-positioned in terms of liquidity, even in a stressed scenario where occupancy rates remain at distressed levels during FY21. In view of this, we are of the opinion that the Group will be able to meet all of its financial commitments including the interest on its bonds.

Calamatta Cuschieri
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SWOT analysis

Strengths

- ✓ IHI has a wide portfolio of hotels, both owned and managed spread over several countries, therefore its dependence on any single hotel and/or market is limited
- ✓ Ownership of a strong, international, reputable brand name
- ✓ Through the operations of the commercial properties and the project management business, the Group is diversifying its main source of income, being the hotel segment
- ✓ The Group's major assets (predominantly the hotels) are carried out at the historical acquisition value and do not reflect the current market value, which despite the impact of COVID-19, increased considerably in recent years
- ✓ The Group is backed by financially strong shareholders and it also has a robust equity

Weaknesses

- × The pandemic has significantly impacted the business model of the Group and it is not yet certain when IHI expects to recover back to pre-pandemic levels
- × During 2019, tensions in Libya escalated and this negatively affected the performance of the Group's properties situated in Tripoli
- × In 2019, Malta (which represents the largest sector for the Group), experienced a decrease in occupancy in the 5-star segment, which negatively impacted IHI
- × IHI operates in a capital-intensive industry, consequently it incurs substantial annual investment cash outflows
- × The Group's gearing is relatively high, which consequently results in significant finance costs
- × IHI's performance is sensitive to exchange rates movements

Opportunities

- o Given the strength of the Group's financial position, it can capitalise on new opportunities (such as tapping into new markets like Asia and US), which may arise subsequent to the pandemic
- o The costs mitigation procedures and the efficiencies brought about by the outbreak, might well be maintained post COVID-19
- o Once the current situation stabilises, the Group is eyeing the potential sale of some of its owned properties, which will enable IHI to crystallise the capital appreciation of such properties
- o Management is committed to developing the business by engaging in hotel management agreements, which do not require large capital commitment.
- o The Group has a number of owned properties that currently do not render any return, but this can significantly change once these are developed
- o Potential increase in barging power when it comes to the recruitment of unskilled labour

Threats

- ! Although the recovery post COVID-19 is more visible, the extent of the impact on the Group from the pandemic is not yet fully known
- ! In the past years, Malta has focused on increasing the tourism volume which naturally led to the attraction of low spending tourists and the consequent lower average spend per tourist. This in itself, pose a threat to the local luxury accommodation industry
- ! During the recent years, Malta experienced a significant increase in tourist accommodation, which might result in excess supply and a general decrease in prices
- ! The future performance of the Group in Libya is largely dependent on how soon the political situation in Libya will return to normality
- ! IHI is exposed to geopolitical risk in countries such as Russia and Hungary
- ! A potential downturn in Europe's property market and hospitality industry
- ! The increasing popularity of online private accommodation platforms, such as Airbnb might hinder the Group's operations, although the offering of the Group is different to that of Airbnb

Financial summary

International Hotel Investments plc - €'mn (unless otherwise indicated)	FY17A	FY18A	FY19A	FY20F
Income statement				
Revenue	242.4	256.3	268.3	93.2
Cost of Sales	(113.2)	(122.4)	(127.8)	(55.7)
Gross Profit	129.2	133.9	140.5	37.5
Net operating expenses	(65.3)	(66.4)	(70.7)	(42.7)
EBITDA	63.9	67.5	69.8	(5.2)
Depreciation and amortisation	(31.1)	(33.2)	(36.8)	(35.6)
EBIT	32.8	34.3	33.0	(40.8)
Share of (loss) profit: equity accounted investments	(1.5)	(1.4)	(4.0)	(2.0)
Net finance costs	(21.1)	(20.7)	(23.2)	(23.8)
Other	(3.6)	(3.8)	8.1	(8.3)
Profit before tax	6.6	8.5	13.9	(74.9)
Taxation	5.3	(0.0)	(8.8)	17.5
Profit after tax	11.9	8.5	5.1	(57.4)
Cash flow				
Net cash from operations (CFO)	36.5	38.2	39.9	(13.1)
Capex	(14.1)	(27.6)	(17.2)	(13.8)
Free cash flows (CFO – Capex)	22.3	10.5	22.6	(26.9)
Balance sheet				
Cash and cash equivalents	50.8	50.2	72.7	44.7
Current assets	137.9	127.5	141.6	103.7
Non-current assets	1,454.0	1,490.3	1,545.6	1,462.4
Total assets	1,591.9	1,617.9	1,687.2	1,566.1
Current liabilities	89.7	117.6	124.8	89.7
Non-current liabilities	637.2	622.7	665.3	672.5
Total liabilities	726.9	740.2	790.1	762.1
Total Financial debt	556.2	565.2	606.6	622.8
Net debt	505.4	515.0	533.9	578.1
Total equity	865.0	877.6	897.1	804.0
Financial ratios				
Growth in Total Revenue (YoY Revenue Growth)	53.5%	5.7%	4.7%	-65.3%
Gross profit margin (Gross profit / Revenue)	53.3%	52.3%	52.4%	40.2%
EBITDA margin (EBITDA / Revenue)	26.4%	26.3%	26.0%	-5.6%
Operating (EBIT) margin (EBIT / Revenue)	13.5%	13.4%	12.3%	-43.8%
Net margin (Net income / Revenue)	4.9%	3.3%	1.9%	-61.6%
Return on common equity (Net Income / Total Equity)	1.6%	1.0%	0.6%	-6.8%
Return on assets (Net Income / Total Assets)	0.8%	0.5%	0.3%	-3.5%
Current ratio (Current assets / Current Liabilities)	1.5x	1.1x	1.1x	1.2x
Interest coverage ratio (EBITDA /Cash interest paid)	2.7x	3.2x	3.0x	(0.2)x
Gearing level 1 (Net debt / Net Debt and Total Equity)	36.9%	37.0%	37.3%	41.8%
Gearing level 2 (Total Liabilities / Total Assets)	45.7%	45.8%	46.8%	48.7%
Net debt / EBITDA	7.9x	7.6x	7.7x	(111.3)x
Cash from Operations / EBIT	1.1x	1.1x	1.2x	0.3x

Source: IHI's Audited Financial Statements and Financial Analysis Summary (FAS) of 2020

Investment considerations

- **Revenue:** As can be analysed the Group's revenue is mainly derived from the operation of its own hotels (FY19: 81.8%). The Group's catering has recently been consolidated under the Corinthia Caterers brand. Property rental mainly represents IHI's offices and retail units within the commercial centres in Tripoli and St Petersburg, as well as the rental of the luxury residential penthouse in London.

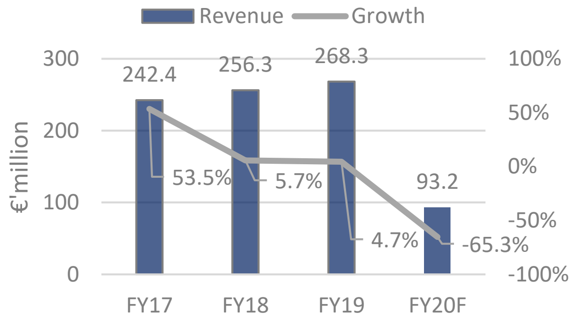
  Despite the political turmoil in Tripoli subsequent to the Libyan Civil War, the Group still managed to increase its revenue year-on-year. The diversified property portfolio of IHI was key in accomplishing this achievement. IHI reported that the revenue increase of 4.7% in FY19, was achieved through organic growth across most of the Group's operations, including continued growth in hotel bookings.

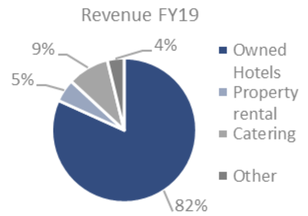
  It is evident that the COVID-19 outbreak has significantly impacted the Group, with forecasted revenue for FY20 expected to fall by over 65% to €93.2m (FY19: €268.3m), with occupancies not expected to exceed 20%. However, the Group noted that it expects to start recovering in FY21, where it is aiming to reach at least half of the revenue achieved in FY19. Management also noted that following the positive vaccine news that augurs well with a faster economic recovery, IHI is optimistic on reaching its target and possibly surpass it.

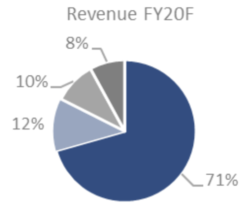
  EBITDA: Evidently, as can be analysed the Group's owned hotels are the most important contributors to EBITDA, followed by property rental which naturally generates a high EBITDA margin of circa 86%. Owned hotels generate a margin of around 23%. In FY19, the Group's EBITDA margin decreased marginally to 26.0% due to an underperformance in the luxury hotels situated in Malta. As noted earlier, in recent years, Malta has focused on increasing the tourism volume rather than focusing on attracting high spending tourists.

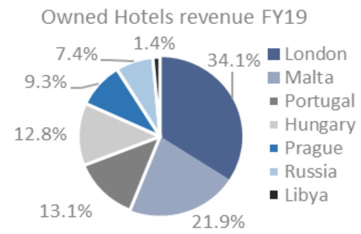
  As a consequence of the outbreak, EBITDA in FY20 is forecasted to plunge in negative territory (-€5.2m). In line with discussions held with management and the improved economic sentiment (assuming an effective vaccine, followed by an economic recovery), IHI's EBITDA is expected to improve significantly in FY21 from the lows experienced during FY20.

  The International Air Transport Association (IATA) predicts that domestic air traffic should recover to pre-pandemic levels in 2023, while cross-border travel is expected to recover in 2024. In line with this, management currently expects that in FY22 the Group should reach 80% of the activity recorded during FY19 and to fully-recover in FY23.

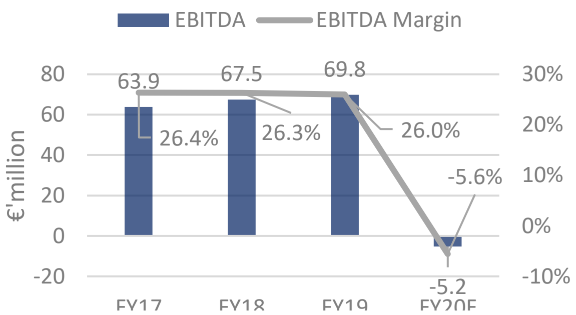


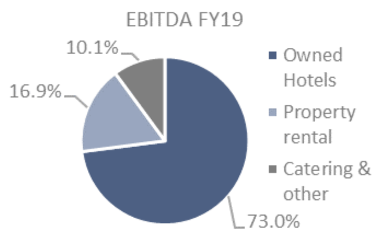


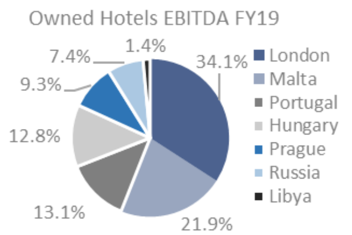




Source: IHI's Audited Financial Statements







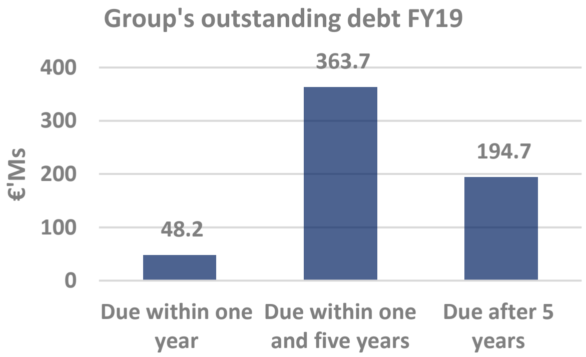
Source: IHI's Audited Financial Statements

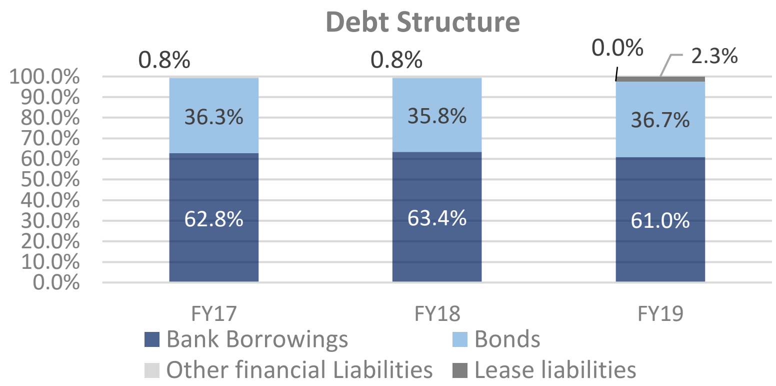
- **Finance costs:** The Group's finance costs are mainly characterised by the interest incurred on the Group's bank borrowings, coupled with the bonds currently in issue. In FY19, IHI incurred €23.8m in financing costs (excluding foreign exchange movements), an increase of €2.3m over FY18. This was predominantly as a result of the recent €20m bond issue, in addition to an increase in bank borrowings of €12m (of which €10m relate to hotel in Lisbon) and the implementation of IFRS 16 which resulted in the recognition of another circa €11m in lease liabilities.

- **EBITDA interest coverage:** As a consequence of the additional leverage taken by IHI during FY19, the Group's interest coverage ratio dropped to 3.0x from 3.2x in FY18. Given that as per FAS the Group is expected to report negative EBITDA in FY20, the interest coverage ratio cannot be computed. However, in line with management's presumption that the Group will start recovering in FY21, we expect that the EBITDA interest coverage will gradually return back to pre-pandemic levels by FY23.

- **Capital Expenditure:** During FY19, the Group invested €17.2m in various capital projects, which amongst others include; the redevelopment of the Corinthia Grand Astoria Hotel Brussels, the investment in Moscow and the refurbishment of the Corinthia Hotel in Lisbon. Given the significant impact of the pandemic, the Group ceased all expansionary capex during FY20 and maintained only the necessary capital expenditure on ongoing projects which is estimated to cost €13.8m.

Debt maturity profile





Maturity Ladder: FY19 (€mn)	Within 1 year	Between 1 - 5 years	More than 5 years	Total
Bank Borrowings	45.4	252.2	72.4	**370.0**
Bonds	-	108.9	113.7	**222.6**
Lease liabilities	2.8	2.6	8.6	**14.0**
	48.2	**363.7**	**194.7**	**606.6**

Source: IHI's Audited Financial Statements

N.B. The above illustrated figures/data are as at end of FY19, therefore these do not capture the renegotiations and new financing facilities that the Group obtained during FY20 in response to the downturn caused by COVID-19.
As can be analysed, IHI's debt mainly consists of bank borrowings and bonds. Additionally, the majority of the Group's debt (60%) will fall due between FY21 and FY25.

Bank loans: These facilities are secured by general hypothecs on the Group's assets, special hypothecs, privileges on the Group's property, guarantees by related parties, as well as pledges over the shares in subsidiaries and joint ventures. Bank borrowings are subject to variable interest rates linked to Euribor, other reference rates or bank base rates with an average interest rate of 2.95% in FY19 (FY18: 2.75%).

Bonds: The Group currently has six bonds in issue. The first bond nearing maturity is IH21, with a nominal value of €20m (maturity date: 21/12/2021). The remaining bonds have different maturities and will mature between 14/11/2023 and 20/12/2026. As stated earlier, in view of the company's ability to re-negotiate better terms regarding their loans which are due during FY20, and also in view of the liquidity constraints caused by the crisis, the company might consider refinancing the IH21 bond. However, at this stage, no further updates have been issued by the Group in this respect.

Analysis of outstanding issues

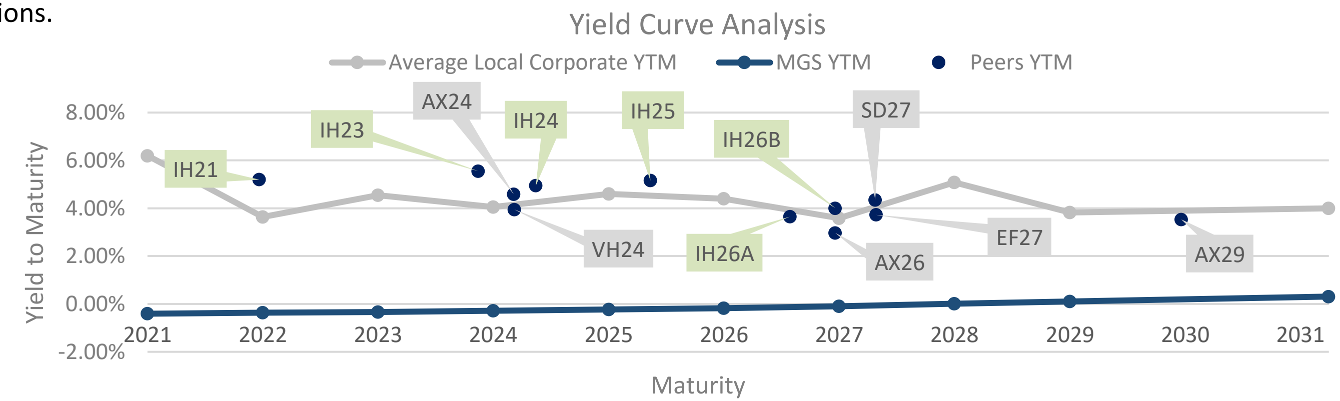
Security	Nom Value €000's	Yield to Maturity (%)	Interest coverage (EBITDA) (times)	Total Assets (€'millions)	Total Equity (€'millions)	Total Liabilities / Total Assets (%)	Net Debt / Total Equity (%)	Net Debt / EBITDA (times)	Current Ratio (times)	Return on Common Equity (%)	Net Margin (%)	Revenue Growth (YoY) (%)	Last Closing Price *
5.8% International Hotel Investments plc 2021	20,000	5.2%	3.0x	1,687.2	897.1	46.8%	37.3%	7.7x	1.1x	0.6%	1.9%	4.7%	100.50
5.8% International Hotel Investments plc 2023	10,000	5.6%	3.0x	1,687.2	897.1	46.8%	37.3%	7.7x	1.1x	0.6%	1.9%	4.7%	100.60
6% AX Investments Plc € 2024	40,000	4.59%	5.5x	342.4	226.1	34.0%	18.9%	3.2x	0.9x	2.2%	9.4%	-8.1%	104.00
4.4% Von der Heyden Group Finance plc Unsecured € 2024	25,000	3.95%	1.1x	147.8	44.3	70.1%	66.4%	36.6x	0.7x	-4.9%	-8.5%	8.6%	101.29
6% International Hotel Investments plc € 2024	35,000	4.95%	3.0x	1,687.2	897.1	46.8%	37.3%	7.7x	1.1x	0.6%	1.9%	4.7%	103.10
5.75% International Hotel Investments plc Unsecured € 2025	45,000	5.16%	3.0x	1,687.2	897.1	46.8%	37.3%	7.7x	1.1x	0.6%	1.9%	4.7%	102.20
4% International Hotel Investments plc Secured € 2026 (xd)	55,000	3.65%	3.0x	1,687.2	897.1	46.8%	37.3%	7.7x	1.1x	0.6%	1.9%	4.7%	101.70
4% International Hotel Investments plc Unsecured € 2026	60,000	4.00%	3.0x	1,687.2	897.1	46.8%	37.3%	7.7x	1.1x	0.6%	1.9%	4.7%	99.98
3.25% AX Group plc Unsec Bds 2026 Series I	15,000	2.97%	5.5x	342.4	226.1	34.0%	18.9%	3.2x	0.9x	2.2%	9.4%	-8.1%	101.50
4.35% SD Finance plc Unsecured € 2027	65,000	4.35%	6.8x	324.4	137.6	57.6%	43.3%	4.1x	1.4x	9.0%	20.5%	5.7%	100.00
4% Eden Finance plc Unsecured € 2027	40,000	3.72%	6.6x	199.3	113.1	43.2%	29.0%	3.4x	1.1x	11.7%	28.1%	9.7%	101.50
3.75% AX Group plc Unsec Bds 2029 Series II	10,000	3.54%	5.5x	342.4	226.1	34.0%	18.9%	3.2x	0.9x	2.2%	9.4%	-8.1%	101.61
Average		**3.85%**											

* Last price as at 21/01/2021

Source: Latest available audited financial statements

Investment rationale

We have compared the securities of International Hotel Investments plc against similar issuers in the local market. Comparable companies were specifically identified on the basis of the industry in which they operate, more specifically their service offerings. The credit profile of the comparable companies was analysed in terms of leverage and the ability to meet debt obligations.



Source: Malta Stock Exchange, Central Bank of Malta, and CC's Workings

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 of comparable issuers (Peers YTM).

Prior to the COVID-19 outbreak, the Group's EBITDA was constantly growing year-on-year, with this mostly attributable to the diversified property portfolio of IHI. In fact, this was achieved despite the significant loss of business from the Corinthia Tripoli hotel as a result of the Libyan Civil War break out. To date, Libya still has not yet recovered and the political environment remains very risky.

The Group's business model has now been significantly challenged by the COVID-19 pandemic, with most segments reporting material losses. However, it is important to highlight that IHI took immediate actions to control its costs and mitigate the negative impact of the pandemic. We believe that this was critical for the Group given the drastic implications of COVID-19.

Following discussions with senior management, we were assured that during FY20 the Group was able to renegotiate financing facilities and also secure new loans on beneficial terms, such as the MDB scheme. Additionally, we believe that the recently developed COVID-19 vaccine will aid in the recovery of the general economy and the demand for tourism. Therefore, the latter further strengthen the argument that the Group should start recovering in FY21 and reach pre-pandemic levels in FY23.

The Group has a strong share capital base and it owns several high value assets, with non-current assets standing at €1.5 billion as at 30 June 2020. Furthermore, the Corinthia brand has strengthened throughout the years and is also being recognised worldwide, with numerous projects in the pipeline, especially from the 'managed hotels' segment. Management confirmed that, based on a pessimistic scenario extending to FY21, IHI should generate sufficient liquidity to meet all of its near term financial obligations and the Group does not foresee the need to sell its assets at distressed levels in order to survive. Therefore, we believe that a **Neutral** credit opinion is warranted on this Issuer.

The Group's securities:

Ticker	Last price	YTM
IH21	100.50	5.2%
IH23	100.60	5.6%
IH24	103.10	5.0%
IH25	102.20	5.2%
IH26A	101.70	3.7%
IH26B	99.98	4.0%

It is evident that the majority of IHI's bonds are trading at a higher yield when compared to the 3.9% average of identified peers. The wider spreads might be partly reflective of the higher leverage (Net Debt / EBITDA) of the Group standing at 7.7x as at FY19 when compared to AX Group plc (3.2x), SD Finance plc (4.1x) and Eden Finance plc (3.4x). Furthermore, the degree of the impact from the pandemic (which is not captured in the comparative analysis above) has been quite severe for IHI given the relatively higher exposure to the hospitality industry when compared to peers.

Nonetheless, when considering the relatively stable liquidity position of the Group as discussed above, coupled with favourable economic recovery prospects and possibly more pronounced in the tourism industry, selective issues of IHI do provide investors with an attractive return when compared to peers. Therefore, in line with the underlying assumption of a full recovery by FY23, we are issuing a **Buy** recommendation on IH23, IH24 and IH25, whereas we recommend a **Hold** on IH26A and IH26B. Despite the attractive yield of IH21, currently there is no clear indication how the Group will refinance this debt in the existing unfavourable environment, therefore we are issuing a **Hold** recommendation on IH21.

Glossary and definitions

Income Statement	
Revenue	Total revenue generated by the Group/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 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	
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 the average total assets (average assets of two years financial performance).
Cash Flow Statement	
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 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.
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 Net Debt and Total Equity. Is calculated by dividing Total Liabilities by Total Assets.
Net Debt / EBITDA	The Net Debt / EBITDA ratio measures the ability of the Group/Company to refinance its debt by looking at the EBITDA.
Cash from Operations / EBIT	This ratio measures the ability of the Group/Company to convert its earnings into cash.
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.

Glossary and definitions

Credit Opinion

- **Positive** indicates expectations of a general improvement of the fundamentals / market sector / asset class / credit rating over the next 6 to 12 months.
- **Neutral** indicates expectations of a general stable trend of the fundamentals / market sector / asset class / credit rating over the next 6 to 12 months.
- **Negative** indicates expectations of a general deterioration of the fundamentals / market sector / asset class / credit rating over the next 6 to 12 months.

Issue specific recommendations

The recommendations below are with respect to existing debt securities issued on the Malta Stock Exchange.

- **Buy** indicates our favourable view from a total return perspective with respect to the credit considering yield-to-maturity / fundamentals / maturity bucket / credit rating over the next 6 to 12 months.
- **Hold** indicates our neutral view from a total return perspective with respect to the credit considering yield-to-maturity / fundamentals / maturity bucket / credit rating over the next 6 to 12 months.
- **Sell** indicates our negative view from a total return perspective with respect to the credit considering yield-to-maturity / fundamentals / maturity bucket / credit rating over the next 6 to 12 months.

N.B: Newly issued research recommendations supersede previously published research.

Disclaimer