BORTEX GROUP FINANCE PLC

Bortex Group Finance plc
32, Hughes Hallet Street, Sliema
Tel: (+356) 21333565 Fax: (+356) 21333558
E-mail: cdemicoli@roosendaal.com.mt www.bortexgroupholdings.com
Co Reg No: C82346

COMPANY ANNOUNCEMENT

The following is a Company Announcement by Bortex Group Finance plc (C82346) (hereinafter the 'Company') of 32, Hughes Hallet Street, Sliema, pursuant to Chapter 5 of the Listing Authority Listing Rules:

Quote

Bortex Group Finance plc announces that the Financial Analysis Summary dated 26th April 2021 prepared by Calamatta Cuschieri, is attached herewith and can be accessed on http://bortexgroupholdings.com/investor-relations/

Unquote

By order of the Board.

Christine Demicoli
Company Secretary

26th April 2021

FINANCIAL ANALYSIS SUMMARY
Bortex Group Finance p.l.c.
26 April 2021

Calamatta Cuschieri
YOUR PARTNER IN FINANCIAL SERVICES

The Directors
Bortex Group Finance p.l.c.
32, Hughes Hallet Street,
Sliema, SLM 3142, Malta

26 April 2021

Dear Sirs,

In accordance with your instructions, and in line with the requirements of the Listing Authority Policies, we have compiled the Financial Analysis Summary (the "**Analysis**") set out on the following pages and which is being forwarded to you together with this letter.

The purpose of the financial analysis is that of summarising key financial data appertaining to Bortex Group Finance p.l.c. (the "**Issuer**") and Bortex Group Holdings Co Ltd (the "**Guarantor**"), where the latter is the parent company of the "**Group**". The data is derived from various sources or is based on our own computations as follows:

(a) Historical financial data for the three years ending 31 October 2018, 2019 and 2020 have been extracted from the audited financial statements of the Issuer and the Guarantor.

(b) The forecast data for the financial year ending 31 October 2021 has been provided by management.

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

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

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

The Analysis is meant to assist investors in the Issuer's securities and potential investors by summarising the more important financial data of the Group. The Analysis does not contain all data that is relevant to investors or potential investors. The Analysis does not constitute an endorsement by our firm of any securities of the Issuer and should not be interpreted as a recommendation to invest in any of the Issuer's securities. We shall not accept any liability for any loss or damage arising out of the use of the Analysis. As with all investments, potential investors are encouraged to seek professional advice before investing in the Issuer's securities.

Yours sincerely,

____
Nick Calamatta
Director

Table of Contents

Part 1 - Information about the Group

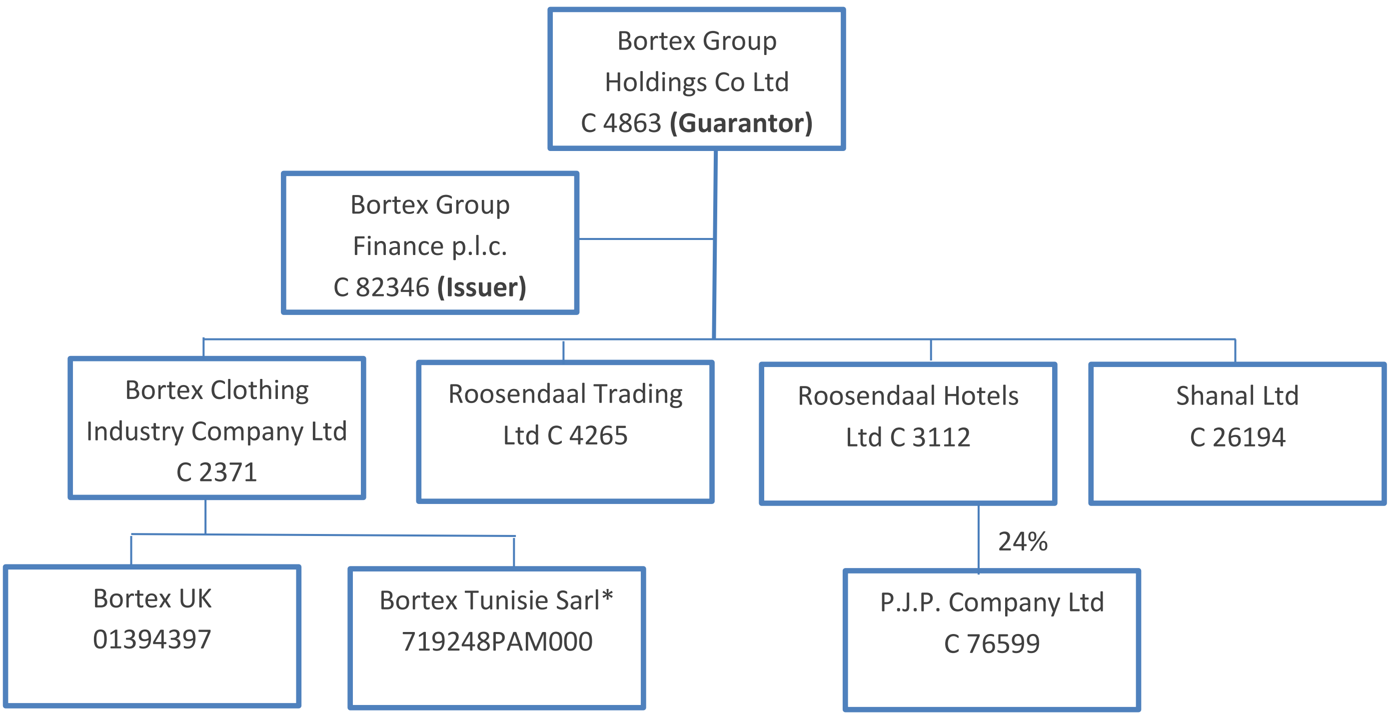
1.1 Issuer and Guarantor's key activities and structure

The Issuer, Bortex Group Finance plc, company registration number C 82346, is a limited liability company registered in Malta on 30th August 2017. The Issuer is, except for one share held by Mr Peter Borg and another held by Ms Karen Bugeja, a wholly owned subsidiary of the Guarantor, which latter entity is the parent company of the Group. The Issuer, which was set up and established to act as a finance company, has as at the date hereof an authorised and issued share capital of €250,000 divided into 250,000 ordinary shares of €1 each, all fully paid up.

The Guarantor is a private limited liability company incorporated and registered in Malta with company registration number C 4863. It was formerly known as Borchild Limited until 26th September 2017. The Guarantor is principally engaged, through several subsidiaries that operate in various jurisdictions, in the business of manufacturing garments for its own brand, Gagliardi, as well as for other private labels, retailing and distribution of garments in Malta as well as overseas, property development and management in addition to owning and managing hotels in Malta.

The authorised and issued share capital of the Guarantor is €46,587.46, divided into 20,000 ordinary shares having a nominal value of €2.329373 each. The ultimate beneficial owners of the Guarantor are Mr Peter Borg and Ms Karen Bugeja, in equal shares between them.

The Group's summarised structure is as follows:



Ownership percentages are 100% unless otherwise indicated

* Following company announcement issued on 23/04/2021, Bortex Tunisia is currently in the process of being liquidated. The termination of the operations of Bortex Tunisia is discussed in detail in section 1.4 – Operational Developments.

1.2 Directors and key employees

Board of Directors - Issuer

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

Name	Designation
Mr. Peter Borg	Executive director, rotating chairperson
Ms. Karen Bugeja	Executive director, rotating chairperson
Ms. Christine Demicoli	Executive director, company secretary
Mr. Mario C. Grech	Independent, non-executive director
Mr. Emanuel Ellul	Independent, non-executive director
Mr. Joseph Cachia	Independent, non-executive director

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

Board of Directors - Guarantor

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

Name	Designation
Mr. Peter Borg	Executive director, rotating chairperson
Ms. Karen Bugeja	Executive director, rotating chairperson
Ms. Christine Demicoli	Executive director, company Secretary
Ms. Alexandra Borg	Executive director
Mr. Sam Borg	Executive director
Mr. David Debono	Executive director

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

The executive directors of the Issuer and the Guarantor, on the strength of their respective knowledge and experience in the applicable business interests of the Group to which they contribute directly, occupy the senior management and key executive positions across the Group. As of 31 October 2020, the average number of persons employed with the Group amounted to 613 (FY19: 639). The reduction in the Group's average number of employees was mainly across the apparel segment, which experienced a decrease of 25 employees, while the employees in the hotel segment remained fairly constant (FY20: 33 vs FY19: 34).

1.3 Major assets owned by the Group

The Issuer does not have any substantial assets and is essentially a special purpose vehicle set up to act as a financing company.

The Group's operations are, and have been for a number of years, divided into two principal segments, garment manufacturing and retailing on the one hand, and property development and hotel operations on the other. Although the core business of the Group knows its origins in the garment manufacturing sector and the eventual retailing of those garments, it has also established itself in the hospitality sector and, more recently, moved into the boutique hotel sector, through the refurbishment of a historical property in Valletta, which welcomed its first clients in May 2018.

Bortex Clothing Industry Company Ltd, a direct subsidiary of the Guarantor based in Malta, carries out the design and manufacture of a vast range of formal tailoring. Roosendaal Trading Limited, also a direct subsidiary of the Guarantor, is then involved in the sale and distribution of formal tailoring, outerwear, casual clothing, footwear and accessories through the operation of a number of retail outlets both in Malta as well as overseas. The business forming part of the Group's hospitality segment is carried out by Roosendaal Hotels Limited, another direct subsidiary of the Guarantor, which owns and manages the operations of Hotel 1926 (formerly known as the Plevna Hotel) situated in Sliema, Malta as well as the PJP boutique hotel in Valletta. Shanal Limited is a non-trading company.

- **Garment manufacture and retail**

The Group's own brand "Bortex", is Malta's longest established name in formal men's tailoring. Bortex Clothing Industry Company Ltd was set up in October 1964 by Maltese entrepreneur Sunny Borg, originally to produce jeans and similar items of clothing when his import licences at the time were withdrawn. The venture went from strength to strength, until in 1971 Bortex entered into partnership with the renowned menswear brand, Van Gils of Holland and the jeans factory was converted to produce high quality men's tailoring. The Van Gils shares were eventually bought by the British retail group Next plc in 1987 thereby enabling Bortex to penetrate the British market and spread its product profile into children's and ladies' wear.

In 1991, the Next plc shares in Bortex Clothing Industry Company Ltd were bought up by the Borg family – resulting in the company becoming 100% owned by the Borg family.

Over the years, the Group has diversified into direct retail both in Malta and overseas. It launched its own label Gagliardi in 2010, which offers a complete menswear proposition and it has built a number of key partnerships with several leading fashion brands such as Ralph Lauren, Gant, Lacoste, Hackett, Barbour, Fynch Hatton, Pepe Jeans and Ben Sherman amongst others.

On the Maltese market place, the Group operates a mix of large format multi-brand stores offering all the above labels as well as a number of flagship mono-brand stores. Outside of Malta, the Group operates a number of Gagliardi stores through a mixture of franchising arrangements, joint venture models and concessions.

Its principal markets apart from Malta include the UK, Ireland, Russia, Poland, Serbia and the Middle East. The Group is also active online through two e-commerce platforms. An international Gagliardi website delivering worldwide which offers the entire Gagliardi range and is focused exclusively on the international market and a separate Bortex website which focuses exclusively on the Maltese marketplace and offers all the partner brand ranges such as Ralph Lauren, Gant, Lacoste, Barbour Hackett and others besides the Group's own Gagliardi range.

Manufacturing for private label clients still forms a substantial portion of the Group's garment manufacturing operations, with clients based primarily in the UK, France, Sweden, Switzerland and Germany. The Group's operations in this sector have been refocused to cater for higher-end and higher-value products rather than higher-volume but lower-value items. Although competition in this sector remains high, the Group enjoys an enviable track record and can boast several long-standing relationships with established brands.

The Group has manufactured its various product lines with several partner factories overseas for many years now whilst retaining its own limited, fully owned manufacturing capabilities through Bortex Tunisie and through its small manufacturing plant in Malta. As a result of the negative repercussions ensuing from the COVID-19 pandemic, the Group has taken the decision to close down its factory in Tunisia. This decision was taken in order to stem losses which had been mounting there since the onset of the pandemic and also in view of the rapidly degenerating political and socio-economic situation in that Country. A detailed update on this development is found further below in section 1.4 – Operational Developments.

The Group has retained its small manufacturing facility in Malta, but as noted above, most of its larger orders are carried out overseas through third party sources. Orders previously placed in the Tunisia factory have already been placed with third party factories in other locations within the E.U. or the Far East. The headquarters of the manufacturing operation remain based in Malta, where product development, design, marketing and other knowledge-based activities are carried out. Shipments from Bortex factories worldwide often transit in Malta on their way to some of Europe's better-end department stores, chain store groups and fashion houses.

Efforts to further build up the Group's custom contract, corporate business have been intensified as have those in order to penetrate the market for school uniforms. These efforts have recently started to bear fruits and the Group has added a number of new contracts in both these areas of business. More recently, the Group also introduced a 'Made-to-Measure' offer, whereby clients can order tailor-made garments.

- **Property development and hospitality**

The Group has owned and managed a small, yet strategic, property portfolio for several decades. The Group's properties are owned and operated by Roosendaal Hotels Limited and Roosendaal Trading Limited. Roosendaal Hotels Limited is involved in the hospitality industry and currently owns and manages Hotel 1926 and Palazzo Jean Parisot Suites. All other properties are owned by Roosendaal Trading Limited.

During 2018, the hotel was closed for major overhaul that lead to its rebranding from Plevna Hotel to Hotel 1926. All construction and finishing works were completed during 2019, with the hotel increasing the number of available rooms gradually until it reached its full capacity of 172 rooms in August 2019. The hotel offers the highest standards of lean luxury by employing state-of-the-art guest management software and technologies. It is complemented with a beach lido concession on the Qui-si-Sana foreshore, which concession is for an indefinite term tied to the operation of the hotel. Early in 2020, the Group commenced works on a conference room, however these were temporarily suspended as part of the Group's actions to limit cash outflows during the stressed economic sphere ensuing from the COVID-19 outbreak. Management confirmed that works on this conference room have now restarted and should be completed by July 2021. Further information pertaining to the ongoing COVID-19 pandemic is found in section 1.4 below.

The Group is also involved in the construction and the eventual sale of a block of newly developed luxury apartments named 'TEN', consisting of eighteen apartments and two penthouses over seven floors. This project has been developed and is currently being marketed for sale. Further information in relation to the development of this project is found in section 1.4 below.

The Group, through Roosendaal Hotels Limited, holds 24% of the issued share capital of P.J.P. Company Limited (P.J.P.), with the remaining shareholding held by Ms Karen Bugeja (38%) and P.Borg & Son Holdings Limited (38%). It was originally intended that P.J.P. acquire a residential property, however in order to apply for financing the above mentioned parties assigned their rights to Roosendaal Hotels Limited. Consequently, apart from its share capital, P.J.P. does not carry out any trading activities. The property, which is situated in St. Paul's Street, Valletta, was renovated during 2018, with the boutique hotel opening its doors in May 2018. The hotel "Palazzo Jean Parisot Suites", which has 7 operational suites, is situated in the heart of the city and includes a rooftop terrace. Further information on this hotel is found in section 1.4 below.

- **Retail store management**

Bortex Clothing Industry Company Ltd, a direct subsidiary of the Guarantor based in Malta, carries out the design and manufacture of a vast range of formal tailoring. Roosendaal Trading Limited, also a direct subsidiary of the Guarantor, is responsible for the operation of the Group's retail outlets and some of its property management activities.

The range of stores managed by said company are mainly multi-brand stores in which the Group's Gagliardi brand is sold alongside other brands such as Gant, Lacoste and Ralph Lauren, with which the Group has secured distribution arrangements. Roosendaal Trading Limited also operates one mono-brand store, stocking and selling the Gagliardi line exclusively – this store is situated within the MIDI complex in Sliema, Malta. In March 2019, the Group opened another mono-brand store within The Point complex, exclusively retailing the Ralph Lauren brand.

The following table provides a list of the principal assets and operations owned by the respective Group companies:

Owning Company	Name Of Property	Location	Description	% Ownership
Roosendaal Hotels Limited	Hotel 1926	Sliema, Malta	Hotel management & operation	100%
Roosendaal Hotels Limited	TEN apartments	Sliema, Malta	Investment property	100%
Roosendaal Hotels Limited	Palazzo Jean Parisot Boutique Suites	Valletta, Malta	Hotel management & operation	100%
Roosendaal Trading Limited	Bortex Retail Outlet, Mosta	Mosta, Malta	Retail outlet & 2 other commercial levels with own airspace	100%
Roosendaal Trading Limited	Bortex Retail Outlet, Tower Road, Sliema	Sliema, Malta	Retail outlet	100%
Roosendaal Trading Limited	Bortex Retail Outlet, Mriehel	Mriehel, Malta	Retail outlet on the first 2 levels, 3 levels of commercial office space and 3 other basement levels	100%
Bortex Clothing Industry Company Ltd	Bortex Warehouse, Zebbug	Zebbug, Malta	Warehouse	100%

Apart from the above assets, the Group also owns, through an emphyteusis contract, two warehouses (A11 and A12) in the Industrial Estate of Marsa, Malta. This emphyteusis is owned by Bortex Clothing Industry Company Ltd.

1.4 Operational Developments

- ### Closure of the Group's factory in Tunisia

The COVID-19 pandemic has impacted the entire fashion industry, particularly the formal wear sub-segment. Given the strict restrictions, with offices and shops in most markets being closed for much of the last year, while all events normally connected with formal attire prohibited, demand for formal wear has decreased notably. This has meant significant reductions for Bortex international orders and as a result, inevitably, losses at its Tunisian manufacturing subsidiary, Bortex Tunisie Sarl had been mounting.

Over the past months, since March 2020 the Guarantor has been making good for these losses, while it has been accumulating garment inventory for which it has no immediate sales orders, in order to provide support for its Tunisian subsidiary in the hope that this would be sufficient to enable it to ride out the pandemic. On 23rd April 2021, the Group announced that the Board of Directors resolved to end its operations in Tunisia in order to safeguard the Group's financial position.

Management confirmed that impairments and provisions against the entire value of the Tunisian investment as well as for any possible losses on inventories have been accounted for in the financial statements for the year ending 31st October 2020, as further discussed below. Therefore, this decision should not impact the financial performance of the Group for the upcoming year ending on 31st October 2021. Moreover, given that the subsidiary was incurring losses, this strategic move should improve the Group's performance in the future, while it should also improve margins in the longer term as the shift of production to other geographical areas should overall lower the cost of production within the garment segment.

Management also confirmed that over the past decades it has been strategically broadening its supplier base throughout the globe with a view to optimising production costs as well as spreading risk, and winding down its manufacturing operations in Tunisia is broadly in line with this long term objective.

- **Assessment of the COVID-19 pandemic**

Since the onset of the COVID-19 pandemic, the Group has been closely monitoring the developments of this unprecedented health crisis, which has been affecting both the local and global economy.

The pandemic has impacted several industries worldwide, with its consequences severely impacting the various sectors of the Group. This depressed environment has led to a substantial decrease in the Group's pre-COVID projected revenues and financial performance.

However, through the swift cost-saving strategies adopted by management and its exposure to the local real estate market, the Group was able to minimise the negative repercussions ensuing from the crisis.

Retail

Following the implementation of confinement measures by both local and international governments, the Group's retail stores had to close their doors in mid-March 2020. Subsequent to this, the Group carried out a restructuring exercise that resulted in a leaner, more efficient structure that decreased its total overheads by more than 20%. As part of its cost-saving strategies, the Group shortened the working week for all employees for a number of months, and qualified for Government COVID-19 related support mainly via wage supplements.

During this period, the Group ramped up its online efforts and converted its local manufacturing facility to the production of masks and scrubs for the local health department and its clients. The Group also took the decision to permanently close down three Gagliardi retail stores; two in Sweden and another one in the United Kingdom.

The Group has taken a prudent approach with regard to its manufacturing operations in Tunisia in view of the effects of COVID-19 on the tailoring industry, coupled with decisions to close specific foreign retail outlets as noted above. As a result during 2020, the Group booked an aggregated loss of €1.9m, which includes an extraordinary provision for any possible future write-offs. Such drastic measures were appropriate, as subsequently on 23rd April 2021 the Group terminated its operations in Tunisia (refer to section 1.4).

As the first wave of the COVID-19 outbreak started to be contained both locally and internationally, operations restarted in early May 2020, with sales recovering slowly throughout the early summer of 2020. However, the recovery was short-lived after governments reintroduced restrictions such as prohibiting weddings as part of the measures implemented to limit the spread of the virus. During 2020, the Group experienced a drop in retail and manufacturing sales of *circa* 37% and 18% respectively when compared to pre-COVID budgets.

In late 2020, several COVID-19 vaccines were granted approval, which augured well with the economic recovery proposition expected in 2021. However, in line with expectations, the first half of 2021 is proving to be challenging as consumer spending remains at depressed levels. Following the discovery of a number of variants with increased transmissibility and vaccine resistance, various countries have experienced the second wave of COVID-19 cases.

As from 11 March 2021, Malta re-entered in a quasi-lockdown state and non-essential shops had to close down their doors. The Group's retail stores have reopened today.

The Group anticipates that the continuous uncertainty brought about by the pandemic will continue to have an effect over this year's results. In view of this, the 2021 budgets assume subdued levels of retail sales both locally and overseas, and it takes into account the negative impact on the private label sales order book. The Group will continue to focus on the reduction of its overhead costs and ongoing efforts to maximise sales, improve margins and manage inventories.

Hospitality

As noted earlier, the hospitality sector was severely impacted by this pandemic. In March 2020, the Group was forced to close its hotels following primarily the introduction of travel restrictions from a number of countries and the imposition of mandatory quarantine on all arriving travellers, followed by the suspension of all passenger flights. This obliterated the local tourism and transport market, which, in total, is estimated to contribute almost 30% to Malta's economy[1].

Both of the Group's hotels opened their doors for local visitors on 22 May 2020, with a more tangible recovery experienced as from July 2020 following the reopening of Malta International Airport. Although revenue generated during 2020 was significantly lower than pre-COVID 19 forecasts, management noted that both hotels exceeded industry average occupancies and managed to register €2m worth of sales, compared to the pre-COVID budget of €5.1m. Further information on the operational performance the Group's hotels is found below.

The Group has taken all possible measures to control its costs during this time. Additionally, the hotels qualified for the relevant government COVID-19 support.

Management confirmed that the budgets they prepared for 2021 consider the continuous downside risks that this sector is currently facing, mainly due to travel restrictions and lockdowns in source markets. Albeit, budgets for 2021 also take into consideration the anticipated recovery that this industry should be experiencing with the ease of such restrictions in the coming months. The roll-out

[1] Understanding the Economic Contribution of Tourism in Malta: A Literature Review - Ministry for Finance

of vaccines and improved testing procedures have provided some grounds for an optimistic second half 2021, with 2019 levels expected to be reached by 2023.

Real Estate

The pandemic had fewer repercussions on the local real estate industry. The main drawback was that, as a result of the restrictive measures engaged by various business involved in the industry, sale/rent contracts were being delayed. The Group is exposed to the real estate industry through the TEN apartments and also through its property management activities, being the Mriehel and Sliema rentals. The final finishing works on these apartments were finalised by the end of 2020, in line with timelines. A detailed update on the sale of the TEN project is found further below.

Cash flow

As part of management's actions to mitigate the negative consequences of COVID-19, the Group has been granted a moratorium of one year on the payment of interest and principal on its existing loan to finance the refurbishment of Hotel 1926, and it has been granted further financing amounting to €2.8m under the MDB Guarantee scheme, repayable over six years inclusive of one year moratorium. During the financial year 2020, the Group also benefitted from €0.6m in COVID-19 payroll grants received from the Government.

In view of the current situation, the Group has prepared cash flow forecasts for the coming 12-month period ending 31 October 2021. These forecasts assess the impact of the reduction in the Group's revenue and of the several cost-cutting measures that are being taken to minimise the effect of the crisis.

As at year-end 2020, the Group had a cash reserve of €1.4m, together with unutilised banking facilities of around €4.5m. The cash flow forecasts prepared by management project positive cash flows for the Group throughout, with a forecasted cash reserve of *circa* €2.3m by 31 October 2021. Therefore, the projections indicate that sufficient cash will be generated throughout this financial year and that the Group should be in a position to meet all of its financial commitments, including the obligations towards bondholders.

- **Sale of TEN Apartments in Sliema, Malta**

The Group has re-developed a plot of land it owns in Hughes Hallet Street, Sliema, Malta into a 9-storey building with commercial development on the ground floor area and residential units on the rest of the floors. The block of luxury apartments is named 'TEN'. The development includes; a reception area and commercial spaces at the ground floor level, 18 residential apartments, 2 penthouses with an average area of 140m^2 and 170m^2, respectively, and 58 underground car parking spaces.

Works on this project had commenced in 2016 and have been intentionally slowed down in 2018 as a safety measure for the workers working on the adjacent hotel project. Works have resumed in January 2019, and the Group started finishing-related works in June 2019, with all final works finalised by the end of 2020.

By 31st October 2020, the Group sold 15 apartments and 28 car spaces, equivalent to €6.8m in revenue net of commissions payable and a profit thereon of €2.7m. To date, the Group sold another two units – one apartment and one penthouse. The two remaining apartments and one penthouse are currently on a promise of sale agreement ("POS"). Hence, as at the date of this Analysis all residential and commercial units within the TEN Apartments have been sold or are subject to a POS. Management noted that currently 17 car spaces remain to be sold.

- **Palazzo Jean Parisot Suites in Valletta, Malta**

The Palazzo Jean Parisot opened its doors in May 2018. Hence, FY19 was its first full year of operation. In FY20, the Hotel generated a total revenue of €116k (FY19: €268k), with an occupancy of 36% (FY19: 71%) and an average daily rate (ADR) of €126 (FY19: €148). That being said, the performance of Palazzo Jean Parisot is not material to the Group.

Despite the current crisis, in FY20, this hotel managed to outperform previous expectations in both the occupancy and total revenue. In the 2020 forecasts, management expected occupancy to fall to 31.6% with a total revenue of €107k. The ADR was slightly lower than previously expected (€126 vs €132), however this contributed to a higher occupancy which positively impacted the Group's results.

As described above, this boutique hotel closed its doors in March 2020 and reopened its doors in May of the same year. It experienced a more tangible recovery as from July 2020, following the reopening of Malta International Airport. The hotel is currently operating in line with the existing health authorities' directives, whereby all restaurants and ancillary services in hotels were closed as from 11 March, with only room service being provided. As at the date of this Analysis, the aforementioned restrictions should be lifted by mid-May, while Malta should reopen fully for tourism as from 1st June.

As noted earlier, summer 2021 should provide some ground for recovery. Based on this, management anticipates that the boutique hotel should achieve an occupancy of 63% and an ADR of €145 in FY21. This translates to a total revenue of €238k and a Revenue per Available Room (RAV/PAR) of €93. The projections for Palazzo Jean Parisot are based on the same assumptions as detailed in section 1.4.1 below.

- **Gagliardi retail stores**

The Group's intentions have been to continue with the expansion of its Gagliardi brand in overseas territories via owned and franchised retail outlets. However, the impact of the COVID-19 pandemic has forced a halt to this strategy.

The pandemic has impacted the fashion industry hard, particularly the subsector related to formal wear. With offices and shops in most markets being closed for much of 2020, and all events normally connected with formal attire such as weddings, baptisms and corporate events being prohibited, demand for formal wear has slumped. In fact, during 2020 the Group has closed its stores in Sweden as well as one in the UK in order to minimise losses.

It is expected that, in the aftermath of the pandemic and once the market for formal wear begins to recover, new opportunities for Gagliardi will arise.

- **Local retail stores**

In 2019, the Group opened a new Ralph Lauren store within The Point Complex which has continued to trade strongly despite the pandemic. During the second quarter of the year the Group will be opening its first Gant store at the BayStreet Mall in St Julian's and launching its new mixed use Bortex concept also at BayStreet.

- **Redevelopment of the Group's existing retail outlet in Mosta, Malta**

The Group owns a 2-storey building in Constitution Street, Mosta, Malta, which is currently being used as one of the Group's retail outlets and is built on a site area of 181m2, which it intends to develop into a mixed-use commercial building. The plan is for the proposed development to have 4 commercial levels, a basement for storage and ancillary uses. Part of the ground floor and top level will be used as a catering outlet from which the Group expects to generate rental income. The remaining parts of the development will be used as a commercial outlet for the Group's retail purposes.

The Group previously planned to commence the renovation works in January 2019, but subsequently decided to postpone its plans due to other ongoing projects. Given the negative impact brought about by the pandemic, management has decided to keep this project on the back burner until conditions improve.

- **Development of a mixed-use complex in Mriehel, Malta**

In accordance with the provision of the prospectus, during 2018, the Group has successfully completed the development of its Mriehel complex, which was constructed on a plot of land stretching over an area of approximately 438m2 overlooking the Mriehel bypass that the Group had previously acquired. The mixed-use commercial complex comprises of 5 floors, with a retail outlet on the 1st and 2nd floor, and office space that is entirely leased to third parties on the 3rd to 5th levels as at the date of this analysis. The complex also includes three levels of underground car parking which are also leased. The retail store is currently being utilised by the Group as a clearance outlet.

Save for the above projects, the Group is not party to any other principal investments and the Group intends to continue to finance the projects above with the proceeds of the bond issue that was completed in December 2017, with the remaining capital expenditure being funded by bank finance and own funds.

1.4.1 Hotel 1926

Hotel 1926 is a newly built, luxury 4-star spa hotel which replaced the previous 3-star Plevna Hotel that was managed and operated by the Group. The hotel consists of a luxury spa, restaurant and a private beach club 200 metres from the hotel on the Qui-si-Sana seafront. Hotel 1926 operates sustainably through smart design technology, including access control, energy management and SuitePad technology, therefore, eliminating substantially the need for plastic and paper.

The Hotel is located in a quiet residential area off Qui-si-Sana seafront in Sliema, Malta. During the construction phase, an opportunity to re-design certain elements of the project arose making it possible to have a total of 172 rooms (2 of which are currently being used for internal operations) instead of 140 rooms as per original plans and published prospectus. The private beach club operates only during the summer months.

The Hotel reached its full capacity in August 2019, however, in view of the COVID-19 pandemic, Hotel 1926 had to close its doors in March 2020. The beach club was minimally impacted by the pandemic as it opened at the end of May 2020 (normally it opens at the beginning of May).

Hotel 1926 reopened its doors in May 2020. It experienced a more tangible recovery as from July 2020 following the reopening of Malta's airport. The hotel is currently operating in line with the existing health authorities' directives, whereby all restaurants and ancillary services in hotels were closed as from 11th March 2021 and only room service is being provided. As at the date of this Analysis, the aforementioned restriction should be lifted by mid-May, while Malta should reopen fully for tourism as from 1st June 2021.

Operational Performance

The following table sets out the highlights of Hotel 1926 operating performance for the years indicated therein:

Hotel 1926	**FY18A**	**FY19A**	**FY20A**	**FY21F**
Revenue gross of commissions (€'000)	n/a	3,085	1,868	2,195
Gross operating profit (€'000)	n/a	1,529	519	917
Gross operating profit margin (%)	n/a	49.6%	27.8%	41.8%
Occupancy level	n/a	87.1%	45.4%	46.0%
Average daily rate (ADR) (€)	n/a	99.6	65.7	77.0
Revenue per available room (Rev/PAR) (€)	n/a	86.8	29.8	35.4
Benchmark performance[2]				
Occupancy level (%)	n/a	81.9%	Refer to the below analysis	
Average daily rate (ADR) (€)	n/a	75.9		
Revenue per available room (Rev/PAR) (€)	n/a	62.2		

Source: Management

[2] Benchmark performance for FY19: MHRA Hotel Survey by Deloitte – Key Highlights: Q4 2019 & YTD

Jun to Oct 2020: Occupancy of Hotel 1926 vs 4-star hotels in Malta:

Month	Occupancy	
	4-star	Hotel 1926
June-2020	4.0%	6.0%
July-2020	29.0%	43.0%
Aug-2020	51.0%	84.0%
Sept-2020	37.0%	84.0%
Oct-2020	31.0%	68.0%
Average	**30.4%**	**57.0%**

Source: Management and Deloitte performance survey

The hotel did not operate during the financial year ending 31 October 2018. Hotel operations commenced in November 2018.

In FY20, Hotel 1926 reported €1.9m in revenue (FY19: €3.1m) and generated €0.5m in gross operating profit (FY19: €1.5m). This translates to a gross profit margin of 27.8% (FY19: 49.6%). The results for FY20 demonstrate the substantial impact of the pandemic, especially when considering that the hotel was not fully operational during FY19, as all the rooms were made available in August 2019.

Despite the unprecedented health crisis, the hotel outperformed projections during FY20 with revenue and gross profit exceeding expectations by €0.5m and €0.2m, respectively. Management noted that the hotel achieved better occupancy than projected (45.4% vs 30.2%) and it also managed to operate at increased efficiency, which resulted in less costs incurred per room night than previously projected. This resulted in an improved gross operating margin of 27.8% in FY20 vs 20.5% as previously forecasted.

The hotel has also exceeded the local benchmark during the period June to October 2020, in terms of occupancy. It achieved an occupancy of 57.0% during the said period vs the benchmark occupancy of 30.4%. Management attributes this to the high standards offered by Hotel 1926, including smart design technology and sustainable tourism.

Based on the roll-out of vaccines and improved testing procedures in 2021, Malta is expected to reopen for tourists this summer, paving the way to recovery. Accordingly, management expects revenue for Hotel 1926 to increase to €2.2m in FY21 from €1.9m in FY20, with the gross profit increasing to €0.9m from €0.5m in FY20. Management is forecasting an occupancy level of 46% with an ADR of €77.00. This improved performance is in line with the expected recovery of the local economy, however forecasted figures for FY21 are still below FY19 levels.

The Group's hospitality projections for FY21 capture the actual trading results for the 4-month period 1st November 2020 to 28th February 2021 and the financial projections for the remaining 8-month period 1st March to 31st October 2021. The projections have been compiled on the basis of the following assumptions:

- Very low occupancies for the period March till May 2021 due to flight restrictions and lockdown measures taken in key market countries;

- The opening of the local economy for tourists as from June 2021, however both occupancy and daily rates utilised in the projections remain less than those achieved in 2019 during same period;
- The hospitality sector will continue to benefit from the local COVID-19 wage supplement scheme till the end of October 2021; and,
- Based on information known up to the date of this Analysis and dependent on no further material deterioration of the current COVID-19 situation.

The projections as presented in this Analysis assume that the carrying values of the property owned by the Group will not be revalued upwards or impaired and, consequently, no adjustment has been made as to the value of assets which can materially affect the Group's financial position.

Part 2 – Historical Performance and Forecasts

The Issuer was incorporated on 30th August 2017 and, accordingly, it had a 14-month first financial year. Its historical financial information for the three financial years ended 30th October 2018, 2019 and 2020 is set out below. The Issuer itself does not have any substantial assets and is essentially a special purpose vehicle set up to act as a financing company solely for the needs of the Group, and, as such, its assets are intended to consist primarily of loans issued to Group companies. For the purpose of this document, the focus is on a review of the performance of the Guarantor, which constitutes the entire group of companies. The Group's historical financial information for the three financial years ended 30th October 2018, 2019 and 2020, as audited by PricewaterhouseCoopers, is set out below. FY21 forecasts are based on management's projections.

2.1 Issuer's Income Statement

Income Statement for the years ended October	30/08/2017 - 31/10/2018A	2019A	2020A	2021F
	€000s	€000s	€000s	€000s
Finance income	515	562	539	562
Finance cost	(459)	(500)	(501)	(502)
Net finance costs	**56**	**62**	**38**	**60**
Administrative expenses	(36)	(48)	(36)	54
Profit before tax	**20**	**14**	**2**	**6**
Taxation	-	(5)	-	-
Profit after tax	**20**	**9**	**2**	**6**

Ratio Analysis	2018A	2019A	2020A	2021F
Gross Profit Margin (Net finance costs / Finance income)	10.9%	11.0%	7.1%	10.7%
Net Margin (Profit for the year / Finance Income)	3.9%	1.6%	0.4%	1.1%

The Issuer registered a profit of €2k for FY20 (FY19: €9k). This represents the spread between the interest received from loans granted to Group companies over the bond's coupon, less administrative expenses. The Issuer's results for FY20 were in line with previous projections, except for administrative expenses which were higher than anticipated as a result of unplanned professional fees amounting to circa €8k. As a result, the Issuer registered a lower profitability than previously expected, however it still ended the year with a surplus.

In FY21, the Issuer expects to generate a finance income of €562k. It is forecasting to incur €502k in finance cost, which reflects the 3.75% coupon incurred on the outstanding €12.75m bond issue, coupled with the bond amortised costs. Administrative expenses are expected to amount to €54k, with the Issuer forecasted to make a profit before tax of €6K for FY21. The Issuer has limited trading activity since it acts solely as a finance vehicle.

2.2 Issuer's Financial Position

Statement of Financial Position as at October	2018A	2019A	2020A	2021F
	€000s	€000s	€000s	€000s
Assets				
Non-current assets				
Loans and receivables	12,497	12,497	12,497	12,497
Current assets				
Loans receivable	-	150	-	-
Receivables	515	515	492	516
Cash and cash equivalents	218	120	307	337
	733	**785**	**799**	**853**
Total assets	**13,230**	**13,282**	**13,296**	**13,350**
Equity and liabilities				
Capital and reserves				
Share capital	250	250	250	250
Retained earnings	20	29	31	37
Total equity	**270**	**279**	**281**	**287**
Non-current liabilities				
Amortised bond issue	12,518	12,540	12,562	12,587
Current liabilities				
Current Tax liabilities	-	5	-	-
Payables	442	458	453	476
Total liabilities	**12,960**	**13,003**	**13,015**	**13,063**
Total equity and liabilities	**13,230**	**13,282**	**13,296**	**13,350**

Total assets in FY20 amounted to €13.3m, which predominantly were made of €12.5m loans and receivables to fellow subsidiaries carried until the maturity of these loans in line with the eventual redemption of the bond issue in 2027. Assets were in line with previous projections, except for receivables which were €45k lower as a result of a reduction in the interest rate charged to fellow subsidiaries as can be further analysed above from the reduction in finance income.

Total liabilities in FY20 amounted to €13.0m, out of which €12.5m reflects the amortised bond issue, which is expected to increase marginally over the life of the bond as issue costs continue to be amortised. Total equity remained constant to FY19, except for a €2k increase in retained earnings reflecting the profit generated during the year. Liabilities and equity in FY20 were in line with previous expectations, except for retained earnings due the realisation of lower profits when compared to forecasts as explained further above.

In FY21, the Issuer expects its financial position to remain stable, where total assets are forecasted to remain at €13.3m. Total liabilities will also remain at circa €13.0m, with liabilities increasing marginally due to the amortisation of bond issue costs.

2.3 Issuer's Cash Flows Statement

Cash Flows Statement for the years ended October	2018A	2019A	2020A	2021F
	€000s	€000s	€000s	€000s
Cash flows from operating activities				
Cash generated from operations	(32)	(34)	(43)	(54)
Interest paid	-	(476)	(477)	(478)
Interest received		562	562	562
Taxation paid	-	-	(5)	-
Net cash flows used in / (generated from) operating activities	**(32)**	**52**	**37**	**30**
Cash flows from investing activities				
Movement in related parties balances	(12,497)	(150)	150	-
Net cash flows used in / (generated from) investing activities	**(12,497)**	**(150)**	**150**	**-**
Cash flows from financing activities				
Proceeds from the issuance of ordinary shares	250	-	-	-
Proceeds from the issuance of bonds	12,750	-	-	-
Payments for bond issue costs	(253)	-	-	-
Net cash flows generated from financing activities	**12,747**	**-**	**-**	-
Movement in cash and cash equivalents	**218**	**(98)**	**187**	**30**
Cash and cash equivalents at start of year	-	218	120	307
Cash and cash equivalents at end of year	**218**	**120**	**307**	**337**

The cash flows statement reflects the limited trading activity of the Issuer, whereby in FY20 the Issuer recorded €37k in cash generated from operating activities and €150k cash generated from investing activities. The latter, reflects the repayment of a short-term loan by a fellow subsidiary, which was granted in FY19. As a result of this, the Issuer closed FY20 with a positive movement of €187k in cash and cash equivalents.

The Issuer's cash flow performance in FY20 was marginally above expectations. This was mainly due to lower-than-expected receivables which positively impacted cash generated from operations. This led to the Issuer closing the year with a cash reserve of €307k compared with a previously forecasted balance of €272k.

The Issuer is forecasting its cash flow position to remain fairly stable in FY21, where it expects to generate €30k in cash flows from operating activities. Accordingly, the cash reserve as at end of FY21 is expected to amount to €337k.

2.4 Group's Income Statement

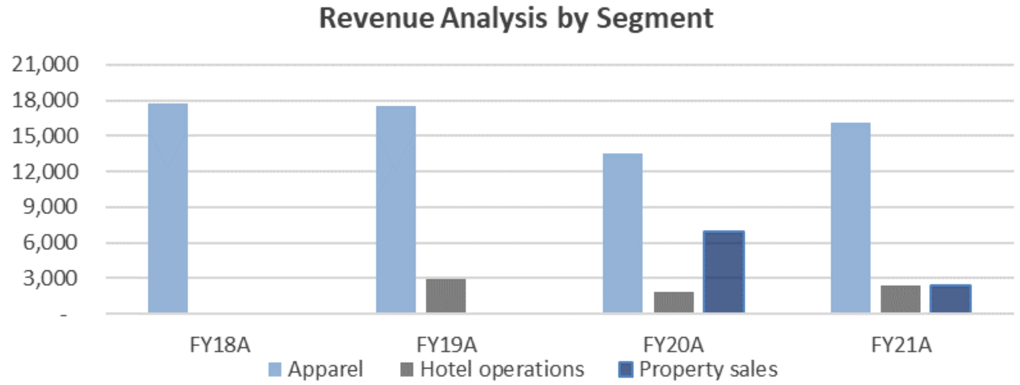
Income Statement for the years ended October	FY18A	FY19A	FY20A	FY21F
	€000s	€000s	€000s	€000s
Revenue	17,954	20,442	22,358	20,937
Cost of sales	(11,183)	(12,148)	(16,166)	(15,072)
Gross profit	**6,771**	**8,294**	**6,192**	**5,865**
Operating expenses (excl. depreciation)	(6,111)	(6,216)	(4,330)	(3,630)
Other income	43	250	271	248
EBITDA	**703**	**2,328**	**2,133**	**2,483**
Reported EBITDA	703	2,328	2,133	2,483
Normalisation adjustments	273	-	1,510	-
Normalised EBITDA	**976**	**2,328**	**3,643**	**2,483**
Impairments	-	-	(423)	-
Depreciation and amortisation	(775)	(1,110)	(1,791)	(1,928)
EBIT	**(72)**	**1,218**	**(81)**	**555**
Investment and other income	90	7	1	-
Finance income	52	52	52	50
Finance costs	(232)	(612)	(1,091)	(1,617)
Share of profit from associate	-	-	(54)	-
Profit before tax	**(162)**	**665**	**(1,173)**	**(1,012)**
Income tax	(78)	(120)	(15)	(152)
Profit after tax	**(240)**	**545**	**(1,188)**	**(1,164)**

Ratio Analysis - Profitability	FY18A	FY19A	FY20A	FY21F
Growth in Revenue (YoY Revenue Growth)	-9.9%	13.9%	9.4%	-6.4%
Gross Profit Margin (Gross Profit / Revenue)	37.7%	40.6%	27.7%	28.0%
EBITDA Margin (EBITDA / Revenue)	3.9%	11.4%	9.5%	11.9%
Operating (EBIT) Margin (EBIT / Revenue)	-0.4%	6.0%	-0.4%	2.7%
Net Margin (Profit for the year / Revenue)	-1.3%	2.7%	-5.3%	-5.6%
Return on Common Equity (Net Income / Total Equity)	-0.8%	2.0%	-4.4%	-4.5%
Return on Assets (Net Income / Total Assets)	-0.5%	1.0%	-2.0%	-2.0%

1. **Revenue –** Prior to FY19, the Group's revenue was declining primarily due to a continued shift from the high volume manufacture of garments for private labels towards the manufacture and retailing of Gagliardi garments through the Group's retail outlets and the closure of Hotel Plevna (now Hotel 1926) due to the major refurbishment project. However, following the opening of Hotel 1926 this trend reversed during FY19 with revenue increasing by 13.9% in that year.

   Despite the significant impact of the pandemic, the Group's overall revenue increased by 9.4% in FY20 and this was a result of the income generated from the sales of the TEN Apartments. Further detailed explanation on the Group's performance is found below. FY20 variance analysis to the 2020 projections is discussed in detail in section 2.4.1.

Segment Revenue	FY18A	FY19A	FY20A	FY21F
	€000s	€000s	€000s	€000s
Apparel	17,784	17,540	13,565	16,102
Hotel operations	170	2,902	1,868	2,433
Property sales	-	-	6,925	2,402
	17,954	**20,442**	**22,358**	**20,937**



Source: Audited Financial Statements and management's forecasts

- **Revenue Analysis – Apparel Segment**

The Group's strategic decision to focus on rolling-out their exclusive Gagliardi brand started paying off in FY19, although Brexit uncertainties continued to influence the manufacturing division's order book which resulted in revenue from the apparel segment decreasing marginally by 1.4%. Efforts to restore the private label order book levels and improve retail margins both locally and overseas had begun to bear fruit and results for Q1 of FY20 for both manufacturing and retail were broadly in line with budgets.

With the onset of the COVID-19 crisis in early March, retail and manufacturing revenues came to an almost complete halt as a result of the closure of all retail outlets in Malta as well as overseas, including the factory in Tunisia. During the closure period the Group converted its local manufacturing facility to the production of masks and medical apparel, ramped up its online efforts and also embarked on a restructuring plan that decreased its total overheads by more than 20%.

Operations started again gradually in early May 2020 with sales recovering slowly throughout the early summer of 2020. However, the recovery was short-lived after governments reintroduced restrictions such as prohibiting weddings as part of the measures implemented to limit the spread of the virus. As a consequence, the revenue from the apparel segment for FY20 decreased by 22.7% or €4.0m on a comparative basis.

The Group's retail stores are currently closed as Malta entered into a quasi-lockdown state as from 11th March 2021. Management anticipates that this continuous uncertainty brought about by the pandemic will continue to have an effect over this year's results. In view of this, the 2021 budgets assume subdued levels of retail sales both locally as well as overseas, which also takes into account the negative impact on the private label sales order book. In FY21, the Group expects to generate a revenue of €16.1m from the apparel segment, which represents a growth of 18.7% over FY20, however still below the pre-pandemic levels achieved in FY19.

The projections have been compiled on the basis of the following assumptions:

- During the period February till May 2020, management is assuming subdued revenue from outlets due to restrictions, barely any tourists and no formal wear that is usually popular for weddings, baptisms, etc.
- The Group's retail stores should reopen by end of this month and will remain operational during the rest of the financial year.
- Management expects that online sales will continue increasing during this financial year.
- Projections for FY21 are based on information known up to the date of this Analysis and are dependent on no further material deterioration of the current situation.

Revenue Analysis – Hospitality Segment

During FY20, the boutique hotel generated a revenue of €116k (FY19: €268k), while Hotel 1926 generated a revenue of €1.9m (FY19: €3.1m). The performance of both of the Group's hotels is explained in further detail in section 1.4 of this Analysis.

Both hotels are currently operating in line with the existing health authorities' directives, whereby all restaurants and ancillary services in hotels were closed as from 11th March and only room service is being provided. As at the date of this Analysis, the aforementioned restriction should be lifted by mid-May, while Malta should reopen fully for tourism as from 1st June.

As explained earlier, based on the roll-out of vaccines and improved testing procedures, Malta is expected to reopen for tourists this summer paving the way to recovery. Based on this, the Group is forecasting the hospitality segment to generate €2.4m, which represents a growth of 30.2% over FY20. Nonetheless, projections still consider the continuous downside risks that this sector is currently facing, in fact, projected FY21 hospitality revenues are still way below pre-pandemic levels. Information on the Group's hospitality projections and underlying assumptions has been further discussed in section 1.4 of this Analysis.

Revenue Analysis – Project TEN

Project TEN has proved to be vital for the Group, especially in the current unfavourable environment. The pandemic limitedly impacted the local real estate market, with all of the units within the TEN Apartments have been either sold or subject to POS as at the date of this Analysis.

During FY20, the Group generated €6.9m in property sales and in FY21, it expects to generate an additional €2.4m from the sale of the remaining units (5) as at 31 October 2020.

2. **EBITDA** - In FY19, earnings before depreciation, interest and taxation increased significantly to €2.3m compared with €0.7m in FY18, with the EBITDA margin improving to 11.4% from 3.9%. On a segregated basis, the Group generated *circa* €1.1m from each of its two main operations, being the hospitality and apparel segments. The improved performance of FY19 was as a result of the contribution of Hotel 1926, which commenced partial operations during that year.

In FY20, the Group generated €2.1m EBITDA, which represents a decrease of 8.4% over FY19. Similarly, the gross profit margin decreased to 9.5% from 11.4%. An important contributor to the Group's EBITDA during the year was project TEN, as it generated an EBITDA of €2.7m.

As discussed earlier, the Group has taken a prudent approach with regard to its manufacturing operations in Tunisia in view of the effects of COVID-19 on the tailoring industry, coupled with decisions to close specific foreign retail outlets. During FY20, the Group booked an aggregated loss of €1.9m, which also takes into account an extraordinary provision for any possible future write-offs. Excluding such non-recurring items in FY20, the Group would have generated an EBITDA of €3.6m, split as follows: apparel segment (€0.8m), hospitality segment (€91k) and project TEN (€2.7m).

Notwithstanding the repercussions of COVID-19, the Group expects to generate an EBITDA of €2.5m in FY21, translating into an improvement of 16.4% over the EBITDA achieved in FY20. The Group is forecasting an EBITDA of €1.0m from the remaining units within the TEN Apartments and an EBITDA of €1m and €0.5m from the apparel and hospitality segment, respectively.

Subsequent to the publication of the 2020 financial statements, the Group took the decision to close down its factory in Tunisia. Management confirmed that impairments and provisions against the entire value of the Tunisian investment as well as for any possible losses on inventories have already been reflected in the FY20 results, as per the above note. Therefore, this decision should not impact the Group's performance for FY21.

3. **Net Profit / (Loss) –** FY19 was a positive year for Bortex, where the Group reported a profit before tax of €0.7m (FY18: loss of €0.2m). The Group benefitted from prior years unabsorbed capital allowances and tax losses, thus it did not incur any income tax, except for deferred tax movements. Accordingly, the Group incurred a lower tax charge on FY19, and reported €0.5m profit after tax (FY18: loss after tax €0.2m.

   The COVID-19 outbreak, as further described above, has significantly impacted the Group's main operations. This also include one-off material write-downs (€1.9m) relating to the manufacturing operation in Tunisia and primarily to raw materials and consumables, impairments and losses on property, plant and equipment, in addition to, amounts written-off in respect of trade receivables. As a result, the Group ended FY20 with a loss before tax of €1.2m. Excluding the one-off items, the Group would have reported a profit before tax of €0.8m.

   Despite positive prospects of the start of an economic recovery during 2021, the pandemic is expected to continue hindering the operations of the Group during this financial year. Additionally, in FY20 the Group was granted a €2.8m loan under the MDB Guarantee scheme and an extended moratorium period for the repayment of the existing financing, and as a result, finance costs are expected to increase to €1.6m in FY21 (FY20: €1.1m).

   Based on the considerations discussed above, the Group expects that in FY21 it will make a loss before tax of €1.0m and a loss after tax of €1.2m.

- **Group's Performance Outlook**

Further to note 1.4 Operational Developments, the Group confirms that, although this year's results will also be adversely affected, this will not impact the going concern of both the Issuer and the

Guarantor. The above projections indicate that sufficient cash will be generated throughout the next twelve months and the Group should be in a position to meet all of its financial commitments, including the obligations towards bondholders.

2.4.1 Variance Analysis

Income Statement	Oct-2020F[3]	Oct-2020A	Variance
	€000s	€000s	€000s
Revenue	22,465	22,358	(107)
Cost of sales	(14,997)	(16,166)	(1,169)
Gross profit	**7,468**	**6,192**	**(1,276)**
Operating expenses (excl. Depreciation and amortisation)	(4,075)	(4,330)	(255)
Other income	43	271	228
EBITDA	**3,436**	**2,133**	**(1,303)**
Impairments	-	(423)	(423)
Depreciation and amortisation	(1,251)	(1,791)	(540)
EBIT	**2,185**	**(81)**	**(2,266)**
Investment and other income	-	1	1
Finance income	-	52	52
Finance costs	(793)	(1,091)	(298)
Share of profit from associate	-	(54)	(54)
Profit/(loss) before tax	**1,392**	**(1,173)**	**(2,565)**
Income tax	(558)	(15)	543
Profit/(loss) after tax	**834**	**(1,188)**	**(2,022)**

- **Variance Analysis Commentary**

The Group's revenue was in line with expectations. On a segregated basis, the Group's revenue from the hospitality segment exceeded projections by €0.4m or 30.9%, while the apparel segment fell short by 5% or €0.7m. Property sales exceeded projections by 2.4% or €0.2m. Management explained that Hotel 1926 achieved better occupancy than expected (45.4% vs 30.2%) and it also managed to operate at increased efficiency, which resulted in less costs.

The loss in apparel revenue is mainly attributable to the restrictions reintroduced shortly after the reopening of retail stores in early May 2020. These restrictions prohibited various events for which formal wear is usually required, such as weddings, baptisms, etc. However, through a restructuring plan within this segment, the Group was able to decrease its total overheads by more than 20%.

The COVID-19 outbreak has significantly impacted the Group's main operations, which has also led to material write-downs totalling €1.9m, including an extraordinary provision for any possible future write-offs in respect to the Tunisian operations. More specifically, the Group booked €1.2m inventory write-down on raw materials, consumables and spare parts in Tunisia, €0.4m impairment loss on plant and equipment of Bortex Tunisia, €0.2m written-off with respect to shop fittings and furniture relating

[3] In the 2020 FAS, projected profit from the sale of apartments was shown as a standalone line item, however in line with the audited FY20 figures, the €3.4m profit from project TEN was reclassified to €6.8m revenue and €3.4m costs of sales. Additionally, in the 2020 projections the allocation of €1.8m in depreciation expense was erroneously deducted from cost of sales rather than operating expenses. This has been reclassified so that it is comparable with the actual figures for FY20.

to the foreign retail outlets that were closed permanently and €0.1m written-off with respect to trade customers which were experiencing unexpectedly difficult trading conditions as at 31st October 2020.

As a consequence of the above non-recurring items, the Group's cost of sales and operating expenses were higher than projected. Albeit, this negative impact was partially mitigated by the cost-saving actions taken by the Group following the onset of the pandemic.

In view of the above, the Group's gross profit and EBITDA fell short of projections by €1.3m each. Additionally, the Group incurred an extra €0.5m in depreciation charges following the adoption of IFRS 16, which was not included in the 2020 projections. As a result of this, coupled with the €0.4m impairment loss on the Tunisian plant and equipment, EBIT was €2.3m lower than projected.

The Group incurred an additional €0.3m in finance costs as during FY20 it secured a loan under the MDB scheme and its moratorium on loans was extended.

In view of the considerations discussed above, the Group reported a loss before tax of €1.2m vs a projected profit before tax of €1.4m. As the Group incurred a loss during FY20, the tax charge for the year was practically nil.

2.5 Group's Financial Position

Statement of Financial Position as at October	FY18A	FY19A	FY20A	FY21F
	€000s	€000s	€000s	€000s
Assets				
Total non-current assets	**28,614**	**34,492**	**40,098**	**38,670**
Current assets				
Inventories	17,692	20,024	15,320	13,163
Trade and other receivables	4,882	4,613	4,598	3,220
Current tax assets	29	24	14	-
Term placements	8	8	8	8
Cash and cash equivalents	1,375	1,115	1,371	2,293
	23,986	**25,784**	**21,311**	**18,684**
Total assets	**52,600**	**60,276**	**61,409**	**57,354**
Equity and liabilities				
Capital and reserves				
Share capital	47	47	47	47
Revaluation reserve	6,428	5,868	5,870	5,870
Other reserves	507	507	507	507
Retained earnings	20,898	21,437	20,236	19,094
Non-controlling interest	-	43	21	-
Total equity	**27,880**	**27,902**	**26,681**	**25,518**
Non-current liabilities				
Deferred taxation	1,180	1,847	1,696	1,696
Lease liabilities	-	-	4,863	4,730
Borrowings	16,284	18,063	19,634	19,203
	17,464	**19,910**	**26,193**	**25,629**
Current liabilities				
Borrowings	3,379	4,350	2,613	558
Trade and other payables	3,877	8,096	5,587	5,258
Lease liabilities	-	-	319	331
Current tax liabilities	-	18	16	60
	7,256	**12,464**	**8,535**	**6,207**
Total liabilities	**24,720**	**32,374**	**34,728**	**31,836**
Total equity and liabilities	**52,600**	**60,276**	**61,409**	**57,354**

Ratio Analysis - Financial Strength	FY18A	FY19A	FY20A	FY21F
Gearing 1 (Net Debt / (Net Debt and Total Equity))	39.6%	43.3%	49.4%	46.9%
Gearing 2 (Total Liabilities / Total Assets)	47.0%	53.7%	56.6%	55.5%
Gearing 3 (Net Debt / Total Equity)	65.6%	76.3%	97.7%	88.3%
Net Debt / EBITDA	26.0x	9.1x	12.2x	9.1x
Current Ratio (Current Assets / Current Liabilities)	3.3x	2.1x	2.5x	3.0x
Quick Ratio ((Current Assets – Inventory) / Current Liabilities)	0.9x	0.5x	0.7x	0.9x
Interest Coverage 1 (EBITDA / Cash interest paid)	4.3x	2.6x	2.5x	3.4x
Interest Coverage 2 (EBITDA / Finance costs)	3.0x	3.8x	2.0x	1.5x

In FY20, total assets increased to €61.4m from €60.3m in FY19, with non-current assets increasing by €5.6m mainly as a result of the adoption of IFRS 16 which resulted in the capitalisation of the right-of-use assets. Inventories decreased by €4.7m, following the transfer to cost of sales pertaining to the TEN Apartments and the inventory write-downs as explained earlier above.

In FY20, total liabilities increased by €2.4m to €34.7m (FY19: €32.4m). The movement in liabilities was characterised by a €4.9m increase in lease liabilities (IFRS 16) and a decrease of €2.5m in trade and other payables, which reflects the realisation of payments received in advance from buyers of the TEN Apartments upon the final deed of sale. The increase in borrowings as a result of the new €2.8m loan under the MDB Guarantee scheme was practically set-off by the repayment of the bank loan used in developing the TEN Apartments. As a result of the loss reported for FY20, total equity decreased to €26.7m (FY19: €27.9m).

The 2020 projections did not take into account the adoption of IFRS 16 and, consequently, non-current assets in FY20 exceeded previous projections. With regards to inventories and trade receivables, the subdued operations as a consequence of the pandemic resulted in higher inventories of €1.2m and lower trade receivables of €3.3m when compared with previous forecasts. Similarly, non-current liabilities were higher than expected as a result of lease liabilities (IFRS 16). Trade and other payables were also higher than previously forecasted, as the Group benefited from the delay in payment of indirect taxation and social security, one of the COVID-19 aid measures implemented by the local government. Previous forecasts anticipated a higher profitability (the variance of which is detailed in section 2.4.1) resulting in total equity to be lower than previous projections.

The Group expects total assets to decrease to €57.4m in FY21. This reflects mainly the decrease in inventories upon the sale of the remaining units within the TEN Apartments, coupled with the depreciation charge on non-current assets. The Group expects to have a cash balance of €2.3m in FY21. During FY21, the Group expects to repay €2.1m of its short-term borrowings, with total liabilities expected to decrease by €2.9m. The decrease in total equity represents the forecasted loss for FY21.

2.6 Group's Cash flows Statement

Cash Flows Statement for the years ended October	FY18A	FY19A	FY20A	FY21F
	€000s	€000s	€000s	€000s
Cash flows from operating activities				
Cash generate from operations	(1,949)	3,949	6,037	4,385
Net cash outflows/inflows from property development project	(653)	369	(2,374)	1,131
Investment income	90	7	1	-
Interest received	52	52	52	-
Interest paid	(163)	(909)	(863)	(728)
Net Tax refund/(paid)	403	9	(371)	(94)
Net cash flows used in / (generated from) operating activities	**(2,220)**	**3,477**	**2,482**	**4,694**
Cash flows from investing activities				
Purchase of property, plant and equipment	(9,107)	(6,523)	(1,469)	(1,108)
Proceeds from disposal of property, plant and equipment	9	6	-	-
Proceeds from disposal of investment property	930	-	-	-
Repayments of advances to related parties	1	-	-	-
Purchase of available for sale financial assets	(33)	-	-	-
Payments for investment in associate	-	-	(250)	-
Net cash flows used in investing activities	**(8,200)**	**(6,517)**	**(1,719)**	**(1,108)**
Cash flows from financing activities				
Proceeds from non-controlling interest arising upon incorporation of subsidiary	-	50	-	-
Proceeds from the issuance of bonds	12,750	-	-	-
Payments for bond issue costs	(253)	-	-	-
Proceeds from bank borrowings	3,120	4,072	8,377	318
Repayments of bank borrowings	(2,849)	(1,743)	(6,843)	(571)
Movement of loans from shareholders	(19)	(19)	-	(50)
Dividends paid	(784)	-	-	-
Principal element of lease liabilities	-	-	(308)	(319)
Net cash flows generated from / (used in) financing activities	**11,965**	**2,360**	**1,226**	**(622)**
Movement in cash and cash equivalents	**1,545**	**(680)**	**1,989**	**2,964**
Cash and cash equivalents at start of year	(3,494)	(1,973)	(2,649)	(671)
Effects of currency translation on cash and cash equivalents	(24)	4	(11)	-
Cash and cash equivalents at end of year	**(1,973)**	**(2,649)**	**(671)**	**2,293**

Ratio Analysis - Cash Flows	FY18A	FY19A	FY20A	FY21F
Free Cash Flow (CFO prior to the payment of interest - Capex)*	€(11,164)	€(2,137)	€1,876	€4,314

* Previously this ratio included interest payments, however this was amended to reflect the CFO excluding interest payments.

In FY20, the Group reported a net movement in cash and cash equivalents of €2.0m (FY19: -€0.7m), which is the net result of €2.5m (FY19: €3.5m) cash flows from operating activities, €1.2m (FY19: €2.4m) cash flows from financing activities less €1.7m (FY19: €6.5m) cash used in investing activities.

As explained in section 2.4.1, the Group's core operations in FY20 exceeded expectations, with the loss for the year driven by nonrecurring and non-cash items. As a result, cash flows generated from operating activities were higher than previously expected. The Group's cash flows from investing activities exceeded previous forecasts as it acquired higher than expected property, plant and equipment. The Group also managed to secure higher than previously projected funding, which resulted in positive cash flows from financing activities, rather than the repayment of €0.9m as per the 2020 projections. Accordingly, the Group ended FY20 in a better liquidity position than that forecasted.

The Group's projections assume that it should start recovering in FY21, with a more tangible recovery expected during the upcoming summer months. Furthermore, the Group will crystallise on the sale of the remaining units within the TEN Apartments. As a result, it expects to generate €4.7m cash flows from operating activities. The Group is forecasting a cash outflow of €1.1m related to investing activities, of which €0.5m relates to recurrent capex and €0.6m represents the repayment of payables due on project TEN. The Group anticipates that it will use €0.6m in financing activities, with a net overall positive movement in cash reserves of €2.9m.

Part 3 – Key market and competitor data

3.1 General Market Conditions[4]

In March 2021, the Central Bank of Malta's Business Conditions Index (BCI) improved compared with the previous month. However, it continued to signal low levels of economic activity reflecting the weak economic conditions triggered by COVID-19. The European Commission's Economic Sentiment Indicator (ESI) reached a 6-month high in March 2021 but remained below its long-term average. In March 2021, confidence rose in industry and, to a more limited extent, among retailers. By contrast confidence deteriorated considerably in the services sector and among consumers. On balance, sentiment in the construction sector was unchanged. Sentiment was negative in all sectors – particularly the retail sector.

In February 2021, industrial production and the volume of retail trade contracted at a faster pace in annual terms. The number of registered unemployed fell compared with January 2021, while the unemployment rate was unchanged from a month earlier. The annual inflation rate based on the Harmonised Index of Consumer Prices (HICP) edged down to 0.1% in February 2021, while inflation based on the Retail Price Index (RPI) fell to 0.2%. Maltese residents' deposits expanded at an annual rate of 8.0% in February 2021, from 7.2% in the previous month, while annual growth in credit to Maltese residents stood at 11.1%, following an increase of 10.6% a month earlier. In February 2021, the deficit on the cash-based Consolidated Fund narrowed when compared with a year earlier. Although government revenue increased in annual terms, it continued to reflect the negative impact of COVID-19 on economic activity while primary government expenditure increased, partly on account of ongoing government support to the private sector

- **Economic Outlook[5]**

As a result of the pandemic, the Central Bank of Malta (CBM) expects that after an estimated contraction of 8.2% in 2020, Malta's Gross Domestic Product (GDP), will grow by 5.0% in 2021, by 5.5% in 2022, and by 4.7% in 2023. Compared to the projections published in December 2020, GDP growth is being revised downwards for 2020 and 2021 due to the impact of stringent containment measures that spilled further into 2021. However, GDP growth is being revised upwards for 2022 and 2023, with GDP in 2023 expected to be at a similar level to that projected in December 2020. The CBM thus maintains its expectation that 2019 GDP levels are to be recouped towards the end of 2022, conditional on the successful rollout of a vaccine in 2021.

Annual inflation based on the Harmonised Index of Consumer Prices is set to edge up to 0.9% in 2021, from 0.8% in 2020, reflecting faster growth in services prices. Furthermore, non-energy industrial goods (NEIG) inflation is set to turn positive. Overall HICP inflation is set to edge up to 1.7% by 2023, reflecting a pickup in economic activity, which is expected to lift prices of services and NEIG further.

[4] CBM – Economic Update 4/2021;
[5] CBM Economic Projections 2020-2023 (2021:1);

Public finances deteriorated sharply in 2020 due to the decline in economic activity and the introduction of COVID-19 related fiscal support. The CBM is now projecting that the general government will record a deficit of 9.5% of GDP in 2020. The deficit is expected to persist throughout 2021, although it is anticipated to narrow to 6.6%. As economic activity improves and the need for COVID-related support gradually fades, the deficit is set to narrow further to 3.9% of GDP by 2023. Consequently, the government debt-to-GDP ratio is projected to rise from 42.4% in 2019 to 60.3% by 2023.

Given the prevailing uncertainty, the CBM has also published a more severe scenario in which it considers the effects of some restrictive health protocols being maintained beyond 2021, in the event that the pace of vaccination is slower than currently projected and new infectious strains become harder to control. In such a scenario, the 2019 level of GDP would be reached only in 2023. Additionally, the government deficit would deteriorate more sharply in 2021, reaching 10.0% of GDP, before narrowing to 5.6% in 2022 and 2023, while the government debt-to-GDP ratio would rise to 68.2% by then.

- **Retail**[6]

Following the implementation of confinement measures by both local and international governments, retail stores had to close their doors in mid-March 2020. As the first wave of COVID-19 cases started to be controlled, retail stores were allowed to reopen in early May 2020. This enabled retailers to start crystallising some of their lost sales as consumer demand started to pick up. The recovery for certain retailers was short-lived after governments reintroduced restrictions on mass events such as prohibiting weddings, concerts, parties, etc.

Restrictions continued to be tightened and as from 11 March 2021, Malta re-entered in a quasi-lockdown state, which amongst other restrictions, resulted in the closure of non-essential shops. Retailers have now been allowed to reopen their doors.

In March 2021, confidence within the retail sector edged up to -38.2, from -49.0 in February 2021. Business activity expectations improved significantly in March 2021, though remaining negative. By contrast, retailers' assessment about sales over previous months worsened compared to February 2021, while a larger share of participants reported above normal stock levels. The CBM noted that the share of respondents anticipating selling prices to rise over the next three months edged up slightly.

To alleviate liquidity challenges, the government of Malta launched the Malta Development Bank (MDB) COVID-19 Guarantee Scheme (CGS) for the purpose of guaranteeing new loans granted by commercial banks for working capital purposes to businesses facing liquidity shortfalls as a result of the pandemic. The scheme enables credit institutions to leverage government guarantees up to a total portfolio volume of €777.8m. By end February 2021, 558 facilities were approved under the CGS, covering total sanctioned lending of €420.1m. In terms of the number of facilities, the sector comprising wholesale and retail activities applied for the largest number of facilities and had the largest value of sanctioned loans at €95.8m.

[6] CBM – Economic Update 4/2021

Malta is currently rolling-out vaccines, with an ambitious target to offer the first jab to everyone in the country by mid-August. This, together with improved test and tracing schemes, are expected to encourage boost consumer confidence and spending, in addition to inspiring tourism, which is also an important source of income for local retailers.

- **Tourism**[7]

The tourism industry in Malta has been progressively growing over the years, benefiting from a surge in tourism with records broken year-on-year. This trend which is summarised in the table below, illustrates the number of tourist arrivals over the last three years:

	2018	2019	2020	Change 2020/19
Inbound tourists	2,598,690	2,753,239	658,567	-76.1%
Tourist guest nights	18,569,716	19,338,860	5,227,229	-73.0%
Average length of stay	7.1	7.0	7.9	12.9%
Tourist expenditure (€'000s)	2,101,765	2,220,627	455,108	-79.5%
Tourist expenditure per capita (€)	809	807	691	-14.4%

Unfortunately, the tourism sector both locally and internationally, has been severely impacted by the outbreak of the COVID-19 pandemic. As from early March 2020, Malta started to introduce several confinement measures, with the eventual suspension of all passenger flights as from 21 March 2020. Malta international airport was reopened on 1 July and demand for travel started picking up, however this was short-lived, as after the summer of 2020 several EU countries started to battle the second wave of COVID-19 cases, which resulted in the reintroduction of several confinement measures. The unprecedented impact of the pandemic on the tourism industry is demonstrated by the data above, where during 2020 local inbound tourists fell by 76.1%. Similarly, the industry experienced a decrease of 73.0% in tourist guest nights, with total tourist expenditure plummeting by 79.5% when compared with 2019.

At a European level, international tourist arrivals to Europe dropped 70% in 2020 over 2019. The pandemic now holds a 58% share of international tourist arrivals worldwide, with Asia Pacific remaining closed to tourism. In early 2021, travel restrictions have been tightened further and lockdowns re-introduced across Europe as destinations suffer a third wave of infections.

For the time being, there is no concrete end in sight of the COVID-19 pandemic as cases rise worldwide and multiple variants of the virus emerge. Nevertheless, the roll-out of vaccines, despite distribution challenges, has provided some grounds for optimism for 2021 projections and, together with improved testing regimes, is expected to stimulate consumer confidence and hasten the easing of movement restrictions. Notwithstanding the positive developments from the vaccine front, a return to typical inter-national travel demand patterns will be gradual and apparent towards the second half of 2021, with 2019 levels only reached fully by 2023.

[7] Inbound Tourism December 2020 and European Tourism – Trends & Prospects Q4/2020

3.2 Comparative Analysis

The purpose of the table below compares the debt issuance of the group to other debt instruments. One must note that given the material differences in profiles and industries, the risks associated with the Group's business and that of other issuers is therefore also different.

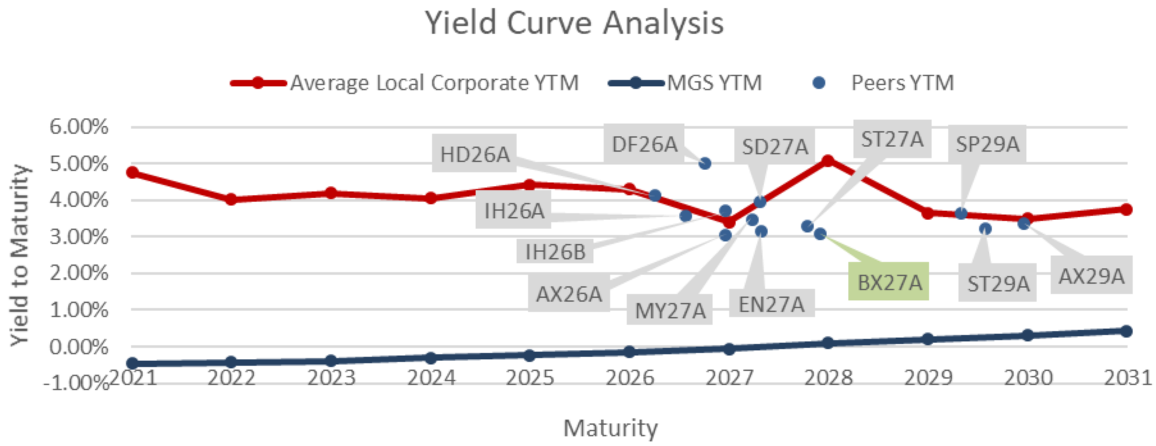
Latest available FS	Security	Nom Value	Yield to Maturity	Interest coverage (EBITDA)	Total Assets	Total Equity	Total Liabilities / Total Assets	Net Debt / Net Debt and Total Equity	Net Debt / EBITDA	Current Ratio	Return on Common Equity	Net Margin	Revenue Growth (YoY)	Last Closing Price *
		€000's	(%)	(times)	(€'millions)	(€'millions)	(%)	(%)	(times)	(times)	(%)	(%)	(%)	
Audited 2019	5.8% International Hotel Investments plc 2021	20,000	4.54%	3.0x	1,687.2	897.1	46.8%	37.3%	7.7x	1.1x	0.6%	1.9%	4.7%	100.75
Audited 2019	5.8% International Hotel Investments plc 2023	10,000	4.52%	3.0x	1,687.2	897.1	46.8%	37.3%	7.7x	1.1x	0.6%	1.9%	4.7%	102.99
Audited 2020	6% AX Investments Plc € 2024	40,000	4.11%	0.8x	348.7	217.4	37.6%	25.5%	28.3x	0.8x	-3.5%	-27.5%	-44.7%	105.00
Audited 2019	4.4% Von der Heyden Group Finance plc Unsecured € 2024	25,000	3.69%	1.1x	147.8	44.3	70.1%	66.4%	36.6x	0.7x	-4.9%	-8.5%	8.6%	101.90
Audited 2019	6% International Hotel Investments plc € 2024	35,000	5.95%	3.0x	1,687.2	897.1	46.8%	37.3%	7.7x	1.1x	0.6%	1.9%	4.7%	100.12
Audited 2019	5.75% International Hotel Investments plc Unsecured € 2025	45,000	4.64%	3.0x	1,687.2	897.1	46.8%	37.3%	7.7x	1.1x	0.6%	1.9%	4.7%	104.00
Audited 2019	4.35% Hudson Malta plc Unsecured € 2026	12,000	4.12%	3.6x	48.0	6.4	86.7%	81.1%	6.1x	1.3x	8.3%	1.2%	0.9%	101.00
Audited 2019	4% International Hotel Investments plc Secured € 2026 (xd)	55,000	3.57%	3.0x	1,687.2	897.1	46.8%	37.3%	7.7x	1.1x	0.6%	1.9%	4.7%	102.00
Audited 2019	5% Dizz Finance plc Unsecured € 2026	8,000	4.99%	8.8x	316.6	132.6	58.1%	32.0%	3.0x	1.0x	10.9%	19.1%	11.7%	100.00
Audited 2019	4% International Hotel Investments plc Unsecured € 2026	60,000	3.70%	3.0x	1,687.2	897.1	46.8%	37.3%	7.7x	1.1x	0.6%	1.9%	4.7%	101.50
Audited 2020	3.25% AX Group plc Unsec Bds 2026 Series I	15,000	3.05%	0.8x	348.7	217.4	37.6%	25.5%	28.3x	0.8x	-3.5%	-27.5%	-44.7%	101.00
Audited 2019	3.75% Mercury Projects Finance plc Secured € 2027	11,500	3.46%	0.4x	62.2	(.6)	101.0%	101.9%	82.9x	1.0x	236.9%	-15.9%	125.6%	101.50
Audited 2019	4.35% SD Finance plc Unsecured € 2027	65,000	3.97%	6.8x	324.4	137.6	57.6%	43.3%	4.1x	1.4x	9.0%	20.5%	5.7%	102.00
Audited 2019	4% Eden Finance plc Unsecured € 2027	40,000	3.17%	6.6x	199.3	113.1	43.2%	29.0%	3.4x	1.1x	11.7%	28.1%	9.7%	104.50
Audited 2019	4% Stivala Group Finance plc Secured € 2027	45,000	3.30%	4.0x	225.3	123.1	45.4%	40.6%	7.4x	0.7x	5.0%	26.0%	19.5%	104.00
Audited 2020	3.75% Bortex Group Finance plc Unsecured € 2027	12,750	3.07%	2.5x	61.4	26.7	56.6%	49.4%	12.2x	2.5x	-4.4%	-5.3%	9.4%	104.00
Audited 2019	4% SP Finance plc Secured EUR Bonds 2029	12,000	3.64%	6.4x	20.9	16.0	23.6%	15.0%	2.7x	0.5x	2.5%	28.0%	6.9%	102.49
Audited 2019	3.65% Stivala Group Finance plc Secured € 2029 (xd)	15,000	3.23%	4.0x	225.3	123.1	45.4%	40.6%	7.4x	0.7x	5.0%	26.0%	19.5%	102.99
Audited 2020	3.75% AX Group plc Unsec Bds 2029 Series II	10,000	3.34%	0.8x	348.7	217.4	37.6%	25.5%	28.3x	0.8x	-3.5%	-27.5%	-44.7%	103.00
Audited 2019	4.25% Mercury Projects Finance plc Secured € 2031	11,000	3.76%	0.4x	62.2	(.6)	101.0%	101.9%	82.9x	1.0x	236.9%	-15.9%	125.6%	104.00
	Average (excludes the performance of the Group)**		**3.94%**	**4.1x**	**338.0**	**168.7**	**57.0%**	**47.2%**	**18.2x**	**1.0x**	**27.6%**	**7.3%**	**14.8%**	

* Last price as at 22/04/2021

** Average was adjusted for issuers having more than one listed debt security

Source: Latest available audited and consolidated financial statements

Although the above comparative analysis table specifically refers to the respective Issuers, it is important to clarify that financial figures and metrics pertaining to such issuers captures the consolidated operation of the respective Group. More specifically, the presented financial data relates to either the Holding Company, Guarantor or the Issuer depending on the respective group structure of each issuer.



Source: Malta Stock Exchange, Central Bank of Malta and Calamatta Cuschieri 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 plots the entire MGS yield curve, thus taking into consideration the yield of comparable issuers. The graph illustrates on a stand-alone basis, the yield of the Group's peers maturing during 2026 and 2029 (Peers YTM).

It is important to highlight that the majority of the above identified peers have not yet issued the 2020 financial statements as at the date of this analysis. Therefore, several of the key metrics shown do not reflect the negative effects that this pandemic had on business during 2020, especially those business involved in the hospitality and retail industries. Based on this, we have compared the Group's metrics with AX Group plc ("AX"), as it is the only issuer with updated 2020 financial statements. In FY20, the Group's leverage (net debt / EBITDA) stood at 12.2x while AX's leverage stood at 28.3x. Gearing expressed as net debt / capital employed amounted to 19.4% for the Group vs 25.5% for AX. The Group's interest amounted to 2.5x, while AX's coverage stood at 0.8x.

As at 22 April 2021, the average spread over the Malta Government Stocks (MGS) for comparable issuers with maturity range of 5-9 years (2026-2029) was 366 basis points. The 3.75% Bortex 2027 bond is currently trading at a YTM of 3.07%, meaning a spread of 313 basis points over the equivalent MGS. This means that this bond is trading at a marginal discount of 53 basis points to the average of identified peers.

Part 4 - 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 Income (EBIT)	EBIT is an abbreviation for earnings before interest and tax.
Depreciation and Amortisation	An accounting charge to compensate for the decrease in the monetary value of an asset over time and the eventual cost to replace the asset once fully depreciated.
Net Finance Costs	The interest accrued on debt obligations less any interest earned on cash bank balances and from intra-group companies on any loan advances.
Net Income	The profit made by the Group/Company during the financial year net of any income taxes incurred.
Profitability Ratios	
Growth in Revenue (YoY)	This represents the growth in revenue when compared with previous financial year.
Gross Profit Margin	Gross profit as a percentage of total revenue.
EBITDA Margin	EBITDA as a percentage of total revenue.
Operating (EBIT) Margin	Operating margin is the EBIT as a percentage of total revenue.
Net Margin	Net income expressed as a percentage of total revenue.
Return on Common Equity	Return on common equity (ROE) measures the rate of return on the shareholders' equity of the owners of issued share capital, computed by dividing the net income by the average common equity (average equity of two years financial performance).
Return on Assets	Return on assets (ROA) is computed by dividing net income by the average total assets (average assets of two years financial performance).
Cash Flow Statement	
Cash Flow from Operating Activities (CFO)	Cash generated from the principal revenue producing activities of the Group/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 Group/Company.
Cash Flow from Financing Activities	Cash generated from the activities that result in change in share capital and borrowings of the Group/Company.
Capex	Represents the capital expenditure incurred by the Group/Company in a financial year.
Free Cash Flows (FCF)	Free cash flow (FCF) represents the cash a Group/Company generates after accounting for cash outflows to support operations and maintain its capital assets. It is calculated by taking Cash Flow from Operating Activities (before the payment of interest) less the Capex of the same financial year.
Balance Sheet	
Total Assets	What the Group/Company owns which can be 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.
Cash and Cash Equivalents	Cash and cash equivalents are Group/Company assets that are either cash or can be converted into cash immediately.
Total Equity	Total Equity is calculated as total assets less liabilities, representing the capital owned by the shareholders, retained earnings, and any reserves.
Total Liabilities	What the Group/Company owes which can be further classified into Non-Current Liabilities and Current Liabilities.
Non-Current Liabilities	Obligations which are due after more than one financial year.
Total Debt	All interest-bearing debt obligations inclusive of long and short-term debt.
Net Debt	Total debt of a Group/Company less any cash and cash equivalents.
Current Liabilities	Obligations which are due within one financial year.

Financial Strength Ratios	
Current Ratio	The Current ratio (also known as the Liquidity Ratio) is a financial ratio that measures whether or not a company has enough resources to pay its debts over the next 12 months. It compares current assets to current liabilities.
Quick Ratio (Acid Test Ratio)	The quick ratio measures a Group's/Company's ability to meet its short-term obligations with its most liquid assets. It compares current assets (less inventory) to current liabilities.
Interest Coverage Ratio Interest Coverage Level 1 Interest Coverage Level 2	The interest coverage ratio measures how many times a Group/Company can cover its current interest payment with its available earnings. Is calculated by dividing EBITDA by Cash Interest Paid. Is calculated by dividing EBITDA by Finance Costs.
Gearing Ratio Gearing Ratio Level 1 Gearing Ratio Level 2 Gearing Ratio Level 3	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. Is calculated by dividing Net Debt by Total Equity.
Net Debt / EBITDA	The Net Debt / EBITDA ratio measures the ability of the Group/Company to refinance its debt by looking at the EBITDA.
Other Definitions	
Yield to Maturity (YTM)	YTM is the rate of return expected on a bond which is held till maturity. It is essentially the internal rate of return on a bond and it equates the present value of bond future cash flows to its current market price.
Occupancy Level	The occupancy level is expressed as a percentage and indicates the number of rooms occupied to the total number of available rooms in a given time period.
Average Daily Rate (ADR)	Average Daily Rate (ADR) is a performance metric used in the hotel industry and it represents the average rental income per paid occupied room in a given time period.
Revenue per Available Room (Rev/PAR)	Revenue per available room (Rev/PAR) is a performance metric used in the hotel industry. It is calculated by multiplying a hotel's average daily room rate (ADR) by its occupancy rate or by dividing a hotel's total room revenue by the total number of available rooms in the period being measured.