



## COMPANY ANNOUNCEMENT

The following is a Company Announcement issued by AX Real Estate p.l.c. a company registered under the laws of Malta with Company registration number C 92104 (hereinafter the “Company”) pursuant to Chapter 5 of the Capital Markets Rules as issued by the Malta Financial Services Authority in accordance with the Financial Markets Act (Chapter 345 of the laws of Malta), as amended from time to time.

*Quote*

### **Financial Analysis Summary**

The Board of Directors of the Company announce that the Financial Analysis Summary, as at 28<sup>th</sup> April 2023, and prepared by MZ Investments Services Ltd, is being attached hereto and can also be viewed on the following online link to the Company’s web portal: <https://axinvestor-relations.mt/ax-real-estate/>.

*Unquote*

A handwritten signature in blue ink, appearing to be 'Dr. David Wain', written over a horizontal line.

Dr. David Wain  
*Company Secretary*

28<sup>th</sup> April 2023

Company Announcement  
AXRE 08/2023

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# FINANCIAL ANALYSIS SUMMARY

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28 April 2023

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Issuer

**AX Real Estate p.l.c.**

(C 92104)



MZ INVESTMENTS



MZ INVESTMENTS

The Directors  
AX Real Estate p.l.c.  
AX Group, AX Business Centre  
Triq id-Difiza Civili  
Mosta MST 1741  
Malta

28 April 2023

Dear Board Members,

### **Financial Analysis Summary**

In accordance with your instructions, and in line with the requirements of the MFSA Listing 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 this Analysis is that of summarising key financial data appertaining to AX Real Estate p.l.c. (the “**Company**”, “**Issuer**”, “**Group**”, or “**AX Real Estate**”). The data is derived from various sources or is based on our own computations as follows:

- (a) Historical financial data for the most recent three financial years (ending 31 October 2020, 31 October 2021, and 31 October 2022) has been extracted from the Group’s audited consolidated annual financial statements.
- (b) The projected financial data for the years ending 31 October 2023, 31 October 2024, and 31 October 2025 has been provided by the Company.
- (c) Our commentary on the financial results, cash flows, and financial position of AX Real Estate is based on explanations provided by the Company.
- (d) The ratios quoted in this Analysis have been computed by us applying the definitions set out in Part 5 – ‘Explanatory Definitions’ of this report.
- (e) Relevant financial data in respect of the companies included in Part 4 – ‘Comparative Analysis’ of this report has been extracted from public sources such as websites of the companies concerned, financial statements filed with the Registrar of Companies, as well as other sources providing financial data.



**MZ INVESTMENTS**

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

Yours faithfully,

**Evan Mohnani**

Senior Financial Advisor

**M.Z. Investment Services Limited**

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## PART 1 – INFORMATION ABOUT THE COMPANY

### 1. KEY ACTIVITIES

The Issuer is a subsidiary of AX Group p.l.c. (“**AX Group**”) and acts as the holding company of the real estate division within AX Group. During FY2021, AX Group completed a reorganisation of its corporate structure with the aim of consolidating its property letting activities into one, newly formed, real estate division the holding entity of which is AX Real Estate.

The Company was registered on 6 June 2019 as a private limited liability company and was subsequently converted into a public limited liability company on 23 November 2021. As the holding entity of the Group, the Issuer is economically dependent on the financial performance and position of its subsidiaries.

The Group is involved in the letting of properties to AX Group and to a lesser extent, to third parties. A description and analysis of the operational activities and performance of AX Group is included in the most recent Analysis which is available on AX Group’s website at <https://axinvestor-relations.mt/>.

In February 2022 (FY2022), AX Group listed AX Real Estate p.l.c. on the Malta Stock Exchange, with 25% of the ordinary ‘A’ shares being taken up by the general public. Through this transaction, an amount of €13.6 million was raised. In conjunction with the share issue, AX Real Estate also issued €40 million unsecured bonds redeemable in 2032. The general public subscribed to €18.4 million of the bonds whilst the remaining €21.6 million were allocated to AX Group through the part conversion of an existing intra-group loan with AX Real Estate.

### 2. DIRECTORS AND SENIOR MANAGEMENT

#### 2.1 BOARD OF DIRECTORS

The Company is managed by a Board of Directors consisting of seven individuals who are entrusted with the overall direction, administration, and management of the Group. The Board currently consists of one executive director who also occupies the role of Chief Executive Officer, and six non-executive directors of whom three are independent.

Angelo Xuereb	Non-Executive Chairman
Denise Xuereb	Executive Director and Chief Executive Officer
Michael Warrington	Non-Executive Director
Christopher Paris	Non-Executive Director
Christian Farrugia	Independent Non-Executive Director
Joseph Lupi	Independent Non-Executive Director
Stephen Paris	Independent Non-Executive Director



## 2.2 SENIOR MANAGEMENT

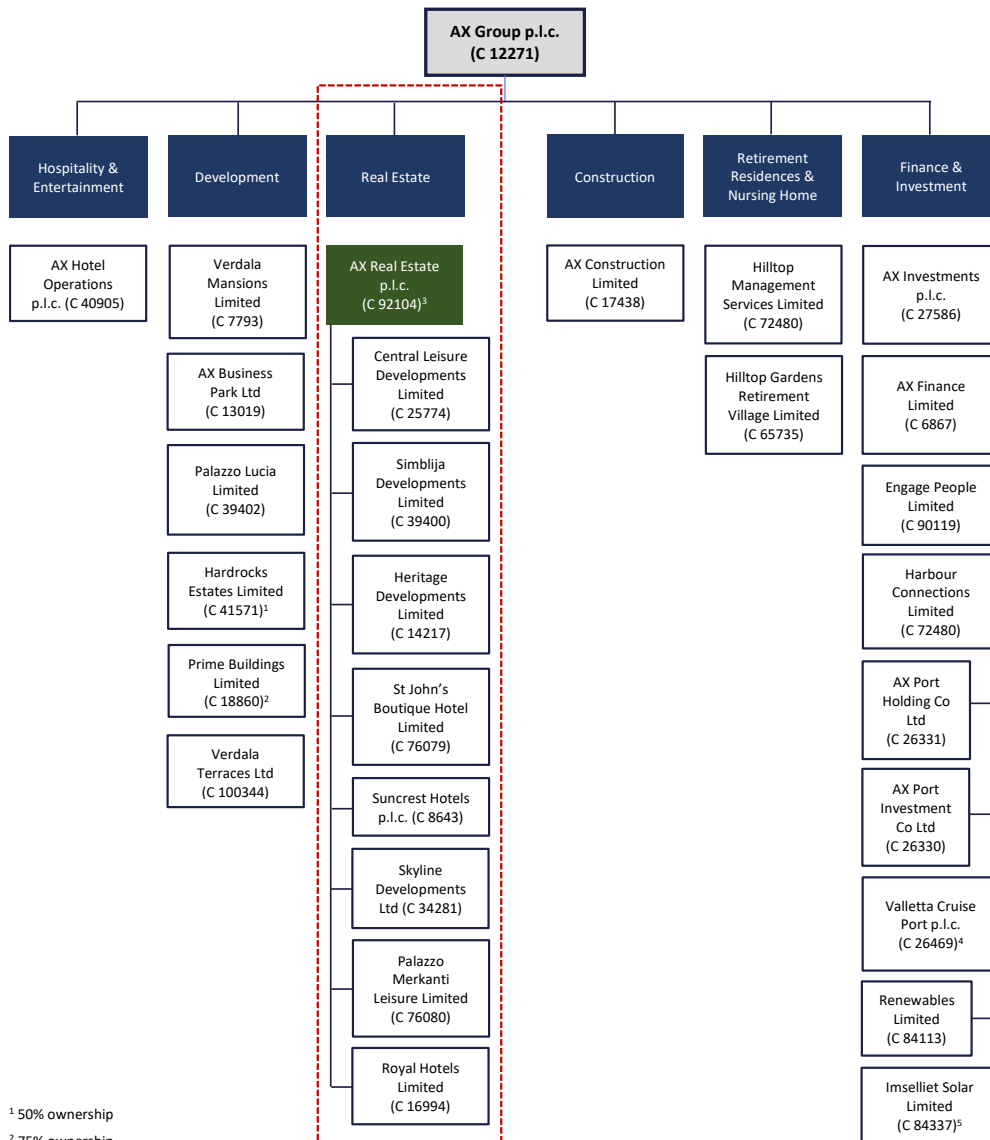
The Executive Director forms part of the Company’s executive team entrusted with the day-to-day management of the Group. The Executive Director is supported by several consultants and key personnel, and benefits from the know-how gained by members and officers of AX Group.

The executive team is composed of the following individuals:

- Denise Xuereb Chief Executive Officer
- Joseph Borg Chief Financial Officer

## 3. ORGANISATIONAL STRUCTURE

The diagram below illustrates the organisational structure of AX Real Estate within AX Group.



<sup>1</sup> 50% ownership  
<sup>2</sup> 75% ownership  
<sup>3</sup> 91.13% ownership  
<sup>4</sup> 36% ownership  
<sup>5</sup> 33.3% ownership



## 4. MAJOR ASSETS

The table below provides a summary of the properties held by AX Real Estate as at 31 October 2022 (classified as ‘Investment property’ in the Statement of Financial Position) which were valued at €260.3 million.

AX Real Estate plc Major Assets	31 Oct 2022 €'000
Qawra Hotels ( <i>AX Odycy, Sunny Coast Resort &amp; Spa, and Luzzu Complex</i> )	100,000
Sliema Hotels ( <i>The Palace Hotel and The Victoria Hotel</i> )	73,100
Hilltop Gardens Retirement Village & Simblija Care Home	37,130
Valletta Hotels ( <i>Saint John's Boutique Hotel and Rosselli Hotel</i> )	14,460
Targa Gap Complex, Mosta	12,250
Part of the Verdala Site being developed into the Verdala Hotel and Virtu Heights	10,380
	<b>247,320</b>
<b>Other:</b>	
Hardrocks Business Park ( <i>9 warehouses and an office block</i> )	7,600
Office space at Falcon House, Sliema	5,050
Blackstead Garage, Naxxar	285
	<b>12,935</b>
<b>Total</b>	<b>260,255</b>

A brief description of each property is provided below.

### 4.1 QAWRA HOTELS & QAWRA PROJECT

The **AX Odycy** (formally, Seashells Resort at Suncrest) is a four-star hotel located on the Qawra seafront featuring 599 rooms designed in a contemporary style. The hotel suspended its operations in Q4 2021 for the purpose of pursuing a major investment comprising the addition of four floors to the existing property which will increase the total number of rooms by a further 147 rooms, as well as redevelop, upgrade, and extend the hotel’s public areas. The AX Odycy will resume operations in May 2023. Hotel amenities will comprise various food and beverage outlets, from exquisite dining and laid-back seaside restaurants to family-friendly options and a convenient grab-and-go concept. The hotel will also include a panoramic lido spanning the entire length of the property.

The **Sunny Coast Resort and Spa** is a 92-room four-star aparthotel situated in Qawra that offers serviced self-catering apartments with resort facilities on the Qawra coast. It occupies a gross floor area measuring approximately 6,000 sqm. The property has operated in the vacation ownership market since 1983 but ceased such activity on expiration of the timeshare contracts in December 2021. The Sunny Coast Resort and Spa features a restaurant, indoor and outdoor pools, spa and leisure facilities, and a fitness centre. Furthermore, the adjacent lido consists of a number of restaurants leased out to independent third parties, an indoor swimming pool, a spa, an outdoor pool, and other sports facilities which are leased to third parties.





The **Luzzu Complex** occupies a gross floor area of *circa* 2,250 sqm and comprises a seaside restaurant known as the ‘Luzzu Restaurant,’ a beach club (namely the ‘Luzzu Lido’), and a recently refurbished conference centre which accommodates up to 300 delegates in theatre style and 450 guests in receptions.

### ***Terms of intra-group lease agreement***

The Qawra Hotels, with the exception of the outlet that is sub-leased to third parties as indicated above, are leased by Suncrest Hotels p.l.c. (hereunder the “**Lessor**”) to AX Hotel Operations p.l.c. (hereunder the “**Lessee**”). The lease agreement is subject to the following terms:

- (i) The lease term is 20 years and four months, with effect from 1 July 2021 (save for the lease term of the agreement relating to the AX Odycy) with a right of first refusal granted in favour of the lessee over any new lease to be entered into by the lessor upon the expiration of the term. The lease term of the agreement relating to the AX Odycy will commence in May 2023.
- (ii) A minimum fixed base rent.
- (iii) A variable rent component.
- (iv) The obligation for ordinary and extraordinary repairs and maintenance rests with the lessee while the costs of new developments or extraordinary repairs which are structural in nature are the responsibility of the lessor.
- (v) The lessee may only sub-lease outlets and facilities within the Qawra Hotels to independent third parties once it obtains the lessor’s consent.

Given the increase in capital expenditure relating to the development of the AX Odycy, the lease agreement entered into by and between the Lessor and AX Hotel Operations p.l.c. in respect of the Qawra Hotels was re-negotiated, resulting, with effect from 1 April 2023, in an uplift in the variable rent component. The variance in capital expenditure arose principally due to design and specification changes, as well as inflationary pressures, and has led to an adjustment to the said lease agreement in the form of an increase in variable rent.

### **THE QAWRA PROJECT**

AX Group prepared a master plan for the redevelopment of its properties in Qawra. This project is expected to be phased over a number of years as further explained hereunder.

#### ***Phase 1***

Suncrest Hotels p.l.c. ceased operations in Q4 2021 for the purpose of constructing four additional floors to the existing property, as well as create new pools, restaurants, bars, and other facilities at the hotel. AX Group is also upgrading the standard of the hotel to a high level in line with the objectives of the master plan to develop its Qawra Hotels into a key tourist destination.

In addition to the extension of the hotel, the lido at the AX Odycy is being redeveloped to include an underground car park located under the three lidos owned by AX Real Estate. The new lido will also comprise a large pool that will eventually form part of a series of laguna pools over the three lido areas, as well as restaurants and bars to be operated by the AX Hotels brand.



As initially planned, works will be completed by May 2023. As a result of variances due to design and specification changes, as well as inflationary pressures, the full development and refurbishment cost of the Qawra Project (Phase 1) is expected to exceed the Group's initial budget of *circa* €52 million by €20 million (or +38.5%), with the total cost for Phase 1 now expected to amount to approximately €72 million. Out of the said €72 million, an amount of €19.3 million will be funded by AX Hotel Operations p.l.c.

Apart from inflationary pressures, the overrun in capital expenditure relates mainly, but not limitedly, to the following factors:

- (i) Variations in contracts as a result of an increase or change in scope of works, including a change in the use of material originally agreed upon and re-plastering of the full façade of the hotel rather than merely the new floors.
- (ii) Unplanned costs that were identified following commencement of the works, including the re-building of a number of balconies due to structural issues and higher professional fees.
- (iii) Other costs that were not considered in the initial budget including site enablement costs for the extension of the hotel, professional fees for the construction of the lido, and an additional contingency for the construction of the lido.

As such, the variations referred to in (i) and (ii) above are expected to result in product and design improvements which, in turn, are anticipated to lead to improved rental rates.

### **Phases 2 & 3**

The Group has obtained an outline development permit for the Sunny Coast Lido and the Luzzu Complex (Qawra Project – Phase 2), as well as a full development permit for the Sunny Coast Resort & Spa (Qawra Project – Phase 3).

The redevelopment of the Sunny Coast Resort & Spa will comprise the demolition of the existing building and the construction of a 200-unit aparthotel with food, beverage, and leisure facilities. It is further proposed that the underground car park, the lidos at Sunny Coast and Luzzu Complex, as well as the commercial outlets will eventually be linked to Phase 1 of the project.

There are presently no firm timelines for the commencement of the project's next phases, although it is envisaged that works will commence in the foreseeable future subject to the Group obtaining the necessary funding and having the required resources to commence works.

## **4.2 SLIEMA HOTELS**

**The Palace Hotel** is a luxurious 144-room five-star city hotel located in a prime location in Sliema that has a strong appeal to business travellers owing to its extensive conference and events facilities. The hotel, which opened its doors for business in 2007, marked AX Group's first investment in the five-star hotel segment. The Palace offers a wide range of facilities to its guests, including five restaurants, an outdoor infinity pool on the rooftop terrace, a generous sized freshwater indoor pool, a steam and sauna room, as well as spa, health and fitness centre. The hotel has an underground car park common with The Victoria Hotel.



The **Victoria Hotel** is a 142-room Victorian-style hotel located in the heart of Sliema. The hotel, which is marketed as a classical five-star experience in a four-star accommodation, opened for business in 1997 and was last refurbished in 2018. The hotel features elegant rooms, outdoor and indoor pools, a steam and sauna room, spa facilities, a health and fitness centre, as well as multi-purpose conference halls. It also houses the Copperfields Restaurant and the Penny Black bar. The hotel has an underground car park accessible from the entrance to The Palace Hotel car park which can accommodate up to 108 cars.

The proximity between The Palace Hotel and The Victoria Hotel allows both hotels to centralise their management function and share many of the fixed cost elements to maximise efficiencies and returns.

#### ***Terms of intra-group lease agreement***

The Sliema Hotels are leased by Central Leisure Developments Limited (hereunder the “**Lessor**”) to AX Hotel Operations p.l.c. (hereunder the “**Lessee**”). In turn, AX Hotel Operations p.l.c. sub-leases the spa, gym, and a shop to independent third-party operators. The lease agreement entered into with AX Hotel Operations p.l.c. is subject to the following terms:

- (i) The lease term is 20 years and four months, with effect from 1 July 2021, with a right of first refusal in favour of the lessee over any new lease to be entered into by the lessor upon the expiration of the term.
- (ii) A minimum fixed base rent.
- (iii) A variable rent component.
- (iv) The obligation for ordinary repairs and maintenance rests with the lessee while the costs of new developments or extraordinary repairs which are structural in nature rest with lessor.
- (v) The lessee may only sub-lease outlets and facilities within the Sliema Hotels to independent third parties once it obtains the lessor’s consent.

### **4.3 VALLETTA HOTELS**

St. John’s Boutique Hotel Limited is the owner of the **Saint John’s Boutique Hotel** – a 19-room boutique hotel located in Merchants Street, Valletta. Once a former merchant’s residence and shop, the Saint John’s Boutique Hotel was refashioned into a modern hospitable setting while preserving the building’s rich historical fabric. Each of the 19 rooms exude an urban industrial feel with exposed brick and natural materials, combining on-trend style with luxury and the latest in-room technology. The boutique hotel features two private meeting rooms accommodating 16 in-theatre style or eight as a board room, which are ideal for the frequent business traveller who needs to make use of desk space in an office-like setting during his stay. The Saint John’s Boutique Hotel is also home to two catering establishments, namely ‘Cheeky Monkey Gastropub’ and ‘Cheeky Monkey Creperie’.

Palazzo Merkanti Leisure Limited holds the **Rosselli Hotel** under the title of temporary emphyteusis subject to an annual ground rent of just under €14,000. The 25-room five-star boutique hotel opened for business in May 2019 and is one of the most prestigious old palazzos in Valletta. The Rosselli Hotel is housed in a luxurious property displaying a fusion of traditional and contemporary design complemented by an advanced suite of technology services for guests. Aside from a three-level restaurant with varied cuisine genres – namely ‘Under Grain’, ‘Grain’, and ‘Over Grain’ – offering customers refined culinary experiences on each level with ‘Under Grain’ having been one of the first



to have clinched a Michelin Star in Malta, the boutique hotel has a rooftop terrace and swimming pool. Additionally, hotel butler service is available at providing a tailor-made experience for guests staying at the Rosselli Hotel.

#### ***Terms of intra-group lease agreement***

The Saint John’s Boutique Hotel is leased by St. John’s Boutique Hotel Limited (hereunder the “**Lessor**”) to AX Hotel Operations p.l.c. (hereunder the “**Lessee**”). The Rosselli Hotel is leased by Palazzo Merkanti Leisure Limited (hereunder the “**Lessor**”) to AX Hotel Operations p.l.c. (hereunder the “**Lessee**”).

Each of the lease agreements is subject to the following terms:

- (i) The lease term is 20 years and four months, with effect from 1 July 2021, with a right of first refusal in favour of the lessee over any new lease to be entered into by the lessor upon the expiration of the term.
- (ii) A minimum fixed base rent.
- (iii) A variable rent component.
- (iv) The obligation for ordinary and extraordinary repairs and maintenance rests with the lessee while the costs of new developments or extraordinary repairs which are structural in nature rest with lessor.
- (v) The lessee may only sub-lease outlets and facilities within the Valletta Hotels to independent third parties once it obtains the lessor’s consent.

#### **4.4 HOTEL VERDALA & VIRTU HEIGHTS ANNEX SUITES**

Royal Hotels Limited and Heritage Developments Limited own the land over which the **Verdala Hotel** and **Virtu Heights Annex Suites** are being developed respectively. Following completion of all demolition works in 2021, works proceeded with the laying out of the foundations whilst construction works started in early 2022. As such, it is expected that the new Verdala Hotel and adjacent 19 serviced apartments (that will form part of the Verdala Hotel Annex – also known as ‘Virtu Heights’) will be completed in shell form before the end of 2023 whilst the hotel will open for business in Q2 2024.

The five-star Verdala Hotel will feature 42 luxury suites set up on a multi-level communal pyramidal atrium that will include all communal facilities and create a physical and visual corridor from Triq ir-Rghajja to the ridge views overlooking Malta.

By reducing the overall height from the former Grand Hotel Verdala by almost two storeys, the development will blend more harmoniously with the promontory. A system of terraces and voids on the ridge side of the building will mimic the natural forms of the rock strata, whilst the back elevations will have greater solidity to tie into the traditional façade typology found in the surrounding streets.

The project will also give space to around 2,350 sqm of formerly developed area to the public through the introduction of public piazzas and open spaces. Furthermore, new vistas will be enjoyed by the public from Triq San Bastjan and Triq ir-Rghajja.

Between the years 2005 and 2019, Heritage Developments Limited entered into 11 deeds of sale pursuant to which 11 out of the 19 apartments were sold to third parties: three of which were rescinded some time thereafter; four were re-acquired by Heritage Developments Limited from said



third parties; and the remaining four form the subject of promise of sale/exchange agreements, pursuant to which Heritage Developments Limited will re-acquire the four apartments in exchange for four residential units (and car spaces) forming part of the Verdala Terraces that are currently being developed by AX Group.

As part of the Group reorganisation exercise, Royal Hotels Limited transferred a portion of land by virtue of a public deed in the acts of Notary Rosalyn Aquilina dated 28 October 2021 consisting in an area of 8,831 sqm from level -2 downwards and 9,470 sqm from level -1 upwards to a newly incorporated entity forming part of the AX Group, namely Verdala Terraces Limited, on which the Verdala Terraces residential units are being developed by AX Group.

The Verdala Hotel is being developed on the remaining portion of land owned by Royal Hotels Limited. As described above, Heritage Developments Limited owns Virtu Heights, which will be refurbished into the Verdala Hotel Annex. The Verdala Hotel is expected to start operating in 2024.

In view of the increase in professional fees and finishing costs, as well as inflationary pressures, the initial estimated investment in the Verdala Hotel and the refurbishing of the Verdala Hotel Annex amounting to *circa* €11.5 million has been revised upwards by €1.5 million, amounting to a total spend of €13 million.

#### ***Terms of intra-group lease agreement***

Royal Hotels Limited and AX Hotel Operations p.l.c. entered into a lease agreement pursuant to which Royal Hotels Limited (hereunder the “**Lessor**”) will lease out the Verdala Hotel to AX Hotel Operations p.l.c. (hereunder the “**Lessee**”). Heritage Developments Limited and AX Hotel Operations p.l.c. entered into a lease agreement pursuant to which Heritage Developments Limited (hereunder the “**Lessor**”) will lease out the Verdala Hotel Annex to AX Hotel Operations p.l.c. (hereunder the “**Lessee**”).

Each of the lease agreements is subject to the following terms:

- (i) The lease term is 20 years, effective on 1 May 2024, with a right of first refusal granted in favour of the lessee over any new lease to be entered into by the lessor upon the expiration of the term.
- (ii) A minimum fixed base rent.
- (iii) A variable rent component.
- (iv) The obligation for ordinary and extraordinary repairs and maintenance rests with the lessee while the costs of new developments or extraordinary repairs which are structural in nature rest with the lessor.
- (v) The lessee may only sub-lease outlets and facilities within the Verdala Hotel to independent third parties once it obtains the lessor’s consent.

## **4.5 HILLTOP GARDENS RETIREMENT VILLAGE & SIMBLIJA CARE HOME**

Simblija Developments Limited owns the Hilltop Gardens Retirement Village and the Simblija Care Home. **Hilltop Gardens Retirement Village** is the first luxury retirement village developed in Malta, consisting of private residences in the form of one or two-bedroom self-catering apartments and penthouses, finished to high standards, landscaped gardens, and extensive facilities. The complex



includes a spa, hair salon, swimming pool, restaurant, crafts centre, indoor and outdoor kids play areas, library, common room and hall, chapel, and underground parking. A reception desk and 24-hour security personnel complement the residences. Residents may also request certain services be provided at a charge, including cleaning, repairs and maintenance of apartments and preparation and delivery of meals. The setup of the residences allows residents to live independently within a secure community knowing that care is at hand should the need arise. The Hilltop Gardens Retirement Village welcomed its first residents in January 2016 and by August 2018, all 133 apartments in the village had been occupied on leases for definite periods ranging from one month to 50 years by individuals who at the time of taking up residence must be over 55 years of age.

Subject to obtaining the necessary development permits, it is the intention of the Group to construct additional residential units across the two blocks intended for lease in line with the business model of the Hilltop Gardens Retirement Village. No specific date has been set for the commencement of works as of yet.

The **Simblija Care Home** is a 155-bed care home which provides nursing care to the more dependent elderly residents. The Simblija Care Home also operates the Revive Physiotherapy Centre which has its own fully equipped state-of-the-art hydrotherapy pool, dedicated services and amenities for short term respite care, convalescence, and post-operative recovery, as well as a specialised dementia ward offering specialist support and assistive technology specifically selected and installed for residents with dementia.

#### ***Terms of intra-group lease agreement***

Simblija Developments Limited (hereunder the “**Lessor**”) leases the Simblija Care Home and Hilltop Gardens Retirement Village to Hilltop Management Services Limited (hereunder the “**Lessee**”), which is then sub-leased to Hilltop Gardens Retirement Village Limited. Hilltop Management Services Limited also leases certain establishments within the village in favour of third parties.

The lease agreement entered into by and between Simblija Developments Limited and the Hilltop Management Services Limited is subject to the following terms:

- (i) The lease term is 20 years and four months as from 1 July 2021, with a right of first refusal granted in favour of the lessee over any new lease to be entered into by the lessor upon the expiration of the term.
- (ii) A fixed base rent.
- (iii) The obligation for ordinary repairs and maintenance rests with the lessee, while the costs of new developments or extraordinary repairs rest with the lessor.
- (iv) The right to sub-lease apartments within the Hilltop Gardens Retirement Village to residents who satisfy the residential criteria.
- (v) The lessee may only sub-lease outlets and facilities to independent third parties once it obtains the lessor’s consent.



#### 4.6 TARGA GAP COMPLEX

Skyline Developments Ltd owns the **Targa Gap Complex** which is located in Mosta. The complex consists of two blocks of residential apartments, namely the ‘Clover’ block and the ‘Springfield’ block. The majority of units forming the ‘Clover’ block have been sold to third parties whilst two units will be retained by Skyline Developments Ltd for lease to third parties. Those in ‘Springfield’ block have also been retained and are currently leased to independent third parties.

The complex also includes the AX Business Centre which houses the ‘AX Group Head Office’ as well as two separate offices at ground floor level both of which are currently leased to independent third parties. The complex also includes four floors of underground car park. A number of garages in the car park have been sold to the owners of the residential units. A photovoltaic plant has been installed on the roof of the property.

##### *Terms of intra-group lease agreement*

The lease agreement by and between Skyline Developments Ltd (hereunder the “**Lessor**”) and AX Group p.l.c. (hereunder the “**Lessee**”) is subject to the following terms:

- (i) The lease term is 20 years and four months as from 1 July 2021, with a right of first refusal granted in favour of the lessee over any new lease to be entered into by the lessor upon the expiration of the term.
- (ii) A fixed base rent.
- (iii) The obligation for ordinary repairs and maintenance rests with the lessee while the costs of new developments or extraordinary repairs rests with the lessor.

#### 4.7 PROPERTIES AT THE HARDROCKS BUSINESS PARK

The Company owns nine warehouses and an office block at the **Hardrocks Business Park** located in Burmarrad. Six of the warehouses are rented to independent third parties on a leasing period between four to fifteen years. Two warehouses and the office block, together with the underlying basement areas, are rented to AX Construction Limited for a term of 20 years and serve as its operating base. Another warehouse (with an underlying basement) and an ancillary area forming part of the Hardrocks Business Park, which was previously unoccupied, have been leased out by the Company in part to AX Group and in part to AX Construction Limited. A third party leases the roof of the warehouses and office blocks.

#### 4.8 OFFICE SPACE AT FALCON HOUSE SLIEMA

The office space at Falcon House in Sliema consists of an area of *circa* 1,180 sqm on two levels, which is entirely leased to third parties. The development of office space was completed in October 2021.

#### 4.9 BLACKSTEAD GARAGE

The property consists of a stand-alone industrial garage and is complimented by a loading bay. The total site area is *circa* 257 sqm and is leased to a third party.





## 5. ANALYSIS OF REVENUE

The table below shows the revenues for the historical and projected periods appertaining to the Group's property categories:

AX Real Estate plc Analysis of Revenue for the financial year 31 October	2020 Actual	2021 Actual	2022 Actual	2023 Forecast	2024 Projection	2025 Projection
Hotel properties	-	399	5,114	8,405	14,404	15,433
Healthcare property	-	72	1,650	1,683	1,717	1,751
Targa Gap Complex	-	35	590	640	642	644
Other properties	244	292	801	876	765	787
<b>Rental income</b>	<b>244</b>	<b>798</b>	<b>8,156</b>	<b>11,604</b>	<b>17,528</b>	<b>18,616</b>
Proceeds from sale of property	-	-	754	-	360	400
<b>Total revenue</b>	<b>244</b>	<b>798</b>	<b>8,910</b>	<b>11,604</b>	<b>17,888</b>	<b>19,016</b>
<b>Rental income by tenant</b>						
Income from AX Group companies	97	587	7,311	10,650	16,689	17,758
Income from third party tenants	147	211	845	954	839	857
<b>Rental Income</b>	<b>244</b>	<b>798</b>	<b>8,156</b>	<b>11,604</b>	<b>17,528</b>	<b>18,616</b>

The revenue of the Group principally relates to rental income on investment property leased out to other entities.

Total revenue increased to €0.8 million in FY2021 compared to €0.24 million in the previous financial year. During FY2021, 73.6% of revenues (or €0.59 million) emanated from lease agreements with related parties whilst the remaining portion representing 26.4% of revenues (or €0.21 million) emanated from third party tenants. The Group's reorganisation was mainly conducted during Q4 2021 and as such, revenue for FY2021 reflects the income of the Company for the full year as well as the revenue generated by the subsidiaries acquired in October 2021.

In FY2022, the Company generated €8.91 million in total revenue comprising €8.16 million in rental income from the lease of the Group's investment properties and €0.75 million from the sale of property representing the remaining apartments at Targa Gap Complex in Mosta.

The sharpest upsurge in revenue in FY2022 was driven by the lease of the Group's hotel properties which amounted to €5.11 million compared to just €0.4 million in the 2021 financial year. Likewise, the Company also registered material increases in rental income from the lease of all its other properties as this amounted to €3.04 million compared to €0.4 million in FY2021. Overall, nearly 90% (or €7.31 million) of the Group's rental income in FY2022 derived from related parties. On the other hand, €0.85 million was generated through lease agreements with third party tenants which is significantly higher than the corresponding figure of €0.21 million for the previous comparable period as the new office development at Falcon House in Sliema as well as the remaining offices at AX Business Centre in Mosta were fully taken up by third parties during FY2022.





Total revenue is forecasted to increase to €11.6 million in FY2023 and marginally exceed the €19 million mark by FY2025. The principal driver behind the projected growth relates to rental income from hotel properties which is projected to exceed €15 million in FY2025. Rental income from hotel properties is based on a fixed component and a variable rent structure linked to the revenue of each property. Such projected revenue is based primarily on the historical revenue generation of the hotels in the financial years ended 31 October 2018 and 2019 which were the last full financial years prior to the outbreak of the COVID-19 pandemic. The assumption is that of a gradual recovery from the effects of COVID-19 with hotel revenue returning to pre-pandemic levels by 2023/2024.

Furthermore, in FY2021, the Group kickstarted the process for the extension and refurbishment of the AX Odycy which will extend the hotel's room capacity to 599 rooms through the addition of four new floors. Moreover, the project will allow the hotel to expand its amenities particularly in terms of food and beverage outlets and lido facilities. In terms of the lease agreement with the Company, the projections assume that the rental charge portion relating to the AX Odycy will be waived during the period of development and resume once the hotel recommences operations in May 2023.

Apart from the extension and refurbishment of the AX Odycy, the Group is in the process of redeveloping the Verdala Hotel which is expected to become operational in 2024. The Verdala Hotel will be operated by AX Operations in terms of its lease agreement with AX Real Estate. This lease agreement also includes the 19 residential apartments forming part of the existing 'Virtu Heights' building which will be utilised by AX Operations as serviced apartments.

Additional revenue in the projected period is also expected from the Rosselli Hotel in Valletta which had opened its doors for business in June 2019, i.e., only a few months prior to the outbreak of the COVID-19 pandemic.

The projected rental income from properties other than hotel properties is based on the provisions of the rental agreements that are in place. Any rental agreements that expire in the projection period are assumed to be renewed at the existing terms.

The Hilltop Gardens Retirement Village and Simblija Care Home are subject to a long-term lease agreement with Hilltop Management Services Limited which in turn subleases part of the complex to Hilltop Gardens Retirement Village Limited. Hilltop Management Services Limited and Hilltop Gardens Retirement Village Limited operate the complex. The agreement provides for fixed rental income with annual increments.

The Targa Gap Complex in Mosta includes a mix of office space, residential units, and garage spaces. Most of the office space (including garage spaces) in this building is subject to a long-term agreement with AX Group. The remaining office space and residential units are leased to third parties.

'Other properties' comprise the Hardrock Warehouses in Burmarrad, the Falcon House offices in Sliema, and a garage in Naxxar known as Blackstead Garage. The Group's warehouses within the Hardrocks Complex are currently rented either to other AX Group companies or to third parties. The office space at Falcon House and the Blackstead Garage are both subject to lease agreements in place with third parties.



The projected revenue from the sale of property relates to the assumed disposal of garage spaces at the Targa Gap Complex and which are held as inventory. No other future sales of properties are projected to be pursued by the Group.

## 6. ECONOMIC UPDATE

In 2022, real GDP growth reached 6.9%<sup>1</sup>, which is higher than the 5.7% projected in autumn (*Reference: European Economic Forecast, November 2022, European Commission Institutional Paper 187, page 104*). The economy showed strong growth in both private and public consumption, which were partially offset by a decrease in gross fixed capital formation. In addition to strong performance by the services sectors in general, the export of tourism services in 2022 rebounded quickly, both in terms of total number of visitors and tourism expenditures, contributing to overall positive economic results.

In 2023, real GDP is forecast to grow at a slower pace, by 3.1%, following a wider economic slowdown in Malta's main trading partners. In 2024, real GDP growth is expected to reach 3.7%, supported by net exports and growth in domestic demand. The strong impulse to growth from the recovery in tourism is however set to moderate in 2024, as tourist flows approach pre-pandemic levels.

Harmonised Index of Consumer Prices (HICP) inflation in 2022 reached 6.1%, despite energy prices being kept at 2020 level by government intervention. The Maltese authorities announced that they will continue limiting energy inflation in 2023 and 2024. Nonetheless, inflation in 2023 is set to remain elevated at 4.3%, due to continuing pressures in food, transport, and imported goods prices. In 2024, inflation is expected to subside to 2.4% as imported price pressures are also set to moderate.<sup>2</sup>

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<sup>1</sup> National Statistics Office Malta – News Release 036/2023.

<sup>2</sup> European Economic Forecast – Winter 2023 (*European Commission Institutional Paper 194 Feb 2023*).



## PART 2 – GROUP PERFORMANCE REVIEW

### 7. FINANCIAL INFORMATION RELATING TO AX REAL ESTATE

The following financial information is extracted from the audited consolidated annual financial statements of AX Real Estate for the financial years ended 31 October 2020, 31 October 2021, and 31 October 2022. The consolidated financial information for the projected years up to 31 October 2025 has been provided by the Company. The reorganisation of AX Group was mainly conducted during Q4 2021. As such, the financial information relating to the year ended 31 October 2020 reflect the performance of the Company, while the information with respect to the financial year ended 31 October 2021 relates to the performance of the Company for the full year and that of its subsidiaries which were acquired in October 2021.

**The projected financial statements are based on future events and assumptions which AX Real Estate believes to be reasonable. Consequently, the actual outcome may be adversely affected by unforeseen situations and the variation between projections and actual results may be material. The estimates for the projected financial year as presented in this document assume that the carrying values of hotel and investment properties will not be revalued upwards or impaired, and therefore no adjustments have been made to possible uplifts or impairments in the value of assets which can materially affect the consolidated income statement and the balance sheet values.**

AX Real Estate p.l.c. Income Statement for the financial year 31 October	2020 Actual €'000	2021 Actual €'000	2022 Actual €'000	2023 Forecast €'000	2024 Projection €'000	2025 Projection €'000
Revenue	244	798	8,910	11,604	17,888	19,016
Net operating expenses	(18)	(88)	(1,362)	(946)	(1,070)	(1,105)
<b>EBITDA</b>	<b>226</b>	<b>710</b>	<b>7,548</b>	<b>10,658</b>	<b>16,818</b>	<b>17,911</b>
Investment property revaluation	-	(23,720)	2,787	-	-	-
<b>Operating profit / (loss)</b>	<b>226</b>	<b>(23,010)</b>	<b>10,336</b>	<b>10,658</b>	<b>16,818</b>	<b>17,911</b>
Net finance costs	-	(63)	(3,274)	(5,177)	(6,534)	(6,326)
<b>Profit / (loss) before tax</b>	<b>226</b>	<b>(23,073)</b>	<b>7,062</b>	<b>5,481</b>	<b>10,284</b>	<b>11,585</b>
Taxation	(68)	1,914	(3,464)	(1,130)	(2,354)	(2,728)
<b>Profit / (loss) for the year</b>	<b>158</b>	<b>(21,159)</b>	<b>3,598</b>	<b>4,351</b>	<b>7,930</b>	<b>8,857</b>



Key Financial Ratios	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025
	Actual	Actual	Actual	Forecast	Projection	Projection
EBITDA margin (%) <i>(EBITDA / revenue)</i>	92.62	88.97	84.72	91.85	94.02	94.19
Operating profit margin (%) <i>(Operating profit / revenue)</i>	92.62	n/a	116.00	91.85	94.02	94.19
Net profit margin (%) <i>(Profit after tax / revenue)</i>	64.75	n/a	40.38	37.50	44.33	46.58
Return on equity (%) <i>(Profit after tax / average equity)</i>	8.57	n/a	3.26	3.09	5.67	6.30
Return on assets (%) <i>(Profit after tax / average assets)</i>	2.70	n/a	1.37	1.44	2.48	2.76
Return on invested capital (%) <i>(EBITDA / average equity and net debt)</i>	5.11	0.65	3.27	4.13	6.12	6.36
Interest cover (times) <i>(EBITDA / net finance costs)</i>	n/a	11.27	2.31	2.06	2.57	2.83

Section 5 of this Analysis provides a review of the Group's revenues generated during the most recent three financial years up to 31 October 2022 (i.e., FY2020 to FY2022), as well as the revenues that are expected to be achieved during the projected three-year period up to 31 October 2025 (i.e., FY2023 to FY2025).

The Group achieved an EBITDA margin of just under 89% in FY2021 (FY2020: 92.6%) which is expected to improve to 94.2% by FY2025. As such, the trajectory of the Group's profitability is anticipated to be broadly similar to that of its revenues. Furthermore, the interest cover is projected to strengthen to 2.83 times by FY2025 from 2.31 times in FY2022, reflecting the stronger growth in EBITDA throughout the projected period despite the anticipated increase in net finance costs amid a higher level of indebtedness and cost of funding.

In FY2021, the Group recognised a decrease in the fair value of its investment properties of €23.7 million. This arose following new lease agreements entered into by the Group since the property values are established through the discounting of rental income over the specific projected period and a discounted terminal value. Such decrease in the fair value emanating from the restrictions imposed by the lease agreements with related parties within the AX Group is then fully reversed in the AX Group consolidated financial statements.

In view of the above, the Issuer reported a loss after tax of €21.2 million in FY2021. On the other hand, AX Real Estate generated a net profit of €3.6 million in FY2022 which translated into a return on equity of 3.26% and a return on assets of 1.37%.

FY2023 and FY2024 will be characterised by the re-opening of the AX Odycy (May 2023) and the inauguration of the Verdala Hotel (Q2 2024). As a result, the profitability of the Group is expected to improve markedly reflecting the full potential of the material capital investments that AX Real Estate is pursuing on these two major projects. In fact, the projected net profit of €8.86 million for the 2025 financial year is anticipated to translate into a margin of 46.6% (FY2022: 40.4%) and a return on equity and assets of 6.30% and 2.76% respectively.



AX Real Estate p.l.c. Statement of Financial Position as at 31 October			2020 Actual €'000	2021 Actual €'000	2022 Actual €'000	2023 Forecast €'000	2024 Projection €'000	2025 Projection €'000
<b>ASSETS</b>								
<b>Non-current assets</b>								
Intangible assets	-	2	2	2	2	2	2	2
Investment property	6,349	232,548	260,255	292,310	301,378	305,428		
	<b>6,349</b>	<b>232,550</b>	<b>260,257</b>	<b>292,312</b>	<b>301,381</b>	<b>305,430</b>		
<b>Current assets</b>								
Inventories	-	911	438	438	287	118		
Trade and other receivables	115	3,603	14,107	5,806	7,314	7,583		
Current tax asset	-	163	-	-	-	-		
Cash at bank and in hand	-	1,001	12,061	19,494	11,235	7,885		
	<b>115</b>	<b>5,678</b>	<b>26,607</b>	<b>25,738</b>	<b>18,836</b>	<b>15,586</b>		
<b>Total assets</b>	<b>6,464</b>	<b>238,228</b>	<b>286,864</b>	<b>318,050</b>	<b>320,217</b>	<b>321,016</b>		
<b>EQUITY</b>								
Ordinary A shares	1	50	12,149	12,149	12,149	12,149		
Ordinary B shares	-	-	22,143	22,143	22,143	22,143		
Capital contribution	3,500	-	-	-	-	-		
Revaluation reserve	-	38,502	40,408	40,408	40,408	40,408		
Share premium	-	-	41,374	41,374	41,374	41,374		
Other reserves	-	331	331	331	331	331		
Retained earnings	172	39,815	25,628	23,090	23,695	24,486		
	<b>3,673</b>	<b>78,698</b>	<b>142,033</b>	<b>139,495</b>	<b>140,100</b>	<b>140,891</b>		
<b>LIABILITIES</b>								
<b>Non-current liabilities</b>								
Bonds	-	-	39,501	39,551	39,606	39,662		
Bank borrowings	-	8,462	21,944	45,013	43,232	39,308		
Amounts due to AX Group companies	-	120,821	45,438	49,242	49,242	49,242		
Trade & other payables	-	625	355	-	-	-		
Deferred tax liabilities	-	20,036	22,638	22,638	22,638	22,638		
	-	<b>149,944</b>	<b>129,875</b>	<b>156,444</b>	<b>154,718</b>	<b>150,850</b>		
<b>Current liabilities</b>								
Borrowings and other financial liabilities	-	8,090	9,547	16,125	18,563	22,064		
Trade & other payables	2,791	1,496	4,856	4,856	4,482	4,482		
Current tax liabilities	-	-	553	1,130	2,353	2,728		
	<b>2,791</b>	<b>9,586</b>	<b>14,956</b>	<b>22,111</b>	<b>25,398</b>	<b>29,274</b>		
<b>Total liabilities</b>	<b>2,791</b>	<b>159,530</b>	<b>144,831</b>	<b>178,555</b>	<b>180,117</b>	<b>180,125</b>		
<b>Total equity and liabilities</b>	<b>6,464</b>	<b>238,228</b>	<b>286,864</b>	<b>318,050</b>	<b>320,217</b>	<b>321,016</b>		
<i>Total debt</i>	-	<i>137,373</i>	<i>116,430</i>	<i>149,931</i>	<i>150,643</i>	<i>150,276</i>		
<i>Net debt</i>	-	<i>136,372</i>	<i>104,368</i>	<i>130,437</i>	<i>139,408</i>	<i>142,391</i>		
<i>Invested capital (total equity plus net debt)</i>	<i>3,673</i>	<i>215,070</i>	<i>246,401</i>	<i>269,932</i>	<i>279,508</i>	<i>283,282</i>		

Key Financial Ratios	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025
	Actual	Actual	Actual	Forecast	Projection	Projection
Net debt-to-EBITDA ( <i>times</i> ) ( <i>Net debt / EBITDA</i> )	n/a	192.07	13.83	12.24	8.29	7.95
Net debt-to-equity ( <i>times</i> ) ( <i>Net debt / total equity</i> )	n/a	1.73	0.73	0.94	1.00	1.01
Net gearing (%) ( <i>Net debt / net debt and total equity</i> )	n/a	63.41	42.36	48.32	49.88	50.26
Debt-to-asset ( <i>times</i> ) ( <i>Total debt / total assets</i> )	n/a	0.58	0.41	0.47	0.47	0.47
Leverage ( <i>times</i> ) ( <i>Total assets / total equity</i> )	1.76	3.03	2.02	2.28	2.29	2.28
Current ratio ( <i>times</i> ) ( <i>Current assets / current liabilities</i> )	0.04	0.59	1.78	1.16	0.74	0.53

Total assets amounted to €286.9 million as at 31 October 2022. These principally comprise the Group's investment property portfolio valued at €260.3 million (31 October 2021: €232.5 million) which is projected to grow by 17.4% to €305.4 million by 31 October 2025 (representing 95% of total assets). The increase in the value of investment property reflects the investments to the Group's Qawra and Verdala properties and exclude any potential adjustments to the carrying amount of the investment property that may arise from the annual valuation of the portfolio.

The Group's total equity stood at €142 million as at the end of October 2022, mainly comprising share capital (€34.3 million), retained earnings (€25.6 million), revaluation reserve (€40.4 million), and share premium (€41.4 million). In Q1 2022, the Group increased its share capital (including share premium) from €0.05 million to €75.6 million pursuant to an initial public offer (€13.6 million), the capitalisation of amounts due to AX Group (€50 million), and the capitalisation of retained earnings (€12.0 million). The Company's equity base is anticipated to remain broadly unchanged until 31 October 2025 as it is anticipated that all profits to be generated by the Issuer will be distributed as dividends.

Total liabilities are expected to expand by 24.4% to €180.1 million by the end of October 2025 compared to €144.8 million as at 31 October 2022. This increase is mostly due to the anticipated rise in total debt to €150.3 million as at 31 October 2025 compared to €116.4 million as at the end of October 2022, reflecting the additional borrowings to be taken on in FY2023 financing the Group's investments in the Qawra and Verdala properties. As such, AX Real Estate is projecting that no additional borrowings will be required in FY2024 and FY2025. However, whilst bank borrowings are anticipated to drop to €39.3 million by the end of FY2025 from the forecasted figure of just over €45 million as at 31 October 2023, other financial liabilities are expected to increase to €22.1 million in FY2025 (compared to €16.1 million in FY2023) reflecting the accumulation of interest due to AX Group.

Despite the projected increase in indebtedness, the Group's net debt-to-EBITDA multiple is expected to steadily decline to just under 8 times by FY2025 compared to 13.8 times in FY2022, reflecting the anticipated growth in EBITDA generation. On the other hand, the credit metrics of the Group are projected to deteriorate, albeit still remaining within prudent levels. In fact, the Group's net gearing ratio and debt-to-asset multiple are expected to increase to 50.3% and 0.47 times respectively by the end of October 2025 compared to 42.4% and 0.41 times respectively as at 31 October 2022. In this



regard, the Issuer believes that it has sufficient headroom to cover its existing financing obligations whilst also take advantage of any growth opportunities that may arise in the future.

Similarly, the current ratio of the Group is expected to weaken to 0.53 times by 31 October 2025 compared to 1.78 times as at 31 October 2022. During the projected period, amounts due to AX Group are expected to increase on an annual basis on account of a deferral of loan interest payable.

AX Real Estate p.l.c.						
Cash Flow Statement						
for the financial year 31 October						
	2020	2021	2022	2023	2024	2025
	Actual	Actual	Actual	Forecast	Projection	Projection
	€'000	€'000	€'000	€'000	€'000	€'000
Net cash from operating activities	-	207	6,058	7,522	10,185	11,896
Net cash from / (used in) investing activities	-	(236)	(31,646)	(27,883)	(9,068)	(4,050)
Net cash from / (used in) financing activities	-	49	36,648	27,794	(9,376)	(11,197)
<b>Net movement in cash and cash equivalents</b>	-	<b>20</b>	<b>11,060</b>	<b>7,433</b>	<b>(8,259)</b>	<b>(3,350)</b>
Cash and cash equivalents at beginning of year	-	-	1,001	12,061	19,494	11,235
Upon formation of Group	-	981	-	-	-	-
<b>Cash and cash equivalents at end of year</b>	-	<b>1,001</b>	<b>12,061</b>	<b>19,494</b>	<b>11,235</b>	<b>7,884</b>
<b>Free cash flow</b>	-	<b>(29)</b>	<b>(25,588)</b>	<b>(20,361)</b>	<b>1,117</b>	<b>7,846</b>

Cash generated from the Group's operations amounted to €6.06 million in FY2022, but this is expected to almost double to €11.9 million by FY2025, reflecting the reopening of the AX Odycy in FY2023, the inauguration of the Verdala Hotel in FY2024, as well as the overall improved performances of the Company's principal assets.

Following the amount of €31.6 million in cash used in investing activities in FY2022, the Group is projecting a further cash outflow of €41 million between FY2023 and FY2025 primarily on account of the capital expenditure relating to the Qawra and Verdala Projects. Nonetheless, the Issuer is still expecting to generate positive free cash flow in FY2024 (€1.1 million) and FY2025 (€7.85 million) reflecting the gradual increase in cash flows from operating activities and the declining amounts in cash flows used in investing activities.

Net cash from financing activities amounted to €36.6 million in FY2022 as the proceeds received from bank loans (€12.8 million) and the issue of new shares (€13.2 million) and debt securities (€17.8 million) offset the payments made in dividends (€3.43 million) and shareholder loan (€3.74 million). Between FY2023 and FY2025, the Group is expecting to raise an aggregate amount of €7.22 million in net cash from financing activities. This figure includes a new bank loan taken in FY2023 amounting to €30.5 million that is spread over a 15-year term period (including a 12-month moratorium period) supporting the extension and redevelopment of the AX Odycy. Furthermore, the Group is projecting to distribute over €22 million in dividends over the projected period which would translate into an average net dividend yield of 4.7% based on the IPO price of €0.60 per share.

Indeed, it is the intention of the Company to sustain a strong dividend payout ratio in the foreseeable future. Subject to any unforeseen circumstances, AX Real Estate is expected to distribute the majority of its net profits subject to the availability of cash and retaining a minimum cash balance of €1 million. With respect to the timing of the payment of dividends, it is projected that an interim dividend (50%



of annual dividend) is distributed in July and another interim dividend (remaining 50% of annual dividend) is paid in January.

### Key Market Data

AX Real Estate p.l.c. Key Market Data for the financial year 31 October		2023	2024	2025
Total no. of ordinary 'A' shares in issue ('000)		97,194	97,194	97,194
Total no. of ordinary 'B' shares in issue ('000)		177,143	177,143	177,143
Total number of shares in issue ('000)	[A]	274,337	274,337	274,337
Share price as at 30 March 2023 (€)	[B]	0.482	0.482	0.482
Market capitalisation (€'000)	[A multiplied by B]	132,230	132,230	132,230
Projected total equity (€'000)	[C]	139,495	140,100	140,891
Projected adjusted equity (€'000)	[C plus deferred tax liabilities]	162,133	162,738	163,529
Projected net debt (€'000)	[D]	129,932	138,924	141,907
Enterprise value (€'000)	[A multiplied by B] + [D]	262,162	271,154	274,137
Projected EBITDA (€'000)	[E]	10,658	16,818	17,911
Projected net profit (€'000)	[F]	4,351	7,930	8,857
Projected earnings per share (€)	[F divided by A]	0.0159	0.0289	0.0323
Projected net asset value per share (€)	[C divided by A]	0.5085	0.5107	0.5136
Projected adjusted net asset value per share (€)	[C plus deferred tax liabilities] divided by [A]	0.5910	0.5932	0.5961
Forward price-to-earnings ratio (times)	[A multiplied by B] divided by [F]	30.39	16.67	14.93
Forward enterprise value-to-EBITDA (times)	[(A multiplied by B) + [D]] divided by [E]	24.60	16.12	15.31
Forward price-to-net asset value (times)	[A multiplied by B] divided by [C]	0.95	0.94	0.94
Forward price-to-adjusted net asset value (times)	[A multiplied by B] divided by [C plus deferred tax liabilities]	0.82	0.81	0.81
Projected total amount of dividends (€'000)	[G]	6,913	7,736	8,395
Projected dividends attributable to the general public (€'000)		613	686	745
Projected net dividend per share (€)	[G] divided by [A]	0.0252	0.0282	0.0306
Projected dividend payout ratio (%)	[G] divided by [F]	158.88	97.55	94.79
Net dividend yield based on share price as at 30 March 2023 (%)	[G] divided by [A multiplied by B]	5.23	5.85	6.35
Net dividend yield based on IPO share price of €0.60 per share (%)	[G] divided by IPO share price	4.20	4.70	5.10

The Issuer believes that its dividend policy is sustainable as it has in place all its funding requirements for its capital investments. Furthermore, most of the Group's borrowings are based on long-term repayment schedule agreements.

The Issuer's maiden interim dividend of €0.0125 per ordinary 'A' and 'B' share was paid on 15 July 2022 covering the six-month period from November 2021 to April 2022 (i.e., H1 FY2022). Furthermore, on 30 January 2023, AX Real Estate paid another net interim dividend of €0.0125 per share covering the six-month period from May 2022 to October 2022 (i.e., H2 FY2022), in line with the semi-annual dividend policy as stated in the IPO Prospectus.

The total net dividend per share for the 2023 financial year is expected to remain relatively unchanged at €0.025 per share which would translate into a net yield of 4.2% based on the IPO share price of €0.60 per share. The total net dividend is projected to increase to just above €0.03 per share by FY2025 which would translate into a net yield of 5.1% based on the IPO share offer price and a payout ratio of just under 95%.





## 8. VARIANCE ANALYSIS

The following information relates to the variance analysis between the forecast information for the financial year ended 31 October 2022 included in the Analysis dated 23 May 2022, and the audited consolidated annual financial statements for the year ended 31 October 2022.

AX Real Estate p.l.c.			
Income Statement			
for the financial year 31 October 2022			
	Actual	Forecast	Variance
	€'000	€'000	€'000
Revenue	8,910	8,675	235
Net operating expenses	(1,362)	(1,121)	(241)
<b>EBITDA</b>	<b>7,548</b>	<b>7,554</b>	<b>(6)</b>
Depreciation and amortisation	-	(148)	148
<b>Operating profit</b>	<b>7,548</b>	<b>7,406</b>	<b>142</b>
Investment property revaluation	2,787	-	2,787
<b>Operating profit</b>	<b>10,336</b>	<b>7,406</b>	<b>2,930</b>
Finance costs	(3,274)	(3,206)	(68)
<b>Profit before tax</b>	<b>7,062</b>	<b>4,200</b>	<b>2,862</b>
Taxation	(3,464)	(1,383)	(2,081)
<b>Profit for the year</b>	<b>3,598</b>	<b>2,817</b>	<b>781</b>

The Group reported a profit before tax of €7.06 million compared to the forecasted figure of €4.2 million. The variance principally emanates from the recognition of an increase in the fair value of investment properties of €2.79 million reflecting new lease agreements entered into by the Company with its major tenant (i.e., AX Group), as well as changes to the existing lease agreements.

In view of the higher level of pre-tax profits, the Company also incurred a higher tax charge for the year than previously anticipated, as this amounted to €3.46 million compared to the forecasted figure of €1.38 million.

<b>AX Real Estate p.l.c.</b>			
<b>Cash Flow Statement</b>			
<b>for the financial year 31 October 2022</b>			
	<b>Actual</b>	<b>Forecast</b>	<b>Variance</b>
	<b>€'000</b>	<b>€'000</b>	<b>€'000</b>
Net cash from operating activities	6,058	6,060	(2)
Net cash from / (used in) investing activities	(31,646)	(29,371)	(2,275)
Net cash from / (used in) financing activities	36,648	40,637	(3,989)
<b>Net movement in cash and cash equivalents</b>	<b>11,060</b>	<b>17,326</b>	<b>(6,266)</b>
Cash and cash equivalents at beginning of year	1,001	1,001	-
Upon formation of Group	-	-	-
<b>Cash and cash equivalents at end of year</b>	<b>12,061</b>	<b>18,327</b>	<b>(6,266)</b>
<b>Free cash flow</b>	<b>(25,588)</b>	<b>(23,311)</b>	<b>(2,277)</b>

Actual net movement in cash and cash equivalents amounted to €11.1 million compared to the forecasted figure of €17.3 million. The negative variance of €6.27 million reflects the higher level of cash used in investing activities (+€2.28 million) as well as the lower level of cash generated from financing activities (-€4 million).

As a result of the above, AX Real Estate ended the 2022 financial year with a lower cash balance of €12.1 million compared to the forecasted figure of €18.3 million.

<b>AX Real Estate p.l.c.</b>			
<b>Statement of Financial Position</b>			
<b>as at 31 October 2022</b>			
	<b>Actual</b>	<b>Forecast</b>	<b>Variance</b>
	<b>€'000</b>	<b>€'000</b>	<b>€'000</b>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets	2	2	-
Investment property	260,255	262,240	(1,985)
	<b>260,257</b>	<b>262,242</b>	<b>(1,985)</b>
<b>Current assets</b>			
Inventories	438	438	-
Trade and other receivables	14,107	5,470	8,637 (1)
Current tax asset	-	163	(163)
Cash at bank and in hand	12,061	18,327	(6,266) (2)
	<b>26,606</b>	<b>24,398</b>	<b>2,208</b>
<b>Total assets</b>	<b>286,863</b>	<b>286,640</b>	<b>223</b>
<b>EQUITY</b>			
Ordinary A shares	12,149	12,149	-
Ordinary B shares	22,143	22,143	-
Revaluation reserve	40,408	38,502	1,906
Share premium	41,374	41,458	(84)
Other reserves	331	331	-
Retained earnings	25,628	23,434	2,194 (3)
	<b>142,033</b>	<b>138,017</b>	<b>4,016</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Bonds	39,501	39,591	(90)
Bank borrowings	21,944	21,897	47
Amounts due to AX Group companies	45,438	49,176	(3,738)
Trade & other payables	355	251	104
Deferred tax liabilities	22,638	20,036	2,602 (4)
	<b>129,875</b>	<b>130,951</b>	<b>(1,076)</b>
<b>Current liabilities</b>			
Borrowings and other financial liabilities	9,547	14,351	(4,804) (5)
Trade & other payables	4,856	3,321	1,535
Taxation	553	-	553
	<b>14,956</b>	<b>17,672</b>	<b>(2,716)</b>
<b>Total liabilities</b>	<b>144,831</b>	<b>148,623</b>	<b>(3,792)</b>
<b>Total equity and liabilities</b>	<b>286,864</b>	<b>286,640</b>	<b>224</b>
<i>Total debt</i>	<i>116,430</i>	<i>125,015</i>	<i>(8,585)</i> (6)
<i>Net debt</i>	<i>104,368</i>	<i>106,688</i>	<i>(2,320)</i>
<i>Invested capital (total equity plus net debt)</i>	<i>246,401</i>	<i>244,705</i>	<i>1,696</i>

The material variances between the actual and forecast statement of financial position are as follows:

- (1) Trade and other receivables were significantly higher than previously anticipated, largely reflecting the advance deposits to capital suppliers in relation to the Qawra and Verdala projects.
- (2) Cash balance of €12.1 million was lower than the forecasted figure of €18.3 million, as previously explained in the variance analysis for the Cash Flow Statement.
- (3) Retained earnings were higher than forecasted, reflecting the higher level of profits recorded by the Company as previously explained in the variance analysis for the Income Statement.
- (4) The higher level of deferred tax liabilities on investment property was the result of the impact of fair value gains as well as new capital expenditure.
- (5) Trade and other payables were higher than estimated in view of accrued capital investments on the Qawra project.
- (6) Total debt as at the end of FY2022 stood at €116.4 million compared to the previous forecast of €125.0 million, reflecting the effect of temporary loan transactions with AX Group.

The following financial information relates to the variance analysis between (i) the projected information for the financial years ending 31 October 2023 to 31 October 2025 as included in the Analysis dated 23 May 2022 (grey shading); and (ii) the updated projected information for the financial years ending 31 October 2023 to 31 October 2025 as presented in this Analysis.

AX Real Estate p.l.c. Income Statement for the financial year 31 October	2023	2024	2025	2023	2024	2025
	Forecast	Projection	Projection	Projection	Projection	Projection
	€'000	€'000	€'000	€'000	€'000	€'000
Revenue	11,604	17,888	19,016	12,680	17,422	18,022
Net operating expenses	(946)	(1,070)	(1,105)	(862)	(876)	(713)
<b>EBITDA</b>	<b>10,658</b>	<b>16,818</b>	<b>17,911</b>	<b>11,818</b>	<b>16,546</b>	<b>17,309</b>
Depreciation and amortisation	-	-	-	(48)	(48)	(48)
<b>Operating profit</b>	<b>10,658</b>	<b>16,818</b>	<b>17,911</b>	<b>11,770</b>	<b>16,498</b>	<b>17,261</b>
Finance costs	(5,177)	(6,534)	(6,326)	(4,961)	(4,503)	(4,387)
<b>Profit before tax</b>	<b>5,481</b>	<b>10,284</b>	<b>11,585</b>	<b>6,809</b>	<b>11,995</b>	<b>12,874</b>
Taxation	(1,130)	(2,354)	(2,728)	(2,496)	(3,316)	(3,587)
<b>Profit for the year</b>	<b>4,351</b>	<b>7,930</b>	<b>8,857</b>	<b>4,313</b>	<b>8,679</b>	<b>9,287</b>

Aggregate projected revenue has been revised upwards by 0.8% (or €0.4 million) from €48.1 million to €48.5 million, mainly on account of an increase in rent from the AX Odycy due to the increased spend on the Qawra Project. Nonetheless, this uplift in revenues is not anticipated to filter completely into additional EBITDA in view of the higher level of projected aggregate net operating expenses of €3.12 million compared to the previous estimate of €2.45 million. Moreover, AX Real Estate is also anticipating higher net finance costs of €18 million during the projected period up to FY2025 compared to the previous estimate of €13.9 million, largely reflecting changes to the Group's debt structure as well as higher cost of funding. As a result, the Issuer is anticipating recording a lower level of aggregate profits before tax of €27.4 million compared to the previous estimate of €31.7 million.



AX Real Estate p.l.c.						
Cash Flow Statement						
for the financial year 31 October						
	2023	2024	2025	2023	2024	2025
	Forecast	Projection	Projection	Projection	Projection	Projection
	€'000	€'000	€'000	€'000	€'000	€'000
Net cash from operating activities	7,522	10,185	11,896	6,157	7,925	9,299
Net cash from / (used in) investing activities	(27,883)	(9,068)	(4,050)	(27,233)	(7,292)	(2,021)
Net cash from / (used in) financing activities	27,794	(9,376)	(11,197)	27,969	(22,465)	(9,514)
<b>Net movement in cash and cash equivalents</b>	<b>7,433</b>	<b>(8,259)</b>	<b>(3,350)</b>	<b>6,893</b>	<b>(21,832)</b>	<b>(2,236)</b>
Cash and cash equivalents at beginning of year	12,061	19,494	11,235	18,327	25,220	3,388
<b>Cash and cash equivalents at end of year</b>	<b>19,494</b>	<b>11,235</b>	<b>7,884</b>	<b>25,220</b>	<b>3,388</b>	<b>1,152</b>
<b>Free cash flow</b>	<b>(20,361)</b>	<b>1,117</b>	<b>7,846</b>	<b>(21,076)</b>	<b>633</b>	<b>7,278</b>

AX Real Estate is now anticipating having a much lower negative net movement in cash and cash equivalents of €4.2 million in the projected period compared to the previous estimate of €17.2 million. Although the Company is estimating higher aggregate cash outflows in investing activities (+12.2%), on the other hand it is expecting to generate superior cash flows from operating activities (+26.5%) as well as an aggregate cash inflow of €7.22 million from financing activities compared to the previous estimate of an aggregate outflow of €4.01 million.



AX Real Estate p.l.c. Statement of Financial Position as at 31 October						
	2023 Forecast €'000	2024 Projection €'000	2025 Projection €'000	2023 Projection €'000	2024 Projection €'000	2025 Projection €'000
<b>ASSETS</b>						
<b>Non-current assets</b>						
Intangible assets	2	2	2	2	2	2
Investment property	292,310	301,378	305,428	289,473	296,765	298,786
	<b>292,312</b>	<b>301,381</b>	<b>305,430</b>	<b>289,475</b>	<b>296,767</b>	<b>298,788</b>
<b>Current assets</b>						
Inventories	438	287	118	219	-	-
Trade and other receivables	5,806	7,314	7,583	3,851	4,918	5,000
Current tax asset	-	-	-	-	-	-
Cash at bank and in hand	19,494	11,235	7,884	25,220	3,388	1,152
	<b>25,738</b>	<b>18,836</b>	<b>15,585</b>	<b>29,290</b>	<b>8,306</b>	<b>6,152</b>
<b>Total assets</b>	<b>318,050</b>	<b>320,217</b>	<b>321,015</b>	<b>318,765</b>	<b>305,073</b>	<b>304,940</b>
<b>EQUITY</b>						
Ordinary A shares	12,149	12,149	12,149	12,149	12,149	12,149
Ordinary B shares	22,143	22,143	22,143	22,143	22,143	22,143
Revaluation reserve	40,408	40,408	40,408	38,502	38,502	38,502
Share premium	41,374	41,374	41,374	41,458	41,458	41,458
Other reserves	331	331	331	331	331	331
Retained earnings	23,090	23,695	24,486	20,834	21,776	22,669
	<b>139,495</b>	<b>140,100</b>	<b>140,891</b>	<b>135,417</b>	<b>136,359</b>	<b>137,252</b>
<b>LIABILITIES</b>						
<b>Non-current liabilities</b>						
Bonds	39,551	39,606	39,662	39,635	39,679	39,723
Bank borrowings	45,013	43,232	39,308	40,281	35,708	32,024
Amounts due to AX Group companies	49,242	49,242	49,242	49,176	49,176	50,826
Deferred tax liabilities	22,638	22,638	22,638	20,036	20,036	20,036
	<b>156,444</b>	<b>154,718</b>	<b>150,850</b>	<b>149,128</b>	<b>144,599</b>	<b>142,609</b>
<b>Current liabilities</b>						
Borrowings and other financial liabilities	16,125	18,563	22,064	30,849	20,694	21,608
Trade & other payables	5,986	6,835	7,210	3,371	3,421	3,471
	<b>22,111</b>	<b>25,398</b>	<b>29,274</b>	<b>34,220</b>	<b>24,115</b>	<b>25,079</b>
<b>Total liabilities</b>	<b>178,555</b>	<b>180,116</b>	<b>180,124</b>	<b>183,348</b>	<b>168,714</b>	<b>167,688</b>
<b>Total equity and liabilities</b>	<b>318,050</b>	<b>320,216</b>	<b>321,015</b>	<b>318,765</b>	<b>305,073</b>	<b>304,940</b>
<i>Total debt</i>	<i>149,931</i>	<i>150,643</i>	<i>150,276</i>	<i>159,941</i>	<i>145,257</i>	<i>144,181</i>
<i>Net debt</i>	<i>130,437</i>	<i>139,408</i>	<i>142,392</i>	<i>134,721</i>	<i>141,869</i>	<i>143,029</i>
<i>Invested capital (total equity plus net debt)</i>	<i>269,932</i>	<i>279,508</i>	<i>283,283</i>	<i>270,138</i>	<i>278,228</i>	<i>280,281</i>

The following are the material variances appertaining to the Group's financial position included in the updated projections:

- (1) Higher level of investment property reflecting the additional investments being undertaken by the company in relation to the Qawra and Verdala projects.
- (2) Higher cash balances by FY2025 (as previously explained in the variance analysis of the Cash Flow Statement) which is expected to translate into lower levels of net debt.
- (3) Stronger equity base on the back of higher levels of revaluation reserves and retained earnings.



## PART 3 – DEBT SECURITIES IN ISSUE

### *Debt Securities issued by AX Real Estate*

On 15 February 2022, the 3.50% €40 million AX Real Estate plc unsecured bonds 2032 were listed on the Official List of the Malta Stock Exchange.

### *Debt Securities issued and/or guaranteed by AX Group*

Below is a list of the debt securities issued and/or guaranteed by the Issuer's parent company – AX Group – which are also listed and traded on the Official List of the Malta Stock Exchange:

Security ISIN	Amount Outstanding	Security
MT0000081233	€ 40,000,000	6.00% AX Investments plc unsecured bonds 2024
MT0002361203	€ 15,000,000	3.25% AX Group plc unsecured bonds 2026 Series I
MT0002361211	€ 10,000,000	3.75% AX Group plc unsecured bonds 2029 Series II

## PART 4 – COMPARATIVE ANALYSIS

The table below provides a comparison between the Company and its bonds with other debt issuers listed on the Malta Stock Exchange and their respective debt securities. Although there are significant variances between the activities of the Company and other issuers (including different industries, principal markets, competition, capital requirements etc.), and material differences between the risks associated with the Group's business and that of other issuers, the comparative analysis serves as an indication of the financial performance and strength of the Group.

Comparative Analysis*	Amount Issued (€'000)	Yield-to-Maturity (%)	Interest Cover (times)	Net Debt-to-EBITDA (times)	Net Gearing (%)	Debt-to-Assets (times)
6.00% AX Investments plc Unsecured & Guaranteed 2024	40,000	5.95	1.75	14.74	30.01	0.28
6.00% International Hotel Investments plc Unsecured 2024	35,000	5.69	1.87	11.42	41.92	0.40
5.30% Mariner Finance plc Unsecured 2024	17,684	5.29	3.84	6.38	46.61	0.46
5.00% Hal Mann Vella Group plc Secured 2024	30,000	4.60	2.60	8.97	53.05	0.46
5.10% 1923 Investments plc Unsecured 2024	36,000	4.10	4.81	2.94	47.79	0.40
4.25% Best Deal Properties Holding plc Secured & Guaranteed 2024	6,501	2.66	13.29	4.71	63.61	0.65
5.75% International Hotel Investments plc Unsecured 2025	45,000	5.74	1.87	11.42	41.92	0.40
5.10% 6PM Holdings plc Unsecured 2025	13,000	5.09	10.95	0.38	11.16	0.17
4.50% Hili Properties plc Unsecured & Guaranteed 2025	37,000	4.92	1.52	10.87	32.47	0.43
3.70% GAP Group plc Secured & Guaranteed 2023/2025	17,451	5.35	7.78	2.68	60.31	0.70
4.35% Hudson Malta plc Unsecured & Guaranteed 2026	12,000	4.35	6.24	4.20	68.49	0.59
4.25% CPHCL Finance plc Unsecured & Guaranteed 2026	40,000	4.43	0.83	25.97	40.81	0.41
4.00% International Hotel Investments plc Secured 2026	55,000	3.99	1.87	11.42	41.92	0.40
5.00% Dizz Finance plc Unsecured & Guaranteed 2026	8,000	5.15	0.45	46.81	91.27	0.69
3.75% Premier Capital plc Unsecured 2026	65,000	4.20	11.25	2.09	61.67	0.56
4.00% International Hotel Investments plc Unsecured 2026	60,000	4.24	1.87	11.42	41.92	0.40
3.25% AX Group plc Unsecured 2026	15,000	4.61	1.75	14.74	30.01	0.28
3.90% GAP Group plc Secured & Guaranteed 2024/2026	21,000	4.80	7.78	2.68	60.31	0.70
4.00% Hili Finance Company plc Unsecured & Guaranteed 2027	50,000	4.43	4.53	4.61	71.75	0.65
4.35% SD Finance plc Unsecured & Guaranteed 2027	65,000	5.18	4.60	2.66	27.22	0.27
4.00% Eden Finance plc Unsecured & Guaranteed 2027	40,000	4.39	3.63	5.94	28.55	0.28
5.25% Mediterranean Investments Holding plc Unsecured & Guaranteed 2027	30,000	5.24	2.01	4.15	27.06	0.26
4.00% Stivala Group Finance plc Secured & Guaranteed 2027	45,000	4.12	3.25	8.19	26.66	0.24
4.75% Best Deal Properties Holding Plc Secured & Guaranteed 2025/2027	15,000	4.50	13.29	4.71	63.61	0.65
4.75% Gap Group plc Secured & Guaranteed 2025/2027	23,000	4.48	7.78	2.68	60.31	0.70
3.85% Hili Finance Company plc Unsecured & Guaranteed 2028	40,000	4.61	4.53	4.61	71.75	0.65
3.65% Stivala Group Finance plc Secured & Guaranteed 2029	15,000	4.59	3.25	8.19	26.66	0.24
3.80% Hili Finance Company plc Unsecured & Guaranteed 2029	80,000	4.35	4.53	4.61	71.75	0.65
3.75% AX Group plc Unsecured 2029	10,000	4.19	1.75	14.74	30.01	0.28
6.25% GPH Malta Finance plc Unsecured & Guaranteed 2030	18,144	5.53	1.56	11.27	94.67	0.83
3.65% International Hotel Investments plc Unsecured 2031	80,000	4.00	1.87	11.42	41.92	0.40
<b>3.50% AX Real Estate plc Unsecured 2032</b>	<b>40,000</b>	<b>4.23</b>	<b>2.31</b>	<b>13.83</b>	<b>42.36</b>	<b>0.41</b>
5.00% Mariner Finance plc Unsecured 2032	36,930	4.86	3.84	6.38	46.61	0.46
4.50% The Ona plc Secured & Guaranteed 2028/2034	16,000	4.73	44.94	4.31	51.62	0.60

\*As at 20 April 2023

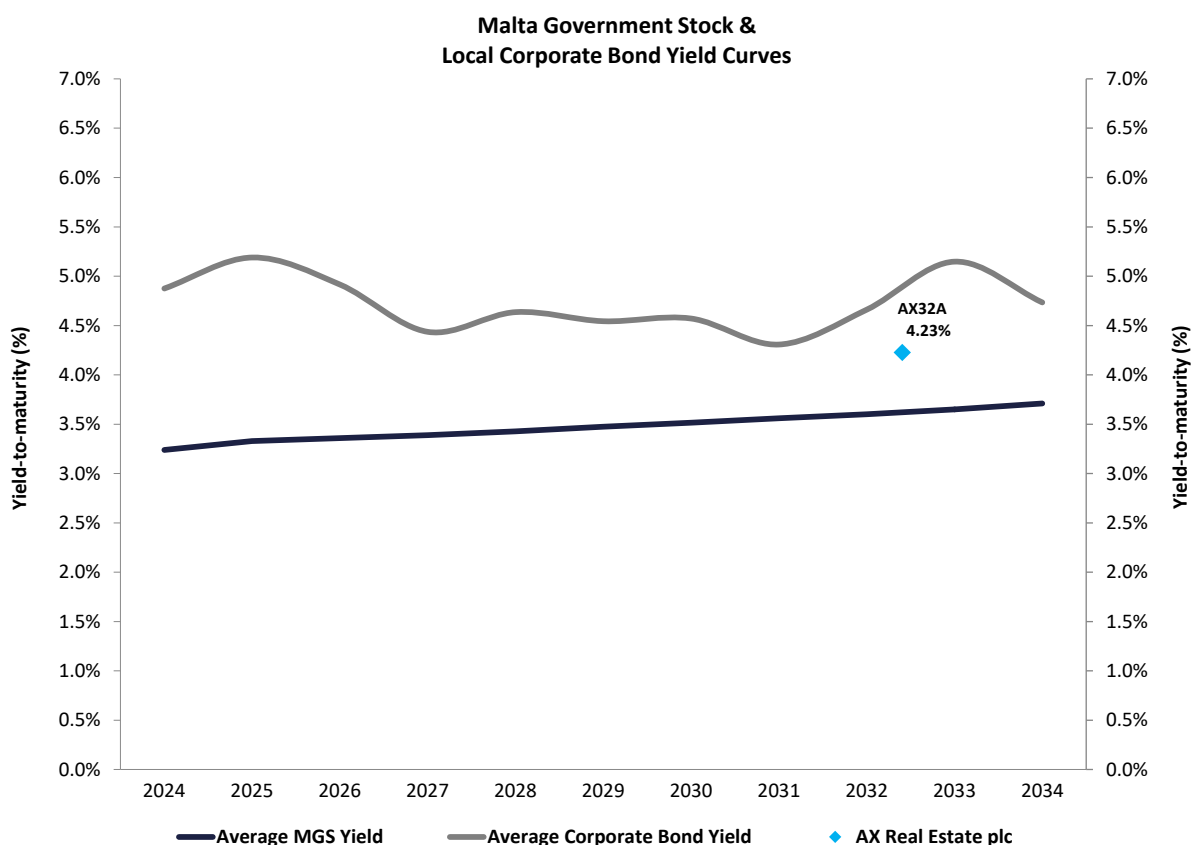
Sources: Malta Stock Exchange

M.Z. Investment Services Limited

Most recent full-year audited annual financial statements except for GPH Malta Finance plc (FY2022/23 - forecast) and The Ona plc (FY2022 - forecast)







To date, there are no corporate bonds which have a redemption date beyond 2034. The Malta Government Stock yield curve has also been included since it is widely considered as the benchmark risk-free rate for Malta.

The **3.50% AX Real Estate plc unsecured bonds 2032** are trading at a yield-to-maturity (“YTM”) of 4.23% which is 43 basis points below the average YTM of 4.66% of other local, non-BRRD, corporate bonds maturing in the same year. The premium over the corresponding Malta Government Stock yield of equivalent maturity is 63 basis points.



## PART 5 – EXPLANATORY DEFINITIONS

Income Statement	
<i>Revenue</i>	Total income generated from business activities.
<i>EBITDA</i>	Earnings before interest, taxes, depreciation, and amortisation. It is a metric used for gauging a company's operating performance, excluding the impact of its capital structure, and is usually interpreted as a loose proxy for operating cash flow generation.
<i>Operating profit</i>	Profit from operating activities including movements in the fair value of investment property but excluding net finance costs and taxation.
<i>Profit after tax</i>	Net profit generated from all business activities.

Profitability Ratios	
<i>EBITDA margin</i>	EBITDA as a percentage of revenue.
<i>Operating profit margin</i>	Operating profit as a percentage of total revenue.
<i>Net profit margin</i>	Profit after tax as a percentage of total revenue.
<i>Return on equity</i>	Measures the rate of return on the company's net assets and is computed by dividing the net profit by average equity.
<i>Return on assets</i>	Measures the rate of return on the company's assets and is computed by dividing the net profit by average assets.
<i>Return on invested capital</i>	Measures the rate of return from core operations and is computed by dividing operating profit by the average amount of equity and net debt.

Cash Flow Statement	
<i>Net cash flow from / (used in) operating activities</i>	The amount of cash generated (or consumed) from the normal conduct of business.
<i>Cash flow from / (used in) investing activities</i>	The amount of cash generated (or consumed) from activities related to the acquisition, disposal, and/or development of long-term assets and other investments.
<i>Cash flow from / (used in) financing activities</i>	The amount of cash generated (or consumed) that have an impact on the company's capital structure and thus result in changes to share capital and borrowings.
<i>Free cash flow</i>	Cash flows left from operating activities after considering investing activities.



### Statement of Financial Position

<i>Non-current assets</i>	These represent long-term investments which full value will not be realised within the next twelve months. Such assets, which typically include property, plant, equipment, and investment property, are capitalised rather than expensed, meaning that a company amortises the cost of the asset over the number of years for which the asset will be in use instead of allocating the entire cost to the accounting year in which the asset was acquired.
<i>Current assets</i>	All assets which could be realisable within a twelve-month period from the balance sheet date. Such amounts may include development stock, accounts receivable, cash and bank balances.
<i>Non-current liabilities</i>	These represent long-term financial obligations which are not due within the next twelve months, and typically include long-term borrowings and debt securities.
<i>Current liabilities</i>	Liabilities which fall due within the next twelve months from the balance sheet date, and typically include accounts payable and short-term debt.
<i>Total equity</i>	Represents the residual value of the business (assets minus liabilities) and typically includes the share capital, reserves, as well as retained earnings.

### Financial Strength/Credit Ratios

<i>Interest cover</i>	Measures the extent of how many times a company can pay its net finance costs from EBITDA.
<i>Net debt-to-EBITDA</i>	Measures how many years it will take a company to pay off its net interest-bearing liabilities (including lease liabilities) from its EBITDA generation capabilities, assuming that net debt and EBITDA are held constant.
<i>Net debt-to-equity</i>	Shows the proportion of net debt (including lease liabilities) to the amount of equity.
<i>Net gearing</i>	Shows the proportion of equity and net debt used to finance a company's business and is calculated by dividing a company's net debt by net debt plus equity.
<i>Debt-to-asset</i>	Shows the degree to which a company's assets are funded by debt and is calculated by dividing all interest-bearing liabilities by total assets.
<i>Leverage</i>	Shows how much equity a company is using to finance its assets.
<i>Current ratio</i>	Measures whether or not a company has enough resources to pay its short-term liabilities from its short-term assets.

