AX GROUP

FINANCIAL ANALYSIS SUMMARY

26 September 2023

An issue of up to

€40,000,000 5.85% unsecured bonds 2033
issued and redeemable at their nominal value (at €100 per Bond) by

AX GROUP P.L.C.
(a public limited liability company registered under the laws of Malta with company registration number C12271)

ISIN MT0002361229

Sponsor	Manager & Registrar	Legal Counsel
MZ INVESTMENTS	BOV Bank of Valletta	CAMILLERI PREZIOSI ADVOCATES

ANNEX III

FINANCIAL ANALYSIS SUMMARY

DATED 26 SEPTEMBER 2023

ISSUER:

AX GROUP P.L.C.
(C 12271)

Prepared by

MZ INVESTMENTS

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The Directors
AX Group p.l.c.
AX Business Centre
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26 September 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 Group p.l.c. (the "**Issuer**", "**AX Group**", or "**Group**"). 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 respective audited consolidated annual financial statements.

(b) The forecast and projected data for the financial years ending 31 October 2023 and 31 October 2024 has been provided by the Group.

(c) Our commentary on the financial performance, cash flows, and financial position of AX Group is based on explanations provided by the Issuer.

(d) The ratios quoted in this Analysis have been computed by us applying the definitions set out in Part 4 – 'Explanatory Definitions' of this report.

(e) Relevant financial data in respect of the companies included in Part 3 – 'Comparative Analysis' of this Analysis 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.

This Analysis is meant to assist investors and potential investors in the securities of AX Group 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 AX Group and therefore should not be interpreted as a recommendation to invest or not invest in any of these 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 these securities.

Yours faithfully,

Evan Mohnani
Head of Corporate Broking

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PART 1 – INFORMATION ABOUT THE GROUP

1. ABOUT AX GROUP

AX Group is engaged in the provision of hospitality services, leisure, and entertainment ("**AX Hotels**"); retirement residences and elderly care ("**AX Care**"); property development ("**AX Development**"); construction and building materials ("**AX Construction**"); as well as ownership of real estate mainly through AX Real Estate p.l.c. ("**AX Real Estate**") ("**AXRE**"). In addition, the Group has a 50% shareholding in a joint venture that owns properties in an industrial park (Hardrocks Estates Limited) and has substantial shareholding in two associates that are involved in renewable energy projects (Imselliet Solar Limited) and the management of Valletta Cruise Port.

The Group commenced its business in the 1970s, first as a property construction and development company before diversifying into the hotel industry in the 1980s through the launch of Sunny Coast Resort & Spa and Odycy Hotel (formerly Seashells Resort at Suncrest), both located in Qawra. Thereafter, AX Group continued to grow its hospitality division with the development of The Victoria Hotel and The Palace in 1996 and 2007 respectively, both located in Sliema. These were followed by the acquisition and restoration of two upmarket boutique properties located in Valletta – The Saint John (2015) and Rosselli (2016) – which welcomed their first guests in August 2017 and May 2019 respectively.

Over the years, the **AX Hotels** brand has carved a unique status in the local hospitality market as a hotel operator that caters for a wide range of diverse tastes. Across its hotel properties, as well as its various highly distinguished food and beverage outlets, the Group's hospitality division is the largest operating segment of the Group.

AX Construction and **AX Development** are also very important operating arms of the Group having been entrusted with a number of major projects including the Valletta Cruise Port, the Group's own hotels, the Verdala Mansions, Capua Hospital, is-Suq tal-Belt, the Hilltop Complex (which comprises the Hilltop Gardens Retirement Village and the Simblija Care Home), and the Parliament Building amongst others. Furthermore, AX Construction gained specialisation in the restoration of various buildings which are also deemed to be among Malta's most valuable from a cultural and historical perspective.

In FY2014 and FY2015, the Group developed the Hilltop Complex which is operated under the **AX Care** brand. The complex offers independent living with access to a range of facilities and amenities, as well as a 24-hour care and nursing home for dependent elderly residents who require intensive health support.

In FY2016, AX Group increased its shareholding in Valletta Cruise Port plc to 36.4% from 24% for a total consideration of €3.9 million. The value of this investment, together with the Group's shareholding interests in Imselliet Solar Limited (33.3%) and Hardrocks Estates Limited (50%) stood at €8.29 million as at 30 April 2023.

In December 2019, AX Group issued €25 million in unsecured bonds[1], the net proceeds of which were used for (i) the acquisition and development of Palazzo Lucia, Valletta (€9 million); (ii) the acquisition of a site located in Marsa (€7 million); refinancing of debt (€4.5 million); as well as (iv) general corporate funding requirements (€4 million). The acquisitions of Palazzo Lucia and the site in Marsa were completed in May 2020. Following extensive restoration and upgrading, Palazzo Lucia is expected to be inaugurated as a high-end office building and leased to third parties by the end of calendar year 2023.

During FY2020, the Group was involved in the development of the Targa Gap Complex. The building houses the Group's head office and includes residential units, office space leased to third parties, as well as four levels of underground parking. All the 14 residential units that were placed on the market have been sold whilst the Group leases the remaining seven units to third parties. Similarly, during FY2022 and H1 2023, AX Group concluded the sale of the remaining units within Falcon House, Sliema, and leased the available office space to third parties. Falcon House is located adjacent to the Falcon House Complex and comprises two levels of office space, eight luxury apartments, and a penthouse.

In FY2021, the Group commenced civil works on the site previously occupied by the 160-room five-star Grand Hotel Verdala. The site is located in a Special Designated Area in Tal-Virtù, Rabat, and was acquired by the Group in March 1997. It is currently being redeveloped into: (i) a 40-room five-star all-suite Verdala Hotel that will also include 23 additional serviced/self-catering units; and (ii) two residential blocks comprising a total of 87 units for resale. Furthermore, the project entails the refurbishment of 19 existing apartments (known as Virtu Heights) that will be annexed to the Verdala Hotel.

In February 2022, AX Group listed **AXRE** on the Main Market of the Malta Stock Exchange, with 25% of the company's ordinary 'A' shares being taken up by the general public. Through this transaction, €13.65 million in new equity was raised. In conjunction, AXRE also issued €40 million unsecured bonds redeemable in 2032. The general public subscribed to €18.35 million of the bonds whilst the remaining €21.65 million was allocated to AX Group through the part conversion of an existing intra-group loan with AXRE. The current balance of AXRE bonds held by the Issuer has been reduced to €18.08 million (nominal). It is the Issuer's intention to further dispose of such bonds held by it at the opportune time to ascertain sufficient liquidity for future projects.

Also in 2022, AX Group acquired the La Ferla building which is situated in Tower Road c/w Tigné Street, Sliema, for a consideration of €2.3 million. The transaction was financed from accumulated reserves. In this respect, the Group has started the process to obtain the necessary permits for the eventual redevelopment of the building.

[1] The €15 million 3.25% AX Group plc 2026 Series I and the €10 million 3.75% AX Group plc 2029 Series II.

2. DIRECTORS AND EXECUTIVE MANAGEMENT

2.1 BOARD OF DIRECTORS

The Board of Directors of AX Group consists of seven individuals who are entrusted with the overall direction, strategy, and management of the Group:

Angelo Xuereb	Executive Chairman
Michael Warrington	Executive Director and Chief Executive Officer
Denise Xuereb	Executive Director (AX Construction and AX Development)[2]
Claire Zammit Xuereb	Executive Director (AX Hospitality and AX Care)
John Soler	Independent Non-Executive Director
Josef Formosa Gauci	Independent Non-Executive Director
Christopher Paris	Non-Executive Director

2.2 EXECUTIVE MANAGEMENT

The Executive Management team of AX Group is composed of the following individuals:

Michael Warrington	Executive Director and Chief Executive Officer
Denise Xuereb	Executive Director (AX Construction and AX Development)[3]
Claire Zammit Xuereb	Executive Director (AX Hospitality and AX Care)
Albert Bonello	Managing Director, Finance and Administration
David Wain	Chief Legal Officer
Nicholai (aka Nicky) Camilleri	Chief Operations Officer
Marthese Vella	Chief Technical Officer
Caroline Schembri	Head of Administration
Josephine Grima	Head of Human Resources
Kevin Callus	General Manager, Sliema and Valletta properties
Joseph Vella	General Manager, Qawra properties
Jocelyn Cuomo	Head of Marketing and Public Relations
Lawrence Degabriele	Head of Information Technology

The average number of persons employed by the Group (including the Directors) during FY2022 stood at 684 (FY2021: 577).

3. ORGANISATIONAL STRUCTURE

AX Group is ultimately owned by Angelo Xuereb (55%), Richard Xuereb (15%), Claire Zammit Xuereb (15%)[4] , and Denise Xuereb (15%)[5]. The diagram overleaf illustrates the organisational structure of the Group.

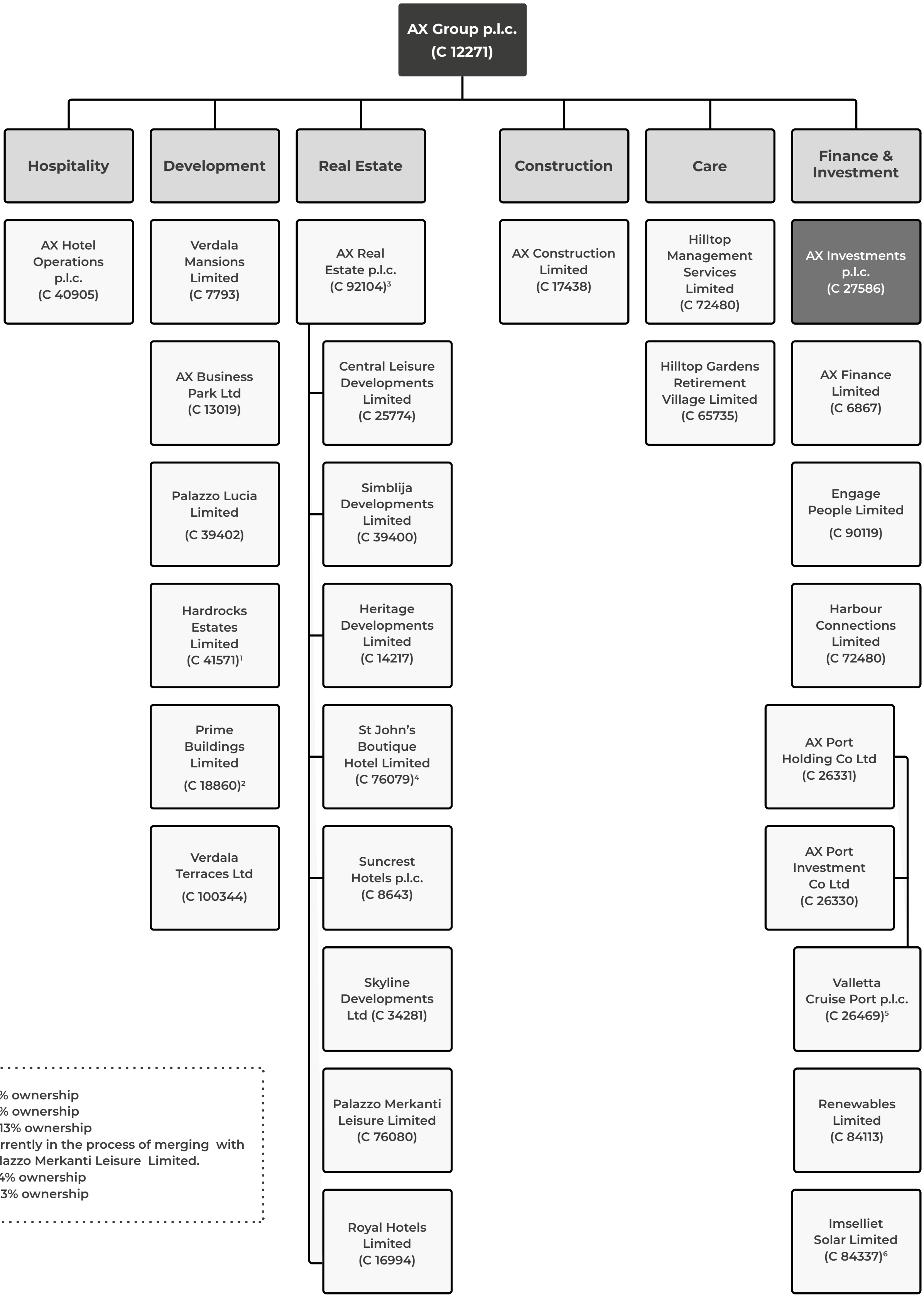
During FY2021, the Group went through a reorganisation exercise with the aim of consolidating its main property letting activities under a single entity – i.e., AXRE. **A description of the operational activities of AXRE, together with an analysis of the company's performance and forecasts, is included in the Financial Analysis Report dated 28 April 2023 which is available at: https://axinvestor-relations.mt/ax-real-estate/.**

[2] Denise Xuereb is also the Chief Executive Officer of AXRE.

[3] Denise Xuereb is also the Chief Executive Officer of AXRE.

[4] Through The Lotus Co Ltd.

[5] Through DX Holdings Limited.



1 50% ownership
2 75% ownership
3 91.13% ownership
4 Currently in the process of merging with Palazzo Merkanti Leisure Limited.
5 36.4% ownership
6 33.3% ownership

4. PRINCIPAL PROPERTY ASSETS

The table below provides a list of the principal properties of the Group and their respective asset values as at the end of each of FY2020, FY2021, and FY2022. The year-on-year movement in the carrying value of each principal property mainly reflects additions, disposals, depreciation and, or fair value adjustments. The net movement in revaluation of each principal property during the financial years under review is provided separately in the table hereunder.

AX Group p.l.c.				
Principal Property Assets				**Revaluation**
As at 31 October	**2020**	**2021**	**2022**	**FY2020 - FY2022**
	€'000	**€'000**	**€'000**	**€'000**
Qawra Hotels [1]	93,468	93,469	111,150	(11,374)
Sliema Hotels [2]	72,029	79,870	75,864	(1,748)
Hilltop Complex, Naxxar [3]	45,158	47,485	48,585	6,438
Verdala Project, Rabat [4]	28,877	27,985	44,728	(1,347)
Valletta Hotels [5]	19,294	22,698	20,849	4,536
Tad-Dwiemes, Marsa [6]	18,756	18,758	19,000	242
Targa Gap Complex, Mosta [7]	12,244	12,615	10,715	1,947
Palazzo Capua, Sliema	8,687	8,940	9,300	766
Hardrocks Business Park, Burmarrad [8]	6,349	6,950	7,600	827
Palazzo Lucia, Valletta	5,705	5,828	6,507	-
Villa Vistana, Mosta	3,800	5,250	5,250	1,533
Falcon House Offices, Sliema	-	4,320	5,050	4,067
La Ferla Building, Sliema [9]	-	-	2,417	-
Other	14,672	12,321	10,644	(1,173)
	329,039	346,489	377,659	4,714

*1 Odycy Hotel, Sunny Coast Resort & Spa, and Luzzu Complex.

*2 The Palace and The Victoria Hotel.

*3 Hilltop Gardens Retirement Village and Simblija Care Home.

*4 Verdala Hotel, Verdala Hotel Annex, and Verdala Terraces.

*5 The Saint John and Rosselli.

*6 Plot of land which is currenty not in use.

*7 Property principally serves as the Group's head office. Some office space and residential units are leased to third parties.

*8 Nine warehouses and an office block in an industrial complex.

*9 Property earmarked for future redevelopment.

4.1 QAWRA HOTELS

4.1.1 ODYCY HOTEL

Odycy Hotel is a four-star hotel located on the Qawra seafront designed in a contemporary and modern style. The hotel suspended its operations in Q4 2021 for the purpose of pursuing a major investment comprising the addition of four floors which increased the total number of rooms by 147 to 599 rooms; and the redevelopment, upgrading, and extension of the hotel's extensive public and outdoor areas including new pools, restaurants, bars, and other facilities. Simultaneously, the hotel's lido area, which spans the entire panorama of Odycy Hotel, was demolished and redeveloped. This now includes an underground car park, whilst above ground there are different sections for adults, family, and children (including a small waterpark). It is envisaged that the lido's pool will eventually form part of a series of laguna pools, restaurants, and commercial outlets that would include the areas currently appertaining to Luzzu Complex and Sunny Coast Resort & Spa.

The soft opening of Odycy Hotel took place in late May 2023. The property offers a wide range of accommodation options and catering to various preferences (including all-inclusive basis). From family-friendly and economy rooms to high-end suites, the hotel appeals to a broad audience with different budget levels and tastes. Moreover, Odycy Hotel boasts various facilities and 11 signature dining choices including the upscale sky bar Medusa, Mediterranean fusion restaurant Minoa, sophisticated hotel lounge bar Sidestreet, buffet restaurant Deck & Keel, and other family-friendly restaurants. The overall cost of the project amounted to circa €72 million which is around €20 million above the budgeted figure. The material variance was due to design and specification changes including a considerable increase in the scope of works, as well as inflationary pressures.

The Group's medium-term plans for its properties in Qawra envision two additional ambitious investments that would entail the redevelopment of the lido areas appertaining to Luzzu Complex and Sunny Coast Resort & Spa ("**Qawra Project – Phase 2**"), as well as the demolition and rebuilding of the Sunny Coast Resort & Spa ("**Qawra Project – Phase 3**"). Further information in this regard can be found in Section 6 – 'Major Committed Projects' of this Analysis.

Legal and Arbitration Proceedings

The Commissioner of Lands has instituted claims against the Group for damages for the alleged illegal occupation of land forming part of Odycy Hotel lido and Sunny Coast Resort & Spa lido, which claims are being contested by the Group. Detailed negotiations were held with the Commissioner of Lands in June and July 2021 to discuss the possibility of reaching an out of court settlement agreement, pursuant to which the Commissioner of Lands would be compensated for past use, and the Group would acquire a long-term title of lease over the contested land.

During the last sitting of the proceedings, it was reported that the contested land had been declassified from public domain status, thus allowing for the conclusion of the transaction. The proceedings have been deferred until March 2024, unless previously settled.

4.1.2 SUNNY COAST RESORT & SPA

The Sunny Coast Resort & Spa is a 92-room four-star aparthotel situated in Qawra that offers self-catering apartments with resort facilities. In total, it occupies a gross floor area of 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 & Spa features a restaurant, indoor and outdoor pools, spa and leisure facilities, as well as a fitness centre. Furthermore, the adjacent lido includes a number of restaurants which are leased to independent third parties, an indoor swimming pool, a spa, an outdoor pool, and other sports facilities which are also leased to third parties.

4.1.3 LUZZU COMPLEX

The **Luzzu Complex** occupies a gross floor area of circa 2,235 sqm and comprises a seaside restaurant, a beach club, and a recently refurbished conference centre which accommodates up to 300 delegates in theatre style and 450 guests in receptions.

4.2 SLIEMA HOTELS

4.2.1 THE PALACE

The Palace 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 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. Indeed, the proximity between The Palace and The Victoria Hotel allows both hotels to centralise their management function and share many of their fixed costs with a view of maximising efficiencies and returns.

4.2.2 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 car park which can accommodate up to 108 cars.

The Victoria Hotel also operates part of the adjacent Palazzo Capua which is owned by AX Group.[6] The remaining part of the 200-year-old neoclassic building (i.e., the top floor, penthouse, and basement areas) are expected to be leased to third parties as from FY2024.

[6] Palazzo Capua houses five luxurious guest suites, four of which are on two floors. Furthermore, it serves as an exclusive meetings venue whilst its main hall offers outstanding facilities for receptions and banquets which target both business and social functions.

4.3 VALLETTA HOTELS

4.3.1 THE SAINT JOHN

The Saint John is a 19-room boutique hotel located in Merchants Street. Once a former merchant's residence and shop, The Saint John was refashioned into a modern hospitable setting while preserving the building's rich historical fabric. Each of its 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 is also home to the catering establishment Cheeky Monkey Gastropub.

4.3.2 ROSSELLI

AX Group holds Rosselli under the title of temporary emphyteusis subject to an annual ground rent of just under €14,000. The 25-room five-star boutique hotel is one of the most prestigious old palazzos in Valletta. Rosselli is housed in a luxurious property displaying a fusion of traditional and contemporary design complemented by an advanced suite of technology services for guests. Apart from a three-level restaurant with varied cuisine genres – namely Under Grain, Grain, and Over Grain which offer 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 Rosselli.

4.4 HILLTOP COMPLEX

4.4.1 HILLTOP GARDENS RETIREMENT VILLAGE

The retirement village was Malta's first of its sort. It comprises private residences in the form of one- or two-bedroom self-catering apartments and penthouses which are finished to very high standards surrounded with landscaped gardens and complimentary facilities. The complex also includes a spa, hair salon, swimming pool, restaurant, crafts centre, indoor and outdoor kids play areas, library, common room and hall, chapel, and extensive underground parking facilities. A reception desk and security personnel complement the residences.

Residents may also request certain services that are provided at a charge, including cleaning, repairs, and maintenance of apartments, as well as 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 intended to be leased in line with the business model of Hilltop Gardens Retirement Village. No specific date has been set for the initiation of this project.

4.4.2 SIMBLIJA CARE HOME

The 153-bed care home provides intensive nursing to the more dependent elderly residents. It 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 support and assistive technology specifically selected and installed for residents with dementia.

4.5 VERDALA PROJECT

Following demolition of the Grand Hotel Verdala between August and September 2021, construction works on the Verdala Project commenced in October 2021. The development comprises: (i) a 40-room five-star all-suite **Verdala Hotel** which will also incorporate 23 serviced/self-catering units and a state-of-the-art spa offering tailor-made packages, wellness programmes, and retreats that drive long-term positive change; and (ii) an exclusive residential component made up of a total of 87 units earmarked for resale spread over two blocks (Block A 'Royal Mansions' and Block B 'Grand Mansions') – **Verdala Terraces**. The project also entails the refurbishment to a luxury standard of the 19 existing Virtù Heights residential units that will be annexed to the Verdala Hotel – **Verdala Hotel Annex**.

The 38 residential units within Royal Mansions will overlook the landscaped gardens and public piazzas that encircle the residential complexes, whilst the 49 units making up the Grand Mansions block offer panoramic views of Mdina. Around 2,350 sqm of formerly developed space will be made accessible to the public through the introduction of public piazzas and open spaces. New unparalleled vistas will be enjoyed by the public from Triq San Bastjan and Triq ir-Rghajja, whilst a multi-level communal pyramidal atrium will include all the communal facilities with a view of creating a physical and visual corridor from Triq ir-Rghajja to the ridge views overlooking Malta. By reducing the overall height from the demolished building by almost two storeys, the Verdala Project is being developed in such a way as to 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.

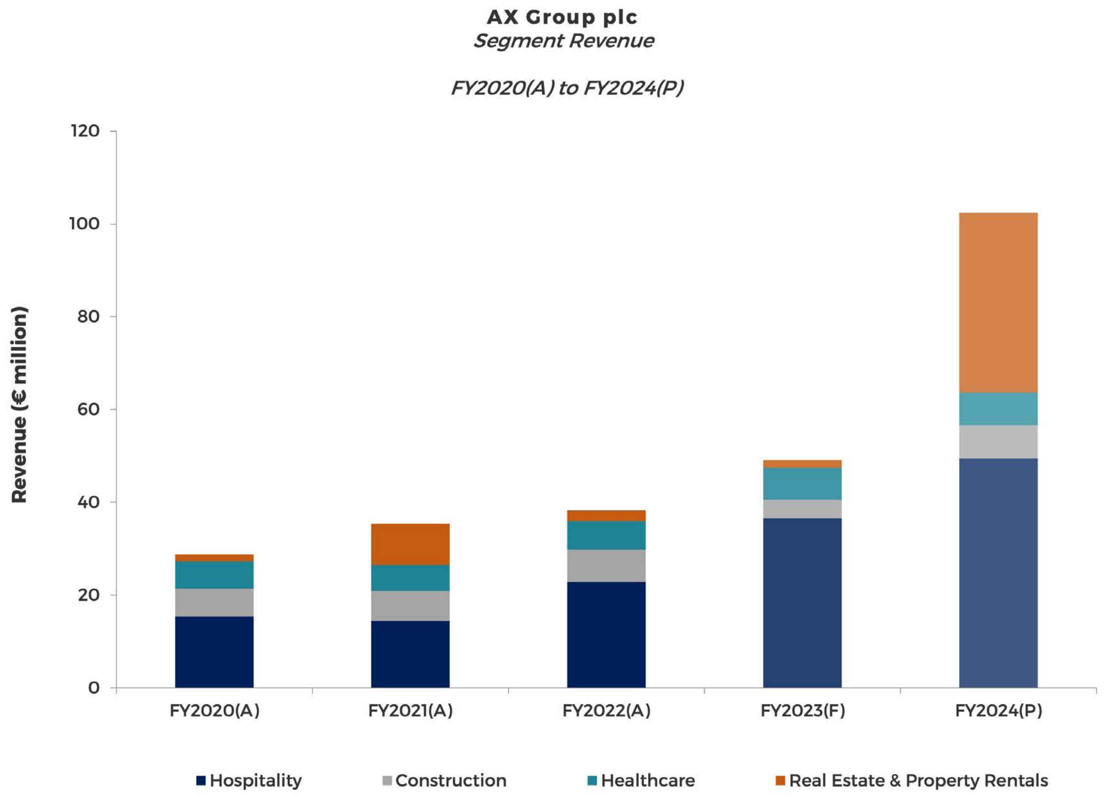
Civil works on the Verdala Terraces have been completed whilst those on the Verdala Hotel are in progress. The Verdala Hotel is expected to start operating in Q4 2024 (i.e., at the start of the Group's 2025 financial year) and will target a new niche market in luxury wellness hospitality in Malta apart from continue diversifying the Group's hotel products to cater towards new and untapped segments. Primarily as a result of high inflation as well as an increase in professional fees, development, and finishing costs, the total expenditure for the Verdala Project is now expected to be around €70 million compared to the earlier projection of €66 million. Included in this amount is the cost related to the development of Verdala Hotel and the refurbishment of Verdala Hotel Annex which will exceed original estimates by €1.5 million and are now expected to amount to €13 million.

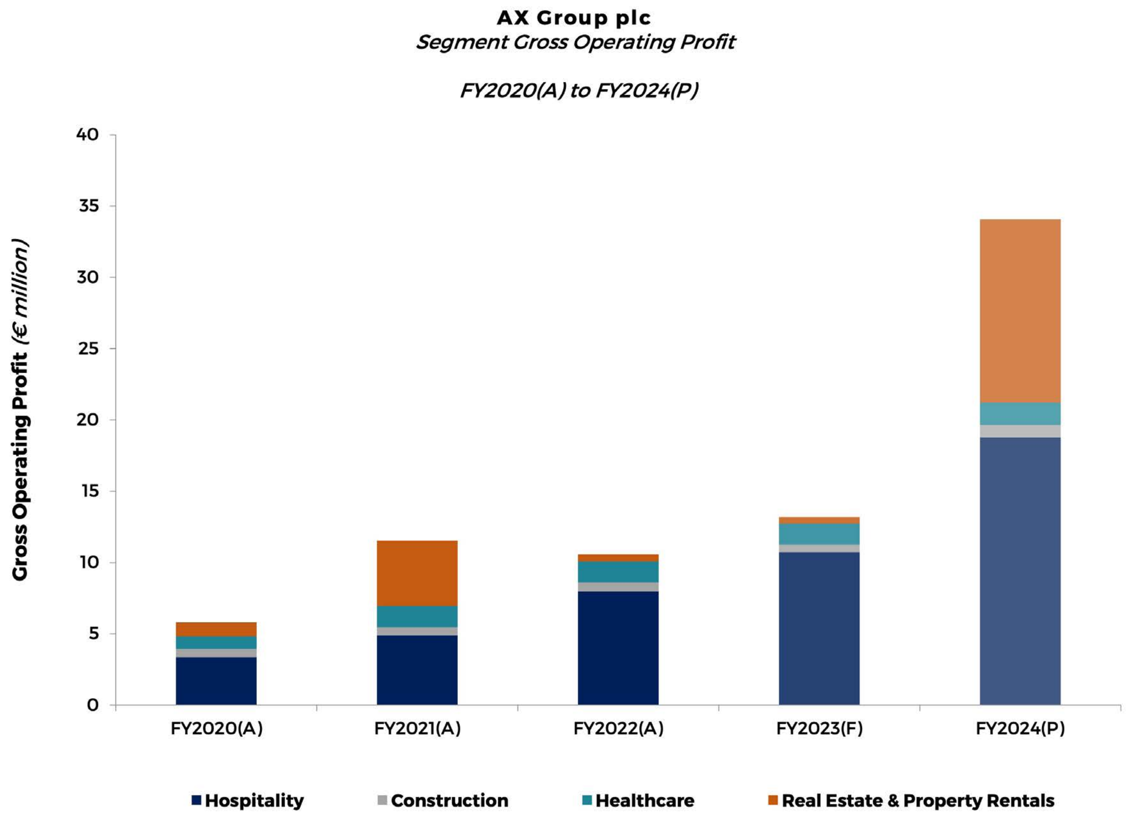
5. SEGMENT INFORMATION

The Group has four principal reportable segments: (i) hospitality; (ii) construction; (iii) healthcare; and (iv) real estate and property rentals.

AX Group p.l.c.					
Segment Information					
For the financial year 31 October	**2020**	**2021**	**2022**	**2023**	**2024**
	Actual	**Actual**	**Actual**	**Forecast**	**Projection**
Revenue *(€'000)*	**29,056**	**35,806**	**38,443**	**50,695**	**102,933**
Hospitality	15,378	14,382	22,793	36,582	49,424
Construction	6,040	6,466	7,025	4,000	7,178
Healthcare	5,877	5,676	6,143	6,854	7,081
Real estate and property rentals	1,421	8,894	2,309	1,734	38,796
Other	340	388	173	1,526	453
Gross operating profit *(€'000)*	**5,787**	**11,525**	**10,556**	**13,186**	**34,067**
Hospitality	3,350	4,885	7,961	10,718	18,775
Construction	586	572	630	527	866
Healthcare [1]	881	1,494	1,471	1,474	1,570
Real estate and property rentals	971	4,574	494	467	12,857
Gross operating profit margin *(%)*	**19.92**	**32.19**	**27.46**	**26.01**	**33.10**
Hospitality	21.78	33.97	34.93	29.30	37.99
Construction	9.70	8.85	8.97	13.17	12.06
Healthcare [1]	14.99	26.32	23.95	21.51	22.16
Real estate and property rentals	68.29	51.43	21.39	26.95	33.14

[1] *GOP for the healthcare division is equivalent to the segment's EBITDA.*


AX Group plc
Segment Revenue
FY2020(A) to FY2024(P)
Revenue (€ million)
120
100
80
60
40
20
0
FY2020(A)
FY2021(A)
FY2022(A)
FY2023(F)
FY2024(P)
Hospitality
Construction
Healthcare
Real Estate & Property Rentals


AX Group plc
Segment Gross Operating Profit
FY2020(A) to FY2024(P)
Gross Operating Profit (€ million)
40
35
30
25
20
15
10
5
0
FY2020(A)
FY2021(A)
FY2022(A)
FY2023(F)
FY2024(P)
Hospitality
Construction
Healthcare
Real Estate & Property Rentals

5.1 HOSPITALITY

The hospitality segment operates a portfolio of hotel properties located in Qawra, Sliema, and Valletta. Revenue includes income from accommodation, food and beverage services, as well as other ancillary services.

An important aspect of the Group's strategy for its hotel properties is to be present in strategic locations and in proximity to one other. AX Group believes that this manner of operating hotels in clusters yields various value-adding advantages such as the allocation of single management teams per location, as well as the creation of internal efficiencies through the reduction of overlap in areas such as marketing, maintenance, accounting, and procurement.

AX Group p.l.c.					
Segment Information – Hospitality					
For the financial year 31 October	**2020**	**2021**	**2022**	**2023**	**2024**
	Actual	**Actual**	**Actual**	**Forecast**	**Projection**
Revenue *(€'000)*	**15,378**	**14,382**	**22,793**	**36,582**	**49,424**
Qawra Hotels	7,488	5,786	5,319	16,377	27,674
Sliema Hotels	6,536	7,093	14,242	16,282	17,129
Valletta Hotels	1,355	1,503	3,232	3,923	4,621
Gross operating profit *(€'000)*	**3,350**	**4,885**	**7,961**	**10,718**	**18,775**
Qawra Hotels	1,859	2,006	1,675	4,470	11,208
Sliema Hotels	1,529	2,516	5,663	5,791	6,701
Valletta Hotels	(38)	363	623	456	866
Gross operating profit margin *(%)*	**21.78**	**33.97**	**34.93**	**29.30**	**37.99**
Qawra Hotels	24.83	34.67	31.49	27.30	40.50
Sliema Hotels	23.39	35.47	39.76	35.57	39.12
Valletta Hotels	(2.83)	24.15	19.28	11.63	18.74
Revenue per available room *(RevPAR) (€)*					
Qawra Hotels	38	40	157	130	110
Sliema Hotels	63	68	136	156	164
Valletta Hotels	84	94	201	244	288
Gross operating profit per available room *(GOPAR) (€)*					
Qawra Hotels	9	14	49	36	44
Sliema Hotels	15	24	54	55	64
Valletta Hotels	(2)	23	39	28	54

The performance of the Group's hospitality division was severely dented during the COVID-19 pandemic particularly in FY2020 and FY2021. Revenue generated during this period stood at circa 40% of the income reported in FY2019, while gross operating profit ("GOP") was lower by 78% and 68% in FY2020 and FY2021 respectively compared to FY2019.

The first signs of the recovery started to emerge in **FY2022** as total turnover generated by the Group's hotels rebounded by 58.48% to €22.79 million (FY2021: €14.38 million) despite the closure of Odycy Hotel in Q4 FY2021. Revenues generated by the hotels located in Sliema and Valletta doubled to €14.24 million (FY2021: €7.09 million) and €3.23 million (FY2021: €1.50 million) respectively reflecting sharp increases in RevPAR and GOPAR. In contrast, the income generated from the Qawra properties eased by 8.07% to €5.32 million compared to €5.79 million in FY2021, reflecting the temporary closure of Odycy Hotel.

The uplift in business translated into a marked improvement in GOP which surged by 62.97% to €7.96 million (FY2021: €4.89 million). The main contributors were the Sliema Hotels which generated a GOP of €5.66 million (FY2021: €2.52 million). The Valletta Hotels also recorded significant growth in GOP despite their minimal contribution to the overall profitability of the Group's hospitality division. On the other hand, the Qawra Hotels registered a 16.50% decline in GOP to €1.68 million (FY2021: €2.01 million) as despite the considerable growth in RevPAR and GOPAR, the number of available rooms dropped drastically reflecting the temporary close of Odycy Hotel.

FY2023 will be marked by the further year-on-year recovery in business to a level at par with the activity prior to the COVID-19 pandemic, as well as the reopening of Odycy Hotel which took place in late May 2023. Revenues are now estimated to rise by 60.50% to €36.58 million compared to the previous forecast of €38.81 million as provided in the Financial Analysis Summary dated 28 April 2023 ("**April Analysis**"). The sharpest uplift in income is expected to emanate from the Qawra properties which are anticipated to generate €16.38 million in revenues, although this is lower than the previous forecasted figure of €18.66 million as provided in the April Analysis. The Sliema and Valletta hotels are also expected to register double-digit growth in income to €16.28 million and €3.92 million respectively which are in line with previous estimates.

The Sliema Hotels are again anticipated to be the largest GOP contributor to the Group's hospitality division (€5.79 million), followed by Qawra Hotels (€4.47 million), and Valletta Hotels (€0.46 million). Overall, the forecasted segment GOP of €10.72 million (April Analysis: €12.72 million) is anticipated to translate into a margin of 29.30%.

For **FY2024**, segment revenues and GOP are projected to grow markedly to €49.42 million and €18.78 million respectively, driven by the full twelve-month contribution of Odycy Hotel. Indeed, the Qawra Hotels are anticipated to generate €27.67 million in income and a GOP of €11.21 million. Nonetheless, the Sliema and Valletta hotels are also expected to register further growth, albeit to a lesser extent in absolute terms. The overall segment GOP margin is anticipated to increase to just under 38%, reflecting improved efficiencies across all the Group's hotel properties.

5.2 CONSTRUCTION

The activities related to construction, building materials, and property management have historically been the second largest business segment of the Group. This division also comprise civil engineering, turnkey assignments, project management, as well as the restoration of buildings. Any related party revenue is eliminated upon consolidation and, as such, is not included in the consolidated information provided in the financial statements.

AX Group p.l.c.					
Segment Information – Construction					
For the financial year 31 October	**2020**	**2021**	**2022**	**2023**	**2024**
	Actual	**Actual**	**Actual**	**Forecast**	**Projection**
	€'000	**€'000**	**€'000**	**€'000**	**€'000**
Construction	5,360	5,148	5,241	3,462	5,743
Restoration	680	1,318	1,784	538	1,436
Total Revenue	**6,040**	**6,466**	**7,025**	**4,000**	**7,178**
Gross operating profit	**586**	**572**	**630**	**527**	**866**
Gross operating profit margin *(%)*	9.70	8.85	8.97	13.17	12.06

During the historical period under review, turnover increased each year reflecting the growth recorded by the restoration division particularly related to the Senglea bastions and the Maritime Museum in Vittoriosa. In fact, whilst income from construction activity remained stable between **FY2020** and **FY2022**, the contribution from the restoration division almost doubled to €1.32 million in FY2021 (FY2020: €0.68 million) and grew by a further 35.4% to €1.78 million in FY2022.

Overall, the construction division generated a GOP of €0.63 million in FY2022 compared to an amount of just under €0.60 million in the previous two financial years. This level of GOP translated into a margin of 8.97% (FY2021: 8.85%).

For **FY2023**, the construction division is expecting to generate aggregate revenues of €4.00 million which is lower than the previous forecast of €7.04 million due to some delays in third-party contracted works which will now be executed in **FY2024**. As such, the construction division has been focused on the Group's own major projects – i.e., the extension and refurbishment of Odycy Hotel including the redevelopment of the property's lido, as well as the redevelopment of the Verdala Hotel, the refurbishment of the Verdala Hotel Annex, and the construction of Verdala Terraces. On the other hand, main third-party projects include the restoration of the Oratories of the Jesuits' Church in Valletta, the restoration of the façade of the Valletta Cruise Port, construction works on the St John Co-Cathedral Annex in Valletta, as well as finishes at the KPMG Annex in Gzira. Accordingly, total revenues are anticipated to rebound strong to €7.18 million in FY2024, leading to a GOP of €0.87 million compared to the forecasted figure of €0.53 million for the current financial year ending 31 October 2023.

5.3 HEALTHCARE

The healthcare division comprises Hilltop Gardens Retirement Village and Simblija Care Home which together (Hilltop Complex) offer tailor-made packages covering different levels of long and short-term care. Income generated from health care services includes revenue recognised over time on a systematic basis based on the period consumed as a proportion of the total contractual period. Revenue from Hilltop Gardens Retirement Village derive from the self-catering apartments and penthouses that are occupied by tenants for definite periods. On the other hand, income from Simblija Care Home consist of revenue from stays for short term respite care, convalescence, and post-operative recovery, as well as intensive nursing care to the more dependent elderly residents.

AX Group p.l.c. **Segment Information – Healthcare** **For the financial year 31 October**	**2020** **Actual** **€'000**	**2021** **Actual** **€'000**	**2022** **Actual** **€'000**	**2023** **Forecast** **€'000**	**2024** **Projection** **€'000**
Residences & other income	2,492	2,400	2,796	2,921	2,960
Nursing home	3,385	3,276	3,347	3,933	4,121
Total Revenue	**5,877**	**5,676**	**6,143**	**6,854**	**7,081**
Direct costs	(3,119)	(2,765)	(3,414)	(3,769)	(3,852)
Other costs	(1,877)	(1,417)	(1,258)	(1,610)	(1,660)
EBITDA	**881**	**1,494**	**1,471**	**1,474**	**1,570**
EBDITA margin *(%)*	14.99	26.32	23.95	21.51	22.16

The independent units at **Hilltop Gardens Retirement Village** were virtually fully occupied throughout the historic period under review. Although income was stable in FY200 and FY2021, it surged to just under €2.8 million in FY2022 compared to €2.40 million in FY2021 and €2.49 million in FY2020. In FY2023, revenue is expected to grow by 4.47% to €2.92 million, followed by a marginal increase of 1.34% to €2.96 million in FY2024.

The operational performance of **Simblija Care Home** in FY2020 and FY2021 was adversely impacted by the various restrictions and measures imposed by the health authorities to contain the spread of the COVID-19 pandemic. In addition, the nursing home experienced challenges in achieving budgeted occupancy levels.

Although the effects of the COVID-19 pandemic continued to be felt during FY2022, overall occupancy moved closer to pre-pandemic level. Indeed, revenues increased by 2.17% to €3.35 million (FY2021: €3.28 million) and it is expected that for the current financial year ending 31 October 2023, income will grow by 17.51% to €3.93 million. For the 2024 financial year, the Group is anticipating a further 4.78% increase in revenue contribution from Simblija Care Home to €4.12 million.

Total income generated by the healthcare division in FY2022 increased by 8.23% to €6.14 million compared to €5.68 million in the prior financial year. Notwithstanding, EBITDA contracted marginally to €1.47 million (FY2021: €1.49 million) as the Group experienced a marked increase in overheads primarily on account of the impact of high inflation on food costs as well as personnel costs. As a result, the EBITDA margin declined to 23.95% compared to 26.32% in FY2021.

For **FY2023** and **FY2024**, total revenues are anticipated to increase to €6.85 million and €7.08 million respectively. Furthermore, on the back of improved operational efficiencies, EBITDA is expected to reach €1.57 million in FY2024, thus resulting in an EBITDA margin of 22.16%.

5.4 REAL ESTATE AND RENTAL INCOME

AX Group p.l.c.					
Segment Information – Real Estate and Property Rentals					
For the financial year 31 October	**2020**	**2021**	**2022**	**2023**	**2024**
	Actual	**Actual**	**Actual**	**Forecast**	**Projection**
	€'000	**€'000**	**€'000**	**€'000**	**€'000**
Real estate	750	8,000	1,292	600	37,052
Rental income	671	894	1,017	1,134	1,744
Turnover	**1,421**	**8,894**	**2,309**	**1,734**	**38,796**
Gross operating profit	971	4,574	494	467	12,857
Gross operating profit margin *(%)*	68.29	51.43	21.39	26.93	33.14

Between **FY2020** and **FY2022**, AX Group completed the Targa Gap Complex and the Falcon House projects at a total cost of circa €11.5 million, and either leased or sold all the residential units and commercial/office space that were placed on the market. As a result, income from the sale of property peaked at €8 million in FY2021 (FY2020: €0.75 million) before dropping to €1.29 million in the 2022 financial year. Furthermore, rental income surged by 33.2% to €0.89 million in FY2021 (FY2020: €0.67 million) and increased by a further 13.8% to €1.02 million in FY2022.

Overall, the real estate and property rentals division generated revenues of €12.62 million between FY2020 and FY2022 which filtered into a GOP of €6.04 million.

FY2023 will be a muted year for this segment as revenues are anticipated to drop by 24.90% to €1.73 million, with a corresponding contraction in GOP to €0.47 million (FY2022: €0.49 million). In contrast, segment income is projected to surge to €37.05 million in **FY2024** on the back of the initial sales of some of the residential units forming part of Verdala Terraces. As a result, segment GOP is projected to increase to €12.86 million which would translate into a GOP margin of 33.14%.

6. MAJOR COMMITTED PROJECTS

The following is a list of the Group's major investments for the coming years, excluding the Verdala Project which will be completed in stages culminating in the inauguration of Verdala Hotel in Q4 2024 (i.e., at the start of the Group's 2025 financial year):

Expected Year of Commencement and Completion	Development	Planning Process Status	Approximate Investment
2025 – 2026	**Hilltop Gardens Retirement Village** - Addition of further units for lease.	- Permit application submitted but is pending approval.	**€8 million**

	Qawra Project – Phases 2 and 3		
As yet to be determined, subject to the Group having the necessary funding and resources.	- *Phase 2*: Redevelopment of Luzzu Complex and Sunny Coast & Spa lido which will be linked to Odycy Hotel lido.	- Full development permit obtained *(PA/05952/21).*	**€70 million**
	- *Phase 3*: Demolition and rebuilding of Sunny Coast Resort & Spa into a 200-unit aparthotel with new food, beverage, and leisure facilities.	- Outline development permit obtained *(PA/05952/21).* - The Group has submitted the relevant application for a full development permit.	

7. MARKET OVERVIEW

7.1 ECONOMIC UPDATE [7]

The Maltese economy grew by 7.1% in real terms in 2022, driven by strong private domestic demand and investment as well as the better-than-expected recovery in tourism. Furthermore, the unemployment rate remained low at 3% of the labour supply despite the high level of inflation which stood at 6.1%.

Economic growth is projected to ease to 3.7% in 2023 and stabilise at 3.6% in both 2024 and 2025. Net exports are expected to be the main contributor to growth in 2023 reflecting the projected decrease in imports (following the upsurge of investment equipment in 2022) as well as the growth in exports. The rate of growth in government consumption expenditure is also projected to increase, to 4.2% from 2.4% in 2022, and stabilise near the 4% level in 2024 and 2025. On the other hand, the rate of growth in private consumption expenditure is anticipated to slow to 4.3% from 9.8% in 2022 and remain close to the 4% level in both 2024 and 2025. This slowdown reflects the normalisation of consumer demand following the strong post-pandemic recovery, as well as slower growth in real disposable income due to high inflation. The latter is projected to ease to 5.9% in 2023 and drop further to 3.1% and 2.3% in 2024 and 2025 respectively. In parallel, however, the unemployment rate is projected to remain very low and only increase marginally to 3.1% by 2025.

Despite the upsurge in inflation, pandemic-related savings are expected to remain a catalyst to private consumption. Nevertheless, the saving ratio is envisaged to retreat from 28.8% in 2022 to 26.1% in 2025 which would be close to the level prior to the outbreak of the pandemic.

Investment is projected to decline by 21.9% in 2023 before registering a growth of 1.5% in 2024 and 2.7% in 2025. Private investment is expected to contract by around 26% in 2023, mostly reflecting the extraordinary outlays in the aviation sector in 2022. Furthermore, both residential and non-residential construction are projected to contract in 2022 reflecting a softening in sentiment across this sector. Growth in private investment is projected to stand at 3.5% and 3.1% for 2024 and 2025 respectively.

After dropping by around 8.5% in 2022, government investment is projected to grow by 4.3% in 2023, decline by 7.2% in 2024, and grow again by 0.8% in 2025. These dynamics are partly driven by the expected take up of EU funds, notably the full absorption of funds from the 2014-2020 financing framework by 2023, and the increased take up of the Recovery and Resilience Facility grants in 2023 and 2024. Furthermore, domestically funded investment is set to be lower than the level reached in 2022.

The general government deficit is projected to decline gradually to 3.3% by 2025 from 5.8% in 2022, driven by a declining share of expenditure in GDP mainly due to the profile of inflation-mitigation measures. On the other hand, the general government debt-to-GDP ratio is expected to increase to 54.8% by 2025 from 53.2% in 2022, due to the expected level of primary deficits which are projected to offset the debt-decreasing impact of the interest-growth differential.

7.2 HOSPITALITY[8]

In 2022, the number of inbound tourists increased considerably by 136.19% over 2021, reaching 2,286,597 (2021: 968,136 visitors), but still remained almost 17% below 2019 pre-pandemic level (2019: 2,753,239 inbound tourists). In absolute terms, tourists visiting Malta for leisure purposes accounted for most of the year-on-year increase in arrivals although the number of visitors with business and other motives also increased.

The total number of guest nights that tourists spent in Malta during 2022 increased to 16.61 million from 8.39 million a year earlier (+97.96%), but 14.12% less than the level recorded in 2019 (19.34 million guest nights). Guest nights at collective

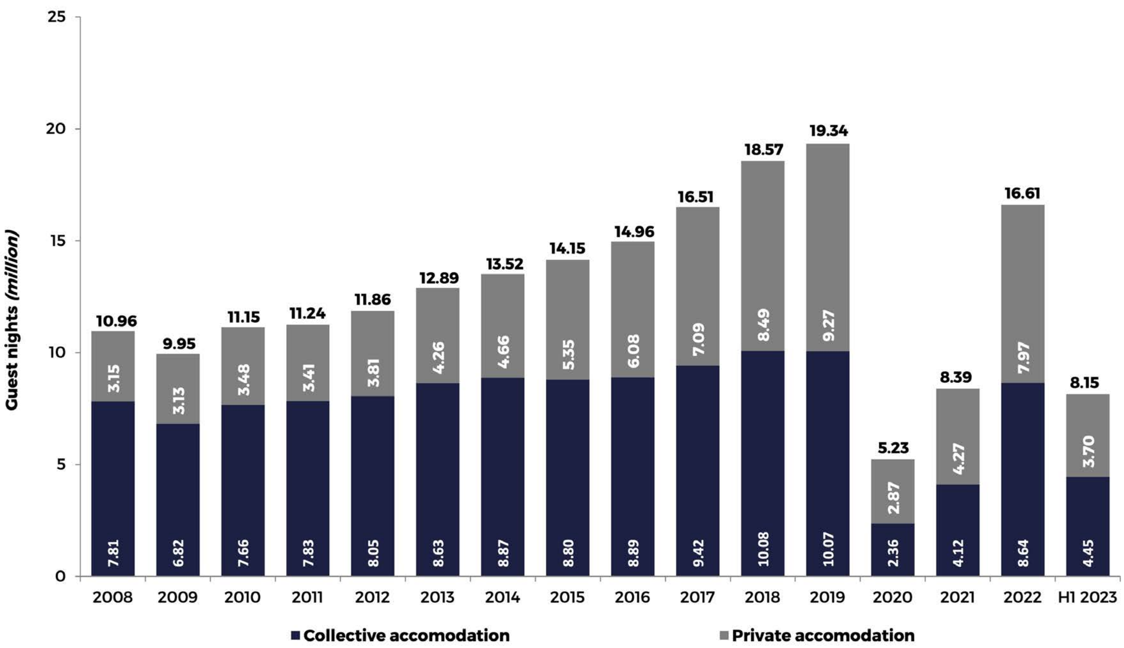
[7] Central Bank of Malta – 'Outlook for the Maltese Economy', 24 August 2023.
[8] National Statistics Office Malta.

accommodation made up 52.02% of the aggregate (2021: 49.06%), while rented accommodation (other than collective accommodation) held a near 48% market share (2021: 50.94%).

The total occupancy rate in collective accommodation establishments during 2022 rose to 53.3%, from 33.2% a year earlier. However, it remained below that recorded in 2019, when it had reached 65.7%. All categories reported increases in their occupancy rates over 2021, with the 2-star category registering the largest increase – of 24.3 percentage points. This was followed by a rise of 23.0 percentage points in the 4-star category. Meanwhile, the smallest increase – of 13.6 percentage points – was registered in the 'other' collective accommodation category. Occupancy rates remained below those prevailing before the pandemic, with the most significant gap recorded among 5-star hotels, while in 2-star establishments the rate has almost converged to that prevailing then.

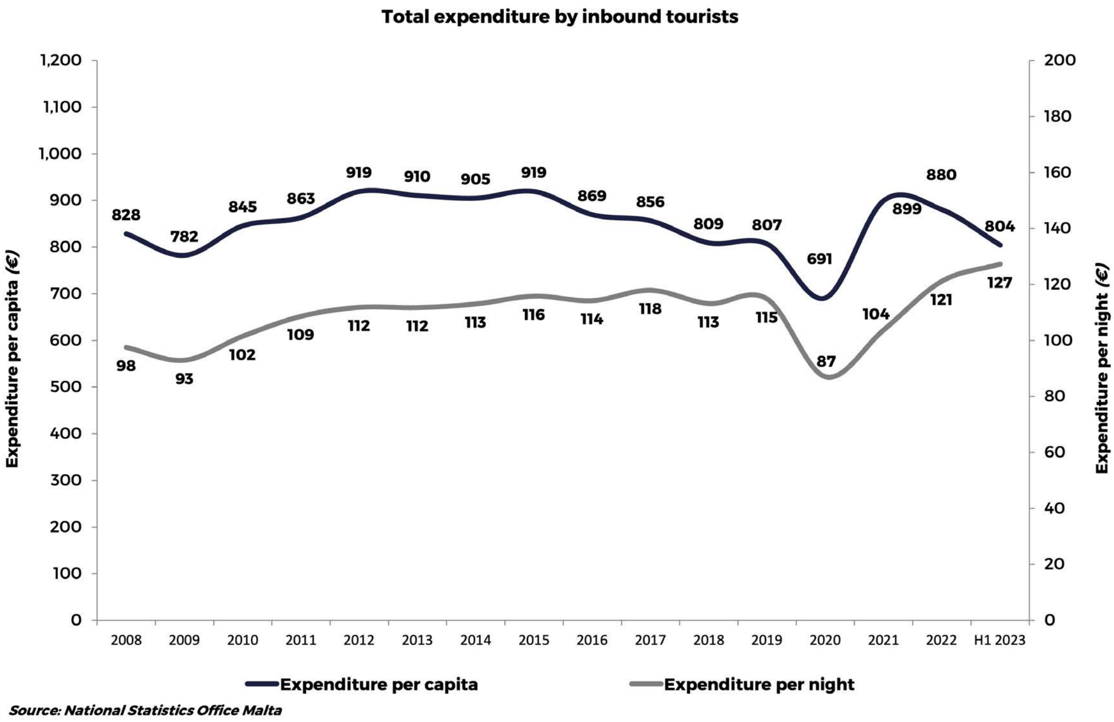
Tourist expenditure in Malta more than doubled in 2022 to €2,012.54 million compared to the prior year (2021: €870.71 million). Total spending was just 9.37% below the level registered in the corresponding period of 2019. Expenditure per capita decreased by 2.11% from €899 in 2021 to €880 in 2022 (2019: €807), while average length of stay also decreased from 8.7 nights in 2021 to 7.3 nights in 2022 (2019: 7.0 nights).

Total nights spent by inbound tourists by type of accommodation



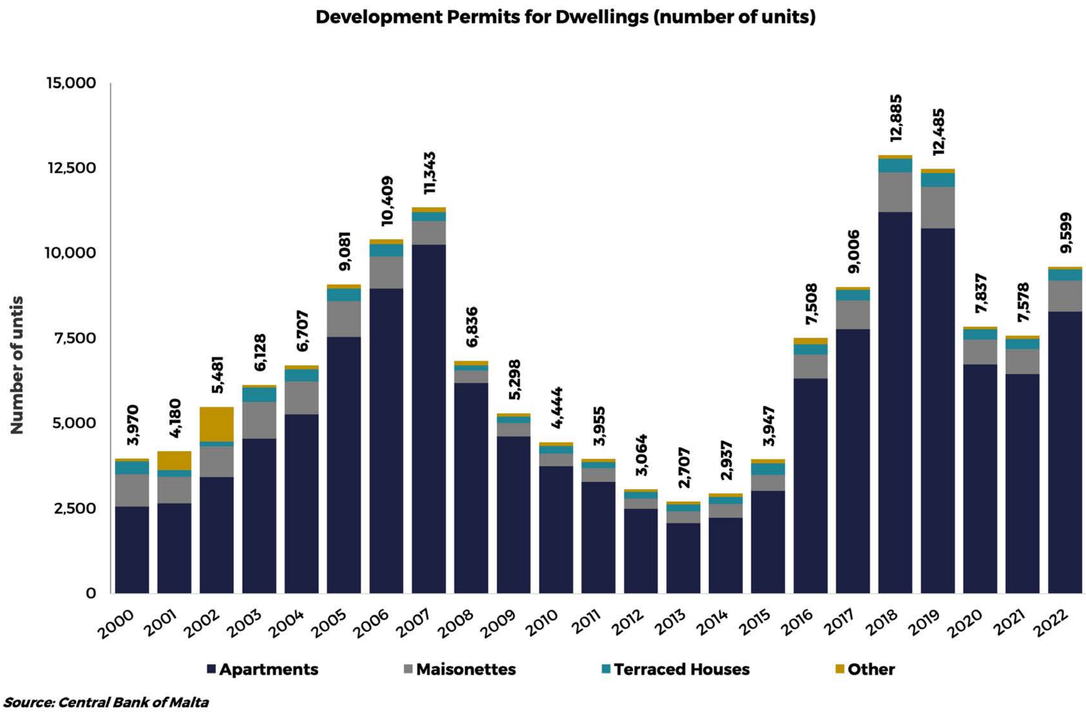
Source: National Statistics Office Malta

In the first half the 2023, inbound tourists amounted to 1,289,292 – an increase of 43.82% over the same period in 2022. Total nights spent by inbound tourists went up by 35.91% to 8.15 million nights compared to 5.99 million nights in the first half of 2022. Furthermore, total tourist expenditure was estimated at €1,036.8 million – 48.8% higher than that recorded for the corresponding period in 2022. Total expenditure per capita also increased to €804 from €777 in H1 2022, whilst the expenditure per night stood at €127.



7.3 PROPERTY MARKET

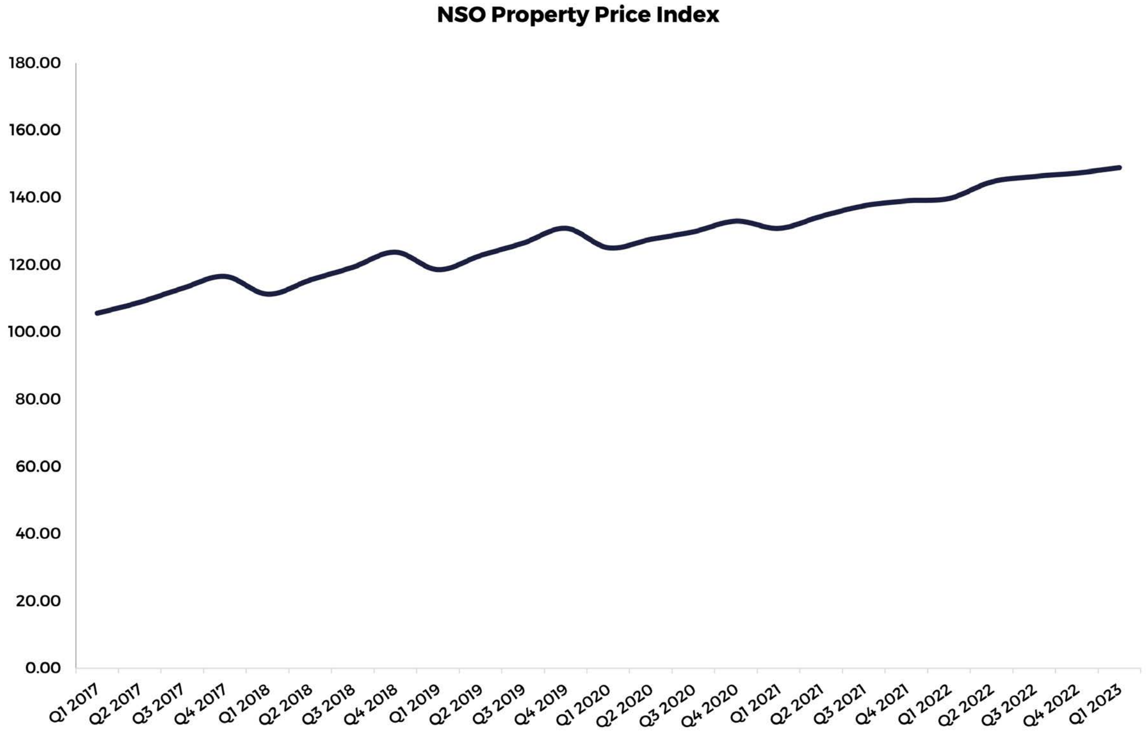
Data provided by the Central Bank of Malta show that the number of residential building permits issued in 2022 amounted to 1,271 permits (2021: 1,633 permits) for the development of 9,599 residential units (2021: 7,578 residential units). As shown in the below chart, the number of units in 2022 (9,599) reflects a decrease of 26% from the all-time high of 12,885 units in 2018.



The NSO's Property Price Index – which is based on actual transactions involving apartments, maisonettes, and terraced houses – continued to show increases in property prices in Malta in Q1 2023. Indeed, the annual rate of change stood at 6.59%, whilst quarter-on-quarter property prices increased by 1.12%. The strongest year-on-year increase was registered for apartments which increased in prices by 6.83%, followed by maisonettes which increased by just under 5.10%.[9]

Residential property prices continue to be supported by a number of factors, including the Government schemes supporting demand for property, such as the first-time and second-time buyers' schemes, the purchase of properties located in Urban Conservation Areas, purchases of property in Gozo, as well as refund schemes for restoration expenses.

The recovery of tourism and normalisation of migrant workers flows from pandemic lows may have also shored up demand for property and contributed to the recent increase in property prices.[10]



Additional data provided by the National Statistics Office shows that between January and July 2023, the total number of final deeds of sale relating to residential property amounted to 7,130 – a decline of 13.49% compared to the previous corresponding period. In 2022, a total of 14,331 deeds of sale were executed compared to 14,368 in 2021 and 11,057 in 2020 (+30%).

The value of deeds completed between January and July 2023 amounted to just under €1,845 million, representing a drop of just 1.85% compared to the same period in 2022. In 2022, the total value of deeds that were executed amounted to €3,294.2 million compared to €3,162 million in 2021 and €2,126.6 million in 2020.[11]

7.4 LONG-TERM CARE

Demand for long-term care in Malta is expected to progressively rise in the coming years as the population ages. The total population of Malta and Gozo at the end of 2022 was estimated at 542,051, an increase of 28% over a 10-year period.[12] Furthermore, the number of persons aged over 60 years was estimated at 125,660, representing around 23% of the total population, and these are projected to increase further over the next 50 years.

Long-term care systems available to elderly persons comprise: (i) informal care through the support of own family; (ii) community care services aimed at enabling the elderly to continue living at home and/or in the community; (iii) long-term care services in state-run institutions; and (iii) long-term care services in facilities operated by the Church and the private sector.

As a result of the projected growth in elderly persons relative to the population, it is envisaged that the demand for care and support services provided to this category of the population will continue to gain importance and further develop in the foreseeable future.

[9] National Statistics Office

[10] Central Bank of Malta Quarterly Review (2023 Vol. 56 No. 1; page 43).

[11] National Statistics Office.

[12] National Statistics Office.

8. CONSOLIDATED FINANCIAL INFORMATION

The following financial information is extracted from the audited consolidated annual financial statements of AX Group for the financial years ended 31 October 2020, 31 October 2021, and 31 October 2022.

The projected information is based on future events and assumptions which AX Group 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.

Moreover, the estimates for the projected financial years assume that the carrying values of the Group's hotels and investment properties will not be revalued upwards or impaired, and therefore no adjustment has been made as to possible uplifts or impairments in value of assets which can materially affect the values in the consolidated income statement and the statement of financial position.

AX Group p.l.c.					
Segment of Total Comprehensive Income					
for the financial year 31 October	**2020**	**2021**	**2022**	**2023**	**2024**
	Actual	**Actual**	**Actual**	**Forecast**	**Projection**
	€'000	**€'000**	**€'000**	**€'000**	**€'000**
Revenue	29,056	35,806	38,443	50,695	102,933
Net operating expenses	(26,436)	(26,026)	(31,233)	(40,959)	(73,293)
EBITDA	**2,620**	**6,779**	**7,220**	**9,736**	**29,640**
Depriciation	**(7,087)**	**(6,815)**	**(6,916)**	**(7,352)**	**(7,576)**
Adjusted operating profit / (loss)	**(4,467)**	**(35)**	**304**	**2,384**	**22,064**
Investment property revaluation	-	4,965	1,669	-	-
Operating profit / (loss)	**(4,467)**	**4,929**	**1,974**	**2,384**	**22,064**
Share of results of associates and joint venture	(321)	541	849	(127)	892
Net finance costs	(3,442)	(4,016)	(4,125)	(5,246)	(8,737)
Profit / (loss) before tax	**(8,230)**	**1,455**	**(1,303)**	**(2,989)**	**14,219**
Taxation	340	473	1,054	(341)	(4,561)
Profit / (loss) after tax	(7,890)	1,928	(249)	(3,330)	9,657
Other comprehensive income					
Gain / (loss) on property revaluation	(14,922)	16,589	(3,587)	-	-
Taxation	1,532	1,581	2,055	-	-
	(13,390)	**18,170**	**(1,532)**	-	-
Total comprehensive income / (expense)	**(21,280)**	**20,098**	**(1,781)**	**(3,330)**	**9,657**

Key Financial Ratios	FY2020 Actual	FY2021 Actual	FY2022 Actual	FY2023 Forecast	FY2024 Projection
EBITDA margin *(%)* *(EBITDA / revenue)*	9.02	18.93	18.78	19.20	28.80
Operating profit margin *(%)* *(Adjusted operating profit / revenue)*	(15.37)	(0.10)	0.79	4.70	21.44
Net profit margin (*%)* *(Profit after tax / revenue)*	(27.15)	5.39	(0.65)	(6.57)	9.38
Return on equity *(%)* *(Profit after tax / average equity)*	(3.46)	0.85	(0.10)	(1.36)	3.91
Return on assets (%) *(Profit after tax / avrage assets)*	(2.25)	0.53	(0.06)	(0.75)	2.07
Return on invested capital (%) (*Adjusted operating profit / average equity and net debt*)	(1.53)	(0.01)	0.09	0.62	5.36
Interest cover *(times)* *(EBITDA / net finance costs*)	0.76	1.69	1.75	1.86	3.39

In **FY2020**, total revenues decreased by €23.16 million to €29.06 million (FY2019: €52.22 million) reflecting the adverse impact of the COVID-19 pandemic on the Group's hospitality, entertainment, and leisure operations. In contrast, revenue generated from construction increased by €1.18 million to €6.04 million (FY2019: €4.86 million) whilst the Group also generated €0.75 million from the sale of property (FY2019: nil). Income from the healthcare division was broadly unchanged at €5.88 million when compared to the prior financial year (€5.68 million).

As a result of the sharp contraction in tourism and leisure activity, EBITDA decreased by €14.02 million to €2.62 million (FY2019: €16.64 million). After accounting for depreciation charges of €7.09 million (FY2019: €6.58 million), net finance costs of €3.44 million (FY2019: €3.00 million) and the share of loss of €0.32 million from associates and joint venture, the Group registered a loss before tax of €8.23 million compared to a profit of €6.39 million in FY2019.

The loss after tax amounted to €7.89 million compared to a profit of €4.56 million in FY2019. During FY2020, the Group reversed €14.92 million of revaluation surplus on land and buildings (net of deferred tax amounted to €13.39 million). Thus, the total comprehensive expense in FY2020 amounted to €21.28 million compared to a total comprehensive income of €21.84 million in FY2019.

In FY2020, the EBITDA margin declined to 9.02% (FY2019: 31.86%) whilst the interest cover stood at 0.76 times compared to 5.55 times in FY2019.

In **FY2021**, total revenues rebounded by 23.23% (or +€6.75 million) to €35.81 million primarily on the back of the income generated from the sale of the residential units at Targa Gap Complex and Falcon House.

Malta's rapid vaccination programme launched in May 2021 led to the gradual easing of a number of COVID-19 related restrictions which benefitted the operations of the Group's hospitality division. As a result, this segment experienced a steady improvement in performance particularly during the summer months. Nonetheless, revenue generated from hospitality for the full year decreased by just under €1.0 million to €14.38 million compared to €15.38 million in FY2020.

Group EBITDA improved considerably and amounted to €6.78 million which translated into a margin of 18.93%. Furthermore, although net finance costs increased by 16.68% to €4.02 million, in view of the upsurge in EBITDA, the interest cover improved to 1.69 times. Meanwhile, as the Group recorded an uplift of €4.97 million in the fair value of its investment property, coupled with the contribution of €0.54 million from associates and joint venture, AX Group reported a pre-tax profit of €1.46 million and a net profit €1.93 million. The total comprehensive income for the year amounted to €20.10 million and was boosted by gains of €16.59 million on property revaluations.

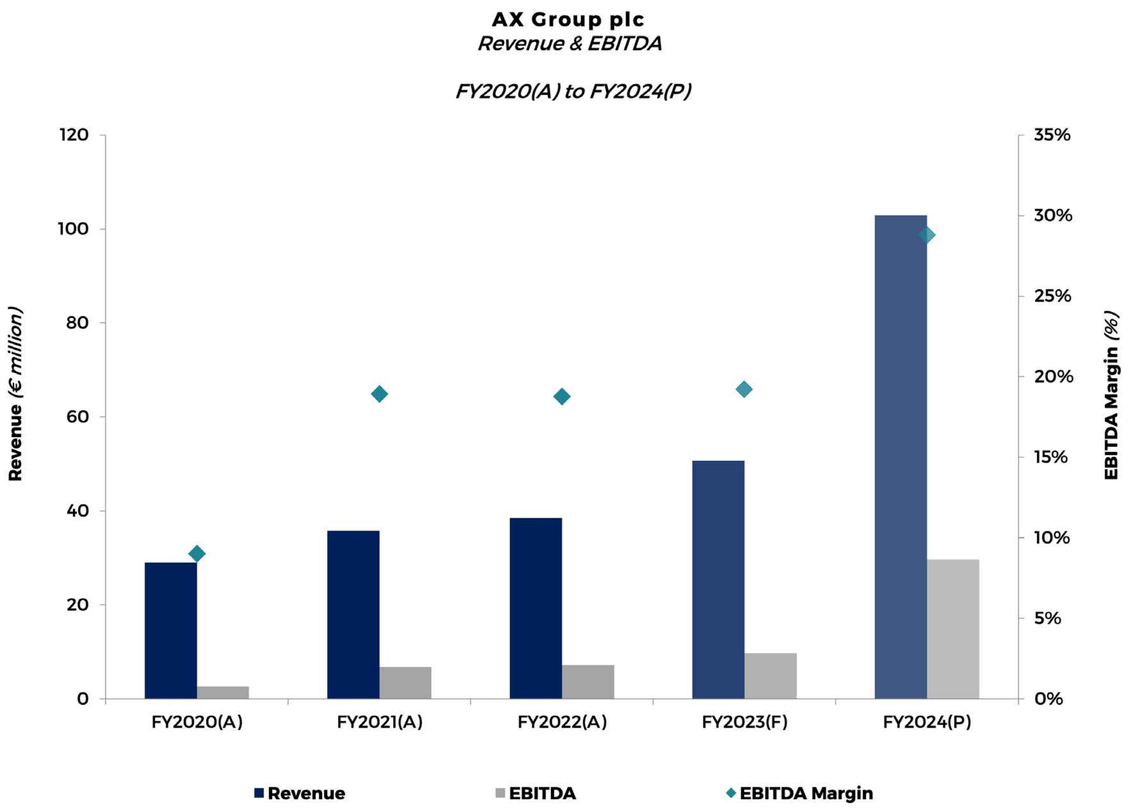
In **FY2022**, total revenues increased by 7.36% to €38.44 million largely reflecting the encouraging rebound in tourism throughout the year despite the sharp rise in the number of cases related to the Omicron variant which peaked in late 2021 and early 2022. Indeed, revenues from the hospitality division surged by 58.48% to €22.79 million. Furthermore, the Group recorded higher revenues from its healthcare and construction divisions to €6.14 million (FY2021: €5.68 million) and €7.03 million (FY2021: €6.47 million) respectively. In contrast, the real estate and property rentals division recorded a considerable drop in revenues to €2.31 million (FY2021: €8.89 million) in view of the material one-time property sales accounted for in the 2021 financial year.

The EBITDA of €7.22 million translated into a margin of 18.78% whilst the interest cover improved to 1.75 times. Nonetheless, the Group still recorded a pre-tax loss of €1.30 million as the increase in EBITDA and the higher contribution from associates and joint venture which amounted to €0.85 million were dented by the marginal increase in depreciation charges to €4.13 million and the lower amount of fair value gains when compared to the prior year. Overall, AX Group posted a net loss of €0.25 million and a total comprehensive expense of €1.78 million.

For **FY2023**, AX Group is now anticipating total revenues to increase by 31.87% to €50.70 million (April Analysis: €55.00 million) reflecting the further recovery in tourism as well as the circa five-month contribution from Odycy Hotel which reopened for business in late May 2023. Moreover, despite the adverse impact of high inflation on costs and operating efficiencies, AX Group is expecting EBITDA to grow by 34.85% to €9.74 million (April Analysis: €11.55 million), thus leading to an improved EBITDA margin of 19.20% when compared to FY2022. Likewise, the Group is forecasting a material increase in adjusted operating profit to €2.38 million (April Analysis: €3.06 million) compared to just €0.30 million in FY2022.

Despite the strong rebound in business activity, the Group is forecasting a loss before tax of €2.99 million (April Analysis: €1.93 million). The improvement in operational performance is expected to be undermined by the higher level of depreciation charges (+6.30% to €7.35 million) reflecting the significant capital expenditure on Odycy Hotel, as well as the 27.18% increase in net finance costs to €5.25 million. However, in view of the stronger increase in EBITDA, the interest cover is anticipated to increase to 1.86 times. Overall, AX Group is projecting a net loss for the year of €3.33 million (April Analysis €2.70 million).

For the **2024** financial year, AX Group is anticipating revenues to more than double to €102.93 million, on the back of the full twelve-month contribution from Odycy Hotel, the further strengthening of the performance of the Group's other hotel properties, as well as the income from the sale of the first residential units at the Verdala Terraces. In fact, the hospitality division is projected to generate €49.42 million in revenues (revised forecast for FY2023: €36.58 million) whilst the real estate and property rentals division is anticipating total income of €38.80 million (revised forecast for FY2023: €1.73 million). Meanwhile, the two other principal segments of the Group, namely construction and healthcare, are also projecting an improved performance with a combined contribution of €14.26 million compared to the forecasted figure of €10.85 million for the 2023 financial year.



In view of the remarkable increase in revenues, EBITDA is anticipated to surge to €29.64 million which would translate into a margin of 28.80%. Likewise, interest cover is projected to rise to 3.39 times despite the notable increase in net finance costs to €8.74 million. Meanwhile, the estimated operating profit of €22.06 million would translate into a margin of 21.44% (revised FY2023 forecast: 4.70%) and a return on invested capital of 5.36% (revised FY2023 forecast: 0.62%).

After accounting for the share of results of associates and joint venture amounting to €0.89 million and tax charges of €4.56 million, AX Group is projecting a net profit and total comprehensive income of €9.66 million for the 2024 financial year. This would translate into a return on equity of 3.91% and a return on assets of 2.07%.

AX Group p.l.c.					
Statement of Cash Flows					
for the financial year 31 October	**2020**	**2021**	**2022**	**2023**	**2024**
	Actual	**Actual**	**Actual**	**Forecast**	**Projection**
	€'000	**€'000**	**€'000**	**€'000**	**€'000**
Net cash from / (used in) operating activities	(588)	2,959	(4,489)	6,166	39,478
Net cash from / (used in) investing activities	(20,653)	(6,725)	(32,363)	(65,769)	(32,544)
Net cash from / (used in) financing activities	19,500	7,644	42,719	52,475	(11,033)
Net movement in cash and cash equivalents	**(1,741)**	**3,878**	**5,867**	**(7,128)**	**(4,099)**
Cash and cash equivalents at beginning of year	1,575	(166)	3,712	9,579	2,450
Cash and cash equivalents at end of year	**(166)**	**3,712**	**9,579**	**2,450**	**(1,648)**
Investing activities:					
Purchase of PPE	4,312	4,910	31,326	46,264	892
Acquisition of investment property	16,342	1,815	1,036	6,114	(8,737)
Inventory - Verdala Terraces	-	-	-	13,391	20,247
Free cash flow	(21,241)	(3,766)	(36,852)	(59,603)	6,934

In **FY2021**, net cash from operating activities amounted to €2.96 million compared to a negative €0.59 million in the prior year, on account of an increase in operational activities particularly from the real estate and property rentals division. Furthermore, the Group's cash flows benefitted from lower outflows related to investing activities (€6.73 million compared to €20.65 million in FY2020) albeit AX Group only raised €7.64 million in relation to its financing activities compared to €19.50 million in the prior year. Overall, the Group's cash position improved from negative €0.17 million as at the end of FY2020 to a positive balance of €3.71 million as at 31 October 2021.

In **FY2022**, the Group used €4.49 million in cash flows for its operating activities largely reflecting the material negative movement in inventories which offset the favourable movement in trade and other payables. However, as AX Group raised €42.72 million from its financing activities which outweighed the outflows of €32.36 million in relation to its investing activities, the Group ended the 2022 financial year with a higher cash balance of €9.58 million.

For **FY2023**, AX Group is now forecasting an aggregate negative movement in cash and cash equivalents of €7.13 million (FY2022: positive €5.87 million) as the substantial amount of cash to be used in investing activities (€65.77 million) largely relating to the Qawra and Verdala projects is expected to outweigh the inflows from operating activities (€6.17 million) and financing activities (€52.48 million). As a result, the Group is anticipating ending the 2023 financial year with a cash balance of €2.45 million which is expected to drop further to negative €1.65 million by the end of **FY2024**. Indeed, despite the material projected increase in cash generated from operating activities in FY2024 to €39.48 million, the Group's cash flows are anticipated to be adversely impacted by the combined negative cash movements of €43.58 million in relation to its investing and financing activities.

AX Group p.l.c.					
Statement of Financial Position					
for the financial year 31 October	**2020**	**2021**	**2022**	**2023**	**2024**
	Actual	**Actual**	**Actual**	**Forecast**	**Projection**
	€'000	**€'000**	**€'000**	**€'000**	**€'000**
ASSETS					
Non-current assets					
Property, plant & equipment	250,055	268,546	281,437	327,157	331,769
Investment property	75,646	48,446	57,887	61,625	62,733
Inventories	-	23,195	37,023	48,617	45,862
Investments in associates, joint venture, & other non-current assets	6,512	9,132	10,014	10,381	10,423
	332,213	**349,319**	**386,361**	**447,780**	**450,788**
Current assets					
Inventories	4,968	3,510	3,506	3,674	3,733
Trade & other current assets	9,289	11,072	19,011	12,335	12,968
Investment property held for sale	-	4,286	-	-	-
Cash at bank and in hand	2,187	5,912	13,881	2,450	-
	16,444	**24,780**	**36,398**	**18,459**	**16,701**
Total assets	**348,657**	**374,099**	**422,759**	**466,240**	**467,489**
EQUITY					
Share capital	1,165	1,165	1,165	1,165	1,165
Reserves	186,507	210,041	209,429	209,429	209,429
Retained earnings	28,765	25,224	24,317	19,548	27,684
Non-controlling interest	1,012	713	13,312	13,040	13,065
	217,449	**237,143**	**248,223**	**243,181**	**251,342**
LIABILITIES					
Non-current liabilities					
Debt securities	63,857	63,956	82,424	84,615	84,783
Bank borrowings	7,192	14,939	27,126	77,523	63,577
Trade & other payables	13,903	13,300	13,039	12,384	11,339
Deferred tax liabilities	24,695	22,286	19,745	19,745	19,745
	109,647	**114,481**	**142,334**	**194,267**	**179,443**
Current liabilities					
Debt securities	2,320	2,317	2,798	1,304	1,304
Bank borrowings	5,376	6,474	7,976	6,208	11,266
Trade & other payables	13,865	13,685	21,428	21,280	24,134
	21,561	**22,476**	**32,202**	**28,792**	**36,704**
Total liabilities	**131,208**	**136,957**	**174,537**	**223,058**	**216,147**
Total equity and liabilities	**348,657**	**374,099**	**422,759**	**466,240**	**467,489**
Total debt	*78,745*	*87,686*	*120,324*	*169,650*	*160,930*

Net debt	*76,558*	*81,774*	*106,443*	*167,199*	*160,930*
Invested capital (total equity plus net debt)	*294,007*	*318,917*	*354,666*	*410,381*	*412,272*

Key Financial Ratios	**FY2020 Actual**	**FY2021 Actual**	**FY2022 Actual**	**FY2023 Forecast**	**FY2024 Projection**
Net debt-to-EBITDA (times) *(Net debt / EBITDA)*	29.22	12.06	14.74	17.17	5.43
Net debt-to-equity (times) *(Net debt / total equity)*	0.35	0.34	0.43	0.69	0.64
Net gearing (%) *(Net debt / net debt and total equity)*	26.04	25.64	30.01	40.74	39.03
Debt-to-asset (times) *(Total debt / total assets)*	0.23	0.23	0.28	0.36	0.34
Leverage (times) *(Total assets / total equity)*	1.60	1.58	1.70	1.92	1.86
Current ratio (times) *(Current assets / current liabilities)*	0.76	1.10	1.13	0.64	0.46

Total assets stood at €374.10 million as at 31 October **2021**, of which €346.49 million comprised property assets as described in Section 4 – 'Principal Property Assets' of this Analysis. During the year, the net carrying value of properties was increased by €21.6 million compared to the impairment charge of €14.9 million that was accounted for in FY2020. The portion of the Verdala site that is currently being redeveloped into the Verdala Terraces was reclassified from investment property to non-current inventories.

Elsewhere, trade and other current assets increased from €9.29 million as at 31 October 2020 to €11.07 million due to an increase in operating activities within the hospitality division as well as an increase in accrued income emanating from the construction division. Investment property held for sale amounted to €4.29 million and related to the previous head office of the Group situated in Lija (AX House).

Total liabilities increased by €5.75 million to €136.96 million in FY2021 compared to the balance of €131.21 million as at 31 October 2020. During the year, bank borrowings increased by €8.85 million to €21.41 million (31 October 2020: €12.57 million) while deferred tax liabilities decreased by €2.41 million to €22.29 million due to an increase in deferred tax assets on unutilised capital allowances and tax losses which were partly offset by an increase in deferred tax liabilities on revaluation of properties.

All the principal debt ratios remained virtually unchanged year-on-year, except for the net debt-to-EBITDA multiple which dropped to 12.06 times (FY2020: 29.22 times) reflecting the partial rebound from the material negative impact of the COVID-19 pandemic on the Group's profitability. On the other hand, the current ratio improved from 0.76 times in FY2020 to 1.10 times in FY2021 on account of an increase in trade receivables and cash balances.

Total equity stood at €237.14 million as at 31 October 2021 compared to €217.45 million as at the end of FY2020. The year-on-year increase was principally due to the material gain on property revaluation recorded throughout the year which positively impacted the total comprehensive income of the Group.

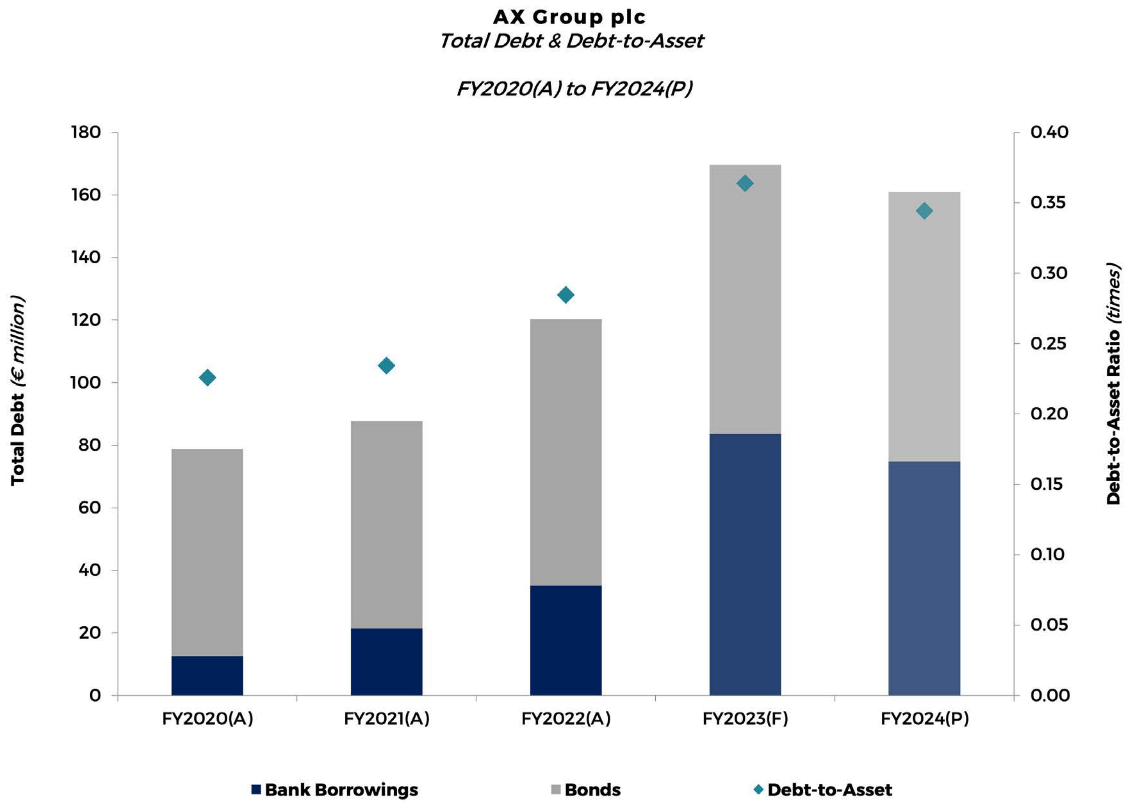
During **FY2022**, total assets increased by 13.01% to €422.76 million largely reflecting higher levels of property, plant, and equipment ("**PPE**") (+4.80% to €281.44 million); investment property (+19.49% to €57.89 million); inventories (+59.62% to €37.02 million); and trade and other current assets (+71.70% to €19.01 million). During the year, the Group continued with the execution of two major projects – i.e., Qawra Project Phase 1 and the Verdala Project – and also pursued the renovation of Palazzo Lucia apart from concluding the acquisition of La Ferla building in Sliema.

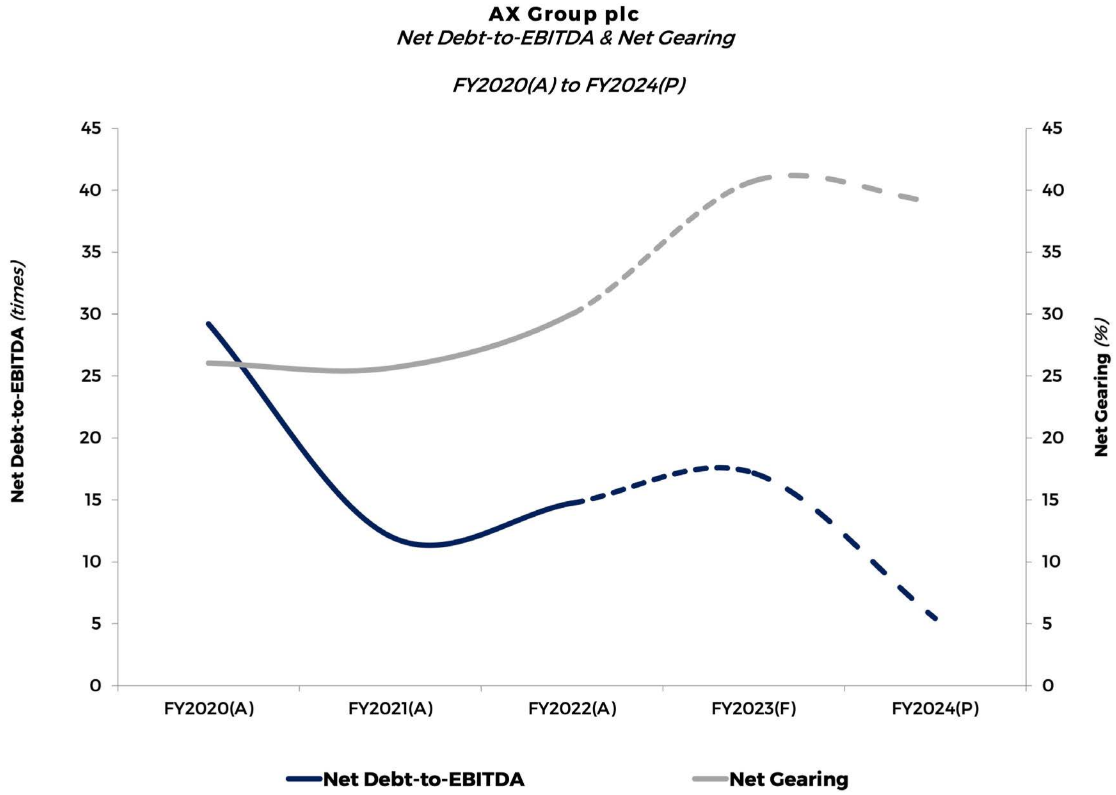
Total liabilities also increased markedly to €174.54 million mainly on the back of the higher level of debt which grew by 37.22% (or +€32.64 million) to €120.32 million (31 October 2021: €87.69 million). Despite the further expansion in the Group's equity base to €248.22 million (+4.67%), the net gearing ratio climbed to just over 30% whilst the net debt-to-equity and debt-to-asset ratios increased to 0.43 times and 0.28 times respectively from 0.34 times and 0.23 times as at the end of FY2021. Furthermore, the net debt-to-EBITDA multiple rose to 14.74 times despite the 6.51% increase in EBITDA generated during the year.

Total assets are expected to increase by 10.29% to €466.24 million during the current financial year ending 31 October **2023**, reflected by the forecasted year-on-year increase in the value of PPE, investment property, and inventories which will outweigh the drop in the value of cash and trade and other current assets.

Total liabilities are estimated to increase by 27.80% to €223.06 million, reflecting the higher level of debt (+€49.33 million to €169.65 million) taken on for the purpose of supporting the Group's investments in Odycy Hotel and the Verdala project. Coupled with the forecasted 2.03% drop in equity to €243.18 million, all the Group's credit ratios are anticipated to deteriorate including the net debt-to-EBITDA multiple which is expected to increase to 17.17 times.

FY2024 is projected to be a year of consolidation for the Group reflecting the full twelve-month contribution from Odycy Hotel as well as the proceeds from the initial sale of some of the units within Verdala Terraces. As such, the Group is estimating marginal movements in total assets (+0.27% to €467.49 million) and total liabilities (-3.10% to €216.15 million), with the latter largely reflecting the projected contraction in total debt to €160.93 million. Coupled with the anticipated strengthening of the Group's equity base to €251.34 million (reflecting the projected profits to the registered by the Group), all the Group's debt ratios are projected to improve. In fact, the net gearing ratio is estimated to decline to just above 39% from the forecasted level of 40.74% as at the end of FY2023, whilst the debt-to-asset ratio is anticipated to ease slightly to 0.34 times (31 October 2023 forecast: 0.36 times). Nonetheless, the sharpest year-on-year change is projected to be in the net debt-to-EBITDA multiple whereby this is expected to fall considerably to 5.43 times on the back of the improved financial position of the Group as well as the boost in profitability resulting from the full year contribution from Odycy Hotel and the profits to be made on the sale of some of the units forming part of Verdala Terraces.



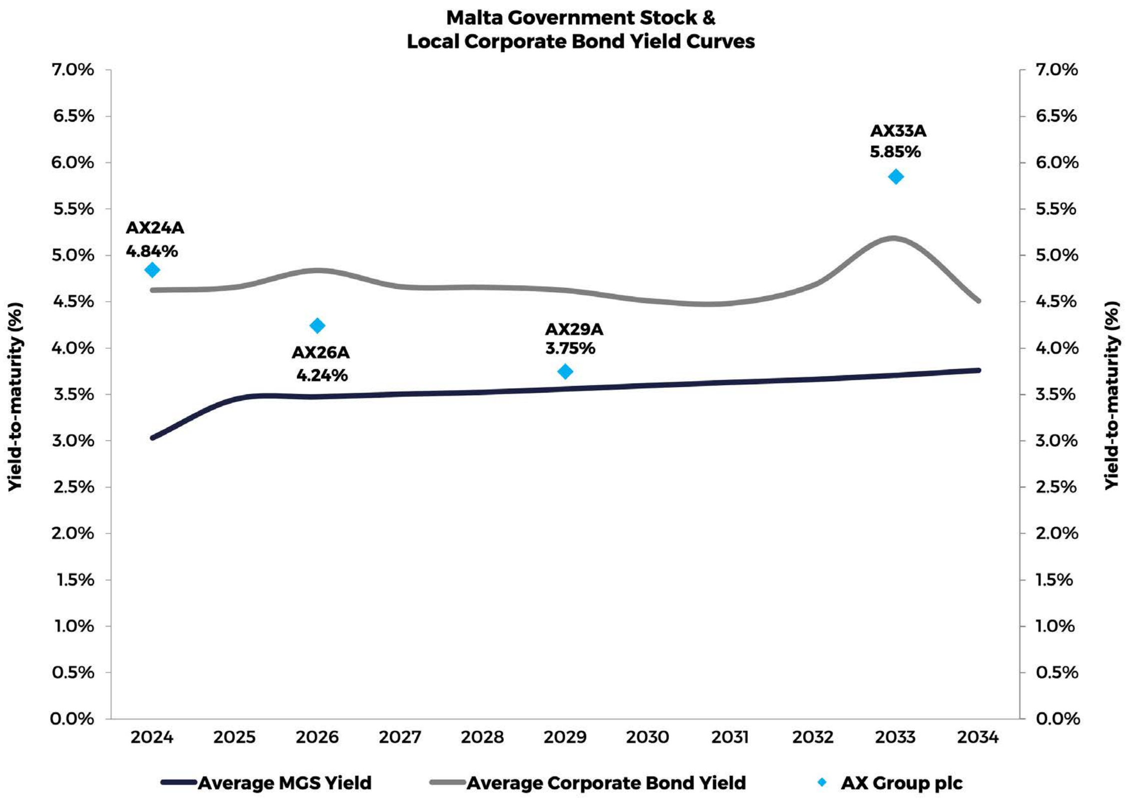


9. LISTED SECURITIES

Security ISIN	Shares in Issue	Listing Date	Symbol Code	Security
MT0002670100	97,193,600	15/02/2022	AXR	AX Real Estate plc Ordinary Shares 'A'
Security ISIN	**Outstanding Amount in Issue**		**Symbol Code**	**Security**
MT0000081233	€40,000,000	17/03/2014	AX24A	6.00% AX Investments plc Unsecured Bonds 2024
MT0002361203	€15,000,000	19/12/2019	AX26A	3.25% AX Group plc Unsecured Bonds 2026 Series I
MT0002361211	€10,000,000	19/12/2019	AX29A	3.75% AX Group plc Unsecured Bonds 2029 Series II
MT0002571215	€40,000,000	15/02/2022	AX32A	3.50% AX Real Estate plc Unsecured Bonds 2032
	€105,000,000			

PART 3 – COMPARATIVE ANALYSIS

The table overleaf provides a comparison between the Group 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 AX Group 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 strength and creditworthiness of the Group.



The **6.00% AX Investments plc unsecured and guaranteed bonds 2024** had a yield-to-maturity ("**YTM**") of 4.84% as at 31 August 2023, which was 22 basis points higher than the average YTM of 4.62% of other local corporate bonds maturing in the same year. The premium over the corresponding Malta Government Stock yield of equivalent maturity stood at 181 basis points.

The **3.25% AX Group plc unsecured bonds 2026 Series I** had a YTM of 4.24% as at 31 August 2023, which was 60 basis points lower than the average YTM of 4.84% of other local corporate bonds maturing in the same year. The premium over the corresponding Malta Government Stock yield of equivalent maturity stood at 77 basis points.

The **3.75% AX Group plc unsecured bonds 2029 Series II** had a YTM of 3.75% as at 31 August 2023, which was 88 basis points lower than the average YTM of 4.62% of other local corporate bonds maturing in the same year. The premium over the corresponding Malta Government Stock yield of equivalent maturity stood at 19 basis points.

The new **5.85% AX Group plc unsecured bonds 2033** have been priced at 67 basis points above the average YTM of 5.18% of other local corporate bonds maturing in the same year. The premium over the corresponding Malta Government Stock yield of equivalent maturity as at 31 August 2023 is 214 basis points.

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	4.84	1.75	14.74	30.01	0.28
6.00% International Hotel Investments plc Unsecured 2024	35,000	3.73	1.87	11.42	41.92	0.40
5.30% Mariner Finance plc Unsecured 2024	17,684	5.29	4.72	5.95	49.91	0.49
5.00% Hal Mann Vella Group plc Secured 2024	30,000	4.88	2.42	9.45	51.80	0.44
5.10% 1923 Investments plc Unsecured 2024	36,000	5.07	4.81	2.94	47.79	0.40
4.25% Best Deal Properties Holding plc Secured & Guaranteed 2024	6,365	3.58	13.29	4.71	63.61	0.65
5.75% International Hotel Investments plc Unsecured 2025	45,000	5.10	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	4.49	1.80	12.53	45.87	0.46
3.70% Gap Group plc Secured & Guaranteed 2023/2025	12,308	3.69	33.21	4.85	56.20	0.69
4.35% Hudson Malta plc Unsecured & Guaranteed 2026	12,000	4.34	6.11	4.89	71.67	0.57
4.25% CPHCL Finance plc Unsecured & Guaranteed 2026	40,000	4.24	1.66	12.42	42.45	0.40
4.00% International Hotel Investments plc Secured 2026	55,000	4.18	1.87	11.42	41.92	0.40
5.00% Dizz Finance plc Unsecured & Guaranteed 2026	8,000	4.78	1.91	10.70	79.93	0.59
3.75% Premier Capital plc Unsecured 2026	65,000	5.11	11.25	2.09	61.67	0.56
4.00% International Hotel Investments plc Unsecured 2026	60,000	5.35	1.87	11.42	41.92	0.40
3.25% AX Group plc Unsecured 2026	15,000	4.24	1.75	14.74	30.01	0.28
3.90% Gap Group plc Secured & Guaranteed 2024/2026	21,000	4.22	33.21	4.85	56.20	0.69
4.00% Hili Finance Company plc Unsecured & Guaranteed 2027	50,000	4.62	4.64	4.84	69.79	0.63
4.35% SD Finance plc Unsecured & Guaranteed 2027	65,000	4.80	4.68	1.74	22.08	0.26
4.00% Eden Finance plc Unsecured & Guaranteed 2027	40,000	5.54	4.24	5.37	25.33	0.23
5.25% Mediterranean Investments Holding plc Unsecured & Guaranteed 2027	30,000	5.24	3.79	3.30	22.75	0.21
4.00% Stivala Group Finance plc Secured & Guaranteed 2027	45,000	4.00	5.61	4.81	28.97	0.26
4.75% Best Deal Properties Holding Plc Secured & Guaranteed 2025/2027	15,000	4.55	13.29	4.71	63.61	0.65
4.75% Gap Group plc Secured & Guaranteed 2025/2027	23,000	4.49	33.21	4.85	56.20	0.69
3.85% Hili Finance Company plc Unsecured & Guaranteed 2028	40,000	4.78	4.64	4.84	69.79	0.63
5.85% Mediterranean Investments Holding plc Unsecured & Guaranteed 2028	20,000	5.26	3.79	3.30	22.75	0.21
3.65% Stivala Group Finance plc Secured & Guaranteed 2029	15,000	3.84	5.61	4.81	28.97	0.26
3.80% Hili Finance Company plc Unsecured & Guaranteed 2029	80,000	4.58	4.64	4.84	69.79	0.63
3.75% AX Group plc Unsecured 2029	10,000	3.75	1.75	14.74	30.01	0.28
6.25% GPH Malta Finance plc Unsecured & Guaranteed 2030	18,144	5.87	1.73	7.63	94.01	0.75
3.65% International Hotel Investments plc Unsecured 2031	80,000	4.63	1.87	11.42	41.92	0.40
3.50% AX Real Estate plc Unsecured 2032	40,000	4.29	2.31	13.83	42.36	0.41
5.00% Mariner Finance plc Unsecured 2032	36,930	5.00	4.72	5.95	49.91	0.49
5.85% AX Group plc Unsecured 2033	40,000	5.85	1.75	14.74	30.01	0.28
4.50% The Ona plc Secured & Guaranteed 2028/2034	16,000	4.51	44.17	9.76	64.11	0.59
5.50% Juel Group plc Secured & Guaranteed 2035	32,000	5.16	3.35	11.26	55.24	0.51

As at 31 August 2023

Sources: Malta Stock Exchange
M.Z. Investment Services Limited
Most recent audited annual financial statements except for Juel Group plc (FY2024 – forecast)

PART 4 – EXPLANATORY DEFINITIONS

Income Statement	
Revenue	Total income generated from business activities.
EBITDA	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.
Adjusted operating profit	Profit from core operations excluding movements in the fair value of investment property, share of results of associates and joint venture, net finance costs, and taxation.
Operating profit	Profit from operating activities including movements in the fair value of investment property but excluding the share of results of associates and joint venture, net finance costs, and taxation.
Share of results of associates and joint venture	Share of profit from companies in which the Issuer does not have a majority shareholding.
Profit after tax	Net profit generated from all business activities.

Hotel Industry Key Performance Indicators	
Occupancy level	The level of occupancy of all available rooms over a period of time. It is calculated by dividing the number of rooms sold by the total number of available rooms.
Average room rate	Measures the average price at which each hotel room is sold per night. It is calculated by dividing hotel room revenue by the number of rooms sold.
Revenue per available room (RevPAR)	Calculated by dividing a hotel's total revenue by the total number of available rooms, and usually serves as a measure for comparing a hotel's performance with other properties within the same category or market.
Gross operating profit per available room (GOPAR)	Calculated by dividing a hotel's gross operating profit by the total number of available rooms, and usually serves as a measure for comparing a hotel's performance with other properties within the same category or market.
Revenue generating index	Measures a hotel's market share compared to its peer/competitive set based on the amount of revenue generated per available room. A reading of 1 indicates that a hotel's performance is in line with the market. On the other hand, a reading of above 1 shows a superior performance compared to competition, whilst a reading below 1 reflects underperformance.

Profitability Ratios	
EBITDA margin	EBITDA as a percentage of revenue.
Operating profit margin	Adjusted operating profit as a percentage of total revenue.
Net profit margin	Profit after tax as a percentage of total revenue.
Return on equity	Measures the rate of return on the Group's net assets and is computed by dividing the net profit by average equity.
Return on assets	Measures the rate of return on the Group's assets and is computed by dividing the net profit by average assets.
Return on invested capital	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

Net cash flow from / (used in) operating activities	The amount of cash generated (or consumed) from the normal conduct of business.
Cash flow from / (used in) investing activities	The amount of cash generated (or consumed) from activities related to the acquisition, disposal, and/or development of long-term assets and other investments.
Cash flow from / (used in) financing activities	The amount of cash generated (or consumed) that have an impact on the Group's capital structure and thus result in changes to share capital and borrowings.
Free cash flow	Represents the amount of cash generated from operating activities after accounting for capital expenditure.

Statement of Financial Position

Non-current assets	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.
Current assets	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.
Non-current liabilities	These represent long-term financial obligations which are not due within the next twelve months, and typically include long-term borrowings and debt securities.
Current liabilities	Liabilities which fall due within the next twelve months from the balance sheet date, and typically include accounts payable and short-term debt.
Total equity	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

Interest cover	Measures the extent of how many times a company can pay its net finance costs from EBITDA.
Net debt-to-EBITDA	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.
Net debt-to-equity	Shows the proportion of net debt (including lease liabilities) to the amount of equity.
Net gearing	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.
Debt-to-asset	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.
Leverage	Shows how much equity a company is using to finance its assets.
Current ratio	Measures whether or not a company has enough resources to pay its short-term liabilities from its short-term assets.

NOTES

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