Calamatta Cuschieri

The Directors
Bonnici Bros. Properties p.l.c.
Bonnici House,
Sardine Street, Burmarrad,
St. Paul's Bay, Malta

20 June 2024

Re: Financial Analysis Summary – 2024

Dear Board Members,

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**" or "**FAS**") set out on the following pages and which is being forwarded to you together with this letter.

The purpose of the financial analysis is that of summarising key financial data appertaining to Bonnici Bros. Properties p.l.c. (the "**Issuer**") as explained in part 1 of the Analysis. The data is derived from various sources, including the Base Prospectus of the Issuer dated 30 January 2023 (the "**Prospectus**"), or is based on our own computations as follows:

(a) Historical financial data for the three years ended 31 December 2021, 2022 and 2023 has been extracted from the audited financial statements of Bonnici Bros. Properties p.l.c. for the three years in question.

(b) The forecast data for the financial year ending 2024 has been provided by management.

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

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

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

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

Yours sincerely,

Patrick Mangion
Head of Capital Markets

FINANCIAL ANALYSIS SUMMARY 2024

Bonnici Bros Properties p.l.c.

20 June 2024
Prepared by Calamatta Cuschieri Investment Services Limited

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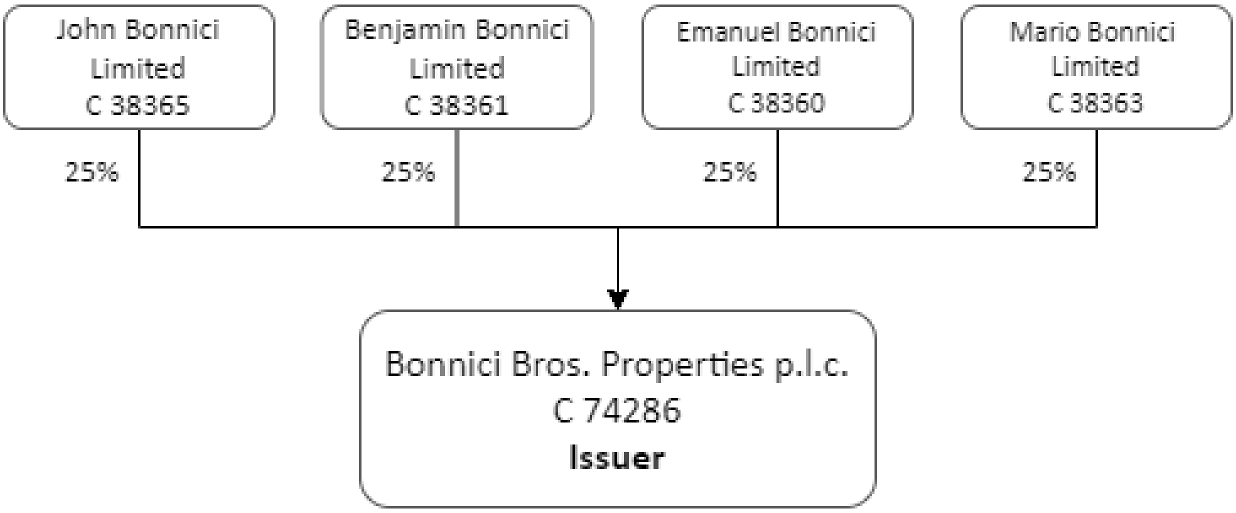
Part 1 - Information about the Issuer

1.1. Issuer's Key Activities and Structure



The Issuer (hereinafter also referred to as "**BBPL**" or the "**Company**") was incorporated as Bonnici Bros. Properties Ltd on 9 February 2016 and has, at the date of this Analysis, an authorised share capital of €5,000,000, divided into 5,000,000 Ordinary Shares of €1 each, and an issued share capital of €5,000,000, divided into 5,000,000 Ordinary Shares of €1 each, all fully paid up. The Issuer's share capital is equally divided into four classes of shares such that each class of shareholder holds a 25% equity stake in the Company. The shareholders of the Ordinary 'A' Shares do not have the right to appoint any directors to the Board. The shareholders of the Ordinary 'B' Shares, Ordinary 'C' Shares and Ordinary 'D' Shares shall each have the right to appoint two (2) directors to the Board. Other than the voting rights for the appointment of directors to the Board, share classes rank *pari passu* between them and have the same rights. John Bonnici Limited, Benjamin Bonnici Limited, Emanuel Bonnici Limited and Mario Bonnici Limited were all incorporated on 4 April 2006.

BBPL was incorporated to carve out the property held within the Bonnici Bros. Group, which is Bonnici Bros. Limited ("**BBL**"), a limited liability company with registration number C 3905 situated at Bonnici House, Sardine Street, Burmarrad, St. Paul's Bay, Malta, as the parent company, and its direct subsidiary companies.

As at the date of this Analysis, 2 batches of property transfers have taken place, the first being in April 2018 and the second in June 2020, with a total cost value of €7.34m and €7.35m, respectively. The aforementioned property, which the Issuer acquired from Bonnici Bros. Group, is leased out to related and third parties. It is the Company's ambition to continue building its position as a reputable provider of commercial space for rental, and to grow and diversify its investment property portfolio for rent and subsequent sale.

1.2. Directors and Key Employees

Board of Directors – Issuer

As of the date of this Analysis, the board of directors of the Issuer is constituted by the following persons:

Name	Office Designation
Mr Jozef Wallace Galea	Chairman and Independent Non-executive Director
Mr Alfred Attard	Independent Non-executive Director
Mr Richard Abdilla Castillo	Independent Non-executive Director
Mr Gilbert Bonnici	Executive Director
Mr David Bonnici	Executive Director
Mr Alexis Bonnici	Executive Director

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

Dr Laragh Cassar is the company secretary of the Issuer.

The board of the Issuer is composed of six directors who are entrusted with its overall direction and management. The executive directors are entrusted with the decision-making and the day-to-day management of the Issuer, whereas the non-executive directors, all of whom are independent of the Issuer, monitor the executive activity of the Issuer and contribute to the development of its corporate strategy, by providing objective and impartial scrutiny.

1.3. Major Assets Owned by the Company

1.3.1 Bonnici House

The Bonnici House, located in Triq is-Sardin, Burmarrad, consists of commercial premises over 5 levels, comprising a garage and storage space, a showroom, and 3 floors of offices being leased to a mix of related party tenants (Levels 0 & 1 to UNEC Ltd and Levels 3 & 4 to BBL), as well as third-party tenants (Level 2 to Mr Messaging Limited).

1.3.2 Bonnici Garage

The Bonnici Garage, also located in Triq-is-Sardin, Burmarrad, consists of an industrial complex with workshops, a yard and offices at ground level being leased to a related party, namely UNEC Servicing Ltd.

1.3.3 Birkirkara Properties

The Birkirkara properties are residential apartments which had been transferred to BBPL from BBL and, through an assignment of debt and novation agreement, were financed through shareholders' capital contribution. All 3 apartments have been fully furnished and are currently leased out to third parties.

1.3.4 Burmarrad Warehouses

In December 2020, BBPL contracted a related party to excavate and construct the land at Ta' Habel Mica which is a property situated a Triq l-Papa Gwanni Pawlu II, in Burmarrad. BBPL also contracted a related party to construct and finish the work of the Burmarrad warehouses with part of the works being subcontracted to a third party. The aim for the Burmarrad warehouses is to serve as a storage facility and is expected to be leased out to a mix of related and third parties.

Works for this started in April 2021 and a permit to build a basement area was granted in November 2023. Management expected the Burmarrad warehouses to be fully occupied by October 2023. However, as at the date of this analysis, only partial occupancy has been achieved due to ongoing construction of the building which stems from the delay in permit approval and other commitments of subcontractors. The new completion period for this project is expected to be in early 2025.

1.3.5 Quarries in Mqabba

In FY21, BBPL acquired 2 quarries in Mqabba, which are classified as property and equipment. They are currently in the excavation stage and management expects them to be fully excavated by June 2026. "Mqabba Quarry 1" is found in Valletta Road, Sqaq No. 2 and is made up of 5,290m^2 quarry area and 19,781m^2 total site area. "Mqabba Quarry 2" consists of 3,457m^2 of quarry area.

Following the completion of excavation works, BBPL is planning to fill the said quarries with construction and demolition waste over a total of 9 years. Management stated that the quarries will be fully excavated and landfilled over the term of the bond issued in terms of the Prospectus, with the intention of subsequently selling the land by the time the said bond reaches maturity.

1.3.6 Mercury Towers Apartments

BBPL acquired 3 apartments in a finished state in Block 2, Mercury Towers, St. Julian's in March 2022. The properties themselves are located on the second, third and fourth floor levels within the second residential block. Management expects the completion date for this to be 30 June 2024 and is anticipating to start renting out the apartments by end of 2024.

1.3.7 Sliema Townhouse

The Sliema Townhouse is situated in Milner Street, Sliema. BBPL has originally applied for a permit covering the change of use from a disused residence to a Class 3B hotel having 7 floors comprising 24 rooms and amenities. The plot consists of 194m^2 at ground floor level only and a subsequent 235m^2 of airspace. The initial intention was to build a hotel, however the permit to build the hotel was withdrawn and instead a new permit to build a guesthouse was submitted.

1.3.8 Floriana Property

On 26 April 2023, the Issuer acquired a property in Floriana. The property is situated at 23, Triq Vincenzo Dimech corner with Triq l-Iljun, Floriana and comprises a converted townhouse with an approved Class 2C educational building permit and is currently operational as such. This property is leased out to third parties.

1.3.9 Green Grove

On 27 March 2024, the Company acquired the Green Grove in Swieqi with a guesthouse comfort licence issued by the Malta Tourism Industry. This property was leased out to third parties as from 15 April 2024. This investment was partially financed through own funds generated from operations and a new bank loan facility issued by a commercial bank under normal business terms.

Management stated that the intention is for the 4 properties mentioned in 1.3.6, 1.3.7,1.3.8 and 1.3.9 above to be leased out to third parties and not operated directly.

Part 2 - Historical Performance and Forecasts

The financial information in sections 2.1 to 2.3 is extracted from the audited financial statements of the Issuer for the financial years ended 31 December 2021, 2022 and 2023 and includes projected financial information for the years ending 31 December 2024 and 2025 which has been provided by the Company's management.

This financial information relates to events in the future and are based on assumptions which the Company believes to be reasonable. Consequently, the actual outcome may be adversely affected by unforeseen situations and the variation between forecast and actual results may be material.

2.1. Issuer's Statement of Comprehensive Income

Issuer's Statement of Comprehensive Income for the year ended 31 December	2021A	2022A	2023A	2024F	2025P
	€000s	€000s	€000s	€000s	€000s
Revenue	460	960	1,142	1,448	1,752
Direct operating expenses	-	(30)	(61)	(46)	(46)
Gross profit	**460**	**930**	**1,081**	**1,402**	**1,706**
Administrative expenditure	(135)	(207)	(218)	(191)	(198)
Fair value movement of investment property	428	-	220	200	400
Other expenses	-	(10)	-	-	-
EBIT	**753**	**713**	**1,083**	**1,411**	**1,908**
Finance cost	(84)	(155)	(558)	(735)	(745)
Finance income	-	-	65	30	-
Profit before income tax	**669**	**558**	**590**	**706**	**1,163**
Current tax charge	(120)	(216)	(181)	(225)	(359)
Deferred tax charge	(385)	(115)	(408)	(113)	(89)
Profit for the year	**164**	**227**	**1**	**368**	**715**

Ratio Analysis	2021A	2022A	2023A	2024F	2025P
Profitability					
Growth in Revenue (YoY Revenue Growth)	55.41%	108.70%	18.96%	26.80%	20.99%
EBIT Margin (EBIT / Revenue)	163.70%	74.27%	94.83%	97.44%	108.90%
EBIT Growth	(88.54)%	(5.31)%	51.89%	30.29%	35.22%
Net Margin (Profit for the year / Revenue)	35.65%	23.65%	0.09%	25.41%	40.81%
Return on Common Equity (Net Income / Average Equity)	1.03%	1.37%	0.01%	2.13%	4.02%
Return on Assets (Net Income / Average Assets)	0.65%	0.75%	0.00%	0.95%	1.80%
Return on capital employed (EBITDA/ Total Assets - Current Liabilities)	3.80%	3.19%	3.29%	3.69%	4.87%

The primary revenue driver in FY23 was the Burmarrad properties including the warehouses, accounting for 78.6% of the total revenue. Lease income streams generated from new contracts entered into during the year on property which was not leased out in FY22 led to a growth in revenue of 18.96% in FY23. There was a 20.29% increase in property lease income during the year, amounting to €573k (FY22: €476k). Management expects revenue to grow by 26.80% in FY24 and a further 20.99% in FY25, as certain lease agreements entered into during the year will start to generate a full year's worth of income.

The Issuer does not have any cost of sales since water and electricity is recharged to customers and the net amount is recorded as other operating income/loss in the income statement. Administrative expenditure remained stable in FY23 and are expected to remain so in the forecasted period.

BBPL recognised a €220k fair value gain on investment property during the year ended 31 December 2023. This increase in the overall market value of the investment properties contributed to a higher security fee income. This is expected to increase gradually with the warehouses reaching completion by 2025.

Total finance costs amounted to €558k while the finance income generated came in at €65k, resulting in a net finance cost of €493k. This meant an increase in finance costs of roughly €338k primarily due to the €490k interest on the bond issue along with interest charges on bank borrowings and loans related to corporate shareholders. All existing bank borrowings as at the date of bond issue were settled through the bond issue.

In FY23, BBPL achieved a profit before taxation of €590k which is higher than the €558k in FY22. The profit after taxation was significantly affected by a deferred tax charge due to the increase in market valuation of investment properties, particularly those acquired during the year.

As a result, a lower net margin was recorded compared to previous years. Increased revenue and fair value gains are expected to drive up the profitability of the Company in FY24 and FY25, with net margins expected to increase to25.41% in FY24 and 40.81% in FY25.

2.1.1 Variance Analysis

Income Statement	2023P	2023A	Variance
	€000s	€000s	€000s
Revenue	1,237	1,142	(95)
Direct operating expenses	-	(61)	(61)
Gross profit	**1,237**	**1,081**	**(156)**
Administrative expenditure	(275)	(218)	57
Fair value gain on investment property	384	220	(164)
EBIT	**1,346**	**1,083**	**(263)**
Finance cost	(791)	(558)	233
Finance income	39	65	26
Profit before income tax	**594**	**590**	**(4)**
Current tax charge	(354)	(181)	173
Deferred tax charge	(142)	(408)	(266)
Profit for the year	**98**	**1**	**(97)**

While the Issuer anticipated higher revenue, delays in the initiation of certain lease agreements resulted in lower-than-projected income.

Direct operating expenses were incurred due to rent payable and subcontracting work related to the excavation of quarries.

The administrative expenditure is slightly lower due to actual compliance costs being lower than projected. Fair value gains were also lower than what was anticipated.

Finance costs were €233K lower than what was expected because the forecasts were built on the assumption that the bond would be issued on 1 January 2023, when in reality it was issued on 3 April 2023. Finance income is made up of interest income during the year which was €26k higher than expected.

Actual tax charge was €181k resulting in a positive variance of €173k when compared to the projected tax charge of €354k. Conversely, the deferred tax charge is €266k higher due to the initial recognition of deferred tax on new investment property acquired during the year.

While there was effective cost management with €57k lower administrative expenditure and €233k lower finance costs this was still offset by the revenue shortfall and lower fair value gain which led to the lower than expected profit for the year.

2.2. Issuer's Statement of Financial Position

Issuer's Statement of Financial Position as at 31 December	2021A	2022A	2023A	2024F	2025P
	€000s	€000s	€000s	€000s	€000s
Assets					
Non-current assets					
Property and equipment	2,195	2,194	2,194	2,194	2,194
Investment property	25,962	29,298	32,055	35,915	36,193
Total non-current assets	**28,157**	**31,492**	**34,249**	**38,109**	**38,387**
Current assets					
Trade and other receivables	184	319	2,548	788	750
Contract assets	-	43	68	-	-
Cash and cash equivalents	10	18	762	608	638
Total current assets	**194**	**380**	**3,378**	**1,396**	**1,388**
Total assets	**28,351**	**31,872**	**37,627**	**39,505**	**39,775**
Equity					
Share capital	1	5,000	5,000	5,000	5,000
Capital contribution reserve	10,836	6,620	6,620	6,620	6,620
Retained earnings	5,214	5,440	5,441	5,809	6,524
Total equity	**16,051**	**17,060**	**17,061**	**17,429**	**18,144**
Liabilities					
Non-current liabilities					
Borrowings	1,201	2,558	12,760	17,567	17,712
Trade and other payables	5	36	40	40	40
Deferred tax liabilities	2,548	2,663	3,071	3,184	3,273
Total non-current liabilities	**3,754**	**5,257**	**15,871**	**20,791**	**21,025**
Current liabilities					
Borrowings	146	1,419	-	64	58
Trade and other payables	8,165	7,981	4,623	996	189
Current tax liabilities	120	152	1	-	-
Contract liabilities	115	3	71	225	359
Total current liabilities	**8,546**	**9,555**	**4,695**	**1,285**	**606**
Total liabilities	**12,300**	**14,812**	**20,566**	**22,076**	**21,631**
Total equity and liabilities	**28,351**	**31,872**	**37,627**	**39,505**	**39,775**

Ratio Analysis	2021A	2022A	2023A	2024F	2025P
Financial Strength					
Gearing 1 (Net Debt / Net Debt and Total Equity)	7.69%	18.84%	41.29%	49.41%	48.57%
Gearing 2 (Total Liabilities / Total Assets)	43.4%	46.5%	54.7%	55.9%	54.4%
Gearing 3 (Net Debt / Total Equity)	8.33%	23.21%	70.32%	97.67%	94.42%
Net Debt / EBITDA	1.78x	5.55x	11.08x	12.06x	8.98x
Current Ratio (Current Assets / Current Liabilities)	0.02x	0.04x	0.72x	1.09x	2.29x
Interest Coverage 1 (EBITDA / Cash interest paid)	N/A	N/A	N/A	N/A	N/A
Interest Coverage 2 (EBITDA / Finance Costs)	8.96x	4.60x	1.94x	1.92x	2.56x

Total assets for the FY23 saw a notable increase of 18%, reaching €37.6m. The largest component of BBPL's asset base remains the investment property consisting of undeveloped land, property under construction, and other immovable properties in a finished state. In FY23 the Investment property increased by €2.8m and constitutes 85% of total assets.

The trade and other receivables, contract assets, and cash position all increased during the year, resulting in a €3.0m increase in current assets. The most notable change is the €2.3m increase in the trade and other receivables which is related to payments made in advance to contractors for projects.

The Issuer's assets are not expected to change drastically apart from an increase in the investment property value as well as a decrease in the trade and other receivables.

The equity base remained stable and increased by €1k, in line with the profit achieved during FY23 with no change in the share capital and capital contribution reserve. This is expected to be the case during the forecasted period, with increases in the equity base coming from expected profits.

The Company issued €12.0m in unsecured bonds with a 5.25% coupon rate, maturing on 3 April 2033, to settle pre-existing bank loans and this constitutes the majority of the borrowings in FY23. In the forecasted period, this value is expected to rise to approximately €17.5m, in view of other loan commitments necessary to finance BBPL property expansion programme.

The amounts owed to related parties decreased by €2.5m in FY23, contributing to a reduction in trade and other payables. In FY24, the payment term of €3.9m of this amount is expected to change such that this amount would be classified within long-term borrowings. Consequently, non-current borrowings are projected to increase to €17.6m.

The deferred tax liabilities increased in line with the deferred tax charge on the increase in value of the investment property.

The liquidity position of the Company has improved in FY23 with current assets covering current liabilities by 0.72x, significantly higher than the 0.04x current ratio recorded in FY22. It is expected that this ratio will improve to 1.09x in FY24 and then to 2.29x in FY25.

The increase in interest bearing debt increased the gearing level slightly to 41.29%. This is expected to remain relatively stable, under 50%, in both FY24 and FY25. On a similar note, the Issuer's interest coverage ratio stood at 1.94x in FY23.

2.3. Issuer's Statement of Cash Flows

Issuer's Statement of Cash Flows for the year ended 31 December	2021A	2022A	2023A	2024F	2025P
	€000s	€000s	€000s	€000s	€000s
Cash flows from operating activities					
Profit before tax	669	558	590	706	1,163
Adjustments for					
Fair value gain on investment properties	(428)	-	(220)	(200)	(400)
Finance cost	84	155	559	735	745
Finance income	-	-	(65)	30	-
Other expenses	-	10	-	-	-
Movement in working capital					
Movement in trade and other receivables	12	(9)	(213)	300	(100)
Movement in trade and other payables	66	75	(38)	350	(100)
Cash flows from operations	**403**	**789**	**613**	**1,921**	**1,308**
Taxation paid	(75)	(184)	(262)	(181)	(225)
Net cash flows generated from operating activities	**328**	**605**	**351**	**1,740**	**1,083**
Cash flows from investing activities					
Acquisition of investment properties	(175)	(2,886)	(8,274)	-	-
Acquisition of property, plant and equipment	(637)	-	(152)	(2,100)	(278)
Net cash flows used in investing activities	**(812)**	**(2,886)**	**(8,426)**	**(2,100)**	**(278)**
Cash flows from financing activities					
Proceeds from bank borrowings	600	2,652	-	-	-
Proceeds from bond issue	-	-	12,000	-	-
Net movement of bank borrowings	(150)	(291)	(2,986)	897	(145)
Payment of bond related expenses	-	(73)	(196)	-	-
Interest payments	-	-	-	(630)	(630)
Net cash flows generated from / (used in) financing activities	**450**	**2,288**	**8,818**	**267**	**(775)**
Movement in cash and cash equivalents	**(34)**	**7**	**744**	**(153)**	**30**
Cash and cash equivalents at start of year	44	10	17	761	608
Cash and cash equivalents at end of year	**10**	**17**	**761**	**608**	**638**

Ratio Analysis	2021A	2022A	2023A	2024F	2025P
Cash Flow	€000s	€000s	€000s	€000s	€000s
Free Cash Flow (Net cash from operations + Interest - Capex)	€(484)	€(2,281)	€(7,824)	€270	€1,435

After adjusting for both non-cash items and movements in working capital the Issuer was able to generate positive net cash flows from operating activities which amounted to €0.4m in FY23. This is forecasted to increase substantially, reaching €1.7m in FY24 and €1.1m in FY25, attributed to higher rental income which resulted in a higher profit before tax and positive movements in working capital, particularly in trade and other receivables.

The net cash generated from investing activities amounted to €8.4m being the actual cash settlement of investment properties from bond proceeds.

Net cash flows generated from financing activities were €8.8m during the year with the €12.0m proceeds from the bond issue which were used to repay all bank borrowings and all bond related issue costs which together amounted to €3.2m. From a financing perspective in FY24 and FY25, there will be the initial drawdown and monthly repayment of any new bank borrowings along with annual payment of the bond interest.

Overall the Issuer recorded a positive cash movement of €744k in FY23 and ended the year with a cash balance of €761k.

While the free cash flow during the year was negative, the projected free cash flow is expected to increase positively over the forecasted period, reaching approximately €0.3m and €1.4m in FY24 and FY25, respectively. This indicates healthy cash generation from its operating activities after accounting for capital expenditures.

Part 3 - Key Market and Competitor Data

3.1. General Market Conditions

The Issuer is subject to general market and economic risks that may have a significant impact on its current and future property developments and their timely completion within budget and their profitable operation. These include factors such as the health of the local property market, inflation and fluctuations in interest rates, exchange rates, property prices and rental rates. In the event that general economic conditions and property market conditions experience a downturn, which is not contemplated in the Group's planning during development, this shall have an adverse impact on the financial condition of the Group and may therefore affect the ability of the Issuer to meet its obligations under the Bonds.

3.2. Economic Update[1]

The Bank's Business Conditions Index (BCI) indicates that in April 2024, annual growth in business activity declined marginally, and remained slightly below its historical average, estimated since January 2000.

The European Commission confidence surveys show that sentiment in Malta decreased in April, and remained below its long-term average, estimated since November 2002. The latest deterioration was mostly driven by developments in industry, construction and among consumers.

Additional data show that in month-on-month terms, price expectations increased among consumers, and to a lesser extent in the retail and services sectors, but decreased significantly in the construction sector and, to a lesser extent in industry.

In April, the European Commission's Economic Uncertainty Indicator (EUI) for Malta decreased compared with March, indicating lower uncertainty. Uncertainty declined in all sectors except construction.

In March, both industrial production and retail trade contracted on a year-on-year basis. The unemployment rate remained unchanged at 3.2% in March but stood below that of 3.4% in March 2023.

Commercial and residential building permits in March were lower than a month earlier. Commercial permits were also lower when compared with a year ago, but residential permits were higher. In April, the number of residential promise-of-sale agreements rose on a year earlier, as did the number of final deeds of sale.

The annual inflation rate based on the Harmonised Index of Consumer Prices (HICP) stood at 2.4% in April, down from 2.7% in the previous month. Following this decline, HICP inflation in Malta was in line with the euro area average. HICP excluding energy and food in Malta, remained below the euro area average. Inflation based on the Retail Price Index (RPI) decreased to 1.6%, down from 1.9% in March.

3.3. Economic Outlook[2]

According to the Bank's latest forecasts, Malta's gross domestic product (GDP) is expected to grow by 4.3% in 2024. Growth is then projected to ease to 3.5% in both 2025 and 2026. This implies a marginally downward revision in 2024 and 2025, when compared to the Bank's previous projections, while for 2026 the outlook is revised upwards.

In 2023, growth was primarily driven by net exports, while domestic demand is envisaged to be the main driver of growth in 2024. Private consumption growth continues at a brisk pace, and private investment, is expected to gradually recover. Net exports are also projected to contribute positively, driven mainly by services exports. Growth in 2025 and 2026 is expected to continue to be led by domestic demand.

Employment growth is set to moderate, albeit from high rates, in the projection horizon, while the average wage is expected to grow at a faster rate in 2024, partly in response to the pronounced inflation in the recent past and a tight labour market.

Annual inflation based on the Harmonised Index of Consumer Prices is projected to drop significantly, from 5.6% in 2023 to 2.4% in 2024, before reaching 1.9% by 2026. Compared to previous projections, inflation has been revised down by 0.5 percentage point in 2024, largely reflecting the unexpected rapid drop experienced in the initial months of the year.

The general government deficit-to-GDP ratio is set to decline to 4.1% in 2024, and to narrow further over the rest of the forecast horizon, to stand at 3.1% by 2026. The general government debt-to-GDP ratio is set to increase throughout the forecast horizon, reaching 54.3% by 2026. When compared with the previous projection round, the projected deficit ratio is higher, while the debt ratio is broadly unchanged.

Risks to activity are broadly balanced over the projection horizon. Downside risks largely emanate from possibly adverse trade effects related to ongoing geopolitical

[1] Central Bank of Malta – Economic update – 5/2024

[2] Central Bank of Malta – Economic Projections 2024 – 2026

tensions. On the other hand, the labour market could exhibit even stronger dynamics than envisaged in this projection round, both in terms of employment and wages. This could then result in stronger private consumption growth.

Risks to inflation are balanced over the project horizon. Upside risks to inflation could stem from extreme weather events and effects of geopolitical developments. Other upside risks to headline inflation include the potential impact of measures to combat climate change. Furthermore, wage pressures could be stronger than envisaged in the baseline. On the downside, imported inflation could fall more rapidly than expected, while services inflation could normalise more quickly than envisaged in this projection round.

On the fiscal side, risks are tilted to the downside (deficit-increasing). These mainly reflect the likelihood of slippages in current expenditure, including higher-than-expected outlays on energy support measures if commodity prices are higher than envisaged. They also reflect the likelihood of additional increases in pensions and public sector wages in the outer years of the forecast horizon. Should these risks materialise, they are set to be partly offset by the likelihood of additional fiscal consolidation efforts to comply with the EU's fiscal rules.

3.4. Residential Property Development[3]

In April 2024, Malta's residential property market demonstrated significant growth. The number of final deeds of sale reached 1,139, marking a 22.6% increase compared to April 2023. The total value of these transactions was €306.6 million, up 15.3% from the previous year. The majority of these deeds (91.3%) involved individual buyers, with the value of these transactions amounting to €258.5 million, representing 84.3% of the total value.

Geographically, the highest activity was recorded in the Northern Harbour and Northern districts, with 313 and 211 deeds respectively. Localities such as San Pawl Il-Baħar, Birkirkara, and Il-Mosta saw the most transactions, accounting for 16.9% of the total final deeds of sale.

Regarding property types, apartments and garages were the most transacted, comprising 38.4% and 22.3% of the total properties, respectively.

Additionally, there were 1,157 promise of sale agreements, reflecting a 9.2% increase from April 2023. Individual buyers accounted for 88.9% of these agreements. The Northern Harbour district recorded the highest number of these agreements, followed by the Southern Harbour district. The top localities for promise of sale agreements were San Pawl Il-Baħar, Birkirkara, and Il-Mosta, making up 18.8% of the total agreements.

3.5. Commercial Property Market

The strong economic growth sustained by the Maltese economy in recent years has contributed to a rise in the employment rate and the influx of foreign workers within the Maltese workforce. This has contributed to an increase in the demand for rental of office and commercial space in Malta. To address such growing demand, the supply of office and commercial space in Malta has considerably increased over the last couple of years. Of note, there are several traditional business areas in Malta. For instance, Sliema attracts many international brands and companies. Likewise, Valletta, being Malta's capital city, is considered as the hub for law firms and many long-established family businesses.

Other traditional commercial areas include the likes of St. Julian's, which is popular for its sea-view offices, and Floriana, which attracts businesses that want to be located in the vicinity of Valletta. In furtherance, there are also top-quality commercial developments within in the proximity of the airport and in other residential areas such as Naxxar, Mosta, Mellieha and in parts of the south of Malta. The variety of commercial and office space in Malta cater for every type of business, from start-ups to established global organisations. In this regard, numerous business centres have recently been developed, with new centres in the pipeline.

Although the supply for commercial property has increased in recent years, rental demand is still greater than supply as can be seen in the increase in average asking rental rates for office space which increased to €213/sqm in 2023, up from €183/sqm in 2022. The largest increase in rental rates came from the central region which saw growth of 31.9%. Further analysis shows that the highest proportion of office space can be found in the Northern Harbour region (52% of all listings), followed by the Central region (31%).

When it comes to commercial property sales there was only a marginal increase in the asking price when compared to 2022 with this increasing by just 2%, with Central region properties increasing by 9.7%.

The ECB policy decisions to combat inflation have seen the key policy interest rate stand at a record high with the ECB charging banks 4.5% per annum on main refinancing operations. To date, these interest rate hikes have not been reflected in the local market. Should interest rates locally rise, the path that both rent and sale prices in the commercial property market would take depends on multiple factors and so is unclear.

[3] National Statistics Office – News Release – 087/2024

On one hand as the general price level of goods and services rises, property values may appreciate accordingly as investors turn to property as a hedge for inflation. The development of new commercial properties may also slow down as financing becomes costlier, potentially limiting the supply of available space and therefore increasing the price of already available property. On the other hand, persistently, sticky inflation could dampen economic activity and lead to suppressed demand levels and put downward pressure on both rental and sales prices.

3.6. Comparative Analysis

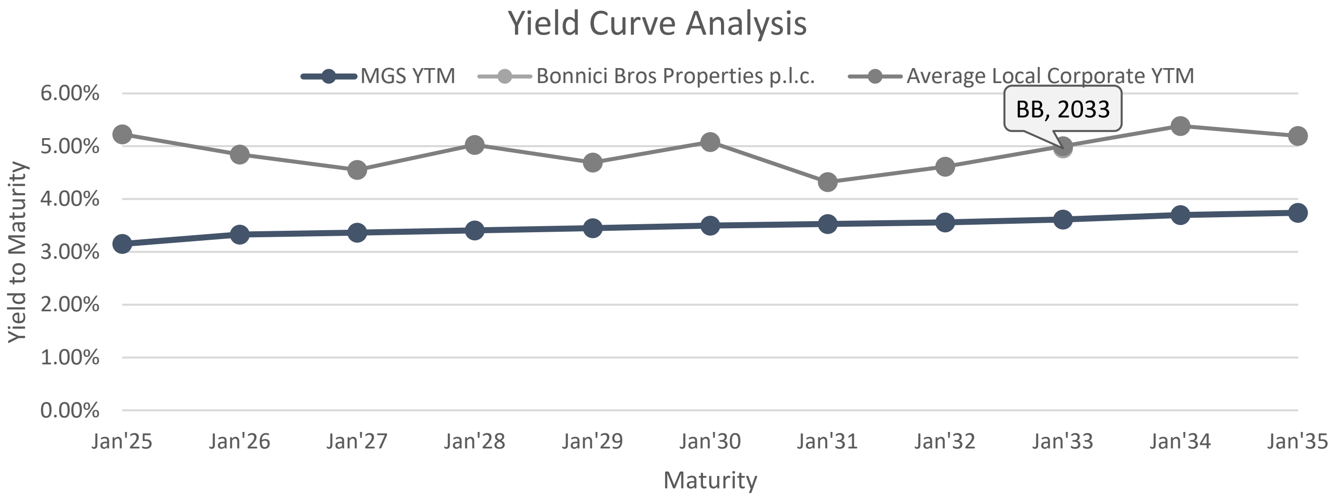
The purpose of the table below compares the proposed debt issuance of the Issuer to other debt instruments. Additionally, we believe that there is no direct comparable company related to the Issuer and as such, we included a variety of Issuers with different maturities. More importantly, we have included different issuers with a similar maturity to the Issuer. One must note that given the material differences in profiles and industries, the risks associated with the business and that of other issuers are therefore different.

Security	Nom Value	Yield to Maturity	Interest coverage (EBITDA)	Total Assets	Total Equity	Total Liabilities / Total Assets	Net Debt / Net Debt and Total Equity	Net Debt / EBITDA	Current Ratio	Return on Common Equity	Net Margin	Revenue Growth (YoY)
	€000's	(%)	(times)	(€'millions)	(€'millions)	(%)	(%)	(times)	(times)	(%)	(%)	(%)
4% Cablenet Communication Systems plc Unsecured € 2030	40,000	4.37%	7.4x	120.6	-0.4	100.3%	100.6%	3.0x	0.3x	-167.0%	-3.1%	16.2%
4.25% Mercury Projects Finance plc Secured € 2031	11,000	4.25%	0.6x	269.6	78.8	70.8%	66.4%	48.2x	1.5x	9.9%	23.1%	-34.4%
4.65% Smartcare Finance plc Secured € 2031	13,000	4.48%	0.4x	45.6	11.1	75.6%	69.8%	56.6x	2.3x	-11.0%	-19.6%	20.9%
3.5% GO plc Unsecured € 2031	60,000	4.16%	10.7x	458.1	99.4	78.3%	63.0%	1.9x	0.9x	15.6%	6.6%	9.9%
3.65% Mizzi Organisation Finance plc Unsecured € 2028-2031	45,000	4.21%	1.8x	312.4	87.8	71.9%	58.4%	14.9x	0.8x	-1.9%	-1.1%	30.5%
3.65% IHI plc Unsecured € 2031	80,000	4.44%	1.7x	1,768.3	836.3	52.7%	42.1%	9.5x	1.0x	-1.4%	-3.9%	20.8%
3.5% AX Real Estate plc Unsecured € 2032	40,000	4.52%	1.8x	474.0	243.5	48.6%	39.4%	20.9x	0.9x	-1.6%	-7.7%	30.3%
4.55% St Anthony Co plc Secured € 2032	15,500	4.31%	1.2x	65.8	20.5	68.9%	63.6%	13.9x	0.7x	-3.1%	-5.8%	54.1%
4.65% Smartcare Finance plc Secured € 2032	7,500	4.65%	0.4x	45.6	11.1	75.6%	69.8%	56.6x	2.3x	-11.0%	-19.6%	20.9%
4.85% JD Capital plc Secured € 2032 S1 T1	14,000	4.77%	1.7x	76.3	20.3	73.3%	63.1%	16.9x	2.1x	0.1%	0.2%	9.6%
5% Mariner Finance plc Unsecured € 2032	36,930	4.78%	4.8x	129.6	62.1	52.1%	50.1%	5.9x	0.8x	9.0%	28.2%	1.7%
5% Von der Heyden Group Finance plc Unsecured € 2032	35,000	4.92%	1.2x	155.9	32.7	79.0%	76.3%	22.9x	0.5x	-8.2%	-18.0%	9.6%
4.3% Mercury Project Finance plc Secured € 2032	50,000	4.22%	0.6x	269.6	78.8	70.8%	66.4%	48.2x	1.5x	9.9%	23.1%	-34.4%
4% Central Business Centres plc Unsecured € 2027-2033	21,000	4.39%	1.1x	65.7	23.8	63.7%	59.2%	24.9x	0.7x	0.2%	2.2%	-1.8%
6% Pharmacare Finance plc Unsecured € 2033	17,000	5.46%	0.8x	43.1	13.1	69.7%	59.9%	-16.8x	2.2x	-25.8%	-46.5%	-5.4%
5.25% Bonnici Bros Properties plc Unsecured € 2033 S1 T1	12,000	4.96%	2.2x	37.6	17.1	54.7%	15.9%	3.0x	0.7x	0.0%	0.1%	19.0%
6.25% AST Group plc Secured Bonds 2033 (xd)	8,500	5.53%	0.3x	15.3	3.0	80.4%	72.5%	-40.1x	1.1x	-54.1%	-7.1%	-37.7%
5.85% AX Group plc Unsecured € 2033	40,000	5.30%	1.8x	474.0	243.5	48.6%	39.4%	20.9x	0.9x	-1.6%	-7.7%	30.3%
6% JD Capital plc Secured Bonds 2033 S2 T1	11,000	5.43%	1.7x	76.3	20.3	73.3%	63.1%	16.9x	2.1x	0.1%	0.2%	9.6%
6% International Hotel Investments plc 2033	60,000	5.31%	1.7x	1,768.3	836.3	52.7%	42.1%	9.5x	1.0x	-1.4%	-3.9%	20.8%
4.75% Dino Fino Finance plc Secured € 2033	7,800	4.81%	-1.3x	15.5	2.3	85.3%	78.2%	-15.2x	0.7x	-50.5%	-34.4%	-38.2%
5.75% Phoenicia Finance Company plc Unsec Bonds 2028-2033	50,000	5.27%	2.6x	0.1	0.0	63.3%	59.0%	11.9x	0.3x	0.7%	1.6%	29.9%
	Average*	4.74%										

Source: Latest available audited financial statements

Last closing price as at 31/05/2024

*Average figures do not capture the financial analysis of the Issuer



The above graph illustrates the average yearly yield of all local issuers as well as the corresponding yield of MGSs (Y-axis) vs the maturity of both Issuers and MGSs (X-axis), in their respective maturity bucket, to which the spread premiums can be noted. The graph plots the entire MGS yield curve, thus taking into consideration the yield of comparable issuers. The graph illustrates on a stand-alone basis, the yield of comparable issuers having a maturity between 6-9 years (Peers YTM).

As at 31 May 2023, the average spread over the Malta Government Stocks (MGS) for comparable issuers with maturity range of 6-9 years was 117 basis points. The Bonnici Bros. Properties p.l.c. bond is currently trading at a YTM of 4.96%, meaning a spread of 135 basis points over the equivalent MGS. This means that this bond is trading at a premium of 18 basis points in comparison to the market.

Part 4 - Glossary and Definitions

Income Statement	
Revenue	Total revenue generated by the Group/Company from its principal business activities during the financial year.
Costs	Costs are expenses incurred by the Group/Company in the production of its revenue.
EBITDA	EBITDA is an abbreviation for earnings before interest, tax, depreciation and amortisation. It reflects the Group's/Company's earnings purely from operations.
Operating Profit (EBIT)	EBIT is an abbreviation for earnings before interest and tax.
Depreciation and Amortisation	An accounting charge to compensate for the decrease in the monetary value of an asset over time and the eventual cost to replace the asset once fully depreciated.
Net Finance Costs	The interest accrued on debt obligations less any interest earned on cash bank balances and from intra-group companies on any loan advances.
Net Income	The profit made by the Group/Company during the financial year net of any income taxes incurred.

Profitability Ratios	
Growth in Revenue (YoY)	This represents the growth in revenue when compared with previous financial year.
Gross Profit Margin	Gross profit as a percentage of total revenue.
EBITDA Margin	EBITDA as a percentage of total revenue.
Operating (EBIT) Margin	Operating margin is the EBIT as a percentage of total revenue.
Net Margin	Net income expressed as a percentage of total revenue.
Return on Common Equity	Return on common equity (ROE) measures the rate of return on the shareholders' equity of the owners of issued share capital, computed by dividing the net income by the average common equity (average equity of two years financial performance).
Return on Assets	Return on assets (ROA) is computed by dividing net income by average total assets (average assets of two years financial performance).
Cash Flow Statement	
Cash Flow from Operating Activities (CFO)	Cash generated from the principal revenue producing activities of the Group/Company less any interest incurred on debt.
Cash Flow from Investing Activities	Cash generated from the activities dealing with the acquisition and disposal of long-term assets and other investments of the Group/Company.
Cash Flow from Financing Activities	Cash generated from the activities that result in change in share capital and borrowings of the Group/Company.
Capex	Represents the capital expenditure incurred by the Group/Company in a financial year.
Free Cash Flows (FCF)	The amount of cash the Group/Company has after it has met its financial obligations. It is calculated by taking Cash Flow from Operating Activities less the Capex of the same financial year.

Balance Sheet	
Total Assets	What the Group/Company owns which can de further classified into Non-Current Assets and Current Assets.
Non-Current Assets	Assets, full value of which will not be realised within the forthcoming accounting year
Current Assets	Assets which are realisable within one year from the statement of financial position date.
Inventory	Inventory is the term for the goods available for sale and raw materials used to produce goods available for sale.
Cash and Cash Equivalents	Cash and cash equivalents are Group/Company assets that are either cash or can be converted into cash immediately.
Total Equity	Total Equity is calculated as total assets less liabilities, representing the capital owned by the shareholders, retained earnings, and any reserves.
Total Liabilities	What the Group/Company owes which can de further classified into Non-Current Liabilities and Current Liabilities.

Non-Current Liabilities	Obligations which are due after more than one financial year.
Total Debt	All interest-bearing debt obligations inclusive of long and short-term debt.
Net Debt	Total debt of a Group/Company less any cash and cash equivalents.
Current Liabilities	Obligations which are due within one financial year.

Financial Strength Ratios	
Current Ratio	The Current ratio (also known as the Liquidity Ratio) is a financial ratio that measures whether or not a company has enough resources to pay its debts over the next 12 months. It compares current assets to current liabilities.
Quick Ratio (Acid Test Ratio)	The quick ratio measures a Group's/Company's ability to meet its short-term obligations with its most liquid assets. It compares current assets (less inventory) to current liabilities.
Interest Coverage Ratio	The interest coverage ratio is calculated by dividing EBITDA of one period by cash interest paid of the same period.
Gearing Ratio	The gearing ratio indicates the relative proportion of shareholders' equity and debt used to finance total assets.
Gearing Ratio Level 1	Is calculated by dividing Net Debt by Net Debt and Total Equity.
Gearing Ratio Level 2	Is calculated by dividing Total Liabilities by Total Assets.
Gearing Ratio Level 3	Is calculated by dividing Net Debt by Total Equity.
Net Debt / EBITDA	The Net Debt / EBITDA ratio measures the ability of the Group/Company to refinance its debt by looking at the EBITDA.

Other Definitions	
Yield to Maturity (YTM)	YTM is the rate of return expected on a bond which is held till maturity. It is essentially the internal rate of return on a bond and it equates the present value of bond future cash flows to its current market price.

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