Calamatta Cuschieri
YOUR PARTNER IN FINANCIAL SERVICES

Premier Capital p.l.c.

Financial Analysis Summary

25 August 2020

Calamatta Cuschieri
YOUR PARTNER IN FINANCIAL SERVICES

The Directors
Premier Capital p.l.c.
Nineteen Twenty Three
Valletta Road
Marsa, MRS3000,
Malta

25 August 2020

Dear Sirs,

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

The purpose of the financial analysis is that of summarising key financial data appertaining to Premier Capital p.l.c. (the "**Issuer**") as explained in part 1 of the Analysis. The data is derived from various sources or is based on our own computations as follows:

(a) Historical financial data for the three years ended 31 December 2017, 2018 and 2019 has been extracted from the audited financial statements of the Issuer for the three years in question.

(b) The forecast data for the financial year ending 2020 to 2021 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 Listing Authority Policies.

(d) The ratios quoted in the Financial Analysis Summary 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 potential investors by summarising the more important financial data set out in the Prospectus. The Analysis does not contain all data that is relevant to potential investors and is meant to complement, and not replace, the contents of the full Prospectus. The Analysis does not constitute an endorsement by our firm of the proposed bond issue and should not be interpreted as a recommendation to invest in the Bonds. We shall not accept any liability for any loss or damage arising out of the use of the Analysis and no representation or warranty is provided in respect of the reliability of the information contained in the Prospectus. Potential investors are encouraged to seek professional advice before investing in the bonds.

This report incorporates the proposed issue of 3.75% Premier Capital p.l.c. Unsecured Bonds 2026 and assumes that the bond will be issued successfully in September 2020. We draw your attention to the face that this bond is yet to be considered by the Listing Authority and, accordingly, the issue of the bond is subject to regulatory approval. The Listing Authority is expected to meet and consider the application for admissibility to listing of the bonds on the Official List of the Malta Stock Exchange.

Yours sincerely,

Nick Calamatta
Director

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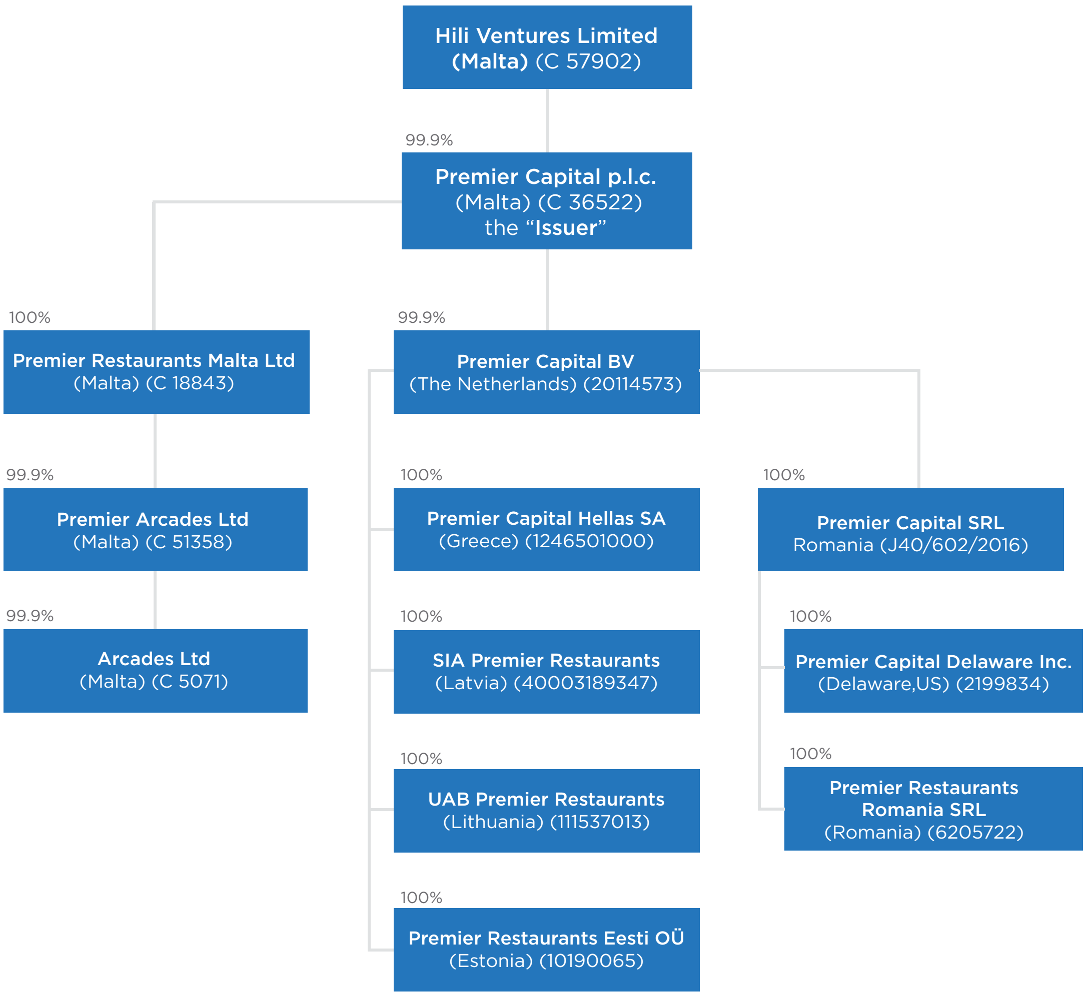
PART 1 – INFORMATION ABOUT THE GROUP

1.1 ISSUER AND GROUP'S SUBSIDIARIES KEY ACTIVITIES AND STRUCTURE

The Group structure is as follows:



Premier Capital p.l.c. (the "**Issuer**" or "**Group**") was incorporated on 30 June 2005 as a private limited liability company, subsequently (on 26 February 2010) converted into a public limited liability company. The Issuer has an authorised share capital of € 40,000,000 divided into 400,000 ordinary shares of €100 each. The issued share capital is of € 33,674,700 divided into 336,747 ordinary shares 100% paid up. The Issuer is, except for 1 ordinary share which is held by Carmelo sive Melo Hili, a subsidiary of Hili Ventures Limited. Moreover, the Issuer is a holding company, having no trading or operating activities of its own. Accordingly, the operating and financial performance of the Group is directly related to the financial and operating performance of the Issuer's subsidiary companies. The Group is engaged in the operations of McDonald's restaurants in Estonia, Greece, Latvia, Lithuania, Malta and Romania.

The McDonald's franchise for Malta was awarded to the group company Premier Restaurants Malta Limited (formerly First Foods Franchise Limited), in 1995, pursuant to the terms of an operating license agreement entered into with, inter alia, McDonald's Corporation.

In 2007, the Premier Group was awarded the McDonald's franchise in respect of each of Latvia, Lithuania and Estonia (the "**Baltic countries**"), pursuant to which it was charged with the responsibility of developing the brand in those territories by: taking over from the McDonald's Corporation the operation of the then existing 19 McDonald's restaurants in the Baltic countries (7 restaurants in Estonia and 6 restaurants in each of Latvia and Lithuania); and by acquiring the right, and taking on the responsibility, to open new restaurants in the Baltic countries. The majority of these restaurants are located in the Baltic countries' respective capital cities, Tallinn, Riga and Vilnius.

In 2011, Premier Capital p.l.c. was awarded the developmental license for McDonald's in Greece, taking over 19 restaurants. Subsequently on 22 January 2016, the Group acquired 90% shareholding in Premier Capital SRL, an SPV company purposely set up to acquire Premier Capital Delaware Inc. (formerly, McDonald's Systems of Romania Inc.), a non-trading holding company registered in Delaware US, and Premier Restaurants Romania SRL (formerly, McDonald's Romania SRL) ("**McD Romania**") which operates the McDonald's restaurants in Romania. McD Romania is headquartered in Bucharest and as at date of acquisition operated 67 restaurants across the country.

In 2016, the Group opened the 23rd restaurant in Greece, a seasonal restaurant located in the island of Santorini, 1 restaurant in Bugibba Malta, following its relocation to a prime area, and there were 2 new openings and 1 closure in Romania. The Group also remodelled 3 existing restaurants in Romania and remodelled 2 restaurants in the Baltics.

In 2017, the Group opened 7 new restaurants; 1 restaurant in Greece, 2 restaurants in Lithuania, and 4 restaurants in Romania. The Group also remodelled 5 of the existing restaurants in Romania.

As at FY18, the Group continued to grow its portfolio, increasing the total number of restaurants to 146 compared to 140 in the prior year. During 2018, 10 new restaurants were opened, 8 of which were inaugurated in Romania and 1 restaurant each in Greece and Lithuania. Conversely, a total of 4 restaurants were closed (2 in Greece and 2 in Romania). In the reviewed period, the Group remodelled 2 restaurants in the Baltic States and 1 in Romania.

In 2019, the Group opened 10 new restaurants; 6 restaurants in Romania, 2 restaurants in Greece, 1 restaurant in Lithuania and 1 restaurant in Latvia, bringing the store count up to 156 as at December 2019.

Over the upcoming 7 years the Issuer is targeting a cumulative investment spend of over €150.4m. €71.7m is targeted towards re-modelling and annual general maintenance capital expenditure of existing McDonald's restaurants, while the rest will be applied to fund the Group's expansion plans of a net increase of 61 restaurants, most of which in Romania (35) and Greece (17). Specifically, such expenditure for FY21 is projected to amount to circa €26m and will be financed, in part, through net proceeds of the Bond Issue as to circa €8.2 million (as detailed in sub-section 4.1 of this Analysis) and the remaining balance through internally generated funds and/or bank borrowings.

1.2 MAJOR ASSETS OWNED BY THE GROUP

The Group's major assets are comprised of the following:

- **Goodwill and intangible assets pertaining to the acquired businesses**

Intangible assets other than goodwill mainly relate to license agreements and support services licenses between the Group and McDonald's corporation. Furthermore, goodwill relates to the acquisition of Maltese and Romanian operations in 1995 and 2016 respectively. Intangible assets and goodwill as at December 2019 amounted to €8.6m and €25.2m respectively.

- **Improvements to leased premises, restaurant equipment and other operational plant and equipment**

The Group owns some of the restaurant buildings used in its operations, together with restaurant equipment and leasehold improvements. Leased premises refer to the right of used assets under IFRS16, which the Group adopted in 2019. Of note, property, plant and equipment (PPE) and right of use assets represent circa 83% of the Group's total assets.

PPE stood at €96m as at December 2019 and mainly include land and buildings, improvements to premises along with restaurant equipment. In 2019, the Group recorded an uplift of €6.1m upon the revaluation of its properties in Romania. Additionally, PPE during the year under review increased due to the opening of new stores. Land and buildings accounted for 45.5% of the total PPE as at 31 December 2019 while restaurant equipment made up 34.3% of the total PPE. Furthermore, 63.1% of the total PPE of the Group is invested in Romania followed by Baltics and Malta at 24.4% while Greece accounted for 9.6% of the total PPE of the Group.

In terms of leased assets, the Group's right of use assets refer to contractual lease agreements, concerning buildings and motor vehicles. As at December 2019, the Group had a total of 156 stores, 144 stores under lease agreements, and 12 stores (11 in Romania and 1 in Latvia) owned by the Group's respective regional subsidiary. Out of the total 144 stores, 134 stores are fully leased from third parties; 6 are fully leased from Hili Properties p.l.c. while 4 are leased from third parties and Hili Properties p.l.c.. A breakdown of the Issuer's right of use assets and lease liabilities may be found in the tables demonstrated below.

Right of use assets (€'000s)	Dec-19
Buildings	87,941
Motor vehicles	361
Total	**88,302**

Lease liabilities (€'000s)	Within 1 year	Within 2-5 years	After 5 years	Total
Lease payments	11,248	39,957	73,717	124,922
Finance charges	(3,448)	(11,391)	(19,420)	(34,259)
Net present value	**7,800**	**28,566**	**54,297**	**90,663**

As could be noted, most of the lease contracts are due expiry after 5 years. While two restaurants in Greece are scheduled to close later in 2020, management explained that the Group does not intend to renew these leases and will be closing these two stores.

1.3 DIRECTORS AND KEY EMPLOYEES

Board of Directors - Issuer

As at the date of the prospectus, the board of directors of the Issuer is constituted by the following persons:

Name	Office Designation
Mr Carmelo sive Melo Hili	Chairman and non-executive Director
Mr Victor Tedesco	Executive Director and Chief Executive Officer
Mr Valentin-Alexandru Truta	Non-executive Director
Mr Massimiliano Eugenio Lupica	Independent, non-executive Director
Ms Karen Pace	Independent, non-executive Director

The senior management team of the Group consists of:

Name	Office Designation
Mr Dorian Desira	Chief Financial Officer
Mr Tomasz Nawrocki	Chief Operations Officer
Mr Hector Naudi	Director of Supply Chain and Quality
Mr Spiros Karadimas	Director of Development
Ms Joanna Ripard	Director of Communications
Mr Conrad Aquilina	Director of IT
Mr David Vella	Director of Human Resources
Mr Vladimir Janevski	Managing Director, Premier Restaurants Estonia, Latvia and Lithuania

Ms Simona Mancinelli	Managing Director, Premier Capital Hellas
Mr Peter Hili	Managing Director, Premier Restaurants Malta
Mr Paul Dragan	Managing Director, Premier Restaurants Romania

The business address of all of the directors is the registered office of the Issuer. Refer to section 4 of the Registration Document for the curriculum vitae of the Issuer's directors. Mr Dorian Desira is the company secretary of the Issuer.

The board is composed of five directors who are entrusted with the overall direction and management of the Issuer. The executive director of the Issuer is entrusted with the company's day-to-day management and is also a director or officer of other companies within the Group. The only executive director of the Issuer is Victor Tedesco. The non-executive directors (two of which are independent of the Issuer), constitute a majority on the Board of the Issuer and their main functions are to monitor the operations of the executive director and his performance, as well as to review any proposals tabled by the executive director. The non-executive Directors are Melo Hili, Valentin Truta, Massimiliano Lupica and Karen Pace, with the latter two also being independent of the Issuer.

As at the date of this Analysis, the Issuer has a total of 12 employees and, in aggregate, the Premier Group currently has approximately 9,203 employees, with an average ratio of 55:45 between full-time employees and part-time employees.

1.4 OPERATIONAL DEVELOPMENTS

1.4.1 Strategy

a) Expand penetration within existing and new geographical territories

As discussed above, the Premier Group's principal objective is to focus on the expansion of the McDonald's restaurant network within existing and new markets, given the belief of the Group's management that there is significant market potential (as described in section 3 of this Analysis) to continue developing the McDonald's concept in Malta, the Baltic countries, Romania and Greece and, possibly, other territories (subject to franchisor's approval and granting of the associated licenses).

b) Continue to improve revenue and profitability

During the past three financial years (FY17 – FY19), the Premier Group has consistently expanded the number of its McDonald's restaurants and McCafe's, and remodelled and upgraded the ambience and technology of a number of its existing restaurants. The Group intends to pursue this growth strategy to sustain and improve its revenues and profitability.

c) Commitment to customer satisfaction

The Premier Group is committed to provide an efficient and attentive customer service and consistent food quality. The Group plans to do so by investing in new technologies and service platforms, providing ongoing training for its personnel, improving the quality of store ambience, maintaining high health and safety standards, improving the quality of store furnishings and others.

1.4.2 Restaurant development

The Group's management believes that the ability to select attractive locations and develop new restaurants is important in ensuring its continued growth. Accordingly, the Premier Group undergoes a detailed and comprehensive process to:

a) Determine key development markets

Target markets and the pace and level of development in those markets are determined by a detailed review of many factors, including the potential of individual markets, existing and expected competition, any current penetration and historical performance of Premier Group restaurants in those markets and any key challenges facing development. The Premier Group believes that by focusing on further penetration of its existing markets it is able to increase brand awareness and improve operating and marketing efficiencies. Subject to obtaining the approval of its franchisor, the Group may also expand geographically to other countries where suitable opportunities occur.

b) Select and approve new locations

The Group's management believes that its site selection strategy is critical to its success and it devotes substantial effort to evaluating each potential site. Each city is divided into trade zones based on criteria such as pedestrian and automotive traffic levels, population, traffic generators, including shopping centres or petrol stations, household income levels and unemployment.

Sites are principally sourced by the Group's internal development team with the support of local real estate agents.

c) Negotiate attractive lease terms

The Premier Group leases sites for terms usually of a minimum of 20 years with, where possible, a provision to extend the term by an agreed period. A minority of the Group's lease agreements provide for financial penalties on early termination and a small number do not provide for early terminations. Since McDonald's has developed significant brand identity in Malta, Estonia, Latvia, Lithuania, Romania and Greece, the Group has been able to negotiate more favourable leases for the placement of restaurants in premium locations, such as new shopping centre developments, as operators of these centres often seek to secure McDonald's as 'flagship' tenants.

d) Design, construct and manage restaurants

Upon securing a site, the Premier Group engages an approved architect to prepare the design of the restaurant based on a master design prepared in accordance with established brand standards to support the process of obtaining appropriate permits, and to oversee the construction process. Upon completion of all construction works, the Group's design team manages the fitting out of the restaurant, which typically takes from 12 to 14 weeks.

1.4.3 Capital expenditure analysis and recent store movement

As per discussions with management, capital expenditure relating to new restaurants depends on the i) size of the restaurants, ii) whether the set-up is permanent or short-term such as Greece, where certain restaurants are seasonal and iii) locality. It is important to note that in case of certain restaurants located inside shopping malls, the leasehold improvements are borne by the mall owners.

In furtherance, the Group has opened 29 new restaurants in the last three years, more specifically 19 in Romania, 5 in Greece, 4 in Lithuania and 1 in Latvia. Over the last three financial years, the Group has invested a total of €31.6m on new stores and an additional €4.4m was spent on remodelling of old stores. The Group has also spent a total of approximately €17.3m on capital expenditure relating to the maintenance of existing stores from FY17 to FY19. All data pertaining to the below information may be found in the below tables.

Routine maintenance and remodelling capex averaged €56.2k per store over the review period, and represents an average of 2.8% of sales. On average a new store costs circa €1.1m depending on the size, location and nature of the store.

Capex (€'000s)	Dec-17	Dec-18	Dec-19
Romania	7,471	11,392	12,150
Greece	2,155	3,522	5,006
Others	4,644	5,223	4,829
	14,270	20,137	21,985
Consolidation adjustment	(1,643)	354	(1,748)
Total	**12,627**	**20,491**	**20,237**

Store movement	Dec-17	Dec-18	Dec-19	Total
New stores	7	10	12	**29**
Closed stores	-	4	2	**6**

1.4.4 Proposed bond issue and projected capital expenditure

The net proceeds from this proposed bond issue are expected to amount to €19.65m. The issuer will loan out the expected net proceeds of €19.6m to Premier Capital BV in the form of a bullet loan at an interest rate of 4.5%. The issue costs will be borne and amortised by Premier Capital p.l.c. Additionally, the proposed bond issue will be utilised as follows:

- Acquisition of minority interest in Romania - An amount of circa €11.5 million will be used to finance the acquisition of the 10% non-controlling interest previously held by the minority shareholder in Premier Capital SRL ("PC SRL"). The price for the acquisition of these shares reflects the pre-determined option price included in the original acquisition agreement.

- Other capital expenditure purposes – The Group plans to invest circa. €8.15m on capital expenditure relating to opening of new stores, predominately in Greece and/or Romania on refurbishing, improving and maintaining existing stores.

In terms of projected capital and store movement going forward, the Group's store count is projected to increase from 156 in FY19 to 218 in FY26 with a planned total capex of €150.4m to be incurred on these stores from FY20 to FY26. Moreover, circa 52.3% of this capital expenditure relates to the opening of new stores, whereas capital expenditure per new store is projected to average €1.3m, compared to an average cost per new store of €1.1m between FY17 and FY19.

1.5 COVID-19 IMPACT ON THE GROUP'S OPERATIONAL AND FINANCIAL PERFORMANCE

The current events stemming from the COVID-19 outbreak have had a significant impact on the economy during 2020 as all restaurants have either closed or reduced service to take away, McDrive and McDelivery only as restaurants lobbies were ordered to close by local authorities to avoid contact between customers. Results during the financial year ended 31 December 2020 are expected to be impacted with adverse implications on the profitability of the group. The holding company receives ongoing updates from the management of the underlying subsidiaries to assess the impact of COVID -19 pandemic on its investments. Each market was impacted differently, with the countries mostly impacted being those that rely heavily on the tourism sector.

Liquidity Measures

It is normal practice within the Group that management prepare periodical budgets and projections throughout the year to monitor the group performance. In view of the developments pertaining to COVID-19 earlier this year, such projections are more valuable to assess the impact that the pandemic may have on the profitability and liquidity of the Group. In fact, the frequency of such projections has increased from the norm in order for management to assess the trends and be in a better position to take timely decisions. In order to protect liquidity, the Group decided to reduce its capital expenditure plans to only committed and necessary expenditure, with non-essential capital expenditure put on hold until the year 2021.

Costs Containment Measures

Management teams within the markets were invited to revise their respective market operating costs and retain only essential expenditure on the plans. Where possible, full time employees were asked to avail themselves of vacation leave and part-timers were stopped being scheduled for shifts. Local teams also took the initiative to negotiate a temporary suspension of lease agreements as well as a revision of rates in service agreements. Subsidiary companies benefitted of different government aids and assistance provided at local level intended to support hard hit businesses.

Assumptions undertaken in projections utilised for the purpose of this document

Most recent trends were analysed and referred to when building the revised projections for FY20. Throughout the pandemic, the Baltic countries were the least impacted and were the first to register better results. In fact, for the 3 countries, the Group is expected to nearly reach the same turnover levels of FY19. After being impacted severely during first months of the pandemic, Romania is recovering well and expectations are that the turnover level will reach circa 96% of FY19. Greece and Malta are expecting to still struggle to increase their volumes to pre-COVID levels as a result of the low tourism season as compared to other years. Nonetheless, the new stores which opened their doors in late 2019 in Greece, are expected to help this market to achieve close to last year's turnover volumes, with FY20 revenue expected to decrease by 1% over last year. On the other hand, Malta is expected to register a drop in sales of 12% when compared to FY19. With the costs containments measures still in place and non-essential capital expenditure on hold, the Group is expected to register net profit before tax of €15.7m compared to €28m in FY19.

In furtherance, the directors have assessed the reserves and financing available to the Group and are confident that these are adequate to support the Group in the foreseeable future. More importantly, management has also confirmed that the Issuer has sufficient resources at its disposal to honour both its existing and proposed bond interest payment obligations.

1.6 RELATED PARTY DEBT SECURITIES

Premier Capital p.l.c. is a member of the Hili Ventures Group. Within the same group, 1923 Investments p.l.c., Hili Properties p.l.c. and Hili Finance Company p.l.c., all sister companies of Premier Capital p.l.c., have the following outstanding debt securities. The below table also includes Premier's current outstanding bond.

Security ISIN	Security Name	Amount Listed	Currency
MT0000511213	3.75% Premier Capital p.l.c. 2026	65,000,000	EUR
MT0000841206	5.1% 1923 Investments p.l.c. 2024	36,000,000	EUR
MT0000941204	4.5% Hili Properties p.l.c. 2025	37,000,000	EUR
MT0001891200	3.85% Hili Finance Company p.l.c. 2028	40,000,000	EUR
MT0001891218	3.8% Hili Finance Company p.l.c. 2029	80,000,000	EUR

PART 2 – HISTORICAL PERFORMANCE AND FORECASTS

The projected financial statements detailed below relate to events in the future and are based on assumptions which the Group 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.

The financial information below is extracted from the audited consolidated financial statements of Premier Capital p.l.c. for the financial years ended 31 December 2017 to 2019. The projected financial information for the years ending 31 December 2020 and 2021 has been provided by Group management.

2.1 ISSUER'S STATEMENT OF COMPREHENSIVE INCOME

Income Statement	FY17	FY18	FY19	FY20F	FY21P
	€'000s	**€'000s**	**€'000s**	**€'000s**	**€'000s**
Revenue	263,420	293,650	341,281	325,638	363,740
Net operating expenses	(228,357)	(255,222)	(285,065)	(279,151)	(309,353)
EBITDA	**35,063**	**38,428**	**56,216**	**46,487**	**54,387**
Depreciation and amortisation	(11,645)	(12,387)	(21,959)	(23,568)	(24,962)
EBIT	**23,418**	**26,041**	**34,257**	**22,919**	**29,425**
Acquisition related costs	-	-	-	-	-
Net finance costs	(3,453)	(3,043)	(6,254)	(7,267)	(8,071)
Profit before tax	**19,965**	**22,998**	**28,003**	**15,652**	**21,354**
Income tax	(4,075)	(5,117)	(2,299)	(1,988)	(2,511)
Profit after tax	**15,890**	**17,881**	**25,704**	**13,664**	**18,843**

Other comprehensive income					
Gain on revaluation of tangible assets	-	-	6,008	-	-
Movement in fair value of financial assets	(361)	(39)	(37)	(17)	-
Exchange differences - foreign operations	(1,054)	(29)	(1,087)	(664)	
	(1,415)	(68)	4,884	(681)	-
Total Comprehensive income	**14,475**	**17,813**	**30,588**	**12,983**	**18,843**

Ratio Analysis[1]	FY17	FY18	FY19	FY20F	FY21P
Profitability					
Growth in Revenue (YoY Revenue Growth)	14.5%	11.5%	16.2%	-4.6%	11.7%
EBITDA Margin (EBITDA / Revenue)	13.3%	13.1%	16.5%	14.3%	15.0%
Operating (EBIT) Margin (EBIT / Revenue)	8.9%	8.9%	10.0%	7.0%	8.1%
Net Margin (Profit for the year / Revenue)	6.0%	6.1%	7.5%	4.2%	5.2%
Return on Common Equity (Net Income / Average Equity)	35.6%	37.1%	48.6%	26.3%	38.7%
Return on Assets (Net Income / Average Assets)	9.0%	10.5%	11.4%	4.9%	6.6%

Segment Information	FY17A	FY18A	FY19A	FY20F	FY21P	CAGR FY17-19	CAGR FY17-20
ESTONIA							
Revenue (€'000)	20,740	22,629	24,492	24,101	24,921	8.7%	5.1%
Profit (loss) before tax (€'000)	2,668	2,709	2,821	2,453	2,674	2.8%	-2.8%
Average number of restaurants	10	10	10	10	10		
Average revenue per restaurant (€'000)	2,074	2,263	2,449	2,410	2,492	8.7%	5.1%
Growth in average revenue per restaurant	12.2%	9.1%	8.2%	-1.6%	3.4%		
Pre-tax profit margin	13%	12%	12%	10%	11%		
GREECE							
Revenue (€'000)	29,024	33,042	40,773	40,424	47,413	18.5%	11.7%
Profit (loss) before tax (€'000)	144	492	1,434	404	2,004	215.6%	41.1%
Average number of restaurants	24	23	26	25	28		
Average revenue per restaurant (€'000)	1,209	1,437	1,568	1,617	1,693	13.9%	10.2%
Growth in average revenue per restaurant	11.2%	18.8%	9.2%	3.1%	4.7%		
Pre-tax profit margin	0%	1%	4%	1%	4%		

[1] Ratio analysis may not agree to prior FASs, due to a change in the calculation methodology (refer to section 4 of this Analysis)

Segment Information	FY17A	FY18A	FY19A	FY20F	FY21P	CAGR FY17-19	CAGR FY17-20
LATVIA							
Revenue (€'000)	21,385	23,281	26,122	25,555	26,455	10.5%	6.1%
Profit (loss) before tax (€'000)	1,370	1,955	2,559	2,126	1,590	36.7%	15.8%
Average number of restaurants	12	12	13	13	13		
Average revenue per restaurant (€'000)	1,782	1,940	2,009	1,966	2,035	6.2%	3.3%
Growth in average revenue per restaurant	10.4%	8.9%	3.6%	-2.2%	3.5%		
Pre-tax profit margin	6%	8%	10%	8%	6%		
LITHUANIA							
Revenue (€'000)	22,373	26,617	29,300	29,621	32,000	14.4%	9.8%
Profit (loss) before tax (€'000)	2,353	2,046	1,954	808	1,152	-8.9%	-30.0%
Average number of restaurants	13	14	15	16	17		
Average revenue per restaurant (€'000)	1,721	1,901	1,953	1,851	1,882	6.5%	2.5%
Growth in average revenue per restaurant	-2.8%	10.5%	2.7%	-5.2%	1.7%		
Pre-tax profit margin	11%	8%	7%	3%	4%		
MALTA							
Revenue (€'000)	22,800	24,504	26,357	23,104	23,751	7.5%	0.4%
Profit (loss) before tax (€'000)	1,142	1,422	1,703	1,395	1,442	22.1%	6.9%
Average number of restaurants	9	9	9	9	9		
Average revenue per restaurant (€'000)	2,533	2,723	2,929	2,567	2,639	7.5%	0.4%
Growth in average revenue per restaurant	10.3%	7.5%	7.6%	-12.3%	2.8%		
Pre-tax profit margin	5%	6%	6%	6%	6%		
ROMANIA							
Revenue (€'000)	147,098	163,577	194,237	182,832	209,200	14.9%	7.5%
Profit (loss) before tax (€'000)	18,880	20,250	24,671	14,971	20,295	14.3%	-7.4%
Average number of restaurants	72	78	83	86	94		
Average revenue per restaurant (€'000)	2,043	2,097	2,340	2,126	2,226	7.0%	1.3%
Growth in average revenue per restaurant	9.3%	2.6%	11.6%	-9.2%	4.7%		
Pre-tax profit margin	13%	12%	13%	8%	10%		
TOTAL							
Revenue (€'000)	263,420	293,650	341,281	325,637	363,740	13.8%	7.3%
Profit (loss) before tax[1] (€'000)	26,557	28,874	35,142	22,157	29,157	15.0%	-5.9%
Average number of restaurants	140	146	156	159	171		
Average revenue per restaurant (€'000)	1,882	2,011	2,188	2,048	2,127	7.8%	2.9%
Growth in average revenue per restaurant	8.7%	6.9%	8.8%	-6.4%	3.9%		
Total revenue growth	14.5%	11.5%	16.2%	-4.6%	11.7%		
Pre-tax profit margin	10.1%	9.8%	10.3%	6.8%	8.0%		

[1] The profit figure as reported excludes results of the holding company.

As could be noted from the above financial data, the Group's revenue increased by a significant 29.6% from FY17 to FY19. This growth was predominantly driven by both an increase in revenue per store together with a net increase in the number of stores which from 133 stores in the beginning of FY17 increased to 156 as at year end FY19. During these financial years (FY17-FY19), the Group has added 29 new stores and closed 6 stores.

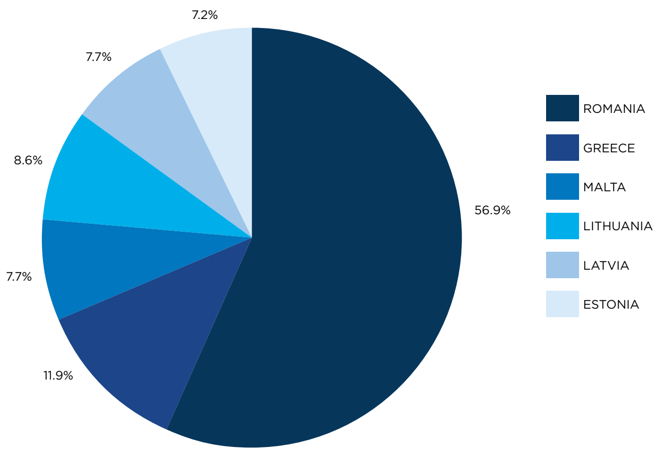
More recently, the Group registered an improved financial performance in FY19 when compared to the previous corresponding period. During FY19, the Group's revenue increased by 16.2% from €293.7m in FY18 to €341.3m as per FY19 results. As could be noted from the 'revenue by region' table below, this improvement is mainly attributable to positive financial performances achieved across the Group's six operating regions. Another principal factor contributing towards this upsurge in revenue is the addition of another 10 restaurants in operation to a total count of 156 restaurants as at December 2019.

Moreover, the aforementioned increase in revenue is also attributable to an increase in average revenue per restaurant generated during the period. Revenue per store has increased from €1.9m in FY17 to €2.2m in FY19, representing a compound annual growth rate (CAGR) of 7.8%. This improvement is reflective of the Group's strategy to continuously upgrade its product offering, such as through its continuous investments in McDrive and the McCafe refurbishments.

In line with previous years, the largest contributor towards the Group's revenue is Romania, representing 56.9% of the Group's total revenue as at December 2019. Following the opening of six additional stores during the period, revenue specifically generated from Romania increased by 18.7% during FY19 to €194.2m (FY18: €163.6m). It is important to note that the Group is significantly reliant on Romania's operating performance.

However, as per FY19 results, the Greek operations reported the strongest growth over the review period, demonstrating a revenue increase of 23.4% to circa €40.8m, which represents 11.9% of the Group's total revenue. This growth is also deemed to be in line with the opening of two additional stores during FY19. In terms of the other countries, Estonia is the lowest contributor towards the Group's revenue at €24.5m or 7.2% of total revenue as at FY19.

Revenue by region - FY19



Revenue by region (€'000s)	**FY17**	**FY18**	**FY19**	**FY20F**	**FY21P**
Romania	147,098	163,577	194,237	182,832	209,200
Greece	29,024	33,042	40,772	40,424	47,413
Malta	22,800	24,504	26,357	23,104	23,751
Lithuania	22,373	26,617	29,300	29,621	32,000
Latvia	21,385	23,281	26,122	25,555	26,455
Estonia	20,740	22,629	24,493	24,101	24,921
Total revenue	**263,420**	**293,650**	**341,281**	**325,637**	**363,740**
Total number of stores	**140**	**146**	**156**	**159**[2]	**171**
Sales per store	**1,882**	**2,011**	**2,188**	**2,048**	**2,127**

[2] The Issuer is envisaged to open 5 new stores and close 2 stores during FY20

Moreover, management explained that projections for FY20 are based on the actual results till 30 June 2020, combined with the Issuer's projections for the rest of the year, taking into account the impact of COVID-19 and the relatively quick recovery witnessed since the easing of the related social distancing measures. Management based their projections for the remaining years on the historical performance of each individual market and future Group strategies in these respective markets, having also considered the economic impact of COVID-19. Management anticipates that operating profit will recover to FY19 levels towards the end of 2022, inclusive of growth from new store openings. Further detail in terms of projections will be discussed in further detail below.

As per above projections, management anticipates that the COVID-19 pandemic will result in a 4.6% year-on-year decrease in terms of FY20 revenue, despite a net increase of 5 stores during the period and the opening of 12 new stores straddling across FY20. As such, revenue during FY20 and FY21 is anticipated to amount to €325.6m and €363.7m, respectively. As a result, the underlying revenue assumptions utilised for the purpose of this document are considered as being conservative.

As could be noted from the above data, Romania is expected to remain as the largest contributor towards the Group's revenue. Romania is projected to open 3 new stores in FY20 and this is expected to dilute the discernible impact that COVID-19 has had on top-line revenue. Revenue per store is expected to recover quickly over the two subsequent years (FY21 and FY22) and stabilise at an inflationary growth rate moving forward.

The Issuer plans to open 36 new stores in Romania from FY20-FY26, allowing the Group to benefit from minor increases in terms of gross profit margin as third party distribution costs will be spread across a greater volume of trade.

Throughout the forecasted period, Greece is also expected to remain the second largest contributor towards the Group's revenue. In terms of new store openings, the Group is envisaged to open 19 new stores and close 2 stores in Greece, increasing its total stores to 42 in FY26 from 25 in FY19. These new stores are expected to include 5 in-store restaurants, 2 season/mall outlets and 12 drive by store.

Revenue moving forward pertaining to the Baltics and Malta cluster is anticipated to decline by 3.7% during FY20, although one new store is expected to open during the period. Similarly to other regions, the Issuer is anticipating that revenue per store will recover over next the two years (FY21 and FY22) and to stabilise at an inflationary growth rate thereon.

More importantly, management also explained that new stores are assumed to be able to achieve the average revenue per store in their respective region, starting at 50% in the year of opening and 100% in the second year of operations. Across FY20 – FY26, the Issuer is envisaged to open 62 new stores across the next 6 years, predominately in Greece and Romanian. The Group also intends to close 2 stores in Greece.

Gross Profit Analysis	FY17	FY18	FY19	FY20F	FY21P
Gross Profit (€'000s)					
Romania	35,239	38,466	48,334	36,962	46,935
Greece	4,363	5,724	7,991	6,583	9,247
Others	17,841	19,806	22,951	19,156	20,459
Total gross profit	**57,443**	**63,996**	**79,276**	**62,701**	**76,641**
Gross Margin (%)					
Romania	24.0%	23.5%	24.9%	20.2%	22.4%
Greece	15.0%	17.3%	19.6%	16.3%	19.5%
Others	20.4%	20.4%	21.6%	18.7%	19.1%
Total gross profit	**21.8%**	**21.8%**	**23.2%**	**19.2%**	**21.1%**

As per above table, the Group's gross profit has increased from €57.4m in FY17 to €79.3m in FY19, mainly as a result of the new restaurants openings during the respective periods. The Group's gross margin has improved slightly from 21.8% in FY17 to 23.2% in FY19. The largest increase in margins as demonstrated above, was registered in Greece mainly, as a result reductions in value added tax (VAT) which allowed minor price increases, along with buoyant tourism results which led to a greater portion of sales originating from seasonal tourism focused stores which charge higher prices.

During 2019, the VAT rate on food in Greece has been reduced from 24% to 13%, whilst in Romania, the VAT rate on food consumed in restaurants (hence, not applicable for take-outs) has been reduced from 9% to 5%. This has enabled the Group to lower menu prices to some extent, though a portion of the VAT reductions has been retained, which resulted in an increase in profitability margins as shown above.

More generally, favourable economic conditions in Greece, Malta and the Baltics, allowed for some minor price increases together with a shift towards higher margin products. Furthermore, higher sales volumes allowed for improved bulk purchase discounts in number of countries. Notwithstanding the higher inflationary pressures in Romania over the review period (FY18 4.1% and FY19 3.9%), gross profit margins also increased slightly from 23.5% in FY17 to 24.9% in FY19.

Additionally, gross profit margins in FY20 are anticipated to reduce slightly as a result of additional packaging costs associated with the increased home deliveries, together with slight shifts towards lower margin products. Furthermore, third party distribution centre costs are charged such that the centres' total costs and profit targets are apportioned over the total volumes handled by the respective centre.

The lower sales volumes anticipated for FY20 will lead to reductions in the gross profit margin for the year. Conversely, the additional sales projected from the opening of new stores is anticipated to result in a gradual increase in the Group's gross profit margin, from 19.2% in FY20 to 21.1% in FY21. It is important to note that the significant fixed elements within distribution centre costs will contribute to economies of scale and gross profit margin improvements.

Management explained that gross profit per store from existing stores are anticipated to recover to FY19 levels by the end of 2021, and gross profit margins are expected to benefit from additional bulk purchase discounts due to a net increase of 60 new restaurants over the bonds' term to maturity (FY20-FY26).

Moreover, operating expenditure represents costs directly related to the business activity of each store, and apart from raw materials, operating expenditure mainly include staff costs, advertising, utilities and other administrative expenses. In addition to the increase in revenue generated from FY17 to FY19, the increase in operating expenditure throughout this period is also attributable to increases in salaries and crew incentives. The aforementioned operating expenditure increase is also in line to the Group's continuous investments in quality of services and ordinary inflationary pressures.

Average crew and management labour costs during FY17-19 were impacted by the opening of new stores. Further labour costs were incurred as the Group hired a customer experience leader throughout this period as part of McDonald's Corporation's strategy to increase the overall customer experience. Moreover, the franchise agreements for each region stipulates a minimum advertising cost obligation as a percentage of sales.

During FY19, the Issuer adopted IFRS16 to account for lease obligations, and as a result of this adoption, depreciation and interest costs associated with the lease contracts have replaced the previous rental charge cost. As a result, the depreciation and interest costs on lease contracts amounted to €11.2m in FY19 which approximately equals the rent for the year. Other administrative costs incurred by the Issuer which are listed under operating expenditure include travel costs and occupancy costs. Operating expenditure during FY20 and FY21 is projected to amount to €279.2m and €309.4m respectively. The decline in operating expenditure during FY20 is attributable to the anticipated decline in revenue but also includes fixed costs elements within distribution centre costs as discussed above.

The Issuer's finance costs are mostly composed of interest on bank borrowings, interest on bonds and interest expense for leasing arrangements. The interest expense relating to the Group's leased assets for FY19 stood at €3.3m alone, thus being the main reason for the uplift in net finance costs during FY19 (€6.3m). These are expected to amount to €7.3m and €8.1m (FY20 and FY21 respectively) during the projected period once the interest of the new proposed bond kicks in.

Upon taking the above factors into consideration, the Issuer reported an improved net profit after tax figure of €25.7m during FY19 (FY18: 17.9m). In terms of projections, after accounting for the anticipated decline in revenue for FY20 due to implications brought about by the COVID-19 pandemic, together with the increase in depreciation/amortisation charge and net finance costs, the Issuer is anticipating to report a net profit figure of €13.7m. However, the Group is expected to experience signs of recovery during FY21, with net profit projected to increase to €18.8m.

2.1.1 Variance Analysis

Statement of Comprehensive Income	Dec-19 Forecast	Dec-19 Audited	Variance
	€'000s	€'000s	€'000s
Revenue	338,008	341,281	3,273
Net operating expenses	(280,935)	(285,065)	(4,130)
EBITDA	**57,073**	**56,216**	**(857)**
Depreciation and amortisation	(22,799)	(21,959)	840
EBIT	**34,274**	**34,257**	**(17)**
Acquisition related costs	-	-	-
Net finance costs	(6,633)	(6,254)	379
Profit before tax	**27,641**	**28,003**	**362**
Income tax	(7,110)	(2,299)	4,811
Profit after tax	**20,531**	**25,704**	**5,173**

As per discussions with management, actual revenue for FY19 was higher than previously anticipated by circa €3.3m. This upsurge in revenue is mainly attributable to the overachievement in Greece and Romania in comparison to the respective local plans.

Actual overall operating expenditure were circa €4.1m higher than previously anticipated. The increase in operating expenditure is a result of higher volumes that those previously projected as well as increases in marketing and personnel costs incurred during the period under review. As a result, the increase within the overall net operating costs, resulted in the Group reporting a lower EBITDA figure than previously anticipated by circa €0.9m.

The depreciation charge for FY19 was circa €0.8m lower than previously expected. This favourable variance resulted from timing delays of new store openings in comparison to the original plan concerning the opening dates of the respective stores.

As expected, there were no acquisition related costs incurred during the period and net finance costs were very close to previous expectations. Upon taking the above factors into consideration, the Group reported a profit before tax of €28m, representing an increase of circa €0.4m over previous expectations.

Moreover, the Premier Capital Group during FY19 benefitted from the participation exemption directive where foreign dividend income is no longer taxed in Malta. This resulted in a significant and positive tax variance amounting to €4.8m. As a result, the Group reported a profit after tax of €25.7m, signifying an increase of €5.2m over previous expectations.

2.2 ISSUER'S STATEMENT OF FINANCIAL POSITION

Statement of Financial Position	FY17	FY18	FY19	FY20F	FY21P
	€'000s	€'000s	€'000s	€'000s	€'000s
Assets					
Non-current assets					
Goodwill and other intangibles	35,740	34,983	33,785	35,738	35,566
Property, plant and equipment	74,855	83,739	96,091	91,581	101,756
Right-of-use assets	-	-	88,301	85,581	89,912
Financial assets	891	856	820	1,063	1,063
Loans and receivables	15,131	9,817	531	17,634	17,634
Deferred tax asset	600	603	868	974	974
Prepayments	2,220	2,350	2,162	2,025	5,955
Total non-current assets	**129,437**	**132,348**	**222,558**	**234,596**	**252,860**

Current assets					
Inventory	4,073	5,192	5,212	5,459	6,091
Trade and other receivables	3,417	5,131	5,234	6,544	11,008
Other current assets	2,981	3,208	7,730	968	-
Cash and cash equivalents	21,222	33,572	32,498	38,515	17,311
Total current assets	**31,693**	**47,103**	**50,674**	**51,486**	**34,410**
Total assets	**161,130**	**179,451**	**273,232**	**286,082**	**287,270**

Equity					
Equity and reserves	47,607	48,701	57,082	46,836	50,660
Total equity	**47,607**	**48,701**	**57,082**	**46,836**	**50,660**
Liabilities					
Non-current liabilities					
Bank borrowings and bonds	79,768	83,753	77,643	107,425	103,043
Lease liabilities	-	-	82,863	79,863	82,308
Other non-current liabilities	2,311	2,372	2,200	1,346	636
Total non-current liabilities	**82,079**	**86,125**	**162,706**	**188,634**	**185,987**
Current liabilities					
Bank borrowings	4,801	6,051	5,929	8,423	4,194
Lease liabilities	-	-	7,800	9,690	13,036
Other current liabilities	26,643	38,574	39,715	32,499	33,393
Total current assets	**31,444**	**44,625**	**53,444**	**50,612**	**50,623**
Total current assets	**113,523**	**130,750**	**216,150**	**239,246**	**236,610**
Total assets	**161,130**	**179,451**	**273,232**	**286,082**	**287,270**

Ratio Analysis[3]	**FY17**	**FY18**	**FY19**	**FY20F**	**FY21P**
Financial Strength					
Gearing 1 (Net Debt / Net Debt and Total Equity)	57.1%	53.6%	71.3%	78.1%	78.5%
Gearing 2 (Total Liabilities / Total Assets)	70.5%	72.9%	79.1%	83.6%	82.4%
Net Debt / EBITDA	1.8x	1.5x	2.5x	3.6x	3.4x
Current Ratio (Current Assets / Current Liabilities)	1.0x	1.1x	0.9x	1.0x	0.7x
Quick Ratio (Current Assets - Inventory / Current Liabilities)	0.9x	0.9x	0.9x	0.9x	0.6x
Interest Coverage (EBITDA / Cash interest paid)	8.0x	10.4x	8.0x	6.5x	6.3x

Intangible assets and goodwill as at December 2019 collectively amounted to €33.8m. On a stand-alone basis, intangible assets amounted to €8.6m as at FY19. These are mainly divided between support service licenses and rights and franchise agreements. Support service licenses relate to support agreements between the Group and the McDonald's Corporation which were acquired as part of the Group's acquisition of the Baltic operations in 2007. These licenses are long-term in nature and are amortised over the life of the franchise agreement.

[3] Ratio analysis may not agree to prior FASs due to a change in the calculation methodology (refer to section 4 of this Analysis)

Moreover, rights and franchise agreements represent the franchise agreements signed with the McDonald's Corporation which allows the Group to operate the McDonald's brand in all markets. Generally the franchise agreements are for a period of 20 years and includes the use of the McDonald's systems in the Group's restaurants. Franchise agreements are amortised over the term of the franchise agreement.

Goodwill as at December 2019 amounted to €25.2m, out of which €14.6m relates to acquisitions of Premier Restaurants Malta Ltd and €2m relates to Premier Arcades Ltd. Goodwill related to the Romania acquisition as at the end of period stood at €8.6m. Additionally, movements in goodwill relate to foreign exchange differences. No impairments were reported in the review period. Goodwill and intangible assets are expected to collectively marginally increase to €35.7m level during FY20 and FY21.

The Group's property, plant and equipment (PPE) stood at €96.1m as at FY19 and mainly consist of land and buildings, improvements to premises along with restaurant equipment. The total average net book value (NBV) per store amounted to €616k as at FY19.

In FY19, the Group recorded an uplift of €6.1m upon the revaluation of its properties in Romania. Additionally, PPE increased due to the opening of new stores. Of note, land and buildings during FY19 accounted for 45.5% of the Group's total PPE for the period, while restaurant equipment made up 34.3% of the total PPE. It also important to note that 63.1% of the Group's total PPE is invested in Romania followed by Baltics and Malta at 24.4% while Greece accounted for 9.6% of the total PPE of the Group.

In terms of right-of-use assets, this refers to contractual lease agreements, concerning buildings and motor vehicles. As at 31 December 2019, the Group had a total 156 stores, 144 stores under lease agreements, and 12 stores (11 in Romania and 1 in Latvia) owned by the Group's respective regional subsidiary. Out of the total 144 stores, 134 stores are fully leased from third parties; 6 are fully leased from Hili Properties p.l.c. while 4 are leased from third parties and Hili Properties p.l.c.. Most of the Group's lease contracts are due expiry after 5 years. While two restaurants in Greece are scheduled to close later in 2020, management explained that the Group does not intend to renew these leases and will be closing these two stores. The Group records the net present value of the future lease obligations as a lease liability in terms with IFRS16.

It is important to note that PPE and leased assets are projected to move in line with the planned capex on new stores as well on remodelling of existing stores.

As could be noted from the below table, the Group's net working capital is analysed in terms of debtors and creditors who are directly associated with the everyday operations of the business. Management explained that the product sales are mostly on a cash basis, whilst inventory levels are relatively low due to the perishable nature of the product. In comparison, the Group enjoys credit terms from most suppliers. Net working capital remained negative throughout the historical period from 2017 to 2019. More importantly, the Group retains cash reserves in excess of its negative working capital position.

Trade working capital (€'000s)	**FY17**	**FY18**	**FY19**
Inventories	4,073	5,192	5,212
Trade debtors	636	588	444
Trade creditors	(8,151)	(14,684)	(15,373)
Net working capital	**(3,442)**	**(8,904)**	**(9,717)**

Trade and other receivables mainly consist of trade receivables, prepayments relating to rent, royalties and other receivables not relating to day to day operations along with a small portion of interest income receivable from related parties. Included under other receivables is €1.5m of receivables related to social security (medical) expenses in Romania, €0.5m of VAT receivable and funds held by stockbrokers that are to be invested in equities. Also included under trade and other receivables are prepayments amounting to €0.6m relating to advance payments for rents, insurance and local taxes and around €1.6m of accrued income for general and administrative costs and distribution centre related recharges. Trade and other receivables for FY19 marginally increased to €5.2m. Trade and other receivables are expected to increase to €6.5m and €11m during FY20 and FY21, respectively.

The Issuer's equity and reserves increased to €57.1m as at FY19 from €48.7m during FY18. This increase is mainly attributable to increases in retained earnings and other reserves during the period. Post FY21, total equity is expected to grow as a result of conservative dividend pay-out assumptions and a preference to reinvest profits. Moreover, minority interest of €4.7m will be eliminated as a result of the anticipated buyout of the minority shareholder, with the difference being accounted for as a negative €6.8m charge to other reserves. As such, total equity is anticipated to amount to €46.8m and €50.7m during FY20 and FY21, respectively.

In terms of the Group's debt analysis, as at December 2019, the Group had two outstanding bank loans, one at Premier Restaurants Romania SRL and one at SIA Premier Restaurants Latvia. In 2018, the Latvian subsidiary secured a loan facility amounting to €10m. This loan is secured by a pledge over the subsidiaries' immovable and movable properties. No other loans were issued during the period under review.

Also included under the Group's bank borrowings, is an unutilised overdraft facility of €1m undertaken by Premier Restaurants Malta Limited. The interest cost on this facility is 2.5 basis points over bank base rate of 2.35%. Moreover, during FY16 the Group issued an unsecured €65m bond at a coupon rate of 3.75%, redeemable at par in 2026. All of the Group's outstanding loans, overdraft facilities and bonds are demonstrated in the debt analysis table below.

Debt analysis (€'000s)	**FY17**	**FY18**	**FY19**	**FY20F**	**FY21P**
Bank loans and overdrafts	20,404	25,545	19,220	31,753	22,993
Bond issued	64,165	64,258	64,352	84,095	84,244
	84,569	89,803	83,572	115,848	107,237
Lease liabilities and amortisation	-	-	90,663	89,553	95,344
Total Financial Debt	**84,569**	**89,803**	**174,235**	**205,401**	**202,581**
Cash	(21,222)	(33,572)	(32,498)	(38,515)	(17,311)
Total Net Debt	**63,347**	**56,231**	**141,737**	**166,886**	**185,270**

As indicated in the above table, total financial debt significantly increased from €89.8m in FY18 to €174.2m as per FY19 results. The underlying reason for this increase is attributable to inclusion of lease liabilities under total financial debt, which is in line with the adoption of IFRS16.

The total financial debt of the Group excluding lease liabilities is projected to increase by 38.4% from €83.6m in FY19 to €115.8m in FY20 as a result of three new amortising bank loans totalling €19.4m, in Romania and in Greece, together with the new proposed bond issue. The three new loans will be fully amortised by 30 June 2027, and the Issuer's projections for the bonds term to maturity include the associated repayments together with the repayment of €85m of bonds (including the new €20m proposed bond issue).

Moreover, the Group's gearing (gearing 1 ratio above) stood at 71.3% as at FY19 increasing from 53.6% in 2018, due to the inclusion of lease liabilities in 2019. Of note, the Group's gearing without the lease liabilities for 2019 would steadily decrease from 57.1% in FY17 to 47.2% in FY19. In furtherance, the Group's interest cover increased from 8.0x in FY17 to 10.4x in FY18 in line with the improvement in EBITDA during the period. As a result of the adoption of IFRS16 during FY19, the Group's interest cover subsequently decreased to 8.0x in FY19. As illustrated in the financial strength ratios, the Group's gearing as at FY20 and FY21 is expected to stand at 78.1% and 78.5%, respectively. This increase in gearing is reflective of the undertaking of the proposed new bond issue and the aforementioned new loans.

Furthermore, trade and other payables mainly relate to trade payables and capital expenditure creditors. These also include corporate tax, national insurance (NI), value added tax (VAT), McDonald's related expenses, distribution centre suppliers and other payables. Apart from corporate tax payable, credit terms usually range between 14 to 30 days. Moreover, other payables include €3.4m in salaries and wages, interest payable on debt and €0.8m of provisions for royalty payments, bonuses and other expenditure. Total liabilities for FY19 amounted to €216.2m, representing an increase of circa €85.4m over FY18, which is mostly attributable to the inclusion of lease liabilities during the period. Trade payables in FY20 are set to reduce by €10.9m as a result of the decline in purchases associated with COVID-19, and are set to recover gradually thereafter.

2.3 ISSUER'S STATEMENT OF CASH FLOWS

Cash Flows Statement	FY17	FY18	FY19	FY20F	FY21P
	€'000s	**€'000s**	**€'000s**	**€'000s**	**€'000s**
Cash flows from operating activities	33,677	45,120	57,985	37,870	49,515
Interest paid	(4,359)	(3,707)	(7,041)[4]	(7,130)[4]	(8,614)[4]
Income tax paid	(4,666)	(3,732)	(5,124)	(4,253)	(2,164)
Net cash flows generated from operating activities	24,652	37,681	45,820	29,773	42,650
Net cash flows generated used in investing activities	**(26,871)**	**(23,755)**	**(18,893)**	**(32,628)**	**(26,027)**
Net cash flows used in / (generated from) financing activities	**(38,193)**	**(1,662)**	**(28,727)**	**9,254**	**(37,827)**
Movement in cash and cash equivalents	(40,412)	12,264	(1,800)	6,399	(21,204)
Cash and cash equivalents at start of year	62,113	21,222	33,572	32,498	38,515
Foreign exchange adjustment	(479)	86	726	(382)	-
Cash and cash equivalents at end of year	**21,222**	**33,572**	**32,498**	**38,515**	**17,311**

Ratio Analysis	FY17	FY18	FY19	FY20F	FY21P
Cash Flow	**€'000s**	**€'000s**	**€'000s**	**€'000s**	**€'000s**
Free Cash Flow to the firm (Net cash from operations - CAPEX)	12,025	17,190	25,583	16,573	16,623

The Group's cash flows from operations increased from €24.6m in FY17 to €45.8m in FY19 as a result of the improved operating results and the fairly marginal movement in working capital. Cash flow from operations in FY19 also increased due to the reclassification of the repayment of the principal portion of lease liabilities.

In view of the ramifications brought about by COVID-19, cash flows from operations are expected to decrease to €37.9m in FY20, however these are expected to recover back to circa €49.5m in FY21.

Cash flows from investing activity mainly reflects the capex incurred on new stores and maintenance and remodelling of existing stores along with purchase of licenses and computer software. In view of the Group's plans to open new stores, predominately in Greece and Romania, and refurbish existing stores, coupled with the acquisition of minority interest in Romania, cash flows from investing activities in FY20 and FY21 are estimated to increase to €32.6m and €26.0m, respectively. As per guidance provided by management, below is a table reflecting the historic and projected capital expenditure analysis of the Group.

[4] In the above analysis interest on lease liabilities for FY19 has been shown under cash flow from operations. To note that IFRS conventions allow the inclusion of financing interest either under cash flows from operating activities(as per above) or under cashflows from financing activities. To further note that in the audited financials disclosed in the Registration Document, financing interest on lease liabilities is included as cash flows from financing activities.

Capex Analysis (€'000s)	FY17	FY18	FY19	FY20F	FY21P
Romania	7,471	11,392	12,150	7,038	15,591
Greece	2,155	3,522	5,006	3,192	6,310
Others	4,644	5,223	4,829	2,970	4,126
	14,270	20,137	21,985	13,200	26,027
Consolidation adjustment	(1,643)	354	(1,748)	-	-
Total capital expenditure	**12,627**	**20,491**	**20,237**	**13,200**	**26,027**

Cash flow from financing activities relate to payments and proceeds from bank loans, payment of dividends and the unwinding of lease liabilities as per IFRS16. In FY17 cash flow from financing activities included the redemption of a 6.8% bond amounting to €7.4m, proceeds from bank loans worth €29.6m, repayments of bank borrowings of €47.2m and dividend payments of €8.5m.

In FY18, the Latvian subsidiary obtained a €10.0m bank loan which was used to repay other bank loans €4.9m and to pay dividends €6.0m. In FY19, the Group paid €6.1m in bank loan repayments, €10.5m in lease rents (€3.3m of which reclassified to under cash flows from operations in the table above) and €15.3m in dividend payments to the ultimate parent and minority shareholder.

In FY20, cash flows generated from financing activities are anticipated to be €9.3m mainly as a result of this proposed €20m bond issue. This is expected to reverse in FY21, where management projects to utilise €37.8m in financing activities.

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. 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 Issuer's planning during development, this shall have an adverse impact on the financial condition of the Issuer and may therefore affect the ability of the Issuer to meet its obligations under the Bonds.

European Economic Update[5]

To counter the spread of COVID-19, major containment measures were introduced around the world, voluntarily shutting down large parts of the economy. A string of indicators suggests that the Eurozone economy has operated at around 25% to 30% below its capacity during the period of the strictest confinement.

Data for the first quarter confirmed initial estimates of a sizable economic impact despite confinement measures being introduced only around mid-March in most countries. GDP contracted by 3.6% in the Eurozone and by 3.2% in the EU. For the second quarter, all screened indicators suggest an acceleration of the contraction in economic activity with persisting differences across countries and industries. The main reason for that is a much longer period of 'lockdown' compared with the first quarter while the easing of containment measures as of early May has been only gradual. The GDP decline is forecast to be particularly pronounced in the second quarter, at -13 1/2% q-o-q.

In view of the consequences brought about by the COVID-19 pandemic, the EU economy will experience a deep recession this year. Based on the most recent forecasts issued by the European Commission, the Eurozone economy is expected to contract by 8.7% in 2020 and grow by 6.1% in 2021, while the European Union (EU) economy is forecasted to contract by 8.3% in 2020 and grow by 5.8% in 2021. Inflation in the EU, as measured by the Harmonised Index of Consumer Prices (HICP), is forecasted at 0.6% in 2020 and 1.3% in 2021.

[5] European Economic Forecast – Summer 2020

In second half of the year and 2021, the European economy is expected to bounce back, but with bigger and more persistent differences across EU Member States than previously expected. Signs that economic activity has already passed the trough have been visible in May as the phasing out of restrictions was progressing. In June, indicators suggest that the economy has gained further momentum, providing a favourable starting point for a further pick-up in the third quarter.

The risks to the European Commission's forecasts are exceptionally high and mainly to the downside. The scale and duration of the pandemic, and of possibly necessary future lockdown measures, remain essentially unknown. The forecast assumes that lockdown measures will continue to ease and there will not be a 'second wave' of infections. There are considerable risks that the labour market could suffer more long-term scars than expected and that liquidity difficulties could turn into solvency problems for many companies. There are risks to the stability of financial markets and a danger that Member States may fail to sufficiently coordinate national policy responses. Although there are also upside risks, such as an early availability of a vaccine against the COVID-19. Additionally, European leaders have agreed on a significant €750 billion stimulus package to rebuild EU economies ravaged by the COVID-19 crisis. This is on top of a new EU budget of nearly €1.1 trillion for 2021-2027.

Malta Economic Update[6]

In June 2020, the Malta Central Bank's Business Conditions' Index (BCI) fell slightly when compared with the previous month, suggesting that economic conditions may have reached their trough but remain significantly below their long-term average. The European Commission's Economic Sentiment Indicator (ESI) was virtually unchanged from the preceding month and remained well below its long-term average. Decreases in sentiment in services and industry were nearly offset by improvements in the retail sector and among consumers, with confidence in the latter returning above its historical average. Sentiment in the construction sector also edged up marginally. In May, the volume of retail trade and industrial production contracted again in annual terms, though by less when compared with April. Annual growth in development permits for both commercial and residential purposes remained negative, though in level terms the latter was still above its historical average. The number of registered unemployed and the unemployment rate edged up, though they remain historically low. The annual inflation rate based on the Harmonised Index of Consumer Prices (HICP) eased to 0.9% in May, from 1.1% in April, while inflation based on the Retail Price Index (RPI) eased to 0.7%, from 0.8% in the previous month.

3.2 COMPARATIVE ANALYSIS

The purpose of the table below compares the proposed debt issuance of the Group to other debt instruments. For consistency purposes we opted to maintain the same peers as per last year's Financial Analysis Summary. 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 similar maturity to the Issuer. One must note that given the material differences in profiles and industries, the risks associated with the Group's business and that of other issuers is therefore different.

[6] CBM – Economic Update 7/2020

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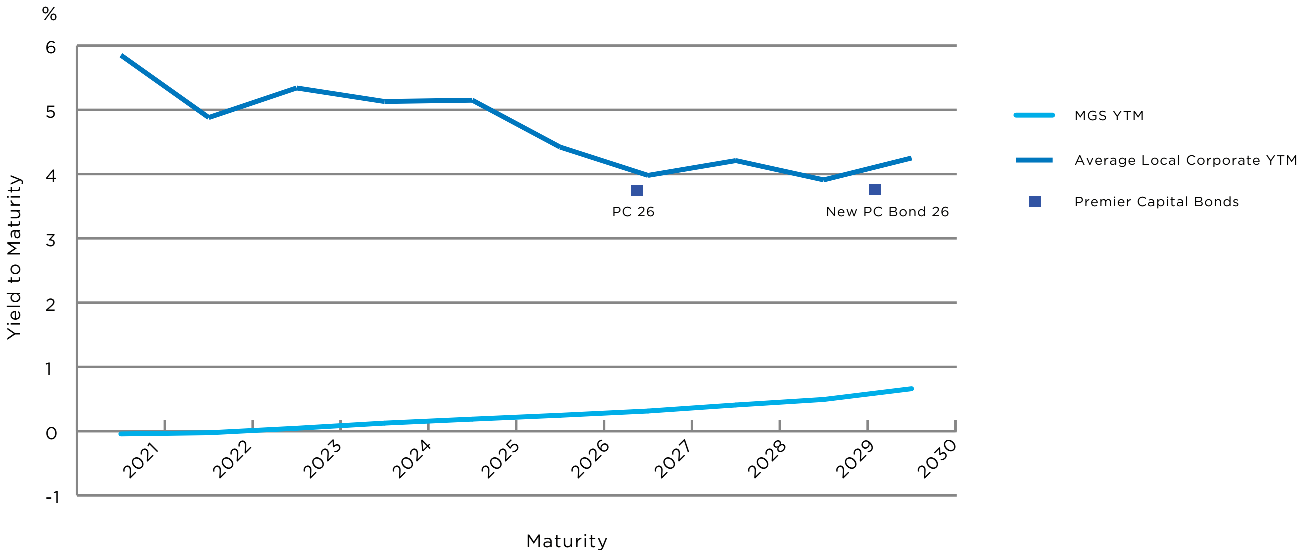
Security	Nominal Value (€)	Yield to Maturity (%)	Interest coverage (EBITDA) (times)	Total Assets (€'000)	Total Equity (€'000)	Total Liabilities / Total Assets (%)	Net Debt / Total Equity (%)	Net Debt / EBITDA (times)	Current Ratio (times)	Return on Common Equity (%)	Net Margin (%)	Revenue Growth (YoY) (%)	Last Closing Price *
6% Pendergardens Developments plc Secured € 2022 Series II (xd)	26,781	3.39%	3.7x	81.5	28.3	65.2%	54.3%	5.3x	1.5x	0.1x	0.0x	1.0x	105.00
4.25% GAP Group plc Secured € 2023	19,394	3.87%	1.8x	87.9	11.2	87.3%	79.4%	7.0x	5.3x	10.7%	4.0%	-7.1%	101.10
5.3% United Finance Plc Unsecured € Bonds 2023	8,500	5.29%	0.8x	27.2	6.9	74.5%	62.7%	18.0x	0.7x	0.1%	17.9%	28.1%	100.00
6% AX Investments p.l.c. € 2024	40,000	4.70%	5.5x	342.4	226.1	34.0%	18.9%	3.2x	0.9x	2.2%	9.4%	-8.1%	104.20
5.3% Mariner Finance plc Unsecured € 2024	35,000	2.72%	4.0x	95.3	47.1	50.6%	48.8%	5.2x	0.5x	10.7%	29.5%	0.8%	109.50
5% Hal Mann Vella Group plc Secured € 2024	30,000	4.21%	2.4x	117.6	45.1	61.6%	53.8%	9.5x	1.2x	6.5%	12.9%	-0.7%	103.00
5.1% 1923 Investments p.l.c. Unsecured € 2024	36,000	5.09%	3.1x	137.3	45.1	67.2%	49.6%	5.1x	1.2x	3.9%	1.2%	10.6%	100.00
4.25% Best Deal Properties Holding plc Secured € 2024	16,000	3.74%	(19.9)x	27.5	3.4	87.7%	85.9%	(35.7)x	0.0x	-3.7%	-14.2%	0.0%	102.00
5.1% 6PM Holdings plc Unsecured € 2025 (xd)	13,000	4.76%	3.9x	4.1	(18.9)	564.4%	-143.3%	4.2x	0.3x	-8.1%	21.2%	-20.2%	101.50
4.5% Hili Properties p.l.c. Unsecured € 2025	37,000	4.06%	1.8x	150.5	57.6	61.7%	57.7%	12.7x	1.1x	9.9%	62.4%	20.0%	102.00
4.35% Hudson Malta plc Unsecured € 2026	12,000	4.35%	3.6x	48.0	6.4	86.7%	81.1%	6.1x	1.3x	8.3%	1.2%	0.9%	100.00
4.25% Corinthia Finance plc Unsecured € 2026	40,000	3.85%	2.7x	1,784.7	908.9	49.1%	40.3%	8.7x	1.0x	2.2%	6.5%	3.9%	102.00
4% MIDI plc Secured € 2026 (xd)	50,000	4.00%	6.1x	234.6	104.0	55.7%	33.0%	4.2x	3.0x	8.2%	29.6%	-47.2%	100.01
4% International Hotel Investments p.l.c. Secured € 2026 (xd)	55,000	3.63%	3.0x	1,687.2	897.1	46.8%	37.3%	7.7x	1.1x	0.6%	1.9%	4.7%	101.98
3.75% Premier Capital p.l.c. Unsecured € 2026	65,000	3.47%	8.0x	273.2	57.1	79.1%	71.3%	2.5x	0.9x	48.6%	7.5%	16.2%	101.55
3.75% Premier Capital p.l.c. Unsecured € 2026	**20,000**	**3.75%**	**8.0x**	**273.2**	**57.1**	**79.1%**	**71.3%**	**2.5x**	**0.9x**	**48.6%**	**7.5%**	**16.2%**	**100.00**
4% International Hotel Investments p.l.c. Unsecured € 2026	60,000	3.73%	3.0x	1,687.2	897.1	46.8%	37.3%	7.7x	1.1x	0.6%	1.9%	4.7%	101.50
4.35% SD Finance plc Unsecured € 2027	65,000	4.01%	6.1x	229.9	63.8	72.3%	50.3%	3.1x	0.7x	11.7%	15.1%	7.8%	101.95
4% Eden Finance plc Unsecured € 2027	40,000	3.57%	6.6x	199.3	113.1	43.2%	29.0%	3.4x	1.1x	11.7%	28.1%	9.7%	102.50
4% Stivala Group Finance plc Secured € 2027	45,000	3.82%	4.0x	225.3	123.1	45.4%	40.6%	7.4x	0.7x	5.0%	26.0%	19.5%	101.12
3.85% Hili Finance Company p.l.c. Unsecured € 2028 (xd)	40,000	4.15%	5.0x	628.9	110.1	82.5%	77.1%	5.7x	1.2x	23.0%	4.6%	14.8%	98.00
Average**	**36,684**	**4.02%**	**2.8x**	**403.5**	**186.6**	**88.1%**	**43.2%**	**4.5x**	**1.2x**	**8.1%**	**13.3%**	**7.9%**	

** Last closing price as at 23/07/2020*

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



Source: Malta Stock Exchange, Central Bank of Malta and Calamatta Cuschieri Estimates

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 also illustrates on a stand-alone basis, the yield of the Issuer's securities.

As at 23 July 2020, the average spread over the Malta Government Stock (MGS) for corporates with maturity range of 4 to 8 years (2024-2028) was 377 basis points. The current 2026 Premier Capital bond is trading at a YTM of 3.47%, translating into a spread of 322 basis points over the corresponding MGS. The new 2026 Premier Capital p.l.c. bond is being priced with a 3.75% coupon issued at par, meaning a spread of 350 basis points over the equivalent MGS, and therefore at a premium of 28 basis points to the Issuer's existing bond.

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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 Gearing Ratio Level 2	Is calculated by dividing Net Debt by Net Debt and Total Equity. Is calculated by dividing Total Liabilities by Total Assets.
Net Debt / EBITDA	The Net Debt / EBITDA ratio measures the ability of the Group/Company to refinance its debt by looking at the EBITDA.
Financial Strength Ratios	
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.