

Brown's Pharmacies, Triq L-Industrija, Qormi, Malta

27th June 2022

COMPANY ANNOUNCEMENT

The following is a Company Announcement issued by Brown's Pharma Holdings p.l.c. (the 'Company') pursuant to the Capital Markets Rules issued by the Listing Authority.

Quote

Financial Analysis Summary

The Board of Directors of the Company hereby announces that the Financial Analysis Summary dated 27th June 2022 and prepared by Calamatta Cuschieri Investment Services Ltd is being attached hereto.

A copy of the said Financial Analysis Summary is also being made available on the Company's website on: <https://www.browns.pharmacy/investor-relations/index.html>

Unquote



Dr Jean C. Farrugia
Company Secretary

27th June 2022

The Directors
Brown's Pharma Holdings p.l.c.
Brown's Pharmacies,
Triq I-Industrija
Qormi
Malta

Re: Financial Analysis Summary – 2022

27 June 2022

Dear Sirs,

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

The purpose of the financial analysis is that of summarising key financial data appertaining to Brown's Pharma Holdings p.l.c. (the “**Issuer**”). The data is derived from various sources, including the prospectus dated 10 June 2021 published by the Issuer, or is based on our own computations as follows:

- a) Historical financial data for the two years ending 31 December 2020 and 2021 have been extracted from the audited financial statements of the Issuer.
- b) The forecast data for the financial year ending 31 December 2022 has been provided by management.
- c) Our commentary on the Issuer's results and financial position is based on the explanations provided by management.
- d) The ratios quoted in the Analysis have been computed by us applying the definitions set out in Part 4 of the Analysis.
- e) The principal relevant market players listed in Part 3 of the document have been identified by management. Relevant financial data in respect of competitors has been extracted from public sources such as the web sites of the companies concerned or financial statements filed with the Registrar of Companies.

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

Yours sincerely,



Nick Calamatta
Director

FINANCIAL ANALYSIS SUMMARY 2022



Brown's Pharma Holdings p.l.c.

27 June 2022

**Prepared by Calamatta Cuschieri
Investment Services Ltd**

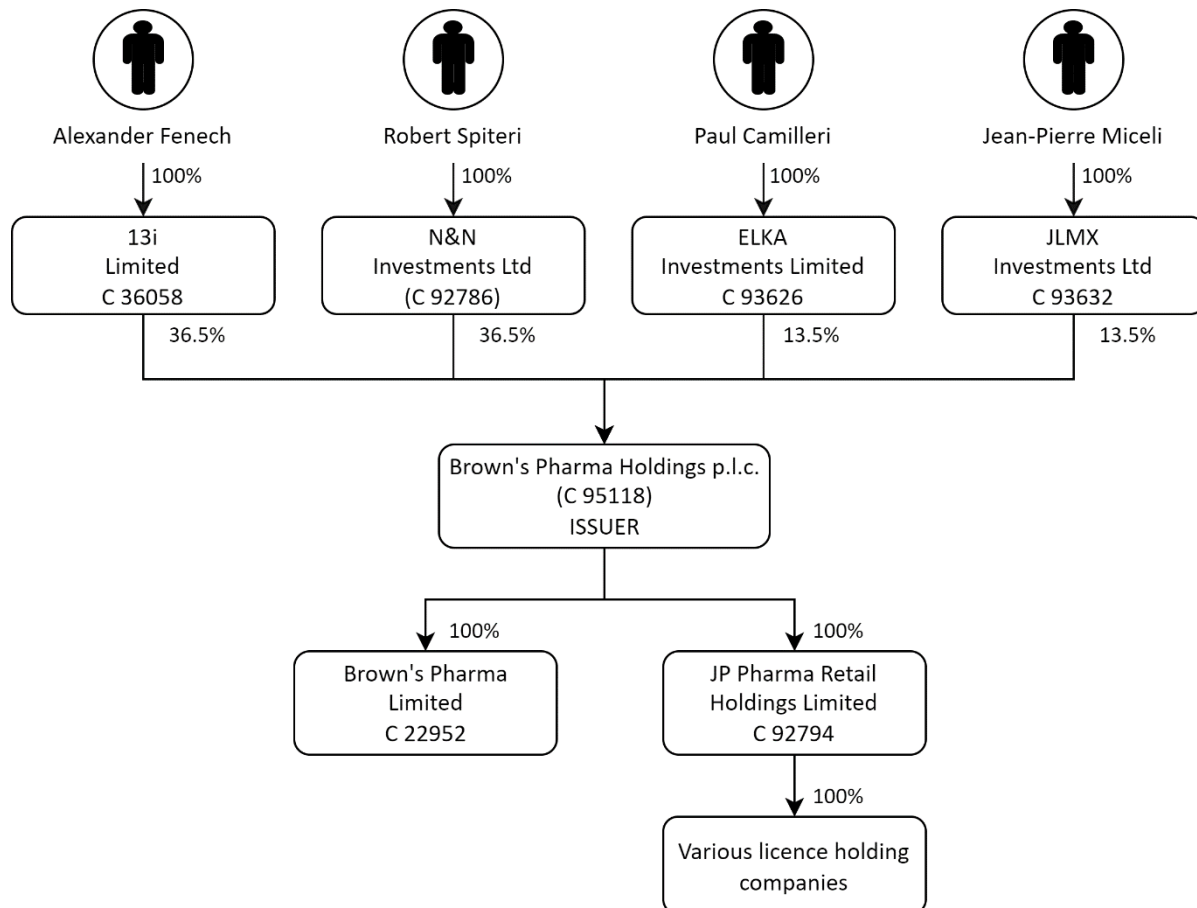
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Part 1 Information about the Group

1.1 Issuer and Group's Subsidiaries Key Activities and Structure

The Group structure is as follows:



The “**Group**” of companies (or the “**Brown’s Group**”) consists of Brown’s Pharma Holdings p.l.c. (the “**Issuer**” or “**BPHP**”), acting as the holding company, and its fellow subsidiaries, being; Brown’s Pharma Limited, JP Pharma Retail Holdings and various licence holding companies. The principal activity of the Brown’s Group is to operate the Brown’s retail pharmacy network in Malta. The ultimate beneficial owners of the Issuer are Robert Spiteri who owns 36.5% of the Group through N&N Investments Ltd, Alexander Fenech who also owns 36.5% of the Group through 13i Limited, together with Paul Camilleri and Jean-Pierre Miceli who both own 13.5% of the Group each through ELKA Investments Limited and JLMX Investments Ltd, respectively.

The Issuer was incorporated on 5 March 2020 to act as the holding company of the Brown’s Group following the acquisition of JP Pharma Retail Holdings Limited by the Brown’s Group, details of which may be found in section 1.4 of the Analysis. BPHP is the Issuer of the bond and has no trading or operating activities of its own. The Issuer has an authorised and issued share capital of €20,086,186 divided into 14,662,916 ordinary A shares of €1 each, and 5,423,270 ordinary B shares of €1 each, all fully paid up. The shareholding of BPHP is split between four companies; 13i Limited and N&N Investments Ltd which hold, equally amongst them, 14,662,916 ordinary A shares of €1 each, all of which are fully paid up, and ELKA Investments Limited and JLMX Investments Limited which hold, equally amongst them, 5,423,270 ordinary B shares of €1 each, all of which are also fully paid up.

Brown's Pharma Limited ("**BPL**") was incorporated on 20 May 1998. BPL is the operating company of the Group and is responsible for all operational aspects of the individual pharmacies and the head office. BPL has an authorised share capital of €465,874.60 divided into 200,000 ordinary shares of €2.329373 each. The issued share capital of BPL is of €400,232.87 divided into 171,820 ordinary shares of €2.329373 each, all fully paid up.

JP Pharma Retail Holdings Limited ("**JPRHL**") was incorporated on 5 August 2019 to take ownership of JP Pharma licences. Following the acquisition of JP Pharma Retail Holdings Limited by the Brown's Group, JPRHL is now the licence holding company of the Brown's Group. Further detail concerning such transaction, hereinafter referred to as the "**JP Transaction**", may be found in section 1.4 of the Analysis.

In connection to various licence holdings companies, due to regulatory requirements, each individual pharmacy licence must be held by a separately identified legal entity. Therefore, each licence owned by the Group is held through a separate company, all of which are subsidiaries of JPRHL. Further detail concerning the pharmacy licences held by the Brown's Group are discussed in section 1.3 of the Analysis.

1.2 Directors and Key Employees

Board of Directors - Issuer

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

Name	Designation
Mr Benjamin Muscat	Chairman and independent non-executive Director
Ing Joseph Caruana	Independent non-executive director
Dr Mark Grech	Independent non-executive director
Mr Alexander Fenech	Executive Director
Mr Paul Camilleri	Non-executive Director
Mr Jean-Pierre Miceli	Non-executive Director
Mr Robert Spiteri	Non-executive Director

Alexander Fenech is the only executive director. Paul Camilleri, Jean-Pierre Miceli, and Robert Spiteri are non-executive directors. The other three directors, Joseph Caruana, Mark Grech and Benjamin Muscat, who is also the chairman of the Brown's Group, serve on the Board of the Issuer in an independent non-executive capacity.

The business address of all of the directors is the registered office of the Issuer. Dr Jean C. Farrugia is the company secretary of the Issuer.

As at the date of this Analysis, while the Issuer has no employees of its own, the Brown's Group currently has *circa* 180 employees. All employees within the Brown's Group are employed by BPL.

1.3 Major Assets owned by the Group

As identified in section 1.1 above, the main assets of the Group are the pharmacy licences owned through the individual licence holding companies held under JPRHL. To note that, as per the Medicines Act, Chapter 458 of the Laws of Malta Article 3, pharmacy licences are issued by the Superintendent of Public Health.

Management indicated that the number of pharmacy licences available are limited depending on the population of a locality. Once all pharmacy licences within the threshold are issued to operators, the Superintendent of Public Health cannot issue new licences unless the threshold is increased. Therefore, the limited supply of licences has driven a market in the trade of pharmacy

licences which can be sold/acquired from third parties on the open market (subject to the approval of the Superintendent of Public Health).

The Group has recently finalised the purchase of Brown's Victor Pharmacy Limited in Sliema which means that, at present, the Brown's Group operates a pharmacy network of twenty-three pharmacies spanning thirteen different localities in Malta, all of which are currently operational. Twenty of these pharmacy licences are owned by the Group, while the other three are operated under management agreements with third parties retaining ownership of the pharmacy licence.

The Group has also paid an advanced deposit for the acquisition of Qormi 2 pharmacy licences in February 2017, but the acquisition has not yet been finalised and the pharmacy is thus not yet operational. Management discussed that, although this licence is still the subject of litigation, they expect a decision to be made by the end of 2022. Nevertheless, the Group has not yet determined when this pharmacy will be commencing operations and, as such, this specific pharmacy has not yet started to generate income to the Group and has also not been assigned any value on the Group's balance sheet. To that end, no income from this pharmacy has been assumed in management's projections.

Out of the twenty-three pharmacies in operation, five of these licences were acquired through the JP Transaction. The table presented below demonstrates a detailed analysis of the Group's pharmacy network.

Licence Holding Company	Locality	Licence	Type of Lease
Brown's Pharmacy Fleur-De-Lys Ltd.	Fleur-De-Lys	Owned by the Group	Related party leases
Brown's Pharmacy Hamrun Ltd.	Hamrun	Owned by the Group	Related party leases
Brown's Pharmacy Kalkara Ltd.	Kalkara	Owned by the Group	Related party leases
Brown's Pharmacy M1 Ltd.	Mellieha	Owned by the Group	Related party leases
Brown's Pharmacy M2 Ltd.	Mellieha Village	Owned by the Group	Related party leases
Brown's Pharmacy Paola Ltd.	Paola	Owned by the Group	Related party leases
Brown's Pharmacy Pieta Ltd.	Pieta	Owned by the Group	Related party leases
Brown's Pharmacy Qormi Ltd.	Qormi 1	Owned by the Group	Related party leases
Brown's Pharmacy Rahal Gdid Ltd.	Rahal Gdid	Owned by the Group	Related party leases
Brown's Pharmacy Sliema Ltd.	Sliema	Owned by the Group	Third party leases
Brown's Pharmacy Zebbug Ltd.	Zebbug	Owned by the Group	Related party leases
JP Pharma San Gwann Ltd	San Gwann 2	Owned by the Group	Related party leases
JP Pharma Iklin Ltd	Iklin	Owned by the Group	Related party leases
JP Pharma Naxxar Ltd	Naxxar	Owned by the Group	Related party leases
JP Pharma B'kara Ltd	Birkirkara	Owned by the Group	Related party leases
JP Pharma St Julian's Ltd	St Julians	Owned by the Group	Third party leases
Brown's Grognet Pharmacy Ltd	Mosta 1	Owned by the Group	Third party leases
Brown's Medical Plaza Ltd	San Gwann	Owned by the Group	Third party leases
Brown's SM Ltd	Attard	Owned by the Group	Third party leases
St Louis Pharmacy	Mosta 2	Managed	Related party leases
Brown's Chemist	Naxxar	Managed	Third party leases
Brown's San Bastjan Pharmacy	Qormi 2	Advanced Deposit	Related party leases
Brown's Victor Pharmacy Limited	Sliema	Owned by the Group	Third party leases
Brown's Skyparks Pharmacy	Luqa	Managed	Third party leases

1.4 Operational Developments

The operation was set up in 1998 by Robert Spiteri and Alexander Fenech with its first pharmacy opening in Qormi. In 2004, the Group set up a head office function to support the expanding network of pharmacies. This allowed Brown's to leverage on economies of scale through centralised administration, purchases, finance and recruitment.

As of 1 January 2020, Paul Camilleri and Jean-Pierre Miceli merged their five pharmacy operation to the Brown's Group in exchange for a 27% shareholding in the combined operations. In addition, the Group acquired a further 3 pharmacies after the merger and, as a result, Brown's retail pharmacy network has grown to 23 operational pharmacies all situated in Malta, with another not yet in operations.

Moreover, through its network of pharmacies, the Brown's Group sells both over the counter and prescription pharmaceuticals as well as complementary cosmetics products. The pharmacies also provide health related services such as health checks, food intolerance tests and allergy tests amongst others. Brown's also offers cosmetic services, which include aesthetics, laser hair removal, and teeth whitening services.

1.4.1 Acquisition of JP Pharmacies

In 2019, the shareholders of BPL and the JP pharmacies agreed to merge their operations commencing from 1 January 2020. Through such transaction, the operation of the JP Pharmacies was transferred to BPL and operated by the Brown's Group management team.

Furthermore, the Issuer was set up in March 2020, reflecting the agreed shareholding split for the Brown's Group, as clearly presented in the Group structure chart in section 1.1 of the Analysis. The Issuer finalised the acquisition of BPL and JPRHL on 28 October 2020, which balance was settled through the issue of new shares by the Issuer to the shareholders in their same ownership proportion.

As part of the JP Transaction, Paul and Jean-Pierre contributed their shares in JPRHL, which owns the JP pharmacy licences, to the Issuer in exchange for their 27% shareholding in the Group. Following the exchange, the individual Brown's pharmacy licences previously held by BPL, were transferred to JPRHL such that all the pharmacy licences of the Group are now owned through JPRHL.

As per discussions with management, the Brown's Group is committed to maintaining and improving its position as the leading pharmacy network in Malta. The Group intends to continue acquiring pharmacy licences to expand its network in localities it does not yet have a presence in. Through further expansion, the Group will leverage its head office function to extract further margin improvements through economies of scale.

1.4.2 Acquisition of Brown's Victor Pharmacy Limited

The Group had earmarked €0.5m from the proceeds of the bond issued in 2021 for the acquisition of one additional pharmacy licence which management was already in advanced discussion thereon. Since then, the Group has completed the said acquisition, with the pharmacy licence in question being that of Brown's Victor Pharmacy Limited, which is situated in Triq it-Torri, Sliema.

From an operational point of view, after just one quarter under the Brown's management, revenue generated by this pharmacy has almost doubled.

1.5 COVID-19 impact on the Group's operational and financial performance

The pandemic has caused country wide disruption to business and economic activity and Brown's was not an exception. Many governments have implemented travel restrictions and quarantine measures that required entities to limit or suspend business operations. Whilst no disruptions were experienced in terms of the Brown's Group operations by way of the essential nature of the pharmacy business, there have been certain operational restrictions which have hampered the Group's growth plans and the provision of certain product lines such as the provision of health and beauty services. Nonetheless, management explained that, apart from a positive movement from a revaluation exercise, there was only a non-material variance to budgets, and that the FY21 performance as illustrated in other sections of the FAS remained very strong.

Throughout the pandemic, the business was under continuous and thorough analysis/evaluation by the board and the management team such as to be able to proactively react to developments related to the pandemic. Through this analysis, the board was able to identify, amongst others, a new COVID-19 related revenue stream which proved significant to the Group. This additional revenue came from COVID-19 testing. Management stated that, since the start of the pandemic, *circa* €3.8m in revenue came from COVID-19 tests. The Group also managed to secure contracts within the film industry to perform on site tests for cast members, which proved lucrative.

Given that the situation is shifting towards normality, the business is seeing COVID-19 testing revenue as a percentage of total revenue to consistently decrease. Retail sales, however, continue to increase year-on-year and should mitigate most of the decrease in sales from testing. To date, Brown's has emerged relatively unscathed from the effects of the pandemic. To note that management has compiled cash flow projections primarily based on the expected revenues and are confident that these are adequate to support the Group in the foreseeable future.

1.6 Subsequent events after the reporting period: Conflict in Ukraine

The management of the Group assessed that there were no significant effects to the Group's operation as a result of the conflict between Russia and Ukraine. Nevertheless, they will continue to monitor the situation as events continue to evolve.

Part 2 Historical Performance and Forecasts

The financial information below is extracted from the audited consolidated financial statements of the Issuer for the financial years ended 31 December 2020 and 2021. The projected financial information for the year ending 31 December 2022 has been provided by Group management.

The projected financial information relates 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.

2.1 Issuer's Consolidated Statement of Comprehensive Income

Statement of Comprehensive Income for the year ended 31 December	2020A	2021A	2022F
	€'000s	€'000s	€'000s
Revenue	24,603	31,160	29,833
Cost of sales	-17,345	-20,881	-18,910
Gross profit	7,258	10,279	10,923
Direct pharmacy costs	-2,417	-3,028	-3,132
Contribution	4,841	7,251	7,791
Head office costs	-1,738	-2,264	-2,344
Contribution from other trading activities	75	-	-
Other income	-	64	-
EBITDA	3,178	5,051	5,447
Depreciation and amortisation	- 689	-841	- 811
EBIT	2,489	4,210	4,636
Finance costs	-498	-767	-958
Amortisation of bond issue costs	-	-14	-14
Profit before tax	1,991	3,429	3,664
Income tax charge	-753	-1,308	-1,282
Net income	1,238	2,121	2,382
Other comprehensive income	-1,537	7,270	-
Total comprehensive income	-299	9,391	2,382

Ratio Analysis ¹	2020A	2021A	2022F
Growth in Revenue (YoY Revenue Growth)	103.5%	26.7%	-4.3%
Gross Profit Margin (Gross Profit/ Revenue)	29.5%	33.0%	36.6%
Contribution Margin (Contribution/ Revenue)	19.7%	23.3%	26.1%
EBITDA Margin (EBITDA / Revenue)	12.9%	16.2%	18.3%
Operating (EBIT) Margin (EBIT / Revenue)	10.1%	13.5%	15.5%
Net Margin (Profit for the year / Revenue)	5.0%	6.8%	8.0%
Return on Common Equity (Net Income / Average Equity)	7.6%	9.3%	17.7%
Return on Assets (Net Income / Average Assets)	3.3%	3.8%	7.1%

As from 2020, following the JP Transaction, Brown's started to recognise a minimal profit margin to reflect its efforts in procuring pharmaceuticals and consequentially these sales started being recognised and disclosed with turnover. Thus, this has brought about a change in disclosure, with oncology sales being recognised as revenue as from 2020. In FY21 revenue grew by 26.7% when compared to FY20. An increase in the amount of revenue generated inevitably resulted in higher cost of sales, which increased to €20.8m (FY20: €17.4m). In FY22 management is predicting a slight drop in revenue to €29.8m due to lower service sales coming mainly from lower COVID-19 testing.

¹ Ratio Analysis may not agree to prior FASs, due to a change in the calculation methodology or due to rounding differences variance

Depreciation increased slightly due to the numerous additions of various non-current fixed assets and is expected to remain relatively stable in FY22. Finance costs increased to €781k (FY20: 498k) mainly due to the interest payable on the debt security in issue which was not payable in 2020. Finance costs are expected to continue increasing in FY22 and almost reach the €1m mark since, unlike for FY21, the interest payable on the debt security in issue would be that of a full year. The Group reported a profit before tax of €3.4m during FY21 (FY20: €1.9m) and anticipate profit to increase to €3.7m in FY22. This increase in profit resulted in a larger tax base and therefore a larger tax charge.

The Group ended FY21 with an overall increase of 6.8% when it comes to net profit margin, albeit the lower revenue figure. The Group also registered a large revaluation increase on intangible assets of €11.1m with a corresponding €3.9m income tax charge due to this revaluation, which meant the Group ended the year with €9.3m in total comprehensive income (FY20: -€299k). The Group does not forecast any further revaluations in FY22 and therefore other comprehensive income is expected to be around €2.4m in FY22.

Revenue Analysis

As noted from the below revenue analysis table, Brown's revenue is mainly composed of four main segments; the retail segment, the services revenue stream, the Pharmacy of Your Choice (POYC) business line, and the Malta Community Chest Fund (MCCF).

Revenue Analysis (€'000s)	2020A	2021A	2022F
Revenue - Retail	14,632	17,458	19,331
Revenue - Services	822	5,303	1,800
Revenue - POYC	778	867	1,925
Revenue MCCF	8,370	7,529	6,777
Total revenue	24,602	31,157	29,833
Total number of pharmacies	19	22	23
Average retail revenue per pharmacy	770	794	840
Average services revenue per pharmacy	43	241	78
Average POYC revenue per pharmacy	41	39	84
% Composition - Retail	59.5%	56.0%	64.8%
% Composition - Services	3.3%	17.0%	6.0%
% Composition - POYC	3.2%	3.5%	7.8%
% Composition - MCCF	34.0%	30.6%	27.5%
% Growth - Retail	n/a	19.3%	10.7%
% Growth - Services	n/a	545.1%	-66.1%
% Growth - POYC	n/a	11.4%	122.0%
% Growth - MCCF	n/a	-10.0%	-10.0%
% Growth - Total revenue	n/a	26.6%	-4.2%

Brown's primary source of revenue is composed of retail revenue which reflects the sale of pharmaceuticals and cosmetics through the Group's retail pharmacy network. The increase in revenue in FY21 has primarily been driven by the retail and services revenue segments, aided also by the addition of new pharmacies to the Brown's network, in addition to an improved product mix to improve cross-selling. As at FY21, this business segment comprised 56% and 17% respectively of Brown's total revenue.

The services revenue stream reflects revenue generated from additional services offered through the Brown's pharmacy network such as health tests, food intolerance tests, and allergy tests. Notably, the growth achieved in this business line over the review period was predominantly made up of revenue generated through COVID-19 tests which helped service revenue increase by over 500%.

In FY22 COVID-19 related revenue is expected to be considerably lower due to the stabilisation of the pandemic. Management asserted that they intend to broaden the Group's sources of revenue through complementary product and service offerings and that it is their intention moving forward to continue developing this business unit through the roll-out of these services across a wider distribution of its network pharmacies.

Brown's third revenue stream reflects fee income generated from the "Pharmacy of Your Choice" government initiative. Through such initiative, Brown's distributes government pharmaceuticals through its network of pharmacies and receives a fee from the government for such service. This fee received from the government continues to increase year-on-year, from €50 p/p in FY20 to €110 p/p in FY21, and is expected to reach 150p/p in 3 years' time.

Finally, the fourth revenue stream relates to oncology pharmaceuticals being made available to Malta Community Chest Fund beneficiaries which, as mentioned previously, started being recognised and disclosed with turnover as from 2020. It continued to make up a lower percentage of total sales going from 34% in FY20 to 30.6% in FY21, and is expected to decrease further to 27.5% in FY22. Overall, Brown's revenue increased by *circa* 26.7% over the review period, from €24.6m in FY20 to €31.2m in FY21.

Direct Pharmacy Costs

Direct pharmacy costs analysis (€'000s)	2020A	2021A	2022F
Staff salaries	2,004	2,224	2,508
Pharmacy rent	12	148	138
Bank charges	62	80	87
Pharmacy cost	88	75	78
Water and electricity	45	48	51
Repairs and maintenance	20	24	10
Other direct pharmacy costs	186	429	260
Total direct pharmacy costs	2,417	3,028	3,132
Staff salaries % of Revenue	8.1%	7.1%	8.4%
Pharmacy rent % of Revenue	0.0%	0.5%	0.5%
Bank charges % of Revenue	0.3%	0.3%	0.3%
Pharmacy cost % of Revenue	0.4%	0.2%	0.3%
Water and electricity % of Revenue	0.2%	0.2%	0.2%
Repairs and maintenance % of Revenue	0.1%	0.1%	0.0%
Other direct pharmacy costs % of Revenue	0.8%	1.4%	0.9%
Total direct pharmacy costs % of Revenue	9.8%	9.7%	10.5%

Brown's direct pharmacy costs relate to overhead costs which are directly attributable to the individual pharmacy operations and are primarily composed of staff salaries and rent due on the Brown's retail pharmacy network. A detailed breakdown of all direct pharmacy costs incurred by Brown's between FY20 – FY21 and projections for FY22 may be found in the table presented above.

In view of the increase in revenue discussed above, Brown's direct pharmacy costs increased by 25.3% over the review period, from €2.4m in FY20 to €3.0m in FY21. It is also important to note that direct pharmacy cost as a percentage of revenue has remained fairly stable throughout the review period, however, cost of sales as a percentage of revenue has decreased gradually throughout the period, thus resulting in an improved pharmacy contribution margin across the aforementioned financial periods.

Head Office Costs

Head office costs analysis (€'000s)	2020A	2021A	2022F
Staff salaries	694	1,171	1,318
Branding costs	205	278	305
Sponsors	135	133	200
Directors' remuneration	91	96	101
Professional fees	166	172	150
NI & PAYE	108	130	147
Insurance	73	92	98
Other head office costs	266	192	25
Total head office costs	1,738	2,264	2,344
Staff salaries % of Revenue	2.8%	3.8%	4.4%
Branding costs % of Revenue	0.8%	0.9%	1.0%
Sponsors % of Revenue	0.5%	0.4%	0.7%
Directors' remuneration % of Revenue	0.4%	0.3%	0.3%
Professional fees % of Revenue	0.7%	0.6%	0.5%
NI & PAYE % Revenue	0.4%	0.4%	0.5%
Insurance % of Revenue	0.3%	0.3%	0.3%
Other head office costs	1.1%	0.6%	0.1%
Total head office costs	71.9%	74.8%	74.8%

Contrarily, Brown's head office costs relate to administrative costs incurred by the Group which are not directly related to individual stores within the Brown's network. These mainly include costs relating to the Group's finance department, marketing expenditure, central management, and centralised stores. As opposed to direct pharmacy costs, head office costs are semi-variable in nature. While these are not expected to grow proportionately with revenue growth, certain administrative functions need to be increased as the network expands.

The Group's head office costs increased by 30.3% during FY21, mainly reflecting the higher head office costs incurred by Brown's in relation to staff salaries throughout the period. A detailed breakdown of such head office costs may be found in the table presented above.

2.1.1 Variance Analysis

Income Statement	2021A	2021F	Variance
	€'000s	€'000s	€'000s
Revenue	31,160	26,965	4,195
Cost of sales	(20,881)	(17,294)	(3,587)
Gross profit	10,279	9,671	608
Direct pharmacy costs	(3,028)	(2,956)	(72)
Contribution	7,251	6,715	536
Head office costs	(2,264)	(1,629)	(635)
Contribution from other trading activities	-	-	-
Other income	64	-	64
EBITDA	5,051	5,086	(35)
Depreciation and amortisation	(841)	(717)	(124)
EBIT	4,210	4,369	(159)
Finance costs	(767)	(889)	122
Amortisation of bond issue costs	(14)	(26)	12
Profit before tax	3,429	3,454	(25)
Income tax charge	(1,308)	(1,209)	(99)
Net income	2,121	2,245	(124)
Other comprehensive income	7,270	-	7,270
Total comprehensive income	9,391	2,245	7,146

The Group generated €31.2m in revenue compared with the €27m that was projected. The increase comes mainly from a sharp increase in COVID-19 tests which proved to be a very profitable segment for the Group. In line with the aforementioned increase in revenue, there was also a corresponding increase in cost of sales from the expected €17.3m to €20.9m. This better than expected performance led to a higher overall gross profit.

Due to the two additional pharmacies which were added to the Groups pharmacy mix, direct pharmacy costs were higher than first forecasted, by €72k. Head office costs were also higher than expected by €0.6m due to COVID-19 related expenses. The higher head office costs and cost of sales accompanied with higher revenue, resulted in EBITDA being relatively in line with forecasts.

Depreciation and amortisation were higher by €0.1m due to the implications of IFRS-16 which was adopted in 2020. Finance costs were lower by €0.1m since loan interest repayments were terminated mid-year which was earlier than expected. Similarly, amortisation of bond issue costs were also lower than first forecasted since projections estimated a full year of amortisation but the bond was issued mid-year. Similarly, the higher depreciation charge but lower finance costs and amortisation of bond issue costs resulted in profit before tax being in line with expectations.

Finally, due to a large revaluation increase on intangible assets and corresponding tax charge, which were not included in the forecasts. The Group ended the year with a €7.1m increase in total comprehensive income.

2.2 Issuer's Consolidated Statement of Financial Position

Statement of Financial Position as at 31 December	2020A	2021A	2022F
	€'000s	€'000s	€'000s
Assets			
Non-current assets			
Intangible assets	29,200	43,267	45,367
Goodwill	2,153	2,153	2,153
Property, plant and equipment	1,432	1,990	2,698
Right of use assets	6,665	8,095	7,433
Trade and other receivables	-	3,997	-
Total non-current assets	39,450	59,502	57,651
Current assets			
Inventories	2,062	2,514	2,463
Trade and other receivables	3,143	2,844	2,711
Cash in hand and at bank	570	2,402	3,097
Total current assets	5,775	7,760	8,271
Total assets	45,225	67,262	65,922
Equity			
Share capital	20,086	20,086	20,086
Retained earnings	297	1,059	1,789
Revaluation Reserve	-1,537	5,733	5,733
	18,846	26,878	27,608
Equity attributable to the equity holders of the present			
Non-controlling interest	21	-	-
Total equity	18,867	26,878	27,608
Liabilities			
Non-current liabilities			
Interest-bearing borrowings	1,723	12,736	12,736
Trade and other payables	2,135	74	-
Deferred taxation	8,576	12,473	12,473
Lease liabilities	6,651	7,852	7,105
Total non-current liabilities	19,085	33,135	32,314
Current liabilities			
Interest-bearing borrowings	415	100	100
Trade and other payables	6,071	6,145	4,925
Lease liabilities	272	329	297
Current taxation	515	675	678
Total current liabilities	7,273	7,249	6,000
Total liabilities	26,358	40,384	38,314
Total equity and liabilities	45,225	67,262	65,922

Ratio Analysis ²	2020A	2021A	2022F
Gearing 1 (Net Debt / Net Debt and Total Equity)	31.04%	40.92%	38.3%
Gearing 2 (Total Liabilities / Total Assets)	58.3%	60.0%	58.1%
Gearing 3 (Net Debt / Total Equity)	45.1%	69.3%	62.1%
Net Debt / EBITDA	2.7x	3.7x	3.1x
Current Ratio (Current Assets / Current Liabilities)	0.8x	1.1x	1.4x
Quick Ratio (Current Assets - Inventory / Current Liabilities)	0.5x	0.7x	1.0x
Interest Coverage level 1 (EBITDA / Cash interest paid)	31.2x	37.4x	10.6x
Interest Coverage level 2 (EBITDA / finance costs)	6.4x	6.6x	5.7x

Total assets as of FY21 mainly comprised of intangible assets which accounted for 64.3% of Brown's total assets. Intangible assets mainly reflect the market value of the pharmacy licences owned by Brown's and its subsidiaries. The movement in intangible asset balance over the review period includes both the actual cost incurred in acquiring new pharmacy licences as well as a revaluation of pharmacy licences. Intangible assets increased to €43.2m in FY21 (FY20: €29.2m). Compared to forecasts for FY21 in the previous issued FAS on bond issuance, the discrepancy reflects new acquired license and revaluation of existing.

Brown's property, plant and equipment include improvements to leased properties, computer equipment, furniture and fittings, shop equipment, electrical installations, and motor vehicles. Management reported that these assets are all used in the day-to-day operations of the Group.

Trade and other receivables of €4.0m were included as non-current assets and these relate to a portion of the bond proceeds which are being held by a trustee and will be drawn down against the presentation of agreements, requests for payments and/or invoices. These are expected to be fully used up by FY22 and are therefore no longer included as trade and other receivables in the projections.

Current assets in FY21 comprised 11.5% of Brown's total assets. The Group's inventory balance represents stock which is directly related to the retail pharmacy stores. This stock is located both in shop premises and at the Group's head office warehouse facility. Cash in hand and at bank noticeably increased to €2.4m (FY20: €0.6m). Total assets are expected to remain fairly stable relative to their FY21 equivalents and the slight drop from €67.2m to €65.9m is coming mainly from the aforementioned utilisation of the bond proceeds which were held by a trustee and were included previously as trade receivables.

The revaluation reserve and deferred taxation balance was recognised following the revaluation of the pharmacy licences. Management reported that deferred tax is calculated at 35% of the unrealised capital gain and is not expected to materialise unless the Group elects to dispose of its pharmacy licences. Retained earnings increased to €1.0m (FY20: €0.3m). This was mainly due to the net income for the year of €2.1m from which €1.4m were paid out in dividends for 2021. The rest of the comprehensive income was passed through the revaluation reserve which saw a sharp positive movement to €5.7m (FY20: €-1.5m).

As per FY21 results, Brown's total debt amounted to *circa* €13.0m and primarily consisted of long term interest-bearing borrowings which related to the unsecured bond issued by the Issuer on 10 June 2021. Under non-current liabilities, deferred taxation had a noticeable increase to €12.4m (FY20: 8.5m) mainly due to the movement in fair value of the pharmacy licences. Both total equity and total liabilities are expected to remain fairly similar to FY21 levels.

² Ratio Analysis may not agree to prior FASs, due to a change in the calculation methodology or due to rounding differences variance

2.3 Issuer's Consolidated Statement of Cash Flows

Statement of Cash Flows for the year ended 31 December	2020A	2021A	2022F
	€'000s	€'000s	€'000s
Cash flows from operating activities			
Cash generated from operations	3,044	5,137	5,085
Interest paid	-102	-135	-513
Tax paid	-510	-1,166	-1,982
Net cash generated from operating activities	2,432	3,836	2,590
Cash flows from investing activities			
Goodwill upon acquisition and issue of share capital	-2,149	-	-
Intangible assets upon issue of share capital	-17,935	-	-
Purchase of property, plant and equipment	-506	-867	-980
Purchase of website costs	-88	-141	-
Purchase of pharmacy licence	-1,652	-2,800	-2,100
Net cash used in investing activities	-22,330	-3,808	-3,080
Cash flows from financing activities			
Issue of share capital	20,086	-	-
Non-controlling interest	22	-	-
(Decrease)/increase in bank borrowings	994	-2,038	-
Increase in debt securities in issue net of transaction costs	-	12,722	3,996
Net movements in amount held by trustee	-	-3,997	-
Net movement in shareholders loan (net of dividend declared)	-3	-3,866	-
Dividends paid	-	-	-1,704
Principal payments of lease liabilities	-654	-1,017	-1,108
Net cash generated from financing activities	20,445	1,804	1,184
Net movement of assets and liabilities taken over upon consolidation	24	-	-
Movement in cash and cash equivalents	571	1,832	694
Cash and cash equivalents at start of year	-	571	2,403
Cash and cash equivalents at end of year	571	2,403	3,097

Ratio Analysis ³	2020A	2021A	2022F
<i>Cash Flow</i>			
Free Cash Flow (Net cash from operations + Interest - Capex)	€288	€163	€23

In line with the Group's positive financial performance achieved throughout the period, the Group reported an improved net cash flow generated from operating activities of €5.1m during FY21 (FY20: €3.0m). When compared to the previously forecasted figure for FY21 published in relation to the bond issue, the increase reflects primarily the increase in the COVID-19 testing business. Tax paid was, in turn, higher due to the Group's better performance when compared to last year. The Group is projecting very similar performance in FY22 in regards to both operating activities and investing activities. When it comes to investing activities in FY21, the Group invested in additional assets amounting to €3.8m including a new pharmacy licence and additional property, plant and equipment.

The Group generated all of its cash relating to financing activities from its bond issue which, net of transaction costs, amounted to €12.7m. On the other hand, there were a number of outflows relating to financing activities. As mentioned previously, €4.0m was transferred to a trustee. Other outflows include €2.0m decrease in bank borrowings, €1.0m in principal payment of lease liabilities and €3.8m net movements in shareholders' loan. The Group ended the year with a movement of €1.8m in cash and cash equivalents (FY20: €0.5m).

³ Ratio Analysis may not agree to prior FASs, due to a change in the calculation methodology or due to rounding differences variance

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 its listed securities.

3.2 Economic Update⁴

The Central Bank's Business Conditions Index indicates that annual growth in business activity remains above its long-term average, though normalising to lower levels from previous months.

Similarly, the European Commission survey shows that in April economic sentiment in Malta remained above its long-term average, though it stood below its year-ago level and its level a month earlier. The recent decrease was driven by weaker sentiment in the services sector, and to a lesser extent, among industrial firms and retailers. By contrast, it improved among consumers and in construction.

Additional survey information shows that a smaller share of respondents in the services and retail sectors, as well as consumers expected prices to increase in the coming months. Prices were expected to increase in construction in contrast to expectations of lower prices a month earlier. At the same time, price expectations reached a record high in industry.

In April, the European Commission's Economic Uncertainty Indicator for Malta decreased when compared with March. This decrease in uncertainty was largely driven by developments in industry and to a smaller degree, in the construction and retail sectors.

In March, industrial production contracted again in annual terms, though at a slower rate when compared with February. The volume of retail trade rose at a faster pace. The unemployment rate was marginally lower than that recorded in February and well below last year's rate.

Maltese residents' deposits expanded at an annual rate of 10.1% in March following an increase of 8.4% in the previous month, while annual growth in credit to Maltese residents stood at 7.7%, below the rate of 8.2% recorded a month earlier. The Consolidated Fund deficit in March 2022 widened compared with a year earlier as expenditure increased at a faster pace than revenue.

3.3 Economic Predictions⁵

The Central Bank of Malta expects Malta's gross domestic product (GDP) to grow by 5.4% in 2022, 4.9% in 2023 and 3.8% in 2024. Compared to the Bank's previous projections, this represents a downward revision of 0.6 percentage point in 2022 and 0.4 percentage point in 2023. The downward revision reflects the deterioration in the international economic environment due to the Russian invasion of Ukraine and the lockdown measures in Asia. These headwinds have weakened global trade and have exacerbated supply chain disruptions and shortages of key vital inputs. Such disruptions have also increased imported price pressures.

Net exports are expected to be the main driver of growth in 2022, reflecting the correction in import-intensive investment outlays from the exceptional levels reached in 2021. The contribution of domestic demand is expected to be positive but significantly lower compared to that of the previous year. In the following years, domestic demand is expected to lead the expansion in

⁴ Central Bank of Malta – Economic Update 5/2022

⁵ Central Bank of Malta – Economic Projections 2021 – 2024 (06/2022)

economic activity, reflecting especially a foreseen strong contribution from private consumption. At the same time, the contribution of net exports is projected to remain positive, reflecting the gradual normalisation of tourism exports and growth in foreign demand more generally.

Employment growth in 2022 is expected to reach 2.9% from 1.6% in 2021. It is set to moderate to just below 2% by 2024. The unemployment rate is projected to decline to 3.3% this year, from 3.5% last year and it is expected to hover within this range over the outlook period.

In view of the expected increase in inflation this year, wage growth is projected to be relatively strong as employees might demand some partial compensation for the increase in prices. Nevertheless, nominal wage growth is projected to remain below that of inflation due to some lag in the transmission from prices to wages. In the following years, wage pressures are expected to moderate as the labour market becomes less tight.

Annual inflation based on the Harmonised Index of Consumer Prices is projected to accelerate to 5.0% in 2022, from 0.7% in 2021. The sharp pick-up in inflation reflects a broad-based increase across all sub-components of HICP except for energy inflation. Import price pressures are expected to moderate somewhat by the beginning of next year, although these are envisaged to remain high by historical standards. HICP inflation is expected to moderate to 2.9% by 2023, driven by lower contributions from all subcomponents except for energy inflation. Inflation is set to ease further in 2024, to 1.8%.

The general government deficit-to-GDP ratio is projected to recede to 5.6% of GDP in 2022, from 8.0% in 2021. It is expected to narrow further to 4.0% of GDP in 2023, and to 3.2% of GDP in 2024. This profile is driven by the unwinding of COVID-19 support measures in 2022, which should offset outlays on price mitigation measures. The general government debt-to-GDP ratio is projected to stand at 58.7% of GDP in 2024.

On balance, risks to economic activity are to the downside for 2022 and 2023, and on the upside for 2024. These risks stem from a possible prolongation of the Russia-Ukraine war. More persistent supply bottlenecks as well as higher input and transport costs, could adversely affect manufacturing output, private consumption, and investment. Foreign demand could also be weaker than expected if monetary policy in advanced economies responds more forcibly to inflation than assumed in this baseline. These downside risks could be mitigated somewhat by possibly more expansionary domestic fiscal policy, an earlier resolution of the war, as well as the possibility of a faster drawdown of domestic private savings.

Risks to inflation are on the upside during the entire projection horizon. Indeed, the prolongation of the war, as well as China's zero-COVID policy, could increase commodity prices further and exacerbate imported price pressures and costs. Finally, wage pressures could be stronger than expected if high inflation persists for a longer period.

On the fiscal side, risks mainly relate to a larger deficit in 2022 and 2023. These mostly reflect the likelihood of additional Government support to mitigate rising commodity prices and State aid to Air Malta.

3.4 The Pharmaceutical Retail Industry⁶

The pharmaceutical retail industry is composed of pharmacy stores which are engaged in the retailing of prescription and non-prescription medicines, drugs and pharmaceuticals. More specifically, pharmacy stores are also involved in the retailing of "front-end" merchandise such as health products that include vitamins and supplements, cosmetics, toiletries, greeting cards, and non-perishable food products to walk-in customers.

As a starting point, pharmacy store sales are predominantly driven by the number of prescriptions which they fill, as prescriptions are the initial cause of customer traffic. In furtherance, the remaining revenue is generated from the sale of "front-end" items. In an attempt to boost revenue volumes, pharmaceutical retail stores have nowadays expanded the selection of such items, consequently increasing the receptive revenue levels.

⁶ Including both generic and brand name prescription and non-prescription medicines and drugs

Traditionally, pharmacy stores have viewed older patients as their main customer base. However, through the sale of such commercialised items, in addition to the introduction of number of cosmetic services, pharmacy retail stores have nowadays also expanded their customer base to younger individuals. From a competition point of view, large pharmaceutical retail companies which are already established in the market, typically have access to an extensive consumer base. Smaller companies however, strive to achieve effective and creative advertising strategies to garner more consumer traffic, and also focus on operating out of convenient locations. In addition to the need for medical prescriptions and the introduction of new advances/ innovations in medical care, the demand for pharmaceutical retail stores within a specific country, is also greatly dependent upon the growth in the number of older persons, otherwise known as an aging population.

In recent years, virtually every country in the world has experienced growth in the number of older persons in their population. As could be noted through the below graphical presentation, the average number of individuals who are 65 years or older as a percentage of total population in "Organisation for Economic Cooperation and Development (OECD)" countries, increased from 14.9% in 2010 to 18.9% in 2020.

This data further illustrates that as the number of persons aged 65 years or over increased over time, OECD countries have also witnessed a consequent increase in health expenditure as a percentage of GDP. This therefore implies that the demand for pharmaceutical retail stores has strengthened throughout this period.

3.5 Local Pharmaceutical Retail Industry⁷

Locally, demographic statistics also show that the population in Malta is ageing considerably. As at December 2020, the population aged 65 years or over amounted to 18.9% (97,542) of the total population of 516,100, illustrating an increase of 2.9% from the 16% recorded in 2010.

The population increase in 2020 was mainly driven by a net migration of 1,206 persons, with the remaining 330 persons representing the natural increase between births and deaths. Life expectancy has also increased throughout the years, with the average life expectancy for those born in 2020 standing at 82.3 years, an increase of 1.3 years when compared to 10 years ago.

On the same note, according to the '2021 Ageing Report' prepared by the European Commission and the Economic Policy Committee, the median age will rise from 43.7 year in 2019 to 48.8 year in 2070, most of which occurs by around 2040. This pattern will be repeated in each of the EU Member States, with the life expectancy of the Maltese population reaching the high 80s by 2070.

As life expectancy at birth increases globally (including Malta), remarkable advancements in healthcare services and medical research, have greatly contributed towards an overall improvement in longevity. Based on this, in combination to the anticipated increase in the number of individuals aged 65 or over, this study illustrates that as things stand, the demand for pharmaceutical retail stores is expected to continue strengthening moving forward.

Additionally, the number of local pharmacy licences available are limited depending on the population of a locality. Data specifically related to the number of pharmacy licences issued in Malta over a specific timeframe is limited. However, according to data provided by the 'Malta Medicine Authority', there are currently over two hundred licenced retail community pharmacies in Malta⁸.

In view of the above, once all pharmacy licences within the threshold are issued to operators, the authority cannot issue new licences unless the threshold is increased. In view of this, the limited supply of licences has driven a market in the trade of pharmacy licences which can be sold / acquired from third parties on the open market. More specifically, it is important to note that the trade of pharmacy licences, in addition to approval of new licences are subject to the approval of the Superintendent of

⁷ National Statistics Office: World Population Day statistics

⁸ Malta Medicines Authority

Public Health. Such policy has naturally driven up the price to acquire a pharmacy licence, which has increased the barriers to entry and hence reduced completion for existing operators. Additionally, the limited availability of pharmacy licences in Malta will continue to channel the increase in the demand for pharmaceutical needs to existent operators.

3.6 Comparative Analysis

The purpose of the following table is to compare the debt issuance of the Group to other debt instruments. 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.

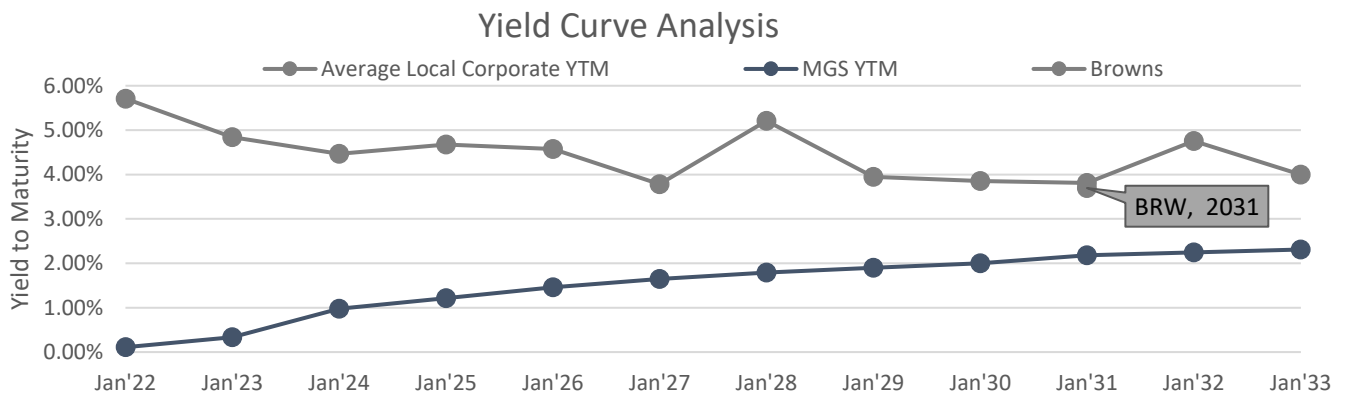
More importantly, we have included different issuers with similar maturity to the Issuer. One must note that, given the material differences in profiles and industries, the risks associated with the Group's business and that of other issuers is therefore different.

Security	Nom Value	Yield to Maturity	Interest coverage (EBITDA)	Total Assets	Total Equity	Total Liabilities / Total Assets	Net Debt / Net Debt & Total Equity (%)	Net Debt / EBITDA	Current Ratio	Return on Common Equity	Net Margin	Revenue Growth (YoY)
	€000's	(%)	(times)	(€'millions)	(€'millions)	(%)	(%)	(times)	(times)	(%)	(%)	(%)
6% AX Investments Plc € 2024	40,000	5.97%	3.0x	369.8	237.1	37.0%	25.1%	6.8x	0.9x	0.8%	5.4%	23.3%
5.25% Central Business Centres plc Unsecured € 2025 S2T1 (xd)	3,000	4.94%	2.0x	58.2	23.6	59.4%	54.7%	21.3x	1.2x	15.5%	227.7%	19.1%
3.25% AX Group plc Unsec Bds 2026 Series I	15,000	3.27%	3.0x	369.8	237.1	37.0%	25.1%	6.8x	0.9x	0.8%	5.4%	23.3%
3.75% Mercury Projects Finance plc Secured € 2027	11,500	3.75%	0.3x	113.0	34.6	69.4%	47.4%	99.5x	1.8x	-19.6%	-117.0%	-75.1%
4.35% SD Finance plc Unsecured € 2027	65,000	4.23%	0.3x	328.5	131.5	60.0%	30.3%	43.7x	1.2x	-1.6%	-12.2%	-70.9%
4% Eden Finance plc Unsecured € 2027	40,000	3.64%	3.7x	193.5	109.3	43.5%	28.6%	5.9x	1.1x	0.9%	4.3%	86.6%
4.4% Central Business Centres plc Unsecured € 2027 S1/17 T1	6,000	4.40%	2.0x	58.2	23.6	59.4%	54.7%	21.3x	1.2x	15.5%	227.7%	19.1%
3.75% Tumas Investments plc Unsecured € 2027	25,000	3.75%	4.9x	232.1	139.2	40.0%	19.7%	2.6x	4.4x	2.8%	11.6%	-1.4%
3.5% Simonds Farsons Cisk plc Unsecured € 2027	20,000	2.98%	10.9x	187.9	116.2	38.2%	25.9%	2.7x	1.6x	2.9%	4.6%	-29.4%
4% Stivala Group Finance plc Secured € 2027	45,000	3.58%	0.5x	363.0	235.4	35.1%	26.7%	33.8x	0.9x	5.3%	82.2%	28.2%
3.75% Virtu Finance plc Unsecured € 2027	25,000	3.37%	(1.8)x	198.7	80.3	59.6%	44.2%	(12.2)x	0.7x	-7.6%	-24.2%	-17.0%
4% Hili Finance Company plc Unsecured € 2027	50,000	3.79%	4.6x	727.7	154.6	78.7%	71.8%	4.7x	1.1x	25.9%	5.7%	22.0%
3.75% Bortex Group Finance plc Unsecured € 2027	12,750	3.64%	6.3x	67.3	32.8	51.3%	42.1%	5.0x	3.5x	3.6%	5.5%	-12.0%
3.85% Hili Finance Company plc Unsecured € 2028	40,000	4.04%	4.6x	727.7	154.6	78.7%	71.8%	4.7x	1.1x	25.9%	5.7%	22.0%
4% Exalco Finance plc Secured € 2028	15,000	3.63%	4.8x	70.0	44.3	36.7%	23.8%	3.6x	1.1x	5.7%	49.3%	3.9%
4.5% Endo Finance plc € Unsecured 2029	13,500	4.85%	4.6x	32.0	12.6	60.7%	54.1%	4.4x	1.2x	8.0%	8.8%	11.0%
4% SP Finance plc € Secured 2029	12,000	3.67%	0.5x	40.0	16.0	60.0%	55.6%	48.8x	0.4x	-8.0%	-62.8%	71.5%
3.75% TUM Finance plc Secured € 2029 (xd)	20,000	3.75%	3.6x	67.9	37.4	44.9%	34.4%	7.3x	0.6x	4.0%	41.0%	10.1%
3.65% Stivala Group Finance plc Secured € 2029	15,000	3.49%	0.5x	363.0	235.4	35.1%	26.7%	33.8x	0.9x	5.3%	82.2%	28.2%
3.8% Hili Finance Company plc Unsecured € 2029	80,000	4.18%	4.6x	727.7	154.6	78.7%	71.8%	4.7x	1.1x	25.9%	5.7%	22.0%
3.75% AX Group plc Unsec Bds 2029 Series II	10,000	3.75%	3.0x	369.8	237.1	37.0%	25.1%	6.8x	0.9x	0.8%	5.4%	23.3%
4.25% Mercury Projects Finance plc Secured € 2031	11,000	3.97%	0.3x	113.0	34.6	69.4%	47.4%	99.5x	1.8x	-19.6%	-117.0%	-75.1%
3.9% Browns Pharma Holdings plc Unsec Call € Bonds 2027-2031	13,000	3.70%	6.5x	67.3	26.9	60.0%	40.9%	3.7x	1.1x	9.3%	6.8%	26.7%
4.25% Central Business Centres plc Unsecured € 2033	21,000	4.25%	2.0x	58.2	23.6	59.4%	54.7%	21.3x	1.2x	15.5%	227.7%	19.1%
4.3% Mercury Project Finance plc Secured € 2032	50,000	3.99%	0.3x	113.0	34.6	69.4%	47.4%	99.5x	1.8x	-19.6%	-117.0%	-75.1%
Average**		3.95%										

Source: Latest available audited financial statements

* Last closing price as at 06/06/2022

** Average figures do not capture the yield on the debt issuance of Brown's Pharma Holdings p.l.c.



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 illustrates on a stand-alone basis, the yield of the 3.9 % Brown's Pharma Holdings plc bond.

As at 6 June 2022, the average spread over the Malta Government Stocks (MGS) for comparable issuers with a maturity range of 5-10 years was 202 basis points. The 3.9% Brown's Pharma Holdings plc 2027-2031 bond is currently trading at a YTM of 370 basis points, meaning a spread of 151 basis points over the equivalent MGS, and therefore at a discount of 51 basis points to the average on the market. It is pertinent to note that the above analysis is based on a maturity-matching basis and that the Issuer's industry is significantly different to the corporates identified and as such its risks also differ to that of other issuers.

Part 4 Glossary and Definitions

<i>Income Statement</i>	
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.
EBIT (Operating Profit)	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.
Profit After Taxation	The profit made by the Group/Company during the financial year net of any income taxes incurred.
<i>Profitability Ratios</i>	
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).
<i>Cash Flow Statement</i>	
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.
<i>Balance Sheet</i>	
Total Assets	What the Group/Company owns which can be further classified into Non-Current Assets and Current Assets.
Non-Current Assets	Assets, full value of which will not be realised within the forthcoming accounting year
Current Assets	Assets which are realisable within one year from the statement of financial position date.
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 be further classified into Non-Current Liabilities and Current Liabilities.
Non-Current Liabilities	Obligations which are due after more than one financial year.
Current Liabilities	Obligations which are due within 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.

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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Calamatta Cuschieri

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