



FINANCIAL ANALYSIS SUMMARY
Central Business Centres p.l.c.
4th June 2019



Calamatta Cuschieri
YOUR PARTNER IN FINANCIAL SERVICES

The Directors
Central Business Centres plc,
Cortis Buildings,
Mdina Road,
Zebbug, Malta, ZBG 4211

4th June 2019

Dear Sir/Madam,

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

The purpose of the financial analysis is that of summarising key financial data appertaining to Central Business Centres plc (the “**Issuer**” or the “**Company**”). 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 2016, 2017 and 2018 have been extracted from the Issuer’s audited statutory financial statements for the three years in question.
- b) The forecast data for the financial year ending 31st December 2019 has been provided by management.
- c) Our commentary on the results of the Issuer and on its financial position is based on the explanations provided by management.
- d) The ratios quoted in the Financial Analysis Summary have been computed by us applying the definitions set out in the “**Glossary and Definitions**”.
- e) The principal relevant market players listed in the “**Comparative Analysis**” section 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

Table of Contents

Part 1 - Information about the Issuer	3
1.1 Issuer’s key activities and structure	3
1.2 Directors and key employees.....	4
1.3 Major assets owned by the Company.....	4
1.4 Operational Developments.....	6
Part 2 – Historical Performance and Forecasts.....	7
2.1 Issuer’s Income Statement	7
2.1.1 Variance Analysis	10
2.2 Issuer’s Financial Position	11
2.3 Issuer’s Cash Flow	13
Part 3 – Key market and competitor data	15
3.1 General Market Conditions.....	15
3.2 Listed Debt Securities of the Issuer.....	16
3.3 Comparative Analysis.....	17
Part 4 - Glossary and Definitions.....	19

Part 1 - Information about the Issuer

1.1 Issuer's key activities and structure

Central Business Centres plc (“CBC” or “Issuer”) was set-up in 2014 whereby in January 2019, the previous six shareholders of the Company transferred the bare ownership of their shareholding in the Company to several family members, however retained the usufruct thereon. With the present shareholding structure no individual shareholder has a holding of more than 10% in the Company. The principal activity of the Issuer is to hold commercial property for investment purposes and generate returns from this property through rental agreements. The Issuer's aim is to develop the “**Central Business Centre**” brand by emulating the success of the business centre in Zebbug, which has been generating a steady flow of rental returns since its opening in 2011, followed by the commencement of operations of the Gudja Business Centre in 2016 and the St. Julian's Business Centre in 2019.

▪ The Company's history

In 2014, upon its incorporation, CBC acquired three properties from the Cortis Group, which is a related group.

The three properties comprised:

1. A business centre in Zebbug (acquisition also included the contracts with tenants already in place);
2. A plot of land in Gudja, together with a shell structure for commercial use;
3. A plot of land and an old villa with adjoining gardens in St Julian's, together with permits for the restoration of the villa and the development of a third business centre for commercial use.

The Company issued a €6 million Bond Issuance programme on 5 December 2014. On 22 December 2014, CBC issued its first tranche of €3 million 7-year bonds at 5.75% as part of this programme. On the 4 December 2015, the Company issued a further €3 million 10-year bond at 5.25%.

The Company developed the Gudja Business Centre during 2014-2015 and the first tenants entered the premises as from 1 December 2015. The property is further described later on in this section of the Analysis.

Finishing works on the business centre in St. Julian's are in an advanced stage of completion and management confirmed that the first tenant will be moving in on 1st June 2019. The rest of the property is anticipated to start being rented out by the beginning of July 2019. Work on the villa (Villa Fieres) in St. Julian's is ongoing.

During 2017, the Company purchased a large tract of land located in Zebbug from S.M.W. Cortis Limited for a consideration of €11.5 million, with the intention of developing it into business premises comprising of storage, retail and office space.

During the same year, the Company issued a €10 million Bond Issuance programme on 30th May 2017. On 12th June 2017, CBC issued a first tranche of €6 million 10-year bonds at 4.4%, resulting in net bond

proceeds of €5.88 million. The bond proceeds were mainly deployed to finance the purchase of the Zebbug property (€5.7 million) and for general corporate funding purposes (€1.8 million). The remaining €5.8 million consideration was financed through a subordinated loan from S.M.W. Cortis Limited.

1.2 Directors and key employees

Board of Directors

The Board of Directors of the Issuer is composed of the following persons:

Name	Designation
Joseph Cortis	Executive Director, Chairman
Petramay Attard Cortis	Non - Executive Director
Alfred Sladden	Non - Executive Director
Raymond Cortis	Non-Executive Director
Joseph M Formosa	Non-Executive Director

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

1.3 Major assets owned by the Company

The main assets held by the business include:

- ◇ Central Business Centre - Zebbug;
- ◇ Central Business Centre - Gudja;
- ◇ Central Business Centre and Villa Fieres (under development) - St Julian's;
- ◇ New site in Zebbug (acquired during 2017 and earmarked for a commercial development – more details below)

■ Central Business Centre - Zebbug

Central Business Centre - Zebbug was acquired by the Issuer from S.M.W Cortis Ltd. This is currently rented out at full occupancy to third parties.

- ◇ The property was developed in 2011/12 on land acquired by the Cortis Group in 2002.
- ◇ The property was independently valued at €4 million on 10th May 2017 by Architect Joe Cassar.
- ◇ CBC purchased the property for a consideration of €3.7million and the consideration comprised €2.3 million in cash and €1.4 million by means of a subordinated loan from S.M.W. Cortis Ltd.
- ◇ The property comprises 1,509 sqm of office space, over five floors (including ground floor, intermediate floor, levels 1, 2 and a penthouse at level 3). Additionally, there are 27 parking spaces at underground levels 1 and 2.

- ◇ Based on management information as at April 2019, the Zebbug Business Centre was fully occupied with tenants. Rent agreements signed with tenants cater for an increase in rent of around 5% to 6% every three years from the start of the contract. First rent revisions came into force in June 2014 with a further batch of contracted rents revised in FY15. In addition to the rent, tenants pay a maintenance fee which is equivalent to 10% of the rent due respectively. This amount is used by the Company to fund annual maintenance and common area costs.

▪ **Central Business Centre - Gudja**

- ◇ The Issuer acquired the property for €2.4 million from S.M.W. Cortis. The purchase was settled by means of subordinated loan from S.M.W. Cortis Ltd.
- ◇ The business centre in Gudja is complete and comprises of a basement, extending to under half the width of the adjacent drive-in and two upper levels for commercial use.
- ◇ The property is situated on a main road artery, a few minutes from Malta International Airport and within close proximity to the Freeport.
- ◇ The property was valued at €3.5 million on 10th May 2017 by Architect Joe Cassar following completion of the majority of finishing works.
- ◇ The project comprises approximately 1,365 sqm of office space over three floors including the ground floor as well as 555 sqm of commercial space at basement level.
- ◇ 19 car spaces are available, 7 of these car spaces at basement level, whilst a further 12 spaces are open air spaces adjacent to the building.
- ◇ The building is operational and tenant occupancy as at April 2019 was at 86.1%. Management expect to have 100% occupancy by the end of 2019. All rental agreements are subject to a 6% increase in rent every three years from the start date of the contract. Each tenant is charged a maintenance fee equal to 10% of the rental value respectively, as catered for in the signed rental contracts.

▪ **St. Julian's Business Centre and Villa Fieres**

The Issuer owns property in Spinola, St Julian's comprising of:

- ◇ Villa Fieres, whose total area covers approximately 1,100 Sqm. The building itself occupies a footprint of approximately 200 Sqm and has two floors and a semi-basement. The garden covers approximately 900 Sqm.

Management explained that the villa has permits for commercial and/or residential use and is earmarked for rental to third parties either as a high-end restaurant location or as a residence for high net worth individuals.

- ◇ A newly built building of approximately 2,360 sqm of office space spread over five floors and a ground floor area currently occupied by seven outlets, three of which are rented out to third parties on long-term leases. The office space is targeted at medium-sized leases (250-500 sqm per tenant). The building will comprise two floors at 550 sqm each, two floors at 480 sqm each and one floor at 300 sqm.

The Cortis Group acquired Fieres Ltd in May 2002. The Issuer acquired the properties for €6.5million and the purchase price was settled by means of subordinated loans from the Cortis Group companies. The properties were valued at €7.5 million on 10th May 2017 by Architect Joe Cassar.

- **New Zebbug Site**

The issuer owns property in Zebbug comprising a showroom, a factory and warehouses. It also holds a permit for the extension to develop additional stores, parking facilities and landscaping.

The company has however entered into an agreement with LIDL Immobiliare Malta Ltd (LIDL) - Further details are provided in section 1.4 of the Analysis.

1.4 Operational Developments

- **St. Julian's Business Centre and Villa Fieres**

Works on the business centre are in an advanced stage of completion, whereby in 2018 the Company completed the process of obtaining a statutory permit from the Planning Authority. The majority of the finishing works are completed and management confirmed that the first tenant will be moving in on 1st June 2019. As per management's assumptions, the remaining floors are expected to be fully completed and occupied by the fourth quarter of 2019.

The ground floor level of the business centre site comprised seven retail outlets. The four outlets that have already been vacated have been converted into a ground floor entrance to the Central Business Central and three (smaller) retail outlets of 45 square metres of retail space have been developed. The remaining three outlets are expected to be developed into new retail outlets once vacated.

Villa Fieres is currently under restoration and development, with further maintenance works yet to be completed. The Company is still in the process of obtaining an extension of the current development permit. Once obtained, this will enable the Company to speed up the construction works. Management expect the permit to be in hand by the end of Q3 2019.

- **New Zebbug site**

On the 19th October 2017, the Company entered into a Promise of Sale Emphyteutical Grant Agreement with LIDL Immobiliare Malta Ltd (LIDL) in relation to a part of the newly acquired land in Zebbug for developing a supermarket, including ancillary facilities such as warehouse facilities, utility spaces, parking spaces and loading/unloading ramp and bay.

As at April 2019, management confirmed that LIDL are still in process of obtaining a development permit from the Planning Authority for the site.

Since July 2017, the said Zebbug site is currently being rented out to the Cortis Group from CBC until the development permit procedure is fully finalised by the Planning Authority. If the development permit is not granted, this property will be returned to CBC and rented to Cortis Group.

Part 2 – Historical Performance and Forecasts

2.1 Issuer's Income Statement

All financial information presented in this section was derived from the audited accounts of the Issuer or supplied by management. Given that some of the Company's projects were not yet complete during the period under review, Management does not consider the FY16, FY17 and FY18 results to be reflective of the Company's future performance.

Statement of Comprehensive Income	Dec-16 Audited	Dec-17 Audited	Dec-18 Audited	Dec-19 Forecast
	€'000s	€'000s	€'000s	€'000s
Revenue	224	329	356	983
Operating Expenses (less depreciation)	(86)	(183)	(253)	(231)
EBITDA	138	146	103	752
Depreciation	-	-	(8)	(8)
EBIT	138	146	95	744
Fair value movement relating to investment property	-	663	-	-
Finance costs	(348)	(479)	(626)	(627)
Finance costs capitalised	179	311	465	396
Profit before tax	(31)	641	(66)	513
Tax Expense	-	(785)	(53)	(147)
Net Income	(31)	(144)	(119)	366

Ratio Analysis ¹	2016A	2017A	2018A	2019F
Profitability				
Growth in Revenue (YoY Revenue Growth)	57.7%	46.9%	8.2%	171.6%
EBITDA Margin (EBITDA / Revenue)	61.6%	44.4%	28.9%	76.5%
Operating (EBIT) Margin (EBIT/Revenue)	61.6%	44.7% ²	26.7%	75.7%
Net Margin (Profit for the year / Revenue)	-13.8%	-43.8%	-33.3%	37.2%
Interest Coverage (EBITDA / Cash interest paid)	0.4x	0.3x	0.2x	1.3x

1. Revenue

Revenue is derived from rental income and maintenance fees charged to tenants occupying premises in CBC's rental properties.

During 2018 rental income increased by 8.2% to €356k as a result of the contractual increases included in the tenants' contracts. This increase in revenue is also attributable to the maintenance fees which is also catered for in the signed rental contracts.

¹ Ratios were computed based on rounded figures to the nearest thousands

² Operating (EBIT) Margin – The calculation methodology for this year was changed from the previous FAS, whereby the fair value movement relating to investment property is being shown after operating profit.

Furthermore, in FY2018 the Zebbug Business Centre was fully occupied with tenants, whereas the Gudja Business Centre had an occupancy level of 86.1%. In line with the forecasts demonstrated above, it is projected that both the Zebbug and Gudja business centres will be operating at full capacity during 2019. The projected increase in revenue take into account revenue generated from the St. Julian's business centre which started to be rented out as from Q2 2019 and the new Zebbug property which is currently rented out to the Cortis Group and expected to be rented out to LIDL as from Q4 2019 respectively.

Following the development completion on the newly acquired Zebbug site and on Villa Fieres as further described in section 1.4 of this Analysis, total rental revenue is projected to reach a stabilised amount going forward. Total revenue is projected to also increase in line with contractual rental increases.

Revenue Segmental Analysis	2016A	2017A	2018A
	€'000s	€'000s	€'000s
Zebbug Central Business Centre	146	154	157
Zebbug new property	-	50	100
Gudja Business Centre	58	118	99
Total rental Income	204	322	356
Other Income	20	7	-
Total Revenue	224	329	356

- i. The purchase agreement of the Zebbug Business Centre by CBC provided that all income derived from the property until 31st December 2014 were to be earned by S.M.W. Cortis, the previous owner of the property, while all income from the property derived from the 1st January 2015 would accrue to CBC. As per Management, the Zebbug Central Business Centre is currently 100% occupied.
- ii. CBC started receiving rental income from the Cortis Group in relation to the newly acquired site in Zebbug since July 2017. Until the development permit procedure relating to LIDL's proposed development is fully finalised by the Planning Authority, the said property will be rented out to the Cortis Group. Management confirmed that this site is being leased out to the Cortis Group at €100k per annum.
- iii. Rental income from Gudja Business Centre reflects the rental income earned from three new tenants occupying Gudja Business Centre whose lease agreement was effective from the 1st December 2015. This Business Centre is currently 86.1% occupied, after having reached 100% occupancy as at December 2017, thus highlighting the reason as to why revenue generated from the Gudja business centre declined from €118k in 2017 to €99k in 2018. Management expect to have 100% occupancy by the end of 2019.
- iv. Other revenue is primarily composed of utilities expense recharge to tenants net of actual expenses incurred by the Issuer with regards to the relevant properties.

2. Operating expenses

Operating expenses are primarily comprised of administration and management fees, professional fees and insurance.

Operating expenses in 2018 increased by 39% or €71k due to the developments relating to Villa Fieres and the St. Julian's Business Centre. Also included in the operating expenses figure is a Planning Authority penalty which was incurred by CBC in 2018.

Given the non-recurring nature of the Planning Authority penalty, together with a marginal increase in rent payable in line with CBC's expected increased operations, the overall operating expenses are projected to decline going forward.

3. Operating profit

Operating profit in 2018 amounted to €95k in comparison to an operating profit of €147k generated in the previous financial year. As clearly explained above, the increase in operating expenses excluding depreciation charge incurred in the year under review increased at a higher rate (39%) than revenue (8.2%), eventually leading to a fall in EBIT margin from 44.7% in 2017 to 26.7% in 2018.

In line with the increase in rental income expected to be generated by CBC in 2019, operating profit is expected to reach €744k in 2019, translating into an EBIT margin of 75.7%.

4. Finance costs

Finance costs relate to the annual interest expense incurred on outstanding debt and the annual amortisation of the bond issue costs which in 2018 amounted to €32k.

Finance costs capitalised reflect the part interest incurred on debt which is directly linked with development projects still under construction. Interest is capitalised until the development of the respective property is complete. This is reflected as an increase in the value of Investment property.

Assumptions used in the FY19 income statement's forecasts:

- Management expect rental income to grow to €983k (+176%) due to expected full occupancy relating to the Zebbug and Gudja business centres. This expected upsurge in revenue also take into account revenue generated from the St. Julian's Business Centre which started to be rented out as from Q2 2019 and revenue expected to be generated from the new Zebbug property which is currently rented out to Cortis Group and anticipated to be rented out to LIDL as from Q4 2019 respectively.
- Overheads excluding depreciation are expected to decrease to €231k in 2019 from €253k in 2018. During 2018, CBC incurred a Planning Authority penalty and considering its non-recurring nature, this will not form part of the overall overheads expenses going forward. In line with CBC's expected increased operations in 2019, the projected overall overheads expenses figure reflect a marginal increase in rent payable by CBC to third parties.

- Tax expense relates entirely to tax on rental income projected at a flat rate of 15% in accordance with existing tax legislation.
- Interest income is projected at a flat rate of 0.5% on excess cash transferred to investments.
- Finance costs are expected to grow by 43% in 2019 when compared to the previous financial year. Due to the fact that the St. Julian's business centre and the newly acquired property in Zebbug are expected to start generating rental income in 2019, all related bond interest will be treated as an expense.

2.1.1 Variance Analysis

Statement of Comprehensive Income	Dec-18F	Dec-18A	Variance
	€'000s	€'000s	€'000s
Revenue	574	356	(218)
Operating Expenses	(151)	(253)	(102)
EBITDA	423	103	(320)
Depreciation	-	(8)	(8)
EBIT	423	95	(328)
Fair value movement relating to investment property	-	-	-
Finance costs	(631)	(626)	5
Finance costs capitalised	327	465	138
Profit before tax	119	(66)	(185)
Tax Expense	(91)	(53)	38
Net Income	28	(119)	(147)

▪ Variance Analysis Commentary

As per discussions with management, actual revenue in 2018 was lower than expected mainly due to several construction delays concerning the St. Julian's property. No rental income was generated from this property in 2018. In fact, the St. Julian's Business Centre commenced operations in Q2 2019 and not in Q3 2018 as previously expected. The decline in revenue is also attributable to the Zebbug Business Centre as no increase in rental income was generated from this specific property in 2018.

Actual costs were €102k higher than anticipated primarily due to a penalty fee CBC had to pay the Planning Authority in 2018. No depreciation was previously anticipated for 2018. However, the Issuer incurred a minimal depreciation charge of €8k on plant and machinery relating to the Gudja and Zebbug properties. Moreover, lower levels of finance costs were incurred in 2018 due to revised workings relating to the amortisation charges to incorporate the new bond issues.

Given that the St. Julian's property has not generated any rental income in 2018, all development costs regarding this property were capitalised, thus justifying the increase in capitalised finance costs in 2018.

The Company's tax expense is based on lease income receivable. Given that CBC generated lower levels of rental income in 2018, lower tax expense was incurred.

2.2 Issuer's Financial Position

Statement of Financial Position	Dec-16 Audited	Dec-17 Audited	Dec-18 Audited	Dec-19 Forecast
	€'000s	€'000s	€'000s	€'000s
Assets				
Non-current assets				
Investment Property	14,243	27,369	28,604	29,200
Property, plant and equipment	-	-	79	71
Total non-current assets	14,243	27,369	28,683	29,271
Current assets				
Trade and other receivables	629	112	146	147
Current tax assets	22	12	-	-
Cash and cash equivalents	1,247	1,074	155	35
Total current assets	1,898	1,198	301	182
Total assets	16,141	28,567	28,984	29,453
Equity and liabilities				
Capital and reserves				
Share capital	250	250	250	250
Capital reserve	10,050	15,850	16,100	16,170
Revaluation reserve	-	596	596	596
Retained earnings	(30)	(770)	(889)	(522)
Total equity	10,270	15,926	16,057	16,494
Non-current Liabilities				
Borrowings	5,865	11,762	11,794	11,826
Deferred tax liabilities	-	740	739	739
Total non-current liabilities	5,865	12,502	12,533	12,565
Current liabilities				
Trade and other payables	6	140	367	367
Current tax liability	-	-	27	27
Total current Liabilities	6	140	394	394
Total liabilities	5,871	12,642	12,927	12,959
Total equity and liabilities	16,141	28,568	28,984	29,453

Ratio Analysis ³	2016A	2017A	2018A	2019F
Profitability				
Return on Common Equity (Net Income / Total Equity)	-0.3%	-1.1%	-0.7%	2.2%
Return on Assets (Net Income / Total Assets)	-0.2%	-0.5%	-0.41%	1.2%
Financial Strength				
Gearing 1 (Net Debt / Total Equity)	45.0%	67.1%	72.5%	71.5%
Gearing 2 (Total Liabilities / Total Assets)	36.4%	44.3%	44.6%	44.0%
Net Debt / EBITDA	33.5x	72.7x	113.0x	15.7x
Current Ratio (Current Assets / Current Liabilities)	316.3x	8.6x	0.8x	0.5x
Net Debt / CFO	(5.4)x	59.7x	(37.2)x	1,179.1x

- Investment property is composed of four separately identifiable assets, namely the Zebbug Central Business Centre, the Gudja Business Centre and Property in St Julian's and Zebbug held for development.
- The increase in the carrying amount of investment property from 2017 to 2018 was primarily driven by development works undertaken on the St Julian's property and Villa Fieres and a capitalisation of €0.5 million in interest incurred on debt directly linked with investment property still under development.
- The entire €16.1 million capital reserve relates to three subordinated loans with related parties, which under IAS 32 are classified as equity. The Company entered into two-subordinated loan agreements amounting to €10 million during 2014 to part finance the acquisition of the Zebbug Central Business Centre, the Gudja Central Business Centre and Villa Fieres sites. The terms of the Subordinated loan agreements stipulate that these loans are interest free (unless otherwise agreed from time to time) and will not be settled unless the company has sufficient funds to repay in full the principle and interest on the bonds in issuance in accordance with the terms of the Bond Issuance Programme. During 2017, the company entered into another subordinated loan agreement with the same terms and conditions of the former two, to part finance the acquisition of the new Zebbug property.
- The Company has an additional €0.4 million subordinated loan facility from S.M.W. Cortis Limited in place, in which as at December 2018, CBC utilised €0.25 million. This was extended to finance any cash shortfalls the Company may have during the St. Julian's development. Management indicated that this subordinated loan facility will remain in place.
- CBC plc issued a bond of €3 million on 22nd December 2014 and another bond of €3 million from the same issuance programme on the 24th of December 2015. The net proceeds of these funds were used to part finance the acquisition of the properties acquired in FY14 and to finance the development of St. Julian's Central Business Centre. During 2017, the Company set up a €10 million Bond Issuance programme which was approved by the MFSA on 30th May 2017. On 12th June 2017 CBC issued a first tranche of €6 million 10-year bonds at 4.4%, primarily to finance the purchase of the Zebbug property. Borrowings are presented net of bond issue costs. The bond issue cost is amortised over the term of the debt instrument. The nominal balance of debt securities in issue amounts to €6 million.

³ Ratios were computed based on rounded figures to the nearest thousands

6. During the financial year 2018 there were no other material shifts in the composition of the balance sheet. The project in St. Julian's has been completed, whereby CBC have agreements in place to welcome its first tenant in June 2019. Moreover, developments concerning Villa Fieres is close to completion, and it is expected to benefit from a positive revaluation once complete in line with the recent trends of the property market.

2.3 Issuer's Cash Flow

Statement of Cash Flows	Dec-16 Audited €'000s	Dec-17 Audited €'000s	Dec-18 Audited €'000s	Dec-19 Forecast €'000s
Cash flows from operating activities				
Cash generated from operations	(501)	669	174	751
Cash interest paid	(330)	(454)	(471)	(594)
Income tax paid	(22)	(36)	(15)	(147)
Net cash flows generated from operating activities	(853)	179	(312)	10
Cash flows from investing activities				
Purchase of investment property	(754)	(12,152)	(808)	(200)
Purchase of property plant and equipment	-	-	(48)	-
Net cash flows generated from/(used in) investing activities	(754)	(12,152)	(856)	(200)
Cash flows from financing activities				
Proceeds from issuance of bond	-	6,000	-	-
Proceeds from subordinated loans with related parties	-	5,800	250	70
Net cash flows used in/(generated from) financing activities	-	11,800	250	70
Net movement in cash and cash equivalents	(1,607)	(173)	(919)	(120)
Cash and cash equivalents at start of year	2,854	1,247	1,074	155
Cash and cash equivalents at end of year	1,247	1,074	155	35

Ratio Analysis	2016A	2017A	2018A	2019F
Cash Flow				
Free Cash Flow (Net cash from operations - Capex)	€(1,607)	€(11,973)	€(1,169)	€(190)

Cash flows from operating activities in 2018 include net cash generated from operations, cash interest paid and income tax paid. Due to the fact that the majority of CBC's developments are nearing completion, with only the development of Villa Fieres yet to be completed, net cash flows generated from operating activities in 2019 is projected to reach a positive level of €10k.

The Purchase of investment property in 2017 relates to the acquisition of the new property in Zebbug and investment in development works in the St. Julian's property. Moreover, the purchase of investment property in 2018 relates to additional development works in the St. Julian's property, as indicated in the section 1.4 of this Analysis. Given that the St. Julian's business center is nearing completion, whereby CBC welcomed have agreements in place to welcome its first tenant in June

2019, cash flows from investing activities in 2019 are specifically related to development works concerning Villa Fieres within the Company's property in St. Julian's.

Net cash flows from financing activities in 2017 reflect the proceeds taken on the 12th June 2017 from the issuance of the first tranche of a second bond issue programme with a nominal value of €6 million, 4.4% coupon and a maturity date. Net cash flows from financing activities in 2017 also comprise €5.8 million proceeds from subordinated loans with related parties. In 2018, net cash flows from financing activities relate to utilisation of €0.25 million from the €0.4 million loan facility in which CBC currently has in place with the Cortis Group. Lower levels of financing activities are projected for 2019.

Part 3 – Key market and competitor data

3.1 General Market Conditions⁴

In the third quarter of 2018, the pace of economic expansion in Malta accelerated, with real gross domestic product (“GDP”) rising by 7.5% on a quarterly following a growth of 6.1% in the previous quarter. During the same period the rate of economic expansion in the euro area has moderated, with real GDP rising by 0.2% on a quarterly basis following two quarters of constant growth of 0.4%. Growth in Malta was supported by a strong increase in domestic demand, particularly private consumption. Net exports also contributed, albeit to a lesser extent. The slowdown in the euro area’s GDP growth during the third quarter of 2018 reflected a negative contribution from external demand with net exports, after having a broadly neutral contribution in the previous quarter.

The Maltese labour market conditions remained favourable in the third quarter of 2018, as employment grew strongly and the unemployment rate fell compared with the preceding year, notwithstanding a further increase in labour market participation rates and rising foreign employment. At 3.7%, the unemployment rate remained below the Central Bank of Malta (“CBM”) structural measure of 4.2% and thus continued to suggest a degree of tightness in the labour market.

Annual inflation based on the Harmonised Index of Consumer Prices (HICP) accelerated to 2.5% in September from 2.0% in June. The pick-up was largely driven by a higher contribution from food prices, although non-energy industrial goods and energy inflation also edged up. Inflation based on the Retail Price Index (RPI), which only takes into account purchases by Maltese households, stood at 1.6% in September, up from 1.0% three months earlier.

In 2019, real GDP growth is projected to moderate further to 5.2%⁵. As global demand moderates, economic growth is expected to continue relying on domestic demand, underpinned by high private and public consumption. Investment growth is expected to pick up on the back of large-scale infrastructure projects in the health, tourism and real estate sectors.

▪ Property

The strong economic growth sustained by the Maltese economy in recent years has contributed to a rise in the employment rate and the influx of foreign workers within the Maltese workforce. This has contributed to an increase in the demand for rental of office and commercial space in Malta. To address such growing demand, the supply of office and commercial space in Malta have considerably increased over the last couple of years. Of note, there are several traditional businesses areas in Malta. For instance, Sliema attracts many international brands and companies. Likewise, Valletta being Malta’s capital city is considered as the hub for law firms and many long-established family businesses. Other traditional commercial areas include the likes of St Julian’s which is popular for its sea-view offices and Floriana, which attracts businesses that want to be located in the vicinity of Valletta. In furtherance, there are also top quality commercial developments within in the proximity of the airport and in other residential areas such as Naxxar, Mosta, Mellieha and in other parts of the south of Malta. The variety of commercial and office space in Malta cater for every type of business, from start-ups to established global organisations. In this regard, numerous business centres have recently been

⁴ Central Bank of millionalta – Quarterly Review No.1 2019

⁵ European Commission’s Winter 2019 Economic Forecast

developed, with new centres in the pipeline. These include SkyParks, The Quad, Trident Park, The Centre, Aragon House Business Centre, amongst others.

Data specifically related to commercial property in Malta is limited, thus making it more challenging to identify the exact state of this sector. Nevertheless, it is evident that Malta has over recent years completely evolved and has attracted a numerous amount of foreign companies related to sectors within the financial services, gaming and IT related fields. It is therefore apparent that the demand for good commercial property has drastically increased, whereby Malta's property sector has been dominated by a situation of demand seemingly exceeding supply. The latter has resulted into the majority of high quality commercial developments being fully let. In line with statistical data issued by the Central Bank of Malta, the number of permits relating to retail and office developments has significantly increased from 123 permits in 2009 to 719 permits in 2016.

The Company is focused in the development of small to medium sized office space, which, in the opinion of the Directors represents a vacuum in the real-estate local market which has seen the construction and development of larger scale commercial property projects.

Management confirmed that the first tenant relating to the St 'Julian's Business Centre is moving in on 1st June 2019 in line with the increasing demand for commercial property, are confident that the remaining floors will be fully rented out by the fourth quarter of 2019. While the Zebbug Business Centre is currently fully occupied with tenants, management are also confident that the Gudja Business Centre will also have a 100% occupancy level by the end of 2019. Furthermore, the Company has already entered into an agreement with LIDL Immobiliare Malta Ltd (LIDL) in relation to the newly acquired land in Zebbug for developing a supermarket.

3.2 Listed Debt Securities of the Issuer

Description	Amount	ISIN Number
5.75% Central Business Centres plc Unsecured € 2021 S1T1	€3,000,000	MT0000881202
5.25% Central Business Centres plc Unsecured € 2025 S2T1	€3,000,000	MT0000881210
4.40% Central Business Centres plc Unsecured € 2027 S1/17 T1	€6,000,000	MT0000881228

3.3 Comparative Analysis

The purpose of the table below compares the proposed debt issuance of the group to other debt instruments with similar duration. 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 also different.

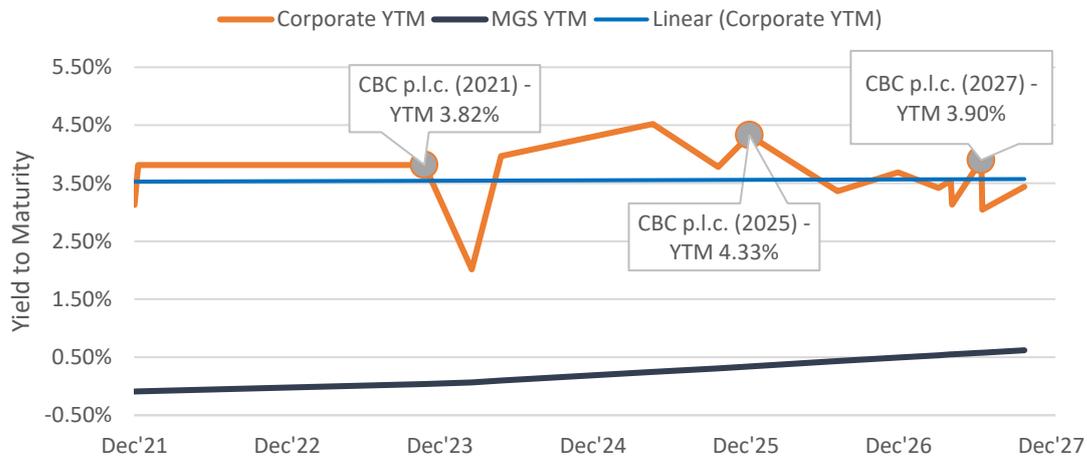
Security	Nom Value	Yield to Maturity	Interest coverage (EBITDA)	Total Assets	Total Equity	Total Liabilities / Total Assets	Net Debt / Total Equity	Net Debt / EBITDA	Current Ratio	Return on Common Equity	Net Margin	Revenue Growth (YoY)	Last Closing Price *
	€000's	(%)	(times)	(€'millions)	(€'millions)	(%)	(%)	(times)	(times)	(%)	(%)	(%)	
5.8% International Hotel Investments plc 2021	20,000	3.13%	3.2x	1,617.9	877.6	45.8%	58.7%	7.6x	1.1x	1.0%	3.3%	62.3%	106.50
5.75% Central Business Centres plc Unsecured € 2021 S1T1	3,000	3.81%	0.2x	29.0	16.1	44.6%	72.5%	113.2x	0.8x	-0.7%	-33.3%	8.2%	104.75
5.8% International Hotel Investments plc 2023	10,000	3.82%	3.2x	1,617.9	877.6	45.8%	58.7%	7.6x	1.1x	1.0%	3.3%	62.3%	108.00
6% AX Investments Plc € 2024	40,000	2.01%	6.9x	325.2	214.6	34.0%	22.9%	2.3x	1.0x	16.5%	56.6%	23.1%	118.00
6% International Hotel Investments plc € 2024	35,000	3.97%	3.2x	1,617.9	877.6	45.8%	58.7%	7.6x	1.1x	1.0%	3.3%	62.3%	109.00
4.5% Hili Properties plc Unsecured € 2025	37,000	3.78%	1.6x	154.7	52.2	66.2%	172.6%	16.6x	0.4x	4.7%	29.0%	15.0%	104.00
5.75% International Hotel Investments plc Unsecured € 2025	45,000	4.52%	3.2x	1,617.9	877.6	45.8%	58.7%	7.6x	1.1x	1.0%	3.3%	62.3%	106.30
5.25% Central Business Centres plc Unsecured € 2025 S2T1	3,000	4.33%	0.2x	29.0	16.1	44.6%	72.5%	113.2x	0.8x	-0.7%	-33.3%	8.2%	105.25
4% International Hotel Investments plc Secured € 2026	55,000	3.36%	3.2x	1,617.9	877.6	45.8%	58.7%	7.6x	1.1x	1.0%	3.3%	62.3%	104.00
4% International Hotel Investments plc Unsecured € 2026	40,000	3.69%	3.2x	1,617.9	877.6	45.8%	58.7%	7.6x	1.1x	1.0%	3.3%	62.3%	102.00
4% Eden Finance plc Unsecured € 2027	40,000	3.13%	5.8x	185.7	103.5	44.3%	46.7%	4.0x	0.8x	8.8%	20.8%	13.0%	106.00
4.35% SD Finance plc Unsecured € 2027	65,000	3.54%	6.1x	229.9	63.8	72.3%	101.1%	3.1x	0.7x	11.7%	15.1%	7.8%	105.48
4% Stivala Group Finance plc Secured € 2027	45,000	3.44%	3.7x	202.4	115.8	42.8%	54.1%	5.8x	0.3x	99.8%	587.9%	51.3%	104.00
3.75% Tumas Investments plc Unsecured € 2027	25,000	3.05%	23.0x	266.9	154.5	42.1%	19.6%	0.5x	3.2x	37.3%	36.1%	128.6%	105.00
4.4% Central Business Centres plc Unsecured € 2027 S1/17 T1	6,000	3.90%	0.2x	29.0	16.1	44.6%	72.5%	113.2x	0.8x	-0.7%	-33.3%	8.2%	103.40
3.75% Mercury Projects Finance plc Secured € 2027	11,500	3.42%	7.7x	38.0	0.8	97.9%	663.5%	4.8x	0.6x	101.2%	12.3%	261.0%	102.25
Average		3.5%	5.7x	854.6	459.3	52%	110%	6.4x	1.0x	22.0%	59.8%	67.2%	

Source: Latest Available Audited Financial Statements and MSE

* Last price as at 20/05/2019

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

Yield Curve Analysis



Source: Central Bank of Malta and Bloomberg

As can be witnessed in the comparative analysis, the Group's leverage is below the average of its comparable issuers on the Malta Stock Exchange at 44.6% gearing (Total Liabilities/ Total Assets), compared to an average of 52% or at a gearing (Net Debt / Total Equity) of 72.5% compared to an average of 110% for the industry.

As at 20th May 2019, the average spread over the Malta Government Stock (MGS) for corporates with maturity range of 5-6 years was 322 basis points. The 5.75% Central Business Centres 2021, the 5.25% Central Business Centres 2025 and the 4.4% Central Business Centres 2027 bonds are currently trading at a 390, 399 and 332 basis point spreads, amounting to 68, 77 and 10 basis points above the average of the market.

Part 4 - Glossary and Definitions

Income Statement	
Revenue	Total revenue generated by the Group/Company from its principal business activities during the financial year.
Costs	Costs are expenses incurred by the Group/Company in the production of its revenue.
EBITDA	EBITDA is an abbreviation for earnings before interest, tax, depreciation and amortisation. It reflects the Group's/Company's earnings purely from operations.
Operating Profit (EBIT)	EBIT is an abbreviation for earnings before interest and tax.
Depreciation and Amortisation	An accounting charge to compensate for the decrease in the monetary value of an asset over time and the eventual cost to replace the asset once fully depreciated.
Net Finance Costs	The interest accrued on debt obligations less any interest earned on cash bank balances and from intra-group companies on any loan advances.
Net Income	The profit made by the Group/Company during the financial year net of any income taxes incurred.
Profitability Ratios	
Growth in Revenue (YoY)	This represents the growth in revenue when compared with previous financial year.
Gross Profit Margin	Gross profit as a percentage of total revenue.
EBITDA Margin	EBITDA as a percentage of total revenue.
Operating (EBIT) Margin	Operating margin is the EBIT as a percentage of total revenue.
Net Margin	Net income expressed as a percentage of total revenue.
Return on Common Equity	Return on common equity (ROE) measures the rate of return on the shareholders' equity of the owners of issued share capital, computed by dividing the net income by the average common equity (average equity of two years financial performance).
Return on Assets	Return on assets (ROA) is computed by dividing net income by total assets.
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 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.
Total Debt	All debt obligations inclusive of long and short-term debt.
Net Debt	Total debt of a Group/Company less any cash and cash equivalents.
Current Liabilities	Obligations which are due within one financial year.
Financial Strength Ratios	
Current Ratio	The Current ratio (also known as the Liquidity Ratio) is a financial ratio that measures whether or not a company has enough resources to pay its debts over the next 12 months. It compares current assets to current liabilities.
Quick Ratio (Acid Test Ratio)	The quick ratio measures a Group's/Company's ability to meet its short-term obligations with its most liquid assets. It compares current assets (less inventory) to current liabilities.
Interest Coverage Ratio	The interest coverage ratio is calculated by dividing EBITDA of one period by cash interest paid of the same period.
Gearing Ratio	The gearing ratio indicates the relative proportion of shareholders' equity and debt used to finance total assets.
Gearing Ratio Level 1	Is calculated by dividing Net Debt by Total Equity.
Gearing Ratio Level 2	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.
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.
Occupancy Level	The occupancy level is expressed as a percentage and indicates the number of rooms occupied to the total number of available rooms in a given time period.