

**FINCO TREASURY MANAGEMENT LIMITED**

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A Limited Liability Company registered in Malta on 9th November 1994, Registration No. C17017

**ClearFlowPlus PLC – 4.25% 2033**  
**Guaranteed by Water Services Corporation****Salient Details & Time Table**

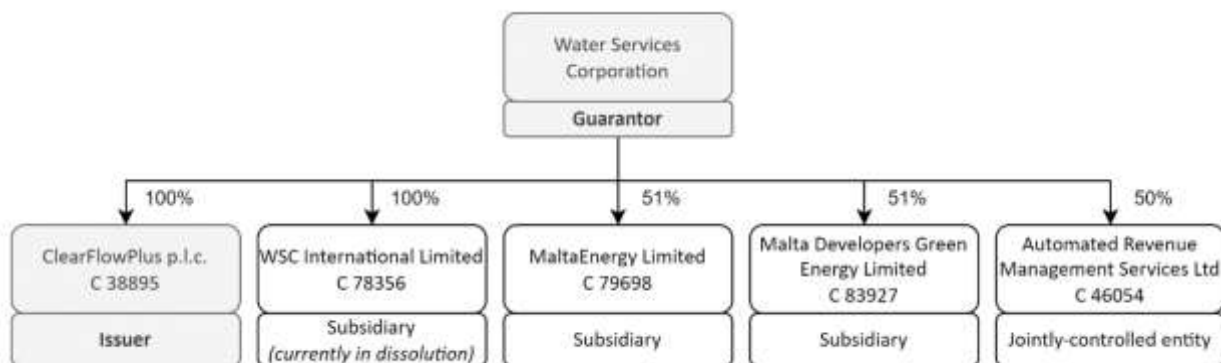
Offeror & Issuer	<b>ClearFlowPlus Plc</b>
Guarantor	Water Services Corporation
Status of the Guarantee	The Guarantee shall constitute a direct, and unconditional obligation of the Guarantor and, save for such exceptions as may be provided by applicable law, the Guarantor's obligations under the Guarantee shall rank pari passu with all its other unsecured and unsubordinated obligations.
Currency	Euro
Issue Size	€25,000,000
Offer Price	100% at par
Coupon	4.25% per annum
Spread	165 basis points over Deutsche Bond 2.60% 15/08/33
Status & Security	The Bonds, as and when issued and allotted, shall constitute the general, direct, unsecured and unconditional obligations of the Issuer and shall at all times rank pari passu, without any priority or preference among themselves, and, save for such exceptions as may be provided by applicable law, shall rank pari passu with all other unsecured and unsubordinated obligations of the Issuer. The Bonds shall be guaranteed in respect of both the interest and the Redemption Value due under said Bonds by the Guarantor in terms of the Guarantee.
Maturity Date	25 <sup>th</sup> August 2033
Listing	Official List, Malta Stock Exchange.
Interest Payment Dates	25 <sup>th</sup> August annually
Offer Period	From 1 <sup>st</sup> August 2023 to 18 <sup>th</sup> August 2023
Minimum Applications accepted by Finco	€5,000 (nominal) and in multiples of €100 thereafter



## ClearFlowPlus P.L.C.

The Issuer was incorporated in 2006 under the name of Desalination Services Marketing Ltd. and changed its name to ClearFlowPlus Limited in 2018. The Issuer was initially incorporated as a private limited liability company and has recently been converted into a public limited liability company in 2023 in anticipation of the Bond Issue.

The Issuer is, except for one (1) share which is held by Malta Government Investments Limited, a fully owned subsidiary of the Guarantor, which latter entity is the parent undertaking of the Group



The organisational structure of the Group, as at the date of this Registration Document, is illustrated in the diagram above:

The Group currently consists of the following entities:

- The Guarantor, being the parent undertaking, which was established by Act of Parliament XXIII of 1991 to take over from the former Water Works Department, and has its constitution, composition, activities, functions, and responsibilities set out in the said Act. The Guarantor is responsible for and can manage potable water and wastewater services in the Maltese islands and its principal activities are to acquire, produce, distribute and sell water for domestic, industrial and commercial use, to treat and dispose or re-use wastewater and also to further reduce the energy costs related to the production of water using renewable energy sources;
- The Issuer, apart from acting as issuer of the Bonds with a view to finance certain operations of the Group and mainly those of the Guarantor, is also currently involved in the principal activities of consultancy services and supplies in connection with reverse osmosis plants, related after sales services, desalination, sewage treatment facilities, laboratory analysis, information technology services and sale of parts;



- MaltaEnergy Limited, a private limited liability company, incorporated under the laws of Malta on 4 May 2017 is owned as to 51% (595 ordinary shares) by the Guarantor and as to the remaining 49% (570 ordinary shares) by General Retailers and Traders Union, and the principal activities of which consist of the active participation in the photovoltaic industry in Malta and to develop and construct a photovoltaic plant in Malta and to market and provide photovoltaic technology consultancy services and related activities;
- Malta Developers Green Energy Ltd, a private limited liability company, incorporated under the laws of Malta on 21 March 2018, which is owned as to 51% (595 ordinary shares) by the Guarantor and as to the remaining 49% (570 ordinary shares) by Malta Developers Association, and the principal activities of which consist of the active participation in the photovoltaic industry in Malta and to develop and construct a photovoltaic plant in Malta and to market and provide photovoltaic technology consultancy services and related activities;
- WSC International Limited, a private limited liability company, incorporated under the laws of Malta on 9 December 2016, is fully owned by the Guarantor except for one (1) share which is owned by the Issuer, and which company is currently in dissolution.

The Guarantor also owns 50% of the share capital (125,000 ordinary shares) of, and jointly controls together with the other 50% shareholder Enemalta p.l.c., the private limited liability company by the name of Automated Revenue Management Services Ltd, the principal activities of which consist of the automation of the management of the revenue of and processing and collection of bills of each of the two equal shareholders, namely Enemalta p.l.c. (involved mainly in the purchase, production, distribution and sale of electricity and other forms of energy) and the Guarantor.

<b><i>Purpose of the Issue and Use of Proceeds:</i></b>
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The Issuer-Guarantor Loan will be used by the Guarantor for the following purposes, in the amounts and order of priority set out below:

- (i) PV panels project: an amount of up to €6,000,000 will be used to finance the expected capital expenditure involved in procuring, installing and commissioning the new photovoltaic plants by the installation of photovoltaic panels on the reservoirs and other locations situated in various regions of Malta, namely the Luqa reservoir, the Guarantor's Luqa headquarters and lab offices, the Pembroke reverse osmosis plant, the Lapsi reverse osmosis plant, the Naxxar reservoir, the Barkat sewerage treatment plant, the Bulebel new warehouse and the Cirkewwa reverse osmosis plant;
- (ii) Re-financing of part of Hondoq reverse osmosis plant project: an amount of up to €1,700,000 will be used to refinance part of the costs incurred in connection with the development and commissioning of Hondoq ir-Rummien reverse osmosis plant, through the repayment of a portion of the outstanding overdraft facility due by the Guarantor to HSBC Bank Malta p.l.c. which has been used to pay contractors for works and services connected with such project;



(iii) Ta' Barkat wastewater treatment plant aeration project: an amount of up to €2,000,000 will be used to finance the expected costs involved in upgrading the air blowers and the aeration system within Ta' Barkat wastewater treatment plant;

(iv) Investment in reducing non-revenue water and improving billing efficiencies projects: an amount of up to €7,900,000 will be used to finance investments in projects aimed to further reduce non-revenue water and improve billing efficiencies, in particular the costs in connection with the purchase and commissioning of the upgrade to the Guarantor's Enterprise Resource Planning (ERP) – SAP system and the algorithmic software within such system so as to enhance its effectiveness in detecting real losses and to a greater extent apparent losses; and

(v) Investment in upgrading the water network and infrastructure projects: the remaining amount of €7,400,000 together with any residual amounts not utilised for the purposes identified in paragraphs (i) to (iv) above will be used to finance investments in continuing projects related to upgrading the water distribution network and infrastructure, in particular those connected with the repair, replacement, maintenance and where necessary rerouting or redesigning of such network and infrastructure;

### Guarantor's Income Statement

Income Statement	2020A	2021A	2022A	2023F	2024P
	€000s	€000s	€000s	€000s	€000s
Revenue	76,053	77,921	82,300	83,563	83,807
Government subsidies	30,139	30,257	32,530	30,759	32,309
Operating and administrative expenses	(72,967)	(78,354)	(82,245)	(82,894)	(85,157)
Cost of service pensions due to Government	455	589	1,290	-	-
<b>EBITDA</b>	<b>33,680</b>	<b>30,413</b>	<b>33,875</b>	<b>31,428</b>	<b>30,959</b>
Depreciation	(22,337)	(22,763)	(22,090)	(19,545)	(21,005)
<b>EBIT</b>	<b>11,343</b>	<b>7,650</b>	<b>11,785</b>	<b>11,882</b>	<b>9,954</b>
Share of results of jointly-controlled entity	53	76	64	-	-
Finance income	1,497	1,520	1,615	1,285	1,226
Finance costs	(1,845)	(1,724)	(1,535)	(2,112)	(2,529)
<b>Profit before taxation</b>	<b>11,048</b>	<b>7,522</b>	<b>11,929</b>	<b>11,055</b>	<b>8,650</b>
Tax expense	(166)	(147)	(407)	-	-
<b>Profit for the year</b>	<b>10,882</b>	<b>7,375</b>	<b>11,522</b>	<b>11,055</b>	<b>8,650</b>
<b>Other comprehensive loss</b>					
Remeasurements of post-employment benefit obligations	(460)	(556)	(429)	-	-
<b>Total comprehensive income for the year</b>	<b>10,422</b>	<b>6,819</b>	<b>11,093</b>	<b>11,055</b>	<b>8,650</b>

Ratio Analysis	2020A	2021A	2022A	2023F	2024P
<b>Profitability</b>					
Growth in Revenue (YoY Revenue Growth)	N/A	2.5%	5.6%	1.5%	0.3%
EBITDA Margin (EBITDA / Revenue)	44.3%	39.0%	41.2%	37.6%	36.9%
Operating (EBIT) Margin (EBIT / Revenue)	14.9%	9.8%	14.3%	14.2%	11.9%
Net Margin (Profit for the year / Revenue)	13.7%	8.8%	13.5%	13.2%	10.3%
Return on Common Equity (Net Income / Average Equity)	8.2%	5.1%	7.6%	7.1%	5.2%
Return on Assets (Net Income / Average Assets)	2.4%	1.5%	2.4%	2.3%	1.8%



Ratio Analysis	2020A	2021A	2022A	2023F	2024P
<b>Financial Strength</b>					
Gearing 1 (Net Debt / Net Debt and Total Equity)	24.1%	24.5%	24.5%	23.9%	21.4%
Gearing 2 (Total Liabilities / Total Assets)	71.2%	70.2%	68.0%	67.3%	66.5%
Gearing 3 (Net Debt / Total Equity)	31.7%	32.5%	32.5%	31.4%	27.1%
Net Debt / EBITDA	1.2x	1.4x	1.4x	1.6x	1.4x
Current Ratio (Current Assets / Current Liabilities)	1.4x	1.2x	0.9x	1.2x	1.2x
Quick Ratio (Current Assets - Inventory / Current Liabilities)	1.1x	0.8x	0.6x	0.8x	0.8x
Interest Coverage level (EBITDA / Finance costs)	18.3x	17.6x	22.1x	14.9x	12.2x

## Guarantor's Profitability & Financial Position

Statement of Financial Position	2020A	2021A	2022A	2023F	2024P
	€000s	€000s	€000s	€000s	€000s
<b>Assets</b>					
<b>Non-current assets</b>					
Property, plant and equipment	337,280	351,003	365,679	380,654	398,079
Finance lease receivables	-	685	823	-	-
Investments in subsidiaries	7	7	1	1	1
Investments in jointly-controlled entity	747	823	887	887	887
Loan receivable	-	337	422	264	217
Trade and other receivables	26,331	24,145	21,887	20,022	18,043
<b>Total non-current assets</b>	<b>364,365</b>	<b>377,000</b>	<b>389,699</b>	<b>401,828</b>	<b>417,227</b>
<b>Current assets</b>					
Inventories	18,510	23,978	24,321	24,515	24,052
Finance lease receivables	-	28	39	-	-
Loan receivable	-	12	64	42	47
Trade and other receivables	35,350	34,285	38,233	39,036	38,907
Cash and cash equivalents	23,125	15,226	1,551	12,664	12,215
<b>Total current assets</b>	<b>76,985</b>	<b>73,529</b>	<b>64,208</b>	<b>76,257</b>	<b>75,220</b>
<b>Total assets</b>	<b>441,350</b>	<b>450,529</b>	<b>453,907</b>	<b>478,084</b>	<b>492,447</b>

<b>EQUITY AND LIABILITIES</b>					
<b>Capital and reserves</b>					
Government contribution	73,142	73,142	73,142	73,142	73,142
Revenue reserve	58,438	65,812	77,334	88,389	97,039
Pension contributions reserve	(4,263)	(4,819)	(5,248)	(5,248)	(5,248)
Non-controlling interest	3	4	5	5	5
<b>Total equity</b>	<b>127,320</b>	<b>134,140</b>	<b>145,233</b>	<b>156,288</b>	<b>164,938</b>
<b>Non-current liabilities</b>					
Bond	-	-	-	24,521	24,571
Bank borrowings	55,370	50,822	34,237	29,613	24,950
Other borrowings	3,402	3,206	3,008	2,758	2,556
Deferred government grants	190,302	190,641	195,382	195,544	204,554
Provision for other liabilities and charges	10,166	9,726	8,102	8,099	8,099
Trade and other payables	-	246	264	-	-
<b>Total non-current liabilities</b>	<b>259,240</b>	<b>254,641</b>	<b>240,993</b>	<b>260,535</b>	<b>264,729</b>
<b>Current liabilities</b>					
Trade and other payables	39,289	45,926	46,426	47,025	47,826
Bond	-	-	-	-	-
Bank borrowings	4,512	4,548	11,256	4,623	4,663
Other borrowings	193	196	198	250	250
Deferred government grants	10,766	10,957	9,596	9,363	10,040
Current tax liabilities	30	122	205	-	-
<b>Total current liabilities</b>	<b>54,790</b>	<b>61,749</b>	<b>67,681</b>	<b>61,261</b>	<b>62,779</b>
<b>Total liabilities</b>	<b>314,030</b>	<b>316,390</b>	<b>308,674</b>	<b>321,796</b>	<b>327,509</b>
<b>Total equity &amp; liabilities</b>	<b>441,350</b>	<b>450,530</b>	<b>453,907</b>	<b>478,084</b>	<b>492,447</b>





## Our Comments

ClearFlowPlus plc is the first green bond to be launched in Malta.

The issue is guaranteed by Water Services Corporation which is wholly owned by the Government of Malta. As such, this credit can be compared to Malta Government Bond's whose ten- year bonds are currently yielding 3.75%.

ClearFlowPlus Plc coupon at 4.25% is very attractive when considering to the rather low credit risk, partly due to the good financial standing of the Issuer and partly due to the virtual political guarantee of the bond due to the very unlikely situation that the Government – as ultimate owner – would not intervene in the case of financial difficulties. Besides this bond offers a substantially higher coupon than comparable term Malta Government bonds.

Due to the comparability to Government Stocks we expect a popular demand for these bonds which will mean that most probably application amounts applied for will be scaled down.

Clients interested in applying for the bonds are kindly requested to contact our office as soon as possible.

**Finco Recommends exposure to this bond especially for risk averse clients as this issue provides the opportunity of a quasi-government bond and yet with a higher return.**

## Time Table & Application Procedures

1. General Public Offer Period: 1<sup>st</sup> August 2023 to 18<sup>th</sup> August 2023
2. Commencement of interest: 25<sup>th</sup> August 2023
3. Announcement of basis of acceptance: 25<sup>th</sup> August 2023
4. Refunds of unallocated monies (if any): 1<sup>st</sup> September 2023
5. Dispatch of allotment letters: 1<sup>st</sup> September 2023
6. Expected date of admission of Bonds to listing: 1<sup>st</sup> September 2023
7. Expected date of commencement of trading in the Bonds: 4<sup>th</sup> September 2023

## Availability of Prospectus

The Prospectus issued by Issuer is available at our offices for whoever is interested to have one. In this respect, anyone interested may call at our offices to collect a copy.



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**This document has been prepared by Ivan Grech, Director, Finco Treasury Management Ltd, based on the prospectus dated 20<sup>th</sup> July 2023 and is intended solely for distribution to its clients.**

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