



FINCO TREASURY MANAGEMENT LIMITED

The Bastions, Office No.2, Emvin Cremona Street, Floriana FRN1281, Malta
Tel: (+356) 21220002 Fax: (+356) 21243280
Website: www.fincotrust.com E-Mail: investments@fincotrust.com
A Limited Liability Company registered in Malta on 9th November 1994, Registration No. C17017

Gap Group Plc - Secured 4.75% 2025-2027

Salient Details & Time Table

Offeror & Issuer	Gap Group Plc
Guaranteed by	Gap Zonqor Limited
Currency	Euro
Issue Size	€23,000,000
Offer Price	100% at par
Coupon	4.75% per annum
Status & Security	The Secured Bonds shall constitute general, direct, secured, and unconditional obligations of the Issuer, guaranteed by the Guarantor and shall at all times rank pari passu and without any preference among themselves.
Maturity Date	22 nd December 2027 or the designated Early Redemption Date
Listing	Official List, Malta Stock Exchange.
Interest Payment Dates	23 rd December annually
Offer Period	From 9 th December to 21 st December 2022
Minimum Applications accepted by Finco	€5,000 (nominal) and in multiples of €1,000 thereafter

Gap Group P.L.C.

The Issuer was incorporated in June 2016 as a public limited liability company under the Companies Act (Chapter 386 of the laws of Malta) with an authorised and issued share capital of €2.5 million, fully paid up. The Issuer's principal object is that of a holding company and to promote, including through subsidiaries, the acquisition and development of real estate properties. As such, the Issuer is mainly dependent on the business prospects of its operating subsidiaries.

As at the date of this report, the following projects have been completed:

- (i) the Mellieħa Development;
- (ii) the Luqa Development;
- (iii) the Birkirkara Development;
- (iv) the Marsascula Development; and
- (v) the San Pawl tat-Tarġa Development.

As such, the Group is currently focused on developing:

- (i) the Qawra II Development;
- (ii) the Mosta Development; and
- (iii) the Qawra III Development.



Through Gap Zonqor Ltd, the Group is in the process of acquiring the Żonqor Site and subsequently developing the Żonqor Development.

Each project undertaken by the Group is typically undertaken through a special purpose vehicle established for that project, and each special purpose vehicle is managed through its board of directors, which has common members with the directors of the Issuer. Furthermore, the Issuer engages the services of its Subsidiary, Gap Group Contracting Ltd, as the contractor responsible for the development of the immovable properties. Other than the foregoing, the Issuer is not dependent on other entities within the Group or outside the Group with respect to the management of its projects.

Several projects undertaken by the subsidiaries of the Issuer were fully and, or partly funded (as applicable) by virtue of the issue of secured bonds on the Official List of the Malta Stock Exchange. The outstanding debt securities listed on the Official List are included below:

- (i) The 2016 Bonds were issued in September 2016 to principally finance the Mellieħa Development, the Għargħur Development and the Qawra I Development.
- (ii) The 2020 Bonds were issued in November 2020 to principally finance the Qawra II Development and the Mosta Development.
- (iii) The 2021 Bonds were issued in December 2021 to fund primarily the continuation of the Qawra II Development and the Mosta Development, and to acquire the Qawra Site III and partly fund the Qawra III Development.

In April 2022, the Group redeemed in full the outstanding amount of €29.1 million in 3.65% Secured Bonds 2022.

Security & Guarantee

The Secured Bonds are secured, and Bondholders shall have the benefit of the following collateral:

- (i) the fourth-ranking general hypothec for the full nominal value of the Secured Bonds and interest thereon over all the present and future property of the Issuer;
- (ii) the first-ranking general hypothec for the full nominal value of the Secured Bonds and interest thereon over all the present and future property of Gap Zonqor Ltd;
- (iii) the first-ranking special hypothec granted by Gap Zonqor Ltd for the full nominal value of the Secured Bonds and interest thereon over the Żonqor Site (and any developments and constructions thereon);
- (iv) the first-ranking special privilege in terms of article 2010 (c) of the Civil Code for the amount of €14,247,000 over the Żonqor Site (and any developments and constructions thereon); and
- (v) the Pledge Agreement.

Purpose of the Issue and Use of Proceeds:

The proceeds from the Bond Issue, which net of Bond Issue expenses are expected to amount to approximately €22,540,000 shall be used by the Issuer for the following purposes, in the amounts and order of priority set out below:

- (a) up to €15,900,000 shall be used for the acquisition of the Żonqor Site by Gap Zonqor Ltd, including costs pertaining stamp duty, expenses, and costs due to the Notary Public and applicable brokerage fees; and



(b) €6,640,000 shall be used to finance costs required to develop and complete the Žonqor Development. The amount of €6,640,000 shall be released in a corresponding value contained in an architect's confirmation of value of works.

Financials of Gap Group p.l.c.

GAP Group p.l.c.

Consolidated Statement of Comprehensive Income
for the year ended 31 December

	2019	2020	2021	2022	2023
	Actual	Actual	Actual	Forecast	Projection
	€'000	€'000	€'000	€'000	€'000
Revenue	28,287	23,786	50,116	30,481	46,366
Cost of sales	(20,500)	(15,816)	(35,317)	(22,097)	(33,028)
Administrative expenses	(1,650)	(1,167)	(2,550)	(1,655)	(1,020)
Operating profit	6,137	6,803	12,249	6,729	12,318
Investment income	729	592	717	501	235
Finance costs	(3,493)	(1,811)	(1,574)	(1,035)	(1,318)
Profit before tax	3,373	5,584	11,392	6,195	11,235
Taxation	(2,245)	(1,482)	(2,527)	(1,822)	(3,709)
Profit for the year	1,128	4,102	8,865	4,373	7,526
Other comprehensive income					
Movement in fair value of financial assets	157	(123)	76	12	85
Total comprehensive income for the year	1,285	3,979	8,941	4,385	7,611

Key Accounting Ratios

	FY2019	FY2020	FY2021	FY2022	FY2023
	Actual	Actual	Actual	Forecast	Projection
Gearing ratio <i>(Total net debt/net debt and shareholders' equity)</i>	78%	78%	60%	64%	43%
Gearing ratio 2 (times) <i>(Total net debt/shareholders' equity)</i>	3.54	3.45	1.52	1.80	0.75
Net debt to Operating profit (years) <i>(Net debt/Operating profit)</i>	6.44	7.68	2.68	6.93	2.04
Net assets per share (€) <i>(Net asset value/number of shares)</i>	4.46	6.05	8.63	10.38	13.43
Liquidity ratio (times) <i>(Current assets/current liabilities)</i>	5.27	7.25	6.24	6.02	4.66
Interest cover (times) <i>(Operating profit/net finance cost)</i>	2.22	5.58	14.29	12.60	11.37



GAP Group p.l.c.
Consolidated Statement of Financial Position
as at 31 December

	2019	2020	2021	2022	2023
	Actual	Actual	Actual	Forecast	Projection
	€'000	€'000	€'000	€'000	€'000
ASSETS					
Non-current assets					
Property, plant and equipment	32	23	19	26	26
Loans and other receivables	10,111	10,382	10,676	15,445	15,530
Sinking fund	6,036	12,577	9,670	2,362	33,349
	<u>16,179</u>	<u>22,982</u>	<u>20,365</u>	<u>17,833</u>	<u>48,905</u>
Current assets					
Inventory - development project	48,958	62,649	45,820	73,358	54,626
Trade and other receivables	2,553	4,303	9,481	496	496
Sinking fund	12,498	7,528	35,247	8,619	-
Cash and cash equivalents	7,698	2,060	1,260	8,860	4,804
Amounts held by the trustee	-	4,373	-	9,482	2,423
	<u>71,707</u>	<u>80,913</u>	<u>91,808</u>	<u>100,815</u>	<u>62,349</u>
Total assets	<u>87,886</u>	<u>103,895</u>	<u>112,173</u>	<u>118,648</u>	<u>111,254</u>
EQUITY					
Capital and reserves					
Called up share capital	2,500	2,500	2,500	2,500	2,500
Other capital	3,057	2,934	3,011	2,941	2,941
Retained earnings	5,598	9,700	16,064	20,520	28,131
	<u>11,155</u>	<u>15,134</u>	<u>21,575</u>	<u>25,961</u>	<u>33,572</u>
LIABILITIES					
Non-current liabilities					
Borrowings and other financial liabilities	6,141	7,737	6,892	3,513	-
Debt securities	56,991	69,864	69,002	72,440	64,314
	<u>63,132</u>	<u>77,601</u>	<u>75,894</u>	<u>75,953</u>	<u>64,314</u>
Current liabilities					
Bank overdrafts	-	500	-	-	-
Borrowings and other financial liabilities	2,610	657	3,061	-	1,347
Other current liabilities	10,989	10,003	11,643	16,734	12,021
	<u>13,599</u>	<u>11,160</u>	<u>14,704</u>	<u>16,734</u>	<u>13,368</u>
	<u>76,731</u>	<u>88,761</u>	<u>90,598</u>	<u>92,687</u>	<u>77,682</u>
Total equity and liabilities	<u>87,886</u>	<u>103,895</u>	<u>112,173</u>	<u>118,648</u>	<u>111,254</u>



Our Comments

This is a rather fair investment opportunity.

The Gap Group Plc bond is a five-year bond with a possible call as from three years after launch. This bond is considered of short to medium term duration and which investors should find sufficiently attractive as global interest rates have increased due to sharp inflation.

This bond carries an acceptable coupon of 4.75% for a partly secured bond especially when compared with other local bonds, even those with a longer term. This coupon rate may be considered adequate when considering the relatively short duration and the medium/high risk associated with investing in this bond. This bond is also partially Secured, and such features provide added comfort to Investors.

The Group's balance sheet as at 31st December 2021 included total assets amounting to €112 million. Liabilities principally include debt securities of €69.0 million, while bank loans and other financial liabilities amount to €6.9 million. Shareholders' equity as at 31st December 2021 amount to 21.5 million compared to €15.1 million a year earlier.

Gearing already stands at a high level of 60%, but expected to register a slightly higher level of 64% by end 2022. Interest Cover is healthy at 12 times which is also very encouraging.

It is expected that this bond will be over-subscribed, however Finco has entered into a Pre-Placement Agreement with the Issuer so as to be in a position to allocate its client applications in full. It is recommended to inform Finco telephonically immediately, on Tel: 21220002, should you have interest to invest, as this issue will close 21st December 2022

General Recommendation: Subject to the consideration of the circumstances of each Investor, Finco issues a BUY recommendation to clients to this bond, provided always that the holding is part of an overall well diversified portfolio.

Time Table & Application Procedures

1. Offer Period 9th December 2022 – 21st December 2022
2. Commencement of interest on the Secured Bonds 22nd December 2022
3. Expected date of announcement of basis of acceptance 22nd December 2022
4. Refunds of unallocated monies (if any) 30th December 2022
5. Expected dispatch of allotment advices 30th December 2022
6. Expected date of admission of the securities to listing 30th December 2022
7. Expected date of commencement of trading in the securities 3rd January 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.



This mail circular or web site announcement is a general communication addressed to a wide audience, including all clients of Finco. It is not a personalised communication and therefore does not take into account the specific circumstances of a particular client and it does not constitute advice.

This document has been prepared by Ivan Grech, Director, Finco Treasury Management Ltd, based on the prospectus dated 5th December 2022 and is intended solely for distribution to its clients.

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