



## FINCO TREASURY MANAGEMENT LIMITED

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

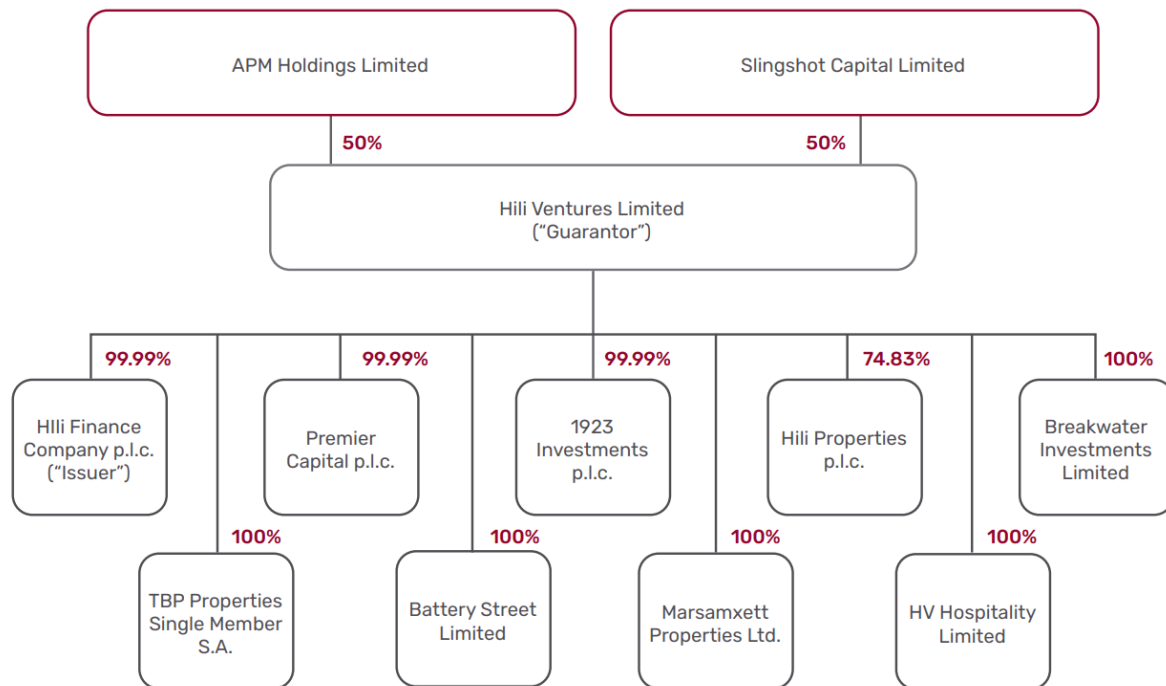
## €80 million – Hili Finance Company P.l.c. 5.00% 2029 Guaranteed by Hili Ventures Plc

### Salient Details & Time Table

|                        |  |
|------------------------|--|
| Offeror & Issuer       | <b>Hili Finance Company P.l.c.</b>   |
| Currency               | Euro   |
| <b>Guarantors</b>      | <b>Hili Ventures Plc</b>   |
| Status of the Bonds    | The Bonds, as and when issued and allotted, shall constitute the general, direct, unconditional and unsecured obligations of the Issuer, guaranteed jointly and severally by the Guarantor in respect of both the interest due and the principal amount under said Bonds, and shall at all times rank pari passu, without any priority or preference among themselves and with other outstanding and unsecured debt of the Issuer, present and future, if any, save for such exceptions as may be provided by applicable law |
| Offer Price            | 100% at par  |
| Coupon                 | 5.00%  |
| Maturity               | 17 <sup>th</sup> July 2029   |
| Listing                | Official List, Malta Stock Exchange.   |
| Interest Payment Dates | 17 <sup>th</sup> July annually   |
| Offer Period           | See Time-Table below   |
| Minimum Applications   | Min €3,000 (nominal) & multiples of €100   |

### Principal Activities and Markets

The Guarantor, Hili Ventures Ltd, is the holding company of a diversified group with a deep-rooted entrepreneurial heritage dating back to 1923. Through its various Subsidiaries, the Group is engaged in food service & retail, real estate & hospitality, shipping, oil and gas & engineering, and technology. From its headquarters in Malta, the Guarantor, through its Subsidiaries, extends its presence to 10 countries across Europe and North Africa with a team of over 11,500 people and steers the Group towards continued growth in selected sectors and markets. As the holding company of the Group, the Guarantor is ultimately dependent upon the operations, performance and business prospects of its Subsidiaries – the Hili Ventures Companies. The diagram below illustrates the principal Subsidiaries within the organisational structure of the Group:



The Guarantor is principally engaged, through Subsidiaries, in investments that are predominantly involved in the business sectors described below:

- **Premier Capital** is involved in a quick service restaurant operation in Estonia, Greece, Latvia, Lithuania, Malta and Romania, acting as the developmental licensee for the brand under franchise in each of said six territories. It operates a growing network of restaurants, currently standing at 185 restaurants in prime locations, more than half of which are drive-through restaurants and also runs numerous cafe operations in stores across its footprint. Every year, more than 77 million transactions (guest counts) are effected across the six markets, generating revenues in excess of €500 million. Premier Capital's total staff complement stands at around 10,000+ employees.

- **1923 Investments** is the investment and technology arm of the Guarantor (its ultimate parent). 1923 Investments is a diversified active investment company focused on the pursuit of opportunities to acquire and nurture companies to generate attractive returns and maximise value for stakeholders. 1923 Investments is presently engaged in the sale and distribution of retail and consumer electronic products, primarily as the Apple premium reseller in Poland and Hungary. It is also engaged in the sale, maintenance and servicing of information technology solutions, security systems and the provision of electronic payment solutions.

- **Hili Properties** owns and administers commercial real estate in Malta, Latvia, Lithuania, Estonia and Romania. Its diverse portfolio, now featuring properties valued at €229 million, includes commercial property housing quick service restaurants, grocery-anchored retail complexes, dedicated office blocks and an industrial plant. Hili Properties applies a strategy of management, development and repositioning to all its efforts to maximise return on investment and exceed tenant expectations. Hili Properties is constantly looking to expand its portfolio by identifying opportunities in key cities in Europe's developing markets.



- **Breakwater Investments**, previously called HV Marine Limited, is a leading group of companies specialising in the engineering, shipping & logistics, and oil & gas industries with operations that span across Europe, North America, the United Kingdom, the Middle East, North Africa, and Asia and has a global network extending beyond these regions.

- **HV Hospitality**, established in 2019, is a dedicated and responsible hotel investment firm headquartered in Malta. The company is focused on identifying and developing hotels, retreats and sanctuaries in Europe that are destined for landmark status. It is committed to safeguarding the integrity of the world's natural surroundings, local cultures, heritage and history. The company's first project, Six Senses Comino, will see the reinvigoration of the only hotel on the island of Comino into an eco-luxury spa resort, to be managed by the world-leading brand Six Senses. This project, which is currently awaiting planning permission, is intended to be a first of its kind for Malta, in its efforts to attract the most discerning travellers.

## Plan of Distribution and Allotment

The Bonds shall be made available for subscription, as follows:

- i. an amount of up to €36,000,000 in nominal value of Bonds shall be reserved for subscription by 1923 Bondholders applying for Bonds by way of Exchangeable Bond Transfer up to the extent of their holdings of 1923 Bonds as at the Cut-Off Date, subject to any Cash Top-Up as and if applicable;

- ii. an amount of up to €34,000,000 in nominal value of Bonds together with any balance of Bonds not taken up in terms of (i) above and (iii) hereunder shall be reserved for subscription by 1923 Bondholders in respect of any Excess applied for (provided that 1923 Bondholders applying for any Excess transfer their entire holding in 1923 Bonds by way of Exchangeable Bond Transfer) and by Preferred Applicants, ranking *pari passu* without priority or preference;

- iii. an amount of up to €10,000,000 in nominal value of Bonds together with any balance of Bonds not taken up in terms of (ii) above shall be made available for subscription by the general public, ranking *pari passu* without priority or preference.

## Use of Proceeds

The proceeds from the Bond Issue, which net of Bond Issue expenses are expected to amount to approximately €78,700,000 will be on-lent by the Issuer to the Guarantor pursuant to a loan agreement between the Issuer and the Guarantor and shall be utilised for the following purposes, in the amounts and order of priority set out below:

- i. an amount of up to €36,000,000 shall be made available limitedly for exchange and cancellation of the 1923 Bonds pursuant to 1923 Bondholders opting to apply for Exchangeable Bond Transfers subject to Cash Top-Ups;



ii. in the event that there is a balance of proceeds not utilised for (i) above and depending on the amount of said balance, an amount of up to €56,000,000 shall be applied to re-finance, in part, capital investments made by the Group prior to the date of the Prospectus in Cortland and Tigne' Mall, which capital investments were funded, in large part, from bank financing at Group level; and

iii. any residual bond proceeds not utilised for (i) and/or (ii) above will be used for general corporate funding purposes.

## Financials – Guarantor's Consolidated Statement of Comprehensive Income

### Hili Ventures Limited Consolidated statement of comprehensive income for the year ended

| €000   | Dec 2021      | Dec 2022      | Dec 2023      |
|--|---------------|---------------|---------------|
| Revenue  | 589,593       | 782,648       | 987,171       |
| Cost of sales                                  | (438,576)     | (598,500)     | (753,027)     |
| Gross profit                                   | 151,017       | 184,148       | 234,144       |
| Net operating expenses                         | (65,919)      | (82,756)      | (108,872)     |
| EBITDA   | 85,098        | 101,393       | 125,272       |
| Depreciation and amortisation                  | (29,933)      | (32,463)      | (43,767)      |
| Net investment income                          | 3,518         | 3,817         | 2,898         |
| EBIT   | 58,683        | 72,747        | 84,403        |
| Finance cost                                   | (18,792)      | (22,970)      | (30,084)      |
| Profit before tax                              | 39,890        | 49,776        | 54,319        |
| Income tax expense                             | (7,464)       | (6,503)       | (14,032)      |
| <b>Profit for the year</b>                     | <b>32,426</b> | <b>43,273</b> | <b>40,287</b> |
| Total other comprehensive income               | 1,404         | 13,096        | 8,290         |
| <b>Total comprehensive income for the year</b> | <b>33,830</b> | <b>56,369</b> | <b>48,577</b> |

## Ratio Analysis

| Ratio Analysis   | 2021A | 2022A | 2023A | 2024F | 2025P |
|--|-------|-------|-------|-------|-------|
| <b>Financial Strength</b>                                      |       |       |       |       |       |
| Gearing 1 (Net Debt / Net Debt and Total Equity)               | 71.8% | 69.9% | 68.2% | 67.9% | 60.9% |
| Gearing 2 (Total Liabilities / Total Assets)                   | 78.7% | 76.4% | 76.4% | 75.4% | 71.5% |
| Net Debt / EBITDA  | 4.6x  | 4.8x  | 4.2x  | 3.8x  | 2.9x  |
| Current Ratio (Current Assets / Current Liabilities)           | 1.1x  | 0.9x  | 0.7x  | 0.9x  | 0.7x  |
| Quick Ratio (Current Assets - Inventory / Current Liabilities) | 1.0x  | 0.7x  | 0.6x  | 0.7x  | 0.5x  |
| Interest Coverage 1 (EBITDA / Cash interest paid)              | 5.7x  | 5.6x  | 5.5x  | 6.1x  | 7.1x  |
| Interest Coverage 1 (EBITDA / Finance Costs)                   | 4.5x  | 4.4x  | 5.1x  | 5.9x  | 7.1x  |



## Financials- Guarantor's Statement of Financial Position

### Hili Ventures Limited Consolidated Statement of Financial Position for the year ended 31 December

|                                      | 2021A          | 2022A          | 2023A            | 2024F            | 2025P            |
|--------------------------------------|----------------|----------------|------------------|------------------|------------------|
|                                      | €'000s         | €'000s         | €'000s           | €'000s           | €'000s           |
| <b>Assets</b>                        |                |                |                  |                  |                  |
| <b>Non-current assets</b>            |                |                |                  |                  |                  |
| Goodwill and other intangibles       | 106,860        | 106,196        | 154,082          | 153,348          | 152,839          |
| Property, plant and equipment        | 229,845        | 260,339        | 284,587          | 319,817          | 395,747          |
| Investment property                  | 83,321         | 189,753        | 183,533          | 115,113          | 115,994          |
| Right-of-use assets                  | 102,037        | 116,942        | 139,695          | 144,969          | 143,422          |
| Other non-current assets             | 43,272         | 35,620         | 53,793           | 57,843           | 37,249           |
| Loans and receivables                | 23,210         | 31,757         | 31,565           | 31,054           | 30,533           |
| Trade and other receivables          | 2,426          | 4,368          | 4,671            | 4,454            | 5,367            |
| Restricted cash                      | 1,804          | 1,972          | 1,217            | 1,377            | 957              |
| Deferred tax assets                  | -              | 5,299          | 4,472            | 6,992            | 8,024            |
| <b>Total non-current assets</b>      | <b>592,775</b> | <b>752,246</b> | <b>857,615</b>   | <b>834,967</b>   | <b>890,132</b>   |
| <b>Current assets</b>                |                |                |                  |                  |                  |
| Inventory                            | 20,105         | 30,103         | 34,721           | 34,141           | 37,033           |
| Trade and other receivables          | 29,628         | 31,363         | 47,463           | 63,043           | 54,117           |
| Other assets                         | 7,822          | 6,993          | 18,195           | 70,740           | 10,178           |
| Cash and cash equivalents            | 77,339         | 69,753         | 72,855           | 48,600           | 63,473           |
| <b>Total current assets</b>          | <b>134,894</b> | <b>138,212</b> | <b>173,234</b>   | <b>216,524</b>   | <b>164,801</b>   |
| <b>Total assets</b>                  | <b>727,669</b> | <b>890,458</b> | <b>1,030,849</b> | <b>1,051,491</b> | <b>1,054,933</b> |
| <b>Equity</b>                        |                |                |                  |                  |                  |
| Equity and reserves                  | 154,632        | 210,277        | 242,900          | 258,609          | 300,603          |
| <b>Total equity</b>                  | <b>154,632</b> | <b>210,277</b> | <b>242,900</b>   | <b>258,609</b>   | <b>300,603</b>   |
| <b>Liabilities</b>                   |                |                |                  |                  |                  |
| <b>Non-current liabilities</b>       |                |                |                  |                  |                  |
| Debt securities in issue             | 255,760        | 305,593        | 270,227          | 313,773          | 249,269          |
| Trade and payables                   | 1,145          | 3,144          | 5,155            | 1,405            | 1,251            |
| Other financial liabilities          | -              | -              | 10               | 3,170            | 4,217            |
| Bank loans                           | 91,182         | 100,816        | 137,386          | 80,210           | 92,417           |
| Lease liabilities                    | 97,091         | 111,858        | 132,510          | 139,704          | 150,397          |
| Deferred tax liabilities             | 8,709          | 9,109          | 10,988           | 8,972            | 7,923            |
| <b>Total non-current liabilities</b> | <b>453,887</b> | <b>530,520</b> | <b>556,276</b>   | <b>547,234</b>   | <b>505,474</b>   |
| <b>Current liabilities</b>           |                |                |                  |                  |                  |
| Trade and other payables             | 88,490         | 107,533        | 135,671          | 131,509          | 130,275          |
| Contract liabilities                 | -              | -              | 1,846            | 806              | 396              |
| Other financial liabilities          | -              | -              | -                | 912              | 441              |
| Bank loans and overdrafts            | 17,298         | 27,203         | 40,258           | 47,552           | 24,562           |
| Lease liabilities                    | 10,479         | 11,932         | 13,670           | 15,391           | 14,228           |
| Current tax liability                | 2,883          | 2,993          | 4,308            | 12,539           | 14,040           |
| Debt securities in issue             | -              | -              | 35,920           | 36,939           | 64,914           |
| <b>Total current liabilities</b>     | <b>119,150</b> | <b>149,661</b> | <b>231,673</b>   | <b>245,648</b>   | <b>248,856</b>   |
| <b>Total liabilities</b>             | <b>573,037</b> | <b>680,181</b> | <b>787,949</b>   | <b>792,882</b>   | <b>754,330</b>   |
| <b>Total equity and liabilities</b>  | <b>727,669</b> | <b>890,458</b> | <b>1,030,849</b> | <b>1,051,491</b> | <b>1,054,933</b> |



### **Observations & General Recommendation:**

Although Earnings before Interest and Tax are undoubtedly strong, the Hili Group suffers from high gearing, meaning that the ratio of borrowed money compared with own funds is high. This would be even higher if one were to write off the intangibles and goodwill in the balance sheet amounting to €150 million. The prospective coupon of 5% may be considered not sufficient for the credit risk involved.

Subject to the consideration of the circumstances of each Investor, Finco issues a CAUTIOUS BUY recommendation to clients to this bond;

PROVIDED always that the holding in this bond and any other exposure already held in other bond issues of the same group is a small part not exceeding 10% of an overall well diversified portfolio, OR €25,000, whichever is the lower.

Investments not consistent with the aforesaid proviso will be sold only on client's request on an Execution-Only basis, that is, not on Finco's advice.

### **Time Table**

#### **Expected Timetable of Principal Events**

1. Application Forms 'A' and 'B' mailed to 1923 Bondholders and Preferred Applicants 14<sup>th</sup> June 2024
2. Application Form 'C' made available to the general public 19<sup>th</sup> June 2024
3. Offer Period 19<sup>th</sup> June 2024 – 10<sup>th</sup> July 2024
4. Commencement of interest on the Bonds 17<sup>th</sup> July 2024
5. Announcement of basis of acceptance through a company announcement 17<sup>th</sup> July 2024
6. Refunds of unallocated monies, if any 24<sup>th</sup> July 2024
7. Expected dispatch of allotment advices 24<sup>th</sup> July 2024
8. Expected date of admission of the Bonds to listing 24<sup>th</sup> July 2024
9. Expected date of commencement of trading in the Bonds 25<sup>th</sup> July 2024

In the event of over subscriptions, FTM will allocate bonds on a first-in-first served basis.

**It is recommended to inform Finco telephonically immediately, on Tel: 21220002, should you have interest to invest in this bond or in alternative overseas rated bonds.**

### **Availability of Prospectus**

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

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