



FINCO TREASURY MANAGEMENT LIMITED

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

International Hotels Investments Plc 3.65% Unsecured Bonds 2031

Salient Details & Time Table

Offeror & Issuer	International Hotel Investments Plc
Currency	Euro
Security	Unsecured
Offer Price	100% at par
Coupon	3.65% per annum
Ranking of the Bonds	the Bonds, shall constitute the unsecured obligations of the Issuer ranking rank pari passu, with other unsecured debt, if any;
Maturity Date	7 th December 2031
Size	€80 million
Listing	Official List, Malta Stock Exchange.
Interest Payment Dates	7 th December annually
Minimum Applications	€2,000 (nominal) and in multiples of €100 thereafter

Business Overview

IHI carries on the business of an investment company in connection with the ownership, development and operation of hotels, residential and commercial real estate. The Company holds investments in subsidiary and associate companies through which it furthers the business of the Group.

To date, IHI has acquired and/or developed hotels in Prague (Czech Republic), Tripoli (Libya), Lisbon (Portugal), Budapest (Hungary), St Petersburg (Russian Federation), St Julian's (Malta), Attard (Malta) and Golden Bay (Malta).



Use of Proceeds:

The aggregate proceeds from the Bond Issue, which net of expenses are expected to amount to approximately €79,150,000, will be used by the Issuer for the following purposes:

1. acquiring for redemption and cancellation a maximum amount of €20,000,000 in Maturing Bonds from Maturing Bondholders
2. subscribing for Bonds by way of Maturing Bond Transfer, and to redeem any Maturing Bonds remaining in issue as at the Maturing Bonds Redemption Date;
3. the amount of circa €9,000,000 will be used by the Issuer to finance Corinthia Hotels Ltd obligations arising under the preliminary lease agreement pertaining to the Corinthia Hotel Rome, which amount will be utilized to finance: (i) pre-operating costs for, inter alia, the recruitment of personnel, marketing and concessions; (ii) operating costs related to the purchasing of supplies and operating equipment; and (iii) a capital expenditure contribution towards the general cost of works for the development of the hotel;
4. an amount equivalent to circa €8,000,000 will be used by the Issuer to part-finance a premium payable by CHL under the management contract for the Corinthia Hotel New York;
5. the amount of circa €14,000,000 will be used by the Issuer to part-finance Corinthia Oasis' preparatory works at the Hal-Ferh Site, which amount will be utilized to finance: (i) the excavation of the site; (ii) the demolition works, clearance of the site and carting and dumping of materials from the said site; (iii) the erection of a boundary wall around the site; and (iv) the development of a car park adjacent to the site. All works at the Hal-Ferh Site are preparatory in nature;
6. the amount of circa €20,000,000 will be used by the Issuer as a loan of €5 million to IHI Malta Hotel Limited (C 84130) and €15 million to Five Star Hotels Limited (C 4848), two wholly owned subsidiaries of the Issuer, to finance the soft refurbishment of the Corinthia Palace Hotel & Spa and the Corinthia Hotel St. George's Bay, respectively; and
7. the remaining amount of circa €8,150,000 will be used by the Issuer for general corporate funding purposes of the Group.



Consolidated Financials of International Hotel Investments Plc

IHI GROUP INCOME STATEMENT (€'000)	FY2018 Actual	FY2019 Actual	FY2020 Actual	FY2021 Forecast	FY2022 Forecast
Revenue	256,314	268,286	91,909	116,109	232,186
Direct costs	(141,467)	(145,800)	(62,786)	(70,842)	(120,230)
Gross profit	114,847	122,486	29,123	45,267	111,956
Other operating costs	(47,343)	(52,696)	(32,873)	(30,196)	(57,134)
EBITDA	67,504	69,790	(3,750)	15,071	54,822
Depreciation and amortisation	(33,202)	(36,766)	(35,779)	(30,419)	(31,133)
Adjustments in value of property and intangible assets	3,944	(3,656)	(10,521)	–	2,000
Changes in value of liabilities and indemnification assets	143	4,798	–	–	–
Results from operating activities	38,389	34,166	(50,050)	(15,348)	25,689
Share of (loss) profit: equity accounted investments	(1,364)	(3,951)	(2,448)	(219)	–
Finance income	833	546	702	312	207
Finance costs	(21,484)	(23,765)	(23,554)	(24,751)	(24,329)
Other	(7,902)	6,916	(15,012)	(2,779)	–
Profit (loss) before tax	8,472	13,912	(90,362)	(42,785)	1,567
Taxation	(13)	(8,793)	14,713	8,600	(3,563)
Profit (loss) for the year	8,459	5,119	(75,649)	(34,185)	(1,996)
Other comprehensive income (expense)					
Gross surplus (impairment) – revaluation of hotel properties	35,842	7,000	(10,246)	–	–
Gross share of other comprehensive income of equity accounted investments	–	(4,550)	–	–	–
Other effects and tax	(19,039)	31,331	(38,076)	9,749	–
	16,803	33,781	(48,322)	9,749	–

Ratio Analysis

KEY ACCOUNTING RATIO	FY2018 Actual	FY2019 Actual	FY2020 Actual	FY2021 Forecast	FY2022 Forecast
Gearing ratio <i>(Net debt/net debt and shareholders' equity)</i>	37%	37%	42%	45%	46%
Gearing ratio 2 (times) <i>(Net debt/net debt and shareholders' equity)</i>	0.58	0.59	0.69	0.80	0.84
Net debt to EBITDA (years) <i>(Net debt/EBITDA)</i>	7.57	7.60	-143.17	39.84	11.44
Net assets per share (€) <i>(Net asset value/number of shares)</i>	1.11	1.14	0.98	0.94	0.93
Debt service cover ratio (times) <i>(EBITDA/net finance cost and loan capital repayment)</i>	1.86	1.82	n/a	1.39	1.62
Liquidity ratio (times) <i>(Current assets/current liabilities)</i>	1.08	1.13	0.92	1.11	0.67

IHI GROUP BALANCE SHEET (€'000)	31 Dec' 18 Actual	31 Dec' 19 Actual	31 Dec' 20 Actual	31 Dec' 21 Forecast	31 Dec' 22 Forecast
ASSETS					
Non-current assets					
Intangible assets (including indemnification)	71,966	72,432	68,035	71,041	69,430
Investment property	203,539	214,174	191,355	158,925	154,979
Property, plant and equipment	1,151,245	1,181,944	1,102,885	1,187,090	1,226,297
Right-of-use assets	–	13,776	11,690	9,561	7,621
Investments accounted for using the equity method	48,189	40,144	31,831	5,590	5,590
Other investments	–	8,401	7,198	9,082	11,418
Other fin. assets at amortised cost and receivables	780	1,801	6,739	2,939	2,939
Deferred tax assets	10,963	9,233	14,214	14,717	14,717
Assets placed under trust management (5.8% Bonds 2021)	3,645	3,698	–	–	–
	1,490,327	1,545,603	1,433,947	1,458,945	1,492,991
Current assets					
Inventories	11,490	12,626	10,647	12,109	14,263
Other fin. assets at amortised cost and receivables	1,683	125	43	43	43
Trade and other receivables	53,029	43,192	35,106	34,258	38,906
Taxation	2,527	3,922	3,324	3,322	3,322
Financial assets at fair value through profit or loss	8,485	8,909	9,250	8,018	–
Cash and cash equivalents	50,190	72,699	46,145	55,861	46,937
Assets placed under trust management (5.8% Bonds 2021)	122	122	5,637	–	–
	127,526	141,595	110,152	113,611	103,471
Total assets	1,617,853	1,687,198	1,544,099	1,572,556	1,596,462
IHI GROUP BALANCE SHEET					
(€'000)	31 Dec' 18 Actual	31 Dec' 19 Actual	31 Dec' 20 Actual	31 Dec' 21 Forecast	31 Dec' 22 Forecast
EQUITY					
Capital and reserves					
Called up share capital	615,685	615,685	615,685	615,685	615,685
Reserves and other equity components	7,943	31,073	(3,646)	(1,123)	(1,123)
Retained earnings (accumulated losses)	59,746	54,247	(8,803)	(37,404)	(39,174)
Minority interest	194,246	196,142	169,940	171,582	171,356
	877,620	897,147	773,176	748,740	746,744
LIABILITIES					
Non-current liabilities					
Bank borrowings	317,559	324,597	345,920	337,239	316,797
Bonds	202,507	222,584	203,061	282,581	283,037
Lease and other financial liabilities	59	11,202	9,767	7,416	5,720
Other non-current liabilities	102,552	106,885	92,479	93,964	90,449
	622,677	665,268	651,227	721,200	696,003
Current liabilities					
Bank overdrafts	5,899	7,236	9,762	9,843	17,217
Bank borrowings	34,618	38,200	17,465	16,617	48,800
Bonds	–	–	19,938	–	–
Lease and other financial liabilities	4,553	2,795	2,711	2,546	2,283
Other current liabilities	72,486	76,552	69,820	73,610	85,415
	117,556	124,783	119,696	102,616	153,715
	740,233	790,051	770,923	823,816	849,718
Total equity and liabilities	1,617,853	1,687,198	1,544,099	1,572,556	1,596,462



Time Table

1. Application forms mailed to Maturing Bondholders, Existing IHI Bondholders, Existing IHI Shareholders, Existing Corinthia Bondholders and Existing MIH Bondholders 4 November 2021
2. Application Forms available to Corinthia Group Personnel and the general public 8 November 2021
3. Offer Period for Maturing Bondholders 8 November 2021 to 26 November 2021
both days included
4. Placement Date 26 November 2021
5. Commencement of interest on the Bonds 7 December 2021
6. Announcement of basis of acceptance 7 December 2021
7. Refunds of unallocated monies (if any) and dispatch of allotment letters 16 December 2021
8. Expected date of admission of the securities to listing 16 December 2021
9. Expected date of commencement of trading in the securities 17 December 2021

Finco has entered into a Pre-Placement agreement with IHI Plc and bonds acquired will be sold on a first come first served basis.

Our Comments

IHI Group – more colloquially known in Malta as the Corinthia Group – are one of the few big success stories in Malta. It originated in the 1960s with one hotel in Attard and has today grown to a mini empire of owned and leased hotels in many places in Europe, Russia and shortly New York. The group's management is of a high calibre and operate to high standards. The balance sheet has grown to over €1.5 billion in assets and shareholders' funds exceed €750 million, the result of efficient and tight operations and retention of profits.

On the negative side, it is feared that the group has grown too much for its resources and management for it to continue to retain the same span of control. Also, there are questions relating to succession planning. Gearing, when measured as Net Debt to Det Debt and Shareholders' Equity hovers around an acceptable 45%. However, when net debt is compared to EBITDA this is very high, and likewise interest cover is not very adequate, albeit it must be said that EBITDA is currently exceptionally depressed to the hospitality industry emerging out of the worst crisis ever due to the COVID pandemic.

The coupon is tight at 3.65% pa and in all probability may be on the low side for a 10-year bond and for the risks involved, for this company's financials and for the currently increasing inflation threat and interest rate increases fears.



It is inevitable that Finco should issue a general recommendation to its investors to invest in this well-managed and reputed company. However, this general recommendation is subject to an important caveat that Investors should ensure that between investments already made in other IHI group bonds (including those in Corinthia and MIH) and any investment in this bond, their exposure to this group does not exceed 15%, preferably 10%, of the total portfolio value. Therefore, this bond appeals particularly to those who are not already substantially exposed to the IHI Group.

Based on the above and subject to the caveat in the last paragraph, Finco issues a BUY recommendation to clients for this bond.

It is expected that this bond will be over-subscribed and that not all amounts applied for may be satisfied. It is recommended to inform Finco immediately should you have interest to invest due to strong demand.

Preference will be given to maturing Bond holders of the IHI 5.80% December 2021 issue and other IHI, Corinthia and MIH holders.

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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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