



FINCO TREASURY MANAGEMENT LIMITED

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

**€50 million – Phoenicia Finance Co P.l.c. 5.75% 2028 – 2033
Unsecured Bonds**

Salient Details & Time Table

Offeror & Issuer	Phoenicia Finance Company P.l.c.
Currency	Euro
Guarantors	Phoenicia Malta Ltd & Phoenicia Hotel Company Ltd
Status of the Bonds	The Bonds, as and when issued and allotted, shall constitute the general, direct, unsecured and unconditional obligations of the Issuer and shall be guaranteed in respect of both the interest due and the principal amount under said Bonds by the Guarantors jointly and severally. The Bonds shall at all times rank pari passu without any priority or preference among themselves and, in respect of the Guarantors, they shall rank without any priority or preference over all their unsecured indebtedness, if any
Offer Price	100% at par
Coupon	5.75%
Maturity	Any date falling between 30 th December 2028 & 30 th December 2033
Listing	Official List, Malta Stock Exchange.
Interest Payment Dates	30 th December annually
Offer Period	See Time-Table below
Minimum Applications	Min €5,000 (nominal)

Principal Activities and Markets

The Phoenicia Hotel has a long operating history, having been built in the 1930s and officially opening its doors as Malta's first luxury hotel in 1947. Since then, the Hotel has established itself as a timeless and historic landmark, recognised as such by both local and international guests, suitably located on the doorstep of Malta's capital city.

Over the course of the years, the Phoenicia Hotel has undergone numerous restorations and embellishment programmes.

The total room count at the Phoenicia Hotel is currently that of 132, of which 12 are suites, following a recent project (undertaken in 2022) that transformed eight standard rooms into four new suites (namely, the Pegasus Suites).



Furthermore, the Hotel features eight further luxurious suites and four interconnected rooms, all of which have been recently redesigned. In addition, the Hotel comprises a wide range of facilities, including a Spa and wellness area, three restaurants, two bars, an outdoor heated pool, six meeting/conference rooms and event rooms, a ballroom, a hairdressing salon, 2 retail outlets and seven-and-a-half-acres of landscaped gardens.

The main source of income of the Phoenixia Hotel is generated through accommodation, where accommodation revenue accounted for circa 67% of total revenue during the year ended 31 December 2022.

The Hotel's customer base comprises a mixture of leisure and business guests. Reservations are generated through various channels, including online bookings made on the Hotel official website global distribution systems, and online travel agents. During the year ended 31 December 2022, the Hotel achieved a revenue per available room ("RevPAR") of €199 and an occupancy rate of 67.34%, despite the extended negative impact of the COVID-19 pandemic on Q1 of 2022.

During the period January to August 2023, the Hotel achieved a RevPAR of €244 and an occupancy rate of 73%, which exceed comparable metrics for 2022. The directors of PHCL anticipate that the RevPAR and occupancy levels for the year ending 31 December 2023 will reach €255 and 73.6% respectively, on the basis of latest management forecasts.

Food and beverage outlets are an important revenue stream for the Group, and a vital ancillary service provided to hotel guests. Revenue from Food and beverage outlets accounted for approximately 19% of the Group's total revenues during the year ended 31 December 2022. The main food and beverage revenue contributor are the Hotel's main restaurant, The Phoenix Restaurant, followed by the operations of the other restaurants and bars situated within the Hotel, as well as room service. The Phoenixia Hotel's extensive and unique conference rooms and landscaped gardens allow for all types of indoor and outdoor events, from small meetings to large conferences, weddings and banquets.

The Hotel continues to be a popular venue for weddings, with various location options situated around the Hotel property, including the Bastion Pool area, the Grand Ballroom, and the garden, as well as the possibility of hosting banquet style weddings located in one of the Hotel's six event rooms. Further, the Hotel has notably been a popular venue for meetings and corporate events, particularly owing to its well-appointed conference rooms and extensive facilities. Accordingly, conference and banqueting events have accounted for approximately 10% of the Group's total revenue during the year ended 31 December 2022



Use of Proceeds

The proceeds from the Bond Issue, which net of Bond Issue expenses are expected to amount to approximately €49,050,000, will be used for the following purposes, in the amounts and order of priority set out below:

i. an amount of up to €25,000,000 in Existing Bonds which will be acquired via transfer to the Issuer by Existing Bondholders in consideration for the subscription of Bonds, will result in the cancellation of such Existing Bonds by the Issuer and shall give rise to obligations on the part of the Issuer under the Bonds.

ii. an amount of up to €24,050,000 will be advanced by the Issuer to PML pursuant to the Loan Agreement. Under the Loan Agreement, PML has delegated the Issuer to pay such amount to APS Bank p.l.c. to re-pay (in whole or in part) the APS Loan I. As a result, the hypothecary and privileged rights granted by PML and PHCL to APS Bank p.l.c. in security of the APS Loan I will be cancelled or reduced in proportion to the amount of the APS Loan I repaid.

Financials

COMBINED FINANCIAL STATEMENTS					
	2020	2021	2022	2023	2024
Statement of comprehensive income (€000) - 31 Dec	Actual	Actual	Actual	Forecast	Forecast
Revenue	2,941	8,037	14,747	18,114	20,624
Cost of sales	(4,266)	(5,770)	(8,387)	(9,056)	(9,891)
Gross profit	(1,325)	2,267	6,360	9,058	10,732
Administrative expenses	(2,499)	(2,769)	(4,119)	(4,722)	(4,786)
Selling and marketing expenses	(455)	(457)	(657)	(792)	(833)
Other income	903	1,120	507	-	-
Operating profit	(3,376)	161	2,091	3,544	5,113
Net finance costs	(1,766)	(1,786)	(1,927)	(2,402)	(2,983)
Profit before tax	(5,142)	(1,625)	164	1,142	2,130
Income tax credit/ (tax expense)	2,216	1,059	106	349	(407)
Profit for the year	(2,926)	(566)	269	1,491	1,723
Revaluation of PPE	3,028	-	10,509	-	-
Total comprehensive income for the year	102	(566)	10,778	1,491	1,723
EBITDA	(1,206)	2,508	4,497	5,855	7,382
Ajusted EBITDA*	(2,109)	1,388	3,989	5,855	7,382



COMBINED FINANCIAL STATEMENTS					
	2020	2021	2022	2023	2024
Statement of cash flows (€000) - 31 Dec	Actual	Actual	Actual	Forecast	Forecast
Net cash used in/ generated from operating activities	(340)	2,555	5,218	5,426	7,207
Net cash used in investing activities	(2,194)	(828)	(21,755)	(1,321)	(4,109)
Net cash generated from/used in financing activities	1,430	218	15,658	(4,738)	(1,867)
Net movement in cash and cash equivalents	(1,105)	1,945	(879)	(633)	1,231
Cash and cash equivalents at beginning of year	1,198	93	2,039	1,160	527
Cash and cash equivalents at end of year	93	2,039	1,160	527	1,759

COMBINED FINANCIAL STATEMENTS					
	2020	2021	2022	2023	2024
Profitability Ratios - 31 December	Actual	Actual	Actual	Forecast	Forecast
Gross Profit Margin (Gross Profit/ Revenue)	-45.1%	28.2%	43.1%	50.0%	52.0%
Gross Operation Profit Margin (Gross Operating Profit/ Revenue)	-56.5%	19.5%	32.9%	40.3%	42.8%
EBITDA Margin (EBITDA/ Revenue)	-41.0%	31.2%	30.5%	32.3%	35.8%
Adjusted EBITDA margin (Adjusted EBITDA/ Revenue)	-71.7%	17.3%	27.1%	32.3%	35.8%
Interest Coverage (EBITDA/ NET Finance Costs)	-0.7x	1.4x	2.3x	2.4x	2.5x
Adjusted Interest Coverage (Adjusted EBITDA/ Net Finance Costs)	-1.2x	0.8x	2.1x	2.4x	2.5x
Return on Assets (Gross Operating Profit/ Average Total Assets)	-1.8%	1.6%	4.3%	5.7%	6.8%
Return on Capital Employed (Gross Operating Profit/ Average Capital Employed)	1.9%	1.8%	4.6%	6.0%	7.2%
Net Profit Margin (Profit for the year/ Revenue)	n.a.	-7.0%	1.8%	8.2%	8.4%

COMBINED FINANCIAL STATEMENTS					
	2020	2021	2022	2023	2024
Balance Sheet Ratios - 31 December	Actual	Actual	Actual	Forecast	Forecast
Current Ratio (Current Assets/ Current Liabilities)	0.1x	0.4x	0.3x	0.4x	0.7x
Quick Ratio (Current Assets - Inventory / Current Liabilities)	0.1x	0.4x	0.3x	0.3x	0.6x
Gearing Ratio (Borrowings/ Total Equity + Borrowings)	58.1%	59.4%	60.1%	58.9%	58.9%
Adjusted Gearing Ratio (Borrowings/ Total Equity)	1.4x	1.5x	1.5x	1.4x	1.4x
Net Leverage Ratio (Net/ Borrowings/ EBITDA)	-42.0x	20.2x	15.4x	11.7%	9.5x
Free Cash Flow to Debt (Free cash flow/ Borrowings)	-5.8%	2.3%	-24.1%	6.8%	3.4%



COMBINED FINANCIAL STATEMENTS					
Statement of financial position (€000) - 31 Dec	2020	2021	2022	2023	2024
	Actual	Actual	Actual	Forecast	Forecast
ASSETS					
Non-current assets:					
Property, plant and equipment	90,196	88,677	99,522	98,542	100,382
Deferred tax asset	5,198	6,116	6,330	6,693	6,295
Loan receivable	-	-	20,000	20,000	20,000
Other receivables	50	50	50	50	50
Total non-current assets	95,444	94,843	125,902	125,285	126,727
Current assets:					
Inventories	150	186	238	314	352
Trade and other receivables	524	809	753	517	905
Income tax receivable	-	-	9	-	-
ST Loan receivable	-	-	119	1,245	2,472
Cash and cash equivalents	93	2,039	1,160	527	1,759
Total current assets	768	3,033	2,280	2,603	5,488
Total assets	96,212	97,876	128,182	127,887	132,214
EQUITY AND LIABILITIES					
Capital and Reserves:					
Share capital	13	13	13	419	419
Deferred shares	839	839	839	-	-
Foreign exchange reserve	-	-	-	433	433
Revaluation reserve	39,227	39,164	43,468	43,468	43,468
Retained earnings	(3,508)	(4,012)	2,463	3,954	5,677
Total Equity	39,571	36,005	46,783	48,274	49,997
Non-current liabilities:					
Interest-bearing loans and borrowings	46,587	48,616	68,214	66,291	67,367
Deferred tax liability	5,506	5,348	6,429	6,440	6,440



Total non-current liabilities	52,093	53,964	74,643	72,731	73,808
Current liabilities:					
Trade and other payables	4,565	4,952	5,706	5,110	5,375
Interest-bearing loans and borrowings	2,964	2,939	1,045	1,759	3,026
Current tax payable	19	16	4	14	9
Total current liabilities	7,548	7,908	6,756	6,882	8,410
Total liabilities	59,641	61,872	81,399	79,613	82,218
Total equity and liabilities	96,212	97,876	128,182	127,887	132,215

Existing Bond Holders of Phoenicia Finance Company P.I.c.

Existing Bondholders of **Phoenicia 4.15% 2023-2028** are given preference and may apply for the new **Phoenicia 5.75% 2028-2033** Bonds by way of transfer to the Issuer of all or part of the Existing Bonds held in an amount equivalent to the par value of the Bonds applied for. Such applications will be fully allocated.

It is Finco's intention to rollover all Phoenicia 4.15% 2023-2028 bonds held under nominee on behalf of its clients to the new Phoenicia 5.75% 2028-2034 unless instructed otherwise by any client.

Any Existing Bondholders wishing to apply for any Excess or additional bonds, may do so by informing his relationship manager accordingly.

Our Comments

The Group is expected to generate just below €6 million in EBITDA during the current year, up circa €1.9 million on the year, and notably +20% over 2019, which itself was a record year.

Total assets increased to €128.2 million as at 31st December 2022, rising by 31% from the previous year, mainly driven by the upward revaluation of the Hotel's property in April 2022 for an increase of €8.8 million, and the provision of the Parent Co Loan.

Total liabilities increased from €61.9 million in 2021 to €81.4 million in 2022, driven by the rise in the Group's borrowings to €69.3 million (2021: €51.6 million).

Total equity increased to €46.8 million, driven by the turnaround in profitability as reflected in the sizeable turnaround in retained earnings and in the increase in the revaluation reserve to €43.5 million (2021: €39.2 million). For 2023, total equity is expected to increase to €48.3 million as profitability is forecasted to increase again.

The Group's net leverage position (Net Borrowings / EBITDA) is considered high at 15.4x. However, management forecasts indicate a deleveraging trend with the net leverage ratio to returning below 10x by 2024. Gearing Ratio (Borrowings / Total Equity + Borrowings) stand at 58.9%, with interest cover gradually increasing to 2.5x in 2024.



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 a small part not exceeding 15% of an overall well diversified portfolio.

It is expected that demand for this bond will be very strong and we expect it to be well over-subscribed. It is recommended to inform Finco telephonically immediately, on Tel: 21220002, should you have interest to invest. In the event of such over subscriptions, FTM will allocate bonds on a first-in-first served basis.

Time Table

1. Application Forms mailed to Existing Bondholders 9th February 2024
2. Placement Date 16th February 2024
3. Closing date for Applications to be received from Existing Bondholders 23rd February 2024
4. Intermediaries' Offer* 28th February 2024
5. Expected date of announcement of basis of acceptance 4th March 2024
6. Refunds of unallocated monies (if any) 11th March 2024
7. Expected date of admission of the securities to listing 11th March 2024
8. Expected dispatch of allotment advices 11th March 2024
9. Commencement of interest 12th March 2024
10. Expected date of commencement of trading in the securities 12th March 2024

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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