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# FINANCIAL ANALYSIS SUMMARY

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19 September 2023

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ISSUER

**SD FINANCE P.L.C.**

(C 79193)

GUARANTOR

**SD HOLDINGS LIMITED**

(C 40318)

*Prepared by:*



**MZ INVESTMENTS**



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The Directors  
SD Finance p.l.c.  
Seabank Hotel  
Marfa Road, Għadira  
Mellieħa MLH 9064  
Malta

19 September 2023

Dear Board Members,

#### **Financial Analysis Summary**

In accordance with your instructions, and in line with the requirements of the MFSA Listing Policies, we have compiled the Financial Analysis Summary (the “**Analysis**”) set out on the following pages and which is being forwarded to you together with this letter.

The purpose of this Analysis is that of summarising key financial data appertaining to SD Finance p.l.c. (the “**Issuer**”, “**Company**”, or “**SD Finance**”) and SD Holdings Limited (the “**Guarantor**”, “**Group**”, or “**SD Holdings**”). The data is derived from various sources or is based on our own computations as follows:

- (a) Historical financial data relating to the Issuer and the Guarantor for the most recent three financial years (ending 31 March 2021, 31 March 2022, and 31 March 2023) has been extracted from the respective audited annual financial statements.
- (b) The forecast data for the current financial year ending 31 March 2024 has been provided by the Group.
- (c) Our commentary on the financial performance, cash flows, and financial position of the Issuer and the Guarantor is based on explanations provided by the Group.
- (d) The ratios quoted in this Analysis have been computed by us applying the definitions set out in Part 4 – ‘Explanatory Definitions’ of this report.
- (e) Relevant financial data in respect of the companies included in Part 3 – ‘Comparative Analysis’ of this Analysis has been extracted from public sources such as websites of the companies concerned, financial statements filed with the Registrar of Companies, as well as other sources providing financial data.

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**MZ Investment Services Limited** is a private limited liability company licensed to conduct investment services business by the Malta Financial Services Authority under the Investment Services Act. Member of the Malta Stock Exchange. Enrolled Tied Insurance Intermediary under the Insurance Intermediaries Act, 2006 for MAPFRE MSV Life p.l.c.

Company Registration Number: C 23936 | VAT Number: MT 1529 8424



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This Analysis is meant to assist investors and potential investors in the securities of the Issuer by summarising the more important financial data of the Group. This Analysis does not contain all data that is relevant to investors or potential investors. This Analysis does not constitute an endorsement by our firm of any securities of SD Finance and therefore should not be interpreted as a recommendation to invest or not invest in any of these securities. We will not accept any liability for any loss or damage arising out of the use of this Analysis. As with all investments, potential investors are encouraged to seek professional advice before investing in these securities.

Yours faithfully,

**Evan Mohnani**

Head of Corporate Broking

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## PART 1 – INFORMATION ABOUT THE GROUP

### 1. ABOUT SD FINANCE

The Issuer was registered and incorporated on 20 January 2017 as a special purpose vehicle to act as the financing arm of the Group. The Company is not engaged in any trading activities and its sole purpose is that of raising finance and advance it to related entities within the Group. As a result, the Issuer is economically dependent on the operations, performance, and prospects of the Group.

### 2. DIRECTORS OF THE ISSUER

The Issuer is managed by a Board of Directors, composed of the following six individuals, who are entrusted with the Company's overall direction and management:

Silvio Debono	Chairman
Robert Debono	Director and Group Chief Executive Officer
Arthur Gauci	Non-Executive Director
Philip Micallef	Independent Non-Executive Director
Vincent Micallef	Independent Non-Executive Director
Stephen Muscat	Independent Non-Executive Director

### 3. ABOUT SD HOLDINGS

SD Holdings is the parent and holding company of the Group which is a family-owned business engaged in activities related to the hospitality, leisure, catering, and entertainment industries. In June 2023, the Group's Chairman Silvio Debono distributed part of his shareholding in SD Holdings Limited to his wife (Veronica Debono) and four children (Robert Debono, Victoria Debono, David Debono and Alan Debono) and effectively concluding the family succession planning process.

The Group owns and operates three hotels, namely the db Seabank Resort & Spa ("**Seabank**") situated at Għadira Bay, Mellieħa, the db San Antonio Hotel & Spa ("**San Antonio**") situated in Buġibba, and the Melior Boutique Hotel located in Valletta. SD Holdings also operates the Adeera Complex in Mellieħa Bay (which comprises 3 restaurants – Westreme, Amami, and Blu Beach), PickNGo convenience store in Mellieħa, as well as other restaurants located in Valletta (AKI) and Buġibba (Nine Lives). In FY2023, the Group opened LOA and Sonora restaurants in St. Paul's Bay, and Amami Food Bar situated in the University Campus Hub. The Group also operates several outlets via franchise agreements with Hard Rock Café and Starbucks. In FY2023, the Group rolled out 6 new Starbucks outlets, bringing the total to 14 outlets.

During FY2023, the Group opened its first overseas office, SDH Capital, strategically located in the prestigious Mayfair neighbourhood in London. This office is spearheading the international expansion of the Group and is being led by Nicholas Portelli as Managing Director. In this regard, the Group has secured a historic listed building in central London that used to house several British banking institutions. The former banking hall will be carefully



renovated and restored and will become a main dining area. The vaults will comprise an exclusive lounge and bar area.

Since the end of FY2023 to date, the Group opened Espiral Restaurant in Mellieha, which features a variety of traditional Spanish dishes; Tora, a contemporary oriental style restaurant in Sliema; and Manta, a lido situated in Tigne, Sliema. The Group also commenced operations of a catering outlet – Verani – situated in the Departures Hall of the Malta International Airport.

The Group is also in the process of identifying other new opportunities that will result in the db Group further establishing its operations.

The Guarantor holds shareholding interest in a number of associates the most significant being Malta Healthcare Caterers Ltd (“MHC”) in which the Group has a 50% equity stake. Further information about MHC is provided under Section 8 – ‘Principal Investment in Associate’ of this Analysis.

#### 4. DIRECTORS OF THE GUARANTOR

SD Holdings is managed by a Board of Directors, composed of the following eight individuals, who are entrusted with the Group’s overall direction, strategy, and management:

Silvio Debono	Chairman
Veronica Debono	Director
Robert Debono	Director and Chief Executive Officer
Victoria Debono	Director and Brand Manager
David Debono	Director and Chief Legal Officer
Alan Debono	Director and Chief Procurement and Accounting Officer
Arthur Gauci	Director
Jesmond Vella	Director and Chief Operating Officer

#### 5. GROUP SENIOR MANAGEMENT

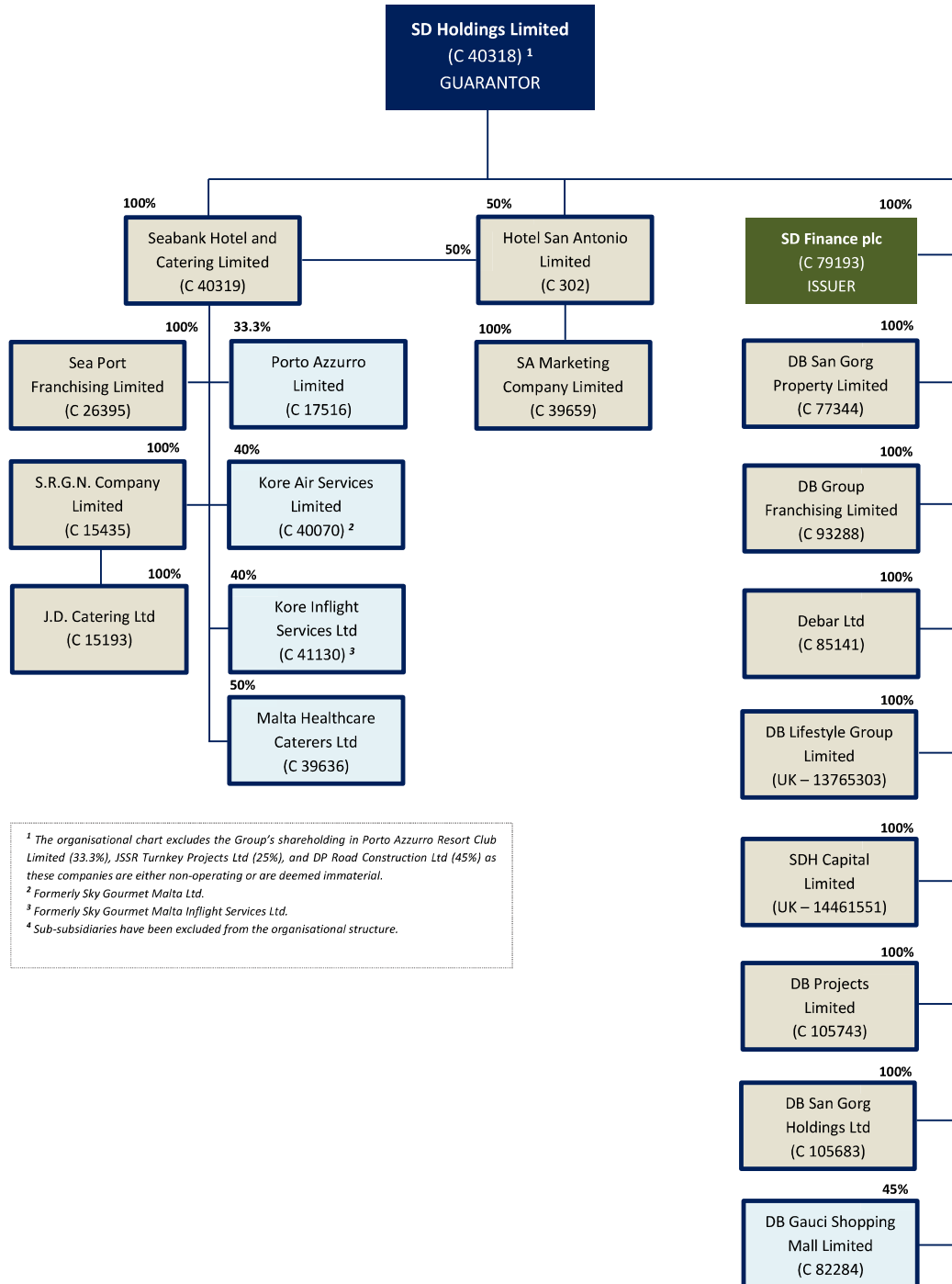
In the execution of the strategic direction, investment, and management of the Group, the Board of Directors is assisted by the following members of the Senior Management team:

Ray Bezzina	Head – Office of the Chief Executive Officer
Ahmed Farrag	Hotels Chief Operating Officer (“COO”)
Saeed Bennani	Lifestyle COO
Jean Claude Fenech	Group Chief Financial Officer (“CFO”)
Trevor Vella	CFO – Head Office



## 6. GROUP ORGANISATIONAL STRUCTURE

The below diagram illustrates the organisational structure of the Group:



<sup>1</sup> The organisational chart excludes the Group's shareholding in Porto Azzurro Resort Club Limited (33.3%), JSSR Turnkey Projects Ltd (25%), and DP Road Construction Ltd (45%) as these companies are either non-operating or are deemed immaterial.

<sup>2</sup> Formerly Sky Gourmet Malta Ltd.

<sup>3</sup> Formerly Sky Gourmet Malta Inflight Services Ltd.

<sup>4</sup> Sub-subsidiaries have been excluded from the organisational structure.



The average number of persons employed by the Group during FY2023 stood at 931 (FY2022: 660). The full head count including subsidiaries and associated companies amounted to 5,782 employees as at the end of March 2023. This includes the operations of MHC which had a staff complement of 3,482 employees within its healthcare division as at the end of March 2023 (31 March 2022: 3,143 employees), comprising 455 professional nurses, 394 staff members providing domiciliary care for the elderly, and 2,633 care assistants.

## 7. MAJOR ASSETS

The Group's major assets are included in the consolidated statement of financial position under the headings 'Property, plant and equipment' ("PPE") and 'Investment property'. The former principally relates to the Group's investment in db Seabank Resort & Spa ("Seabank") and db San Antonio Hotel & Spa ("San Antonio"). On the other hand, 'Investment property' appertains to the value of the Group's property title to the land which is currently being developed into the db City Centre ("City Centre").

<b>SD Holdings Limited</b>			
<b>Major Assets</b>			
<b>As at 31 March</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>
	<b>€'000</b>	<b>€'000</b>	<b>€'000</b>
db Seabank Resort & Spa	95,053	93,699	92,179
db San Antonio Hotel & Spa	86,006	82,395	79,301
db City Centre	78,050	80,660	82,628
	<b>259,109</b>	<b>256,754</b>	<b>254,108</b>
<b>Total assets</b>	<b>328,464</b>	<b>349,955</b>	<b>376,094</b>
<b>As % of total assets:</b>			
db Seabank Resort & Spa	28.94	26.77	24.51
db San Antonio Hotel & Spa	26.18	23.54	21.09
db City Centre	23.76	23.05	21.97
	<b>78.89</b>	<b>73.37</b>	<b>67.57</b>

### 7.1 DB SEABANK RESORT & SPA

Seabank is a 4-star 540-room all-inclusive resort located in Mellieħa Bay. The property enjoys spectacular and unobstructed sea views, and sits on approximately 23,000 sqm of land, 19,000 sqm of which are landscaped.

The resort has 7 themed restaurants, 3 bars, an outdoor pool, a fitness centre, and a spa with a heated indoor pool offering panoramic views. In 2015, a new entertainment complex including three restaurants, a bowling alley, a sports bar, and a teens and kids club were inaugurated. Furthermore, between 2021 and 2022, the Group utilised periods of closure due to the COVID-19 pandemic as an opportunity to upgrade and refurbish a number of hotel rooms and areas of the hotel. Moreover, the former Tramun Tagħna and Pellicola restaurants were completely refurbished and rebranded to Salia and Levant, serving Italian and Middle Eastern cuisines respectively.





## 7.2 DB SAN ANTONIO HOTEL & SPA

San Antonio is a 500-room 4-star all-inclusive hotel located in St Paul's Bay. It is built in a Moorish style and includes 7 themed restaurants, 2 bars, indoor, outdoor, and rooftop pools, a fitness centre, a Hammam spa, and extensive conference facilities.

The property also has a number of apartments which are offered on a long-term accommodation basis. During 2021 and 2022, most of the hotel's rooms and public areas, as well as the spa and indoor pool were completely refurbished and upgraded. Furthermore, during the same period, the Group fully renovated and rebranded one of the hotel's restaurants – the Saboroso-Comadia Latina – which became fully operational in May 2022.

## 7.3 DB CITY CENTRE

On 1 February 2017, DB San Gorg Property Limited (a subsidiary of SD Holdings) entered into a deed of temporary emphyteusis with the Commissioner of Land (on behalf of the Government of Malta) for a site having a total surface area of *circa* 24,000 sqm located in St George's Bay, St Julians, Malta.

The 99-year temporary emphyteutical concession is subject to a cash consideration of €15 million, payable over a period of 7 years, whereby the first payment of €5 million was paid on signing of the deed. The balance of €10 million is payable in 7 equal annual instalments as from January 2018. Following Planning Authority approval, a further consideration will be determined on the full extent of the developable area, which amount will be due to Government or vice-versa, as the case may be, payable over a period of 7 years in 7 equal annual instalments and calculated in accordance with the terms of a schedule annexed to the Emphyteutical Deed. Stamp duty of *circa* €3 million was settled upon signing of deed. Furthermore, the payment of *circa* €8 million (comprising the said first payment and stamp duty) was financed primarily through a bank facility.

In terms of the deed, a total annual ground rent of €1,562,509 is payable to Government, of which a total of €1,169,579 is to be allocated for redemption purposes based on a net floor space area of 51,030 sqm (comprising residential, office space, and garage space). This annual ground rent will be temporarily reduced to €1,000 per annum until the earlier of: (i) the issuance of a certificate of completion by an architect; or (ii) the lapse of five years from date of deed.

On 31 May 2023, the Court of Appeal (Inferior Jurisdiction) upheld the decision of the Environmental and Planning Review Tribunal dated 14 December 2021 which had approved the contents of the Group's application for the development of the City Centre project. On 12 July 2023, the Group received the executable full development permit and initiated preparatory works at the project site. The proposed mixed-use development shall comprise a five-star Hard Rock hotel, two residential towers, a shopping mall, large underground car park facilities, as well as other amenities complementing the project.

## 8. PRINCIPAL INVESTMENT IN ASSOCIATE

MHC is a joint venture between SD Holdings and James Caterers Limited and is engaged in the provision of healthcare catering services, together with the provision of nursing, medical, and clinical services, through 3 main subsidiaries: Healthmark Care Services Ltd, Health Services Group Limited, and Support Services Limited.

The major sources of income in relation to healthcare services derive from the following key agreements: (i) the provision of nursing and care services under the Active Ageing and Community Care Directorate; (ii) the provision



of care worker services at Mater Dei Hospital and other entities within the Health Department; (iii) the provision of care worker services at St Vincent de Paul Residence (“SVPR”) and Homes for the Elderly Community Care; and (iv) the provision of home help services. With respect to catering and ancillary operations, MHC serves over 6,000 cook-chill meals a day to in-patients and staff at Gozo General Hospital (since 2013) and SVPR (since 2014).

MHC initiated operations in contract catering in 2007, after being awarded the contract to supply meals to in-patients at Mater Dei Hospital, St Luke’s Hospital, and Sir Paul Boffa Hospital. In 2015, MHC ceased supplying meals to Sir Paul Boffa Hospital, but instead commenced servicing Sir Anthony Mamo Oncology Centre.

In 2014, MHC acquired the two largest healthcare companies in Malta and set up Healthmark Care Services Ltd which provides healthcare workers to public hospitals and clinics, as well as home care and related support services.

In 2015, MHC acquired land to develop a 300-bed home for the elderly in Santa Luċija, as well as a historic building in Mtarfa which was subsequently converted into a 150-bed residence for elderly people suffering from dementia.

In 2017, MHC was awarded a 15-year concession for the construction, management, and operation of 4 buildings within SVPR housing 504 beds. The project was completed in 2020 for a total investment of *circa* €36 million. In addition, MHC was contracted to set up an onsite fully equipped kitchen at an investment of €4 million. This project was also completed in 2020 and provides catering services to all the 1,100 beds within SVPR under a 10-year public-private partnership agreement.

During the COVID-19 pandemic, MHC was actively involved in assisting Government with the provision of nurses and carers at key swabbing and vaccination centres. In FY2023, MHC established the Dubai-based company Healthmark Training FZE and during the last month of the financial year (March 2023) opened the Healthmark Training Centre in the UAE. The 250 sqm building is certified by the Knowledge and Human Development Authority (which is the educational quality assurance and regulatory authority of the Government of Dubai).

### Performance Review

Malta Healthcare Caterers Ltd Segmental Information For the financial year 31 March				
	2021 Actual €'000	2022 Actual €'000	2023 Actual €'000	2024 Forecast €'000
Revenue	78,754	90,430	103,944	115,722
Profit for the year	4,595	8,727	10,159	11,214
Net profit margin (%)	5.83	9.65	9.77	9.69
<b>db Group's 50% share of profit</b>	<b>2,298</b>	<b>4,364</b>	<b>5,080</b>	<b>5,607</b>

MHC generates revenue primarily from healthcare services, catering services and the SVPR concession agreement. In the historical financial years under review, MHC reported an increase in revenue from €78.75 million in FY2021 to €90.43 million and €103.94 million in FY2022 and FY2023 respectively, mostly driven by growth recorded by the healthcare division which, in FY2023 represented *circa* 70% of MHC’s total income.



Likewise, net profit increased each year and exceeded the €10 million mark in FY2023 (FY2022: €8.73 million), while maintaining a profit margin of almost 10% (FY2023: 9.77%, FY2022: 9.65%). The performance achieved by MHC in FY2023 was better than previously anticipated, with revenues exceeding forecasts by 6.80% and the actual net profit figure at 13.10% above expectations.

For **FY2024**, MHC is expecting a further increase of 11.33% in revenues to €115.72 million, as it anticipates a higher level of business across all three operational segments. Net profit is projected to amount to €11.21 million which would translate into a margin of 9.69%.

## 9. SEGMENT INFORMATION

SD Holdings has three principal reportable segments: (i) hospitality and leisure; (ii) food and beverage; and (iii) merchandise, retailing, and other revenue.

<b>SD Holdings Limited</b>				
<b>Segmental Information</b>				
<b>For the financial year 31 March</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>
	<b>Actual</b>	<b>Actual</b>	<b>Actual</b>	<b>Forecast</b>
	<b>€'000</b>	<b>€'000</b>	<b>€'000</b>	<b>€'000</b>
<b>Revenue:</b>				
Hospitality and leisure	7,649	23,709	40,751	43,678
Food and beverage	8,241	14,098	25,377	31,809
Merchandise, retailing, and other revenue	1,361	2,553	4,671	4,706
	<b>17,251</b>	<b>40,360</b>	<b>70,799</b>	<b>80,193</b>
<b>EBITDA:</b>				
Hospitality and leisure	864	14,091	16,757	15,354
Food and beverage	2,340	4,683	6,673	8,048
Merchandise, retailing, and other revenue	237	1,187	1,322	1,952
	<b>3,441</b>	<b>19,961</b>	<b>24,752</b>	<b>25,354</b>
<b>EBITDA margin:</b>				
Hospitality and leisure (%)	11.30	59.43	41.12	35.15
Food and beverage (%)	28.39	33.22	26.30	25.30
Merchandise, retailing, and other revenue (%)	17.41	46.49	28.30	41.48
	<b>19.95</b>	<b>49.46</b>	<b>34.96</b>	<b>31.62</b>

### 9.1 HOSPITALITY & LEISURE

This division comprises the operations of Seabank, San Antonio, and the 18-room Melior Boutique Hotel which was inaugurated in January 2022.

The performance of the Group's hospitality and leisure division was severely dented during the COVID-19 pandemic. Indeed, revenues amounted to only €7.65 million in FY2021 compared to €44.23 million in FY2020. Similarly, EBITDA dropped sharply to just €0.86 million compared to €21.20 million in the previous financial year.



The first signs of the recovery started to emerge in **FY2022** as total turnover generated by the Group's hospitality and leisure segment rebounded to €23.71 million. Furthermore, EBITDA surged to €14.09 million which translated into a margin of 59.43% (FY2021: 11.30%).

The rebound in business gathered further momentum in **FY2023** as revenues increased by 71.88% to €40.75 million whilst EBITDA reached €16.76 million. In contrast, the EBITDA margin dropped to 41.12% reflecting the impact of high inflation, an increase in payroll costs and other operational and administrative expenses in anticipation of the planned growth in the Group's operational activities both locally and abroad, as well as the significant reduction in grants received from Government in relation to the COVID-19 Wage Supplement Scheme.

For **FY2024**, the Group is estimating a 7.18% growth in revenues to €43.68 million. Nonetheless, EBITDA contribution from the hospitality and leisure segment is anticipated to ease to €15.35 million with a corresponding drop in margin to 35.15%, largely reflecting the impact of high inflation, higher operational and administrative expenses referred to in the preceding paragraph, as well as the absence of any grants received from Government in relation to the COVID-19 Wage Supplement Scheme.

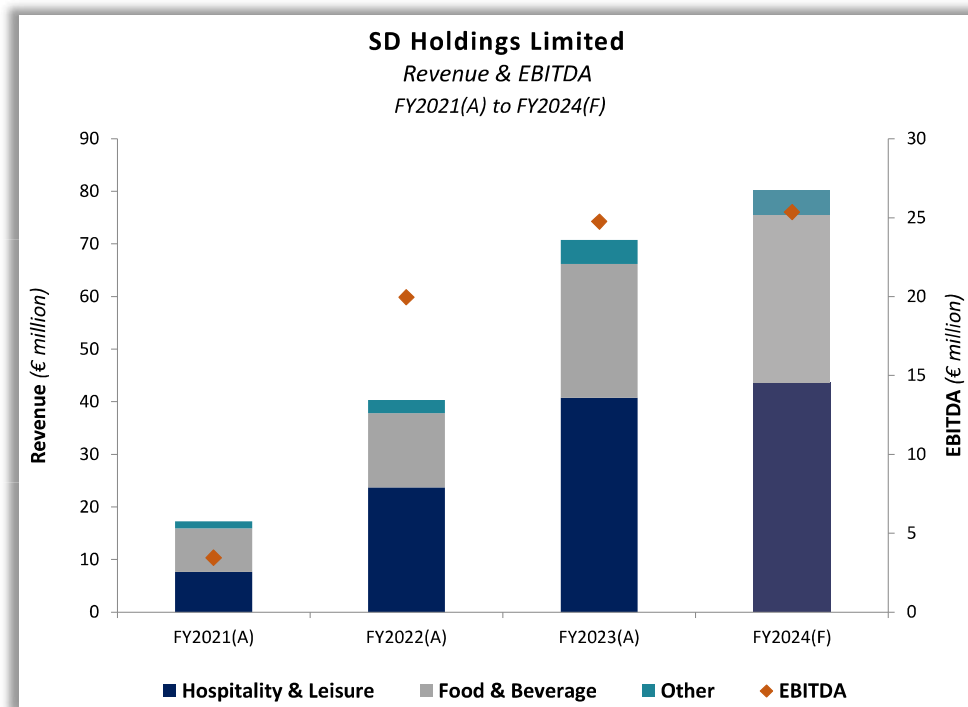
## 9.2 FOOD & BEVERAGE

The food and beverage segment was also severely negatively impacted by the COVID-19 pandemic. Revenues dropped by 45.35% in **FY2021** to €8.24 million (FY2020: €15.08 million) whilst EBITDA contracted by 21.27% to €2.34 million (FY2020: €2.97 million). In view of the sharper decline in revenues than EBITDA, the EBITDA margin improved year-on-year to 28.39% (FY2020: 19.71%), albeit this was favourably impacted by the grants received from Government in relation to the COVID-19 Wage Supplement Scheme.

In **FY2022**, revenues surged by 71.07% to €14.10 million whilst EBITDA doubled to €4.68 million. Similarly, income increased markedly in **FY2023** to €25.38 million (+80%) with a corresponding upsurge of 42.49% in EBITDA to €6.67 million. Nonetheless, the EBITDA margin contracted to 26.30% compared to 33.22% in FY2022 amid an increase in operational costs particularly wages, pre-opening costs, an increase in senior and other personnel as the Group ramps up its activity, expertise and resources ahead of new openings, as well as the lower amount of grants received from Government in relation to the COVID-19 Wage Supplement Scheme.

For **FY2024**, revenues from the food and beverage division are expected to increase by a further 25.35% to €31.81 million reflecting both organic growth as well as continued expansion through new operations (vide section 3 of this report for further details). EBITDA is estimated to surpass the €8 million mark, translating into a margin of 25.30%.





## 10. MARKET OVERVIEW

### 10.1 ECONOMIC UPDATE<sup>1</sup>

The Maltese economy grew by 7.1% in real terms in 2022, driven by strong private domestic demand and investment as well as the better-than-expected recovery in tourism. Furthermore, the unemployment rate remained low at 3% of the labour supply despite the high level of inflation which stood at 6.1%.

Economic growth is projected to ease to 3.7% in 2023 and stabilise at 3.6% in both 2024 and 2025. Net exports are expected to be the main contributor to growth in 2023 reflecting the projected decrease in imports (following the upsurge of investment equipment in 2022) as well as the growth in exports. The rate of growth in government consumption expenditure is also projected to increase, to 4.2% from 2.4% in 2022, and stabilise near the 4% level in 2024 and 2025. On the other hand, the rate of growth in private consumption expenditure is anticipated to slow to 4.3% from 9.8% in 2022 and remain close to the 4% level in both 2024 and 2025. This slowdown reflects the normalisation of consumer demand following the strong post-pandemic recovery, as well as slower growth in real disposable income due to high inflation. The latter is projected to ease to 5.9% in 2023 and drop further to 3.1% and 2.3% in 2024 and 2025 respectively. In parallel, however, the unemployment rate is projected to remain very low and only increase marginally to 3.1% by 2025.

Despite the upsurge in inflation, pandemic-related savings are expected to remain a catalyst to private consumption. Nevertheless, the saving ratio is envisaged to retreat from 28.8% in 2022 to 26.1% in 2025 which would be close to the level prior to the outbreak of the pandemic.

<sup>1</sup> Central Bank of Malta – 'Outlook for the Maltese Economy', 24 August 2023.



Investment is projected to decline by 21.9% in 2023 before registering a growth of 1.5% in 2024 and 2.7% in 2025. Private investment is expected to contract by around 26% in 2023, mostly reflecting the extraordinary outlays in the aviation sector in 2022. Furthermore, both residential and non-residential construction are projected to contract in 2022 reflecting a softening in sentiment across this sector. Growth in private investment is projected to stand at 3.5% and 3.1% for 2024 and 2025 respectively.

After dropping by around 8.5% in 2022, government investment is projected to grow by 4.3% in 2023, decline by 7.2% in 2024, and grow again by 0.8% in 2025. These dynamics are partly driven by the expected take up of EU funds, notably the full absorption of funds from the 2014-2020 financing framework by 2023, and the increased take up of the Recovery and Resilience Facility grants in 2023 and 2024. Furthermore, domestically funded investment is set to be lower than the level reached in 2022.

The general government deficit is projected to decline gradually to 3.3% by 2025 from 5.8% in 2022, driven by a declining share of expenditure in GDP mainly due to the profile of inflation-mitigation measures. On the other hand, the general government debt-to-GDP ratio is expected to increase to 54.8% by 2025 from 53.2% in 2022, due to the expected level of primary deficits which are projected to offset the debt-decreasing impact of the interest-growth differential.

## 10.2 HOSPITALITY<sup>2</sup>

In 2022, the number of inbound tourists increased considerably by 136.19% over 2021, reaching 2,286,597 (2021: 968,136 visitors), but still remained almost 17% below 2019 pre-pandemic level (2019: 2,753,239 inbound tourists). In absolute terms, tourists visiting Malta for leisure purposes accounted for most of the year-on-year increase in arrivals although the number of visitors with business and other motives also increased.

The total number of guest nights that tourists spent in Malta during 2022 increased to 16.61 million from 8.39 million a year earlier (+97.96%), but 14.12% less than the level recorded in 2019 (19.34 million guest nights). Guest nights at collective accommodation made up 52.02% of the aggregate (2021: 49.06%), while rented accommodation (other than collective accommodation) held a near 48% market share (2021: 50.94%).

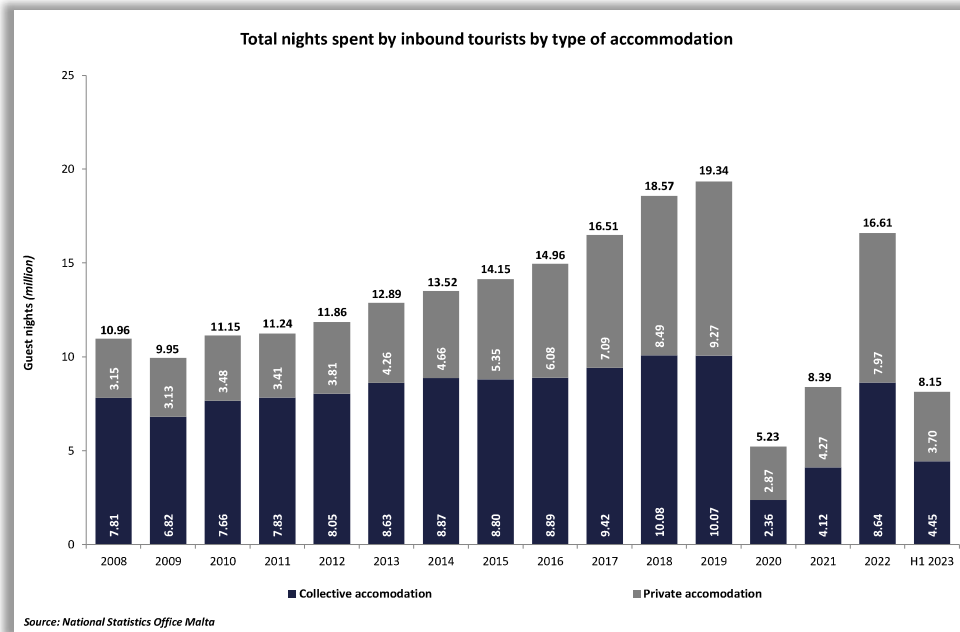
The total occupancy rate in collective accommodation establishments during 2022 rose to 53.3%, from 33.2% a year earlier. However, it remained below that recorded in 2019, when it had reached 65.7%. All categories reported increases in their occupancy rates over 2021, with the 2-star category registering the largest increase – of 24.3 percentage points. This was followed by a rise of 23.0 percentage points in the 4-star category. Meanwhile, the smallest increase – of 13.6 percentage points – was registered in the ‘other’ collective accommodation category. Occupancy rates remained below those prevailing before the pandemic, with the most significant gap recorded among 5-star hotels, while in 2-star establishments the rate has almost converged to that prevailing then.

Tourist expenditure in Malta more than doubled in 2022 to €2,012.54 million compared to the prior year (2021: €870.71 million). Total spending was just 9.37% below the level registered in the corresponding period of 2019. Expenditure per capita decreased by 2.11% from €899 in 2021 to €880 in 2022 (2019: €807), while average length of stay also decreased from 8.7 nights in 2021 to 7.3 nights in 2022 (2019: 7.0 nights).

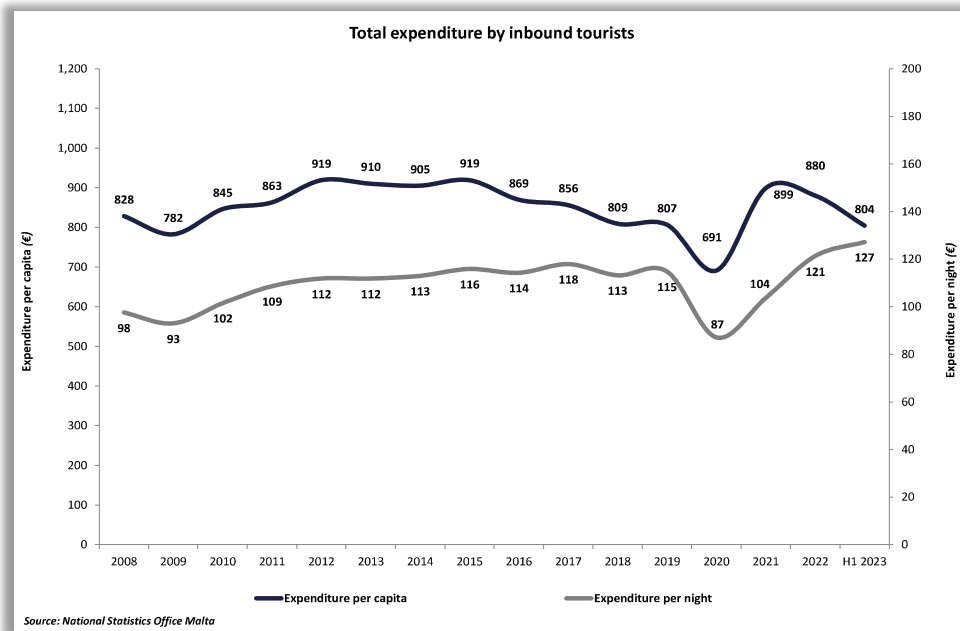
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<sup>2</sup> National Statistics Office Malta.



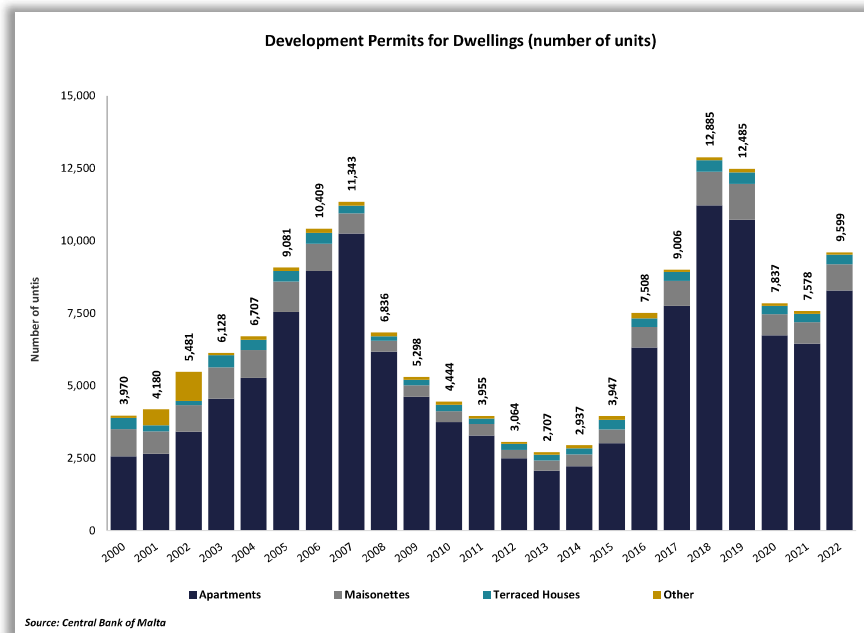


In the first half the 2023, inbound tourists amounted to 1,289,292 – an increase of 43.82% over the same period in 2022. Total nights spent by inbound tourists went up by 35.91% to 8.15 million nights compared to 5.99 million nights in the first half of 2022. Furthermore, total tourist expenditure was estimated at €1,036.8 million – 48.8% higher than that recorded for the corresponding period in 2022. Total expenditure per capita also increased to €804 from €777 in H1 2022, whilst the expenditure per night stood at €127.



### 10.3 PROPERTY MARKET

Data provided by the Central Bank of Malta show that the number of residential building permits issued in 2022 amounted to 1,271 permits (2021: 1,633 permits) for the development of 9,599 residential units (2021: 7,578 residential units). As shown in the below chart, the number of units in 2022 (9,599) reflects a decrease of 26% from the all-time high of 12,885 units in 2018.



The NSO's Property Price Index – which is based on actual transactions involving apartments, maisonettes, and terraced houses – continued to show increases in property prices in Malta in Q1 2023. Indeed, the annual rate of change stood at 6.59%, whilst quarter-on-quarter property prices increased by 1.12%. The strongest year-on-year increase was registered for apartments which increased in prices by 6.83%, followed by maisonettes which increased by just under 5.10%.<sup>3</sup>

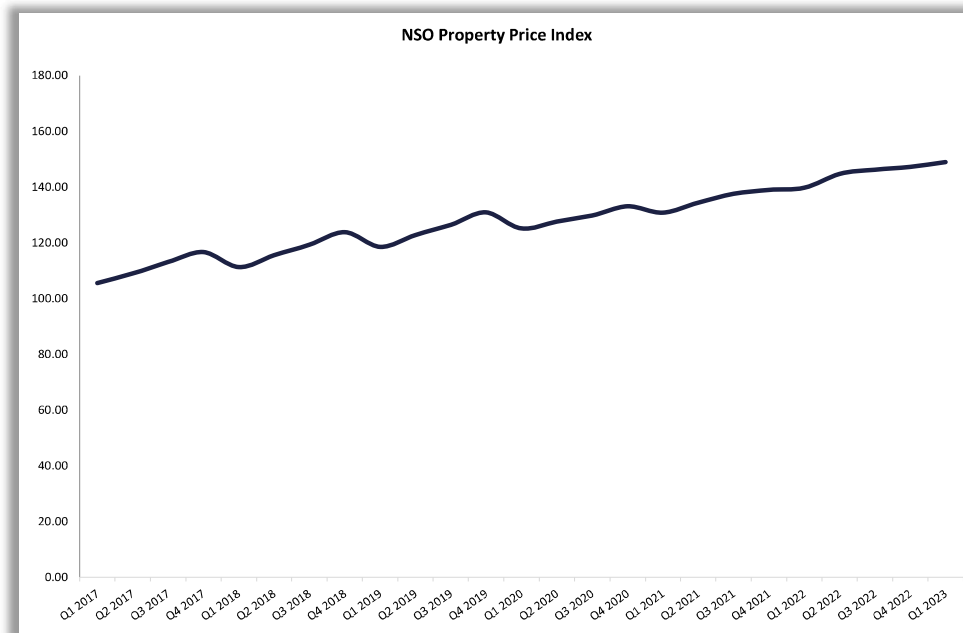
Residential property prices continue to be supported by a number of factors, including the Government schemes supporting demand for property, such as the first-time and second-time buyers' schemes, the purchase of properties located in Urban Conservation Areas, purchases of property in Gozo, as well as refund schemes for restoration expenses. The recovery of tourism and normalisation of migrant workers flows from pandemic lows may have also shored up demand for property and contributed to the recent increase in property prices.<sup>4</sup>

<sup>3</sup> National Statistics Office

<sup>4</sup> Central Bank of Malta Quarterly Review (2023 Vol. 56 No. 1; page 43).







Additional data provided by the National Statistics Office shows that between January and July 2023, the total number of final deeds of sale relating to residential property amounted to 7,130 – a decline of 13.49% compared to the previous corresponding period. In 2022, a total of 14,331 deeds of sale were executed compared to 14,368 in 2021 and 11,057 in 2020 (+30%).

The value of deeds completed between January and July 2023 amounted to just under €1,845 million, representing a drop of just 1.85% compared to the same period in 2022. In 2022, the total value of deeds that were executed amounted to €3,294.2 million compared to €3,162 million in 2021 and €2,126.6 million in 2020.<sup>5</sup>

## 10.4 LONG-TERM CARE

Demand for long-term care in Malta is expected to rise progressively in the coming years as the population ages. The total population of Malta and Gozo at the end of 2022 was estimated at 542,051, an increase of 28% over a 10-year period.<sup>6</sup> Furthermore, the number of persons aged over 60 years was estimated at 125,660, representing around 23% of the total population, and these are projected to increase further over the next 50 years.

Long-term care systems available to elderly persons comprise: (i) informal care through the support of own family; (ii) community care services aimed at enabling the elderly to continue living at home and/or in the community; (iii) long-term care services in state-run institutions; and (iii) long-term care services in facilities operated by the Church and the private sector.

As a result of the projected growth in elderly persons relative to the population, it is envisaged that the demand for care and support services provided to this category of the population will continue to gain importance and further develop in the foreseeable future. Furthermore, Malta's vision for the future is become a reputable

<sup>5</sup> National Statistics Office.

<sup>6</sup> National Statistics Office.



health-tourism hub by offering high-end and efficient healthcare including better amenities and quality services. To this end, one of the main components outlined in Malta's Recovery and Resilience Plan is to strengthen the built-in adaptability of the health system through policy reforms and investments aimed at prevention measures, improvement of quality medical treatment, digitised services, as well as the bolstering of the workforce.

## PART 2 – PERFORMANCE REVIEW

### 11. FINANCIAL INFORMATION RELATING TO THE ISSUER

The information relating to the financial years ended 31 March 2021, 31 March 2022, and 31 March 2023 has been extracted from the audited financial statements of SD Finance. The forecast information for the current financial year ending 31 March 2024 has been provided by the Group. **The forecasts relate to events in the future and are based on assumptions which the Issuer believes to be reasonable. Accordingly, the actual outcome may be adversely affected by unforeseen situations and the variation between forecast and actual results may be material.**

SD Finance p.l.c. Income Statement for the financial year 31 March	2021 Actual €'000	2022 Actual €'000	2023 Actual €'000	2024 Forecast €'000
Finance income	3,006	3,015	3,057	3,067
Finance costs	(2,914)	(2,917)	(2,921)	(2,924)
Administrative expenses	(85)	(90)	(128)	(135)
<b>Profit before tax</b>	<b>7</b>	<b>8</b>	<b>8</b>	<b>8</b>
Taxation	(2)	(3)	(3)	(3)
<b>Profit for the year</b>	<b>5</b>	<b>5</b>	<b>5</b>	<b>5</b>

SD Finance p.l.c. Cash Flow Statement for the financial year 31 March	2021 Actual €'000	2022 Actual €'000	2023 Actual €'000	2024 Forecast €'000
Net cash from / (used in) operating activities	93	2,825	53	55
Net cash from / (used in) investing activities	-	(2,100)	-	-
Net cash from / (used in) financing activities	-	-	-	-
<b>Net movement in cash and cash equivalents</b>	<b>93</b>	<b>725</b>	<b>53</b>	<b>55</b>
Cash and cash equivalents at beginning of year	2,200	2,293	3,018	3,072
<b>Cash and cash equivalents at end of year</b>	<b>2,293</b>	<b>3,018</b>	<b>3,072</b>	<b>3,127</b>



SD Finance p.l.c. Statement of Financial Position as at 31 March	2021 Actual €'000	2022 Actual €'000	2023 Actual €'000	2024 Forecast €'000
<b>ASSETS</b>				
<b>Non-current</b>				
Loans receivable	62,233	64,333	64,333	64,333
	<u>62,233</u>	<u>64,333</u>	<u>64,333</u>	<u>64,333</u>
<b>Current</b>				
Trade and other receivables	2,820	93	175	125
Cash and cash equivalents	2,293	3,018	3,072	3,127
	<u>5,113</u>	<u>3,111</u>	<u>3,247</u>	<u>3,252</u>
<b>Total assets</b>	<u><b>67,346</b></u>	<u><b>67,444</b></u>	<u><b>67,579</b></u>	<u><b>67,585</b></u>
<b>EQUITY</b>				
<b>Capital and reserves</b>				
Called up share capital	250	250	250	250
Retained earnings	30	35	40	45
	<u>280</u>	<u>285</u>	<u>290</u>	<u>295</u>
<b>LIABILITIES</b>				
<b>Non-current</b>				
Bonds	64,401	64,491	64,585	64,585
	<u>64,401</u>	<u>64,491</u>	<u>64,585</u>	<u>64,585</u>
<b>Current</b>				
Trade and other payables	2,665	2,668	2,705	2,705
	<u>2,665</u>	<u>2,668</u>	<u>2,705</u>	<u>2,705</u>
<b>Total liabilities</b>	<u><b>67,066</b></u>	<u><b>67,159</b></u>	<u><b>67,290</b></u>	<u><b>67,290</b></u>
<b>Total equity and liabilities</b>	<u><b>67,346</b></u>	<u><b>67,444</b></u>	<u><b>67,579</b></u>	<u><b>67,585</b></u>

Finance income in the Income Statement represents interest received from loans advanced to Group companies. On the other hand, finance costs comprise interest paid to holders of the €65 million 4.35% unsecured and guaranteed bonds which mature on 25 April 2027.

In **FY2023**, the Issuer generated finance income of €3.06 million and incurred finance costs of €2.92 million, both of which were relatively unchanged from the two previous financial years. Profit after tax was also unchanged at €5,000.

The Issuer's Statement of Financial Position is primarily made up of the bonds in issue, trade and other payables, cash reserves (which amounted to €3.07 million as at 31 March 2023), and loans receivable from the Group.

No material movements in the Income Statement, Cash Flow Statement, and the Statement of Financial Position have been projected for FY2024.



## 12. FINANCIAL INFORMATION RELATING TO THE GUARANTOR

The following information is extracted from the audited consolidated financial statements of SD Holdings for each of the financial years ended 31 March 2021, 31 March 2022, and 31 March 2023. The forecast information for the current financial year ending 31 March 2024 has been provided by the Group.

The forecasts relate to events in the future and are based on assumptions which the Guarantor believes to be reasonable. Accordingly, the actual outcome may be adversely affected by unforeseen situations and the variation between forecast and actual results may be material.

Moreover, the estimates for the current financial year assume that the carrying values of the Group's hotels and investment property will not be revalued upwards or impaired, and therefore no adjustment has been made as to possible uplifts or impairments in value of assets which can materially affect the values in the consolidated income statement and the statement of financial position.

SD Holdings Limited Income Statement For the financial year 31 March	2021 Actual €'000	2022 Actual €'000	2023 Actual €'000	2024 Forecast €'000
Revenue	17,251	40,360	70,799	80,193
Net operating costs	(13,810)	(20,399)	(46,047)	(54,839)
<b>EBITDA</b>	<b>3,441</b>	<b>19,961</b>	<b>24,752</b>	<b>25,354</b>
Depreciation and amortisation	(8,840)	(9,000)	(9,555)	(12,037)
<b>Operating profit / (loss)</b>	<b>(5,399)</b>	<b>10,961</b>	<b>15,197</b>	<b>13,317</b>
Net finance costs	(3,914)	(4,341)	(5,288)	(6,016)
Share of results of associates	2,188	4,468	5,651	5,650
<b>Profit / (loss) before tax</b>	<b>(7,125)</b>	<b>11,088</b>	<b>15,560</b>	<b>12,951</b>
Taxation	5,017	(524)	(3,185)	(2,347)
<b>Profit / (loss) for the year</b>	<b>(2,108)</b>	<b>10,564</b>	<b>12,374</b>	<b>10,604</b>
<b>Other comprehensive income</b>				
Other movements	126	154	126	-
<b>Total comprehensive income (expense), net of tax</b>	<b>(1,982)</b>	<b>10,718</b>	<b>12,500</b>	<b>10,604</b>



Key Financial Ratios	FY2021 Actual	FY2022 Actual	FY2023 Actual	FY2024 Forecast
EBITDA margin (%) <i>(EBITDA / revenue)</i>	19.95	49.46	34.96	31.62
Operating profit margin (%) <i>(Operating profit / revenue)</i>	(31.30)	27.16	21.46	16.61
Net profit margin (%) <i>(Profit after tax / revenue)</i>	(12.22)	26.17	17.48	13.22
Return on equity (%) <i>(Profit after tax / average equity)</i>	(1.57)	7.72	8.41	6.73
Return on assets (%) <i>(Profit after tax / average assets)</i>	(0.65)	3.11	3.41	2.67
Return on invested capital (%) <i>(Operating profit / average equity and net debt)</i>	(2.84)	5.71	7.78	6.23
Interest cover (times) <i>(EBITDA / net finance costs)</i>	0.88	4.60	4.68	4.21

### Income Statement

Revenues dropped sharply in **FY2021** to €17.25 million (FY2020: €59.32 million) reflecting the significant negative impact of the COVID-19 pandemic on the Group's operations. As a result, EBITDA stood at just €3.44 million compared to €25.65 million in FY2020, whilst the EBITDA margin contracted to just under 20% from 43.24% in the prior financial year.

Net finance costs increased by 4.60% to €3.91 million. Coupled with the marked drop in EBITDA, the interest cover retracted to 0.88 times compared to 6.86 times in FY2020. On the other hand, the Group reported a reduction in depreciation and amortisation charges to €8.84 million whilst the share of results of associates increased by 14.50% to €2.19 million.

After accounting for tax charges of €5.02 million, the Group recorded a marginal net loss of €2.11 million compared to the net profit of €12.18 million registered in the 2020 financial year.

Revenues in **FY2022** increased substantially from the prior year to €40.36 million, primarily on account of the gradual recovery in business following the removal of some of the restrictions imposed by health authorities in relation to the COVID-19 pandemic. Furthermore, the Group opened new Starbucks outlets to a total of 7 by the end of the year.

EBITDA rose markedly to €19.96 million whilst the EBITDA margin rebounded to 49.46%. During the year, the Group received €4.74 million from the COVID-19 Wage Supplement Scheme. Although net finance costs rose by 10.91% to €4.34 million, the interest cover strengthened materially to 4.60 times.



Depreciation and amortisation charges increased marginally to €9.00 million. On the other hand, the share of results of associates more than doubled to €4.47 million, primarily on account of the higher earnings generated by MHC. The Group's operating profit of €10.96 million translated into a margin of 27.16% and a return on invested capital of 5.71%.

Overall, SD Holdings reported a net profit of €10.56 million, achieving a margin of 26.17%.

Revenues increased in **FY2023** to €70.80 million (+75.42%) reflecting the strong underlying dynamics of the post-COVID-19 pandemic recovery. Hotel occupancy increased to 85% (FY2022: 54%) which was higher than the pre COVID-19 level of 81% recorded in FY2020. Moreover, the Group's food and beverage division recorded robust growth partly on the back of the opening of two new restaurants (LOA and Sonora) in St. Paul's Bay and six additional Starbucks outlets to a total of 14 across Malta.

EBITDA grew at a slower pace than revenues and reached €24.75 million. As a result, the EBITDA margin contracted to 34.96% in view of the negative impact of high inflation, an increase in payroll costs and other operational and administrative expenses in anticipation of the planned growth in the Group's operational activities both locally and abroad, and a lower amount of COVID-19 Wage Supplement when compared to the prior year (FY2023: €0.95 million, FY2022: €4.74 million).

Net finance costs increased by 21.82% to €5.29 million, but the interest cover still improved, albeit marginally, to 4.68 times. Meanwhile, the higher level of depreciation and amortisation charges (+6.17% to €9.56 million) was offset by the superior performance of the Group's associates which in FY2023 contributed €5.65 million to the Group's profitability.

Overall, SD Holdings reported a net profit of €12.37 million (+17.13%) which resulted into improved returns on equity (8.41% compared to 7.72% in FY2022) and assets (3.41% compared to 3.11% in FY2022). The return on invested capital also increased year-on-year to 7.78% despite the contraction in the operating profit margin to 21.46%.

For the current financial year ending 31 March **2024**, the Group is forecasting a 13.27% increase in revenues to €80.19 million. The estimated growth is driven by the ongoing recovery in tourism, the continued expansion of catering establishments referred to section 3 of this report and 4 additional Starbucks outlets in Malta. Meanwhile, SD Holdings is also looking at establishing a presence in London through the opening of a new restaurant.

EBITDA is anticipated to increase by 2.43% to €25.35 million, translating into a margin of 31.62%. The deterioration in the EBITDA margin reflects the impact of high inflation, the non-recurrence of the grants received from Government in relation to the COVID-19 Wage Supplement Scheme, the initial costs related to the establishment of new restaurants, and an increase in senior and other personnel as the Group ramps up its activity, expertise and resources in advance of new openings. In view of the projected increase of 13.77% in net finance costs to €6.02 million, the interest cover is forecasted to ease to 4.21 times.

Operating profit is expected to decrease by 12.38% to €13.32 million amid a notable increase of 25.98% in depreciation and amortisation to €12.04 million mainly on account of the increase in restaurants and outlets which are leased from third parties. As a result, the operating profit margin and the return on invested capital are projected to decline to 16.61% and 6.23% respectively.



The share of results of associates is expected to remain unchanged year-on-year at €5.65 million. After accounting for a tax charge of €2.35 million, SD Holdings is forecasting a net profit of €10.60 million which would translate into a margin of 13.22% (FY2023: 17.48%). The return on equity and assets are also expected to trended lower year-on-year to 6.73% and 2.67% respectively.

<b>SD Holdings Limited</b>				
<b>Cash Flow Statement</b>				
<b>For the financial year 31 March</b>				
	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>
	<b>Actual</b>	<b>Actual</b>	<b>Actual</b>	<b>Forecast</b>
	<b>€'000</b>	<b>€'000</b>	<b>€'000</b>	<b>€'000</b>
Net cash from / (used in) operating activities	(5,190)	10,761	22,083	18,984
Net cash from / (used in) investing activities	(3,147)	(4,993)	(7,697)	(36,164)
Net cash from / (used in) financing activities	15,558	2,116	(113)	21,335
<b>Net movement in cash and cash equivalents</b>	<b>7,221</b>	<b>7,884</b>	<b>14,273</b>	<b>4,155</b>
Cash and cash equivalents at beginning of year	24,361	31,582	39,466	53,740
<b>Cash and cash equivalents at end of year</b>	<b>31,582</b>	<b>39,466</b>	<b>53,740</b>	<b>57,895</b>

### **Cash Flow Statement**

Net cash generated from operating activities in **FY2022** amounted to €10.76 million compared to a net outflow of €5.19 million in FY2021. The positive variance of €15.95 million was principally due to the significant recovery in operational activities registered in FY2022.

During the year, SD Holdings used €4.99 million for its investing activities (FY2021: €3.15 million) mainly related to the acquisition of PPE as well as capital expenditure in relation to the Group's investment property. On the other hand, cash generated from financing activities amounted to €2.12 million (FY2021: €15.56 million) and mainly comprised advances from associates of €2.99 million less lease obligations amounting to €0.74 million. In the prior year, the Group obtained a €10 million loan through the Malta Development Bank COVID-19 Guarantee Scheme and a further €6.5 million was advanced by associates.

Net cash generated from operating activities in **FY2023** increased substantially to €22.08 million reflecting the material growth in business. Cash used in investing activities for the financial year amounted to €10.4 million, which was primarily applied for the purposes of completing the new catering and Starbucks outlets (classified as property, plant and equipment in the statement of financial position) and capital expenditure in relation to the Group's investment property. Cash inflows relating to investing activities amounted to €2.7 million and represented a dividend received from associates.

Cash outflows relating to financing activities amounted to €0.11 million, which comprised cash receipts of €2.14 million and €2.94 million from bank borrowings and associates respectively, offset by repayments of bank borrowings of €3.57 million and the payment of leases amounting to €1.62 million.

For **FY2024**, the Group is projecting net cash inflows of €18.98 million from its operating activities. These, together with the estimated net cash inflows of €21.34 million from financing activities, are expected to support the Group's investing activities amounting to €36.16 million, the majority of which will be directed towards the City Centre project and shall include emphyteutical concession payments as well as advance payments to contractors. Overall, the Group expects to end the 2024 financial year with a cash balance of €57.90 million compared to €53.74 million as at 31 March 2023.



<b>SD Holdings Limited</b>				
<b>Statement of Financial Position</b>				
<b>As at 31 March</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>
	<b>Actual</b>	<b>Actual</b>	<b>Actual</b>	<b>Forecast</b>
	<b>€'000</b>	<b>€'000</b>	<b>€'000</b>	<b>€'000</b>
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant and equipment	187,210	183,853	184,344	205,545
Investment property	78,050	80,660	82,628	82,628
Intangible assets	890	908	929	929
Investments in associates	11,556	15,890	19,047	24,697
Right-of-use assets	6,208	9,901	15,366	24,371
Deferred tax assets	3,986	4,581	1,952	539
Trade and other receivables	210	333	335	335
	<u>288,110</u>	<u>296,126</u>	<u>304,602</u>	<u>339,044</u>
<b>Current assets</b>				
Inventories	1,335	1,472	2,018	2,218
Trade and other receivables	7,199	12,169	13,546	16,600
Current tax assets	-	-	1,509	1,271
Cash and cash equivalents	31,820	40,188	54,419	57,895
	<u>40,354</u>	<u>53,829</u>	<u>71,492</u>	<u>77,984</u>
<b>Total assets</b>	<b><u>328,464</u></b>	<b><u>349,955</u></b>	<b><u>376,094</u></b>	<b><u>417,028</u></b>
<b>EQUITY</b>				
<b>Capital and reserves</b>				
Share capital	4,000	4,000	4,000	4,000
Reserves	87,159	87,005	86,879	86,880
Retained earnings	40,345	51,063	61,290	71,894
	<u>131,504</u>	<u>142,068</u>	<u>152,170</u>	<u>162,774</u>
<b>LIABILITIES</b>				
<b>Non-current liabilities</b>				
Bonds	64,401	64,491	64,585	64,585
Bank borrowings	15,502	13,630	12,115	34,205
Lease liabilities	5,927	9,750	15,343	22,037
Other non-current liabilities	77,603	78,088	77,183	75,951
	<u>163,433</u>	<u>165,959</u>	<u>169,225</u>	<u>196,778</u>
<b>Current liabilities</b>				
Bank overdrafts	237	722	680	-
Bank borrowings	2,404	4,047	4,037	3,951
Lease liabilities	581	675	791	2,334
Other current liabilities	30,305	36,484	49,192	51,191
	<u>33,527</u>	<u>41,928</u>	<u>54,699</u>	<u>57,476</u>
<b>Total liabilities</b>	<b><u>196,960</u></b>	<b><u>207,887</u></b>	<b><u>223,924</u></b>	<b><u>254,254</u></b>
<b>Total equity and liabilities</b>	<b><u>328,464</u></b>	<b><u>349,955</u></b>	<b><u>376,094</u></b>	<b><u>417,028</u></b>
<i>Total debt</i>	<i>89,052</i>	<i>93,315</i>	<i>97,550</i>	<i>127,112</i>
<i>Net debt</i>	<i>57,232</i>	<i>53,127</i>	<i>43,130</i>	<i>69,217</i>
<i>Invested capital (total equity plus net debt)</i>	<i>188,736</i>	<i>195,195</i>	<i>195,300</i>	<i>231,991</i>





Key Financial Ratios	FY2021 Actual	FY2022 Actual	FY2023 Actual	FY2024 Forecast
Net debt-to-EBITDA ( <i>times</i> ) ( <i>Net debt / EBITDA</i> )	16.63	2.66	1.74	2.73
Net debt-to-equity ( <i>times</i> ) ( <i>Net debt / total equity</i> )	0.44	0.37	0.28	0.43
Net gearing (%) ( <i>Net debt / net debt and total equity</i> )	30.32	27.22	22.08	29.84
Debt-to-asset ( <i>times</i> ) ( <i>Total debt / total assets</i> )	0.27	0.27	0.26	0.30
Leverage ( <i>times</i> ) ( <i>Total assets / total equity</i> )	2.50	2.46	2.47	2.56
Current ratio ( <i>times</i> ) ( <i>Current assets / current liabilities</i> )	1.20	1.28	1.31	1.36

### Statement of Financial Position

Total assets as at 31 March **2022** amounted to €349.96 million (31 March 2021: €328.46 million) and principally comprised the major assets listed in Section 7 of this Analysis amounting to €256.75 million (31 March 2021: €259.11 million), investments in associates of €15.89 million (31 March 2021: €11.56 million), and cash balances of €40.19 million (31 March 2021: €31.82 million).

Right-of-use assets increased from €6.21 million in FY2021 to €9.90 million on account of additional properties leased by the Group and operated as food and beverage outlets. Trade and other receivables were higher on a year-on-year basis by 68.74% to €12.50 million (31 March 2021: €7.41 million) and reflect the increase in business operations from the previous financial year.

Total liabilities amounted to €207.89 million (31 March 2021: €196.96 million) and included total debt of €93.32 million (31 March 2021: €89.05 million). Other liabilities of €114.57 million mainly comprised trade and other payables of €95.50 million (31 March 2021: €89.90 million) of which €52.76 million (31 March 2021: €52.43 million) represented amounts due to Government in relation to purchase of land.

The net gearing ratio decreased by 310 basis points in FY2022 to 27.22% (31 March 2021: 30.32%). The net debt-to-EBITDA multiple and the net debt-to-equity ratio also improved year-on-year to 2.66 times (31 March 2021: 16.63 times) and 0.37 times (31 March 2021: 0.44 times) respectively. Likewise, the current ratio strengthened to 1.28 times from 1.20 times in FY2021 as at the end of FY2021.

The Group's asset base expanded by 7.47% (or €26.14 million) in **FY2023** to €376.09 million. Year-on-year, the most material increase related to cash balances which rose by 35.41% (or €14.23 million) to €54.42 million. Furthermore, non-current assets increased by €8.48 million to €304.60 million principally on account of the higher value of investment property (+€1.97 million to €82.63 million), investments in associates (+€3.16 million to €19.05 million), and right-of-use assets (+€5.47 million to €15.37 million). On the other hand, deferred tax assets decreased by €1.95 million on a comparable basis.

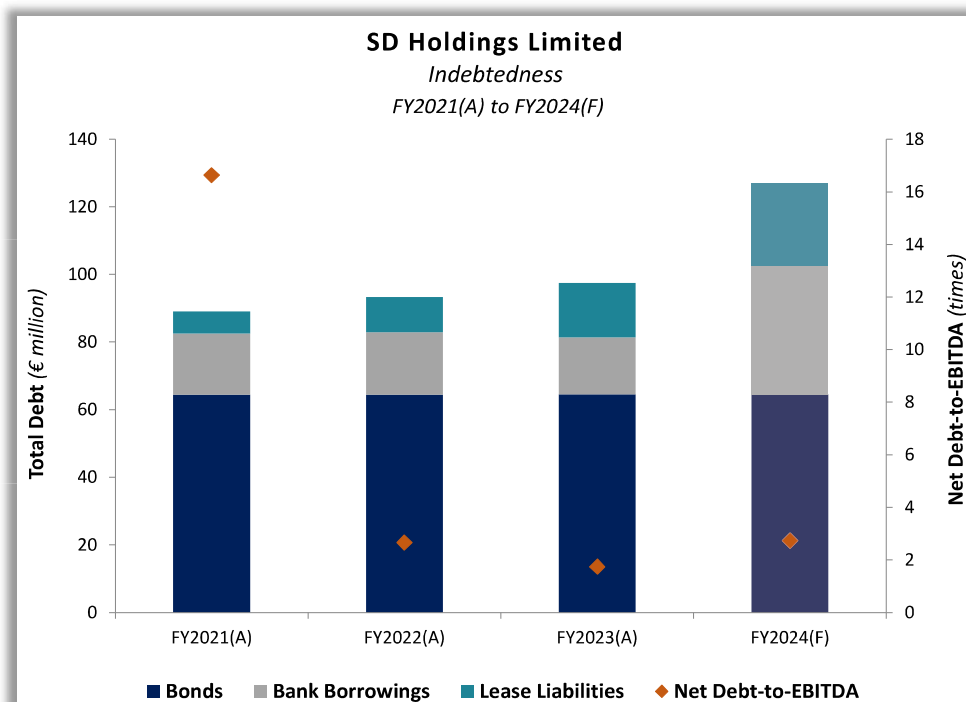


Total liabilities increased by 7.71% to €223.92 million reflecting the higher level of debt to €97.55 million (+4.54%) and other liabilities (+€11.80 million to €126.38 million). The increase in debt was driven by an increase in lease liabilities in consequence of the additional catering establishments and other concessions. In view of the upsurge in cash balances, net debt dropped by 18.82% to €43.13 million. Coupled with a strong increase in EBITDA, the net debt-to-EBITDA multiple fell to 1.74 times. Likewise, the debt-to-asset ratio and the current ratio improved year-on-year to 0.26 times and 1.31 times respectively.

During FY2023, the Group's equity based strengthened to €152.17 million (+7.11%) on account of higher retained earnings. Coupled with the reduction in net debt, the Group's net debt-to-equity and net gearing moved lower to 0.28 times and 22.08% respectively.

Total assets in **FY2024** are projected to increase by 10.88% (or +€40.93 million) to €417.03 million mainly reflecting the higher levels of PPE (+€21.20 million to €205.55 million), right-of-use assets (+€9.00 million to €24.37 million), investments in associates (+€5.65 million to €24.70 million), and current assets (+€6.49 million to €77.98 million). The notable forecasted increase in PPE is on account of civil works appertaining to the City Centre project and to a lesser extent, fitout works in relation to the Group's new catering and Starbucks outlets.

Total liabilities are estimated to increase by 13.54% to €254.25 million mainly on account of an increase in total debt of €29.56 million to €127.11 million. Long-term bank borrowings are projected to increase by €22.09 million and shall be applied for the purposes of the City Centre project. Lease liabilities are expected to increase by €8.24 million to €24.37 million, reflecting the terms of lease obligations of the Group as lessee. Despite the further strengthening of the Group's equity base to €162.77 million (+6.97% to €162.77 million), the net debt-to-equity and net gearing ratios are projected to moved higher to 0.43 times and 29.84% respectively. Likewise, the net debt-to-EBITDA multiple and the debt-to-asset ratio are anticipated to trend higher to 2.73 times and 0.30 times respectively.



### 13. VARIANCE ANALYSIS

The following information relates to the variance analysis between the forecasts for the financial year ended 31 March 2023 included in the Analysis dated 26 September 2022 and the audited consolidated financial statements for the financial year ended 31 March 2023.

<b>SD Holdings Limited</b>			
<b>Income Statement</b>			
<b>For the financial year 31 March</b>			
	<b>2023</b>	<b>2023</b>	<b>Variance</b>
	<b>Actual</b>	<b>Forecast</b>	
	<b>€'000</b>	<b>€'000</b>	<b>€'000</b>
Revenue	70,799	61,979	8,820
Net operating costs	(46,047)	(37,508)	(8,539)
<b>EBITDA</b>	<b>24,752</b>	<b>24,471</b>	<b>281</b>
Depreciation and amortisation	(9,555)	(10,530)	975
<b>Operating profit</b>	<b>15,197</b>	<b>13,941</b>	<b>1,256</b>
Net finance costs	(5,288)	(4,596)	(692)
Share of results of associates	5,651	4,491	1,160
<b>Profit before tax</b>	<b>15,560</b>	<b>13,836</b>	<b>1,724</b>
Taxation	(3,185)	(1,450)	(1,735)
<b>Profit for the year</b>	<b>12,374</b>	<b>12,386</b>	<b>(12)</b>
<b>Other comprehensive income</b>			
Other movements	126	-	126
<b>Total comprehensive income, net of tax</b>	<b>12,500</b>	<b>12,386</b>	<b>114</b>

#### **Income Statement**

From a revenue perspective, the Group exceeded forecasts by 14.23% reflecting the better-than-expected recovery in tourism and leisure activities. On the other hand, net operating costs came in higher than anticipated on account of the increased volume of business as well as the negative impact of high inflation. As a result, EBITDA only exceeded projections by 1.15%.

Depreciation and amortisation charges were lower than estimated by 9.26% amid a lower level of capital expenditure pursued throughout the year. Equally positive was the share of results of associates which exceeded forecasts by 25.83% largely in view of the stronger performance of MHC as well as the effect of the Group's increased shareholding in Kore Air Services Limited and Kore Inflight Services Ltd to 40% from 30% as at the end of 31 March 2023. On the other hand, net finance costs exceeded projections by 15.06% on account of the higher level of interest incurred on floating rate loans in line with movements across international financial markets.

Overall, the net profit of €12.37 million registered by the Group during FY2023 was only 0.10% lower than the forecasted figure of €12.39 million.



SD Holdings Limited			Variance €'000
Cash Flow Statement			
For the financial year 31 March			
2023 Actual €'000	2023 Forecast €'000		
Net cash from / (used in) operating activities	22,083	18,162	3,921
Net cash from / (used in) investing activities	(7,697)	(18,000)	10,303
Net cash from / (used in) financing activities	(113)	12,833	(12,946)
<b>Net movement in cash and cash equivalents</b>	<b>14,273</b>	<b>12,995</b>	<b>1,278</b>
Cash and cash equivalents at beginning of year	39,466	39,466	-
<b>Cash and cash equivalents at end of year</b>	<b>53,740</b>	<b>52,461</b>	<b>1,278</b>

### **Cash Flow Statement**

Net movement in cash and cash equivalents amounted to €14.27 million compared to the forecasted figure of €13.00 million. Net cash generated from operating activities were positively impacted by the higher level of business than previously anticipated as well as favourable movements in working capital. On the other hand, the variances appertaining to net cash movements in investing and financing activities related to delays in commencing the City Centre project.

Overall, the Group ended the 2023 financial year with a cash balance of €53.74 million compared to the estimated figure of €52.46 million.

### **Statement of Financial Position**

Total assets as at 31 March 2023 amounted to €376.09 million – €1.56 million lower than the forecasted figure of €377.66 million. The major variance in this respect related to the lower level of current trade and other receivables on account of the delays in court judgments related to the commencement of the City Centre project which impacted the deposits that were due to be made to contractors.

On the liabilities side, the major variances related to other current liabilities and debt. These were mainly due to the higher level of lease liabilities appertaining to the lease agreements signed and entered into throughout FY2023, as well as the delay in the issuance of the full executable permit for the City Centre project.

SD Holdings ended the 2023 financial year with an equity position of €152.17 million compared to the estimated figure of €154.45 million. The main variance in this respect was the lower level of retained earnings as during the year, the Group distributed a dividend of €2.27 million which was not previously accounted for.



<b>SD Holdings Limited</b>			
<b>Statement of Financial Position</b>			
<b>As at 31 March</b>	<b>2023</b>	<b>2023</b>	<b>Variance</b>
	<b>Actual</b>	<b>Forecast</b>	
	<b>€'000</b>	<b>€'000</b>	<b>€'000</b>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	184,344	180,519	3,825
Investment property	82,628	80,660	1,968
Intangible assets	929	890	39
Investments in associates	19,047	20,381	(1,334)
Right-of-use assets	15,366	14,144	1,222
Deferred tax assets	1,952	4,581	(2,629)
Trade and other receivables	335	333	2
	<u>304,602</u>	<u>301,508</u>	<u>3,094</u>
<b>Current assets</b>			
Inventories	2,018	1,672	346
Trade and other receivables	13,546	22,014	(8,468)
Current tax assets	1,509	-	1,509
Cash and cash equivalents	54,419	52,461	1,958
	<u>71,492</u>	<u>76,147</u>	<u>(4,655)</u>
<b>Total assets</b>	<b><u>376,094</u></b>	<b><u>377,655</u></b>	<b><u>(1,561)</u></b>
<b>EQUITY</b>			
<b>Capital and reserves</b>			
Share capital	4,000	4,000	-
Reserves	86,879	87,005	(126)
Retained earnings	61,290	63,449	(2,159)
	<u>152,170</u>	<u>154,454</u>	<u>(2,284)</u>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Bonds	64,585	64,585	-
Bank borrowings	12,115	22,877	(10,763)
Lease liabilities	15,343	13,437	1,906
Other non-current liabilities	77,183	76,857	326
	<u>169,225</u>	<u>177,756</u>	<u>(8,531)</u>
<b>Current liabilities</b>			
Bank overdrafts	680	200	480
Bank borrowings	4,037	4,659	(622)
Lease liabilities	791	1,126	(335)
Other current liabilities	49,192	39,460	9,732
	<u>54,699</u>	<u>45,445</u>	<u>9,254</u>
<b>Total liabilities</b>	<b><u>223,924</u></b>	<b><u>223,201</u></b>	<b><u>723</u></b>
<b>Total equity and liabilities</b>	<b><u>376,094</u></b>	<b><u>377,655</u></b>	<b><u>(1,561)</u></b>
<i>Total debt</i>	<i>97,550</i>	<i>106,884</i>	<i>(9,334)</i>
<i>Net debt</i>	<i>43,130</i>	<i>54,423</i>	<i>(11,293)</i>
<i>Invested capital (total equity plus net debt)</i>	<i>195,300</i>	<i>208,877</i>	<i>(13,577)</i>



## PART 3 – COMPARATIVE ANALYSIS

The table below provides a comparison between the Group and its bonds with other debt issuers listed on the Malta Stock Exchange and their respective debt securities. Although there are significant variances between the activities of SD Holdings and other issuers (including different industries, principal markets, competition, capital requirements etc.), and material differences between the risks associated with the Group's business and that of other issuers, the comparative analysis serves as an indication of the financial strength and creditworthiness of the Group.

Comparative Analysis*	Amount Issued (€'000)	Yield-to-Maturity (%)	Interest Cover (times)	Net Debt-to-EBITDA (times)	Net Gearing (%)	Debt-to-Assets (times)
6.00% AX Investments plc Unsecured & Guaranteed 2024	40,000	4.84	1.75	14.74	30.01	0.28
6.00% International Hotel Investments plc Unsecured 2024	35,000	3.73	1.87	11.42	41.92	0.40
5.30% Mariner Finance plc Unsecured 2024	17,684	5.29	4.72	5.95	49.91	0.49
5.00% Hal Mann Vella Group plc Secured 2024	30,000	4.88	2.42	9.45	51.80	0.44
5.10% 1923 Investments plc Unsecured 2024	36,000	5.07	4.81	2.94	47.79	0.40
4.25% Best Deal Properties Holding plc Secured & Guaranteed 2024	6,365	3.58	13.29	4.71	63.61	0.65
5.75% International Hotel Investments plc Unsecured 2025	45,000	5.10	1.87	11.42	41.92	0.40
5.10% 6PM Holdings plc Unsecured 2025	13,000	5.09	10.95	0.38	11.16	0.17
4.50% Hili Properties plc Unsecured & Guaranteed 2025	37,000	4.49	1.80	12.53	45.87	0.46
3.70% Gap Group plc Secured & Guaranteed 2023/2025	12,308	3.69	33.21	4.85	56.20	0.69
4.35% Hudson Malta plc Unsecured & Guaranteed 2026	12,000	4.34	6.11	4.89	71.67	0.57
4.25% CPHL Finance plc Unsecured & Guaranteed 2026	40,000	4.24	1.66	12.42	42.45	0.40
4.00% International Hotel Investments plc Secured 2026	55,000	4.18	1.87	11.42	41.92	0.40
5.00% Diz Finance plc Unsecured & Guaranteed 2026	8,000	4.78	1.91	10.70	79.93	0.59
3.75% Premier Capital plc Unsecured 2026	65,000	5.11	11.25	2.09	61.67	0.56
4.00% International Hotel Investments plc Unsecured 2026	60,000	5.35	1.87	11.42	41.92	0.40
3.25% AX Group plc Unsecured 2026	15,000	4.24	1.75	14.74	30.01	0.28
3.90% Gap Group plc Secured & Guaranteed 2024/2026	21,000	4.22	33.21	4.85	56.20	0.69
4.00% Hili Finance Company plc Unsecured & Guaranteed 2027	50,000	4.62	4.64	4.84	69.79	0.63
4.35% SD Finance plc Unsecured & Guaranteed 2027	65,000	4.80	4.68	1.74	22.08	0.26
4.00% Eden Finance plc Unsecured & Guaranteed 2027	40,000	5.54	4.24	5.37	25.33	0.23
5.25% Mediterranean Investments Holding plc Unsecured & Guaranteed 2027	30,000	5.24	3.79	3.30	22.75	0.21
4.00% Stivala Group Finance plc Secured & Guaranteed 2027	45,000	4.00	5.61	4.81	28.97	0.26
4.75% Best Deal Properties Holding Plc Secured & Guaranteed 2025/2027	15,000	4.55	13.29	4.71	63.61	0.65
4.75% Gap Group plc Secured & Guaranteed 2025/2027	23,000	4.49	33.21	4.85	56.20	0.69
3.85% Hili Finance Company plc Unsecured & Guaranteed 2028	40,000	4.78	4.64	4.84	69.79	0.63
5.85% Mediterranean Investments Holding plc Unsecured & Guaranteed 2028	20,000	5.26	3.79	3.30	22.75	0.21
3.65% Stivala Group Finance plc Secured & Guaranteed 2029	15,000	3.84	5.61	4.81	28.97	0.26
3.80% Hili Finance Company plc Unsecured & Guaranteed 2029	80,000	4.58	4.64	4.84	69.79	0.63
3.75% AX Group plc Unsecured 2029	10,000	3.75	1.75	14.74	30.01	0.28
6.25% GPH Malta Finance plc Unsecured & Guaranteed 2030	18,144	5.87	1.73	7.63	94.01	0.75
3.65% International Hotel Investments plc Unsecured 2031	80,000	4.63	1.87	11.42	41.92	0.40
3.50% AX Real Estate plc Unsecured 2032	40,000	4.29	2.31	13.83	42.36	0.41
5.00% Mariner Finance plc Unsecured 2032	36,930	5.00	4.72	5.95	49.91	0.49
4.50% The Ona plc Secured & Guaranteed 2028/2034	16,000	4.51	44.17	9.76	64.11	0.59
5.50% Juel Group plc Secured & Guaranteed 2035	32,000	5.16	3.35	11.26	55.24	0.51

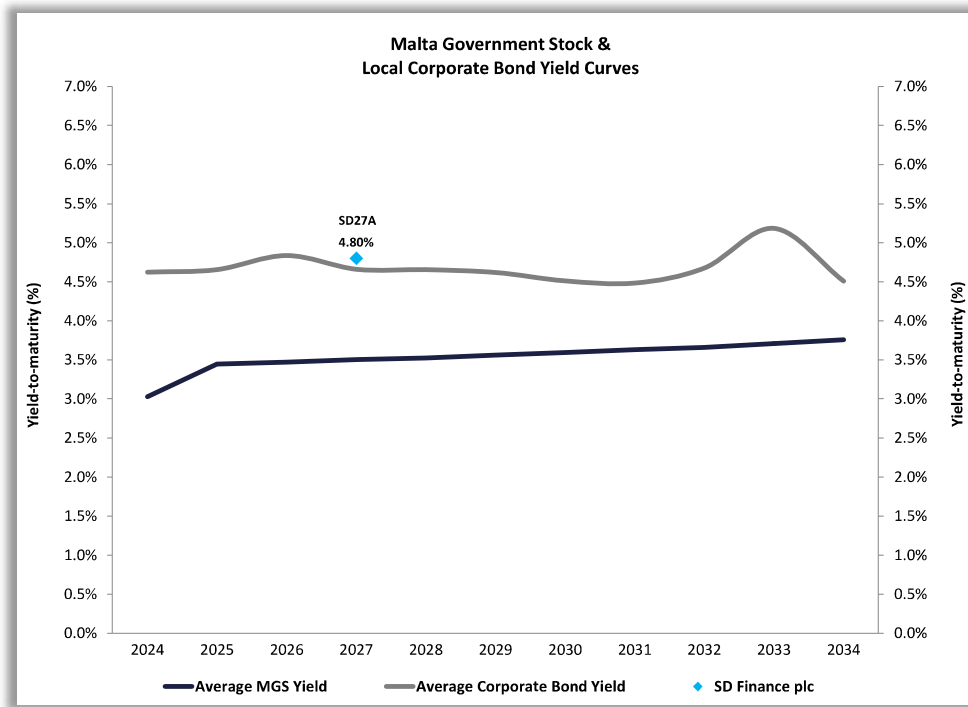
\*As at 31 August 2023

Sources: Malta Stock Exchange

M.Z. Investment Services Limited

Most recent audited annual financial statements except for Juel Group plc (FY2024 – forecast)





The **4.35% SD Finance plc unsecured and guaranteed bonds 2027** had a yield-to-maturity (“YTM”) of 4.80% as at 31 August 2023, which was 14 basis points higher than the average YTM of 4.66% of other local corporate bonds maturing in the same year. The premium over the corresponding Malta Government Stock yield of equivalent maturity stood at 130 basis points.



## PART 4 – EXPLANATORY DEFINITIONS

### Income Statement

<i>Revenue</i>	Total income generated from business activities.
<i>EBITDA</i>	Earnings before interest, taxes, depreciation, and amortisation. It is a metric used for gauging a company's operating performance, excluding the impact of its capital structure, and is usually interpreted as a loose proxy for operating cash flow generation.
<i>Operating profit</i>	Profit from operating activities excluding the share of results of associates, net finance costs, and taxation.
<i>Share of results of associates</i>	Share of profit from companies in which the Group does not have a majority shareholding.
<i>Profit after tax</i>	Net profit generated from all business activities.

### Profitability Ratios

<i>EBITDA margin</i>	EBITDA as a percentage of revenue.
<i>Operating profit margin</i>	Adjusted operating profit as a percentage of total revenue.
<i>Net profit margin</i>	Profit after tax as a percentage of total revenue.
<i>Return on equity</i>	Measures the rate of return on the Group's net assets and is computed by dividing the net profit by average equity.
<i>Return on assets</i>	Measures the rate of return on the Group's assets and is computed by dividing the net profit by average assets.
<i>Return on invested capital</i>	Measures the rate of return from core operations and is computed by dividing operating profit by the average amount of equity and net debt.

### Cash Flow Statement

<i>Net cash flow from / (used in) operating activities</i>	The amount of cash generated (or consumed) from the normal conduct of business.
<i>Cash flow from / (used in) investing activities</i>	The amount of cash generated (or consumed) from activities related to the acquisition, disposal, and/or development of long-term assets and other investments.
<i>Cash flow from / (used in) financing activities</i>	The amount of cash generated (or consumed) that have an impact on the Group's capital structure and thus result in changes to share capital and borrowings.





## Statement of Financial Position

<i>Non-current assets</i>	These represent long-term investments which full value will not be realised within the next twelve months. Such assets, which typically include property, plant, equipment, and investment property, are capitalised rather than expensed, meaning that a company amortises the cost of the asset over the number of years for which the asset will be in use instead of allocating the entire cost to the accounting year in which the asset was acquired.
<i>Current assets</i>	All assets which could be realisable within a twelve-month period from the balance sheet date. Such amounts may include development stock, accounts receivable, cash and bank balances.
<i>Non-current liabilities</i>	These represent long-term financial obligations which are not due within the next twelve months, and typically include long-term borrowings and debt securities.
<i>Current liabilities</i>	Liabilities which fall due within the next twelve months from the balance sheet date, and typically include accounts payable and short-term debt.
<i>Total equity</i>	Represents the residual value of the business (assets minus liabilities) and typically includes the share capital, reserves, as well as retained earnings.

## Financial Strength / Credit Ratios

<i>Interest cover</i>	Measures the extent of how many times a company can pay its net finance costs from EBITDA.
<i>Net debt-to-EBITDA</i>	Measures how many years it will take a company to pay off its net interest-bearing liabilities (including lease liabilities) from its EBITDA generation capabilities, assuming that net debt and EBITDA are held constant.
<i>Net debt-to-equity</i>	Shows the proportion of net debt (including lease liabilities) to the amount of equity.
<i>Net gearing</i>	Shows the proportion of equity and net debt used to finance a company's business and is calculated by dividing a company's net debt by net debt plus equity.
<i>Debt-to-asset</i>	Shows the degree to which a company's assets are funded by debt and is calculated by dividing all interest-bearing liabilities by total assets.
<i>Leverage</i>	Shows how much equity a company is using to finance its assets.
<i>Current ratio</i>	Measures whether or not a company has enough resources to pay its short-term liabilities from its short-term assets.

