

Financial Analysis Summary

4 July 2018

Issuer

Hili Finance Company p.l.c.

Guarantor

Hili Ventures Limited

The Directors
Hili Finance Company p.l.c.
Nineteen Twenty Three
Valletta Road
Marsa MRS 3000
Malta

4 July 2018

Dear Sirs

Financial Analysis Summary

In accordance with your instructions, and in line with the requirements of the Listing Authority 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 the financial analysis is that of summarising key financial data appertaining to Hili Finance Company p.l.c. (the "**Issuer**") and Hili Ventures Limited (the "**Guarantor**" or "**Hili Ventures**" or "**Group**"). The data is derived from various sources or is based on our own computations as follows:

- (a) Historical financial data for the three years ended 31 December 2015 to 31 December 2017 has been extracted from audited financial statements of the Guarantor for the three years in question.
- (b) The forecast data for the years ending 31 December 2018 and 31 December 2019 has been provided by management.
- (c) Our commentary on the results of the Guarantor and on its financial position is based on the explanations provided by management.
- (d) The ratios quoted in the Analysis have been computed by us applying the definitions set out in Part 7.
- (e) Relevant financial data in respect of the companies included in Part 6 has been extracted from public sources such as websites of the companies concerned, financial statements filed with the Registrar of Companies or websites providing financial data.

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

Yours faithfully,



Evan Mohnani

Head – Corporate Finance

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PART 1 – INFORMATION ABOUT THE ISSUER AND GUARANTOR

1. ISSUER'S KEY ACTIVITIES

Hili Finance Company p.l.c. (the “**Issuer**”) was established on 6 April 2018 as a wholly-owned subsidiary of Hili Ventures Limited (the “**Guarantor**”) (the ultimate parent of Hili Ventures), save for 1 Ordinary share which is held by APM Holdings Limited (C 30527). The principal object of the Issuer is to purchase or otherwise acquire, under any title whatsoever, to hold and manage, by any title, assets including but not limited to securities and other financial interests.

The Issuer's intended purpose is to raise finance for the business of the Group through the Guarantor. In this respect, the Issuer is mainly dependent on the business prospects of the Guarantor and Hili Ventures.

2. DIRECTORS OF THE ISSUER

The Issuer is managed by a Board comprising five directors who are entrusted with its overall direction and management. The Board members of the Issuer as at the date of this report are included hereunder:

Board of Directors

Carmelo <i>sive</i> Melo Hili	Non-Executive Chairman
Geoffrey Camilleri	Executive Director
Dorian Desira	Non-Executive Director
Jacqueline Camilleri	Independent Non-Executive Director
Mario Vella	Independent Non-Executive Director

3. GUARANTOR'S KEY ACTIVITIES

The Guarantor was established in 2012 and principally acts as the investment holding company of the Group to which it provides management and consultancy services. The Guarantor is principally engaged, through Subsidiaries, in investments that are predominantly involved in the business sectors described below:

- **Premier Capital p.l.c.** is involved in the operations of McDonald's restaurants in Estonia, Greece, Latvia, Lithuania, Malta and Romania.
- **1923 Investments p.l.c.** (formerly PTL Holdings p.l.c.) is the investment operating division of Hili Ventures, other than the operation of McDonald's restaurants as described hereinabove and the property division which is managed by Hili Properties p.l.c. 1923 Investments p.l.c. is presently engaged in the sale and distribution of Apple products as an Apple Premium Reseller in Poland, Hungary and Romania; the sale, maintenance and servicing of information technology solutions, security systems and the provision of electronic payment solutions; and transport and logistics in Malta and Poland, including air, road, sea and rail freight forwarding, clearances and deliveries, customs brokerage, parcel services, warehousing, ship agency, ship-to-ship operations and project cargo.
- **Hili Properties p.l.c.** is the parent company of the property division of Hili Ventures, and owns and manages a property portfolio comprising commercial and retail property in Europe.
- **Motherwell Bridge Industries Limited** (“Motherwell Bridge”) is primarily engaged in providing engineering services related to port equipment and crane assembly. Through the acquisition of Techniplus S.A. in 2016, Motherwell Bridge is now also involved in providing maintenance services of port equipment and crane assembly in Morocco and neighbouring countries.

As the holding company of Hili Ventures, the Guarantor is ultimately dependent upon the operations, performance and business prospects of the above-mentioned Subsidiaries.

4. DIRECTORS OF THE GUARANTOR

The Guarantor is managed by a Board consisting of five directors entrusted with its overall direction and management, including the establishment of strategies for future development. In the execution of the strategic direction, investment and management oversight of the Group, the Board is assisted by the senior officers of the operating business entities within Hili Ventures.

The Board members of the Guarantor as at the date of this report are included hereunder:

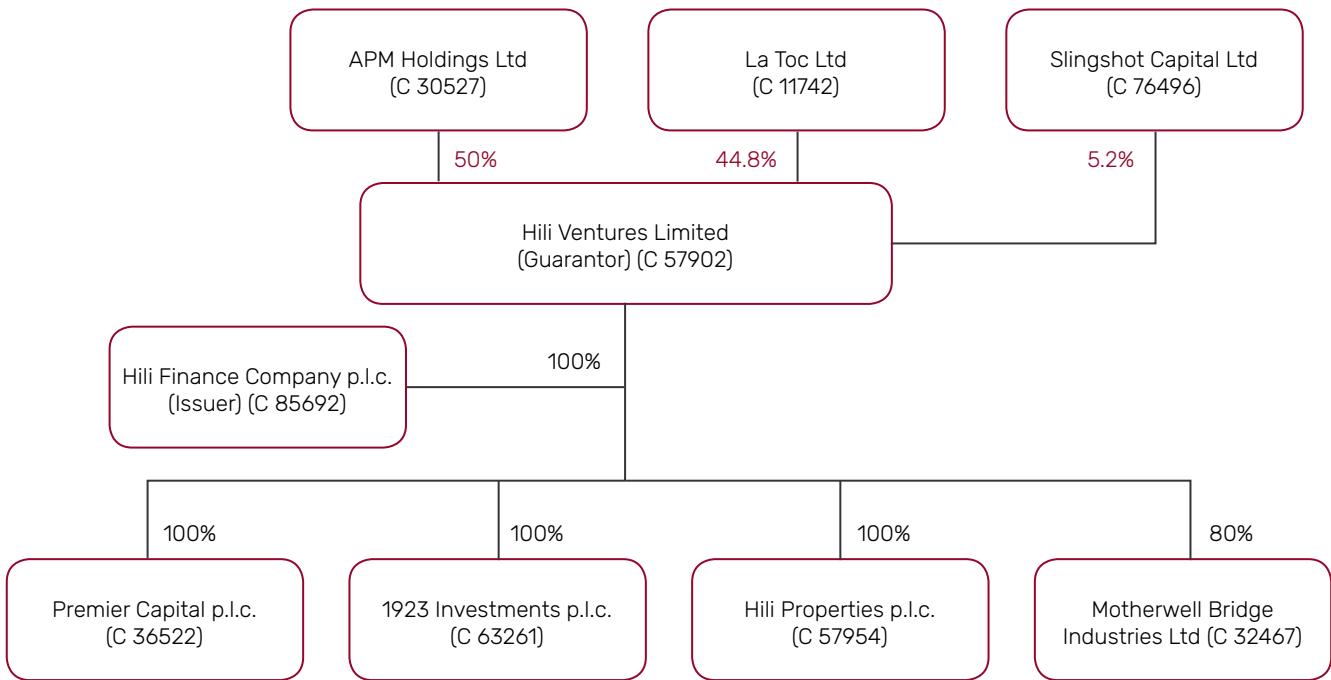
Board of Directors

Steve Tarr	Chairman
Carmelo sive Melo Hili	Chief Executive Officer
Richard Abdilla Castillo	Director
Victor Tedesco	Director
Jesmond Mizzi	Independent Non-Executive Director

The weekly average number of employees engaged with the companies forming part of the Group during FY2017 amounted to 7,003 persons (FY2016: 6,727).

5. HILI VENTURES ORGANISATIONAL STRUCTURE

The diagram below illustrates the principal subsidiaries and associates within the organisational structure of the Group.



A description and analysis of the operational activities of each of Premier Capital p.l.c., 1923 Investments p.l.c. and Hili Properties p.l.c. is included in their respective financial analysis reports. The said reports have been published and are available on their respective websites: www.premiercapital.com.mt; www.1923investments.com; www.hiliproperties.com

6. OVERVIEW OF HILI VENTURES' REVENUE SEGMENTS

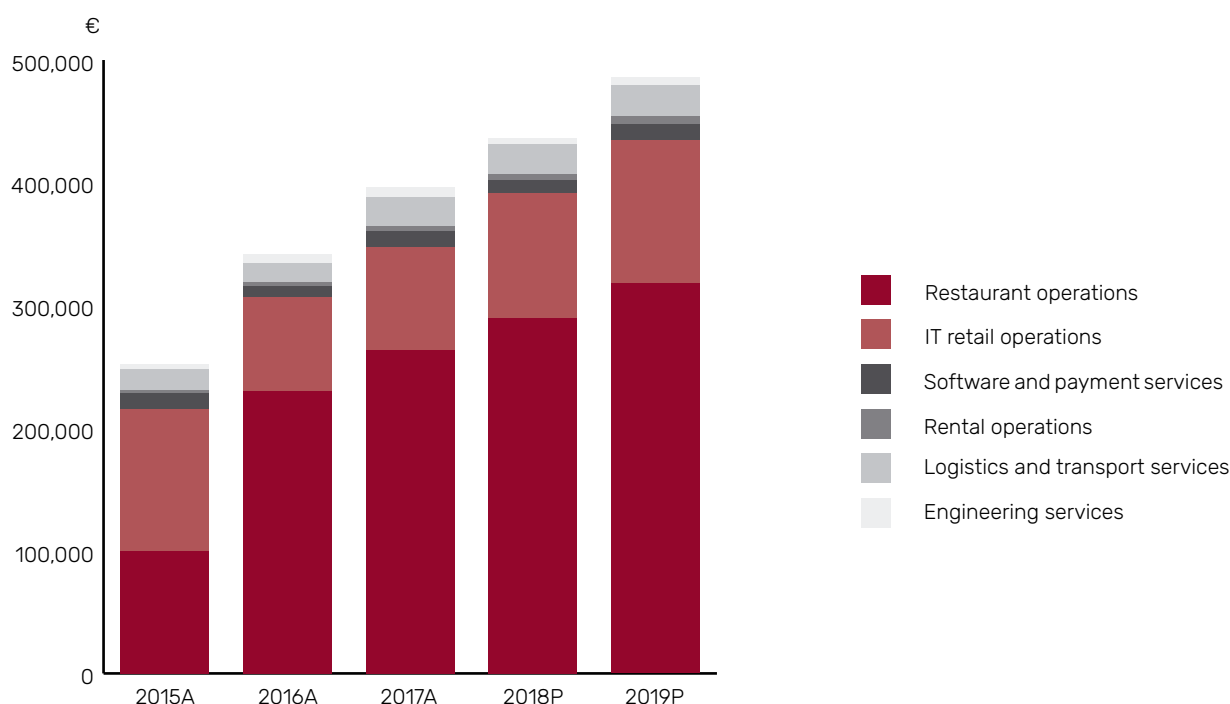
The following historical information on Hili Ventures has been extracted from the audited consolidated financial statements of the Guarantor for the years ended 31 December 2015 to 2017, while the projections relating to FY2018 and FY2019 have been provided by management.

Hili Ventures Limited

Group Revenue by Activity

for the year ended 31 December

	2015	2016	2017	2018	2019
	Actual	Actual	Actual	Projection	Projection
	€000	€000	€000	€000	€000
Restaurant operations	99,938	230,161	263,419	289,580	317,792
IT retail operations	115,600	76,215	83,974	101,662	116,999
Software and payment services	12,525	9,473	12,764	11,025	12,984
Rental operations	2,513	3,152	4,589	4,882	6,506
Logistics and transport services	17,161	15,522	22,907	23,783	25,159
Engineering services	4,715	6,716	8,835	5,081	6,299
Total revenue	252,452	341,239	396,488	436,013	485,739



'Restaurant operations' revenue is generated by Premier Capital p.l.c. and comprises the operation of McDonald's restaurants in Estonia, Greece, Latvia, Lithuania, Malta and Romania. The McDonald's franchise for Malta was awarded in 1995 and that of the Baltic States in 2007. Four years later, in 2011, Premier Capital p.l.c. was awarded the developmental license for McDonald's in Greece and on 22 January 2016, Premier Capital p.l.c. acquired 90% shareholding in Premier Capital SRL, which indirectly operates the McDonald's restaurants in Romania. During the past 3 financial years, the average number of restaurants increased from 63 restaurants in FY2015 to 133 and 140 restaurants in FY2016 and FY2017 respectively, principally as a result of the acquisition in Romania. In FY2017, 'restaurant operations' revenue represented *circa* 66% of Hili Ventures' total revenue. In the projected years FY2018 and FY2019, the number of restaurants is set to increase from 140 to 150 and 161 respectively, and revenue is forecasted to increase y-o-y by 10% in each of FY2018 and FY2019.

Revenue activities entitled 'IT retail operations', 'software and payment services' and 'logistics and transport services' relate to operations undertaken by 1923 Investments p.l.c. 'IT retail operations' primarily refers to the business operations of iSpot Holdings B.V. and its Subsidiaries ("iSpot"), and is principally engaged in retailing Apple products in Poland through 26 stores (2016: 25 stores) under the iSpot brand, together with a well-developed online proposition. As an Apple Premium Reseller and Apple Authorised Service Provider, iSpot outlets carry a full range of Apple products, including software and accessories, and through its trained staff also offer support and repair services to customers regardless of where they originally purchased the Apple product. In addition to Apple solutions, iSpot stores offer an extensive range of third-party products and software. iSpot also operates under the iCentre brand a store in Bucharest, Romania, and 4 stores in Hungary through a joint venture.

Furthermore, iSpot is involved in turnkey solutions for business customers, and its services comprise the design and construction of networks, data security, and the supply of hardware and software. As a certified Apple Authorised Training Centre, iSpot participates on an ongoing basis in various projects relating to the implementation of Apple technology in higher education.

'Software and payment services' comprises the activities of Harvest Technology Limited and its Subsidiaries ("Harvest"), which primarily focuses on delivering business solutions and e-commerce systems to diverse clients in Malta, parts of Europe and North Africa. Harvest has four main revenue segments - networking, integration and hardware solutions, and product engineering; payments and security solutions; business applications; and business analytics and intelligence.

'Logistics and transport services' refers to the business of Hili Logistics Limited and its Subsidiaries in Malta and Poland ("Hili Logistics") and involves air, road, sea and rail freight forwarding, clearances and deliveries, customs brokerage, parcel services, warehousing, ship agency, ship-to-ship operations and project cargo. In the latter part of FY2016, Hili Logistics acquired Allcom Sp. z.o.o., an intermodal freight forwarding company and customs agency in Poland. The main sectors serviced by Allcom Sp. z.o.o. include the food, chemical and construction material industries. This acquisition enabled Hili Logistics to increase revenue by *circa* 48% from €15.5 million in FY2016 to €22.9 million in FY2017.

In FY2017, operations undertaken by 1923 Investments p.l.c. namely 'IT retail operations', 'software and payment services' and 'logistics and transport services' represented *circa* 30% of Hili Ventures' total revenue. In FY2018, revenue is projected to increase by €16.8 million or 14% (y-o-y) to €136.5 million primarily on account of higher sales expected from iSpot. In the subsequent year, revenue is projected to increase by a further €18.7 million or 14% to €155.1 million.

'Rental operations' revenue is generated by Hili Properties p.l.c. and its Subsidiaries ("Hili Properties"), which principally manages a property portfolio comprising commercial and retail property in Europe. The company relies on active asset management to maximise operating efficiency and profitability at the property level. In May 2017, Hili Properties acquired the ART Business Centre 7 situated in Bucharest, Romania (rentable area of *circa* 18,000m²), including the underlying land, for an aggregate consideration of €30,575,000. A number of disposals took place during FY2017, including the APCO Building in B'Kara, Malta, which provided the company with cash inflows of €625,000. As at 31 December 2017, the property portfolio of Hili Properties amounted to €104.0 million (31 December 2016: €98.4 million), of which, *circa* 65% and 35% of such property value is rented to third parties and intra-Group tenants respectively.

In FY2018, income from leases to third parties (external to the Group) is projected to increase by 6% from €4.6 million in FY2017 to €4.9 million. Revenue in FY2019 is projected to increase y-o-y by 33% (or €1.6 million) to €6.5 million, principally due to a property acquisition expected to be concluded in Q4 2018.

'Engineering services' revenue is derived from the operations of Motherwell Bridge Industries Limited and its Subsidiaries ("Motherwell Bridge"). Operating from a *circa* 15,000m² property in Hal Far Industrial Park, Malta, Motherwell Bridge principally provides customised engineering services and maintenance of port handling equipment and crane assembly. In FY2016, Motherwell Bridge acquired Techniplus S.A., a company engaged in the provision of maintenance services of port equipment and crane assembly in Morocco and neighbouring countries. In FY2018, revenue is projected to decrease from €8.8 million in FY2017 to €5.1 million due to the suspension of marine division trading activities and restructuring efforts so as to improve the company's profitability. In the subsequent year, management expects revenue to increase by 24% to €6.3 million.

7. PRINCIPAL INVESTMENTS

In November 2017, Transport Malta issued a call for tenders for the operation and management of the Gzira Gardens Yacht Marina. The 25-year concession will cover 25,000m², including a capitanerie in the garden and stern-to-berthing along the quay. The concession envisages a two year period during which the operator will upgrade the area and install pontoons, after which fees can be raised according to a schedule set at the operator's discretion. Out of 14 entities that submitted bids in January 2018, Hili Ventures' bid was the highest at €15.4 million. Should the above-mentioned proposition be awarded to Hili Ventures, project specific funding will be raised to finance both the acquisition of the 25-year concession and capital investment to complete the said project.

Save for the above, Hili Ventures is not party to any principal future investments, and has not entered into or committed for any such investments. However, a budget for capital expenditure has been allocated for the opening of new McDonald's restaurants and remodelling/upgrading of existing restaurants. Such expenditure for FY2018 is projected to amount to *circa* €27.3 million, and will be financed from internally generated funds.

8. BUSINESS DEVELOPMENT STRATEGY AND TREND INFORMATION

8.1 THE GUARANTOR

The Guarantor's business strategy focuses on two principal elements as described hereunder:

- **Management strategy** involves the proactive financial and operational management of the businesses owned by Hili Ventures, so as to achieve positive operational results, distribute dividends to the Guarantor on a regular basis and increase shareholder value. The Guarantor monitors and supports Hili Ventures Companies by, *inter alia*:
 - assisting in the recruitment and retention of talented senior executives to operate the businesses owned by the Guarantor;
 - regularly monitoring financial and operational performance of Hili Ventures Companies to effectively ensure that set goals and organic growth strategies are achieved;
 - assisting Hili Ventures Companies in controlling and right-sizing overhead costs; and
 - forming strong subsidiary level boards of directors to support executive management in their development and implementation of strategic goals and objectives.
- **Acquisition strategy** involves the acquisition of businesses that are expected to produce positive earnings and cash flow, and have high growth potential. In this respect, the Guarantor may acquire companies operating in sectors other than those in which Hili Ventures currently operates if the directors believe an acquisition target presents an attractive opportunity.

8.2 PREMIER CAPITAL P.L.C.

The principal objective of Premier Capital p.l.c. and its Subsidiaries ("Premier Capital") is to focus on the expansion of the McDonald's restaurant network within existing and new markets, given the belief of Premier Capital's management that there is significant market potential to continue to develop the McDonald's concept in Malta, the Baltic countries, Romania and Greece and, possibly, other territories (subject to franchisor's approval and granting of the associated licenses).

The opportunities for further expansion in the regions in which Premier Capital operates will depend on a number of factors that could have a material impact on Premier Capital's strategy to increase its operational presence in these territories. These factors are driven principally by the level of penetration that management reckons is sustainable in each of these territories to conduct profitable operations.

In devising future strategy, Premier Capital's management takes an ad hoc regional view of: general macro-economic conditions; the social development of the population; competition; regulation; affluence; political and economic stability within each territory. Moreover, Premier Capital commissions regular market studies in each of the territories in which it operates restaurants in order to keep under review all the relevant market conditions that could have an impact on its development strategy and to enable it to react in a timely manner as and when market conditions so dictate.

On the basis of data available to Premier Capital's management, it transpires that the Maltese market, the Baltic countries market, as well as the Romanian and the Greek markets, can sustain further expansion, albeit not necessarily with the same potential.

In the case of Malta and the Baltic countries, Premier Capital already has a high penetration rate, comparable to that prevailing in the more developed city centres in Western Europe. Premier Capital's management believes that growth in these regions remains sustainable, with plans for relocations and renovations of its existing restaurants.

In the case of Romania and Greece, Premier Capital's management believes that there is further room for higher penetration rates. The relatively low penetration rate of restaurants *per capita*, combined with the high level of brand recognition enjoyed and Premier Capital's pricing strategy for the region, is believed to postulate the right platform for expansion in these regions.

8.3 1923 INVESTMENTS P.L.C.

The principal objective of 1923 Investments p.l.c. is to operate and manage Hili Ventures' investments, other than the operation of McDonald's restaurants and the property division, which are managed by Premier Capital p.l.c. and Hili Properties p.l.c. respectively. The following is an overview of the business strategies and trends affecting each of the businesses currently operated by 1923 Investments p.l.c., specifically, iSpot, Harvest and Hili Logistics.

8.3.1 The business of iSpot

The market in Poland, Hungary and Romania for Apple products and services is highly competitive. As with other developed markets, the market is characterised by frequent product introductions and rapid technological advances that have substantially increased the capabilities and use of mobile communication and media devices, personal computers, and other digital electronic devices. iSpot competes with other resellers of Apple products and services, and therefore competing factors include mainly price of products, as well as location of stores, quality of service provided and share of the business-to-business (B2B) market. iSpot's other competitors, which sell Apple products as well as other mobile devices and

personal computers based on other operating systems, typically undertake aggressive price cuts and lower their product margins to gain or maintain market share. The challenge of the Apple Premium Reseller stores is to differentiate the total service experience beyond the product. Apple is, however, designing new ways to expand the business generated from its retail platforms beyond the current business-to-consumer (B2C) activity, which will definitely create growth opportunities for the company's already strong portfolio in the market.

iSpot is highly dependent on Apple to continuously introduce new and improved products and services ahead of competitors so as to maintain high demand for Apple offerings. Principal competitive factors important to iSpot include price, product features, relative price/performance, product quality and reliability, design innovation, a strong third-party software and peripherals ecosystem, marketing and reselling capability, service and support, and corporate reputation.

8.3.2 The business of Harvest

Harvest aims to bring people together to share their skills, creativity, optimism and vision. Through entrepreneurship, ambition and opportunity, Harvest wants to create a space where companies with long-lasting ideas can gain access to resources and expertise that will help them define the right strategic footing to broaden their horizons and succeed.

Harvest's value is rooted in enabling the customers of the companies within its fold to do more, faster, more efficiently. The entities within Harvest have helped many customers flourish thanks to the ideas, technologies and systems that have been implemented for them. As such, Harvest is passionate about supporting other technology companies to grow. Harvest is looking to partner ambitious founders to lead them to a brighter, prosperous future, driving the growth of Harvest's value in the process.

The IT hardware, software and services industry is very fragmented and highly competitive. Harvest competes with a large number and wide variety of marketers and resellers of IT hardware, software and services. The competitive landscape in the industry is continually changing as various competitors expand their product and service offerings. In addition, emerging models such as cloud computing are creating new competitors and opportunities in messaging, infrastructure, security, collaboration and other services offerings, and, as with other areas, the above-mentioned companies resell and compete directly with many of these offerings.

With reference to payment gateway solutions, management believes that electronic transactions will expand further in the future and that an increasing percentage of these transactions will be processed through emerging technologies. Competitors are continually offering innovative products and enhanced services, such as products that support smart phones that contain mobile wallet software. As mobile payments continue to evolve and are desired by merchants and consumers, Harvest will continue to develop new products and services that will leverage the benefits that these new technologies can offer customers. In addition, it is expected that new markets will develop in areas that have been previously dominated by paper-based transactions. Industries such as e-commerce, government, recurring payments and business-to-business should continue to see transaction volumes migrate to more electronic-based settlement solutions.

As such, the continued development of new products and services and the emergence of new vertical markets will provide opportunities for Harvest to expand its business in the years to come.

8.3.3 The business of Hili Logistics

The logistics services industry is intensely competitive and is expected to remain so for the foreseeable future. There are a large number of companies competing in one or more segments of the industry, and a more limited number of firms with a global network that offer a full complement of logistics services. Furthermore, there are new technology-based competitors entering the industry. Many of these competitors have significantly more resources than Hili Logistics. Depending on the location of the shipper and the importer, Hili Logistics must compete against both the niche players and larger entities. The industry continues to experience consolidations into larger firms aiming for stronger and more complete multinational and multi-service networks. However, regional and local competitors still maintain a strong market presence in certain areas.

The primary competitive factors in the logistics services industry continue to be price and quality of service, including reliability, responsiveness, expertise, convenience, and scope of operations. Hili Logistics emphasises quality customer service and is focused on optimising operations so as to maintain competitive prices over others in the industry.

Management has a strategy to grow Hili Logistics through the development of its current core activities and, in particular, endeavours to add new geographic territories, enhance the current base of customers, and/or add new services.

The acquisition of Allcom Sp. z.o.o. in 2016 has enabled Hili Logistics to expand its global reach by using available knowledge and range of services to grow a proven and successful business. The operating companies forming part of Hili Logistics shall continue to exploit synergies, collaborate on projects and attract new clients by utilising existing logistical contacts and supply chains.

8.4 HILI PROPERTIES P.L.C.

It is the objective of Hili Properties p.l.c. and its Subsidiaries ("Hili Properties") to continue to act as the property holding vehicle of Hili Ventures. In this regard, Hili Properties aims to continue to manage existing properties, and to acquire and dispose of properties as necessary to meet the

needs of Hili Properties' business operations. The rents chargeable by Hili Properties to Hili Ventures Companies are based on commercial rental rates and respective lease agreements are entered into on an arms-length basis.

With respect to the remaining portfolio, Hili Properties' strategy is to create a property portfolio consisting primarily of attractively-located, institutional and high quality, income-producing investment properties to deliver income and capital growth through active asset management. The Guarantor believes that Hili Properties' board of directors, with the support of external advisors and property experts, has appropriate knowledge and competence in order to capitalise on the opportunities presented by current and expected market conditions.

Hili Properties intends to continue to source its investment opportunities primarily through the board of directors' extensive network of relationships within the immovable property markets of the Target Countries, which include the corporate and private landlords, brokers, domestic banks and others. The board of directors expects to create both sustainable income and strong capital returns for Hili Properties.

8.5 MOTHERWELL BRIDGE INDUSTRIES LTD

Motherwell Bridge Industries Ltd and its Subsidiaries ("Motherwell Bridge") operate in the engineering industry, particularly in construction and maintenance of port-handling equipment as well as other related business operations. The afore-mentioned industry is highly competitive and Motherwell Bridge competes with both large as well as many mid-size and smaller companies. Competitive position is based on a multitude of factors, including pricing, backlog management, financial strength, and availability of partners, suppliers and workforce.

Through the acquisition of Techniplus S.A. in 2016, Motherwell Bridge has considerably expanded its geographic markets, client base and scale of operation. As such, looking ahead, Motherwell Bridge expects to materially grow its work pipeline and achieve profitable growth by continuing to progress in operational excellence with a performance-driven culture.

PART 3 – GROUP PERFORMANCE REVIEW

9. FINANCIAL INFORMATION RELATING TO THE ISSUER

The Issuer was registered and incorporated on 6 April 2018 as a special purpose vehicle to act as a finance and investment company for the Guarantor and Hili Ventures. The Issuer has, to date, not conducted any business and has no trading record. The following financial information refers to the projections of the Issuer for the financial years ending 31 December 2018 and 31 December 2019. **The projected financial statements relate to events in the future and are based on assumptions which the Issuer believes to be reasonable. Consequently, the actual outcome may be adversely affected by unforeseen situations and the variation between forecast and actual results can be material.**

Hili Finance Company p.l.c.

Statement of Comprehensive Income for the year ended 31 December

	2018 Projection €000	2019 Projection €000
Finance income	849	1,852
Finance costs	(706)	(1,540)
Gross profit	143	312
Administrative expenses	(77)	(135)
Profit before tax	66	177
Taxation	(23)	(62)
Total comprehensive income	43	115

Hili Finance Company p.l.c.

Balance Sheet as at 31 December

	2018 Projection €000	2019 Projection €000
ASSETS		
Non-current assets		
Loans owed by parent company	41,150	41,150
	41,150	41,150
Current assets		
Trade and other receivables	849	926
Cash and cash equivalents	204	417
	1,053	1,343
Total assets	42,203	42,493
EQUITY		
Equity and reserves	2,043	2,158
LIABILITIES		
Non-current liabilities		
Debt securities	39,430	39,490
Current liabilities		
Trade and other payables	730	845
	40,160	40,335
Total equity and liabilities	42,203	42,493

Hili Finance Company p.l.c.
Cash flow Statement
for the year ended 31 December

	2018 Projection €000	2019 Projection €000
Net cash from operating activities	(46)	213
Net cash from investing activities	(41,150)	-
Net cash from financing activities	41,400	-
Net movement in cash and cash equivalents	204	213
Cash and cash equivalents at beginning of year	-	204
Cash and cash equivalents at end of year	204	417

During the initial half of 2018, the Issuer was incorporated with an issued share capital of €2 million. In July 2018, it is envisaged that the Issuer will successfully raise €40 million through the issuance of 3.85% Unsecured Bonds 2028 and thereafter, the amount of €41,150,000 (being the net proceeds from the bond issue together with accumulated cash balance) will be on-lent to the Guarantor. As such, finance income comprises interest receivable from the Guarantor, whilst finance costs mainly include bond interest payable.

10. FINANCIAL INFORMATION RELATING TO THE GUARANTOR

The financial information provided hereunder is extracted from the audited consolidated financial statements of Hili Ventures Limited for each of the years ended 31 December 2015 to 31 December 2017, while the forecasted financial information for the years ending 31 December 2018 and 31 December 2019 has been provided by management of the Company. **The projected financial statements relate to events in the future and are based on assumptions which the Guarantor believes to be reasonable. Consequently, the actual outcome may be adversely affected by unforeseen situations and the variation between forecast and actual results can be material.**

Hili Ventures Limited
Consolidated Statement of Comprehensive Income
for the year ended 31 December

	2015 Actual €000	2016 Actual €000	2017 Actual €000	2018 Projection €000	2019 Projection €000
Revenue	252,452	341,239	396,488	436,013	485,739
Cost of sales	(214,901)	(275,404)	(320,344)	(339,656)	(375,634)
Gross profit	37,551	65,835	76,144	96,357	110,105
Net operating expenses	(18,912)	(29,148)	(36,606)	(48,646)	(51,852)
EBITDA¹	18,639	36,687	39,538	47,711	58,253
Depreciation and amortisation	(8,589)	(14,120)	(14,148)	(17,058)	(18,930)
Net investment income/(loss)	1,424	1,585	(3,928)	4,028	891
Net finance costs	(6,953)	(11,080)	(12,102)	(11,008)	(10,835)
Profit before tax	4,521	13,072	9,360	23,673	29,379
Taxation	(738)	(7,984)	(2,461)	(4,163)	(7,666)
Profit for the year (continuing operations)	3,783	5,088	6,899	19,510	21,713
Loss from discontinued operations	(433)	(233)	(5)	-	-
Profit for the year	3,350	4,855	6,894	19,510	21,713
Other comprehensive income					
Movement on available-for-sale investments	250	39	(361)	-	-
Exchange differences - foreign operations	-	(1,402)	1,313	-	-
Gain on revaluation of assets	-	45	3,127	-	-
	250	(1,318)	4,079	-	-
Total comprehensive income	3,600	3,537	10,973	19,510	21,713

¹EBITDA - Earnings before Interest, Tax, Depreciation and Amortisation.

Hili Ventures Limited
Consolidated Statement of Financial Position
as at 31 December

	2015	2016	2017	2018	2019
	Actual	Actual	Actual	Projection	Projection
	€000	€000	€000	€000	€000
ASSETS					
Non-current assets					
Goodwill and other intangibles	90,327	108,265	104,545	104,328	104,274
Property, plant and equipment	100,035	148,019	185,750	242,405	249,731
Investments and financial assets	3,694	2,207	2,199	2,200	1,309
Deposit on acquisition of investments	12,500	12,500	24,500	-	-
Loans and receivables	3,408	10,388	10,897	12,391	12,698
Deferred tax asset and restricted cash	3,934	2,223	2,606	3,422	3,449
	213,898	283,602	330,497	364,746	371,461
Current assets					
Inventory	12,184	14,376	17,845	16,341	16,349
Trade and other receivables	16,713	22,040	22,469	25,092	26,806
Other assets	8,387	10,370	10,109	7,295	7,410
Cash and cash equivalents	8,829	71,851	27,284	49,461	50,501
	46,113	118,637	77,707	98,189	101,066
Total assets	260,011	402,239	408,204	462,935	472,527
EQUITY					
Equity and reserves	70,074	72,768	82,870	118,165	134,758
LIABILITIES					
Non-current liabilities					
Borrowings and bonds	129,588	195,741	225,888	256,048	245,735
Other non-current liabilities	8,562	9,226	8,489	8,479	8,536
	138,150	204,967	234,377	264,527	254,271
Current liabilities					
Bank overdrafts	2,414	4,307	3,577	-	-
Borrowings	10,379	57,553	26,465	13,910	14,138
Other current liabilities	38,994	62,644	60,915	66,333	69,360
	51,787	124,504	90,957	80,243	83,498
	189,937	329,471	325,334	344,770	337,769
Total equity and liabilities	260,011	402,239	408,204	462,935	472,527

Hili Ventures Limited
Consolidated Cash Flow Statement
for the year ended 31 December

	2015	2016	2017	2018	2019
	Actual	Actual	Actual	Projection	Projection
	€000	€000	€000	€000	€000
Net cash from operating activities	7,852	27,835	10,875	35,667	52,712
Net cash from investing activities	(48,695)	(71,351)	(56,813)	(51,979)	(25,080)
Net cash from financing activities	36,390	105,007	2,582	42,066	(26,592)
Net movement in cash and cash equivalents	(4,453)	61,491	(43,356)	25,754	1,040
Cash and cash equivalents at beginning of year	10,868	6,415	67,544	23,707	49,461
Effect of movements in exchange	-	(362)	(481)	-	-
Cash and cash equivalents at end of year	6,415	67,544	23,707	49,461	50,501

Key Accounting Ratios

	FY2015	FY2016	FY2017	FY2018	FY2019
EBITDA margin (EBITDA/revenue)	7%	11%	10%	11%	12%
Interest cover (times) (EBITDA/net finance cost)	2.68	3.31	3.27	4.33	5.38
Net profit margin (Profit after tax/revenue)	1%	1%	2%	4%	4%
Earnings per share (€) (Profit after tax/number of shares)	3.35	4.86	6.89	19.51	21.71
Return on equity (Profit after tax/shareholders' equity)	5%	7%	8%	17%	16%
Return on capital employed (EBITDA/total assets less current liabilities)	9%	13%	12%	12%	15%
Return on assets (Profit after tax/total assets)	1%	1%	2%	4%	5%

Source: Charts Investment Management Service Limited

Revenue generated by Hili Ventures in **2015** amounted to €252.4 million, of which, circa 85% represented 'restaurant operations' revenue (being income derived from the operation of McDonald's restaurants through Premier Capital) and 'IT retail operations' revenue (primarily being income from retailing Apple products under the iSpot brand). EBITDA for the year under review amounted to €18.6 million, and as expected, the two principal contributors were Premier Capital and iSpot. After deducting depreciation and amortisation (€8.6 million) and net finance costs (€7.0 million), and adding net investment income amounting to €1.4 million, Hili Ventures registered a profit before tax of €4.5 million. Total comprehensive income for FY2015 amounted to €3.6 million.

Hili Ventures reported a turnover of €341.2 million in **2016** (FY2015: €252.4 million), representing an increase of 35% over the prior year. Further analysis shows that 'restaurant operations' revenue increased by €130.2 million (+130%) from €99.9 million in FY2015 to €230.2 million in FY2016, mainly as a consequence of the acquisition in January 2016 of the business operating 67 McDonald's restaurants in Romania. As at year end, Premier Capital operated a total of 133 restaurants (FY2015: 63 outlets).

In contrast, 'IT retail operations' revenue decreased y-o-y by €39.4 million to €76.2 million (-34%), principally due to the cessation of B2B operations at iSpot. Moreover, 'software and payment services' and 'logistics and transport services' registered an aggregate revenue decline of €4.7 million (-16%), from €29.7 million in 2015 to €25.0 million in 2016.

FY2016 EBITDA increased by 97% from a year earlier to €36.7 million (FY2015: €18.6 million). As explained above, the new acquisition at Premier Capital more than doubled the number of restaurants under operation and is the primary reason for the y-o-y increase in EBITDA. Profit for the year amounted to €4.9 million as compared to €3.4 million in FY2015 (+44%), which takes into account depreciation and amortisation of €14.1 million (FY2015: €8.6 million), net finance costs of €11.1 million (FY2015: €7.0 million) and taxation amounting to €8.0 million (FY2015: €0.7 million).

Revenue generated in **FY2017** amounted to €396.5 million, an increase of €55.2 million (+16%) when compared to the prior year. All business activities reported y-o-y increases (net of intra-group transactions which are eliminated on consolidation) as follows:

- revenue derived from 'restaurant operations' increased by €33.3 million (+14%) to €263.4 million, principally due to an increase in restaurants from 133 outlets in 2016 to 140 in 2017 and growth in revenue per restaurant;

- turnover from 'IT retail operations' increased by €7.8 million (+10%) to €84.0 million in FY2017, wherein iSpot relocated 2 stores and opened 1 new store;
- an increase of 35% or €3.3 million was registered in 'software and payment services', particularly due to significant growth in new APCOPAY clients (payment gateway solutions);
- income from 'rental operations' increased from €3.2 million in FY2016 to €4.6 million, on account of a newly acquired property in Romania in Q2 2017, which property is fully leased;
- turnover from 'logistics and transport services' increased from €15.5 million in FY2016 to €22.9 million, mainly reflecting a full year's income generated from Allcom Sp. z.o.o. which was acquired in the latter part of FY2016;
- income generated from 'engineering services' increased by 32% y-o-y to €8.8 million, primarily as a result of the acquisition of Techniplus S.A., a company with operations in Morocco and neighbouring countries involved in maintenance and servicing of port cargo handling equipment.

EBITDA for the year under review amounted to €39.5 million, an increase of 8% from a year earlier (FY2016: €36.7 million). Premier Capital's portion of EBITDA amounted to €35.1 million (FY2016: €32.7 million), representing 89% of aggregate EBITDA in FY2017 (FY2016: 89%). Depreciation and amortisation amounted to €14.1 million in each of FY2016 and FY2017. Net finance costs, on the other hand, increased by €1.0 million from €11.1 million in FY2016 to €12.1 million. In FY2017, Hili Ventures reported a net investment loss of €3.9 million, primarily as a consequence of goodwill write-offs amounting to €5.2 million, which was partly mitigated by an increase in fair value of investment property of €2.0 million. Taxation was considerably lower in FY2017 at €2.5 million when compared to the FY2016 tax charge of €8.0 million. After accounting for exchange differences and revaluation gains, the Group reported total comprehensive income amounting to €11 million as compared to €3.5 million registered in FY2016.

Revenue for **FY2018** is projected to amount to €436.0 million, an increase of €39.5 million (+10%) when compared to the prior year (FY2017: €396.5 million). Such growth in revenue is expected to be generated principally from Premier Capital (y-o-y increase of €26.2 million) and iSpot (y-o-y increase of €17.7 million). In contrast, revenue derived from software and payment services is projected to decrease by €1.7 million (y-o-y), while a decline of €3.8 million (y-o-y) is expected from engineering services due to closure of marine services and corporate restructuring.

At the operating level (EBITDA), Hili Ventures is anticipating an increase of €8.2 million (+21%) in FY2018 to €47.7 million. Net investment income is expected to amount to €4.0 million as compared to a net loss in FY2017 of €3.9 million, and net finance costs should decrease by €1.1 million to €11.0 million. Profit for FY2018 is projected at €19.5 million (FY2017: €6.9 million).

In **FY2019**, Hili Ventures is projected to generate revenue of €485.7 million as compared to €436.0 million a year earlier (an increase of €49.7 million, +11%), primarily on account of increases at Premier Capital (+€28.2 million) and iSpot (+€15.3 million). All other revenue streams are forecasted to register modest y-o-y gains on an individual basis, which should equate to an aggregate increase of €6.2 million. Such growth is expected to account for an increase in EBITDA of €10.5 million (+22%) from €47.7 million in FY2018 to €58.3 million. The Group is projected to register profit after tax of €21.7 million in FY2019, an increase of €2.2 million (+11%) when compared to €19.5 million expected for FY2018.

The estimates for the forward years as presented in this document assume that the carrying values of available-for-sale investments, investment properties and other assets, and currency exchange rates will remain constant in FY2018 and FY2019, and therefore no adjustments have been made as to possible gains or losses in value of assets and exchange differences that may be booked and which may materially affect the consolidated income statement and balance sheet values.

Non-current assets in the statement of financial position as at 31 December 2017 amounted to €330.5 million (2016: €283.6 million). Notable items include: (i) goodwill and other intangibles amounting to €104.5 million (2016: €108.3 million), which principally relate to goodwill on acquisitions of going concerns, support services license, acquired rights, franchise fees for restaurant operations, patents and trademarks for Apple products and computer software licenses; and (ii) property, plant and equipment amounting to €185.8 million (2016: €148.0 million), which comprises improvements to leased properties, equipment and properties owned by Hili Properties p.l.c.

Current assets as at 31 December 2017 amounted to €77.7 million (2016: €118.6 million) and primarily include inventory, trade receivables, other assets and cash balances. Current liabilities amounted to €91.0 million (2016: €124.5 million), made up of borrowings as to €30.0 million (2016: €61.9 million) and other liabilities of €60.9 million (2016: €62.6 million). Hili Ventures' liquidity ratio (which is measured by dividing current assets by current liabilities and indicates a company's ability to pay its current liabilities from its current assets), as at 31 December 2017, stood at 0.85 times (2016: 0.95 times).

In FY2018, total assets are projected to increase by €54.7 million from a year earlier to €462.9 million, principally on account of additions in investment properties, property, plant and equipment and cash balances. Total assets are expected to increase by a further €9.6 million in the subsequent year. Current liabilities in FY2018 are projected to decrease from €91.0 million in FY2017 to €80.2 million as short-term borrowings are re-financed by the bond (which is classified as a non-current liability). Current liabilities are projected to increase by €3.3 million, from €80.2 million in FY2018 to €83.5 million in FY2019.

Other than equity, the Group is financed through bank loans, corporate bonds and other borrowings from related parties, analysed as follows:

Hili Ventures Limited
Consolidated Net Borrowings
as at 31 December

	2015	2016	2017	2018	2019
	Actual	Actual	Actual	Projection	Projection
	€000	€000	€000	€000	€000
Bank loans	40,709	86,574	90,760	85,392	74,966
Bank overdrafts	2,414	4,307	3,577	-	-
Other financial liabilities	3,341	23,585	25,591	8,909	8,995
Debt securities in issue	95,917	143,135	136,002	175,657	175,912
Cash and cash equivalents	(8,829)	(71,851)	(27,284)	(49,461)	(50,501)
Total borrowings less cash balances	133,552	185,750	228,646	220,497	209,372

Key Accounting Ratios

	31 Dec'15	31 Dec'16	31 Dec'17	31 Dec'18	31 Dec'19
Net assets per share (€) <i>(Net asset value/number of shares)</i>	70.07	72.77	82.87	118.17	134.76
Liquidity ratio (times) <i>(Current assets/current liabilities)</i>	0.89	0.95	0.85	1.22	1.21
Gearing ratio <i>(Net debt/net debt and shareholders' equity)</i>	66%	72%	73%	65%	61%

Source: Charts Investment Management Service Limited

Net cash flows from operating activities in FY2017, as presented in the statements of cash flows for the year ended 31 December 2017, amounted to €10.9 million as compared to €27.8 million in the prior year. The adverse variance of €16.9 million mainly resulted from a positive movement in operating profit amounting to €8.3 million, which was offset by net cash outflows in working capital movements and interest and tax payments.

In FY2017, Hili Ventures used €56.8 million in investment activities, as compared to €71.4 million in FY2016, primarily to acquire investment property, property, plant and equipment, and other assets. Net cash flows from financing activities amounted to €2.6 million (FY2016: €105.0 million), which comprised cash inflows from banks and related parties of €66.0 million and repayment of bank loans, bonds and payment of dividends of €63.4 million. Cash and cash equivalents at the end of 2017 amounted to €23.7 million, a decrease of €43.8 million from a year earlier (FY2016: €67.5 million).

As to the projected financial years, cash inflows from operating activities is expected to amount to €35.7 million in FY2018 and €52.7 million in FY2019, which is a reflection of the y-o-y projected growth in revenue and profitability. Net cash outflow from investing activities in FY2018 is projected to amount to €52.0 million and represents the net balance of the acquisition of an investment property, the development of a drive-thru restaurant in Daugavpils, Latvia and proceeds from the disposal of a number of properties (in aggregate: €18.3 million) and capital expenditure of €33.7 million primarily relating to new store openings, technology improvements and re-modelling of restaurants at Premier Capital. In FY2019, a net amount of €25.1 million is projected to be spent on capital expenditure.

Net cash inflow from financing activities is estimated at €42.1 million in FY2018, principally comprising the proceeds from the Bond Issue less repayment of bank and other loans, and a cash inflow of €24 million expected from the IPO of 1923 Investments p.l.c. An amount of €11.0 million is expected to be utilised for the payment of bank and bond interest. In FY2019, net cash outflow from financing activities is projected at €26.6 million and mainly relates to repayments of bank loans and interest payments.

Debt Securities issued by Group Companies

Security ISIN	Security Name	Amount Listed	Currency
MT0000841206	5.1% 1923 Investments plc Unsecured Bonds 2024	36,000,000	EUR
MT0000941204	4.5% Hili Properties plc Unsecured Bonds 2025	37,000,000	EUR
MT0000511213	3.75% Premier Capital plc Unsecured Bonds 2026	65,000,000	EUR

PART 4 - COMPARABLES

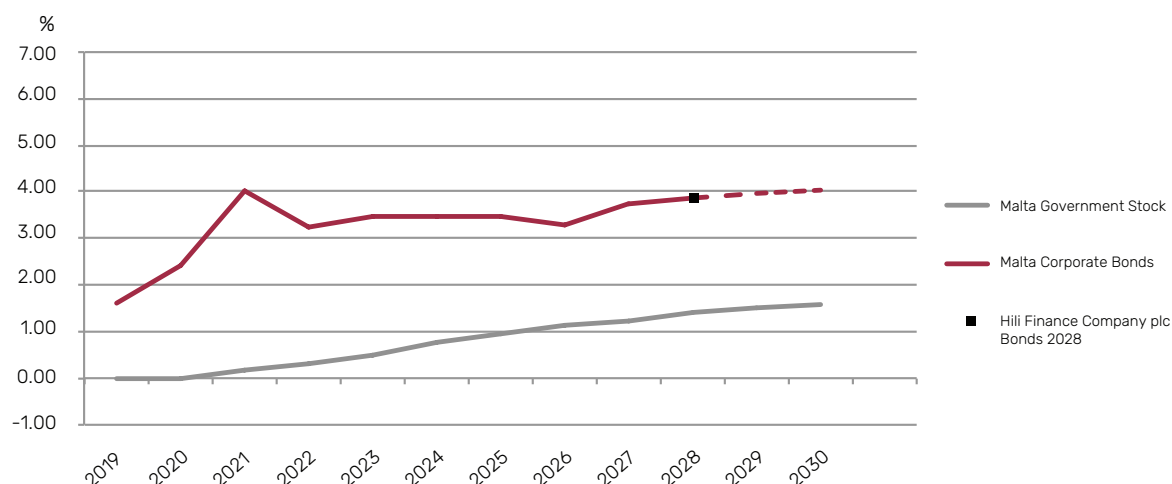
The table below compares Hili Ventures and the bonds issued by Hili Finance Company p.l.c. to other debt issuers listed on the Malta Stock Exchange and their respective debt securities. Although there are significant variances between the activities of the Group and other issuers (including different 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 provides an indication of the financial performance and strength of the Group.

Comparative Analysis	Nominal Value (€)	Yield to Maturity (%)	Interest Cover (times)	Total Assets (€'000)	Net Asset Value (€'000)	Gearing Ratio (%)
5.5% Pendergardens Dev. plc Secured € 2020 Series I	15,000,000	2.44	6.29	68,589	14,418	66.04
6% Pendergardens Dev. plc Secured € 2022 Series II	27,000,000	3.23	6.29	68,589	14,418	66.04
4.25% Gap Group plc Secured € 2023	40,000,000	3.47	2.61	56,906	6,696	85.08
5.3% United Finance Plc Unsecured € Bonds 2023	8,500,000	4.14	1.19	21,625	4,844	69.04
6% AX Investments Plc Unsecured € 2024	40,000,000	3.47	4.44	286,318	173,323	26.09
5.3% Mariner Finance plc Unsecured € 2024	35,000,000	3.45	4.42	77,088	38,701	45.62
5% Hal Mann Vella Group plc Secured Bonds € 2024	30,000,000	3.74	3.05	107,801	39,813	54.01
5.1% 1923 Investments plc Unsecured € 2024	36,000,000	4.38	1.79	118,490	33,711	56.83
4.5% Hili Properties plc Unsecured € 2025	37,000,000	3.47	1.26	135,879	38,358	69.11
4.25% Corinthia Finance plc Unsecured € 2026	40,000,000	3.51	2.59	1,765,072	901,595	40.43
4.0% International Hotel Invest. plc Secured € 2026	55,000,000	3.43	3.03	1,602,317	884,632	36.36
4.0% MIDI plc Secured € 2026	50,000,000	3.28	-0.98	235,302	86,621	39.27
3.75% Premier Capital plc € Unsecured Bonds 2026	65,000,000	3.12	7.90	161,128	47,607	57.32
4.35% Hudson Malta plc Unsecured 2026	12,000,000	3.63	39.11	17,088	5,835	30.63
4.35% SD Finance plc € Unsecured Bonds 2027	65,000,000	3.74	5.46	217,599	65,698	47.74
4.0% Eden Finance plc Unsecured 2027	40,000,000	3.46	4.46	169,936	90,162	36.52
4% Stivala Group Finance plc Secured 2027	45,000,000	3.40	6.21	199,560	121,041	31.54
3.85% Hili Finance Company plc Unsecured 2028	40,000,000	3.85	3.27	408,204	82,870	73.40

30 May '18

Source: Malta Stock Exchange, Audited Accounts of Listed Companies, Charts Investment Management Service Limited

Bond Yield to Maturity



30 May 2018

To date, there are no corporate bonds which have a redemption date beyond 2028 and therefore a trend line has been plotted (denoted in the above chart by the dashed line). The Malta Government Stock yield curve has also been included since it is the benchmark risk-free rate for Malta.

PART 5 - EXPLANATORY DEFINITIONS

Income Statement

Revenue	Total revenue generated by the Group from its business activities during the financial year, including restaurant operations, IT retail operations, software and payment services, rental operations, logistics and transport services, and engineering services.
Cost of sales	Direct costs attributable to the production of the goods and supply of services by Hili Ventures.
Gross profit	Gross profit is the difference between revenue and direct costs. It refers to the profit made by the Group before deducting operating costs, depreciation & amortisation, finance costs, fair value provisions and other operating costs.
Operating expenses	Operating costs include all operating expenses other than direct costs and include selling & marketing and general & administration expenses.
EBITDA	EBITDA is an abbreviation for earnings before interest, tax, depreciation and amortisation. EBITDA can be used to analyse and compare profitability between companies and industries because it eliminates the effects of financing and accounting decisions.
Profit after tax	Profit after tax is the profit made by the Group during the financial year both from its operating as well as non-operating activities.

Profitability Ratios

EBITDA margin	EBITDA margin is operating income or EBITDA as a percentage of total revenue.
Net profit margin	Net profit margin is profit after tax achieved during the financial year expressed as a percentage of total revenue.

Efficiency Ratios

Return on equity	Return on equity (ROE) measures the rate of return on the shareholders' equity of the owners of issued share capital, computed by dividing profit after tax by shareholders' equity.
Return on capital employed	Return on capital employed (ROCE) indicates the efficiency and profitability of a company's capital investments, estimated by dividing operating profit by capital employed.
Return on assets	Return on assets (ROA) is computed by dividing profit after tax by total assets.

Equity Ratios

Earnings per share	Earnings per share (EPS) is the amount of earnings per outstanding share of a company's share capital. It is computed by dividing net income available to equity shareholders by total shares outstanding as at balance sheet date.
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Cash Flow Statement

Cash flow from operating activities	Cash generated from the principal revenue-producing activities of the Group.
Cash flow from investing activities	Cash generated from activities dealing with the acquisition and disposal of long-term assets and other investments of the Group.
Cash flow from financing activities	Cash generated from the activities that result in change in share capital and borrowings of the Group.

Balance Sheet

Non-current assets	Non-current asset are the Group's long-term investments, which full value will not be realised within the accounting year. Non-current assets are capitalised rather than expensed, meaning that the Group 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. Such assets include intangible assets, investment properties, property, plant & equipment, and loans and receivables.
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Current assets	Current assets are all assets of the Group, which are realisable within one year from the balance sheet date. Such amounts include accounts receivable, inventory, cash and bank balances.
Current liabilities	All liabilities payable by the Group within a period of one year from the balance sheet date, and include accounts payable and short-term debt, including current portion of bank loans.
Non-current liabilities	The Group's long-term financial obligations that are not due within the present accounting year. The Group's non-current liabilities include long-term borrowings, bonds and deferred tax liabilities.
Total equity	Total equity includes share capital, reserves & other equity components, retained earnings and minority interest.

Financial Strength Ratios

Liquidity ratio	The liquidity ratio (also known as current ratio) is a financial ratio that measures a company's resources to pay its debts over the next 12 months. It compares a company's current assets to its current liabilities.
Interest cover	The interest coverage ratio is calculated by dividing a company's operating profit of one period by the company's interest expense of the same period.
Gearing ratio	The gearing ratio indicates the relative proportion of shareholders' equity and debt used to finance a company's assets, and is calculated by dividing a company's net debt by net debt plus shareholders' equity.

