

Addendum to the Financial Analysis Summary dated 28 June 2019 in relation to Hili Finance Company p.l.c. (“FAS2019”)

Following the publication of the FAS2019, we wish to bring the following clarifications, additions and/or corrections to the attention of the general public:

Section 7 – Principal Investments

- Part (c) Container Leasing Business Operation:** The following text *“the amount of €20 million from proceeds of a proposed bond issue”* has been amended to read *“the amount of €10 million from proceeds of a proposed bond issue”*

Section 10 – Financial Information relating to the Issuer

- Additional commentary has been included as follows:

During the period 6 April 2018 to 31 December 2018, the Issuer reported a gross profit of €131,000, being the difference between finance income receivable from the Guarantor of €817,000 and finance costs amounting to €686,000 in relation to the €40 million 3.85% unsecured bonds 2028 issued in July 2018. After accounting for administrative expenses and taxation, the Issuer declared total comprehensive income amounting to €55,000.

Finance income in FY2019 is expected to amount to €3.7 million on account of interest receivable from the Guarantor for a full financial year on a €40 million loan and *circa* 4 months on an €80 million loan. On the other hand, interest payable to holders of the 2 bonds amounting to €120 million is forecasted to amount to €3.1 million. Accordingly, gross profit is expected to amount to €654,000 and total comprehensive income is set to amount to €385,000.

Gross profit for FY2020 is projected at €803,000, reflecting net interest income from interest receivable generated from €120 million loans to the Guarantor less interest payable on €120 million worth of outstanding bonds. After factoring in administrative expenses and taxation, total comprehensive income in FY2020 is projected to increase from €385,000 in FY2019 to €484,000.

Section 11 – Financial Information relating to the Guarantor

- The line item property, plant & equipment in the statement of financial position has been split as provided below:

Hili Ventures Limited

Consolidated Statement of Financial Position

as at 31 December

	2016	2017	2018	2019	2020
	Actual	Actual	Actual	Projection	Projection
	€'000	€'000	€'000	€'000	€'000
ASSETS					
Non-current assets					
Property, plant and equipment	104,917	111,948	124,760	154,405	183,346
Investment property	43,102	73,802	86,132	166,964	176,475

4. A variance analysis in relation to FY2018 is provided hereunder:

Hili Ventures Limited			
Consolidated Statement of Comprehensive Income			
for the year ended 31 December			
	2018	2018	
	Actual	Projection	Variance
	€'000	€'000	€'000
Revenue	427,410	436,013	(8,603)
Cost of sales	(343,430)	(339,656)	(3,774)
Gross profit	83,980	96,357	(12,377)
Net operating expenses	(41,126)	(48,646)	7,520
EBITDA	42,854	47,711	(4,857)
Depreciation and amortisation	(15,731)	(17,058)	1,327
Net investment income/(loss)	644	4,028	(3,384)
Net finance costs	(11,996)	(11,008)	(988)
Profit before tax	15,771	23,673	(7,902)
Taxation	(3,959)	(4,163)	204
Profit for the year (continuing operations)	11,812	19,510	(7,698)
Loss from discontinued operations	-	-	-
Profit for the year	11,812	19,510	(7,698)

As presented in the above table, the Group's revenue for FY2018 was lower than forecasted by €8.6 million, principally due to weaker than expected sales at iSpot (sale of Apple products) as well as a loss of a major client of Hili Logistics. The afore-mentioned decrease was mitigated by a €4.1 million increase in revenue generated from restaurant operations and an increase in engineering services revenue of €1.8 million. In consequence, actual EBITDA was lower when compared to projected FY2018 by €4.9 million.

Profit for the year was lower than expected by €7.7 million. The adverse difference of €2.8 million from EBITDA level was mainly due to lower than projected net investment income of €3.4 million and a €1.0 million higher than expected net finance costs, against a reduction in depreciation and amortisation and taxation charges for FY2018 of €1.3 million and €0.2 million respectively.

5. Actual total assets and total liabilities for FY2018 (in the consolidated statement of financial position) constitute an unfavourable variance when compared to the projected figures for FY2018 in the 2018 FAS. An explanation is hereby included.

During 2018, the Group was planning to list the ordinary shares of 1923 Investments p.l.c. on the Official List of the Malta Stock Exchange and to offer up to 40% of its shareholding in the aforementioned company to the general public in Malta through an initial public offering. In terms of the prospectus dated 18 July 2019, the Group announced that it reconsidered such plans and timing for a stock exchange listing. As such, the FY2018 projections included in the 2018 FAS comprised a cash injection of €24 million pursuant to this IPO, which did not materialise and hence resulted in the discrepancies mentioned hereinabove.

Part 4 – Comparables

6. The following statement has been included below the chart entitled 'Bond yield to maturity':

The Issuer's bonds are presently trading at a yield of 3.63%, which is circa 43 basis points higher than other corporate bonds maturing in same year of redemption. The premium over FY2028 Malta Government Stock is 275 basis points.

Part 5 – Explanatory Definitions

7. The following definition for net asset per share has been included:

Net asset per share is calculated by dividing the net asset value by the number of shares outstanding.



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8 August 2019