



1923
INVESTMENTS

Company Announcement

**The following is a Company Announcement issued by 1923 Investments p.l.c. ("the Company")
in terms of the Listing Rules.**

QUOTE

The Board of Directors wishes to inform the general public that the 2020 Financial Analysis Summary of the Company has been approved.

A copy of the Financial Analysis Summary is attached herewith and is also available on the Company's website:

<https://www.1923investments.com/financial-statements/>

UNQUOTE

BY ORDER OF THE BOARD

A handwritten signature in blue ink, appearing to read 'Melanie Demajo', with a horizontal line underneath.

Dr. Melanie Miceli Demajo
Company Secretary

28 August 2020

Financial Analysis Summary

28 August 2020

Issuer

1923 Investments p.l.c.



MZ INVESTMENT SERVICES



MZ INVESTMENT SERVICES

The Directors
1923 Investments p.l.c.
Nineteen Twenty Three
Valletta Road
Marsa MRS 3000

28 August 2020

Dear Sirs

1923 Investments p.l.c. Financial Analysis Summary

In accordance with your instructions, and in line with the requirements of the Listing Authority Policies, we have compiled the 2020 Financial Analysis Summary (“**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 1923 Investments p.l.c. (the “**Company**”, “**Issuer**” or the “**Group**”). The data is derived from various sources or is based on our own computations as follows:

- (a) Historical financial data for the years ended 31 December 2017 to 31 December 2019 has been extracted from the audited financial statements of 1923 Investments p.l.c. and its subsidiaries.
- (b) The forecast data of the Group for the year ending 31 December 2020 has been provided by management of the Company.
- (c) Our commentary on the results of the Group and on its financial position is based on the explanations provided by the Company.
- (d) The ratios quoted in the Financial Analysis Summary have been computed by us applying the definitions set out in Part 4 of the Analysis.
- (e) Relevant financial data in respect of the companies included in Part 3 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.



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The Analysis is meant to assist investors in the Company'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 Company and should not be interpreted as a recommendation to invest in any of the Company'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 professional advice before investing in the Company's securities.

Yours faithfully,

Evan Mohnani

Senior Financial Advisor

MZ Investment Services Ltd

63, St Rita Street,

Rabat RBT 1523,

Malta

Tel: 2145 3739

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PART 1 – INFORMATION ABOUT THE COMPANY

1. KEY ACTIVITIES

1923 Investments p.l.c. (the “**Company**”, “**Issuer**” or the “**Group**”) was incorporated on 23 December 2013 as a holding company and forms part of the Hili Ventures Group. The Group is engaged in:

- the sale and distribution of Apple Products as an Apple Premium Reseller;
- the sale, maintenance and servicing of information technology solutions, physical professional security systems and the provision of electronic payment solutions;
- transport and logistics in Malta and Poland, including freight forwarding, clearances and deliveries, customs brokerage, parcel services, warehousing, ship agency, ship-to-ship operations and project cargo; and
- the provision of ship-to-ship transfer services, which business was acquired in 2020 as further explained hereunder.

In late April 2020, Carmelo Caruana Marine Solutions Limited (UK company number 12412396), a wholly owned subsidiary of the Company, completed the acquisition from Teekay Tankers Limited of a portion of its oil and gas ship-to-ship transfer support business, which also provides LNG terminal management and LNG consulting services, for approximately \$26 million (“**STS Marine Solutions**”).

STS Marine Solutions is a world leading ship-to-ship service provider with over 30 years of experience in transferring crude oil, refined petroleum products, LPG and LNG. Its core activities comprise oil & gas and LNG support operations, LNG terminal management, emergency support services and consultancy. The business is headquartered in Sunderland, UK and operates out of 24 bases globally, across its two key brands: OILSTS and LNGSTS.



2. DIRECTORS AND SENIOR MANAGEMENT

The Company is managed by a Board consisting of six directors entrusted with its overall direction and management.

Board of Directors

Charles Borg	Chairman
Carmelo <i>sive</i> Melo Hili	Director
Geoffrey Camilleri	Director
Therese Calleja	Director
Ann Fenech	Independent Non-Executive Director
Karl Fritz	Independent Non-Executive Director

Senior Management

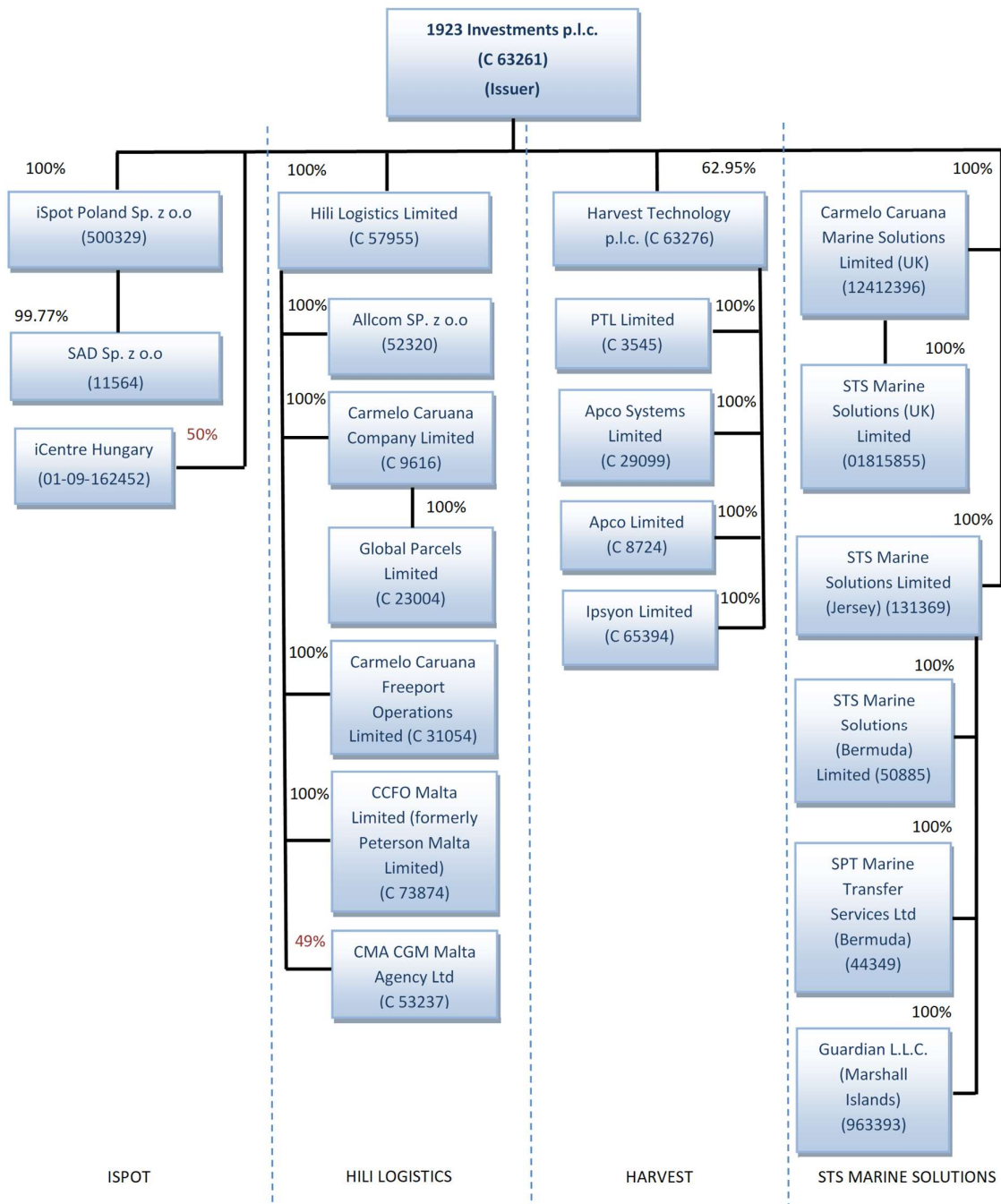
Senior management of the Company is composed of the following persons:

Keith Busuttil	Chief Executive Officer
Rudolph Mifsud Saydon	Chief Financial Officer



3. GROUP ORGANISATIONAL STRUCTURE

As the holding company of the Group, the Company is ultimately dependent upon the operations and performance of the Group’s operating companies. The organisational structure of the Group is illustrated in the diagram hereunder:



Principal changes to the organisational structure since 1 January 2019 to the date of this report are listed hereunder:

- The shareholding in Harvest Technology p.l.c. was reduced to 62.95% (FY2018: 100%) pursuant to an offer of shares to the general public in terms of a prospectus dated 18 November 2019;
- On 21 May 2019, the Company (indirectly through Harvest Technology p.l.c.) sold its investment in Eunoia Limited to third parties outside the Group;
- On 19 September 2019, the Company acquired the entire share capital of CCFO Malta Limited (formerly Peterson Malta Limited) (FY2018: 50%);
- The business operations of Ispot Premium Romania s.r.l. (which included the management of 1 Apple store in Romania) was sold in April 2019. As a result, the company will be placed into liquidation;
- The Company has an indirect 50% shareholding in Hili Salomone Company Limited (C 60231), which is in the process of liquidation;
- The Company through Harvest Technology p.l.c. has a minority stake in Thought 3D Ltd amounting to *circa* 3.58% of the entire issued share capital of Thought 3D Ltd;
- In April 2020, the Company acquired the ship-to-ship transfer support services business from Teekay Tankers Limited.

4. GROUP OPERATIONAL DEVELOPMENT

The Group is principally involved in the following distinct businesses:

- **iSpot** (iSpot Poland Sp. z o.o and its subsidiary company, and iCentre Hungary) is principally engaged in retailing Apple products in Poland and Hungary;
- **Hili Logistics** (Hili Logistics Limited and its subsidiary companies) operates in the transport and logistics sector in Malta and Poland;
- **Harvest** (Harvest Technology p.l.c. and its subsidiary companies) is mainly involved in diverse technology businesses; and
- **STS Marine Solutions:** In April 2020, Carmelo Caruana Marine Solutions Limited completed the acquisition of a portion of the oil & gas ship-to-ship transfer support services business of Teekay Tankers Limited, which also provides LNG terminal management and LNG consulting services, for approximately \$26 million.

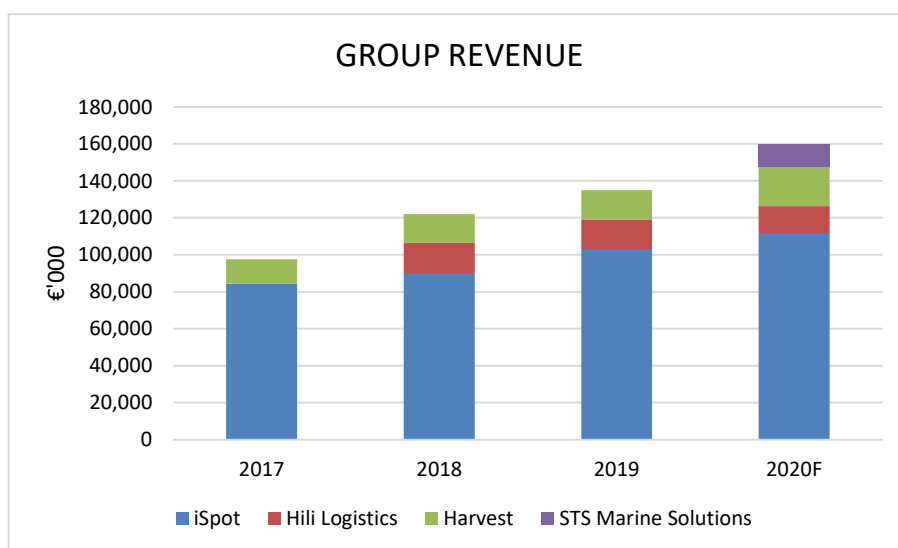


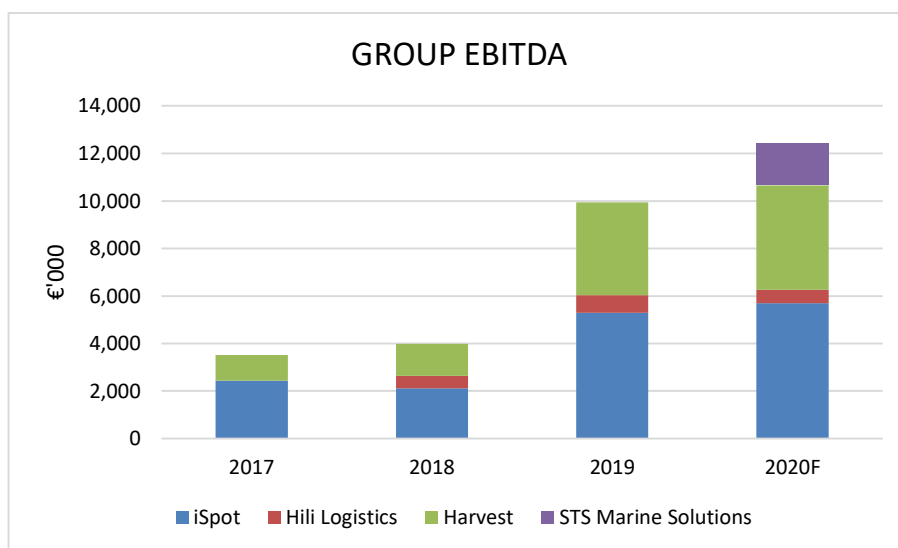
1923 Investments p.l.c.**Divisional Analysis**

for the year ended 31 December

	2017	2018	2019	2020
	Actual	Actual	Actual	Forecast
	€'000	€'000	€'000	€'000
REVENUE				
iSpot	84,448	90,046	102,641	111,196
Hili Logistics		16,408	16,208	15,165
Harvest	13,087	15,569	16,049	21,367
STS Marine Solutions				11,782
Total	97,535	122,023	134,898	159,510
EBITDA				
iSpot	2,449	2,118	5,289	5,691
Hili Logistics		517	736	575
Harvest	1,068	1,355	3,915	4,386
STS Marine Solutions				1,775
Total	3,517	3,990	9,940	12,427
EBITDA MARGIN (%)				
iSpot	2.9%	2.4%	5.2%	5.1%
Hili Logistics		3.2%	4.5%	3.8%
Harvest	8.2%	8.7%	24.4%	20.5%
STS Marine Solutions				15.1%
Aggregate	3.6%	3.3%	7.4%	7.8%

Source: Management information and audited consolidated financial statements of the Group.





- iSpot generates *circa* 70% of Group revenue and approximately 45% of aggregate EBITDA, since it is a high volume / low margin business. In FY2019, iSpot's EBITDA margin increased from 2.4% in FY2018 to 5.2% principally due to the adoption of IFRS 16 'Leases' which is further explained elsewhere in this report.
- In FY2019, EBITDA derived from Harvest almost tripled from €1.4 million in FY2018 to €3.9 million, mainly due to an increase in revenue generated from payment gateway services and a 12% y-o-y reduction in net operating expenses arising from the reshaping of business units and a stronger focus on core business. Consequently, EBITDA margin improved from 8.7% in FY2018 to 24.4%.
- The FY2020 projections comprise actual results for the 6-month period January to June 2020 and forecast for the 6-month period July to December 2020. During the year, revenue generated by iSpot is expected to increase by 8% or €8.6 million to amount to €111.2 million. The primary reason for the surge in demand for IT products is directly related to the COVID-19 pandemic, as consumers acquired IT products for home entertainment and educational purposes, or to continue business operations remotely, or otherwise.

Revenue generated by Harvest is also projected to increase following positive trends emanating from its payment gateway operations.

Furthermore, the projections include financial results relating to newly acquired STS Marine Solutions for the 8-month period May to December 2020.

Further information on each of the Group's businesses is provided hereinafter.



5. ISPOT

5.1 BUSINESS OVERVIEW

iSpot Poland Sp. z o.o ('iSpot') is principally engaged in the sale and distribution of Apple products in Poland and is Poland's largest Apple retailer. Furthermore, iSpot stores offer an extensive range of third-party products and software. In 2019, iSpot operated 25 stores under the iSpot brand (2018: 26 stores), 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.

iSpot is also 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. Moreover, as a certified Apple Authorised Training Centre, iSpot has since incorporation participated in numerous projects relating to the implementation of Apple technology in higher education.

Through a joint venture with Maltese trading group VJ Salomone, the Group operates 4 stores in Hungary under the iCentre Brand. Under the same arrangement, the Group also operated a store in Bucharest, Romania up to Q1 2019, after which the operation was sold to a third party.

5.2 OPERATIONAL PERFORMANCE

The following table sets out the highlights of iSpot's operating performance for the years indicated therein.

iSpot Group				
Consolidated Income Statement				
for the year ended 31 December				
	2017	2018	2019	2020
	Actual	Actual	Actual	Forecast
	€'000	€'000	€'000	€'000
Revenue	84,448	90,046	102,641	111,196
Net operating expenses	(81,999)	(87,928)	(97,352)	(105,505)
EBITDA	2,449	2,118	5,289	5,691
Depreciation and amortisation	(1,250)	(1,731)	(4,469)	(3,762)
Other net income	162	-	-	-
Net finance costs	(753)	(622)	(318)	(459)
Profit/(loss) before tax	608	(235)	502	1,470
Taxation	(312)	192	(298)	(313)
Profit/(loss) after tax	296	(43)	204	1,157



iSpot Group				
Earnings before interest, taxation, depreciation & amortisation (EBITDA)				
for the year ended 31 December				
	2017	2018	2019	2020
	Actual	Actual	Actual	Forecast
	€'000	€'000	€'000	€'000
<i>EBITDA has been calculated as follows:</i>				
Operating profit	1,199	387	820	1,929
<i>Adjustments:</i>				
Depreciation and amortisation	1,250	1,731	4,469	3,762
EBITDA	2,449	2,118	5,289	5,691

Key Accounting Ratios				
	2017	2018	2019	2020
	Actual	Actual	Actual	Forecast
Revenue growth (revenue FY1 / revenue FY0)	11%	7%	14%	8%
EBITDA margin (EBITDA / revenue)	3%	2%	5%	5%
Net profit margin (profit after tax / revenue)	0.4%	n/a	0.2%	1.0%

Source: MZ Investment Services Ltd

In **FY2017**, revenue increased by 10.8% to €84.4 million (FY2016: €76.2 million), representing a y-o-y increase of €8.2 million. During the year, iSpot relocated 2 stores and opened 1 new store. Notwithstanding the revenue growth, net operating expenses increased at a higher rate of 12.3%, which adversely impacted EBITDA. As such, EBITDA decreased by €0.8 million from €3.2 million in FY2016 to €2.4 million in FY2017, and the operating profit margin declined from 4% in FY2016 to 3% in FY2017. The significant decrease in net finance costs of 55.5% to €0.75 million in FY2017 contributed to a higher profit after tax in FY2017, which increased from €0.2 million in FY2016 to €0.3 million.

In **FY2018**, revenue generated by iSpot amounted to €90.0 million, an increase of €5.6 million (+6.6%) from €84.4 million in FY2017. iSpot operated the same number of stores during the year as in FY2017 (comprising 26 stores in Poland, 1 store in Romania and 50% shareholding in the operation of 4 stores in Hungary). In Poland and Romania, the conversion rate (which measures the percentage of actual purchases compared to customers entering the stores) increased in 2018, whilst the number of clients also increased by 6.5% over 2017. In FY2018, customers had a higher average basket spend compared to a year earlier, but traffic decreased by 0.4% year-on-year.

Net operating expenses were higher in FY2018 over FY2017 by €5.9 million (+7.2%), which resulted in a lower EBITDA margin of 2.4% compared to 2.9% in FY2017. As such, EBITDA decreased by €331,000 from €2.4 million in FY2017 to €2.1 million in FY2018. After accounting for depreciation and amortisation of €1.7 million and net finance costs of €0.6 million, iSpot registered a loss before taxation of €0.2 million compared to a profit before tax in FY2017 of €0.6 million. The loss for FY2018 amounted to €43,000 (FY2017: profit of €0.3 million).



Revenue for **FY2019** amounted to €102.6 million and represents an increase of €12.6 million (+14%) when compared to €90.0 million generated in FY2018. The conversion rate amounted to 9.6% in 2019 compared to 8.8% in the prior year. The number of clients in 2019 increased by 12.5% over 2018 and had a higher average basket spend at the retail outlets on a comparative basis. Year-on-year traffic also increased by 10.6%.

EBITDA for the year increased from €2.1 million in FY2018 to €5.3 million in FY2019, mainly due to improvements in operational efficiencies as well as the adoption of IFRS 16 which has changed the accounting treatment of operating leases. As such, store leases are no longer included in net operating expenses, but accounted for as 'depreciation on leased asset' and 'interest on leased liability'. Accordingly, EBITDA margin improved from 2% in FY2018 to 5%. Following the loss after tax registered in FY2018, iSpot reported a net profit in FY2019 amounting to €0.2 million.

For the projected financial year ending 31 December **2020**, iSpot expects to generate revenue amounting to €111.2 million, an increase of €8.6 million (+8.3%) from the previous year. Profit after tax for the year is projected to increase from €0.2 million in FY2019 to €1.2 million. During the initial 6 months of 2020, iSpot experienced a substantial increase in demand for its Apple products, both in-store as well as through iSpot's e-commerce platform. The COVID-19 pandemic has accelerated the transformation to a digital world which is driving the sale of Apple products - schools are innovating to make remote learning easier for students; businesses are encouraging working from home by providing equipment to enable employees to operate efficiently; and people are spending more time online for entertainment and shopping during lockdowns / quarantine periods. Management believes that this positive trend in technology will continue to drive demand for iSpot's offerings for at least the remainder of FY2020.

5.3 COMPETITION AND TRENDS

The market in Poland and Hungary 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. The iSpot Group 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 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 user service experience beyond the product. Apple is, however, designing new ways to expand the business generated from its retail platforms beyond the current B2C activity, which will likely create growth opportunities for the company's already strong portfolio in the market. iSpot is continuously driven to obtain the ultimate store portfolio and looking for ways to increase cost efficiencies.



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 the iSpot Group 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.

6. HILI LOGISTICS

6.1 BUSINESS OVERVIEW

Hili Logistics (“HL”) is principally engaged in air, road and sea logistics services, customs brokerage, parcel services, warehousing, ship agency, ship-to-ship operations and project cargo. An overview of HL’s key companies and associates is provided hereunder:

- **Carmelo Caruana Company Ltd (“CCCL”)** is a Maltese company incorporated in 1988 and operates in the shipping and logistics industry, offering *inter alia* freight forwarding, air freight, trampers and ship-to-ship operation and documentation and delivery services. The company is in the process of transferring its freight forwarding business to CMA CGM Malta Agency Ltd. In so doing, CCCL will direct its resources to focus on agency and ship-to-ship operation services.
- **Carmelo Caruana Freeport Operations Limited (“CCFO”)** specialises in the transshipment and cross-stuffing of merchandise, providing a full range of sea, land and air services. Furthermore, the company offers storekeeping and warehousing of sea and air cargo at the Malta Freeport.
- **Global Parcels Limited (“GPL”)** is principally involved in the provision of international document and parcel delivery services, including air freight to European, American and the Asian-Pacific regions, and can handle express courier shipments to more than 220 countries. This courier business is expected to be discontinued in the second half of 2020 as part of the logistics restructuring process.
- **Allcom Sp. z o.o. (“Allcom”)** was established in 1995 and is an intermodal freight forwarding company and customs agency in Poland. The core business activity focuses on sea, road and rail transportation and port services. In addition, Allcom provides ancillary services such as warehousing and customs agency services. The main sectors serviced by Allcom include the food, chemical and construction material industries.
- **CCFO Malta Limited (formerly Peterson Malta Limited) (“CCFO Malta”)** – The company used to serve oil and gas clients in the Mediterranean and in North Africa, with specialist supply base services up to September 2019. At present CCFO Malta offers warehousing and logistics management, procurement and recruitment from CCFO Malta’s permanent base in Malta.
- **CMA CGM Malta Agency Ltd (“CMA”)** – HL has a 49% interest in CMA, with the remaining 51% being held by CMA CGM Agencies Worldwide. CMA is a local liner agent for CMA CGM, the world’s third largest shipping line.



In order to focus more on its core operations, management decided that CCFO, GPL and CCFO Malta are merged into CCCL. The process has initiated and is expected to be completed by the end of FY2020.

6.2 BUSINESS DEVELOPMENT STRATEGY

The Board of Directors has a strategy to grow HL 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.

Through Allcom, HL is looking to expand its global reach by using current knowledge and range of services to grow a proven and successful business. Allcom management is committed to attract new clients by utilising existing logistical contacts and supply chains.

With regard to freight forwarding operations, CCCL resolved to terminate operational activities thereof in order to focus on growing the agency and STS (ship-to-ship) services business. It is intended that the client base and business activities relating to freight forwarding will be transferred from CCCL to CMA CGM Malta Agency Ltd. by the end of August 2020.

6.3 OPERATIONAL PERFORMANCE

The following table sets out the highlights of HL's operating performance for the years indicated therein. HL was acquired by the Company in December 2017. As such, the financial information presented below relate to the financial years from FY2018 to FY2020.

Hili Logistics Group			
Consolidated Income Statement			
for the year ended 31 December			
	2018	2019	2020
	Actual	Actual	Forecast
	€'000	€'000	€'000
Revenue	16,408	16,208	15,165
<i>Operations in Malta</i>	<i>4,906</i>	<i>4,750</i>	<i>3,679</i>
<i>Operations in Poland</i>	<i>11,502</i>	<i>11,458</i>	<i>11,486</i>
Net operating expenses	(15,891)	(15,472)	(14,236)
EBITDA before winding down costs	517	736	929
Costs relating to winding down of freight forwarding operations	-	-	(354)
EBITDA after winding down costs	517	736	575
Depreciation and amortisation	(184)	(278)	(193)
Share of results in associates and other net income	-	307	388
Impairment of goodwill	-	(3,500)	-
Net finance costs	(177)	(196)	(174)
Profit/(loss) before tax	156	(2,931)	596
Taxation	(77)	(180)	(107)
Profit/(loss) after tax	79	(3,111)	489



Hili Logistics Group			
Earnings before interest, taxation, depreciation & amortisation (EBITDA)			
for the year ended 31 December			
	2018	2019	2020
	Actual	Actual	Forecast
	€'000	€'000	€'000
<i>EBITDA has been calculated as follows:</i>			
Operating profit	333	458	382
<i>Adjustments:</i>			
Depreciation and amortisation	184	278	193
EBITDA	517	736	575

Key Accounting Ratios			
	2018	2019	2020
	Actual	Actual	Forecast
Revenue growth (revenue FY1 / revenue FY0)		-1%	-6%
EBITDA margin (EBITDA / revenue)	3%	5%	4%
Net profit margin (profit after tax / revenue)	0.5%	n/a	3.2%

Source: MZ Investment Services Ltd

In **FY2018**, HL reported a decrease in turnover of €6.6 million (-28.7%) to €16.4 million, of which, 70% (FY2017: 72%) was generated from its Polish operations (Allcom). During the year, the logistics business in Malta and Poland experienced higher competition and in fact lost a number of accounts. Allcom also had a challenging financial year whereby it lost a key customer. Furthermore, Allcom suffered from adverse market conditions in 2018 as a result of customs duties imposed on US imports of steel from the EU, and similarly the break bulk business was negatively affected by additional charges imposed on exports of cargo from Non-EU to EU countries.

As a consequence to the decline in revenue, EBITDA decreased from €1.4 million in FY2017 to €0.5 million in FY2018. After accounting for net finance costs of €0.2 million, depreciation and amortisation of €0.2 million and a tax charge of €0.1 million, the profit after tax for the year amounted to €0.1 million, compared to a loss after tax incurred in the prior year of €1.5 million.

During **FY2019**, the Board of Directors revised the development strategy of the HL and strengthened the sales teams so as to generate more business. Some improvement was registered in 2019 as the sales team succeeded to gain some of the lost client accounts and also sign up new customers. Despite registering higher volumes, margins declined due to the challenging and competitive market environment. Similar to the previous year, the cargo handling business continued to be impacted by additional charges imposed on exports of cargo from Non-EU to EU countries.



Revenue generated in FY2019 was largely unchanged when compared to the prior year at €16.2 million (FY2018: €16.4 million), but EBITDA improved marginally from €0.5 million in FY2018 to €0.7 million and EBITDA margin was higher by 2 percentage points to 5%. Depreciation & amortisation was higher in FY2019 by €94,000 due to depreciation on leased assets following the adoption of IFRS 16. Share of results in associates and other net income amounted to €307,000 (FY2018: nil), mainly reflecting the share of profits from the 49% shareholding in CMA CGM Malta Agency Ltd. In FY2019, HL's results were impacted by an impairment loss of €3.5 million pursuant to an assessment of the recoverability of the carrying amount of goodwill. As a consequence, HL registered a loss for the year of €3.1 million (FY2018: profit of €79,000).

Revenue in **FY2020** is projected to decrease by €1.0 million (-6.4%) to €15.2 million, primarily due to the winding down of the freight forwarding operations in Malta with effect from August 2020. The logistics industry has been directly affected by the COVID-19 pandemic due to restrictions imposed by countries on movement and flow of goods causing supply chain disruptions. Furthermore, the loss of demand and consumption of non-essential goods has reduced manufacturing output thereby impacting volumes of cargo.

During the forecast year, revenue generated from HL's operations in Poland is expected to remain unchanged at €11.5 million compared to FY2019. Two main sectors serviced by Allcom include the food and health industries, which are presently outperforming other industries as a result of the COVID-19 crisis. As such, Allcom is expecting to generate higher revenue from customers involved in the afore-mentioned sectors, which should mitigate a loss of revenue from non-essential industries.

Excluding the impairment of goodwill in FY2019 of €3.5 million and the one-time costs of €0.4 million in FY2020 in relation to the winding down of the freight forwarding business of CCCL, HL is projecting an increase of €381,000 in profit before tax, from €569,000 in FY2019 to €950,000 in FY2020.

Overall, profit after tax for FY2020 is expected to amount to €489,000 compared to a loss after tax of €3.1 million in the previous year.

6.4 COMPETITION AND TRENDS

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 HL. Depending on the location of the shipper and the importer, HL 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. HL emphasises quality customer service and is focused on optimising operations so as to maintain competitive prices over others in the industry.

7. HARVEST TECHNOLOGY PLC

7.1 BUSINESS OVERVIEW

The activities of Harvest Technology p.l.c. (“**Harvest**”) primarily focus on delivering business solutions and e-commerce systems to diverse clients. Harvest’s main operating companies include: PTL Limited (‘PTL’), APCO Systems Limited (‘APCO Systems’), and Apco Limited (‘APCO’).

PTL is a multi-brand information technology solutions provider to businesses and the public sector in Malta. PTL provides comprehensive and integrated solutions for its customers’ technology needs through the company’s extensive hardware, software and value-added service offerings. The breadth of offerings allows customers to streamline their procurement processes by partnering with PTL in the provision of a large part of their technology requirements.

The company’s hardware offerings include products from leading brands across multiple categories such as networking, data storage solutions, desktops and banking automation products amongst others. Software offerings include bespoke software solutions, integration and services that help customers optimise their software investments. PTL offers a full suite of value-added services, which typically are delivered as part of a technology solution, to help customers meet their specific needs.

Other services include configuration and management services, virtualisation, collaboration, information security, application integration and migration, mobility and cloud computing. With broad technical scope and capabilities, PTL offers a single point of reference for its clients’ diverse IT requirements, which involves assessing, designing, deploying and managing IT solutions to help customers enable, manage and secure their IT environments.

PTL’s business is well-diversified across customers, products and service offerings and vendors from whom it purchases products and software for resale. The company has aligned its sales and marketing functions around customer channels to retain and increase sales to existing customers and to acquire new customers. The direct selling personnel are supported by a team of technology specialists who design solutions and provide recommendations in the selection and procurement processes. Products are purchased for resale from original equipment manufacturers (OEMs) and distributors. Management maintains that effective purchasing from a diverse vendor base is a key element of the company’s business strategy. PTL is authorised by OEMs to sell all or selected products offered by the manufacturer, and operates as a reseller for major software publishers that allows the end-user customer to acquire packaged software or licensed products and services.



PTL is the preferred local partner of IBM and has over the past years formed a strong alliance through continuous training of its software/hardware engineers on IBM technologies and products to offer a unique specialised product to its customers. Through IBM, PTL is also offering its expert consultancy services to large clients outside Malta. In 2019, PTL, partnering with IBM, managed to secure a very significant 5-year contract in Mauritius to install and maintain a broader security system.

PTL invests heavily in training in business applications and cloud services offered by Microsoft and offers a range of services to businesses and enterprises. PTL represents other major partners such as NCR, CISCO and Lenovo.

PTL has three main revenue segments, as follows:

- **Products** – relates to the sale of hardware and licences.
- **Maintenance and support** – relates to ongoing agreements with customers for servicing and maintenance of products sold. Agreements are typically renewed on an annual basis and the value is determined on a pre-set minimum number of hours at pre-agreed rates.
- **Services** – this revenue stream encompasses all other services provided outside of the standard service and maintenance agreements. A key component of this area is software engineering and development of system integrators.

APCO Systems is a payment solutions provider offering e-commerce processing services for retailers and internet-based merchants. It operates a payment platform under the brand name ‘APCOPAY’.

The primary business model of APCO Systems is to enable merchants to accept a variety of card and various alternative payment options on their respecting e-commerce portals and applications. The term “merchant” generally refers to any entity that accepts credit or debit cards for the payment of goods and services.

Card-based payment forms consist of credit, debit, vouchers and prepaid cards. Credit and debit card transaction processing includes the processing of major international card brands such as MasterCard and Visa, as well as other debit networks. Electronic payment processing involves a consumer or cardholder acquiring goods or services from a merchant and using a credit or debit card or other electronic method as the form of payment. APCOPAY is the pipe that enables customer transactions to reach the acquiring bank acting on behalf of the merchant.

APCO Systems’ offerings include front-end authorisation processing, settlement and funding processing, full customer support, consolidated billing and statements, and online monitoring and reporting. APCO is PCI-DSS certified (Payment Card Industry Data Security Standards). The company’s value proposition is to provide high quality, responsive, secure and full end-to-end service to all its customers.



APCO Limited is a supplier of a wide range of automation and security solutions catering to the banking, retail, fuel and other sectors. Through major partner relationships such as Wincor Nixdorf, Gemalto and Gilbarco, APCO's portfolio includes ATMs, point-of-sale terminals, plastic cards, deposit machines, currency exchanges, fuel payment systems and other cash-handling equipment. On the security front, APCO delivers an end-to-end specialised products and services targeted to B2B clients including intruder prevention and detection solutions and the core systems that help customers manage the infrastructure they deploy. APCO sells its products and services through multiple sales channels in Malta and internationally, and targets customers in many vertical markets.

7.2 BUSINESS DEVELOPMENT STRATEGY

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.

7.3 OPERATIONAL PERFORMANCE

The following table sets out the highlights of Harvest's operating performance for the years indicated therein.

Harvest Technology p.l.c.				
Consolidated Income Statement				
for the year ended 31 December				
	2017	2018	2019	2020
	Actual	Actual	Actual	Forecast
	€'000	€'000	€'000	€'000
Revenue	13,087	15,569	16,049	21,367
Net operating expenses	(12,019)	(14,214)	(12,134)	(16,981)
EBITDA	1,068	1,355	3,915	4,386
Depreciation and amortisation	(216)	(388)	(690)	(774)
Other net income/(loss)	74	-	(58)	15
Net finance costs	(40)	(39)	(131)	(503)
Profit before tax	886	928	3,036	3,124
Taxation	(556)	(348)	(947)	(1,084)
Profit after tax from continuing operations	330	580	2,089	2,040
Discontinued operations	(5)	-	-	-
Profit for the year	325	580	2,089	2,040



Harvest Technology p.l.c.**Earnings before interest, taxation, depreciation & amortisation (EBITDA)**

for the year ended 31 December

	2017	2018	2019	2020
	Actual	Actual	Actual	Forecast
	€'000	€'000	€'000	€'000
<i>EBITDA has been calculated as follows:</i>				
Operating profit	852	967	3,225	3,612
<i>Adjustments:</i>				
Depreciation and amortisation	216	388	690	774
EBITDA	1,068	1,355	3,915	4,386

Key Accounting Ratios

	2017	2018	2019	2020
	Actual	Actual	Actual	Forecast
Revenue growth (revenue FY1 / revenue FY0)	28%	19%	3%	33%
EBITDA margin (EBITDA / revenue)	8%	9%	24%	21%
Net profit margin (profit after tax / revenue)	3%	4%	13%	10%

Source: MZ Investment Services Ltd

Revenue in **FY2017** increased by €2.9 million (28.4%) from the prior year and amounted to €13.1 million. There was a lesser increase in net operating expenses of €2.1 million (21.2%), which resulted in a significant increase in EBITDA of €0.8 million to €1.1 million as compared to €0.3 million in FY2016. After two consecutive years of losses, Harvest reported a profit after tax in FY2017 of €0.3 million.

In **FY2018**, Harvest generated revenue of €15.6 million, an increase of €2.5 million (19.0%) when compared to a year earlier. Notwithstanding the said growth in income, the y-o-y increase in EBITDA was of only €0.3 million to €1.4 million (FY2017: €1.1 million), due to a corresponding increase of 18.3% in net operating expenses. Harvest reported a profit after tax in FY2018 of €0.6 million compared to €0.3 million in FY2017.

Revenue generated in **FY2019** amounted to €16.0 million, an increase of €480,000 (+3%) when compared to FY2018. Further analysis of revenue shows that sale of goods, consultancy & development decreased y-o-y by €829,000 (-10%) to €7.9 million (FY2018: €8.7 million), which was compensated for by an increase of €769,000 (+20%) in payment gateway services to €4.6 million (FY2018: €3.9 million). Volumes of the e-commerce business (payment gateway services) increased significantly in 2019 over 2018 due to new clients as well as an increase in the amount of transactions passed through the payment gateway.

EBITDA in **FY2019** more than doubled from €1.4 million in FY2018 to €3.9 million, mainly on account of the increase in higher margin payment gateway services and a reduction in operating costs. In fact, EBITDA margin was materially higher on a comparative basis at 24% (FY2018: 9%). Depreciation and amortisation increased y-o-y by €0.3 million due to the adoption of IFRS 16 (leases) which takes into



account depreciation on right-of-use assets. Overall, profit after tax for the year increased substantially from €580,000 in FY2018 to €2.1 million in FY2019, thereby resulting in a higher net profit margin from 4% in FY2018 to 13% in FY2019.

In accordance with the IPO prospectus dated 18 November 2020, Harvest is projecting to generate €21.4 million in revenue in **FY2020**, an increase of €5.3 million (+33%) from the prior year. The first half of 2020 has been characterised by a strong performance of APCO Systems Limited through its position in the market as a leader of payment solutions to its growing client base and as a result of its diversification strategies. The results of Harvest have also been supported by an overall good performance by PTL Limited. During the first 6 months of 2020, PTL's Limited business was strengthened by the commencement of its international project in Mauritius where the company is in an advanced phase in the installation of that country's border security system. APCO Limited, whose business is mainly focused on on-going automation services, experienced a slowdown in product orders resulting from COVID-19 related impact. This situation may extend over the last 6 months of FY2020.

EBITDA is expected to increase by 12% from €3.9 million in FY2019 to €4.4 million, thereby achieving an EBITDA margin of 21% (FY2019: 24%). Overall, net profit for FY2020 is estimated to amount to €2.0 million compared to €2.1 million a year earlier.

7.4 COMPETITION AND TRENDS

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 business applications, infrastructure, security, collaboration and other service offerings, and, as with other areas, the abovementioned 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. STS MARINE SOLUTIONS

8.1 BUSINESS OVERVIEW

In April 2020, the Group acquired from Teekay Tankers its global ship-to-ship (STS) support services operations (“**STS Marine Solutions**”), excluding the North American operations. The acquired business is one of the world’s leading STS service provider companies with over 30 years’ experience involving the transfer of crude oil, refined petroleum products, LPG and LNG. Carmelo Caruana Company Limited (a member of the Group) has been involved in similar operations for the last 20 years and operates as a partner of STS Marine Solutions through its base in Malta.

STS Marine Solutions operates from 24 bases globally and apart from core STS activities, the company is involved in the provision of oil & gas support services and LNG operations, which comprises LNG terminal management, emergency support services and consultancy. The demand for the STS services is predominately driven by the volume of oil traded between oil majors and independent traders, and also by production where local port infrastructure is unable to accommodate large tankers. The business is also very well positioned in the global LNG market which is expected to grow significantly over the next the decade.

8.2 BUSINESS DEVELOPMENT STRATEGY

The strategy of STS Marine Solutions is to continue developing its business by expanding its geographical coverage through investment in more bases globally. Moreover, management has identified the LNG sector as a high growth area and thereby plans to commit resources and personnel to further specialise in this industry. STS Marine Solutions will also consider bolt-on acquisitions to further drive its growth.

8.3 OPERATIONAL PERFORMANCE

The following table sets out the highlights of STS Marine Solutions’ forecast operating performance for the period 1 July 2020 to 31 December 2020.

STS Marine Solutions	
Consolidated Income Statement	
for the 8-month period ending 31 December 2020	
	Forecast
	€'000
Revenue	11,782
Net operating expenses	<u>(10,007)</u>
EBITDA	1,775
Depreciation and amortisation	(841)
Net interest receivable	<u>43</u>
Profit before tax	977
Taxation	<u>(90)</u>
Profit for the period	887



STS Marine Solutions

**Earnings before interest, taxation, depreciation & amortisation (EBITDA)
for the 8-month period ending 31 December 2020**

	Forecast €'000
<i>EBITDA has been calculated as follows:</i>	
Operating profit	934
<i>Adjustments:</i>	
Depreciation and amortisation	<u>841</u>
EBITDA	<u>1,775</u>

During the 8-months 1 May 2020 to 31 December 2020, STS Marine Solutions is forecasting to generate revenue of €11.8 million and EBITDA amounting to €1.8 million, thus achieving an EBITDA margin of 15%. The profit for the period is estimated at €0.9 million.

8.4 COMPETITION AND TRENDS

The STS market is dominated by the large global players, of which STS Marine Solutions is one such player, as well as smaller local players. Oil majors engage larger STS service providers for the service due to their strong track record on safety. Management expects the number of oil STS operations to remain relatively stable over the next 10 years whilst on the other hand, demand for LNG transfers is expected to continue to increase and represents the main opportunity for this business. Management are also focused on increasing the number of LNG terminals under their management.

The effects of the COVID-19 lockdown and restrictions on travel have adversely impacted STS operations. Furthermore, the current situation was exacerbated by the sharp fall in the price of oil caused by the imbalance between supply and real demand. During this period, forecasting what the overall impact of the pandemic will have on STS Marine Solutions will depend on the duration of the crisis and on how quickly STS operations can recover. During the COVID-19 crisis, management continued to operate the business profitably despite the closure of certain bases. Furthermore, the management team have a plan in place to ensure that, in the event of future lockdowns, the bases will continue to operate.



PART 2 – GROUP PERFORMANCE REVIEW

9. FINANCIAL INFORMATION

The following financial information is extracted from the audited consolidated financial statements of 1923 Investments p.l.c. (the “Company”) for the financial years ended 31 December 2017 to 2019. The financial information for the year ending 31 December 2020 has been provided by Group management.

The projected financial statements detailed below relate to events in the future and are based on assumptions which the Group believes to be reasonable. Consequently, the actual outcome may be adversely affected by unforeseen situations and the variation between forecast and actual results may be material.

Following the outbreak of the COVID-19 pandemic, the Directors are monitoring the situation and planning for immediate action to safeguard the interests of the Group and its stakeholders. The Company also receives ongoing updates from the boards of the underlying subsidiaries to assess the impact of the pandemic on its investments.

As the Group confronts the unprecedented challenges brought about by the global pandemic, it has taken all available measures to contain and manage the financial impact on the Group. Companies within the Group have applied for such fiscal assistance as is available under the programmes announced by government, and as a precautionary cash conservation measure, the Group has applied for temporary banking facilities. Other operational efficiency and cost containment initiatives have also been implemented.

The Directors are of the opinion that it is premature to comment on the consequences of the events that are still unfolding and that they cannot make an estimate of the financial effect that these events will have on the Group. These events are expected to have an impact, both positive and negative, on the short-term performance and financial position of the Group and its subsidiaries. The impact on the future performance and financial position of the Group is dependent on various macro-economic considerations interrelated to the COVID-19 pandemic but the geographic and industry diversification of the Group mitigates risks and increases opportunities. Nevertheless, the management of the Company will work toward achieving the projections for FY2020 as set out in the following tables.



1923 Investments p.l.c.				
Statement of Total Comprehensive Income				
for the year ended 31 December				
	2017	2018	2019	2020
	Actual	Actual	Actual	Forecast
	€'000	€'000	€'000	€'000
Revenue	97,535	122,023	134,898	159,510
Net operating expenses	(93,602)	(118,278)	(126,198)	(147,848)
EBITDA	3,933	3,745	8,700	11,662
Depreciation and amortisation	(1,795)	(2,463)	(5,485)	(5,653)
Share of results, dividends of associates & jointly controlled entities	95	191	353	388
Other income/(expenses)	219	-	75	18
Net gain on disposal of subsidiaries (or part of)	-	-	5,823	1,815
Impairment of goodwill	-	-	(3,789)	-
Net finance costs	(2,518)	(2,538)	(2,635)	(3,793)
Profit/(loss) before tax	(66)	(1,065)	3,042	4,437
Taxation	(608)	(152)	(1,436)	(1,020)
Profit/(loss) after tax from continuing operations	(674)	(1,217)	1,606	3,417
Loss for the year from discontinued operations	(5)	-	-	-
Profit/(loss) for the year	(679)	(1,217)	1,606	3,417
Other comprehensive income				
Exchange differences on translating foreign operations	2,190	(2,255)	295	-
Total comprehensive income/(expense)	1,511	(3,472)	1,901	3,417

1923 Investments p.l.c.				
Earnings before interest, taxation, depreciation & amortisation (EBITDA)				
for the year ended 31 December				
	2017	2018	2019	2020
	Actual	Actual	Actual	Forecast
	€'000	€'000	€'000	€'000
<i>EBITDA has been calculated as follows:</i>				
Operating profit	2,138	1,282	3,215	6,009
<i>Adjustments:</i>				
Depreciation and amortisation	1,795	2,463	5,485	5,653
EBITDA	3,933	3,745	8,700	11,662



Key Accounting Ratios	FY2017	FY2018	FY2019	FY2020
	Actual	Actual	Actual	Forecast
EBITDA margin (EBITDA/revenue)	4%	3%	6%	7%
Interest cover (times) (EBITDA/net finance cost)	1.56	1.48	3.30	3.07
Net profit margin (Profit after tax/revenue)	n/a	n/a	1%	2%
Earnings per share (€) (Profit after tax/number of shares)	n/a	n/a	0.03	0.07
Return on equity (Profit after tax/shareholders' equity)	n/a	n/a	4%	7%
Return on capital employed (EBITDA/total assets less current liabilities)	5%	4%	9%	11%
Return on assets (Profit after tax/total assets)	n/a	n/a	1%	2%

Source: MZ Investment Services Limited

Revenue for **FY2017** amounted to €97.5 million, an increase of €11.1 million when compared to revenue of €86.4 million in FY2016. Over 70% of the aforesaid increase was generated by iSpot. EBITDA for the year decreased by €0.39 million (-9%) to €3.93 million (FY2016: €4.32 million). The Group reported total comprehensive income for the year of €1.5 million (FY2016: expense of €1.8 million), which was largely due to a positive exchange difference on foreign operations denominated in Polish Zloty of €2.2 million.

In **FY2018**, the Group registered a year-on-year increase in revenue of €24.5 million, but EBITDA decreased by €0.2 million when compared to the prior year. The increase in revenue is mainly due to the inclusion of Hili Logistics as part of the Group during FY2018 (following the acquisition of Hili Logistics in December 2017). EBITDA was lower on a yearly basis primarily on account of a weaker performance registered at iSpot. After factoring in depreciation and amortisation, share of results of associates and joint entities and net finance costs, the Group reported a loss before tax of €1.1 million (FY2017: loss of €66,000).

Other comprehensive results for FY2018 were negatively impacted by a €2.3 million adverse movement in exchange differences on translation of foreign operations denominated in Polish Zloty (FY2017: a gain amounting to €2.2 million). Consequently, the Group registered a total comprehensive expense for FY2018 of €3.5 million compared to total comprehensive income amounting to €1.5 million in the prior year.



In **FY2019**, the Group generated revenue amounting to €134.9 million, an increase of €12.9 million (+11%) from €122.0 million in FY2018. The y-o-y increase is attributable to revenue growth at iSpot. EBITDA increased by €5.0 million, from €3.7 million in FY2018 to €8.7 million as a consequence of improved operational efficiencies but more prominently due to the effect of IFRS 16. As of 1 January 2019, the Group has adopted IFRS 16 which changes the accounting treatment of operating leases. Accordingly, leases as from FY2019 will not be included in net operating expenses, but will be accounted for as 'depreciation on leased asset' and 'interest on leased liability'.

Depreciation & amortisation increased by €3.0 million (y-o-y) due to the inclusion of depreciation on right-of-use assets (IFRS 16). Impairment of goodwill amounting to €3.8 million includes the full impairment of the Apple store in Romania of €0.3 million and an impairment loss of €3.5 million arising on the logistics business. Net finance costs increased marginally by €0.1 million notwithstanding the addition of interest paid on leasing arrangements amounting to €0.4 million pursuant to the adoption of IFRS 16.

In contrast, the Group registered a gain on disposal of shares in Harvest Technology p.l.c. amounting to €5.8 million.

Total comprehensive income in FY2019 amounted to €1.9 million (FY2018: comprehensive expense of €3.5 million) after accounting for tax charge of €1.4 million and a gain on exchange differences amounting to €0.3 million.

The Group is assuming to grow its revenue line by €24.6 million (+18%) in **FY2020** over a year earlier, primarily on account of an increase in revenue at iSpot and Harvest. Moreover, the newly acquired STS Marine Solutions business is expected to contribute €11.8 million to revenue.

In consequence, EBITDA is expected to improve by €3.0 million (+34%) from €8.7 million in FY2019 to €11.7 million. The Group plans to dispose of the remaining ordinary shares of Harvest Technology p.l.c. which were initially placed on offer in terms of the prospectus dated 18 November 2019. In this regard, the Group anticipates that it should realise a gain on disposal of €1.8 million. In contrast, net finance costs are projected to increase by €1.2 million to €3.8 million (FY2019: €2.6 million). Overall, the Group expects to report total comprehensive income for FY2020 of €3.4 million, an increase of €1.5 million when compared to the previous year.

Key accounting ratios – The EBITDA margin increased from 3% in FY2018 to 6% in FY2019 due to the adoption of IFRS 16. For same reason, the interest cover improved from 1.48 times in FY2018 to 3.30 times in FY2019. In the forecast year, the EBITDA margin is expected to improve by 1 percentage point to 7%, while interest cover ratio should decrease from 3.30 times in FY2019 to 3.07 times.



1923 Investments p.l.c.
Statement of Financial Position
as at 31 December

	2017	2018	2019	2020
	Actual	Actual	Actual	Forecast
	€'000	€'000	€'000	€'000
ASSETS				
Non-current assets				
Goodwill and other intangibles	68,726	66,386	63,155	75,896
Property, plant and equipment	7,874	6,629	5,611	11,499
Investments in associates and joint ventures	1,219	958	1,229	1,372
Right-of-use assets	-	-	10,294	7,927
Loans and receivables	6,476	8,523	2,384	3,709
Deferred tax assets	1,101	1,546	1,463	1,460
	85,396	84,042	84,136	101,863
Current assets				
Inventory	12,409	15,841	11,476	12,576
Trade and other receivables	15,670	12,628	11,805	19,142
Other current assets	1,784	4,679	10,924	1,106
Cash and cash equivalents	3,231	3,604	18,934	11,325
	33,094	36,752	53,139	44,149
Total assets	118,490	120,794	137,275	146,012
EQUITY AND LIABILITIES				
Equity				
Share capital	35,575	49,575	49,575	49,575
Reserves	(1,894)	(11,301)	(8,348)	(7,164)
Non-controlling interest	30	44	3,836	5,380
Equity and reserves	33,711	38,318	45,063	47,791
Liabilities				
Non-current liabilities				
Debt securities	35,435	35,516	35,596	35,677
Borrowings and other financial liabilities	14,151	12,400	3,178	15,923
Lease liabilities	-	-	7,541	6,082
Other non-current liabilities	2,085	2,026	1,952	1,615
	51,671	49,942	48,267	59,297
Current Liabilities				
Bank overdrafts	1,122	3,334	4,555	6,999
Borrowings and other financial liabilities	5,292	551	9,415	3,493
Lease liabilities	-	-	2,958	2,515
Other current liabilities	26,694	28,649	27,017	25,917
	33,108	32,534	43,945	38,924
	84,779	82,476	92,212	98,221
Total equity and liabilities	118,490	120,794	137,275	146,012



Key Accounting Ratios	FY2017	FY2018	FY2019	FY2020
	Actual	Actual	Actual	Forecast
Gearing ratio <i>(Net debt/net debt and shareholders' equity)</i>	58%	51%	48%	54%
Net debt to EBITDA (years) <i>(Net debt/EBITDA)</i>	11.77	10.59	4.82	4.77
Net assets per share (€) <i>(Net asset value/number of shares)</i>	0.95	0.77	0.83	0.86
Liquidity ratio (times) <i>(Current assets/current liabilities)</i>	1.00	1.13	1.21	1.13

Source: MZ Investment Services Limited

Total assets as at 31 December 2019 amounted to €137.3 million and principally comprise goodwill and intangible assets of €63.2 million, current assets excluding cash balances of €34.2 million and cash & cash equivalents of €18.9 million. Furthermore, due to the adoption of IFRS 16, the Group recognised right-of-use assets amounting to €10.3 million. In FY2020, total assets are projected to increase by €8.7 million, mainly on account of the acquisition of STS Marine Solutions in April 2020 which has increased goodwill on acquisition and property, plant & equipment, and reduced cash balances.

Total liabilities in FY2019 amounted to €92.2 million, and primarily included debt securities, borrowings and lease liabilities of €63.2 million. In the forecast year, borrowings and other financial liabilities are due to increase by €12.7 million in consequence of the above-mentioned acquisition.

The gearing ratio of the Group decreased from 51% in FY2018 to 48% in FY2019 due to the receipt of proceeds from the disposal of part of the Group's shareholding in Harvest Technology p.l.c. Net debt to EBITDA improved from 10.59 years in FY2018 to 4.82 years in FY2019. In the latter financial year, EBITDA was higher from the prior year mainly on account of the effect of IFRS 16, where lease payments are now accounted for in depreciation & amortisation and net finance costs (that is, below the EBITDA line). The liquidity ratio improved from 1.13 times in FY2018 to 1.21 times.

The gearing ratio is expected to increase by 6 percentage points to 54% in FY2020 on funding the purchase of STS Marine Solutions, while the liquidity ratio is projected to decline from 1.21 times to 1.13 times.



1923 Investments p.l.c.				
Statement of Cash Flows				
for the year ended 31 December				
	2017	2018	2019	2020
	Actual	Actual	Actual	Forecast
	€'000	€'000	€'000	€'000
Net cash from operating activities	(367)	(1,909)	9,145	(4,299)
Net cash from investing activities	654	(1,584)	8,534	(22,067)
Net cash from financing activities	(1,336)	1,654	(3,570)	16,313
Net movement in cash and cash equivalents	(1,049)	(1,839)	14,109	(10,053)
Cash and cash equivalents at beginning of year	3,158	2,109	270	14,379
Cash and cash equivalents at end of year	2,109	270	14,379	4,326

Net cash generated from operating activities in FY2019 amounted to €9.1 million compared to net cash outflows of €1.9 million in FY2018. The positive variance mainly emanates from favourable working capital changes and a reclassification of lease payments from operating activities to financing activities. In FY2020, net cash from operating activities is expected to result in net cash outflows of €4.3 million, due to adverse movements in working capital items.

Net cash from investing activities amounted to €8.5 million (FY2018: cash outflows amounting to €1.6 million), mainly attributable to the proceeds from disposal of shares in subsidiary of €10.7 million. The difference in balance represents capital expenditure and payments to related companies. In FY2020, net cash used in investing activities is projected to amount to €22.1 million, and shall principally include the acquisition of STS Marine Solutions and other capital expenditure, which outflows are expected to be partly offset by cash inflows from disposal of investment of *circa* €3.0 million.

In FY2019, net cash used in financing activities amounted to €3.6 million, which included payments for lease obligations of €3.0 million and interest paid on leasing arrangements of €0.4 million. Cash inflows from financing activities in FY2020 are expected to amount to €16.3 million, primarily comprising borrowings utilised for the purposes of funding the acquisition of STS Marine Solutions.



VARIANCE ANALYSIS

The following financial information relates to the variance analysis between the forecasted financial information for the year ended 31 December 2019 included in the prior year's Financial Analysis Summary dated 20 June 2019 and the audited consolidated financial statements for the year ended 31 December 2019.

1923 Investments p.l.c.			
Statement of Total Comprehensive Income			
for the year ended 31 December 2019			
	Actual	Forecast	Variance
	€'000	€'000	€'000
Revenue	134,898	130,727	4,171
Net operating expenses	(126,198)	(123,217)	(2,981)
EBITDA	8,700	7,510	1,190
Depreciation and amortisation	(5,485)	(5,109)	(376)
Share of results, dividends of associates & jointly controlled entities	353	226	127
Other income/(expenses)	75	(291)	366
Net gain on disposal of subsidiaries (or part of)	5,823	-	5,823
Impairment of goodwill	(3,789)	-	(3,789)
Net finance costs	(2,635)	(2,353)	(282)
Profit/(loss) before tax	3,042	(17)	3,059
Taxation	(1,436)	76	(1,512)
Profit after tax	1,606	59	1,547
Other comprehensive income			
Exchange differences on translating foreign operations	295	24	271
Total comprehensive income	1,901	83	1,818

As presented in the above table, the Group's revenue for FY2019 was higher than forecast by €4.2 million due to better than expected sales from iSpot. In turn, a positive variance in EBITDA was registered amounting to €1.2 million.

The net gain on disposal of shareholding in Harvest Technology p.l.c. of €5.8 million and impairment of goodwill of €3.8 million (net positive balance of €2.0 million) were not accounted for in the projections. Also, actual tax charge was higher than forecast by €1.5 million.

Overall, total comprehensive income amounted to €1.9 million compared to a forecast figure of €83,000.



1923 Investments p.l.c.			
Statement of Financial Position			
as at 31 December 2019			
	Actual	Forecast	Variance
	€'000	€'000	€'000
ASSETS			
Non-current assets			
Goodwill and other intangibles	63,155	66,125	(2,970)
Property, plant and equipment	5,611	7,383	(1,772)
Investments in associates and joint ventures	1,229	1,037	192
Right-of-use assets	10,294	9,259	1,035
Loans and receivables	2,384	10,850	(8,466)
Deferred tax assets	1,463	2,908	(1,445)
	84,136	97,562	(13,426)
Current assets			
Inventory	11,476	11,656	(180)
Trade and other receivables	11,805	12,063	(258)
Other current assets	10,924	3,431	7,493
Cash and cash equivalents	18,934	5,944	12,990
	53,139	33,094	20,045
Total assets	137,275	130,656	6,619
EQUITY AND LIABILITIES			
Equity			
Share capital	49,575	49,575	-
Reserves	(8,348)	(11,173)	2,825
Non-controlling interest	3,836	-	3,836
Equity and reserves	45,063	38,402	6,661
Liabilities			
Non-current liabilities			
Debt securities	35,596	35,596	-
Borrowings and other financial liabilities	3,178	13,950	(10,772)
Lease liabilities	7,541	-	7,541
Other non-current liabilities	1,952	10,535	(8,583)
	48,267	60,081	(11,814)
Current Liabilities			
Bank overdrafts	4,555	4,371	184
Borrowings and other financial liabilities	9,415	200	9,215
Lease liabilities	2,958	-	2,958
Other current liabilities	27,017	27,602	(585)
	43,945	32,173	11,772
	92,212	92,254	(42)
Total equity and liabilities	137,275	130,656	6,619

The projected statement of financial position had not factored in the disposal of part of Harvest Technology p.l.c., which is the primary reason for the positive variance in cash balances of €13.0 million (current assets) and the €3.8 million non-controlling interest (equity and reserves).



Borrowings, lease liabilities and other financial liabilities were higher than projected by €9.1 million, which was offset by lower than forecast balance in other liabilities of €9.2 million

1923 Investments p.l.c.			
Statement of Cash Flows			
for the year ended 31 December 2019			
	Actual	Forecast	Variance
	€'000	€'000	€'000
Net cash from operating activities	9,145	2,928	6,217
Net cash from investing activities	8,534	(1,867)	10,401
Net cash from financing activities	(3,570)	242	(3,812)
Net movement in cash and cash equivalents	14,109	1,303	12,806
Cash and cash equivalents at beginning of year	270	270	-
Cash and cash equivalents at end of year	14,379	1,573	12,806

Net movement in cash and cash equivalents amounted to €14.1 million compared to a projected balance of €1.3 million. The principal reason for the difference of €12.8 million is in cash inflows from investing activities, where the Group received €10.7 million of net proceeds from disposal of shares in a subsidiary which amount was not reflected in the projections.

The variance in net cash from financing activities amounted to a negative €3.8 million, mainly comprising payments for lease obligations which balance was reclassified from operating activities to financing activities due to the adoption of IFRS 16. This reclassification was not factored in the forecast figures.

10. RELATED PARTY DEBT SECURITIES

1923 Investments p.l.c. is a member of the Hili Ventures Group. Within the same group, Premier Capital p.l.c., Hili Properties p.l.c., and Hili Finance p.l.c., all sister companies of 1923 Investments p.l.c., have the following outstanding debt securities:

Security ISIN	Security Name	Amount Listed	Currency
MT0000941204	4.50% Hili Properties plc 2025	37,000,000	EUR
MT0000511213	3.75% Premier Capital plc 2026	65,000,000	EUR
MT0001891200	3.85% Hili Finance plc 2028	40,000,000	EUR
MT0001891218	3.80% Hili Finance plc 2029	80,000,000	EUR



PART 3 – COMPARABLES

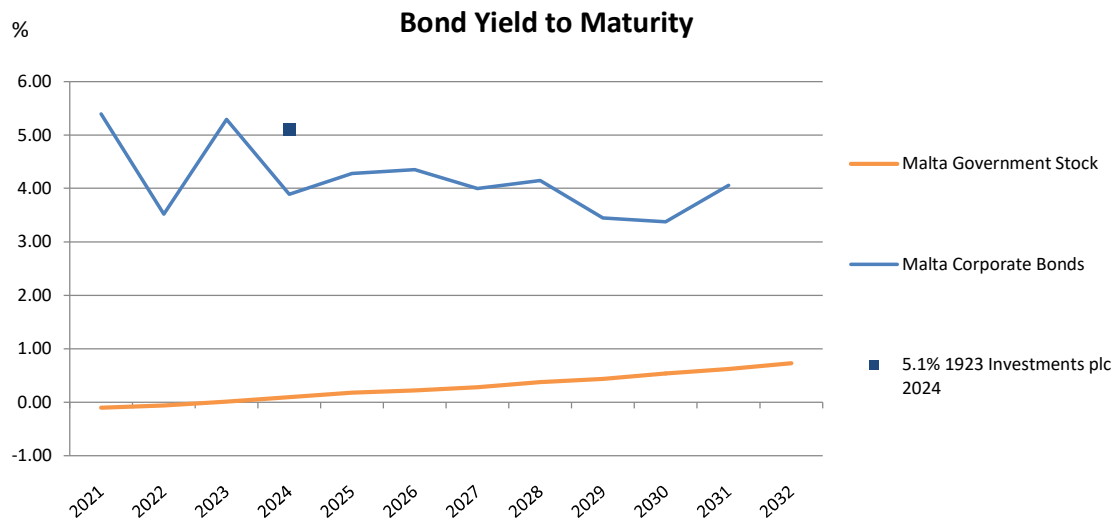
The table below compares the Company and its bond issue to other debt issuers listed on the Malta Stock Exchange and their respective debt securities. Although there are significant variances between the activities of the Company and other issuers (including different industries, principal markets, competition, capital requirements etc.), and material differences between the risks associated with the Company's business and that of other issuers, the comparative analysis provides an indication of the financial performance and strength of the Company.

Comparative Analysis	Nominal Value (€)	Yield to Maturity (%)	Interest Cover (times)	Total Assets (€'000)	Net Asset Value (€'000)	Gearing Ratio (%)
5.80% International Hotel Investments plc 2021	20,000,000	5.39	3.01	1,687,198	897,147	37.31
3.65% GAP Group plc Secured € 2022	36,736,700	3.52	2.22	87,886	11,155	77.98
6.00% Pendergardens Developments plc Secured € 2022 Series	26,781,200	3.36	3.75	81,524	28,343	37.45
4.25% GAP Group plc Secured € 2023	19,394,000	3.87	2.22	87,886	11,155	77.98
5.30% United Finance Plc Unsecured € Bonds 2023	8,500,000	5.29	0.76	27,159	6,916	62.72
5.80% International Hotel Investments plc 2023	10,000,000	5.11	3.01	1,687,198	897,147	37.31
6.00% AX Investments Plc € 2024	40,000,000	4.45	5.55	342,395	226,115	19.63
6.00% International Hotel Investments plc € 2024	35,000,000	5.36	3.01	1,687,198	897,147	37.31
5.30% Mariner Finance plc Unsecured € 2024	35,000,000	3.89	4.81	95,310	47,100	48.85
5.00% Hal Mann Vella Group plc Secured € 2024	30,000,000	3.46	2.67	117,625	45,146	53.77
5.10% 1923 Investments plc Unsecured € 2024	36,000,000	5.11	3.30	137,275	45,063	48.20
4.25% Best Deal Properties Holding plc Secured € 2024	16,000,000	3.49	-	27,455	3,366	85.88
5.75% International Hotel Investments plc Unsecured € 2025	45,000,000	5.50	3.01	1,687,198	897,147	37.31
5.10% GPM Holdings plc Unsecured € 2025	13,000,000	5.10	4.03	4,066	18,883	-
4.50% Hili Properties plc Unsecured € 2025	37,000,000	4.28	1.65	150,478	57,635	56.47
4.35% Hudson Malta plc Unsecured € 2026	12,000,000	4.35	6.47	48,019	6,405	81.08
4.25% Corinthia Finance plc Unsecured € 2026	40,000,000	4.43	2.74	1,784,681	908,883	40.11
4.00% International Hotel Investments plc Secured € 2026	55,000,000	3.88	3.01	1,687,198	897,147	37.31
3.75% Premier Capital plc Unsecured € 2026	65,000,000	3.47	8.99	273,233	57,082	60.43
4.00% International Hotel Investments plc Unsecured € 2026	60,000,000	3.73	3.01	1,687,198	897,147	37.31
3.25% AX Group plc Unsec Bds 2026 Series I	15,000,000	3.25	5.55	341,785	227,069	19.11
4.35% SD Finance plc Unsecured € 2027	65,000,000	4.35	8.48	316,563	132,582	31.98
4.00% Eden Finance plc Unsecured € 2027	40,000,000	4.00	6.42	199,265	113,124	28.12
4.00% Stivala Group Finance plc Secured € 2027	45,000,000	3.76	4.92	225,284	123,107	38.32
3.85% Hili Finance Company plc Unsecured € 2028	40,000,000	4.15	3.87	628,916	110,128	77.11
3.65% Stivala Group Finance plc Secured € 2029	15,000,000	3.45	4.92	225,284	123,107	38.32
3.80% Hili Finance Company plc Unsecured € 2029	80,000,000	4.07	3.87	628,916	110,128	77.11
3.75% AX Group plc Unsec Bds 2029 Series II	10,000,000	3.68	5.55	341,785	227,069	19.11

03-Aug-20

Source: Malta Stock Exchange, Audited Accounts of Listed Companies, MZ Investment Services Ltd





Source: Malta Stock Exchange, Central Bank of Malta, MZ Investment Services Ltd

3 August 2020

To date, there are no corporate bonds which have a redemption date beyond 2032.

The Malta Government Stock yield curve has been included as it is the benchmark risk-free rate for Malta. The Group's bonds are trading at a yield of 5.11%, which is 122 percentage points higher when compared to other corporate bonds maturing in the same year. The premium over FY2024 Malta Government Stock is 501 basis points.

Due to the global economic fallout from the coronavirus outbreak, the difference between corporate bond yields and benchmark Malta Government Stock yields has widened across the entire yield curve. This unprecedented event has brought about an economic slowdown, which will likely adversely affect operational results of a number of companies.



PART 4 – EXPLANATORY DEFINITIONS

Income Statement	
Revenue	Total revenue generated by the Group from its business activities during the financial year, including IT hardware, software, consultancy, logistics and related services.
Net operating expenses	Net operating expenses include the cost of products, labour expenses, and all other direct 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.
Share of results of joint ventures	The Group owns minority stakes in a number of companies (less than 50% plus one share of a company's share capital). The results of such companies are not consolidated with the subsidiaries of the Group, but the Group's share of profit is shown in the profit and loss account under the heading 'share of results of associates and jointly controlled entities'.
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	
Operating profit margin	Operating profit 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.
Cash Flow Statement	
Cash flow from operating activities	Cash generated from the principal revenue-producing activities of the Company.
Cash flow from investing activities	Cash generated from the activities dealing with the acquisition and disposal of long-term assets and other investments of the Company.
Cash flow from financing activities	Cash generated from the activities that result in change in share capital and borrowings of the Company.
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 allocates 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 purchased. Such assets include goodwill and other intangible assets, property, plant & equipment and investments accounted for using the equity method.
Current assets	Current assets are all assets of the Group, which are realisable within one year from the balance sheet date. Such amounts include inventory, accounts receivable, 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.
Net debt	Borrowings before unamortised issue costs less cash and cash equivalents.
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 bank borrowings and bonds.
Total equity	Total equity includes share capital, reserves & other equity components, and retained earnings.
Financial Strength Ratios	
Liquidity ratio	The liquidity ratio (also known as current ratio) is a financial ratio that measures whether or not a company has enough 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 EBITDA of one period by the company's interest expense of the same period.
Net debt to EBITDA	The net debt to EBITDA ratio is a measurement of leverage, calculated as a company's interest bearing liabilities minus cash or cash equivalents, divided by its EBITDA. This ratio shows how many years it would take for a company to pay back its debt if net debt and EBITDA are held constant.
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.

