DINO FINO FINANCE PLC

COMPANY ANNOUNCEMENT

The following is a Company Announcement issued by Dino Fino Finance p.l.c. (the "Company") bearing company registration number C100038 pursuant to the Capital Markets Rules issued by the Malta Financial Services Authority

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Quote

The Company announces that the Financial Analysis Summary 2024 of the Company dated today, 28th June 2024, has been approved for publication and is available herewith. A copy of the said Financial Analysis Summary 2024 can also be viewed on the company's website https://dinofino.com/investor-relations/.

Unquote

By order of the Board

Dr. Austin Gauci Maistre
Company Secretary

28th June, 2024

Ref: DFF14

Calamatta Cuschieri

The Directors
Dino Fino Finance p.l.c.
Dino Fino Home + Contract,
Msida Valley Road,
Birkirkara BKR 9025
Malta

Re: Financial Analysis Summary – 2024 28 June 2024

Dear Board Members,

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

The purpose of the financial analysis is that of summarising key financial data appertaining to Dino Fino Finance p.l.c. (the "**Issuer**"), Dino Fino Operations Limited (the "**Guarantor**") and related companies within the group as explained in part 1 of the Analysis. 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 2021, 2022 and 2023 has been extracted from the consolidated audited financial statements of the Issuer for the three years in question.

(b) The forecast data for the financial year ending 2024 has been provided by management.

(c) Our commentary on the Issuer's consolidated results and financial position has been 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 4 of the Analysis.

(e) The principal relevant market players listed in Part 3 of the document have been identified by management. Relevant financial data in respect of competitors has been extracted from public sources such as the web sites of the companies concerned or 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 and should not be interpreted as a recommendation to invest in any of the Issuer'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 Issuer's securities.

Yours sincerely,

Patrick Mangion
Head of Capital Markets

FINANCIAL ANALYSIS SUMMARY 2024

Dino Fino Finance p.l.c.

28 June 2024

Prepared by Calamatta Cuschieri Investment Services Limited

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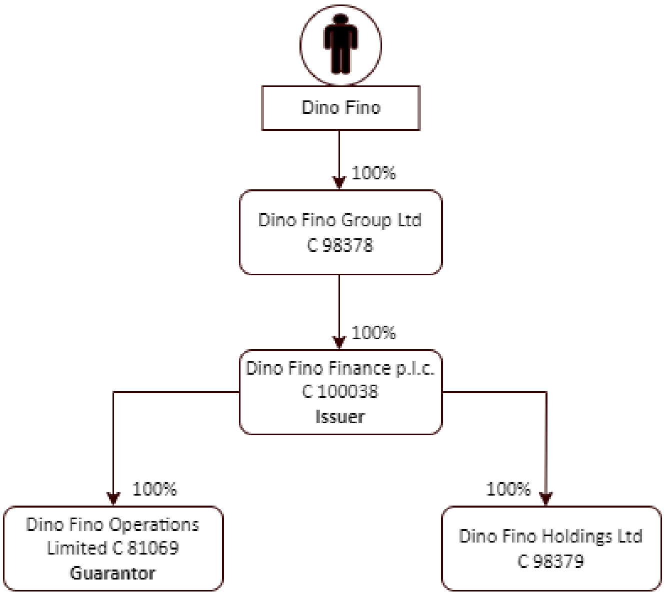
Part 1 - Information about the Group

1.1 Issuer and Group's Subsidiaries Key Activities and Structure

The Group structure is as follows:



Dino Fino Finance p.l.c. (the "**Issuer**" or "**DFF**") is a public limited liability company incorporated in Malta on 23 August 2021, bearing company registration number C 100038.

The Issuer was incorporated for the purpose of raising capital for the "**Group**", which is made up of the Issuer, Dino Fino Operations Limited (the "**Guarantor**" or "**DFO**") and Dino Fino Holdings Ltd ("**DFH**"). The Issuer is wholly-owned by Dino Fino Group Ltd (the "**Parent**" or "**DFG**"), while the Guarantor and DFH are its direct subsidiaries.

The Issuer's authorised share capital is of €5,000,000, divided into 4,999,999 Ordinary A Shares of €1 each and 1 Ordinary B Share of €1. The Issuer's issued share capital is of €3,620,000 divided into 3,619,999 Ordinary A Shares of €1 per share and 1 Ordinary B Share, all fully paid up.

The Guarantor is a private limited liability company incorporated in Malta on 13 June 2017, bearing company registration number C 81069. The Guarantor acts as the Group's operating company whilst paying rent, interest and dividend to the Issuer and royalties to DFH.

The Guarantor's authorised share capital is €650,000, made up of 650,000 ordinary shares of €1 each. The Guarantor's issued share capital is €100,100 of €1 each. The ordinary shares are the only authorised and issued class of shares in the Issuer. The Guarantor's sole shareholder is the Issuer.

Dino Fino Holdings Ltd is a private limited liability company incorporated in Malta on 8 March 2021, bearing company registration number C 98379. It is the investment property asset owner and operator, including conducting ongoing marketing endeavours as to protect and grow the value of the DINO FINO Brand (the "**Brand**").

1.2 Directors and Key Employees

Board of Directors - Issuer

As at this Analysis, the board of directors of the Issuer is constituted by the following persons:

Name	Office Designation
Mr Benjamin Muscat	Independent Non-Executive Director and Chairman
Mr Dino Fino	Executive Director
Mr Giuseppe Muscat	Executive Director
Dr Austin Gauci Maistre	Non-Executive Director
Ms Alexia Farrugia	Independent Non-Executive Director

Mr Joseph Caruana was appointed on 22 April 2024 to replace the outgoing Ms Alexia Farruia, an independent non-executive director who resigned from her position on 22 April 2024.

Dr Austin Gauci Maistre is the company secretary of the Issuer.

The board of the Issuer is composed of five (5) directors who are responsible for its overall direction and management. Two (2) executive directors are entrusted with the Issuer's day-to-day management whereas three non-executive directors, the majority of whom are independent of the Issuer, are to provide the Issuer with direction and strategy, monitoring and supervision of its performance, while ensuring that controls and risk management systems are adequately in place.

Board of Directors – Guarantor

As at the date of this Analysis, the Guarantor's board is constituted by the following person:

Name	Office Designation
Mr Dino Fino	Executive Director

Mr Dino Fino is the company secretary of the Guarantor.

1.3 Major Assets owned by the Group

The Group's main assets primarily include the Brand and investment property, reflecting the value attributed to the DINO FINO Brand and the Birkirkara showroom.

Situated in Valley Road in Birkirkara, the property enjoys a prime location known for its bustling business environment and high demand for showrooms and offices. Its centrality, variety of amenities, and easy access from central and northern localities in Malta make it particularly desirable. The property comprises a fully detached building with showroom spaces on the ground floor and intermediate level, while the upper levels house office space and an internal parking area accessible via a car lift. Constructed in the last decade with a contemporary design, the showroom offers a spacious open layout with high ceilings and modern finishes. It is well-maintained, reflecting regular general maintenance and recent refurbishments.

The Group finalised the acquisition of the said Birkirkara showroom in 2021 for €5.3m, inclusive of stamp duty, utilising the proceeds from the bond offering as outlined in the Prospectus of the Issuer dated 30 September 2021. Management noted that following a property revaluation conducted by an independent architect using the comparative method, indicates a value of €5.8m as of March 2024.

1.4. Operational developments

1.4.1 Group restructuring

The Guarantor was established by Mr Dino Fino and his then 50% business partner, Mr Abdulmajid Al Sadi, engaging in retail operations of home and office furniture and furnishings for domestic and commercial clients. In September 2020, Mr Fino acquired Mr Al Sadi's share in DFO, resulting in DFO being wholly owned and controlled by Mr Fino. This acquisition was partly funded through a bridge loan, subsequently refinanced via the bond issue.

The current Group structure emerged from a restructuring initiative by Mr Fino, aiming to integrate the Investment Property and associated brand license agreement into the group and consolidate his interests under a new financial entity, in preparation for the showroom acquisition and the 2021 bond issue.

1.4.2 Home Furniture Division

The Group procures from suppliers, sells and delivers a vast range of kitchens and home furniture and decorations. Products include kitchens, dining room furniture, living room furniture, bedroom furniture, lighting fixtures, carpets, wooden flooring, internal and external apertures, wallpaper, fabrics, blinds, decorations, accessories, outdoor furniture including pergolas, bathroom furniture, fixtures and floor tiles.

The Group has no manufacturing operations at the moment and currently sources all its products from third parties. All products are imported from suppliers based principally in Italy and Germany. The Group only works with suppliers that can generally guarantee a reliable supply chain, the exclusivity of brands, and quality after-sales customer support. Through these suppliers, the Group represents a large collection of brands including Aran World which incorporates Aran Cucine, Rastelli Design, Arclinea, LAGO, Ciao Cucine, B-Side Letti, Siloma, Orme, Quadrifoglio, Prolicht, Adriani & Rossi, Arketipo, Black Tie, Cattelan Italia, Tonin Casa, Instabilelab, Pointhouse, Res Italia, Idea Group, Ceramiche Caesar, Giulini, Azzurra, Cora, Varaschin, EMU, Newform Ufficio, Samoa, Acrotexture, SCAB Design, KYMO, Edilgreen, Skema, Moss Trend, Prandina Lighting, Marinelli Home, VANK.. The Group is continuously looking to establish relationships with new suppliers in order to diversify its supply base and product offering, also enabling it to introduce new product ranges as consumer trends change.

1.4.3 Contract Division

In addition to its existing services, the Group has launched a comprehensive contract division, now offering bespoke design, curation, supply, delivery, installation, and project management for various commercial installations. The division caters to the hospitality industry, providing tailored contract furniture solutions for hotels, restaurants, and cafes. The Group has also expanded its offerings to include other commercial projects like offices, retail stores, bathrooms, and outdoor furniture.

Recent developments have highlighted growing interest in custom-made furniture. While the Group has initiated a custom-made business, production is currently outsourced to custom-made furniture suppliers. There has been a significant uptick in requests for such furniture, indicating potential growth opportunities in this segment. To enhance competitiveness, the Group is considering in-house manufacturing. Discussions with a Maltese enterprise regarding the allocation of industrial space, with plans to integrate the group head office, are underway.

Moreover, there has been a notable increase in interest and contract orders for outdoor furniture since the establishment of a new section in their showroom. This surge in demand has partially offset the decline in the home division.

1.4.4 HOLA Collection online shop (previously called Dino Fino Outlet)

Despite the rebranding effort from Dino Fino Outlet to HOLA Collection, the Group has faced challenges in achieving desired levels of activity on the online platform. HOLA Collection as an independent online portal has since been shut down due to lack of sales. However, the Group remains committed to investing in its online presence.

It is the Group's plan to launch a new website for dinofino.com in 2025, which will incorporate online shopping functionality. These investments will focus, *inter alia*, on enhancing the user experience and improving product visualisation. The Group believes that with continuous improvements, the proportion of online sales will increase relative to overall sales, strengthening its online presence and expanding its customer base.

1.4.5 New furniture brands

Dino Fino has recently engaged Steel Cucine as a new supplier, focusing on outdoor kitchens. This move suggests a strategic expansion of the Group's product line, potentially diversifying its revenue streams and adapting to changing consumer demands. Additionally, negotiations with Moroso Spa, an international designer brand, are currently underway. If finalised, this partnership could enhance Dino Fino's product offerings and brand image, contributing to its competitiveness in the market.

1.5 Impact of geopolitical and macroeconomic events on the Group's operations

The ongoing Russo-Ukrainian War has had implications on the Group's operations, including a significant impact on inflation. The geopolitical tensions have disrupted supply chains and increased production costs, leading to a rise in prices for various goods and services. This inflationary pressure has had a direct impact on businesses, including Dino Fino. As inflation eroded purchasing power, consumers tended to be more cautious with their spending, prioritising essential items over discretionary purchases such as home décor and furniture. Consequently, Dino Fino has experienced a reduction in spending as customers tightened their budgets and adjusted their consumption patterns in response to the economic uncertainty caused by the conflict. The Group continues to monitor the situation and will assess any additional impact as they arise.

Furthermore, the residual effects of the pandemic continue to affect sales and business operations. There has been a noticeable decline in sales for Dino Fino, attributed to shifts in consumer behaviour. During the pandemic, individuals invested more in their homes, leading to increased spending on furniture and home décor. However, as restrictions eased and people prioritised spending on travel and entertainment, there has been a corresponding decrease in demand for home furnishings. Dino Fino remains vigilant in navigating these evolving market dynamics and adapting its strategies accordingly.

Part 2 - Historical Performance and Forecasts

The Group's historical financial information for the year ended 31 December 2022 and 2023, in addition to the financial forecast for the year ending 31 December 2024, are set out below in sections 2.1 to 2.3 of this Analysis. Historical information is based on audited consolidated financial statements of the Issuer, while the forecast data for 2024 has been provided by management.

In analysing the financial commentary, one needs to factor in that FY22 spans a 16 month-period when compared to the standard 12-month period on which FY23 projections are built.

2.1 Group's Statement of Comprehensive Income

Statement of Comprehensive Income for the year ended 31 December	2022A	2023A	2024F
	16 months	12 months	12 months
	€000s	**€000s**	**€000s**
Revenue	5,402	3,337	4,107
Cost of sales	(4,025)	(2,010)	(2,069)
Gross profit	**1,377**	**1,327**	**2,038**
Direct costs	(1,087)	(898)	(685)
Contribution	**290**	**429**	**1,353**
Other income	292	148	80
Overheads	(1,438)	(1,134)	(1,037)
EBITDA	**(856)**	**(557)**	**396**
Depreciation and amortisation	(384)	(531)	(394)
EBIT	**(1,240)**	**(1,088)**	**2**
Finance costs	(460)	(421)	(412)
Profit / (loss) before tax	**(1,700)**	**(1,509)**	**(410)**
Income tax charge	522	360	-
Profit / (loss) after tax	**(1,178)**	**(1,149)**	**(410)**

Ratio Analysis	2022A	2023A	2024F
Profitability			
Growth in Revenue (YoY Revenue Growth)	35.1%	-38.2%	23.1%
Gross Profit Margin (Gross Profit/ Revenue)	25.5%	39.8%	49.6%
Contribution Margin (Contribution/ Revenue)	5.4%	15.3%	32.9%
EBITDA Margin (EBITDA / Revenue)	-15.8%	-16.7%	9.6%
Operating (EBIT) Margin (EBIT / Revenue)	-23.0%	-32.6%	0.0%
Net Margin (Profit for the year / Revenue)	-21.8%	-34.4%	-10.0%
Return on Common Equity (Net Income / Average Equity)	-32.9%	-40.3%	-19.8%
Return on Assets (Net Income / Average Assets)	-7.6%	-7.2%	-2.8%

The Group operates with two primary revenue streams, being retail sales and contract sales. Retail sales are primarily derived from customer sales at the Group's showrooms. These sales are generated from individual retail customers who purchase furniture and other home décor items. Contract sales are derived from larger-scale projects where the Group is contracted to furnish establishments such as hotels and office blocks. Contract sales involve furnishing and providing customised solutions for these commercial projects.

In addition to retail and contract sales, the Group also recognises work in progress revenue. This revenue represents the income earned from contracted projects that are not fully completed. As projects progress, revenue is recognised for the work completed up to a specific point in time, reflecting the percentage of completion of these projects.

Revenue generated during FY23 amounted to €3,337k (FY22: 5,402). The shortfall in revenue can be attributed to the inflationary climate which impacted consumer spending, consequently affecting the retail industry. Despite these challenges, the Group projects a significant improvement for FY24, noting that sales targets for Q1 of 2024 have been achieved.

Cost of sales mainly includes direct material cost incurred by the Group in the course of business. These amounted to €2,010k in FY23. Said cost of sales relate to retail purchases over the year (€1,837k) and freight costs (€217k), net of opening and closing stock.

The revenue shortfall affected all profitability calculations in the income statement, including gross profit, contribution, EBITDA, EBIT, profit before tax, and profit after tax. Gross profit margin was 39.8% in FY23 (FY22: 25.5%) and it is projected to increase to 49.6% in FY24. Management explained that this projected increase in the gross profit margin is primarily due to an increase in sales prices to reflect inflationary pressures on costs. Pricing adjustments were implemented late in 2022, consequently positively affecting the gross profit margin in FY23. Additionally, the Group reports a marked improvement in work methodology efficiency in FY23, which has significantly boosted margins compared to FY22. The Group is confident in achieving the stipulated margin figure in FY24 based on the measures taken as explained above.

Direct costs are predominantly composed of direct wages, subcontracting fees related to delivery and installation services, local transport costs, and other consumables used in the Group's business operations. In FY23, DFF incurred direct costs totalling €818k excluding depreciation of right-of-use assets. Direct wages, including national insurance and maternity fund contributions, accounted for €543k, or 66.4% of total direct costs. Subcontracting fees, including installation costs, were €113k (13.8%). The remaining direct costs, made up 19.8%. Direct costs in FY24 are forecasted to be approximately €685k. Management shared that they implemented cost reduction measures to arrive at a more efficient operating model.

The Group reported other income of €148k in FY23, down from €292k in FY22. This other income primarily consisted of commissions received from suppliers, which were netted off against amounts due to them, insurance claims received, a one-time impact on the profit and loss statement from accounting for existing lease agreements under IFRS 16[1], and contributions from a trust fund.

Overheads primarily consist of wages payable to back-office and warehouse staff, along with advertising and promotion expenses. In FY23, these overheads amounted to €1,134k, lower than the €1,438k in FY22. For FY24, total overheads are projected to remain relatively stable, at €1,037k.

In FY23, the Group reported a negative EBITDA of €557k. However, this is projected to turn positive in FY24, with an expected EBITDA of €396k, due to higher projected revenues.

The Guarantor's depreciation and amortisation charge for FY23, amounting to €531k, relates to the Group's property, plant, and equipment, intangible assets, and the right-of-use assets, in accordance with IFRS 16. The adoption of IFRS 16 in 2023 impacted the profit and loss statement by recording depreciation that should have been accounted for in prior years. In FY24, the depreciation expense is projected to be lower at €394k.

Finance costs represent interest paid on borrowings, as well as the interest expense from the outstanding debt securities of the Issuer. These costs amounted to €421k in FY23. In the following financial year, finance costs are projected to remain stable.

As the Group reported losses before tax in FY23, they were able to utilise previous tax credits, partially offsetting the loss before tax of €1,509k by €360k. This resulted in the recognition of a deferred tax asset, representing the potential offset against future taxable income. The deferred tax asset reflects the Group's expectation of utilising available tax benefits in the future, thereby reducing their overall tax liability.

After accounting for the tax credit, the Group reported a loss after tax of €1,149k in FY23. This loss is projected to decrease significantly to €410k in FY24.

[1] For clarity, IFRS 16 is an International Financial Reporting Standard issued by the International Accounting Standards Board (IASB) that addresses the accounting for leases. It requires lessees to recognize most leases on their balance sheets as right-of-use assets and corresponding lease liabilities, reflecting the present value of future lease payments. This standard eliminates the distinction between operating and finance leases for lessees, aiming to provide a more accurate representation of a company's financial position and obligations. IFRS 16 came into effect on January 1, 2019.

2.1.1. Group's Variance Analysis

Income statement	2023F	2023A	Variance
	€000s	**€000s**	**€000s**
Revenue	5,715	3,337	(2,378)
Cost of sales	(3,006)	(2,010)	996
Gross profit	**2,709**	**1,327**	**(1,382)**
Direct costs	(978)	(818)	160
Contribution	**1,731**	**509**	**(1,222)**
Other income	24	148	124
Overheads	(1,193)	(1,214)	(21)
EBITDA	**562**	**(557)**	**(1,119)**
Depreciation and amortisation	(328)	(531)	(203)
EBIT	**234**	**(1,088)**	**(1,322)**
Finance costs	(393)	(421)	(28)
Profit before tax	**(159)**	**(1,509)**	**(1,350)**
Income tax charge	(11)	360	371
Profit after tax	**(170)**	**(1,149)**	**(979)**

The Group's revenue for FY23 was projected to reach €5.7m, but the actual revenue fell short, reaching €3.3m. This represents a negative variance of €2.4m or -41.6%.

The cost of sales for FY23 was lower than forecasted. The projected cost of sales was €3.0m, but the actual figure amounted to €2.0m, resulting in a positive variance of €1.0m or -33.1%. In 2022, the Group suffered from an unanticipated and significant increase in foreign supplier prices and transportation costs due to international inflation and supply chain disruptions. This had a substantial impact on the Group's performance for the year and was rectified through a revision of selling prices implemented in Q4 of 2022. The specific sales cycle of the industry meant this issue carried into 2023, affecting the gross profit margin for FY23 as well. However, management closely monitored and resolved this matter, resulting in an increase in gross profit margins from 19% in 2022 to 40% in 2023.

Gross profit for FY23 was below the forecasted amount at €1.3m, compared to the projected €2.7m. This shortfall, amounting to €1.4m or -51.0%, was due to lower revenues as explained above.

Direct costs for FY23 were slightly lower than forecasted. The forecasted direct costs were €978k, but the actual figure was €818k, excluding depreciation, resulting in a positive variance of €160k or -16.4%.

Due to the lower revenue, the Contribution measure for FY23 was below the forecasted amount. The forecasted contribution was €1.7m, while the actual figure was €0.5m, resulting in a negative variance of €1.2m or -70.6%.

Other income for FY23 was higher than forecasted, with a projected €24k compared to the actual €148k. This resulted in a positive variance of €124k.

Overheads for FY23 were slightly higher than forecasted, resulting in a negative variance of €21k or 1.8%.

EBITDA for FY23 was lower than forecasted as well due the lower than forecasted revenues as mentioned. The forecasted EBITDA was €0.6m, while the actual EBITDA reached negative €0.6m, resulting in a negative variance of €1.1m.

Depreciation and amortisation for FY23 showed a negative variance. The forecasted expense was €328k, while the actual expense was €531k, resulting in a negative variance of €203k or 61.9%. This discrepancy is primarily due to two leasing agreements the Group had to account for in line with IFRS 16 during 2023. Under IFRS 16, the leased assets were recognised on the Group's balance sheet as right-of-use assets, and depreciation was calculated accordingly. As of 31 December 2023, the accumulated depreciation included €80k for the leasing of a warehouse and €120k for a car lease.

EBIT for FY23 was below the forecasted amount. due to lower than forecasted revenues as previously mentioned.

The forecasted EBIT was €0.2m, while the actual EBIT was negative €1.1m, resulting in a negative variance of €1.3m.

Finance costs for FY23 were slightly higher than anticipated, resulting in a positive variance of €28k or 7.1%.

Profit before tax for FY23 was below expectations due to lower than forecasted revenues as previously mentioned. The forecasted loss before tax was €0.2m, while the actual loss before tax was negative €1.5m, resulting in a negative variance of €1.3m.

Income tax charge for FY23 showed a significant positive variance. The forecasted tax charge was €11k, but actually the Group utilised income tax credit of €360k, resulting in a positive variance of €0.4m.

Consequently, the profit after tax for FY23 was below the forecasted amount. The forecasted profit after tax was negative €0.2m, while the actual loss after tax was negative €1.1m, resulting in a negative variance of €1.0m.

2.2 Group's Statement of Financial Position

Statement of Financial Position as at 31 December	2022A	2023A	2024F
	€000s	€000s	€000s
Assets			
Non-current assets			
Property, plant and equipment	541	460	369
Investment property	5,190	5,084	4,978
Goodwill	3,031	3,031	3,031
Right of use assets	-	271	156
Deferred tax asset	791	1,040	1,040
Receivables	450	436	431
Intangible asset	1,853	1,773	1,693
Total non-current assets	**11,857**	**12,095**	**11,698**
Current assets			
Inventories	579	623	517
Trade and other receivables	3,559	2,376	1,793
Cash balance	536	427	225
Total current assets	**4,674**	**3,426**	**2,535**
Total assets	**16,531**	**15,521**	**14,233**
Equity			
Share capital	3,620	3,620	3,620
Shareholder's loan: Dino Fino Group	980	980	980
Retained earnings	(1,178)	-	(410)
Loss for the period	-	(2,326)	(2,326)
Total equity	**3,422**	**2,274**	**1,864**
Non-current liabilities			
Debt securities in issue	7,595	7,614	7,743
Other third-party debt	319	465	245
Lease liabilities	-	166	54
Total non-current liabilities	**7,914**	**8,245**	**8,042**
Current liabilities			
Borrowings	117	235	106
Trade and other payables	5,078	4,649	4,103
Lease liabilities	-	118	118
Total current liabilities	**5,195**	**5,002**	**4,327**
Total liabilities	**13,109**	**13,247**	**12,369**
Total equity and liabilities	**16,531**	**15,521**	**14,233**

Ratio Analysis	2022A	2023A	2024F
Financial Strength			
Gearing 1 (Net Debt / Net Debt and Total Equity)	68.3%	77.5%	80.7%
Gearing 2 (Total Liabilities / Total Assets)	79.3%	85.3%	86.9%
Gearing 3 (Net Debt / Total Equity)	215.6%	343.8%	419.4%
Net Debt / EBITDA	(8.6)x	(14.0)x	19.7x
Current Ratio (Current Assets / Current Liabilities)	0.9x	0.7x	0.6x
Quick Ratio (Current Assets - Inventory / Current Liabilities)	0.8x	0.6x	0.5x
Interest Coverage level 1 (EBITDA / Cash interest paid)	(1.9)x	(16.4)x	30.5
Interest Coverage level 2 (EBITDA / finance costs)	(1.9)x	(1.3)x	1.0x

In FY23, the Group's total assets amounted to €15.5m. They mainly comprised investment property recorded at €5.1m, trade and other receivables at €2.4m, and goodwill recorded at €3m, representing 32.8%, 15.3% and 19.4% of total assets, respectively.

As per the consolidated financial statements of the Group, the investment property that is located in Dino Fino Home is used as security in favour of holders of the Issuer's outstanding debt securities until such time that these are repaid in accordance with the Prospectus of the Issuer dated 30 October 2021.

The Group's property, plant and equipment ("PPE") is recorded at cost less accumulated depreciation. The different assets under this category have different useful lives as presented in the financial statements. The PPE was carried at €0.5m in FY23 (FY22: €0.5m). It is mainly composed of furniture and fittings of €208k (FY22: €218k) and electrical and plumbing of €101k (FY22: €132k).

The balance sheet of Dino Fino shows a goodwill amount of €3m that arose from the Issuer acquiring DFO and DFH for a non-cash consideration of €4.7m. The acquisition took place on 23 August 2021, with Dino Fino Group Limited transferring 100% of the shares to the Issuer for a non-cash consideration. The acquired subsidiaries had various assets such as intangible assets, PPE, right-of-use assets, deferred tax assets, inventories, trade and other receivables, and cash and cash equivalents.

After calculating the net assets acquired, it was determined that there was a net liabilities position of €271k for DFO and net assets of €2.0m for DFH, resulting in total net assets acquired of €1.7m. The difference between the fair value of net assets acquired and the consideration paid represents the goodwill i.e. totalling €3.0m.

Deferred tax assets, recorded at €1m in FY23 (FY22: €0.8m), represent potential future tax benefits that can be utilised to offset against taxable income in future periods.

In FY23, the Group's current assets primarily comprised inventory amounting to €0.6m (FY22: €0.6m), trade and other receivables totalling €2.4m (FY22: €3.6m), and cash and cash equivalents of €0.4m (FY22: €0.5m). The inventory includes items listed for sale at the Birkirkara premises as well as stock held in the warehouse. Last year, trade and other receivables consisted of accrued income (€1.7m), trade receivables (€0.4m), and advances to suppliers (€0.2m).

In FY24, total assets are projected to decrease slightly to €14.2m. This decrease primarily reflects a reduction in trade and other receivables, anticipated to decrease from €2.4m in FY23 to €1.8m in FY24 due to improved controls over receivables management.

The shareholder's equity of the Group in FY23 is reported at €2.3m (FY22: €3.4m) and comprises various components. The issued share capital stands at €3.6m (FY22: €3.6m), representing the capital contributed by shareholders. Additionally, there is an unsecured, interest-free shareholder loan amounting to €1.0m (FY22: €1.0m), indicating funds provided by a shareholder to the Group. The loss for the period amounted to €2.3m, contributing to a decrease in the overall shareholder's equity.

Total equity in FY24 is projected to decrease further to €1.9m, reflecting a decrease of €0.3m, which corresponds to the projected loss the Group expects to incur in FY24.

In FY23, the non-current liabilities of the Group consisted of several components. The outstanding debt securities of the Issuer, net of bond costs, amounted to €7.6m (FY22: €7.6m), representing long-term debt obligations maturing in 2033. Additionally, there were other non-current bank borrowings totalling €0.5m (FY22: €0.3m), indicating further long-term borrowing arrangements with banks. Non-current lease liabilities amounted to €0.2m.

In FY24, non-current liabilities are forecasted to remain stable, similar to FY23 figures, at €8.0m.

In FY23, the current liabilities of the Group amounted to €5.0m, slightly lower than the €5.2m recorded in FY22. These liabilities were primarily composed of trade and other payables, totalling €4.6m in FY23 (FY22: €5.1m). Within trade and other payables, financial liabilities amounted to €2.4m (FY22: €2.8m). This includes trade payables of 1.5m (FY22: €1.6m) and accruals of €.0.9m (FY22: €1.1m) as well as immaterial amounts owed by related parties. Accruals represent deposits received for ordered furniture that has not yet been delivered. Additionally, trade and other payables comprised statutory liabilities of €1.2m (FY22: €1.0m) and deposits on order of €1.0m (FY22: €1.2m).

Current liabilities in FY24 are projected to decrease to €4.3m mainly as a result of lower trade and other payables. Gearing for the Group in FY23 stood at 77.5% (FY22: 68.3%) with this projected to increase to 80.7% mainly due to the Group's forecasted lower equity base.

2.3 Group's Statement of Cash Flows

Statement of Cash Flows for the year ended 31 December	2022A	2023A	2024F
	16 months	12 months	12 months
	€000s	**€000s**	**€000s**
Net cash flows generated from / (used in) operating activities	(311)	157	518
Net cash flows generated used in investing activities	(10,899)	(64)	(4)
Net cash flows generated from / (used in) financing activities	11,746	(202)	(716)
Movement in cash and cash equivalents	**536**	**(109)**	**(202)**
Cash and cash equivalents at start of year	-	536	427
Cash and cash equivalents at end of year	**536**	**427**	**225**

Ratio Analysis	2022A	2023A	2024F
Cash Flow	**€000s**	**€000s**	**€000s**
Free Cash Flow (Net cash from operations + Interest - Capex)	(11,165)	127	527

In FY23, the Group experienced a cash outflow of €1.5m from operating activities before accounting for changes in working capital. The movement in working capital primarily showed a decrease in Trade and other receivables of €1.2m and trade and other payables of €0.4m throughout the year. Additionally, depreciation amounted to €0.5m and finance costs totalled €0.4m. Consequently, the Group achieved an overall cash inflow of €0.2m from operating activities in FY23.

Net cash used in investing activities was minimal at €0.1m, which primarily represented purchases of property, plant, and equipment.

In FY23, the Group reported net cash outflows of €0.2m from financing activities. The primary uses of said cash outflows included payment of interest related to debt securities in issue (€0.4m), repayment of a bank loan (€0.1m), and lease obligations (€0.1m). These outflows were partially offset by proceeds from related parties (€0.3m). Overall, the net cash outflows reflect the Group's fulfilment of obligations and associated costs. All this led to a closing cash balance of €0.4m in FY23.

In FY24, the Group is projecting positive operating cash flows and negative cash flows from financing activities. Net cash generated from operating activities is forecasted to be €0.5m, while net cash used in investing activities is projected to be nearly zero. Net cash used in financing activities is projected to be a €0.7m outflow. The positive operating cash flow is expected due to a much smaller projected loss of €0.4m in FY24. The negative financing cash flows are primarily driven by a €0.1m projected repayment to related parties, compared to a €0.4m inflow from related parties in FY23. These projections are expected to result in a positive ending cash balance of €0.2m in FY24.

Part 3 - Key Market and Competitor Data

3.1 General Market Conditions

The Issuer is subject to general market and economic risks that may have a significant impact on its current and future property developments and their timely completion within budget. These include factors such as the health of the local property market, inflation and fluctuations in interest rates, exchange rates, property prices and rental rates. In the event that general economic conditions and property market conditions experience a downturn, which is not contemplated in the Issuer's planning during development, this shall have an adverse impact on the financial condition of the Issuer and may therefore affect the ability of the Issuer to meet its obligations under the Bonds.

3.2 Malta Economic Update[2]

The Bank's Business Conditions Index (BCI) indicates that in April 2024, annual growth in business activity declined marginally, and remained slightly below its historical average, estimated since January 2000.

The European Commission confidence surveys show that sentiment in Malta decreased in April, and remained below its long-term average, estimated since November 2002. The latest deterioration was mostly driven by developments in industry, construction and among consumers.

Additional data show that in month-on-month terms, price expectations increased among consumers, and to a lesser extent in the retail and services sectors, but decreased significantly in the construction sector and, to a lesser extent in industry.

In April, the European Commission's Economic Uncertainty Indicator (EUI) for Malta decreased compared with March, indicating lower uncertainty. Uncertainty declined in all sectors except construction.

In March, both industrial production and retail trade contracted on a year-on-year basis. The unemployment rate remained unchanged at 3.2% in March but stood below that of 3.4% in March 2023.

Commercial and residential building permits in March were lower than a month earlier. Commercial permits were also lower when compared with a year ago, but residential permits were higher. In April, the number of residential promise-of-sale agreements rose on a year earlier, as did the number of final deeds of sale.

The annual inflation rate based on the Harmonised Index of Consumer Prices (HICP) stood at 2.4% in April, down from 2.7% in the previous month. Following this decline, HICP inflation in Malta was in line with the euro area average. HICP excluding energy and food in Malta, remained below the euro area average. Inflation based on the Retail Price Index (RPI) decreased to 1.6%, down from 1.9% in March.

3.3 Economic Outlook[3]

According to the Bank's latest forecasts, Malta's gross domestic product (GDP) is expected to grow by 4.3% in 2024. Growth is then projected to ease to 3.5% in both 2025 and 2026. This implies a marginally downward revision in 2024 and 2025, when compared to the Bank's previous projections, while for 2026 the outlook is revised upwards.

In 2023, growth was primarily driven by net exports, while domestic demand is envisaged to be the main driver of growth in 2024. Private consumption growth continues at a brisk pace, and private investment, is expected to gradually recover. Net exports are also projected to contribute positively, driven mainly by services exports. Growth in 2025 and 2026 is expected to continue to be led by domestic demand.

Employment growth is set to moderate, albeit from high rates, in the projection horizon, while the average wage is expected to grow at a faster rate in 2024, partly in response to the pronounced inflation in the recent past and a tight labour market.

Annual inflation based on the Harmonised Index of Consumer Prices is projected to drop significantly, from 5.6% in 2023 to 2.4% in 2024, before reaching 1.9% by 2026. Compared to previous projections, inflation has been revised down by 0.5 percentage point in 2024, largely reflecting the unexpected rapid drop experienced in the initial months of the year. The general government deficit-to-GDP ratio is set to decline to 4.1% in 2024, and to narrow further over the rest of the forecast horizon, to stand at 3.1% by 2026.

The general government debt-to-GDP ratio is set to increase throughout the forecast horizon, reaching 54.3% by 2026. When compared with the previous projection round, the

[2] Central Bank of Malta – Quarterly Review 05/2024

[3] Central Bank of Malta – Economic projections 2024-2026

projected deficit ratio is higher, while the debt ratio is broadly unchanged.

Risks to activity are broadly balanced over the projection horizon. Downside risks largely emanate from possibly adverse trade effects related to ongoing geopolitical tensions. On the other hand, the labour market could exhibit even stronger dynamics than envisaged in this projection round, both in terms of employment and wages. This could then result in stronger private consumption growth.

Risks to inflation are balanced over the project horizon. Upside risks to inflation could stem from extreme weather events and effects of geopolitical developments. Other upside risks to headline inflation include the potential impact of measures to combat climate change. Furthermore, wage pressures could be stronger than envisaged in the baseline. On the downside, imported inflation could fall more rapidly than expected, while services inflation could normalise more quickly than envisaged in this projection round.

On the fiscal side, risks are tilted to the downside (deficit-increasing). These mainly reflect the likelihood of slippages in current expenditure, including higher-than-expected outlays on energy support measures if commodity prices are higher than envisaged. They also reflect the likelihood of additional increases in pensions and public sector wages in the outer years of the forecast horizon. Should these risks materialise, they are set to be partly offset by the likelihood of additional fiscal consolidation efforts to comply with the EU's fiscal rules.

The furniture retail industry[4][5][6][7]

The furniture market in Malta is a thriving sector, characterized by steady growth and evolving consumer preferences. In 2024, the market generated a revenue of US$223.50 million, with a projected annual growth rate of 1.28% (CAGR 2024-2029). One of the notable trends shaping the market is the increasing demand for locally-made, artisanal furniture pieces that showcase the country's rich history and cultural heritage. Consumers in Malta appreciate unique designs that reflect their identity and resonate with their heritage, driving the popularity of locally crafted furniture.

Another significant factor influencing the market is the emergence of millennials as a key growth driver. With thousands of millennials preparing to purchase their first homes in the coming years, there is a considerable opportunity for furniture retailers to capture market share. Millennials prioritize functionality, sustainability, and affordability when making purchasing decisions, creating demand for innovative, eco-friendly, and cost-effective furniture products. Retailers who can cater to these preferences are well-positioned to succeed in this segment.

The dominance of the Living Room Furniture segment further underscores the preferences of Maltese consumers. This segment holds a significant share of the market, indicating that consumers prioritize creating comfortable and stylish living spaces. Furniture retailers that offer a diverse range of living room furniture options, including sofas, coffee tables, and entertainment units, are likely to appeal to the preferences of Maltese consumers.

In terms of leading companies in the Maltese furniture market the following companies have the highest revenue: Vivendo Group leads the market with $17.3 million in revenue, followed closely by OK Home with $12 million, and Construct Furniture with $10.8 million.

3.4. Comparative Analysis

The purpose of the table below compares the proposed debt issuance of the Group to other debt instruments. Additionally, we believe that there is no direct comparable company related to the Issuer and as such we included a variety of Issuers with different maturities.

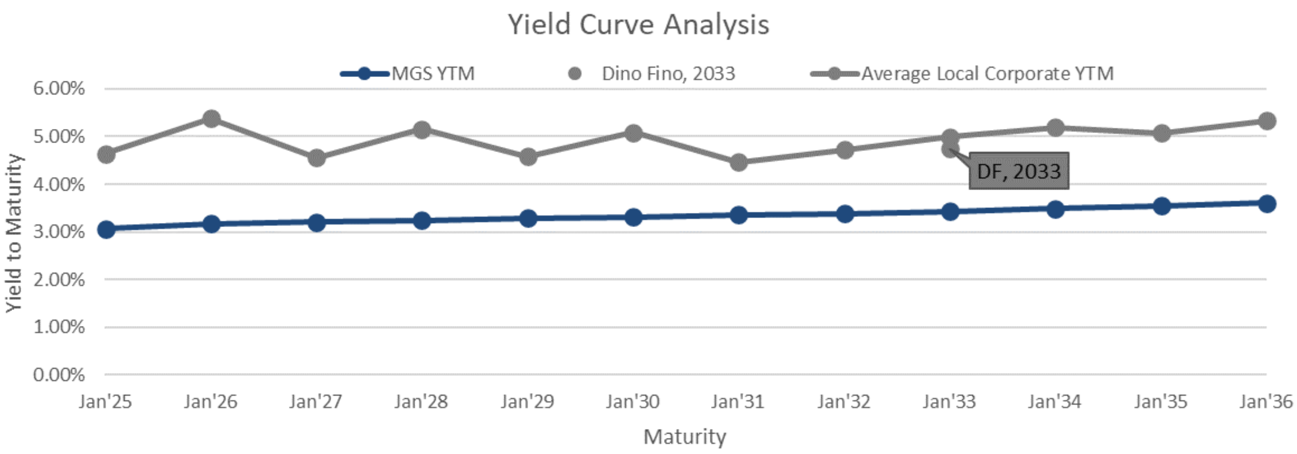
More importantly, we have included different issuers with similar maturity to the Issuer. One must note that given the material differences in profiles and industries, the risks associated with the Group’s business and that of other issuers is therefore different.

[4] https://www.statista.com/outlook/cmo/furniture/malta
[5] https://www.zoominfo.com/top-lists/top-10-companies-from-retail-furniture-industry-in-MT-by-revenue
[6] https://dari.mt/
[7] https://www.constructfurniture.com.mt/

Security	Nom Value €000's	Yield to Maturity (%)	Interest coverage (EBITDA) (times)	Total Assets (€'millions)	Total Equity (€'millions)	Total Liabilities / Total Assets (%)	Net Debt / Net Debt and Total Equity (%)	Net Debt / EBITDA (times)	Current Ratio (times)	Return on Common Equity (%)	Net Margin (%)	Revenue Growth (YoY) (%)
3.75% Mercury Projects Finance plc Secured € 2027	11,500	4.08%	0.6x	269.6	78.8	70.8%	66.4%	48.2x	1.5x	9.9%	23.1%	-34.4%
4% Eden Finance plc Unsecured € 2027	40,000	4.38%	5.7x	223.3	136.7	38.8%	27.1%	4.3x	0.2x	2.8%	8.4%	36.6%
4.4% Central Business Centres plc Unsecured € 2027 S1/17 T1 (xd)	6,000	4.31%	1.1x	65.7	23.8	63.7%	59.2%	24.9x	0.7x	0.2%	2.2%	-1.8%
4.5% Grand Harbour Marina plc Unsecured € 2027	15,000	4.50%	1.8x	30.5	6.5	78.8%	70.7%	8.4x	3.5x	53.3%	67.1%	11.1%
4% Stivala Group Finance plc Secured € 2027	45,000	4.32%	27.0x	469.7	328.5	30.1%	22.9%	1.5x	1.2x	21.0%	208.5%	14.5%
3.75% Virtu Finance plc Unsecured € 2027	25,000	4.06%	5.3x	200.3	90.7	54.7%	36.6%	3.0x	1.3x	11.2%	17.8%	28.7%
3.75% Bortex Group Finance plc Unsecured € 2027	12,750	4.06%	4.2x	80.7	41.8	48.2%	39.8%	5.0x	2.8x	6.3%	10.6%	-4.7%
4.5% Endo Finance plc Unsecured € 2029	13,500	5.79%	9.6x	63.5	18.7	70.5%	53.4%	1.5x	2.3x	-8.8%	-16.3%	-20.8%
4% SP Finance plc Secured € 2029	12,000	4.25%	2.2x	43.3	17.9	58.6%	51.2%	9.3x	0.5x	-0.7%	-1.3%	0.0%
3.65% Stivala Group Finance plc Secured € 2029	15,000	4.10%	27.0x	469.7	328.5	30.1%	22.9%	1.5x	1.2x	21.0%	208.5%	14.5%
3.75% AX Group plc Unsec Bds 2029 Series II	10,000	3.75%	1.8x	474.0	243.5	48.6%	39.4%	20.9x	0.9x	-1.6%	-7.7%	30.3%
4.25% Mercury Projects Finance plc Secured € 2031	11,000	4.25%	0.6x	269.6	78.8	70.8%	66.4%	48.2x	1.5x	9.9%	23.1%	-34.4%
3.9% Browns Pharma Holdings plc Unsec Call € 2027-2031	13,000	4.40%	4.5x	78.0	27.9	64.2%	44.4%	4.2x	1.2x	5.6%	4.1%	16.4%
3.65% Mizzi Organisation Finance plc Unsecured € 2028-2031	45,000	4.42%	1.8x	312.4	87.8	71.9%	58.4%	14.9x	0.8x	-1.9%	-1.1%	30.5%
3.65% IHI plc Unsecured € 2031	80,000	4.62%	1.7x	1,768.3	836.3	52.7%	42.1%	9.5x	1.0x	-1.4%	-3.9%	20.8%
3.5% AX Real Estate plc Unsecured € 2032	40,000	4.52%	1.8x	474.0	243.5	48.6%	39.4%	20.9x	0.9x	-1.6%	-7.7%	30.3%
4.55% St Anthony Co plc Secured € 2032	15,500	4.55%	1.2x	65.8	20.5	68.9%	63.6%	13.9x	0.7x	-3.1%	-5.8%	54.1%
4.85% JD Capital plc Secured € 2032 S1 T1	14,000	5.30%	1.7x	76.3	20.3	73.3%	63.1%	16.9x	2.1x	0.1%	0.2%	9.6%
5% Mariner Finance plc Unsecured € 2032	36,930	4.74%	4.8x	129.6	62.1	52.1%	50.1%	5.9x	0.8x	9.0%	28.2%	1.7%
5% Von der Heyden Group Finance plc Unsecured € 2032	35,000	5.00%	1.2x	155.9	32.7	79.0%	76.3%	22.9x	0.5x	-8.2%	-18.0%	9.6%
4% Central Business Centres plc Unsecured € 2027-2033	21,000	4.39%	1.1x	65.7	23.8	63.7%	59.2%	24.9x	0.7x	0.2%	2.2%	-1.8%
4.75% Dino Fino Finance plc Secured € 2033	7,800	4.75%	(1.3)x	15.5	2.3	85.3%	78.2%	(15.2)x	0.7x	-50.5%	-34.4%	-38.2%
	*Average	4.47%										

Source: Latest available audited financial statements

Last closing price as at 21/06/2024
*Average figures do not capture the financial analysis of the Issuer



The above graph illustrates the average yearly yield of all local issuers as well as the corresponding yield of MGSs (Y-axis) vs the maturity of both Issuers and MGSs (X-axis), in their respective maturity bucket, to which the spread premiums can be noted. The graph illustrates on a stand-alone basis, the yield of the 4.75% Dino Fino Finance plc bond.

As at 21 June 2024, the average spread over the Malta Government Stocks (MGS) for comparable issuers with maturity range of 3-9 years was 116 basis points. The current 4.75% Dino Fino Finance plc 2033 bond is trading at a YTM of 4.75%, translating into a spread of 131 basis points over the corresponding MGS. This means that this bond is trading at a discount of 24 basis points in comparison to the market.

Part 4 - Glossary and Definitions

Income Statement	
Revenue	Total revenue generated by the Group/Issuer from its principal business activities during the financial year.
Costs	Costs are expenses incurred by the Group/Issuer in the production of its revenue.
EBITDA	EBITDA is an abbreviation for earnings before interest, tax, depreciation and amortisation. It reflects the Group's/Issuer's earnings purely from operations.
Operating Profit (EBIT)	EBIT is an abbreviation for earnings before interest and tax.
Depreciation and Amortisation	An accounting charge to compensate for the decrease in the monetary value of an asset over time and the eventual cost to replace the asset once fully depreciated.
Net Finance Costs	The interest accrued on debt obligations less any interest earned on cash bank balances and from intra-group companies on any loan advances.
Net Income	The profit made by the Group/Issuer during the financial year net of any income taxes incurred.

Profitability Ratios	
Growth in Revenue (YoY)	This represents the growth in revenue when compared with previous financial year.
Gross Profit Margin	Gross profit as a percentage of total revenue.
EBITDA Margin	EBITDA as a percentage of total revenue.
Operating (EBIT) Margin	Operating margin is the EBIT as a percentage of total revenue.
Net Margin	Net income expressed as a percentage of total revenue.
Return on Common Equity	Return on common equity (ROE) measures the rate of return on the shareholders' equity of the owners of issued share capital, computed by dividing the net income by the average common equity (average equity of two years financial performance).
Return on Assets	Return on assets (ROA) is computed by dividing net income by average total assets (average assets of two years financial performance).
Cash Flow Statement	
Cash Flow from Operating Activities (CFO)	Cash generated from the principal revenue producing activities of the Group/ Issuer less any interest incurred on debt.
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 Group/Issuer.
Cash Flow from Financing Activities	Cash generated from the activities that result in change in share capital and borrowings of the Group/Issuer.
Capex	Represents the capital expenditure incurred by the Group/Issuer in a financial year.
Free Cash Flows (FCF)	The amount of cash the Group/Issuer has after it has met its financial obligations. It is calculated by taking Cash Flow from Operating Activities less the Capex of the same financial year.

Balance Sheet	
Total Assets	What the Group/ Issuer owns which can de further classified into Non-Current Assets and Current Assets.
Non-Current Assets	Assets, full value of which will not be realised within the forthcoming accounting year
Current Assets	Assets which are realisable within one year from the statement of financial position date.
Inventory	Inventory is the term for the goods available for sale and raw materials used to produce goods available for sale.
Cash and Cash Equivalents	Cash and cash equivalents are Group/Issuer assets that are either cash or can be converted into cash immediately.
Total Equity	Total Equity is calculated as total assets less liabilities, representing the capital owned by the shareholders, retained earnings, and any reserves.
Total Liabilities	What the Group/ Issuer owes which can de further classified into Non-Current Liabilities and Current Liabilities.
Non-Current Liabilities	Obligations which are due after more than one financial year.
Total Debt	All interest-bearing debt obligations inclusive of long and short-term debt.
Net Debt	Total debt of a Group/Issuer less any cash and cash equivalents.
Current Liabilities	Obligations which are due within one financial year.

Financial Strength Ratios	
Current Ratio	The Current ratio (also known as the Liquidity 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 current assets to current liabilities.
Quick Ratio (Acid Test Ratio)	The quick ratio measures a Group's/Issuer's ability to meet its short-term obligations with its most liquid assets. It compares current assets (less inventory) to current liabilities.
Interest Coverage Ratio	The interest coverage ratio is calculated by dividing EBITDA of one period by cash interest paid of the same period.
Gearing Ratio	The gearing ratio indicates the relative proportion of shareholders' equity and debt used to finance total assets.
Gearing Ratio Level 1	Is calculated by dividing Net Debt by Net Debt and Total Equity.
Gearing Ratio Level 2	Is calculated by dividing Total Liabilities by Total Assets.
Net Debt / EBITDA	The Net Debt / EBITDA ratio measures the ability of the Group/Issuer to refinance its debt by looking at the EBITDA.

Other Definitions	
Yield to Maturity (YTM)	YTM is the rate of return expected on a bond which is held till maturity. It is essentially the internal rate of return on a bond and it equates the present value of bond future cash flows to its current market price.

Calamatta Cuschieri

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