Testa
FINANCE PLC

COMPANY ANNOUNCEMENT

The following is a Company Announcement issued by Testa Finance P.L.C. (the "Company") bearing company registration number C 85495, in terms of the rules of Prospects MTF, a market regulated as a multi-lateral trading facility and operated by the Malta Stock Exchange, pursuant to Rule 4.11.03 and 4.11.12 of the Prospects MTF Rules.

Date: 24 April 2025

Ref No: TST0068

Quote

The Company refers to the obligation which Prospects MTF Companies are subject to, in terms of Rule 4.11.03 and Rule 4.11.12 relating to the publication of twelve-month financial information as defined in Table 1 paragraph 3 of the Prospects Rules and, specifically, the publication and dissemination (via a company announcement) of Financial Sustainability Forecasts (hereinafter referred to as "FSFs"), including applicable management assumptions.

The Company registered continued growth in 2024 in line with expectations, achieving further operational stability and improved revenue generation across its core outlets. However, the final results for 2024 slightly diverged from those projected in the previous year's Financial Sustainability Forecasts. While turnover remained consistent with forecasts, administrative expenses exceeded initial expectations due to sustained inflationary pressures and the preparation for expansion into two new franchised operations. Group-level administrative costs for 2024 amounted to EUR 2,007,069, of which EUR 580,169 relate to depreciation and amortisation (excluding depreciation of right of use assets as per IFRS 16).

Excluding non-operating elements such as other income, depreciation and amortisation (as described above), and finance costs, the Group achieved an EBITDA of EUR 487,670 for 2024. This reflects the Company's commitment to improving cash flows from operations while maintaining a stable cost base relative to expanded activity. The Board views this result as a strong foundation for the upcoming year, particularly given the strategic expansion into two high-potential franchise brands: **Relais de Paris**, an internationally recognised French steakhouse concept, and **SONGQI**, a high-end Cantonese dining experience.

The forecast statement of financial position, the forecast statement of profit or loss, and the forecast statement of cash flows (collectively, "the Forecasts") of the Group for the period ending 31 December 2025 have been prepared to support this Financial Sustainability Forecasts announcement. The assumptions set out in this document remain the sole responsibility of the Directors of the Company. These Forecasts are intended to present one possible financial outcome based on assumptions reflecting future events that the Directors expect will occur, and on actions the Directors intend to undertake.

As with all forward-looking information, actual results may differ materially from those projected, due to unforeseen events or deviations from the underlying assumptions. Stakeholders are reminded of the risk factors described in the Issuer's Admission Document and previous disclosures, which remain relevant to the interpretation of the Forecasts.

The Forecasts are not intended to meet the disclosure requirements necessary to present a true and fair view of the financial performance, financial position, and cash flows of the Group in accordance with IFRS as adopted by the EU. Nonetheless, the Directors have exercised due care and diligence in compiling the assumptions underlying the Forecasts.

These Forecasts were formally approved by the Board of Directors on 24 April 2025, and the assumptions therein reflect management's best judgment as at that date. The material assumptions adopted by the Directors are outlined in the following section.

At a Group and consolidated level, the below copy of the FSFs, as approved by the Board of Directors, is based on the following assumptions:

Significant macro-economic assumptions

Macro-economic assumptions relating to the broader environment in which the Group operates—being factors that are exclusively outside the influence of the Directors—have been considered prudently and are based on the most current and credible external data available. The following assumptions underpin the financial projections presented in this document:

- The Company will continue to enjoy the support and confidence of its customers, suppliers, landlords, and financial stakeholders throughout the forecast period;

- Malta's rate of inflation is expected to remain stable at approximately 2%, broadly in line with European averages and recent national trends;

- Inflationary pressures that impacted administrative expenditure in prior years are expected to normalise, with cost volatility in food and labour markets returning to pre-pandemic behaviour;

- No material changes are expected to the direct or indirect tax framework applicable to the Group's operations, including VAT and corporate taxation;

- The Company will maintain positive employment relations, including sufficient availability of human resources to support its outlet expansion plans;

- Malta's inbound tourism is expected to continue its growth, with overall volumes in 2025 reaching or exceeding those registered in 2024, especially during the summer peak;

- Broader economic conditions, including interest rates and consumer sentiment, are assumed to remain broadly stable and supportive of continued hospitality and restaurant sector activity.

These assumptions have been applied consistently across all operational and financial planning areas and are considered reasonable by the Directors in light of currently available information.

Other significant assumptions

The following other significant assumptions have been adopted by the Directors and form the basis of the Financial Sustainability Forecasts for the financial year ending 31 December 2025. These assumptions reflect management's current expectations on operational and financial factors anticipated to impact the Group's performance in the forthcoming year.

Revenue

The Testa Group, comprising Testa Properties Limited, Testa Catering Concepts Limited, and Testa Finance plc, is projecting consolidated revenue of €4,463,974 for the year ending 31 December 2025, excluding other income. This income is expected to be generated primarily from the continued operation of its existing catering establishments as well as from the operation of two new outlets planned to open as from July 2025.

Revenue for the existing outlets is forecasted to grow by approximately 2% over 2024 levels, primarily reflecting expected inflationary adjustments in pricing and stable customer demand. The Directors do not anticipate any material shifts in consumer behaviour or tourism activity that could adversely impact these forecasts.

New Franchise Operations

A key development for 2025 is the planned expansion of the Group's portfolio through the operation of two new franchised outlets under internationally recognised brands, Relais de Paris and SONGQI. These outlets are scheduled to open in July 2025 and are strategically located in St Julian's, one of Malta's prime hospitality zones.

- Relais de Paris is a French bistro concept known globally for its "Entrecôte" steak served with its signature secret sauce. It offers a Parisian dining experience within a casual and accessible setting, typically appealing to both tourists and locals seeking a blend of quality and value.

- SONGQI is an upscale Cantonese restaurant brand combining refined oriental cuisine with sophisticated modern interiors, offering a fine-dining experience targeting affluent clientele and food connoisseurs.

These brands will be operated by the Group through franchise agreements held by a party which is commonly owned but does not form part of the corporate group, which has entered into operational contracts with the Group. Revenue forecasts for the new outlets have been developed based on cover capacity, seasonal trends observed in the area, the established strength of the brands, and the Group's experience in managing high-traffic hospitality venues. The new outlets are expected to contribute positively to profitability in their first full year of operation, 2026.

Direct Costs

Direct costs are expected to remain proportionally consistent with historic averages, reflecting the Group's established procurement practices and supplier arrangements. These costs primarily relate to the acquisition of food and beverage inventories and are not expected to fluctuate materially in 2025. Gross margins are assumed to remain stable across all outlets, including the two new franchises.

Administrative Expenses

Administrative expenses are projected to increase on a pro-rata basis, driven by the expanded scale of operations resulting from the addition of the new outlets. These expenses include both fixed and variable components. Variable administrative costs such as utilities, cleaning, IT, marketing, and staff-related expenses are expected to increase in direct correlation with revenue activity.

The Group also expects an increase in depreciation and finance costs arising from lease obligations under IFRS 16, particularly related to one of the new outlets, for which the Group has also committed to an asset leasing arrangement. Depreciation associated with Right-of-Use (ROU) assets will be reflected under administrative expenses, while lease liability interest will form part of finance costs.

Finance Costs

Finance costs for 2025 are expected to rise moderately, primarily due to lease-related interest charges under IFRS 16. Other finance costs include interest on bank facilities, EPOS commissions, and general bank charges, which are forecasted to grow proportionally with the increase in transactional activity. No new loan facilities are envisaged for 2025, and the bond currently listed on the Prospects MTF remains the Group's principal source of long-term financing.

Capital Expenditure

Direct capital expenditure in 2025 represents the Group's investment in fitting out one of the two new franchised outlets. The second outlet's capital investment will be funded entirely by the franchise rights holder and will not impact the Group's financial commitments. In addition to the direct CAPEX investment, an asset leasing agreement with a third-party provider has been secured to finance additional equipment and installations. This lease is reflected in the forecasted ROU assets and lease liabilities.

Working Capital

The Group's working capital position is expected to remain sound and adequately managed throughout the forecast period. As is characteristic of the catering sector, the Group operates with minimal trade receivables due to its immediate-payment model. Receivables are limited to deposits and non-trade balances. Trade payables and inventory levels are forecasted to increase marginally, reflecting the additional needs of the new outlets, but will remain within historically manageable thresholds.

Taxation

Due to the continued application of capital allowances and tax deductions associated with expansion activity, the Group does not expect to incur significant income tax liabilities in 2025. The corporate tax rate is assumed to remain at 35% for the duration of the forecast period, however, the Group still has unused capital allowances brought forward from previous years. Deferred tax assets and liabilities remain unchanged for forecasting purposes; however, these are then subject to final adjustments during the preparation of the audited year-end accounts.

Changes in Shareholders' Capital

No changes in share capital, shareholding structure, or equity-related transactions affecting the consolidated position of the Group are expected to occur in 2025.

Earnings per Share and Share Capital

The Group remains privately held, and no public issuance of equity instruments is contemplated during the forecast period. Based on the projections presented herein, consolidated earnings per share are expected to remain negative in 2025, primarily due to the investment phase associated with outlet expansion and related IFRS 16 charges.

Conclusion

The Directors are of the view that the assumptions outlined above are realistic and attainable, and that they reflect the operational strategy, financial structure, and risk profile of the Group. In the absence of unforeseen external shocks or adverse developments, the Group is expected to maintain adequate liquidity and working capital to support its activities over the forecast period.

No dividend distributions are expected to be declared or paid during the financial year ending 31 December 2025, as the Group continues to prioritise reinvestment in operations and growth.

Projected consolidated income statement for the year ending 31 December	2024 (Actual)	2025 (Forecast)
	€	**€**
Revenue	2,510,069	4,463,974
Cost of Sales	-595,499	-1,119,003
Gross profit	**1,914,570**	**3,344,971**
Administrative expenses	-1,426,900	-2,736,811
Operating profit	**487,670**	**608,160**
Depreciation and amortisation	-580,169	-620,169
Other income	58,422	12,000
Finance costs	-480,499	-550,181
Finance income	22,478	22,478
Profit before tax	**-492,098**	**-527,712**
Taxation	-1,800	-
Movements in deferred tax	95,575	-
Profit for the year	**-398,323**	**-527,712**
Other comprehensive income	-	-
Total comprehensive income	**-398,323**	**-527,712**

Projected consolidated statement of financial position as at 31 December	2024 (Actual) €	2025 (Forecast) €
Assets		
Property, Plant and Equipment	10,145,417	9,799,734
Intangible asset	125,000	90,000
Investment property	739,800	739,800
Deferred tax assets	635,982	635,982
Right-of-use assets	725,683	2,129,991
Total non-current assets	**12,371,882**	**13,395,507**
Current Assets		
Cash and cash equivalents	252,101	30,876
Trade and other receivables	659,588	359,588
Amounts due from related party	1,446	1,446
Inventories	115,654.00	161,916
Total current assets	**1,028,789**	**553,826**
Total assets	**13,400,671**	**13,949,333**
Equity and liabilities		
Equity		
Share capital	641,356	641,356
Retained earnings	(1,718,944)	(2,246,656)
Revaluation reserve	3,650,506	3,650,506
Non-controlling interest	4	4
Other reserve	125,000	125,000
	2,697,922	**2,170,210**

Projected consolidated statement of financial position as at 31 December (continued)	**2024** (Actual) **€**	**2025** (Forecast) **€**
Liabilities		
Interest bearing liability	6,000,701	5,877,511
Finance lease liability	650,009	1,922,138
Deferred tax liability	420,332	420,332
Total non-current liabilities	**7,071,042**	**8,219,981**
Current liabilities		
Borrowings	491,243	336,738
Trade and other payables	2,860,789	2,725,144
Amounts due to related parties	25,949	25,949
Third party loans	115,721	187,149
Finance lease liability	109,941	284,162
Current tax liabilities	28,064	-
Total current liabilities	**3,631,707**	**3,559,142**
Total liabilities	**10,702,749**	**11,779,123**
Total equity and liabilities	**13,400,671**	**13,949,333**

Projected consolidated statement of cash flows for the year ending 31 December	2024 (Actual) €	2025 (Forecast) €
Cash flows from operating activities		
Profit before working capital changes	674,741	955,306
Movement in trade receivables	375,611	300,000
Movement in trade payables	113,527	(135,645)
Movement in inventory	(22,766)	(46,262)
Finance costs paid	(458,422)	(435,593)
Taxation paid	6,594	(28,064)
Net cash generated from operating activities	689,285	609,742
Cash flows from investing activities:		
Outflows in relation to PPE	(39,486)	(239,486)
Net cash used in investing activities	(39,486)	(239,486)
Cash flows from financing activities:		
Movement in relation to non-controlling interest	1	-
Outflows in relation to bank loans	(267,505)	(281,695)
Repayment of third party loans	(88,572)	71,428
Net repayment of finance lease liabilities	(118,480)	(385,214)
Movements with related parties	17,898	-
Net cash used in financing activities	(456,658)	(595,481)
Cash and cash equivalents at beginning of year	42,598	235,739
Net increase/(decrease) in cash and cash equivalents	193,141	(225,225)
Cash and cash equivalents at end of year	**235,739**	**10,514**

The Board of Directors of Testa Finance plc confirms the following:

1. The Company and the Group have sufficient working capital for their current operating requirements and for at least the next twelve (12) months from the date of this document.
2. This representation is given after due and careful inquiry, and all material contractual and financial commitments have been considered.
3. The forecasts and the assumptions on which they are based are realistic and achievable, and include a clear distinction between assumptions within management's control and those which are not.
4. The basis of accounting used for the forecast is consistent with the accounting policies of the Company as used in the latest audited financial statements.

This declaration is made pursuant to Appendix 4.7 of the Prospects MTF Rules.

This FSF is also available on the Company's website at:

https://www.testacatering.com.mt/investor-relations/

Unquote

By order of the Board of Directors of the Company,

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Reuben Debono ID 422778M

Company Secretary