



MALTA STOCK EXCHANGE PROSPECTS

PROSPECTS MTF NOTICE 01/2019

We would like to draw the attention of all Corporate Advisors to the new and revised Prospects MTF Rules (“the Rules”). These new and revised Rules, which have been approved by the MFSA and which will be effective as from January 2019, are being attached to this Notice.

The new Rules include a **Pre-Application Assessment** that establishes the eligibility criteria of a Prospects MTF prospective issue. These new criteria were formulated following the various discussions that the Exchange has had in the past months with Corporate Advisors, Members, as well as the MFSA.

In addition, the revised Prospects MTF Rule 2.01.01 that relates to the applicability for **Admission to Prospects MTF** which will now not be conditional on ineligibility under the Listing Authority Listing Rules. The intention behind this requested and approved Rule change is to further enhance the necessary differentiation in the market place of Prospects MTF issues from those on the Regulated Market. In this regard the Exchange is looking forward to feedback on how this could be better achieved.

Any feedback in relation to these Rules is to be forwarded to the Prospects Office by email on prospects@borzamalta.com.mt by not later than 15th January 2019.

03 January 2019

The new Prospects MTF Rules:

Pre-Application Assessment

a) *Security and Collateral*

In case of an application for admission to Prospects MTF of debt securities, such securities must either:

- (i) be fully secured and backed by tangible assets provided by the Applicant or Guarantor as collateral in respect of the full amount of the principal and interest payments of the debt issue; or
- (ii) if not secured or only partially secured by assets provided as collateral in accordance with (i) above, a guarantee has to be provided by a Guarantor, which Guarantor needs to prove its financial soundness, in accordance with (b) below. The acceptability of a mix between collateral and guarantee remains at the discretion of the Exchange;

Notwithstanding the foregoing, in such cases where the Applicant cannot provide sufficient collateral and/or guarantee, the application to admit a debt security to Prospects MTF may still be considered provided that the Issuer submits the documentation supporting the Applicant's, and/or where applicable, the Guarantor's financial soundness in accordance with (b) below.

b) *Financial Soundness*

The Applicant's and/or Guarantor's financial soundness will be based on the following information:

- (i) Audited annual financial statements (and audited consolidated financial statements of the Group if the Applicant is part of a Group) for the preceding two (2) financial years. The said audited financial statements must evidence that these were prepared on a going concern basis and must include an unqualified audit opinion from the external auditors;
- (ii) Interim financial statements, signed by the Board of Directors of the Applicant, when the application to be admitted to Prospects MTF is submitted after more than 9 months from the latest audited financial statements' year end. The interim financial statements must be reviewed and opined upon by the Applicant's external auditors in line with International Standard on Review Engagements 2410, *Review of Interim Financial Information performed by the Independent Auditor of the Entity* (as may be applicable at the time of the application).

Applicants and their corporate advisors should be aware that the submission of the information laid down in (b) (i) and (ii) above will not in itself ensure the admission to Prospects MTF of the Applicant's security and the Exchange will still have the obligation to evaluate the financial soundness of the security. In order to assess the financial soundness of the security the Exchange will be applying the financial metrics indicated in the Appendix Guidelines on Financial Metrics [see below].

APPENDIX – Guidelines on Financial Metrics

The Exchange may consider the following financial metrics as part of its assessment to accept or otherwise an application to be admitted to Prospects MTF:

1. Total Debt to EBITDA:

$$\frac{\text{Total Debt}^*}{\text{Earnings before Interest, Tax, Depreciation and Amortisation}}$$

2. Interest Cover Ratio, calculated as follows:

$$\frac{\text{Earnings before Interest, Tax, Depreciation and Amortisation}}{\text{Interest expense}}$$

3. Debt to Equity Ratio, calculated as follows:

$$\frac{\text{Total Debt}^*}{\text{Equity}^{**}}$$

4. Enterprise Value to EBITDA:

$$\frac{\text{EV}^{***}}{\text{Earnings before Interest, Tax, Depreciation and Amortisation}}$$

5. Debt to Assets Ratio, calculated as follows:

$$\frac{\text{Total Debt}^*}{\text{Total Assets}}$$

* where Total Debt means short and long term debt (including bank loans, third party loans, related party loans, finance lease obligations) and bank overdrafts

** where Equity means Total Equity i.e. issued share capital and reserves

*** where EV means total equity (including preferred shares and minority interest) plus total debt less total cash. This ratio will primarily be utilised where an Issuer is admitting shares to Prospects MTF.

The Exchange would be analysing the above ratios based on the financial statements submitted in accordance with (b) above. In order to assess the financial strength of entities endeavouring to seek admittance, the Exchange will benchmark the above ratios against the median values of companies prevailing at the point of admission to the Prospects MTF and against the Applicant's industry sector. To this effect Corporate Advisors will be asked to submit their own calculation of these industry benchmarks where applicable.

The revised Prospects MTF Rules:

a) Admission to Prospects MTF

Rule 2.01.01 which states that:

“Applicants for admission to trading on Prospects MTF will automatically be ineligible for admission on Prospects MTF if the conditions listed in the Listing Authority Listing Rules and the policies issued by the Listing Authority from time to time are satisfied.”

shall be replaced with the following:

Applicability

Subject to the provisions of Article 2(3)(b)(v) of the Companies Act, Applications for Admission to Prospects MTF shall be subject to the following:

Equity Securities

The aggregate value made up of (i) Equity Securities of the Applicant which are the subject of the Application for Admission to Prospects MTF valued at the issue price and (ii) Equity Securities of the Applicant which have already been admitted to Prospects MTF valued at the latest market price, must not exceed the eight million euro (€8,000,000) threshold.

Such threshold is only applicable at admission stage, as the Market Capitalisation of Issuers may increase and exceed the eight million euro (€8 million) following admission to Prospects MTF.

Debt Securities

The Application for Admission of Debt Securities to Prospects MTF shall not exceed eight million Euro (€8,000,000) when calculated over a period of twelve months.

b) Item no.‘8’ in ‘Table 2 – Other Inside Information’ in ‘Chapter 4 – Companies’:

Current Prospects MTF Rule	Revised Prospects MTF Rule
Event: A statement of the extent of ongoing compliance with the corporate governance standards	Event: A statement of the extent of ongoing compliance with the corporate governance standards
Frequency: Annually	Frequency: For each change
Timeliness: Simultaneous with publication of the Annual Report as part thereof	Timeliness: Immediately
Equity: Y (yes) Bond: N (no)	Equity: Y (yes) Bond: Y (yes)