



FINCO TREASURY MANAGEMENT LTD

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A Limited Liability Company registered in Malta on 9th November 1994, Registration No. C17017

€80 million – HILI Finance Company P.l.c. 3.80 % 2029 Unsecured

Salient Details & Time Table

Offeror & Issuer	Hili Finance P.L.C.
Guaranteed by	Hili Ventures Limited
Currency	Euro
Offer Price	100% at par
Coupon	3.80% per annum
Status & Security	The Bonds, as and when issued and allotted, shall constitute the general, direct, unsecured and unconditional obligations of the Issuer and shall be guaranteed in respect of both the interest due and the principal amount under said Bonds by the Guarantor jointly and severally. The Bonds shall at all times rank <i>pari passu</i> without any priority or preference among themselves and, in respect of the Guarantor, they shall rank without any priority or preference over all its unsecured indebtedness, if any
Maturity Date	27 th August 2029
Listing	Official List, Malta Stock Exchange.
Interest Payment Dates	Annually on 27 th August
Offer Period	See Time-Table below
Minimum Applications	€2,000 (nominal) and in multiples of €100 thereafter

HILI Ventures Limited Key Activities

The Guarantor was established in 2012 and principally acts as the investment holding company of the Group to which it provides management and consultancy services. The Guarantor is principally engaged, through Subsidiaries, in investments that are predominantly involved in the business sectors described below:

- Premier Capital p.l.c. is involved in the operations of McDonald's restaurants in Estonia, Greece, Latvia, Lithuania, Malta and Romania.
- 1923 Investments p.l.c. (formerly PTL Holdings p.l.c.) is primarily engaged in the sale and distribution of Apple products as an Apple Premium Reseller in Poland and Hungary; the sale, maintenance and servicing of information technology solutions, security systems and the provision of electronic payment solutions; and transport and logistics in Malta and Poland.
- Hili Properties p.l.c. is the parent company of the property division of Hili Ventures, and owns and manages a property portfolio comprising commercial and retail property in Europe.



- Motherwell Bridge Industries Limited (“Motherwell Bridge”) is primarily engaged in providing engineering services related to port equipment and crane assembly. Through the acquisition of Techniplus S.A. in 2016, Motherwell Bridge is also involved in providing maintenance services of port equipment and crane assembly in Morocco and neighbouring countries.
- Cobalt Leasing Ltd was established in the UK on 5 February 2019 with company registration number 11808196. The company’s principal objective is to operate a container leasing business.
- HV Hospitality Limited was registered in Malta on 17 April 2019 with company registration number C 91217. The primary objective of the company is to operate and manage the hospitality business of Hili Ventures. It is expected that the initial transaction of this company will be the acquisition of Kemmuna Limited (the owner of the Comino Hotel and Bungalows)

Bond Allocation

The Company is reserving an aggregate amount of €40 million in Bonds for subscription by Preferred Applicants, being existing bondholders in 5.1% 1923 Investments p.l.c. unsecured bonds 2024, 4.5% Hili Properties p.l.c. unsecured bonds 2025, 3.75% Premier Capital p.l.c. unsecured bonds 2026, 3.85% Hili Finance Company p.l.c. unsecured bonds 2028.

Personalised pre-printed Application Forms ‘A’ will be mailed to Hili Ventures Bondholders. Application Forms ‘A’ may be submitted to Finco Treasury Management Ltd not later than 16:00 hours on 13th August 2019.

Application Forms ‘B’ will be available to the general public from 30th July 2019. The public offer period will close at 16:00 hours on 20th August 2019 or earlier in case of over-subscription.

Purpose of the Issue and Use of Proceeds

The proceeds from the Bond Issue, which net of Bond Issue expenses are expected to amount to approximately €79,000,000 shall be utilised by the Guarantor for the following purposes, in the amounts and order of priority set out below:

- i. an amount of circa €59,000,000 is set out to be used for the purpose of financing the acquisition of 100% shareholding in Kemmuna Limited (C 15344), a company which owns the Comino Hotel and Bungalows (as described in further detail in section 6 and Annex I of the Registration Document). In terms of a share purchase agreement dated 24 May 2019, the final execution of the deed of purchase is dependent on a number of conditions precedent, including inter alia the successful completion of a due diligence exercise which is presently being conducted by Hili Ventures. Accordingly, in the event that the purchaser decides not to proceed with the transaction for any reason as contemplated in the share purchase agreement, the above amount of circa €59,000,000 shall be used to repay the bank loans of Hili Ventures listed;
- ii. the amount of €10,000,000 shall be advanced to Cobalt Leasing Ltd (a container leasing company forming part of Hili Ventures) in exchange for the issue and allotment of ordinary shares in favour of the Guarantor. The said company will utilise the funds to part-finance the acquisition of new containers for the purpose of leasing same to container shipping lines on a long term basis;



- iii. the remaining balance will be applied to fund Group-wide investment opportunities presently being considered, or which may arise in the near term, by the board of directors of the Guarantor, including, but not limited to, the setting up of a marine division.

Consolidated Financials of Hili Ventures Ltd

Hili Ventures Limited Consolidated Statement of Comprehensive Income for the year ended 31 December

	2016 Actual €000	2017 Actual €000	2018 Actual €000	2019 Projection €000	2020 Projection €000
Revenue	341,239	396,488	427,410	481,002	528,114
Cost of sales	(275,404)	(320,344)	(343,430)	(361,327)	(386,850)
Gross profit	65,835	76,144	83,980	119,675	141,264
Net operating expenses	(29,148)	(36,606)	(41,126)	(52,010)	(58,649)
EBITDA¹	36,687	39,538	42,854	67,665	82,615
Depreciation and amortisation	(14,120)	(14,148)	(15,731)	(30,076)	(32,735)
Net investment income/(loss)	1,585	(3,928)	644	308	657
Net finance costs	(11,080)	(12,102)	(11,996)	(13,603)	(14,780)
Profit before tax	13,072	9,360	15,771	24,294	35,757
Taxation	(7,984)	(2,461)	(3,959)	(7,950)	(11,377)
Profit for the year (continuing operations)	5,088	6,899	11,812	16,344	24,380
Loss from discontinued operations	(233)	(5)	-	-	-
Profit for the year	4,855	6,894	11,812	16,344	24,380
Other comprehensive income					
Movement on available-for-sale investments	39	(361)	(39)	-	-
Exchange differences - foreign operations	(1,402)	1,313	(2,311)	(782)	463
Gain on revaluation of assets	45	3,127	4,244	-	463
	(1,318)	4,079	1,894	(782)	-
Total comprehensive income	3,537	10,973	13,706	15,562	24,843

¹EBITDA - Earnings before Interest, Tax, Depreciation and Amortisation.

Key Accounting Ratios

	FY2016 Actual	FY2017 Actual	FY2018 Actual	FY2019 Projection	FY2020 Projection
EBITDA margin (EBITDA/revenue)	11%	10%	10%	14%	16%
Interest cover (times) (EBITDA/net finance cost)	3.31	3.27	3.57	4.97	5.59
Net profit margin (Profit after tax/revenue)	1%	2%	3%	3%	5%



Revenue generated in FY2018 amounted to €427.4 million, an increase of €30.9 million (+8%) when compared to the prior year (FY2017: €396.5 million). The growth in revenue was predominantly achieved from the business expansion at Premier Capital.

At the operating level, EBITDA increased by 8% (similar to revenue) and amounted to €42.9 million (FY2017: €39.5 million), of which, 90% was derived from the operations of Premier Capital (2017: 89%). Net investment income amounted to €644,000 and principally comprised net gains on disposal of investment property of €1.0 million, interest income of €0.5 million and a net decrease in fair value of investment property of €0.9 million. In FY2018, the Group reported a net profit of €11.8 million compared to €6.9 million in FY2017, while total comprehensive income amounted to €13.7 million as compared to €11.0 million achieved in the prior year. Net Profit margins achieved are low.

Hill Ventures Limited
Consolidated Statement of Financial Position
as at 31 December

	2016	2017	2018	2019	2020
	Actual	Actual	Actual	Projection	Projection
	€000	€000	€000	€000	€000
ASSETS					
Non-current assets					
Goodwill and other intangibles	108,265	104,545	101,432	174,055	164,659
Property, plant and equipment	104,917	111,948	124,760	154,405	183,346
Investment property	43,102	73,802	86,132	166,964	176,475
Investments and financial assets	2,207	2,199	1,840	1,037	2,084
Deposit on acquisition of investments	12,500	24,500	26,800	-	-
Loans and receivables	10,388	10,897	13,928	16,848	15,798
Deferred tax asset and restricted cash	2,223	2,606	3,546	7,001	7,911
	283,602	330,497	358,438	520,310	550,273
Current assets					
Inventory	14,376	17,845	22,684	17,969	19,966
Trade and other receivables	22,040	22,469	20,751	24,046	24,310
Other assets	10,370	10,109	12,885	7,840	12,218
Cash and cash equivalents	71,851	27,284	40,354	28,362	18,713
	118,637	77,707	96,674	78,217	75,207
Total assets	402,239	408,204	455,112	598,527	625,480
EQUITY					
Equity and reserves	72,768	82,870	86,390	91,000	109,455
LIABILITIES					
Non-current liabilities					
Borrowings and bonds	195,741	225,888	265,937	341,651	353,685
Lease liability and other non-current liabilities	9,226	8,489	8,399	78,952	68,708
	204,967	234,377	274,336	420,603	422,393
Current liabilities					
Bank overdrafts	4,307	3,577	6,522	5,609	6,012
Borrowings	57,553	26,465	13,491	14,494	17,350
Other current liabilities	62,644	60,915	74,373	66,821	70,270
	124,504	90,957	94,386	86,924	93,632
	329,471	325,334	368,722	507,527	516,025
Total equity and liabilities	402,239	408,204	455,112	598,527	625,480



Status & Ranking of the Bonds

The Bonds constitute the general, direct, unconditional and unsecured obligations of the Issuer, guaranteed jointly and severally by the Guarantor, and shall at all times rank pari passu, without any priority or preference among themselves and with other unsecured debt of each of the Issuer and the Guarantor, if any. Furthermore, subject to the negative pledge clause as found in section 5.7 of the Securities Note, third party security interests may be registered which will rank in priority to the Bonds against the assets of the Issuer and of the Guarantor, as the case may be, for so long as such security interests remain in effect.

FTM Comments

The Group's balance sheet as at 31st December 2018 comprises total Capital & Reserves of €86 million. One must note however that Group Assets include Goodwill and Other Intangibles of €101 million. Gearing, calculated as Total net debt divided by the sum of net debt and shareholders' equity, and even without deducting Intangible Assets, stands at an alarmingly high level of 74%.

Moreover, the bond is also Unsecured in circumstances where there should have been no reason not to grant first ranking general and special hypothecary rights over the Kemmuna property intended to be purchased. The proposed interest rate appears to us not to adequately compensate for the medium to high risk involved in this bond.

Based on the above, Finco is not recommending this Issue and will accept applications on an Execution Only basis.

Time Table

1. Application Forms mailed to Hili Ventures Bondholders 23 July 2019
2. Application Forms available to the general public 30 July 2019
3. Closing of Preferred Applicants Offer Period 13 August 2019
4. Closing of Public Offer Period 20 August 2019
5. Commencement of interest on the Bonds 27 August 2019
6. Expected date of announcement of results of the Bond Issue 27 August 2019
7. Refunds of unallocated monies 3 September 2019
8. Expected date of commencement of trading in the securities 5 September 2019

Application Procedures

Clients interested in applying for the bonds on their initiative are kindly requested to contact our office.

This document has been prepared by Ivan Grech, Director, Finco Treasury Management Ltd, based on the prospectus dated 18th July 2019. Although every effort has been made to ensure the reliability, accuracy and completeness of this information, users should be aware that some of the contents of this circular may have been obtained from other sources. This document is not intended to provide the sole basis for any evaluation of the securities subject of this communication. Investors should consider the full text of the Prospectus, including all risk factors listed therein, which Prospectus is available at our offices for anyone interested therein. In any case Finco Treasury Management Ltd is disclaiming any responsibility arising from any reliance placed upon information contained in this communication.