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The Directors
Brown's Pharma Holdings p.l.c.
Brown's Pharmacies
Triq I-Industrija
Qormi
Malta

Re: Financial Analysis Summary – 2024

24 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 Brown's Pharma Holdings p.l.c. (the “**Issuer**”). The data is derived from various sources, or is based on our own computations as follows:

- a) Historical financial data for the three years ending 31 December 2021, 2022 and 2023 have been extracted from the audited financial statements of the Issuer.
- b) The forecast data for the financial year ending 31 December 2024 has been provided by management.
- c) Our commentary on the Issuer's results and financial position is 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.

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



Brown's Pharma Holdings p.l.c.

24 June 2024

**Prepared by Calamatta Cuschieri
Investment Services Limited**

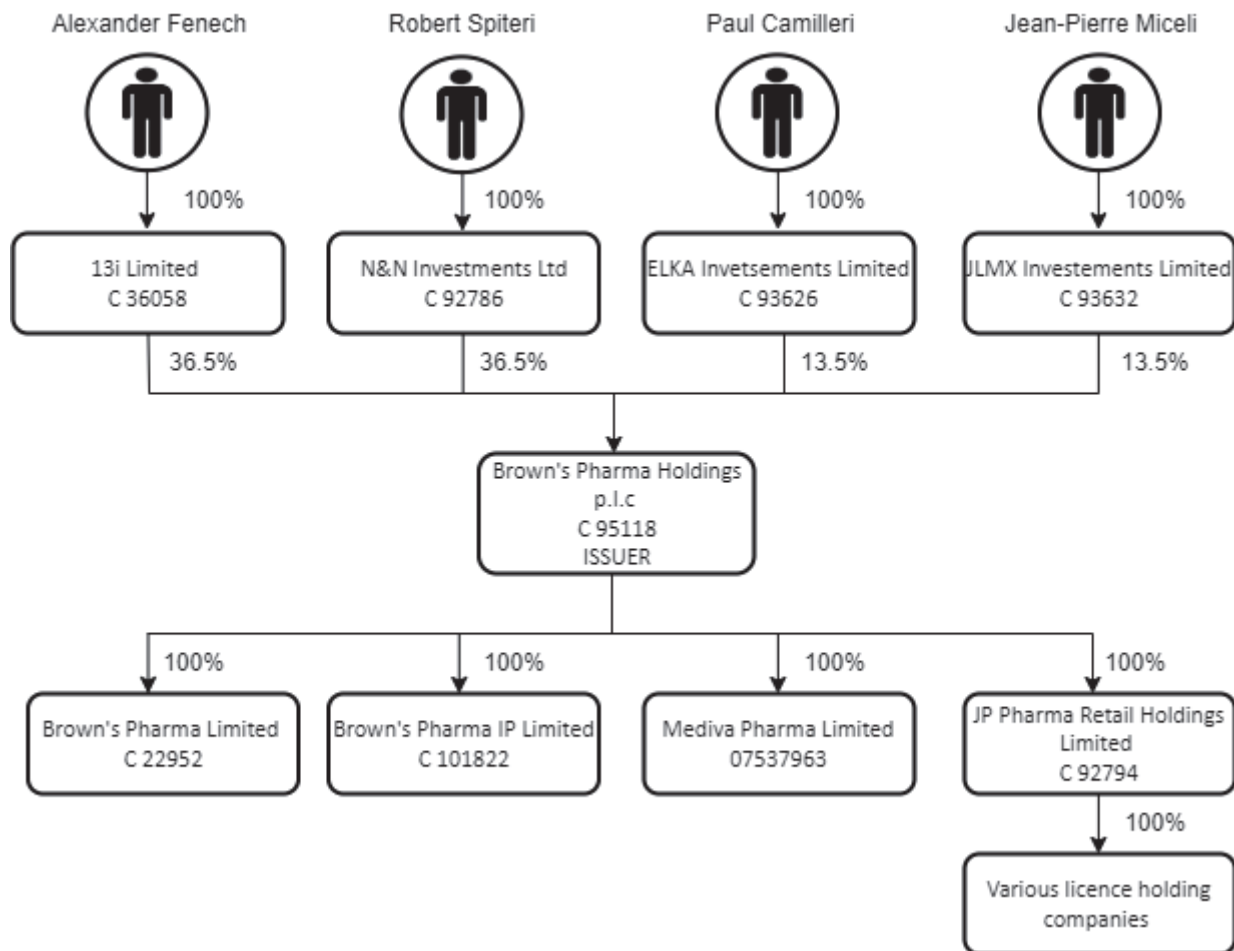
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Part 1 Information about the Group

1.1 Issuer and Group's Subsidiaries Key Activities and Structure

The Group structure is as follows:



The “Group” of companies (or the “Brown’s Group”) consists of Brown’s Pharma Holdings p.l.c. (the “Issuer” or “BPHP”), acting as the holding company, and its subsidiaries; Brown’s Pharma Limited, Brown’s Pharma IP Limited, Mediva Pharma Limited, JP Pharma Retail Holdings and various licence holding companies. The principal activity of the Brown’s Group is to operate the Brown’s retail pharmacy network in Malta. The ultimate beneficial owners of the Issuer are Robert Spiteri, who owns 36.5% of the Group through N&N Investments Ltd, Alexander Fenech, who owns 36.5% of the Group through 13i Limited, together with Paul Camilleri and Jean-Pierre Miceli who both own 13.5% of the Group each through ELKA Investments Limited and JLMX Investments Limited, respectively.

The Issuer was incorporated on 5 March 2020 to act as the holding company of the Brown’s Group following the acquisition of JP Pharma Retail Holdings Limited by the Brown’s Group. BPHP is the Issuer of the bond and has no trading or operating activities of its own. The Issuer has an authorised and issued share capital of €20,086,186 divided into 14,662,916 ordinary A shares of €1 each, and 5,423,270 ordinary B shares of €1 each, all fully paid up. The shareholding of BPHP is split between four companies; 13i Limited and N&N Investments Ltd which hold, equally amongst them, 14,662,916 ordinary A shares of €1 each, all of which are fully paid up, and ELKA Investments Limited and JLMX Investments Limited which hold, equally amongst them, 5,423,270 ordinary B shares of €1 each, all of which are also fully paid up.

Brown's Pharma Limited ("**BPL**") was incorporated on 20 May 1998 and was set up by Robert Spiteri and Alexander Fenech. BPL is the operating company of the Group and is responsible for all operational aspects of the individual pharmacies and the head office. The head office function was set up to support the expanding network of pharmacies which allowed the Brown's Group to leverage economies of scale through centralised administration, purchases, finance and recruitment. BPL has an authorised share capital €465,874.60 made up of 200,000 ordinary shares of €2.329373 each. Its issued share capital is of €400,232.87 made up of 171,820 ordinary shares of €2.329373 each, all fully paid up.

Brown's Pharma IP Limited ("**BPIP**") was incorporated on 23 March 2022 to act as the holding company for the Group's intellectual property. In 2022, BPL transferred all of its intellectual property to BPIP for a consideration of €6.3m, generating a profit on disposal of €6.1m, which transaction has been reversed upon consolidation. BPIP has an authorised and issued share capital of 1,200 ordinary shares of €1 each, all fully paid up.

On 1 January 2023, the Group acquired Mediva Pharma Limited ("**MPL**"), a company registered in the United Kingdom and which was previously jointly owned by 13i Limited and N&N Investments Ltd. MPL was acquired to be the foundation upon which the Group's internationalisation strategy will be built. The audited results for FY23 outlined in Part 2 of this Analysis include the results generated by MPL following the adoption of the Group's financial system.

JP Pharma Retail Holdings Limited ("**JPRHL**") was incorporated on 5 August 2019 to take ownership of JP Pharma licences. Following the acquisition of JPRHL by the Brown's Group (hereinafter referred to as the "**JP Transaction**"), JPRHL is now the licence holding company of the Brown's Group. Through such transaction, the operation of the JP Pharmacies was transferred to BPL and operated by the Brown's Group management team as from 1 January 2020.

The Issuer was then set up in March 2020, reflecting the agreed shareholding split for the Brown's Group, as presented in the Group structure chart in section 1.1 above. The Issuer finalised the acquisition of BPL and JPRHL on 28 October 2020, which balance was settled through the issue of new shares by the Issuer to the shareholders in their same ownership proportion.

As part of the JP Transaction, Paul Camilleri and Jean-Pierre Miceli contributed their shares in JPRHL, which owns the JP pharmacy licences, to the Issuer in exchange for their 27% shareholding in the Group. Following the exchange, the individual Brown's pharmacy licences previously held by BPL, were transferred to JPRHL such that all the pharmacy licences of the Group are now owned through JPRHL.

Through its network of pharmacies, the Brown's Group sells both prescription and over the counter pharmaceuticals along with allied health and beauty products and services.

1.2 Directors and Key Employees

Board of Directors - Issuer

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

Name	Designation
Mr Benjamin Muscat	Chairman and independent non-executive Director
Ing Joseph Caruana	Independent non-executive director
Dr Mark Grech	Independent non-executive director
Mr David Camilleri	Independent non-executive director
Mr Alexander Fenech	Executive Director
Mr Paul Camilleri	Non-executive Director
Mr Jean-Pierre Miceli	Non-executive Director
Mr Robert Spiteri	Non-executive Director

Alexander Fenech is the only executive director. Paul Camilleri, Jean-Pierre Miceli, and Robert Spiteri are non-executive directors. The other four directors, Joseph Caruana, Mark Grech, David Camilleri (appointed on 1 August 2023) and Benjamin Muscat, who is also the chairman of the Brown's Group, serve on the Board of the Issuer in an independent non-executive capacity.

The business address of all of the directors is the registered office of the Issuer. Dr Jean C. Farrugia is the company secretary of the Issuer.

As at the date of this Analysis, while the Issuer has no employees of its own, the Brown's Group currently has *circa* 210 employees. All employees within the Brown's Group are employed by BPL.

1.3 Major Assets owned by the Group

As identified in section 1.1 above, the main assets of the Group are the pharmacy licences owned through the individual licence holding companies held under JPRHL. To note that, as per the Medicines Act, Chapter 458 of the Laws of Malta Article 3, pharmacy licences are issued by the Superintendent of Public Health. Following the acquisitions outlined in section 1.4 below, the Brown's Group operates at present, a pharmacy network of 28 pharmacies spanning

20 different localities in Malta. 25 pharmacy licences are owned by the Group, while the other 3 are operated under management agreements with third parties retaining ownership of the pharmacy licence.

Out of the 28 pharmacies in operation, five of these licences were acquired through the JP Transaction. The table presented below demonstrates a detailed analysis of the Group's pharmacy network.

Licence Holding Company	Locality	Licence	Type of Lease
Brown's Pharmacy Fleur-De-Lys Ltd.	Fleur-De-Lys	Owned by the Group	Related party leases
Brown's Pharmacy Hamrun Ltd.	Hamrun	Owned by the Group	Related party leases
Brown's Pharmacy Kalkara Ltd.	Kalkara	Owned by the Group	Related party leases
Brown's Pharmacy M1 Ltd.	Mellieha	Owned by the Group	Related party leases
Brown's Pharmacy M2 Ltd.	Mellieha Village	Owned by the Group	Related party leases
Brown's Pharmacy Paola Ltd.	Paola	Owned by the Group	Related party leases
Brown's Pharmacy Pieta Ltd.	Pieta	Owned by the Group	Related party leases
Brown's Pharmacy Qormi Ltd.	Qormi	Owned by the Group	Related party leases
Brown's Pharmacy Rahal Gdid Ltd.	Rahal Gdid	Owned by the Group	Related party leases
Brown's Pharmacy Sliema Ltd.	Sliema	Owned by the Group	Third party leases
Brown's Pharmacy Zebbug Ltd.	Zebbug	Owned by the Group	Related party leases
JP Pharma San Gwann Ltd	San Gwann 1 - Mensija	Owned by the Group	Related party leases
JP Pharma Iklin Ltd	Iklin	Owned by the Group	Related party leases
JP Pharma Naxxar Ltd	Naxxar 1	Owned by the Group	Related party leases
JP Pharma B'kara Ltd	Birkirkara 2	Owned by the Group	Related party leases
JP Pharma St Julians Ltd	St Julians (Spinola)	Owned by the Group	Related party leases
Brown's Grognet Pharmacy Ltd	Mosta 1	Owned by the Group	Related party leases
Operating Licence Agreement	Mosta 2	Managed	Related party leases
Operating Licence Agreement	Naxxar 2	Managed	Related party leases
Brown's Medical Plaza Ltd	San Gwann 2	Owned by the Group	Third party leases
Brown's SM Ltd	Attard	Owned by the Group	Third party leases
Brown's Victor Pharmacy Ltd	Sliema 2	Owned by the Group	Third party leases
Brown's Skyparks Pharmacy	Luqa	Managed	Third party leases
Brown's Quad Pharmacy Ltd	Birkirkara 3	Owned by the Group	Third party leases
Mayer Pharmacy	Msida	Owned by the Group	Third party leases
Brown's St Andrews Pharmacy Ltd	Swieqi	Owned by the Group	Third party leases
Brown's Pharmacy San Pawl Ltd	San Pawl il-Bahar	Owned by the Group	Third party leases
Brown's Pharmacy San Bastjan Ltd	Qormi 2	Owned by the Group	Third party leases

1.4 Operational Developments

1.4.1 Acquisition of Brown's Pharmacy San Pawl Ltd

The Group acquired the pharmacy licence for Brown's Pharmacy San Pawl Ltd in San Pawl il-Bahar.

1.4.2 Acquisition of Brown's Pharmacy San Bastjan Ltd

The Group acquired the pharmacy licence for Pharmacy San Bastjan Ltd in the Qormi 2 zone.

1.5 Conflict in Ukraine and the Middle East

The management of the Group assessed that there were no significant effects to the Group's operation as a result of the conflict between Russia and Ukraine and in the Middle East. Nevertheless, they will continue to monitor the situation as events continue to evolve.

Part 2 Historical Performance and Forecasts

The financial information below is extracted from the audited consolidated financial statements of the Issuer for the financial years ended 31 December 2021, 2022 and 2023. The projected financial information for the year ending 31 December 2024 has been provided by Group management.

The projected financial information relates 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.

2.1 Issuer's Consolidated Statement of Comprehensive Income

Statement of Comprehensive for the year ended 31 December	2021A	2022A	2023A	2024F
	€000s	€000s	€000s	€000s
Revenue	31,160	32,927	38,343	46,446
Cost of sales	(20,881)	(20,927)	(24,704)	(31,009)
Gross profit	10,279	12,000	13,639	15,437
Selling, distribution and administrative expenses	(5,292)	(6,536)	(8,522)	(8,422)
Contribution	4,987	5,464	5,117	7,015
Other income	64	102	250	-
EBITDA	5,051	5,566	5,367	7,015
Depreciation and amortisation	(841)	(1,148)	(1,339)	(1,121)
EBIT	4,210	4,418	4,028	5,894
Finance costs	(767)	(1,042)	(1,187)	(1,185)
Investment income	-	-	16	-
Amortisation of bond issue costs	(14)	(27)	(27)	(27)
Profit before tax	3,429	3,349	2,830	4,682
Income tax charge	(1,308)	(1,234)	(1,259)	(1,600)
Profit after tax	2,121	2,115	1,571	3,082
Other comprehensive income	7,270	1,266	-	-
Total comprehensive income	9,391	3,381	1,571	3,082

Ratio Analysis	2021A	2022A	2023A	2024F
Profitability				
Growth in Revenue (YoY Revenue Growth)	26.7%	5.7%	16.4%	21.1%
Gross Profit Margin (Gross Profit/ Revenue)	33.0%	36.4%	35.6%	33.2%
Contribution Margin (Contribution/ Revenue)	16.0%	16.6%	13.3%	15.1%
EBITDA Margin (EBITDA / Revenue)	16.2%	16.9%	14.0%	15.1%
Operating (EBIT) Margin (EBIT / Revenue)	13.5%	13.4%	10.5%	12.7%
Net Margin (Profit for the year / Revenue)	6.8%	6.4%	4.1%	6.6%
Return on Common Equity (Net Income / Average Equity)	9.3%	7.7%	5.6%	10.9%
Return on Assets (Net Income / Average Assets)	3.8%	3.0%	2.1%	3.8%

In FY23, revenue grew by 16.4% when compared to FY22, reaching €38.3m. This increase in revenue inevitably resulted in a higher cost of sales figure of around €24.7m. Management is projecting a further increase in revenue, to €46.5m in FY24, mainly through organic growth and

additional pharmacy acquisitions. Selling, distribution and administrative expenses increased by €2.0m over FY22, primarily due to wage inflation caused by a competitive job market. Since the pharmaceutical industry faces strict price

controls, management has limited ability to raise prices to offset these cost increases.

This resulted in higher costs outpacing revenue growth, leading to a lower contribution margin of 13.3%, compared to 16.6% in FY22. Going forward, the outlook remains very positive, with a sharp increase in revenue and stable S&A expenses, expected to result in an improved contribution margin of 15.1%.

Other income in FY23 amounted to €250k, resulting in EBITDA of €5.4m which is a €199k decrease over the EBITDA in FY22. Depreciation increased to €1.3m (FY22: €1.1m) due to the additions of various fixed assets, and is expected to fall back to €1.1m in FY24. Finance costs increased to €1.2m

(FY22: €1.0m) and relate to the interest payable on the debt securities. These are expected to remain stable in FY24.

The Group reported a profit before tax of €2.8m during FY23 (FY22: €3.4m) and management expects this to increase to €4.7m in FY24. Since FY23 profit was more or less in line with FY22 profit, the tax base remained relatively stable and led to a similar tax charge of €1.3m.

The Group ended FY23 with a net profit margin of 4.1% (FY22: 6.4%). The Group did not register any other comprehensive income in FY23 and therefore reported a total comprehensive income of €1.6m. Strong evidence supporting the positive outlook for FY24 is management's note that net profit for the first five months of FY24 has already reached €1.2m.

2.1.1 Variance Analysis

Statement of Comprehensive Income for the year ended 31 December	2023A	2023P	Variance
	€000s	€000s	€'000s
Revenue	38,343	34,408	3,935
Cost of sales	(24,704)	(21,399)	(3,305)
Gross profit	13,639	13,009	630
Selling, distribution and administrative expenses	(8,522)	(6,979)	(1,543)
Contribution	5,117	6,030	(913)
Other income	250	-	250
EBITDA	5,367	6,030	(663)
Depreciation and amortisation	(1,339)	(969)	(370)
EBIT	4,028	5,061	(1,033)
Finance costs	(1,187)	(1,077)	(110)
Investment income	16	-	16
Amortisation of bond issue costs	(27)	(32)	5
Profit before tax	2,830	3,952	(1,122)
Income tax charge	(1,259)	(1,354)	95
Profit after tax	1,571	2,598	(1,027)

The Group generated €38.3m in revenue compared with the €34.4m that was projected. The positive variance is due to better-than-expected organic growth in the Group's existing pharmacy portfolio, coupled with revenue outperformance from the acquisition of Mediva Pharma Limited, a UK-based Mail order pharmacy. In line with the increase in revenue, there was also a corresponding increase in cost of sales from the expected €21.4m to €24.7m. This performance led to a higher overall gross profit by €0.6m.

The higher selling, distribution and administrative expenses compared to forecasts is attributed to significantly higher, market-driven wages and salaries to pharmacists, and costs

associated with the restructuring of the Group's UK operations which led to these costs being €1.5m higher than forecasts.

The depreciation and amortisation charge was higher by €0.4m due to the additional capital expenditures made throughout the year, as well as the inclusion of additional rented premises (IFRS 16). Finance costs were also higher by €0.1m due to IFRS 16 implications and increased borrowings. All this led to the total comprehensive income for the year being €1.0m lower than the projections made in last year's Analysis.

2.2 Issuer's Consolidated Statement of Financial Position

Statement of Financial Position as at 31 December	2021A	2022A	2023A	2024F
	€'000s	€'000s	€'000s	€'000s
Assets				
Non-current assets				
Intangible assets	43,267	48,020	49,539	51,979
Goodwill	2,153	2,153	2,348	2,348
Property, plant and equipment	1,990	2,522	2,838	2,653
Right of use assets	8,095	9,880	9,685	9,038
Investments in financial assets	-	-	150	150
Trade and other receivables	3,997	58	-	-
Total non-current assets	59,502	62,633	64,560	66,168
Current assets				
Investments in financial assets	-	1,000	1,000	-
Inventories	2,514	2,914	3,545	3,850
Trade and other receivables	2,844	3,656	5,824	5,859
Current tax asset	-	270	174	369
Cash in hand and at bank	2,402	2,532	2,905	7,108
Total current assets	7,760	10,372	13,448	17,186
Total assets	67,262	73,005	78,008	83,354
Equity				
Share capital	20,086	20,086	20,086	20,086
Retained earnings	1,059	643	843	1,768
Revaluation Reserve	5,733	6,998	6,998	6,998
Translation Reserve				2
Total equity	26,878	27,727	27,927	28,854
Liabilities				
Non-current liabilities				
Interest-bearing borrowings	12,736	12,764	15,010	16,933
Trade and other payables	74	-	-	1,539
Deferred taxation	12,473	13,880	14,662	15,398
Lease liabilities	7,852	9,455	9,470	8,812
Total non-current liabilities	33,135	36,099	39,142	41,985
Current liabilities				
Interest-bearing borrowings	100	100	185	870
Trade and other payables	6,145	8,570	10,193	10,328
Lease liabilities	329	509	561	620
Current taxation	675	-	-	-
Total current liabilities	7,249	9,179	10,939	11,818
Total liabilities	40,384	45,278	50,081	53,811
Total equity and liabilities	67,262	73,005	78,008	83,354

Ratio Analysis	2021A	2022A	2023A	2024F
<i>Financial Strength</i>				
Gearing 1 (Net Debt / Net Debt and Total Equity)	40.9%	42.3%	44.4%	41.09%
Gearing 2 (Total Liabilities / Total Assets)	60.0%	62.0%	64.2%	65.4%
Gearing 3 (Net Debt / Total Equity)	69.3%	73.2%	79.9%	69.8%
Net Debt / EBITDA	3.7x	3.6x	4.2x	2.9x
Current Ratio (Current Assets / Current Liabilities)	1.1x	1.1x	1.2x	1.5x
Quick Ratio (Current Assets - Inventory / Current Liabilities)	0.7x	0.8x	0.9x	1.1x
Interest Coverage level 1 (EBITDA / Cash interest paid)	37.4x	10.7x	8.5x	8.8x
Interest Coverage level 2 (EBITDA / finance costs)	6.6x	5.3x	4.5x	5.9x

Total assets as at end of FY23 mainly comprised intangible assets, which accounted for 63.5% of the Group's total assets. Intangible assets mainly reflect the market value of the pharmacy licences owned by the respective subsidiaries within the Group. The movement in intangible asset balance over the review period includes both the actual cost incurred in acquiring new pharmacy licences as well as a revaluation of pharmacy licences. These intangible assets increased to €49.5m in FY23 (FY22: €48.0m).

The Group's property, plant and equipment ("PPE") include improvements to leased properties, computer equipment, furniture and fittings, shop equipment, electrical installations, and motor vehicles. Management reported that these assets are all used in the day-to-day operations of the Group. PPE increased to €2.8m whilst right-of use assets decreased slightly to €9.7m in FY23.

Current assets in FY23 comprised 17.2% of the Group's total assets. The Group's inventory balance represents stock which is directly related to the retail pharmacy stores. This stock is located both in shop premises and at the Group's head office warehouse facility, and amounted to €3.6m in FY23. Cash in hand and at bank increased to €2.9m whilst trade and other receivables increased to €5.8m. Total assets are expected to increase to €83.4m in FY24 (FY23: €78.0m) mainly due to higher intangible assets and an expected increased cash position.

The revaluation reserve and deferred taxation balance was recognised following the revaluation of the pharmacy licences. Management reported that deferred tax is calculated at 35% of the unrealised capital gain and is not

expected to materialise unless the Group elects to dispose of its pharmacy licences. Retained earnings increased to by €200k in FY23, mainly due to the net income for the year of €1.6m from which dividends of €1.4m were paid out during the year. The revaluation reserve and share capital amounts, on the other hand, remained stable.

As per FY23 results, the Group's total interest-bearing borrowings amounted to *circa* €15.2m and primarily consisted of the Issuer's outstanding bonds. Under non-current liabilities, lease liabilities remained stable at €9.5m, while deferred taxation increased to €14.7m (FY22: 13.9m).

As for current liabilities, the most noticeable increase came from trade and other payables, which increased by €1.6m, to €10.2m. Total equity and total liabilities are expected to increase to €83.4m in FY24 with the main movement in equity being the forecasted increase in retained earnings, increased interest-bearing borrowings and increased deferred taxation.

2.3 Issuer's Consolidated Statement of Cash Flows

Statement of Cash Flows for the year ended 31 December	2021A	2022A	2023A	2024F
	€000s	€000s	€000s	€000s
Operating Activities				
Cash generated from/ (used by) operations	5,137	6,809	3,926	8,624
Interest received	-	1	16	145
Tax paid	(1,166)	(1,443)	(391)	(1,339)
Net cash generated from operating activities	3,971	5,367	3,551	7,430
Investing activities				
Purchase of property, plant and equipment	(867)	(915)	(712)	(286)
Purchase of website costs	(141)	(81)	(97)	-
Purchase of pharmacy licence	(2,800)	(2,804)	(1,515)	(2,440)
Purchase of investment in financial assets	-	(1,000)	(1,150)	-
Disposal of investment in financial assets	-	-	1,000	1,000
Net cash used in investing activities	(3,808)	(4,800)	(2,474)	(1,726)
Financing activities				
(Decrease)/increase in bank borrowings	(2,038)	-	2,305	2,586
Interest paid	(135)	(522)	(632)	(798)
Increase in debt securities in issue net of transaction costs	12,722	-	-	-
Net movements in amount held by Trustee	(3,997)	3,939	58	-
Net movement in shareholders loan (net of dividend declared)	(3,866)	(2,260)	(1,099)	(2,158)
Net movement in related party balances	-	(386)	(387)	-
Principal payments of lease liabilities	(1,017)	(1,209)	(1,075)	(1,131)
Net cash generated from / (used in) financing activities	1,669	(438)	(830)	(1,501)
Net movement of assets and liabilities taken over upon consolidation	-	-	120	-
Effect of foreign exchange rate changes	-	-	6	-
Movement in cash and cash equivalents	1,832	129	373	4,203
Cash and cash equivalents at start of year	571	2,403	2,532	2,905
Cash and cash equivalents at end of year	2,403	2,532	2,905	7,108

Ratio Analysis	2021A	2022A	2023A	2024F
<i>Cash Flow</i>	€'000s	€'000s	€'000s	€'000s
Free Cash Flow (Net cash from operations + Interest - Capex)	€298	€2,089	€1,859	€5,502

The Group has consistently generated strong operational cash flows. These amounted to €3.6m during FY23 (FY22: €5.4m), albeit the aforementioned cost inflations section 2.1. Tax paid in FY23 was lower due to the lower profit for the year. The Group is projecting an improved performance in FY24 with regards to operating activities, with this forecasted to reach €7.4m.

When it comes to investing activities during FY23, the Group invested in additional assets amounting to €2.3m, including new pharmacy licences and additional PPE. The Group also received €1.0m from the maturity of a short-term bank deposits and invested a further €1.0m in debt instruments and €150k in equity instruments in FY23. This led to a net outflow of €2.5m from investing activities.

The Group recorded a net outflow of €0.8m from financing activities. This was the net effect of €2.3m from increased borrowings, €1.1m principal payments of lease liabilities, €1.1m repayments of shareholders loans and €0.6m in interest paid, amongst others.

The Group ended the year with a positive movement of €0.4m in cash and cash equivalents (FY22: €0.1m) and forecasts a positive movement of €4.2m in FY24 mainly due to higher cash expected to be generated from operating activities.

Part 3 Key Market and Competitor Data

3.1 Economic Update¹

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.

3.2 Economic Predictions²

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 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.

¹ Central Bank of Malta – Economic Update 5/2024

² Central Bank of Malta – Economic Projections 2024 - 2026

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.

3.3 The Retail Pharmacy Industry³

The pharmaceutical retail industry is composed of pharmacy stores which are engaged in the retailing of prescription and non-prescription pharmaceutical and allied such as health products that include vitamins and supplements, cosmetics, toiletries, greeting cards, and non-perishable food products to walk-in customers.

Through the sale of such commercialised items, in addition to the introduction of number of cosmetic services, pharmacy retail stores have nowadays expanded their customer base to younger individuals. In addition to the need for medical prescriptions and the introduction of new advances/innovations in medical care, the demand for pharmaceutical retail stores within a specific country, is also greatly dependent upon the growth in the number of older persons, otherwise known as an aging population.

In recent years, virtually every country in the world has experienced growth in the number of older persons in their population. As could be noted through the below graphical presentation, the average number of individuals who are 65 years or older as a percentage of total population in

“Organisation for Economic Cooperation and Development (OECD)” countries, increased from 16.0% in 2011 to 17.6% in 2021.

This data further illustrates that as the number of persons aged 65 years or over increased over time, OECD countries have also witnessed a consequent increase in health expenditure as a percentage of GDP. This therefore implies that the demand for pharmaceutical retail stores has strengthened throughout this period.

3.4 The Local Retail Pharmacy Industry⁴

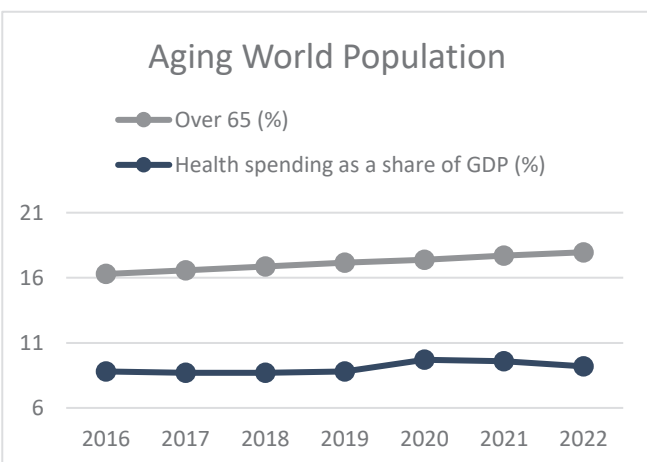
Locally, the latest revised demographic statistics also show that the population in Malta is ageing considerably. As at December 2022, the population aged 65 years or over amounted to 18.0% (97,355) of the total population of 542,051, illustrating an increase of 4.2% from the year before.

The population increase in 2022 was driven by a mix of net positive migration into the country and the natural increase between births and deaths. Life expectancy has also increased throughout the years, with the average life expectancy for those born in 2022 standing at 82.9 years, an increase of 1.9 years when compared to 12 years ago.

On the same note, according to the ‘2024 Ageing Report’⁵ prepared by the European Commission and the Economic Policy Committee, the median age will rise from 44.4 years in 2022 to 48.8 years in 2070, with a relatively steeper increase by around 2040. This pattern will be repeated in each of the EU Member States, with the life expectancy of the Maltese population reaching the high 80s by 2070.

As life expectancy at birth increases globally (including Malta), remarkable advancements in healthcare services and medical research, have greatly contributed towards an overall improvement in longevity. Based on this, combined with the anticipated increase in the number of individuals aged 65 or over, the demand for pharmaceutical retail stores is expected to continue strengthening moving forward.

Additionally, the number of local pharmacy licences available are limited depending on the population of a locality. Data specifically related to the number of pharmacy licences issued in Malta over a specific timeframe is limited.



³ Including both generic and brand name prescription and non-prescription medicines and drugs

⁴ National Statistics Office: World Population Day statistics

⁵ https://commission.europa.eu/index_en

However, according to data provided by the 'Malta Medicine Authority', there are currently over two hundred licenced retail community pharmacies in Malta⁶.

In view of the above, once all pharmacy licences within the threshold are issued to operators, the authority cannot issue new licences unless the threshold is increased. In view of this, the limited supply of licences has driven a market in the trade of pharmacy licences which can be sold / acquired from third parties on the open market. More specifically, it is important to note that the trade of pharmacy licences, in addition to approval of new licences are subject to the approval of the Superintendent of Public Health. Such policy has naturally driven up the price to acquire a pharmacy licence, which has increased the barriers to entry and hence reduced competition for existing operators. Additionally, the limited availability of pharmacy licences in Malta will continue to channel the increase in the demand for pharmaceutical needs to existent operators.

3.5 Comparative Analysis

The purpose of the following table is to compare the debt issuance of the Group to other debt instruments. 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.

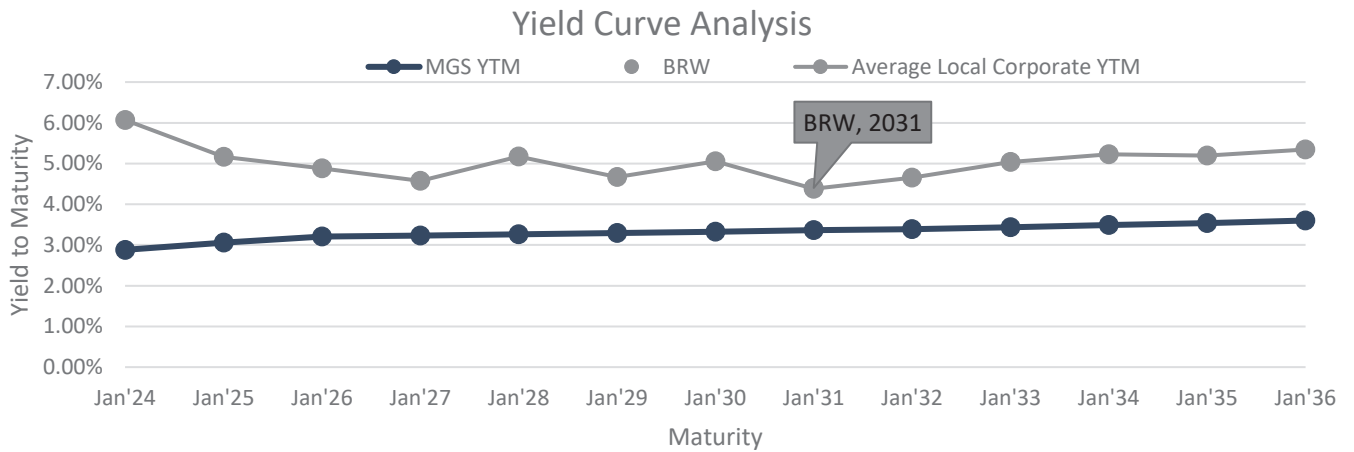
⁶ Malta Medicines Authority

Security	Nom Value €000's	Yield to Maturity (%)	Interest coverage (EBITDA)	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) (%)
4% SP Finance plc Secured € 2029	12,000	4.45%	2.2x	43.3	17.9	58.6%	51.2%	9.3x	0.5x	-0.7%	-1.3%	0.0%
3.75% TUM Finance plc Secured € 2029	20,000	4.89%	4.1x	75.1	41.4	44.9%	37.3%	7.9x	1.6x	4.1%	46.1%	-1.4%
3.8% Hili Finance Company plc Unsecured € 2029	80,000	4.69%	4.4x	1,030.8	242.9	76.4%	68.2%	4.2x	0.7x	24.0%	5.5%	26.1%
4.25% IZI Finance plc Unsecured € 2029	30,000	4.48%	3.2x	279.0	81.3	70.8%	44.8%	4.2x	0.4x	-5.6%	-6.2%	363.6%
5% MedservRegis plc Secured € 2029	13,000	4.78%	4.5x	145.2	58.1	60.0%	48.4%	3.1x	2.4x	3.4%	1.8%	10.4%
4% Cablenet Communication Systems plc Unsecured € 2030	40,000	4.37%	7.4x	120.6	(.4)	100.3%	100.6%	3.0x	0.3x	-167.0%	-3.1%	16.2%
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%
4.65% Smartcare Finance plc Secured € 2031	13,000	4.65%	0.4x	45.6	11.1	75.6%	69.8%	56.6x	2.3x	-11.0%	-19.6%	20.9%
3.5% GO plc Unsecured € 2031 (xd)	60,000	4.00%	10.7x	458.1	99.4	78.3%	63.0%	1.9x	0.9x	15.6%	6.6%	9.9%
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	4.21%	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	4.78%	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	4.68%	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	4.31%	1.2x	65.8	20.5	68.9%	63.6%	13.9x	0.7x	-3.1%	-5.8%	54.1%
4.65% Smartcare Finance plc Secured € 2032	7,500	4.65%	0.4x	45.6	11.1	75.6%	69.8%	56.6x	2.3x	-11.0%	-19.6%	20.9%
4.85% JD Capital plc Secured € 2032 S1 T1	14,000	4.77%	1.7x	76.3	20.3	73.3%	63.1%	16.9x	2.1x	0.1%	0.2%	9.6%
Average*		4.53%										

Source: Latest available audited financial statements

Last price as 06/06/2024

* Average figures do not capture the yield on the debt issuance of Brown's Pharma Holdings p.l.c.



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 3.9 % Brown's Pharma Holdings plc bond.

As at 6 June 2024, the average spread over the Malta Government Stocks (MGS) for comparable issuers with a

maturity range of 5-8 years was 119 basis points. The 3.9% Brown's Pharma Holdings plc 2027-2031 bond is currently trading at a YTM of 440 basis points, meaning a spread of 104 basis points over the equivalent MGS, and therefore at a discount of 15 basis points to the average on the market.

It is pertinent to note that the above analysis is based on a maturity-matching basis and that the Issuer's industry is significantly different to the corporates identified and as such its risks differ to that of other issuers.

Part 4 Glossary and Definitions

<i>Income Statement</i>	
Revenue	Total revenue generated by the Group/Company from its principal business activities during the financial year.
Costs	Costs are expenses incurred by the Group/Company in the production of its revenue.
EBITDA	EBITDA is an abbreviation for earnings before interest, tax, depreciation and amortisation. It reflects the Group's/Company's earnings purely from operations.
EBIT (Operating Profit)	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.
Profit After Taxation	The profit made by the Group/Company during the financial year net of any income taxes incurred.

<i>Profitability Ratios</i>	
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).

<i>Cash Flow Statement</i>	
Cash Flow from Operating Activities (CFO)	Cash generated from the principal revenue producing activities of the Group/Company 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/Company.
Cash Flow from Financing Activities	Cash generated from the activities that result in change in share capital and borrowings of the Group/Company.
Capex	Represents the capital expenditure incurred by the Group/Company in a financial year.
Free Cash Flows (FCF)	The amount of cash the Group/Company 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.

<i>Balance Sheet</i>	
Total Assets	What the Group/Company owns which can be 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/Company 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/Company owes which can be further classified into Non-Current Liabilities and Current Liabilities.
Non-Current Liabilities	Obligations which are due after more than one financial year.
Current Liabilities	Obligations which are due within one financial year.
Total Debt	All interest-bearing debt obligations inclusive of long and short-term debt.
Net Debt	Total debt of a Group/Company less any cash and cash equivalents.

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/Company'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.
Gearing Ratio Level 3	Is calculated by dividing Net Debt by Total Equity.
Net Debt / EBITDA	The Net Debt / EBITDA ratio measures the ability of the Group/Company 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.
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Calamatta Cuschieri

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