IGFinance

Reference: IGF 45-2022
Date: 24th March 2022

The following is a company announcement issued by IG Finance plc (C 78720), (the "Company"), pursuant to the rules of Prospects, the market regulated as a multi-lateral trading facility operated by the Malta Stock Exchange:

QUOTE

The Board of Directors of the Company met on Thursday, 24th March 2022, and duly considered and approved the Company's Financial Sustainability Forecasts for financial year 2022.

The Company would also like to inform its investors that the Financial Sustainability Forecasts for financial year 2022 of Impresa Ltd, being the guarantor of the €3,700,000 5.5% Unsecured Bond 2024-2027 issued by the Company, were also duly considered and approved during a meeting of the Board of Directors of Impresa Ltd subsequent to the above meeting of the Company.

These Financial Sustainability Forecasts are available for viewing on the Company's website at: www.igfinance.com.mt.

UNQUOTE

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IGFinance

Financial Sustainability Forecast for FY 2022

1. Background and Business overview

IG Finance plc (the "Issuer") was incorporated on 19th December 2016 as a special purpose vehicle ("SPV") set up to act as a financing company solely for the needs of Impresa Limited ("the Guarantor") and its subsidiary undertakings (collectively known as "the Group").

On 7th April 2017, the Issuer listed a '€3,700,000 5.5% Unsecured Bonds 2024-2027' debt security on Prospects MTF. As part of its continuing obligations the Issuer and Guarantor are publishing a forecast statement of financial position, a forecast income statement of cash flows ("the Forecasts") of the Group for the Financial Year 2022.

The Group's principal activities are exercised by the Impresa limited and its subsidiaries, namely Elepac Limited, Meritlink Limited and Eurosupplies Limited. The operations are substantially unchanged with Elepac involved in the manufacture of electronic packaging products and other injection moulded products for third parties. Meritlink is a trading company involved in products ancillary to electronic packaging. Eurosupplies is also a trading company dealing with electrical installation products, primarily electrical cable, building materials (introduced in 2021) as well as carton packaging for local manufacturing enterprises.

2. Review of the Business

The Group's turnover for the year ended 31st December 2021 is around €8.48M. This is a decrease of €0.48M (5.3%) from €8.96M during the year ending 31 December 2020. On the other hand, Cost of Sales also decreased by €0.48M (6.47%), from €7.44M to €6.96M.

Whereas EBITDA for 2020 amounted to €1408K, the EBITDA in 2021 was in fact €1351K, a year on year decrease in core business result of €57K (4%).

The Directors believe that the Group is continuing to enjoy the substantial cost savings achieved during the past 3 years as a result of the investment in new machinery that runs with higher energy efficiency, higher productivity and improved yields. Moreover, the benefits from the investment and operational cost measures are continuing to improve the company's core business performance. This is the policy that the Group has adopted and on which plans for further expansion are being based.

3. Assumptions

The Forecasts are intended to show a possible outcome based on assumptions relating to anticipated future events, which the directors expect to take place, and on actions the directors of the Guarantor expect to take. Events and circumstances do not necessarily occur as expected, and therefore, actual results may differ materially or otherwise from the forecast and projected financial information. Attention is drawn in particular, to the risk factors set out in the Company Admission Document dated 7th April 2017, which describes the primary risks associated with the business.

The Forecasts are not intended to and do not provide all the information and disclosures necessary to give a true and fair view of the financial results, financial position, and cash flows of the Group, in accordance with International Financial Reporting Standards as adopted by the EU, however the Directors have exercised due care and diligence in adopting the assumptions set out below.

The directors of the Guarantor formally approved the Forecasts on the 24th March 2022 and the stated assumptions reflect the judgements made by the Directors at that date. The assumptions that the Directors believe are significant to the prospective financial information are described in Section 5 and Section 6 below.

4. Significant accounting policies

The significant accounting policies of the Group are set out in the draft audited financial statements of the Guarantor for the financial year ended 31st December 2021 which are being presented to the Board of Directors to inter alia consider, and if deemed fit approve on the 14th April 2022. Where applicable, as far as they relate to recognition and measurement criteria, they have been consistently applied in the preparation of the forecast financial information.

5. Basis of preparation and principal assumptions

The forecasts for FY2022 are based on consolidated management accounts of the Group for 31st December 2021.

The principal assumptions relating to the environment in which the Group operates, and the factors which are exclusively outside the influence of the Directors and which underlie the forecast financial statements, are the following:

a) Exchange rates will not change significantly over the period covered by the forecast financial information;
b) Interest rates will not change significantly over the period covered by the forecast financial information;
c) Electricity rates will not change significantly over the period covered by the forecast financial information;
d) The Group will continue to enjoy the confidence of its bankers;
e) The Group will be able to meet its financial obligations;
f) The basis and rates of taxation, direct and indirect, will not change materially throughout the period covered by the prospective financial information.

6. Key assumptions underlying the financial projections

Business Strategy

In 2018, the Group entered into an emphyteusis agreement with INDIS (formerly Malta Industrial Parks) to construct a new factory on a 9,000 square meter site in Hal Far. After over 3 ½ years, with certain delays particularly as a consequence of the Covid-19 pandemic, the Group moved into the new premises in March 2022.

As stated in previous years, by way of this investment, the Group expects to:

- Consolidate its operations under one premises;
- Operate ergonomic process flows;
- Improve efficiency;

- Reduce energy costs; and
- Provide space for further growth

During 2019 and 2020, the Group has set up a dedicated HR work stream to focus on building a more academically and technically qualified personnel partly in view of expected retirement of senior employees, and to provide training where necessary.

Moreover, one of the subsidiaries within the Group obtained British Approval Service for Cable (BASEC) certification for almost all of its product range of cables. BASEC in one of the highest quality certification in the cable industry. Whereas the Group is confident that it can target certain markets/customers where BASEC certification is a pre-requisite, this has, so far not been possible due to the travel restrictions emanating from the Covid-19 pandemic.

Additionally, the same subsidiary obtained its ISO9001 and ISO14001 certification in September 2019. As a result, the Group's entire operating entities are now ISO9001 and ISO14001 certified.

Financial Projections

Guarantor

Annual revenue has been projected on a product basis using 2021 trends as well as management's expectations of changes in production volumes and product mix, resulting from new arrangements with customers as well as projected changes in production capacity following the investment in new machinery mainly being in wafer packaging, carrier tapes and sub-contracting.

Cost of sales are projected on a product by product basis and are assumed to vary in line with product sales. Accordingly forecasted contribution margins are projected to change in accordance with the sales product mix.

Administrative expenses have been forecast on the basis of management's expectations using 2020 audited Financial Statements and 2021 draft audited Financial Statements as a basis and providing for known increases such as increases in professional fees and salary expectations. Furthermore, in view of the inevitable increase in administration requirements that the Directors believe the planned investment has brought about, additional increases in Administrative expenses have been incorporated.

Finance costs on Bank borrowings have been projected based on existing arrangements and an additional €147k amount to be drawn in 2022 less repayments of around €365k in order to partly finance the capital expenditure of €1,103k. The Group is currently considering alternative financial arrangements with a view to reduce finance costs and improve its cash flow.

Issuer

Interest income relates to an inter-group loan amount of €3.6m at an annual interest rate of 6.1%.

Interest expense is projected at a 5.5% coupon of €3.7m bond.

7. Outlook for 2022

Reference is made to the continuously developing situation relating to Covid-19 in Malta and in other countries around the world.

The Group believes that the wellbeing of its employees and customers are of paramount importance and will certainly continue to abide by all the directives issued by the competent health authorities.

During 2021, the groups EBITDA reached €1351K resulting in a minimal decrease in core business results of 4%. The Group believes that the benefits from the investment and operational cost measures are continuing to improve the company's core business performance, with the reduction in EBITDA emanating from a slight reduction in core business mainly arising from the disruption and unavailability of transport modes, but also due to a slowdown in production of one product line.

Apart from the expected return on the investment in machinery and equipment stated above, the Group is forecasting a growth of 16.9% for 2022.

Finally, due consideration is being taken to the situation in Ukraine. At this stage the Directors do not envisage any direct impact on the Group's business, however this may eventually give rise to increases in raw material, which will however have an effect at a Global level.

Annexures

Annexure 1 – Impresa Group projected financial statements

Statement of comprehensive income

In €000	**2022**
Revenue	12,594
Cost of Sales	(10,260)
Gross Profit	**2,334**
Administrative Expenses	(754)
Other operating income	290
Operating profit/(loss)	**1,870**
Finance costs	(484)
Depreciation	(635)
Profit before tax	**751**
Tax credit/(charge)	-
Profit after tax	**751**

Statement of financial position

In €000	**2022**
Non-Current Assets	
PPE & Assets under Construction	11,345
Right of use asset	1,312
Intangible Assets	2,855
Other Investments	11
Deferred Tax Asset	113
Total non-current assets	**15,636**
Current Assets	
Inventories	1,810
Trade and other receivables	2,512
Cash and cash equivalents	300
Total current assets	**4,622**
Total Assets	**20,258**
Non Current Liabilites	
Borrowings	6,981
Trade and other payables	1,734
Lease Liability	1,738
Total non-current liabilities	**10,453**
Current Liabilities	
Borrowings	2,350
Trade and other payables	1,246
Total current liabilities	**3,596**
Total liabilities	**14,049**
Net Assets	**6,209**
Equity	
Share Capital	500
Retained Earnings	5,646
Other Reserves	63
Total equity	**6,209**

Statement of cash flow

In €000	**2022**
Cash flows from operating activities	
Cash generated from operations	2,179
Net interest income/(expense)	(191)
Net cash generated from operating activites	1,988
Cash flows from investing activites	
Purchase of property, plant and equipment	(1,103)
Purchase of intangible assets	(65)
Net cash used in investing activities	(1,168)
Cash flows from financing activities	
Movement in bank and other loans	(218)
Payment on lease liabilities	(36)
Dividend paid	(334)
Bond Interest	(204)
Net cash used in financing activites	(792)
Movement in cash and cash equivalents	28
Cash and cash equivalents at beginning of year	(1,641)
Cash and cash equivalents at end of year	1,613

Annexure 2 – IG Finance plc projected financial statements

Statement of comprehensive income

In €000	**2022**
Interest Income	225.7
Administrative Expenses	(9.4)
Operating Profit	**216.3**
Finance Costs – Interest	(203.5)
Finance Costs – Bank Charges	(0.1)
Amortisation of Bond Issue Costs	(9.4)
Profit before tax	**3.3**
Income Tax Expense	-
Profit after tax	**3.3**

Statement of financial position

In €000	**2022**
Non-Current Assets	
Loans and advances to group companies	3,606
Current Assets	
Loans and advances to group companies	97
Loan interest receivable	151
Trade and other receivables	3
Cash and cash equivalents	3
Total Assets	**3,860**
Non Current Liabilites	
Debt in issue	3,650
Current Liabilities	
Trade and other payables	5
Interest payable	136
Deferred Bond Expenses	9
Total current liabilities	**150**
Total liabilities	**3,800**
Net Assets	**60**
Equity	
Share Capital	47
Retained Earnings	13
Total equity	**60**

Statement of cash flow

In €000	2022
Operating Profit before Tax	**3.3**
Adjustment for:	
Amortisation of bond issue costs	9.4
Changes in working capital	
Debtors	(16.9)
Creditors	7.7
Total change in NWC	0.2
Net cash flows in operating activities	3.5
Net movement in cash and cash equivalents	**3.5**
Cash and cash equivalents at beginning of year	0
Cash and cash equivalents at end of year	**3.5**