IGFinance

Financial Sustainability Forecast for FY 2024

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 2024.

The Group's principal activities are exercised by the Impresa limited and its subsidiaries, namely Elepac Limited ("Elepac"), Meritlink Limited ("Meritlink") and Eurosupplies Limited ("Eurosupplies"). Elepac's main operations include the manufacture of electronic packaging products and injection moulded articles for third parties. Meritlink supplies ancillary electronic packaging products and provides warehousing and other services to the semi-conductor industry. Eurosupplies is a trading company dealing with electrical installation products, primarily electrical cable, building materials (introduced in 2021) as well as carton packaging for local manufacturing industry.

2. Review of the Business

Following the Group's relocation of its operations to the new manufacturing site, management has been more focused on business development and overall growth plan through:

- New Business Initiatives
- Capacity utilization shift towards higher value added technical products
- Increasing warehousing and JIT delivery systems
- Expanding our customer base and distribution networks
- Implementing new policies towards achieving the Group's sustainability and ESG goals

After a full year of operating in the new site, we may now confirm that the investment in the infrastructure has not only yielded the expected returns from energy conservation, operational efficiencies, consolidation benefits, besides others, but the investment has proved to be pivotal in adopting the above elements forming our growth strategy.

During 2023, the Group already saw some of the initiatives materialising such as capacity shifting to higher value following the seizure of high labour-intensive legacy products. In parallel, the Group saw some important initiatives higher value activities materialize and intensified its efforts on laying out a 3-year investment plan amounting to €3.32 Million to be implemented between 2024 to 2026.

In view of the Group's transformation, we believe that 2023 was a transition year whereby, notwithstanding the significant changes brought about by the transformation, the Group's performance was almost at par with previous year.

The Group's turnover for the year decreased by 14% from € 10.5M during the year ending 31 December 2022 to € 9M during the year ending 31 December 2023. Cost of Sales also decreased by 18.1%, from € 9.18M to € 7.52M. This in turn resulted in an EBITDA of €1.38M, representing a decrease of €21K or 1.5% in EBITDA over the previous year when EBITDA stood at €1.402M.

The Group believes that after having successfully completed the move to the new manufacturing site, it immediately started benefitting from this investment through operational cost savings and economies of scale that have attributed to the improvement of the company's core business performance and the increase in EDITDA.

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 cashflows 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 17th April 2024 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 audited financial statements of the Guarantor for the financial year ended 31st December 2023 which were presented to the Board of Directors and approved on the 17th April 2024. 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 consolidated management accounts of the Group for financial year ending 31st December 2023 were used as a basis for the preparation of the forecast for FY 2024.

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. The Group moved into the new premises in March 2022.

Having operated in the new factory since March 2022, the company has registered operational savings by way of energy conservation, operational efficiencies, consolidation benefits, besides others, as a result of this major investment.

Moreover, the factory investment has proved to be pivotal in adopting the elements forming the Group's growth strategy through:

- New Business Initiatives
- Capacity utilization shift towards higher value added technical products
- Increasing warehousing and JIT delivery systems
- Expanding customer base and distribution networks
- Implementing new policies towards achieving the Group's sustainability and ESG goals

During 2023, the Group already saw some of the initiatives materialising such as capacity shifting to higher value following the seizure of high labour-intensive legacy products. In parallel, the Group saw some important initiatives involving higher value added activities, materialize. The Group also intensified its efforts on laying out a 3-year investment plan amounting to €3.32 Million to be implemented between 2024 to 2026.

Year 2023 was a transition year whereby the Group went through significant change. Nonetheless, the Group's performance was almost at par with previous year. The Group is completely focused on new initiatives and overall growth strategy aimed at increasing revenue, reduce operational costs and improve the efficient utilisation of available resources. It is envisaged that the Group's EBITDA in Year 2024 will increase by 9% over 2023.

Financial Projections

Guarantor

Annual revenue has been projected on a product basis using 2023 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.

Cost of sales are projected on a product by product basis and are assumed to vary in line with product sales. Accordingly, forecast 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 2022 audited Financial Statements and 2023 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

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 2024

During 2023, the Group's EBITDA reached €1,380K registering a decrease in business results of 1.5% over the previous year despite losses resulting from the cessation of a subcontracting activity of a high labour-intensive legacy product line.

In parallel, other higher value added core business activities have grown in Year 2023 and are expected to grow further in Year 2024. Moreover, some of the activities forming part of new initiatives kicked in during Year 2023.

The Group believes that besides benefitting from the new manufacturing site investment through operational efficiencies and economies of scale, and having moved away from the high labour-intensive activity, it is better placed and more focused on implementing its Growth plan and investment plan.

Based on the above, the Group forecasts an increase in the Group EBITDA in Year 2024 by 9% over the previous year.

Annexures

Annexure 1 – Impresa Group projected financial statements

Statement of comprehensive income

In €000	**2024**
Revenue	10,748
Cost of Sales	(8,532)
Gross Profit	**2,216**
Administrative Expenses	(711)
Other operating income	96
Operating profit/(loss)	**1,601**
Finance costs	(657)
Depreciation	(603)
Profit before tax	**341**
Tax credit/(charge)	-
Profit after tax	**341**

Statement of financial position

In €000	**2024**
Non-Current Assets	
PPE & Assets under Construction	10,579
Right of use asset	1,280
Intangible Assets	3,173
Other Investments	-
Deferred Tax Asset	606
Total non-current assets	**15,638**
Current Assets	
Inventories	1,776
Trade and other receivables	2,924
Cash and cash equivalents	270
Total current assets	**4,970**
Total Assets	**20,608**
Non Current Liabilites	
Borrowings	6,720
Trade and other payables	1,539
Lease Liability	1,803
Total non-current liabilities	**10,062**
Current Liabilities	
Borrowings	2,565
Trade and other payables	1,588
Total current liabilities	**4,153**
Total liabilities	**14,215**
Net Assets	**6,393**
Equity	
Share Capital	500
Retained Earnings	5,828
Other Reserves	65
Total equity	**6,393**

Statement of cash flow

In €000	2024
Cash flows from operating activities	
Cash generated from operations	1,505
Changes in working capital	226
Net operating interest income/(expense)	(289)
Net cash generated from operating activites	1,442
Cash flows from investing activites	
Purchase of property, plant and equipment	(120)
Net cash used in investing activities	(120)
Cash flows from financing activities	
Movement in bank and other loans	(335)
Finance interest paid	(164)
Dividend paid	(240)
Bond Interest	(204)
Net cash used in financing activites	(943)
Movement in cash and cash equivalents	379
Cash and cash equivalents at beginning of year	(2,159)
Cash and cash equivalents at end of year	(1,780)

Annexure 2 – IG Finance plc projected financial statements

Statement of comprehensive income

In €000	**2024**
Interest Income	225.7
Administrative Expenses	(9.0)
Operating Profit	**216.7**
Finance Costs – Interest	(203.5)
Finance Costs – Bank Charges	(0.2)
Amortisation of Bond Issue Costs	(9.4)
Profit before tax	**3.6**
Income Tax Expense	-
Profit after tax	**3.6**

Statement of financial position

In €000	**2024**
Non-Current Assets	
Loans and advances to group companies	3,606
Current Assets	
Loans and advances to group companies	107
Loan interest receivable	153
Trade and other receivables	12
Cash and cash equivalents	-
Total Assets	**3,878**
Non Current Liabilites	
Debt in issue	3,669
Current Liabilities	
Trade and other payables	6
Interest payable	127
Deferred Bond Expenses	9
Total current liabilities	**142**
Total liabilities	**3,811**
Net Assets	**67**
Equity	
Share Capital	47
Retained Earnings	20
Total equity	**67**

Statement of cash flow

In €000	2024
Operating Profit before Tax	**3.6**
Adjustment for:	
Amortisation of bond issue costs	9.4
Changes in working capital	
Debtors	(6.7)
Creditors	(6.3)
Total change in NWC	(3.6)
Net cash flows in operating activities	0
Net movement in cash and cash equivalents	**0**
Cash and cash equivalents at beginning of year	0
Cash and cash equivalents at end of year	**0**