IGFinance

Financial Sustainability Forecast for FY 2023

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 2023.

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"). 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 industry.

2. Review of the Business

The Group has had many changes during 2022, most notably, the relocation of all its operations to a new manufacturing site. The Group had been working on this major project for four years. Naturally the physical move disrupted operations resulting in loss of business in the first quarter. Moreover, the group faced other challenges such as the continuous increases in the cost of raw materials throughout the year, disruption and unavailability of transport modes and a substantial decrease in sales of one particular product line.

Notwithstanding the above however, the Group managed to mitigate the impact of these challenges and still managed to improve its profitability over year 2021.

The Group's turnover for the year increased by 24.0% from € 8.47M during the year ending 31 December 2021 to € 10.5M during the year ending 31 December 2022. Cost of Sales also increased by 31.7%, from € 7.02M to € 9.24M. This in turn resulted in an EBITDA of €1.402M, representing an increase of €83K or 6.3% in EBITDA over the previous year which EBITDA stood at €1.318.

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 2023 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 2022 which were presented to the Board of Directors and approved on the 17th April 2023. 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 FY2023 are based on consolidated management accounts of the Group for 31st December 2022.

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 4 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

With the completion of the new manufacturing site project, the Group is now completely focused on new initiatives within the Group's core business targeted to increase revenue, reduce operational costs and improve the efficient utilisation of available resources.

Financial Projections

Guarantor

Annual revenue has been projected on a product basis using 2022 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, 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 2021 audited Financial Statements and 2022 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 2023

During 2022, the Group's EBITDA reached €1,401K resulting in an increase in core business results of 6.4% over the previous year despite losses from the relocation and other logistical and operational challenges.

The Group believes that in 2023, the investment in the factory, machinery and equipment will further improve the company's core business performance and forecasts a growth of around 4.5% over 2022.

Annexures

Annexure 1 – Impresa Group projected financial statements

Statement of comprehensive income

In €000	**2023**
Revenue	12,081
Cost of Sales	(9,845)
Gross Profit	**2,236**
Administrative Expenses	(774)
Other operating income	105
Operating profit/(loss)	**1,567**
Finance costs	(534)
Depreciation	(707)
Profit before tax	**326**
Tax credit/(charge)	-
Profit after tax	**326**

Statement of financial position

In €000	**2023**
Non-Current Assets	
PPE & Assets under Construction	10,869
Right of use asset	1,322
Intangible Assets	3,173
Other Investments	9
Deferred Tax Asset	244
Total non-current assets	**15,617**
Current Assets	
Inventories	2,140
Trade and other receivables	3,127
Cash and cash equivalents	300
Total current assets	**5,567**
Total Assets	**21,184**
Non Current Liabilites	
Borrowings	7,056
Trade and other payables	1,635
Lease Liability	1,671
Total non-current liabilities	**10,362**
Current Liabilities	
Borrowings	2,416
Trade and other payables	2,316
Total current liabilities	**4,732**
Total liabilities	**15,094**
Net Assets	**6,090**
Equity	
Share Capital	500
Retained Earnings	5,526
Other Reserves	64
Total equity	**6,090**

Statement of cash flow

In €000	2023
Cash flows from operating activities	
Cash generated from operations	1,462
Net interest income/(expense)	(321)
Net cash generated from operating activites	1,141
Cash flows from investing activites	
Purchase of property, plant and equipment	(200)
Net cash used in investing activities	(200)
Cash flows from financing activities	
Movement in bank and other loans	(232)
Dividend paid	(220)
Bond Interest	(204)
Net cash used in financing activites	(656)
Movement in cash and cash equivalents	285
Cash and cash equivalents at beginning of year	(1,947)
Cash and cash equivalents at end of year	(1,662)

Annexure 2 – IG Finance plc projected financial statements

Statement of comprehensive income

In €000	**2023**
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	**2023**
Non-Current Assets	
Loans and advances to group companies	3,606
Current Assets	
Loans and advances to group companies	95
Loan interest receivable	153
Trade and other receivables	11
Cash and cash equivalents	-
Total Assets	**3,865**
Non Current Liabilites	
Debt in issue	3,659
Current Liabilities	
Trade and other payables	7
Interest payable	127
Deferred Bond Expenses	9
Total current liabilities	**143**
Total liabilities	**3,802**
Net Assets	**63**
Equity	
Share Capital	47
Retained Earnings	16
Total equity	**63**

Statement of cash flow

In €000	2023
Operating Profit before Tax	**3.3**
Adjustment for:	
Amortisation of bond issue costs	9.4
Changes in working capital	
Debtors	(6.0)
Creditors	(6.7)
Total change in NWC	(3.3)
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**