Calamatta Cuschieri

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

Re: Financial Analysis Summary – 2023

27 June 2023

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 2020, 2021 and 2022 have been extracted from the audited financial statements of the Issuer.

b) The forecast data for the financial year ending 31 December 2023 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 2023

BROWNS

HOLDINGS PLC

Brown's Pharma Holdings p.l.c.

27 June 2023

Prepared by Calamatta Cuschieri Investment Services Limited

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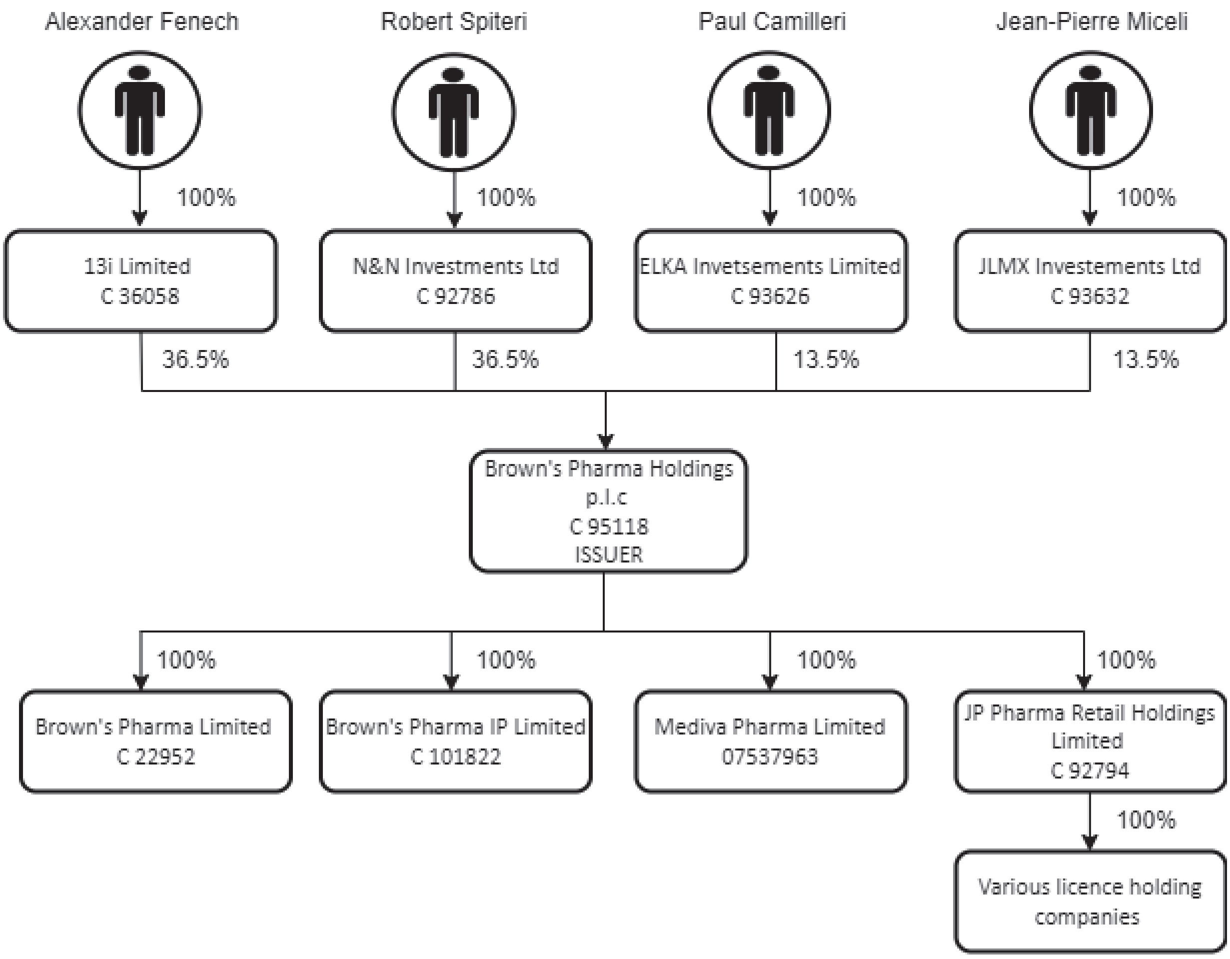
Part 1 Information about the Group

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 Ltd, 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 Brown's to leverage on economies of scale through centralised administration, purchases, finance and recruitment. BPL has an authorised share capital of €465,874.60 divided into 200,000 ordinary shares of €2.329373 each. The issued share capital of BPL is of €400,232.87 divided into 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 internationalization strategy will be built. The projections outlined in section 2 of this Analysis do not include the results generated by MPL because at the time of writing, MPL is still in the process of adopting 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 JP Pharma Retail Holdings Limited 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 commencing from 1 January 2020.

The Issuer was then set up in March 2020, reflecting the agreed shareholding split for the Brown's Group, as clearly presented in the Group structure chart in section 1.1 of the Analysis. The Issuer finalized 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 and Jean-Pierre 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.

Moreover, through its network of pharmacies, the Brown's Group sells both over the counter and prescription pharmaceuticals as well as complementary cosmetics products. The pharmacies also provide health and beauty related services.

As per discussions with management, the Brown's Group is committed to maintaining and improving its position as the leading pharmacy network in Malta. The Group intends to continue acquiring pharmacy licenses to expand its network in localities it does not yet have a presence in.

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 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 three directors, Joseph Caruana, Mark Grech 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* 200 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 26 pharmacies spanning 16 different localities in Malta, all of which are currently operational, except for one (Mayer Pharmacy). 23 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 26 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 1	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 2	Owned by the Group	Related party leases
JP Pharma Iklin Ltd	Iklin	Owned by the Group	Related party leases
JP Pharma Naxxar Ltd	Naxxar	Owned by the Group	Related party leases
JP Pharma B'kara Ltd	Birkirkara	Owned by the Group	Related party leases
JP Pharma St Julian's Ltd	St Julian's	Owned by the Group	Third party leases
Brown's Grognet Pharmacy Ltd	Mosta 1	Owned by the Group	Third party leases
Brown's Medical Plaza Ltd	San Gwann	Owned by the Group	Third party leases
Brown's SM Ltd	Attard	Owned by the Group	Third party leases
St Louis Pharmacy	Mosta 2	Managed	Related party leases
Brown's Chemist	Naxxar	Managed	Third party leases
Brown's Victor Pharmacy Limited	Sliema	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 Lease
Mayer Pharmacy	Msida	Owned by the Group	Third Party Lease
Brown's St Andrews Pharmacy Ltd	Swieqi	Owned by the Group	Third Party Lease

1.4 Operational Developments

1.4.1 Acquisition of Brown's Quad Pharmacy

The Group acquired the pharmacy licence for Brown's Quad Pharmacy in the Birkirkara 3 zone.

1.4.2 Acquisition of Brown's St Andrews Pharmacy Ltd

In FY22, the Group also acquired the pharmacy licence for Brown's St Andrews Pharmacy Ltd in Swieqi.

1.5 Conflict in Ukraine

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. Nevertheless, they will continue to monitor the situation as events continue to evolve.

1.6 Subsequent events after the reporting period: Purchase of Mediva Pharma Limited

As mentioned in section 1.1, on 1 January 2023, the Issuer purchased shares in Mediva Pharma Limited which is a company registered in the United Kingdom. MPL is a medical aesthetics supplier for healthcare professionals which was founded by a team of pharmacists. MPL's aim is to deliver exceptional pharmacy services to medical professionals across the UK and hence will be the backbone for the Groups internationalisation strategy.

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 2020, 2021 and 2022. The projected financial information for the year ending 31 December 2023 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 Income for the year ended 31 December	2020A	2021A	2022A	2023F
	€'000s	€'000s	€'000s	€'000s
Revenue	24,603	31,160	32,927	34,408
Cost of sales	(17,345)	(20,881)	(20,927)	(21,399)
Gross profit	**7,258**	**10,279**	**12,000**	**13,009**
Selling, distribution and administrative expenses	(4,155)	(5,292)	(6,504)	(6,979)
Contribution	**3,103**	**4,987**	**5,496**	**6,030**
Contribution from other trading activities	75	-	-	-
Other income	-	64	102	-
EBITDA	**3,178**	**5,051**	**5,598**	**6,030**
Depreciation and amortisation	(689)	(841)	(1,148)	(969)
EBIT	**2,489**	**4,210**	**4,450**	**5,061**
Finance costs	(498)	(767)	(1,069)	(1,077)
Amortisation of bond issue costs	-	(14)	(32)	(32)
Profit before tax	**1,991**	**3,429**	**3,349**	**3,952**
Income tax charge	(753)	(1,308)	(1,234)	(1,354)
Profit after tax	**1,238**	**2,121**	**2,115**	**2,598**
Other comprehensive income	(1,537)	7,270	1,266	-
Total comprehensive income	**(299)**	**9,391**	**3,381**	**2,598**

Ratio Analysis	2020A	2021A	2022A	2023F
Profitability				
Growth in Revenue (YoY Revenue Growth)	103.5%	26.7%	5.7%	4.5%
Gross Profit Margin (Gross Profit/ Revenue)	29.5%	33.0%	36.4%	37.8%
Contribution Margin (Contribution/ Revenue)	12.6%	16.0%	16.7%	17.5%
EBITDA Margin (EBITDA / Revenue)	12.9%	16.2%	17.0%	17.5%
Operating (EBIT) Margin (EBIT / Revenue)	10.1%	13.5%	13.5%	14.7%
Net Margin (Profit for the year / Revenue)	5.0%	6.8%	6.4%	7.6%
Return on Common Equity (Net Income / Average Equity)	7.6%	9.3%	7.7%	9.2%
Return on Assets (Net Income / Average Assets)	3.3%	3.8%	3.0%	3.5%

In FY22, revenue grew by 5.7% when compared to FY21 and reached €32.9m. This increase in revenue inevitably resulted in a slightly higher cost of sales figure of around €20.9m. In FY23 management is projecting a further increase in revenue, to €34.4m, mainly through organic growth and additional pharmacy acquisitions. This is expected to increase gross profit margins from 36.4% in FY22 to 37.8% in FY23. Selling, distribution and administrative ("**S&A**") expenses increased by €1.2m over FY21 in line with the higher revenue generated and is forcasted to increase to €7.0m in FY23. Other income in FY22 amounted to €0.1m and resulted in EBITDA of €5.6m which is a €0.5m increase over the EBITDA in FY21.

Depreciation increased to €1.1m (FY21: €0.8m) due to the numerous additions of various fixed assets, and is expected to decrease slightly, to €1.0m, in FY23. Finance costs increased to €1.1m (FY21: €0.8m) mainly because the interest payable on the debt security in issue was that of a full year, unlike in FY21. Finance costs are expected to remain stable in FY23.

The Group reported a profit before tax of €3.4m during FY22 (FY21: €3.4m) and expects profit to increase to €4.0m in FY23. Since FY22 profit was more or less in line with FY21 profit, the tax base remained relatively stable, and led to a similar tax charge of €1.2m.

The Group ended FY22 with a net profit margin of 6.4% (FY21: 6.8%). The Group also registered a revaluation increase on intangible assets of €2.0m with a corresponding €0.7m income tax charge due to this revaluation, which meant the Group ended the year with €3.4m in total comprehensive income (FY21: €9.4m). The Group does not forecast any further revaluations in FY23 and therefore other comprehensive income is expected to be around €2.6m.

2.1.1 Variance Analysis

Statement of Comprehensive Income for the year ended 31 December	2022A	2022F	Variance
	€'000s	€'000s	€'000s
Revenue	32,927	29,833	3,094
Cost of sales	(20,927)	(18,910)	(2,017)
Gross profit	**12,000**	**10,923**	**1,077**
Selling, distribution and administrative expenses	(6,504)	(5,476)	(1,028)
Contribution	**5,496**	**5,447**	**49**
Other income	102	-	102
EBITDA	**5,598**	**5,447**	**151**
Depreciation and amortisation	(1,148)	(811)	(337)
EBIT	**4,450**	**4,636**	**(186)**
Finance costs	(1,069)	(958)	(111)
Amortisation of bond issue costs	(32)	(14)	(18)
Profit before tax	**3,349**	**3,664**	**(315)**
Income tax charge	(1,234)	(1,282)	48
Profit after tax	**2,115**	**2,382**	**(267)**
Other comprehensive income	1,266	-	1,266
Total comprehensive income	**3,381**	**2,382**	999

The Group generated €32.9m in revenue compared with the €29.8m that was forecast. The positive variance is due to better-than-expected organic growth in the Group's existing pharmacy portfolio, coupled with revenue from new pharmacy acquisitions, which beat forecasts. In line with the increase in revenue, there was also a corresponding increase in cost of sales from the expected €18.9m to €20.9m. This performance led to a higher overall gross profit by €1.1m.

Due to the additional two pharmacies, which were added to the Groups pharmacy mix, operational date of which could not have been forecasted, S&A expenses were higher than previously forecasted, by €1.0m.

Depreciation and amortisation charge was higher by €0.3m 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. The Group also registered a gain of €1.3m in other comprehensive income due to revaluations which was not forecast. All this led to the total comprehensive income for the year being €1.0m higher 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	2020A	2021A	2022A	2023F
	€'000s	€'000s	€'000s	€'000s
Assets				
Non-current assets				
Intangible assets	29,200	43,267	48,020	49,520
Goodwill	2,153	2,153	2,153	2,153
Property, plant and equipment	1,432	1,990	2,522	3,128
Right of use assets	6,665	8,095	9,880	9,424
Trade and other receivables	-	3,997	58	-
Total non-current assets	**39,450**	**59,502**	**62,633**	**64,225**
Current assets				
Investments in financial assets	-	-	1,000	-
Inventories	2,062	2,514	2,914	3,035
Trade and other receivables	3,143	2,844	3,656	3,358
Current tax asset	-	-	270	380
Cash in hand and at bank	570	2,402	2,532	3,259
Total current assets	**5,775**	**7,760**	**10,372**	**10,032**
Total assets	**45,225**	**67,262**	**73,005**	**74,257**
Equity				
Share capital	20,086	20,086	20,086	20,086
Retained earnings	297	1,059	643	1,595
Revaluation reserve	(1,537)	5,733	6,998	6,998
Equity attributable to the equity holders of the Group	**18,846**	**26,878**	**27,727**	**28,679**
Non-controlling interest	21	-	-	-
Total equity	**18,867**	**26,878**	**27,727**	**28,679**
Liabilities				
Non-current liabilities				
Interest-bearing borrowings	1,723	12,736	12,764	12,791
Trade and other payables	2,135	74	-	-
Deferred taxation	8,576	12,473	13,880	14,615
Lease liabilities	6,651	7,852	9,455	9,457
Total non-current liabilities	**19,085**	**33,135**	**36,099**	**36,863**
Current liabilities				
Interest-bearing borrowings	415	100	100	100
Redeemable preference shares	-	-	-	-
Trade and other payables	6,071	6,145	8,570	8,615
Lease liabilities	272	329	509	-
Current taxation	515	675	-	-
Total current liabilities	**7,273**	**7,249**	**9,179**	**8,715**
Total liabilities	**26,358**	**40,384**	**45,278**	**45,578**
Total equity and liabilities	**45,225**	**67,262**	**73,005**	**74,257**

Ratio Analysis	2020A	2021A	2022A	2023F
Financial Strength				
Gearing 1 (Net Debt / Net Debt and Total Equity)	31.04%	40.92%	42.26%	39.96%
Gearing 2 (Total Liabilities / Total Assets)	58.3%	60.0%	62.0%	61.4%
Gearing 3 (Net Debt / Total Equity)	45.1%	69.3%	73.2%	66.6%
Net Debt / EBITDA	2.7x	3.7x	3.6x	3.2x
Current Ratio (Current Assets / Current Liabilities)	0.8x	1.1x	1.1x	1.2x
Quick Ratio (Current Assets - Inventory / Current Liabilities)	0.5x	0.7x	0.8x	0.8x
Interest Coverage level 1 (EBITDA / Cash interest paid)	31.2x	37.4x	10.7x	11.9x
Interest Coverage level 2 (EBITDA / finance costs)	6.4x	6.6x	5.2x	5.6x

Total assets as at end of FY22 mainly comprised intangible assets, which accounted for 79.5% of Brown'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. Intangible assets increased to €48.0m in FY22 (FY21: €43.3m). Compared to the forecasts for FY22 in the previous analysis, the positive variance reflects newly-acquired licenses and revaluation of existing ones.

Brown'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.

Non-current trade and other receivables dropped by €3.9m. This was due to a portion of the bond proceeds which were held by a trustee and were drawn down against the presentation of agreements, requests for payments and/or invoices. PPE and right-of use assets both increased slightly, to €2.5m and €9.9m respectively.

Current assets in FY22 comprised 14.3% of Brown'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 €2.9m in FY22. Cash in hand and at bank remained stable at €2.5m.

Total assets are expected to remain stable relative to their FY22 equivalents and come in at €74.3m in FY23 (FY22: €73.0m).

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 decreased to €0.6m (FY21: €1.1m). This was mainly due to the net income for the year of €2.1m from which €2.5m were paid out in dividends for FY22. The rest of the comprehensive income was passed through the revaluation reserve, which saw a positive movement of €1.3m to €7.0m (FY21: €5.7m).

As per FY22 results, Brown's total debt amounted to *circa* €13.4m and primarily consisted of long term interest-bearing borrowings which related to outstanding bonds of the Issuer. Under non-current liabilities, lease liabilities increased to €9.5m (FY21: €7.9m). Deferred taxation increased to €13.9m due mainly to the revaluation mentioned previously. As for current liabilities, the most noticeable increase came from trade and other payables, which increased by €2.4m to €8.6m. Both total equity and total liabilities are expected to remain fairly similar to FY22 levels with the main movement in equity being the forecasted increase in retained earnings.

2.3 Issuer's Consolidated Statement of Cash Flows

Statement of Cash Flows for the year ended 31 December	2020A	2021A	2022A	2023F
	€'000s	€'000s	€'000s	€'000s
Cash flows from operating activities				
Cash generated from/ (used by) operations	3,044	5,137	6,809	7,092
Interest received	-	-	1	-
Interest paid	(102)	(135)	(522)	(507)
Tax paid	(510)	(1,166)	(1,443)	(1,037)
Net cash generated from / (used in) operating activities	**2,432**	**3,836**	**4,845**	**5,548**
Cash flows from investing activities				
Goodwill upon acquisition and issue of share capital	(2,149)	-	-	-
Intangible assets upon issue of share capital	(17,935)	-	-	-
Purchase of property, plant and equipment	(506)	(867)	(915)	(920)
Purchase of website costs	(88)	(141)	(81)	-
Purchase of pharmacy licence	(1,652)	(2,800)	(2,804)	(1,500)
Purchase of investment in financial assets	-	-	(1,000)	1,000
Net cash generated from / (used in) investing activities	**(22,330)**	**(3,808)**	**(4,800)**	**(1,420)**
Cash flows from financing activities				
Issue of share capital	20,086	-	-	-
Non-controlling interest	22	-	-	-
Increase / (decrease) in bank borrowings	994	(2,038)	-	-
Increase in debt securities in issue net of transaction costs	-	12,722	-	-
Net movements in amount held by Trustee	-	(3,997)	3,939	57
Net movement in shareholders loan (net of dividend declared)	(3)	(3,866)	(2,260)	(2,219)
Net movement in related party balances	-	-	(386)	-
Principal payments of lease liabilities	(654)	(1,017)	(1,209)	(1,239)
Net cash generated from / (used in) financing activities	**20,445**	**1,804**	**84**	**-3,401**
Net movement of assets and liabilities taken over upon consolidation	**24**	**-**	**-**	**-**
Movement in cash and cash equivalents	**571**	**1,832**	**129**	**727**
Cash and cash equivalents at start of year	-	571	2,403	2,532
Cash and cash equivalents at end of year	**571**	**2,403**	**2,532**	**3,259**

Ratio Analysis	2020A	2021A	2022A	2023F
Cash Flow	€'000s	€'000s	€'000s	€'000s
Free Cash Flow (Net cash from operations + Interest - Capex)	288	163	1,567	3,635

In line with the Group's positive financial performance achieved throughout the period, the Group reported an improved net cash flow generated from operating activities of €4.9m during FY22 (FY21: €3.8m). When compared to the forecasted figure for FY22 from last year's analysis, the increase reflects the better overall performance by the Group in FY22. Tax paid was higher due to this same reason. The Group is projecting an improved performance in FY23 with regards to operating activities.

When it comes to investing activities in FY22, the Group invested in additional assets amounting to €3.8m, including new pharmacy licences and additional PPE. The Group also invested €1.0m in short-term bank deposits.

The Group recorded a net inflow of €0.1m from financing activities. As mentioned previously, the €4.0m which was transferred to a trustee in FY21, was drawn down against the presentation of agreements, requests for payments and/or invoices. The Group also recorded a repayment outflow of €2.3m in shareholders' loans and an outflow of €1.2m related to principal payments of lease liabilities.

The Group ended the year with a movement of €0.1m in cash and cash equivalents (FY21: €1.8m) and forecasts a positive movement of €0.7m in FY23.

Part 3 Key Market and Competitor Data

3.1 Economic Update[1]

The Bank's Business Conditions Index (BCI) indicates that in April, annual growth in business activity increased, rising further above its long-term average, estimated since January 2000.

The European Commission confidence surveys show that sentiment in Malta increased compared to March, and stood above its long-term average, estimated since November 2002. In month-on-month terms, sentiment increased across all sectors, bar the services sector, with the strongest increase recorded in the construction sector.

Additional survey information shows that price expectations stood firmly above their year-ago level in the construction sector, and to a lesser extent, among services firms. By contrast, price expectations in industry, the retail sector and among consumers, stood considerably lower.

The European Commission's Economic Uncertainty Indicator (EUI) for Malta increased when compared with March, though it was still lower than last year's April level. Uncertainty increased mostly in industry.

In March, industrial production and retail trade grew at a slower rate compared to February. The unemployment rate stood at 2.9% in March, marginally lower than the rate of 3.0% registered in the previous month, and that registered in March 2022.

Commercial building and residential permits decreased in March relative to their year-ago level. In month-on-month terms, commercial permits increased while residential permits declined. In April, the number of promise-of-sale agreements rose on a year-on-year basis, while the number of final deeds of sales fell. Meanwhile, both the number of promise-of-sale agreements and the number of final deeds of sale fell on a month-on-month terms.

The annual inflation rate based on the Harmonised Index of Consumer Prices (HICP) stood at 6.4% in April, down from 7.1% in the previous month. Inflation based on the Retail Price Index (RPI) decreased to 5.8% from 7.0% in March. Maltese residents' deposits expanded at an annual rate of 1.6% in March, following an increase of 3.6% in the previous month, while annual growth in credit to Maltese residents moderated to 5.4%, from 6.4% a month earlier.

In March, the Consolidated Fund recorded a lower deficit compared to a year earlier, as higher government revenue outweighed a smaller rise in government expenditure.

3.2 Economic Predictions[2]

According to the Bank's latest forecasts, Malta's gross domestic product (GDP) growth is projected to moderate significantly from 6.8% in 2022 to 3.7% in 2023, and to ease slightly further to 3.6% and 3.5% in 2024 and 2025, respectively. When compared to the previous projections, the Bank's latest forecast for headline GDP is broadly unchanged, as upward revisions in private investment and exports were offset by an upward revision in imports.

In 2023, domestic demand is expected to be the main driver of growth as investment begins to recover after last year's contraction, while consumption is expected to remain relatively robust. The net export contribution is expected to be marginal in 2023, as exports should grow at a significantly slower rate following the strong rebound seen in 2022. Although the contribution of net exports is set to edge up slightly in 2024 and 2025, domestic demand is then expected to remain the main driver of growth in those years.

Employment growth is set to moderate too, from 5.4% in 2022 to 3.3% in 2023, which partly reflects the envisaged slowdown in economic activity towards its potential. Over the rest of the projection horizon, employment growth is set to stand at 2.0%. The unemployment rate is expected to stand at 3.0% in 2023, and to remain at a relatively low level of 3.2% in 2024 and 2025.

In view of the increase in inflation in 2023, together with tight labour market conditions, wage growth is projected to be relatively strong. Nevertheless, nominal wage growth is forecast to remain below consumer price inflation in 2023 due to lags in the transmission from prices to wages. In later years wage growth is expected to remain robust and outpace consumer price inflation.

Annual inflation based on the Harmonised Index of Consumer Prices is projected to remain high in 2023, but

[1] Central Bank of Malta – Economic Update 5/2023

[2] Central Bank of Malta – Economic Projections 2021 – 2024 (06/2022)

significantly lower than in 2022. Indeed, it is envisaged to stand at 4.5% in 2023, down from 6.1% in 2022. The fall in inflation reflects a broad-based decrease across all sub-components of HICP, except for energy inflation. Services is envisaged to be the main contributor to HICP inflation, but non-energy industrial goods (NEIG) and processed food are also projected to contribute strongly to annual HICP inflation in 2023. Inflation is set to ease further in 2024 and 2025 to 2.3% and 2.1%, respectively.

The general government deficit-to-GDP ratio is estimated to have declined to 5.2% of GDP in 2022, from 7.5% in 2021. It is then projected to narrow further to 4.9% of GDP in 2023, and to continue declining over the rest of the forecast horizon, reaching 2.9% of GDP by 2025. This improvement is driven by a declining share of expenditure in GDP, especially following the unwinding of COVID-19 support measures in 2022 and the declining profile of inflation-mitigation measures. The general government debt ratio is estimated to have decreased in 2022 and then increase progressively over the rest of the forecast horizon, stabilising at around 58.0% by 2025.

On balance, risks to economic activity are slightly tilted to the downside in 2023 and more balanced thereafter. The main downside risks relate to the possibility of stronger than envisaged weakness in the international economic environment, which could lead to lower exports. Foreign demand may also be weaker than expected, especially if monetary policy in advanced economies tightens more forcibly than assumed in this projection round. Some of these risks could be mitigated by stronger than expected wage growth, which could offer additional support to household consumption.

Risks to inflation are considered as balanced for the entire projection horizon. Indeed, while the effect of upward price pressures to salaries in Malta and an incomplete lagged pass-through of past increases in energy costs in the euro area could increase commodity prices further, the re-opening of China could be seen as a partial reversal of the previous supply shocks. Also, a stronger pass-through of the recent appreciation of the euro, monetary tightening as well as lower international energy and transport costs should result in downward pressures on inflation.

On the fiscal side, risks are on the downside (deficit-increasing) from 2023 onwards. These mainly reflect the likelihood of State Aid to the national airline, though possible weaker economic growth would also have an impact. These risks may be partly offset by the profile of outlays on price mitigation measures, which could be less than projected if oil and gas prices stabilise at lower levels.

3.3 The Pharmaceutical Retail Industry[3]

The pharmaceutical retail industry is composed of pharmacy stores which are engaged in the retailing of prescription and non-prescription medicines, drugs and pharmaceuticals. More specifically, pharmacy stores are also involved in the retailing of "front-end" merchandise such as health products that include vitamins and supplements, cosmetics, toiletries, greeting cards, and non-perishable food products to walk-in customers.

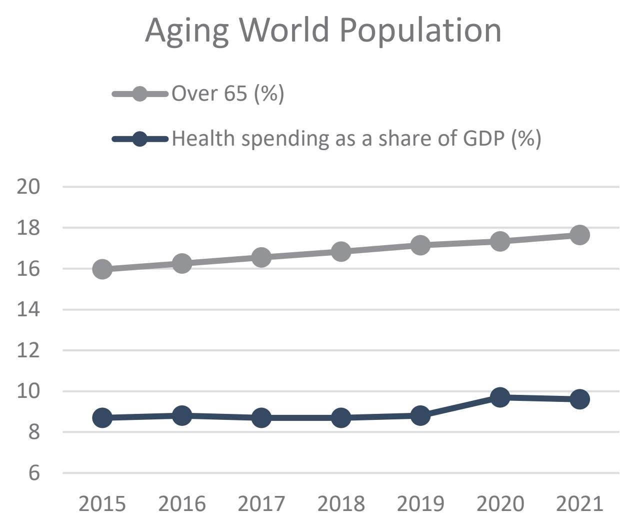
As a starting point, pharmacy store sales are predominantly driven by the number of prescriptions which they fill, as prescriptions are the initial cause of customer traffic. In furtherance, the remaining revenue is generated from the sale of "front-end" items. In an attempt to boost revenue volumes, pharmaceutical retail stores have nowadays expanded the selection of such items, consequently increasing the receptive revenue levels.

Traditionally, pharmacy stores have viewed older patients as their main customer base. However, through the sale of such commercialised items, in addition to the introduction of number of cosmetic services, pharmacy retail stores have nowadays also expanded their customer base to younger individuals. From a competition point of view, large pharmaceutical retail companies which are already established in the market, typically have access to an extensive consumer base. Smaller companies however, strive to achieve effective and creative advertising strategies to garner more consumer traffic, and also focus on operating out of convenient locations. 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

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

"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 Local Pharmaceutical Retail Industry[4]

Locally, 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 18.9% (100,791) of the total population of 533,286, illustrating an increase of 2.9% from the 16% recorded in 2010.

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 '2021 Ageing Report' prepared by the European Commission and the Economic Policy Committee, the median age will rise from 43.7 year in 2019 to 48.8 year in 2070, most of which occurs 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. However, according to data provided by the 'Malta Medicine Authority', there are currently over two hundred licenced retail community pharmacies in Malta[5].

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.

[4] National Statistics Office: World Population Day statistics

[5] Malta Medicines Authority

3.5 Comparative Analysis

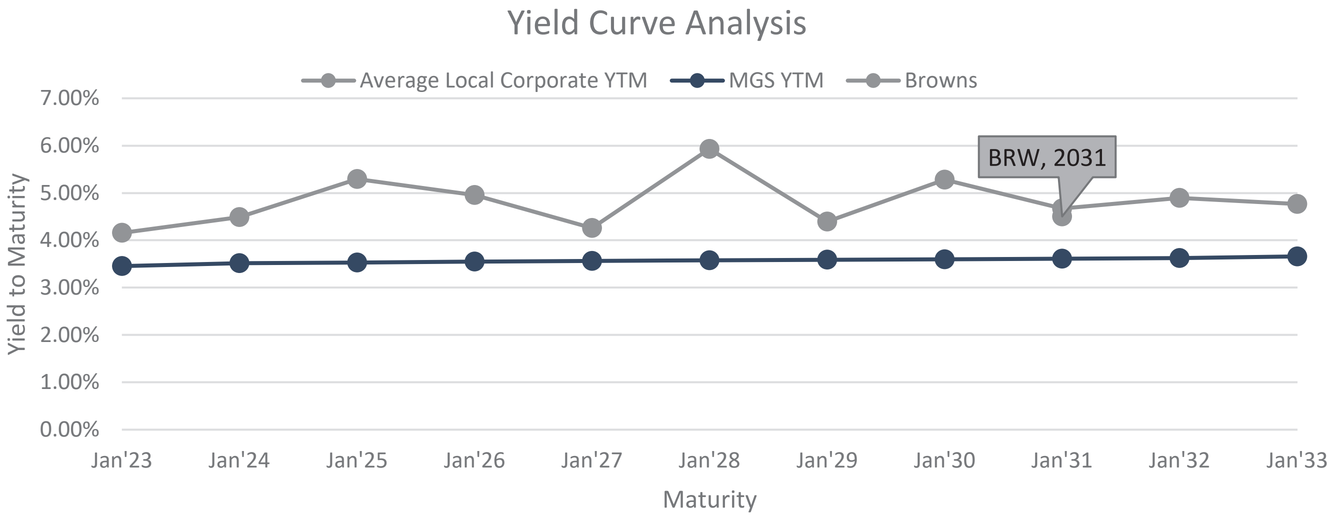
The purpose of the following table is to compare the debt issuance of the Group to other debt instruments. We believe that there is no direct comparable company related to the Issuer and as such we included a variety of Issuers with different maturities. More importantly, we have included different issuers 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.

Security	Nom Value	Yield to Maturity	Interest coverage (EBITDA)	Total Assets	Total Equity	Total Liabilities / Total Assets	Net Debt / Net Debt and Total Equity	Net Debt / EBITDA	Current Ratio	Return on Common Equity	Net Margin	Revenue Growth (YoY)
	€000's	(%)	(times)	(€'millions)	(€'millions)	(%)	(%)	(times)	(times)	(%)	(%)	(%)
4.5% Endo Finance plc Unsecured € 2029	13,500	4.80%	7.4x	48.5	18.2	62.4%	25.6%	0.9x	3.4x	22.6%	27.8%	14.8%
4% SP Finance plc Secured € 2029	12,000	3.81%	1.4x	36.8	13.4	63.5%	58.8%	15.9x	0.3x	-19.0%	-70.4%	71.5%
3.65% Stivala Group Finance plc Secured € 2029	15,000	4.50%	7.7x	396.6	249.3	37.1%	29.0%	5.6x	0.7x	10.8%	93.7%	91.5%
3.75% AX Group plc Unsec Bds 2029 Series II	10,000	4.11%	2.6x	422.8	248.2	41.3%	30.0%	12.0x	1.1x	-0.1%	-0.7%	8.1%
4.25% IZI Finance plc Unsecured € 2029	30,000	4.25%	2.5x	283.8	85.9	69.7%	18.8%	7.2x	0.3x	0.0%	-0.2%	N/A
5% MedservRegis plc Secured € 2029	13,000	4.99%	2.2x	151.7	60.4	60.2%	47.0%	6.1x	2.1x	0.9%	0.8%	123.7%
4% Cablenet Communication Systems plc Unsecured € 2030	40,000	4.72%	6.8x	110.4	3.1	66.0%	95.1%	3.5x	2.5x	-90.8%	-8.2%	19.4%
6.25% GPH Malta Finance plc Unsecured € 2030	18,144	5.79%	0.2x	811.9	50.4	93.8%	90.8%	71.2x	1.2x	-88.4%	-110.5%	N/A
4.25% Mercury Projects Finance plc Secured € 2031	11,000	4.56%	2.6x	179.4	37.2	79.3%	37.5%	3.5x	3.0x	24.1%	22.9%	666.2%
3.9% Browns Pharma Holdings plc Unsec Call € 2027-2031	13,000	4.12%	5.2x	73.0	26.9	62.0%	43.0%	3.6x	1.1x	109.3%	6.4%	126.7%
3.65% Mizzi Organisation Finance plc Unsecured € 2028-2031	45,000	4.49%	3.6x	288.7	90.2	68.8%	54.3%	8.6x	0.8x	5.8%	4.4%	0.0%
3.65% IHI plc Unsecured € 2031	80,000	4.47%	0.7x	1,662.0	817.9	50.8%	36.2%	10.7x	0.8x	-0.3%	-1.0%	84.3%
3.5% AX Real Estate plc Unsecured € 2032	40,000	4.21%	2.6x	422.8	248.2	41.3%	30.0%	12.0x	1.1x	-0.1%	-0.7%	8.1%
4.55% St Anthony Co plc Secured € 2032	15,500	4.55%	0.4x	66.2	21.1	68.2%	62.4%	67.5x	0.7x	-6.4%	-19.2%	N/A
4.85% JD Capital plc Secured € 2032 S1 T1	14,000	4.98%	1.7x	57.5	16.8	70.8%	57.5%	18.5x	1.7x	1.3%	1.8%	N/A
5% Mariner Finance plc Unsecured € 2032	36,930	4.73%	4.8x	128.3	62.3	51.4%	49.9%	5.9x	2.6x	9.9%	29.3%	32.3%
5% Von der Heyden Group Finance plc Unsecured € 2032	35,000	5.01%	0.6x	142.0	41.1	71.1%	65.4%	38.4x	2.1x	-2.7%	-7.2%	32.3%
4% Central Business Centres plc Unsecured € 2027-2033	21,000	4.39%	1.3x	58.2	23.8	59.1%	55.3%	18.6x	0.7x	0.8%	10.0%	19.9%
4.75% Dino Fino Finance plc Secured € 2033	7,800	5.00%	(2.0)x	16.5	3.4	79.3%	68.6%	(8.1)x	0.9x	-34.4%	-21.8%	N/A
	Average *	4.63%										

Source: Latest available audited financial statements

Last price as 23/06/2023

* 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 23 June 2023, the average spread over the Malta Government Stocks (MGS) for comparable issuers with a maturity range of 6-10 years was 103 basis points. The 3.9% Brown's Pharma Holdings plc 2027-2031 bond is currently trading at a YTM of 450 basis points, meaning a spread of 89 basis points over the equivalent MGS, and therefore at a discount of 14 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

Income Statement	
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.

Profitability Ratios	
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).

Cash Flow Statement	
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.

Balance Sheet	
Total Assets	What the Group/Company owns which can de 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 de 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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