

The Convenience Shop (Holding) plc



Financial
Sustainability
Forecasts

About Us

The Convenience Shop (Holding) plc Simplifying Lives, Strengthening Communities

Founded in 2009 in Żebbuġ, The Convenience Shop swiftly evolved into a household name, expanding to 90 outlets across 50 strategic central locations in Malta as well as being listed on the Malta Stock Exchange in 2023. Our exclusive partnership with COOP Italian FOOD S.P.A enriched our product range, offering more choices and affordability to our valued customers. This collaboration has allowed us to expand our product offerings, catering to diverse customer preferences while maintaining our commitment to quality and convenience.

Harnessing the power of technology, we introduced The Convenience Shop Online as well as partnered up with international service delivery online networks to ensure essential needs are delivered right to our customers' doorsteps.

With over 400+ dedicated employees across operations, sales, customer service, and management, we cherish their commitment, valuing teamwork toward common goals.

At the core of our philosophy lies Corporate Social Responsibility, where we annually support various local NGOs and vulnerable groups. Chiefly amongst them is The Convenience Shop for Puttinu Cares in Qormi, which directs all profits to aid the Puttinu Cares Foundation, aiding cancer patients and their families.

Aligned with our corporate vision, our focus remains on being Malta's retailer of choice by offering a hassle-free, convenient shopping experience while actively engaging and supporting our local community. We're committed to simplifying our customers' lives and making a meaningful difference in the Maltese community. Through constructive dialogue with shareholders and stakeholders, we continually strive for transformation and growth, ensuring our services remain modern, reliable, and customer-centric.

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GENERAL INFORMATION

Registration

The Convenience Shop (Holding) plc ("the Company") is registered in Malta as a public limited liability company under the Maltese Companies Act (Cap. 386) with registration number C 87554.

Directors

Ivan Calleja
Kevin Deguara
Benjamin Muscat
Joseph Pace
Manuel Piscopo
Charles Scerri

Company Secretary

Richard Deschrijver

Registered Office and

Principal Place of Business

Marant Food Products
Mdina Road
Żebbuġ ŻBG 9017
Malta

Bankers

Bank of Valletta p.l.c.
219-220
Triq ix-Xatt
Gżira GŻR 1022
Malta

Auditors

RSM Malta
Mdina Road
Żebbuġ ŻBG 9015
Malta

Looking Ahead



“

We continue to expand our store network to hit the milestone 100th store under our brand.”

A YEAR OF MILESTONES AND TRANSFORMATION

As we look towards the future, our vision remains clear: to be Malta's retailer of choice in the convenience sector, evolving into an innovative and technology-driven company. Our values of customer-centricity, honesty, determination, competitive results, and dynamism will continue to guide our actions and decisions.

In 2024, we celebrate our 15th anniversary while we continue to expand our store network to hit the milestone 100th store under our brand. We will achieve this by focusing on key growth locations and economically populated areas.

Our franchise model continues to be a key driving force behind our success, attracting entrepreneurs and established businesses alike. In 2023, we welcomed several new franchisees to our network, drawn by our powerful procurement capabilities, efficient business practices, and the opportunity to be part of a thriving and innovative retail group.

Taking this focus into 2024, we plan to implement a new approach to business acquisitions through the adoption of the Co-Existence and Co-Prosperity model, seeking established grocery stores with specific area dimensions. This approach will enable us to capture new shopper opportunities. We expect this to lead to increased demand from existing grocery store owners and operators who recognise the value proposition of joining The Convenience Shop Franchise Network.

To support our growth and enhance operational efficiency, we have made significant investments in our infrastructure. In 2024, we will complete the construction of our new state-of-the-art head office in Qormi, which will serve as a landmark for The Convenience Shop Group. This facility will not only house our corporate offices but will also feature a retail outlet, a family-friendly food court, and an in-house academy for employee training and development.

As a result of our work with a London-based, food and brand-focused interior design company, we will also unveil a fresh and modern look and feel within our shops, reflecting our commitment to staying ahead of trends and remaining relevant to the evolving needs of our customers.

Innovation will remain a driving force, as we explore and invest in new technologies, digital solutions, and sustainable practices to enhance the shopping experience and minimize our environmental impact. We will continue to invest in our people, fostering a culture of excellence, continuous learning, and personal growth.

We remain steadfast in our commitment to redefining convenience, exceeding customer expectations, and creating sustainable value for all our stakeholders. With our strong foundation, innovative spirit, and dedicated team, we are confident that The Convenience Shop Group will continue to soar to new heights, solidifying our position as a leader in the retail industry.

Financial Sustainability Forecasts

The Convenience Shop (Holding plc) SUMMARY OF SIGNIFICANT ASSUMPTIONS AND ACCOUNTING POLICIES

A. Introduction

The forecast statement of Consolidated Comprehensive Income, the forecast Statement of Financial Position, and the forecast Statement of Cash Flows ("the Forecasts") of the Issuer for the year ending 31 December 2024 has been prepared to provide financial information for the purposes of the announcement of Financial Sustainability Forecasts. The assumptions set out below are the sole responsibility of the Directors of the Company.

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 which the Directors expect to take. Events and circumstances frequently do not occur as expected, and therefore, actual results may differ materially from those included in the forecast and projected financial information. We draw your attention in particular, to the risk factors set out in the Admission Document, which describes the primary risks associated with the business to which the Forecast Financial Information relates.

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.

These Forecasts were formally approved on 26 April 2024 by the Directors, 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 C below.

B. Significant accounting policies

The Forecast Financial Information shows the projected financial performance and position of The Convenience Shop (Holding) plc (the "Company" or "TCSH p.l.c.") in accordance with International Financial Reporting Standards as adopted by the European Union ("EU-IFRS") except that, due to the nature of Forecast Financial Information:

- The Forecast Financial Information does not include all the disclosure requirements under EU-IFRS and other laws or securities regulations, including but not limited to the Maltese Companies Act (Cap. 386);
- Do not necessarily present line items (including totals and sub-totals) and the classification thereof in the forecast financial performance and financial position in accordance with EU-IFRS; and
- The forecast was prepared under the assumption that the recognition criteria for financial year 2024 is the same as the prior audited financial year 2023.

C. Basis of preparation and significant assumptions

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

- The Company will continue to enjoy the confidence of its customers, and bankers throughout the year under consideration;
- There will be no material adverse movements originating from market and economic conditions affecting the fast moving consumer goods (FMCG) market in Malta, consumer spending levels, employment and job growth, amongst others;
- The rate of inflation will be in line with historic trends; and
- The Company will enjoy good relations with its employees throughout the year under consideration.

Other principal assumptions relating to the environment in which the Company operates, factors which the Directors can influence and which underlie the forecast financial information, are the following:

1. Revenue

In 2024 revenue is expected to grow by 6.6% or €3.1 million over the previous year as a result of an increase in own store revenue and new shop openings.

SUMMARY OF SIGNIFICANT ASSUMPTIONS AND ACCOUNTING POLICIES – continued

C. Basis of preparation and significant assumptions – continued

2. Cost of sales

Cost of sales is projected as the difference between revenue and gross profit. Cost of sales includes, cost of goods sold, labour cost and depreciation charges. Depreciation is calculated on a straight-line basis to write off the cost of each asset to its residual value over its estimated useful life as follows:

• Plant and Machinery	10 years
• Furniture and Fixtures	10 years
• Office Equipment	5 years
• Motor Vehicles	5 years
• IT Hardware & Software	5 years
• Tools	5 years
• Marketing Equipment	5 years

The assumptions underlying the gross profit calculation is explained in Note 3 below.

3. Gross profit

Gross profit is projected using actual gross margins reported by the current stores. The historical average gross margin of similar operating stores has been applied for new store openings.

Margins are kept constant throughout the projected year.

4. Administrative expenses

Administrative expenses include mainly overheads such as advertising and promotion, repairs and maintenance, utilities, IT expenses, professional fees, CSR activities, staff costs, shop consumables and other costs. These are based on historical costs and are projected to increase by 6.3% in 2024 to support the business operations.

5. Finance charges

Finance charges include bond interest payable at an interest rate of 5%, finance costs on the lease agreements and interest payable on bank facilities.

6. Taxation

Tax is calculated at 35% of adjusted taxable profit before tax, also taking into account an estimate of the deferred tax movement for the year.

During 2023, the Company benefitted from a reduced tax charge due to the recognition of a deferred tax asset of €433k on the Group's property leases, accounted for under IFRS 16. The effective rate of tax for 2023 was 15.2%, whilst in 2024 it is forecasted to be 26.5%.

7. Property, plant and equipment

Property, plant and equipment include plant and machinery, furniture and fittings, office equipment, IT hardware and software, motor vehicles, tools and marketing equipment. These are depreciated using the straight-line method as explained in Note 2.

8. Intangibles

Intangibles include goodwill, which relates to the goodwill recognised on the acquisition of the going concerns and the subsidiary companies during the restructuring transaction and is not impaired over the projection year. Intangibles, include the acquisition of the Intellectual Property Rights (The Convenience Shop' trademark) as explained in Note 3 above.

When key money is paid on new shops acquisitions, this is amortised over the duration of the lease period.

9. Net working capital

Inventory, trade receivables and trade payables are projected at a fixed growth percentage from the prior year balance.

Other creditors are projected to remain stable over the projected year.

10. Debt

The projected debt relates to:

- The €5 million bond issue, net of deferred bond issue costs;
- The €1.6 million outstanding loan balances from prior year banking facilities. This financing is mainly used to finance new shops openings and to finish the building which will house the new Head Office and underlying shop, expected in the second half of 2024; and
- A €900k additional banking facility to sustain growth.

11. Accrued interest

Accrued interest refers to accrued bond interest due on the bond and bank facilities as at 31st December. Interest on the bond is assumed payable annually at the end of March, whilst on the bank loans is paid in line with the agreed repayment schedules.

C. Basis of preparation and significant assumptions – continued

12. Capital expenditure

Capital expenditure includes:

- Improvements to the existing shops – refurbishment projects for upgrade and upkeep of shops are projected in line with the Group’s shops policy standards;
- Investments in ICT to maintain technology enhancements required by the Group; and
- Investment in the Company’s new head office and underlying outlet project.

13. Dividends

The Company’s Board of Directors has implemented a policy to recommend a dividend distribution of 55% of the recurring free cash flows on an annual basis, subject to statutory requirements and availability of profits for distribution. The first part based on the interim results is paid as an interim dividend in the same financial year whereas the remaining part is paid the following year following the publication of the full year audited results. This Financial Sustainability Forecast includes a management estimate of the dividends payable during the year under review in line with the above Group policy.

D. Conclusion

The Directors believe that the assumptions on which the Forecast Financial Information is based are reasonable. The Directors further believe that, in the absence of unforeseen circumstances outside their control, the working capital available to the Company will be sufficient for the carrying on of its business.

Approved by the Board of Directors on 26 April 2024.

GROUP FORECAST STATEMENT OF COMPREHENSIVE INCOME

For the years ending 31 December

	Forecast	Audited
	2024	2023
	€ 000s	€ 000s
Revenue	49,801	46,703
Cost of Sales	(42,466)	(39,866)
Gross Profit	7,335	6,837
Administrative expenses	(4,059)	(3,818)
Operating profit	3,276	3,020
Other Income	1,025	908
Finance Charges	(967)	(824)
Profit Before Tax	3,334	3,103
Tax Charge	(883)	(471)
Profit After Tax	2,451	2,632

GROUP FORECAST STATEMENT OF FINANCIAL POSITION

As at 31 December

	Forecast	Audited
	2024	2023
	€ 000s	€ 000s
ASSETS		
Property, Plant & Equipment	5,923	4,052
Intangible assets	13,502	13,494
Right of Use Assets	12,841	10,805
Deferred Tax	196	196
Total Non Current Assets	32,462	28,546
Inventory	3,480	3,198
Trade Receivables	4,958	4,860
Cash & Cash Equivalents	1,235	2,185
Total Current Assets	9,672	10,243
Total Assets	42,135	38,790
EQUITY AND LIABILITIES		
Share Capital	4,928	4,928
Share Premium	1,539	1,539
Retained Earnings	4,190	3,341
Non-Controlling Interest	(19)	(19)
Total Equity	10,638	9,789
Non-Current Liabilities		
Interest Bearing Loans and Borrowings	7,260	5,963
Lease Liability	12,016	11,269
Trade & Other Payables	95	223
Total Non-Current Liabilities	19,371	17,455
Current Liabilities		
Current Tax	245	346
Interest Bearing Loans and Borrowings	410	482
Lease Liability	1,098	839
Trade & Other Payables	10,372	9,878
Total Current Liabilities	12,125	11,546
Total Equity & Liabilities	42,135	38,790

GROUP FORECAST STATEMENT OF CASH FLOWS

For the years ending 31 December

	Forecast	Audited
	2024	2023
	€ 000s	€ 000s
Cash flows from operating activities		
Receipts from customers	49,704	45,032
Payments to suppliers	(45,250)	(41,206)
Other revenue	1,025	908
Income taxes paid	(984)	(628)
Cash generated from operating activities	4,495	4,106
Cash flows from investing activities		
Capital expenditure	(2,880)	(1,211)
Acquisition of intangible assets	(160)	(155)
Payments to acquire business	(129)	(129)
Net cash used in investing activities	(3,169)	(1,495)
Cash flows from financing activities		
Issue of share capital	–	970
Repayments / proceeds from interest-bearing loan	1,225	539
Payment of lease liabilities	(1,597)	(1,396)
Interest paid	(302)	(265)
Dividends paid	(1,602)	(1,474)
Net cash used in financing activities	(2,276)	(1,627)
Movement in cash and cash equivalents	(950)	984
Opening cash & cash equivalents	2,185	1,201
Closing cash and cash equivalents	1,235	2,185

The Directors
The Convenience Shop (Holding) plc
Marant Food Products
Mdina Road
Żebbuġ ŻBG9017
Malta

Dear Sirs,

Independent Accountant's Report on the compilation of forecast information for The Convenience Shop (Holding) plc

We report on the forecast statement of financial position, forecast income statement and forecast cash flow statement (the "Forecast Financial Information") of **The Convenience Shop (Holding) plc** (the "Company") for financial year ending 31st December 2024 in the Financial Sustainable Forecast document ("FSF"). The Forecast Financial Information, the basis of preparation and the material assumptions upon which the forecasts are based, are set out in the "Summary of significant assumptions and accounting policies" of the FSF document.

This report is required in terms of Section 5.40.2 in the Capital Markets Rules issued by the Malta Financial Services Authority ("MFSA") on 23rd January 2023 and is given for the purpose of complying with that regulation and for no other purpose.

Director's responsibilities for the Forecast Financial Information

It is the responsibility of the Directors of the Company (the "Directors") to prepare the Forecast Financial Information and the assumptions upon which it is based, as set out in the Significant accounting policies as well as the Basis of preparation and significant assumptions section of the FSF document, in accordance with the International Financial Reporting Standards ("IFRS") as adopted by the European Union.

Accountant's responsibility

It is our responsibility to form an opinion as required by Section 5.40.2 in the Capital Markets Rules as required by the MFSA as to the proper compilation of the Forecast Financial Information, in so far as the application of the underlying material assumptions and accounting policies and accuracy of calculations are concerned, and to report that opinion to you.

Save for any responsibility which we may have to those persons to whom this report is expressly addressed, to the fullest extent permitted by law, we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such person as a result of, arising out of, or in connection with our statement, required by and given solely for the purposes of complying with the Capital Markets Rules.

Basis of opinion

We have examined the basis of compilation and material assumptions of the accompanying Forecast Financial Information of the Company for years ending 31st December 2024 in accordance with ISAE 3000 (Assurance engagements other than audits and reviews of historical financial information). The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Our work included evaluating the basis on which the financial information included in the forecast has been prepared and considering whether the Forecast Financial Information has been accurately computed based upon the disclosed assumptions of the Company.

The assumptions upon which the Forecast Financial Information is based is solely the responsibility of the Directors of the Company and accordingly we express no opinion on the validity of the assumptions. However, we considered whether anything came to our attention to indicate that any of the assumptions adopted by the Directors, which, in our opinion, are necessary for the proper understanding of the Forecast Financial Information, have not been disclosed and whether any material assumption made by the Directors appears to us to be unrealistic.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with limited assurance that the Forecast Financial Information has been properly compiled on the basis stated, in so far as the application of the underlying accounting policies and accuracy of calculations are concerned.

The Forecast Financial Information is not intended to and does not provide all the information and disclosures necessary to give a true and fair view of the results of the operations and the financial position of the Company in accordance with IFRS as adopted by the European Union.

Since the Forecast Financial Information and the stated assumptions related to the future and may therefore be affected by unforeseen events, we express no opinion as to whether the actual results reported will correspond to those shown in the Forecast Financial Information and difference may be material.

The assessment made and information contained in this report is based on the information available at the time of our work and can be subject to changes. In rendering this assessment, we have not performed an audit or a due diligence of the parties concerned nor we have sought to verify the information provided by the contributors or the sources which however it considers generally reliable.

Opinion

In our opinion, the Forecast Financial Information presented in the FSF has been properly compiled in the basis stated and the basis of accounting used is materially consistent with the accounting policies adopted by the Company.

Yours faithfully,



Vladimiro Comodini
Principal
For and behalf of RSM Malta
26th April 2023

theconvenienceshop.com



The Convenience Shop (Holding) plc

Registered office

Marant Food Products, Mdina Road, Żebbuġ, ŻBG 9017, Malta

Company Registration Number: C 87554