

NEW BOND ISSUE

4.75% €5,000,000 Orion Finance p.l.c. Unsecured Bonds due 2027

Issuer	Orion Finance p.l.c.
Issue Price	Nominal value of 1000 issued at par
Coupon	4.75%
Currency	€ Euro
Interest due date	Annually on June 18
Redemption Date	18 June 2027
Issue Size	€5,000,000
Min. Application	€2,000, with multiples of €1,000 thereafter
Bond Status	Unsecured
Opening date	23 May 2017
Closing date	02 June 2017 (or earlier if fully subscribed)
Withholding Tax	Applicable at 15 % (unless investor elects to receive interest gross)
Stockbroking Fees	None (as is the case with all new issues)

Overview of the Issuer and Guarantor

Orion Finance p.l.c. (the Issuer) was incorporated on 3 May 2017 as a public limited liability company, registered in terms of the Companies Act with company registration number C 80722 and is domiciled in Malta. The principal object of the Issuer is to carry on the business of a finance company for the Orion Group. The Issuer itself does not have any substantial assets and is a special purpose vehicle set up to raise finance for the business of the Orion Group. The Issuer does not intend to undertake any trading activities itself apart from the raising of capital and advancing thereof to its parent Orion Retail Investments Limited, as and when required. Accordingly, the Issuer is economically dependent principally on the financial and operating performance of the business of Orion Retail Investments Limited.

Orion Retail Investments Limited (the Guarantor) is a limited liability company incorporated and registered in Malta with company registration number C 80707. The Guarantor is the parent company of the Issuer (together referred to as the Orion Group) and is a subsidiary of Camilleri Holdings Limited. The main activity of Orion Retail Investments Limited is that of acting as a property managing company. Camilleri Holdings Limited has legal title to the Properties. By virtue of the Property Management Agreement dated 5 May 2017, Camilleri Holdings Limited and the Guarantor agreed that:

- I) Camilleri Holdings Limited will transfer the Property Management Rights of the following Properties for a period of 25 years to Orion Retail Investments Limited, with effect from 19 June 2017:

- II) Sliema outlet, The Strand, which includes the premises currently occupied by Matalan brand, Tony's Bar, and use of roof;
- III) Sliema outlet, St. Anne's Square, which includes the premises currently occupied by Mothercare brand;
- IV) Valletta outlet, South Street, which includes the premises currently occupied by Mothercare brand;
- V) Fgura outlet, Zabbar Road, which includes the premises currently occupied by Matalan brand and Mothercare brand;
- VI) Qormi plot and warehouse.

Orion Retail Investments Limited shall operate the Properties for a specified period of 25 years, during which term any and all expenses incurred (except for extraordinary expenses that will be incurred by owner whereas ordinary repairs and maintenance will be borne by tenant) and revenues generated (particularly from the leasing out of the premises forming part of the Properties) in connection with the operation of the Properties shall be at the Orion Retail Investments Limited's own risk and benefit respectively; and

Upon expiry of the said 25 year term, Orion Retail Investments Limited is under the obligation to transfer the operation of the Properties to Camilleri Holdings Limited, and from that point in time the benefit of revenues generated and the risks associated with the running of the Properties shall be transferred to Camilleri Holdings Limited.

The aggregate valuation of the Properties is of €20.9 million as valued by an independent architect, whilst the aggregate valuation of the Property Management Rights, as valued by an independent accountant, is of €15.2 million.

The Combined Consideration payable by Orion Retail Investments Limited to Camilleri Holdings Limited in relation to the acquisition of the Property Management Rights shall include:

The Share Component comprising of an issue and allocation of 3,014,164 shares of €2 each by Orion Retail Investments Limited to Camilleri Holdings Limited, which shares shall be issued and allotted by Orion Retail Investments Limited;

The Cash Consideration of €4.9 million which will be settled by the Bond proceeds on the Settlement Date;

Deferred Consideration of €4.2 million payable in line with the Repayment Schedule as per Second Schedule of the Property Management Agreement. The Orion Group shall also bear an annual interest cost of 4.6% on the Deferred Consideration balance.

All Lease Agreements were renewed with companies forming part of the Camilleri Group on an arms' length basis to reflect (i) current market conditions (ii) the more recent valuation of each Property. All Properties are being leased to companies within the Camilleri Group for a period of fifteen (15) years effective 19 June 2017, of which the first ten (10) years are 'di fermo', whilst the remaining five (5) years are 'di rispetto' at the option of the lessee.

In the event of a breach of any one or more of the conditions of the lease agreement, or a default in the payment of the rent, the lease agreement would be immediately terminated and the property would be promptly relinquished. In the event that the lessee does not relinquish possession of the property immediately, a penalty of four thousand euro (€4,000) per day would be charged.

In all lease agreements, lease charges are based on a yield of 6% of the freehold property value, except for the Fgura outlet which is set at 6.5%, and the Qormi warehouse and plot which are set at 4% of the freehold property value. All lease charges are subject to an annual increase of 3.2%.

Purpose of the Issue

The proceeds from the Bond Issue, which net of Issue expenses are expected to amount to approximately €4,900,000, will be advanced by the Issuer to its Parent, whereby the Parent shall pay the Cash Component of the Combined Consideration equivalent to €4.9 million on the Settlement Date.

Financials

The Issuer has not conducted any business and has no trading record. Since its incorporation, no financial statements were prepared with respect to the Issuer.

The Guarantor was registered and incorporated on 2 May 2017 and has not conducted any business since the date of its incorporation except for the transfer of the Property Management Rights mentioned previously. Consequently, the Guarantor has no trading record and since incorporation and no financial statements have been prepared in respect of the Guarantor.

The Orion Group's projected income statement and statement of financial position for the six months 1 July to 31 December 2017, and for the years ending 31 December 2018 and 2019, based on the consolidated position of the Orion Group, which includes both the Guarantor and the Issuer, are shown below.

Condensed income statement for the years ended 31 December

€000	FY2017F Jul-Dec	FY2018P Jan-Dec	FY2019P Jan-Dec
Revenue	713.3	1,449.2	1,495.6
Administrative expenses	(76.8)	(98.2)	(100.6)
EBITDA	636.5	1,351.0	1,395.0
Amortisation	(313.0)	(616.0)	(616.0)
Net finance cost	(215.3)	(418.2)	(384.0)
Profit before tax	108.2	316.8	395.0
Tax expense	(106.2)	(242.8)	(267.3)
Profit after tax	2.0	74.0	127.7

Orion Group's revenue is expected to consist of rental income based on the rental agreements in relation to the Properties it holds under the Property Management Agreement, as well as a management fee of €250k per annum, increasing in line with inflation, charged by Orion Retail Investments Limited to companies within the Camilleri Group, to cover the cost of managing the properties.

Administration expenses shall primarily comprise of directors' fees, ongoing bond issue maintenance costs, insurance costs and professional and legal costs. As a result, EBITDA is expected to reach €1.4m in FY2018. Amortisation cost is projected to total €616k per annum and shall include the amortisation of the Property Management Rights.

Finance costs consist of interest on the Deferred Consideration balance and interest on the Bond Issue. As from FY2019, the Orion Group will be contributing towards a sinking fund, which is expected to generate interest income.

Orion Group's profit after tax is expected to improve between FY2017 and FY2019, from €2k in FY2017 to €128k in FY2019. The Group shall not be distributing any dividends to its shareholders in the first three years of the Bond.

Condensed statement of financial position as at 31 December

€000	FY2017F Jul-Dec	FY2018P Jan-Dec	FY2019P Jan-Dec
ASSETS			
Non-current assets	14,937.0	14,321.0	13,805.0
Current assets	377.0	798.4	535.6
Total assets	15,314.0	15,119.4	14,340.6
Equity	6,030.3	6,104.3	6,232.0
Liabilities			
Non-current liabilities	8,653.5	7,722.6	7,293.1
Current liabilities	630.2	1,292.5	815.6
Total liabilities	9,283.7	9,015.1	8,108.7
Total equity and liabilities	15,314.0	15,119.4	14,340.6

With effect from 19 June 2017, Camilleri Holdings Limited has agreed to transfer Orion Retail Investments Limited the Property Management Rights for a Combined Consideration of €15.2 million, comprising of: a Share Component of €6.0 million; Cash Consideration of €4.9 million on Settlement Date, and €4.3 million Deferred Consideration over an eight (8) year term.

Intangible assets of €14.9 million as at 31 December 2017 consist of the value of the Property Management Rights which are being amortised over the term of the agreement.

A sinking fund will be built up gradually between FY2019 and FY2027 in order to ensure that Orion Finance p.l.c. will have sufficient cash resources to redeem the outstanding Bonds at maturity. The Issuer shall make periodic payments for the purpose of building up this sinking fund. Below is a table with the minimum amounts to be paid by the Issuer for this purpose.

As at 31 December 2017, Orion Group's indebtedness is expected to total to €9.1 million, comprising the Deferred Consideration of €4.1 million and the Bond of €5.0 million. Total equity of the Orion Group is expected to be €6.0 million as at 31 December 2017.

Condensed statement of cash flows for the year ended 31 December

€000	FY2017F Jul-Dec	FY2018P Jan-Dec	FY2019P Jan-Dec
Cash generated from operating activities	540.0	826.6	768.2
Cash used in financing activities	(163.0)	(405.2)	(1,030.9)
Net movement in cash	377.0	421.4	(262.8)
Cash at the beginning of the year	-	377.0	798.4
Cash at the end of the year	377.0	798.4	535.6
Cash and cash equivalents at the end of the year	377.0	798.4	535.6

Cash flow generated from operating activities is expected to total €0.5 million in FY2017 increasing to €0.8 million in FY2019. The cash portion of the Combined Consideration, equivalent to €4.9 million, will be settled on the Settlement Date following receipt of the Bond proceeds. The Deferred Consideration is expected to be repaid in line with the Repayment Schedule.

Key ratios

The Orion Group's interest cover ratio, which measures the ability of the Group to pay interest on outstanding borrowings, is expected to increase from 2.96 times in FY2017 to 3.63 times by FY2019, reflecting the increase in profits generated by the Group.

The Orion Group's gearing ratio, which measures the extent to which the Group is funded through shareholders' equity and external borrowings, is expected to peak at 59% in FY2017, decreasing steadily thereafter.

Risk Considerations

All debt instruments such as bonds are potentially exposed to credit and interest rate risk. Debt securities may be subject to the risk of the Issuer's inability to repay capital originally invested and/or interest payments on the obligation and may also be subject to price volatility due to such factors as interest rate sensitivity, market perception of the creditworthiness of the Issuer, general market liquidity, and other economic factors. When interest rates rise, the value of corporate debt securities can be expected to decline. Fixed rate transferrable debt securities with longer maturities tend to be more sensitive to interest rate movements than those with shorter maturities.

Upon analysis of Orion Finance p.l.c. we list a number of risks – a list that is not exhaustive. Please refer to the relevant Prospectus for further information.

- Since the Issuer was incorporated on 3 May 2017, it has no trading record or history of operations. Furthermore, the Issuer is mainly dependant on the business prospects of the Guarantor and, therefore, the operating results of the Guarantor have a direct effect on the Issuer's financial position. Accordingly, the risks of the Issuer are indirectly those of the Guarantor.
- Guarantor's properties are leased out to one principal tenant – companies within the Camilleri Group, and as such all of the Guarantor's annual rental income is generated from companies forming part of the Camilleri Group. The business, revenue and projected profits of the Guarantor would be adversely impacted if companies within the Camilleri Group fail to honour their lease agreements, even though such agreements have been concluded on an arm's length basis in line with current market conditions. The Guarantor is subject to the risk that tenants may default on the lease payment, or may terminate or elect not to renew their respective lease, either due to the expiration of the lease term or due to an early termination of the lease.
- The value of rights acquired by virtue of the Property Management Agreement may be adversely affected by a number of factors, including, changing demand, changes in general economic conditions, changing supply within a particular area of competing space and attractiveness of real estate relative to other investment choices.
- The Orion Group is susceptible to adverse economic developments and trends in Malta.

Changes in laws and regulations relevant to the Orion Group's business and operations could be enacted that may have an adverse impact on the Orion Group's business, results of operations, financial condition or prospects.

- The Orion Group's operating and other expenses could increase without a corresponding increase in revenue.
- No assurance can be given that the Group's current insurance coverage would be sufficient to cover all potential losses, regardless of the cause, nor can any assurance be given that an appropriate coverage would always be available at acceptable commercial rates.

- The funds or assets constituting the sinking fund for the bond issue shall be held by Jesmond Mizzi Financial Advisors Limited as custodian for the benefit of the Issuer. In the event of winding up of the Issuer with insufficient assets to meet its liabilities, the right of secured and unsecured creditors (which include the Bondholders) and the priority and ranking of their debts shall be regulated by the law for the time being in force. Accordingly, in view of the unsecured rights of Bondholders under the Bonds, any secured creditors of the Issuer shall have recourse to the funds or assets constituting the sinking fund to satisfy their secured claims with priority over Bondholders.
- The Bonds shall constitute the general, direct, unconditional and unsecured obligations of the Issuer, and shall be guaranteed in respect of both the interest due and the principal amount under said Bonds by the Guarantor. The Bonds shall at all times rank pari passu, without any priority or preference among themselves and, save for such exceptions as may be provided by applicable law, shall rank without priority and preference to all other present and future unsecured obligations of the Issuer and the Guarantor. The Bonds will, however, rank subordinate to the present and future secured creditors of the Issuer and the Guarantor, if any.
- In view of the fact that the Bonds are being guaranteed by the Guarantor, Bondholders are entitled to request the Guarantor to pay both the interest due and the principal amount under said Bonds if the Issuer fails to meet any amount, when due. The strength of this undertaking on the part of the Guarantor and, therefore, the level of recoverability by the Bondholders from the Guarantor of any amounts due under any of the Bonds is dependent upon and directly linked to the financial position and solvency of the Guarantor, such that the level of recoverability is further dependent upon the existence or otherwise of any prior ranking claims over the assets of the Guarantor.
- Subject to a negative pledge, third party security interests may be registered which will rank in priority to the Bonds against the assets of the Issuer for so long as such security interests remain in effect.

Guarantee

The bond issue is guaranteed by Orion Retail Investments Limited. For the purposes of the guarantee, the Guarantor irrevocably and unconditionally guarantees to each Bondholder that if for

any reason the Issuer fails to pay any sum payable by it to such Bondholder pursuant to the terms and conditions of the Bonds as and when the same shall become due under any of the foregoing, the Guarantor will pay to such Bondholder on demand the amount payable by the Issuer to such Bondholder. The obligations of the Guarantor under the Guarantee shall remain in full force and effect until no sum remains payable to any Bondholder pursuant to the Issue of the Bonds.

Application procedure & Allocation

Orders are currently being accepted and applications will close once the allocation is fully subscribed.

Applications must be for a minimum value of €2,000 and multiples of €1000.

Applicants are to complete the application form and return them to us as early as possible. Cheques are to be made payable to "**Jesmond Mizzi Financial Advisors**". Interested clients should refer to the Admission Document dated May 22, 2017 which may be obtained from our office in hard copy or electronically by e-mail on request. Applicants who would like to participate may do so by meeting one of our Investment Advisors. More information is available on our website www.jesmondmizzi.com

You may contact us by phone on Freephone number **8007 2206** or speak to our Investment Advisors at one of our branches in **Hamrun, Valletta, Birkirkara** or **Ta' Xbiex (by appointment)**. We will be pleased to answer any queries you may have on this issue and assist in the completion of all the necessary forms.

Jesmond Mizzi Financial Advisors is acting as a Placement Agent and Manager for this bond issue.

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