



▶ BBT p.l.c

Valuation report

Dated: 21 October 2024

Prepared by: Richard Abdilla Castillo

To: the Directors of Tum Finance plc

Date: 21 October 2024

Dear Sirs,

In adherence to your instructions, I am pleased to provide you with a copy of the valuation report of TUM Operations Limited 36.23% shareholding in BBT plc (hereinafter also referred to as "BBT") which, as on 30th September 2024 has been valued at €31.1m. This report encapsulates the key findings from the valuation exercise.

It is essential to note that this valuation report has been prepared in accordance with industry best practices, incorporating analysis, market assessments, and financial evaluations. The methodologies employed adhere to recognized standards, ensuring a robust and reliable basis for the conclusions presented herein. Moreover, while every effort has been made to gather comprehensive and accurate information, it is important to recognize the inherent uncertainties in financial markets and the potential impact of unforeseen events. As such, the findings and recommendations provided in this report are based on the information available up to the date of its preparation, and subsequent events may influence the valuation outcomes. The valuations were primarily based on the information provided by you, both in soft and hard copies, as well as through discussions.

This report is confidential and is exclusively prepared for the Directors of Tum Finance plc (C91228) (hereinafter also referred to as "TUM"). Any utilization, reproduction, or distribution of this report, whether in whole or in part, is strictly prohibited without my prior written consent. Such consent will be granted only after a thorough review of the circumstances at that time.

I remain at your disposal for any further clarifications or discussions regarding the contents of this report. Your understanding of the confidential nature of this document is greatly appreciated, and I look forward to the opportunity to address any queries or considerations you may have.

Best regards,

Richard Abdilla Castillo

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SUMMARY

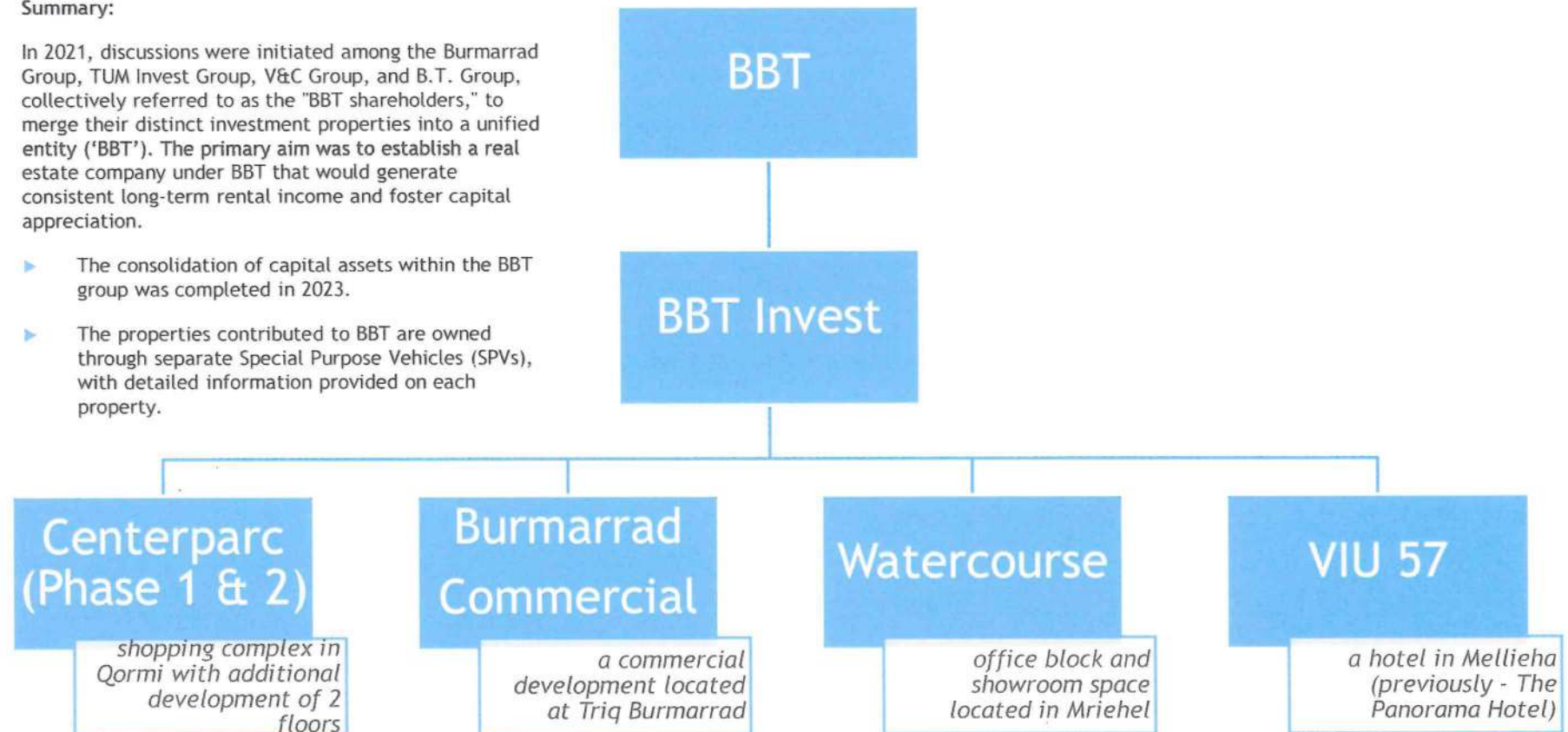
BBT p.l.c valuation. Dated 21 October 2024

BBT Structure

Summary:

In 2021, discussions were initiated among the Burmarrad Group, TUM Invest Group, V&C Group, and B.T. Group, collectively referred to as the "BBT shareholders," to merge their distinct investment properties into a unified entity ("BBT"). The primary aim was to establish a real estate company under BBT that would generate consistent long-term rental income and foster capital appreciation.

- ▶ The consolidation of capital assets within the BBT group was completed in 2023.
- ▶ The properties contributed to BBT are owned through separate Special Purpose Vehicles (SPVs), with detailed information provided on each property.



Valuation overview

	Per valuation €'000	Assumed WACC %
<i>Centerparc - Phase 1</i>	31,379	5.9%
<i>Centerparc - Phase 2</i>	9,616	6.9%
Centerparc Total	40,995	
<i>Watercourse</i>	32,101	6.9%
<i>Burmarrad Commercial</i>	15,615	8.1%
<i>VIU 57</i>	7,600	5.9%
Value of property	96,311	
Less: Net Debt	(10,383)	
Equity Value of BBT (100%)	85,929	
<i>Equity Value of BBT (36.23%)</i>	<i>31,132</i>	

▶ The equity value of 100% of shares of BBT as at 30th September 2024 is €85,929,000, with the value of 36.23% being Eur31,132,000

▶ Please refer to the forthcoming slides for a comprehensive examination of the specific details pertaining to each asset. These slides will provide an in-depth analysis and further elucidation on the characteristics and particulars associated with each asset classification.

Overview of Valuation Methods Used

- ▶ I have adopted a discounted cash flow method to value the expected cash inflows from the investment property less non-recoverable expenses. The free cash flows over the 5 years were estimated and the terminal free cash flow was based on the capitalisation of the year 6 cash flows.
- ▶ The details relating to the assumptions that form the basis of the projected free cash flows from the property investments have been received from the Directors and management of BBT.
- ▶ The properties contributed to BBT are owned through separate Special Purpose Vehicles (SPVs), with detailed information provided on each property.
- ▶ The key assumptions underlying the discounted cash flow (DCF) model, including growth rates, discount rates, and expected market conditions, are available in the following slides for review.
- ▶ The resulting valuations (Enterprise Value) have been adjusted for cash and cash equivalents and bank and other debt to arrive at the Equity value.

WACC

Weighted average cost of capital (WACC)

In determining the discount rate for the valuation of the assets, the general principles in accordance with the guidance outlined in the International Financial Reporting Standards (IFRS) have been applied. The discount rate is based on the Weighted Average Cost of Capital (WACC) whereby the required return to equity and debt holders is weighted according to the relevant targeted debt/equity ratio of the Project.

$$WACC=(E/V \times Re)+(D/E \times Rd \times (1-Tc))$$

Where:

- ▶ E/V is the proportion of equity on the company's balance sheet
- ▶ Re is the cost of equity

The Capital Asset Pricing Model (CAPM) serves as the foundation for determining the cost of equity for the entity. The formula for the return on equity (Re) through the CAPM model is as follows:

$$Re = Rf + \beta \times EMRP + CRP + SRP + ER$$

D/E is the proportion of debt on the company's balance sheet

Rd is the cost of debt, indicating the interest rate the company pays on its debt. It reflects the cost of borrowing.

WACC applied (1)

	Note	Centerparc phase 1	Centerparc phase 2	Watercourse	BC	VIU 57
%		Rate	Rate	Rate	Rate	Rate
Components of cost of equity						
Risk free rate	1	2.2%	2.2%	2.2%	2.2%	2.2%
Equity market risk premium	2	5.8%	5.8%	5.8%	5.8%	5.8%
Asset beta	3	45.0%	45.0%	45.0%	45.0%	45.0%
Components of cost of equity						
Risk free rate	1	2.2%	2.2%	2.2%	2.2%	2.2%
Equity market risk premium	2	5.8%	5.8%	5.8%	5.8%	5.8%
Asset beta	3	45.0%	45.0%	45.0%	45.0%	45.0%
Relevered equity beta	4	75.0%	75.0%	75.0%	75.0%	75.0%
Country risk premium	5	1.1%	1.1%	1.1%	1.1%	1.1%
Execution risk premium	6	0.5%	3.0%	3.0%	6.0%	0.5%
Cost of equity		8.1%	10.6%	10.6%	13.6%	8.1%
Components of cost of debt						
Cost of debt (pre-tax)	7	4.5%	4.5%	4.5%	4.5%	4.5%
Tax rate	8	0.0%	0.0%	0.0%	0.0%	0.0%
Cost of debt		4.5%	4.5%	4.5%	4.5%	4.5%
Weighted average cost of capital						
Cost of equity		8.1%	10.6%	10.6%	13.6%	8.1%
Equity to capital	9	40.0%	40.0%	40.0%	40.0%	40.0%
Weighted cost of equity		3.2%	4.2%	4.2%	5.4%	3.2%
Cost of debt		4.5%	4.5%	4.5%	4.5%	4.5%
Debt to capital	9	60.0%	60.0%	60.0%	60.0%	60.0%
Weighted cost of debt		2.7%	2.7%	2.7%	2.7%	2.7%
Weighted average cost of capital		5.9%	6.9%	6.9%	8.1%	5.9%

WACC applied (2)

Discount rates in the range of 5.9-8.1% were used to discount the free cash flows.

The terminal values were arrived using a cap rates ranging 3.9-6.1%.

Key inputs used for the discount rate

1. The risk-free rate is currency driven and since the cash flows were prepared in Euro, the risk-free rate of 2.2% used for the purpose of this valuation was the spot rate of the Germany 10-year zero coupon government bond yield as at September 2024,
2. Equity market risk premium of 5.8% for a mature market based on data published by Professor Damodaran as at 5 January 2024,
3. Asset beta of 0.45, based on the median of asset betas of listed companies operating in similar industries (as of January 2024),
4. Equity beta of 0.75 was derived by re-leveraging the asset beta using debt-to-equity ratio,
5. Country risk premium of 1.1% (arrived at by deducting the risk-free rate from the average yield implied by 10-year Maltese government bonds)
6. A risk premium was assumed to account for additional execution risks, with higher premiums applied to development projects and lower premiums for existing projects with existing and stable cash flows

i.	Centerparc phase 1	0.5%
ii.	Centerparc phase 2	3.0%
iii.	Watercourse	3.0%
iv.	Burmarrad Commercial	6.0%
v.	VIU 57	0.5%

7. The pre-tax cost of debt was estimated at 4.5% taking into account the conditions in the current bank lending market,
8. In Malta, rental income and property development are subject to fixed tax rates of 15% on gross rental income and 8% on the property's gross value. Due to this structure, interest expenses do not provide tax relief for investors. Therefore, a tax rate of zero is applied in the WACC calculation.
9. Equity to capital ratio of 40% and debt to capital ratio of 60% was based on the debt-to-equity ratio requirements on financing real estate development.

DETAILED VALUATIONS

BBT p.l.c valuation, Dated 21 October 2024

Centerparc phase 1

DISCOUNTED CASH FLOW		Centerparc phase 1		Time factor					Terminal	
Currency - €'000		Date of valuation - 30 September 2024		0.5	1.5	2.5	3.5	4.5	5.5 Year	
ASSUMPTIONS		Years		2024	2025	2026	2027	2028	2029	
Income growth rate	Income growth			2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	
Expense growth rate	Expense growth			2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	
INCOME										
Income per asset €'000										
Centerparc phase 1	Centerparc phase 1			1,927	1,933	1,988	2,020	2,026	2,067	2,108
TOTAL INCOME €'000				1,927	1,933	1,988	2,020	2,026	2,067	2,108
NON-RECOVERABLE OPERATING EXPENSES €'000										
Operating costs and capital expenditure										
Overheads (net)				(281)	(287)	(293)	(298)	(304)	(310)	(316)
Tax paid	15.00%			(289)	(290)	(298)	(303)	(304)	(310)	(318)
Recurring capex and maintenance				(83)	(85)	(87)	(89)	(90)	(92)	(94)
Total operating costs and capital expenditure, €'000				(653)	(662)	(678)	(690)	(698)	(712)	(726)
NET OPERATING INCOME (NOI) €'000				1,274	1,271	1,310	1,330	1,328	1,355	1,382
Value of Capitalisation (Terminal year), €'000				-	-	-	-	-	-	34,999
Discount factor				0.97	0.92	0.87	0.82	0.77	0.73	0.71
Present value of NOI				1,238	1,166	1,134	1,086	1,024	986	24,746
DCF SUMMARY										
Discount Rate (WACC)				5.95%						
Capitalisation rate (WACC less 2% being the long term HICP target of ECB)				3.95%						
Present Value of Cash Flows, €'000				6,633						
Present Value of Capitalisation, €'000				24,746						
Total Present Value of Cash Flows, €'000				31,379						

Summary:

- ▶ The Center Parc Complex, located on Triq it-Tigrija in Qormi and owned by Center Parc Holdings Ltd, features over 10,000 sqm of finished and operational retail space on the ground floor and two underground levels (Levels -1 and -2), including integrated parking facilities.
- ▶ The projected free cash flows over the forecast years have been discounted with a WACC of 5.95% as set out previously.
- ▶ The terminal value of free cash flow was determined by capitalizing the gross rental income of FY2030, with a capitalization rate of 3.95%.
- ▶ Centerparc Phase 1 is estimated to have an enterprise value of €31.4 million.

Centerparc phase 2

DISCOUNTED CASH FLOW		Centerparc phase 2		Time factor						Terminal
Currency - €'000		Date of valuation - 30 September 2024		0.5	1.5	2.5	3.5	4.5	5.5	Year
ASSUMPTIONS		Years		2024	2025	2026	2027	2028	2029	
Income growth rate	Income growth			2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Expense growth rate	Expense growth			2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
INCOME										
Income per asset €'000										
Centerpark phase 2				1,105	1,105	1,105	1,105	1,160	1,183	1,207
TOTAL INCOME €'000				1,105	1,105	1,105	1,105	1,160	1,183	1,207
NON-RECOVERABLE OPERATING EXPENSES €'000										
Operating costs and capital expenditure										
Overheads (net)				-	(91)	(93)	(95)	(97)	(99)	(101)
Tax paid		15.00%		(166)	(166)	(166)	(166)	(174)	(177)	(181)
Development CapEx				(6,500)	-	-	-	-	-	-
Recurring capex and maintenance				-	(49)	(50)	(51)	(52)	(53)	(54)
Total operating costs and capital expenditure, €'000				(6,666)	(306)	(309)	(312)	(323)	(329)	(336)
NET OPERATING INCOME (NOI) €'000				(5,561)	799	796	793	837	854	871
Value of Capitalisation (Terminal year), €'000				-	-	-	-	-	-	17,599
Discount factor				0.97	0.90	0.85	0.79	0.74	0.69	0.67
Present value of NOI				(5,377)	723	673	627	619	690	11,761

DCF SUMMARY	
Discount Rate (WACC)	6.95%
Capitalisation rate (WACC less 2% being the long term HICP target of ECB)	4.95%
Present Value of Cash Flows, €'000	(2,146)
Present Value of Capitalisation, €'000	11,761
Total Present Value of Cash Flows, €'000	9,616

Summary:

- ▶ The second phase of development of the Center Parc Complex includes approximately 7,500 sqm of further expansion. Over 80% of the retail area has secured rental agreements.
- ▶ The projected free cash flows over the forecast years have been discounted with a WACC of 6.95% as set out previously.
- ▶ The terminal value of free cash flow was determined by capitalizing the gross rental income of FY2030, with a capitalization rate of 4.95%.
- ▶ Centerparc Phase 2 is estimated to have an enterprise value of €9.6 million.

Watercourse

DISCOUNTED CASH FLOW		Watercourse						Terminal	
Currency - €'000		Date of valuation - 30 September 2024	Time factor					Year	
		Years	0.5	1.5	2.5	3.5	4.5	5.5	
ASSUMPTIONS			2024	2025	2026	2027	2028	2029	
Income growth rate	Income growth		2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	
Expense growth rate	Expense growth		2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	
INCOME									
Income per asset €'000									
Watercourse			1,920	1,958	1,998	2,038	2,078	2,120	2,162
TOTAL INCOME €'000			1,920	1,958	1,998	2,038	2,078	2,120	2,162
NON-RECOVERABLE OPERATING EXPENSES €'000									
Operating costs and capital expenditure									
Tax paid		15.00%	(288)	(294)	(300)	(306)	(312)	(318)	(324)
Development CapEx			(1,200)	-	-	-	-	-	-
Total operating costs and capital expenditure, €'000			(1,488)	(294)	(300)	(306)	(312)	(318)	(324)
NET OPERATING INCOME (NOI) €'000			432	1,665	1,698	1,732	1,767	1,802	1,838
Value of Capitalisation (Terminal year), €'000			-	-	-	-	-	-	37,144
Discount factor			0.97	0.90	0.85	0.79	0.74	0.69	0.67
Present value of NOI			418	1,505	1,435	1,369	1,306	1,245	24,823
DCF SUMMARY									
Discount Rate (WACC)			6.95%						
Capitalisation rate (WACC less 2% being the long term HICP target of ECB)			4.95%						
Present Value of Cash Flows, €'000			7,278						
Present Value of Capitalisation, €'000			24,823						
Total Present Value of Cash Flows, €'000			32,101						

Summary:

- ▶ The Watercourse Complex, completed in 2023, is a commercial development featuring an office block, showroom, and parking facilities. It offers ca. 10,500 sqm of leasable office space, ca. 2,500 sqm of warehousing space, and 242 parking spaces. The office space is leased to third parties, while the showroom and adjacent stores are leased to B.T. Commercial Limited, part of the same group as BT Group Limited, a shareholder of BBT p.l.c., thus, the valuation results are highly dependent on contracts BT Group Limited, it was assumed that these relationships will continue on the same terms.
- ▶ The projected free cash flows over the forecast years have been discounted with a WACC of 6.95% as set out previously.
- ▶ The terminal value of free cash flow was determined by capitalizing the gross rental income of FY2030, with a capitalization rate of 4.95%.
- ▶ Watercourse is estimated to have an enterprise value of €32.1 million.

Burmarrad Commercial

DISCOUNTED CASH FLOW		Burmarrad Commercial		Time factor						Terminal
Currency - €'000		Date of valuation - 30 September 2024		0.5	1.5	2.5	3.5	4.5	5.5	Year
ASSUMPTIONS		Years		2024	2025	2026	2027	2028	2029	2029
Income growth rate	Income growth			2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Expense growth rate	Expense growth			2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
INCOME										
Income per asset €'000										
Burmarrad Commercial		-	-	2,624	2,676	2,730	2,785	2,785	2,840	2,840
TOTAL INCOME €'000		-	-	2,624	2,676	2,730	2,785	2,785	2,840	2,840
NON-RECOVERABLE OPERATING EXPENSES €'000										
Operating costs and capital expenditure										
Tax paid	15.00%	-	-	(394)	(401)	(410)	(418)	(418)	(426)	(426)
Development CapEx		(1,815)	(7,260)	(9,075)	-	-	-	-	-	-
Total operating costs and capital expenditure, €'000		(1,815)	(7,260)	(9,469)	(401)	(410)	(418)	(418)	(426)	(426)
NET OPERATING INCOME (NOI) €'000		(1,815)	(7,260)	(6,845)	2,275	2,321	2,367	2,367	2,414	2,414
Value of Capitalisation (Terminal year), €'000		-	-	-	-	-	-	-	-	39,269
Discount factor		0.96	0.89	0.82	0.76	0.70	0.65	0.65	0.63	0.63
Present value of NOI		(1,745)	(6,455)	(5,627)	1,729	1,631	1,538	1,538	1,538	24,544
DCF SUMMARY										
Discount Rate (WACC)		8.15%								
Capitalisation rate (WACC less 2% being the long term HICP target of ECB)		6.15%								
Present Value of Cash Flows, €'000		(8,929)								
Present Value of Capitalisation, €'000		24,544								
Total Present Value of Cash Flows, €'000		15,615								

Summary:

- ▶ This site, located on Triq Burmarrad, is designated for development. It comprises various adjoining yards, plots of land, garages, and other structures previously used by the Burmarrad Group for vehicle operations before their relocation to the Marsa premises. The plan is to transform the site into a commercial development, intended for rental to third parties, with an anticipated net rentable area of ca. 11,800 sqm and ca. 478 parking spaces. The total remaining development cost is approximately €18 million.
- ▶ The projected free cash flows over the forecast years have been discounted with a WACC of 8.15% as set out previously.
- ▶ The terminal value of free cash flow was determined by capitalizing the gross rental income of FY2030, with a capitalization rate of 6.15%.
- ▶ Burmarrad Commercial is estimated to have an enterprise value of €15.6 million.

VIU 57

DISCOUNTED CASH FLOW		VIU 57		Time factor						Terminal
Currency - €'000	Date of valuation - 30 September 2024		0.5	1.5	2.5	3.5	4.5	5.5	Year	
ASSUMPTIONS		Years	2024	2025	2026	2027	2028	2029		
Income growth rate	Income growth		2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	
Expense growth rate	Expense growth		2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	
INCOME										
Income per asset €'000										
VIU 57			380	380	399	399	419	427	436	
TOTAL INCOME €'000			380	380	399	399	419	427	436	
NON-RECOVERABLE OPERATING EXPENSES €'000										
Operating costs and capital expenditure										
Tax paid	15.00%		(57)	(57)	(60)	(60)	(63)	(64)	(65)	
Recurring capex and maintenance			(30)	(31)	(31)	(32)	(32)	(33)	(33)	
		Total operating costs and capital expenditure, €'000	(87)	(88)	(91)	(92)	(95)	(97)	(99)	
NET OPERATING INCOME (NOI) €'000			293	292	308	307	324	331	337	
Value of Capitalisation (Terminal year), €'000			-	-	-	-	-	-	8,542	
Discount factor			0.97	0.92	0.87	0.82	0.77	0.73	0.71	
Present value of NOI			285	268	267	251	250	241	6,040	
DCF SUMMARY										
Discount Rate (WACC)									5.95%	
Capitalisation rate (WACC less 2% being the long term HICP target of ECB)									3.95%	
Present Value of Cash Flows, €'000									1,561	
Present Value of Capitalisation, €'000									6,040	
Total Present Value of Cash Flows, €'000									7,600	

Summary:

- ▶ The Viu 57 Hotel, formerly known as the Panorama Hotel, is a recently refurbished 57-room, 3-star hotel situated on the hilltop of Mellieha, offering views of Ghadira Bay. A 20-year rental agreement has been secured with a third-party hotel operator since May 2021.
- ▶ The projected free cash flows over the forecast years have been discounted with a WACC of 5.95% as set out previously.
- ▶ The terminal value of free cash flow was determined by capitalizing the gross rental income of FY2030, with a capitalization rate of 3.95%.
- ▶ VIU 57 is estimated to have an enterprise value of €7.6 million.