

## Spin-Off: Go plc – Malta Properties Ltd

### 1. The Vision for Malta Properties Ltd

MPL's strategic vision is to become a leading player in the provision of premium commercial space. MPL will retain title over the various exchanges used by the company and will execute the development of its 3 main sites namely Zejtun, Marsa, and B'Kara exchanges.

The current plans also provide for the disposal of certain properties once these are vacated by the Company, with the proceeds from these disposals being used to part-finance the planned developments mentioned above.

### 2. The Spin-Off

The main aim of the spin-off is that both GO and MPL continue to focus on their respective core business. The spin-off would enable MPL to directly raise equity or debt through either the capital markets or the banks independently from the telecoms business. The spin-off is intended to be effected by way of a Distribution to the shareholders, and MPL shares will not be offered to the public as part of the spin-off. MPL's shares will be held by Emirates International Telecommunications Ltd (60%) and by the public (40%).

Properties to be transferred to MPL are being valued at €52.8m. The Net Asset Value of the company is to be the following:

Fair Value of Investment Property	€ 52,810,000
Deferred Tax Liability	-€ 5,129,000
Borrowings	-€ 16,000,000
Other Assets / Liabilities	-€ 101,000
<b>Net Assets</b>	<b>€ 31,580,000</b>

Currently MPL's current share capital is of 50,000 shares of €1 each. In order to simplify the mechanics of the spin-off, MPL's shares will be increased and redesignated to match the number of shares of GO. Therefore, the new share value will be as follows:

Net Asset Value of MPL	€ 31,580,000
Number of Ordinary Shares	101,310,488
<b>Value per Share of MPL</b>	<b>€ 0.31</b>

### 3. Benefits for the Shareholders

- Property is often viewed as an extension of the telecoms infrastructure and presently there is a limited visibility of the potential of this asset. The spin-off will allow for increased business opportunities regarding the property.
- The spin-off would allow GO and MPL as separate entities to focus on and pursue their respective strategies.
- GO and MPL will target their respective shareholders more effectively given the more visible risk profile of each of the two businesses. Both companies can raise equity or debt independently.
- The spin-off will lead to a more direct alignment of the responsibilities of the management teams responsible for each company.

### 4. Risks to the Shareholders

- Additional fixed operating cost for GO in the form of the annual rent payable to MPL.
- Reduction in GO's total assets.
- Increase in the level of financial leverage underlying GO's funding structure.
- GO will no longer hold title to the majority of the properties utilised for its operations.

### 5. Financial Changes after the Spin-Off

*Consolidated Income Statement of the Group:*

	2014 Actual	2014 Pro- Forma	Change
	€'000	€'000	€'000
Revenue	122,258	122,258	0
Cost of Sales	-71,890	-73,476	-1,586
Gross Profit	50,368	48,782	-1,586
Operating Profit	21,764	19,336	-2,428
Profit Before Tax	20,330	18,137	-2,193

*Consolidated Statement of Financial Position of the Group:*

	2014 Actual	2014 Pro- Forma	Change
	€'000	€'000	€'000
<b>Assets</b>			
- Property, Plant, & Equipment	133,640	83,029	50,611
- Investment Property	2,199	0	-2,199
- Cash	12,509	25,419	12,910
- Other	75,518	76,557	1,039
<b>Total Assets</b>	<b>223,866</b>	<b>185,005</b>	<b>38,861</b>
<b>Equity</b>			
- Share Capital	58,998	58,998	0
- Other Reserves	-1,964	-1,964	0
- Revaluation Reserve	17,604	0	17,604
- Retained Earnings	35,379	20,679	14,700
<b>Total Equity</b>	<b>110,017</b>	<b>77,713</b>	<b>32,304</b>
<b>Liabilities</b>			
- Borrowings	53,998	53,998	0

- Trade and other payables	42,522	42,396	-126
- Deferred Tax Liabilities	7,178	841	-6,337
- Current Tax Liabilities	122	28	-94
- Other	10,029	10,029	0
<b>Total Liabilities</b>	<b>113,849</b>	<b>107,292</b>	<b>-6,557</b>

The reduction in equity of GO will be an effect of the dividend to be paid in the form of MPL shares. This includes a reduction in the revaluation reserve to zero and a reduction in the company's retained earnings of €14.7 million.

*Effects on Ratios:*

	<b>2014 Actual</b>	<b>2014 Pro-Forma</b>
<b>Profit Margins</b>		
- Gross Profit Margin	41.2%	40.0%
- Operating Profit Margin	17.8%	15.8%
- Net Profit Margin	12.0%	10.5%
<b>Return on Investment</b>		
- Return on Assets	9.7%	10.5%
- Return on Equity	13.3%	16.5%
<b>Debt Service &amp; Capital Structure</b>		
- Liabilities: Assets	50.9%	58.0%
- Borrowings: Total Assets	24.1%	29.2%
- Interest Cover	9.4x	8.4x
- Borrowings: Operating Profits	2.5x	2.8x

For the full analysis of the spin-off please see the circular issued recently by GO.



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