THE CONVENIENCE SHOP (HOLDING) PLC
C 87554

Marant Food Products, Mdina Road,
Zebbug, ZBG 9017, Malta
(the "**Company**")

COMPANY ANNOUNCEMENT

The following is a Company Announcement issued by the Company on the 11th August 2020, in terms of the Prospects MTF Rules issued by the Malta Stock Exchange.

Quote

Financial Sustainability Forecasts for Year 2020 and Year 2021

The Company refers to the obligation which Prospects MTF Companies are subject to, in terms of Rule 4.11.03 and Rule 4.11.12 relating to the publication and dissemination (via a company announcement) of Financial Sustainability Forecasts (hereinafter referred to as "**FSFs**"), including applicable management assumptions. Reference is also made to Company Announcement CVS18 in terms of which the Company informed the market that in light of the lifting of the Covid-19 restrictions in June 2020, the Board has considered it necessary to carry out a re-assessment and take into consideration the normalisation period that is being envisaged for the retail sector to get back to pre-Covid-19 levels of activity, and to Company Announcement CVS21 in terms of which the Company informed the market that the Board of Directors is scheduled to meet on Tuesday the 11th August 2020 to consider, and if appropriate, approve the Company's FSFs.

The Company announces that the Board of Directors has met on Tuesday the 11th August 2020 and has approved the financial projections of the Company for the years 2020 and 2021. These financial projections are also available on the Company's website https://www.theconvenienceshop.com/investors-announcement/. The financial projections have been prepared on the basis of the assumptions, which take into account the experience obtained by the Company during financial period ended 31st December 2019. Annual revenues and costs have been estimated based on management experience and management expectations in line with the future business growth of the Company.

Unquote

Richard Deschrijver
Company Secretary

11th August 2020

Summary of Significant Assumptions and Accounting Policies

A. Introduction

The forecast statement of financial position, the forecast statement of profit or loss, and the forecast statement of cash flows ("the Forecasts") of the Issuer for the periods ending 31 December 2020 and 31 December 2021 have 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 describe 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 11th August 2020 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;
- Do not consider certain recognition or measurement criteria; and
- Do not show comparative amounts.

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 period under consideration;

- There will be no material adverse movements originating from market and economic conditions affecting the groceries market in Malta, consumer spending levels, employment and job growth, amongst others;

- The rate of inflation will be in line with historic trends;

- The basis and rates of taxation, direct and indirect, will not change materially throughout the period covered by the Forecast Financial Information; and

The Company will enjoy good relations with its employees throughout the period 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 2020 revenue is expected to grow by 11.3% or €3.3m over the previous 12-month period of 2019. It is expected to grow further in 2021, with a projected annual growth rate of 22.9%.

- Own store revenue is projected to be the major revenue factor of the Group, representing 93% of the total revenue. 6 new shops are opened in 2020, of which 4 are already in operation. 1 other shop will be opened in 2021. The increase in revenue in 2021 is also attributable to the full year trading of the shops opened in 2020.

- Franchise fee revenue is expected to grow further in 2020 and stabilise in 2021. The projections are based on the past trends of each store and new stores opened in the respective years.

- In addition to the opening of new shops, revenue growth is predominately driven by the optimisation of the product mix in the shops. This is a result of a comprehensive exercise conducted by the management to improve the effectiveness of the product mix, profit margins and the efficiency of the shops' available space. This will also lead to an increase in the average value of the chit size.

2. Cost of sales

Cost of sales is projected as the difference between revenue and gross profit. The assumptions underlying the gross profit calculation is explained in Note 4 below.

3. Royalty fees

No royalty fees are projected as the Group will be acquiring the Intellectual Property Rights (The Convenience Shop' trademark) from a related company during 2020. The Group is in the process of agreeing terms of financing this acquisition. For the purpose of these forecasts, it is assumed that the acquisition will be financed by way of increased borrowings.

4. Gross profit

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

Margins are kept constant throughout the projected period.

5. Own store overheads

Own store overheads are projected as a percentage of store revenue on a per store basis. Overheads for existing stores are projected using historical trends whilst new store overheads are projected on historical trends and experience on similar shops already in operation.

6. Head office costs

Head office costs include wages, rent and rates, sub-contracting, advertising, utilities and professional fees. These are based on historical costs and are projected to increase at an inflationary rate of 2% p.a.

7. Depreciation

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 over 10 years
- Furniture and Fixtures over 10 years
- Office equipment over 5 years
- Motor Vehicles over 5 years

8. 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.

9. Taxation

Tax is calculated at 35% of adjusted taxable profit before tax.

10. Plant and equipment

Plant and equipment include office equipment, furniture and fittings, plant and machinery and motor vehicles. These are depreciated using the straight-line method as explained in Note 8.

11. 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 period. In 2020 intangibles include the acquisition of the Intellectual Property Rights (The Convenience Shop' trademark) as explained in Note 3 above.

12. Net working capital

Inventory, Trade Receivables and Trade Payables are projected on a company by company basis using a fixed percentage of revenue based on the historical average.

Other creditors are projected to remain stable over the projection period.

13. Shareholders' loans

€2.2m due to shareholders is planned to be capitalised in 2020 following the Group's recent restructuring exercise. Furthermore, a shareholders' loan amounting to €747k is planned to be fully repaid in 2020.

Any remaining shareholders' loan balances are projected to remain fixed over the projected period.

14. Debt

The projected debt relates to:

- The €5m bond issue, net of deferred bond issue costs; and
- €1.2m worth of bank financing outstanding as at end 2020. The Group is planned to have a net increase in bank lending of €453k in 2020 (€600 new facility drawdowns and €143k repayments in line with agreed repayment schedules). In 2021 bank lending is expected to remain at same level of 2020, standing at €1.1m (final drawdown of the new facility and agreed repayments).

15. Accrued interest

Accrued interest refers to accrued bond interest due on the Bond and bank facilities as at 31 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.

16. Capital expenditure

Capital expenditure includes:

- Investment in new store openings - new store opening is projected at €100k per store, albeit part of the new stores are being acquired as a going-concern basis and thus key money is being projected;
- Improvements to the existing shops - refurbishment projects for upgrade and upkeep of shops is projected in line with the Group's shops policy standards; and
- Investments in ICT to maintain technology enhancements required by the Group.

17. Dividends

Dividends are projected using a dividend pay-out ratio amounting to 60% of the profit after tax. The first part (50%) is paid as Interim dividend in same financial year whereas the remaining part (remaining 50%) is paid the following year.

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 11th August 2020

Table 1 - Consolidated Statement of Comprehensive Income for the respective years ending 31 December

EUR 000s

	Audited 2019 (16 months)	Management accounts 2019 (12 months)	Actual / Forecast 2020	Forecast 2021
Revenue	39,566	29,675	33,014	40,572
Cost of Sales	(33,530)	(25,147)	(28,176)	(33,944)
Gross Profit	**6,036**	**4,527**	**4,838**	**6,628**
Administrative expenses	(3,638)	(2,729)	(3,003)	(3,325)
Operating profit	**2,398**	**1,799**	**1,834**	**3,303**
Other Income	327	245	501	428
Loss on acquisition of subsidiaries	(346)	(346)	-	-
Share in loss of an associate	(6)	(6)	-	-
Finance Charges	(677)	(677)	(728)	(783)
Profit Before Tax	**1,697**	**1,015**	**1,607**	**2,948**
Tax Charge	(969)	(727)	(699)	(1,136)
Profit After Tax	**727**	**288**	**907**	**1,812**

Table 2 - Consolidated Statement of Financial Position as at 31 December for the respective years

			EUR 000s
	Audited 2019	Forecast 2020	Forecast 2021
ASSETS			
Plant & Equipment	3,219	3,862	4,185
Intangible assets	8,973	12,947	13,110
Right of Use Assets	7,165	8,877	9,135
Deferred Tax	19	23	25
Total Non Current Assets	**19,376**	**25,709**	**26,455**
Inventory	1,847	1,669	1,728
Trade Receivables	2,805	2,369	2,539
Cash & Cash Equivalents	1,819	729	2,837
Total Current Assets	6,471	4,767	7,105
Total Assets	**25,848**	**30,476**	**33,560**
EQUITY AND LIABILITIES			
Share Capital	50	2,289	2,289
Retained Earnings	650	286	1,282
Total Equity	**700**	**2,574**	**3,571**
Non-Current Liabilities			
Interest Bearing Loans	5,333	9,764	9,671
Lease Liability	7,014	7,695	8,846
Total Non-Current Liabilities	**12,347**	**17,459**	**18,518**
Current Laibilities			
Current Tax	980	699	1,136
Interest Bearing Loans	4,262	1,298	1,364
Lease Liability	443	1,875	1,287
Trade Creditors	7,116	6,570	7,684
Total Current Liabilities	**12,800**	**10,443**	**11,472**
Total Equity & Liabilities	**25,848**	**30,476**	**33,560**

Table 3- Consolidated Statement of Cash Flows for the respective years ending 31 December

			EUR 000s
	Audited 2019 (16 months)	**Actual / Forecast 2020**	**Forecast 2021**
Cash flow from operating activities			
Receipts from customers	34,914	33,842	40,702
Payments to suppliers	(28,348)	(30,197)	(34,572)
Other revenue	327	108	128
Cash generated from operating activities	**6,894**	**3,753**	**6,258**
Income taxes paid	-	(980)	(699)
Interest paid	(26)	(282)	(272)
Net cash generated from / used in financing activities	**6,868**	**2,491**	**5,286**
Cash flows from investing activities			
Capital Expenditure	(4,530)	(1,186)	(1,189)
Proceeds from disposal of PPE	88	-	-
Sale / Purchase for Investment	(352)	-	-
Payments to acquire business	(8,744)	-	-
Net Cash used in Investing Activities	**(13,537)**	**(1,186)**	**(1,189)**
Cash flows from financing activities			
Issue of share capital	50	-	-
Proceeds from bond issuance	4,806	-	-
Debt Drawdown	714	600	150
Debt Repayments	-	(147)	(176)
Payment of lease liabilities	(968)	(830)	(1,147)
Movement in Shareholders Loans	3,886	(748)	-
Dividends Paid	-	(1,272)	(816)
Net Cash Generated from Financing Activities	**8,489**	**(2,396)**	**(1,989)**
Movement in Cash and Cash Equivalents	**1,819**	**(1,091)**	**2,108**
Opening Cash & Cash Equivalents	-	1,819	729
Closing Cash and Cash Equivalents	**1,819**	**729**	**2,837**