



The Convenience Shop Group

Investor presentation

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The offer of shares is the subject of an application with the Malta Financial Services Authority (MFSA) and the Malta Stock Exchange (MSE). No shares shall be issued, nor shall any documents be released except on a confidential basis, without the prior approval of the MFSA and the MSE. You are deemed to have knowledge of such facts. Furthermore, any forward-looking statements, including those relating to matters which are not historical facts, and which involve projections and assumptions of future circumstances, are subject to a number of risks, uncertainties, assumptions and important factors that could cause actual risks to differ materially from the expectations of the Company’s directors. No assurance is given that future results or expectations will be achieved.

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Introduction

The Convenience Shop (Holding) p.l.c.

The Convenience Shop Group



The Convenience Shop Group is one of the leading players within the Maltese retail grocery industry, with a store network of 83 Convenience Shops across Malta

Over 13 years of experience in grocery retail

First shop opened in 2009

Close to home

83 stores in Malta (as at December 2022)

Large client base

Over 10.5 million annual satisfied customer visits

Own store and franchise model

Allows for efficient growth in store network

Experienced management team

A lifetime of experience in the FMCG industry



Outlet network evolution & milestone timeline



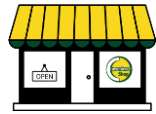
OUTLET NETWORK
EVOLUTION



Outlets 2

Owned 2

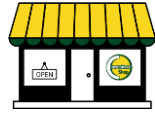
Franchise 0



Outlets 14

Owned 13

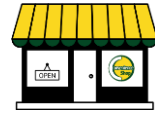
Franchise 1



Outlets 31

Owned 19

Franchise 12



Outlets 55

Owned 28

Franchise 27



Outlets 71

Owned 38

Franchise 33



Outlets 83

Owned 40

Franchise 43

2009

2014

2016

2018

2019

2020

2021

2022

First Store
open in Zebbug

First
Franchised
store opening

TCS Group
Re-
Organization

Prospects
MTF €5M
Bond issue

Launch of TCS
online e-shop



Wolt
Inclusion of
17 Outlets

Partnership
with



ITALIAN PRODUCTS

&

Wolt Market

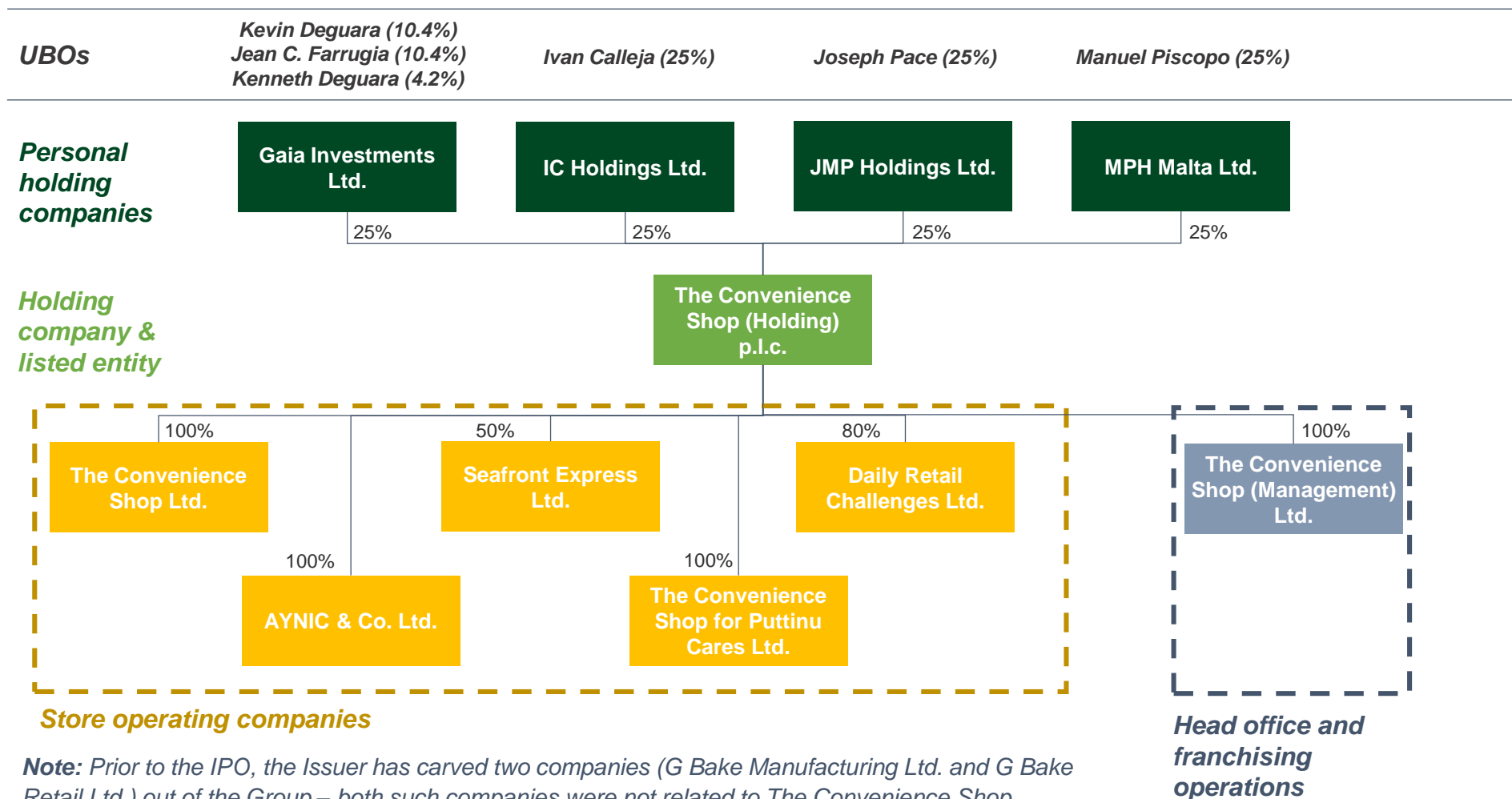
Initial
Public
Offering

KEY EVENTS &
MILESTONES

Corporate structure



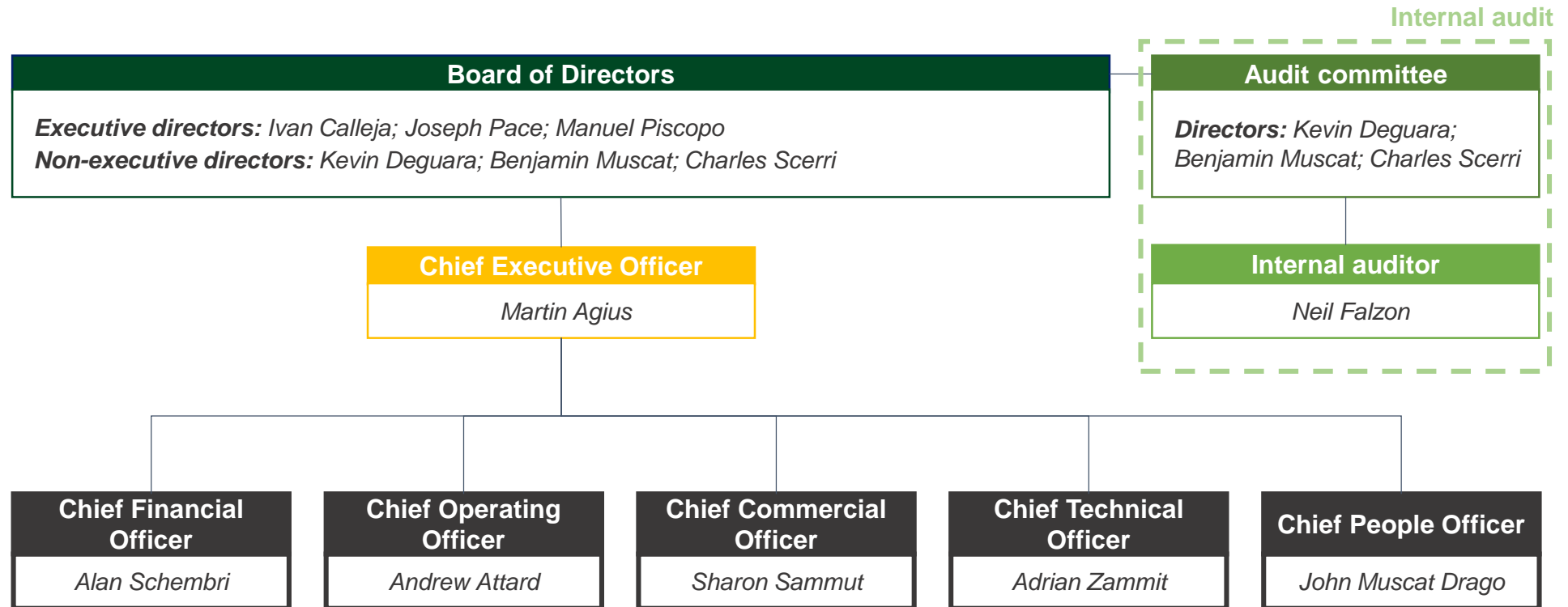
The Group owns, operates and franchises a network of grocery stores in Malta under 'The Convenience Shop' brand and is currently owned by 4 main shareholding blocks



Note: Prior to the IPO, the Issuer has carved two companies (G Bake Manufacturing Ltd. and G Bake Retail Ltd.) out of the Group – both such companies were not related to The Convenience Shop operations.

Management structure

Operations are managed through a formal management structure headed by an independent CEO



Board of Directors



Ivan Calleja
Executive Director



Joseph Pace
Executive Director



Manuel Piscopo
Executive Director



Dr. Kevin Deguara
Non-Executive Director



Charles Scerri
Non-Executive Director



Benjamin Muscat
Chairman

Management team



Martin Agius
Chief Executive Officer



Alan Schembri
Chief Financial Officer



Andrew Attard
Chief Operating Officer



Sharon Sammut
Chief Commercial Officer



Adrian Zammit
Chief Technical Officer



John Muscat Drago
Chief People Officer



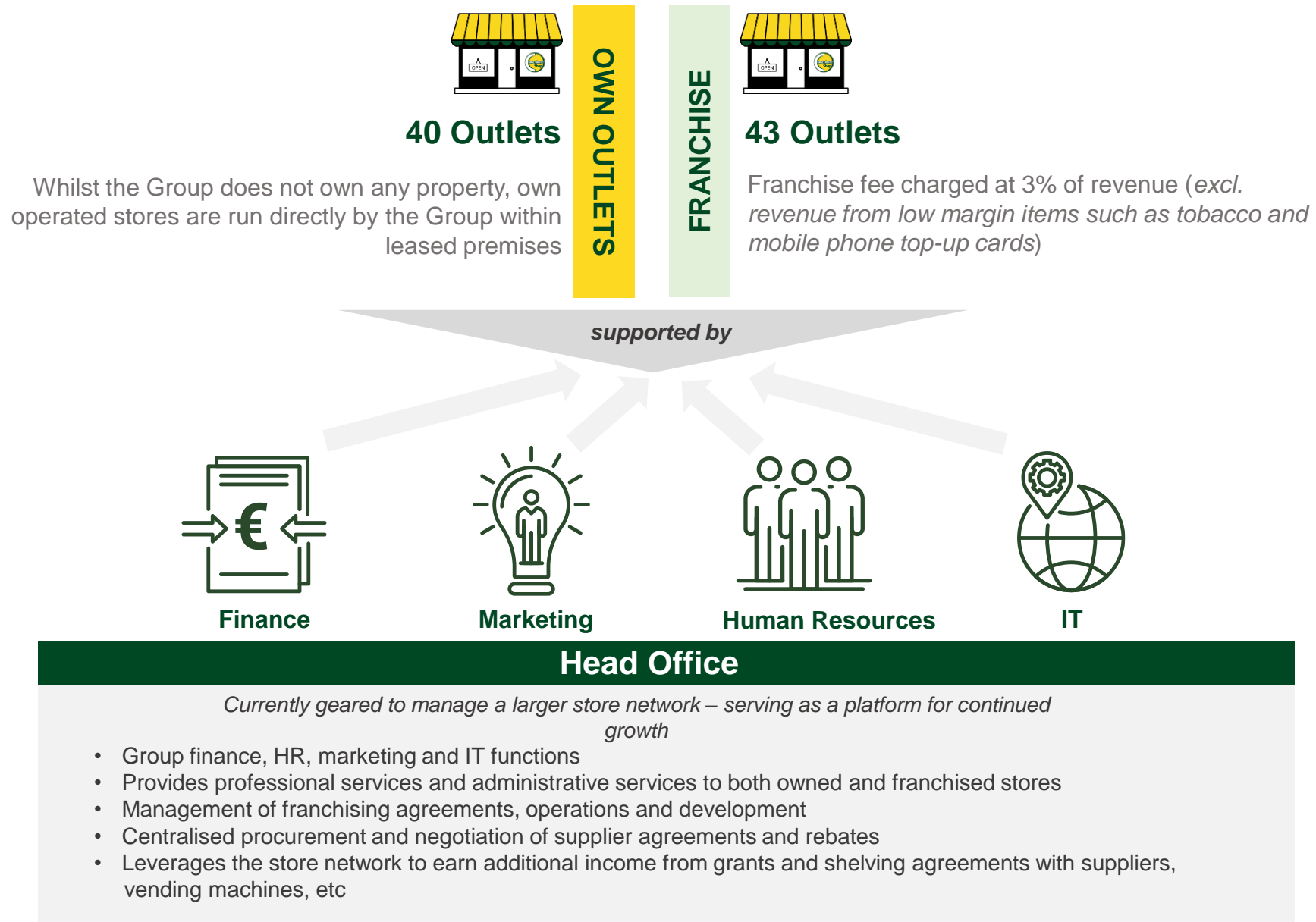
Neil Falzon
Internal Auditor



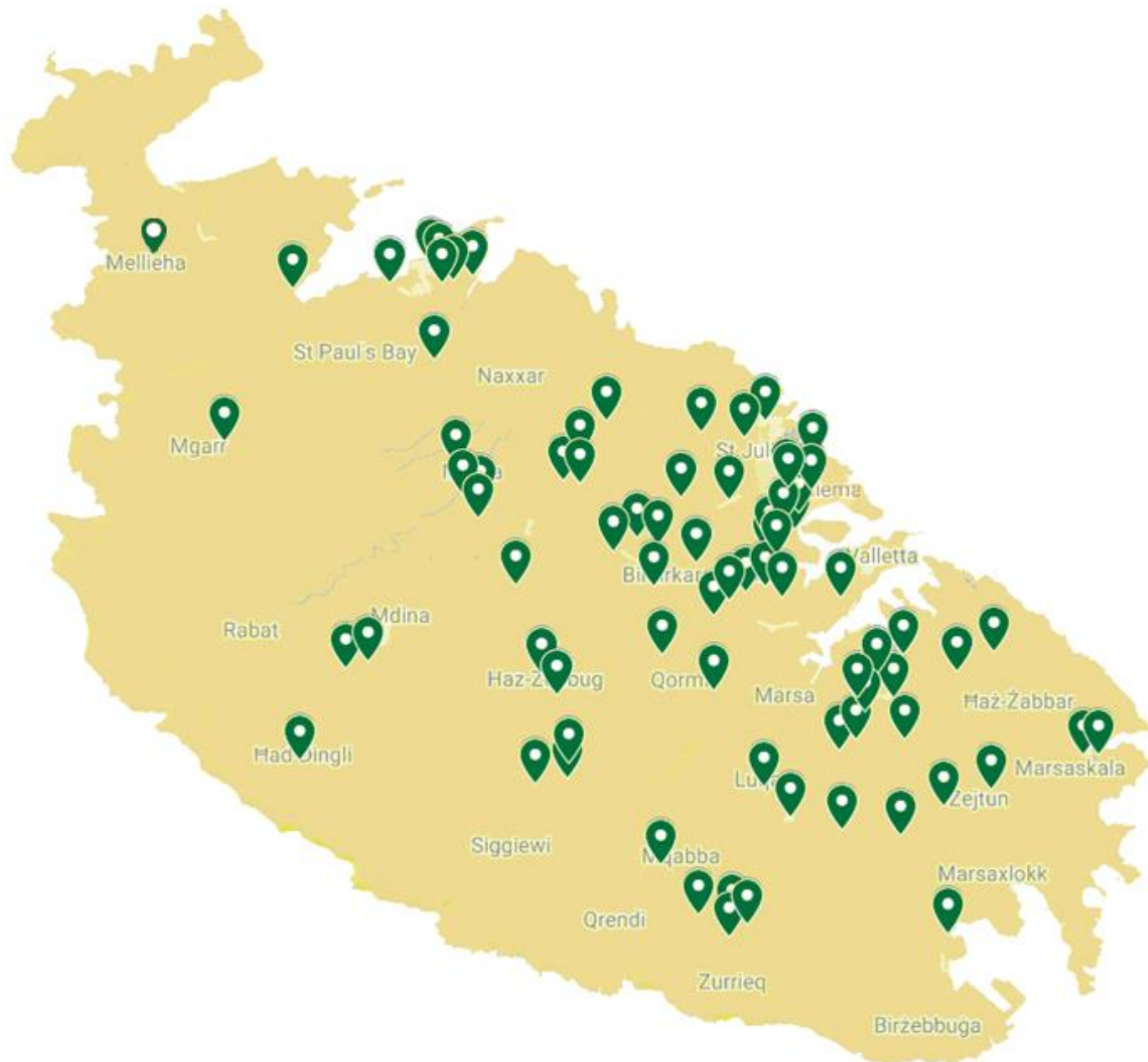
Business Overview

Business overview

The Group's operations can be split into own store operations and franchised store operations – both of which are supported by a robust head office function



Outlet Network as at December 2022



83
OUTLETS
in **48**
LOCALITIES

Outlet Network Growth Areas in 2023

Management have identified a number of growth areas in Malta and Gozo for potential new store openings and/or acquisitions in 2023.



- 1 Location : Marsa
- 1 Location : Mellieha
- 1 Location : Valletta
- 1 Location : Mosta
- 1 Location : Marsascala
- 1 Location : Balluta
- 1 Location : Xghajra
- 1 Location : St.Venera
- 1 Location : Gozo

9
NEW OUTLETS
9 LOCALITIES
adding
5 NEW
LOCALITIES



83 outlets in 48 localities
We're always close to home



Home & detergents



Personal care



Pet food



Easy online shopping options
Through www.thecovenienceshop.com & WOLT



Fresh bread



Fresh fruit & veg



Daily essentials

COOP Partnership



The Company secured an exclusive partnership for the importation and distribution of selected COOP Italian Products in Malta & Gozo.

COOP Italia, with its extensive network of cooperative partners in Italy, gives The Convenience Shop the opportunity to offer products with more Quality and Value to its clientele – focusing on affordability, without jeopardising the integrity of the products offered.



ITALIAN PRODUCTS

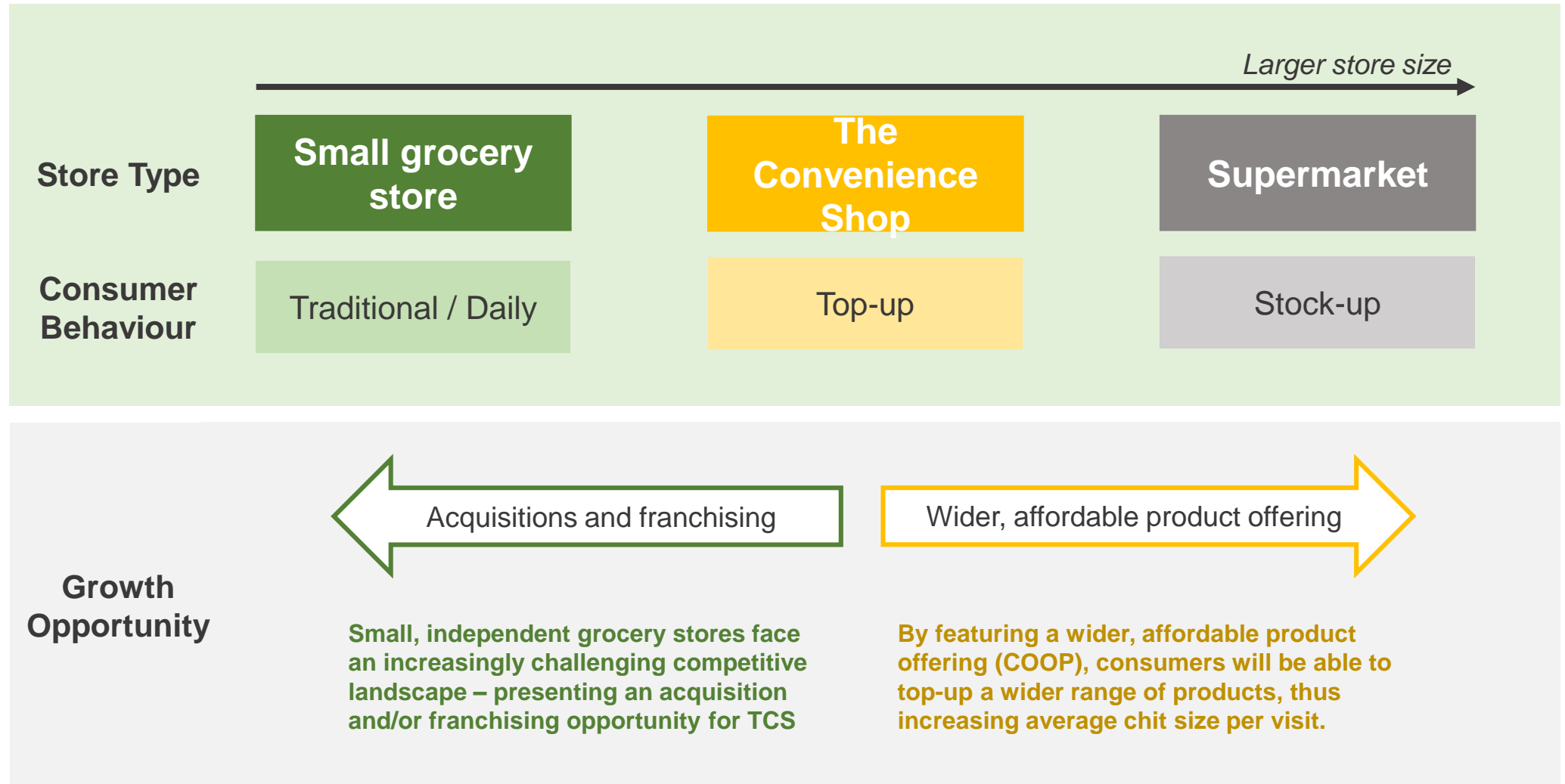




Strategy

Market positioning

Shopper mission varies between The Convenience Shop and supermarkets as shoppers typically stock up at the supermarket and top-up more frequently at The Convenience Shop



Core competencies and key challenges

The Group's strong brand recognition and the store network's proximity to home place the Group in a position to mitigate the effect of current and upcoming key challenges

Core competencies



Strong brand recognition

The Convenience Shop brand is recognised as the market leading brand in the daily needs segment



Presence and proximity

With 83 outlets all over Malta, there's always The Convenience Shop is always close to home



Large scale operation

Over 10.5 million annual customer visits – resulting in economies of scale and increased bargaining power



Strong cash generation

TCS network revenue estimated at c. 7% of local annual household F&B consumption (excl. catering services)

Cash generation allows for growth reinvestment and a growing dividend

Key challenges



Inflationary pressures

Partnership with COOP Italia ensures that TCS will continue to provide a quality, affordable product option



Tight labour market conditions

High dependency on human resources
Focus on internal and external talent attraction, increased training and employee retention



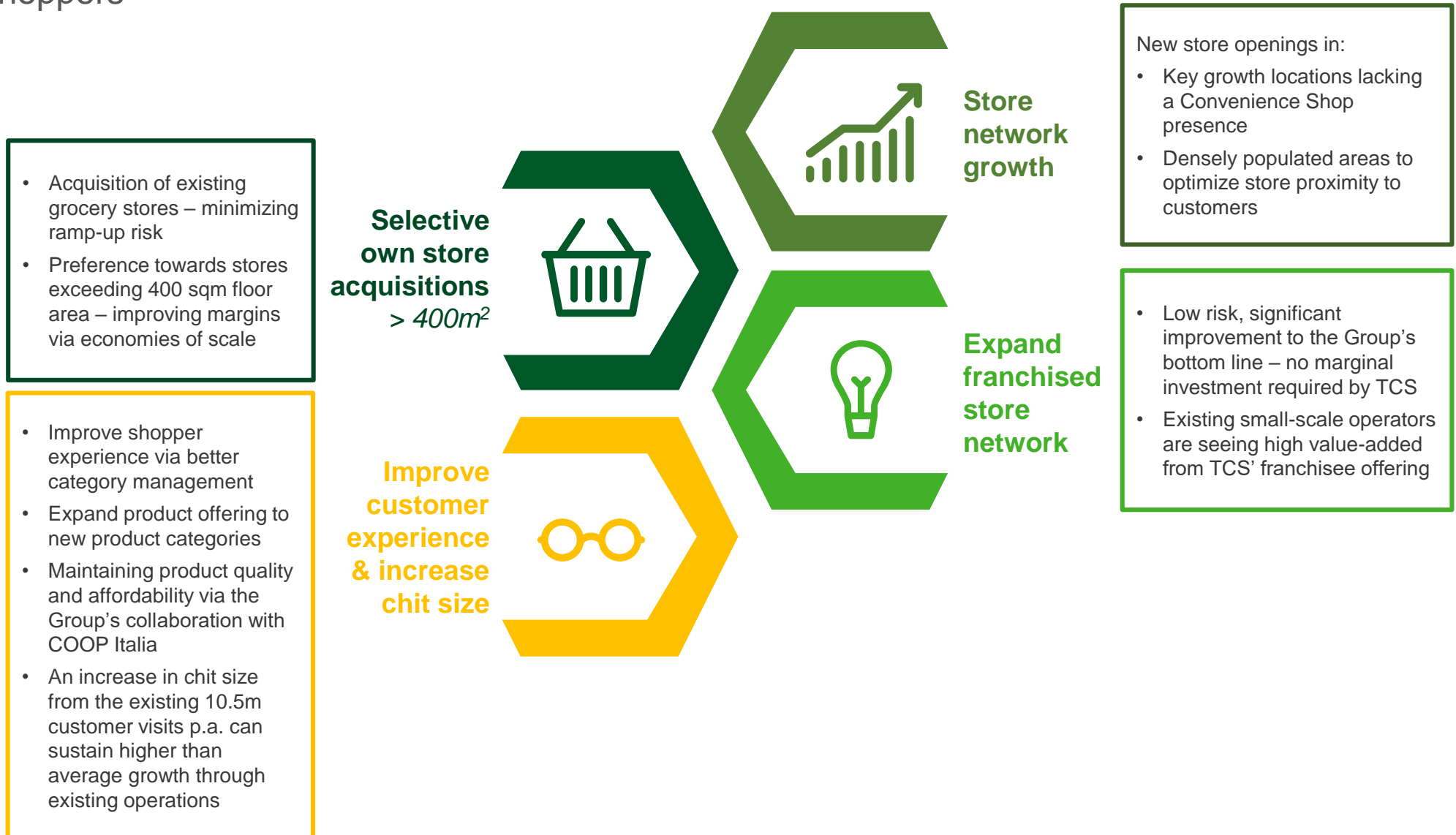
Consolidation of local suppliers

The Group does not engage in parallel trading and firmly believes in strengthening relationships with its suppliers

Strategy



The Convenience Shop's vision is to be the retailer of choice in the local convenience sector by ensuring that a modern, reliable & customer centric experience is provided to shoppers



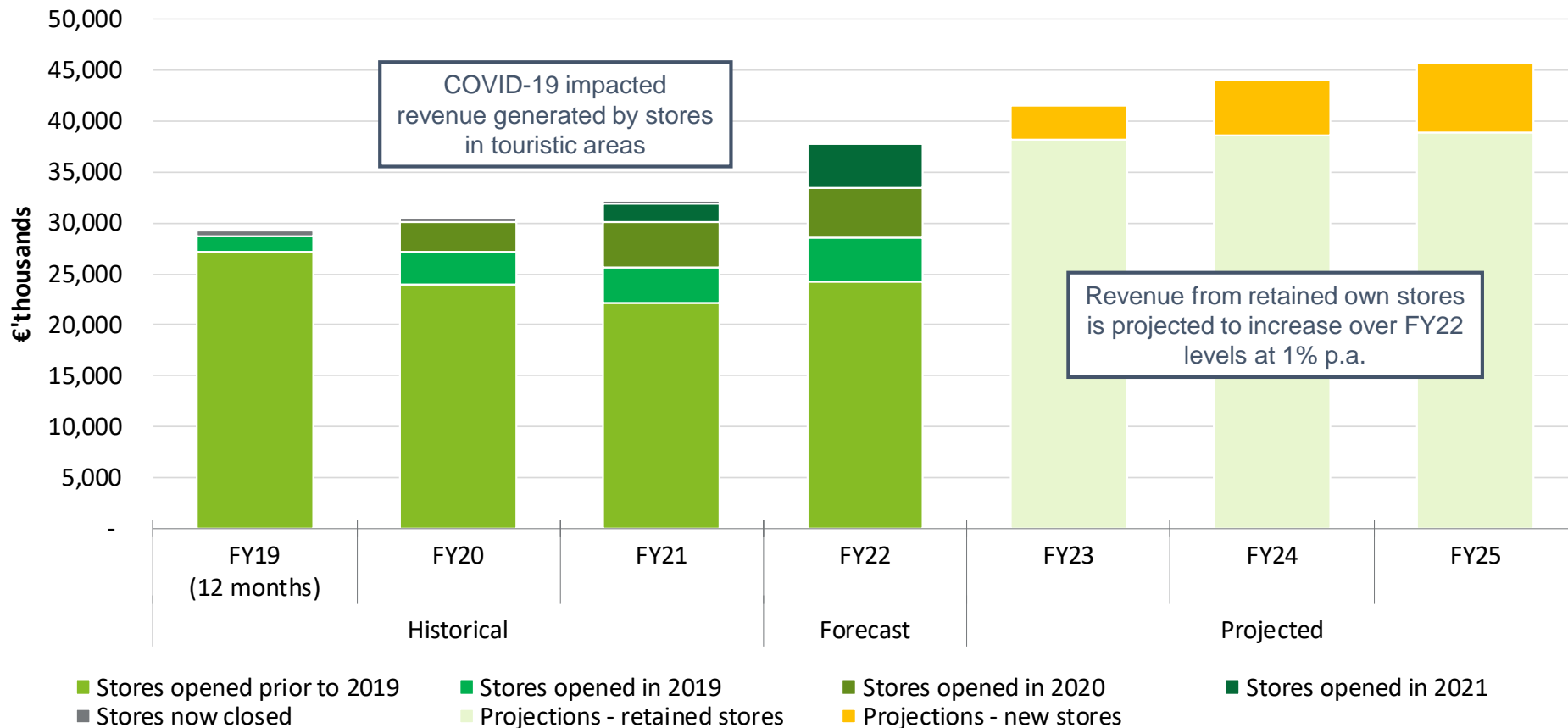


Financial Information

Own store revenue

Own store revenue on a store-by-store basis has proven stable and is now growing following a turbulent 2020-2021 period

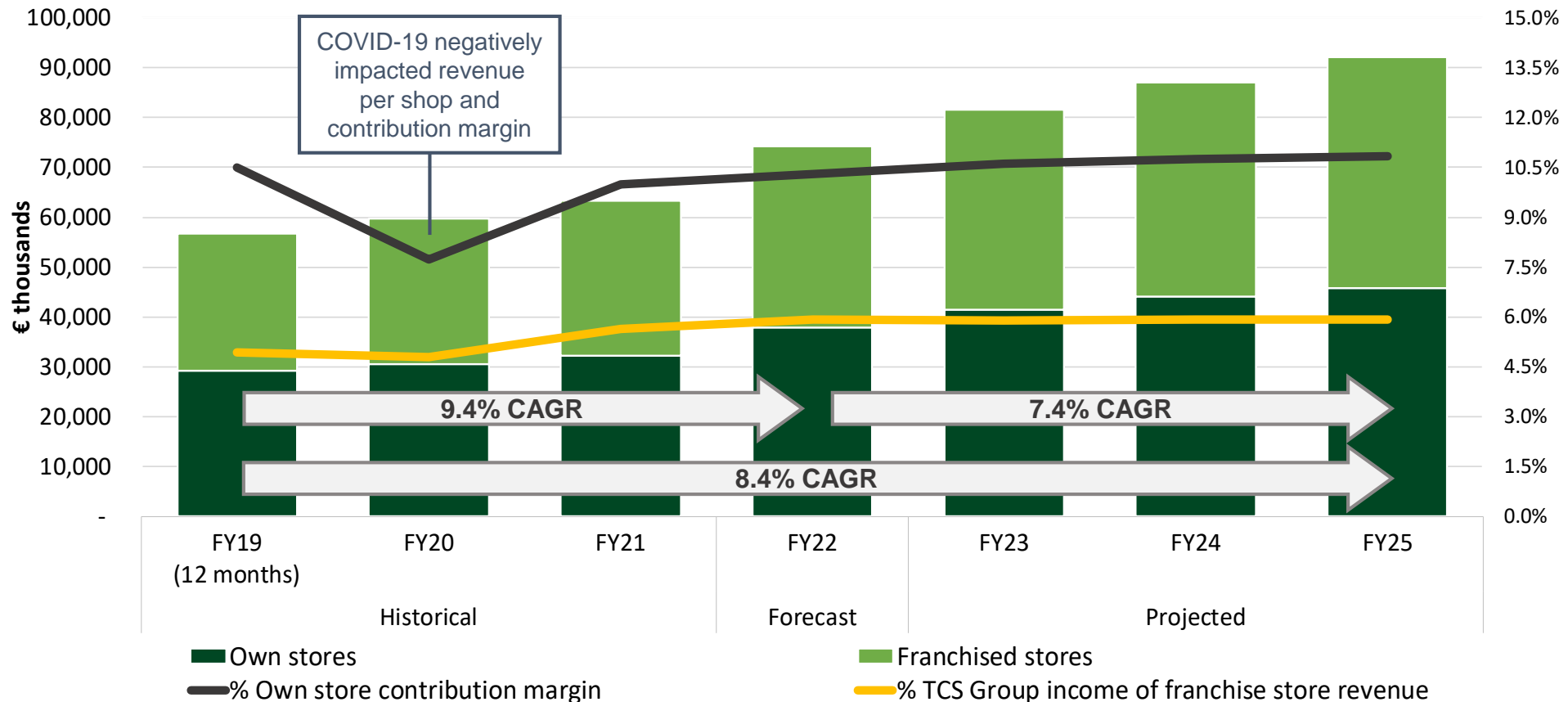
Own store revenue by opening date



TCS Store network revenue

The Convenience Shop store network revenue has grown at 9.4% CAGR and is projected to grow 7.4% CAGR through to FY25

TCS store network revenues

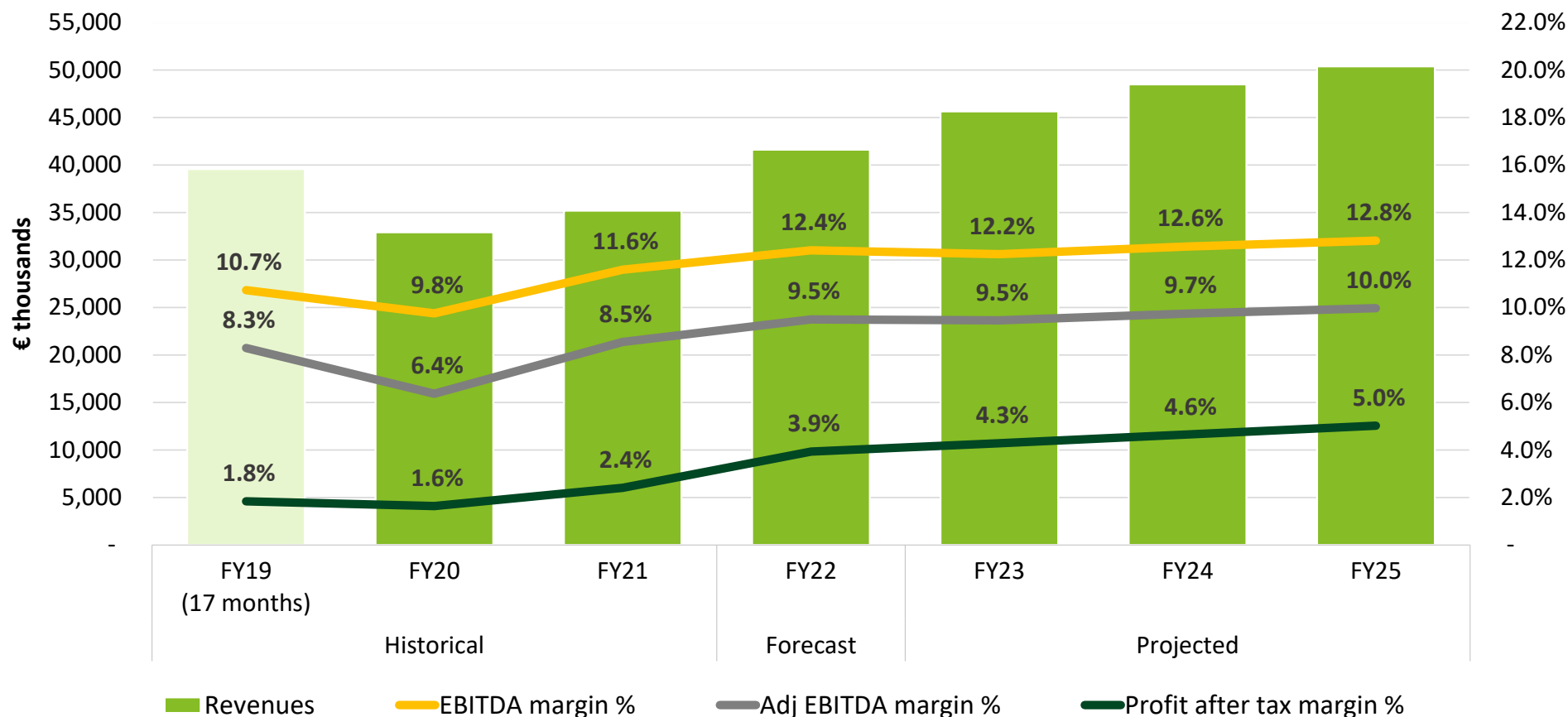


Note: Own store and franchised store revenue shown only include revenue from sale of goods within the respective store category.

Profitability

EBITDA and net profit after tax margins are projected to reach 12.8% and 5.0% respectively by FY25 as the Group leverages its current overhead cost structure to drive further growth

TCS Group profitability



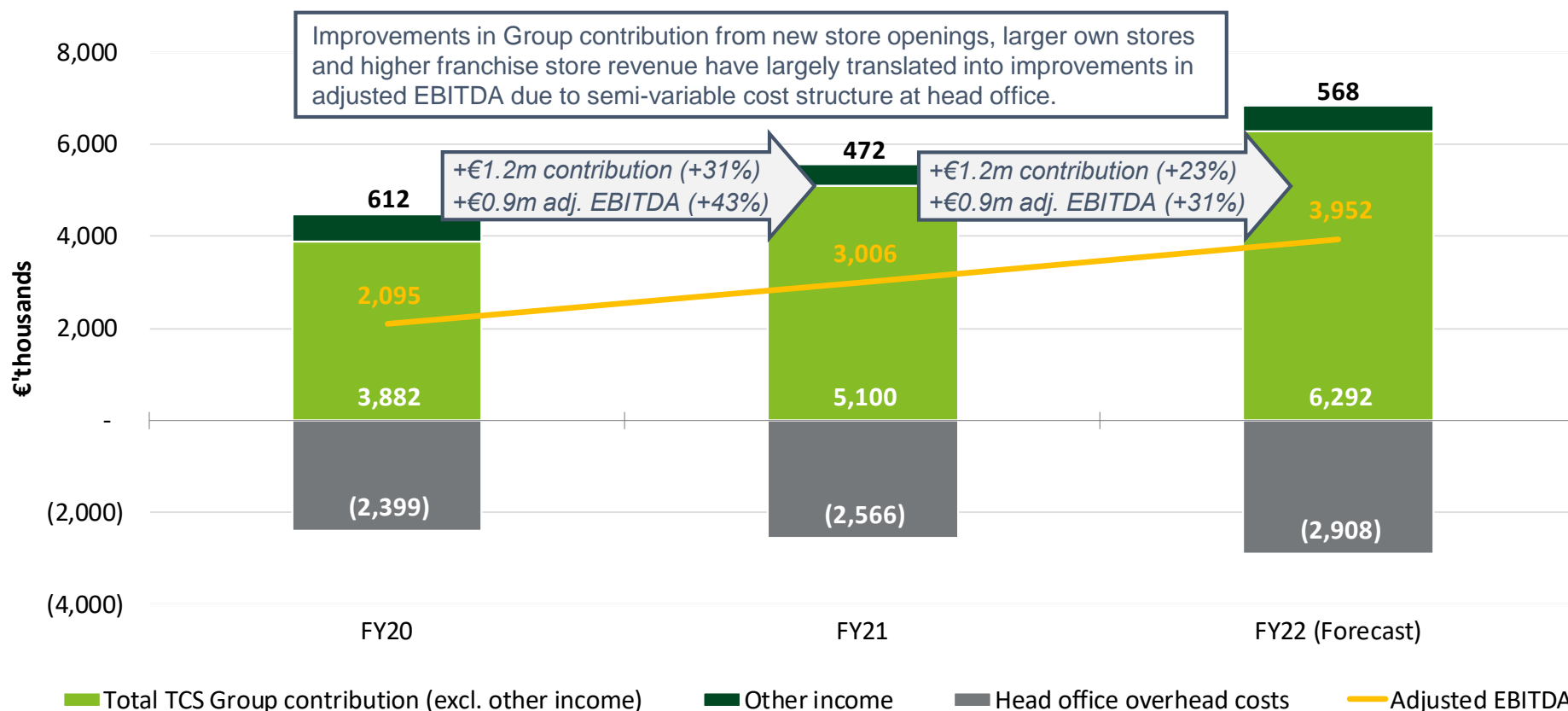
Note: Adj. EBITDA margin is shown excluding the impact of IFRS 16 (i.e. – after deducting rent paid).

Operating model



Recent historical period clearly supports the view that the Group has an established setup which can benefit significantly from improvements in contribution

Significant synergies being achieved by leveraging the Group's operating structure



Notes: TCS Group contribution is calculated as total TCS Group revenue less cost of goods sold, operating labour costs, own store overheads and rent paid.

Head office overhead costs include head office related labour costs, overheads and rent paid.

Adjusted EBITDA is shown excluding the impact of IFRS 16 (i.e. – after deducting rent paid).

Financial performance

EBITDA and profit after tax are expected to reach €5.1m and €1.6m in FY22 and increase to €6.4m and €2.5m by FY25 respectively

TCS Group - Projected Consolidated Income Statements

€'000s	FY19	FY20	FY21	FY22	FY23	FY24	FY25
	17 months Audited	12 months Audited	12 months Audited	12 months Forecast	12 months Projected	12 months Projected	12 months Projected
Revenue	39,566	32,916	35,181	41,608	45,637	48,478	50,366
Cost of sales	(32,279)	(28,084)	(29,002)	(33,962)	(37,154)	(39,336)	(40,746)
Gross profit	7,287	4,832	6,179	7,645	8,483	9,142	9,619
Administrative expenses	(3,370)	(2,252)	(2,533)	(3,051)	(3,281)	(3,437)	(3,549)
Other income	327	630	433	568	385	385	385
EBITDA	4,244	3,210	4,079	5,162	5,587	6,090	6,455
Depreciation and amortization	(1,519)	(1,405)	(1,640)	(1,800)	(1,878)	(1,933)	(1,919)
EBIT	2,725	1,805	2,439	3,362	3,709	4,157	4,536
Loss on acquisition of subsidiaries	(346)	-	-	-	-	-	-
Share of the loss of associate	(6)	-	-	-	-	-	-
Net finance costs	(677)	(761)	(846)	(974)	(837)	(829)	(801)
Profit before tax	1,697	1,044	1,593	2,388	2,872	3,328	3,735
Tax charge	(969)	(506)	(746)	(752)	(920)	(1,075)	(1,207)
Profit for the financial year	727	538	847	1,636	1,952	2,253	2,528
Adj. EBITDA (after rent / excl. IFRS 16)	3,280	2,095	3,006	3,952	4,314	4,721	5,019
% Adj. EBITDA (excl. IFRS 16) margin	8.3%	6.4%	8.5%	9.5%	9.5%	9.7%	10.0%
Own store revenue	35,995	30,535	32,176	37,803	41,487	44,069	45,694
Franchise store revenue	35,238	29,233	31,126	36,421	40,067	42,958	46,367
Total TCS store network revenue	71,233	59,768	63,302	74,224	81,554	87,026	92,061

The improvement in the Group's EBITDA margin can be attributed to:

- A shift towards larger own stores that benefit from greater economies of scale.
- Leveraging the existing head office cost structure to cater for the new franchised stores

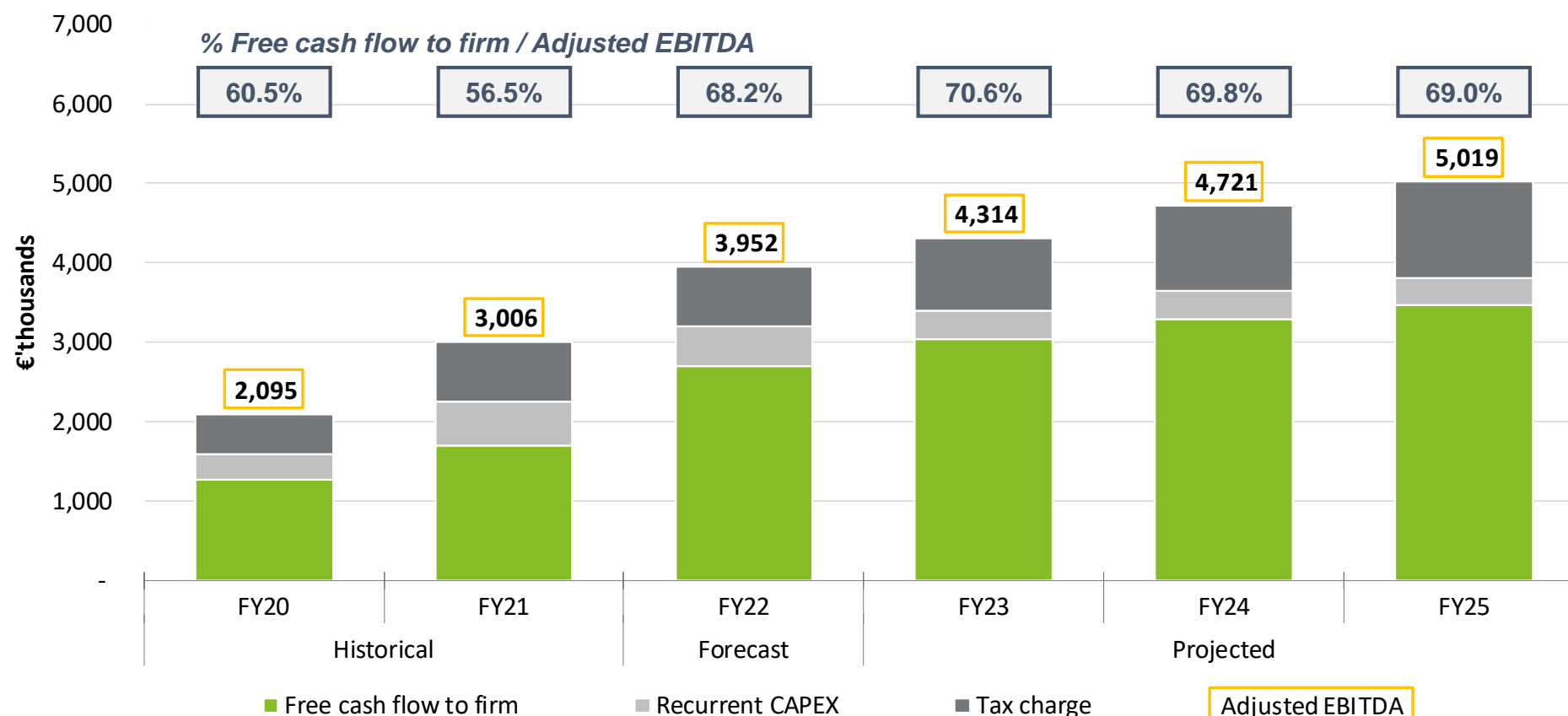
Projected revenue growth is based on projected new store openings and does not include any increase in average chit sizes

Note: Adjusted EBITDA is shown excluding the impact of IFRS 16 (i.e. – after deducting rent paid).

Free cash flow conversion

The Group converts c. 69% of its adjusted EBITDA into free cash flow to the firm

Free cash flow to firm conversion



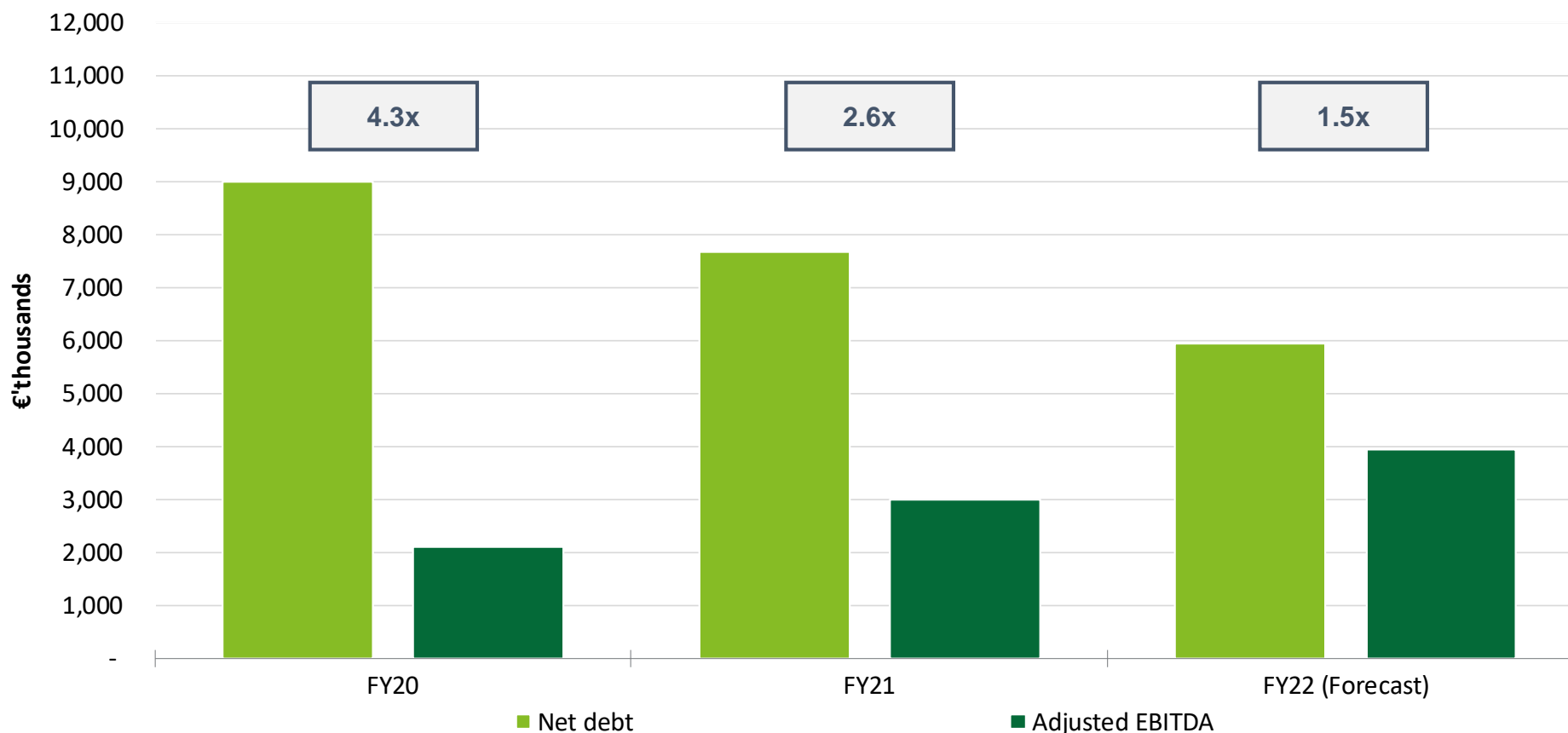
Note: Adjusted EBITDA is shown excluding the impact of IFRS 16 (i.e. – after deducting rent paid). Free cash flow to firm is estimated after deducting recurrent CAPEX and the year's tax charge from adjusted EBITDA.

Recurrent CAPEX is calculated as total capital expenditure less CAPEX on new store openings. Amounts shown do not include repairs & maintenance expenses included in the Group's income statement. FY20 to FY22 figures include (i) an element of catch-up CAPEX in order to upgrade existing legacy stores and (ii) IT hardware at head office as part of the Group's effort to improve its IT systems.

Financial leverage

The Group's growth in EBITDA has resulted in significant deleveraging down to a net debt to adjusted EBITDA multiple of 1.5x

Net debt to adjusted EBITDA multiple



Note: Net debt is calculated as total financial debt (excl. leases) shown in the registration document plus current tax payable, net of balances which were subsequently capitalised and cash and cash equivalents.

FY22 net debt is based on Jun-22 adjusted column shown in page 30. FY19 is not deemed to be comparable given the 17-month financial period. Adjusted EBITDA is shown excluding the impact of IFRS 16 (i.e. – after deducting rent paid).

Financial position

The Group operates on a negative net working capital balance – normal level as at Dec-21 amounted to €2.3m

TCS Group - Consolidated Statements of Financial Position

€'000s	Dec-21	Jun-22	Jun-22
	<i>Actual Audited</i>	<i>Actual Unaudited</i>	<i>Adjusted Unaudited</i>
Inventories	2,697	2,735	2,735
Trade and other receivables	3,690	3,319	2,882
Trade and other payables	(8,677)	(9,226)	(9,191)
Net working capital	(2,290)	(3,173)	(3,574)
Property, plant and equipment	3,823	3,788	3,729
Intangible assets	13,491	13,620	13,421
Operating non-current assets (excl. leases)	17,314	17,407	17,151
Right of use assets	9,450	8,974	8,517
Operating non-current assets (incl. leases)	26,764	26,382	25,668
Capital employed	24,474	23,209	22,094
% Return on capital employed	10.0%	14.5%	15.2%

- The Group's negative net working capital is considered normal and is based on actual credit terms of the Group.
- Net working capital balance is affected by seasonality, with the December balance generally reflecting the average for the year.
- Increases in negative net working capital position driven by seasonality are typically offset by a corresponding increase in cash balance.

Notes:

The June 2022 adjusted column shows the Group's balance sheet after adjusting for the G Bake Manufacturing Ltd. and G Bake Retail Ltd. carve-outs effected prior to the IPO.

Return on capital employed (ROCE) is calculated as EBIT / Capital employed. Jun-22 ROCE is estimated using FY22 forecast EBIT.

Financial position

The Group's total equity after adjusting for the capitalisation of shareholders' loans amounts to €6.5m as at June 2022

TCS Group - Consolidated Statements of Financial Position

€'000s	Dec-21	Jun-22	Jun-22
	<i>Actual Audited</i>	<i>Actual Unaudited</i>	<i>Adjusted Unaudited</i>
Share capital	70	70	70
Share premium	2,188	2,188	2,188
Retained earnings	927	1,104	1,104
Non-controlling interest	(59)	(58)	(58)
Total equity	3,127	3,304	3,304
Shareholders' loans (being capitalised)	3,239	3,239	3,239
Adjusted total equity	6,366	6,543	6,543
Bond issue	4,995	4,939	4,939
Bank debt	1,163	1,136	1,136
Current tax payable	1,459	1,321	1,321
Amounts due to shareholders	1,125	919	476
Amounts due to related parties & other payables	313	462	271
Cash and cash equivalents	(1,368)	(2,217)	(2,204)
Net debt	7,688	6,560	5,939
Deferred tax liability	91	111	111
Lease liability	10,329	9,994	9,501
Other liabilities	10,420	10,106	9,612
Total equity and liabilities	24,474	23,209	22,094

• €3.2m in shareholders' loans were capitalised in November 2022.

• Current tax payable shall be fully paid off in the coming months (balance as at November 2022: €0.3m)

• Amounts due to shareholders Include dividends and other committed amounts payable at the balance sheet date.

• Remaining shareholder balances as at end of year are expected to be immaterial.

Note: The June 2022 adjusted column shows the Group's balance sheet after adjusting for the G Bake Manufacturing Ltd. and G Bake Retail Ltd. carve-outs effected prior to the IPO.

A photograph of a man with a beard and glasses, wearing a white shirt, standing in a convenience store aisle. He is holding a blue shopping basket and looking at shelves stocked with packaged breads. The shelves are labeled 'FRENCH SLICED' and 'FRENCH ROLLS'. To the right, there are shelves of beer, including Corona. The image has a yellow and green curved graphic overlay on the left side.

The Convenience Shop IPO

Share offer

The Company is offering 7,700,000 ordinary shares at €0.97 per share for a total value of €7.5m – representing 25% of the Company and implying a pre-money valuation of €28.9m

Pre-money valuation

€28.9m



Value per share: €0.97

IPO Size

€7.5m



Sale of Existing Shares

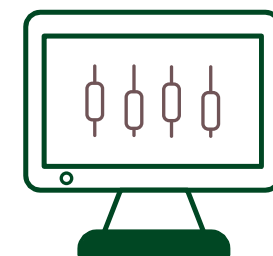
€6.5m



6,700,000 ordinary shares having a nominal value of €0.16 each

Issue of New Shares

€1.0m



1,000,000 ordinary shares having a nominal value of €0.16 each

Note: Refer to the Registration Document and Securities Note for further information regarding preferred applicants and high volume investor discounts.

Valuation methodology

A 9.75% discount has been factored into the equity value for the purposes of the IPO

IPO valuation

Description	€
Equity value as per valuation	€ 32.0m
Less: 9.75% discount	€ (3.1m)
Equity value at IPO	€ 28.9m

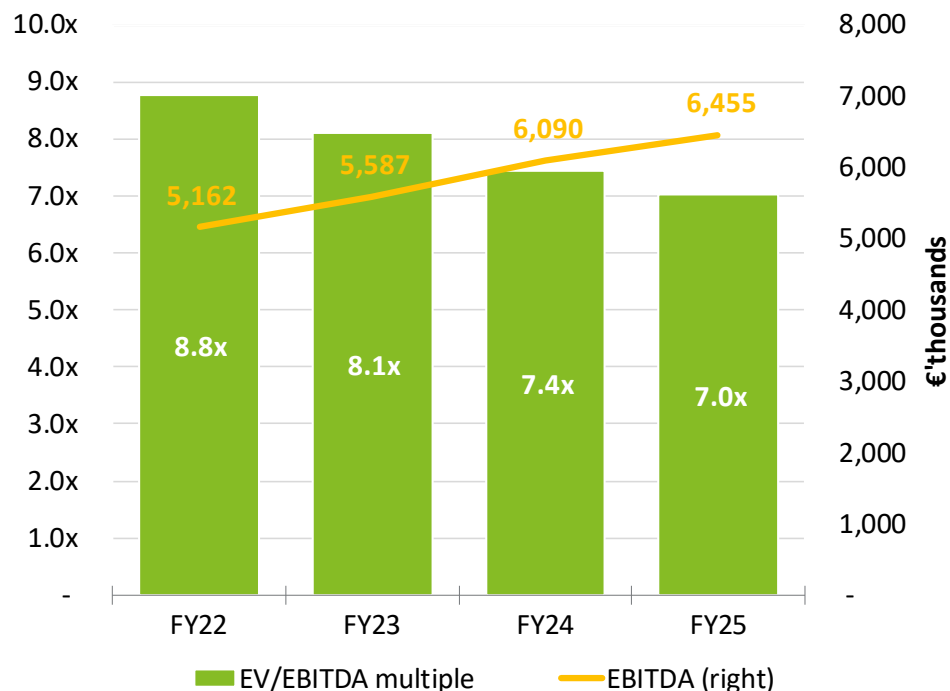
Valuation methodology

- The valuation was prepared by our financial advisors and reviewed by the sponsoring broker and the Board of Directors when determining the issue price.
- Valuation is based on Discounted Cash Flow (DCF) approach and benchmarked to market parameters.
- Projected cash flows were discounted to present value using a Weighted Average Cost of Capital (WACC) which factors in market comparable returns and the specific risks of the Issuer.
- ***A further 9.75% discount has been factored into the equity value for the purposes of the IPO.***
- Key assumptions underlying the projections used for the purposes of the valuation are presented as an annex to the registration document and include:
 - Ramp up of new own store acquired in December 2022, 1 new own store acquisition in each of FY23 and FY24 respectively;
 - c. €2.0m to €3.0m in new franchise store revenue in each of FY23 to FY25; and
 - margins as shown in the financial section of this presentation.

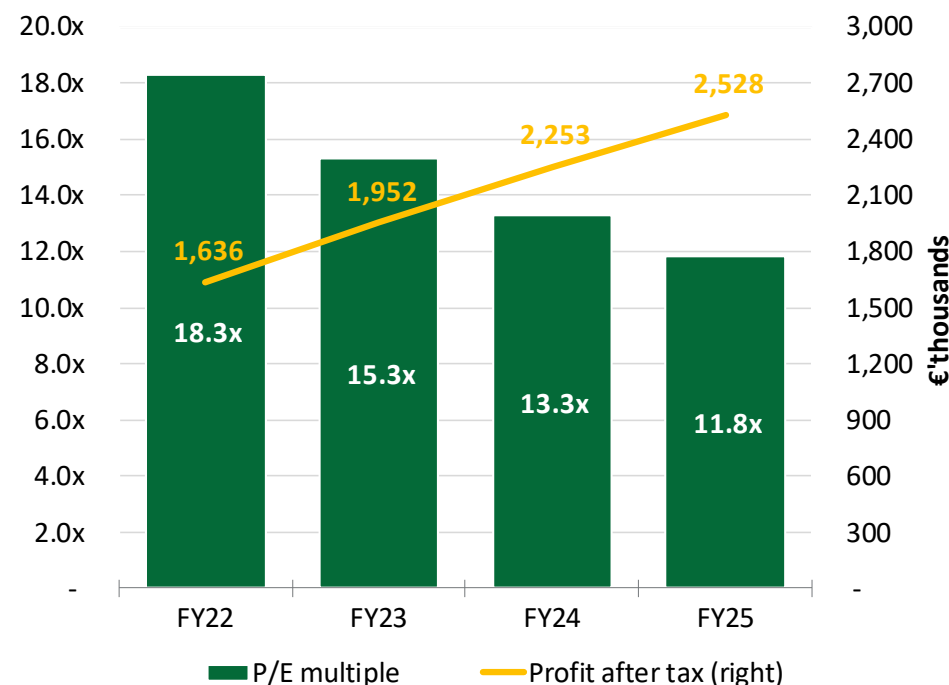
Key valuation multiples

Forward EBITDA multiple of 8.1x and forward P/E multiple of 15.3x based on projected FY23 earnings

EV/EBITDA multiple implied by the price at IPO



P/E multiple implied by the price at IPO



Note: EV includes the capitalised value leases whereas EBITDA is shown inclusive of IFRS 16

Share offer

Existing shareholders will sell 6,700,000 shares whereas the Company will issue an additional 1,000,000 shares at IPO

Shareholding before and after the IPO

Shareholder	No. of shares prior to IPO	No. of shares post-IPO	% shareholding prior to IPO	% shareholding post-IPO
IC Holdings Limited	7,450,000	5,775,000	25.00%	18.75%
JMP Holdings Limited	7,450,000	5,775,000	25.00%	18.75%
MPH Malta Limited	7,450,000	5,775,000	25.00%	18.75%
Gaia Investments Limited	7,450,000	5,775,000	25.00%	18.75%
Existing shareholders	29,800,000	23,100,000	100.00%	75.00%
Sale of existing shares	-	6,700,000	-	21.75%
New share issue	-	1,000,000	-	3.25%
General public investors in the IPO	-	7,700,000	-	25.00%
Total	29,800,000	30,800,000	100.00%	100.00%

Dividend policy

The TCS Group plans to distribute 55% of free cash flows each year – implying net dividend yield of 5.0% and 5.5% based on projected FY23 and FY24 earnings respectively

Projected dividends declared

Year	Projected profit after tax (€'000s)	Projected dividends ⁽¹⁾ (€'000s)	Implied dividend pay-out ratio	% Dividend yield on IPO price (Net)	% Dividend yield on IPO price (Gross)
2023	1,952	1,509	77.3%	5.0%	7.8%
2024	2,253	1,651	73.3%	5.5%	8.5%
2025	2,528	1,745	69.0%	5.8%	9.0%

Dividend policy

- The Group's dividend policy is to distribute 55% of free cash flow generated during the year.
- Understandably the extent of any dividend distribution will depend on the profits available for distribution for the year, market conditions, and equity value adding investment opportunities.
- The Issuer's policy is to distribute an interim dividend in November and a final dividend in May of the following year (note 1).
- In 2023, the Issuer is expected to declare a final dividend of €1.0m in May related to 2022 earnings and an interim dividend of €0.35m in November 2023 related to 2023 earnings.
- The issue's net dividend yield is projected to increase from 5.0% in 2023 to 5.8% in 2025 based on the IPO price. This is amongst the higher end of the dividend yields currently offered on the Malta Stock Exchange.

Preferred Applicants and High Volume Applicants

The Group's employees and franchisees ('Preferred Applicants') and investors applying for an investment of €150k or more ('High Volume Applicants') are being offered further discounts subject to lock-in periods of 6 and 12 months respectively

	Preferred Applicants	High Volume Applicants
Definition	Employees and franchisees of any company forming part of the Group at the date of the Prospectus	Investors investing €150,000 or more in the Group's IPO
Lock-in period	6 months from the date of allotment	12 months from the date of allotment
Price per share	€0.945 per share <i>For a total of up to 1,052,631 shares</i>	€0.957 / share (investment of €150k or more) €0.945 / share (investment of €500k or more) €0.915 / share (investment of €1.0m or more)

Shareholders' Benefit Program

The Program shall allow shareholders of the Company to benefit from discounts on the purchase of products from outlets operating under The Convenience Shop brand, depending on the number of shares held in the Company

Number of Shares	Investment	Discount	Free Delivery
5,000-15,000	Bronze	2%	No
15,001-30,000	Silver	3%	No
30,001-50,000	Gold	4%	No
Over 50,000	Platinum	5%	Yes

Key investment highlights

TCS IPO offers the opportunity to invest in a stable, market leading business with a strong runway for growth

First mover and market leader position

Largest grocery store network in Malta



Consumer staple retail business

Resilient during periods of economic turmoil



Top bracket dividend yield (vs. MSE)

Backed up by strong cash generation



Significant runway for growth

From new stores and increasing average chit size



Experienced management team

With a clear strategy for the future



Sponsor, Manager and Registrar



Legal Advisor



Financial Advisor

Deloitte.

Auditors

