



SUNBORN GIBRALTAR LTD: INTERIM REPORT FOR OCTOBER - DECEMBER 2023

29.2.2024 17:12:13 EET | Sunborn (Gibraltar) Limited | Quarterly report

This is a summary of the Q4 2023 interim financial report. The complete report is attached to this release and is also available at www.sunborn.com/press/

GBP thousand	Q4 2023	Q4 2022	2023	2022
Rental income	1 230	795	4 750	3 180
EBITDA	1 177	756	4 489	3 034
Investment property (Yacht hotel)			77 343	78 707
Total equity			5 118	5 742
Bond			50 449	51 170

Issuer Sunborn Gibraltar Ltd Financial summary 1 October - 31 December 2023

The Issuer Sunborn Gibraltar Ltd lease income in Q4 2023 from the Operator was 1.230 MGBP (Q4 2022: 0.795 MGBP). Lease increased to support increase in borrowing costs. Operational costs were in line with expectations, but interest expenses have increased significantly.

The fair value of the Yacht hotel is at 108.6 MEUR based on the latest valuation report dated May 2023.

Operator Financial summary 1 October - 31 December 2023

For the period, Total Revenue came in at 2,36 MGBP (-9 % YoY 2022). Rooms revenue fell short 10 % YoY due to decrease in Occupancy of 12 %, while retaining ADR levels at +3 % YoY but ultimately RevPar was down (-11 %). Costs of goods sold (CoGS) have been managed positively with a decrease of (-3 % YoY). Reacting to the market environment, management reduced expenses where possible in staffing levels and purchases including its utilities costs down (- 7 % YoY). In addition, aggressive marketing campaigns with travel operators helped raise occupancy throughout the period however not enough to offset the diminished corporate and MICE business. Unfortunately, due to unfavourable inflation levels the mooring fees (rent) have increased materially.

The largest factors impacting operating profit were minimum wage increase as per government policy, increase in mooring Fees and vessel lease (+55 % YoY) to cover higher Issuer borrowing costs. A slowdown in Occupancy and Room Revenue essentially flows down directly to the bottom line.

Business environment

In the rooms business mix, the retail room rates were down by -25 %, Corporate -10 % as well as MICE down -31 %, however, Government was up due to various groups from hospitals and travel/tourism, subsequently FIT was up +51 % due to package campaigns with key travel partners.

The number of flights remains below the years of 2016-2019. The availability, consumer cost and volume of flights into Gibraltar correlates strongly with our hotel room bookings as the vast majority of Sunborn clients fly into Gibraltar.

The hotel market in Gibraltar is also significantly impacted by the amount of short let apartments in the market.

During the period of Q4, 2023, the hotel maintained high levels of Guest satisfaction ratings reflected by Trip Advisor rating of #2, [Booking.com](https://www.booking.com) rating of 8.5/10, [Hotels.com](https://www.hotels.com) rating of 9.2/10, [Expedia.com](https://www.expedia.com) 9.2/10 during the period. The Sunborn remains the only 5 star rated hotel in Gibraltar.

Notable events during and after the end of the reporting period and estimate future development

In February 2024 the Company issued a Written Procedure seeking a further extension of 5 March 2024 maturity by 6 months to 5 September 2024 to conclude the refinancing negotiations currently underway. The voting period for this amendment will end 18 March 2024, but the company is expecting to announce the results sooner. Company is engaged in negotiations for refinancing or solutions for repaying the bond prior to extended maturity. To provide certainty to bondholders during the WP voting process, the Company and Agent have already agreed to move forward the original Maturity date to the 27 March 2024. The WP terms and conditions have received wide support from the largest bondholders prior to issue.

The market conditions are clearly challenging, but the management believes that a financing solution will be reached within the extended period. Under the current terms and condition, the bonds shall be redeemed on maturity date at nominal amount in addition to call premium (currently 4 %). The company is expecting to conclude a redemption offer that will reflect the solution currently under negotiation and subject to agreement.

Covenants are tested on a quarterly basis. On 31 December 2023, under the high interest market conditions, the Issuer failed the minimum cash covenant, on the Maintenance Test agreed under the Financial Undertakings. Since the Maintenance Test was not met, the parent company will provide a subordinated shareholder loan as an Equity Cure, in an amount sufficient to ensure compliance with the Q4 Maintenance Test for minimum cash covenant.

It is expected that under current challenging trading conditions which are expected to continue in the intermediate term, the company is reliant on continued support from its parent group to support the higher financing costs and adhering to agreed financial covenants.

Short-term risks and uncertainties

As per the Written Procedure issued in February, the company is requesting an extension of the bond maturity by six months to September 5, 2024. The Company is engaged in negotiations for refinancing or other solutions for repaying the bond prior to extended maturity and management believes that a conclusion will be reached within the requested extension period. Management estimates the fair market value of company hotel asset is well in surplus of the third-party debt and liabilities, and expects agreement with new lenders, investors and current shareholders to refinance or repay the current bond and liabilities.

Floating interest rate risk has not been hedged. High interest rates impact negatively and materially on Sunborn Gibraltar's liquidity.

Sunborn Gibraltar Ltd
Board of Directors

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Sunborn Group in brief

Sunborn is privately owned and 50 years old group of companies headquartered in Finland. Our focus is on the development of luxury spa and yacht hotels, restaurants and other high-quality property.

Sunborn is present at the moment in Finland, Denmark, United Kingdom and Gibraltar. Operations vary from spa resorts and residential communities to hotels and yacht hotels, restaurants, and catering operations in the best locations.

www.sunborn.com

Disclaimer

The information contained in this release shall not constitute an offer to sell or the solicitation of an offer to buy securities of Sunborn Gibraltar Plc in any jurisdiction.

Attachments

- [Download announcement as PDF.pdf](#)
- [Financial Statements Sunborn Gibraltar Ltd Q4 2023.pdf](#)