

Excelling in growth

Feasibility studies



an UNWTO workshop delivered by Ian Graham

Hotel Solutions Partnership

Unlocking your strategic advantage

Excellence in feasibility studies

- **8:00 Welcome and introduction:** opening remarks by Tourism Affairs
- **8:30 Session 1: Demand**
 - Core revenue streams
 - Assessing current demand
 - Future demand
 - Role of brand
 - Understanding different distribution channels
 - Market potential
 - Non-core revenue streams
 - Share and growing share
- **10:00 Breakout session**
- *10:30 Coffee break*
- **11:00 Plenary session**
- **11:30 Session 2: Competition and supply**
 - Assessing existing competitors
 - New competitors
 - Understanding the importance of non-traditional competitors
 - Limiting factors

Excellence in feasibility studies

- **12:30 Session 3: Costs**
 - Operating
 - Payroll
 - Operating costs
 - Non-operating costs
 - Capital
 - Land
 - Construction/re-development costs
 - Non-capital costs of development
- *12:45 Prayer break*
- **13:00 Session 4: Investment Appraisal**
 - P&L versus Cash Flow
 - Time cost of money
 - WACC
 - Exit Options
- **13:15 Breakout session**
- **13:45 Plenary session**
- *14:15 Lunch*
- **15:30 Summary of today's sessions**
- **15:45 Questions and answer session**

Demand

What?

- Core and non-core
- Current and future

Where?

- Local and national
- International

When?

- Seasonality
- Patterns - daily, weekly, monthly

How?

- Role of brand
- Channels of distribution

How much?

- Role of price
- Share and growing it

Core demand

Business

- Drivers of demand
 - Individual stays
 - Group stays

Leisure

- Drivers of demand
 - Individual stays
 - Group stays

Facilities used

- Suites
- Bedrooms
- Restaurants
- Bars
- Conference facilities
- Spas
- Sports facilities
- Business centre

Core demand

Future business

- Drivers of demand
 - Individual stays
 - Group stays

Future leisure

- Drivers of demand
 - Individual stays
 - Group stays

Future facilities required

- Suites
- Bedrooms
- Restaurants
- Bars
- Conference facilities
- Spas
- Sports facilities
- Business centre

Non-core demand

Local community

- Restaurants and bars
- Contract catering
- Weddings and banquets
- Lobby meetings
- Spas
- Sports facilities
- Car parking

In-house guests

- In-room entertainment
- Laundry
- Pampering

Local and national demand

Demand generators within 20 minutes travel time

- **Current**

- Accommodated
- Unaccommodated
 - Involuntary deferrals
 - Voluntary downgrades
- Induced
 - All at once
 - Over time

- **Future**

- Accommodated
- Unaccommodated
 - Involuntary deferrals
 - Voluntary downgrades
- Induced
 - All at once
 - Over time

Airports
Amusement parks
Association headquarters
Casinos
Colleges and universities
Companies and businesses
Highway interchanges
Convention centres
Municipality headquarters
Festival sites
Historic attractions
Hospitals
Military installations
Museums
Offices and business parks
National or state parks
Racetracks
Regional shopping malls
Resort areas
Sports stadium
Theatres
Tourist attractions
World and state fair sites

International demand

Demand generators within reasonable travel time of destination

- **Current**

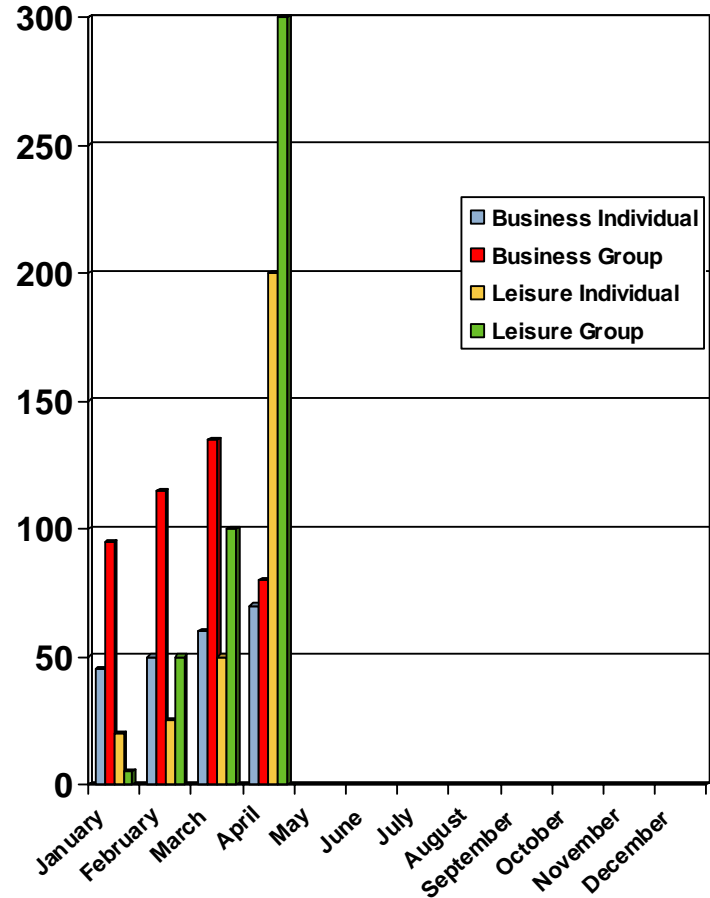
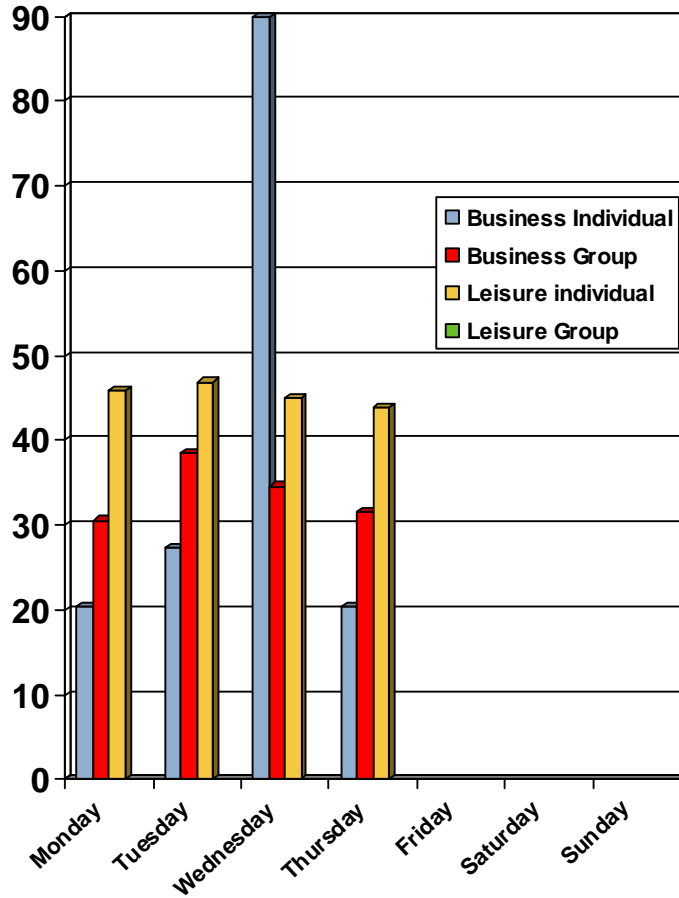
- Accommodated
- Unaccommodated
 - Involuntary deferrals
 - Voluntary downgrades
- Induced
 - All at once
 - Over time

- **Future**

- Accommodated
- Unaccommodated
 - Involuntary deferrals
 - Voluntary downgrades
- Induced
 - All at once
 - Over time

Airports
Amusement parks
Association headquarters
Casinos
Colleges and universities
Companies and businesses
Highway interchanges
Convention centres
Municipality headquarters
Festival sites
Historic attractions
Hospitals
Military installations
Museums
Offices and business parks
National or state parks
Racetracks
Regional shopping malls
Resort areas
Sports stadium
Theatres
Tourist attractions
World and state fair sites

Seasonality



Channels of distribution

	Five-Star Deluxe	Five-Star	Four-Star	Three-Star	Two-Star	One-Star	Heritage	Others	2005-2006 All India Average
Number of Responses	37	39	68	372	183	84	35	51	869
Chain CRS (Central Reservation System)	16.0	11.3	7.6	2.6	1.9	0.6	8.6	0.6	3.7
Direct Enquiry / Hotel Representation	42.5	50.5	52.2	57.3	61.6	71.2	28.3	67.1	57.6
Global Distribution System (GDS)	7.8	4.2	1.4	0.9	0.4	0.2	0.7	0.3	1.2
Hotel / Chain Website	4.8	2.8	4.7	5.9	5.1	1.9	14.3	3.3	5.3
Travel Agent and Tour Operator	18.6	19.1	22.9	21.1	16.8	11.6	38.1	15.6	19.6
Other Online Reservation Systems	6.0	4.1	4.5	2.0	2.1	0.4	3.7	0.7	2.3
Other Website	2.0	1.8	2.5	2.4	2.5	3.2	2.4	2.8	2.5
Other	2.2	6.3	4.2	7.9	9.7	10.9	4.0	9.7	7.9
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source:- HVS Survey Indian Hotels published in 2007 (in association with (FHRAI) Federation of Hotel and Restaurants Association of India) - data collected 2006 in respect of 2005

- **Channels** are the routes that are employed to put inventory (rooms) in front of potential customers. Ultimately all business comes through one of these channels – but the buying decision may be influenced by experience of or browsing on another channel.
- **Non-human channels** are populated with content – prices, packages, photographs, descriptions, virtual tours, etc. Management of the content, placing the right content in the right channel at the right time, is one of the most critical skills required in today's market.
- For the individuals and groups, businesses and leisure demand, current and future, which channels are / will be the most important?
- Who is best to provide and manage those channels?
 - A hotel general manager
 - A hotel operator
 - A hotel consortia
 - A hotel brand

Brand

The right brand

- evokes and reinforces an emotional reaction in the target audience
- realises repeat purchase and / or higher spend per guest than alternatives
- delivers not only
 - the logo
 - the signage
 - the uniforms

but critically

- the channels

Share

	No of Rooms	Fair Share	Occupancy	<u>Actual</u> Rooms Occupied	Share	Penetration
A	200	24%	65.0%	47,450	20%	0.83
B	150	18%	70.0%	38,325	16%	0.89
C	300	36%	85.0%	93,075	39%	1.08
D	190	23%	90.0%	62,415	26%	1.14
TOTAL	840	100%	78.7%	241,265	100%	1.00

Share

	No of Rooms	Fair Share	Occupancy	<u>Actual</u> Rooms Occupied	Share	<u>Penetration</u> Was	Is
A	200	20%	62.0%	45,260	19%	0.83	0.94
B	150	15%	57.0%	31,208	13%	0.89	0.86
C	300	30%	72.0%	78,840	33%	1.08	1.09
D	190	19%	75.0%	52,013	22%	1.14	1.13
New Project	160	16%	58.1%	33,945	14%		0.88
TOTAL	1000	100%	66.1%	241,265	100%	1.00	1.00

Excellence in feasibility studies

Breakout session 1

1. What factors would determine a decision to operate an unbranded hotel?
2. How do you grow share of business in a shrinking market?
3. What are the biggest known unknowns and how do you deal with them?

Competition

Existing competition

- **Primary**
 - Serves most of the same customer base most of the time
- **Secondary**
 - Serves some of the same customer base some of the time

Determined by:

- location
- access
- facilities and amenities
- quality
- image
 - brand
 - reputation
 - management team
- price

Competition

Future competition

- **Identifiable**
 - Under construction
 - Planning and building permissions granted
 - Press announcements
- **Unidentified**

Non-traditional future competition

- Changes in flight patterns
 - Bigger planes
 - Low cost carriers
 - Fewer hubs
 - New airports
 - More concern over emissions
- Demographics
 - Second homes
 - Emerging economies
 - Grey generation and i-POD generation
 - Alternative uses of leisure time
- Internet/ VOIP / video conferencing
 - More / less demand for conferencing
- Snacking culture vs. nuclear family meals

Role of price

▣ Determines revenue

- Occupancy times rate = room revenue
- Covers times average check – food revenue

▣ Determines quantity sold

- The lower the price, the bigger the potential market

▣ Serves a signal

- Sets expectations in customers

▣ Completes the sale

- Once accepted by the customer, (perishable) inventory is lost

▣ Is not determined by:

- cost (in the short term)
 - can significantly exceed cost
 - e.g. Starbucks coffee
 - can be significantly lower than cost
 - Loss leader
 - Marginal costing
- by competitors
 - unless you adopt a price following strategy
- time
 - tomorrow can be more expensive than today
 - today can be more expensive than tomorrow

Gap analysis

2007

	No of rooms	Occupancy	Average Rate	Room Revenue (m)
A	200	65.0%	\$100.00	\$4.7
B	150	70.0%	\$125.00	\$4.8
C	300	85.0%	\$85.00	\$7.9
D	190	90.0%	\$110.00	\$6.9
TOTAL	840	78.7%	\$100.77	\$24.3

Gap analysis

What can we expect if we add 160 rooms to the market?

	<u>2007</u>				<u>2008</u>	<u>2009</u>	<u>2010</u>		
	<u>No of rooms</u>	<u>Occupancy</u>	<u>Average Rate</u>	<u>Room Revenue (m)</u>	<u>Room Revenue (m)</u>	<u>Room Revenue (m)</u>	<u>Room Revenue (m)</u>	<u>Fair Share</u>	<u>Target Penetration</u>
A	200	65.0%	\$100.00	\$4.7					
B	150	70.0%	\$125.00	\$4.8					
C	300	85.0%	\$85.00	\$7.9					
D	190	90.0%	\$110.00	\$6.9					
New Project	160								
TOTAL	1000	66.1%	\$0.00	\$24.3					

Gap analysis

First, project size of total market

	2007			2008	2009	2010			
					ASSUMING 5% PA GROWTH IN MARKET				
	No of rooms	Occupancy	Average Rate	Room Revenue (m)	Room Revenue (m)	Room Revenue (m)	Room Revenue (m)	Fair Share	Target Penetration
A	200	65.0%	\$100.00	\$4.7					
B	150	70.0%	\$125.00	\$4.8					
C	300	85.0%	\$85.00	\$7.9					
D	190	90.0%	\$110.00	\$6.9					
New Project	160								
TOTAL	1000	66.1%	\$0.00	\$24.3	\$25.5	\$26.8	\$28.1		

Gap analysis

Next, look at new fair shares and target penetration rates

	2007			2008	2009 ASSUMING 5% PA GROWTH IN MARKET		2010		
	No of rooms	Occupancy	Average Rate	Room Revenue (m)	Room Revenue (m)	Room Revenue (m)	Room Revenue (m)	Fair Share	Target Penetration
A	200	65.0%	\$100.00	\$4.7				20.0%	0.94
B	150	70.0%	\$125.00	\$4.8				15.0%	0.86
C	300	85.0%	\$85.00	\$7.9				30.0%	1.09
D	190	90.0%	\$110.00	\$6.9				19.0%	1.13
New Project	160							16.0%	0.88
TOTAL	1000	66.1%	\$0.00	\$24.3	\$25.5	\$26.8	\$28.1		

Gap analysis

Provides in an estimate of the revenue the new property can expect in a future market

	2007			2008	2009		2010		Target Penetration
	No of rooms	Occupancy	Average Rate	Room Revenue (m)	Room Revenue (m)	Room Revenue (m)	Room Revenue (m)	Fair Share	Target Penetration
A	200	65.0%	\$100.00	\$4.7			\$5.3	20.0%	0.94
B	150	70.0%	\$125.00	\$4.8			\$3.6	15.0%	0.86
C	300	85.0%	\$85.00	\$7.9			\$9.2	30.0%	1.09
D	190	90.0%	\$110.00	\$6.9			\$6.0	19.0%	1.13
New Project	160						\$4.0	16.0%	0.88
TOTAL	1000	66.1%	\$0.00	\$24.3	\$25.5	\$26.8	\$28.1		

Gap analysis

Provides in an estimate of the revenue the new property can expect in a future market

	2007			2008	2009	2010			
					ASSUMING 5% PA GROWTH IN MARKET				
	No of rooms	Occupancy	Average Rate	Room Revenue (m)	Room Revenue (m)	Room Revenue (m)	Room Revenue (m)	Fair Share	Target Penetration
A	200	65.0%	\$100.00	\$4.7			\$5.3	20.0%	0.94
B	150	70.0%	\$125.00	\$4.8			\$3.6	15.0%	0.86
C	300	85.0%	\$85.00	\$7.9			\$9.2	30.0%	1.09
D	190	90.0%	\$110.00	\$6.9			\$6.0	19.0%	1.13
New Project	160						\$4.0	16.0%	0.88
TOTAL	1000	66.1%	\$0.00	\$24.3	\$25.5	\$26.8	\$28.1		

Beware.....

- Some markets grow, others contract and yet others stay flat
- Share in volume may not be same as share in ADR
- Competitors may not act rationally; and neither may customers

Costs - operating

Variable

- Incurred as a result of sales activity
 - Food and beverage cost of sales
 - Telephone cost of sales
 - In-room amenities

Fixed

- Incurred whether or not sales take place
 - Administrative and general
 - Sales and marketing
 - Real estate taxes
 - Insurance

Semi-variable

- Most cost categories!!!
 - Payroll
 - Utilities
 - Repairs and maintenance

Costs - operating

Source of estimates

- Internal benchmarking
- Independent P&L benchmarking studies
- Interviews

Drivers of cost patterns

- Geography
- Brand / dtar rating
- Age of hotel
- Number of years since start-up
- Use of centralised / shared services

Costs - capital

- Land
- Preliminaries
- Construction
- Professional fees
- Plant and equipment
- Furniture fixtures and equipment
- Operating supplies
- Working capital
- Pre-opening
- Financing costs

Limiting factors

Physical constraints

- Plot size
- Topography
- Visibility
- Weather
- Traffic patterns
- Access / egress

Environmental constraints

- Planning rules
- Sustainability rules
- Availability of services

Limiting factors

Investor constraints

- Develop or operate
- Branded vs unbranded
- Reinvestment appetite
- Cash-on-cash return vs gain on exit
- Attitude to business risk
- Attitude to debt risk
- Exit options

Lender constraints

- Sector appetite
- Borrower appetite
- Project appetite
- Covenants

Investment appraisal

📌 Core component

- Projected long term (+/- 5yrs) incremental profit and loss statement

📌 Key drivers

- Cash flow implications of P/L projection
- Time cost of money
- Cost of capital - WACC
- Exit

Investment appraisal - the time cost of money

Do you prefer

- \$100 today?
- \$103 at the end of this year?
- \$106 at the end of next year?

5% discount factor

- Year 0 = 1
- Year 1 = $1/1.05 = 0.9524$
- Year 2 = $0.9524/1.05 = 0.9070$

If I take \$100 now and invest it, I will get 5% interest.

- so it will grow to \$105 by the end of this year and \$110.25 by the end of next year.

Option analysis

- Year 0 = \$100
- Year 1 = $\$103 * .9524 = \98.10
- Year 2 $\$106 * .9070 = \96.15

Investment appraisal - present value table

Present Value of \$1

Period (after n years)	At rate 'r'	1%	2%	3%	4%	5%	6%	7%	8%	9%	10%	12%	14%	15%	20%
1		0.990	0.980	0.971	0.962	0.952	0.943	0.935	0.926	0.917	0.909	0.893	0.877	0.870	0.833
2		0.980	0.961	0.943	0.925	0.907	0.890	0.873	0.857	0.842	0.826	0.797	0.769	0.756	0.694
3		0.971	0.942	0.915	0.889	0.864	0.840	0.816	0.794	0.772	0.751	0.712	0.675	0.658	0.579
4		0.961	0.924	0.888	0.855	0.823	0.792	0.763	0.735	0.708	0.683	0.636	0.592	0.572	0.482
5		0.951	0.906	0.863	0.822	0.784	0.747	0.713	0.681	0.650	0.621	0.567	0.519	0.497	0.402
6		0.942	0.888	0.837	0.790	0.746	0.705	0.666	0.630	0.596	0.564	0.507	0.456	0.432	0.335
7		0.933	0.871	0.813	0.760	0.711	0.665	0.623	0.583	0.547	0.513	0.452	0.400	0.376	0.279
8		0.923	0.853	0.789	0.731	0.677	0.627	0.582	0.540	0.502	0.467	0.404	0.351	0.327	0.233
9		0.914	0.837	0.766	0.703	0.645	0.592	0.544	0.500	0.460	0.424	0.361	0.308	0.284	0.194
10		0.905	0.820	0.744	0.676	0.614	0.558	0.508	0.463	0.422	0.386	0.322	0.270	0.247	0.162
11		0.896	0.804	0.722	0.650	0.585	0.527	0.475	0.429	0.388	0.350	0.287	0.237	0.215	0.135
12		0.887	0.788	0.701	0.625	0.557	0.497	0.444	0.397	0.356	0.319	0.257	0.208	0.187	0.112
13		0.879	0.773	0.681	0.601	0.530	0.469	0.415	0.368	0.326	0.290	0.229	0.182	0.163	0.093
14		0.870	0.758	0.661	0.577	0.505	0.442	0.388	0.340	0.299	0.263	0.205	0.160	0.141	0.078
15		0.861	0.743	0.642	0.555	0.481	0.417	0.362	0.315	0.275	0.239	0.183	0.140	0.123	0.065
16		0.853	0.728	0.623	0.534	0.458	0.394	0.339	0.292	0.252	0.218	0.163	0.123	0.107	0.054
17		0.844	0.714	0.605	0.513	0.436	0.371	0.317	0.270	0.231	0.198	0.146	0.108	0.093	0.045
18		0.836	0.700	0.587	0.494	0.416	0.350	0.296	0.250	0.212	0.180	0.130	0.095	0.081	0.038
19		0.828	0.686	0.570	0.475	0.396	0.331	0.277	0.232	0.194	0.164	0.116	0.083	0.070	0.031
20		0.820	0.673	0.554	0.456	0.377	0.312	0.258	0.215	0.178	0.149	0.104	0.073	0.061	0.026

WACC

Weighted average cost of capital

- **Cost of equity**

- Dividends not tax deductible
- Takes accounts of
 - Political and economic risk
 - Sector and operator risk
 - Brand risk

- **Cost of debt**

- Tax deductible
- Takes account of
 - Local or International rates of interest
 - Hedging costs

- **Gearing**

- Ratio of debt to total capital
- 60% gearing
 - 60% of capital is provided by debt
 - 40% by equity

WEIGHTED AVERAGE COST OF CAPITAL

	\$m	Gearing	Return	Yield
Equity	\$6.40	40.0%	20.0%	\$1.28
Debt	\$9.60	60.0%	7.5%	\$0.72
	<u>\$16.00</u>		<u>12.5%</u>	<u>\$2.00</u>

Exit

Alternative strategies

- Buy to hold
- Buy to extend to hold
- Buy to reposition and hold
- Buy to extend / reposition and sell
- Buy out of distress, stabilise and hold
- Buy out of distress, stabilise and sell
- Conversion to alternative use

Exit vehicles

- Increase gearing (leverage)
- Sale of assets – individually or collectively
- Sale of legal entity
- IPO

Exit

🚦 Maximising exit value

- Comparable values
- Alternative uses for funds
- Need for liquidity
- Availability of debt for buyer
- Expectations for future profit trend

🚦 Exit value is based on:

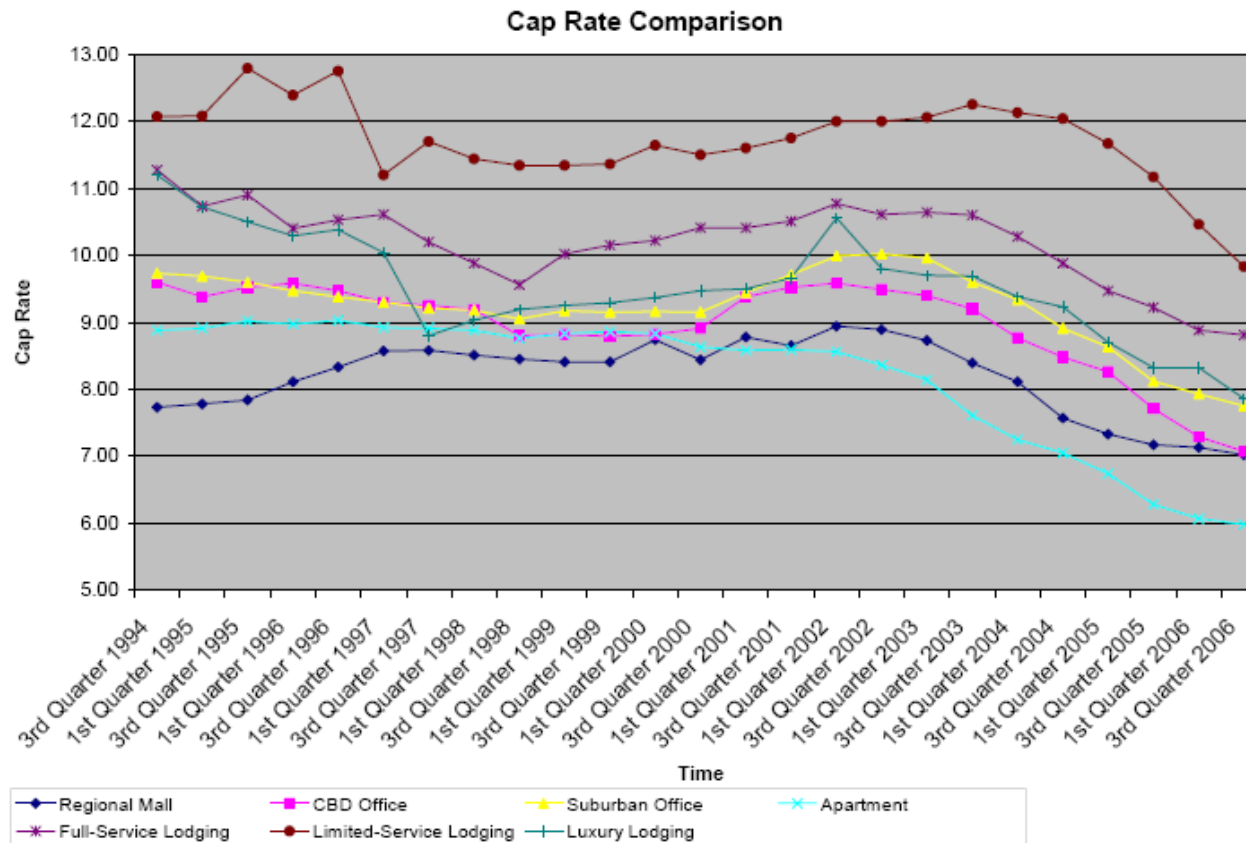
- trailing
 - based on prior years actual profit
- forward
 - multiple of forthcoming years projected profit

🚦 Exit is expressed as a multiple or a capitalisation rate e.g.

- 16 times
- or
- 6% yield (1/16)

Comparable cap rates

Real Estate Investment Capitalization Rates – Korpacz Real Estate Investor Survey Data



Investment appraisal - projected profit and loss account - assumptions

<i>Inflation 2.5%</i>	<u>3</u> <u>2009</u>	<u>4</u> <u>2010</u>	<u>5</u> <u>2011</u>	<u>6</u> <u>2012</u>	<u>7</u> <u>2013</u>	<u>8</u> <u>2014</u>	<u>9</u> <u>2015</u>	<u>10</u> <u>2016</u>
Rooms in Hotel	160	160	160	160	160	160	160	160
Rooms Available	43,800	58,400	58,400	58,400	58,400	58,400	58,400	58,400
Rooms Occupied	28,470	39,420	40,880	42,048	42,048	42,048	42,048	42,048
Occupancy %	65%	68%	70%	72%	72%	72%	72%	72%
Average Rate	€ 80.00	€ 85.00	€ 95.00	€ 97.38	€ 99.81	€ 102.30	€ 104.86	€ 107.48
RevPAR	€ 52.00	€ 57.38	€ 66.50	€ 70.11	€ 71.86	€ 73.66	€ 75.50	€ 77.39
F&B Revenues as a % of Room Revenue	30%	30%	30%	30%	30%	30%	30%	30%
Telephone / Internet / Other Revenue	5%	5%	5%	5%	5%	5%	5%	5%
Rooms Department Margin	75%	80%	83%	83%	83%	83%	83%	83%
F&B Department Margin	30%	33%	35%	35%	35%	35%	35%	35%
Telephone / Internet / Other Dept Margin	25%	28%	30%	30%	30%	30%	30%	30%
A&G as % of Revenue	7%	6%	6%	6%	6%	6%	6%	6%
Sales and Marketing as % of Revenue	4%	4%	3%	3%	3%	3%	3%	3%
Energy as % of Revenue	5%	5%	5%	5%	5%	5%	5%	5%
R&M as % of Revenue	3%	4%	4%	4%	4%	4%	4%	4%
GOP as % of Revenue	40%	44%	47%	46%	46%	46%	46%	46%
Reserve for Replacements	2%	3%	4%	5%	6%	6%	6%	6%

Investment appraisal

- projected profit and loss account

<i>Inflation 2.5%</i>	<u>3</u> <u>2009</u>	<u>4</u> <u>2010</u>	<u>5</u> <u>2011</u>	<u>6</u> <u>2012</u>	<u>7</u> <u>2013</u>	<u>8</u> <u>2014</u>	<u>9</u> <u>2015</u>	<u>10</u> <u>2016</u>
Revenues								
Rooms	€ 2,277,600	€ 3,350,700	€ 3,883,600	€ 4,094,424	€ 4,196,785	€ 4,301,704	€ 4,409,247	€ 4,519,478
Food and Beverage	€ 683,280	€ 1,005,210	€ 1,165,080	€ 1,228,327	€ 1,259,035	€ 1,290,511	€ 1,322,774	€ 1,355,843
Telephone / Internet / Other Revenue	€ 113,880	€ 167,535	€ 194,180	€ 204,721	€ 209,839	€ 215,085	€ 220,462	€ 225,974
Total Revenue	€ 3,074,760	€ 4,523,445	€ 5,242,860	€ 5,527,472	€ 5,665,659	€ 5,807,301	€ 5,952,483	€ 6,101,295
Rooms Department Profit	€ 1,708,200	€ 2,680,560	€ 3,203,970	€ 3,377,900	€ 3,462,347	€ 3,548,906	€ 3,637,629	€ 3,728,569
F&B Department Profit	€ 204,984	€ 331,719	€ 407,778	€ 429,915	€ 440,662	€ 451,679	€ 462,971	€ 474,545
Telephone etc Profit	€ 28,470	€ 46,072	€ 58,254	€ 61,416	€ 62,952	€ 64,526	€ 66,139	€ 67,792
Gross Operating Income	€ 1,941,654	€ 3,058,351	€ 3,670,002	€ 3,869,231	€ 3,965,961	€ 4,065,110	€ 4,166,738	€ 4,270,907
A&G	€ 199,859	€ 271,407	€ 288,357	€ 331,648	€ 339,940	€ 348,438	€ 357,149	€ 366,078
S&M	€ 122,990	€ 158,321	€ 157,286	€ 165,824	€ 169,970	€ 174,219	€ 178,574	€ 183,039
Franchise Fees	€ 136,656	€ 234,549	€ 310,688	€ 327,554	€ 335,743	€ 344,136	€ 352,740	€ 361,558
Energy	€ 153,738	€ 226,172	€ 262,143	€ 276,374	€ 283,283	€ 290,365	€ 297,624	€ 305,065
R&M	€ 92,243	€ 158,321	€ 209,714	€ 221,099	€ 226,626	€ 232,292	€ 238,099	€ 244,052
Total Undistributed Expenses	€ 705,487	€ 1,048,769	€ 1,228,189	€ 1,322,499	€ 1,355,561	€ 1,389,450	€ 1,424,187	€ 1,459,791
Gross Operating Profit	€ 1,236,167	€ 2,009,582	€ 2,441,814	€ 2,546,732	€ 2,610,400	€ 2,675,660	€ 2,742,552	€ 2,811,115
	40%	44%	47%	46%	46%	46%	46%	46%
Property Taxes	€ 18,750	€ 25,000	€ 25,625	€ 26,266	€ 26,922	€ 27,595	€ 28,285	€ 28,992
Property Taxes Exemption	-€ 18,750	-€ 25,000	-€ 25,625					
Property Insurance	€ 9,375	€ 12,500	€ 12,813	€ 13,133	€ 13,461	€ 13,798	€ 14,143	€ 14,496
	€ 9,375	€ 12,500	€ 12,813	€ 39,398	€ 40,383	€ 41,393	€ 42,428	€ 43,489
Profit Before Management Fees	€ 1,226,792	€ 1,997,082	€ 2,429,001	€ 2,507,333	€ 2,570,017	€ 2,634,267	€ 2,700,124	€ 2,767,627
Management Fees								
- 2.5% of revenue	€ 61,495	€ 90,469	€ 104,857	€ 55,275	€ 56,657	€ 58,073	€ 59,525	€ 61,013
- 5% of GOP	€ 61,808	€ 100,479	€ 122,091	€ 127,337	€ 130,520	€ 133,783	€ 137,128	€ 140,556
	€ 123,304	€ 190,948	€ 226,948	€ 182,611	€ 187,177	€ 191,856	€ 196,652	€ 201,569
Reserve for Replacements	€ 61,495	€ 135,703	€ 209,714	€ 276,374	€ 339,940	€ 348,438	€ 357,149	€ 366,078
EBITDA	€ 1,041,994	€ 1,670,431	€ 1,992,339	€ 2,048,348	€ 2,042,900	€ 2,093,973	€ 2,146,322	€ 2,199,980

Investment appraisal - cash flow analysis

	<u>0</u> <u>2006</u>	<u>1</u> <u>2007</u>	<u>2</u> <u>2008</u>	<u>3</u> <u>2009</u>	<u>4</u> <u>2010</u>	<u>5</u> <u>2011</u>	<u>6</u> <u>2012</u>	<u>7</u> <u>2013</u>	<u>8</u> <u>2014</u>	<u>9</u> <u>2015</u>	<u>10</u> <u>2016</u>
Capital Costs											
- Development	€ 0	-€ 9,269,714	-€ 4,077,000	-€ 2,245,231	-€ 50,000	-€ 50,000	-€ 50,000	-€ 50,000	-€ 50,000	-€ 50,000	-€ 50,000
Revenue Streams											
- Hotel				€ 1,041,994	€ 1,670,431	€ 1,992,339	€ 2,048,348	€ 2,042,900	€ 2,093,973	€ 2,146,322	€ 2,199,980
- Car Park				€ 269,033	€ 381,820	€ 405,861	€ 427,893	€ 438,591	€ 449,556	€ 460,794	€ 472,314
ANNUAL CASH FLOWS	€ 0	-€ 9,269,714	-€ 4,077,000	-€ 934,204	€ 2,002,251	€ 2,348,200	€ 2,426,242	€ 2,431,491	€ 2,493,529	€ 2,557,117	€ 2,622,295
CUMULATIVE CASH FLOW	€ 0	-€ 9,269,714	-€ 13,346,714	-€ 14,280,918	-€ 12,278,666	-€ 9,930,467	-€ 7,504,225	-€ 5,072,733	-€ 2,579,205	-€ 22,088	€ 2,600,207
IRR (Pretax)											12.7%
Investor Cash Flow											
Equity Injection	€ 0	-€ 6,236,778									
EBITDA				€ 1,311,027	€ 2,052,251	€ 2,398,200	€ 2,476,242	€ 2,481,491	€ 2,543,529	€ 2,607,117	€ 2,672,295
Principal Repayment				€ 0	-€ 1,007,522	-€ 906,769	-€ 816,092	-€ 734,483	-€ 661,035	-€ 594,931	-€ 535,438
Interest Payments				€ 0	-€ 604,513	-€ 544,062	-€ 489,655	-€ 440,690	-€ 396,621	-€ 356,959	-€ 321,263
Residual Value											
Bullet Repayment of Debt											
Cash Flow to Investor	€ 0	-€ 6,236,778	€ 0	€ 1,311,027	€ 440,217	€ 947,369	€ 1,170,494	€ 1,306,318	€ 1,485,873	€ 1,655,227	€ 1,815,593
IRR to Investor											18.5%

Excellence in feasibility studies

Breakout session 2

Scope a feasibility study for a:

1. proposed repositioning of a 3-star hotel to 5-star hotel in Bahrain
2. proposed new build 2-star hotel in Saudi Arabia
3. proposed spa being added to a resort hotel in Sharm el Sheikh
4. proposal to repair a hotel damaged by bombs in Central Beirut

Hotel Solutions Partnership

Unlocking your strategic advantage