

**MASTER OF SCIENCE**  
FINANCE

**MASTER'S FINAL WORK**  
PROJECT

BUSINESS PLAN FOR A GUESTHOUSE IN THE CITY OF  
VIANA DO CASTELO

VÍTOR MIGUEL MACIEL AZEVEDO MORAIS

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**SUPERVISION:**  
JOÃO CARVALHO DAS NEVES

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## GLOSSARY

- ADR – Average Daily Rate
- AL – Local Accommodation Unit
- CAE – Classification of Economic Activities
- CAGR – Compound Annual Growth Rate
- CTA – Closed to Arrival
- DCF – Discounted Cash Flow
- ECB – European Central Bank
- FCFF – Free Cash Flow to the Firm
- FED – US Federal Reserve
- GDP – Gross Domestic Product
- IRR – Internal Rate of Return
- JEL – Journal of Economic Literature
- LoS – Length of Stay
- MFW – Master’s Final Work
- NPV – Net Present Value
- O2O – Online to Offline
- OCC – Occupancy
- OTA – Online Travel Agency
- PESTEL – Political, Economic, Social, Technological, Environmental and Legal
- PP – Payback Period
- RevPAR – Revenue per Available Room
- SEF – Portuguese Immigration and Border Service
- SWOT – Strengths, Weaknesses, Opportunities and Threats
- UNWTO – United Nations World Tourism Organization
- WACC – Weighted Average Cost of Capital

## **ABSTRACT, KEYWORDS AND JEL CODES**

The tourism industry has a significant importance in the Portuguese economy. Over the past decade, it had a tremendous growth and propelled Portuguese cities with liveliness. The accommodation industry is extremely competitive and faces constant changes. A well-thought pricing and cost strategy is crucial to the success of new investments.

This Master's Final Work develops a detailed business plan for a centrally located accommodation unit in the historical city centre of Viana do Castelo. It requires the rehabilitation of an existing building and the setting up of eight comfortable suites. This Boutique Suites will provide a bed & breakfast service at a competitive price and will focus on its critical success factors to gain an edge over its competitors.

An in-depth study of the Portuguese and Viana do Castelo accommodation markets with a clear visualization of the concept of Boutique Suites was fundamental to create the necessary assumptions for the financial model. The Marketing Mix reveals the 4P's of marketing and the risk matrix summarizes the main risks associated with this investment. Moreover, an Implementation and Organization Plan was created to study how and when this Boutique Suites is developed and starts operation.

A Discounted Cash Flow model was used to understand the financial viability of this project. The valuation indicators conclude that the project is financially viable. The risk analysis presents the documented impact of changes in revenues and operational costs to the investment decision.

**KEYWORDS:** Real Estate Business Plan; Hospitality; Viana do Castelo; Real Estate Strategy

**JEL CODES:** M10

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## **ACKNOWLEDGMENTS**

I am grateful for the opportunity to use my academic knowledge towards this project. It has a special importance for my family and me.

A special thanks to my mother and father for all the support during this difficult period. You are and will always be an essential part of my life.

To my partner Cristina, thank you for always being there for me with your love and friendship.

Joana and Filipa, thank you for your friendship. It was always great fun to share ISEG's grounds with you.

Last but not the least, I would like to thank professor João Carvalho das Neves for all the help and guidance throughout the development of this project.

## 1. INTRODUCTION

This Master's Final Work presents a detailed business plan for a new accommodation unit in the historical city centre of Viana do Castelo. It arose from the opportunity to rehabilitate an old vacant family building. It enabled me to use my academic knowledge and personal motivation to develop a real-life business plan. Furthermore, it meets my interests in entrepreneurship, real estate, hospitality and tourism.

This Boutique Suites is planned for eight fully equipped suites and will provide a high-quality bed & breakfast service in Viana do Castelo. It aims city break, cultural and religious tourists who privilege a prime location with a personalised customer service in a small historical accommodation unit. It is fundamental to create local and online brand awareness to attract new customers and avoid high commissions from OTA's. However, in the first years of the business it is expected that a large portion of revenues come from these platforms.

Seasonality is a characteristic of Viana do Castelo's accommodation market. A competitive pricing strategy over its peers whilst including dynamic pricing approaches is fundamental for the profitability of this Boutique Suites. The operating costs should stay controlled to improve profits over time. The major external risks associated with this business are changes in taxes, labour legislation, economic slowdown and health issues.

The path to profitability is detailed in the DCF model created in this business plan. The project is expected to be financed with equity and debt. Realistic values were estimated to produce the forecasts and financial statements necessary to achieve the valuation indicators. The WACC will be used as the discount rate. The NPV and IRR confirm the financial viability of this project. Sensitivity and scenario analysis are included to evaluate the potential effect of selected variables in the profitability.

This business plan is structured along the following chapters: external market analysis; in-depth analysis of the tourism sector in Portugal and Viana do Castelo; a complete description of Boutique Suites; financial metrics estimated for the DCF model; and lastly, the project valuation.

I have the conviction that this business plan concerning the Boutiques Suites will have a very positive impact in my life.

## 2. MARKET ANALYSIS

### 2.1. External Analysis – PESTEL Analysis

#### 2.1.1. Economic Factors:

The International Monetary Fund projects that global economic growth will reach 3.4 and 3.6 percent in 2020 and 2021 respectively. Growth projections have been lowered for the euro area, Japan and the United Kingdom after revision. USA economic growth is projected at 2.1 percent in 2020 and 1.7 percent in 2021. Growth in the euro area is expected to slowly decrease from 1.9% in 2018 to 1.2% in 2019 and stabilize at 1.4% in 2020.

U.S. unemployment rate fell significantly from 10% in 2010 to 3.7% in 2019. Similarly, there is a falling trend in unemployment rate in EU reaching 6.2% in 2019.

The US disposable personal income has been rising since 2008 and peaked at \$16 572.94 Billion in 2019. Disposable personal income in EU also experiences a similar trend. The current disposable personal income in EU is over €1 798 017 Million.

Since the 2008 financial crisis, the GDP per capita is steadily growing in the US. The US GDP per capita is now close to \$63,000. However, during the same period, the GDP per capita in the EU experienced several ups and downs and still remains below its peak of \$38,198 in 2008. In 2018, the value recorded was \$36,546.

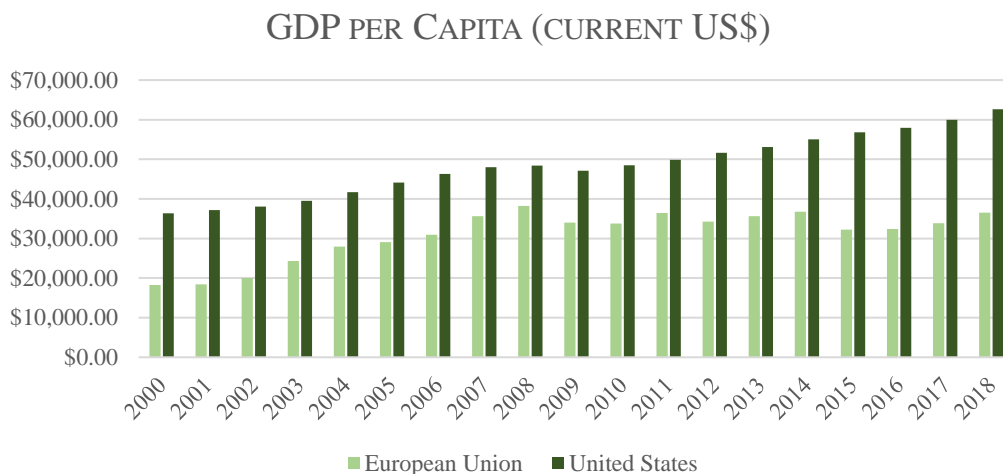


Figure 1 - GDP per Capita (Current US\$)

Appreciation of USD is beneficial for Americans to travel overseas as their purchasing power increases. The USD/EUR rate has been growing from January 2018 reaching in 21OCT2019 a value of 0.90.

U.S. President Trump is currently on a trade war with China and the EU, which can affect world's GDP growth. Thus far, the U.S. has not implemented any tariffs on tourism. Recent tensions between U.S. and Iran generate oil price volatility creating instability for the aviation and tourism industry. FED, ECB and China are lowering interest rates, indicative of an economic slowdown.

#### *2.1.2. Political Factors:*

The political situation created with the Brexit is still pendent and it is unclear the effects it will have on the tourism industry in the EU. Political stability regarding labour laws, minimum wage and taxation increases foreign direct investment in the accommodation industry and improves the development of a region.

Similar to other business, the tourism industry flourishes in environments free of chaos. Furthermore, the sense of safety is vital for a high-quality experience for tourists. Recently, several political events such as the rise of yellow vests movement in France, Hong Kong conflict with China and Cataluña independence movement affected severely the tourism industry. Arab Spring brought uprisings across the Islamic world and had a brutal impact in the tourism industry in the region.

#### *2.1.3. Social Factors:*

Millennials are people who are born between 1981 and 1996. The number of millennials is 1,8 billion, which is around 25% of global population. Millennials have taken over baby boomers and generation X to become largest generation. Chinese millennials outnumber the entire U.S. population. New consumer preferences emerge and are changing the traditional hotel industry. Airbnb and other short-term rental platforms seized the opportunity to fulfil this new interest in short-term rental properties.

The global number of international tourism arrivals grew from 25 million in 1950 to 1.235 billion in 2016 and it's forecasted to reach 1.8 billion in 2030. New consumer preferences and a steady increase in the demand create imbalance in high demand touristic destinations with limited real estate capacity. Urban planners are faced with new challenges to avoid gentrification and social conflict, specially, low-income residents without financial capacity to pay higher rents. Several European cities, as Venice, Amsterdam, Berlin, Palma de Mallorca and Barcelona, have assisted to protests due to the rise of tourism and accommodation establishments.

#### *2.1.4. Technological Factors:*

The emergence of the Internet and new technologies has brought both advantages and disadvantages. The recent bankruptcy of Thomas Cook, a traditional tourism operator, proves that the sector is quickly changing.

Access to qualitative and quantitative information improves decision making by the use of Big Data. It offers much faster and more personalized communication channels with customers. Artificial Intelligence is expected to be widely applied and will eliminate repetitive tasks to enhance efficiency. This will directly cut costs and indirectly protect the environment. However, the “internet trend” also provides opportunity to new entrants: E-commerce and the O2O model have introduced many companies like Airbnb and Booking.com to the accommodation industry.

Several technological advancements can impact positively the profitability of the accommodation industry by reducing their operating costs. Digital Check-in’s, Cloud Technology and Internet of Things are some of them. Social Media platforms are increasingly being used as advertising channels.

#### *2.1.5. Environmental Factors:*

The major problems of global warming, plastic pollution and waste of resources have been a common concern of sustainability in all industries, including the hospitality industry. Nowadays, eco-friendly hotels are the norm. Plastic-free amenities are starting to become a normal practice within the industry. As the accommodation industry is in the central part of energy savings scheme, sustainable development practices and the use of environmentally friendly construction materials are strongly recommended.

With the forecasted growth in the worldwide hospitality industry, it is very important to balance supply and demand especially well to create greener, cleaner and more sustainable destinations.

#### *2.1.6. Legal Factors:*

The accommodation industry must comply with a large number of legal issues, which can differ among regions. The more recent and note-worthy regulation is General Data Protection Regulation (GDPR). Any accommodation establishing operating in the EU has to adhere to the laws of the GDPR. This regulation increases operating costs due to new needed data processing procedures to deal with reservations and increases the risks for non-compliance.

Serious housing shortage is resulting in restrictions to new accommodation establishments, specially, within short-term rental units all over the world. For instance, Los Angeles restricted short-term rental to 120 days a year, Amsterdam to 30 nights a year and Paris to 120 nights per year. Palma de Mallorca and Barcelona created legal instruments to ban all non-registered short-rental units. Tourist tax is an instrument being used to mitigate some of the negative effects of excessive tourism.

In Portugal, short-term rental is legally referred as “Alojamento Local” and is already facing in Lisbon restrictions to new listings in some neighbourhoods. Currently, new municipal regulations are being studied in Lisbon and Porto regarding this issue.

### 2.2. Macroeconomics Analysis of the Portuguese Tourism Indicators

Over the last decade, Portugal has been experiencing an enormous and successful growth in the tourism sector. Restaurants, Bars, Hotels, Tour companies, Taxis, Transportation Business and a whole range of shops and business were positively influenced by this phenomenon. It facilitated the revival of historical city centres and was one main drivers for the Portuguese economy. In fact, 13.7% of the Portuguese GDP generated in 2017 was due to the sector. The main indicators of the tourism sector confirm this positive evolution and are summarized in Appendix 1.

The number of overnight stays grew from 37 391 291 in 2010 to 67 662 103 in 2018, a fantastic 6.81% CAGR. The number of guests grew 7.13% CAGR, from 13 537 040 to 25 155 328 in the equivalent period. The average Length of Stay remained relatively stable averaging 2.69 nights in 2018.

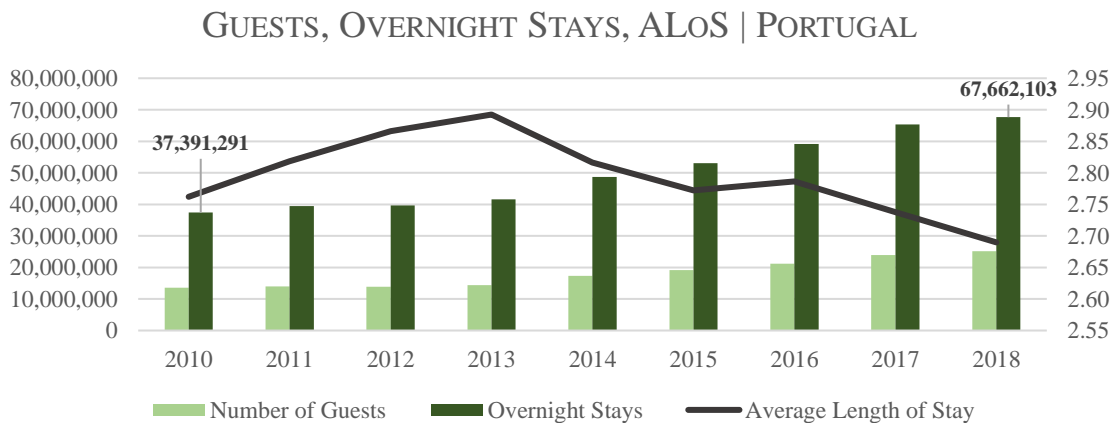


Figure 2 - Guests, Overnight Stays & ALoS in Portugal

The accommodation revenues raised from 1.23b€ in 2010 to 2.95b€ in 2018, an astonishing 10.27% CAGR. The RevPAR, a fundamental performance benchmark for the hospitality industry, went from 28.27€ to 48.59€ in the same period at a 6.20% CAGR rate. It is calculated by multiplying the Average Daily Rate with the Occupancy Rate.

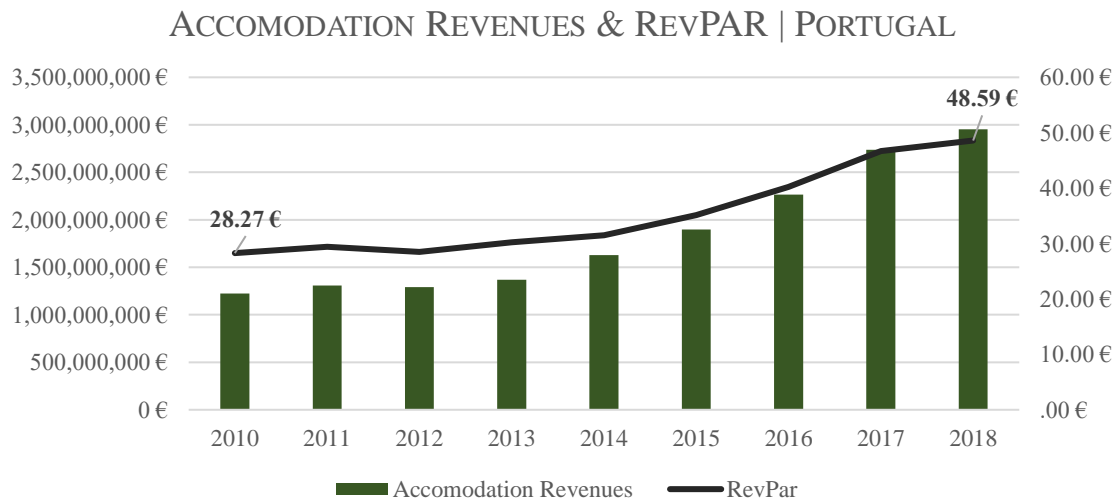


Figure 3 - Accommodation Revenues & RevPAR in Portugal

The occupancy rate went from 42.2% to 65.11% from 2010-2018, with 4.94% CAGR. To finalize, the seasonality rate, which “assesses the relative weight of tourist demand in the three months of greatest demand (July, August and September), in relation to the annual total, as measures by the number of overnight stays in accommodation establishments” - TravelBI, was slowly reduced at a -0.68% CAGR, with a value of 36.66% in 2018, a positive indicator for the tourism in Portugal.

The supply of accommodation from the traditional hospitality sector could not keep up with the growth of the demand during the last decade leading to the increase of the RevPAR. From 2010 to 2018, the supply of beds grew 1.9% CAGR from 279 506 to 331 127. The short-term rental phenomenon, with the appearance of Airbnb and similar platforms, is referred as “Alojamento Local” in Portugal and assisted in the number of beds available to tourists. In October 2019, there were 90 479 entries with 352 385 beds.

The key Portuguese regions with a higher impact in the total accommodation revenues in 2018 were the Metropolitan Area of Lisbon with 33.72% in relative weight, followed by Algarve with 28.47%, North with 14.42% and Madeira with 9.45%.

In terms of total overnight stays, the top five nationalities in relative weight are Portuguese (29.40%), British (13.79%), German (9.53%), Spanish (7.21%) and French (6.95%). International tourists represented 70.6% of the total overnight stays.

#### ORIGIN OF TOURISTS | PORTUGAL

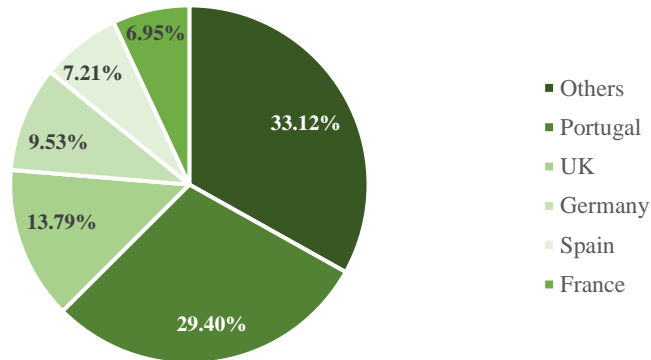


Figure 4 - Origin of tourists in terms of Overnight Stays

There are numerous explanations for the success of the tourism sector in Portugal. The most acknowledged internal drivers are the safety, the pleasant climate, a good transportation infrastructure strategically used by low cost carriers, the good balance between price and quality, its history and cultural heritage, the touristic diversity offered and the well-known hospitality of the Portuguese population. Moreover, Portugal benefited from a favourable external economic cycle.

#### ACCOMODATION REVENUES | PORTUGAL

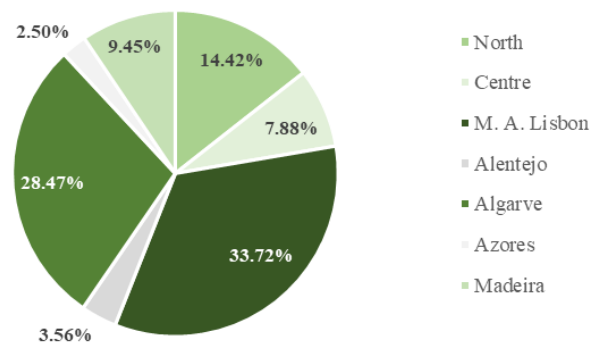


Figure 5 - Relative weight per region in the accommodation revenues

The future is uncertain, although, the growth Portugal experienced in the last decade is expected to slow down since it is simply not sustainable in the long term. The sector in Portugal is considered in its mature phase.

### 3. PRESENTATION OF VIANA DO CASTELO

Viana do Castelo is a coastal city located in the north of Portugal with a very particular cultural and historical heritage. It is the perfect place to enjoy the tranquillity of a small city with a remarkable quality of life, safety and excellent cultural, sports and social facilities for inhabitants, approximately 86 000, and visitors. The presence of Lima river, Santa Lúzia hill and the Atlantic Ocean, give the city an excellent landscape to sustain a very healthy and pleasant lifestyle.

Well served by functional highways, a seaport for goods and small cruises and a train station, it is very easy and convenient to reach the city. Furthermore, Viana do Castelo has a marina, a fishing port and a shipyard. Additionally, within a range of seventy kilometres there are two airports, Porto's international airport and Vigo's airport. The proximity to Porto presents Viana do Castelo with all the benefits of a larger municipal area within a forty-five-minute car drive.

The city main economic drivers are the tourism sector, the tertiary sector and a shipbuilding facility leader in the country. The characteristic all year-round north wind made it possible for the implementation of several wind turbines on the surroundings of the city and a pioneer offshore platform. Renewable energy helps Viana do Castelo's vision to become a neutral carbon city in the near future.

#### *3.1. Viana do Castelo as a Tourism Destination*

The historical city centre with numerous old buildings dated from the XV century is well connected with a new era of Portuguese contemporary architecture. In addition, the picturesque sights and the unforgettable sunsets from Santa Lúzia hill, attract to Viana do Castelo tourists from all over the world. Unique cultural richness makes Viana do Castelo the capital city of Portuguese folklore complemented with its traditional handicraft, with special emphasis on crockery and embroidery. Viana do Castelo is a perfect city break destination for tourism.

Well known for its gastronomy, Viana do Castelo offers its visitors several restaurants, pastry shops, bakeries, leisure cafes and bars. The historical connection with the Atlantic Ocean provides delicious fresh fish to local businesses. The two renowned pastries are "Torta de Viana" and "Bola de Berlim", a delight for those who try them.

Viana do Castelo's Lima river along with fine sandy beaches create a very special natural environment turning the city in an ultimate destination for the practice of nautical sports such as, rowing, sailing, wakeboarding, surfing, windsurfing and kitesurfing. Currently, several national and international events are held in the city every year.

Viana do Castelo's Santa Lúzia sanctuary attracts over one million visitors each year. Religious tourism from the sanctuary is complemented with the passage of thousands of pilgrims undertaking the coastal Portuguese Camino until the cathedral of Santiago de Compostela.

The city has a decent hotel capacity ideal to welcome tourists and to receive congresses, seminars and other conferences of tourism, business or scientific. These meetings are supported by the existence of modern and functional auditoriums.

The combination of all these characteristics presents Viana do Castelo has an extremely attractive destination for various tourism purposes.

#### **4. ANALYSIS OF THE TOURISM SECTOR IN VIANA DO CASTELO**

Viana do Castelo is benefiting, alongside with the rest of the country, from an exponential growth in the number of guests and overnight stays. The number of overnight stays grew 13.05% from 2017 to 2018 and the number of guests 11.11%, indicating that the average length of stay per guest also increased. In 2018, the average length of stay was fixed in 1.91 nights per visitor contrasting with 1.87 in 2017. The number of overnight stays grew in every month from 2017 to 2018.

Viana do Castelo is an insignificant market within Portugal. It represents as little as 0.37% of the overnights stays, 0.53% of the number of guests and 0.40% of the accommodation revenues in 2018.

The total gross revenues from accommodation grew 24.67% from €9,461,950 to €11,795,802 from 2017 to 2018 (Table 1). The RevPar from all typologies of accommodation, which takes into consideration the occupancy rate and the average daily rate, grew from €35.09 to €40.33 representing a 14.94% increase in the same period.

The occupancy rate from all typologies of accommodation fell a slightly 0.16% from 60.06% in 2017 to 59.96% in 2018. These numbers along with the RevPar suggest that the ADR (Average Daily Rate) increased substantially from 2017 to 2018.

The flourishing tourism in Porto in conjunction with an effective campaign from private and public entities from Viana do Castelo made it possible to capture effectively new tourists to the city which is evident on the numbers presented.

Main Indicators   Viana do Castelo	2017	2018	Δ% 17/18
<b>Overnight Stays</b>	223.866	253.070	13,05%
<b>Guests</b>	119.491	132.770	11,11%
<b>Average Length of Stay</b>	1,87	1,91	1,74%
<b>Gross Accomodation Revenues</b>	9.461.950 €	11.795.902 €	24,67%
<b>RevPar</b>	35,09 €	40,33 €	14,94%
<b>Occupancy Rate</b>	60,06%	59,96%	-0,16%

Table 1 - Main Hospitality Indicators | Viana do Castelo

#### 4.1. Seasonality

Seasonality is, according to Butler (1994) “a temporal imbalance in the phenomenon of tourism” and is undeniably a characteristic present throughout the year in Viana do Castelo. This singularity is easily visible and understood with the values of the number of overnight stays, gross accommodation revenue and the occupancy rates per month.

The number of overnight stays indicates a clear tendency of higher values during the summer months starting in July and ending in September. August is the peak month during the year. In 2018, it had more than 4.7x more nights compared to the minimum month of January. April, May, June October of 2018 are very close or slightly above the monthly average of 21,089 overnight stays. Therefore, the remaining months have a lower demand. The seasonality rate was 41.5% in 2018, 4.85% higher than the national average.

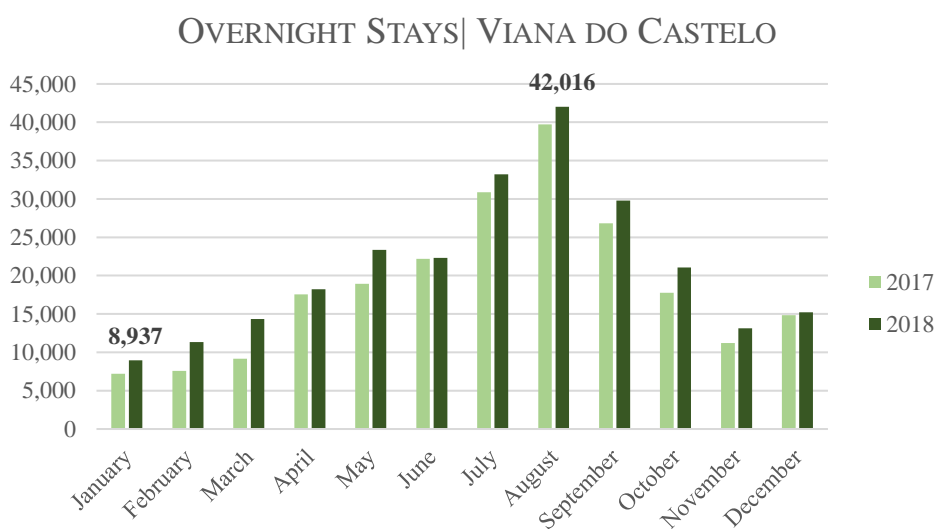


Figure 6 - Overnight Stays in Viana do Castelo 2017 & 2018

The gross accommodation revenue is a powerful indicator in what manner the seasonality effect is present in Viana do Castelo. In 2018, June, July, August and September are the only months above the monthly average of €982,992, together these months represent 56.88% of the annual accommodation revenue. The maximum value is €2,364,981 in August which represents 20.05% of the annual accommodation revenue and is 6.91x higher than the minimum value in January.

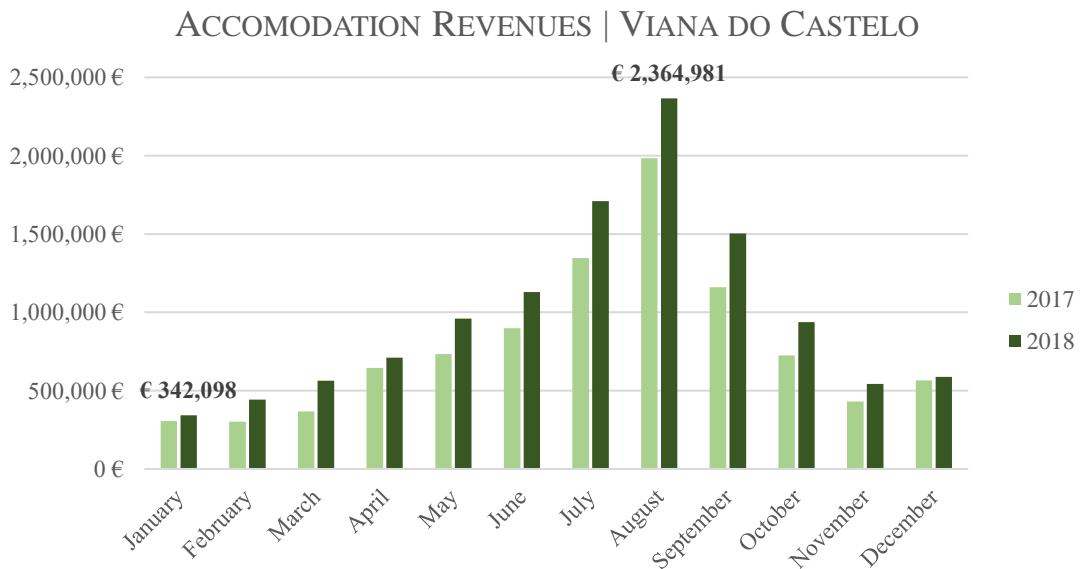


Figure 7 - Accommodation Revenues in Viana do Castelo 2017 & 2018

The average monthly occupancy rate for 2018 is 60.18%. A 100% occupancy rate is theoretical and unfeasible in the hospitality sector. From October to April, the occupancy rate is below average and from May to September is above average. Once again, August is the month with the highest value of 92.52% and the lower value is in January with 39.13%, 2.36x lower compared to August.

Additionally, the demand in Viana do Castelo increases with several special events (Table 2) and holidays throughout the year. The leading event occurs in August with Romaria da Nossa Senhora da Agonia, which brought in 2019 more than 1.2 million visitors to the city during its five-day festivities.

To sum up, the high season occurs during July, August and September when there is more demand for accommodation in the city, the mid-season is May, June and October and the low season corresponds to the rest of the year. Special Events can have an enormous impact since Viana do Castelo is a small city without international visibility.

An excellent revenue management strategy is important to maximize accommodation revenues, specially, during the summer months.

Month	Special Event
<b>January</b>	- Half Marathon Manuela Machado
<b>June</b>	- Medieval Fair
<b>July</b>	- Wine & Blues Festival - Festival de Folclore Internacional do Alto Minho
<b>August</b>	- Jazz na Praça da Erva - Romaria Nossa Senhora da Agonia - Neopop Electronic Music Festival
<b>September</b>	- Rampa de Santa Lúzia - Viana Bate Forte Music Festival

Table 2 - Special Events in Viana do Castelo

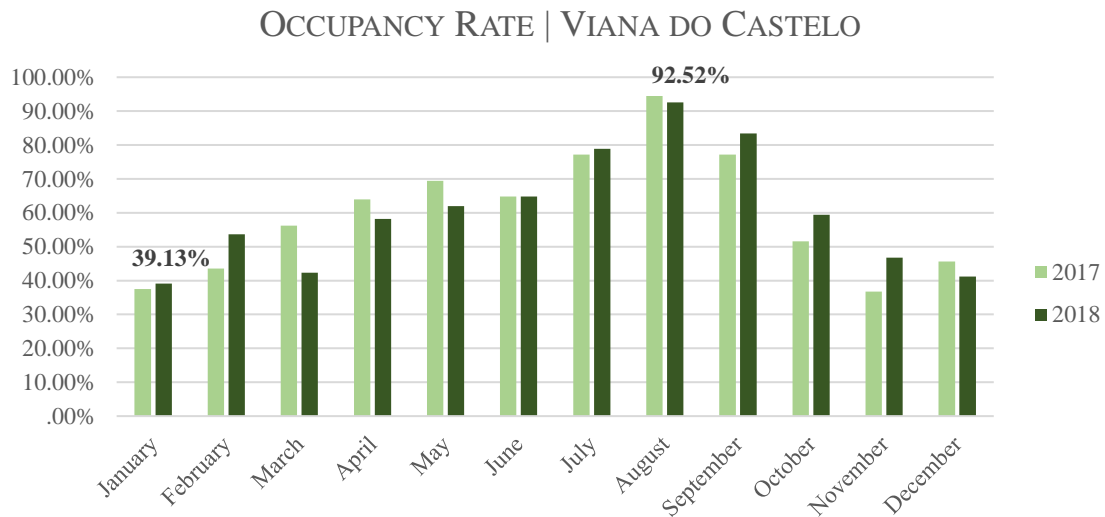


Figure 8 - Occupancy Rate in Viana do Castelo 2017 & 2018

#### 4.2. International versus Domestic Tourists

In relative terms, the number overnight stays by domestic tourists increased from 2017 to 2018 by 9.47%. In 2018, the domestic guests represented 45.89% of number of the overnight stays in Viana do Castelo. This fact is explained by three main reasons:

- The good relations maintained by Portuguese emigrants with Portugal.
- Viana do Castelo is an affordable destination with a good relation between price and quality.
- It is considered a City Break destination by Portuguese inhabitants.

However, their weight in the number of total nights decreased from 47.39% to 45.89% indicating that international tourists gained more relevance in 2018. Overall, the growth rate of international tourists was greater than the growth rate of domestic tourists.

Regarding international tourists, Spanish tourists are the first by representing 12.44%, a consequence of the city's proximity to Galicia. They are followed by German (7.43%), French (6.12%) and British (4.39%). Recently, with an increase of international students in Viana do Castelo and Porto, a word of mouth promotion of the city to their relatives and friends also benefits the number of international tourists.

INTERNATIONAL & DOMESTIC TOURISTS | VIANA DO CASTELO

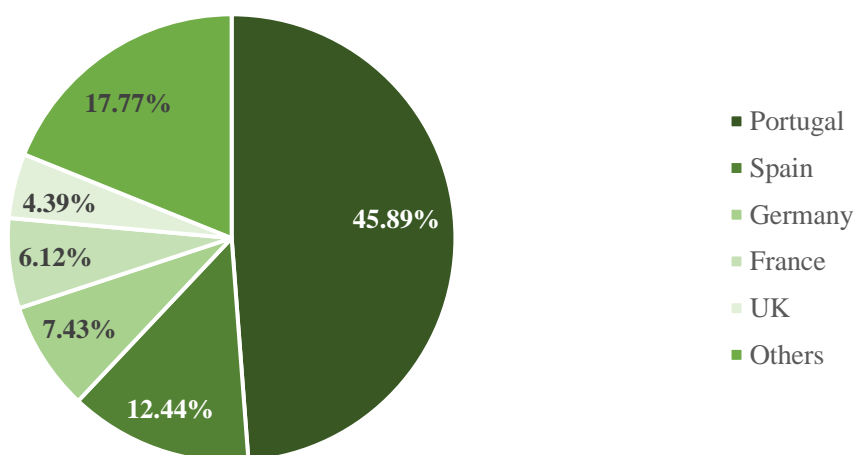


Figure 9 - International & Domestic Overnight Stays in Viana do Castelo 2018

#### 4.3. Supply of Accommodation in Viana do Castelo

From 2017 to 2018 the total number of available beds grew by 22.33% from 2020 to 2471 contrasting with the 13.05% growth in the number of nights spent in the city. The accommodation market is already adjusting to the higher demand specially through Alojamento Local which can easily convert a long-term rental property into a short-term rental for tourists. In fact, most of this growth in the supply was from Alojamento Local. Excluding Alojamento Local the supply would only have grown 2.68%. Over the medium/long term, it is expected that these values come closer when the market adjusts its supply and demand.

In 2018, the total number of accommodation establishments in the city of Viana do Castelo was 254, totalizing 2471 available beds and 1352 rooms. The supply of accommodation in Viana do Castelo is mainly composed by Hotels (47.15%), followed

by “Alojamento Local” (32.05%), Rural Tourism (13.27%), Historical Hotel – Pousada (3.97%) and Touristic Apartments (3.56%).

Focusing on the 15 hotels in Viana do Castelo, 47.73% of the total number of beds available are from 4\* hotels, 30.64% 3\* hotels, 19.06% 2\* hotels and 2.58% 1\* hotels.

The presence of short-term rental units is also widely spread in the municipality of Viana do Castelo. Most of its offer is not located in the parish of the historical city centre. Legally, there are four categories of Alojamento Local in Portugal, “Apartamento”, “Moradia”, Estabelecimento de Hospedagem” and “Quarto”. Their relative weight in the of number of beds available from is respectively, 38.13%, 42.55%, 17.80% and 1.52%.

#### *4.4. Competitor Analysis*

It is essential to understand how the accommodation industry works in Viana do Castelo to truly identify the direct competitors and evaluate their strengths and weaknesses. Due to municipality limitations regarding buildings heights to preserve the historical city centre, most accommodation rooms including the larger hotels are located outside the historical city centre. An accurate competitor analysis is important to develop the positioning and the marketing mix in the business plan.

The primary factor to take into consideration into this analysis is the geographical location and accessibility at the historical city centre of Viana do Castelo, followed by the service scale & quality provided and, finally, its accommodation capacity. Ten accommodation establishments were considered as the most direct competitors. Its characteristics, strengths and weaknesses are presented in Table 3 and 4.

Since the accommodation market in Viana do Castelo is considered very small, only 0.54% of the available beds in Portuguese Hotels are in Viana do Castelo, it is extremely easy for a visitor to choose another accommodation establishment due to inexistent switching costs. Therefore, price is another variable extremely important to consider for every accommodation establishment within a reasonable walkable distance to the historical city centre of Viana do Castelo. In perspective, the selected competitors already include this principle, otherwise they would be out of business. In the accommodation business, an optimal price positioning is fundamental to maximize revenues.

Competitors	Category	Stars	Rooms	Beds	Price	
					Low Season	High Season
<b>Absoluto Design Hotel</b>	Hotel	Two Stars	12	24	67,50 €	90,00 €
<b>Hotel Fábrica do Chocolate</b>	Hotel	Four Stars	18	36	68,50 €	84,50 €
<b>Hotel Casa Melo Alvim</b>	Hotel	Four Stars	20	40	59,50 €	74,00 €
<b>Hotel Laranjeira</b>	Hotel	Two Stars	26	52	56,00 €	61,00 €
<b>Hotel Margarida da Praça</b>	Hotel	Three Stars	13	24	65,00 €	66,50 €
<b>Hotel Jardim</b>	Hotel	Two Stars	20	40	42,00 €	54,50 €
<b>Casa Manuel Espregueira e Oliveira</b>	TH		6	12	130,00 €	150,00 €
<b>A Vianesa Guest House</b>	AL - Moradia		5	11	-	55,50 €
<b>Pensão Laranjeira</b>	AL - EH		7	14	42,50 €	47,50 €
<b>Dona Emília Guest House</b>	AL - Hostel		6	27	52,50 €	56,50 €
<b>Total</b>			<b>133</b>	<b>280</b>	<b>14 a 16 jan</b>	<b>14 a 16 jul</b>

Table 3 - Main Characteristics & Prices of Competitors in Viana do Castelo

Competitors	Strengths	Weaknesses	Booking.com Rating
<b>Absoluto Design Hotel</b>	Vivid Decorations; Rooms with Jazuzzi; Big Rooms; Newly Renovated Historical Building	Outside the Historical City Centre	8.7
<b>Hotel Fábrica do Chocolate</b>	Newly Constructed; 4* services; Chocolate Themed Hotel	Outside the Historical City Centre	9.1
<b>Hotel Casa Melo Alvim</b>	Hotel Recognition; Historical Building from XVI century; 4* Services; Swimming Pool	Train Trepidation due to proximity to train station	9.0
<b>Hotel Laranjeira</b>	Parking in the facility; Recently renewed; Price/Quality relation	Small shower tray; Small rooms; Small Breakfast room	9.1
<b>Hotel Margarida da Praça</b>	3* Services; Good Restaurant in the facility;	Soundproofing for the exterior and between rooms; Needs refurbishment works	8.5
<b>Hotel Jardim</b>	Price/Quality relation; Location with River views (some rooms only)	No common space for guests; Poorly Decorated; Needs refurbishment works	8.6
<b>Casa Manuel Espregueira e Oliveira</b>	Historical Building from XIV century; Private Garden; Big Rooms	Not accessible by car; Traditional Portuguese Decoration	9.6
<b>A Vianesa Guest House</b>	Parking; Low Price	Poorly Decorated and not consistent; Rooms with shared Bathroom	8.9
<b>Pensão Laranjeira</b>	Location; Good Restaurant in the facility	Small Rooms; Soundproofing between rooms	8.6
<b>Dona Emília Guest House</b>	Location; Very Stylish & Newly Renovated; Private Garden with Swimming Pool	Hostel & Guest House; Rooms with shared bathroom	9.6

Table 4 - Strengths & Weaknesses of Competitors in Viana do Castelo

## 5. DESCRIPTION OF THE BUSINESS

This Boutique Suites is the result of a family vision for a new accommodation establishment in the historical city centre of Viana do Castelo. The concept is essentially a small accommodation establishment with 8 generous suites with a unique hosting experience in a historical XIX century building. Providing the guests a personalized service and a comfortable stay in the heart of Viana do Castelo's are the two main factors to run this business successfully. The business is expected to open in January 2023, with 2021 and 2022 reserved for construction works. The presented project's time horizon is 20 Years.

The development of the business requires the rehabilitation of an old real estate building and an in-depth study with an implementation plan, an operational plan and a project valuation to confirm its income potential. Boutique Suites as a private limited company will rent the vacant building to do the construction works and subsequently, to explore the accommodation business.

Boutique Suites is the perfect opportunity to honour my ancestors while monetizing an old vacant real estate building. Passion and the income potential create a perfect recipe to further research and develop this business opportunity.

### *5.1. Mission, Values and Strategy*

This business mission is to provide an exceptional personalised service in every aspect of our customer's accommodation experience. Its values are described below:

- Integrity – Strong moral principles and honesty with the costumers.
- Excellence – Provide an extraordinary accommodation experience to our customers. Customers always come first!
- Ambition – A strong desire to achieve success and determination to expand the business when new opportunities unfold.
- Learners – Have the humbleness to recognize when something fails. Learn from the experience and improve in the future. Study the market tendencies and keep informed about them to make more informed business decisions.

## *5.2. Business location and Real Estate characteristics*

Boutique Suites is located in the heart of the historical city centre of Viana do Castelo, within a walking distance of all the main touristic attractions and the main transportation hubs.

Since this business is projected to be implemented in an old vacant building there are several restrictions that need to be considered. Firstly, the physical structure of the existing building and its format makes it impossible to create a standardized room. Even though, there are identical rooms, most of the 8 rooms have a different layout which is not optimal. Secondly, the municipality of Viana do Castelo has many architectural and structural limitations that must be followed to preserve the coherence of the historical city centre. Together, these difficulties will demand more resources in the matter of capital and time to carefully reflect the decoration of each suite to create not only an attractive and functional space for guests but also an easy to clean suite. This renovation's objective is to create a pleasant, comfortable and modern environment for costumers while respecting the traditional old architecture of the building.

Boutique Suites will fully occupy the first and second floor of the building and the entrance will be through the ground floor.

The first floor will have the reception, four suites, a service bathroom, a dining room, a leisure area, a terrace and a service area, which includes the kitchen, storage space and maintenance area. The second floor will have four more suites and one of them will be the master suite.

All the suites are projected to include a double size bed, a desk with a chair, a television, a luggage rack, a safety deposit box, many electricity outlets, a small refrigerator and storage with several cloth hangers. When possible a lounge chair or a sofa will be included. Due to the shortage of space, a minimalist bathroom design is essential to provide a pleasant experience for the customers. Each will include a 90x90cm shower base, a wall-hung toilet, a sink and supplementary bathroom amenities.

In total, the business will occupy approximately 315 square meters of useful floor area, 17 on the ground floor, 188 on the first floor and 110 in the second floor. The total useful floor area of the suites is approximately 160 square meters corresponding to 50.80% of the total useful floor area.

### 5.3. SWOT Analysis

The SWOT analysis is a powerful tool in strategy management to categorise within a business its strengths, weaknesses, opportunities and threats. It identifies in a simple matrix the external and internal factors that can have an impact in the viability of a project. Boutique Suites SWOT analysis is presented on table 5.

Strengths	Weaknesses
<ul style="list-style-type: none"> <li>- Optimal location in the historical city centre of Viana do Castelo</li> <li>- Historical building with good sized suites</li> <li>- Plenty of common areas including a terrace</li> <li>- Newly refurbished and decorated building</li> </ul>	<ul style="list-style-type: none"> <li>- No Parking available in the facility</li> <li>- Small Bathrooms in 6 Suites</li> <li>- Lack of experience in the accommodation sector</li> </ul>
Opportunities	Threats
<ul style="list-style-type: none"> <li>- Tourism is growing in Portugal &amp; Viana do Castelo</li> <li>- Expand the business to other locations within the country</li> <li>- Low interest rates provide easier access to leverage new investments</li> </ul>	<ul style="list-style-type: none"> <li>- Highly Competitive Industry</li> <li>- Economic Slowdown</li> <li>- Changes in different legislations: taxes; labour; AL</li> </ul>

Table 5 - SWOT Analysis

From the three weaknesses found in the project, only one cannot be solved which is the small size of the bathrooms in six suites due to the physical limitations of the building. Regarding the parking problem, which is a common problem for most of the direct competitors, there is an underground public park with an exit within 30 meters from the entrance of the building. Finally, the lack of experience from the owners will be rapidly surpassed by their will to learn and adapt to the new challenges that the day-to-day management requires. In a short period of time it will become a strength and not a weakness.

### 5.4. Marketing Mix

In order to define and comprehend the target audience of Boutique Suites and how it can be influenced to positively affect the demand for the business, an understanding of

the marketing mix and its four variables (Product, Price, Promotion and Place) is fundamental. It presents broadly the services of and how they are offered to the costumers.

#### *5.4.1. Product*

Boutiques Suites offers a bed & breakfast service in a prime location in the heart of the historical city centre of Viana do Castelo. A high quality and pleasant stay with a personalised customer experience is provided for all the costumers. Every room has a comfortable bed and a good shower for a restful experience. Thus, a leisure area as well as a terrace is available for customers to enjoy. Free high-speed internet is available to all customers.

A well-rounded breakfast service with traditional Portuguese products is offered in a spacious dining room. The reception will operate during the day with a bilingual employee to assist with the check-in and check-out as well as to provide personal assistance to the costumers. Check-in outside this period will work with smart locks.

A well thought interior design combined with the elements of the old building creates a unique personality for Boutique Suites. Customers can expect a special experience in an exclusive accommodation establishment in Viana do Castelo.

#### *5.4.2. Pricing*

Within the accommodation industry, when choosing from different accommodation establishments the customer will always attempt to maximize its price-quality ratio due to the inexistent switching costs. It is crucial for Boutique Suites to have a competitive pricing strategy relatively to its main competitors as well as being aware of the different levels of demand during the year to maximize its profits. Likewise, the price charged for the accommodation service must cover the operations costs and at a price which customers are willing to purchase.

The Revenue Management strategy will be based on different prices for Low season, Mid-season and High season a dynamic pricing model. For example, weekends will have a small premium comparing to weekdays due to the higher demand. Special festivities, events and holidays will likewise have a higher price. In terms of pricing, Boutique Suites will position itself slight bellow the prices of 3\* hotels in Viana do Castelo. The average prices charged for a double room for each season are 77€ for the high season, 53€ for the

mid-season and 44€ for the low season. The rooms have different configurations thus the use of average prices.

Since there is a limited number of rooms to sell, after selling 6 out of the 8 rooms available a 10% higher price is charged to capitalize on revenues. A minimum length of two nights will be required for reservations during the peak periods to maximize profits.

#### *5.4.3. Promotion*

It is very important to create local and online awareness for Boutique Suites to attract new customers. Nowadays, presence in social networks (Facebook, Instagram and Google Plus) is mandatory. Consistent and concise content will be offered through simple but effective posts. Business identity must always be preserved and well exposed. This online presence approximates the business to its customers and enables an informal exchange of information.

Upon the check-in, business cards will be handed to clients with the business identification and contacts. By providing an exceptional personalized service to customers, a word-of-mouth promotion is anticipated making Boutique Suites more recognized for its services in the city of Viana do Castelo.

Upon the start local media and local blogs will formally be informed that it is open for business.

#### *5.4.4. Place - Distribution*

The accommodation industry is highly dependent of OTA's, in other words, it excessively relies on indirect sales. Inevitably, Boutique suites will be present on the main online operators, specially, Booking.com, Airbnb, Expedia and TripAdvisor. These OTA's offer persuasive marketing tools to attract customers even though they charge high commissions.

To avoid high commissions from these online platforms, Boutique Suites will also have several options to book directly. The most important direct distribution channel will be Boutique Suites online domain with a user-friendly booking engine. An attractive website with SEO (Search Engine Optimization) is fundamental for the success of this method. Likewise, customers will be able to book directly through social networks, e-mail, phone call and at the reception desk.

Boutique Suites will utilize a channel manager in order to manage effectively all the distributions channels.

#### *5.5. Target Audience*

The 4P's of marketing for this Suite Boutiques are defined. Together with the analysis of Viana do Castelo's accommodation market it is possible to define Boutique Suites target audience according to three primary parameters: location, size and type of costumer. This Boutique Suites targets costumers that want a bed & breakfast service in a privileged location in the historical city centre in a small but comfortable accommodation unit. Due to its size a personalised costumer treatment is provided. Viana do Castelo has a small accommodation market even though various types of tourists travel to the city. This Boutique Suites will mainly focus its resources on city break tourists, cultural tourists and religious tourists.

#### *5.6. Critical Factors for Success*

In order to gain advantage over competitors and to obtain success in the long term the Boutique Suites must focus in these particular aspects:

- Product Differentiation – With an exceptional location in the historical city centre, a historical building and a very comfortable and pleasant accommodation Boutique Suites will provide a unique hosting experience to its customers in Viana do Castelo.
- Costumer Service – It will primarily focus its attention in the costumer and in his accommodation experience. Thus, quality management is fundamental to ensure an optimal experience to the costumer. It will be focused in cleaning control, flexibility to costumers needs and rapid responsiveness regarding any eventual problem. Happy costumers is the key to success!
- Advertising – Initially, most of the revenues will come from online reservations. OTA's (Online Travel Agencies) can have a big impact in the profitability of an accommodation business due to the high fees charged. To avoid these commissions, Boutique Suites will have an own distribution channel online and will use social media to create online brand awareness. Providing an exceptional experience will facilitate word-of-mouth promotion.

- Optimize revenue management – Since the accommodation market is very seasonal in the city of Viana do Castelo it is extremely important to maximize the revenues during the peak summer months.

### 5.7. Risk Matrix

Every business faces threats to its operation and profitability. Boutique Suites risks are presented in Table 6. This risk matrix categorizes by probability of occurrence and possible impact all the possible threats to the business.

		PROBABILITY				
		Low	Medium-Low	Medium	Medium-High	High
IMPACT	High	Terrorist attacks; Social Violence; Global pandemic	Bed bugs Pests; Food Problems	Economic Crisis		
	Medium-High	Natural Disaster; Municipal restrictions to new accommodation establishments	Underqualified Staff		Changes to "Alojamento Local" Legislation	
	Medium	Desinvestment from the municipality in Cultural & Sports events		Changes in Taxes	Changes in Labour legislation and Minimum Wage	Economic Slowdown
	Medium-Low	Exchange rate Risk	Higher transportation costs due to environmental taxes.			
	Low	Rise of interest rates				

Table 6 - Risk Matrix

#### 5.7.1. Possible Effects of COVID-19 global pandemic in Boutique Suites

Even though it is difficult to quantify the possible impacts of the Covid-19 global pandemic on the business plan, there are some positive and negative considerations which should be considered.

#### Positive Considerations:

- The business will only be operational in 2023, which prevented a loss of income in 2021 and 2022.

- The city of Viana do Castelo is very small on the European spectrum, with fewer clusters and with enough space available for tourists to be dispersed across different areas of the city.
- Portuguese and Spanish tourism represents the largest revenue stream from accommodation in the city of Viana do Castelo, which makes the city less dependent on tourists from more distant regions.
- The business focuses on a small space with reduced capacity compared to other accommodation spaces in the city. Thus, reducing the risk for future customers (if the pandemic continues until 2022+).
- It is likely to occur a reduction in the number of beds available in the city. Whether due to the bankruptcy of some existing spaces or even with the migration of many short-term touristic rentals to long-term rentals.
- Finally, the fact that there is plenty uncertainty in the near future has already led to the cancellation of some construction works in Viana do Castelo. It is already noticeable a greater availability of construction companies to carry out the work. There may also be a slight reduction in the cost of the construction works.

*Negative Considerations:*

- There will be global austerity and mainly in our main markets (European countries), which will imply a decrease in household income and, consequently, a decrease in purchasing power.
- There is still a great deal of unpredictability in the short-medium term in relation to Covid-19.
- The expansionary monetary policy practiced by the ECB and the North American Federal Reserve can have unpredictable consequences on social inequality and create political instability that is never favorable for business creation.

The unpredictability of the situation makes quantifying the possible effects of the pandemic and economic crisis very complex. Still, in this specific project the fact that it is not operational in these times of uncertainty reduces drastically its risks.

### *5.8. Implementation Plan*

In order to start the business, there are several legal considerations and procedures, which need to be accounted once the construction works are completed. The steps required to legally start Boutique Suites are the following:

1. Create a private limited company with the organized accounting method, following the Portuguese Corporate Income Tax Code for the computation of the taxable income. Since the project has 9 or less rooms, the most adequate legal form to this business is a “Alojamento Local - Estabelecimento de Hospedagem”. The primary CAE of the company should be “55 201 – Alojamento Mobilizado para Turistas”. Simultaneously, the accounting must be handed to a chartered accountant.
2. The business must be registered at the municipality of Viana do Castelo. A “Mera Comunicação Prévia” must be completed and an establishment number will be assigned to the business.
3. Make sure every mandatory requirement is followed prior to the inspection of the municipality of Viana do Castelo. These are the listed down below:
  - a. Official standardised nameplate on the exterior of the building near the front entrance;
  - b. Official Complaints Book which must also be registered online at [www.livroreclamacoes.pt](http://www.livroreclamacoes.pt);
  - c. Boutique Suites information’s Book in four different languages available in the front desk;
  - d. National emergency number (112) & Non-smoking establishment nameplates visible at the front desk;
  - e. First aid kit easily accessible with corresponding nameplate;
  - f. Mandatory civil liability insurance specially for the short rental business;
  - g. All the mandatory fire and gas security systems will be included in the architecture & engineering projects for the building.

## 5.9. Operational Plan

### 5.9.1. Organizational Structure

A well-defined organizational structure is fundamental to ensure that the business daily operations run as expected. It includes the rules, roles and responsibilities of every employee within an organization. Boutique Suites organigram and the description of each employee roles are presented below.

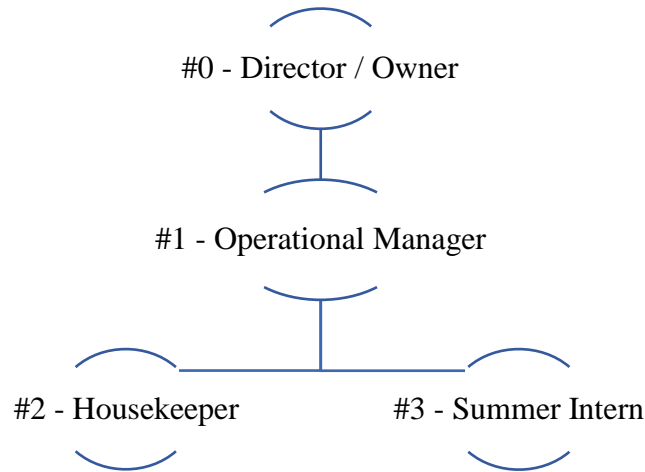


Figure 10 - Boutique Suites Organigram

#0 – Director – Ensure the long-term success of the business and explore new opportunities to expand to new areas. Manage all the employees to guarantee professional service to customers. Responsible for the development of the revenue management strategy. Keep the employees motivated.

#1 – Operational Manager – Take care of the daily operations of the business. This includes logistics, front desk and maintenance of the unit. The person will be responsible for the reception during the day and the breakfast in the morning. Deal professionally with costumers and manage the social media platforms. Reports to the director and manages the daily tasks of the housekeeper and the summer intern.

#2 – Housekeeper – Maintain the overall cleanliness and aesthetics of Boutique Suites as well as the sanitation, comfort and ambiance. A cleaning checklist is provided to facilitate the process. Must monitor the inventory of the amenities, the cleaning supplies and confirm the usable state of the cleaning equipment. Reports to the Operational Manager.

#3 Summer Intern – Help mitigate the effects of seasonality in the business during the peak months. Assist in the reception, with housekeeping and by servicing the breakfast as needed. The internship should be part-time and last 3 months from 15<sup>th</sup> of June to 15<sup>th</sup> of September. Reports to the Operational Manager.

The director will have an active management role upon the start of the business and, after a couple years, once the business is mature enough shift cautiously to a passive management regime and focus on new opportunities. The Operational Manager and housekeeper will work full-time.

#### *5.9.2. Daily Operations*

The breakfast will be served between 08.00 and 10.00. It includes bread, croissants, donuts, a yogurt cake, milk, coffee, dust chocolate, ham, cheese, butter, jams, seasonal fruits, juices, yogurts and water. Upon request, the breakfast can be served earlier to contemplate scheduled train or plane journeys.

The reception will be open from 10.00 until 17.00 to welcome and provide information to guests or potential guests. The presential check-in is from 15.00 to 17.00. Afterwards, the guest will be able to self-check-in with a safe box placed in the reception. The front door and the safe box codes are sent by email prior to the check-in with a detailed explanation of the procedure. The check-out is until midday. Later check-out is subject to availability.

Cleaning hours range between 10.00 to 16.00 and includes the housekeeping of the guests' rooms, the common areas and the service area.

The quiet hours are between 22.00 and 08.00 and guests must be particularly respectful avoiding unnecessary or excessive noise.

#### *5.9.3. Auxiliary Management Operations*

Using a vacation rental software is fundamental to facilitate the daily management of Boutique Suites. Talk Guest – Rental Software, a Portuguese software, is the optimal solution to automate all the daily tasks of a small short-term rental unit. It is a powerful platform, which combines a channel manager, a certified invoice software provided by PHC, the official Portuguese Immigration and Borders Service (SEF) accommodation

bulletin and provides numerous management reports. All foreigners' guests must fill the SEF accommodation bulletin upon check-in.

The available reports from TalkGuest and from the different OTA's offer enough information to enable the study of various business parameters with advanced excel spreadsheets facilitating the daily management. Over the long term, these will allow a better understanding of the target audience and the changing demand helping refine the dynamic revenue management strategy. Additionally, it displays which distribution channel brings more revenue which is important to avoid being over dependent of one supplier.

Another important variable in the daily management of a business is the motivation of the employees. Therefore, a bonus-based cash remuneration beyond the base remuneration will be used as long as there is a profit in the period. It will be based on two premises, a 90% plus average rating on the cleaning parameter on reviews and at least 15% of the revenue deriving from returning costumers. These are realistic goals and bring the business and its employee's interests together.

## **6. FINANCIAL METRICS**

### *6.1. Revenues*

Bed and Breakfast revenues rely on the number of nights sold and its price. To effectively estimate these revenues for Boutique Suites it was vital to understand three key elements: the positioning of the business and its direct competition; the profitability and seasonality of the accommodation industry in Viana do Castelo; and the predictions for the future of the tourism sector in Portugal.

For the first year of activity a sales forecast was executed with monthly estimations of the OCC Rate and the ADR to consider the seasonality effect, which is very evident in the city of Viana do Castelo. The OCC rate for the first year is expected to be at 54.69% and the ADR at 57.41€ with a RevPAR of 31.40€. Table 7 clarifies this estimation.

For the following years, the revenues were estimated annually. It was considered an annual compound growth rate of 0.5% for the OCC Rate and 0.75% for the ADR. The following graph presents the evolution of these indicators in the timeline of the project.

	2023													TOTAL	Weighted Averages
	January	February	March	April	May	June	July	August	September	October	November	December			
Days in the month	31	28	31	30	31	30	31	31	30	31	30	31	365		
Occupancy Rate	30,0%	37,5%	40,0%	50,0%	57,5%	62,5%	77,5%	87,5%	77,5%	57,5%	40,0%	37,5%		54,69%	
Nights 1 Room	9	11	12	15	18	19	24	27	23	18	12	12	200		
Nights 8 rooms	74	84	99	120	143	150	192	217	186	143	96	93	1.597		
RevPAR	€ 12,8	€ 15,9	€ 17,0	€ 25,0	€ 28,8	€ 37,5	€ 54,3	€ 72,2	€ 50,4	€ 28,8	€ 17,0	€ 15,9		€ 31,40	
Average Daily Rate	€ 42,5	€ 42,5	€ 42,5	€ 50,0	€ 50,0	€ 60,0	€ 70,0	€ 82,5	€ 65,0	€ 50,0	€ 42,5	€ 42,5		€ 57,41	
per room revenue	€395,3	€ 446,3	€527,0	€750,0	€891,3	€1.125,0	€1.681,8	€2.237,8	€ 1.511,3	€ 891,3	€ 510,0	€ 494,1	€11.461		
Total Revenue	€3.162	€ 3.570	€4.216	€6.000	€7.130	€ 9.000	€ 13.454	€ 17.903	€ 12.090	€ 7.130	€ 4.080	€ 3.953	€91.687		
% in total revenue	3,45%	3,89%	4,60%	6,54%	7,78%	9,82%	14,67%	19,53%	13,19%	7,78%	4,45%	4,31%	100,00%		

Table 7 - 2023 Monthly Sales Forecast

### FORECASTED OCC. RATE & ADR

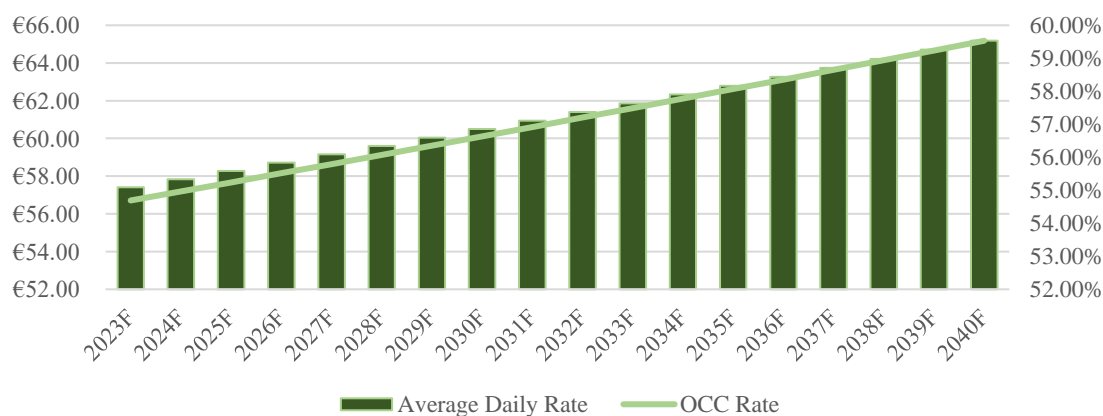


Figure 11 - Forecasted OCC Rate & ADR

## 6.2. Operational Costs

To facilitate the understating of the operational costs of Boutique Suites, the expenses were classified into three different groups: Payroll and Related Expenses; Direct Expenses and Indirect Expenses. The Direct Expenses are the expenses which vary with the level of production. The Indirect Expenses are the expenses that do not vary with the level of production (Fixed Charges) and the variable costs that can not be distributed to the different Financial Reporting Centers (Undistributed Expenses). The assumptions regarding every single operational cost are expressed in the following sub-chapters. The long-term inflation rate considered was 1%. All the expenses growth at this rate during the project's timeline.

### 6.2.1. Payroll and Related Expenses

- Gross Salary – the Operational Manager earns 800€ monthly, the housekeeper 650€ and the part-time summer intern 300€.

- Social Security – a contribution of 23.75% of the monthly salary must be paid by the employer to the Portuguese Social Security Authority.
- Food Allowance – a 4.77€ per working day contribution was considered.
- Insurance – 1.5% of the gross salary to cover possible occupational accidents. Mandatory by Portuguese law.

#### 6.2.2. *Direct Expenses*

- Commissions & Reservation Expenses – the OTA's have high fees associated, therefore, 15% of the revenue must be reserved for these costs.
- Laundry Expenses – it will be outsourced to a local laundry service at a cost of 1€ per kilogram. Every booking is estimated to use on average 5 kilograms.
- Food & Beverage Expenses – 1.50€ cost per guest and per night was considered for supplies to serve a tasteful breakfast to the customers.
- Guest Supplies Expenses – 0.60€ per guest and per night was considered. It includes one shower gel, one shampoo and liquid gel for the bathroom sink.
- Cleaning Supplies Expenses – 0.25€ cost per room night sold was considered for the project.
- Printing and Stationary Expenses – 20€ per month for consumable office goods to sort the business administrative daily needs.
- Other service Expenses – 0.5% of the revenue is destined for possible expenses that were not considered in this section.

#### 6.2.3. *Indirect Expenses: Fixed Charges*

- Rent Expenses – 250€ monthly rent must be paid to the owner of building.
- Maintenance – 1% of the revenue is destined to the preservation of the real estate.
- Insurance – a flat 600€ year premium which includes fire coverage and liabilities related with the running activities of the business.

#### 6.2.4. *Indirect Expenses: Undistributed Expenses*

- Electricity – 4€ cost per room night sold was considered for the project.
- Water – 1.25€ cost per room night sold was considered for the project.

- Internet & TV Package – A standard contract from a Portuguese telecommunications provider costs 77.5€ per month. Includes TV, 500Mb of internet connection and a communication plan for two cell phones.
- Accounting – 130€ monthly fee for a chartered accountant to perform all the required fiscal obligations of the business and provide guidance for future investments.
- Management Software – TalkGuest – Rental Software has a monthly fee of 59€ for the plan required for this business.
- Promotion/Advertising Expenses– 15€ per month is set aside for online campaigns, specially, in social media platforms and to create brand awareness in the city of Viana do Castelo.

### *6.3. Capital Expenditures*

The CAPEX was divided into three groups: real estate investments; equipment; and intangible assets. This subchapter includes the initial investment required to open the business and the recurrent investments during the 20-year project's timeline to maintain the excellent service provided to customers.

#### *6.3.1. Real Estate Investments*

The old vacant building considered for Boutique Suites needs construction works in approximately 330 square meters. A market analysis of the construction sector in the city of Viana do Castelo lead to an estimation of 800€ per square meter for the pricing. It is a one-time investment at the beginning of the project totalizing an investment of 264,000€. It will take 2 years to complete the construction works.

#### *6.3.2. Equipment and Intangible Assets*

This segment considers all the equipment and intangible assets required for the daily operations of the accommodation business.

On the appendices, appendix 2 details Boutique Suites Equipment and Intangible Assets investment plan for the project's 20-year timeline.

### *6.4. Other Assumptions*

- Corporate Tax – in Portugal, the IRC is fixed at 21% for business that do not exceed 150,000€ in revenues.

- Carry Forward Corporate Tax Losses – The Portuguese Fiscal Authority allows corporates losses to be considered in the subsequent five years. Although, the maximum tax loss deduction is 70%.
- VAT taxes – in Portugal, there is a standard VAT tax of 23% and two reduced of 12% and 6%.
- Social Security Employee – a 11% cut from the gross salary is required to be paid to the Portuguese Social Security Authority.
- IRS Retention Employee – 11.6% was considered for the salary of the Operational Manager.
- D&A rates – They follow the Portuguese “Regime das Depreciações e Amortizações”. Each different investment is categorized and the rates are implicit in their life cycle present in the CAPEX investment section.

## **7. PROJECT VALUATION**

The FCFE was calculated under the Discounted Cash Flow valuation method to estimate the project’s financial viability. The model took into consideration the extensive market research for the accommodation industry culminating in a complete Excel spreadsheet. It includes all the assumptions, revenues, operational costs, CAPEX, D&A, the investment Net Working Capital, loan amortizations, taxes, financial statements, DCF valuation and the risk analysis. The discount rate used in this valuation was the Weighted Average Cost of Capital (WACC).

The financial statements and other important calculations are disclosed in the appendices.

### *7.1. Cost of Equity, Cost of Debt and WACC Rate*

The Weighted Average Cost of Capital (WACC) aggregates the Cost of Equity and Cost of Debt and weights them according to the project assumptions. The Cost of Equity was calculated using the Capital Asset Pricing Model (CAPM), which aggregates the time value of money and the risk for the investors.

The Cost of Equity considers the 10Y risk-free rate from Portuguese Government Bonds (0.38%) with the Leveraged Beta and the Market Risk Premium. The Leveraged Beta is a financial metric which projects the systemic risk in an investment. The

CAPM	2021F	2022F
	1	2
<b>Cost of Equity</b>		
Risk Free Rate	0,38%	0,38%
Beta Levered	0,97	0,97
Market Risk Premium	8,46%	8,46%
Country Risk Premium	8,08%	8,08%
<b>Cost of Equity</b>	<b>8,22%</b>	<b>8,22%</b>
<b>Cost of Debt</b>		
Cost of Debt	4,0%	4,0%
Corporate Tax Rate	21,0%	21,0%
<b>After-tax Cost of Debt</b>	<b>3,16%</b>	<b>3,16%</b>
<b>WACC</b>		
Weight of Equity	37,82%	31,31%
Weight of Debt	62,18%	68,69%
<b>WACC</b>	<b>5,07%</b>	<b>4,74%</b>

Table 8 - WACC Rates for the first 2 years of the project

Leveraged Beta for the Hotel & Gaming Industry in Western Europe present in Damodaran's Database is 0.97. The Market Risk Premium is the result of the Market Equity Risk Premium subtracted by the Risk-free rate. The Market Equity Risk Premium in July 2020 according to Damodaran is 8.46%. Therefore, the Cost of Equity for this project is 8.22%.

The Cost of Debt estimated for this operation is 4% and the Portuguese Corporate Tax Rate is 21%. The After-tax Cost of Debt for this project is 3.16%. The Cost of Debt reflects the current market conditions for similar financing operations.

In this project, the WACC is adjusted every year due to the changing weights of equity and debt in the Balance Sheet of Boutique Suites. For the terminal value it was assumed a 30% weight of debt and 70% weight of equity. This capital structure is optimal to proceed with new investments without over leveraging. Additionally, it presents tax benefits due to savings in Corporate Tax related with interest expenses.

### 7.2. Valuation Indicators: NPV, IRR and PP

Following the project forecast of the FCFF and the discounted FCFF it was possible to measure the potential profitability with the NPV, IRR and the Payback Period (PP).

The project presents a positive NPV of 40,916.54€. It recovers the investment and remunerates the investor with a surplus of capital. Additionally, the IRR is 6.29% which is higher than the WACC rate confirming the viability of this investment. The PP is 17.62 years.

PP - PAYBACK PERIOD	17,62
NPV - NET PRESENT VALUE	€ 40.916,54
IRR - INTERNAL RATE OF RETURN	6,29%

Table 9 - Valuation Indicators (WACC)

### 7.3. Risk Analysis

To understand the robustness of the DCF model, the financial viability and which variables have a higher influence in the profitability of Boutique Suites, it is essential to perform risk analysis. This analysis includes Construction Risk, Business Risk and

Financial Risk. A quantitative risk analysis with Sensitivity Analysis and Scenario Analysis as well as a Break-even Point Analysis is presented in the following subchapters.

### 7.3.1. Sensitivity Analysis

A sensitivity analysis was completed to address the impact of fundamental metrics for the financial return of the business. The chosen metrics to test were the Interest Rate of Debt and the Constructions Costs. Table 10 represents the effects on the NPV and IRR of {-10%;-5%;5%;10%} and {-20%;-10%;10%;20%} variations to the estimated model values. It assumes that the weight of equity and debt is equal to the initial model circumstances for the Construction Costs sensitivity analysis.

<i>Interest Rate of Debt</i>		NPV	IRR		<i>Construction Costs:</i>	NPV	IRR
-20%	3,20%	€ 52.920,96	6,39%	-10%	720 €	€ 55.957,35	6,90%
-10%	3,60%	€ 46.905,58	6,34%	-5%	760 €	€ 48.254,18	6,59%
0%	<b>4,00%</b>	<b>€ 40.916,54</b>	<b>6,29%</b>	0%	<b>800 €</b>	<b>€ 40.916,54</b>	<b>6,29%</b>
+10%	4,40%	€ 34.983,49	6,24%	+5%	840 €	€ 34.070,83	6,01%
+20%	4,80%	€ 29.057,82	6,19%	+10%	880 €	€ 27.788,01	5,74%

Table 10 - Sensitivity Analysis: Interest Rate of Debt & Construction Costs

It is possible to access that as percentages change, the Construction Costs have more impact in the results compared to the Interest Rate of Debt. Although, none of the variations shift the investment decision regarding Boutique Suites.

A further analysis for a possible delay of 1 Year (Boutique Suites would open in 2024 instead of 2023) during the Constructions Works would reduce the NPV to 34,381.63€ and the IRR to 5.61%.

### 7.3.2. Scenario Analysis

This risk analysis allows the creation of different future scenarios by considering alternative outcomes to the initial variables. To perform this analysis the RevPAR, Fixed Costs and Variable Costs were tested with -10% or 10% variations and grouped in two new scenarios: Pessimist and Optimist. It has the same assumption as the sensitivity analysis and assumes that the variation in the Fixed and Variable costs is related with the initial estimation.

The pessimist scenario presents very negative results with negative NPV & IRR. Consequently, the investment results in a net loss. On the contrary, the optimist scenario

benefits from a reduction in the costs and an increase in the revenues improving exponentially the profitability.

<u>Scenario Analysis</u>	Current Values	Pessimist	Optimist
<b>Changing Cells:</b>			
Fixed Costs	36.277,52 €	39.905,27 €	32.649,77 €
Variable Costs	34.019,48 €	37.421,43 €	30.617,54 €
RevPAR	31,40 €	28,26 €	34,54 €
<b>Result Cells:</b>			
<b>NPV</b>	40.916,54 €	-265.849,03 €	282.863,71 €
<b>IRR</b>	6,29%	-0,62%	11,20%

Table 11 - Scenario Analysis: Pessimist & Optimist

### 7.3.3. Break-even Point Analysis

The Break-even Point analysis determines where, in terms of occupancy, Boutique Suites becomes profitable. This analysis assumes the revenues and costs for the 2023Y with an ADR of 57.41€. The Operational Costs are divided into Fixed and Variable Costs to calculate the Contribution Margin and, afterwards, the Break-even Point in terms of Sales and Occupancy.

Boutique Suites requires an Occupancy Rate of 34.41% to reach its Break-even Point in 2023Y. Represented in volume of sales, the Break-even Point is 57,678.52€. It symbolizes the point where there is no loss and no profit in the business.

## 8. CONCLUSION

The travel and tourism industry are progressively growing since 1950 and it's expected to reach 1.8 billion international tourist arrivals globally by 2030. It benefits from technological advances in mobility, which decreased the costs of travelling, and new consumer preferences from the newer generations. The overall state of the economy is very unstable with an unpredictable future due to the Covid-19 pandemic. Boutique Suites has its risks highly reduced since it will only start operating in early 2023Y.

In Portugal, it is an important industry and represented 13.7% of the GDP in 2017. The accommodation industry revenues grew 10.27% CAGR over the last decade. It is already stabilizing with a significant increase in supply. The historical city centres benefited from this tendency with numerous investments in housing renewal and refurbishment bringing people and liveliness back to the cities.

Viana do Castelo accommodation market is small with only 2471 available beds in 2018. Seasonality is very present in the city. The summer months, peaking in August, have a big impact in the profitability of the businesses. Therefore, it is fundamental to maximize revenues during this season. The city analysis has some limitations to take into consideration. The statistical data provided has few details and is restricted in terms of years (2017-2018).

The present project involves the creation of an accommodation unit with 8 suites in a prime location in the historical city centre of Viana do Castelo. Boutique Suites competitive pricing strategy allied with its critical factors to success will position the business in a strong place to face its close peers.

Boutique Suites requires a substantial initial investment in CAPEX due to real estate construction works to start operating. The financial metrics were realistically estimated with all the accommodation businesses aspects taking into consideration. The business profitability is extremely sensible to changes in the revenues and operational costs. It is fundamental to keep the costs controlled and to provide excellent services to improve the RevPAR on the long-term.

The valuation indicators conclude that the project is financially viable. The project presents an NPV of 40,916.54€ and an IRR of 6.29%. The initial investment is paid back, and the investor earns extra capital.

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## APPENDICES

### Tourism indicators in Portugal from 2010-2018

Year	2010	2011	2012	2013	2014	2015	2016	2017	2018	CAGR
<b>Overnight Stays</b>	<b>37 391 291</b>	<b>39 440 315</b>	<b>39 681 040</b>	<b>41 569 716</b>	<b>48 711 366</b>	<b>53 074 176</b>	<b>59 122 640</b>	<b>65 385 210</b>	<b>67 662 103</b>	<b>6,81%</b>
YoY Growth		5,48%	0,61%	4,76%	17,18%	8,96%	11,40%	10,59%	3,48%	
<b>Number of Guests</b>	<b>13 537 040</b>	<b>13 992 782</b>	<b>13 845 419</b>	<b>14 371 956</b>	<b>17 295 961</b>	<b>19 144 239</b>	<b>21 217 103</b>	<b>23 885 572</b>	<b>25 155 328</b>	<b>7,13%</b>
YoY Growth		3,37%	-1,05%	3,80%	20,35%	10,69%	10,83%	12,58%	5,32%	
<b>Average Length of Stay</b>	<b>2,76</b>	<b>2,82</b>	<b>2,87</b>	<b>2,89</b>	<b>2,82</b>	<b>2,77</b>	<b>2,79</b>	<b>2,74</b>	<b>2,69</b>	<b>-0,29%</b>
YoY Growth		2,04%	1,68%	0,92%	-2,63%	-1,56%	0,51%	-1,76%	-1,74%	
<b>Accommodation Revenues</b>	<b>1 225 510 982 €</b>	<b>1 307 674 156 €</b>	<b>1 290 102 501 €</b>	<b>1 370 104 161 €</b>	<b>1 627 175 810 €</b>	<b>1 899 625 429 €</b>	<b>2 264 556 223 €</b>	<b>2 737 997 974 €</b>	<b>2 953 297 425 €</b>	<b>10,27%</b>
YoY Growth		6,70%	-1,34%	6,20%	18,76%	16,74%	19,21%	20,91%	7,86%	
<b>RevPar</b>	<b>28,27 €</b>	<b>29,39 €</b>	<b>28,47 €</b>	<b>30,20 €</b>	<b>31,53 €</b>	<b>35,13 €</b>	<b>40,24 €</b>	<b>46,72 €</b>	<b>48,59 €</b>	<b>6,20%</b>
YoY Growth		3,95%	-3,13%	6,08%	4,39%	11,44%	14,52%	16,11%	4,02%	
<b>Occ Rate</b>	<b>42,20%</b>	<b>42,90%</b>	<b>41,20%</b>	<b>43,52%</b>	<b>45,47%</b>	<b>48,42%</b>	<b>50,72%</b>	<b>52,97%</b>	<b>65,11%</b>	<b>4,94%</b>
YoY Growth		1,66%	-3,96%	5,63%	4,47%	6,49%	4,74%	4,45%	22,92%	
<b>Seasonality Rate</b>	<b>38,99%</b>	<b>39,28%</b>	<b>39,67%</b>	<b>39,54%</b>	<b>39,38%</b>	<b>38,86%</b>	<b>37,93%</b>	<b>37,01%</b>	<b>36,66%</b>	<b>-0,68%</b>
YoY Growth		0,76%	0,98%	-0,33%	-0,40%	-1,33%	-2,41%	-2,41%	-0,95%	

#### Appendix 1 – Tourism Main Indicators in Portugal

Capex Investment Map	Cycle (Years)	2021F	2022F	2023F	2024F	2025F	2026F	2027F	2028F	2029F	2030F	2031F	2032F	2033F	2034F	2035F	2036F	2037F	2038F	2039F	2040F
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
<b>Real Estate:</b>																					
Construction Works	20	€ 264 000	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -
<b>Equipments:</b>																					
Furniture	8	€ 25 250	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ 12 625	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -
Interior Design	8	€ 4 000	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ 2 000	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -
Mattresses, bed linen and blankets	8	€ 2 000	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ 2 000	€ -	€ -	€ -	€ -	€ -	€ 2 000	€ -	€ -	€ -	€ -	€ -
White clothes and towels	8	€ 2 500	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ 2 500	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -
Dinnerware, glassware and cutlery	4	€ 750	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ 750	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -
Kitchenware	4	€ 500	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ 500	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -
Machinery, Equipments and Appliances	5	€ 3 250	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ 3 250	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -
Televisions	7	€ 2 400	€ -	€ -	€ -	€ -	€ -	€ 2 400	€ -	€ -	€ -	€ -	€ -	€ 2 400	€ -	€ -	€ -	€ -	€ -	€ 2 400	€ -
Computers	3	€ 750	€ -	€ -	€ -	€ -	€ 750	€ -	€ -	€ -	€ -	€ 750	€ -	€ -	€ -	€ -	€ 750	€ -	€ -	€ -	€ -
<b>Total Tangible Assets</b>	<b>0</b>	<b>€ 305 400</b>	<b>€ -</b>	<b>€ -</b>	<b>€ -</b>	<b>€ -</b>	<b>€ 750</b>	<b>€ 2 400</b>	<b>€ 4 500</b>	<b>€ -</b>	<b>€ 19 125</b>	<b>€ 750</b>	<b>€ -</b>	<b>€ 2 400</b>	<b>€ -</b>	<b>€ 4 500</b>	<b>€ 750</b>	<b>€ -</b>	<b>€ -</b>	<b>€ 2 400</b>	<b>€ -</b>
<b>Industrial Property:</b>																					
Website	3	€ -	€ 2 500	€ -	€ -	€ -	€ -	€ 1 000	€ -	€ -	€ -	€ -	€ 1 000	€ -	€ -	€ -	€ -	€ 1 000	€ -	€ -	€ -
<b>Total Intangible Assets</b>	<b>0</b>	<b>€ -</b>	<b>€ 2 500</b>	<b>€ -</b>	<b>€ -</b>	<b>€ -</b>	<b>€ -</b>	<b>€ 1 000</b>	<b>€ -</b>	<b>€ -</b>	<b>€ -</b>	<b>€ -</b>	<b>€ 1 000</b>	<b>€ -</b>	<b>€ -</b>	<b>€ -</b>	<b>€ -</b>	<b>€ 1 000</b>	<b>€ -</b>	<b>€ -</b>	<b>€ -</b>
<b>Total CAPEX Investment</b>	<b>0</b>	<b>€ 305 400</b>	<b>€ 2 500</b>	<b>€ -</b>	<b>€ -</b>	<b>€ -</b>	<b>€ 750</b>	<b>€ 3 400</b>	<b>€ 4 500</b>	<b>€ -</b>	<b>€ 19 125</b>	<b>€ 750</b>	<b>€ 1 000</b>	<b>€ 2 400</b>	<b>€ -</b>	<b>€ 4 500</b>	<b>€ 750</b>	<b>€ 1 000</b>	<b>€ -</b>	<b>€ 2 400</b>	<b>€ -</b>

### Appendix 2 – CAPEX Investment Map

Depreciations & Amortizations	2021F	2022F	2023F	2024F	2025F	2026F	2027F	2028F	2029F	2030F	2031F	2032F	2033F	2034F	2035F	2036F	2037F	2038F	2039F	2040F	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	
<b>Real Estate:</b>																					
Reconstruction Works	€ 13 200	€ 13 200	€ 13 200	€ 13 200	€ 13 200	€ 13 200	€ 13 200	€ 13 200	€ 13 200	€ 13 200	€ 13 200	€ 13 200	€ 13 200	€ 13 200	€ 13 200	€ 13 200	€ 13 200	€ 13 200	€ 13 200	€ 13 200	€ 13 200
<b>Equipments:</b>																					
Furniture	3 156 €	3 156 €	3 156 €	3 156 €	3 156 €	3 156 €	3 156 €	3 156 €	0 €	1 578 €	1 578 €	1 578 €	1 578 €	1 578 €	1 578 €	1 578 €	1 578 €	0 €	0 €	0 €	
Interior Design	500 €	500 €	500 €	500 €	500 €	500 €	500 €	500 €	0 €	250 €	250 €	250 €	250 €	250 €	250 €	250 €	250 €	0 €	0 €	0 €	
Mattresses, bed linen and blankets	250 €	250 €	250 €	250 €	250 €	250 €	250 €	500 €	250 €	250 €	250 €	250 €	250 €	250 €	500 €	250 €	250 €	250 €	250 €	250 €	
White clothes and towels	313 €	313 €	313 €	313 €	313 €	313 €	313 €	625 €	313 €	313 €	313 €	313 €	313 €	313 €	625 €	313 €	313 €	313 €	313 €	313 €	
Dinnerware, glassware and cutlery	188 €	188 €	188 €	188 €	0 €	0 €	0 €	0 €	0 €	188 €	188 €	188 €	188 €	0 €	0 €	0 €	0 €	0 €	0 €	0 €	
Televisions	125 €	125 €	125 €	125 €	0 €	0 €	0 €	0 €	0 €	125 €	125 €	125 €	125 €	0 €	0 €	0 €	0 €	0 €	0 €	0 €	
Machinery, Equipments and Appliances	650 €	650 €	650 €	650 €	650 €	0 €	0 €	0 €	0 €	650 €	650 €	650 €	650 €	650 €	0 €	0 €	0 €	0 €	0 €	0 €	
Televisions	343 €	343 €	343 €	343 €	343 €	343 €	686 €	343 €	343 €	343 €	343 €	343 €	686 €	343 €	343 €	343 €	343 €	343 €	686 €	343 €	
Computers	250 €	250 €	250 €	0 €	0 €	250 €	250 €	250 €	0 €	0 €	250 €	250 €	250 €	0 €	0 €	250 €	250 €	250 €	0 €	0 €	
<b>Total Tangible Assets Depreciations</b>	<b>18 974 €</b>	<b>18 974 €</b>	<b>18 974 €</b>	<b>18 724 €</b>	<b>18 412 €</b>	<b>18 012 €</b>	<b>18 354 €</b>	<b>18 574 €</b>	<b>14 105 €</b>	<b>16 896 €</b>	<b>17 146 €</b>	<b>17 146 €</b>	<b>17 489 €</b>	<b>16 583 €</b>	<b>16 496 €</b>	<b>16 183 €</b>	<b>16 183 €</b>	<b>14 355 €</b>	<b>14 448 €</b>	<b>14 105 €</b>	
<b>Industrial Property:</b>																					
Website	0 €	833 €	833 €	833 €	0 €	0 €	333 €	333 €	333 €	0 €	0 €	333 €	333 €	333 €	0 €	0 €	333 €	333 €	333 €	0 €	
<b>Total Intangible Assets Amortizations</b>	<b>0 €</b>	<b>833 €</b>	<b>833 €</b>	<b>833 €</b>	<b>0 €</b>	<b>0 €</b>	<b>333 €</b>	<b>333 €</b>	<b>333 €</b>	<b>0 €</b>	<b>0 €</b>	<b>333 €</b>	<b>333 €</b>	<b>333 €</b>	<b>0 €</b>	<b>0 €</b>	<b>333 €</b>	<b>333 €</b>	<b>333 €</b>	<b>0 €</b>	
<b>Total Depreciations &amp; Amortizations</b>	<b>18 974 €</b>	<b>19 807 €</b>	<b>19 807 €</b>	<b>19 557 €</b>	<b>18 412 €</b>	<b>18 012 €</b>	<b>18 688 €</b>	<b>18 907 €</b>	<b>14 439 €</b>	<b>16 896 €</b>	<b>17 146 €</b>	<b>17 479 €</b>	<b>17 822 €</b>	<b>16 917 €</b>	<b>16 496 €</b>	<b>16 183 €</b>	<b>16 517 €</b>	<b>14 689 €</b>	<b>14 782 €</b>	<b>14 105 €</b>	

### Appendix 3 – Depreciations & Amortizations

Income Statement	2021F	2022F	2023F	2024F	2025F	2026F	2027F	2028F	2029F	2030F	2031F	2032F	2033F	2034F	2035F	2036F	2037F	2038F	2039F	2040F
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
<b>Revenues</b>																				
Bed & Breakfast	€ -	€ -	€ 91.687	€ 92.837	€ 94.000	€ 95.179	€ 96.372	€ 97.581	€ 98.804	€ 100.043	€ 101.297	€ 102.567	€ 103.853	€ 105.155	€ 106.473	€ 107.808	€ 109.160	€ 110.529	€ 111.914	€ 113.317
<b>Operational Costs</b>																				
Payroll Expenses	€ -	€ -	€ 29.343	€ 29.636	€ 29.933	€ 30.232	€ 30.534	€ 30.840	€ 31.148	€ 31.460	€ 31.774	€ 32.092	€ 32.413	€ 32.737	€ 33.064	€ 33.395	€ 33.729	€ 34.066	€ 34.407	€ 34.751
Cost of Facilities & Outsourcing Services	€ -	€ -	€ 24.366	€ 24.720	€ 25.028	€ 25.365	€ 25.707	€ 26.087	€ 26.412	€ 26.773	€ 27.133	€ 27.533	€ 27.875	€ 28.249	€ 28.628	€ 29.053	€ 29.409	€ 29.813	€ 30.221	€ 30.658
Cost of Goods consumed	€ 5.160	€ 5.212	€ 16.588	€ 16.821	€ 17.013	€ 17.230	€ 17.449	€ 17.700	€ 17.902	€ 18.129	€ 18.359	€ 18.622	€ 18.834	€ 19.073	€ 19.315	€ 19.596	€ 19.813	€ 20.070	€ 20.330	€ 20.618
<b>EBITDA</b>	€ (5.160)	€ (5.212)	€ 21.390	€ 21.660	€ 22.026	€ 22.352	€ 22.682	€ 22.954	€ 23.342	€ 23.681	€ 24.031	€ 24.321	€ 24.731	€ 25.096	€ 25.467	€ 25.765	€ 26.209	€ 26.580	€ 26.956	€ 27.290
<b>Depreciations &amp; Amortizations</b>																				
Depreciations	€ 18.974	€ 18.974	€ 18.974	€ 18.724	€ 18.412	€ 18.012	€ 18.354	€ 18.574	€ 14.105	€ 16.896	€ 17.146	€ 17.146	€ 17.489	€ 16.583	€ 16.496	€ 16.183	€ 16.183	€ 14.355	€ 14.448	€ 14.105
Amortizations	€ -	€ 833	€ 833	€ 833	€ -	€ -	€ 333	€ 333	€ 333	€ -	€ -	€ 333	€ 333	€ -	€ -	€ -	€ 333	€ 333	€ 333	€ -
<b>EBIT</b>	€ (24.134)	€ (25.019)	€ 1.583	€ 2.102	€ 3.615	€ 4.340	€ 3.994	€ 4.046	€ 8.903	€ 6.785	€ 6.885	€ 6.841	€ 6.908	€ 8.179	€ 8.971	€ 9.581	€ 9.692	€ 11.891	€ 12.175	€ 13.185
<b>Interest:</b>																				
Interest Income	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -
Interest Expenses	€ (8.000)	€ (7.731)	€ (7.452)	€ (7.161)	€ (6.859)	€ (6.545)	€ (6.218)	€ (5.878)	€ (5.525)	€ (5.157)	€ (4.775)	€ (4.377)	€ (3.963)	€ (3.533)	€ (3.086)	€ (2.621)	€ (2.137)	€ (1.634)	€ (1.110)	€ (566)
<b>Earnings before Taxes</b>	€ (32.134)	€ (32.750)	€ (5.869)	€ (5.059)	€ (3.244)	€ (2.205)	€ (2.224)	€ (1.832)	€ 3.378	€ 1.628	€ 2.110	€ 2.464	€ 2.945	€ 4.646	€ 5.885	€ 6.961	€ 7.555	€ 10.257	€ 11.064	€ 12.619
<b>Income Taxes:</b>																				
IRC (21%)	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ 40	€ 618	€ 976	€ 1.236	€ 1.462	€ 1.587	€ 2.154	€ 2.324	€ 2.650
Derrama Municipal (1,5% acima 150k€)	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -
<b>Net Loss / Income</b>	€ (32.134)	€ (32.750)	€ (5.869)	€ (5.059)	€ (3.244)	€ (2.205)	€ (2.224)	€ (1.832)	€ 3.378	€ 1.628	€ 2.110	€ 2.424	€ 2.327	€ 3.670	€ 4.649	€ 5.499	€ 5.969	€ 8.103	€ 8.741	€ 9.969

#### Appendix 4 – Income Statement

<b>Assumptions</b>	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
Period Number																				
Max Tax Loss Deduction	70%																			
Periods after which losses expire (Years)	5																			
<b>Taxable Income</b>																				
Taxable Income pre CFL	€ (32.134)	€ (32.750)	€ (5.869)	€ (5.059)	€ (3.244)	€ (2.205)	€ (2.224)	€ (1.832)	€ 3.378	€ 1.628	€ 2.110	€ 2.464	€ 2.945	€ 4.646	€ 5.885	€ 6.961	€ 7.555	€ 10.257	€ 11.064	€ 12.619
CFL Used	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ (3.378)	€ (1.628)	€ (2.110)	€ (2.272)	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -
<b>Taxable Income post CFL</b>	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ 192	€ 2.945	€ 4.646	€ 5.885	€ 6.961	€ 7.555	€ 10.257	€ 11.064	€ 12.619
<b>Carry Forward Loss Balance</b>																				
Opening CFL Balance	€ -	€ 22.494	€ 45.419	€ 49.528	€ 53.069	€ 55.340	€ 34.390	€ 13.021	€ 10.195	€ 6.653	€ 4.382	€ 2.272	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -
Less Losses Used	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ (3.378)	€ (1.628)	€ (2.110)	€ (2.272)	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -
Plus Losses Added	€ 22.494	€ 22.925	€ 4.109	€ 3.541	€ 2.271	€ 1.543	€ 1.557	€ 1.282	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -
Less Losses Expired	€ -	€ -	€ -	€ -	€ -	€ (22.494)	€ (22.925)	€ (4.109)	€ (163)	€ (643)	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -
<b>Closing CFL Balance</b>	€ 22.494	€ 45.419	€ 49.528	€ 53.069	€ 55.340	€ 34.390	€ 13.021	€ 10.195	€ 6.653	€ 4.382	€ 2.272	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -

#### Appendix 5 – Portuguese Carry Forward Tax Loses

Balance Sheet	2021F	2022F	2023F	2024F	2025F	2026F	2027F	2028F	2029F	2030F	2031F	2032F	2033F	2034F	2035F	2036F	2037F	2038F	2039F	2040F
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
<b>Assets:</b>																				
<b>Non-Current Assets</b>																				
Tangible Fixed Assets	€ 286.426	€ 267.452	€ 248.478	€ 229.754	€ 211.342	€ 194.080	€ 178.126	€ 164.052	€ 149.946	€ 152.175	€ 135.779	€ 118.633	€ 103.545	€ 86.961	€ 74.965	€ 59.532	€ 43.348	€ 28.993	€ 16.945	€ 2.839
Intangible Fixed Assets	€ -	€ 1.667	€ 833	€ -	€ -	€ -	€ 667	€ 333	€ -	€ -	€ -	€ 667	€ 333	€ -	€ -	€ -	€ 667	€ 333	€ -	€ -
<b>Current Assets</b>																				
Inventory	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -
Accounts Receivables	€ -	€ -	€ 8.099	€ 8.201	€ 8.303	€ 8.407	€ 9.642	€ 8.620	€ 8.728	€ 8.837	€ 8.948	€ 9.060	€ 9.174	€ 9.289	€ 9.405	€ 9.523	€ 9.642	€ 9.763	€ 9.886	€ 10.010
Government and other Public Authorities	€ 17.857	€ 443	€ 980	€ 996	€ 1.007	€ 1.065	€ 1.231	€ 1.313	€ 1.066	€ 2.181	€ 1.139	€ 1.173	€ 1.266	€ 1.144	€ 1.418	€ 1.223	€ 1.250	€ 1.210	€ 1.366	€ 1.249
Prepaid Expenses	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -
Cash & Cash Equivalents	€ 7.338	€ 2.328	€ 4.744	€ 11.636	€ 18.890	€ 25.677	€ 28.905	€ 35.809	€ 44.804	€ 33.813	€ 40.726	€ 49.259	€ 56.690	€ 66.529	€ 71.483	€ 80.703	€ 89.653	€ 99.924	€ 107.408	€ 117.734
<b>Total Assets</b>	<b>€ 311.621</b>	<b>€ 271.890</b>	<b>€ 263.133</b>	<b>€ 250.586</b>	<b>€ 239.542</b>	<b>€ 229.230</b>	<b>€ 218.571</b>	<b>€ 210.127</b>	<b>€ 204.544</b>	<b>€ 197.006</b>	<b>€ 186.592</b>	<b>€ 178.792</b>	<b>€ 171.008</b>	<b>€ 163.922</b>	<b>€ 157.272</b>	<b>€ 150.981</b>	<b>€ 144.561</b>	<b>€ 140.224</b>	<b>€ 135.605</b>	<b>€ 131.831</b>
<b>Liabilities:</b>																				
<b>Non-Current Liabilities</b>																				
Long-term Bank Loans	€ 193.284	€ 186.299	€ 179.034	€ 171.479	€ 163.622	€ 155.451	€ 146.952	€ 138.114	€ 128.922	€ 119.363	€ 109.421	€ 99.081	€ 88.328	€ 77.145	€ 65.515	€ 53.419	€ 40.839	€ 27.756	€ 14.150	€ (0)
<b>Current Liabilities</b>																				
Accounts Payable	€ 471	€ 476	€ 4.139	€ 4.199	€ 4.249	€ 4.306	€ 4.362	€ 4.427	€ 4.480	€ 4.540	€ 4.599	€ 4.667	€ 4.723	€ 4.785	€ 4.848	€ 4.920	€ 4.978	€ 5.045	€ 5.113	€ 5.186
Short-term bank loans	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -
Government and other Public Authorities	€ -	€ -	€ 714	€ 721	€ 728	€ 736	€ 743	€ 2.904	€ 3.081	€ 3.415	€ 773	€ 821	€ 1.407	€ 1.772	€ 2.040	€ 2.274	€ 2.407	€ 2.983	€ 3.161	€ 3.495
<b>Total Liabilities</b>	<b>€ 193.755</b>	<b>€ 186.775</b>	<b>€ 183.887</b>	<b>€ 176.399</b>	<b>€ 168.600</b>	<b>€ 160.492</b>	<b>€ 152.058</b>	<b>€ 145.445</b>	<b>€ 136.484</b>	<b>€ 127.318</b>	<b>€ 114.793</b>	<b>€ 104.569</b>	<b>€ 94.458</b>	<b>€ 83.702</b>	<b>€ 72.403</b>	<b>€ 60.613</b>	<b>€ 48.224</b>	<b>€ 35.784</b>	<b>€ 22.424</b>	<b>€ 8.682</b>
<b>Equity</b>																				
Capital	€ 150.000	€ 150.000	€ 150.000	€ 150.000	€ 150.000	€ 150.000	€ 150.000	€ 150.000	€ 150.000	€ 150.000	€ 150.000	€ 150.000	€ 150.000	€ 150.000	€ 150.000	€ 150.000	€ 150.000	€ 150.000	€ 150.000	€ 150.000
Other Capital Instruments	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -
Reserves	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -
Legal reserves	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -
Retained Earning & Others	€ -	€ (32.134)	€ (64.884)	€ (70.754)	€ (75.813)	€ (79.057)	€ (81.262)	€ (83.486)	€ (85.318)	€ (81.940)	€ (80.311)	€ (78.201)	€ (75.777)	€ (73.450)	€ (69.780)	€ (65.131)	€ (59.632)	€ (53.663)	€ (45.560)	€ (36.819)
Net income	€ (32.134)	€ (32.750)	€ (5.869)	€ (5.059)	€ (3.244)	€ (2.205)	€ (2.224)	€ (1.832)	€ 3.378	€ 1.628	€ 2.110	€ 2.424	€ 2.327	€ 3.670	€ 4.649	€ 5.499	€ 5.969	€ 8.103	€ 8.741	€ 9.969
<b>Total Equity</b>	<b>€ 117.866</b>	<b>€ 85.116</b>	<b>€ 79.246</b>	<b>€ 74.187</b>	<b>€ 70.943</b>	<b>€ 68.738</b>	<b>€ 66.514</b>	<b>€ 64.682</b>	<b>€ 68.060</b>	<b>€ 69.689</b>	<b>€ 71.799</b>	<b>€ 74.223</b>	<b>€ 76.550</b>	<b>€ 80.220</b>	<b>€ 84.869</b>	<b>€ 90.368</b>	<b>€ 96.337</b>	<b>€ 104.440</b>	<b>€ 113.181</b>	<b>€ 123.150</b>
<b>Total Equity + Total Liabilities</b>	<b>€ 311.621</b>	<b>€ 271.890</b>	<b>€ 263.133</b>	<b>€ 250.586</b>	<b>€ 239.542</b>	<b>€ 229.230</b>	<b>€ 218.571</b>	<b>€ 210.127</b>	<b>€ 204.544</b>	<b>€ 197.006</b>	<b>€ 186.592</b>	<b>€ 178.792</b>	<b>€ 171.008</b>	<b>€ 163.922</b>	<b>€ 157.272</b>	<b>€ 150.981</b>	<b>€ 144.561</b>	<b>€ 140.224</b>	<b>€ 135.605</b>	<b>€ 131.831</b>

Appendix 6 – Balance Sheet

Cash Flow Statement	2021F	2022F	2023F	2024F	2025F	2026F	2027F	2028F	2029F	2030F	2031F	2032F	2033F	2034F	2035F	2036F	2037F	2038F	2039F	2040F
	€ 1	€ 2	€ 3	€ 4	€ 5	€ 6	€ 7	€ 8	€ 9	€ 10	€ 11	€ 12	€ 13	€ 14	€ 15	€ 16	€ 17	€ 18	€ 19	€ 20
<b>Operating Activities</b>	€ (22.546)	€ 12.207	€ 17.132	€ 21.608	€ 21.970	€ 22.254	€ 21.344	€ 26.121	€ 23.711	€ 22.850	€ 22.379	€ 24.250	€ 24.548	€ 24.555	€ 24.171	€ 24.686	€ 24.667	€ 24.988	€ 24.600	€ 25.042
+EBIT	€ (24.134)	€ (25.019)	€ 1.583	€ 2.102	€ 3.615	€ 4.340	€ 3.994	€ 4.046	€ 8.903	€ 6.785	€ 6.885	€ 6.841	€ 6.908	€ 8.179	€ 8.971	€ 9.581	€ 9.692	€ 11.891	€ 12.175	€ 13.185
+D&A	€ 18.974	€ 19.807	€ 19.807	€ 19.557	€ 18.412	€ 18.012	€ 18.688	€ 18.907	€ 14.439	€ 16.896	€ 17.146	€ 17.479	€ 17.822	€ 16.917	€ 16.496	€ 16.183	€ 16.517	€ 14.689	€ 14.782	€ 14.105
-Income tax	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ 40	€ 618	€ 976	€ 1.236	€ 1.462	€ 1.587	€ 2.154	€ 2.324
-ANWC	€ 17.386	€ (17.418)	€ 4.258	€ 51	€ 56	€ 98	€ 1.337	€ (3.167)	€ (369)	€ 831	€ 1.652	€ 71	€ 143	€ (77)	€ 320	€ (157)	€ 80	€ 6	€ 202	€ (75)
<b>Investment Activities</b>	€ (305.400)	€ (2.500)	€ -	€ -	€ -	€ (750)	€ (3.400)	€ (4.500)	€ -	€ (19.125)	€ (750)	€ (1.000)	€ (2.400)	€ -	€ (4.500)	€ (750)	€ (1.000)	€ -	€ (2.400)	€ -
-CAPEX	€ 305.400	€ 2.500	€ -	€ -	€ -	€ 750	€ 3.400	€ 4.500	€ -	€ 19.125	€ 750	€ 1.000	€ 2.400	€ -	€ 4.500	€ 750	€ 1.000	€ -	€ 2.400	€ -
+Other Investments	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -
<b>Financing Activities</b>	€ 335.284	€ (14.716)	€ (14.716)	€ (14.716)	€ (14.716)	€ (14.716)	€ (14.716)	€ (14.716)	€ (14.716)	€ (14.716)	€ (14.716)	€ (14.716)	€ (14.716)	€ (14.716)	€ (14.716)	€ (14.716)	€ (14.716)	€ (14.716)	€ (14.716)	€ (14.716)
Issuance of new Capital	€ 150.000	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -
+Interest Paid	€ (8.000)	€ (7.731)	€ (7.452)	€ (7.161)	€ (6.859)	€ (6.545)	€ (6.218)	€ (5.878)	€ (5.525)	€ (5.157)	€ (4.775)	€ (4.377)	€ (3.963)	€ (3.533)	€ (3.086)	€ (2.621)	€ (2.137)	€ (1.634)	€ (1.110)	€ (566)
+Interest Received	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -
-Dividends	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -	€ -
+ΔDebt	€ 193.284	€ (6.985)	€ (7.264)	€ (7.555)	€ (7.857)	€ (8.171)	€ (8.498)	€ (8.838)	€ (9.192)	€ (9.559)	€ (9.942)	€ (10.340)	€ (10.753)	€ (11.183)	€ (11.631)	€ (12.096)	€ (12.580)	€ (13.083)	€ (13.606)	€ (14.150)
<b>Change in Cash</b>	€ 7.338	€ (5.009)	€ 2.415	€ 6.892	€ 7.254	€ 6.787	€ 3.228	€ 6.905	€ 8.994	€ (10.991)	€ 6.913	€ 8.534	€ 7.431	€ 9.838	€ 4.955	€ 9.220	€ 8.950	€ 10.271	€ 7.484	€ 10.326
Beginning	€ -	€ 7.338	€ 2.328	€ 4.744	€ 11.636	€ 18.890	€ 25.677	€ 28.905	€ 35.809	€ 44.804	€ 33.813	€ 40.726	€ 49.259	€ 56.690	€ 66.529	€ 71.483	€ 80.703	€ 89.653	€ 99.924	€ 107.408
End	€ 7.338	€ 2.328	€ 4.744	€ 11.636	€ 18.890	€ 25.677	€ 28.905	€ 35.809	€ 44.804	€ 33.813	€ 40.726	€ 49.259	€ 56.690	€ 66.529	€ 71.483	€ 80.703	€ 89.653	€ 99.924	€ 107.408	€ 117.734

## Appendix 7 – Cash Flow Statement

CAPM	2021F	2022F	2023F	2024F	2025F	2026F	2027F	2028F	2029F	2030F	2031F	2032F	2033F	2034F	2035F	2036F	2037F	2038F	2039F	2040F	terminal	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	WACC	
<b>Cost of Equity</b>																						
Risk Free Rate	0,38%	0,38%	0,38%	0,38%	0,38%	0,38%	0,38%	0,38%	0,38%	0,38%	0,38%	0,38%	0,38%	0,38%	0,38%	0,38%	0,38%	0,38%	0,38%	0,38%	0,38%	0,38%
Beta Levered	0,97	0,97	0,97	0,97	0,97	0,97	0,97	0,97	0,97	0,97	0,97	0,97	0,97	0,97	0,97	0,97	0,97	0,97	0,97	0,97	0,97	0,97
Market Risk Premium	8,46%	8,46%	8,46%	8,46%	8,46%	8,46%	8,46%	8,46%	8,46%	8,46%	8,46%	8,46%	8,46%	8,46%	8,46%	8,46%	8,46%	8,46%	8,46%	8,46%	8,46%	8,46%
Country Risk Premium	8,08%	8,08%	8,08%	8,08%	8,08%	8,08%	8,08%	8,08%	8,08%	8,08%	8,08%	8,08%	8,08%	8,08%	8,08%	8,08%	8,08%	8,08%	8,08%	8,08%	8,08%	8,08%
<b>Cost of Equity</b>	<b>8,22%</b>	<b>8,22%</b>	<b>8,22%</b>	<b>8,22%</b>	<b>8,22%</b>	<b>8,22%</b>	<b>8,22%</b>	<b>8,22%</b>	<b>8,22%</b>	<b>8,22%</b>	<b>8,22%</b>	<b>8,22%</b>	<b>8,22%</b>	<b>8,22%</b>	<b>8,22%</b>	<b>8,22%</b>	<b>8,22%</b>	<b>8,22%</b>	<b>8,22%</b>	<b>8,22%</b>	<b>8,22%</b>	<b>8,22%</b>
<b>Cost of Debt</b>																						
Cost of Debt	4,0%	4,0%	4,0%	4,0%	4,0%	4,0%	4,0%	4,0%	4,0%	4,0%	4,0%	4,0%	4,0%	4,0%	4,0%	4,0%	4,0%	4,0%	4,0%	4,0%	4,0%	4,0%
Corporate Tax Rate	21,0%	21,0%	21,0%	21,0%	21,0%	21,0%	21,0%	21,0%	21,0%	21,0%	21,0%	21,0%	21,0%	21,0%	21,0%	21,0%	21,0%	21,0%	21,0%	21,0%	21,0%	21,0%
<b>After-tax Cost of Debt</b>	<b>3,16%</b>	<b>3,16%</b>	<b>3,16%</b>	<b>3,16%</b>	<b>3,16%</b>	<b>3,16%</b>	<b>3,16%</b>	<b>3,16%</b>	<b>3,16%</b>	<b>3,16%</b>	<b>3,16%</b>	<b>3,16%</b>	<b>3,16%</b>	<b>3,16%</b>	<b>3,16%</b>	<b>3,16%</b>	<b>3,16%</b>	<b>3,16%</b>	<b>3,16%</b>	<b>3,16%</b>	<b>3,16%</b>	<b>3,16%</b>
<b>WACC</b>																						
Weight of Equity	37,82%	31,31%	30,12%	29,61%	29,62%	29,99%	30,43%	30,78%	33,27%	35,37%	38,48%	41,51%	44,76%	48,94%	53,96%	59,85%	66,64%	74,48%	83,46%	93,41%	70,00%	
Weight of Debt	62,18%	68,69%	69,88%	70,39%	70,38%	70,01%	69,57%	69,22%	66,73%	64,63%	61,52%	58,49%	55,24%	51,06%	46,04%	40,15%	33,36%	25,52%	16,54%	6,59%	30,00%	
<b>WACC</b>	<b>5,07%</b>	<b>4,74%</b>	<b>4,68%</b>	<b>4,66%</b>	<b>4,66%</b>	<b>4,68%</b>	<b>4,70%</b>	<b>4,72%</b>	<b>4,84%</b>	<b>4,95%</b>	<b>5,11%</b>	<b>5,26%</b>	<b>5,42%</b>	<b>5,64%</b>	<b>5,89%</b>	<b>6,19%</b>	<b>6,53%</b>	<b>6,93%</b>	<b>7,38%</b>	<b>7,88%</b>	<b>6,70%</b>	

### Appendix 8 – Weighted Average Cost of Capital

Free Cash Flow to the Firm	2021F	2022F	2023F	2024F	2025F	2026F	2027F	2028F	2029F	2030F	2031F	2032F	2033F	2034F	2035F	2036F	2037F	2038F	2039F	2040F	terminal	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	period	
<b>FCFF, TV &amp; PV(FCFF)</b>																						
NOPAT	€ (19.066)	€ (19.765)	€ 1.250	€ 1.661	€ 2.856	€ 3.429	€ 3.155	€ 3.197	€ 7.033	€ 5.360	€ 5.439	€ 5.405	€ 5.458	€ 6.462	€ 7.087	€ 7.569	€ 7.657	€ 9.394	€ 9.618	€ 10.416		
D&A	€ 18.974	€ 19.807	€ 19.807	€ 19.557	€ 18.412	€ 18.012	€ 18.688	€ 18.907	€ 14.439	€ 16.896	€ 17.146	€ 17.479	€ 17.822	€ 16.917	€ 16.496	€ 16.183	€ 16.517	€ 14.689	€ 14.782	€ 14.105		
ΔNWC	€ 17.386	€ (17.418)	€ 4.258	€ 51	€ 56	€ 98	€ 1.337	€ (3.167)	€ (369)	€ 831	€ 1.652	€ 71	€ 143	€ (77)	€ 320	€ (157)	€ 80	€ 6	€ 202	€ (75)		
CAPEX	€ 305.400	€ 2.500	€ -	€ -	€ -	€ 750	€ 3.400	€ 4.500	€ -	€ 19.125	€ 750	€ 1.000	€ 2.400	€ -	€ 4.500	€ 750	€ 1.000	€ -	€ 2.400	€ -		
<b>FCFF</b>	<b>€(322.878)</b>	<b>€ 14.961</b>	<b>€ 16.799</b>	<b>€ 21.167</b>	<b>€ 21.211</b>	<b>€ 20.592</b>	<b>€ 17.106</b>	<b>€ 20.771</b>	<b>€ 21.841</b>	<b>€ 2.300</b>	<b>€ 20.183</b>	<b>€ 21.813</b>	<b>€ 20.737</b>	<b>€ 23.456</b>	<b>€ 18.763</b>	<b>€ 23.160</b>	<b>€ 23.093</b>	<b>€ 24.077</b>	<b>€ 21.798</b>	<b>€ 24.597</b>	<b>€ 20.362</b>	
<b>FCFF discounted</b>	<b>€(322.878)</b>	<b>€ 14.283</b>	<b>€ 15.321</b>	<b>€ 18.445</b>	<b>€ 17.661</b>	<b>€ 16.380</b>	<b>€ 12.996</b>	<b>€ 15.070</b>	<b>€ 15.114</b>	<b>€ 1.517</b>	<b>€ 12.662</b>	<b>€ 13.000</b>	<b>€ 11.723</b>	<b>€ 12.553</b>	<b>€ 9.483</b>	<b>€ 11.023</b>	<b>€ 10.318</b>	<b>€ 10.060</b>	<b>€ 8.482</b>	<b>€ 8.871</b>	<b>€ 128.832</b>	
<b>FCFF discounted cumulative</b>	<b>€(322.878)</b>	<b>€(308.594)</b>	<b>€(293.273)</b>	<b>€(274.828)</b>	<b>€(257.167)</b>	<b>€(240.787)</b>	<b>€(227.791)</b>	<b>€(212.721)</b>	<b>€(197.607)</b>	<b>€(196.090)</b>	<b>€(183.429)</b>	<b>€(170.428)</b>	<b>€(158.705)</b>	<b>€(146.152)</b>	<b>€(136.670)</b>	<b>€(125.647)</b>	<b>€(115.329)</b>	<b>€(105.269)</b>	<b>€(96.787)</b>	<b>€ 40.917</b>	<b>€ -</b>	

### Appendix 9 – Free Cash Flow to the Firm