

# **BUSINESS PLAN**

(Confidential)

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## **1. EXECUTIVE SUMMARY**

Asama Meru Lodges Ltd. is a small luxury hotel investment company started in Tanzania. Our aim to establish a 5-star safari lodge near the Kilimanjaro International Airport for tourists and business visitors alike. In addition, Asama Meru Lodges Ltd. will provide additional investors the opportunity to purchase private villas for their private use while generating a return on their investment. While owned by the investors, these villas will be operated by the AML management team to insure year-round profitability for the project.

Our operating key words are: **privacy - luxury - nature experience**

## **2. PRODUCT/SERVICE**

### **2.1 Location Summary**

Located at Dolly North Estate, just south of the Usa River, Asama Meru Lodges Ltd. has secured two plots of land on a 30-year lease agreement right between the city of Arusha (25km) and Kilimanjaro International Airport (20km). In total the site covers 32.5 acres of bushland within the protected estate. It offers the best of two worlds: privacy in a semi natural & wildlife environment and being directly adjacent to Tanzania's northern tourism circuit. The Estate is fenced on all sides with an excellent security system in place ensuring the safety of all our visitors.

### **2.2 Lodge Product & Service Offering**

#### **2.2.1 The Lodge & Cottages**

Asama Meru Lodges Ltd. will develop and operate a 5-star Lodge (12-cottages/24-beds) where the guest's privacy and personalized service is our most important goal. Guests are all awarded with their own cottages and are offered the ability to enjoy meals in the privacy of their rooms/verandah's or in shared eating areas with other guest at the public areas. The Lodge will offer an abundance of amenities including inside/outside dining, bar/lounge, library, souvenir shop, pool and fitness center. With the expansive nature of the property even at full occupancy the guests never have the feeling at being in a crowded environment.

#### **2.2.2. Private Villas**

In addition to the cottages Asama Meru Lodges Ltd. has access to the use of additional villas which have been developed in joint-venture with private investors. The lodge has the exclusive use of these private villas during the high season when additional beds are needed to maximize on returns while the investors can use it during mid and low season.

### **3. THE MARKET & MARKETING PLAN**

#### **3.1. General**

Lying just south of the equator, Tanzania is East Africa's largest country, and an extremely rewarding place to visit. Bordered on the north by Kenya and Uganda and the west by Rwanda, the topography and landscape vary from the plains of the Serengeti to the snowcapped Mount of Kilimanjaro.

Tanzania has for many decades been a haven of peace and tranquility in comparison to many of her neighboring African countries. A place where unity, respect, and brotherhood are reflected by its people's identity and ethos.

The country is home to such attractions as the Ngorongoro Crater as well as the exotic island of Zanzibar, a former outpost of the Omani Kingdom. The east coast, fronting the Indian Ocean provides palm-fringed white sand beaches and offshore coastal atolls. At the core of this all is the magnificent wilderness and wildlife that is undoubtedly the country's most precious natural resource.

The first woman president in Tanzania, the honorable Mrs. Samia Suluhu Hassan, signaled a positive shift towards opening the country for more investment. A serious approach to the pandemic and the lifting of restrictions on press freedom were the first steps. In terms of economic policy, attracting foreign investment, especially in the tourism section, is her main priority.

#### **3.2. Tourism Market**

Tanzania has several tourist attractions with more than 44% of the country's land covered in game reserves and national parks. Home to the famous Mt. Kilimanjaro (the roof of Africa), white sandy beaches, and the Islands of Zanzibar/Pemba, Tanzania boasts its position as a sought-after holiday destination.

Tanzania is and has been committed to the preservation and conservation of its culture, wilderness, and wildlife. The country has been hailed by the international communities for its custodianship of a natural and cultural heritage belonging to Tanzania.

According to WTTC and TTB, Tanzania's tourism growth both in numbers of arrivals and related revenue earnings has seen a stable and strong increase from 2005 to 2019.

Visitor numbers nearly doubled, with an increase from 800,000 to nearly 1.5 million over the past 15-years. During this time, the per guest revenue contribution has done the same. As Tanzania expects to exceed 2 million visitors within the next 10 years, this is directly in line with their increasing desire to attract "low volume" high end tourism.

#### **3.3. Marketing plan**

Tanzania is unique in that the average guests will come for a period of between 8 and 12 days. This is driven by their desire to visit several destinations during their travels, covering safari, beach, and culture experiences. As mentioned, Tanzania's resources through name recognition and reputation are unparalleled in the safari world.

It is for these reasons why the major players in the high-end tourism lodge business are trying to offer as many destinations as possible in the Northern Tourism circuit (preferably Northern Serengeti - Southern Serengeti/Ndutu - Tarangire). Very few of them have their own lodge for arriving/departing clients between the Kilimanjaro

International Airport and Arusha while 75% of all flights to KIA are late evening, night or early morning arrival departures and therefore make it paramount for visitors to overnight there. We will cater to that exact market and provide those high-end lodges with the perfect accommodation for their clients. We are their ideal partners due the fact that we offer a destination only 30min from an international airport where guests can already have a nature experience. We believe that 70-80% of our business will be generated through such partnership in the high-end lodging segment.

But Asama Meru Lodges will not only cater to the “one overnight” guest arriving/ departing at the airport. The resort stretches over 32-acres of semi wilderness in the middle of the 2000-acres Dolly North Wildlife sanctuary. The guests are surrounded by nature with views of Mt. Meru and Kilimanjaro. If that is not enough, activities such as golfing (10-minutes to Kiligolf, the only Championship Golf course in Tanzania!), horseback riding & watching Polo (directly adjacent), and exploring national parks (20-minutes to Arusha NP) are available. We believe that most direct clients will eventually grow from 10% to 20% market share and stay 3-nights on average.

In addition to the partnerships with high-end lodge operations from the national parks our self-contained private villas will also attract long term rentals. This will be during mid and low seasons in Tanzania when investors and individuals are trying to escape the harsh winter in Europe. Our team believes this is an appealing proposition and it will serve as an additional pillar in a highly volatile tourism market.

### **3.4. Guest Profile & target markets**

Asama Meru Lodges Limited will be targeting the international tourist from all backgrounds who are looking for space and privacy upon arriving or prior to departing at Kilimanjaro International Airport.

We will reach customers through our partnerships with other lodge operations in the national parks and through the direct marketing of travel agencies which are putting vacations together for their customers.

Our self-contained private villas offer an even more exclusive experience to our guests- either to our super high-end partners or direct medium-term rentals for business and private customers alike.

## **4. COMPETITION**

### **4.1. Primary Competitors**

We look at the high-end lodge operators in between the Kilimanjaro Airport and Arusha as our primary competitors. This group can be divided into the ones which have been operating for a while and are well established and into projects either under construction or planned. The established “high-end” lodges are so few that they cannot even in the slightest satisfy the demand. In addition, due to this fact they are heavily overpriced. The lodges which are currently under construction are predominantly place around the Kiligolf area. This group will constitute as our primary competition. While staying on a golf course may seem like a desirable location to some our team believes that most travellers would rather stay in a more natural place such as our lodge.

## **4.2. Secondary Competitors**

We look at the high-end hotel operators in between the Kilimanjaro Airport and Arusha as our secondary competitors. Especially for a destination which primarily expects to benefit from arriving/departing customers our team must carefully evaluate all competition within the market. However, since the construction of the ring road around Arusha, the table has turned in favor of a location **before** Arusha (after arrival) or after Arusha (upon departure) for guests to stay. Before the construction of the ring road, there was no advantage for guests to stay before or in Arusha as all guests would have to make their way through Arusha either upon arrival or the next morning on their way to the national parks (usually through heavy traffic!). So, while before the construction of the ring road around Arusha, the Arusha hotel & lodges had probably an advantage over a hotel/lodge in between the airport and Arusha. However, since the construction of the ring road, all hotels & lodges closer to the airport have a huge advantage when it comes to guest convenience.

## **5. PRICING**

Based on the lodge's competitive position as outlined in the competition section, the property is projected to achieve the highest average daily rate in the market right from the start. This projected premium comes with paying high commission rate of max. 40% to our partnering lodge companies in order immediately attract the business. This is the best way of guaranteeing good occupancy rates although being new on the market.

## **6. FINANCIAL PLAN**

### **6.1. The Investment**

The total investment is estimated at US\$ 3.020.000.

During phase 1 Asama Meru Lodges will obtain all the necessary licenses, develop the land, and construct the actual main house with all public areas including 6 cottages and 5 villas. For phase 1 we estimate the investment to be US\$ 2.100.000.

Phase 2 which will be realised one year after completion of phase 1 will comprise of an additional 6 cottages at a cost of US\$ 450.000 and the construction of 3 additional villas at a cost of an estimated US\$ 470.000. Phase 2 of the project will be financed by profit on disposal of 4 villas from phase 1 and replaced by 3 new villas and 6 more cottages.

Looking at the Profit/Loss Forecast one will realise that there is a disadvantage from a financial point of view to do the investment in two phase as the number of available beds (30 beds in year1 vs. 50 beds from year2 onwards) has a huge impact on profitability. Should we be able to generate a higher cash flow through the sale of villas upfront we would push to realise phase 1 & phase 2 right from the start.

### **6.2 Source of Finance**

The initial investment will be secured through the 5 founding shareholders of Asama Meru Lodges Limited. At this point these five shareholders have already invested the amount of \$ 250.000 into Tanzania which is confirmed by the attached letter by Exim

Bank of Tanzania. In addition, to showcase the financial potency of the investors, we have attached bank statements of each individual shareholder which we trust to be handled with utmost privacy by our partners.

### 6.3. Profit/Lost Forecast

Our profit/loss forecast is based on a daily rate of US\$ 480 per person (single room) and US\$ 290 per person (double room) for Bed & Breakfast in a cottage and a daily rate of US\$ 700 for Villa 1 and US\$ 1200 for a Villa 2.

Profit/Loss Forecast	Year 1	Year 2	Year 3	Year 4	Year 5
Gross Operating Income	476.007 US\$	990.547 US\$	1.199.200 US\$	1.329.013 US\$	1.458.826 US\$
Overhead Expenses	126.776 US\$	171.712 US\$	181.712 US\$	181.712 US\$	181.712 US\$
Operating Expenses	307.066 US\$	397.377 US\$	398.485 US\$	413.030 US\$	427.704 US\$
Profit/Loss before Tax	42.165 US\$	421.458 US\$	619.003 US\$	734.271 US\$	849.410 US\$
Corporate Tax (30%)	12.650 US\$	126.437 US\$	185.701 US\$	220.281 US\$	254.823 US\$

Projected occupancy rate has been calculated as following:

Projected Occupancy	Year 1	Year 2	Year 3	Year 4	Year 5
Lodge Cottages (max 2)	40 %	45 %	50 %	55 %	60 %
Villa 1 & 2 (max 4+2)	25 %	30 %	35 %	40 %	45 %

### 6.4. Sensitivity Analysis

The company's revenue can change depending on the general economic climate of the tourism industry. However, due to its unique set up having cottages **and** privately owned villa's at our disposal we believe we are perfectly set up to withstand far greater setback's than usual hotel/lodge businesses in Tanzania. One backbone is the projected income through the **villa management fees** (minimum US\$ 120.000 per year) charged to the 8 owners of the villas even without any tourism activities!

## 7. MANAGEMENT PLAN

The company will be managed by 2-3 directors with different levels of active involvement in the day to day operation and according to the principles management guidelines. Asama Meru Lodges Ltd's executive team comprises three principals, each of whom has a minimum of 15 years in luxury tourism in Tanzania, operations, business in emerging markets and international investment experience. One principal has served as both entrepreneur and as cooperative executive involved in the development, operation and asset management of luxury hotels. Another principal has been an entrepreneur in the tourism business in Tanzania for over three decades.

The executive team of Asama Meru Lodges Ltd. will decide at a later point to which extend the board will be involvement in the operational management of the actual lodge. As described

## **8. RISK MANAGEMENT**

As with any business development project, there are risks that could prevent the development from moving forward or materially affect project returns. Possible risks are presented below along with associated risk mitigation plans.

### **8.1. Regulatory Risk**

Although Asama Meru Lodges Limited currently holds the lease to the subjected site and all entitlements are in place, there is a risk that the Tanzanian government may enact laws and/or regulations that would prevent the project from moving forward with its current uses. To mitigate the risk of edicts based on negative local sentiment, Asama Meru Lodges Limited through its attorneys will continue to meet officials from the variety of government offices to promote the project through the Tanzania Investment Center (TIC).

### **8.2. Financing Risk**

In the current strained lending market, the project may struggle to source construction debt in a timely manner for phase 1 of the project. To mitigate the risk the majority of the initial investment (phase1) will be carried out by the current 5 shareholders and the additional private investors of the villas. Phase 2 will fully financed by the through the current investors and the capitalization of the sale of some of the villas. However, the lending market will remain an option should it become necessary.

### **8.3. Brand Risk**

Since Asama Meru Lodges Limited is an “one lodge destination” and the investors have little experience in the Tanzanian Lodge tourism industry it might be difficult for the brand to establish itself. This risk is mitigated by the option that Asama Meru Lodges Limited could enter into a joint venture/management agreement with one of the many high-end lodge operators in national parks. Especially to the lodge operators who do not have their own destination in Arusha or near the Kilimanjaro International Airport we will be an attractive partner. Steps are being taken to have this as another option not only how to deal with the operational management of the lodge but also how to finance phase 2 of the project, should bigger obstacles arise.

## **8.4. SWOT analysis**

### **8.4.1. Strength**

The strength of the project lays in the uniqueness of the product and in the meticulous research conducted to understand the market requirements. In details, these are:

- the unique location of giving the tourist the privacy of his own chalet/villa while experiencing a touch of wilderness right upon arrival or before departure.
- adding extra accommodation by having access to additional villas without having to bear the burden of additional expenses.
- having the flexibility to alter marketing strategies through partnering with lodge management companies in national parks who do not have their own lodging near Arusha and/or international airport.

#### **8.4.2. Weakness**

The main hindrance likely to face the project is the volatile business environment in Tanzania - for private companies and foreign investors.

In addition, while Tanzania is by definition an “investment welcoming country”, the lack of infrastructure and poor quality & quantity of goods available in the country makes for a cumbersome establishing & management of a high-end lodge. Another obstacle we have experienced so far is the long list of requirements and the long time it takes to get the necessary approvals and licenses from government institutions.

#### **8.4.3. Opportunities**

With the personal experiences we have in Tanzania, Asama Meru Lodges Limited will however work through the weaknesses and capitalize on the following advantages the country has to offer:

- increased attractiveness of the country as a quality & high-end tourist destination
- increasing number of tourists visiting Tanzania
- forecasted further increase of tourists to Tanzania
- the need for more tourist beds upon arrival & departure between Kilimanjaro International Airport and Arusha.

#### **8.4.4. Threats**

- increased numbers of competing lodges in the high end sector in the region
- the association within “Dolly North” could not develop favorable.
- world economic turmoil through trade wars or pandemic could threaten the tourism industry in Tanzania

### **9. CONCLUSION**

The lodge development presents experienced shareholders with an opportunity to invest in the upcoming tourism destination “Dolly North” while being a part of the iconic “northern circuit” of the Tanzania Tourism industry.

The land on which the lodge development is being carried out has all necessary entitlements and is perfectly situated to become the gateway for the sophisticated, high-end guest.

The project shows great resilience in the highly volatile tourism industry through its multi-use and multi-purpose approach by combining a lodge- and a villa business alike.

The project is expected to generate a before-tax IRR of 24,1%.