



CMS HOLDING LIMITED



Agenda

1. Mission statement
2. Company summary
3. Marketing strategy
4. Sales strategy
5. Milestones
6. Financial plan



Executive summary

1. Mission statement

The mission of CMS Holding, is to create a portfolio of income producing real estate assets over the next 10-15 years that will produce supplemental income to the principal owners. A conservative approach will be taken that will permit the company to be managed by means which will allow the principals of CMS Holding, to maintain current full-time employment. The company seeks to invest in one property in a year. Initially, CMS Holding, will seek to purchase properties that have the potential to generate immediate return on investment upon completion of renovation or rehabilitation and then will be rented out. CMS Holding, will then take proceeds from reconstruction to supplement equity investment of second property that will be held and rented as an income producing asset, while seeking long term appreciation.



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1.2 Objectives

- **The following are the main objectives for CMS Holding:**
- **To invest in construction of real estate properties for the purpose of immediate rent out, generating monthly income while obtaining market value appreciation over a longer period.**
- **To manage real estate investments from identifying potential areas to construct and rent out the properties.**
- **To manage the renovation or rehabilitation activities of newly acquired properties.**
- **To manage the properties that are rented and held for the longer term.**
- **To manage the portfolio of real estate assets**

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1.3 Key to success

The keys to success of CMS Holding, will be:

- Acquisition of undervalued residential properties. The greater the discount that properties can be purchased, the greater the upside for short term or long-term gains will be.
- Complete the renovation or rehabilitation work within the scheduled time and within the budgeted amount.
- Recognize buying opportunities on specific properties that would provide the option to immediately renting selected renovated or rehabilitated properties upon completion for short term gain.
- Find rental occupants for the selected properties before renovations are completed, or at the first opportunity after completion.
- Maintain an average 92% occupancy rate each year on rental properties.
- Provide projected overall 5%-6% cash-on-cash return on the portfolio of assets.

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- **Given the recent economic recession, there is an opportunity to construct properties for 30% or more below what were selling for at their peak in early times. The acquisition strategy will be to construct properties at a deep discount whose values are reduced below market value due to foreclosure. Additionally, properties will be acquired at values which can be significantly increased through renovation or rehabilitation. CMS Holding, will use the expertise of the principals to seek to identify and exploit opportunities to create value.**
- **The primary investment criterion is that the properties constructed must be capable of renting and producing a positive cash flow. CMS Holding, may construct and immediate rent them out, but the underwriting criteria will be that the properties must be capable of being rented and producing a positive income stream. No properties will be constructed with the speculation that a profit can only be made by means of flipping the home. This type of speculation is too risky and does not meet the investment criteria of the retirement portfolio.**

1.5 Sales forecast

Real Estate- Financial Model	FY	FY2024	FY2025	FY2026	FY2027	FY2028	FY2029	FY2030	FY2031	FY2032	FY2033
Annual fs	Period no	1	2	3	4	5	6	7	8	9	10
Scenario in use: Base	Start date	01-Jan-2024	01-Jan-2025	01-Jan-2026	01-Jan-2027	01-Jan-2028	01-Jan-2029	01-Jan-2030	01-Jan-2031	01-Jan-2032	01-Jan-2033
All checks ok	End date	31-Dec-2024	31-Dec-2025	31-Dec-2026	31-Dec-2027	31-Dec-2028	31-Dec-2029	31-Dec-2030	31-Dec-2031	31-Dec-2032	31-Dec-2033
	Days in period	366	365	365	365	366	365	365	365	366	365
1 Statement of Comprehensive Income											
Income											
Rental Income		85,500,000	261,630,000	355,816,800	362,933,136	323,917,824	306,796,453	385,147,547	392,850,498	400,707,508	408,721,658
Total Income		85,500,000	261,630,000	355,816,800	362,933,136	323,917,824	306,796,453	385,147,547	392,850,498	400,707,508	408,721,658
Expenditures											
Employee costs		(13,260,000)	(27,050,400)	(27,591,408)	(28,143,236)	(28,706,101)	(29,280,223)	(29,865,827)	(30,463,144)	(31,072,407)	(31,693,855)
Professional services		(11,000,000)	(17,340,000)	(17,686,800)	(18,040,536)	(18,401,347)	(18,769,374)	(19,144,761)	(19,527,656)	(19,918,209)	(20,316,574)
Repairs & maintenance		(7,200,000)	(22,032,000)	(29,963,520)	(30,562,790)	(27,277,290)	(25,835,491)	(32,433,478)	(33,082,147)	(33,743,790)	(34,418,666)
General expenditures		(4,975,789)	(8,769,156)	(9,562,717)	(9,674,008)	(9,611,426)	(9,595,923)	(10,140,119)	(10,515,768)	(10,650,090)	(10,799,718)
Total expenditures		(36,435,789)	(75,191,556)	(84,804,445)	(86,420,570)	(83,996,164)	(83,481,010)	(91,584,185)	(93,588,716)	(95,384,497)	(97,228,813)
Profit before depreciation, interest and taxes		49,064,211	186,438,444	271,012,355	276,512,566	239,921,660	223,315,443	293,563,362	299,261,782	305,323,012	311,492,846
Asset write-off		-	-	-	-	(114,000,000)	-	-	-	-	-
Depreciation		(10,687,500)	(35,625,000)	(49,875,000)	(50,653,568)	(49,473,486)	(51,077,336)	(62,615,598)	(65,218,931)	(67,648,431)	(70,608,873)
Profit before interest and taxes		38,376,711	150,813,444	221,137,355	225,858,998	76,448,174	172,238,107	230,947,764	234,042,852	237,674,580	240,883,973
Interest		(14,962,500)	(90,552,582)	(89,212,225)	(72,686,633)	(58,913,335)	(70,072,318)	(45,814,971)	(25,350,366)	(6,588,867)	-
Profit before taxes		23,414,211	60,260,862	131,925,130	153,172,365	17,534,839	102,165,789	185,132,793	208,692,486	231,085,713	240,883,973
Taxes	##	(7,024,263)	(18,078,259)	(39,577,539)	(45,951,709)	(5,260,452)	(30,649,737)	(55,539,838)	(62,607,746)	(69,325,714)	(72,265,192)
Profit after taxes		16,389,948	42,182,604	92,347,591	107,220,655	12,274,388	71,516,052	129,592,955	146,084,740	161,759,999	168,618,781

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- **2.0 COMPANY SUMMARY**

- **CMS Holding will be engaged in the real estate investment and management business and will act as the Construction Acquisition & Restoration Manager, Property Manager, and Portfolio Asset Manager. The company's focus will be on constructing commercial and residential properties, holding and renting at an attractive price. This business plan will comprise of the following seven key components:**

- **A. Business Model**

- **B. Investment Criteria**

- **C. Source of Equity and Debt**

- **D. Products and Services**

- **E. Market Analysis Summary**

- **F. Risk Assessment**

- **Also included will be the marketing plan, financial plan, and the pro forma for two example properties. The proformas provided include the maximum acquisition prices, use of funds, services, operating budget, residual value and investor return.**

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- **2.1 Startup summary**

- **CMS Holding will engage in the real estate investment and rental property business. As a start-up company it will initially seek to manage the day-to-day activities of the company.**

- **The business model is set up so that the two principals will maintain their current fulltime employment. As such, they will not be dependent on compensation, but instead with the focus expansion and on the long-term property value appreciation.**

- **The company has located one area that will be used as examples for construction. The equity and debt sourcing strategy will seek an equity investment of the construction price, closing costs and fees and seek debt financing for the balance. The pro forma for sample properties is provided later in the business plan.**

- **Other costs associated with the start-up of a new company will be kept to a minimum as the business model is to have the company run by the two principals, operated from home offices, and while maintaining current employment. No salaries are to be drawn from the company, but dividends will be paid as assets are sold or at which time the monthly income generated from rents are no longer needed to be applied towards the construction of additional properties. Included in the associated start-up costs are professional fees in establishing the company, minimum office supplies, and insurance. Initially, these costs are to be raised by the principals and will later be paid as expenses from by rental income.**

Project Capital expenditures

<i>Capital expenditures</i>		TZS	Financing	USD	TZS			% Change
Land acquisition	TZS	997,500,000	Equity	350,000	997,500,000	947,625,000	1,047,375,000	5.00%
Existing office acquisition	TZS	142,500,000	Equity	50,000	142,500,000	135,375,000	149,625,000	5.00%
Existing warehouse acquisiti	TZS	285,000,000	Equity	100,000	285,000,000	270,750,000	299,250,000	5.00%
New warehouse constructor	TZS	570,000,000	Debt I	200,000	570,000,000	541,500,000	598,500,000	5.00%
New office cosntruction	TZS	285,000,000	Debt II	100,000	285,000,000	270,750,000	299,250,000	5.00%
[Blank]	TZS	-	Equity	-	-	-	-	5.00%
Total Capital expenditures	TZS	2,280,000,000		800,000	2,280,000,000	2,166,000,000	2,394,000,000	

Real Estate- Financial Model		FY	FY2024	FY2025	FY2026	FY2027	FY2028	FY2029	FY2030	FY2031	FY2032	FY2033
Annual fs	Period no	1	2	3	4	5	6	7	8	9	10	
Scenario in use: Base	Start date	01-Jan-2024	01-Jan-2025	01-Jan-2026	01-Jan-2027	01-Jan-2028	01-Jan-2029	01-Jan-2030	01-Jan-2031	01-Jan-2032	01-Jan-2033	
All checks ok	End date	31-Dec-2024	31-Dec-2025	31-Dec-2026	31-Dec-2027	31-Dec-2028	31-Dec-2029	31-Dec-2030	31-Dec-2031	31-Dec-2032	31-Dec-2033	
	Days in period	366	365	365	365	366	365	365	365	366	365	
3 Statements of Financial Position												
Non-current assets												
Land		997,500,000	997,500,000	997,500,000	997,500,000	997,500,000	997,500,000	997,500,000	997,500,000	997,500,000	997,500,000	997,500,000
Buildings		701,812,500	951,187,500	901,312,500	881,801,652	896,482,168	1,016,404,832	987,819,724	992,703,603	979,209,593	945,786,755	
Total non-current assets		1,699,312,500	1,948,687,500	1,898,812,500	1,879,301,652	1,893,982,168	2,013,904,832	1,985,319,724	1,990,203,603	1,976,709,593	1,943,286,755	
Current assets												
Prepayments		319,289	728,977	691,570	677,424	601,710	566,074	760,698	765,456	715,228	(0)	
Overdeclared dividends		-	-	-	-	10,138,859	-	-	-	-	-	
Tax asset		1,525,737	9,610,478	5,614,619	-	35,608,318	38,045,399	21,068,459	-	-	-	
Cash and bank balances		25,232,422	57,640,157	119,417,194	150,773,053	41,849,716	23,369,357	27,306,929	53,534,051	112,508,018	256,313,469	
Total current assets		27,077,448	67,979,612	125,723,384	151,450,477	88,198,602	61,980,830	49,136,086	54,299,507	113,223,245	256,313,469	
Total assets		1,726,389,948	2,016,667,112	2,024,535,884	2,030,752,128	1,982,180,770	2,075,885,661	2,034,455,810	2,044,503,111	2,089,932,838	2,199,600,224	
Equity												
Ordinary share capital		1,425,000,000	1,425,000,000	1,425,000,000	1,425,000,000	1,425,000,000	1,425,000,000	1,425,000,000	1,425,000,000	1,425,000,000	1,425,000,000	1,425,000,000
Accumulated earnings		16,389,948	58,572,551	150,920,142	206,512,638	216,332,148	273,544,990	377,219,354	494,087,146	623,495,145	758,390,170	
Total equity		1,441,389,948	1,483,572,551	1,575,920,142	1,631,512,638	1,641,332,148	1,698,544,990	1,802,219,354	1,919,087,146	2,048,495,145	2,183,390,170	
Non-current liabilities												
Loan I		285,000,000	533,094,560	448,615,741	347,611,331	226,848,621	82,462,532	-	-	-	-	
Loan II		-	-	-	-	114,000,000	266,642,066	184,432,855	86,142,028	-	-	
Total non-current liabilities		285,000,000	533,094,560	448,615,741	347,611,331	340,848,621	349,104,598	184,432,855	86,142,028	-	-	
Current liabilities												
Advance receipts of rental income		-	-	-	-	-	24,071,722	24,553,156	25,044,219	25,545,104	-	
Payables		-	-	-	-	-	-	-	-	-	-	
Taxation		-	-	-	-	-	-	-	-	-	-	
Accrued dividends/ dividend payables		-	-	-	51,628,160	-	4,164,352	23,250,446	14,229,718	15,892,589	16,210,054	
Total current liabilities		-	-	-	51,628,160	-	28,236,074	47,803,602	39,273,937	41,437,693	16,210,054	
Total equity and liabilities		1,726,389,948	2,016,667,112	2,024,535,884	2,030,752,128	1,982,180,770	2,075,885,661	2,034,455,810	2,044,503,111	2,089,932,838	2,199,600,224	
check		-	-	-	-	-	-	-	-	-	-	

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- **A. BUSINESS MODEL**

- **The ownership structure of the new startup company, CMS Holding will be a privately held Limited Liability Company. CMS Holding, shall be registered in Tanzania.**

- **CMS Holding, will be set up to manage the real estate assets acquired. The purpose of establishing individual for each property asset is to keep each deal separate and to simplify ownership in which outside equity partners can participate, while still offering the pass thru tax benefits and limited liabilities.**

- **B. Investment Criteria**

- **CMS Holding Company Investments will seek to invest in stable residential rental properties that provide an opportunity to achieve an unleveraged cash-on- cash return and a long term Internal Rate of Return.**

1 Model Set Up

1.1 General

Model Name
Project
Version
Tolerance
Currency

Real Estate

1.2 Timing

Model Timeline

First Model Period

Date

01-Jan-2024

Periodicity

Months

12

Number of years in model

No.

10

Final model period

Date

31-Dec-2033

Periodic Timeline

Periodicity

Months

1

Timing constraints

Hours in a day

hours

8

Month in year

months

12

Days in year

days

360

1.3 Scenario Titles

1 Base

2 High

3 Low

1.4 Debt Repayment Periods

Periodicity

Months

No. of Repayments

Monthly

1

12

Quarterly

3

4

Semi-annually

6

2

Annually

12

1

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- **C. Source of Equity and Debt**

- **The strategy to construct property for CMS Holding, portfolio is a two-step process that will require both equity and debt financing. The process to construct a property to rent and/or hold for the long term will take a conservative and methodical approach, but if followed, will capitalize on the minimum amount of equity that the principals have to invest without taking on unnecessary debt liabilities or seek outside investors. The two-step property construction process necessary to obtain one portfolio asset would be as follows:**

Financing assumptions

5.1 Funding requirement

Equity	TZS	1,425,000,000
Debt I	TZS	570,000,000
Debt II	TZS	285,000,000
	TZS	2,280,000,000

5.2 Debt I Financing assumptions

Term Loan Facility

	Start date	Tenure (months)	End date
Grace period in months	01-Jul-2024	12	30-Jun-2025
Repayment Phase in months	01-Jul-2025	60	30-Jun-2030
Repayment periodicity	Monthly		
No. of payments made in a year	12		
Repayment frequency in months	1		

Loan annual Interest rate	18.00%	18.00%	17.50%	18.50%
Loan currency	TZS			

5.3 Debt II Financing assumptions

Term Loan Facility

	Start date	Tenure (months)	End date
Grace period in months	01-Jul-2028	15	30-Sep-2029
Repayment Phase in months	01-Oct-2029	36	30-Sep-2032
Repayment periodicity	Monthly		
No. of payments made in a year	12		
Repayment frequency in months	1		

Loan annual Interest rate	18.00%	18.00%	17.50%	18.50%
Loan currency	TZS			

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- **D. Product and service**
- **CMS Holding, is a real estate investment and operating company and will provide property construction, financing, asset management, property management, and disposition service.**
- **The company will manage all construction activities. It will seek investment opportunities that will produce a long-term return between 8%-15%. The principals will meet with real estate brokers and agents, owners, and other participants in the real estate community to secure opportunities that will meet the return requirements. Billings will be prepared for each property construction seriously being considered.**

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- **Meeting with third party companies will be performed as necessary to complete each due diligence.**
- **CMS Holding, will seek to diversify the risk to the portfolio by constructing properties in different areas that may attract tenants from different employers and establish different timing of cash flows. An example of this would be the construction of a property at Mikocheni.**
- **The company will work with mortgage brokers and directly with lenders to achieve the most favorable financing terms and rates for new construction property, as well as any refinance options of existing mortgages. The principals will be responsible for preparing loan applications, discounted cash flow projections and other financial analyses.**
- **As the company seeks to construct properties it will perform financial analysis to evaluate the current market to ensure that the construction would produce the expected return on the asset. The principals will meet with potential real estate brokers and agents to understand their valuation approach of the property and marketing approach and budgeting. As dispositions of properties proceed, the principals will review all marketing material, evaluate purchase offers, negotiate sales contracts, and closing documents. The principals will be responsible for obtaining all legal reviews and representation on contract matters.**



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- **E. Market analysis summary**

Tanzania is currently viewed as a country with high potential for growth and is attracting increased investments across various sectors of the economy. Market sources have confirmed that this increased level of economic activities by international investors/multinational companies have directly resulted in a surge in demand for real estate properties in Dar es Salaam, further widening the demand supply gap. On this context, CMS Holding considers it appropriate to invest in this the much-needed real estate offering on residential property. Mikocheni, Masaki and Oysterbay is considered to be a sub-market of the greater Dar es Salaam, region area. While there is an increase in home value in these areas there is a high need to invest among those places because of good infrastructure and good geographical location which will attracts a lot of people.

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- **Market segmentation**

- **On account of sustained economic growth and liberalized investor friendly policies of the Government, Dar es Salaam, the commercial capital of Tanzania, has emerged as one of the prominent city with high population. Dar es Salaam is the largest and most prominent city in the country. The city generates about half of the total manufacturing employment and also serves as trading and transportation hub for the country as well as the neighbouring landlocked countries. Due to the high prominence of the city, its strategic location, and by virtue of being the largest market in Tanzania, Dar es Salaam retains much of the growth in economic activity, which in turn is resulting in robust growth in demand for high quality residential spaces in Dar es Salaam. CMS Holding investments will be targeting civil servants, cooperative societies of government establishments, middle income households e.t.c to rent properties. With unemployment still growing and while those employed the household income is holding level, it is anticipated that the rental market will remain strong.**

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- **F. Risk assessment**
- **The various risks associated with this business plan can be grouped into three categories:**
- **Business Risk, Property Investment Risk, and Market Risks.**
- **Business Risk could be viewed as the issues associated with the assumptions made for CMS Holding. These may include the following:**
 - **- The principals do not have sufficient equity to fund property construction for CMS Holding.**
 - **- Estimated start-up costs are greater than what is projected.**
 - **- The necessary time frame to construct properties is greater than estimated and cannot be performed as a part time job.**
 - **- The necessary time frame to manage the rental properties is greater than anticipated and cannot be performed as a part time job.**
 - **- CMS Holding, does not properly manage the portfolio of properties and, as such does not meet its projected returns and or obligations.**

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- **Property Investment Risk could be viewed as the issues related to the acquisition assumptions and projected returns. These risks may include the following:**
- **- Property construction cannot be made as projected.**
- **- Rental rates are less than projected.**
- **- Operating expenses are greater than projected.**
- **- Vacancy periods are greater than projected.**
- **- Lease transactions are greater than projected.**
- **- Tenant vacates property early.**
- **- Late rental payments.**
- **- Unexpected capital improvements.**

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- **Market Risk could be viewed as issues related to housing market in general or specific to Dar es salaam region. These risks may include:**
 - **- Interest rates increase, thereby making financing cost greater than projected and either reducing cash flow or making deals unobtainable.**
 - **- Supply of rental housing increases, which could lead to lower rents.**
 - **- Government policy initiatives that enhances opportunity for homeownership and lure away would-be renters.**
- **The risks identified could affect CMS Holding, performance or ability to meet its financial obligations or targeted return; however, that the long-term benefits of real estate investment combined with the principals' expertise reduce these risks and will produce the projected returns and meet the obligations of CMS Holding.**



3.0 Marketing strategy

The marketing for CMS Holding will be limited, since the company will be outsourcing the leasing of the real estate properties through a realtor.

Marketing will be focused on Multiple Listing Services (MLS) through the realtor, but may also include promoting rental property through local newspaper advertisements, and/or on alternative websites.

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- **4.0 Sales strategy**
- **CMS Holding, will be particular about who they will accept as tenants. References, proof of employment, good credit history, and a criminal record background check will be required. Also, one month's rent will be requested as a Deposit on signing of the lease.**
- **Rent-to-own purchase program may also be introduced as it is anticipated that new financing regulations will make homeownership more difficult for many first-time buyers and/or others potential buyers who have difficulty in saving the minimum down payment that many lenders will soon require.**

Real Estate- Financial Model

Inputs TI

Scenario in use: Base

		Scenario	Base	High	Low
			Scenarios		
			Base	High	Low
3 Project Milestones					
Company set-up					
Company set-up start	date		01-Jan-2024	01-Jan-2024	01-Jan-2024
Company set-up duration	months		3	3	3
Company set-up end	date		31-Mar-2024	31-Mar-2024	31-Mar-2024
Property acquisition process					
Property acquisition process start	date		01-Apr-2024	01-Apr-2024	01-Apr-2024
Property acquisition process duration	months		3	3	3
Property acquisition process end	date		30-Jun-2024	30-Jun-2024	30-Jun-2024
Existing property Operations					
Existing property Operations start	date		01-Jul-2024	01-Jul-2024	01-Jul-2024
Financing for new warehouse construction					
Financing for new warehouse construction start	date		01-Apr-2024	01-Apr-2024	01-Apr-2024
Financing for new warehouse construction duration	months		3	3	3
Financing for new warehouse construction end	date		30-Jun-2024	30-Jun-2024	30-Jun-2024
Lag between financing and construction	months		0	0	1
Construction of new warehouse					
Construction of new warehouse start	date		01-Jul-2024	01-Jul-2024	31-Jul-2024
Construction of new warehouse duration	months		12	12	12
Construction of new warehouse end	date		30-Jun-2025	30-Jun-2025	30-Jul-2025
Lag between construction and operations	months		0	0	0
New warehouse Operations					
New warehouse Operations start	date		01-Jul-2025	01-Jul-2025	31-Jul-2025
Lag between construction of new warehouse and new office	months		36	36	36
Construction of new office					
Construction of new office start	date		01-Jul-2028	01-Jul-2028	31-Jul-2028
Construction of new office duration	months		15	15	15
Construction of new office end	date		30-Sep-2029	30-Sep-2029	30-Oct-2029
Lag between construction and operations	months		0	0	0
New office Operations					
New office Operations start	date		01-Oct-2029	01-Oct-2029	31-Oct-2029

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- **5.0 Milestones**
- **The following Milestones illustrates the key steps that CMS Holding, will achieve in an effort to launch this venture.**
- **6.0 Financial plan**
- **6.1 Underlying Assumptions**
- **CMS Holding has based its project financial statements on the following:**
- **❖ The Company will purchase one to one property a year.**
- **❖ The principals are to invest TShs 1,425,000,000 of equity funds to develop the business.**
- **(Actual amount of investment may vary depending on acquisition price of first property)**

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- **6.2 Sensitivity Analysis**

- **The Company's revenues are sensitive to the overall condition of the financial markets. A sudden and dramatic increase in the rate of inflation or real interest rates can have a significant impact on the overall revenue of the business. The stabilization of home prices projected over the next two to three years will provide purchasing opportunities that will support positive cash flow. Should home prices quickly appreciate back, the projected return of 5%-6% cash-on-cash return may diminish as current rent levels do not support such property values and require debt financing.**

- **6.4 Conclusion**

- **The above business plan fully supports CMS Holding Investments as a start-up company and will produce the projected income stream for the principals. The goal of providing an unleveraged cash-on-cash return between 5%-6% is a conservative and achievable approach given the current depressed home values.**

- **The expertise and experience of the principals will lead to the success of the company. Their knowledge and understanding of the market area, as well as identifying and exploiting construction opportunities that keep cost basis low, ability to assess and diversify risk, prepare qualified cash flow proformas, and the ability to obtain financing will all lead to achieving the projected return on the portfolio of real estate assets. These returns will achieve the goal of providing supplemental retirement income to the principals of the CMS Holding.**



Thank you

CMS HOLDING LIMITED