

Leonotis Adventures LTD



Business Plan 2018 -2028

Developing “The Great Rift valley Trek”

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EXECUTIVE SUMMARY

Leonotis Adventure LTD Overview

Leonotis Adventure LTD is an adventure travel company that provides conscientious, values-driven travellers with experienced guides and ethical operations to one of the most spectacular adventure destinations in the world, the Great Rift Valley region in northern Tanzania.

Leonotis Adventures LTD currently has a permanent Tented Camp called Lake Natron Tented Camp, Ngare Sero and thereafter on demand lightweight mobile camps at Empakai Crater called Empakai Camp and mid-way down the rift valley near a remote Maasai village called Naiobi and the camp is called Leonotis Camp. Lake Natron Camp is more often than not booked as a standalone camp as part of a safari itinerary, whilst both Empakai Camp and Leonotis Camps are booked as part of a specific trek – the Great Rift Valley Trek. This trek encompasses all the camps for a minimum of 3 nights but more often as part of a 4 night package.

The key attraction in this area is primarily the stunning environment. Backdrops of the Gregorian rift, the active volcano Lengai, Lake Natron and deep gorges with natural springs all make for an unusually exotic and dramatic variety of habitats. Home to the Maasai, a tribal group that retain many of their traditional practises from clothing to pastoralism, the cultural dimension is equally important.

Target Market

Leonotis Adventure LTD customers lie at the intersection of luxury, adventure, and eco/ethical segments. The target demographics (affluent professionals and baby boomers, multi-generational, as well as “Charity Challenge” participants) typically have significant disposable income, high levels of education, and strong global awareness. Clients place a high value on exploring new places and cultures, experiencing nature, and pushing their physical limits in as safe an environment as possible.

Proposed Expansion

Leonotis Adventure LTD is currently a small adventure operator focused on selling accommodation in our flagship Lake Natron Tented Camp, Ngare Sero. This paper outlines how Leonotis Adventure LTD aims to develop the 2 mobile on demand camps (Empakai Camp and Leonotis Camp) to become semi-permanent camps to provide excellent quality accommodation for the Great Rift Valley Trek. In doing so create a new market niche or high end trekking in Tanzania and provide opportunities for future expansion of the concept in the region in conjunction with our existing infrastructure and capacity. The required funding for

expansion is expected to come from debt financing to a maximum of \$200,000 USD and a minimum of \$100,000 with repayment terms in the 3 to 5 year timeframe.

1. COMPANY OVERVIEW

1.1 Leonotis Adventure LTD

Leonotis Adventure LTD is a product of an initial camp owned by Tim Leach, created in 2007. The original camp, Lake Natron Camp, Ngare Sero, was built to be very eco friendly and culturally sensitive. The camp was bought by Summits Africa LTD in 2014, completely removed and a new camp installed in August 2014. Since then activity development has been core to developing the region as a go to area for a more adventurous, off the beaten track experience with the option of cultural immersion with the Maasai. In exploring the area it quickly became very apparent that some of the most stunning treks were also available and so treks from Empakai to Lake Natron have also become regularly featured. To encourage higher end guests to visit in 2016 a new airstrip was installed and is being expanded to handle larger commercial flights (12 / 13 seater aircraft). Leonotis Adventures LTD was set up in January 2018 to split out this venture as well as create opportunities for investment and growth.

1.2 Value Proposition

In a world where travel is so frequently exploitative of people and the planet, Leonotis Adventure LTD travellers are assured an experience that fits with their values, knowing that through their travel they are contributing to the education of local children, food security development, economies of local communities, and restoring the local environment. This sense of being meaningfully connected to people and place is a key part of the Leonotis Adventure LTD travel experience and is supported by Leonotis Adventure LTD's community of local guides, a cornerstone of its unique approach to adventure guide training, which assures a uniformly high quality of service while retaining the knowledge and roots of local guides.

Notably, although the Leonotis Adventure LTD will be a profitable business venture, the primary aim is to increase awareness of and demand industry-wide for sustainable and ethical adventure travel to this marginalised region. Positive business practises, such as employing 18 women staff at the main camp, has led to other camps following suit with similar initiatives. For the last 8 years and for the foreseeable future a commitment to infrastructure development and community skills and resource will continue as a cornerstone of operation.

1.3 Company Evolution and Philosophy

Co-founder Nangini Lukumay is originally born in Naiobi village (home to Leonotis Camp and close to Empakai Camp) and lived in Ngare Sero, location of the main Lake Natron Camp. Husband and co-founder Ake Lindstrom, and his father Peter and mother Aletta have been coming to Lake Natron since the late 1990's and all together the management team has a very deep connection to this part of the world. It is literally a second home. In 2017 Piers Hedderwick and Sorcha Easson joined the team in operations and sales & marketing respectively to assist in every aspect of the product development from systems implementation to fundraising to seeking out new markets to connect with internationally.

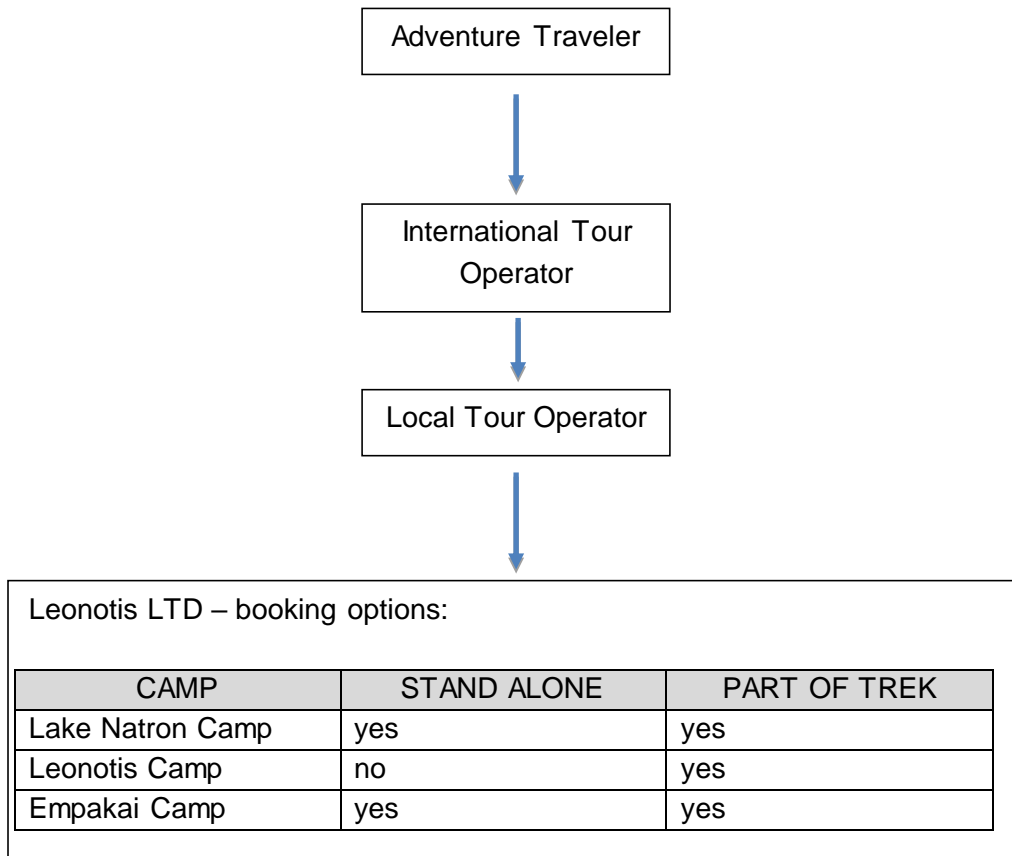
In social and environmental practices, we aim to follow the relevant guidelines laid out in the United Nations Environmental Programme (UNEP)ⁱ for responsible travel, as well as being audited by Responsible Tourism Tanzania <https://www.rttz.org/> and striving to move up the levels. We also aim to:

- Invest in on-going training and development of staff, including savings programs, language, health, and first aid classes and relevant skill development.
- That consumers are properly educated as to the benefits of responsible travel to both local communities and travellers alike.

Although frequently confused with a positioning or marketing strategy, the benefits of a responsible travel approach are actually critical to the business bottom line. A clean and pristine environment, with authentic local culture and friendly people, are primary attractions for adventure travellers. It is in Leonotis Adventure LTD's interest to preserve the environment and create strong relationships with suppliers, staff and local communities. These relationships have led to increased access to key resources such as capital, the ability to develop new products in an increasingly competitive market, and a motivated and loyal staff. Consumer preferences are also increasingly clear - surveys show that customers respond positively to tour operators acting to improve the sustainability of their operations. The Leonotis Adventure LTD team has already seen this in favourable feedback from their clients and potential clients.

Both Peter and Ake Lindstrom have been in the tourism industry for literally decades between then and have built up networks of partners in other tourism businesses which Leonotis Adventures LTD is now positioned to use to good effect.

Exhibit 1: Positioning of Leonotis Adventure LTD within the service chain



1.4 Keys to Success

Our team is well known in the adventure industry through 18 years of operating specifically in the adventure tourism field (mainly high end Kilimanjaro tours, Ngorongoro Highlands trekkings). Our existing relationships with tour operators, charities and direct consumers are key and are a platform to expand our existing customer base.

Achieving growth will require Leonotis Adventure LTD to focus on two critical competencies:

1. Developing the Lake Natron area as a valid tourism destination. Previously the area has been perceived as stunningly beautiful but largely inaccessible due to being 'off the beaten track'. Hence the development of the airstrip to receive scheduled chartered flights is crucial. Thereafter developing the Great Rift Valley Trek as a world class trekking product ensures that a new sales funnel emerges as well as allowing the immediate expansion of revenue possibilities by offering not 1 camp but 3 and so opening the door to up to 5 nights of service provision (and revenue). The proposed investment into making the trekking camps much more comfortable exciting camps add significantly to the uniqueness of the offering and complements the visually stunning landscapes.
2. Branding and marketing. This includes selling the Leonotis Adventures LTD story, utilizing web and social media tools, film and photography, cultivating a tailored community of adventurers, utilizing networked outreach strategies (e.g. travel trade organisations, best practise relevant tourism and development awards, corporations, charities, and high-end fitness centres), and infusing contagion-worthy "wow" moments into the fabric of its services.

Because a primary aim of the business is to increase awareness of and demand for sustainable and ethical adventure travel, maintaining the quality of the Leonotis Adventures LTD experience is key both from the social purpose at hand as well as from a traditional business perspective. After all, for the entrepreneurs, Leonotis Adventures LTD is about more than building a business; Leonotis Adventures LTD is about shaping an industry and defining an almost untouched niche in African Adventure Tourism.

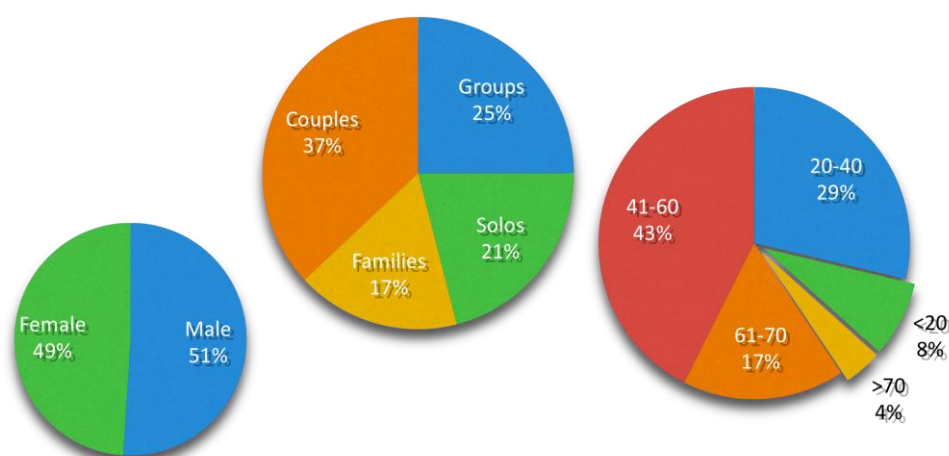
2. ADVENTURE TRAVEL MARKET ANALYSIS

2.1 International Adventure Travel Market

Big. Adventure travel is a sizable and rapidly growing segment of the international tourism market. "International tourist arrivals grew by 4.4% in 2015 to reach a total of 1,184 million in 2015, marking the sixth consecutive year of above-average growth with international arrivals increasing by 4% or more every year since the post-crisis year of 2010. Some 50 million more tourists (overnight visitors) travelled to international destinations around the world in 2015 than in 2014."ⁱⁱ

Affluent. Typically, adventure travellers are affluent, well-educated, and environmentally and culturally aware. ATTA's 2010 Global Adventure Travel Tour Operators Survey shows that adventure travellers are equally likely to be male or female, fairly evenly distributed between the ages of 20 and 70, with slightly more activity from those in the 40-60 year segment. Couples represent 37% of adventure trip bookings, with large representation from groups (25%) and families (17%) as well as solo (21%) trips. In 2009, the average length of travel was seven to eight days, averaging \$2,748 per person, excluding travel to/from destinations.ⁱⁱⁱ

Exhibit 2: International Adventure Travellers (American): Sex, Group Composition, Age¹³



Fragmented and layered. The adventure travel industry can be highly layered in delivering value to clients, with cuts taken at every level. In the diagram below Leonotis Adventures LTD is an outfitter that can assure a specific, high quality of experience by providing the actual experience. Leonotis Adventures LTD sells to both local and international partners.

Exhibit 3: Layers of the Adventure Travel Industry



Most competitors in the adventure travel space are small independent tour operators, serving an average (mean) of 7,482 customers each year. In 2009, the majority of these reported revenue under \$1 million with 21% reporting amounts between \$1 and \$5 million; global average profit margins were 19 percent. In order to distinguish themselves from large, low-cost mainstream operators, individual tour operators typically specialize by establishing long-term relationships and partnerships with local suppliers and outfitters in their destinations. In 2006, approximately half of tours were contracted through these partners.

Contagious. According to ATTA, the information sources most effective in driving actual client booking are primarily word of mouth and repeat clients, followed by search engine optimization, publicity, Internet advertising and travel agents, respectively. ^{iv}

2.2 Growth and Trends

Adventure travel is a resilient industry that continued its upward trend even amidst the recent economic downturn. And this is expected to continue, according to Travel Industry Association of America, the average growth rate for the segment is expected to rise at *10 percent per annum* over the next decade.

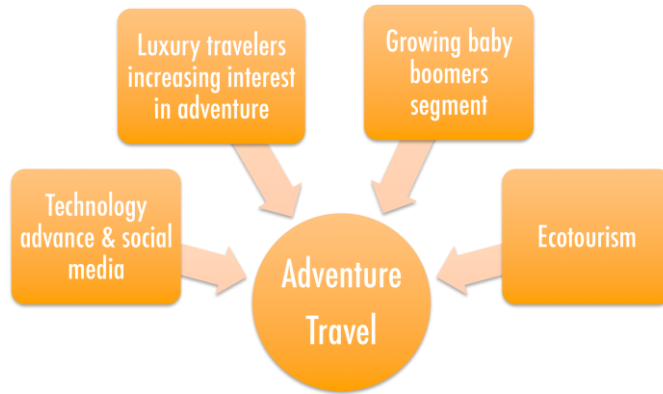
A number of key industry trends are worthy of mention:

First, the lines between travel segments are blurring: **adventure is becoming mainstream** with affluent travellers frequently seeking adventure add-on components to otherwise standard luxury vacations^v - while adventure travel itself is becoming more high-end (the ATTA report indicates that 25 percent of adventure travellers spend more than \$400 per day on a trip). People of all ages, and particularly Baby Boomers, are seeking challenging vacations^{vi}.

Second, new web technologies are making far-off destinations seem more tangible by equipping potential visitors with an unprecedented amount of information – and inspiration - before they travel. The new retail landscape emerged largely along with the advent of web 2.0 tools, which enable travellers to interact with peer reviewers and company representatives through online forums and rating sites, as well as to easily share photo and personal updates of their adventures via social media networks.

Third, what travellers want out of their vacations is changing - there is increasing demand for the experience of authenticity with both people and nature, and interest in ethical and eco-tourism products. In an increasingly interconnected world, people want to feel good - or at the very least not *bad* - about the travel choices and impacts they are making on the people and places they visit. Many go farther than that, and are devoting vacations and honeymoons to volunteering abroad or raising money for causes through “Charity Challenges”. Of those customers interested in responsible tourism, many are often wealthy, sophisticated travellers who book their travel through niche tour operators^{vii} over low-cost mainstream operators.

Exhibit 3: Factors contributing to Adventure Travel sector growth



2.3 Prototypical Customers

Leonotis Adventures LTD targets the fast-growing luxury consumer segment that desire tailor-made, high quality adventure tourism products. Our clients are less price-sensitive, higher spending, and more likely to book through tour operators than those in other segments.

Leonotis Adventures LTD's prototypical customers are:

1. *High disposable income, Time-Poor Young Professionals*

These consumers, aged between 30 and 55, have typically travelled and studied internationally in their youth and are comfortable and skilled at finding travel information using the Internet. This group is currently employed and seeks to maximize what they view as a once-in-a-lifetime experience into their limited amount of vacation time each year. They are most likely engaged through social media and word-of-mouth in existing networks.

2. *The "Bucket Lister"- Affluent Boomers*

These consumers, aged between 45 and 70, have both an awakening to the adventure travel experience and the means to partake. Many high-income Boomers find themselves with extra time and money as they enter retirement in good health; they often have an interest in adventures that include the element of cultural experience. This is a group that travels frequently, enjoying two to three international trips a year. Inspired by their books, magazines and television shows (such as Survivor and Amazing Race), they are best reached through word-of-mouth from friends and family. Messaging research shows that the key concepts that resonate with this group are 'authentic' and 'experience', or offering the ability to deliver something that is unique and difficult to attain.

3. *Non-profit Organizations and Charities*

The non-profit / charity sector is always looking for innovative ways to both fundraise and connect donors with their beneficiaries. Leonotis Adventures LTD organizes various "Charity Challenge" events around the world that answer precisely this need. Organizations typically require an entry fee to participate in an adventure and participants are then challenged to raise a minimum sponsorship level. To date, founder Ake has helped raise over one million dollars for The Peaks Foundation, The Foundation for Tomorrow, The Humpty Foundation and Malaria No More through organizing and managing events such as long-distance bike rides and multi-peak mountain climbs. The company has built a strong reputation as an expedition outfitter for various organizations and their causes firstly because their own values-driven approach is a natural fit for such groups, but also because the company provides great value for money, delivers professionally-run events, and takes a flexible and friendly approach to each program.

2.4 Competition

In Ngare Sero (Lake Natron area) the current offerings are significantly lower budget and orientated to a lower budget. The location of the camp is absolutely unique. The secondary product, the Great Rift Valley Trek, is similarly offered by a very limited number of other operators in a very budget manner with low budgets being met with low levels of service. This is where Leonotis Adventures LTD aims to quickly develop and fulfil an entirely new niche of much more quality of service and higher end camps to service an entirely different market. In other words, there is currently very low competition.

The attributes that adventure travellers most value are service quality, professionalism, sustainability, price, and number of destinations offered^{viii}. In conjunction with the uniqueness of both the locations of the camps (Empakai Camp located in an area unknown to others, Leonotis Camp located on an entire ridge privately secured for our own use, Lake Natron Camp in a lake side location that is simply superlative). Due to having exclusive access to both limited exceptional camp locations and targeting an hitherto untargeted market segment, the barriers to entry are seen as significant for others.

3. MARKETING STRATEGY

3.1 Leonotis Adventures LTD Brand and Messaging

Leonotis Adventures LTD target customers lie at the intersection of luxury, adventure, and eco/ethical segments. Most potential clients (affluent young professionals, Baby Boomers, and Charity Challenge participants) will identify with at least two of these segments initially but may not identify with all three. Leonotis Adventures LTD sees this as an opportunity - the flexibility of the company's 3 camps enables them to serve the needs of any combination of these interests. Thus, a matching brand strategy will appeal strongly to people in these intersecting segments (e.g. responsible luxury travellers or responsible adventure travellers). Leonotis Adventures LTD 's language emphasis will be on 'responsible' travel – a holistic term that is less heavily loaded than words like “ethical,” and less narrowly defined than terms like “eco” or “social impact” travel.

Industry studies find that travellers increasingly want to find meaning in their travel, to experience a sense of being connected to a larger purpose or to the communities they visit. Leonotis Adventures LTD adventures fit these needs perfectly and the brand will reflect that personal experience of connection (largely via globally minded but locally rooted guides) to the landscape, economies, and communities of travel destinations. Materials will highlight the narrative of local communities and the impact this model has had on the communities involved as well as the adventure travel industry at large.

Each camp has a distinct logo which are iconised versions of flowers found in the local habitats.

3.2 Sales Processes and Channels

Leonotis Adventures LTD trips will be sold to end users/individual travellers via the following means:

1. Luxury and Adventure Tour Operators

The majority of travel in the luxury market is booked through tour operators both locally in East / Southern Africa and then internationally (primary markets USA, UK, Germany, France). Due to the complexity of travel in East Africa tour operators are required to package together full itineraries including The Great Rift Valley Trek, and therefore our camps. Clear supportive partnerships with tour operators is therefore paramount to success as is pricing strategy to ensure tour operators are able to sell onto both end clients and to overseas tour operators or agents successfully (see pricing strategy for more).

2. Charity Challenges from Charity / Non-Profit Community

Fundraising events for cause organizations, called Charity Challenges, represent an excellent business opportunity and natural match for Leonotis Adventure LTD's responsible travel focus. These trips are most likely to be longer in duration and starting on the western side of Ngorongoro using lighter weight camps and then end with our series of camps as a

finale. These bookings are offered at a per-traveller discount, but booked at a group scale that provides excellent profitability. Many other perks are included in Charity Challenges as well, including the wide-spread name brand attention from individual travellers activating their own networks to fundraise for the travel, as well as organizational and press publicity. These challenges provide an excellent opportunity to create first-time users who later return for further adventures with Leonotis Adventures LTD (for instance trekking from Natron to Olduvai).

3. *Direct Booking with Leonotis Adventures LTD*

While most itineraries involving our camps & properties are more often than not part of a longer itinerary requiring the assistance of tour operators or travel agents to package together longer trips, direct booking will be the means to purchase trips for those who discover LEONOTIS ADVENTURE LTD via word of mouth from friends and certainly expat residents of Tanzania come into this group. Notably resident bookings are an important source of marketing to friends and family abroad and are often sold at discounted rates made worth while for the value they bring in word of mouth promotion.

3.3 Promotion

3.4 Establishing the Brand and Attracting First Users

Online Presence and Social Media Integration

Each of the camps already has an established web presence:

<http://www.lake-natron-camp.com>

<http://www.empakaicamp.com>

<http://www.leonotiscamp.com>

And then the trek has been given it's own website and effectively is being established as a product (potentially group of products or brand in the future). The trek website is can therefore be considered a sales funnel, brand awareness tool and marketing tool to be used, for instance, for marketing to visitors that may only be visiting the main Lake Natron Camp:

<http://www.greatriftvalleytrek.com> - under development

Site traffic will be driven by intensive search engine optimization (SEO) for those searching key terms such as 'lake natron and 'Empakai' or 'Ngorongoro' as well as the company name. However, the majority of traffic will be driven from a carefully managed combination of other online sources, including social media technologies:

- Frequent and high customer rankings in online travel communities (e.g. trip advisor);
- Industry networks and communities such as ATTA UK, ATTA USA;
- A robust Facebook page for Lake Natron Camp clearly linking to the Great Rift Valley Trek and each camp website.
- Frequent Guide contributions to major online travel forums;

- Access to internet in the Lake Natron Camp and in Empakai Camp to enable posting to social media.
- Targeted keyword ads in Google and FB.

Press and Industry Publications

In order to substantialize Leonotis Adventures LTD's responsible travel model and raise its public profile, Leonotis Adventures LTD will focus on receiving high ratings from and mentions in trade association and travel publications, as well as winning awards from sustainable travel certification programs.

Initial targets include: The Travel Foundation, Travellife, World Travel and Tourism Council: Tourism for Tomorrow Awards, AITO "Starclass" scheme, Carbon Tanzania, The Federation of Tour Operators (FTO), Adventure Travel Trade Association (ATTA), and National Geographic Adventure Sustainability Award.

Outreach to Agents and Charities

Beyond general promotion and attracting individual travellers, specific strategies are necessary to attract the attention of the luxury and adventure tour agents and non-profit/charity directors who themselves become co-retailers of Leonotis Adventures LTD trips. From experience, Leonotis Adventures LTD knows these sales are generated by establishing positive, trusting relationships. The company will target new travel agents and charity partners through personal outreach at trade shows and networking events, as well as strategic mentions in non-profit listserves and social media communities.

3.5 Pricing Strategy

Leonotis Adventure LTD initial prices will be set at mid-luxury market rates, meaning \$450 per person per night, excluding travel to and from the camps or start of the trek.

Maximum industry commissions are 30% off retail (a.k.a rack) rates and by protecting local tour operators (30% off rack) with a 10% margin over overseas operators (20% off rack) we are able to ensure that interest to sell and incentive to sell our camps and trek remains for the long term.

Local residents, being generally more price sensitive and expectant of better deals, are afforded a lower rate of 40% of rack. The benefits of word of mouth marketing is also seen as a factor in giving away additional commissions.

As the genre of "high end trekking" continues to be accepted and understood by the market we expect to increase the price point to match or maintain a slight follower principle of the high end market price of similar safari camps and lodges (comparative price point \$550 to \$800 per person per night).

4. IMPLEMENTATION ROADMAP

4.1 Current Product Offerings

Leonotis Adventures LTD prioritizes the experience of the client and the local impact of its trips. Thus, the company will only expand to areas where it can deliver exceptional service while leaving a positive social and environmental footprint. To date, the offerings have been focused in Ngare Sero, Tanzania, East Africa, where the directors has leveraged its partnership with local communities.

Current product offerings include:

- Lake Natron Camp, Ngare Sero
- The Great Rift Valley Trek: currently using lightweight trekking camps

4.2 Future Product Offerings

Work is currently underway developing concept documents and developing ideas for 2 new camps for Empakai and Leonotis to make the Great Rift Valley Trek a truly world class adventure.

4.3 Empakai Camp

Empakai is the standard STARTING point for the Great Rift Valley Trek, and importantly could also be used by some tour operators as a STAND ALONE property option for active guests visiting the Ngorongoro Highlands. Key attractions in the area are Empakai crater lake, bird watching and trekking as part of longer itineraries from Olmoti Crater to the west. It is inside the Ngorongoro Conservation Area (NCA) and fees are paid to the Ngorongoro Conservation Area Authority for bednight fees and for the services of a ranger for walking. The financial modelling and business plan is based on a 6 tent (12 bed) camp. Key features are that it must be entirely removeable with a minimal impact on the environment, an extremely low light pollution level and uses mostly local sourced workforce (note the process of training and sensitisation to tourism has already begun and local guides have also received international certification in Wildeness First aid). As it is relatively high (over 2500 meters), the core concept is for the accommodation to be warm and cosy and snug. As a part of a trekking product the aim is not to directly compete with very luxurious camps or lodges in this region, rather to be part of a more adventurous, yet high quality, trekking adventure – the Great Rift Valley Trek.

4.4 Leonotis Camp

Leonotis Camp is the mid-way camp on the Great Rift Valley Trek. The concept here is to be relatively raw. A camp fire, cooking over the fire, sunsets over the rift valley, remote simplicity. An escape from the madness of modernity but in a distinct style and with all the essentials such as hearty meals, good wine and a comfy bed after a day of adventure.

See appendix for design concepts / images for both camps.

4.5 Organizational Structure

Leonotis Adventure LTD's initial management team will be:

- Ake Lindstrom - Co-founder and Managing Director
- Piers Hedderwick - Operational Director
- Sorcha Easson - Sales & Marketing Director
- Peter Lindstrom – Co-founder / Director
- Nangini Lukumay – Co-founder / Director

The day to day operational management of accounts, day to day sales and invoicing is currently outsourced to Summits Africa LTD (which provided seed funding and management from 2014). Summits Africa LTD provides valuable support by having an office in Arusha (safari capital of Tanzania) and has an extensive network of existing partners / tour operators that Leonotis Adventures LTD can capitalise on. Summits Africa will continue to provide office and administrative functions in Arusha while the directors are tasked with steering the project successfully, developing new markets and building relationships and ensuring that operations meet our core values and match guest expectation.

4.6 Legal Structure

Leonotis Adventures LTD is currently owned by:

Nangini Lukumay 51%
Peter Lindstrom 20%
Ake Lindstrom 29%

It is proposed (subject to approval) that Piers Hedderwick and Sorcha Easson take a 5% stake in the company (taken from Ake Lindstrom + Peter Lindstrom at 2.5% and 2.5% respectively).

4.7 Risk Analysis

Like any industry, the adventure travel industry is not immune to risks. Most of these risks can, however, be mitigated with proper management. Some of the primary risks include:

Politics. Adventure travel destinations are typically located in countries with unstable political regimes. There is, therefore, some risk of civil unrest disrupting local operators or making travel to and from the country unsafe. However, whilst Leonotis Adventures LTD is unable to influence political and civilian conduct, Tanzania has shown remarkable political stability and

the Natron / Ngorongoro regions have likewise shown to be a very stable destination for adventure tourism.

Oil Prices. Rising oil prices will directly increase the cost of airline travel to adventure travel destinations. However, the adventure travel industry remained strong right through the past recession, indicating that the consumer's willingness to pay for flights is largely inelastic. Flights are also not included in Leonotis Adventures LTD's cost structure, so increases in oil prices are unlikely to significantly affect Leonotis Adventures LTD 's expenses directly.

Extreme Weather. Many of Leonotis Adventures LTD 's current and planned adventure travel programs are subject to extreme weather. Most of this variation is seasonal, however, and therefore booking trips at suitable times, Leonotis Adventures LTD can avoid selling trips with a high risk of cancellation.

Volcanic eruption. The active volcano Oldonyo Lengai historically erupts in a very minor way on a daily basis but significantly every 20 years or so (last large eruption 2008). These eruptions are preceded smaller warning eruptions and the ash from these eruptions is carried by the prevailing wind direction to the west. This means that the main camp Lake Natron camp is highly unlikely to be affected by this. Routes that miss the path of falling ash have already been developed (Natron to Sanjan Gorge and Olduvai) and are likely to supersede the Empakai to Natron route in under 4 years, providing good options to mitigate against this risk in both the short and long term.

Exchange rates. Fluctuations in exchange rates can potentially increase the relative cost of supply and outfitter rates. Leonotis Adventures LTD can mitigate this risk by requiring payment in and paying the majority of their suppliers in a (relatively) stable currency, such as the U.S. dollar.

Economy. As the global economy worsens, consumer demand for travel typically decreases. Luxury travel, however, has been shown to be far more resilient to economic downturns, and thus economic downturns will have far less impact on Leonotis Adventures LTD than other travel companies.

5. FINANCIALS

Financing

The major cash requirement in the next 6 months is to cover:

1. The building of 2 new camps, Empakai Camp and Leonotis Camp
2. Marketing and launch of the Great Rift Valley Trek, featuring the above 2 named camps and Lake Natron Camp, Ngare Sero.

The total budget is in the \$200,000 region with a combination of equity and debt financing. The camps each have a budget of circa \$75,000 and a further expected expenditure on marketing and awareness campaigns of \$50,000. The payback timeline on debt financing is 3 years.

Price derivation

For product pricing, Leonotis Adventures LTD uses a simple average occupancy method, whereby on the basis of past experience and existing business to our main camp we have been able to provide forecasts for the trekking product as well.

Upfront marketing costs

It is very clear to management that upfront marketing and relationship building are extremely important to ensuring higher occupancy figures. With this in mind please note that addition of up front production of a series of short films, images and prototyping of the new camps which we aim to launch in SEPTEMBER 2018 to impact sales in the January to March season and a very significant impact on occupancy in all camps from June 2019 onwards. For most travel and trade shows Leonotis is able to share costs with Summits Africa LTD as both companies can be marketed at each trade show.

Please refer to the appendices for a summary of financials and then note that there are more detailed models available on request.

6. CURRENT STATUS AND FUTURE MILESTONES

6.1 Current Status

Leonotis Adventures LTD was incorporated in January 2018. The previous operation was under Summits Africa LTD and investment by the partners was circa \$260,000.

6.3 Milestones

Milestone	Deliverables
June/18	Prototype designs Leonotis Camp, Empakai Camp. Planning of debt + equity financing.
July / 18	Securing of financing for new camps + marketing. Prototypes Leonotis + Empakai Camp made
Aug / 18	Ecological assessment transect project, bird lists, filming + photography projects START
Sep / 18	Short films on each camp prepared. Photography using prototypes, new photo sets Great Rift Valley Trek, Empakai, Leonotis Camp, Lake Natron Camp and all associated activities.
Oct / 18	Trade show ATTA
Nov / 18	Trade show WTM, Natron 100 Music & Adventure Festival – launch of Leonotis Camp and Empakai Camp at Natron 100 Festival showcase + additional photography. New scheduled charter (Coastal Air) lands on finished airstrip.
Dec / 18	Preparation of sites Empakai and Leonotis by month end
Jan / 19	Launch of new Great Rift Valley Trek with new camps. Adventure Travel Show UK. Familiarisation trip 6 travel agents from UK + USA.
Mar / 19	Indaba Travel Show, Berlin.
Jun / 19	Season 2 of new camps. Target to keep camps in for complete season or minimise mobilisation / demobilisation of camps. Heavy marketing of NEW ROUTE Natron to Olduvai Gorge.
Oct / 19	End of season 2. Marketing of full week trekking program
Jan / 20	Start of season 3. Target 30% occupancy for all groups combined average, start of full week trekking program – Sanjan mobile camp and Piyaya Mobile Camp.
Oct / 20	Replacement of Natron tents.

APPENDICES

Appendix 1: Adventure Travel Glossary of Terms

Outfitter: Provides actual supplies and ground handling services in the travel destination from, tents, sleeping bags, guides, crew, vehicles, food, etc. Also known as on-the-ground operator.

Tour Operator: Puts together a travel package, can be standardized or tailor-made. Often a tour operator works with an outfitter OR can be an outfitter themselves. Tour Operators can work with others in the industry or can sell direct to clients.

Inbound Tour Operator: Located in the country where travel occurs

Outbound Tour Operator: Usually located where clients are located and works with Inbound Tour Operators. Also, travel agents do bookings through Outbound Tour Operators, but can also go direct to Inbound Tour Operators.

International Wholesaler: An intermediary layer that sells travel products of Outfitters and Inbound Tour Operators to Travel agents & Outbound Tour Operators

Travel Agent: A retail business that sells travel to direct clients. Works with Tour Operators, both Inbound & Outbound

Appendix 2: Biographies of the Founders

Ake Lindstrom

Despite being educated in the UK, Ake Lindstrom was born - and has spent most of his life - in Eastern Africa. He married Nangini Lukumay in 2012 and they have a son and live in Arusha, Tanzania. He is currently one of East Africa's most knowledgeable and innovative guides and developed a core of guides and crews for Kilimanjaro trekking and for Ngorongoro Highlands trekking. Notable achievements have been transforming Lake Natron Camp into a going concern through successful destination marketing of the Lake Natron area and co-founding the Natron 100 Music & Adventure Festival.

Nangini Lukumay

Born in the Ngorongoro Highlands and fostered into a German family in Arusha, Nangini grew up in tourism before following her heart and becoming a teacher. After completing her Montessori certificate and then diploma Nangini moved to the UK to finish her degree in Early Childhood Development. Back in Arusha after working for a while in education she moved her attention back to tourism and now is director of both Summits Africa LTD and Leonotis Adventures LTD and is contributes her creative energy into product development and community work.

Peter Lindstrom

Peter is Kenyan born to a Danish family that moved to East Africa during the second World War. After 2 decades of building international businesses Peter moved back to East Africa with his wife Aletta and partnered in a tour operator and group of lodges and camps. As a director their never ending patience and humour keeps the Leonitis Team going and their ethos is clearly reflected in our operations.

Piers Hedderwick

WRITE IT UP

Sorcha Easson

WRITE IT UP

Appendix 3: Sample 2018 / 2019 Pricing Structure

Rates are shown below, the *Operating rates* are the rates used in our modelling, hence all figures in the modelling are NET OF FEES / VAT etc.

RATES ALL CAMPS <i>in USD\$</i>							Operating rates		
		25%			18%	0.02			
RATE CATERGORY	% off Rack	Full Board	Game Package	single	VAT	tourism fee	Natron	Empakai	Leonotis
RACK RATE	0.00	400.00	450.00	75.00	72.00	1.50	276.50	306.50	341.50
Travel Agent	0.10	360.00	405.00	67.50	64.80	1.50	243.70	268.70	303.70
Tour Operator	0.20	320.00	369.00	60.00	57.60	1.50	210.90	239.90	274.90
Partner	0.30	280.00	339.30	52.50	50.40	1.50	178.10	217.40	252.40
Special partner	0.35	260.00	331.25	48.75	46.80	1.50	161.70	212.95	247.95
RESIDENT RATES	0.50	150.00	280.35	37.50	27.00	1.50	71.50	181.85	216.85
Resident Special rates		100.00	150.00	60.00	18.00	1.50	30.50	60.50	95.50

FEES included in rates

TOTAL	50.00	70.00	35.00
ITEM	Natron	Empakai	Leonotis
NCAA Camping fees		50.00	
Ranger fees		20.00	
Empakai concession fees			
Natron concession fees	15.00		
Leonotis concession fees			20.00
wildlife department fees	15.00		15.00
Activity fees	20.00		

Appendix 4: Financial Projections: Input and Assumptions

ASSUMPTIONS

	Tents	Beds
Lake Natron		
Camp	10	20
Empakai	6	12
Leonotis	6	12

2019

Occupancy	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	AV
Natron	25%	25%	20%	1%	10%	25%	30%	40%	20%	15%	10%	20%	20%
Empakai	20%	20%	12%	0%	0%	15%	20%	30%	15%	12%	0%	0%	12%
Leonotis	20%	20%	12%	0%	0%	15%	20%	30%	15%	12%	0%	0%	12%

2020

Occupancy	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	AV
Natron	35%	35%	20%	1%	10%	30%	55%	55%	35%	35%	10%	25%	29%
Empakai	25%	25%	15%	0%	0%	20%	30%	35%	20%	15%	5%	20%	18%
Leonotis	22%	22%	12%	0%	0%	17%	27%	32%	17%	12%	2%	17%	15%

2021

Occupancy	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	AV
Natron	35%	35%	20%	1%	10%	30%	55%	55%	35%	35%	10%	25%	29%
Empakai	25%	25%	15%	0%	0%	20%	30%	35%	20%	15%	5%	20%	18%
Leonotis	22%	22%	12%	0%	0%	17%	27%	32%	17%	12%	2%	17%	15%

Appendix 5: Financial Projections: EBITDA Projections

2019

Camp	Profit	Revenue	Total Costs
Natron	\$ 90,538	\$ 233,818	\$ 143,280
Empakai	\$ 11,655	\$ 110,391	\$ 98,736
Leonotis	\$ 29,799	\$ 128,535	\$ 98,736
TOTAL	\$ 131,992	\$ 472,744	\$ 340,752

2020

Camp	Profit	Revenue	Total Costs
Natron	\$ 166,474	\$ 335,689	\$ 169,215
Empakai	\$ 52,546	\$ 160,986	\$ 108,440
Leonotis	\$ 56,748	\$ 160,668	\$ 103,920
TOTAL	\$ 275,768	\$ 657,344	\$ 381,575

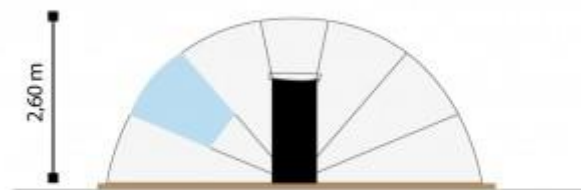
2021

Camp	Profit	Revenue	Total Costs
Natron	\$ 165,657	\$ 335,689	\$ 170,033
Empakai	\$ 51,858	\$ 160,986	\$ 109,129
Leonotis	\$ 56,748	\$ 160,668	\$ 103,920
TOTAL	\$ 274,262	\$ 657,344	\$ 383,081

Appendix 6: Financial Projections: Cash Flow Analysis

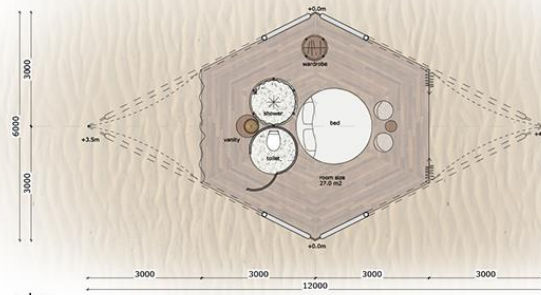
See attached spreadsheet models.

Appendix 7: Empakai Camp Concept diagram

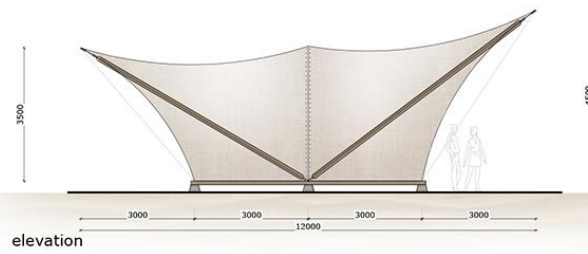


Appendix 8: Leonotis Camp Concept diagram

Concept from Nomadic resorts website – being developed and adjusted to lightweight / moveable version with locally sourced fabrics, materials.



plan



elevation



REFERENCES

i <http://www.toinitiative.org/index.php?id=93> – Accessed February 3, 2011

ii UNWTO Annual report 2015 - http://cf.cdn.unwto.org/sites/all/files/pdf/annual_report_2015_lr.pdf

iii INDUSTRY SNAPSHOT February 2010. Result from ATTA's global adventure travel tour operator survey (300 tour operators).

iv Adventure Travel Industry Survey 2006 Practices and Trends. Adventure Travel Trade Association 2006 (220 tour operators)

v The Virtuoso Luxe Report, an annual snapshot of travel trends and habits of affluent travellers, indicates that 40 percent of clients seek active vacations or add-ons. 68 percent of adventure travellers have a household income of \$75K.

vi INDUSTRY SNAPSHOT shows that in 2009, the 41- 60 age group made up of 43 percent of travellers who use tour operator and this group is expected to lead the segment going forward.

vii Duverger from Xolar Consulting research noted that eco-adventurers want a comfortable life (they rank this as their number one value), yet at the same time they also want an exciting life (this ranks number two), which suggests a desire for risk. For example, this traveller likes to engage in caving or bungee jumping in a safe, yet exciting setting. After the thrill, they want to return to a comfortable hotel, obtained at the best possible rate, demonstrating a desire for saving money.