A Work Project, presented as part of the requirements for the Award of a Master's degree in Finance from the Nova School of Business and Economics.

PESTANA EXPANSION PLAN: HOTEL INVESTMENT OPPORTUNITIES

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03-01-2020

Abstract

This thesis strives to analyse the feasibility of investing in two new hotels: one in London and one in Porto Santo. The work is done in partnership with Pestana Hotel Group, therefore projections take into account their high quality standards. Profitability projections reflect the tourism market in Porto Santo and the relationship between Brexit and tourism in UK. Discounted cashflows for a 10-year project are analysed as well as the terminal value. It follows that the new hotels in London and Porto Santo may be good investments, although in Porto Santo will take more than 10 years to become profitable.

Keywords

Hotel Industry, Tourism projections, London Tourism, Porto Santo Tourism

This work used infrastructure and resources funded by Fundação para a Ciência e a Tecnologia (UID/ECO/00124/2013, UID/ECO/00124/2019 and Social Sciences DataLab, Project 22209), POR Lisboa (LISBOA-01-0145-FEDER-007722 and Social Sciences DataLab, Project 22209) and POR Norte (Social Sciences DataLab, Project 22209).

Table of Contents

1. Introduction

In ancient times, tourism was confined to wealthy social classes. However, with the progress of technology and globalization, travel has become easier, more affordable and more popular. After the World War II tourism increased exponentially (The Guardian, 2019). In 1950, there were 25 million international tourists and in 1990 there were 435 million. The number of international tourists continued to grow and 2018 set a new record, accounting for 1.4 billion, 6% more than in 2017. Similarly, the tourism industry has gained an important role in the global economy. In 2018, tourism was worth $1.7 trillion, about 2% of total global GDP.

The first hotel chain appeared in the 1930s in the USA (City-of-Hotels.com). In Portugal, in 1972, Pestana Hotel Group opened its first hotel in Madeira Island. Pestana Hotel Group is the largest Portuguese multinational hotel group. It started the internationalization process in 1998, expanding the brand to Mozambique and, nowadays, Pestana is present in 16 different countries with more than 95 hotels and more than 11,000 rooms. Known for high quality services, the group is made up mainly of 4 and 5-star rated hotels, being present not only in cities (urban hotels) but also in beach areas (resorts).

Dionísio Pestana, Founder & Chairman of Pestana Hotel Group, once said 'the word we use the most here is "change" '. In Fact, considering Pestana's public goals, Pestana aims to grow and to continue expanding. For this expansion, a long and detailed analysis of each investment opportunity is required. This is where this report comes in. This paper contains the work of a 3-month internship at Pestana.

The purpose of this thesis strives to evaluate investment opportunities in a new urban hotel in London and in a new resort hotel in Porto Santo. Thus, this paper presents a profitability analysis for two new hotels. London and Porto Santo are both two geographical areas in which Pestana intends to continue investing and expanding. Consequently, a rigorous analysis is required. Several questions arose during this analysis. Starting with the features of the new hotel, which ones are most valued by customers? How should we project revenues and costs? How to evaluate the effects of specific issues of societies such as the Brexit or an economic crisis? And finally, will it be profitable to invest in these two new hotels? There is a fundamental and inevitable factor to bear in mind when forecasting: uncertainty.

This document starts with the analyses of some reports that relate the hotel industry with some specific political and economic issues. Then, it is divided in two parts: the first one will be more focused on the London investment opportunity and the second is more focused on the Porto Santo hotel. In both parts, the general background is analysed as well as the tourism and hotel industry. Additionally, there is a financing analysis. Finally, the corresponding trading projections of each investments are presented. It concludes on the outcome of the assessment (valuation).

2. Literature review

2.1 London

The future of Brexit negotiations will have a huge impact in the UK's economy and, consequently, in their tourism. The future projections in this thesis are dependent on the possible Brexit scenarios (Tyler and Rhodes 2019) and there is a detailed estimation of their impact in British tourism.

There are three main possible scenarios for the Brexit negotiations (Geerts and Skift team 2019): to leave the EU with a deal (1); to leave without a deal (2); and to stay in the EU (3).

1) The previous UK prime minister Theresa May intended to leave the EU with a withdrawal agreement, agreeing on the terms of the exit and providing a "framework for the future relationship".

2) Many of the representatives of the House of Commons did not agree with Theresa May's deal. However, the EU member states have consistently insisted that the deal was the only one they would be willing to sign. This could lead to a non-deal situation with far more severe consequences. The UK would trade under the WTO terms.
3) There is also the possibility of revoking Article 50 as proposed by many Labour parliamentarians and the Liberal Democrats party and then Brexit would be cancelled.

This report from Skift correlates inbound, outbound and domestic, trips and spending, with UK's GDP data. Therefore, by estimating the value of GDP from 2019 to 2024 in each of the three referred scenarios it is calculated the growth of inbound trips, inbound spending, domestic trips and domestic spending (the most interesting factors in the scope of this thesis).

GDP growth is expected to be higher if the UK remains in a single market and expected to be lower if they leave the EU without a deal (Geerts and Skift Team 2019). As the correlation between GDP and inbound arrivals and revenues is strongly positive, the inbound projections will move the same way as the GDP, growing higher if the UK remains in the EU. On the other hand, there is a more moderate correlation between GDP growth and domestic spending, meaning this will not vary as much with all three scenarios. However, domestic spending will increase more under the no-deal situation. Lastly, there is a negative correlation between GDP growth and domestic trips. There will be more domestic trips when GDP is decreasing; domestic travels will increase more in a situation of no-deal (Appendix 2).

However, there is still a high level of uncertainty making hard to make accurate forecasts about the future of UK travelling (Geerts and Skift team 2019).

2.2 Porto Santo

Turismo de Portugal has high expectations for Porto Santo tourism (Turismo de Portugal 2017). They aim to increase the importance of tourism in both economic and social sectors of the

Portuguese society. In order to achieve these goals, its economic strategy goes from increasing the number of overnight stays by 4.2% per year until 2027 and to increase revenues by 7% per year. Turismo de Portugal believes these are realistic goals.

However, the Associação de Hotelaria de Portugal (AHP) is concerned about the possibility of a new crises in the hotel market (Eco.Sapo.pt 2019). Dionísio Pestana seems to agree with this as he said, ‘We are nearing the end of a good cycle’ (Jornal de Notícias, 2019). Apparently, hotel occupancy rate decreased by 1.7% in the first quarter of 2019 as did revenues per available room (RevPAR) which decreased by 1%. In fact, in the 5-star hotel category, there was a 2% drop in the average room rate. Moreover, Madeira was one of the most impacted areas, especially because of the bankruptcy of Germania airlines, which had 7 weekly flights to Funchal. Rodrigo Barros, the head of AHP, says that the demand for hotels has not increased at the same pace as the supply and states that “we are not interested in continuing to open new hotels if we cannot later occupy all the beds we provide”.

Back in 2017, Turismo de Portugal recognised some of the risks and weaknesses of the tourism industry (Turismo de Portugal 2017). From an internal point of view, it was mentioned that Portugal has a fragile socio-economic framework. As a result, tourism in Portugal is highly dependable on EU funding. Moreover, Portugal also depends on the economic and financial growth of the markets of the origin countries of its tourists. Protectionist policies and issues such as Brexit are a huge risk that can negatively impact tourism in Portugal.

3. Methodology

This thesis is organized in three main phases.

The first phase relies on research. Both cities, London and Porto Santo are analysed from geographical to political and economic backgrounds. Then, the tourism and hotel markets are studied. Historical data are collected: number of tourists, their origin, number of hotels, occupancy rates, revenue per available room, etc. Some potential competitors are investigated, in order to identify their features. The property market is analysed in order to find the best areas in the city/ island and its price per square meter. Lastly, there is a detailed assessment of the relevant economic and political conditions that may affect the financial projections.

The second phase consists on data analysis and financial projections. Pestana provided a P&L of a reference hotel in both areas, which will be referred in this thesis as “ABC Hotel” (in London) and “XPTO Hotel” (in Porto Santo). After a careful revision and some adjustments, a new P&L was created. For London this new P&L is based on data from a competitive group. Instead, for Porto Santo, due to the lack of information available, it is mostly based on data from the reference hotel. Expectations on market performance are made and projections are calculated, building the new P&L.

Lastly, the writing phase. The report was prepared, setting out all the research, data analysis and financial projections with the aim of obtaining a logical and intuitive presentation.

4. London Overview

4.1 London geographical, political and economic Background

London is the capital city of England and the United Kingdom. Situated in the south-east of England, it has an area of 1,572 km² (Wikipedia 2019). In 2018 its population was over 8.9 million inhabitants, being the largest city in the UK. Accessibility to London is good and there are several ways to get into the city (Appendix 3).

The UK is a union of four countries: England, Wales, Scotland and Northern Ireland (Wikipedia 2019). Each of them has its own elected government, but the UK, all together, is a unitary parliamentary democracy and a constitutional monarchy. In 1973, the UK joined the European Union (EU) and it is exactly this factor that will have an extraordinary importance in all the projections made throughout this report. It happens that in a referendum in 2016, a small majority of the population voted in favour of the UK leaving the EU. Since then, there have been negotiations between the UK and the members of the EU to agree on the conditions of their exit. This has been a long and hard process, known as Brexit.

From an economic point of view, the UK is the fifth largest economy in the world. Its Gross Domestic Product (GDP) in 2018 accounted for approximately £2,046 Billion and this value has been growing since 2010 (Geerts and Skift team 2019). In 2018, it increased around 1.4% and in 2019 it is estimated to increase 1.2% (IMF 2019). From 2020 to 2024, GDP is expected to raise 1.5% per year, according to IMF. Another important fact is to understand the exchange rate behaviour. On the 2nd of October, the exchange rate was £1.12/ € (Xe.com 2019). This value has been declining over the last years. For instance, in June of 2016, before the Brexit referendum took place, the exchange rate was £1.30/ €.

4.2 London Tourism and Hotel Industry

4.2.1 Tourism Market in London

The UK is the tenth most popular destination and the fifth largest spending destination for tourists and business travellers (Geerts and Skift team 2019), accounting for approximately 39.2 million inbound visits in 2017. London was responsible for attracting nearly 51% of all those visits to the UK (Tyler and Rhodes 2019).

In 2017, London reached the highest number of both total international visits and total international spending: over 19.8 million inbound visits and a total international spending of £13.5 million (Office for National Statistics 2019). However, both values declined in 2018: 19 million inbound visits (3.9% decrease) and £12.2 million international spending (10.2% decrease) (Appendix 4). There are several possible reasons for this decline, being Brexit issue and the following political instability one of them.

If we consider the origin of foreign visitors, we observe that, in 2018, the USA was the main origin country, followed by France (Office for National Statistics). The US accounted for 13.8% of total inbound visits (approximately 2.6 million visits) and France for 9.6%. Also, from the top 10 origin countries, 8 of them belong to the European Union (Appendix 5).

Regarding the domestic paradigm, London received over 12.1 million overnight visits in 2017, 12% of total domestic visits in the UK (VisitEngland 2017). Furthermore, domestic visitors spent approximately £2.7 million in London, 14% of total domestic spending in trips inside UK (Appendix 6). London is by far the most visited British town (Tyler and Rhodes 2019).

Tourism has a huge impact in the UK economy. In 2016, tourism's economic output was £68 billion, 6% of total UK economic output (Tyler and Rhodes 2019). However, from 2015 to 2016, the tourism industry grew less than 1%, while the British economy grew by 4%. Moreover, in 2016, around 1.5 million people were directly employed in tourism in the UK, meaning that 5% of all British employment was directly related to the tourism industry. In 2014, the UK was the seventh country in the OECD with the largest proportion of employment directly involved with tourism, 5%, while New Zealand was the first with 8%.

4.2.2 Hotel Market in London

Pestana hotels are considered upper upscale class. This class in London has been recording robust performances since 2012, according to STR (Appendix 7). In 2018, they achieved their highest peak for occupancy rate, revenue per available room (RevPAR) and average daily rate (ADR).

In 2018, STR identified 221 hotels that could be considered as direct competitors for a new investment of Pestana Hotel Group. From 2016 to 2018, both hotel supply and demand in London have been increasing, being the growth even higher in demand component. The occupancy rate for upper upscale class of hotels increased from 81.5% to 83.8% in just three years (Appendix 8). This does not go completely in accordance to what was analysed above in the London tourism market. Total visitors in the city reached their peak in 2017, decreasing in 2018. However, this did not happen for upper upscale class hotels.

RevPAR is computed by dividing the total room revenues by the total amount of rooms that are available in one hotel. ADR or ARR is calculated by dividing the total room revenues by the number of rooms occupied. Again, as for the occupancy rate, for upper upscale class hotels in London, these values have been increasing steadily since 2016 to 2018. RevPAR increased from £128.3 to £141.9; and ADR from £157.4 to £169.4 (Appendix 8). In 2018, summing up the revenues of all the 221 identified hotels, it can be concluded that there was a market of around £1.4 billion.

Despite the recent positive trend and growth for upper upscale hotels, the projections are not that bright. According to data from STR Global from January to August 2019, it can be observed that occupancy rate is expected to decrease. So far in 2019, occupancy rate was 82.3%, a lower rate than the 82.4% obtained in 2018. Both supply and demand increased, but during 2019, supply rose at a higher rate. Therefore, it is not clear that occupancy rate will continue to increase in the near future. Still, in the first 8 months of 2019, both ADR and RevPAR continued to grow, reaching £173.6 and £143, respectively.

Some theories justify the fall of occupancy rate with all the political instability resulting from Bexit (Geerts and Skift team 2019). Also, the ADR and RevPAR rise in recent years could be explained by the weakness of pound since the 2016 referendum, which benefits visitors whose countries use different currencies.

4.2.3 Competitive Set for London

The aim of this chapter is to analyse the potential competitive set of Pestana's new hotel in a more detailed way, finding out which features are most valued by customers, the number and type of rooms of these hotels and which can be considered the best locations.

As mentioned above, according to STR, there are 221 upper upscale class hotels in London. From those, 22 hotels were studied. In addition, 16 other hotels, which had some of the best classification reviews on bookings.com were evaluated (Appendix 9).

The location of these hotels was found to be quite diverse. There were centrally located, in the City of London or Westminster, and some further away, for instance, in Bexleyheath or Croydon. However, unsurprisingly, more of these hotels were in central areas rather than in the surroundings.

By studying the 38 hotels, it became clear that some features are common among them: restaurant/ bar, wellness centre (gym), car parking facilities and room service. Features like Spa, indoor pool or a rooftop were also observed, but to a lesser extent.

From the STR data, it is known that the number of rooms presented in each hotel is diverse. The smallest hotel has 3 rooms and the largest 1059. However, considering only hotel chains, this type of hotel usually has at least 100 rooms. The typology of the rooms varies from a classic double room to suites.

4.3 Property in London

4.3.1 Property Market in London

The price of land varies considerably with the area of the city. In the areas studied, the price may range from £19,400 per square meter in Kensington & Chelsea to £4,220 per square meter in Bexleyheath (Office for National Statistics 2019). As expected, the closer to the city centre, the more expensive (Appendix 10).

4.3.2 Configuration of the New Hotel in London

In this chapter, the configuration of the new hotel is suggested. The proposal goes in accordance with Pestana's criteria and their expectations (a 4/ 5-star hotel).

It is assumed that the opening date for the new hotel will be in January of 2021. The period of building and organising everything before the inauguration will be around one year. Moreover, the hotel is planned to be working all year long, 365 or 366 days per year.

An analysis of the property market suggests that it will be rewarding that the hotel is in one of central London areas. Overall guests review for the hotels is highly influenced by its location classification. Thus, location is a huge factor for the success of the investment. The area of Southwark could be a good solution and that is the assumption in this thesis (however, Islington, Hackney and Tower Hamlets could be an interesting alternative) (Appendix 11).

For the total number of rooms, the suggestion is 200. If the number of rooms in competing hotel chains is counted, that would be close to the average. Also, Pestana Chelsea Bridge Hotel & Spa has 217 rooms, so it would be easier for management to replicate their experience from the existent hotel.

In terms of features, it seems essential to have a hotel bar providing some snacks. When analysing competitors, it is observed that most of them provide this service. It could be an option to have a restaurant instead the bar or in addition to it. However, after analysing the profit margin of Pestana Chelsea Bridge Hotel & Spa, it was concluded that it would be more profitable to invest in more rooms. Also, it is believed that the breakfast option is important to be offered by Pestana. Room service is considered valuable by the guests, so it is assumed to exist in conjunction with the bar.

A wellness centre (gym) is very important and is present in most of competitors, therefore, the new hotel is assumed to own one. A car parking would also be valued. The most distinctive feature of the hotel would be an indoor swimming pool and, eventually, a Spa. Not many upper upscale class hotels in the city provide this and it is relevant for the guests. Also, the existent Pestana hotel in London already has one, so it would be easier to replicate it.

4.3.3 Construction Value Expectations for London

The construction of ABC Hotel accounted for £43 million in 2010. However, this was in Kensington & Chelsea, the most expensive area of the city. Adjusting the construction price to Southwark and to 2019 (Jennings and Lewis 2019), the expected value is £34.7 million (Appendix 12). Also, the FF&E cost was assumed to stay the same, £4 million. Only 75% of the construction value is depreciated as the remaining 25% accounts for the land and it does not depreciate over time. Depreciation for the building is 40 years, while for FF&E is 8 years. There is an additional cost for replacement for FF&E, accounting from 1% to 3% of total revenues from year 2 (2022) onwards.

5. Porto Santo Overview

5.1 Porto Santo geographical, political and economic Background

Porto Santo is a small Portuguese Island and municipality, headquartered in a village Vila Baleira, being accessible only by its airport and harbour (Appendix 13). It is part of the Madeira archipelago but located further north and east than Madeira Island. The archipelago is situated in the Atlantic Ocean between Western Europe and Africa being relatively close to the Spanish Canary Islands. Porto Santo has a total area of about 42 km^2, accounting for a total population of approximately 5,500 inhabitants (Wikipedia 2019). This island is known for its warm summer weather and beach areas. Therefore, it is typically a place for resort hotels.

Porto Santo island was discovered by the Portuguese João Gonçalves Zarco and Tristão Vaz Teixeira in 1418 and it is part of the Portuguese national territory (Wikipedia 2019). In 1974, Portugal lived a huge change in their society: the establishment of democracy. Later, in 1986, Portugal joined the EU, which was a major step towards integration in the rest of Europe.

Porto Santo is a small island and most of its economy is based on tourism. In Portugal, GDP in 2018 was around €200 Million, value that has been increasing since 2012 (Pordata 2019). In 2019, GDP is expected to increase 2.4% and in 2020 1.6%. From 2020 to 2024, GDP is expected to increase 1.5% per year (IMF 2019). Still, according to IMF, inflation should be between 0.9% and 1.7% between 2019 and 2024.

5.2 Porto Santo Tourism and Hotel Industry

5.2.1 Tourism Market in Porto Santo

Madeira archipelago is an increasingly famous tourist destination, especially for holidays. In 2017, there were 1.40 million guest arrivals, the highest ever recorded, according to Direção Regional de Estatística da Madeira (DREM). In Porto Santo, the number of guests increased every year from 2012 to 2017. In 2017, it was accounted a high record of 95,000 guest arrivals (10.6% annual increase) (DREM 2018). However, unlike the described trend, in 2018, the number of guest arrivals decreased in both Madeira (-0.07%) and Porto Santo (-3.6%) (Appendix 14).

Due to lack of information, the number of foreign tourists in Porto Santo is unknown. Therefore, numbers are used related to Madeira as a whole. It is interesting to realise that, in 2018, 79.4% of total guest arrivals were foreigners. In fact, in 2018, there were almost as many Germans (19.9%) and British (19%) visiting Madeira as Portuguese (20.6%). Thus, considering the percentage of foreigners (79.4%) in the total number of guests in Porto Santo (92,000), it is estimated that there were almost 73,000 international visitors in 2018.

The top 10 origin markets of tourists to Madeira Archipelago is composed only of European countries (Appendix 15). Regarding the trend of international guest arrivals in Madeira, the total number has been increasing since 2012, except for 2018 (Appendix 15).

Although domestic tourism in Madeira accounts for only 20.6% of total tourism, this number has increased every year since 2012 (Appendix 16). Estimating the total number of Portuguese visitors in Porto Santo in 2018, the computed number is almost 19,000.

Porto Santo island’s economy depends a lot on tourism. Due to seasonality, part of the population leaves Porto Santo to Madeira island from November to April to get a job. In May, they always return to work in the tourism industry for the high season.

5.2.2 Hotel Market in Porto Santo

The analysis of the hotel market in Porto Santo is completely different from that of London. The market itself is much smaller in Porto Santo, where there are only 12 accommodation establishments (DREM 2019). From those 12, only 6 seem to be eventual Pestana’s competitors. Moreover, the market itself is seasonal. Pestana’s intention is for the new hotel to be open only from May to October, so only the high season is studied.

Due to lack of information, there is no detailed data of those 6 possible competing hotels. On the other hand, occupancy rate, ADR and RevPAR data are known for all establishments in Madeira archipelago (all data provided by DREM). From these data, it can be concluded that the three measures, occupancy rate, ADR and RevPAR, reached their peak in 2017, with 75.5%, 66.8€ and 48.13€, respectively. However, the market in Porto Santo has behaved somehow differently from the rest of the archipelago. Therefore, instead of considering the whole of the archipelago market information, XPTO hotel was considered for the purpose of this analysis.

Regarding the occupancy rate at the XPTO hotel, it has increased every year since data was recorded: from 71.9% in 2014 to 82.5% in 2018, increasing 3.2% the last year (Appendix 17).

This is not entirely in line with what was observed in the tourism market of Madeira archipelago, where the total number of visitors was growing continuously from 2012 until the fall in 2018.

With respect to revenues at XPTO hotel, both ADR and RevPAR also increased every single year (Appendix 17). ADR grew from €82.6 in 2014 to €106.7 in 2018, an increase of 29% in just 4 years. Likewise, over the same period of time, RevPAR went from €61.5 to €89.8, which corresponds to an amazing 46% increase.

5.2.3 Competitive Set for Porto Santo

In order to make a detailed market analysis in terms of features and rooms typology, some hotels in Porto Santo are studied. Unlike London, the hotel market is small, where only 6 hotels seem to be eventual Pestana's competitors. Due to the lack of competitors, the markets of Madeira Island, Azores, Canary Islands and Balearic Islands are also analysed (Appendix 18).

Only 2 of the 6 hotels in Porto Santo are 5-star hotels and both are Pestana hotels. Moreover, 3 of them are 4-star hotels (2 of them Pestana), and the other one is a 3-star hotel.

Regarding features, all the hotels in Porto Santo have at least one restaurant and bar, an outdoor pool, car parking and are all beachfront. Except for the 3-star hotel, the other 5 provide the all-inclusive service. Moreover, 4 of the hotels (all Pestana's on the island) have a SPA and a wellness centre (gym). Only 2 establishments have an indoor pool.

Concerning the rooms, and without considering the 3-star hotel, the minimum number of rooms is 49 and the maximum is 328. The room type varies from a classic double room to a suite, however, there are several family villas.

5.3 Property in Porto Santo

5.3.1 Property Market in Porto Santo

The price of properties on the island varies with the distance from a paradise beach: the closer, the more expensive. Due to lack of information, it is difficult to estimate a general price. However, it is known that XPTO Hotel (a 324 rooms hotel) costed € 45 million in 2008.

5.3.2 Configuration of the New Hotel in Porto Santo

As in the case of London, the Porto Santo hotel is supposed to be ready to open in January of 2021. Again, the construction of the establishment will last for a year. However, given Pestana's current strategy s seasonality to tackle seasonality, the hotel will be opening only during the high season. This means that it will open every year in early May and will close in late October. Therefore, it will be operating 184 days a year.

The critical requirement for the location is the existence of a beach nearby. It does not matter the exact location within the island as long as it is beachfront.

Following Pestana's expectations and the goal of creating a large hotel, the new hotel under study has 300 rooms. Therefore, the hotel will be one of the largest hotels on the island.

An interesting feature that will have a huge impact on revenue management is the "all-inclusive" service. That is very important for an island such as Porto Santo, where guests do not leave the hotel that much. Thus, to offer diversity, the hotel will consist of four restaurants, each one with different types of food. Also, there will be two bars. This is the current "modus operandi" in the region's largest Pestana hotel and is common in resorts in relatively similar markets such as the Canary Islands and Balearic Islands.

Again, as guests spend a lot of time at the resort, the hotel must include several features. An outdoor swimming pool is a must, as it exists at all competing hotels and it is a requirement for a 4/ 5-star resort. For the same reasons, a wellness centre (gym) should also be built. Then, as it will be one of the largest hotels in the region, it is suggested to build a Spa and an indoor pool/ jacuzzi.

5.3.3 Construction value Expectations for Porto Santo

As stated above, the construction cost of XPTO Hotel in 2008 was € 45 million. Therefore, the value is assumed to be quite similar as the price per square meter has not changed that much (INE 2019). Also, the FF&E value is assumed to stay constant, at € 6 million. Only 75% of the construction value is depreciated as the remaining 25% accounts for the land and it does not depreciate over time. The depreciation for the building is 40 years, while for FF&E is 8 years. There will be an additional cost for replacement for FF&E, accounting for 3% of total revenue from the third year (2023) onwards.

6. Financing

The financing of the investment is expected to be 100% debt. It is assumed to be paid back in 10 years, in one payment per year. To compute the interest, it is considered in both UK and Portugal, the spread (Investing.com 2019) (Comparaja.pt 2019), the 6-month LIBOR forward and the 6-month Euribor forward (global-rates.com 2019). Thus, the interest rate in the UK goes from 1.39% in 2021 to 1.72% in 2030 (Appendix 19). In Portugal, in the same period of time, interest rate goes from 0.64% to 1.61% (Appendix 20).

7. Trading Projections

As stated in the methodology chapter, revenues and costs were analysed in order to make a new monthly P&L. In the case of London, the P&L is based in the competitive set, taking into account ABC Hotel P&L. For Porto Santo, the new P&L is based exclusively on the XPTO Hotel, with further analysis of data with Pestana. The P&L is estimated for the year 2019 and, from then on, there are annual projections until the year 2030.

7.1 Revenues and Costs Explanation

For the London hotel, monthly occupancy rate and RevPar were based on the market (data provided by STR for the year of 2019). Using the number of guests per occupied room at ABC Hotel in London, the number of guests was estimated for the new one.

On the other hand, for Porto Santo, monthly occupancy rate percentage, RevPar and number of guests per occupied room were based on XPTO reference hotel. From these collected data almost everything could be estimated.

For both locations, staff numbers were based on reference hotels, as the reference sizes are almost as intended (217 to 200 rooms in London and 328 to 300 in Porto Santo). Regarding wages, for London, these were mainly based on glassdoor.co.uk with some specific adjustments considering Pestana's experience (Appendix 21). Subsidies were taken into account in accordance with UK tax regulation. For Porto Santo, wages were mainly based on CGTP data and were adjusted according to Pestana's know-how (Appendix 22). Subsidies were taken into account in accordance with Portuguese tax regulation. However, in Porto Santo, it is assumed some tax exemptions from the local government, meaning that there will be no property taxes nor income taxes.

7.2 Revenues and costs per department

Hotel activity is organized into seven main departments, to be analysed for any new hotel.

Considering Rooms division, revenues were computed from RevPAR. The number of employees was assumed to vary by room occupancy, except for the number of managers and supervisors that are believed to remain constant. All costs other than wages were adjusted per occupied rooms.

Food and beverage (F&B) department revenues were based on ABC and XPTO hotel revenues per guest. F&B division employees as kitchen porters, attendants and servers are believed to depend on the number of guests. However, supervisors and managers were supposed to remain constant. All direct costs and other costs in this department were computed per total number of guests, based on ABC and XPTO hotels P&L.

The other profit centre (OPC) department is very small, accounting for only 0.5% of total hotel revenues in London and 2.1% in Porto Santo. Both revenues and costs were based on the reference hotels as percentages of room revenues.

All the jobs in the administrative and general (A&G) and maintenance divisions are independent of occupancy and number of guests. Energy costs are estimated per occupied room, according to Pestana's reference data. Other costs are percentages of total revenues.

The sales and marketing (S&M) department was not considered in this analysis. According to indications of Pestana, data from existing hotels will be considered, so there is no need for estimates. The non-trading division was not considered either, as it does not present significant values.

In addition to the management cost of the 7 divisions, there is an annual management fee of 1.5%. This is the estimated rate charged by the Pestana brand for the hotel management.

7.3 Annual 10-Year Projection

7.3.1 London Projection

Both occupancy rates and RevPAR were forecasted considering the Skift study referred in the literature review chapter. The three Brexit scenarios were given a probability and the occupancy rate was projected until 2024 (Appendix 23). The scenario of leaving the EU with a deal is assumed to happen with a probability of 80%, while staying in the EU will happen with 15%

and leaving the EU without a deal 5%. After 2024, the occupancy rate is assumed to achieve gradually 86%, which is the value at ABC hotel in London. RevPAR was computed from the international and domestic spending values until 2024. After that, it is dependent on IMF expected inflation. From these, the room revenues and the number of occupied rooms are estimated. The total number of guests is calculated based on the guests per occupied room.

All the revenues and the costs were computed using the same considerations as for the monthly basis P&L. For instance, F&B revenues were computed from the number of guests and energy costs were computed from the quantity of occupied rooms (Appendix 24).

7.3.2 Porto Santo Projection

Occupancy rates and RevPAR were projected considering four different scenarios: an optimistic one, based on the recent trend; a pessimistic one, which reflects the effect of a new crisis as feared by AHP; and two additional hypothetical scenarios.

The focus was on the two hypothetical scenarios, with a 50% probability assigned to each (Appendix 25). From 2027 onwards, occupancy rate is expected to stabilize, and RevPAR will increase by the IMF inflation estimation. All revenues and costs were computed using the same considerations as for the monthly basis P&L (Appendix 26).

8. Valuation

The P&L forecasting is capitalised using a discounted cash flow (DCF) model.

From the revenue and expenses forecast we get the amount of net income (profit). These amounts are discounted at a certain discount rate that was provided by PWC. For the investment in London, the considered discount rate is 6% and, for Porto Santo, it is 8%.

However, it is also important to consider the terminal value of the investment from year 10 onwards.

This value is calculated using the growing perpetuity formula. By studying the historical results of the reference hotels, ABC in London and XPTO in Porto Santo, the growth rate is assumed to be 2% for London and 2.5% for Porto Santo.

Therefore, the terminal value in year 11 in London is £147,385,667 and in Porto Santo is €75,494,844.

Regarding London, for the final predicted scenario, the NPV considering the terminal value is almost £83 million (Appendix 27).

Regarding the final predicted scenario for Porto Santo, the NPV considering the terminal value is almost €7 million (Appendix 28).

9. Exchange Rate Risk

For the investment in London, it is necessary to analyse the exchange rate risk. According to Consensus Economics, in 10 years the pound will rise against the euro, but according to Trading Economics, the opposite will happen. Therefore, three different scenarios are considered: the Consensus Economics projections, the Trading Economics and the constant one, where the current exchange rate (on 07/12) is expected to be the same by 2030 (Appendix 29).

10. Conclusions

The investment in London seems to be very lucrative for Pestana. Considering the worst-case scenario, the NPV is £79.6 million and in the best-case scenario, it is £85.7 million (Appendix 30). For the final predicted scenario, the NPV is positive, therefore it is expected to be profitable for Pestana to invest. It can also be concluded that Brexit may not have a huge impact on tourism, as the NPV will vary little in each scenario. Furthermore, even without considering the terminal value, in the final predicted scenario, the NPV is positive and the IRR is higher than the 6% discount rate, meaning that the investment is lucrative in just 10 years.

Considering the exchange rate risk, for the predicted scenario and the exchange rate projections, the NPV varies between €91.4 million and €97.9 million. Therefore, the investment continues to be profitable and although there is a risk on exchange rate it does not seem to be significant.

The investment in Porto Santo also seems to be profitable, but only after 10 years. Without considering the terminal value, the NPV is - €28.3 million. But, with the terminal value, even considering the worst-case scenario, the NPV is still positive (€6.1 million) (Appendix 31). For the final predicted scenario, the NPV is €6.7 million.

Rather than determining a specific value, this report provides a model that calculates the return from both investments. If the probability of each scenario changes, it is easily calculated the new NPV.

In the specific case of Brexit decisions that are expected to occur soon, depending on the outcome, Pestana will have the estimated NPV. Thus, Pestana can easily predict the profitability of the investment in London throughout 2020 whatever the political situation.

Nevertheless, it is concluded that an urban hotel in a solid market like London provides a more lucrative investment than a resort hotel in a developing market like the one in Porto Santo.

The final recommendation of this dissertation is to invest in both London and Porto Santo hotels (even if the Porto Santo hotel takes longer to be profitable).

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12. Appendix

Appendix 1: After WW2, global tourism increased exponentially.

Appendix 2: Projections of Inbound and domestic, trips and spending trends until 2024, according to Skift.

	Growth Behavior from 2019 tom 2024					
	Remain in a single Market		Leave the EU with a deal		Leave the EU without a deal	
	Min	Max	Min	Max	Min	Max
GDP	-3%	2%	-5%	0%	-8%	-3%
Inbound Trips	-2%	3%	-4%	1%	-7%	-2%
Inbound Spending	-2%	3%	-4%	1%	-7%	-2%
Domestic Trips	-1%	4%	-1%	4%	1%	6%
Domestic Spending	1%	6%	1%	6%	3%	8%

Appendix 3: London accessibility.

There are 6 airports in the city, three of them for international and long flights, two for domestic and short and one for business jet traffic. Altogether, they handled a total of about 177 million passengers in 2018 (Wikipedia 2019). Alternatively, it is also possible to enter in London through (high velocity) train, buses or car. With the opening of the Channel Tunnel in 1994, the UK became directly connected to France, which made the connection between London and the rest of Europe easier.

Appendix 4: International visits and international spending in London from 2009 to 2018.

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Visits (000s)	14 211	14 706	15 289	15 461	16 811	17 404	18 581	19 060	19 828	19 047
Spending (£m)	8 238	8 741	9 411	10 075	11 496	11 825	11 919	11 869	13 546	12 159

Appendix 5: International Visits to London in 2018 by country of origin.

	2018	% Total
United States	2 629 400	13,80%
France	1 834 800	9,63%
Germany	1 451 500	7,62%
Spain	1 253 900	6,58%
Italy	989 100	5,19%
Netherlands	690 500	3,63%
Irish Republic	648 800	3,41%
Australia	588 300	3,09%
Belgium	511 800	2,69%
Poland	510 400	2,68%
Grand Total	19 047 400	-

Appendix 6: Domestic visits and domestic spending in London from 2008 to 2017.

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Visits (000s)	11 320	10 800	11 580	11 090	12 150	12 310	11 376	12 938	12 138	12 140
Spending (£)	2 356	2 230	2 515	2 398	2 784	2 793	2 889	3 080	2 766	2 689

Appendix 7: STR Global organization.

STR Global is an organization that does market research in hotel industries across the world. Many of the driver's data used in this thesis were based on their reports.

Appendix 8: Occupancy rate, Revenue per Available Room and Average Daily Rate in London for Upper Upscale Class hotels from 2016 to 2018.

	2016	2017	2018
Occupancy Rate	81,50%	82,20%	83,80%
RevPAR	128,33	135,94	141,91
ADR	157,39	165,42	169,4

Appendix 9: List of the 38 Pestana potential competing hotels in London and their features.

Hotel	STR List	Bookings.com Review	Location	Stars	Restaurant/ Bar	Spa	Indoor Pool	Outdoor Pool	Health Club (Gym)	Car Parking	Rooftop	Room Service
Marriott Bexleyheath Hotel	1	8,4	Bexleyheath	4	1	1	1		1	1		
Marlin Apartments Limehouse	1	8,2	Tower Hamlets	4								
Hilton London Croydon	1	7,9	Croydon	4	1				1	1		1
Ace Hotel London Shoreditch	1	8,6	Hackney	5	1				1			
Leonardo Royal London Tower Bridge	1	8,5	Tower Hamlets	4	1	1	1		1			
London Marriott Hotel Canary Wharf	1	9,1	Tower Hamlets	5	1				1			1
Knightsbridge Hotel, Firmdale Hotels	1	9,3	Kensington & Chelsea	5	1							1
Lincoln Plaza London, Curio Collection by Hilton	1	9,1	Tower Hamlets	5	1		1		1	1		
Apex Temple Court Hotel	1	9,1	City of London	4	1				1			1
Fraser Place Canary Wharf	1	8,6	Tower Hamlets	4	1				1	1	1	
Hilton London Canary Wharf	1	9	Tower Hamlets	4	1				1	1	1	1
Guoman The Tower	1	8,5	Tower Hamlets	4	1				1	1	1	
The Stratford Hotel London	1	9,2	Newham	4	1				1	1		
Malmaison London	1	8,4	Islington	4	1				1	1		
Hilton London Bankside	1	9,1	Southwark	5	1		1		1	1		1
Nhow London	1	-	Islington	4	1				1	1		1
Courthouse Hotel Shoreditch	1	8,5	Hackney	5	1		1		1	1		1
The Hoxton, Shoreditch	1	8,9	Hackney	4	1				1			1
Radisson Blu Edwardian, New Providence Wharf	1	9,1	Tower Hamlets	4	1				1	1		
St Giles London – A St Giles Hotel	1	7,9	Camden	3	1		1		1	1		1
Pestana Chelsea Bridge Hotel & Spa	1	8,5	Kensington & Chelsea	4	1	1	1		1			1
Club Quarters Hotel, St Paul's	1	8,3	City of London	4	1				1	1		1
Shangri-La Hotel at The Shard		9,4	Southwark	5	1		1			1	1	
B'Shan Apartments		9	Kensington & Chelsea	4								
The Standard London		9,3	Camden	5	1				1		1	
Clayton Hotel City of London		9,1	Tower Hamlets	4	1				1			
The Chesterfield Mayfair		9,1	Westminster	4	1							1
The Kensington Hotel		9	Kensington & Chelsea	5	1				1			1
Holmes Hotel London		9,4	Westminster	4	1				1			1
citizenM London Bankside		9	Southwark	4	1							1
The Ned		9,1	City of London	5	1				1			
The Crescent Hyde Park		9	Westminster	3								
The Chamberlain		9,1	City of London	4	1							1
O Hyde Park		9	Westminster	4								
Park Plaza Westminster Bridge London		8,7	Westminster	4	1	1	1		1	1		
Intercontinental London - The O2		9,4	Greenwich	5	1	1	1		1	1	1	
Mercure London Bridge		8,7	Southwark	4	1				1	1		
Sea Containers formerly Mondrian London		9	Southwark	5	1				1	1	1	
Total STR	22	-	-	-	21	3	7	0	20	14	3	12
% Total STR	-	-	-	-	95%	14%	32%	0%	91%	64%	14%	55%
Total	38	-	-	-	34	5	10	0	29	19	7	17
% Total	-	-	-	-	89%	13%	26%	0%	76%	50%	18%	45%

Appendix 10: Price per square meter in main London areas in 2016, according to the ONS.

Location	Price per m2
Kensington & Chelsea	£ 19 439,00
City of London	£ 17 371,00
Westminster	£ 16 246,00
Camden	£ 12 671,00
Islington	£ 9 730,00
Southwark	£ 8 782,00
Hackney	£ 8 564,00
Tower Hamlets	£ 8 545,00
Greenwich	£ 5 434,00
Newham	£ 4 965,00
Croydon	£ 4 653,00
Bexleyheath	£ 4 223,00

Islington, Southwark, Hackney and Tower Hamlets are the central areas with the most affordable price.

Appendix 11: Southwark description.

Southwark is a popular area for tourists with many attractions, being especially famous for the London Bridge, The Shard, or the Tate Modern (Wikipedia 2019). Also, as stated above, Southwark is very central, being only 18 minutes away from Westminster and 14 minutes from the City of London.

Appendix 12: Construction value adjustment from Kensington & Chelsea in 2010 to Southwark in 2019.

2010			2019	
Kensington & Chelsea	Location Adjustment	Southwark	Market update	Southwark
£ 43 000 000,00	45,18%	£ 19 426 205,00	78,43%	**£ 34 662 444,00**

Appendix 13: Porto Santo accessibility.

In 2017, 175 thousand passengers passed through Porto Santo airport (Wikipedia 2019). However, only 10 airlines fly to Porto Santo during the high season (summer), 8 of them through charters flights. From the harbor, vessel “Lobo Marinho” connects Porto Santo to

Madeira island (Wikipedia 2019). In 2017, the vessel carried 340 thousand passengers. The total number of passengers at the airport and harbor has been growing since 2013, after the 2008 economic crisis.

Appendix 14: Guest arrivals to hotel establishments in Madeira Archipelago and Porto Santo from 2012 to 2018.

	2012	2013	2014	2015	2016	2017	2018
Madeira Archipelago	870 641	955 215	1 022 997	1 103 916	1 276 549	1 395 981	1 395 023
Porto Santo	43 673	51 685	60 533	66 602	85 900	95 043	91 656

Appendix 15: International guest arrivals to Madeira Archipelago in 2018 by country of origin.

	2018	% Total
Germany	277 068	25,00%
UK	264 981	23,91%
France	155 002	13,99%
Netherlands	45 672	4,12%
Spain	38 069	3,44%
Denmark	33 230	3,00%
Sweden	28 591	2,58%
Finland	25 127	2,27%
Belgium	23 431	2,11%
Italy	17 012	1,54%
Total Foreign Visitors	1 108 262	-

Appendix 16: Domestic and international tourism in Madeira Archipelago from 2012 to 2018.

	2012	2013	2014	2015	2016	2017	2018
Domestic Tourism	178 838	189 597	211 182	221 611	268 198	284 404	286 761
Inbound Tourism	691 803	765 618	811 815	882 305	1 008 351	1 111 577	1 108 262
Total Tourism	870 641	955 215	1 022 997	1 103 916	1 276 549	1 395 981	1 395 023

Appendix 17: Occupancy rate, Revenue per Available Room and Average Daily Rate in Porto Santo XPTO hotel from 2014 to 2018.

	2014	2015	2016	2017	2018
Occupancy Rate	71,9%	75,4%	79,3%	79,9%	82,5%
RevPAR	61,51	67,56	74,69	82,76	89,82
ADR	82,61	87,46	92,48	101,94	106,67

Appendix 18: List of the Pestana potential competing hotels in Porto Santo and their features.

Hotel	Porto Santo	Bookings.com Review	Location	Stars	Restaurant/ Bar	Spa	Indoor Pool/ Jacuzzi	Outdoor Pool	Health Club (Gym)	Car Parking	Airport Transfer	Beachfront	All Inclusive
Hotel Porto Santo & Spa	1	8,3	Porto Santo	4	1	1		1	1	1		1	1
Pestana Ilha Dourada Hotel & Villas	1	8,9	Porto Santo	4	1	1		1		1		1	1
Vila Baleira Porto Santo	1	8,6	Porto Santo	4	1		1	1		1	1	1	1
Pestana Porto Santo Beach Resort & SPA - All Inclusive	1	8,5	Porto Santo	5	1	1		1	1	1		1	1
INATEL Porto Santo	1	8,6	Porto Santo	3	1			1	1	1		1	
Pestana Colombos Premium Club - All inclusive	1	8,5	Porto Santo	5	1	1	1	1	1	1		1	1
Paul Do Mar Sea View Hotel		8,4	Paul do Mar, Ilha da Madeira	4	1	1	1	1		1		1	
PortoBay Serra Golf		9	Santo da Serra, Ilha da Madeira	4	1	1	1	1	1	1			
Belmond Reid's Palace		9,4	Funchal, Ilha da Madeira	5	1	1		1	1	1	1		
Calheta Beach - All Inclusive		8,9	Calheta Beach, Ilha da Madeira	4	1	1	1	1	1	1	1	1	1
Muthu Raga Madeira Hotel		8,1	Funchal, Ilha da Madeira	4	1	1		1		1	1		
Enotel Lido Madeira - All Inclusive		9	Funchal, Ilha da Madeira	5	1	1	1	1	1	1	1		
Pestana Carlton Madeira Ocean Resort Hotel		8,7	Funchal, Ilha da Madeira	5	1	1		1	1	1	1		
Pestana Casino Park Hotel & Casino		8,6	Funchal, Ilha da Madeira	5	1	1	1	1	1	1	1		
Terceira Mar Hotel		8,8	Angra do Heroísmo, Açores	4	1	1	1	1	1	1			
Sul Villas & Spa		9,4	Lagoa, Açores	4	1	1		1	1	1	1		
Grand Hotel Açores Atlântico		9,4	Ponta Delgada, Açores	5	1	1		1	1	1			
Pestana Bahia Praia Nature & Beach Resort		8,8	Vila Franca do Campo, Açores	4	1			1	1	1		1	
Hotel Verde Mar & SPA		8,7	Ponta Delgada, Açores	5	1		1	1		1		1	
Barceló Fuerteventura Thalasso Spa		8,7	Fuerteventura, Islas Canarias	4	1	1	1	1	1	1		1	1
H10 Tenerife Playa		8,4	Tenerife, Islas Canarias	4	1	1	1	1	1	1	1	1	1
Puerto Palace		8,5	Tenerife, Islas Canarias	4	1			1	1	1			
Iberostar Selection Lanzarote Park		9,1	Lanzarote, Islas Canarias	5	1	1	1	1	1	1		1	1
AC Hotel Iberia Las Palmas, a Marriott Lifestyle		8,1	Las Palmas, Islas Canarias	4	1			1	1	1	1		
Hotel Anfora Ibiza		9,1	Ibiza, Islas Baleares	4	1			1	1	1			
GPRO Valparaiso Palace & Spa		8,7	Palma de Mallorca, Islas Baleares	5	1			1	1	1	1		
Total Porto Santo	6	-	-	-	6	4	2	6	4	6	1	6	5
% Total Porto Santo	-	-	-	-	100%	67%	33%	100%	67%	100%	17%	100%	83%
Total	26	-	-	-	26	18	12	26	21	26	11	13	9
% Total	-	-	-	-	100%	69%	46%	100%	81%	100%	42%	50%	35%

Appendix 19: The financing model for the London investment.

	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Spread		0,70%	0,70%	0,70%	0,70%	0,70%	0,70%	0,70%	0,70%	0,70%	0,70%
6 M Libor forward		0,69%	0,73%	0,77%	0,80%	0,82%	0,89%	0,93%	0,98%	1,02%	1,02%
Interest Rate		1,39%	1,43%	1,47%	1,50%	1,52%	1,59%	1,63%	1,68%	1,72%	1,72%
Interest Paid		**483 667**	**469 942**	**426 253**	**376 959**	**323 218**	**276 630**	**220 569**	**162 382**	**99 749**	**33 250**
Instalments %		10,00%	10,00%	10,00%	10,00%	10,00%	10,00%	10,00%	10,00%	10,00%	10,00%
Instalments		**3 866 244**	**3 866 244**	**3 866 244**	**3 866 244**	**3 866 244**	**3 866 244**	**3 866 244**	**3 866 244**	**3 866 244**	**3 866 244**
Outstanding	38 662 444	34 796 200	30 929 955	27 063 711	23 197 467	19 331 222	15 464 978	11 598 733	7 732 489	3 866 244	0

Appendix 20: The financing model for the Porto Santo investment.

	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Spread		1,00%	1,00%	1,00%	1,00%	1,00%	1,00%	1,00%	1,00%	1,00%	1,00%
6 M Euribor forward		-0,36%	-0,27%	-0,16%	-0,01%	0,11%	0,29%	0,42%	0,51%	0,61%	0,61%
Interest Rate		0,64%	0,73%	0,84%	0,99%	1,11%	1,29%	1,42%	1,51%	1,61%	1,61%
Interest Paid		**293 760**	**316 455**	**321 300**	**328 185**	**311 355**	**296 055**	**253 470**	**192 525**	**123 165**	**41 055**
Instalments %		10,00%	10,00%	10,00%	10,00%	10,00%	10,00%	10,00%	10,00%	10,00%	10,00%
Instalments		**5 100 000**	**5 100 000**	**5 100 000**	**5 100 000**	**5 100 000**	**5 100 000**	**5 100 000**	**5 100 000**	**5 100 000**	**5 100 000**
Outstanding	51 000 000	45 900 000	40 800 000	35 700 000	30 600 000	25 500 000	20 400 000	15 300 000	10 200 000	5 100 000	0
Total Debt	51 000 000										
Total Paid		**5 393 760**	**5 416 455**	**5 421 300**	**5 428 185**	**5 411 355**	**5 396 055**	**5 353 470**	**5 292 525**	**5 223 165**	**5 141 055**

Appendix 21: Estimated number of employees and wages for the new Pestana hotel in London.

	Number of Employees	Monthly Salary (£)
Rooms Division		
Front Office		
Receptionist	10	1 575
Front Office Supervisor	2	1 875
FOM	1	2 175
Night Audit	1	1 500
Doorman	12	1 575
Housekeeping		
Executive Housekeeper	1	2 550
Supervisor	1	1 538
Housekeeper	11	1 302
Food & Beverage		
F&B General		
F&B Manager	1	2 850
F&B Supervisor	1	1 725
Assistant F&B Manager	2	1 913
Kitchen		
Head Chef	1	3 000
Breakfast Chef	1	1 838
Night Chef	1	1 875
Kitchen Porter	10	1 575
Room Service		
F&B Attendant	6	1 500
Banquets		
Banquets server	4	1 625
Bar		
Bar Manager	1	2 029
Server	6	1 500
A&G		
General Manager	1	9 000
Security Officer	6	1 500
Security Supervisor	1	2 250
Maintenance		
Maintenance manager	1	3 750
Technician	3	2 006

It is assumed that there are at least 6 receptionists for each 100 occupied rooms. Regarding housekeeping, it is estimated that one housekeeper can clean 17 occupied rooms per day.

Appendix 22: Estimated monthly number of employees and wages for the new Pestana hotel in Porto Santo.

	Monthly Salary	Number of Employees											
		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Rooms Division													
Front Office													
Permanent 1st rate Receptionist	850	2	2	2	2	2	2	2	2	2	2	2	2
Seasonal 1st rate Receptionist	770	0	0	0	0	1	1	1	1	1	1	0	0
2nd rate Receptionist	700	0	0	0	0	5	7	8	8	7	5	0	0
Intern Receptionist	600	0	0	0	0	3	5	5	5	5	3	0	0
FOM	950	1	1	1	1	1	1	1	1	1	1	1	1
Night Audit	850	1	1	1	1	1	1	1	1	1	1	1	1
1st rate Doorman	680	1	1	1	1	1	1	1	1	1	1	1	1
2nd rate Doorman	625	0	0	0	0	0	1	1	1	1	0	0	0
Intern Doorman	600	0	0	0	0	1	1	1	1	1	1	0	0
Doorman attendant	600	0	0	0	0	0	2	2	2	2	0	0	0
Receptionist (Outsourcing)	700	0	0	0	0	1	2	3	4	2	1	0	0
Housekeeping													
Executive Housekeeper	1 350	1	1	1	1	1	1	1	1	1	1	1	1
Supervisor	1 000	1	1	1	1	1	1	1	1	1	1	1	1
Housekeeper	800	0	0	0	0	12	19	19	19	19	12	0	0
Rooms Geral													
Supervisor	1 350	1	1	1	1	1	1	1	1	1	1	1	1
Food & Beverage													
F&B Geral													
Business Employee	850	0	0	0	0	1	1	1	1	1	1	0	0
Cleaning Employee	700	0	0	0	0	1	1	1	1	1	1	0	0
Supervisor	1 200	1	1	1	1	1	1	1	1	1	1	1	1
Butler	700	0	0	0	0	5	12	16	16	14	5	0	0
Kitchen													
Chef	1 250	1	1	1	1	1	1	1	1	1	1	1	1
1st rate cook	850	0	0	0	0	2	2	2	2	2	2	0	0
2nd rate cook	750	0	0	0	0	2	3	3	3	3	2	0	0
3rd rate cook	685	0	0	0	0	6	8	9	10	9	6	0	0
Intern Cooker	600	0	0	0	0	2	3	5	8	5	2	0	0
Permanent Assistant	750	1	1	1	1	1	1	1	1	1	1	1	1
Seasonal Assistant	650	0	0	0	0	2	6	6	7	6	2	0	0
Kitchen (Outsourcing)	1 000	0	0	0	0	8	11	13	13	11	8	0	0
Pastery													
Pastry Cook	900	0	0	0	0	1	2	2	2	2	1	0	0
Restaurant													
1st rate server	720	0	0	0	0	2	2	2	2	2	2	0	0
2nd rate server	680	0	0	0	0	4	8	9	9	8	4	0	0
Intern server	600	0	0	0	0	2	6	7	7	6	2	0	0
Restaurant (Outsourcing)	1 000	0	0	0	0	8	11	13	13	11	8	0	0
Bar													
Head of bar	900	0	0	0	0	1	1	1	1	1	1	0	0
1st rate barman	720	0	0	0	0	2	2	2	2	2	2	0	0
Intern barman	600	0	0	0	0	1	1	1	1	1	1	0	0
OPC													
Pool & Sports													
Permanent Lifeguard	645	1	1	1	1	1	1	1	1	1	1	1	1
Seasonal Lifeguard	620	0	0	0	0	1	1	1	1	1	1	0	0
Lifeguard Assistant	600	0	0	0	0	2	3	4	4	4	2	0	0
Lifeguard Assistant (Outsourcing)	600	0	0	0	0	0	4	7	8	4	0	0	0
A&G													
General Management													
General Manager	3 000	1	1	1	1	1	1	1	1	1	1	1	1
Executive Secretary	1 400	1	1	1	1	1	1	1	1	1	1	1	1
Maintenance													
Head of Maintenance	1 250	1	1	1	1	1	1	1	1	1	1	1	1
Permanent Technician	850	3	3	3	3	3	3	3	3	3	3	3	3
Seasonal Technician	790	0	0	1	1	2	2	2	2	2	2	0	0

It is assumed that there are at least 6 receptionists for each 100 occupied rooms. Regarding housekeeping, it is estimated that one housekeeper can clean 15 occupied rooms.

Appendix 23: Projection of occupancy rate and RevPAR in the London investment according to the three described scenarios.

			Historical Results	Trading Projections										
				Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
			2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
		Occupancy rate	82,51%	82,47%	82,43%	82,39%	82,36%	82,32%	83,06%	83,79%	84,53%	85,26%	86,00%	86,00%
		RevPAR	146,75	146,60	146,45	146,30	146,15	146,01	148,93	151,90	154,94	158,04	161,20	164,43
	Tourism Data	Total Visits	31 900 000	31 885 260	31 870 788	31 856 585	31 842 650	31 828 983						
		Total Spending	£ 16 200 000	16 182 990	16 166 218	16 149 686	16 133 393	16 117 341						
		% Total Visits		-0,05%	-0,05%	-0,04%	-0,04%	-0,04%						
		% Total Spending		-0,11%	-0,10%	-0,10%	-0,10%	-0,10%						
		Inbound Visits	19 800 000	19 746 540	19 693 224	19 640 053	19 587 024	19 534 140						
		Inbound Spending	£ 13 500 000,00	13 463 550	13 427 198	13 390 945	13 354 789	13 318 731						
		Domestic Visits	12 100 000	12 138 720	12 177 564	12 216 532	12 255 625	12 294 843						
		Domestic Spending	£ 2 700 000,00	2 719 440	2 739 020	2 758 741	2 778 604	2 798 610						
15%	Stay at EU	Inbound Trips	-1,00%					0,50%						
		Inbound Spending	-2,00%					0,50%						
		Domestic Trips	2,00%					1,50%						
		Domestic Spending	2,50%					3,50%						
80%	Brexit- Deal	Inbound Trips	-1,00%					-1,50%						
		Inbound Spending	-2,00%					-1,50%						
		Domestic Trips	2,00%					1,50%						
		Domestic Spending	2,50%					3,50%						
5%	Brexit- No Deal	Inbound Trips	-1,00%					-4,50%						
		Inbound Spending	-2,00%					-4,50%						
		Domestic Trips	2,00%					3,50%						
		Domestic Spending	2,50%					5,50%						

Appendix 24: Net Cash Flow (£) estimation for the London investment in a 10-year period.

	Historical Results	Trading Projections										
	Actual	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Number of Rooms/ Day	200		200	200	200	200	200	200	200	200	200	200
Number of Days	365		365	365	365	366	365	365	365	366	365	365
Occupancy rate	82,51%		82,43%	82,39%	82,36%	82,32%	83,06%	83,79%	84,53%	85,26%	86,00%	86,00%
Number of Occupied Rooms/ Day	165,01		164,86	164,79	164,72	164,65	166,12	167,59	169,06	170,53	172,00	172,00
RevPAR	146,75		146,45	146,30	146,15	146,01	148,93	151,90	154,94	158,04	161,20	164,43
ARR	177,87		177,66	177,56	177,46	177,36	179,30	181,28	183,30	185,35	187,44	191,19
Nº Guests	98 505		98 415	98 371	98 328	98 555	99 164	100 042	100 920	102 077	102 676	102 676
Guests per Occupied Room	1,64		1,64	1,64	1,64	1,64	1,64	1,64	1,64	1,64	1,64	1,64
Expected Inflation (IMF)	1,80%	1,90%	2,00%	2,00%	2,00%	2,00%	2,00%	2,00%	2,00%	2,00%	2,00%	2,00%
Rooms Department												
Revenues	10 713 088,35		10 690 748,51	10 679 815,54	10 669 041,21	10 687 627,17	10 871 594,52	11 089 026,41	11 310 806,94	11 568 631,36	11 767 763,54	12 003 118,81
% Total Revenues	86,98%		86,96%	86,96%	86,95%	86,95%	87,06%	87,18%	87,30%	87,42%	87,54%	87,74%
Wages & Benefits	818 897,93		818 148,04	817 783,42	817 425,69	819 313,41	824 373,82	831 672,79	838 971,76	848 589,27	853 569,69	853 569,69
Per Occupied Room	13,60		13,60	13,60	13,60	13,60	13,60	13,60	13,60	13,60	13,60	13,60
Other Expenses	1 160 932,57		1 159 869,47	1 159 352,56	1 158 845,42	1 161 521,60	1 168 695,62	1 179 043,19	1 189 390,77	1 203 025,31	1 210 085,93	1 210 085,93
Per Occupied Room	£19,28		£19,28	£19,28	£19,28	£19,28	£19,28	£19,28	£19,28	£19,28	£19,28	£19,28
Rooms Department Profit	**8 733 257,86**		**8 712 731,01**	**8 702 679,56**	**8 692 770,10**	**8 706 792,16**	**8 878 525,09**	**9 078 310,43**	**9 282 444,41**	**9 517 016,78**	**9 704 107,92**	**9 939 463,19**
Profit Margin	**81,52%**		**81,50%**	**81,49%**	**81,48%**	**81,47%**	**81,67%**	**81,87%**	**82,07%**	**82,27%**	**82,46%**	**82,81%**
F&B Department												
Food Revenues	840 154,76		839 385,41	839 011,33	838 644,31	840 581,03	845 772,80	853 261,23	860 749,67	870 616,83	875 726,53	875 726,53
Food Revenue per Guest	8,53		8,53	8,53	8,53	8,53	8,53	8,53	8,53	8,53	8,53	8,53
Beverage Revenues	449 102,17		448 690,91	448 490,95	448 294,76	449 330,03	452 105,27	456 108,19	460 111,11	465 385,58	468 116,95	468 116,95
Beverage Revenue per Guest	4,56		4,56	4,56	4,56	4,56	4,56	4,56	4,56	4,56	4,56	4,56
F&B Other Income	249 518,34		249 289,85	249 178,76	249 069,76	249 644,94	251 186,85	253 410,85	255 634,84	258 565,30	260 082,84	260 082,84
F&B Other Income per Guest	2,53		2,53	2,53	2,53	2,53	2,53	2,53	2,53	2,53	2,53	2,53
Total F&B Revenues	1 538 775,27		1 537 366,17	1 536 681,03	1 536 008,83	1 539 556,01	1 549 064,92	1 562 780,27	1 576 495,62	1 594 567,72	1 603 926,32	1 603 926,32
% Total Revenues	12,49%		12,51%	12,51%	12,52%	12,52%	12,41%	12,29%	12,17%	12,05%	11,93%	11,72%
Cost of Sales-Food	268 009,37		267 763,94	267 644,61	267 527,54	268 145,35	269 801,52	272 190,33	274 579,14	277 726,77	279 356,76	279 356,76
% food revenue	31,90%		31,90%	31,90%	31,90%	31,90%	31,90%	31,90%	31,90%	31,90%	31,90%	31,90%
Cost of Sales - Beverage	119 910,28		119 800,47	119 747,08	119 694,70	119 971,12	120 712,11	121 780,89	122 849,67	124 257,95	124 987,23	124 987,23
% beverage revenue	26,70%		26,70%	26,70%	26,70%	26,70%	26,70%	26,70%	26,70%	26,70%	26,70%	26,70%
Cost of Sales - Other	1 030,00		6346,21	6343,38	6340,60	6355,25	6394,50	6451,11	6507,73	6582,33	6620,96	6620,96
% F&B revenue	0,41%		0,41%	0,41%	0,41%	0,41%	0,41%	0,41%	0,41%	0,41%	0,41%	0,41%
Wages & Benefits	700 833,68		700 191,90	699 879,85	699 573,70	701 189,26	705 520,09	711 766,73	718 013,37	726 244,29	730 506,66	730 506,66
Per Guest	7,11		7,11	7,11	7,11	7,11	7,11	7,11	7,11	7,11	7,11	7,11
Other Expenses	119 150,56		119 041,45	118 988,39	118 936,34	119 211,01	119 947,30	121 009,31	122 071,32	123 470,68	124 195,34	124 195,34
Per Guest	1,21		1,21	1,21	1,21	1,21	1,21	1,21	1,21	1,21	1,21	1,21
F&B Department Profit	**329 841,39**		**324 222,20**	**324 077,71**	**323 935,95**	**324 684,03**	**326 689,40**	**329 581,90**	**332 474,39**	**336 285,70**	**338 259,38**	**338 259,38**
Profit Margin	21,44%		21,09%	21,09%	21,09%	21,09%	21,09%	21,09%	21,09%	21,09%	21,09%	21,09%
OPC Department												
Revenues	65 189,00		65 053,06	64 986,54	64 920,97	65 034,07	66 153,51	67 476,58	68 826,11	70 394,97	71 606,68	73 038,82
% Room Revenues	0,61%		0,61%	0,61%	0,61%	0,61%	0,61%	0,61%	0,61%	0,61%	0,61%	0,61%
% Total Revenues	0,53%		0,53%	0,53%	0,53%	0,53%	0,53%	0,53%	0,53%	0,53%	0,53%	0,53%
Direct Costs	58 670,10		58 547,76	58 487,88	58 428,88	58 530,66	59 538,16	60 728,92	61 943,50	63 355,47	64 446,02	65 734,94
% revenue	90,00%		90,00%	90,00%	90,00%	90,00%	90,00%	90,00%	90,00%	90,00%	90,00%	90,00%
Other Expenses	4 889,18		4 878,98	4 873,99	4 869,07	4 877,56	4 961,51	5 060,74	5 161,96	5 279,62	5 370,50	5 477,91
% revenue	7,50%		7,50%	7,50%	7,50%	7,50%	7,50%	7,50%	7,50%	7,50%	7,50%	7,50%
OPC Department Profit	**1 629,73**		**1 626,33**	**1 624,66**	**1 623,02**	**1 625,85**	**1 653,84**	**1 686,91**	**1 720,65**	**1 759,87**	**1 790,17**	**1 825,97**
Profit Margin	2,50%		2,50%	2,50%	2,50%	2,50%	2,50%	2,50%	2,50%	2,50%	2,50%	2,50%
Total Revenues	**12 317 052,63**		**12 293 167,75**	**12 281 483,11**	**12 269 971,01**	**12 292 217,25**	**12 486 812,95**	**12 719 283,26**	**12 956 128,68**	**13 233 594,05**	**13 443 296,55**	**13 680 083,96**
Total Rooms, F&B, OPC Costs	3 252 323,65		3 254 588,21	3 253 101,18	3 251 641,95	3 259 115,21	3 279 944,62	3 309 704,02	3 339 489,22	3 378 531,69	3 399 139,09	3 400 535,42
Total Rooms, F&B, OPC Profit	**9 064 728,98**		**9 038 579,53**	**9 028 381,93**	**9 018 329,07**	**9 033 102,04**	**9 206 868,33**	**9 409 579,24**	**9 616 639,46**	**9 855 062,35**	**10 044 157,46**	**10 279 548,54**
% total revenues	73,59%		73,53%	73,51%	73,50%	73,49%	73,73%	73,98%	74,22%	74,47%	74,71%	75,14%

Appendix 24 (continued):

A&G Department												
Wages & Benefits	242 850,00		242 379,07	242 148,69	241 921,71	242 360,33	246 197,09	250 780,61	255 450,39	260 921,05	265 055,66	269 724,30
% Total Revenues	1,97%		1,97%	1,97%	1,97%	1,97%	1,97%	1,97%	1,97%	1,97%	1,97%	1,97%
Other Expenses	431 096,84		430 260,87	429 851,91	429 448,99	430 227,60	437 038,45	445 174,91	453 464,50	463 175,79	470 515,38	478 802,94
% Total Revenues	3,50%		3,50%	3,50%	3,50%	3,50%	3,50%	3,50%	3,50%	3,50%	3,50%	3,50%
A&G Expenses	**673 946,84**		**672 639,94**	**672 000,60**	**671 370,70**	**672 587,94**	**683 235,54**	**695 955,52**	**708 914,89**	**724 096,84**	**735 571,04**	**748 527,24**
% total revenues	5,47%		5,47%	5,47%	5,47%	5,47%	5,47%	5,47%	5,47%	5,47%	5,47%	5,47%
Maintenance Department												
Electric Current	213 856,00		222 074,10	226 414,64	230 841,91	236 002,50	242 209,35	249 240,94	256 456,90	264 584,72	271 460,34	276 889,54
Per occupied room	3,55		3,69	3,76	3,84	3,92	3,99	4,07	4,16	4,24	4,32	4,41
Water	61 101,71		63 449,74	64 689,90	65 954,83	67 429,29	69 202,67	71 211,70	73 273,40	75 595,64	77 560,10	79 111,30
Per occupied room	1,01		1,05	1,08	1,10	1,12	1,14	1,16	1,19	1,21	1,24	1,26
Gas	73 322,06		76 139,69	77 627,88	79 145,80	80 915,14	83 043,21	85 454,04	87 928,08	90 714,76	93 072,12	94 933,56
Per occupied room	1,22		1,27	1,29	1,32	1,34	1,37	1,40	1,42	1,45	1,48	1,51
Energy	348 279,77		361 663,54	368 732,41	375 942,53	384 346,93	394 455,22	405 906,67	417 658,39	430 895,12	442 092,55	450 934,40
Wages & Benefits	116 418,75		116 192,99	116 082,55	115 973,74	116 184,01	118 023,30	120 220,57	122 459,19	125 081,75	127 063,82	129 301,90
% Total Revenues	0,95%		0,95%	0,95%	0,95%	0,95%	0,95%	0,95%	0,95%	0,95%	0,95%	0,95%
Other Expenses	455 730,95		454 847,21	454 414,88	453 988,93	454 812,04	462 012,08	470 613,48	479 376,76	489 642,98	497 401,97	506 163,11
% Total Revenues	3,70%		3,70%	3,70%	3,70%	3,70%	3,70%	3,70%	3,70%	3,70%	3,70%	3,70%
Maintenance Expenses	**920 429,47**		**932 703,74**	**939 229,84**	**945 905,20**	**955 342,98**	**974 490,60**	**996 740,72**	**1 019 494,34**	**1 045 619,85**	**1 066 558,34**	**1 086 399,40**
% total revenues	7,47%		7,59%	7,65%	7,71%	7,77%	7,80%	7,84%	7,87%	7,90%	7,93%	7,94%
Gross Operating Profit (L)	**7 470 352,67**		**7 433 235,85**	**7 417 151,50**	**7 401 053,17**	**7 405 171,13**	**7 549 142,18**	**7 716 883,01**	**7 888 230,23**	**8 085 345,66**	**8 242 028,08**	**8 444 621,90**
% Total Revenues	60,65%		60,47%	60,39%	60,32%	60,24%	60,46%	60,67%	60,88%	61,10%	61,31%	61,73%
GOP PAR	102,33		101,83	101,60	101,38	101,16	103,41	105,71	108,06	110,46	112,90	115,68
Management Fee	184 755,79		184 397,52	184 222,25	184 049,57	184 383,26	187 302,19	190 789,25	194 341,93	198 503,91	201 649,45	205 201,26
% Management Fee	1,50%		1,50%	1,50%	1,50%	1,50%	1,50%	1,50%	1,50%	1,50%	1,50%	1,50%
Adjusted GOP	**7 285 596,88**		**7 248 838,34**	**7 232 929,25**	**7 217 003,60**	**7 220 787,87**	**7 361 839,99**	**7 526 093,76**	**7 693 888,30**	**7 886 841,75**	**8 040 378,63**	**8 239 420,64**
% Total Revenues	59,15%		58,97%	58,89%	58,82%	58,74%	58,96%	59,17%	59,38%	59,60%	59,81%	60,23%
Property Taxes	750 000,00		750000,00	750000,00	750000,00	750000,00	750000,00	750000,00	750000,00	750000,00	750000,00	750000,00
Tax Percentage	6,09%		6,09%	6,09%	6,09%	6,09%	6,09%	6,09%	6,09%	6,09%	6,09%	6,09%
EBITDA	**6 535 596,88**		**6 498 838,34**	**6 482 929,25**	**6 467 003,60**	**6 470 787,87**	**6 611 839,99**	**6 776 093,76**	**6 943 888,30**	**7 136 841,75**	**7 290 378,63**	**7 489 420,64**
% Total Revenues	53,06%		52,87%	52,79%	52,71%	52,64%	52,95%	53,27%	53,60%	53,93%	54,23%	54,75%
Construction Depreciation	649 920,83		649 920,83	649 920,83	649 920,83	649 920,83	649 920,83	649 920,83	649 920,83	649 920,83	649 920,83	649 920,83
FF&E Depreciation	500 000,00		500 000,00	500 000,00	500 000,00	500 000,00	500 000,00	500 000,00	500 000,00	500 000,00	0,00	0,00
Depreciation	1 149 920,83		1 149 920,83	1 149 920,83	1 149 920,83	1 149 920,83	1 149 920,83	1 149 920,83	1 149 920,83	1 149 920,83	649 920,83	649 920,83
% Total Revenues	9,34%		9,35%	9,36%	9,37%	9,35%	9,21%	9,04%	8,88%	8,69%	4,83%	4,75%
EBIT	**5 385 675,95**		**5 348 917,50**	**5 333 008,42**	**5 317 082,77**	**5 320 867,04**	**5 461 919,16**	**5 626 172,93**	**5 793 967,47**	**5 986 920,92**	**6 640 457,80**	**6 839 499,81**
% Total Revenues	43,73%		43,51%	43,42%	43,33%	43,29%	43,74%	44,23%	44,72%	45,24%	49,40%	50,00%
Interests from Loan			483 667,18	469 942,01	426 253,45	376 958,83	323 218,03	276 629,79	220 569,24	162 382,27	99 749,11	33 249,70
Earnings Before Taxes	**5 385 675,95**		**5 348 917,50**	**5 333 008,42**	**5 317 082,77**	**5 320 867,04**	**5 461 919,16**	**5 626 172,93**	**5 793 967,47**	**5 986 920,92**	**6 640 457,80**	**6 839 499,81**
% growth												
Income Taxes	1 023 028,87		1 016 046,46	1 013 024,48	1 009 999,34	1 010 718,18	1 037 511,54	1 068 712,15	1 100 585,33	1 137 237,55	1 261 379,27	1 299 188,03
% Income Taxes	19,00%		19,00%	19,00%	19,00%	19,00%	19,00%	19,00%	19,00%	19,00%	19,00%	19,00%
FF&E Reserve Replacement			0,00	122 814,83	368 099,13	368 766,52	374 604,39	381 578,50	388 683,86	397 007,82	403 298,90	410 402,52
% Total Revenues			0	1,00%	3,00%	3,00%	3,00%	3,00%	3,00%	3,00%	3,00%	3,00%
Net Profit	**4 362 647,09**		**4 332 871,04**	**4 197 169,11**	**3 938 984,30**	**3 941 382,35**	**4 049 803,23**	**4 175 882,28**	**4 304 698,27**	**4 452 675,55**	**4 975 779,63**	**5 129 909,26**
Depreciation			1 149 920,83	1149920,831	1149920,831	1149920,831	1149920,831	1149920,831	1149920,831	1149920,831	649920,8308	649920,8308
CAPEX		38 662 444	0	0	0	0	0	0	0	0	0	0
Net Cash Flow	**4 362 647,09**	**-38 662 444,31**	**5 482 791,87**	**5 347 089,95**	**5 088 905,13**	**5 091 303,18**	**5 199 724,06**	**5 325 803,11**	**5 454 619,10**	**5 602 596,38**	**5 625 700,46**	**5 779 830,09**

Appendix 25: Projection of occupancy rate and RevPAR in the Porto Santo investment according to the four described scenarios.

			Historical Results	Trading Projections										
				Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
			2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
		Occupancy rate	82,25%	75,75%	69,25%	64,75%	60,75%	64,75%	69,25%	75,75%	82,25%	84,25%	84,25%	84,25%
		RevPAR	88,85	83,07	77,67	74,18	71,21	74,06	77,39	82,42	87,78	89,54	91,06	92,61
		ARR	108,02											
50%	Projections 1	Occupancy rate variation		-5,00%	-6,00%	-4,00%	-3,00%	3,00%	4,00%	6,00%	5,00%	2,00%	0,00%	0,00%
		RevPAR Variation		-5,00%	-6,00%	-4,00%	-3,00%	3,00%	4,00%	6,00%	5,00%	2,00%	1,70%	1,70%
50%	Projections 2	Occupancy rate variation		-8,00%	-7,00%	-5,00%	-5,00%	5,00%	5,00%	7,00%	8,00%	2,00%	0,00%	0,00%
		RevPAR Variation		-8,00%	-7,00%	-5,00%	-5,00%	5,00%	5,00%	7,00%	8,00%	2,00%	1,70%	1,70%
0%	DREM 2008- 2012	Hotel Guests Variation		-8,46%	-9,22%	3,65%	-12,84%	8,46%	9,22%	-3,65%	12,84%			
		Adjusted Hotel Guests Variation		-8,46%	-9,22%	-2,00%	-7,19%	8,46%	9,22%	2,00%	7,19%	3,24%	0,00%	0,00%
		RevPAR Variation		-11,22%	-8,07%	-9,83%	11,90%							
		Adjusted RevPAR Variation		-11,22%	-8,07%	-9,83%	11,90%	9,84%	10,55%	10,80%	8,53%	1,70%	1,70%	1,70%
0%	Optimistic	Occupancy rate variation		1,97%	1,97%	1,97%	1,97%	1,97%	1,97%	0,00%	0,00%	0,00%	0,00%	0,00%
		RevPAR Variation		9,93%	9,93%	9,93%	9,93%	1,70%	1,70%	1,70%	1,70%	1,70%	1,70%	1,70%

Appendix 26: Net Cash Flow (€) estimation for the Porto Santo investment in a 10-year period.

	Historical Results	Trading Projections										
	Actual 2019	Year 0 2020	Year 1 2021	Year 2 2022	Year 3 2023	Year 4 2024	Year 5 2025	Year 6 2026	Year 7 2027	Year 8 2028	Year 9 2029	Year 10 2030
Number of Rooms/ Day	300		300	300	300	300	300	300	300	300	300	300
Number of Days	184		184	184	184	184	184	184	184	184	184	184
Occupancy rate	82,25%		69,25%	64,75%	60,75%	64,75%	69,25%	75,75%	82,25%	84,25%	84,25%	84,25%
Number of Occupied Rooms/ Day	247		208	194	182	194	208	227	247	253	253	253
RevPAR	88,85		77,67	74,18	71,21	74,06	77,39	82,42	87,78	89,54	91,06	92,61
ARR	108,02		112,17	114,56	117,22	114,38	111,76	108,81	106,73	106,28	108,08	109,92
Nº Guests	112 626		94 825	88 663	83 186	88 663	94 825	103 726	112 626	115 365	115 365	115 365
Guests per Occupied Room	2,48		2,48	2,48	2,48	2,48	2,48	2,48	2,48	2,48	2,48	2,48
Expected Inflation (IMF)	0,90%	1,20%	1,30%	1,40%	1,50%	1,70%	1,70%	1,70%	1,70%	1,70%	1,70%	1,70%
Rooms Department												
Revenues	4 904 494,51		4 287 631,71	4 094 688,28	3 930 900,75	4 088 136,78	4 272 102,94	4 549 789,63	4 845 525,96	4 942 436,47	5 026 457,89	5 111 907,68
% Total Revenues	57,69%		58,56%	59,05%	59,57%	59,01%	58,48%	57,86%	57,41%	57,31%	57,70%	58,09%
Wages & Benefits	413 590,57		348 220,08	325 591,84	305 477,84	325 591,84	348 220,08	380 905,32	413 590,57	423 647,56	423 647,56	423 647,56
Per Occupied Room	9,11		9,11	9,11	9,11	9,11	9,11	9,11	9,11	9,11	9,11	9,11
Other Expenses	567 520,24		477 820,24	446 770,24	419 170,24	446 770,24	477 820,24	522 670,24	567 520,24	581 320,24	581 320,24	581 320,24
Per Occupied Room	12,50		12,50	12,50	12,50	12,50	12,50	12,50	12,50	12,50	12,50	12,50
Rooms Department Profit	**3 923 383,70**		**3 461 591,39**	**3 322 326,21**	**3 206 252,68**	**3 315 774,71**	**3 446 062,62**	**3 646 214,07**	**3 864 415,15**	**3 937 468,67**	**4 021 490,09**	**4 106 939,88**
Profit Margin	80,00%		80,73%	81,14%	81,57%	81,11%	80,66%	80,14%	79,75%	79,67%	80,01%	80,34%
F&B Department												
Food Revenue	2 173 876,01		1 830 281,79	1 711 345,32	1 605 624,02	1 711 345,32	1 830 281,79	2 002 078,90	2 173 876,01	2 226 736,67	2 226 736,67	2 226 736,67
Food Revenue per Guest	19,30		19,30	19,30	19,30	19,30	19,30	19,30	19,30	19,30	19,30	19,30
Beverage Revenue	791 835,30		666 680,95	623 358,29	584 849,26	623 358,29	666 680,95	729 258,13	791 835,30	811 089,82	811 089,82	811 089,82
Food Revenue per Guest	7,03		7,03	7,03	7,03	7,03	7,03	7,03	7,03	7,03	7,03	7,03
F&B Other Income	457 249,13		384 978,14	359 961,26	337 724,04	359 961,26	384 978,14	421 113,64	457 249,13	468 367,74	468 367,74	468 367,74
% growth	4,06		4,06	4,06	4,06	4,06	4,06	4,06	4,06	4,06	4,06	4,06
Total F&B Revenues	3 422 960,45		2 881 940,88	2 694 664,88	2 528 197,32	2 694 664,88	2 881 940,88	3 152 450,67	3 422 960,45	3 506 194,23	3 506 194,23	3 506 194,23
% Total Revenues	40,26%		39%	39%	38%	39%	39%	40%	41%	41%	40%	40%
Cost of Sales-Food	646 293,34		544 142,77	508 782,96	477 352,02	508 782,96	544 142,77	595 218,06	646 293,34	662 008,81	662 008,81	662 008,81
% food revenue	29,73%		29,73%	29,73%	29,73%	29,73%	29,73%	29,73%	29,73%	29,73%	29,73%	29,73%
Cost of Sales - Beverage	244 835,48		206 137,75	192 742,38	180 835,39	192 742,38	206 137,75	225 486,61	244 835,48	250 788,97	250 788,97	250 788,97
% beverage revenue	30,92%		30,92%	30,92%	30,92%	30,92%	30,92%	30,92%	30,92%	30,92%	30,92%	30,92%
Cost of Sales - Other	450 647,95		379 420,32	354 764,60	332 848,41	354 764,60	379 420,32	415 034,13	450 647,95	461 606,05	461 606,05	461 606,05
% F&B other income	98,56%		98,56%	98,56%	98,56%	98,56%	98,56%	98,56%	98,56%	98,56%	98,56%	98,56%
% Direct Cost of Sales	39,20%		39,20%	39,20%	39,20%	39,20%	39,20%	39,20%	39,20%	39,20%	39,20%	39,20%
Wages & Benefits	513 238,59		432 118,13	404 037,97	379 077,83	404 037,97	432 118,13	472 678,36	513 238,59	525 718,66	525 718,66	525 718,66
Per Guest	4,56		4,56	4,56	4,56	4,56	4,56	4,56	4,56	4,56	4,56	4,56
Other Expenses	164 618,33		138 599,41	129 592,86	121 587,04	129 592,86	138 599,41	151 608,87	164 618,33	168 621,24	168 621,24	168 621,24
Per Guest	1,46		1,46	1,46	1,46	1,46	1,46	1,46	1,46	1,46	1,46	1,46
F&B Department Profit	**1 403 326,76**		**1 181 522,50**	**1 104 744,10**	**1 036 496,63**	**1 104 744,10**	**1 181 522,50**	**1 292 424,63**	**1 403 326,76**	**1 437 450,50**	**1 437 450,50**	**1 437 450,50**
Profit Margin	41,00%		41,00%	41,00%	41,00%	41,00%	41,00%	41,00%	41,00%	41,00%	41,00%	41,00%
OPC Department												
Revenues	174 207,11		152 296,21	145 442,88	139 625,17	145 210,17	151 744,63	161 608,03	172 112,55	175 554,81	178 539,24	181 574,40
% Room Revenues	3,55%		3,55%	3,55%	3,55%	3,55%	3,55%	3,55%	3,55%	3,55%	3,55%	3,55%
% Total Revenues	2,05%		2,08%	2,10%	2,12%	2,10%	2,08%	2,06%	2,04%	2,04%	2,05%	2,06%
Direct Costs	74 038,02		64 725,89	61 813,22	59 340,70	61 714,32	64 491,47	68 683,41	73 147,84	74 610,79	75 879,18	77 169,12
% revenues	42,50%		42,50%	42,50%	42,50%	42,50%	42,50%	42,50%	42,50%	42,50%	42,50%	42,50%
Wages & Benefits	68 307,74		59 716,34	57 029,10	54 747,94	56 937,85	59 500,06	63 367,56	67 486,45	68 836,18	70 006,40	71 196,51
% revenues	39,21%		39,21%	39,21%	39,21%	39,21%	39,21%	39,21%	39,21%	39,21%	39,21%	39,21%
Other Expenses	31 832,10		27 828,42	26 576,14	25 513,09	26 533,62	27 727,63	29 529,93	31 449,37	32 078,36	32 623,69	33 178,29
% revenues	18,27%		18,27%	18,27%	18,27%	18,27%	18,27%	18,27%	18,27%	18,27%	18,27%	18,27%
OPC Department Profit	**29,25**		**25,57**	**24,42**	**23,44**	**24,38**	**25,48**	**27,13**	**28,90**	**29,47**	**29,97**	**30,48**
Profit Margin	0,02%		0,02%	0,02%	0,02%	0,02%	0,02%	0,02%	0,02%	0,02%	0,02%	0,02%
Total Revenues	8 501 662,07		7 321 868,81	6 934 796,05	6 598 723,24	6 928 011,84	7 305 788,45	7 863 848,33	8 440 598,96	8 624 185,51	8 711 191,36	8 799 676,31
Total Rooms, F&B, OPC Costs	3 174 922,35		2 678 729,35	2 507 701,32	2 355 950,49	2 507 468,65	2 678 177,86	2 925 182,50	3 172 828,15	3 249 236,86	3 252 220,79	3 255 255,45
Total Rooms, F&B, OPC Profit	**5 326 739,71**		**4 643 139,46**	**4 427 094,73**	**4 242 772,75**	**4 420 543,18**	**4 627 610,59**	**4 938 665,83**	**5 267 770,81**	**5 374 948,64**	**5 458 970,56**	**5 544 420,86**
% Revenues	62,66%		63,41%	63,84%	64,30%	63,81%	63,34%	62,80%	62,41%	62,32%	62,67%	63,01%

Appendix 26 (continued):

A&G Department												
Wages & Benefits	74 447,50		64 116,27	60 726,74	57 783,81	60 667,33	63 975,45	68 862,28	73 912,78	75 520,42	76 282,31	77 057,16
% total revenues	0,88%		0,88%	0,88%	0,88%	0,88%	0,88%	0,88%	0,88%	0,88%	0,88%	0,88%
Other Expenses	127 524,93		109 828,03	104 021,94	98 980,85	103 920,18	109 586,83	117 957,72	126 608,98	129 362,78	130 667,87	131 995,14
% total revenues	1,50%		1,50%	1,50%	1,50%	1,50%	1,50%	1,50%	1,50%	1,50%	1,50%	1,50%
A&G Expenses	**201 972,43**		**173 944,30**	**164 748,68**	**156 764,66**	**164 587,51**	**173 562,28**	**186 820,01**	**200 521,77**	**204 883,20**	**206 950,18**	**209 052,30**
% total revenues	2,38%		2,38%	2,38%	2,38%	2,38%	2,38%	2,38%	2,38%	2,38%	2,38%	2,38%
Maintenance Department												
Electric Current	272 409,71		234 194,91	221 823,01	211 033,19	228 302,46	248 320,09	276 246,02	305 049,68	317 779,31	323 181,55	328 675,64
€ per occupied room	6,00		6,13	6,21	6,29	6,39	6,50	6,61	6,72	6,83	6,95	7,07
Water	158 905,67		136 613,70	129 396,76	123 102,69	133 176,44	144 853,38	161 143,51	177 945,65	185 371,26	188 522,57	191 727,46
€ per occupied room	3,50		3,57	3,62	3,67	3,73	3,79	3,85	3,92	3,99	4,05	4,12
Gas	36 321,30		31225,99	29576,40	28137,76	30440,33	33109,34	36832,80	40673,29	42370,57	43090,87	43823,42
€ per occupied room	0,80		0,82	0,83	0,84	0,85	0,87	0,88	0,90	0,91	0,93	0,94
Energy	467 636,68		402 034,60	380 796,17	362 273,64	391 919,22	426 282,82	474 222,34	523 668,61	545 521,14	554 795,00	564 226,52
% Total Revenues	5,50%		5,49%	5,49%	5,49%	5,66%	5,83%	6,03%	6,20%	6,33%	6,37%	6,41%
Wages & Benefits	82 281,77		70 863,36	67 117,15	63 864,53	67 051,49	70 707,73	76 108,81	81 690,79	83 467,59	84 309,66	85 166,05
% Total Revenues	0,97%		0,97%	0,97%	0,97%	0,97%	0,97%	0,97%	0,97%	0,97%	0,97%	0,97%
Other Expenses	191 287,40		164 742,05	156 032,91	148 471,27	155 880,27	164 380,24	176 936,59	189 913,48	194 044,17	196 001,81	197 992,72
% Total Revenues	2,25%		2,25%	2,25%	2,25%	2,25%	2,25%	2,25%	2,25%	2,25%	2,25%	2,25%
Maintenance Expenses	**741 205,85**		**637 640,01**	**603 946,23**	**574 609,44**	**614 850,98**	**661 370,79**	**727 267,74**	**795 272,88**	**823 032,91**	**835 106,47**	**847 385,28**
% total revenues	8,72%		8,71%	8,71%	8,71%	8,87%	9,05%	9,25%	9,42%	9,54%	9,59%	9,63%
Gross Operating Profit (L)	**4 383 561,44**		**3 831 555,15**	**3 658 399,81**	**3 511 398,65**	**3 641 104,69**	**3 792 677,52**	**4 024 578,08**	**4 271 976,17**	**4 347 032,53**	**4 416 913,91**	**4 487 983,27**
% of Revenues	51,56%		52,33%	52,75%	53,21%	52,56%	51,91%	51,18%	50,61%	50,41%	50,70%	51,00%
GOP PAR	79,41		69,41	66,28	63,61	65,96	68,71	72,91	77,39	78,75	80,02	81,30
Management Fee	127 524,93		109 828,03	104 021,94	98 980,85	103 920,18	109 586,83	117 957,72	126 608,98	129 362,78	130 667,87	131 995,14
% Management Fee	1,50%		1,50%	1,50%	1,50%	1,50%	1,50%	1,50%	1,50%	1,50%	1,50%	1,50%
Adjusted GOP	**4 256 036,51**		**3 721 727,12**	**3 554 377,87**	**3 412 417,80**	**3 537 184,52**	**3 683 090,70**	**3 906 620,36**	**4 145 367,18**	**4 217 669,75**	**4 286 246,04**	**4 355 988,13**
% Total Revenues	50,06%		50,83%	51,25%	51,71%	51,06%	50,41%	49,68%	49,11%	48,91%	49,20%	49,50%
Property Taxes	0,00		0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00
Tax Percentage	0,00%		0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%
EBITDA	**4 256 036,51**		**3 721 727,12**	**3 554 377,87**	**3 412 417,80**	**3 537 184,52**	**3 683 090,70**	**3 906 620,36**	**4 145 367,18**	**4 217 669,75**	**4 286 246,04**	**4 355 988,13**
% growth	50,06%		50,83%	51,25%	51,71%	51,06%	50,41%	49,68%	49,11%	48,91%	49,20%	49,50%
Construction Depreciation	843 750,00		843 750,00	843 750,00	843 750,00	843 750,00	843 750,00	843 750,00	843 750,00	843 750,00	843 750,00	843 750,00
FF&E Depreciation	750 000,00		750 000,00	750 000,00	750 000,00	750 000,00	750 000,00	750 000,00	750 000,00	750 000,00	0,00	0,00
Depreciation	1 593 750,00		1 593 750,00	1 593 750,00	1 593 750,00	1 593 750,00	1 593 750,00	1 593 750,00	1 593 750,00	1 593 750,00	843 750,00	843 750,00
% Total Revenues	18,75%		21,77%	22,98%	24,15%	23,00%	21,81%	20,27%	18,88%	18,48%	9,69%	9,59%
EBIT	**2 662 286,32**		**2 127 977,12**	**1 960 627,87**	**1 818 667,80**	**1 943 434,52**	**2 089 340,70**	**2 312 870,36**	**2 551 617,18**	**2 623 919,75**	**3 442 496,04**	**3 512 238,13**
%	31,31%		29,06%	28,27%	27,56%	28,05%	28,60%	29,41%	30,23%	30,43%	39,52%	39,91%
Interests & Finance Costs			293 760,00	316 455,00	321 300,00	328 185,00	311 355,00	296 055,00	253 470,00	192 525,00	123 165,00	41 055,00
% Total Revenues			4,01%	4,56%	4,87%	4,74%	4,26%	3,76%	3,00%	2,23%	1,41%	0,47%
Earnings Before Taxes	**2 662 286,32**		**1 834 217,12**	**1 644 172,87**	**1 497 367,80**	**1 615 249,52**	**1 777 985,70**	**2 016 815,36**	**2 298 147,18**	**2 431 394,75**	**3 319 331,04**	**3 471 183,13**
% Total Revenues	31,31%		25,05%	23,71%	22,69%	23,31%	24,34%	25,65%	27,23%	28,19%	38,10%	39,45%
Income Taxes	0,00		0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00
% Income Taxes	0,00%		0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%
FF&E Reserve Replacement			0	0	197 961,70	207 840,36	219 173,65	235 915,45	253 217,97	258 725,57	261 335,74	263 990,29
% Total Revenues					3,00%	3,00%	3,00%	3,00%	3,00%	3,00%	3,00%	3,00%
Net Profit	**2 662 286,32**		**1 834 217,12**	**1 644 172,87**	**1 299 406,10**	**1 407 409,16**	**1 558 812,04**	**1 780 899,91**	**2 044 929,22**	**2 172 669,19**	**3 057 995,30**	**3 207 192,84**
% Total Revenues	31,31%		25,05%	23,71%	19,69%	20,31%	21,34%	22,65%	24,23%	25,19%	35,10%	36,45%
Depreciation			1 593 750,00	1 593 750,00	1 593 750,00	1 593 750,00	1 593 750,00	1 593 750,00	1 593 750,00	1 593 750,00	843 750,00	843 750,00
CAPEX		51 000 000,00										
Net Cash Flow	**2 662 286,32**	**-51 000 000,00**	**3 427 967,12**	**3 237 922,87**	**2 893 156,10**	**3 001 159,16**	**3 152 562,04**	**3 374 649,91**	**3 638 679,22**	**3 766 419,19**	**3 901 745,30**	**4 050 942,84**

Appendix 27: The computed NPV, IRR, Payback period and PI for the London investment at a 6% discount rate.

	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Net Cash Flow	**-38 662 444,31**	**5 482 791,87**	**5 347 089,95**	**5 088 905,13**	**5 091 303,18**	**5 199 724,06**	**5 325 803,11**	**5 454 619,10**	**5 602 596,38**	**5 625 700,46**	**5 779 830,09**
Discount Rate	**6%**										
Discounted Cash Flow	-38 662 444,31	5 172 445,16	4 758 891,02	4 272 742,88	4 032 788,98	3 885 536,30	3 754 481,04	3 627 633,24	3 515 138,28	3 329 843,46	3 227 426,93
NPV (£)	**914 482,98**										
IRR	**6,49%**										
Payback Period (years)	**9,72**										
Terminal Value											**147 385 667,28**
Discounted Terminal Value											82 299 386,80
NPV with TV (£)	**83 213 869,79**										

Appendix 28: The computed NPV, IRR, Payback period and PI for the Porto Santo investment at an 8% discount rate.

	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Net Cash Flow	**-42 000 000,00**	**3 805 168,51**	**3 598 177,54**	**3 235 659,23**	**3 363 469,21**	**3 532 833,80**	**3 782 483,01**	**4 069 298,92**	**4 195 620,66**	**4 318 894,18**	**4 453 792,32**
Discount Rate	**8%**										
Discounted Cash Flow	-51 000 000,00	3 174 043,63	2 775 996,98	2 296 680,59	2 205 941,58	2 145 580,76	2 126 601,87	2 123 134,37	2 034 879,09	1 951 844,06	1 876 370,34
NPV (€)	**-28 288 926,73**										
IRR	**-6,31%**										
Payback Period (years)	-										
Terminal Value											**75 494 843,81**
Discounted Terminal Value											34 968 720,04
NPV with TV (€)	**6 679 793,30**										

Appendix 29: Exchange rate (€/ £) projections based on three different scenarios.

		2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	Terminal Value
Net Cash Flow (£)		-38 662 444,31	5 482 791,87	5 347 089,95	5 088 905,13	5 091 303,18	5 199 724,06	5 325 803,11	5 454 619,10	5 602 596,38	5 625 700,46	5 779 830,09	147 385 667,28
Consensus Economics	(€/ £)	1,150	1,166	1,163	1,159	1,153	1,153	1,153	1,153	1,153	1,153	1,153	1,153
	Net Cash Flow (€)	-44 447 814,09	6 392 961,45	6 218 807,42	5 895 730,77	5 870 664,20	5 995 681,82	6 141 060,67	6 289 595,41	6 460 224,60	6 486 865,38	6 664 588,70	169 947 011,74
	NPV (€)	**96 222 536,80**											
Current Exchange Rate	(€/ £)	1,176	1,176	1,176	1,176	1,176	1,176	1,176	1,176	1,176	1,176	1,176	1,176
	Net Cash Flow (€)	-45 467 034,51	6 447 763,24	6 288 177,78	5 984 552,43	5 987 372,54	6 114 875,49	6 263 144,46	6 414 632,07	6 588 653,35	6 615 823,74	6 797 080,19	173 325 544,73
	NPV (€)	**97 859 510,87**											
Trading Economics	(€/ £)	1,099	1,099	1,099	1,099	1,099	1,099	1,099	1,099	1,099	1,099	1,099	1,099
	Net Cash Flow (€)	-42 486 202,54	5 684 005,67	5 229 550,57	4 695 321,84	4 431 636,25	4 269 820,11	4 125 803,34	3 986 410,15	3 862 789,32	3 659 168,64	3 546 623,00	161 962 271,74
	NPV (€)	**91 443 812,95**											

Appendix 30: Summary on the resultant outputs from each scenario for the London investment.

	Scenario 1	Scenario 2	Scenario 3	**Predicted Scenario**
Brexit Solution	Stay in EU	Leave the EU with a deal	Leave the EU without a deal	15% - 80% - 5%
NPV (£)	85 659 238	82 989 293	79 580 972	**83 213 870**

Appendix 31: Summary on the resultant outputs from each scenario for the Porto Santo investment.

	Scenario 1	Scenario 2	Scenario 3	Scenario 4	**Predicted Scenario**
Projections	Optimistic	2008 Economic Crisis	Projection 1	Projection 2	0%- 0% - 50% - 50%
NPV (€)	45 055 897	17 634 544	7 249 912	6 077 966	6 679 793