



Investment teaser - Hotel investment opportunity in Utsera Racha-Lechkhumi and Kvemo Svaneti, Georgia

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1 INTRODUCTION AND GENERAL OVERVIEW OF RACHA-LECHKHUMI AND KVEMO SVANETI REGION, GEORGIA

1.1 Introduction and Limitations

- Upon receipt of a signed copy of the Confidentiality Agreement signed for Partnership Fund, the current leaflet is to represent potential hotel investment opportunity in Utsera, in Racha-Lechkhumi and Kvemo Svaneti region. This document contains information in a summarised form and is therefore intended for general guidance only.
- The aim of this leaflet is to search for investors or co-investors for an **80-room independent (non-branded), midmarket hotel with spa and medical mineral water based treatment rooms.**
- This document is directed only at persons having professional experience in matters relating to investments and was prepared based on the 'Market and Technical Feasibility Study for Racha Development Project', prepared by BDO Hungary Ltd together with BDO LLC Georgia. All further information are available in the subject report.
- Partnership Fund is committed to develop general infrastructure of the subject region and to participate in the selected hotel investment project.
- Financial indicators and investment costs are estimated and are in line with international and Georgian benchmark data and BDO's relevant research activities carried out in the period of September-November, 2015.
- Partnership Fund, BDO Hungary Ltd and BDO LLC Georgia shall not be held responsible in legal matters.
- State commitments, subsidies, tax- and further incentives are not definitive and subject to negotiations.
- In case of multiple investments, investors may apply for special offers and package deals by Partnership Fund.
- Legal and architectural matters require preliminary discussions.
- Preliminary architectural drawings have been prepared by Óbuda Stúdió, Hungary.

1.2 General overview of Racha-Lechkhumi and Kvemo Svaneti region

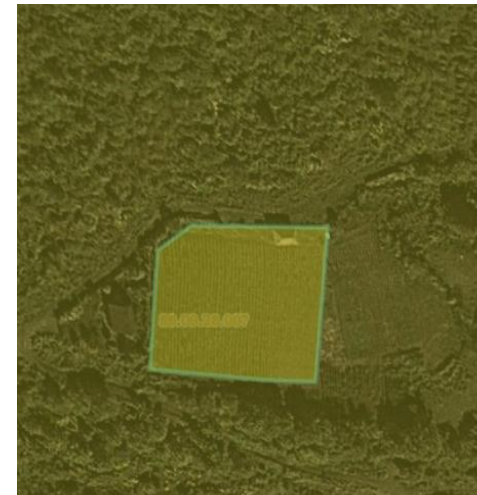
- Racha-Lechkhumi and Kvemo Svaneti region is located in the north-western part of Georgia on the southern slopes of the Central Caucasus, at wide range of elevations between 400 and 4,000 metres above sea level.
- **Capital of the region:** Ambrolauri
- **Total territory of the region:** 4,954 square kilometres (7.1% of the total territory of Georgia)
- **Nearest international airport:** Kutaisi (~76km)
- **Region's population:** 45,900 (1.04% of the population of Georgia)
- **Accessibility:** The region can be accessed by car in about 4-5 hours from Tbilisi and in about 1 hour from Kutaisi.
- **Nominal GDP (together with Imereti region):** GEL2,670.4 million (~10% of the national GDP)
- The region possesses highly attractive natural environment, diverse flora and fauna, unique tourists attractions, great wines, water and mineral water sources and fossil resources. Numerous mineral water springs are located in the mountains of Racha.
- As of today, touristic attractiveness of the region lies in its natural environment, cultural heritage and abundance of mineral waters, creating unique conditions for development of tourism.



- The selected key destination, proposed for investment is Utsera.
 - Utsera is rich in mineral water sources (28 types of mineral waters rich in calcium, iron, iodine and boron) but the potential of mineral water supplies has not been utilised yet. Utsera is located 300 km from Tbilisi. Utsera is a proper starting point for hiking tours and for other outdoor adventures and also has the potential to accommodate a medhotel with related facilities based on the availability of mineral springs and resources.
 - The identified available plot is a suitable and recommended place for the development of the subject project. Based on information received from our Client, that the State has (preliminary) plans for developing a water bottling plant on the subject site. In case this water bottling plant development plan would be finalised, we can state that our recommended development concept is general and can be implemented on a substitution land assuming similar physical attributes (accessibility, visibility, attractive environment) thus could also replace the select site and accommodate the same or very similar concept and facility mix.
 - The proposed plot (plot No.: 88.09.28.007) for the development is a state-owned area, situated not far (200m) from the main road (Kutaisi-Tkibuli-Ambrolauri).
 - Thanks to its upper position a quite calm and interesting view is provided. We can see the snowy mountains over Shovi and the ridges towards Shkmeri.



Utsera



88.09.28.007

2 HOTEL INVESTMENT OPPORTUNITY

2.1 Medhotel Utsera

Medhotel Utsera - House of Gastronomy and Showroom



Project location: Utsera

Project description:

- This is an unique investment opportunity to construct an 80-key independent, midmarket hotel with spa in Utsera.
- The moderate size, naturally lit wellness facilities, facing at the mountains include a larger spa treatment centre, offering revitalisation programmes and wellness treatments (drinking, bathing, tangentor etc.)
- Food and beverage facilities comprise a main all-day restaurant of higher quality with 150 seats.
- The hotel will feature a showroom and shop of local merchandised products, wines, and a selection of mineral waters of Utsera.

Why invest? The offered revitalisation programmes and wellness treatments based on the curative effects of Utsera mineral waters and the restaurant of higher quality will ensure the success of the project. The restaurant with the showroom will be visited by organised tourist groups.

Competitive advantages:

- Good visibility from the main road;
- Larger spa treatment centre;
- Highly attractive natural environment;
- Restaurant of higher quality.

Medhotel Utsera - House of Gastronomy and Showroom - Financial projections and investment costs

Key Financial Indicators					
Year	2019	2020	2021	2022	2023
Rooms Available	19,600	29,200	29,200	29,200	29,200
Occupancy	40.0%	43.0%	46.0%	48.0%	51.0%
ADR (USD)	41	43	45	47	49
Revenues (USD)	576,970	976,736	1,137,482	1,293,309	1,382,897
EBITDA (USD)	166,929	281,729	321,681	358,118	390,191

Calculation of the Gross-Investment Costs for MedHotel Utsera				
in USD 1,000		per Room		
thereof	in USD 1,000	% of Total	in USD 1,000	
Substructure		4.0%	144	
Superstructure		36.0%	1,296	
Internal Finishes		12.0%	432	
Fittings, Furnishings & Equipment		15.0%	540	
Services (utilities, technical infrastructure)		23.0%	828	
External works		5.0%	180	
Other (preliminaries, overheads)		5.0%	180	
Total		100.0%	3,600	



Estimated investment budget: USD3.6 million
 Required private investment of the total budget: 50-100%

Required amount of capital: USD1.8 million

Tenth year ROI: 14.5%

Equity IRR (10-year): 0.5%

Equity IRR (15-year): 8.6%

Equity IRR (20-year): 11.4%

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