

Neomarca Internship Report

Elaborating a Business plan: lessons from an
innovative start-up

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Internship Report for obtaining a Masters Degree in Management
(specialization in Tourism)

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Neomarca Internship Report

Elaborating a Business plan: lessons from an innovative start-up

Statement of authorship of the work

I declare to be the author of this work, which is unique and unprecedented. Authors and works consulted are properly cited in the text and are included in the listing of references included.

Valerie Taeki Hilda Spitaels

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SUMMARY (ABSTRACT)

The aim of this internship at Neomarca was to understand more about consultancy agencies and business plans (BP). To study the business plans a small literature review which demonstrated the great debate about its usefulness and the elaboration of an own BP for a glamping were conducted. Even though the main reason for writing a BP is obtaining funding, it is important to realize that it is much more than that. In fact, the BP is a tool that helps understand the management teams' skills and mindset and helps to demonstrate the businesses' legitimacy. It might also be used to identify on-time solutions for possible future problems and benchmarking. Independently of the reason for writing the BP, it should always be adapted to its target audience, using adequate language and information. Consultancy agencies can be a great asset not only in the writing of a BP but in other activities such as obtaining funding for example, because they have access to a lot of information and considerable accumulated experience, both of which speed up and facilitate many of task required when witting up a BP.

Key words: Internship, Business Plan, Neomarca, Glamping

RESUMO (ABSTRACT)

A finalidade do presente estágio foi perceber melhor como funciona uma agência de consultoria, especializada em fundos comunitários, e qual a finalidade e as vantagens que o plano de negócio apresenta na criação e expansão de uma empresa. Para tal foi desenvolvido uma pequena pesquisa literária, que demonstrou o debate presente na literatura relativamente à importância do plano de negócios, e a criação de um próprio plano de negócios para um glamping. Apesar do existente debate sobre a utilidade do plano de negócios a obtenção de fundos é globalmente aceite como resultado positivo da sua escrita proveniente da legitimidade que fornece ao negócio e inspirando confiança nos investidores demonstrando a mentalidade dos gerentes e a sua forma de lidar com dificuldades e imprevistos. Os apoiantes do plano de negócios acreditam que este pode fornecer muitos mais benefícios do que apenas a obtenção de financiamento externo sendo utilizado como uma ferramenta para reduzir riscos

identificando soluções pontuais para eventuais problemas futuros e servindo como controlo para determinar se a atividade corre como planeado. Os benefícios apresentados serão mais aparentes quando é o empreendedor que escreve o seu próprio plano de negócios, porém o seu verdadeiro valor ainda não foi determinado pois falta determinar cientificamente se os benefícios vêm da qualidade do próprio documento, plano de negócios, ou se estes derivam do processo de planeamento em si. Independentemente do motivo para a elaboração de um plano de negócios a sua escrita, linguagem e escolha de vocabulário, devem ser adaptados ao leitor, dando resposta a perguntas que mais são do seu interesse. Por exemplo, enquanto que os investidores estão interessados em saber como e quando terão o retorno do seu dinheiro, e poderão não ter tanto interesse na parte e no vocabulário mais técnico, um técnico de produção poderá procurar o plano de negócios para saber mais sobre o produto e/ou serviço e estará mais interessado num vocabulário menos financeiro e mais técnico. A maior desvantagem dos planos de negócio é o custo de oportunidade a ele relacionado. Isto significa que a maior perda que se tem quando se está a fazer um plano de negócios está associado a todas as outras actividades nas quais não se está a participar por estar ocupado com a escrita deste. Este custo poderá ser controlado obtendo melhores processos de planeamento e recorrendo a ajuda profissional como por exemplo a ajuda das agências de consultoria. Relativamente às agências de consultoria estas podem ser uma mais valia na elaboração de um plano de negócios e diversas outras actividades relacionadas com o negócio devido a sua experiencia na área, acesso a informações restritas e conhecimento do processo de início de atividade e legislações tornando o processo mais rapido e eficaz para qualquer tipo de negócio, deve ser notado que o processo de início de atividade irá variar consoante o mercado em que se inclui pelo que a escrita do plano de negócios deve ser adaptado a este. Em suma as agências de consultoria são guias para os empreendedores que representam um intermediário entre este e as entidades governamentais.

A ideia de negócio presente neste plano é o glamping. Esta ideia surgiu da vontade da estudante para realizar um plano de negócios inovativo, pelo menos no Algarve, e que combinasse a sua experiência prévia com uma solução para um dos maiores problemas para o sector do Turismo que é a sazonalidade. A sazonalidade no Algarve é a consequência direta do tipo de turismo mais praticado nesta zona que está muito ligada as suas premiadas praias pelo que é muito concentrado na época balnear sendo o turismo no Inverno mais fraco. Para promover o turismo nas épocas baixas deve ser promovido por exemplo a prática do turismo de natureza, que apesar de pouco explorado poderia ser uma oportunidade para o aproveitamento

dos recursos naturais do Algarve. O glamping é um serviço criado para servir praticantes do turismo de natureza pelo que poderá ser um incentivo para estes visitarem o Algarve. Ainda num estado de maturação, a principal dificuldade para o início dum glamping é a falta de informação relativa á prática, legislação inexistente e inconsistência na definição do conceito. No caso do presente relatório as estruturas de alojamento utilizadas seriam os pods, que são estruturas de madeira, pelo que nem todos os praticantes de glamping o aceitariam como alojamento de glamping apesar de cumprir os principais requisitos para o glamping globalmente aceites que são: ser um tipo de alojamento único e estar localizado num lugar extraordinário. Apesar de não haver uma definição correta glamping é geralmente definido como experiência que combina todos os luxos de um hotel de 5 estrelas com a proximidade à natureza do camping. Sendo uma experiência deve ser única, autêntica e memorável pelo que no caso do plano de negócios apresentado neste trabalho iríamos oferecer diversos serviços extra aos nossos clientes de modo a personalizara sua experiência tanto quanto possível. Para além de haver dispersões na definição de glamping a sua novidade torna mais difícil o estudo de mercado pois a identificação da concorrência torna-se mais subjetiva. Para além da maior dificuldade da previsão da resposta do consumidor ao serviço fornecido.

Durante a escrita do plano de negócios a estudante apercebeu-se que para fazer um plano de negócios com sucesso planos muito gerais não funcionam, o negócio deve ser pensado ao mais pequeno detalhe. Para facilitar esta estruturação a ajuda dum consultor, para guiar o pensamento, pode ser uma mais valia.

Palavras chave: Estágio, Plano de Negócios, Neomarca, Glamping

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Initially I did not want to write a dedicatory or acknowledgements, because I felt that there were too many people I should thank and I was too afraid to acknowledge some and forget about others. But now that this journey has almost come to an end, I want to thank everyone who was a part of it. Not only my family and friends who always supported me but many people I didn't even know before starting this journey who became an important part of it as well.

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1.INTRODUCTION

This report is the result from the student's internship at Neomarca, which is a consultancy agency specialized in supporting SME's. Its aim was to understand more about consultancy agencies and business plans and how they can be assets to entrepreneurs. To fulfill these objectives the student wrote her own business plan (BP), which is part of this report and lead to the following conclusions. Regarding the BP, great debate exists in the literature about its usefulness which, according the student, is apparent and comes from its capacity to enhance the entrepreneurs knowledge about the product or service they want to sell, the market in which it resides (including clients, competitors and substitute products) and improvements which might be made to the product or service prior to its launch in the industry. A BP might be used to enhance internal operations through the organization of goals and objectives helping the entrepreneur to be more focused and better communicate his vision through the company. In addition to the internal improvements it might provide to the business the BP might be used to secure outside funding. It does not only demonstrate the legitimacy of the business to outside financiers but it helps them understand the management teams skills and mindset possibly inspiring confidence in the business as well.

The writing of a BP might have a high cost and hard work associated but consultancy agents might help to make it somewhat easier for the entrepreneur. They know the legislations and requirements to start up a business and they can easily help the entrepreneur focus through their expertise and know how. Their templates which provide the entrepreneur with the subjects to be focused on and additional information make the task faster, easier and goal oriented. Some consultancy agencies, such as for example Neomarca, focus on the securing of funding through European programs which many times require the writing of a BP. They organize and help collect all the necessary information for the entrepreneur to be able to fulfill all the requirements on time making them a great asset to the entrepreneur.

Through the elaboration of this BP the student verified that writing a BP involves different stages and requires a lot of thinking and in detail planning, general plans are not

enough and sometimes information which we would never consider might be essential to initiate a successful business or secure outside financing. A lot of research is required to initiate a thoughtful business which might be very limited especially if the market or concept is new. When a product or service to be offered is innovative the existing legislation might be incomplete or not adapted to the product. In addition to lacking legislations it might be more challenging to determine substitute products/ services and competitors turning the business idea more subjective, the inexistence of data might make it more difficult to prove feasibility or predict customer acceptance.

This report is organized into 4 main parts. First we have this introduction which provides the reader with some essential information about the internship and main conclusions. It is followed by the second section which is a small literature review regarding the business plans and the existing debate about its usefulness presenting both the positive and negative view. The third section is about the internship, it starts with a small introduction talking about the company and aims of the internship, followed by the business plan itself. The business plan starts with the business idea, followed by an analysis of the sector and key competitors. The SWOT analysis follows demonstrating the businesses strengths and weaknesses which helps determine the marketing mix. The marketing mix is followed by the conclusions of the economic and financial viability which conclude the work. Finally, the fourth section finishes this report by presenting the conclusion not only through key results but with an assessment about the internship as well.

2. LITERATURE REVIEW

2.1. Characteristics of the literature review in this internship report

At the beginning of an internship some prior knowledge is required which should be backed by a small literature review. This internship focuses on BPs, which will also be the focus of the literature review.

2.2. Negative / Neutral position regarding BP

2.2.1. Analysis of Bhide (1999) – Entrepreneurs versus Corporations

Bhide (1999) emphasizes the difference between the decision making process of an individual entrepreneur and a corporation, which resides partly on the different availability of resources. According to the author, the resources available for new product development in corporations are usually higher than the resources available to an individual entrepreneur, which leads to bigger investment opportunities for those corporations and consequently higher risk, considering that the entrepreneur will only invest the resources he has available. When the risk is higher, increasing possible losses, the need of planning becomes more apparent. This is one of the reasons why most corporations follow a rule based and well-structured research before investing since, unlike entrepreneurs, they have the resources available to wait and apply strategies for long-term profit. In contrast, according to Bhide (1999:25;106), the popular image of entrepreneurs is that of an “irrational, overconfident, risk-seeker”. Yet, the author believed that their lack of research and planning was many times based on a sound economic principal that in an environment with high uncertainty the benefits of research were low compared to their costs, especially for entrepreneurs. Bhide (1999) also claimed that previous experience is a critical component to diminish risk of inadequate research because it provides knowledge of critical market facts which might indicate viability, or not, of the product. Which leans on Bhide’s believe that most entrepreneurs replicated or modified an idea, encountered through previous employment or accident, instead of spending time researching. It should also be acknowledged that even with research it remains difficult to reduce immeasurable and unquantifiable risks.

Bhide's article relates to our study of the BP in the aspect that the author could not find any correlation between start-up success and extensive planning, thus his unspoken neutral position regarding the BP. Yet, higher complexity and investment requirements demand more planning, which in this case corresponds to the decision making by corporations, to whom the BP would consequently be more relevant.

2.2.2. Analyses of Karlsson and Honig (2009) - BP, a document to gain legitimacy

Karlsson et al (2009) cites the same examples as Bhide (1999) when trying to defy the value of the BP stating that many successful businesses did not write a BP referring as an example Bill Gates (Microsoft), Steve Jobs (Apple) and Michael Dell (Dell Technologies). Similarly, the authors are also in accordance with Bhide (1999) and make reference to resources as being a possible source of external pressure which might lead new ventures to conform to their environment, representing the writing of a BP in this case. In that respect, it is useful to recall that many new ventures write a BP with the purpose of securing outside financing. Karlsson et al (2009:41) believe that, unlike the predictions in the literature, banks and providers of external capital do not experience the BP as essential leading to the conclusion that "writing a business plan was only marginally important for the resource acquisition of the studied firms." In contrast, the authors consider the BP to be a "strategic tool in the acquisition of resources" because it might lead to offers of additional resources since it may be regarded as a symbolic act to gain legitimacy by businesses. Importantly, here the BP is considered to be a symbolic act because most businesses apply it loosely and do not spend time updating it over time. For this reason, Karlsson et al (2009) consider that the BP might be of high importance in the early stages to the entrepreneur, losing importance over time. In fact, according to the authors, the BP gains a mere symbolic function though making the business seem structured, well-planned and established to outside financiers gaining their trust and making the business appear more legitimate.

It is important to stress that Karlsson et al (2009) argue that the theory of loose coupling invalidates the theoretical reason to associate business planning with a positive performance because the absence of implementation and control challenges the assumption that written plans have a positive effect on internal coordination and control.

This invalidation is an example of how the link between business planning and (financial) performance has been studied but remains inconclusive, because of the discrepancy between the results of different studies in which some show positive relationship while others show a negative relationship or even a non-relationship.

At a different level, Karlsson et al (2009) highlight that the opportunity cost for writing a BP is very high. In particular, the authors consider writing it to be a waste of time, money and resources, all of which could be spend on more useful activities. In a similar vein, Chwolka and Raith (2012) highlights that planning costs are the only convincing argument against planning and they might be reduced by obtaining better planning skills, for example through training. The same argument is put forward by Botha and Robertson (2013).

Despite their skepticism, which Karlsson et al (2009) believe to be a natural response to non-proven theories, the authors believe that the BP might enhance the decision making process, lead to more commitment and enhance self-confidence when applied in a pre-startup phase instead of when the business is already starting up as was the case in this study. This view is supported by Chwolka et al (2012:388) when stating that “Since business planning helps to substantiate the consequences of action, it is natural to place the decision to plan before the decision to initiate the start-up.”

2.3. Positive position regarding BPs

Now that we have studied some of the more neutral positions regarding the BP we will advance to the more positive side. In particular, below we review the articles by Botha et al (2013), Ashmalla, Orife and Abel (2008), Gruber (2007), Delmar and Shane (2003), Hormozi, Sutton, McMinn and Lucio (2002) and Orser, Hogarth-Scott and Riding (2000). Even though describing an overall positive influence of the BP, each paper focuses on different aspects in which a BP could be useful. For instance, Orser et al (2000) looks at the importance of a BP for businesses with growth prospects while Delmar et al (2003) studies the effect of the BP regarding new venture disbanding, with both studies determining that the BP contributed to the business success.

Despite the differences between the reviewed studies, one might conclude that most defenders of the BP agree that it not only serves to gain legitimacy and or external funding, as backed by Karlsson et al (2009), but that it might help to improve internal operations or serve as a tool to reduce risk. This is the case of Botha et al (2013), Ashmalla et al (2008) and Hormozi et al (2002). This last paper actually goes a bit further and suggests the BP could be used as a tool to organize goals and objectives into a coherent format, which helps to stay focused, to define the business and operate it on paper identifying potential problem areas in the process without suffering the real world consequences. A similar idea is put forward by Chwolka et al (2012), who claim that the value of planning might be associated with the entrepreneurs' possibility of learning more about the consequences of alternative actions before making a next move, making the BP a faster and more efficient method to make decisions than the trial-and-error method. Delmar et al (2003) also defend that a BP might help to communicate goals and serve as a benchmark as it helps to determine if the business is operating according plans and if not identify the deviations and find solutions.

Many of the opponents of the BP state that the writing of a BP leads to high opportunity costs, related with the time spent by the entrepreneur. Yet, according Hormozi et al (2002: 756), "The opportunity for learning that writing your own business plan provides is worth the time spent on its development." Further, Botha et al (2013) state that the benefits of planning before taking action exceeds the opportunity costs. To this point, Gruber (2007) believes that if the entrepreneur is an efficient (i.e., focused) planner, planning can have a positive effect on venture performance, which varies systematically according to the activities pursued and time invested, even in highly dynamic environments. According to this author, an efficient planner knows exactly what to plan to achieve his required outcomes and is able to make trade-off decisions between various activities in the planning process. This notion leads to an area that requires further study, as recognized by various authors. For instance, Orser et al (2000) recognize the need to study in what degree the characteristics of the BP matter while Delmar et al (2003) question if the benefits of the BP are generated by the planning process itself or if they derive from the quality of the actual plans. Some evidence about this question was uncovered by Ashmalla et al (2008:386), who conclude that "the process of preparing a business plan can improve the human action of the entrepreneurial team, a thing that could

be assuring to venture capitalists”. In their context, a BP might be used by venture capitalists to understand and appreciate the mindset of the management team instead of evaluating the business projection, since they acknowledge that the BP might not be followed.

Ashmalla et al (2008) also provide arguments in favor of the role of the BP in obtaining external funding. In particular, the authors show that the BP is perceived to be relevant, necessary and is still used by venture capitalists even in fast paced environments. According the authors, over 98% of venture capitalists they surveyed consider the BP to play an important or somewhat important role. Further, 99% of the surveyed venture capitalists state that they read or at least skim the BP and believe that it is somewhat indicative of the current functioning and future prospects of the company. Hormozi et al (2002) also emphasizes the usefulness of the BP when stating that even though it might not guarantee success planning, the BP, is likely to reduce the odds of failure. Finally, Brinckmann, Grichnik and Kapsa (2010) highlight that this document can be valuable to a business in the sense that it responds to internal and external pressures of commitment and legitimization helping the firm to communicate goals, strategies and operational tasks and asses viability of the business and attractiveness of economic exchange.

2.4. Summary and conclusions about the value of BP

In sum, and to end this literature review the student wants to cite Barrow et al (2008) reminding that “The future is impossible to predict with great accuracy, but it is possible to anticipate likely outcomes and be prepared to deal with events by building in a margin of safety.” transforming the BP in a useful tool because even though it might not guarantee success the planning it involves is likely to reduce the odds of failure. The main disadvantage associated with the BP is the high opportunity costs associated to its writing which can be reduced by obtaining better planning skills. Some authors believe these costs to be especially high compared to its advantages in an environment with high uncertainty because of the difficulty to reduce immeasurable and unquantifiable risks. Another argument frequently used against the usefulness of the BP is the notion that many successful businesses did not write one. Yet the defenders of the BP believe it to have different uses, not only to gain legitimacy and or external funding. It might be used as a

tool to reduce risk and to improve internal operations for example. Because it can be used as a tool to organize goals and objectives into a coherent format, which helps to stay focused and communicate them through the company, and to define the business and operate it on paper identifying potential problem areas in the process without suffering the real world consequences. The BP might be used as benchmark as well helping to identify if the business is operating according plans and identify deviations and solutions. Regardless of its many uses, its main objective remains the obtaining of external funding. Regarding this objective some authors believe that the BP is only marginally important for the resource acquisition whilst others find it a “strategic tool in the acquisition of resources” because it might lead to offers of additional resources due to the legitimacy it provides the business and the understanding and appreciation it might invoke in venture capitalists regarding the management teams mindset. It makes the business seem more structured, well-planned and established enhancing the entrepreneur’s decision making process, commitment and self-confidence. These characteristics are more apparent in the early stages because many entrepreneurs do not update the BP over time. There still remain many questions about the usefulness of the BP especially regarding the correlation between start-up success and extensive planning. The link between business planning and (financial) performance has been studied but remains inconclusive as well, because of the discrepancy between the results of different studies in which some show positive relationship while others show a negative relationship or even a non-relationship. And finally the degree in which the benefits of the BP are generated by the planning process itself or if they derive from the quality of the actual plans.

3. THE INTERNSHIP

3.1. Introduction

The purpose of this internship is not only to obtain a master's degree in Management, but mainly to understand more about consultancy agencies, how they can be an asset to entrepreneurs and what activities they engage in as well as learning how a (successful) BP is elaborated. The next sections summarize how a fictional BP was prepared using the approach put in place by the firms where the internship was undertaken.

3.1.1. Neomarca

The student developed her internship at Neomarca, a consultancy firm specialized in supporting SMEs, present in the market since 1995. Determined to create value for its clients, they propose a global offering of innovative services to support the development of entrepreneurial projects. Their services focus on consulting for project financing; corporate strategy; marketing and international consultancy and human resources. Neomarca has accumulated significant and qualified experience as a result of the hundreds of projects carried out for companies in such diverse sectors as tourism, technology, hotels, logistics, industry and agri-food. They have different partnerships and protocols with different universities, with CRIA - the Entrepreneurship and Technology Transference Division from the University of the Algarve - being one of them.

3.2. The BP

3.2.1 Executive summary

The family business “Bem Bom Glamping”, created in 2019, aims to start a specialized type of accommodation designed to serve nature tourists. The project is to be developed in Mesquita Alta. It aims at boosting customer satisfaction, help local businesses and fight seasonality by taking advantage of the Algarve's environment.

The project is a Glamping project, which is the perfect combination of a 5-star hotel glamour and the natural feeling of camping. It revolves around 8 pods that require an initial investment of 124 111€ (without VAT) and is the dream of Valerie Spitaels, a master student in management (specialized in Tourism) and her parents, the proud owners of the Bed and Breakfast Bem Bom. In addition to the basic requirements for a glamping (e.g., comfortable sleeping facilities, kitchen and bathroom, etc.) different specialized services are to be provided in order to create a memorable, distinct, authentic and personalized experience for each glamper.

According to the Feasibility study developed during the writing of this document, the project yields a positive Net Present Value (NPV) of 1 181 963€ and has a return on investment period (PRI) of 1 year and 6 months.

3.2.2. The broad business idea

The present BP for the Bem Bom glamping is part of the final master work of Valerie Spitaels to obtain a degree in management. The first step was deciding about the market for the business. Tourism was an appropriate choice because of the previous experience of Valerie in the area since she has already participated in launching a successful bed and breakfast (B&B). Named Bem Bom, this B&B is important in the development of the new business idea since it provides resources and clients, which might be shared by both establishments decreasing the costs of this new project and increasing its chances of success. Also, the desire to contribute to some type of innovation in the tourism area, which might help tackle the problem of seasonality suffered by the Algarve, was paramount when deciding to do a glamping project. In effect, costumers looking for this type of product are very different from the typical tourist flying to the Algarve because of its lovely sandy beaches. In fact, this type of tourist tends to travel all-year round, especially in the spring from March to May (Simões, 2018).

In the following sections the tourism in the Algarve will be further described demonstrating its relevance for the region and why it would be a good market for a new business.

Tourism in Portugal and the Algarve

According to the World Travel and Tourism Council (WTTC) tourism is the world's largest industry. In Portugal, the importance of the tourism sector has been constantly increasing since 1950, especially in years which registered economic growth. In 2018, the main economic results reinforce the importance of tourism for the Portuguese economy, with its revenues accounting for 13,7% on gross domestic product (GDP), 18,6% on global exports and 51,5% on services (Turismo de Portugal, 2019).

Since 2016 Portugal has occupied the 14th position, according to the World Economic Forum, as most competitive touristic destination with the accommodation and the catering sector accounting for 6,1% of the economy's total employment (Turismo de Portugal, I.P (2016)). In addition to the recognition as 14th most competitive touristic destination, Portugal has been nominated and won different World Travel Awards, including World's Leading Destination in 2017 and 2018, recognizing the excellence of its tourism industry.

Even though the number of overnights from the top five source markets has decreased by 5,8% from 2017 to 2018, tourism revenues have increased 11,4% in the same period in 2017, up to €12,9 billion. Special emphasis to the revenues generated by tourists from Belgium, our main target market, with 15,3% increase of revenue according to Turismo de Portugal (2018). Furthermore, the same source shows that tourists from the Netherlands, i.e., another of our targets, occupy the 5th position in foreign tourist visiting Portugal (5,7% of total). Historically and also in 2018, the main source market according to growth is the UK (with 22,3%), followed by Germany (13,5%) and Spain (9,8%). The impact of seasonality varies according to source market. Comparing the Netherlands (34,8%) to the UK (36,8%), which is the source market with highest growing rates, we might conclude that the Netherlands is less influenced by seasonality than others (Turismo de Portugal, 2017), and this may be the case because tourists from such a country might be more prone to visiting our glamping in different times of the year.

The Algarve occupies the 1st position in the national ranking regarding overnights: 15,8 million in 2018 (Turismo de Portugal, 2018), generating a combined revenue of

€939,8million (4.1% increase vis-à-vis 2017). Importantly, the North American and Canadian markets grew their overnights in the Algarve by 27,4% and 18,1% consecutively since 2017. Conversely, the Algarve lost many UK (-11,3%) and German (-6,2%) tourist in 2018 comparing with 2017 (Turismo de Portugal, 2018). Regarding our markets of interest the official statistics show that the overnights from Belgium have decreased only 1% and the Netherlands by 16,3%. The average stay of foreign tourists in the Algarve is 4,8 nights (Turismo de Portugal, 2018) and they spend an average of 143€ per day, of which 36% is spent on accommodation, 21% in transport and 43% on other expenses (Turismo do Algarve, 2016). Most foreign tourist arrive by air using low cost carriers so that they can spend more on accommodation and other expenses, something that may positively influence our glamping revenues.

3.2.3. The business idea in more detail: Glamping

Glamping is known as camping with glamour, relating the comfort of a 5-star hotel with the closeness to nature present in regular camping. Regardless of the inexistence of a definition there are some key words that are closely related to glamping both by suppliers and glampers, such as luxury, nature and quality (of services and products) (Henriques, 2016; Rebôcho, 2016; Cerović, 2014 and Sakáčová, 2013).

The glamping experience should be memorable, distinct, authentic and personalized usually taking place in non-traditional accommodations located in extraordinary places. It is a new trend, still in a maturing state and represents an alternative to traditional camping which is stagnating (Henriques, 2016; Rebôcho, 2016 and Sakáčová, 2013).

3.2.3.1. *Glamping in the Algarve*

Glamping in Portugal remains unexplored and requires normalization and regulation (Henriques, 2016). Yet, as a general rule, the glamping experience varies from continent to continent. Each region adapts it to its climate, landscape and culture. So, it is important to customize the projected glamping experience to the characteristics of the Algarve. This region has a surface of 5000 km² (Brito, 2009) and is the southernmost region of Portugal. From North to South it might be divided into Mountain, *Barrocal* and



Coastline, as we can see in figure 3.1 presented below.

Figure.3.1. Map representing the division of the Algarve from North to South adapted from:

<http://algarvewaterfrontapartment.com/images/Algarve%20op%20maat%203.jpg>

The region might be divided into sub-regions from East to West as well. Windward and Leeward are the most commonly defined whilst others consider a third sub-region, Center, as represented in figure 3.2. (Simões, 2018 and Dionísio, 2011)



Figure.3.2. Map representing the division of the Algarve from East to West adapted from: <http://www.arsalgarve.min-saude.pt/observatorio-regional-de-saude/perfis-de-saude/perfis-de-saude-local/>

The Algarve’s climate is a combination of Mediterranean and dry tropical, which leads to its warm and dry summers and cold and humid winters. The broad spectrum of rainfall and temperature conditions lead to the existence of a diversity of species of fauna and flora, some of which are “unique” to the region such as the gum rockrose (estevas), mongoose (saca-rabos) and the rare iberian lynx (lince ibérico) (Simões, 2018). These rare species lead to the creation of different protected areas and projects (around 38% of the Algarve is granted conservation status). In particular, some examples of protected areas in the Algarve that are worth visiting are the Ria Formosa Natural Park, the Vicentine Coast Natural Park, the Castro Marim Sapal and Vila Real de Santo António Nature Reserve (Simões, 2018). All these natural reserves and protected areas make the Algarve the perfect destination for nature enthusiasts to visit.

3.2.3.2. *Our Glamping site*

The glamping would be located in Mesquita Alta, which is a parish of São Brás de Alportel and thus located in the Barrocal Center region. It is a very quiet, almost isolated, parish located around 5km from the center of São Brás de Alportel, the closest location where you can shop for groceries. A car or some other type of transportation is needed since most of the interesting viewpoints are somewhat distant (e.g., the bengado mill (600m), Milreu Roman Remains in Estói (12Km) and Pego do Inferno (16Km)). The

nearest airport, Faro Airport, is 23Km away and even though it is possible to see the sea from the glamping site the closest beaches, Faro and Tavira, are around 20Km away.

The site has 0,773000ha on which 8 pods are to be installed. This is important, since according Henriques (2016), to be considered a glamping accommodation, the establishment should be constituted by tent materials making the most common types of glamping: tipis, yurts, safari tents, domes, bell tents and tents (which represent all the remaining types of tents). For this project pods, which are wooden structures, are chosen as main accommodation because of their quality and durability - which would prove more viable in the long run - combined with their coziness and provision of a unique experience, especially when bundled with the perfect location and extra services.

It is located on the top of a hill with a beautiful 360° view over mountain tops and some places where the sea is visible. Each pod has its own bathroom and kitchenette to ensure privacy. In addition to the pods, the site already has a building which would be used as gathering area for the glampers, equipped with comfortable seats, a small reading corner, a TV and touristic information (pamphlets, books and maps). To provide the real going back to nature experience the pods would not have access to the internet. Instead, if the glampers would want to go online, they could gather in the main building where free WIFI would be available to everyone. The main building will have an honesty bar available, with different drinks ranging from water to coffee and snacks, including potato chips and ice creams, which the glampers might take according to their own desires. Importantly, the main building has a fully equipped kitchen that can be used by those glampers who like to cook their own meals but find the kitchenette or the sun cooker too challenging.

On site there will be a swimming pool with terrace, which is another perfect gathering area. To ensure all glampers privacy, all pods will be installed with enough space between them and with their own outside sitting area, not too close to the swimming pool to minimize noises and maximize everyone's happiness. To increase the contact with nature there will be a little tea garden where we will have different plants such as verbena (Bella Luísa), Mint and Lemon Balm (cidreira) that glampers might use to make natural teas.

The qualities of our products and customers satisfaction are key factors for us. For this reason we offer extra services such as breakfast baskets, laundry services, massages, taxi services and help to plan the perfect Algarve experience according the glampers specific needs and requirements. Our breakfast service is included in the room price and would be offered by the B&B Bem Bom. The baskets would be filled in the B&B and every morning transported to the glamping. This method requires less staff in the glamping and the costs would be included in the costs of the B&B, for which some extra groceries such as cheese and ham would not make a big difference. The laundry service would be available but not specially promoted - presenting a mere extra service we provide for which we do not expect to add any costs to the glamper - and similarly to the breakfast baskets it would be transported to the B&B where it would be washed together with the normal laundry of that day. The taxi service provided as well as help with hiring a car are services we provide through other companies.

3.2.3.3. Organization of the business

From experience we know that individuals form emotional bonds to places by developing relationships over time with particular settings. These attachments can be formed between people and environments, homes, objects, landscapes, neighborhoods, towns, and cities (Silva and Correia, 2016). For this reason, we try to transmit to our glampers the feeling of familiarity in an extraordinary setting which provides the perfect opportunity to escape from their everyday life and bond with their relatives, partner, family or friends. In fact, the glamping is a family business and it is our aim to transmit this feeling to our guests as well. Because it represents a family business the aim is to employ as less non-family members as possible. In practice, given the business's small initial scale, most staff is a family member with the exception of one housekeeper, who would be hired specifically to help out with the glamping project. Additional staff might be hired in the summer or in special occasions that experience higher-than-usual demand (using short-term contracts). In the longer-term and conditional on the development of the business, more permanent staff could be hired if that is reasonable in a cost to reward perspective.

This leads us to our organizational chart, depicted in figure 3.3. below:

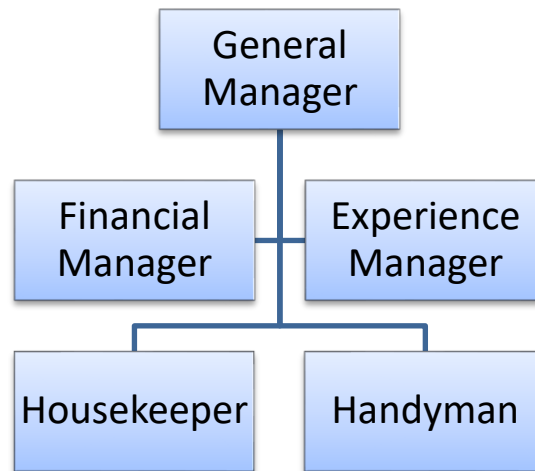


Figure 3.3. Organizational chart, own creation

The main activities of each department/service/position are as follows:

General Manager: interaction with guests, answering questions about the establishment and providing the contact of the experience manager for questions relating to events and activities in the area. He/she organizes the calendars and helps the experience manager with marketing and customer loyalty. The general manager also maintains contacts with suppliers, for food, beverages and other external services.

Financial Manager: keeps track of the financial situation of the business. Receives payments from customers and pays suppliers and employees.

Experience Manager: helps the clients with everything they might need for their stay. Contacts entertainment businesses, restaurants and other service providers required to fulfill the guests' vacation wishes and establish contacts for and with them.

Housekeeper: Maintain the pods and main building according to our hygiene and cleanness standards.

Handyman: Solves technical problems, maintains the inside and outside of the building and pods and takes care of the pool and the garden.

3.2.4. Segmentation of demand

3.2.4.1. Expected client profile

There are two types of glampers (Sakáčová, 2013): resort and caravan glampers. Our aim is to install a glamping “resort” which is not of interest to caravan glampers because they use their personalized caravans and require different services than those that we aim to provide. As such, resort glampers is our target segment and, thus, from now onwards, we will refer to them when using the term “glampers”. Importantly, glamping attracts three types of people (Sakáčová, 2013). First, those who are attracted by natural beauty and look for comfort; second, the adventurous types, who seeks self-actualization; and third, those who look for pure relaxation and family bonding. Furthermore, according to Sakáčová (2013), the global motivations for glampers might be categorized as recreation, well-being, escapism (i.e., the need to escape from everyday life) and family bonding. Moreover, inside these broad concepts we have some targeted motivations for glampers such as: high “quality and variety of food and drinks”, “privacy”, “activities”, “memorable experiences”, “eco-friendliness”, “relaxation and rest”, a “closeness to nature”, “beautiful places” and being “healthy”. Landscape, nature, experience, inspiring and privacy are important to glampers such as some concepts who were not yet considered: architecture, glamour, class, hospitality, cozy and recycling. Although different types of glampers will value different aspects of their experience, almost all practice a nature tourism, which is a type of alternative tourism that privileges contact with nature and values personalized services and contact with locals and culture being usually practiced in a small scale (Santos, 2018).

Our glamping fits in well with this type of tourist since it designed to help clients make the most of their experience in the Algarve, providing local information that tourists may not have. For example, good local restaurants to eat, hidden gems that are not yet well-known tourist destinations but are worth a visit and tips on how to engage with the locals. The information we provide to each glamper will be different according their desires and needs and thus becomes a personalized service. Moreover, the glamping is small-scale (8 pods only), which gives us the possibility to interact with our customers and helping them to live their personalized Algarve experience, making their experience unique and providing a feeling of exclusivity. What is more, in what regards contact with

nature, by definition, our glamping offers a high degree of closeness to nature. This might be intensified with the help of activities such as walking, cycling, bird watching, horsemanship, canoeing, dolphin watching and scuba diving, all of which are readily available in the municipalities of Loulé, Faro, Albufeira and Vila do Bispo (Simões, 2018).

Given the above, our target segments are nature tourists and tourist who like to get involved with locals and discover the country. We would target both couples and families with children, with a special emphasis on previous clients of the B&B Bem Bom. Dutch speaking tourist from Belgium and the Netherlands, German and British nationals would probably sum up the majority of our gamplers since Simões (2018) shows that these make up most of the nature tourism outbound market.

3.2.4.2. Trends that might influence demand

Changes in demographics might influence tourism regarding *“types of tourists that will travel, where they originate from, where they travel to, the types of accommodation they require and the activities they engage in”* (European Travel Commission (ETC), 2010:1). The main trends that will influence tourism - might influence glamping - are: ageing population, traveling parties of three generations, the increasing importance of experiences and their intensity, growing interest in nature tourism and increasing sense of adventure seeking. (ETC, 2010) The next paragraphs examine each in more detail.

The ageing of the population is noticed in many developed countries, which will result in an increase in older tourists, many of which with minor disabilities (such as difficulties climbing stairs). This will require both the accommodation and the transport sectors to adapt, namely in what concerns the design of operations and staff training (Mendes, Guerreiro and Silva 2010). Furthermore, in the future, travel parties may be comprised by a greater variety of generations. For instance, it is conceivable that whole families - including grandparents or even great grandparents - start traveling together, which will require more flexible accommodation with the possibility to adapt rooms to the needs of three generations. Generally speaking, the ageing of the population will force

tourism to adapt and provide a more varied offer, not only regarding accommodation but experiences as well.

The notion of “value for time” increases the importance of experiences. This may result in tourists displaying a greater willingness to try new things and an increasing sense of adventure seeking. Further, tourists may start preferring shorter holidays that are more experience-intensive. All of these issues may result a “fragmentation of tastes”, that may question the standard of a unique experience being the selling point of any given holiday, which is especially true for tourism coming from developed countries (ETC, 2010). In this context, the requirement of outrageous experiences (Correia and Kozak, 2012) can be noted by the growing desire of tourists to visit unique locations where a range of emotional experiences might be lived (Santos, 2018), which is the essence of the real glamping experience.

Finally, another trend that might influence glamping is the increase in environmental awareness and the search of rural tourism experiences that provide a change in scene and pace (Mendes et al, 2010). The strong appeal of tourism products that offer a “back to nature” element and contact with locals positively influence the glamping experience as well as the growing interest in hiking by different markets, especially the Netherlands and Belgium (Simões, 2018).

3.2.5. Competitor analysis

As stated previously, the glamping experience is still a new trend in maturing state, regulation is still not established and the concept has not yet been well defined. For this reason, requirements for setting up a glamping are inexistent, which makes identifying competitors a difficult process.

For instance, using the activity code (CAE in Portuguese) for this purpose, which is popular method, proves to be troublesome in our context since there is no specific CAE for glampings. In effect, some businesses use CAE 55300 – Camping and caravan parks but others resort to others according to the additional activities they provide. Given these caveats, this project identifies the competitors through a search on different websites.

Some are pretty general - such as Booking and Tripadvisor – while others are glamping specific - glamping.com and glamping hub. Once a business is identified as been a possible glamping, a manual search is done to uncover the facilities and services it offers so that one can understand to what extent it may be a competitor of our project. This allowed us to build a general profile of the potential competitors and find a few examples that illustrate what our glamping is up against.

3.2.5.1 Profiling possible competitors

The business of glamping is, in many ways, similar to that of a local tourism. Yet, it always combines a different type of accommodation with all the luxury present in a 5-star hotel room. Furthermore, it is important to provide all the basic facilities that your glamer needs to sleep comfortably and make dinner and a bathroom is a must. According to these characteristics, our competitors can be identified as follows:

. Direct competitors: other glampings and campings offering glamping facilities, especially if they are localized in the Algarve region or in Portugal and offer similar experiences (through location, facilities and type of glamping) to ours. If they target Dutch and Belgian tourist their competitiveness increases. The same applies if they have a strong on-line presence or exist for a longer time (because they might already have a customer base formed).

. Indirect competitors: rural and local accommodations located in the area of Mesquita Alta if they offer similar facilities and services to ours.

Examples of direct competitors

Our main competitor is Casa Tuia. This is a specialized glamping facility with a less than optimal on-line presence even though they are easily found on Booking on which they have a good average score (9,5 out of 38 reviews). Yet, Casa Tuia cannot be found on official glamping websites. They are located in the Algarve as well, in Carvoeiro, and target Dutch speaking customers. They offer all the necessary facilities in their safari tents such as a fully equipped kitchen and a private bathroom with washbasin, toilet and shower. The extras that they offer are similar to ours, such as a swimming pool, WIFI,

breakfast and a “dolce gusto” coffee machine in each tent. They also offer free activities, bar and fans.

Lima Escape is also a direct competitor. Yet, this is a small camping with glamping facilities, which is not located in the Algarve and does not target the same customers as we do. They have a strong online presence both on general (appearing second in a Tripadvisor search, with 4 points out of 54 reviews) and specialized glamping websites. They offer bungalows (quite similar to our pods), equipped with kitchenette and private bathroom. There is a reception, a bar with free WIFI and costumers can enjoy different activities (walking, BTT, jeep tours, etc.) for an additional price.

Another competitor is Aterra, a small glamping with a strong online presence. In fact, similarly to Lima Escape, they appear on specialized glamping websites and have an average of 4,5 points out of 49 reviews on Tripadvisor. They are located near the Costa Vincentina, which is a privileged location for pedestrians but do not target Dutch speaking customers. Their facilities include a reception area and some – but not all - of their tents have private bathrooms. They offer package deals, which include different types of experiences to target different customer segments, including nature tourists.

One of the most well known glampings in Portugal is Natura Glamping, with a strong online presence on Booking and Tripadvisor (average score of 8,3 out of 507 reviews and 4,5 out of 136 reviews, respectively). Interestingly enough, they do not appear on specialized glamping websites. They have a supreme location in Serra da Gardunha, in the North of Portugal, and do not target Dutch speaking tourists. They offer WIFI, a bar and different activities to their customers and although their domes seem of humble status they do provide an unique experience.

The last competitor worth mentioning is Parque Orbitur, which is a big camping chain present all over the country, with 4 sites in the Algarve as well. They offer loyalty programs to their campers, which in addition to their strong online presence, provides them with a consistent customer base. Their camping has a reception, toilet block, swimming pool and a bar. Some of their bungalows have a kitchen and bathroom. To add extra value they offer payed activities and WIFI.

3.2.6. Strategy and objectives

Now that we identified our competitors we will analyze our company internally and externally through a strengths, weaknesses, opportunities and threats (SWOT) analysis. This will help highlight key aspects that allow management to establish priorities for action so as to increase the businesses competitiveness. Furthermore, a SWOT analysis also helps determine the businesses position in the market regarding its performance according their strengths and weaknesses.

3.2.6.1 Internal Analysis

Strenghts:

- Experience in running a Tourism accommodation.
- Recognizable name, associated to our B&B Bem Bom, which might inspire confidence in our future glampers regarding quality of the service.
- Intensive training of the staff to ensure professionalism.
- Diversified staff with complementing characteristics.
- Using the B&Bs services to boost the glamping.
- Durability of the pods which reduce costs and provide a better appearance in the long run comparing to other glamping accommodation options.
- Well established maintenance plan.

Weaknesses:

- Inexperience running a glamping.
- The need to hire inexperienced personnel in high season which require a short, high intensive training to achieve our standards.
- Location of the glamping which is isolated and requires the glamper to acquire their own transport method because of lack of public transportation in the area.
- Use of pods as glamping accommodation which might not be recognized as glamping by everyone because it is not constituted by tent materials.

- Low emphasis on the natural aspects of glamping such as recycling, composting, biologic food, etc.
- High level of outsourcing, regarding provided activities for example, leading to dependence of other service providers

3.2.6.2 External Analysis

Opportunities:

- Algarve is an alternative destination to insecure or political and economically instable countries such as Marroco, Tunísia, Egypt, etc.
- Events that occur in Portugal that might be of interest, such as music festivals.
- Many low cost carriers operate out of the Algarve.
- The growing interest in Nature Tourism.
- The growing importance of living an emotional and extraordinary experience.
- Recognition of glamping as a unique experience.

Threats:

- Increasing competition from other destinations such as Turkey.
- Saturation of the tourism activity in the Algarve.
- The economic cycle of Portugal and that of the countries where tourist are from.
- The newness of the glamping activity.
- Aging population which lead to the increase in tourists with minor disabilities who might be less prone to engage in the glamping activity.
- The increase in tourist parties of three or more generations for which the pods might be considered not adapted.

3.2.6.3 Dynamic analysis

Strengths vs. Opportunities Strategy:

- Ensure professionalism through trained staff and continually promote and assure the quality of the Bem Bom brand through cleanness and maintenance of the site.

- Inform people who follow our social media about interesting events that occur in the region.
- Educate people about the glamping activity through social media and our website.

Strengths vs. Threats Strategy

- Ensure a good brand image, quality and customer base in order to attract tourists even if the Algarve is not their primary choice as destination, the transportation costs are too high or they do not wish to spend their money on holidays due to their economic situation.
- Stimulate the tourists interest in the glamping activity ensuring a unique experience to those who dare to try it.
- Ensure a superior level of cleanness and maintenance of the pods in their original state.
- Demonstrate a willingness to adapt the facility and services to aging tourists and parties of three generations helping the tourists to fully enjoy each other's company.

Weaknesses vs. Opportunities Strategy:

- Mitigate our inexperience in running a glamping through our experience in the Tourism sector.
- Establish an intensive short training for our staff in order to cope with the necessity of hiring inexperienced personnel during our high season.
- Mitigate the negative aspects of our glamping location providing excellent services and keeping our facilities in perfect condition.

3.2.8. Vision, mission and objectives

Given all the above information, it is now possible to establish our Mission, vision and objectives and identify the critical success factors of the project. In particular:

. Mission: provide a unique experience to all our customers and revolutionize the Algarve’s hospitality offer through a specialized accommodation for nature tourists.

. Vision: create an accommodation which is recognized internationally for its quality and customer satisfaction.

. Objective: to be able to have 100% of occupancy by the 3rd high season (1st June – 1st September of 2021)

Critical success factors: location and good maintenance of facilities, hygiene, staff professionalism, glampers privacy, friendliness and safety.

3.2.7. Investment Plan

To start this activity it is necessary to invest in the pods and all the extra features associated, from beddings to electric equipment. In addition, a new website must be designed and money has to be spent on advertisements on well-known tourism and glamping websites. It should be noted that the terrain and the common area do already exist and do not represent extra costs nor require investment. Table 3.1, presented below, summarizes the investment’s needs:

Table 3.1 Investment Plan

Action	Objective
Acquisition of the Pods	Initiate the activity by acquiring the accommodations and decorate them according to our image
Website	- Create a website through which clients might contact us directly

	<ul style="list-style-type: none"> - Optimize the websites' mobile version for Smartphone and tablet, Android and IOS - Optimize search engines through SEO (Search Engine Optimization)
Online advertisements	<p>Let the public know about our glamping making them aware of our brand:</p> <ul style="list-style-type: none"> - Booking and tripadvisor (to captivate the public in general) - Official glamping websites, glamping hub and glamping.com (to target glampers specifically) - Belgian and Dutch tourists in foreign countries websites (to target Dutch speaking tourists)

Source: own creation

3.2.8. Marketing Mix

We now use the 4P's of the Marketing Mix (product, price, placement and promotion) to define and describe our service, present our price strategy, placement and promotion.

3.2.8.1 Product/ Service

We offer the real glamping experience with emphasis on the concept of glamour in order to provide the best quality service to our customers. In particular, we try to differentiate ourselves from our competitors through the bond we aim to establish with our glampers demonstrating that they are our main concern so that the Bem Bom name is associated with quality. We add value through our personalized services, which range from the carefully prepared breakfast baskets to the personalized Algarve experience and

tourism information. Our glampers might benefit from our laundry service as well and, to feel especially pampered, we have a massage therapist at their disposal (at an extra cost). These services require a high level of adaptability and professionalism from the staff, which we combine with familiarity. This helps creating a sense on the glamper that he/she is part of the family, which is often a reason for customers to return to the glamping.

3.2.8.2 Price

Prices (without VAT) for the reference year (2024) are depicted in Table 3.2. below:

Table 3.2 Price List

Season (time period)	Price Pod/night	Price Pod/Week	Minimum Stay
High Season (June – July)	130€	810€	3 nights
Mid Season (March – May, September)	115€	705€	2 nights
Low Season (October – February)	100€	600€	2 nights

Source: own creation

The pods accommodate two glampers but are suitable for up to 3 adults or 2 adults and 2 children. For every additional adult we charge an extra 20€/night and 10€/night for every child. All our prices include breakfast.

The accommodation can be paid in advance or on site (in cash or with credit card) if provided an advanced payment. Cancellation can be done free of charge until one week before arrival. Canceling less than one week before arrival is possible but the advanced payment will not be returned as compensation for the possible loss we might incur.

Compared to regular camping's our site might be considered expensive but this might be justified by the uniqueness of the experience we provide and the extra glamour we add to our pods. Moreover, our prices are similar to those of our competitors and we can justify the suggested prices with the notion that many people associate higher prices to status. Our prices are thus set according our competitors' prices and the costs we have with every pod in order to be competitive without incurring in losses.

3.2.8.3 Place

As stated previously the glamping would be located in Mesquita Alta. This location might not be ideal since it requires the use of a car or other transport method, but it adds value to a resting terrain that already has some essential facilities we might use for our glamping thus reducing the costs one would have to incur in another location. More importantly, the site has a beautiful view and provides privacy, which seems essential to glampers.

3.2.8.4 Promotion

Sakáčová (2013) supports the existence of different types of glampings, based on their accommodations, and states that their promotion should be adapted accordingly. Official statistics (Turismo do Algarve, 2016) shows that around 61% of tourists who visited the Algarve in 2016 booked their accommodation online, especially through booking (up to 51% of traditional tourists). Because our glamping is relatively small and we know tourists organize their vacation online, from home, we decided to invest mostly regarding marketing on our online presence. In particular, we aim to create a dedicated website through which interested glampers could contact us for more information or to make their reservation. Social media would be important to build a customer base as well and build trust in potential customers, especially through Facebook and Instagram. The

optimization of our search would be important as well for glampers to easily find our website or Facebook. To help with this we would advertise on popular tourism websites such as Booking and Tripadvisor, and official glamping websites such as glamping hub and glamping.com. Furthermore, since we focus on Dutch speaking Belgians and Dutch tourists, we would advertise on websites who target these particular segments such as: Bij Belgen and Vlamingen in Portugal. To take full advantage of the Bem Bom brand we would advertise the glamping on our B&Bs Facebook page and Instagram as well for our previous clients to be aware of this new type of accommodation which they might be prone to visit.

3.2.9. Economic and financial viability

To determine if this project is economically and financially viable a feasibility study was conducted from which the main information will be depicted below. The relevant information is summarized according to the following points:

1. Summary of project outputs: executive summary of expected results for the coming years;

2. Investment and financing plan: portrays the investments in tangible and intangible fixed assets required to carry out the activities envisaged in the project. The financing statement identifies the various sources of financing that will be used, identifying the use of own capital as well as the incentives to which the project will apply;

3. Operating plan: shows the expected evolution of the company's annual income and expenses, detailing the value of services rendered, supplies and external services, personnel expenses, depreciation and amortization. The statements of income, statements of cash flows and projected balance sheets of the project are presented.

4. Project evaluation: from the forecasted results the evaluation of the project's feasibility is carried out, having as main criteria the current net value (NPV), the internal rate of return (IRR) and the investment recovery period (PRI).

Annex 1 reports the actual output of the software used during the internship to run the feasibility study of the project at hand. Hence, the next pages simply highlight the most relevant aspect of the analysis and emphasize many lessons learned by the trainee during her experience at Neomarca.

3.2.9.1. Summary of project outputs

This project requires an investment of 124 111 euros (€) without VAT, which would occur from April 2019 until June 2021 and with operations starting July 2019. The operations are expected to run normally by 2024 which we considered to be our reference year. The financing of this project would be 100% through equity capital. The turnover is expected to grow from 112.580€ in 2020 to 235.445€ in 2025 whilst the operating costs would remain between 55.284€ in 2020 and 59.742€ in 2025. Regarding the Earnings before Interest, Taxes, Depreciation and Amortization (EBITDA) it is expected to increase from 57.296€ in 2020 to 175.703€ in 2025.

Given our assumptions and evaluation scenario, the project turns an overall positive with Net Present Value (NPV) of 1.181.963€, an Internal Rate of Return (IRR) of 85,46% and a Period of Return on Investment (PRI) of 1 year and 6 months.

3.2.9.2. Investment and financing plan

General Assumptions

The present study considers the following general assumptions:

- . Inflation rate expected for the coming years, based on official forecasts: 1,5%
- . VAT rates:
 - Reduced rate: 6%
 - Intermediate rate: 13%
 - Normal rate: 23%
- . Direct taxes that affect the activity of the company, including the corporate income tax (IRC, which has a value of 17% for small and medium enterprises (SME) with value of

15.000€) for and municipal rates (0% for São Brás de Alportel). Payments on account are also taken into account which are carried out regularly throughout the year.

. Social security payable by the firm: 11% which equals 3.866€ for the reference year (2024)

. Average payment period to suppliers: 30 days

. Profit/loss generated each economic year is incorporated into equity (reserves and retained earnings).

. All subscribed capital, 124.111€ is paid for by the shareholders at the start of the project, thus this value represents the unlevered cost of equity.

. The project runs until 2029, which is the lifetime of a new hotel establishment. After that there might be a new investment not yet considered or the company might be sold depending how it evolves.

Investment

The project requires an overall investment of 124.111 € (excluding VAT), to be carried out during 2019 (100%), with the following distribution:

- Equipment: 123.286€ (99,3% of total), which includes pods (111.366€), air conditioning (1.971€), electronic equipment (693€), crockery, glassware and cutlery (2.419€), Furniture (3.760€) and bedding & towels (3.077€). This items will be bought in 2nd quarter of 2019 since they will be required at the start of the operation, planned for the 3rd quarter of 2019. The values presented were obtained through a market consultation through budget orders.

- Intangible assets: 825 € (0,7% of total) required for digital marketing and that will be invested in the 2nd quarter of 2019 and continually updated over the project years.

3.2.10.2.3 Financing

The investment is financed through equity capital (100% of total).

3.2.9.3. Exploration Plan

Sales and services

To calculate sales and services a total of 8 pods (units) is considered with capacity of 2 person each for which the Cost of Goods Sold and raw Materials Consumed (CGSMC) represents 1,5€, each person, each day, which corresponds to the estimated cost for the breakfasts.

Further, we consider three different seasons, each with its own prices and occupancy. In line with our pricing strategy presented above we have: High season (from June until August), which has pod price of 130€/night with an estimated occupancy of 8 units/day; Mid-season (from March until May and September), which has a pod price 115€/night and occupancy of 6 units/day and low season (from October until February) which has a pod price of 100€/night and occupancy of 3 units/day. The prices per day were estimated by comparison to the competition. Regarding occupancy rates the values for mid season were compared to what we observe in our bed and breakfast. Regarding low season we considered with the right marketing 3 units/day should be an adequate amount. Using the previously presented data we calculate total sales for our reference year (2024) as per table 3.3. below:

Table 3.3 Estimated Sales

	High Season	Mid-season	Low Season	Total
Occupancy rate (OCC)	100%	75%	37,5%	65,8%
Occupied pods	736	732	453	1 921
Sales (€)	95.680	84.180	45.300	225.160

Source: own creation

We estimate sales for all other year based on our estimates for the reference year using the 1,5% inflation rate assumed for this study and the occupancy objective for each of these years relative to that of reference year. As a results, total sales 2019 are 50.393€, growing to 249.893€ to 2029 (the last year of the project).

General and Administrative expenses

These expenses were estimated based on the data from the B&Bs project and market consultation demonstrating the average values verified in the sector. In particular, without VAT:

- . Water (94€ monthly);
- . Fuel and lubricant purchases (25€ monthly);
- . Communication/telephones (81€ monthly);
- . Conservation and maintenance (16€ monthly);
- . Electricity (244€ monthly);
- . Cleaning, hygiene and comfort (16€ monthly);
- . Office supplies (61€ monthly);
- . Advertising and Marketing (61€ monthly);
- . Insurance (300€ yearly).

These base values will vary about 1,5% each year leading to the following estimations for the reference year (2024), without VAT:

- . Water = 1.202€
- . Fuel and lubricant purchases = 318€;
- . Communication/telephones = 1.035€;
- . Conservation and maintenance = 207€;
- . Electricity = 3.106€;
- . Cleaning, hygiene and comfort = 207€;
- . Office supplies = 777€;
- . Advertising and Marketing = 777€;
- . Insurance = 323€.

As such, taking into account the number of operational months and the rate of inflation defined in the assumptions, the GAE value represents about 10,76% of the yields of the project in the reference year (i.e., 2024). In particular, for such a year, the estimated expenses are 7.952€ without VAT, from which the majority (58%) is energy and fluids.

An additional 20% is for subcontracts, 12% for specialized services and 10% for materials. After VAT, the total expense for the reference year is 9.430€.

Payroll

The project requires hiring three additional staff members, added to the financial and general manager which are positions occupied by the partners and thus do not require the traditional payment method, at an average cost of around 47.357€ per year during the projects life which represents 65% of income generated by the project in the reference year (2024). It includes base salary, food allowance (calculated monthly and yearly), insurance and contributions to the social security at current rates. Details are presented in table 3.4 below:

Table 3.4 Staff

Job Role	Base Salary (€)	Deductions and Discounts			Monthly cost for the company (€)	Annual net wages (€)
		IRS (%)	Monthly Food Allowance (€)	TSU (annum)		
Experience Manager	900	10,6	99	2.993	1.421	11.171
Housekeeper	750	8,4	99	2.494	1.201	9.756
Handyman	750	8,4	99	2.494	1.201	9.756

Source: own creation

Regarding direct and indirect expenses, the values considered for 2024, for which a 14 month activity was considered, where: 35.143€ salaries, 3.744€ food allowances, 8.346€ TSU, 389€ Accidents at work insurance, 351€ compensation fund and 94€ Occupational health leading to an 48.068€ total expense.

Depreciations and amortizations

The depreciations and amortizations of the investment were calculated in accordance with the applicable fiscal legislation, namely the regulatory decree 25/2009 of September 14, which defines the general conditions of acceptance of these expenses. Depreciations and amortization is calculated using the straight-line method and the specific depreciation or amortization rates set out in the table of generic rates (table II) provided for in the said decree and applied to the investment values. Table 3.5. provides details:

Table 3.5 Depreciation of tangible assets and amortizations of intangible assets

			Useful Lifetime (years)	Depreciation Rate (%)
Tangible Fixed Assets	Machinery, Equipment and tools	Electronic equipment and machines	5	20
		Airconditioning systems	8	13
		Tools and utensils	4	25
		Heavy machinery and tools	8	13
	Miscellaneous items	Comfort and decorative items	8	13
		Furniture	8	13
Intangible Assets	Development projects		3	33

Source: own creation

Income statement

The Income Statement summarizes information mentioned in the previous points and presents economic results for each year of activity. It provides with values such as the EBITDA, Operating Profit, Earnings Before Tax (EBIT), Net profit for the period, different ratios and indicators including the breakeven point and cash flow from 2019 until 2029. For simplicity, the project's income statement is presented in Annex 1 (point 1.4.5).

Statement of cash flows

This statement reflects the effect that the projections have on the company's treasury, taking into account the average terms of payment to suppliers and client payments, as well as payments to the State. It shows the cash flow from operating activities, investment activities and financing activities including its net variance between cash and cash equivalents, its opening balance and value on the end of the period. For simplicity, the project's statement of projected cash-flows is presented in Annex 1 (point 1.4.7).

Balance Sheet

The balance sheet summarizes the company's equity position at the end of each year considered for the purposes of the study. For simplicity, the project's statement of projected cash-flows is presented in Annex 1 (point 1.4.8).

3.2.9.4 Project evaluation

The valuation of the project is based on projected results, with the main criteria being the net present value (NPV), the internal rate of return (IRR) and the period of recovery of the investment (PRI).

Cash Flow for the project

The cash flow statement demonstrates the projects cash flow generation, which leads to the net operating cash flow from which we might determine the cash flow of the investment subtracting fixed capital investment and residual value of the investment. Once determined the cash flow of the investment, the consolidated cash flow can be easily determined adding the consolidated cash flow from the previous year to the cash flow of the investment from the required year. For example, in 2023 a Net operating cash flow of 129.167€ is estimated, which equals to the cash flow of the investment considering there were no fixed capital investments nor residual value of investment. In 2023, the consolidated cash flow was 315.860€. To determine the consolidated cash flow for our reference year (2024) we add the 315.860€ cash flow from 2023 to its estimated 140.447€ cash flow of investment providing a 456.307€ consolidated cash flow for 2024. For simplicity, the project's statement of projected cash-flows is presented in Annex 1 (point 1.5.1).

Conclusion

Based on our assumptions, it is possible to draw the following conclusions:

- The investment and financing structure are adequate to the proposed objectives, and the activity grants a good capacity to release financial resources;
- The NPV of the project is positive (1.181.963 €), confirming that the freed resources generated by it cover the initial investment, as well as the minimum remuneration required whilst still generating a financial surplus;
- The project allows the recovery of the investment in 2020 (i.e., after 1 year and 6 months).

4. CONCLUSION

4.1 Key results

The main conclusions which might be made from this study is that a BP is a useful tool not only to secure outside financing but to better understand the business and look at the market in different ways which might not be considered otherwise. The writing of a BP compels the entrepreneur to learn more about the market, its clients, competitors and substitute products or services and about the features or possible features of the product or service as well. In this way it might help to improve the product or service even before it is launched, possibly preventing future problems.

The BP has many different purposes and its writing should be adapted to it. Mostly it is used to secure outside funding, not only from banks or venture capitalists but from funding programs as well. It might help to organize the businesses goals and objectives helping the entrepreneur to stay focused and communicate his vision throughout the company.

Because the writing of a BP might be challenging sometimes the help of a consultancy agency might be required. They help the entrepreneur organizing their thoughts and providing them with different aspects to be considered. Due to their expertise and know-how they can easily help the entrepreneur shape his business idea, even though they do not do it for him. They are an asset to determine the viability of the business as well through the feasibility studies they make together with their clients, it is always a team effort because the information comes from the client, they only steer them in the right direction. Other than the help in writing the BP a consultancy agency might have different other functionalities, because they represent the link between the client and governmental entities. They know the legislation very well making the process of starting up a business easier and faster for their clients. They might not know everything about every market but they still do their best to learn what is needed for their clients and to help them in the best way possible. Besides of all the templates they possess to make every step simpler they have access to a range of information, which is usually very useful in the decision-making process.

Writing a BP involves different stages and requires a lot of thinking and in detail planning. In fact, general plans are not enough and sometimes information which we would never consider might be essential to initiate a successful business or secure outside financing. A lot of research is required to initiate a thoughtful business which might be very limited especially if the market or concept is new. When a product or service to be offered is innovative the existing legislation might be incomplete or not adapted to the product. In addition to lacking legislations, it might be more challenging to determine substitute products/ services and competitors turning the business idea more subjective. Lastly, the inexistence of data might make it more difficult to prove feasibility or predict customer acceptance. Planning might diminish the negative outcomes but it is not a guarantee of a successful outcome.

4.2. Self-assessment of the internship

To correctly transmit my own assessment of the internship I feel that it is important to begin by describing this journey. As any journey it had its ups and downs. A rocky start made me wonder if I had made the right decision applying to do an internship at this firm due to the initially felt lack of knowledge. The truth is that I started the journey overestimating my knowledge because I felt I knew everything that was taught to me: marketing, accounting and finance. Yet, this knowledge was not enough to go to practice because for some topics (which would require a longer period of time to master) even teachers would say the help of an expert might be better (which is exactly what the consultants at Neomarca represent). Overwhelmed by this enlightenment I thought about changing the internship but with the help from my colleagues at Neomarca and by changing the topic of the internship to the writing of a BP proposed by my supervisors I started to gain more confidence in myself and my work. Through some simple side tasks I started to understand better what was required to start a business and get different types of funding. The writing of my own BP was starting to go better as well and slowly but surely this document started to gain form. I formed appreciation for consultancy agents because there is a lot they have to be aware of to be able to help their clients in the best way possible. When they do not know something they search and try to understand it alone or together with a more experience consultant present in the room. The advantage that consultancy agencies have is that they have access to information to which we might not and they are so used to the tasks that it becomes simpler, faster and

more effective even though they must adapt every task to each new business. For these reasons I would suggest to every new entrepreneur to consider the help of a consultancy agency because they help you making your task of starting a new business, or expanding an existing one, more easy, fast and effective reducing the opportunity costs associated for example with the writing of a BP and the obtaining of European funding.

I would conclude that the internship was successful not only to help consolidate the knowledge from the master course and how to apply it but to learn more about working environments as well, which might be a valuable asset when applying for jobs in the future.

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ANNEX I

neomarca

FEASIBILITY STUDY



**BEM BOM
GLAMPING**

Investment Project

2019 - 2021

INDEX

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The statements 1.1. and 1.6. only apply to entities that already hold accounts in previous years.

Information structure

The present study's supporting financial statements are organized in order to facilitate the reading and understanding of the data, and the information has been distributed according to the following points:

- 1.1. Historic financial statements:** statement of income, historic balance sheets, and summary of indicators.
- 1.2. Summary of project outputs:** Executive summary of expected results for the coming years;
- 1.3. Investment and financing plan:** In this statement, the investments in tangible and intangible fixed assets required to carry out the activities envisaged in the project are described and scheduled. The financing statement identifies the various sources of financing that will be used by the company in order to meet the investment foreseen in the project, identifying the use of own capital and other assets, as well as the incentives to which it is applying;
- 1.4. Operating plan:** This set of statements show the expected evolution of the company's annual income and expenses, detailing the value of services rendered, supplies and external services, personnel expenses, depreciation and amortization. The statements of income, statement of payments to the State, statements of cash flows and projected balances of the project are presented.
- 1.5. Project evaluation:** from the forecasted results the evaluation of the project's feasibility is carried out, having as the main criteria the current net value (NPV), internal rate of return (IRR) and investment recovery period (PRI).
- 1.6. Effect of the project on the company:** In this set of statements, the consolidation of the financial statements related to the evolution of the company without the project are considered (1.2) with the project statements that were previously analyzed autonomously (1.4, 1.5 and 1.6). The statements of income, statement of payments to the State, statement of cash flows, projected balances and ratios and indicators are presented.

1.2.

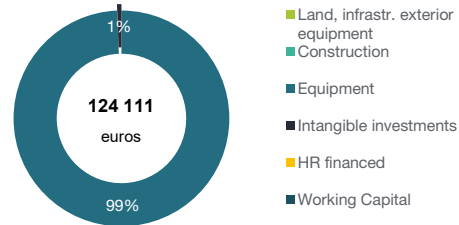
PROJECT SUMMARY

Assumptions

Investment start date	abr/19
Data de conclusão do investimento Investment end date	jun/21
Start date of operations	jul/19
Reference year	2024

Investment (without VAT)	124 111
Hiring of new staff	3

Investment (whitout VAT)



Financing



Equity capital Auto-Financing Borrowed capital

Income Statement

	2019	2020	2021	2022	2023	2024	2025
Turnover	50 393	112 580	168 870	225 160	228 537	231 965	235 445
Operating cost	29 004	55 284	56 419	57 258	58 074	58 902	59 742
EBITDA	21 389	57 296	112 451	167 902	170 464	173 064	175 703
EBITDA Margin	42,44%	50,89%	66,59%	74,57%	74,59%	74,61%	74,63%
Breakeven Point	44 977	70 789	71 209	71 051	71 251	71 935	72 773
Gross Value Added (GVA)	47 665	103 647	159 104	214 559	217 821	221 132	224 492
Cash-Flow	20 480	49 232	92 805	136 553	138 450	140 475	142 560

(em EUR)

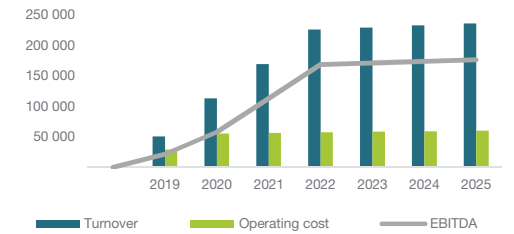
Balance sheet

	2019	2020	2021	2022	2023	2024	2025
Assets	158 986	199 263	281 359	404 106	518 181	643 674	771 304
Equity	157 096	190 288	267 052	387 841	511 130	636 584	764 122
Liabilities	1 890	8 975	14 307	16 266	7 050	7 091	7 182
Equity Ratio	98,81%	95,50%	94,92%	95,97%	98,64%	98,90%	99,07%

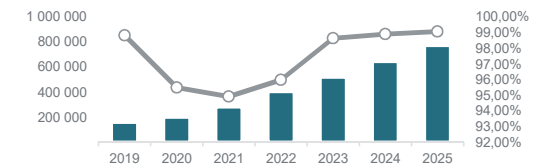
(em EUR)

Avaliação do projeto

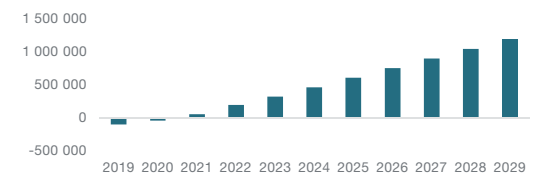
Net Present Value (NPV)	1 181 963
Internal Rate of Return (IRR)	85,46%
Period of return on investment (PRI)	1 years and 6 months



Total assets vs. Financial autonomy



Cumulative project cash-flow



1.3.

INVESTMENT AND FINANCING PLAN

1.3.1.

Assumptions

The present study considers the general assumptions that are described below:

Currency Unit	EUR	Direct taxes - IRC	Valor	Taxa
Expected rate of inflation	1,50%	1st tax rate bracket (SME companies)	15 000	17%
Investment start date	abr/19	Over the remainder		21%
Investment end date	jun/21	Surtax (% of the annual amount collected)		0,00%
Start date of operations	jul/19	Pay. p/account (of the amount collected in th	VN até 500.000	80%
Reference Year (3° year after investment end date)	2024		VN > 500.000	95%
		Special Pay. p/account (% s/VN prev. year)		1%
Bank interest rate		Social contributions		
Euribor rate (6 months)	-0,266%	Single Social Tax (TSU) - employee		11,00%
Spread (average rate)	1,76%	Single Social Tax (TSU) - company		23,75%
Stamp duty on interest	4,00%	Compensation Fund		1%
Indirect taxes		Average payment timeframes		
VAT - reduced rate	6%	Payments to suppliers FSE		30 dias
VAT - intermediate rate	13%	Payment to suppliers CMVMC		30 dias
VAT - normal rate	23%	Receipts from clients		0 dias
		Safety cash reserves		30 dias

- Inflation rate expected for the coming years, based on official forecasts: 1,5%

Indirect taxes that affect the activity, namely the VAT rates in force at the time of the study,;

Direct taxes that affect the activity of the company, including the IRC and the municipal rates (rate applied on collection by the municipality). Payments on account are also taken into account which are carried out regularly throughout the year,;

Also defined are the average terms of receipts from customers and payment to suppliers, as well as the cash security reserve that is necessary to continue the current activity of the company,;

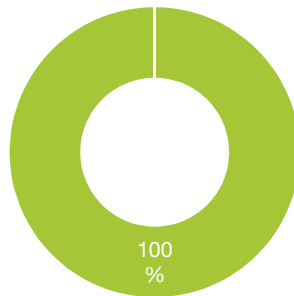
Finally, it is considered that the results of each year will be incorporated into equity (reserves and retained earnings), as has been the company's policy in the years prior to the investment.

1.3.3.

Financing Statement

The investment is financed through: equity capital (100% supplementary payments);

- Equity capital
- Auto-Financing
- Borrowed capital



	2019	2020	2021	TOTAL	%
EQUITY CAPITAL					
Share capital					
Supplementary payments	152 656			152 656	100,0%
SUBTOTAL	152 656			152 656	100,0%
AUTO-FINANCING					
Cash flow					
Other					
SUBTOTAL					
BORROWED CAPITAL					
Debts to credit institutions					
Frontloading of incentive					
Medium and long-term loan					
Debts to shareholders / partners					
Consolidated supplies					
Other debts to shareholders/partners					
Incentives					
Repayable					
Non- repayable					
SUBTOTAL					
TOTAL	152 656			152 656	100%

(em EUR)

1.4.

EXPLORATION PLAN

1.4.1.

Sales and services

PRESSUPOSTOS DOS RENDIMENTOS				Low Season (October – February)	Mid Season (March – May, September)	High Season (June – August)	Total				
				151 dias ativ.	122 dias ativ.	92 dias ativ.	365 dias ativ.				
				22 semanas	17 semanas	13 semanas	52 semanas				
	Capac.	Hóspedes por UA	Custos p/diária (CMVMC)	Preço	Q. ocup. p/dia	Preço	Q. ocup. p/dia	Preço	Q. ocup. p/dia	Preço	Q. ocup. p/dia
1. ALOJAMENTO											
1.1. Alojamento	8	2	1,50 €	100,00 €	3	115,00 €	6	130,00 €	8	112,58 €	5
Total de hóspedes por dia (Q.ocupados * hósp. p/UA)				6		12		16		34	
Total de hóspedes por época (Q.ocupados * hósp. p/UA * dias)				906		1 464		1 472		3 842	
1. N° de q.ocupados				453		732		736		1 921	
1. Vendas em valor				45 300 €		84 180 €		95 680 €		225 160 €	
1. Taxa de ocupação				37,5%		75,0%		100,0%		65,8%	

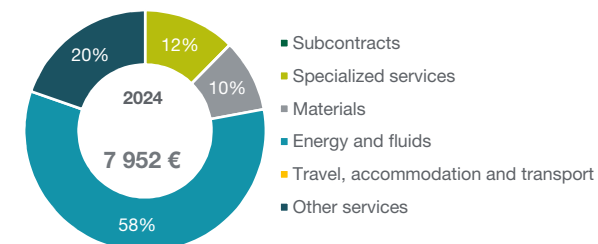
RESULTADOS ANUAIS	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
Taxa de inflação		1,5%	1,5%	1,5%	1,5%	1,5%	1,5%	1,5%	1,5%	1,5%	1,5%
Objetivo (em relação ao ano cruzeiro 2024 = 100%)	35%	50%	75%	100%	100%	100%	100%	100%	100%	100%	100%
1. ALOJAMENTO											
1. Total de hóspedes presentes no hotel	834	1 921	2 882	3 842	3 842	3 842	3 842	3 842	3 842	3 842	3 842
1. Vendas em quantid. (n° de quartos ocupados)	417	961	1 441	1 921	1 921	1 921	1 921	1 921	1 921	1 921	1 921
1. Vendas em valor (eur)	50 393	112 580	168 870	225 160	228 537	231 965	235 445	238 977	242 561	246 200	249 893
% OCC (Occupancy Rate)	28,3%	32,9%	49,3%	65,8%	65,8%	65,8%	65,8%	65,8%	65,8%	65,8%	65,8%
ADR (Average Daily Rate)	120,8 €	117,2 €	117,2 €	117,2 €	119,0 €	120,8 €	122,6 €	124,4 €	126,3 €	128,2 €	130,1 €
TOTAL VENDAS EM VALOR (EUR)	50 393	112 580	168 870	225 160	228 537	231 965	235 445	238 977	242 561	246 200	249 893

1.4.2.

General and administrative expenses

This financial statement serves as a support for the calculation of expenses with external supplies and services (ESP) inherent in the company's activity with the implementation of the project, with the total amount reflected in the income statement. It also includes information that will be used in the cash flow statement, namely in the clearance of transactions with suppliers during the year.

The calculation of these expenses was estimated based on the data provided by the promoter and the average values verified in the sector. Taking into account the number of operational months and the rate of inflation defined in the assumptions, the GAE value represents about 10,76% of the yields in the project year (2024).



	Value	Base	VAT	Net value	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
<i>Annual variations in price</i>						1,5%	1,5%	1,5%	1,5%	1,5%	1,5%	1,5%	1,5%	1,5%	1,5%
Months of activity in year					6	12	12	12	12	12	12	12	12	12	12
Water	100 monthly		6%	94	566	1 132	1 149	1 166	1 184	1 202	1 220	1 238	1 256	1 275	1 294
Fuel and lubricant purchases	25 monthly			25	25	300	305	309	314	318	323	328	333	338	343
Communications/ telephones	100 monthly		23%	81	813	976	990	1 005	1 020	1 035	1 051	1 067	1 083	1 099	1 116
Conservation and maintenance	20 monthly		23%	16	16	195	198	201	204	207	210	213	217	220	223
Electricity	300 monthly		23%	244	244	2 927	2 971	3 015	3 061	3 106	3 153	3 200	3 248	3 297	3 347
Cleaning, hygiene and comfort	20 monthly		23%	16	16	195	198	201	204	207	210	213	217	220	223
Office supplies	75 monthly		23%	61	61	732	743	754	765	777	788	800	812	824	837
Advertising and marketing	75 monthly		23%	61	61	732	743	754	765	777	788	800	812	824	837
Insurance	300 yearly			300	300	305	309	314	318	323	328	333	338	343	348
TOTAL					2 102	7 493	7 605	7 719	7 835	7 952	8 072	8 193	8 316	8 440	8 567

CASH FLOW STATEMENT VALUES

VAT	313	1 392	1 413	1 434	1 455	1 477	1 499	1 522	1 545	1 568	1 591
TOTAL + VAT	2 415	8 885	9 018	9 153	9 290	9 430	9 571	9 715	9 860	10 008	10 158

(EUR)

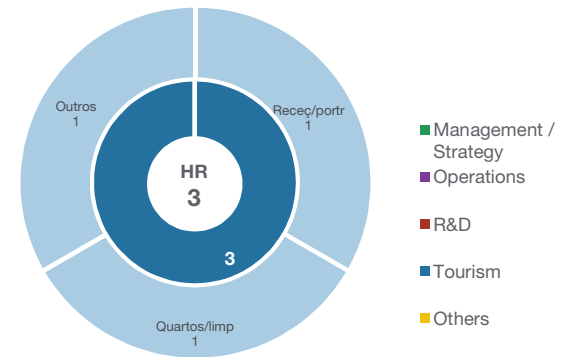
1.4.3.

Payroll

These financial statements detail the estimated personnel expenses that will affect the company's activity.

With 3 new human resources planned for the project, total staff costs are estimated at around 47 357,00 € per year, representing 65% of income in the project year (2024).

The chart shows the distribution by functional areas of human resources to be contracted.



Job role	Operational Areas	Base salary	Deductions and discounts					Monthly cost for the company	Net Wages		Jobs			
			IRS %	Monthly food allowance	Remunerati on/ annum (14)	Food allowance/ annum (11)	TSU/ annum (14)		Monthly	Annual	2019	2020	2021	2022
Experience manager	Tourism: Reception / con	900	10,6%	99	12 600	1 094	2 993	1 421	805	11 171	1	1	1	1
Housekeeper	Tourism: Rooms / Cleani	750	8,4%	99	10 500	1 094	2 494	1 201	704	9 756	1	1	1	1
Handyman	Tourism: Other	750	8,4%	99	10 500	1 094	2 494	1 201	704	9 756		1	1	1
								3 822	2 213	30 683	2	3	3	3

In addition to the direct expenses with the hiring of new employees, the expenses related to applicable insurance and social contributions (single social tax, compensation fund and occupational medicine) are also identified.

It also presents information that will be used in the demonstration of cash flows, especially withholdings and discounts and state payments. The IRS rate withheld from the employee will be adjusted according to the respective salary and the variables associated with the actual tax calculation (marital status and number of descendants).

ANNUAL SUMMARY	Rate	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
<i>Annual variation rates</i>			1,5%	1,5%	1,5%	1,5%	1,5%	1,5%	1,5%	1,5%	1,5%	1,5%
Months of activity (per annum)		10	12	12	12	12	12	12	12	12	12	12
Salaries		19 250	33 889	34 108	34 112	34 623	35 143	35 670	36 205	36 748	37 299	37 859
Food allowance	4,52 €	1 989	3 610	3 634	3 634	3 689	3 744	3 800	3 857	3 915	3 974	
Social Security (TSU)	23,75%	4 572	8 049	8 101	8 102	8 223	8 346	8 472	8 599	8 728	8 859	8 991
Accidents at Work Insurance	1,0%	212	375	377	377	383	389	395	401	407	413	419
Compensation Fund	1,0%	193	339	341	341	346	351	357	362	367	373	379
Occupational Health	30	60	90	91	91	93	94	96	97	98	100	101
Total		26 276	46 351	46 653	46 657	47 357	48 068	48 789	49 520	50 263	51 017	51 782
DEDUCTIONS AND DISCOUNTS	Rate	2019	2020	2021	2022	2023	2024	2025	2026	2027	2 028	2 029
Social Security	11,0%	2 118	3 728	3 752	3 752	3 809	3 866	3 924	3 983	4 042	4 103	4 164
IRS	Var.	1 848	3 127	3 147	3 147	3 194	3 242	3 291	3 340	3 390	3 441	3 492
Total Value Deducted		3 966	6 855	6 898	6 899	7 003	7 108	7 214	7 322	7 432	7 544	7 657
Net Wages		17 273	30 643	30 844	30 847	31 310	31 779	32 256	32 740	33 231	33 729	34 235

(em EUR)

1.4.4.

Depreciations and amortizations

The depreciations and amortizations of the investment were calculated in accordance with the applicable legislation, namely the regulatory decree 25/2009 of September 14, which defines the general conditions of acceptance of these expenses.

The expenses considered were calculated using the straight-line method and the specific depreciation or amortization rates set out in the table of generic rates (table II) provided for in the said decree and applied to the investment values.

Amortization statement

	Useful lifetime	Depreciation rate	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
TANGIBLE FIXED ASSETS													
Grupo 3 - Machinery, Equipment and Tools													
2 200 Electronic equipment and machines	5	20%	139	139	139	139	139						
2 210 Airconditioning systems	8	13%	246	246	246	246	246	246	246	246			
2 265 Tools and utensils	4	25%	605	605	605	605							
2 285 Heavy machinery and tools	8	13%	13 921	13 921	13 921	13 921	13 921	13 921	13 921	13 921	13 921		
Grupo 5 - Miscellaneous Items													
2 405 Comfort and decorative items	8	13%	385	385	385	385	385	385	385	385	385		
2 430 Furniture	8	13%	470	470	470	470	470	470	470	470	470		
SUBTOTAL			15 765	15 765	15 765	15 765	15 160	15 022	15 022	15 022			
INTANGIBLE FIXED ASSET													
2 470 Development projects	3	33%	275	275	275								
SUBTOTAL			275	275	275								
TOTAL			16 040	16 040	16 040	15 765	15 160	15 022	15 022	15 022			

(em EUR)

1.4.5.

Project Income statement

The Income Statement summarizes the values detailed in the previous statements, presenting the calculation of the results calculated in each year of activity. There are also several indicators that allow for a more direct visualization of the evolution of the company's operating results.

	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
Turnover	50 393	112 580	168 870	225 160	228 537	231 965	235 445	238 977	242 561	246 200	249 893
Cost of goods sold	626	1 441	2 161	2 882	2 882	2 882	2 882	2 882	2 882	2 882	2 882
General and administrative expenses	2 102	7 493	7 605	7 719	7 835	7 952	8 072	8 193	8 316	8 440	8 567
Personnel costs	26 276	46 351	46 653	46 657	47 357	48 068	48 789	49 520	50 263	51 017	51 782
EBITDA	21 389	57 296	112 451	167 902	170 464	173 064	175 703	178 382	181 101	183 861	186 662
Depreciation and amortizations	16 040	16 040	16 040	15 765	15 160	15 022	15 022	15 022			
Operating Profit	5 349	41 256	96 411	152 137	155 303	158 042	160 681	163 360	181 101	183 861	186 662
Interest and similar expenses incurred											
Earnings before tax	5 349	41 256	96 411	152 137	155 303	158 042	160 681	163 360	181 101	183 861	186 662
Income tax for the period	909	8 064	19 646	31 349	32 014	32 589	33 143	33 706	37 431	38 011	38 599
Net profit for the period	4 440	33 192	76 765	120 788	123 290	125 453	127 538	129 654	143 670	145 850	148 063
RATIOS AND INDICATORS											
Sales and service contracts (VN)	50 393	112 580	168 870	225 160	228 537	231 965	235 445	238 977	242 561	246 200	249 893
Gross value of production (GVP)	50 393	112 580	168 870	225 160	228 537	231 965	235 445	238 977	242 561	246 200	249 893
Intermediate Consumption (IC)	2 728	8 933	9 766	10 601	10 716	10 834	10 953	11 074	11 197	11 322	11 449
Gross Value Added (GVA)	47 665	103 647	159 104	214 559	217 821	221 132	224 492	227 902	231 364	234 878	238 444
Gross Operating Surplus (EBE)	21 389	57 296	112 451	167 902	170 464	173 064	175 703	178 382	181 101	183 861	186 662
Variable costs (CMVMC)	626	1 441	2 161	2 882	2 882	2 882	2 882	2 882	2 882	2 882	2 882
Contribution Margin (CM)	49 767	111 139	166 709	222 279	225 656	229 084	232 563	236 095	239 680	243 318	247 011
Contribution Margin (CM)%	98,8%	98,7%	98,7%	98,7%	98,7%	98,8%	98,8%	98,8%	98,8%	98,8%	98,8%
Breakeven Point	44 977	70 789	71 209	71 051	71 251	71 935	72 773	73 623	59 283	60 162	61 054
Operating margin	10,7%	37,1%	57,8%	68,4%	68,8%	69,0%	69,1%	69,2%	75,6%	75,6%	75,6%
EBITDA Margin	42,4%	50,9%	66,6%	74,6%	74,6%	74,6%	74,6%	74,6%	74,7%	74,7%	74,7%
CASH-FLOW											
Cash-flow											
Net cash-flow	20 480	49 232	92 805	136 553	138 450	140 475	142 560	144 676	143 670	145 850	148 063

(em EUR)

1.4.6.

Statement of project payments to the State

This statement shows the calculation of payments and receipts related to the different types of taxes and contributions inherent to the company's activity, namely VAT, IRC, IRS, TSU and Compensation Fund.

The calculation of each of the taxes and their payment deadlines is done according to the assumptions established and the values assumed in the previous phases of the study.

	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
VAT - VALUE ADDED TAX [IVA]											
1. VAT PAYMENTS TO THE STATE											
1.1 Cleared Income Tax		75 590	168 870	10 132	13 510	13 712	13 918	14 127	14 339	14 554	14 772
2. DEDUCTIBLE VAT											
2.1. Input Tax - FIXED ASSET	-28 545										
2.2. Input Tax - CMVMC		-144	-331	-497	-663	-663	-663	-663	-663	-663	-663
2.3. Input Tax - FSE	-313	-1 392	-1 413	-1 434	-1 455	-1 477	-1 499	-1 522	-1 545	-1 568	-1 591
2.4. Reported Tax for the previous year											
3. TAX ASSESSMENT											
3.1. VAT refund	28 858										
3.2. Tax due to the State		74 054	167 126	8 201	11 391	11 572	11 756	11 942	12 131	12 323	12 518
3.3. Tax to be recovered											
4. PAYMENTS											
4.1. Tax for the year		-74 054	-167 126	-8 201	-11 391	-11 572	-11 756	-11 942	-12 131	-12 323	-12 518
4.2. Tax for the previous year											
End-of-year value											
CORPORATE INCOME TAX											
5. COLLECTION											
	909	8 064	19 646	31 349	32 014	32 589	33 143	33 706	37 431	38 011	38 599
6. PAYMENTS											
6.1. Payment on account		-727	-6 451	-15 717	-25 079	-25 611	-26 071	-26 514	-26 964	-29 945	-30 409
6.2. Special On Account Payment		-504	-1 126	-1 689	-2 252	-2 285	-2 320	-2 354	-2 390	-2 426	-2 462
6.3. Tax for the previous year		-909	-6 832	-12 070	-13 943	-4 683	-4 693	-4 752	-4 837	-8 077	-5 640
7. TAX ASSESSMENT											
7.1. IRC to be paid	909	6 832	12 070	13 943	4 683	4 693	4 752	4 837	8 077	5 640	5 728
7.2. IRC to be recovered											
End-of-year value											
	909	6 832	13 195	15 632	6 935	6 978	7 072	7 191	10 467	8 066	8 190

(em EUR)

	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
PERSONAL INCOME TAX [IRS]											
8. TAX TO BE REMITTED TO THE STATE											
8.1. Withholdings effected for the year	1 848	3 127	3 147	3 147	3 194	3 242	3 291	3 340	3 390	3 441	3 492
9. EFFECTED TRANSACTIONS											
9.1 Tax withheld in the year	-1 694	-2 867	-2 884	-2 885	-2 928	-2 972	-3 016	-3 062	-3 107	-3 154	-3 201
9.2. Tax withheld in the previous year		-154	-261	-262	-262	-266	-270	-274	-278	-282	-287
End-of-year value	154	261	262	262	266	270	274	278	282	287	291
SOCIAL SECURITY											
10. CONTRIBUTIONS											
10.1. Company's contribution	4 572	8 049	8 101	8 102	8 223	8 346	8 472	8 599	8 728	8 859	8 991
10.2. Workers' contribution	2 118	3 728	3 752	3 752	3 809	3 866	3 924	3 983	4 042	4 103	4 164
10.3. Compensation fund	193	339	341	341	346	351	357	362	367	373	379
11. PAYMENTS EFFECTED											
11.1. Contributions for the year	-6 132	-10 795	-10 865	-10 866	-11 029	-11 194	-11 362	-11 533	-11 706	-11 881	-12 060
11.2. Contributions for the previous year		-557	-981	-988	-988	-1 003	-1 018	-1 033	-1 048	-1 064	-1 080
11.3. Compensation fund for the year	-176	-311	-313	-313	-317	-322	-327	-332	-337	-342	-347
11.4. Compensation fund for the previous year		-16	-28	-28	-28	-29	-29	-30	-30	-31	-31
End-of-year value	573	1 010	1 016	1 016	1 031	1 047	1 063	1 079	1 095	1 111	1 128
Final account balance STATE (Dev/Cred)											
	1 637	8 102	13 348	15 222	5 981	6 010	6 089	6 194	9 454	7 038	7 147

(em EUR)

1.4.7.

Statement of project cash flows

This statement reflects the effect that the projections have on the company's treasury, taking into account the average terms of payment to suppliers and client payments, as well as payments to the State.

	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
CASH FLOW FROM OPERATING ACTIVITIES											
1. Customer receipts											
1.1 For the year	50 393	188 170	337 740	235 292	242 047	245 678	249 363	253 103	256 900	260 753	264 665
1.2 For the previous year											
2. Payments to suppliers - CMVMC											
2.1 For the year	-574	-1 453	-2 285	-3 097	-3 249	-3 249	-3 249	-3 249	-3 249	-3 249	-3 249
2.2 For the previous year		-52	-132	-208	-282	-295	-295	-295	-295	-295	-295
3. Payments to suppliers- FSE											
3.1 For the year	-2 214	-8 144	-8 266	-8 390	-8 516	-8 644	-8 774	-8 905	-9 039	-9 174	-9 312
3.2 For the previous year		-201	-740	-751	-763	-774	-786	-798	-810	-822	-834
4. Staff salary payments											
4.1 Remuneration	-15 285	-27 034	-27 210	-27 213	-27 621	-28 035	-28 456	-28 882	-29 316	-29 755	-30 202
4.2 Food allowance	-1 989	-3 610	-3 634	-3 634	-3 689	-3 744	-3 800	-3 857	-3 915	-3 974	-4 034
4.3 Insurance	-212	-375	-377	-377	-383	-389	-395	-401	-407	-413	-419
4.4Occupational Health	-60	-90	-91	-91	-93	-94	-96	-97	-98	-100	-101
5.State payments											
5.1 IVA		-74 054	-167 126	-8 201	-11 391	-11 572	-11 756	-11 942	-12 131	-12 323	-12 518
5.2 IRC		-2 141	-14 409	-29 475	-41 274	-32 579	-33 083	-33 621	-34 191	-40 447	-38 511
5.3 IRS	-1 694	-3 021	-3 145	-3 147	-3 190	-3 238	-3 286	-3 336	-3 386	-3 437	-3 488
5.4 Social Security	-6 132	-11 352	-11 846	-11 854	-12 017	-12 197	-12 380	-12 566	-12 754	-12 945	-13 140
5.5 Compensation fund	-176	-327	-341	-341	-346	-351	-356	-362	-367	-373	-378
6. STATE receipts											
6.1 IVA	28 858										
6.2 IRC											
7. Other receipts/Payments											
Operating activities cash flow	50 916	56 317	98 137	138 512	129 234	140 516	142 651	144 793	146 942	143 446	148 184

continua...

<i>...continuação</i>	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
CASH FLOW FROM INVESTMENT ACTIVITIES											
8. Payments relating to:											
8.1 Tangible fixed assets	-123 286										
8.2 Intangible fixed assets	-825										
8.3 IVA	-28 545										
Cash flow from investment activities	-152 656										
CASH FLOW FROM FINANCING ACTIVITIES											
9. Cash receipts from:											
9.1 Share capital											
9.2 Supplementary payments	152 656										
9.3 Shareholder loans											
9.4 Financing/ Incentives											
9.5 Cash-flow support											
10. Payments relating to:											
10.1 Repayment Loans											
10.2 Interest and similar expenses											
10.3 Other financing operations											
Cash flows from financing activities	152 656										
Net variance in cash and cash equivalents	50 916	56 317	98 137	138 512	129 234	140 516	142 651	144 793	146 942	143 446	148 184
Cash and cash equivalents - opening balance		50 916	107 232	205 369	343 881	473 115	613 631	756 282	901 075	1 048 017	1 191 463
Cash and its Equivalents at the End of the Period	50 916	107 232	205 369	343 881	473 115	613 631	756 282	901 075	1 048 017	1 191 463	1 339 648

(em EUR)

1.4.8.

Project Balance Sheet

The balance sheet summarizes the company's equity position at the end of each year considered for the purposes of the study. It also presents the calculation of the ratio of financial autonomy that gives indications related to the financial balance of the company.

	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
ASSETS											
NON-CURRENT ASSETS											
Tangible fixed assets	107 521	91 756	75 991	60 226	45 065	30 043	15 022				
Intangible Assets	550	275									
Other financial assets											
Subtotal	108 071	92 031	75 991	60 226	45 065	30 043	15 022				
CURRENT ASSETS											
Clients											
State and other public entities											
Cash and bank deposits	50 916	107 232	205 369	343 881	473 115	613 631	756 282	901 075	1 048 017	1 191 463	1 339 648
Subtotal	50 916	107 232	205 369	343 881	473 115	613 631	756 282	901 075	1 048 017	1 191 463	1 339 648
TOTAL ASSETS	158 986	199 263	281 359	404 106	518 181	643 674	771 304	901 075	1 048 017	1 191 463	1 339 648
OWN CAPITAL											
Other equity instruments	152 656	152 656	152 656	152 656	152 656	152 656	152 656	152 656	152 656	152 656	152 656
Retained earnings		4 440	37 632	114 396	235 185	358 474	483 928	611 466	741 120	884 790	1 030 640
Subtotal	152 656	157 096	190 288	267 052	387 841	511 130	636 584	764 122	893 776	1 037 446	1 183 296
Net income for the period	4 440	33 192	76 765	120 788	123 290	125 453	127 538	129 654	143 670	145 850	148 063
TOTAL OF OWN CAPITAL	157 096	190 288	267 052	387 841	511 130	636 584	764 122	893 776	1 037 446	1 183 296	1 331 358
LIABILITY											
NON-CURRENT LIABILITY											
Financing obtained											
Subtotal											
CURRENT LIABILITY											
Suppliers	253	872	959	1 044	1 070	1 081	1 093	1 105	1 117	1 129	1 142
State and other public entities	1 637	8 102	13 348	15 222	5 981	6 010	6 089	6 194	9 454	7 038	7 147
Shareholders/partners											
Subtotal	1 890	8 975	14 307	16 266	7 050	7 091	7 182	7 299	10 571	8 167	8 289
TOTAL LIABILITIES	1 890	8 975	14 307	16 266	7 050	7 091	7 182	7 299	10 571	8 167	8 289
TOTAL SHAREHOLDERS EQUITY + LIABILITIES	158 986	199 263	281 359	404 106	518 181	643 674	771 304	901 075	1 048 017	1 191 463	1 339 648
FINANCIAL AUTONOMY	98,8%	95,5%	94,9%	96,0%	98,6%	98,9%	99,1%	99,2%	99,0%	99,3%	99,4%

(EUR)

1.5.

EVALUATION

The valuation of the project is based on projected results, with the main criteria being the net present value (NPV), the internal rate of return (IRR) and the period of recovery of the investment (PRI).

1.5.1.

Project Cash Flow Statement

	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
Safety cash reserves	2 365	4 487	4 521	4 531	4 599	4 668	4 738	4 809	4 882	4 955	5 029
Clients											
Inventory											
State											
TOTAL	2 365	4 487	4 521	4 531	4 599	4 668	4 738	4 809	4 882	4 955	5 029

Sources of Operating Funds

Suppliers	253	872	959	1 044	1 070	1 081	1 093	1 105	1 117	1 129	1 142
State	1 637	8 102	13 348	15 222	5 981	6 010	6 089	6 194	9 454	7 038	7 147
TOTAL	1 890	8 975	14 307	16 266	7 050	7 091	7 182	7 299	10 571	8 167	8 289
Necessary operating fund	475	-4 488	-9 786	-11 734	-2 451	-2 422	-2 444	-2 489	-5 690	-3 213	-3 260
Investment in operating fund	475	-4 963	-5 298	-1 949	9 283	29	-21	-45	-3 201	2 477	-47

(em EUR)

1.5.2.

Cash Flow

	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
Project cash flow generation											
Operating results (EBIT)	5 349	41 256	96 411	152 137	155 303	158 042	160 681	163 360	181 101	183 861	186 662
Net Income [(EBIT) x (1-IRC)]	4 440	33 192	76 765	120 788	123 290	125 453	127 538	129 654	143 670	145 850	148 063
Depreciations and amortizations	16 040	16 040	16 040	15 765	15 160	15 022	15 022	15 022			
Financial year provisions											
Investment(-)/disinvestment (+)											
Operating Fund	-475	4 963	5 298	1 949	-9 283	-29	21	45	3 201	-2 477	47
Net operating cash flow	20 005	54 195	98 102	138 502	129 167	140 447	142 581	144 722	146 870	143 373	148 110
Fixed capital investment	-124 111										
Residual value of the investment,											
Cash flow of the investment	-104 105	54 195	98 102	138 502	129 167	140 447	142 581	144 722	146 870	143 373	148 110
Consolidated cash flow	-104 105	-49 911	48 192	186 694	315 860	456 307	598 888	743 609	890 480	1 033 852	1 181 963

(em EUR)

1.5.3.

NPV, IRR and payback

Net Present Value (NPV/ VAL)	1 181 963
Internal Rate of Return (IRR/TIR)	85,46%
Period of Return on Investment (PRI)	1 years and 6 months

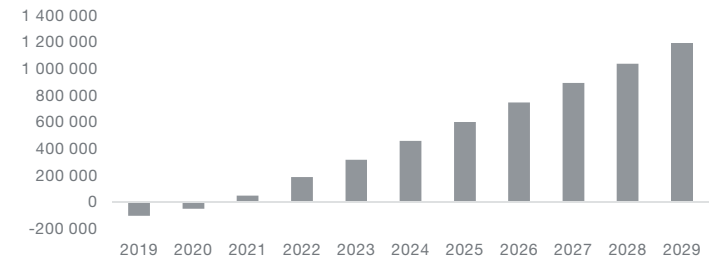
Conclusions



Based on the established assumptions, it is possible to draw the following conclusions:

- The investment and financing structure is adequate to the proposed objectives, and the activity grants a good capacity to release financial resources;
- The NPV of the project is positive (1 181 963 €), confirming that the freed resources generated by it cover the initial investment, as well as the minimum remuneration required whilst still generating a financial surplus.
- The IRR shows a rate higher than the opportunity cost of capital of 85,46% which strengthens its viability;
- The project allows the recovery of the investment from 2020 (1 years and 6 months).

Cash-Flow accumulated



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