

FINANCIAL PLANS OF A NEW VENTURE

Profit & Loss Statement (Forecast)

<i>Thousands Francs</i>	2011	2012	2013	2014	2015
Food revenue	1'345.2	1'358.7	1'394.0	1'408.0	1'422.0
Beverage revenue	620.9	627.1	643.4	649.8	656.3
Room revenue	2'978.4	3'008.2	3'097.8	3'128.8	3'160.1
Total Revenues	4'944.5	4'993.9	5'135.3	5'186.6	5'238.5
Food cost	470.8	475.5	487.9	492.8	497.7
Beverage cost	186.3	188.1	193.0	194.9	196.9
F&B personnel	1'155.5	1'167.0	1'178.7	1'190.5	1'202.4
Other F&B expenses	78.6	79.4	81.5	82.3	83.1
Rooms personnel	770.3	778.0	785.8	793.6	801.6
Other rooms expenses	178.7	180.5	185.9	187.7	189.6
Other operating expenses	98.9	99.9	102.7	103.7	104.8
Total operating expenses	2'939.1	2'968.5	3'015.5	3'045.6	3'076.1
Operating profit	2'005.4	2'025.4	2'119.8	2'141.0	2'162.4
Administration	353.6	357.1	360.7	364.3	368.0
Human resources	136.8	138.1	139.5	140.9	142.3
Marketing	148.3	149.8	151.3	152.8	154.3
Maintenance & Energy	247.2	249.7	256.8	259.3	261.9
Total functional expenses	885.9	894.7	908.2	917.3	926.5
Gross Operating Profit (GOP)	1'119.5	1'130.7	1'211.5	1'223.7	1'235.9
Property taxes & insurance	90.0	90.0	90.0	90.0	90.0
Earning before interest, tax & depreciation (EBITDA)	1'029.5	1'040.7	1'121.5	1'133.7	1'145.9
Building depreciation	129.7	132.2	134.7	137.2	139.7
Furniture & equipment depreciation	104.5	109.0	113.5	118.0	122.5
Other asset depreciation	58.5	58.5	58.5	58.5	58.5
Earnings before Interest & Tax (EBIT)	736.9	741.1	814.9	820.0	825.2
Mortgage interest I	159.0	156.0	153.0	150.0	147.0
Mortgage interest II	100.0	96.0	92.0	88.0	84.0
Other LTL interest	35.0	31.0	26.0	22.0	18.0
Earnings before tax (EBT)	442.9	458.1	543.9	560.0	576.2
Income tax	110.7	114.5	136.0	140.0	144.1
Net profit	332.2	343.6	407.9	420.0	432.2

Statement of Cash Flows (Forecast)

	2011	2012	2013	2014	2015
Depreciations	292.7	299.7	306.7	313.7	320.7
Net profit	332.2	343.6	407.9	420.0	432.2
Internally Generated Funds (IGF)	624.8	643.2	714.6	733.7	752.8
Accounts receivable	-28.2	-2.0	-5.8	-2.1	-2.1
Beverage Inventory	0.3	-0.2	-0.4	-0.2	-0.2
Food Inventory	-1.5	-0.2	-0.5	-0.2	-0.2
Accounts payables - Beverage	2.4	0.3	0.6	0.2	0.2
Accounts payables - Food	-0.1	0.1	0.5	0.2	0.2
Accrued expenses :	5.0	2.2	2.7	2.2	2.2
Dividends payable	35.6	2.5	3.2	8.1	8.4
Income taxes payable	12.7	3.8	21.5	4.0	4.1
Cash generated (or used) from operating activities (? WCR)	26.2	6.5	21.8	12.2	12.6
Operating Cash flow (IGF +/- ? WCR)	651.0	649.7	736.3	745.9	765.5
Building	-125.0	-125.0	-125.0	-125.0	-125.0
Equipment & Furniture	-45.0	-45.0	-45.0	-45.0	-45.0
Cash generated (or used) from investing activities	-170.0	-170.0	-170.0	-170.0	-170.0
Cash available (or needed) after investing activities	481.0	479.7	566.3	575.9	595.5
LT debt reimbursement	-213.7	-216.7	-219.7	-222.7	-225.7
Dividends	-301.5	-304.0	-307.1	-315.2	-323.6
Cash used from financing activities	-515.2	-520.6	-526.8	-537.9	-549.2
Cash variance	-34.2	-41.0	39.6	38.0	46.2
Liquid asset balance (including opening balance on 1.1.2011)	145.8	104.9	144.4	182.5	228.7

Balance Sheet

	New Venture	Forecast				
<i>Thousands Francs</i>	2010	31.12.2011	31.12.2012	31.12.2013	31.12.2014	31.12.2015
Current Assets						
Liquid asset	180.0	145.8	104.9	144.4	182.5	228.7
Accounts receivable	175.0	203.2	205.2	211.0	213.1	215.3
Beverage Inventory	15.6	15.3	15.5	15.9	16.0	16.2
Food Inventory	17.8	19.3	19.5	20.1	20.3	20.5
Fixed Assets						
Land	2'648.0	2'648.0	2'648.0	2'648.0	2'648.0	2'648.0
Building	6'360.0	6'355.3	6'348.1	6'338.4	6'326.2	6'311.5
Equipment & Furniture	1'000.0	940.5	876.5	808.0	735.0	657.5
Other fixed assets	467.6	409.2	350.7	292.3	233.8	175.4
Assets	10'864.0	10'736.6	10'568.4	10'478.0	10'374.9	10'273.0
Liabilities						
Accounts payables - Beverage	20.5	22.9	23.2	23.8	24.1	24.3
Accounts payables - Food	19.5	19.4	19.6	20.1	20.3	20.5
Accrued expenses :						
- Other operating expenses	13.8	8.1	8.2	8.4	8.5	8.6
- Maintenance	16.0	20.3	20.5	21.1	21.3	21.5
- Social charges	181.5	187.8	189.7	191.6	193.5	195.4
Dividends payable	265.9	301.5	304.0	307.1	315.2	323.6
Income taxes payable	98.0	110.7	114.5	136.0	140.0	144.1
Mortgage I	3'980.0	3'908.8	3'834.7	3'757.5	3'677.3	3'594.2
Mortgage II	2'000.0	1'920.0	1'840.0	1'760.0	1'680.0	1'600.0
Other LTL	500.0	437.5	375.0	312.5	250.0	187.5
Equity						
Share capital	3'500.0	3'500.0	3'500.0	3'500.0	3'500.0	3'500.0
General reserve	268.9	268.9	268.9	268.9	268.9	268.9
Retained earnings	-	30.6	70.2	171.0	275.9	384.5
Liabilities & Equity	10'864.0	10'736.6	10'568.4	10'478.0	10'374.9	10'273.0

Condensed Balance Sheets

	New Venture	Forecast				
	2010	31.12.2011	31.12.2012	31.12.2013	31.12.2014	31.12.2015
Working Capital (WC)	(226.8)	(287.1)	(334.5)	(316.8)	(291.0)	(257.4)
Land	2'648.0	2'648.0	2'648.0	2'648.0	2'648.0	2'648.0
Building	6'360.0	6'355.3	6'348.1	6'338.4	6'326.2	6'311.5
Equipment & Furniture	1'000.0	940.5	876.5	808.0	735.0	657.5
Other fixed assets	467.6	409.2	350.7	292.3	233.8	175.4
Net Fixed Asset	10'248.9	10'065.8	9'888.8	9'769.9	9'652.0	9'535.0
Mortgage I	3'980.0	3'908.8	3'834.7	3'757.5	3'677.3	3'594.2
Mortgage II	2'000.0	1'920.0	1'840.0	1'760.0	1'680.0	1'600.0
Other LTL	500.0	437.5	375.0	312.5	250.0	187.5
Total of LTL	6'480.0	6'266.3	6'049.7	5'830.0	5'607.3	5'381.7
Share capital	3'500.0	3'500.0	3'500.0	3'500.0	3'500.0	3'500.0
General reserve	268.9	268.9	268.9	268.9	268.9	268.9
Retained earnings	0.0	30.6	70.2	171.0	275.9	384.5
Total of Equity	3'768.9	3'799.5	3'839.1	3'939.9	4'044.7	4'153.3
LTL & Equity	10'248.9	10'065.8	9'888.8	9'769.9	9'652.0	9'535.0

Free Cash Flows (Forecast)

	2010	2011	2012	2013	2014	2015
Earnings before Interest & Tax (EBIT)		736.9	741.1	814.9	820.0	825.2
Income tax		-110.7	-114.5	-136.0	-140.0	-144.1
Depreciations		292.7	299.7	306.7	313.7	320.7
Capex		-170.0	-170.0	-170.0	-170.0	-170.0
Variation of WCR		26.2	6.5	21.8	12.2	12.6
Net Fixed Asset (Investment)	-10'248.9					
Free Cash Flows (FCF)		775.0	762.7	837.3	835.9	844.5
Terminal Value (TV)						16'575.0
Total FCF	-10'248.9	775.0	762.7	837.3	835.9	17'419.5

$$TV = \frac{FCF_{2015}}{WACC} = \frac{844.5}{0.0509}$$

Investment Decision Analysis

	New Venture	
Mortgage I	3'980.0	4%
Mortgage II	2'000.0	5%
Other LTL	500.0	7%
Total of LTL	6'480.0	
Equity	3'768.9	
Total of Financing (= Investment)	10'248.9	
Tax		25%
Required Return on Equity (Ke)	8.00%	
Net Average Cost on Debts (Kd)	3.41%	
WACC	5.09%	

Net Cost of Debt

$$K_d = \left[\left(4\% \cdot \frac{3980}{6480} \right) + \left(5\% \cdot \frac{2000}{6480} \right) + \left(7\% \cdot \frac{500}{6480} \right) \right] \cdot (1 - 25\%) = 3.41\%$$

WACC

$$WACC = 8.00\% \cdot \frac{37689}{102489} + 3.41\% \cdot \frac{64800}{102489} = 5.09\%$$

Calculation of EVA (Economic Value Added)

	2011	2012	2013	2014	2015
Earnings before Interest & Tax (EBIT)	736.9	741.1	814.9	820.0	825.2
Mortgage interest I	-159.0	-156.0	-153.0	-150.0	-147.0
Mortgage interest II	-100.0	- 96.0	- 92.0	- 88.0	- 84.0
Other LTL interest	- 35.0	- 31.0	- 26.0	- 22.0	- 18.0
Income tax	-110.7	-114.5	-136.0	-140.0	-144.1
Net profit	332.2	343.6	407.9	420.0	432.2
Dividends	-301.5	-304.0	-307.1	-315.2	-323.6
Economic Value Added (EVA)	30.6	39.6	100.8	104.8	108.6
EVA / Net Asset	0.30%	0.39%	1.02%	1.07%	1.13%

Calculation of Net Present Value (NPV)

$$PV \cdot of \cdot FCF = \frac{775.0}{1,0509^1} + \frac{762.7}{1,0509^2} + \frac{837.3}{1,0509^3} + \frac{835.9}{1,0509^4} + \frac{17'419.5}{1,0509^5} = 16'421.7$$

Total Value of the business (PV of FCF)	16'421.7
- Net Asset (Investment)	10'248.9
NPV	6'172.9

Calculation of IRR (Internal Rate of Return)

	2010	2011	2012	2013	2014	2015
FCF		775.0	762.7	837.3	835.9	844.5
VT						16'575.0
Total CF	-10'248.9	775.0	762.7	837.3	835.9	17'419.5

$$-10'248.9 + \frac{775.0}{(1+IRR)^1} + \frac{762.7}{(1+IRR)^2} + \frac{837.3}{(1+IRR)^3} + \frac{835.9}{(1+IRR)^4} + \frac{17'419.5}{(1+IRR)^5} = 0$$

IRR = 12.42%

Excel function : **IRR(Values;guess)**

Conclusion

This project creates value for shareholders because:

NPV > 0

IRR > WACC