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# Financial viability analysis of a hospitality business idea

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## **Abstract**

Spending time and resources on a financial viability analysis is a signal of a good business practice and it is a common point in most of the successful business of nowadays. In this study, a financial viability project of a real-case hospitality business has been prepared and analyzed in order to assess the risk of the establishment of the business and to determine whether it would be profitable in the nearby future. Additionally, and previous to the financial viability analysis, a description of the business has been done and a brief marketing plan has been created to better understand the nature of the business. According to the financial indicators and the results obtained from this initial study, it can be said that the proposed business idea appears to be a promising investment opportunity from a financial point of view.

## **Resumen**

Gastar tiempo y recursos en un análisis de viabilidad financiera es una señal de una buena práctica empresarial y es un punto en común en la mayoría de los negocios con éxito de hoy en día. En este estudio, se ha elaborado y analizado un proyecto de viabilidad financiera de una idea de negocio real del sector hotelero para evaluar el riesgo de su establecimiento y determinar si sería rentable en el futuro más próximo. Adicionalmente, se realizó una descripción del negocio y se definió un breve plan de marketing para comprender mejor la naturaleza del negocio. Según los indicadores financieros y los resultados obtenidos en este estudio inicial, se puede decir que el negocio propuesto parece ser una prometedora oportunidad de inversión desde el punto de vista financiero.

## 1. Introduction and objectives

The survival ability for small-to-medium sized business projects has been and continues to be a challenging issue (Miles, 2011). According to Stanley & Danko (1996), “a major problem with the pursuit of business ownership or entrepreneurship is the significant financial risks that are involved”. Additionally, other reasons for entrepreneurial failure are poor planning and poor money management, among others (Miles, 2011). Consequently, the elaboration of a financial viability plan appears to be a useful tool that helps entrepreneurs or investor to estimate the risk of a business project, to plan its financial activity and for instance, reduce business failure.

This study aims to determine the financial viability of a business idea through the application of the most common financial indicators and models in order to support the decision-making process prior to a business foundation.

It has been decided to structure this study as follows:

- First, a brief explanation of the methodology used during the bibliographic research and also during the data recollection will be shown.
- Then, a business description has been prepared which includes a product description, a marketing research and a human resources plan. In the first case, several information can be found as for instance the company name, management team, business location, company history and vision and mission statements. While in the second case, an industry market analysis, a SWOT analysis, a target market analysis and a marketing mix analysis is shown. The human resources plan reflects the human capital requirements for the business.
- The main body presents the financial viability analysis for the business, which has been divided in six paragraphs. The two first expose the basic financial parameters and data used for the viability analysis. The third and fourth shows how this data is applied for the calculation of the main financial indicators. The two last paragraphs include a scenario and a sensitivity analysis.
- Finally, considering the previous paragraphs, some conclusions will be presented that include improvements and future recommendations for further studies and calculations.

## 2. Methodology

The methodology used for the elaboration of this profitability study can be divided in two parts since one is more theoretical and the second one more practical.

The first part represents the description of the project and is therefore theoretical. For this section, a wide bibliographic research has been done in order to obtain information from reliable sources. This research was done on one side at the physical library and also online through Google Academics, online libraries and search engines.

For the second part of the project, the financial viability, data has been obtained from public authorities, some of them national and other international. Also, in some cases data was complemented with information obtained through online research.

Finally, it is important to mention that in both parts, knowledge and information obtained during the degree in tourism has been used as a guideline and also as an information source.

### **3. Business Description**

In this section the nature and description of the business will be explained.

First the company name has been established. After some research, it has been decided to call it *Lisura*. This word has been retrieved from the famous book *Don Quijote de la Mancha*. The author, Miquel Cervantes, uses this word to express sincerity, naivety and equality. This word has been chosen as a company name in order to transmit openness to our guests and to make them feel welcome. Also, as an opportunity to appreciate the beauty of Cervantes's vocabulary and to raise awareness about the importance of protecting it and promoting its use. As said by Elorza (2015), "reducing our vocabulary, reduces our thinking and therefore we become less critic".

The second step taken is to define the management team. The first team member is called Carlos Alises. Born and raised in Castilla la Mancha, to be more specific in Ciudad Real. He is the owner of the land and the building, which belonged to his grandfather. His role is crucial since he is the person who owns the on-site knowledge and has direct access to local contacts. The second team member is Felix Cerdán, also born and raised in Castilla la Mancha, concretely in the city of Toledo. In 2015 he got graduated in architecture and would therefore be the responsible for the reform project. Finally, the third team member is Laura Löwen, who recently got graduated in tourism. She will focus on the management of the business, especially at the operative level.

About the location of the company, it is located in Camuñas which is a village of Castilla la Mancha (Spain). The village is located in the limit between the provinces of Toledo and Ciudad Real and has 1.740 habitants. From a geographic point of view, Camuñas is located in the La Mancha plain. This plain represents a large extension of flat land that has an average altitude of 700 meters and is crossed by the Guadiana and

Jucar rivers. The climate of this area is continental which means that temperatures are very high during summer and very low in winter. Also, it means that the area is very dry since the precipitation level is low. The typical vegetation that can be found are holm oak, cork tree, wine plantations and olive trees.

Regarding the Company history it can be said that the initial idea came from Carlos Alises who was managing back then the land of his grandfather and saw an opportunity to increase the profitability of it. The surface is about 115 hectares big and has an old abandoned shepherd's house (see *Fig. 1*). The building dates from the XIX century and maintains its characteristic Manchego architecture as seen in the figures below. The business contemplates a reform of the building but seeks to maintain its original character in order to promote the Manchego tradition and culture to the clients (see *Fig 2.* and *Fig 3*). More pictures can be found in the Annex of this study.



*Figure 1.* Picture of the outside of the building. Source: Own elaboration.





Figure 2. Picture of the outside of the building. Source:Own elaboration.



Figure 3. Picture of the inside of the building. Source: Own elaboration.

Another step taken was to determine the vision and the mission statement of the business. It has been decided that the most suitable vision for the future is the following: “Our vision is to become national leaders in offering relaxing environments to inspire, work and sleep”. On the other hand, it has been also defined the mission or purpose of the business which is “to help writers to concentrate on their work providing accommodation services in a unique and relaxing place in La Mancha”.

Finally, about the product and services can be said that the business basically is a co-living space that offers accommodation services and provides spaces to co-work or do meetings. Also, it includes full board service with typical meals of the region. The targeted market are the digital nomads, with a special focus on Spanish freelance writers. Groups are also welcomed but the main target is the individual digital nomad.

#### 4. Industry and Market Analysis

In order to better understand the industry and market situation in which *Lisura* will be operating, it is very important to analyze the macroenvironment and the microenvironment (Serra, 2011).

First, the macro environment has been analyzed through the application of a PESTEL analysis.

- **Political:** Several major future trends that will affect the tourism industry have been found. First, the exit of the UK from the EU will cause an almost unpredictable impact on the tourism industry: reductions in passenger's mobility, expiration of flight companies licenses and tour operators are unsure about employing UK's tourist guides to take groups to EU countries, among others (Canalis, 2018). Secondly, according to Pascual Cortés (2018), most European countries will set 67 as the legal retirement age. In Spain, it is expected that by 2027 the real retirement age will reach 64.5 years (Parra, 2019). Other political future trends that have been found are the increasing liberalization of the aviation industry, especially in Africa, which will be "one of the fastest growing aviation regions in the next 20 years" according to The International Air Transport Association (El-Houry, 2019). Also, another important event that is going to affect the political environment is the publication of the new CAP for 2021-2027 framework. Some of its main objectives are "to strengthen the socio-economic fabric of rural areas" and also "to modernize the sector by fostering and sharing knowledge, innovation and digitalization in agriculture and rural areas, and encouraging uptake" (IEEP, 2018).
- **Economic:** From the economic point of view also many trends have been found. At the European level, the European Commission has recently published the next long-term budget for 2021-2027. The budget represents 1.13 billions of euros and its main focus is to modernize the Cohesion Policy and to enhance regional development (Estrada, 2019). Also, another key trend that will continue growing is the sharing economy or peer economy as said in the OECD (2018) report: "The top five sharing economy sectors could see global revenues jump from USD 15 billion in 2014 to USD 335 billion by 2050". Finally, another important future trend is the disappearance of cash and the growing use of electronic payment systems (Sotillo, 2019). Also, the arising future of cryptocurrencies, currently uncertain, however some countries are already accepting them as paying method and others such as the EU are debating their regulation (San Román, 2018).
- **Social:** As said by the OECD (2018), "the world population is forecast to rise from 7.4 billion in 2015 to 9.7 billion in 2050". According to Gil Pecharromán (2019), "around 70% of the population will be living in cities by 2050". Additionally, the OECD (2018) explains that "trends such as the continued growth of the global middle class and aging

populations mean that the global population will generally be richer and older in the decades ahead". However, it explains that "the fast-growing middle class predominantly stems from emerging economies". The report also explains that the working age population of OECD countries may fall by 7% which could lead to a labor shortage (OECD, 2018). Finally, another important trend is the emerging generation referred as Generation Z (born in the late 1990s to early 2010s) and Millennials (born in the early 1980s to 1990s) which will both represent important market opportunities (OECD, 2018).

- Technological: "New technologies continue to reshape markets and sectors around the world" (OECD, 2018). Digital platforms will continue to grow bringing convenience to consumers. In particular, "social media is often used to influence the decisions of emerging generations" (OECD, 2018). The report of OECD (2018) also states that "rapid advances in automation through robotics, machine learning and artificial intelligence are poised to disrupt labor markets around the world in the next two decades [...]". It adds that "companies in the tourism sector are using big data and predictive analytics to increase knowledge of consumer behavior and customize travel experiences accordingly". Finally, two other significant trends will be blockchain technology and virtual reality (OECD, 2018).
- Environmental: From this perspective, the main future challenge is climate change. As said by USGCRP (2017), in the nearby future temperatures will continue to increase, precipitation patterns are going to change affecting the availability of water resources, there will be more droughts and heat waves and sea level will rise, among others. Therefore, all actions are focused towards sustainability. For instance, one of the objectives of the EU's 2021-2027 budget is to become "a more ecological and carbon-free Europe, which implements the Paris Agreement and invests in energy transition, renewable energies and the fight against climate change" (Estrada, 2019).
- Legal: According to OECD (2018), future strategies will seek to "undertake regular reviews of regulatory frameworks to remove outdated requirements and promote the emergence of innovative approaches [...]". Also, they explain the need of engaging stakeholders in the development of new regulatory frameworks and greater inclusion of predictive mechanism in the regulatory process. Finally, OECD (2018) explains that future trends are going to be "more cross-cutting both sectorally and jurisdictionally than ever". For example, travel mobility issues that involve visa and security coordination among jurisdictions illustrate the need to think beyond local and national issues.

Then, once the macroenvironment has been analyzed, the next step that has been taken is to study the microenvironment which according to Serra (2011) include the following dimensions:

- Suppliers: The suppliers needed for *Lisura* would be in-room suppliers, amenities suppliers, furniture suppliers and food and beverage suppliers.
- Marketing intermediaries: It is not planned that *Lisura* distributes its product through marketing intermediaries mainly due to the high costs of commissions and because the target segment does not fit the available marketing intermediaries.
- Publics: Several actual and potential stakeholders have been found. From the regulatory point of view, the municipalities of Puerto Lápice and Camuña play a important role, mainly their city halls. Also, at a higher scale, the Directorate General for Tourism, Trade and Crafts of Castilla La Mancha has been found. Then, due to the proximity of many protected natural areas the ornithological association SEO-Birdlife represents an important agent that needs to be taken into consideration. And finally, another important stakeholder is the Hydrographic Confederation of the Guadiana who is in charge of the management of water supplies of Castilla La Mancha Autonomous community.
- Competitors: Although no direct competitor has been found in Toledo, three competitors have been found all around Spain (see Table 1). None of them are promoting its product through marketing intermediaries. They have their own web pages and promote it through SEO and SEM. The common keywords used are “rural”, “coworking”, “coliving”. Ruralco is using as well “blockchain”. In all competitors the target market is rural coliving. However, there are some differences. Ruralco has the most clear positioning because they are very focused on a market that has an interest in blockchain, as said in their web page: “The Blockchain technology as one of the common interests” and they are focusing in the Spanish market because their webpage is only available in Spanish. Sende’s web page is only in English so probably they are targeting international digital nomads and also they welcome every type of digital nomad according to their webpage: “Mountain houses and gardens optimized for getting your job done. Enjoy the company of like-minded people, homemade food, and a supportive ambiance”. Regarding Nectar, their webpage is only in English and their focused on sustainability: “Nectar is founded on the belief that working in a sustainable, rural and collaborative environment away from the pressures of everyday life in the city can restore and empower people personally and professionally”. Finally, also two other potential competitors have been found in Europe which are Coconat and Mutinerie.

## Financial viability analysis of a hospitality business idea

Table 1. *Lisura's national and international competitors*

|               | Nectar   | Sende  | Ruralco   | Mutinerie   | Coconat  |
|---------------|--|--|---|---|--|
| Location      | Catalunya (Spain)  | Galicia (Spain)                              | Comunidad Valenciana (Spain)                      | Paris (France)                                      | Berlin (Germany)   |
| Target Market | Rural coliving and coworking for sustainability and internationals | Rural coliving, coworking for internationals | Rural coliving, coworking for blockchain in Spain | All type of rural coliving and coworking for french | All type of rural coliving and coworking for german and internationals |

Source: Own elaboration.

### 5. SWOT Analysis

In order to be aware of the current and future environment affecting the business a SWOT analysis has been prepared. Although the business should be focusing to improve its weaknesses in the short term, it is necessary to take decisions in a more holistic way, integrating also long-term threats. For instance, because of the current shortage of hospitality skilled staff in rural areas and the future rural exodus and ageing population it is extremely important that *Lisura* has a good human resources management. Efficient recruiting must be one of the top priorities and also retaining talent, employees training and empowerment and a fair employee rewarding system. Also, for example, the business could be using the current access to funds of rural development programs to promote innovation and sustainable projects to tackle the current high temperatures during summer season and to adapt to future climate change. Finally, one of the main strengths of *Lisura* is its established differentiation strategy and its flat and decentralized structure. Together, it allows *Lisura* to have a more genuine and close contact with the target market allowing the business to have insight on customer satisfaction and improvements. Also, the future development of new technologies and new ways of promotion should always be aligned with our target market needs, which should always be reviewed and monitored. Customer satisfaction is also a main pillar of the business in the short and long term.

Table 2. *Lisura's SWOT analysis*

| Strengths  | Weaknesses   |
|--|--|
| <ul style="list-style-type: none"> <li>• Established differentiation strategy</li> <li>• Flat and decentralized structure</li> <li>• Location is included in famous literary Ruta de Don Quijote</li> <li>• Business contributes to local economy</li> <li>• Access to financing of rural development programs</li> <li>• No separation between property and management</li> <li>• Good local contact network</li> </ul> | <ul style="list-style-type: none"> <li>• Lack of skilled and trained staff in rural areas</li> <li>• High temperatures during summer</li> <li>• Business only accessible by car</li> <li>• Complementary offer only accessible by car</li> <li>• Require approval of credit lines from local banking to fund initial capital investment</li> </ul> |
| Opportunities  | Threats  |
| <ul style="list-style-type: none"> <li>• Increasing population and pollution in cities</li> <li>• Sustainability as a major future trend</li> <li>• New technologies: new ways for promotion</li> <li>• Increase in digital nomads population</li> <li>• Globalisation: opportunity to access new markets</li> </ul>   | <ul style="list-style-type: none"> <li>• Climate change: increase in temperatures and decrease in water resources</li> <li>• Ageing population, increase in labour force and harder to recruit</li> <li>• Rural exodus</li> </ul>  |

Source: Own elaboration.

## 6. Target market analysis

In this section the chosen target customer will be described. As it can be seen in *Lisura* after a very detailed segmentation, the final customers of *Lisura* are Spanish digital nomads who work as freelance writers.

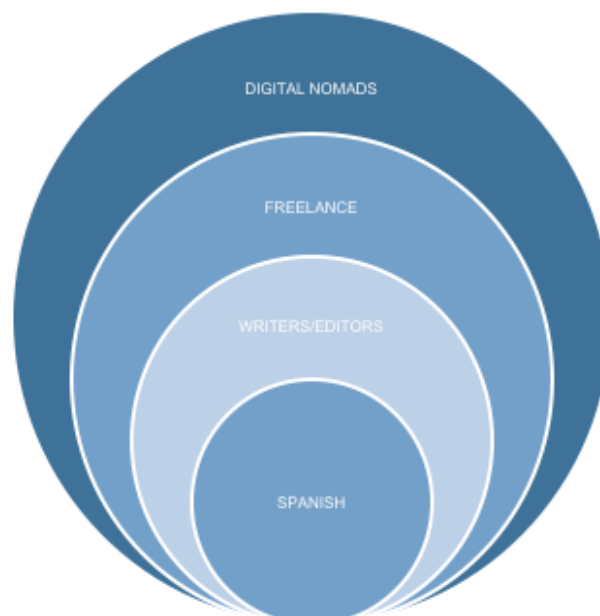


Figure 4. *Lisura's* target market. Source: Own elaboration

First, it will be explained what a digital nomad is and it will be described. As said by Knudson and Conaway (2017), digital nomad is “the current popular term for someone who works remotely while traveling or living away from home”. They add, “our work relies on technology and internet access & we travel from place to place without a permanent home”. The most common reasons for embracing a digital nomad lifestyle are: the freedom to be your own boss by controlling how much work you will take on and when to do it, you can travel the world and you get to meet a lot of people (Knudson and Conaway, 2017). This last one is very important because digital nomads look “for meeting locals in foreign countries, travelers, and fellow digital nomads” (Adalid, 2019). Additionally, “it’s even a typical occurrence to be thrown into situations where you can get the chance to connect with like-minded individuals. This is a really great thing because in such way, you could have the opportunity to bounce off ideas with people that would not only help improve you as a person, but could also help give your ideas in ascending your career and in building a remote/online business”.

Conaway (2017) conducted a survey of digital nomads asking about demographics, lifestyle and locations, remote work and financials. Regarding demographic data, this study shows that 51% are female and 47% are male, 65% are between 25-34 years old, 55% finished college and 28% are graduated or have a master’s degree and 42% are Americans and 24% are from western Europe. From the lifestyle and location point of view, about  $\frac{1}{3}$  of the respondents were living the nomadic lifestyle for 6 months or less and over 60% of all respondents intend on returning home in the future. Regarding the location, the most common location where they were currently working were Thailand, Colombia and Indonesia, respectively. Then, the respondent’s employment status was by 24% freelance, 22% my own startup, 19% at a company, 19% self-employed, 10% at a startup, 5% other and 1% none. Then regarding their type of job, 22% are software engineering, 10% e-commerce, 10% writing, 10% consulting and then there are also project managers, graphic designers and others. Finally, when speaking about financials, 50% of digital nomads have a monthly income of at least 2000 USD and the average monthly expenses totaled 1285 USD from whom 660 USD is for housing, 375 USD for food and 250 USD for entertainment.

Regarding digital nomads personalities, the following information could be gathered from Bard (2014):

- “Independent, unconventional, creative, commercially-minded individual, who’s happy to set own (demanding) schedule”
- “Needs to be equally at ease going for days without human company, and making friends with strangers, building connections and networks at every opportunity”
- “Comfortable talking to (or communicating through language barriers with) people at all levels as equals”
- “Extremely likely to be spending most of their time with people from other cultures”

- “Required to relinquish the majority of what they are familiar with (including possessions), and re-orient themselves at regular opportunities”
- “Autonomy and the ability to make a decision on limited information vital”
- “Must be highly productive, though also encouraged to find relevant work and life ‘hacks’ to make themselves more efficient in work and life”
- “Online skills essential, comfortable with using the internet to source information through relevant communities and websites”

*Lisura* will focus on digital nomads that are freelance writers. These are professionals that write generally for more than one client and are paid per writing assignment. There are many names they can call themselves depending on the service they offer: freelance blogger, content writer, SEO writer, content strategist, ghost writer, professional writer (Cain, 2018).

Regarding their needs, in a recent publication of The Writing Cooperative (2018) there are several digital nomad writers that explain their experiences in co-living and co-working spaces. Some general needs, preferences and motivations have been found in this publication, although there are also some that depend on the personality of every person. For instance, they state that regarding physical needs they need ergonomic chairs, bright lights and a cozy environment especially when it is cold. Also, another one says that co-workings need to have designated quiet areas to not get interrupted while writing. Others enhance the need for spaces that are not crowded rooms with one desk next to the other. From the motivational point of view, there are more personal differences. Some like co-living spaces because it is less distracting than home and therefore are more productive and accountable. Others like it as an escape from loneliness and isolation that online work can get. However, there are also some that prefer a quiet space with less social interaction depending if it is a really intense mode of writing and on what they are writing. Finally, some respondents said that they liked this space because they lead to collaborations, to support and encouragement and to feedback.

In order to have a more visual overview of this targeted group, *Fig. 12* (see Annex) has been done with the help of a tool called Xtersio. In it all the previous information can be seen.

## **7. Marketing Mix**

### **7.1. Product**

In this section the product *Lisura* will be presented through Kotler’s three product levels which are: core benefit, actual product and augmented product (Serra, 2011). So, the core benefit of *Lisura* is to offer accommodation services and working spaces in a quiet and relaxing environment. Then, the actual product includes a renovated Manchego building from the XIX century with 10 bright private rooms with bathroom and terrace, and 5 bright private rooms with bathroom, living room and terrace; nice garden areas with indigenous species; 10 parking lots; 1 big



coworking space; 1 meeting and event room; 1 indoor area for relax and leisure; 1 outdoor area for relax and leisure; 1 barbecue area; full board service; 24 hours laundry service; 24 hours high speed WIFI. Finally, the augmented product will include: 24 hours access to co-working space, local expertise, local products, absence of disturbing noise, 24 hours free coffee, friendly customer service, free access to special events, storytelling about famous Manchego writer Miguel de Cervantes and in room writer oriented amenities such for example little paper pads next to the bed in case customers get an writing idea in the middle of the night.

## 7.2. Price

The author Serra (2011) presents different pricing methods than can be applied to set prices in the tourism industry. The pricing method based on competitors has resulted to be the most suitable for this study. As said by Serra (2011) in this method “the reference point for setting prices is the competitor’s performance”.

As seen on the table 3 below, prices can vary from one competitor to another. The international competitors set their prices between 60,00€ and 66,00€. In the case of national competitors, the only one that has set a price is Nectar with 64,00 € during few months. The rest of the months it remains closed. Ruralco still did not open their business so no access to its prices has been found and Sende’s guests do not pay for the stay.

Table 3. *Lisura’s competitors prices in €.*

|           | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec |
|-----------|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|
| Nectar    | -   | -   | -   | -   | 64  | -   | 64  | -   | 64  | 64  | -   | -   |
| Sende     | 0   | 0   | 0   | 0   | 0   | 0   | 0   | 0   | 0   | 0   | 0   | 0   |
| Ruralco   | -   | -   | -   | -   | -   | -   | -   | -   | -   | -   | -   | -   |
| Mutinerie | 60  | 60  | 60  | 60  | 60  | 60  | 60  | 60  | 60  | 60  | 60  | 60  |
| Coconut   | 66  | 66  | 66  | 66  | 66  | 66  | 66  | 66  | 66  | 66  | 66  | 66  |

Source: Own elaboration.

Then, Serra (2011) also refers to pricing strategies. The main primary pricing strategy that will be applied is the differential price strategy which in short terms means to charge different prices for the same product or service (Serra, 2011). Concretely, in the case of *Lisura* different prices will be set depending on the period of the year. In periods of high occupancy, higher prices will be charged than the ones of low occupancy. Also, the all-inclusive price strategy has been considered. Finally, it has been decided that final prices will include accommodation services, full board service, access to the co-working spaces and the meeting room.

## 7.3. Promotion

In this paragraph the promotional mix will be presented. *Lisura* will be mainly promoted through direct marketing initiatives, public relations and search engine optimization. However, also personal selling promotion will be considered.

In the first case, direct marketing of *Lisura* will include social media marketing and email marketing. Social media marketing will be done through Facebook, Twitter, Instagram and LinkedIn. Email marketing will consist of e-newsletters and promotional email to generate new leads or offers for regular customers and will always be done with the permission of the customer.

Then, public relations promotion will mainly take place online through the company's web page. As said by Ardura (2014), *publicity* is one of the main mechanisms for public relations and it consists of the spread of company's information by the press. In order to promote collaboration with the media, *Lisura* will have a space in the web page (like a press room) where all the material such as dossiers and newsletters or photos will be gathered in order to be available for the media and thus that they include it in their publications. Also, a blog will be created and managed by the company in which posts about the company will be published and after spread through social networks. Due to the target market group of *Lisura*, it has been thought that both previously proposed ideas are relevant initiatives to reach potential customers.

The search engine marketing will be also a key factor in the promotion of *Lisura* and will be focused on Google. However, efforts will primary be directed towards *search engine optimisation (SEO)* in order to make sure that, on one hand *Lisura* is correctly indexed and on the other, that the information and links about *Lisura* content appear in a preferent position when searching by related keywords. This decision lies in the fact that natural positioning, in comparison with paid marketing in search engines, has the advantage of being more credible and transparent towards our target market consuming patterns because of the absence of payments.

Finally, efforts will also be directed towards promotion through personal selling. This includes for example creating a chat or e-mail system that eases the direct communication between the company and the potential customer and thus offering personalized help and information about the product.

#### **7.4. Place**

As it has been mentioned in a previous paragraph, the distribution of *Lisura* will be done without intermediaries. This decision has been taken because of mainly two reasons. The first one is related to the opportunity costs, meaning that avoiding intermediary costs will allow *Lisura* to invest in the development of a strong website with the integration of an efficient booking engine. The second reason why *Lisura* will be distributed directly is because after analyzing two possible intermediaries, [www.coliving.com](http://www.coliving.com) and [www.cowoli.com](http://www.cowoli.com), it has been found that they do not completely fit with *Lisura*'s distribution strategy. It has been noticed that the product offer in both of them are co-livings all over the world, without distinguishing if they are located in cities or in rural environments. One of *Lisura*'s uniqueness is its rural environment, meaning that distributing through those intermediaries would cause a loss of its distinguished competitive

advantage. Then also, the co-living product offer in the analyzed intermediaries do not match with *Lisura*'s offer. *Lisura* will target freelance writers needs and therefore is very differentiated from the products that those intermediaries promote. The last reason is because their web pages are only available in English so they mainly target to an international segment, whereas *Lisura* is focusing mainly on the Spanish market.

## 8. Human resources requirements

As shown in the table 4 below, the company's functional organization consists of five main areas. The table also includes employees' salaries which have been established according to the official document: *Convenio colectivo de hostelería de la provincia de Toledo 2018-2020*. The salary levels of 2020 for business group D has been selected as *Lisura* has no stars classification and can be considered as a rural accommodation company. The total monthly personal expenses for *Lisura* are 9.434,03€.

Table 4. *Lisura*'s human resources requirements

| Job position    | Nº of person | Salary level |           |           |    | Total            |
|-----------------|--------------|--------------|-----------|-----------|----|------------------|
|                 |              | I            | II        | III       | IV |                  |
| Receptionist    | 3            |              | 1.052,39€ |           |    | 3.157,17€        |
| Sales staff     | 1            |              | 1.052,39€ |           |    | 1.052,39€        |
| Cook            | 1            |              | 1.052,39€ |           |    | 1.052,39€        |
| Waiter          | 2            |              | 1.052,39€ |           |    | 2.104,78€        |
| Room attendants | 2            |              |           | 1.033,65€ |    | 2.067,30€        |
|                 | 9            |              |           |           |    | <b>9.434,03€</b> |

Source: Own elaboration with data from the Convenio colectivo de hostelería of Toledo.

## 9. Financial projections

### 9.1. Financial key parameters

The first step taken for the financial analysis is the definition of the total investment for the establishment of *Lisura*. EIE (2018) has published an article in which it lists the main costs needed for the set-up of a rural hotel. This article has been used as a guideline in order to establish the basic costs and investments of *Lisura*, as shown in the table 5 below. The main investment is the costs of the reform, which is 136.400€ and represents approximately the 72% of total amount. According to EIE (2018), this includes internal and external conditioning and also the work license and

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the project costs. Then, the furniture category includes the purchase of built-in wardrobes, single beds and double beds, night tables, sofas, tables and other decorative elements. The technical equipment category refers to air conditioning and heating, fire extinguisher and kitchen equipment. Regarding the information technology equipment this includes computers and a printer.

Table 5. *Lisura's investment needs and it's useful life*

|  | Price<br>(without<br>VAT) | Useful<br>life<br>(years) | Useful life<br>(months) | Depreciation<br>(monthly) | Depreciation<br>(annually) |
|--|---------------------------|---------------------------|-------------------------|---------------------------|----------------------------|
| Reform                                 | 136.400,00€               | 50                        | 600                     | 227,33€                   | 2.728,00€                  |
| Furniture                              | 23.181,00€                | 20                        | 240                     | 96,59€                    | 1.159,05€                  |
| Technical<br>equipment                 | 28.472,00€                | 18                        | 216                     | 131,81€                   | 1.581,78€                  |
| Information<br>technology<br>equipment | 2.000,00€                 | 10                        | 120                     | 16,67€                    | 200,00€                    |
| <b>Total</b>                           | <b>190.053,00€</b>        |                           |                         | <b>472,40€</b>            | <b>5.668,83€</b>           |

Source: Own elaboration.

Once the total amount needed for the investment is determined, the next step is to explain how this quantity will be obtained. It has been decided that 60% of the total amount, so 114.032€ will be financed through a bank loan for 20 years. The loan will be given by Banco Santander through an "ICO Loan" which is known for financing projects for entrepreneurs. The loan is calculated with a fix annual interest rate of 5,157%. As seen in the loan repayment table 6, the monthly payment is 762,48€. On the other side, the 40% of the total amount required for the set-up, this is 76.021€, will be obtained through own resources.

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Table 6. *Lisura's bank loan repayment*

| Term | Payment | Interest | Depreciated capital | Accumulated depreciation | Outstanding Amount |
|------|---------|----------|---------------------|--------------------------|--------------------|
| 1    | 762,48€ | 490,05€  | 272,43€             | 272,43€                  | 113.759,37€        |
| 2    | 762,48€ | 488,88€  | 273,60€             | 546,04€                  | 113.485,76€        |
| 3    | 762,48€ | 487,71€  | 274,78€             | 820,82€                  | 113.210,98€        |
| 4    | 762,48€ | 486,52€  | 275,96€             | 1.096,78€                | 112.935,02€        |
| 5    | 762,48€ | 485,34€  | 277,15€             | 1.373,92€                | 112.657,88€        |
| 6    | 762,48€ | 484,15€  | 278,34€             | 1.652,26€                | 112.379,54€        |
| 7    | 762,48€ | 482,95€  | 279,53€             | 1.931,79€                | 112.100,01€        |
| 8    | 762,48€ | 481,75€  | 280,73€             | 2.212,53€                | 111.819,27€        |
| 9    | 762,48€ | 480,54€  | 281,94€             | 2.494,47€                | 111.537,33€        |
| 10   | 762,48€ | 479,33€  | 283,15€             | 2.777,62€                | 111.254,18€        |
| 11   | 762,48€ | 478,11€  | 284,37€             | 3.061,99€                | 110.969,81€        |
| 12   | 762,48€ | 476,89€  | 285,59€             | 3.347,58€                | 110.684,22€        |
| 13   | 762,48€ | 475,67€  | 286,82€             | 3.634,40€                | 110.397,40€        |
| 14   | 762,48€ | 474,43€  | 288,05€             | 3.922,45€                | 110.109,35€        |
| 15   | 762,48€ | 473,19€  | 289,29€             | 4.211,74€                | 109.820,06€        |
| 16   | 762,48€ | 471,95€  | 290,53€             | 4.502,28€                | 109.529,52€        |
| 17   | 762,48€ | 470,70€  | 291,78€             | 4.794,06€                | 109.237,74€        |
| 18   | 762,48€ | 469,45€  | 293,04€             | 5.087,09€                | 108.944,71€        |
| 19   | 762,48€ | 468,19€  | 294,29€             | 5.381,39€                | 108.650,41€        |
| 20   | 762,48€ | 466,93€  | 295,56€             | 5.676,95€                | 108.354,85€        |
| 21   | 762,48€ | 465,65€  | 296,83€             | 5.973,78€                | 108.058,02€        |
| 22   | 762,48€ | 464,38€  | 298,11€             | 6.271,88€                | 107.759,92€        |
| 23   | 762,48€ | 463,10€  | 299,39€             | 6.571,27€                | 107.460,53€        |
| 24   | 762,48€ | 461,81€  | 300,67€             | 6.871,94€                | 107.159,86€        |
| ...  | ...     | ...      | ...                 | ...                      | ...                |
| 231  | 762,48€ | 32,01€   | 730,48€             | 107.314,60€              | 6.717,20€          |
| 232  | 762,48€ | 28,87€   | 733,62€             | 108.048,22€              | 5.983,58€          |
| 233  | 762,48€ | 25,71€   | 736,77€             | 108.784,99€              | 5.246,81€          |
| 234  | 762,48€ | 22,55€   | 739,94€             | 109.524,92€              | 4.506,88€          |
| 235  | 762,48€ | 19,37€   | 743,12€             | 110.268,04€              | 3.763,76€          |
| 236  | 762,48€ | 16,17€   | 746,31€             | 111.014,35€              | 3.017,45€          |
| 237  | 762,48€ | 12,97€   | 749,52€             | 111.763,87€              | 2.267,93€          |
| 238  | 762,48€ | 9,75€    | 752,74€             | 112.516,61€              | 1.515,19€          |
| 239  | 762,48€ | 6,51€    | 755,97€             | 113.272,58€              | 759,22€            |
| 240  | 762,48€ | 3,26€    | 759,22€             | 114.031,80               | 0,00€              |

Source: Own elaboration.

The second step taken for the financial analysis is the establishment of the room occupancy % and the room rate of *Lisura*, for the first 10 years of business. The table 7 below shows the monthly room occupancy for the first year. This data has been taken from the INE and represents the monthly % room occupancy in the province of Toledo in 2018. Then, this occupancy has been used to determine how many standard rooms and superior would be occupied for every month for year 1. Then, a 3% yearly increase in the occupancy rate has been applied to calculate the occupied rooms for the next 9 years of business as seen in the tables 18-26 (see Annex). Regarding the room rates, two factors have been taken into consideration as explain in a previous paragraph: competitor's prices and % of occupancy. The table 8 shows the prices for the standard and superior rooms for year 1. It can be seen that during months with high occupancy rates (higher than 49%) prices are 75,00€ and 80,00€ for a standard and a superior room respectively. While for the low

season (lower than 49%) prices are 70,00€ and 75,00€ respectively. Then, a 0,53% yearly increase in room prices has been applied to calculate the rates for the next 9 years of business as seen in the tables 27-35 (see Annex). This % increase of the prices was calculated with the hotel price index of the Castilla y la Mancha retrieved from the INE.

## **9.2. Income statement and cash flows**

In this section of the financial analysis, the cash flows for the first 10 years of business will be analyzed.

The table below reflects the monthly cash flow of *Lisura* for the first year. In the upper section of the table the monthly total income can be seen. This income has been calculated with the occupancy rate and prices of each type of room explained in the previous paragraph. Then, the monthly expenses are reflected. Those costs can be classified in variable and fixed costs and have been calculated following the guidance of the EIE (2018). According to EIE (2018) the variable costs of rural hotels represent the 7% of the monthly income. This cost includes the following supplies: water, electricity and gas. On the other hand, the fixed costs are salaries, marketing services, administrative expenses and repair and maintenance services. Salaries and marketing expenses have been already explained in previous paragraphs. The administrative expenses refer to insurance expenses and legal requirement expenses. The maintenance expenses refer to expenses that arise from technical repairments and costs of technical maintenance.

Once the income and the expenses have been taken into account, it is important to include the depreciation for the cash flow calculation. As seen in the above table 5 there are different depreciation categories depending on the assets: building, furniture, technical equipment and information technology equipment. Each one has a different useful life and has therefore a different depreciation amount.

As shown on the table 9, the monthly earnings before interest and taxes is positive in all months. And they remain positive even with the payment of the interest of the loan.

Table 7. Lisura's room occupancy for year 1

|                            | YEAR 1 |        |        |        |        |        |        |        |        |        |        |        |         | Total |
|----------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|---------|-------|
|                            | Jan.   | Feb.   | Mar.   | Apr.   | May.   | Jun.   | Jul.   | Aug.   | Sep.   | Oct.   | Nov.   | Dec.   | Average |       |
| Occupancy (%)              | 36,30% | 42,05% | 43,27% | 51,41% | 49,84% | 49,87% | 37,55% | 44,84% | 49,03% | 51,62% | 45,45% | 36,26% | 44,79%  |       |
| Nº Standard rooms occupied | 113    | 118    | 134    | 154    | 155    | 150    | 116    | 139    | 147    | 160    | 136    | 112    | 134     | 1634  |
| Nº Superior rooms occupied | 56     | 59     | 67     | 77     | 77     | 75     | 58     | 70     | 74     | 80     | 68     | 56     | 67      | 817   |
| Total Nº rooms occupied    | 169    | 177    | 201    | 231    | 232    | 224    | 175    | 209    | 221    | 240    | 205    | 169    | 202     | 2451  |

Source: own elaboration with data from the INE.

Table 8. Lisura's room rates for year 1

|               | YEAR 1  |         |         |         |         |         |         |         |         |         |         |         |
|---------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
|               | Jan.    | Feb.    | Mar.    | Apr.    | May.    | Jun.    | Jul.    | Aug.    | Sep.    | Oct.    | Nov.    | Dec.    |
| Standard room | 70,00 € | 70,00 € | 70,00 € | 75,00 € | 75,00 € | 75,00 € | 70,00 € | 70,00 € | 75,00 € | 75,00 € | 70,00 € | 70,00 € |
| Superior room | 75,00 € | 75,00 € | 75,00 € | 80,00 € | 80,00 € | 80,00 € | 75,00 € | 75,00 € | 80,00 € | 80,00 € | 75,00 € | 75,00 € |

Source: own elaboration.

Table 9. Lisura's Cash Flow for year 1

|  | CASH FLOW YEAR 1 |             |             |             |             |             |             |             |             |             |             |             |              |
|--|------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|--------------|
|  | Jan.             | Feb.        | Mar.        | Apr.        | May.        | Jun.        | Jul.        | Aug.        | Sep.        | Oct.        | Nov.        | Dec.        | Total        |
| Standard Rooms                         | 7.877,10 €       | 8.241,80 €  | 9.389,59 €  | 11.567,25 € | 11.587,80 € | 11.220,75 € | 8.148,35 €  | 9.730,28 €  | 11.031,75 € | 12.001,65 € | 9.544,50 €  | 7.868,42 €  | 118.209,24 € |
| Superior Rooms                         | 4.219,88 €       | 4.415,25 €  | 5.030,14 €  | 6.169,20 €  | 6.180,16 €  | 5.984,40 €  | 4.365,19 €  | 5.212,65 €  | 5.883,60 €  | 6.400,88 €  | 5.113,13 €  | 4.215,23 €  | 63.189,69 €  |
| Total Cash In                          | 12.096,98 €      | 12.657,05 € | 14.419,73 € | 17.736,45 € | 17.767,96 € | 17.205,15 € | 12.513,54 € | 14.942,93 € | 16.915,35 € | 18.402,53 € | 14.657,63 € | 12.083,65 € | 181.398,93 € |
| Variable costs (F&B + energy, water..) | 846,79 €         | 885,99 €    | 1.009,38 €  | 1.241,55 €  | 1.243,76 €  | 1.204,36 €  | 875,95 €    | 1.046,01 €  | 1.184,07 €  | 1.288,18 €  | 1.026,03 €  | 845,86 €    | 12.697,93 €  |
| Salaries                               | 9.434,03 €       | 9.434,03 €  | 9.434,03 €  | 9.434,03 €  | 9.434,03 €  | 9.434,03 €  | 9.434,03 €  | 9.434,03 €  | 9.434,03 €  | 9.434,03 €  | 9.434,03 €  | 9.434,03 €  | 113.208,36 € |

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|                                      | Jan.               | Feb.               | Mar.               | Apr.               | May.               | Jun.               | Jul.               | Aug.               | Sep.               | Oct.               | Nov.               | Dec.               | Total               |
|--------------------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|---------------------|
| Marketing expenses                   | 150,00 €           | 150,00 €           | 150,00 €           | 150,00 €           | 150,00 €           | 150,00 €           | 150,00 €           | 150,00 €           | 150,00 €           | 150,00 €           | 150,00 €           | 150,00 €           | 1.800,00 €          |
| Administrative expenses              | 100,00 €           | 100,00 €           | 100,00 €           | 100,00 €           | 100,00 €           | 100,00 €           | 100,00 €           | 100,00 €           | 100,00 €           | 100,00 €           | 100,00 €           | 100,00 €           | 1.200,00 €          |
| Repair and maintenance expenses      | 100,00 €           | 100,00 €           | 100,00 €           | 100,00 €           | 100,00 €           | 100,00 €           | 100,00 €           | 100,00 €           | 100,00 €           | 100,00 €           | 100,00 €           | 100,00 €           | 1.200,00 €          |
| Amortisation reform                  | 227,33 €           | 227,33 €           | 227,33 €           | 227,33 €           | 227,33 €           | 227,33 €           | 227,33 €           | 227,33 €           | 227,33 €           | 227,33 €           | 227,33 €           | 227,33 €           | 2.727,96 €          |
| Amortisation, information technology | 16,67 €            | 16,67 €            | 16,67 €            | 16,67 €            | 16,67 €            | 16,67 €            | 16,67 €            | 16,67 €            | 16,67 €            | 16,67 €            | 16,67 €            | 16,67 €            | 200,04 €            |
| Amortisation, technical equipment    | 131,81 €           | 131,81 €           | 131,81 €           | 131,81 €           | 131,81 €           | 131,81 €           | 131,81 €           | 131,81 €           | 131,81 €           | 131,81 €           | 131,81 €           | 131,81 €           | 1.581,72 €          |
| Amortisation, furniture              | 96,59 €            | 96,59 €            | 96,59 €            | 96,59 €            | 96,59 €            | 96,59 €            | 96,59 €            | 96,59 €            | 96,59 €            | 96,59 €            | 96,59 €            | 96,59 €            | 1.159,08 €          |
| <b>Total Cash Out</b>                | <b>11.103,22 €</b> | <b>11.142,42 €</b> | <b>11.265,81 €</b> | <b>11.497,98 €</b> | <b>11.500,19 €</b> | <b>11.460,79 €</b> | <b>11.132,38 €</b> | <b>11.302,44 €</b> | <b>11.440,50 €</b> | <b>11.544,61 €</b> | <b>11.282,46 €</b> | <b>11.102,29 €</b> | <b>135.775,09 €</b> |
| Earnings before Interest and Taxes   | 993,76 €           | 1.514,63 €         | 3.153,92 €         | 6.238,47 €         | 6.267,77 €         | 5.744,36 €         | 1.381,16 €         | 3.640,49 €         | 5.474,85 €         | 6.857,92 €         | 3.375,16 €         | 981,36 €           | 45.623,84 €         |
| Interest payment                     | 490,05 €           | 488,88 €           | 487,71 €           | 486,52 €           | 485,34 €           | 484,15 €           | 482,95 €           | 481,75 €           | 480,54 €           | 479,33 €           | 478,11 €           | 476,89 €           | 5.802,23 €          |
| Earnings before Taxes                | 503,71 €           | 1.025,75 €         | 2.666,21 €         | 5.751,94 €         | 5.782,43 €         | 5.260,21 €         | 898,21 €           | 3.158,75 €         | 4.994,30 €         | 6.378,59 €         | 2.897,05 €         | 504,47 €           | 39.821,61 €         |
| Taxes (25%)                          |                    |                    |                    |                    |                    |                    |                    |                    |                    |                    |                    |                    | 9.955,40 €          |
| Earnings after Interest and Taxes    |                    |                    |                    |                    |                    |                    |                    |                    |                    |                    |                    |                    | 29.866,21 €         |
| Amortisation                         |                    |                    |                    |                    |                    |                    |                    |                    |                    |                    |                    |                    | 5.668,80 €          |
| <b>Operative Cash Flow</b>           |                    |                    |                    |                    |                    |                    |                    |                    |                    |                    |                    |                    | <b>35.535,01 €</b>  |
| Loan Payment                         |                    |                    |                    |                    |                    |                    |                    |                    |                    |                    |                    |                    | 3.347,58 €          |
| <b>Final Cash Flow</b>               |                    |                    |                    |                    |                    |                    |                    |                    |                    |                    |                    |                    | <b>32.187,43 €</b>  |

Source: Own elaboration.



During the 12 first months the same previous procedure is applied. Consequently, for the first year of the business the total earnings before taxes are 39.821,61€. Then it is necessary to discount the 25% of the earnings that need to be paid as taxes. As a result, *Lisura's* earnings after interest and taxes is 29.866,21€.

Finally, for the calculation of the final cash flow it is necessary to add the depreciation costs since they do not represent a real physical outcome of cash. However, we need to discount the annual loan payment. After this, the final cash flow for year 1 is positive and is 32.187,43€.

The same procedure has been applied for the calculation of the final cash flows of the next 9 years of business as seen on table 36 (see Annex). The only difference has been applied in the calculation of the fixed and variable costs, which consists in the taking into account an annual increase of 1,9% of the consumer price index given by the INE. The final cash flows of all years are positive and increasing year by year.

### 9.3. Weighted Average Cost of Capital

The first step for the financial viability analysis is to calculate the WACC. In order to do this, it is necessary to determine the cost of debt and the cost of equity (table 11 and table 12).

Table 10. *Equity and debt structure of Lisura*

|                               |     |
|-------------------------------|-----|
| % of financing that is equity | 60% |
| % of financing that is debt   | 40% |

Source. Own elaboration.

Table 11. *Cost of debt calculation*

|                    |        |
|--------------------|--------|
| Loan interest rate | 5,157% |
| Tax rate           | 25%    |
| Cost of debt       | 3,868% |

Source: Own elaboration.

Table 12. *Cost of equity calculation*

|                            |        |
|----------------------------|--------|
| Risk-free rate             | 0,97%  |
| Average market return rate | 10,05% |
| Beta                       | 1,01   |
| Cost of equity             | 10,14% |

Source: Own elaboration with data from Public Treasury, Spanish Central Bank and Stern NYU, respectively.

In order to calculate the cost of debt, the loan interest rate of the Santander Bank and the corporate tax rate have been used. The net cost of *Lisura's* debt is 3,868% which is the amount of interest rate minus the amount it has saved in taxes as a result of its tax-deductible interest payments.

On the other hand, to calculate the cost of equity the risk-free rate, average market rate and beta have been used. The first measure, the risk-free rate, represents the interest an investor would expect from an absolutely risk-

free investment. The measure used for this is the yield of 20-years bonds given by the Public Treasury on November 2019 which is 0,97%. The second measure, the average market return rate, is 10,05% and has been taken from the Spanish Central Bank for the hospitality sector. The third measure, the beta, represents the market risk of an asset. This measure is given by the Stern NYU for different activity sectors. In this case, the hotel sector has been used and it is 1,01. With all this previous data, the cost of equity has been calculated, resulting in 10,14%.

Finally, the WACC has been calculated with the cost of the debt and the cost of the equity and their weights. The final result for WACC is 6,377%. A low cost of investment as this one is positive since it means that the risk of investment is low. Also, it means that investment return rates must be above the WACC in order to generate value for the investors.

#### 9.4. Net present value, Internal rate of return and Payback

In order to complete the financial analysis, three other indicators have been calculated which can be seen in the table 13 below.

Table 13. *Financial indicators for Lisura*

|         |                      |
|---------|----------------------|
| Payback | 5 years and 8 months |
| NPV     | 131.767,19€          |
| IRR     | 17,65%               |

Source: Own elaboration.

The results of all three are very positive from a financial decision-making point of view, meaning that *Lisura* is profitable.

The payback indicates the time needed to get back the initial investment. According to Expansion (2016), the idea is to recover as soon as possible and at least sooner than the economic life of the business in order to be profitable. In the case of *Lisura*, it is almost 6 years which is positive considering the nature of the business activity.

The NPV indicates that the value generated by *Lisura* during the first 10 years exceed the costs so it can be said that the project adds economic value. In other words, this means that the initial investment is recovered, the established return with the cost of capital rate is obtained, and plus extra profit above the required return is also obtained.

The IRR indicates the rate in which the NPV is equal to 0. Considering that the previous calculated WACC is 6,377% any rate above that, means that the is making profits. Therefore, with an IRR of 17,65%, *Lisura* is profitable for the investors.

#### 9.5. Scenario analysis

In this paragraph, the scenario analysis will be shown in order to determine the risk of the investment. As seen in the table 14 below there are 3 scenarios that have been analyzed. In each scenario one or more than one

## Financial viability analysis of a hospitality business idea

variable has been changed, compared to the realistic scenario. In the case of the pessimistic and the optimistic the HPI, CPI and occupancy growth have been modified. In the last one, the seasonal one, the only change done is closing the business activity during the months of November, December, January, February and March due to low occupancy rates (lower than 49%).

Table 14. *Lisura's variables per scenario*

|                  | Realistic | Pessimistic | Optimistic | Seasonal       |
|------------------|-----------|-------------|------------|----------------|
| HPI              | 0,53%     | 0,13%       | 1,07%      | 0,53%          |
| CPI              | 1,90%     | 2,00%       | 1,71%      | 1,90%          |
| Occupancy growth | 3,00%     | 0,50%       | 4,50%      | 3,00%          |
| Closed           | -         | -           | -          | November-April |

Source: Own elaboration.

It can be seen that even though the variables have been modified, the final Cash Flows of all scenarios are positive (table 15). Some variables of table 15 remain the same in the different scenarios such as depreciation and loan payment.

The seasonal scenario is less profitable than expected because even though it has low costs (due to the closing period), the incomes are not high enough to compensate a seasonal activity.

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Table 15. Cash flow of year 10 calculation per scenario

|                                      | Realistic    | Pessimistic  | Optimistic   | Seasonal     |
|--------------------------------------|--------------|--------------|--------------|--------------|
| Income Standard Rooms                | +161.215,64€ | +124.679,12€ | +192.569,13€ | +100.720,06€ |
| Income Superior Rooms                | +86.199,11€  | +66.663,69€  | +102.963,26€ | +53.853,21€  |
| Total Income                         | +247.414,75€ | +191.342,81€ | +295.532,39€ | +154.573,27€ |
| Variable costs                       | -15.041,82€  | -15.554,26€  | -14.791,28€  | -9.576,07€   |
| Salaries                             | -134.105,37€ | -138.673,98€ | -131.871,63€ | -78.228,13€  |
| Marketing expenses                   | -2.132,26€   | -2.204,90€   | -2.096,74€   | -1.243,82€   |
| Administrative expenses              | -1.421,51€   | -1.469,93€   | -1.397,83€   | -829,21€     |
| Repair and maintenance expenses      | -1.421,51€   | -1.469,93€   | -1.397,83€   | -829,21€     |
| Depreciation, reform                 | -2.727,96€   | -2.727,96€   | -2.727,96€   | -2.727,96€   |
| Depreciation, information technology | -200,04€     | -200,04€     | -200,04€     | -200,04€     |
| Depreciation, technical equipment    | -1.581,72€   | -1.581,72€   | -1.581,72€   | -1.581,72€   |
| Depreciation, furniture              | -1.159,08€   | -1.159,08€   | -1.159,08€   | -1.159,08€   |
| Total costs                          | -159.791,26€ | -165.041,80€ | -157.224,11€ | -96.375,24€  |
| EBIT                                 | +87.623,49€  | +26.301,01€  | +138.308,28€ | +58.198,03€  |
| Interest payment                     | -3.830,34€   | -3.830,34€   | -3.830,34€   | -3.830,34€   |
| EBT                                  | +83.793,15€  | +22.470,67€  | +134.477,94€ | +54.367,69€  |
| Taxes (25%)                          | -20.948,29€  | -5.617,67€   | -33.619,48€  | -13.591,92€  |
| EAIT                                 | +62.844,86€  | +16.853,00€  | +100.858,45€ | +40.775,77€  |
| Depreciation                         | +5.668,80€   | +5.668,80€   | +5.668,80€   | +5.668,80€   |
| Operative Cash Flow                  | +68.513,66€  | +22.521,80€  | +106.527,25€ | +46.444,57€  |
| Loan Payment                         | -5.319,47€   | -5.319,47€   | -5.319,47€   | -5.319,47€   |
| Final Cash Flow                      | +63.194,19€  | +17.202,33€  | +101.207,78€ | +41.125,10€  |

Source: Own elaboration.

In table 16, the financial indicators for the different scenarios are shown. According to the results, it can be said that in case of a pessimistic scenario *Lisura* would not be profitable since the IRR would be below the cost of capital and also the NPV is below 0. Also, it has been noted that even though the seasonal scenario has a better NPV and IRR compared to the pessimistic scenario, the payback period is higher in the seasonal scenario. This is due to the fact that for the calculation of the cash flows the variables for the pessimistic scenario increase or decrease over years while in the seasonal scenario the variables remain constant.

Table 16. Financial indicators of year 10 per scenario

|         | Realistic            | Pessimistic          | Optimistic          | Seasonal             |
|---------|----------------------|----------------------|---------------------|----------------------|
| NPV     | 131.767,19€          | -5.015,89€           | 238.216,53€         | 22.519,68€           |
| IRR     | 17,65%               | 5,75%                | 23,44%              | 8,56%                |
| Payback | 5 years and 8 months | 6 years and 5 months | 5 years and 1 month | 7 years and 2 months |

Source: Own elaboration.

## 9.6. Sensitivity analysis

Finally, the last analysis in order to establish the level of risk of the business is a sensitivity analysis. This type of analysis determines the maximum level the variables can change in order to have a positive NPV and therefore, still be profitable.

In the table 17 below the results of the analysis can be seen. It can be said that NPV is more sensitive to changes in prices and occupancy. This means that small changes of prices or occupancy rates will have high effects on the profitability of the project. To be more concrete, prices of the standard rooms are more sensitive than the superior rooms prices. In order to be profitable, prices and occupancy cannot decrease more than 13,66% and 12,64% respectively. This data can be very relevant in order to plan pricing strategies or marketing strategies to increase occupancy levels, for example.

Also, another important variable that needs to be taken into account carefully is the personal expenses. This variable can increase approximately 20% and the business would still be profitable. Also, on the other side, cutting costs in personal expenses can make high increases in the profitability of the business. As an example, this information could be very helpful for the human resources department when hiring workers.

The rest of the variables such as occupation growth, HPI and CPI do not have high effects on the profitability of the project. In other words, this variable need to have considerable changes in order to make the NPV go to 0.

Table 17. *Sensitivity analysis for Lisura*

|                     | Real NPV    | NPV = 0     | Variable variation | Variable variation (%) |
|---------------------|-------------|-------------|--------------------|------------------------|
| Occupation growth   | 3,00%       | -0,1248%    | -3,12%             | -104,16%               |
| HPI growth          | 0,53%       | -2,46%      | -2,99%             | -564,15%               |
| CPI growth          | 1,90%       | 5,8%        | +3,90%             | 205,26%                |
| Price Standard Room | 72,08€      | 58,06€      | -14,02€            | -19,45%                |
| Price Superior Room | 77,50€      | 49,54€      | -27,96€            | -36,08%                |
| Prices              | 74,59€      | 64,40€      | -10,19€            | -13,66%                |
| Occupancy           | 44,79%      | 39,13%      | -5,66%             | -12,64%                |
| Personal Expenses   | 113.208,36€ | 136.055,49€ | +22.847,13€        | +20,18%                |

Source: Own elaboration.

## 9. Conclusions

Considering the objective proposed at the beginning of this study, which was to establish whether *Lisura* would be profitable, it can be said that not only it has been demonstrated that the business would recover its investment but also it showed that it is possible to make profits out of it. Therefore, the results of this

study are highly positive from a financial point of view and very significant for the team members or investors.

Throughout the study it can be seen that all financial indicators proved that the business idea would be financially viable in the future. Even in the worst case, the pessimistic scenario's cash flow showed to be positive, the initial investment would be recovered in six years and the NPV would only be -5.000€ which represent a very low risk. Also, the sensitivity analysis showed that even with some fluctuations on prices or occupancy level the business would still work well financially. Likewise, the marketing research done in this study showed that demand will increase. According to future trends, the digital nomad is a fast-growing market. Some experts forecast to have over 1 billion digital nomads by 2035 (Market Inspector, 2013).

However, on the other side, it is necessary to point out that even though the presented indicators showed very positive results it is highly recommended to continue with extra research and calculations in the nearby future before proceeding to the establishment of the business. For instance, more holistic and integrating calculations would offer a better overview of the business activity. The sensitivity analysis could reflect other results if the variables would interact between each other. The same would apply to the scenario analysis. Additionally, the NPV and IRR indicators presume that the positive cash flows of *Lisura* are reinvested every year with the same interest rate which is not very realistic. Therefore, it would be recommended to extend and contrast the actual study with extra information and data.

At last, it has been also considered relevant to enhance the opportunity *Lisura* has to access the European Commission funds for rural development that seek to support the growth of rural regions and increase employments and the living standards of these areas. With this funding, the financial viability study would show different results since in this study the investment was done through own resources and through a bank loan. Consequently, it would be very interesting to prepare a viability study considering this possible scenario.

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**11. Annex**



*Figure 5.* Picture of the outside of the building. Source: Own elaboration.



*Figure 6.* Picture of the outside of the building. Source: Own elaboration.



*Figure 7.* Picture of the surroundings of the building. Source: Own elaboration.

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Figure 8. Picture of the outside of the building. Source: Own elaboration.



Figure 9. Picture of the outside of the building. Source: Own elaboration.



Figure 10. Picture of the inside of the building. Source: Own elaboration.

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*Figure 11.* Picture of the inside of the building. Source: Own elaboration.

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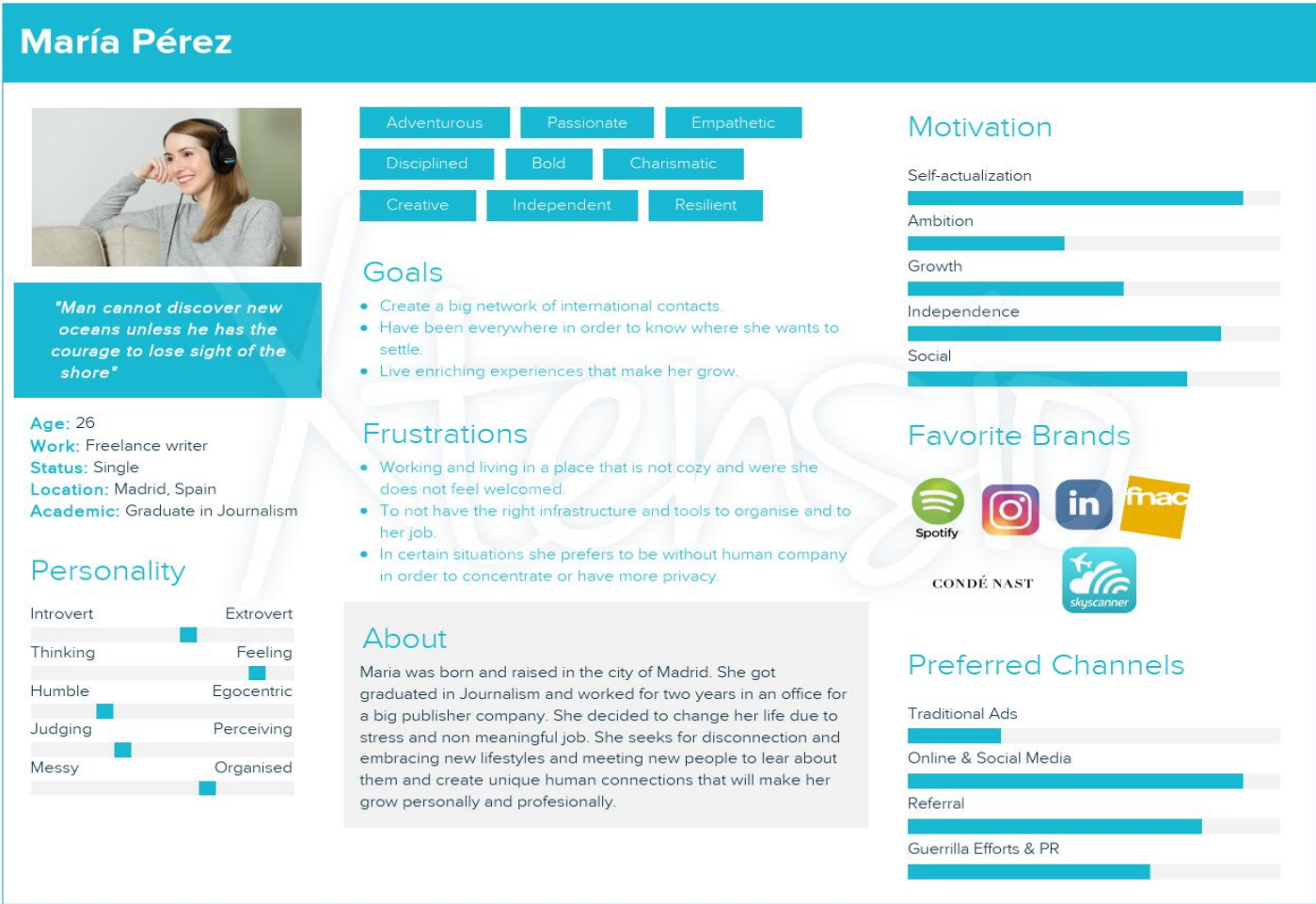


Figure 12. Lisura's Buyer Persona. Source: Own elaboration with Xtensio tool.

Table 18. *Lisura's room occupancy for year 2*

|                            | YEAR 2 |        |        |        |        |        |        |        |        |        |        |        |        | Average | Total |
|----------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|---------|-------|
|                            | Jan.   | Feb.   | Mar.   | Apr.   | May.   | Jun.   | Jul.   | Aug.   | Sep.   | Oct.   | Nov.   | Dec.   |        |         |       |
| Occupancy (%)              | 37,39% | 43,31% | 44,57% | 52,95% | 51,34% | 51,37% | 38,68% | 46,19% | 50,50% | 53,17% | 46,81% | 37,35% | 46,13% |         |       |
| Nº Standard rooms occupied | 116    | 121    | 138    | 159    | 159    | 154    | 120    | 143    | 152    | 165    | 140    | 116    | 140    | 1683    |       |
| Nº Superior rooms occupied | 58     | 61     | 69     | 79     | 80     | 77     | 60     | 72     | 76     | 82     | 70     | 58     | 70     | 842     |       |
| Total Nº rooms occupied    | 174    | 182    | 207    | 238    | 239    | 231    | 180    | 215    | 227    | 247    | 211    | 174    | 210    | 2525    |       |

Source: Own elaboration with data from the INE.

Table 19 *Lisura's room occupancy for year 3*

|                            | YEAR 3 |        |        |        |        |        |        |        |        |        |        |        |        | Average | Total |
|----------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|---------|-------|
|                            | Jan.   | Feb.   | Mar.   | Apr.   | May.   | Jun.   | Jul.   | Aug.   | Sep.   | Oct.   | Nov.   | Dec.   |        |         |       |
| Occupancy (%)              | 38,51% | 44,61% | 45,91% | 54,54% | 52,88% | 52,91% | 39,84% | 47,57% | 52,02% | 54,76% | 48,22% | 38,47% | 47,52% |         |       |
| Nº Standard rooms occupied | 119    | 125    | 142    | 164    | 164    | 159    | 123    | 147    | 156    | 170    | 145    | 119    | 144    | 1734    |       |
| Nº Superior rooms occupied | 60     | 62     | 71     | 82     | 82     | 79     | 62     | 74     | 78     | 85     | 72     | 60     | 72     | 867     |       |
| Total Nº rooms occupied    | 179    | 187    | 213    | 245    | 246    | 238    | 185    | 221    | 234    | 255    | 217    | 179    | 217    | 2600    |       |

Source: Own elaboration with data from the INE.

Table 20 *Lisura's room occupancy for year 4*

|                            | YEAR 4 |        |        |        |        |        |        |        |        |        |        |        |        | Average | Total |
|----------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|---------|-------|
|                            | Jan.   | Feb.   | Mar.   | Apr.   | May.   | Jun.   | Jul.   | Aug.   | Sep.   | Oct.   | Nov.   | Dec.   |        |         |       |
| Occupancy (%)              | 39,67% | 46,95% | 47,28% | 56,18% | 54,46% | 54,49% | 41,03% | 49,00% | 53,58% | 56,41% | 49,66% | 39,62% | 48,94% |         |       |
| Nº Standard rooms occupied | 123    | 129    | 147    | 169    | 169    | 163    | 127    | 152    | 161    | 175    | 149    | 123    | 149    | 1786    |       |
| Nº Superior rooms occupied | 61     | 64     | 73     | 84     | 84     | 82     | 64     | 76     | 80     | 87     | 74     | 61     | 74     | 893     |       |
| Total Nº rooms occupied    | 184    | 193    | 220    | 253    | 253    | 245    | 191    | 228    | 241    | 262    | 223    | 184    | 223    | 2678    |       |

Source: Own elaboration with data from the INE.

Table 21 *Lisura's room occupancy for year 5*

|                            | YEAR 5 |        |        |        |        |        |        |        |        |        |        |        |         | Total |
|----------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|---------|-------|
|                            | Jan.   | Feb.   | Mar.   | Apr.   | May.   | Jun.   | Jul.   | Aug.   | Sep.   | Oct.   | Nov.   | Dec.   | Average |       |
| Occupancy (%)              | 40,86% | 47,33% | 48,70% | 57,86% | 56,10% | 56,13% | 42,26% | 50,47% | 55,18% | 58,10% | 51,15% | 40,81% | 50,41%  |       |
| Nº Standard rooms occupied | 127    | 133    | 151    | 174    | 174    | 168    | 131    | 156    | 166    | 180    | 153    | 127    | 153     | 1839  |
| Nº Superior rooms occupied | 63     | 66     | 75     | 87     | 87     | 84     | 66     | 78     | 83     | 90     | 77     | 63     | 77      | 920   |
| Total Nº rooms occupied    | 190    | 199    | 226    | 260    | 261    | 253    | 197    | 235    | 248    | 270    | 230    | 190    | 230     | 2759  |

Source: Own elaboration with data from the INE.

Table 22. *Lisura's room occupancy for year 6*

|                            | YEAR 6 |        |        |        |        |        |        |        |        |        |        |        |         | Total |
|----------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|---------|-------|
|                            | Jan.   | Feb.   | Mar.   | Apr.   | May.   | Jun.   | Jul.   | Aug.   | Sep.   | Oct.   | Nov.   | Dec.   | Average |       |
| Occupancy (%)              | 42,08% | 48,75% | 50,16% | 59,60% | 57,78% | 57,81% | 43,53% | 51,98% | 56,84% | 59,84% | 52,69% | 42,04% | 51,92%  |       |
| Nº Standard rooms occupied | 130    | 136    | 156    | 179    | 179    | 173    | 135    | 161    | 171    | 186    | 158    | 130    | 158     | 1894  |
| Nº Superior rooms occupied | 65     | 68     | 78     | 89     | 90     | 87     | 67     | 81     | 85     | 93     | 79     | 65     | 79      | 947   |
| Total Nº rooms occupied    | 196    | 205    | 233    | 268    | 269    | 260    | 202    | 242    | 256    | 278    | 237    | 195    | 237     | 2841  |

Source: Own elaboration with data from the INE.

Table 23. *Lisura's room occupancy for year 7*

|                            | YEAR 7 |        |        |        |        |        |        |        |        |        |        |        |         | Total |
|----------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|---------|-------|
|                            | Jan.   | Feb.   | Mar.   | Apr.   | May.   | Jun.   | Jul.   | Aug.   | Sep.   | Oct.   | Nov.   | Dec.   | Average |       |
| Occupancy (%)              | 43,34% | 50,21% | 51,67% | 61,39% | 59,51% | 59,55% | 44,84% | 53,54% | 58,54% | 61,64% | 54,27% | 43,30% | 53,48%  |       |
| Nº Standard rooms occupied | 134    | 141    | 160    | 184    | 184    | 179    | 139    | 166    | 176    | 191    | 163    | 134    | 163     | 1951  |
| Nº Superior rooms occupied | 67     | 70     | 80     | 92     | 92     | 89     | 69     | 83     | 88     | 96     | 81     | 67     | 81      | 976   |
| Total Nº rooms occupied    | 202    | 211    | 240    | 276    | 277    | 268    | 208    | 249    | 263    | 287    | 244    | 201    | 244     | 2927  |

Source: Own elaboration with data from the INE.



Table 24. *Lisura's room occupancy for year 8*

|                            | YEAR 8 |        |        |        |        |        |        |        |        |        |        |        |         |       |
|----------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|---------|-------|
|                            | Jan.   | Feb.   | Mar.   | Apr.   | May.   | Jun.   | Jul.   | Aug.   | Sep.   | Oct.   | Nov.   | Dec.   | Average | Total |
| Occupancy (%)              | 44,64% | 51,72% | 53,22% | 63,23% | 61,30% | 61,33% | 46,18% | 55,15% | 60,30% | 63,49% | 55,90% | 44,60% | 55,09%  |       |
| Nº Standard rooms occupied | 138    | 145    | 165    | 190    | 190    | 1684   | 143    | 171    | 181    | 197    | 168    | 138    | 167     | 2010  |
| Nº Superior rooms occupied | 69     | 72     | 82     | 95     | 95     | 92     | 72     | 85     | 90     | 98     | 84     | 69     | 84      | 1005  |
| Total Nº rooms occupied    | 208    | 217    | 247    | 285    | 285    | 276    | 215    | 256    | 271    | 295    | 252    | 207    | 251     | 3014  |

Source: Own elaboration with data from the INE.

Table 25. *Lisura's room occupancy for year 9*

|                            | YEAR 9 |        |        |        |        |        |        |        |        |        |        |        |         |       |
|----------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|---------|-------|
|                            | Jan.   | Feb.   | Mar.   | Apr.   | May.   | Jun.   | Jul.   | Aug.   | Sep.   | Oct.   | Nov.   | Dec.   | Average | Total |
| Occupancy (%)              | 45,98% | 53,27% | 54,81% | 65,12% | 63,14% | 63,17% | 47,57% | 56,80% | 62,11% | 65,39% | 57,57% | 45,93% | 56,74%  |       |
| Nº Standard rooms occupied | 143    | 149    | 170    | 195    | 196    | 190    | 147    | 176    | 186    | 203    | 173    | 142    | 172     | 2070  |
| Nº Superior rooms occupied | 71     | 75     | 85     | 98     | 98     | 95     | 74     | 88     | 93     | 101    | 86     | 71     | 86      | 1035  |
| Total Nº rooms occupied    | 214    | 224    | 255    | 293    | 294    | 284    | 221    | 264    | 279    | 304    | 259    | 214    | 259     | 3105  |

Source: Own elaboration with data from the INE.

Table 26. *Lisura's room occupancy for year 10*

|                            | YEAR 10 |        |        |        |        |        |        |        |        |        |        |        |         |       |
|----------------------------|---------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|---------|-------|
|                            | Jan.    | Feb.   | Mar.   | Apr.   | May.   | Jun.   | Jul.   | Aug.   | Sep.   | Oct.   | Nov.   | Dec.   | Average | Total |
| Occupancy (%)              | 47,36%  | 54,87% | 56,46% | 67,08% | 65,03% | 65,07% | 48,99% | 58,51% | 63,97% | 67,35% | 59,30% | 47,31% | 58,44%  |       |
| Nº Standard rooms occupied | 147     | 154    | 175    | 201    | 202    | 195    | 152    | 181    | 192    | 209    | 178    | 147    | 178     | 2132  |
| Nº Superior rooms occupied | 73      | 77     | 88     | 101    | 101    | 98     | 76     | 91     | 96     | 104    | 89     | 73     | 89      | 1066  |
| Total Nº rooms occupied    | 220     | 230    | 263    | 302    | 302    | 293    | 228    | 272    | 288    | 313    | 267    | 220    | 267     | 3198  |

Source: Own elaboration with data from the INE.

Table 27. *Lisura's room rates for year 2*

|               | YEAR 2  |         |         |         |         |         |         |         |         |         |         |         |
|---------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
|               | Jan.    | Feb.    | Mar.    | Apr.    | May.    | Jun.    | Jul.    | Aug.    | Sep.    | Oct.    | Nov.    | Dec.    |
| Standard room | 70,37 € | 70,37 € | 70,37 € | 75,40 € | 75,40 € | 75,40 € | 70,37 € | 70,37 € | 75,40 € | 75,40 € | 70,37 € | 70,37 € |
| Superior room | 75,40 € | 75,40 € | 75,40 € | 80,43 € | 80,43 € | 80,43 € | 75,40 € | 75,40 € | 80,43 € | 80,43 € | 75,40 € | 75,40 € |

Source: Own elaboration.

Table 28. *Lisura's room rates for year 3*

|               | YEAR 3  |         |         |         |         |         |         |         |         |         |         |         |
|---------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
|               | Jan.    | Feb.    | Mar.    | Apr.    | May.    | Jun.    | Jul.    | Aug.    | Sep.    | Oct.    | Nov.    | Dec.    |
| Standard room | 70,75 € | 70,75 € | 70,75 € | 75,80 € | 75,80 € | 75,80 € | 70,75 € | 70,75 € | 75,80 € | 75,80 € | 70,75 € | 70,75 € |
| Superior room | 75,80 € | 75,80 € | 75,80 € | 80,86 € | 80,86 € | 80,86 € | 75,80 € | 75,80 € | 80,86 € | 80,86 € | 75,80 € | 75,80 € |

Source: Own elaboration.

Table 29. *Lisura's room rates for year 4*

|               | YEAR 4  |         |         |         |         |         |         |         |         |         |         |         |
|---------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
|               | Jan.    | Feb.    | Mar.    | Apr.    | May.    | Jun.    | Jul.    | Aug.    | Sep.    | Oct.    | Nov.    | Dec.    |
| Standard room | 71,13 € | 71,13 € | 71,13 € | 76,21 € | 76,21 € | 76,21 € | 71,13 € | 71,13 € | 76,21 € | 76,21 € | 71,13 € | 71,13 € |
| Superior room | 76,21 € | 76,21 € | 76,21 € | 81,29 € | 81,29 € | 81,29 € | 76,21 € | 76,21 € | 81,29 € | 81,29 € | 76,21 € | 76,21 € |

Source: Own elaboration.

Table 30. *Lisura's room rates for year 5*

|               | YEAR 5  |         |         |         |         |         |         |         |         |         |         |         |
|---------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
|               | Jan.    | Feb.    | Mar.    | Apr.    | May.    | Jun.    | Jul.    | Aug.    | Sep.    | Oct.    | Nov.    | Dec.    |
| Standard room | 71,50 € | 71,50 € | 71,50 € | 76,61 € | 76,61 € | 76,61 € | 71,50 € | 71,50 € | 76,61 € | 76,61 € | 71,50 € | 71,50 € |
| Superior room | 76,61 € | 76,61 € | 76,61 € | 81,72 € | 81,72 € | 81,72 € | 76,61 € | 76,61 € | 81,72 € | 81,72 € | 76,61 € | 76,61 € |

Source: Own elaboration.

Table 31. *Lisura's room rates for year 6*

|               | YEAR 6  |         |         |         |         |         |         |         |         |         |         |         |
|---------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
|               | Jan.    | Feb.    | Mar.    | Apr.    | May.    | Jun.    | Jul.    | Aug.    | Sep.    | Oct.    | Nov.    | Dec.    |
| Standard room | 71,89 € | 71,89 € | 71,89 € | 77,02 € | 77,02 € | 77,02 € | 71,89 € | 71,89 € | 77,02 € | 77,02 € | 71,89 € | 71,89 € |
| Superior room | 77,02 € | 77,02 € | 77,02 € | 82,15 € | 82,15 € | 82,15 € | 77,02 € | 77,02 € | 82,15 € | 82,15 € | 77,02 € | 77,02 € |

Source: Own elaboration.

Table 32. *Lisura's room rates for year 7*

|               | YEAR 7  |         |         |         |         |         |         |         |         |         |         |         |
|---------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
|               | Jan.    | Feb.    | Mar.    | Apr.    | May.    | Jun.    | Jul.    | Aug.    | Sep.    | Oct.    | Nov.    | Dec.    |
| Standard room | 72,27 € | 72,27 € | 72,27 € | 77,43 € | 77,43 € | 77,43 € | 72,27 € | 72,27 € | 77,43 € | 77,43 € | 72,27 € | 72,27 € |
| Superior room | 77,43 € | 77,43 € | 77,43 € | 82,59 € | 82,59 € | 82,59 € | 77,43 € | 77,43 € | 82,59 € | 82,59 € | 77,43 € | 77,43 € |

Source: Own elaboration.

Table 33. *Lisura's room rates for year 8*

|               | YEAR 8  |         |         |         |         |         |         |         |         |         |         |         |
|---------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
|               | Jan.    | Feb.    | Mar.    | Apr.    | May.    | Jun.    | Jul.    | Aug.    | Sep.    | Oct.    | Nov.    | Dec.    |
| Standard room | 72,65 € | 72,65 € | 72,65 € | 77,84 € | 77,84 € | 77,84 € | 72,65 € | 72,65 € | 77,84 € | 77,84 € | 72,65 € | 72,65 € |
| Superior room | 77,84 € | 77,84 € | 77,84 € | 83,03 € | 83,03 € | 83,03 € | 77,84 € | 77,84 € | 83,03 € | 83,03 € | 77,84 € | 77,84 € |

Source: Own elaboration.

Table 34. *Lisura's room rates for year 9*

|               | YEAR 9  |         |         |         |         |         |         |         |         |         |         |         |
|---------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
|               | Jan.    | Feb.    | Mar.    | Apr.    | May.    | Jun.    | Jul.    | Aug.    | Sep.    | Oct.    | Nov.    | Dec.    |
| Standard room | 73,04 € | 73,04 € | 73,04 € | 78,26 € | 78,26 € | 78,26 € | 73,04 € | 73,04 € | 78,26 € | 78,26 € | 73,04 € | 73,04 € |
| Superior room | 78,26 € | 78,26 € | 78,26 € | 83,48 € | 83,48 € | 83,48 € | 78,26 € | 78,26 € | 83,48 € | 83,48 € | 78,26 € | 78,26 € |

Source: Own elaboration.

Table 35. *Lisura's room rates for year 10*

|               | YEAR 10 |         |         |         |         |         |         |         |         |         |         |         |
|---------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
|               | Jan.    | Feb.    | Mar.    | Apr.    | May.    | Jun.    | Jul.    | Aug.    | Sep.    | Oct.    | Nov.    | Dec.    |
| Standard room | 73,43 € | 73,43 € | 73,43 € | 78,68 € | 78,68 € | 78,68 € | 73,43 € | 73,43 € | 78,68 € | 78,68 € | 73,43 € | 73,43 € |
| Superior room | 78,68 € | 78,68 € | 78,68 € | 83,92 € | 83,92 € | 83,92 € | 78,68 € | 78,68 € | 83,92 € | 83,92 € | 78,68 € | 78,68 € |

Source: Own elaboration.

## Financial viability analysis of a hospitality business idea

Table 36. *Lisura's Cash Flow for 10 years*

|   | YEAR 1              | YEAR 2              | YEAR 3              | YEAR 4              | YEAR 5              | YEAR 6              | YEAR 7              | YEAR 8              | YEAR 9              | YEAR 10             |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Standard Rooms                            | 118.209,24 €        | 118.413,99 €        | 126.294,98 €        | 130.777,18 €        | 135.418,45 €        | 140.224,43 €        | 145.200,98 €        | 150.354,15 €        | 155.690,21 €        | 161.215,64 €        |
| Superior Rooms                            | 63.189,69 €         | 65.213,25 €         | 67.527,66 €         | 69.924,21 €         | 72.405,82 €         | 74.975,49 €         | 77.636,36 €         | 80.391,67 €         | 83.244,76 €         | 86.199,11 €         |
| <b>Total Cash In</b>                      | <b>181.398,93 €</b> | <b>183.627,24 €</b> | <b>193.822,64 €</b> | <b>200.701,39 €</b> | <b>207.824,26 €</b> | <b>215.199,92 €</b> | <b>222.837,35 €</b> | <b>230.745,82 €</b> | <b>238.934,97 €</b> | <b>247.414,75 €</b> |
| Variable costs (F&B + energy, water..)    | 12.697,93 €         | 12.939,19 €         | 13.185,03 €         | 13.435,55 €         | 13.690,82 €         | 13.950,95 €         | 14.216,01 €         | 14.486,12 €         | 14.761,36 €         | 15.041,82 €         |
| Salaries                                  | 113.208,36 €        | 115.359,32 €        | 117.551,15 €        | 119.784,62 €        | 122.060,53 €        | 124.379,68 €        | 126.742,89 €        | 129.151,00 €        | 131.604,87 €        | 134.105,37 €        |
| Marketing expenses                        | 1.800,00 €          | 1.834,20 €          | 1.869,05 €          | 1.904,56 €          | 1.940,75 €          | 1.977,62 €          | 2.015,20 €          | 2.053,49 €          | 2.092,50 €          | 2.132,26 €          |
| Administrative expenses                   | 1.200,00 €          | 1.222,80 €          | 1.246,03 €          | 1.269,71 €          | 1.293,83 €          | 1.318,42 €          | 1.343,46 €          | 1.368,99 €          | 1.395,00 €          | 1.421,51 €          |
| Repair and maintenance expenses           | 1.200,00 €          | 1.222,80 €          | 1.246,03 €          | 1.269,71 €          | 1.293,83 €          | 1.318,42 €          | 1.343,46 €          | 1.368,99 €          | 1.395,00 €          | 1.421,51 €          |
| Amortisation reform                       | 2.727,96 €          | 2.727,96 €          | 2.727,96 €          | 2.727,96 €          | 2.727,96 €          | 2.727,96 €          | 2.727,96 €          | 2.727,96 €          | 2.727,96 €          | 2.727,96 €          |
| Amortisation, information technology      | 200,04 €            | 200,04 €            | 200,04 €            | 200,04 €            | 200,04 €            | 200,04 €            | 200,04 €            | 200,04 €            | 200,04 €            | 200,04 €            |
| Amortisation, technical equipment         | 1.581,72 €          | 1.581,72 €          | 1.581,72 €          | 1.581,72 €          | 1.581,72 €          | 1.581,72 €          | 1.581,72 €          | 1.581,72 €          | 1.581,72 €          | 1.581,72 €          |
| Amortisation, furniture                   | 1.159,08 €          | 1.159,08 €          | 1.159,08 €          | 1.159,08 €          | 1.159,08 €          | 1.159,08 €          | 1.159,08 €          | 1.159,08 €          | 1.159,08 €          | 1.159,08 €          |
| <b>Total Cash Out</b>                     | <b>135.775,09 €</b> | <b>138.247,10 €</b> | <b>140.766,09 €</b> | <b>143.332,94 €</b> | <b>145.948,56 €</b> | <b>148.613,87 €</b> | <b>151.329,83 €</b> | <b>154.097,39 €</b> | <b>156.917,53 €</b> | <b>159.791,26 €</b> |
| <b>Earnings before Interest and Taxes</b> | <b>45.623,84 €</b>  | <b>45.380,13 €</b>  | <b>53.056,55 €</b>  | <b>57.368,45 €</b>  | <b>61.875,70 €</b>  | <b>66.586,05 €</b>  | <b>71.507,52 €</b>  | <b>76.648,43 €</b>  | <b>82.017,44 €</b>  | <b>87.623,49 €</b>  |
| Interest payment                          | 5.802,23 €          | 5.625,46 €          | 5.439,35 €          | 5.243,41 €          | 5.037,13 €          | 4.819,95 €          | 4.591,30 €          | 4.350,59 €          | 4.097,15 €          | 3.830,34 €          |

## Financial viability analysis of a hospitality business idea

|                                   | YEAR 1      | YEAR 2      | YEAR 3      | YEAR 4      | YEAR 5      | YEAR 6      | YEAR 7      | YEAR 8      | YEAR 9      | YEAR 10     |
|-----------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Earnings before Taxes             | 39.821,61 € | 39.754,68 € | 47.617,20 € | 52.125,04 € | 56.838,58 € | 61.766,10 € | 66.916,21 € | 72.297,85 € | 77.920,28 € | 83.793,15 € |
| Taxes (25%)                       | 9.955,40 €  | 9.938,67 €  | 11.904,30 € | 13.031,26 € | 14.209,64 € | 15.441,52 € | 16.729,05 € | 18.074,46 € | 19.480,07 € | 20.948,29 € |
| Earnings after Interest and Taxes | 29.866,21 € | 29.816,01 € | 35.712,90 € | 39.093,78 € | 42.628,93 € | 46.324,57 € | 50.187,16 € | 54.223,39 € | 58.440,21 € | 62.844,86 € |
| Amortisation                      | 5.668,80 €  | 5.668,80 €  | 5.668,80 €  | 5.668,80 €  | 5.668,80 €  | 5.668,80 €  | 5.668,80 €  | 5.668,80 €  | 5.668,80 €  | 5.668,80 €  |
| Operative Cash Flow               | 35.535,01 € | 35.484,81 € | 41.381,70 € | 44.762,58 € | 48.297,73 € | 51.993,37 € | 55.855,96 € | 59.892,19 € | 64.109,01 € | 68.513,66 € |
| Loan Payment                      | 3.347,58 €  | 3.524,36 €  | 3.710,47 €  | 3.906,40 €  | 4.112,69 €  | 4.329,86 €  | 4.558,51 €  | 4.799,23 €  | 5.052,66 €  | 5.319,47 €  |
| Final Cash Flow                   | 32.187,43 € | 31.960,45 € | 37.671,24 € | 40.856,18 € | 44.185,04 € | 47.663,51 € | 51.297,45 € | 55.092,96 € | 59.056,35 € | 63.194,19 € |

Source: Own elaboration.