

Indonesia Salak Investment Fund (ISIF)

Investment Thesis

Bali is an attractive investment proposition because of the following :

- Significant discount in real estate price due to travel ban from 2019, in average there has been 38% average hotel price decline in Bali from 2017 to 2021.
- Opportunity to contribute over 70 billion IDR annually to the local economy
- Travel restrictions are being lifted around the world, including in Indonesia, Singapore, Australia, Canada, and USA which will result in tourism recovery. It is expected that travel will recover to normal level by 2023 to 16 million tourist and growing by 5% annually even though room supply has been cut by half due to the pandemic, indicating imminent shortage.
- Pre-pandemic occupancy rate is strong at 72%+ at upscale hotel (101-150 USD)
- Bali remains a top destination due to the cultural and tourism infrastructure with many global events are hosted in the location. Before the pandemic, number of events were growing at 15% per year. Some of the notable events/awards in Bali includes:
 - United Nations Climate Change Environment Conference (UNFCCC) in 2007
 - Conference High-Level Asia-Pacific Economic Cooperation (APEC Summit)
 - Miss World Pageant election held in 2013
 - Economic Cooperation Summit Asia Pacific (APEC) 2013
 - Annual Fund Meeting International Monetary Fund (IMF) and World Bank in 2018

Solution & Value Proposition

Solution

ISIF has access to an opportunity to acquire, renovate, and recover a 170-room hotel in Kuta, Bali from a bank foreclosure. Based on the market research report, we believe that there is significant upside from the following :

- Cash Flows from the Operation
- Capital Gain from asset appreciation

Operating Model

To take over a hotel in Bali, the Indonesian diaspora will put an investment of about USD 26 million in *PT. Salak Maju Bersama*, and put 80% shares in *PT. Pembangunan Hotel Internasional* together with 20% shares of *PT. Salak Business Internasional*.

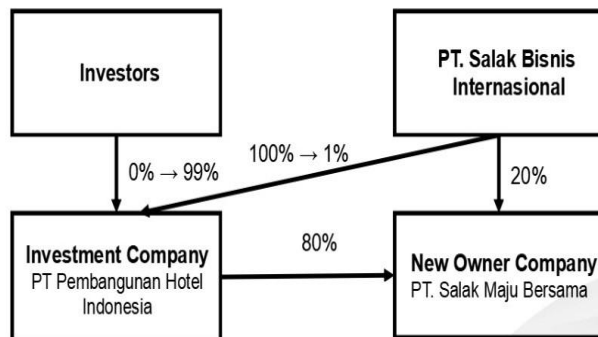
PT Salak Maju Bersama will appoint Salak Hospitality as the operator to reduce operational risk:

- Salak Hospitality has more than 23 years of experience in hotel development and operation.
- Best practices developed from acquiring, developing and managing dozens of hotel portfolios with hotels in management rated 8.5 or above on TripAdvisor and Google Review
- Expertise in meeting and conferences with high-profile events such as supporting White House guests during President George W Bush Jr. visit to Bogor

Value Proposition

- Attractive IRR at 19%, higher than the industry average at 10%
- At its current price, the hotel represents 17% discount from an already depressed industry average valuation, which reduces business risk significantly
- The operation will be funded with equity which represents 0% debt risk.
- Supportive and developed infrastructure
- High occupancy rate (pre-pandemic).
- Reducing the unemployment rate in Indonesia and contribute toward 70 billion IDR annually to the local economy.

Fund Diagram



Fund Details

Fund Type	Private Equity
Geography	Indonesia
Fund Size	Rp. 400 Billion / USD 28,571,450
Investment Unit	USD 1,000 - USD100,000
Investment Criteria	REIT Funds, Indonesia Diaspora, Southeast Asia Real Estate PE Funds Industry: Hotel Accommodation / Tourism Business
Time Horizon	6 years (Payback Period)
Target IRR	19%
Fees	3%
Investors	Indonesia Diaspora, Real Estate Investment Fund
Revenue	Room, F&B, MICE business and Capital Gain
Target Impact	increase job opportunities in Bali, Help economic development & recovery, improve the welfare of the Balinese people

Target Market Size and Scalability

- It is expected that approximately 16 million tourists visit Bali after the pandemic, rising 5% annually
- If we succeed in Bali, we may expand our hotel and MICE businesses and invest in other Indonesian tourism destinations such as Toba Lake, Karimun Jawa, Jogjakarta, Bandung, Malang, and Bogor. These cities are now well-known for their tourist attractions.

Financial Model (First Six Years) - in billion IDR

Hotel Revenue Performace (in IDR billion)						
Year	1	2	3	4	5	6
Revenue + Property Value Increase	86.04	216.11	107.94	114.76	123.89	131.12
Cost	44.80	47.57	53.93	58.42	63.58	77.86
Profit	41.24	168.54	54.01	56.34	60.32	53.26
Total profit in 6 yrs						433.71

Key Metrics

- Overall IRR of 19% for equity holders.
- Cash flow is expected to be positive from the first full year of operations.
- Total revenues are expected to reach 74 billion, versus 44.8 billion in costs, for 29.2 billion in EBITDA.
- 80% of profits are distributed as dividends to shareholders twice a year.
- Total profit-sharing distribution to the investor about 24 bio per year

Key Assumptions

- Hotel operations will be able to capture 60% of hotel occupancy.
- Cash flows and market growth will increase by approximately 5% to 10% per year.
- MICE events are increasing every year.
- The property value will double after the epidemic is over
- The property value will increase by around 3% each year.

ESG Impact & Metrics

The hotel industry will have an impact on all business sectors and has a multiplier effect on the local economy. In Bali, the hotel will employ more than 200 employees. In this case, about Rp. 70 bio each year would be circulated among all stakeholders (employees, suppliers, guests, and government)

Due Diligence & Risk Management

Risk	Mitigation
<ul style="list-style-type: none"> • Force majeure • World economic issue • Investment shortage • Travel Ban 	<ul style="list-style-type: none"> • Professional and experienced hotel management. • Excellent existing customer database, established promotion system and management to achieve minimum 40% hotel occupancy • All equity financing to reduce debt risk • A valuable and high number of customer database, for both individual and business customers.