



Savvy
CONSULTING


Investment Project

Leisure & Entertainment Centre

November, 2018

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Definition of Terms

Heritage Foundation	Heritage Foundation	International Visitor	Non-resident traveler of Georgia, aged 15 or older, who has visited Georgia from his usual environment for the duration less than a year.
Number of employees	Employees in the enterprise whose labor relations are regulated by an agreement or contract with the enterprise, and who have been paid	Number of employees	The average number of persons employed in the enterprise (employee, employed founders and family members in the case of family enterprise) during the reporting period
NRI	Network Readiness Index	FDI	Foreign Direct Investments
Traveler	A non-resident person of any age who travels at different geographical areas of any kind , for any duration and purpose. It excludes residents of Georgia who are citizens of other country and includes citizens of Georgia, who are residents of foreign countries	Hotels and hotel type establishments	Legal entities and individual entrepreneurs (including local units and branches) registered under the Georgian legislation.
Liberty Act	Freedom act	GDP	Gross Domestic Product
T&TC	Travel and tourist competitiveness index	MICE Tourism	Business tourism
GPI	Global peace index	SWOT	Assess the strengths and weaknesses, opportunities and threats of the company
GEOSTAT	National statistics office of Georgia	GNTA	Georgian National Tourism Administration
GNCC	Georgian National Communications Commission	Other Visits (Non- Tourist)	Includes all visits which are not included in the number of visits made by international visitors. This includes traveler visits for younger than 15 year olds.
IDF	Institute for Development of Freedom of Information		The symbol represents the source of statistical information

Summarizing Results

Within the framework of the project, it was used as a research (conducted by Savvy) as well as the results of studies of different governmental and private (Department of Tourism and Resorts of Adjara AR, GNTA, GEOSTAT, Colliers) organizations and it was revealed that:

- Investment environment, socio-economic factors in the country, trends and perspectives in the tourism industry are the factors that create favorable environment in Adjara Region, in particular for the development of recreation and leisure center in Batumi

The main factors for creating favorable conditions include:

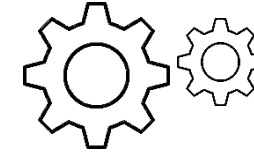
- As a result of correct marketing campaigns, rapid growth of popularity of Georgia as tourist destination, both in neighboring and non-neighboring countries, contributing to diversification of visitors;
- Stable growth of visitors for the entertainment, recreation and leisure in Adjara region;
- During the low season, the relevant number of visitors (approximately 50% of total visitors visit Adjara A/R during low season);
- MICE tourists increasing trend in Adjara A/R, which approximately increases with 68% annually (2015-2017);
- Development of sports infrastructure of Adjara A/R, which means construction of various types of sport complexes and stadiums of international standards;
- The survey of domestic and external visitors of Adjara A/R revealed that tourists are concentrated mainly on entertainment and nutrition. Most of them would like to have more entertainment facilities in Adjara, namely, in Batumi, better service in restaurants and different types of music and cultural events in the city;
- According to the Concept of Recreation and Leisure Center, the site consumers will be local and international visitors, couples, families and friends;
- Based on the preliminary assessment of market demand, the Concept includes facilities for 4 directions: 1. Fun; 2. Children's entertainment space; 3. Spa/Recreation center; 4. Fast Food;
- Within the framework of the project, the facilities of Adjara and other Black Sea regions, which offer similar recreation and leisure center services to the visitors, have been researched and the level of competition has also been evaluated;
- Within the framework of the project, the target users of the center were identified and segmented in accordance with cost structure, interest area, implemented activities and other important characteristics;
- As a result of market research, financial analysis has been done and investment value of the project has been determined with various approaches together with internal rate of return, payback period and cash flow volume.

Investment Climate in Georgia

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- o Stable political environment;
- o Simple procedures for company registration, legal documents and other details;
- o Flexible banking system - 2 main banks (TBC Bank and Bank of Georgia) – are in the premium listing of the London Stock Exchange.



o State Support:

- ✓ Free Industrial Zone (Poti, Kutaisi and Tbilisi)
- ✓ Free tourist zones (Kobuleti, Anaklia, Ganmukhuri);
- ✓ Subsidizing loan interest by various government agencies;
- ✓ Project "Enterprise Georgia" aimed at promoting entrepreneurship;



STANDARD & POOR'S	BB- Stable
MOODY'S	Ba2 Stable
FitchRatings	BB- Stable

According to a report published by the World Bank Group in 2018:

- 'Ease of Doing Business' - VI place
- "Starting a Business" - I place in Europe
- 'Starting a Business' - IV place in the world
- 'Registering a property' - IV place
- "Getting Credit" - XII place



[World bank, Doing Business; Credit Ratings;](http://www.worldbank.org/DoingBusiness)
<http://enterprisegeorgia.gov.ge/>

PESTEL Analysis



Analysis of Political, Economic, Social, Technological,
Environmental and Legal factors of the country

PESTEL Analysis: Political Factors

Favorable Conditions

- According to the Global Peace Index (GPI) 2018 report - Georgia ranked 102 place in the world with - 2.13 points; However, the report says that Georgia is one of the few countries that have managed to reach the average rate from lowest level of peace in the short period;
- According to the report published by Heritage Foundation in 2018 on the Index of Business Freedom, Georgia is ranked 16th out of 180 countries with 76.2 points (23rd place in 2017) and takes 5th place in Europe (12th place in 2017). This indicator has increased by 3.4 units since 2016;
- According to the Global Competitiveness Index of the World Economic Forum's 2017-2018 report, the Georgian market is positively evaluated. Compared with 2012, the country's assessment has improved by 10 positions and in 2017 took the 67th place;
- According to the transparency international assessment, Georgia still maintains the lowest level of corruption in the region. In 2017, Georgia's perception of Corruption Index was 56/100, by which it occupied 46th place among 176 countries;;
- Each indicator is measured by conditions based on data such as: views and opinions of experts working with citizens, entrepreneurs, public and private sectors, and non-governmental organizations.

Global Political Indicators

Year	Organizations	Indicator	Rating	Point
2018	Institute for economics and peace	Global Peace Index	102/163 (↓4)	2.13 (-0.048)
2018	Heritage Foundation	Index of Economic freedom	16/180 (↑7)	76.2/100 (+3.4)
2017	International transparency	Corruption Perception Index	46/176 (↓2)	56/100 (-1)
2017	The Economist (Intelligence Unit)	Democracy Index	79/167 (↓1)	5.93/10 (+.05)
2017	Liberty House	Freedom of the Press	102/198 (↓4)	50/100 (-1)
2016	World Bank	Rule of Law	73/215 (↓4)	0.37 (+0.10)
2016	World Bank	Regulatory Quality Index	45/214 (↑5)	1.01 (+0.09)
2016	World Bank	Government Effectiveness	66/214 (↑8)	0.51 (+0.11)
2017	World economic forum	Business impact of rules on FDI g	29/137 (↑24)	5.2

PESTEL Analysis: Political Factors

- Among the main goals of Georgia's foreign policy, is the dominant position of EU and NATO membership. In May 2017, Georgia hosted the NATO PA session, which is very important according to the government's assessment, as this session has only been held in a non-member country four times and today those countries are all members of NATO. The fourth meeting of the EU-Georgia Association Agreement was held in Brussels in 2018, which positively assessed the progress Georgia has achieved after the last meeting of the Association Council in the EU-Georgia relations in December, 2016. At the meeting the EU noted that it will focus on supporting economic and governance reforms, education and youth, energy efficiency and transport;
- The risk of foreign conflicts has been significantly decreased by improving relations with Russia after the 2012 parliamentary elections and maintaining stable, firm links with other neighboring countries (Turkey, Armenia, Azerbaijan);
- In February 2017, the European Parliament granted Georgia a visa-free regime;
- According to the Global Competitiveness Index data of 2017-2018, Georgia has average of 4.28 points, which has improved the country's position by 7 units compared to the previous year and has improved by 27 units compared to the 2004-2005 rating and is ranked 67th among 137 countries;
- The advantage of government's decision which is evaluated through the "Global Competitiveness Index 2016-2017" by the World Economic Forum - Georgia's last positions have deteriorated by 13 levels compared to 2016 and was in the 45th position in 2017.

Non-favorable Conditions

- Deteriorated socio-economic situation and US dollars/GEL Instability due to variable exchange rate;
- The existence of occupied territories that impede Georgia to become member of NATO;
- Strong dependence of economy on political stability;



PESTEL Analysis: Economic and Social Factors

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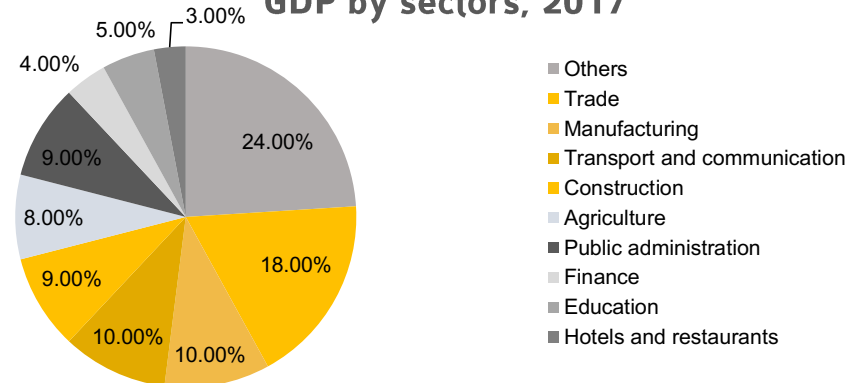
Favorable Conditions

- The Government's goal is to maintain a healthy macroeconomic environment by reasonable fiscal and monetary policy. As a result of large inflows of foreign investments and increased state
- The real growth of GDP in 2018 to compare with 2017 reached 5% and 10,168 million US Dollars in the first quarter
- Positive trends of foreign trade continued in the beginning of 2018. In January, the export of goods increased significantly, in addition, the income from tourism also increased. At the same time, positive dynamics of money transfers remain. However, compared to 2017, the growth rate of imports increased. Overall, the current projections indicate improvement of the current account in 2018;
- ✓ The key sectors, which have the greatest impact on the GDP formation in 2017 are: Trade (18%), Industry (10%), Agriculture, Hunting, Forestry, Fishing (8%) and State Governance (8.49%);
- ✓ Compared to 2016, the redistribution of GDP on sectors during the year 2017 has undergone minor changes, trade and manufacturing industry grew by 1%, the share of agriculture declined, and 1% of the share of communications remained the same.

Key economic indicators

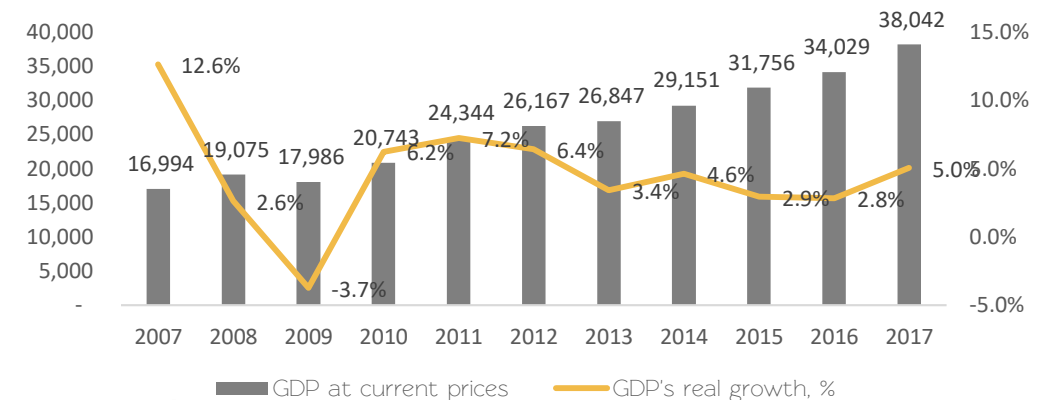
	2013	2014	2015	2016	2017	Q1 2018*	Q2 2018*
GDP at current prices	26,847	29,150	31,755	34,028	38,042	9,150	10,168
GDP in current prices, mln.	16,139	16,508	13,988	14,378	15,164	3,681	4,157
GDP per person (current Prices), USD	4,341	4,438	3,755	3,857	4,068	987	1,114
GDP real growth	3.4%	4.6%	2.9%	2.8%	5%	5.3%	5.5%
Percentage change GEL/Dollar Exchange	1,66	1,76	2,27	2,37	2,51	2,49	2,44
Direct foreign Investments, mln. USD Regulated	1,021	1,818	1,666	1,566	1,895	287	389
Regulated import of goods (CIF) mln. USD	8,023	8,602	7,300	7,295	7,939	5,954	-
Registered Export of Goods (FOB) Million USD	2,911	2,861	2,205	2,113	2,728	2,156	-

GDP by sectors, 2017



National statistics office of Georgia

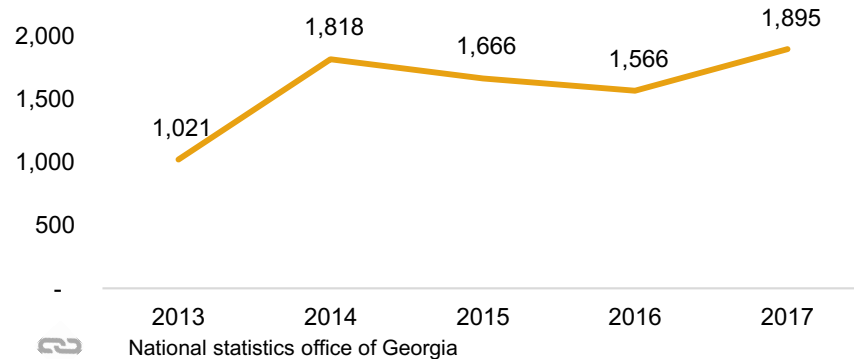
GDP at current prices, (mil. GEL)



National statistics office of Georgia

PESTEL Analysis: Economic and Social Factors

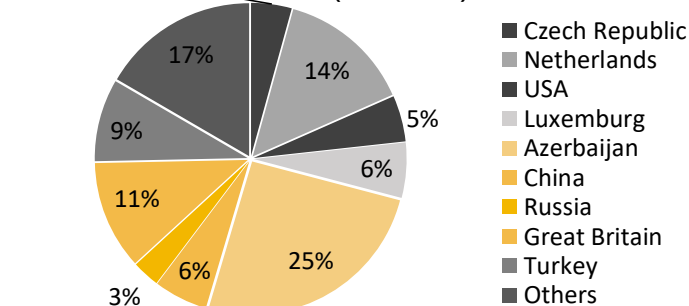
Foreign direct investments (mil. USD)



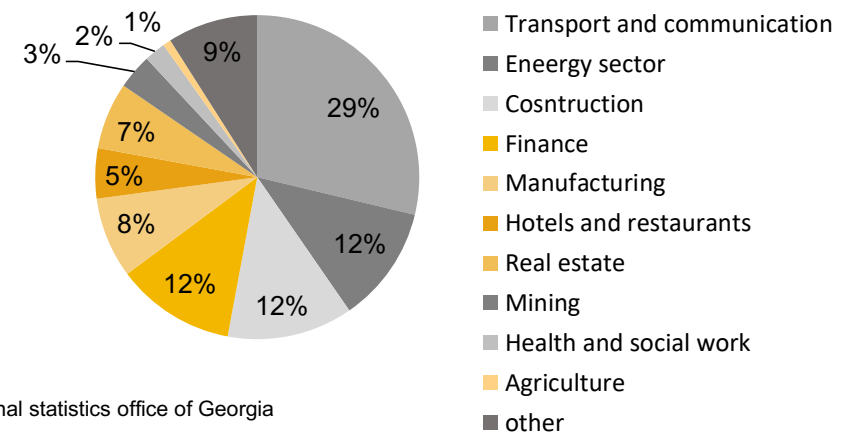
- According to the data of 2017, 1.8 billion USD have been invested in Georgia through foreign direct investment. In 2014, foreign investments have increased by 78%, and during the next 2 years, (2015, 2016) an average 7% decline was observed. By 2017, the direct foreign investment index increased by 20%; In the first and second quarters of the 2018 year direct foreign investments amounted to 676 million USD (I quarter - 287 million USD, II quarter - 389 million USD)
- According to the countries, Azerbaijan is in the first place. Azerbaijan invested 465 million USD in Georgia in 2017, the largest part of this amount was invested in new pipeline construction.

- The offshore zone (Panama) has been included in the list of the largest investor countries, Georgian businesses often use offshores for reinvestment. Large part of Georgian companies are registered on the territory of the European Union, therefore their part of the turnover is perceived as foreign investment;
- 97% growth in investments was recorded in the financial sector, where 303 million USD have been invested in 2017. Also, there is a high growth in the hotel sector, in which 90 million USD have been invested. Investments increased by 55% in the energy sector, resulting in a total investment of 224.1 million USD. Investments increased by 68% in the construction sector and its volume amounted to 283.1 million USD. In addition, investments in real estate amounted to 178.1 million USD and increased by 259% compared to 2016;
- According to the data of 2017, the largest share of investments in the fixed assets is in the capital city (78% of total investments), followed by Kvemo Kartli (3%) and Adjara (10%).

Foreign Direct investments in Georgia by countries (2013-2017)



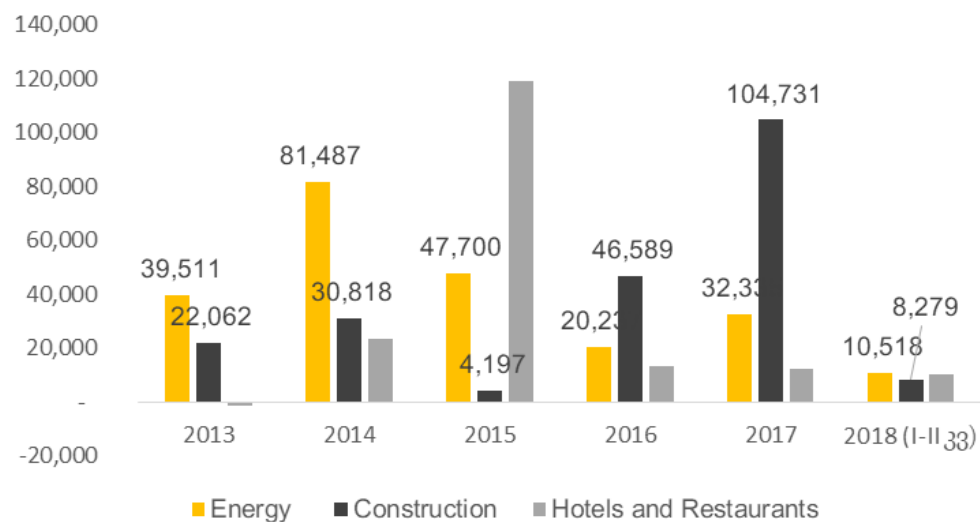
Foreign Direct investments in Georgia by sectors (2013-2017)



PESTEL Analysis: Economic and Social Factors

- Total turnover of business sector in the Autonomous Republic of Adjara annually increases by 1% on the average. In 2017 it reached 5.1 billion GEL which is 9% more compared to 2016 data;
- As for the number of economic objects, it is characterized by a tendency of increase and by 2018 the total number includes 18,738 objects;
- According to the 2017 data, in terms of production output it equals 3.1 billion GEL, which means 1% increase compared to the previous year;
- In terms of direct investments, in 2013-2018, the top three sectors are construction, energy and hotels and restaurants. In total, 149 million USD have been invested in the three sectors in 2017, from which 104.7 million USD was in the construction sector. This may be linked to construction of UEFA standards stadium in Batumi, and according to data from the first 2 quarters of 2018, this figure is 8.2 million USD.

Foreign Direct investments in Adjara (Top 3 sectors. Thousand USD)

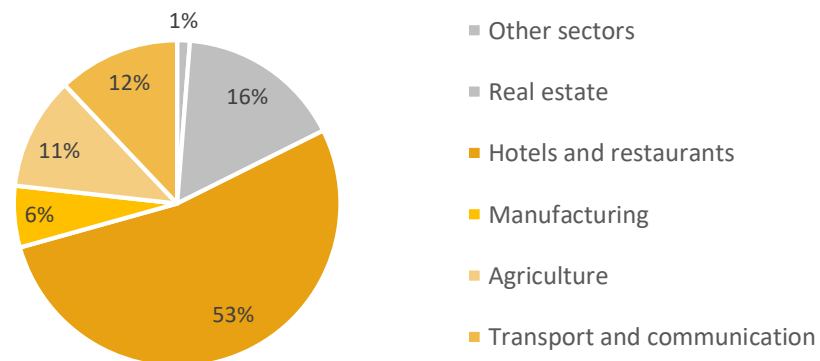


Key economic indicators of Adjara

	2013	2014	2015	2016	2017	2018 (I,II)
Business Sector Turnover (mil. Gel)	2,754	3,424	4,155	4,756	5,177	2,735
Business sector output (mil. Gel)	1,636	2,043	2,426	3,080	3,155	1,625
Additional costs in business sector	837	929	1,171	1,368	1,510	-
Average nominal salary	577	644	821	845	848	1,002
Number of Economic Subjects (active)	12,472	13,242	16,067	16,370	17,645	18,738

According to the data of 2017, the largest amount (55%) was invested in construction, followed by the energy sector (17%) and 13% investments in different directions

Foreign direct investments in Adjara by Sectors (2017)



PESTEL Analysis: Economic and Social Factors

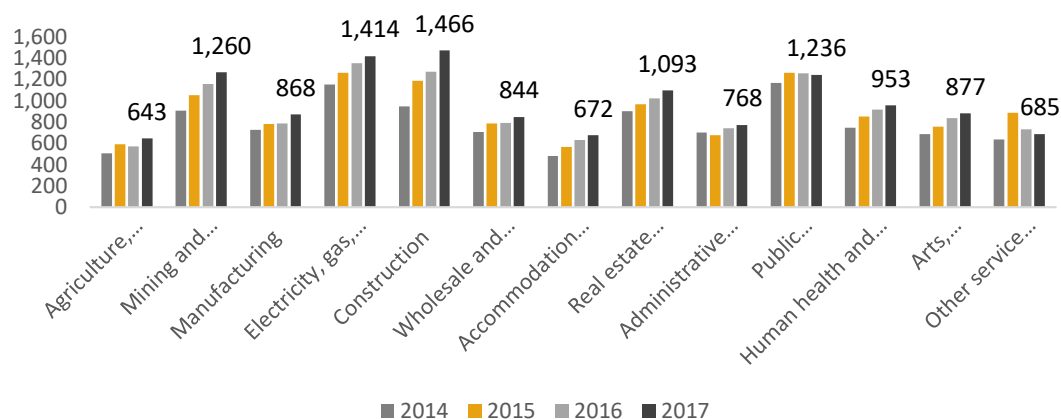
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- Today the population of Georgia is about 3.7 million;
- In the last decade, the unemployment rate has been high, which can be linked to the 2008 war and the financial crisis.
- Tbilisi, Imereti and Adjara - are the three most densely populated regions with high unemployment rates - in all three cases this indicator is higher than 10% specifically according to the data of 2017 the figure are as follows: Tbilisi 25%, Imereti 14% and Adjara 11%;
- Since 2013 salaries have grown on average with 7.8%, average monthly salaries of people employed at recreation and leisure sectors is around 1,271 GEL in Adjara and in general in Georgia about 1,198 GEL according 2016 data. Salaries in this sector are characterized by a growing tendency;
- According to data of the first quarter of 2018, 13,775 people are employed in recreation and leisure sectors. And directly in Adjara, 2,417 people are employed in this sector.

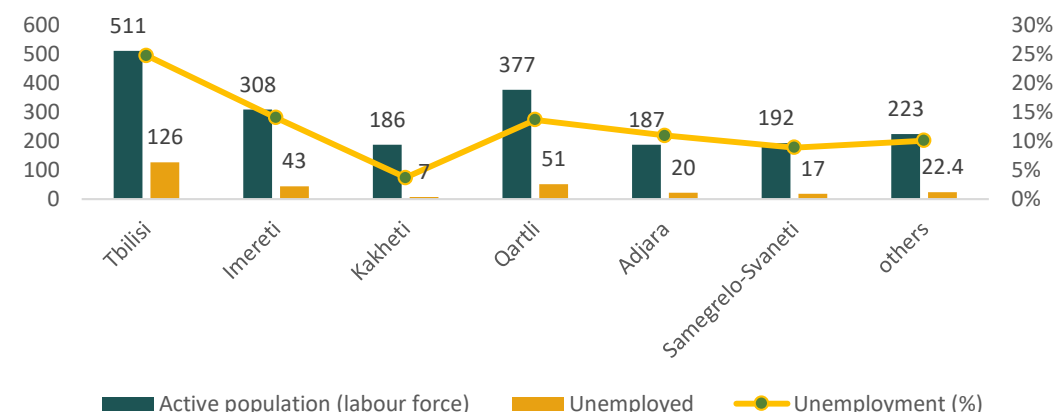
Main social-economic indicators

	2013	2014	2015	2016	2017	2018
population	3,718	3,717	3,722	3,720	3,726	3,730
Labor force	1,978	1,985	2,018	1,996	1,983	-
unemployment rate, %	16.9	14.6	14.1	14.0	13.9	-
average salaries GEL	773	818	900	940	-	-
Average family income GEL	887	984	1,022	1,042	-	-
Money transfers (Dollar, Million)	1,945	1,986	1,459	1,521	-	-
Human Development Index	0.759 (70-g)	0.768 (70-g)	0.769 (70-g)	-	-	-
Global Competitiveness Index	4.15 (72-th)	4.2 (69-th)	4.2 (69-th)	4.3 (66-th)	4.28 (59-th)	-

Average monthly nominal earnings of employees by economic activity, 2014-2017



**Unemployment by regions, 2017
(Thousand persons)**

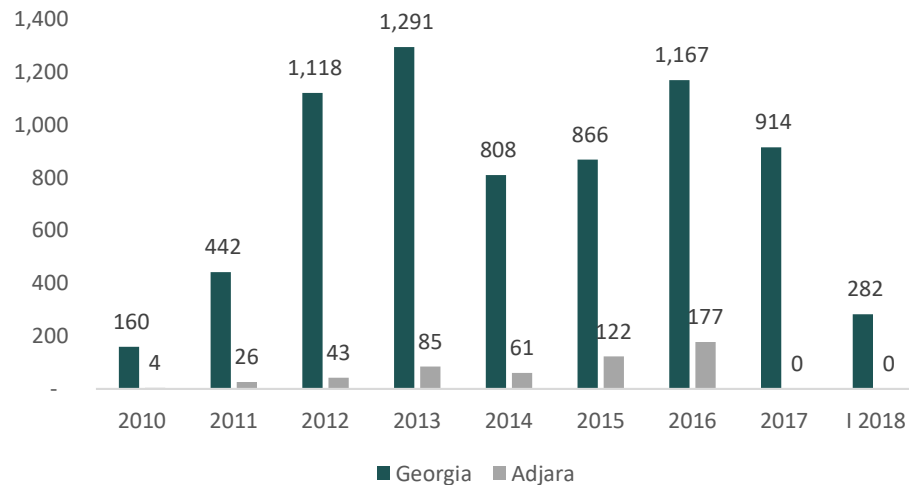


PESTEL Analysis: Economic and Social Factors

Art, Entertainment, Recreation

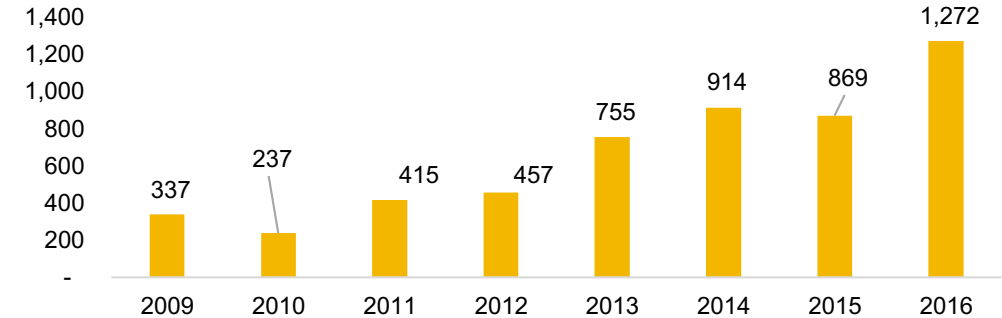
- In 2013-2017 years the output of art, recreation and leisure in Georgia reached 3.4 billion GEL and average 41% growth has been observed since 2013. In 2017 the total output of art, leisure and recreation amounted to 914 million GEL, and it decreased by 22% compared to 2016; According to data from the first 2 quarters of 2018, turnover amounted to 589 million GEL, which means a 44% increase compared to the corresponding quarters of 2017;
- The number of employees in the art, leisure and recreation sector is constantly growing, in 2006-2016 the average annual growth was 19%, in 2017, 13,433 people were employed in these sectors in Georgia;
- The number of people employed in the arts, leisure and recreation sector in Adjara region is 17% of the people employed in the same sector in Georgia in 2016 and is growing annually.

Gross output (mil. GEL)



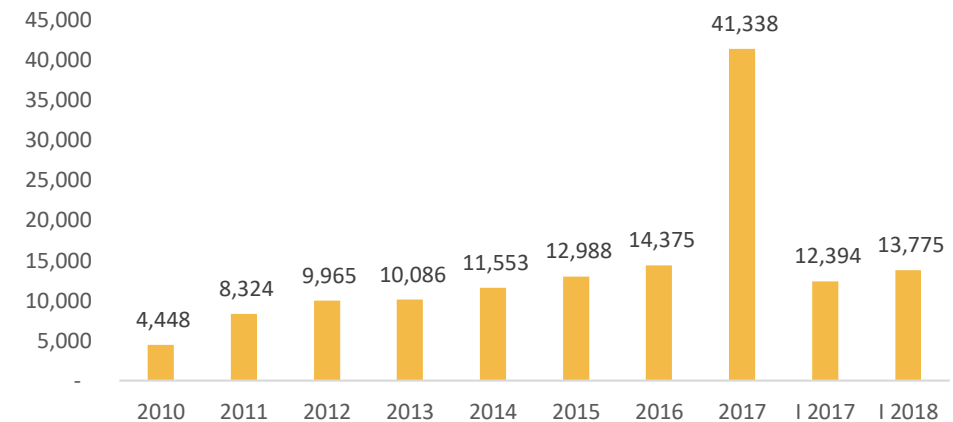
National statistics office of Georgia

Average monthly Salary in leisure sector, Adjara (Gel)



National statistics office of Georgia

Employment (thousand persons)



National statistics office of Georgia

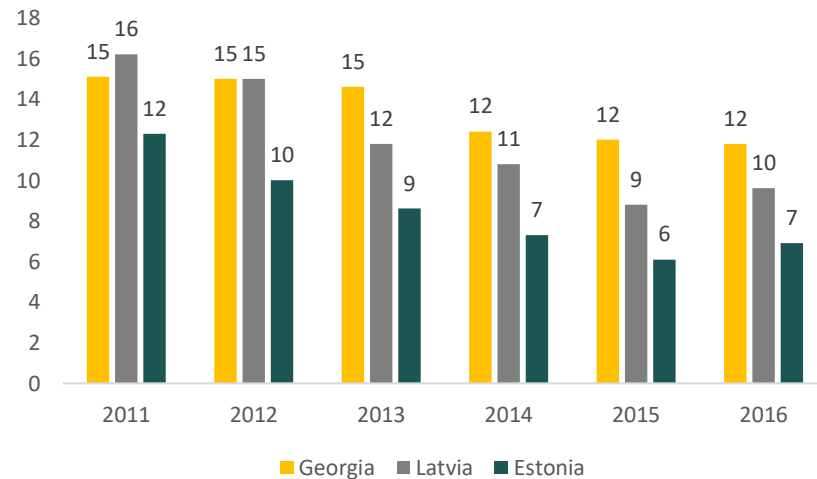
PESTEL Analysis: Economic and Social Factors

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Non-favorable Conditions

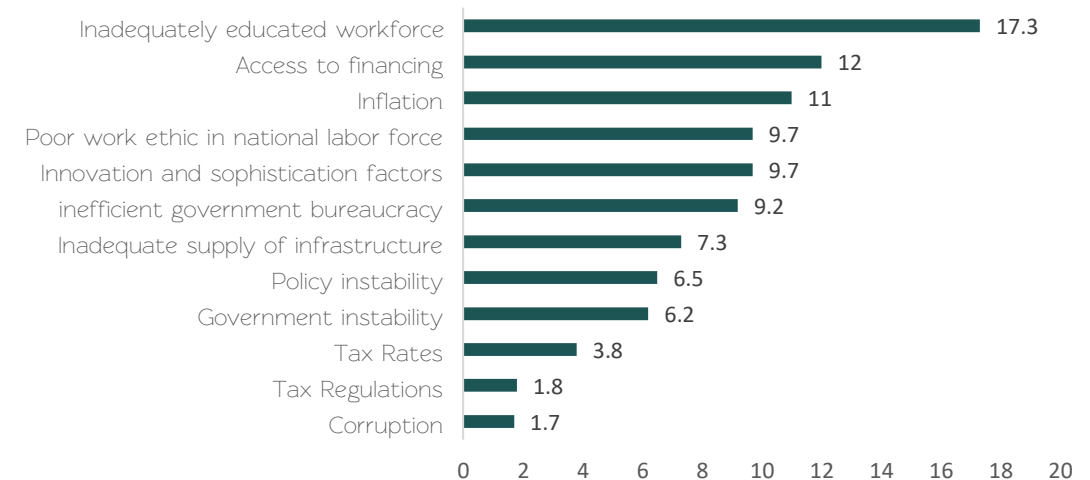
- "Eurasia's competitiveness indicators are generally stable, but most of the countries in the region face difficulties, that is linked to price drop, currency fluctuation rate, recession in Russia and Ukraine, as well as the slowdown in China's economic growth;
- These shocks have influenced the two main directions of competition: the economy of all countries in the Eurasian region, except in Georgia, has reported the decreased volume of exports, which reduced the overall volume of their market," outlined in the Global Competitiveness Report
- Despite the fact that the economy of Tbilisi is the most competitive and productive, lack of specialized value chains and low productivity of workforce are the main factors of inequality and low economic growth. Very low productivity of workforce is recorded in Tbilisi, lower than in Yerevan, Baku, Skopje, Belgrade and Moscow. Since labor productivity reflects dependence among the volume and cost of the goods and services produced, its low level indicates both the workforce as well as the inefficiency of the goods and services produced. This is one of the fundamental challenges in the Georgian economy, which, along with other factors, is based on the inconsistency between the demanded and supplied skills on the labor market.

Unemployment, % (International comparison)



 Socio-economic development Strategy of Georgia

Criteria's of Georgia in Global competitiveness index



 [Global competitiveness index](#)

PESTEL Analysis: Technological Factors

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Favorable Conditions

- In 2016-2017 years, 230 km long roads have been reconstructed in Georgia;
- In 2015-2017 years, the citizens of following countries have been granted the right to enter Georgia without a visa: Iran, China, Chile, Peru, Uruguay, Dominican Republic and the Hashemite Kingdom of Jordan; Totally citizens of 95 foreign country can enter Georgia visa-free;
- Construction of 462 km motorways, 527 km of regional roads and 32 bridges is planned by 2020;
- There are three international airports in Georgia (Tbilisi, Kutaisi, Batumi) and 4 local airports/aerodromes (Mestia, Natakhtari, Telavi, Ambrolauri);
- About 26 airlines operate flights from Batumi airport during high load seasons;
- Highways: Senaki-Poti-Sarpi (46.5 km) connect Adjara with Turkey; Batumi-Akhalkalaki (117 km) connects Adjara with Russia, Azerbaijan and Armenia; Kobuleti-Sarpi (59 km) connects Adjara with Turkey;
- Construction of Batumi Bypass Road: The project envisages 14.3 km highway with a 2-lane asphalt-concrete cover, 2 transport nodes (via roadway); 17 bridges; 5 tunnels; Construction of culverts and underground passage; The length of the road is 14.3 km; Timeline (03.2018-08.2020);
- The Rehabilitation-Reconstruction of Khulo-Zarzma section of Batumi (Angisa) -Navaltsikhe road of internal state importance Timeline (09.2018-09-2020);
- Many low-cost and as well as high-cost airlines (Flynas 1, ELLINAIR, My Way Airlines, Jazeera Airways, Ural Airlines , Ryanair, Kuwait Airways, Blue Air, Iran Air) are starting to operate on Georgia's aviation market, while already operating airlines increase the number of flights and destinations.



462 km motorway reconstruction



Direct flights to 8 airports from Batumi



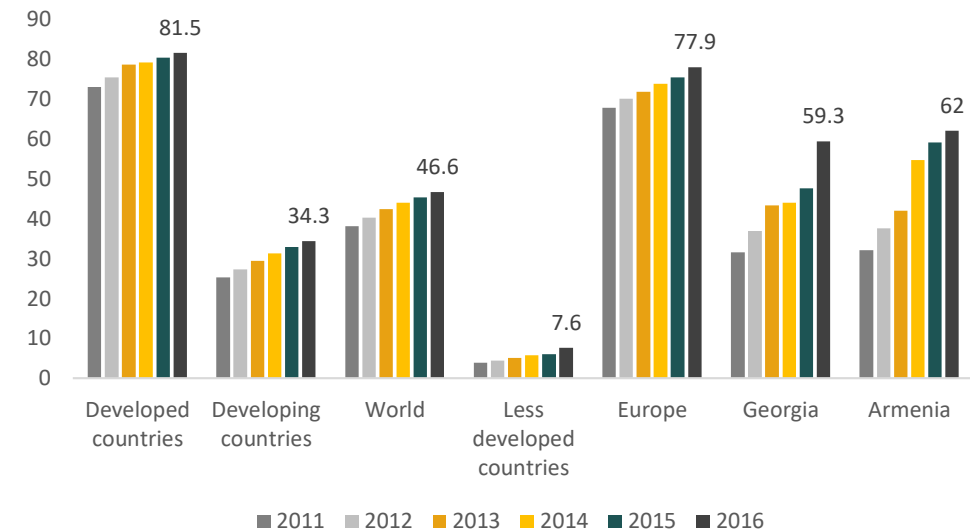
PESTEL Analysis: Technological Factors

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Favorable Conditions

- Based on the research conducted by the Ministry of Regional Development and Infrastructure of Georgia in 2016, 32.9% of companies use social networks (such as Facebook, LinkedIn) in Georgia. Only 5% use blogs or micro blogs (such as twitter), 8.9% use websites to share multimedia (YouTube, Flickr, myvideo). 48.7% of industry does not use above mentioned social media or use them for posting paid advertising. From the e-commerce point of view, only 9.5% of companies receive goods or service orders through the websites;
- Integrated household survey of Internet access showed that, as of June 2017, Internet access of Georgian population reached 71.5%. By June 2016, Internet access was 70.7%. The share of the population aged over 6 years is 59.3%. This is higher than in developing countries (34.3%) but slightly lower than in CIS countries (65.1%) and Europe (77.9%). Tbilisi, in terms of Internet consumption, exceeds all other regions. 76.7% of its population consuming internet, followed by Adjara and Samtskhe-Javakheti, respectively - 57% and 58%. The population using internet in all other regions varies between 40% and 50%;

Internet consumption by individuals, by country and country groups (%)



- As for wireless internet service, it is recognized as the most dynamic developing technology in Georgia. According to the GNCC 2012 annual report, wireless Internet technology is developing "mainly in regions, where wired Internet access is less accessible." The data of October 2013 show that in the capital, where the number of wireless Internet subscribers is the highest, with the number of wireless Internet consumers it is on the sixth place in comparison with other regions;
- According to the data of 2017, Adjara region has 50,960 physical and 2,841 legal subscribers. Among them Batumi has 40,896 individual and 2,517 legal subscribers.
- According to the data of December 2016, the value of ongoing and completed state investment and infrastructure projects portfolio on the territory of the Autonomous Republic of Adjara amounted to 248.5 million GEL, with the main part (51%) belonging to road infrastructure improvement.

PESTEL Analysis: Technological Factors

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Non-favorable Conditions

- The state and private sector spendings on research and development is low in the country, reflecting various international evaluations and ratings
 - ✓ Global Innovation Index (GII 2018) - 59th place
 - ✓ Innovation Capability Index (ICI 2012) - 44th place (131)
 - ✓ Innovation Implementation Capability Index - 118th place
 - ✓ Companies spending on research and development (R&D) - 128th place
 - ✓ Availability of latest technologies - the 100th place
 - ✓ Introduction of new technologies by companies - 117th place

According to the Global Competitiveness Index (2013-2014) Georgia occupies the following position:

1. Internet Consumption by Population - 71st place
 2. Access to high-speed data exchange network for 100 inhabitants - 65th place
 3. According to the Networked Readiness Index (NRI), Georgia is ranked 65th in 2013
- According to the document of the European Bank for Reconstruction and Development (EBRD) Georgia is a country considered to have low innovation culture - in the Strategy outlined for Georgia, low innovation, research and development level can be explained by the fact that the small and medium entrepreneurs invest less in research and development, which hinders innovations and finally the less desirable results are obtained;
 - According to the data of 2017, Georgia takes the 70th place by the T & T TCP (Travel and Tourism Competitiveness), which is still the lowest in comparison to other European countries;
 - Internet infrastructure is in development stage and access to the Internet in regions is still limited;
 - In comparison with other directions international flights are more expensive in Georgia, which has a negative impact on the number of international arrivals in Georgia;
 - unsatisfactory condition of local roads of the Adjara Autonomous Republic;
 - Urban and public transport is in bad condition
 - A small number of airlines in Batumi airport, which are flying to limited directions.



PESTEL Analysis: Cultural and Environmental Factors

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Favorable Conditions

- According to the T&TC Index of 2017, Georgia ranks 22nd in terms of business environment between 136 countries and 29th place according to security and safety;
- The Co-investment Fund of Georgia was established in 2013 and represents the largest private investment fund in the country. Its projects include energy and infrastructure, industry, tourism and real estate, agriculture and logistics sectors. Now the total investment volume exceeds \$ 2 billion;
- Ongoing projects of the Co-Investment Fund of Georgia - Energy and Infrastructure: Hydroelectric Power Plant on Mtkvari - Investment \$ 142 Million, Oni Cascade - Investment \$ 330 Million, Tskhenistskali Cascade - 534 Million USD; Tourism: Hotel Sololaki Hills - investment 100 million USD, Ganmukhuri Hotel \$ 15 million;
- In December 2016, construction of parts of aerial constructions was launched, which was completed on May 10, 2018. The project was implemented by the Israeli electronics company "ElBit Sistem's Cyclone" and the Partnership Fund, its value amounted to 93 million US dollars;
- Georgian culture is becoming more and more popular worldwide. The Georgian traditional method of kvevri wine was awarded status of non-material cultural heritage by UNESCO;
- In 2017, Georgian wine became the winner of many prizes.

Non-favorable Conditions

- According to the 2017 T&TC index, Georgia occupies 70th position among 136 countries, while in 2013 occupied the 66th position. Georgia is in the 90th place with aerial transport infrastructure, with 106 of the natural resources, 81 in terms of cultural resources and business travel.
- Georgia has a well-maintained energy sector, but it is necessary to make important steps to more effectively utilize the country's energy resources.

PESTEL Analysis: Legal Factors

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Favorable Conditions

- Georgia has free trade agreement with the European Union, Turkey, CIS countries, European Free Trade Association and China. Georgia-India free trade expediency research is towards completion, on the basis of which the parties will decide on the expediency of negotiations. Currently one of the main trading partners of Georgia with 32% is EU (Turkey - 17.2%, Russia - 8.1%);
- Currently, four Free Industrial Zone (FIZs) in Poti (1), Kutaisi (2) and Tbilisi (1) operate in Georgia;
- According to the 2018 Freedom of the Press report, Georgia has the most free media space in the Caucasus region. In this report Georgia is at 61 place among 180 countries (64 places in 2017);
- The Justice House unites all legal services in a single space. This concept makes it easier to solve bureaucratic issues related to business in the shortest possible time;
- Georgia has signed a contract with avoidance of double taxation with 54 countries. At the same time, Georgia is a member of international organizations such as the Council of Europe, European Reconstruction and Development Bank, UN, UNESCO, World Bank and World Trade Organization;;
- According to the Freedom Act, the State has no right to increase taxes (excluding excise taxes) or the number of taxes without a national referendum
- **Free tourist zone** is located in the Autonomous Republic of Adjara, namely Kobuleti, which means:
 - ✓ 0.2 ha free area
 - ✓ Exemption from profit and property taxes until 2026
 - ✓ Free construction permit
 - ✓ Free project for hotel construction
 - ✓ Construction/reconstruction of adjacent road infrastructure
 - ✓ A network of technical services and relevant infrastructure such as electricity, gas, water and new roads
 - ✓ The Ministry of Finance and Economy of the Autonomous Republic of Adjara administers land in state ownership which helps the interested party in the selection of land based on business activities;
- The purchase of state property may be made by either a citizen of Georgia or a foreign country or a legal entity of private law or a union of persons in whose property the share of Georgian state or local self-government body is less than 25%;
- In case of agricultural land the investor should be a citizen of Georgia or have a registered enterprise in Georgia.



Trade partner with the share of 32%



Trade partner with the share of 17.2%

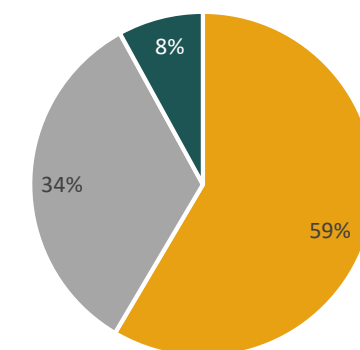


Trade partner with the share of 8.1%

- [illegible]

- According to the article for Europe for Georgia, within the framework of Association Agreement construction companies are obliged to protect fire safety norms during construction;
- At this stage, the study and analysis of the technical regulations and standards of international construction codes are being actively undertaken to regulate the technical regulation of the construction activities;
- According to the data of 2016, the permission for construction in Adjara was issued for 1,493,106 sqm;
- Information on land auction is published on the following website: www.eauction.ge;
- The winner of the auction must pay the property fees within 7-30 calendar days;;
- Only 6 types of taxes apply in Georgia;
- The person is free from property tax if leases the property from the resident of Georgia.

- Frequent change of legislation caused by change of government;
- Prohibition of buying agricultural land on Georgian territory for foreign nationals.



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Demand Analysis



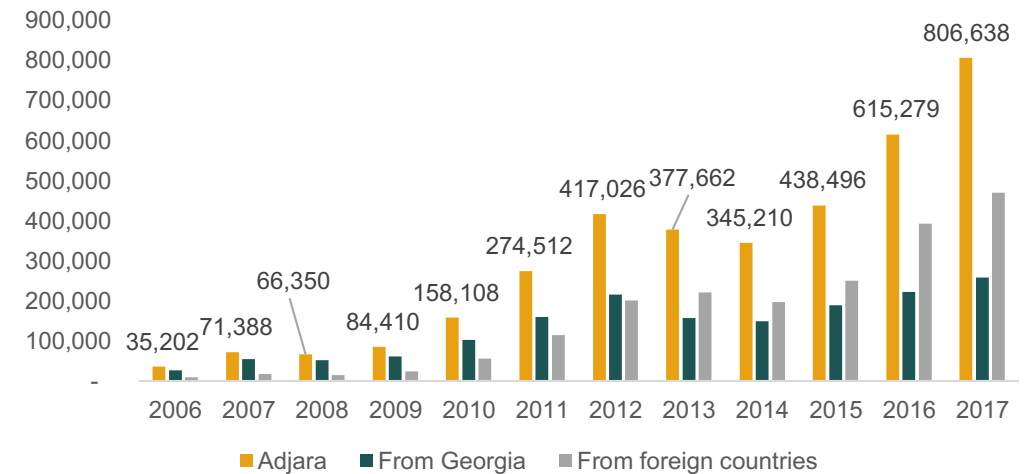
Demand Analysis of Ajara A/R, including
Analysis of tourism statistics and trends

Demand – Tourism Overview

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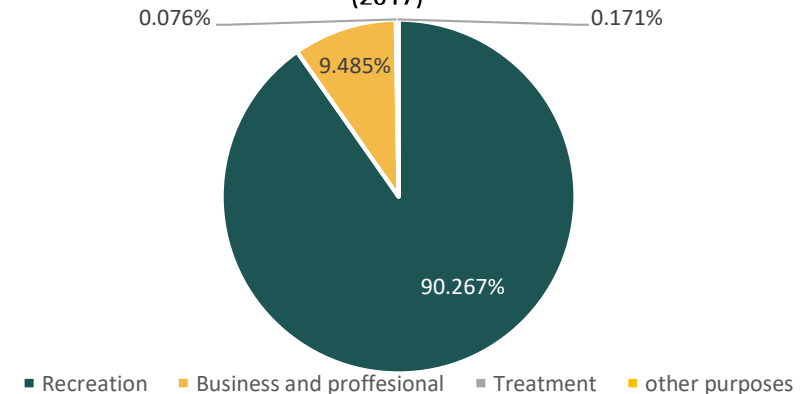
- In recent years, the number of international travelers has highly increased in Georgia. In 2017, this number reached a record number of 7,902,509, which means a 17.6% increase over the previous year;
- Based on the statistical information Georgia is becoming more and more appealing destination for international tourists. Considering first 9 months of 2018, compared to the same period of previous year the number of travelers increased by 11.2% and Georgia totaled 6.78 million travelers. Based on the above statistics, it is expected that the number of travelers will exceed 8.5 million by the end of the year;
- The number of international visits means the visits made by international visitors (82%) and other visits (non-tourist) (18%). 62.8% of international visits were recorded as tourist visits. While 37.2% of them were one day visits;
- The most popular season among the international visitors is summer with 2,234,946 visits, (June: 531,224; July: 763,593; August: 940,129), that is 34.5% of total visits;
- The number of visitors in the hotel and hotel type establishments in Adjara region is characterized by the ever-increasing tendency in 2006-2017, with average annual growth of 39%. According to the data of 2017, the number of visitors was 806,638, including 309,943 people from Georgia and 496,695 from abroad that is 1.6 times more than Georgian tourists;
- According the 2017 data in Adjara region, the number of tourists (90,3%) arrived for leisure and recreation, and 9.5% for professional and business purposes, medication and other visits, totaling 0.3%;
- Based on the fact that most of the tourists in Adjara come for leisure and recreation, it is important to provide high quality diverse services.

Number of visitors in Hotels and hotel-type establishments (2017)



Tourism department of Adjara

Number of visitors in Hotels and hotel-type establishments according to purpose (2017)



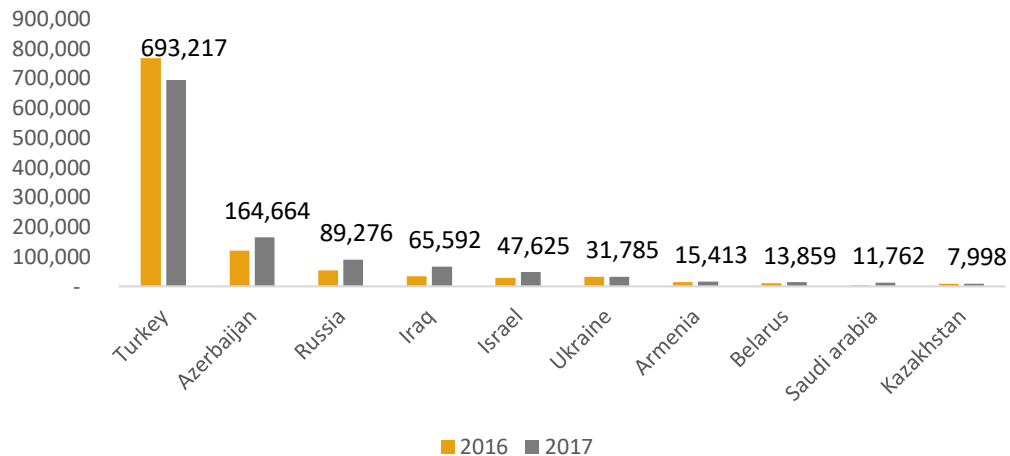
Tourism department of Adjara

Demand – Tourism Overview

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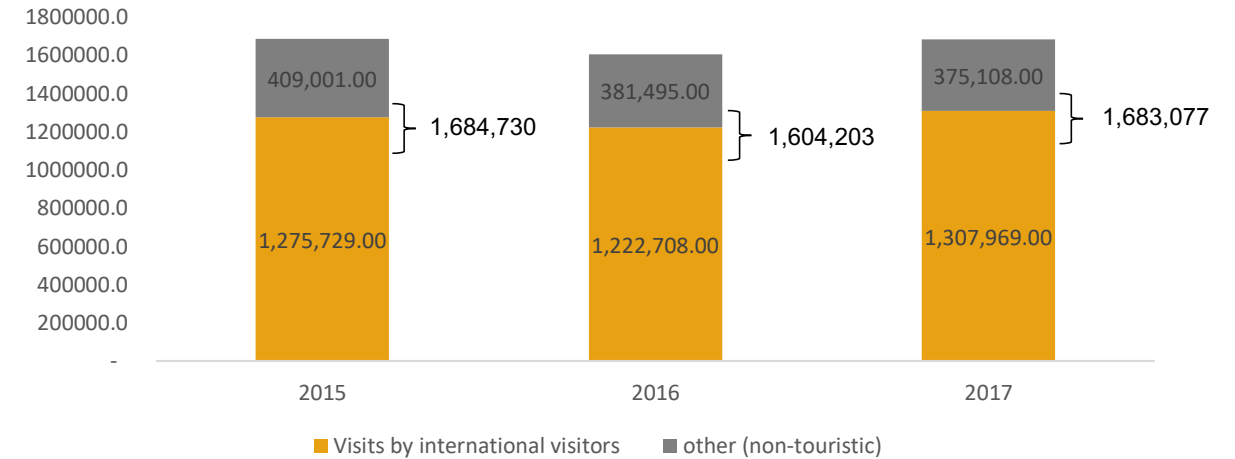
- The share of neighboring countries decreases in the number of international visits. Visits from neighboring countries in 2017, amounts to 4,731,057 visitors which is 16.4% more than in the previous year, however its share is reduced in the total number of visitors. The increase of visits from other countries was more significant and it reached 1,295,641. As a result, the share of neighboring countries has been reduced from 81.9% to 78.5% in the total number of international visits;
- As for Adjara region, according to the number of visitors, top 10 countries are: Turkey, Azerbaijan, Russia, Iran, Israel, Ukraine, Armenia, Belarus, Saudi Arabia and Kazakhstan;
- The increase of non-neighboring visitors is noticed in the Adjara region, namely compared to 2016, the number of tourists increased from Iran by 90%, while the number of tourists decreased by 10% from Turkey in 2017. Besides, there is a tendency of tourists number's growth from Belarus and Saudi Arabia.

International travelers by countries



Tourism department of Adjara

International visitor's classification according to the border of Adjara



Tourism department of Adjara

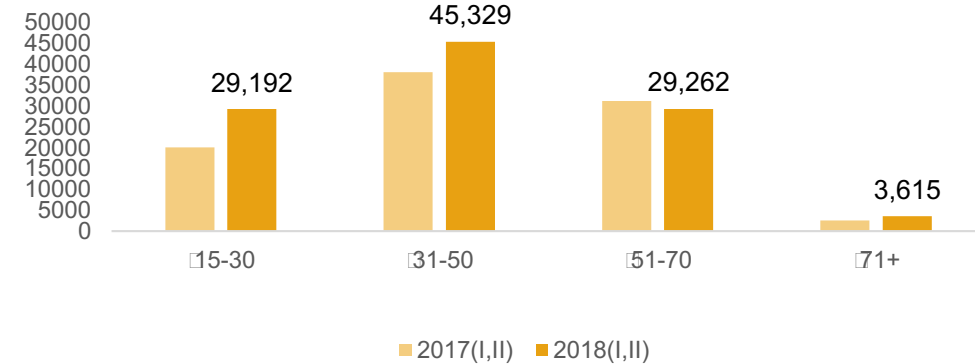
- During the 2015-2017, visits of non-resident travelers in Adjara have increased by an average of 0.1% in 2017 amounting to 1,683,077 as compared to the previous year, it has increased by 4.9% although these numbers are only calculated based on the cross of Adjara border
- According to the data of the first 7 months of 2017, most of the tourists visit Adjara region through land crossing (76.8%), followed by air (22%) and railway roads (0.7%) and the lastly by the sea transport (0.5%);
- The number of tourists traveling by land route is increased by 11% comparing to the 7 months of 2017 and 2018, while the air by 27%, and the number of tourists traveling by railroad has also significantly increased (31%).

Demand – Tourism Overview

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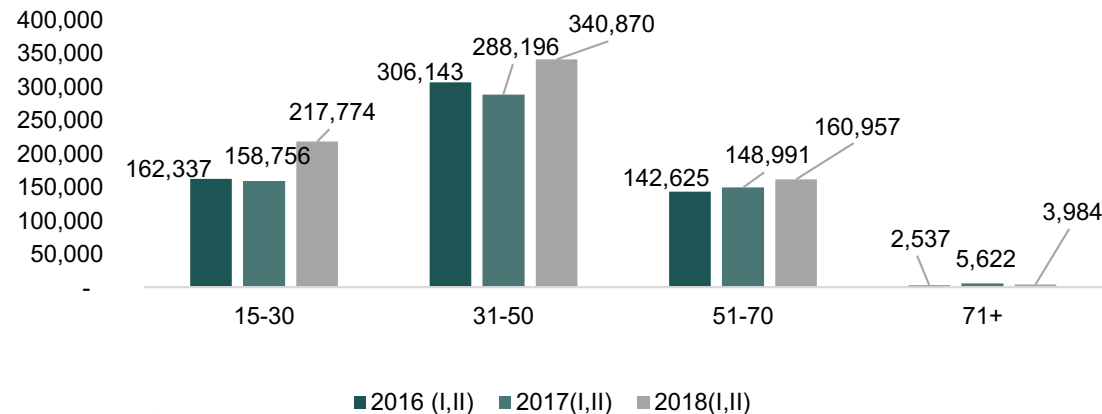
- The majority of the international visitors (46.1%) represents the age groups of 31-50, indicating that the food and entertainment facilities in the region of Adjara and the various types of services should be adapted to this category and to be adequately positioned on the market
- The number of visitors aged 15-30 is 28,5%, and the age group of 51-70 was 23.7%. Only 1,7% of international visitors are in 71 and older categories;
- As for the age group of residents of Georgia visiting Adjara varies from 31 to 50 (49% in 2017 and 478 in 2018), followed by 15-30 category (22% in 2017 and 27% in 2018). As for more than 70 years of visitors, average turnover is 2.5% -3%. As for nonresidents, the same tendency is observed, as for the age category distribution of Georgian residents. Namely, most of the residents are in 31-50 category, followed by 15-30. As for the 70 and older it ranges from 0.3%-0.6%. The total number of nonresidents equals to 723,586 in first two quarters of 2018.

Resident visitors visited Adjara by age



National statistics office of Georgia

Non resident visitors visited Adjara by age



National statistics office of Georgia

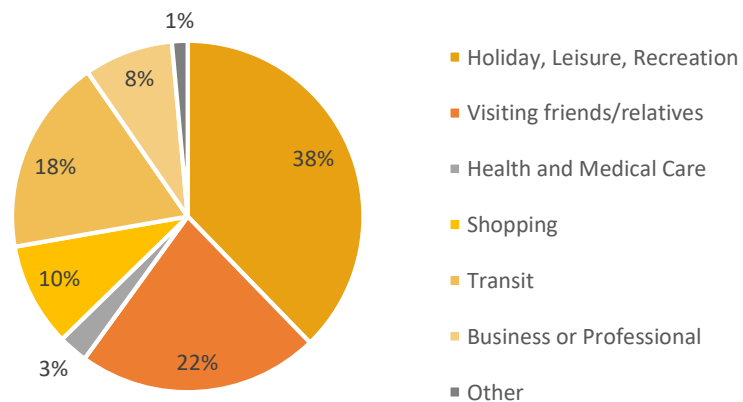
- In 2016, 120,763 international visitors have visited Adjara by Batumi International Airport, as for 2017 the same indicator amounted to 193,699 noting that the number of visitors has increased by 61.5%. As for crossing the Sarpi border in 2016 the border was crossed by 1,084,367 people. In 2017, by 1,101,317. The number of people crossing the border in this period is slightly increased by 1.6%. based on the first 7 months data of 2018.
- Based on 2017 data, 50% of visits were recorded in Tbilisi, Batumi takes the second place with 29.7% and other destinations were visited by fewer tourists.

Demand – Tourism Overview

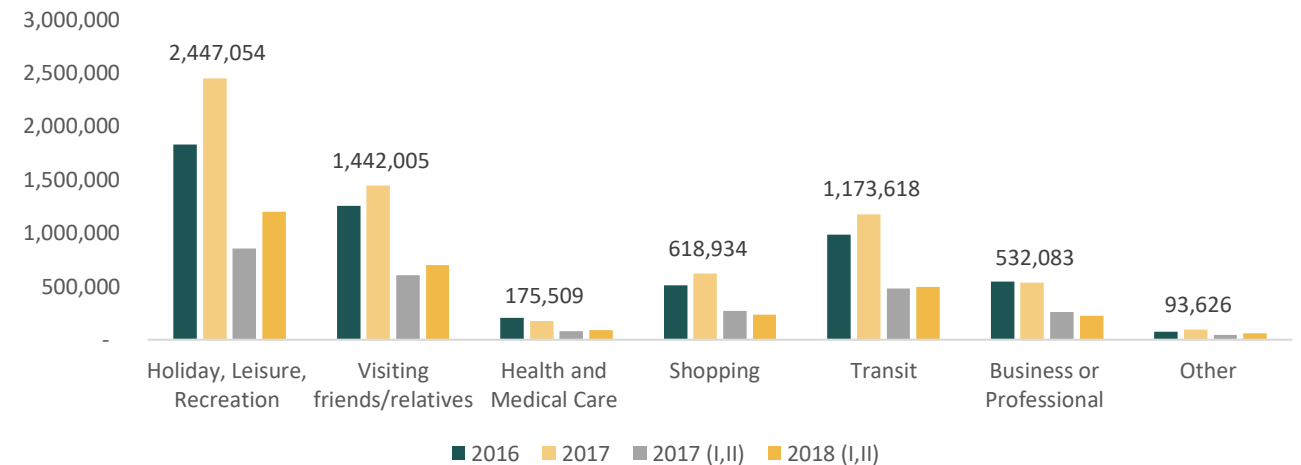
25

- According to the data of 2017, the main purpose of Georgia's non-resident visitors is relaxation, leisure and recreation (37.7%), also one of the most important purposes is to visit friends and relatives (22.2%), transit (18.1%), shopping (9.5%), Business and professional activities (8.2%) and treatment (2.7%), as for other purposes, the number of visitors is only 1.4%;
- Based on the fact that the number of business travelers in the Adjara region is characterized by an increasing tendency and increased by 367% in 2010-2017, it means that the infrastructure needs to be more developed, the region should have more conference and work spaces in order to promote arrivals for business purposes.
- According to the data of 2017, the average duration of traveling in case of non-residents is 4.6 nights in Adjara. Russian residents stay in Georgia on average for 6 nights, however, the number of nights spent of in Georgia by other neighboring countries residents is quite low.
- Based on statistical information of 2017, the total number of nights spent in Georgia by international visitors is 27,717,127. As for accommodation places, most of the nights are spent in a friend's and relative's house (33.3%), the second place is taken by the hotels (27.5%). Other types of accommodation is less commonly used by international visitors. It is important to note that the number of visitors arriving for recreation, entertainment and leisure is increasing annually.

Average number of visits made by non-resident visitors of age 15 and older by main purpose (2017)



Average number of visits made by non-resident visitors of age 15 and older by main purpose, thousand

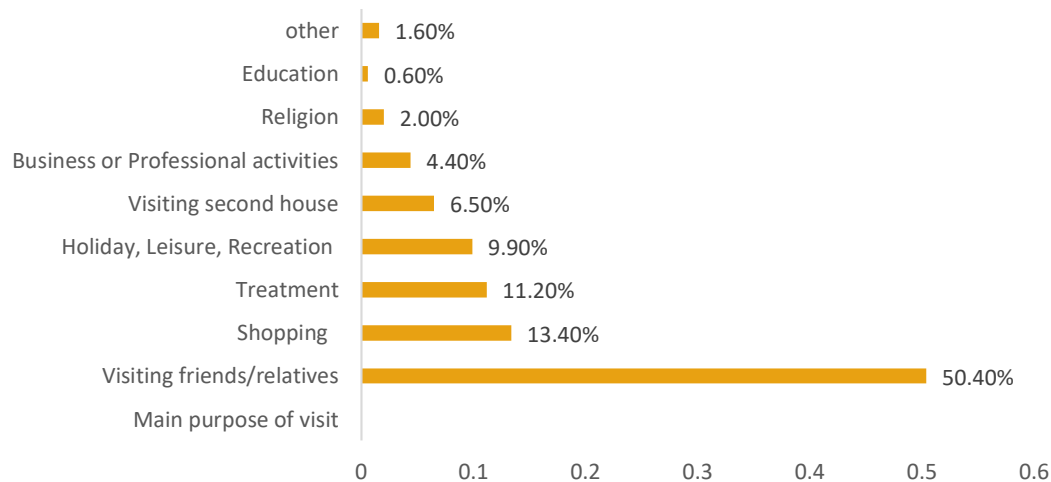


Demand – Tourism Overview

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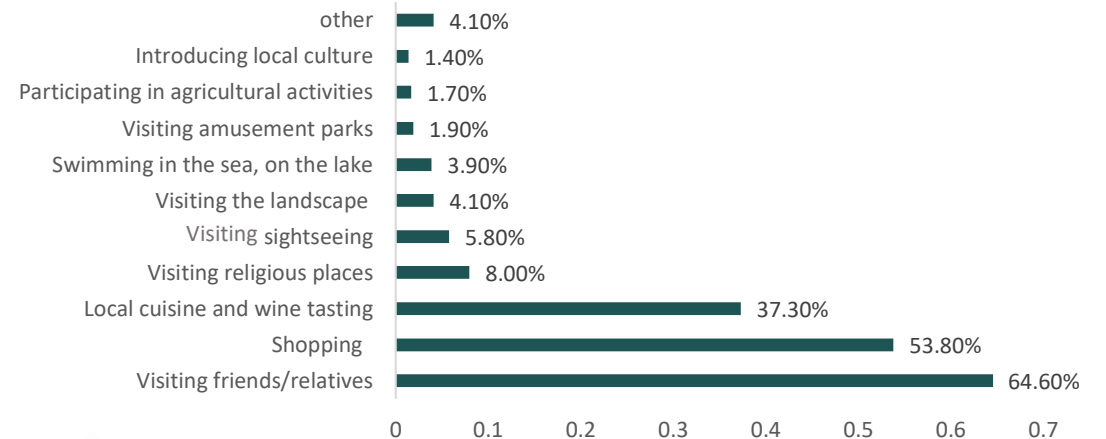
- Average number of nights spent in Adjara by non-resident visitors of Georgia is 4,6 as of 2017, which compared to 2016 has increased by 0.9 days;
- 25.5% of internal visits were made to visit Tbilisi. Followed by Batumi with 9,3% and Kutaisi with 9%. Among the places were Rustavi with 2.6%, Mtskheta 2.5%, Gori by 1.6%, Telavi 1.5% and Marneuli 1.5% and 46.5%.
- The most popular destination among the regions are Imereti 18.6%, Adjara 12.9 and Samegrelo-Zemo Svaneti 7.3%.
- Total number of accommodation by domestic visitors amounted to 23.97 million. Including 61.8% staying in a friend's or relative's apartment, 24.7% - in their own house, 3.9% in the guest house and other types of accommodation 9.6%.

Main purpose of visit of resident visitors (2017)



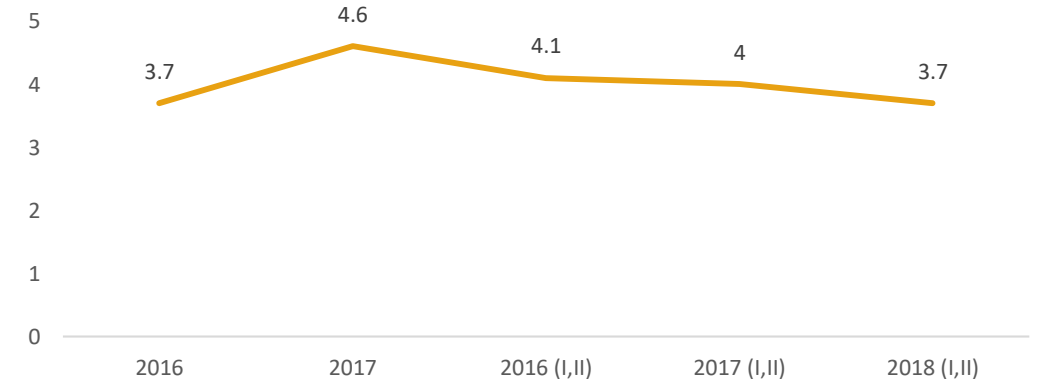
Georgian national tourism Administration

Popular activities of tourism



National statistics office of Georgia

Monthly average of nights spent by non resident visitors of age 15 and older during the visits on the territory of Adjara



Georgian national tourism Administration

Demand – Tourism Overview

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- According to the statistical data show, summer is the most active period in terms of inflow of visits in Georgia
- In 2017, 36.1% of international visits were observed in the summer (2.6% higher in comparison with the same indicator of the previous year) and 41% of the '24 hours' entry category
- After the summer, the busiest season is the autumn and the least busy is the winter. According to the data of 2017, 25% of international travelers visited Georgia in fall. For '24 hour' category tourists it was only 24%.
- It should be noted that the distribution of visitors by the season is more or less stable from year to year, there are only slight changes;
- During the years 2017-2018, the average number of nights spent by people aged 15 and older throughout Georgia is approximately 4.3;
- The average number of nights spent in the Adjara region is changing according to seasonal conditions, which is due to the fact that 90% of tourists visit Adjara region for recreation purposes, according to data from the 3rd quarter of 2017, the average duration of nights spent is 4.9 days, and in January, February and March this figure reduces.

The average number of nights spent by non-resident visitors of age 15 and older during the visits in Adjara

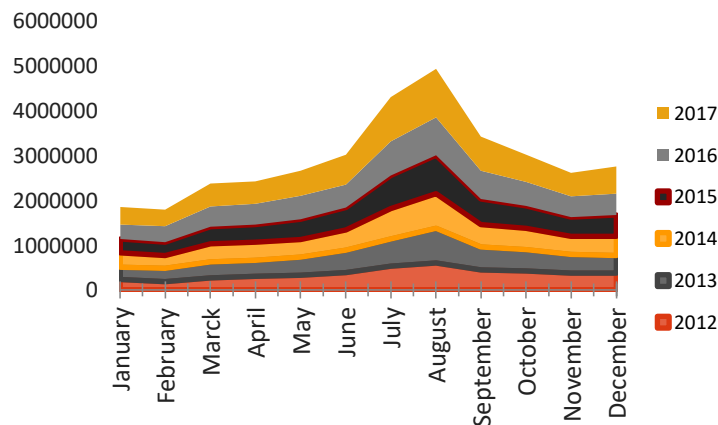
year	2017 I	2017 II	2017 III	2017 IV	2018 I	2018 II
day (24 hours)	4.1	3.9	4.9	5.5	3.5	3.9


The average duration of nights spent by the visitors arriving from neighboring countries in Georgia, 2017

Country	Average number of staying duration
Ukraine	13.1
Russia	10.2
Iran	7.15
Azerbaijan	3.1
Armenia	2.86

 National statistics office of Georgia

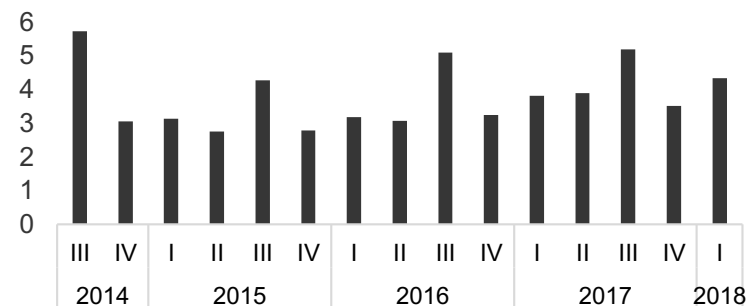
International visitors by months



 Georgian national tourism Administration

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Average of nights spent on the territory of Georgia



 Georgian national tourism Administration

- Compared to the IV quarter of 2016, average number of nights spent has increased for about 41% for the IV quarter of 2017. That maybe caused by Goderdzi Resort opening, based on the tendency it is likely that Adjara region becomes desired destination for tourists in winter time;
- From the visitors from neighboring countries, Russian tourists spend the most time in Georgia. According to the data of 2017, the average number of nights spent by them in Georgia is 10 days.

Demand – Tourism Overview

- Currently, 3 international airports operate in Georgia – in particular in Tbilisi, Batumi and Kutaisi. Batumi Airport's capacity is 500 passengers per hour;
- As of 2017, direct flights from Georgia to 81 destinations are completed. The directions include: Moscow, Tel Aviv, Astana, Baku, Dubai, Doha, Riga. Hungarian airline WizzAir flies from Kutaisi to Europe to 14 destinations. As of 2018, 51 airlines offer passengers flights from Georgia;
- According to the data of the National Tourism Administration of Georgia for September, 26 airlines had been operating in Batumi airport, but according to the data of October, this number has been reduced to 10, which is caused by changes in market demand and seasonality;
- As for September, flights from Adjara region are carried out in 22 different destinations;
- By the end of 2017, total 1,906 flights have been carried out, with the largest number of flights in June, July, August and September, with total number of 1,155 flights, which is 61% of annual flights
- According to the statistics of 2017, the largest number of flights has been made from Batumi to Istanbul with 384 flights operated by Turkish Airlines;
- Batumi-Tel Aviv flights are also very popular and in 2017 the number of flights reached up to 234, which is run by El Al Israel.

Transport point	Total bandwidth	Maximum capacity per year
Railway	3.3 mil passenger per year	3,300,000
Tbilisi airport	2,000 passenger per hour	17,520,000
Batumi airport	500 passenger per hour	4,380,000
Kutaisi airport	500 passenger per hour	4,380,000
Mestia airport	100 passenger per hour	876,000

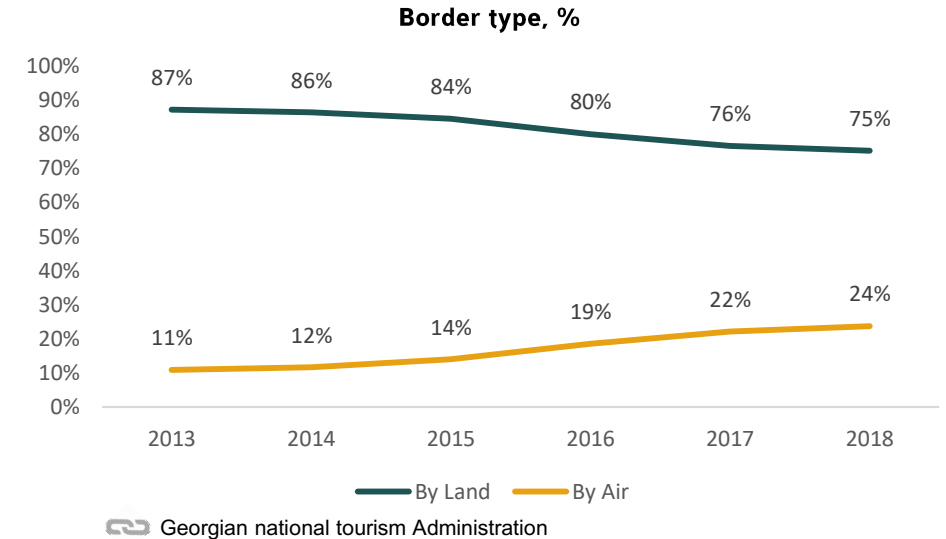
Flights and directions

Company	Directions
Georgian Airways	Batumi - Tel-Aviv
Georgian Airways	Batumi-Astana
MYWAY	Batumi - kharkov
Skat	Batumi-Aktau
Fly Dubai	Batumi-Dubai
Ural Airlines	Batumi - Moscow
Ural Airlines	Batumi - Ekaterinburg
Ural Airlines	Batumi- St. Petersburg
Fly Jordan	Batumi-Aman
Bravo	Batumi-Kiev
Anda Air	Batumi-Kiev
Skyup Airlines	Batumi-Kiev
Nordavia	Batumi-St. Petersburg
Fly Jordan	Batumi-Aman
Elal	Batumi -Tel Aviv
Israil	Batumi -Tel Aviv
Belavia	Batumi-Minsk
S7 airlines	Batumi-Moscow
Turkish airlines	Batumi-Istanbul
Ata Airlainz	Batumi-Tehran
Wings of libanon	Batumi-Beirut
Qeshm air	Batumi-Tehran
Air Arabia	Batumi-Sharjah
Pobeda	Batumi-Kharkov
Yanair	Batumi-Kharkov
Yanair	Batumi-Lvov
Yanair	Batumi-Odesa
UUT AERO	Batumi-Kazan
UUT AERO	Batumi-Perm
UUT AERO	Batumi-Ufa
Smol planet	Batumi-Warsaw
Redwing	Batumi-Moscow
Severstal	Batumi -Cherepovets

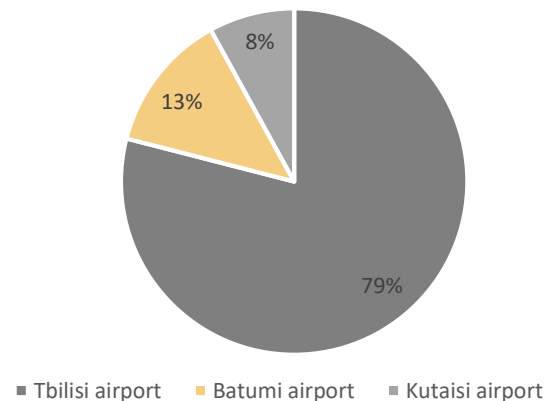
Demand – Tourism Overview

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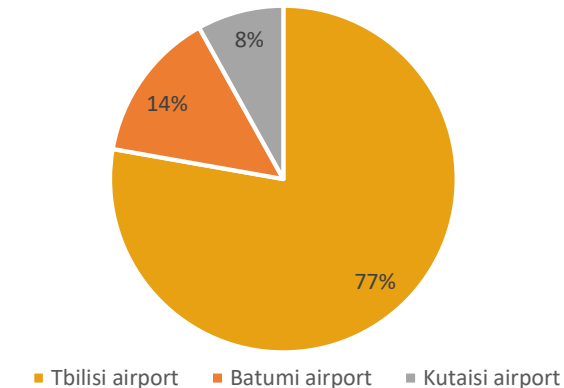
- There are 20 borders in Georgia, including Sarpi (17.3% of total visitors), Sadakhlo (14.9%), Red Bridge (15.3%), Kazbegi (16.7%) and Tbilisi Airport (17.6%) - are the busiest borders of international visitors with 81.8% entries;
- According to the data of the first nine months of 2018, the majority of international visitors, 75% of the total number of visitors, crossed the land borders of Georgia;
- According to the data of the first 9 months of 2018, the percentage share of the visitors by air transport is 25% of the total number of visitors, it has increased by 2% in comparison to the previous year's figure;
- The percentage share of railway and marine arrivals is very low and varies from 1.3% to 1.4% in
- According to Batumi airport statistics, its share is characterized by increasing trend and it has increased by 1% in the first nine months of 2018 compared to 2017;;
- In addition, according to the trend of the last three years, international inflows by land have been reducing and air flows have been increasing, which is likely caused by the increased number of airlines operating in 3 Georgian airports and accordingly tickets prices have also become competitive.



International arrivals in Georgia by airports % 2017



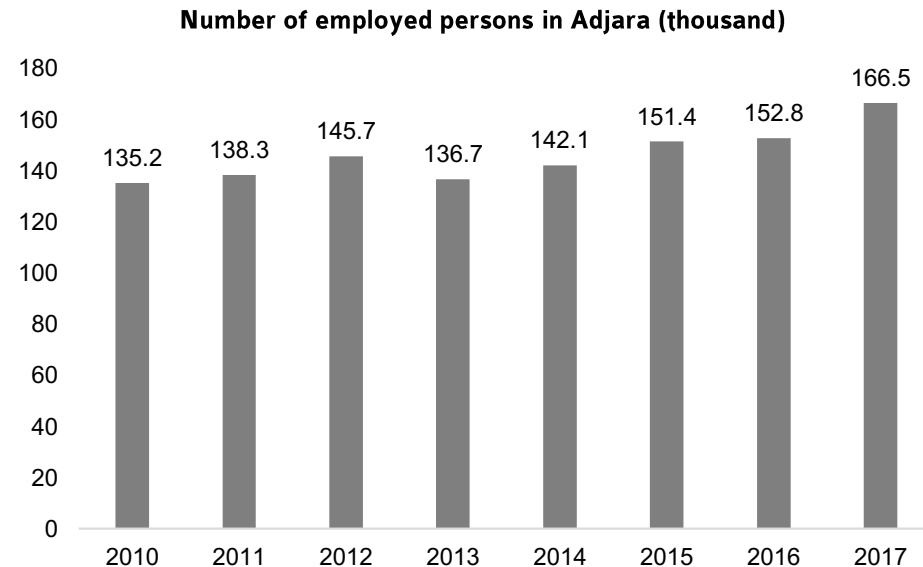
International arrivals in Georgia by airports % (8 months of 2018)




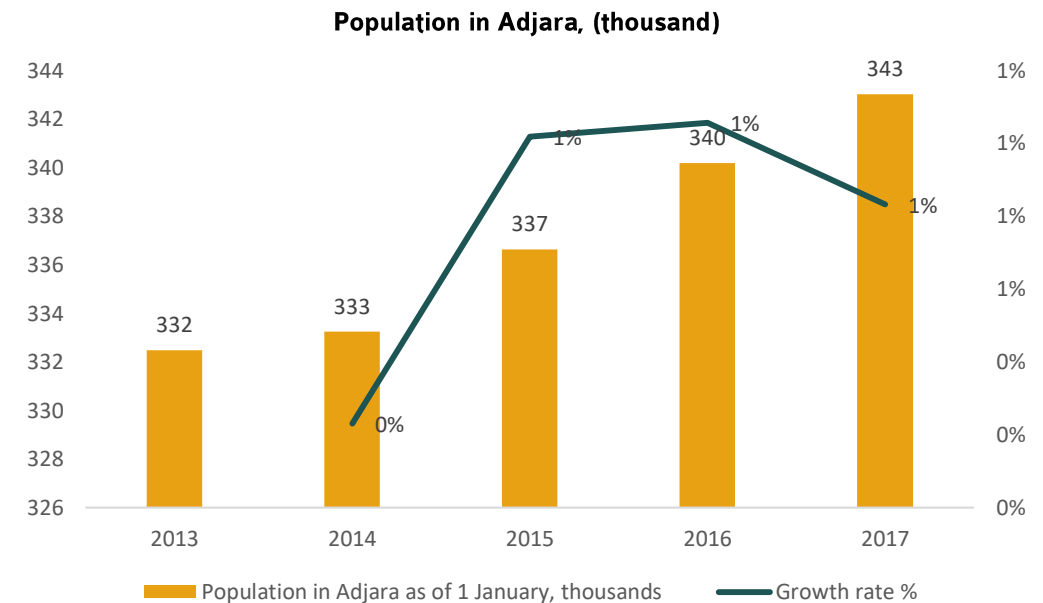
Demand – Demographic Overview of Adjara


30

- According to the data of 2017, the number of population in Adjara region is 344.7 thousand people, which increased by 1 % compared to the previous year. 47% of the population of Adjara live in Batumi;
- In general, there is a growing tendency of population of Adjara region, almost half of them live in Batumi;
- According to the data of 2017, the number of people employed in the Adjara region amounted to 166.5 thousand and this number is growing annually. According to 2013 data, the highest percentage is between 18 and 60 years old, and this part of the population represents a labor force. Also, according to 2013 data, 93.4% of Adjara population are Georgians, while the rest of the population are Russians, Armenians and others.



 National statistics office of Georgia



 National statistics office of Georgia

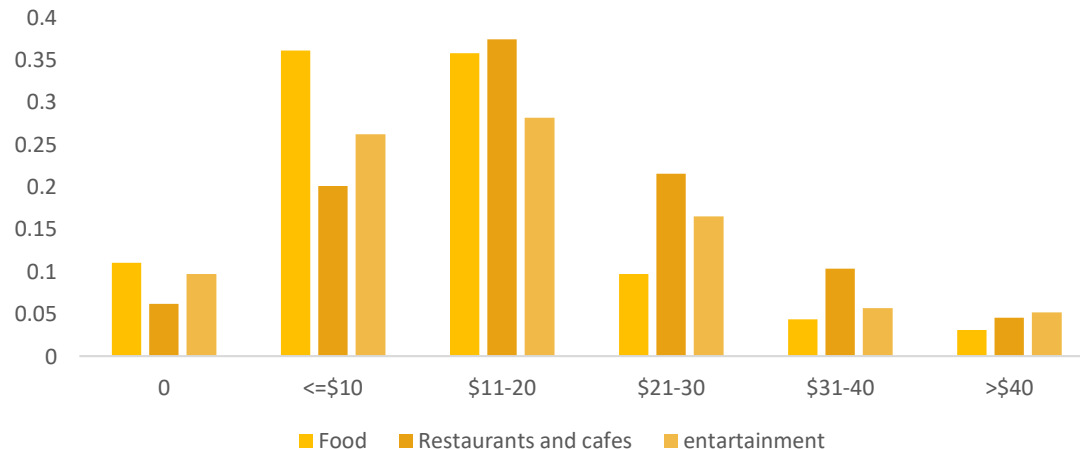
Demand – SavvY TOURIST RESEARCH

31

In the scope of SavvY tourist research in Adjara region, Batumi, 624 local and international tourists were interviewed. A part of the acquired information is the following:

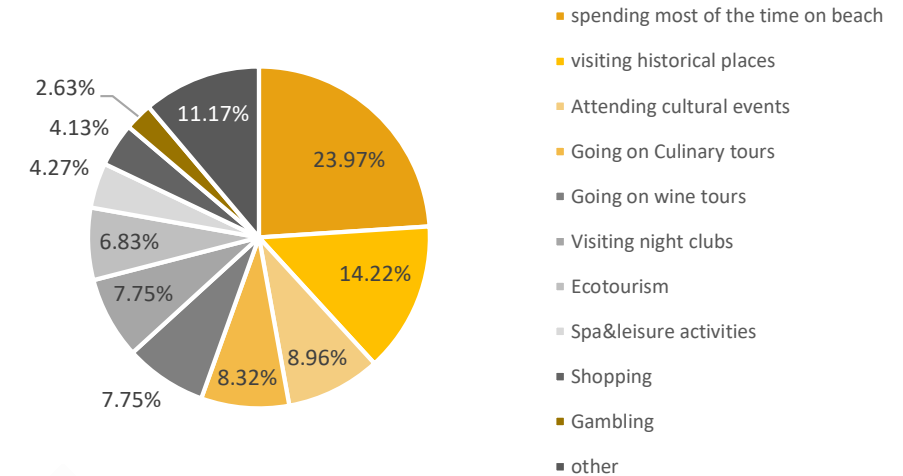
- Most part of the tourists in Adjara region prefer to travel with their families. Also, the number of visitors who travel with their spouse or a partner is quite big, in contrast number of visitors who travel alone is low – 10%;
- As for the expenses of the visitors, an amount the visitor spends per day at the restaurants and cafes is approx. 11-20\$ (37%). A small number of visitors spend more than 30\$ both at restaurants and cafes and outside them. Expenses on entertainment are concentrated mainly in the 10-40\$ interval, 26% of visitors spend 10\$ or less on entertainment and only 28% of them spend 11-20\$ on entertainment;
- Thus, according to the survey the number of visitors who spend significant amount of money on dinner at home is low, so suggesting a variety of food service facilities to the visitors is an important challenge for Adjara region.

Daily expenses on nutrition and entertainment (USD)



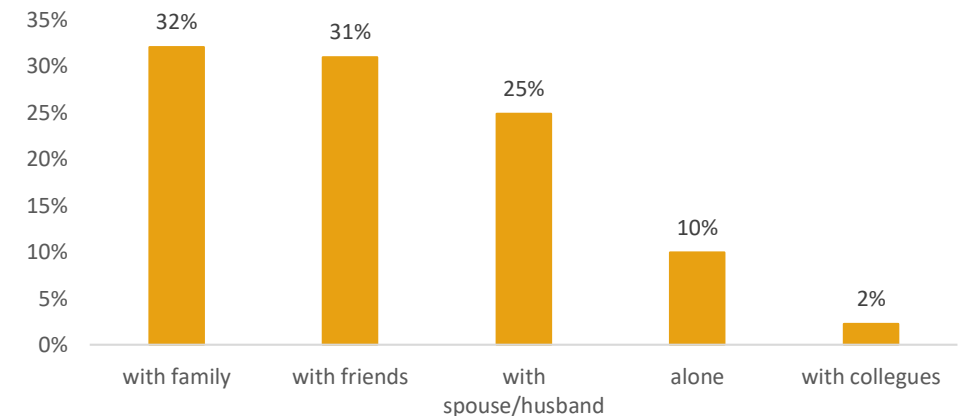
SavvY Tourist Research

Tourists classification according to their implemented activities



SavvY Tourist Research

Tourists classification by travel type



SavvY Tourist Research

Demand – SavvY TOURIST RESEARCH

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- According to SavvY tourist research, tourists visit Adjara with their families (32%) and on the second place there are tourists who travel with their friends (31%), so relaxation and entertainment are two main directions that tourists are concentrating on.
- As to the level of their satisfaction, the results showed that the tourists from Georgia, Ukraine and Israel are more skeptical during the service quality assessment than the tourists from other countries. 30% of them think that quality of service in Adjara is sufficient. In negative estimations mostly German tourists are prevailed – 36% of them think that the service quality in Adjara is bad or very bad. The number of tourists satisfied with the quality of food is relatively high.
- The most popular places among the visitors arriving to Adjara are Batumi (51%), Gonio (13%), and Kvartati (11%).

Daily expenses on Restaurants and cafes by country

	0	<=\$10	\$11-20	\$21-30	\$31-40	>\$40
Azerbaijan	0%	17%	33%	28%	11%	11%
Belarus	0%	40%	50%	0%	10%	0%
Germany	9%	18%	36%	18%	0%	18%
Turkey	6%	22%	17%	22%	22%	11%
Iraq	4%	33%	29%	25%	4%	4%
Israel	0%	25%	25%	33%	8%	8%
Russia	3%	14%	45%	25%	10%	3%
Georgia	11%	21%	34%	20%	10%	3%
Armenia	7%	14%	50%	25%	4%	0%
Ukraine	5%	18%	35%	28%	15%	0%
China	0%	31%	31%	8%	23%	8%

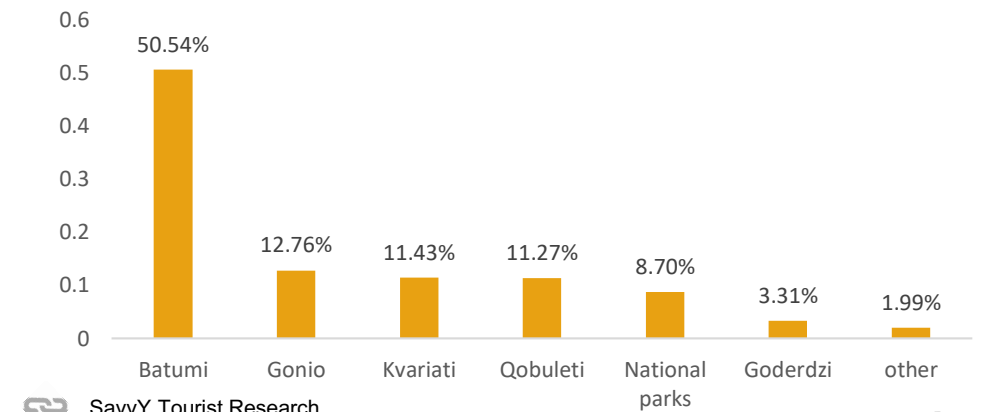
SavvY Tourist Research

Tourist classification by satisfaction level



SavvY Tourist Research

Tourists distribution by visited places



SavvY Tourist Research

TIPS FOR BATUMI VISITORS

www.georgiastartshere.com is a website that connects local inhabitants and international tourists. Anyone who wishes to share their experiences with readers can do it via this platform. There are several types of blogs on Adjara region. The most interesting one among them is a blog on how we can spend weekend in Batumi. There can also be found top activities for visitors

1. Breakfast

A visitor can have breakfast in a café called “Privet iz Batuma”. The place is distinguished with tasty dishes and desserts. The full breakfast costs approx. 15-20 US Dollars.

2. Bicycle Ride

Visitors can take a bicycle ride in the Black Sea shore line, in Boulevard which starts at Batumi Port and ends near the Dancing Fountains. Visitor can get a transport card and hire a bike at Tourist information center.

3. Fish Market

A blogger suggests visitors to go to the fish market which is located nearby the port. Here one can buy fish and mussels and then visit “Balagani” restaurant which is next to the fish market. There one can have sea products cooked with different ingredients. It is important to note, that shrimps are imported, not local.

4. Aerial Ropeway

There is an aerial ropeway at the city entrance, near the sea and you can go to the top of the hill on it. The hill gives you a wonderful view of the city. A nice café where you can gaze the sunset with a glass of wine in your hand can also be found there. The aerial ropeway ticket costs less than 5\$.

5. Beverages and Entertainment

In the evening visitors can go to local clubs. A blogger recommends “Blow Bar” located in the Old Boulevard. A visitor can spend a nice evening there due to pleasant environment. Other places to visit are Iberia Beach, Boom Boom and Gate. Before you go to those mentioned places you are recommended to visit Chacha Time to taste different types of Georgian Chacha and meet pleasant people.

6. Sea Shore

If a visitor wants to relax at the sea shore, this place should not be searched in Batumi, instead tourist should visit Gonio or Kvartati shores. Also the perfect place to visit is “Mtsvane Kontskhi” which is located 15 minutes away from the city center. The sea is much cleaner and less crowded here. From Mtsvane Kontskhi the visitor can go to the Botanical Garden where up to 5,000 different kinds of plants can be seen. The entrance is up to 3\$. Visitor can take a walk through the Botanical Garden or take a trip on a excursion car.

Supply Analysis



An analysis of supply and tendencies in the Black Sea regions including Georgia

SUPPLY – ENTERTAINMENT INDUSTRY

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- Besides the wonderful nature, delicious food and the best wine, Georgia can offer various entertainments to its visitors. The culture of night clubs has developed in the country for about 10 years. The entertainment centers shift to the sea shore in summer – Anaklia and Batumi. Anaklia is famous for Gem Festival where more than 500 international artists perform during a month, while in Batumi visitors can find various kinds of entertainments at the peak of the season;
- Gambling Tourism has recently developed significantly. There is a certain amount of the casinos successfully operating in Tbilisi and Batumi. It is planned to increase their number in the future. Because in neighboring countries the law prohibits the existence of casinos, Georgia has become a new place where gambling tourism is popular.
- For the last few years, Tbilisi has turned into a “Night clubs” city and has gained international recognition as well. Batumi clubs generally work for seasons depending on the demand;
- Sport centers, fitness halls and swimming pools are actively developing throughout all over the country. Few international fitness brands are operating in Tbilisi and Batumi, where costumers are offered various services. Also There are spa centers in Adjara – which represent additional services offered by international hotels;
- Due to the rich history of Georgia, its cultural life is sufficiently maintained. Lots of cinemas and theaters have been reconstructed recently. Several new places have been added to the supply chain as well. Among them is Black Sea Arena in Guria with an capacity of 10,000 people, it has a special equipment and light systems, which gives an opportunity to perform grandiose shows.
- Generally, local and international tourists can find variety of hotels and food locations in Adjara. During the peak season they can visit different clubs, take a bicycle ride in Batumi Boulevard or attend various types of cultural and musical events.



SUPPLY – ENTERTAINMENT INDUSTRY

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- According to the entertainment market survey carried out by Colliers , supply of conference halls has grown recently in Georgia, especially in Tbilisi and Batumi. Conference and meeting spaces are mostly located in Tbilisi – 48% - with total capacity of 7,500 delegates. Batumi conference spaces have a total capacity of 5,600 guests. Such spaces are mostly concentrated at hotels. Other business spaces are located in different regions of the country and their total capacity is 2,600 guests;
- This supply growth might be connected with the fact that international hotel brands have started their business in Tbilisi and Batumi;
- Batumi is quite attractive destination for business tourism (MICE). According to 2017 data approx. 100,000 delegates attended conferences and meetings. In the same year Batumi hosted Europe Constitutional Court's 17th congress, which was attended by the delegates from more than 40 countries;
- As for the gambling direction, most of them are presented in Tbilisi following Batumi. The biggest casinos in Batumi are: Ajarabet, Casio Iveria Batumi, and International Batumi Casino. Le Meridian casino is going to open in 2019 which is a part of the 5 star hotel; also, Euphoria Hotels & Resorts. Other high class casinos are going to be opened soon too, such as: Mega Palace Casino and others. A popular American brand Las Vegas is going to enter the Georgian market, It will be located in Kobuleti with 40,000 m2 area. It will contain indoor and outdoor entertainment areas. The project implementation has started in 2017 and it will be accomplished in 2021. "Crystal Building" is the company that implements the project. An average cost of the project is 200 mln GEL;
- According to the existing data there are 12 casinos functioning in the region, among them is Sarpi Resort Casino , which has a different concept.

Casinos	
Autonomous Republic of Adjara	
Casino "International"	Ajarabet
Casino "Princess"	Europabet
Casino "Leogrand"	Casino "Intourist"
Eclipse Casino	Casino at the sheraton "Mshvidoba"
Casino Iberia	"Pasha Medea"
Casino "Golden Palace"	Sarpi Resourt

SUPPLY – ENTERTAINMENT INDUSTRY

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- During the peak season the number of Batumi coastline covers about 20 nightclubs. In addition, Batumi offers various entertainment areas for different kind of people/ people with different preferences. There are night clubs and lounges, Karaoke bars and various cafes. We will consider the most popular clubs in Batumi which mainly function during the tourist seasons, but their business is very active though;
- Gate club was opened in Batumi, in Wonderland Park, in 2016. It is a 2-storey glass building with an original design. It consists of different areas. The main area of the club is an indoor territory where visitors and Electronic music listeners can enjoy themselves despite of the weather – rainy or sunny. This club is also distinguished by seasonality, despite the fact that the club has resources for non-season activities
- Sector 26 is one of the clubs in Batumi that is located in the Boulevard, in the open air. It has an outdoor swimming pool. Music plays there all day long and famous artists perform there in the evening. Club Soho has a similar concept which offers its guests various musical activities during the tourist season;
- One of the most interesting night club is Boom –Boom beache, which offers dancing halls and swimming pools. The club can receive up to 1,200 people;
- Besides the mentioned clubs there are other different entertainment areas in Batumi but like all the rest, their activity is distinguished by seasonality
- The Black Sea Jazz Festival takes place annually at the sea shore in Batumi. Traditionally, world-famous artists perform there. 12th Jazz Festival was held in the summer of 2018. It was attended by 10-12 thousand people. On an Average the Festival lasts for 3-4 days.



Food service facilities (restaurants, cafes&bars)

	2017	2017
	Total facilities	Total places/seat
Batumi	237	25,725
Kobuleti	118	13,029
Khelvachauri	32	-
Keda	15	-
Khulo	10	-
Shuakhevi	5	-
Total	417	38,754

SUPPLY – ENTERTAINMENT INDUSTRY

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- There are lots of pool club centers in Tbilisi. Generally, it is hard to find those pool clubs as they are not active in social media. The best services among them are offered by: “Eldorado”, “Cosmo”, “Leader Club” etc;



- Name: Cosmo**
- Working hours: 14:00-04:00**
- Additional services: Bar**
- Price: 14:00-18:00 – 8 GEL; 18:00-04:00 – 10 GEL**



- Name: Leader Club**
- Working hours: 14:00-18:00**
- Price: 14:00-18:00 – 8 GEL; 18:00-04:00 – 10 GEL**

- In Batumi, Adjara pool championships are also being held. Such types of championships aim to further development of pool sports, increase players qualification, to form players team of Adjara in order to participate in Georgian and International championships.

- Nowadays Tbilisi is the only place where cinema market is well developed. The main players on the market are “Amirani” and “Cavea”. The gross turnover of the field was 20.9 mln GEL in 2015; in 2014 this figure was 17.9 mln GEL. Small cinemas are also popular among local population – “Cashe” and “Cinema City”. These cinema theaters offer 6 – 20 seats and it is possible to book them to watch pre-ordered films privately.



- Name: Eldorado**
- Working hours: 24 h**
- Additional services: coach; food (burgers, alcohol drinks)**
- Price: 1 h – 8 GEL**



- 4 halls**
- Capacity - 609 seat**
- Modern infrastructure and technologies**
- World premiers are being presented**



- Fast growing operator cinema in Caucasus**
- Owns three cinema theaters in Tbilisi**
- Altogether 20 halls – IMAX included**
- Capacity - 2,938 seats**
- World premiers are being presented**



Cinema „Sakartvelo”

- 4 halls altogether**
- Capacity - 155 seats**
- Equipped with 3D technologies**

- There are several locations for rock climbing in Tbilisi. One of them is Tbilisi Botanical Garden, though there are such areas in various recreation centers. Mountain climbing festival is annually held in Tbilisi Botanical Garden.**

SUPPLY – ENTERTAINMENT INDUSTRY

39

- European Cities and Capitals of Sport Federation- ACES Europe awarded Batumi with the European Sport City title in 2019. This means that sport and cultural events need to be held quite intensely in Batumi. This will develop sports tourism in the Adjara region;
- In addition, the adopted status in the country will promote the healthy lifestyle and popularize sport in general. Sport development was named as one the priority directions in Georgia;
- In 2018 43rd World Chess Olympics were held in Batumi. 4,000 chess players from 189 countries participated in it. In addition to this, many international sports events took place in Batumi this year.



Batumi	Investments	Capacity	Status
Batumi rugby pitch	7 mln GEL	2,480+500 seats	Open
Tennis courts	N/A	6 courts altogether	Open
UEFA standard stadium	117.3 mln GEL	20,516 seats	Opening: 2020
Batumi sport complex	62 mln GEL	3,404 seats	Opening: 2019
Ice arena & swimming pool	20 mln USD Dollars	2,200 seats	Opening: 2020



- Sport infrastructure in municipalities looks like the following: 2 sport schools, 6 sport grounds and 28 mini sport grounds in Kobuleti. Sport infrastructure development level in other municipalities is relatively low.

SUPPLY – ENTERTAINMENT INDUSTRY

40

- According to the 2017 data, more than 400 food service facilities are registered in Adjara. Most of them don't operate during all seasons. They mostly work in summer. According to the information of Tourism Department food service facilities are considered for people with different preferences According to the last years' data main part of 237 food service facilities (cafes&bars, restaurants, lounges etc.) were located in Batumi, while the rest of the – 180 – in other municipalities of Adjara;



- One of the important issues for tourists is to determine the proper food service facility . As the managers of various food objects are mentioned these facilities note that the most popular dishes are: Adjarian Khachapuri, Khinkali, Pizza, Caesar Salad, and sandwiches; Local dishes are more attractive for international tourists, Pizza and salads for local tourists.
- As for the fast food objects there are two branches of McDonalds, one of Wendy's, as well as Subway, Solo Pizza and others in Batumi. It should be noted that almost all of the food service facilities are closed at night even in the touristic season. So, local and international tourists visit fast food restaurants - McDonald's is the most popular;
- There is a small number of food service facilities presented in shopping centers. The most of them can be found in Metro City Mall: Burger King, Dunkin, Wendy's but the number of shopping centers is quite low . A certain area of the mall is not occupied and there is no shopping stores there.;
- Restaurants, cafes and fast foods are mainly located in the center of Batumi. As to the service level it is quite low in summer season because there is not enough staff to serve big number of guests. There are food service facilities that offer different food prices, which can be cheap, medium or expensive

SUPPLY – ENTERTAINMENT INDUSTRY

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- The number of child entertainment centers in Adjara is quite low. Such centers are usually concentrated in Batumi. They generally represent Birthday Celebration Centers. At this time there are about 10 celebration centers in Batumi. Although there is a lack of facilities with separate areas for children and parents, there are only 2 facilities presented in the region with this concept.



- Besides entertainment centers there are various parks in Batumi with carousels and attractions, zoo-corners, circus, aqua-park etc;
- Euro-standard attraction park “Tsitsinatela” is located near Kobuleti. It was opened in 2006. In the park there are: ferris wheel, about 40 attractions, entertainment rooms, carousels, slot machines hall, car park, bowling club, pizzeria, and cafeteria in the park. The park is open from 18:00 to 03:00. The regular transfer from Batumi to the parks is also organized. The attraction park is very active for only four months (June, July, August, September) in a year. Besides this, guests should consider the weather, because the park is located outdoors;
- There is a children entertainment center in one of the Batumi malls (Batumi Mall). The center is separated. It contains attractions, zoo-corner, electro-path and 12D cinema;
- Besides this, fast food facility Mc Donald’s offers children a birthday party area . The offered services are: Karaoke, X-box games, musical activities, intellectual games according to age and sport games as well.

SUPPLY - SHOPPING CENTERS

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According to the concept of entertainment center the supply includes shopping centers that offer customers various services such as fun, fitness service, catering facilities etc.

According to 2017 data , there is 164,000 m2 shopping area for rent in Batumi, by 15% more than in 2016.

- 46% of the area is located on busy streets;
- 25% of the area contains markets and outdoor shopping places;
- 25% of shopping centers and areas (approx. 41,000 m2);
- The number of shopping centers was half as much in 2015 than in 2017;

In 2017 two more shopping centers have been opened: Metro city Forum and Black Sea Mall. According to 2018 data shopping centers have not been opened.

Batumi city mall

- It is the first mall that was built in Batumi. It is a three storey building;
- It offers customers various products and services: perishable products, furniture, house appliances, clothes/shoes, accessories;
- Services: GYM, contact zoo, food service facilities;

Brands: Goodwill, Super, Optimist, Converse, Moccasin, Corso Italia, Ici Paris, U.S Polo ASSN, ZooTopia..



- There is a Goodwill hypermarket in the mall which makes it more competitive;
- It's location is comfortable for customers;
- There is a children entertainment zone which makes it more comfortable for customers;
- Product range is small;
- Small territory



SUPPLY - SHOPPING CENTERS

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Metro City Mall

This shopping center is the biggest in Batumi. It is located on 15,000m2 area (2-storey)

- Supermarket "Nikora" occupies approximately 3,000 m2;
- Different brands are located in the mall:

1st floor - TAC, Terranova, Penti, LC. Waikiki, Okaidi, Colin's, Delfos, Yves Roches, RONIKO, Metrocity Pharmacy, Lotto.

2nd floor - Bata, Corso Italia, Factory, Dunkin, Wendy's, Burger king, Super, Defacto.

- It is important to note, that the mall area is not fully occupied. There is a lack of food facilities (only fast foods);
- The mall is focused only on clothing and shoes brands;
- It is not presented on Trip Advisor Digital;
- Digital marketing companies are not active;
- There are not many brand shops;
- No children (or adults) entertainment areas;
- The web page is available only in English.

The shopping center is a part of Metro City Complex. Residential apartments, as well as hotels and casino are located there.

 4.3 ★★★★★ 1,031 Google reviews



SUPPLY – SHOPPING CENTERS

- According to the data base of the shopping centers research by Colliers the rent price on the main streets of Batumi is 13.2 \$ per square meter.In modern shopping centers this price is high by 9%;
- The most popular places in Batumi for shopping objects location are: K. Gamsakhurdia and Chavchavadze streets. So, the rent price varies from 10-30 \$ per square meter Investments in shopping centers amounted to 45 mln \$ in 2017 (including VAT). These malls have additional parking spaces in total for 714 cars.

The main facilities located in the Shopping Centers



Health&Beauty
7%



Household Goods
33%



Applian
5%



Food&Bevarages
8%



Hypermarket/Supe
rm arket 36%

№	Shopping Center	Location	sq/m	Parking	Developer	Investment Amount
1	Metro City Forum	Lech& Maria Kaczinsky #1	15,000	220	Metro Atlas	\$ 45 mln (VAT included)
2	Batumi Central	Odysseus Dimitriadis #3	10,400	250	Batumi Central ltd	
3	Batumi Mall	Gorgiladze #88a	8,250	124	House at the Boulevard	
4	Black Sea Mall	Shartava #14	5,550	120	MP Development	

SUPPLY- BLACK SEA CITIES

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There are six countries located in the Black Sea basin: **Georgia, Bulgaria, Romania, Russia, Ukraine, and Turkey**. Each of these countries offers various kinds of entertainment to tourists.

Odessa, Ukraine

- Seaside town of Odessa in Ukraine is quite popular among tourists. The town is rich with history, cultural activities, architecture, sea shores and the local cuisine, as well as with entertainment industry;
- Despite the fact that 5.7 mln tourists visited Odessa in 2017, – The research results show that level of prices is quite high and it does not represent a competitive price of the similar regions, while the service quality in hotels and food service facilities is quite low;
- There are lots of night clubs in Odessa, so the nightlife is quite popular there. Also, Fitness clubs as well bowling and pool centers are popular too. Parachute flights, carting and diving are available in Odessa. Besides the mentioned offers there are children entertainment center, virtual reality clubs etc.

Varna, Bulgaria

- Varna is one of the seaside towns of Bulgaria, which is popular with a lot of museums, beautiful parks and very active nightlife during the summer season.
- About 1 mln tourists visit Varna every year. They can visit a dolphinarium, children Attraction Park and the City Zoo. Cruise line trips and diving is very popular among the tourists. Cruise line trips and diving is very popular.



SUPPLY – Black Sea Cities

46

Burgas, Bulgaria

- Burgas is one of the biggest cities in Bulgaria. Its population is 230,000. Its port is also one of the biggest in the country. Burgas is the main cultural center of the country – opera and the theater are located in the city. Various festivals are held in Burgas during summer seasons (literature, musical, folk);
- According to the accommodation places, luxury hotels as well as family inns, guesthouses and hostels are located in the city. Also, there are several casinos in the city. Basically the summer season is very active for bars and night clubs. Also in the city there are several casinos. Visitors can go to aqua-park and ride scooters. take a horse ride to one of the popular places - Ravadinovo;
- There are several spa centers located in the city but they do not represent a part of international hotel networks. They just function independently. There are also shopping centers located in Burgas with clothing and shoes brand shops, fast foods and cinema though other types of entertainment are less in number.

Sochi, Russia

- Sochi is one of the popular tourist seaside-destinations. Despite the fact, that theaters and concerts are the important entertainment means, the extreme tourism is still more preferred there. . There are many entertainment centers that contain nightclubs, pool and bowling areas;
- The aqua-park is also located in town. Horse ride and rafting are very popular sport activities in Sochi . The important fact is that Sochi does not lose its attraction during the winter season. Visitors come here to ski. There are many shopping centers in Sochi that contain also contain entertainment areas: cinema, children entertainment, cafes and restaurants, spa centers and beauty salons.



SUPPLY – Black Sea Cities

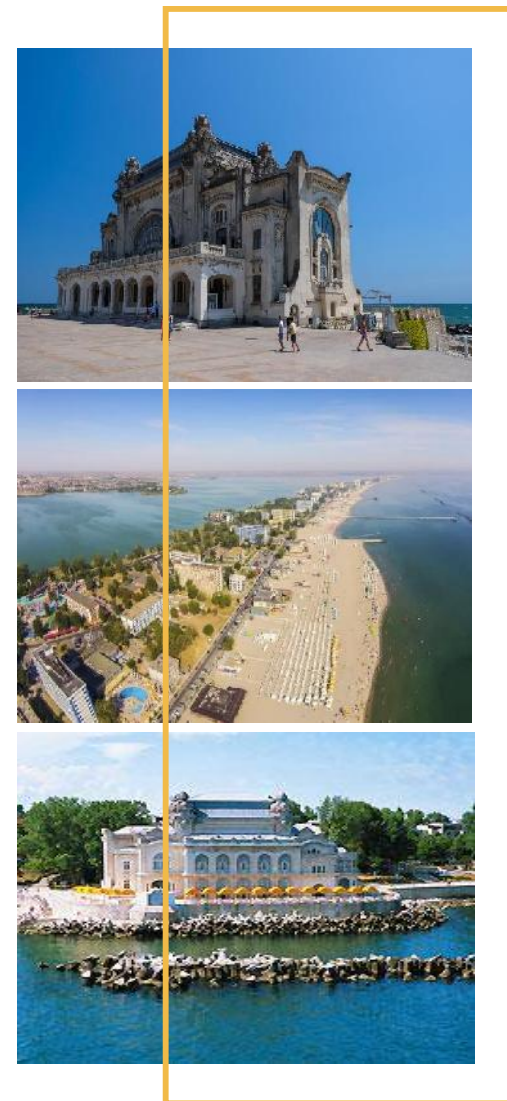
47

Constanța, Romania

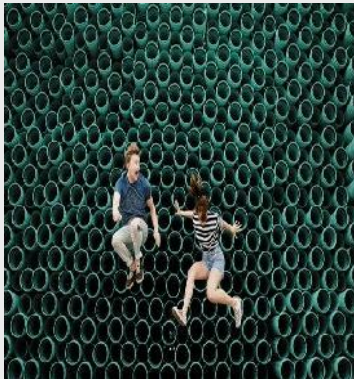
- Constanța is one of the oldest Romanian cities which attracts visitors with its beautiful architecture and ancient buildings. Several types of lakes are presented in the city, where one can walk through water skiing and get mud baths. Besides this an aqua-park and a casino “Constanța” with its outstanding architecture are located in the city;
- There is an aquarium in Constanța, where fascinating shows are being performed to the guests. One of the parks located in the city offers guests different types of sport activities, such as skating, mountain climbing, motorcycle riding, rollers, bicycle tours etc.

Samsun, Turkey

- Samsun is located at the Black Sea shore in Turkey . It is one of the biggest cities in the region. Big-sized shopping centers offer various types of entertainment directions to the visitors;
- There are different types of food service facilities in the shopping centers. Visiting ancient churches is very popular among tourists as well as visiting outdoor spaces such as parks, sea cruising. Skiing is very actual in Samsun during the winter season;
- There are lots of pubs, bars and restaurants at the sea shore, though the night life is not very active and there are not many night clubs in the town.



The Concept of the Leisure & Entertainment Centre



Defining and reviewing the directions of the concept of the entertainment and leisure center; analysis of the design, target audience and competitive advantages

THE CONCEPT

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A special place is needed for local residents as well as for the visitors who travel with family or friends to Batumi/Adjara, in order to offer various entertainment and leisure activities for the people of different ages.

Nowadays there is no recreational or entertainments unite area where visitors and local residents could engage in different kinds of indoor activities in Adjara

The concept is developed in a way that customers of different types can find relaxation and entertainment activities for them.

The concept implies 4 directions :

1. Entertainment
2. Children entertainment area;
3. Spa/recreational center
4. Fast food

All the conditions are set in the center to ensure that the vacation time is pleasantly and comfortably. Due to its interests, select the appropriate activity.

additionally the center will have a member card system, which while using a member card a visitor will be suggested special offer for specific services.

The prices in the center will be competitive in comparison to alternative entertainment facilities presented in the market.

Some facilities will be opened in the center in the scope of primary investments while other parts will be rented to famous brands functioning in Georgia. There are also potential brands that are interested in allocating their objects in the center (see slide 59). More companies can be interested, too.

THE CONCEPT

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Direction 1 - Entertainment

According to SavvY tourist research local and international visitors would like to see more entertainment area in Adjara including attractions, extreme activities. - So, the 1st direction of the center that has to be developed for such visitors is entertainment.

Therefore for such people is created center 1 – **entertainment**.

Entertainment Area includes the following: billiard room;

- cinema;
- bowling center;
- table hockey area;
- carousel zone;
- artificial ski area;
- wall climbing area
- virtual reality area;
- PC gaming zone;
- cooking school;
- Slot machines; ;
- carting.

Direction 2 - Children Entertainment Area

Many visitors come to Adjara, in particular to Batumi, with their families (32%), so entertainment area is also very needed not only for adults but also for the children. According to the concept the center will have a children entertainment area:

- drawing class;
- sliding & entertainment zone (children will be supervised);
- slot machines;
- contact zoo;
- toy shop

THE CONCEPT

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Direction 3 - Spa/Recreational Center

According to the concept the center offers its clients spa services. Spa centers in Adjara generally represent additional services offered by international hotels. These services are available for hotel guests as well as for any customer. But the independent high standard spa center can not be found in the city.

According to SavvY research foreign visitors will spend more money on spa procedures than local ones, therefore this direction is aimed generally to middle age foreign visitors .

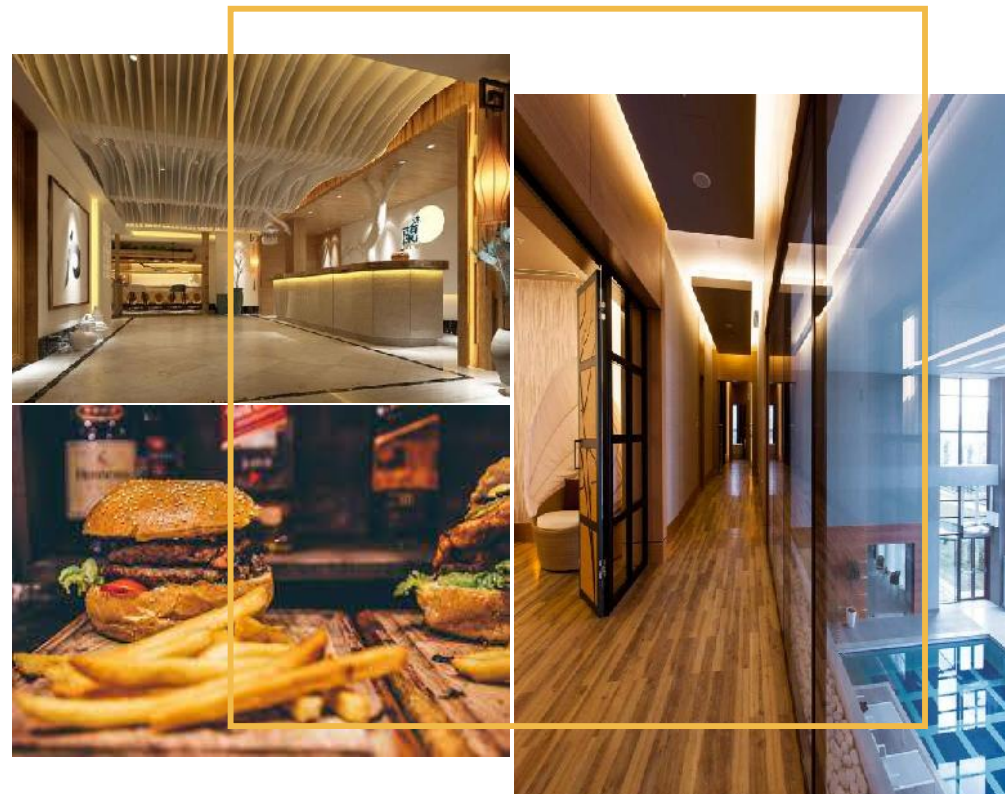
Spa center offers:

- Body and face care;
- Body massage;
- Jacuzzi & sauna Services;
- Beauty salon;
- Solarium;

Direction 4 - Fast Food

According to SavvY research visitors of Adjara A/R, in particular of Batumi, (according to expenses distribution structure) spend large amounts of money in restaurants and cafes. Therefore, several fast food objects will be functioning the center. Several food service facilities will be potentially located:

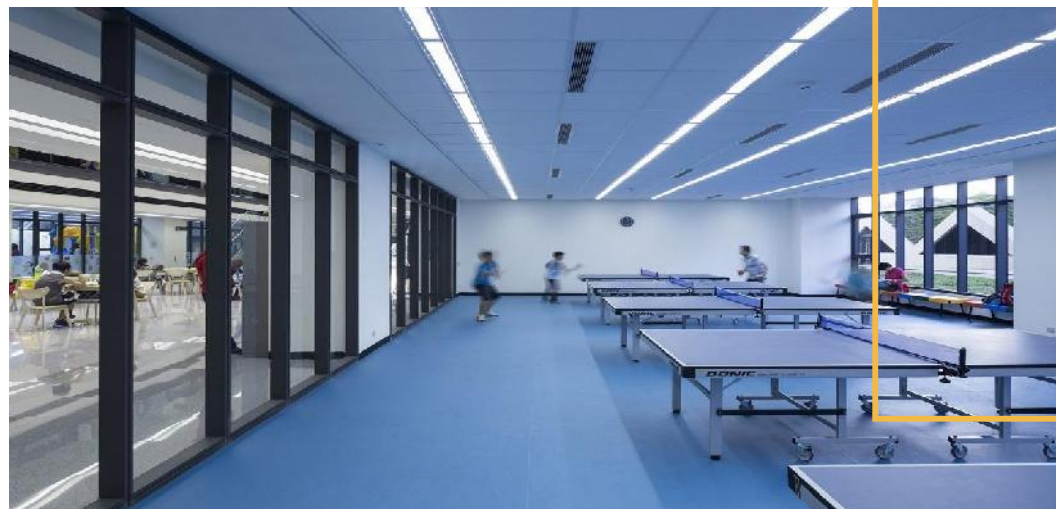
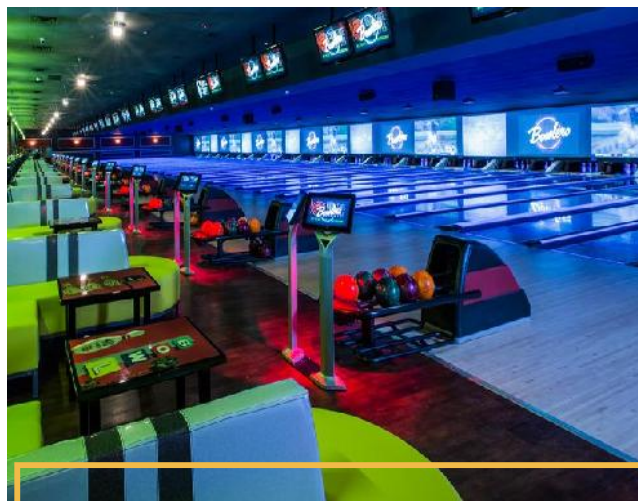
- Burger restaurant;;
- Asian restaurant;
- European cuisine restaurant;
- cafe (coffee house).



THE CONCEPT

52

Direction 1 - Entertainment



THE CONCEPT

53

Direction 2 - Children Entertainment Area



THE CONCEPT

54

Direction 3 - Spa/recreational Center



THE CONCEPT

55

Direction 4 - Fast Food



THE CONCEPT

56

The center must be a place for every visitor where he/she can get some leisure, have fun and spend a great time. The center meets requirements of people who travel alone, with friends, partner or a family. The most important thing of the center is a variety of activities that are concentrated in one place.



Target Audience

Georgian and foreign visitors (couples, families, business travelers) with low, average or high income.

Design and Interior

The center is a modern design building. There is an elevator in the building that will simplify the movement and a parking lot in the basement. The entertainment and recreation center will be located in Adjara, in particular in Batumi, on the area of 12,000 m².

Potential Directions

The center has a resource to add other directions in the future, including: office and working areas, shopping stores, conference hall, modern art museum etc.

Competitive Advantages

- Diversity of target audience;
- The first cinema in Adjara equipped with modern technologies;
- Diversity of activities in indoor space;
- The only object in the region with this kind of concept.

THE CONCEPT

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Location

- Location of the entertainment and leisure center is Adjara A/R, in particular Batumi;
- The land is a property of a Batumi City Hall;
- The building occupies 12,000 m².



THE CONCEPT

58

According to the concept the center must function in all seasons whether busy or not. Despite the fact, that Adjara region is distinguished by seasonality in aspect of visitors flow, the entertainment and leisure center will be functioning during the whole year and there are several reasons for it:

1. According to 2016-2017 data 50% of non-resident visitors travel to Adjara in July, August and September, while the rest of them visit Adjara in other seasons. Totally, approx. 900.4 thousand non-resident visitors travel to Adjara, while in any other period this indicator is approx. 895 thousand people.
2. According to 2014 data population of Adjara according to age category is the following: from 10 to 29 years – 43,494 people, from 30 to 49 years – 45,762. The people of the following category represent a target audience of the entertainment and leisure center;
3. In the peak of the season an alternative to the center can be a sea shore rest (if the weather is fine) but the visitor can not get involved into this activity out of season;
4. MICE (Meetings, Incentives, Conferences and Exhibitions) tourism is characterized by the growing tendency of the whole country throughout the each year in Georgia, including Adjara region. While in 2015-2017 MICE tourism growth rate has been increasing by average 68% annually MICE tourism is considered to be a business trip, therefore it is quite expectable that tourists will travel to Adjara Region out of season;
5. In Adjara Region, in particular at Goderdzi resort the infrastructure is being slowly developed in order to attract more visitors mainly in winter season. The resort is equipped with one of the longest ski path. The resort is located in 109 km from Batumi, so it is quite expectable that the resort visitors will travel to Batumi too;
6. There are no entertainment areas of such concept in neighboring to Adjara regions of Guria and Samtskhe-Javakheti, so it is possible that the small part of population of those regions will visit the center as well. The number of population in mentioned regions is 266.4 thousand people (Guria – 110.5 thousand, Samtskhe-Javakheti – 155.9 thousand).

The concept is developed in a way that a visitor can have any activity without leaving the building. It is essential because weather in Adjara is quite humid. In 2017 there were 173 rainy days out of 365.



LIST OF POTENTIAL OBJECTS

Potential Renters



- Name: „Chita“
- Toys and stationary goods
- More than 10,000 types of products
- 11 branches



- Name: contact zoo „Fauna Land“
- Variety of animals
- You can touch and feed them
- 1 branch



- Name : Coffee Lab
- Quality and various coffee
- Wide range of food and drinks
- 1 branch



- Name: Wendy's
- Different kinds of pizza
- Pizza cooking class for children
- 4 branches only in Tbilisi



- Name: Wendy's
- Network of American burger restaurants
- Competitive advantage: quality
- 10 branches in Georgia



- Name: Delta Club
- Laser games, 7D Cinema, birthday celebration
- Target audience – children
- 1 branch only in Tbilisi



- Name: Subway
- Network of American sandwich restaurants
- 10 branches, 2 of them in Batumi



- Name: Sakhachapure N1
- Khachapuri Eatery network
- Opened in 2014
- 5 branches only in Tbilisi



- Name: Pizza Hut
- Healthy fast food object
- 2 branches only in Tbilisi



- Name: KFC
- The widest network of American food objects
- Opened in Georgia in 2014
- 3 branches only in Tbilisi



- Name: Degusto
- Variety of meals and desserts
- 8 branches only in Tbilisi
- Opened in 2015



- Name: Dunkin'
- Donuts, crescent roll, aromatic coffee restaurant
- Opened in 2015
- 19 objects, 1 of them in Batumi



- Name: Ukve
- Asian cuisine fast food
- Opened in 2016
- 3 objects only in Tbilisi



- Name: Cavea Cinema
- 20 halls altogether
- Capacity 2,938 seats
- 3 objects only in Tbilisi

WORLD ANALOGUES

60

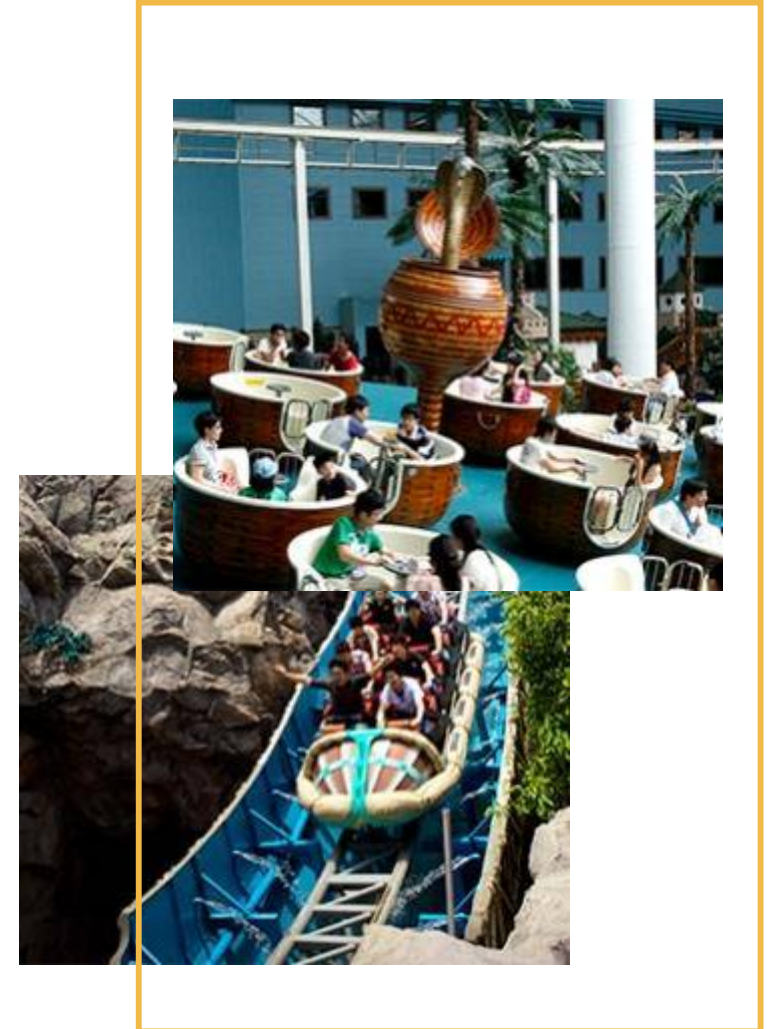
Lotte World Adventure

• Features

- ✓ One of the largest entertainment centers in the world with indoor and outdoor areas;
- ✓ 1 billion US Dollars have been invested;
- ✓ Area - 80,937 m²;
- ✓ Located in Korea;;
- ✓ It has only one branch;
- ✓ Main directions: attractions, 4D cinema, gaming machines, animal theater, restaurants, shopping stores, aquarium;
- ✓ Up to 60 attractions totally

• The Concept:

- ✓ The entertainment center is considered for children as well as for adults;
- ✓ The center offers various types of cards with certain number of coins for attractions;
- ✓ The center is divided thematically according to activities;
- ✓ A mobile app which provides an additional comfort for its visitors is available to buy tickets and/or book a certain attraction in advance;
- ✓ Ticket price depends on entering time (before 4 p.m. or after 4 p.m).



WORLD ANALOGUES

61

Noarlungalc Centre

- **Features:**

- ✓ The leisure center is located in Australia;
- ✓ It has only 1 branch;
- ✓ The main directions are: kindergarten, swimming pool, sport activities, birthday parties for children;
- ✓ Spa is not a separate department but it is a service of the swimming pool; There is no separated Spa direction in the center, as it represents the service of the swimming pool;
- ✓ Fitness is one of the important directions.

- **The Concept:**

- ✓ Healthy life style promotion;
- ✓ The centers is trying to satisfy requirements and interests of all age groups and reaches as many local people as possible;
- ✓ Clients are offered member cards and different types of discounts;
- ✓ Areas for children and parents who are engaged in different activities at the same time.

The entertainment and leisure center in the Ajara A/R combines the concepts of the two different centers mentioned above, though not all the activities are included (because of the demand) and the scale is less.




COMPETITOR ANALYSIS



Reviewed: Leisure/entertainment, sport activities and food service facilities in Batumi, Tbilisi and Black Sea basin countries

COMPETITOR ANALYSIS

Recreation Center



Sheraton Batumi

**Batumi, Ajara A/R.**

 4.6

 4.7

**Hotel, restaurant, fitness, spa, conference hall**



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4.5 



- Sheraton Batumi offers spa center service to any customer;
- Spa center service includes: massage, face treatments, head and feet procedures, also specific procedures (chocolate therapy, Hamam massage, body modeling and food);

Type	Price	Duration
Body and face shine pearl therapy	230 ₾	70 MIN
Hot stone massage	160 ₾	60 MIN
Anti cellulite massage	80 ₾	30 MIN
Shine massage aromatherapy	140 ₾	60 MIN
Classic massage	75 ₾	30 MIN

- In addition, in Sheraton Batumi costumer can use a health center, closed and baby pools, sauna, steam room, jacuzzi, Turkish bath.

COMPETITOR ANALYSIS

Recreation Center



Euphoria Batumi Hotel



Batumi, Adjara A/R



Hotel, restaurant, fitness, spa, conference hall



**Spa center working hours:
08:00 – 23:00**



- Hotel Euphoria SPA service includes: outdoor and indoor swimming pools, training hall, Turkish bath, Finnish sauna, 8 massage rooms and 2 VIP zones.

Type	Duration
Pilling with aroma salt	30 MIN
Anti cellulite massage	50 MIN
Lymphatic drainage massage	45 MIN
Face classic care	50 MIN
Collagen therapy	40 MIN

- Besides aforementioned types of massage , 18 types of massages are available in the spa center. Their duration is 45-50 min. in average
- Hotel guests (and not only they) are offered hair cut/dye, epilation, shaving, manicure/pedicure services etc.

COMPETITOR ANALYSIS

Recreation Center



Radisson BLU Batumi



Batumi, Adjara A/R



Hotel, restaurant, fitness, spa, conference hall



06:00 – 23:00



ANNE SEMONIN WELLNESS & SPA CENTER

- ANNE SEMONIN WELLNESS&SPA occupies 1,800 m2 area. It includes procedure rooms and equipment;
- Redisson Blue Iveria Batumi offers various types of spa services as well as indoor and outdoor swimming pools, body and face procedures, solarium, training sessions etc to any visitor;
- Spa center offers various packages with different service durations to its visitors.

Type	Price	Duration
Phyto aromatic body massage	190 GEL	90 MIN
Spine, brow and face relaxation treatment	120 GEL	60 MIN
Spinal cord, self and facial relaxation procedure	130 GEL	60 MIN
Body scrub with Tahiti black sand	105 GEL	30 MIN
Body fitness aroma massage	130 GEL	60 MIN
Personal fitness trainer	49 GEL	60 MIN

COMPETITOR ANALYSIS

66

CHILDREN ENTERTAINMENT AREA

PIAZZA WONDERLAND



King Pharnavaz str. #25,
Batumi



Gaming machines for childr
Food, celebration services



14:00-22:00



- „Piazza Wonderland“ is considered for children and teenagers;
- It is located on 2 floors;
- Wide choice of gaming machines , up to 50 gaming machines are placed;
- The center offers Birthday celebrations services to the clients;
- Average Price for 1 machine service - 3 GEL, duration - 3 min;
- Price in off-season - 1 GEL for all machines;
- In case of birthday celebration: the service fee of one child - 30 GEL (the price includes entertainment and food);
- The center provides an additional photo service with the price of 40 GEL; as for photo-video footage - 75 GEL.

COMPETITOR ANALYSIS

67

Shopping & Entertainment Center

MoreMall



Sochi, Russia



Shopping area, food, entertainment, leisure



10:00-22:00



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4.5



- The first center in the region according to the European standards;;
- MoreMall is stands out modern architecture;
- There are shopping stores in the mall (350),as well as entertainment center for children, food service facilities and spa center;
- There are 36 food service facilities in the center, including fast foods, also cafes and bars
- Dry cleaning is located at the mall;
- Customers can visit LuxorIMAX cinema; there are 8 halls in the cinema theater with 334 seats;
- Children entertainment direction is quite diverse - it offers several entertainment areas
- Spa center Nelly Beauty House offers wide range of services: spa, manicure&pedicure, cosmetology, sauna, hair care, shape correction etc.

Customer Feedback

- Quite Diverse Choise; ;
- The best place for spending weekends;
- Quite far from the city center;
- Nice place to spend a rainy day

COMPETITOR ANALYSIS

68

Shopping & Entertainment Center

Forum Istanbul



Istanbul, Turkey



Shopping area, food, entertainment, leisure

Area: 495,000 m2



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4.5



- One of the biggest shopping & entertainment center in Europe;
- It employs approx. 5,000 people and includes 280 local and international brands;
- 20 mln visitors per year;
- The center has shopping areas and parks with various sport and cultural activities;
- Parking area can receive 5,500 cars at the same a time;

Important Directions:

- Bowling area;
- 270 degree aquarium tunnel
- Skating arena; ;
- Cinema
- Children entertaining room
- restaurants
- Brand shops;

Customer Feedback:

- Wide choice of local products
- A shopping center with a small town concept
- Interesting entertaining areas;;
- Suitable location;
- Legoland Discovery center - good fun for children;;
- Only 1 elevator;
- Not enough catering objects.

COMPETITOR ANALYSIS

69

Shopping & Entertainment Center

City Center



Odesa, Ukraine



Shopping area, food
entertainment, leisure

Space: 70,000 sq. m



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4.0



- Shopping center was opened in 2012
- Shopping area, as well as entertainment and sports directions objects are located in the mall

Important directions:

- Fitness center
- Bowling Zone
- Contact zoo
- Bars and restaurants;
- Hypermarket;;
- Virtual racing;
- Cinema;
- Beauty salon;
- GYM;

Feedback from customers:


- Diversity of shops
- Low quality of food service facilities
- Affordable prices
- Cinema of high standards;
- Convenient space for children's entertainment;
- Parking Problem.


COMPETITOR ANALYSIS

70

Fast food



 23 Tbel Abuseridze(Black Sea Mall)

 09:00-00:00

Space: 450 sq. m



- There are 10 Wendy's facilities and 21 ones of Dunkin presented in Georgia;
- Wendy's uses raw materials produced only in Georgia;
- Wendy's and Dunkin were opened in Batumi on 27 July, 2017;
- The facility is located in the Black Sea Mall;
- Average daily amount of visitors is 300 guests;
- Average spending of one customer is 10 GEL;
- Working hours: 24 hours;
- It has both drive thru and home delivery services;
- Under the social responsibility, the company employs PWD.

Important directions:

- Food;
- Entertainment;

Feedback from customers:

- Service of low quality;
- High prices;;
- Low quality..


COMPETITOR ANALYSIS

71

Fast food



 **8 Khimshiashvili St.; 1 Baraṭashvili St**

 **09:00-23:00**



- There are 14 facilities in Georgia, two of them are located in main shopping areas of Tbilisi;
- At the end of 2018, the Table Service will be implemented in all McDonald's restaurants
- Two McDonald's restaurants are located in Batumi;
- Customers can visit the facility 24 hours a day;
- McDonald's also offers the service of the Celebration Center to its customers

Important directions:

- Catering;
- Entertainment;

Feedback from customers:

- Beautiful architecture of the building;;
- Good Quality Service;
- Low Quality service during the peak season, because of overcrowding

COMPETITOR ANALYSIS

72

Billiard room



Name: Russian billiard

Location: 73 Tbel Abuselidze St., Batumi

- According to 2018 data only 1 billiard facility exists in Batumi, Adjara
- Working hours - 10:00-23:00;
- For about 10 billiard tables;
- Price for 1 hour is 10 GEL;
- The billiard room usually is busier in the off-season period than in summer;
- Customers of the billiard room are local residents, as well as tourists;;
- Learning courses of billiard and bar service are also provided as an additional service

Cinema



Name: Cinema Apollo

Location: 17 Memed Abashidze St., Batumi

- According to 2018 data, only 1 cinema is located in Batumi, Adjara
- There are only 150 seats in the "cinema Apollo"
- Spectators can view movies in 3D format;
- Every wednesday, the price of tickets is 5 GEL
- In average, price varies from is 8 to 12 GEL
- Movies are mainly presented on Georgian and Russian languages

Feedback from the costumers of Cinema Apollo:

- Small-sized cinema hall;
- Most movies are on Russian language;
- Unconvenient seats
- Low quality service



Analysis of Porter's Five Forces



Analysis of competition in the industry, determination of potential of new entrants, consideration of bargaining power of suppliers and buyers, determination of threat of appearance of substitute products

Porter's Five Forces

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Competitive Rivalry

- A center with the concept of the entertainment & leisure center, does not exist in Adjara, but the competition is present at the scale of Black Sea countries;
- The number of facilities in the Adjara region in the area of entertainment is low;
- Only 1 cinema which does not relevant for modern standards exists in Batumi, Adjara;;
- Spa centers located in the entertainment and leisure centers with the above-mentioned concept are not presented in the Adjara region, except the hotels of international brands;
- Fast food market is growing more and more in Batumi, opening of the facilities of the international brands, such as Dunkin, Wendy's, McDonald's, Burger King, Subway and so on.

Threat of New Entry

- There are not any state regulation obstacles for entering this sector;
- Initial expenses (investments) are quite high for the establishment of a leisure and entertainment center, thus, from a perspective of competition, the probability of emergence of a competitor with identical type is low;
- Demand on the market in the area of leisure and entertainment is high, which is confirmed by studies, but supply is not sufficient. Probably, it is supposedly caused by the fact that demand on entertainment exists mainly during the summer season.

Supplier Power

- Suppliers, which will influence the quality of a rendered service, are "Adjaristskali Georgia", "Energo-Pro Georgia", "SOCAR Georgia Gas";
- Water, natural gas and electricity supplies are necessary for the functioning of the center;
- Price changes by the above-mentioned suppliers would cause a change of prices on the products and services, delivered by the center, but they cannot abruptly increase prices independently from the state;
- On the initial stage, one-time suppliers of the center will be the companies, manufacturing the equipment, necessary for the functioning of the center

Porter's Five Forces

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Buyer Power

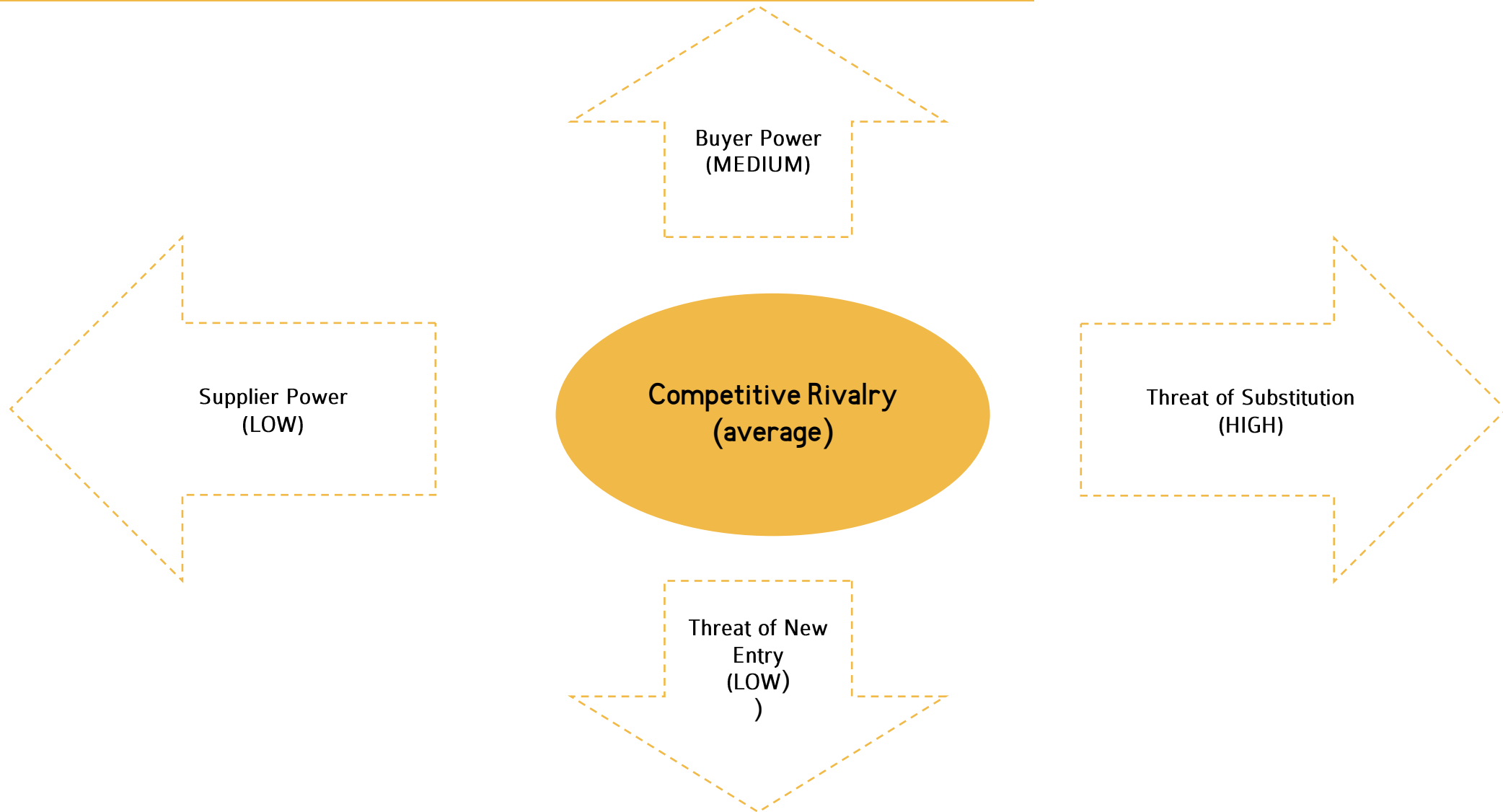
- Target segment of the entertainment & leisure center are local residents and visitors of Adjara;
- According to the research, conducted by SavvY, 32% of visitors, arriving in Adjara, travel along with families;
- Only 4% of visitors are engaged in spa wellness activities. It may be caused by the fact that spa centers are mainly concentrated in the hotels of international brands and there are not individual spa facilities;
- Daily, 17% of local and international tourists spend in average 53-81 GEL on entertainment;
- Because customers can obtain products (services) alternative to the products (services), offered by the center, they are able to influence on prices to some extent.

Threat of Substitution

- Certain entertainment facilities, existing in the Adjara region, can be considered as substitutes of the entertainment & leisure center
- For example, children entertainment center can be considered substitute of the entertainment & leisure center, as well as fast food and spa facilities, opened in Batumi, which are owned by the certain hotels. Tourists, who visit such types of hotels, will use their services and probably would not use a service of an individual spa center
- Proceeding from the fact that tourists mainly visit seaside cities of Adjara, walking by the seaside in a good weather can also be considered as a substitute of the activities, offered by the center in the area of entertainment

Porter's Five Forces

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SWOT analysis



Determination of strengths, weaknesses, opportunities and threats

SWOT analysis

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Strengths

- Innovation center in Adjara region;
- Existence of diverse facilities in the field of leisure and entertainment;
- The first high-quality cinema in western Georgia, including Adjara;
- The center adjusted to the customers with various interests and tastes;
- The closed space, where, in case of rainy day, customers have a possibility to engage in various activities, at any time of the year.

Opportunities

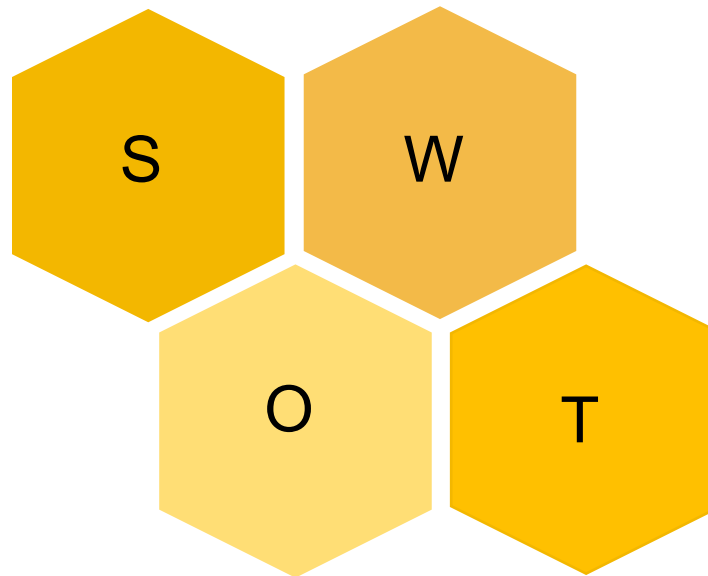
- Adding new areas, for example, a space for offices, also, an integrated working space, closed pool, shopping stores, etc. Depending on market demand;
- Allocation of the international brands in the center (both from the field of catering industry and leisure sector);
- Brand establishment of the entertainment & leisure center and its allocation in other regions.

Weaknesses

- Seasonal character of tourism in Batumi, Adjara, (most visits occur in summer);
- Similar facilities, existing in the Black Sea coastal region, offering the similar services to customers, along with wide variety of shopping stores.

Threats

- Spaces for rent may be not fully occupied, which would lead to decrease of income of the center;
- Other shopping Malls in the Adjara region (4 such facilities) may add leisure and entertainment direction services to their unused spaces;
- Insufficient capacity of the entertainment center during the off-season.



Customer Segmentation



Customer segmentation is prepared on the basis of tourist survey by the visitors age categories, conducted by SavvY.

Category I: Age - 18-24

Georgian visitor

- **Sequence of visits :**
Regular (68%), first (11%), second or third (21%)
- **Average number of nights spent in Adjara region:**
7,3 nights
- **Travels:**
Along with friends (52%), along with family (22%), alone (13%), along with spouse/partner (10%), other (3%)
- **Places visited:**
Batumi (98%), other (2%)
- **Purpose of travel:**
Spending a holiday/vacation and visiting friends (98%), other (2%)
- **Field of interest during a travel:**
Entertainment/relaxation and extreme adveture fun (70%)
- **Use of spa wellness activities:**
5%
- **They mainly like:**
Nature, including seaside; nightlife; Batumi boulevard
- **They mainly don't like:**
Polluted sea and seaside, high prices, low quality of food
- **They would like additional activities::**
More entertainment areas; attractions and cultural events



Distribution of expenses	\$0	<\$10	\$11-20	\$21-30	\$31-40	>\$40
Expenses in restaurants and cafes	5%	24%	41%	22%	8%	0%
Expenses on entertainment	9%	20%	27%	30%	7%	7%

Proceeding from this data, people of this category would be engaged in the following activities of the center: table tennis, cinema, billiard, fast food, etc.

Category I: Age - 18-24

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International visitor

- Sequence of visits:
Regular (11%), first (69%), second or third (20%)
- Average number of nights spent in Adjara region:
4,3 nights
- Travels:
Along with friends (38%), along with family (27%), along with colleagues (1%), along with spouse/partner (26%), alone (7%)
- Places visited:
Batumi (95%), other (5%)
- Purpose of travel:
Spending a holiday/vacation and visiting friends (95%), economic activities (1%), wellness (2%), other (2%)
- Field of interest during a travel:
Entertainment/relaxation and extreme adventure fun (68%)
- Use of spa wellness activities:
6%
- They mainly like:
Sea (seaside) and food
- They mainly don't like:
Weather and transport disruption
- They would like additional activities:
Hiking tours and attraction park



Distribution of expenses	\$0	<\$10	\$11-20	\$21-30	\$31-40	>\$40
Expenses in restaurants and cafes	2%	26%	38%	24%	6%	4%
Expenses on entertainment	8%	33%	37%	7%	5%	9%

Proceeding from this data, people of this category would be engaged in the following activities of the center: beauty salon, bowling, cinema, fast food, etc

Category II: Age - 25-34

Georgian visitor

- **Sequence of visits:**
Regular (79%), first (7%), second or third (14%)
- **Average number of nights spent in Adjara region:**
5,8 nights
- **Travels:**
Along with friends (52%), along with family (16%), along with colleagues (4%), along with spouse/partner (21%), alone (7%)
- **Places visited:**
Batumi (95%), other (5%)
- **Purpose of travel:**
Spending a holiday/vacation and visiting friends (81%), economic activity (8%), other (11%)
- **Field of interest during a travel:**
Entertainment/relaxation and extreme adventure fun (64%)
- **Use of spa/wellness activities:**
13%
- **They mainly like:**
Sea, infrastructure, food
- **They mainly don't like:**
Too much construction works, polluted seaside, taxi service
- **They would like additional activities:**
More entertainment areas; attractions' park



Distribution of expenses	\$0	<\$10	\$11-20	\$21-30	\$31-40	>\$40
Expenses in restaurants and cafes	13%	13%	25%	29%	11%	9%
Expenses on entertainment	6%	26%	22%	16%	12%	18%

Proceeding from this data, people of this category would be engaged in the following activities of the center: children's entertainment area, cinema, fast food, etc

Category II: Age - 25-34

International visitor

- **Sequence of visits:**
Regular (8%), first (60%), second or third (32%)
- **Average number of nights spent in Adjara region:**
5,2 nights
- **Travels:**
long with friends (36%), along with family (18%), along with colleagues (1%), along with spouse/partner (32%), alone (13%)
- **Places visited:**
Batumi (99%), other (1%)
- **Purpose of travel:**
Spending a holiday/vacation and visiting friends (93%), economic activities (3%), wellness (4%)
- **Field of interest during a travel:**
Entertainment/relaxation and extreme adventure fun (67%)
- **Use of spa wellness activities:**
10%
- **They mainly like:**
Sea, Batumi boulevard, night life
- **They mainly don't like:**
Prices, roads, quality of service
- **They would like additional activities:**
More entertainment areas



Distribution of expenses	\$0	<\$10	\$11-20	\$21-30	\$31-40	>\$40
Expenses in restaurants and cafes	2%	11%	44%	27%	12%	4%
Expenses on entertainment	4%	26%	36%	24%	8%	3%

Proceeding from this data, people of this category would be engaged in the following activities of the center: spa center, children's entertainment area, billiard, table hockey, fast food, etc.

Category III: Age - 34-44

Georgian visitor

- **Sequence of visits:**
Regular (96%), first (3%), second or third (1%)
- **Average number of nights spent in Adjara region:**
7,9 nights
- **Travels:**
Along with friends (10%), along with family (74%), along with colleagues (2%), along with spouse/partner (8%), alone (6%)
- **Places visited:**
Batumi (98%), other (2%)
- **Purpose of travel:**
Spending a holiday/vacation and visiting friends (96%), economic activities (2%), other (2%)
- **Field of interest during a travel:**
Entertainment/relaxation and extreme adventure fun (64%)
- **Use of spa wellness activities:**
6%
- **They mainly like:**
Green Cape, seaside, Adjara's places of interest
- **They mainly don't like:**
High prices, too much buildings
- **They would like additional activities:**
Entertainment areas for children, more food service facilities



Distribution of expenses	\$0	<\$10	\$11-20	\$21-30	\$31-40	>\$40
Expenses in restaurants and cafes	14%	29%	33%	10%	10%	4%
Expenses on entertainment	19%	36%	23%	15%	2%	4%

Proceeding from this data, people of this category would be engaged in the following activities of the center: entertainment areas for children, fast food and other.

Category III: Age - 35-44

International visitor

- **Sequence of visits:**
Regular (8%), first (67%), second or third (25%)
- **Average number of nights spent in Ajara region:**
5,5 nights
- **Travels:**
Along with friends (18%), along with family (33%), along with colleagues (5%), along with spouse/partner (33%), alone (11%)
- **Places visited:**
Batumi (100%)
- **Purpose of travel:**
Spending a holiday/vacation and visiting friends (93%), economic activities (5%), purchase of real estate (1%), other (1%)
- **Field of interest during a travel:**
Entertainment/relaxation and extreme adventure fun (71%)
- **Use of spa wellness activities:**
13%
- **They mainly like:**
Nature, food
- **They mainly don't like:**
Roads, weather
- **They would like additional activities:**
N/A



Distribution of expenses	\$0	<\$10	\$11-20	\$21-30	\$31-40	>\$40
Expenses in restaurants and cafes	4%	22%	33%	24%	12%	5%
Expenses on entertainment	7%	29%	40%	17%	4%	3%

Proceeding from this data, people of this category would be engaged in the following activities of the center: entertainment areas for children, spa center, fast food, etc.

Category IV: Age - 45-64

Georgian visitor

- **Sequence of visits:**
Regular (68%), first (11%), second or third (21%)
- **Average number of nights spent in Adjara region:**
7,3nights
- **Travels:**
Along with friends (9%), along with family (66%), along with colleagues (2%), along with spouse/partner (16%), alone (7%)
- **Places visited:**
Batumi (98%), other (2%)
- **Purpose of travel:**
Spending a holiday/vacation and visiting friends (99%), other (1%),
- **Field of interest during a travel:**
Entertainment/relaxation and extreme adveture fun (70%)
- **Use of spa wellness activities:**
5%
- **They mainly like:**
Nature, including seaside; Nightlife; Boulevard
- **They mainly don't like:**
Polluted sea and coastline, high prices, low quality of food
- **They would like additional activities:**
Parking lots, cleanness



Distribution of expenses	\$0	<\$10	\$11-20	\$21-30	\$31-40	>\$40
Expenses in restaurants and cafes	14%	17%	43%	14%	12%	0%
Expenses on entertainment	23%	32%	23%	20%	0%	2%

Proceeding from this data, people of this category would be engaged in the following activities of the center: beauty salon, entertainment areas for children, fast food, etc.

Category IV: Age - 45-64

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International visitor

• Sequence of visits:

Regular (8%), first (58%), second or third (34%)

• Average number of nights spent in Adjara region:

6,8 nights

• Travels:

Along with friends (15%), along with family (33%), along with colleagues (3%), along with spouse/partner (39%), alone (10%)

• Places visited:

Batumi (98%), other (2%)

• Purpose of travel:

Spending a holiday/vacation and visiting friends (89%), economic activities (3%), wellness (3%), other (5%)

• Field of interest during a travel:

Entertainment/relaxation and extreme adventure fun (85%)

• Use of spa wellness activities:

5%

• They mainly like:

Batumi dolphinarium, food

• They mainly don't like:

Polluted environment

• They would like additional activities:

Service quality improvement, more tours in the regions of Ajara



Distribution of expenses	\$0	<\$10	\$11-20	\$21-30	\$31-40	>\$40
Expenses in restaurants and cafes	7%	25%	44%	11%	8%	5%
Expenses on entertainment	16%	33%	31%	10%	9%	0%

proceeding from this data, people of this category would be engaged in the following activities of the center: spa center, culinary school



Main financial assumptions

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Main Assumptions		
Main dates	Number of days in a month	30
	Number of days in a year	360
	Number of months in a quarter	3
	Number of months in a year	12
Currency	Functional currency	USD
	GEL/USD exchange rate	2.70
Growth rate	Inflation	3%
Taxes	Profit tax	15%
	Property tax	1%
	VAT	18%
	Income tax	20%
	Land tax on a sq. m	0.13
Financial assumptions	Share of capital	100%
	Discount rate	16%
	Depreciation - buildings	2%
	Depreciation - furniture and equipment	10%
	Planned capital expenditures	4%
	Growing perpetuity rate	1%
	Payment of dividend	85%
	Unplanned capital expenditures	1.5%
	Working capital reserve (month)	3
	Planned capital costs	0.5%

Main Assumptions		
Assumptions for real property	Land	12,000
	Area for own arrangement	5,000
	Area for rent	8,035
	Total area of the building	18,035
	Share of area for own arrangement	28%
	Share of area for rent	45%
	Number of toilets	8
Center	Field 1 - entertainment	6,410
	Field 2 - entertainment space for children	2,625
	Field 3 - spa/wellness center	2,000
	Field 4 - fast food	2,000
	Shared Area	5,000
Prices	Share of visitors from Ajara to the center	1.5%
	Annual growth rate of visits to the center	1.0%
	Average daily spending on entertainment, catering and leisure	17
	Number of visits to the center	2
Local resident	Share of visitors from Batumi to the center	2.5%
	Share of visitors from other cities to the center	0.5%
	Average daily spending on entertainment, catering and leisure	6
	Number of visits to the center	10
	Growth rate of center visits for the first three years	3.0%
	Growth rate of center visits after 3 years	12%
Prices	Rent price (1 sq. m)	20
	Land price (1 sq. m)	200

Number of employees

90

Staff	1	2	3	4	5	6	7	8	9	10
General manager	1	1	1	1	1	1	1	1	1	1
Sales and marketing	1	1	1	1	1	1	1	1	1	1
Administrator	4	4	4	4	4	4	4	4	4	4
Housekeeping	7	7	7	7	7	7	7	7	7	7
Security	10	10	10	10	10	10	10	10	10	10
Driver	2	2	2	2	2	2	2	2	2	2
Accountant	3	3	3	3	3	3	3	3	3	3
Bartender	1	1	1	1	1	1	1	1	1	1
Waiter	2	2	2	2	2	2	2	2	2	2
Trainer	2	2	2	2	2	2	2	2	2	2
Technical staff	2	2	2	2	2	2	2	2	2	2
Support staff	5	5	5	5	5	5	5	5	5	5
Administrators in children's area	8	8	8	8	8	8	8	8	8	8

Remuneration of employees

Average Monthly Salary	1	2	3	4	5	6	7	8	9	10
General manager	3,000	3,090	3,183	3,278	3,377	3,478	3,582	3,690	3,800	3,914
Sales and marketing	700	721	743	765	788	811	836	861	887	913
Administrator	600	618	637	656	675	696	716	738	760	783
Housekeeping	160	165	170	175	180	185	191	197	203	209
Security	400	412	424	437	450	464	478	492	507	522
Driver	400	412	424	437	450	464	478	492	507	522
Accountant	350	361	371	382	394	406	418	430	443	457
Bartender	350	361	371	382	394	406	418	430	443	457
Waiter	200	206	212	219	225	232	239	246	253	261
Trainer	200	206	212	219	225	232	239	246	253	261
Technical staff	180	185	191	197	203	209	215	221	228	235
Support staff	200	206	212	219	225	232	239	246	253	261
Administrators in children's area	200	206	212	219	225	232	239	246	253	261
Total monthly salary schedule	17,180	17,695	18,226	18,773	19,336	19,916	20,514	21,129	21,763	22,416
Average annual salary	206,160	212,345	218,715	225,277	232,035	238,996	246,166	253,551	261,157	268,992

Structure of operating expenditures

92

Gross Operating Expenditure	1	2	3	4	5	6	7	8	9	10
Salary	206,160	212,345	218,715	225,277	232,035	238,996	246,166	253,551	261,157	268,992
Utility costs	51,988	51,988	51,988	51,988	51,988	51,988	51,988	51,988	51,988	51,988
Sales and marketing	83,181	83,181	62,386	51,988	41,591	41,591	41,591	31,193	31,193	31,193
Operating costs	25,994	31,193	36,392	36,392	41,591	41,591	46,790	51,988	51,988	51,988
Other	25,994	25,994	25,994	25,994	25,994	25,994	25,994	25,994	25,994	25,994
Total OPEX	393,318	404,702	395,476	391,640	393,199	400,160	412,529	414,715	422,321	430,156

Operating expenditures, %	1	2	3	4	5	6	7	8	9	10
Salary	40%	39%	40%	41%	41%	41%	41%	41%	41%	41%
Utility costs	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%
Sales and marketing	16%	16%	12%	10%	8%	8%	8%	6%	6%	6%
Operating costs	5%	6%	7%	7%	8%	8%	9%	10%	10%	10%
Other	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%
Total OPEX	76%	76%	74%	73%	72%	72%	73%	72%	72%	72%

- Operating costs are defined from received income of the entertainment and leisure activity, and salaries of employees are calculated according to their number.

Volume of capital expenditures

Initial investment in USD	0	1	2	3	4	5	6	7	8	9	10
Construction	\$ 7,088,230										
Planned capital costs			\$ 28,443	\$ 27,730	\$ 27,017	\$ 6,305	\$ 5,592	\$ 24,880	\$ 24,169	\$ 23,458	\$ 22,747
Change in working capital	91,831										
Total initial investment	7,180,061	-	28,443	27,730	27,017	26,305	25,592	24,880	24,169	23,458	22,747

Change of working capital	3 months RESERVE
Salaries	51,540
Utility costs	12,997
Sales and marketing	20,795
Other	6,499
Total working capital	91,831

Volume of capital expenditures

Capital expenditures	Quantity	Retail price (USD)	Total value	სრული ღირებულება + დღგ
Total Value of land Purchase	12,000	-	-	-
Total expenditure of land purchase			-	-
Planning stage				
Architectural project and design	18,035	4	72,140	85,125
Land preparation works	12,000	2	24,000	28,320
Planning of heating, cooling and ventilation	18,035	1.5	27,053	31,922
Other preparatory works	1	50,000	50,000	59,000
Total capital expenditures for the planning stage			173,193	204,367
Construction stage				
Construction	18,035	230	4,148,050	4,894,699
Repair	18,035	60	1,082,100	1,276,878
Installation of heating, cooling and ventilation	18,035	11	198,385	234,094
Video monitoring system	1	5,400	5,400	6,372
Fire protection system	1	4,800	4,800	5,664
Total capital expenditures for the construction stage			5,438,735	6,417,707
Equipment stage				
Entertainment			58,357	68,861
Entertainment area for children			97,616	115,187
Elevator	2	30,000	60,000	70,800
Escalator	4	10,000	40,000	47,200
Toilet	8	1200	9,600	11,328
Bar Arrangement	1	10,000	10,000	11,800
Shared area Arrangement	1	15,000	15,000	17,700
Total capital expenditures for the equipment stage			290,573	342,876
Other expenditures				
Unplanned expenditures	1	104,474	104,474	123,280
Total other expenditures			104,474	123,280
Total capital expenditures			6,006,975	7,088,230
Total capital expenditures on sq. m				393

Capital expenditures - entertainment

95

	Equipment	Quantity	Price (USD)	Total value	Total value+ VAT
Squash	Racket	6	40	240	283
	Balls	20	3	60	71
	Locker	1	90	90	106
	Total			390	460
billiard	Billiard table (balls, cue)	6	2150	12,900	15,222
	Table lighting	6	185	1,110	1,310
	Arm-chair	2	200	400	472
	sofa	2	800	1,600	1,888
	Small table	6	200	1,200	1,416
	Cue holder	6	160	960	1,133
	total			18,170	21,441
Climbing on the wall	helmet	20	20	400	472
	climbing shoes	20	15	300	354
	Other equipment	1	5,000	5,000	5,900
	total			5,700	6,726
VR gaming	Glasses; headset	2	400	800	944
	TV	4	926	3,704	4,370
	Treadmill	1	700	700	826
	Program	5	100	500	590
	total			5,704	6,730
Computer games	PlayStation 4	5	481	2,407	2,841
	Display	5	926	4,630	5,463
	Software	9	20	183	216
	Network equipment	1	22	22	26
	racing wheel	1	74	74	87
	Joystick	10	70	700	826
	sofa	5	519	2,593	3,059
	chair	5	41	204	240
	total			10,813	12,759
Piano Machine	Equipment	1	140	140	165
	total			140	165
Table hockey	Table with equipment	4	2,900	11,600	13,688
	For children	2	1,600	3,200	3,776
	total			14,800	17,464
Table tennis	Table	2	450	900	1,062
	Racket	8	20	160	189
	Net	2	40	80	94
	Ball	50	10	500	590
	total			1,640	1,935
Table football	Table	2	500	1,000	1,180
	total			1,000	1,180
	შპსი ბიგთოლა			58,357	68,861

Capital expenditures - entertainment area for children

96

	Equipment	Quantity	Price (USD)	Total Value	Total Value + VAT
Indoor sliding	Slide Complex	1	7500	7,500	8,850
	total			7,500	8,850
X-Box	XBOX	2	370	741	874
	Games	5	57	287	339
	total			1,028	1,213
Total	table	3	148	444	524
	Chair	12	41	489	577
	Games	10	50	500	590
	Total			1,433	1,691
Carousels	Decorative 24 seats carousel indoor kids	1	10,000	10,000	11,800
	Toy Crane Claw Game Machine	3	853	2,559	3,020
	9DVR racing Product	1	8,000	8,000	9,440
	Toy Claw Crane Vending Machine	2	498	996	1,175
	Arcade Runner Treadmill Commercial Game Machine	2	6,000	12,000	14,160
	Outrun Car Racing Game	2	2,000	4,000	4,720
	Kids Car Racing Game Video Arcade Machine	3	400	1,200	1,416
	Game Machine Racing Car Simulator For Adults	1	2,300	2,300	2,714
	Coin Operated Games Electronic Shooting Basketball Machine	2	800	1,600	1,888
	Flying Chair Spiral Jet Rides	1	15,000	15,000	17,700
	electric amusement equipment UFO flying rides	1	30,000	30,000	35,400
	total			87,655	103,433
	Total for children's area			97,616	115,187

Property tax

97

Calculation of property tax	0	1	2	3	4	5	6	7	8	9	10
Building	5,537,928	5,537,928	5,537,928	5,537,928	5,537,928	5,537,928	5,537,928	5,537,928	5,537,928	5,537,928	5,537,928
Accumulated depreciation		(110,759)	(221,517)	(332,276)	(443,034)	(553,793)	(664,551)	(775,310)	(886,068)	(996,827)	(1,107,586)
Book value - the building		5,427,169	5,316,410	5,205,652	5,094,893	4,984,135	4,873,376	4,762,618	4,651,859	4,541,101	4,430,342
Furniture, devices and equipment	290,573	290,573	290,573	290,573	290,573	290,573	290,573	290,573	290,573	290,573	290,573
Accumulated depreciation		(29,057)	(58,115)	(87,172)	(116,229)	(145,286)	(174,344)	(203,401)	(232,458)	(261,516)	(290,573)
Book value - furniture, devices and equipment		261,516	232,458	203,401	174,344	145,286	116,229	87,172	58,115	29,057	-
Planned capital costs			28,443.42	27,730.12	27,017.18	26,304.59	25,592.36	24,880.48	24,168.96	23,457.80	22,746.99
Accumulated depreciation			(2,844)	(5,617)	(8,319)	(10,950)	(13,509)	(15,997)	(18,414)	(20,759)	(23,034)
Book value			25,599	22,113	18,698	15,355	12,084	8,884	5,755	2,698	(287)
Property to be taxed	-	5,688,684	5,574,468	5,431,166	5,287,935	5,144,776	5,001,689	4,858,673	4,715,729	4,572,856	4,430,055
Property tax		(28,443)	(56,316)	(55,028)	(53,596)	(52,164)	(50,732)	(49,302)	(47,872)	(46,443)	(45,015)
Depreciation costs	0	1	2	3	4	5	6	7	8	9	10
Building		110,759	110,759	110,759	110,759	110,759	110,759	110,759	110,759	110,759	110,759
Accumulated depreciation		29,057	29,057	29,057	29,057	29,057	29,057	29,057	29,057	29,057	29,057
Planned capital costs			2,844	2,773	2,702	2,630	2,559	2,488	2,417	2,346	2,275
Total depreciation costs		139,816	142,660	142,589	142,518	142,446	142,375	142,304	142,233	142,162	142,091
Total book valu	5,828,500	5,688,684	5,546,024	5,403,435	5,260,918	5,118,472	4,976,097	4,833,793	4,691,560	4,549,398	4,407,308

Revenues

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- During the calculation of income, we used the local and international visitors statistics . The number of population of Adjara and its spending skills is also taken into account;
- First of all, the number of resident and non-resident visitors arriving in Adjara with the age of 15-70 was determined;
- Then the share of those tourists, who visit the entertainment and leisure center, and the number of visits has also been determined
- After this, according to results of research, conducted by SavvY, their spending power in terms of food service facilities, entertainment and leisure was estimated;;
- And finally, the annual growth rate has also been determined;
- The same method was used in the case of local residents;
- It should be taken into consideration that part of the facilities located in the recreation and leisure center is leased, so income of the leased facilities doesn't represent the revenue of the center.

Visits to Adjara

Amounts of Visits in the Centre	1	2	3	4	5	6	7	8	9	10
IQ1, 2017	13,608	13,744	13,882	14,021	14,161	14,303	14,446	14,590	14,736	14,883
Q2, 2017	20,322	20,525	20,730	20,937	21,147	21,358	21,572	21,788	22,006	22,226
Q3, 2017	44,214	44,656	45,102	45,553	46,009	46,469	46,934	47,403	47,877	48,356
Q4, 2017	17,903	18,082	18,262	18,445	18,629	18,816	19,004	19,194	19,386	19,580

Amounts spent during visits	1	2	3	4	5	6	7	8	9	10
IQ1, 2017	233,851	236,190	238,552	240,937	243,347	245,780	248,238	250,720	253,228	255,760
Q2, 2017	349,216	352,708	356,235	359,797	363,395	367,029	370,700	374,407	378,151	381,932
Q3, 2017	759,781	767,379	775,053	782,804	790,632	798,538	806,523	814,588	822,734	830,962
Q4, 2017	307,644	310,720	313,827	316,965	320,135	323,336	326,570	329,835	333,134	336,465
TOTAL	1,650,492	1,666,997	1,683,667	1,700,504	1,717,509	1,734,684	1,752,031	1,769,551	1,787,247	1,805,119

Revenues

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Income gained from visitors	1	2	3	4	5	6	7	8	9	10
Q1, 2017	64,833	65,481	66,136	66,797	67,465	68,140	68,821	69,509	70,204	70,907
Q2, 2017	96,816	97,784	98,762	99,750	100,747	101,755	102,772	103,800	104,838	105,886
Q3, , 2017	210,641	212,747	214,875	217,023	219,194	221,386	223,599	225,835	228,094	230,375
Q4, 2017	85,291	86,144	87,005	87,875	88,754	89,641	90,538	91,443	92,358	93,281
TOTAL	457,580	462,156	466,778	471,445	476,160	480,922	485,731	490,588	495,494	500,449

Local residents

Amount spent	1	2	3	4	5	6	7	8	9	10
Batumi	182,195	187,660	193,290	199,089	222,980	249,737	279,705	313,270	350,863	392,966
Other regions of Adjara	42,535	43,811	45,126	46,479	52,057	58,304	65,300	73,136	81,913	91,742

Income gained from local residents	1	2	3	4	5	6	7	8	9	10
Batumi	50,511	52,027	53,588	55,195	61,819	69,237	77,545	86,851	97,273	108,945
Other regions of Adjara	11,792	12,146	12,511	12,886	14,432	16,164	18,104	20,276	22,709	25,434

Income from entertainment and leisure activities	519,884	542,119	548,862	555,712	568,983	583,312	598,821	615,646	633,940	653,874
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Income gained from rented areas	1	2	3	4	5	6	7	8	9	10
Income	1,928,400	1,986,252	1,986,252	1,986,252	1,986,252	1,986,252	1,986,252	1,986,252	1,986,252	1,986,252
Total income	2,448,284	2,528,371	2,535,114	2,541,964	2,555,235	2,569,564	2,585,073	2,601,898	2,620,192	2,640,126

Profit and loss statement

100

Profit and loss statement	1	2	3	4	5	6	7	8	9	10
Income from entertainment and leisure activities	519,884	542,119	548,862	555,712	568,983	583,312	598,821	615,646	633,940	653,874
Income from rent	1,928,400	1,986,252	1,986,252	1,986,252	1,986,252	1,986,252	1,986,252	1,986,252	1,986,252	1,986,252
Incomes	2,448,284	2,528,371	2,535,114	2,541,964	2,555,235	2,569,564	2,585,073	2,601,898	2,620,192	2,640,126
Salaries	(206,160)	(212,345)	(218,715)	(225,277)	(232,035)	(238,996)	(246,166)	(253,551)	(261,157)	(268,992)
Utility expenses	(51,988)	(51,988)	(51,988)	(51,988)	(51,988)	(51,988)	(51,988)	(51,988)	(51,988)	(51,988)
Sales and marketing	(83,181)	(83,181)	(62,386)	(51,988)	(41,591)	(41,591)	(41,591)	(31,193)	(31,193)	(31,193)
Operating costs	(25,994)	(31,193)	(36,392)	(36,392)	(41,591)	(41,591)	(46,790)	(51,988)	(51,988)	(51,988)
Other	(25,994)	(25,994)	(25,994)	(25,994)	(25,994)	(25,994)	(25,994)	(25,994)	(25,994)	(25,994)
Total operating costs	(393,318)	(404,702)	(395,476)	(391,640)	(393,199)	(400,160)	(412,529)	(414,715)	(422,321)	(430,156)
Operating profit	2,054,966	2,123,669	2,139,638	2,150,325	2,162,036	2,169,404	2,172,544	2,187,183	2,197,871	2,209,969
Cost of interest	-	-	-	-	-	-	-	-	-	-
Depreciation cost	(139,816)	(142,660)	(142,589)	(142,518)	(142,446)	(142,375)	(142,304)	(142,233)	(142,162)	(142,091)
Profit before taxation	1,915,150	1,981,009	1,997,049	2,007,807	2,019,590	2,027,029	2,030,240	2,044,951	2,055,709	2,067,879
Income tax	(283,006)	(288,704)	(291,303)	(293,132)	(295,114)	(296,444)	(297,141)	(299,562)	(301,390)	(303,430)
Property and land tax	(28,443)	(56,316)	(55,028)	(53,596)	(52,164)	(50,732)	(49,302)	(47,872)	(46,443)	(45,015)
Net Profit	1,603,701	1,635,989	1,650,718	1,661,080	1,672,312	1,679,852	1,683,798	1,697,517	1,707,876	1,719,435

Financial calculations: basic scenario

101

Main assumptions	USD
Rent Price (1 sq. m)	20
Land Purchase (1 sq. m)	-
Daily average spending of visitors on entertainment, food and leisure	17
Daily average spending of locals on entertainment, food and leisure	6

Free Cash Flow to the Firm

Discounted cash flows	0	1	2	3	4	5	6	7	8	9	10
Capital costs	(7,088,230)										
Net profit		1,601,030	1,633,192	1,647,752	1,657,987	1,669,133	1,676,628	1,680,571	1,694,202	1,704,516	1,716,027
Non-cash costs		(139,816)	(142,660)	(142,589)	(142,518)	(142,446)	(142,375)	(142,304)	(142,233)	(142,162)	(142,091)
Interest costs		-	-	-	-	-	-	-	-	-	-
Fixed capital costs		-	(28,443)	(27,730)	(27,017)	(26,305)	(25,592)	(24,880)	(24,169)	(23,458)	(22,747)
Change in working capital	(91,451)										
VAT return		1,081,255									
Total Cash Flows	(7,179,680)	2,542,469	1,462,088	1,477,433	1,488,452	1,500,382	1,508,661	1,513,386	1,527,801	1,538,896	1,551,190

NPV	1,037,518
IRR	20%
Payback Period	5.1

Financial calculations: scenario 2

102

Main assumptions	USD
Rent Price (1 sq. m)	20
Land Purchase (1 sq. m)	200
Daily average spending of visitors on entertainment, food and leisure	17
Daily average spending of locals on entertainment, food and leisure	6

Free Cash Flow to the Firm

Discounted cash flows	0	1	2	3	4	5	6	7	8	9	10
Capital costs	(9,970,356)										
Net profit		1,601,030	1,633,192	1,647,752	1,657,987	1,669,133	1,676,628	1,680,571	1,694,202	1,704,516	1,716,027
Non-cash costs		(139,816)	(142,660)	(142,589)	(142,518)	(142,446)	(142,375)	(142,304)	(142,233)	(142,162)	(142,091)
Interest costs		-	-	-	-	-	-	-	-	-	-
Fixed capital costs		-	(28,443)	(27,730)	(27,017)	(26,305)	(25,592)	(24,880)	(24,169)	(23,458)	(22,747)
Change in working capital	(91,451)										
VAT return		1,520,902									
Total cash flows	(10,061,807)	2,982,116	1,462,088	1,477,433	1,488,452	1,500,382	1,508,661	1,513,386	1,527,801	1,538,896	1,551,190

NPV (1,464,686)
 IRR 11%
 Payback Period 6.8

Financial calculations: scenario 3

103

Main assumptions	USD
Rent price (1 sq. m)	15
Land Purchase (1 sq. m)	-
Daily average spending of visitors on entertainment, food and leisure	12
Daily average spending of locals on entertainment, food and leisure	4

Free Cash Flow to the Firm

Discounted cash flows	0	1	2	3	4	5	6	7	8	9	10
Capital costs	(7,088,230)										
Net profit		1,107,520	1,123,061	1,131,957	1,137,808	1,144,061	1,147,673	1,148,707	1,156,444	1,161,756	1,167,804
Non-cash costs		(139,816)	(142,660)	(142,589)	(142,518)	(142,446)	(142,375)	(142,304)	(142,233)	(142,162)	(142,091)
Interest costs		-	-	-	-	-	-	-	-	-	-
Fixed capital costs		-	(28,443)	(27,730)	(27,017)	(26,305)	(25,592)	(24,880)	(24,169)	(23,458)	(22,747)
Change in working capital	(79,523)										
VAT return		1,081,255									
Total cash flows	(7,167,753)	2,048,959	951,957	961,638	968,273	975,310	979,705	981,523	990,042	996,136	1,002,966

NPV (1,486,018)
 IRR 9%
 Payback Period 7.3

Financial calculations: scenario 4

104

Main assumptions	დოლარი
Rent Price (1 sq. m)	25
Land Purchase (1 sq. m)	-
Daily average spending of visitors on entertainment, food and leisure	22
Daily average spending of locals on entertainment, food and leisure	9

Free Cash Flow to the Firm

Discounted cash flows	0	1	2	3	4	5	6	7	8	9	10
Capital costs	(7,088,230)										
Net profit		2,100,189	2,149,421	2,170,191	2,185,276	2,202,596	2,215,309	2,223,566	2,244,856	2,262,047	2,281,123
Non-cash costs		(139,816)	(142,660)	(142,589)	(142,518)	(142,446)	(142,375)	(142,304)	(142,233)	(142,162)	(142,091)
Interest costs		-	-	-	-	-	-	-	-	-	-
Fixed capital costs		-	(28,443)	(27,730)	(27,017)	(26,305)	(25,592)	(24,880)	(24,169)	(23,458)	(22,747)
Change in working capital	(104,183)										
VAT return		1,081,255									
Total cash flows	(7,192,413)	3,041,628	1,978,318	1,999,872	2,015,741	2,033,845	2,047,342	2,056,382	2,078,454	2,096,427	2,116,286

NPV	3,601,933
IRR	29%
Payback Period	4.1

Financial calculations: sensitivity analysis

105

INDICATION	
IRR>WACC	IRR<WACC

Daily average spending on entertainment, food and leisure, IRR							
Scenarios	\$ 5	\$ 9	\$ 13	\$ 17	\$ 21	\$ 25	\$ 29
Land transfer from the state	18%	19%	20%	21%	22%	23%	24%
Land Purchase	9%	10	11%	12%	13%	14%	15%

Rent price per sq. m, IRR							
Scenarios	\$ 14	\$ 16	\$ 18	\$ 20	\$ 22	\$ 24	\$ 26
Land transfer from the state	10%	14%	17%	21%	24%	27%	30%
Land Purchase	3%	6	9%	12%	14%	17%	19%

Discount rate (WACC) - 15.72%



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