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The Proprietors of Waitutu Incorporated

Te Puni Kōkiri 'Whenua Māori Fund'
Final Technical Report

15 November 2024

Deloitte.

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15 November 2024

E ngā Rangatira o Waitutu,

Deloitte are pleased to present the final technical report (the **Report**) in relation to the Te Puni Kōkiri (**TPK**) Whenua Māori Fund (**WMF**) project.

As you know, in October 2023, Waitutu were successful in its application to TPK WMF and received $98,066 (**GST excl.**) to assist with governance capability building and the exploration of future investment options including but not limited to improving current business operations and exploring other commercial opportunities available (the **Project**).

This report has been prepared to assist you in exploring your future investment options. The report has been prepared on this basis and is based on information made available to us as at the date of this report.

The executive summary section is not intended to be exhaustive but highlights the most significant matters that have come to our attention in respect of our overall work. It should, therefore, be read in conjunction with the whole report and the appendices thereto.

In closing, we wish to thank you for your on-going support to explore our whenua and your future opportunities.

We welcome the opportunity to talk you through, or clarify, any aspect of this report and our mahi with you.

Nāku noa, nā

John McRae

Partner

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Executive summary

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Executive summary

About the Proprietors of Waitutu Incorporated

- The Proprietors of Waitutu Incorporated (**Waitutu** or the **incorporation**) is a Māori incorporation that manages and administers some 2,171 hectares of land (the **Block** or the **Whenua**) that is spread across 23 land parcels.
- The incorporation is a Māori Authority for tax and legal purposes and subject to the requirements as set out in the Te Ture Whenua Māori Act 1993 (the **Act**).
- In October 2023, Waitutu were successful in its application to Te Puni Kōkiri's Whenua Māori Fund (**TPK WMF**) and received $98,066 (GST excl.) to assist with governance capability building and the exploration of future investment options including but not limited to improving current business operations and exploring other commercial opportunities available (the **Project**).

He anga whakamua

- A series of strategic wānanga were facilitated to confirm the incorporation's long-term mission and vision. Four pou were established to serve as strategic pillars when considering future investment options.
- Three intended outcomes were identified as “must-haves” in all future investment options considered, which included:

Growth in our Rohe

Restoring and developing the Forestry Lodge to be fit for purpose

Greater engagement with whānau

Developing a clear succession plan for our people to connect and proactively contribute to the future direction of Waitutu

Growth in our Pūtea

Growing the value of our whenua, whānau, taiāo and pūtea through ethical investments

- During this process, Waitutu confirmed a commitment to creating a tourism destination with investment options that complement each other. These were accommodation, travel and tours, and glamping.
- Having a tourism focus coupled with a clear strategic framework is the basis on which the project will help accelerate the incorporation's ability to achieve its ideal future state.
- Waitutu believe that this can only be realised through better governance, better asset utilisation and creating asset diversification.

Current state assessment

- Land capability assessments were completed using the New Zealand Land Resource Inventory Land Use Capability (**LUC**) categorising system. The LUC system identifies and classifies land into classes one to seven.
- LUC classes 1 - 4 are suitable for arable (cropping) use and are most versatile (suitable for multiple land uses). LUC classes 5 - 8 are unsuitable for arable use and are more suited to pastoral or forestry use.
- Land use assessments identified 95.8% of the block (or 2,086 ha) is considered class 6 lands which is non-arable with slight to moderate limitations to pastural use, and more suitable for pasture, tree crops and forestry and in some cases vineyards. Erosion is generally the dominant limitation for class 6 lands.
- The other 4.2% or 86 ha is considered both class 7 and 8 land which is suitable for permanent carbon forests but has low suitability for grazing or forestry. For the incorporation, this land is where the Waitutu Forest Lodge (the **Lodge**) is currently based and operating, alongside the Department of Conservation (**DOC**) and natural walking tracks surrounding the lodge.
- Over the five-years of financial statements analysed to FY23, the incorporation's income is predominantly derived from investment income and term deposits, with only a small fraction stemming from the lodge.
- In FY23, lodge income represented just 2% of the total income. Despite this, cashflows are sufficient to support operational activities, however, may not adequately support the Committee of Management (**CoM**) as they look to explore future growth opportunities or decisions.
- From a balance sheet perspective, the incorporation had a decreasing Return on Asset (**RoA**) and Return on Equity (**RoE**) position between FY19 to FY22, with a slight increase in FY23. This suggests that the incorporation has experienced challenges in generating consistent returns.
- The current income streams, asset mix and overall performance highlight the need for diversification to reduce risk, protect the incorporation from the impacts of an economic downturn, enhance financial returns, and unlock social benefits to the shareholders and their beneficiaries.
- Expanding the current operations will not only strengthen the incorporation's role as kaitiaki but will improve the commercial performance of the whenua and create positive social impact through growth in the rohe, growth of the pūtea and greater engagement with whānau.

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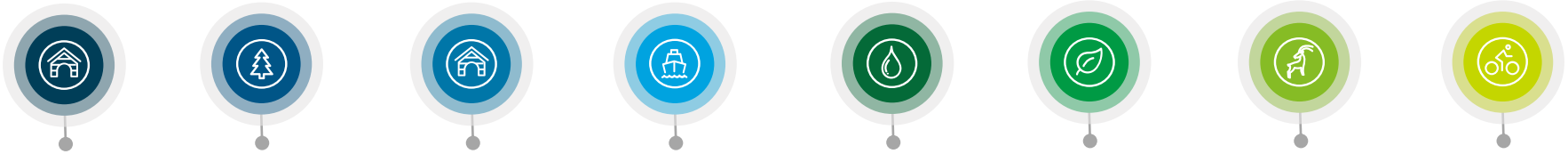
Executive summary continued.

Summary of the evaluation and scorecard process

- A list of eight future investment options were identified in the first strategy session held. These options were then put through an option evaluation screening framework to identify and shortlist four potential options to complete further feasibility analysis upon. The results of the evaluation criteria determined the following:
    1. Upgrading the existing lodge;
    2. Developing a new lodge;
    3. Establishing a 'Guided walks' experience;
    4. Establishing a 'Glamping' accommodation offering; and,
    5. Setting up a jet boat tour option as both an 'experience' but also the necessary transport option required to bring visitors to and from the location.
- The table below highlights how the four options ranked highest were selected after being filtered through the evaluation criteria set.



Industry:	Accommodation	Recreation	Accommodation	Recreation	**Recreation**	**Recreation**	**Recreation**	**Recreation**
Ranking:	1	2	3	4	**5**	**6**	**7**	**8**
Tourism option/experience:	**Lodge development** (new and existing)	**Guided walk**	**Glamping**	**Jet boat tours**	**Hot tubs**	**Eco tours**	**Hunting and fishing tours**	**Trails and cycleways**
Evaluation score	83.7%	80.8%	78.8%	76.3%	**70.8%**	**66.8%**	**63.1%**	**58.0%**
Recommendation	Proceed to market research analysis, feasibility study Review the current state of the land and lodgings.	Proceed to market research and analysis and feasibility study.	Proceed to market research and analysis and feasibility study.	Proceed to market research and analysis and feasibility study	Do not proceed with the land use option for feasibility study at this stage. Consider this option as a complementary offering to the existing lodge upgrades or expansion.	Do not proceed with the land use option for feasibility study at this stage. Consider this option as a complementary offering to the existing lodge upgrades or expansion.	Do not proceed to market research and analysis and feasibility study.	Do not proceed to market research and analysis and feasibility study.

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Executive summary continued.

Governance effectiveness

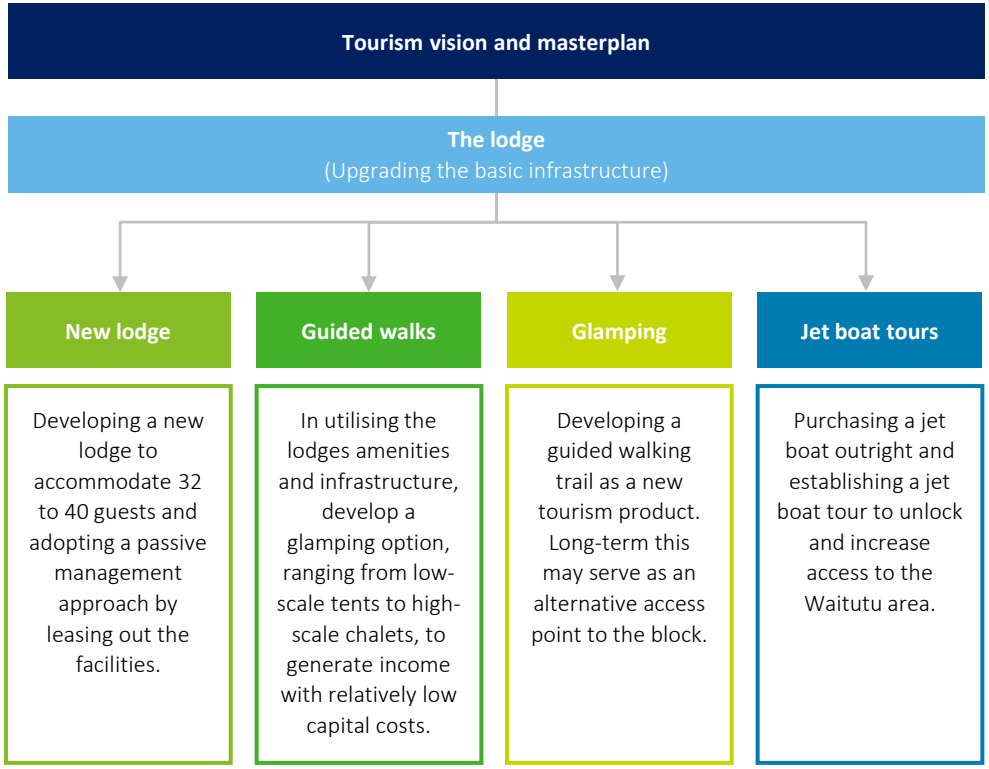
- To ensure the committee have the right capabilities, tools, policies and procedures to be successful, a governance effectiveness assessment and survey was completed to determine the strengths and opportunities for improvement (or pain points).
- Survey results indicated that the committee has strong leadership, and committee oversight, but require policies and procedures to ensure more consistent decision making and a safer, more consistent approach. The main purpose of policies is to create greater trust between all stakeholders.
- As a result, the following policies were developed:
    1. Rangatahi and succession planning policy;
    2. Shareholder and external communication policy; and,
    3. Treasury management policy.
- Alongside these three initial policies, an additional 19 were developed to ensure the incorporation applies best practice throughout the business operations.
- Constitutional barriers were also identified because of this governance assessment. The current constitution limits the incorporation's ability to act on any commercial opportunities. The Constitution needs to be unlocked for the incorporation to complete its strategic aspirations and is an on-going workstream for the CoM.

Tourism industry observations

- The global tourism market has seen a growing emphasis on eco-friendly and sustainable travel and acts as an important catalyst for sustainable tourism developments. Tourists are increasingly seeking out destinations and experiences that prioritise environmental conservation, reduce carbon footprints, and support local communities.
- International tourism to NZ has rebounded back to 85%, which is around the pre-pandemic levels. The number of travellers to NZ are expected to increase as travellers start to visit family members now that the pandemic restrictions have been lifted.
- The trend for the Southland Region is like the global and national tourism revenues, with revenue in 2020 equating to $382m, and $270m in 2023, however, the forecast expects this to increase beyond pre-covid levels. The Southland Regional Development Strategy Action Plan 2015 – 2025 sets out future priorities. An outcome of this action plan is to increase revenue in the region to $1.0bn by 2025.
- Accommodation and transport are large contributors to tourism revenue in the Southland and expected to increase in the future.

Tourism vision and masterplan

- Four key objectives to develop Waitutu into a tourism destination were identified and intended to be explored through the future investment options in the project namely accommodation, eco-tours and travel, escape destination and shareholder connection.
- Marketing Waitutu as an 'escape' destination leans into the Unique Selling Propositions (**USP**) of Waitutu including its remote location away from the noise and distractions of the urban world where travellers can escape and enjoy the natural beauty of Waitutu.
- An overview of the future investment options relative to the overarching strategy and plan is summarised below:



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Executive summary continued.

Key findings

- Prior to any future investments, several infrastructure needs have been identified so as to uplift the current state of the lodge and the whenua. Priorities include room upgrades and interior refurbishments, power generation, water pump systems and sewage system upgrades.
- Low-scale glamping and jet boat tours may be implemented once the basic infrastructure has been developed for Waitutu to improve the current financial performance. Once Waitutu have generated sufficient cash, higher scale developments can be explored to maximise revenue.
- Constructing the new lodge and glamping is key to the incorporation's tourism vision and masterplan, however further site specific costings are required to determine whether this option is commercially viable. At a minimum, these options should be implemented through a staged approach.
- Based on the conclusions above and the recommended prioritisation of investment options, four strategic goals and success factors were developed and are presented below:

Recommended prioritisation of future investment options

1. **The lodge** (Upgrading the basic infrastructure)
2. **Jet boat tours**
2. **Glamping**
3. **Guided walks**
4. **The new lodge**

Suggested next steps

- A key priority for the committee is to improve the existing lodge, ensuring that it is in a state suitable for the needs of incoming visitors. In our work we have factored in the new lodge expansion scenario which targets a niche demographic of 50yrs+ travellers who are seeking a higher-end, luxury experience.
- Should the committee wish to proceed to the next stages of the project, it is recommended that the committee:
    1. Verify the assumptions by gathering site specific development and operating cost estimates for each option explored.
    2. Drawing from the updated costings, revisit and refine the financial modelling.
    3. Decide on the optimal tourism portfolio mix based on the updated feasibility assessment.
    4. Identify potential partners and explore collaboration opportunities within the local region to support next steps.
    5. Determine the preferred financing options required to transition from the feasibility phase to the implementation phase, considering the refined cost estimates and operational insights.
    6. Continue the work with the shareholders on revoking the constitutional additions.

In closing we wish to thank TPK and the incorporation for allowing us to be part of your growth journey and are excited for the future opportunities the project creates for you and your whānau.

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Background and approach

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Project background and approach

In October 2023, Waitutu were successful in its application to TPK WMF and received $98,066 (GST excl.) to assist with governance capability building and the exploration of future commercial options

Project background

- Project outcomes identified included:
    1. The development of the strategic framework and plan;
    2. A review of the committee's current expertise and pain points experienced at a governance level;
    3. Brainstormed and developed a list of future investment options that the incorporation would like to pursue to accelerate operational capability and returns;
    4. A plan to unlock the constitutional constraints faced by the incorporation.
    5. A best practice policy suite including governance framework and tools to guide the CoM.
- To achieve this, the committee provided oversight and strategic direction over the project to ensure that the outcomes were reflective of the incorporation's strategic vision and the people they represent.
- Deloitte provided commercial advisory services to assist the committee in determining the highest and best future investment options available.
- In completing the project, we followed a phased approach which included:
    1. **Stage one:** Pre-feasibility study including "he anga whakamua" strategic wānanga at the beginning of the project to develop a clear vision for the project and the incorporation. This vision was translated by way of a strategic framework, evaluation criteria and scorecard; to measure the level of strategic alignment of each option to the strategy set. Phase one also included a series of "governance effectiveness" wānanga focussed on equipping the committee with a robust governance framework and policies that align to best practice.
    2. **Stage two:** Full feasibility study including industry research of the preferred future options including potential market entry points, financial feasibility and analysis and suggested next steps to ensure the incorporation understand the steps required to execute the option(s) identified; and,
    3. **Final technical report** (this Report)**:** Summarising the output of phase one and two.

Project approach

- In completing the project, Deloitte carried out the following activities:
    1. Held an initial hui with the chairperson and the committee to establish whānaungatanga, kickstart the project through establishing an agreed approach and project plan, and to gain additional insights into the aspirations of the incorporation;
    2. Facilitated a wānanga with the committee to develop a vision, mission and purpose statement, and pou framework with a list of strategic priorities.
    3. Circulated a survey to inform an evaluation criterion with guiding principles or "must-haves" for each future option considered and develop a weighted scorecard used to analyse and shortlist the options identified;
    4. Informed by a governance effectiveness survey, facilitated two further wānanga with the committee to review current governance practices, align the committee's role with best practice governance and clarify the committee's roles and responsibilities in accordance with its Constitutional documents and fiduciary responsibilities;
    5. Reviewed the incorporation's historical financial statements;
    6. Analysed internal and external sources of information including an independent review of the block;
    7. Based on publicly available data, completed geospatial land mapping to determine the suitability of the land for each option being considered by reference to the LUC matrix;
    8. Completed market research and financial analysis of the lodge upgrades and improvements, new lodge development, guided walks, glamping and jet boat tours investment options;
    9. Completed a risk assessment of each option to highlight both the financial and non-financial attributes of the options; and,
    10. Summarised the output of this approach in the report.
- A detailed overview of the project approach is presented on the following page.

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A phased approach

Our approach

- More specifically, the project comprised six phases, with phases one to four focussing on completing strategic planning workshops, governance effectiveness, confirming resources, and conducting market and financial feasibility of the options identified.
- Phases five and six which are outside of the scope of this report is about moving forward with one or more of the future options identified into implementation or partnership negotiations.
- This report is a summary presentation of the findings from phases one to four.

Phase 1: Strategic framework

High level strategy, evaluation criteria and scorecard developed, and long list of future investment options identified.

Phase 2: Current state review

Block overview, land use assessments, GIS mapping, historical financial performance review, and location overview to determine the current activities surrounding Waitutu and gaps.

Phase 3: Governance effectiveness

Reviewing and establishing a robust governance framework, clear strategic direction, strong leadership culture and prudent risk management processes and policies to ensure the incorporation's governance capabilities are fit for purpose and ready for future growth opportunities.

Phase 4: High level feasibility

Completing market analysis and financial feasibility of the shortlisted future options. This included shareholder consultation at the recent annual general meeting to ensure the shareholders are included in the journey and their feedback is captured in the future direction of the incorporation.

At the end of this process, the incorporation will need to determine whether to proceed with the entire tourism experience, parts of the experience and plan for the timing to implement each option.

The project is currently moving from phase four to five.

Phase 5: Implementation

Detailed financial feasibility of the optimal mix of tourism options which meet the incorporation's strategic objectives. This process will include in-depth validation of financial and non-financial assumptions, further financial analysis based on site specific details, qualitative benefits and risk assessment to determine the scale of operation required to establish an economically viable tourism experience and business model.

Phase 6: Partnership negotiations

Support with negotiation as needed to help guide the implementation.

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He anga whakamua

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Strategic framework and guiding principles

A series of strategic wānanga was held to confirm the incorporation's long-term mission and vision (presented below). Four pou were established to serve as strategic pillars in considering future investment opportunities. Five values were identified as “must-haves” in all future options. Overall, the strategic framework is purposed to set a deliberate approach to a better future.

Our vision, mission and purpose

‘Waitutu te Kāinga’

(Our next generation are connected to the land. Our rangatahi are thriving with the land. Our rich inheritance is shared)

‘Kei ō tātou ringaringa te ao’

(In achieving our vision, the world is ours)

Our pou framework

Pou Tāngata

Strong, committed and responsible leadership with capable governance and ethical decision-making that strengthens Waitutu by providing whānau with access to their whenua and increasing the overall well-being of our people.

Pou Taiāo

Protect the integrity of our whenua and our eco-systems through effective environmental management to ensure we keep Waitutu a pristine place of paradise for future generations.

Pou Tāhua

Leverage our asset base through ethical investments that align with our values and strategic pou to generate commercial returns and sustainable dividends to our whānau.

Pou Māoritanga

Respect and preserve our culture and our whakapapa though the conservation and preservation of our stories and history to ensure it is enduring.

‘Ngā whanonga pono’

Whakapapa
(History)

Whakapapa is our connection to our people, the land, the wai, our taiāo and the world. Whakapapa helps us understand who we are and where we come from.

Pono
(Honesty and transparency)

Our relationship with the land, our forest and our people is centred on respect, transparency, honesty, and care for our whānau and the decisions we make.

Mana whenua
(Self-determination)

The whenua is our mana. We are protectors and guardians of the land, our history, our stories, and our assets to ensure our people know who they are and are self-determined. Our decision making now is reflective of our role as kaitiaki.

Whānaungatanga
(Connection)

The success of our whānau is paramount. We are committed to creating better social opportunities to ensure our people are self-determined.

Kaitiakitanga
(Protection)

As kaitiaki, we have core kaupapa of “taonga tuku iho” which focusses on restoring and maintaining our natural eco-system. In caring for our whenua in this way, we are also caring for our people – believing that a healthy whenua ensures a healthy people.

Key initiatives

Growth in our rohe	Greater engagement with whānau	Growth in our pūtea
Restoring and developing the lodge to be fit for purpose	Developing a clear succession plan for our people to connect and proactively contribute to the future direction of Waitutu	Growing the value of our whenua, whānau, taiāo and pūtea through ethical investments

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Unique selling propositions (USP) and natural endowments

The incorporation's natural endowments include 2,171 hectares of beech forest, exclusive access to the Wairaurahiri river and the natural picturesque southern coast boasting magnificent foreshores, seabed access and views. Waitutu is well positioned to take advantage of the opportunities and awareness that New Zealand has developed in the eco-tourism space. Waitutu identified these natural endowments as competitive advantages or unique selling propositions which can be leveraged to support the aspirations and key initiatives identified. The USP's are the characteristics that differentiate our products and services from our competition.

The USP's below are the key drivers that distinguish why customers will be attracted to Waitutu.

Competitive advantages

Led by 6 strong and committed committee members with governance experience and leadership capabilities

Some 2,171 hectares of Beech forest in Western Southland

Assets over $25.6m

Excellent financial investment portfolio and return profile held with Craigs and Forsyth Barr

Our Unique Selling Propositions

Proposition 1
Mana whenua - māori landowners with whakapapa connections to Kai Tahu and Kāti Mamoe

Proposition 2
Te Ao Māori lens - this creates an environmentally sustainable market offering that is aligned to Te Ao Māori that the whole world values and is adopting

Proposition 3
A social license - we understand the mana of the whenua and so will our decision-making, practices, processes and policies

Proposition 4
We are for our people - creating employment and skills for our whānau, our community and the New Zealand (NZ) economy

Proposition 5
World-renowned – Bordering a podocarp forest and exclusive access to the Wairaurahiri river

Proposition 6
Kaitiakitanga – our core kaupapa of "taonga tuku iho" which focusses on restoring and maintaining our natural eco-system so our decision-making will be reflective of this value

Proposition 7
Competitive advantage – secluded and remote with minimal competition in proximity

Proposition 8
Exclusivity – located on the corners of NZ in the Southland on the southern coast to the west of Te Waewae Bay, boasting magnificent foreshores and seabed access and views

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Building an evaluation criteria and scorecard

Minimum 'first screen' requirements were established as the stop/go point for the assessment of any future investment option explored. This establishes a clear criteria to analyse future investment options beyond just the financials. These requirements are assessed on a yes (proceed) /no (stop) basis. If any single requirement is not met, it is recommended that further investigation of the investment option is stopped. The second evaluation criteria is informed by the incorporation's four strategic pou. This process is detailed below:

First screen requirements	Yes?	No?
The investment does not impact the Mataitai reserve and kaimoana restrictions therein	Proceed	Stop
The investment does not require Waitutu to cut down the forest?	Proceed	Stop
Does the investment protect Waitutu from entering commercial arrangements with blacklisted countries?	Proceed	Stop
The investment is ethical?	Proceed	Stop
The investment does not pose a threat of causing irreversible damage or degradation to the whenua and our natural environment?	Proceed	Stop

Evaluation criteria	Definition	Score guide	Weighted score
Tāhua	The investment is ethical, aligns with our values and strategic pou and provides the ability to generate commercial returns and generate sustainable dividends to our whānau.	0 to 2	30%
Tāngata	The investment provides access to the whenua, creates opportunity for rangatahi involvement, employment creation, strategic partnerships and promotes the overall well-being of our people.	0 to 2	20%
Taiāo	The investment respects and preserves our culture and our whakapapa though the conservation and preservation of our stories and history, and ensures we retain mana whenua of our land.	0 to 2	20%
Māoritanga	The investment protects the integrity of our whenua and our eco-systems through effective environmental management. Where applicable, the whenua is suitable for the proposed investment.	0 to 2	30%
Total weighted score		**0 to 8**	**100%**

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The evaluation process

Committee members identified a long list of eight future investment options to be explored as part of the project. Following this, high-level market analysis and financial benchmarking of each option was completed to help shortlist and refine the focus of the project. An immediate priority identified by the committee was the need to improve existing operations. Using the evaluation criteria and scorecard, the long list of options were shortlisted to the top four options below:

Long list of future investment options:

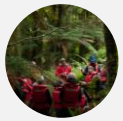
- The main output of our first session allowed us to list initial options for the incorporation. Some ideas included:

Hot tubs

Wildlife eco-tours

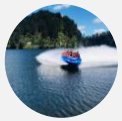
Waitutu Lodge

(Upgrades and new lodge)

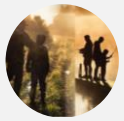


Guided walks

Glamping



Jet boat tours



Hunting and fishing Tours

Trails and cycleways

Shortlisted future investment options because of the evaluation process

- Market research was presented at the second strategic wānanga which informed the committee members' decision to shortlist and focus the feasibility study of the four options below. The results of this process identified that the Waitutu Forest Lodge development (upgrades and new lodge), guided walks, glamping and jet boat tour options should be explored further. Please refer to Appendices – A[x] for the high-level analyses for each options part of the shortlist process.

01

Waitutu Forest Lodge

(Upgrades and new lodge)

02

Guided walks

03

Glamping

04

Jet boat tours

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Governance effectiveness

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Governance effectiveness assessment and results

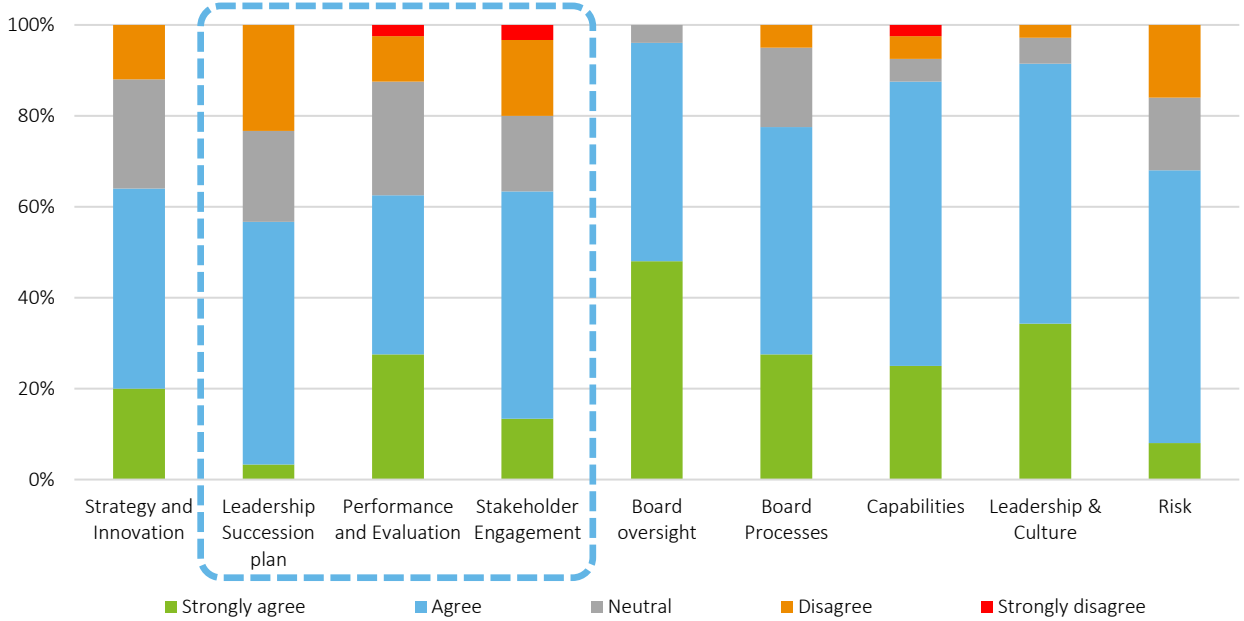
The incorporation have previously contemplated future investment options that would allow them to exercise greater tino-rangatiratanga and control over the whenua but have not had the internal governance capability to explore this further.

An overview

- At the core of any good governance framework, is a clear strategic direction, strong leadership culture and prudent risk management. This can be achieved through:
    1. Leadership culture.
    2. Committee oversight.
    3. Risk management practices.
    4. Having the 'right' people.
    5. Strong policies and processes.
- The incorporation is currently led and managed by six strong and committed Committee of Management members (the **Committee** or the **CoM**) with governance experience and leadership capabilities. The CoM has experienced a period of change, with new committee members voted onto the CoM.
- Historically, the CoM have contemplated future investment options that would allow them to exercise greater tino-rangatiratanga and control over the whenua but have not had the internal governance capability to explore this further. The committee members committed to governance training and development. The outputs of this included:
    1. A review and identification of strengths and weaknesses as a committee (presented to the right).
    2. A set of values and a clear direction articulated through a clear strategic plan.
    3. A suite of 20+ policies to ensure good governance and practice.
    4. An investment plan created to guide future investments.
- A summary of these outputs are included in the pages that follow and throughout the report.

Governance survey

- A governance survey was circulated to the committee to understand the current skillset, makeup and pain points. The results are summarised below:



Key insights

- Overall, Waitutu's survey results were positive with a greater percentage of 'agree' and 'strongly agree'. Indicative areas of strength include board oversight, board processes and leadership and culture.
- Indicative areas for improvement include:
    1. Stakeholder engagement;
    2. Leadership succession plan; and,
    3. Performance and evaluation.
- These areas are discussed in more detail on the page that follows.

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Key areas for improvement

Key areas for improvement were identified by the committee with key 'actions' identified to support next steps and captured in the policy suite.

01

Area for improvement: Stakeholder Engagement

- Committee members reiterated the need to improve stakeholder engagement. Historically, the incorporation was being mismanaged, owners were not communicated with, there was minimal transparency, and the incorporation was operating with no vision of the future.
- With a new committee, the members see benefit in developing a stakeholder engagement plan that informs the next generation, captures their thoughts to help progress the organisation now and years to come. A 'live' process is preparing and circulating quarterly newsletters to provide on-going updates to whānau.
- The committee will implement a well-defined two-way stakeholder communication channel and having good 'internal' and external communication policies will minimise disruption, increasing synergies as a committee.
- As a result, the committee will be able to engage with whānau and rangatahi more, capture more ideas and thoughts towards the direction of Waitutu long-term and improve the number of 'hands-on' support for committee activities and projects.

Action completed as part of the Project:

- Co-developed a series of internal and external stakeholder communication policies. These were part of the 22+ policies developed.

02

Area for improvement: Performance and Evaluation

- Committee members discussed the following:
    1. The need to review the financial performance of the Waitutu Forest Lodge including a benchmark analysis of the pricing strategy of the lodge and the capital improvements required to restore the lodge;
    2. Improvements made to the investment reporting provided by Craigs Investment Partners and Forsyth Barr; and,
    3. Difficulties with the accounting systems between MYOB and Xero. Currently this is being reviewed by the committee's secretary and treasurer.
- The style and level of reporting is dependent on the level of insight and detail that management and the committee wish to see.
- Ultimately, accessing the right financial information will equip the committee with the information needed to manage your taonga, and drive strategic decision making.

Action completed as part of the Project:

- Reviewed and benchmarked the Waitutu Forest Lodge current financial performance; and,
- Developed pricing options to improve the current state.

03

Area for improvement: Succession Planning

- A succession plan is a strategic process to identify and develop future leaders of Waitutu.
- Succession planning minimises disruptions, safeguards the committee's longevity and ensures there is continuation towards Waitutu's vision.
- Steps in a succession plan will be to:
    a) Adopt a long-term perspective.
    b) Assess all key positions/leadership roles.
    c) Assess key individuals who have the technical, people, and leadership skills to potentially fill the key positions/leadership roles identified.
    d) Develop a clear learning and development process to allow the key individuals to gain the experience in a leadership role.

Action completed as part of the Project:

- Co-developed a high-level succession plan at a governance level.
- A rangatahi and succession planning policy was also developed as part of the 22+ policy suite.

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Constitutional barriers

The constitution needs to be unlocked for the incorporation to complete its strategic aspirations. Our recommended actions to resolve the resolutions are summarised below.

Constitutional barriers

- Future investments require numerous commercial decisions that require capabilities that can only come from partnering. Partnering will require formality that includes different legal structures and investment into different structures. This commercial flexibility is required if the CoM is to achieve the strategic plan. The CoM require a constitution that is fit for the incorporation's future purpose.
- The following is a summary of the resolutions and the thresholds to change them. Resolutions 4 to 7 have the threshold of 33%, which later, highlights the challenges faced to reach the threshold set.
- At the annual general meeting held 30 August 2024, a proposed resolution was put forward to the shareholders to unlock the constitution and enable the incorporation to advance to the next stages of investing.

Resolution	Description	Comments
01	Remove special requirements for witnesses to proxies	Items 1-3 are of less concern as these can be changed by the shareholders by following the special resolution requirements under section 4 of the Māori Incorporations Constitution Regulations 1994.
02	Set one share as the minimum share unit for the incorporation	
03	Prohibit sale of shares except as authorised by subsection (3) of Section 41 of the Māori Affairs Amendment Act 1967	
04	Mandate dividends or distributions to be paid only from accumulated profits less the unclaimed dividends and cost-value of the land and buildings representing the Waitutu Forest Lodge	A dividend policy may be more appropriate instrument to use than a resolution.
05	Ensure Waitutu Forest Lodge remains under the direct control of the CoM	For now, this seems logical that the lodge remain within the entity of the incorporation. Though in future there may be commercial and risk reasons where this is not a good decision including capability and performance risks that requires the CoM to joint venture with an experienced operator, financial risk, employment risk and others.
06	Prohibit the incorporation from creating subsidiary companies or investing in non-listed companies	The investment plan forms a significant part of the strategic plan and will require the CoM to find capable partners to ensure there are the right capabilities delivering high quality products. There are likely to be opportunities to purchase or joint venture with existing businesses to create new products. As above it is important to minimise risk while maximising capability.
07	Specifies conditions when the CoM can pay their remuneration	The mechanism for shareholders to exercise their right regarding committee member performance is normally as follows: 1. Shareholders can freely state their views at an AGM. 2. Vote new members onto the CoM. 3. Set fair and equitable remuneration levels for the CoM members. 4. This traditionally works and would be normal practice.

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Current state

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Current state assessment | Background

Based on the current income streams and asset mix, Waitutu identified the need to diversify its asset base to reduce risk, protect the incorporation from the impacts of an economic downturn, enhance financial returns, and provide positive social benefits to the shareholders and their beneficiaries.

Background

- The current state assessment provides an overview of the incorporation's land, historical financial performance, surrounding activities in the area and land suitability. It is key to establishing a base case for any future investment option explored.
- The incorporation's core revenue stream is generated by income received from its lodge and investment income from the managed fund portfolios. In FY23, the incorporation received some $735k of investment income, and $32k from the lodge.
- The incorporation is heavily reliant on passive income streams, through its managed fund portfolio, to meet on-going operating expenses (**OPEX**) and capital requirements (**CAPEX**).
- Managed funds are exposed to the broad movements of the market, and changes to the market impact the value of the investments held. Managed funds are also more susceptible to interest rate fluctuations. The committee identified the need to diversify its asset base to reduce risk, protect the incorporation from the impacts of an economic downturn, enhance financial returns, and provide positive social benefits to the shareholders and the beneficiaries.
- The total area of the incorporation's land (the **Block**) spans some 2,171 hectares across 23 land parcels, and predominantly covered by the Waitutu forest, apart from the natural walkways, the land in which the lodge is located, and the southland coastline.
- Block details are summarised in the table below:

Details	Description
Block names *(under Waitutu ownership)*	Please refer to Appendices – A5 for the list of block IDs.
Area (ha)	Combined hectares across the five lots total some 2,171
Owners' interests	1,505
Land valuation	$1,996,000
Improvements	$226,539
Book value	$2,347,618

Current state assessment

- The current state assessment is categorised as follows:

Block overview	Provides an overview of the block, its location, geographical landscape, and surroundings.
Financials at a glance	Provides an assessment of how the incorporation is currently performing from a financial perspective including key revenue streams and expenditure items. It also highlights the current strengths of the balance sheet and return on assets.
Land suitability	Provides an overview of the current landcover and the land suitability of potential land use options including topography of the block. The results of this suitability exercise ensures the incorporation has a clear understanding of its lands' capability – and optimisation options.
Location overview	Provides an overview of the current activities, businesses and industries operating in the Waitutu region.

Limitations

- Please note that this assessment is limited to the information sourced from publicly available data only.
- Where land suitability information has been provided, we are not environmental experts and all the work we completed in relation to land use and suitability was based on desktop research.
- We strongly recommend that as the project progresses, you seek advice from suitably qualified environmental specialists to gain a better understanding of the suitability of the site regarding the options being considered.

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Block overview

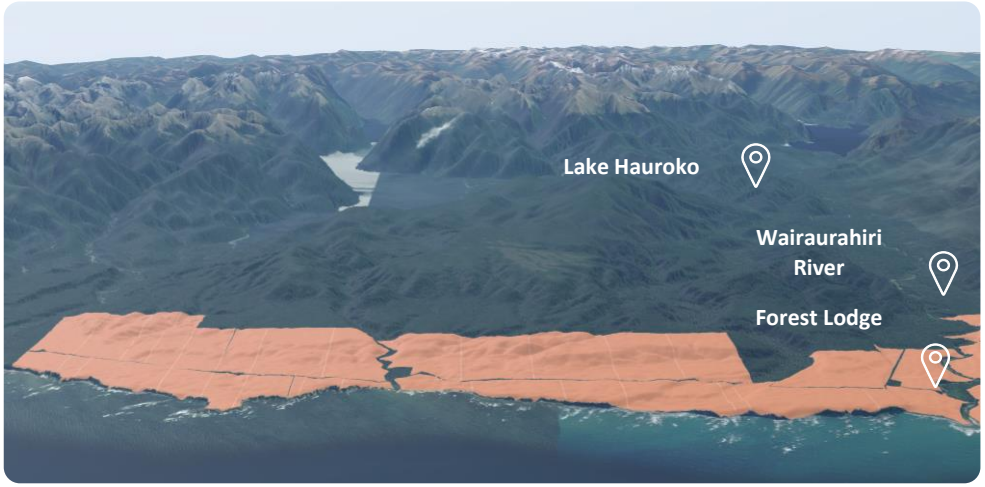
The nearest township to the lodge is Te Anau, located about 100km to the northeast. Te Anau is a popular gateway town to Fiordland National Park, known for its stunning natural landscapes, lakes, and mountains. Access to the land is a significant challenge in developing a tourism portfolio and increasing visitor numbers to the area.

An overview

- The nearest city to Waitutu Forest Lodge is Invercargill. Located approximately 85km to the southeast of Waitutu, Invercargill is the southernmost city in NZ and serves as a major urban centre for the Southland region. It provides various amenities, services, and transportation options that can be useful for visitors travelling to Waitutu Forest Lodge and the surrounding Fiordland area.
- The nearest township to the lodge is Te Anau, located about 100km to the northeast. Te Anau is a popular gateway town to Fiordland National Park, known for its stunning natural landscapes, lakes, and mountains.
- The map to the top right highlights the 23 land parcels under the proprietary of Waitutu despite having individual land titles separate from the main block, as registered in the Land Information NZ (**LINZ**) property title register.
- The largest geographical challenge to Waitutu in the exploration of tourism land use options is accessibility, which excluding air travel is currently limited and only available from the Wairaurahiri River and South Coastal Track. The main hiking access trail to Waitutu is located at the end of Papatotara Coast Road. The walk to the lodge from here is a 2-day hike each way.
- Access to the land is a significant challenge in developing a tourism portfolio and increasing visitor numbers to the area.
- The block is also located near the Wairaurahiri river is best known for its significant role in NZ's history of exploration and adventure. Highlighted in the 'tinted orange' imagery to the right is the block and lodge's location relative to Lake Hauroko and the Wairaurahiri river.
- It also spans approximately 43km long from Lake Hauroko to the lodge, the river is famous for its challenging and remote location. It is renowned among adventurers and kayakers for its rugged terrain and exhilarating white-water rapids and characterised by its pristine wilderness, dense forests, and dramatic landscapes.
- The accessibility issue that the geography presents also comes into play in commencing any project and the CAPEX required will significantly increase as a result.
- At this distance, Waitutu will need to uplift its current infrastructure including but not limited to accommodation facilities to meet any increase in tourism activity. This is both a current constraint and future opportunity for Waitutu to leverage.

Map of the Waitutu sections

Proximity to Lake Hauroko and the Wairaurahiri River



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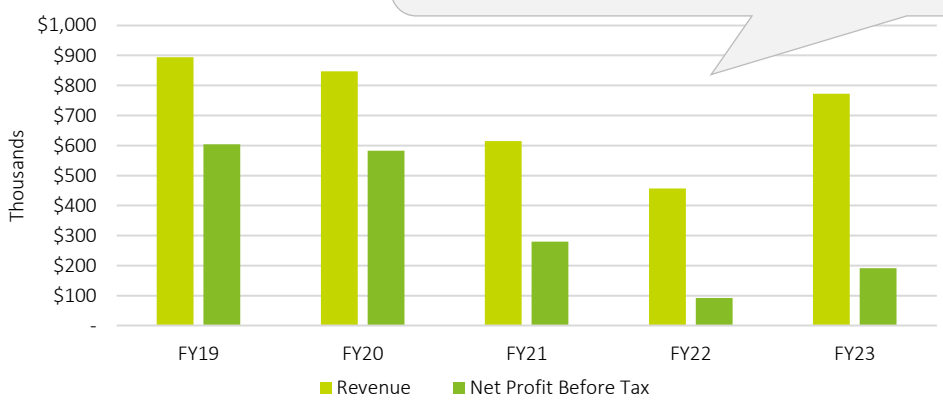
Financials at a glance

Income is predominantly derived from investments and term deposits, with only a small fraction stemming from the lodge. In FY23, lodge income represented only 2% of the total revenue.

Revenue and net profit

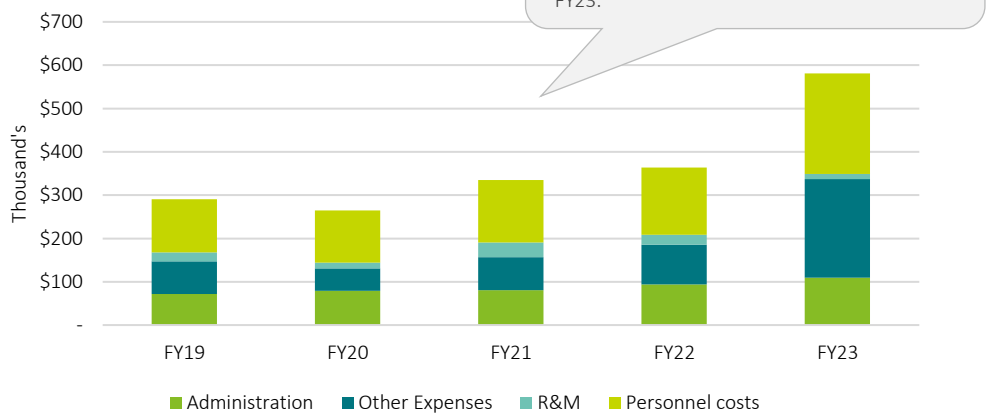
The incorporation realised higher earnings before taxes (EBT) before the COVID pandemic in FY19 and FY20 compared to the earnings being realised in recent years, with the EBT for FY23 showing a decline of 67% from the EBT of FY20.



Source: Waitutu incorporation financial statements

Expense mix

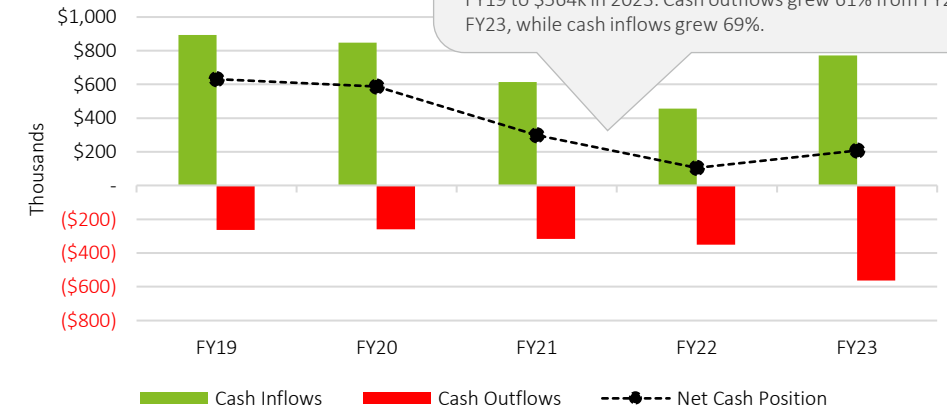
The most significant expense for the incorporation at present is personnel costs, which have escalated to more than $230k in FY23.



Source: Waitutu incorporation financial statements

Annual comparison of cashflows

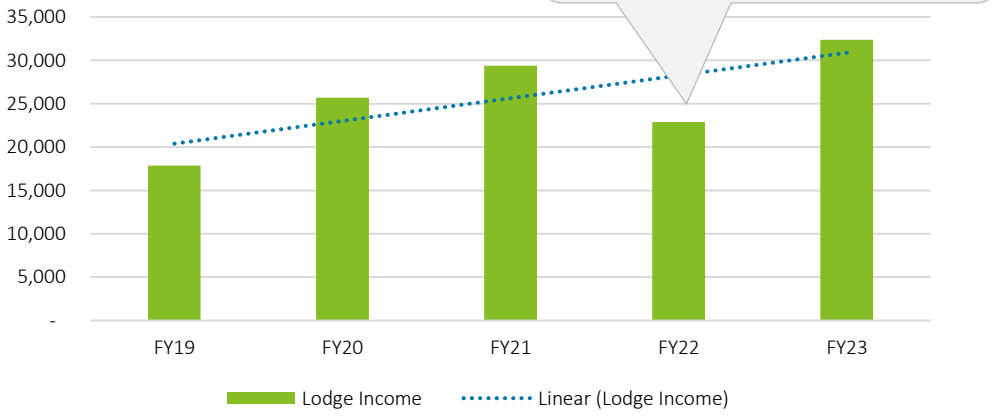
Cash inflows comprise lodge income from guests staying at the lodge, investments, term deposits, and grants. Cash outflows comprise of wages, annual rates expenditure and other repairs and maintenance. Cash outflows have increased from $263k in FY19 to $564k in 2023. Cash outflows grew 61% from FY22 to FY23, while cash inflows grew 69%.



Source: Waitutu incorporation financial statements

Annual comparison of income

Over the five-years analysed, the incorporation has faced a steady increase in income from the lodge, with an 81% growth in lodge income from FY19 to FY23.



Source: Waitutu incorporation financial statements

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Earnings overview

NZD ($)	FY19	FY20	FY21	FY22	FY23
Revenue					
Lodge Income	17,870	25,679	29,379	22,880	32,362
Investment income	876,272	821,719	585,324	433,564	740,100
Total Revenue	**894,142**	**847,398**	**614,703**	**456,444**	**772,462**
Operating Expenses					
Accountancy fees	4,800	4,800	4,900	4,990	12,760
ACC levy	189	170	160	199	201
Advertising	152	130	257	221	-
Audit fees	5,000	-	-	-	-
Bank charges	293	243	263	295	428
Computer expenses	1,078	244	720	783	873
Depreciation	27,245	5,426	19,144	13,393	17,370
Fuel and heating costs	3,075	3,433	2,471	3,623	4,318
General expenses	10,292	15,985	16,740	16,794	26,876
Koha paid	1,200			-	-
Legal fees	-	-	-	47,265	157,960
Yield to maturity adjustment	577	379	693	(6,762)	(5,348)
Loss on sale	2,301	-	257	-	2
Postage	590	1,173	862	-	-
Printing and stationery	2,898	3,531	2,828	4,948	7,665
Repairs and maintenance	21,180	13,273	33,790	22,804	11,736
Portfolio management fees	42,351	47,871	50,393	60,790	60,108
Stores and provisions	1,435	2,899	1,277	586	1,170
Subscriptions and agents' fees	1,427	2,312	1,734	812	687
Subcontracting - lodge relieving	-	-	-	-	5,040
Staff expenses	-	-	-	-	9,024
Telephone and internet	3,242	2,202	2,563	4,754	2,580
Transportation costs	18,426	14,634	33,494	20,490	27,392
Travelling expenses	20,671	24,587	18,270	13,015	17,100
Valuation fees	-	1,100	-	-	-
Wages	122,138	120,581	143,830	154,950	223,171
Total Operating Expenses	**290,560**	**264,973**	**334,646**	**363,950**	**581,113**
Earnings Before Tax (EBT)	**603,582**	**582,425**	**280,057**	**92,494**	**191,349**
Income Tax Expense	59,812	66,323	19,213	-	4,772
Net Income	**543,770**	**516,102**	**260,844**	**92,494**	**186,577**

Key Performance Metrics	FY19	FY20	FY21	FY22	FY23
Revenue Growth	-	(5.23%)	(27.46%)	(25.75%)	69.23%
EBT Growth	-	(3.5%)	(51.9%)	(67.0%)	106.9%
EBT Margin	67.5%	68.7%	45.6%	20.3%	24.8%
Net Profit Margin	60.8%	60.9%	42.4%	20.3%	24.2%

Source: Waitutu financial statements, Deloitte analysis

Key observations

- Between FY19 and FY23, overall revenue decreased from $894k to $772k. Despite this, lodge income has slightly increased but represents only 4.1% of current revenue. Investment income was the main driver of the decrease falling from $863k in FY19 to $735k FY23.
- EBT margin has decreased from 67.5% in FY19 to 24.8% in FY23. The result of this analysis shows that the incorporation's OPEX has grown from $290k in FY19 to $581k in FY23. A key driver of the increase in OPEX includes wages which have increased by 82.7% since FY18, and the one-off legal fees in FY23.
- Portfolio management fee's structure should be revised and assessed against competitor rates to determine if the incorporation is getting the best value for money.
- With revenue decreasing and OPEX increasing, the overall net profit margin, has decreased from 60.8% in FY19 to 24.2% in FY23.
- The period analysed, and results are reflective of a Covid-19 operating environment and decrease in tourism visitors as a result.

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Balance sheet overview

Balance Sheet	FY19	FY20	FY21	FY22	FY23
Assets					
Current assets					
Interest accrued	322,656	207,475	84,228	75,633	121,732
Prepayments	-	16,740	16,327	-	-
Accounts receivable	2,129	2,250	469	-	-
Bank term deposits (less than 1 year)	15,979,681	16,005,067	15,857,754	12,175,020	9,144,096
Income tax refund due	57,582	82,670	91,160	61,324	100,594
GST refund due	1,066	4,616	4,904	7,310	-
Cash and equivalents	150,418	111,910	47,586	530,126	437,561
Total current assets	**16,513,532**	**16,430,728**	**16,102,428**	**12,849,413**	**9,803,983**
Non-current assets					
Property, plant and equipment	1,806,962	1,836,269	1,843,647	2,331,737	2,347,618
Silver range forest LP	-	-	-	60,000	46,260
Investment portfolios held	6,461,345	6,201,980	7,991,055	10,968,141	13,477,139
Total non-current assets	**8,268,307**	**8,038,249**	**9,834,702**	**13,359,878**	**15,871,017**
Total assets	**24,781,839**	**24,468,977**	**25,937,130**	**26,209,291**	**25,675,000**
Liabilities					
Current liabilities					
Accounts payable	7,710	24,220	27,267	27,536	26,206
Deferred tax	-	-	-	-	-
Unclaimed dividends	1,692,628	1,801,463	1,868,613	1,977,088	2,078,485
Income received in advance	-	-	-	-	1,060
Annual leave payable	-	-	-	-	63,525
GST payable	-	-	-	-	13,600
Total current liabilities	**1,700,338**	**1,825,683**	**1,895,880**	**2,004,624**	**2,182,876**
Non-current liabilities					
Total non-current liabilities	**-**	**-**	**-**	**-**	**-**
Total liabilities	**1,700,338**	**1,825,683**	**1,895,880**	**2,004,624**	**2,182,876**
Net assets	**23,081,501**	**22,643,294**	**24,041,250**	**24,204,667**	**23,492,124**
Equity/ member funds					
Accumulated profits	7,072,030	7,119,747	6,933,431	6,557,364	6,243,554
Asset revaluation reserve	2,515,012	1,966,871	3,507,078	3,346,187	2,831,417
Capital reserve	13,409,826	13,406,483	13,406,483	14,044,085	14,063,343
Non-taxable distributions	84,632	150,192	194,259	257,031	353,812
Total equity/ member funds	**23,081,500**	**22,643,293**	**24,041,251**	**24,204,667**	**23,492,126**

Source: Waitutu incorporation financial statements

Key Performance Metrics	FY19	FY20	FY21	FY22	FY23
Asset Growth	-	(1.3%)	6.0%	1.0%	(2.0%)
Liabilities Growth	-	7.4%	3.8%	5.7%	8.9%
Return on Assets	2.2%	2.0%	1.0%	0.4%	1.5%
Return on Equity	2.4%	2.2%	1.1%	0.4%	1.6%

Source: Waitutu financial statements, Deloitte analysis

Key observations

- Total assets have varied over time, increasing from $24.8m in FY19 to $25.7m in FY23 and peaking in FY22. These fluctuations can be ascribed to the market increase post Covid-19 and the market correction experience in FY23. This highlights the susceptibility that the incorporation's current asset mix has to any market downturn.
- Total liabilities fluctuated over time, exhibiting a steady increase from FY19 to FY23. The key drivers of these changes in the liabilities can be attributed to the increasing unclaimed dividend amounts that have progressively increased year on year.
- Equity has exhibited fluctuations over time, with the most significant increases stemming from the capital reserve and non-taxable distributions, providing consistent growth. However, this growth was offset by a decrease in accumulated profits and the asset revaluation reserve. These changes in equity have been influenced by the incorporation's financial performance, asset revaluations, distribution policies, and strategic decisions regarding profit allocation.
- Overall, the balance sheet performance resulted in a decreasing RoA and RoE position between FY19 to FY22, with a slight increase in FY23. The metrics suggest that the incorporation has experienced challenges in generating returns from its assets and equity, while also facing increased financial obligations.

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Current land cover and suitability

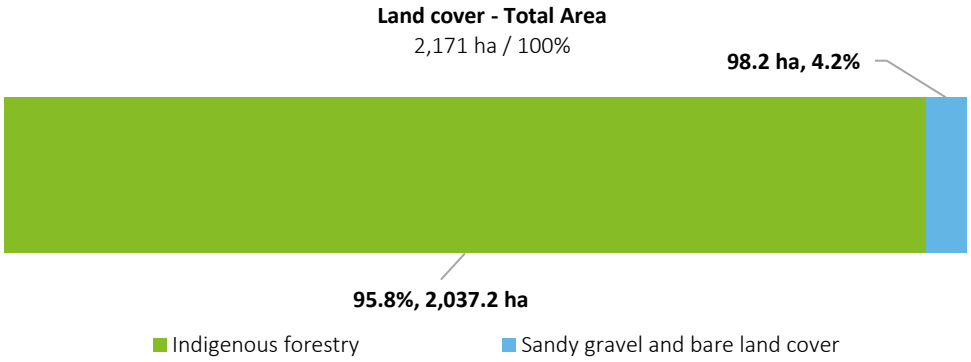
To investigate the land suitability, geospatial mapping data was gathered to determine the current land cover, land suitability, slope, aspect and topography of the block. The incorporation's land is covered by approximately 96% of indigenous forest, with the remaining 4% being made up of sandy gravel on the coastline.

Land suitability

- Geospatial mapping data was gathered to investigate both the:
  - current land cover; and
  - potential land suitability.
- To analyse the land suitability for potential land use options in the future, a series of geospatial mapping was analysed.
- The results of this exercise will ensure that the incorporation has a clear understanding of its lands capability – and potential for future utilisation and optimisation options.

Current land cover

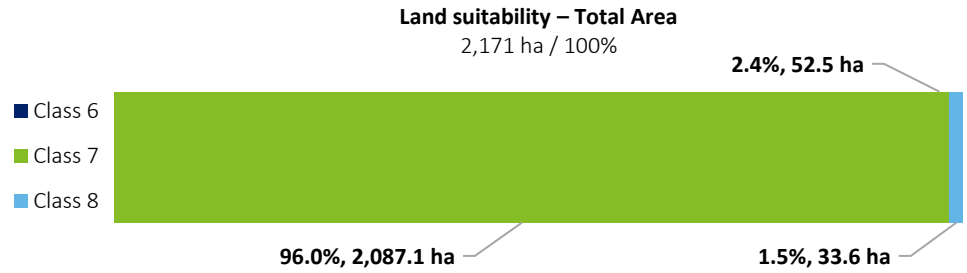
- Current land cover includes the existing vegetation present on the block.
- The total land mass spans some 2,171 ha, spread across two main categories of land cover.
- According to Manaaki Landcare Research, forest makes up 95.8% or 2,072 ha of the block, followed by sand and gravel and/or bare land which covers the remaining 4.2% or 98 ha.



Source: Te Puni Kōkiri; LINZ database, 2024

Land suitability assessment

- The NZ Land Resource Inventory (**NZLRI**) is a national database of physical land resource information. It comprises two sets of data compiled using stereo aerial photography, published and unpublished reference material, and extensive fieldwork.
- The Land Use Capability (**LUC**) system within the NZLRI categorises land into eight classes according to its long-term capability to sustain one or more productive uses. All of NZ's rural land is classified into eight classes, based on its physical attributes such as climate, vegetation, soil, and slope.
  - **Classes 1-4** are generally suitable for a wide range of land uses, such as arable or pastoral farming;
  - **Classes 5-7** have serious limitations for arable production but can be suitable for pasture or forestry for the purpose of forestry production; and,
  - **Class 8** is generally unsuitable for land uses other than being left aside for conservation, environmental management or passive forest operations such as carbon farming.
- From LUC Class 1 through to LUC class 8 there is increasing limitations to the use of the land and decreasing versatility of use.
- The graph adjacent highlights that 95.8% or 2,087 ha of the block is categorised as class 6. which is suitable for grazing, forestry production, carbon farming or other land use options such as tourism. The remaining 4.2% of land is class 7 or class 8 with this land being located on the far edge near the water consisting of sand and gravel.



Source: Te Puni Kōkiri; LINZ database, 2024

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Land topography

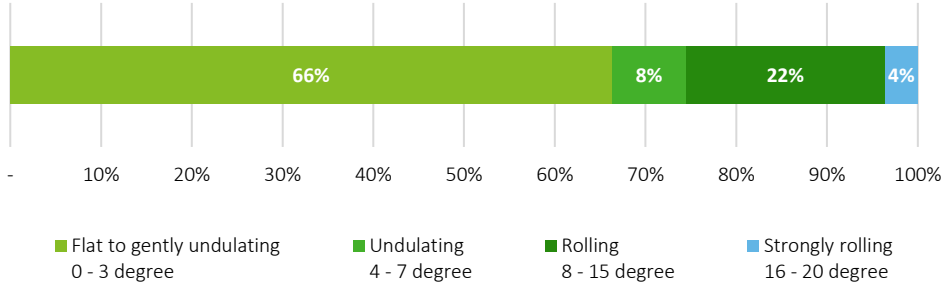
From a land use perspective, this type of environment may be suitable to establish a tourism operation with varying trails and guided walks.

Environmental Analysis

- To further determine the land suitability of the block, an analysis of the environment was undertaken to investigate:
  - Slope;
  - Aspect; and,
  - Topography.

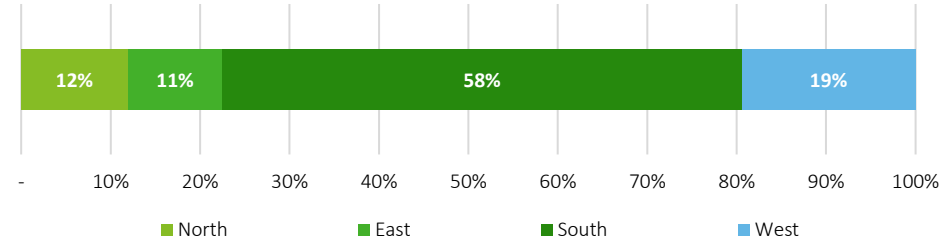
Slope

- Slope affects soil quality, erosion potential, air flow and costs. The chart below indicates how flat or steep the block is on average. Steep land tends to be used for forestry.



Aspect

- The chart below provides the proportion of the whenua that faces in each direction. Westerly aspects (below) achieve less sunlight during the early hours and more so in the evening.



Topography

- The topography of the block is rolling hills of low altitudinal change, and a maximum altitude of approximately 80m above sea level.
- The image below gives a depiction of the cross section from the lodge to the westernmost extent of the Waitutu forest. The terrain is noticeably variable, with steep climbs and descents, however the overall altitude variation across the forest is ~70m from the trough to summit.
- From a land use perspective, this type of topography may be suitable to establish a walking trail with varying grades for learned and more experienced hikers.

Source: ArcGIS mapping

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Location overview

The Southland regional development strategy is targeting an increased number of visitors and spend by 2030 which aligns to incorporation's tourism vision.

Destination Waitutu

- Known for its beautiful and untouched dense podocarp forest located at the southernmost edge of NZ, Waitutu is geographically a natural endowment that may leverage and develop into a tourism destination.
- Based on the incorporation's current revenue streams and fluctuating RoA, diversification of assets and revenue streams into tourism options and diversify as a hedging mechanism to the lodge and managed funds is a key priority.
- Below is an overview of the current tourism infrastructure of the Waitutu area.

Historical and Māori significance

- The Waitutu region, like much of Fiordland, has been of significance to Kāi Tahu and Kāti Māmoe who have historically inhabited and utilised the area. The dense forests and rivers provided resources like timber, food, and navigational routes. The rugged terrain and isolation also made it a place of strategic and cultural importance.
- European exploration of the Fiordland region, including Waitutu, began in the early 18th century. Explorers and navigators like Captain James Cook charted parts of the South Island.
- The 19th-century saw the gold rushes in Otago and Southland which led to increased European interest and exploration in the Fiordland region.
- While Waitutu itself was relatively remote and less directly affected, the influx of settlers and miners had a broad impact on the surrounding areas.
- In the 20th century, as the conservation movement gained momentum, efforts were made to protect Fiordland's natural environment. Waitutu, with its pristine forests and unique ecosystems, became part of the broader conservation initiatives that led to the creation and expansion of Fiordland National Park, established in 1952.
- Today, Waitutu has gained recognition for its natural beauty and outdoor recreational opportunities. Activities such as kayaking, hiking, and eco-tourism have become popular, drawing visitors to experience its remote wilderness.

How far to:	
Wairaurahiri River:	100 m, < 5 minutes
Te Anau:	153 km, 2-day hike plus drive
Invercargill:	138 km, 2-day hike plus drive

Te Anau Township

- Te Anau serves as a gateway to the stunning Milford Sound and Doubtful Sound. The township is known for its dramatic landscapes, abundant wildlife. The largest lake in the South Island, Lake Te Anau is perfect for boating, fishing, and kayaking.
- One of the most popular attractions is the Te Anau glowworm caves offer a unique experience. Visitors can take a guided tour through the caves, marvelling at the bioluminescent glowworms that light up the dark passages.

Southland Regional Development Strategy 2025

- Southland has a story to tell, in fact, it has many stories to tell around distinctive and attractive themes. The opportunity is to position Southland in the minds of New Zealanders, and internationally, based on people, product and experiences.
- The Southland regional development strategy 2025 target of 10,000 more people by 2030. The strategy now looks to increase visitor spend in the Southland from $530m to $1bn by 2025.
- There is a strong correlation between a region's image, its economic strength and perceived liveability.

Key observations

- The areas cultural and historical significance provides authenticity and unique cultural encounters that are highly valued.
- Southland are targeting an increased number of visitors and spend by 2030 which aligns to incorporation's tourism vision.
- The area existing tourism infrastructure requires further investment, however, is a strong foundation to build 'Destination Waitutu'.

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Tourism destination

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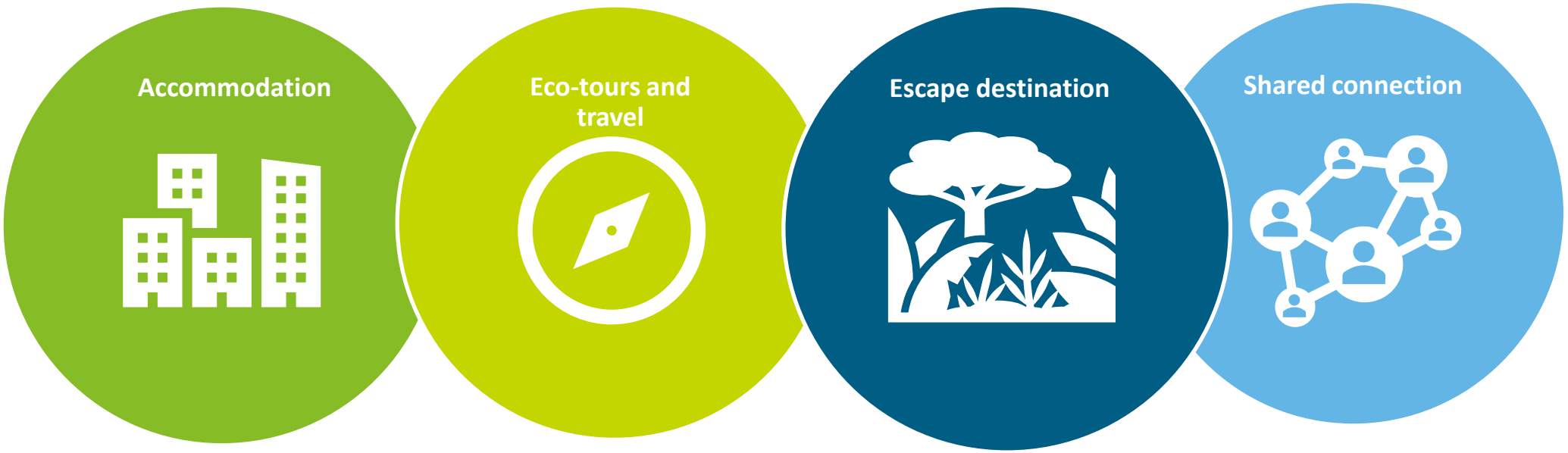
Tourism vision and masterplan

Four focus areas were identified and intended to be explored through the future investment options in the project. Marketing Waitutu as an 'escape' destination leans into the USPs of Waitutu including its remote location away from the noise and distractions of the urban world where people can get away and relax enjoying the natural beauty of the environment that surrounds the Waitutu area.

What are our focus areas



"Accommodation that employs systems that protect the environment from degradation and provides value add tourism products that provides our visitors with the full Southland experience"

"Eco-friendly guided tours and travel options that increase accessibility, and focusses on the history, culture, and environment of Waitutu"

"An escape getaway and destination that works in partnership with other local tourism providers to provide unique packages that enhances our visitor experience"

"Facilities, programmes and tourism products that focus on connecting Waitutu people with the land while also catering for tourist who have an interest in learning about Waitutu history and culture"

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Global tourism trends

Travellers are seeking more immersive experiences that allow them to engage with local cultures, traditions, and communities. Authenticity and unique cultural encounters are highly valued.

Growth in Sustainable Tourism

- The global tourism market has seen a growing emphasis on eco-friendly and sustainable travel and acts as an important catalyst for sustainable tourism developments.
- Tourists are increasingly seeking out destinations and experiences that prioritise environmental conservation, reduce carbon footprints, and support local communities.
- Advances in technology, including AI and data analytics, are enabling more personalised travel experiences. Travellers are looking for tailored recommendations and customised itineraries based on their preferences and past behaviours.
- Digital tools and platforms are increasingly integral to the travel experience. This includes contactless check-ins, virtual tours, and the use of mobile apps for managing travel plans.
- There is a strong interest in health and wellness tourism, including trips focused on relaxation, fitness, and mental well-being. Wellness retreats, spa experiences, and nature-based activities are in demand.
- Travellers are seeking more immersive experiences that allow them to engage with local cultures, traditions, and communities. Authenticity and unique cultural encounters are highly valued.
- Consumer behaviour trends are also shifting from long vacations to shorter, more frequent getaways. This is partly driven by the flexibility of remote work and the desire for quick escapes from daily routines.
- Travellers are exploring less-visited destinations, moving away from traditional tourist hot spots. This trend is driven by the search for unique experiences and the desire to avoid overcrowding.
- These points are particularly relevant for the incorporation's future aspirations.

Global tourism industry

According to IBISWorld (**2024**), the global tourism industry revenue for 2024 was valued at $2.0 trillion (**Tn**), spread across six industry segments including transport, accommodation, hospitality, retail, recreation and others.

Global tourism forecast revenue

Global tourism forecast revenue is expected to increase to $2.4 Tn by 2030, representing a 20% increase from 2024. The increase largely stems from an expected increase in demand after post covid-19 lockdowns.

Share of global revenue

According to IBISWorld (2024), Europe has the largest share of global tourism revenue. This may be due to many major cities being near each other, which is attractive to travellers from a cost and time point of view.

Global sustainable tourism

The global sustainable tourism market was valued at approximately $290 billion in 2023 and is projected to grow at a compound annual growth rate (**CAGR**) of around 8-10% through 2030 which highlights the growth opportunity that this segment has for the incorporation.

Luxury segment

Research from sources such as IBISWorld and Statista highlights that travellers in the luxury and premium segments are particularly inclined to pay a premium for accommodations with high-quality spa facilities. This trend is supported by data showing that luxury travellers are more likely to prioritise wellness and relaxation when choosing destinations.

Technology

The increased utilisation of technology means that tourists are purchasing tourism services online before arriving in the country. This makes online presence for tourism companies especially important to capture this growing market.

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National tourism trends

Travellers are seeking more immersive experiences that allow them to engage with local cultures, traditions, and communities. Authenticity and unique cultural encounters are highly valued.

Growth in New Zealand Tourism

- As reported by IBISWorld (2024) international tourism to NZ has rebounded to 85% of pre-pandemic levels, with expenditure from international tourists in the first-year post-pandemic growing by over 4.5 times compared to pre-pandemic levels.
- The number of travellers to NZ are expected to increase as travellers start to visit family members now that the pandemic restrictions have been lifted.
- In 2019, NZ welcomed approximately 3.9m international visitors. The Covid-19 pandemic significantly impacted these numbers, but as of 2023, international visitor arrivals rebounded to around 2.5m, reflecting ongoing recovery.
- Key source markets include Australia, China, the United States, the United Kingdom, and Germany. Australia remains the largest source of international visitors.
- Domestic tourism is a significant component of the NZ tourism sector. In 2022, domestic travellers accounted for approximately 46m trips, reflecting strong local travel activity.
- According to Statistics NZ, the average spend per international visitor was approximately NZD $225 to $275 per day in 2019. This includes spending on accommodation, dining, activities, and transportation. Domestic tourists tend to spend less per day, with average daily expenditure around NZD $100 to $150.
- These points are particularly relevant for the incorporation's future aspirations and ability to capture both international and domestic travellers and spend.

Tourism industry

According to IBISWorld (2024), NZ's tourism industry revenue was valued at $45.5bn across the six industry segments including transport, accommodation, hospitality, retail, recreation and others. The premium sector of the tourism industry also features across all six segments. National tourism revenue is expected to $50.2bn by 2030, which is a forecast increase of 10.3%.

Contribution to GDP

In 2019, tourism contributed about NZD $16.2bn to New Zealand's GDP, which was around 5.5% of the total GDP. As of late 2023, tourism's contribution to GDP has been recovering, with estimates around NZD 13-14 billion, still reflecting the sector's importance despite the pandemic's impact.

Tourism products and segments

NZ tourism revenue is split by retail ($16.2bn), transport ($9.0bn), accommodation ($5.2bn), hospitality ($5.1bn), recreation ($2.6bn), and other products and services ($7.4bn).

Tourism NZ

Tourism NZ (TNZ) (2017) developed a premium tourism strategy aimed at improving NZ's reputation as a luxury destination on the global stage and attract high and ultra-high net worth individuals to travel NZ. These points are particularly relevant for the incorporation's future aspirations to develop a new luxury accommodation option as an alternative to the lodge.

Recent government announcements

The international tourism levy charged to visitors travelling to NZ will increase to $100 – which is a jump of almost 200%. Government believes will help boost economic growth and support conservation.

Tourism spend

In 2023, international travellers arrived from Germany, the United States, the United Kingdom and China, often staying for long periods of time with a high expenditure. However, it is expenditure from international tourists is expected to remain slightly below pre-pandemic levels despite continuous growth in the foreign market.

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Southland regions tourism trends

Travellers are seeking more immersive experiences that allow them to engage with local cultures, traditions, and communities. Authenticity and unique cultural encounters are highly valued.

Growth in New Zealand Tourism

- Pre-Covid-19, approximately 700k visitors travelled to Southland and Fiordland annually. Visitor numbers declined during the pandemic to 236k. Of this total, Southland received 586k of the visitors including domestic and international tourists. In 2023, visitors to the Southland region rebounded back to 640k which shows that the Southland tourism sector is recovering. This reflects the region's appeal as a destination for outdoor and nature-based activities.
- According to Stats NZ, in 2023 Southland made up 2% ($270m) of NZ's total tourism electronic card transaction expenditure.
- In 2023, Southland's largest spend category was in retail sales (35%), followed by food and beverage (31%) and accommodation services (16%).
- The trend for the Southland region is like the global and national tourism revenues, with revenue peaking in at the beginning of 2020 at $382m, and decreasing to $270m by 2023, however, the forecast expects this to increase beyond pre-covid levels.
- Alongside the forecast growth from tourist numbers, there are strategies in place to develop Southland. The Southland regional development strategy action plan 2015 – 2025 sets out future priorities. An outcome of this action plan is to increase revenue in the region to $1.0bn by 2025.
- From the global and national tourism sector forecast revenues, it suggests that accommodation, and transport are large contributors to overall revenue and will be even bigger in the future. These stand out as potential opportunities within the tourism sector.

Southland tourism trends

Accommodation occupancy rates in Southland vary seasonally, with peak periods during summer and the winter holidays. The average daily rate for accommodation in Southland has seen fluctuations based on demand and seasonal trends. Pricing tends to be higher in peak seasons and in popular areas like Fiordland.

Sustainable Tourism

There is an increasing focus on sustainable tourism practices in Southland, including eco-friendly accommodations and conservation initiatives. Visitors are increasingly seeking unique, nature-based experiences, which Southland is well-positioned to offer through its outdoor activities and natural landscapes.

Southern scenic route

Accessibility in the Southland and to Waitutu is key. The Southern Scenic Route is a tourist highway in New Zealand that connects Queenstown, Fiordland, Te Anau, and the iconic Milford Road to Dunedin via Riverton, Invercargill, and The Catlins. It is a 600+ km driving route that offers some of the most spectacular scenery in NZ.

Future outlook

Southland is focusing on rebuilding and growing its tourism sector post-pandemic, with strategies to attract both domestic and international tourists. Continued investment in tourism infrastructure and marketing will be key to supporting the region's recovery and growth.

Technology

As technology is being adopted by major tourism operators, such as Air NZ, this provides an opportunity for other tourism operators to partner or joint venture to increase their exposure to international or domestic tourists.

Challenges and threats

The remote nature of some Southland areas can pose challenges for accessibility and infrastructure development. However, it also offers opportunities for niche tourism markets seeking off-the-beaten-path experiences. Weather conditions in Southland can be variable, impacting travel plans and activities. Providing flexible booking options and clear information about weather conditions can help manage visitor expectations.

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Future investment options

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The lodge | Development of basic infrastructure

Certain infrastructure has been identified by the committee as priority to bring the current state of the lodge to a state that can be marketed towards tourism. This includes upgrading the lodge itself and access to the block.

EXAMPLE IMAGE: Waitutu Forest Lodge website

EXAMPLE IMAGE: Google Search: Water Turbine Pump

EXAMPLE IMAGE: Google Search: Solar Panels

Upgrades to infrastructure

- Other than the four future investment options, it was identified that there are essential infrastructure that required upgrades or implementation on the whenua and at the lodge. This was because either the existing infrastructure was not meeting its requirements, or the necessary infrastructure was not present in the whenua's current state.

Description	Why is it needed?
Room upgrades and interior refurbishments	The lodge boasts a backpacker-style lodge designed to cater to budget-conscious travellers who are seeking affordable and flexible accommodation. Certain infrastructure has been identified by the committee as priority to bring the current state of the lodge to a state that can be marketed towards tourism. This includes basic room upgrades and interior refurbishments that add to the attractiveness of a tourism destination.
Upgrades to current toilets and septic tank system	The current septic tank system is not up to the functional or modern standard that is required of a tourism operator. This is heavily impacting on the ability to operate functioning facilities which also plays an important role in adding to the attractiveness of a tourism destination, going so far as to influencing tourists' decision-making to visit destinations.
Power generation	Power is another essential utility that needs to be resolved and needs to be improved with a focus on producing cleaner methods of electricity generation and the conservation of energy. Energy saving has been considered an important area of environmental management in tourism due to the considerable energy consumption by operations in the industry. The likely energy consumption for Waitutu include heating to both the lodge and the new accommodation facilities, heating, cooling, ventilation, lighting, kitchen, recreation and other miscellaneous uses across the investment options which all need consideration. Potential energy generating options could include solar powered panels, harnessing the geothermal energy of the island and using electricity generators.
Water pumps /turbine	Having adequate supply of running water that is functional across all investment options is essential for the success of the tourism vision and plan. Water will be utilised for kitchen, drinking laundry and toilets.
Walking track improvements	The current walking tracks surrounding the lodge need to be improved and cleared. This includes trimming of the surrounding bushes, and development of better footpaths to ensure safety of visitors.

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The ‘new’ lodge expansion | Entry into the luxury market segment

A new accommodation offering will broaden the incorporation's target market to include luxury tourists by providing high quality accommodation options for overnight guests to stay and connect with the whenua.

EXAMPLE IMAGE: google image search

EXAMPLE IMAGE: google image search

EXAMPLE IMAGE: Waitutu Forest Lodge website

Description

- An exclusive luxury accommodation nestled in the heart of Waitutu, a new lodge expansion (the new lodge) will offer an unparalleled blend of elegance, comfort, and natural beauty. Designed with meticulous attention to detail, the lodge features a distinctive architectural style that harmonises with the Southland surroundings.
- From personalised concierge services to exclusive guided tours, every aspect of the guest experience will be designed to provide unparalleled comfort and indulgence. With its commitment to exceptional service and unique offerings, the new lodge will be poised to become the premier destination for discerning travellers seeking a once-in-a-lifetime experience.
- With an assumed capacity to accommodate between 32 to 40 guests, the new lodge will offer a unique culinary experience, showcasing local produce such as paua, crayfish, mussels, blue cod, deer, and wild pork. This offering will be a key selling point, appealing to visitors seeking an authentic taste of Southland's natural resources.
- A key element that makes this build attractive is its passive nature whereby the incorporation's management and operation of the new lodge will be minimal as this function will be assumed by another leasing party. This can generate steady cashflows and eliminate the time-consuming nature of operating a newly constructed lodge and allow the committee to focus on the other product offerings. Establishing a new lodge will increase the number of visitors to the Waitutu area and create synergies with other options and the existing lodge as the increase in visitors is likely to boost the intake of visitors to the incorporation's other tourism product offerings.
- The accommodation options that will be available for booking at the new lodge will be:

  16 luxurious private suites

  Four (4) high-end villas to accommodate up to four people

  One (1) bespoke lodge to accommodate up to eight people

Key components

Culture | **Premium accommodation** | **Storytelling**

Target market

- High-end international recreational tourists
- High-end domestic recreational tourists
- 50+ year old couples and groups

Economic and social benefits

- Greater quality infrastructure
- Passive investments and steady cashflows
- Broader opportunities for job creation

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Glamping

A glamping accommodation option will allow Waitutu to generate income, with a relatively low capital investment. The accommodation options that will be available for booking include 10 glamping tents.

Example image Google search glamping

Example image Google search glamping

Example image Google search glamping

Description

- Glamping appeals to travellers seeking unique, high-quality outdoor experiences without sacrificing luxury. This trend is reflected in the growing number of high-end glamping facilities offering premium services.
- Glamping does not have a solidified definition, however, the social construct of glamping is the idea of a luxurious tent-style structure, such as domes and bell tents. Glamping is a way for visitors to get back in touch with nature and experience the beauty and freedom of nature without being deprived of basic comforts, like commercial accommodation and include modern amenities like beds, toiletries, kitchen appliances and toilets. Larger high scale options can also be utilised as a low impact development but allow visitors more comfort and luxury.
- Strategically situated nearby and utilising the lodge's existing amenities and infrastructure, while offering a luxurious, nature-inspired sleeping environment. The glamping accommodation offering at Waitutu will provide high quality accommodation options for overnight guests to stay that could complement the lodge and Waitutu as a tourism destination. The unique selling propositions of Waitutu also make it an ideal location for a glamping offering.
- The scale of development depends on the varying quality of potential glamping options. Potential options range from low scale glamping tents to high scale chalets. Consideration must be given to the type of glamping the incorporation would like to explore i.e., low scale vs. high scale.
- A glamping accommodation option will allow Waitutu to generate income, with a relatively low capital investment. The accommodation options that will be available for booking include 10 glamping tents.

Key components

Culture

Premium accommodation

Storytelling

Target market

- Mid-end international recreational tourists
- Mid-end domestic recreational tourists
- 33 to 50-year-old couples and groups
- Adventure tourist

Economic and social benefits

- Greater quality infrastructure
- Passive investments and steady cashflows
- Broader opportunities for job creation
- Diversified accommodation cashflows

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Guided walks

Walking trails are classified as 'adventure tourism' and abundant in the Waitutu area, with the Hump Ridge and South Coast Tracks popular hiking options that lead right to the lodge and Waitutu forest.

Example image Waitutu Forest Lodge website

Example image Waitutu Forest Lodge website

Example image Waitutu Forest Lodge website

Description

- Walking trails are classified as 'adventure tourism' and abundant in the Waitutu area, with the Hump Ridge and South Coast Tracks popular hiking options that lead right to the lodge and Waitutu forest. As a result, the committee identified 'guided walks' as an additional tourism product of the lodge.
- Adventure tourism is one of the fastest growing tourism sectors. Adventure travel is increasingly becoming more accessible and catering towards a wider client base. 50+ year-old travellers are starting to be more interested in this market niche. More companies are promoting tours geared towards fit and mobile older folks offering trail tours and "soft adventure" experiences.
- Guided walk tours that accommodate the 50+ year old customer base operate the same as a standard guided tour but may decrease the difficulty of the hike by decreasing the distance walked per day and including fewer elevation gains. Companies also offer guided walks not specifically designed for older travellers but will feature options so travellers can choose the pace they wish to travel at.
- The 50+ demographic have the finances and time to enjoy a great walk experience but may look to enjoy higher grade accommodation and food offering at the end of each day.
- Waitutu may look to build a walking trail as a stand-alone development or work in partnership with other providers which could attract more visitors to the lodge. Further market feasibility will be required to determine the level of regulatory requirements that exist within this segment of the tourism industry and the impact this may have on Waitutu operationalising a great walk/guided tour activity on the land.
- Local expertise and story boards may be developed and drawn on to share the rich history of the area to increase market value.
- Self-guided or premium packages including a great walk could be considerations for a Waitutu 'great walk', similar to the Hump Ridge track's operating model. Consideration must be given to the size of the land and the total length of the walk to meet market demand i.e. will the walk be long enough for visitors to enjoy?

Key components

Culture | Tour groups | Storytelling

Target market

- High to mid-end international recreational tourists
- High to mid-end domestic recreational tourists
- 50+ year old couples and groups
- Adventure tourist

Economic and social benefits

- Greater control of access to the land and limit visitor traffic flow (low ecological footprint).
- Opportunities for employment.
- Opportunity to tell Waitutu's story

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Jet boat tours

Operating a jet boat on the Wairaurahiri river would provide Waitutu with a transport option, providing improved accessibility to the location, alongside an adventure tourism experience for visitors to enjoy.

Example image: Waitutu Forest Lodge website

Example image Google search Jet Boat Tours

Example image: Waitutu Forest Lodge website

Description

- To increase/ control access to the Waitutu area and Waitutu tourism destination, the incorporation may look to partner with or set up a jet boat or charter boat tour operation to transport visitors to and from the area. This option is a key complementary service to Waitutu as a tourist attraction which will greatly increase access to Waitutu for all visitors.
- Jet boats are a popular tourist attraction, providing an exhilarating experience typically located in areas of outstanding natural beauty. Given the incorporation's USP's including its remote location, natural beauty and neighbouring the Wairaurahiri river, this option makes for its an ideal future investment option.
- The Jet boat tours would provide visitors with transport to and from the Waitutu tourism destination, departing from Lake Hauroko and taken down to the end of the Wairaurahiri River including a tour guide/ driver highlighting items of interest, sharing stories and legends of Waitutu and the surrounding areas.
- After taking in the natural beauty visitors may opt to enjoy the offerings of the Waitutu tourism venture or can return to the beginning of Lake Hauroko. Coupling the jet boat tours with the other tourism offerings increases the potential price point for the incorporation.
- Currently, there are only two jet boat tour companies, both operating on the Wairaurahiri River, which is the neighbouring river to Waitutu. Operated by Wairaurahiri Wilderness Jet and Wairaurahiri Jet, both tours begin on Lake Hauroko and are taken down to the end of the Wairaurahiri river. Should Waitutu look to explore this option further, a commercial jet boat river driver license and a commercial jet board operator certificate will be required to operate a commercial jet boat.
- Based on data from the Ministry of Business, Innovation and Enterprise, the Southland region records an annual tourism expenditure of $721m as of October 2023. Within this, spending in the cultural, recreational, and regional tourism organisations (RTOs), 'Visit Fiordland' and 'Visit Southland' report, the annual spend on recreational activities including jet boat tours amounted to $43m.

Key components

Culture | Thrilling adventure | Storytelling

Target market

- High to mid-end international recreational tourists
- High to mid-end domestic recreational tourists
- Adventure/ thrill seeker tourist

Economic and social benefits

- Opportunities for employment.
- Opportunity to tell Waitutu's story
- Control of access to Waitutu's land.

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An integrated selling proposition

The key objectives for development in Waitutu include preserving the ecology of the forest, having the committee control and choice over operations on the island from a governance level, achieving economic sustainability and empowering the people of the Iwi and hapū.

Creating Destination Waitutu

Key observation

- To unlock the potential that lies throughout the rohe, the incorporation has indicated an interest in transforming this visitor experience from a single enterprise to an integrated visitor experience that boasts the qualities of the region while creating synergies across the different ventures.

An integrated selling proposition

- Drawing from the incorporation's USPs and future investments, there's an opportunity to create a vibrant tourism hub blending natural beauty, cultural richness, and luxury in Waitutu (**Destination Waitutu**). Nestled in the southern coast of Southland, Destination Waitutu offers high-end to low-end accommodations, adventurous outdoor activities, and immersive cultural experiences. Visitors can explore landscapes through guided hikes and tours, enjoy accommodations from eco-friendly glamping to opulent suites, and indulge in gourmet local cuisine.
- With convenient transportation and a focus on sustainable tourism, Destination Waitutu will provide an unforgettable experience catering to diverse interests—relaxation, adventure, or cultural discovery. Establishing tourism options in this remote region will enhance visitor numbers to the Southland.
- However, operating a single business in Waitutu faces challenges like limited access, reduced appeal without complementary amenities, and higher operational costs. Integrating accommodation, dining, and activities creates a comprehensive visitor experience, encouraging longer stays and synergies between offerings, enhancing desirability and sustainability. Layering multiple experiences on the incorporation's whenua creates an immersive visitor experience, encouraging satisfied visitors to promote it and attracting a wider audience. This layered proposition reduces dependence on any single tourism aspect.
- Three potential tourism portfolio options are packaged below and driven by the type of accommodation option available, followed by the transportation option required and tourism experiences available for the duration of the consumers stay in Waitutu. These options are outline below and further explained on the following pages include.

01 **Option 1:** to develop a new luxury lodge to be leased by an external operator, alongside the introduction of a guided walks tourism experience, and jet boat tourism experience/transport option. Please note for the purpose of the report and project, the financial analyses completed for the new lodge accommodation option is based on the incorporation developing the lodge and leasing the lodge to an experienced external party to manage and operate in exchange for an annual lease payment. Early conversations from Hump Ridge operator confirmed that there is appetite for an arrangement of this nature.

02 **Option 2**: to upgrade the existing Waitutu Forest Lodge, alongside the introduction of a guided walks tourism experience, and jet boat tourism experience/transport option.

03 **Option 3:** to develop a Glamping operation, alongside the introduction of a guided walks tourism experience, and Jet boat tourism experience/transport option.

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Financial analysis

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Option 1 | New lodge, transport and tourism experiences

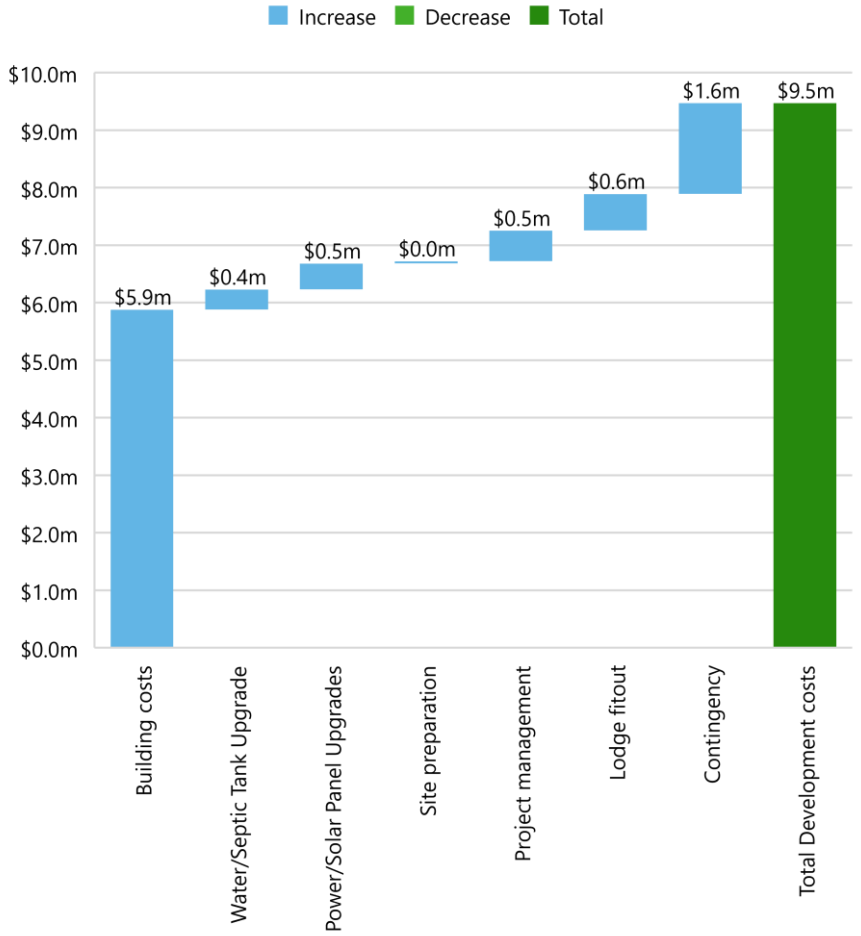
General Assumptions

- A financial model was developed to determine the economic viability of establishing a new luxury lodge, with transport options provided through the jet boat tourism operation, and tourism experiences including jet boat tours and guided walks. It should be noted that other transport options for the high-end consumer may include helicopter transportation to and from the lodge, and is offered in and around the Waitutu area, however, for the purpose of this analysis, we have not considered these additional transportation options.

Assumption	Input
Modelled period	10 years
CPI (Inflation) rate	2.0%
Discount rate (Weight Average Cost of Capital (**WACC**))	40.0%
Lodge occupancy	20.0%
Full-time Employee Equivalent (**FTEs**) – jet boat	2
FTEs – guided walks	2
Luxurious private suites ($700 per room)	16
High-end villas ($2,800 per room)	4
Bespoke lodge ($5,600 per room)	1
Days available	350
Repairs and maintenance (% of development costs)	2.0%
Build costs including site preparation	$5.9m
Water/Power/Solar panels and Septic tank upgrades	$802.0k
Project management	$530.0k
Lodge fitout	$640.0k
Contingency (% of all other development costs)	20.0%
Total capital required	$9.6m
Repairs and maintenance (% of development costs)	2.0%
Assumed annual lease payment (increasing by CPI per annum)	$1.7m
Jet boat tourism conversion rate (% of accommodation guests)	50.0%
Guided walks conversion rate (% of accommodation guests)	50.0%
Tourism experience conversion (% attracted by other experience)	7.3%

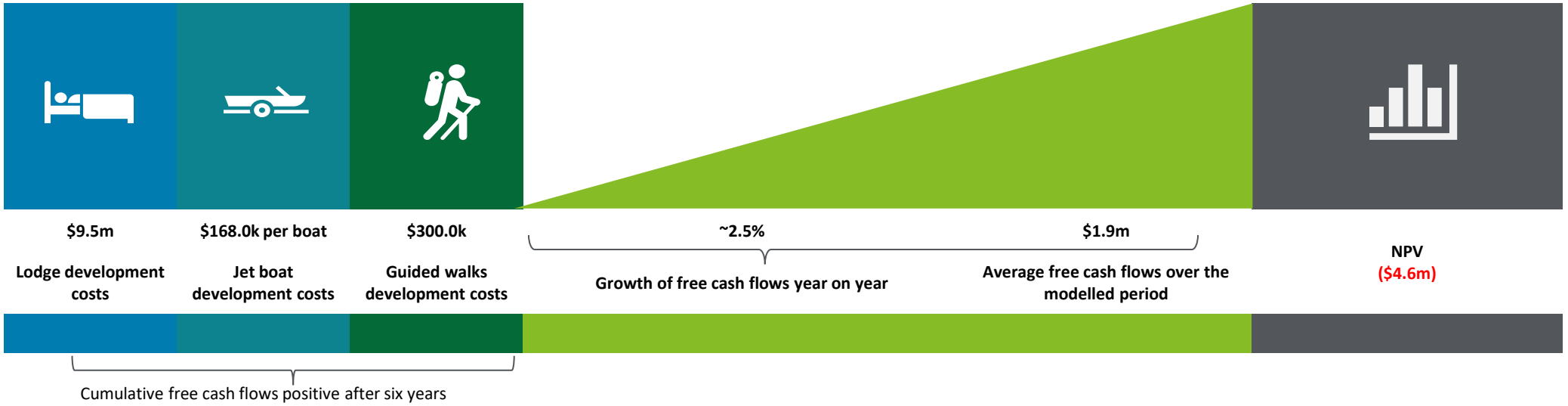
Development Costs

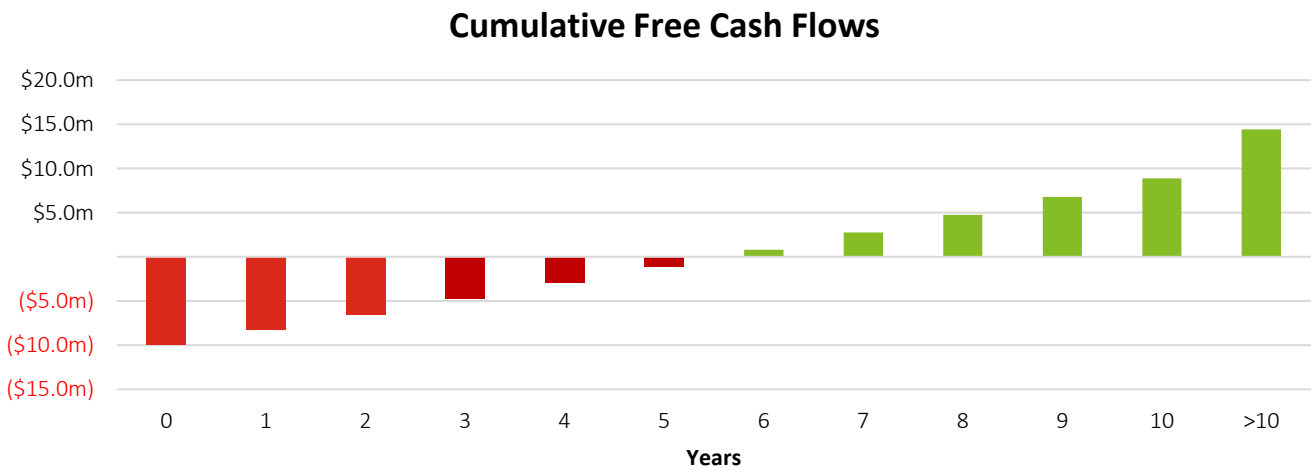
- Development costs for option 1 total $9.5m and outlined below. Other assumptions were made that materially impact the output of the modelling. These assumptions are as follows:
  - $140.0k of capital expenditure is required to set up the jet boat operation with one boat with a 20.0% contingency, totalling $168.0k.
  - $250.0k capital requirement to set up the guided walks operation with a 20.0% contingency, totalling $300.0k.



Option 1 | Snapshot of the financial feasibility results

Over the modelled 10-year period under the assumptions, option 1 is forecast to achieve positive cashflows from year one onwards. Despite this, NPV of ($4.6m), when considering the time value of money, suggests that option 1 may not be profitable. This result is driven by the 40.0% discount rate applied to the financial modelling. Broadly, the discount rate is the minimum return Waitutu should expect to receive when factoring in the high level of risk associated with a new luxury lodge development and adventure tourism experiences. Given that the option has high development risks associated with a new luxury lodge and tourism experiences in their early stages, and the incorporation has limited development and operational experience and capabilities in this space, a discount rate of 40.0% is considered appropriate with benchmark data sourced from publicly available academic journals and developments of a similar nature. For option 1 to return a positive NPV at this required rate of return of 40.0%, the occupancy rate for the new lodge would need to be greater than 34.1%. Over the modelled 10-year period, the luxury lodge and tourism experiences has a payback period of 5.6 years. Despite having a positive IRR result of 18.1%, this is considered low when compared to the hurdle rate/discount rate of 40.0%.





Financial Key Performance Metrics (KPI's)	
Net Present Value (**NPV**)	($4.6m)
Internal Rate of Return (**IRR**)	18.3%
Payback Period (**PBP**)	5.6 years
Annual Return on Investment (**RoI**)	19.2%
Break-even point (in terms of positive NPV) - occupancy rate required	34.1%

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Option 1 | Sensitivity analysis

Net Present Value

- The analysis below illustrates how sensitive the NPV of option 1 is to changes in the occupancy rate of the lodge accommodation and is considerably less sensitive to changes in the price of the accommodation.
- A decrease in the occupancy rate from the base case assumption of 20.0% to 10.0% will result in a negative NPV result of ($7.3m). A 10% increase occupancy to 30% will increase NPV to ($1.9m).
- When compared to a change in occupancy rates, pricing does not have a significant impact on the NPV result of option 1. A decrease in the price from the base case assumption of $1,300 to $900, and all other assumptions remain constant, will result in a NPV of ($6.3m). An increase in price to $1,700 will increase NPV to ($3.0m).
- Option 1 requires an occupancy rate of 30.0% and price per person of $1,700 to achieve a positive NPV. All combinations below this level on both variables results in a negative NPV, which can be seen on the table as the values in red.
- The break-even point for this option where the NPV is equal to zero at the base price of $1,300 per person requires a 34.1% occupancy rate of the lodge's 40 occupiable spaces.

Internal Rate of Return

- The analysis below illustrates how sensitive the IRR of option 1 is to changes in the occupancy rate of the lodge accommodation and is considerably less sensitive to changes in the price of the accommodation.
- For the project to be viewed as successful, the IRR would need to exceed the discount rate (40.0%). IRR is the discount rate at which the NPV is equal to zero.
- A decrease in the occupancy rate from the base case assumption of 20.0% to 10.0% will result in a IRR result of 3.3%. A 10% increase in occupancy will increase IRR to 31.1%.
- When compared to a change in occupancy rates, pricing does not have a significant impact on the IRR. A decrease in the base case price assumption of $1,300 to $900, and all other assumptions remain constant, will result in an IRR to 9.6%, and a price increase to $1,700 will increase the IRR result to 26.3%.
- Option 1 requires an occupancy rate of 30.0% and price per person of $1,700 to achieve a positive IRR of 42.7%, exceeding the discount rate of 40.0%. All combinations below this level on both variables results in an IRR that does not exceed the discount rate. On the table, these can be seen as the values in red.
- The break-even point for this option where the IRR meets the discount rate at the base price of $1,300 per person requires a 34.1% occupancy rate of the lodge's 40 occupiable spaces.

	NPV	Occupancy rate				
	($4.6m)	10.0%	15.0%	20.0%	25.0%	30.0%
Price per room	$900	($8.2m)	($7.2m)	($6.3m)	($5.4m)	($4.4m)
	$1,100	($7.8m)	($6.6m)	($5.5m)	($4.3m)	($3.2m)
	$1,300	($7.3m)	($6.0m)	($4.6m)	($3.3m)	($1.9m)
	$1,500	($6.9m)	($5.4m)	($3.8m)	($2.2m)	($0.7m)
	$1,700	($6.5m)	($4.7m)	($3.0m)	($1.2m)	$0.6m

	IRR	Occupancy rate				
	18.3%	10.0%	15.0%	20.0%	25.0%	30.0%
Price per room	$900	(2.7%)	4.0%	9.6%	14.6%	19.3%
	$1,100	0.4%	7.8%	14.1%	19.8%	25.3%
	$1,300	3.3%	11.3%	18.3%	24.8%	31.1%
	$1,500	5.9%	14.6%	22.3%	29.7%	36.9%
	$1,700	8.4%	17.8%	26.3%	34.5%	42.7%

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Option 2 | Existing lodge, transport and tourism experiences

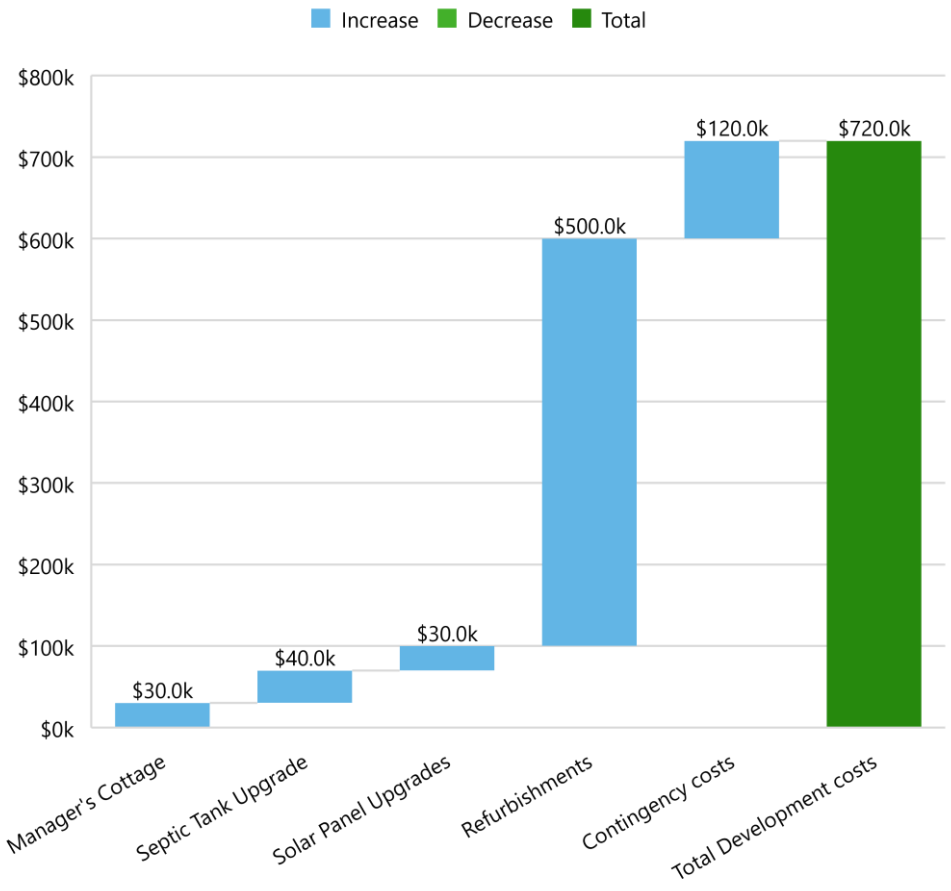
General Assumptions

- A financial model has been developed to determine the economic viability of upgrading the existing lodge, with transport options provided through the jet boat tourism operation, and tourism experiences on offer including jet boat tours and guided walks. Prior research on the industry was conducted to gather the foundational assumptions, which are outlined below.

Assumption	Input
Modelled period	10 years
CPI (inflation) rate	2.0%
Discount rate (WACC)	40.0%
Lodge occupancy	25.0%
Pricing (per person per night)	$150
Days available	350
Rooms available	21 rooms
FTEs – Lodge	1
FTEs – Jet boat	2
FTEs – Guided walks	2
Cost of sales (% of revenue)	14.4%
Occupancy (% of revenue)	29.7%
Administration (% of revenue)	4.0%
Advertising and promotion (% of revenue)	2.0%
Plant and equipment (% of revenue)	6.6%
Phone, fax and communication (% of revenue)	1.3%
Other expenses	8.2%
Total capital required	$720.0k
Jet boat transport conversion rate (% of accommodation guests)	50.0%
Jet boat tourism conversion rate (% of accommodation guests)	25.0%
Guided walks conversion rate (% of accommodation guests)	25.0%
Tourism experience conversion (% attracted by other experience)	7.3%

Development Costs

- Development costs for option 2 total $720.0k and outlined below. Other assumptions were made that materially impact the output of the modelling. These assumptions are as follows:
  - $140.0k capital expenditure requirement to set up the jet boat operation with one boat with a 20.0% contingency, totalling $168.0k.
  - $250.0k capital requirement to set up the guided walks operation with a 20.0% contingency, totalling $300.0k.



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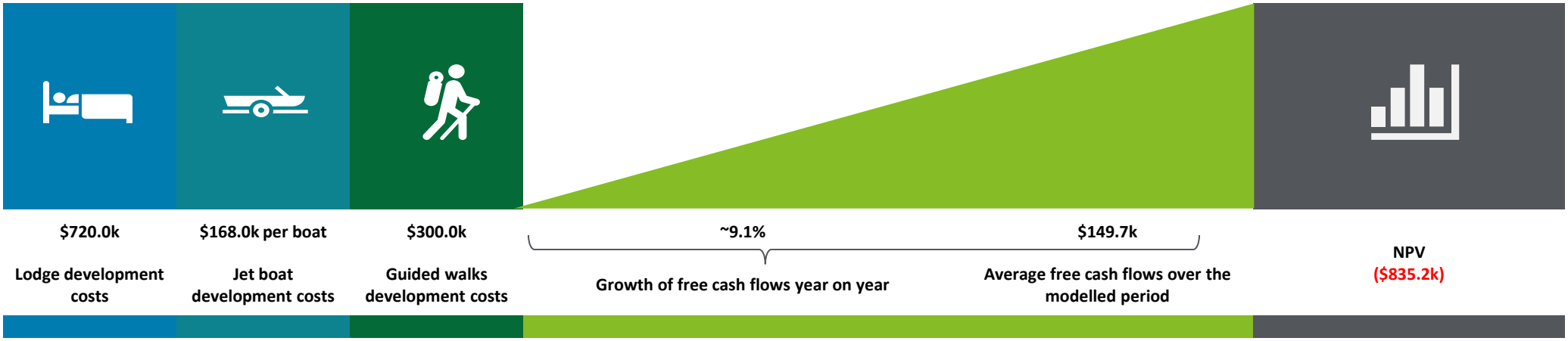
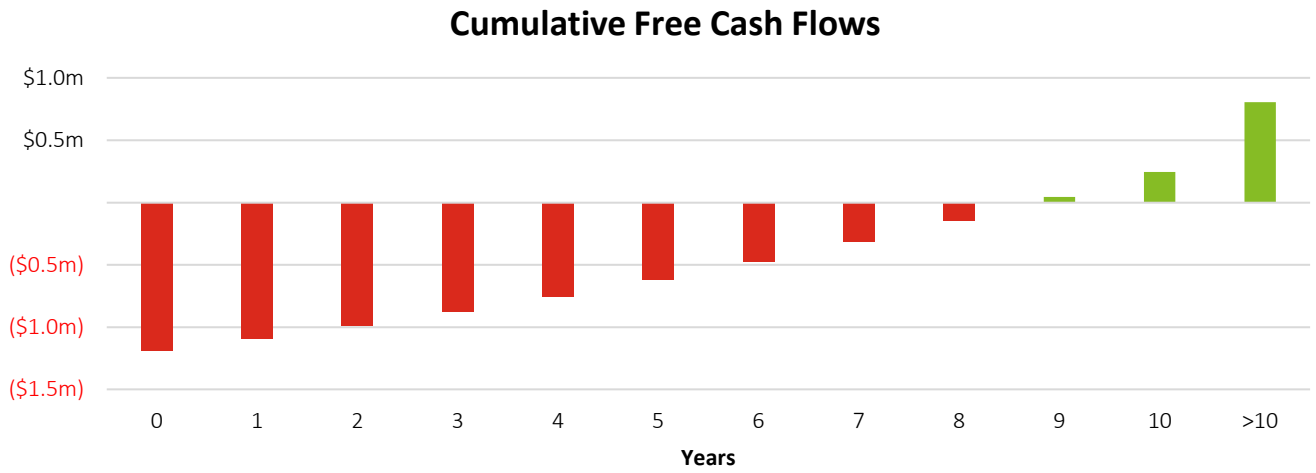
Option 2 | Snapshot of the financial feasibility results

Over the modelled 10-year period under the assumptions, option 2 is forecast to achieve positive cashflows from year one onwards. Despite this, NPV of ($835.2k), when considering the time value of money, suggests that option 2 may not be profitable. This result is driven by the 40.0% discount rate applied to the financial modelling. Broadly, the discount rate is the minimum return Waitutu should expect to receive when factoring in the high level of risk associated with development of the adventure tourism experiences and upgrades to the existing lodge. Given that the option has high development risks associated with tourism experiences in their early stages, and the incorporation has limited development and operational experience and capabilities in this space, a discount rate of 40.0% is considered appropriate with benchmark data sourced from publicly available academic journals and developments of a similar nature. For option 2 to return a positive NPV at this required rate of return of 40.0%, the occupancy rate for the existing lodge would need to be greater than 41.2%. Over the modelled 10-year period, the luxury lodge and tourism experiences has a payback period of 8.8 years. Despite having a positive IRR result of 8.4%, this is considered low when compared to the hurdle rate/discount rate of 40.0%.





KPI's	
NPV	($835.2k)
IRR	8.4%
PBP	8.8 years
Annual RoI	12.6%
Break-even point (in terms of positive NPV)- occupancy rate required	41.2%

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Option 2 | Sensitivity analysis

Net Present Value

- The analysis below illustrates how sensitive the NPV of option 2 is to changes in the occupancy rate and pricing set for the existing lodge once upgrades are complete.
- A decrease in the occupancy of the lodge from the base case assumption of 25.0% to 15.0% produce a negative NPV result of ($1.2m). A 10.0% increase of occupancy to 35.0% will result in an NPV of ($0.5m).
- When compared to a change in occupancy rates, pricing has a more significant impact on the NPV result. A decrease in base case pricing (from $150 to $50) and all other assumptions remain constant will decrease the NPV from ($0.8m) to ($1.5m), and an increase in the price to $250 will result an NPV of ($0.2m).
- Option 2 requires an occupancy rate 30.0% and price per person of $250 to achieve a positive NPV result. All combinations below this level on both variables results in a negative NPV, which can be seen on the table as the values in red.
- The break-even point for this option where the NPV is equal to zero at the base price of $150 per person requires a 41.2% occupancy rate of the lodge's 21 occupiable spaces.

Internal Rate of Return

- The analysis below illustrates how sensitive the IRR of option 2 is to changes in the occupancy rate and pricing set for the existing lodge once upgrades are complete.
- For the project to be viewed as successful, the IRR would need to exceed the discount rate (40.0%). IRR is the discount rate at which the NPV is equal to zero.
- A decrease in the occupancy of the lodge from the base case assumption of 25.0% to 15.0% will result in a decline of the IRR from 8.4% to (17.2%). An equivalent increase in the occupancy would boost the IRR to 23.5%.
- In comparison, the changes in pricing of the lodge have a more significant impact on the IRR than changes to the occupancy rate. A decrease in the price of the accommodation to $50, and all other assumptions remain constant will not produce an IRR due to no positive cash flows, and an increase in the price to $250 will increase IRR to 32.5%.
- Option 2 requires an occupancy rate of 30.0% and price per person of $250 to achieve an IRR result of 43.8%, exceeding the discount rate of 40.0%. All combinations below this level on both variables results in an IRR that does not exceed the discount rate. These results can be seen in the table below.
- The break-even point for this option where the IRR meets the discount rate at the base price of $150 per person requires a 41.2% occupancy rate of the lodge's 21 occupiable spaces.

	NPV	Occupancy rate				
	($0.8m)	15.0%	20.0%	25.0%	30.0%	35.0%
Price per person	$50	($1.6m)	($1.5m)	($1.5m)	($1.4m)	($1.3m)
	$100	($1.4m)	($1.3m)	($1.1m)	($1.0m)	($0.9m)
	$150	($1.2m)	($1.0m)	($0.8m)	($0.6m)	($0.5m)
	$200	($1.0m)	($0.8m)	($0.5m)	($0.3m)	($0.0m)
	$250	($0.8m)	($0.5m)	($0.2m)	$0.1m	$0.4m

	IRR	Occupancy rate				
	8.4%	15.0%	20.0%	25.0%	30.0%	35.0%
Price per person	$50	N/A	N/A	N/A	N/A	N/A
	$100	N/A	(30.3%)	(10.4%)	(1.3%)	5.5%
	$150	(17.2%)	(1.3%)	8.4%	16.3%	23.5%
	$200	(1.3%)	11.2%	21.1%	30.3%	39.3%
	$250	8.4%	21.1%	32.5%	43.8%	55.4%

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Option 3 | Glamping, transport and tourism experiences

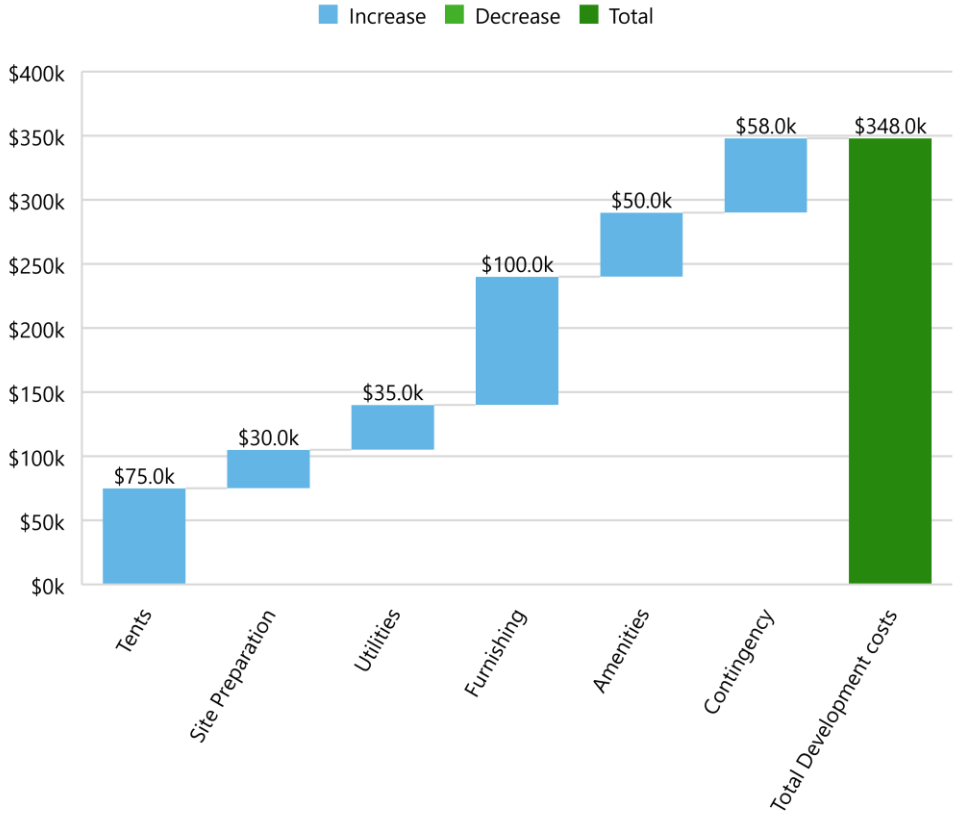
General Assumptions

- A financial model has been developed to determine the economic viability of constructing a glamping accommodation option, with transport options provided through the jet boat tourism operation, and tourism experiences on offer including jet boat tours and guided walks. Prior research on the industry was conducted to gather the foundational assumptions, which are outlined below.

Assumption	Input
Modelled period	10 years
CPI (Inflation) Rate	2.0%
Discount Rate (WACC)	40.0%
Glamping occupancy	20.0%
Pricing (per tent per night)	$309
Days available	350
Tents	10
FTEs – Glamping	0.6
FTEs – Jet boat	2
FTEs – guided walks	2
Repairs and maintenance (increasing annually by CPI)	$800 per tent
Administration (% of revenue)	4.0%
Advertising and promotion (% of revenue)	2.0%
Occupancy expenses (% of revenue)	13.4%
Phone, fax & communication (% of revenue)	1.3%
Other expenses	8.1%
Total capital required	$348.0k
Jet boat transport conversion rate (% of accommodation guests)	50.0%
Jet boat tourism conversion rate (% of accommodation guests)	25.0%
Guided walks conversion rate (% of accommodation guests)	25.0%
Tourism experience conversion (% attracted by other experience)	7.3%

Development Costs

- Other assumptions were made that materially impact the output of the modelling. These assumptions are as follows:
  - $140.0k capital expenditure requirement to set up the jet boat operation with one boat with a 20.0% contingency, totalling $168.0k.
  - $250.0k capital requirement to set up the guided walks operation with a 20.0% contingency, totalling $300.0k.



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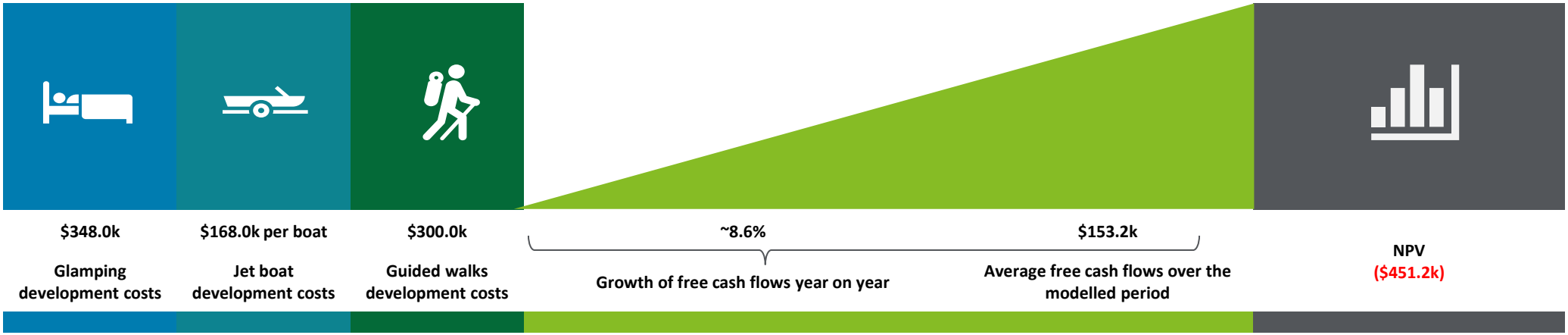
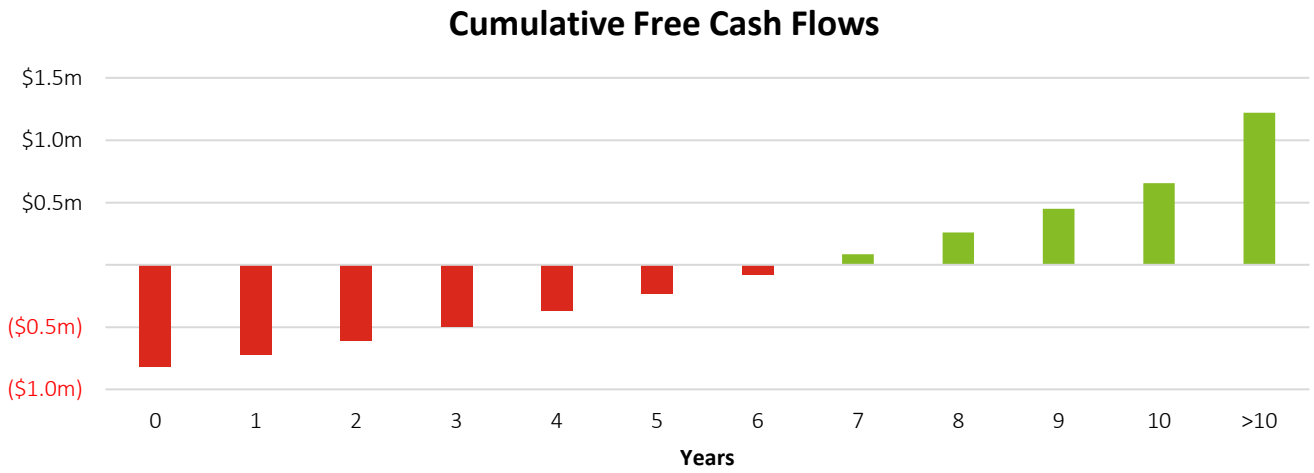
Option 3 | Snapshot of the financial feasibility results

Over the modelled 10-year period under the assumptions, option 3 is forecast to achieve positive cashflows from year one onwards. Despite this, NPV of ($451.2k), when considering the time value of money, suggests that option 3 may not be profitable. This result is driven by the 40.0% discount rate applied to the financial modelling. Broadly, the discount rate is the minimum return Waitutu should expect to receive when factoring in the high level of risk associated with development of the adventure tourism and glamping experiences. Given that the option has high development risks associated with tourism experiences in their early stages, and the incorporation has limited development and operational experience and capabilities in this space, a discount rate of 40.0% is considered appropriate with benchmark data sourced from publicly available academic journals and developments of a similar nature. For option 3 to return a positive NPV at this required rate of return of 40.0%, the occupancy rate for the glamping tents would need to be greater than 27.2%. Over the modelled 10-year period, the luxury lodge and tourism experiences has a payback period of 6.5 years. Despite having a positive IRR result of 16.4%, this is considered low when compared to the hurdle rate/discount rate of 40.0%.





KPI's	
NPV	($451.2k)
IRR	16.4%
PBP	6.5 years
Annual RoI	18.8%
Break-even point (in terms of positive NPV)- occupancy rate required	27.2%

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Option 3 | Sensitivity analysis

Sensitivity analysis of Net Present Value

- The analysis below illustrates that the NPV of option 3 is particularly sensitive to changes in the occupancy rate of the glamping accommodation and similarly sensitive to changes in the price of the accommodation.
- A decrease in the occupancy rate from the base case assumption of 20.0% to 10.0%, and all other assumptions remain constant, will result in a decrease in NPV to ($819.9k). An increase in the occupancy to 30.0% will increase NPV to ($82.4k), an increase of $368.8k.
- When compared to a change in occupancy rates, a change in pricing does not have a significant impact on the NPV. A decrease in the price of the accommodation from the base case assumption of $309 to $159 results in a negative NPV of ($809.2k). An increase in the price to $459 increases the NPV to ($93.1k).
- Option 3 requires an occupancy rate of 25.0% and price per tent of $459 to achieve a positive NPV. All combinations below this level for both variables results in a negative NPV, which can be seen on the table as the values in red.
- The break-even point for this option where the NPV is equal to zero at the base price of $1,300 per person requires a 27.2% occupancy rate of the 10 glamping tents.

	NPV	Occupancy rate				
	($451.2k)	10.0%	15.0%	20.0%	25.0%	30.0%
Price per tent	$159	($998.9k)	($904.1k)	($809.2k)	($714.3k)	($619.4k)
	$234	($909.4k)	($769.8k)	($630.2k)	($490.5k)	($350.9k)
	$309	($819.9k)	($635.5k)	($451.2k)	($266.8k)	($82.4k)
	$384	($730.4k)	($501.3k)	($272.2k)	($43.0k)	$186.1k
	$459	($640.9k)	($367.0k)	($93.1k)	$180.7k	$454.6k

Sensitivity analysis of Internal Rate of Return

- The analysis as displayed below illustrates how sensitive the IRR of option 3 is particularly sensitive to changes in the occupancy rate of the glamping accommodation and is considerably less sensitive to changes in the price of the accommodation.
- For the project to be viewed as successful, the IRR would need to exceed the discount rate (40.0%). IRR is the discount rate at which the NPV is equal to zero.
- A decrease in the occupancy of the glamping from the base case assumption of 20.0% to 10.0% will result in a decline of the IRR from 16.4% to (11.8%). An equivalent increase in the occupancy would boost the IRR to 35.8%.
- When compared to a change in occupancy rates, a change in pricing will not have a significant impact on the IRR result. A decrease in the price of the accommodation from the base case assumption of $309 to $159 results in a decrease of the IRR to (10.4%), and an equivalent increase in the price to $459 increases the IRR to 35.2%.
- Option 3 requires an occupancy rate of 25.0% and price per person of $459 to achieve an IRR exceeding the discount rate. All combinations below this level on both variables result in an IRR below the discount rate. On the table, these can be seen as the values in red.
- The break-even point for this option where the IRR meets the discount rate at the base price of $150 per person requires a 27.2% occupancy rate of the 10 glamping tents.

	IRR	Occupancy rate				
	16.4%	10.0%	15.0%	20.0%	25.0%	30.0%
Price per tent	$159	#NUM!	(31.7%)	(10.4%)	(0.9%)	6.2%
	$234	(34.8%)	(6.0%)	5.4%	14.2%	21.9%
	$309	(11.8%)	5.1%	16.4%	26.3%	35.8%
	$384	(2.3%)	13.5%	26.0%	37.8%	49.7%
	$459	4.7%	21.0%	35.2%	49.5%	64.6%

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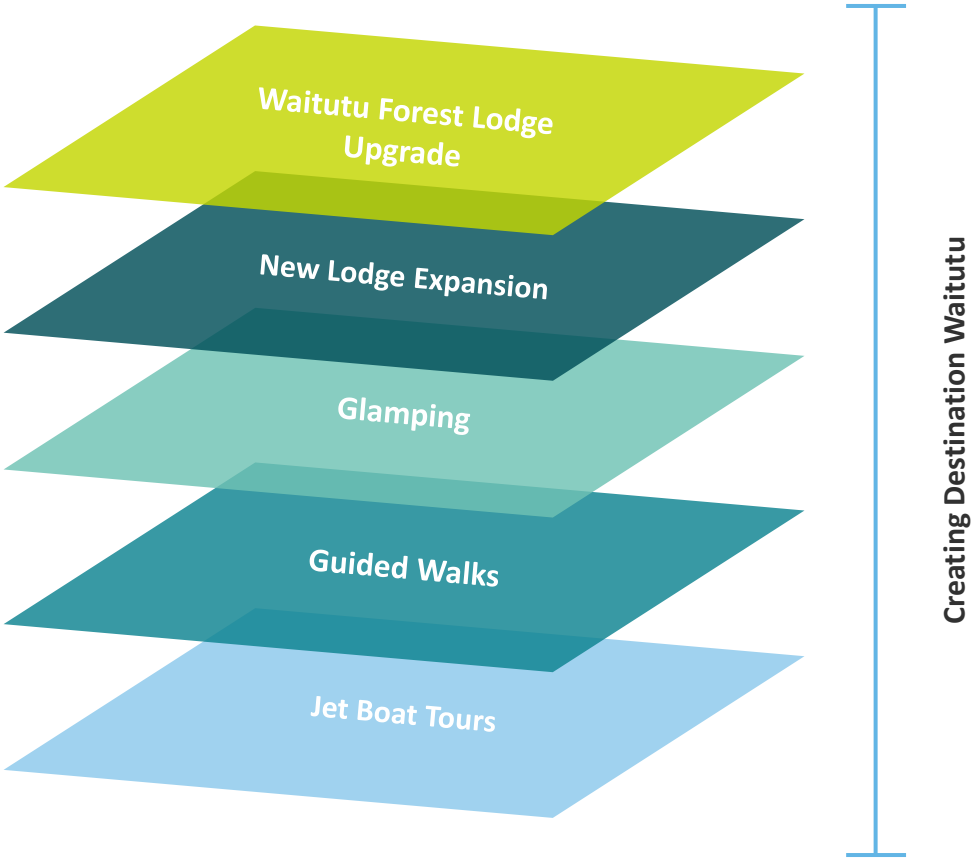
Consolidated financial analysis of the three options explored

Due to the complex nature of forms of accommodation in remote areas such as Waitutu, we were unable to quantify the effects of cannibalisation of product offerings. However, we note that the effects of cannibalisation can be considered minimal given the differing target demographics for each accommodation options.

Combination of future investment options



Consolidated KPI's	
NPV	($3.5m)
IRR	25.6%
Average annual cashflows	$2.7m
Annual RoI	24.9%
PBP	4.4 years

Visitor numbers	Average annual PAX
The new lodge	3,158
The existing lodge	2,072
Glamping	1,579
Passenger numbers (PAX) from jet boat offering	4,499
PAX from guided walks	2,674

Key limitations

- The lodge expansion performance is driven by the revenue assumptions. We note that our revenue assumptions for the lodge expansion is based on the required amount of lease income that is needed for Waitutu to recoup the capital investment within a 10-year horizon.
- We have assumed that there will be a correlation between the number of visitors to the lodge and the utilisation of the jet boat due to the accessibility that the jet boat provides to all visitors to the lodge and glamping accommodation offerings.
- Whilst visitor numbers from accommodation may have an impact of the likelihood of an increase in guided walk PAX, we have assumed that the guided walk offering is targeted at a 50+ years demographic.
- The overall poor financial performance is largely due to the new lodge. In the early development stages, the high risk increases the discount rate, making the lodge less viable. However, as the project progresses and the discount rate lowers, the lodge becomes beneficial by attracting more visitors to the Waitutu area. Initially, the added risk from the lodge outweighs its potential returns, but it becomes advantageous in later stages.

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Sensitivity analysis of the three options explored

To understand how sensitive the financial feasibility of Destination Waitutu is to a change in occupancy rates and/or prices charged, a sensitivity analysis was completed on the consolidated NPV results and a change in occupancy rates and pricing charged for each option.

Price per person	NPV	Occupancy rate of option 1 accommodation (the new lodge)				
	($3.5m)	10.0%	15.0%	20.0%	25.0%	30.0%
	$900	($7.0m)	($6.1m)	($5.2m)	($4.2m)	($3.3m)
	$1,100	($6.6m)	($5.5m)	($4.3m)	($3.2m)	($2.0m)
	$1,300	($6.2m)	($4.8m)	($3.5m)	($2.1m)	($0.8m)
	$1,500	($5.8m)	($4.2m)	($2.7m)	($1.1m)	$0.5m
	$1,700	($5.4m)	($3.6m)	($1.8m)	($0.0m)	$1.7m

The consolidated NPV is sensitive to changes in the occupancy rate and pricing of the new lodge. At 30.0% occupancy and $1,500 pricing, the combination produces an NPV of $0.5m, and all combinations below this level on both variables produce a negative NPV (shown in red).

Price per person	NPV	Occupancy rate of option 2 accommodation (the existing lodge)				
	($3.5m)	15.0%	20.0%	25.0%	30.0%	35.0%
	$50	($4.2m)	($4.2m)	($4.1m)	($4.1m)	($4.0m)
	$100	($4.1m)	($3.9m)	($3.8m)	($3.7m)	($3.6m)
	$150	($3.9m)	($3.7m)	($3.5m)	($3.3m)	($3.1m)
	$200	($3.7m)	($3.4m)	($3.2m)	($2.9m)	($2.7m)
	$250	($3.5m)	($3.2m)	($2.9m)	($2.6m)	($2.2m)

The consolidated NPV is not particularly sensitive to changes in the occupancy rate and pricing of the existing lodge. No possible level of pricing and occupancy for the existing lodge causes a negative NPV for the combination in the model.

Price per tent	NPV	Occupancy rate of option 3 accommodation (glamping tents)				
	($3.5m)	10.0%	15.0%	20.0%	25.0%	30.0%
	$159	($4.0m)	($3.9m)	($3.9m)	($3.8m)	($3.7m)
	$234	($4.0m)	($3.8m)	($3.7m)	($3.5m)	($3.4m)
	$309	($3.9m)	($3.7m)	($3.5m)	($3.3m)	($3.1m)
	$384	($3.8m)	($3.5m)	($3.3m)	($3.1m)	($2.9m)
	$459	($3.7m)	($3.4m)	($3.1m)	($2.9m)	($2.6m)

The consolidated NPV is not particularly sensitive to changes in the occupancy rate and pricing of glamping. No possible level of pricing and occupancy for glamping causes a negative NPV for the combination in the model.

Key observations

- The consolidated NPV result for all three options is most impacted by a change in the occupancy rate of the new lodge. Of all observed sensitivities, only changes in the price or occupancy of the new lodge accommodation option can possibly produce a negative NPV.
- In this sensitivity analysis, changes are only limited to occurring in one of the accommodation options, and all other accommodation options are held constant at the base case rates. The assumptions for the adventure tourism experiences are also held constant.
- The limitation of this sensitivity analysis to changes for one accommodation option means that a view of the impact of change to multiple is unknown. The possibility of change to multiple options causing the NPV to become negative is significant, and it is very likely change in a variable for one option would occur at the same time as change in others.
- The discount rate at which the project returns a positive output under the assumptions modelled is 25.6%. Waitutu need to determine whether the rate of return at which the project will return a positive NPV fairly compensates for the risk being taken on by the incorporation. The discount rate for the project could be reduced by persuading investors with experience and expertise in the industry to enter a partnership, reducing the risk of failure and improving the potential financial performance of the project.

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Risk considerations

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Risk considerations | The 'new' lodge expansion

Risk assessment

Risk metric	Description	Rating
Competition risk	• The accommodation market is a competitive market within the Southland region. Short-stay (e.g. Airbnb) visitor accommodation properties are popular within the Southland district, making up 4% of total housing stock compared to a regional average of 2%. The Southland region has many competitors offering similar experiences to Waitutu. This risk may be mitigated through intentional and deliberate target marketing and product differentiation including unique and exclusive experiences. Three main competitors of similar nature to the luxury lodge operate in the Southland region. These are the Cabot Lodge, Fiordland Lodge, and the Milford Lodge - the closest of which to Waitutu is Cabot Lodge which is in Manapouri and operates four guest suites, each designed to accommodate two people.	H
Financial feasibility	• Based on desktop research and high-level financial analysis completed, the new lodge expansion has high establishment costs and high development risks. While we have sourced data from credible sources that are made publicly available, a key driver of the financial modelling for the new lodge is driven by the number of pax/visitors coming through Waitutu and historically, visitor numbers have been low in the Southland region. Recent market data suggests that the accommodation industry of the Southland region is improving and there may be market demand to meet these forecast assumptions. Given the remoteness of Waitutu, capital cost assumptions may need to be tested and refined further to ensure that the costs are reflective of the incorporation's additional transport and logistical cost assumptions. Furthermore, local operators of the Hump Ridge walking track have provided early indications to establish a partnership with Waitutu to co-develop and operate a new lodge. This would alleviate some of the development and operational risks borne. • More rigorous testing on sensitivities is required including pax numbers and price point to meet revenue assumptions, as well as the initial capital required and on-going operational costs.	C
Execution risk	• The remote location makes access to the lodge an on-going challenge. Currently, Waitutu is only accessible via helicopter, speedboat and/ or a 2-day hike which makes access challenging to get the required resources and/or workers to and from the location. Weather and the river tides will also impact access to and transportation of resources. Whilst the risk can be mitigated by creating contingency plans to anticipate the potential obstacles that will be faced, we note that due to the size of the construction, the remoteness and environmental factors will be an ongoing issue for implementation.	M
Climate change risk	• Many of the current tourism activities within Southland are at risk from the impacts of climate change. Predicted rise of sea levels, areas suffering from drought, and an increase in significant weather events will impact Southland in different ways. Murihiku Southland's regional development agency Great South has a key focus on regional emissions reduction and undertakes annual monitoring. Planning for the potential climate impacts it may be affected by and tracking the incorporation's environmental impacts over time is key.	M
Regulatory and Compliance risk	• Regulatory and compliance risk refers to the potential for an organisation to fail to comply with laws, regulations, and industry standards that govern the accommodation sector. The regulatory risks that Waitutu need to be aware of include building codes and permits, environmental regulations, zoning laws and employment regulations.	H
Seasonality and market risk	• New Zealand is a seasonal tourism destination, with many visitors arriving in the summer months, between December and February. International arrivals during peak season are twice the number of the off-peak season. Dependence on specific seasons for tourist visits can lead to revenue fluctuations and operational challenges during off-peak periods. Market testing to confirm the supportability of pax numbers also needs to be completed. The capability of the governance, management and key contractors must be better understood to ensure the market offerings are successful.	H
Stakeholder risk	• Stakeholders will also require further consultation. A more structured stakeholder engagement plan will need to be developed which clearly set out the incorporation's aspirations and expectations. Early stakeholder engagement will identify information and other requirements that needs to be factored into the next stages of implementation.	L

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Risk considerations | The existing lodge (Upgrading the basic infrastructure)

Risk assessment

Risk metric	Description	Rating
Competition risk	• The accommodation market is a competitive market within the Southland region. Short-stay (e.g. Airbnb) visitor accommodation properties are popular within the Southland district, making up 4% of total housing stock compared to a regional average of 2%. The Southland region has many competitors offering similar experiences to Waitutu. Waitutu can mitigate this risk through product differentiation and offering unique and exclusive experiences. Three direct competitors to the Waitutu Lodge operate nearby to Waitutu. These are Okaka Lodge, Rarakau Lodge and the Cliffs Seaside Lodge, the closest of which to Waitutu is Okaka Lodge. This lodge is situated on the Hump Ridge Track and is operated by Tuatapere Hump Track Limited, the company that runs the track. Okaka Lodge can host 32 - 40 guests at a time in a similar format to the Waitutu Lodge.	H
Financial feasibility	• Based on desktop research and high-level financial analysis completed, the existing lodge upgrades are compulsory and a requirement to ensure business-as-usual is successful. The lodge refurbishment costs as provided by the committee, are somewhat reasonable however, should be refined with more current and up-to-date cost estimates. • When looking at this option in isolation of the other future investment options, the existing lodge's current visitor numbers are significantly low, and therefore revenue is currently low. Historically, visitor numbers have also been low in the Southland region. While we have sourced the financial assumptions applied in the modelling from a credible data source (Southland Tourism Data, 2024), a key driver of the financial feasibility of the existing lodge is the forecast number of pax/visitors coming through to Waitutu. Recent market data suggests that the accommodation industry of the Southland region is improving and there may be market demand to meet these forecast assumptions however more rigorous testing is recommended. Waitutu should also review and align the current marketing strategy and plan for the existing lodge to maximise the value captured from the existing lodge's target market segment. Given the remoteness of Waitutu, capital cost assumptions may need to be tested and refined further to ensure that the costs are reflective of the incorporation's additional transport and logistical cost assumptions. • More rigorous testing on sensitivities is required including pax numbers and price point to meet revenue assumptions, as well as the initial capital required and on-going operational costs.	H
Execution risk	• The remote location makes access to the lodge an on-going challenge. Currently, Waitutu is only accessible via helicopter, speedboat and/ or a 2-day hike. This will make it challenging to get the required resources and/or workers for the lodge expansion to the lodge. This also means that weather and the river tides will have an impact on the transportation of resources. • Whilst the risk can be mitigated by creating contingency plans to anticipate the potential obstacles that will be faced, we note that due to the size of the construction, the remoteness and environmental factors will be an ongoing issue for implementation.	M
Climate change risk	• Many of the current tourism activities within Southland are at risk from the impacts of climate change. Predicted rise of sea levels, areas suffering from drought, and an increase in significant weather events will impact Southland in different ways. Murihiku Southland's regional development agency Great South has a key focus on regional emissions reduction and undertakes annual monitoring. Planning for the potential climate impacts it may be affected by and tracking the incorporation's environmental impacts over time is key.	H
Regulatory and Compliance risk	• Regulatory and compliance risk refers to the potential for an organisation to fail to comply with laws, regulations, and industry standards that govern the accommodation sector. The regulatory risks that Waitutu need to be aware of include building codes and permits, environmental regulations, zoning laws and employment regulations.	L
Seasonality and market risk	• New Zealand is a seasonal tourism destination, with many visitors arriving in the summer months, between December and February. International arrivals during peak season are twice the number of the off-peak season. Dependence on specific seasons for tourist visits can lead to revenue fluctuations and operational challenges during off-peak periods. Market testing to confirm the supportability of pax numbers also needs to be completed. The capability of the governance, management and key contractors must be better understood to ensure the market offerings are successful.	H

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Risk considerations | Glamping

Risk assessment

Risk metric	Description	Rating
Competition risk	• The accommodation market is a competitive market within the Southland region. Southland has a variety of accommodation options including air, homestays, farm stays, lodges and glamping. Similar offerings available nearby are in the Fiordland National Park and Te Anau lakefront which may draw potential visitors away from Waitutu. Waitutu can mitigate this risk through product differentiation and offering unique and exclusive experiences. One tent-style glamping site was identified within the Southland region, The O2 Yurt in Te Anau. This glamping site accommodates two guests and is priced at approximately $700 - $750 including fees and taxes in summer. No other tent-style glamping sites could be identified within the Southland region, though there are a large number available nearby in the Queenstown Lakes district.	H
Financial feasibility	• Based on desktop research, the glamping option has low establishment costs, high revenue potential and positive returns when compared to the other options analysed and therefore financially feasible based on the assumptions applied. Given the remoteness of Waitutu, capital cost assumptions may need to be tested and refined further to ensure that the costs are reflective of the incorporation's additional transport and logistical cost assumptions. • The feasibility of the glamping option is sensitive to the number of pax and occupancy rate. Like the other accommodation types analysed (new and existing lodge upgrades), more rigorous testing on sensitivities is required including pax numbers and price point to meet revenue assumptions, as well as the initial capital required and on-going operational costs.	H
Execution risk	• The remote location makes access to the lodge an on-going challenge. Currently, Waitutu is only accessible via helicopter, speedboat and/ or a 2-day hike. This will make it challenging to get the required resources and/or workers for the lodge expansion to the lodge. This also means that weather and the river tides will have an impact on the transportation of resources. • Whilst the risk can be mitigated by creating contingency plans to anticipate the potential obstacles that will be faced, we note that due to the size of the construction, the remoteness and environmental factors will be an ongoing issue for implementation.	M
Climate change risk	• Many of the current tourism activities within Southland are at risk from the impacts of climate change. Predicted rise of sea levels, areas suffering from drought, and an increase in significant weather events will impact Southland in different ways. Murihiku Southland's regional development agency Great South has a key focus on regional emissions reduction and undertakes annual monitoring. Planning for the potential climate impacts it may be affected by and tracking the incorporation's environmental impacts over time is key.	M
Regulatory and Compliance risk	• Regulatory and compliance risk refers to the potential for an organisation to fail to comply with laws, regulations, and industry standards that govern the accommodation sector. The regulatory risks that Waitutu need to be aware of include building codes and permits, environmental regulations, zoning laws and employment regulations.	M
Seasonality and weather risk	• New Zealand is a seasonal tourism destination, with many visitors arriving in the summer months, between December and February. International arrivals during peak season are twice the number of the off-peak season. Dependence on specific seasons for tourist visits can lead to revenue fluctuations and operational challenges during off-peak periods. Market testing to confirm the supportability of pax numbers also needs to be completed. The capability of the governance, management and key contractors must be better understood to ensure the market offerings are successful.	M
Environment risk	• Many of the current tourism activities within Southland are at risk from the impacts of climate change. Predicted sea level rise, areas suffering from drought, and an increase in significant weather events will impact Southland in different ways. Murihiku Southland's regional development agency Great South has a key focus on regional emissions reduction and undertakes annual monitoring. Planning for the potential climate impacts it may be affected by and tracking the incorporation's environmental impacts over time is key.	L

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Risk considerations | Jet boat tours

Risk assessment

Risk metric	Description	Rating
Health and safety risk	• Regular and thorough repairs and maintenance of the jet boat is essential to ensure it is in good working order and safe for passengers. Failure to do so may lead to mechanical failures and put passengers at risk. Ensuring all required safety equipment such as life jackets, flares, first-aid kits, and fire extinguishers, are onboard and in good condition is also a priority. • Operators and guides must be well-trained and certified in boating safety and emergency procedures. This includes understanding local regulations and navigational hazards. Local knowledge and familiarity with the riverbed is also helpful from an operator's perspective.	H
Financial feasibility	• Based on desktop research, the jet boat tour have a somewhat low capital cost requirement relative to growth potential in terms of revenue stream. Despite this, the number of visitors have historically been low which impacts the financial return to Waitutu. • In the Southland region, there are only two jet boat tour companies, both operating on the Wairaurahiri River, which is the neighbouring river to Waitutu. Operated by Wairaurahiri Wilderness Jet and Wairaurahiri Jet, both tours begin on Lake Hauroko and are taken down to the end of the Wairaurahiri River. Having existing competitors in the market may have a negative flow-on effect to the financial feasibility of the option or an opportunity to create multiple access options to incoming and outgoing visitors. Early engagement and having a deliberate approach to engagement with competitors.	H
Climate change risk	• Many of the current tourism activities within Southland are at risk from the impacts of climate change. Predicted rise of sea levels, areas suffering from drought, and an increase in significant weather events will impact Southland in different ways. Murihiku Southland's regional development agency Great South has a key focus on regional emissions reduction and undertakes annual monitoring. Planning for the potential climate impacts it may be affected by and tracking the incorporation's environmental impacts over time is key.	M
Regulatory and Compliance risk	• Regulatory and compliance risk refers to the potential for an organisation to fail to comply with laws, regulations, and industry standards that govern the accommodation sector. The regulatory risks that Waitutu need to be aware of include building codes and permits, environmental regulations, zoning laws and employment regulations.	M
Seasonality and weather risk	• New Zealand is a seasonal tourism destination, with many visitors arriving in the summer months, between December and February. International arrivals during peak season are twice the number of the off-peak season. Dependence on specific seasons for tourist visits can lead to revenue fluctuations and operational challenges during off-peak periods. Market testing to confirm the supportability of pax numbers also needs to be completed. The capability of the governance, management and key contractors must be better understood to ensure the market offerings are successful.	M
Environment risk	• Many of the current tourism activities within Southland are at risk from the impacts of climate change. Predicted sea level rise, areas suffering from drought, and an increase in significant weather events will impact Southland in different ways. Murihiku Southland's regional development agency Great South has a key focus on regional emissions reduction and undertakes annual monitoring. Planning for the potential climate impacts it may be affected by, especially given the potential negative environmental impacts that jet boat operations may have to the Wairaurahiri riverbed, tracking, monitoring and managing the incorporation's environmental impacts over time is key.	M

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Risk considerations | Guided walks

Risk assessment

Risk metric	Description	Rating
Competition risk	• The guided walk market is a competitive market. In the context of the proposed Waitutu guided walk, it is essential to consider its proximity to the Hump Ridge Track, an already established and prominent great walk of NZ. The presence of a well-known alternative may draw potential customers away from the incorporation's guided walk. Other nearby great walks include the Kepler Track, Milford Track and Routeburn Track. • The incorporation can mitigate this risk by differentiating its offering effectively from its existing competitors.	H
Financial feasibility	• When looking at this option in isolation of the other future investment options, the existing lodge's current visitor numbers are significantly low, and therefore revenue is currently low. Historically, visitor numbers have also been low in the Southland region. While we have sourced the financial assumptions applied in the modelling from a credible data source (Southland Tourism Data, 2024), a key driver of the financial feasibility of the existing lodge is the forecast number of pax/visitors coming through to Waitutu. Recent market data suggests that the accommodation industry of the Southland region is improving and there may be market demand to meet these forecast assumptions however more rigorous testing is recommended. Waitutu should also review and align the current marketing strategy and plan for the existing lodge to maximise the value captured from the existing lodge's target market segment. Given the remoteness of Waitutu, capital cost assumptions may need to be tested and refined further to ensure that the costs are reflective of the incorporation's additional transport and logistical cost assumptions. • Based on desktop research, the guided walks development has high establishment costs to develop the land area into a fit for purpose guided walking track. and relatively low revenue compared to alternate land uses. Under the base case assumptions, the guided walks would not be feasible as a standalone venture. • The guided walks option is a complementary option to Waitutu as a tourism destination and while lower direct profits have been forecasted the guided walks may draw in increased tourist numbers indirectly bringing profits to the Waitutu tourism destination.	H
Execution risk	• The Waitutu area's remote location makes access to the area an on-going challenge. Currently, Waitutu is only accessible via helicopter, speedboat and/ or a 2-day hike. This will make it challenging to get the required resources and/or workers for the guided walk development to the area. This also means that weather and the river tides will have an impact on the transportation of resources. • This risk can be mitigated by creating contingency plans to anticipate the potential obstacles that will be faced i.e., planning transportation of resources during high river tides.	M
Climate change risk	• Many of the current tourism activities within Southland are at risk from the impacts of climate change. Predicted rise of sea levels, areas suffering from drought, and an increase in significant weather events will impact Southland in different ways. Murihiku Southland's regional development agency Great South has a key focus on regional emissions reduction and undertakes annual monitoring. Planning for the potential climate impacts it may be affected by and tracking the incorporation's environmental impacts over time is key.	M
Safety and Liability risk	• There is a risk of unforeseen accidents or injuries occurring during the guided walks offering. Safety risks encompass potential accidents, injuries, or harm to participants during the walk, whether due to environmental factors, uneven terrain or incidents. Waitutu will need to have safety measures, risk management protocols and insurance in place to mitigate the risk of unforeseen accidents and the potential of legal repercussions and reputational damage.	L
Seasonality and weather risk	• New Zealand is a seasonal tourism destination, with the vast majority of visitors arriving from December to February. International arrivals during peak season are twice the number of the off-peak season. Dependence on specific seasons for tourist visits can lead to revenue fluctuations and operational challenges during off-peak periods. The Guided walks offering will also have to deal with the effects of poor weather conditions which may affect attendance and overall experience of visitors.	H

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Conclusion and next steps

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Summary of findings

Prior to any new future investments are explored, several basic infrastructure needs have been identified to lift the current state of the lodge and the whenua. Priorities include room upgrades and interior refurbishments, power generation, water pump systems and sewage system upgrades.

Summary of findings

- The purpose of this study was to consider the preliminary land use options identified by Waitutu, setting a foundation for the incorporation and its shareholders to move forward into the future.
- In undertaking this study, we assisted the committee with governance capability building and the exploration of future commercial options, focussing on the incorporation's long-term vision:

> *Our next generation are connected to the land.*
>
> *Our Rangatahi are thriving with the land.*
>
> *Our rich inheritance is shared.*

- The future commercial options that were identified throughout this study considered the existing opportunities and challenges in Waitutu's current state, namely, the natural qualities and remoteness that are inherent in the whenua.
- The future commercial options that were explored were then shortlisted to fit the needs and aspirations of Waitutu as identified in the preliminary stages of this study. The future options explored were:

1. Lodge upgrades and/or development of a new lodge
2. Guided walks
3. Glamping
4. Jet boat
5. Eco-tours (albatross colony)
6. Hunting and fishing tours
7. Cycling trails
8. Hot tubs

Summary of shortlisted options

- Informed by the incorporation's long-term mission and vision, a minimum screening requirement evaluation criteria was established as the stop/go point for the assessment of any land use option/investment opportunity explored. This established a clear criterion or 'must-haves' in every future investment option and helps to analyse future investment options beyond just the financials.
- The evaluation criteria scorecard is our calculated method of 'scoring' how strategically aligned the future investment options are to Waitutu's long-term vision. It serves as a first filter to help narrow down the wide range of options before carrying out full feasibility.
- The second hurdle criteria is informed by the incorporation's strategic pou.
- As a result of the evaluation scorecard and process, the following options were shortlisted namely:

1. Lodge improvements;
2. New luxury lodge;
3. Guided walks;
4. Glamping; and,
5. Jet boat.

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Summary of findings continued.

Existing lodge upgrade option

- The location of the lodge offers a perfect place for visitors to base themselves for exploring the surrounding untouched podocarp forest, river and the south coast prior to any business expansion plans.
- Based on these factors, the land use option resulted in a weighted score of **83.7%,** which suggests the option is a priority for Waitutu and feasible at this pre-feasibility stage.
- The committee identified specific infrastructure upgrades required to lift the current state of the lodge.
- Given the lack in visitors, the lodge provided a low financial feasibility and low financial benefit relative to the high level of financial execution and management risks.

Recommended next steps

- Test the assumptions (go to the market with RFP's). This would include detailed development cost estimates and detailed operating cost breakdown;
- Repeat financial modelling using updated financial assumption sourced from the step above as inputs; and,
- Determine financing options required to move from the feasibility to implementation phase.

New lodge development option

- The expansion of the lodge presents an opportunity to elevate the accommodation offerings in Waitutu. With a focus on luxury, local culinary experiences, and passive management through a leasing arrangement, the lodge will not only attract high-end guests but also synergise with existing tourism product offerings, contributing to the overall growth of visitor numbers.
- Given this option was introduced after the initial evaluation process there was **no weighted score** completed at the time of this report.
- To ensure that the expansion generates the sufficient returns required to recoup the investment within a 10-year horizon, the visitor numbers that the expansion attracts would, at a minimum, must achieve at least 861 visitors per annum.

Recommended next steps

- Decide whether to pursue the expansion option;
- Identify potential partners and further explore partnership opportunities within the local region;
- Test the assumptions including detailed development cost estimates and operating cost breakdown from key parties interested;
- Engage with specialists to undertake a building plan, feasibility assessments, further financial modelling using refined assumptions from the build assessment and due diligence; and,
- Determine financing options required to move from the feasibility to implementation phase.

Glamping option

- The growth of the NZ camping market indicates an opportunity for Waitutu to capitalise on the rising trend of glamping. By offering luxurious, nature-inspired glamping options that complements the existing lodge and other product offerings being explored, Waitutu can attract visitors seeking a unique and comfortable camping experience.
- The glamping option achieved a rating of **78.8%,** signifying its feasibility at this pre-feasibility stage, due to its alignment with Waitutu's future vision a financial contribution as modelled.
- The utilisation of the lodge's infrastructure, combined with the area's USP's, positions Waitutu as an ideal location for glamping.
- Given the high returns from a relatively low capital investment, this venture can be considered an attractive opportunity to generate sustainable income for the maintenance and development of the lodge, contributing to the overall economic sustainability of Waitutu.

Recommended next steps

- Confirm the timing of the phased approach to establish the glamping option;
- Identify the scale of investment required for glamping offering; and,
- Repeat financial modelling using the assumption sourced from the step above as inputs.

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Summary of findings continued.

Guided walk option

- The guided walk scored high in our evaluation with a weighted score of **80.8%.**
- The accessibility of tours tailored for older travellers, along with the walking trails in the area, positions guided walks as a potential additional tourism product for the Waitutu.
- Complementing the Hump Ridge and South Coast tracks, Waitutu could explore the development of a stand-alone walking trail or collaborate with other providers to further enhance the visitor experience.
- The incorporation's local expertise and storytelling can enrich the overall experience, establishing a unique identity to this experience differentiating it from other existing walks.

Recommended next steps

- Decide on whether to pursue this option and consider the experience offering.
- Conduct market feasibility studies and revise regulatory requirements to operationalise a guided tour.
- Identify the need for potential partners and explore partnership opportunities with within the local region; and
- Repeat financial modelling using updated financial assumption sourced from the step above as inputs.

Jet boat option

- This option has the potential to significantly contribute to Waitutu's position as an attractive and accessible tourism and scored favourably in our evaluation at a weighted score of **76.3%.**
- This offering would not only facilitate transport for visitors but also offer an adventure-based experience, showcasing the natural splendour of Waitutu and its surroundings.
- By coupling the jet boat tours with other tourism offerings, there is potential to enhance the overall price point for the incorporation.

Recommended next steps

- Decide whether to pursue this option further;
- Determine the necessary licensing and certification, explore potential partnerships and the competitive landscape in the neighbouring area.
- Determine the supportability of assumptions including detailed development cost estimates and detailed operating cost breakdown; and
- Repeat financial modelling using updated financial assumption sourced from the step above as inputs.

Destination Waitutu

- As a result of the geographic challenges and lack of existing infrastructure in the region, establishing a stand-alone experience is not considered commercially viable.
- In our work we have undertaken an exercise that explored the different combinations of the future investment options would look like as a visitor experience package.
- This was to explore a layered selling proposition for Waitutu that not only encourages longer visitor stays but also creates opportunities to create synergies between different product offerings, ultimately increasing the desirability and sustainability of the visitor tourism experience.

Recommended next steps

- All land use options explored are not mutually exclusive and can be operated in tandem. In considering the different options to pursue we would recommend that the committee assess each option along with the visitor experience combinations previously reported.
- It is recommended that further detailed analysis and modelling be completed once your ideal/optimal tourism mix is decided upon.
- We also recommend that the report be presented to shareholders and beneficiaries of the Waitutu to reaffirm the direction of the project at this preliminary stage and ensure the risks and opportunities presented by each option are understood.

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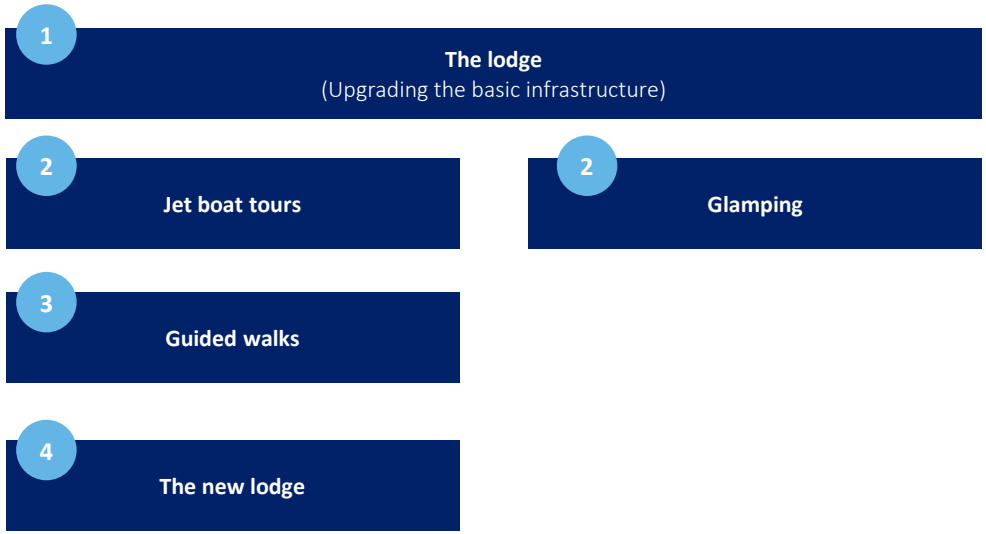
Conclusion and next steps

Conclusion

- Prior to any new future investments are explored, several basic infrastructure needs have been identified to lift the current state of the lodge and the whenua. Priorities include room upgrades and interior refurbishments, power generation, water pump systems and sewage system upgrades.
- Low-scale glamping and jet boat purchase and tours can be implemented once the basic infrastructure has been developed for Waitutu to increase current revenue. Once Waitutu have generated sufficient cash, higher scale developments can be explored to maximise revenue.
- Constructing the new lodge and glamping is key to the incorporation's tourism vision and masterplan, however further site specific costings are required to determine whether this option is commercially viable. At a minimum, these options should be implemented through a staged approach.
- Based on the conclusions above and the recommended prioritisation of investment options, four strategic goals and success factors were developed and presented below and to the right:

Recommended prioritisation of future investment options



Suggested next steps

- A key priority for the committee is to improve the existing lodge, ensuring that it is in a state suitable for the needs of incoming visitors. In our work we have factored in the new lodge expansion scenario which targets a niche demographic of 50yrs+ travellers who are seeking a higher-end, luxury experience.
- Should the committee wish to proceed to the next stages of the project, it is recommended that the committee:
    1. Verify the assumptions by gathering site specific development and operating cost estimates for each option explored.
    2. Drawing from the updated costings, revisit and refine the financial modelling.
    3. Decide on the optimal tourism portfolio mix based on the updated feasibility assessment.
    4. Identify potential partners and explore collaboration opportunities within the local region to support next steps.
    5. Determine the preferred financing options required to transition from the feasibility phase to the implementation phase, considering the refined cost estimates and operational insights.

In closing we wish to thank TPK and the incorporation for allowing us to be part of your growth journey and are excited for the future opportunities the project creates for you and your people.

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Appendices

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Appendices | A1 – Restrictions and Disclaimer

Restrictions and Limitations

- This report is provided exclusively the Proprietors of Waitutu Incorporated. It is not intended for general circulation or publication, nor is it to be reproduced or provided to other parties or used for any purpose other than with Deloitte's prior written permission.
- We do not assume any responsibility or liability for losses occasioned to Waitutu or to any other parties because of the unauthorised circulation, publication, reproduction or use of this discussion paper or any extracts therefrom.
- We reserve the right to review all calculations included or referred to in this report and, if we consider it necessary, to revise its contents in the light of any information which becomes known to us after the date of this report.

Disclaimer

- This report has been prepared with care and diligence and the statements and conclusions in this discussion paper are given in good faith and in the belief, on reasonable grounds, that such statements and conclusions are not false or misleading.
- We cannot guarantee that any forecasts of future profits, cash flows or financial position of the incorporation will be achieved. Forecasts are inherently uncertain. They are predictions of future events which cannot be assured. They are based upon assumptions, many of which are beyond the control of the incorporation and its management team. Actual results will vary from the forecasts and these variations may be significantly more or less favourable.

Reliance on Information

- In preparing this report, we have relied upon and assumed, without independent verification, the accuracy and completeness of all information that is available from public sources and all information that was provided to us.
- We have evaluated that information through analysis, enquiry and examination for the purposes of forming the views in this report. However, we have not verified the accuracy or completeness of any such information. We have not carried out any form of due diligence or audit on the accounting or other records of Waitutu. We do not warrant that our enquires have identified or revealed any matter which an audit, due diligence review or extensive examination might disclose.

Indemnity

- We assume no responsibility arising in any way whatsoever for errors or omissions (including responsibility to any person for negligence) for the preparation of this report to the extent that such errors or omissions result from the reasonable reliance on information provided by others or assumptions disclosed in this discussion paper or assumptions reasonably taken as implicit.
- Deloitte's Master Terms of Business forms part of the engagement letter with Waitutu, dated 26 September 2023. The Master Terms of Business contains Deloitte's standard clauses relating to indemnity from third party claims and limitations of liability.

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Appendices | A2 – Sources of information – secondary research

Appendix	Sources
1	https://teic.mbie.govt.nz/ste/regions/relianceOnTourism/?utm_source=mbie&utm_medium=website&utm_campaign=tourism+data+releases&utm_term=domestic+tect#indicatorSection2
2	https://teic.mbie.govt.nz/ste/theEconomy/economicResilience/?utm_source=mbie&utm_medium=website&utm_campaign=tourism+data+releases&utm_term=adp+by+area#indicatorSection3
3	https://greatsouth.nz/storage/app/media/Publications/230814_GS_Destination%20Management%20Strategy_Compressed%20Download.pdf
4	https://www.statista.com/statistics/1405975/new-zealand-number-of-international-visitors-by-age/#:~:text=Number%20of%20international%20visitor%20arrivals%20to%20New%20Zealand%20FY%202023%2C%20by%20age&text=In%20the%20year%20ended%20June,into%20the%20country%20that%20year.
5	Reliance on tourism - Sustainable Tourism Explorer (mbie.govt.nz)
6	https://www.stuff.co.nz/travel/350204507/international-travellers-boost-southland-tourism-industry#:~:text=There%20were%20641%2C600%20visitors%20logged,from%20475%2C462%20visitors%20to%20Southland.
7	IBISWorld, 2024, https://my.ibisworld.com/nz/en/industry/x0003nz/at-a-glance
8	https://greatsouth.nz/assets/Media/30-June-2019-Southland-Tourism-Key-Indicators.pdf
9	https://www.glampitect.com/us/blog/glamping-startup-costs
10	https://www.canvascamp.com/en_us/how-to-start-glamping-businessl
11	https://www.waikato.ac.nz/research/institutes-centres-entities/institutes/nzibr/working-with-you/benchmarking-survey/
12	https://costbuilder.qv.co.nz/

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Appendices | A3 – Financial modelling assumptions: general

General	Assumption	Description	Notes
Tax rate	17.50%	IRD - Māori Authority tax rules	
CPI inflation	2.00%	RBNZ – Inflation	
Discount rate (WACC)	12%p.a	PwC Cost of Capital Report 2022	Cost of capital for listed companies in the tourism industry is 9.98%. A conservative approach assumes Waitutu would have a higher cost of capital at approx. 12%
Terminal growth rate	2.00%	RBNZ – Inflation	Terminal growth rate in line with RBNZ inflation target
Timeline	10 years	Deloitte judgement	
Interest rate	6.90%	RBNZ - Retail interest rates	This data tracks all the interest rates quoted by banks in New Zealand on loans and deposits.

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Appendices | A3 – Financial modelling assumptions: general

General	Assumption	Description	Notes
Standard lodge occupancy rate	25.0%	Southland Tourism Key Indicators April 2019 – Southland RTO occupancy 37.5% Assumed lower occupancy than average for RTO due to remoteness of Waitutu	PAX from accommodation at existing lodge. (Flows to stages 2 & 3)
Luxury lodge and glamping occupancy	20.0%	Southland RTO occupancy 37.5% Assumed lower than standard lodge occupancy due to price	PAX from accommodation at Luxury lodge and Glamping. (Flows to stages 2 & 3)
Additional PAX from tourism experience – jet boat	7.31%	Marketing expense as a percentage of revenue	This incremental PAX numbers in accommodation offerings driven by visitors attracted to tourist experiences
Additional PAX from tourism experience – guided walks	7.31%	Marketing expense as a percentage of revenue	This incremental PAX numbers in accommodation offerings driven by visitors attracted to tourist experiences
Occupancy escalation rate – standard lodge	1.99%	Marketing expense as a percentage of revenue	Annual rate of increase in PAX numbers driven by marketing spend.
Occupancy escalation rate – luxury lodge	1.99%	Marketing expense as a percentage of revenue	Annual rate of increase in PAX numbers driven by marketing spend.
Occupancy escalation rate - glamping	1.99%	Marketing expense as a percentage of revenue	Annual rate of increase in PAX numbers driven by marketing spend.

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Appendices | A3 – Financial modelling assumptions: glamping

Model specification	Assumption	Description	Notes
Price	$309	Luxury Camping and Accommodation in similar geographies	Increases with CPI
Number of tents	10		Consistent over forecast period
FTE's	0.06 per tent	ACC Levy is 1.6% of wages	Increases with CPI
Repairs & maintenance	$800 per tent	NZ Business Benchmark Survey	Increases with CPI
Administration	4.02% of revenue	NZ Business Benchmark Survey	Increases with CPI
Advertising and promotion	1.99% of revenue	NZ Business Benchmark Survey	Increases with CPI
Occupancy expenses	13.45% of revenue	NZ Business Benchmark Survey	Increases with CPI Excludes cost of sales
Phone, fax & comms	1.26% of revenue	NZ Business Benchmark Survey	Increases with CPI
Vehicle expenses	1.73% of revenue	NZ Business Benchmark Survey	Increases with CPI
Other expenses	8.17% of revenue	NZ Business Benchmark Survey	Increases with CPI
Capital requirements	$348,000	Deloitte estimate based on previous experience Includes site preparation and infrastructure	This includes a 20% contingency due to remoteness of Waitutu

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Appendices | A3 – Financial modelling assumptions: standard lodge

Model specification	Assumption	Description	Notes
Price	$150 per night	Contact | Booking - Waitutu Forest Lodge	Current price - $100 per person per night
Rooms available	21 rooms	Contact | Booking - Waitutu Forest Lodge	
Days available	350	Contact | Booking - Waitutu Forest Lodge	
FTE	1	Based on current FTE	
Cost of sales	14.37% of revenue	NZ Business Benchmark Survey	Conducted by the University of Waikato
Occupancy	29.68% of revenue	NZ Business Benchmark Survey	Conducted by the University of Waikato
Administration	4.02% of revenue	NZ Business Benchmark Survey	Conducted by the University of Waikato
Advertising & promotion	1.99% of revenue	NZ Business Benchmark Survey	Conducted by the University of Waikato
Plant & equipment	6.65% of revenue	NZ Business Benchmark Survey	Conducted by the University of Waikato
Phone, fax & communication	1.26% of revenue	NZ Business Benchmark Survey	Conducted by the University of Waikato
Other expenses	8.17% of revenue	NZ Business Benchmark Survey	Conducted by the University of Waikato
Capital requirements	$720,000	Based on information provided by The Proprietors of Waitutu CoM	This includes a 20% contingency due to remoteness of Waitutu

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Appendices | A3 – Financial modelling assumptions: new lodge

Model specification	Assumption	Description	Notes
Pricing	$700 - Single room $5,200 – 4-person room $10,400 – 8-person room	16 rooms available 4 rooms available 1 room available	Based on benchmark analysis
Days available	350		
Repairs & maintenance	2.00%	IRD Depreciation rates	
Building costs	$5,810,000	Based on our research and previous work.	
Water/septic tank upgrade	$350,000	Based on our research and previous work.	
Power/solar panel upgrades	$452,000	Based on our research and previous work.	
Site preparation	$40,000	Based on our research and previous work.	
Vehicle, staffing, HR, marketing, setup costs	$210,000	Based on our research and previous work.	
Project management / consulting fees	$530,000	Based on our research and previous work.	
Lodge fitout	$640,000	Based on our research and previous work.	
Contingency	20%	Based on our research and previous work.	Contingency due to remoteness of Waitutu
Annual lease payments	$1,742,453	Total development costs and operating costs plus inflation.	

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Appendices | A3 – Financial modelling assumptions: jet boat

Model specification	Assumption	Description	Notes
Price	$300 per person	Based on similar options in the area	
Fuel	8% of revenue	Based on competitor costs	
FTE	2	Based on # of Jet boats operating	2 FTE per jet boat
Wages	$58,000	The Living Wages Calculator	Wage per FTE
Administration	2.62% of revenue	NZ Business Benchmark Survey	
Advertising and promotion	7.31% of revenue	NZ Business Benchmark Survey	
Interest	0.89% of revenue	NZ Business Benchmark Survey	
Plant & equipment	3.35% of revenue	NZ Business Benchmark Survey	
Phone, fax and communication	0.97% of revenue	NZ Business Benchmark Survey	
Vehicle expenses	3.47% of revenue	NZ Business Benchmark Survey	
Other expenses	13.01% of revenue	NZ Business Benchmark Survey	
Jet boat purchase	$140,000	Market price for second hand jet boat	# jet boat based on capacity from visitors for the tourism experience and accommodation option transport

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Appendices | A3 – Financial modelling assumptions: guided walks

Model specification	Assumption	Description	Notes
Price	$80 per person	Based on similar experiences in the region	
FTE's	2	Deloitte estimates	
Wages	$58,000	The Living Wages Calculator	Wage per FTE
Administration and other expenses	15.63% of revenue	NZ Business Benchmark Survey	
Plant & equipment	3.35% of revenue	NZ Business Benchmark Survey	
Marketing expenses	7.31% of revenue	NZ Business Benchmark Survey	
Utilities	0.97% of revenue	NZ Business Benchmark Survey	
Capital commitment	$300,000	Based on our research and previous work.	This includes $50,000 contingency

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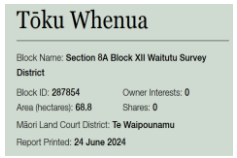
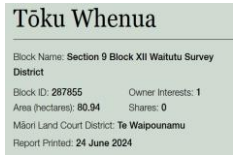
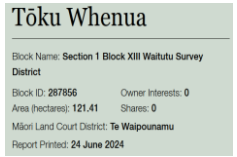
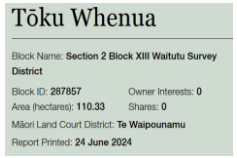
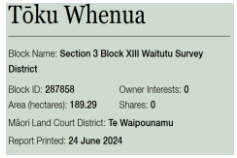
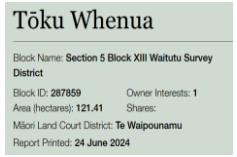
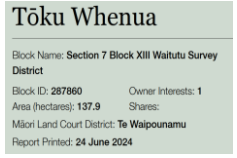
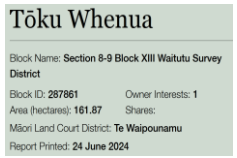
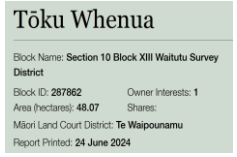
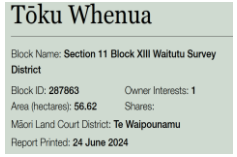
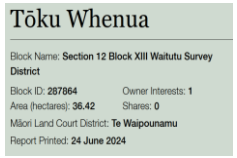
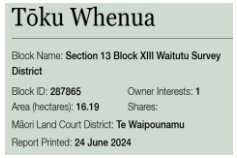
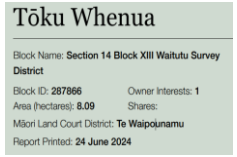
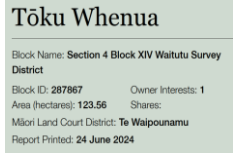
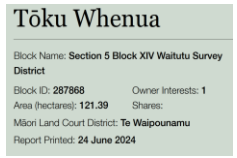
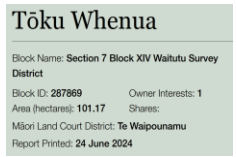
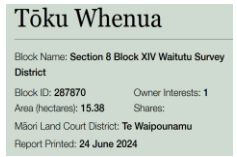
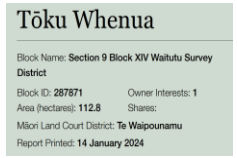
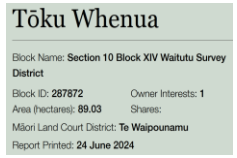
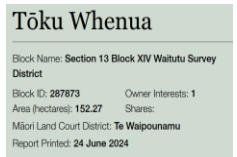
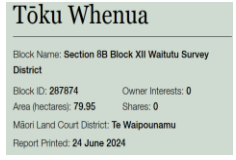
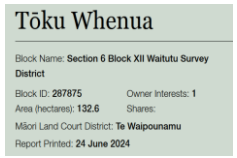
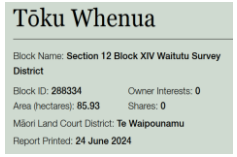
Appendices | A4 – Waitutu Block ID Numbers

Block ID	Whenua details
287854	 Tōku Whenua Block Name: **Section 8A Block XII Waitutu Survey District** Block ID: **287854** Owner Interests: **0** Area (hectares): **68.8** Shares: **0** Māori Land Court District: **Te Waipounamu** Report Printed: **24 June 2024**
287855	 Tōku Whenua Block Name: **Section 9 Block XII Waitutu Survey District** Block ID: **287855** Owner Interests: **1** Area (hectares): **80.94** Shares: **0** Māori Land Court District: **Te Waipounamu** Report Printed: **24 June 2024**
287856	 Tōku Whenua Block Name: **Section 1 Block XIII Waitutu Survey District** Block ID: **287856** Owner Interests: **0** Area (hectares): **121.41** Shares: **0** Māori Land Court District: **Te Waipounamu** Report Printed: **24 June 2024**
287857	 Tōku Whenua Block Name: **Section 2 Block XIII Waitutu Survey District** Block ID: **287857** Owner Interests: **0** Area (hectares): **110.33** Shares: **0** Māori Land Court District: **Te Waipounamu** Report Printed: **24 June 2024**
287858	 Tōku Whenua Block Name: **Section 3 Block XIII Waitutu Survey District** Block ID: **287858** Owner Interests: **0** Area (hectares): **189.29** Shares: **0** Māori Land Court District: **Te Waipounamu** Report Printed: **24 June 2024**
287859	 Tōku Whenua Block Name: **Section 5 Block XIII Waitutu Survey District** Block ID: **287859** Owner Interests: **1** Area (hectares): **121.41** Shares: Māori Land Court District: **Te Waipounamu** Report Printed: **24 June 2024**
287860	 Tōku Whenua Block Name: **Section 7 Block XIII Waitutu Survey District** Block ID: **287860** Owner Interests: **1** Area (hectares): **137.9** Shares: Māori Land Court District: **Te Waipounamu** Report Printed: **24 June 2024**

Block ID	Whenua details
287861	 Tōku Whenua Block Name: **Section 8-9 Block XIII Waitutu Survey District** Block ID: **287861** Owner Interests: **1** Area (hectares): **161.87** Shares: Māori Land Court District: **Te Waipounamu** Report Printed: **24 June 2024**
287862	 Tōku Whenua Block Name: **Section 10 Block XIII Waitutu Survey District** Block ID: **287862** Owner Interests: **1** Area (hectares): **48.07** Shares: Māori Land Court District: **Te Waipounamu** Report Printed: **24 June 2024**
287863	 Tōku Whenua Block Name: **Section 11 Block XIII Waitutu Survey District** Block ID: **287863** Owner Interests: **1** Area (hectares): **56.62** Shares: Māori Land Court District: **Te Waipounamu** Report Printed: **24 June 2024**
287864	 Tōku Whenua Block Name: **Section 12 Block XIII Waitutu Survey District** Block ID: **287864** Owner Interests: **1** Area (hectares): **36.42** Shares: **0** Māori Land Court District: **Te Waipounamu** Report Printed: **24 June 2024**
287865	 Tōku Whenua Block Name: **Section 13 Block XIII Waitutu Survey District** Block ID: **287865** Owner Interests: **1** Area (hectares): **16.19** Shares: Māori Land Court District: **Te Waipounamu** Report Printed: **24 June 2024**
287866	 Tōku Whenua Block Name: **Section 14 Block XIII Waitutu Survey District** Block ID: **287866** Owner Interests: **1** Area (hectares): **8.09** Shares: Māori Land Court District: **Te Waipounamu** Report Printed: **24 June 2024**
287867	 Tōku Whenua Block Name: **Section 4 Block XIV Waitutu Survey District** Block ID: **287867** Owner Interests: **1** Area (hectares): **123.56** Shares: Māori Land Court District: **Te Waipounamu** Report Printed: **24 June 2024**

Block ID	Whenua details
287868	 Tōku Whenua Block Name: **Section 5 Block XIV Waitutu Survey District** Block ID: **287868** Owner Interests: **1** Area (hectares): **121.39** Shares: Māori Land Court District: **Te Waipounamu** Report Printed: **24 June 2024**
287869	 Tōku Whenua Block Name: **Section 7 Block XIV Waitutu Survey District** Block ID: **287869** Owner Interests: **1** Area (hectares): **101.17** Shares: Māori Land Court District: **Te Waipounamu** Report Printed: **24 June 2024**
287870	 Tōku Whenua Block Name: **Section 8 Block XIV Waitutu Survey District** Block ID: **287870** Owner Interests: **1** Area (hectares): **15.38** Shares: Māori Land Court District: **Te Waipounamu** Report Printed: **24 June 2024**
287871	 Tōku Whenua Block Name: **Section 9 Block XIV Waitutu Survey District** Block ID: **287871** Owner Interests: **1** Area (hectares): **112.8** Shares: Māori Land Court District: **Te Waipounamu** Report Printed: **14 January 2024**
287872	 Tōku Whenua Block Name: **Section 10 Block XIV Waitutu Survey District** Block ID: **287872** Owner Interests: **1** Area (hectares): **89.03** Shares: Māori Land Court District: **Te Waipounamu** Report Printed: **24 June 2024**
287873	 Tōku Whenua Block Name: **Section 13 Block XIV Waitutu Survey District** Block ID: **287873** Owner Interests: **1** Area (hectares): **152.27** Shares: Māori Land Court District: **Te Waipounamu** Report Printed: **24 June 2024**
287874	 Tōku Whenua Block Name: **Section 8B Block XII Waitutu Survey District** Block ID: **287874** Owner Interests: **0** Area (hectares): **79.95** Shares: **0** Māori Land Court District: **Te Waipounamu** Report Printed: **24 June 2024**

Block ID	Whenua details
287875	 Tōku Whenua Block Name: **Section 6 Block XII Waitutu Survey District** Block ID: **287875** Owner Interests: **1** Area (hectares): **132.6** Shares: Māori Land Court District: **Te Waipounamu** Report Printed: **24 June 2024**
288334	 Tōku Whenua Block Name: **Section 12 Block XIV Waitutu Survey District** Block ID: **288334** Owner Interests: **0** Area (hectares): **85.93** Shares: **0** Māori Land Court District: **Te Waipounamu** Report Printed: **24 June 2024**

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Appendices | A5 – Glossary of terms

Glossary of terms

$k	Thousand
$m	Million
$bn	Billion
$tn	Trillion
Ha.	Hectare
The Incorporation	The Proprietors of Waitutu Incorporated
The Report	TPK WMF - Final Technical Report
-	Not Applicable
TPK	Te Puni Kōkiri
WMF	Whenua Māori Fund
NPV	Net Present Value
RoI	Annual Return on Investment
IRR	Internal Rate of Return
PBP	Payback Period
p.a.	Per Annum
FY	Financial Year
KPIs	Key Performance Indicators
NZ	New Zealand
%	Percentage
Yrs.	Years
Excl.	Excluding
USP	Unique selling proposition
COM	Committee of Management

Glossary of terms continued.

CPI	Consumer Price Index
EBITDA	Earnings Before Interest, Tax, Depreciation or Amortisation
LUC	Land Use Capability
NZ	New Zealand
GST	Goods and Services Tax
NWC	Net Working Capital
NZLRI	New Zealand Land Resource Inventory
WACC	Weighted Average Cost of Capital
Ha	Hectares
LINZ	Land information New Zealand
GIS	Geographic information system
GST	Goods and Services Tax
MBIE	Ministry of Business and Employment
The Survey	Waitutu evaluation criteria and scorecard survey
FTE	Full-Time Equivalent
RBNZ	Reserve Bank of New Zealand
EL	Engagement Letter
DOC	Department of Conservation
The Block	2,171 hectares of whenua occupied by the incorporation
The Project	Assisting with governance capability building and the exploration of future investment options
MYOB/Xero	Accounting system
AGM	Annual General Meeting

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Appendices | A5 – Glossary of terms continued.

Glossary of terms continued.

OPEX	Operating Expenditure
CAPEX	Capital Expenditure
EBT	Earnings Before Tax
ACC	Accident Compensation Corporation
ROA	Return on Assets
ROE	Return on Equity
AI	Artificial Intelligence
TNZ	Tourism New Zealand
km	kilometre
m	meter
USD	US Dollar
R&M	Repairs and Maintenance
RTO	Regional Tourism Organisation
PAX	Passenger numbers

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