



**MAHOGANY BAY  
VILLAGE**

**OWNER'S REPORT**  
4th Quarter 2018





# CONTENTS

This report is for all Owners of Hilton branded Units situated at Mahogany Bay Village and encompasses the revenue and expenses for the Development during the period October 1, 2018 to December 31, 2018. This report is broken down into two sections:

## Financial Performance

Highlights the Revenue and Expense activities for the period and including the RMA Maintenance & Utility Expenses

## Operations

Specific information about activities and initiatives at MBV

Owner review only, no copies or sharing allowed



**MAHOGANY BAY**  
VILLAGE

# Financial Performance

Welcome to the Q4 2018 Owner's Report – you should have received the link to the Owner's Update Recording (OUR) which was made available to all Owners on January 15th, 2019 via an email. If you did not receive this communications, please email our team at [ownerrelations@mahoganybayvillage.com](mailto:ownerrelations@mahoganybayvillage.com). The Owner's Update Recording is the primary reporting of the results for the Development during the reporting period and also the direction that the Development is heading in the future. This Owner's Report is meant as a supplemental report to highlight and/or augment the Owner's Update Recording – taken together these two communications will be the methodology that we will utilize to share the Development information with Owners. We look forward to your feedback on any way we can improve these communications, so don't hesitate to send us an email!

This operating quarter marked a milestone for Mahogany Bay Resort (MBR) as it had its first operating profit, which is a significant event for the property and a rare occurrence in the hotel industry for the first year of operations. Q4 is a difficult period as it has three weeks with no revenue (hotel was closed) and travel to the Caribbean doesn't start to pick up until the second/third week of November then it is soft for the first two weeks of December then 100% occupancy for the festive season. Through these peaks and valleys of revenue, the overhead and staffing expenses stay fairly constant though we do reduce some personnel's hours/week according to occupancy in the hotel.

Below is the information that was shared during the OUR regarding the financial comparison for the two reporting periods. The trends for revenue growth and expense are all moving in the right direction, especially the GOP, which at 79% is an anomaly in the industry, Lodging magazine shows 38% for the US market. <https://lodgingmagazine.com/us-hotels-operating-highest-level-efficiency-since-1960/>. This improvement along with the reduction in the RMA Maintenance & Utility Reserve Account attributed to the overall growth in profitability for the Q4 period.

December 2017 - September 2018		
<b>Revenue</b>		
4100 Room Revenues		
4101 Rooms	\$ 1,926,008.31	
Hilton Honors Redemptions	\$ 108,723.15	
Hilton Honors Points	\$ (66,035.16)	
Total 4100 Room Revenues	\$ 1,968,696.30	
Guest Acquisition (3rd party commission/referral)		
6104-1 OTA Fees	\$ (30,346.69)	
6104-3 GDS Fees	\$ (47.51)	
Total 6104 Commission/Fees	\$ (30,494.20)	
7505-2 Credit Card Charges	\$ (73,871.45)	
Gross Revenue	\$ 1,864,330.65	100.0%
<b>Resort Expenses</b>		
Cost of Goods Sold		
6100 Rooms costs		
Total 6101 Housekeeping Expenses	\$ 214,507.83	
Total 6102 Guest Services & Amenities	\$ 278,816.90	
Total 6100 Rooms costs	\$ 493,324.73	26.5%
Hilton Franchise Fees	\$ 131,105.41	
Hilton Systems Fees	\$ 4,595.60	
Total Cost of Goods Sold	\$ 629,025.74	33.7%
Gross Operating Profit	\$ 1,235,304.91	66.3%
Total General Sales and Administration Expenses		
	\$ 561,959.57	30.1%
Total Resort Expenses	\$ 1,190,985.31	63.9%
Rental Management Amount	\$ 393,799.26	21.1%
	\$ 279,606.08	15.0%
Total RMA Maintenance & Utilities Reserve Account		
	\$ 434,182.83	23.3%
Net Operating Income	\$ (154,576.75)	-8.3%
PMA Maintenance & Utilities Reserve Account		
	\$ 215,010.90	11.5%

October 2018 thru December 2018		
<b>Revenue</b>		
4100 Room Revenues		
4101 Rooms	\$ 811,468.37	
Hilton Honors Redemptions	\$ 47,556.86	
Hilton Honors Points	\$ (20,394.02)	
Total 4100 Room Revenues	\$ 838,631.21	
Guest Acquisition (3rd party commission/referral)		
6104-1 OTA Fees	\$ (13,833.07)	
6104-3 GDS Fees	\$ (24.38)	
Total 6104 Commission/Fees	\$ (13,857.45)	
7505-2 Credit Card Charges	\$ (31,838.53)	
Gross Revenue	\$ 792,935.23	100.0%
<b>Resort Expenses</b>		
Cost of Goods Sold		
6100 Rooms costs		
Total 6101 Housekeeping Expenses	\$ 45,546.27	
Total 6102 Guest Services & Amenities	\$ 71,780.10	
Total 6100 Rooms costs	\$ 117,326.37	14.8%
Hilton Franchise Fees	\$ 56,802.79	
Hilton Systems Fees	\$ 1,378.68	
Total Cost of Goods Sold	\$ 175,507.84	22.1%
Gross Operating Profit	\$ 617,427.39	77.9%
Total General Sales and Administration Expenses		
	\$ 275,508.16	34.7%
Total Resort Expenses	\$ 451,016.00	56.9%
Rental Management Amount	\$ 167,726.24	21.2%
	\$ 174,192.99	22.0%
Total RMA Maintenance & Utilities Reserve Account		
	\$ 102,063.40	12.9%
Net Operating Income	\$ 72,129.59	9.1%
Total PMA Maintenance & Utilities Reserve Account		
	\$ 47,005.81	5.9%

Below on the Profit & Loss there are specific notations to line items describing the expenses and/or giving insights into the direction of this expense which may be called out in the narrative portion of this Owner's Report.

Mahogany Bay Management, Ltd		
RMA Owners Report		
October 2018 thru December 2018		
		Hilton
<b>Revenue</b>		
4100 Room Revenues		
4101 Rooms	\$ 811,468.37	
Hilton Honors Redemptions	\$ 47,556.86	
Hilton Honors Points	\$ (20,394.02)	
Hilton Complaints	\$ (3,472.91)	-0.4%
Total 4100 Room Revenues	\$ 835,158.30	
Guest Acquisition (3rd party commission/referral)		
6104-1 OTA Fees	\$ (13,833.07)	
6104-3 GDS Fees	\$ (24.38)	
Total 6104 Commission/Fees	\$ (13,857.45)	
7505-2 Credit Card Charges	\$ (31,793.74)	
Gross Revenue	\$ 789,507.11	100.0%
<b>Resort Expenses</b>		
Cost of Goods Sold		
6100 Rooms costs		
6101 Housekeeping Expenses		
6101-01 Housekeeping Supplies	\$ 17,738.23	
6101-02 Housekeeping labor	\$ 25,706.54	
6101-05 Laundry Butane	\$ 3,643.75	
Total 6101 Housekeeping Expenses	\$ 47,088.52	
6102 Guest Services & Amenities		
6102-01 Front Desk labor	\$ 22,790.29	
6102-02 Reservation labor	\$ 8,372.65	
6501 PGIA Front Desk labor	\$ 5,470.44	
6102-03 Guest Airport Transfer	\$ 10,025.29	
6102-04 Complimentary Services		
102-4-2 Welcome Snack	\$ 68.95	
102-4-3 In room Amenities	\$ 7,214.04	
Total 6102-04 Complimentary Services	\$ 7,282.99	
6102-05 Guest Entertainment	\$ 1,341.38	
6102-06 Beach labor	\$ 5,308.17	
Total 6102 Guest Services & Amenities	\$ 60,591.21	
Total 6100 Rooms costs	\$ 107,679.73	13.6%
Hilton Franchise Fees	\$ 56,802.79	
Hilton Systems Fees	\$ 1,378.68	
Total Cost of Goods Sold	\$ 165,861.20	21.0%
Gross Operating Profit	\$ 623,645.91	79.0%
General Sales and Administration Expenses		
7200 Sales Department Expenses		
7201 Sales and Marketing Labor	\$ 36,936.15	
7202 Entertainment - Sales	\$ 164.16	
Total 7200 Sales Department Expenses	\$ 37,100.31	
7400 Administrative Expense		
7401 Executive Salaries		
7401-1 Managers' Salaries	\$ 23,392.89	
7401-2 Admin Staff salaries	\$ 33,611.42	
7401-3 Human Resource Salaries	\$ 29,386.06	
7401-4 IT Labour	\$ 13,619.45	
Total 7401 Administrative salaries	\$ 100,009.84	
7402 Other employee costs		
7402-04 Uniform Expenses	\$ 1,103.06	
7402-05 Staff Meals	\$ 2,249.97	
7402-06 Training Expense	\$ 1,976.49	
7402-07 Employee Benefits	\$ 4,905.06	
7402-08 Staff Entertainment	\$ 103.83	
7402-09 Medical	\$ 4,469.57	
7402-10 Human Resources & Expense	\$ 400.55	
7402-11 Payroll Fees	\$ 3,847.52	
7402-14 Recognition and Bonuses	\$ 5,014.60	
Total 7402 Other employee costs	\$ 24,070.64	
Total 7400 Administrative Expense	\$ 161,180.79	

Hilton Guest Satisfaction Program<sup>3</sup>

Philip Goldson Int'l Airport (PGIA) kiosk for guest services

GOP was 63.9% for first 10 months - 23.6% increase

7500 General Expenses		
7501 Advertising and promotional expense		
7501-1 Advertising and Promotion	\$	18,131.54
7501-2 Public Relations	\$	15,107.57
Total 7501 Advertising and promotional expense	\$	33,239.12
7502 Dues & subscriptions	\$	2,723.02
7504 Professional Fees		
7504-3 Legal Fees	\$	955.42
Total 7504 Professional Fees	\$	955.42
7505 Banking Expenses		
7505-1 Bank Service Charges	\$	377.79
Total 7505 Banking Expenses	\$	377.79
7507 Finance Fees	\$	22.26
Business Tax	\$	14,200.70
7509 Office Expenses		
Office Supplies	\$	5,970.67
Printing & Stationery	\$	5,472.94
Total 7509 Office Expenses	\$	11,443.62
7510 Equipment Rental & Leases	\$	542.19
7513 Freight & Delivery	\$	3,737.15
7515 Postage and Delivery	\$	251.83
7516 Licenses and Permits	\$	336.53
7518 Travel & Meetings	\$	12,312.05
7520 Other expenses		
Decorations	\$	800.28
Donations	\$	328.32
Total 7520 Other expenses	\$	1,128.60
Rent Expense	\$	4,805.00
Total 7500 General Expenses	\$	86,075.26
Total General Sales and Administration Expenses	\$	284,356.36
		36.0%
Total Resort Expenses	\$	450,217.56
Rental Management Amount	\$	167,031.66
	\$	172,257.89
		21.8%
RMA Maintenance & Utilities Reserve Account		
9304 Maintenance Expense <sup>1</sup>	\$	19.70
9304 FF&E <sup>1</sup>	\$	484.05
9304 Utilities		
9304-1 Electricity	\$	54,638.33
9304-2 Water & Sewer	\$	14,437.37
9304-3 Internet <sup>1</sup>	\$	8,228.39
9304-4 Sanitation/Trash <sup>2</sup>	\$	31.81
9304-5 Telecommunications <sup>1</sup>	\$	7,894.81
9304-6 A/V Content	\$	1,779.50
9304-7 Fuel	\$	16,170.19
Total RMA Maintenance & Utilities Reserve Account	\$	103,180.40
		13.1%
Net Operating Income	\$	69,077.49
		8.7%
PMA Maintenance & Utilities Reserve Account		
9201 Electricity	\$	25,965.39
9202 Water & Sewer	\$	7,761.27
9203 Building Repair & Maintenance <sup>1</sup>	\$	5,648.86
9203-3 Equipment Repair & Maintenance <sup>1</sup>	\$	1,091.03
9203-5 Repair & Maintenance Expenses <sup>1</sup>	\$	115.55
9203-7 Repair & Maintenance Supplies <sup>1</sup>	\$	2,934.18
9204 Landscape & Groundkeeping <sup>1</sup>	\$	58.49
9204-1 Pest Control <sup>1</sup>	\$	3,298.90
9204-2 Pool Repair, Maintenance & Supplies <sup>1</sup>	\$	1,355.55
Total PMA Maintenance & Utilities Reserve Account	\$	48,229.21
		6.1%

Resort Operations & Guest Services  
(RO&GS) Factor : 100 - 57 = 43

Net Operating Income

<sup>1</sup> Mahogany Bay Management reduced this amount by 20% to adjust for F&B square footage

<sup>2</sup> Mahogany Bay Management reduced this amount by 50% to adjust for F&B square footage

# DETAIL

The following is some key information on the activities that have been part of the ongoing operations of the property in order to gain market share and occupancy, drive ADR and reduce overall operating expenses — so that MBV can move towards a stabilized hotel with predictable revenues, expenses and profit margins — our most important initiative along with guest satisfaction. Unless otherwise indicated, information is for the period October 1, 2018 to December 31, 2018.

## **Revenue Management**

For the past six months, MBR has contracted with Hilton directly to provide the all important Revenue Management function that is typically part of the Front Desk operations of any hotel. This function is responsible for establishing the pricing of all of MBR's room inventory for the dynamic pricing engine and includes monitoring the local competitive landscape daily for pricing and special offers as well as regional pricing and occupancy rate trends; with the goal to maximize Revenue per available room (RevPAR). The executive team of the hotel has weekly RevMAX (Revenue Maximization) meetings with the Hilton Revenue Manager to establish the pricing and special offers that will be pushed out through the Hilton, OTA and GDS systems to win market share and RevPAR through shrewd pricing and specials management. During these meetings the team is reviewing the Pace Report (room nights booked per week) with MBR history reports, (with our one-year anniversary we have history!) STR reporting and OTA back-end reports to discern the best pricing strategies for all sales periods, including the current week (to entice last minute bookings).

## **Browse-Shop-Buy Strategy**

MBR, this quarter brought on the expertise of TravelClick™ to augment its sales and marketing team to assist in the development of the heads-in-beds marketing strategy and execution through their marketing and digital media resources. TravelClick is also the firm that is working on the new website for MBR and is a recognized industry leader in hotel marketing information systems that rival STR and provide the intelligence and expertise that helps inform our sales strategies, in synergy, with the Hilton resources.

As shown in the graphic below, the Guest Journey is broad and starts with selecting a destination for their travel (Caribbean, then Belize, then San Pedro) then they start to shop for possible accommodations, excursions and/or food/beverage options before they make the final Buy decision. In response to this Guest Journey, MBR's primary marketing effort (and allocation of financial and human resources) is to make sure any prospective guest will buy at MBR whenever they are engaged with our team members and within our digital and web content. Secondly we make sure that we present the highest value proposition to the prospective guest through our revenue management and promotion strategies with OTA, GDS and Hilton partners. Finally through our PR efforts and strategically placed Google and Facebook advertising we promote not only MBR but the destination of Belize through Web and Media content.



MBR continued its aggressive marketing strategy using the OTAs this quarter, specifically to use them as 'billboards' to show the high value of the MBR product knowing that potential guests use these site to Shop yet end up Buying on the vanity site for the best product selection and customer service. The past month has seen

several interesting PR articles on Belize Market: <https://robbreport.com/travel/destinations/best-places-to-go-2019-2838757/>, <https://robbreport.com/shelter/spaces/real-estate-predictions-2019-2838115/>, <https://www.cntraveler.com/gallery/the-best-places-to-travel-in-february> and the guest market continues to broaden with published articles in media outlets that target the high-end customer. This is an excellent trend and one that we see verified on the ground at MBR daily as the income range of our guests range from working class to the C-suite.

### **Finance Update**

As we have shared previously, we had challenges with the categorization of transactions into the financial systems which delayed our previous period reporting, through a dedicated effort the team has established the systems and controls for 100% accuracy of data entry and verification of all transactions which enabled MBR to produce this report seamlessly and ahead of schedule. MBR's Chief Accountant comes from the auditing/public accounting sector (MBR met her during the annual audit of a sister company) and she has put in place SOPs that assure that all transactions are entered correctly and a review of every transaction in the system is completed by the CEO and Chief Accountant as part of the month end close, plus an auditing sample is done weekly to catch any errors as quickly as possible and take the necessary action(s).

MBR voluntarily invites two Government of Belize (GOB) agencies to perform regular and periodic audits of our financials. The Belize Tourism Board audits our revenue for the Hotel Tax payments and Belize Department of General Sales Tax audits our expenses for the General Sales Tax (GST which is a value-add tax) payments and inputs against the GST. MBR takes this proactive step so that we have an open dialog with these agencies on the correct application of their statutes and to reduce the possibility of any serious infraction and necessity for a full audit by the agencies in the future. This is a best practice that has been exercised by MBR's sister company for over five years which has been successful in building a strong bond between MBR and the GOB.

### **Financial Audit**

MBR has retained the services of Moore Stephens International (the tenth largest international accounting firm in the world and the only firm in Belize that conducts ISA audits) to conduct the full audit of the MBM books for 2019 and the finance team is in the process of preparing the systems to conform to their auditing and documentation standards.

### **<sup>3</sup> Hilton Reporting**

There is a new line item in the Revenue section, Hilton Complaints, these are charges back to MBR for monies that Hilton refunded directly to guests due to complaints lodged against MBR to Hilton corporate. During this period there were 4 complaints; (1 for a full refund and 3 partial refunds) which resulted in refunds of \$3,472.91 (0.4% of revenue/0.1% of room nights). We distribute this line item (consistent with all Hilton corporate items) to all Owners. As a hotel we deal with thousands of guests on the property each month and 99% of them are on property to enjoy themselves, make memories and have a great time. There are other guests that come on property with a very different attitude and in some cases are actively looking to 'grift' the hotel and/or commit social media extortion. Though these experiences can be difficult for our team members, the team always does their best to satisfy all guests requests and complaints while on property and our standard procedure is to provide complimentary upgrades, food and beverage and/or discounted tours. We have had several incidences where guest behavior has required police involvement and Hilton disallowing them on all Hilton properties - as a company that is serving the general public, this is just unfortunately part of this type of business — and we're fortunate it's a very small amount.

### **Blocking and Rotation**

Distributing revenue to Owners in an equitable fashion is an important task of the Front Desk team, which is monitored and reviewed by the Room Manager (manages Reservations, Front Desk, Valet and Housekeeping departments). The Reservations team assign rooms the day prior to arrival in a process called 'Blocking' in the hotel industry. Rooms within a specific category (i.e. Garden Cottage or Lower Keeping Suite, etc.) are assigned out of the available rooms (not including rooms that are out of order (maintenance or repair) as

follows: 1) guest(s) requested specific room(s) or proximity 2) next due for occupancy from the rotation system. As this process is completed on a daily basis, MBR is not able to give any Owner a forecast of future room reservations for their Unit. Should you desire to stay in your unit, this will give you more flexibility with making your reservation as long as we are not sold out of your unit category on the night(s) you wish to stay. As always, the more notice you can give the Reservations department of your stay, the better.

### **Reducing Expenses**

MBR is always mindful of finding ways to reduce the cost of the operations while delivering a superb product – here are a few initiatives:

- Every department had a headcount review and individual performance reviews in October - MBR then invited team members back for employment for the 2019 season; thereby right-sizing the team with the best performers for the peak occupancy of the hotel and resulting in a 8.5% reduction in staffing
- HR will be locally administrated in 2019, as one of our last expats will be leaving the Development in early February, so expect to see cost savings in the 7401-3 account in the Q1FY19 Owners Report
- Payroll processing has been brought in-house for MBR and all of its sister companies (costs will be prorated and distributed by # of employees); expect a 50% reduction in this expense to MBR
- MBR is 90% complete with on boarding an additional credit card processing partner; because of the complexity of Belize and the nature of hospitality, obtaining this service is a 4-6 month process. Upon completion, we anticipate a reduction of the processing percentage by 1.00 to 1.50 percent, additionally we'll be able to process Hilton branded AMEX cards and our guests will get both their points *and* AMEX rewards

### **Utilities**

Utilities and especially electricity are expense areas that are worthy of consideration for expense reduction planning. MBR today is a 24-hour/day, 15-acre campus with over 180,000sf of operating accommodations (not including the amenities and back of house areas), 1.2 miles of roads and 2 miles of canal/water frontage. MBR's unique features (walkable village, water frontage, individual cottages) that creates our charm and drives our RevPar also present challenges (we're not a dense 4-5 story tower resort) - roads and canals need to be safely illuminated without contributing light pollution to the dark sky of Belize. With the history now in place for the month of October shut down, we now know that exterior life safety lighting costs approximately \$12,000/month.

The cost of electricity in Belize is \$0.225/Kwh whereas the average in US is 0.120/Kwh, a 87.5% premium. The analysis at the right illustrates that the cost for the Interior electricity conforms and actually exceed industry averages. Though the Exterior cost is characteristic of the Development and a fixed expenses and its % contribution will continue to decrease as more units are brought into the inventory, MBR will initiate a scrum immediately to find reasonable solutions to lower the cost of this expense without sacrificing safety on the Development.

	Q4	12/6/17 to 9/30/18	Total
Room Nights	3,633	11,291	14,924
Total Room Revenue	\$835,158	\$1,926,008	\$2,761,166
BEL Total	\$54,638	\$218,331	\$272,969
Exterior	\$36,000	\$120,000	\$156,000
\$/Room Night	\$9.91	\$10.63	\$10.45
%/Revenue	4.3%	6.2%	5.6%
Interior	\$18,638	\$98,331	\$116,969
\$/Room Night	\$5.13	\$8.71	\$7.84
%/Revenue	2.2%	5.1%	4.2%

### **Hot Action Item**

As the operations of the Development continue to mature *and* become more demanding and complex, MBR will continue to build out a world-class senior management team. Not believing in a one-size fits all solution and understanding the challenges of Belize, MBR will build this team with a combination of outsource partners and hiring and developing MBR resources. In the past six months, MBR has strategically placed best in class vested and accountable stakeholders to the team, including Hilton Revenue Management, TravelClick™ and Moore Stephens. MBR's next key placements will be a general manager and food/beverage manager that can



take the Development from NOW to WOW, it's a tall order of what is required for these positions and MBR will be thoughtful throughout the process to bring on the right resources - February's calendar is already full of interviews and visits to the property by prospective partners and resources.

**Owners Rate**

Though not directly pertinent to the Owner Report, we would like to share the Owners Rates for 2019. For the Hilton product we have added the Service Charge/day as this is compensation directly to the Rooms team as part of their compensation plan, therefore the Nightly Rate *plus* the Service Charge will be the amount for any Owner or their guest to stay in their specific Unit.

As the Owners of the Coastal Living product do not have to pay a Franchise Fee like the Hilton Owners and their stay is often for a longer period of time, MBR has created a new Flat Fee which is available when the Owner stays in their Unit (that is the person who is on the Property Management Agreement contract). The Owner may select the Flat Fee in lieu of the Nightly Rate *plus* the Service Charge that is charged for all other guests (including friends of the Owner) in a Coastal Living Unit. See details below on what is included in the fees.

Dwelling Type	Nightly Rate	Service Charge/day	Flat Fee
<b>Hilton</b>			
Garden Cottage	\$25	\$10	
Guest Studio	\$25	\$10	
Keeping Suite Lower	\$25	\$10	
Keeping Suite Upper	\$25	\$10	
Family Cottage	\$35	\$20	
Fisherman Camp	\$30	\$10	
<b>Coastal Living</b>			
1 Bedroom Units	\$25	\$10	\$60
2 Bedroom Units (FC is included)	\$35	\$20	\$100
>2 Bedroom Units	\$45	\$20	\$120

Services Included:

Other than the Flat Fee, our normal service offering is available, including daily HK, Beach Club access, etc. There is no airport transfers and/or complementary breakfast.

Flat Fee is available for Coastal Living only (we can't offer this on Hilton units as it would void our contract) they would get preparation of their unit for their stay and turn service upon their departure. No daily HK services included, if they want to have that service then the Nightly Rate plus the Service Charge would be billed to their room. This is for the direct OWNER of the unit only and not syndication members, family, friends etc. and they must show ID and be the named individual on the RMA contract.

All taxes are applicable to these rates.