Graduate
DUBAI

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28 April 2019

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I. EXECUTIVE SUMMARY

Hand-Crafted Accommodations. That is the number one goal at Graduate Hotels. With 25 locations across the United States, Graduate is a tailored hotel experience where customers know exactly where they are the moment they walk through the front door. This is a crucial part of the Graduate brand, as hotels are becoming more and more homogeneous across the globe. Inside cookie-cutter hotel chains such as Hilton or Marriott, guests no longer experience the unique and distinctive culture of an area. This culture, which creates a sense of place, becomes lost in most chain hotels, causing guests to lose the immersive factor of their cultural destination. This is a problem. Families and individuals travel to learn about a new place, not spend it in a hotel that looks identical to one back home.

Since 2014, Graduate Hotels has grown its popularity and brand value through the success of the many United States locations. To the right is a map (Figure 1) of the current Graduate locations in the United States. Hotels marked with green pins are currently open, while hotels marked with grey pins are chapters scheduled for opening within the next two years.

Through our parent company and the fund’s general partner, Adventurous Journeys Capital Partners, we have been able to finance this multitude of hotels. AJ Capital is based in Chicago, Illinois and is a “vertically-integrated real estate developer, owner, and operator”. Since the company’s birth in 2008, it has “executed over $2 billion in gross acquisition investments”. Among their collection of elegantly transformed spaces, Graduate Hotels is the head of their portfolio. The hotel line, which launched in 2014, is a “boutique hotel collection targeting dynamic university towns across America” (AJ Capital).

“We Are All Students”. This is the mantra of the U.S. division of Graduate Hotels. Graduates take advantage of college town locations to reflect the culture of the university within its walls. From Prince’s “Little Red Corvette” lamp shapes in Minneapolis to Hoosier basketball court walls in Bloomington, Indiana, Graduate Hotels makes intentional design decisions. Details of each Graduate Hotel are different and unique to its site. Even Graduate Minneapolis (Figure 2) has its own exclusive style with a “We Are All Students” wall, pine tree front desk, and hockey player quilts.
With the success of the university division in the United States, we thought: why not look to expand our market? This is where our new motto comes in: “We Are All Adventurers”. Reflecting on our partnership with Adventurous Journeys Capital and the adventurer that exists within us all, this motto truly reflects our international chapter. Universities have big personalities and create immersive experiences. We believe that major international cities have that same large personality and possess the dynamics AJ Capital looks for in its potential locations. That is why we strongly believe taking Graduate Hotels international is the next step in expanding AJ Capital’s portfolio.

**Figure 3**

“We Are All Adventurers” broadens our business to an international scale. The plan is not to open one new location abroad, but rather to start a new branch for our general partner, AJ Capital. To test drive this idea, we have chosen to develop a site in Dubai, United Arab Emirates. We will offer tourists and cost-conscious business professionals a unique, comfortable, and more affordable place to stay while visiting the UAE. Although there are numerous hotels in Dubai, not one can provide the same attributes that our Graduate branch will: affordability, high quality, and sense of place. The problem of placelessness (Figure 3) is spreading across the globe and Graduate Dubai strives to combat it by creating a hand-crafted hotel, tailored to the cultural diversity of the area. We are more than a hotel; we are an experience.

**Graduate Dubai** truly will be unlike any other hotel chain in the world. As previously stated, every Graduate hotel is designed and detailed to display the culture and traditions of its designated location. From Arabic history being dispersed throughout the halls, to colors and patterns representing the UAE flag, we guarantee our guests will feel more and more like locals with each new discovery. Whether it’s a place to stay during a weekend getaway, or simply for a business trip, the comfort and quality of Graduate Dubai is sure to please anyone and everyone who chooses to stay with us. They may even learn a thing or two. We strive to not only provide guests with a room and bed, but rather a story to bring home.

With a current average of 16 million tourists per year, the Dubai hotel market is just too grand not to capitalize on. As the city continues to grow and expand exponentially, the culture of the young oil country is fading away. In 2020, Dubai is expected to attract a record-breaking 20 million tourists. This surplus of visitors to the city is creating an ever-growing need for lodging and hospitality, and we want to get in on the action. We plan to open our doors to the millions of adventurers in August of 2019, giving us just enough time to work out the kinks before the UAE hosts the World Expo in 2020. This event is expected to spike the influx, creating an even greater demand for hotel accommodations.

As Dubai is the number one city for overnight spending, the demographic of guests traveling to the country is mainly composed of the upper middle class and wealthy elites. This correlates to a general trend of a longer length of stay in rooms, keeping our keys in a constant dynamic. In addition to this demographic, our main revenue streams will also consist of business professionals. With this high-spending portfolio of guests, customers will tend to stay for extended periods of time. Therefore, the longer they stay, the better we perform.
As with any hotel, our earnings originate with room revenue and occupancy rates. These account for over 90% of our annual income. With such a high number of tourists, this percentage cranks out millions of dollars in profit per year. We don’t stop there, though. Maintaining the Graduate culture, a sector of our first floor will be devoted to a restaurant whose menu boasts entrées and appetizers on par with the traditional Arabian palate. The extension of cultural emersion to our guest’s gustatory sense comes at no additional expense. In fact, the 3,000 sq. ft. venue will be leased to a local eatery at $28,000 per month, accounting for 7.8% of our total first year revenue.

In terms of the amenities offered, a prayer chamber will not only reflect the religion of the country but also appeal to the vast number of Muslim visitors. It is to be located in the west wing of the lobby with easy access for all five daily calls to prayer. Last, Graduate Dubai will be home to a contemporary rooftop pool and lounge. Guest will be able to order drinks and appetizers up to the pool from the restaurant in the lobby. Because this space will be owned solely by Graduate (not leased out like the lobby venue), we will charge a 15% hospitality tax on the lobby restaurant for every sale they make poolside. This, similar to a corking fee at a restaurant, will be accounted for in miscellaneous income and is estimated at $6,000 annually.

In our first three years of operation, Graduate Dubai is expected to make over $7,220,000 in net profit. This will aid in returing the debt of the initial investment. In year 10, the hotel will have not only paid for itself, but will generate an additional $2,800,000 per year. With the success of this location, we propose to expand our “We Are All Adventurers” branch after Graduate Dubai’s first five years of operation. We plan to deliver our brand to Hong Kong, Rio de Janeiro, Singapore, and Vancouver by 2030. Therefore, by the year 2050, we project the branch “We Are All Adventurers” will earn AJ Capital Partners over $210,000,000.

Graduate Dubai will require roughly $26,000,000 in funds which can be seen above (Figure 4). This sum would finance all of the expenses in the new location. The building, located in Jumeriah Village Circle, costs $17,500,000 and would be the largest investment expense of the project. The remaining investment money is devoted to equipment and other capital items. With a total of just over $5,000,000, this sector is reserved for FF&E (furniture, fixtures, and equipment) and OS&E (operating supplies and equipment). This covers the stocking and set up of each and every room, lobby, bathroom, etc. The final portion, $150,000, will be used as cash on hand to begin the operation. We plan to fund this through both debt (bank loans) and equity, both of which will be managed by the finance team at AJ Capital.

We are extremely confident that this expansion will enhance our existing portfolio. This purchase covers more than just a building, it represents the broadening of the Graduate brand into an international business. Graduate Dubai is just the start of our new market, and it is one with so much potential just waiting to be tapped into. We hope you will join us on this marvelous expedition because we truly all are adventurers.