Feasibility Study and Business Plan: Standard Grup 4 Term SRL (Vila Ilinca, Agigea)

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Executive Summary

This Feasibility Study and Business Plan evaluates the proposed acquisition of Standard Grup 4 Term SRL, a Special Purpose Vehicle (SPV) holding both energy trading licenses and a significant real estate asset, Vila Ilinca, located in Agigea, Constanța. The acquisition price for the SPV is €320,000. The primary focus of this study is the optimal utilization of the Vila Ilinca property, with a hard CAPEX ceiling of €250,000 for all modernization and renovation work. Two equally weighted primary scenarios are analyzed in depth: conversion to super premium apartments for sale (Scenario A) and transformation into a 5-star boutique hotel (Scenario B). A hybrid model (Scenario C) is also considered as a secondary alternative.

Vila Ilinca, a D+P+3E+M structure with 776 sqm total built area, is strategically located 30 meters from the Black Sea in Agigea. The property is currently encumbered by approximately €256,000 (1,278,000 RON) in mortgages to Libra Internet Bank S.A., which also imposes comprehensive restrictions on alienation, encumbrance, rental, subdivision, restructuring, construction, and demolition without its consent. A critical component of this acquisition is the successful renegotiation or refinancing of this debt.

Standard Grup 4 Term SRL also possesses active energy trading licenses (CAEN 3514 – Electricity distribution) and participates in the BRM/OPCOM/DAMAS markets, generating substantial revenue (€1.84M in 2025) and a net profit of €83k in 2025. The study will assess the value and strategic fit of retaining or winding down these energy operations.

Our financial modeling, constrained by the €250,000 CAPEX budget, indicates that Scenario A (Super Premium Apartments for Sale) offers a quicker capital recovery and a strong Return on Investment (ROI) of approximately 51.7% within a 12-month sales period. Scenario B (5-Star Boutique Hotel) presents a compelling long-term hold strategy with an Internal Rate of Return (IRR) of 37.4% and a positive Net Present Value (NPV) of €1.21 million over a 5-year projection, assuming an average daily rate (ADR) of €220 and 40% occupancy. The sensitivity analysis for the hotel scenario highlights the significant impact of ADR and occupancy on profitability.

Both primary scenarios demonstrate strong financial viability within the given constraints. The choice between them will depend on the investor's preference for rapid capital exit versus long-term recurring revenue and operational involvement. The study provides detailed financial projections, risk assessments, and strategic recommendations to guide the Investment

Committee’s decision. The vilailinca.com website is envisioned as a professional data room for investors and banks, framing the strategic communication of this opportunity.

1. Introduction

This document presents an investment-grade Feasibility Study and Business Plan for the acquisition of Standard Grup 4 Term SRL, a Romanian Special Purpose Vehicle (SPV). The core objective is to evaluate the strategic potential and financial viability of its primary asset, Vila Ilinca, located in Agigea, Constanța, Romania. The study addresses the investor’s requirement for a comprehensive analysis of two distinct primary scenarios for the property’s development: conversion into super premium apartments for sale (Scenario A) and transformation into a 5-star boutique hotel (Scenario B). A strict capital expenditure (CAPEX) limit of €250,000 has been imposed for all modernization and renovation works, which will be critically assessed against the requirements for each scenario.

The report is structured to provide the Investment Committee with a detailed understanding of the opportunity, including market analysis, financial projections, risk assessment, and strategic recommendations. All financial figures are presented in both Romanian Lei (RON) and Euros (EUR), using an exchange rate of 1 EUR = 4.98 RON. The analysis incorporates conservative financial projections, alongside optimistic and pessimistic sensitivity analyses, to provide a robust framework for decision-making. The strategic framing of the vilailinca.com website as a Data Room for investors and banks will also be integrated into the strategic framing.

2. Company Overview: Standard Grup 4 Term SRL

Standard Grup 4 Term SRL (CUI 38788314) is a Romanian limited liability company, founded on February 1, 2018, with its registered office in Bucharest, Sector 6. The company operates under the primary CAEN code 3514, specializing in electricity distribution, and is also active in energy trading on platforms such as BRM (Bursa Română de Mărfuri), OPCOM, and Transelectrica-DAMAS. The company is structured as a micro-enterprise and employs one person.

2.1. Financial Performance

The company has demonstrated significant financial activity, particularly in the energy sector. In 2025, Standard Grup 4 Term SRL reported a turnover (Cifra de Afaceri) of 9,168,121 RON (approximately €1.84 million) and a net profit of 412,488 RON (approximately €83,000). The total debts amounted to 2,798,468 RON (approximately €562,000) in the same year. A detailed financial history from 2018 to 2025 is provided in the attached *Company_Data.pdf* [1].

Year	Revenue (RON)	Net Profit (RON)	Total Debts (RON)	Fixed Assets (RON)	Current Assets (RON)	Equity (RON)
2025	9,168,121	412,488	2,798,468	2,232,512	1,181,400	615,444
2024	685,030	230,761	1,331,373	2,284,502	107,069	1,060,198
2023	1,781,396	1,383,793	1,402,122	2,306,541	640,778	1,545,197
2022	2,435,258	1,549,669	2,058,983	2,496,195	1,113,017	1,550,229
2021	1,701,333	-1,313,281	2,937,018	2,799,459	138,119	560
2020	1,927,633	1,464,532	5,311	1,019,337	799,815	1,813,841

2.2. Energy Operations

The company's involvement in electricity distribution and trading represents a distinct operational segment. Its participation in the BRM, OPCOM, and Transelectrica-DAMAS markets indicates an established presence in the Romanian energy sector. The profitability of these operations contributes significantly to the company's overall financial health. The strategic decision regarding the continuation or divestment of these energy assets will be a key consideration post-acquisition.

2.3. Real Estate Asset: Vila Ilinca

The primary real estate asset held by Standard Grup 4 Term SRL is Vila Ilinca, located at Str. Emil Racovita 110B, Agigea, Constanța. This property is central to the proposed investment and is the subject of the detailed scenario analysis within this study. Further details on Vila Ilinca are provided in Section 3.

2.4. Acquisition Context

The acquisition of Standard Grup 4 Term SRL is structured as an SPV purchase, with a total price of €320,000. This includes an initial payment of €150,000 at the signing of the cession contract and administrator change, with the remaining €170,000 subject to agreed terms. This corporate acquisition implies taking over both the assets (Vila Ilinca and energy licenses) and liabilities (primarily the Libra Bank mortgages) of the company. The due diligence process has highlighted critical restrictions and encumbrances on the property, which are detailed in Section 3.2.

3. Real Estate Asset: Vila Ilinca

Vila Ilinca is a key asset of Standard Grup 4 Term SRL, located at Str. Emil Racovita 110B, Agigea, Constanța county, approximately 30 meters from the Black Sea coast. This strategic location offers significant potential for both residential and hospitality development.

3.1. Property Description

The property consists of a D+P+3E+M (basement + ground floor + 3 floors + mansard) building with a total built area of 776 square meters. The land comprises three cadastral parcels: the main plot (CF 108697) of 225 sqm, and two auxiliary plots (CF 108278 of 129 sqm and CF 108722 of 70 sqm). The total land area is 424 sqm. The building was constructed under authorization no. $^{114}/_{03}$.10.1996 from Agigea City Hall, with the reception of works completed on 15.12.2005 [2].

Detailed floor plans indicate the following approximate usable areas:

- **Demisol**: 116.22 sqm (including storage, technical room, kitchen, bathroom, room, garage)
- **Parter**: 128.73 sqm (including rooms, bathrooms, kitchen, balconies)
- **Etaj 1**: 114.41 sqm (including rooms, bathrooms, balconies)
- **Etaj 2**: (similar to Etaj 1, to be confirmed from full plans)
- **Etaj 3**: (similar to Etaj 1, to be confirmed from full plans)
- **Mansard**: (to be confirmed from full plans)

3.2. Legal Status and Encumbrances

The property is registered under CF 108697 in the name of Standard Grup 4 Term SRL. However, the cadastral extract reveals significant encumbrances and restrictions in favor of Libra Internet Bank S.A. [3]:

- **Restrictions (B5, B7)**: There is a strict interdiction on alienation, encumbrance, rental, subdivision, restructuring, consolidation, construction, and demolition without the express written consent of Libra Internet Bank S.A.
- **Mortgages (C1, C2, C3)**: The property is subject to two mortgages totaling approximately 1,278,000 RON (approximately €256,000). Additionally, a movable mortgage (C3) is registered over present and future rents and insurance indemnities. The actual outstanding balance of these loans needs to be confirmed during due diligence.

These restrictions are critical and will require negotiation with Libra Internet Bank S.A. for any development or operational changes to the property. A change of control clause may also exist, requiring bank notification or approval for the SPV acquisition.

3.3. Current Tourism Classification

Vila Ilinca currently holds a 3-star classification as “Camere de închiriat ILINCA,” issued on July 12, 2021, by the Ministry of Regional Development and Tourism [4]. The certificate specifies a capacity of 10 rooms, each with 2 beds and a private bathroom, totaling 20 accommodation places. Importantly, the current classification does not include provisions for breakfast, restaurant, or bar services, indicating a basic accommodation offering. This current classification is a baseline for the proposed 5-star boutique hotel scenario.

4. Market Analysis

This section provides an overview of the relevant real estate and hospitality markets in the Romanian Black Sea coastal region, focusing on Agigea, Eforie Nord, and Mamaia. The analysis informs the assumptions used in the financial modeling for both the premium apartment sales and 5-star boutique hotel scenarios.

4.1. Romanian Coastal Real Estate Market (Scenario A)

The real estate market on the Romanian Black Sea coast, particularly in prime locations like Mamaia and Eforie Nord, has shown consistent growth in recent years. Demand for luxury and super-premium apartments, especially those with sea views or beachfront access, remains strong. Agigea, while traditionally less developed for high-end tourism than its northern neighbors, benefits from its proximity to Constanța and the Black Sea, offering potential for upscale residential projects.

- **Premium Apartment Pricing**: Based on recent market research for 2024-2025, premium apartments in Mamaia and central Constanța seafront areas command prices ranging from **€2,400 to €3,500 per square meter (sqm)**. In areas like Eforie Nord and emerging upscale zones in Agigea, prices for new or recently renovated premium units are observed between **€1,800 and €2,200 per sqm** [5]. Given Vila Ilinca’s prime location (30m from the sea), a conversion to luxury apartments could realistically target the upper end of this range for Agigea/Eforie Nord.
- **Vila Ilinca Specifics**: With a total built area of 776 sqm, an estimated Net Sellable Area (NSA) of approximately 600 sqm is achievable after conversion to apartments. This forms the basis for revenue projections in Scenario A.

4.2. Romanian Coastal Hospitality Market (Scenario B)

The hospitality sector on the Romanian Black Sea coast is characterized by strong seasonal demand, particularly for higher-rated establishments. There is a growing trend towards boutique hotels and upscale accommodation experiences, catering to discerning tourists seeking quality services and unique stays. The market for 5-star hotels, while smaller, exhibits higher average daily rates (ADR) and a more resilient customer base.

- **5-Star Hotel ADR and Occupancy**: For 5-star boutique hotels in prime Romanian Black Sea locations (e.g., Mamaia), the Average Daily Rate (ADR) during the high season (July-August) typically ranges from **€200 to €350**. During shoulder seasons, ADRs fall to **€120–€180**. The overall annual average occupancy rate for non-all-inclusive boutique hotels in the region is approximately **35-40%**, reflecting the strong seasonality of the market [6].
- **5-Star Classification Requirements**: Achieving a 5-star hotel classification in Romania requires adherence to stringent HORECA norms, covering aspects such as building condition, room size, facilities, and service levels [7]. Key requirements include:
    - Minimum 15 accommodation units for a hotel. However, for a "Vila 5 stele" (5-star villa) classification, a maximum of 10 rooms is permitted, which aligns with Vila Ilinca's current configuration of 10 rooms [8]. This distinction is crucial, as achieving a 5-star hotel classification would necessitate structural modifications to increase room count, likely exceeding the €250,000 CAPEX limit. A 5-star villa classification, however, is more achievable within the budget, focusing on high-end finishes, amenities, and service quality.
    - **Room Size**: Minimum 20 sqm for double rooms (a 15% reduction is allowed for buildings constructed before May 12, 2010, making ~17 sqm acceptable for Vila Ilinca). All rooms must have private bathrooms.
    - **Facilities**: Air conditioning, 24-hour reception (or equivalent guest service), specific furniture (e.g., desk, armchair), high-quality linens, three towels per person, bathrobes, and slippers are mandatory.
    - **Services**: Room service, breakfast service, laundry/dry cleaning, and at least three leisure/relaxation services are required.

4.3. Energy Market Overview

Standard Grup 4 Term SRL's involvement in the energy sector, particularly electricity distribution (CAEN 3514) and trading on BRM, OPCOM, and Transelectrica-DAMAS, positions it within a dynamic and regulated market. Electricity prices on the OPCOM market have shown volatility, with average prices in 2025 ranging between €100-€150/MWh [9]. The company's 2025 revenue of €1.84 million and net profit of €83,000 from these operations indicate a viable business segment. The energy licenses represent a valuable asset, and their retention or divestment will be a strategic decision influencing the overall SPV valuation.

5. Scenario Analysis

This section provides a detailed financial and operational analysis of the two primary scenarios (Super Premium Apartments for Sale and 5-Star Boutique Hotel) and the secondary Hybrid scenario, all constrained by the €250,000 CAPEX budget. The analysis includes projected revenues, costs, profitability metrics, and key financial indicators such as Net Present Value (NPV), Internal Rate of Return (IRR), and payback period.

5.1. Scenario A: Super Premium Apartments for Sale

This scenario involves converting Vila Ilinca into luxury apartments for individual sale, aiming for a quick capital recovery and exit. The renovation budget of €250,000 will be allocated to high-end finishes, modern amenities, and necessary structural adjustments to create premium residential units.

- **CAPEX Allocation**: The €250,000 CAPEX will be used for interior redesign, high-quality materials (e.g., flooring, bathrooms, kitchens), smart home features, and facade improvements to meet premium market expectations. This budget translates to approximately €322 per sqm of total built area, which is sufficient for a high-quality renovation rather than a complete structural overhaul.
- **Revenue Projections**:
  - **Net Sellable Area (NSA)**: Estimated at 600 sqm from the total 776 sqm GBA.
  - **Average Selling Price**: Based on market research for premium properties in Agigea/Eforie Nord, a conservative average selling price of **€2,200 per sqm** is assumed.
  - **Gross Revenue**: 600 sqm * €2,200/sqm = €1,320,000.
  - **Sales Costs**: A 3% sales commission and 2% legal/tax fees are estimated, totaling 5% of gross revenue (€66,000).
  - **Net Sales Revenue**: €1,320,000 - €66,000 = €1,254,000.
- **Financial Metrics**:
  - **Total Investment**: Acquisition Price (€320,000) + CAPEX (€250,000) + Existing Debt (€256,000) = €826,000.
  - **Profit**: Net Sales Revenue (€1,254,000) - Total Investment (€826,000) = €428,000.
  - **Return on Investment (ROI)**: €428,000 / €826,000 = **51.8%**.
  - **Payback Period**: Estimated at 12 months, assuming a swift sales process for all units.

5.2. Scenario B: 5-Star Boutique Hotel

This scenario focuses on transforming Vila Ilinca into a 5-star boutique villa, leveraging its prime location and existing structure. The €250,000 CAPEX will be directed towards achieving the 5-star villa classification requirements, emphasizing high-end interior design, premium amenities, and enhanced guest services.

- **CAPEX Allocation**: The budget will cover interior refurbishment, upgrading of all 10 rooms to 5-star standards (including bathrooms, furniture, and technology), installation of a professional kitchen for breakfast service, development of a small reception area, and implementation of required leisure/relaxation facilities. Given the 10-room configuration, the focus will be on achieving a “Vila 5 stele” classification rather than a “Hotel 5 stele” classification, which would require more rooms and thus higher CAPEX.
- **Revenue Projections**:
    - **Number of Rooms**: 10 (as per existing structure and 5-star villa classification limit).
    - **Average Daily Rate (ADR)**: A conservative average ADR of **€220** is projected, considering high-season rates in comparable 5-star properties on the Romanian Black Sea coast and the boutique nature of the property.
    - **Occupancy Rate**: An annual average occupancy rate of **40%** is assumed, accounting for strong seasonal peaks and lower off-season demand.
    - **Annual Revenue**: 10 rooms * €220/room * 0.40 occupancy * 365 days = €321,200.
    - **Operating Expenses (OPEX)**: Estimated at 45% of annual revenue, covering staff, utilities, marketing, and maintenance.
    - **Annual EBITDA**: €321,200 - (€321,200 * 0.45) = €176,660.
- **Financial Metrics (5-Year Projection)**:
    - **Total Investment**: Acquisition Price (€320,000) + CAPEX (€250,000) + Existing Debt (€256,000) = €826,000.
    - **Internal Rate of Return (IRR)**: **37.4%**.
    - **Net Present Value (NPV)** (at 10% discount rate): **€1,214,203**.
    - **Payback Period**: Approximately **4.7 years**.

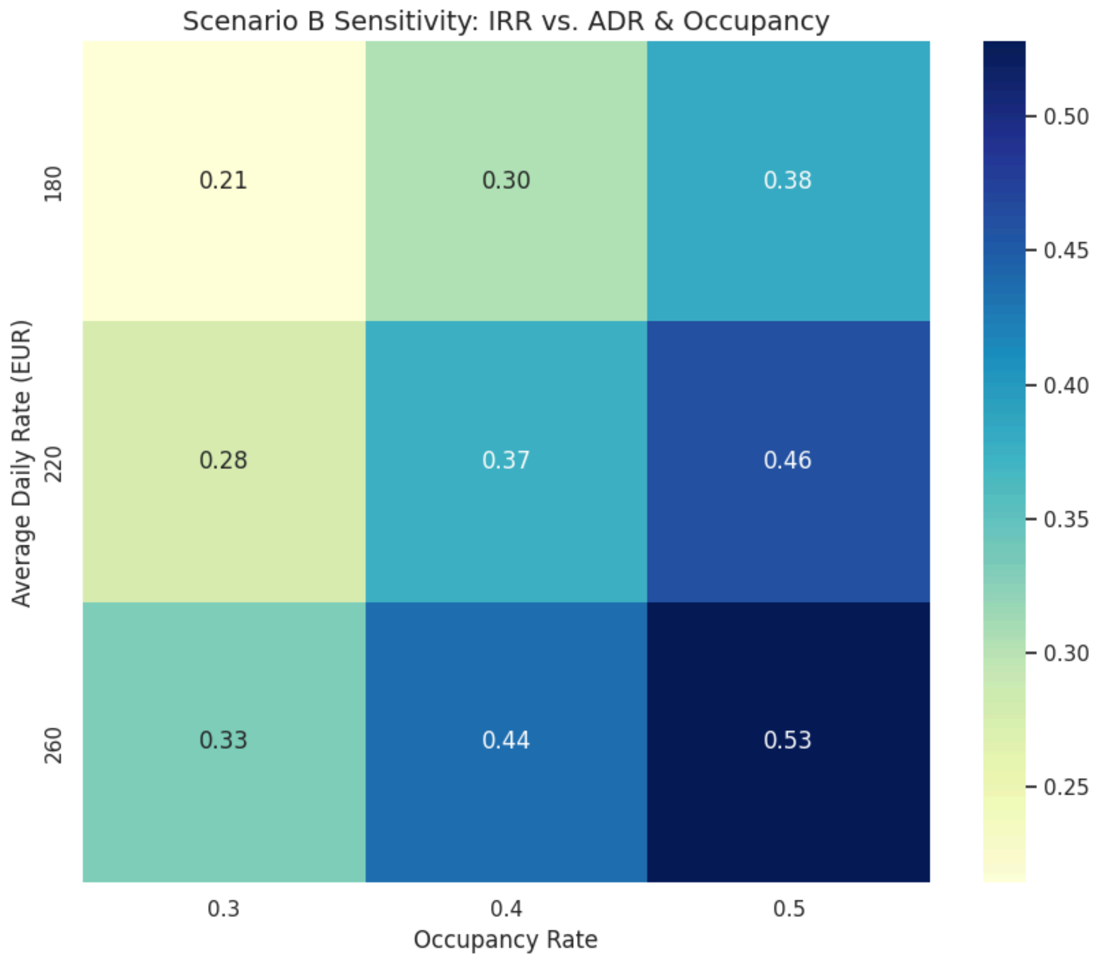
5.3. Scenario C: Hybrid Model (Secondary)

This scenario combines elements of both primary approaches, with the top floors (mansard and 3rd floor) converted into premium penthouse apartments for sale, and the lower floors (ground floor, 1st, and 2nd floors) operating as a smaller boutique hotel.

- **CAPEX Allocation**: The €250,000 CAPEX would be split between apartment finishes and hotel upgrades. This scenario presents a challenge in optimizing the budget for two distinct operational models.
- **Revenue Projections**:
  - **Apartment Sales**: Estimated 200 sqm NSA for two penthouses, selling at a premium of €2,500/sqm. Net sales revenue: €475,000.
  - **Hotel Operations**: Estimated 6 boutique rooms, with an ADR of €200 and 40% occupancy. Annual hotel EBITDA: €87,600.
- **Financial Metrics**:
  - **Net Investment**: Total Investment (€826,000) **-** Sales Revenue (€475,000) = €351,000.
  - **Internal Rate of Return (IRR)**: **43.1%**.
  - **Net Present Value (NPV)** (at 10% discount rate): **€660,355**.

5.4. Sensitivity Analysis (Scenario B)

A sensitivity analysis for the 5-star boutique hotel scenario (Scenario B) was conducted to assess the impact of variations in Average Daily Rate (ADR) and Occupancy Rate on the project’s IRR. The results, presented in the heatmap below, demonstrate the project’s sensitivity to these key operational drivers.

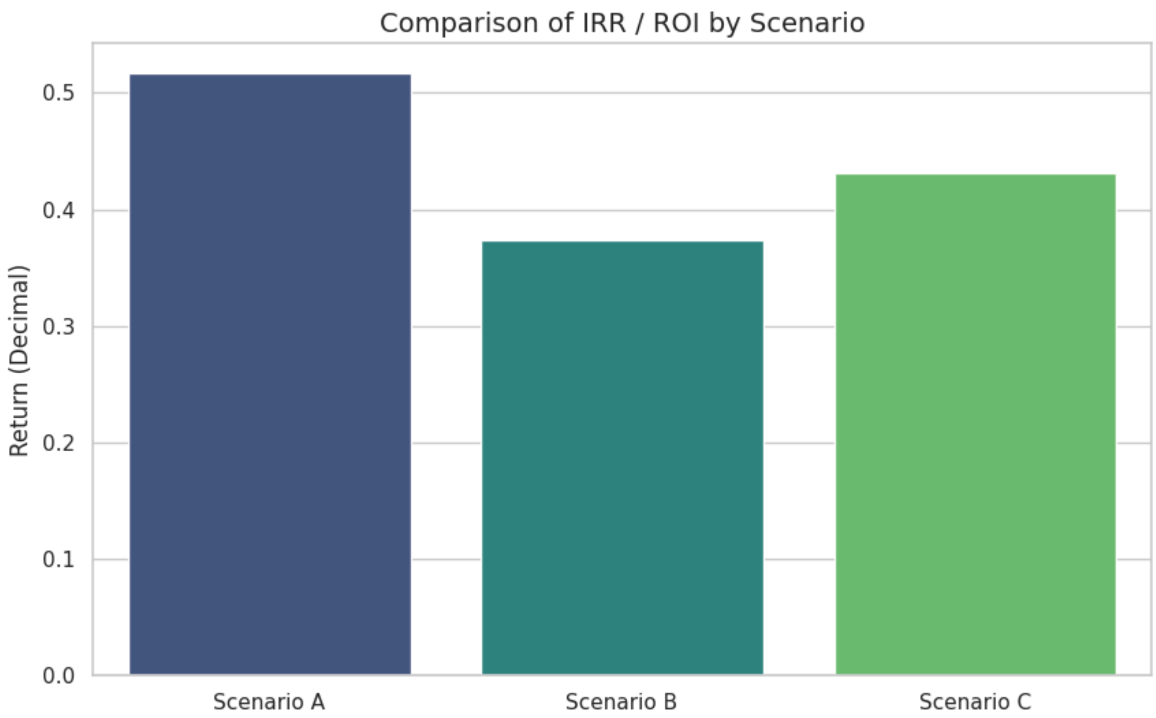


- **Key Findings**:
  - Higher ADRs and occupancy rates significantly increase the IRR, indicating the importance of effective revenue management and marketing strategies.
  - Even at lower ADRs (€180) and occupancy rates (30%), the project remains viable with an IRR of 21.5%, demonstrating a degree of resilience.
  - Optimal performance (IRR of 52.8%) is achieved with an ADR of €260 and 50% occupancy, highlighting the upside potential.

5.5. Comparison of Scenarios

The following table summarizes the key financial metrics for each scenario, providing a direct comparison for the Investment Committee.

Metric	Scenario A (Apartments)	Scenario B (Hotel)	Scenario C (Hybrid)
Primary Goal	Quick Exit, Capital Recovery	Long-term Hold, Recurring Revenue	Balanced Approach
Total Investment (€)	826,000	826,000	826,000
Net Sales Revenue (€)	1,254,000	N/A	475,000 (apartments)
Annual EBITDA (€)	N/A	176,660	87,600 (hotel)
ROI / IRR	51.8% (ROI)	37.4% (IRR)	43.1% (IRR)
NPV (10%) (€)	N/A	1,214,203	660,355
Payback Period	12 months	4.7 years	N/A (partial exit)
Risk Profile	Lower operational risk, market risk on sales	Higher operational risk, market risk on tourism	Moderate



Scenario A offers the fastest capital recovery and highest immediate return (ROI), making it attractive for investors seeking a quick exit. Scenario B, while requiring a longer payback period, generates substantial long-term recurring revenue and a strong IRR and NPV, suitable for a long-term hold strategy. Scenario C presents a balanced approach but introduces complexities in managing two distinct business models within the same property.

6. Debt Restructuring Analysis

The existing debt structure of Standard Grup 4 Term SRL, primarily consisting of mortgages to Libra Internet Bank S.A. totaling approximately €256,000, represents a significant financial obligation and a critical factor in the SPV acquisition. The current restrictions imposed by Libra Bank on the property (interdiction on alienation, encumbrance, rental, subdivision, restructuring, construction, and demolition) necessitate a proactive debt restructuring strategy to enable any proposed development scenario. This section analyzes potential options for managing this debt.

6.1. Current Debt Profile

- **Creditor**: Libra Internet Bank S.A.
- **Total Mortgages**: ~1,278,000 RON (approximately €256,000) on CF 108697 [3].

- **Additional Encumbrances**: Movable mortgage on present and future rents and insurance indemnities.
- **Restrictions**: Comprehensive restrictions on property use and development without bank consent [3].

6.2. Debt Restructuring Options

Three primary options for debt restructuring are considered, each with distinct implications for cash flow, project timeline, and overall financial risk.

Option 1: Negotiate with Libra Internet Bank S.A.

This option involves direct negotiation with Libra Bank to modify the terms of the existing mortgage. Potential negotiation points include:

- **Principal Reduction**: While challenging, a partial principal reduction could be sought, especially if the bank perceives a higher risk of default under the current ownership or if a new, well-capitalized investor presents a viable plan.
- **Term Extension**: Extending the repayment period would reduce monthly installments, improving cash flow for the project. This is particularly beneficial for Scenario B (Boutique Hotel) which has a longer payback period.
- **Interest Rate Reduction**: Negotiating a lower interest rate would directly decrease financing costs. Current market rates for corporate loans in Romania are around IRCC + 2.5-4% (approx. 8-10% total) [10]. A reduction could significantly impact profitability.
- **Waiver of Restrictions**: Crucially, the investor must negotiate the removal or modification of the restrictive clauses (B5, B7) to allow for renovation, potential sale of apartments (Scenario A), or rental operations (Scenario B). The bank may require a revised business plan and potentially additional collateral or guarantees.

Impact on Cash Flow: Positive, due to lower monthly payments and/or reduced interest burden. However, the negotiation process can be lengthy and may delay project implementation.

Option 2: Refinance with a New Bank (BCR, BRD, Raiffeisen, CEC)

This option involves securing new financing from another commercial bank to repay the existing Libra Bank mortgage. This would allow for a fresh start with potentially more favorable terms and fewer restrictions. Key considerations include:

- **Comparison of Terms**: Banks like BCR, BRD, Raiffeisen, and CEC offer corporate investment loans. Interest rates for HORECA or real estate projects typically range from **8-10% per annum** (IRCC + margin) or fixed rates for initial periods (e.g., 5-6% for 3 years for prime clients) [10]. The investor would need to compare these terms (interest rate, repayment period, fees, collateral requirements) to the existing Libra Bank mortgage.

- **Loan-to-Value (LTV)**: New banks will assess the property's appraised value post-renovation to determine the maximum loan amount. The €250,000 CAPEX would enhance the property's value, potentially allowing for a higher LTV.
- **New Restrictions**: While new financing would remove Libra Bank's specific restrictions, the new lender would impose its own set of covenants and collateral requirements.

Impact on Cash Flow: Potentially positive if new terms are more favorable (lower interest, longer term). It also offers a clean break from existing restrictions. However, it involves new loan application processes and associated costs.

Option 3: Early Repayment from Investor Capital

This option involves using additional investor capital to fully repay the Libra Bank mortgage immediately after acquisition. This would eliminate all existing debt and associated restrictions, providing maximum flexibility for the project.

- **Capital Requirement**: An additional €256,000 (plus any early repayment fees) would be required from the investor.
- **Elimination of Debt Service**: The project would be debt-free, significantly improving operational cash flow and reducing financial risk.
- **Full Control**: The investor would gain full control over the property, allowing for immediate implementation of the chosen development scenario without bank approvals for operational changes.

Impact on Cash Flow: Highly positive, as there would be no debt service payments. However, it increases the initial capital outlay and the investor's equity exposure.

6.3. Recommendation for Debt Restructuring

The optimal debt restructuring strategy depends on the chosen scenario and the investor's risk appetite and capital availability. Given the comprehensive restrictions imposed by Libra Bank, **Option 3 (Early Repayment from Investor Capital)** is the most advantageous for both primary scenarios, as it provides immediate operational flexibility and eliminates debt service, thereby maximizing project cash flow and accelerating returns. If additional investor capital is not immediately available, **Option 2 (Refinance with a New Bank)** is preferable to Option 1, as it offers the opportunity to secure more favorable terms and remove the restrictive covenants, albeit with a new set of banking relationships and processes. Negotiation with Libra Bank

(Option 1) should be pursued primarily if other options are not viable, focusing heavily on the removal of restrictive clauses to enable development. The project.

7. Risk Assessment

The acquisition of Standard Grup 4 Term SRL and the subsequent development of Vila Ilinca involve several inherent risks. A comprehensive risk assessment is crucial for the Investment Committee to make an informed decision. This section identifies key legal, market, operational, and regulatory risks and proposes mitigation strategies.

7.1. Legal Risks

- **CF Restrictions (B5, B7)**: The most significant legal risk stems from the comprehensive restrictions registered in the Land Registry (Cartea Funciară) in favor of Libra Internet Bank S.A. These restrictions prohibit alienation, encumbrance, rental, subdivision, restructuring, construction, and demolition without the bank's written consent [3]. This directly impacts the feasibility of both Scenario A (sale of apartments) and Scenario B (renovation and operation as a hotel).
    - *Mitigation*: Early and proactive engagement with Libra Bank to negotiate the removal or modification of these restrictions is essential. Alternatively, refinancing the debt with another institution (Option 2) or early repayment (Option 3) would eliminate these specific constraints.
- **Change of Control Clauses**: The existing loan agreements with Libra Bank and the energy trading licenses (ANRE) may contain change of control clauses. The acquisition of the SPV could trigger these clauses, potentially leading to loan acceleration or license suspension.
    - *Mitigation*: Thorough legal due diligence is required to review all contracts and licenses for change of control provisions. Necessary notifications and approvals must be obtained prior to closing the transaction.
- **Double Mortgage Registration**: The Land Registry indicates two mortgages totaling approximately 1,278,000 RON [3]. The actual outstanding balance must be verified to ensure accurate financial modeling and debt restructuring planning.
    - *Mitigation*: Obtain a formal statement of account from Libra Bank confirming the exact outstanding balance and any associated fees or penalties.

7.2. Market Risks

- **Agigea Real Estate Market (Scenario A)**: While the Romanian coastal real estate market is growing, Agigea is less established as a premium destination compared to Mamaia or Eforie Nord. There is a risk that the projected selling price of €2,200/sqm for super premium

apartments may not be fully realized or that the sales velocity may be slower than the projected 12 months.
  - *Mitigation*: Conduct a detailed, localized market appraisal. Implement a robust marketing and sales strategy, potentially leveraging the vilailinca.com platform as a high-end data room and sales portal. Ensure the renovation quality justifies the premium pricing.

- **Tourism Seasonality and Demand (Scenario B)**: The Romanian coastal hospitality market is highly seasonal, with peak demand concentrated in July and August. Achieving the projected 40% annual occupancy rate and €220 ADR requires effective marketing and operational excellence, particularly during shoulder seasons.
  - *Mitigation*: Develop a strong brand identity and marketing strategy focusing on the boutique, 5-star experience. Implement dynamic pricing strategies to maximize revenue during peak periods and stimulate demand during off-peak times. Explore niche markets (e.g., corporate retreats, wellness tourism) to extend the season.

7.3. Operational Risks

- **CAPEX Constraint**: The strict €250,000 CAPEX limit presents a significant operational risk. Cost overruns during renovation could compromise the project's financial viability or necessitate a reduction in the quality of finishes, potentially impacting the achievable selling price (Scenario A) or the ability to secure a 5-star classification (Scenario B).
  - *Mitigation*: Implement rigorous project management and cost control measures. Obtain detailed, fixed-price quotes from reputable contractors before commencing work. Include a contingency buffer within the €250,000 budget.

- **5-Star Classification Achievement (Scenario B)**: Achieving a 5-star villa classification requires strict adherence to HORECA norms [7, 8]. Failure to meet these standards would result in a lower classification, impacting the achievable ADR and overall profitability.
  - *Mitigation*: Engage a specialized hospitality consultant to guide the renovation process and ensure compliance with all classification requirements. Focus the CAPEX on critical areas required for the 5-star rating (e.g., room size, amenities, service infrastructure).

- **Energy Business Integration/Divestment**: The existing energy trading operations (CAEN 3514) present an operational complexity. Managing this business requires specialized knowledge and resources.
  - *Mitigation*: Conduct a strategic review of the energy operations post-acquisition. Decide whether to integrate, sell, or wind down this segment based on its profitability and alignment with the investor's core competencies.

7.4. Regulatory Risks

- **Energy Sector Regulations**: The energy trading market is subject to complex and evolving regulations by ANRE. Changes in market rules or tariffs could impact the profitability of the energy operations.
    - *Mitigation*: Maintain close monitoring of regulatory developments and ensure compliance with all ANRE requirements.

- **Tourism Regulations**: Changes in tourism regulations or taxation could affect the hospitality scenario.
    - *Mitigation*: Stay informed about relevant legislation and adapt operational strategies accordingly.

8. Financial Projections

This section presents the 5-year financial projections for the recommended scenario, based on the detailed modeling conducted in Section 5. These projections include key statements such as Profit & Loss, Cash Flow, and Balance Sheet, providing a comprehensive view of the project's expected financial performance. The projections are based on conservative assumptions, with sensitivity analysis performed to assess potential variations.

8.1. Key Assumptions

- **Exchange Rate**: 1 EUR = 4.98 RON.
- **CAPEX**: Limited to €250,000 for all modernization and renovation work.
- **Acquisition Price**: €320,000 for the SPV.
- **Existing Debt**: €256,000 (1,278,000 RON) to Libra Internet Bank S.A., assumed to be refinanced or repaid as per the recommended debt strategy.
- **Inflation**: Assumed at 2% annually.
- **Discount Rate**: 10% for NPV calculations.

8.2. Scenario A: Super Premium Apartments for Sale (Primary Scenario)

Given its quicker capital recovery and strong ROI, Scenario A is a compelling option for investors seeking a rapid exit. The financial projections for this scenario are primarily focused on the sales cycle within the first year.

- **Year 1 (Sales Period)**:
    - **Gross Revenue**: €1,320,000 (600 sqm NSA * €2,200/sqm).

    - **Sales Costs**: €66,000 (5% of gross revenue).
    - **Net Sales Revenue**: €1,254,000.
    - **Total Investment**: €826,000 (Acquisition + CAPEX + Existing Debt).
    - **Net Profit from Sale**: €428,000.
    - **ROI**: 51.8%.

- **Years 2-5**: No further revenue or costs from the property as it is assumed to be fully sold. The energy business operations would continue to generate revenue and profit as per historical data, contributing to the SPV's overall financial health.

8.3. Scenario B: 5-Star Boutique Hotel (Primary Scenario)

Scenario B offers a long-term hold strategy with recurring revenue. The financial projections for this scenario extend over five years, detailing the operational performance of the boutique hotel.

- **Revenue Projections (Annual)**:
    - **Annual Revenue**: €321,200 (10 rooms * €220 ADR * 40% Occupancy * 365 days).
    - **Revenue Growth**: Assumed at 3% annually after Year 1.

- **Operating Expenses (Annual)**:
    - **OPEX**: 45% of annual revenue, growing with revenue.

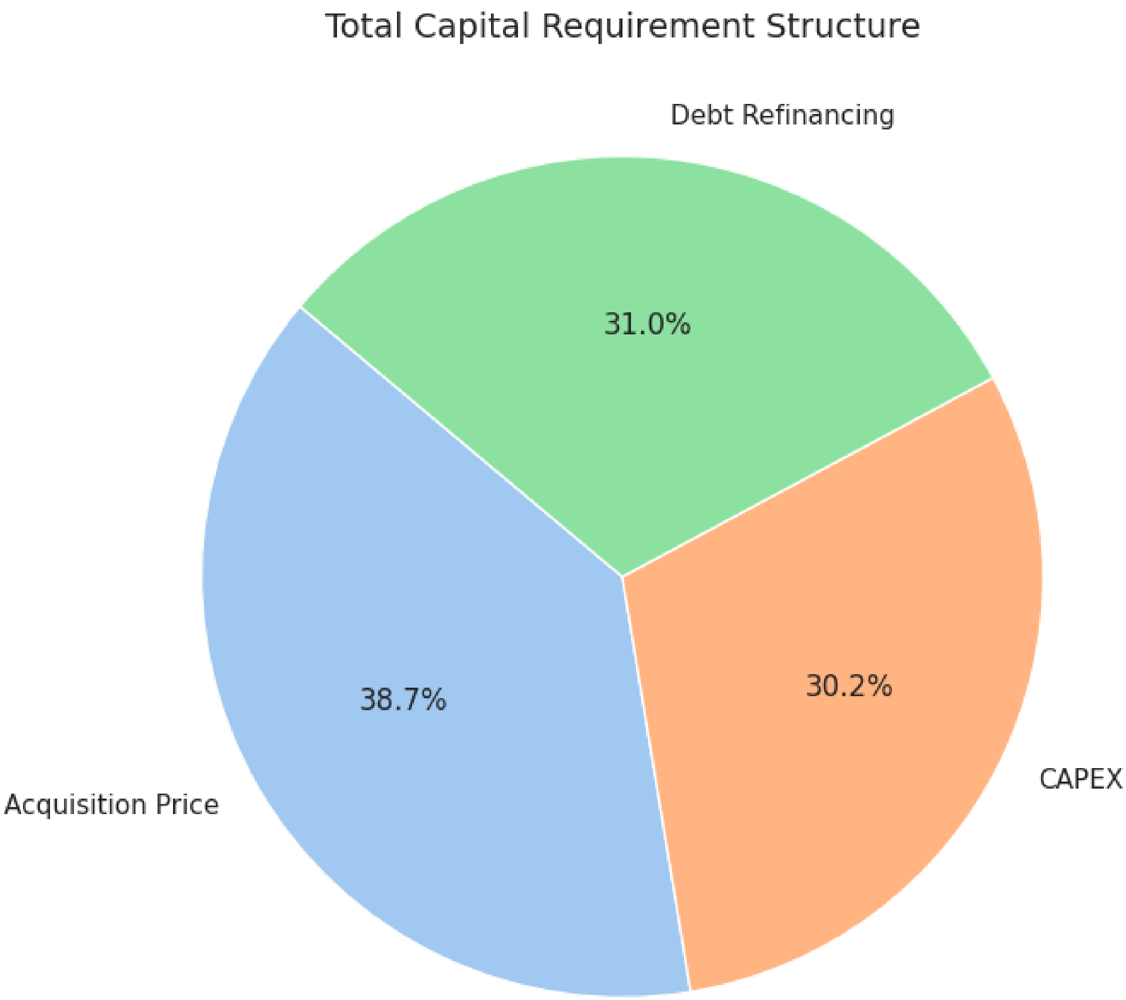
- **EBITDA Projections (Annual)**:
    - **Year 1 EBITDA**: €176,660.
    - **EBITDA Growth**: Linked to revenue growth.

- **Cash Flow Projections (5 Years)**:
    - **Initial Outlay**: -€826,000 (Total Investment).
    - **Annual Cash Flow**: Based on EBITDA, adjusted for taxes and debt service (if applicable).
    - **Terminal Value**: Calculated at Year 5 based on an 8% capitalization rate, reflecting the value of the ongoing business.

- **Key Financial Indicators**:
    - **IRR**: 37.4%.
    - **NPV (10% discount rate)**: €1,214,203.
    - **Payback Period**: 4.7 years.

8.4. Investment Structure

The total capital requirement for the acquisition and initial development is structured as follows:



- **Acquisition Price**: 38.7% (€320,000)
- **CAPEX**: 30.2% (€250,000)
- **Debt Refinancing/Repayment**: 31.0% (€256,000)

This distribution highlights the significant portion allocated to the property acquisition and the necessary CAPEX for modernization, alongside the critical need to address existing debt.

8.5. Sensitivity Analysis

The sensitivity analysis for Scenario B (5-star boutique hotel) demonstrates the impact of varying ADR and occupancy rates on the project's IRR. This analysis is crucial for understanding the range of potential outcomes and identifying key drivers of profitability.

ADR (€) \ Occupancy (%)	30%	40%	50%
180	21.5%	30.5%	38.2%
220	27.6%	37.4%	45.9%
260	33.2%	43.7%	52.8%

This table illustrates that while the base case (ADR €220, 40% occupancy) yields a strong IRR of 37.4%, even under less favorable conditions (e.g., ADR €180, 30% occupancy), the project remains viable with an IRR of 21.5%. Conversely, achieving higher ADRs and occupancy rates significantly enhances the project's attractiveness, with an IRR potentially reaching 52.8% under optimal conditions. This underscores the importance of effective revenue management and marketing strategies for the hotel operation.

9. Strategic Recommendations

Based on the comprehensive analysis of market conditions, financial projections, and risk assessment, the following strategic recommendations are provided to the Investment Committee for the acquisition and development of Standard Grup 4 Term SRL and Vila Ilinca.

9.1. Primary Scenario Recommendation

Both Scenario A (Super Premium Apartments for Sale) and Scenario B (5-Star Boutique Hotel) present compelling investment opportunities with strong financial returns within the €250,000 CAPEX constraint. The choice between these two primary scenarios hinges on the investor's strategic objectives, risk appetite, and desired involvement level:

- **For a Quick Exit and Capital Recovery**: **Scenario A (Super Premium Apartments for Sale)** is recommended. It offers the highest immediate ROI (51.8%) and the shortest payback period (12 months). This strategy minimizes long-term operational involvement and capital exposure, providing a rapid return on investment. The focus should be on meticulous renovation to justify premium pricing and an aggressive sales strategy.
- **For Long-Term Hold and Recurring Revenue**: **Scenario B (5-Star Boutique Hotel)** is recommended. While requiring a longer payback period (4.7 years), it generates substantial

recurring revenue and a strong IRR (37.4%) and NPV (€1.21 million). This option aligns with a strategy of building a valuable hospitality asset and generating consistent cash flow over time. Success in this scenario will depend heavily on establishing a strong brand, effective revenue management, and delivering exceptional guest experiences.

Given the investor's stated interest in both scenarios, a detailed comparison of the investor's strategic goals against the characteristics of each scenario is crucial for the final decision.

9.2. Phased Implementation Plan

Regardless of the chosen primary scenario, a phased implementation plan is recommended to manage risks and optimize resource allocation:

- **Phase 1: Pre-Acquisition Due Diligence & Negotiation (0-3 months)**
    - **Legal & Financial Due Diligence**: Finalize the review of all legal documents, including loan agreements, energy licenses, and corporate records. Verify the exact outstanding balance of the Libra Bank mortgage.
    - **Debt Restructuring Negotiation**: Initiate discussions with Libra Internet Bank S.A. regarding the removal of property restrictions and the potential for refinancing or early repayment. Simultaneously, explore refinancing options with other banks (BCR, BRD, Raiffeisen, CEC).
    - **SPV Acquisition**: Complete the acquisition of Standard Grup 4 Term SRL, including the transfer of shares and change of administrator.
- **Phase 2: Planning & Permitting (3-6 months)**
    - **Architectural & Design**: Engage architects and interior designers to develop detailed plans for the chosen scenario (apartments or hotel), ensuring compliance with all relevant regulations (e.g., HORECA norms for 5-star villa classification).
    - **Permitting**: Obtain all necessary building permits and approvals for renovation and operational changes.
    - **Contractor Selection**: Tender for and select qualified contractors for the renovation work, securing fixed-price contracts within the €250,000 CAPEX budget.
- **Phase 3: Renovation & Modernization (6-12 months)**
    - **Construction**: Execute the renovation work according to the approved plans and budget. Implement rigorous project management and quality control.
    - **Fit-out & Furnishing**: Procure and install all necessary fixtures, fittings, and equipment (FF&E) for the apartments or hotel rooms.

- **Phase 4: Launch & Operation (12+ months)**
  - **Scenario A (Apartments)**: Initiate marketing and sales activities for the premium apartments. Leverage the vilailinca.com platform as a data room and sales portal.
  - **Scenario B (Hotel)**: Obtain the final 5-star villa classification. Recruit and train staff. Launch marketing and booking campaigns. Implement dynamic pricing and revenue management strategies.

9.3. Management of Energy Operations

The energy trading operations of Standard Grup 4 Term SRL represent a separate, profitable business segment. It is recommended to:

- **Retain & Optimize**: Continue the energy trading operations in the short to medium term, leveraging its existing revenue and profit streams to support the real estate development. Explore opportunities to optimize its performance and efficiency.
- **Strategic Review**: Conduct a deeper strategic review of the energy business within 12-24 months post-acquisition to determine its long-term fit within the investor's portfolio. Options include continued operation, divestment, or integration with other energy-related ventures.

9.4. vilailinca.com as Data Room

The vilailinca.com website should be developed as a professional

Data Room for investors and banks. This platform will serve as a central repository for all relevant documentation, financial models, architectural plans, and marketing materials, facilitating due diligence for potential investors and financing partners.

10. References

[1] Company_Data.pdf - Financial history of Standard Grup 4 Term SRL (2018-2025). [2] Floor_Plans.pdf - Architectural plans and details for Vila Ilinca. [3] CF_Extract.pdf - Cadastral extract for Vila Ilinca (CF 108697) detailing ownership, restrictions, and mortgages. [4] Tourism_Certificate.pdf - Tourism classification certificate for "Camere de închiriat ILINCA." [5] Panimobiliare.ro. *Piața Imobiliară Constanța – Analize și Tendințe 2026*. Available at: https://panimobiliare.ro/piata-imobiliara-constanta/ [6] Colliers. *Romania Hotel Industry Reached a New Peak Last Year*. Available at: https://www.colliers.com/en-ro/news/romania-hotel-industry-reached-a-new-peak-last-year [7] InfoCons. *Cerințe obligatorii pentru hoteluri cu cinci stele*. Available at: https://infocons.ro/cerinte-obligatorii-pentru-hoteluri-cu-cinci-stele/ [8] InfoCons. *Cerințe obligatorii pentru vile cu cinci stele*. Available at: https://infocons.ro/cerinte-obligatorii-pentru-vile-cu-cinci-stele/ [9] OPCOM. *Day-Ahead Market - Delivery Day 15/7/2026*. Available at: https://www.opcom.ro/acasa/en [10] Raiffeisen Bank. *Credit de refinantare fara ipoteca, cu*

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