



# Balqash Resort Area

Investor Presentation

# The Balqash resort area comprises 4 population centers in Qaraghandy Region

## Torangalyk village

- Located 30–40 minutes by car from the town of Balqash
- About 15 tourist hostels and holiday homes
- Vacant land available for development

## Balqash town

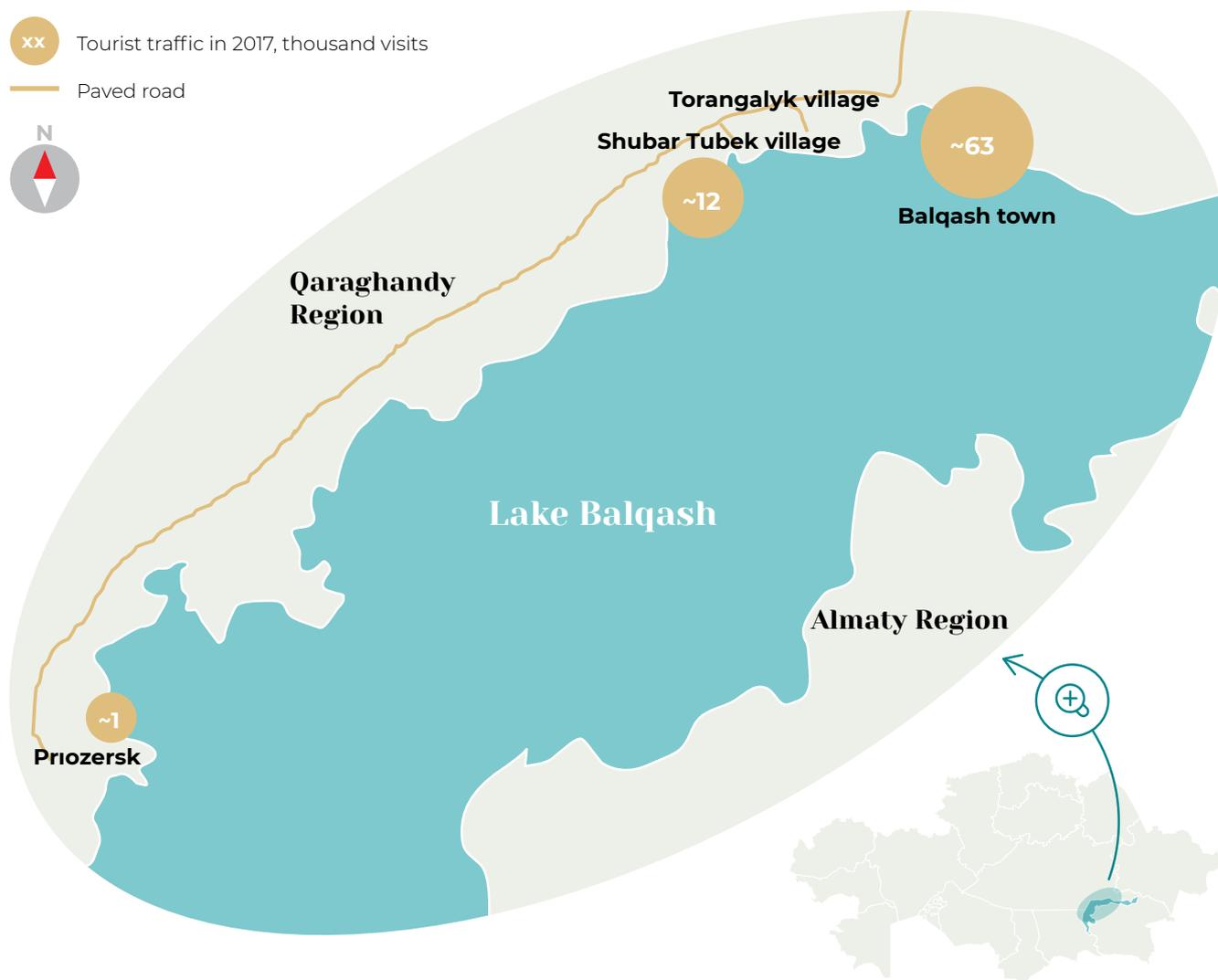
- A 5-hour drive from Qaraghandy (380 km)
- 10 recreation areas and one 3-star hotel on the Bertys Bay shore

## Shubar Tubek village

- 40 minutes by car from Lake Balqash
- About 10 tourist hostels and holiday homes

## Priozersk

- 2 hours from Balqash town, 30 minutes from Sary-Shagan railway station





# Summary



The Balqash resort area in Qaraghandy Region is particularly attractive to tourists as a domestic beach holiday destination and ranks among the top 10 attractions on Kazakhstan's tourism promotion map.



Current tourist traffic is 80,000 visits a year. This is expected to reach 330,000 visits by 2030.



Average spending per visit is projected to grow by 35% by 2030, while a better, more diverse product offering will increase customer spending on leisure and meals by 50%.



The resort area's value proposition is affordable beach holidays with a variety of activities for the whole family.



The government plans to invest more than 9 billion tenge in infrastructure development in the 500 ha resort area. This includes central water supply, upgrading of power lines and beautification the beach area.



Developing the resort area will require about 1,900 additional hotel rooms. A total of 7.8 billion tenge will be invested to build new hotel accommodation.



The government is ready to provide tax exemptions and comprehensive support to private investors.

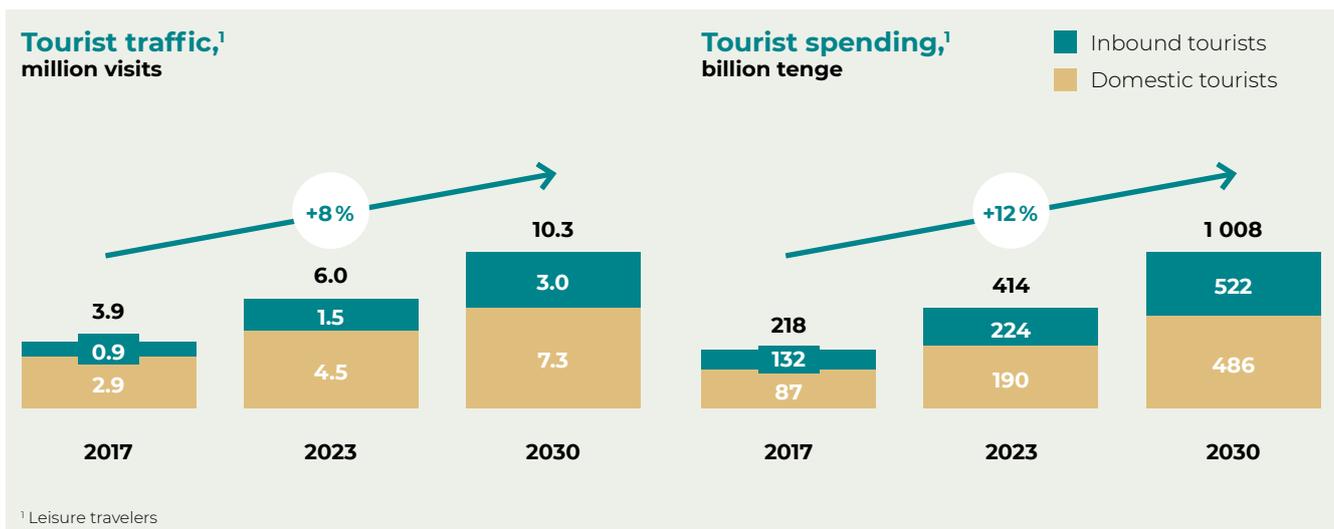


# The Head of State has named tourism as one of the growth priorities for the next five years



...A promising source (of revenue) for any region is promoting inbound and domestic tourism, which in today's world creates every tenth job.

The government should therefore take a series of steps to simplify visa formalities, build infrastructure and clear obstacles to the tourism industry...



## Growth will be driven by a unique value proposition that will:



draw Kazakhstani tourists away from vacationing abroad towards domestic resorts



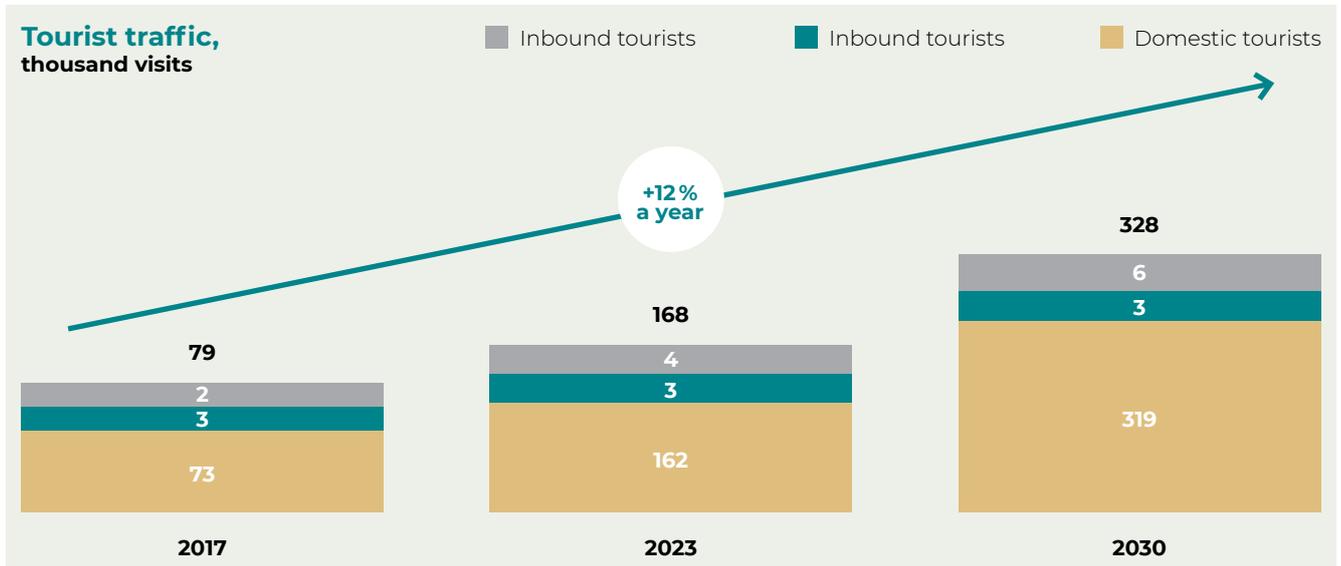
inspire country residents who don't usually travel to spend on domestic tourism



increase the number of inbound tourists to Kazakhstan



# The Balqash resort area has the potential to accommodate ~4 times more tourists than at present



## Demand markets by 2030

xx Tourist traffic, thousand visits



### Most tourists will come from nearby regions:

- Qaraghandy Region (140,000 visits)
- Astana (49,000 visits)
- Almaty (36,000 visits)



# Growth in Tourism



Average spending by tourists staying overnight will grow thanks to a wider product offering, improved accommodation and better food quality

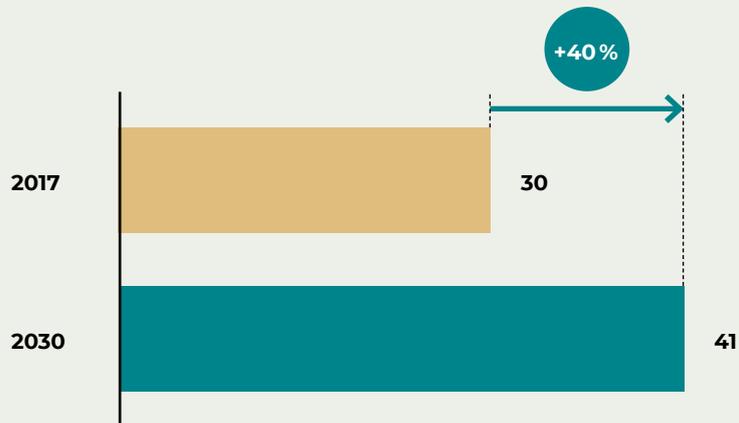


Average spending on accommodation will increase as more upmarket properties are built; tourists will gravitate toward upscale accommodation, including holiday homes and tourist hostels with en-suite amenities

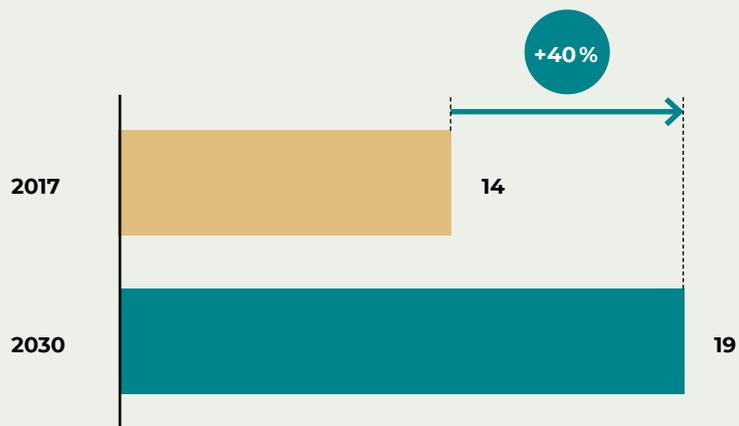


Average spending on meals and leisure will increase thanks to a more diverse product offering and upscale eateries

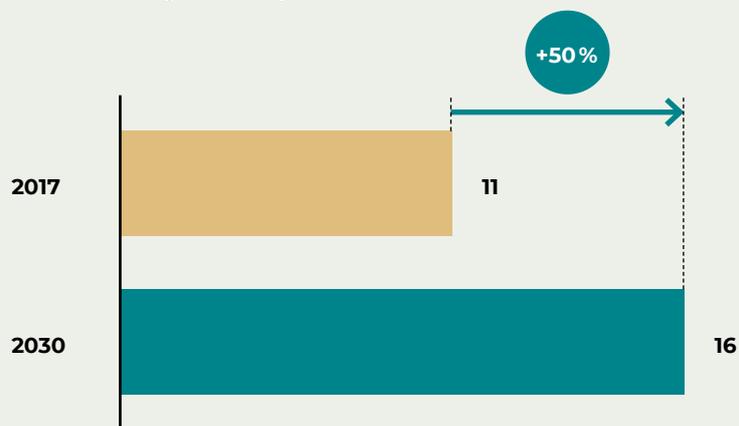
Average spending by tourists staying overnight, thousand tenge / visit



Average spending on accommodation, thousand tenge / visit / person



Average spending on meals and leisure, thousand tenge / visit / person





# A Unique Lake



A narrow strait divides Lake Balqash into two parts with different water chemistries: the western part is almost freshwater, while the eastern part is brackish.





# Value Proposition



## Beach Tourism

- Affordable beach holidays
- Variety of activities for the whole family



## Niche Sports Tourism

- Summer and winter fishing
- Spearfishing

# Target Segments



## Medium-income families



## Transit tourists (Astana–Almaty route)



## Fishing and spearfishing enthusiasts



# Key Products

 Summer  Winter



## The main offering is beach tourism



**Beach holidays**



**Walking**



**Paddleboating**



**Blobbering**



**Boating, kayaking**



**Water slides on the beach**



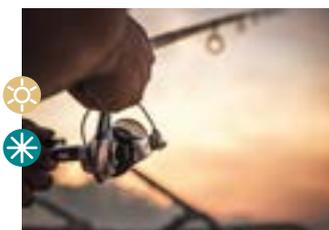
**Boat rides to the brackish/fresh lake boundary**



**Outdoor cinema**



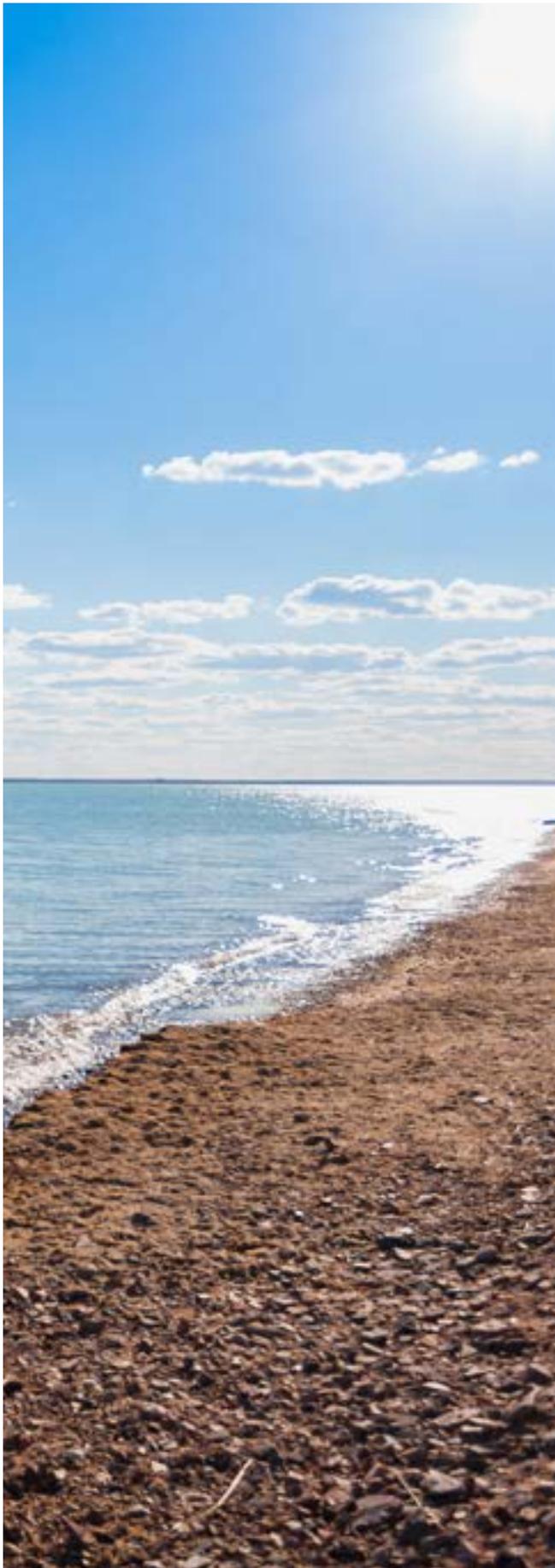
## Niche Offering: Sports Tourism



**Summer and winter fishing**



**Spearfishing**



# Marketing and Promotion

**Launch a continuous marketing campaign and media events to promote the Balqash resort area through offline and online channels**



Creation of a world-level gateway website for the Balqash resort area



Online promotion: produce promotional materials; SEO; advertise on YouTube



Heavy promotion in social media: Facebook, Instagram, VKontakte

# Event Calendar

**An event calendar is being developed to drive visitor traffic**



Hosting of major events: sailing regatta, long-distance swim



Partnering with local hotels and holiday homes to schedule daily leisure activities



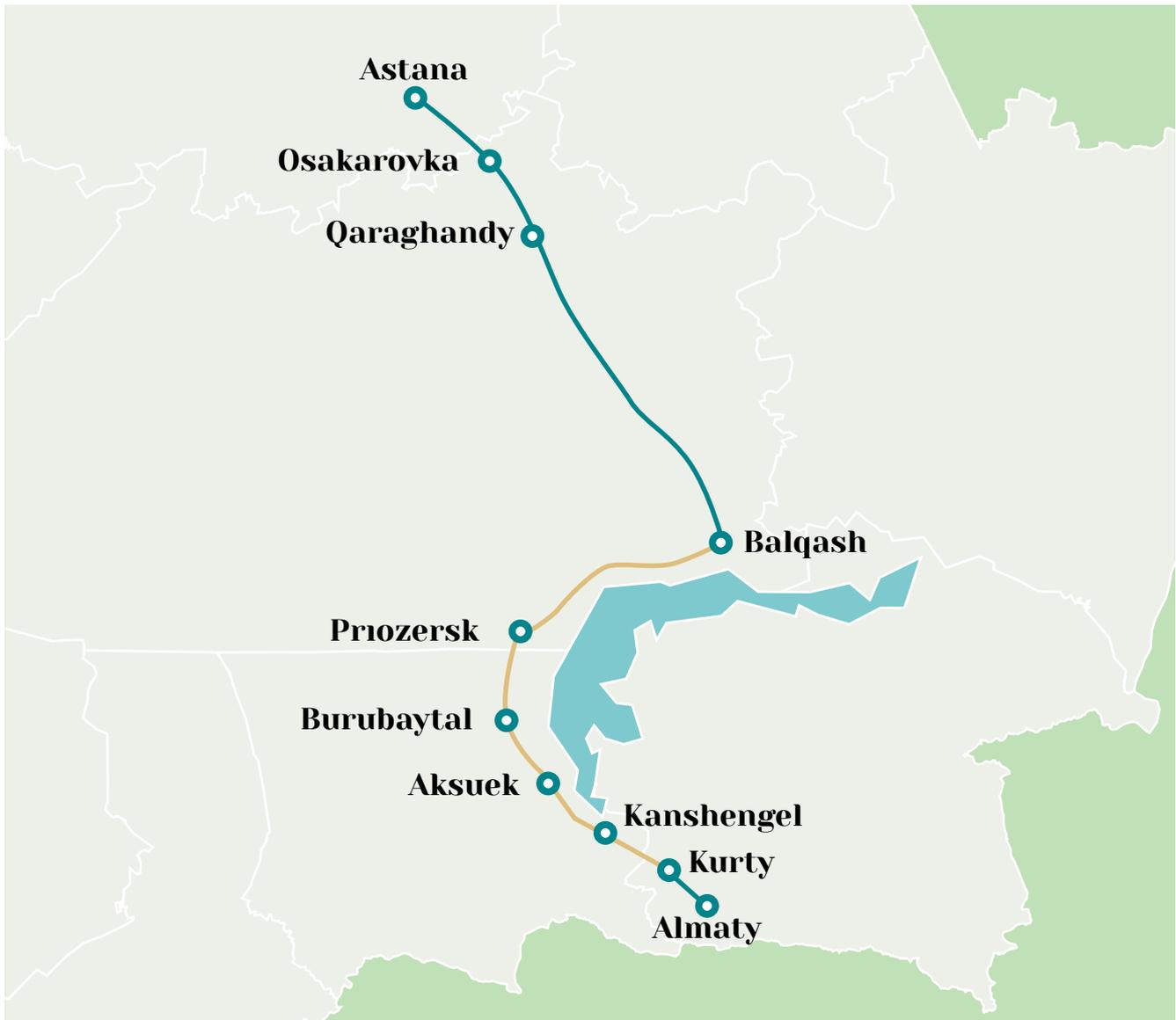
**The Balqash Cup sailing regatta, which has been held since 2006, attracts more than 5,000 tourists annually**





# The government is investing heavily in improving access to the resort area

The Astana–Almaty transportation corridor is being renovated under the Nurlı Jol government program



**525**  
km

Total length of the Balqash–Kurty route

**115**  
billion tenge

Investment in road renovation

**2021**  
year

Completion



# Proposed Investment in the Resort Area

## Support infrastructure costing over 8 billion tenge will be built in the next five years

**XX** Investment,  
billion tenge



4.4

Provision of running water to the villages of Torangalyk and Shubar Tubek, renovation of the water supply system in the resort part of Balqash town



1.7

Construction of a central sewerage system in the resort part of Balqash town



0.9

Upgrading of power grids in the villages of Shubar Tubek, Torangalyk and the resort part of Balqash town



1.0

Beach beautification and resort area promotion



# Local entrepreneurs are already investing heavily in new high-end accommodation

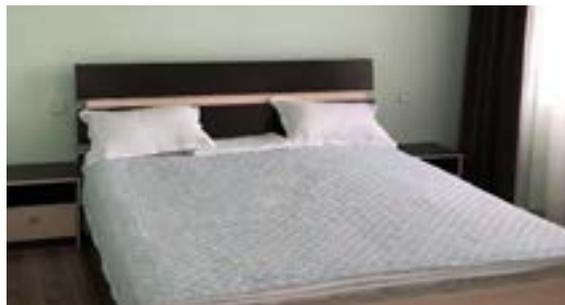
**XX** Investment,  
billion tenge

## Some of the properties completed in 2018



~90

Barkovskoe recreation area on the Balqash shore



~110

Renovation of the Granit Hotel in the town of Priozersk

## Some of the properties under construction



~100

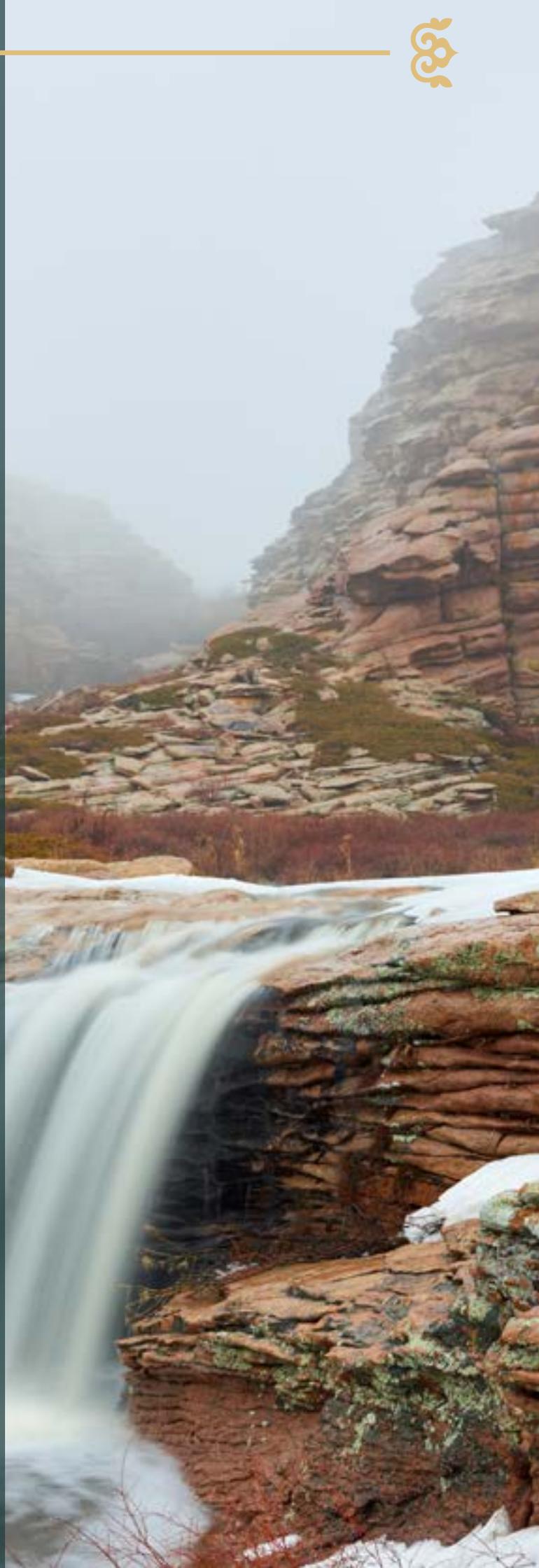
Construction of the 2nd accommodation block of the Nurbahyt recreation facility on the shore of Lake Balqash



# Bektau-Ata Rock Outcrop

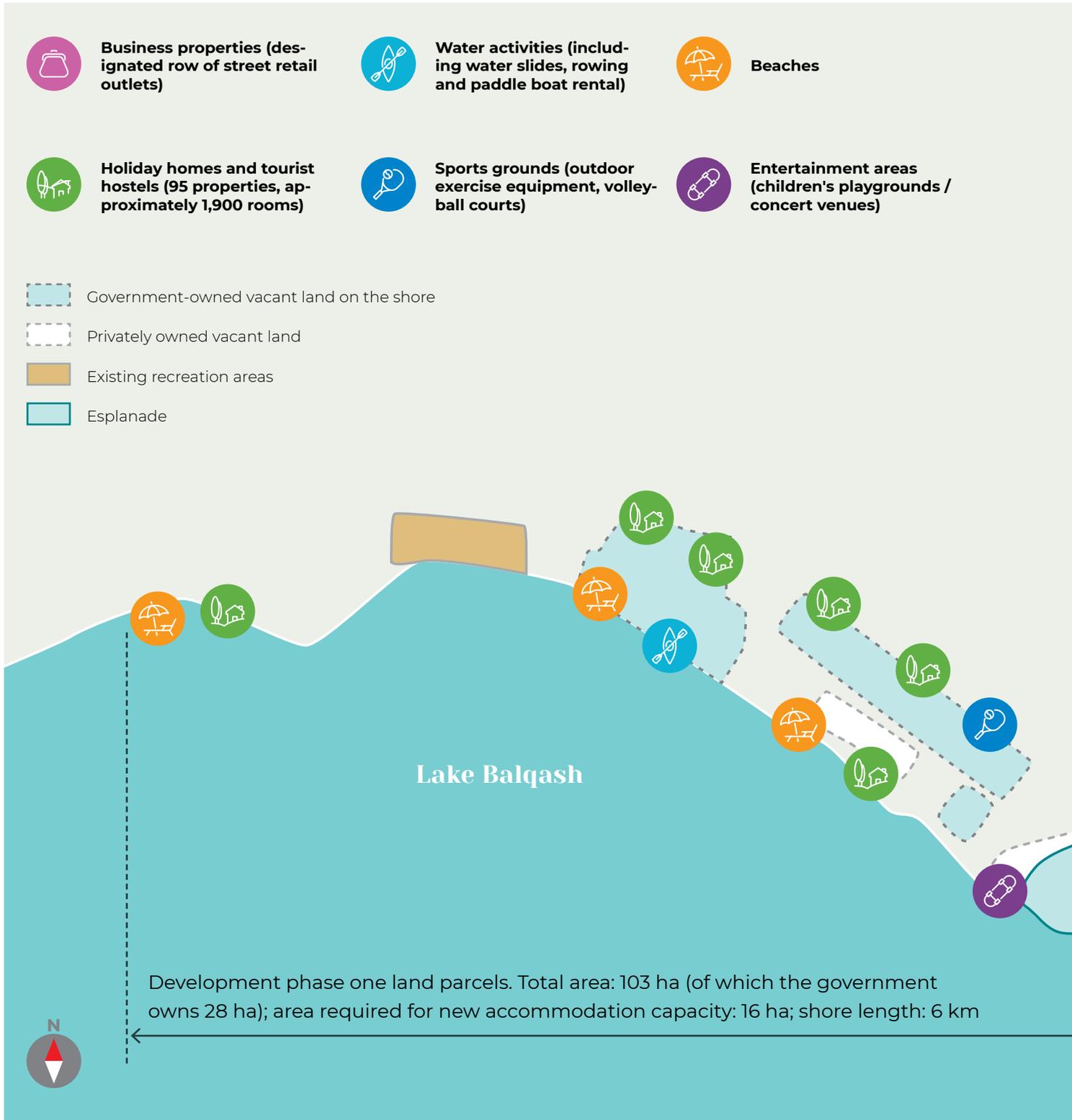


Bektau-Ata is a peculiar natural feature approximately 70 kilometers north of the town of Balqash. Its pink granite rocks consist of volcanic lava that has solidified on the earth's surface and in crevasses.





# Torangalyk is a growth point that is attracting investment







# Model Design



## Project Location and Description

Torangalyk village, Balqash resort area, Qaraghandy Region.

Holiday home, tourist hostel with en-suite amenities.

Hotel size: about **20 rooms**.

Total floor area per holiday home: **400–500 sq m**.



## Project Cost

Approximately **90–100 million tenge** per holiday home.

Approximately **8 billion tenge** for the complete accommodation plan (design, construction, equipment).



## Project Timeframe

Design and build holiday home / tourist hostel: **2019–2020**.





# Typical Project Financials

## The project will earn the investor 13 million tenge NPV at 20% IRR

### Assumptions

Occupancy <sup>1</sup> , %	22.5
----------------------------	------

EBITDA margin, %	25.9
------------------	------

Discount rate, %	17.4
------------------	------

Price per bed per day <sup>2</sup> , thousand tenge/day	8.0
---	-----

Accommodation capacity<sup>3</sup>

420

sq m



Capital expenditure<sup>4</sup>

~200,000

tenge / sq m



Required investment

~85

million tenge

### Investment Performance on Standard Terms

IRR, %	20.0
--------	------

NPV, million tenge	12.8
--------------------	------

Payback period, years	11
-----------------------	----

Concessional financing (subsidy of 7% of the long-term lending rate) increases NPV (net present value) from 13 million to 24 million tenge.

<sup>1</sup> Annual average occupancy. Occupancy during the high season (June–August) is about 90%

<sup>2</sup> Estimated from the average price per bed per day at comparable holiday homes in the Balqash resort area

<sup>3</sup> Assuming an average room size of 20 sq m and 95% of the property being used for accommodation (50 × 25 / 90%)

<sup>4</sup> Data from the Co-Invest appraiser's guide, Holiday Homes and Tourist Hostels class



# Government Support to Investors

**The government is laying the necessary utility lines (water supply and sewerage, electric power) to the construction site.**

**Subsidies and tax exemptions are available to priority investment projects worth over 2 million reference units (4.8 billion tenge).**

**0%**

Corporate income tax in the first 10 years

**0%**

Land tax in the first 10 years

**0%**

Property tax in the first 10 years

**7%**

Lending rate subsidy for up to 20 years

**49 years**

Long-term land lease period



**Local governments can provide any assistance required in securing a land plot, filing the necessary documentation and training the workforce**



# Contact Details

## Office of Entrepreneurship, Trade and Tourism of the Qaraghandy Region

### Support available:

- Assistance and support for investment projects in the Balqash resort area
- Help securing land and filing the necessary documentation

### Phone:

Front desk: +7 (721) 250 38 74

### E-mail:

kanc\_oblakimat@krg.gov.kz

## Additional Resources



### Support available

Information and analytics for projects in Kazakhstan's tourism industry



### Support available

Information about government support to small and medium businesses

### Website

[www.damu.kz](http://www.damu.kz)



### Support available

Information about public-private partnerships, analytics and expert support

### Website

[www.karaganda.atameken.kz](http://www.karaganda.atameken.kz)



**Disclaimer:** The above material provides general background information about the Balqash resort area at the presentation date, prepared solely for the purpose of meetings with potential investors and other interested parties. The data in this document is presented in condensed form and does not purport to be complete.

This presentation is not an offer or a recommendation to enter into an agreement or a contract to invest in the Lake Balqash resort area.





November 2018