



THE
GOVERNMENT OF THE
TURKS & CAICOS ISLANDS



TURKS AND CAICOS ISLANDS
AIRPORTS AUTHORITY

INTERMEDIATE INFRASTRUCTURE BUSINESS CASE FOR THE REDEVELOPMENT OF THE HOWARD HAMILTON INTERNATIONAL AIRPORT

ANNEX 1. DUE DILIGENCE REPORT

ANNEX 1.1. MARKET AND TRAFFIC



THE
GOVERNMENT OF THE
TURKS & CAICOS ISLANDS

PROVIDENCIALES INT'L AIRPORT (PLS) REDEVELOPMENT PROJECT TECHNICAL, FINANCIAL AND LEGAL CONSULTANT

Due Diligence Report

29th August 2022

ALC
Transport & Infrastructure

GIDE
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MARKET AND TRAFFIC

Summary of the traffic forecast

- **TCI** is positioned as a Caribbean niche tourist destination, with a traffic mainly composed of **high-yield North American inbound tourists**, and has **still room to increase its touristic hotel offer density**, main driver for air traffic development
- PLS handled 1.2 Mpax in 2019 → **~2.2 Mpax could be expected in PLS considering a sustainable touristic development.**
 - 1.7 Mpax int'l traffic in the long term (1.4% CAGR) (7% Caribbean, 93% North America & others) → Int'l traffic development will mainly result from the organic growth of US market. PLS will be the gateway of the passengers going to the new touristic areas developed in the rest of the islands outside Providenciales
 - ~400 kpax domestic traffic in the long term (5.1% CAGR) → represents the ~25% of travelers arriving to PLS as international passengers that will fly to other TCI islands where accommodation is expected to increase faster
 - ~30 kpax FBO traffic in the long term (1.2% CAGR) → corresponds to passengers arriving in private flights mainly from the US, represents ~2% of total international travelers, assuming TCI will be able to keep the same share of high-class accommodation offering
- PLS handled 32,000 ATM in 2019 → the airports is expected to handle **54,000 ATM in the long term**, with a significant presence of FBO operations (~13,000 operations of code B jets)
- PLS shows high seasonality and pronounced **peaks on Saturdays**. Design parameters have been projected and will serve to define the infrastructure needs in the airport in the long term:
 - ~2,200 PHP suggest that the new terminal should be 20,000-25,000 sqm
 - 25 ATM/h confirm the need to increase airfield capacity (currently set at 7 ATM/h). Possible solutions imply air navigation systems and infrastructure solutions (parallel taxiway)
 - 21 stands (9 domestic + 12 int'l) define the need to expand the apron to handle the expected demand



Tourism inputs considered in this report have been share by TCI tourism representatives and commented during initial meetings. However, it must be kept in mind that a Tourism Development Strategy is currently under development (expected to be completed by the end of the year). Consequently, based on final Strategy fine-tunings on these results may be necessary

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Turks & Caicos islands are located in the Caribbean region, more specifically in Lucayan Archipelago

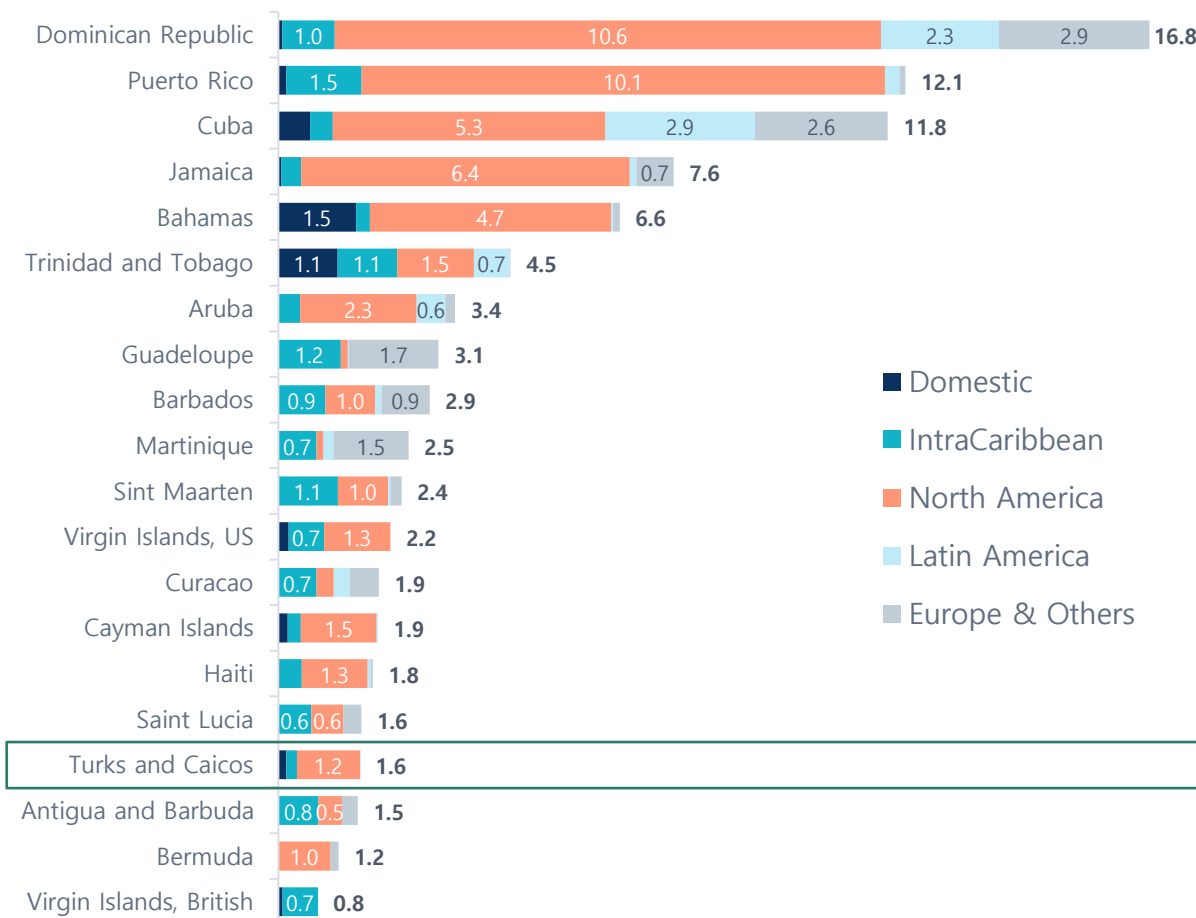
Caribbean Region – Geographical Location



Source: ALG analysis

Turks & Caicos ranked 17th in 2019 in terms of seat supply within the Caribbean region but registered high growth rates during the last decade (5.4% CAGR)

Caribbean Region seat supply – (Mseats 2019)



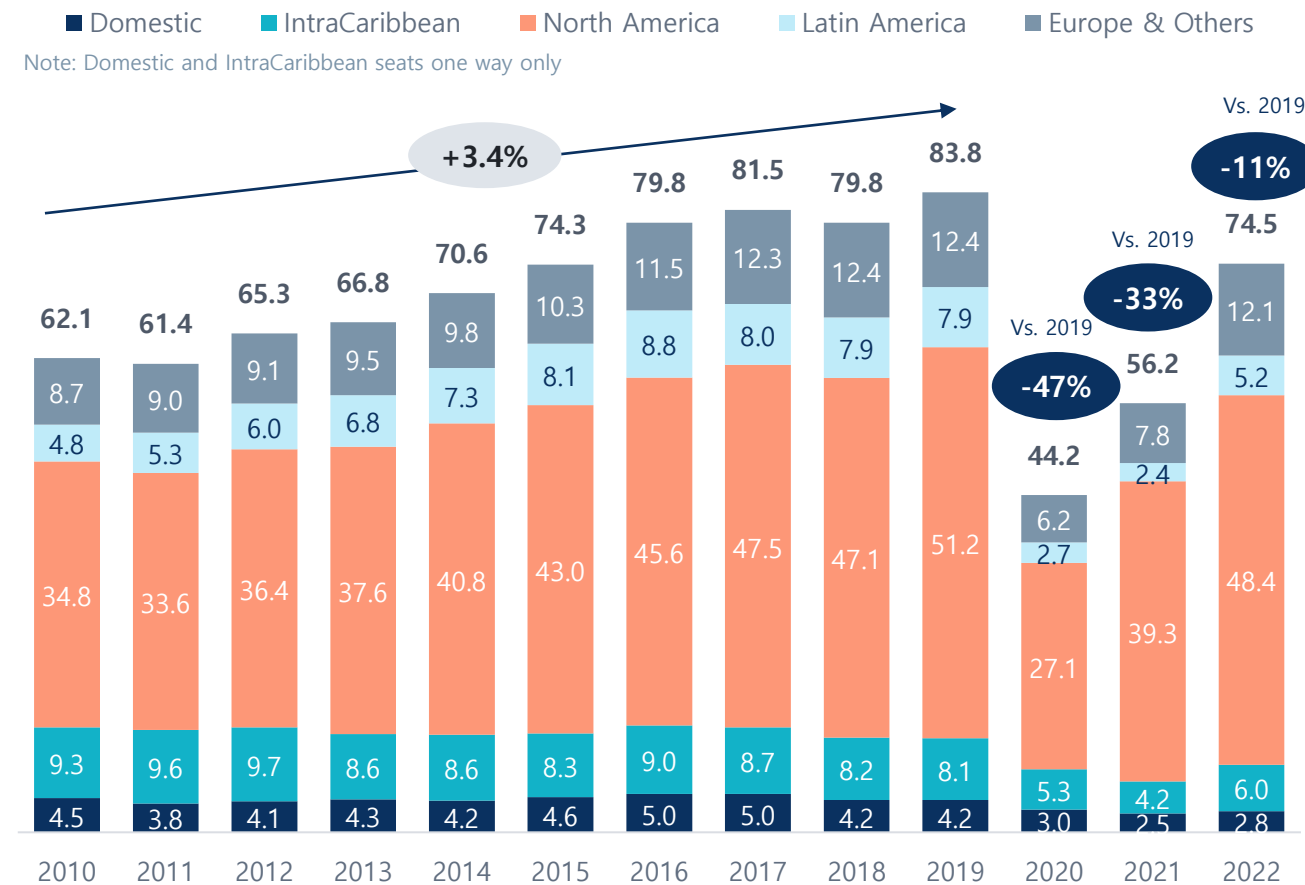
	CAGR '10-'19		
	DOM & IntraCaribbean	INT	Total
Dominican Republic	-2.5%	6.9%	5.9%
Puerto Rico	-5.1%	1.7%	0.5%
Cuba	0.2%	12.9%	11.0%
Jamaica	-4.9%	4.0%	3.2%
Bahamas	3.8%	1.8%	2.3%
Trinidad and Tobago	3.6%	0.3%	1.9%
Aruba	-4.9%	4.3%	2.6%
Guadeloupe	-0.4%	4.2%	2.2%
Barbados	-4.0%	5.4%	1.4%
Martinique	-4.2%	4.3%	1.0%
Sint Maarten	-	-	-
Virgin Islands, US	-2.2%	-0.2%	-1.1%
Curacao	-	-	-
Cayman Islands	-1.4%	3.6%	2.2%
Haiti	3.0%	0.9%	1.4%
Saint Lucia	-1.6%	3.5%	1.1%
Turks and Caicos	2.7%	6.4%	5.4%
Antigua and Barbuda	-5.2%	4.2%	-1.7%
Bermuda	-	-0.9%	-0.9%
Virgin Islands, British	3.3%	-	3.3%
Total:	-1.3%	4.3%	3.4%

- The **largest Caribbean markets** are the **largest islands** of the **Greater Antilles** (more than 60% of the total Caribbean air market).
- **Dominican Republic, Puerto Rico and Cuba** are all of them above **10 Mseats**.
- **With 1.6 million seats, Turks & Caicos is ranked 17th** considering seat supply volume.
- Turks & Caicos **registered the third highest INT and Total growth** in the last decade (+2 pp above the regional average).
- **Turks & Caicos DOM & IntraCaribbean CAGR is among the 6 unique countries with positive CAGR** in the 2010-2019 period.

Source: OAG, ALG analysis

During the last decade, the Caribbean region has experienced a moderate supply growth (3.4% vs. 4.1% CAGR in LatAm). 2020 ended with a supply reduction of almost 50% due to COVID-19 crisis

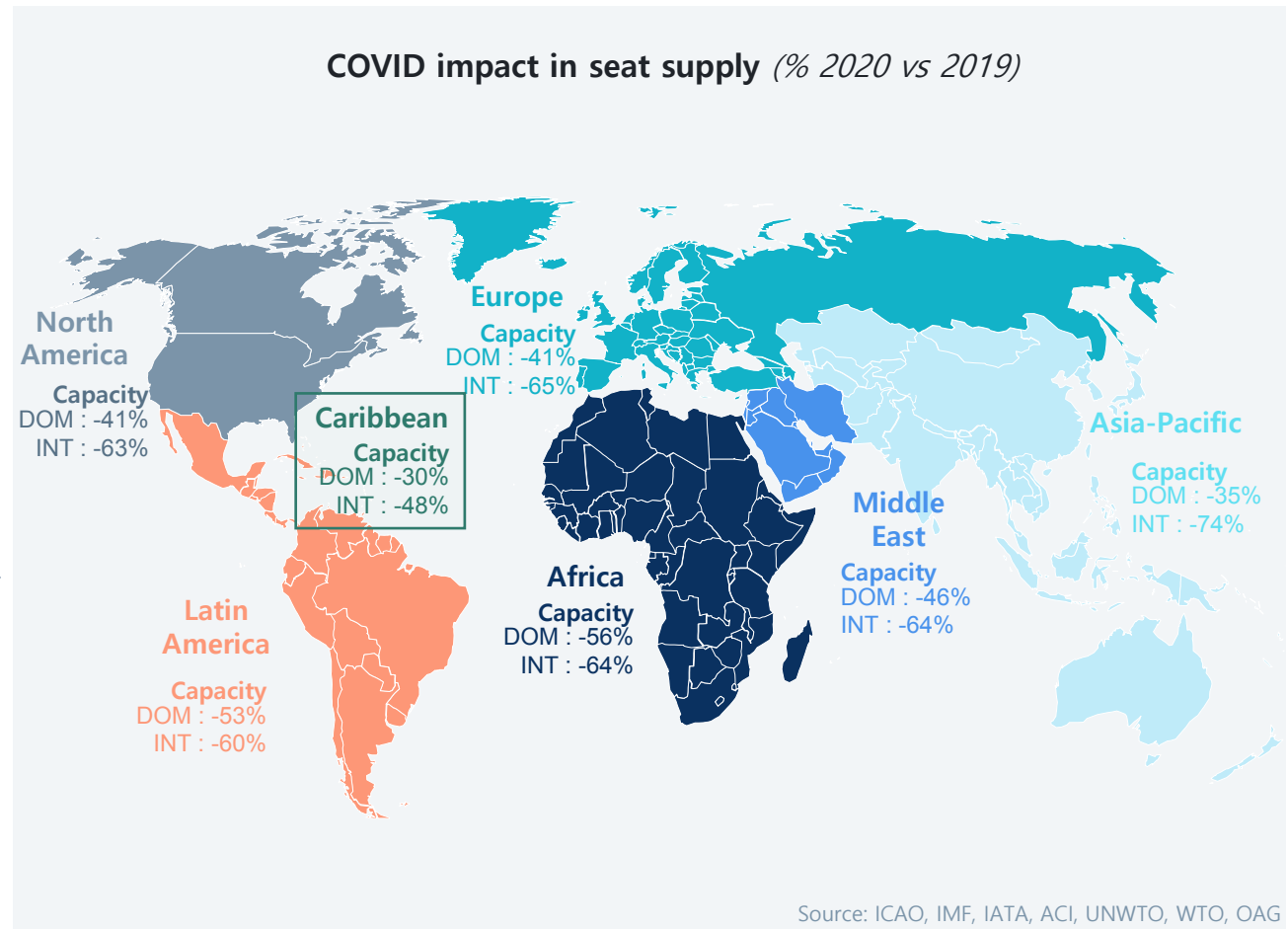
Seat supply evolution in the Caribbean Market (Mseats, 2010-2022)



- **Domestic & Intra-Caribbean** markets have experienced **constant seat supply reductions**, as the region **economy is not growing substantially** and the **air offering is not well structured** (market is very atomized with small airlines using aircraft with low capacity). COVID-19 accelerated this trend, confirmed by the poor post-pandemic recovery (-34% and -26% in 2022 respectively, compared to 2019).
- **Inter-regional markets** (LatAm, North America, Europe & Others) have had a **positive trend but with moderate growth rates**, mainly due to the **moderate economic growth of the main inbound markets** (North America and Europe) and the **high maturity of the market** (margin to decrease air fares and further stimulate traffic is very limited). **Despite being significantly impacted by COVID-19, the market partially recovered in 2022** (-5% for North America and -3% for Europe in 2022 compared to 2019).

The impact of COVID in the Caribbean seat supply was actually lower than in other regions as leisure traffic was more resilient than business traffic

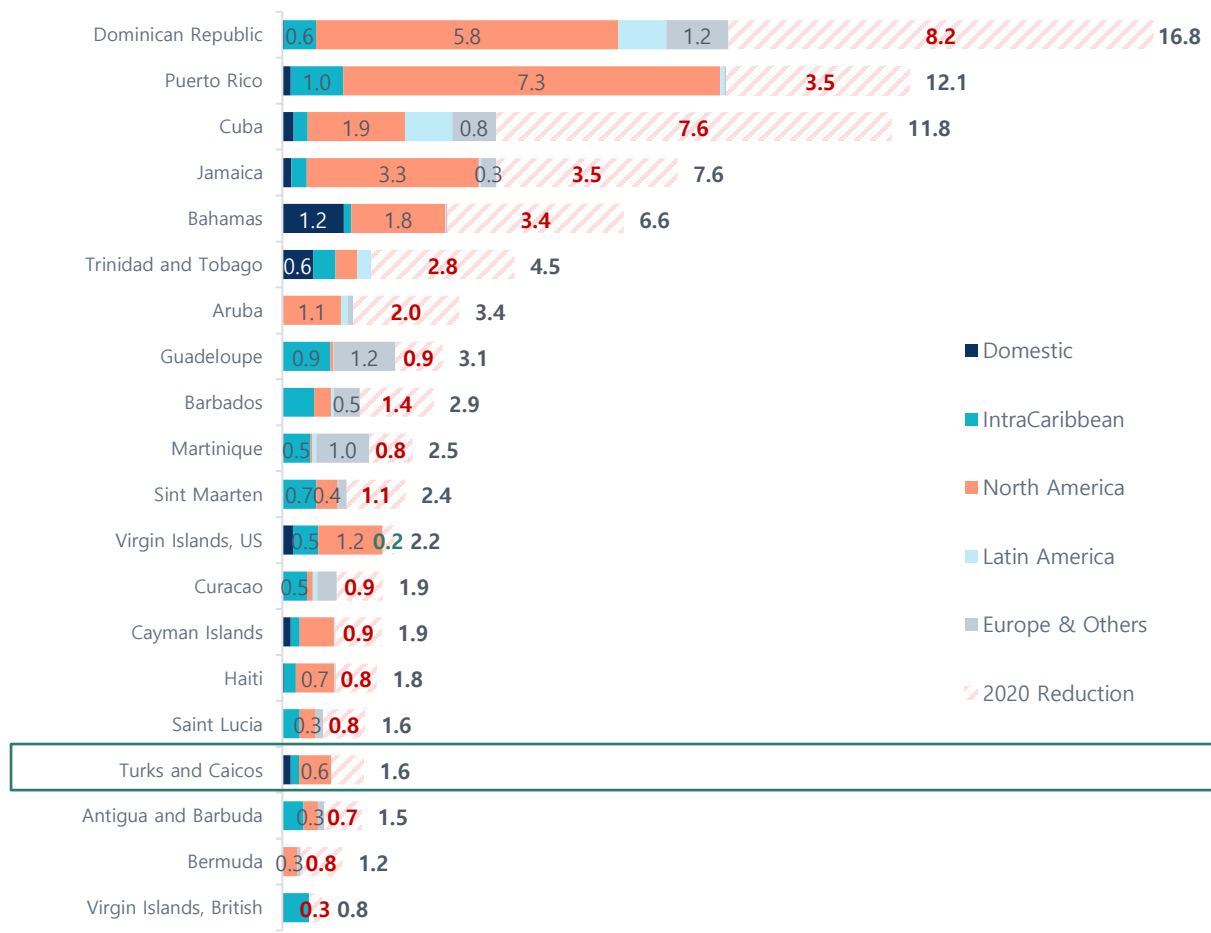
COVID-19 effect in the world



Air transport was one of the most affected sectors due to restrictions and travel bans

Higher impact of COVID is observed in the countries that are exposed to long haul markets and/or with more bans and restrictions (Cuba vs. Puerto Rico)

Turks & Caicos within the Caribbean Region – (Mseats 2019 & 2020)

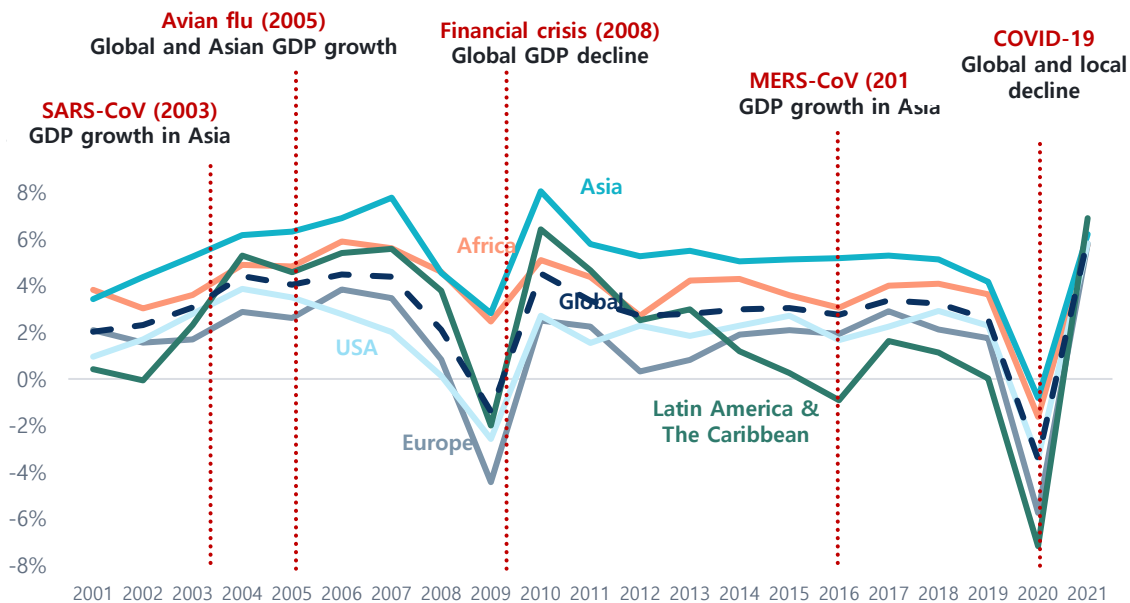


	2020 supply reduction by region					Total
	Domestic	Intra Caribbean	North America	Latin America	Europe & Others	
Dominican Republic	-60%	-39%	-45%	-59%	-59%	-49%
Puerto Rico	7%	-30%	-28%	-71%	-70%	-29%
Cuba	-65%	-38%	-64%	-68%	-67%	-65%
Jamaica	198%	-23%	-48%	-65%	-59%	-46%
Bahamas	-21%	-46%	-61%	-75%	-75%	-52%
Trinidad and Tobago	-48%	-62%	-72%	-62%	-70%	-62%
Aruba	-	-96%	-51%	-76%	-44%	-60%
Guadeloupe	-	-23%	-59%	-69%	-31%	-29%
Barbados	-	-32%	-66%	-51%	-46%	-49%
Martinique	-	-26%	-75%	-61%	-30%	-33%
Sint Maarten	-	-43%	-58%	-69%	-24%	-48%
Virgin Islands, US	3%	-29%	-3%	-	-	-10%
Curacao	-	-35%	-67%	-71%	-33%	-46%
Cayman Islands	-12%	-30%	-55%	-9%	-	-47%
Haiti	15%	-46%	-41%	-69%	-79%	-43%
Saint Lucia	-	-48%	-50%	-	-59%	-51%
Turks and Caicos	1%	-19%	-49%	-100%	-100%	-40%
Antigua and Barbuda	-	-47%	-40%	-	-59%	-47%
Bermuda	-	-	-71%	-	-59%	-70%
Virgin Islands, British	-65%	-29%	-	-	-	-33%
Average:	-30%	-39%	-47%	-65%	-51%	-47%

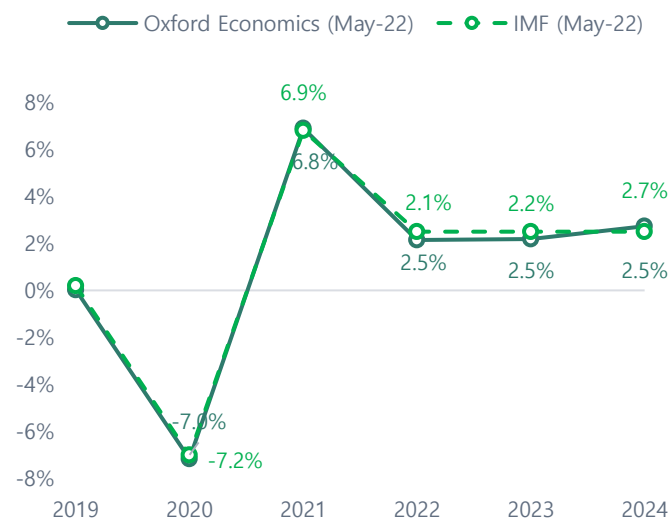
Source: OAG, ALG analysis

Air transport was one of the most affected sectors, but COVID outbreak also affected economy, which experienced a 7% reduction in 2020 (LatAm & Caribb.)

GDP Growth by World Region (% , 2001-2021)



GDP Growth in Latin America & Caribbean (% , 2020-2024E)



Source : Oxford Economics, IMF, ALG Analysis

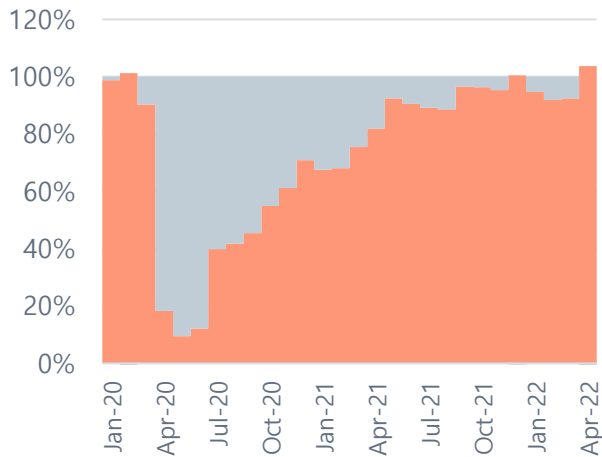
- COVID-19 outbreak has had, and will continue to have, a substantial impact on the global economy; worse than in previous outbreaks
 - The lack on travel confidence of passengers and a weak economy converge for the 1st time
 - Real GDP growth in 2020 proved to be worse than that of the 2009 crisis
- Latin America & The Caribbean GDP had a negative year-on-year growth in 2020 due to the pandemic, although a positive growth should be expected from 2021 onwards

For the first time since 2008, global GDP shrank in 2020, with positive rebound in 2021

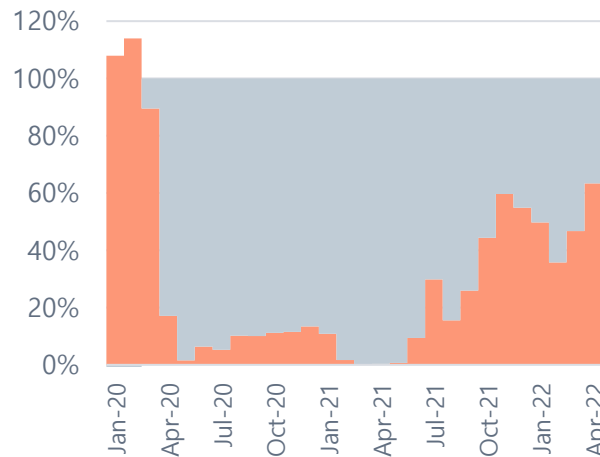
USA & European markets are recovering faster than Domestic, LatAm, Canada and IntraCaribbean segments, where airlines are facing bigger financial issues

Supply evolution to/from Caribbean vs. 2019

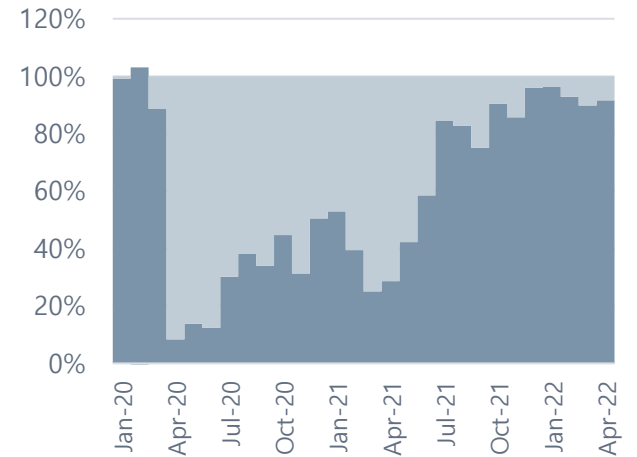
USA (53% of total 2019 supply)



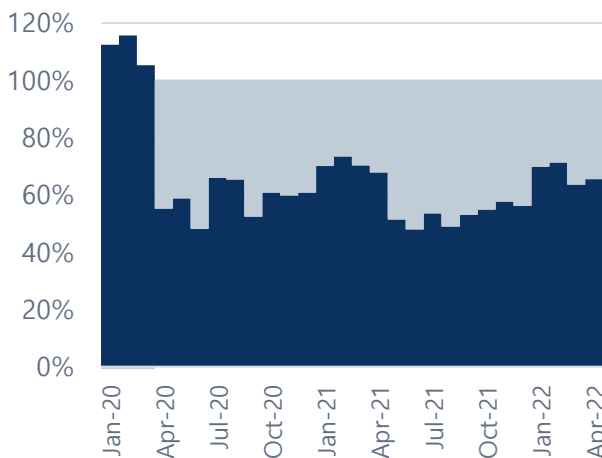
Canada (9% of total 2019 supply)



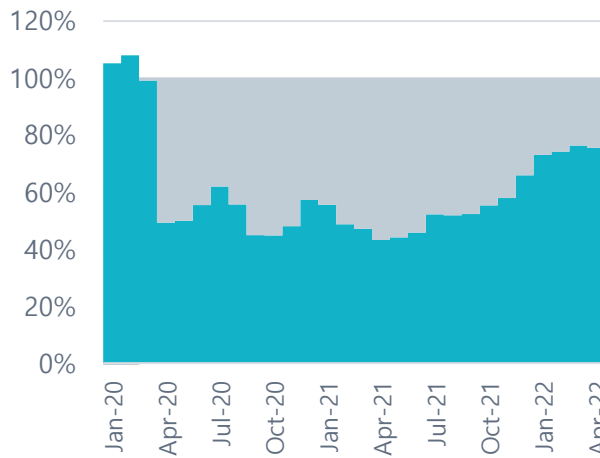
Europe & others (15% of total 2019 supply)



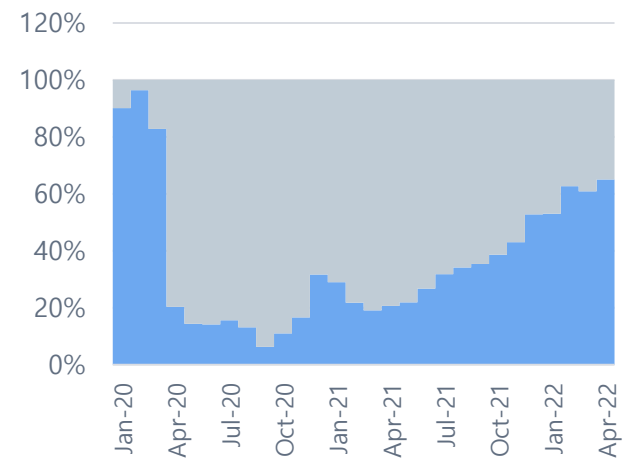
Domestic (5% of total 2019 supply)



IntraCaribbean (10% of total 2019 supply)

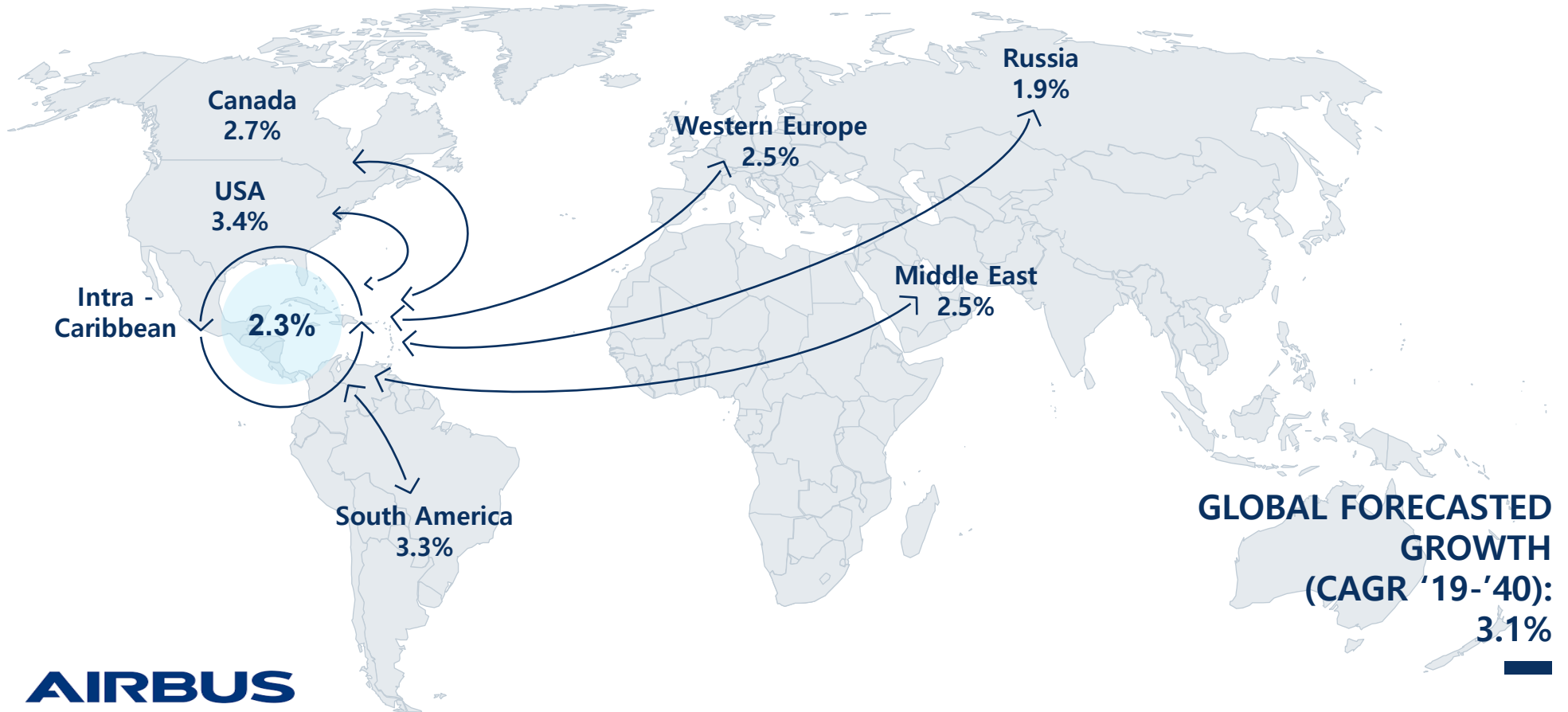


Latin America (9% of total 2019 supply)



Air traffic demand to/from the Caribbean region is expected to maintain the trend of moderate growth (forecast in the range of 2%-3.5%)

Airbus Traffic Forecast: Caribbean Average Annual Growth Rates (RPKs^[1]; 2019-2040)



[1] RPK= Revenue Passenger Kilometre
Source: 2021 Airbus, ALG analysis

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Among the Caribbean destinations, Turks & Caicos is positioned as a “niche market” for high-yield travelers (top country in terms of accommodation rates)

Caribbean Countries Positioning Analysis

Country	Surface (km²)	Population ('000)	GDP/capita	Overnight visitors	Hotel rooms	RevPar- Revenue per hotel room	Properties over 220* USD/night	Diaspora ('000)	Top 3 Airlines	Positioning
Dominican Rep.	48,670	10,736	8,253	6,188,000	80,372	92	19% (550/2848)	1,443	jetBlue, DELTA, American Airlines	●●
Puerto Rico	8,870	2,962	32,419	3,797,000	14,790	149	27% (230/862)	1,928	sunwing, CUBANA, American Airlines	●●
Cuba	109,880	11,331	8,081	4,594,000	68,200	-	6% (12/193)	1,558	jetBlue, Southwest, American Airlines	●●
Jamaica	10,990	2,948	5,088	2,353,000	35,937	175	19% (256/1372)	1,112	jetBlue, DELTA, American Airlines	●●
Bahamas	13,880	389	31,210	1,439,000	14,804	201	52% (117/225)	41	WestJet, bahamasair, American Airlines	●●
Trinidad Tobago	5,130	1,394	16,262	395,000	3,863	116	21% (47/222)	373	Caribbean Airlines, TIGAR, American Airlines	●●
Aruba	180	106	26,220	1,071,000	11,929	255	28% (105/378)	-	jetBlue, UNITED, American Airlines	●
Guadeloupe	1,628	400	24,386	650,000	5,443	-	11% (224/2030)	11	AIRFRANCE, airantilles, AIRCARAÏBES	●
Barbados	430	287	15,880	664,000	6,528	204	33% (140/422)	-	jetBlue, TIGAR, American Airlines	●
Martinique	1,128	376	26,377	536,000	6,266	-	13% (113/885)	13	AIRFRANCE, airantilles, AIRCARAÏBES	●
Sint Marteen	34	39	23,367	402,000	2,396	-	58% (63/108)	-	jetBlue, WINNIR, American Airlines	●
Virgin Isl. (U.S.)	346	97	40,193	535,000	4,836	-	77% (55/71)	-	SEADORNE, DELTA, American Airlines	●
Curacao	444	163	18,006	399,000	7,527	124	17% (71/412)	-	KLM, TUI fly, American Airlines	●
Cayman	260	65	63,080	418,000	5,905	319	96% (56/58)	-	jetBlue, American Airlines	●
Haiti	27,750	11,261	768	467,000	1,814	-	12% (19/165)	1,281	jetBlue, American Airlines	●
St. Lucia	620	183	9,799	386,000	4,543	248	31% (98/315)	-	BRITISH AIRWAYS, TIGAR, American Airlines	●
Turks & Caicos	430	44	27,877	487,000	3,191	654	91% (59/65)	-	jetBlue, InterCaribbean, American Airlines	●
Antigua Barbuda	440	97	16,953	247,000	3,816	-	42% (45/107)	-	BRITISH AIRWAYS, TIGAR, American Airlines	●
Bermuda	53	63	98,787	270,000	2,950	235	75% (24/32)	-	jetBlue, DELTA, American Airlines	●
Virgin Isl. (UK)	153	31	31,738	335,000	1,830	-	74% (14/19)	-	JARLINK, InterCaribbean, An SASnet	●

Source: UNWTO, Oxford Economics, ALG analysis

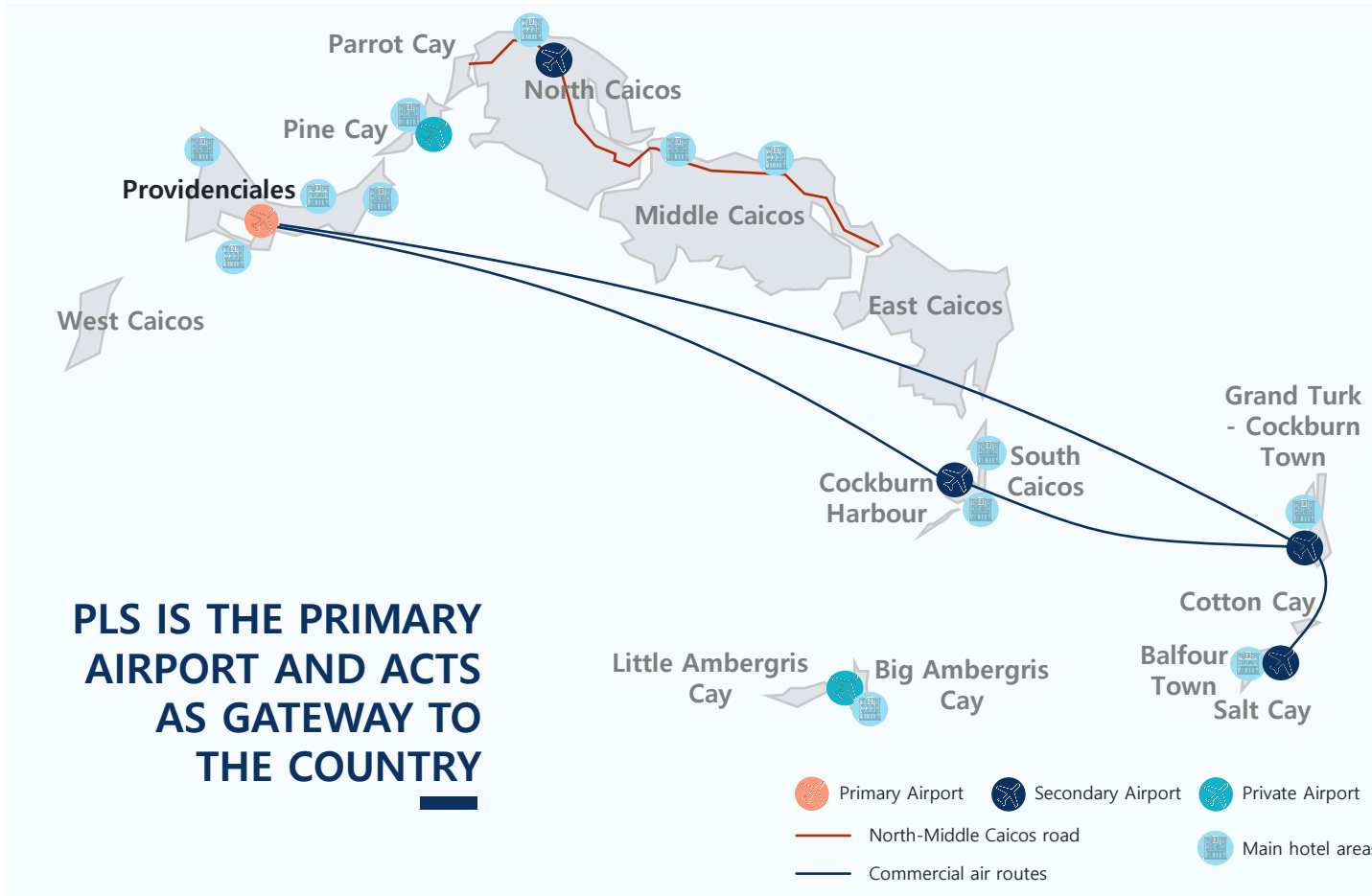
Visitors Profile

● Mass tourism
● Mid-range tourism
● Niche, high-yield
● VFR

*Checked on travel aggregator for April week

Turks & Caicos Islands, with an economy primarily based on tourism, has an airport network which eases the connectivity between the main tourist areas

Geographical and Socioeconomic Figures of Turks & Caicos Islands



Population:

44.542 inhab. (2020)

>50% located in Providenciales

Extension:

430 Km² (High water mark)

116.5 Km² North Caicos Island
 136.0 Km² Middle Caicos Island
 146.5 Km² East Caicos Island

GDP/capita:

US\$ 27.877 (2019)

GDP break down:

Agriculture: 0.5%

Industry: 8.9%

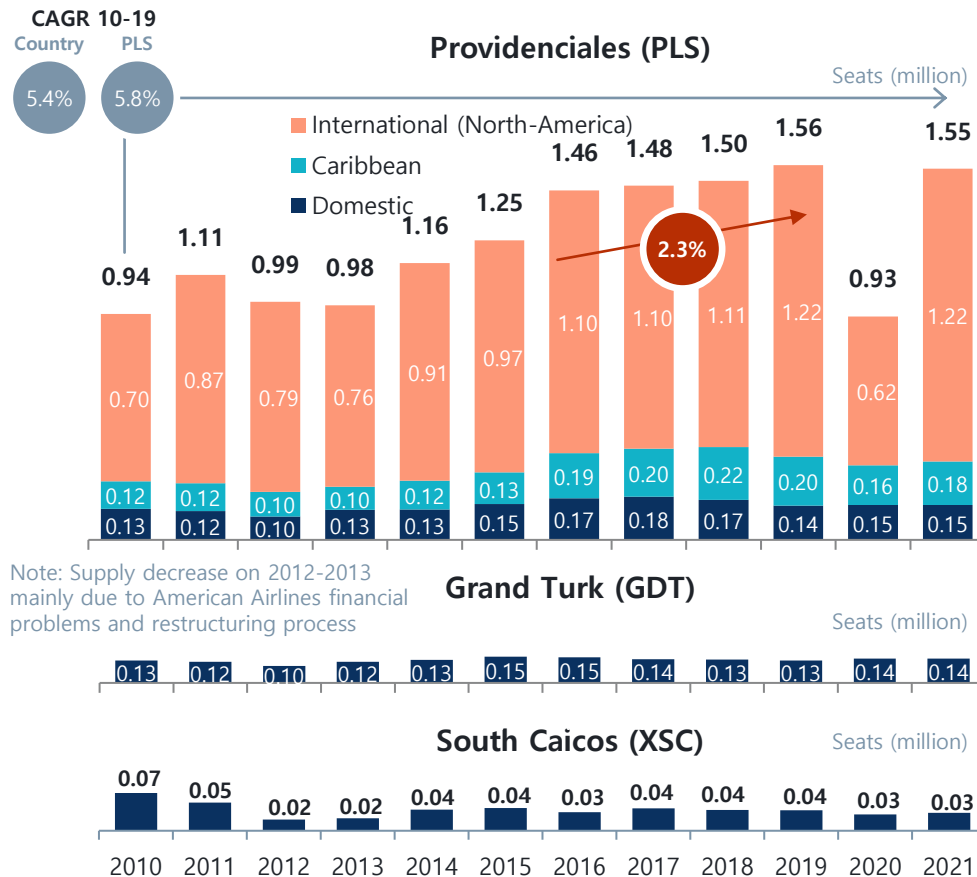
Services: 90.6%

Note: Pine Cay and Ambergris Cay aerodromes are privately owned

Source: Statistics Department of the Government of the Turks and Caicos Islands, World Bank, CIA, ALG analysis

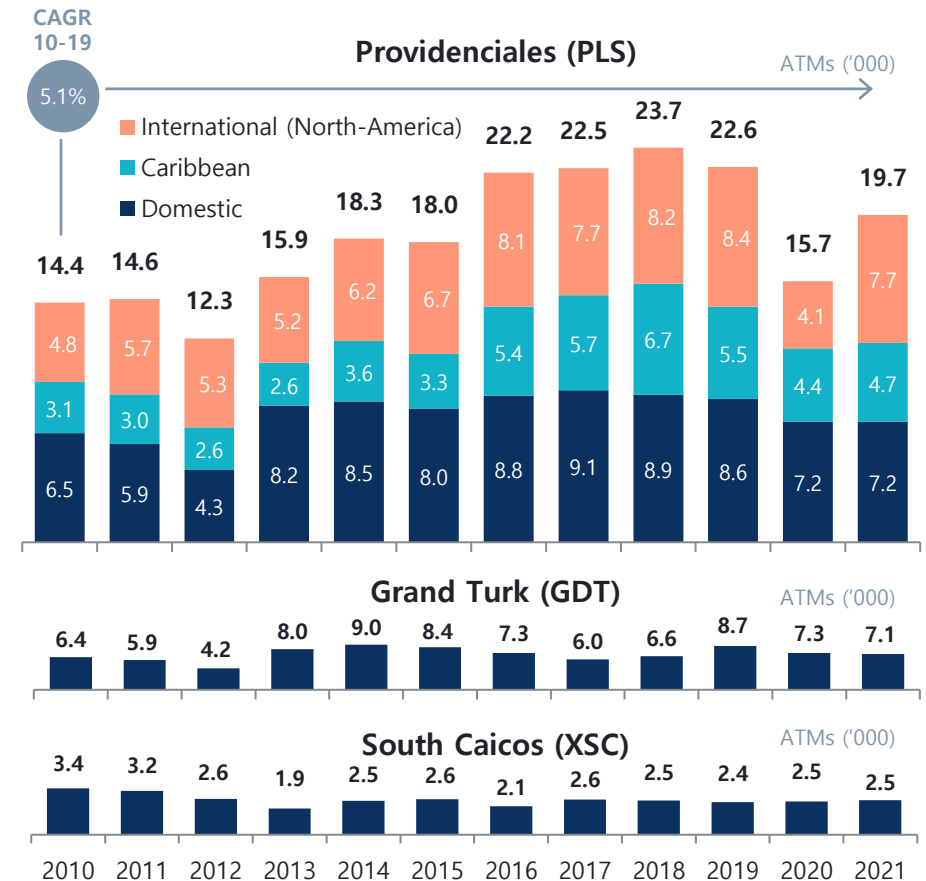
Providenciales airport is the gateway to the country and registered a 5.8% CAGR during the last decade (pre-COVID)

Turks & Caicos Airports Commercial Seats Offer (Mseats) Turks & Caicos Airports Commercial ATMs ('000)



Note: Supply decrease on 2012-2013 mainly due to American Airlines financial problems and restructuring process

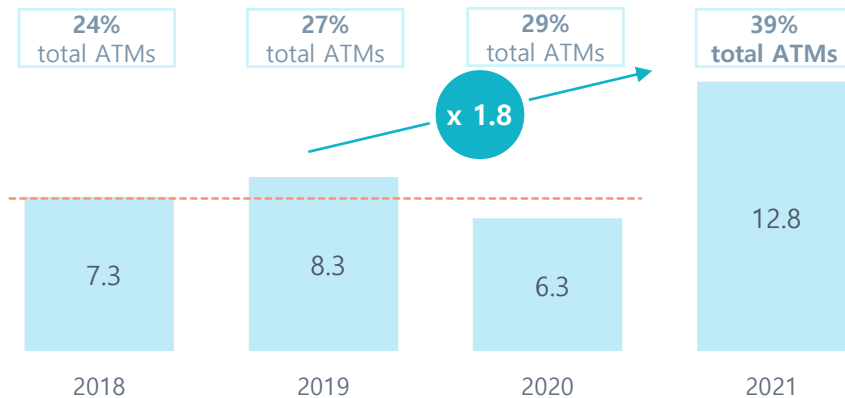
Source: OAG



Post-pandemic recovery has been strong on the international segment (dominated by American carriers), achieving 1.22 M seats in 2021, however, domestic capacity has increased vs 2019

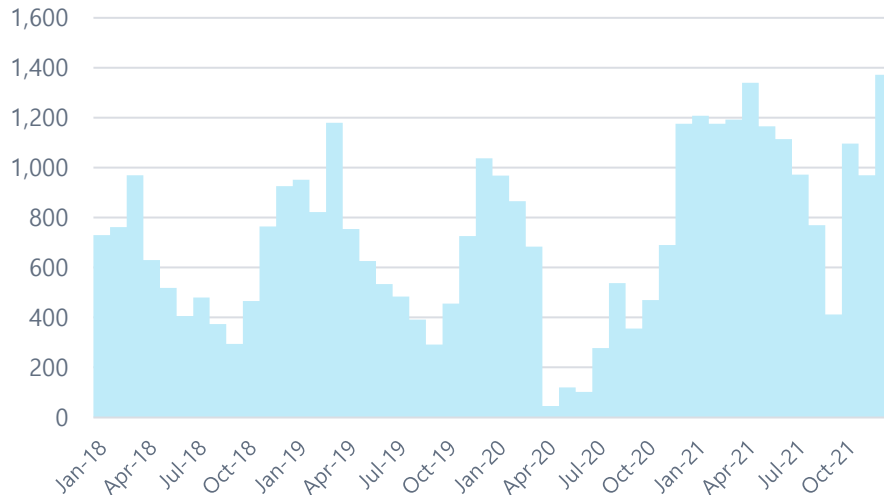
A part from commercial aircraft, there is a significant volume of executive aviation in PLS, the airport has 3 FBO companies to handle this traffic segment

PLS FBO annual ATMs ('000)



- Turks & Caicos is positioned as a "niche market". There are exclusive accommodation services in the islands that attract high-yield travelers. Part of this travelers arrive to PLS in private jets and use the FBO services in the airport. Most of these flights arrive from the US.
- FBO registered 12,800 operations in PLS in 2021 (~39% of traffic), higher share than before COVID outbreak, given that some commercial flights were still to be resumed.
- There are 4 FBO in the airports: Blue Heron Aviation, Provo Air, Business Aviation and Cairsea. These FBO have separate terminals and offer exclusive additional services as they coordinate with local businesses.

PLS FBO monthly ATMs (#)



Source: TCIAA, Flightradar24, Jetphotos

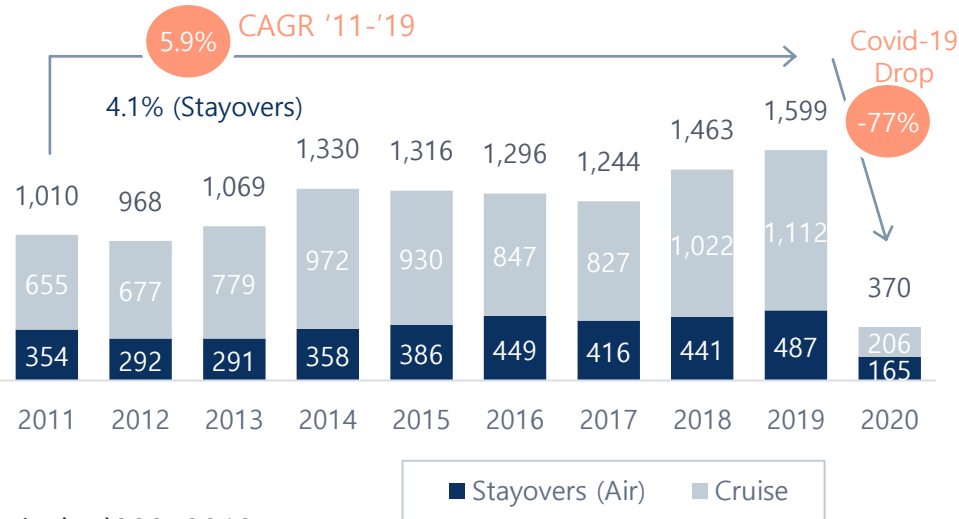
Example of jets arrived at PLS in Sat 11th June 2022



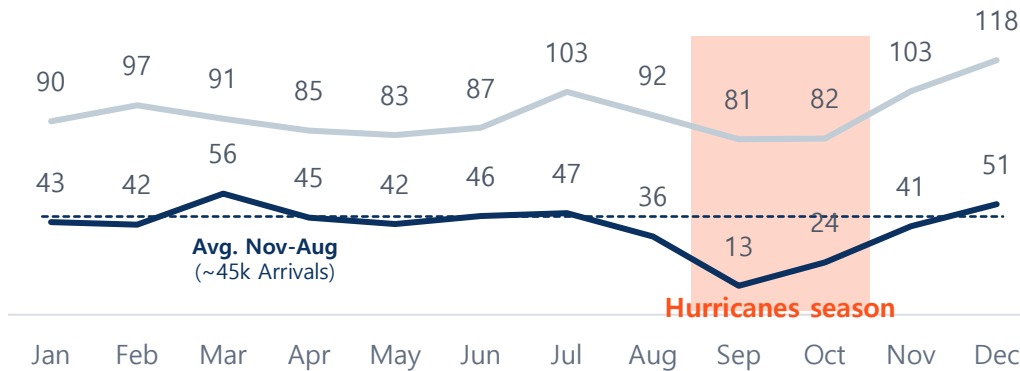
The country had almost 1.6M visitors in 2019: ~1.1M arrived in cruises and ~490k travelling by air (>90% originating in North America)

Visitor Arrivals Evolution & 2019 Monthly Seasonality

Arrivals ('000)

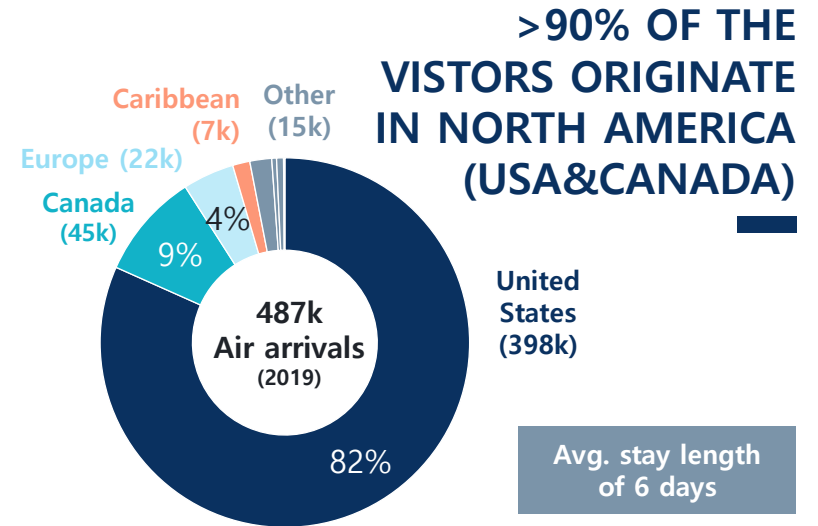


Arrivals ('000; 2019)



Source: Turks & Caicos Islands Tourist Board

Air Visitors by Country of Origin (2019)



- Turks and Caicos islands registered almost 1.6 M arrivals in 2019, of which 487k were stayover visitors travelling by air.
- Air visitors arrivals have experienced a moderate growth in the recent years (4.1% CAGR 2011-2019). Due to the COVID-19 pandemic the arrivals to the islands dropped 77%.
- The arrival of air visitors is not particularly seasonal through most part of the year (average of 45,000 arrivals) with the exception of September and October that are negatively affected by the hurricanes peak season.
- 91% of the air travelers are originated in the USA and Canada, with Europe accounting for less than 5% of the visitors.

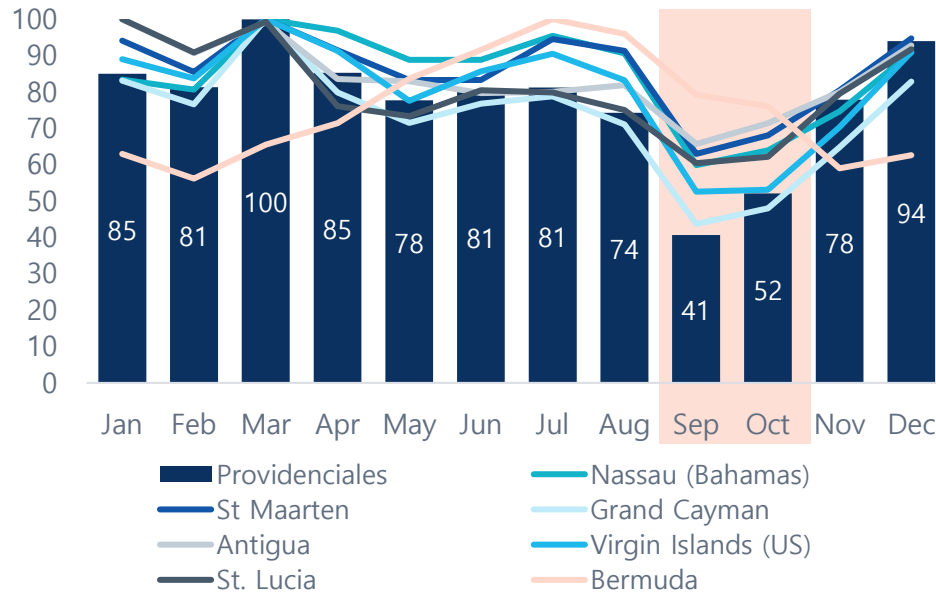
PLS has a moderate monthly seasonality (low season in Sep-Oct due to hurricanes season), and high demand peaks at the weekend

Providenciales Seasonality Analysis & Benchmarking

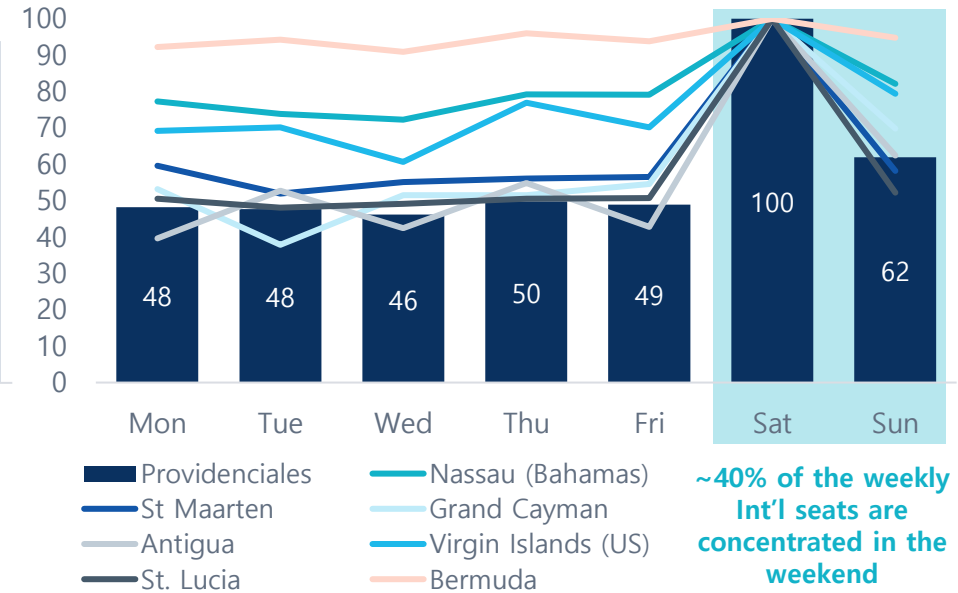
MONTHLY AND WEEKLY PROFILES ARE ALIGNED WITH COMPARABLE DESTINATIONS

Monthly and weekly seasonality (2019)

Int'l Seats (Index 100 represents the airport busiest month)



USA Daily Seats (Average week 2019; Index 100 represents the airport busiest month)



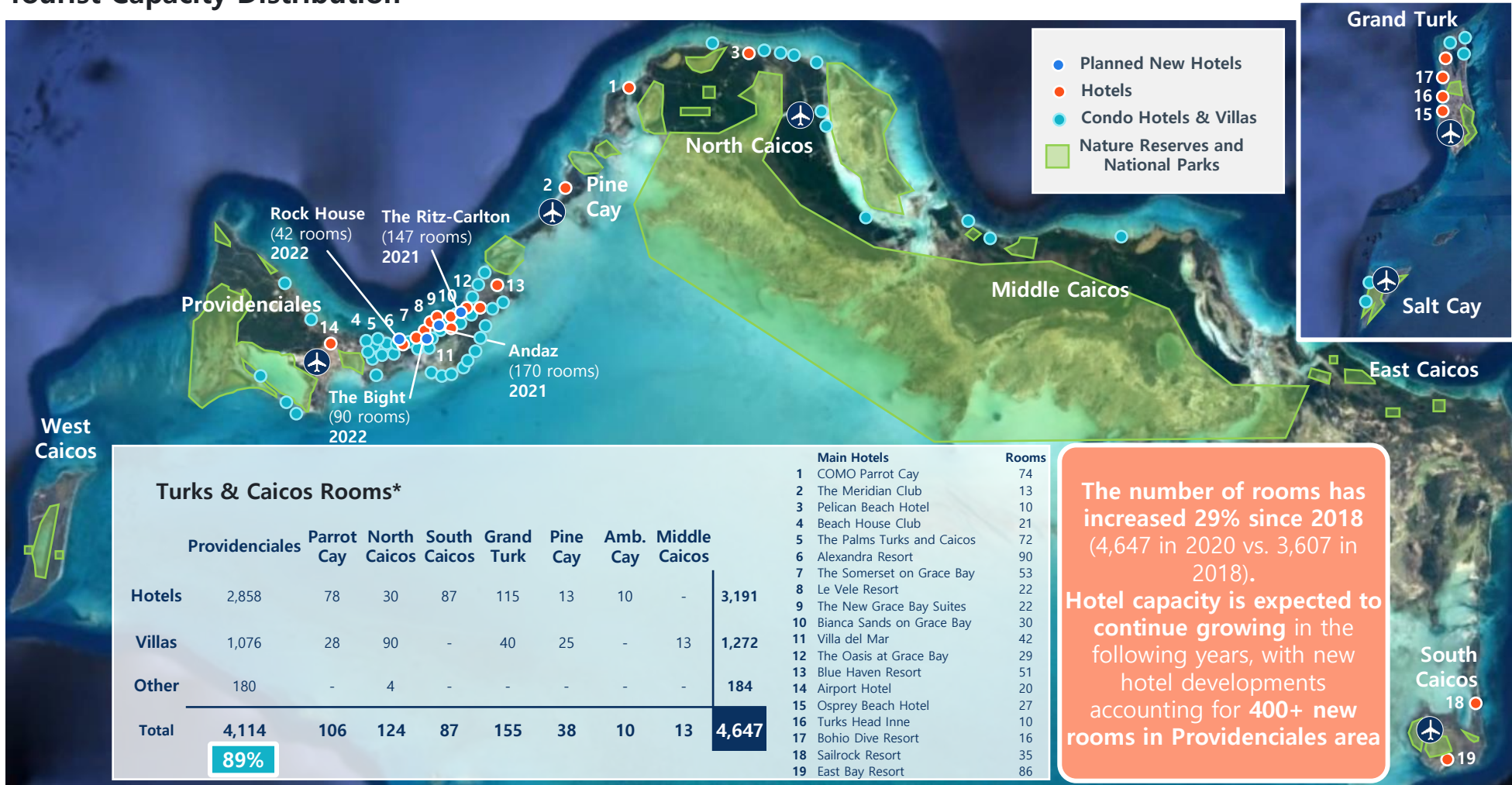
Note: The different monthly traffic distribution at Bermuda is due to its different weather conditions (much Northern geographical position compared to the other islands)

Source: OAG

Saturday and Sunday concentrate ~40% of the average weekly supply, aligned with other comparable destinations in the Caribbean, due to touristic packages offered

Air traffic development at TCI will be strongly correlated with the capability to accommodate the tourists, the country has ~4,650 rooms officially registered

Tourist Capacity Distribution

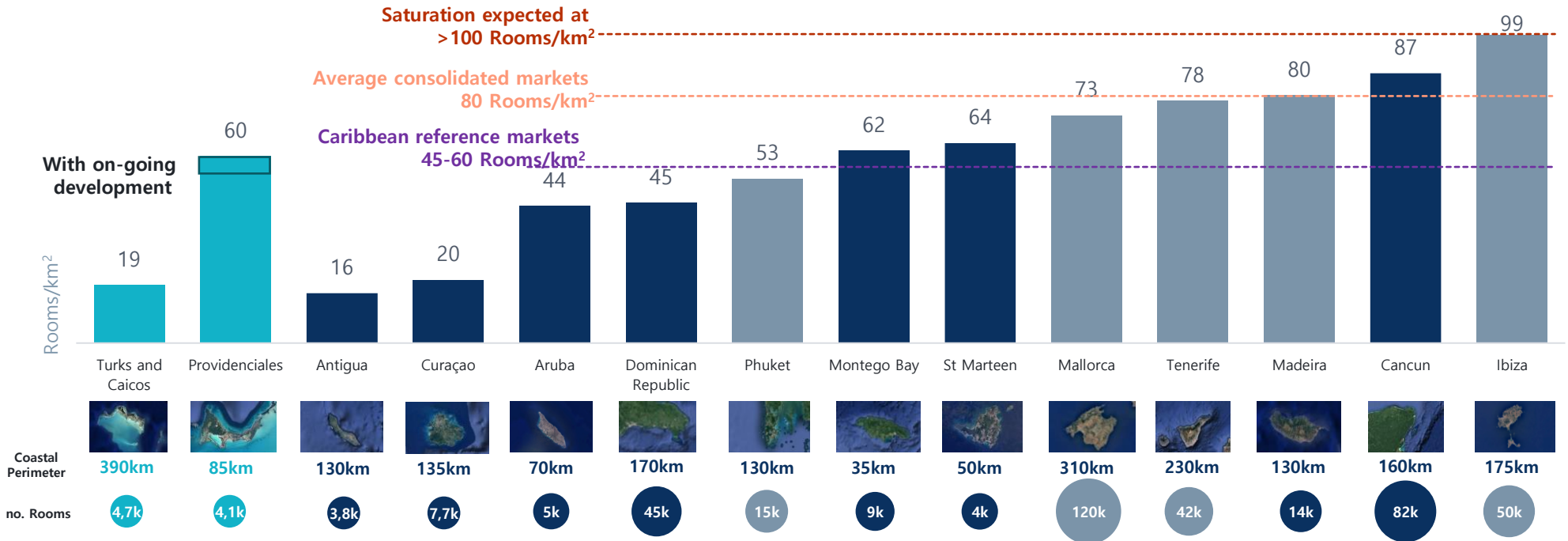


Source: Google Earth, National Parks Order Maps, 2020 Tourism Report, ALG Analysis

*Figures assuming 3 or 4 rooms per villa

Providenciales island has a hotel density comparable to other mature markets, but other islands in TCI seem to have room for a sustainable development

Hotel Rooms per Square Kilometer at Touristic Regions



- The benchmarking analysis reveals that at regions that start to saturate such as Ibiza or Cancun-Riviera Maya the hotel densities lie between 80 and 100 rooms per square kilometre, considerably higher than that of Turks and Caicos and that of Providenciales
- Providenciales rooms density is ~60 rooms/km², but in other islands rooms density is still low given that tourism accommodations are small in capacity but use large areas to provide clients with a nature-rich experience
- As the tourism sector grows, a density of up to 65 rooms/km² could be reached in Providenciales. Higher values would mean building large resorts as other mass touristic regions have done. Other island should keep values below 20 rooms/km² to maintain the “exclusivity” experience, typical of high-yield tourism

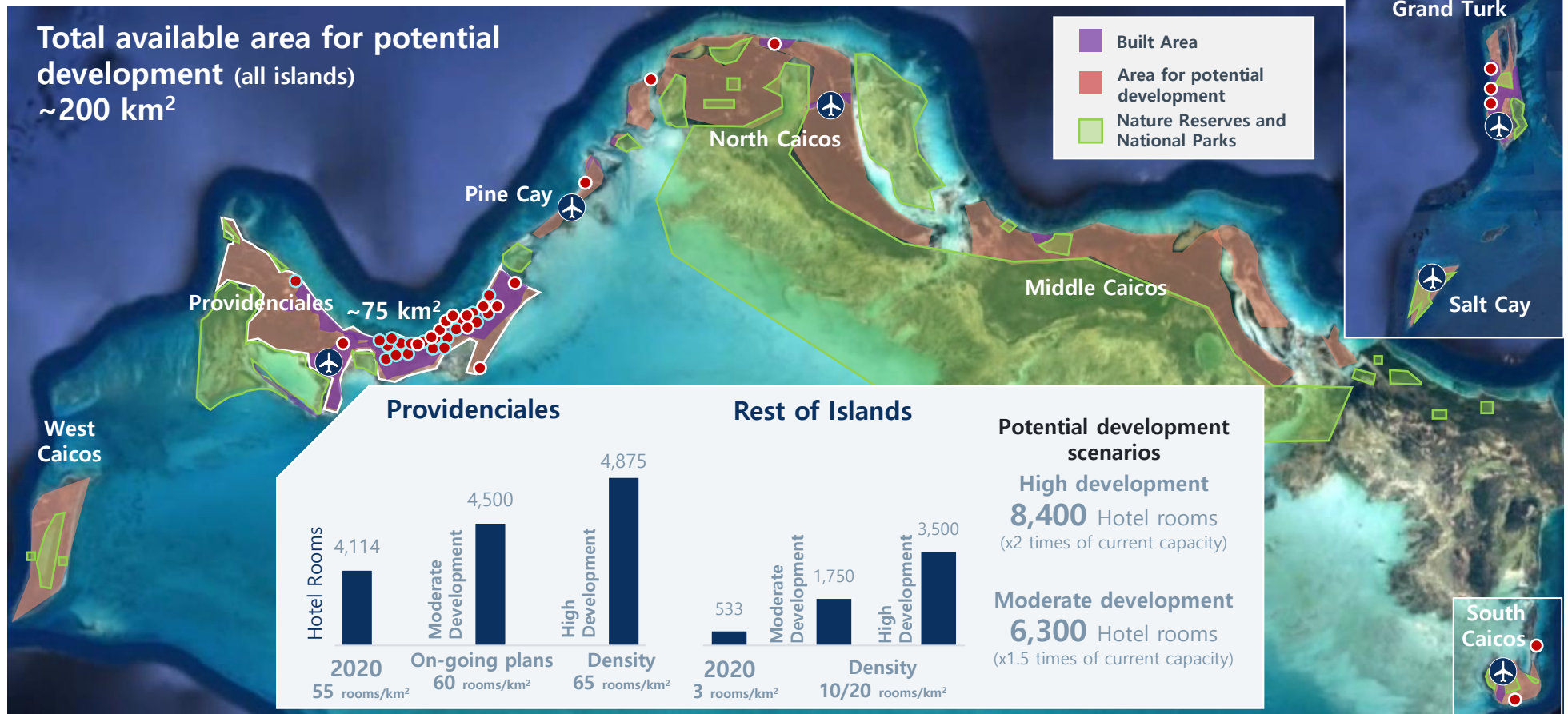
Note: The area considers the total area of the island except protected areas

Source: Google Earth, SEDETUR Mexico, ONE República Dominicana, JTB Jamaica, INE España, C9hotelworks, Gov. Madeira, OneCaribbean, The Worldk Bank data, ALG Analysis



Providenciales area could reach ~4,900 rooms and there is room for a significant hotel offer increase in the rest of the islands (up to ~3,500 rooms)

Land Available for Development



Source: Google earth, National Parks Order Maps, 2020 Tourism Report, ALG Analysis

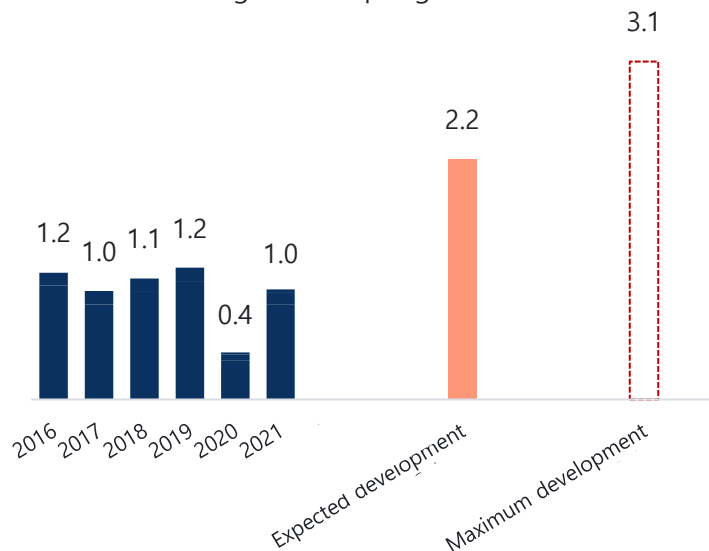
Domestic air transport must play a key role in the development of the tourism in the archipelago, facilitating the connectivity from Providenciales to the rest of the the islands

With a sustainable hotel developments, TCI could reach ~1 M tourists annually, implying a traffic of ~2.2 Mpax in PLS (gateway to the country)

Traffic cap in Providenciales

(Mpax)

- It is estimated that PLS could reach **~2.2 Mpax** with a sustainable development of accommodation services in the other islands
- Hotel development estimations are preliminary and **must be confirmed** with the tourism stakeholders
- Maximum development would bring the traffic up to 3 Mpax but it is not foreseen in TCI as high-class offering could be compromised with higher room density. Also, domestic market would need higher maturity to handle demand among the archipelago islands.



Hotel development opportunities TCI

Providenciales development	Current	Moderate	Maximum
Area (km ²)	75	75	75
Density (rooms/km ²)	55	60	65
Rooms (#)	4,116	4,500	4,875
Average stay (days)	5.4	5.4	5.4
Beds per room	2.3	2.3	2.3
Occupancy factor (%)	85%	85%	85%
Annual tourists (million)	0.56	0.61	0.66
Airport traffic (million)	1.11	1.21	1.32

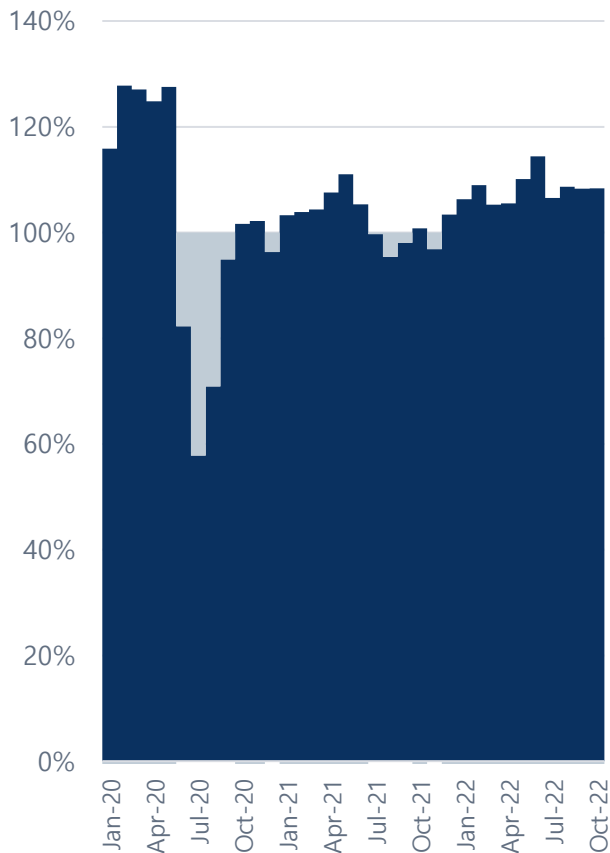
Other islands development	Current	Moderate	Maximum
Area (km ²)	175	175	175
Density (rooms/km ²)	3.1	10.0	20.0
Rooms (#)	533	1,750	3,500
Average stay (days)	5.4	5.4	5.4
Beds per room	2.3	2.3	2.3
Occupancy factor (%)	80%	80%	80%
Annual tourists (million)	0.07	0.22	0.44
Airport traffic (million)	0.14	0.45	0.89

MAX PLS int'l (Mpax)	1.25	1.77 (1.32+0.45)	2.2
MAX PLS domestic (Mpax)	0.14	0.45	0.45

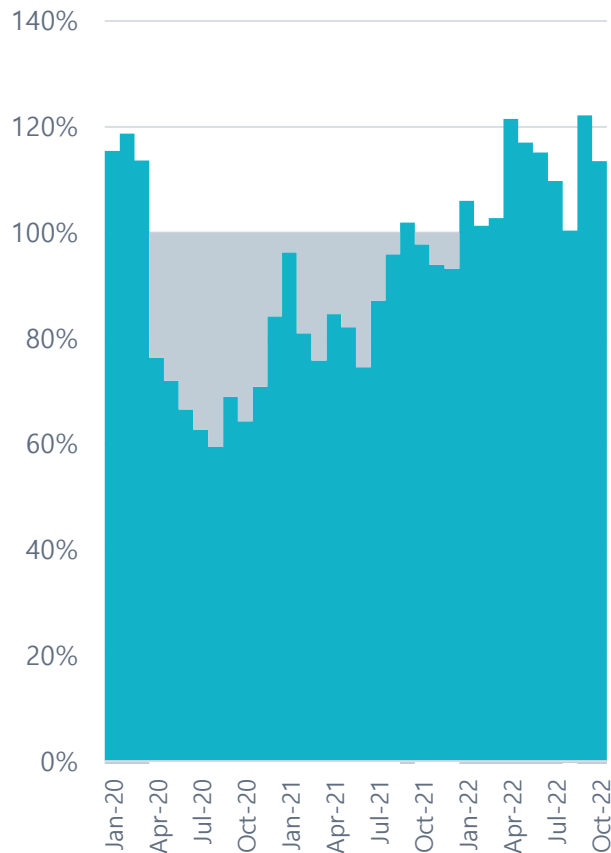
Seat supply from PLS airport to North America has already surpassed significantly 2019 volume, Caribbean and Dom also recovered

PLS airport monthly supply by segment vs. 2019

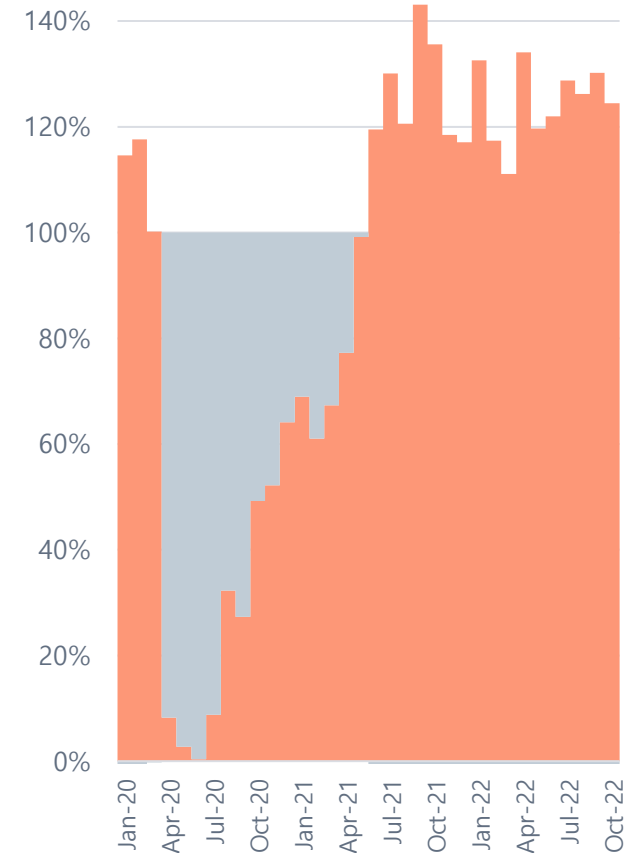
Domestic
(9% of total 2019 supply)



Caribbean
(13% of total 2019 supply)

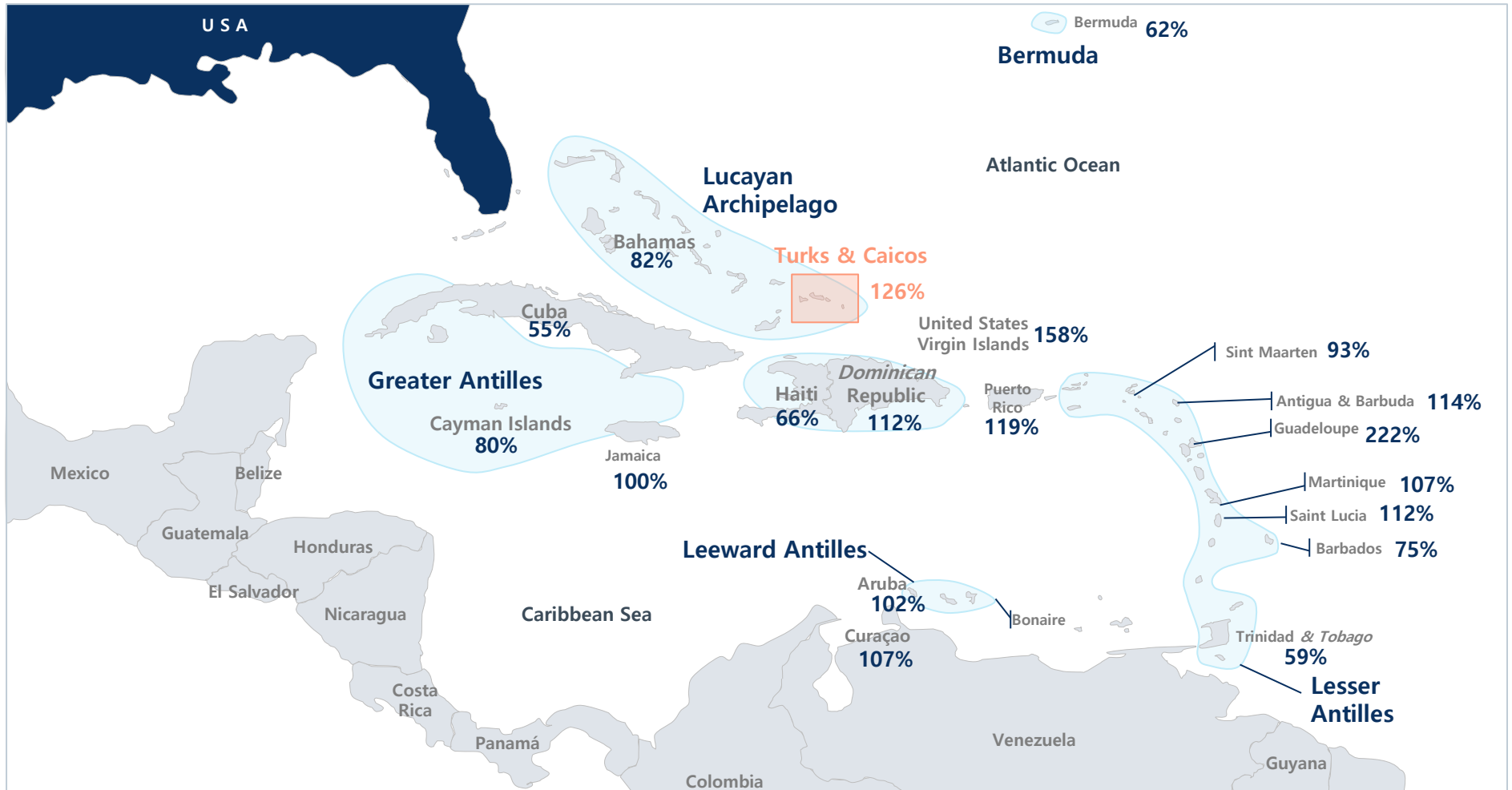


International (99% North America)
(78% of total 2019 supply)



The soft entry restrictions for foreign arrivals boosted the popularity of TCI within the Caribbean region (supply to North America +126% in 2022 Vs. 2019)

Supply to North America from Caribbean countries – IATA summer season 2022 Vs 2019

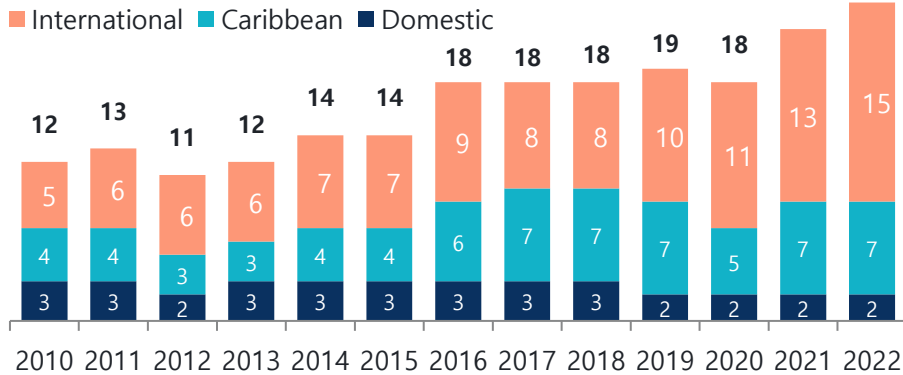


Source: ALG analysis

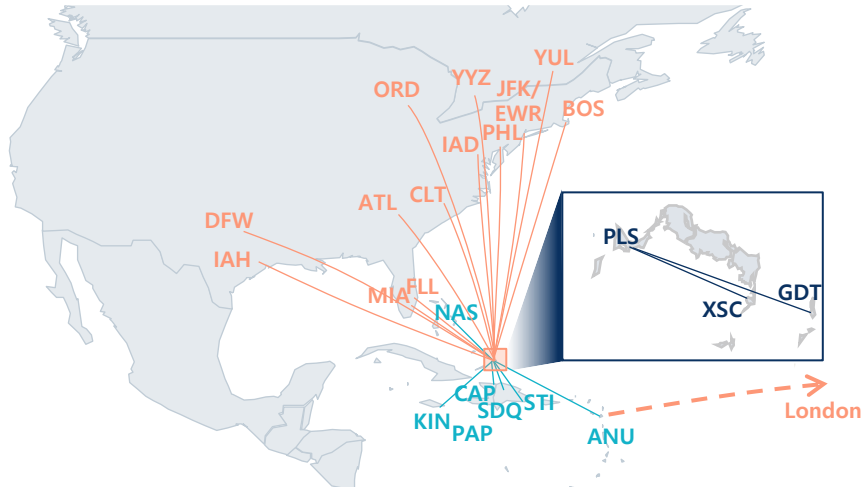
Providenciales is well connected to the main North American airports (East Coast and Central) and to some of its neighbour Caribbean countries

Providenciales Route Network

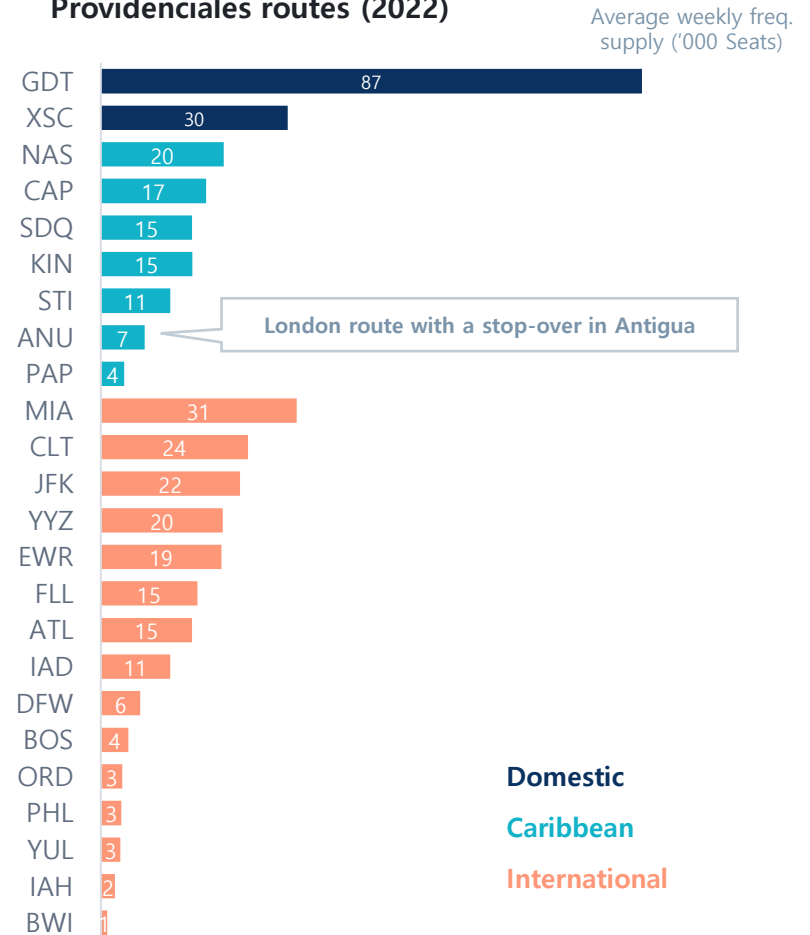
Providenciales' routes^[1] among 2010-2022



Int'l & Caribbean Providenciales' routes^[1] (2022)



Providenciales routes (2022)



Source: OAG, CAPA, ALG Analysis

[1]: Route considered whenever it offers >1 weekly frequency and adding seasonal routes like BWI

Route network in PLS is following different COVID-19 recovering profiles depending on the market and airlines network restructuring strategies

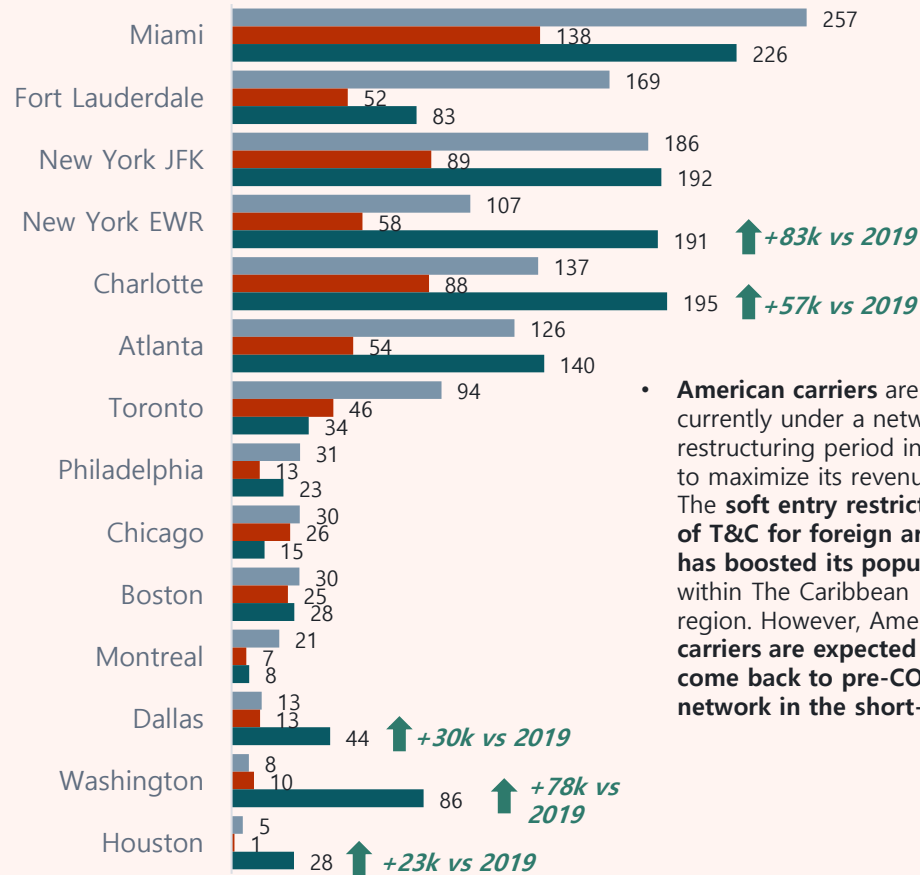
Providenciales Route Network – COVID-19 Impact ('000 seats, 2019-2021)

2019

2020

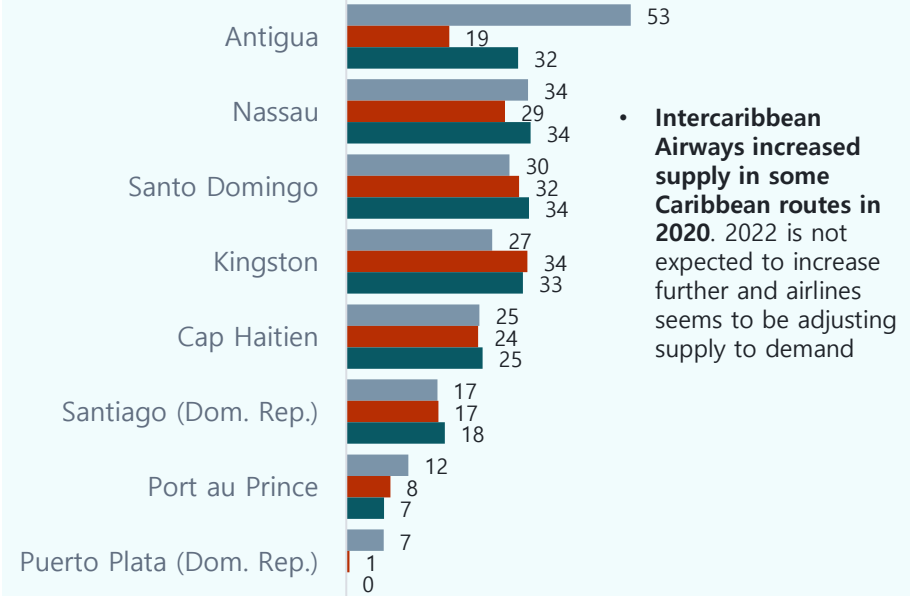
2021

International Routes

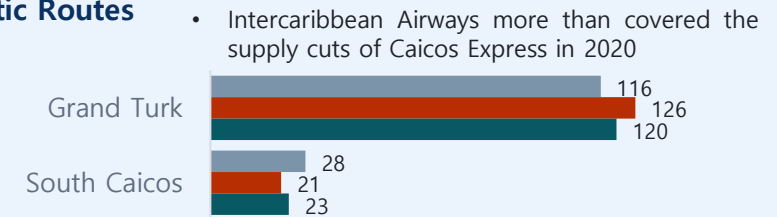


- American carriers are currently under a network restructuring period in order to maximize its revenues. The soft entry restrictions of T&C for foreign arrivals has boosted its popularity within The Caribbean region. However, American carriers are expected to come back to pre-COVID network in the short-term

Caribbean Routes



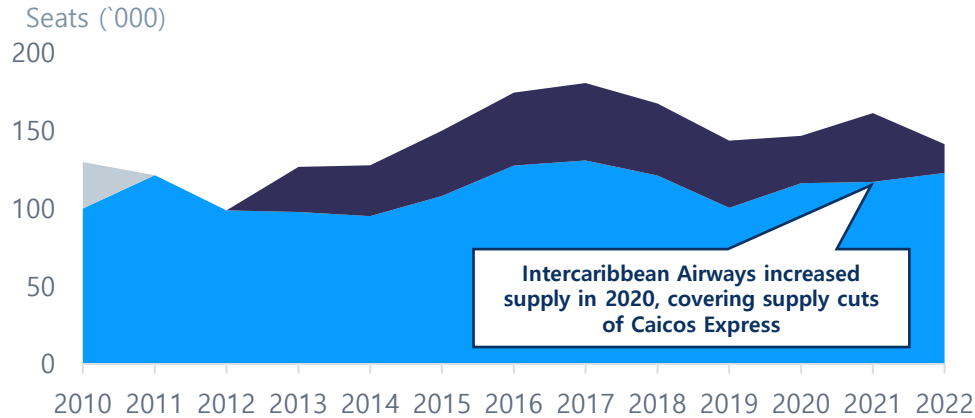
Domestic Routes



Local airlines (InterCaribbean and Caicos Express Airways) have maintained the control of the Domestic and the Caribbean markets

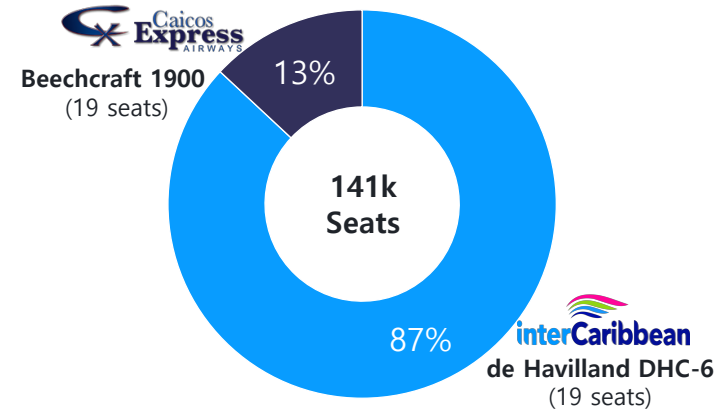
Airlines Operating in Providenciales International Airport (PLS) (1/2)

Offered seats in the Domestic market (2010-2022)

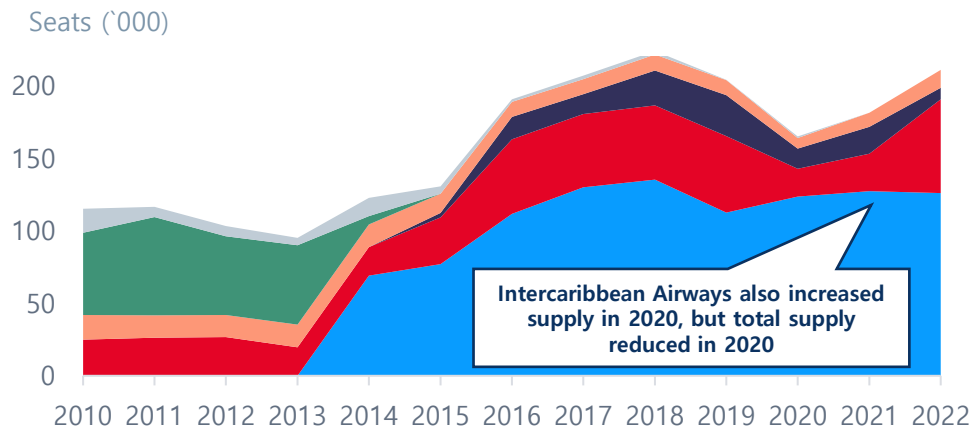


- interCaribbean
- Caicos Express Airways
- TCI Skyking Ltd.

Domestic market seats supply in 2022

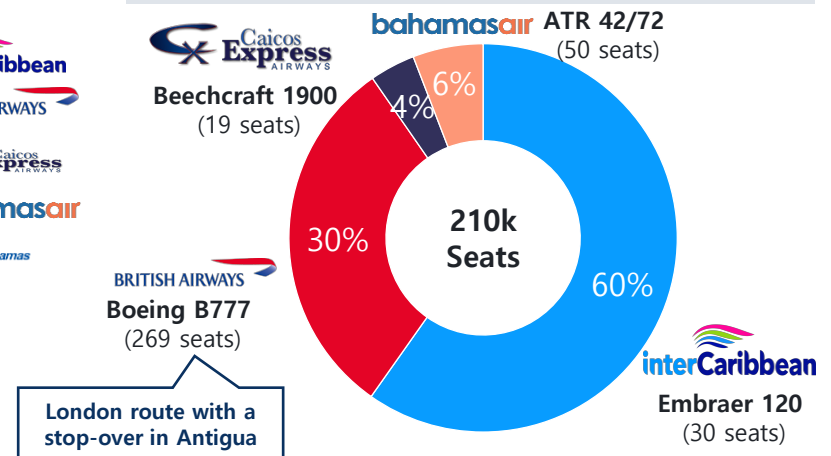


Offered seats within the Caribbean market (2010-2022)



- interCaribbean
- BRITISH AIRWAYS
- Caicos Express Airways
- bahamasair
- Sky Bahamas
- Other

Caribbean market seats supply in 2022



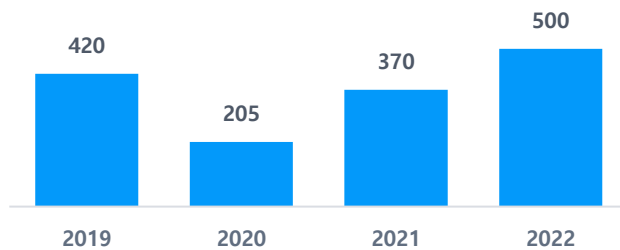
Source: OAG, ALG Analysis

InterCaribbean Airways is a national airline offering domestic services in TCI and 7 regional routes from PLS, it operates with aircraft ranging from 11 to 50 seats

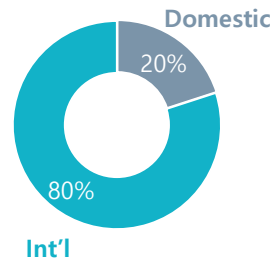
InterCaribbean route network and key facts (2022)



Seat offer ('000 seats)



Offer share (June week)



Fleet 2022

	Aircraft size (#)	Number of aircraft (#)
BN-2A-27LN	11	2
Beech B99	17	1
EMB-120ER	30	8
EMB-120RT	Cargo	2
EMB-145LR	50	1
Twin Otter	n/a	n/a
TOTAL	24	14

Number of airports served

4 TCI
29 Other countries

Main airports (TOP 5)

Airport	Code	ATM (June week)
Providenciales	PLS	130
Bridgetown	BGI	78
Beef Island	EIS	72
Grand Turk	GDT	56
South Caicos	XSC	40

Strategy and other facts/ findings

Based at Providenciales International Airport, InterCaribbean Airways is a regional airline that provides connectivity in the Caribbean region. Operating a fleet of 14 regional aircraft, the carrier mainly operates on domestic routes of Turks and Caicos

Caicos Express is a national airline offering domestic services in TCI and 2 regional routes from PLS, operates with 19 seaters

Caicos Express route network and key facts (2022)



Fleet 2022

	Aircraft size (#)	Number of aircraft (#)
Beech 1900C-1	19	2
Cessna Light	8	3

Number of airports served

3 TCI
2 Other countries

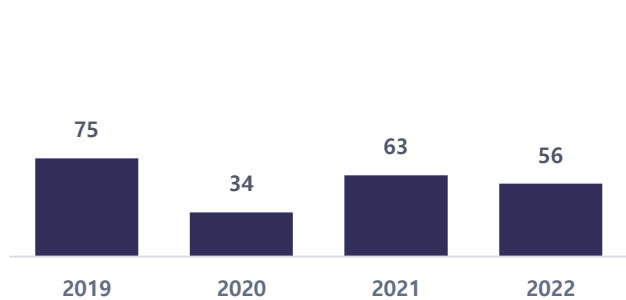
Main airports (TOP 5)

Airport	Code	ATM (June week)
Providenciales	PLS	82
Grand Turk	GDT	78
Cap-Haitien	CAP	14
South Caicos	XSC	14
Santiago Cibao	STI	10

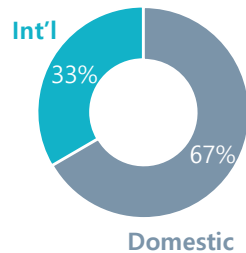
Strategy and other facts/ findings

Caicos Express Airways started operation from Providenciales International Airport in 2011. The carrier offers seasonal and charter flights, operating a fleet of 2 small regional aircraft, Beech 1900C-1. In 2022 the carrier operated scheduled services on mainly 4 routes. From July 2022 onwards, Caicos Express Airways does not fully publish data on OAG, despite having scheduled flights on the company's official website

Seat offer ('000 seats)



Offer share (June week)



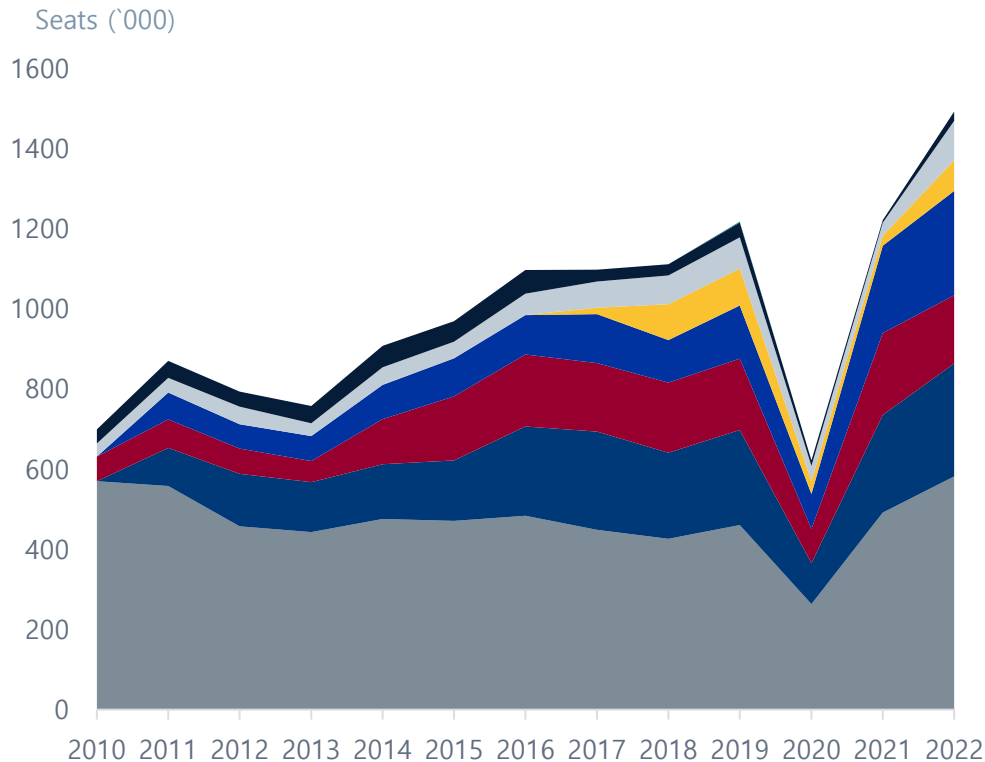
Source: OAG & ALG Analysis

Int'l market is dominated by US traditional carriers, with increasing presence of LCCs jetBlue and Southwest

Airlines Operating in Providenciales International Airport (PLS) (2/2)

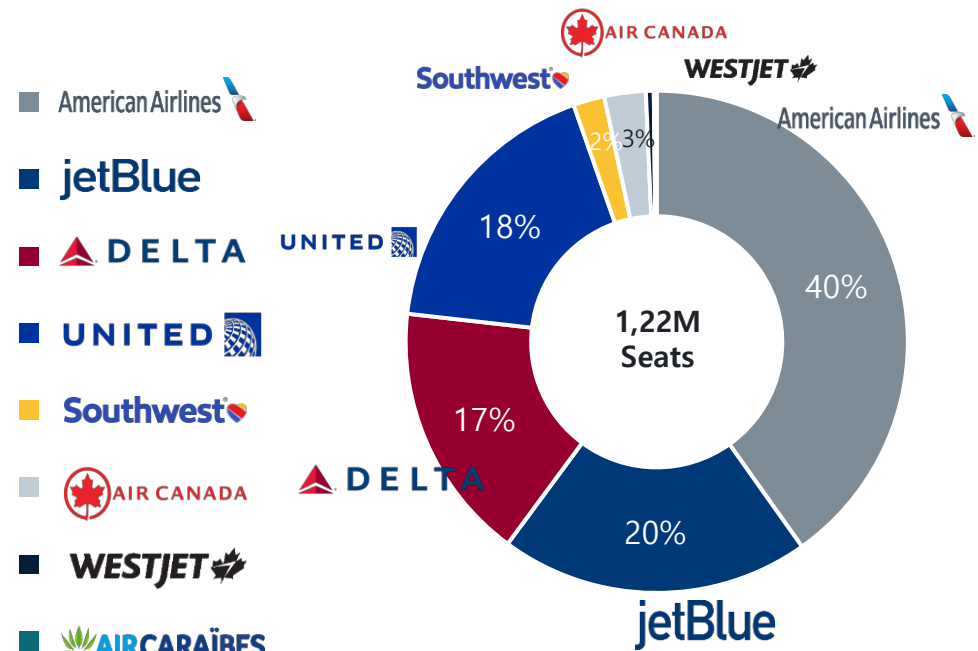
Note: supply offer published in OAG for May-Dec 2022 is expected to be progressively updated as airlines are continuously adjusting supply to demand

Offered seats within the International market (2010-2022)



Source: OAG, ALG Analysis

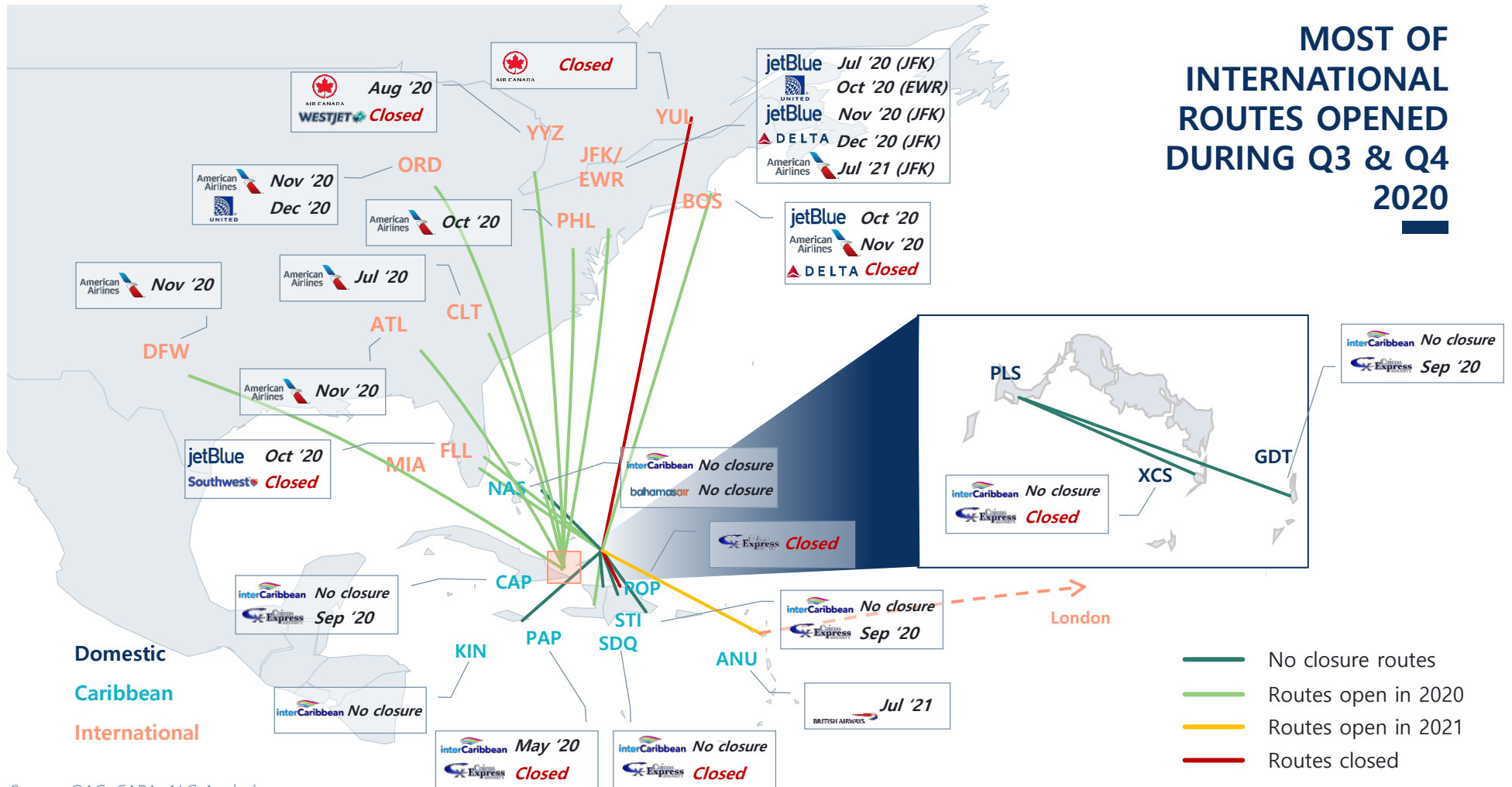
International market seats supply in 2022



International market reduced significantly the supply during 2020, but 2021 show a very impressive recovery due to the supply increase of American carriers in some routes

Most of Dom & Caribbean routes of InterCaribbean remained opened in 2020, whereas Caicos Express and American carriers have reactivated 2nd half of 2020

Providenciales Route Network – Reopening Dates



Source: OAG, CAPA, ALG Analysis

Providenciales airport is already connected to most of the destinations in North America typically operated from the Caribbean islands

Caribbean – North America Connectivity Benchmarking

	Miami	Fort Lauderdale	Orlando	New York	Atlanta	Charlotte	Boston	Philadelphia	Houston	Chicago	Dallas	Washington	Toronto	Montreal	Total Seats
Nassau	670	798	208	605	480	281	70	86	100	55	78	54	286	13	3,785
Aruba	329	245		707	164	173	260	72	27	35	16	110	95		2,235
Port of Spain	378	177	47	514					121				234		1,471
Grand Cayman	406	166	63	167	149	182	10	15	78	52	62	20	69		1,439
Providenciales	257	169		293	126	137	30	31	5	30	13	8	94	21	1,215
Port au Prince	303	353	64	254	89		39							61	1,163
Bermuda	116			386	93	3	197	79				23	113		1,010
St Maarten	126	137		283	113	116	13	87		7		5	68	18	970
US Virgin Islands	223	100	46	184	182	93		57	22	7	1	55			970
Barbados	294	85		260		49	23						230	25	965
St. Lucia	185			144	135	33	10	5		6			89	10	618
Antigua	159			184	13	10							81	9	456
Curacao	232			43		9							36	9	329

2019 Offer

15k-50k Seats

50k-100k Seats

100k-200k Seats

>200k Seats

Source: OAG

Weekly equivalent

1-3 weekly freq.

3-7 weekly freq.

1-2 daily freqs.

>2 daily freqs.

Therefore, future development in the North American market will be concentrated in the organic growth of the current destinations with limited new opportunities (Orlando, Texas, Washington)

Caribbean countries are mostly connected with neighbour peers (Intra-regional), only Panama offers connectivity with LatAm, EU connectivity limited to UK

Caribbean – Latin America, Europe and Internal Connectivity Benchmarking

Seats ('000)	Latin America				Europe			Caribbean
	Panama	Bogota	Mexico	Lima	UK	Paris	Amsterdam	Caribbean ^[1]
Nassau	34				108			5 destinations (GCM, KIN, HAV, PLS, PAP)
Aruba	122	206			16		82	3 destinations (BON, CUR, SDQ)
Port of Spain	122				*			9 destinations (UVF, BGI, GND, SVD, CUR, ANU, ...)
Grand Cayman					*			3 destinations (NAS, KIN, HAV)
Providenciales					*			7 destinations (ANU, NAS, SDQ, KIN, CAP, STI, ...)
Port au Prince	63					4		9 destinations (SDQ, PTP, SCU, HAV, CMW, NAS, ...)
Bermuda					305			No destinations
St Maarten	43					173	11	18 destinations (SBH, CUR, EIS, ANU, SJU, SDQ, ...)
US Virgin Islands								7 destinations (SJU, EIS, VIJ, NGD, SXM, AXA, ...)
Barbados	21				824			9 destinations (POS, SVD, GND, UVF, ANU, DOM, ...)
St. Lucia					346			3 destinations (POS, GND, TAB)
Antigua					306			14 destinations (SKB, BGI, SXM, DOM, POS, TAB, ...)
Curacao	71	147					603	5 destinations (AUA, BON, SXM, POS, SDQ)

[1]: Route considered whenever it offers >10,000 seats (round trip)

Source: OAG

2019 Offer

Weekly equivalent

15k-50k Seats
1-3 weekly freq.

50k-100k Seats
3-7 weekly freq.

100k-200k Seats
1-2 daily freqs.

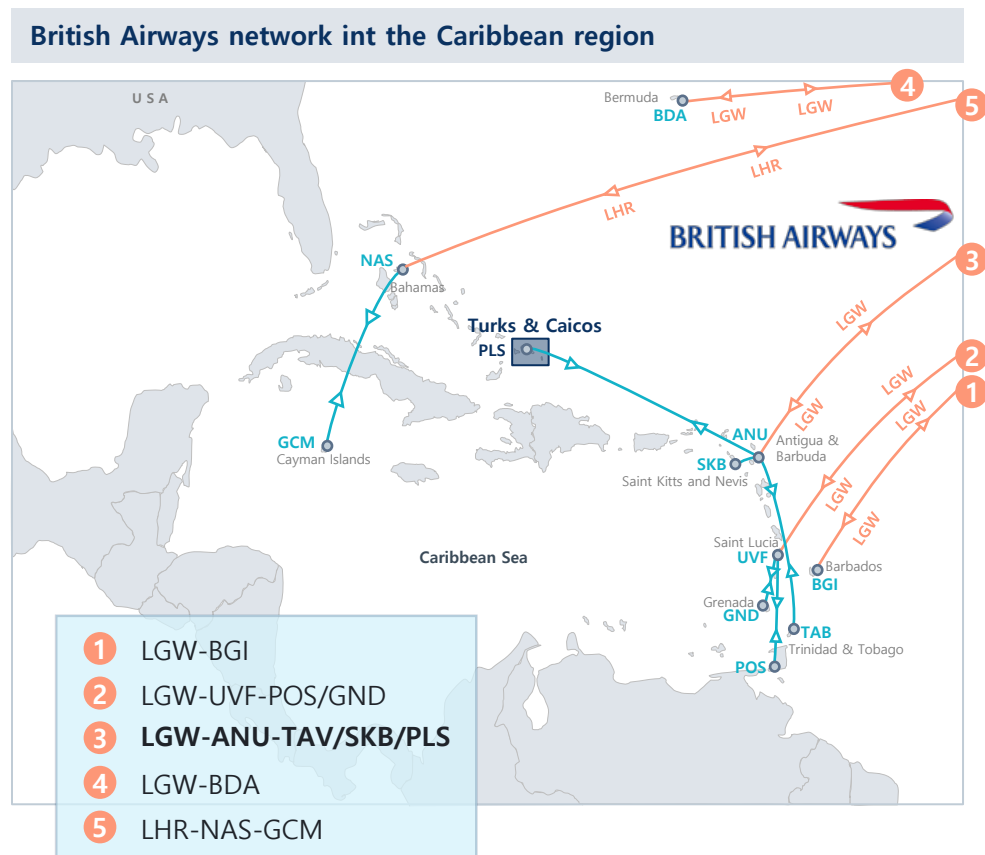
>200k Seats
>2 daily freqs.

* Indirect route to London

Only Panama and London, but in the long term, are the new destinations likely to be developed from/to PLS

European connectivity from the Caribbean is mostly concentrated on flights from England, France and the Netherlands to their former colonial territories

British Airways Connectivity to the Caribbean



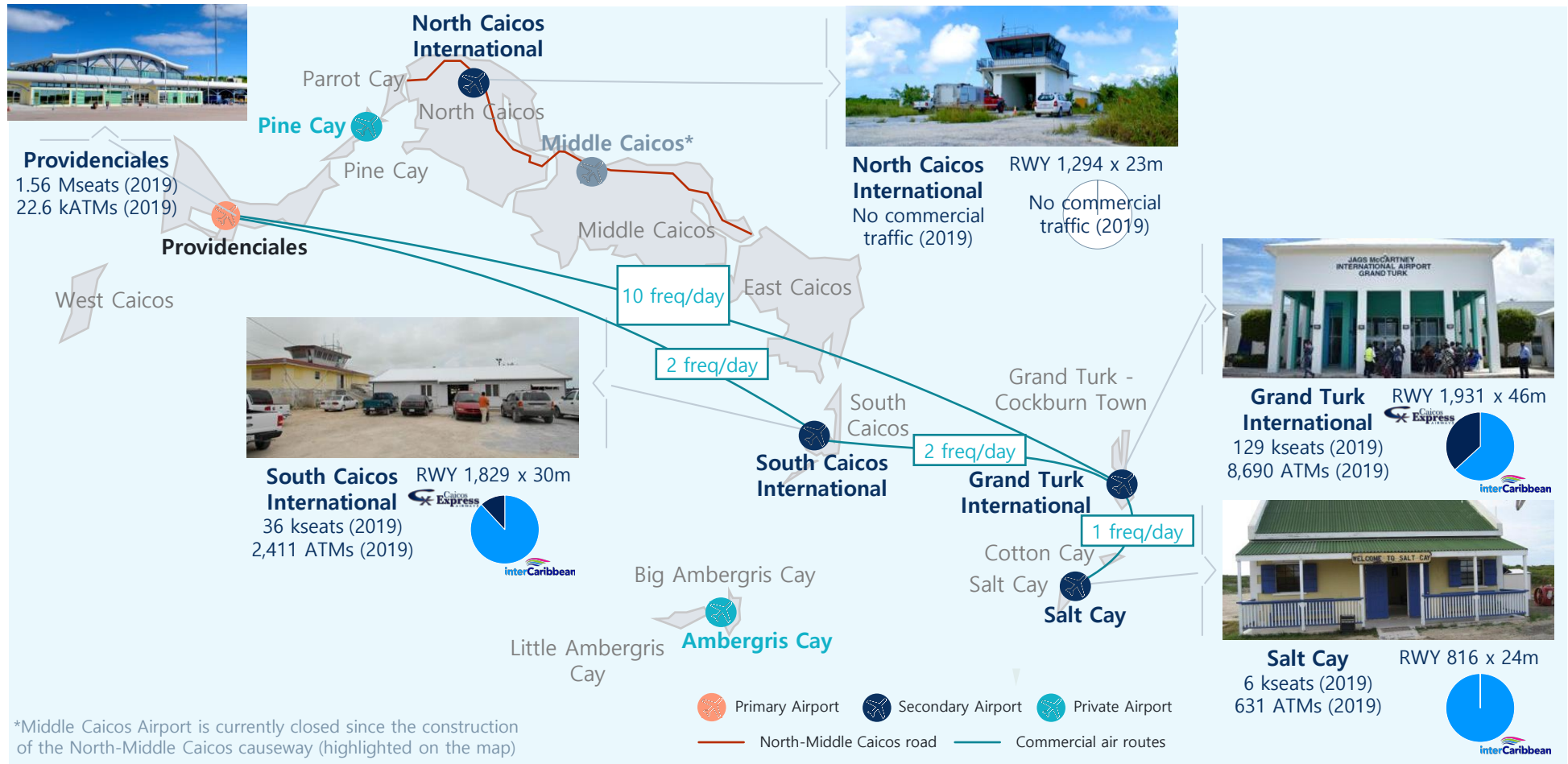
Source: OAG

Origin	Destination	Direct?	Weekly freq.
Point-a-Pitre	Paris	Yes	39
Fort de France	Paris	Yes	34
Barbados	1 London	Yes	19
	Manchester	Yes	4-5
	Birmingham	Yes	1-2
	Frankfurt	Yes	2-3
Curaçao	Amsterdam	Yes	17
Hewanorra	2 London	Yes	12
Antigua	3 London	Yes	10
Bonaire	Amsterdam	Yes	8
Bermuda	4 London	Yes	6
St Marteen	Paris	Yes	6
	Amsterdam	No – via Curaçao	2
Nassau	5 London	Yes	4
Aruba	Amsterdam	Yes	2
	Amsterdam	No – via Bonaire	7
Trinidad and Tobago	2 3 London	No – via Hew. & Antigua	8-9
	Frankfurt	No – via Barbados	1
Grenada	2 London	No – via Hewanorra	4
Cayman Islands	5 London	No – via Nassau	4
St. Kitts Nevis	3 London	No – via Antigua	2
Turks & Caicos	3 London	No – via Antigua	2

Turks & Caicos opportunity in the European market is limited to strengthen its link with London, increasing the weekly frequencies via Antigua and eventually (long term) launching a direct link

TCI may need to fine tune the strategy to distribute tourists along the islands, with a consensus between tourism/land transport/air transport stakeholders

Turks and Caicos Airport Network Characterization



Source: OAG, TCIAA, ALG analysis

Market highlights

- **Turks & Caicos** is positioned as a Caribbean niche tourist destination, with a traffic mainly composed of **high-yield North American inbound tourists** (highest accommodation rate in the Caribbean region).
- Turks & Caicos has a network of 7 airports: Providenciales as the int'l gateway, 4 secondary aerodromes and 2 others privately owned. PLS concentrates 90% of total seat supply.
- Preliminary, **traffic growth rates expected** are 2 - 3.5% based on historical trend in the Caribbean and Airbus GMF forecast.
- Seat supply from PLS airport has **already recovered from COVID impact** and shows higher volumes than in 2019. Since COVID outbreak, the soft entry restrictions for foreign arrivals have boosted the **popularity** of TCI within the Caribbean region, gaining market share compared to other destinations (e.g. Cuba, Bahamas, Barbados). However, traffic is still below 2019 volumes due to lower load factors.
- Also, there is a significant presence of FBO in PLS. **FBO segment** represented historically a ~2% of traffic in PLS before COVID outbreak. During the pandemic, private aviation actually increased and represented ~5% of traffic in 2021 (13,000 operations), given that commercial flights were cut. It should be expected that FBO decrease as commercial flights resume.
- In the medium and long term, air traffic development at TCI will be strongly correlated with the **archipelago's land availability to develop new touristic high-class offer**. Initial estimates suggest ~2.2 Mpax could be expected in PLS in the long term, equivalent to ~1 M tourists, ensuring a sustainable development of accommodation offer in the islands.
 - **Providenciales'** has already a remarkable density of hotels: 55 rooms/km², comparable to other mature references. There are on-going hotels planned suggesting a density of 60 ooms/km² will be reached in the short term and higher development may increase the ratio up to up to 65 rooms/km², summing **~4,900 rooms***.
 - **Other islands in Turks and Caicos have more land availability** to develop new accommodation offer, up to a density of 20 rooms/km² to ensure high-class offering (**~3,500 rooms***). **Domestic market could accelerate** benefiting from new touristic developments outside Providenciales.

* To be reviewed based on final results achieved on the Tourism Development Strategy (study on-going)

CHAPTER

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2





Market & Traffic characterization

Traffic forecast

Annual traffic and ATM

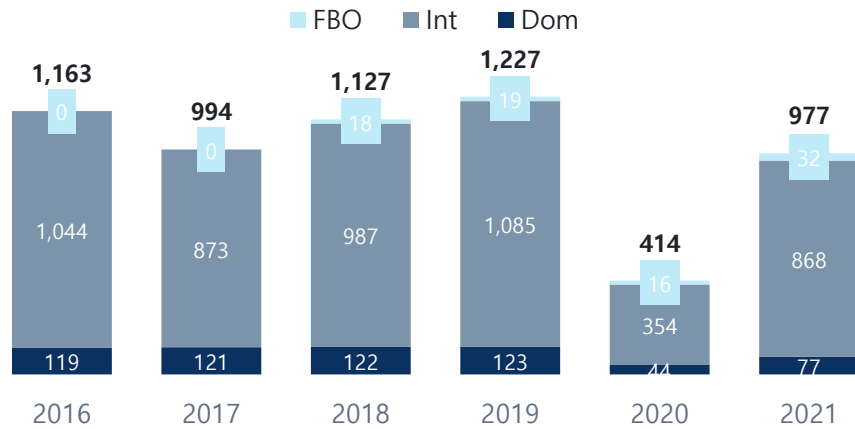
Design parameters

Different data sources provided have been used as the basis for the traffic forecast

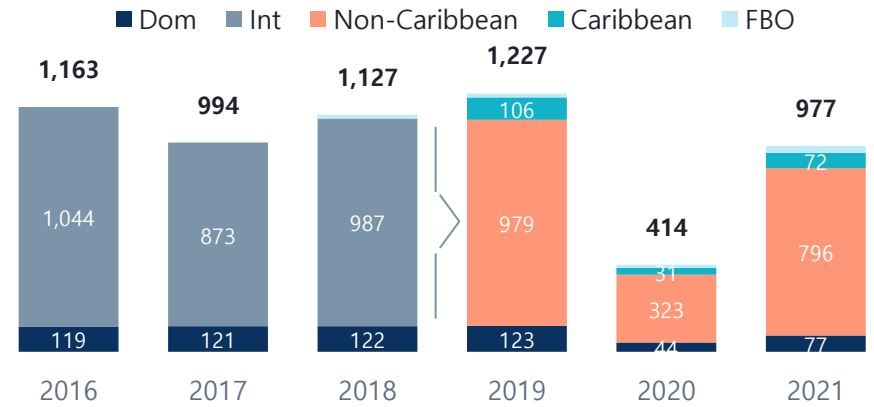
Source	Source type	Database name	Available data	Available period
	Data Room	<i>Load factors</i>	<ul style="list-style-type: none"> –Int'l passengers and seats (per route & airline) –Type of aircraft used <p>Available for: Arrivals & Departures to/from PLS</p>	<p>Apr-19 – Mar-22</p> <p>Monthly</p>
	Data Room	<i>Mayfly</i>	<ul style="list-style-type: none"> –Scheduled flights (airline, route, A/C type, arrival & departure times and stands allocated) –Domestic/Regional & International split <p>Available for: Schedule operations in PLS</p>	<p>Jan-21 – May-22</p> <p>Daily schedules</p>
	Data Room	<i>PLS Passenger and Aircraft Movements</i>	<ul style="list-style-type: none"> –Domestic passengers & ATMs (arrivals & departures) –Int'l passengers & ATMs (arrivals & departures) –FBOs (passengers & ATMs) monthly for 2018-2021 <p>Available for: Arrivals & Departures to/from PLS</p>	<p>Jan-16 – Dec-21</p> <p>Monthly</p>
	Subscription-based	<i>OAG Schedules analyser</i>	<ul style="list-style-type: none"> –Database of scheduled supply (seats & frequencies / ATMs) by route, airline and fleet used. <p>Available for: All airports in the world</p>	<p>2012 - 2022</p> <p>Daily schedules</p>

TCIAA has provided historical traffic data which is taken as the initial point for the traffic forecast

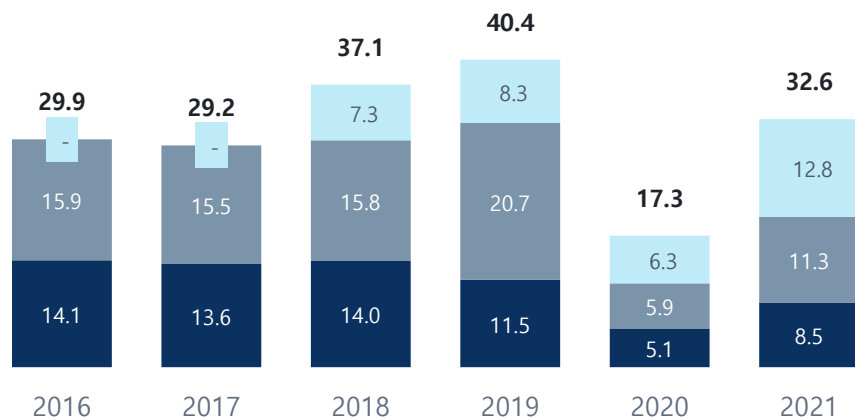
PLS traffic (Mpax)



PLS traffic splits used (Mpax)



PLS ATMs ('000)



- TCIAA provided 6 years of historical data for domestic and international traffic (2016-2021) with the split Domestic vs. International.
 - The split between Caribbean vs. International Non-Caribbean traffic is only available from Apr-19 to Mar-22 (different database).
- FBO data only available for 2018-2021.

Main opportunities identified for passengers traffic development in Turks & Caicos archipelago

Domestic market

- **Domestic supply suffered few cuts** due to COVID outbreak, as InterCaribbean Airways covered the supply cuts of Caicos Express. Domestic market offering in 2022 is almost the same as in 2019. However, lower recovery rates are expected in terms of traffic.
- As derived from the hotel infrastructure analysis, domestic traffic may have **additional growth** as it will be key to enhance mobility of tourists around the archipelago. Hotel growth in Providenciales island could reach some limitations in the mid-term, but there is land availability for further **touristic development in the other islands**.

International market

- International market, dominated by American carriers suffered -50% supply cuts in 2020 vs 2019. However, the market is **recovering fast** thanks to the **soft country restrictions for foreign arrivals**. In fact, some American carriers opened routes and increased supply (vs 2019). Supply in summer season 2022 **surpasses 2019 levels by ~20%**.
- Development of **new routes post-COVID 19 to North America** is **limited** to a few airports and most of the **traffic increase** is expected to be generated by the **organic growth** of the main **current destinations**.
- **European market** seems limited to the UK market with the organic growth of the London route via Antigua. The penetration of the **Latin American market** is reduced. The high accommodation rates at TCI difficult the arrival of tourists from this region.

Caribbean market

- **Caribbean market** is led by InterCaribbean. The market is limited to few routes to the neighbor countries that would **keep growing organically** after COVID-19 (purchase power at those countries does not envisage the arrival of additional tourists).
- **The Caribbean segment reduced capacity by -20% in 2020 vs 2019** due to COVID-19, but supply is mostly recovered in summer season 2022 (~100% of 2019 seat supply volumes). However, lower recovery rates are expected in terms of traffic.

FBO market

- **FBO traffic** actually increased during COVID outbreak (~13,000 operations in 2021 vs. an average of ~7,000 in the previous years). It should be expected that FBO decreases in the short term (as commercial flights resume). Afterwards, this segment is expected to increase organically, always assuming that TCI will be able to offer a high-class touristic offering.

The traffic forecast is done in three steps: a bottom-up model for the short term, an econometric model for the medium term and a market cap

Methodology

1

Short term Bottom-up (schedules)

A bottom-up model is done for 2022 and 2023 based on seat supply schedules.

Traffic monthly data is available until Mar-22.

Published supply for commercial flights (OAG database) is available until Dec-22, considered reliable until Oct-22.

The bottom-up model is done at a market level on a monthly basis and assumes a progressive recovery of load factors after COVID outbreak.

2022 & 2023 traffic & ATM

2

Medium & long term Top-down (econometric)

An econometric model is used to capture the growth rates of the different traffic segments in the medium and long term.

For each segment a variable is selected and a correlation analysis is used with statistical tools to validate the results.

The model requires the projection of selected descriptive variables, so robust projections are needed. Source used for variable projections is Oxford Economics (Jun 16, 2022 series).

Traffic growth rates 2024-2053

3

Market cap Accommodation capabilities

The traffic at PLS needs to have a market cap based on accommodation capabilities in the islands.

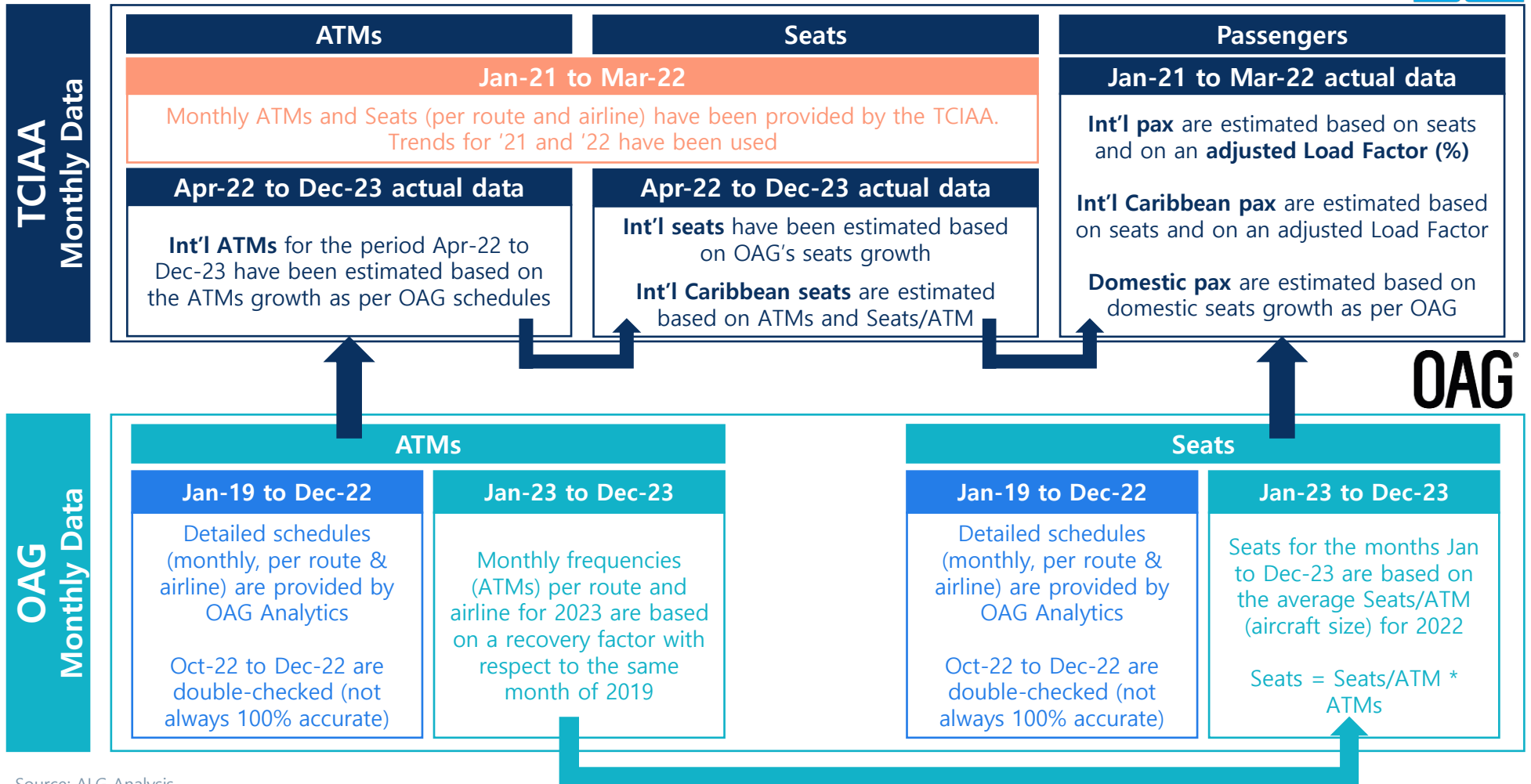
Based on the market analysis, Turks and Caicos could reach 1 M tourists annually, implying a traffic of ~2 Mpax in PLS (gateway to the country).

Domestic market could accelerate benefiting from new touristic developments outside Providenciales.

Maximum traffic

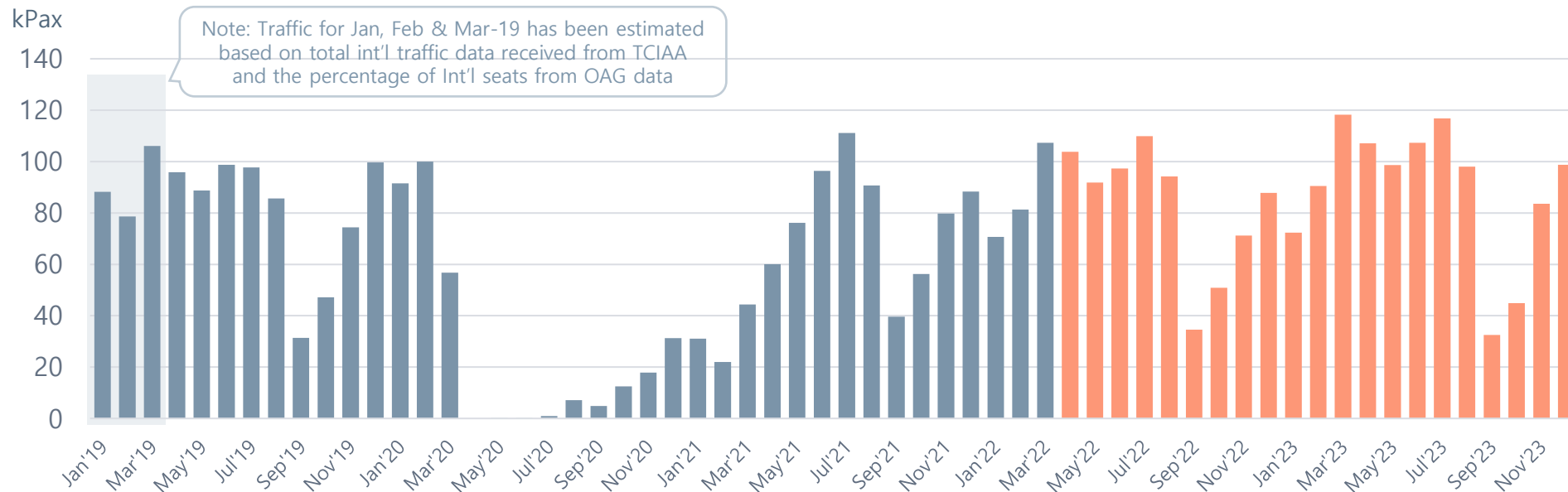
A bottom-up model has been prepared for 2022 and 2023 based on supply schedules to outline the recovery of air traffic

Bottom-up Methodology



International traffic already recovered 2019 levels in Q3 2021; with positive growth in 2022 compared to 2019

International Traffic Short-Term Recovery (Monthly Passengers, 2019-2023)



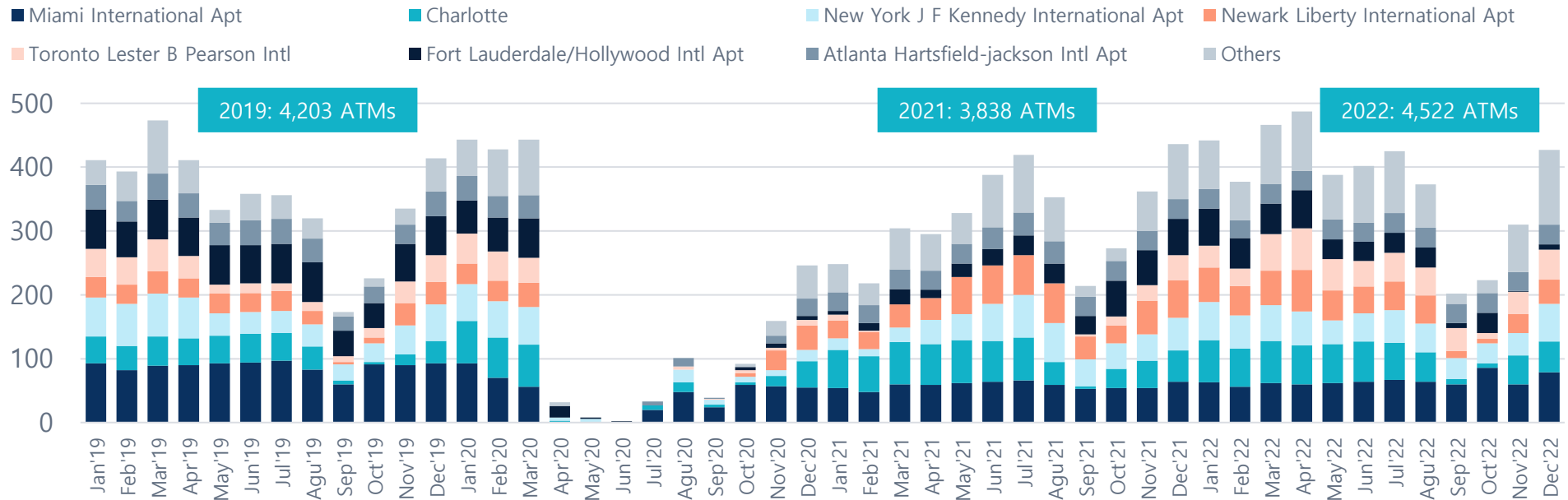
Int'l No Caribbean traffic short-term results

	2019				2020				2021 Traffic Recovery				2022				2023			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Traffic vs 2019	100%	100%	100%	100%	91%	0%	6%	28%	36%	82%	112%	101%	95%	103%	111%	95%	103%	110%	115%	103%
Annual Traffic (Mpax)	1.0				0.3				0.8				1.0				1.1			
Growth vs 2019	-				-67%				-20%				1%				8%			

Source: OAG, TCIAA, ALG Analysis

The North American market (mostly served by American carriers) shows high recovery rates, the network is more extensive (less connections in US hubs)

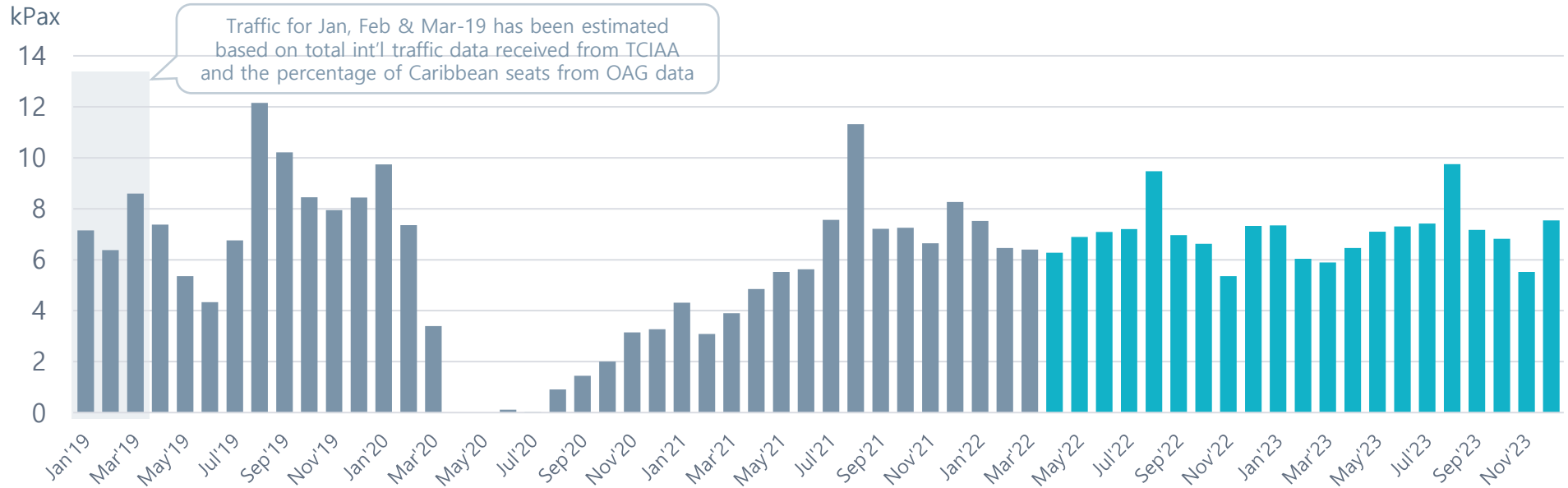
International (Monthly ATMs in OAG, 2019-2022)



- US carriers (American Airlines, Delta, United, Jet Blue, etc.) fly most of the int'l routes from PLS. Most of these airlines seem to have already recovered the same operation levels as they had in 2019 (per OAG schedules)
- Typically O&D routes are showing between 200%-300% increases with respect to 2019's operations, like Washington (United Airlines), Dallas (American Airlines) and Chicago O'hare (United Airlines taking share from American); airlines added frequencies in 2021 and 2022
- Routes to US hubs like Miami and Fort Lauderdale are still not recovered, probably due to more O&D traffic vs. connecting traffic in US hubs.

Caribbean traffic is not expected to reach 2019 levels in 2023; traffic will still be ~90% of 2019 volume

Caribbean Traffic Short-Term Recovery (Monthly Passengers, 2019-2023)



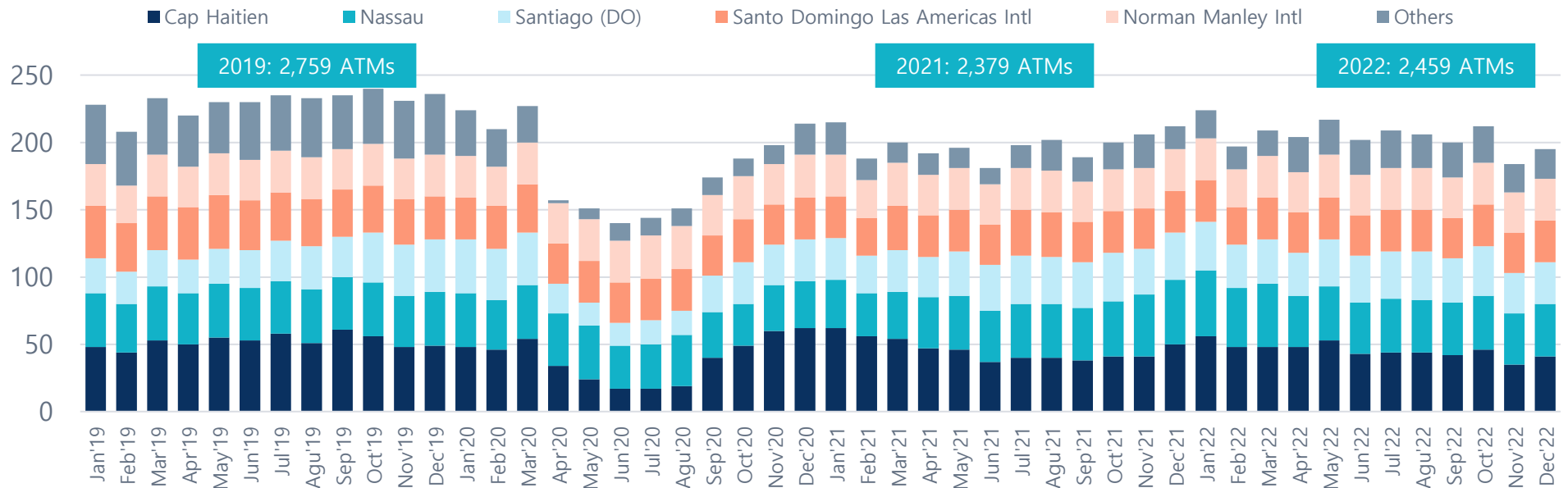
Caribbean traffic short-term results

	2019				2020				2021				2022				2023			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Traffic vs 2019	100%	100%	100%	100%	93%	1%	8%	34%	102%	163%	139%	154%	92%	119%	81%	78%	87%	122%	84%	80%
Annual Traffic (Mpax)	0.1				0.0				0.1				0.1				0.1			
Growth vs 2019	-				-66%				-19%				-10%				-9%			

Source: OAG, TCIAA, ALG Analysis

Intercaribbean and Caicos Express compete in most of Caribbean routes; frequencies still have to recover to 2019 levels, but Seats/ATM increased in '22

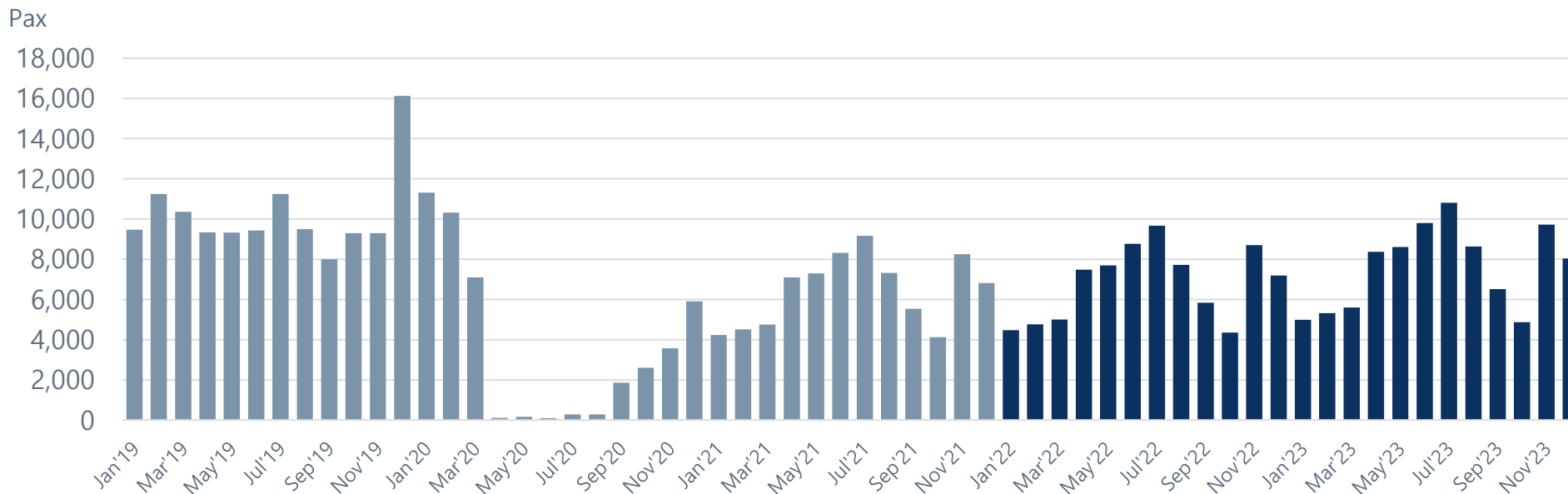
Caribbean (Monthly ATMs in OAG, 2019-2022)



- Flights to Caribbean destinations are operated mainly by Intercaribbean Airways, followed by Caicos Express which whom it competes in most of these routes. The principal routes are to Cap Haitien, Nassau, Santiago, Santo Domingo and Norman Manley
- Intercaribbean is the major player in these top 5 routes (Caicos is only close in Cap Haitien) and it maintains a constant offer throughout the months (almost no seasonality) with the exception of Cap Haitien
- Aircraft size has significantly increased by 17% in 2022, as InterCaribbean was using the Twin Otter (19 seats) and is currently using the EMB 120 (30 seats).

Domestic traffic is at ~75% recovery compared to 2019 levels, probably due to tourists staying in Provo given higher room availability and shorter stays

Domestic Traffic Short-Term Recovery (Monthly Passengers, 2019-2023)

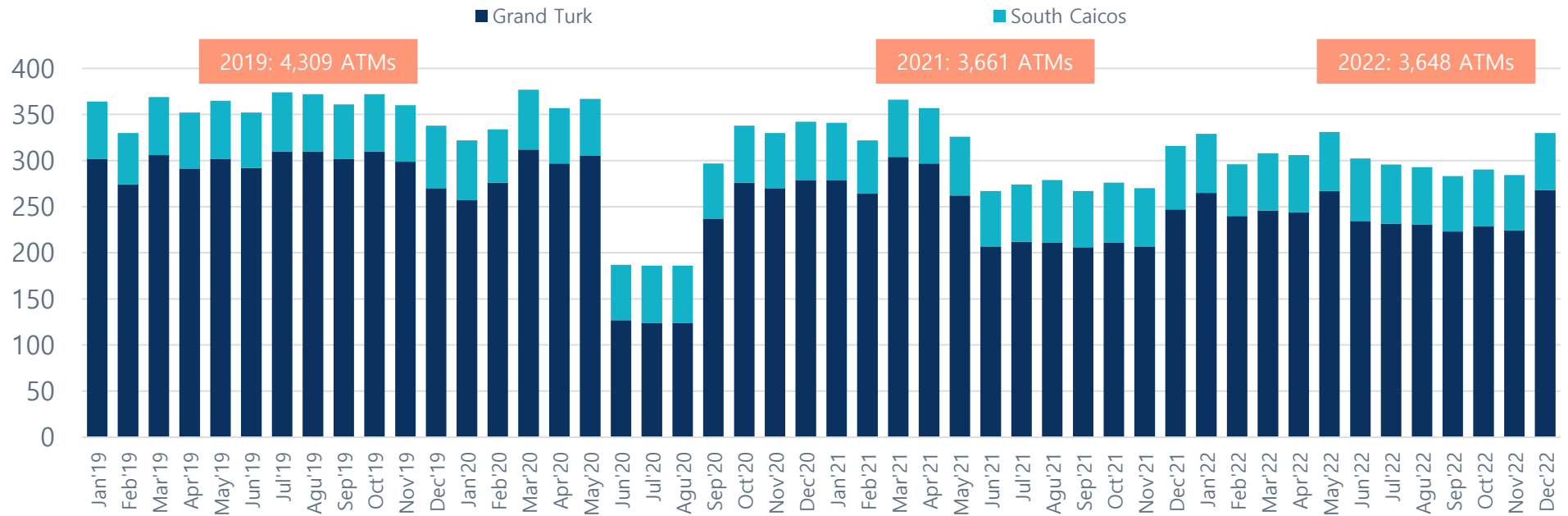


International traffic short-term results

	2019				2020				2021				2022				2023			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Traffic vs 2019	100%	100%	100%	100%	92%	1%	8%	35%	43%	81%	77%	55%	46%	85%	81%	58%	51%	95%	90%	65%
Annual Traffic (Kpax)	122.7				43.6				77.4				67.4				91.3			
Growth vs 2019	-				-64%				-37%				-45%				-26%			

Routes to South Caicos (Intercaribbean) and Grand Turk (Intercaribbean & Caicos Express) have low seasonality and are recovering 2019 frequencies

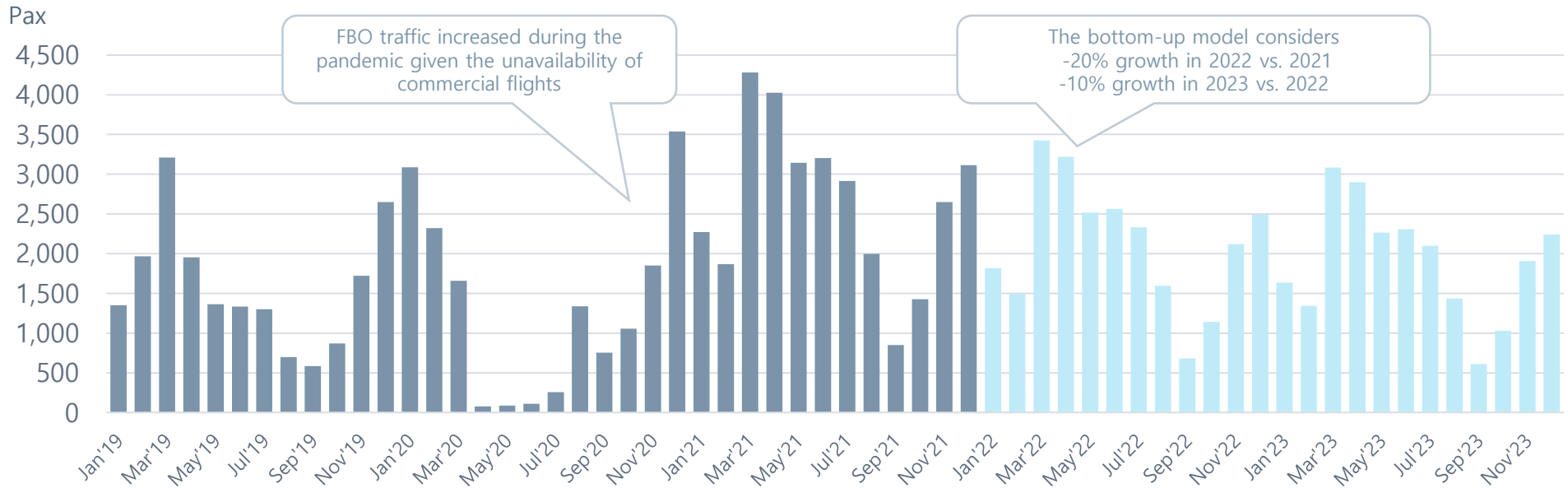
Domestic ATMs (Monthly ATMs in OAG, 2019-2022)



- The domestic market is served by Intercaribbean (flying to Grand Turk & South Caicos) and Caicos Express (flying only to Grand Turk). As per OAG schedules, monthly frequencies are still below 2019 levels
- Intercaribbean shows almost no seasonality in their operations, while Caicos Express seems to provide more capacity during the winter months. Both of them operate a similar number of flights to Grand Turk
- Aircraft size has increased, as InterCaribbean was using the Twin Otter (19 seats) and has introduced the EMB 120 (30 seats) in the domestic market.

FBO traffic significantly surpassed 2019 levels in Q4 2021; this traffic is expected to decrease by ~20% in '22 and by ~10% in '23 (with respect to '21)

FBO Traffic Short-Term Recovery (Monthly Passengers, 2019-2023)



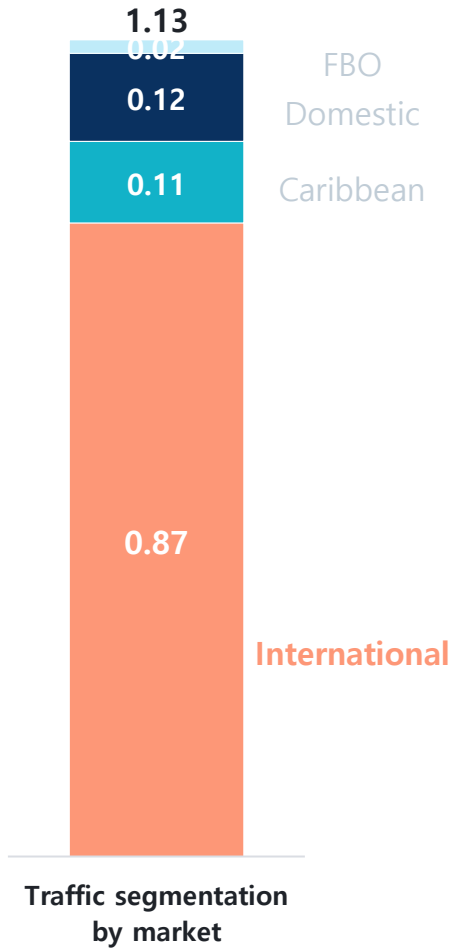
International traffic short-term results

	2019				2020				2021				2022				2023			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Traffic vs 2019	100%	100%	100%	100%	108%	6%	91%	123%	129%	223%	223%	137%	103%	178%	178%	110%	93%	161%	161%	99%
Annual Traffic (Kpax)	19.0				16.1				31.7				25.4				22.9			
Growth vs 2019	-				-15%				67%				34%				20%			

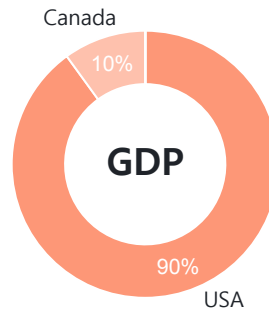
International traffic (North America): a correlation of historical seats from PLS to North America is used to extract the expected growth rate of the market

Econometric model (1/4)

Traffic (MPax)



Selected driver North America Blended GDP



Additional adjustments Elasticity reduction in the long term

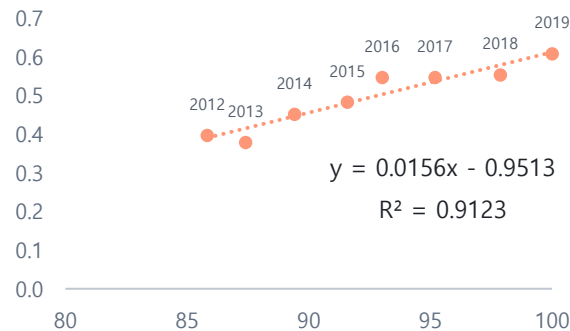
A blended GDP is used for the analysis (North American countries as it is 100% inbound market).

The first 10 years, the forecast uses the regression formula to calculate the applicable growth rates.

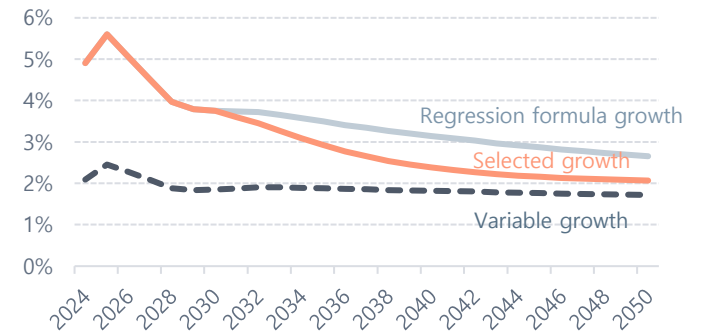
Afterwards, progressive decrease to an elasticity of 1.2 is considered, to capture the market maturity and the uncertainty in the long term.

Elasticity is defined as the traffic growth rate vs. the variable growth rate.

Regression formula PLS seat supply vs. blended GDP



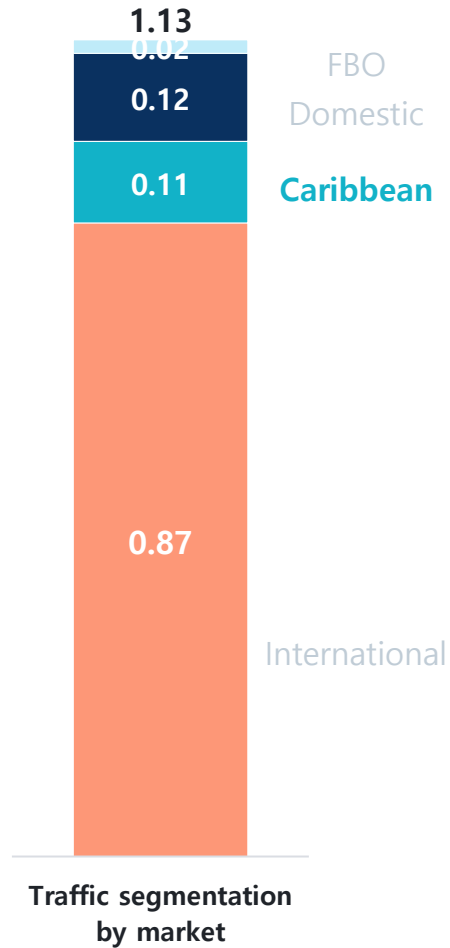
Resulting growth rate PLS North America traffic



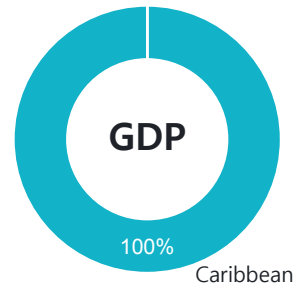
Caribbean traffic: a correlation of historical seat supply in all the Caribbean market is used to extract the expected growth rate of the market

Econometric model (2/4)

Traffic (MPax)



Selected driver
Caribbean Blended GDP



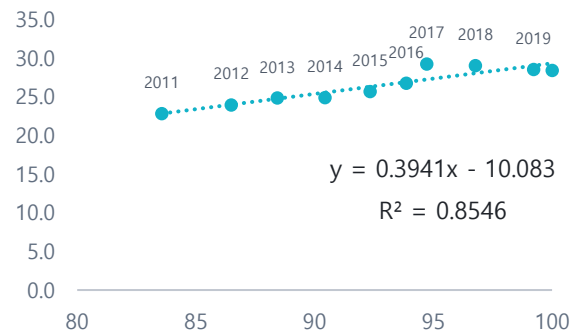
Additional adjustments
Elasticity reduction in the long term

A blended GDP is used for the analysis (Caribbean countries).

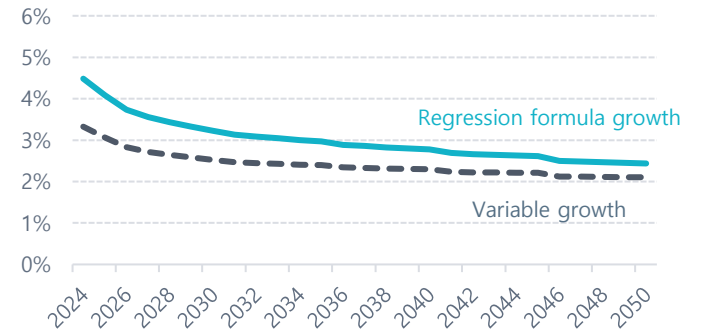
The Caribbean can be considered a mature market as the regression formula shows elasticities of 1.4 decreasing to 1.2 in the long term.

Thus, no further adjustments are considered necessary.

Regression formula
Caribbean seat supply vs. blended GDP



Resulting growth rate
PLS Caribbean traffic

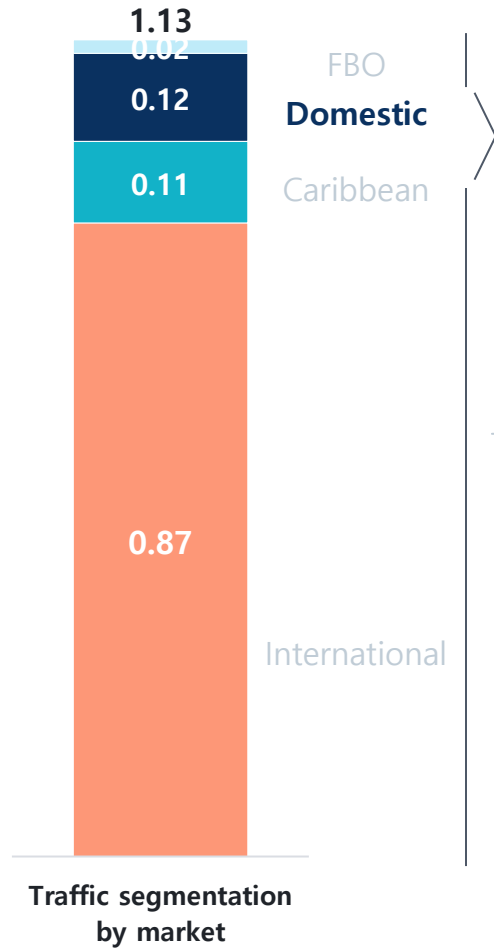


Source: TCIAA, Oxford Economics, ALG analysis

Domestic traffic: the ratio of international passengers using domestic flights is projected to double based on tourism diversification expectations in TCI

Econometric model (3/4)

Traffic (MPax)



Selected driver
Ratio Domestic vs. int'l

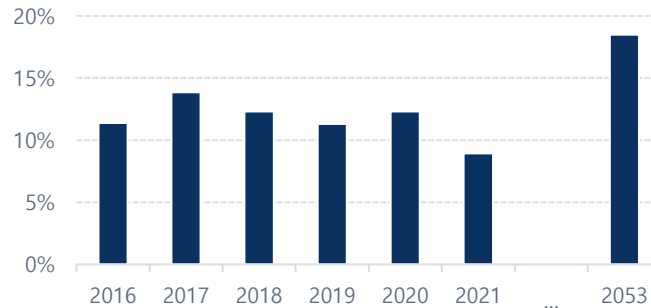
Share of DOM pax Vs. INT'L pax

Additional adjustments
Increase of share

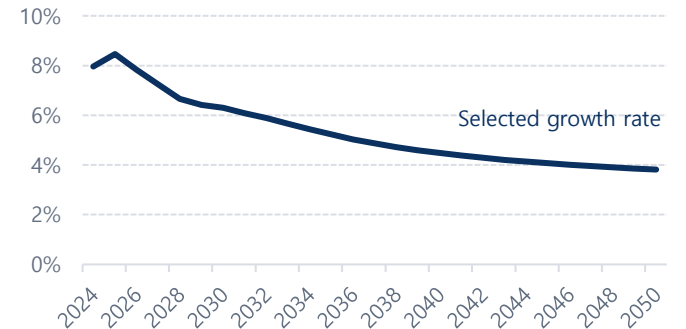
Domestic passengers correspond to inbound int'l tourists that move to other areas of TCI (Grand Turk, South Caicos). In the historical period ~10% of int'l passengers used domestic flights.

Share of Dom. vs Int traffic is expected to increase from the current ~10% to ~20% in the long term, given that higher tourism development will be seen in the other islands (high occupation of Providenciales accommodation infrastructure).

Projected ratio
Ratio Domestic vs. int'l



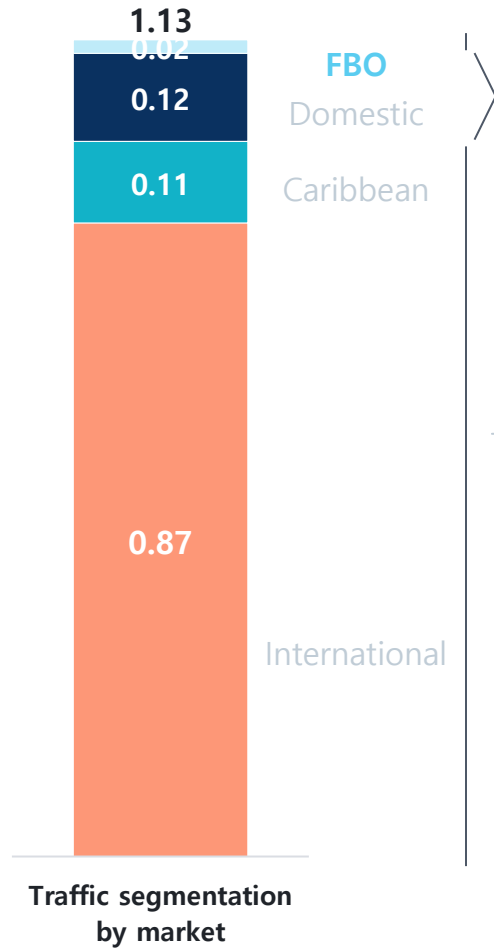
Resulting growth rate
PLS Domestic traffic



FBO traffic: the ratio of international passengers using private flights (FBO) is projected to decrease to pre-pandemic levels (2%) and be kept flat

Econometric model (4/4)

Traffic (MPax)



Selected driver
Ratio FBO vs. int'l

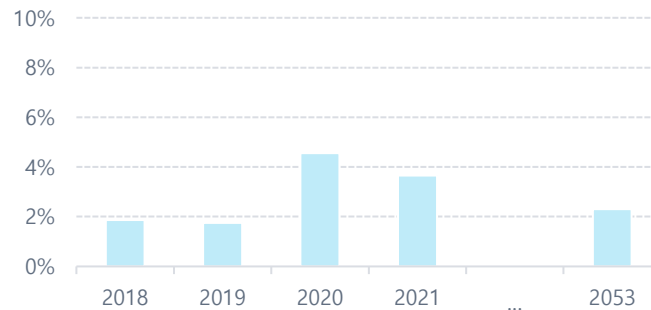
Share of FBO pax Vs. INT'L pax

Additional adjustments
Increase of share

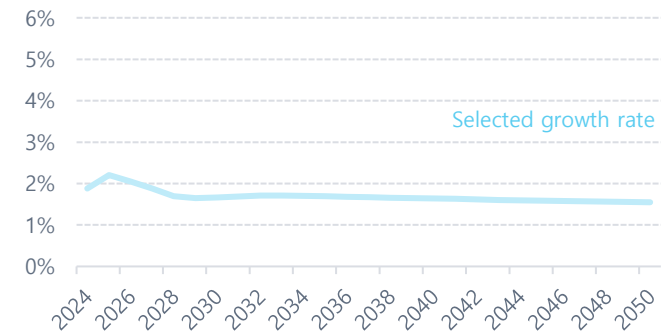
FBO passengers correspond to inbound int'l tourists that arrive to TCI in private flights. In 2018-2019 period ~2% of int'l passengers used private flights. During COVID, this percentage doubled and reached almost 5% given that there were no commercial flights.

Share of FBO. vs Int traffic is expected to decrease to historical values ~2% in the long term, given that TCI is expected to maintain the same share of high-class offer in their touristic offer.

Projected ratio
Ratio FBO vs. int'l



Resulting growth rate
PLS FBO traffic



The econometric forecast needs to be limited in the long term given hotel capabilities in Providenciales and in the other islands

Hotel development in TCI and Traffic cap in Providenciales

Providenciales hotel development	Current	Moderate	Maximum
Area (km ²)	75	75	75
Density (rooms/km ²)	55	60	65
Rooms (#)	4,116	4,500	4,875
Average stay (days)	5.4	5.4	5.4
Beds per room	2.3	2.3	2.3
Occupancy factor (%)	85%	85%	85%
Annual tourists (million)	0.56	0.61	0.66
Airport traffic (million)	1.11	1.21	1.32

Other islands development	Current	Moderate	Maximum
Area (km ²)	175	175	175
Density (rooms/km ²)	3.1	10.0	20.0
Rooms (#)	533	1,750	3,500
Average stay (days)	5.4	5.4	5.4
Beds per room	2.3	2.3	2.3
Occupancy factor (%)	80%	80%	80%
Annual tourists (million)	0.07	0.22	0.44
Airport traffic (million)	0.14	0.45	0.89

MAX PLS int'l (Mpax)	1.25	1.77 (1.32+0.45)	2.2
MAX PLS domestic (Mpax)	0.14	0.45	0.59

Hotel development assumptions

- It is assumed that Providenciales can reach 4,875 rooms based on the maximum hotel development in the area, with 65 rooms/km² → These rooms can host 660,000 tourists annually.
- For the other islands, a more conservative approach is taken and it is considered that the other islands can develop up to 1,750 rooms, implying a density of 10 rooms/km² → These rooms can host 220,000 tourists annually.

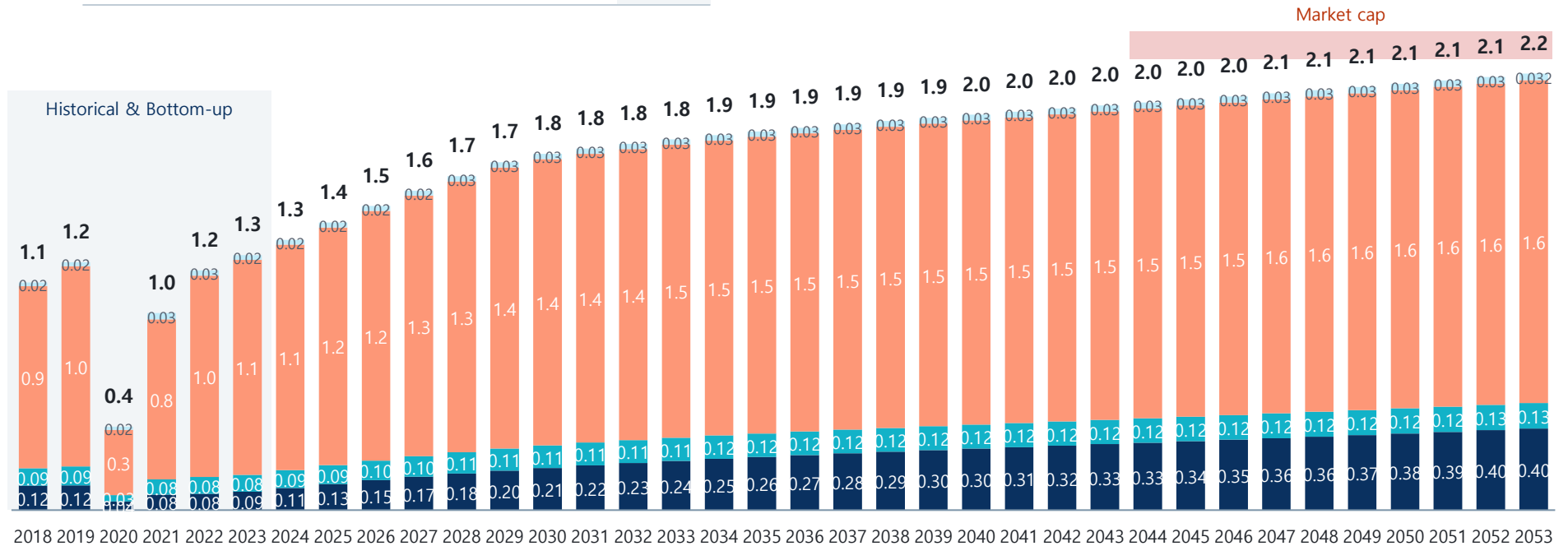
Traffic development in PLS

- It is assumed that PLS will continue to be the main international gateway to the country, so all tourists will arrive by international flights → **International traffic could reach 1.77 Mpax**. This figure is the sum of tourists in PLS multiplied by 2 (airport traffic).
- The tourists that are actually traveling to other islands will be domestic passengers in PLS. → **Domestic traffic could reach 0.45 Mpax (25% of int'l)**. Not all this traffic segment should be captured by air transport, as tourism stakeholders may develop other options to move around the islands (by land or sea).

PLS passenger traffic: 1.8% CAGR for the concession period ('23-'53), reaching the market cap of 2.2 Mpax in the long term

PLS Traffic forecast (Mpax)

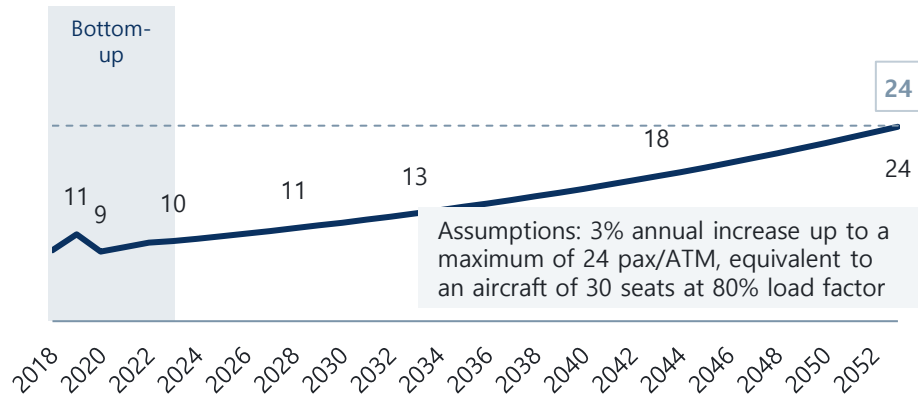
	CAGR '19-'23	CAGR '23-'30	CAGR '30-'40	CAGR '40-'53	CAGR '23-'53
Dom	-6.9%	12.6%	3.8%	2.2%	5.1%
Caribbean	-0.5%	4.2%	0.6%	0.5%	1.4%
International	1.8%	4.2%	0.6%	0.5%	1.4%
FBO	4.7%	1.8%	1.0%	0.9%	1.2%
Total	2.9%	4.9%	1.0%	0.8%	1.8%



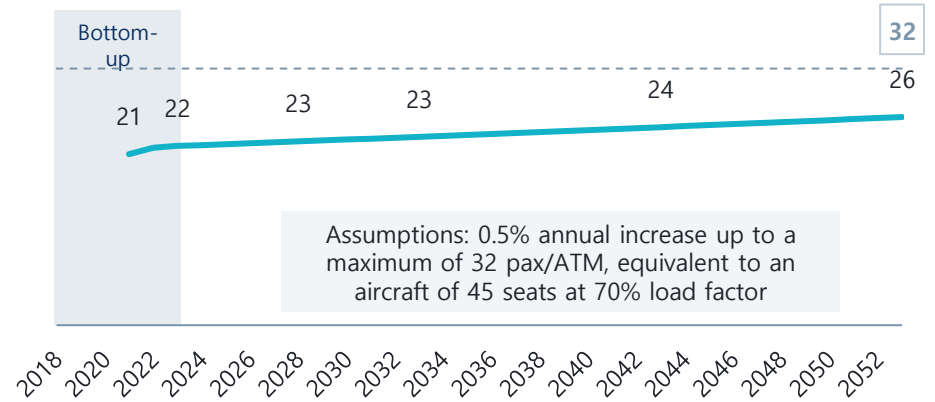
Source: ALG analysis

Pax/ATM ratios have been projected based on the expected fleets in each market in PLS

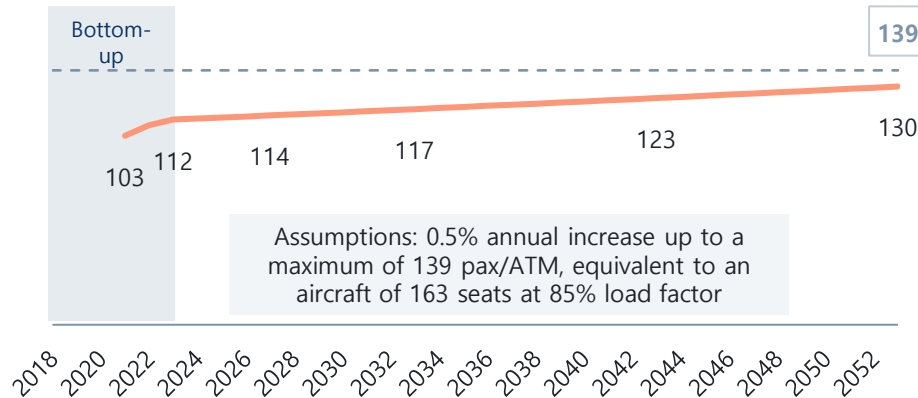
Domestic Pax/ATM ratio projections



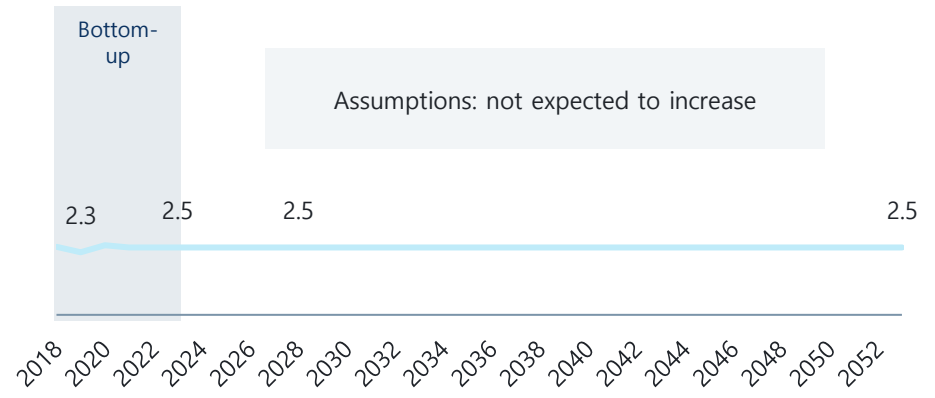
Caribbean Pax/ATM ratio projections



International Pax/ATM ratio projections



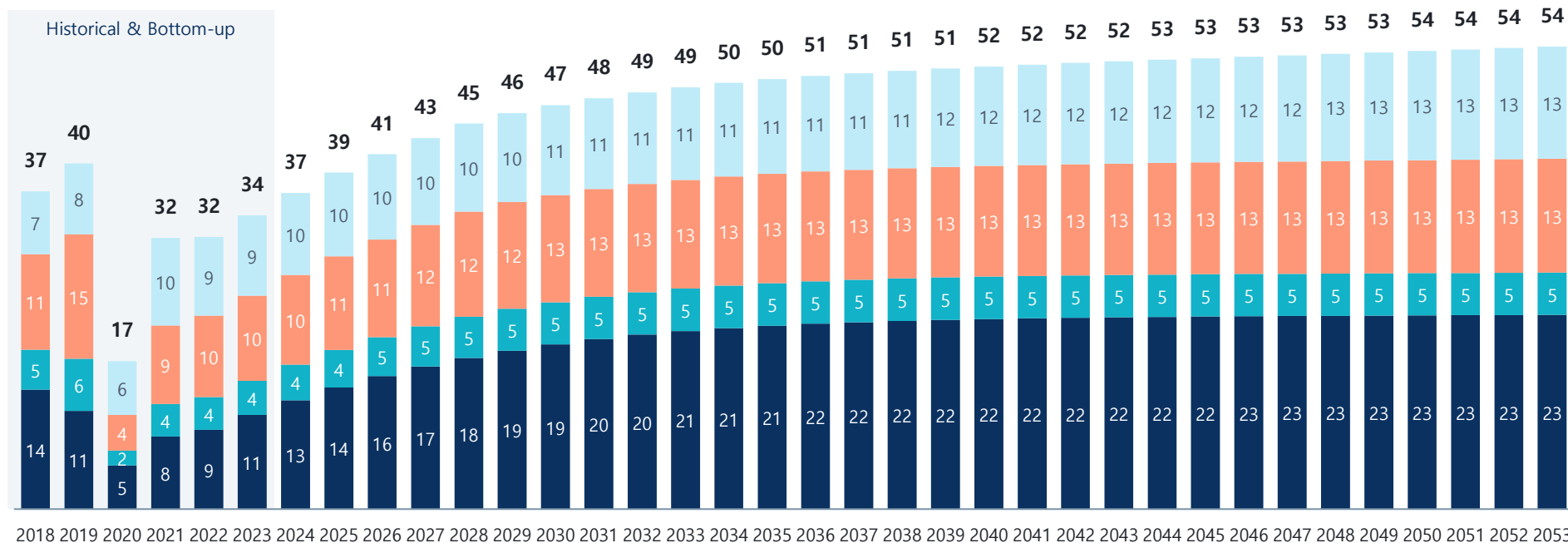
FBO Pax/ATM ratio projections



PLS ATM: 1.5% CAGR for the concession period ('23-'53), reaching ~54,000 operations in the long term

PLS ATM forecast ('000)

	CAGR '19-'23	CAGR '23-'30	CAGR '30-'40	CAGR '40-'53	CAGR '23-'53
Dom	-5.8%	8.3%	1.4%	0.2%	2.4%
Caribbean	-3.8%	3.1%	0.1%	0.0%	0.7%
International	-9.1%	3.3%	0.3%	0.2%	1.0%
FBO	3.2%	1.6%	1.0%	0.9%	1.1%
Total	-1.9%	4.7%	0.9%	0.3%	1.5%



Source: ALG analysis

CHAPTER

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2

Market & Traffic characterization

Traffic forecast

Annual traffic and ATM

Design parameters

Design parameters are the key parameters when sizing airports' infrastructure: Peak Hour Pax (PHP), peak hour ATMs (ATM/h) and stand demand

Design parameters

Annual Traffic (Pax & ATMs)

Annual traffic is the main driver in the peak-hour demand forecast. Annual to peak ratio decreases as airport traffic volume increases. Demand peaks are usually less marked in larger airports than at smaller ones



Peak-hour movements (ATM/h)

- The **peak-hour ATMs** are the largest number of take-offs and landings that occur at the same period of time (during a 1h period)
- Is the main factor to size the capacity of an **airfield**, including the runway and taxiways, as well as the required boarding gates



Stand demand

- **Stand demand peak** is the total number of aircraft that are on ground at a given moment
- Is the main factor to size the **apron**. It is useful to differentiate between dynamic demand and static demand

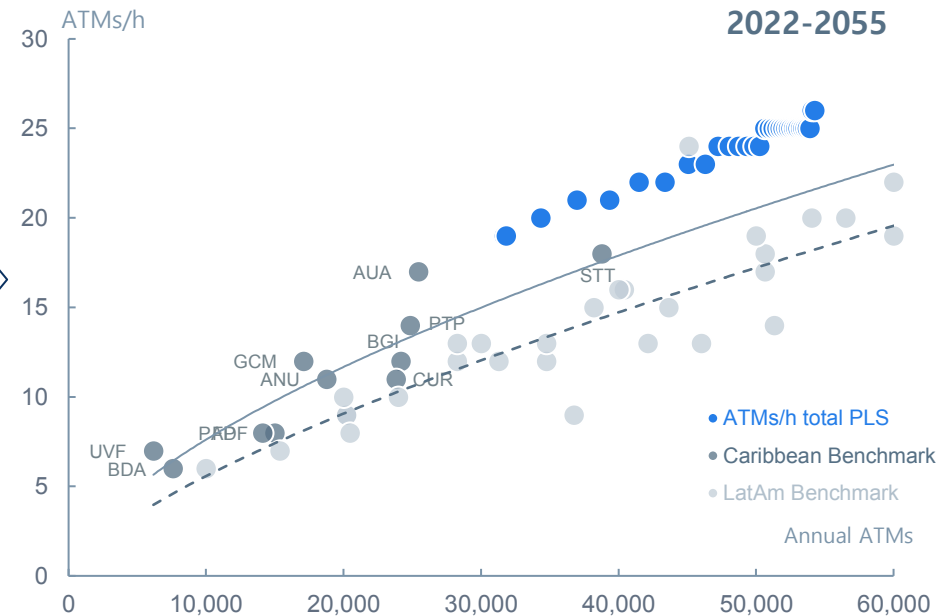
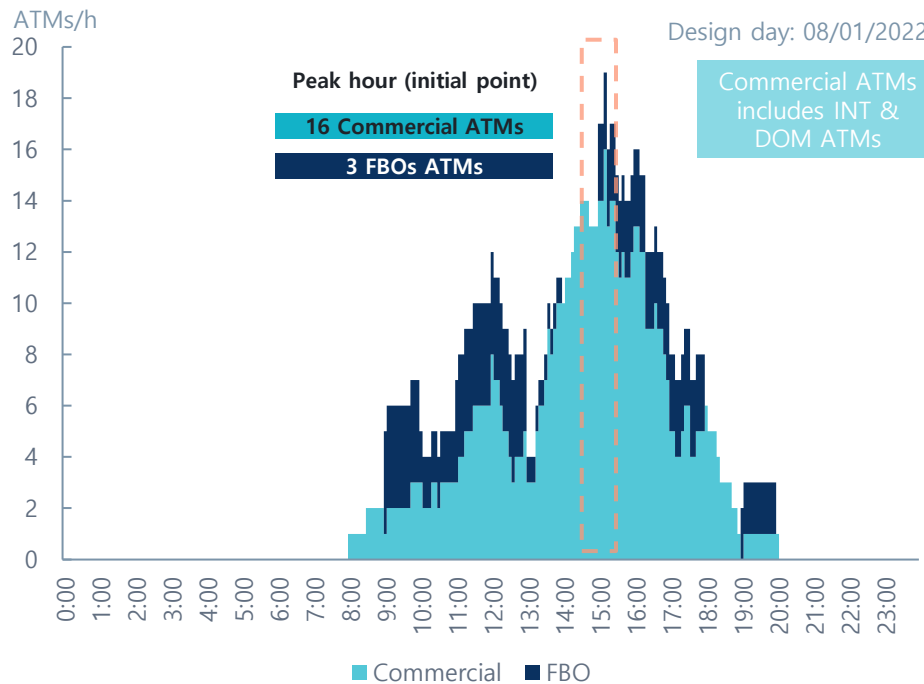


Peak-hour Passengers (PHP)

- Number of passengers that are in the terminal building at the same time (during a 1-h period)
- 30th busiest hour in the year for each segment (*Domestic, International, Arrivals, Departures*), adjusted to match selected ATM/h with coherent Pax/ATM figures
- Is the main factor in the capacity design of a **terminal**. PHP must be evaluated separately for departures and arrivals to size the different areas

The forecasted ATMs/h maintains the current profile of the airport with a peak behaviour above the international benchmark (26 ATM/h)

ATMs/h – Design day 2022 and forecast



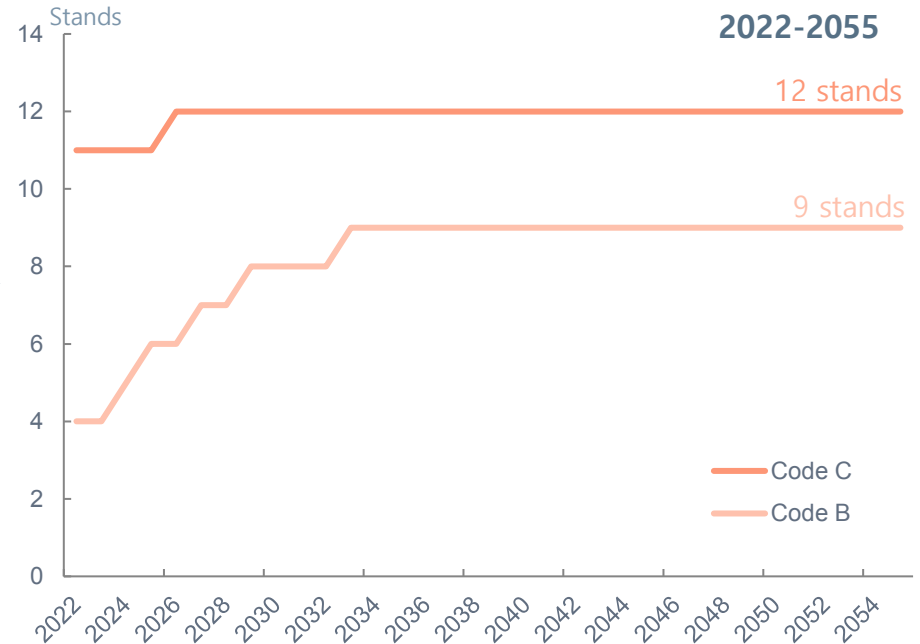
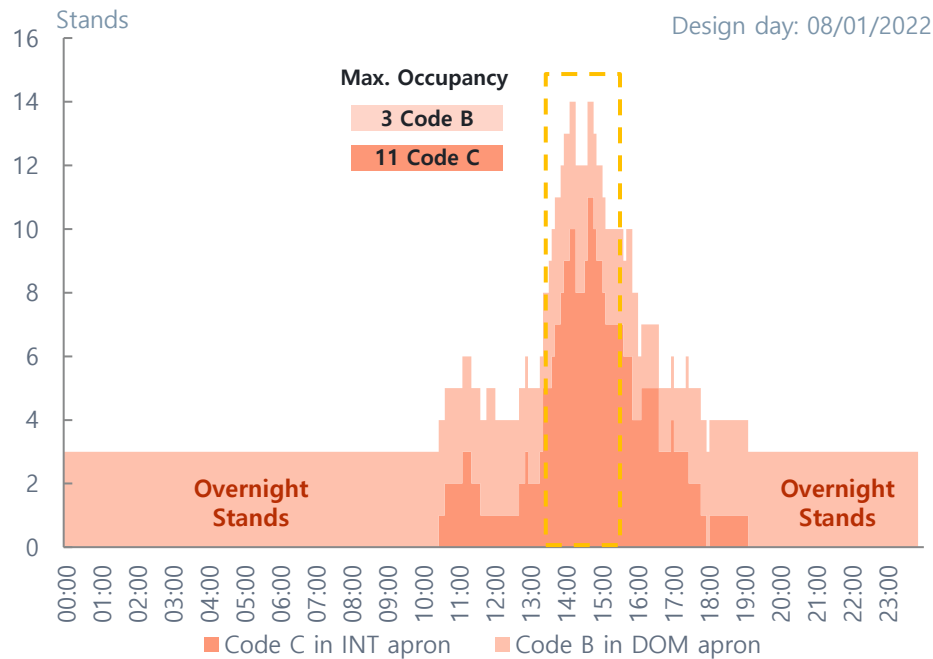
Source: TCIAA VDR, Flighradar24, ALG analysis

- The analysis is based on the **information provided by TCIAA and FBO flights** have been added based on Flighradar24 data
- The design day is the day with **the largest ATMs demand**, as the level of service cannot be reduced – the infrastructure needs to provide the exact ATM/h and stands capacity that is demanded
- In PLS, **Saturdays** are the day of the week with more demand, and the **peak hours are concentrated in the mid-day**. In 2022, the day with the largest number of ATMs/h was the **8th January**

- The forecast of ATMs/s is **based on benchmark trends**
- Total and INT ATMs/h are above benchmark due to the **peaky profile of ATMs along the day**
- ATMs/h are forecasted assuming that the operational strategy will be maintained, with **ATMs concentrated in the peak hour**
- From 19 ATMs/h in the initial point to **26 ATMs/h in the long term** (including FBOs)

The projection of stand demand shows a substantial increase in DOM stands (9 DOM +12 INT) given the annual traffic increases expected in this segment

Stands demand – Design day 2022 and forecast



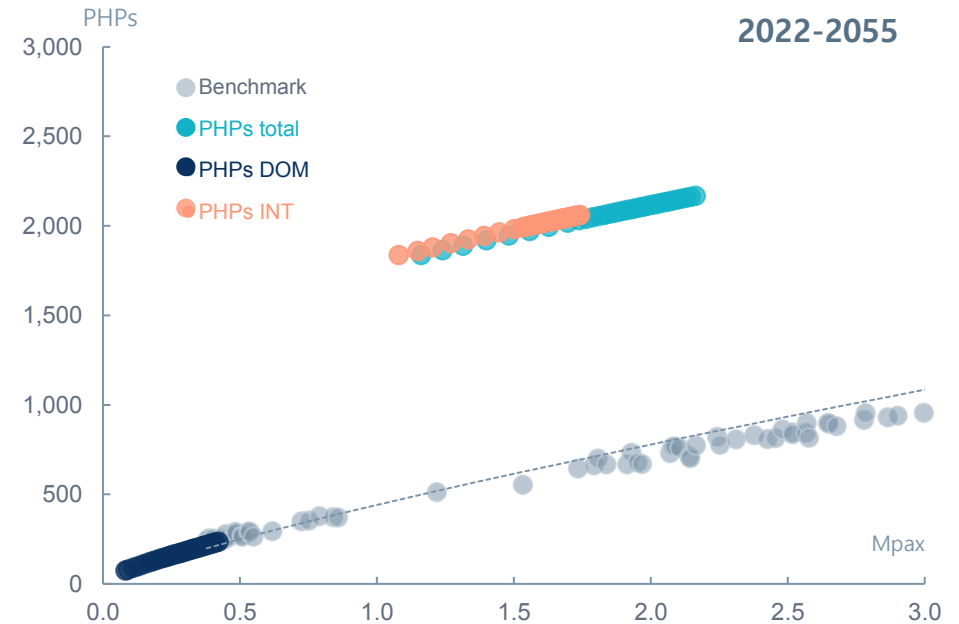
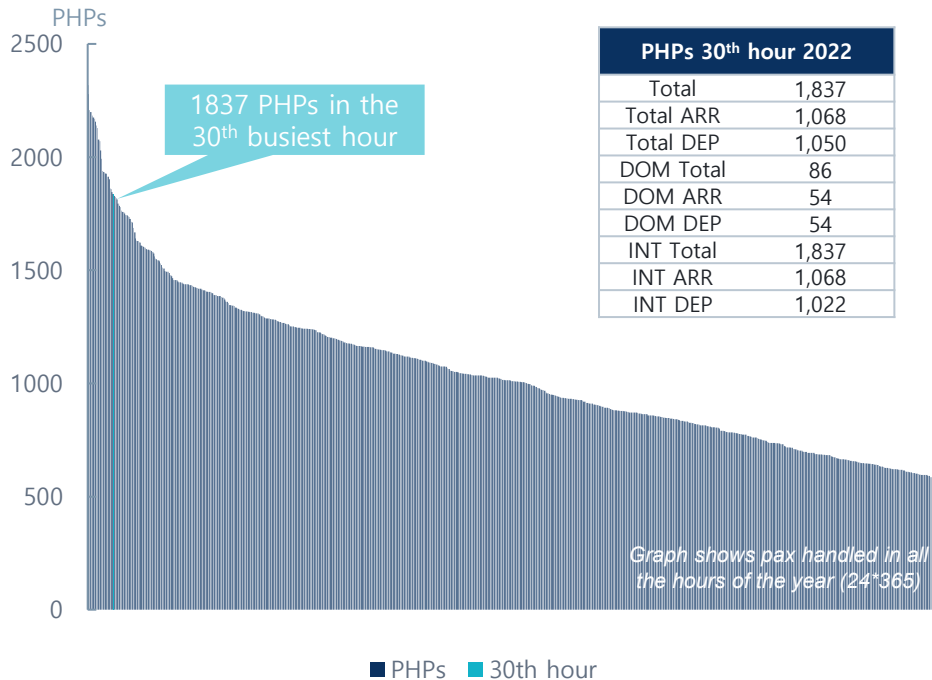
Source: TCIAA VDR, ALG analysis

- The analysis is based on the **information provided by TCIAA**
- The design day is the day with the largest number of ATMs/h, as considered in the ATMs/h analysis
- **DOM and INT peaks are independent** considering that stands are not shared
- In the design day, the max **INT stands** demand was **11 (Code C)** and the max **DOM stands** demand was **4 (Code B)**

- The projections assumes that the stands will **grow proportionally to ATMs/h**
- It is assumed that the **turnaround times (~2h) will be kept** in PLS
- From 14 stands to **21 stands in the long term**, considering **9 DOM (Code B) + 12 INT (Code C)**

The forecast of PHPs maintains the current profile of the airport with a peak behaviour above the international benchmark

PHPs – Initial point and forecast







Source: OAG, ALG analysis

- All hours of 2022 are ordered to determine the **30th busiest hour of PHPs** of the year (using OAG schedules data)
- The **30th busiest hour** is selected as initial point for each segment (Domestic, International, Arrivals, Departures)
- A **load factor** is considered for the analysis: **70% for DOM pax and 80% for INT pax**

- The forecast of PHPs is **based on annual Mmax benchmarks**
- The PHPs are forecasted assuming that the operational strategy will be maintained in PLS, with **pax concentrated in the peak hours**
- From **1,837 total PHPs to 2,168 total PHPs** in the long term

With the updated traffic forecast it is expected to reach 2,168 PHPs, 26 ATMs/h and 21 Stands by 2055

Key design drivers

	2022	2025	2030	2035	2040	2045	2050	2055
 Annual traffic (Mpx & '000 ATMs)	1.16	1.40	1.74	1.85	1.93	2.00	2.08	2.16
	31.7	36.9	46.3	49.8	51.5	52.5	53.4	54.2
 Peak hour ATMs	19	21	23	24	25	25	25	26
 Stands (Code C+B)	15	17	20	21	21	21	21	21
 Peak hour passengers (PHP)	1,837	1,919	2,032	2,068	2,094	2,117	2,142	2,168

Source: TCIAA VDR, OAG, ALG analysis