THE
GOVERNMENT OF THE
TURKS & CAICOS ISLANDS

TCIAA

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 1.5 BUSINESS PLAN

BUSINESS PLAN

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Profit & Loss (P&L)

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- Aircraft-related
- New additional charges

Non-Aeronautical revenues
- Dues, Rents & Other Charges
- Other Operational Income

Operating Expenses
- Staff Costs
- Maintenance
- Utilities
- Others

Source: Unaudited Financial Statements

Note: EBITDA level analysis, excludes Depreciation & Amortization Costs.

Two different scenarios have been modelled: (1) Status Quo and (2) the entrance of a private specialized airport operator

	STATUS QUO SCENARIO	PRIVATE OPERATOR SCENARIO
Ownership	TCIAA	TCIAA
Studied period	**30 years**	**30 years**
Operation, Maintenance, Construction	TCIAA + Technical Service Agreement (TSA) – O&M + ORAT contract – construction	Renowned International Airport Operator + Local Investor
Finance mechanism	TCIAA 100% Debt (Sovereign project guarantee)	Private: 70% Debt / 30% Equity for Expansion CapEx
	No impact on country's debt	
Government remuneration	TCIAA Dividends	PPP revenue share
Risk assessment	All risks remain on TCIAA	Relevant risk transferred to the Private Entity (design, construction delays, demand, operating cost, etc.)

Source: ALG analysis

CHAPTER 2

It is proposed that the airport operator keeps the same passenger-related charges for int'l passengers. Domestic traffic could also be charged

Proposed fees & charges structure for PLS

		USD	Driver	Comments
Passenger-related	Aerodrome Charge	40	Per international departing passengers (commercial only)	This charge is to be levied by the airport operator to cover the costs related to the maintenance of passenger terminal facilities. It is proposed, according to best practice, that domestic passengers should also be charged (with a lower charge), excluding TCI nationals.
		NEW 5	Per domestic departing passengers (TCI national excluded)	
	Security charge	5	Per international departing passengers (commercial only)	This charge is to be levied by the airport operator to cover the provision of security costs in the airport. A case study can be done to match security-related costs with this charge. It should be studied if domestic passengers should also be charged.
	Airport Development Charge	20	Per international departing passengers (commercial only)	This charge was implemented in 2010 to finance works in PLS. It should be further analysed if this charge is required to be levied by the airport operator to finance the airport redevelopment project and for how long.
	Environmental Airline System Charge	5	Per international departing passengers (commercial only)	This charge is to be levied by the airport operator. For the time being, it is not clear the nature of this charge (regulated / non regulated). TCIAA should confirm if this charge is Aeronautical Income or Other Income in their P&L.

- Total passenger-related fees sum 70 USD per departing international passenger (commercial only), which is slightly above benchmarks excluding Government taxes (65 USD).
- The Financial model should help to determine the need of including all these charges or not in the P&L of the airport operator. Preliminary, it is recommended that the airport operator keeps these four charges, also the Airport Development Charge.
- It should be further studied (sensitivity with the Financial model) if domestic passengers should also be charged with an Aerodrome Charge and/or Security charge.
- Any Government taxes implemented (e.g. Tourism tax) would be on top of these 70 USD. Benchmarks of the Caribbean region suggests total passenger-related charges could go up to ~80 USD (average of the region including Government taxes).

The airport operator could add some aircraft-related charges as per industry trends (at least PBB usage fee after the opening of the new terminal building)

Proposed fees & charges structure for PLS

		USD	*Driver*	*Comments*
Aircraft-related	**Landing charges**	**~350 USD x A320**	All aircraft landing at PLS based on their MTOW	This charge is to be levied by the airport operator to cover the costs related to the airport maintenance. Current charges are competitive and it is recommended to keep the same structure. In case of capacity constraints, differentiation can be made between peak vs. off-peak times.
	Parking charges	**~50 USD/day x A320**	All aircraft landing at PLS based on their MTOW (free of charge the first 2 hours)	This charge is to be levied by the airport operator. Current charges are competitive and it is recommended to keep the same structure. In case of capacity constraints, differentiation can be made between peak vs. off-peak times.
	NEW **PBB use**	**80 USD**	All aircraft using Passenger Boarding Bridges (PBB)	PBB use charge is a common industry practice aimed to cover for the related costs of both construction and maintenance of the PBB units. Charge would be levied by the airport operator.
	Noise & Emissions	**Not included**	All aircraft landing at PLS based on their MTOW	Noise & Emissions charges are becoming a common industry practice aimed to cover for the related costs. Charge would be levied by the airport operator.

- It is recommended that the current landing and parking charges remain the same as they are aligned with international practices and PLS is competitive compared to benchmarks – see *Fees & Charges report*.
- The creation of a new charge to be levied for the airlines using PBB is recommended to be implemented once the PBB are built (with new terminal building in 2028) at the airport.
- It is also important to consider the possibility of future noise and emissions charges that might be imposed to the airport. If this happens, then the airport operator should be able to impose a new noise & emissions charge.
- Financial model sensitivity (together with benchmarking analysis) should help to identify the optimal charges to be implemented.

ALG

Air Navigation fees & Tourism taxes are excluded from the Business Plan of the airport operator

Proposed fees & charges structure for PLS

		USD	Driver	Comments
Aircraft-related (ATC)	Air Navigation Facility Fee	5 USD	All aircraft landing at PLS	This charge is currently levied by the airport operator. However, the Business Plan model considers the separation of the airport operator than the Air Navigation Service provider, so this fee will no longer be in the Business Plan of the Airport.
Gov. tax	Tourism tax (NEW)	10 USD	All international inbound passengers	The Government of the Turks and Caicos Islands is considering the introduction of a tourism tax at PLS. Charge would not be a revenue for the airport operator.

Air navigation

- ICAO recommends the separation of the Air Navigation Service Provider than the airport operator, thus all the Air navigation-related revenues and costs are excluded from the Business Plan of the Airport Operator from 2023 onwards.
- Currently, the FAA is the Air Navigation Service Provider up until final approach phase to PLS. TCIAA charges Air Navigation fees of 5 USD to all arriving aircraft (commercial and private) accounting for the services provided in the last phase of approach.
- TCI is sovereign over its own air space and could establish further air navigation charges (Approach and en-route charges).

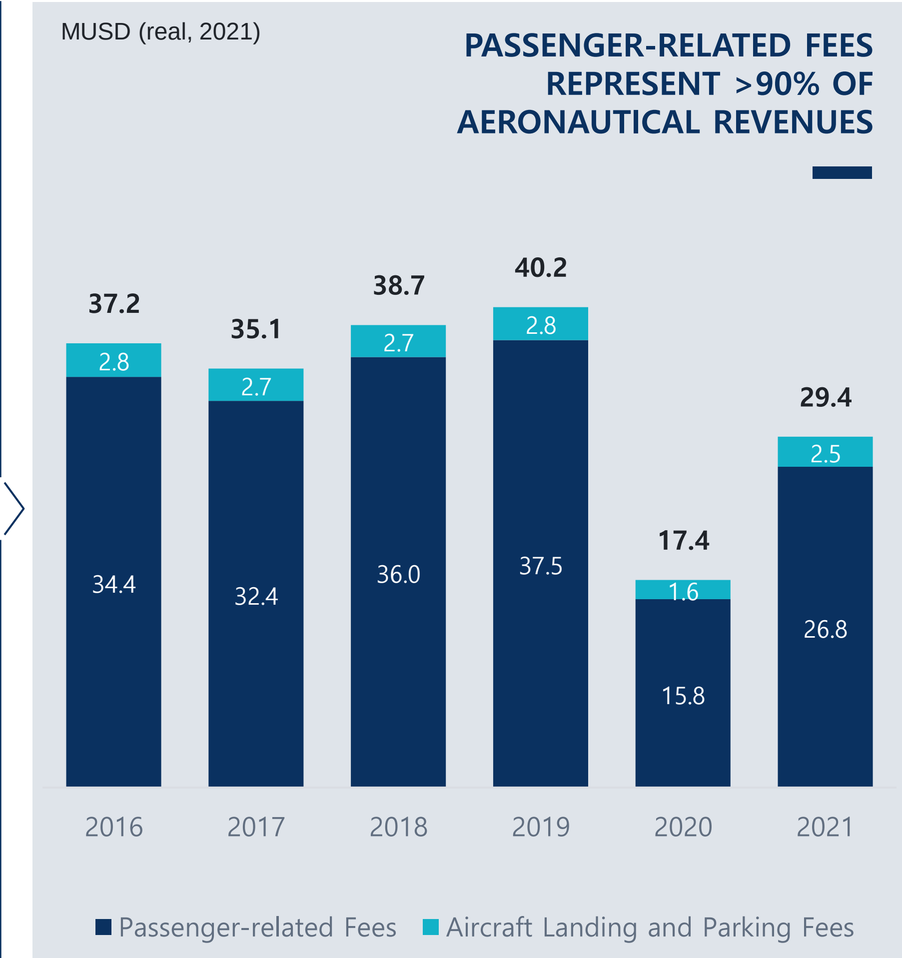
Tourism taxes

- TCI Government is studying the possibility of introducing a tourism tax for international travelers.
- Any Government taxes implemented (e.g. Tourism tax) would be on top of the current passenger-related charges of 70 USD. Benchmarks of the Caribbean region suggests total passenger-related charges could go up to ~80 USD (average of the region including Government taxes), suggesting preliminarily that tourism tax should not be > 10 USD per international inbound passenger.

Passenger fees at PLS add up to 70 USD per international departing passenger; landing and parking fees are levied depending on aircraft's MTOW

PLS Aeronautical Revenues (2016-2021)

Tariff	Driver	Value
Passenger fee	Departing international passengers	**70 USD per dep. INT passenger** **International Departure Tax: 29 USD** **Security Service Charge: 8 USD** **Airport Terminal User Fee: 3 USD** **Security Facility Maintenance Charge: 5 USD** **Airline System Environment Ease Charge: 5 USD** **Airport Development Charges: 20 USD**
Landing fee	Landing ATMs (MTOW)	**Variable depending on aircraft's MTOW:** MTOW < 4,000 lbs: **10 USD** 4,000 lbs < MTOW < 6,000 lbs: **15 USD** 6,000 lbs < MTOW < 8,000 lbs: **25 USD** 8,000 lbs < MTOW < 10,000 lbs: **30 USD** 10,000 lbs > MTOW: Up to 200,000 lbs: 2 USD per 1,000 lbs Above 200,000 lbs: 1.75 USD per 1,000 lbs in excess of 200,000 lbs (minimum of 30 USD)
Aircraft parking fee	Landing ATMs (MTOW)	**Variable depending on aircraft's MTOW:** MTOW < 10,000 lbs: **5$ per day** 30,000 lbs < MTOW < 60,000 lbs: **15$** 120,000 lbs < MTOW < 180,000 lbs: **50$** 240,000 lbs < MTOW < 300,000 lbs: **120$** 420,000 lbs < MTOW < 480,000 lbs: **270$** 540,000 lbs < MTOW < 6000,000 lbs: **370$** 600,000 lbs > MTOW: **420$**



Source: Unaudited Financial Statements, ITA Matrix, ALG Analysis

Note: The graph shows results of calendar year values, estimated based on traffic seasonality

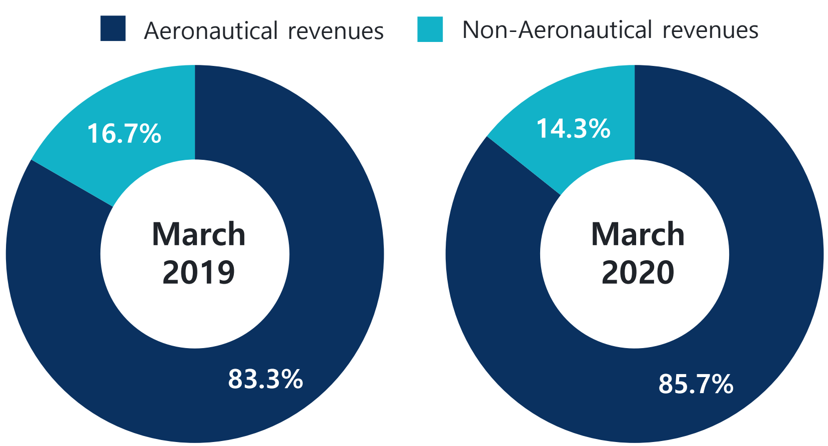
Over 80% of revenues came from Aeronautical activities in 2019 at PLS, which is significantly higher than other relevant airports benchmarked

Revenue distribution at PLS (2018 - 2020, MUSD)

NOTE (!): The values in the table below are based on Fiscal Years (Abril to March). **From here onwards, all values will be represented in Calendar Years.**

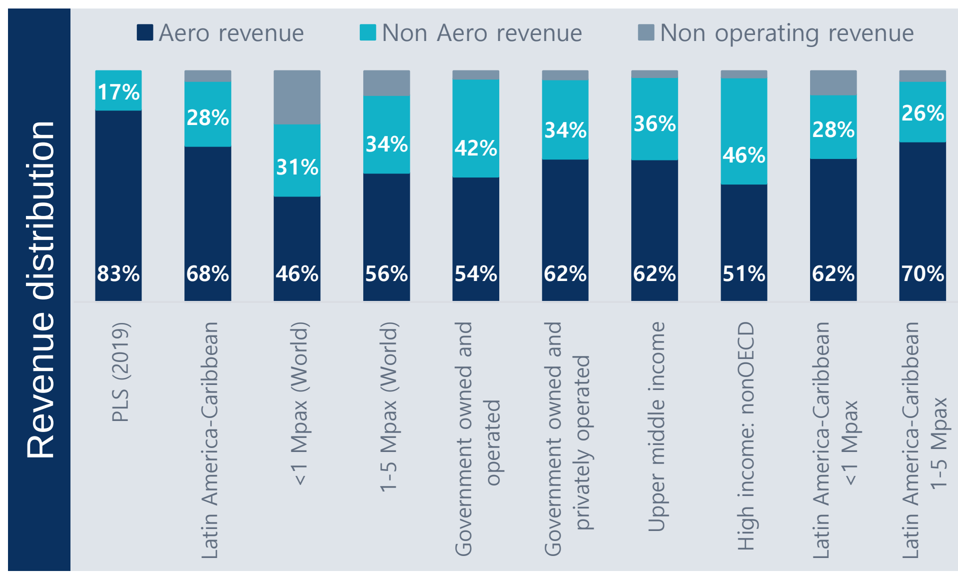
	March 2019 (2018-2019)		March 2020 (2019-2020)		March 2021 (2020-2021)	
	Historical Financials	Contribution (%)	Historical Financials	Contribution (%)	Historical Financials	Contribution (%)
Aeronautical Revenues*	36.5	83.3%	37.8	85.7%	8.0	83.3%
Non-Aeronautical Revenues**	7.3	16.7%	6.3	14.3%	1.6	16.7%
Total revenues	**43.8**		**44.1**		**9.6**	

****Aeronautical Revenues:*** *Passenger Facility Fees, Airport Development Charge, Aircraft Landing and Parking Fees & Security Recovery Charge*
****Non-Aeronautical Revenues:*** *Dues, Rents and Other Charges & Other Operational Income*



Non-operating revenues have not been identified in PLS Financial Statements

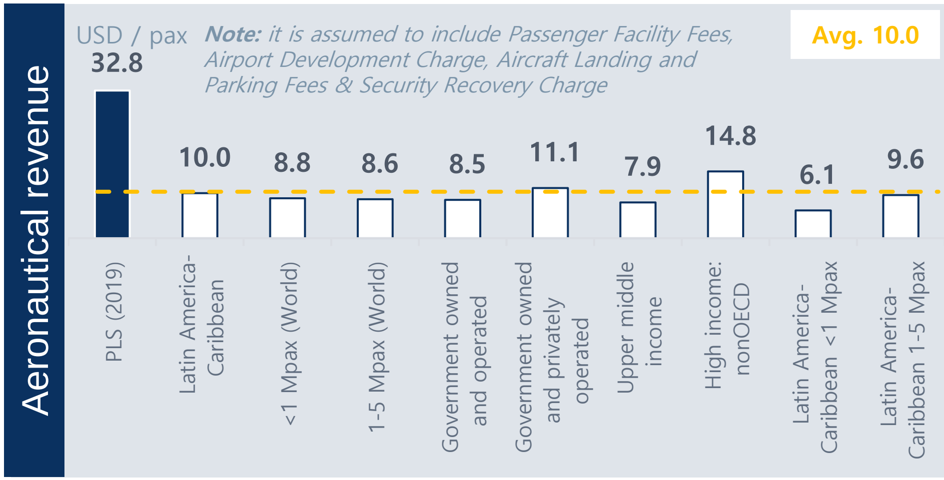
Distribution of revenue (% of total airport revenue)

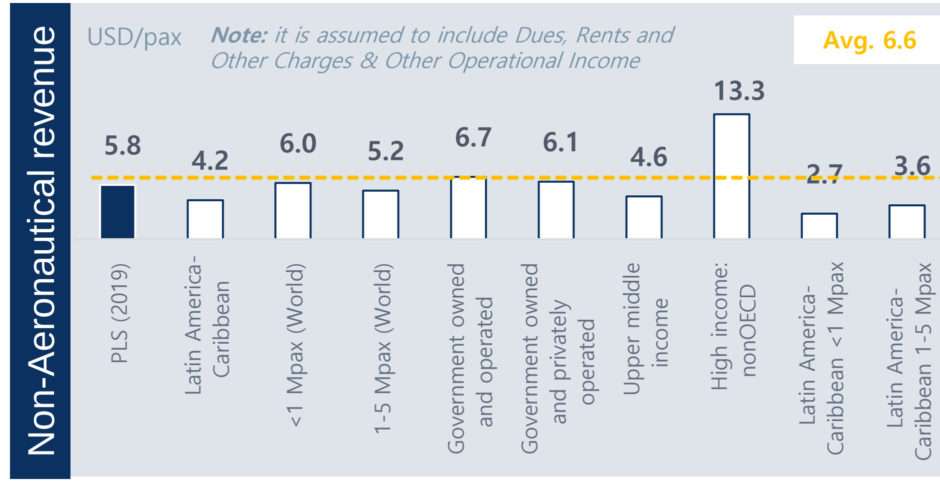


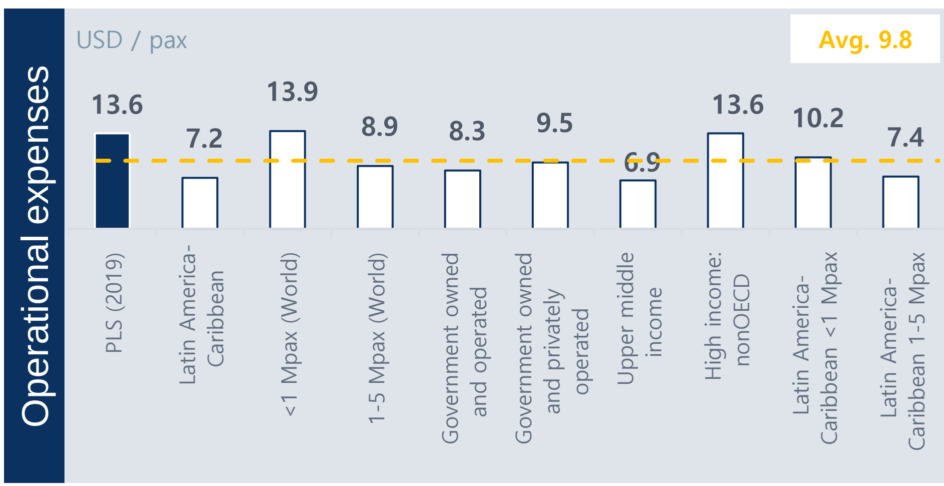
Source: Unaudited Financial Statements, ACI Report 2020, ALG Analysis

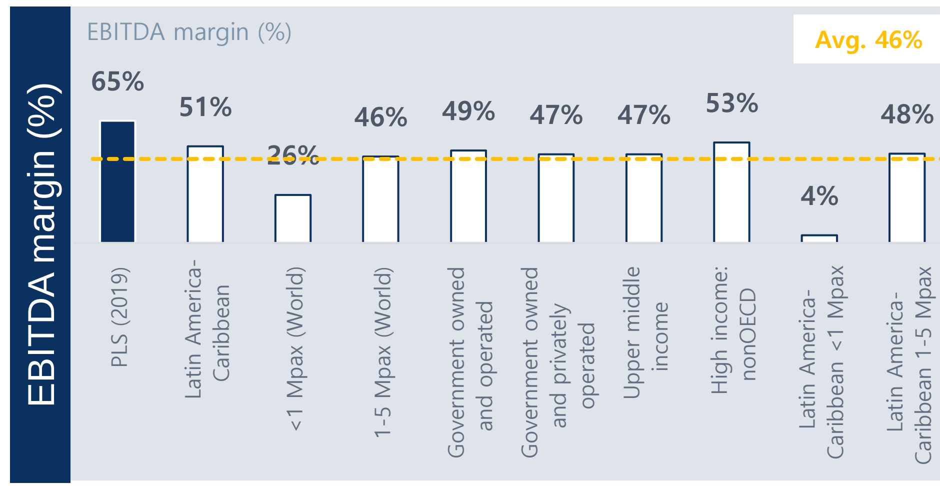
Aeronautical revenues per passenger are threefold those of benchmarked airports; driving up EBITDA margins despite higher than average OpEx at PLS

Benchmark of main Financial metrics at PLS









Source: Unaudited Financial Statements, ACI Report 2020, ALG Analysis

Passenger-related revenues: could reach 55 MUSD in the long term, with unit revenue decreasing from ~30 to ~25 USD/pax given the traffic mix

Passenger-related revenues

– Currently, only **international traffic** pay passenger-related charges. Charges **sum 70 USD per departing passenger**, including:

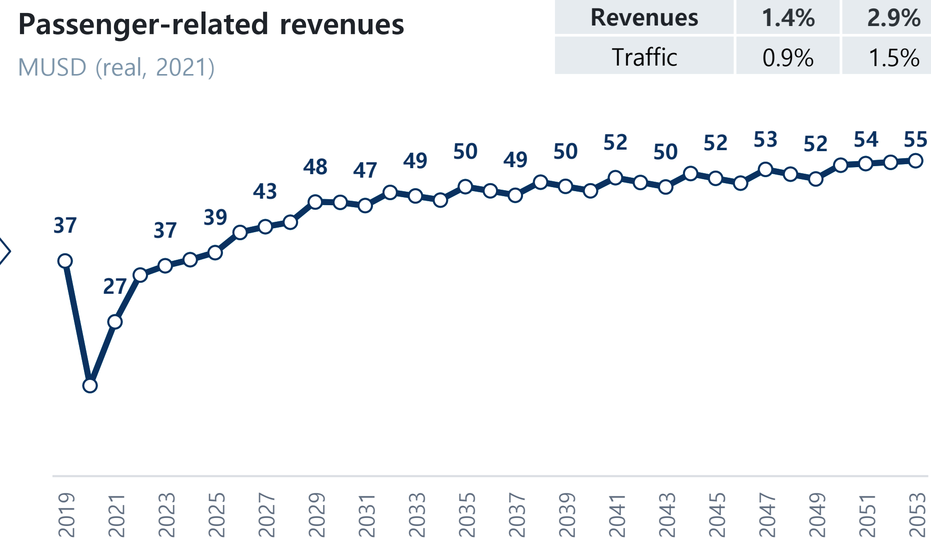
- Departure Tax, Security Tax & Airport Users Fee (29 USD, 8 USD and 3 USD sum up the Aerodrome Charge of 40 USD)
- Airport Development Charge (20 USD)
- Security Recovery Charge (5 USD)
- Extended Airline System Environment Easy Charge (5 USD)

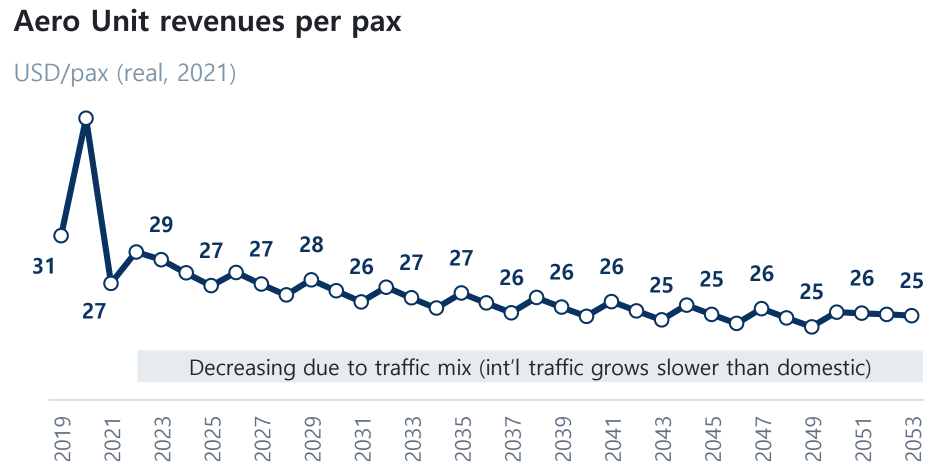
– Charges are proposed to be **updated every three years, starting from 2023**, based on the **accrued US CPI**. This is the proposed update mechanism, which should be validated and included in the Economic Regulation.

– Revenue have been calculated based on the charges structure and the main driver, which is departing international passenger traffic.

Source: Data Room, ACI Airport Key Performance Indicators 2020, ALG Analysis

CAGR	'23-'53	'23-'33
Revenues	1.4%	2.9%
Traffic	0.9%	1.5%





Aircraft-related revenues: average of <50 USD/ATM based on the current landing & parking charges

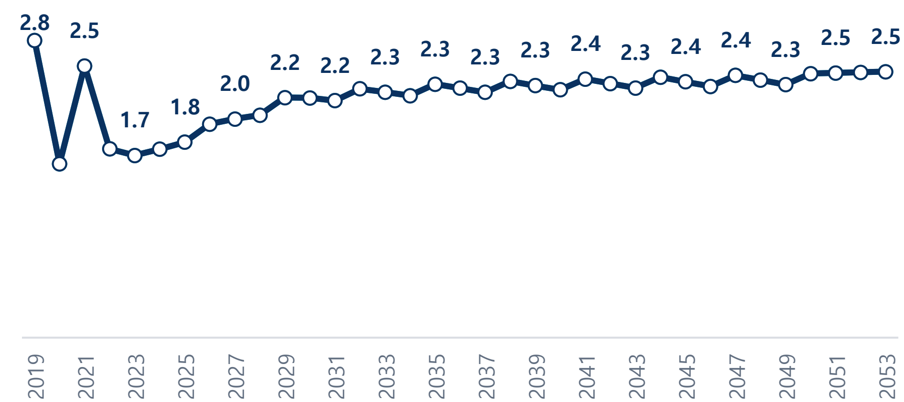
Aircraft-related revenues

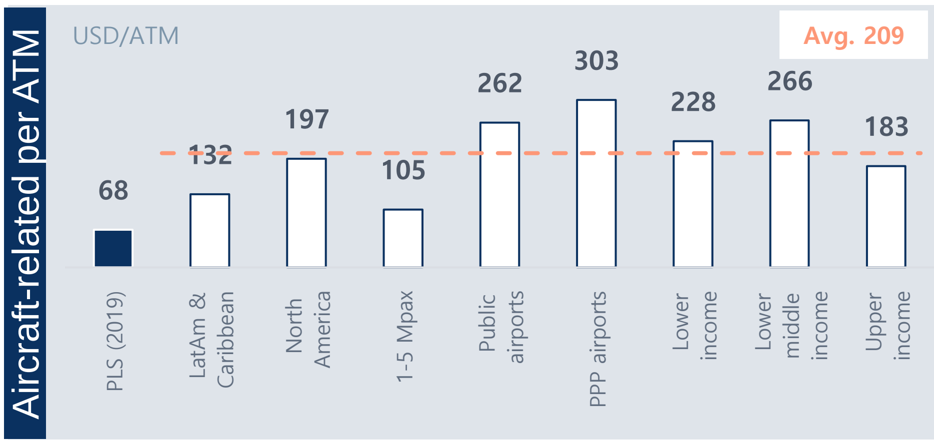
- Aircraft-related revenues include:
  - Landing & Parking Fees based on fees per MTOW
  - Air Navigational Fees have been excluded from the model, given that it is proposed to separate Airport operator / ANSP (excluding all revenues and all costs)
- Charges are proposed to be **updated every three years, starting from 2023**, based on the **accrued US CPI**. This is the proposed update mechanism, which should be validated and included in the Economic Regulation.
- Revenue have been calculated based on the charges structure and the main driver, which is landing weight (ATM * MTOW).
- PLS has lower than average unit revenue per ATM given the significant presence of small aircraft (domestic and FBO).

CAGR	'23-'53	'23-'33
Revenues	1.1%	3.0%
Traffic	0.9%	1.5%

Aircraft-related revenues

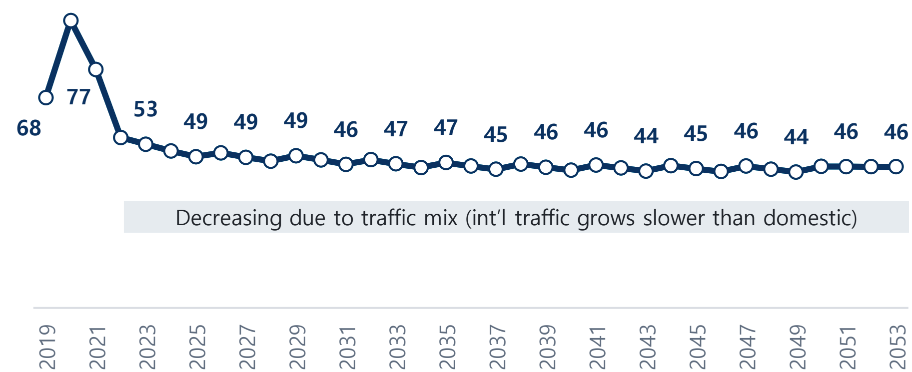
MUSD (real, 2021)





Aircraft-related Unit revenues per ATM

USD/ATM (real, 2021)



Source: Data Room, ACI Airport Key Performance Indicators 2020, ALG Analysis

New additional charges: it is proposed to include a charge for domestic passengers (non nationals) and a fee for the use of boarding bridges

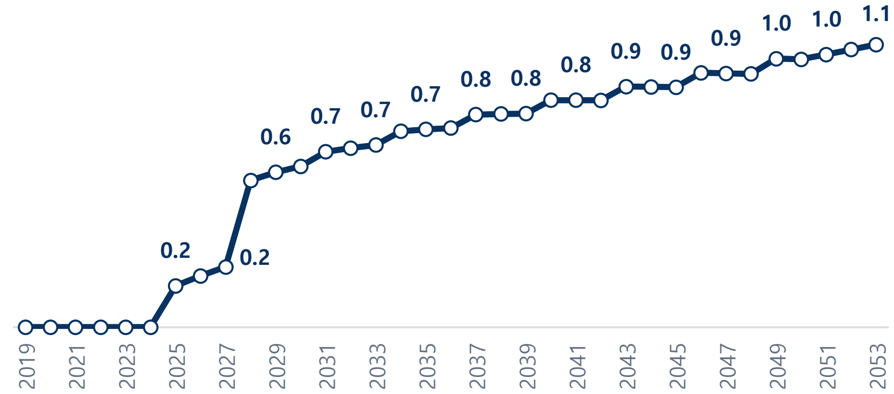
New additional charges

- **New aeronautical charges** have been proposed for PLS, as per the benchmark in the *Fees & Charges report*.
  - **Domestic Charge**: 5 USD per departing pax. It is considered that domestic passengers could be charged starting in 2025. TCI nationals would be excluded from this charge. Model considers that currently 50% of domestic travelers are nationals (50% international tourists) and that all the growth of domestic traffic will be imputable to international tourists.
  - **Passenger Boarding Bridges**: 80 USD per landing aircraft from **2028** (year of inauguration of the new terminal building). This charge is only applicable to the aircraft using PBB, estimated to be ~50% of international landings.
- Charges are proposed to be **updated every three years, starting from 2023**, based on the **accrued US CPI**. This is the proposed update mechanism, which should be validated and included in the Economic Regulation.
- Other than these, additional charges could be included in the air tickets, but are not currently included in the Business Plan.
  - **Tourism Tax**: The Government is studying the possibility to include a tax, which could be ~10 USD. However, this is not revenue for the airport operator, so it is not considered in the Business Plan.
  - **Noise & emissions**: it is becoming a trend in the industry. However, it is not foreseen in the current Business Plan of the airport due to low effect of noise & emissions.

CAGR	'28-'53	'28-'38
Revenues	2.7%	3.8%
Traffic	1.1%	1.5%

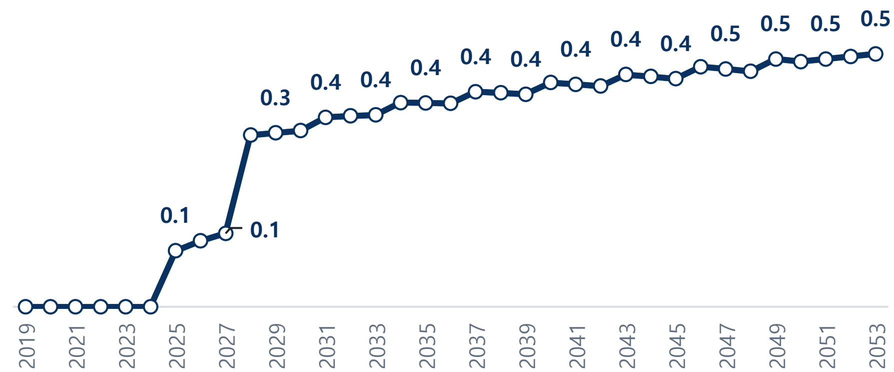
New additional revenues

MUSD (real, 2021)



New additional Unit revenues per pax

USD/pax (real, 2021)



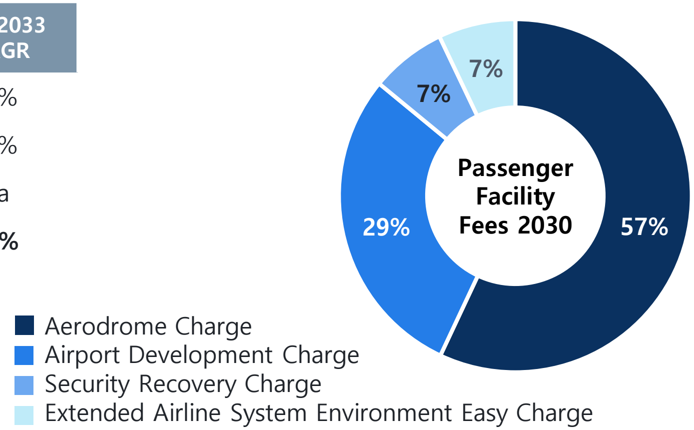
Source: Data Room, ACI Airport Key Performance Indicators 2020, ALG Analysis

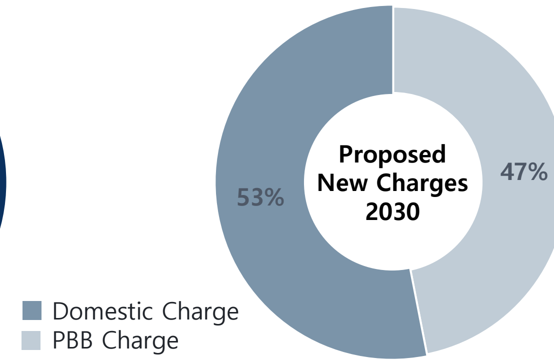
ALG projects aeronautical revenues to grow at a CAGR of 1.5% between ‘28 & ‘53, reaching >58 MUSD; where ~55 MUSD are passenger-related fees

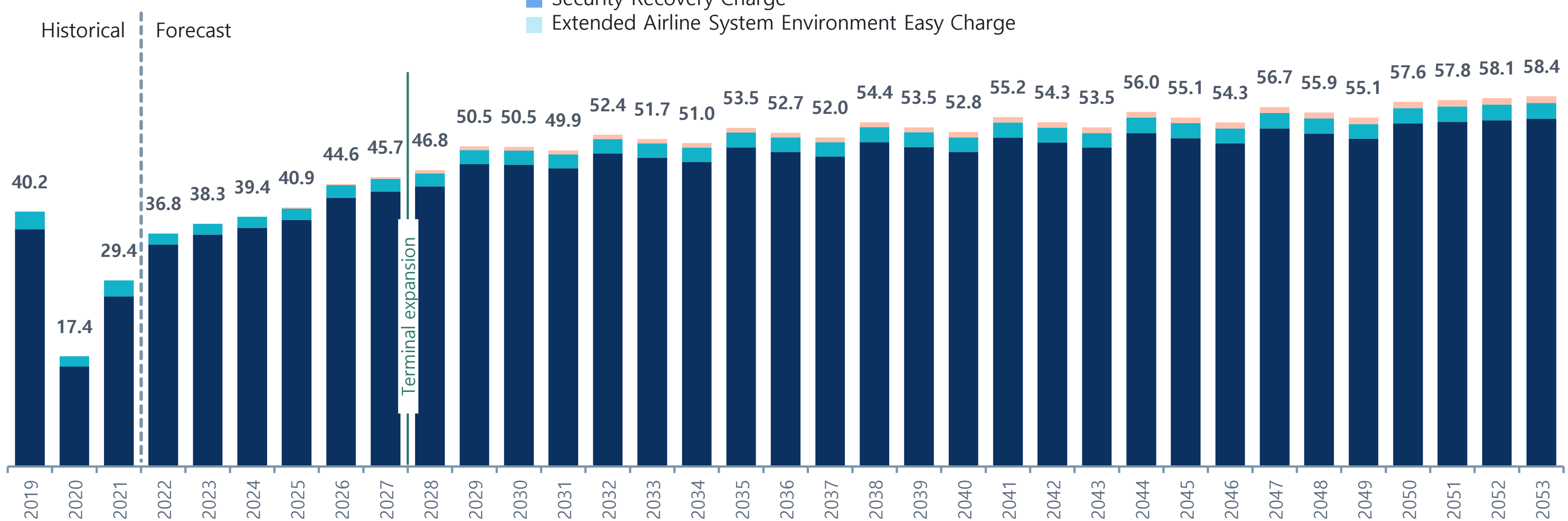
Aeronautical revenue forecast (2019-2053)

MUSD (real, 2021)

	2023-2053 %CAGR	2023-2033 %CAGR
Passenger Facility Fees	1.4%	2.9%
Landing and Parking Fees	1.3%	3.0%
Potential new charges	n/a	n/a
TOTAL Aero revenues	**1.4%**	**3.0%**



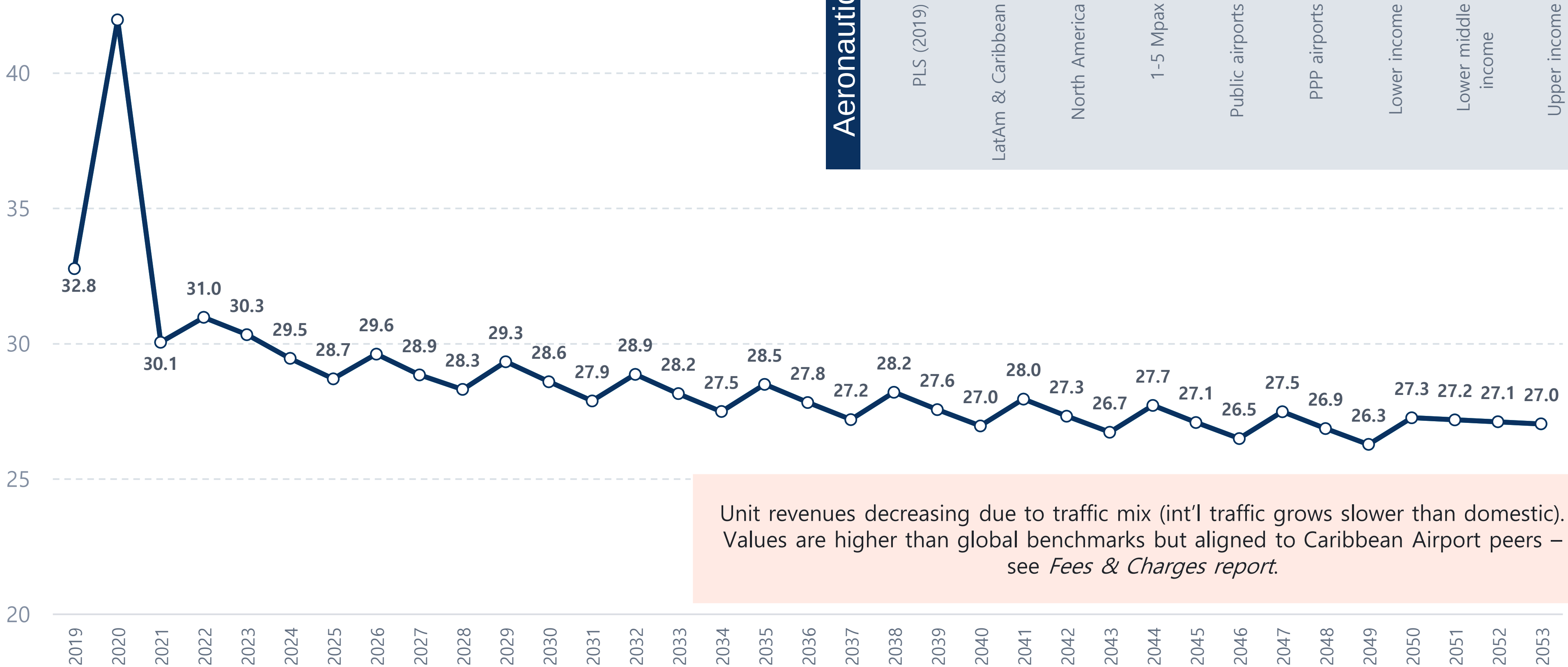




Source: Data Room, ALG Analysis

Aeronautical unit revenues per pax are forecasted to end at 27 USD/pax by '53; unit aeronautical revenues currently are threefold the benchmarks average

Aeronautical unit revenue forecast (2019-2053)



Unit revenues decreasing due to traffic mix (int'l traffic grows slower than domestic). Values are higher than global benchmarks but aligned to Caribbean Airport peers – see *Fees & Charges report.*

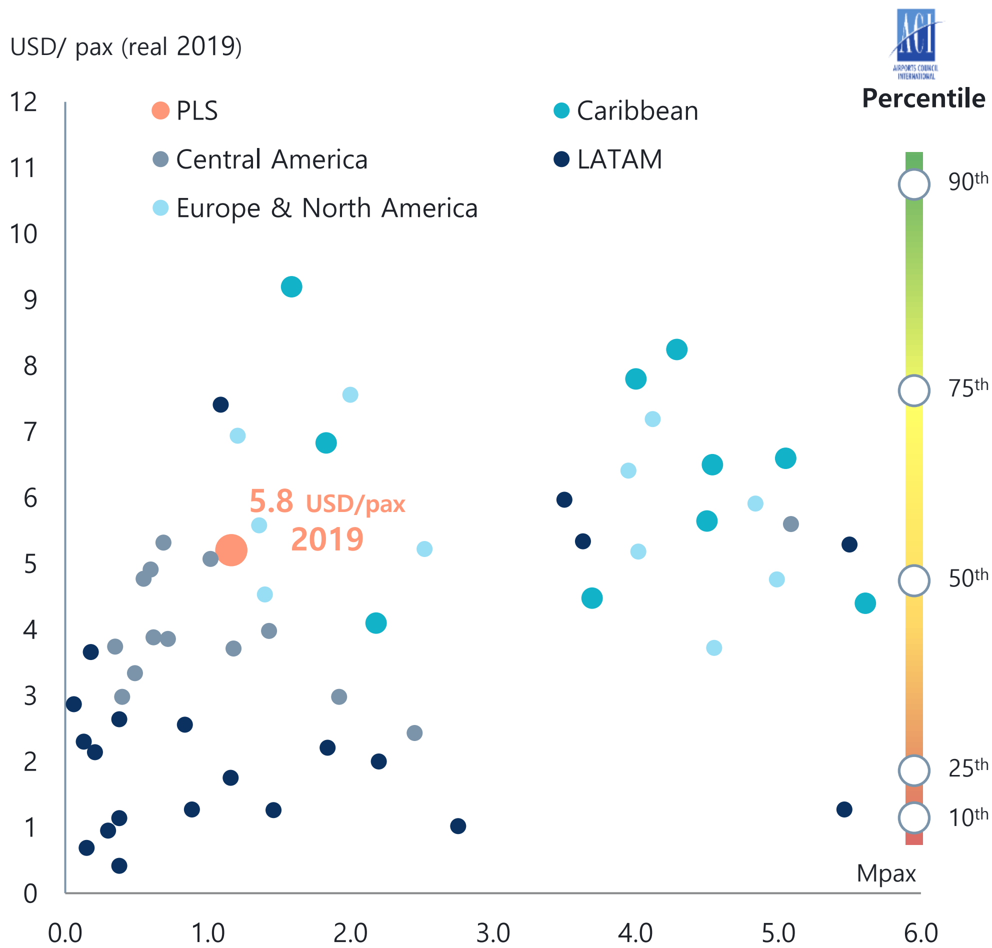
Source: Data Room, ACI Airport Key Performance Indicators 2020, ALG Analysis

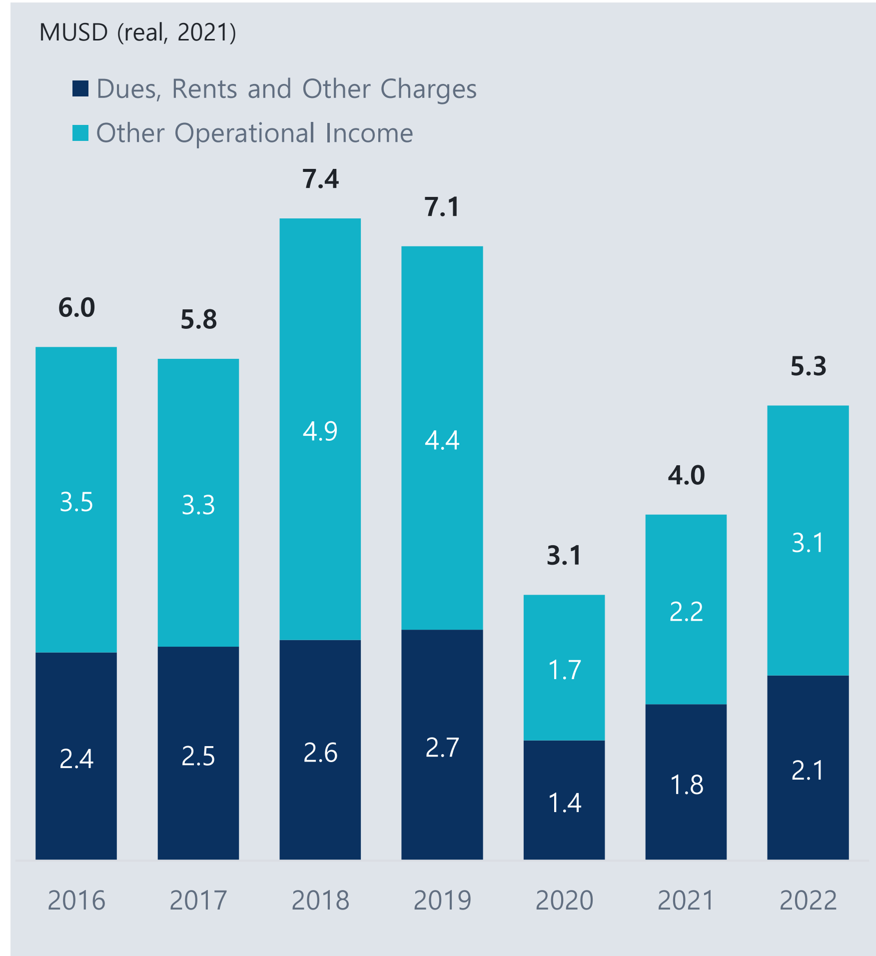
ALG

CHAPTER 3

Non aeronautical revenues represent <20% of total revenues, unit revenue was ~6 USD/pax in 2019, higher than 50th percentile of ACI benchmarks

PLS Non-Aeronautical Revenues (2016-2021)





Source: Unaudited Financial Statements, ALG Analysis

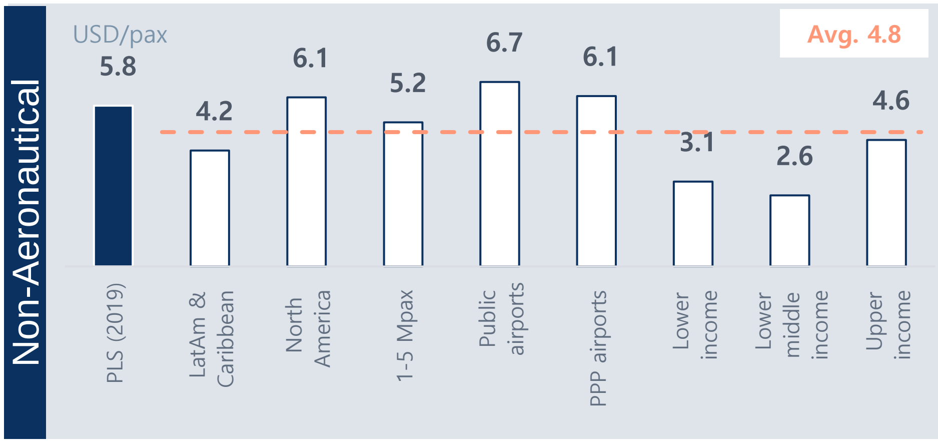
Note: The graph shows results of calendar year values, estimated based on constant seasonality

Non-aeronautical revenues up until the opening of the new PTB (2027) have been projected based on elasticities applied to the current revenue streams

Non Aeronautical – short term

- Current non-aeronautical revenues in the Income Statement comprise (each with a series of sub-categories):
  - Dues, Rents & Other Charges (99% represented by Rents)
  - Other Operational Income (77% Common User Fee, 10% Advertising & 7& Car Park)
- These revenues revenues are projected applying elasticities to traffic and terminal area growth. The following elasticities are used both in the Status Quo & Private Operator cases:

Category	E traffic	E area
Rents	5.0%	50.0%
Common User Fee	0.0%	0.0%
Advertising	10.0%	40.0%
Car Parking	40.0%	40.0%

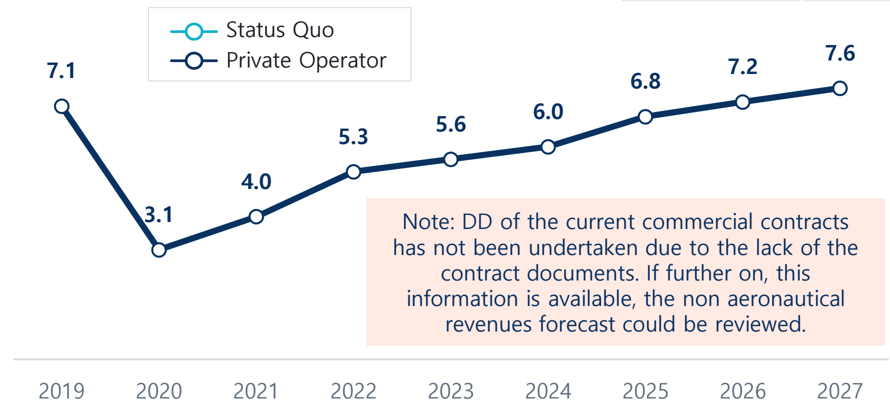


Source: Data Room, ACI Airport Key Performance Indicators 2020, ALG Analysis

CAGR	'19-'27
Status Quo	**0.9%**
Private	**0.9%**
Traffic	3.2%

Projection of other revenues

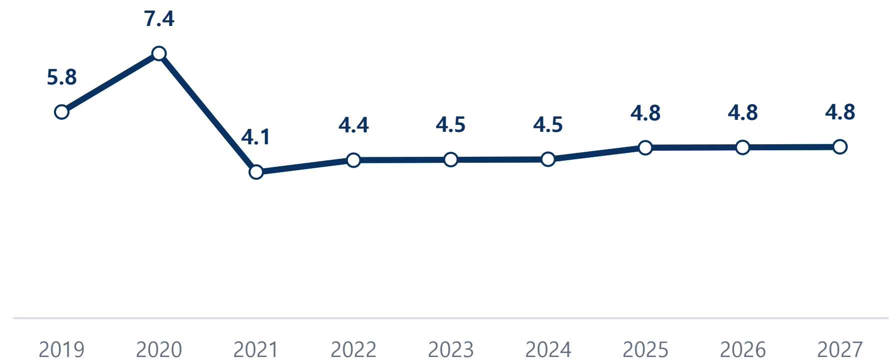
MUSD (real, 2021)



Note: DD of the current commercial contracts has not been undertaken due to the lack of the contract documents. If further on, this information is available, the non aeronautical revenues forecast could be reviewed.

Other Unit revenues per pax

USD/pax (real, 2021)



It should be expected that commercial revenues increase with the opening of the new terminal

New terminal – Commercial development

Increase of areas

- **Total commercial area** of 37,400 sqft (17,00 **sqft per Mpax)**
    - Distribution of Duty Free, F&B and Retail areas according to international best practices
- **Commercial** areas located strategically in the passenger flow
- Adequate **landside vs. airside** distribution
- **Premium spaces** for business travellers (new VIP lounges)

Increase of unit sales due to more area available and higher penetration

Contract negotiation

- **New contracts** will be tendered when the new terminal is inaugurated
- This offers an **opportunity** to **improve** the terms of the contracts, defining a **revenue sharing** that is closer to industry trends, and thus more favourable for the airport operator
- The current contracts need to be studied to understand the options of rescinding / extending them

Variable fee (revenue sharing) according to international best practices and sector trends

Offering and product mix upgrade

- New contracts should aim to attract **commercial businesses** with **experience** in both the **region** and the **airport** sector
- The new airport operator will be able to **develop** sales **strategies** and **support dealers** in boosting sales supporting an increase in sales to generate revenues in excess of the established fixed rents
- This improvement is set to **increase sales**

Increase of unit sales per passenger

Source: ALG Analysis

The estimation of commercial revenues in the new terminal is done based on benchmarks and sector trends

New terminal – Commercial development

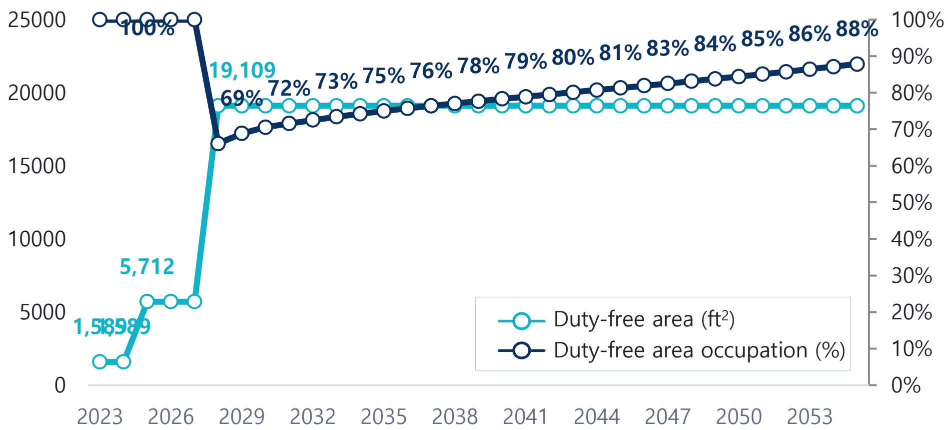
	Revenue Mechanism	Projection methodology	Variable fee
Duty Free	• Variable fee (option to establish a MAG[1])	• Occupation of areas as traffic grows • Sales per sqft • Variable fee	**18-25%**
F&B	• Variable fee (option to establish a MAG[1])	• Occupation of areas as traffic grows • Sales per sqft • Variable fee	**8-15%**
Retail	• Variable fee (option to establish a MAG[1])	• Occupation of areas as traffic grows • Sales per sqft • Variable fee	**10-15%**
Car rental	• Variable fee (option to establish a MAG[1])	• Revenue per passenger	**5-10%**
Car parking	• Direct operation	• Revenue per passenger	**N/A**
Advertising	• Revenue per passenger (pay-per-viewer)	• Revenue per passenger	**N/A**
VIP Lounge	• Variable fee (option to establish a MAG[1])	• Penetration rate (% passengers in VIP) • Sales per pax • Variable fee	**10-15%**
Others	• Variable fee (option to establish a MAG[1])	• Revenue per passenger	**N/A**

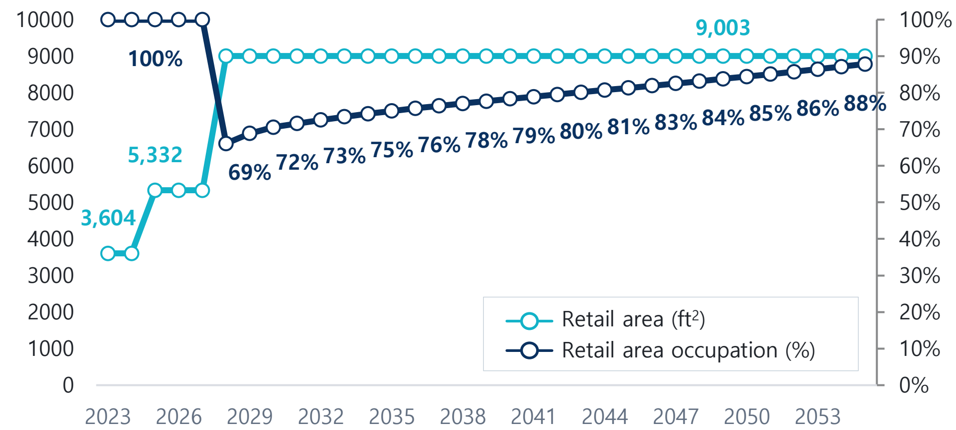
Source: ALG Analysis

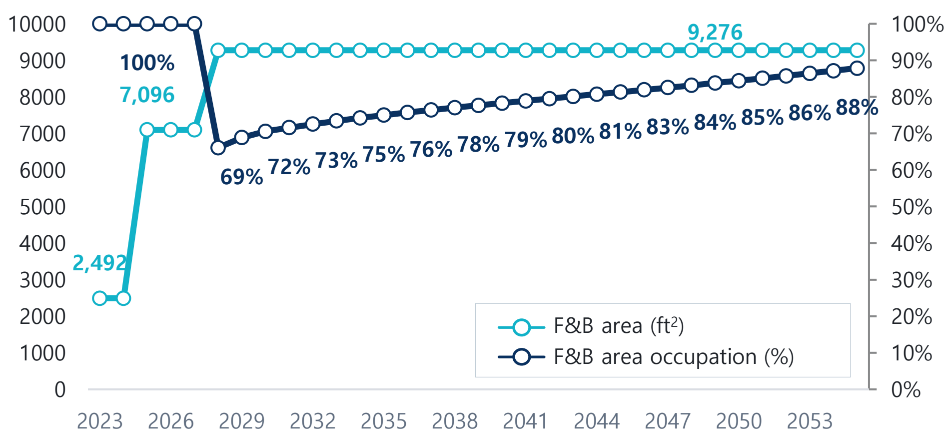
[1] MAG: Minimum Annual Guaranteed rent | PR: Percentage Rent of Annual Gross Revenues

Total commercial area of 37,400 sqft (17,000 sqft per Mpax in 2053), including duty-free, retail and F&B spaces; occupation grows as traffic increases

New terminal – Commercial development







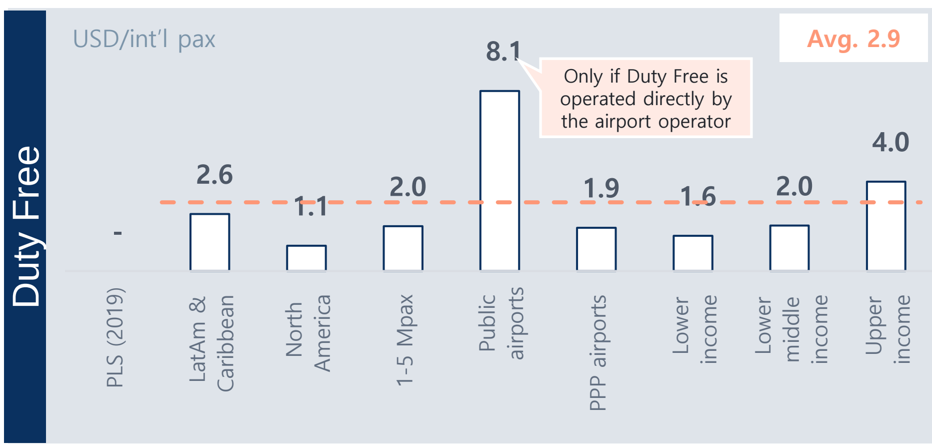
- The total commercial area in the new PTB is planned based on sector trends and industry best practices;
- The total ratio area (based on duty-free, retail and F&B) is of 17,000 ft² per million of passengers
- The commercial facilities are distributed between airside and landside areas according to best practices: 80% airside, 20% landside
- Occupation based on traffic growth; it is assumed that commercial areas will be progressively occupied as the new terminal approaches its capacity (2.5 Mpax)

Source: ALG Analysis

Duty free: sales are set to be 1,400 USD/ft² and the concession fees differ for the two cases; revenue for the Private case could reach ~4 USD/int pax

Duty free revenue forecast

- The new terminal is planned for 2028. The occupation of Duty-Free area is expected to be progressive as traffic grows (from 66% in '28 to 86% in '53)
- Sales per sqft based on benchmarks (ACI's Economic Report, Moodie's The Commercial revenues study) → Benchmarks suggest ~1,400 USD/sqft
  - Status Quo case: expected to be constant, in the low range of benchmarks
  - Private Operator case: increases every 5 years by 3% based on commercial development strategies (introduced from 2030)
- Variable fee based on industry standards → Benchmarks suggest 15-25%
  - Status Quo case: 20%, based on the average of the benchmarks' range
  - Private Operator case: 25%, on the higher end of the benchmarks
- Unit revenues are forecasted to be within the benchmarks average in the Status Quo scenario; and moderately above benchmark for the Private scenario

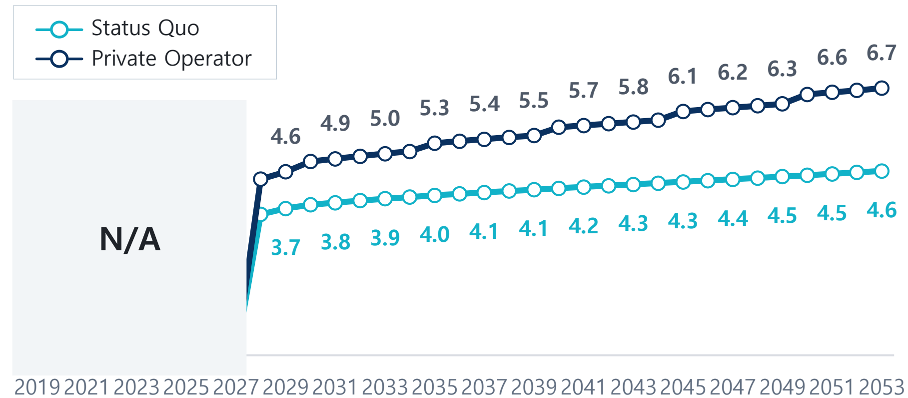


Source: Data Room, ACI Airport Key Performance Indicators 2020, ALG Analysis

CAGR	'28-'53	'28-'38
Status Quo	**1.1%**	**1.5%**
Private	**1.7%**	**2.1%**
Traffic	1.1%	1.5%

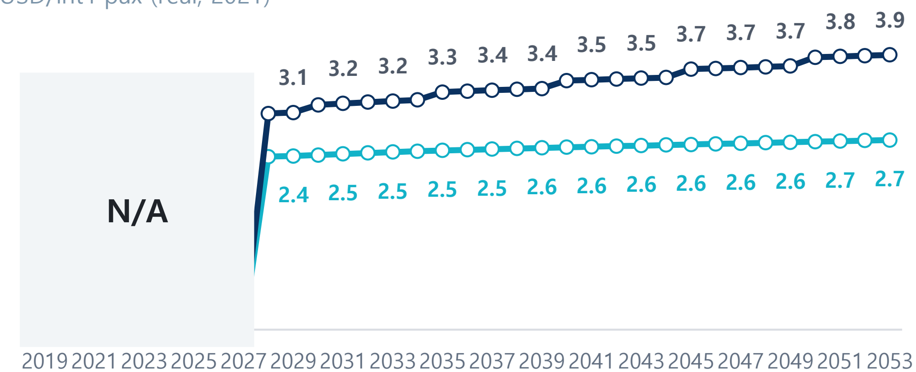
Projection of Duty free revenues

MUSD (real, 2021)



Unit Duty free revenues per international pax

USD/int'l pax (real, 2021)



Retail: sales are set to be 930 USD/ft^2 and the concession fees differ for the two cases; revenue for the Private case could reach 0.4 USD/pax in long term

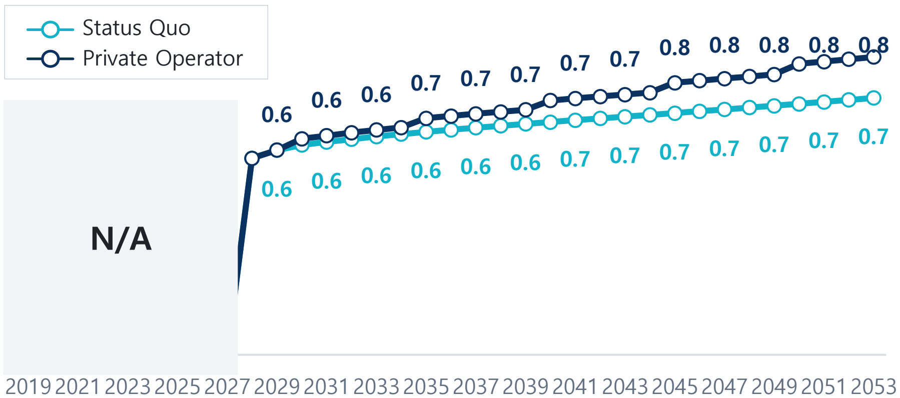
Retail revenue forecast

- The new terminal is planned for 2028. The occupation of Retail area is expected to be progressive as traffic grows (from 66% in '28 to 86% in '53)
- Sales per sqft based on benchmarks (ACI's Economic Report, Moodie's The Commercial revenues study) → Benchmarks suggest ~930 USD/sqft
  - Status Quo case: expected to be constant, in the average of benchmarks
  - Private Operator case: increases every 5 years by 3% based on commercial development strategies (introduced from 2030)
- Variable fee based on industry standards → Benchmarks suggest ~10%
  - Status Quo case: 10%, based on the average of the benchmarks' range
  - Private Operator case: 10%, on the higher end of the benchmarks
- Unit revenues are forecasted to be within the benchmarks average in both scenarios; being 0.1 USD/pax higher in the case of a Private Operator

CAGR	'28-'53	'28-'38
Status Quo	1.1%	1.5%
Private	1.7%	2.1%
Traffic	1.1%	1.5%

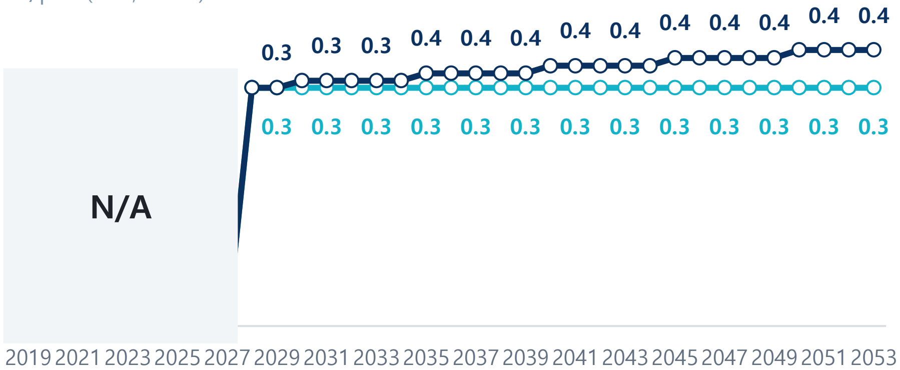
Projection of Retail revenues

MUSD (real, 2021)



Unit Retail revenues per pax

USD/pax (real, 2021)



Source: Data Room, ACI Airport Key Performance Indicators 2020, ALG Analysis

Food & Beverage: sales are set to be 465 USD/ft² and the concession fees differ for the two cases; revenue for the Private could reach 0.4 USD/pax

F&B revenue forecast

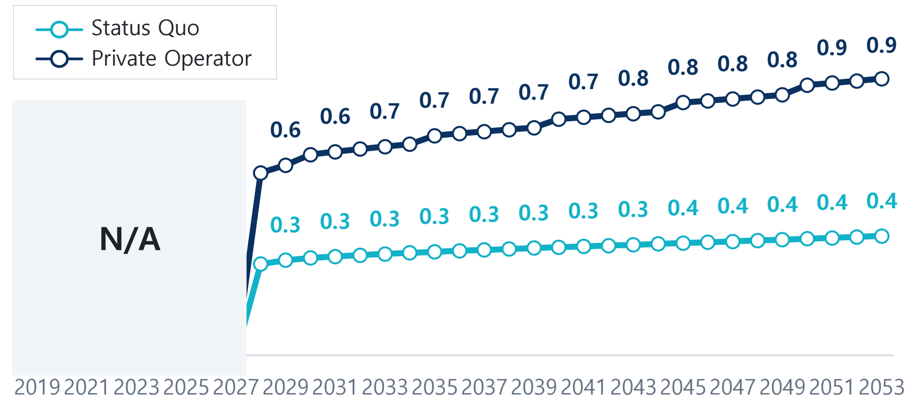
- The new terminal is planned for 2028. The occupation of the Food & Beverage areas is expected to be progressive as traffic grows (from 66% in '28 to 86% in '53)
- Sales per sqft based on benchmarks (ACI's Economic Report, Moodie's The Commercial revenues study) → Benchmarks suggest ~465 USD/sqft
  - Status Quo case: expected to be constant, in the low range of benchmarks
  - Private Operator case: increases every 5 years by 3% based on commercial development strategies (introduced from 2030)
- Variable fee based on industry standards → Benchmarks suggest 10-20%
  - Status Quo case: 10%, based on the average of the benchmarks' range
  - Private Operator case: 20%, on the higher end of the benchmarks
- Unit revenues are forecasted to be in the lower range of benchmarks in the Status Quo scenario; and in the higher range for the Private scenario

Source: Data Room, ACI Airport Key Performance Indicators 2020, ALG Analysis

CAGR	'28-'53	'28-'38
Status Quo	1.1%	1.5%
Private	1.7%	2.1%
Traffic	1.1%	1.5%

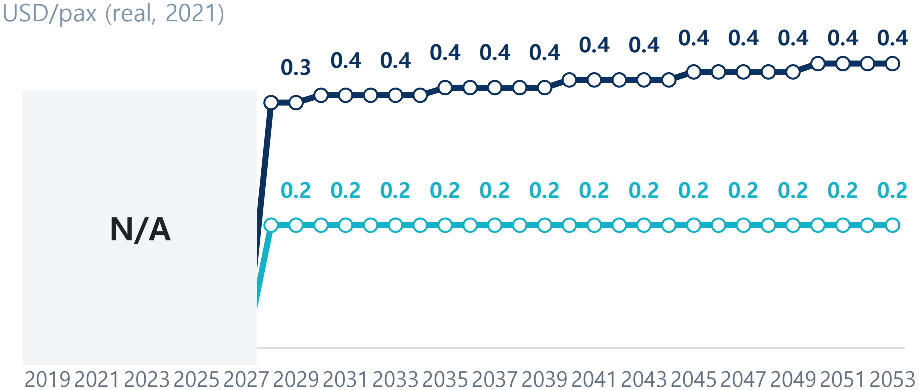
Projection of F&B revenues

MUSD (real, 2021)



Unit F&B revenues per pax

USD/pax (real, 2021)



Car parking: sales are set to be 2,000 USD per car space; revenue for the Private scenario could reach 0.6 MUSD

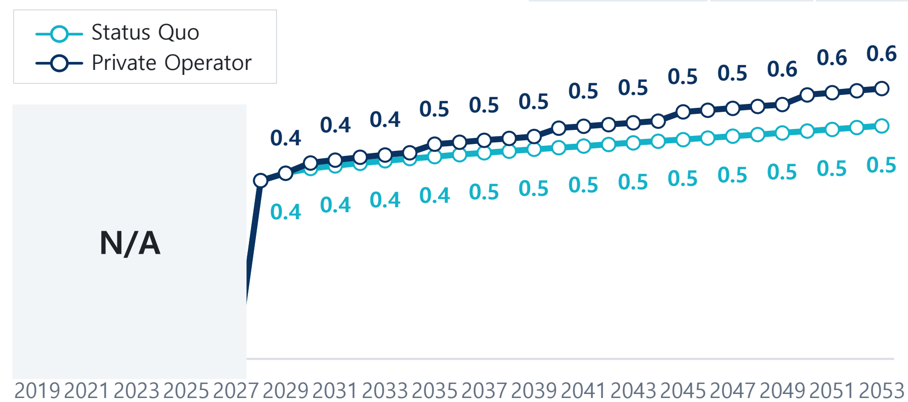
Car parking revenue forecast

- Car parking revenues are based on average sales per car parking space. These increase with the new terminal building which is planned for 2028.
- Sales per car parking space are based on benchmarks (ACI's Economic Report, Moodie's The Commercial revenues study) → Benchmarks suggest ~2,000 USD / car parking space
  - Status Quo case: expected to be constant, in the low range of benchmarks
  - Private Operator case: increases every 5 years by 3% based on commercial development strategies (introduced from 2030)
- An occupation rate of 50% is applied for both the Status Quo (public) and the Private (third-party operated) models
- Even though current unit revenues (in USD/pax) are in the lower range of benchmarks; it is not expected to improve significantly given the higher share of car rental in PLS

CAGR	'28-'53	'28-'38
Status Quo	1.1%	1.5%
Private	1.7%	2.1%
Traffic	1.1%	1.5%

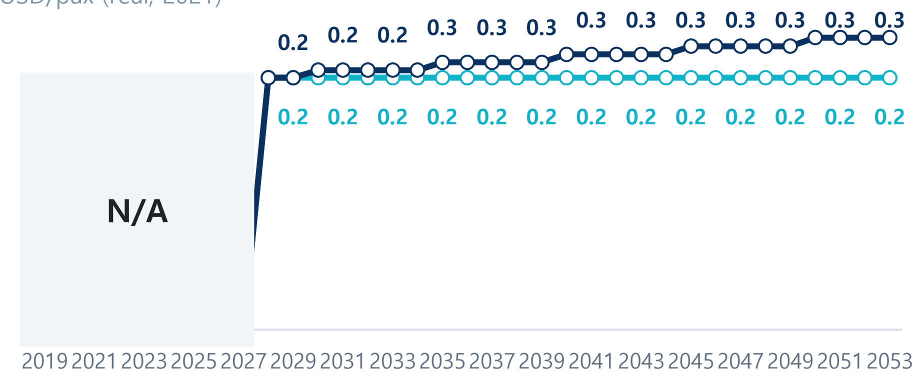
Projection of car parking revenues

MUSD (real, 2021)



Unit car parking revenues per pax

USD/pax (real, 2021)



Source: Data Room, ACI Airport Key Performance Indicators 2020, ALG Analysis

Car rental: revenues are set to be 0.8 USD / passenger when the new terminal opens; revenue for the Private scenario could reach 2.0 MUSD

Car rental revenue forecast

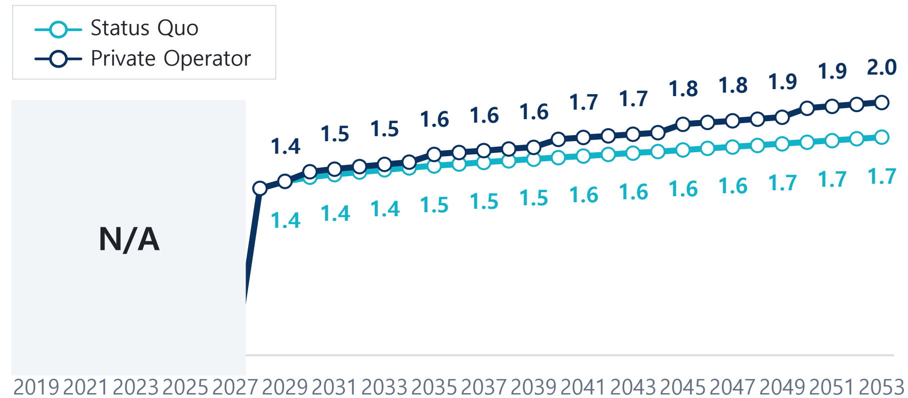
- Car rental revenues are based on average revenues per passenger. These increase with the new terminal building which is planned for 2028.
- Contracts with car rental companies should achieve ~10% variable fee
- Revenues per passenger are based on benchmarks (ACI's Economic Report, Moodie's The Commercial revenues study) → Benchmarks suggest ~0.8 USD per passenger
  - Status Quo case: expected to be constant, in the low range of benchmarks
  - Private Operator case: increases every 5 years by 3% based on commercial development strategies (introduced from 2030)
- Unit revenues (in USD/pax) are forecasted to be in the higher range of benchmarks; this is due to the higher share of car rental in PLS against car parking usage

Source: Data Room, ACI Airport Key Performance Indicators 2020, ALG Analysis

CAGR	'28-'53	'28-'38
Status Quo	1.1%	1.6%
Private	1.7%	2.2%
Traffic	1.1%	1.5%

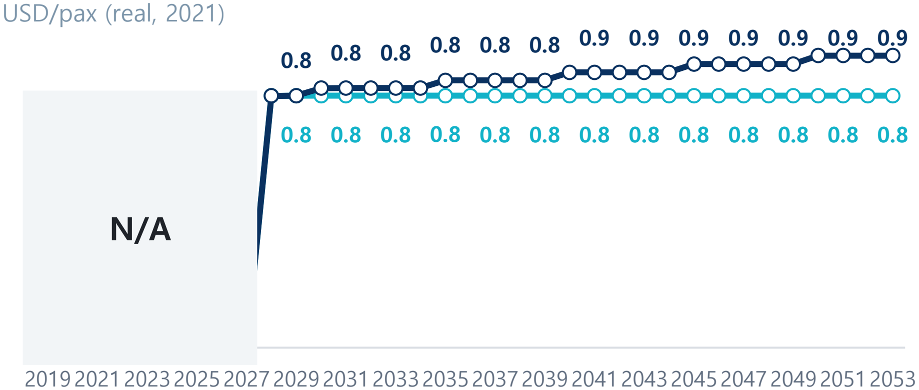
Projection of car rental revenues

MUSD (real, 2021)



Unit car rental revenues per pax

USD/pax (real, 2021)



Advertising: revenues are set to be 0.26 USD / passenger when the new terminal opens; revenue for the Private scenario could reach 0.6 MUSD

Advertising revenue forecast

– Advertising revenues are based on average revenues per passenger.

– Revenues per passenger are based on the historical figures observed in PLS and benchmarks (ACI's Economic Report, Moodie's The Commercial revenues study) → Benchmarks suggest ~0.26 USD per passenger

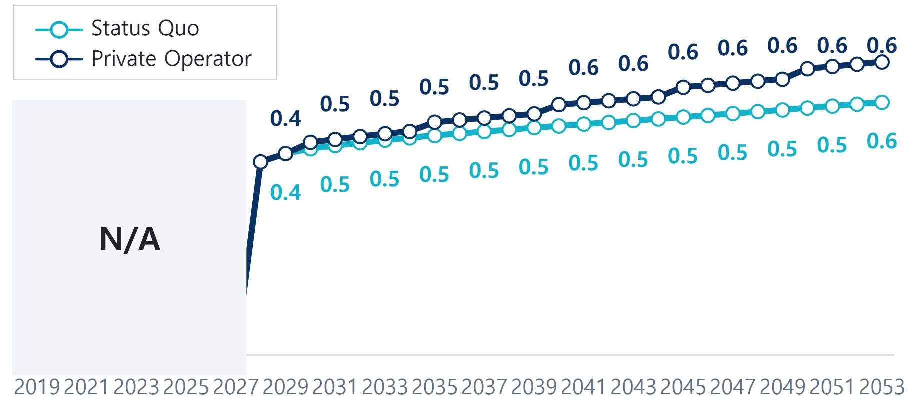
- Status Quo case: expected to be constant, in the low range of benchmarks
- Private Operator case: increases every 5 years by 3% based on commercial development strategies (introduced from 2030)

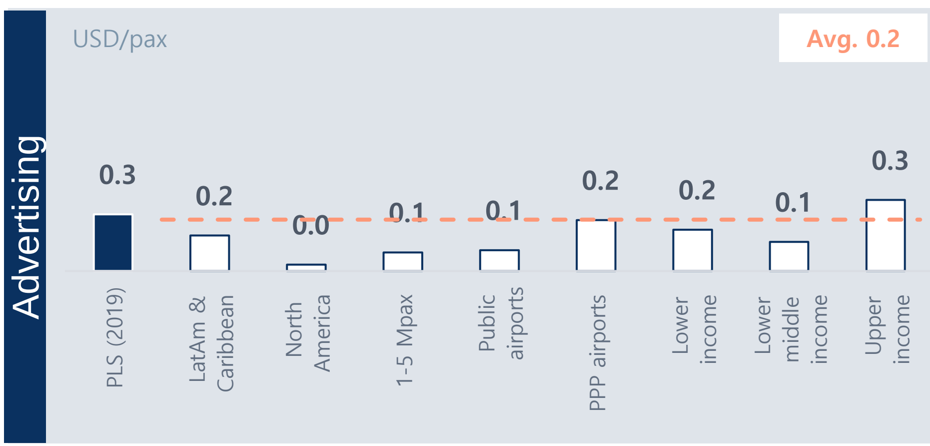
– Unit revenues (in USD/pax) are forecasted to be within the average of the benchmarked airports; revenues are slightly higher for the Private Operator scenario when compared to an Status Quo operation

CAGR	'28-'53	'28-'38
Status Quo	1.1%	1.6%
Private	1.7%	2.2%
Traffic	1.1%	1.5%

Projection of Advertising revenues

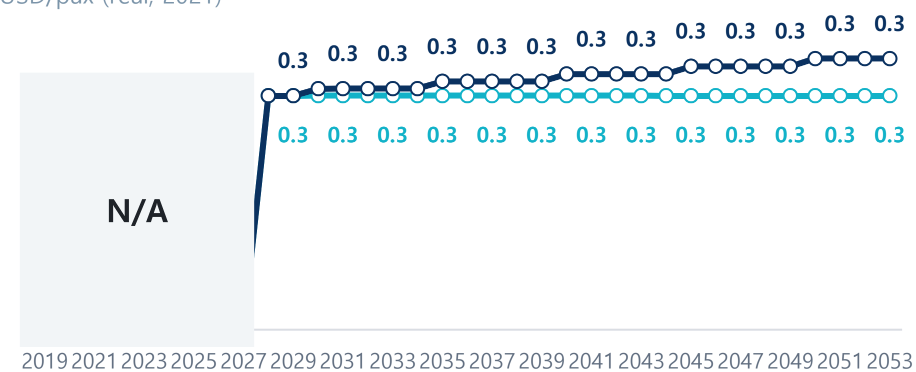
MUSD (real, 2021)





Unit Advertising revenues per pax

USD/pax (real, 2021)



Source: Data Room, ACI Airport Key Performance Indicators 2020, ALG Analysis

Other: these include VIP Lounges and other categories; are assumed to start at a 1.8 USD/pax in 2028 and could reach 4.7 MUSD in the Private Scenario

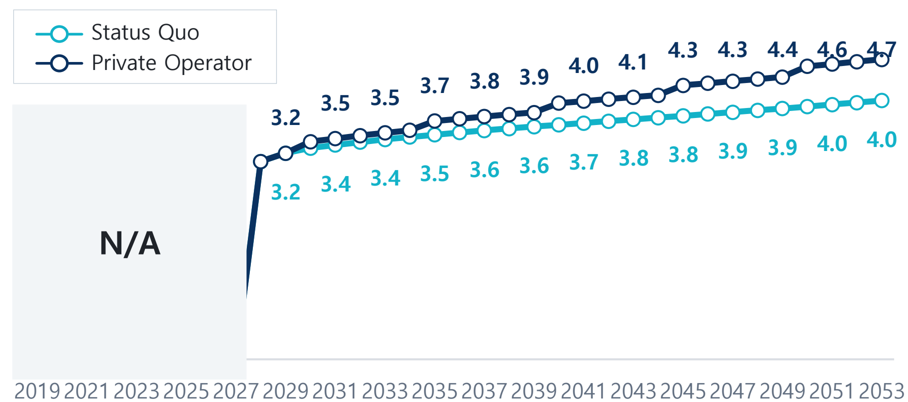
Other revenue forecast

- Other revenues include:
  - VIP lounges revenues, estimated based on benchmarks (margin of 10 USD/pax discounting costs, with a penetration rate of 1%)
  - Revenues of other categories (services, banks, offices, etc.) estimated based on benchmarks: 1.8 USD/pax
- These revenues are updated differently depending on the Scenario:
  - Status Quo case: expected to be constant, in the low range of benchmarks
  - Private Operator case: increases every 5 years by 3% based on commercial development strategies (introduced from 2030)
- Unit revenues (in USD/pax) are forecasted to be within the average of the benchmarked airports; revenues are slightly higher for the Private Operator scenario when compared to an Status Quo operation

CAGR	'28-'53	'28-'38
Status Quo	1.1%	1.6%
Private	1.7%	2.2%
Traffic	1.1%	1.5%

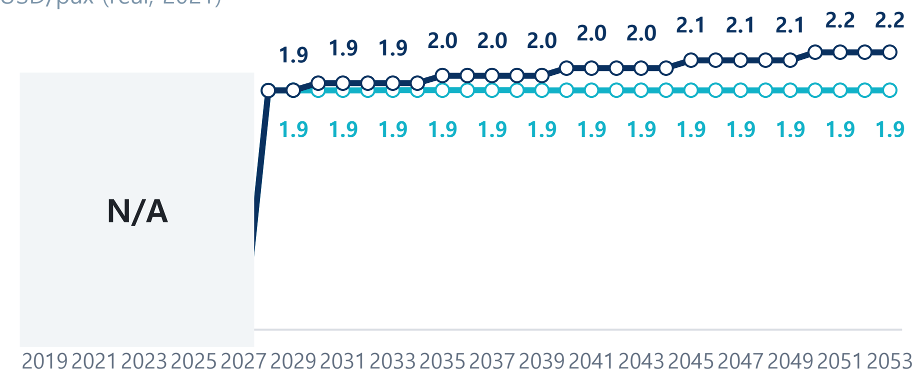
Projection of other revenues

MUSD (real, 2021)



Other Unit revenues per pax

USD/pax (real, 2021)



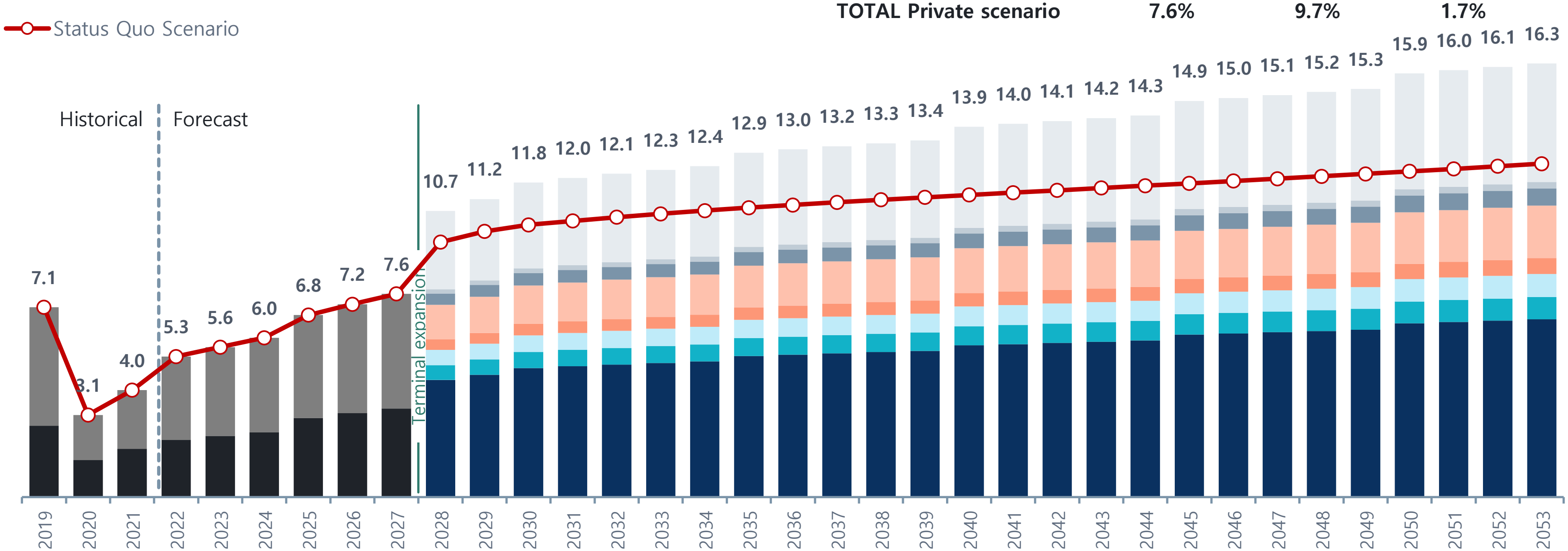
Source: Data Room, ACI Airport Key Performance Indicators 2020, ALG Analysis

ALG projects non-aeronautical revenues to grow at a CAGR of 1.7% until 2053, reaching 16.3 MUSD; in an Status Quo case revenues could reach 12.5 MUSD

Non-Aeronautical revenue forecast (2019-2053)

MUSD (real, 2021)

	2022-2027 %CAGR	2027-2032 %CAGR	2028-2053 %CAGR
Dues, Rents & Other	9.1%	-	-
Other Operational Income	6.6%	-	-
Duty-free	-	-	1.7%
Retail	-	-	1.7%
Food & Beverage (F&B)	-	-	1.7%
Car parking	-	-	1.7%
Car rental	-	-	1.7%
Advertising	-	-	1.7%
VIP Lounge	-	-	1.7%
Other	-	-	1.7%
TOTAL Private scenario	**7.6%**	**9.7%**	**1.7%**

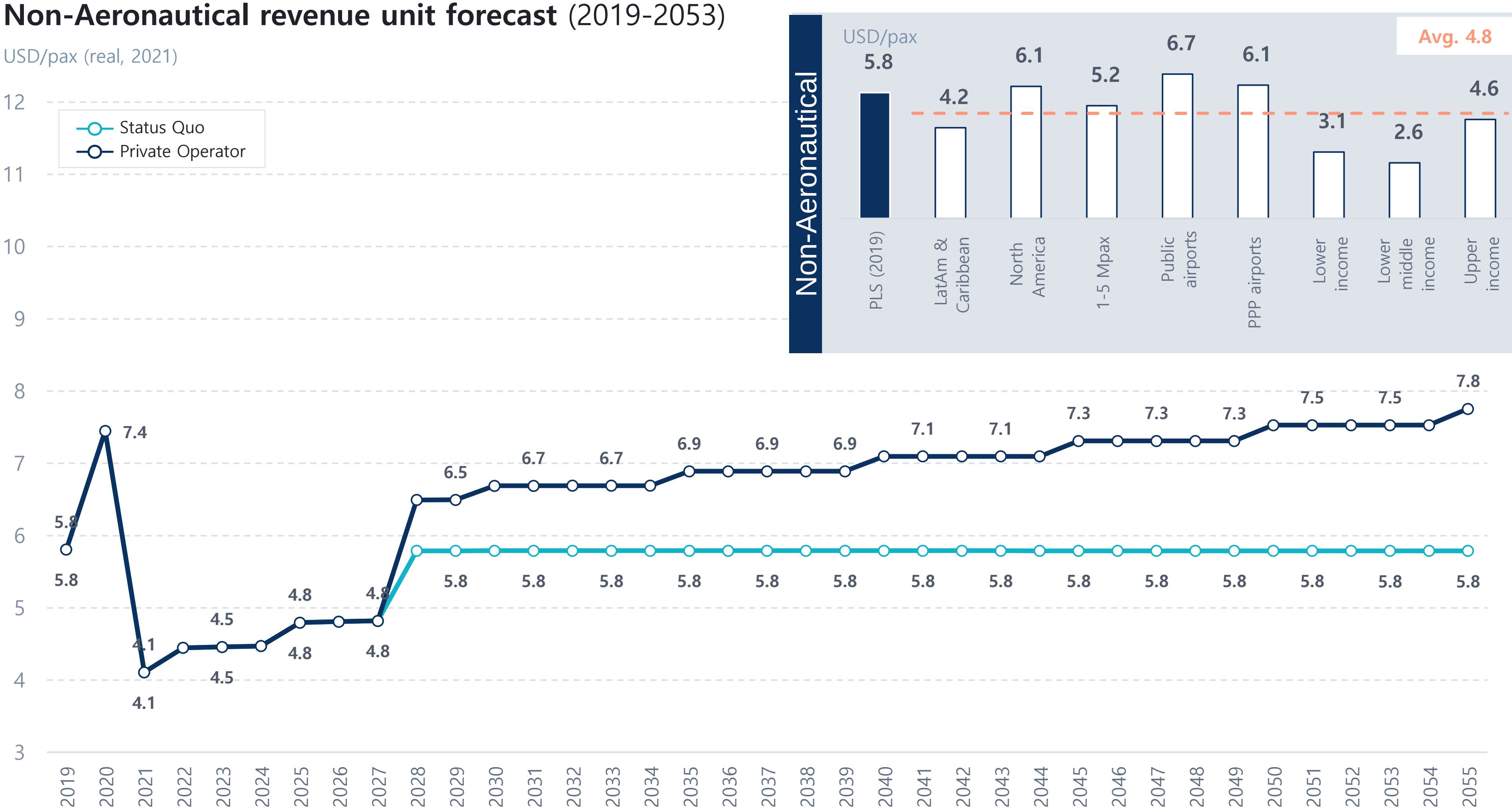


Source: Data Room, ALG Analysis

Non-Aeronautical: unit revenues are above benchmark, and they are forecasted to continue increasing steadily to 7.8 USD/pax (Private scenario)

Non-Aeronautical revenue unit forecast (2019-2053)

USD/pax (real, 2021)



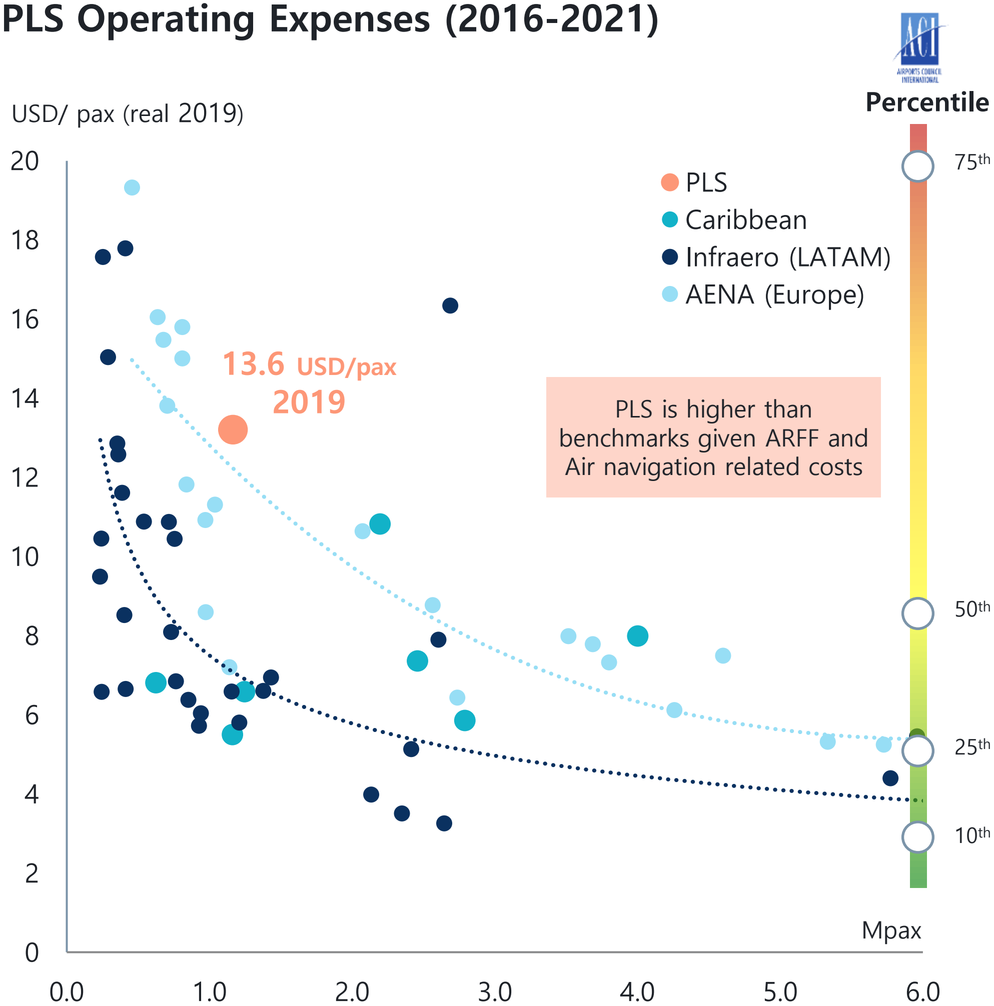
Source: Data Room, ACI Airport Key Performance Indicators 2020, ALG Analysis

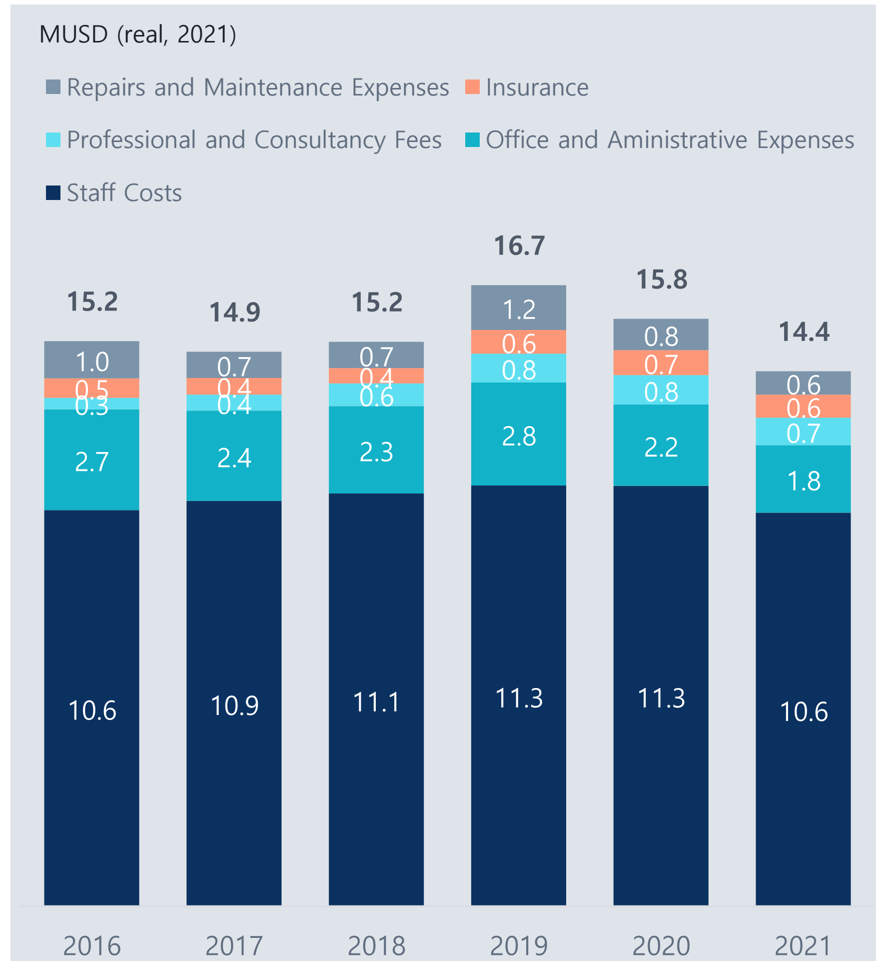
ALG

CHAPTER 4

Operating expenses at PLS have been increasing gradually in recent years; OpEx per passenger is on the higher side of similar benchmarked airports

PLS Operating Expenses (2016-2021)



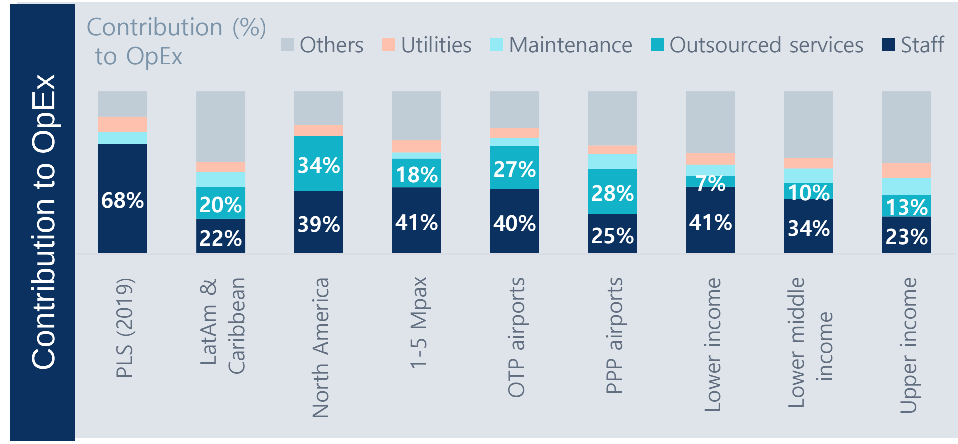


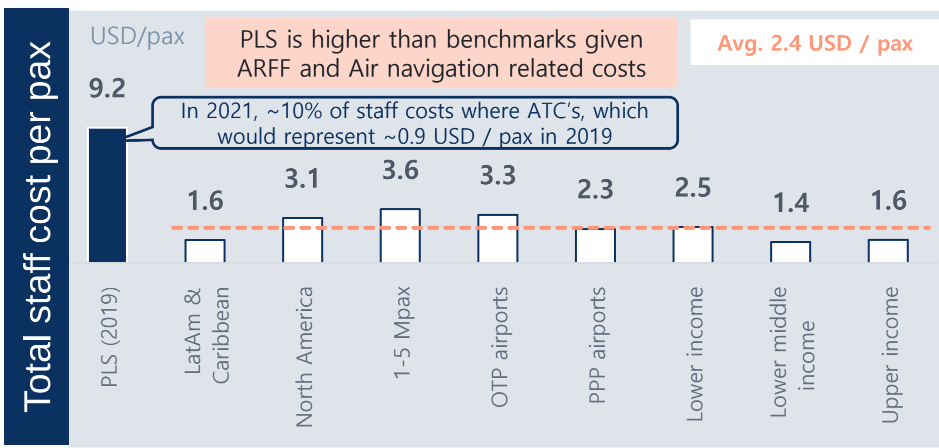
Source: Unaudited Financial Statements, ALG Analysis

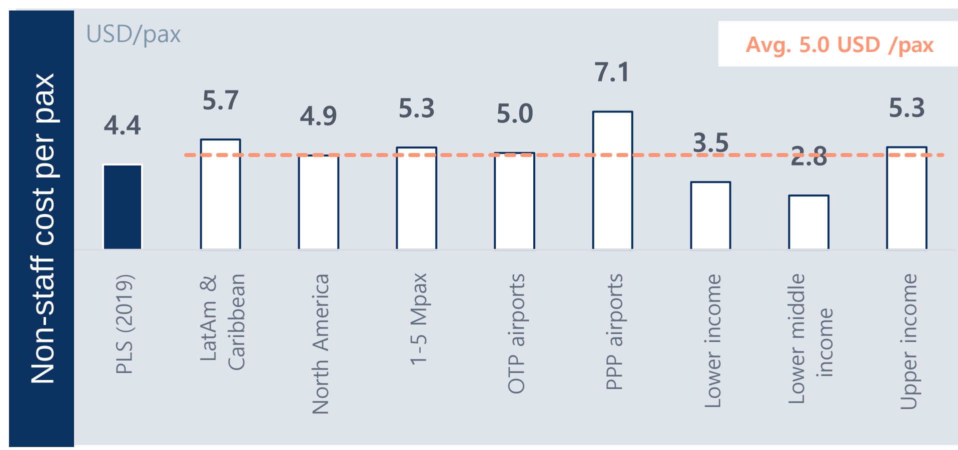
Note: The graph shows results of calendar year values, estimated based on constant seasonality

PLS has high OpEx compared to benchmarks; specially personnel since it does many of the non-core activities in-house (e.g. cleaning, security, ARFF, parking)

PLS OPEX 2019 compared to benchmarks







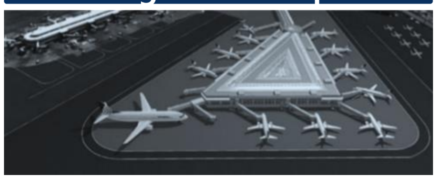
Source: ACI & other benchmarks;

PLS level of externalization is low when compared to international best practices, given the limited resources available (isolated region)

PLS outsourced services

Airport Operating Model

Level of outsourcing

Main airport functions	High		Low
Terminal Operations 	• Landside operation • Apron management	• Security • Engineering services (fit-out, maintenance) • Fire-fighters	• Cleaning • Passenger handling • Parking operations • Medical services
Commercial 	• Business development • Air service development • Regulated revenues – Passenger fees – Landing fees – …		• Non-regulated revenues – Retail and F&B – Duty free – Advertising – Car rental – Car Parking
Planning & Development 	• Research – Market assessment – Capacity assessment – Traffic forecast – Demand-capacity analysis – Preliminary Capex plan	• Infrastructure Development – Design – Engineering – Construction	
General Services 		• Accounting • Procurement • Human resources • Administration • Legal • Health, Safety, Environment & Quality	• IT • Technology services • ORAT • Consultancy services • Professional services

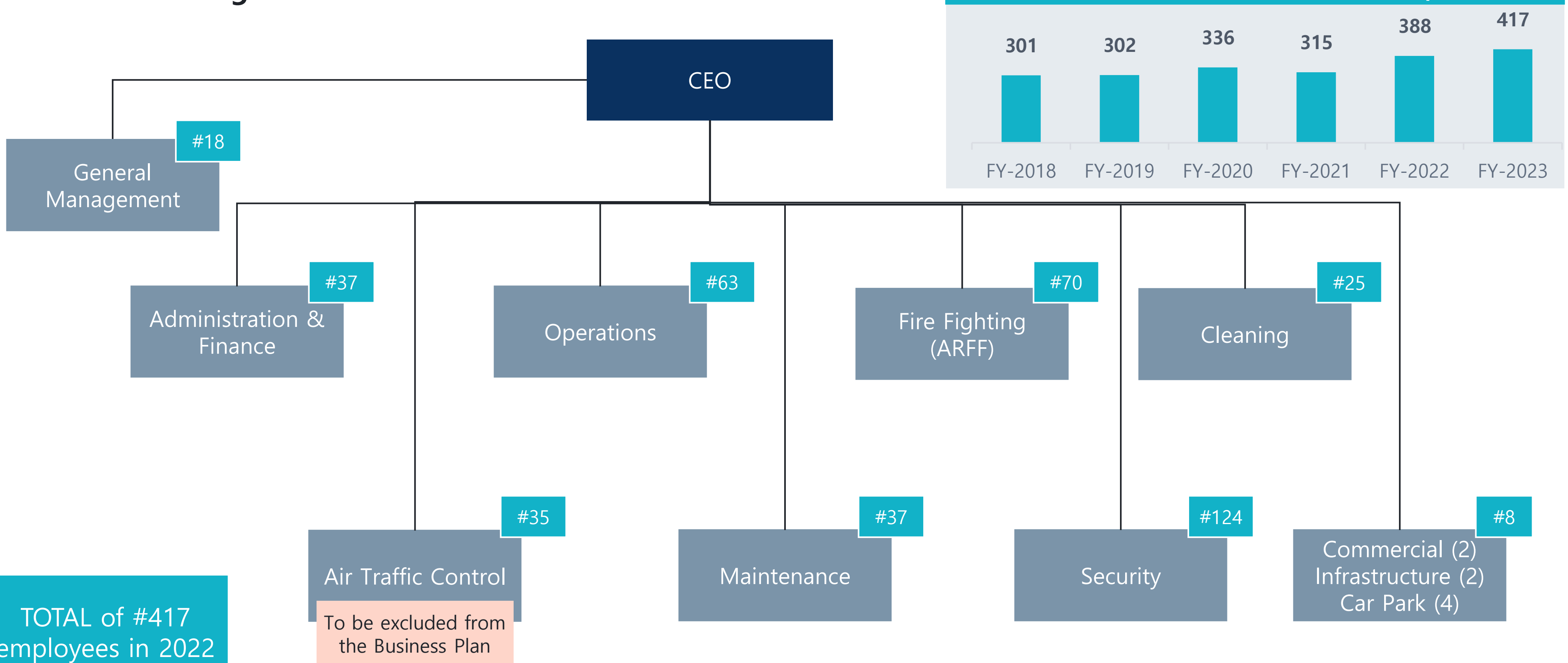
Source: ALG analysis, Site visits

In color, functions currently outsourced in PLS

PLS has 417 employees in 2022; which includes personnel for typically-outsourced activities: Security (#124) and Cleaning (#25)

Providenciales organizational chart

Evolution of FTE at Providenciales Airport



TOTAL of #417 employees in 2022

Note: The grouping of employees by categories has been done by ALG based on all the different job titles provided in the VDR

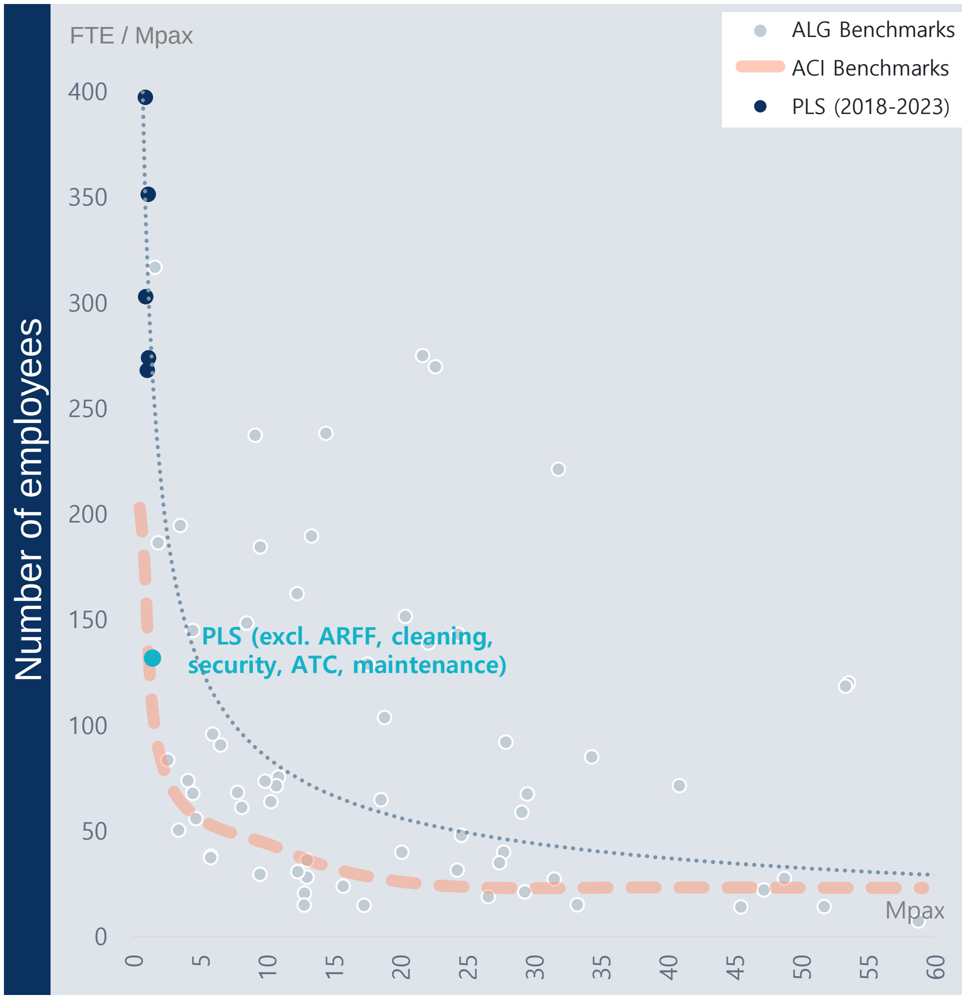
Source: VDR

There are 35 Air Traffic Control positions, which are excluded from the Airport's Business Plan from 2023 onwards (based on ICAO's recommendation to separate Airport operations and ANSP functions)

ALG

Staff costs: Number of employees in PLS is significantly above due to not having outsourced services; average cost per employee is within benchmarks

Staff costs – Providenciales Airport



- PLS has **417 FTE in-house**, which implies ~400 FTE/Mpax.
- PLS has **more in-house staff** than the benchmark trend, given that the airport is doing in-house activities that are typically outsourced services like security, cleaning, fire fighting or maintenance, which sum ~250 FTE.
- Also, **Air navigation** personnel (35 FTE) is usually not included in the organizational charts of benchmarks.
- Without the Air navigation and the typically-outsourced staff, PLS would have ~130 FTE/Mpax, more aligned to ACI benchmarks.
- PLS **staff costs per employee is within the average of** relevant benchmarks, when excluding North America, ~31,000 USD per employee. Staff costs include wages and salaries, contributions, bonuses and benefits.

Source: VDR, Oxford economics, ACI & benchmarks

PLS Airport currently employs 417 people; this number is expected to increase to 490 by 2053 in a Private scenario (518 for the Status Quo case)

Employees projection

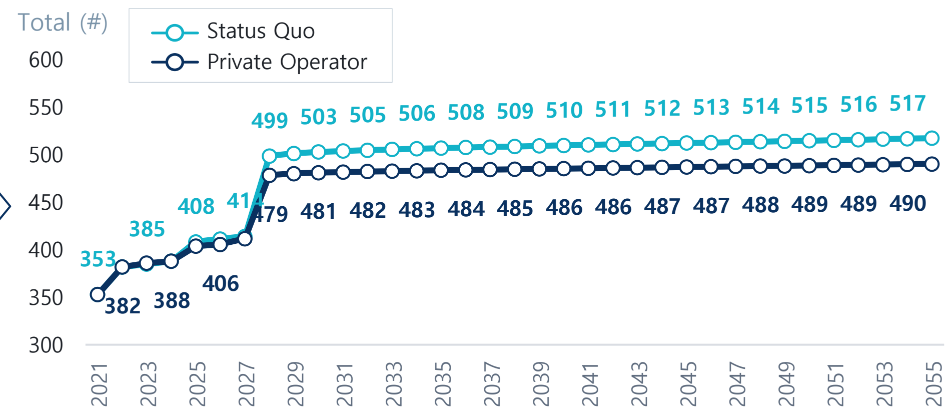
- There are 35 Air Traffic Control positions, which are excluded from the Airport's Business Plan from 2023 onwards (recommendation to separate airport operation and ANSP functions).
- The number of employees is projected based on the detailed organizational structure and applying elasticities to traffic and terminal area growth.
- The following elasticities are used (*):

Department	E traffic	E area
General Management	10.0%	0.0%
Administration & Finance	10.0%	0.0%
ATC	10.0%	0.0%
Operations	20.0%	10.0%
Maintenance	10.0%	10.0%
Fire Fighting	0.0%	0.0%
Commercial	10.0%	20.0%
Infrastructure	10.0%	40.0%
Security	5.0%	20.0%
Cleaning	10.0%	40.0%
Car Park	20.0%	20.0%

(*)Note: These Elasticities are for the Private scenario and approximate, and they differ for the Status Quo scenario

- Changes of outsourcing strategy are not foreseen in the Business Plan.

Projection of employees at Providenciales airport



Projection of employees per category

	Current (FY-2023)	2053 (Private)	2053 (Status Quo)
General Management	18	19	19
Administration & Finance	37	39	42
ATC	35	-	-
Operations	63	82	88
Maintenance	37	46	46
Fire Fighting	70	70	70
Security	124	169	197
Cleaning	25	44	44
Others	8	21	13
TOTAL	**417**	**490**	**518**

Source: ALG analysis

Personnel: personnel costs per passenger are forecasted to continue above benchmark as the Business Plan does not consider outsourcing strategies

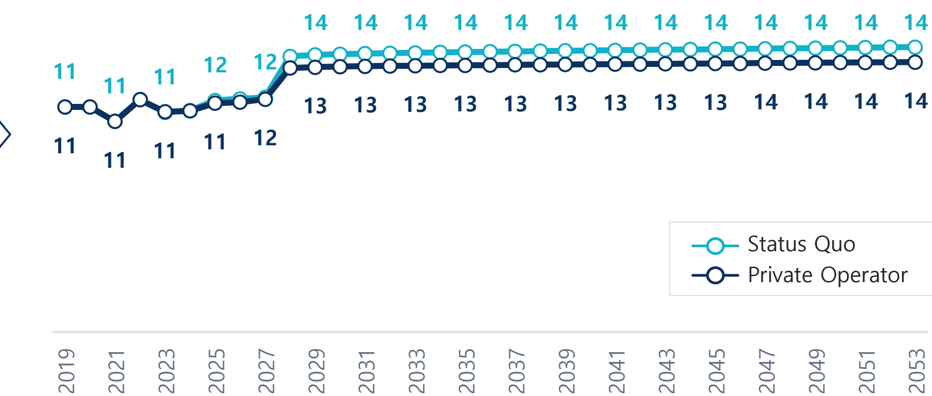
Personnel OpEx forecast

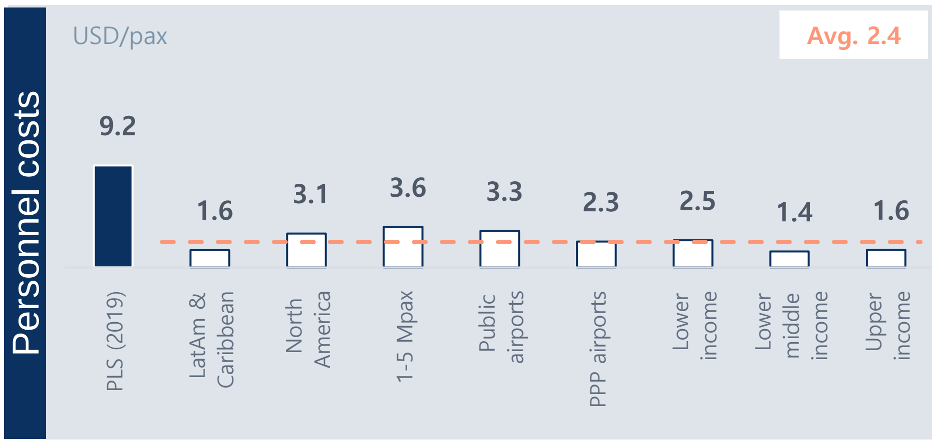
- Personnel costs are projected based on the number of staff required and the average cost per employee.
  - Number of employees per category have been adjusted with an elasticity to traffic growth and an area growth (previous slide)
  - Real costs per employee are considered constant in real terms (salaries updated with inflation)
- Personnel costs in the Private Scenario are smaller when compared to the Status Quo case, in order to better represent a leaner operation which is typically associated with a private operation.
- Changes of outsourcing strategy are not foreseen in the Business Plan, so unit costs are still above benchmark even in the long term.

Projection of Personnel costs

MUSD (real, 2021)

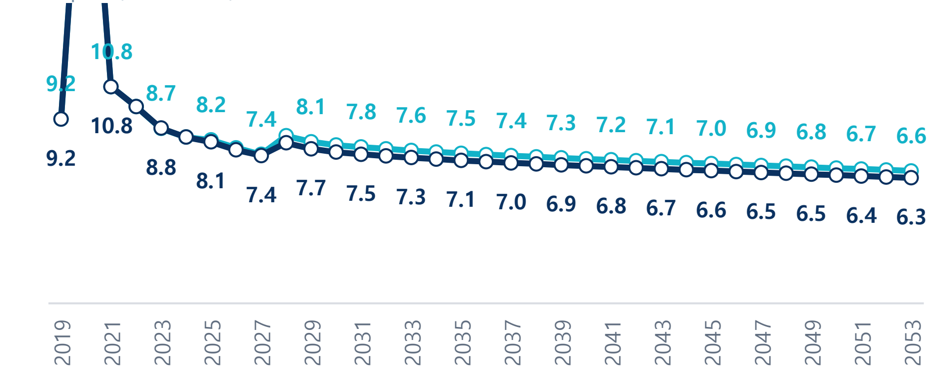
CAGR	'23-'53	'23-'33
Status Quo	0.9%	2.4%
Private	0.7%	1.9%
Traffic	0.9%	1.5%





Unit Personnel costs

USD/pax (real, 2021)

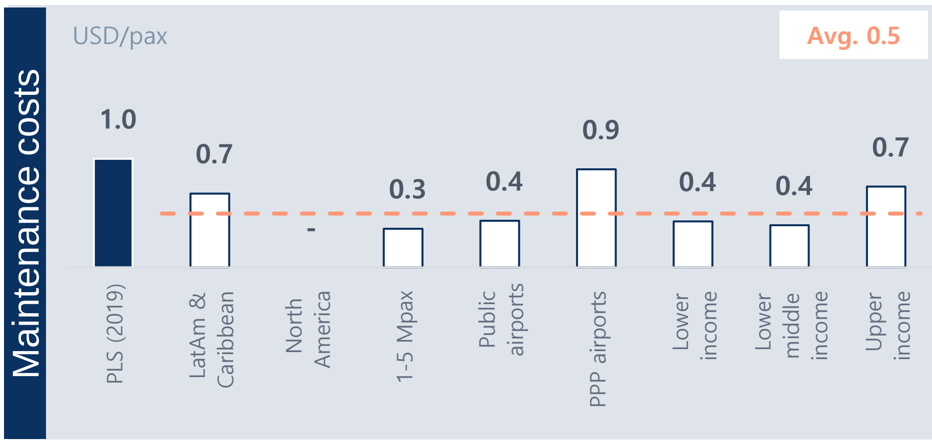


Source: Data Room, ACI Airport Key Performance Indicators 2020, ALG Analysis

Maintenance: current costs are twice those of the benchmark average; however, these are expected to decrease to benchmark levels by 2053

Maintenance OpEx forecast

- Maintenance costs are twice those of the benchmark, which seems high considering that there is a part already counted as in-house personnel costs (maintenance personnel).
- Elasticities to both traffic and area growths have been applied to project the cost to 2053; two different scenarios considered:
  - Private Operator Scenario: projected with elasticities of 5% to traffic growth and 5% to area growth – cost reduction strategies
  - Status Quo Scenario: projected with elasticities of 10% to traffic growth and 40% to area growth – status quo
- It is expected that Maintenance costs per passenger moderate throughout the forecasted period, falling to (Status Quo scenario) the average of the benchmarked airports or low range in the Private Operator scenario.

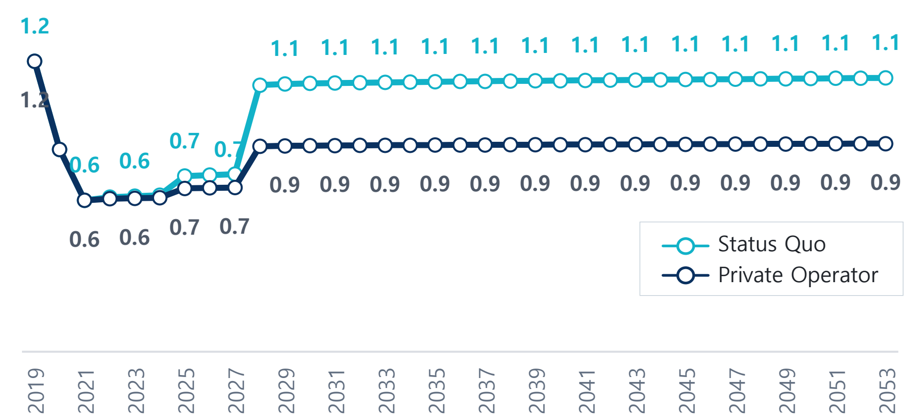


Source: Data Room, ACI Airport Key Performance Indicators 2020, ALG Analysis

CAGR	'23-'53	'23-'33
Status Quo	1.9%	5.6%
Private	1.0%	3.0%
Traffic	0.9%	1.5%

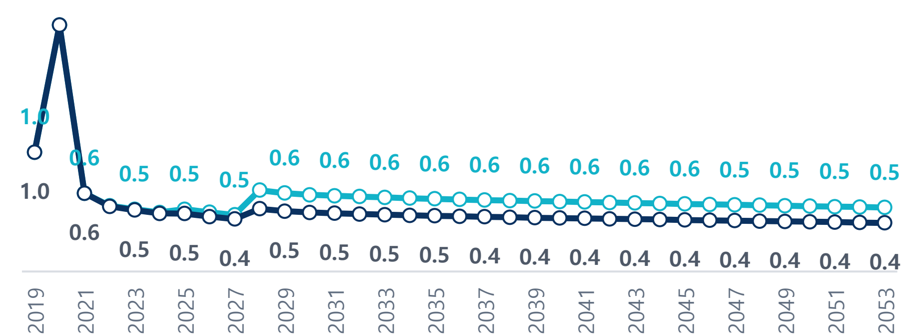
Projection of Maintenance costs

MUSD (real, 2021)



Unit Maintenance costs

USD/pax (real, 2021)



Utilities: current unit costs are very high and are not forecasted to decrease to benchmark; further data should be provided (consumption, power installed)

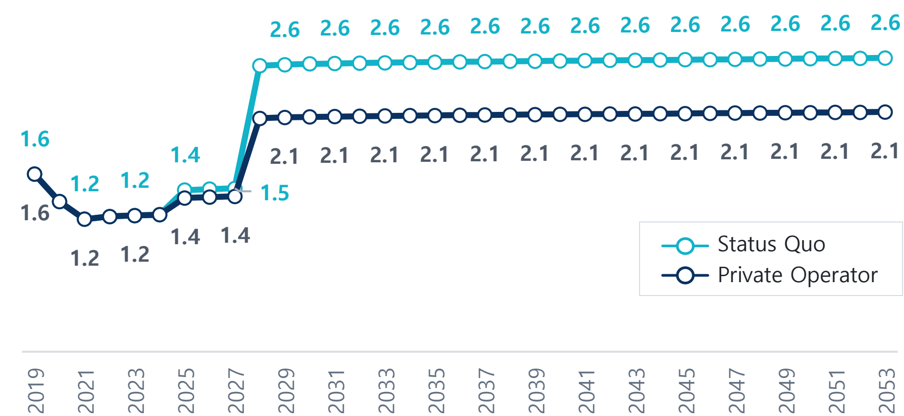
Utilities OpEx forecast

- Utilities costs seem high compared to benchmarks (>1 USD/pax). Further data should be provided (electricity and water bills, historical consumption in kWh, power installed in kW).
- A conservative approach has been taken considering the current higher than average unit costs, considering two scenarios:
  - Private Operator Scenario: projected with elasticities of 10% to traffic growth and 40% to area growth – energy efficiency strategies
  - Status Quo Scenario: projected with elasticities of 10% to traffic growth and 60% to area growth – status quo
- It is expected that Utilities costs per passenger moderate throughout the forecasted period, however these will still be twice as much the benchmark average in the most optimistic case (Private scenario).

CAGR	'23-'53	'23-'33
Status Quo	**2.6%**	**7.8%**
Private	**1.9%**	**5.6%**
Traffic	0.9%	1.5%

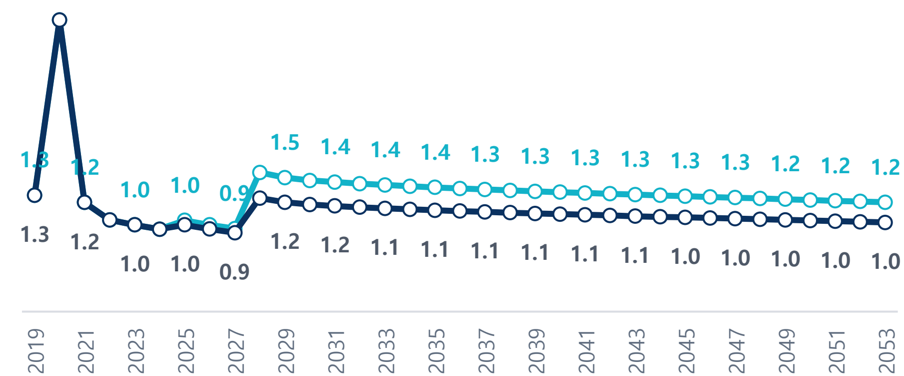
Projection of Utilities costs

MUSD (real, 2021)



Unit Utilities costs

USD/pax (real, 2021)



Source: Data Room, ACI Airport Key Performance Indicators 2020, ALG Analysis

Other: these cost item includes consultancy & professional fees, insurance, office & administration costs and IT costs; will decrease throughout the period

Other OpEx forecast

– This cost item includes:

- Consultancy and professional fees
- Insurance
- Office and administration costs
- IT costs

– Other costs for the Status Quo case have been projected with higher elasticities to traffic and area growth than for the Private scenario, to represent the cost reduction initiatives that a private entity would undertake. Elasticities for the Private scenario shown in table below:

Category	E traffic	E area
Consultancy & Professional	5.0%	5.0%
Insurance	5.0%	5.0%
Office & Administration	20.0%	20.0%
IT	10.0%	20.0%

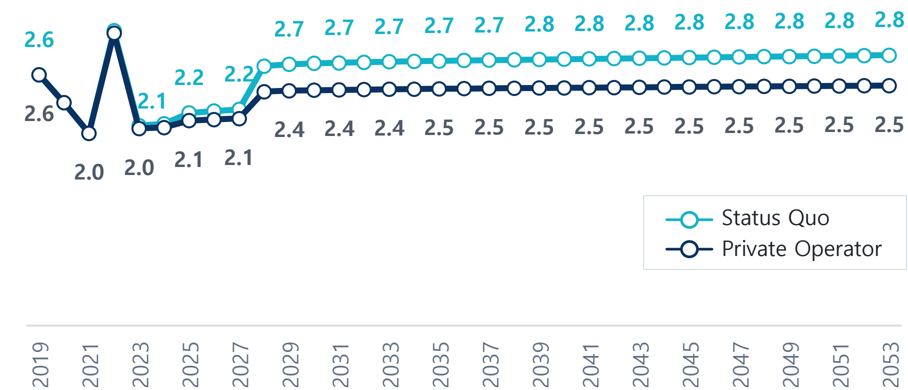
(*)Note: These Elasticities are for the Private scenario and approximate, and they differ for the Status Quo scenario

Source: Data Room, ACI Airport Key Performance Indicators 2020, ALG Analysis

CAGR	'23-'53	'23-'33
Status Quo	1.0%	2.8%
Private	0.7%	1.8%
Traffic	0.9%	1.5%

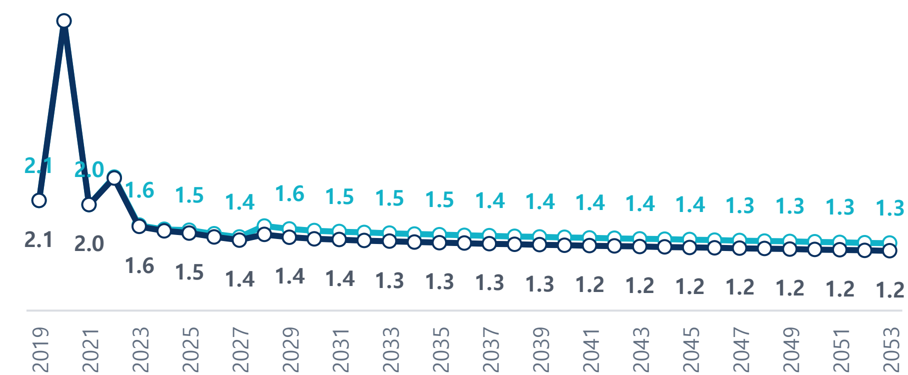
Projection of Other costs

MUSD (real, 2021)



Unit Other costs

USD/pax (real, 2021)



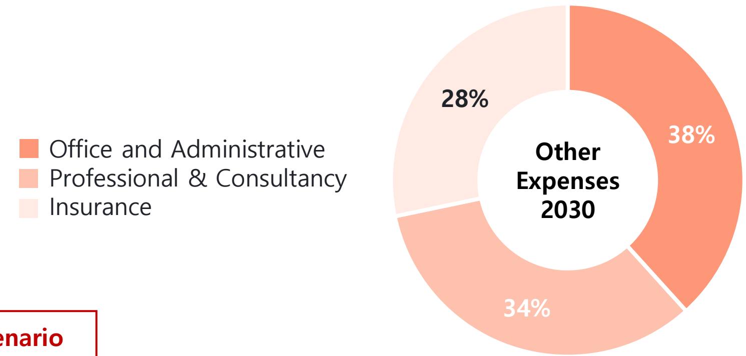
ALG projects Operational Expenses to grow at a CAGR of 0.8% between 2023 and 2053, reaching 19 MUSD; two thirds of the OpEx is Personnel costs

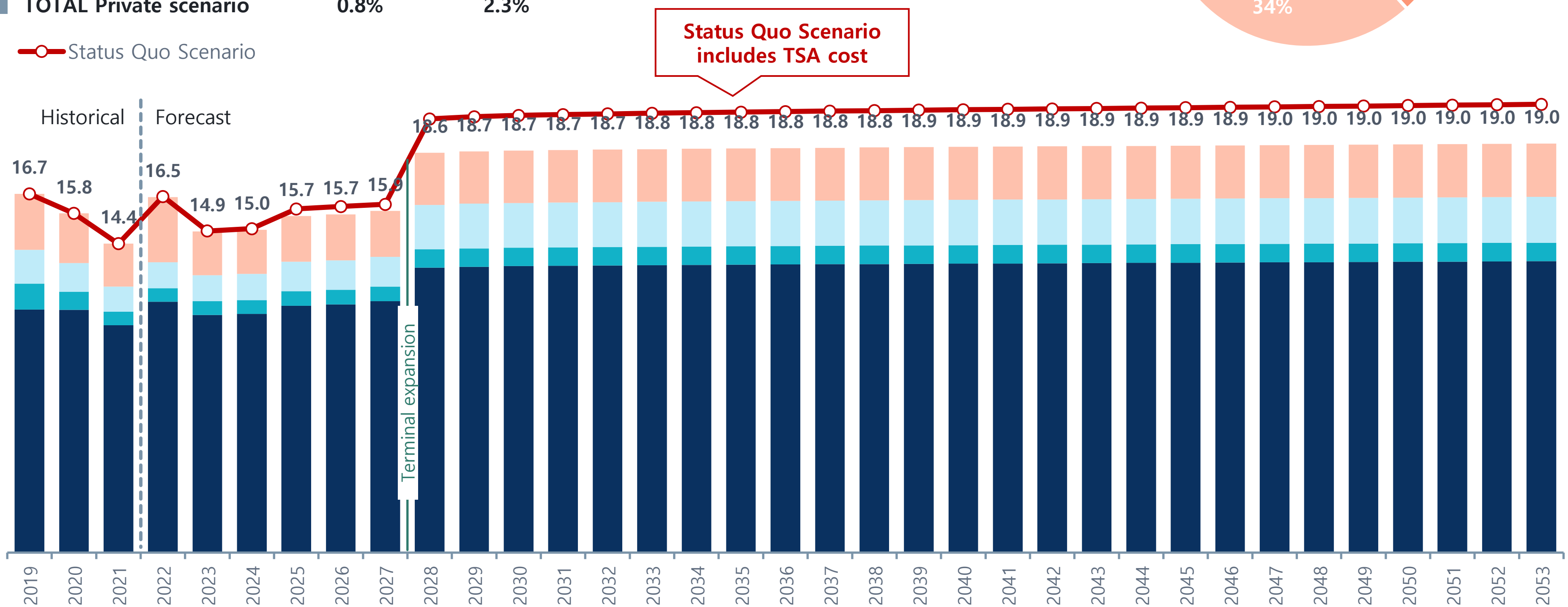
Operating expenses forecast (2019-2053)

MUSD (real, 2021)

	2023-2053 %CAGR	2023-2033 %CAGR
Personnel	0.7%	1.9%
Maintenance	1.0%	3.0%
Utilities	1.9%	5.6%
Other	0.7%	1.8%
TOTAL Private scenario	**0.8%**	**2.3%**

Status Quo Scenario



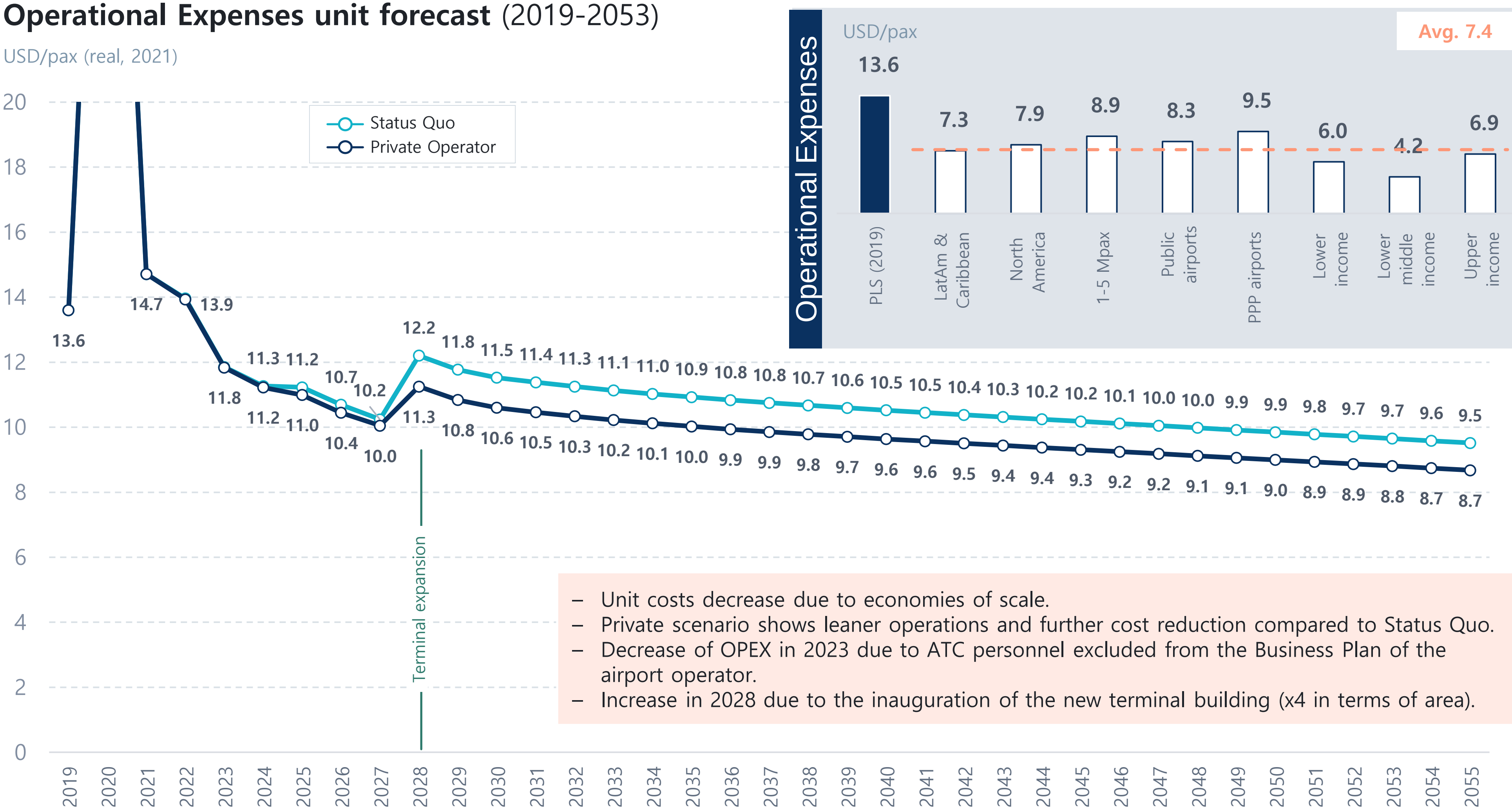


Source: Data Room, ALG Analysis

Operational Expenses: unit costs are significantly above benchmark, but they are forecasted to decrease steadily to 8.7 USD/pax (Private Operator scenario)

Operational Expenses unit forecast (2019-2053)

USD/pax (real, 2021)



- Unit costs decrease due to economies of scale.
- Private scenario shows leaner operations and further cost reduction compared to Status Quo.
- Decrease of OPEX in 2023 due to ATC personnel excluded from the Business Plan of the airport operator.
- Increase in 2028 due to the inauguration of the new terminal building (x4 in terms of area).

Source: Data Room, ACI Airport Key Performance Indicators 2020, ALG Analysis

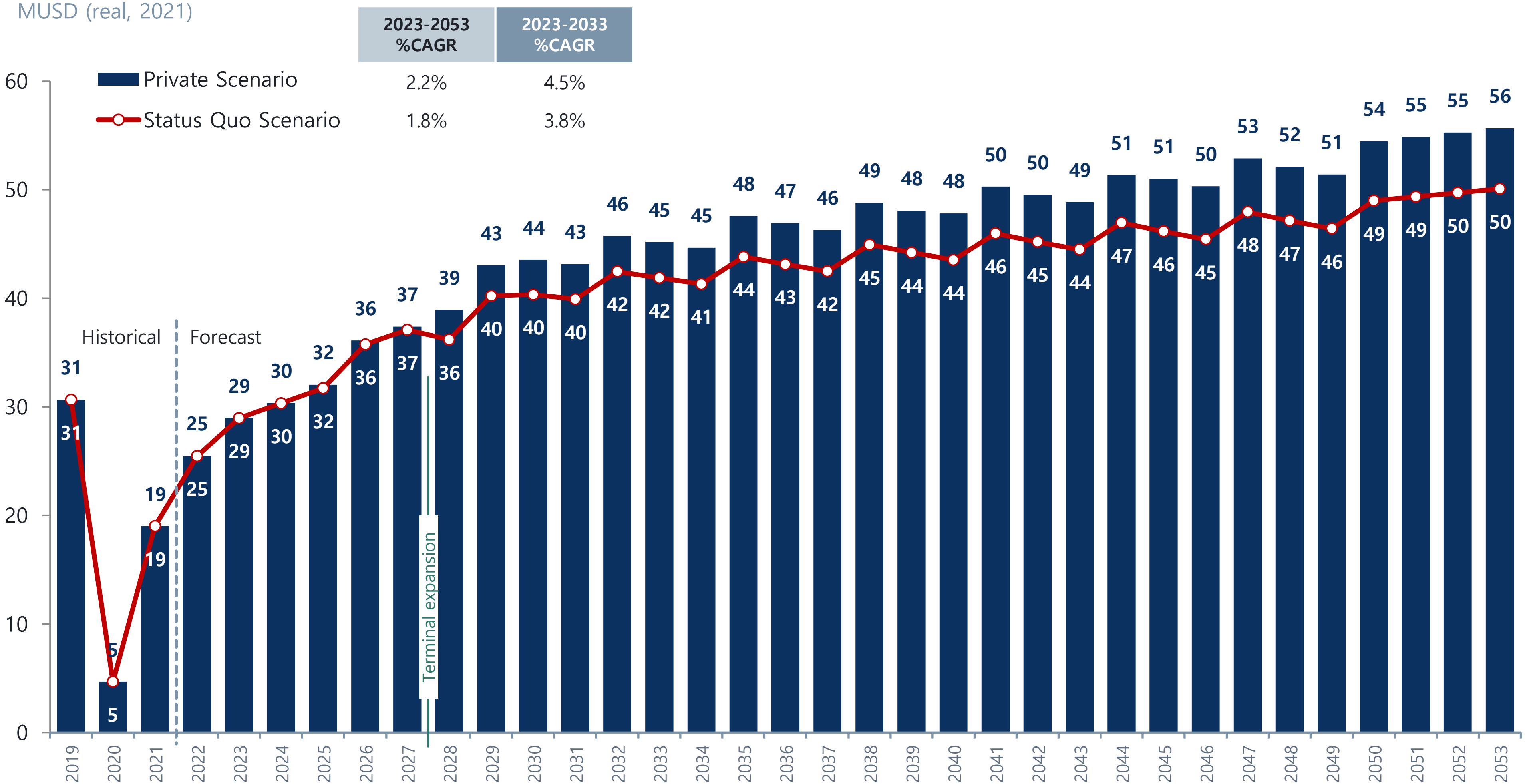
ALG

CHAPTER 5

ALG projects EBITDA to grow at a CAGR of 2.2% between 2023 and 2053, reaching ~56 MUSD in the Private scenario and ~50 MUSD for an Status Quo

EBITDA forecast (2019-2053)

MUSD (real, 2021)



Source: Data Room, ALG Analysis

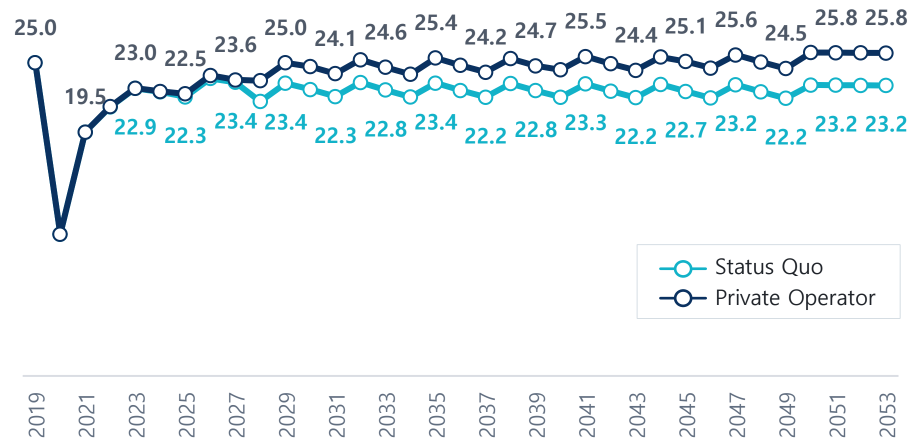
ALG

EBITDA per pax is forecasted to be ~25 USD/pax and EBITDA margin will be between 70-75%, both being significantly above international benchmarks

EBITDA ratios forecast

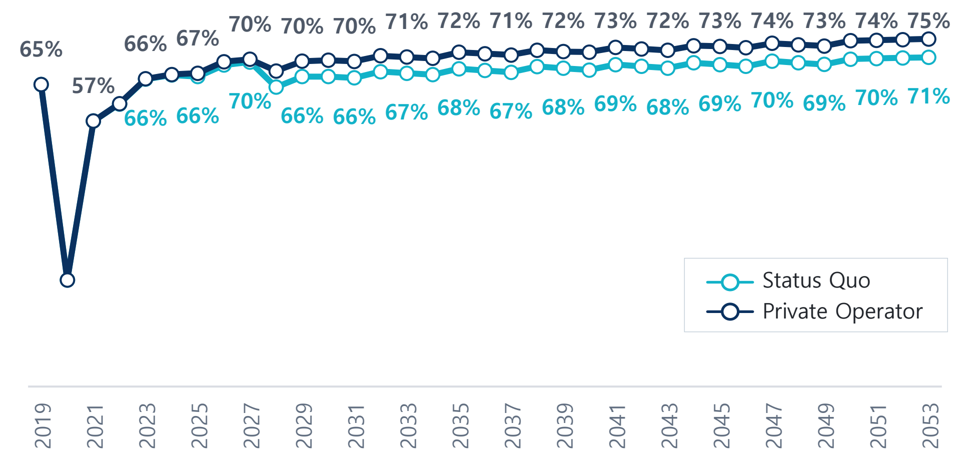
EBITDA per pax

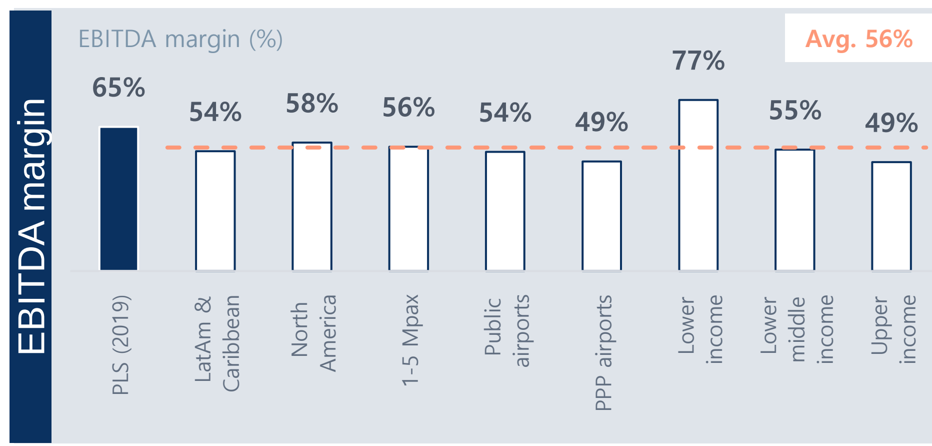
USD/pax (real, 2021)



Projection of EBITDA margin

% (real, 2021)





Source: Data Room, ACI Airport Key Performance Indicators 2020, ALG Analysis

Summary of main results

- The **Business Plan** estimates PLS can reach an **EBITDA of ~56 MUSD** in the long term, implying an **operating margin of 75%.**
  - Aeronautical revenues: The current charges structure is considered, and some proposals have been included:
    - An update mechanism for fees and charges is introduced: every 3 years charges to be updated with cumulative CPI.
    - New charge for domestic passengers (5 USD/departing pax), excluding TCI nationals.
    - New charge to recover the costs of operation of the 4 boarding bridges planned in the new terminal.
    - Aeronautical fees & charges are regulated by the Government so in order to implement the changes proposed or any other modification a change in current Ordinances may be required. Economic regulation needs to be clear.
    - Unit revenues estimated to reach ~27 USD/pax in the long term (from 33 USD/pax in 2019), driven by a change in aircraft mix (smaller aircrafts)
  - Non-Aeronautical revenues: based on the site visit, the airport does focus on commercial activities. With the opening of the new terminal building, a potential for commercial development arises. The infrastructure planned reserves a space for commercial tenants (Duty Free, Retail, F&B, etc.) and the potential of each revenue stream is estimated based on historical values in PLS and benchmarks.
    - Unit revenues estimated to reach ~8 USD/pax in the long term (from 5.8 USD/pax in 2019).
    - Non aeronautical revenues will represent ~23% of the airport total revenues in the long term.
  - Operating expenses: initial values seem higher than benchmarks, specially for personnel costs (>66% of OPEX), given that the airport has most of the personnel in-house and does not outsource non-core activities (e.g., cleaning, security, ARFF, etc.).
    - The Business Plan does not consider any changes in the outsourcing strategy and uses elasticity to traffic and terminal area growth.
    - ATC personnel (and related revenue streams) have been excluded from 2023 given the recommendation to separate functions.
    - Projected values suggest the OPEX/pax could decrease to ~9 USD/pax in the long term (from 13.6 USD/pax In 2019).
- In the case **TCIAA continues operating the airport**, could reach **EBITDA of ~50 MUSD in the long term**, implying a **margin of 70%.**
  - This case assumes that commercial development would not be as much as in the case of a private operator was involved.
  - Also, assumes that cost saving initiatives would not be as much as in the case of a private operation enters in the airport.
  - No changes in traffic (and consequently aeronautical revenues) are foreseen.
- The proposal is based on industry best practices. The objective is to offer an adequate level of **Return On Equity** (ROE) for both the airport operator and the Government, taking into account the investments and costs. Sensitivity with the Financial will help to fine tune the proposal.

ALG