



Public Private Partnership for the Grantley Adams International Airport

Project Teaser

November 2019



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This marketing document (hereinafter referred to as the “Document”) is being issued on behalf of Grantley Adams International Airport Inc. (“GAIA Inc.”) to the recipient solely to present the proposed Public Private Partnership for the Grantley Adams International Airport (“GAIA” or “the Airport”) as a business opportunity and to obtain the recipient’s preliminary assessment and feedback and an initial indication of the recipient’s level of interest in participating in the transaction.

The comments and feedback obtained will assist GAIA Inc. in deciding how to structure the potential transaction going forward by ensuring that the requirements of prospective investors have been duly considered.

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In all cases, interested parties should conduct their own investigation and analysis of the information set forth in this Document.

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The Investment Opportunity

Grantley Adams International Airport Inc. is considering options to expand and develop GAIA through a PPP model

Background



Operating Hours: H24

Elevation	51.5 m (THR09)
Temperature	29°C
AD Reference code	4E
Nav aids	VOR/DME, PAPI, ILS CAT I (RWY 09)

Grantley Adams International Airport Inc. (“**GAIA Inc.**”) has initiated the process of implementing a Public Private Partnership (“**PPP**”) to identify a private sector operator with proven experience in the aviation sector to finance, develop, operate and maintain the Grantley Adams International Airport (“**GAIA**” or the “**Airport**”) under a long-term concession contract (“**Transaction**”)

To this end, GAIA Inc. is seeking to identify an investor to:

- Improve and expand GAIA’s infrastructure to satisfy current and expected demand
- Ensure compliance with IATA’s Optimum level of service and provide a passenger experience in line with international industry best practices
- Consolidate GAIA’s position as the choice airport for interconnectivity within the Eastern Caribbean Region
- Bring in the financing capacity, technical knowledge and operational efficiency from a reputed worldwide expert airport operator

GAIA is the sole airport in Barbados serving the island, acting also as a regional gateway to other destinations in the Eastern Caribbean/Lesser Antilles islands

GAIA Inc. is committed to achieve timely and successful closure of the Transaction, which considers 2021 as the initial year of the Concession Period

This project is of strategic relevance to the strong growth trajectory for Barbados’ economy which is heavily reliant on the tourism sector, which has recorded three (3) consecutive years growth in tourist arrivals, with planned increases in hotel rooms stock

Interested investors and operators are invited to share their comments and opinions on the investment opportunity, potential issues concerning the attractiveness of the process, required conditions to ensure the project’s feasibility and any other feedback considered relevant in the investors’ view. This feedback will be used to gauge market appetite for the Transaction, which will assist GAIA Inc. and its advisors in structuring and implementing a viable project

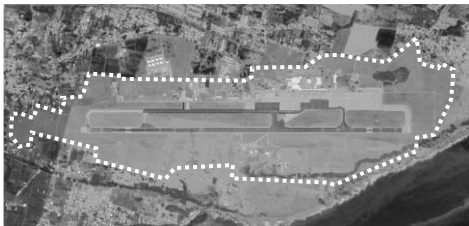
GAIA is positioned as one of the Eastern Caribbean's most relevant airports

The project presents an attractive investment opportunity, taking into consideration that:



- Barbados is a top Caribbean destination and one of the relevant gateways to the Lesser Antilles archipelago
- Registered over 2.2 million passengers in 2018, the airport had a steady growth in the past decade, and is expected to double its passenger throughput by 2050
- The airport's current airfield infrastructure presents almost no restrictions to the operation of any aircraft type. The airfield infrastructure is capable of serving ICAO Code F aircraft: (including a new Code F stand to be completed soon)
- GAIA Inc. undertook a major terminal expansion completed in 2006, which included the transformation from a single terminal building expanding both departures and arrivals areas. GAIA is designed for processing up to 1,600 passengers in the peak hour at both departures and arrivals
- There are three traffic segments: international, cruise and regional passengers each of them with dedicated boarding areas. 64% of GAIA's passengers are international, regional passengers represent the 23%. The remaining 13% are cruise passengers
- There is an upside potential to drive the growth of commercial revenues through an expansion and complete reconfiguration of the terminal's retail areas
- GAIA also has a commercial asset in the form of the Concorde Experience: consisting of the display of one of the eighteen units of the legendary aircraft
- The GAIA PPP project has strong support of the Government of Barbados. The airport is one of the country's most relevant assets and a key enabler of the country's economic and social development
- The project envisages a preliminary total capital investment of approximately USD 125 million over a period of 30 years, with USD ca. 50 million as mandatory investment in the first 4 years of the concession
- Based on expected traffic growth and with a relatively low level of investment requirements, under an experienced operator GAIA is deemed to be an interesting investment opportunity with significant potential

GAIA perimeter

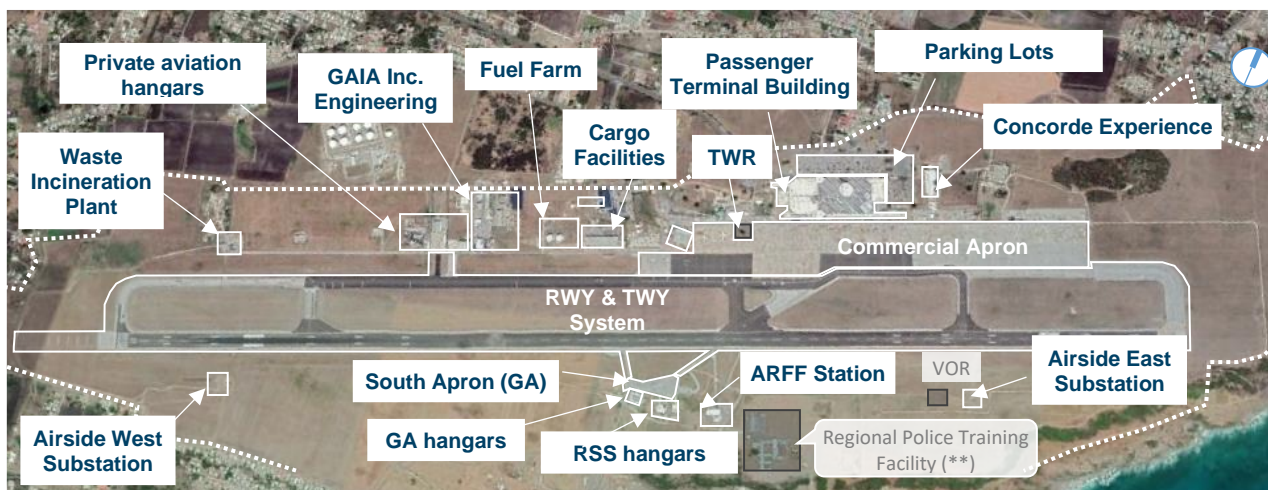


Other relevant facilities

- **Cargo facilities:** 5,700 m²
 - **Fuel Farm facilities:** 16,000 m²
 - **Engineering site:** 20,000 m²
 - **Incinerator site:** 2,900 m²
 - **Concorde Experience:** 2,700 m²
 - **South (GA) apron:** 24 stands - 7,000 m²
 - **GA hangars:** 1,400 m²
 - **RSS hangars:** 1,200 m²
 - **ARFF Station:** 1,300 m²
 - **East & West Substations:** 270 m²
- **GAIA's land covers an area of 370 hectares**, well delimited by a complete perimeter fence
 - **The runway is East-West oriented (09/27), 3,358 m long, 45 m wide and asphalt paved**, except for the area of THR 27, built with concrete slabs. Over 90% of operations use RWY 09
 - **With a full parallel taxiway, the runway capacity is of 33 ATM/hr.** All taxiways are ≥23 m wide
 - **The commercial apron** of approximately 190,000 m² accommodates 22 aircraft parking positions, including **13 code D and 9 code E aircraft and 12 A-B-B+ stands**
 - The **Passenger Terminal Building** encloses an area of approximately 39,000 m² with the passenger flow on a single-level. The departure building includes GAIA and airline offices as well as the VIP lounge on a second level
 - **Public Vehicle Parking Lot** is located in front of the terminal and has a capacity for up to 550 spaces. Further parking facilities available for taxis, tour buses and airport staff (different locations, totalling ca. 600 spaces additional to the public vehicle parking)
 - The Control Tower and ANS service building is a standalone structure located on the western side of the commercial apron, between the Passenger and the Cargo Terminals (ANS to remain outside of the scope of the project)

Main facilities under the GAIA PPP scope

(**) The Regional Police Training Facility land is not part of the lands leased to GAIA Inc.





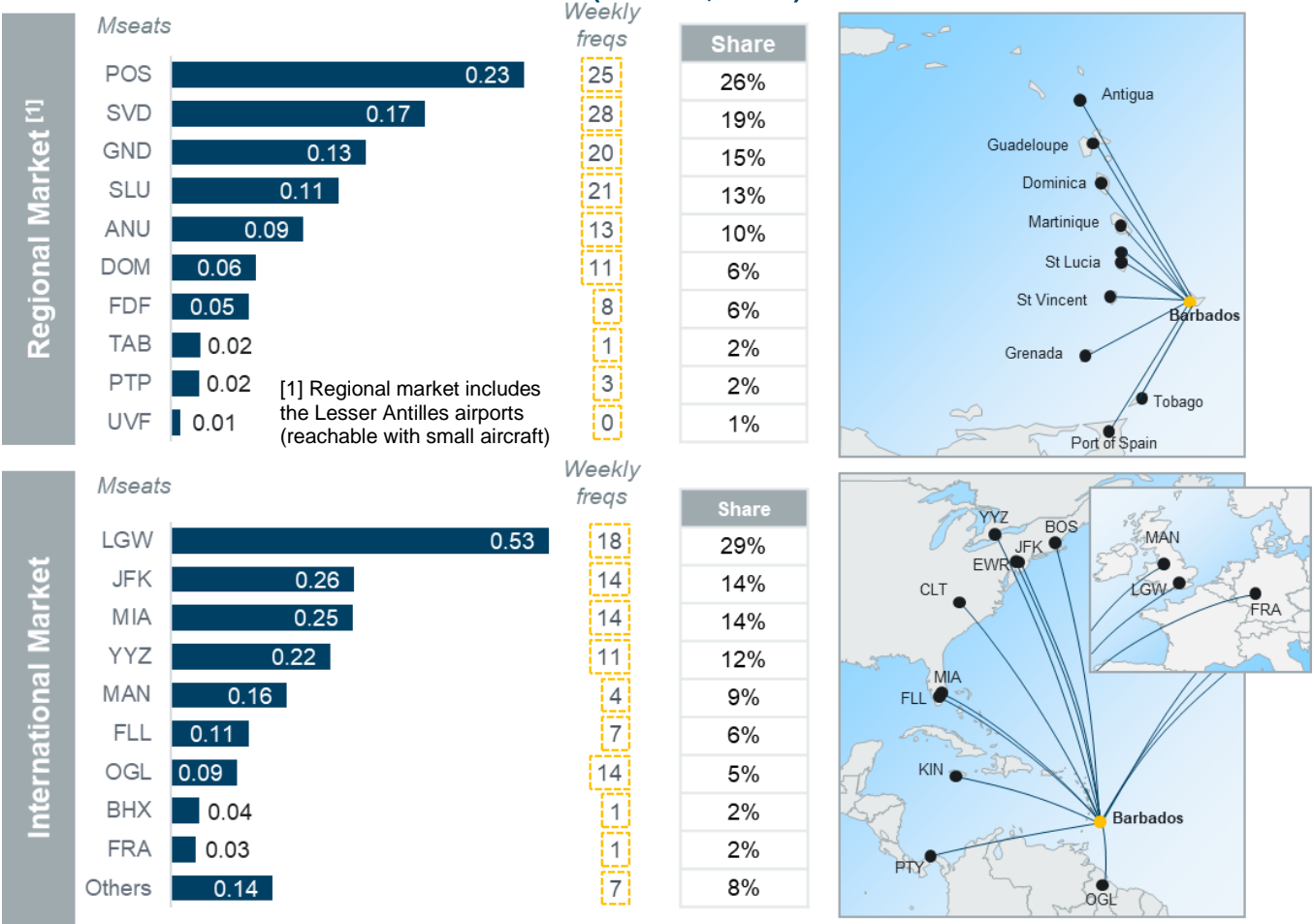
GAIA Overview

North American and European markets have driven GAIA's growth during the last decade

Passenger Traffic

- Traffic at the airport has seen steady growth during the past years, at +1.4% CAGR between 2009 and 2018, following Barbados and the region's tourism and macroeconomic trends
- GAIA serves the Caribbean regional market mainly by LIAT while in the North American market is served by jetBlue, American Airlines, Air Canada and Westjet. The European market is mainly attended by Virgin Atlantic, British Airways, Condor and Lufthansa. COPA provides a link to Central America. 95% of GAIA's passengers are O&D, only 5% of the passengers are connecting at the airport. The connecting traffic is mainly between international destination and Caribbean islands (59%) followed by connections between the islands (32%)

Markets and destinations offer at GAIA (Mseats, 2018)



Source: OAG, FlightRadar24; Technical consultant analysis

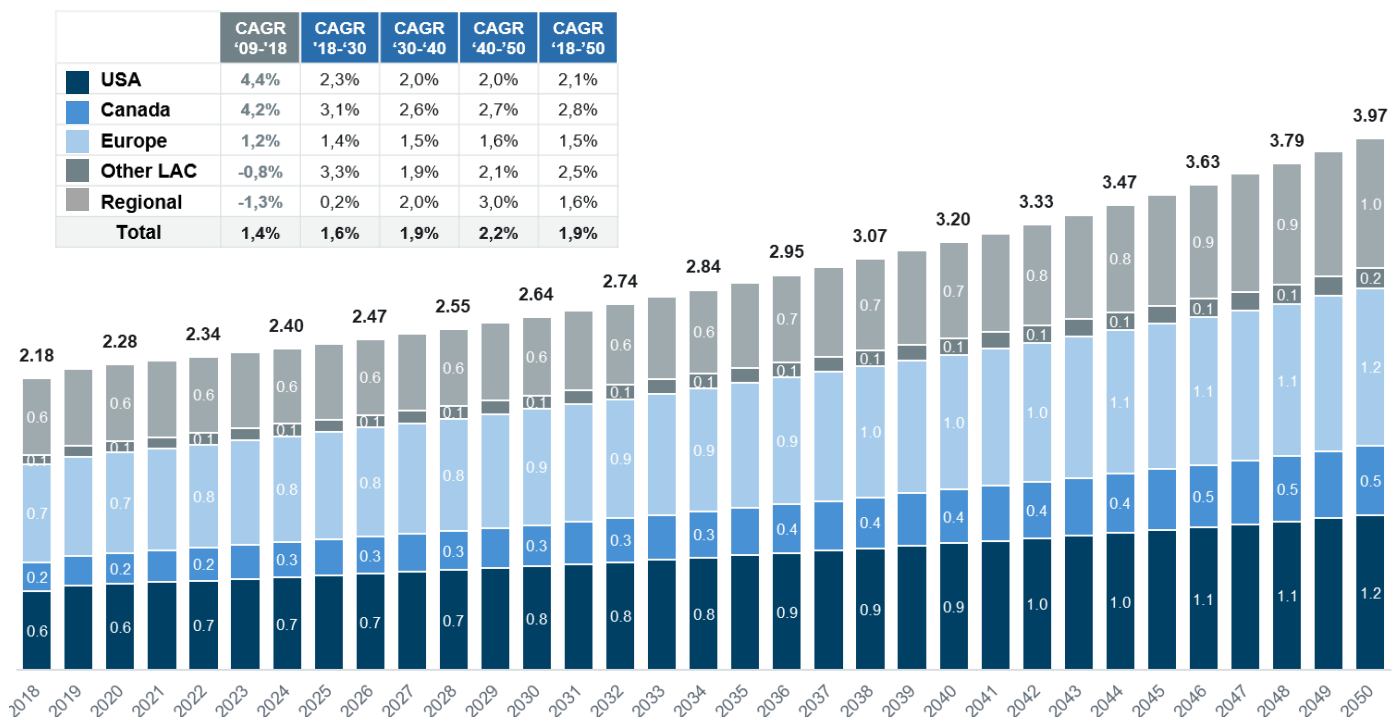
Public Private Partnership for the Grantley Adams International Airport

Passenger traffic estimated to grow at 1.9% CAGR over the next 30 years, reaching about 4 million passengers in 2050

The future traffic development for GAIA is based in long-haul markets where potential still exists for further increase (US, Canada and UK / European tourism markets) and three potential upside opportunities being:

- The development of strong airline competition in the Caribbean alongside economic development, thereby enhancing BGI's position within the Regional market (as the main regional hub)
- Further connectivity with other hubs to feed airline networks
- Development of new potential markets (mainly in Latin America market) supported by incentives

GAIA traffic projections by markets (Mpax, 2018-2050)



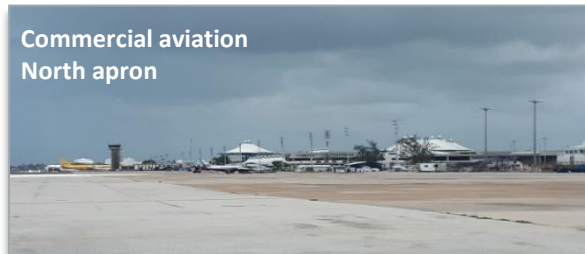
- In 2018, aircraft movements reached 26,700 commercial ATMs (33,300 ATMs considering cargo and general aviation movements). The commercial aircraft movements are forecasted to grow at +1.4% CAGR during 2018-2050 period to reach nearly 42,000 commercial ATMs by 2050. This estimation is based on passenger per ATM evolution considering fleet orders
- General aviation represented 12% of total ATMs in 2018, with an average of 4 passengers per ATM. GAIA's General Aviation is reliant mostly on private or corporate jets that are processed in the South area of the airport (South apron and GA hangars). It is expected the GA operation share remains constant in the future
- Cargo at GAIA is mainly imports, with more than 66% of the cargo handled being import products
- Currently all air cargo is equally distributed between belly and full freighter operations (with 2.5 operations per day). An increase of the full freighter movements is expected once the cargo area is expanded reaching 5 operations per day in 2050

GAIA possesses well maintained airfield, building, fixtures and fittings

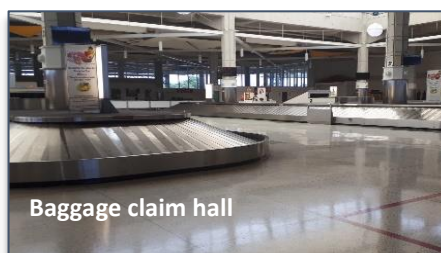
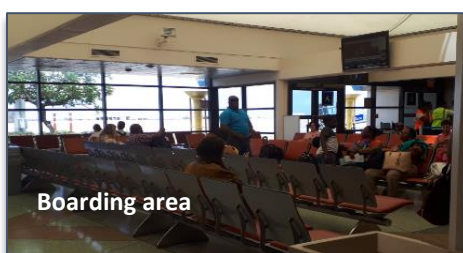
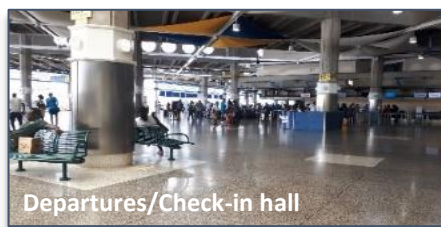
Infrastructure

- GAIA represents an excellent opportunity for an investor to acquire a well maintained and modern airport facility which has undergone substantial expansion and redevelopment
- GAIA's airfield meets the majority of ICAO SARPs, with minor issues requiring attention in the short term. The **majority of the deviations from ICAO's Annex 14 SARPs provisions are related to recommendations** and not to standards. The relevant **issues** are in the process of being **resolved by ongoing works of re-pavement and grading of the surfaces** of the runway and other different airfield and apron elements
- Major capital investment for the concession in the first 4 years of the project would include:
 - Terminal - reorganization of the Terminal security check point, expansion works at boarding areas, including 3 boarding bridges, solution to the potential clashing arrival and departure flows, provision of 4 additional control counters (manned positions), the provision of a new Airport Operations Centre, the implementation of a climate controlled solution to improve workers conditions at check-in counters as well as a solution to improve floor grip along main circulation adjacent to the Terminal building
 - Other facilities - the relocation of ramp ops offices, improved space for airport employees, a new Incinerator facility with co-generation plant and the full refurbishment of the TWR building and ANS service building (not including ATC equipment or provision of service)
- Additional expansions (Arrival areas and an additional code E aircraft stand) could be triggered by demand: whenever the level of arriving PHP surpasses 1,900 passengers per hour

Airfield



Terminal buildings



GAIA represents an attractive investment proposition with favourable financial results driven by solid aeronautical revenues and enhancements in commercial opportunities

Financial performance

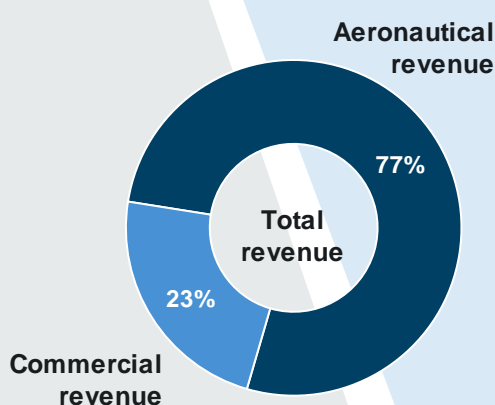
- GAIA represents a combination of steady passenger growth, commercial revenue enhancements and operating expense optimization, with strong potential to improve the profitability of the business, thereby driving EBITDA margins and financial performance
- Aeronautical revenues** accounted for 77% of the total GAIA's revenues in 2018
- Total aeronautical revenues have grown at an average annual rate of 6.0% over the last 4 years, reaching USD 30m in 2018 mainly driven by the passenger service fee, which accounts for ~74% of total regulated revenues
- GAIA's incentive program includes discounts on landing fees for new routes. Additionally, Barbados Tourism Marketing Inc. provides support through marketing incentives and minimum revenue per flight guarantee to airlines
- Total **commercial revenues** have grown at an average annual rate of 3.0% over the last 4 years, reaching USD 9m in 2018. Commercial revenues are driven by duty free sales, that accounts for ~55% of total non-aeronautical revenues, followed by sales of Food & Beverage
- Specific commercial revenue enhancement opportunities could be driven by the increase of the commercial areas, reconfiguration of the retail areas, the improvement of the product mix upgrade as well as the renegotiation of contracts
- Total **operational expenditures** have grown at an average annual rate of 3.5% over the last 4 years, reaching USD 23m in 2018. The most significant cost stream is employment expenses representing ~43% of total costs (GAIA currently has 489 employees and a low level of outsourcing services). Unit cost has decreased at an annual rate of -4.4% from 2015 to 2018
- Future improvements to operational expenditures could be driven by contract re-tendering, improved procurement processes and purchasing goods and services (economies of scale, world experience, relation with suppliers) as well as innovation

GAIA Inc. current revenue performance

Commercial Revenues

Non-Aeronautical revenues

- Duty free
- Duty paid / retail
- Food and Beverage
- Car rental
- Car parking
- Advertising
- Offices & Lounges



Aeronautical Revenues




- Regulated fees and charges aimed to cover the use and maintenance of airport facilities related costs
- Passenger related fares**
 - Passenger Service Charge
 - Security Charge
 - Terminal Charge
- Aircraft related fares**
 - Landing Charge
 - Parking Charge
 - Fuel

Legal and Regulatory Framework

Barbados institutional framework

- Barbados is a signatory of the International Civil Aviation Organisation (ICAO) and as such adopts all SARPs
- The implementation of aviation policy resides within the Ministry of Tourism & International Transport
- The Civil Aviation Department is the technical regulator of the sector as well as the provider of air navigation services and the accident investigator. There are plans for the Civil Aviation Department to transition to a Civil Aviation Authority

Key stakeholders

	Ministry of Tourism and International Transport	Aviation policies	<ul style="list-style-type: none"> • Aims to create an environment that provides a high degree of safety and economic viability in respect of the operation of the civil aviation sector, strategically using this sector as a major vehicle for the expansion and further social and economic development of Barbados
	Barbados Civil Aviation Department (BCAD)	Technical regulator / supervisor	<ul style="list-style-type: none"> • It is the agency charged with ensuring the safety, security, efficiency and regularity of International Air Transport in the country • The agency seeks to follow and enforce the standards and recommended practices developed by ICAO in the best interest of international aviation <ul style="list-style-type: none"> - Air Traffic Services including equipment - Air Navigation facilities, Visual Ground Aids and Airport lighting - Aircraft registration and airworthiness - Aircraft operation and certification - Flight Safety and Inspections - Aircraft Accident/Incident prevention and/or Investigation - Air Navigation and related regulations
		Operations - ATC	
		Accident investigation	
	GAIA Inc.	Airport Operations	<ul style="list-style-type: none"> • GAIA Inc. is fully responsible for managing the commercial and day to day operations of the airport • GAIA Inc. is a private company incorporated in 1998 under the Company's Act, and fully owned by the Government of Barbados

Highly liberalized legal framework to facilitate structuring and implementation of a PPP in Barbados

Legal framework

- There is a high degree of liberalisation with the markets of origin for tourists to the Caribbean. Barbados has “De facto” Open Skies agreements with US, Canada and Europe
- The Intra-Caribbean market is regulated by the 1996 CARICOM Multilateral Air Services Agreement which grants 3rd, 4th and 5th freedoms between Member States
- There is currently no PPP legislation in Barbados. The project will thus rely on international best practices for PPPs to select the private operator. The Barbados legal framework allows the flexibility to implement a competitive and transparent tender process for the selection of the private operator
- The Airport Site was leased by the Crown to GAIA Inc. The Lease between the Crown and GAIA Inc. is for a term of seventy-five (75) years starting 1st of January 2008 and ending 31st of December 2082
- GAIA Inc., as current operator of the Airport, will be the counterparty to the private operator under the PPP contract
- Under the PPP contract, the private operator will finance, expand, upgrade and operate the airport, collecting airport fees and charges and non-aeronautical revenues. The Airport Service Charge is not part of this Transaction and will be collected by GAIA Inc. on behalf of the Government
- Fees and charges for the project will be regulated by contract, where the starting level and a clear mechanism for the review process will be included as part of the concession agreement
- Existing contracts entered into by GAIA Inc. for the operation of the Airport will be transferred to the private operator
- GAIA Inc. is staffed by four hundred and eighty-nine (489) employees. The non-management workers of GAIA Inc. are members of either the National Union of Public Workers (NUPW) or the Unity Trade Union.
- The Civil Aviation Act requires that anyone who wishes to operate an aerodrome applies for an aerodrome certificate. In this regard, the new investor will have to hold an Aerodrome Operator Certificate in its name.

Barbados is an attractive investment destination with positively trending economic indicators

Economic Outlook

- Barbados occupies an area of 430 square kilometers and has a population of 293,131 (July 2018 estimate). The island gained full independence from Britain in 1966. To date, the country is still a member of the Commonwealth group of countries. The capital city of Barbados is Bridgetown
- Barbados conducts a parliamentary democracy and has a Constitutional monarchy with elections held every five years. The Honourable Miss Mia Amor Mottley, Q.C., M.P is the current Prime Minister (since May 24, 2018)
- Backed by a large parliamentary majority, the Government will continue to implement fiscal and structural reforms in order to ensure the long-term sustainability of Barbados's public finances
- Barbados entered a 48-month, USD 290 million extended fund facility (EFF) with the IMF in October 2018. The Inter-American Development Bank and the Caribbean Development Bank will provide additional financial support
- Numerous fiscal measures are being put in place to widen the primary surplus from 3.5% of GDP in 2019 to 6.0% in 2020. The Economist Intelligence Unit (EIU) expects public debt to remain very high in 2019, at 122% of GDP, but it is trending downwards

Macro Variable	Actual				Forecasts			
	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
Real GDP (% change)	2.27	-0.17	-0.50	-0.10	0.60	1.50	1.84	1.84
Inflation (% change)	3.83	6.57	0.00	1.45	2.30	2.37	2.32	2.36

Source: IMF World Economic Outlook

- GDP is expected to grow by 0.6% in 2020, following a growth contraction of 0.5% in 2018 and 0.1% in 2019. Manufacturing and financial services will make a positive contribution, but the recovery will be driven by tourism
- Tourism, together with other hospitality services, is the best-performing sector. Barbados has substantially grown its tourism product recording 3 consecutive years growth in tourist arrivals. Investment in tourism is expected to drive an expansion in construction and exports of goods and services
- The economy is expected to pick up as new infrastructure and hotel projects advance, and external conditions improve. Fiscal consolidation efforts will limit the government's current and capital spending
- Economic assistance from the IMF will give the administration more leeway to soften the impact of austerity measures. Efforts are put in place to support infrastructure investment in tourism, with USD 1 billion projected for hotel investment in the medium term, creating almost 5,000 jobs
- Barbados is heavily dependent on external demand, particularly from the US, the UK and, increasingly, Latin America. The tourism sector alone directly accounts for over 12% of GDP and represents as much as 40% of GDP indirectly, if spill over into real estate, construction and retail is counted

- Growth in tourism will continue as hotel, port and airlift capacity increases and Barbados retains some advantages over regional competitors, such as a reputation for safety and high-quality services
- Barbados boasts the lowest OECD-compliant corporation taxes in the world. Corporation tax rates have been slashed from 30% to just 1% for profits in excess of \$30m, 2.5% for incomes between \$20m and \$30m, 3.0% for incomes between \$1m and \$20m and 5.5% for incomes below \$1m. There are allowances for capital expenditure, training and research costs which cannot exceed all taxable income in any one year but can be carried forward for 20 years
- Investments which bring in net generation of foreign exchange or employment will receive approval for exemption from all duties for goods imported for construction. In return for a speedy approval in five days and expedited transfer out of the port of entry, applicants will need to show that the goods are being used in the investment, or face a removal of the exemption and fines

The Transaction Timeline

GAIA Inc. is seeking the feedback of the private sector in connection with regards to the tendering of a Public Private Partnership for GAIA. GAIA Inc. has engaged the IFC to advise on the structuring and execution of the Transaction. Currently, GAIA Inc. and its advisors are undertaking studies with the objective of identifying a viable and attractive transaction structure

We look forward to receiving your preliminary indication of interest, as well as discuss any areas of concern that you may have

An indicative transaction timetable is presented below:

Date ⁽¹⁾	Milestone
January 6, 2020	<i>Issue Request for Qualification and Information Memorandum</i>
January 31, 2020	<i>Receive answers to RFQ</i>
February 7, 2020	<i>Selection and announcement of prequalified bidders</i>
February 10, 2020	<i>Issuance of the RFP and Draft Concession Agreement</i>
February 10 - May 15, 2020	<i>Site visits and bidders conference</i>
May 18, 2020	<i>Issuance of Final Bid Documents</i>
June 15, 2020	<i>Bid Submission</i>
July 31, 2020	<i>Commercial Closing</i>
January 31, 2021	<i>Financial Closing</i>

⁽¹⁾ Subject to changes: GAIA Inc. reserves the right to cancel, change or amend this process at its discretion

For further information or to discuss this potential opportunity in more detail please contact:

Terry Layne

CEO

GAIA Inc.

T : + 1 (246)-536-1315

E : tlayne@gaiainc.bb

Michelle Ottey

Transaction Lead

IFC Advisory Services in Public Private Partnerships

Latin America and Caribbean Department

T : +1 (202) 473-1656

E : mottey@ifc.org

Elona Cela

Investment Officer

IFC Advisory Services in Public Private Partnerships

Latin America and Caribbean Department

T : +1 (202) 458-9107

E : ecela@ifc.org