Memorandum

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To: Honorable Daniella Levine Cava, Mayor, Miami-Dade County
Honorable Chairman Jose "Pepe" Diaz, Chairman
and Members, Board of County Commissioners

From: Felix Jimenez, Inspector General

Date: November 9, 2021

Subject: Chairman's Council on Policy Meeting of November 10, 2021, Agenda Items 3A and 3B, Resolutions Relating to Financial Relief at Miami International Airport Due to the Effects of COVID-19; Ref. IG21-0014-O

By way of this memorandum, the Office of the Inspector General (OIG) shares with you our specific concerns relating to Items 3A and 3B on Wednesday's agenda. As part of this Council on Policy's consideration of these measures, we ask that you 1) address the unique circumstances involving three concessions eligible for the proposed programmatic extensions found in Item 3B; and 2) reconsider the proposed elimination of the competitive pricing requirements found in Items 3A and 3B.

The OIG recognizes the concessionaires at Miami International Airport (MIA) have experienced a decline in business opportunities due to the well-documented reduction in domestic and international air travel during the COVID-19 pandemic. In response, the Board of County Commissioners (BCC) has not hesitated to remediate the obvious economic impacts associated with the precipitous drop in passenger traffic at MIA. Beginning on April 7, 2020, the BCC adopted a series of resolutions to provide relief to the concessionaires at MIA (R-322-20; R-749-20; R-1254-20; R-379-21; R-753-21; and R-848-21). Relief has taken various forms, including monetary relief; deferral of rents; and the waiver of Minimum Annual Guarantees (MAGs), rents and related fees. As the crisis stage of the pandemic is now passing, before adopting the proposed long-term economic relief for the airport concessionaires, we ask that you consider the automatic extensions granted to concessionaires whose agreements have since expired and are currently on a month-to-month arrangement and the proposed elimination of competitive requirements.

Programmatic Extensions

The proposal to extend the time of concession agreements is staggered from the end of the tolling period (March 1, 2020, to December 31, 2021) based on the expiration date of the agreements. For those expiring on or prior to September 13, 2024, terms are extended by two years; for those expiring after September 13, 2024, but on or before October 21, 2025, the term is extended by one year; for agreements expiring after October 21, 2025, no additional years are added. For agreements currently on a month-to-month term—there are 16 of them—there will be a 4-year extension when the tolling period ends. Most of the month-to-month concessions are in the Central and South Terminals, in areas identified for capital improvements. The OIG has concerns with three of the 16 concessions currently being extended on a month-to-month basis. We ask that you consider these concessions separately, case-by-case, before approving the contract extensions to December 31, 2025.

- Safe Wrap of Florida JV, LLC has received month-to-month extensions since its term expired in April of 2021. As proposed, the agreement with Safe Wrap of Florida will be extended until December 31, 2025. The majority owner of this joint venture is Trawell, an Italian firm. It has been reported that TraWell transferred substantial stock ownership to its local partner, Safe Wrap, based on a commitment to extend this agreement until March of 2027. The OIG is alerting the BCC to this reported "commitment" by the local partners so that the record can be clear that any programmatic extension to December 31, 2025, if approved, is independent and unrelated to the pledged extension to March of 2027 referenced in the attached publication. (Attachment 1)

- Communitel, Inc. was awarded a contract for 20 automated teller machines (ATMs) at MIA on June 1, 2007, with a four-year term and one option-to-renew year. The original contract expired on June 30, 2012. Communitel, Inc. has been on a month-to-month extension for over nine years. The most recent version of a procurement process for ATMs was advertised on June 30, 2016; it has been under the Cone of Silence for more than 1,100 days. If the BCCd chooses to extend the incumbent vendor's concession agreement until December 31, 2025, a directive to terminate RFP MDAD-14-14 should be considered.

- Smarte Carte, Inc. has received month-to-month extensions since its agreement expired in September of 2019. A procurement for luggage cart services was advertised on March 20, 2020. This active procurement has been under the Cone of Silence for over 600 days. The selection committee has evaluated bids, heard oral presentations, and submitted its recommendation to negotiate with the two responding firms. If the BCC approves this relief program in its present form and extends the incumbent vendor's concession agreement until December 31, 2025, a directive to terminate RFP-01222 should be considered.

Competitive Pricing

For the past 20 years, MIA has incorporated a "Competitive Pricing" policy to protect the traveling public and thousands of local employees who work at MIA from unfair pricing of products and services. As proposed, Items 3A and 3B end this program. The purpose of the policy was to make the airport a "more passenger friendly" airport. At present, a "market basket pricing" provision is incorporated in every agreement pursuant to the

Standards of Operations for Retail,[1] Food and Beverage[2] and Services Concessions.[3] As an example, the following is an excerpt from a current food and beverage agreement:[4]

> *5.02 MARKET BASKET PRICING POLICY: The Department has instituted a Market Basket pricing policy to ensure that Airport prices are comparable to retail in the Miami Dade County, Florida area to reinforce the objective of making the Airport a more "passenger friendly" airport…*

This policy not only safeguards the traveling public from having a negative experience at MIA, the market pricing policy also protects the thousands of contractors, maintenance workers, and public employees (U.S. Department of Homeland Security and County employees) who must remain on site for meals and beverages. Currently, the Food & Beverage, Retail and Services Concessions must set prices within 10% of the average market basket pricing; the Tax and Duty-Free Concessions must set their prices within 15% of the average market basket pricing (See *Table 4. Business Terms* in Agenda Items 3A and 3B). To establish the acceptable price ranges, MDAD conducts annual price checks at Miami-Dade County retail sites on comparable goods and services.

The current financial relief proposal will modify every concession agreement at MIA and eliminate the provisions for Market Basket Pricing. By doing so, the flying public and workforce at MIA may be subjected to prices well above the average price of products and services available outside the airport. Ending this long-standing policy will only provide economic relief to concessionaires if they charge higher prices. Such results would seem to undermine the historic objective of making MIA a more "passenger friendly" airport. We strongly recommend that the Market Basket Pricing be preserved. The suggested repeal of this policy should be stricken from both Agenda Item 3A and 3B to maintain the historic posture of the BCC.

Long-Term Financial Impact of Relief Measures

On October 4, 2021, the OIG met with Ralph Cutie, Director, and senior staff of the Miami-Dade Aviation Department (MDAD) to discuss the economic impact of the reduced revenues resulting from the long-term relief measures being contemplated. The revenues from concession agreements account for about 25% of the MDAD annual operating

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[1] https://www.miami-airport.com/library/pdfdoc/Concessions/EXHIBIT%20L-1%20Retail%20Standards%20of%20Operation.pdf

[2] https://www.miami-airport.com/library/pdfdoc/Concessions/EXHIBIT%20L-2%20Foodservice%20Standards%20of%20Operation.pdf

[3] https://www.miami-airport.com/library/pdfdoc/Concessions/EXHIBIT%20L-3%20Services%20Standards%20of%20Operation.pdf

[4] https://www.miamidade.gov/govaction/legistarfiles/MinMatters/Y2013/132127min.pdf

budget.[5] The OIG has been assured by MDAD that the losses incurred to date from the relief provided by the BCC have been offset by the infusion of federal relief funds. The long-term financial impact of the restructured concession agreements for Food and Beverage, Retail, and Services ($13 million), plus the relief to the Duty and Tax-Free Concessions ($4.1 million), equates to an anticipated annual loss of $17.1 million for MDAD.

The OIG has been assured by the professional finance staff of MDAD that this level of revenue shortfall will be overcome by expected growth in concession revenues. As a testament to the resilience of the aviation industry in Miami, several low-cost carriers began service at MIA during the pandemic. MDAD officials are confident the losses are manageable and will not necessitate an increase in landing fees or jeopardize the financing of the Capital Improvement Program. Just yesterday, the United States lifted the travel ban on 33 nations for vaccinated passengers. There is much reason for optimism for a full return of international passenger traffic at MIA soon. The general framework of this COVID-19 relief will certainly facilitate the full recovery for our business partners, even without the removal of the Market Basket Pricing program. We offer these observations on items 3A and 3B for your consideration and trust the Board remains committed to making MIA a “passenger friendly” airport.

Attachment

Cc: Jimmy Morales, Chief Operating Officer
Ralph Cutié, Director, Miami-Dade Aviation Department
Alex Muñoz, Director, Internal Services Department
Cathy Jackson, Director, Audit and Management Services Department
Yinka Majekodunmi, Commission Auditor, Office of the Commission Auditor

[5] See 2020 MDAD Comprehensive Annual Financial Report.

ATTACHMENT

INTESA SANPAOLO

Equity

MID CORPORATE

Company Note

17 June 2021: 13:12 CET
Date and time of production

TraWell

ADD (from HOLD)

Target Price: EUR 11.9 (from EUR 8.3)

Italy/Airport Services
Update

Fresh Cash Resources to Support the Recovery

After a challenging 2020, which saw sales dropping by >60% and net losses topping EUR 12.6M, also due to significant goodwill write-downs, TraWell is ready to rebound and announced a rights issue, which could bring >EUR 30M of new financial resources to the company to finance new acquisitions and the development of new services. Despite the recent share price hike (+35% since the right issue), TraWell remains undervalued: we move to ADD with a new target price of EUR 11.9/share.

FY20 results and capital increase

2020 was a distressing year for air traffic (-76.8% in Italy and -64% worldwide), but TraWell was able to limit EBITDA losses to EUR 1.1M even in front of a sales drop of >60%. However, net result was hit by EUR 8.7M goodwill write-downs, mostly in France where the company lost its concessions in the Paris airports. TraWell also announced a capital increase of EUR 1.9M, currently underway, at EUR 1/share, which implies a discount of >95%. The issue, which is combined with free warrants currently in the money (EUR 8.0 strike price), could bring nearly EUR 30M of additional resources if warrants were to be fully converted.

Outlook and estimates

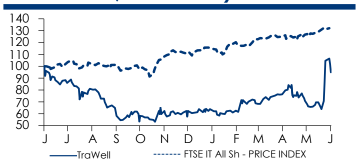
The outlook for air traffic continues to be weak, with a full recovery to the 2019 levels expected only in 2023, according to IATA. In this scenario, we expect a strong sales rebound for TraWell, even if revenues should remain below the 2019 level up to 2024. EBITDA should turn positive already this year, reaching EUR 5M in 2023E. We believe the long-term potential of the company remains intact: TraWell has a diversified airport base (156 selling points in 52 airports), is introducing new promising business lines, and has a strong cost flexibility, as shown by 2020 results.

Valuation

In our view, the current share price does not reflect the market opportunity that wrapping can offer as a sanitation tool and the new business lines, which should be introduced this year while already it discounts the severe crisis of air travel. We set **a new target price of EUR 11.9/share,** which offers >16% upside. Therefore, we **move to ADD (from HOLD).**

AIM

Price Performance
RIC: TWL.MI, BB: TWL IM)



TraWell - Key Data

Price date (market close)	16/06/2021
Target price (EUR)	11.9
Target upside (%)	16.10
Market price (EUR)	10.25
Market cap (EUR M)	25.42
52Wk range (EUR)	11.5/5.8

Price performance %	1M	3M	12M
Absolute	33.9	40.0	-5.1
Rel. to FTSE IT All Sh	28.4	30.9	-28.2

Y/E Dec (EUR M)	FY20A	FY21E	FY22E
Revenues	16.86	24.35	32.48
EBITDA	-1.06	1.21	2.65
EBIT	-11.44	-0.08	1.31
Net income	-12.62	-0.47	0.25
EPS (EUR)	-20.36	-0.19	0.10
Net debt/-cash	11.46	8.02	6.36
Adj P/E (x)	Neg.	Neg.	100.0
EV/EBITDA (x)	Neg.	31.6	13.7
EV/EBIT (x)	Neg.	NM	27.7
Div ord yield (%)	0	0	0

Source: Company data, FactSet and Intesa Sanpaolo Research estimates

Note: Intesa Sanpaolo took over equity coverage of TraWell on 12/4/2021; the ISP-UBI Equity Ratings Reconciliation Table and the archive of ex-UBI's previously published research reports are available at the following link:
https://group.intesasanpaolo.com/it/research/equity---credit-research/equity

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See page 11 for full disclosure and analyst certification
Intesa Sanpaolo is Specialist to TraWell

17 June 2021: 13:15 CET
Date and time of first circulation

IMI CORPORATE & INVESTMENT BANKING

FY20 Results

Mixed results

Overall, 2H20 results were mixed: while sales missed our expectations, EBITDA was much better while the net result was penalised by further goodwill write-downs. We highlight that financial statements were approved by the Board with a view to business continuity. During 2020, TraWell operated in 52 airports (26 in Europe, 21 in Asia and 5 in America) and one bus station with 156 selling points. The key points of results were:

Sales below expectations…

- **Revenues down 63%:** as expected, sales were very weak in FY20 with a trend similar to the flight volumes reported in 2020 (-76.8% in Italy, according to Assaeroporti, and -64% worldwide according to Airports Council International). Europe dropped by nearly 70%, America was down 67% and Asia declined by 50%. In 2H20 sales dropped by 64% with a weak Christmas season;

…but better-than-expected EBITDA

- **EBITDA was above expectations:** due to the closure of the majority of selling points, EBITDA was negative for EUR 1.1M in FY20 (vs. our -EUR 2.8M) with a strong recovery in the second half, which reported a positive EBITDA for EUR 0.5M despite dropping volumes. This was possible thanks to the adoption of several cost-cutting measures: 1) the existing concession conditions have been renegotiated with airports and the minimum guaranteed has been cancelled by nearly every airport; 2) workers operating in the selling points have been placed under temporary lay-off schemes; 3) the remuneration of the management and the board has been reduced; 4) fixed costs have been reduced with 42 micro-task measures; and 5) a debt moratorium has been realised under the conditions of "Cura Italia" decree;

Further write-downs dragged down EBIT…

- **EBIT impacted by write-downs:** EBIT was penalised by EUR 8.7M of goodwill write-down on the concessions in France (EUR 8.0M), Portugal (EUR 0.4M) and Latvia (EUR 0.3M) and was negative for EUR 11.4M in FY20. The write-downs were caused by the impairment test, also due to the limited duration of these concessions and to the loss of the concessions in Paris, which was totally written off. The average duration of all TraWell concessions was 1.9 years at Dec-20, compared with 2.2 years at Dec-19;

…leading to a net loss of EUR 12.6M

- **Net loss at EUR 12.6M:** after EUR 0.7M financial charges, which include EUR 0.8M loss stemming from the mark-to-market valuation of SosTravel.com (TraWell has a stake of 11%) and EUR 0.1M of taxes, net income attributable was negative for EUR 12.6M, worse than our EUR 9.0M expectation;

- **Growing net debt:** net debt increased to EUR 11.5M, compared with EUR 5.6M at Dec-19 and EUR 9.1M at June-20 mostly due to operating cash burning, EUR 2.5M of NWC absorption and capex for EUR 0.4M;

Concessions in Paris lost

- **TraWell lost the concession in Paris:** in September 2021 the concession in the airports of Charles De Gaulle and Orly will expire and the Company lost the bid for the new concession last March. Based on our estimates, these two concessions generated a turnover of around EUR 6M on average in the past five years;

TraWell will retain a stake of 51%

- **Disposal of 23.5% of its American subsidiary**: On 7 June 2021, Trawell announced the sale of 23.5% of Safe Wrap of Florida, which operates in the Miami airport, to Secure Wrap, its partners in the US. The deal does not imply any payment. TraWell will keep a stake of 51% and Secure Wrap is committed to renew the concession in Miami up to March 2027 (the concession is now under prorogation regime as it expired in April 2021 and should be assigned within the end of September). The agreement also includes the distribution of TraWell "lost luggage concierge service" on the entire Secure Wrap network (17 countries with >50 selling points). The earnings generated by this service could compensate the higher weight of minorities for TraWell.

TraWell – 2H/FY20 results

EUR M	2H19A	FY19A	2H20A	2H20E	2H A/E %	2HA yoy %	FY20A	FY20E	FY E/C %	FY yoy%
Revenues	23.3	45.7	8.5	9.4	-10.0	-63.6	16.9	17.8	-5.3	-63.1
o/w Europe	11.2	21.5	2.7			-76.2	6.6			-41.5
o/w Asia	5.6	6.1	3.9			-31.2	5.9			5.5
o/w America	5.9	11.6	1.6			-73.0	3.9			-34.4
EBITDA	2.6	3.7	0.5	-1.3	-138.9	-81.0	-1.1	-2.8	-62.7	NM
Margin (%)	11.3	8.1	5.9	-13.6			-6.3	-16.0		
EBIT	2.0	2.2	-8.9	-2.1	NM	NM	-11.4	-4.6	NM	NM
Margin (%)	8.4	4.8	-105.3	-21.8			-67.8	-25.7		
Pre-tax	2.1	3.8	-4.3	-2.7	61.5	-300.3	-12.1	-10.5	15.5	NM
Net result attr.	1.1	1.6	-5.3	-1.6	NM	NM	-12.6	-9.0	40.5	NM
Net debt	5.6	5.6	11.5	14.8	-22.5	105.1	11.5	14.8	-22.5	105.1

A: actual; E: estimates; Source: Company data and Intesa Sanpaolo Research

Capital increase

3 new shares every 1 old share at EUR 1.0/sh…

TraWell's AGM approved the launch a capital increase with pre-emption right issuing a maximum of no. 1,859,925 new TraWell ordinary shares, with no par value and regular entitlement, to be offered as an option to shareholders in the ratio of 3 new shares for 1 ordinary share owned, at the subscription price of EUR 1.0, which presents a discount of 96.3% compared to the average of the official prices of the Company's shares recorded in the May and 96.4% discount vs. the average price of the last six months. The option rights valid for the subscription of the new shares may be exercised from 7 June to 23 June 2021.

…and 2 warrants for every new share subscribed

TraWell will also issue 3,719,850 warrants, which will be attributed free of charge in the ratio of 2 warrants for each new share subscribed. The warrants could be converted into new shares with a 1:1 ratio at a price of EUR 8.0 from 1 September 2021 up to 16 December 2024. If fully subscribed, TraWell could cash in EUR 29.8M.

The main shareholder of TraWell, RG Holding (which controls 56.8% of the company) is already committed to subscribing the capital increase.

Given the huge discount to current market price and the appeal of the free warrants, we believe the capital increase will be fully subscribed. The issue is strongly dilutive (>70% based on our calculation). If fully subscribed, the new shares issued would cause our previous target price decrease to EUR 8.3/sh (from EUR 29.7/sh).

Air traffic outlook

Air traffic still strongly down compared with 2019…

The recovery of air traffic on domestic markets continues, while it remains stagnant on international routes. In particular, air travel demand continued to improve in April following the rebound in March. According to IATA, seasonally adjusted RPKs increased by 5.1% compared to the prior month. However, industry-wide revenue passenger per kilometers (RPKs) were still 65.4% lower compared to the pre-crisis period (April 2019) with global international RPKs still 87.3% below pre-crisis levels (April 2019) in April 2021, similar to March (- 87.8%). On the positive side, we highlight that Russia's domestic traffic remained well above the pre-crisis levels since the new cases stabilised following the winter wave.