



Hamilton, Bermuda, 9th November 2017

America's Cup Bermuda: Under budget and over-delivered on economic forecasts

The price tag for hosting the 35th America's Cup has come in well under budget, at \$64.1 million; that's nearly \$13 million less than expected and the revenues generated in Bermuda from the event, have exceeded forecasts.

When Bermuda was announced as the host venue, the government committed a \$77 million investment and forecast a return of \$242.2 million additional economic activity. Instead, the project cost just \$64.1 million (including all direct spending) and generated economic activity of \$336.4 million, a significant \$94 million more than forecast.

This represents a 525% return on investment, including future tourism revenue, that is, for every \$1.00 of the \$64.1 million spent, \$5.25 will be returned back into Bermuda's economy, generating extra revenue for local businesses and residents and additional wages for local workers. Already, money actually spent during the two and a half year period has returned \$3.80 to the economy for every \$1.00 invested.

It should be noted that WEDCO spent some \$39 million building Cross Island, a perpetual asset that served as the venue for the Event Village and which has future commercial revenue opportunities being developed by WEDCO. ACBDA paid \$1.35 million to utilize the land for the Event. ACBDA also contributed significant infrastructure improvements to the site which has ongoing legacy impact. Beyond this, no benefits or costs are included in this report on economic impact of the event associated with the construction of Cross Island.

GDP

This boost to Bermuda's Gross Domestic Product (GDP), is a calculation of how money is recycled through the economy. This occurs when additional cash is received by Bermuda individuals and businesses, which triggers spending on extra wages and increased overtime, purchases of goods and services and incremental spending on leisure and recreational activities by locals and visitors.

The majority of the additional on-island spending over the two and a half years since January 2015, \$194.3 million, came from the competing sports teams and organizers, their support crew and families living and working in Bermuda. This underscores the concept that has long

underpinned Bermuda's transaction-based economy, that importing skilled labour stimulates the economy and creates jobs and prosperity for Bermudians. Further to this, \$90.8 million is also calculated to impact GDP in future tourism spending over the next 5 years as a result of the media exposure Bermuda received from hosting the America's Cup. There are already several significant events and conferences scheduled to take place in Bermuda during the next two years as a result of Bermuda having hosted AC35.

These are the findings of an independent Economic and Social Impact Assessment of the 35th America's Cup, conducted by PricewaterhouseCoopers (PwC) which analyses the impact of Bermuda hosting the event. The report draws data from the period January 1, 2015, after Bermuda was announced as the host country to August 31st, 2017, by which time most of the event infrastructure was packed away and shipped off island and most event personnel had left Bermuda. The approach and methodology of the PwC study is provided later in this report.

The value of the global advertising exposure Bermuda achieved with television coverage of the America's Cup, has been calculated at \$80.9 million. This is known as the Advertising Equivalent Value (AEV). An independent report commissioned by the America's Cup Event Authority (ACEA) determined this is what Bermuda would have paid for the same level of media coverage. This translates into future tourism spending over the next five years of a \$90.8 million impact on GDP as revenues flow through the economy and it includes indirect and induced revenues.

Importantly, this calculation uses a very conservative return ratio of only 1:1, although the \$242 million projected economic impact from the ACBDA bid budget reflected the BTA standard multiple of 3:1, (AEV from the event to future tourism-related spending). This \$90.8 million is therefore conservative by any comparison.

America's Cup Bermuda, (ACBDA) Chairman, Peter Durhager said; "The indisputably positive economic outcome of Bermuda hosting the 35th America's Cup is a clear example of Bermuda's potential and proves that we can deliver large-scale projects under budget, on-time, and at a world class quality level, when the right combination of skills, good governance and transparency are present. We managed a \$77 million budget down to \$64.1 million, while still achieving resounding success. This is the benefit of strong public-private sector collaboration."

Mr. Durhager said; "The greatest economic value to Bermuda hosting the America's Cup came from the 450 team members and organisers who moved to Bermuda with their families, living and working in our community, buying groceries, cars and bikes and renting homes from Bermuda landlords."

ACBDA CEO, Mike Winfield said; "We went into the bid process with a view to the event economically benefitting Bermuda, demonstrating that Bermuda had the capacity, skills and determination to deliver an event of this scale to international standards, and ensuring that brand Bermuda was put before a wide international market. We have succeeded on all counts. We did this by defining our goals upfront, spending an incredible amount of time and effort in the planning process, testing those plans, engaging with a wide cross section of the

community, harnessing their expertise, energy and determination and then staying focused on our deliverables.

The collaboration between ACBDA and America's Cup Event Authority (ACEA) proved to be a win-win, which positions Bermuda well for future events."

ACEA CEO, Sir Russell Coutts said; "As the rights holder and organiser of the 35th America's Cup, ACEA entered into the host venue agreement with the Government of Bermuda in early 2015 with an objective of a commercially and financially sustainable America's Cup campaign as well as growing the event and sport globally.

In meeting this aim, all sponsorship fees and guarantees received from Bermuda were re-invested back into the local economy by hiring local vendors, service providers and staff. Through the global Sponsorship, Licensing & Merchandising, Broadcast, Superyacht and Ticketing commercial programs, including the crucial partnership with Bermuda, ACEA was able to achieve its revenue goals and control its costs in order to generate a minimal surplus over the three-year cycle of the 35th America's Cup".

PwC Approach & Methodology

PwC's approach to the economic assessment is a tried and tested methodology used globally for large scale events. The overall economic impact was estimated by capturing and analyzing the additional on-island spending which would not have occurred without the America's Cup and estimating the ripple-out impact through the supply chain and on employees.

The first step in this approach is to identify the various groups spending the money and to develop methods by which to collect that data. PwC identified four specific groups who were responsible for the vast majority of additional on-island expenditure:

- (i) America's Cup Participants & Organisers
- (ii) Bermuda Government
- (iii) America's Cup Spectators and
- (iv) Legacy Visitors

PwC received data from the America's Cup participants, organisers and Government directly. Information from spectators was obtained through a sample of spectator surveys and extrapolated to the spectator group.

The additional on-island spend gathered by the key spending groups was analyzed using an input/output model which was based on historical government data. This was used to estimate the overall impact on GDP which is the sum of the direct impact, indirect impact (which is the effect of the supply chain) and the induced impact (which is the effect of employee spend).

PwC collected information from surveys of local businesses solely to understand how businesses perceived the opportunity provided to them by Bermuda hosting the America's Cup. While a number of businesses have publicly reported revenue increases, those revenues are driven by consumer spending and thus already included in PwC's economic model through capturing the spectator spending (both by residents and overseas visitors). No financial data

was collected from businesses or any recipient of the on-island spending, it was collected only from the spending groups, so as to avoid any risk of double reporting.

Highlights of the findings of the Economic Impact report

\$194.3 million incremental on-island spending in 2.5 years from January 2015 - August 2017 (producing \$245.6m impact to GDP) and \$76.3 million future tourism spending (\$90.8 impact to GDP) translates to \$336.4 million impact on GDP. Who spent what?

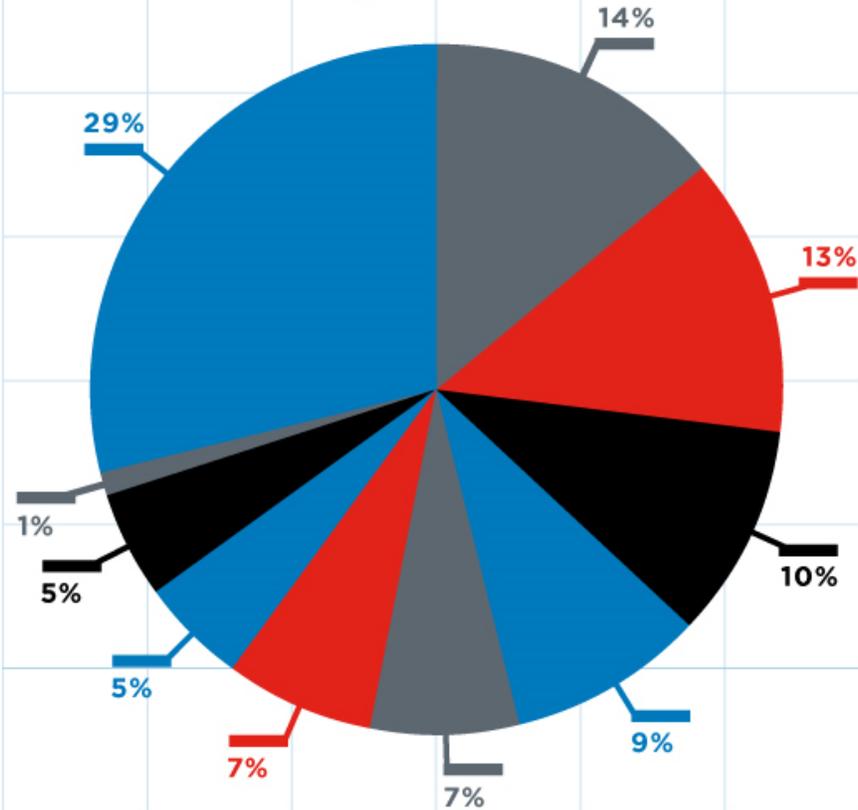
- \$116.4 million was spent on-island by AC35 teams, sponsors and volunteers; they were the most significant immediate contribution to the Bermuda's. The GDP impact is \$143.1 million.
- \$28.7 million was spent in Bermuda by international visitors who would not have been in Bermuda if the America's Cup had not been hosted here. This translates to a GDP impact of \$42.1 million in tourism dollars.
- \$14.4 million was spent in Bermuda by 745 superyachts and other visiting yachts, a \$20.5 million GDP impact in just two months, May and June this year.

| | Additional On-Island Expenditure (\$ millions) | Total Impact on GDP (\$ million) |
|--|---|--|
| America's Cup Participants and Organizers | | |
| Teams, ACEA and Other Participants | 113.1 | 138.6 |
| Sponsors | 2.3 | 3.4 |
| Volunteers | 1.0 | 1.1 |
| Total America's Cup Participants and Organizers | 116.4 | 143.1 |
| Government of Bermuda | | |
| ACBDA and Bermuda Government | 23.0 | 25.4 |
| America's Cup Spectators | | |
| International Visitors | 28.7 | 42.1 |
| Residents | 6.1 | 7.9 |
| Superyachts and other Yachts | 14.4 | 20.5 |
| Media | 0.4 | 0.6 |
| Total America's Cup Spectators | 49.6 | 71.1 |
| Total America's Cup | 189.0 | 239.6 |
| LVACWS | 5.3 | 6.0 |
| Total including LVACWS | 194.3 | 245.6 |
| Legacy Visitors | | |
| Legacy Visitors | 76.3 | 90.8 |
| Total including Legacy Visitors | 270.6 | 336.4 |

Which sectors benefited from this spending?

- The \$113.1 million spent by America's Cup teams, support crew and their families went to local contractors, fuel, shipping and logistics, event operation costs, public relations and communication costs, business support costs, base setup and running costs, catering, food and beverage, repairs and maintenance, salaries and wages, accommodations, insurance including health insurance, medical expenses and education.
- \$1.7 million revenue was generated by local food and beverage vendors in the America's Cup Village, including the Gosling's Dark n Stormy Bar, all managed by Bermudian restaurateur Chris Garland.
- The industry sectors that fared particularly well were hotels and restaurants, receiving 29% of the incremental spending, real estate and rentals (14%), construction (13%), wholesale and retail trade and repair services (10%) and business activities (9%). Other sectors that benefited include community, social and personal services, transport and communications, education, health and social work, electricity, gas and water supply and financial intermediation.

How was \$194.3 MILLION distributed in Bermuda's economy? Jan 2015 - Aug 2017



- 29% Hotels, restaurants
- 14% Real estate and rentals
- 13% Construction
- 10% Wholesale and retail trade and repair services
- 9% Business activities
- 7% Community, social and personal services
- 7% Transport and communications
- 5% Education, health and social work
- 5% Electricity, gas and water supply
- 1% Financial intermediation

- The Bermuda Government received additional tax and other revenues of at least \$4 million, although there is insufficient data to quantify the full amount. Examples of these government revenue sources include, superyacht mooring and berthing fees, visiting vessel charter and permit fees, ticket revenue from the Park n Ride service, incremental occupancy tax for hotels and cabin and passenger tax from additional cruise ship passengers, work permit revenue, payroll tax and social insurance for employees who relocated to Bermuda as a result of the America's Cup, and duty on items that were sold after the event by ACEA, ACBDA and participating teams.

Other numbers at a glance:

- 75% increase in private jet passengers
- 15% increase in commercial air arrivals for May and June 2017 compared to prior year
- 7.5% increase in hotel occupancy rates compared to same period of previous year
- 745 visiting yachts (including 134 superyachts) berthed in Bermuda in May and June 2017, compared to 57 visiting yachts in the same period in the previous year.
- 22% increase in retail fuel sales and 17% increase in industry fuel sales in June 2017 compared to 2016
- 12% increase in home vacation rentals
- 14% increase in cruise ship passengers (28,200 additional)
- 53 Bermudians employed full-time by ACEA, the racing teams and ACBDA
- 450 team members and staff on standard work permits and 360 family members (including 176 under-18) moved to Bermuda.
- 720 short term and periodic (3 - 6 month) work permits were issued. The majority left Bermuda immediately after the event. Each of these individuals contributed to the local economy, occupying house rentals and hotel rooms, buying food and generally spending in the local community, enrolling their children in private and public schools on the island, and participating in local sports and community programs. Many of those teams also made direct contributions to schools and local charities.
- \$313 was the average spend by international visitors, per person per day (Source: PwC international spectator survey) This compares to \$272 per day for usual air arrival visitors.
- Just over 20 tonnes recyclable garbage was collected over 22 event days and the use of 250,000 plastic bottles were avoided. For context, the entire Bermuda population recycles about 2 tonnes per day.
- 452 million viewers across the world saw Bermuda in spectacular fashion on award winning television.

Who attended Bermuda's America's Cup?

- 17,000 Bermuda residents attended (unique visits), each person went four times on average.
- 94,600 ticketholders were scanned in through the entry gate of the America's Cup Village from May 27th - June 26th. This includes all areas, General Admission, Grandstand, Goslings Dark n Stormy bar, Longtail Lounge and Club AC, but does not include accredited

personnel such as volunteers, staff, contractor, and media. The America's Cup Village was open for 22 days. (Source: ACEA analytics of ticket sales.)

- 71% of the tickets were sold to local Bermuda residents and 29% to international visitors mainly from United States (20.3%), Canada (3.4%) and UK (2.9%). (Source: ACEA Footfall Overview from America's Cup Village.)
- 25% locals stayed in Bermuda for the America's Cup instead of overseas travel this summer. There was an 18% drop in resident air arrivals.
- 9,000 official spectator boat tickets were sold
- 62,000 people booked tickets on the dedicated America's Cup Village ferries.
- 450 international media personnel were accredited to attend the America's Cup Village.

Mr. Durhager concluded by saying "We commissioned these reports to honour our commitment to deliver an independent assessment of the results of Bermuda hosting the 35th America's Cup.

The ACBDA was given a specific task to deliver on Bermuda's obligations in hosting the 35th America's Cup in a way that would make Bermuda proud and demonstrate that Bermuda is capable of undertaking similar challenges in the future. It is less important that ACBDA offer opinion on the value of hosting such an event, than to encourage public dialogue to that end.

There were many, both locally and internationally, who said we could not achieve this objective. Bermuda has proved those cynics wrong. We have demonstrated that with clear objectives, adequate funding and partnership between Government and the private sector, good governance, focused and capable management and community engagement, Bermuda can deliver to world class standards and do so on budget, on time and with excellence. We hope that our work can serve as a model for the future.

We present this economic and legacy impact information with the additional intention that it may be used as a platform of knowledge upon which to build for the future."

Mr. Durhager continued; "It is the hope of the ACBDA leadership that as a community, we seize the momentum, the energy, the collective engagement of the community and the 'can do' spirit that was so prevalent in Bermuda during this period, and together seek new ways to grow our economy and Bermuda overall so that all Bermudians can see and feel the benefits. We simply cannot allow all that has been accomplished to quietly fade into history. We have a moment of real opportunity, which we hope will be leveraged."

About the ACBDA

Established in January 2015, the ACBDA is the organisation charged with delivering Bermuda's obligations and responsibilities as host country for the 2017 America's Cup.

In carrying out its responsibilities, the ACBDA represents Bermuda's interests across all parties, including defining a positive, long-term legacy. The ACBDA also works to ensure effective communications with the broader Bermuda community relating to the America's Cup and the associated impacts and opportunities.

Events took place in Bermuda in May/June 2017 including the Red Bull Youth America's Cup, the Louis Vuitton America's Cup Qualifiers, the Louis Vuitton America's Cup Challenger Playoffs, the America's Cup Superyacht Regatta, the America's Cup J Class Regatta and the America's Cup Match presented by Louis Vuitton in June 2017.

The ACBDA Board of Directors are: Peter Durhager (Chairman), John Collis, David Dodwell, Darren Johnston, Warren Jones, Donna Pearman, Jasmin Smith, Blythe Walker and Mike Winfield (CEO).

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