

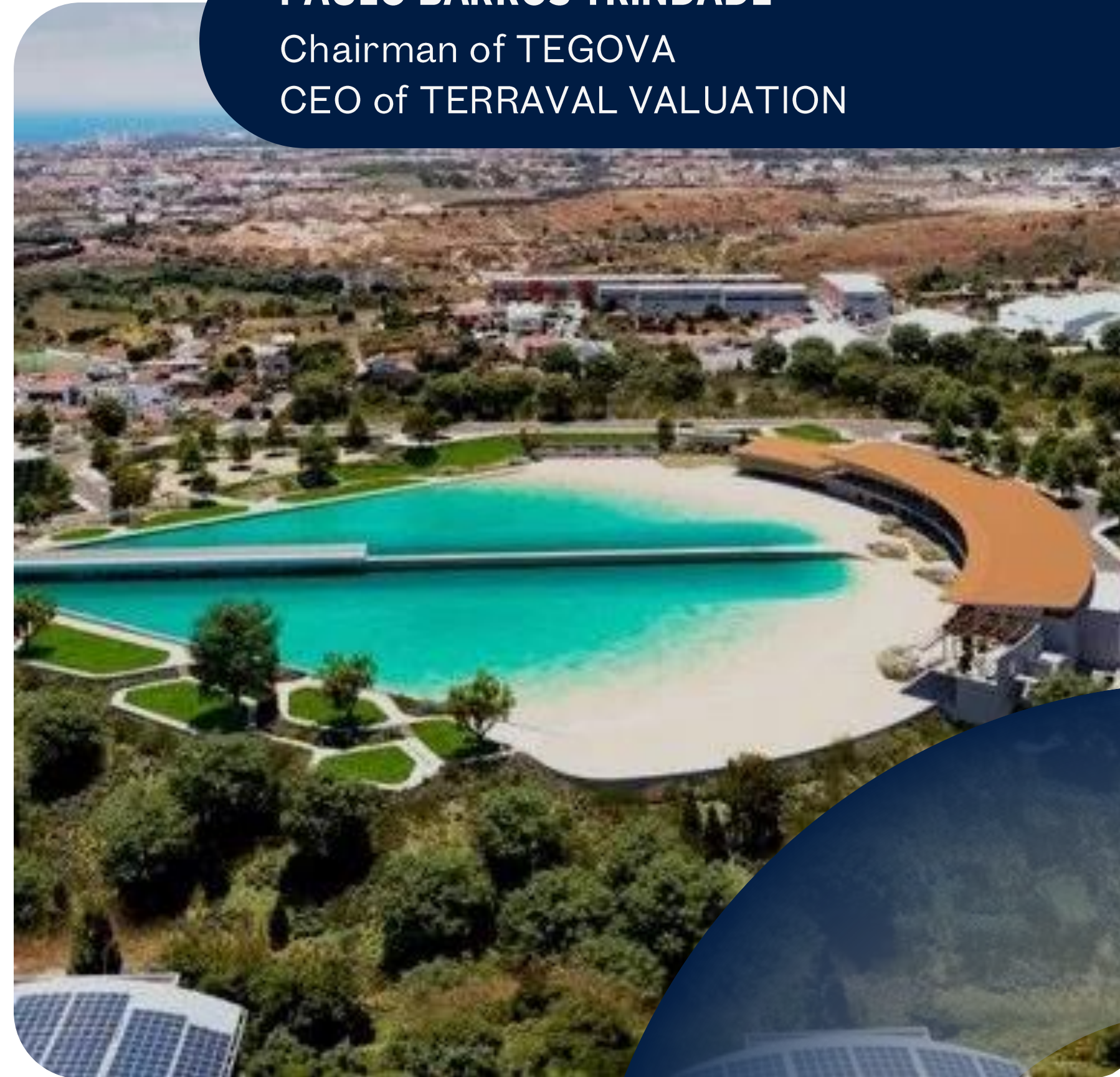
From Waves to Value: Assessing a Surf Park Project

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PAULO BARROS TRINDADE

Chairman of TEGOVA

CEO of TERRAVAL VALUATION



Summary

- Terms of Engagement
- Purpose of valuation
- Business Due Diligence
- Market Analysis
- Methodology
- Valuation
- Conclusions

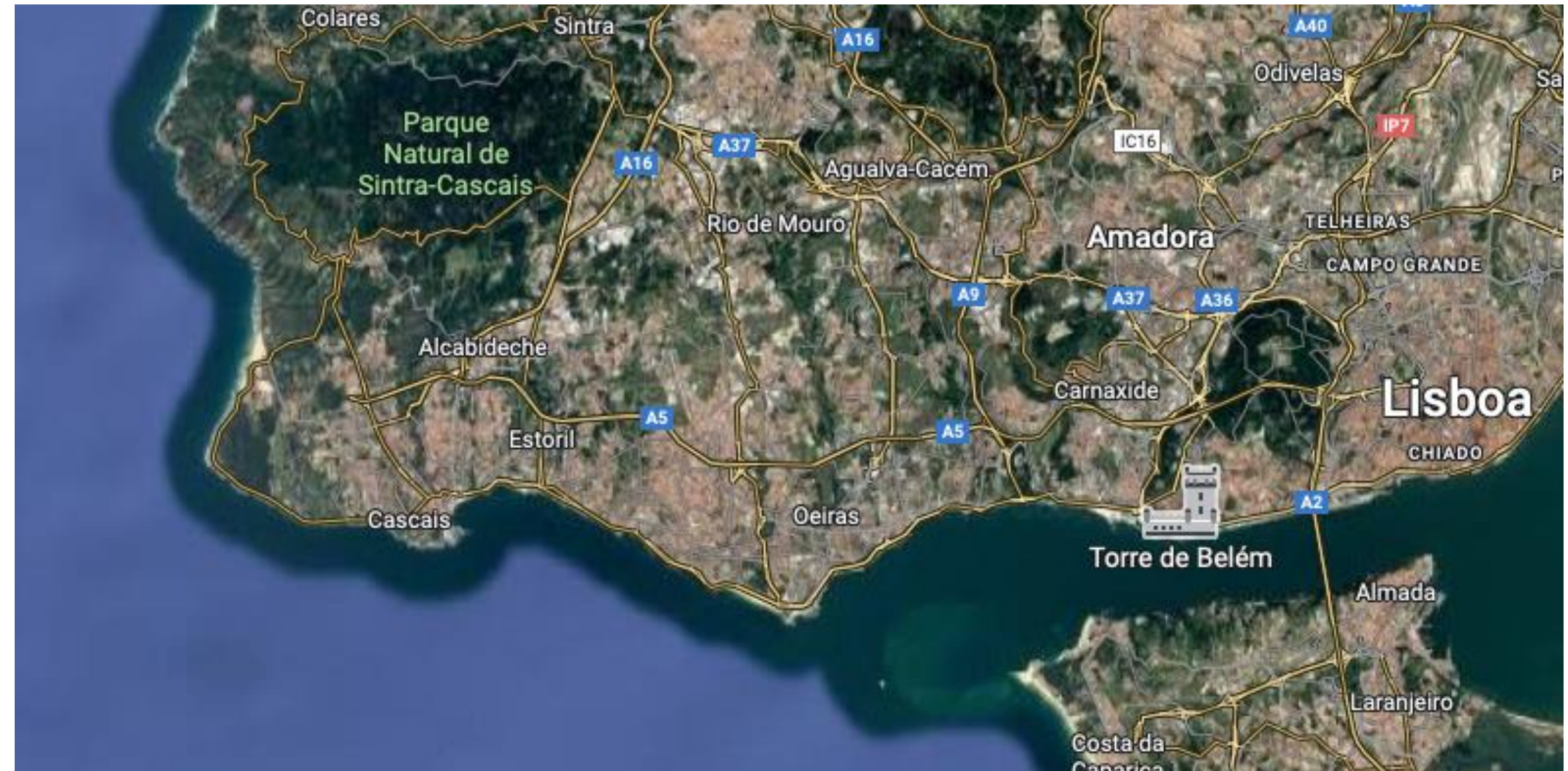
Disclaimers

- This presentation is based on a real project and a real valuation. However, for data protection purposes, the objectives, assumptions and valuation charts were developed solely for this workshop, and only public information was used.
- This document should be used for valuers' training purposes only.

Terms of Engagement

- Client identification
- Purpose of the valuation
- Extent of the business
- Basis of value to be used
- Declaration of non-existent or potential conflicts of interest
- Identification of the valuers scheduled to intervene in the valuation
- Assumptions and special assumptions
- Scope and extent of the due diligence to be carried out
- Reliance on information provided by the client
- Restrictions on the report
- Compliance with EVS-BV 2020
- Fees

Project of a Surf Park



Project of a Surf Park

- The project is anchored by the wave pool, with plans to develop a hotel as well as a hub for commerce and services, including a co-business centre.
- The purpose of the valuation is to support a potential transaction of the project.

Special Assumptions

The client instructed us to consider the following assumptions:

- Determine Market Value considering the investment concluded
- Considering that 75% of the development will be done with private equity

Understanding the business



Wave pool



Hotel



Retail and services



The context

- **Surf Industry Worldwide**

- Over 40M surfers in the world; Europe has more than 5M surfers.
- Surfing as a market contributes an estimated €4.8 billion to Europe's travel and tourism sector.
- The average surfer spends around €1,375 per year on the sport.

- **Surf Industry in Portugal**

- **Coastline:** Portugal has almost 850 kms of coastline which means a huge variety of surf spots.
- **Surf events:** Portugal together with Australia is the only country in the world that hosts all the competitions within the surf federation.
- **Economy** - The surf industry contributes more than 400 million euros each year to the Portuguese economy.

Market Size:

The global surf park market is expected to grow at an 11.5% CAGR, reaching \$3.8 billion by 2028.

Increased Openings:

2024 was a record year with the opening of nine new surf parks, a significant jump in the number of facilities in operation.

Profitability:

Facilities utilizing Wavegarden technology have shown internal rates of return over 20%, indicating strong profitability for operators.

Guests at surf parks tend to spend more per visit on accommodations, food, and retail, with an average daily spend of around €275 per participant.

Wave Technology:

Advancements in wave-generating technology have been a primary driver of growth.

Key Technology Providers:

Companies like Wavegarden and American Wave Machines (AWM) are leading the development of these technologies.

Future Trends:

- **Diversification:**

Parks are expanding beyond just surfing to include amenities like fitness centers, lodging, wellness retreats, and more to attract a wider audience.

- **Sustainability:**

There's a growing emphasis on integrating eco-friendly practices, including renewable energy sources and efficient water management systems.

Business Due Diligence

- It was confirmed that all the necessary permissions to develop the project have been obtained.
- It was confirmed that there are no liabilities related to the company or the real estate property other than those described in this valuation.
- It was assumed that all the information supplied by the client is accurate and corresponds to the originals.

Benchmarking



Alaia Bay - Switzerland
since Mar 21



The Lost Shore Surf Resort -
Edinburgh - Scotland
since Nov 24



The Wave - Bristol - UK
since Nov 19



Wave Garden Demo Center -
San Sebastian - Spain
since Jan 17



Gemswell Surf Madrid -
Spain
opening May 26

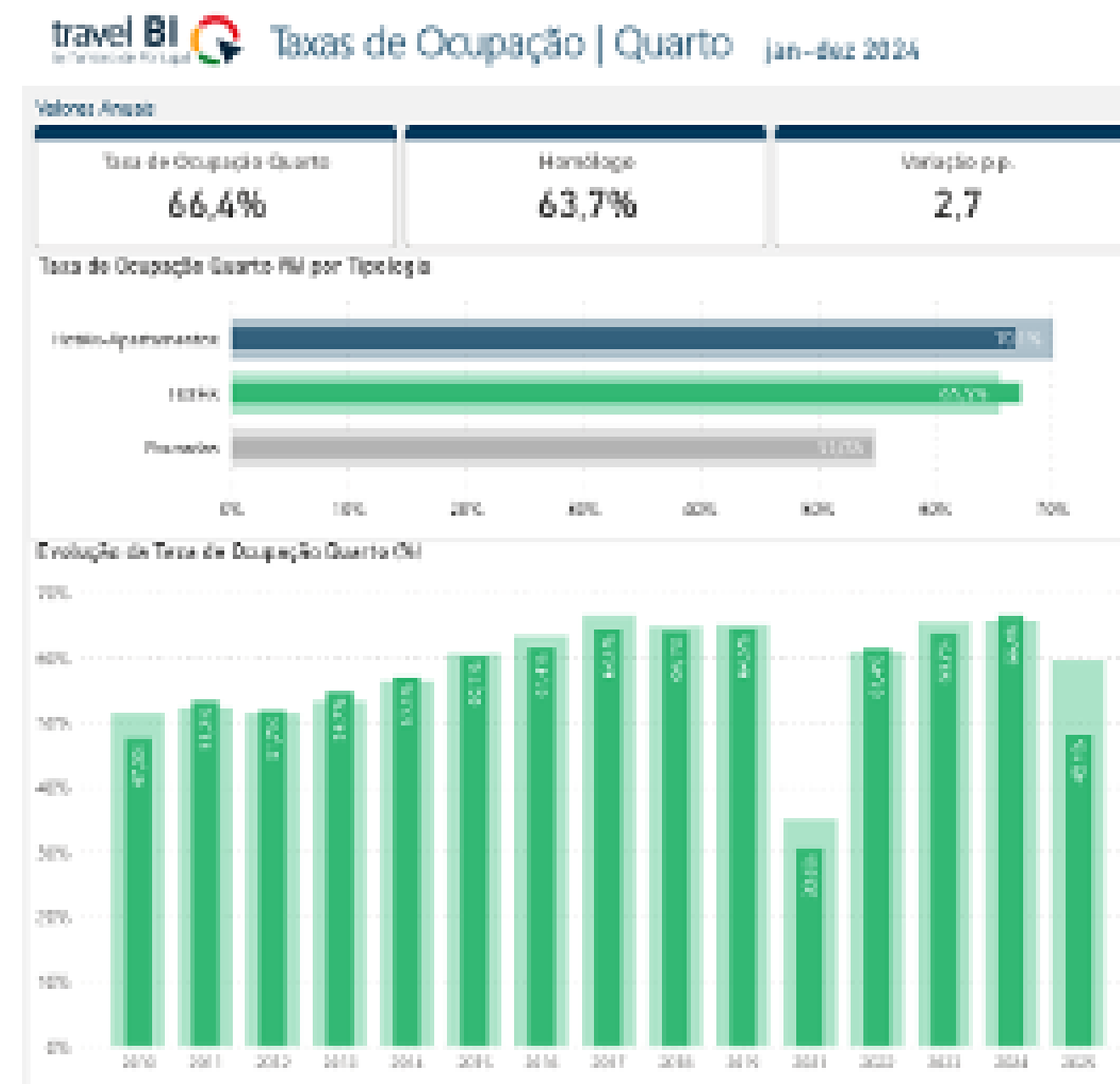
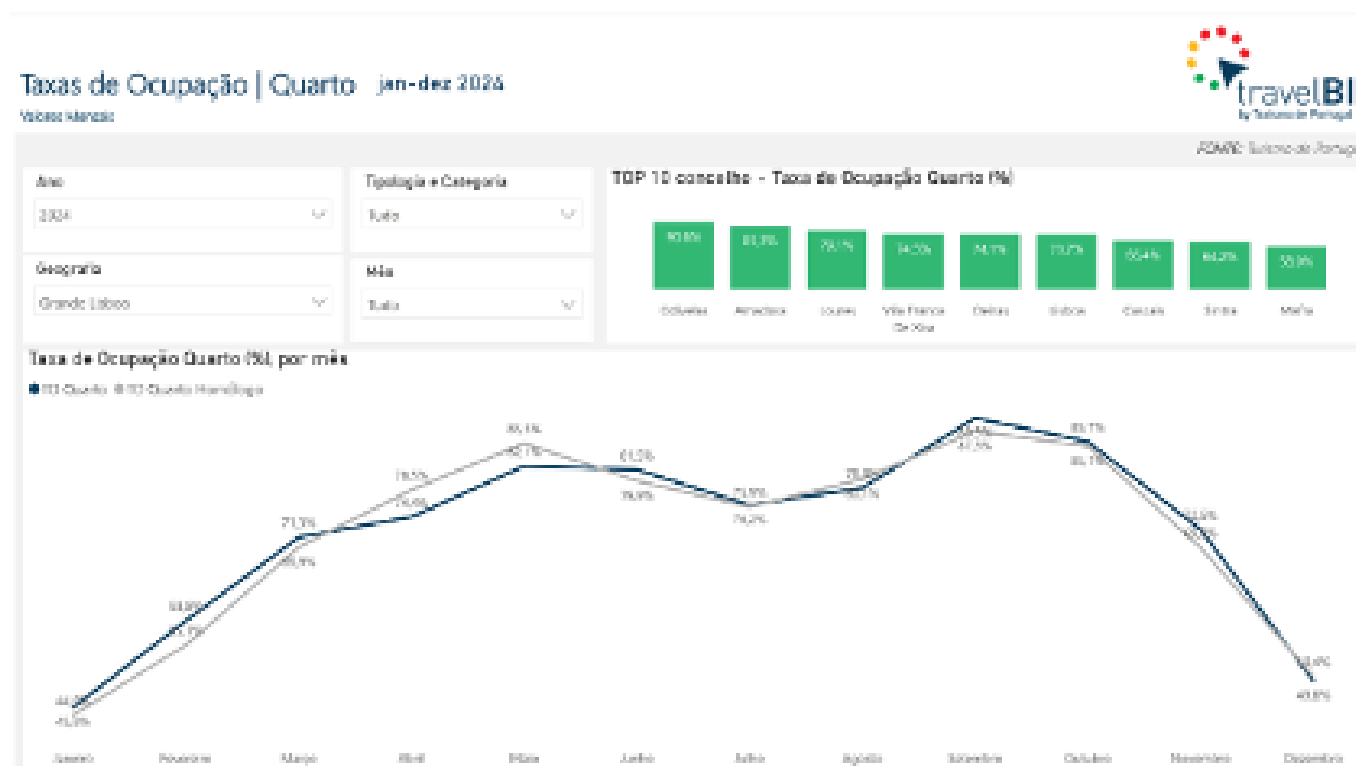
Benchmarking

Location	Bristol	Sion	Edimburg	Spain
Country	England	Switzerland	Scotland	San Sebastian
Wave system	Wavegarden	Wavegarden	Wavegarden	Wavegarden
Average Price/hour (€)	55	120	70	90
Waves per hour	1000	900	1000	1000
Opening years	2019	2021	2024	2017
Distance to sea (km)	30	350	5	2
Distance to beach (km)	30	350	6	2

Benchmarking

- Considerable growth in tourism in recent years, contributing 16.5% of GDP in 2024 and welcoming more than 29 million foreign visitors. Tourism revenues reached around €27 billion in 2024, with an estimated growth of approximately 9% in 2025.
- In the municipality of Cascais, tourism continues to show robust indicators, with steady growth in the number of guests, overnight stays and hotel occupancy rates.
- In 2024, there was an economic impact of more than €108 million from tourism events, demonstrating the relevance of this aspect in the strategy to attract visitors to this destination.

Benchmarking



Assumptions

Considering the benchmarking, we assumed:

- For the surf park: an average of €70 per hour (11 hours per day)
- For the hotel: an average price of €220 per day and an occupancy rate of 70%
- For the business centre: an average of €25 per hour and an occupancy rate of 35%
- For the retail park: an average of €15 per people per day assuming three times the number of clients of the surf park

Methodology Approach

- Income Approach
- Market Approach
- Asset-based Approach



Methodology

- The DCF method is based on present value calculations of expected cash flows projected over a specific period and including terminal value (residual value). The valuer will determine the type of cash flow, a time horizon, assumptions for the projections and an appropriate discount rate.
- Free cash flow (FCF) also referred to as free cash flow to the firm (FCFF) is the amount by which a business's operating cash flow exceeds its working capital needs and capital expenditures and is available for distribution to all of the investors in the company (debt as well as equity providers). This type of cash flow is used for the valuation of enterprise value.
- The terminal value of the company is calculated at the end of the projected cash flow period. The method of calculation will differ depending upon whether the going concern premise is applicable or not, as follows:

Business will continue beyond the forecast period (going concern premise) — The terminal value is calculated by capitalising the net cash flow for the last year of the DCF period, applying a capitalisation rate (discount rate minus long-term growth)

The Discount rate

The discount rate should be consistent with the selected type of cash flow and determined by the most common methods, such as the Capital Asset Pricing Model — CAPM.

Depending on the type of projected cash flow, with or without debt payment:

- The weighted average cost of capital (WACC) should be applied when estimating the Enterprise Value.

Valuation

(1000 euro)

Year	%	1	2	3	4	5	6	7	8	9	10
GROWTH RATE (%)			10%	14%	15%	15%	6%	4%	2%	2%	2%
GROSS INCOME		24804	27065	30755	35369	40674	43114	44839	45736	46650	47583
OPEX		59%	58%	57%	56%	55%	54%	54%	54%	54%	54%
EBITDA		10088	11367	13225	15562	18303	19833	20626	21038	21459	21888
% EBITDA		41%	42%	43%	44%	45%	46%	46%	46%	46%	46%
DEPRECIATION		-3100,0	-3100,0	-3100,0	-3100,0	-3100,0	-3100,0	-3100,0	-3100,0	-3100,0	-3100,0
EBIT		6987,7	8267,1	10124,8	12462,2	15203,2	16732,5	17525,8	17938,4	18359,1	18788,3
FINANCIAL EXPENSES		-2230,2	-2353,2	-2537,8	-2768,4	-3033,7	-3155,7	-3241,9	-3286,8	-3332,5	-3379,2
EBT		4757,5	5913,9	7587,0	9693,7	12169,5	13576,8	14283,9	14651,6	15026,6	15409,2
INCOME TAXES		-1046,7	-1301,1	-1669,1	-2132,6	-2677,3	-2986,9	-3142,5	-3223,3	-3305,9	-3390,0
NET OPERATING PROFIT		3710,9	4612,8	5917,9	7561,1	9492,2	10589,9	11141,4	11428,2	11720,8	12019,1
DEPRECIATION		3100,0	3100,0	3100,0	3100,0	3100,0	3100,0	3100,0	3100,0	3100,0	3100,0
CAPEX	5%	-1230	-1353	-1538	-1768	-2034	-2156	-2242	-2287	-2333	-2379
WORKING CAPITAL	2%	-492	-541	-615	-707	-813	-862	-897	-915	-933	-952
FREE CASH FLOW		5088,6	5818,3	6865,0	8185,3	9745,1	10671,9	11102,7	11326,7	11555,2	11788,3
PV FREE CASH FLOW		56375									
TERMINAL VALUE		176810									
PV TERMINAL VALUE		90933									
MARKET VALUE		147300									
WACC		8,7%									
CAP RATE		6,7%									

Cost of Capital

Free risk rate – German bounds – 2,75%

Unlevered Beta for Hotels/gaming 2025 – 0,9

D/E Ratio – 33%

ERP Portugal – 5,13%

Interest rate – 4%

Tax rate – 22%

Debt – 25%

Crunshing the numbers

Valuation as a Bridge between two worlds

Number Crunchers

Favored Tools

- Accounting statements
- Excel spreadsheets
- Statistical Measures
- Pricing Data

The Numbers People

Illusions/Delusions

1. Precision: Data is precise
2. Objectivity: Data has no bias
3. Control: Data can control reality

Story Tellers

Favored Tools

- Anecdotes
- Experience (own or others)
- Behavioral evidence

The Narrative People

Illusions/Delusions

1. Creativity cannot be quantified
2. If the story is good, the investment will be.
3. Experience is the best teacher

A Good Valuation

Source: Prof. Damodaran

Final considerations

- There is only one shareholder, so we decided that no discount for lack of control was necessary. Furthermore, we did not apply a discount for lack of liquidity either.
- The use of a DCF without any market references entails risk, and the valuation should include a disclaimer stating that it has been carried out without comparables or reference transactions.

Thank you

