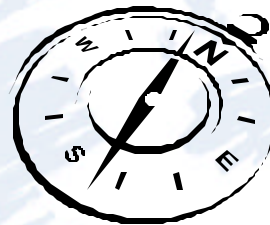


AGENDA

- Current situation
- How the idea was born
- What is Despegar.com
- Strategy / business model
- Economic outlook for Latin America
- Competitive Environment
- Proposed Solution



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The Vision

Be the leading provider of on-line travel services in Latin America.

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Current Situation

...we are towards the end of 1999...

...the internet is changing the way business is done...

Five MBA graduates (3 from Fuqua) are developing a business plan for an **on-line travel agency** to serve Latin America

Their objective ?

To become one of the first Latin American e-ventures to be financed by US Venture Capitalists

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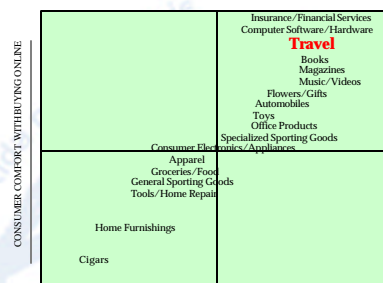
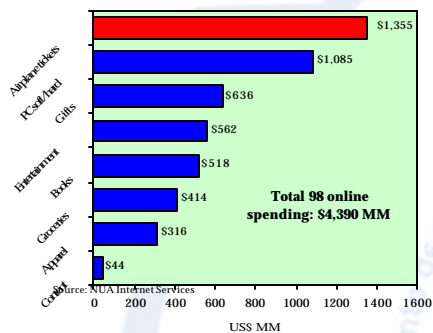
E-TRAVEL: AN OPPORTUNITY IN LATIN AMERICA

- Successful business models
- Expected market growth (Internet, Tourism, LatAm)
- Industry structure:
 - Geographically disperse
 - Information intensive buying process
 - No dominant players
 - Substandard customer service
 - High transaction costs
 - Lack of transparency

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E-TRAVEL IS THE MOST IMPORTANT ON-LINE COMMERCE CATEGORY IN THE USA

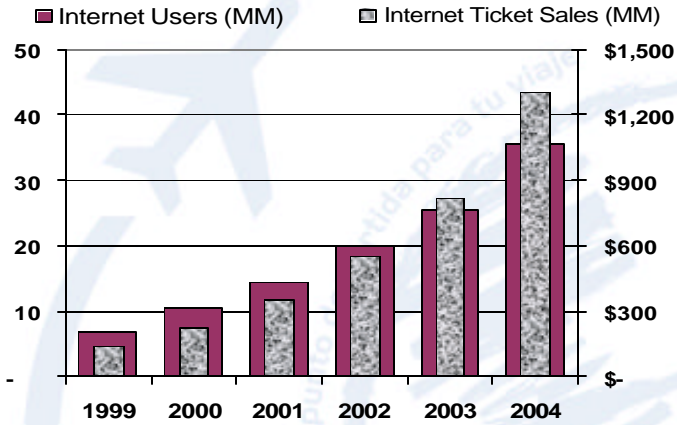


Source: Morgan Stanley Dean Witter

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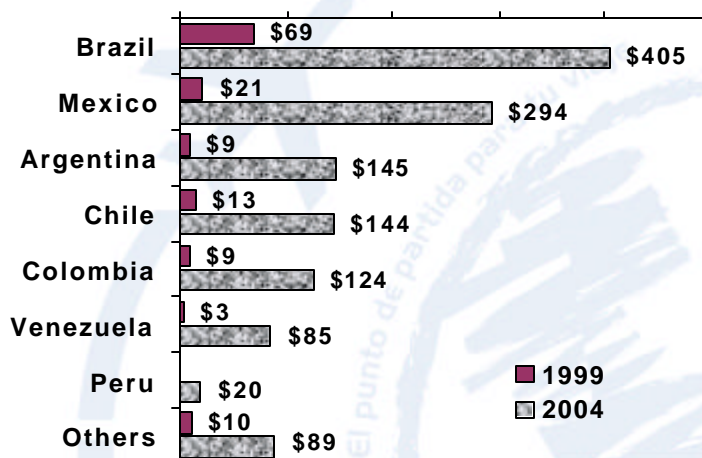
Expected on-line travel market in Latin America



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Expected on-line ticket sales in Latin America (in \$ million)



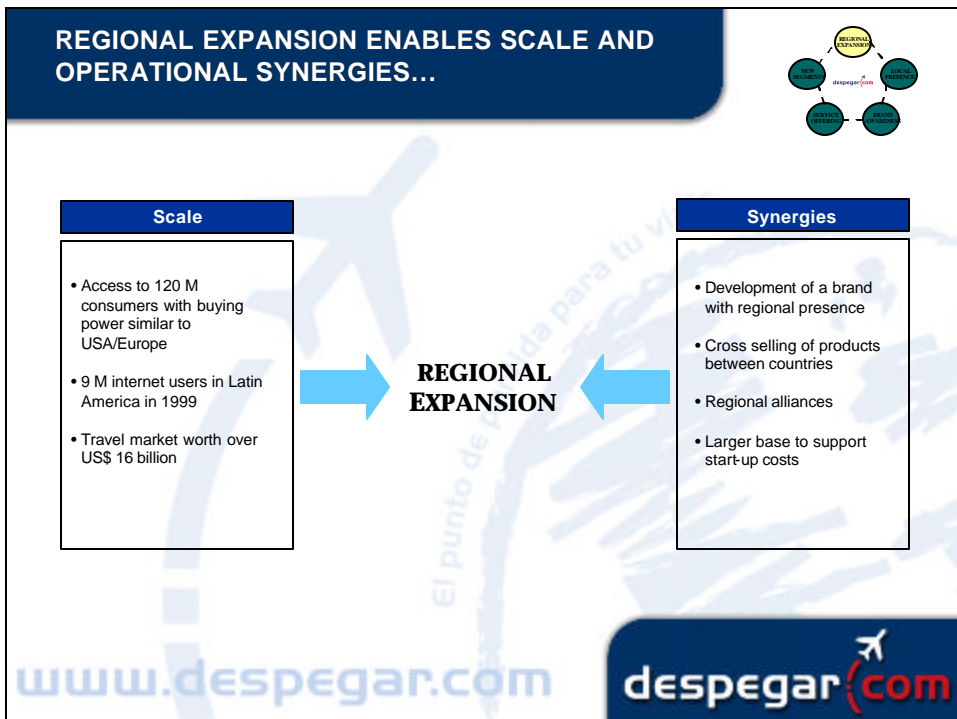
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STRATEGY BASED ON 5 CONCEPTS

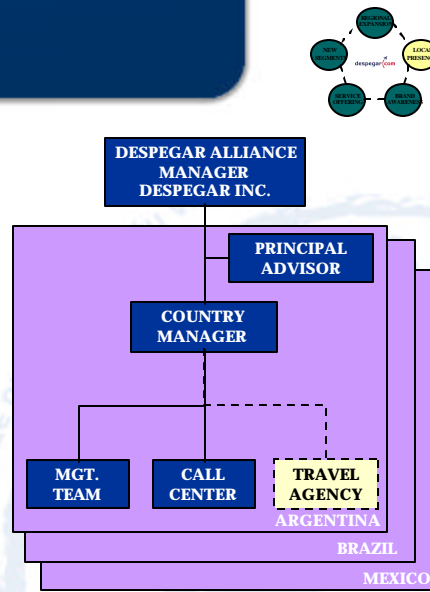


REGIONAL EXPANSION ENABLES SCALE AND OPERATIONAL SYNERGIES...



LOCAL PRESENCE PROVIDES COMPETITIVE ADVANTAGES

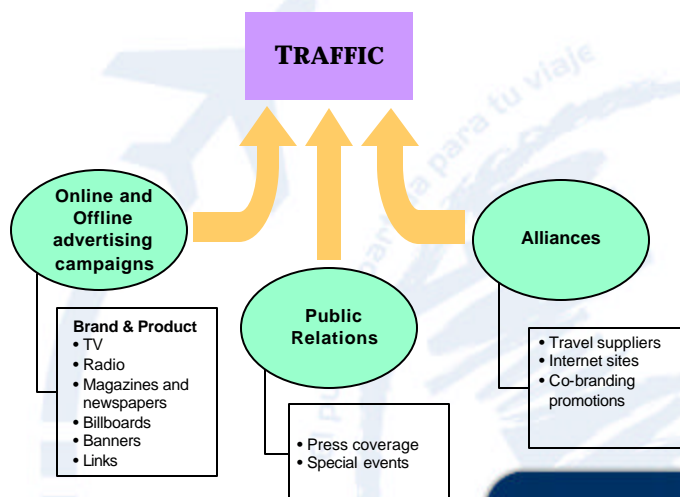
- Better understanding of the market
- Access to better fares
- Customer service
- Payment method adjusted to local regulations
- Content adjusted to local market requirements
- Increased control over operations



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BRAND AWARENESS IS CRITICAL TO THE GENERATION OF TRAFFIC



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ONE-STOP-SHOPPING LEADS TO INCREASED SALES AND CUSTOMER RETENTION



Service Offering

Content	Community	Convenience	Customer Service	Commerce
<ul style="list-style-type: none"> • Travel guides • Professional reviews • Weather • Airport real time scheduling • Destination video clips • Maps 	<ul style="list-style-type: none"> • Chat • Bulletin • Travel log • Customer reviews • Photo Album • Meeting Place 	<ul style="list-style-type: none"> • Self service • 24 - 7 • Home delivery • Pick-up locations • e-tickets • Quotes by request 	<ul style="list-style-type: none"> • Local 800 call center • Fare alerts • Fare finder • Trained travel agents • VOIP • Chat service • Loyalty programs 	<ul style="list-style-type: none"> • Flight, hotel and car rental • Vacation and cruise packages • Travel guides • Insurance • Travel mall • Travelers checks

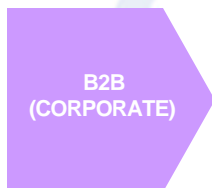
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... FOR THE DIFFERENT MARKET SEGMENTS



- Potential markets: Spain, Brazil, Argentina, Mexico, Colombia, Chile, Venezuela and Uruguay; and US Hispanic
- Leading E-travel provider with a recognized brand, consumers' top of mind
- Additional possible services: solutions for budget/young travelers (Despegar Joven), thematic solutions for special interest groups (ski, soccer, honeymoon, etc.), rich editorial content, planning tools, and community features



- Main target: small companies with limited travel sophistication
- Potential key partnerships: Accor Corporate Services and Carlson WagonLit Travel

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Latin America: Positive outlook for 2000

Forecasted GDP growth: 4%

Positive factors

- Sound fiscal & monetary policies
- Low expected inflation (few double digit inflation rates)

Negative factors

- US economy growth is expected to slowdown
- Uncertainty on stability of economic policies

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Economic indicators

Argentina ^a							
	1995	1996	1997	1998	1999 ^b	2000 ^b	2001 ^b
GDP (\$ bn)	258.1	272.1	292.9	298.1			
GDP Growth (%)	-4.0	4.8	8.6	3.9	-3.8	2.4	4.4
Inflation (%)	3.4	0.2	0.5	0.9	-1.9	-0.3	0.2
Population (m)	34.8	35.2	35.7	36.1			
External Debt (\$ bn)	93.9	105.2	123.2	138.9			
Exch. Rate (avg/\$)	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Country Rating ^c	38.8	38.9	41.3	41.8	42.4		

a: From The Economist Intelligence Unit. Country Report: Fourth Quarter 1999.

b: Estimates, except for Institutional Investor Country Rating

c: Institutional Investor Country Rating. September of each year.

Chile ^a							
	1995	1996	1997	1998	1999 ^b	2000 ^b	2001 ^b
GDP (\$ bn)	65.2	68.6	75.8	73.0			
GDP Growth (%)	10.6	7.4	7.6	3.4	-0.7	4.8	5.0
Inflation (%)	8.7	7.0	6.5	5.3	2.5	3.9	3.8
Population (m)	14.2	14.4	14.6	14.8			
External Debt (\$ bn)	25.6	27.4	31.4	37.8			
Exch. Rate (avg/\$)	396.8	412.3	419.3	460.3	549.1	549.4	560.0
Country Rating ^c	57.4	61.2	63.5	62.0	61.0		

a: From The Economist Intelligence Unit. Country Report: Fourth Quarter 1999.

b: Estimates, except for Institutional Investor Country Rating

c: Institutional Investor Country Rating. September of each year.

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Economic indicators

Brazil ^a							
	1995	1996	1997	1998	1999 ^b	2000 ^b	2001 ^b
GDP (\$ bn)	774.9	801.6	775.4	518.9			
GDP Growth (%)	2.8	3.2	-0.1	0.2	0.2	3.1	3.9
Inflation (%)	15.8	6.9	3.2	4.9	9.0	7.9	6.3
Population (m)	157.5	159.6	161.8	163.7			
External Debt (\$ bn)	179.5	193.7	199.9	200.4			
Exch. Rate (avg./\$)	1.0	1.1	1.2	1.8	1.9	2.0	1.9
Country Rating ^c	34.9	38.3	39.5	38.1	36.5		

a: From The Economist Intelligence Unit. Country Report: Fourth Quarter 1999.
b: Estimates, except for Institutional Investor Country Rating
c: Institutional Investor Country Rating. September of each year.

Mexico ^a							
	1995	1996	1997	1998	1999 ^b	2000 ^b	2001 ^b
GDP (\$ bn)	286.1	329.5	401.4	415.0			
GDP Growth (%)	-6.2	5.2	6.8	4.8	3.4	3.9	4.4
Inflation (%)	35.0	34.4	20.6	15.9	13.1	10.9	10.1
Population (m)	91.2	92.9	94.7	96.5			
External Debt (\$ bn)	166.8	157.8	149.7	158.5			
Exch. Rate (avg./\$)	6.4	7.6	7.9	9.1	10.0	10.9	11.9
Country Rating ^c	41.8	41.6	43.5	45.4	48.2		

a: From The Economist Intelligence Unit. Country Report: Fourth Quarter 1999.
b: Estimates, except for Institutional Investor Country Rating
c: Institutional Investor Country Rating. September of each year.

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On-line competitors

- **Viajo.com**
 - Main on-line competitor in Latin America
 - Offers tickets, complete tourism packages, language translation, extensive travel content
 - Operates both on-line and off-line stores
- **Regional portals**
 - Terra and Star Media have entered alliances with agencies
- **US on-line travel agencies**
 - Expedia and Travelocity have launched sites for markets outside the US

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The Threat & The Opportunity

THREAT

- Similar portals in development
- Viajo.com @ Mexico

OPPORTUNITY

- “Despegar Network” in place
- Simultaneous deployment in LatAm
- First-mover advantage

The Timing is **NOW**

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The Venture Capital

Despegar.com needs
8 M\$ to accomplish a **Regional Roll-out**

Despegar.com will be financed by **100% Equity (all VCs)**

Management team is presenting its Business Plan
to the **1st Round of US Institutional VC Investors**

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Questions ...

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Case Key Learnings

- 1 Identify Project's Risks
 - Affect Cash Flows
 - Affect the Cost of Capital
- 2 Set up Cash flows
- 3 Sensitivity Analysis
- 4 Real Options

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Project's Risks Cash Flow Implications

	RISK	CAUSE	ADJUSTMENT
Pre-Completion			
Resource Availability	NO	-	-
Technology	NO	-	-
Timing	HIGH	Strategic Advantage	Reduce Marketshare
Completion	NO	-	-

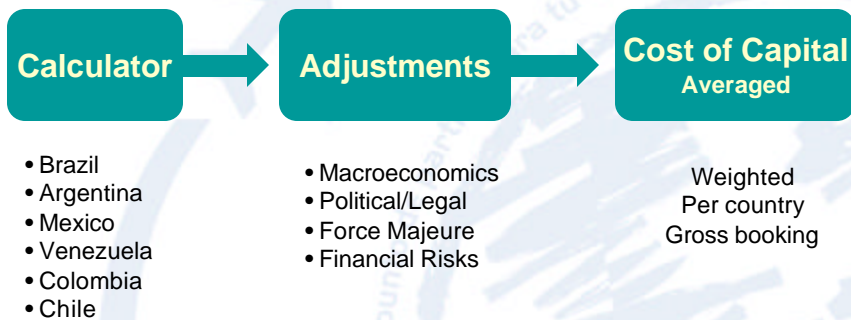
Post-Completion			
Market	HIGH	Adoption rate & Commissions	Reduce Web Adoption & Comm.
Supply/Input	MEDIUM	Marketing & Brand Issues	Reduce Marketshare
Throughput	MEDIUM	Technology Problems	Reduce Penetration Speed
Operating Costs	MEDIUM	Lack of Experience	Increase Expected Oper. Costs

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Project's Risks Cost of Capital Implications



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Project's Risks Cost of Capital Implications

	Argentina	Brazil	Chile	Colombia	Mexico	Venezuela
Cost of Equity Capital ("calculator")	22.80%	25.45%	16.4%	22.10%	20.53%	26.81%
Industry beta adjustment *	+ 0.41%	+ 0.41%	+ 0.41%	+ 0.41%	+ 0.41%	+ 0.41%
Operational - Sovereign Risks						
Macroeconomics	+ 1.67%	+ 0.00%	+ 0.00%	+ 2.23%	- 2.78%	+ 2.78%
Political/Legal	+ 0.63%	+ 0.42%	+ 0.00%	+ 0.84%	+ 0.00%	+ 1.04%
Force Majeure	+ 0.00%	+ 0.00%	+ 0.00%	+ 0.49%	+ 0.00%	+ 0.35%
Financial Risks	- 0.70%	- 0.70%	- 0.70%	- 0.70%	- 0.70%	- 0.70%
Adj. Project Cost of Equity	24.81%	25.58%	16.07%	25.36%	17.46%	30.70%

(* Industry Beta adjustment corresponds to Travel and Tourism, Internet effect is considered in Cash Flows.

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Project's Risks Cost of Capital Implications

	Bookings	Cost of Equity	Weighted Ave.
Argentina	374,195	24.81%	4.00%
Brazil	860,413	25.58%	9.49%
Chile	176,400	16.07%	1.22%
Colombia	468,729	25.36%	5.12%
Mexico	383,247	17.48%	2.89%
Venezuela	57,144	30.70%	0.76%
Total:	2,320,128		23.47%

Re = 23.47%

Despegar's Capital Structure: 100% Equity, no Debt

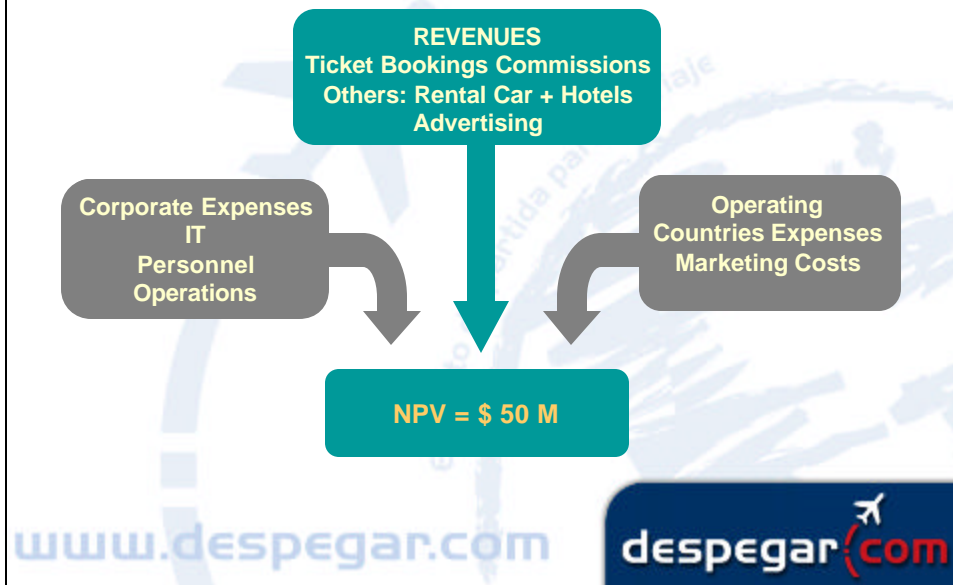
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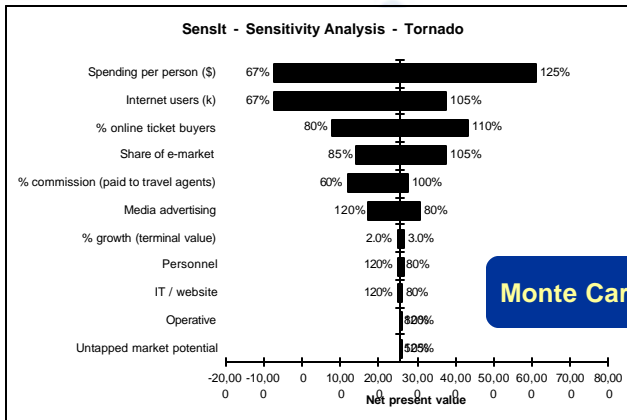
2 Cash flow Setup



2 Cash flow Setup



3 Sensitivity Analysis



Monte Carlo: Mean NPV = \$ 25 M

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4 Real Options

- Delay Option
- Abandonment Option
- Expansion Option
- Brand or Knowledge Building Option

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Thank you !!

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