



# 2017 ANALYST DAY

Madrid  
December 1, 2017



# Presenting Team



**José Luis del Valle**  
Chairman Lar España



**Miguel Pereda**  
Board Member Lar España  
CEO Grupo Lar



**Jose Manuel Llovet**  
Commercial RE Managing  
Director Grupo Lar



**Sergio Garcia**  
Asset Management  
Director Grupo Lar



**Nicolás Alcibar**  
Lagasca 99 Project  
Manager



**Sergio Criado**  
CFO Lar España



**Hernán San Pedro**  
Head of Investor Relations  
Lar España

# Today's Agenda



## 01 THE INVESTMENT CASE

**José Luis del Valle**  
Chairman Lar España

## 02 MARKET UPDATE

**Special Guest 1:**  
**Ramiro J. Rodríguez PhD**  
Associate Director Cushman & Wakefield  
Spain Research and Insight  
**Special Guest 2:**  
**Yola Camacho**  
Partner Cushman & Wakefield  
Retail Capital Markets Spain

## 03 RETAIL TRENDS

**José Manuel Llovet**  
Commercial RE Managing Director Grupo Lar **Special Guest 3:**  
**Fernando Evole**  
Yelmo Cines  
Country manager Cinépolis Spain

## 04 PORTFOLIO OVERVIEW

**Sergio García**  
Asset Management Director Grupo Lar  
**Nicolás Alcibar**  
Lagasca 99 Project Manager

## 05 FUTURE VALUE

**Sergio Criado**  
CFO Lar España

## 06 INNOVATION STRATEGY

**Miguel Pereda**  
Board Member Lar España & CEO Grupo Lar

## 07 NEXT STEPS

**Miguel Pereda**  
Board Member Lar España & CEO Grupo Lar

## 08 GUIDANCE - BP

**Miguel Pereda**  
Board Member Lar España & CEO Grupo Lar

## 09 COCKTAIL



# The Investment Case



*Real Estate*

## **Analyst Day**

**Jose Luis del Valle**  
Chairman Lar España

[www.larespana.com](http://www.larespana.com)

**December 2017**



# Lar España, meant to be the Retail Reference Player in Spain

*"To build a market leading Spanish REIT"*

*"Focused on prime/good secondary commercial assets and marginally on residential assets"*

*"Capital appreciation combined with material cash flows and dividend generation"*

*"Adequate leverage"*

**"The main Socimi's target is to generate rents from assets and distribute dividends"**



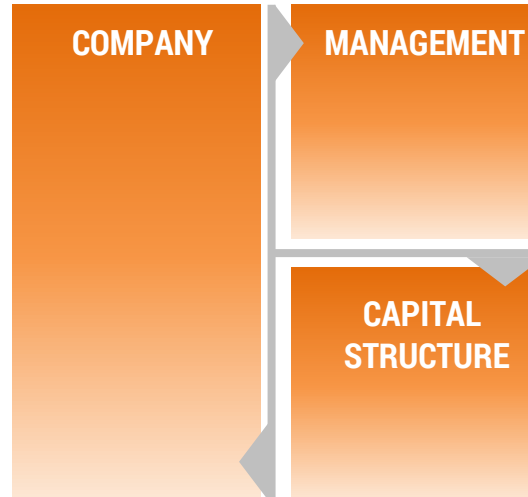
# A Strategy Aligned at Every Level

## COMPANY

First IPO of a Spanish REIT listed on the Spanish Stock Exchanges

Company's business strategy is to acquire primarily retail property with high return potential for rental purposes

Focused on creating both **sustainable income** and **strong capital returns** for shareholders



## MANAGEMENT

Special focus on **under managed assets**

Real Estate Manager with objective of implementing an **Active Management Strategy** in order to deliver "Alpha"

>100 Real Estate experts contributing to Lar España's value delivery

## CAPITAL STRUCTURE

37%<sup>1</sup> Net LTV

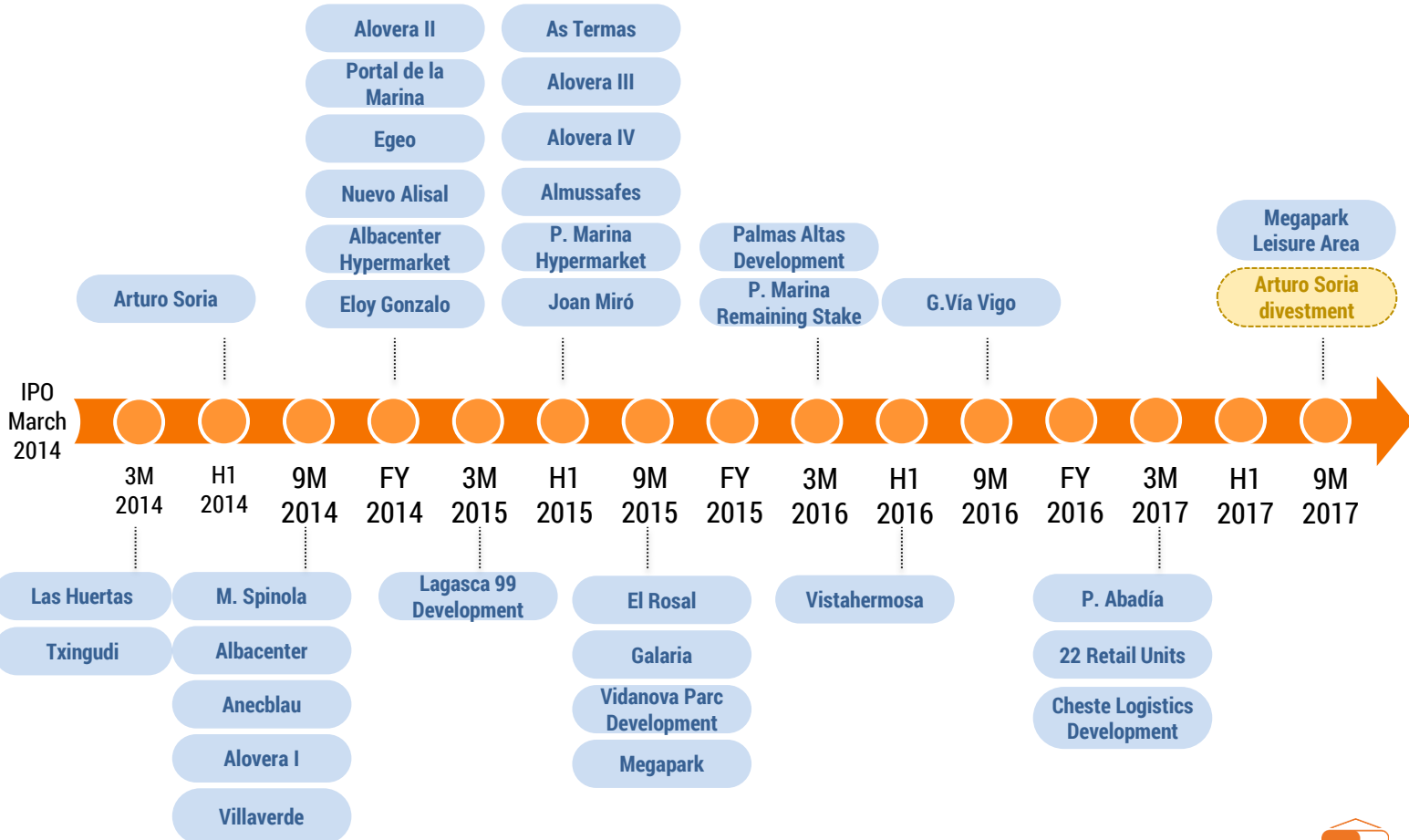
**Diversification** of sources of funding including bank and debt capital markets

Highly compelling  
2.19% cost of debt

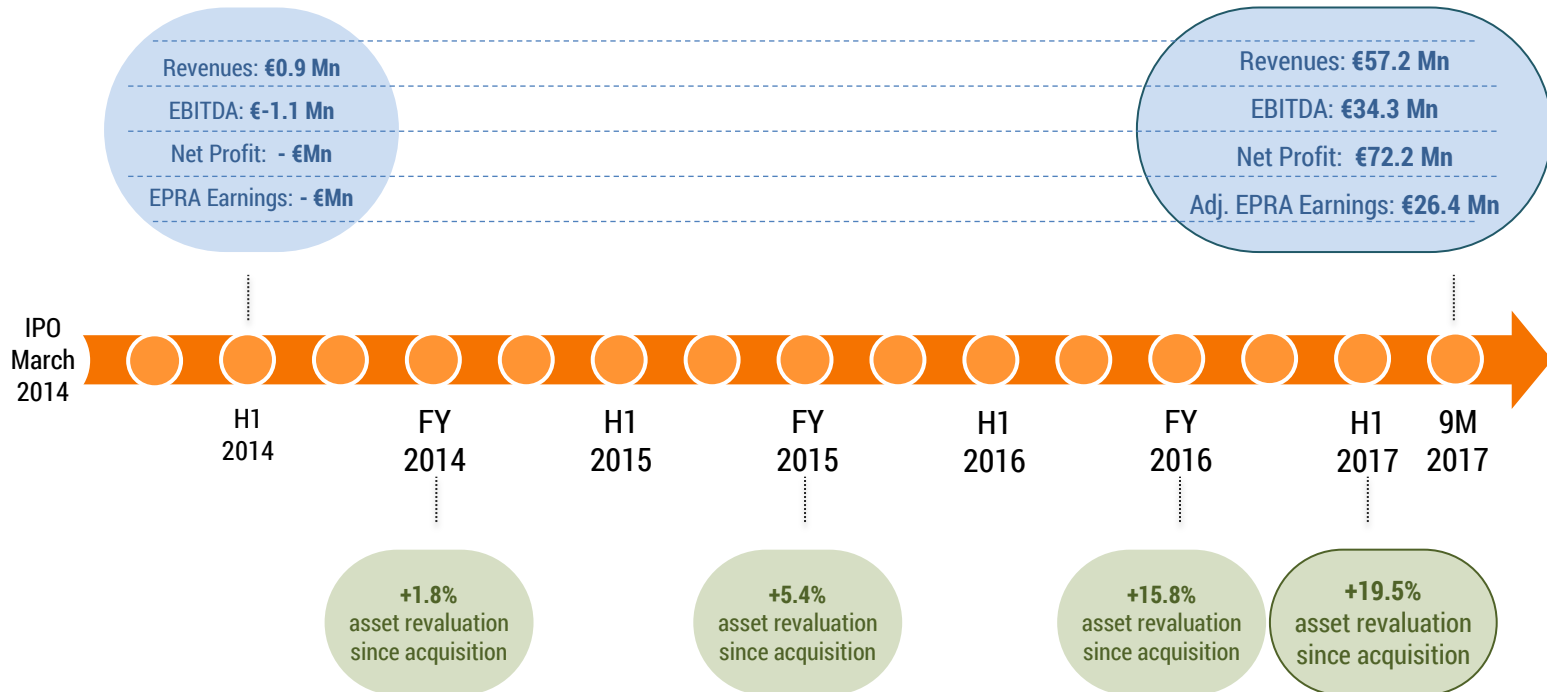
**Back loaded**  
debt amortization profile

1. Net LTV calculated as of Q3 2017

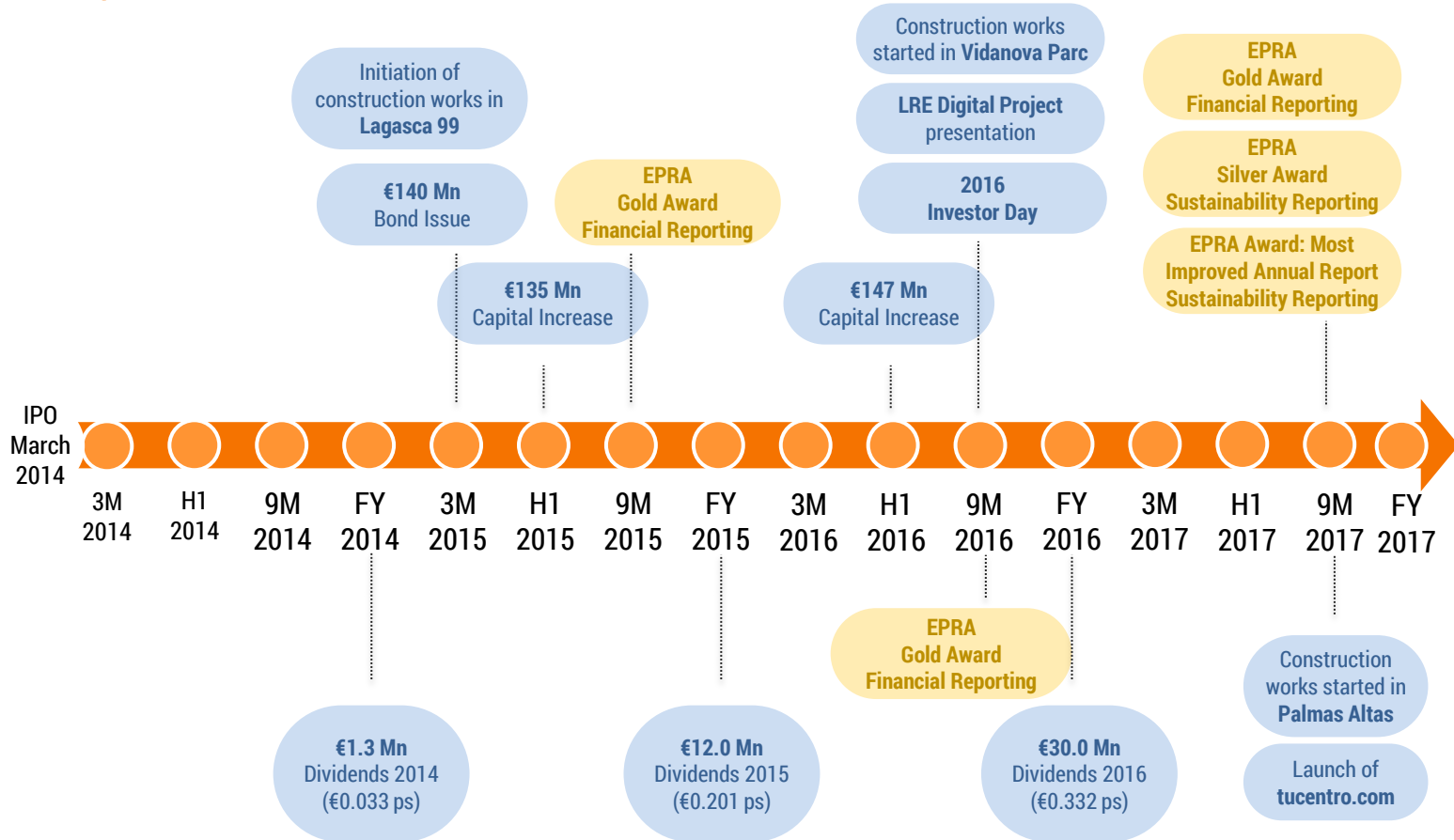
# A Portfolio Built “Brick by Brick”



# Growth of the Portfolio aimed at Consistent P&L Growth



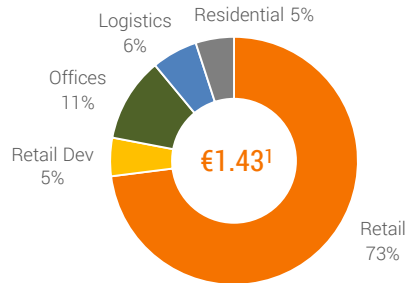
# Major Corporate Milestones since IPO



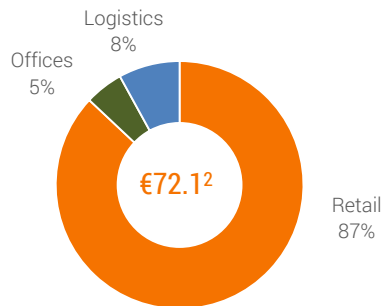


# A Unique Footprint in the Spanish Geography

## GAV (€Bn)

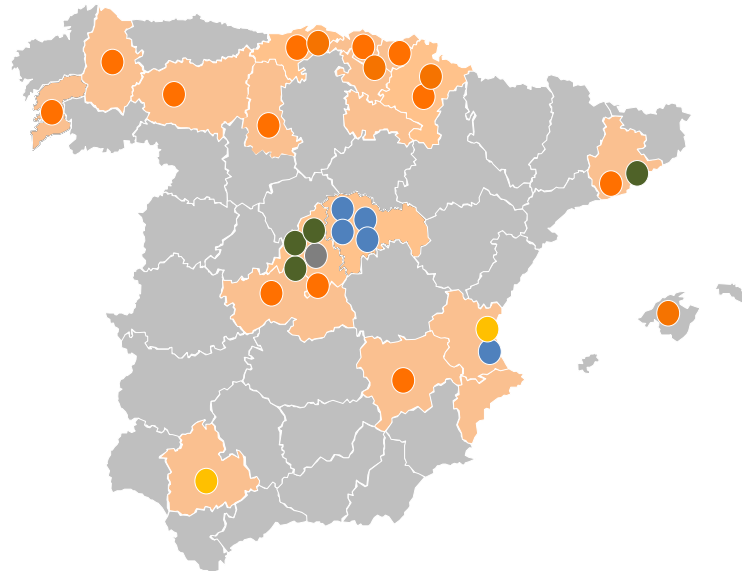


## EPRA Annualized Net Rent (€Mn)



## Geographies cautiously selected

- ☑ Dominant SCs in their catchment area
- ☑ Regions with **above-average GDP per capita**
- ☑ **Low commercial density**, or in **highly touristic** ones
- ☑ Improvement capability



1. Total GAV = Asset valuation as of 30th June 2017 + capex Q3 2017 – Arturo Soria divestment.

2. EPRA annualized rent as of 30th September 2017.

# Creating Value through ESG



## Assets

Properties that have a positive effect on their urban surroundings and generate a high return for our shareholders and investors.



## Corporate Governance

Business model that aims to have a positive effect on the environment and society, as well as generate financial returns; easing environmental and social pressures generated by the business activity.



## Social Capital

People's talent forms the cornerstone of the economic model and the company's value.



## Environment

Understood as both the physical and active environment that directly impacts our financial returns and generates value for the company.



# Recognitions

## 2017 EPRA BPR & sBPR Awards



First SOCIMI to be awarded with the **"EPRA GOLD AWARD"** in Financial Reporting for the **third consecutive year**



Recognition of the **CSR work and progress** made this year

## Sustainability Certification



ISO 9001 – certified quality management systems

Health and safety management system endorsed by the OHSAS 18000 regulation

The certificate guaranteeing the renewable origin of the power used (issued by the CNMC, Spain's anti-trust authority and energy sector watchdog)



BREEAM® Certification

**Eloy Gonzalo office building:** Refurbishment project certified with **"Very Good" rating**

**Marcelo Spínola office building:** Certified with New-Build, **"Very Good" rating**

**Egeo office building:** Obtaining **"Good" In-Use certification**

**El Rosal Shopping Centre:** Obtaining **"Very Good" In-Use certification**



Since June 2015:  
Member of **FTSE EPRA/Nareit Global Estate Index**

## Accessibility Certification



**Eloy Gonzalo office building:** Refurbishment project certified with the **AENOR Universal Accessibility certification<sup>1</sup>**



Lar España received recognition from **ILUNION Technology and Accessibility** in October 2017 for its **initiatives and projects aimed at improving universal accessibility**



1. Provisional until completion of the building works

# Our Values and Strengths

## Value is our DNA

Experienced  
Manager

Improved  
Corporate  
Governance  
Policy

Tailor made  
balanced  
portfolio

Sustainable  
investment  
Strategy &  
Dividends

Continuous  
innovation  
and  
Digitalization

1

RIGHT  
TIMING

Cycle  
Opportunity

2

RIGHT  
RESOURCES

Operational  
Financial  
Know-How

3

RIGHT  
PLATFORM

Size  
Synergies  
Developments  
Rotation potential

FUTURE

RESULTS

Operational

Revaluation

Dividends



# Retail Trends in Spain



## Analyst Day

**José Manuel Llovet**  
Commercial RE Managing  
Director Grupo Lar

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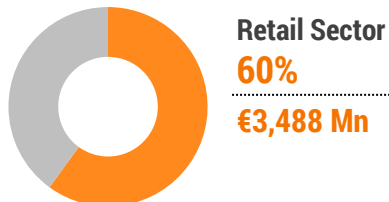
**December 2017**



# Sound Investment Market of Commercial Assets

## Commercial real estate<sup>1</sup> investment volume in 9M 2017

c. €5,842 Mn [+28% vs 9M 2016]

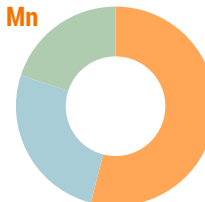


### Other Retail Assets

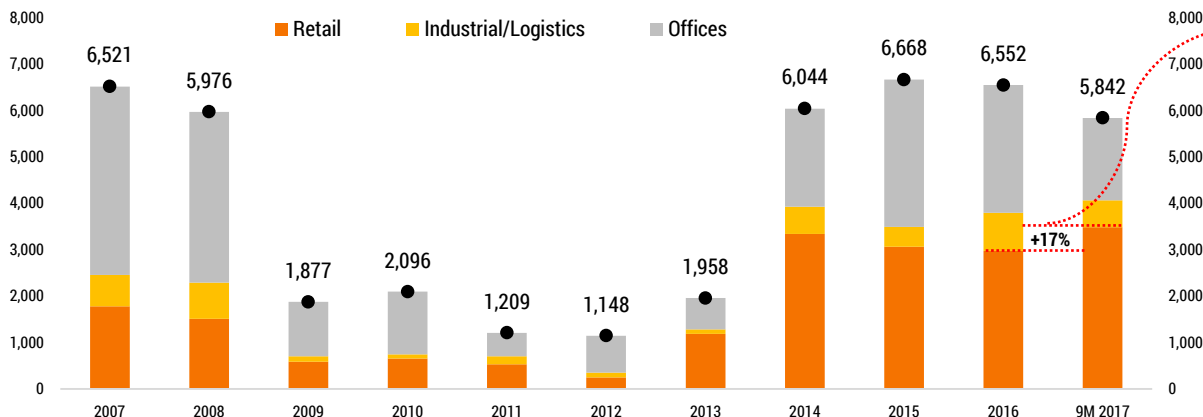
20% | €1,877 Mn

### Retail Units

26% | €902 Mn



## Investment Volume by sector (€ Mn)<sup>2</sup>



Already exceeded total retail investment volume in 2016

1. 1. Offices, retail and logistics

2. 2. Source: JLL, considering just direct investment transactions

# Solid growth of the Spanish Economy

## Macro recovery in Spain is one of Lar España external value-creation pillars...

### Flourishing **tourism** sector: **over 66 Mn** of tourists, 9M 2017

Following the trend of 2016, when it registered its fourth record year with over 70 million of tourist

### **Inflation**: YoY growth at **1.6%** in Oct. 2017

Leaving behind a negative path since September 2016

### Positive Outlook in **GDP Growth**: **3.1%** YoY Change vs **2.5%** of the Eurozone avg. in Q3 2017

It is expected to continue over-performing the Eurozone, although at a more moderate pace

### **Unemployment Rate** follows a decreasing trend: **16.4%**, lowest figure of the last six years

Job creation is expected to remain at circa 2.8% with Spain generating one of the highest number of jobs in Europe

### **Private consumption** annual variation of **2.6%** in H1 2017

Well performance as a consequence of household spending on goods and services

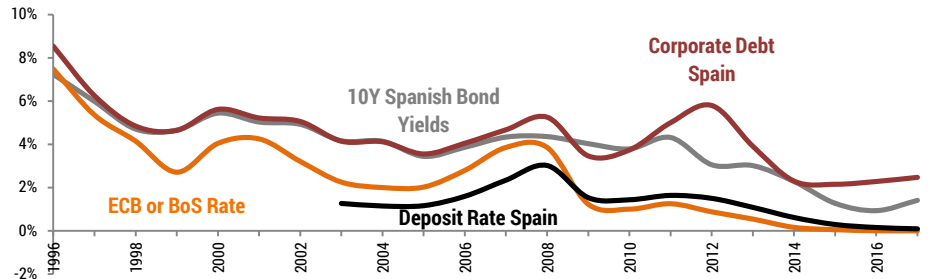
**The upbeat economic outlook in Spain** coupled with job creation, favourable financing conditions, along with loose monetary policy and low oil prices, have bolstered **domestic demand**, the main driving force for Spanish economy's recovery, making **Spain a highly attractive market**

# Yields Compression as a Market Driver

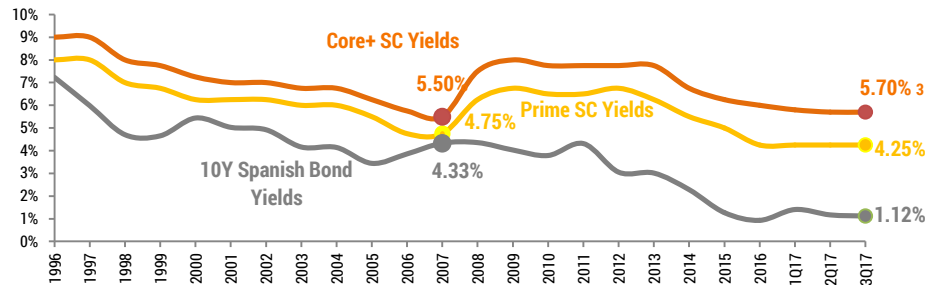
**Ultra-low interest rates** have reduced headline yields in Spain and Europe in general, and **shifted investors' appetite towards high-yielding assets...**

...mainly Core+ assets within recovering Spanish economy (such as the **Shopping Centre Market**)

## Spanish headline yields <sup>1</sup>



## Spanish SC yields <sup>2</sup>



We estimate there is room for **50bps compression** in the core plus segment

1. Source: Bank of Spain  
 2. Source: JLL & Savills (Historical) & Grupo Lar (Forecast) / Bank of Spain (Actuals) & Bloomberg (Forecasts)  
 3. Data estimated considering last market transactions in 2017

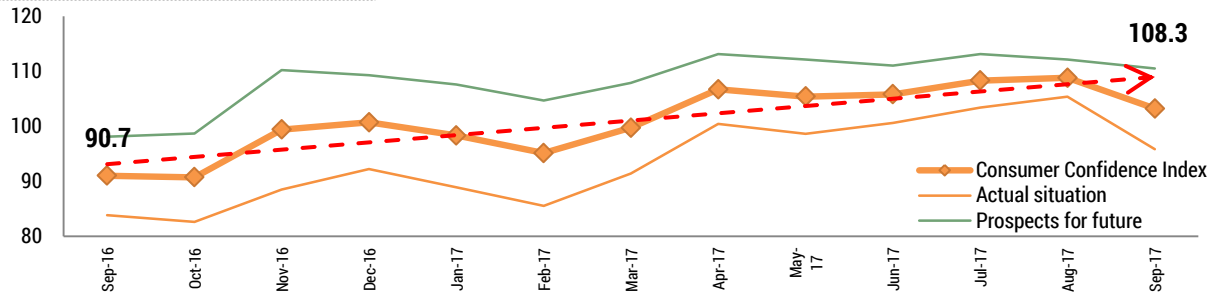
# Sales and Consumption Supporting Further Upside

There is still **room for further recovery of sales** and consensus is optimistic...

## Retail Sales Index % YoY Growth <sup>1</sup>



## Consumer Confidence Index <sup>2</sup>



Analyst's consensus is **2.4% sales growth in 2018**

# Supply Dynamics Support Shopping Centre's Stock

**56,000 sqm of new GLA** is expected to be opened by the end of 2017, with the opening of **3 new shopping centres**

Shopping centre stock



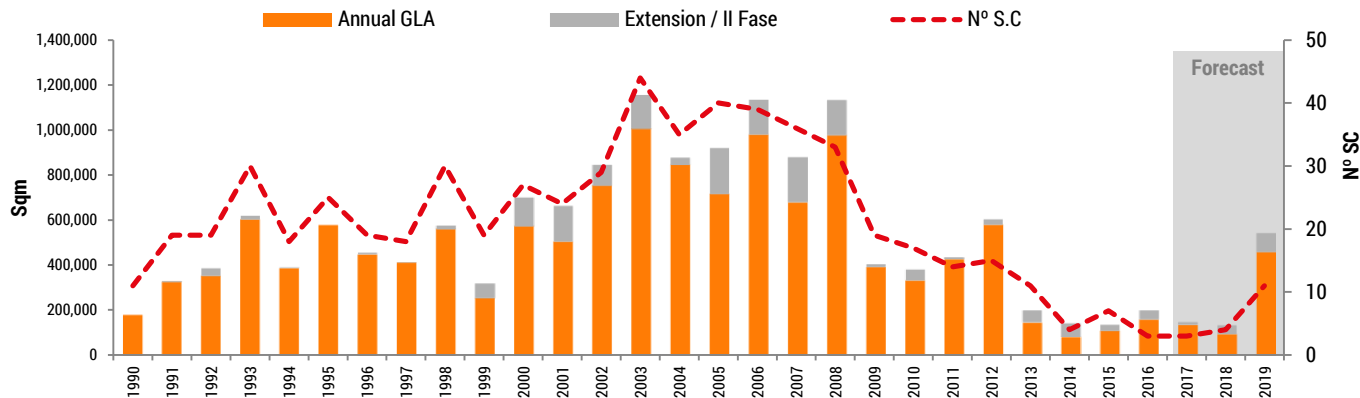
GLA (sqm)



Density (sqm per 1,000 inhab.)



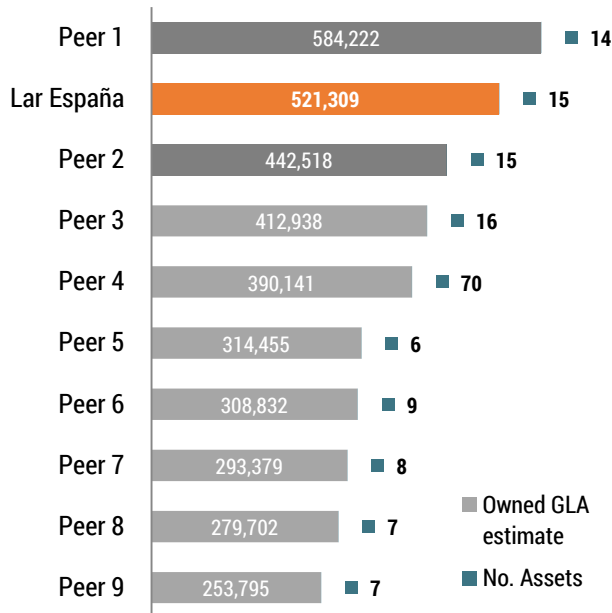
## Evolution of Shopping Centre Stock





# Where is Lar España among its Competitors?

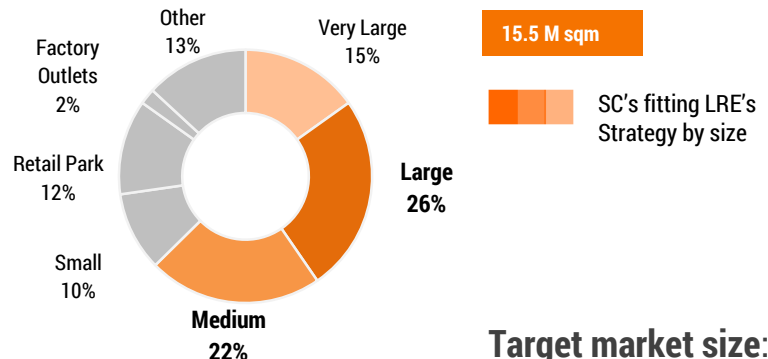
## Main market players by owned GLA, including GLA under development <sup>1</sup>



Total of main competitors 3,801,290 sqm 167 assets

LAR España has a clear objective to **consolidate among the top 3 retail operators** in Spain: target to selectively increasing GLA to **generate revenue synergies**

## Spain total GLA by size <sup>2</sup>



Target market size:  
**9.4 Mn sqm GLA**  
 60.3% of the total market

1. Considering opening date of assets under development until 2020. Source: CBRE & Grupo Lar Figures at November 15th, 2017. Main competitor's assets fitting LRE are in portfolios with active rotation. Excluding 22 retail units and Villaverde (standalone unit) owned by Lar España.

2. Source: AECC 2016. Very Large: (>79,999 sqm) / Large: (40,000-79,999 sqm) / Medium: (20,000-39,999 sqm) / Small: (5,000-19,999 sqm) / Others: Hypermarkets and Leisure Centers

# Lar España Main Investment Criteria

Lar España has built a **high quality Core+ portfolio**, acquiring **asset by asset**

Investment Criteria are 4: **Dominant in its area, Size, Footfall and Quality Tenants** and all with **Value Creation potential**



**+250,000**

Catchment Area  
leader



**+5 Mn**

Footfall



**BIG S.C.**

40k – 80k sqm



## Best Retailers

55

**INDITEX**

3

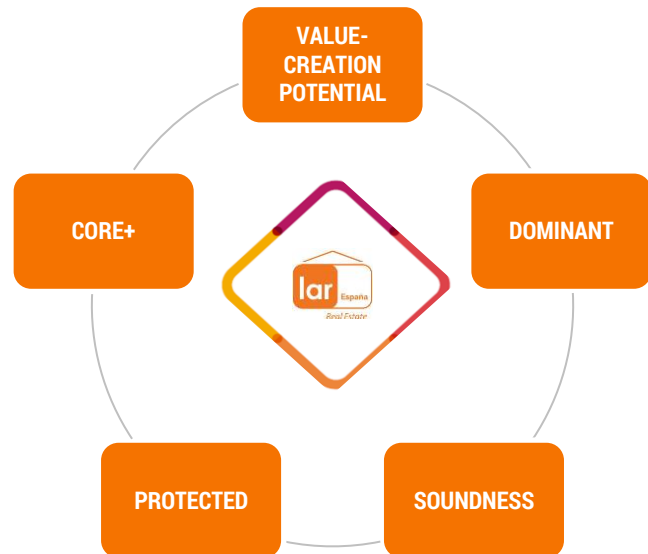
**Carrefour**

Main owners


**MediaMarkt**

3

**DECATHLON**



# Lar España Retail Dominant Portfolio (A)

	<b>Megapark Bilbao</b>	<b>Gran Vía Vigo</b>	<b>P. Marina Alicante Coast</b>	<b>El Rosal Ponferrada</b>	<b>Aneclau Great BCN</b>	<b>As Termas Lugo</b>	<b>P. Abadía Toledo</b>
							
<b>Area (sqm)</b>	83,380/127,772	41,435	40,158	51,022	28,608	35,127/43,718	37,114/54,012
<b>NMV¹ (€ Mn)</b>	192.0	153.0	114.3	100.4	95.0	80.8	63.7
<b>NMV Increase vs Acq.¹</b>	+12.9%	+8.5%	+28.2%	+14.7%	+18.6%	+17.4%	+0.9%
<b>Holding Period¹ (years)</b>	1.7	0.8	2.0²	2.0	3.0	2.1³	0.3
<b>EPRA NIY⁴</b>	5.1%	5.8%	5.5%	6.3%	4.9%	6.4%	6.4%
<b>Ownership</b>	100% RP+FOC+LC	100%	100%	100%	100%	71.2% 100% SC	68.6% 100% RP
<b>Value Added Potential</b>	<ul style="list-style-type: none"> <li>▪Renovation</li> <li>▪Tenant mix</li> </ul>	<ul style="list-style-type: none"> <li>▪Extension</li> <li>▪Experience</li> </ul>	<ul style="list-style-type: none"> <li>▪Extension</li> <li>▪Experience</li> </ul>	<ul style="list-style-type: none"> <li>▪Renovation</li> <li>▪Experience</li> </ul>	<ul style="list-style-type: none"> <li>▪Reposition</li> </ul>	<ul style="list-style-type: none"> <li>▪ Commercial transformation</li> </ul>	<ul style="list-style-type: none"> <li>▪ Marketing</li> <li>▪ Services</li> </ul>
<b>Footfall⁵ (Mn visits)</b>	10.5	7.2	4.2	5.4	5.7	3.7	3.0

1. Data from last valuation at June 30th, 2017; NMV gross increase vs acquisition (not including Capex)






2. Average as 59% of P. Marina SC was purchased at 30/10/2014; 41% at 30/03/2016; and P. Marina Hyper was purchased at 09/06/2015

3. Average as As Termas SC was acquired at 15/04/2015 and its Petrol Station at 28/07/2015

4. EPRA Q3 2017

5. Annual Footfall estimation for 2017

# Lar España Retail Dominant Portfolio (B)

	Vistahermosa Alicante	Albacenter Albacete	Palmas Altas <sup>6</sup> Sevilla	Vidanova Parc <sup>6</sup> Sagunto	Other Retail Assets <sup>7</sup>
					
Area (sqm)	35,550	27,890	100,000 <sup>12</sup>	44,252	61,948
NMV <sup>1</sup> (€ Mn)	47.5	52.1	52.0	19.6	142.2
NMV Increase vs Acq. <sup>1</sup>	+11.8%	+30.4%	+28.4%	+68.9%	+17.0%
Holding period <sup>1</sup> (years)	1.1	2.8 <sup>8</sup>	1.4	1.9	2.4 <sup>9</sup>
EPRA NIY <sup>4</sup>	5.9%	6.0%	n.a.	n.a.	6.6%
Ownership	100%	99.2%	100%	100%	67.5%
Value Added Potential	▪ Occupancy ▪ Reposition	▪ Occupancy ▪ Transforming	▪ Develop	▪ Dominant ▪ Develop.	▪ Various
Footfall <sup>5</sup> (Mn)	7.0	4.8	Est. 14.0	Est. 5.5	▪ Various

## Overall Portfolio

w/o develop.

Incl. develop.

440,233 /  
Avg<sup>10</sup> 42,032584,485 /  
Avg<sup>10</sup> 47,503

1,112

+16.4%

2 years

5.8%

89.0%

Active AM

57.4<sup>11</sup> /  
Avg<sup>10</sup> 5.775.9<sup>11</sup> /  
Avg<sup>10</sup> 6.5

w/o develop.

Incl. develop.

6. Assets under development

7.- Other retail units include: Txingudi, Las Huertas, Nuevo Alisal, Villaverde, Galaria and 22 retail units portfolio

8.- Average as Albacenter Hyper was acquired at 19/12/2014 and Albacenter SC at 30/07/2014

9.- Average as acquisition dates are as follows: 22 retail units at 27/03/2017, Txingudi at 24/03/2014, Nuevo Alisal at 17/12/2014, Las Huertas at 24/03/2014, Villaverde at 27/07/2010 and Parque Galaria at 23/07/2015

10.- Excluding Other Retail Assets (GLA: 61,948)

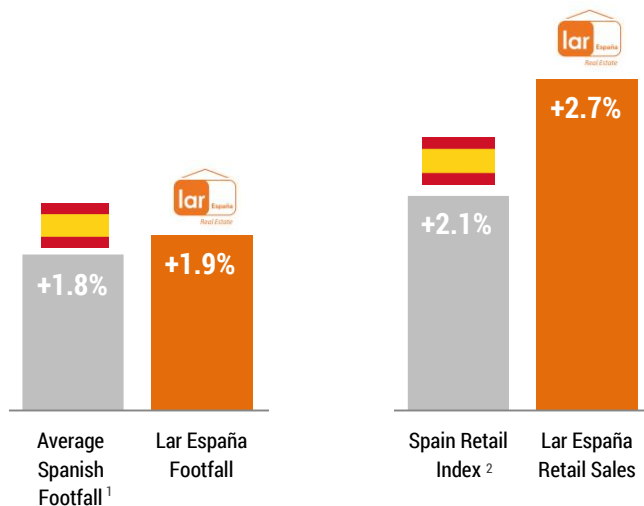
11.- Including Txingudi and Las Huertas (GLA: 16,979). Excluding Alisal, Villaverde, Galaria and 22 retail units portfolio (GLA: 44,970)

12.- Including Retail &amp; Family Leisure Place.

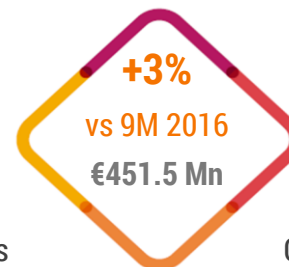
# 9M 2017 Key Retail Operating Trends

## Outperforming the market

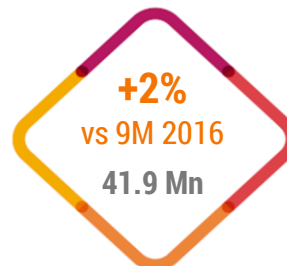
Lar España vs Spain Index Sales & Footfall  
YoY Growth



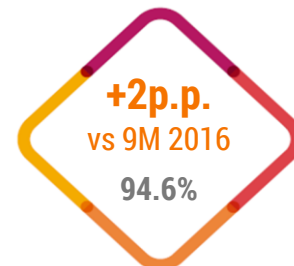
Sales



Visits



Occupancy<sup>3</sup>



1. Shopper Track Index

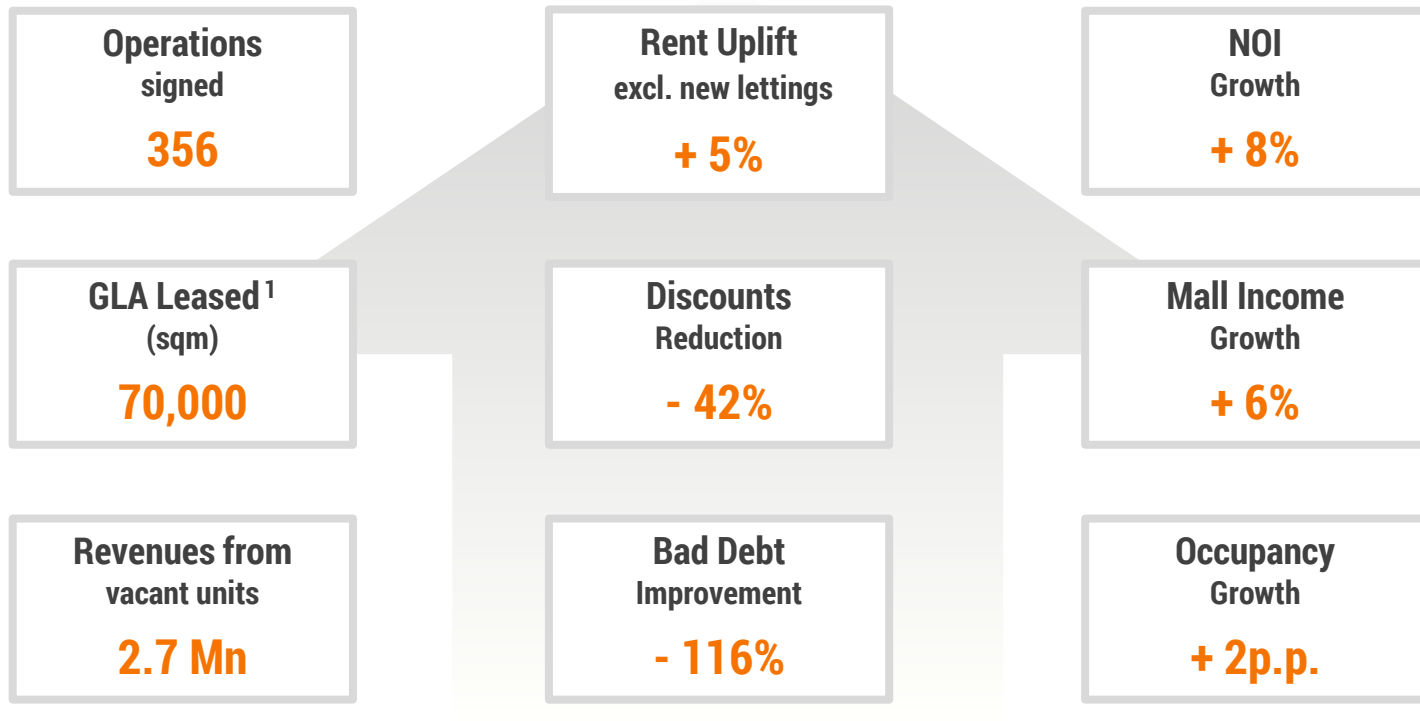
2. Source: INE Spanish Retail Index, YTD till September 2017

3. In accordance with EPRA BPR (Q3 2017)



# Lar España Outstanding Results since Acquisition

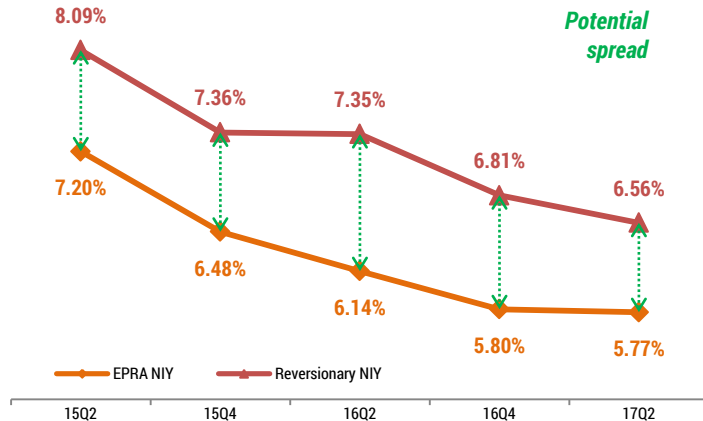
## Key Performance Actual Indicators accumulated till Sep. 2017 vs Acquisition



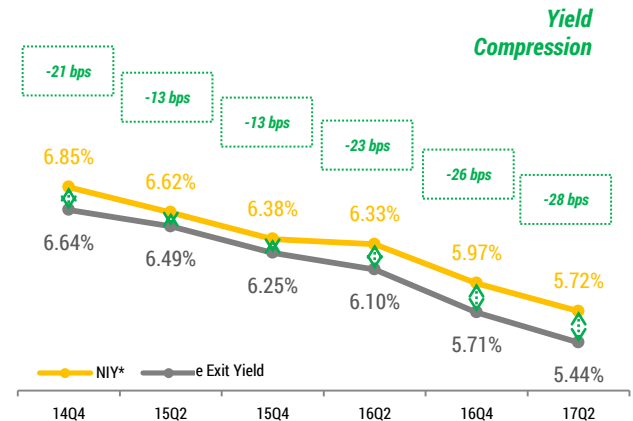
1. 17% of total GLA

# There's Still High Potential to Create Value

## NIY vs Topped Up NIY vs Potential NIY vs Reversionary NIY<sup>1</sup>



## Yield Compression Path<sup>2</sup>



\*NIY corrected for temporary effects of CF Yr1

There is still a long way to go through **Asset Management value-creation strategy**, our main pillar

- ✓ **Repositioning** the SCs through changes in the tenant mix and Capex investments
  - ✓ Improving layout, carrying out **extensions or transformations**
  - ✓ Creating **shopping experience** destinations
- ✓ **Increasing control** over the SC by complementing acquisitions of other ownership stakes
  - ✓ **Increasing occupancy** levels
  - ✓ **Optimizing** service charges
  - ✓ **Cutting down lease incentives**

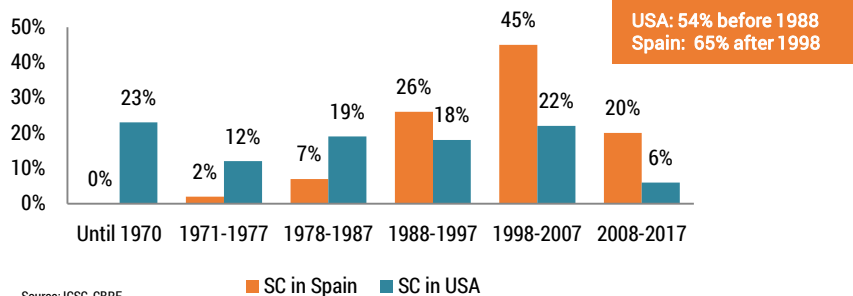
1. In accordance with EPRA BPR. Potential NIY = (Topped Up Net Annualized Rent + ERV Vacant Units) / GMV; Reversionary NIY = (ERV / GMV)

2. In accordance with valuations results. The valuations have been made by external independent valuers: JLL or C&W.

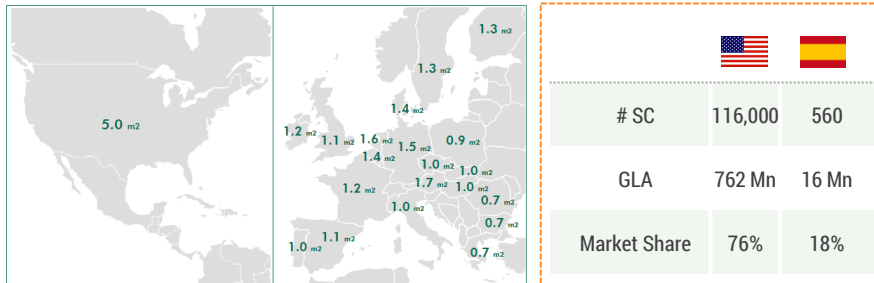
# Two Burning Issues

## 1 USA. The Department Store Case. Impact in SC

### Aging of shopping centres (% of new GLA / total GLA)

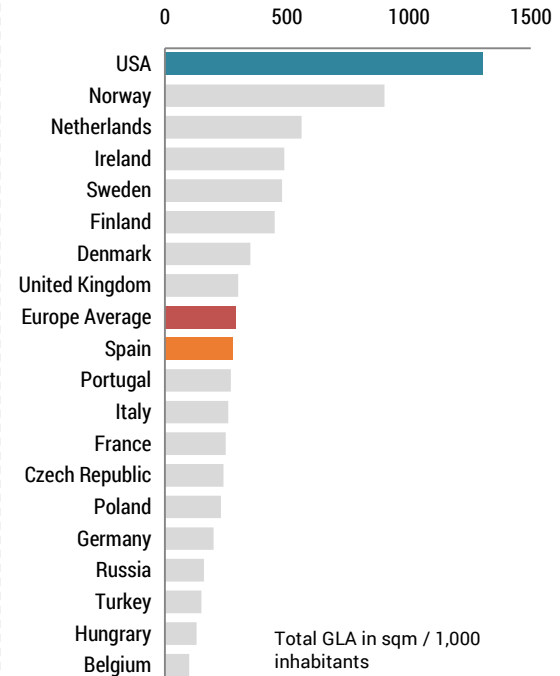


### Retail Density by Region



Source: GfK, M2 sales area Retail: shopping centres, high Street and Freestanding

### Shopping Centre Stock/Capita 2017



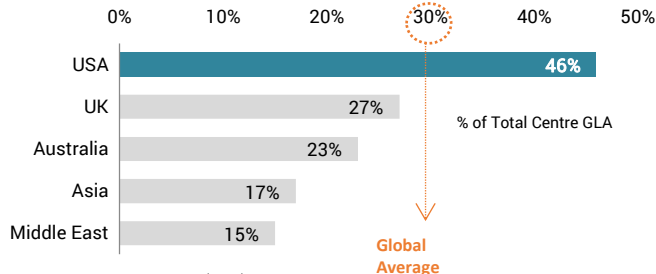
Source: JLL, Akershus Eiendom, Sadolin & Albaek, CBRE 2017

Two main differences, density and aging are crucial for market understanding

# Two Burning Issues

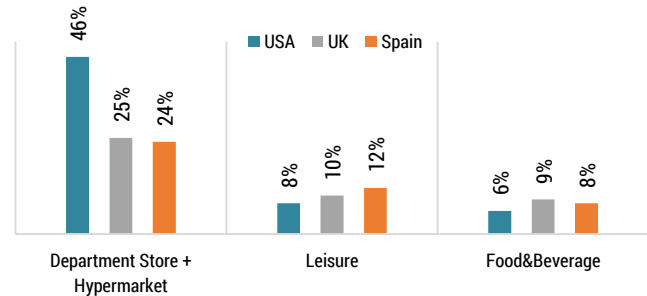
## 1 USA. The Department Store Case. Impact in SC

### Department stores on total GLA

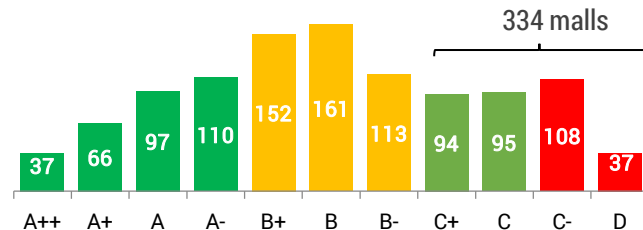


Note: Centres > 100,000 sqm (N=48)  
Source: Bloomberg (May 2017), Cistri (June 2017)

### Tenant Mix (% of GLA)

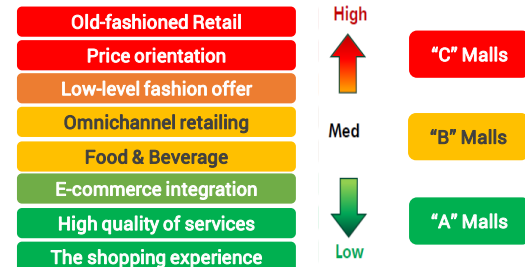


### USA SC at risk of closing



Source: Green Street Advisors

### Prime vs Secondary



High dependency of Department Stores in the USA whilst Europe has a more **modern and balanced tenant mix**  
There are 334 SC in jeopardy in USA, this represents **30% of GLA** but **5% in GAV**.  
**Oldest, smallest, less digital and poorest shopping experience** have more possibilities to fail.

# Two Burning Issues

## 2 Democratisation of technology. Online + Offline sales

Total **e-commerce turnover in Spain** was **€ 24 Bn** in 2016, YoY growth of 20.8%

### Sectors with the highest revenue:



However, E-Commerce comprises different types of activities and transactions, and **not all affect the Spanish shopping centre market**



**25.9%**  
**€2.9Bn** **Activities that are present in Spanish Shopping Centres**

### Areas of activity with the highest percentage of e-commerce turnover in 2016 related to Shopping Centers:



# Change and Adaptability

Market trends forecasted that individuals will shop increasingly by a **combination of online and offline**, versus a significant reduction of only online or only offline shopping



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## Customers

- New buying channel
- Better Brand experience
- Access to personalized promotions and new services
- Click & Collect Service and multiple delivery options



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## Retailers

- Better Customer Service and better CRO (Conversion Rate Optimization)
- Additional sales, cross-selling and opportunities through click & collect
- Improves stocks and operations control
- Access to more products and infinite aisle



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## Lar España

- Experience. Service.
- New leisure and F&B activities.
- Differentiation among its competitors
- Modern and updated perception.
- Digital transformation. New income from the new channel

# Lar España Digital



## Online platform

Leads Lar España's Shopping Centres Digital Transformation



## Omni-channel platform

Includes products of physical stores where customers can buy through its smartphone, tablet, laptop or PC



## New and extra channel for our customers

Satisfies individuals needs offering more services and options

The main goal is to add value, generate a better shopping experience and stronger loyalty



## New and extra channel for our tenants

Generates new income from new opportunities coming from e-commerce, market places and "new catchment areas"

Transforms e-commerce into an opportunity



## New and extra channel to generate a long term sustainable growth

Increases the value of our assets and the differentiation from our competitors



# Portfolio Overview



## Analyst Day

**Sergio García**






Asset Management Director  
Grupo Lar

[www.larespana.com](http://www.larespana.com)

**December 2017**



# Retail KPIs · Since Acquisition<sup>1</sup> from Q3 2017

	2015	2016	2017
 <b>N° of SC<sup>2</sup></b>	7	9	11
 <b>GLA owned</b> Sqm	307,185	388,768	440,233
 <b>Vacancy Evol.</b>	7.5%	5.2%	5.0%
 <b>Footfall Evol.</b> Comparable Data Versus previous year	+3.9%	+1.3%	+1.9%
 <b>Sales Evol.</b> Comparable Data Versus previous year	+4.2%	+2.7%	+2.7%

1. First SC acquired in March, 2014

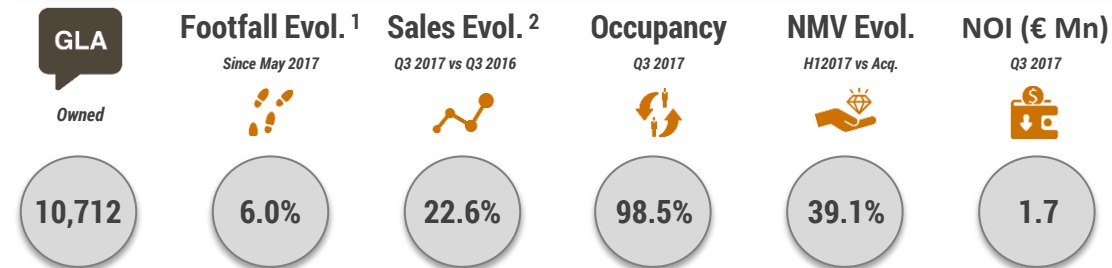
2. Excl. Alisal, Villaverde, Galaria and 22 retail units



# Txingudi



## Non-Core Assets



<sup>1</sup>Average footfall increase since H&M and Kiabi openings

<sup>2</sup>Total Data, H&M effect

Acquired in 2016



# Txingudi

## Amazing Refurbishment Developed

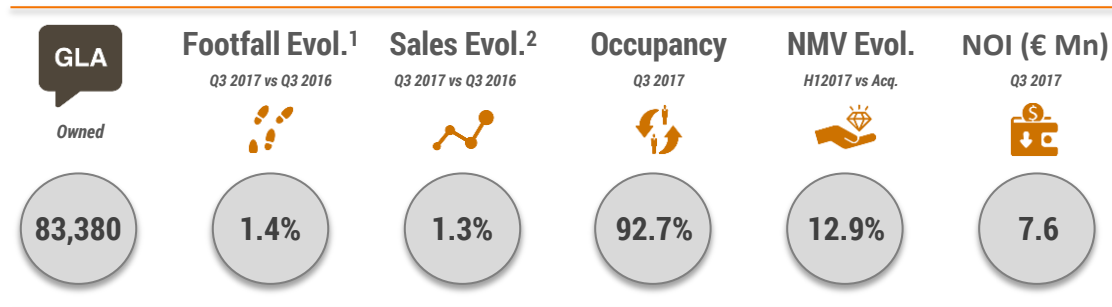




# Megapark<sup>1</sup>



## Core Assets

<sup>1</sup> FOC<sup>2</sup> Total Data

## Refurbishment project *Already launched*

*Acquired in 2015*

### Capex

€3.5 Mn

### Planning

Starting Q4 2017 - Ending Q3 2018

### Objectives

Renew the outdated image of the SC

Improve ambience and offer

Become the best commercial offer in Bilbao

# Megapark

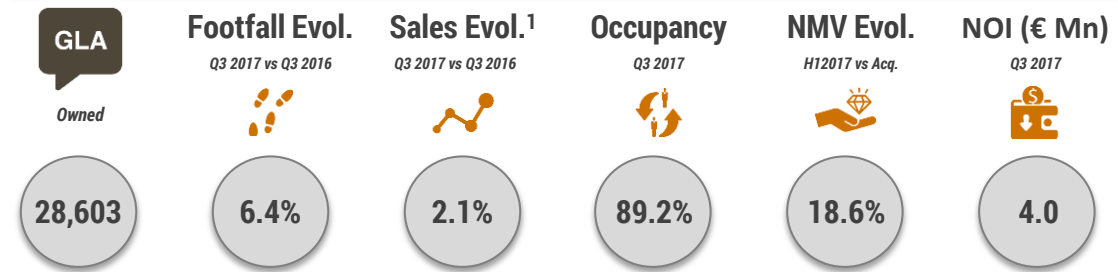
## Image renewal & Improvement of FOC Commercialization



# Anecllau



## Core Assets



<sup>1</sup>Total data

## Dining Area project *Mediterranean lifestyle*

*Acquired in 2014*



### Capex

Dining + Cinema refurbishment

### Planning

Starting Q3 2018 - Ending Q2 2019  
Preletting strategy already launched

### Objectives

Exploite commercial value in leisure and dining areas

Create an innovative ambience in outdoor area

Lifestyle SC and commercial reference in Baix Llobregat



# Anechblau

## Transformation & positioning of FB area (Food & Beverage)

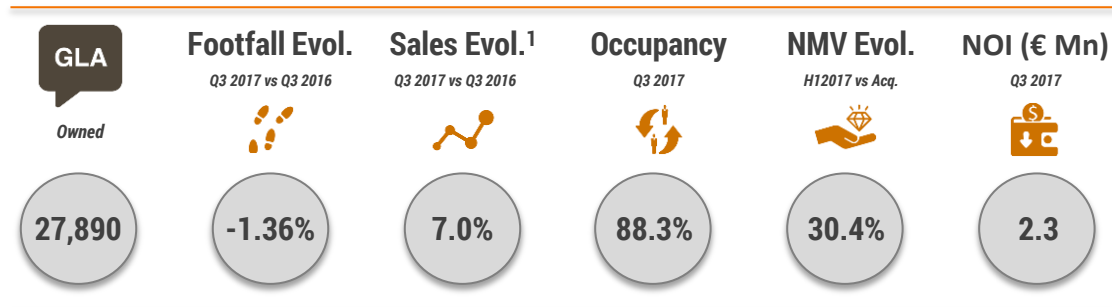


# Albacenter

## Total Complex



### Core Assets



<sup>1</sup>Total data

## Full renewal project Already launched

*Acquired in 2014*



### Capex

€3.3 Mn

### Planning

Works already started - Ending Q2 2018

### Objectives

Improve commercial mix

Reposition the SC as a urban square

Modern and complete renovation of the asset



# Albacenter

Value generation through impressive refurbishment

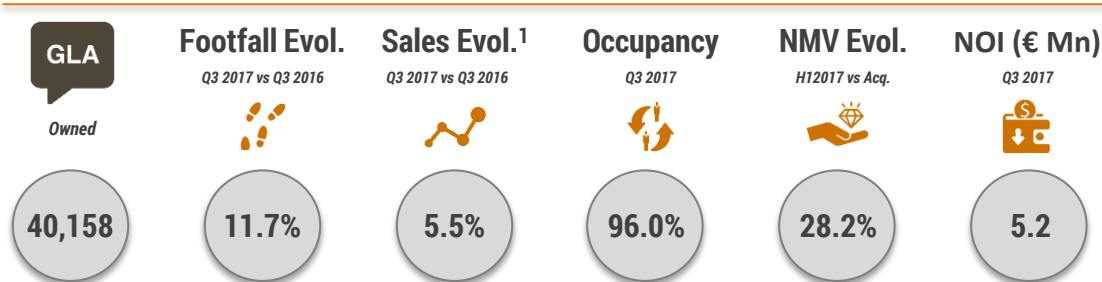


# Portal de la Marina

## Retail Complex



### Core Assets



<sup>1</sup>Total data

## New main entrance and a complete refurbishment of Dining area

*Acquired in 2016*



### Capex

€3.0 Mn

### Planning

Starting Q4 2017 - Ending Q3 2018

### Objectives

Renew the outdated image of the SC

Mediterranean lifestyle SC with the best dining offer



# Portal de la Marina

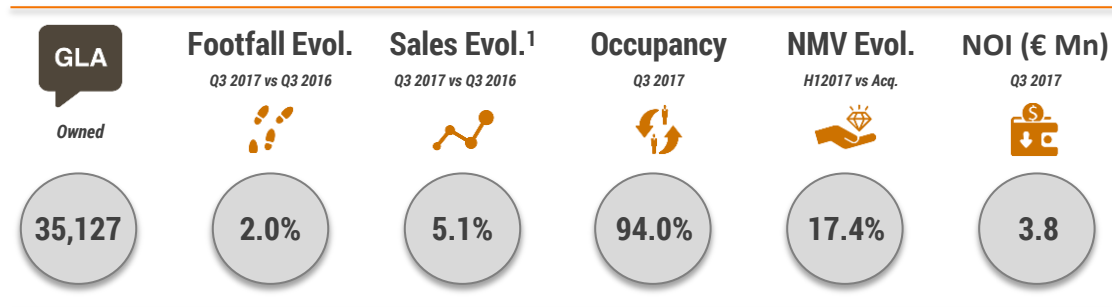
## Transformation & positioning of FB area (Food & Beverage)



# As Termas SC



## Core Assets



<sup>1</sup>Total data

## New Dining Area & Image Renewal

*Acquired in 2014*



### Capex

€1.4 Mn Dining

### Planning

Starting Q2 2018 - Ending Q4 2018

### Objectives

Improve design of Dining area, making it more comfortable and local taste

Update the Global image of the SC



# As Termas

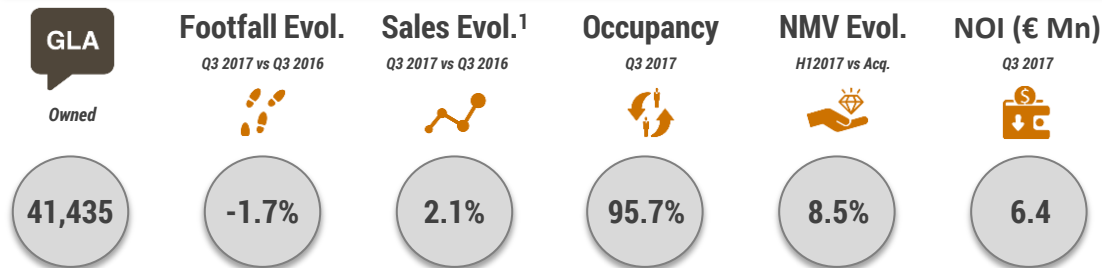
Improve FB area (Food & Beverage) and attract local restaurants



# Gran Vía



## Core Assets



<sup>1</sup>Total data

*Acquired in 2016*



### Full renewal project

*Concept on development*

Completely image uplift

Improving commercial mix, dining area and parking

Meeting point between the sea and the urban centre





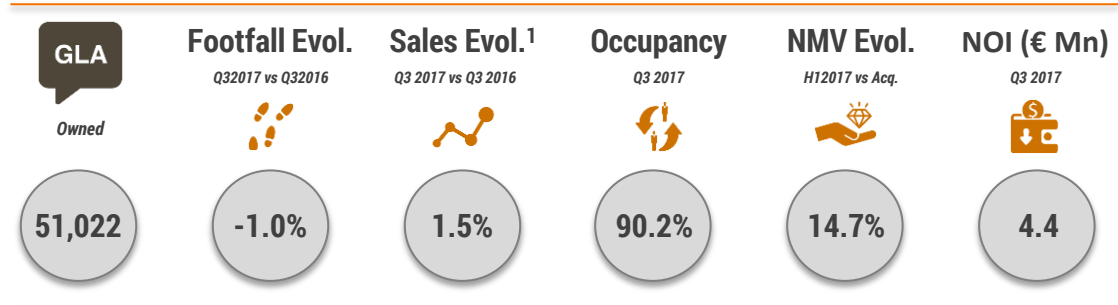
# Gran Vía



# El Rosal



## Core Assets



<sup>1</sup>Total data

*Acquired in 2015*



## Completely Image Renewal

### Capex

€2 Mn

### Planning

Starting Q1 2018 - Ending Q2 2018

### Objectives

Image renewal introducing new technologies

Completely refurbishment of Dining area

Positioning the SC as a natural and familiar referent in its influence area



# Retail Parks



## Vistahermosa

Acquired in 2016



Owned

33,550

### Footfall Evol.

Q3 2017 vs Q3 2016



12.6%

### Sales Evol.

Q3 2017 vs Q3 2016



6.5%

### Occupancy

Q3 2017



90.5%

### NMV Evol.

H1 2017 vs Acq.



11.8%

### NOI (€ Mn)

Q3 2017



1.9



## Abadía

Acquired in 2017



Owned

37,114

### Footfall Evol.

Q3 2017 vs Q3 2016



1.4%

### Sales Evol.<sup>1</sup>

Q3 2017 vs Q3 2016



3.1%

### Occupancy

Q3 2017



100%

### NMV Evol.

H1 2017 vs Acq.



0.9%

### NOI (€ Mn)

Q3 2017



1.9

<sup>1</sup>Comparable Data

# Palmas Altas



**AREA<sup>1</sup>**

*Owned*

100,000

**Opening**

*Expected Date*



Q2 2019

**Building Permit**

*Granted Date*



07/2017

**Pre Letting**

*% of GLA*



+56%

**All-in Costs**

*€ Mn*



191.1

<sup>1</sup>Retail and family leisure place

*Plot acquired in 2016*



**Tenants already signed**

**MERCADONA**

**Foot Locker**

**YELMO CINES**

**PRIMARK**

**MediaMarkt**

**Project Key Points**

One of the most important projects in Spain

Optimal mix of family leisure and fashion

It is expected to receive 14 Mn visits/year

Sustainability (BREEAM Certificate and CO emissions)

Catchment Area: +1,5 Mn inhabitants



# Palmas Altas



# Vidanova Parc



**GLA**

Owned

44,252

**Opening**

Expected Date



H1 2018

**Building Permit**

Edification Works



09/2017

**Pre Letting**

% of GLA



+88%

**All-in Costs**

€ Mn



45.7

*Plot acquired in 2015*



**Tenants already signed**

worten

C&A

Urban Planet

KFC

FIFTY FACTORY

DECATHLON

Conforama

LEON MEXICAN

BURGER KING

**Project Key Points**

**Excellent location**

Valencia – Sagunto – Castellón - Teruel axis

**First Retail Warehouse in the catchment area**

+250k inhabitants, Market Gap  
Triples during Summer months

CaixaBank Financing: €24 Mn









# Vidanova Parc



# Offices KPIs · Since Acquisition<sup>1</sup> from Q3 2017

	2014	2017
 <b>N° of Assets</b> <i>Comparable Data</i>	3	4
 <b>GLA owned</b> <i>Sqm</i>	33,360	41,970
 <b>NMV Evolution</b> <i>Since Acquisition</i>		27.1%
 <b>NOI Portfolio (€ Mn)</b> <i>3Q 2017</i>		2.5



1. First asset acquired in 2014

## Marcelo Spínola



### NMV Evol.

H1 2017 vs. Acq



76.3%

### Capex

Total Amount



€9.6 Mn

## Eloy Gonzalo



### NMV Evol.

H1 2017 vs. Acq



47.3%

### Capex




Total Amount



€4.1 Mn



# Logistics KPIs · Since Acquisition<sup>1</sup> from Q3 2017

	2014	2017
 <b>N° of Assets</b> <i>Comparable Data</i>	2	5
 <b>GLA owned</b> <i>Sqm</i>	119,148	161,840
 <b>NMV Evolution</b> <i>Since Acquisition</i>		31.6%
 <b>NOI Portfolio (€ Mn)</b> <i>3Q 2017</i>		3.9



1. First asset acquired in 2014



# Highlights

## PORTFOLIO REVALUATION

Retail + Offices +  
Logistics

**+15.3%**

## FOOTFALL EVOL. Q3 17 vs Q3 16

*Comparable Data*

**+1.9%**

## SALES EVOL. Q3 17 vs Q3 16

*Comparable Data*

**+2.7%**

## NOI EVOL. Q3 17 vs Q3 16

**+3.6%**





# Lagasca 99 Residential Development



**Analyst Day**

**Nicolás Alcibar**

Lagasca 99 Project Manager

[www.larespana.com](http://www.larespana.com)

**December 2017**

# Lagasca 99



In Process

**Q2 2018**

Estimated delivery date

New record set  
for a flat in  
Madrid Golden  
Mile

Financing of  
100% of  
construction  
costs agreed

**GLA Sqm**  
26,203

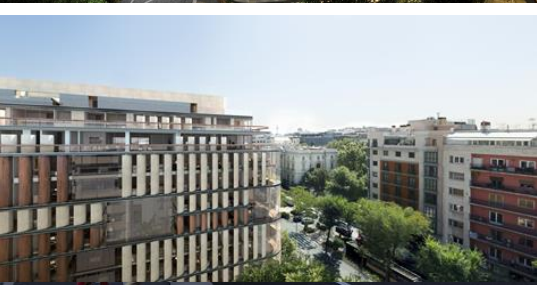
**Location**  
Madrid

**Purchase Date**  
30 January 2015

**Acquisition Price<sup>1</sup>**  
€50.1 Mn

**Market Value (June 2017)<sup>1</sup>**  
€71.5 Mn

<sup>1</sup>Corresponds to the 50% of the JV with Pimco



**Construction works on schedule**

100% structure completed

Façade and rest of the building on progress on  
schedule

Price c.11,000 €/sqm  
Solid sales rhythm

30%

FY 2015

44%

FY 2016

70%

9M 2017



# Future Value



*Real Estate*

## Analyst Day

**Sergio Criado**  
CFO Lar España

[www.larespana.com](http://www.larespana.com)

**December 2017**

# Value Momentum of the Spanish Economy

1

Spanish economy has been surprising on the upside during the last years

2

It is expected to continue outperforming the Eurozone

3

Confidence of consumers keeps growing in line with income and stable earnings driven by strong employment creation

4

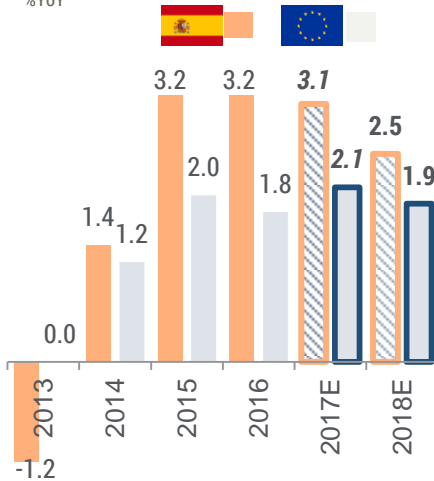
Unemployment Rate supporting further decreases

5

Future Investment supported by largest yield Gap in recent history

## Positive Outlook in GDP Growth

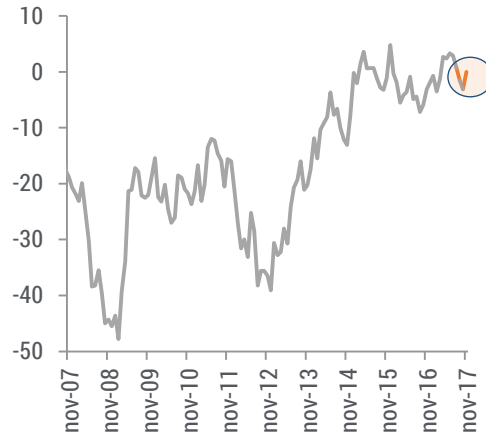
%YoY



Source: IMF

## Spanish Consumer Confidence Index

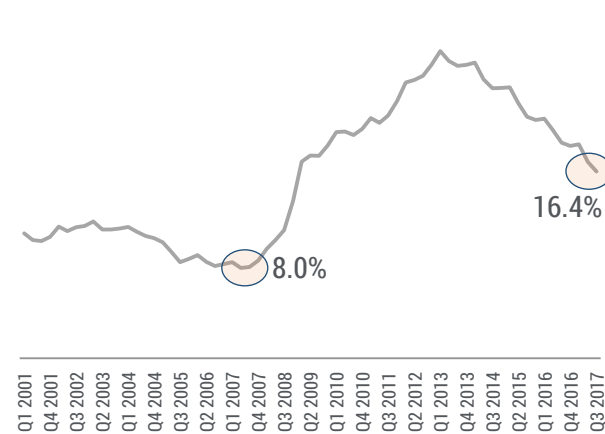
Net Balance



Source: Ine, Bank of Spain

## Unemployment Rate

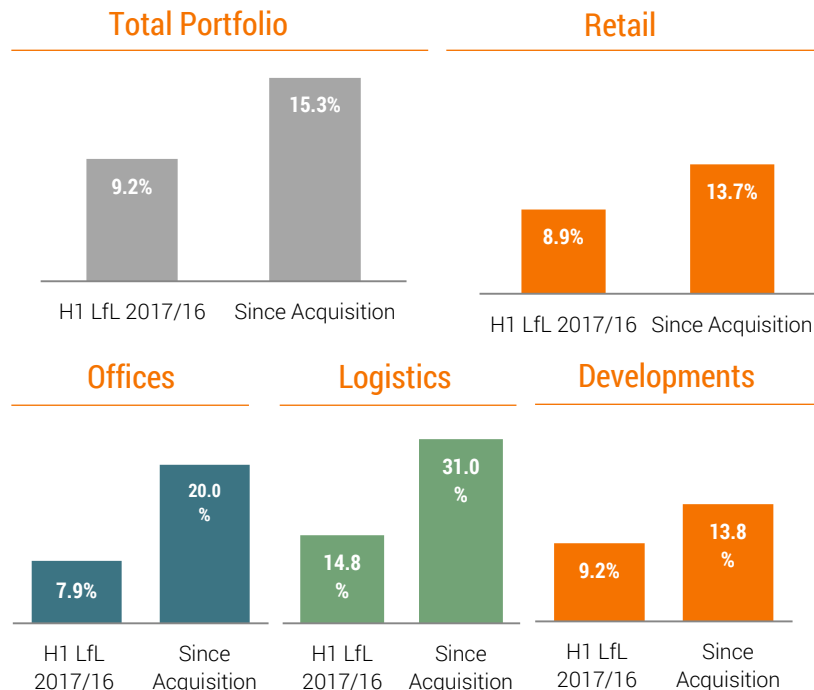
%



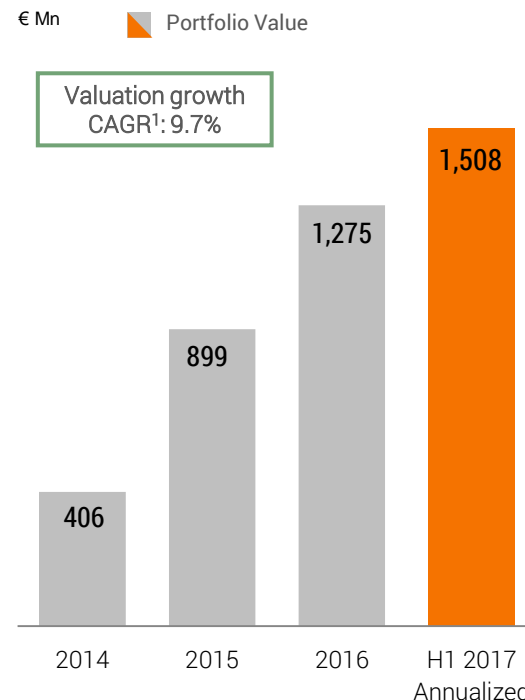
Source: Ine, Bank of Spain

# Strong Valuation Performance in All Asset Classes to Date

## Revaluation after invested Capex



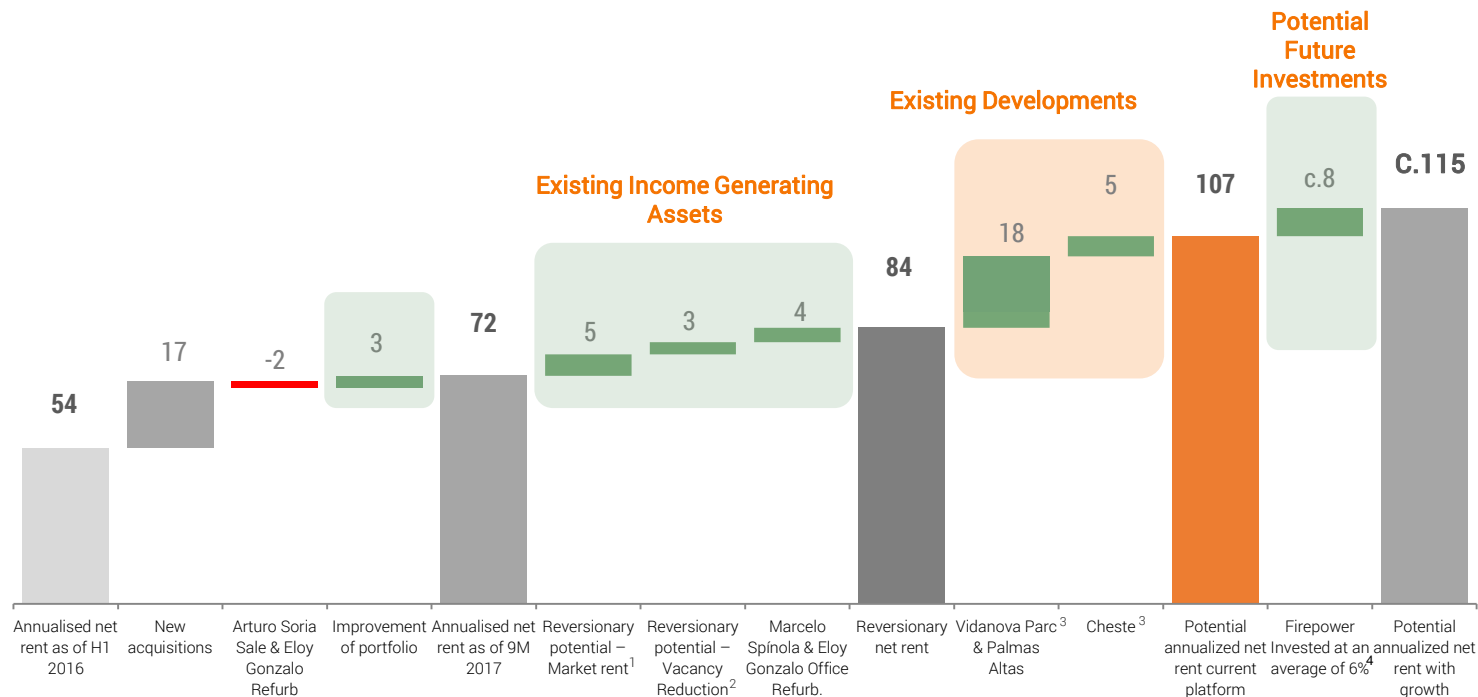
## Portfolio Value evolution



1. Compounded Annual Growth Rate



# Present Portfolio Potential



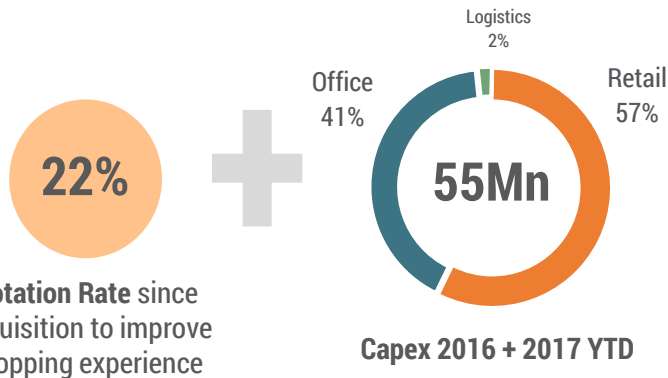
15 months back

Next 24 months

1. Illustrative potential additional rent calculated as the difference between the market net rent estimated by the Company's appraisal done by Cushman & JLL, as part of their valuation exercise and the annualized net rent obtained by the Company in 9M2017. Difference applied only to the current EPRA occupancy rate, considering the occupancy rate of the Company's properties as of 31 September 2017.
2. Illustrative potential additional rent in 9M 2017 calculated, assuming the full occupancy of the Company's properties, as the application of the market net rent estimated by the Company's appraisers as part of their valuation exercise with respect to the vacant spaces in each of the Company's properties. Full occupancy has been estimated at 97% for Shopping Centres given structural vacancy and 100% for the remaining portfolio
3. Potential rent that may be derived from certain of the Company's assets under development (Vidanova Parc and Palmas Altas) based on the announced yield at the moment of their respective acquisition (9.2% and 8.0% respectively) as applied to the acquisition price and building capex for each asset
4. Estimated Rental Income assuming an average yield of assets acquired @ 6%

# Proven Asset Management Capabilities

## Active Asset & Tenant Management + Smart Capex in Operating Assets



## ...are providing results

**+19.5%**

Portfolio Valuation Growth

**+2%**

Occupancy Total Portfolio

**€9.5Mn**

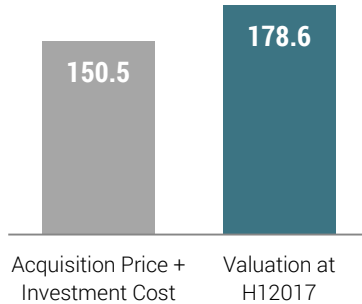
EPRA annualized Net Rent Improvement since 9M 2016



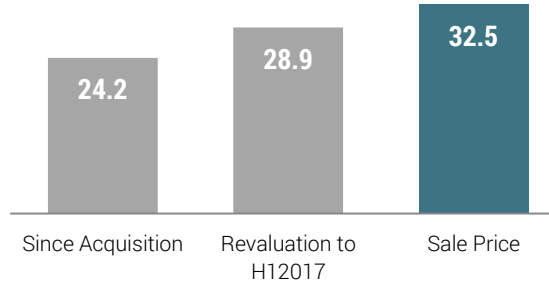


# Asset Rotation = Unlocking Value

## Office revaluation since acquisition



## Arturo Soria revaluation



**+34.5%**  
sale price/ acquisition

**+13.0%**  
Premium over last appraisal



## 2 Retail developments



## Residential development

**c.88%**

GLA signed & committed

### Vidanova Parc, Valencia



**+56%**

GLA signed & committed

### Palmas Altas, Seville



**70%**

Sales  
As of 9M 2017

### LAGASCA 99



Price  
**c.11,000 €/sqm**

**Q2 2018**

Estimated delivery date



# Debt Management as a Means of Value Creation

## Key Figures of the financing

37%

Net Loan to Value (LTV)

2.19%

Avg. Cost of Debt

*-41 b.p since H1 2015*

5.3x

Interest Cover Ratio<sup>1</sup>(ICR)

6.3Y

Debt duration

## Back-loaded Amortization Profile

€ Mn

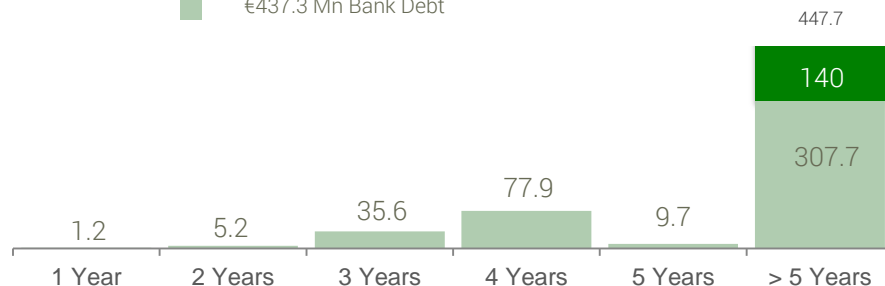


€140 Mn Senior Secured Bond

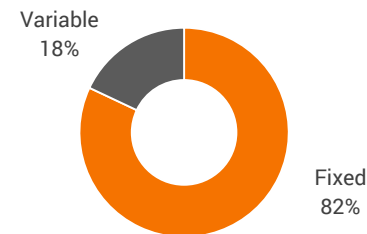
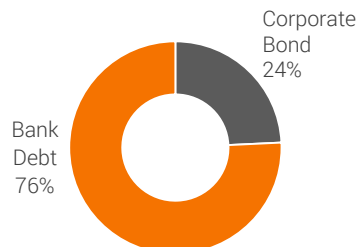


€437.3 Mn Bank Debt

€577.3 Mn



## Diversification of sources



1. EBITDA (pre-revaluation) / Interest expenses as at H1 2017

# €140Mn Bond Contract allows Flexibility in the Mortgage-Backed Assets Perimeter

Each Secured Real Estate Asset can be substituted with a non-residential Real Estate Asset that has an aggregate value and net operating income equal or greater to the asset being substituted

## First Ranking Mortgage Real Estate Assets for up to ~60% LTV at Bond Perimeter Level


<b>Issuer:</b>	Lar España Real Estate SOCIMI, S.A
<b>Structure:</b>	Senior Secured
<b>Trade Date:</b>	12 February 2015
<b>Settlement Date:</b>	19 February 2015
<b>Size:</b>	€140 MM
<b>Maturity:</b>	7 year
<b>Coupon:</b>	2.900% Fixed, annual Act/Act
<b>Security</b>	<p>First Ranking Mortgage Real Estate Assets for up to ~60% LTV at Bond Perimeter Level</p> <ul style="list-style-type: none"> <li>• Mortgage securing 20% of the principal of the bond</li> <li>• Promissory mortgage to extend to 130% in case of a "Mortgage Extension Trigger"</li> </ul> <p>First Ranking Pledges over the shares of the Subsidiaries within the Bond Security perimeter</p>
<b>Asset/Security Substitution</b>	Each Secured Real Estate Asset can be substituted with a non-residential Real Estate Asset that has an aggregate value and net operating income equal or greater to the asset being substituted
<b>Use of Proceeds</b>	To acquire additional real estate properties in accordance with its Investment Strategy as defined in the IPO Prospectus
<b>Call Options</b>	Modified Spens at mid-swap flat
<b>Listing:</b>	Irish Stock Exchange
<b>Morgan Stanley Role:</b>	Sole Bookrunner and Structurer

# Acquisition Pipeline Aimed at Increasing Retail Platform Value


## Current Opportunities

- 

110k+  
GLA

✓ Large and visible pipeline including actionable off-market acquisitions with yields in the 6% area
- 

100%  
Retail

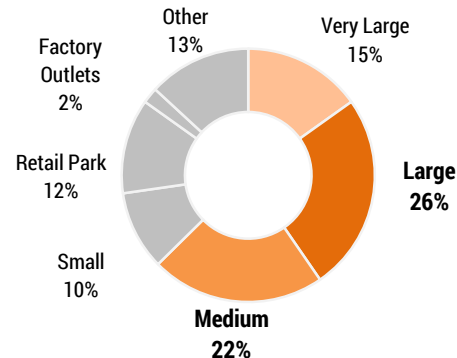
✓ High quality assets in prime locations focused on retail assets
- 

e6.0%  
Expected Minimum Yield

✓ Substantial upside potential through active asset management in line with previous acquisitions

## Lar España in the Spanish Retail Market

LAR España has a clear objective to **consolidate among the top 3 retail operators** in Spain: target to selectively increasing GLA to **generate revenue synergies**



15.5 M sqm

SC's fitting LRE's Strategy by size

Target market size:

**9.4 Mn sqm GLA**

**60.3%** of the total market



# Main Highlights





# Innovation Strategy



## Analyst Day

**Miguel Pereda**

CEO Grupo Lar &  
Board Member Lar España

[www.larespana.com](http://www.larespana.com)

**December 2017**

# Innovation Rationale

To position Lar España  
as the **leader in digital transformation**  
in the retail sector

---

To change relations with customers and retailers, making them more efficient and “digital” and our way to interact between departments in the Company, creating a work environment much more efficient and modern

To create shared value to **lead economic and social progress**, and also generate financial returns for our shareholders

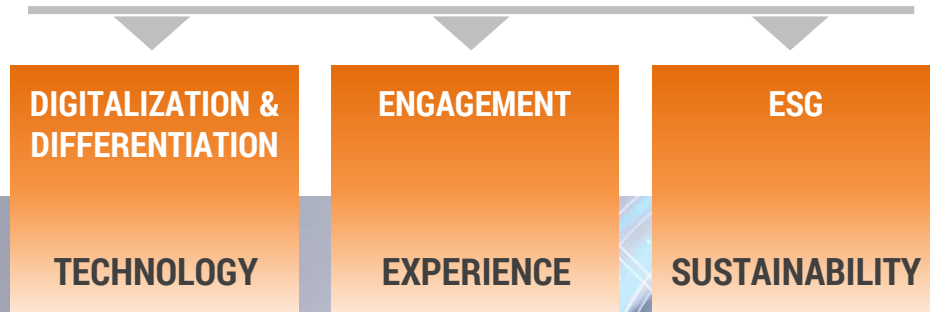
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Lar España recognises its ability to have an impact on the world we live in and has therefore set itself the objective of improving people’s quality of life, bolstering socio-economic progress in Spain and generating a financial return for investors.



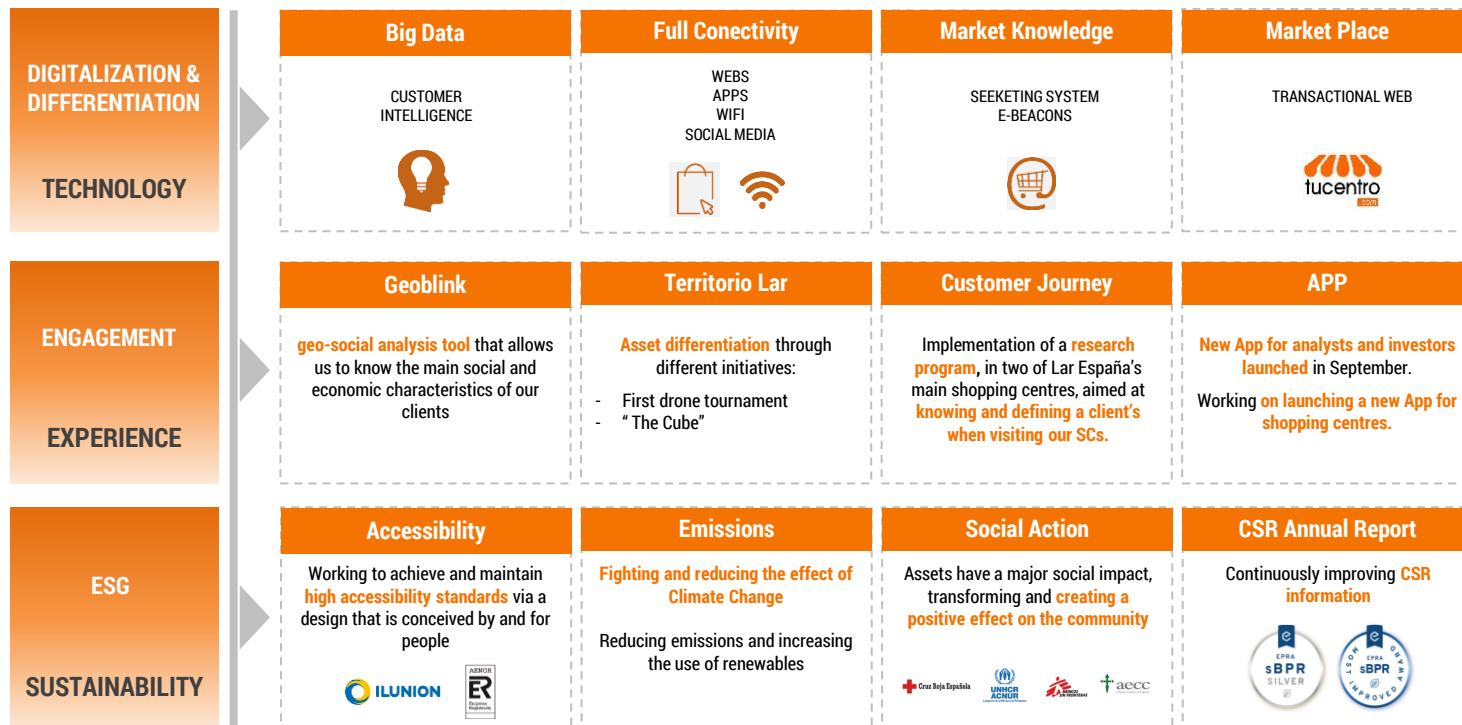
# Innovation Strategy – TES Project

## Disruptive projects differentiating among our competitors



# Innovation Strategy – Technology

Disruptive projects differentiating among our competitors



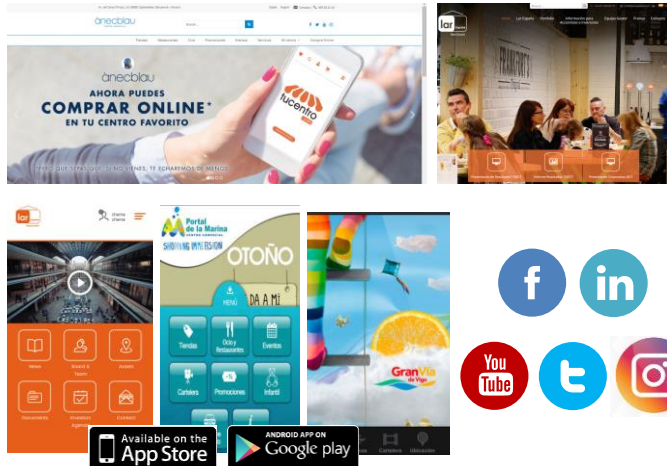


# Digitalization & Differentiation

## Digitalization and Differentiation of Lar España projects

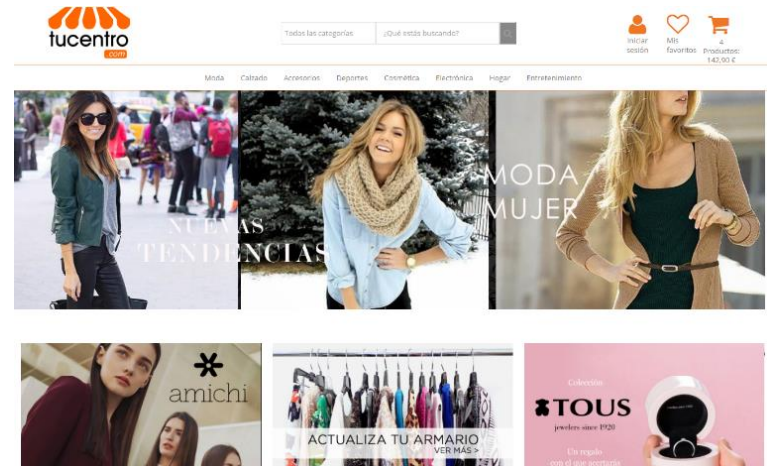
1

Webs, Apps and  
Social Networks



2

**Tucentro.com**  
New transactional web



3

Footfall and  
Seeketing



4

Market research in  
our shopping centres

Sales & effort rates  
analysis

Data Analytics

# Engagement – Creating Experiences

projects aimed at **engaging customers**

## Customer Journey

Getting to know SC customers archetypes

## LAR Territory

Implementing activities to make SCs more fun

## Reforms Plan

Capex plan adapted to each asset's strategy

## Wonderful Project

Entrepreneurship promotion and increase the relationship with the community

## Indicators

Measurement of the engagement with indicators and targets

## CUSTOMER JOURNEY

By



# Environmental, Sustainability and Governance

## Creating shared value

### Asset Management & Environmental

Accessibility   Society-based initiatives  
Responsible Asset Management &  
environmental performance

### Corporate Governance

Ensuring strong governance  
Transparency in management  
Continuous monitoring

### Risk Control & Management

Ethics and Compliance



# ESG - Asset Management & Environment

## 1 Responsible asset management focused on consumptions and emissions

Promoting **sustainability certification measures**, encouraging the use of new technology to **improve our assets' environmental quality and management**

**CSR Master Plan** to meet the most demanding sustainability standards

Lar España is improving the environmental performance of its shopping centres and offices and increasing the environmental awareness of its tenants. Implementing measures in its assets in:

Water

Electricity

Gas/Diesel

Additional environmental measures

Creating  
shared  
value

## 2 Accessibility

Working to achieve and maintain high accessibility standards that will allow everyone to be able to access its properties correctly and comfortably, taking into account existing problems.



**87% retail assets & 80% offices** audited

**Lagasca 99: Excellent accessibility**  
*Technical Building Code (TBC)*

## 3 Society-based initiatives

**>1,100 social and environment awareness days** held in our shopping centres

**>65 NGOs and foundations**

**>16,000kg of food** has been collected

**>EUR300,000** invested in social initiatives and collaboration projects

**>35,500kg of clothing** has been donated

commitment to promoting social integration



# ESG - Corporate Governance



## Risk Control & Management System

Integrated enterprise risk management (**ERM**) system designed to mitigate the risks exposure

1

ERM system involves all Lar España's staff and supervising of third parties responsible for outsourced services

### Risk management performed by specialist service providers

- ✓ Investment and asset management
- ✓ Preparation of the organisation's finance-tax information
- ✓ Half-yearly asset appraisals

2

**Risk Map:** the ERM system categorises risk into *high, medium and low*. Risk tolerance determination system reviewed at least annually

### Response and monitoring plans

- ✓ Less critical risks. **Rationalisation and optimisation**
- ✓ Risks assessed to be of medium importance. **Assessment and surveillance**
- ✓ Risks deemed highly critical. **Exhaustive analysis**



## Ethics and Compliance

To guarantee ethical conduct and enforce regulatory compliance

1

Code of Conduct and Whistle-blowing Channel

2

Crime prevention model

3

Anti-Money Laundering Manual





## Next Steps



### **Analyst Day**

**Miguel Pereda**

CEO Grupo Lar &  
Board Member Lar España

[www.larespana.com](http://www.larespana.com)

**December 2017**

# Our Next Steps

**LAR ESPAÑA-  
GRUPO LAR  
RELATIONSHIP  
FRAMEWORK**

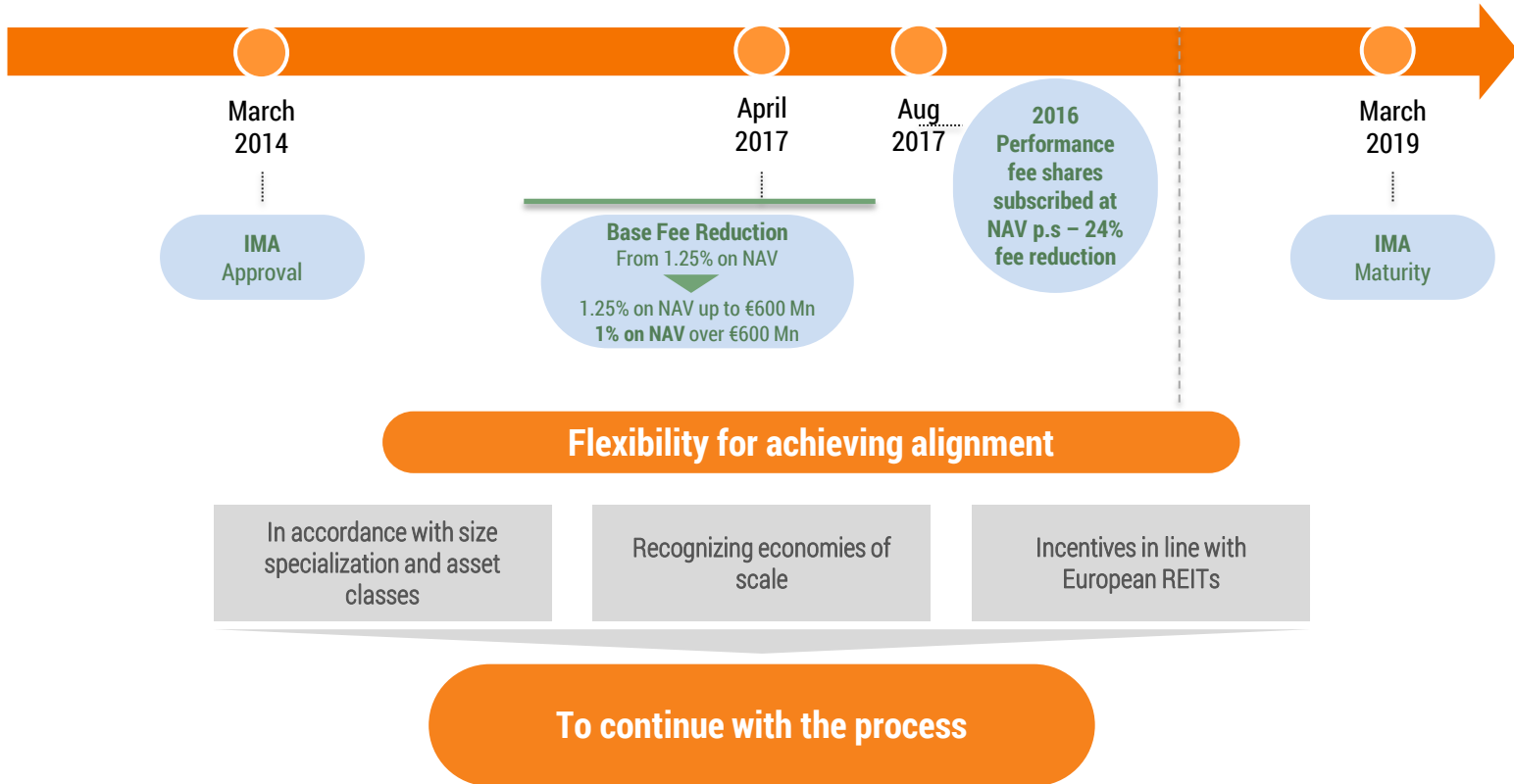
**RETAIL FOCUS  
STRATEGY**

**NON-CORE  
ASSETS  
DIVESTMENT**

**DEVELOPMENTS**



# Lar España – Manager Agreement



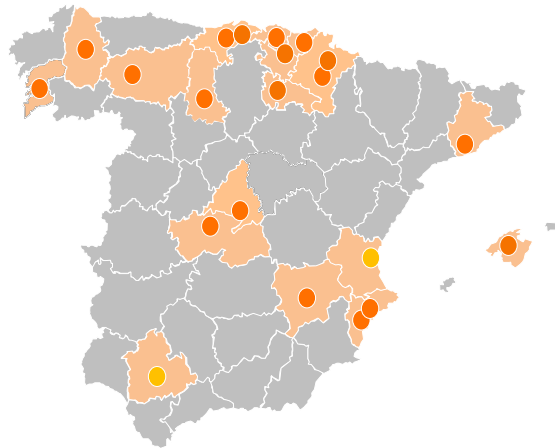
# Retail Focus Strategy

## Investment Criteria

- Value-Creation Potential
- Dominant
- Core+
- Soundness
- Protected

100%  
ownership

Target  
levered  
IRR>12%



## Creation of unique shopping experiences

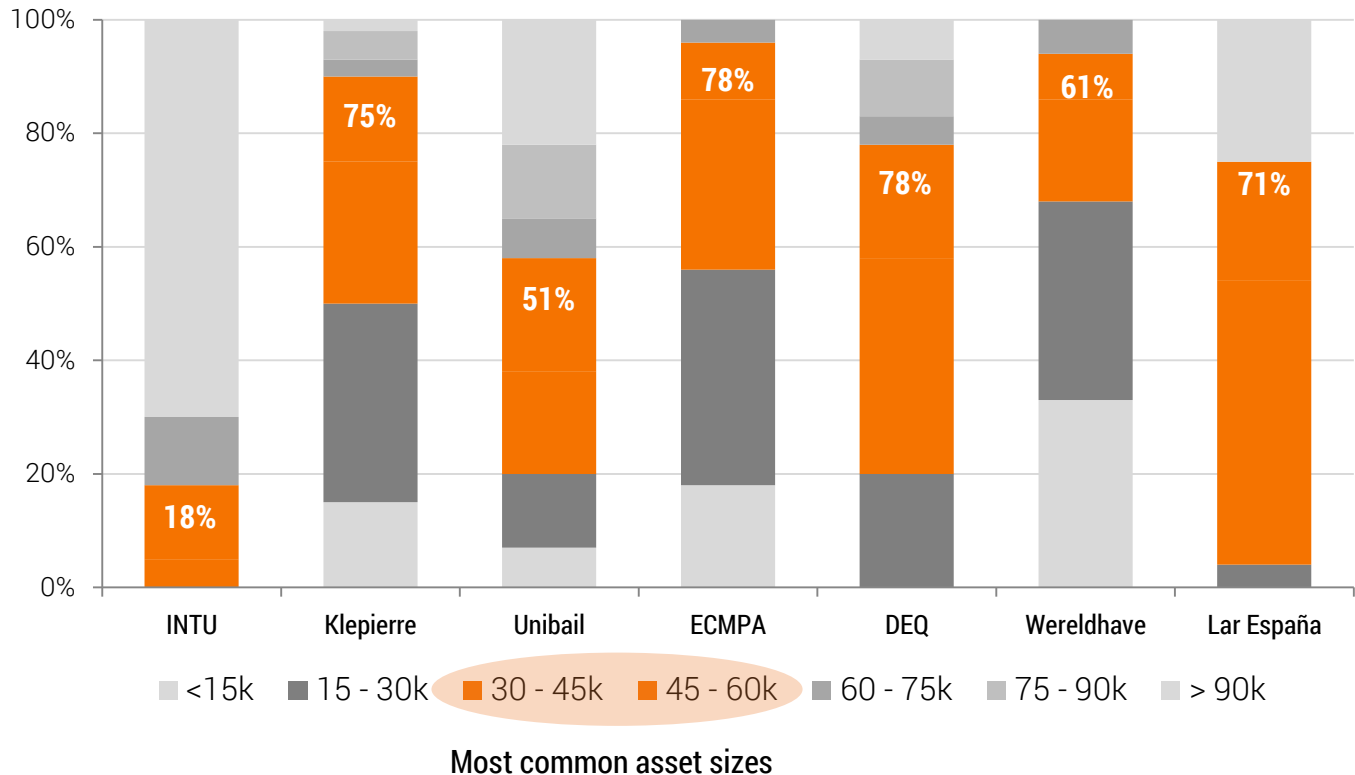
- Customer journey analysis
- Optimum size for area of influence
- Optimal and fine-tuned tenant line-up
- Enhancement of entertainment areas
- Repositioning through targeted capex
- Leverage on technology to know and influence clients



High yielding assets with limited risk

# Retail Focus Strategy

Lar España mix is positioned in the most common asset size among top retail operators





# Non-Core Assets Divestment

Expected divestments to crystalize significant value

+3Y post Acquisition Date	Asset	Status	Asset Class	Location	GAV 30 June 2017	Sale Price	Premium Since Acquisition
Jul 2017	Arturo Soria	Sold	Office	Madrid	€28.9 Mn	€32.5 Mn	+34.5%
Jul 2017	Marcelo Spínola	Refurbishment completed	Office	Madrid	€33.5 Mn		
Dec 2017	Egeo	-	Office	Madrid	€76.1 Mn		
Dec 2017	Eloy Gonzalo	<i>Under refurbishment</i>	Office	Madrid	€18.8 Mn		
Jun 2018	Joan Miró	-	Office	Barcelona	€21.4 Mn		
Ongoing	Lagasca 99	<i>Under development</i>	Residential	Madrid	€71.5 Mn		

1. Date after which the favourable SOCIMI tax regime applies to divestments
2. Corresponds to the 50% of the JV with PIMCO

# Developments

Keep investing our two retail developments...

**Q2 2018**

**VidaNova Parc**

Estimated delivery date: **>9%** Exp NIY

Exp annual rents: **€4 Mn**

GLA signed & committed<sup>1</sup>: **c.88%**

**Retail**



**Q2 2019**

**PALMAS ALTAS**

Estimated delivery date: **>8%** Exp NIY

Exp annual rents: **€14 Mn**

GLA signed & committed<sup>1</sup>: **c.56%**

**Retail**



+ Other developments

**Q2 2018**

**LAGASCA99**

Estimated delivery date: **70%** Sales 9M 2017

Price: **c. 11,000 €/sqm**

BREEAM In process

**Residential**



**Cheste, Valencia**

Initial yield on Cost: **9.23%**

Sqm GLA: **162,000**

Initial Op. assets: **5**

**Logistics**



1. As of 1 July 2017

# Expected Next Steps

## Arturo Soria Divestment

Sell Price – €33.5 Mn  
Capital Gain – €7.6 Mn  
Ext Div – €5.9 Mn, 0.064 €/ps  
(0.8% yield)



## Vidanova Parc Delivery

Acq price - €14 Mn  
Dev capex – €26 Mn  
Exp NIY - >9%  
Exp annual rents - €4 Mn



## Palmas Altas Delivery

Acq price - €36 Mn  
Dev capex – €109 Mn  
Exp NIY - >8%  
Exp annual rents - €14 Mn



## Offices Divestment



**Egeo**  
Divestment



**Eloy Gonzalo**  
Refurbishment  
Completion



**Marcelo Spínola**  
Multitenant strategy



**Joan Miró**  
Divestment



## LG99 Delivery

Average Sell Price – 11,000 €/sqm  
GLA – 26,203 sqm



# Business Plan



## Analyst Day

**Miguel Pereda**

CEO Grupo Lar &

Board Member Lar España

[www.larespana.com](http://www.larespana.com)

**December 2017**

# Lar España Q3 2017 Highlights

GAV  
**€1,429 Mn**  
+19% vs Q3 2016

Assets  
**31**  
3 acquisitions in 2017

GLA  
**882,852 sqm**  
+25% vs Q3 2016

Wault  
**2.7 years**



Annualized Net Rent  
**€72.1 Mn**  
+15% vs Q3 2016

EPRA Topped-Up NIY  
**5.9%**

Occupancy Rate  
**94.7%**

2017 Investments  
**€112.9 Mn**



# Lar España Q3 2017 Highlights

EPRA NAV  
**€880.2 Mn**  
+16% vs Q3 2016

Net LTV  
**37%**

Average Cost of Debt  
**2.19%**

Financial Debt  
**€577.3 Mn**



LAR ESPAÑA'S  
FINANCIAL  
INFORMATION

Rental Income  
**€57.2 Mn**  
+36% vs Q3 2016

EBIT  
**€81.2 Mn**  
+37% vs Q3 2016

Net Profit  
**€72.2 Mn**  
+55% vs Q3 2016

ROE<sup>1</sup>  
**14.04%**

1. Calculated using figures from last 12 months

# Business Plan 2018-2021



# Main BP Assumptions



## Period

2018-2021

## Divestments

€380 Mn

## Capex Investment<sup>1</sup>

c. €49 Mn

c. €247 Mn including development costs<sup>2</sup>

## New Investments

€220 Mn

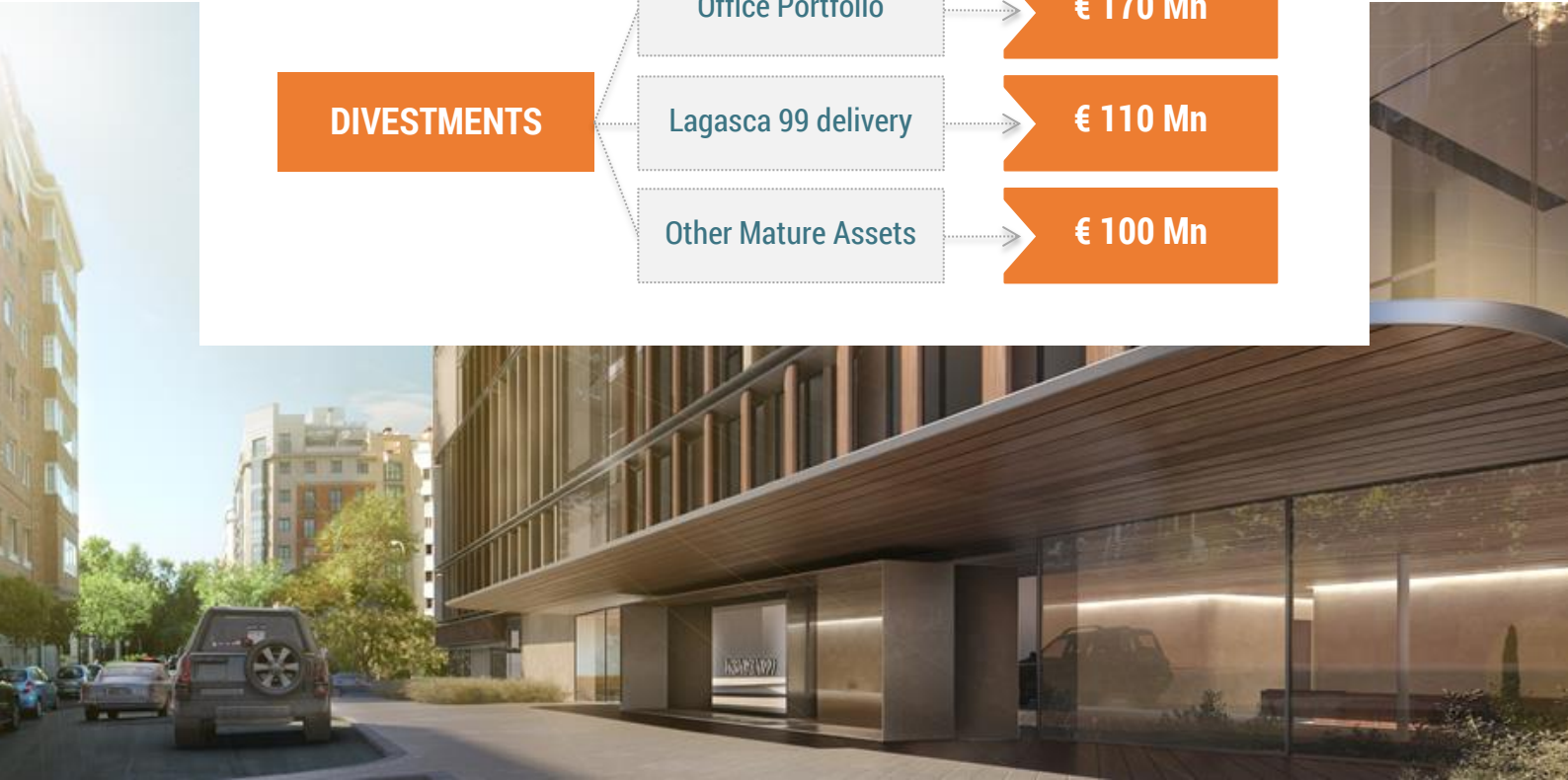
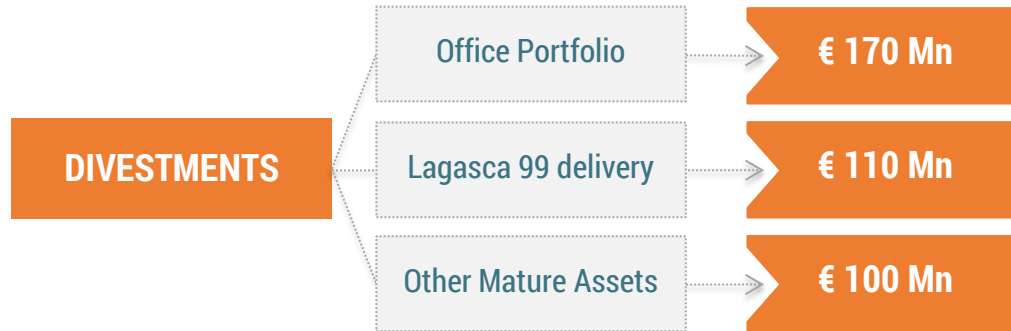
## Capital Increase

No capital increases considered



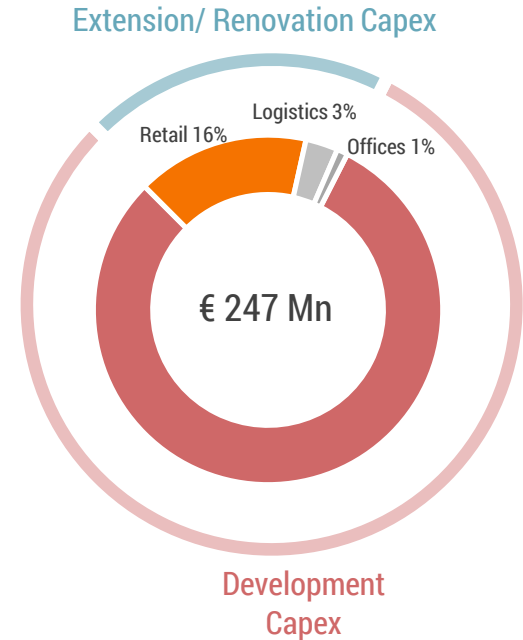
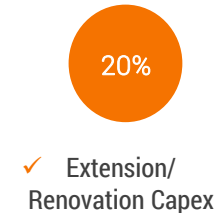
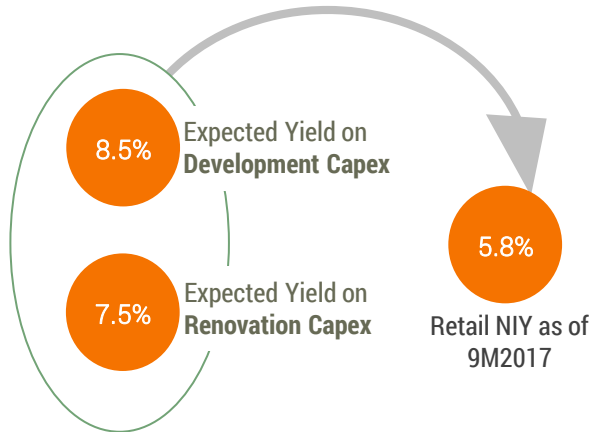
1. In existing investment properties and development projects  
2. Development cost financed and to be financed

# Main BP Assumptions



# Development and Renovation Capex

## Drivers of Share Price Accretion





# Main BP Assumptions

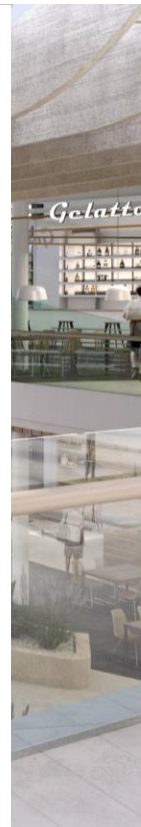


## INVESTMENT PIPELINE

€ 220 Mn

### Short Term Pipeline

	Asset Class	Aprox. GLA	Location
Asset 1 <sup>1</sup>	Retail	6,200	Centre Spain
Asset 2	Retail	37,000	Centre Spain
Asset 3	Retail	60,000	Prime Touristic Area
Asset 4 <sup>1</sup>	Retail	11,500	North Spain
...	...	...	...



1. Complementary Retail Assets

# KPI's 2017-2021




	Expected End 2017	Expected Average Growth per annum
GAV	c. €1,500 m	↑ c.7%
Annualized GRI <sup>1</sup>	€ 81 m	↑ c.13%
Annualized NOI <sup>1</sup>	€ 73 m	↑ c.14%
Non recoverable/ GRI expenses	10%	↓ c.-8% (till 7% target)
Occupancy <sup>1</sup>	95%	↑ c. 1% (till 97% target)
Net LTV	37%	c. 37% <sup>2</sup>

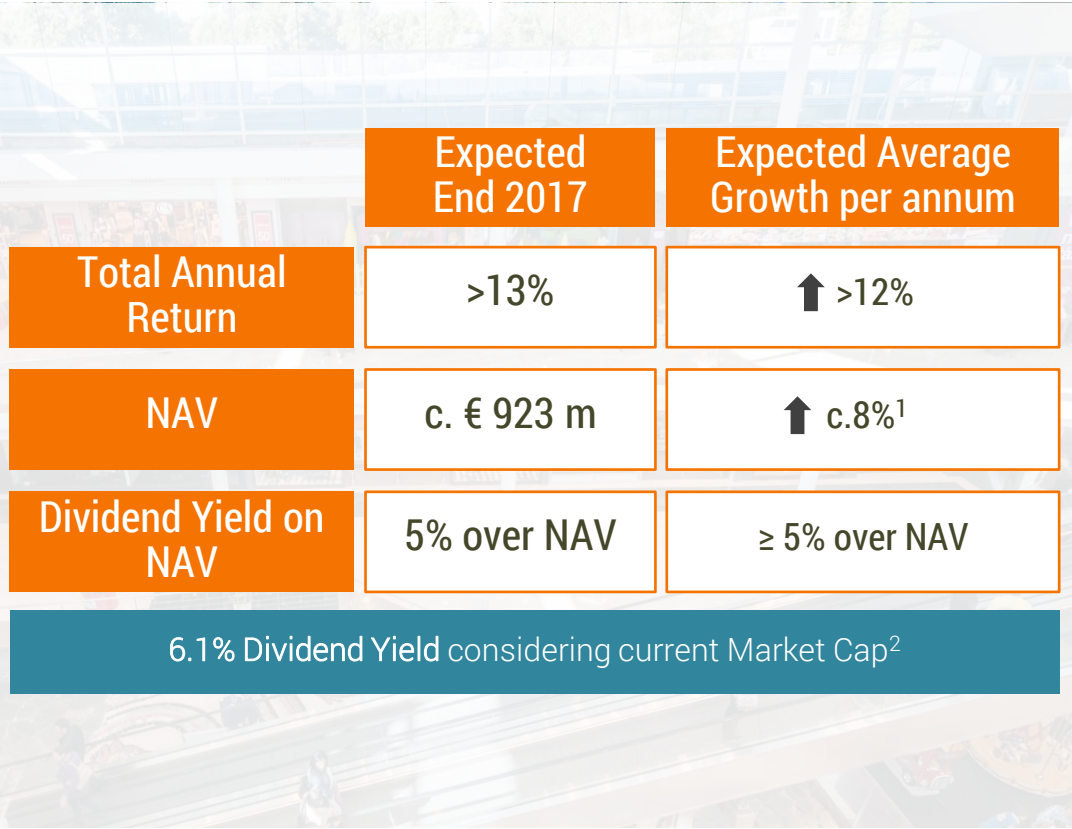
1. In accordance with EPRA BPR

2. Estimated as at 31.12.2021

# KPI's 2017 - 2021



	Expected End 2017	Expected Average Growth per annum
Total Annual Return	>13%	↑ >12%
NAV	c. € 923 m	↑ c.8% <sup>1</sup>
Dividend Yield on NAV	5% over NAV	≥ 5% over NAV
6.1% Dividend Yield considering current Market Cap <sup>2</sup>		



1. Without including dividend distribution

2. Calculated at 20.11.2017

# Dividends

## Dividend policy objectives

✓ Predictable and sustainable dividend and distribution schedule

✓ Competitive in the International Real Estate market

✓ Attractive vs Spanish equity market

✓ As a result of a solid cash flow generation

1

Dividend Yield

**5% over NAV**



2

Extraordinary dividends

**Lagasca 99 Delivery**

According to SOCIMI Regime



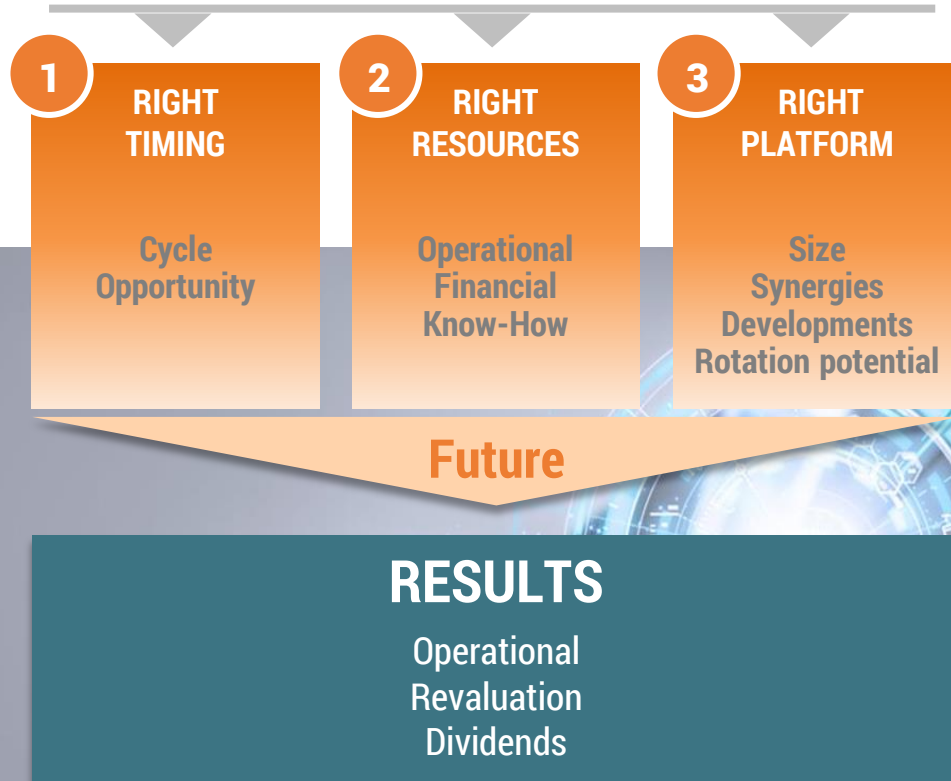
3

Distribution for other non core assets divestments

According to the Business Plan execution and best capital allocation

✓ **One payment per year** upon approval of the General Shareholders Meeting

# Closing Remarks





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## 2017 Analyst Day

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