



Assets
in action!

GREEN BOND ISSUANCE

JULY 2021



Today's presenters



José Luis del Valle
Chairman of the Board of
Directors of Lar España



Miguel Pereda
Lar España Board Director
& Chairman of Grupo Lar



Jon Armentia
Corporate Director and
CFO of Lar España



Hernán San Pedro
Head of I.R. and Corporate
Communication of Lar España

Rationale of the operation



- After the renewal of the IMA last June, the refinancing of the debt was the second step to **give continuity and stability** to our company's strategy

- Although we had a financial debt position with an **LTV of c. 40%** and no maturities until 2022 we have **anticipated the refinancing of the debt, seeking to extend the maturity**, taking advantage of the existing market and company conditions

- We were looking for the operation to **reduce the current average cost of debt** as much as possible

- We also wanted to **strengthen our commitment to ESG**, and to be able to issue a green bond was one of our additional objectives

- We set the **target of obtaining between 300 and 400 million Euros**, similar to the amount raised in the 2014 IPO

- We wanted to obtain an **investment grade rating**



Investment grade BBB by

FitchRatings

Based on solid reasons

- **Leading Retail Platform** in Spain: Largest Player by Owned GLA with a
- **Diversified Portfolio** of Multiproduct Retail Offer
- **Iconic Collection of Modern, Flagship Assets Dominant in their Catchment Area**
- **Blue-Chip Tenant Base** with Long Lease Duration Providing Cash Flow Visibility
- **Solid Historical Track Record**, Consistently Outperforming the Spanish Retail
- **Market Benchmark and Proving Resiliency Through the Cycle**
- **Industry Leading and Award-Winning Sustainability Standards**
- **High Quality, Specialist and Experienced Management Team Backed by Leading Institutional Owners**

What have we done? Bond terms

- **Corporate Rating:** BBB
- **Issuer:** Lar España (or the “Company”)
- **Ranking:** Unsecured
- **Issue Rating:** BBB
- **Green Bond Certification:** Yes
- **Tenor:** 5 years
- **Amount:** EUR 400 MM (more than 4 times oversubscribed)
- **Use of Proceeds:** Refinance, in whole or in part, a selected pool of existing assets that promote the transition to low-carbon and climate resilient growth and which meet the criteria outlined in the “Green Asset Pool”

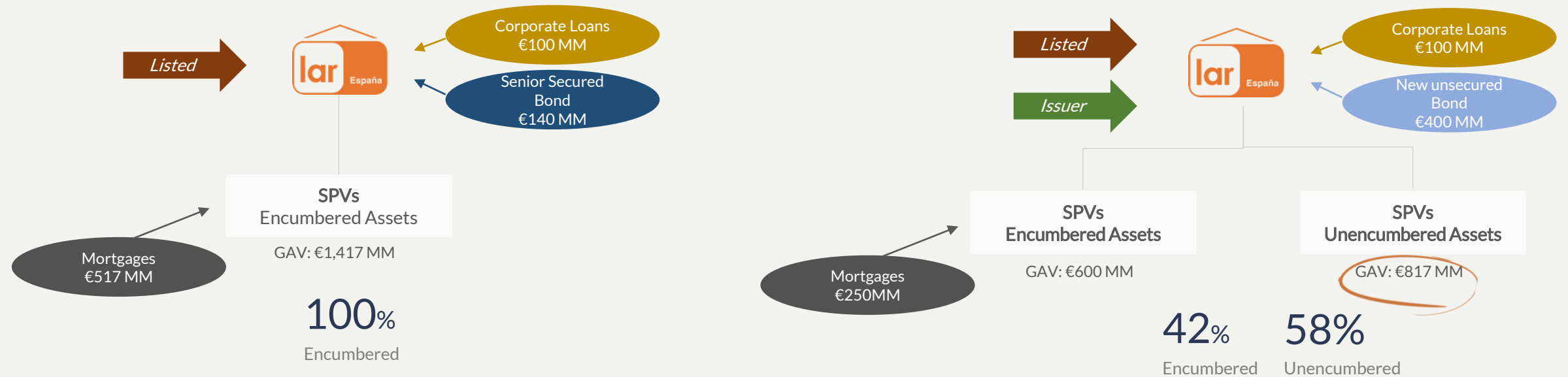
- **Financial Covenants:** LTV < 60%; Limitation on Secured Debt < 40%; ICR 2x; Unencumbered Asset Ratio 125%
- **Negative Pledge:** Yes
- **Coupon / Interest rate:** 1.75% annual
- **Change of Control:** Yes
- **Early Redemption:** CoC (100%), 3mth Par Call, MWC, Clean-up Call (80%), Tax Change Call
- **Governing Law:** English

What have we achieved? Transaction overview

c.60% of Asset Base is Unencumbered Pro-Forma to the Bond Issuance

Old Capital Structure ⁽¹⁾

New Capital Structure



Note:

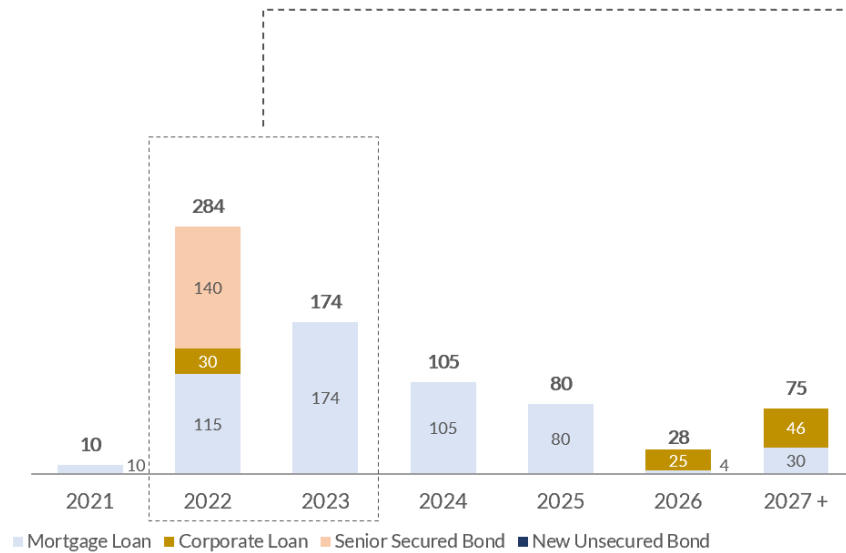
1. Pro-forma for the 22 Eroski supermarkets portfolio disposal in February 2021.

What have we achieved? Maturity profile and cost of debt

Maturity Profile - Pre-Refinancing

Debt (€MM)

Avg. Debt Maturity:
2.6 years



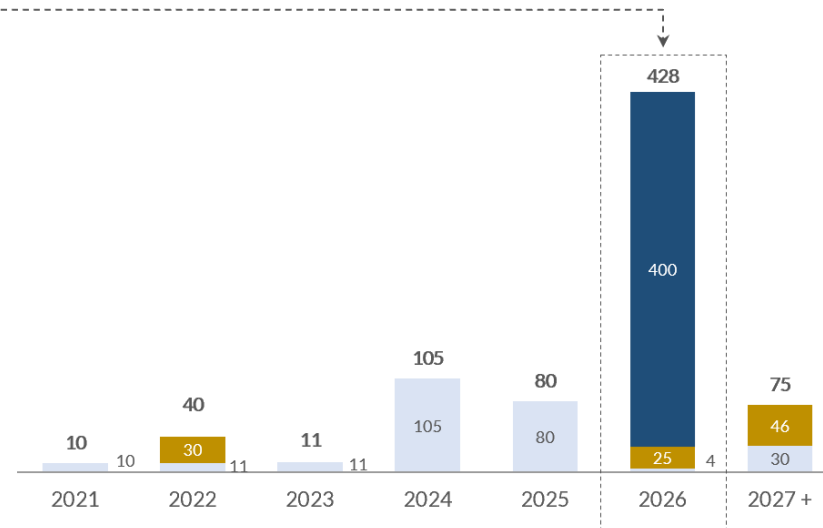
Average cost of debt- Pre-Refinancing

2.2%

Maturity Profile - Pro-Forma Transaction

Debt (€MM)

Avg. Debt Maturity:
4.9 years



Average cost of debt- Post-Refinancing

1.9%



ISS-ESG has provided a Second Party Opinion on this Framework



- ✓ **Use of proceeds**
Aligned with those recognized by the Green Bond Principles 2021
- ✓ **Project Evaluation/ Selection**
In line with market practice
- ✓ **Management of Proceeds**
In line with market practice
- ✓ **Reporting**
In line with market practice



ISS ESG **LAR ESPAÑA GREEN BOND**

SECOND PARTY OPINION (SPO)
Sustainability Quality of the Issuer and Green Bond Asset Pool as of 02.07.2021

SUSTAINABILITY PERFORMANCE ASSESSMENT
Lar España is a fully integrated developer, owner and operator of retail assets, that focuses on creating sustainable income and strong capital growth for shareholders through an intensive and professionalized management of its assets following an omnichannel strategy.
Consistent with issuer's sustainability strategy

ASSET CATEGORIES ALIGNMENT WITH ISS ESG GREEN KPIS
Green Buildings
Solar power projects **POSITIVE**

ALIGNMENT WITH ICMA GREEN BOND PRINCIPLES
1. Use of Proceeds ✓
2. Process for Project Evaluation and Selection ✓
3. Management of Proceeds ✓
4. Reporting ✓ **POSITIVE**

CONTRIBUTION TO THE UN SUSTAINABLE DEVELOPMENT GOALS
Significant Obstruction Limited Obstruction No Net Impact Limited Contribution **Significant Contribution**

ISS ESG's SPOs provide Sustainability, Green and Social bond issuers with a credible and independent assessment of the sustainability quality of their bonds. Those that meet ISS ESG's rigorous global standards give sustainability-oriented investors security that the projects they fund are suitably green or social.

ISS ESG's evaluation is valid as long as Lar España's Green Bond Framework (July 2021) remains unchanged. The controversy check on underlying assets was conducted on the 02.07.2021.

ISS ESG LEADING SPO MARKET EXPERTISE EXPERIENCE ACROSS ISSUER TYPES AND ASSET CLASSES SUPPORTED BY WIDER ISS FUNCTIONS **8**

Financial Policy Framework

Leverage policy: Target to keep net LTV around 40%

Liquidity:

Maintain prudent control of liquidity: current cash position covers **Company expenses**, including financial costs, **for the next 4 years**
Strong balance sheet position with €165.5 MM⁽¹⁾ cash on balance sheet as of 31 Mar 2021, including the payment of 2020 dividend of €27.5 MM paid in May 2021
Acquisition program to be materially **funded / matched** with **disposals**

Funding mix: Move towards a **balanced secured / unsecured funding mix**, through access to the bond capital markets

Maturity profile:

Extend and maintain the **long maturity profile**
 Proactively **address approaching maturities** in 2022 and 2023

Interest and FX risk hedging:

Keep **majority of borrowings at fixed rates**
Minimal FX risk: keep € funding preference to reflect all rents, assets and liabilities are € denominated

Dividend policy:

Remain focused on **value creation through cash generation**
 Dividend policy **in line with SOCIMI regulations**
 Commitment to pay **90% of EPRA Earnings as dividend**, albeit subject to maintaining headroom under Net LTV target

Note:

1. Adjusted for €27.5 MM dividend paid in May

A real success: what have investors valued?

- A strong **business model** and extraordinary **resilience**
- Strict **financial and cost control**, **moderate indebtedness** and strong valuations
- High-quality operational **management** and with excellent **track record**
- **Omni-channel** business concept
- Close **relationship** with **retailers** and strong **end-customer knowledge**
- High degree of **transparency** and **corporate governance** and strong **commitment to ESG policies**
- **Control over 100% of assets** and strong decision making capacity
- Continuous **outperformance** in the Spanish and European market
- Clear commitment to **dividend yield** and **SBB policies**
- Continued **shareholder confidence**

Final remarks: value drivers for Lar España and its shareholders

- € 400 Mn has been obtained (similar amount as the one raised in the IPO of March 2014)
- The company has taken advantage of the good market conditions, anticipating maturity and therefore providing stability until 2026
- The average cost of debt has been reduced from 2.2% to 1.9% thanks to new issuance
- New bond has a coupon of 1.75% whereas the old bond has a coupon of 2.9%
- Reduced number of encumbered assets
- BBB rating obtained
- Reaffirmed commitment to ESG



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