



Investor  
Day 2018

The Time is Now:

# Customer-Centric & Next Generation Retail

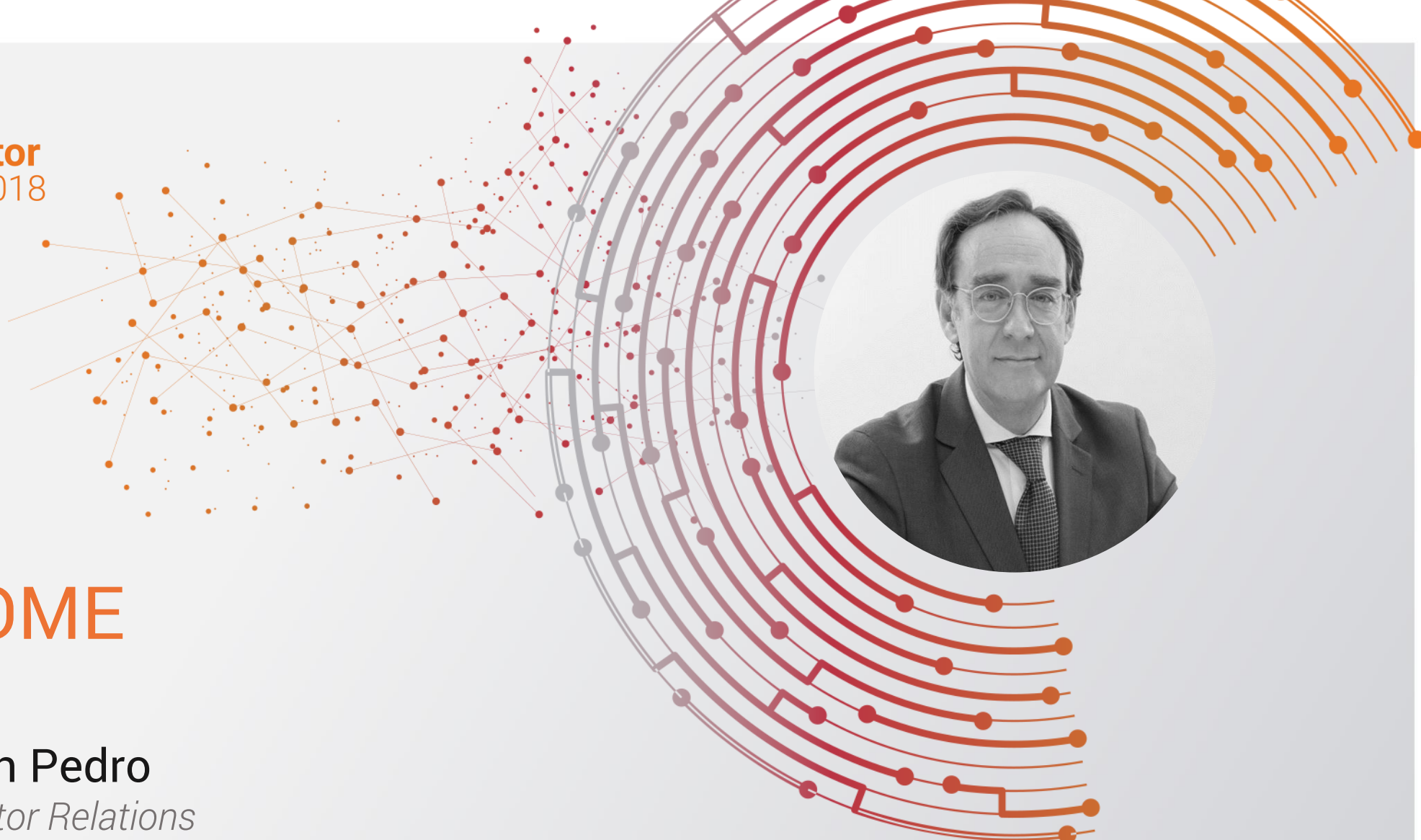
MADRID  
October 9<sup>th</sup>, 2018



RETAIL  
*in action!*



Investor  
Day 2018



# WELCOME

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

RETAIL  
*in action!*

# TODAY'S AGENDA

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- |    |   |  |    |   |   |
|----|---|--|----|---|---|
| 01 | — | <b>LAR ESPAÑA NOW</b><br>José Luis del Valle / Chairman Lar España   | 06 | — | <b>ENGAGEMENT</b><br>Sergio García / Asset Management Director Grupo Lar                              |
| 02 | — | <b>LAR ESPAÑA &amp; GRUPO LAR</b><br>Luis Pereda / Chairman Grupo Lar  | 07 | — | <b>SUSTAINABILITY (ESG)</b><br>Jon Armentia/ Corporate Director Lar España                            |
| 03 | — | <b>WHERE THE WORLD, CUSTOMERS &amp; RETAIL GO</b><br>Jorge Herrero / Head of Innovation and Business development<br>Southern Europe eBay | 08 | — | <b>SHOPPING CENTRES PERFORMANCE</b><br>José Manuel Llovet / Commercial RE Managing Director Grupo Lar |
| 04 | — | <b>MOVING FORWARD – TES PROJECT</b><br>Miguel Pereda / Board Member Lar España &<br>CEO Grupo Lar  | 09 | — | <b>MACRO MOMENTUM</b><br>Ignacio de la Torre / Partner and Head Economist Arcano                      |
| 05 | — | <b>TECHNOLOGY</b><br>Pablo Rozadillas / Senior Asset Manager Grupo Lar   | 10 | — | <b>FINANCIALS - BUSINESS PLAN</b><br>Miguel Pereda / Board Member Lar España &<br>CEO Grupo Lar       |
|    |   |  | 11 | — | <b>CLOSING REMARKS &amp; Q&amp;A</b>  |

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08:30 RECEPTION | 09:00 BEGINNING | 11:00 COFFE BREAK | 14:00 END | 14:15 COCKTAIL

RETAIL  
*in action!*

# Presenting Team

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**José Luis del Valle**  
*Chairman  
Lar España*



**Luis Pereda**  
*Chairman  
Grupo Lar*



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



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



**Jon Armentia**  
*Corporate Director  
Lar España*



**Sergio García**  
*Asset Management  
Director Grupo Lar*



**Pablo Rozadillas**  
*Senior Asset Manager  
Grupo Lar*



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

# Management Team with us today

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**Roger Cooke**  
*Independent  
Board Member  
Lar España*



**Sergio Criado**  
*CFO  
Lar España*



**Susana Guerrero**  
*Legal Manager & Vice-secretary  
Non Member of the Board  
Lar España*

## Special Guests

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**Jorge Herrero**  
*Head of Innovation and  
Business development  
Southern Europe EBAY*



**Carlos Tercero Calderón**  
*Founder & CEO  
STIGA CX*



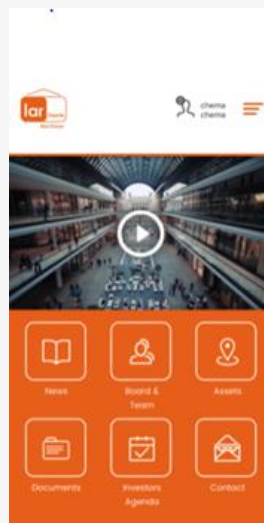
**Jose Luis Blasco**  
*Global Head of  
Sustainability KPMG*



**Ignacio de la Torre**  
*Partner and Head  
Economist Arcano*

Some  
news...

### NEW APP



### NEW WEB



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*in action!*



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# LAR ESPAÑA NOW

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**José Luis del Valle**  
*Chairman Lar España*

RETAIL  
*in action!*



# A journey to become leaders in retail

“To build the Spanish REIT leader in retail”

INVESTMENT  
INITIAL PHASE



CONSOLIDATION



SPECIALIZATION



VALUE CREATION

2014

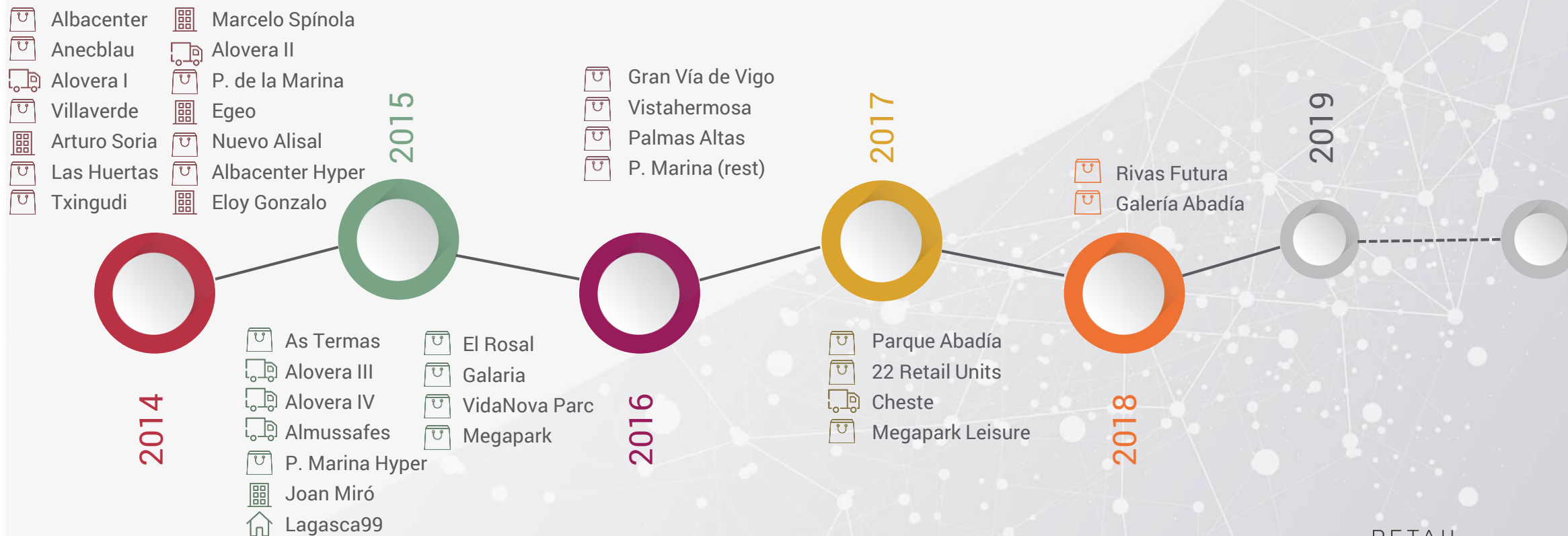
2015

2016

2017

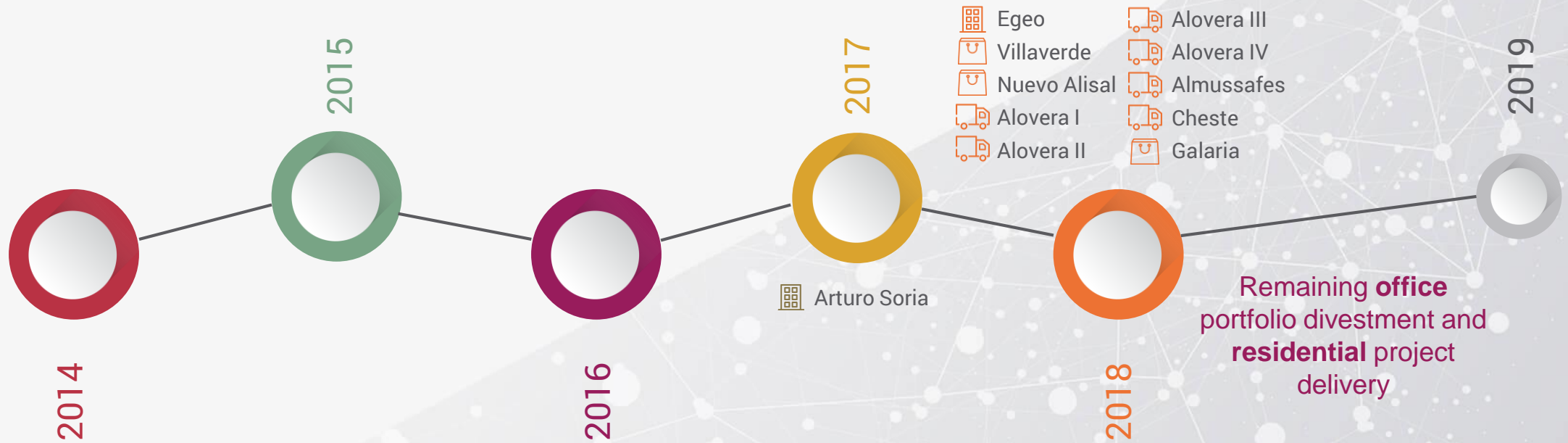
2018

# What have we built?



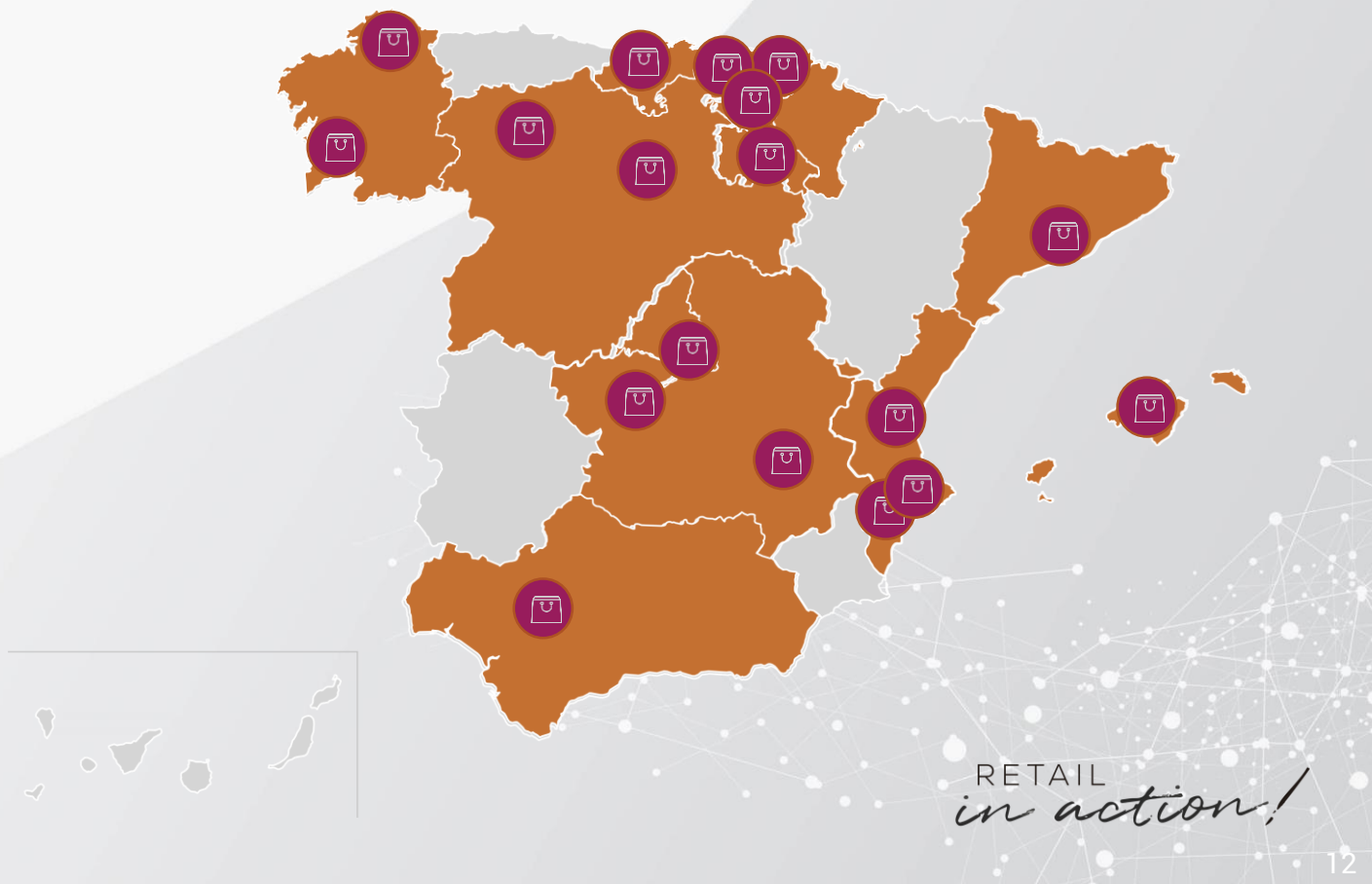
RETAIL  
*in action!*

# Non-core divestments to focus on retail



RETAIL  
*in action!*

# PURE RETAIL PLAYER



# RETAIL LEADERS IN SPAIN

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**SQM GLA<sup>1</sup>**  
**#1 IN SPAIN**



**ASSET STAKES OWNED**  
**#1 IN SPAIN**



**RETAIL PARKS**  
**#1 OWNER IN SPAIN**

1. Considering opening date of assets under development until 2020. Source: CBRE & Lar figures at September 9th, 2018.

# Lar España

one of the large retail players in Europe

2017 Investment (€ Mn)



Source: CBRE. Excluding High Street investments.



RETAIL  
*in action!*

# Our way to add value



# A retail focused strategy

Investment Criteria					100% ownership
Value-Creation Potential	Dominant	Core+ tenants	Soundness	Protected	Target levered IRR > 12%

Creation of **unique shopping experiences**

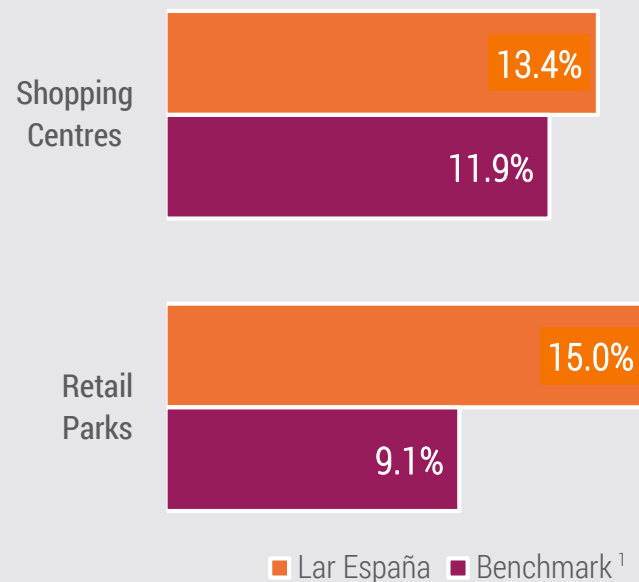
Using **technological solutions** that differentiate us from the competition



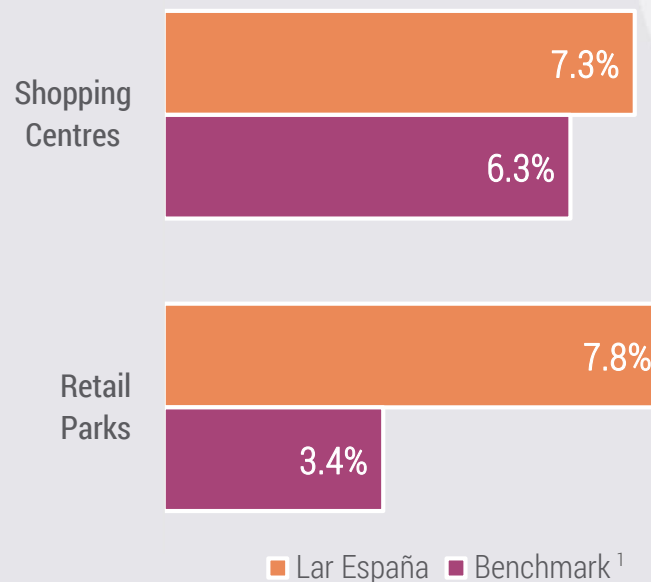


# Outperforming the retail market benchmark<sup>1</sup>

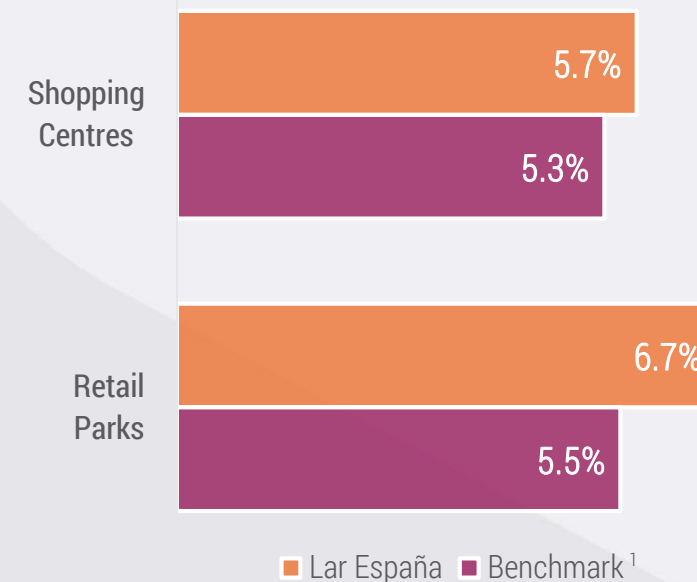
% TOTAL RETURN PERFORMANCE



% CAPITAL GROWTH



% INCOME GROWTH



Source: 2017 MSCI – IPD Spain Annual Property Index results

1. The 2017 IPD index for Spain analyses 44 portfolios, including a total of 508 assets valued at almost €18 Bn in the real estate market

RETAIL  
*in action!*

# Looking ahead to the new retail world



**SOCIO DEMOGRAPHICS**

The conversion of shopping centres into communities that engage millennials



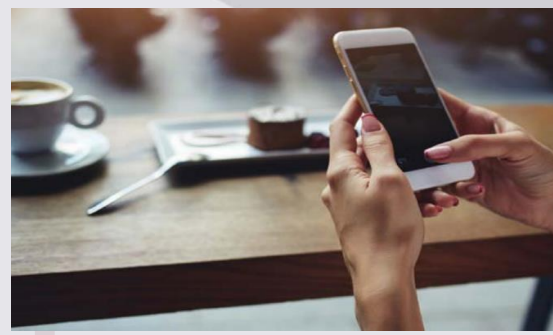
**ENGAGING LIFESTYLE EXPERIENCES**

Retail at the heart of the consumer's leisure activities



**OMNICHANNEL**

Shoppers move seamlessly between the physical and digital retail worlds

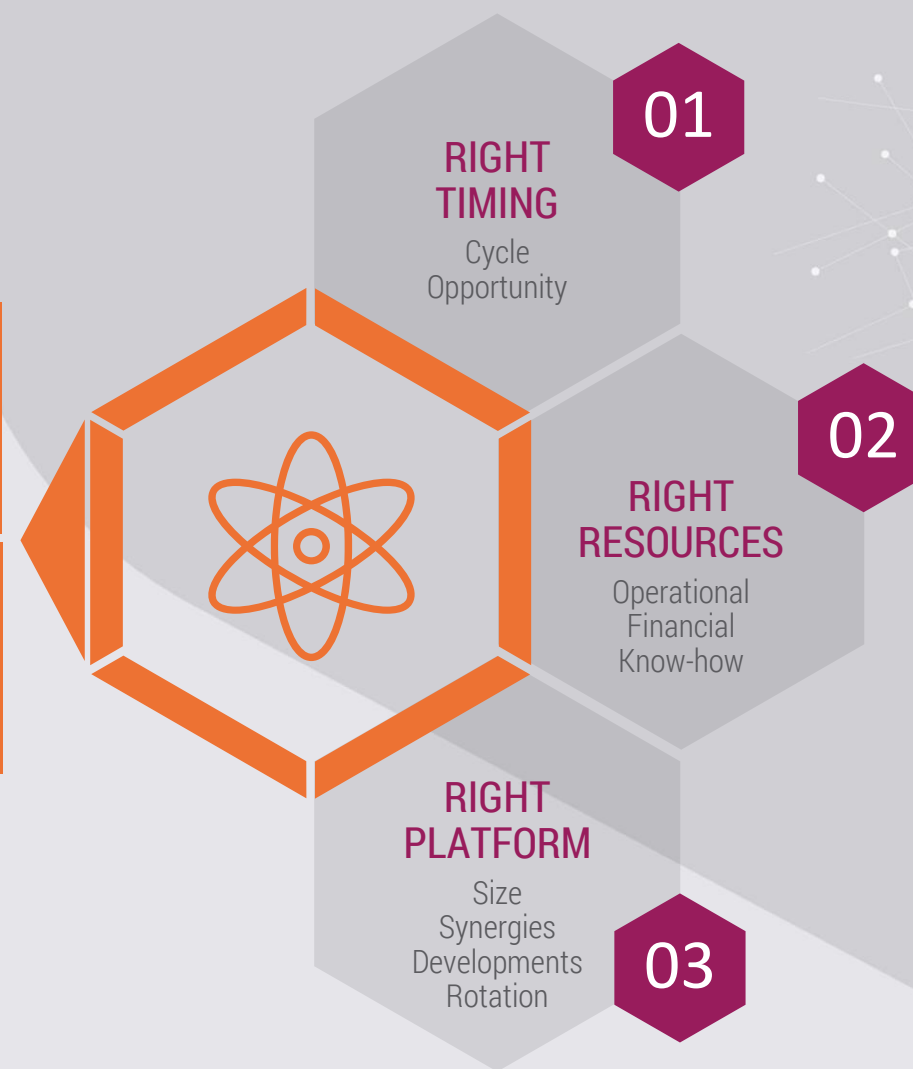


**TECHNOLOGY**

Emerging technologies that have the potential to disrupt the retail sector, offering new opportunities

# Value is our demonstrated DNA

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# A new retail company, for a new retail world

## VISION

To create unique shopping experiences through the combination of retail and entertainment, linking the physical and digital worlds

## MISION

To offer unique shopping experiences through the profitable management of our new-generation retail assets, with an intensive use of the technology and being the best partner for our retailers and customers. Always with ultimate goal of maximizing our shareholder's return

## VALUES

Corporate Focus

RESPONSIBILITY

Customer Focus

QUALITY

Market Focus

INNOVATION

Investor Focus

ALIGNMENT

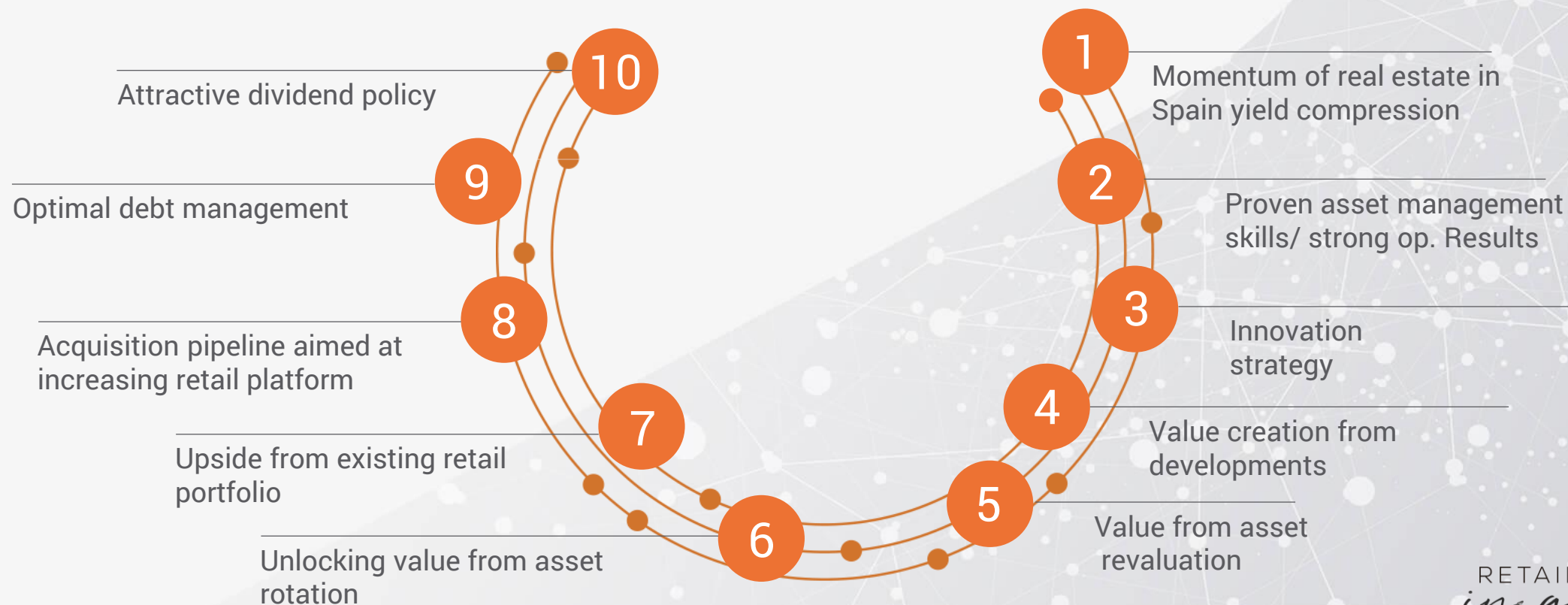
RETAIL  
*in action!*

# A new retail company, focused on all that matters to our clients & investors



RETAIL  
*in action!*

# AN ATTRACTIVE RETAIL COMPANY



RETAIL  
*in action!*



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# LAR ESPAÑA & GRUPO LAR

**Luis Pereda**  
*Chairman Grupo Lar*

RETAIL  
*in action!*

# Grupo Lar as the best possible external manager

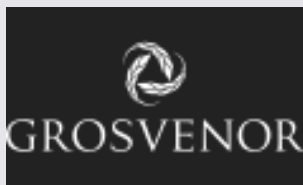




# Partnerships and joint ventures with top-tier investors and corporate clients

## Joint Ventures

with long and successful track record



Morgan Stanley



THE BAUPOST GROUP®

## Partnerships and Joint Ventures

to invest in different assets and geographies



# External management by Grupo Lar the optimal strategy for Lar España

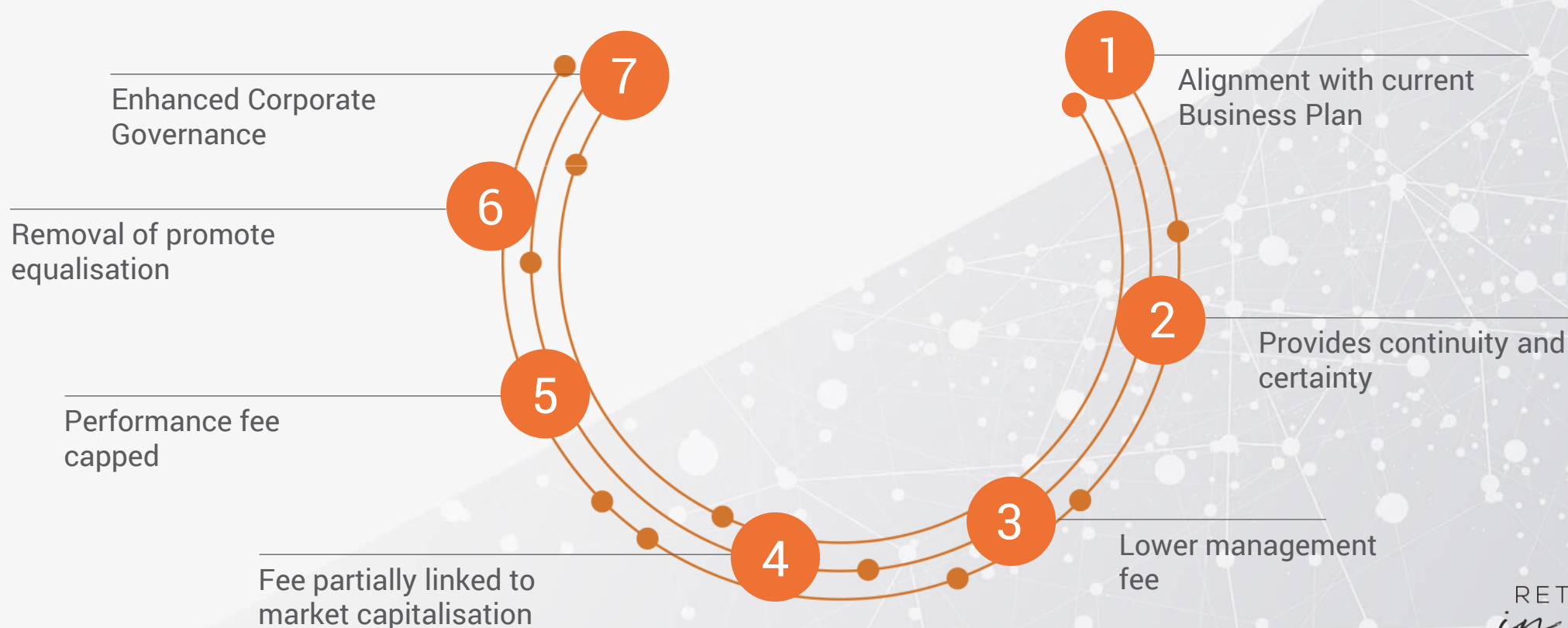
Retail property requires skilled, hands-on management...

...which Grupo Lar is uniquely qualified to provide



1. In accordance with last independent appraisal as of December 2017.

# A new Investment Management Agreement with best-in-class practices across European REITs




RETAIL  
*in action!*

# Grupo Lar

fully committed to the company

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**9.99%**  
Stake



**2<sup>nd</sup> largest**  
shareholder



**Largest**  
stake of an  
external manager

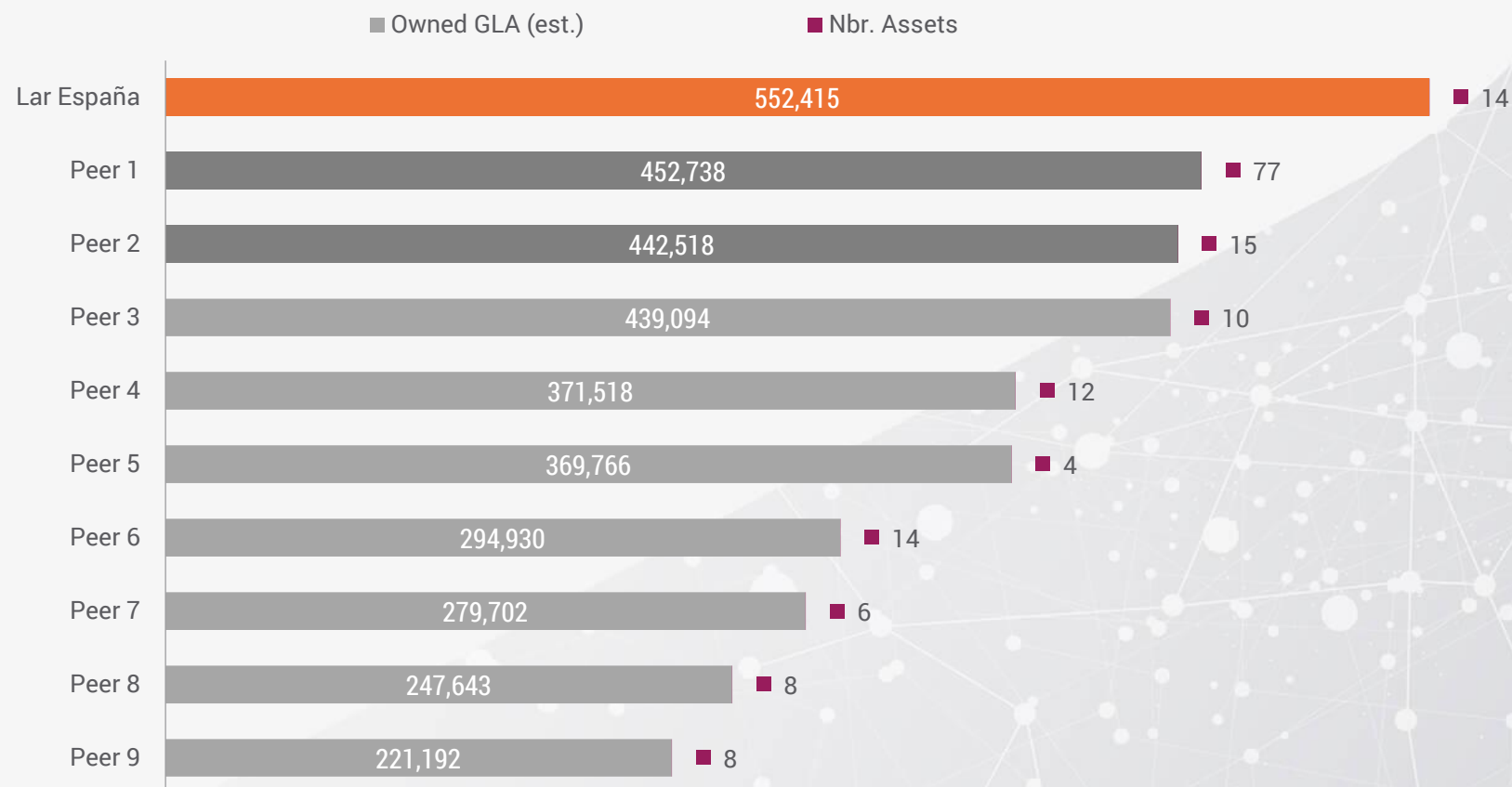


COMMITMENT

ALIGNMENT



# Intensive active management in the biggest retail portfolio in Spain



**SQM GLA<sup>1</sup>**  
**#1 IN SPAIN**

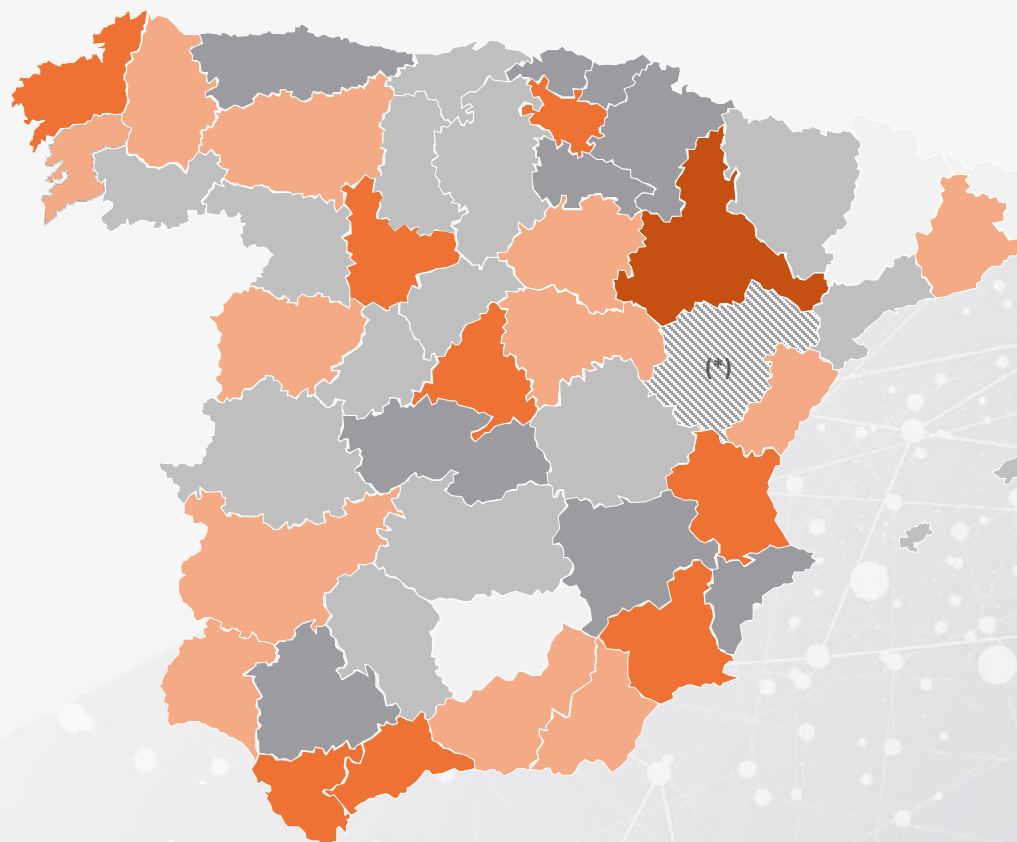
**RETAIL PARKS**  
**#1 OWNER IN SPAIN**

1. Considering opening date of assets under development until 2020. Source: CBRE & Lar figures at September 9th, 2018.

# Retail density in Spain

The **retail density** of shopping centre GLA in Spain is **below the average of Western Europe**

340 sqm / 1,000 inhabitants



GLA/1,000 inhabitants	Density
More than 500	Very high
400 - 499	High
300 - 399	Medium
200 - 299	Low
100 - 199	Very low
Less than 100	Opportunity

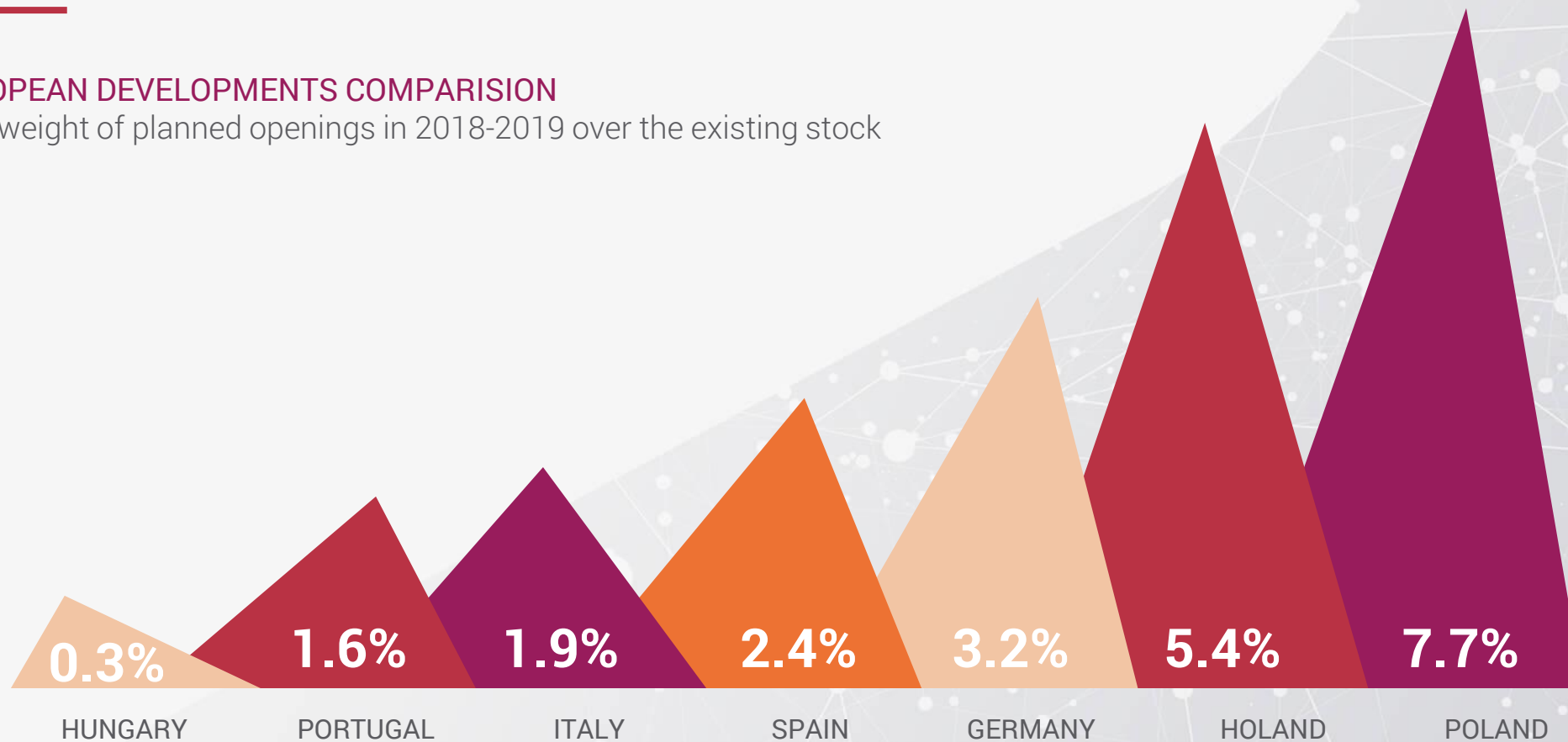
Source: JLL, Q4 2017 Note: Only includes current Retail and/or Leisure Complexes offering in excess of 5,000 sqm of GLA (GLA/1,000 inhabitants).

(\*) There are no Retail Complexes in the province of Teruel.

# Developments are gradually reactivating after of a long period of inactivity

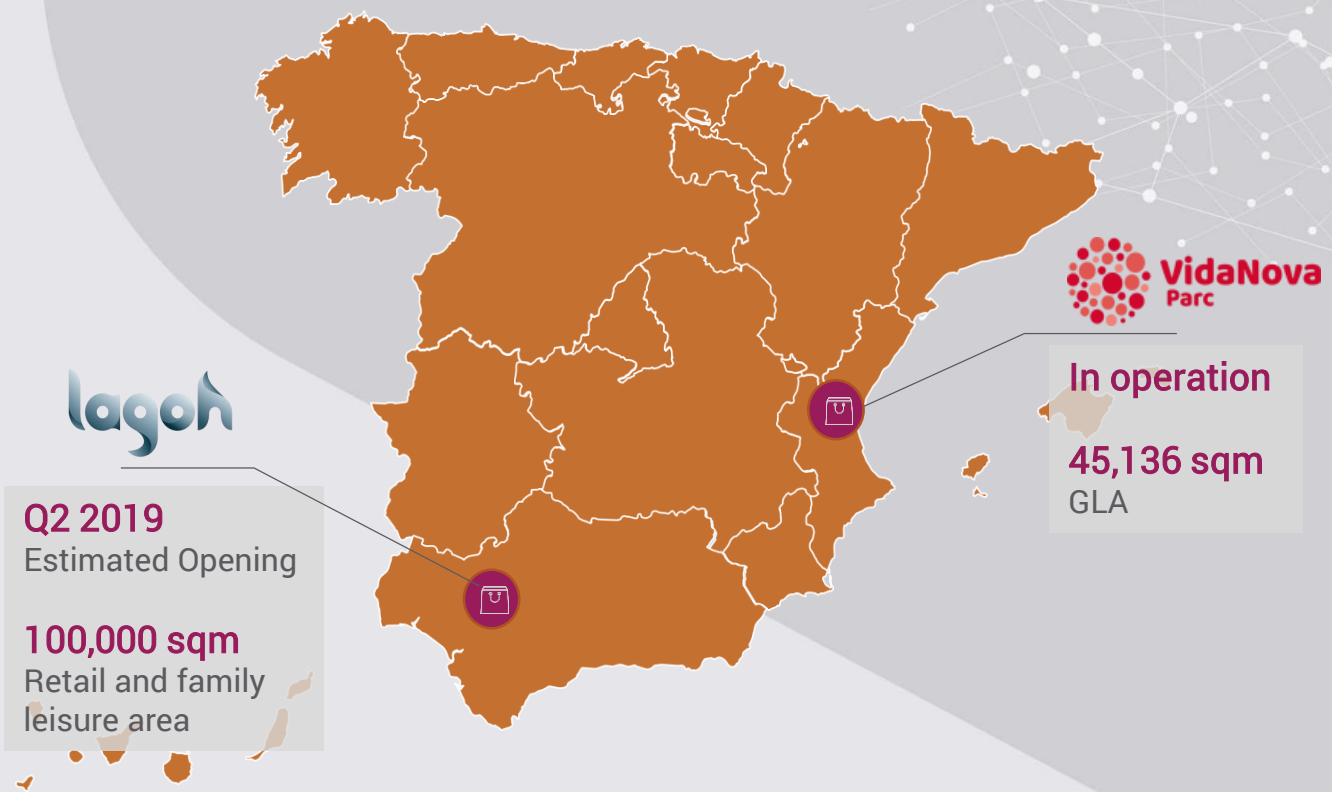
## EUROPEAN DEVELOPMENTS COMPARISON

Sqm weight of planned openings in 2018-2019 over the existing stock



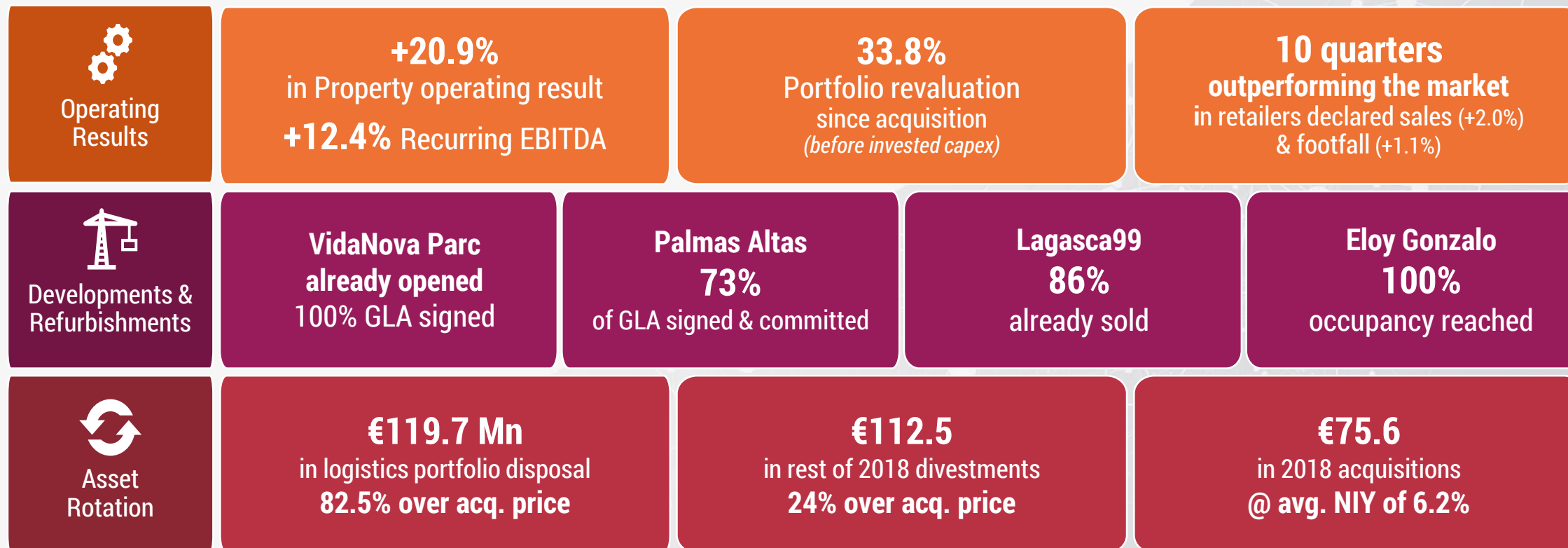
Source: CBRE, Does not include leisure centres or centres based on hypermarkets

# Using Grupo Lar's experience and capacity of development





# Solid H1 2018 performance



# Lar España - Grupo Lar a successful future together



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# MOVING FORWARD

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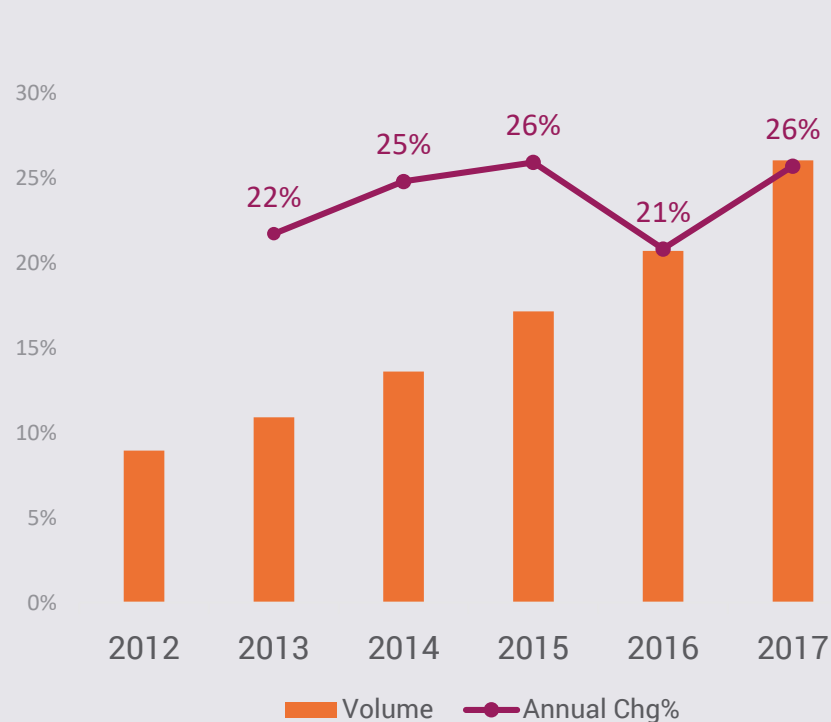
**Miguel Pereda**

*Board Member Lar España  
CEO Grupo Lar*

RETAIL  
*in action!*

# E-commerce has an important role to play in the new retail world

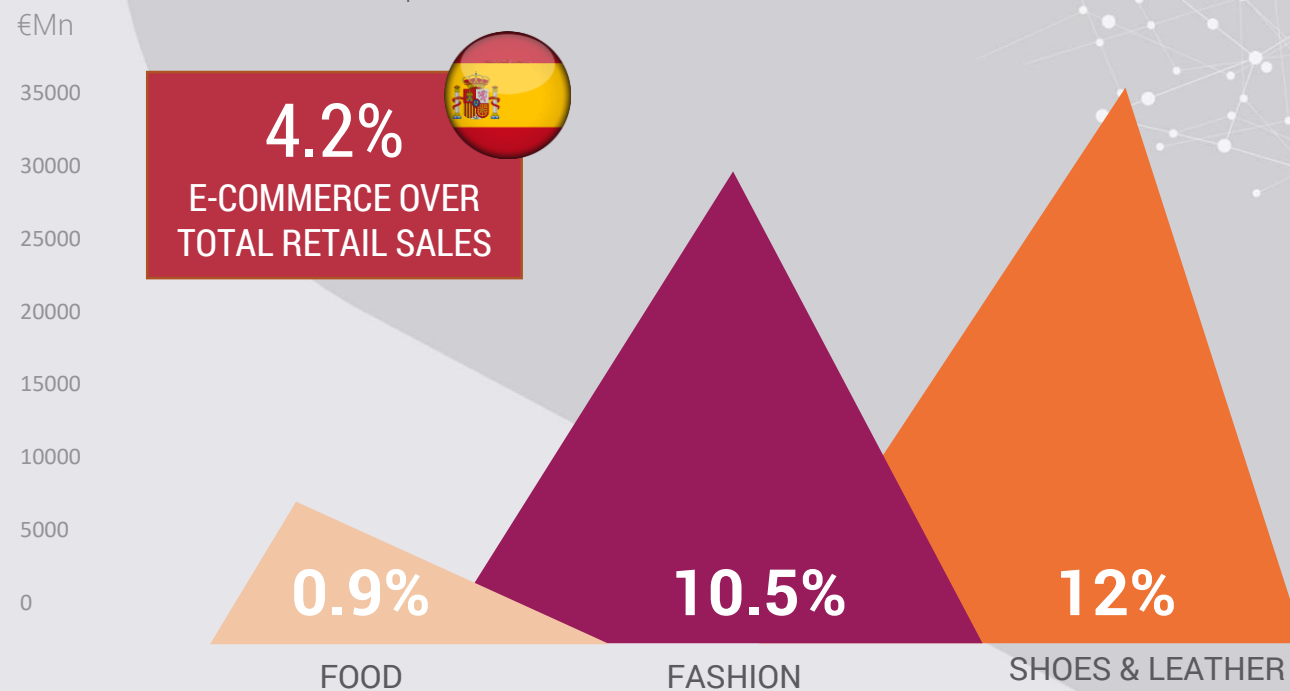
## E-COMMERCE EVOLUTION IN SPAIN



Source: CNMC

## WEIGHT OF E-COMMERCE IN TOTAL RETAIL SALES

% of retail sales in Spain



Source: CBRE, CNMC, INE

# The need for coexisting in our times

A new hybrid form of commerce is emerging

Customers will soon shop seamlessly online and offline



RESEARCH PRODUCTS



MAKE PURCHASES



PHYSICAL



NEED



ONLINE

PHYSICAL		
"WEBROOMING"		
"SHOWROOMING"		
ONLINE		

**SHOPPING CENTRES**  
Investing in digital interfaces with customers

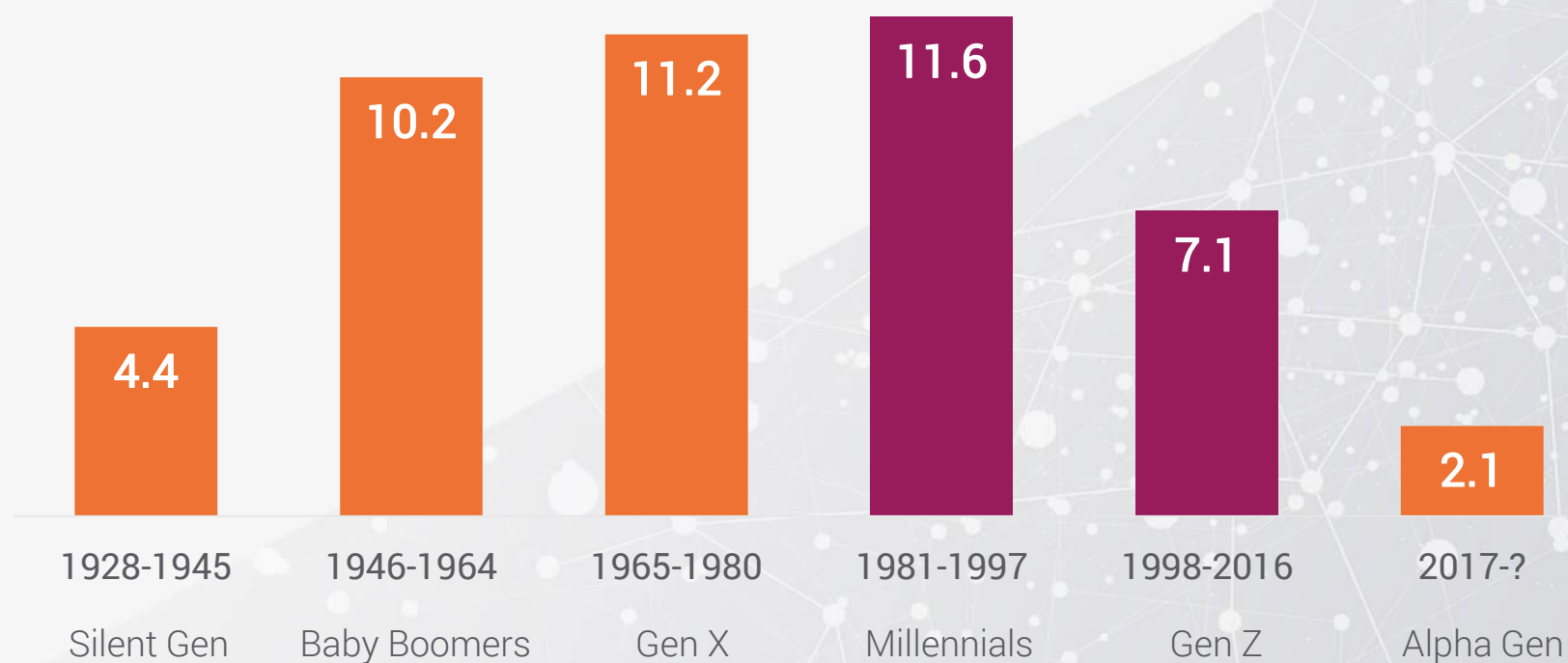
**RETAILERS**  
Investments in online e-commerce and in-store pickup

**E-COMMERCE RETAILERS**  
Opening physical stores to solidify their brands



# The first time in history, the consumer market includes 6 generations

Mn



Source: INE, Spanish population

# The opportunity of living in our times

## The use of technology and big data

### CUSTOMER KNOWLEDGE



know more about our visitors and their behaviour

### DIGITALISATION



Next generation technology to enhance customers' experience



## Customer-oriented innovation



OMNICHANNEL

Omnichannel shopping platform, enhancing customers' shopping experience








EXPERIENCE

Shopping centres become destinations, that are central to the communities



# Understanding customers' journeys

## Why customers visit shopping centres?

VALUE	CONVENIENCE	EXPERIENCE	SOCIALIZATION	SERVICE CENTRE
Looking for "value for money"	Immediateness	Shopping as a leisure activity	Meeting point	Product support
	Click & Collect	In-store brand connection		Product returns
				



# Experiences become the new anchors

Shopping centres increasingly need to be destinations

 <p><b>New tech personalises the experience</b></p>	 <p><b>F&amp;B experience</b></p>	 <p><b>Leisure &amp; entertainment experiences</b></p>
<p>Personalised promotions and new services</p> 	<p>Places of social interaction</p> 	<p>Become part of our lifestyle</p> 
 <p>Smart fitting rooms (augmented reality) &amp; customization</p>	 <p>Environments are as important as the food</p>	 <p>Leisure offerings boost footfall and dwell time</p>



# CTES PROJECT



RETAIL  
*in action!*

# Leading the transformation TES Project

Lar España is leading the digital transformation  
in the Spanish retail sector

DIGITALISATION



TECHNOLOGY

EXPERIENCE

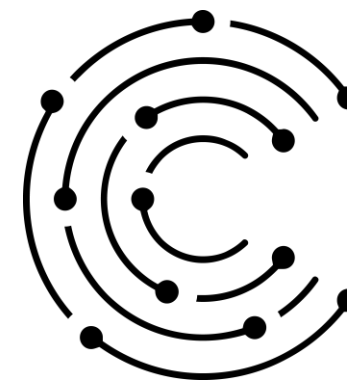


ENGAGEMENT

ESG



SUSTAINABILITY (ESG)



# TES PROJECT

by lar España Real Estate

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*in action!*

# Shopping centre managed by data analytics

## TECHNOLOGY



# Shopping centres become consumer engagement spaces

## ENGAGEMENT

Shopping centres are evolving to shopping, dining and entertainment centres that provide customers with unique experiences

### OPTIMAL COMMERCIAL MIX

Addition of new and more attractive brands and tenants  
image improvement



Dynamic, comfortable and urban spaces

### CREATING SHOPPING EXPERIENCE DESTINATIONS

Where customers can enjoy their time both shopping and being entertained



Foodcourt areas appealing destinations

### CUSTOMER CENTRIC

Personalised customer experience.  
Quality services offer (parking, toilets, pick-up points...)



Enhancing the in-store experience

# Strong commitment towards sustainability

## SUSTAINABILITY

Incorporation of environmental criteria in new acquisitions & developments



BREEAM® ES



CNMC  
COMISIÓN NACIONAL DE LOS MERCADOS Y LA COMPETENCIA



Continuous improvement in the management, awareness and minimization of environmental impacts



The promotion of the construction and building of sustainable buildings

The positioning of the customer as the centre of the business model



ENERGY EFFICIENCY



WATER MANAGEMENT



AIR QUALITY



SOLAR POWER



SUSTAINABILITY CERTIFICATIONS



DIGITALISATION



CUSTOMER JOURNEY



IMPROVEMENT SALES

# The necessity of the three

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TECHNOLOGY



ENGAGEMENT



SUSTAINABILITY (ESG)



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*in action!*

# Greater knowledge to increase customer overall satisfaction



1. Declared sales



# From quality to customer-centric



The Time is Now:  
Customer Centric &  
Next Generation Retail



TECHNOLOGY



SUSTAINABILITY (ESG)



ENGAGEMENT





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# TECHNOLOGY

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**Pablo Rozadillas**

*Senior Asset Manager Grupo Lar*

RETAIL  
*in action!*

# TECHNOLOGY What for?



RETAIL  
*in action!*

# Technology under the scope of TES project

## Some facts\* ...



By the end of 2017, more than **60% of companies consider "digital transformation"** as a core process of their corporate strategy



1/3 of top management of multinational companies consider **digital transformation essential for their company survival**



**Legacy IT systems are considered the biggest obstacle** for the viability of the digital transformation



87% of the Global 2000 index companies think that digital transformation will help them **strengthen their business performance**



55% of companies without an existing digital transformation programme say the timeframe to adopt one **is a year or less**



52% of executives cite "a lack of familiarity with technology" **as a barrier to digital transformation**

# How can technology helps us?



# Our focus

## WHERE TO APPLY TECHNOLOGY?



### PROCESSES

Project management  
Accessibility  
Internal communication  
Mobility



### ANALYSIS CAPACITY

Environmental  
Customer  
Facilities  
Digital footprint



### CLIENTS' EXPERIENCE



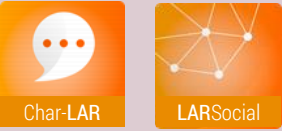

Shopping channels  
Amenities  
Convenience  
Entertainment

What initiatives  
have LAR ESPAÑA  
already  
implemented?



RETAIL  
*in action!*

# How technology helps us to improve our processes: 4 examples

		What is it?	What for?	Benefits	Status
<b>Project management</b>		Project management tool	<ul style="list-style-type: none"> <li>New dev. and ref. works project management</li> </ul>	<ul style="list-style-type: none"> <li>Coordination</li> <li>Team management</li> <li>Resource allocation</li> </ul>	Implemented -Jan 2018-
<b>Accessibility</b>		Data cloud storage and file sharing tool	<ul style="list-style-type: none"> <li>Relevant data storage</li> <li>File sharing</li> </ul>	<ul style="list-style-type: none"> <li>Anytime access</li> <li>Any device access</li> <li>Easy sharing</li> </ul>	Implemented -July2018-
<b>Internal Communication</b>		Instant messenger and social business platforms	<ul style="list-style-type: none"> <li>Teamwork</li> <li>Reduce email workload</li> </ul>	<ul style="list-style-type: none"> <li>Safe communication</li> <li>Real time</li> <li>Video calling</li> <li>Owned servers</li> </ul>	Implemented - June 2018-
<b>Mobility</b>		Mobility platforms corporate accounts	<ul style="list-style-type: none"> <li>Business travel</li> </ul>	<ul style="list-style-type: none"> <li>Fixed price based on the shortest route</li> <li>Eco friendly</li> </ul>	Implemented - June 2018-





PROCESSES

# CASE STUDY



Investor Day 2018

## Asana for Technical Project Management



“Asana is the perfect tool to organize tasks, resources and workload among all the teams involved in every project, it has saved us vast numbers of non efficient phone calls and emails, allowing us to focus on the important topics, knowing at anytime who is in charge of what, and what is the status of each assignment”

Juan Luis Yuste Fernandez  
Senior Technical manager

Organized and listed tasks

Easy to set deadlines due dates and reminders

Task assignment to team members





The screenshot shows the Asana interface for the project 'RIVAS FUTURA Madrid'. On the left, a sidebar lists various teams, including 'ATA CENTROS COMER...', 'COMÚN Mejoras Dpto. Técni...', 'COMÚN Mejoras del servicio...', 'RIVAS FUTURA Madrid', 'PARQUE ABADÍA Toledo', 'VISTAHERMOSA Alicante', 'VIDANOVA PARC Sagunto', 'GRAN VÍA DE VIGO', 'ALBACENTER Albacete', 'ANEC BLAU Castelldefels', and 'EL ROSAL Ponferrada'. The main area displays a list of tasks under the 'Capex' section, including 'Reparación de estructura' (due 15 Nov, 180K), 'Hay Plan Plurianual' (63K), 'Impermeabilización del garaje' (2M), 'Reparación de escaleras: peldaños' (43K), 'Ventilación de la escalera' (64K), and 'Hay un plan de renovación del parking de superficie' (800K). A detailed view of the 'Reparación de estructura' task is shown on the right, indicating it is assigned to 'Iago Silva' with a due date of '15 Nov' and a cost of '180K'. The task is marked as urgent and includes sub-tasks like 'Actualización de las patologías', 'Plazo tres meses', and 'La licencia de obra está tramitada'.

Keep track of progress in a visual way

Projects display and accessible to selected team members

RETAIL  
*in action!*

# How technology helps us improve our analysis capacity: 4 examples

		What is it?	What for?	Benefits	Status
Environment		Location intelligence tool to get Social and economic data	<ul style="list-style-type: none"> <li>Analysis of new investments</li> <li>Customer profile analysis</li> </ul>	<ul style="list-style-type: none"> <li>More accurate strategies</li> <li>Help on decision making</li> </ul>	Implemented -March 2017-
Customer behaviour		Tool to analyze the performance of our SCs through visitor analysis Beacons	<ul style="list-style-type: none"> <li>Analysis of visitors' behaviour in our SCs</li> </ul>	<ul style="list-style-type: none"> <li>Deep understanding of our SCs performance</li> <li>Linked to our marketing tools</li> </ul>	Implemented -June 2016-
Facilities		Daily Drone flights over our development projects	<ul style="list-style-type: none"> <li>Development works control, analysis, and troubleshooting</li> </ul>	<ul style="list-style-type: none"> <li>Live view</li> <li>Multi perspective</li> <li>No need to be on site</li> <li>Close to details</li> </ul>	Implemented - Jan 2017-
Digital footprint		Owned dashboard to visualize Social network & web performance in our SCs and competence	<ul style="list-style-type: none"> <li>Analysis of online community behaviour, marketing performance, trends and benchmarking</li> </ul>	<ul style="list-style-type: none"> <li>Clear visualization of our SN initiatives</li> <li>Live</li> <li>Aggregated or stand alone analysis</li> </ul>	Implemented -July 2018-



# CASE STUDY



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ANALYSIS CAPACITY

Geoblink for SC Marketing management



“Thanks to Geoblink we have access to the most accurate socio-demographic and economic data that we ever dreamed of. Now we have deeper knowledge of our areas of influence, and our marketing campaigns are perfectly focused, based on facts and not just on insights”

Ana Redondo Moreno  
Marketing analyst



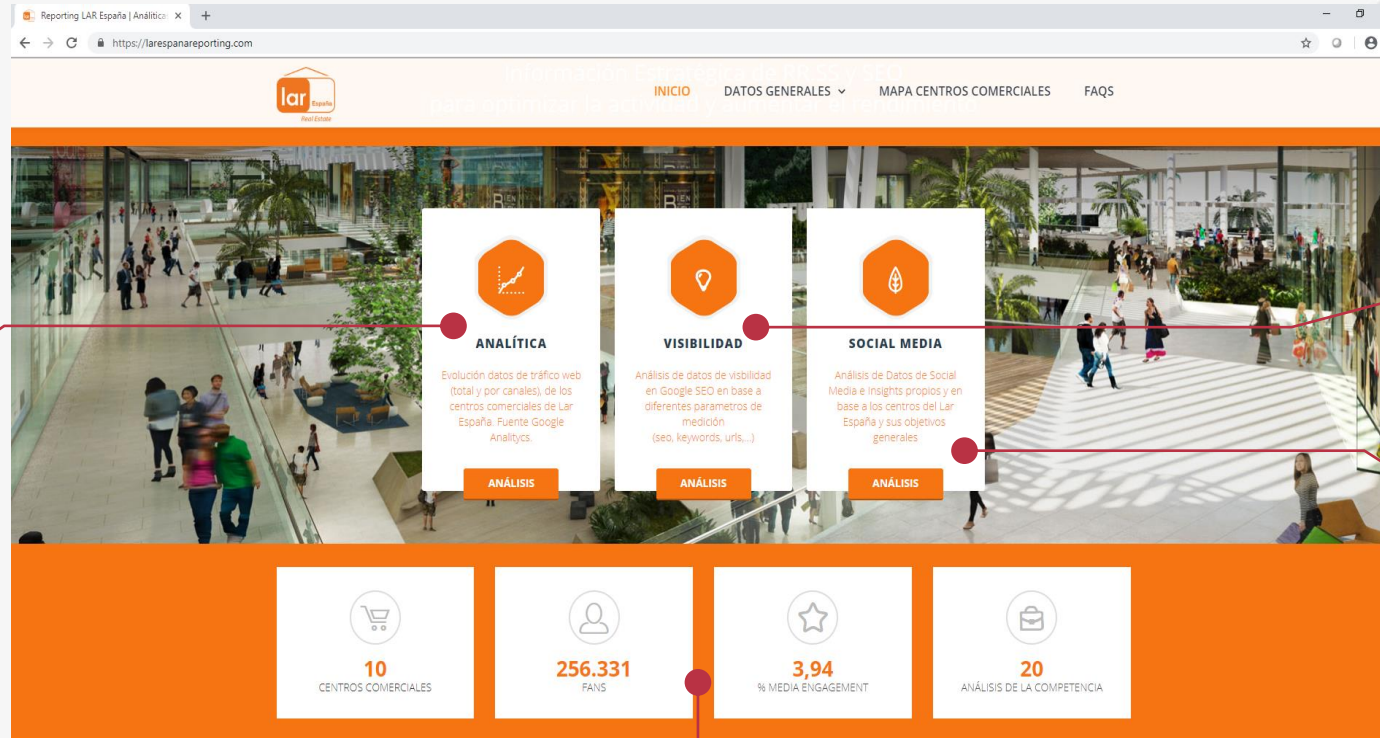
RETAIL  
*in action!*



# CASE STUDY



## ANALYSIS CAPACITY



SC webpage traffic analysis and evolution

Visibility analysis on search engines

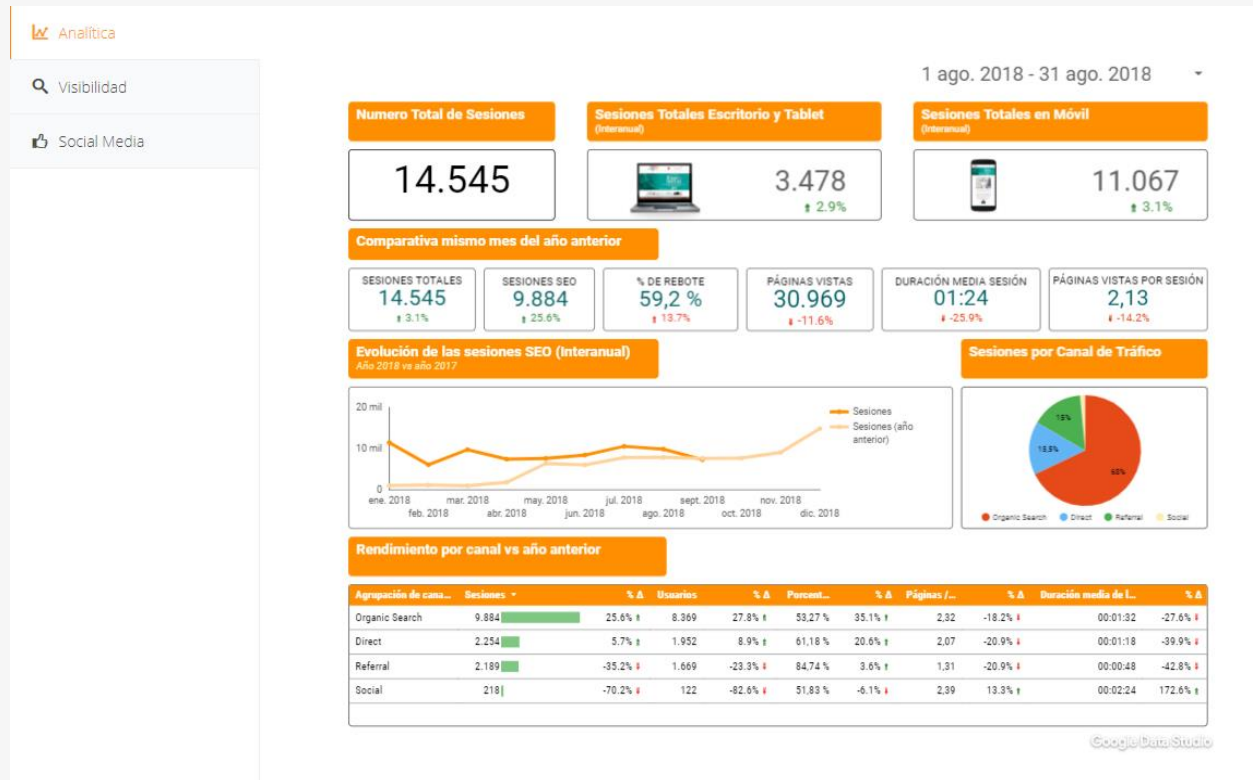
Social Media analysis by platform

Portfolio analysis, aggregated results and situation against competition

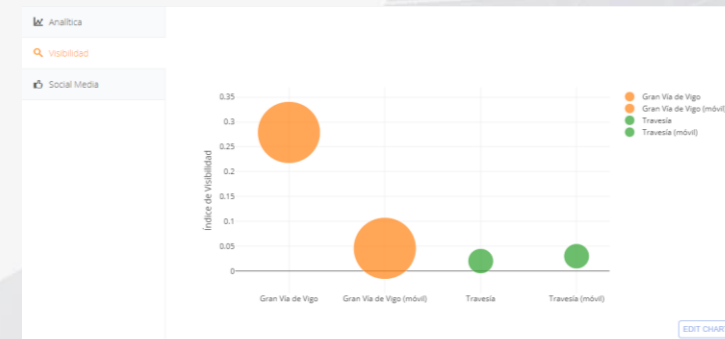
RETAIL *in action!*

# LAR DIGITAL REPORTING

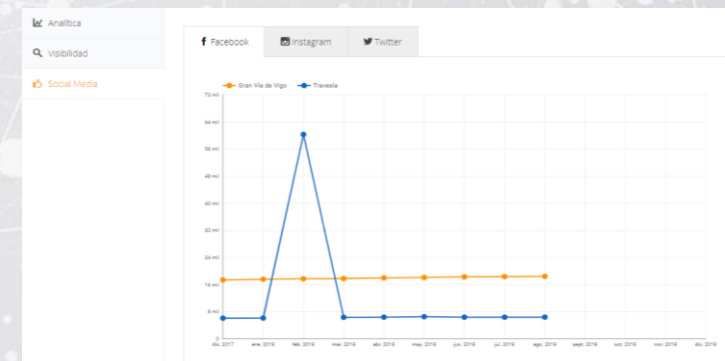
## Gran Vía de Vigo dashboards



Web traffic analysis dashboard



Visibility index by source vs main competitor (keywords and search)



Social media evolution by platform vs main competition



# How technology help us improve our clients experience: 4 examples

		What is it?	What for?	Benefits	Status
Shopping channels		E-commerce platform for our SC and e commerce shop on Ebay	<ul style="list-style-type: none"> <li>Sell our retailers' products online</li> </ul>	<ul style="list-style-type: none"> <li>Additional sale channel for both retailers &amp; customers</li> <li>Improve tenants' performance</li> </ul>	Implemented -June 2017-
Amenities		Free EV charging stations located in our SC car parks	<ul style="list-style-type: none"> <li>An additional service to our customers</li> </ul>	<ul style="list-style-type: none"> <li>Improve tenant satisfaction</li> <li>Differentiation among other SCs.</li> <li>Promote sustainability</li> </ul>	Implemented -September 2017-
Convenience		Pick up and drop off stations Online shopping pick up service	<ul style="list-style-type: none"> <li>An additional service to our customers</li> </ul>	<ul style="list-style-type: none"> <li>Differentiation among other Scs.</li> <li>Increase frequency of visit</li> <li>Improve tenant satisfaction</li> </ul>	Implemented -May 2018-
Entertainment		Virtual reality tools Gaming areas	<ul style="list-style-type: none"> <li>To offer our clients value added experiences in our assets</li> </ul>	<ul style="list-style-type: none"> <li>Trigger for sales</li> <li>Differentiation</li> <li>Improve client experience</li> </ul>	Implemented -February 2017-



# CASE STUDY



Investor Day 2018

CLIENTS' EXPERIENCE

## TUCENTRO.COM

Comprar por categoría  Todas las categorías

Portada > Comunidad > Área de votaciones > Perfil de votos

### Perfil de votos

**tucentro** (187 )

Votos positivos (últimos 12 meses): 98,4%  
[¿Cómo se calcula el porcentaje de votos?]

Antigüedad del usuario: 27-oct-17 de España  
Registrado como vendedor Profesional

Valoraciones más recientes		?		
(últimos 12 meses)		1 mes	6 meses	12 meses
	Positiva	30	158	199
	Neutral	1	4	4
	Negativa	2	3	3

Valoraciones detalladas como vendedor		?	
(últimos 12 meses)		Valoración media	Número de valoraciones
Condiciones		★★★★★	192
El artículo es como se describía		★★★★★	188
Comunicación		★★★★★	192
Tiempo de envío		★★★★★	194
Gastos de envío y manipulación		★★★★★	194

ebay Rating

tucentro.com

Iniciar sesión Mis favoritos Vacío

Tiendas Mujer Hombre Infantil Electrónica Electrodomésticos Hogar Juguetes y Videojuegos Equipaje y Ocio

RETAIL in action!



# How technology help us improve our clients' experience



Virtual reality experience in El Rosal Shopping Centre



Hype station in partnership with Sony Playstation



Tesla EV charges in Gran Vía de Vigo



Amazon Locker in Parque Abadia

## Other initiatives related to technology: Executive education & summits

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**Pablo Foncillas** *Inspiring Leaders in Marketing  
and Business Innovation*



Programa ejecutivo en  
**Transformación Digital**

All in all, keep in mind that technology should be



A tool



A business accelerator



A facilitator

SHOULD BE AT PEOPLE'S SERVICE

STAKEHOLDERS

CLIENTS

EMPLOYEES



Investor  
Day 2018



# ENGAGEMENT

**Sergio García**

*Asset Management Director Grupo Lar*

RETAIL  
*in action!*

# The retail sector is emerging from crisis and facing deep changes that occur very quickly


Changes in the retail sector



## From product to service

Introduction of **new services** through which the customer perceives greater value

The **value proposal** becomes the **most relevant** issue, rather than the product itself



 **89%** of marketing leaders think that the **CX** will make the greatest competitive difference



## Upswing of the e-commerce

Online sale is unstoppable and increasingly takes more weight

It is **knocking down the walled gardens** and removing the entry barriers


 Annual **growth 20.8%**  
 **24,185M €** turnover



## Reinventing of brick & mortar

More and more physical stores open up and take on a **key experiential role**, many of them becoming flagships

The stores offshoring movement is being inverted, returning to the **proximity model**


 **OPEN**  
 For each physical store that closes, **2.7 new** stores open up.



## New customer profile

Users have **great technology adoption**

The **great disparity among customers' profiles** makes the archetypes go to a second level and the generations are only taken as macro trends

 **1 out of 3** Spaniards spends one day a week using **apps**



## The smartphone as mean of interaction

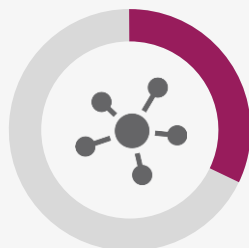
The **smartphone** is a key means that **connects a company with the final customer**

**Capturing data and connecting** through the smartphone will be essential for the growth of retailers.

 **44%** of online sales were made with a **smartphone**

# The 4 big challenges of the retail sector

% of references in web articles



## Omnichannel retailing

**Different communication channels**, all of them connected, so that they **interrelate with each other**. This communication arises from the new consumer profile, which uses multiple supports and its customer journey is no longer linear



**78%** of local **searches** from a **smartphone** result in a **purchase** in a **physical shop** 24 hours later



## Optimization of CX

**Experience** that a consumer obtains **throughout the entire process of purchasing** a product. The CX consists of the following phases: **satisfaction, recurrence, increased willingness to pay and prescription**



**72%** of digital buyers considers that the **CX** is the most important aspect



## Improving GTM

**Strategic plan** that reflects the actions to be executed by the company during the **product journey**, from the start of its distribution **until the customer buys it**. The formats of stores where the product is sold receive special emphasis



Only **3%** of salespeople believe that the **approach is effective**



## Relation Model

**The manner in which a company interacts with its customers**. The objective of this strategy is that the consumer has a perception about the brand and that it generates memories and boosts their loyalty



In **99%** of the **calls made by a customer to a retailer** they have a problem and expect to solve it on that same call.

# Some examples of the disruption in the retail sector



RETAIL  
*in action!*

# INDITEX

## OUR PRIORITIES OUR CUSTOMERS



CUSTOMERS  
AT THE CENTRE



INTEGRATED MODEL  
OF STORES & ONLINE



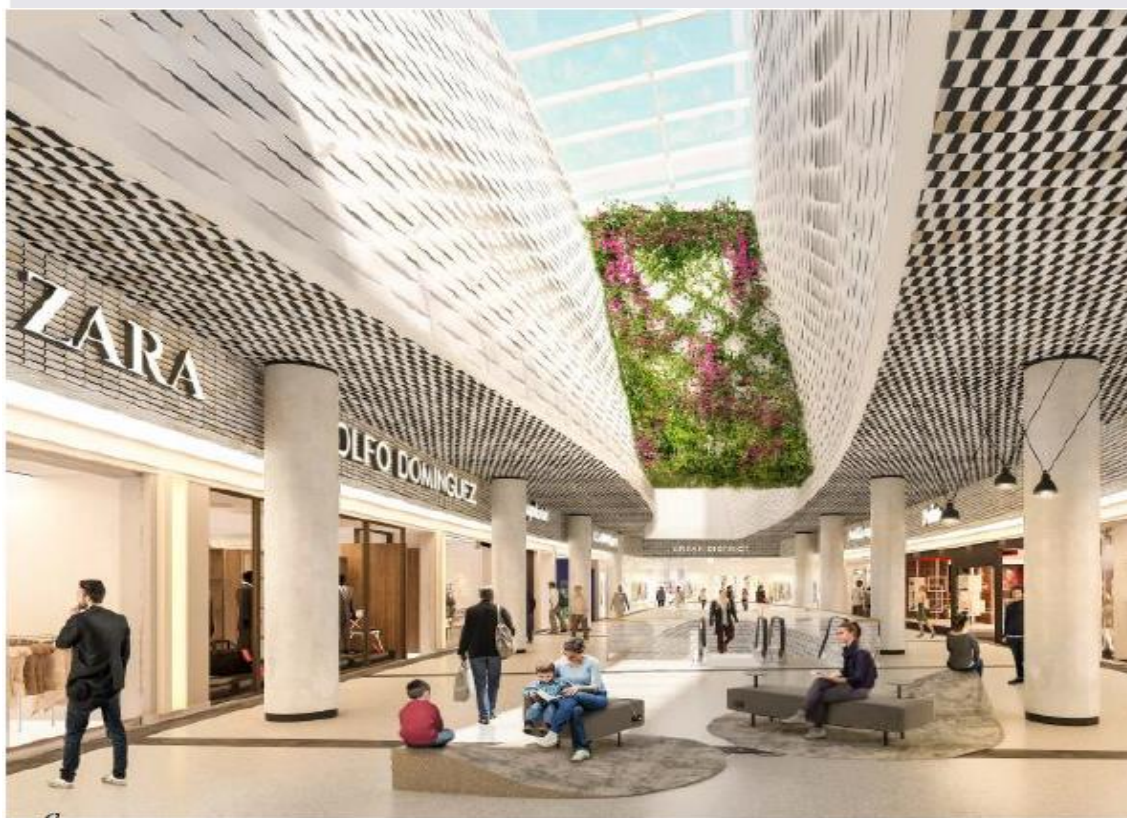
INNOVATION FOR AN  
IMPROVED SHOPPING  
EXPERIENCE



IMMEDIATE MULTI-  
CHANNEL RESPONSE



“Customer are at the centre of our business”



“Inditex has developed an integrated model of stores and online that seeks to maintain a continuous dialogue with customers”

“To understand the demands of our customers and offer the products they want in a fast and comfortable way”

“Improve the customer experience both in stores and online”

“Offering a multichannel customer service”

>€1 Bn

Technological and logistics investments last 4 years

- New store concepts
- Radio Frequency Identification
- Payment through mobile devices

## “A new shopping concept”

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“New shopping concept with a novel shopping experience in Stratford (London, UK)”

“Placing and collecting online orders”

“Was operating until the opening of the new Zara flagship store in the city’s Westfield Stratford”

“Another milestone in our strategy of integrating our stores with the online world, which defines our identity as a business”

“Improve the shopping experience, the team in this new store format is equipped with tablets and other mobile devices, as well as an innovative Bluetooth POS terminal”

## “A shopping experience that meets the highest standards”

---



“Better service while advancing to integrate our stores and online”

“Radio frequency identification (RFID) programme for garments is a basic pillar”

“In addition, stock management can be conducted 80% faster, which allows us to allocate more time to offering the customer better service”

# New ways of payment

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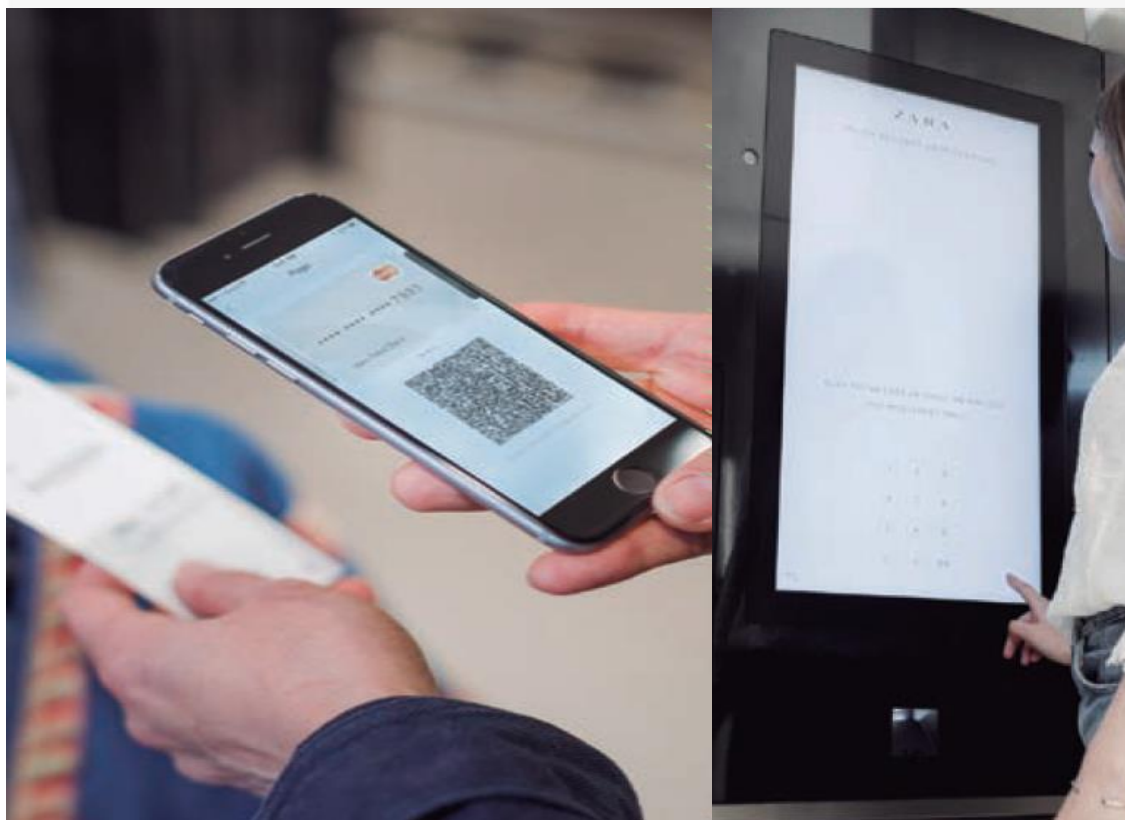


“Eliminate unnecessary waiting during the entire purchasing process”

- Self-checkout
- Mobile payment
- New app for the Group (InWallet)

## Collecting online orders in seconds

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“We launched our first Automated Collection Point for Zara.com orders”

Marineda shopping centre Zara store in A Coruña (Spain)

“Easily collect online purchase, scanning the QR or entering the PIN code included on the electronic receipt”

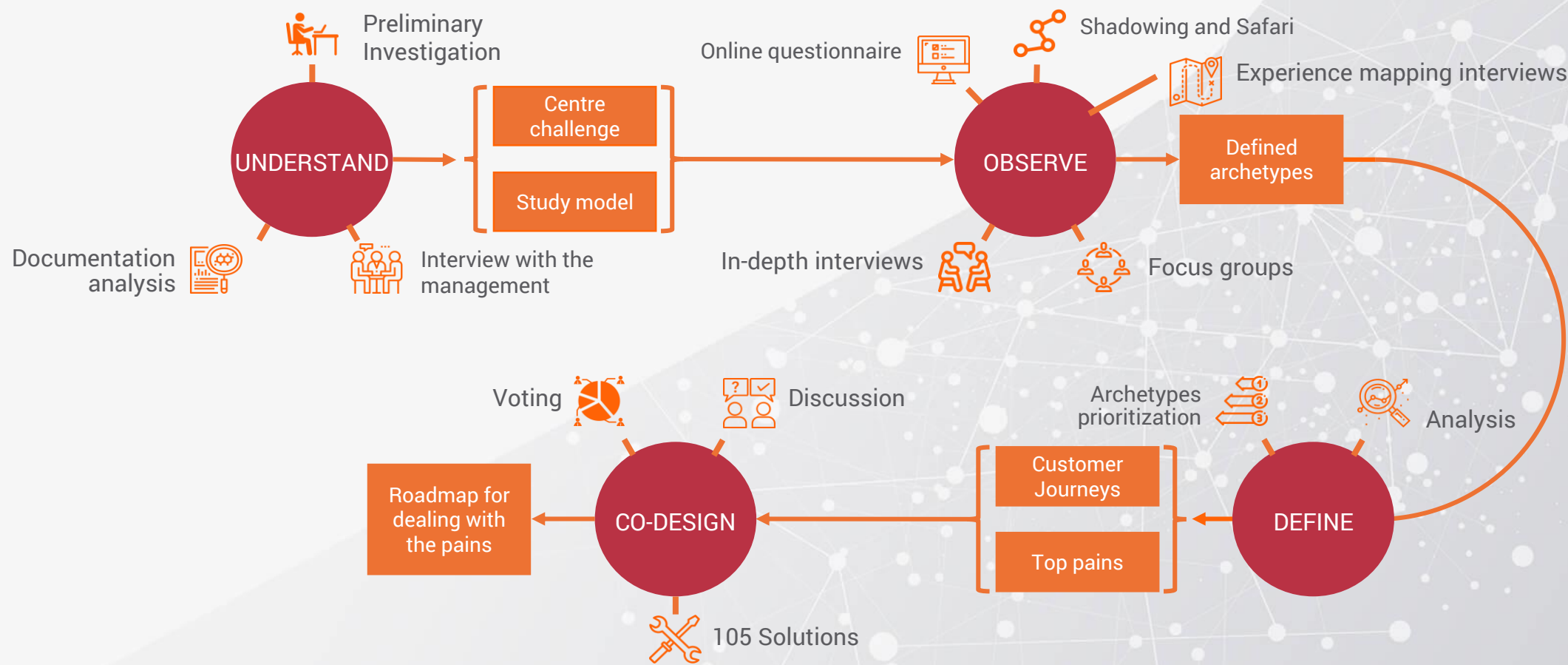
What do we do to  
get to know our  
customers?



RETAIL  
*in action!*

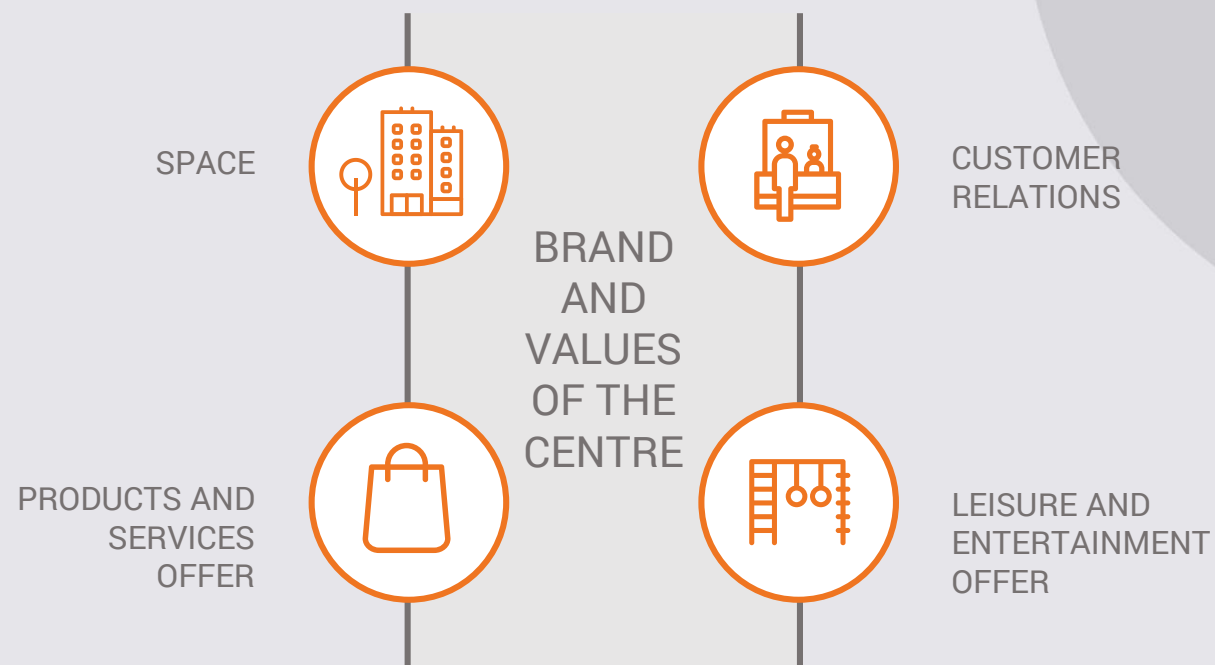
# Customer Experience

## Extraction of qualitative conclusions

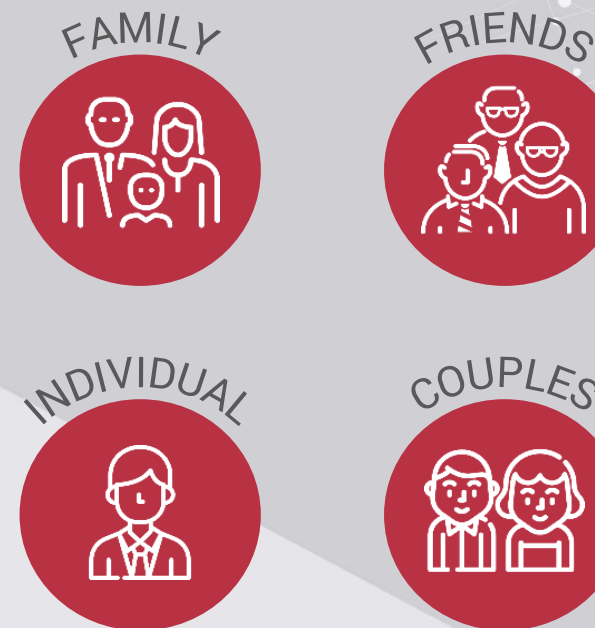


# Understanding Phase

## STUDY MODEL



## CUSTOMER SEGMENTS

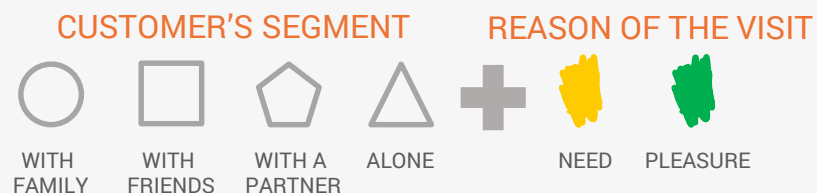




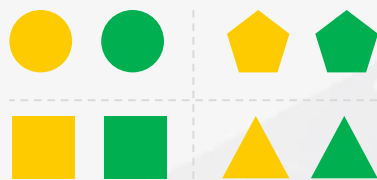
# Observation phase

## Hypothesis validation

### STUDY MODEL



### 8 HYPOTHESIS OF VISIT ARCHETYPES

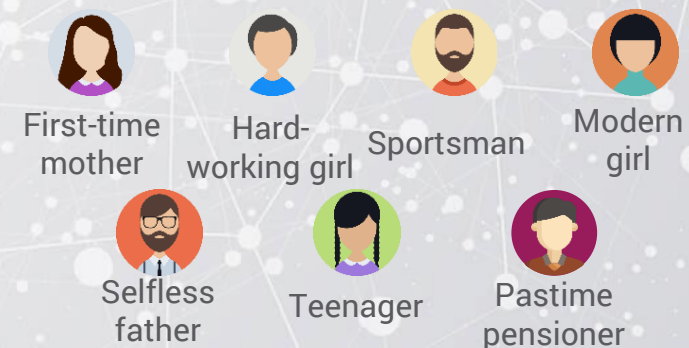


BEHAVIOUR IN THE SHOPPING CENTRE

### CUSTOMER SEGMENTS



### PERSON ARCHETYPE HYPOTHESIS



GENERAL BEHAVIOUR

# Observation phase Activities

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MAPPING  
INTERVIEWS  
600 CUSTOMERS

Extract knowledge of each moment of the visit and validate specific characteristics of each hypothetical archetype



IN-DEPTH  
INTERVIEWS  
100 CUSTOMERS

Map the full experience of each type of customer



20 FOCUS GROUPS  
120 CUSTOMERS

Identify the differences among defined archetypes



~25  
SAFARIS

Determine strengths and weaknesses of the general experience in the Shopping Centre



~100  
SHADOWING

Determine strengths and weaknesses of the experience of each type of identified customer



ONLINE  
QUESTIONNAIRES  
~12000  
ANSWERS

Validate the hypotheses by means of quantitative data

42%  
CUSTOMERS



LUCÍA

Lucía is 42 years old and lives in a residential area near Ondara with her husband and her two children, who are 5 and 12 years old. Her family is her top priority, and she always wants to give them the best and spend her time with them. She loves to hike and go to the beach, and likes to spend time with her friends, who she sees very little because they are all very busy, but she chats with them via Whatsapp to keep in touch on a daily basis.



Civil status Married

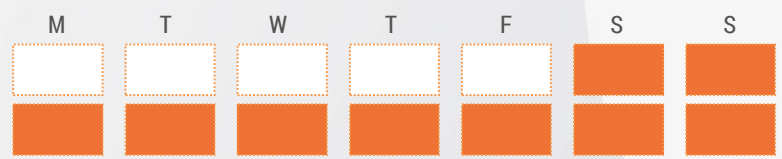
Children Yes

Occupation Office manager



VISIT DATA

WHEN DOES SHE VISIT:  
She goes to the mall whenever she is not working



VISITS PER MONTH

≤1 | 2-3 | ≥4

DURATION OF VISIT:

≤1 | 2-3 | ≥3

AVERAGE SPEND:

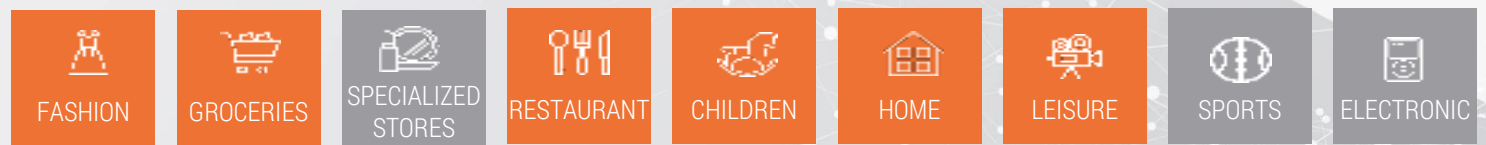


GENERAL 65 €



GROCERIES 45 €

AREAS VISITED:



TOP 3 → 1. Fashion | 2. Children | 3. Restaurants

Time: 1. Socializing, 2. Digital environment, 3. Gastronomy. Money: 1. Fashion, 2. Socializing, 3. Travelling.

Communication with Portal de la Marina: She follows PDLM on Facebook, she does not pay attention to the publications nor the news, but she is interested in learning about promotions and special offers.



LUCÍA

"I would like to be able to leave my children at the kids' club longer"

"Play Station and childcare operating hours are very short"

"The restaurants are in a high transit area, which is very uncomfortable"

**Lucía at Portal de la Marina | VALUES → PRACTICALITY**

**MOTIVATIONS (reasons why she goes to the mall):**

PDLM is one of her children's favourite places; they love to go, although they always get tired pretty fast. The time she spends with her family in PDLM is very pleasant, there are shops and activities for everyone and she can run errands, combining the stores that interest her (mainly fashion) with toys and areas designed for children.

**GOALS (what she goes to the mall for):**

To ensure her children have a good time without spending more money than necessary. Saving money is fundamental, which is why she looks for promotions and special offers. She wants to find what she wants quickly so her children do not get tired and force her to leave without having done everything she wanted to accomplish at the mall.

**NEEDS (what is required for the visit to be satisfactory)**

Lucía needs a place to leave her youngest son when she needs to run errands alone. She also needs competitively priced stores, a supermarket with a wide variety of products, leisure areas for her children and public transportation options which allow her to be more independent.

- AREAS OF OPPORTUNITY:**
- Kids' club with greater capacity
  - Entertainment services for the children
  - Alternative transport options



# Gran Vía's People...



22% customers



8% customers



7% customers



4% customers



27% customers



# Definition Phase

## Selection of priority archetypes

Grandes Etapas



Momentos

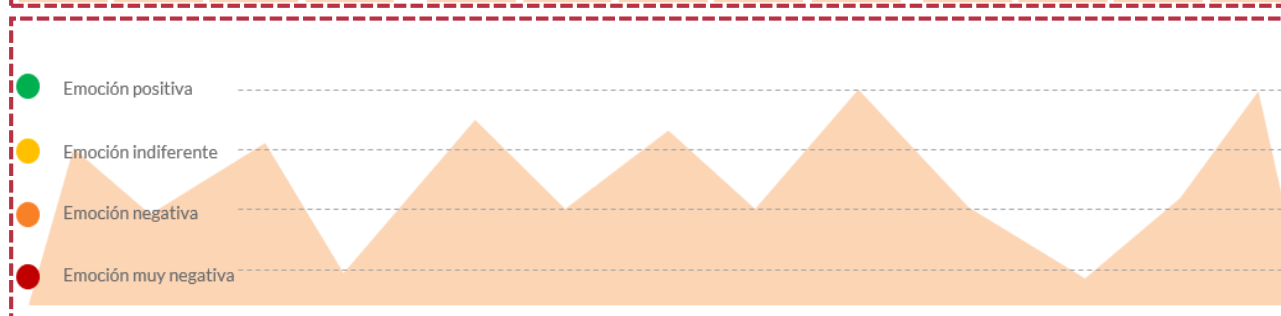
Acciones

Expectativas

Emoción

Qué siente en una escala de 4 emociones.

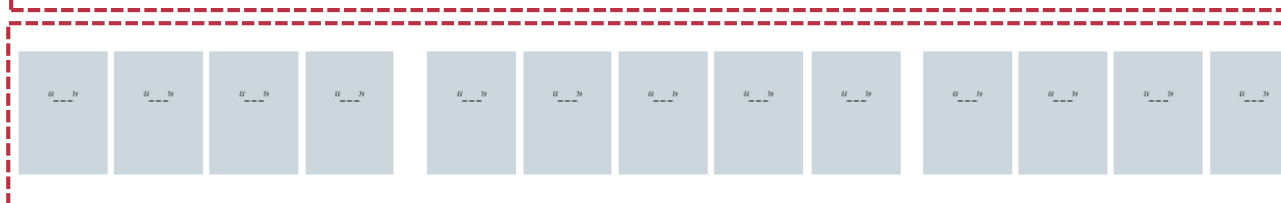
Nos ayuda a representar visualmente la emoción global



Voz del cliente

Qué piensa o expresa.

Nos ayuda a relacionar la emoción con lo identificado en la etapa de observación



**CUSTOMER'S LIFE**  
what he/she does and what he/she expects before, during and after the visit.

**CUSTOMER'S EMOTIONS**  
Caused by the difference between expectations and the real experience at each moment

We show what the client thinks and expresses at each moment, revealing various pains and gains

# Definition Phase Customer Journey

## Diseño de la Experiencia con Portal de la Marina

### FICHA DE ARQUETIPO DE CLIENTE

### TOP PAINS

- 1 Falta de capacidad en la oferta de entretenimiento para niños
- 2 Dificultad de acceso desde la autopista al centro
- 3 Ausencia de servicios alternativos para ir en coche a los niños
- 4 Falta de intimidad, comodidad, tranquilidad y sensación de exclusión en las terrazas de los restaurantes
- 5 Letanía al baño del centro comercial respecto a la zona de restauración y la mala señalización para ir a este
- 6 Ausencia de baño en cada restaurante
- 7 Escasez de restaurantes con zona para niños
- 8 Escasez de aparcamiento adaptado para familias
- 9 Ausencia de entradas alternativas al edificio desde fuera
- 10 Falta de calidad y variedad de restaurantes

GRANDES ETAPAS	PREVIO A VISITA										VISITA AL CENTRO COMERCIAL										POST VISITA
	INFORMACIÓN/DEFINIR	DEPLAZAMIENTO	LLEGADA	APARCAMIENTO	ENTRADA	PLANIFICACIÓN	ACTIVIDAD CLIENTE INFANTE	DECISIÓN	ACTIVIDAD MODA	TRANSICIÓN ENTRE ACTIVIDADES	ACTIVIDAD RESTAURACIÓN	DECISIÓN	ACTIVIDAD BARRIO	DECISIÓN	ACTIVIDAD ONE	TRANSICIÓN ENTRE ACTIVIDADES	ACTIVIDAD REPTIVADO	FIN DE LA VISITA	RECOMENDACIÓN		
<b>MOMENTOS</b> Situaciones que vive el cliente durante sus grandes etapas	Información sobre PDI y sesión de animación para niños	Tarjetas y PDI en mano, recibiendo información	Entrada en el centro comercial desde la autopista	Aparcamiento en parking de PDI (antes de entrar al edificio o desde el parking subterráneo)	Entrada en la planta de PDI (desde el ascensor al edificio o desde el parking subterráneo)	Creo que es mejor elegir a los restaurantes de la familia y hacer las compras por mercado y yo	Lo intentamos en el club infantil pero hoy una cosa o otra	No separamos, el se lleva a los niños para que se pueda hacer la compra	Me voy a comprar el se va a jugar a los niños	Reciben un WhatsApp con el menú de los restaurantes y se van a buscar algo	Me reúno con todos los que van a jugar a los niños	No separamos, el se lleva a los niños para que se pueda hacer la compra	Me voy a comprar el se va a jugar a los niños	Reciben un WhatsApp con el menú de los restaurantes y se van a buscar algo	Me reúno con todos los que van a jugar a los niños	Lo intentamos en el club infantil pero hoy una cosa o otra	No separamos, el se lleva a los niños para que se pueda hacer la compra	Me voy a comprar el se va a jugar a los niños	Reciben un WhatsApp con el menú de los restaurantes y se van a buscar algo	Me reúno con todos los que van a jugar a los niños	
<b>ACCIONES / PENSAMIENTOS</b> Qué hace	Mis amigos me avisan de una promoción en un restaurante y me mandan un foto por WhatsApp	Voy en coche con los niños	Entramos en el centro comercial	Aparcamos en el parking subterráneo	Vamos a la planta de PDI (desde el ascensor al edificio o desde el parking subterráneo)	Creo que es mejor elegir a los restaurantes de la familia y hacer las compras por mercado y yo	Lo intentamos en el club infantil pero hoy una cosa o otra	No separamos, el se lleva a los niños para que se pueda hacer la compra	Me voy a comprar el se va a jugar a los niños	Reciben un WhatsApp con el menú de los restaurantes y se van a buscar algo	Me reúno con todos los que van a jugar a los niños	No separamos, el se lleva a los niños para que se pueda hacer la compra	Me voy a comprar el se va a jugar a los niños	Reciben un WhatsApp con el menú de los restaurantes y se van a buscar algo	Me reúno con todos los que van a jugar a los niños	Lo intentamos en el club infantil pero hoy una cosa o otra	No separamos, el se lleva a los niños para que se pueda hacer la compra	Me voy a comprar el se va a jugar a los niños	Reciben un WhatsApp con el menú de los restaurantes y se van a buscar algo	Me reúno con todos los que van a jugar a los niños	
<b>EXPERIENCIAS</b> Qué siente	Número de posibilidades de elegir para hacer un picnic	Unger niños cómodamente	No hay problemas de intimidad en la terraza	Tranquilidad al estar en el centro comercial	Entrar en el centro comercial	Que se pueda elegir a los restaurantes de la familia y hacer las compras por mercado y yo	Lo intentamos en el club infantil pero hoy una cosa o otra	No separamos, el se lleva a los niños para que se pueda hacer la compra	Me voy a comprar el se va a jugar a los niños	Reciben un WhatsApp con el menú de los restaurantes y se van a buscar algo	Me reúno con todos los que van a jugar a los niños	No separamos, el se lleva a los niños para que se pueda hacer la compra	Me voy a comprar el se va a jugar a los niños	Reciben un WhatsApp con el menú de los restaurantes y se van a buscar algo	Me reúno con todos los que van a jugar a los niños	Lo intentamos en el club infantil pero hoy una cosa o otra	No separamos, el se lleva a los niños para que se pueda hacer la compra	Me voy a comprar el se va a jugar a los niños	Reciben un WhatsApp con el menú de los restaurantes y se van a buscar algo	Me reúno con todos los que van a jugar a los niños	
<b>INDICADORES</b> Qué mide	Disponibilidad de actividades para niños	Accesibilidad al centro	Seguridad en el aparcamiento	Comodidad en la terraza	Entrada en el centro comercial	Que se pueda elegir a los restaurantes de la familia y hacer las compras por mercado y yo	Lo intentamos en el club infantil pero hoy una cosa o otra	No separamos, el se lleva a los niños para que se pueda hacer la compra	Me voy a comprar el se va a jugar a los niños	Reciben un WhatsApp con el menú de los restaurantes y se van a buscar algo	Me reúno con todos los que van a jugar a los niños	No separamos, el se lleva a los niños para que se pueda hacer la compra	Me voy a comprar el se va a jugar a los niños	Reciben un WhatsApp con el menú de los restaurantes y se van a buscar algo	Me reúno con todos los que van a jugar a los niños	Lo intentamos en el club infantil pero hoy una cosa o otra	No separamos, el se lleva a los niños para que se pueda hacer la compra	Me voy a comprar el se va a jugar a los niños	Reciben un WhatsApp con el menú de los restaurantes y se van a buscar algo	Me reúno con todos los que van a jugar a los niños	
<b>VOL DEL CLIENTE</b> Qué percibe	Se va a jugar a los niños	Se va a jugar a los niños	Se va a jugar a los niños	Se va a jugar a los niños	Se va a jugar a los niños	Se va a jugar a los niños	Se va a jugar a los niños	Se va a jugar a los niños	Se va a jugar a los niños	Se va a jugar a los niños	Se va a jugar a los niños	Se va a jugar a los niños	Se va a jugar a los niños	Se va a jugar a los niños	Se va a jugar a los niños	Se va a jugar a los niños	Se va a jugar a los niños	Se va a jugar a los niños	Se va a jugar a los niños	Se va a jugar a los niños	
<b>FINES</b> Principales motivos de la situación	Me voy a jugar a los niños	Me voy a jugar a los niños	Me voy a jugar a los niños	Me voy a jugar a los niños	Me voy a jugar a los niños	Me voy a jugar a los niños	Me voy a jugar a los niños	Me voy a jugar a los niños	Me voy a jugar a los niños	Me voy a jugar a los niños	Me voy a jugar a los niños	Me voy a jugar a los niños	Me voy a jugar a los niños	Me voy a jugar a los niños	Me voy a jugar a los niños	Me voy a jugar a los niños	Me voy a jugar a los niños	Me voy a jugar a los niños	Me voy a jugar a los niños	Me voy a jugar a los niños	
<b>GANOS</b> Principales ganancias de la situación	Me voy a jugar a los niños	Me voy a jugar a los niños	Me voy a jugar a los niños	Me voy a jugar a los niños	Me voy a jugar a los niños	Me voy a jugar a los niños	Me voy a jugar a los niños	Me voy a jugar a los niños	Me voy a jugar a los niños	Me voy a jugar a los niños	Me voy a jugar a los niños	Me voy a jugar a los niños	Me voy a jugar a los niños	Me voy a jugar a los niños	Me voy a jugar a los niños	Me voy a jugar a los niños	Me voy a jugar a los niños	Me voy a jugar a los niños	Me voy a jugar a los niños	Me voy a jugar a los niños	



Investor  
Day 2018



# SUSTAINABILITY (ESG)

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**Jon Armentia**

*Corporate Director Lar España*

RETAIL  
*in action!*



# What does CSR mean at Lar España?

Value creation via Corporate Social Responsibility is one of Lar España's defining attributes, through the responsible management of its assets, the creation of wealth in the communities it operates in and the active listening to its Stakeholders.

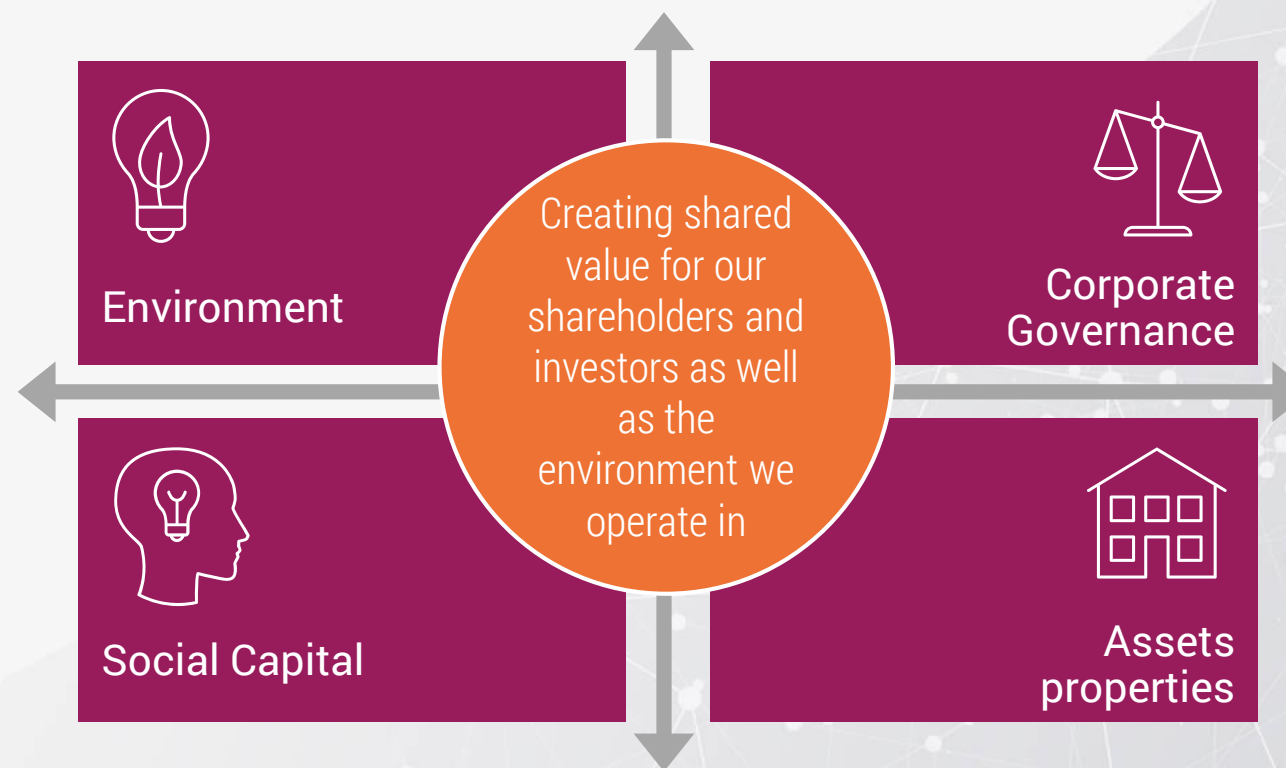


RETAIL  
*in action!*

# Lar España's approach to CSR

Lar España's CSR principles to build **Shared Value**:

Doing  
business  
better



Lar España is currently in the process of implementing its **CSR Master Plan**.

# Innovation to create shared value

## E

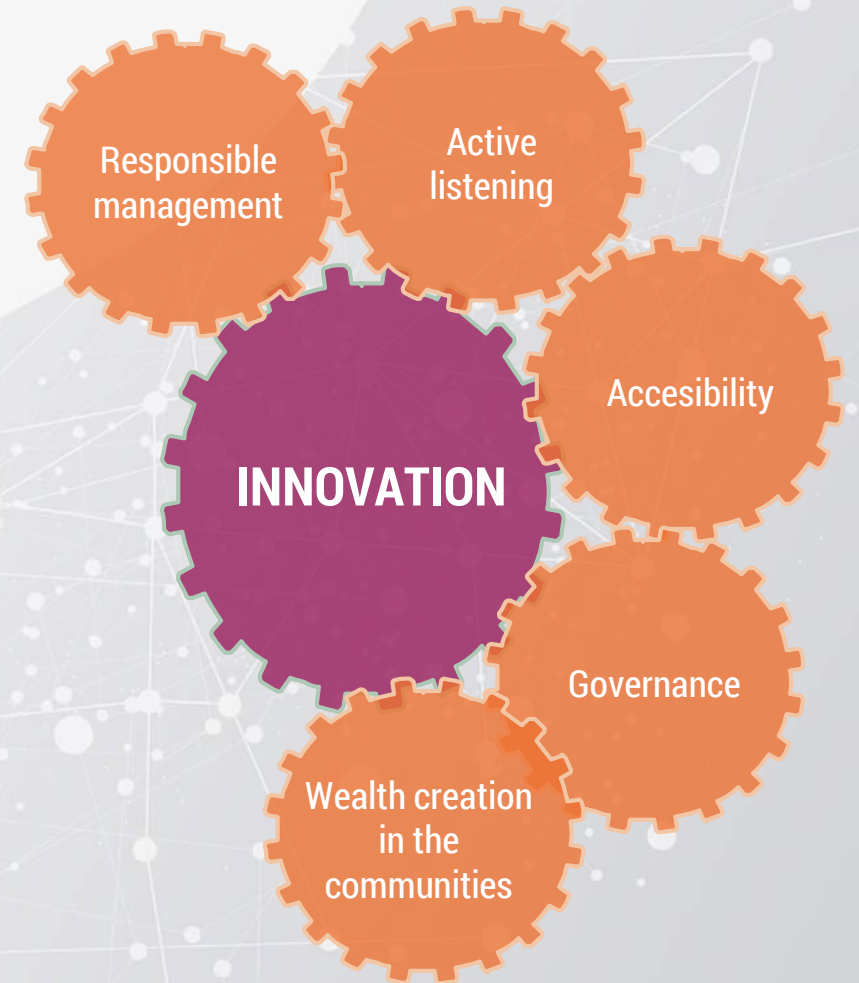
Lar España promotes **sustainability certification measures** and adopts new technologies to improve the quality and management of its assets. In parallel, the Company safeguards the economic **viability and financial returns on its investments**, while striving to boost aspects that benefit society

## S

Lar España's portfolio assets generate **social impacts** that transform and build **shared value** in the communities in which they are located. Taking into account existing problems, the Company implements measures designed to **enhance building accessibility**

## G

Lar España continues to make great strides forward in terms of **transparency, ethics and regulatory compliance**, thereby guaranteeing **good governance** both in terms of the company and its governing bodies



# Environmental

## Lar España is taking action to preserve the environment



# Environmental Innovation



## Energy efficiency

Lighting  
Climate control  
Building systems



## Water management

Presence detector  
Watering systems  
Cooling towers



## Air quality

Complex control systems for ventilation  
Air purifier systems



## Solar power

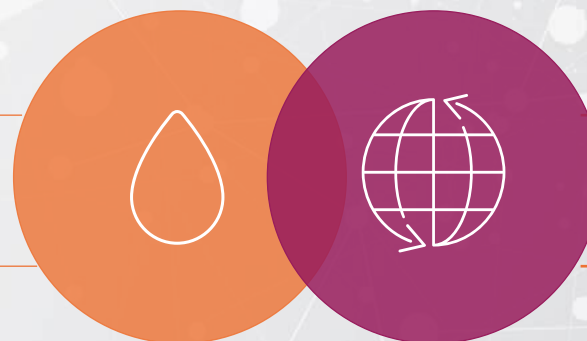
Alternative energy sources



## Other lines of initiative

Tri-generation  
Guided parking  
Eco-friendly transportation

Reduce Expenditures  
Become more environmentally friendly in its business communities

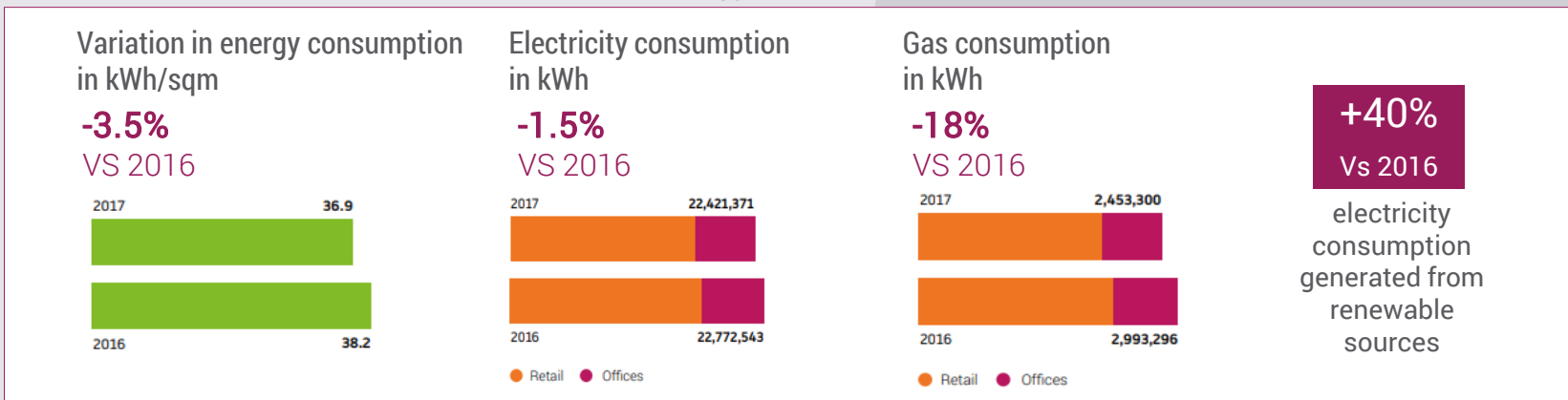


Impact on the natural surroundings

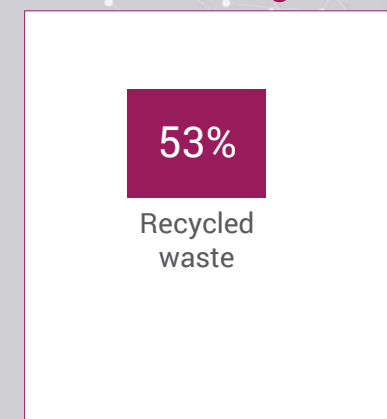
Economic viability

# Environmental performance

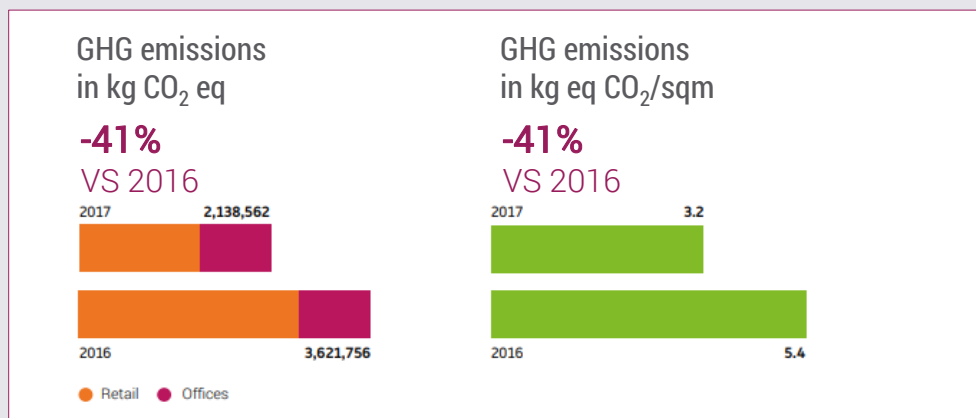
## Energy Consumption



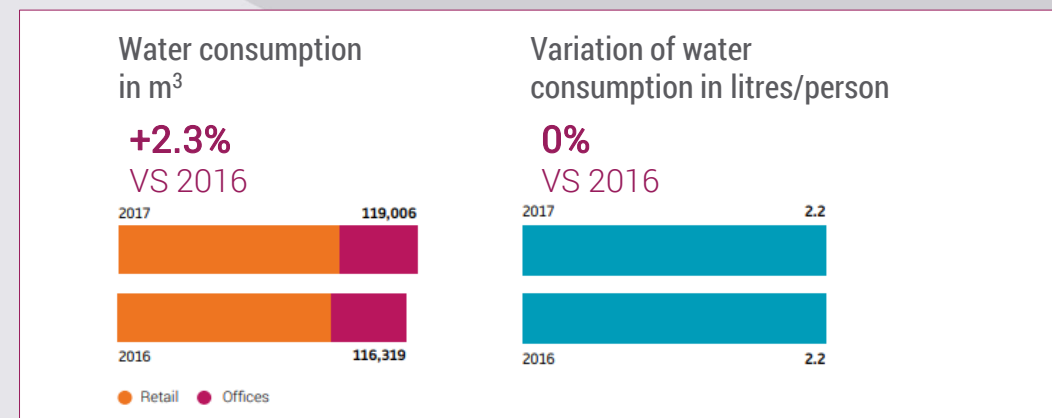
## Waste Management



## GHG Emissions



## Water Consumption



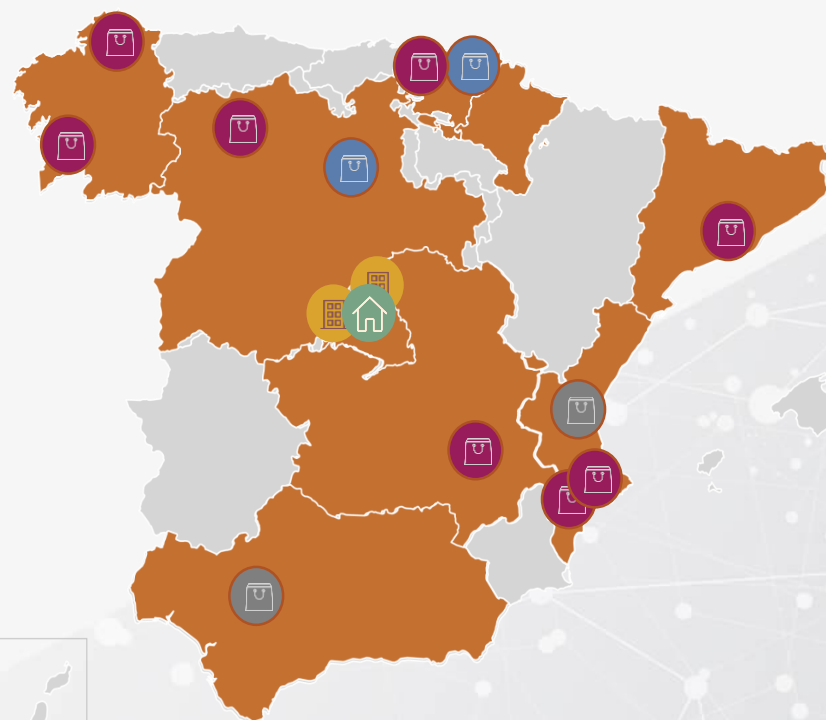
# Environmental BREEAM® Certifications



Shopping Centres

100%

are certified under BREEAM®.



## Retail assets

BREEAM® In-Use “Very Good” Certificated (8)



BREEAM® In-Use “Good” Certificated (2)



## Our retail developments



are designed and developed in line with the specifications required to obtain the prestigious BREEAM® quality and sustainability certification

## Other assets

### ELOY GONZALO REFURBISHMENT PROJECT

Certified with BREEAM® New-Construction, “Very Good” rating



### MARCELO SPÍNOLA OFFICE BUILDING

Certified with BREEAM® New-Construction, “Very Good” rating



### LAGASCA 99 RESIDENTIAL DEVELOPMENT

Certified with BREEAM® New-Construction, “Very Good” rating

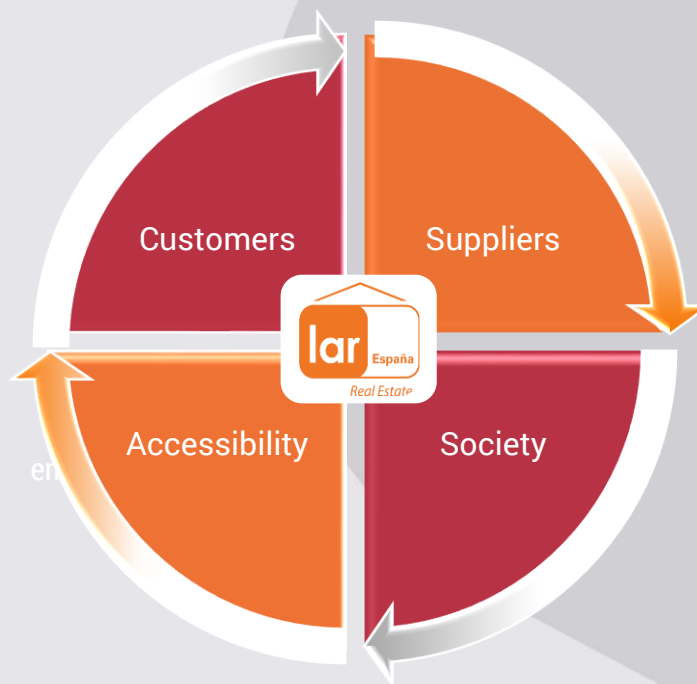


# Social

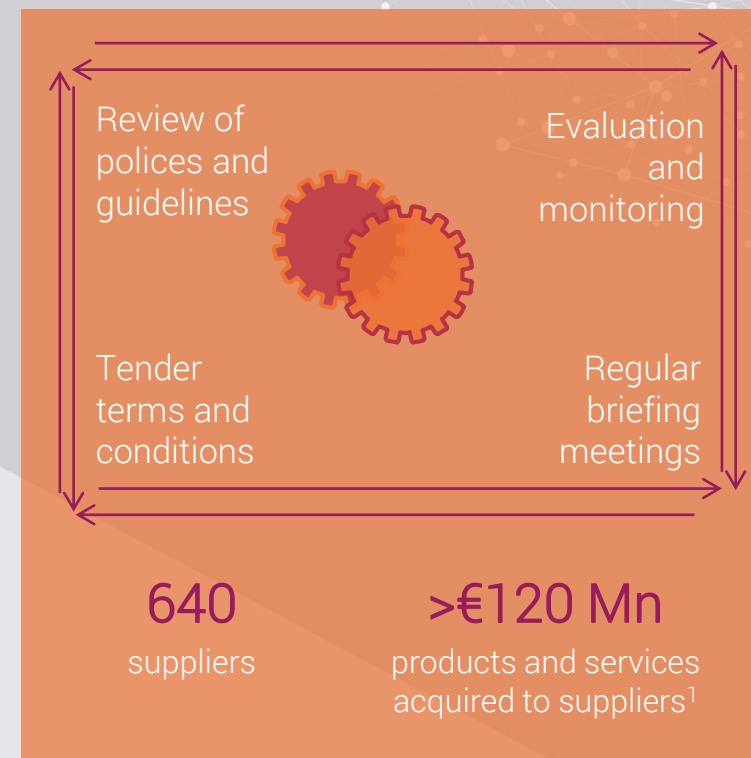
## CUSTOMER RELATIONS

- Improving communication channels and active listening
- Adding value by means of product and process innovation
- Building health and safety
- Adapting to the diversity of customer needs

Ex: Audit of services and customer support  
 Technical audits  
 Mobile app  
 Customer satisfaction surveys  
 Provision of information about energy consumption and efficiency  
 Provision of sustainability guides and manuals to tenants



## SUPPLIER RELATIONS



1. In 2017



# Social Society-based initiatives



Lar España's properties in operation and under construction create more than **25,000 jobs**

Activities/Partnerships implemented by the Company



# Social Accessibility

## Commitment to promoting social integration

Working to achieve and maintain high accessibility standards via a design that is conceived by and for people

**87%**

ACCESSIBILITY AUDITS  
performed on 87% of our  
retail assets

A diagnosis is being undertaken in collaboration with **ILUNION, ONCE and AENOR** (the Spanish Association for Standardization and Certification).

The audits highlight the level of compliance with prevailing regulations and make recommendations as to how to obtain universal accessibility certifications.

**100%**

RENOVATIONS in Lar España's  
assets are taking into account  
accessibility requirements from  
the new building code

Main achievements:



Eloy Gonzalo office building:  
AENOR universal accessibility certification for the refurbishment work



In October 2017, ILUNION formally acknowledged Lar España's efforts to enhance universal accessibility at its properties and to accommodate persons with disabilities

More profitable, healthy, safe and efficient buildings

# Governance

- ✓ Experienced and mostly independent Board of Directors (5 of 7 members): 19 meetings in 2017
- ✓ Action Plan main objectives:



## Strong governance

Transparency, business ethics, corporate social responsibility and regulatory compliance



## More advanced management and enhanced transparency

Director activities selection, remuneration and training



Furthering the process of evaluating and improving the Board's performance

Complying with the best practices in the corporate governance field



# ESG

## International recognitions and initiatives

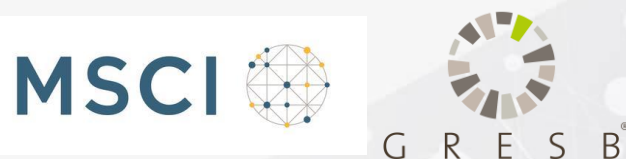
### International standards



Financial and non-financial information included in the Annual Report follow **GRI standards and EPRA recommendations**



ESG information has been reviewed by an **external third party (EY)**



Lar España collaborates with the main associations that are the frame of reference for the evaluation of **environmental, social and governance (ESG) issues in the real estate sector**

### International recognitions



**EPRA Award for Sustainability (Gold)**  
**EPRA Award for Financial Reporting (Gold)**

# Closing Remarks

## Environmental

Responsible management  
Sustainability certifications  
Environmental awareness  
Innovation

100% shopping centres

BREEM® ES  
el certificado de la construcción sostenible

Energy efficiency

Solar power

Air quality

Water management

New lines of initiative

## Social

Active listening  
Social initiatives  
Accessibility  
Wealth creation



87% retail assets audited

## Governance

Ethics and Integrity  
Independent Board  
Risk Management  
Transparency



CSR Master Plan



Investor  
Day 2018



# SHOPPING CENTRES PERFORMANCE

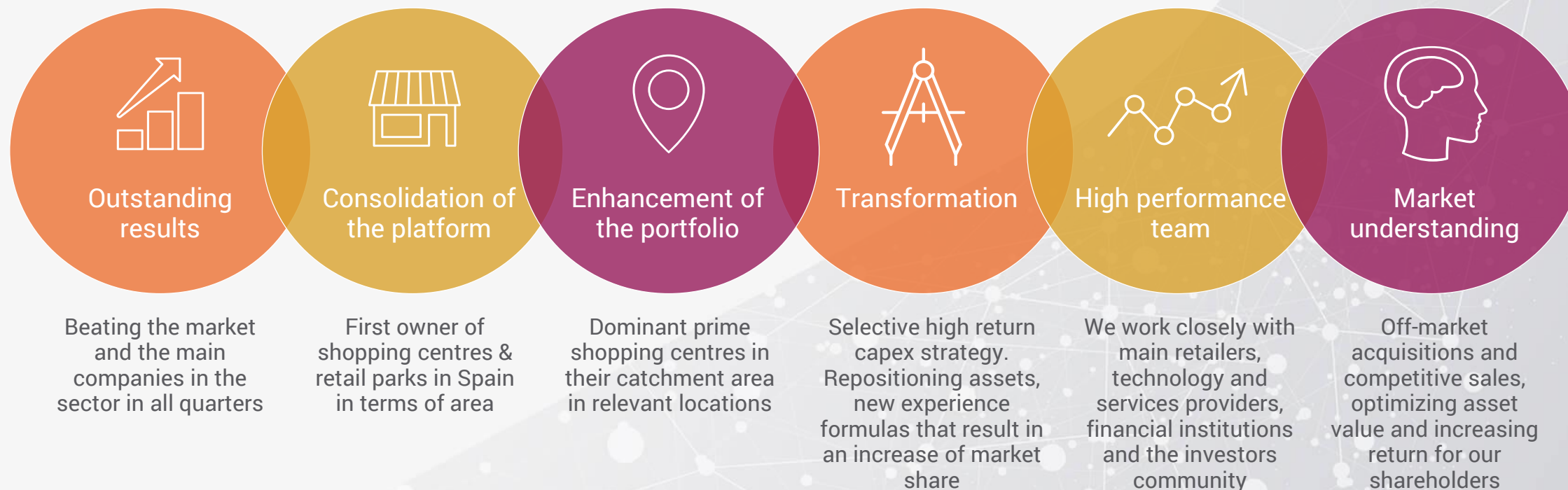
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**Jose Manuel Llovet**

*Commercial RE Managing Director Grupo Lar*

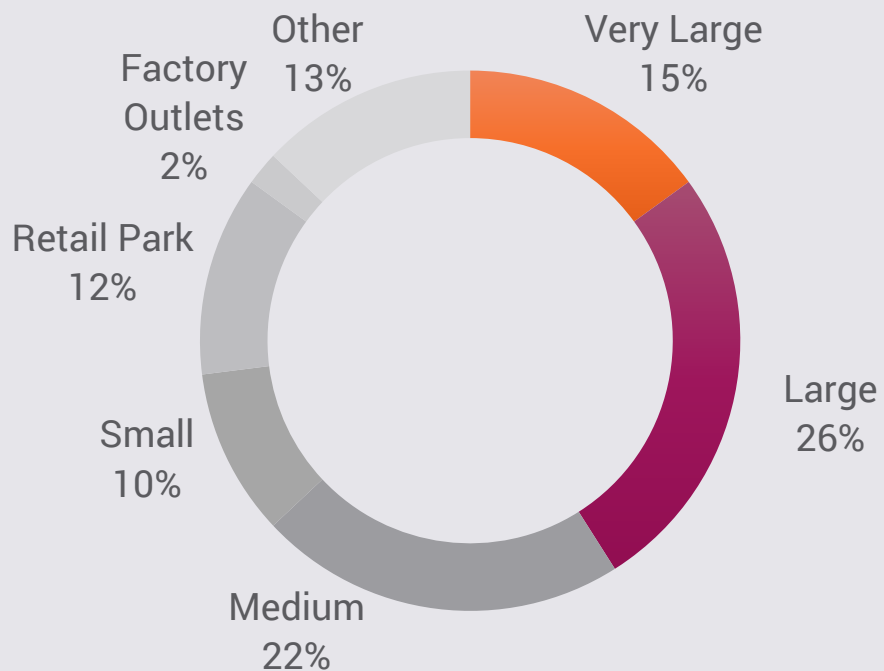
RETAIL  
*in action!*

# Vision and Results



Dominant, large shopping centres in lower retail density areas, with the best retailers, focused on high performance. Well managed.  
**Winning assets in a moment of change and opportunity**

# Market size



**Total Market**  
15.8 M sqm / 555 centres & parks

SC's fitting LRE's Strategy by size

**Top 20 Investors**  
own 207 shopping centres

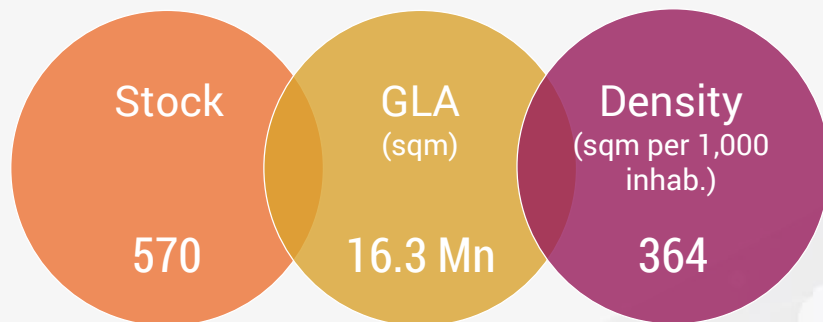
Source: AECC 2017. Very Large: (>79,999 sqm / 19 centres) / Large: (40,000-79,999 sqm / 70 centres) / Medium: (20,000-39,999 sqm) / Small: (5,000-19,999 sqm) / Others: Hypermarkets and Leisure centres



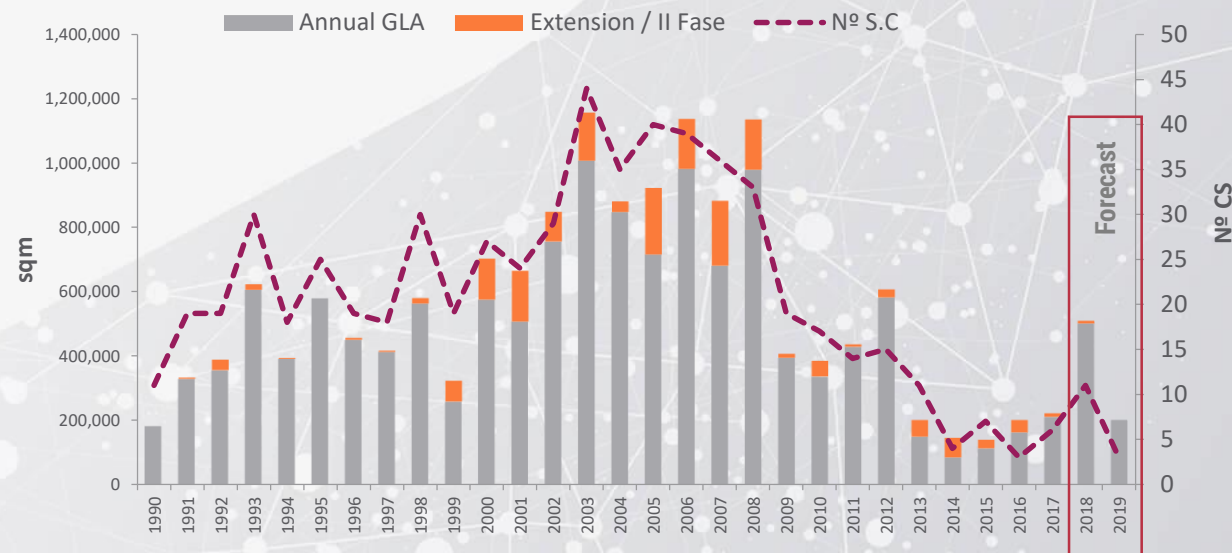
# Market stock

**+500,000 sqm of new GLA**

is expected to be opened by the end of 2018, with the opening of **15 new shopping centres**



## Evolution of Shopping Centre Stock

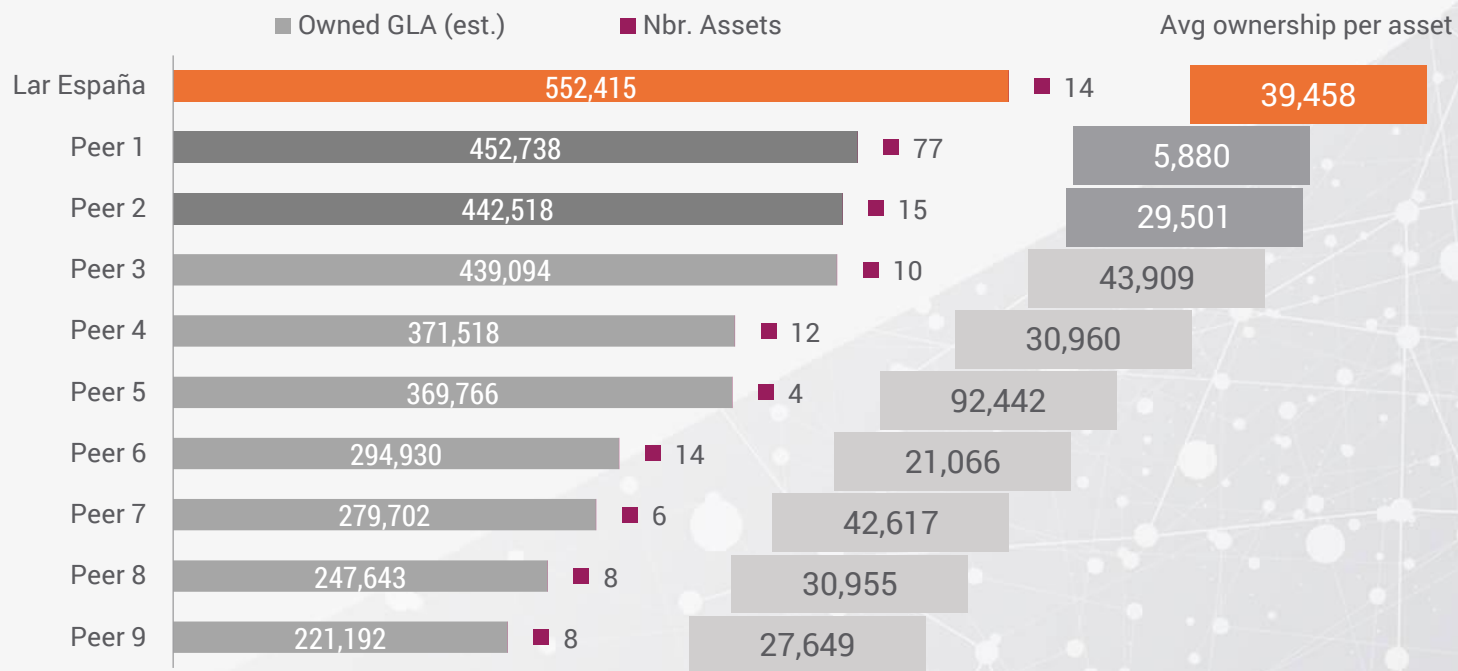


\*New Commercial Stock includes Shopping Centres, Warehousing Parks, Factory outlets & Leisure centres  
 1. Source: Savills 2018 / 2. Source: JLL 4Q 2017

Stock grows. Big, modern, attractive and sustainable schemes. Higher quality. Suitable for the new retail formulas.  
**Places that enhance customer experience**

# Market size Lar España

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



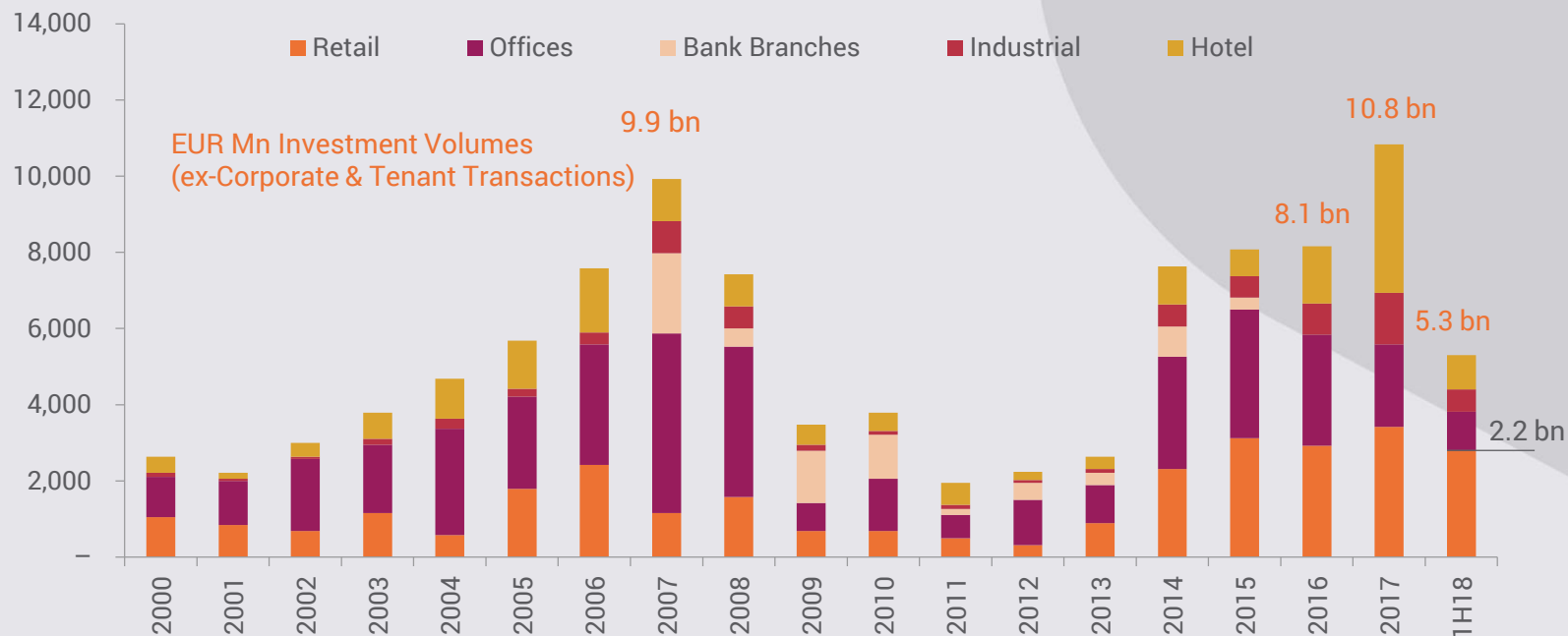
**Total TOP 10      3,671,515 sqm      168 assets**

**Target market size**  
4,5 Mn sqm GLA  
30% of the total market

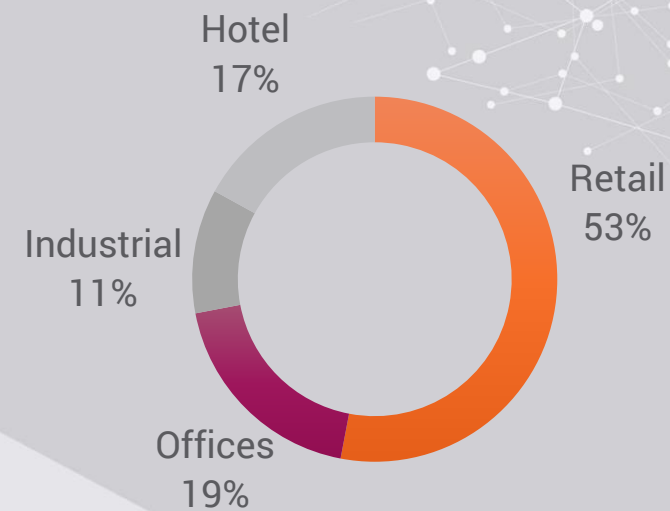
<sup>1</sup>. Considering opening date of assets under development until 2020. Source: CBRE & Lar figures at September 9th, 2018.

# Market size Investment

Investment Market remains strong. Retail leads



Investment per Sector

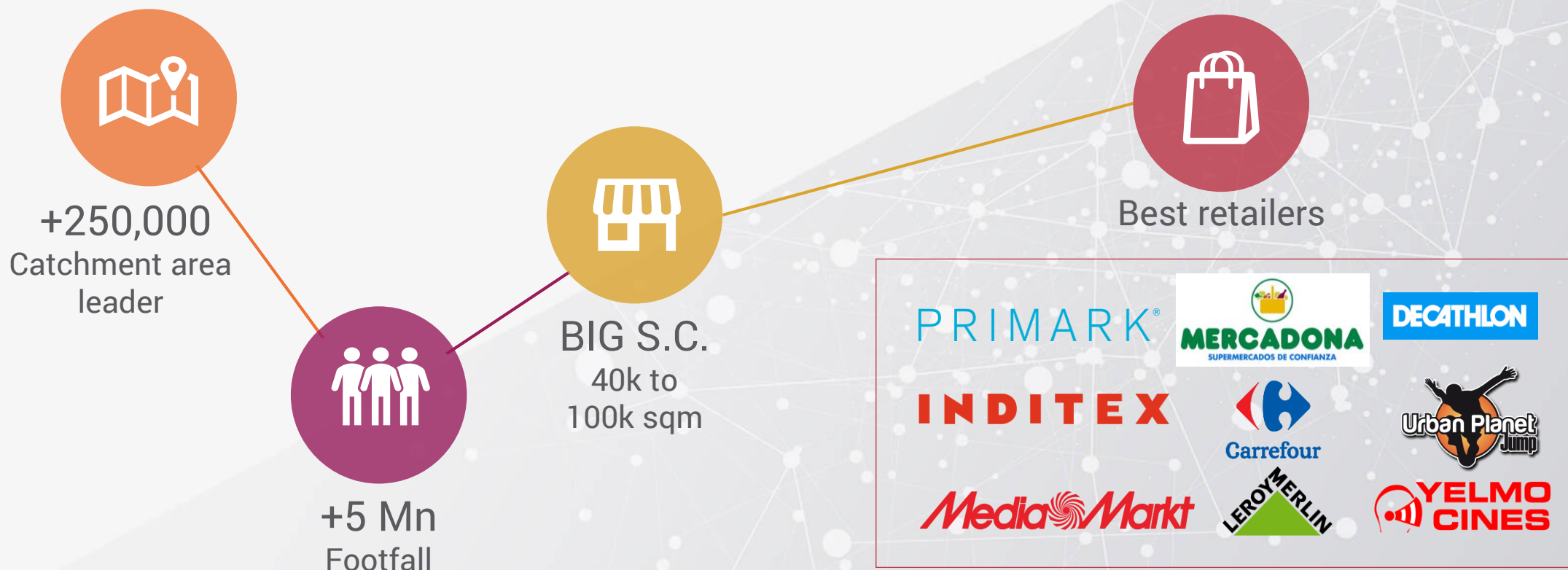


# Market size

## Lar España criteria

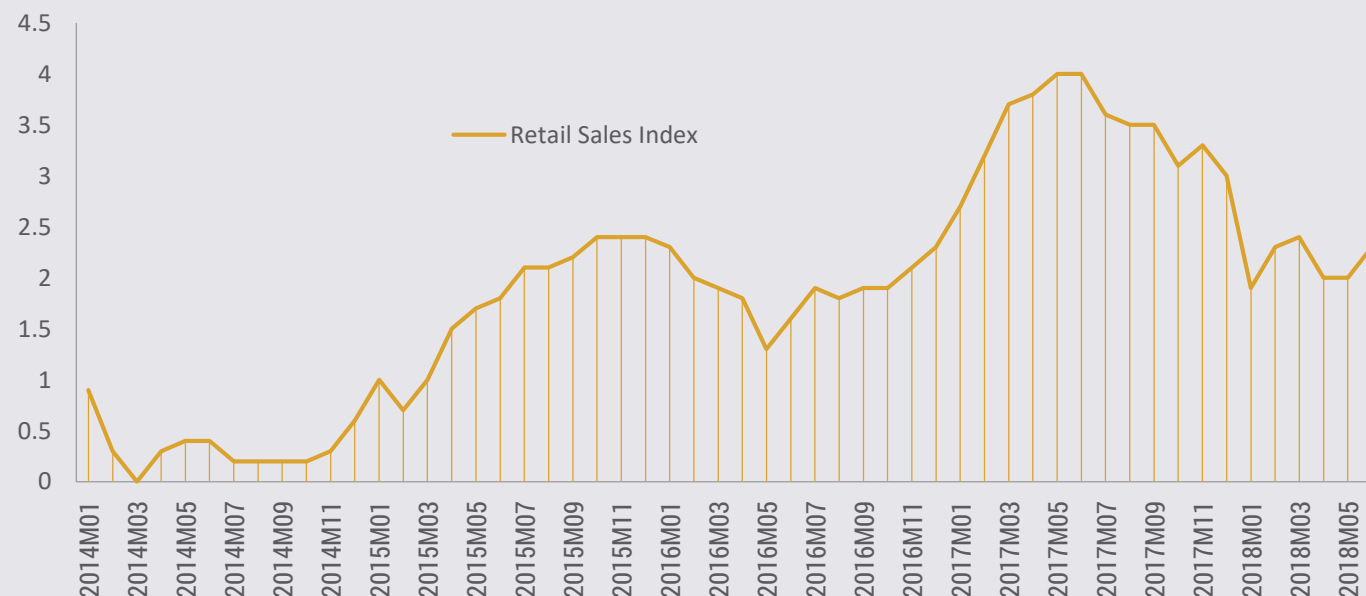
Lar España has built a **high quality Core+ portfolio**, acquiring **asset by asset**

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



# Performance Market sales

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



1. Source: INE

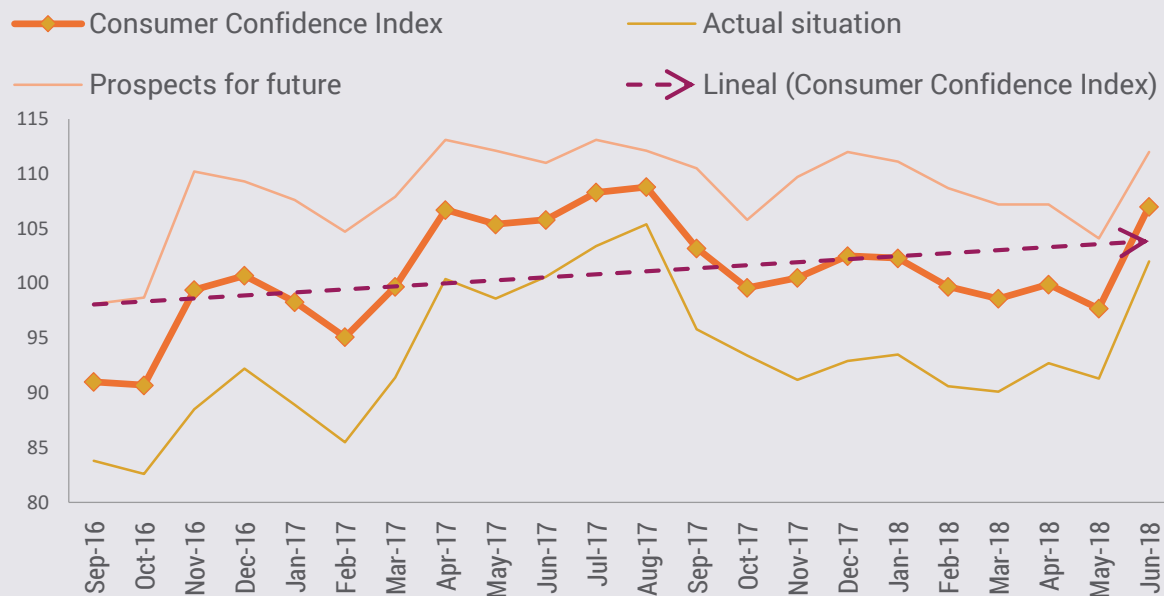
Analysts' consensus is **2.4%**  
**sales growth in 2018**  
**Affluence** to shopping  
centres is stable after 2 years  
of growth

RETAIL  
*in action!*

# KPI's

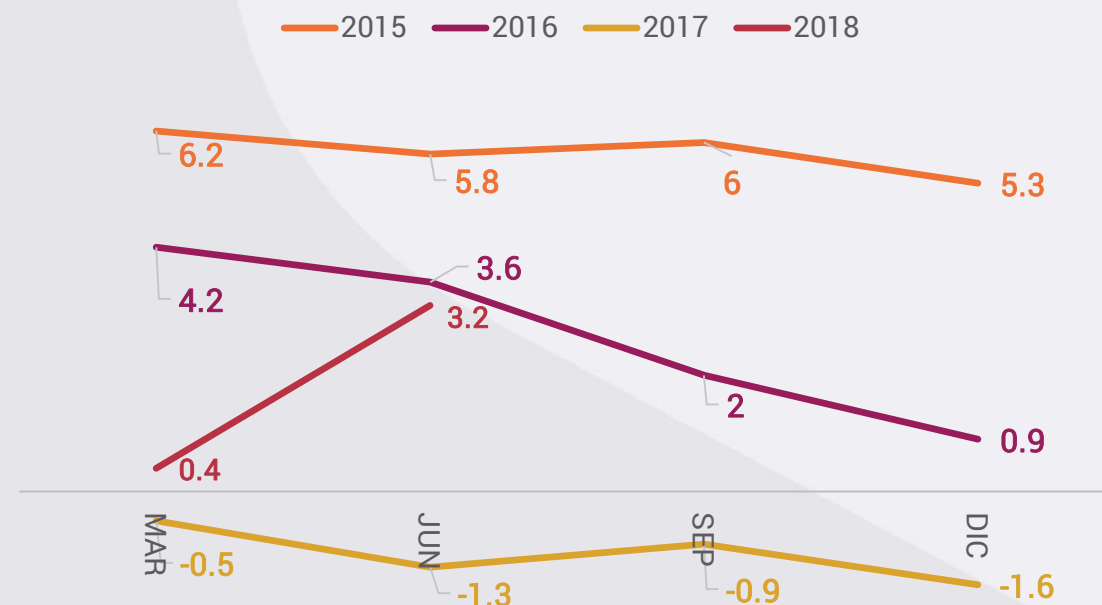
## Consumer confidence & footfall

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



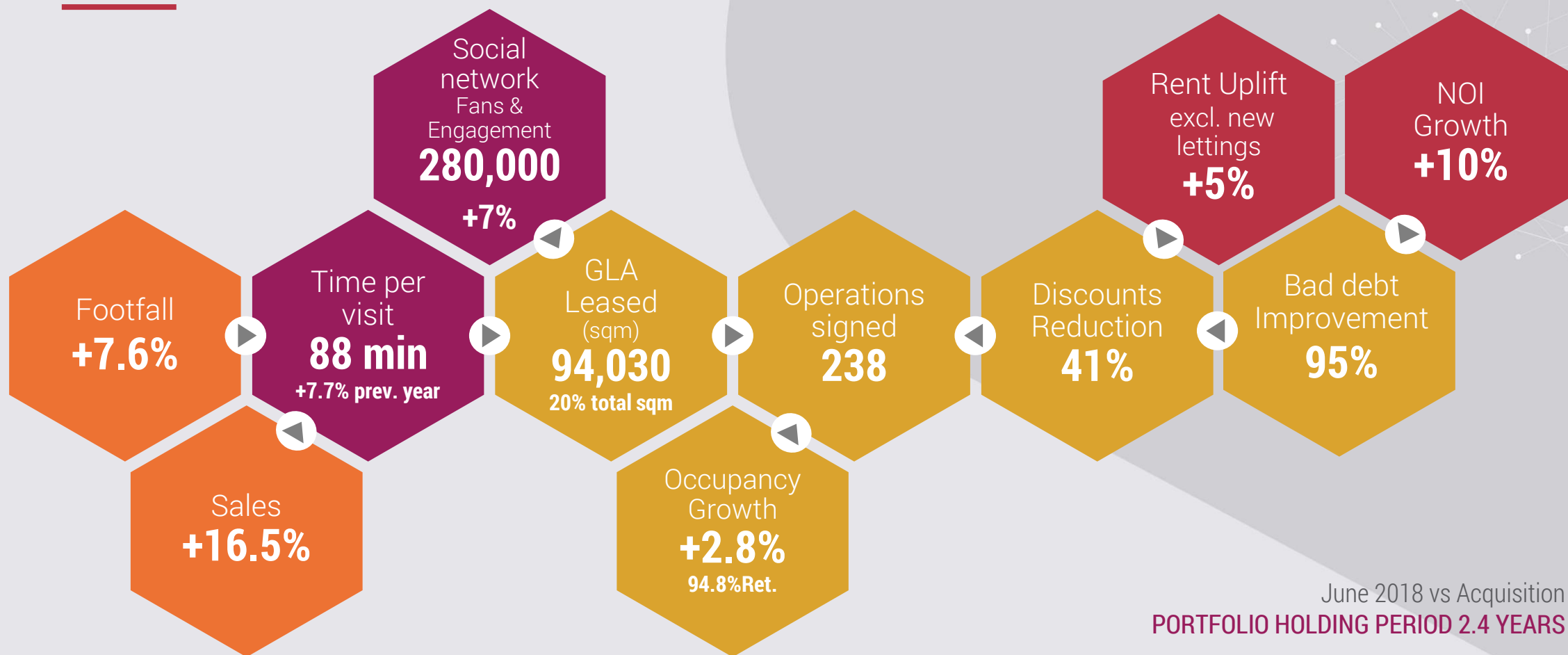
2. Source: CIS

### Footfall AECC



RETAIL  
*in action!*

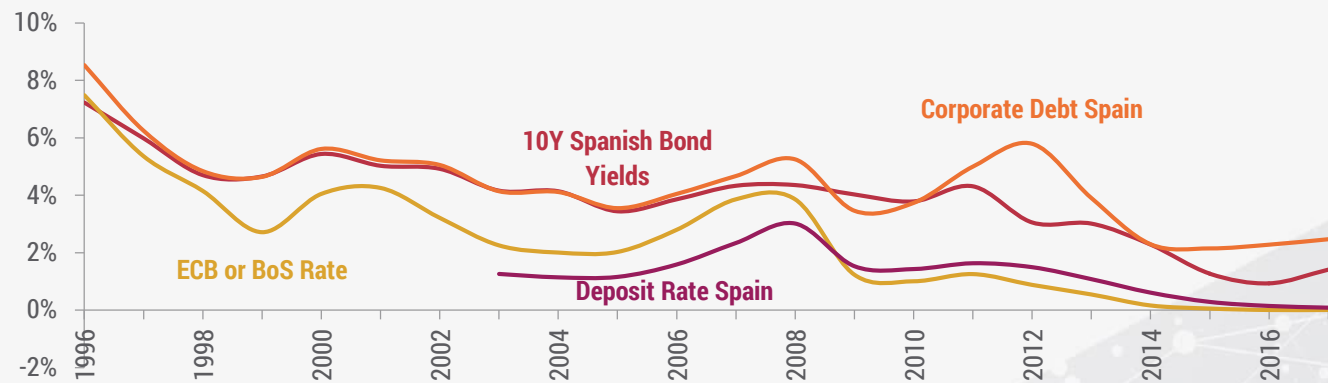
# KPI's Lar España



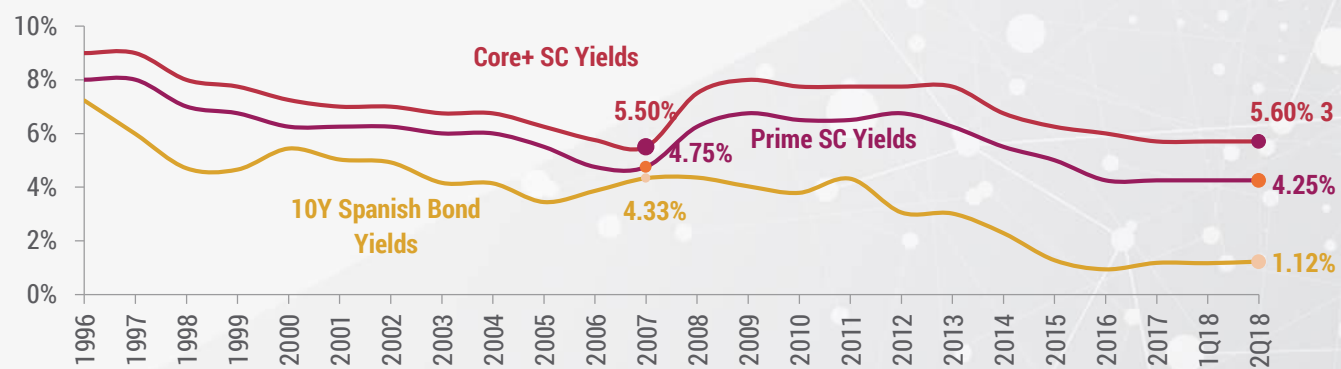
June 2018 vs Acquisition  
PORTFOLIO HOLDING PERIOD 2.4 YEARS

# Yields Moment

Spanish headline yields <sup>1</sup>



Spanish SC yields <sup>2</sup>



According to **ECB Monetary Policy**, it is not expected to maintain the ultra-low interest rates for a long period of time...

We estimate a **stabilization of Yields** in Core and Core Plus assets

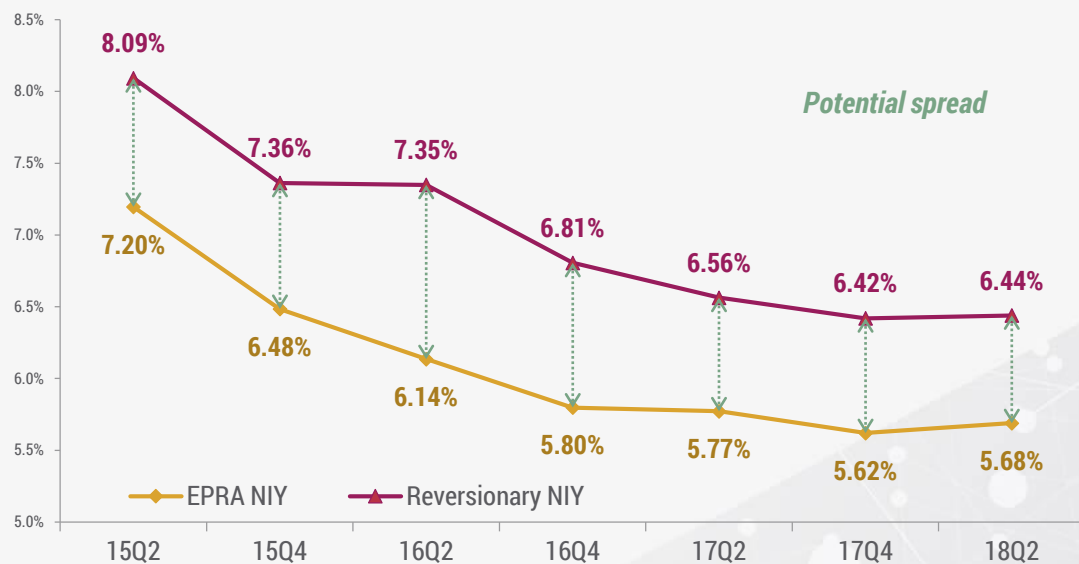
...RETAIL is an **attractive investment** for the foreign players due to the interesting level of returns and the rent increase potential.

1. Source: Bank of Spain  
 2. Source: JLL & Savills (Historical) & Grupo Lar (Forecast) / Bank of Spain (Actuals)  
 3. Data estimated considering last market transactions in 2018

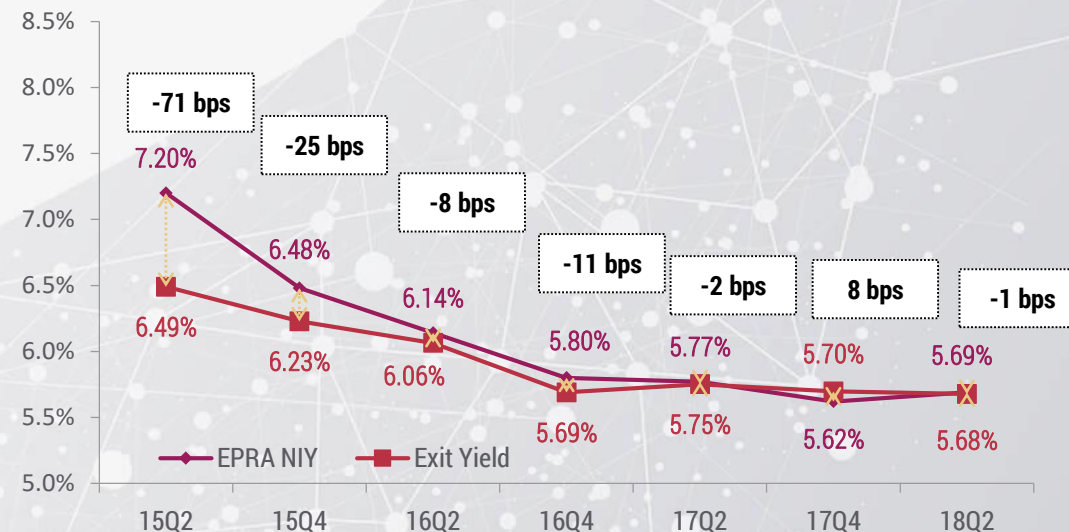


# Yields Lar España

## EPRA NIY vs Reversionary NIY<sup>1</sup>



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



1. In accordance with EPRA BPR. Reversionary NIY = (ERV / GMV)

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

Market yields are stable now. The challenge is increasing NOI to increase yield on cost. Lar España has room to increase returns and value. Asset Management and Asset Quality is key to continuing growth

# Our Value Proposal

## Lar España

There is still a long way for **Value-creation** through Asset Management, our main pillar

### TRANSFORMATION

- ✓ Improving layout, carrying out **extensions or transformations**
- ✓ Creating **shopping experience** destinations
- ✓ Strong **omnichannel** strategy

### OPERATION

- ✓ **Increasing Footfall**  
Beating the market quarter by quarter.
- ✓ **Increase of sales** thanks to:  
Increase in visits, better quality tenants, experience, services and marketing.
- ✓ **Capturing the increase in spending power** of the catchment Area.

### INCOME

- ✓ **Letting**  
Occupancy of c.95%. There is a **+5% additional of rents**. Higher occupancy means higher service charge recovery.
- ✓ **Rotation**  
GLA leased since acquisition is 20% of the total  
**Avg. Rent Uplift since acquisition is 5%**.  
Very controlled Occupancy/Cost Ratio (OCR) of 10.9%, **bellow market** standard. Any increase of sales will be reflected in an increase of rents.
- ✓ **Increasing control** over the SC by complementing **acquisitions of other ownership** stakes.  
Service charges optimized thanks to the size of the portfolio (synergies and global contracts).

# PROJECTS. Assets in motion



RETAIL  
*in action!*



MegaPark®  
B A R A K A L D O

Megapark is being transformed into an alluring urban space with comfortable areas to enjoy a relaxing break and a pleasant promenade so our customers can enjoy their shopping experience

**Super Big retail area.** Fifth biggest retail area in Europe.

**Dominant scheme,** market reference in Great Bilbao (one of the most populated and wealthiest areas in Spain).

Recent acquisition of the **leisure and cinema area** at low price in a creditor's arrangement, increases value potential.

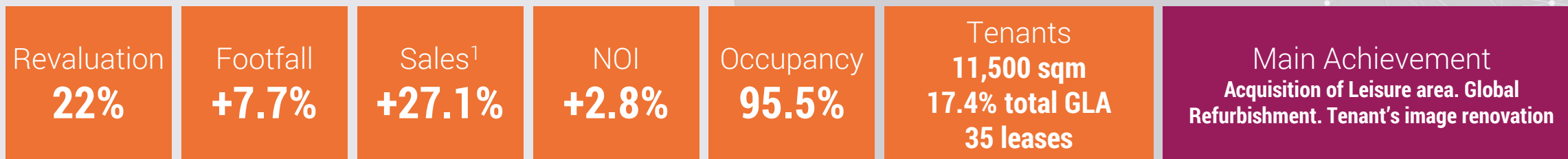


€6.5 Mn  
Total Capex



# Megapark

Variation Since Acquisition (Oct 2015 & Leisure Area Oct 2017)



1. Sales exclude RP per non comparable data.

A warm welcome

WELCOME



Investor  
Day 2018

Portal de la Marina opens to the outside with a new portico that offers customers a warm welcome and improves the food court to create a more hospitable atmosphere



€3.0 Mn  
Total Capex

**Dominant scheme**, market reference on Alicante Coast, one of the main tourist destinations in Spain.

The new **opening of Carrefour** and the **ongoing refurbishment** are the catalysts of value creation. More visitors, more sales.



# Portal de la Marina

Variation Since Acquisition (Oct 2014, Jun 2015 & Mar 2016)

Revaluation  
**37.36%**

Footfall  
**+12.2%**

Sales  
**+29%**

NOI  
**+21.3%**

Occupancy  
**97.5%**

Tenants  
**15,600 sqm**  
**39% total GLA**  
**39 leases**

Main Achievement  
Opening of Carrefour Hypermarket, Expansion  
of Lefties, Global renovation project.





As Termas exudes local spirit and is adapting by improving the centre's interior and the services offered to meet the public's needs



€1.4 Mn  
Total Capex

**As Termas is the market reference in the province of Lugo.** Main retailers: Mediamarkt, Inditex group (image updated).

Growing potential once the only competitor closed this year.

Refurbishment and new dining area will produce a quality improvement of the asset.





# As Termas

Variation Since Acquisition (April 2015)

Revaluation  
**24.4%**

Footfall  
**+3.5%**

Sales  
**+13%**

NOI  
**+19%**

Occupancy  
**95.8%**

Tenants  
**11,000 sqm**  
**31% total GLA**  
**43 leases**

Main Achievement  
Operational Stretch. Inditex brands new image.  
Global refurbishment.





# ànecblau

CENTRE COMERCIAL

## Planning

Starting Q4 2018 – Ending Q4 2019  
Preletting strategy already launched

## Objectives

- Exploite commercial value in leisure and dining areas.
- Create an innovative ambience in outdoor areas.
- Lifestyle SC and commercial reference in Baix Llobregat.

**Ànecblau** is an exclusive life style shopping destination in one of the wealthier areas of Great Barcelona.

Repositioning, Quality and ambitious transformation into a trophy asset.



# Ànecblau

Variation Since Acquisition (Jul 2014)

Revaluation  
**19.9%**

Footfall  
**+27.5%**

Sales  
**+24.3%**

NOI  
**+2.8%**

Occupancy  
**82.8%**  
(92% exc.  
New lay out project)

Main Achievement  
Zara & Mercadona Extension. Repositioning  
and massive transformation into Trophy Asset



URBAN

&

RURAL



Welcome to the New

**GranVía**  
de Vigo



Investor  
Day 2018

## Full renewal project

- Completely image uplift
- Improving commercial mix, dining area and parking
- Meeting point between the sea and the urban centre



€5.2 Mn Refur. Project  
+ 0.5 Mn Elevators  
Total Capex

**Gran Via** is the leading shopping centre in Vigo, the economic capital of Galicia.

Best brands in town make it a shopping destination.



# Gran Vía de Vigo

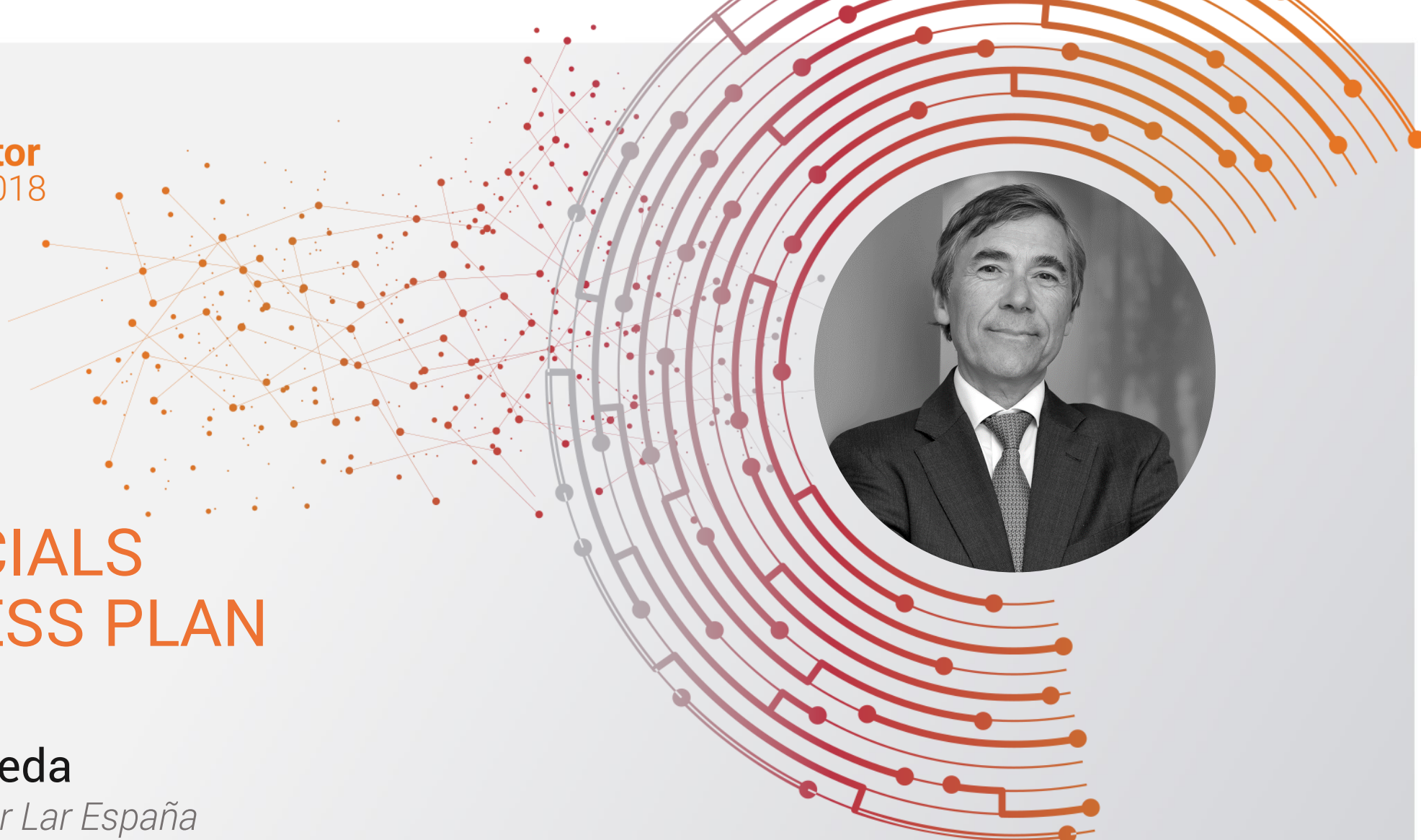
Variation Since Acquisition (Sep 2016)

Revaluation <b>17.04%</b>	Footfall <b>+1.6%</b>	Sales <b>+5%</b>	NOI <b>+13.6%</b>	Occupancy <b>96.8%</b>	Tenants <b>8,700 sqm</b> <b>20.72% total GLA</b> <b>31 leases</b>	Main Achievement <b>New vertical transportation. Renovation project.</b> <b>Leasing plan</b>
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Investor  
Day 2018



# FINANCIALS BUSINESS PLAN

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**Miguel Pereda**

*Board Member Lar España  
CEO Grupo Lar*

RETAIL  
*in action!*

# Where will growth come from?

---

## ORGANIC GROWTH

ACTIVE MANAGEMENT

RE-TENANTING, RELETTINGS  
NEW LETTINGS, RENEWALS

RENTAL REVERSION

VACANCY REDUCTION

## CAPITAL ALLOCATION

NON-CORE ASSETS  
DIVESTMENTS

DEVELOPMENTS

ACQUISITIONS

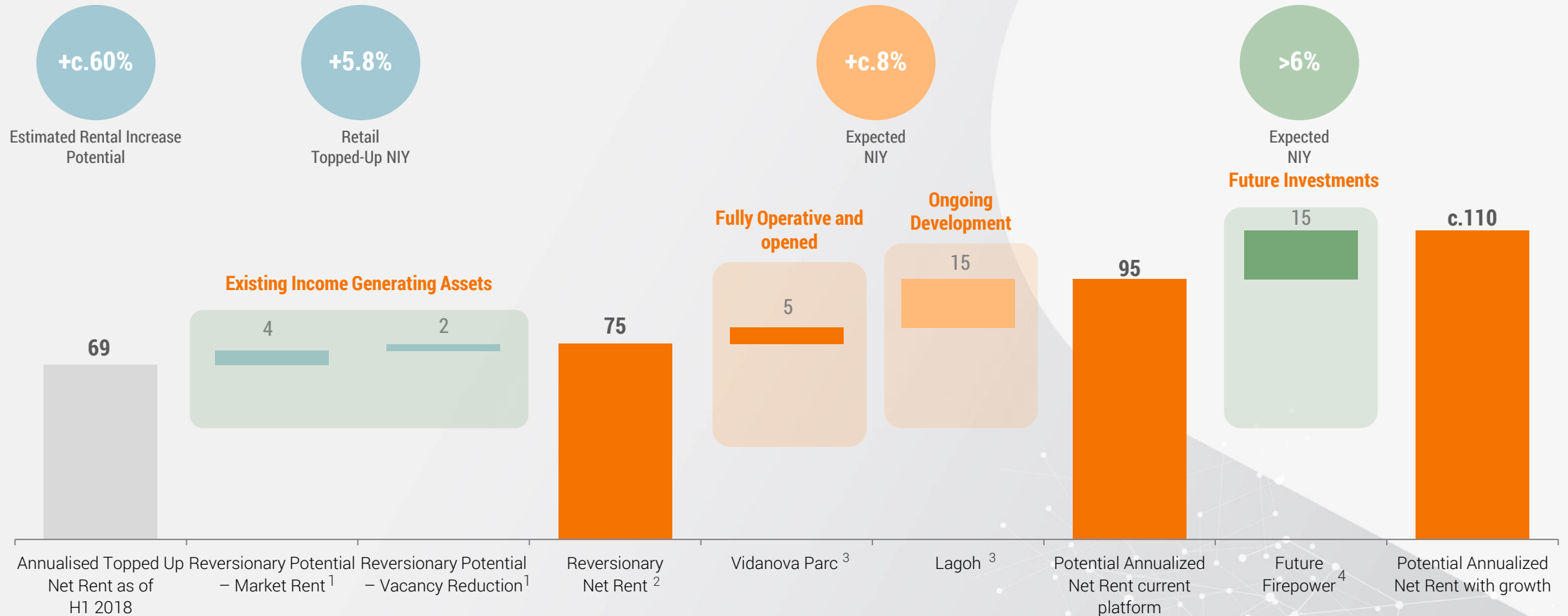
## POSITIVE MACRO

GDP GROWTH

CONSUMER SPENDING  
IMPROVEMENT

UNEMPLOYMENT REDUCTION

# WHERE WILL RETAIL GROWTH COME FROM?



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 2017. Difference applied only to the current EPRA occupancy rate, considering the occupancy rate of the Company's properties as of 31 December 2017.

2. Illustrative potential additional rent in 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 Lagoh) 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. According to BP

RETAIL  
*in action!*






# €276.2 Mn in asset disposals since IPO



RETAIL  
*in action!*

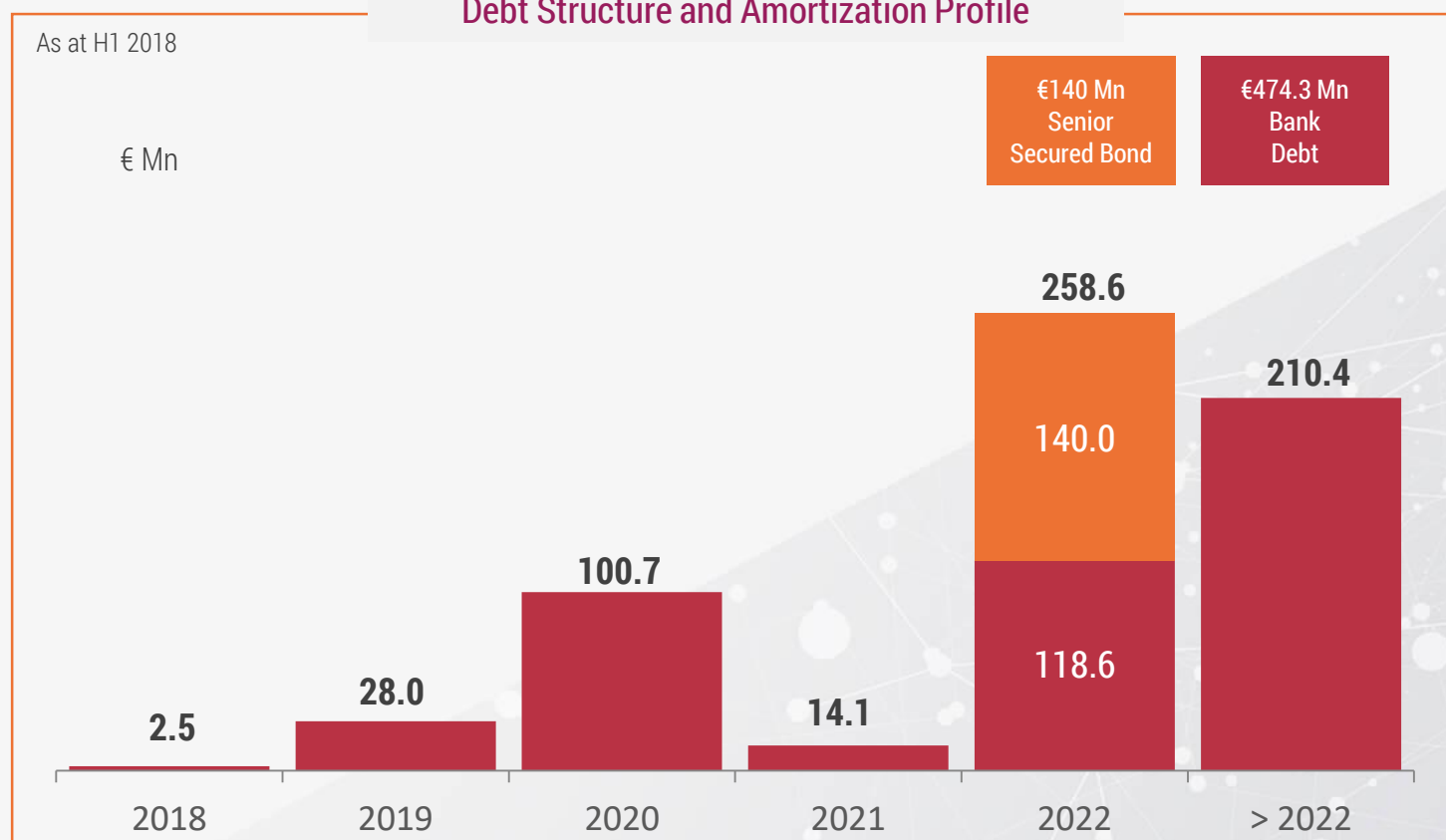
# Developments, an important source of value

VIDANOVA PARC	LAGOH	LAGASCA99
<p><b>5 Mn</b> Exp. Annual Rent</p> <p>Fully opened and operative in Sep 2018</p>	<p><b>c.15 Mn</b> Exp. Annual Rent</p> <p>Q2 2019 Opening</p>	<p><b>c.11,300 €/sqm</b> Avg. Price</p> <p>Extraordinary dividend announced</p>
		
<p><b>100%</b> GLA signed</p> <p><b>€35.8 Mn<sup>1</sup></b> Valuation</p>	<p><b>73%<sup>3</sup></b> GLA signed/ committed</p> <p><b>€88.5 Mn<sup>1</sup></b> Valuation</p>	<p><b>86%</b> Sales</p> <p><b>€188 Mn<sup>2</sup></b> Valuation</p>

1. Valuation as of 30<sup>th</sup> June 2018  
 2. Valuation as of 30<sup>th</sup> June 2018 for 100% of the development.  
 3. As at H1 2018

# Solid financial pillars

Debt Structure and Amortization Profile



**Gross Financial Debt**  
**€614.3 Mn**

**Net LTV**  
**36%**

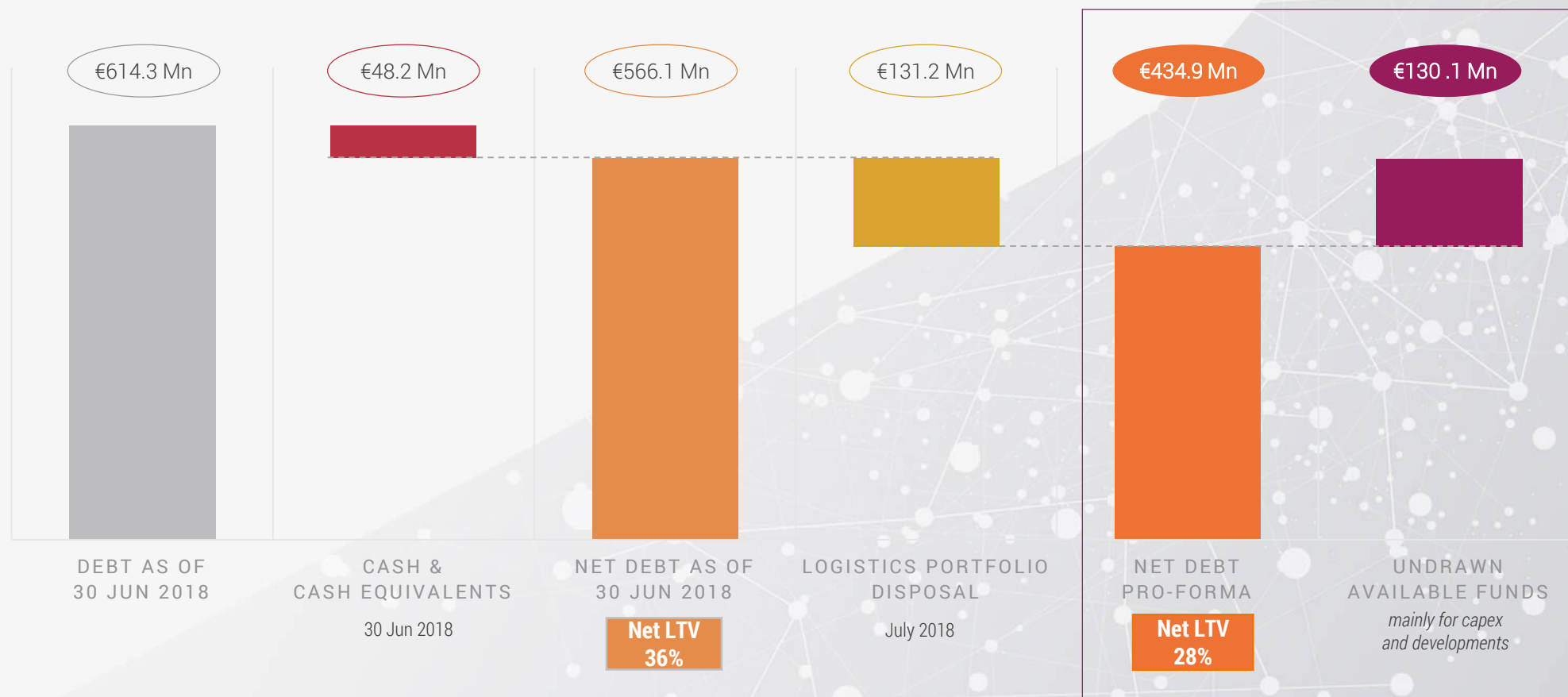
**Avg. Cost of Debt**  
**2.19%**

**Fixed Rate**  
**87%**

**Interest Cover Ratio<sup>1</sup> (ICR)**  
**4.5x**

1. EBITDA (pre-revaluation) / Interest expenses as at H1 2018

# New flexible debt structure for capex, developments and acquisitions



# Main BP Assumptions

---

Period  
**2018-2021**

Divestments  
**€522 Mn**



Capex +  
development  
Investment <sup>1</sup>  
**€265 Mn**

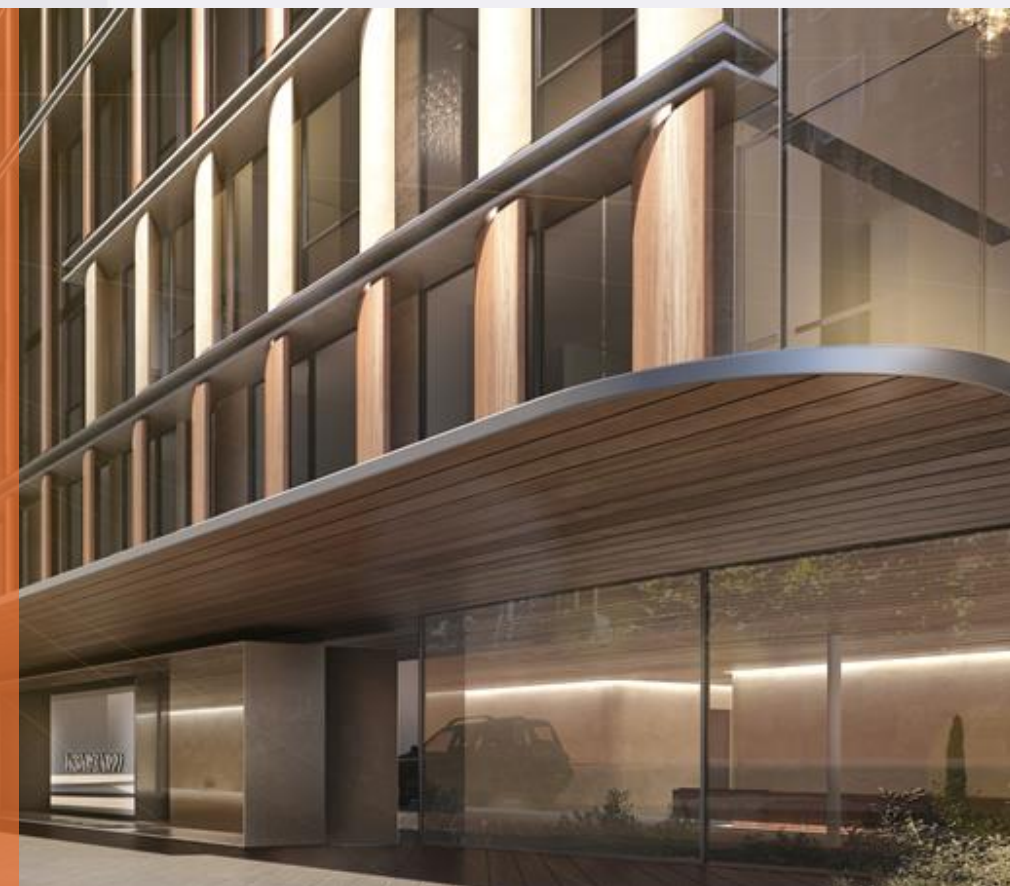
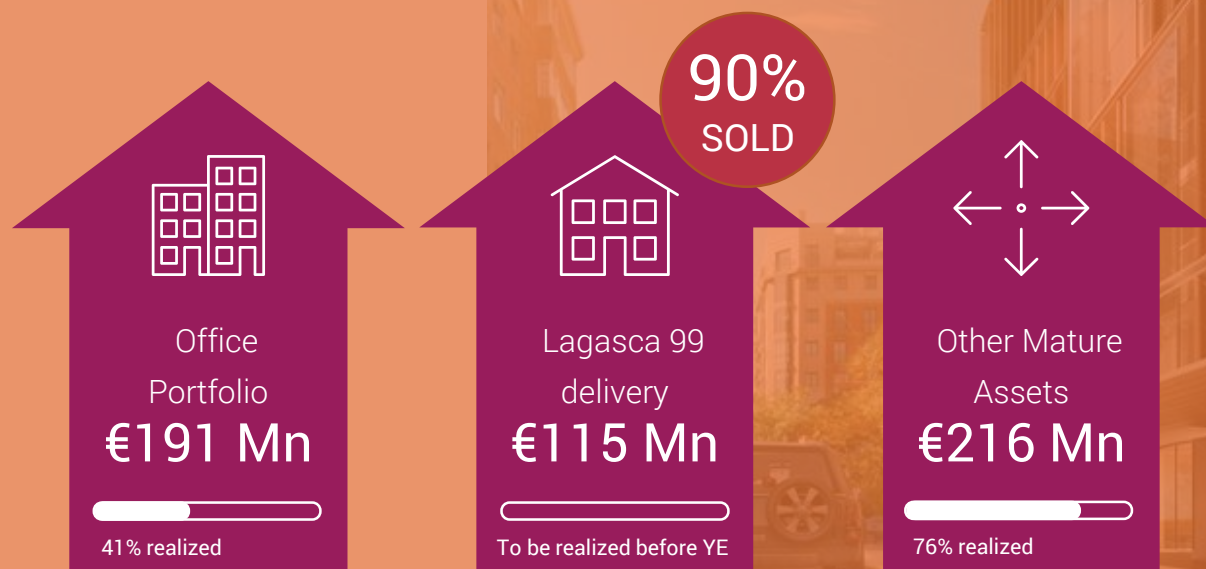
New  
Investments  
**€250 Mn**



Capital  
Increase  
**No capital  
increases  
considered**

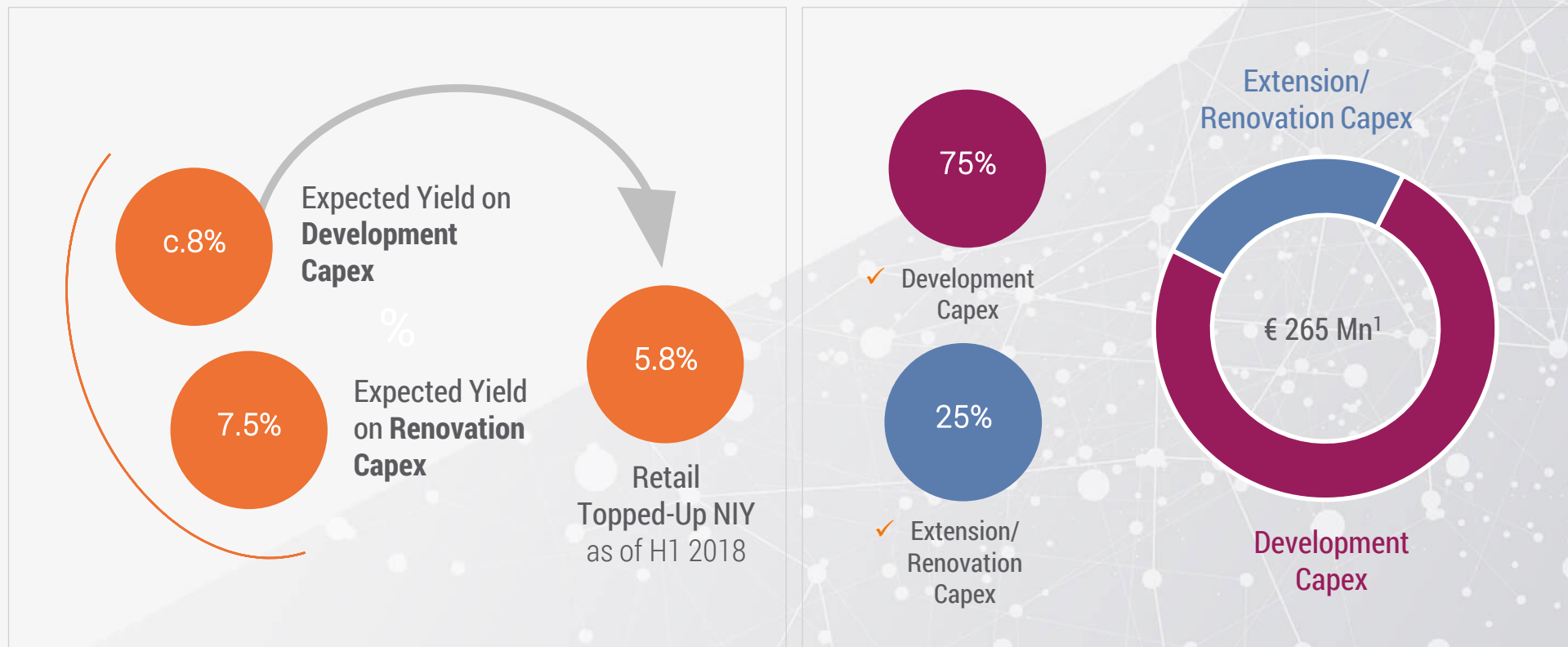
# Main BP Assumptions

## DIVESTMENTS



# Development and Renovation Capex

## Drivers of share price accretion



1. In existing investment properties and development projects

# Business Plan targets

Target Returns	<ul style="list-style-type: none"> <li>12% Target Annual Return on investments</li> </ul>
Divestments	<ul style="list-style-type: none"> <li>€403 Mn of divestments From Office, residential and non-core retail assets <span style="float: right;">31% realized</span></li> <li>&gt;€119 Mn of divestments From all logistics portfolio (100% realized) <span style="float: right;">100% realized</span></li> </ul>
Capex Investment	<ul style="list-style-type: none"> <li>Finance all existing capex commitments           <ul style="list-style-type: none"> <li>Refurbishment of existing assets: €66 Mn</li> <li>Developments: €199 Mn</li> </ul> </li> </ul>
New Investments	<ul style="list-style-type: none"> <li>€250 Mn of new investments Mainly focused in retail assets <span style="float: right;">30% realized</span></li> </ul>
Distributions <sup>1</sup>	<ul style="list-style-type: none"> <li>Ordinary dividend 5% of NAV</li> <li>Maximise distributions Extraordinary dividend Lagasca99 and other distributions linked to divestments</li> </ul>





# KPI's 2018 - 2021

	Expected End 2018	Expected Average Growth per annum
GAV	c.€1,462 Mn	↑ c.8%
Annualized GRI <sup>1</sup>	€91 Mn	↑ 8%
Annualized NOI <sup>1</sup>	€84 Mn	↑ c.9%
Non recoverable/ GRI expenses	9%	↓ c.-8% (till 7% target)
Occupancy <sup>1</sup>	97%	↑ till 99% target
Net LTV	27%	c. 38% <sup>2</sup>

1. In accordance with EPRA BPR

2. Estimated as at 31.12.2021

# KPI's 2018 - 2021

	Expected End 2018	Expected Average Growth per annum
Total Annual Return	>12%	>12%
NAV	c.€1,072 Mn	↑ c.6% <sup>1</sup>
Dividend Yield on NAV	> 5% over NAV <sup>2</sup>	≥ 5% over NAV

6.3% Dividend Yield considering current Market Cap<sup>3</sup>

1. In accordance with EPRA BPR  
 2. This percentage does not include extraordinary distributions linked to divestments  
 3. Calculated at 01.10.18

# Q&A



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