

# SONAE SIERRA

AT THE FOREFRONT OF  
THE RETAIL REVOLUTION



Alexa Shopping in Berlin, Germany

Sonae Sierra was created in 1989 in Portugal and is owned equal shares by Sonae Group (Portugal), a multinational company managing a diverse portfolio of businesses in retail, financial services, technology and two major partnerships in the shopping centres and telecommunications sectors, and Grosvenor Group Limited (UK), a privately owned property group active in some of the world's most dynamic cities.

Today Sonae Sierra is an international retail real estate services company, present in 14 countries and providing services to clients across four continents.

FULLCOVER talked to its CEO Fernando Guedes Oliveira about their expansion strategy and the importance of risk management in international operations.

**Sonae Sierra is an international developer and retail real estate services company. Being present in geographies as diverse as Europe, South America, North Africa and Asia, the focus in the geographical expansion will continue to be one of the strategic guidelines of the Company?**

International growth will definitely be one of the main objectives of our strategy for the following years. As an international retail estate services company dedicated to serving the needs of investors, we are able to deliver a complete range of specialized services in this area across the globe. In different geographies such as Portugal, Algeria, Brazil, Colombia, Germany, Greece, Italy, Morocco, Romania, Russia, Slovakia, Spain, Tunisia or Turkey, with different typologies: from new Centres to refurbishments or expansions and mixed used schemes with retail focus and in different locations: from urban shopping centres, downtown, to out-of-town projects or islands.

With over 25 years of experience, the combination of our know-how, our commitment to innovation and our long term approach has enabled us to create a unique business model that embraces Investment Management, Developments, Property Management and Development Services. Financed by a prudent combination of equity and debt, our capital will continue to be employed in a geographically diverse portfolio ranging from greenfield sites to acquisitions with development and/or expansion potential.

Our shopping centre track record, the quality of our services and our ability to create financial and social value for stakeholders throughout the entire asset lifecycle constitute a competitive advantage and have enabled our business to expand across multiple countries and be distinguished by with 160 awards.

Our business continues to evolve, and we have seen that market appetite for Sonae Sierra services is strong and growing. As a consequence, we now see investors as our key clients. We want to become more customer-centric and to be more flexible and agile to suit their needs. All in all, we see Sonae Sierra progressively evolving into a retail real estate services company which also retains investment capital of its own for selective investment in retail assets.

Going forwards, we will make a clearer distinction between services and capital. We will continue to operate the four distinct business units and they will maintain greater autonomy, focusing most of their efforts on delivering services to clients, including our own projects. Sonae Sierra Brazil will continue to operate as a unique business unit focusing on the investment, development and management of shopping centres in a country that we believe offers significant potential in the long term.

Our capital will target mainly minority positions in core assets and will place more emphasis on new development projects. This means that we will continue to decrease our ownership in the existing portfolio, while securing service contracts, to fund new development projects in Europe and emerging markets thereby creating new opportunities to provide services.



ParkLake Shopping Centre in Bucharest, Romania.

**Risk management plays an important role on Sonae Sierra's strategy. What's the role of MDS on this?**

One of the priorities we've identified to deliver shared value for our business, society and the environment is Safe people and Eco-efficiency. Regarding risk management specifically, we operate a best in class integrated Safety, Health and Environment Management System (SHEMS) which guarantees an effective management of the main environmental aspects and safety and health risks during the lifecycle of a shopping centre which enable us to provide a better service and/ or workplace to investors, tenants, shopping centre visitors, professional services clients, employees and suppliers whilst reducing operating costs for our business. With this approach we intend to ensure that risks towards people and assets are minimized.

But we approach risk in different ways. Regarding risk related with people, we have to ensure the coverage of visitors and employees in shopping centres in operation, or employees in projects under construction. Regarding risk in properties, we have both to guarantee the coverage of the buildings of shopping centres in operation and also new developments have to be safeguarded.

MDS has been an important partner in tracking down the best solutions available on the insurance market, in Portugal and internationally, to address our company's needs and in terms of safeguarding our property and buildings (assets), as well as covering risks in new projects or in owned shopping centres in operation.

With projects being developed and centres operating in seven countries, it has been very important for us to be able to work with a partner who can develop an international insurance programme for us that covers different areas and all the risks associated with our business activities, e.g. property, liability, terrorism, natural disasters, earthquakes and environmental liability.

For these major areas, the entire company is protected by a comprehensive range of solutions that allows us to respond to demands on various levels and by different stakeholders. This is why it is so important for us to work with a specialised partner who is entirely cognizant of regulations, standards and local laws and who understands the specificities of each market.

For example, banks increasingly value the fact that assets are properly safeguarded when we move forward on the development of a project. Ensuring that we are properly insured internationally has enabled us to meet the requirements of banks, partners and clients.

We always ask for the best solutions at the best price; for this reason, MDS has set up agreements with partners in different countries in order to address our geographical dispersion and the challenges that our activity represents. At the same time, it has allowed us to benefit from a combination of agreements that it has in various countries and, consequently, we have been given access to advantageous conditions.

I believe that the partnership has been beneficial to both sides insofar as Sonae Sierra's expansion has also

led MDS to enter previously unfamiliar markets. In some cases, this has even meant seeking local partners for the first time in order to respond to our needs for risk cover in the countries in question. As Sonae Sierra has expanded into emerging markets outside Europe, this has become an increasingly current reality and one which will continue to characterise our partnership in the future.

**With your ongoing strategic focus on retail real estate, how is Sonae Sierra anticipating and responding to fast-evolving retail and consumer trends?**

We aim to create unique shopping centres and to constantly exceed the expectations of consumers and tenants alike. So far, I feel proud of what we have achieved: online consumer platforms which connect digital and physical retail space; new flexible retail concepts that promote local businesses and offer



Fernando Oliveira, CEO of Sonae Sierra

consumers bespoke artisan products; a personalised digital fashion service and unique and exciting visitor entertainment propositions, among others. But we currently stand at a confluence amid unprecedented levels of change: technology, demographics, urbanisation, greater global connections and climate change are just five of many megatrends which are significantly shifting the paradigms of consumerism, commerce and real estate. In this context, we have positioned ourselves at the forefront of what is effectively a retail revolution. We are already seeing different retail formats emerging in our tenants' stores, with retailers offering online shopping in store and giving greater importance to in-store experience and displays.

With our operations now spanning a diverse range of markets, our market intelligence and innovation teams are actively interrogating future trends so that we can evaluate and redefine our value proposition to stakeholders in each market, across all stages of our product lifecycle. We have always been pioneers, and I am confident that Sonae Sierra will continue to bring new and relevant concepts to the market which will allow us to differentiate our shopping centres and better serve tenants, visitors and clients as retail and consumer trends evolve.

In fact, our business model supports our vision. It is underpinned by our business and sustainability strategies that aim to deliver sustainable financial returns in the short, medium and long term, while creating shared value for society and the environment.

**Looking ahead, what do you see as being the most significant challenges and opportunities for Sonae Sierra, and how are you managing these?**

In addition to the changes in retail and consumer trends already mentioned, there are other key trends which we identified as posing risks and opportunities for our business strategy, and these have influenced the restructuring of our company.

For example, there is currently a lack of development opportunities for shopping centres specifically in mature markets, whilst the trend towards urban regeneration is creating opportunities for developers of mixed-use schemes. We are now reinforcing our competencies in this area so as to be able to offer development services for mixed-use schemes where retail is a core component, in partnership with other developers.

We have foreseen that greater sector professionalisation may lead to an increase in outsourcing. With growing competition in the market, we are evermore pressured to keep our operations profitable, hence our focus on expanding our services to external clients, which enables us to add volume to our business and allocate our resources efficiently. Nonetheless, as we proceed to operate in a capital light mode, our strategy is to maintain a minority stake in assets and secure long term property management service agreements when we execute disposals.

Over the longer term, environmental sustainability, climate change and related socio-economic aspects could pose greater challenges both in terms of increased regulation, costs, physical and infrastructural risks to assets and changes in terms of retail logistics and consumer behaviour. In this context, our strategic focus on creating shared value and reducing the environmental impact of our business puts us in a better position to manage these risks.

All in all, I believe our company is in a strong position to exploit new opportunities to successfully grow our business over the next five years and beyond. All of our business units have a clear competitive advantage based on over 25 years of experience in the shopping centre business. In our core markets we benefit from strong brand recognition and long-standing relationships with tenants. Moreover, we remain well connected with a wide-ranging network of local and international investors across developed and emerging markets to which we offer our unparalleled breadth of expertise and deep knowledge of development, investment and management activities. •

1989

Start of operations of Sonae Imobiliária, formerly Sociedade Portuguesa de Centros Comerciais (SPCC)

Opening of the first shopping centre managed by Sonae Sierra: AlbufeiraShopping, in Portugal (former C.C. Modelo de Albufeira)

1997

Inauguration of Centro Colombo in Portugal (the shopping centre with the greatest number of shops in the Iberian Peninsula)

1999

Globalisation begins with entry into Spain, Greece and Brazil

Inauguration of Centro Vasco da Gama in Portugal

2000

Expansion into Germany and Italy

2005

Sonae Imobiliária becomes Sonae Sierra, seeking to create an internationally-renowned brand in the shopping centre sector

### Sonae Sierra

The Company operates through 12 corporate offices providing services to clients in geographies as diverse as Portugal, Algeria, Brazil, Colombia, Germany, Greece, Italy, Morocco, Romania, Russia, Slovakia, Spain, Tunisia and Turkey. Owned by Sonae, SGPS (Portugal) with 50% and Grosvenor Group Limited (United Kingdom) with 50%

1998

Centro Colombo wins all major awards in the sector - including MIPIM, ICSC and PROCOS

2005

Sonae Sierra awarded ISO 14001 certificate for its Environmental Management System. It is the first company in its sector to achieve this certification at an international level

'Personae' is named the Best Social Responsibility Project by AMCHAM

2008

Sonae Sierra is given the 'Green Thinker Award'

Sonae Sierra achieves the Safety & Health Management System OHSAS 18001 certification; it is the first European company in the shopping centre sector to receive recognition in this area

2009

Sonae Sierra is named the best company in Italy's retail real estate sector with two awards: Liquid Real Estate and Quotidiano Immobiliare

The European Commission commends the company at the Sustainable Energy Europe Awards for its energy management strategy

2010

Sonae Sierra receives the Best Retail Developer' accolade in Portugal, Spain and Italy at the Euromoney Real Estate Awards for Excellence

2007

Expansion to Romania with the acquisition of River Plaza Mall

2010

Expansion to Colombia

2011

Expansion to Morocco

2012

Expansion to Algeria

2013

Expansion to Turkey

2014

Starting of Services Provision in China

First investment in Morocco

2015

Development of a shopping centre in Azerbaijan

2016

Opening of ParkLake (Romania)

**Key Facts**

- Operating across 14 countries in 4 continents
- 45 owned Shopping Centres
- Manage and/or lease 78 Shopping Centres
- 15 projects under development (7 for third parties)
- 5 new projects in pipeline
- Sonae Sierra is organised into five autonomous businesses: Investment Management, Developments, Property Management, Development Services and Brazil
- More than 160 awards

**2016 IN A GLANCE**

- Consolidated Net Profit of € 181 million (compared to €142 million in 2015 - increase of 28%)
- 2,3 million m<sup>2</sup> of total GLA managed
- More than 9.000 tenant contracts
- 425 million visits
- More than €5 million in tenant sales at managed Shopping Centres
- More than 1000 direct employees

**2011**

Sonae Sierra is honoured by the GRESB (Global Real Estate Sustainability Benchmark) for being the company with the most sustainable real-estate investment funds in Europe and the third worldwide

**2013**

The company and its Shopping Centres were awarded 17 times, the most relevant:

ICSC Europe: New developments category, Medium for Le Terrazze  
Green Business Index Awards: five distinctions for Sonae Sierra

**2014**

Distinguished with three prizes (two gold and one silver) at the ICSC Latin American Shopping Centre Awards

Global 100 Awards: Best Retail Developer - Latin America

**2015**

Honoured for the seventh consecutive year by the Euromoney magazine Real estate Awards, winning Best Developer Overall and Best Retail Developer in Portugal

M&A Today Global Awards 2015: Best Retail Developer in Latin America

**2016**

CIJ Awards 2016 - Best Retail Development & Developer of the year for ParkLake and Sonae Sierra

ABRASCE Awards - Two Gold awards and one Silver in the institutional Marketing category for three projects